



INVESTMENT POLICY STATEMENT
(Adopted September 16, 2022, to be effective September 19, 2022)

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EXECUTIVE SUMMARY

This Executive Summary is not intended to replace, and must be read in conjunction with, the Investment Policy Statement (the “Policy”). In the event of a conflict between the Executive Summary and the Policy, the Policy shall govern. Capitalized terms have the meanings assigned to them in the Policy.

Introduction / Background

The Board has the primary fiduciary responsibility for investing TRS trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy. The Board also monitors the actions of the Investment Division to ensure compliance with its policies. The Board and Investment Division are assisted by outside Advisors, Consultants and internal and external legal counsel.

See “Section 1.3 – Roles of Board, Staff, Advisors, and Consultants.”

The Investment Policy Statement provides a formal plan for investing pension trust fund (the “Trust”) and health insurance program assets. The Policy defines the roles and responsibilities of the Investment Division and other parties granted and approved by the Board.

Objectives

The Trust’s objectives are to (a) control risk and (b) achieve a long-term rate of return that exceeds (i) the assumed actuarial rate of return adopted by the Board, (ii) inflation plus 5% and (ii) the Trust’s Policy Benchmark. The Trust is subject to a “prudent person” standard of care under the Texas Constitution.

Authority and Key Restrictions

The Board assigns implementation authority to the Investment Division and as such the Investment Division has created a committee to oversee and implement Board-approved investment policy. The Internal Investment Committee’s (IIC) authority is limited by the size of the investments it can approve without also obtaining approval from the Board. The Chief Investment Officer (CIO) has Special Investment Opportunity authority of up to \$1 billion.

See “Appendix B – IIC Approval Authority and Manager Organization Allocation Limits.”

Asset Allocation

Each broad asset class category outlined below provides a distinct and purposeful role within the Total Fund. The Board sets these asset class targets based on periodic asset allocation and asset/liability studies while seeking to achieve the Trust’s stated

Broad Asset Class Category	Target	Min	Max
Global Equity	54%	47%	61%
Stable Value	21%	14%	28%
Real Return	21%	14%	28%
Risk Parity	8%	0%	13%
Net Asset Allocation Leverage	-4%		
Total	100%		

objectives.

In addition to the target for each broad asset class category target, there are specific targets for subcategories with minimum and maximum ranges that are +/-5% around the target allocation, with certain exceptions.

See “Section 1.6 – Total Fund Asset Mix and Benchmarks.”

Measurement and Reporting

Investment performance, peer performance, policy compliance, asset allocation, external investments activities, derivatives usage, risk limits, liquidity, leverage, private markets strategy, staffing, board and board observer seats, use of placement agents and other information will be monitored and reported to the Board.

See “Section 1.7 – Total Fund Measurement and Reporting Criteria.”

Risk Management

The Investment Division will monitor and manage risk of the Total Fund Portfolio and report to the Board on a periodic basis. Key risks include, but are not limited to: Market Risk, Foreign Exchange Risk, Credit and Counterparty Risk, Leverage, Liquidity, and Tracking Error.

See “Article 10 – Risk Management and Oversight.”

Tracking Error

Neutral tracking error targets are established for certain portfolios of the Trust:

	Neutral	Max
Equity (US)	300 bps	
Equity (International; Non-US, EAFE)	300 bps	
Equity (International; Emerging Markets)	300 bps	
Equity (World Equity)	300 bps	
Stable Value Hedge Funds	400 bps	
Risk Parity	400 bps	
Government Bonds		300 bps
Total Public Fund	100 bps	300 bps

See “Appendix A – Tracking Error Neutral (in annualized basis points).”

ARTICLE 1 – TOTAL FUND AND PORTFOLIO DESIGN

1.1. Introduction

The Teacher Retirement System of Texas (“TRS”) administers a pension trust fund and other health insurance programs for retirees and certain active public education employees under State of Texas constitutional and statutory provisions. TRS is governed by a Board of Trustees (the “Board”). TRS provides service and disability retirement benefits and death and survivor benefits for Texas public education employees and their beneficiaries. Benefits are funded by state and member contributions and investment returns.

1.2. Purpose and Design

The purpose of this Investment Policy Statement (this “Policy”) is to provide a formal plan for investing pension trust fund and health insurance program assets to achieve defined investment objectives consistent with the TRS mission statement adopted by the Board and with applicable law.

This Policy also defines the roles and responsibilities of the various entities involved in the investment process and facilitates internal and external communication of investment policy.

The appendices to this Policy are incorporated into and form part of this Policy for all purposes.

Terms that are not defined within the body of this Policy have the meanings assigned to them in the “Definitions” at the end of this Policy.

Other policies relevant to this Policy and its subject matter include the Code of Ethics for Contractors, Employee Ethics Policy, Trustee Ethics Policy, Personal Trading Policy, Commission Credits Policy, Confidentiality Policy, Information Security Policy, Proxy Voting Policy, and Securities Lending Policy.

1.3. Roles of Board, Staff, Advisors, and Consultants

The Board has the primary fiduciary responsibility for investing TRS trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy, obtains expert advice and assistance, and oversees the employment of a qualified and competent investment staff (the “Investment Division”) and Legal and Compliance. The Board also monitors the actions of staff to ensure compliance with its policies. The Board’s standing committees are charged with those responsibilities set forth in the bylaws of the Board. The Board and the Investment Division are assisted by outside investment Advisors, Consultants and internal and external legal counsel.

- a. The Board Investment Advisors (“Advisors”) are selected by the Board to provide education, advice, commentary, and discussion as requested at Board meetings, assist with development and review of investment policies and procedures, assist with the development of the strategic asset allocation, report on the progress of the Fund in meeting its investment objectives, compare the performance of the portfolio to established benchmarks, and perform additional duties as directed by the Board, such as due diligence or analysis of a manager or investment. The Investment Division and Advisors provide information as needed to assist the consulting actuary in performance of actuarial services.
- b. The Investment Division has fiduciary responsibilities delegated by the Board under applicable law. The Investment Division manages the Fund according to the Board's policies, advises and informs the Executive Director and the Board about investments, and recommends modifications to this Policy. The Investment Division executes all transactions, performs risk-management functions, and prepares investment reports.

- c. The Internal Investment Committee (the “IIC”) reviews, considers, and authorizes proposed investments and external manager engagements as required by this Policy. Additionally, the IIC will manage the currency hedge ratios (set forth in Appendix C) and review as needed.

A prudence or recommendation letter will be required in the following circumstances:

1. When the Board considers authorizing an external investment opportunity because the allocation or commitment exceeds the limits in Appendix B;
2. When the CIO, Executive Director or a Board member requests a letter for any external investment opportunity presented to the IIC; or
3. When an external investment opportunity presented to the IIC meets all three of the following criteria:
 - i. The investment will reside in the principal investment Private Markets Portfolio;
 - ii. The initial allocation or commitment exceeds 0.25% of the Total Fund value; and
 - iii. The investment is the first by TRS with a manager organization.

If a Board member desires that any investment opportunity scheduled for consideration by the IIC be submitted for Board consideration, the Board member should notify the Executive Director and the CIO sufficiently in advance to permit completion of due diligence and consideration by the Board and the appropriate Board committee, as applicable, before the anticipated closing date.

The permanent IIC membership consists of the CIO and the Chief Risk Officer (the “CRO”). There must be a minimum of five members on the IIC and, in addition to the CIO, at least two members must be Investment Division Senior Managing Directors (“SMDs”). The CIO will notify the Chairman of the Investment Management Committee in advance of any designation or removal of a SMD from the IIC. Termination of a member's TRS employment terminates IIC membership as of the date the employee or TRS gives notice of termination, as the case may be. The Investment Division shall notify the Board and the Executive Director if there is any change to the membership of the IIC. The IIC may delegate investment discretion to asset class investment committees as established in IIC procedures and guidelines.

The CIO will establish procedures and guidelines for the operations of the IIC. The IIC procedures and guidelines may provide that the CIO may designate and remove select Directors as non-permanent voting members to the IIC. The IIC procedures and guidelines will define a quorum and establish the vote required to authorize an investment or external manager engagement or, if required by this Policy, recommend an investment or external manager engagement to the Board, which vote may not be less than a majority of the then-incumbent IIC members present and voting at a meeting at which a quorum is present. The CIO shall have the power to veto any investment or delegation of investment discretion authorized or recommended by the IIC pursuant to a vote of its members.

The Executive Director or a designee may attend any meeting of the IIC, and the Investment Division shall deliver to the Executive Director copies of all IIC materials, analyses, correspondence, and agendas as and when delivered to the IIC members or other TRS employees. The Executive Director is not a member of the IIC, however, acting in his or her capacity as the chief executive officer and chief administrative employee of TRS as set forth in the Board’s bylaws, the Executive Director shall, after consultation with the CIO, have the power to veto any investment or delegation of investment discretion proposed for IIC consideration or authorized or recommended by the IIC pursuant to a vote of its members whenever he or she deems such veto to be in TRS’ best interest.

When this Policy requires that the Board authorize an investment or an engagement of an external manager, the IIC shall vote on whether to recommend such investment or engagement to the Board. The results of the vote shall be reported to the Board in the materials provided to the Board for consideration.

- d. All proposed changes to this Policy will be reviewed by Legal and Compliance for compliance with state and federal laws regarding fiduciary responsibility, investment prudence, regulatory compliance, ethics compliance, and other applicable standards or requirements before submission to the Policy

Committee. Except as authorized by the Executive Director, proposed changes to this Policy will first be presented to the Policy Committee, which will consider recommending the proposed changes to the Board. The Board may consider and adopt proposed changes that have not been considered by the Policy Committee. This Policy shall be reviewed at least once every three years.

- e. The Investment Division is authorized to engage qualified Consultants on an as-needed basis to assist the Investment Division with respect to investment opportunities and to provide other investment due diligence, analysis and advice.

1.4. Total Fund Objectives

In this Policy, the total investment portfolio includes all assets invested by TRS to provide retirement, death, health, and disability benefits administered by the system, including cash and cash equivalents (the “Total Fund” or the “Fund”) and will be structured and managed to achieve the following objectives:

- a. Control risk through proper diversification of asset classes and by establishing long-term risk and return expectations; and
- b. As applicable to the pension plan, achieve a long-term rate of return that:
 - i. Exceeds the assumed actuarial rate of return adopted by the Board;
 - ii. Exceeds the long-term rate of inflation by an annualized 5%; and
 - iii. Exceeds the return of the Fund Policy Benchmark.

1.5. Total Fund Investment Standard

Article XVI, Section 67(a)(3) of the Texas Constitution and Section 825.301, Texas Government Code, states that the standard of care for TRS investments is a “prudent person” standard. Section 825.301, Texas Government Code, provides that Section 117.004(b), Property Code, applies to TRS investment decisions. Section 117.004(b) generally states that the determination of the prudence of a single investment decision will be made taking into consideration the investment of all of the assets of the trust, or the assets of the collective investment vehicle, as the case may be, rather than a consideration as to the prudence of the single investment of the trust, or the single investment of the collective investment vehicle, as the case may be.

Environmental, social, and governance (ESG) factors influence the performance of TRS’s investments. In making investment decisions, the Investment Division will consider ESG factors that are material to long-term returns and levels of risk. Materiality of specific ESG factors vary across strategies, companies, sectors, geographies and asset classes.

All investments must be made prudently and in accordance with fiduciary and ethical standards, without promoting interests unrelated to the portfolio’s stated objectives of controlling risk and achieving a long-term rate of return.

All investments made by the Total Fund must be in “securities” as provided by Article XVI, Section 67 (a)(3) of the Texas Constitution and defined in Texas Government Code Section 825.301.

The Investment Division may engage External Managers to provide discretionary investment management services under Investment Management Agreements (“IMAs”) as needed.

1.6. Total Fund Asset Mix and Benchmarks

The Investment Division will assist the Board in engaging in an asset-liability study for the pension plan at least once every five (5) years to review asset classes, return-risk assumptions, and correlation of returns with applicable benchmarks and across asset classes. A key objective of the asset-liability study shall be the development through statistical modeling techniques of a diversified portfolio that specifies ranges of prudent

portfolio exposures and a “long-term target” position for each asset class. The normal portfolio mix will represent the portfolio that is expected to meet the Board's actuarial return objectives for the pension plan within the risk tolerances specified herein.

Each asset class allocation percentage has a “long-term target” position within the overall portfolio and a maximum and minimum range around that target allocation. All percentages refer to market value.

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks, along with the allocation ranges, are identified in the table on the following page, and are referred to as the Policy Benchmarks.

The ultimate expression of risk tolerance by the Board to the Investment Division is the selection of the strategic asset allocation targets, permissible allocation ranges around those targets, and tracking error limits.

[Table appears on following page]

Asset Class	Benchmark	Reference Bloomberg Ticker	Minimum Range^{1,2}	Maximum Range^{1,2,9}	Target²
Global Equity:					
USA	MSCI USA Investible Market ³	MIMUUSAG	13%	23%	18%
Non-US Developed	MSCI EAFE and Canada ³	NDDUEC	8%	18%	13%
Emerging Markets	50% MSCI EM/50% MSCI EM ex China ^{3,10}	NDUEEGF M1CXBRV	4%	14%	9%
Private Equity	Customized State Street Private Equity Index – lagged one quarter ⁴		9%	19%	14%
Total Global Equity	Target-weighted Blend		47%	61%	54%
Stable Value:					
Government Bonds ⁵	Bloomberg Barclays Long Treasury Index	LUTLTRUU	0%	21%	16%
Absolute Return (Including Credit Sensitive Investments) ^{6, 8}	SOFR + 4%	SOFRRATE (Plus 4%)	0%	20%	0%
Stable Value Hedge Funds	HFRI Fund of Funds Conservative	HFRIFOFC	0%	10%	5%
Total Stable Value	Target-weighted Blend		14%	28%	21%
Real Return:					
Real Estate	NCREIF ODCE – lagged one quarter		10%	20%	15%
Energy, Natural Resources and Infrastructure	40% Cambridge Associates Natural Resources/40% Cambridge Associates Infrastructure/20% quarterly Consumer Price Index– lagged one quarter	CPI (for CPI)	1%	11%	6%
Commodities	Goldman Sachs Commodity Index	SPGCCITR	0%	5%	0%
Total Real Return	Target-weighted Blend		14%	28%	21%
Risk Parity:					
Risk Parity	HFR Risk Parity Vol 12 Institutional Index	HFRPV12I	0%	13%	8%
INVESTMENT EXPOSURE				115%	104%
Asset Allocation Leverage:					
Cash	FTSE 3 Month Treasury Bill	SBMMTB3	0%	7%	2%
Asset Allocation Leverage ^{7, 8}	SOFR + 26.161 bp	SOFRRATE (Plus 26.161 bp)			-6%
Net Asset Allocation Leverage					-4%
TOTAL FUND	Target-weighted Blend				100%

1 With respect to the maximum range and minimum range, the CIO may increase any maximum range by 5% or decrease any minimum range by 5% (but may not decrease a minimum range below zero) if the CIO concludes in a writing delivered to the Executive Director and to the Board of Trustees stating the action taken and the reasons why the CIO believes that such increase or decrease would be in the best interests of TRS; provided, the maximum range for Total Global Equity may not be increased above 68%. Before taking action, the CIO must request comments from the Chairman of the appropriate Board Committee and TRS Advisors. The Board, at the next succeeding Board meeting, must authorize the increase or decrease if the CIO proposes that the changes continue in effect after such Board meeting. The CIO will notify the Chief Compliance Officer of any such change to a maximum or minimum range. If the Board does not authorize the continuation of the change to a maximum or minimum range after the next succeeding Board meeting, the Investment Division shall use best efforts to rebalance the portfolio to bring the asset classes within the ranges in the table above within 90 days.

2 To calculate the Total Fund benchmark, the benchmark weight of each of Private Equity, Real Estate, and Energy, Natural Resources and Infrastructure, will be set each quarter as the ending actual weight from the prior quarter. Any difference in the calculated Private Equity, Real Estate and Energy, Natural Resources, and Infrastructure benchmark weights from the target benchmark weights will be offset using other asset classes with 25% of such difference applied to USA, 18% to Non- US Developed, 14% to Emerging Markets, 8% Stable Value Hedge Funds, 12% Risk Parity and 23% to Government Bonds.

The Investment Division does not normally manage the allocations to Private Equity, Real Estate and Energy, Natural Resources and Infrastructure on a tactical basis and will use its best efforts to achieve the Target allocation for these assets classes; provided, with notification to and comment sought from the Chairman of the appropriate Board Committee, the Investment Division may seek to achieve a higher or lower Target so long as such Target is within the Minimum Range and the Maximum Range.

3 Benchmarks will be adjusted for securities TRS is not authorized to own or buy because of this Policy or statutory provisions for which no fiduciary exemption has been exercised and have the Bloomberg Tickers of GU722807, NU722808 and NU722809.

4 The Customized State Street Private Equity Index is composed of the quarterly reported SSPEI, one quarter lagged and adjusted for the most recent quarter-end currency spot prices. Quarterly returns are geometrically linked for longer return horizons. The benchmark is adjusted in each quarter to remove any index constituents which did not provide a valuation statement as of the time of publication.

5 Global sovereign nominal and inflation-linked bonds may be held in the Government Bond portfolio.

6 Absolute Return is a broad category that includes all assets that have a high probability of generating a positive absolute return regardless of market conditions over a one- to three-year period.

7 “Asset Allocation Leverage” reflects any excess allocation to the combined cash and investment exposures that is greater than 100%. Asset Allocation Leverage does not include Strategy Leverage. “Strategy Leverage” is leverage used within an asset class to achieve similar return-risk characteristics as the benchmark.

8 The benchmark will be compounded daily using SOFRRATE index with a one-day lag, Actual/360, and Modified Following day count conventions.

9 The Maximum Range for the Private Equity Asset Class will be 24% until July 31, 2023.

10 The transition period to the new Emerging Markets benchmark will be October 1, 2022, through March 31, 2023 unless the CIO, upon notification to the Chairman of the Investment Management Committee, elects to terminate the transition period.

No later than two business days before the beginning of each month during the transition period, the CIO will notify the Chairman of the Investment Management Committee and Chief Compliance Officer of the designated weights for the two component indices of the Emerging Markets benchmark (MSCI EM and MSCI EM Ex-China) to be used for the following month. The CIO will also provide notice to the Board of the end of the transition period.

1.7. Total Fund Measurement and Reporting Criteria

The Investment Division will deliver reports to the Board (and the appropriate Board committee, as applicable) adequate to indicate whether the Total Fund is meeting its objectives and that will permit the Board to monitor each portfolio for compliance with this Policy. The Board will establish performance and risk measurement and attribution standards for the Total Fund, each asset class, and component portfolios.

The following comparisons and reviews will be performed quarterly (unless otherwise noted) and presented to the Board:

- a. **Investment Performance** – Investment performance for the Total Fund and each component portfolio, net of external management fees (if applicable), will be compared with their respective benchmark indices. Fund performance will be judged primarily by comparisons to long-term (3, 5 and 10 year) Policy Benchmark returns.
- b. **Monitoring of compliance with Policy** – Portfolios will be reviewed for compliance with the requirements set forth in this Policy. The Chief Compliance Officer will have overall responsibility for compliance monitoring. However, if considered necessary, TRS will hire external parties to obtain assistance regarding compliance monitoring. To ensure independence in compliance monitoring, the Chief Compliance Officer or external parties hired will not be given the authority to trade securities. To ensure ongoing compliance with this Policy and completeness of disclosures to the Board regarding compliance, the Chief Compliance Officer has authority to require certifications from applicable IIC members or Managing Directors disclosing known compliance violations. The Chief Compliance Officer reports all known compliance exceptions to the Board at the next meeting of the Board. The Chief Compliance Officer is authorized to execute and deliver compliance-related disclosures, reports, filings and certifications on behalf of TRS. The Chief Compliance Officer, with the CIO and Executive Director’s approval, is also authorized to develop, disseminate and collect disclosure forms to monitor the requirements of this Policy.
- c. **Asset class exposures and weight** – The exposure of cash and derivative instruments to each asset class will be aggregated and compared with their respective benchmarks and with the authorized ranges around those benchmarks. The foregoing does not apply to those accounts designated as using Strategy Leverage to better align the investment with the characteristics of the policy benchmark. Hedge Fund exposure will be reported relative to its statutory limit, if applicable.
- d. **Investments under consideration** – For any external investment under consideration by the Investment Division (including Hedge Funds, External Managers, and private markets investments), the Investment Division will provide the Board the following information prior to the date of the applicable IIC meeting:
 - i. Name of the investment vehicle and investment manager;
 - ii. Total fund or strategy size;
 - iii. TRS investment amount under consideration;
 - iv. Investment strategy;
 - v. Names of the External Manager or fund principals;
 - vi. Projected TRS commitment or funding date;
 - vii. Placement agent or firm sponsoring the offering or engagement, if any;
 - viii. Prospective fees;
 - ix. Other TRS investments with the firm;
 - x. Historical fund or manager performance; and
 - xi. Type of investment representation contemplated and proposed individual to serve, if any.

For any internal investment under consideration, the Investment Division will provide the Board similar information prior to the date of the applicable IIC meeting.

- e. **External investments activities**– The Investment Division will provide the Board with a list of all external investments, including any additions, withdrawals, transfers or terminations, on at least a semi-annual basis.

- f. **Derivatives** – The Investment Division will provide a comprehensive report of all outstanding derivative applications (including derivative types, counterparties, notional amounts, and fair values) used by internal managers and External Managers under IMAs on at least a semi-annual basis.
- g. **Risk limits** – The Investment Division will report at least semi-annually the Total Fund and benchmark total estimated risk relative to the upper and lower bounds corresponding to the maximum and minimum downside risk measures that could be achieved through the asset allocation limits in this Policy.
- h. **Liquidity** – The Investment Division will report at least semi-annually to the Board the use of external liquidity funding mechanisms.
- i. **Leverage** – The Investment Division will report Gross Leverage, Net Asset Allocation Leverage, and Strategy Leverage for portfolios including, but not limited to, Risk Parity and Hedge Funds and leverage resulting from use of external liquidity funding mechanisms as outlined in Section 10.4 Liquidity Risk Management on at least a semi-annual basis.
- j. **Transparency report** – The Investment Division will provide a transparency report to the Board that may be used to disclose any of the required information described herein. This report may be delivered in electronic or physical formats.
- k. **Private Markets Long-Term Strategy** – The Investment Division will review with the Board its long-term strategy for each Private Markets Portfolio at least every three years. This review will include information on target sub- strategy allocation, return, risk and liquidity expectations. Tactical deviations from this long-term strategy will be reviewed with the Board on an annual basis.
- l. **Staffing** – The Investment Division will provide an update no less than annually reporting on key positions in the division, including turnover, transfers and the creation or elimination of key positions.
- m. **Investment Integrity Disclosures** – The Investment Division shall compile all responses to the Investment Integrity Questionnaire (Appendix E) for the purposes of Article 12 and report the results to the Board at least semi-annually. Each report shall include the questionnaire responses completed prior to IIC consideration or other investment authorization under this Policy, and which shall be affirmed as of the applicable closing date. Reports shall disclose whether a Placement Agent has been involved (even if TRS is not burdened by a Placement Fee) and include the amounts and recipients of any political contribution or Placement Fee and the relationship of the recipients to the Placement Agent or Texas Elected Official or Candidate, as applicable.
- n. **Board representation** – The Investment Division shall provide the Board with an annual report on all (i) private investment fund advisory committee positions and (ii) all seats and observer positions on company boards or other governing bodies held by employees or, if applicable, third-party representatives.
- o. **ESG** – The Investment Division will report at least annually to the Board on the Trust’s ESG efforts, methods and results.
- p. **Other information** – Any other information or reports as the Board may request or require from time to time.

1.8. Total Fund Portfolio Implementation and Design; Restrictions

- a. The Total Fund investment portfolio is characterized by the following functional portfolios that are charged with the implementation of day-to-day portfolio investment and management activity:
 - i. Public Markets Portfolios;
 - ii. Private Markets Portfolios; and
 - iii. Overlay Portfolios;

The objectives, authority and limitations of each of these portfolios, and the authorized uses of derivatives, are described throughout the remainder of this Policy.

- b. In no event shall the aggregate allocation to External Managers pursuant to IMAs exceed 30 percent (or a different percentage of not more than 50 percent, if a greater percentage is specified in the Texas Government Code) of the Total Fund at the time of investment. For avoidance of doubt, this restriction does not apply to assets held by funds (including Hedge Funds) which limit the liability of TRS to the capital contributed and any distributions that TRS might be legally obligated to contribute or repay to the fund.

By law, the Hedge Fund Portfolio may not exceed 10% of the Total Fund. Compliance with the statutory limit is determined at the time TRS executes the investment documents for each Hedge Fund investment or additional investment.

- c. Subject to Appendix F, the Investment Division is authorized to represent TRS on:
 - i. Advisory committees or boards and as board observers in investments in which TRS has an investment interest.
 - ii. After evaluation of the net benefit to TRS, employees in the Investment Division are authorized to represent TRS or to nominate or appoint third-party independent non-employees to represent TRS on the governing body of a non-public (private) or a publicly-traded business entity in which TRS holds a direct or indirect investment interest.
- d. Except as required by fiduciary duties created by the Texas Constitution or applicable law, each TRS investment portfolio, including separate account investments, will comply with prohibitions and restrictions on investments imposed on TRS by state law. For the avoidance of doubt, the Policy and its implementation are subject to all applicable state, federal and international laws where and to the extent that such laws are in force. The Board authorizes and requires compliance with such laws. No further action by the Board will be required to implement compliance with an applicable law.
- e. TRS will not invest directly in securities of any company that derives a significant portion of its revenues from products or services intended exclusively to appeal to a prurient interest in sex through explicit depictions of sexual activity. These include sexually explicit films, videos, publications, and software; topless bars and strip clubs; and explicit sexually-oriented telephone and Internet services. The restriction does not apply to pooled investment vehicles, provided that the Investment Division shall engage with the managers of such vehicles and use commercially reasonable efforts during due diligence to determine whether such vehicles invest in any company that would not be eligible for direct investment by TRS.
- f. The General Authority Resolution adopted by the Board designating those employees authorized to execute documents and attached as Appendix D is incorporated in this Investment Policy. Should the Board supersede such resolution, such superseding resolution shall be incorporated in this Investment Policy and replace the superseded resolution as Appendix D as of the effective date of the superseding resolution.

ARTICLE 2 – PUBLIC MARKETS PORTFOLIOS

2.1 Public Markets Portfolios Objectives

The objectives of the Public Markets Portfolios are to invest in publicly traded and Restricted Securities to meet or exceed the performance of the relevant Policy Benchmarks or to manage the asset allocation and risk of the Trust. The Public Markets Portfolios will employ a wide variety of investment and trading strategies with varying levels of liquidity and leverage. It is expected that some strategies will involve more concentrated, shorter term investments as well as those that are longer term in nature and thus will generally have more tracking error, while other investments will have less correlation, beta and volatility and thus will offset the overall volatility of the Public Markets Portfolios and the Total Fund.

2.2 Public Markets Portfolios Authorized Investments

The Public Markets Portfolios are authorized to invest in the following:

- a. All securities in a Policy Benchmark, all securities that trade publicly (whether on an exchange or over the counter) or pursuant to SEC Rule 144A, and securities issued in underwritten initial public offerings (“IPOs”);
- b. Fixed income securities, whether publicly traded or restricted;
- c. Restricted Securities which are expected to become public or otherwise freely marketable within three years after the initial investment date pursuant to registration or an exemption from registration;
- d. Derivatives in accordance with Article 9;
- e. Private Investment Funds including Hedge Funds; and
- f. Cash and cash equivalents.

2.3 Public Markets Portfolios Restrictions

- a. Not more than 20% of the outstanding equity securities of a single class of any company may be purchased. Securities which are deemed to be beneficially held by TRS for purposes of Section 13 of the Securities Exchange Act of 1934 (including equity securities held in an IMA or a Private Fund in which TRS is deemed to be the beneficial owner for purposes of Section 13), shall be counted against the 20% limit.
- b. The Public Markets Portfolios shall conform to the tracking error targets prescribed in Appendix A.
- c. The Public Markets Portfolios that are managed directly by the Investment Division may hold short positions in securities listed in Section 2.2. The aggregate short positions exposure excluding derivatives of the portfolios may not exceed 25% of the market value of the internal equity portfolios of the Trust, nor may any short sale or position violate the laws or rules of any jurisdiction or exchange in or on which the applicable securities are traded or listed.
- d. The market value of Restricted Securities purchased in Public Markets Portfolios pursuant to 2.2c will not exceed 2% of the market value of the Total Fund at time of investment.

2.4 External Public Markets Portfolios

The External Public Markets Portfolios (the “EPM Portfolios”) are:

- a. The External Manager Portfolio, which consists of:
 - i. Private Funds that are determined not to be Hedge Funds as defined by Section 2.5 of this Policy, and
 - ii. Separate accounts managed or advised by External Managers under an IMA with TRS.
- b. The Hedge Fund Portfolio.
- c. The Absolute Return Portfolio including credit sensitive investments.

2.5 Hedge Fund Defined

In this Policy, “Hedge Fund” means a Private Investment Fund with the following general characteristics, as set forth in Section 825.3012, Texas Government Code:

- a. Is not registered as an investment company;
- b. Issues securities only to accredited investors or qualified purchasers under an exemption from registration; and
- c. Engages primarily in strategic trading of securities and other financial instruments.

“Hedge Fund” includes a Private Investment Fund of funds or similar vehicle that itself invests in Hedge Funds. An investment in a Hedge Fund does not involve a delegation of investment discretion to an External Manager for purposes of the statutory limit on delegation to External Managers.

For the purposes of complying with Section 825.3012, Texas Government Code, the Investment Division shall use the following criteria to analyze and determine whether a Private Investment Fund is “primarily engaged in strategic trading” and should be classified as a hedge fund:

Criteria “Strategic Trading of Securities”	Characteristics Non-Hedge Fund	Characteristics Potential Hedge Fund
1. Variability in Asset Class Concentration	Asset allocation typically stays the same throughout a market cycle, as shown by historical practice	Unconstrained; asset class mix can change dynamically in response to market conditions or as opportunities arise
2. Beta to underlying index specified for the particular mandate	Generally higher levels of beta (e.g., 0.75+)	Often less beta (e.g., <0.75)
3. Securities Traded	Primarily publicly-traded securities	Typically public or private instruments, and often with some illiquid (e.g., “side pockets”) investments segregated for accounting and incentive fee purposes
4. Leverage	Gross leverage less than 250% and net leverage 75% to 125%	Unconstrained by policy and practice – managers often unwilling to commit to constraints
5. Short sales of company-specific securities (i.e., non-derivatives)	Typically <50% gross short	Shorting of company-specific securities is integral to investment strategy or process, with gross short positions exceeding 50%
6. Use of Derivatives	Limited use of derivatives (notional value excluding derivatives used to hedge currency risk is less than 100% of net asset value)	Derivatives are integral to strategy or process (notional value excluding derivatives used to hedge currency risk is greater than 100% of net asset value)
7. Transparency	Generally position-level transparency for investor	Risk-level transparency, but little or no position-level transparency
8. Liquidity	Limited use of lock-ups, short or no notice period; frequent (e.g., monthly) or no redemption windows	Often lock-ups, withdrawal fees, notice periods exceeding 30 days and/or less frequent redemption windows than monthly; gates and ability to suspend redemptions can extend redemption for years or frustrate liquidity goals

Criteria “Strategic Trading of Securities”	Characteristics Non-Hedge Fund	Characteristics Potential Hedge Fund
9. Performance Fees	May charge performance fees, but often over asset class hurdle	Generally, manager charges management and performance or incentive fees, or both, but usually with no asset class hurdle

In this Section 2.5:

Beta is a measure of an asset’s volatility in relation to a specific market or risk factor, as observed over a market cycle; the measure of an asset's risk in relation to the market (for example, the S&P500) or to an alternative benchmark or factors. Generally, the return of a security with a beta of 1.5 will be, on average, 1.5 times the market return.

Leverage is a condition in which the net potential monetary exposure of an obligation exceeds the value of the underlying assets supporting the obligation. **Net Leverage** is calculated as the difference between (A) the sum of (i) the market value of all long cash market positions, (ii) the notional value of all long derivative positions, and (B) the sum of (i) the absolute market value of all short cash market positions, and (ii) the absolute notional value of all short derivative positions divided by (C) the net market value of the fund. **Gross Leverage** is the total of (A) the sum of (i) the market value of all long cash market positions, (ii) the notional value of all long derivative positions, (iii) the absolute market value of all short cash market positions, and (iv) the absolute notional value of all short derivative positions divided by (B) the net market value of the fund. For option based instruments, notional value may be calculated using hedge ratios to derive a delta-equivalent exposure.

Proposed investments in funds classified as Hedge Funds will be reported to the Board (and appropriate Board committee, as applicable) quarterly. If the criteria examined do not clearly indicate, based on at least a preponderance of criteria, how a fund should be classified for statutory purposes, the Investment Division may elect to present the pertinent information to the IIC for consideration of classification. Further, if the application of any one or more of the criteria for leverage, short sales, and derivatives, standing alone, would classify the fund as a Hedge Fund, but the preponderance of criteria would classify the fund as a non-Hedge Fund, the Investment Division may either decline to authorize the investment or may elect to present the pertinent information to the IIC for consideration of the classification of the fund and, if applicable, authorization for investment.

At time of consideration, the IIC will approve the allocation of each Hedge Fund to an asset class by reference to factors such as investment strategy, underlying investments, correlation, beta, leverage, expected return and expected risk.

2.6 External Public Markets Portfolio Authorization

- a. **Approval Authority – Hedge Fund, External Manager and Absolute Return Portfolios** – The IIC is hereby authorized to approve investments as defined and set forth in Appendix B of this Policy.

The Investment Division may authorize an allocation to an External Manager even if the manager will invest a portion of the assets in a Private Investment Fund or funds or a tax-qualified collective trust managed by an Affiliate of the External Manager, except that the Investment Division shall determine whether any such fund should be classified as a Hedge Fund for purposes of Section 825.3012, Texas Government Code.

- b. **Short positions limit** – The EPM Portfolios may hold short positions in securities authorized under Section 2.2. The aggregate short positions exposure of the External Manager Portfolio may not exceed 25% of the market value of the External Manager Portfolio without the prior written consent of the CIO. In no event may the aggregate short positions exposure of the External Manager Portfolio exceed 50% of the market value of the External Manager Portfolio, nor may any short sale or position violate the laws or rules of any jurisdiction or exchange in or on which the applicable Securities are traded or listed.

- c. **Allocation Adjustment Authority** – Subject to the limits set forth in this Policy, the CIO, CRO, the heads of Public Markets or EPM may add to previously approved funds or investments for the purposes of rebalancing, increasing allocations or adjusting risks. Such additional investments or allocations shall not, on a monthly basis, exceed 2% of the Hedge Fund Portfolio, External Manager Portfolio, or Absolute Return Portfolio (as appropriate) per investment.
- d. **Termination and Withdrawal Authority** – The CIO, CRO, or the heads of Public Markets or EPM may transfer, sell, withdraw or terminate interests in the Hedge Fund Portfolio, External Manager Portfolio, or Absolute Return Portfolio, provided that the action does not breach the terms and conditions of the applicable investment agreements.

2.7 External Public Markets Portfolio Restrictions

- a. IMAs, considered in the aggregate, may not be used to circumvent the asset allocation parameters, risk guidelines, or any other controls otherwise established by this Policy, including the provisions of Section 2.2.
- b. The EPM Portfolios are subject to the size limitations in Section 1.8b.
- c. Each IMA with an External Manager shall specify the applicable policies, risk controls, portfolio characteristics, reporting requirements, requirements or restrictions, including criteria for determining quality of investments or the use of standard debt-rating services.

2.8 External Public Markets Portfolio Conflicts of Interest

Conflicts of interest, including the appearance of conflicts, in the selection and engagement of external investment managers will be avoided at all times. Potential or actual conflicts of interest must be evaluated during due diligence and after engagement under applicable ethics policies and statutory provisions, including without limitation Section 825.212, Texas Government Code, which does not apply to Hedge Fund managers in that capacity. The Investment Division will develop guidelines and procedures to identify actual or potential conflicts of interest affecting External Managers to be engaged pursuant to IMAs. The Investment Division shall employ reasonable diligence to identify conflicts of interest affecting TRS trustees, employees, Advisors and Consultants with respect to all investments.

2.9 Risk Parity Portfolios

Risk Parity is an asset allocation strategy that focuses upon equalizing the risk contributions of the asset classes or risk factors comprising the portfolio. Risk Parity then uses leverage to scale the resulting portfolio to target a stated level of portfolio risk or return comparable to typical pension fund unleveraged asset allocation strategies.

ARTICLE 3 – PRIVATE MARKETS PORTFOLIOS

3.1 Private Markets Portfolios

The Private Markets Portfolios are (1) the Private Equity Portfolio (the “PE Portfolio”), (2) the Real Estate Portfolio (the “RE Portfolio”) and (3) the Energy, Natural Resources and Infrastructure Portfolio (the “ENRI Portfolio”).

Private markets opportunities that will be considered for investment include the following: investments in securities of any legally permissible investment vehicle, including Private Investment Funds, co-investments, secondary investments, externally managed separate accounts investing in securities, hybrid securities with characteristics of equity or debt, joint ventures, secondary market transactions, entity-level investing or other

off-market investments, new and emerging managers, and opportunistic investments (e.g., investments in the management entity of a private investment firm or sponsor, public-to-private transactions, and the acquisition of business development company or investment trust assets).

3.2 Private Markets Portfolios Authorization

The Private Markets Portfolios are authorized to invest in the asset classes specified in this Policy and may hold and exercise rights, options and warrants attached to securities relating to an investment by the Private Markets Portfolios. In furtherance of the investment activities of TRS, the Private Markets Portfolios are authorized to engage with third parties and provide to them any required investment information for due diligence purposes so long as the recipients have a duty of confidentiality as to the TRS information.

Funding of committed capital in Private Markets Portfolios will occur over an extended time period and may take several years before the total allocation to each asset class is fully invested. Because an individual investment may begin to return capital to the investor prior to the full funding of the investor's commitment, the outstanding invested capital of the investment might at times be substantially less than the total commitment. In recognition of the above characteristics unique to the Private Markets Portfolios, a "committed" allocation to an investment may exceed the respective allocation targets authorized. It will not be a violation of this Policy if changes in the market values of the public assets portfolios or the Private Markets Portfolios cause the market value of the Private Markets Portfolios to exceed the upper limit of the allocation ranges established in this Policy.

Investment Authority. The limits defined and set forth in Appendix B apply to allocations and commitments by the Private Markets Portfolios.

Termination and Withdrawal Authority. The CIO or, as applicable, the heads of Private Markets, Private Equity, Real Estate, or Energy, Natural Resources and Infrastructure may transfer, sell, withdraw or terminate interests in the Private Markets Portfolios in accordance with the investment documents, provided that the action does not breach any agreement to which TRS is legally bound.

Commitment Authorization. Each investment must be authorized as required by the provisions, guidelines, and limitations established in this Policy. Any structure in which TRS invests shall meet established legal requirements.

Additional Allocation Authority. Subject to the limits set forth in this Policy, the CIO or, as applicable, the heads of the Private Markets, Private Equity, Real Estate, or Energy, Natural Resources and Infrastructure Portfolios may add funds to previously approved investments for the purposes of rebalancing, increasing allocations or adjusting risks. Such additional investments or allocations shall not exceed, on a monthly basis, 2% of each of the Private Equity Portfolio, the Real Estate Portfolio or the ENRI Portfolio (respectively, as appropriate) per investment.

ARTICLE 4 – PRIVATE EQUITY PORTFOLIO

4.1 Private Equity Portfolio Objectives

The PE Portfolio will be structured to achieve the following investment objectives:

- a. The primary long-term objective is to develop a prudently diversified portfolio of investments that is expected to enhance the overall risk-return profile of the Total Fund.
- b. Provide competitive returns through capital appreciation.
- c. The following attributes will be considered in constructing a diversified PE Portfolio: strategy, geography, industry sectors, investment size and vintage year.

4.2 Private Equity Portfolio Authorized Investments

Private equity funds build portfolios of private investments in the equity or debt of operating companies. Private equity funds may acquire investments in debt obligations, public or private common and preferred stocks, convertible securities, and any warrants, rights, or options attached to any of the foregoing that relate to equity ownership in an issuer. Privately-acquired securities usually have transfer restrictions and are not as liquid as publicly-traded securities. Private equity funds are often classified by strategy, including: buyouts, credit, special situations and venture capital/growth equity.

4.3 Private Equity Portfolio Restrictions

The Private Equity Portfolio is authorized by and is subject to the terms and conditions described in Article 3.

ARTICLE 5 – REAL ESTATE PORTFOLIO

5.1 Real Estate Portfolio Objectives

The RE Portfolio will be structured to achieve the following investment objectives:

- a. As the primary focus, contribute favorably to diversification of the Total Fund through exposure to real estate's low or negative correlation to the Public Markets Portfolios.
- b. Provide competitive returns through capital appreciation.
- c. The following attributes will be considered in constructing a diversified RE Portfolio: strategy, geography, property types, size of investment, vintage year, and the number of funds or investment managers represented in the portfolio. No specific geographic diversification or leverage targets are required.

5.2 Real Estate Portfolio Authorized Investments

The RE Portfolio will focus on private or public real estate equity securities investments, private or public real estate debt, real asset mezzanine debt or equity, mortgage-related investments, entity-level investments, private or public real estate investment trusts ("REITs"), private or public master limited partnerships ("MLPs"), and other opportunistic investments in real estate.

Real estate investments are often classified by strategy, including: core, core-plus, value-added, opportunistic and special situations.

5.3 Real Estate Portfolio Restrictions

The RE Portfolio is authorized by and is subject to the terms and conditions described in Article 3.

ARTICLE 6 – ENERGY, NATURAL RESOURCES AND INFRASTRUCTURE PORTFOLIO

6.1 Energy, Natural Resources and Infrastructure Portfolio

The ENRI Portfolio will be structured to achieve the following investment objectives:

- a. Contribute favorably to diversification of the Total Fund by increasing exposure to assets with a higher degree of inflation sensitivity.

- b. Provide competitive returns through capital appreciation.
- c. The following attributes will be considered in constructing a diversified ENRI Portfolio: general inflation sensitivity, expected return, strategy, geography, resource exposure, size of investment, vintage year, where investment is in the resources value chain (upstream, midstream or downstream) or infrastructure type, and the number of funds or investment managers represented in the portfolio. No specific geographic diversification or leverage targets are required.

6.2 Energy Natural Resources and Infrastructure Portfolio Authorized Investments

The ENRI Portfolio may invest in private and public energy or natural resource or infrastructure related securities either directly or through funds which may include investments in public or private equity, equity-linked investments including options, warrants, preferred equity, and structured equity, private or public debt, entity-level investments, master limited partnerships, commodity futures, natural resources interests (mineral, royalty or working interests), timber and agricultural property, water, power generation, renewable energy, and associated infrastructure, services and technology. Energy and natural resource investments are often classified by resource type and where the investment is in the resource value chain (upstream, midstream or downstream). Infrastructure assets are classified as core, value-add and opportunistic. Direct investments in physical commodities are prohibited.

6.3 Energy, Natural Resources and Infrastructure Portfolio Restrictions

The ENRI Portfolio is authorized by and is subject to the terms and conditions described in Article 3.

ARTICLE 7 – EMERGING MANAGERS PROGRAM

TRS shall make a good-faith effort to invest with qualified emerging managers for the External Public Markets Portfolios and the Private Markets Portfolios. For the avoidance of doubt, these portfolios may also include investments in energy, natural resources and infrastructure. The Investment Division is authorized to invest with qualified funds-of-funds managers skilled at identifying small and emerging managers in the private equity, real asset and public equity markets. The Emerging Managers Program will target 1.1% of the market value of the Total Fund.

Emerging managers can include, but are not limited to, minority, women, and disabled veteran-owned or -controlled organizations. Conversely, not all minority, women, and disabled veteran-owned or -controlled organizations are necessarily considered emerging managers for the purposes of this program. Whether a management firm is an “emerging manager” depends on all of the facts and circumstances. In general, emerging managers are defined as newer, independent private investment management firms that manage less than \$3 billion, or have a performance track record as a firm shorter than five years, or both.

The Investment Division may engage Emerging Managers Program Consultants without a requirement for approval from the Board. In general, an emerging manager should be registered as an investment adviser with the appropriate authorities if such registration would be consistent with industry practices or is required by law. Each investment will have a minimum size of \$5 million. With respect to the EPM Portfolio, the total investment by TRS with each emerging manager may not exceed 40% of such emerging manager’s assets under management at the time of IIC approval. With respect to the Private Equity Portfolio and the Real Estate Portfolio, the total investment by TRS into each fund raised by an emerging manager may not exceed 40% of the size of such fund at the time of IIC approval. This paragraph does not apply to investments executed as part of a fund-of-funds mandate.

The Investment Division shall document its efforts to identify and expand its investments with qualified emerging managers for the purpose of board and legislative reporting on the methods and results, including data

disaggregated by race, ethnicity, gender, and fund size. All investments under the emerging manager program must be made prudently and in accordance with fiduciary and ethical standards.

ARTICLE 8 – OVERLAY PORTFOLIOS

8.1 Overlay Portfolios Objectives

Overlay Portfolios are designed to manage risk, asset allocation, and market exposures through futures, options, swap contracts, or forward agreements. Overlay Portfolios may be implemented in connection with the Total Fund or with any investment or portfolio within the Total Fund.

8.2 Overlay Portfolios Authorized Investments

Overlay Portfolios may contract for, buy, sell, and hold the following contracts and derivative instruments in accordance with this Policy:

- a. Exchange-traded futures contracts;
- b. Options on exchange-traded futures contracts;
- c. Over-the-counter or exchange-traded swap contracts;
- d. Over-the-counter or exchange-traded option contracts; and
- e. Forward contracts.

8.3 Overlay Portfolios Restrictions

Overlay Portfolios may not be used to circumvent the asset allocation parameters, risk guidelines, or any other controls or restrictions otherwise established by this Policy or applicable law.

When engaging in currency overlay strategies, the Overlay Portfolio may not increase or decrease the net notional exposure of the Total Fund:

- a. To all non-dollar currencies in aggregate by more than 5% of the market value of the Total Fund;
- b. To any single developed market currency (except for the U.S. Dollar) by more than 2% of the market value of the Total Fund; and
- c. To any single emerging market currency by more than 1% of the market value of the Total Fund.

The foregoing percentage limit restrictions do not apply to currency derivatives used (i) as part of the non-discretionary foreign exchange risk management policy described in Section 10.2, (ii) to settle security transactions denominated in those foreign currencies and any authorized instrument or contract intended to manage transaction or currency exchange risk in purchasing and selling investments, and (iii) for hedging the characteristics of an individual investment to align it with the characteristics of such investment's benchmark.

ARTICLE 9 – AUTHORIZED USES OF DERIVATIVES

This Article enumerates the applications, documentation and limitations for the use of derivatives as permitted under Section 825.301, Texas Government Code.

9.1. Derivatives Policy Scope

Except where specifically noted, this Policy applies to all derivatives transactions executed by the Investment Division and by External Managers operating under an IMA. This Policy does not apply to registered or Private Investment Funds issuing securities to TRS.

This Policy applies to all exchange-traded derivatives and over the counter (“OTC”) derivative instruments authorized by law. This Policy does not apply to the use of derivatives by Private Investment Funds unless TRS in fact controls and has a legal right to approve the investment policy or guidelines of such funds.

9.2. Derivatives Use by External Managers and Private Investment Funds (Hedge Funds)

The Total Fund may have external exposure to derivatives in two ways.

- a. First, the Total Fund will invest as a passive investor in Hedge Funds organized as limited-liability entities, which limits potential losses to the capital contributed to the entity. TRS is not a party to the management agreement between the Hedge Fund and its investment manager. Hedge Fund and other fund managers owe the same legal duties to all investors.
 - i. The Investment Division must exercise thorough due diligence in assessing the scope of the Hedge Fund manager’s uses of derivatives, their purpose, experience of the fund manager’s staff in managing these positions, inherent leverage, and the manager’s systems, controls and operations in determining suitability of these entities for TRS investment.
- b. Second, TRS may delegate discretion, through IMAs, to External Managers who act as a TRS agent with respect to Total Fund assets and who are authorized to enter into specified contracts and commitments that will be legally binding on TRS. External Managers are TRS fiduciaries.
 - i. For External Managers engaged pursuant to IMAs, Investment Division must view the External Manager as an extension of the internal Investment Division’s investment management processes and must require External Managers to comply with this Policy and applicable guidelines and law on the use of derivatives to the same extent as the Investment Division. Guidelines for the scope and use of derivatives will be established on a case-by-case basis with each External Manager in the applicable IMA. An External Manager of publicly-traded investments engaged by TRS under an IMA may engage in derivatives transactions only if expressly authorized by, and the transactions are consistent with, the overall investment objectives and restrictions established in the IMA, this Policy, and applicable law. Each IMA must be consistent with applicable law, this Policy, and other TRS policies. An IMA may only authorize such uses of derivative instruments when the Investment Division reasonably concludes after due diligence that the External Manager possesses the experience, expertise, and qualifications to prudently use derivatives, and has appropriate operational, compliance, and risk management personnel, policies, and procedures to effectively monitor and control their use, including the use of leverage.
 - ii. Selection, engagement, and monitoring of External Managers engaged through an IMA requires a clear understanding of the managers’ uses of derivatives, particularly as it relates to various risk controls, compliance functions, and leverage. The Investment Division will monitor risk exposures and leverage on both an individual entity and aggregate basis. The permitted uses of derivatives and leverage by each External Manager must be fully documented in each IMA.

9.3. Derivatives Definition; Authorization

Derivatives are financial instruments the value of which are derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, financial commodities, and currencies). For the purposes of this Policy, derivatives include, without limitation, futures contracts; options; options on futures contracts; forward contracts; swap agreements, including swap contracts with embedded options; any instrument or contract intended to manage transaction or currency exchange risk in

purchasing, selling or holding investments; and any other instrument commonly used by institutional investors to manage institutional investment portfolios. Derivatives, for purposes of this policy, do not include currency forwards with a tenor of 30 days or less if such forwards do not require upfront amounts to be paid or received.

Derivatives may be exchange traded or OTC. Exchange traded derivatives are listed and traded on a national exchange. Fulfillment of the contract is generally guaranteed by the exchange on which the instruments are traded. OTC derivatives are negotiated transactions between a buyer and a counterparty, which may result in non-standard terms.

9.4. Derivatives Applications Permitted

Consistent with the objectives set out in Section 9.1, derivative applications may be used by the Investment Division and External Managers engaged through IMAs to:

- a. Implement investment strategies in a lower cost and efficient manner;
- b. Efficiently manage the Total Fund portfolio by altering the portfolio's market (systematic) exposure in lieu of trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives;
- c. Construct portfolios with risk and return characteristics that could not be efficiently created with cash market securities consistently with the objectives in this Policy and in compliance with applicable law;
- d. Hedge and control risks so that the Total Fund's risk-return profile is more closely aligned with the Total Fund's targeted risk-return profile through purchases or short sales, or both, of appropriate derivatives; and
- e. Facilitate transition trading when holdings must be rebalanced or reallocated among permissible investments as a result of changes to applicable benchmark indexes or policy changes.
- f. External Managers may not engage in derivative applications that are inconsistent with the applicable IMA, this Policy and applicable law, unless specifically authorized by the TRS Board and the IMA has been amended accordingly.

9.5. Derivatives Applications Not Permitted

- a. Derivatives may not be used for speculation. Derivatives are considered speculative if their uses have no material relation to objectives and strategies specified by this Policy or any related policies or resolutions of the Board. Derivatives may not be used for circumventing limitations or restrictions imposed by this Policy or applicable regulatory requirements. Derivative applications may only be used to invest in asset classes that are consistent with TRS's legally permissible policy asset categories (including currencies), implementation strategies, and risk-return characteristics.
- b. Investments in derivatives underlain by physical commodities are prohibited unless such derivatives can be cash-settled whether by contract terms, by rolling the position, or by trading out of the position before a delivery obligation can arise. Standing orders or instructions for rolling or trading out of positions may be used to prevent delivery obligations from arising under commodities derivatives contracts.
- c. The Policy does not apply to or authorize any use of derivatives underlain by single-asset real estate mortgages or title to real estate or property affixed to real estate.

9.6. Derivatives Documentation and Controls

Prior to the implementation of a new internal derivative instrument type or application, the Investment Division shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including, at a minimum, market, modeling, pricing, liquidity, and legal risks), the expected increase or reduction in systematic and idiosyncratic risk resulting from the application, the amount of leverage employed under the strategy, the prudent reasons for employing leverage, and the procedures in place to monitor and manage the

derivative exposure. The documentation will be approved by the CIO and reported to the IIC and the Board (or appropriate Board committee, as applicable) at their next regularly-scheduled quarterly meetings. The Investment Division shall adopt fully documented control procedures to properly account for and value the Total Fund's exposure to each derivatives application, whether internal or external under an IMA. The Investment Division shall establish an appropriate risk management procedure to monitor compliance both internally and by External Managers and will take corrective action if necessary. The Investment Division shall have due regard for operational risks associated with various derivatives strategies, including risk management, accounting systems, liquidity needs, adequate staffing, and staff qualifications.

9.7. Derivatives Limitations

Counterparty Risks: In order to limit the financial risks associated with derivative applications, guidelines for rigorous counterparty selection criteria and ISDA agreements shall be created by the Investment Division to reduce counterparty risk for OTC derivatives. Any counterparty in an OTC derivative transaction with TRS must have a credit rating (which may be a counterparty risk assessment or rating) of at least A- (Standard & Poor's or Fitch) or A3 (Moody's). All OTC derivative transactions, including those managed through IMAs, must be subject to established ISDA Master Agreements or, if centrally cleared, clearing agreements and have full documentation of all legal obligations of both parties to each transaction. All ISDA Master Agreements entered into by or on behalf of TRS by the Investment Division or an External Manager engaged pursuant to an IMA (if applicable) shall provide for netting of obligations. The Investment Division and External Managers may also use collateral arrangements to mitigate counterparty credit or performance risk. The net market value of all OTC derivative positions, including those managed through IMAs, less collateral posted, for any individual counterparty may not exceed \$500 million. The net market value of all OTC derivative positions for any individual counterparty, without consideration of collateral, may not exceed 5% of the total market value of the Fund. If these market-value limits are exceeded, the Investment Division will inform the CIO, Executive Director, and Chairman of the appropriate Board committee as soon as practicable and take appropriate corrective action within a 90-day period or develop a corrective action plan that will be presented to the Board at its next regularly scheduled meeting at which investment matters will be discussed following the initial 90-day corrective action period.

Global Risk Limitations: Notwithstanding other limitations in this Policy, transactions that would cause the aggregate risk exposure of the Total Fund, including externally-managed portfolios, to exceed the aggregate risk limits established by the current asset allocation policies of the Board are not permitted. On a Total Fund basis, the combined economic exposure introduced through both cash and derivative market positions is subject to the asset allocation ranges, risk limits, and other portfolio parameters described in this Policy.

Position Limits: For futures and options positions TRS will comply with all position and aggregate limits established by the applicable regulatory and legal organizations and authorities within each jurisdiction.

9.8. Derivatives Risk Management and Compliance

To ensure compliance with this Article 9, all internally and externally managed derivatives (other than derivatives held in Hedge Funds) must be marked to market on a daily basis by the Fund's external custodian(s), and such daily reports will be reviewed for accuracy by the TRS Risk Management staff and Investment Administration Center personnel. Compliance with the requirements of this Policy will be monitored by the Chief Compliance Officer using information systems and data from internal and external sources. Any violations of this Article 9 will be reported immediately to the Executive Director and to the

CIO, who will determine, if considered material as determined by Chief Compliance Officer, Chief Investment Officer, and Executive Director, the appropriate remedy and report promptly to the Board (and the appropriate Board committee, as applicable).

ARTICLE 10 – RISK MANAGEMENT AND OVERSIGHT

10.1. Market Risk Management

The Investment Division will establish a framework for measuring enterprise-level risk for both the Total Fund Portfolio and the established benchmark, including any transition benchmarks employed during asset allocation shifts. At a minimum, this framework must include a quantified estimate of downside risk (e.g., value-at-risk (“VaR”), estimated shortfall, or various parametric and non-parametric statistics). The Investment Division will monitor the relative positioning of the Total Fund Portfolio vis-à-vis the benchmark no less frequently than monthly.

- a. **Asset allocation limits** – In addition to the Total Fund Portfolio level risk limits, the portfolio will be constrained to the asset allocation percentages and ranges prescribed by this Policy. Accordingly, the total exposure to each asset class must be based on the individual exposures of each cash security and each outstanding derivative contract. The foregoing does not apply to those accounts designated as using strategy leverage to better align the investment with the characteristics of the policy benchmark.
- b. **Risk limit** – The Investment Division will model and monitor the Total Fund Portfolio and benchmark to ensure that the total estimated risk for the Public Markets portion of the Portfolio is within the upper and lower bounds corresponding to the maximum and minimum downside risk measures that could be achieved through the asset allocation limits in this Policy.
- c. **Proxy securities and indices** – If necessary and prudent, the Investment Division will employ proxies to approximate the economic characteristics of actual investments if the terms and conditions of the actual investments or the underlying holdings are not readily available or where the complexity of the underlying investment renders a deterministic model impractical.
- d. **Private market assets holdings** – The Investment Division may include private investments in this analysis either by proxy or by actually modeling the terms and conditions of the underlying exposures; however, if the inclusion of these investments is deemed to distort the true risk characteristics of the portfolio, the Board may approve the use of an alternative methodology for analyzing the risk characteristics of those investments.
- e. **Active risk limits** – In addition to the portfolio-level risk statistics described above, a target tracking error will be imposed on each public asset class mandate. Additionally, a target tracking error will be imposed on the entire public portfolio that takes into account both internally and externally managed portfolios and Private Funds as well as both asset allocation and security selection decisions. These limits are specified in Appendix A.

10.2. Foreign-Exchange Risk Management

The objective of the Foreign-Exchange (“F/X”) policy is to effectively manage portfolio return volatility associated with foreign currency risk. F/X risk is the possibility of a negative currency return as a result of adverse movements in foreign exchange rates. The F/X policy sets forth a structure and implementation plan to determine the level of strategic currency risk that the Fund is willing to tolerate.

Currency hedge ratios will be separately applied to the Fund’s public-markets and private-markets non-dollar exposures. Each currency hedge ratio is the percentage of aggregate, non-dollar currency exposure to be passively hedged. The hedging horizon is intermediate (one to three years). The results of the currency hedge ratio decisions will be presented to the Board (or the appropriate Board committee, as applicable) for approval by the Board and incorporated into the benchmark as prescribed in Appendix C.

From an implementation perspective, an F/X overlay manager would have responsibility for implementing the currency hedge ratio decisions and would not exercise delegated investment discretion. The F/X overlay may be implemented internally or externally. If external, the non-discretionary F/X overlay manager would not fall

under the definition of either an External Manager or a Hedge Fund. A non-discretionary external F/X overlay manager would merely implement the investment decision that has already been made by the IIC.

10.3. Credit Risk Management

- a. **Counterparty exposures** – The maximum allowable unsecured counterparty exposure for OTC derivative transactions is \$500 million, based on the total net market value of all OTC positions held with each counterparty. The total counterparty exposure for each counterparty, including the collateralized portions of these agreements, may not exceed 5% of the market value of the Total Fund. The minimum credit rating (which may be a counterparty risk assessment or rating), based on a nationally recognized statistical rating organization (“NRSRO”), must be at least A- or better at the inception of the contract. For any counterparty that experiences deterioration in credit quality that results in a NRSRO rating below the A- level, subsequent to the inception of transaction, additional eligible collateral may be posted, or the transaction may be terminated.
- b. All OTC derivatives must be governed by an ISDA Master Agreement and Credit Support Annex or, if centrally cleared, by clearing agreements, and must include both close-out netting provisions and collateralization provisions.
- c. Each ISDA Master Agreement must also include a table that delineates the excess purchased securities margin (haircut) required, based on the collateral type, duration, and credit quality.
- d. **Repurchase agreements** – The limit for each counterparty for repurchase transactions and tri-party repurchase transactions may not exceed 5% of the market value of the Total Fund. Each repurchase agreement will be entered into under a widely accepted industry-approved form, such as one approved by SIFMA. A counterparty to a repurchase agreement must be an organization rated A3/A- or better by a NRSRO, unless (i) the counterparty is another entity created by the Texas legislature; (ii) the counterparty is a money-market fund regulated under Rule 2a-7 under the Investment Company Act of 1940 or a fund designed to resemble such a money-market fund regulated under Rule 2a-7 or (iii) the counterparty is a pension fund or retirement system created by a government entity, whether non-U.S. or domestic and approved by the CIO.
- e. **Securities lending** – When securities lending activity is performed by an external third-party lending agent, Investment Division will examine the credit underwriting practices of the lending agent, including enforcement of collateral requirements, counterparty analysis, and surveillance. Additionally, Investment Division will periodically review the securities lending lines by counterparty. A securities lending agent must be an organization rated A- or better by a NRSRO. More detailed information about TRS securities lending activities is specified in the separate Securities Lending Policy.

10.4. Liquidity Risk Management

The objective of Liquidity Risk Management is to ensure that the Fund maintains ample liquidity to meet its funding requirements. The two kinds of requirements which necessitate prudent liquidity are:

- a. Disbursements of benefits and related obligations to plan participants, including retirement, death, health, and disability benefits payments.
- b. TRS investment activities: These are mainly associated with risk management and funding of External Managers and Private Funds. Some examples include:
 - i. Use of derivative instruments requires liquidity for collateral, margin and payment obligations at the time of a reset, call or maturity;
 - ii. TRS funds accounts managed by External Managers; and
 - iii. TRS manages unfunded capital commitments that the Fund is legally obligated to fund when called by general partners.

External Funding Authority

The Investment Division is authorized to establish external funding mechanisms (such as master repurchase agreements with one or more counterparties) and the flexibility to operate in all types of market liquidity environments to allow prudent

management of these funding requirements while achieving a long-term rate of return and adhering to the asset allocation limits outlined in this Policy. In addition to these external funding mechanisms, TRS will maintain adequate funds in its custodial account to cover investment-related obligations. Finally, the Board authorizes the Investment Division to access the cash holdings backing OTC swaps to manage its commitments.

10.5. Operations Risk Management

- a. **Overdrafts** – The Investment Division will monitor the frequency and costs associated with all overdraft activity.
- b. **Custodial Bank(s)** – The Investment Division will conduct on-site due diligence to review the operational controls set in place by all custodial banks. The Investment Division will also consider the extent of remedies provided by the custodian and its overall ability to fulfill its commitments should operational failures occur.

10.6. Settlement Risk Management

The Investment Division will monitor unsettled trade activity by counterparty and instrument type.

10.7. Legal Risk Management

Legal documentation for all accounts, investment subscriptions, External Managers, investments in Private Investment Funds, and derivatives will be reviewed, negotiated and approved for TRS execution by internal or external legal counsel, or both. The Investment Division, in consultation with Legal and Compliance, will exercise diligence to ensure that all contracts are legally binding and enforceable in a suitable venue. The Investment Division will seek the assistance, review, and advice of legal counsel whenever it is prudent to do so. Legal and Compliance has primary responsibility for the engagement of outside legal counsel for investment matters, subject to applicable statutes and rules adopted by the Office of the Attorney General.

10.8. Risk Management Compliance Cure Periods and Remedies

Passive violations – A passive violation occurs when the portfolio breaches a prescribed policy limit as the result of changing market or credit conditions. The Investment Division will report the violation to the Board and will remedy the violation within 90 days of the violation or prepare a written action plan that must be approved by Board resolution to extend the cure period beyond 90 days.

Active violations – An active violation is caused by entering into an agreement or investment that breaches a policy limit at inception or thereafter through failure to monitor. In this case, a thorough analysis of controls will ensue and be reported to the CIO, the Executive Director and the Chairman of the appropriate Board committee, as soon as practical, and to the full Board at its next regularly scheduled meeting at which investment matters will be discussed. The Investment Division will seek to remedy the violation when possible. In instances where the costs of immediate remedies are prohibitive, the Investment Division will develop a corrective action plan that will be submitted to the CIO within a reasonable time after the violation occurs, not to exceed 15 days, depending on the nature and complexity of the investment holding and transactions needed to remedy the violation. The Board will be apprised of the violation at its next regularly scheduled meeting along with the corrective action plan.

10.9. Permitted Sources of Leverage Financing

The Investment Division is authorized to use the following in order to create Strategy or Asset Allocation Leverage:

- a. Derivative strategies in accordance with the risk parameters established by the asset allocation ranges of this Policy and applicable legal restrictions;
- b. Short sales in accordance with this Policy;
- c. F/X hedging in accordance with this Policy;
- d. Risk Parity investments in accordance with this Policy;
- e. Embedded leverage within the Total Fund's Private Fund investments; and
- f. Collateralized fundings including securities lending activities, pledges, repurchase and reverse repurchase agreements and other external funding mechanisms.

Leverage will not be used to exceed the risk parameters established by the asset allocation ranges of this Policy.

ARTICLE 11 – HEALTH INSURANCE PROGRAM PORTFOLIO

11.1. Health Insurance Program Portfolio Objective

The primary objective of the Health Insurance Program Portfolio is to preserve capital through investment in conservative, short-term securities.

11.2. Authorized Investments for the Health Insurance Program Portfolio

Section 404.024, Texas Government Code describes the Authorized Investments employed by the comptroller when he or she invests state funds. The Investment Division shall employ this list of Authorized Investments when the Investment Division invests the Health Insurance Program Portfolio.

ARTICLE 12 – INVESTMENT INTEGRITY POLICY

12.1. Scope

The Investment Integrity Policy (the "IIP") applies to all TRS investment transactions, including without limitation new agreements (including SPACs, follow-on funding and co-investments), sales or transfers of investment interests, increases in funding or capital commitment to an existing relationship or fund, or an amendment that increases management fees or compensation under an agreement. This IIP does not apply to Direct Investments or transactions in publicly traded securities.

The IIP also applies to attempts to influence TRS investment decisions through contacts with TRS trustees, or contacts with, or political contributions made for the benefit of, one or more Texas Candidates or Elected Officials, and also applies to contacts with persons employed by any such candidate or official.

If any provision of the IIP conflicts with a provision of another policy adopted by the Board, the stricter provision shall apply.

This Article 12 does not apply to direct TRS engagements of Consultants and agents in connection with buying or selling privately issued investment interests in the secondary market. A seller in a secondary market transaction is not required to complete an Investment Integrity Questionnaire if the transaction's closing

documents include appropriate representations, warranties and covenants as to the matters addressed in this Article 12 and the Investment Integrity Questionnaire.

12.2. Purpose

The purpose of the IIP is to ensure the integrity of all TRS investment transactions and decisions and conformity with the highest fiduciary, ethical, and legal standards by all parties involved. All investment decisions made by the Board and the Investment Division must be based solely on the merits in conformity with fiduciary standards and applicable law. All advice and investment recommendations made by Consultants must be based solely on the merits after the necessary due diligence. All investment decisions and recommendations must be free of impropriety or improper influence and the appearance of either.

12.3. Philosophy

The Board desires that the Investment Division obtain full disclosure of all matters having the potential to harm TRS's reputation or the integrity of TRS's investment processes, or that could constitute unethical or unlawful conduct during the investment due diligence process.

12.4. Required Disclosures and Questionnaire

All external Fund or Manager Parties and if applicable, all Placement Agents that will receive a Placement Fee in connection with an investment or commitment by TRS, shall provide true and complete written responses to the questionnaire attached hereto as Appendix E prior to IIC consideration or other investment authorization. The Executive Director is authorized to approve such revisions to Appendix E from time to time as he or she deems to be in the best interest of TRS and consistent with the IIP.

In addition, all Fund or Manager Parties who disclose the involvement of a Placement Agent shall provide a detailed description of the services to be performed by the Placement Agent and how the Placement Agent is used (e.g., with all prospects, or only with a subset of prospects). The Investment Division shall obtain a copy or summary of the terms of an agreement to compensate a Placement Agent for the due diligence file. The Investment Division shall provide all prospective Fund or Manager Parties with a copy of the IIP and the Appendix E questionnaire upon commencement of due diligence.

12.5. Contractual Representations, Warranties, and Covenants

Each Fund or Manager Party shall represent and warrant to TRS in the executed closing documents for the transaction that its responses to Appendix E to this Policy and any supplemental inquiries are true, correct, and complete in all material respects as of the closing date, and shall also covenant to update or correct any such responses within 10 business days of becoming aware of any change in the responses. The obligation to update responses survives the closing of the relevant investment transaction.

In addition, each Placement Agent shall fully disclose the terms of its arrangements with a Fund or Manager Party for payment of a Placement Fee and any political contributions by the Placement Agent to any Texas Candidates or Elected Officials, and shall certify as to the matters addressed in Appendix E, as applicable, to TRS in a writing executed by an authorized officer that the disclosures required by the IIP are true and complete in all material respects.

A Placement Agent must agree in writing to pay to TRS a sum equal to its Placement Fees relating to TRS's investment if the Placement Agent's certifications, representations, warranties, or questionnaire responses are untrue or misleading.

A Fund or Manager Party using a Placement Agent must agree in writing to pay to, credit to TRS's capital account, or offset TRS's management fees or outstanding funding commitment with, a sum equal to the Placement Fees due to the Placement Agent with respect to TRS's investment agreement or commitment if the

Fund or Manager Party's certifications, representations, warranties, or questionnaire responses are untrue or misleading.

12.6. Prohibitions

Neither TRS nor any TRS investment shall be burdened with or liable for any Placement Fee. No TRS investment may be made if the transaction involves either (a) a Placement Agent who is not registered with either of the Securities and Exchange Commission or the Financial Industry Regulatory Authority ("FINRA"), or (b) the sharing of a Placement Fee with a non-registered person or entity. No TRS investment may be made if an authorized officer or the board, in consultation with legal counsel, determines that a disclosed contact with a Board member or Texas Candidate or Elected Official, or a

contribution to a Texas Candidate or Elected Official, has created an unacceptable risk to the integrity and reputation of the TRS investment program or has been made in violation of a TRS policy or applicable law. A contact-based referral, without more, by a TRS trustee of either an investment opportunity or a Manager or Fund Party contact to the Executive Director, or Chief Investment Officer does not constitute such a risk or a violation of the IIP.

12.7. Reporting

The investment staff shall compile all responses to the questionnaire and report the results to the Board at least semi-annually. Reports shall include the amounts and recipients of any political contribution or Placement Fee and the relationship of the recipients to the Placement Agent or Texas Candidate or Elected Official, as applicable.

12.8. Definitions

Affiliate – means a person or entity controlled by or under common control with another person or entity.

Direct Investment – means any private placement investment where TRS is a purchasing signatory to a binding securities purchase agreement or any similar acquisition agreement (including an option or rights agreement to acquire such securities in the future), and when delivered, intends to hold the restricted securities directly in the TRS custodian bank.

Fund or Manager Party – means any person or entity offering, sponsoring, proposing, or soliciting a TRS investment transaction or opportunity, purchase or sale of securities, investment contract, investment management agreement, or commitment, and includes:

- a. As to a private investment fund, a fund sponsor, the general partner, managing member, or its equivalent with respect to a fund, fund sponsor, or fund management firm;
- b. As to an external investment manager to be engaged to invest TRS assets pursuant to an investment management agreement, the investment management entity and the parent of such asset management entity; and
- c. As to a private company or similar issuer in a direct or principal investment in securities of the issuer, the entity and an agent, representative, broker or investment bank, officer, director, trustee, manager, or employee of the company or issuer involved.

Without limiting the foregoing, Fund or Manager Party includes any Affiliate, principal, owner, agent, manager, officer, majority or controlling shareholder, director, managing member, or employee having authority to legally bind or otherwise act under actual or apparent authority on behalf of a Fund or Manager Party in connection with a prospective TRS investment. An underwriter in a registered offering is not a Fund or Manager Party or Placement Agent under the IIP.

Placement Agent – includes any third party, whether or not affiliated with a Fund or Manager Party, that is a party to an agreement or arrangement (whether oral or written) with a Fund or Manager Party for the direct or indirect payment of a Placement Fee in connection with a TRS investment. Any other person or entity who claims a Placement Fee or who by agreement with a Placement Agent will share in a Placement Agent's Placement Fee is also deemed to be a Placement Agent whether or not the person or entity is an Affiliate, principal, agent, owner, officer, shareholder, director, managing member, or employee of the first Placement Agent. For the avoidance of doubt, a finder, broker-dealer, originator, fundraiser, financing arranger, or investment bank receiving a Placement Fee is a Placement Agent. An underwriter in a registered offering is not a Fund or Manager Party or Placement Agent under this policy.

Placement Fee – includes any compensation or payment, directly or indirectly, of a commission, finder's fee, or any other consideration or benefit to be paid to a party other than the relevant Fund or Manager Party in connection with a TRS investment, agreement or commitment. An underwriting fee or discount charged in a 144A or registered public offering of securities is not a Placement Fee.

Relative – means a spouse (including an ex-spouse), parent, child (including adopted), sibling, niece, nephew, aunt, or uncle.

SPAC – means a "special purpose acquisition company" with no commercial operations that is formed to raise capital through an initial public offering for the purpose of acquiring an existing company, whether or not pre-identified.

Texas Candidate or Elected Official – includes any candidate for a statewide office or an elected official of the State of Texas, including the governor, lieutenant governor, comptroller of public accounts, attorney general, and any member of the Texas Legislature, and also includes a campaign fund or political action committee, or PAC organized for or on behalf of a Texas statewide candidate or elected official, and any Relative of a Texas statewide candidate or elected official. This definition does not apply to candidates for, or elected officials holding, offices in counties, municipalities, or other local subdivisions of the State of Texas, to state or local judicial candidates or offices of the State of Texas, or to any federal office or judicial position. A candidate for an elective federal office who holds a statewide office is deemed to be a Texas Candidate or Elected Official for purposes of this policy.

TRS Person – means any person listed on Exhibit A attached to Appendix E to this Policy or to any other due diligence document, and includes without limitation any current or former TRS board member, Executive Director, Deputy Director, Chief Financial Officer, Investment Division or Legal and Compliance employee, any investment consultant or actuary, any outside counsel engaged by TRS, and any Relative of a TRS Person, whether or not listed on an Exhibit A, TRS Persons.

APPENDIX A – TRACKING ERROR NEUTRAL (IN ANNUALIZED BASIS POINTS)¹

	Neutral
Equity (USA)	300
Equity (International; Non-US Developed, EAFE)	300
Equity (International; Emerging Markets)	300
Equity (World Equity)	300
Stable Value Hedge Funds	400
Risk Parity	400

	Neutral	Maximum
Government Bonds		300
Total Public Fund Tracking Error	100	300

¹ Tracking error will be measured on a realized basis over a three year period.

APPENDIX B – IIC APPROVAL AUTHORITY AND MANAGER ORGANIZATION ALLOCATION LIMITS

Allocations to a single manager organization may only exceed the limits specified in this Appendix B with the prior authorization of the Board.

Article Affected	Portfolio	Initial Allocation or Commitment with Manager, by Portfolio	Additional or Follow-On Allocation or Commitment with the same Manager, by Portfolio	Total Manager Organization Market Value Limits, by Portfolio	Total Manager Organization Exposure Limits, by Portfolio
2	Public Markets Portfolios	0.5%	1%	3%	5%
4.2	Private Equity Portfolio	0.5%	1%	3%	5%
5.2	Real Estate Portfolio	0.5%	1%	3%	5%
6.2	Energy, Natural Resources and Infrastructure Portfolio	0.5%	1%	3%	5%
Total IIC Approval Authority, each Manager Organization				6%	10%

All allocation or commitment limits are expressed as a percentage of the Total Fund value and are to be calculated as of the date the applicable investment is approved by the IIC or other investment authorization. Exposure is defined as the sum of the market value and unfunded commitments for the purposes of Appendix B. All external investments must be assigned to one of the four portfolios at the time of approval. For the purposes of the Manager Organization Market Value Limit, market value is based on the most recent month-end values provided by the custodian and does not include the proposed investment under consideration.

“Affiliate” means any person directly or indirectly controlling, controlled by, or under common control with, another person. A “manager organization” includes its Affiliates without regard to the names of the entities. The Chief Compliance Officer will be responsible for determining the manager organization’s Affiliates that are applicable for the above limits.

The percentage limit for additional or follow-on allocations or commitments applies to each additional or follow-on allocation or commitment by a listed portfolio to a manager and is in addition to, and not cumulative of, the limit specified for initial allocations or commitments. By way of example, if a portfolio initially allocates 0.2% of the Total Fund to a manager, the portfolio may thereafter allocate or commit up to 1.0% in a single additional or follow-on allocation or commitment to the same manager for a total of 1.2% allocated or committed to the same manager (0.2%+1.0%). If a portfolio initially allocates 0.2%, then makes an additional allocation or commitment of 0.8%, and desires to make a further additional or follow-on allocation to the same manager, the applicable limit for the further additional or follow-on allocation is 1.0% of the Total Fund, for a total of 2.0% allocated or committed to the manager (0.2%+0.8%+1.0%). All investments occurring in the six months prior to the follow-on investment, co-investment or additional investment shall be included in the calculation of the percentage limits. If the initial investment occurred less than six months prior to the current investment, the initial allocation limit of 0.5% rather than the follow-on allocation limit of 1.0% will apply.

In calculating the available limits, returned capital is excluded from the sum of existing total allocations or commitments. Committed capital is included during the applicable investment period of a fund without regard to whether the commitment amount is funded or unfunded or the fund is open-ended. Capital that has been returned but that is subject to recall by a Private Investment Fund is considered to be committed or allocated for the purposes of the limits in this Appendix B.

Authority for Special Investment Opportunities. Notwithstanding the limits set forth in this Appendix B, the CIO may designate an investment opportunity as a “Special Investment Opportunity” if the circumstances indicate a reasonable probability that a rapid investment response will be required in order for TRS to acquire the investment in excess of the limits on Investment Division authority set forth in this Appendix B. Circumstances requiring a rapid response may include, but are not limited to, distressed situations or market dislocations creating opportunities to acquire interests or assets at pricing that

indicates a reasonable probability that the interests or assets are undervalued or will increase in value. The CIO shall notify the Executive Director as promptly as possible of the Special Investment Opportunity. The CIO and the Executive Director shall consult with the Chairman of the Board and the Chairman of the Investment Management Committee and determine if it is not practicable to present the opportunity for consideration by the Board. If the opportunity will not be added to an agenda, and the CIO and the Executive Director conclude that the investment would be in the best interests of TRS, the CIO and the Executive Director may authorize and conclude an investment up to \$1 billion in that Special Investment Opportunity.

After one investment in a Special Investment Opportunity has been made, no further investment in a Special Investment Opportunity may be made until the Board has reauthorized the CIO’s authority to designate a Special Investment Opportunity. Such reauthorization shall renew the CIO’s and the Executive Director’s authority to invest up to \$1 billion in a Special Investment Opportunity under this provision.

APPENDIX C – CURRENCY HEDGE RATIOS

Portfolio	Currency Hedge Ratio
Public Markets Portfolios	0%
Private Markets Portfolios	0%

APPENDIX D – GENERAL AUTHORITY RESOLUTION

Board of Trustees

General Authority Resolutions Adopted July 15, 2022

Investment Group

Resolved, That Investment Division employees holding the following TRS working titles are members of the “Investment Group”:

Chief Investment Officer	Managing Director
Senior Managing Director	Director
Senior Director	

Resolved further, That the Executive Director is authorized and directed to designate in writing those individual members of the **Investment Group** who are authorized within the investment areas designated by the Executive Director, in addition to the Chief Investment Officer, to take any one or more of the following actions authorized below in accordance with these resolutions until the authority is revoked.

Resolved further, That the Executive Director is authorized and directed to designate in writing, by investment area and category or item designation, the specific authorities granted to each authorized member of the **Investment Group**, until the authority is revoked.

A. General Authority for Investment Matters other than Derivatives

Resolved further, That the Chief Investment Officer and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- A.1. Buy, sell, or give orders or instructions for transactions in currencies and securities, and any amendments or modifications of such orders or instructions.
- A.2. Direct Investment Operations personnel to deliver, pay, expend, or receive cash, currencies, monies, securities (including restricted or Rule 144A securities) in connection with a contract to buy or sell securities.
- A.3. Give directions and instructions to members of the **Trading Group** or External Managers relating to execution, brokerage, clearing or settlement of securities transactions.
- A.4. Direct Investment Operations personnel to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including External Manager separate accounts; transfer funds to pay fees under an investment contract; and to instruct other cash movements, including movements of cash to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Notwithstanding any provision of this Section A, authority granted under this Section A does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

B. Investment Contracting Authority other than Derivatives

Resolved further, That the Chief Investment Officer and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- B.1. Make, execute, deliver, waive, modify, amend, renew, extend, assign, terminate, or transfer, in each case in writing, investment-related documents, including without limitation, written contracts, investment management agreements, subscription agreements, capital commitments, account

agreements, consents, certificates, powers of attorney, notes, deeds, security agreements, pledges, mortgages, endorsements, directions and instructions to amend, modify, fix, and execute written investment guidelines in investment management agreements with External Managers and fund managers, and any and all documents necessary or proper to effectuate the authority granted in this Section B.1.

- B.2.** Jointly with a member of the **Financial Group** or the **Executive Group**, execute investment fund redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash or securities to a TRS account by a third-party fund, External Manager, account, debtor, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements, side letter agreements, or other investment-related documents executed by TRS in connection with a new investment, and any amendments or modifications to such documents and agreements other than redemption and withdrawal notices and corresponding instructions for the transfer or delivery by wire or physical transfer of cash or securities.

Notwithstanding any provision of this Section B, the authority granted under this Section B does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

C. Derivatives Authority

Resolved further, That the Chief Investment Officer and any member of the **Investment Group** who is designated by the Executive Director as a member of the derivatives team, in addition to any authority expressly designated by the Executive Director under these resolutions is authorized may act on behalf of TRS to:

- C.1.** Negotiate, make, fix, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, documents related to derivatives transactions, including without limitation, master agreements, schedules, credit support annexes, collateral-management agreements, transaction confirmations, account agreements, and clearing agreements, and deliverables relating to such documents and agreements.
- C.2.** Make, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, disclosures, questionnaires, elections, certifications, or other administrative documents and deliverables related to derivatives accounts or transactions.
- C.3.** Jointly with a member of the **Financial Group** or the **Executive Group**, execute, amend, modify, or terminate documents, directions, and instructions to deliver and pay cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.
- C.4.** Direct Investment Operations personnel to receive cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.
- C.5.** Buy, sell, or give orders or instructions for transactions in derivatives, and any amendments or modifications of such orders or instructions.
- C.6.** Give directions and instructions to members of the **Trading Group** or External Managers relating to execution, brokerage, clearing or settlement of derivatives transactions.

Financial Group

Resolved further, That the “**Financial Group**” comprises employees holding the following TRS working titles:

Chief Financial Officer	Senior Director of Investment Accounting
Deputy Chief Financial Officer	Manager of Investment Accounting
Director of Accounting Operations	Director of Budget and Financial Analysis

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, jointly with an authorized member of the **Investment Group** or the **Executive Group**, to execute redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash, collateral, margin, or securities to a TRS account by a third-party fund, account, debtor, or derivatives counterparty, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements and side letter agreements and any amendments to subscription agreements or side letter agreements.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, to execute authorizations to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including External Manager separate accounts; transfer funds to pay fees under an investment contract; instruct other cash movements, including movements of assets to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS to authorize and direct members of the Investment Accounting team to verify or confirm to a custodian or prime broker any order for the transfer or delivery of currencies, monies, securities, or contracts to any other person.

Executive Group

Resolved further, That the “**Executive Group**” comprises employees holding the TRS working titles of Executive Director and Deputy Executive Director, and each member of the **Executive Group** is authorized and empowered to perform, with respect to a particular matter or transaction, any and all of the acts that any and all employees in the **Investment Group** or the **Financial Group** are authorized to perform, except that when joint action by a member of the **Investment Group** and a member of the **Financial Group** is required, only one member of the **Executive Group** may act jointly with a member of either of the **Investment Group** or the **Financial Group**.

Trading Group

Resolved further, That the “**Trading Group**” comprises the employees holding the following TRS working titles: Managing Director, Director, and Trader. Each member of the **Trading Group** is authorized and empowered on behalf of TRS to take the following actions: to place orders or agree with brokers, dealers and market-makers to purchase or sell securities, derivatives, forward contracts, or currency; to monitor and supervise execution and settlement of such orders or agreements; and to negotiate, fix, and vary the commissions, spreads, or discounts for individual orders or agreements to purchase or sell securities, derivatives, forward contracts, or currency.

Fixed Income, Currency, and Commodities Trading Group

Resolved further, That the “**Fixed Income, Currency, and Commodities (“FICC”) Trading Group**” comprises the employees holding the following TRS working titles: FICC Trader. Each member of the FICC Trading Group is authorized and empowered on behalf of TRS to take the following actions: to place orders or agree with brokers, dealers and market-makers to purchase or sell fixed income securities, derivatives, forward contracts, or currency; to monitor and supervise execution and settlement of such orders or agreements; and to negotiate, fix and vary the commissions, spreads, or discounts for individual orders or agreements to purchase or sell fixed income securities, derivatives, forward contracts, or currency.

Chief Compliance Officer

Resolved further, That the “**Chief Compliance Officer**” is authorized and empowered on behalf of TRS to take the following actions: to execute and deliver compliance-related disclosures, reports, filings, and certifications and, with the Chief Investment Officer and Executive Director’s approval, to develop, disseminate and collect disclosure forms to monitor the requirements of the Investment Policy Statement.

APPENDIX E – INVESTMENT INTEGRITY QUESTIONNAIRE

Date: _____

Fund, Manager Party or Placement Agent:* _____

Investment Name: _____

Completed by: _____

Date submitted: _____

Note: TRS may require completion of a new questionnaire or updating of responses at any time, including as of the closing date for any transaction investment or additional funding. All questions must be answered.

** All capitalized terms have the meaning set forth in Article 12 of the Investment Policy Statement, which is available at:*

https://www.trs.texas.gov/TRS Documents/investment_policy_statement.pdf

1. Contacts with Texas Candidates and Elected Officials; Political Contributions. Has any person lobbied, communicated with, or made political contributions during the past three years on behalf of the Fund or Manager Party to a Texas Candidate or Elected Official in connection with a prospective investment transaction with a Texas state investment entity, including TRS? If the answer is “yes,” please attach a complete list of the name(s) of the entities and individual(s) involved, the approximate dates of the contributions, the amounts of the contributions, a summary of the contacts or communications, and the nature of the discussion in regards to the investment with any Texas state investment entity, including TRS.

YES, see attachment

NO

2. Contacts with TRS Board Members. Has any person lobbied or otherwise communicated on behalf of one or more of the Fund, the Manager Party, or, if applicable, the Placement Agent with a current or former member of the TRS Board of Trustees during the past two years for the purpose of asking the current or former member to seek to influence a decision by the TRS investment staff or a TRS advisor or consultant to recommend that TRS invest? If the answer is “yes,” please attach a complete listing of the name(s) of the entities and individual(s) involved, the approximate dates of the contacts or communications, and the nature of the discussion in regards to this investment.

YES, see attachment

NO

3. Placement Agents and Placement Fees. Is or was the Fund or Manager Party, or if applicable, the Placement Agent, a party to any agreement or arrangement (whether oral or written) to pay a Placement Fee to or for the benefit of any Placement Agent (or any other Placement Agent) with respect to the investment named at the top of this questionnaire?

YES

NO

If the answer to 3 is “NO,” skip to the certification and signature block.

4. If the answer to 3 is “YES,” will a Placement Fee be paid in connection with TRS’s investment in the named investment?

YES, please describe

NO

If the answer to 4 is “NO,” skip to the certification and signature block.

5. If the answer to 4 is “YES”:

A. Please attach list of the name(s) of the person or entity acting as a Placement Agent with a copy of the written agreement or a summary of the agreement creating the obligation to pay a Placement Fee in connection with TRS’s investment. Additionally, please state the amount of the Placement Fee (or the formula for its determination if the amount is not yet determined) and the date of its payment or anticipated payment. If the party to the agreement is an entity, please also list the names of the principal owners, officers, directors, or managing members of the Placement Agent and provide a resume for each such person.

B. Will or did any TRS Person or any Relative of a TRS Person receive, has any such person received, or might any such person receive a “Placement Fee” in connection with TRS’s investment? If the answer is “yes,” please list the name or names of the TRS Person or Relative of a TRS Person and provide details about the terms of the Placement Fee.

YES, see attachment

NO

C. Will or did any Texas Candidate or Elected Official or a Relative of a Texas Candidate or Elected Official receive a Placement Fee in connection with TRS’s investment? If the answer is “yes,” please state in an attachment the name or names of the official and provide details about the terms of the Placement Fee, including the amounts and timing of payments.

YES, see attachment

NO

D. Is the Placement Agent, or any of its Affiliates, registered as a lobbyist in the State of Texas? If so, attach a list of the legal names of the entity and the individual registrants.

YES, see attachment

NO

E. Is the Placement Agent or any of its Affiliates registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or a similar agency outside the United States? Provide an attachment stating the details about each such registration or explaining why registration is not required.

YES, see attachment

NO

F. Did (or will) any third party person or entity who is not employed or otherwise affiliated with a Placement Agent, including a current or former TRS Person, either (1) recommend the Placement Agent or (2) receive a share of a Placement fee or any other economic benefit in connection with TRS’s investment, whether directly or indirectly through a Placement Agent engaged by you? If the answer to this question 5.F is “yes,” please attach the name of the person or entity, the relationship of the person or entity to the Placement Agent and your firm, and provide a description of the arrangement and the reason for the payment, stating whether the person or

entity is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association (or a similar agency outside the United States).

YES, see attachment

NO

G. Will TRS be burdened with or liable for any Placement Fee in connection with TRS's investment in the named investment?

YES

NO

The undersigned certifies, represents and warrants on behalf of the Fund, Manager Party, or Placement Agent(s), as applicable, that (a) it has reviewed and understands Article 12 of the TRS Investment Policy Statement ("Article 12") received with this Questionnaire, and agrees to abide by Article 12's requirements, including the payment obligations in Section 12.5, (b) to the best of its knowledge after due inquiry, its responses to this Questionnaire are true and complete and do not omit any statement or fact necessary to make any statement made not misleading in any material respect, and (c) no other statements or representations, if any, whether oral or written, made by or on behalf of the Fund, the Manager Party, or Placement Agent(s), as applicable, relating to Article 12 and this Questionnaire in connection with TRS's due diligence inquiries or the subject investment transaction were untrue or misleading in any material respect when they were made. The undersigned acknowledges and agrees that in addition to the express remedies required in Article 12 and the transaction documents, which are not intended to be exclusive, TRS reserves all other remedies available to it in law and equity with respect to any untrue or misleading statement. The undersigned agrees to update any such information within 10 business days of becoming aware of any changes or corrections to the responses. The update obligation survives the closing of the investment.

Name of Fund or Manager Party or Placement Agent:

By: _____

Name: _____

Title: _____

Date: _____

Attachment: Exhibit A, TRS Persons

APPENDIX F - EXTERNAL ADVISORY COMMITTEES OR BOARDS, BOARD OBSERVERS, AND BOARD REPRESENTATION

- A. External Advisory Committees or Boards and Board Observers.** A TRS investment-related agreement may provide that an Investment Division employee may represent TRS by serving:
1. On an advisory committee, advisory board, or similar advisory body to a TRS investment vehicle, whether the position is voting or non-voting; or
 2. As a non-voting TRS observer at meetings of the governing body of an investment vehicle, including a business entity, in which TRS has an interest.
- B. Board Representation by a TRS Employee.** A TRS investment-related agreement may provide for TRS representation on the governing body of a non-public (private) or a publicly-traded business entity in which TRS holds a direct or indirect investment interest.
- 1. Requirements:**
 - a. The TRS employee representative may not serve in a position that under applicable law has general liability to third parties, such as a general partnership position.
 - b. The TRS employee representative must comply with internal policies and procedures relating to board representation, including recusal, notice and training requirements.
 - c. An agreement for TRS representation on an external governing body must be in writing and, to the extent possible, address limitations on capacity and fiduciary duties, liability insurance, indemnification, recusal requirements, travel payments or reimbursements, and perquisites provided to persons on the governing body in the entity's ordinary course of business.
 - d. Duties that an employee owes to TRS must be primary. TRS employees representing TRS must comply with recusal determinations made by the Executive Director in consultation with the Chief Compliance Officer and the General Counsel.
 - e. The external entity's insurance and indemnification will be primary relative to any available TRS liability and indemnification coverage.
 - f. If compensation or reimbursement of expenses will be paid, the agreement must require payment of any compensation or reimbursement directly to TRS.
 - 2. Qualification:** A TRS employee representative must hold one of the following TRS titles to be eligible to serve: Senior Investment Manager, Director, Senior Director, Managing Director, Senior Managing Director, or CIO.
 - 3. Authorization:**
 - a. For a non-public (private) entity the CIO in consultation with Legal and Compliance, must authorize an employee to serve.
 - b. For an entity that has issued publicly-traded securities, the CIO and the Executive Director, in consultation with Legal and Compliance, must authorize an employee to serve.
 - c. The CIO may not serve on an external governing body without prior authorization from the Executive Director.
- C. Board Representation by a Non-Employee Independent Third Party.** A TRS investment-related agreement may grant TRS a contractual right or option to appoint, nominate, remove, or replace a non-employee independent third party to serve on the governing body of a business entity in which TRS has or will have an investment interest.
- 1. Requirements:**
 - a. A third-party may not be TRS's agent and shall have full discretion when voting as a member of the governing body.

- b. TRS will not insure or indemnify any third party representative.
- 2. **Qualification:** The third party must be free of conflicts of interest. TRS will require delivery of a background check from a reputable investigatory firm.
- 3. **Authorization:** The third party must be approved by the head of the applicable investment area or the CIO, in consultation with the Executive Director.

DEFINITIONS

In this Policy,

Consultant means a person or entity engaged by the Investment Division pursuant to a defined scope of work to provide studies, assistance, investment management services, due diligence services, and advice relating directly to investment transactions, activities and processes. This definition does not affect any definitions in the Code of Ethics for Contractors.

Custom benchmark means a benchmark created for or specified in an investment vehicle or IMA that is not a Policy Benchmark. Investment guidelines for a vehicle or IMA may include one or more custom benchmarks. Inclusion of a custom benchmark in an IMA does not modify the investments authorized in this Policy.

External Manager means an investment adviser engaged pursuant to an investment agreement to invest TRS assets on a discretionary basis pursuant to contractual guidelines negotiated, prescribed or controlled by TRS. A manager or general partner of a Private Fund is not an External Manager.

Trust or Fund means the overall investment portfolio, including cash and cash equivalents.

Fund Policy Benchmark is a target allocation-weighted aggregation of the individual Policy Benchmarks according to Section 1.6.

Investment Management Agreement or IMA means a contract between TRS and an External Manager for the discretionary investment of TRS assets in securities according to specified guidelines. The account managed by an External Manager is sometimes referred to as a separate account.

Policy Benchmark means the relevant benchmark for an asset class listed in the allocation table in Section 1.6.

Private Investment Fund or Private Fund means any non-publicly traded limited liability investment vehicle aggregating investment capital for reinvestment, including without limitation reinvestment of capital in private companies, other investment funds, real estate, debt instruments, derivatives, commodities, or publicly traded securities. Private Funds generally issue Restricted Securities to investors through private placements.

Publicly traded securities means securities that trade on a national securities exchange or in an over-the-counter market through broker-dealers who make a market in securities.

Restricted Securities means securities acquired under an exemption from registration under the securities laws, such as through private placements, 144A offerings, or Regulation D offerings. Restricted Securities may not be transferred unless they are registered or are exempt from the registration requirements. SEC Rule 144(a)(3) lists types of transactions in which Restricted Securities occur. Privately offered limited partnership and limited liability company interests are usually Restricted Securities.

Securities has the meaning assigned in Section 825.301(a). Whether notes, local access products, warrants or other financial instruments or contracts are securities requires legal analysis.