

H.2. Class Structure

A. Legal Structure

The CRO class utilizes a series of Delaware LLC's, one for each CRO investment manager, to ensure transparency of the assets and transactions in each account, ensure the ability to subscribe or redeem units daily, and limit liability. The exception to using an LLC is Treasury Duration Capture portfolios, which may instead utilize a custody account.

B. Components

The CRO class consists of three major components: TDC, STF, and ARC.

Treasury Duration Capture

- Portfolios of long-dated (maturities in excess of 10 years) high-quality bonds (Treasuries and Government-backed high-quality, very liquid agencies) that can be sold in their entirety at market price within 24 to 48 hours.
- Portfolios of cash-collateralized derivatives that mirror the performance of long-dated high-quality bonds and maintain the TDC duration/volatility targets.

Systematic Trend Following

- Long-short portfolios utilizing both cash and derivatives-based instruments to capture both periodic appreciation and periodic depreciation trends that evolve and dissipate across a very wide array of liquid global markets. Risk/volatility is calibrated to a pre-determined level utilizing cash and derivatives-based leverage.

Alternative Return Capture

- Long-short portfolios utilizing both cash and derivatives-based instruments to capture well-researched/documented non-market risk premiums (e.g., momentum, carry, value, low-volatility, etc.) on a continuous basis, utilizing an array of liquid global markets. Risk/volatility is calibrated to a pre-determined level utilizing cash and derivatives-based leverage.

C. Modifications to Class/Component Structure

Modifications to the CRO class's structure can take five potential forms:

- i. Changing the legal structure;
- ii. Adding or deleting a specific component;
- iii. Revising allocation levels and ranges among the components;
- iv. Adjusting the breadth of investment strategies utilized within each component;
- v. Possible use of internal management for the TDC portfolio.

Modifications to the CRO's structure will occur only with approval of the Board of Trustees.

H.4. Manager Investment Guidelines

All investments and investment managers are subject to Section 88-119 (Investments), Hawai'i Revised Statutes, the Derivatives Policy in the Appendix of this section, and the following guidelines. Only the Treasury Duration Capture managers are subject to the Watch Criteria in the Appendix of this section. The ERS CRO Manager, in consultation with the CRO Platform Manager and ERS CIO, may further restrict these guidelines or add guidelines for an investment manager to control risks particular to that manager's style.

A. Treasury Duration Capture Manager Guidelines

Approved Manager(s):	Ryan Labs Asset Management, Inc. Blackrock Financial Management, Inc. (Alternate)
All allowable securities are described in Section 88-119 (Investments), HRS, the Derivatives Policy in the Appendix of this section, and the following guidelines:	
Component:	Treasury Duration Capture
Benchmark:	Barclays Capital U.S. Treasury Long Index
Max. Tracking Error Objective:	3.0% Annualized (applies only to Enhanced Index Strategy) Refer to appendix for Watch Criteria and Return Expectations
Volatility Range:	8% - 18% expected annualized standard deviation
Security Allowances/Restrictions:	<ul style="list-style-type: none"> - The maximum gross leverage (the sum of the absolute values of the long and short notional positions) constraint will be addressed in each manager's IMA. - <i>Acceptable Securities:</i> Only cash, U.S. Treasury and Agency securities, and exchange-traded Treasury futures are allowed. - Specific security-type limits (as % of account net asset value): <ul style="list-style-type: none"> o U.S. Government Agency MBS Max. 10% o U.S. Government Agency Max. 20% o U.S. Treasuries (including futures) Min. 80% o Non-Benchmark Max. 20% - <i>Prohibited Securities:</i> All non-U.S. Treasury/Agency instruments.
Duration Range:	- Enhanced Index Strategy: +/-10% of the duration of the Benchmark.