BARING ASSET MANAGEMENT
International Equity Management
for
Employees' Retirement Fund of the City of Dallas **(revised 7/99)**

Investment Approach- Active/Passive International Equity

Baring manages an Active/Passive Fund. Baring actively manages country allocation with a top down process. It passively manages stock selection by purchasing units in State Street country and sector index **(added 12/00)** funds.

For this type of portfolio, country and sector allocations are significantly important aspects of the process because individual stock selection is less relevant **(revised 12/00)** Baring looks for investments in growing economies and sectors **(added 12/00)** at the right local valuation. Baring has teams of regional and sector **(added 12/00)** specialists located in non-US markets to assess investment opportunities. The research from these teams is used in determining country and sector **(added 12/00)** selections and weightings. The three factors which drive decision-making at the country/currency and sector **(added 12/00)** levels are: earnings growth, valuations, and liquidity. The allocation to sector exposure shall range between 30% and 50% of the account and the allocation to the geographic exposure (country market) constitute the balance. **(added 12/00)**

Baring looks for markets and sectors **(added 12/00)** that have or will benefit from:

- positive relative growth rates and earnings surprises **(revised 7/99)**
- a steepening yield curve, falling interest rates, or excess liquidity **(revised 7/99)**
- attractive valuations **(revised 7/99)**

Typical Portfolio Characteristics

1. Market capitalization, country, sector and security diversification like that of the Morgan Stanley Capital International All Country World Index ex. US **(revised 11/98)** Equity Index.

2. Fully invested at all times

3. Active currency management, which may include hedging, may be used in the portfolio as defined under the subtitle "Permitted Markets and Sectors". **(revised 6/08)**

4. The use of commingled country and sector **(added 12/00)** funds to derive economies of scale which accrue to passive portfolios.

The characteristics above are only representative of a portfolio with your firm's designated investment specialization. The characteristics are not intended to hinder the manager or inhibit its ability to implement its investment process and disciplines.

However, the portfolio will be monitored to identify any significant deviations that may indicate a material change in investment approach.

Authorized Investments

1. Units of commingled State Street country and sector **(added 12/00)** funds.
2. Master Custodian's Short-Term Investment Fund (STIF)

Permitted Markets and Sectors **(added 12/00)**

The manager will invest only **(revised 7/99)** in those countries and sectors **(added 12/00)** listed below that are **(revised 7/99)** included in the Morgan Stanley Capital International All Country World Index ex. US Equity Index **(revised 3/05)**.

Active currency management, which may include hedging, may be used in the portfolio. Utilizing forward instruments, foreign currency exposure may be hedged to US dollars to protect against weakening currencies, or cross hedges may be used to transfer exposure from a currency expected to weaken into a currency expected to strengthen. The manager may also utilize forward instruments to manage relative currency risk, which is the risk associated with the portfolio's deviation from the currency weightings in the Morgan Stanley Capital International All Country World Index ex. US Equity Index. Hedges which would create a net negative currency position are not allowed. **(added 6/08)**.

Authorized Sectors **(added 12/00)**

Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunications, Utilities.

Permitted Ranges (countries)

Europe	Min	Max
UK	0	Index +10%
Germany	0	Index +5%
Other EAFE and Developed Middle East as a bloc **(revised 6/10)**	0	Index +10%
Individual countries	0	Index +5%
Pacific Basin		
Japan	0	Index +15%
Other EAFE	0	Index +15%
Individual countries	0	Index +5%
Americas		
Canada	0	Index +5%

Emerging Markets	0	Index +10% (revised 2/08)
Individual countries **(revised 3/05)**	0	Index + 5%
Permitted Ranges (sectors) **(added 12/00)**		
All Sectors excluding Financial	0	Index + 10%
Financial Sector	0	Index + 15%

General Investment Manager Guidelines and Requirements

1. The manager shall take note of and operate under the "International Equity Asset Class Policy for the Employees' Retirement Fund of the City of Dallas" **(revised 7/99),** which specifies the strategic roles the portfolio is to fulfill in the overall investment structure of the Fund, a copy of which is appended to, and is part of these guidelines and objectives.

2. Purchases and sales, security selection, and portfolio implementation of investment strategies are delegated to the discretion of the investment manager. **(revised 7/99)**

3. The following transactions are prohibited: purchase of non-negotiable securities, short sales of stocks and bonds, stock and bond transactions on margin, straddles, options, leverage, or letter stock. **(revised 7/99)**

4. Except for the use of forward instruments and the use of derivatives by State Street Country Index Funds, the use of derivatives is prohibited. **(revised 7/99)**

5. Transactions that involve a broker acting as a "principal" where such broker is also the investment manager who is making the transaction is prohibited.

6. Transactions shall be executed at a reasonable cost, taking into consideration prevailing market conditions and services and research provided by the executing broker. At the discretion of the Board, the manager will prepare a report detailing all transaction costs. **(added 7/99)**

7. Each investment manager shall have full responsibility for the exercise of all rights appurtenant to any securities under its management, including responsibility to vote proxies, except to the extent otherwise directed by the Trustees. Investment managers shall maintain records of proxy votes and make them available for inspection upon reasonable request.

8. Performance objectives are to be met on a net of fees basis.

9. Any investment or action with respect to an investment not expressly allowed is prohibited, unless presented to and approved prospectively by the Trustees. All guidelines must be adhered to by the external money managers; however, if from time to time an exception to the guidelines shall be deemed appropriate by a manager, it may seek review by submitting a request in writing to the Administrator for approval by the Trustees to make such an exception. If a guideline is violated due to market events, actions, or conditions, the manager must immediately inform the Administrator to determine a course of action. This course of action will be based upon the best judgement recommendation of the manager and the Administrator's discussion with the investment consultant and Board members. Correction of the violation may be postponed if it is deemed to be in the best interest of the Fund **(added 7/99)**.

10. Should any temporary or permanent change regarding a manager occur, the manager shall notify the Administrator immediately via phone. A letter, detailing the circumstances of the change and the possible impact to the portfolio management, will be faxed immediately to the Administrator. Changes include, but are not limited to: a) a significant change in investment philosophy, b) a loss of one or more key management personnel, c) a new portfolio manager on the account, d) a change in ownership structure of the firm, or e) any occurrence which might potentially impact the management, professionalism, integrity or financial position of the investment manager.

11. For purposes of the guidelines, (a) all percentages apply on a market value basis immediately after a purchase or initial investment and (b) any subsequent change in any applicable percentage resulting from market fluctuations or other changes in total assets does not require immediate elimination of any security from the Portfolio. **(revised by adding 7/99)**

Performance Objective

The international portfolio is to outperform the Morgan Stanley Capital International All Country World Index ex. US **(revised 11/98)** Equity Index, by 2% per annum over a full market cycle (3 to 5 years).

Acknowledged: Baring Asset Management

By: _____ Date: _____

Employees' Retirement Fund of the City of Dallas

By: _____ Date: _____

Date last revised: March 13, 2018~~June 8, 2010~~

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