

Houston Firefighters' Relief and Retirement Fund



*Investing for Firefighters
and Their Families*

Investment Policy Statement

Revision Date: June 21, 2018

Policies and Procedures Manual

INVESTMENT POLICY STATEMENT

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Definitions and Acronyms

Active Management (“Active Management”) – A process employed by the Fund to produce better returns than those of passively managed indexed funds by use of, for example, Investment Managers, Investment Advisors, ETFs, or TAA, which typically rely on analytical research, quantitative models, forecast, regime analysis, judgment and experience in making investment decisions.

Asset Liability Management Study (“ALM Study”) – A comprehensive periodic study commissioned by the Board to examine various aspects of the Fund’s assets and liabilities including, but not limited to, asset allocation and investment strategies along with key asset and liability risk exposures.

Board (“Board”) – The Board of Trustees of the Houston Firefighters’ Relief and Retirement Fund.

Cash and Cash Equivalents (“Cash and Cash Equivalents”) – an asset class characterized by liquidity of one year or less and described in greater detail in Section X of this IPS as an investment category

Chief Investment Officer (“CIO”) – The chief investment officer of the Houston Firefighters’ Relief and Retirement Fund.

Commingled Fund (“Commingled Fund”) – An investment fund consisting of assets from several accounts, which may include non-HFRRF accounts that are blended together so investors may benefit from economies, of scale, lower trading cost, and diversification. Commingled Funds are not publicly traded.

Exchange Traded Fund (“ETF”) – A marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund, and can be traded like a common stock on an exchange.

Fiscal Year (“FY”) – July 1st through June 30th

Fund (“Fund” or “HFRRF”) – The Houston Firefighters’ Relief and Retirement Fund.

Internal Revenue Code (“IRC”) – The United States Internal Revenue Code of 1986, as amended.

Investment Committee (“IC”) – The Investment Committee of the Houston Firefighters’ Relief and Retirement Fund.

Investment Management Agreement (“IMA”) – A formal agreement between an Investment Manager and the Fund stipulating the terms under which the Investment Manager is authorized to act on behalf of the Fund to manage the assets listed in the agreement. The agreement establishes the extent to which the Investment Manager may act in a discretionary capacity to make investment decisions based on a prescribed strategy.

Investment Manager (“Investment Manager”) – An entity that manages Fund assets, usually in a separately managed account, with discretionary authority to invest within the confines of a Fund mandated investment strategy or similar Fund directive, and where the account holdings are typically maintained in the custody of the Fund’s custodian bank.

Investment Policy Statement (“IPS”) – The investment policy statement of the Houston Firefighters’ Relief and Retirement Fund as approved by the Board/IC that provides for the general investment goals and objectives of the Fund.

Investment Program (“IP”) – A system for the investment and administration of the Fund’s assets as outlined in the Fund’s IPS and all applicable laws and regulations.

Market Based Strategies – Investment strategies which are traded on public markets and are based on publicly traded securities. Market based strategies are highly liquid and valued daily.

Net Asset Value (“NAV”) - Market value per unit of the investment vehicle. For public markets, market value is determined daily. For Private Investments, market value is estimated periodically.

Policy Benchmark (“Policy Benchmark”) – The specific standards against which the performance of securities held by the Fund in certain asset classes can be measured. The specific benchmarks are detailed under section “IV. Asset Allocation” and within the tables entitled “SAA & Benchmarks” and “Public Markets Policy Benchmark”.

Private Investment (“Private Investment”) – Strategies in which the Fund invests (typically through an interest in a limited partnership, limited liability company, or through some other binding agreement) in private equity, debt, or real assets not listed on a public exchange.

Risk Appetite (“Risk Appetite”) – The amount of risk that the Fund is willing to take to meet its strategic objectives

Risk Factors (“Risk Factors”) – Underlying characteristics of the portfolio that define risk, return and correlation.

Risk Tolerance (“Risk Tolerance”) – The degree of variability of investment returns relative to the assigned benchmark that the Fund is willing to accept.

Strategic Asset Allocation (“SAA”) – A portfolio strategy that sets long term target allocations for various asset classes and includes periodic rebalancing to maintain these allocations.

Tactical Asset Allocation (“TAA”) – A portfolio strategy that shifts, for a short period of time, the percentage of assets held in various allocation categories to capitalize or manage risk on market or economic environments.

Tracking Error (“Tracking Error”) – A measure of deviation between a portfolio’s returns and the benchmark or index it was meant to mimic or beat.

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I. Introduction

- A. The purpose of this IPS is to assist the Board/IC of the Fund in the investment and management of the Fund's assets. The IPS sets forth those factors governing or guiding the IP of the Fund.
- B. The IP shall assist the Board/IC to increase the corpus of the Fund's assets while maintaining the ability to pay those benefits determined by statute to the Fund retirees and beneficiaries.
- C. The IC is a committee of the whole Board and has the authority to act on all matters related to investments.
- D. The Board/IC manages the IP of the Fund in compliance with all applicable federal and state statutes and regulations concerning the investment of pension assets. Accordingly, the IPS shall be construed in a manner to be consistent with applicable laws and regulations.
- E. The authority to amend these policies and procedures rests solely with the Board/IC.
- F. Nothing contained in this IPS shall be construed as either granting or conferring any rights or remedies upon any third parties with regard to this IPS or otherwise, nor as obligating the Fund to any party in any regard.
- G. The Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of the Fund given prevailing economic and capital market conditions.
- H. The Fund acknowledges the importance and significance of adhering to the Exclusive Benefit Rule as expressed in 401(a) of the IRC, Chapter 16, Section 67, of the Constitution of the State of Texas and Chapter 802 of the Texas Government Code.
- I. The Board must act prudently and must diversify the Fund's investments to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and improve risk adjusted returns. Trustees must avoid conflicts of interest and applicable prohibited transactions described in the IRC.
- J. The Board/IC is responsible for setting the Fund's asset allocation targets, ranges, benchmarks and objectives.

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II. Investment Goals

Investment Objectives:

- A. To ensure effective realization of its purpose as stated herein, the investment time planning horizon shall be 10 years and the long-term investment goals of the Fund shall be to:
1. Preserve the principal of the Fund in real terms.
 2. Earn an investment return over rolling ten-year periods at least equal to the 7.25% target rate of return (which is the same as the actuarial assumed rate of return) net of investment management fees.
 3. Generate an aggregate return in excess of the Fund's Policy Benchmark net of investment management fees over a ten-year period.
 4. Obtain optimal risk adjusted returns without undue risk as defined in the Risk Appetite and Risk Tolerance statement provided below.
 5. Diversify the portfolio with respect to the asset type, currency, geography and risk factors.

Philosophy

- B. In developing the IP, the Board/IC is guided by a set of precepts, upon which all investment decisions depend and which establish the foundation and direction for all investment activity. These precepts are applied by the Board/IC, recognizing the importance of asset allocation and the benefits of diversification. The guiding precepts are as follows:
1. Long-term Focus - The Board/IC recognizes the long-term nature of the Fund's liabilities and an appropriate IP should have long- term assets and strategies.
 2. Active Management - An Active Management philosophy is the belief that over a long-term horizon Active Management will add value over the SAA. The TAA, use of Investment Managers, and Private Investments are the primary tools of the Active Management philosophy.
 3. Strategic Asset Allocation (SAA) - The acceptance of risk is essential for the Fund to meet its long-term investment goals. The SAA is the major determinant of investment performance reflecting the Fund's Risk Appetite, along with the input from comprehensive ALM Studies and guidance from the Board/IC.
 4. Tactical Asset Allocation (TAA) - The TAA reflects the active management philosophy within the Risk Tolerance and is also used to improve diversification across investments with a variety of Risk Factors.

5. Liquidity - The Fund's requirements will be met by structuring the investment portfolio to maintain sufficient highly liquid securities. The liquidity requirements are managed by the Investment staff utilizing a cash forecasting analysis.
6. Diversification - The SAA and the TAA are the primary tools to improve diversification across asset classes and Risk Factors. The IP has the objective of diversifying the risks to minimize the likelihood of large losses. Diversification is also expected to improve risk adjusted returns.

Risk Objectives

- C. The risk objective is to follow the approved Risk Appetite and the Risk Tolerance for investments.
- D. The Risk Appetite is implicit in the choice of the SAA. It is a rolling three-year standard deviation from the monthly returns of the SAA.
- E. Risk Tolerance measures the acceptable variation in outcomes the Fund seeks to achieve. The Risk Tolerance of the Fund is targeted as 400 bps, measured as Tracking Error of the standard deviation of excess returns from the total NAV of Fund assets relative to the Policy Benchmark using monthly time series returns over a three-year rolling period.

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III. Performance Summaries

- A. The reported investment performance of the Fund will be calculated by the Fund's custodian bank, an unaffiliated organization, with recognized expertise in this field and fiduciary level reporting responsibility to the Fund's Board/IC. A calculation will be made for the Fund's aggregate, asset class, and Investment Manager performance consistent with the Global Investment Performance Standards (GIPS®) or a similar standard. Additionally, each Investment Manager is required to keep performance records and report periodically to the Fund's custodian, internal investment staff, and third-party auditor. The Fund's custodian bank will typically perform a calculation for any Investment Manager that has its Fund assets under management custodied by the Fund's custodian bank. If custodian does not have custody of underlying assets of an investment, the custodian will take NAV as duly reported and use that to calculate aggregate Fund level performance.
- B. A time-weighted rate of return calculation shall be used for all Market-Based Strategies and hedge funds. An internal rate of return shall be calculated for Private Investments.
- C. The market value of the Fund shall be maintained on an accrual basis in compliance with applicable Government Accounting Standards Board statements and applicable laws and regulations.
- D. The CIO coordinates the preparation of summaries of the Fund's investment performance. The following formal periodic summaries to the IC shall be the responsibility of the CIO:
 1. Annual summary of the Fund's aggregate, asset class, and Investment Manager investment performance
 2. Consolidated Quarterly summary - line item of each mandate's investment performance and cash flow activity including fees and expenses if applicable
 3. Quarterly - Trust Universe Comparisons Services (TUCS) summary as prepared by Wilshire
 4. Monthly - Asset Allocation
 5. Monthly - Investment Actions Taken
 6. Monthly - Chief Investment Officer's Monthly Activities
 7. Monthly - Managers at a Glance summaries

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IV. Asset Allocation

Strategic Asset Allocation (SAA)

- A. The Board/IC allocates the assets of the Fund to several asset classes with the objective of optimizing the investment return of the Fund within the framework of acceptable risk and diversification.
- B. The SAA is recommended by the investment staff to the Board/IC taking into account the results of the most recent ALM Study. The SAA reflects the Risk Appetite of the Fund's IP. After the conclusion of an ALM Study, a recommendation for the SAA shall be presented by the investment staff for approval by the IC.
- C. The IC will undertake a comprehensive review of the Fund's asset allocation targets and ranges through a periodic ALM Study. Such study shall recommend benchmarks for the Fund and shall help place the development of investment policy into the context of future benefit payments, liabilities, required funding, and the prospective funded status of liabilities. The primary objective of the ALM Study is to determine the asset class mix for the Policy Benchmark consistent with the Risk Appetite of the Fund's IP. In addition, the ALM Study proposes benchmarks for various asset classes which collectively have the best probability of meeting the expected returns.

SAA & Benchmarks

(Approved in April 2016 IC meeting)

Asset Class	Policy Target Weight	Benchmarks
Cash & Short Term	1%	BofAML 9-12 Mo. US Treasury Index
Public Equities- Domestic	17%	Russell 3000 Index
Public Equities- International	17%	MSCI All Country World Ex-US Index
Fixed Income	30%	Barclays US Aggregate Index
Hedge Funds	8%	LIBOR plus 3%
Private Equity	20%	Cambridge Associates US Private Equity 1QA
Real Estate	7%	50% NCREIF Property / 50% NCREIF Timberland

Public Markets Policy Benchmark

(Approved in April 2016 IC meeting)

Asset Class	Policy Target Weight	Benchmarks
Cash & Short Term	1.37%	BofAML 9-12 Mo. US Treasury Index
Public Equities- Domestic	23.29%	Russell 3000 Index
Public Equities- International	23.29%	MSCI All Country World Ex-US Index
Fixed Income	41%	Barclays US Aggregate Index
Hedge Funds	10.96%	LIBOR plus 3%

Tactical Asset Allocation (TAA)

- D. The TAA ranges are necessary for risk management purposes. Each asset class is allowed to operate within TAA ranges established by the IC. The TAA ranges reflect the deviation of the asset class weight relative to the target weight as established in the SAA.

Total Fund TAA ranges

(Approved in April 2016 IC meeting)

Asset Class	Range	Policy Target Weight
Cash & Short-Term Cash Equivalent	0.5% - 5%	1%
Public Equities- Domestic	12% - 30%	17%
Public Equities- International	12% - 30%	17%
Fixed Income	15% - 35%	30%
Hedge Funds	4% - 12%	8%
Private Equity	11% - 25%	20%
Real Estate	4% - 10%	7%

Public Market TAA ranges

(Approved in April 2016 IC meeting)

Asset Class	Range	Policy Target Weight
Cash & Short-Term Cash Equivalent	1% - 7%	1.37%
Public Equities- Domestic	16% - 41%	23.29%
Public Equities- International	16% - 41%	23.29%
Fixed Income	21% - 48%	41%
Hedge Funds	5% - 16%	10.96%

Rebalancing

- E. The CIO, with the written approval of the Board Chairman, may rebalance public asset classes within the TAA ranges. The CIO shall disclose the rebalancing activities to the IC within the next monthly summary of investment actions taken.
- F. Market movements may make asset class weights fall outside the TAA ranges. An asset class is considered outside the TAA ranges for the purpose of rebalancing when the average weight of the asset class during the calendar month falls outside the TAA ranges. The average weight should be calculated as the average of the starting weight and ending weight of the asset class.
- G. If there is expected to be a near-term large cash outflow, the CIO, with the written approval of the Chairman, may replenish cash accounts from public market asset classes, taking into consideration liquidity, trading cost, and TAA ranges. Such action shall not be interpreted to, in itself, satisfy Fund and Fund custodian policies and procedures relating to authorized instructions, including appropriate signatures, concerning the transfer of funds from or to the Fund's accounts. The CIO

shall disclose the rebalancing activities to the IC within the next summary of the monthly investment actions taken.

Investment Event	Investment Authority	Approval Method
Public Market Rebalancing	CIO with Chairman approval	Email Form, Letters
Cash Management	CIO with Chairman approval	Email Form, Letters
SAA Range; TAA Range; Benchmarks; Manager Addition/ Termination; New Mandate or Modify Existing Mandate; ETF Addition/Removal	IC	IC Minutes

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V. Investment Manager Selection, Review and Termination

Selection

- A. To assist the IC in the investment management of the Fund's assets, professional Investment Managers may be retained to implement certain strategies selected by the IC with guidance from the investment staff.
- B. The appropriateness of seeking a new or replacement Investment Manager will be determined by the Fund's most current investment strategy, philosophy, asset class ranges, capital availability or the advisability of replacing an existing Investor Manager in accordance with the retention guidelines of this IPS.
- C. The investment staff, for the recommendation to the IC, shall use a disciplined due diligence process to screen and select Investment Managers consistent with the asset class placement under consideration.
- D. Any new mandate awarded to the existing Investment Managers or a recommendation to modify an existing mandate needs to go through the full due diligence process.
- E. All relevant due diligence documentation for Investment Manager selection, review, retention and termination purposes, should be retained as per the Fund's documentation retention policy.
- F. No Investment Manager shall be given consideration by the IC until/unless the Investment Manager has been placed through the pre-recommendation portion of the Fund's formal due diligence process, but further negotiations by HFRRF are permissible and/or encouraged as applicable. All new or replacement Investment Managers must be approved by the IC along with funding/commitment level subject to conclusion of any further appropriate negotiations or fulfillment of other requirements. Any recommendation to the IC for an investment with an Investment Manager shall include the amount of money to be invested with the Investment Manager as well as the legal vehicle utilized to execute such investment. Any general endorsement or approval of a strategy shall not be sufficient to authorize any investment in itself, without specific IC acknowledgment and approval of the investment amount or investment vehicle.
- G. A recommendation for the new mandate centered on basic terms and other concluded terms shall be presented by the investment staff for approval from the IC. As deemed appropriate by the IC, some outstanding matters may be delegated for successful resolution by consensus of Investments Department and Legal Department (or assigned counsel, if applicable), with subsequent reporting of conclusion by the CIO to the IC. The mandate is initiated only after all appropriate negotiations, documentation and other legal matters are resolved successfully.
- H. Investment staff shall confer with Fund Investment Managers on a regular basis for the purposes of ongoing due diligence and monitoring.
- I. Any Investment Manager may be required to make a presentation to the IC, as deemed appropriate by the CIO or the IC.

Guidelines

J. The following general guidelines are applicable to all Investment Managers as follows:

1. Investment Manager investment philosophy, style, strategy, and structure shall remain consistent and shall not change without the IC's approval. The Investment Manager shall have discretion to manage the portfolio consistent with the agreement(s) governing the Investment Manager's activity for the Fund, the style presented to the IC at the time of selection, or as revised by the IC, and further subject to the restrictions established by the policy herein.
2. The following transactions are prohibited by a fiduciary manager subject to an IMA acting directly on behalf of the Fund: short sales, selling on the Fund's margin, put and call options and the use of derivatives, unless expressly authorized by the IC by vote as to a particular manager, which authorization may be revoked as to new activity.
3. To the extent that any broker, custodian or other Investment Manager would be engaged in a transaction with the Fund in a capacity as a counterparty to the Fund (whether as a principal or on behalf of any other third party or any affiliate), such broker, custodian or other Investment Manager shall promptly disclose such transaction to the Fund and act in a manner that is fair and reasonable in all respects. Transactions shall be executed at competitive cost or best execution.

K. Specific guidelines for each Investment Manager shall be developed and negotiated by the Fund's investment staff and legal counsel and shall be incorporated into an IMA, and/or other binding written agreement as is appropriate for the investment.

L. Quantitative and qualitative performance measures, as well as Investment Manager adherence to applicable guidelines, shall be monitored as are appropriate to each investment. In the case of a conflict between the specific guidelines and the general guidelines, the specific guidelines shall supersede, or be accorded primary weight in any reconciliation. The CIO shall inform the IC of any Investment Manager guideline violations within the next monthly investment actions taken summary.

Investment Manager Termination

M. The CIO may recommend to the IC that an Investment Manager be replaced or terminated. No Investment Manager shall be terminated without the formal approval of the IC. The CIO recommendation for the termination may be based on any of the following reasons:

1. Changes in key staff of the Investment Manager
2. Organizational changes of the Investment Manager (including changes in ownership or legal structure);

3. Non-compliance with investment guidelines or other contract requirements;
4. Issues with SEC compliance, regulatory, legal, reputational and ethical issues, or litigation;
5. Unapproved change in investment style, strategy, or process by the Investment Manager;
6. CIO recommendation to discontinue the mandate as no longer productive to an overall strategy;
7. CIO recognition and recommendation of superior structural formats for pursuing the strategic objective;
8. Long term net of fee risk adjusted and / or relative under performance;
9. Adjustment in portfolio construction;
10. Client service and reporting issues;
11. Performance that is outside expectations;
12. Further retention of the Investment Manager does not advance the interests of the Fund's IP.

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VI. Limited Partnership Interest Investment Selection, Review and Disposal of Interests

Selection

- A. To assist the IC in the investment management of the Fund's assets and mandated diversification, contracted interests in limited partnerships, for example, those related to private equity, real estate, venture capital, and in some cases, public markets, are permitted in a general sense as appropriate investment vehicles, subject to the conditions of this Section.
- B. The appropriateness of seeking to invest in interests in limited partnerships, or any sub-description of limited partnerships, will be determined by the Fund's most current investment strategy, philosophy, asset class ranges, or capital availability.
- C. No limited partnership shall be given consideration by the IC until/unless the limited partnership has been placed through the Fund's formal due diligence process. All relevant due diligence documentation for limited partnership selection, review and termination purposes, should be retained as per the Fund's documentation retention policy.
- D. Provisions for each limited partnership particular to the Fund's needs shall be developed and negotiated by the Fund's investment staff and legal counsel and shall be incorporated into the binding written agreement(s) as is appropriate for the investment.
- E. Investment staff shall review limited partnership investments on regular basis for the purposes of ongoing due diligence and monitoring.
- F. Any recommendation to the IC for a limited partnership investment shall include the amount of money to be invested in the limited partnership as well as the legal vehicle utilized to execute such investment. Any general endorsement or approval of a strategy shall not be sufficient to authorize any investment in itself, without specific IC acknowledgment and approval of the investment amount and the particular investment vehicle.

Disposal of Investment Interests

- G. Retention/termination actions may not be available to the Fund for limited partnership agreements, or may be available with gating or other restrictive provisions. However, to the extent that discretion is available, the IC, based upon a prudent consideration of all costs and benefits to the Fund, may take corrective action by supporting changes in management, selling HFRRF's partnership interest, or terminating HFRRF's subscription, as applicable and legally advisable.

Distributions

- H. Asset and/or foreign currency distributions from Private Investments may be liquidated in a prudent and timely manner by the CIO. The CIO may defer immediate liquidation if specific knowledge provides a reasonable expectation of value improvement, or other investment advantages, through a longer holding period in the foreign currency. The investment staff shall notify the IC of all such actions taken within the next monthly investment actions taken summary.

Limited Partnership Advisory Boards / Committees

- I. Where HFRRF (or an employee or agent of HFRRF) holds a position on the advisory board or similar body of a limited partnership, the appropriate staff member(s) as identified by the Fund's CIO may provide consents, votes, etc. as may be required or appropriate of an advisory board member. The interests of HFRRF in all such advisory board (or similar) actions must be paramount. Employees or agents of HFRRF that have a place on such a board shall not consider themselves to represent the interests of any limited partners except HFRRF in any concrete sense. Any matter placed before such an advisory board that could be expected to result in action taken by the limited partnerships that in turn could reasonably be expected to materially adversely affect the economic interests of HFRRF shall be reported to the IC at the next IC meeting following the disclosure of the proposed action by such advisory board.

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VII. Commingled Fund Selection, Review and Termination

Selection

- A. To assist the IC in the investment management of HFRRF's assets, Commingled Funds, which may, for example only, include investment pools or collective trust vehicles, are approved as appropriate investment vehicles.
- B. The appropriateness of seeking Commingled Funds will be determined by HFRRF's most current investment strategy, philosophy, asset class ranges, or capital availability.
- C. No Commingled Fund shall be given consideration by the IC until/unless the Commingled Fund has been placed through HFRRF's formal due diligence process. All relevant due diligence documentation for Commingled Fund selection, review and termination purposes, should be retained as per HFRRF's documentation retention policy.
- D. Any recommendation to the IC for a Commingled Fund investment shall include the amount of money to be invested in the Commingled Fund as well as the legal vehicle utilized to execute such investment. Any general endorsement or approval of a strategy shall not be sufficient to authorize any investment in itself, without specific IC acknowledgment and approval of the investment amount and particular investment vehicle.
- E. Investment staff shall review Commingled Funds on regular basis for the purposes of ongoing due diligence and monitoring.

Liquidation

- F. The CIO may recommend to the IC that the Fund's interest in a Commingled Fund be replaced or fully liquidated. The Fund's interest in a Commingled Fund shall not be fully liquidated without the formal approval of the IC. The CIO recommendation for the liquidation may be based on any of the following reasons:
 - 1. Issues with SEC compliance, regulatory, legal, reputational and ethical issues, or litigation;
 - 2. Long term net of fee risk adjusted and / or nominal under performance;
 - 3. Adjustment in portfolio construction;
 - 4. CIO recommendation to discontinue the investment as no longer productive to an overall strategy;
 - 5. CIO recognition and recommendation of superior structural formats for pursuing the strategic objective;

6. Further retention of the Fund's interest in the Commingled Fund does not advance the interests of the Fund's IP.

Distributions

- G. Asset and/or foreign currency distributions from Commingled Funds may be liquidated in a prudent and timely manner by the CIO. The CIO may defer immediate liquidation if specific knowledge provides a reasonable expectation of value improvement, or other investment advantages, through a longer holding period in the foreign currency. The investment staff shall notify the IC of all such actions taken within the next monthly investment actions taken summary.

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VIII. ETF Selection, Review and Liquidation

Selection

- A. To assist the IC in the investment management of the Fund's assets, ETFs, are approved as appropriate investment vehicles.
- B. For purposes of this IP, the term ETF includes other exchange traded financial products, even if they are not branded or labelled "ETF".
- C. The appropriateness of seeking any new or replacement ETFs will be determined by HFRRF's most current investment strategy, philosophy, asset class ranges, capital availability, or the need to replace an existing ETF.
- D. No ETF shall be given consideration by the IC until/unless the ETF has been placed through the Fund's formal due diligence process. All relevant due diligence documentation for ETF selection, review and liquidation purposes, should be retained as per the Fund's documentation retention policy. All new or replacement ETF must be approved by the IC along with funding/commitment level. Any recommendation to the IC for investments in ETF's shall include the amount of money to be invested in the ETF as well as the legal vehicle or brokerage utilized to execute such investment. Any general endorsement or approval of a strategy shall not be sufficient to authorize any investment in itself, without specific IC acknowledgment and approval of the investment amount and particular investment vehicle.
- E. Investment staff shall review ETFs on regular basis for the purposes of ongoing due diligence and monitoring.

Liquidation

- F. The CIO may recommend to the IC that the Fund's interest in an ETF be replaced or fully liquidated. The Fund's interest in an ETF shall not be fully liquidated without the formal approval of the IC. The CIO recommendation and justification for the liquidation may be based on any of the following reasons:
 - 1. Issues with SEC compliance, regulatory, legal, reputational and ethical issues, or litigation;
 - 2. Long term net of fee risk adjusted and / or nominal under performance;
 - 3. Adjustment in portfolio construction;
 - 4. CIO recommendation to discontinue the mandate as no longer productive to an overall strategy;
 - 5. CIO recognition and recommendation of superior structural formats for pursuing the strategic objective;

6. Further retention of the Fund's interest in the ETF does not advance the interest of the Fund's IP.

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IX. Discrete Assets and Interests

- A. Other approved investments include assets directly owned by the Fund which may be, for purposes of example only, as a result of in kind distributions from existing HFRRF investments. Such assets may include, but are not limited to, public or private stock, real estate, secured interests in personal property and non-stock interest in a company or firm.
- B. With regard to some types of direct investment, such as holdings of in kind distribution of assets, such investments are permitted as residuals of administering the IP and the Fund but do not constitute strategies of the IP.
- C. Investments in direct ownership of individual real properties, in whole or in part, are not an element of the current investment strategy and are to be scrutinized as an exception. Accordingly, legacy assets of this type may be retained or disposed of by the IC in the best interest of the Fund, consistent with the IP.
- D. For purposes of this IP, ETFs are not considered to fall under this Section, but instead are addressed under Section VIII above.

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X. Cash and Cash Equivalents

- A. To assist the IC in the investment management of the Fund's assets, Cash and Cash Equivalents, are approved as appropriate investment vehicles subject to other provisions of the IP.
- B. Cash and Cash Equivalents include domestic and foreign currency and short-term securities such as commercial paper, repos, money market shares and liquid sweep vehicle deposits or holdings. Cash and Cash Equivalents do not include any instruments or holdings with a maturity date that exceed one year from the issue date.
- C. The appropriateness of holding Cash and Cash Equivalents as an intentional investment and the Fund's cash flow procedures will be determined by the Fund's most current investment strategy, philosophy, asset class ranges, capital availability or the need to replace existing Cash and Cash Equivalents.
- D. Investment staff shall review Cash and Cash Equivalents on regular basis for the purposes of ongoing due diligence and monitoring.

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XI. Other Appropriate Investment Structures or Vehicles

- A. The Board/IC may invest utilizing any investment structure or vehicle it deems most appropriate for the investment and its objectives as permitted under applicable law.

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XII. Investment Agreements

- A. The signature of all agreements, amendments, consents, and letters of instruction shall be in accordance with the Fund's Policies and Procedures Manual Administrative Policies Section 1.0. Unless clearly ancillary, consequent, or otherwise in furtherance of an existing or approved investment, no investment agreements shall be executed on behalf of the Fund without formal approval by the IC. No representative of the Fund (Board or staff) shall represent, written or otherwise, that an investment will be made or an approval of the IC will be given, without the formal approval of the IC. All investment agreements must be reviewed by the legal department for completion of all steps of legal review, negotiation, and approval prior to signature.
- B. With the recommendation of the CIO, the Chairman may execute amendments, consents, extensions, and ancillary documents related to existing investments or those already approved by the IC without the approval of the IC if the resulting changes or allowances do not constitute additional investment or capital committed and
1. are provided for in the governing documents as previously approved by the IC or the Fund; or
 2. if the CIO reasonably believes that such action would have no adverse economic impact on the investment; and
 3. are approved by the legal department as outlined above with the exception of extensions.

The investment staff shall notify the IC of all actions taken within the next monthly investment actions taken summary. If the Committee does not vote to reverse the action (where possible), the Committee shall be deemed to have ratified the action. Notwithstanding the foregoing, consents provided as a member of a limited partnership advisory board or committee may be provided by the CIO subject to the criteria in section VI of the IPS.

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XIII. Miscellaneous

Securities Lending

- A. The Fund may engage in the lending of the Fund owned securities (typically managed in a separate account by a fiduciary manager) for the purpose of generating income from the investment of the related collateral. The income is divided between the Fund and the securities lending agent. The investment staff shall monitor the program and ensure that the lending income is split in accordance with the negotiated rate between the Fund and the securities lending agent.

Commission Recapture

- B. The IC has implemented a brokerage commission recapture program for the purpose of lowering the Fund's transactions costs. The investment staff shall monitor the program and ensure that the recaptured income is directed into the Investment Manager's account according to the commissions generated and the recapture rate negotiated with the brokers used by the Investment Manager. The CIO has discretion to modify arrangements with a brokerage firm, change brokerages, or use alternative brokerages in the best interest of the IP.

Corporate Governance Guidelines

- C. The Investment staff shall review Investment Manager proxy voting reports on a regular basis and report back to the IC.

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