

INVESTMENT OBJECTIVES & GUIDELINES

INTERNATIONAL EQUITIES

Adopted 2/23/93, Revised 4/21/94, 10/21/99, 5/18/00, 7/19/01,
10/18/01, 4/18/02, 12/15/05, 8/17/06, 6/18/09, 5/20/10, 12/15/11, 9/19/13, 2/16/17, 3/15/18

**EMPLOYEES' RETIREMENT SYSTEM
AND ELECTED OFFICIALS' RETIREMENT SYSTEM
OF THE CITY OF BALTIMORE
INVESTMENT OBJECTIVES AND GUIDELINES
INTERNATIONAL EQUITIES**

I. GENERAL

This document addresses the investment objectives and guidelines specific to Equity investments. All general guidelines outlined in the Statement of Investment Objectives and Policies for the Board of Trustees of the Employees' Retirement System and the Elected Officials Retirement System of the City of Baltimore apply to these investments unless there is an overriding statement contained herein.

II. PERFORMANCE OBJECTIVES

The Systems' assets are expected to participate in rising markets. In declining markets defensive action is expected, to an even greater degree. The Board understands that such goals demand participation by the System as a whole in the relevant equity and fixed income markets used for investment, but with short-term reserves always an alternative. The manager's judgment as to the extent of offensive or defensive action in these periods is of major importance. Performance comparisons will be made against relevant market indices for reference purposes. In an effort to assure consistency with specific goals of the Systems, the Board has established the following goal for international and global equity managers:

- A. To achieve above median annual ranking in a comparable, generally accepted universe of discretionary international managers sufficient to produce superior returns over longer time frames.

The Board recognizes that in some markets this goal may be difficult to meet under the asset allocation, legal and other constraints included herein, and will view under-performance of such goal less critically provided that the following goals are met:

B. Core International Equity Managers:

- To earn total returns in excess of the MSCI All Country World Ex-U.S. Index, net of fees, over a three-year period.

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- To compare favorably to the MSCI EAFE growth or value index for annual periods, if appropriate.

C. Benchmark Agnostic International Equity Managers:

- To earn total returns in excess of the MSCI All Country World Ex-U.S. Index, net of fees, over a three-year period.
- To compare favorably to the MSCI EAFE growth or value index for annual periods, if appropriate.

D. Emerging Markets International Equity Managers:

- To earn total returns in excess of the MSCI Emerging Markets Free Index, net of fees, over a three-year period.

E. Small Capitalization International Equity Managers:

- To earn total returns in excess of the MSCI World Ex-U.S. Small Cap Index, net of fees, over a three-year period.

III. ASSET MIX

International Investment Managers manage a portion of the System's total assets designated for international equity exposure.

Under most conditions, it is expected that the portfolio will be fully invested in international equity securities. However, the Investment Manager will retain discretion of the asset mix to take defensive action when the Investment Manager believes that extremely adverse market conditions prevail. If, as a matter of strategy, the Investment Manager reduces the equity commitment of the portfolio to below 95%, the Investment Manager must provide written notification of such policy to the Executive Director and Chief Investment Officer of the System.

IV. PORTFOLIO DEFINITION

The Systems must comply with investment restrictions imposed by the laws of the City of Baltimore and any other state or federal laws dealing with investment of public retirement plan assets. Investment managers are expected to familiarize themselves with these laws. Within that framework and within the following limitations, the Investment Manager has the discretion to make portfolio changes to accomplish the stated objectives. Unless otherwise noted, all percentages stated in this "Portfolio Definition" section are to be applied to the market value of the securities tested, not to the cost of securities.

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A. Equity Securities

1. Common stocks of foreign corporations traded on the major stock exchanges and located primarily in Canada and the MSCI All Country ex US Index countries for large-cap and all-cap market portfolios, the MSCI World Ex-U.S. Small Cap Index for small-cap portfolios, and the MSCI Emerging Markets Free Index countries for emerging market portfolios, as modified by MSCI from time to time. A maximum of 30% at market value of the total portfolio may be invested in emerging and frontier markets for large-cap and all-cap portfolios that are primarily developed markets and the MSCI World Ex-U.S. Small Cap Index countries for small-cap developed market portfolios.
2. Hedging is permitted for defensive purposes only.
3. Rights, convertibles, REITs/investment trusts and 144A securities are permissible.
4. Exchange Traded Funds ('ETFs'), for the purpose of gaining exposure to regions, sectors and countries that are not accessible to the sub-manager or the investment manager through direct investments are permitted. In addition, ETFs may be used to rebalance or gain exposure where utilizing equity issues may be inefficient. Total exposure to ETFs may not exceed 20% of the portfolio valued at market.
5. Participatory Notes ('P-Notes') are permitted where the underlying security is a common stock, such as in certain markets where direct foreign ownership of securities is limited (e.g. India). Total fund exposure to P-Notes may not exceed 10% of the portfolio valued at market.

B. Cash Equivalents

1. Eurodollar certificates of deposit of major United States banks and the highest rated "Yankee" certificates of deposit.
2. Commercial paper rated A-I by Standard & Poor's or P-I by Moody's.
3. High quality, non-dollar, short-term securities may be held in the local currency until the custodian or sub-custodian bank sweeps the account into dollar deposits.
4. The custodian or sub-custodian bank's Short-term Investment Fund and no-load money market funds if they meet the foregoing quality guidelines.

C. Absolute Restrictions

Investment activity in the following is prohibited:

1. No stock or cash equivalent security may be in excess of 8% of the portfolio.

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2. Exposure to any single economic sector at any time, as defined by GICS (Global Industry Classification Standard) formulated by Standard & Poor's and MSCI Barra, is limited to the greater of: 30% or 2X the sector weight in the underlying benchmark based on market value. This imbalance should be remedied over a 90 day period. This restriction applies to large-cap and all-cap international equity portfolios only.
3. Short sales of securities (does not pertain to currency hedging).
4. The sale of forward exchange contracts in excess of 100% of the value of the underlying assets in that currency.
5. Margin purchases or other use of borrowed money.
6. Letter stock, private placements, or direct placements that are not 144A securities.
7. Commodities.
8. Direct real estate or mortgages.
9. Fixed income securities with maturities over one year.
10. No securities of the custodian bank, the investment manager, its parent or subsidiaries may be purchased for the account.
11. Security loans.
12. Securities of new corporations where a five-year operating history does not exist provided, however, that investments may be made in spin-offs of existing companies, even if such spin-offs have no operating history. For Small or Small/Mid-Capitalization Equity Managers, no 5-year history is required, provided that no more than 5% of the market value of the portfolio is in securities with less than a 1-year operating history.
13. Municipal or other tax exempt securities.
14. The limits or ranges above may be exceeded during initial funding, periods of extreme market volatility, abnormal market conditions, or when investing additional cash inflows. In the event such limits or ranges are exceeded, the Investment Manager will adjust the Portfolio to the stated limits within a 90 day period. The Investment Manager will invest new accounts and cash inflows in accordance with the model portfolio.

V. AMENDMENTS

If at any time these objectives cannot be met, or these guidelines constrict performance, the Board should be notified in writing. The Investment Manager is encouraged to suggest changes to these guidelines at any time.

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VI. ACCEPTANCE

By signing and continuing acceptance of these Investment Objectives and Guidelines,
the Investment Manager concurs with the provisions of this document.

Accepted by:

Name

Firm

Date