

Manager's Investment Specifications

Private Placement Asset-Backed Bond Portfolio

1. INVESTMENT OBJECTIVE

The investment objective of the portfolio is to generate long-term performance and stable income by investing in private placement asset-backed debt instruments. The Manager ("Manager") shall invest and reinvest the cash and securities allocated to them and deposited in their account in accordance with the standard of care set forth in the Agreement. Manager shall not make a distinction between principal and income and shall prioritize preservation of capital.

The assets in the Account shall be at least 95% invested in Private Placement Asset-Backed Bonds (as defined below) unless Manager has received prior written approval from NYSIF for an allocation below that level. Amounts not invested in Private Placement Asset-Backed Bonds shall be invested in accordance with the terms outlined below.

2. PERFORMANCE BENCHMARK

The total return of the portfolio will be compared to the total return of the index (to be determined during the Manager's Investment Specifications discussion phase), which will serve as the "Benchmark".

There are two return objectives for the portfolio (annualized):

- a) Spread over the Benchmark over rolling 2-calendar year periods – (the spread premium to be determined during the Manager's Investment Specifications discussion phase)
- b) Total return outperformance versus the Benchmark over rolling 3-calendar year periods (the spread premium to be determined during the Manager's Investment Specifications discussion phase)

3. PERMISSIBLE INVESTMENTS

Account may invest in any or all the following:

USD Private Placement Asset-Backed Bonds

"Private Placement Asset-Backed Bonds" shall include any asset-backed debt instrument that meets all of the following Eligibility Criteria:

- USD-denominated, fixed or floating rate coupon
- Not registered with the SEC at the time of purchase and not bearing any registration rights
- Complying with the rating requirements for "Long Term Securities" specified in Section 5 hereof

Risk data must be available in a portfolio management system, such as Aladdin

For Amounts Not Invested in Private Placement Asset-backed Bonds

- Cash
- Cash equivalents, subject to the following restrictions. Any money-market instrument must have no fewer than two short-term ratings from the following list: P-1 or MIG1 or VMIG1 (Moody's); A-1 or SP-1 (S&P); F1 (Fitch).

- If an instrument has three ratings and one such rating is not in the top category (*e.g.*, P-2/A-1/F1), then that rating (*i.e.*, the P-2 in that example) must have an outlook no worse than stable.
- Money-market funds, which must have no fewer than two mutual-fund ratings from the following list: Aaa-mf (Moody's) / AAAM (S&P) / AAAMmf (Fitch).
- Direct obligations of the United States Treasury

Note: Excess cash in the account will remain on deposit under an Interest-Bearing Deposit option by a designated agent bank (the "Designated Agent Bank") which shall be the custodian selected by NYSIF. Proceeds and contributing yield on such investment will be credited to the Manager's Account and performance. Manager has discretion (but no obligation) to invest cash in other cash equivalents that offer a higher interest rate than that rate which the Designated Agent Bank has agreed to provide NYSIF, as deemed appropriate and in the best interest of the portfolio objectives.

4. PROHIBITED INVESTMENTS

- Derivatives, leverage, and short selling
- Non-USD denominated debt
- Cayman Islands domiciled debt
- Bonds with a final maturity greater than 31 years from time of purchase
- Debt of issuers domiciled in non-OECD countries, Chile, Colombia, Costa Rica, Mexico, and Turkey
- Subject to Section 5, Bonds with a Rating (as defined below) worse than Baa3/BBB- or an expected NAIC designation of "3" or greater at the time of purchase

5. CREDIT QUALITY

Short term securities, including cash and cash equivalents, must meet the ratings criteria noted in Section 3, above.

For Long Term Securities, the evaluation of credit quality at any time during the life of the portfolio shall rely on the available determination(s), if any, of the Securities Valuation Office of the National Association of Insurance Commissioners ("NAIC") or Moody's, S&P and/or Fitch. In these guidelines, the word "Rating" shall stand in for any designation analogous to a credit rating, no matter the term used in practice therefor.

The order of determination shall prioritize an actual NAIC Rating. If an actual NAIC Rating is not available at the time of evaluation, an implied NAIC Rating shall be used. If an implied NAIC Rating is not available at the time of evaluation, the rating(s) of Moody's, S&P or Fitch shall be used (subject to the methodology described in the next paragraph for calculating a Rating from these agencies' ratings). In the absence of an external Rating at the time of evaluation, the Manager's internal Rating shall be used. However, for any given holding, an evaluation may rely on the Manager's internal Rating for no longer than one year after the first instance of such a reliance, unless the Manager obtains NYSIF's waiver of this time limit.

Each Long Term Security held in the portfolio must possess at least one investment grade Rating at the time of purchase.

If, at the time of the evaluation (whether at purchase or thereafter), there is no NAIC Rating but there is at least one rating from Moody's, S&P and/or Fitch, for a security that is rated by all three rating agencies, the middle rating shall constitute the Rating. If, at

the time of the evaluation, a security is rated by two rating agencies, the lower rating shall constitute the Rating. If, at the time of the evaluation, only one rating exists, that rating shall constitute the Rating.

Note that wherever a rating or designation analogous to a rating is noted in the remainder of this section or in following sections, the framework described above for determining an equivalent Rating also applies.

A provisional rating (as assigned by a rating agency) or an expected rating (as described by a lead underwriter in the marketing materials for a new issue or a remarketing issue) shall qualify as an actual Rating.

No more than 25% of the portfolio may be below A- (A3) at time of purchase.

Note that, for the purposes of this document (and any non-incidental references hereto) alone, an NAIC designation of "1" shall be deemed an "A-" and/or "A3" rating, and an NAIC designation of "2" shall be deemed a "BBB-" and/or "Baa3" rating. Note also that any future change to the number of NAIC rating categories shall be reflected in these guidelines as promptly as possible, and that, pending such change, Manager may consult NYSIF for written approval of the purchase of an otherwise eligible instrument with either no rating or with an NAIC designation other than "1" or "2". If an assigned NAIC designation is lower than anticipated it will not be considered a breach of the guidelines, but Manager must discuss with NYSIF to agree on the best course of action.

6. NEGATIVE CREDIT EVENTS

If, after purchase by Manager, the rating of a holding falls below Baa3/BBB- (by any of NAIC, Moody's, S&P, or Fitch), Manager shall provide NYSIF with a credit opinion in a format that is mutually agreed upon based on the situation that is sufficient to justify the suggested action, including a recommendation to hold or dispose of the security as soon as commercially practical.

In addition, NYSIF requests timely notification of each sale (post trade).

Regardless of a portfolio holding's rating level at the time of a downgrade (or rating withdrawal), Manager shall report on any holding where the rating is three (3) or more notches (by any of Moody's, S&P, or Fitch) or by one NAIC designation category below the holding's rating at the time of purchase (within 10 days of such occurrence). For the purposes of this notification, a rating withdrawal by any of NAIC, Moody's, S&P or Fitch shall count as a reportable event. In addition, for a downgraded holding previously acquired via multiple lots, the highest rating across all purchase/acquisition lots shall be used to assess reportability under this paragraph. For this notification, the Manager is permitted to track downgrades since the holding's issuance instead of since its purchase (only if necessary and discussed with NYSIF).

Manager shall also provide a "watch list," to be updated on at least a quarterly basis, containing holdings/obligors where materially credit-negative events have taken place or are likely to do so based on Manager's assessments of the portfolio and with input from NYSIF if necessary. Manager shall also support NYSIF's Other than Temporary Impairment (OTTI) process on holdings in the portfolio, as applicable based upon inquiries initiated by NYSIF.

7. AVERAGE LIFE

The portfolio should have a weighted average life of 5 years with a limit to be determined during the Manager's Investment Specifications discussion phase.

8. LIMITS ON ISSUERS AND RATINGS CATEGORIES

Exposure to an individual issuer must not exceed 500 basis points in the portfolio at the time of purchase calculated based on mandate commitment size. Manager may request approval from NYSIF to exceed the issuer limit on a case-by-case basis. Unless NYSIF grants approval, Manager must follow these limits throughout the holding period.

Manager should seek to maintain aggregate downgrades below Baa3/BBB- to be less than 5% of the portfolio by market value. If the 5% limit is breached, Manager must discuss with NYSIF to agree on the best course of action.

9. SECTOR LIMITS

Exposure to any individual sector should not exceed 25% by market value (calculated based on mandate commitment size). The definition of the sector will be determined during the Manager's Investment Specifications discussion phase. . If the limit is breached Manager must discuss with NYSIF.

10.COMMUNICATIONS AND REPORTING

Portfolio Reporting

Manager shall provide NYSIF with a reporting package quarterly that contains: performance statistics, transaction details including realized gains and losses, and portfolio appraisals detailing cost, market value, and accrued interest of securities held. Additionally, Manager shall provide NYSIF with an overview and commentary of the private placement market. NYSIF shall also be provided with less formal weekly and monthly performance and risk reports.

Meetings

- Manager shall review the portfolio(s) with NYSIF Investments Department Staff quarterly.
- The Manager shall have regular calls with NYSIF Investment Department Staff to discuss market color and, if appropriate, idiosyncratic events and positioning. The frequency of such calls will be agreed upon jointly by NYSIF and Manager.

Performance Measurement

Manager shall measure and compare Portfolio performance to Benchmark noted in Section 2. Manager shall also produce quarterly attribution reports showing relative performance against the stated Benchmark.

Guideline Changes

Any amendments to these guidelines shall become effective only upon agreement between NYSIF and Manager.

11.APPLICATION OF GUIDELINES

Unless otherwise stated, investment guidelines are to be applied to the portfolio at the end of the invest-up period. The invest-up period will end at the end of the calendar month when the account is fully invested. Securities contributed by NYSIF into the account shall be considered Permissible Investments (as specified above in Section 3) until liquidation by Manager. Should any limitations arise with monitoring compliance with any of these guidelines NYSIF and Manager will agree upon alternative or analogous metrics as a substitution. Manager shall discuss passive breaches with NYSIF in accordance with the standard of care as set forth in the Agreement.