Inflation Protection Class Discussion Draft #2

The purpose of the inflation protection class is to protect against unanticipated spikes in inflation or long periods of inflation that can have a detrimental impact on the long-term purchasing power of an asset portfolio. The inflation protection class is designed to provide exposure to assets with valuations that are sensitive to potential future rises in inflation through explicit (legal contract) or implicit adjustment of income to changes in inflation rates.

The inflation protection class seeks to achieve this goal through exposure to public and private debt and equity assets; including but not limited to Private Infrastructure/Agriculture/Timber , Private Core Real Estate, Global Inflation Linked Bonds (GILBS) or TIPS, and liquid natural resources . A diversified portfolio of these assets is expected to provide protection from rising inflation, diversification and an element of growth return.

Since there is no asset that is perfectly correlated with inflation, in shorter time periods market forces and asset correlations could overwhelm the impact of inflation on the inflation protection class portfolio. Therefore, the inflation protection class may deviate from its intended role in the short-term. Results will be judged over a rolling 5 year period.

The Inflation protection class is expected to produce ~3% real return across a full market cycle. The Inflation protection class may exhibit price volatility in certain environments. The total Inflation protection class should exhibit volatility lower than the publicly traded equity market.

Inflation protection class strategic policy:

Private Core Real Estate	30-60%
Private Infrastructure/Agriculture/Timber	15-45%
GILBS (or TIPS)	0-25%
Natural Resources (Liquid)	0-25%

The targeted maximum allocation to private assets is 80%. The portfolio may deviate from the strategic policy as market conditions and funding conditions permit within the ranges above. As of 8/23/17, the asset class weights (Core Real Estate, Infrastructure, etc.) may fall outside of the ranges above for a 6-12 month transition period.

Asset	Benchmark
Private Core Real Estate	NFI-ODCE Index
Private Infrastructure*	CPI +4%
GILBS (or TIPS)	Bloomberg Barclays 1-10 Year TIPs Index
Natural Resources	Bloomberg Commodity Index TR

- Includes agriculture/timber

Inflation protection class benchmark will be a weighted average of the individual assets' benchmarks.

Risks that may impact the Inflation protection class include:

- Illiquidity risk (private assets)
- Growth risk
- Real interest rate risk
- Active management Risk

SIC Investment Philosophy – Income Class Portfolio:

- The SIC expects the Inflation protection class to provide ~3% real return over rolling 5 year periods

- The Inflation protection class plays the following roles for the total fund:
  - inflation protection (primary goal)
  - diversification
  - principal appreciation

As of August 2017, the strategic policy allocation to the Inflation protection class is 8%

RI SIC approved: ______________________