

Opportunistic Credit Program Guidelines

Last Update: March 11, 2020

Opportunistic Credit Investments

- A. Allocations within the strategy will be broadly focused on credit opportunities that exist for the following reasons:
 - a) Lack of availability of credit due to inefficient markets or to market dislocations
 - b) To take advantage of a structural market change
 - c) Mispricing either within a market and/or industry
 - d) Ability to capture an illiquidity premium relative to liquid market investments
 - e) Desirable risk-adjusted return that is lower than the asset class for which the underlying investment would be related

Program Management

- B. ERS will diversify across;
 - a) Investment manager/general partner
 - b) Investment sub-strategy
 - c) Geography
 - d) Vintage year

Portfolio Construction Methodology

- C. The Opportunistic Credit Portfolio will be managed using a Core/Satellite approach:
 - a) **Core Investments.** Core investments will focus on opportunities that primarily have known cash flows where a significant portion of the total return will be associated with a yield earned on the underlying investment
 - b) **Satellite investments.** Satellite investments will carry a higher risk/reward return profile
 - i) Uncertain cash flows associated with the underlying investment
 - ii) Will most likely occur given either cyclical or structural issues residing in a particular market
 - iii) Often purchased at a significant discount to their fair market value
 - iv) May be associated with stressed/distressed investing
 - c) **Co-Investments.** Co-investment opportunities may occur on a periodic basis and will be evaluated on a deal-by-deal basis

Strategic Allocations

- A. The target ranges and upper policy limits for the Opportunistic Credit portfolio by strategy are specified to ensure that the portfolio remains sufficiently diversified

Opportunistic Credit Portfolio		
Strategy Class	Targeted Range	
	Min	Max
Direct Lending	0%	40%
Mezzanine Financing	0%	20%
Specialty Financing -Private Lending	0%	50/75%
Distressed/Stressed	0%	15/40%
Structured Credit Products	0%	1/25%
Real Estate Credit		
Real Assets and Esoteric Credit	0%	25%

Opportunistic Credit Portfolio		
Strategy Class	Targeted Range	
	Min	Max
North America	50%	100%
Europe	0%	50%
Asia/Rest of World	0%	25%

- B. Targets refer to the percentage of total capital allocated to the Opportunistic Credit portfolio and will include both invested and committed capital