Crisis Risk Offset Portfolio

The purpose of the Crisis Risk Offset Portfolio is to smooth volatility of the overall ERSRI portfolio by appreciating in value during periods of significant equity market declines. The Crisis Risk Offset Portfolio seeks to achieve this goal through exposure to long-duration U.S. Treasury securities and systematic trend following strategies.

The Crisis Risk Offset Portfolio is expected to produce modest positive real returns across a full market cycle, with strong performance particularly during times of significant equity market declines. The Crisis Risk Offset Portfolio may exhibit high volatility and produce negative returns under certain conditions, particularly during non-crisis periods, but is expected to positively impact the performance of the overall ERSRI portfolio over time by providing diversification during times of significant stress in the equity markets.

Risk that may impact the CRO portfolio include:

- Interest Rate Risk (due to Long Duration Treasury allocation)
- Return premia for momentum-based strategies is not rewarded in the financial markets

The benchmark for the Crisis Risk Offset Portfolio will be a 50/50 blend of the Barclays long duration U.S. Treasury bond index and the Credit Suisse Managed Futures Index™ at 18% volatility. The long duration index parallels the high quality long maturity bond universe. The Credit Suisse Managed Futures Index™ is a systematic trend following strategy that trades a total of 18 futures contracts, providing liquid and diversified exposure to market trends across asset classes, geographies and time horizons. The strategy tracks 16 independent time horizon signals to identify trends across various time horizons, ranging from shorter-term (60 days) to longer-term (360 days).

SIC Investment Philosophy – Crisis Risk Offset Portfolio:

- The SIC expects the CRO portfolio to protect the fund in periods of equity market stress and expects CRO to produce a modest positive real compound return over a full market cycle.

- The Crisis Risk Offset portfolio plays the following roles for the total fund:

    - Diversification of growth risk
    - Negative correlation to growth portfolio assets in times of significant growth market decline
    - Liquidity

As of December 31, 2016, the strategic policy allocation to the crisis risk offset portfolio is apportioned:

Long duration U.S. Treasury	4%
Systematic trend following strategies	4%
Total Crisis Risk Offset Portfolio:	**8%**