General Information

The Metropolitan Water Reclamation District Retirement Fund (Fund) has implemented the Emerging Investment Manager Program as a proactive effort to both enhance the return of the fund assets and to promote and develop emerging investment management firms. An emerging investment manager is a qualified investment adviser that manages an investment portfolio of at least $10 million but less than $10 billion and is a "minority owned business", "female owned business" or "business owned by a person with a disability.

Objectives and Goals

The goal of the program is to identify highly qualified, emerging investment managers, who can potentially be awarded larger allocations after three years if performance objectives are met. In pursuing this goal, a list of investment managers eligible for the program will be created and maintained as needed. Initial funding of emerging managers will come from existing investments in the corresponding asset class.

- The Emerging Manager Program may invest initially up to 12% of the Fund’s total assets in investment management firms that meet the criteria for inclusion in this program.
- Emerging managers in aggregate will not represent more than 25% of any asset class category.
- Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(4)), the MWRDRF Board of Trustees has adopted the following minimum goals for the utilization of Emerging Investment Managers:

<table>
<thead>
<tr>
<th>Emerging Manager Classification:</th>
<th>Percent of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority Owned Businesses</td>
<td>3% - 5%</td>
</tr>
<tr>
<td>Female Owned Businesses</td>
<td>3% - 5%</td>
</tr>
<tr>
<td>Businesses Owned by a Person with a Disability</td>
<td>0% - 2%</td>
</tr>
</tbody>
</table>

Goals For Utilization of Emerging Investment Managers By Asset Class

<table>
<thead>
<tr>
<th>Asset Class:</th>
<th>Percent of Asset Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>5% - 10%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>4% - 10%</td>
</tr>
</tbody>
</table>
Emerging Manager Program Eligibility Criteria

To participate in the program managers must meet the following minimum criteria:

1. The firm must be a Registered Investment Advisor under the Investment Advisors Act of 1940;
2. If the firm is a minority-owned business, female-owned business or business-owned by a person with a disability, as those terms are defined by the Business Enterprise for Minorities, Females, and Persons with Disabilities Act, the firm must have a certification as a minority-owned business, female-owned business or business-owned by a person with a disability, preferably by the City of Chicago or the State of Illinois, or, at a minimum by the city or state in which the firm is based. If a certification has not been issued by the City of Chicago or the State of Illinois, the Fund will request proof of application and it is expected that certification will be achieved within one year of date of hire;
3. The firm must have experience in the management of institutional portfolios operated under prudent person standards;
4. The firm must have a minimum of $10 million in assets under management, but no more than $10 billion in assets under management, at the time of selection;
5. The firm and/or the firm’s principals in former associations must have a verifiable, historical 3 year performance record for the product being offered, preferably compliant or in accordance with Global Investment Performance Standards (GIPS®), and the principals must have at least five years of related investment management experience;
6. The firm must have at least three distinctly different clients;
7. At the time of selection the Fund’s account can comprise no more than 10% of the manager’s assets under management in the strategy;
8. No loss of a single client may put the Fund over the 15% limit in the strategy;
9. With each additional funding commitment, the Fund’s account can comprise no more than 15% of the manager’s assets under management in the strategy;
10. Violation of maximum allocation limitation for 6 months or more without any meaningful projected AUM increase may result in termination;
11. The manager must be willing to charge a fee that is similar to those charged by the Fund’s current managers with similar characteristics in the corresponding asset class.

Manager Selection

Qualifying firms are selected based on the experience and qualifications of the firm’s principals, the depth and stability of the organization, the soundness of the investment philosophy and process, a satisfactory quantitative and qualitative evaluation of the product’s risk and performance records, and references with accounts of similar size. More details will be included in each request for proposals.

Funding

Selected emerging managers may receive an initial allocation up to $25 million. The manager’s objectives will determine the source of funding and the emerging managers will be included in the overall asset allocation of the Fund. Managers are then eligible for up to two additional allocations subject to satisfactory performance and sufficient capacity within the asset allocation policy. The Fund may reduce the manager’s allocation once in a 6 month period to accommodate the maximum allocation limitation. Emerging managers in this program may not represent more than 25% of an asset class category.
Evaluation

Managers in the Emerging Manager Program will be evaluated in the same manner as those in the Fund’s general investment program, and will be held to the same rigorous performance criteria. Each emerging manager in the program will be assigned a performance benchmark and evaluated on an absolute and peer relative basis. Managers may be terminated for any reason, including, but not limited to, poor performance, personnel changes, organizational changes, deviation from their investment style, and compliance violations. In addition, emerging managers whose assets under management exceed $10 billion will no longer be eligible for participation in the program but may be eligible for graduation into the Fund’s general investment program.

Graduation from the Emerging Manager Program

After a minimum three year period, emerging managers will be considered for an additional allocation that may exceed the limitations for an allocation under this Program. The Board will consider the following factors in determining whether a manager should receive an additional allocation:

1. Stability in organization
2. Growth in assets under management and client base
3. Demonstrated strength of the investment process
4. Strong investment performance

In addition to the factors listed above, the needs of the overall Fund investment program will be considered when making emerging manager decisions.

Roles and Responsibilities

The Fund’s Investment Consultant and Staff shall be responsible for accounting for and monitoring the Emerging Manager Program assuring that the implementation of this policy and management of this program in accordance with Board directives.

The Fund shall annually review the goals established within the policy.