

Crisis Protection Class – Systematic Trend Following Portfolio

The purpose of the Crisis Protection Class (CPC) is to protect the portfolio during significant, sustained market crisis, by appreciating in value during periods of significant equity market declines, thus smoothing volatility of the overall ERSRI portfolio. Systematic trend following strategies (STF) represent 50% of the CPC portfolio.

The objective of the trend following allocation in the CPC portfolio is to capitalize on broad market trends in a systematic (rules-based) fashion, particularly during prolonged equity market downturns.

Systematic Trend Following is a long-standing investment strategy that involves buying (going long) markets that have been rising and selling (going short) markets that have been declining, in the belief that those price trends will persist more often than not. Systematic trend following strategies invest in liquid, exchange-traded futures and forwards in multiple markets including equity, fixed income, commodities and currencies.

Risks that may impact the systematic trend following portfolio include:

Systematic trend following may exhibit high volatility, and may produce negative returns under certain periods that exhibit range-bound behavior with no discernible market trends.

However, trend following strategies are 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.

The benchmark for the systematic trend following portfolio will be the Credit Suisse Managed Futures Index™ (18% target volatility). The Credit Suisse Managed Futures Index™ is a systematic trend following strategy that trades multiple futures contracts, providing liquid and diversified exposure to market trends across asset classes, geographies and time horizons.

SIC Investment Philosophy – Systematic Trend Following Portfolio:

- The SIC expects the systematic trend following portfolio to protect the fund in periods of sustained equity market stress and expects systematic trend following portfolio to produce a modest positive real compound return, with low correlation to the remainder of the ERSRI portfolio, over a full market cycle.
- The systematic trend following portfolio is to be viewed in the context of the broader CPC portfolio and its objectives.
- The CPC portfolio systematic trend following strategies play 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

Intra-Manager Rebalancing Guidelines:

Within systematic trend following portfolio, it is the intention to allocate equally to each underlying manager and rebalance to this equal allocation periodically. Rebalancing guidelines are detailed in the CPC Platform Manager policy section.

As of December 31, 2016, the strategic policy allocation to the CPC portfolio is 8%. Systematic trend following strategies represent 50% of the CPC portfolio.

Total systematic trend following Portfolio: 4%