

TURKS AND CAICOS ISLANDS NATIONAL INSURANCE BOARD

INVESTMENT POLICY STATEMENT



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TCI National Insurance Investment Policy Statement (IPS)
As Approved by Honourable Sharlene Cartwright-Robinson, Minister Responsible for
National Insurance

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I MISSION STATEMENT

The Mission of the Turks and Caicos National Insurance Board (NIB) is to be fiscally prudent in the provision of dependable, transparent and excellent Social Security Services to Beneficiaries.

II STATEMENT OF PURPOSE

The National Insurance Board of The Turks and Caicos in accordance with the National Insurance Ordinance Cap. 137 of 1991, has established the following statement of investment policies and guidelines for the management of its Fund (the investment assets of the NIB). The purpose of this statement is to set out the investment philosophy and the objectives for the Fund and the strategy to be applied in the management of the Fund to achieve those objectives.

This document:

1. Sets out the investment philosophy, objectives, strategy and risk parameters for all fiduciaries.
2. Identifies the roles and responsibilities of those involved in the management of the Fund.
3. Establishes the target rates of return for the various asset classes and for the Fund in aggregate that are expected to be achieved over time.

In developing the Investment Policy Statement (IPS), the Investment Committee considered factors such as the following:

- the nature of the Fund's liabilities;
- the funded and solvency positions of the Fund;
- the net cash flow position of the Fund;
- the investment horizon of the Fund;
- the historical and expected capital markets returns;
- the benefits of investment diversification;
- the acceptable levels of risk and associated required returns;
- the availability of local investments that meet the appropriate investment criteria;
- the availability of local investment expertise and
- best practices in investment management

III DEFINITIONS

1. "Fund" shall mean the investment assets of the NIB.
2. "Investment Committee" shall refer to the sub-committee established by the Board of Directors to recommend strategies for the administration of the Fund as specified by the applicable Ordinance.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over the management, disposition or administration of the Fund.
4. "Investment Manager" shall mean any individual, group or entity, employed to manage the investments of all or part of the Fund.
5. "The Investment Consultant" is an individual or organisation retained to advise the Fund.
6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
7. "Investment Horizon" is the time period over which the investment objectives are to be met. While the true time horizon of the Fund is perpetual, the Fund seeks to attain the desired results over a full market cycle, typically 5 to 7 years. However, monitoring of investment

performance is on a quarterly basis and on a rolling 3 years basis. It is not expected that all investment objectives will be attained in each year. Over various time periods, investment advisors/managers may over or underperform relative to securities market indices. However, 3 years of underperformance would not be acceptable.

IV INVESTMENT MISSION, PHILOSOPHY & OBJECTIVES

MISSION

The mission of the Fund is to provide a reliable source of assets to pay promised benefits. A second-order mission is to preserve the purchasing power of the Fund's assets and to achieve long-term growth of capital.

PHILOSOPHY

Integral to this Investment Policy Statement is a set of investment beliefs that reflect the overall strategy of the Fund and underpins all investment policies of the Fund:

- Though social security systems are typically partially funded systems, we believe in prudent investing toward closing the funding gap as far as it is practically possible.
- The Fund's perpetual nature allows it to take a long-term view in setting current investment policy.
- Strategic and tactical asset allocation account for the majority of investment returns.
- Prudent diversification can reduce risk and increase return.
- The Fund maintains a bias toward active management which in combination with passive mandates aim to surpass the portfolio benchmark.

INVESTMENT OBJECTIVES

The primary objective of the Fund is to outperform on an annual basis, net of cost, a blended custom benchmark based on the current asset allocation policy. A secondary objective is to earn at least an average annual total return of US CPI plus 3%.

V RISK

The Fund should be managed conservatively with appropriate aversion to risk/volatility.

The NIB realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Fund understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment philosophy as set out in this Investment Policy Statement. The NIB defines risk as the potential volatility (fluctuation) of investment returns.

The risk exposure of individual investment managers, as measured by various metrics such as the Sharpe ratio and the Standard Deviation of its returns, will be evaluated on a quarterly basis. The risk profiles of the investment manager(s) will be evaluated relative to an appropriate peer group.

The principal risks that impact the Fund are as follows:

Systematic (Market) Risk:

- Capital Market Risk - the risk that the investment returns associated with the Investment Committee's strategic asset allocation are not sufficient to provide the required returns to meet the NIB's investment objectives.
- Interest Rate Risk - the chance that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.
- Foreign Exchange risk – the risk of foreign currency movements adversely affecting returns

Non-Systematic (Diversifiable) Risk:

- Investment Style Risk – the risk associated with an active management investment style, such as biasing the portfolio to large companies, small to mid-sized companies, 'value' stocks or 'growth' stocks.
- Tactical/Strategic Risk – the risk associated with the performance difference between 1) the target policy allocations for the NIB's asset categories and 2) the actual allocations.
- Credit Risk - the possibility of a loss occurring due to the financial failure to meet contractual debt obligations.
- Political Risk - the financial risk that a country's government will suddenly change its policies.
- Headline Risk - the possibility that a news story will affect the value of an investment.

VI INVESTMENT GUIDELINES

MONEY MARKET INSTRUMENTS

Cash and cash equivalent investments shall mean debt obligations with a maturity of 3 months or less at the time of issue. The portfolio may include cash on hand, demand deposits, treasury bills, commercial paper, short-term notes, bankers' acceptances and other such very low risk cash instruments.

Cash and near cash deposits may be held at designated reputable local and international banks and institutions. Such depository institutions will be specifically nominated by the Investment Manager and recommended by the Investment Committee, periodically and at least annually. Each nominated institution will also have a credit limit approved by the Investment Committee which may not be exceeded.

From time to time cash may be held by external managers. Such cash may be invested only in money markets or short-term Investment Fund (STIF) funds. Equity managers are expected to

be fully invested at all times; therefore, residual cash should make up no more than 5% of the account with the investment manager at any time.

FIXED INCOME

Debt shall mean marketable debt securities issued by either (1) Governments of the G8 countries, (2) Agencies of the Governments of G8 countries that are backed by full faith and credit i.e. fully guaranteed, (3) Corporations. All debt instruments should be of investment grade having a minimum quality rating of 'BBB-' or equivalent as rated by Moody's and Standard and Poor's. High yield debt is allowed in the portfolio but is restricted to 15% of the fixed income portfolio. Regional Governments and all others require specific Investment Committee approval. All securities held by the Fund must be priced on the basis of actual market transactions, not theoretical models. All securities to be purchased on behalf of the Fund are to be readily marketable.

EQUITIES

All securities to be purchased on behalf of the Fund are to be readily marketable and traded on major recognized exchanges or securities markets. In the case of International Equities, investments shall be in markets represented in the MSCI All Country World Index. Non-US Equities may not exceed 30% of the Fund because the Fund's ultimate liabilities are in US Dollars and hedging foreign exchange is regarded as expensive in the long term.

REAL ESTATE AND REITs

The Fund may invest in Real Estate such as commercial, office, retail and development properties. Such investments may be investment properties or development properties. Physical property assets must be in the Turks and Caicos Islands or, if overseas, have a TCI connection such as an office occupied by a TCI Government agency. The Fund may also invest in Real Estate Investment Trusts (REIT's), and other entities which invest in real estate and distribute income to investors. The Fund may only hold REIT's and other real estate investment entities that are listed on a recognized exchange.

ALTERNATIVE STRATEGIES

Investments in the following alternative strategies are permitted:

Private Equity

Principal Protected Securities

Hedge Funds

Fund of Funds

Exchange Traded Funds

Managed Futures

Commodities diversified funds, Exchange Traded Funds (ETFs) but not directly in Commodities themselves.

Alternative strategies can comprise a maximum of 25% of the Fund. The same due diligence and care employed to select a traditional investment manager will be exercised to select an alternative strategy manager.

VII INVESTMENT CONSTRAINTS

The Fund may not be invested in

1. Margin Transactions. The Fund may not invest using borrowed monies or securities.
2. Acquisition of shares that would permit the portfolio to exercise control over the issuer
3. Uncovered speculative positions.
4. Direct investments in physical commodities

With the exception of the Alternative Strategies and Convertibles asset classes that may employ some of these vehicles, the Fund may not invest in the following without the specific approval of the Investment Committee:

1. Futures Contracts.
2. Options
3. Derivative Investments - Derivatives are defined as synthetic securities whose price and cash flow, usefulness and marketability are based on the cash flows and price movements of other underlying securities. Most derivatives securities are derived from equity or fixed income securities and are packaged in the form of options, futures, Collateralized Mortgage Obligations (Interest Only, Principal Only, and residual bonds, etc.) and interest rate swaps among others. The Fund is permitted to utilize derivatives for hedging and income enhancing strategies. However, derivatives may not be used to expressly employ leverage or other speculative strategies. Therefore unless a specific type of security is allowed in this document, the Investment Manager(s) must seek permission from the Investment Committee to include derivative instruments in the Fund.

DOMESTIC INVESTMENTS

The Fund may invest in domestic based investments if risk adjusted returns are expected to be acceptable through: loans, fixed income, equity, real estate and fixed deposits. It is the Board's intention to earn competitive risk-adjusted investment returns regardless of where the investment opportunity resides. The decision to invest in a domestic investment shall be made only after the opportunity is deemed acceptable exclusively on its investment merits. Local economic benefits are a further consideration. Domestic investments shall receive the proper level of due diligence and evaluation consistent with all other investment opportunities. Investments must be in accordance with international governance and ethical standards.

Domestic investments are categorized within the asset classes in the table in the Section VIII Asset Allocation Guidelines (such as cash, fixed income, equity and real estate).

Criteria for domestic investments are as follows:

- Up to 10% of the total value of the Fund may be invested in domestic investments (excluding short term cash on deposit with local banks).

- The Investment Committee will review and recommend which reputable banks may be used for local banking deposits and recommend a credit limit for each bank.
- No more than 2% of the total Fund may be invested in any one domestic investment (excluding cash and cash equivalents with banks).
- The Fund may invest in both public and private sector projects.
- The Fund may only invest in projects where there is steady, positive income and a defined payback period.

Public Investments

- Public investments must have a minimum rate of return of inflation plus 1%, subject to a floor or minimum nominal rate of return of 3%. Inflation is defined as the US Consumer Price Index (CPI) as a proxy until a reliable Turks and Caicos CPI is developed and produced on a consistent basis.
- In public sector projects, loans or debt instruments will require a guarantee from the TCI Government.
- The NIB may invest in both debt instruments and equity in public sector investments. Debt instruments may include bonds and loans.
- In public sector investments, debt instrument investments may be up to 100% of the loan or bond issue.
- Equity investments in public sector investments may include preferred shares.
- The NIB must consider the marketability and liquidity of an investment and an exit strategy.

Private Sector Investments

- Private sector debt investments may be syndicated or direct. Debt investments may include bonds and loans.
- The maximum loan to value ratio must not exceed 60%.
- A loan must be secured on assets with first charge (such as in the case of a debenture) or rank pari passu in exceptional circumstances approved by the Board. Examples of assets to secure a loan include real estate, fixed assets and financial assets.
- Loan guarantees are required, such as from a parent company, partners or directors.
- A loan requires a defined cash flow to repayment cover ratio.

- The NIB may invest in both debt instruments and equity in private sector investments.
- It is not NIB's intention to build a portfolio of small, insignificant investments that require extensive and copious amounts of administration and due diligence. Therefore, the minimum investment in a domestic debt instrument will be no less than \$1m. The lower limit for an equity stake in the domestic private sector is \$250,000. The NIB may consider providing wholesale funds through an intermediary body for small loans and small business financing rather than directly.
- An investment in the shares of a company may not exceed a limit that allows the NIB to exert "significant influence" such that it requires the NIB to account for the entity under the equity method under International Accounting Standard (IAS) 28.
- The NIB may only invest in established and continuing businesses and not start-ups. Criteria for established businesses include a 5 years record of continuous operations, the last 3 years with positive cash flow.
- The NIB may only invest in private companies incorporated or registered and operating in the Turks and Caicos Islands.
- In approving domestic investments, the NIB must consider the marketability of an investment and exit strategy.

VIII ASSET ALLOCATION GUIDELINES

Strategic and Tactical Asset Allocation are highly important in generating investment returns. Academic research suggests that the decision to allocate total assets among various asset classes will far outweigh individual security selection and other decisions in respect of impact upon investment performance. For example, a study by Blake, Lehmann and Timmermann of the Pensions Institute at Birkbeck College, London University (1999) decomposed the median total return of a sample of pension fund managers into its components such as Asset Allocation, Stock Selection, Market Timing and Others. They found that Asset Allocation explained 99.47% of the total return.

The Fund's Asset Allocation Guidelines are determined by a capital asset pricing model, a risk and return optimization process. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risks and rewards of market behaviour, an optimization process determines the asset allocation. The process considered expected rate of return, standard deviations and correlation of and amongst various asset classes. The optimization process was modelled under various assumptions, constraints and risk tolerance/investment return scenarios. The asset class policy allocation below represents a target allocation with a long term estimated return of 6.8% p.a. with higher/ aggressive risk and is designed to achieve the stated investment objectives and guidelines as set out in this document.

STRATEGIC ASSET ALLOCATION TARGETS

ASSET CLASS	STRATEGIC ASSET ALLOCATION
CASH & MONEY MARKET INSTRUMENTS	5%
FIXED INCOME	18%
CONVERTIBLES	8%
EQUITIES	44%
HEDGE FUNDS	15%
PRIVATE EQUITY	10%
COMMODITIES	0%
TOTAL	100%

Within the Equities asset class (44%), there is a target ratio of 50:50 US Equities: Non-US Equities over time.

Tactical Asset Allocation takes into account the states of the markets and the stages in the economic cycles of the various economies. From time to time, Asset Allocation may be changed within the lower and upper limits in the following table.

ASSET CLASS	LOWER LIMIT	STRATEGIC ASSET ALLOCATION	UPPER LIMIT
CASH & MONEY MARKET INSTRUMENTS	0%	5%	10%
FIXED INCOME	10%	18%	40%
CONVERTIBLES	2%	8%	8%
EQUITIES	15%	44%	70%
HEDGE FUNDS	5%	15%	15%
PRIVATE EQUITY	0%	10%	10%
COMMODITIES	0%	0%	8%
TOTAL		100%	

Within the Equities asset category, US Equities will have a lower and upper limit range of 10% to 40%. Non-US Equities will have a minimum of 5% and an upper limit of 30%. Within the US Equities, to achieve diversification, the Fund will invest in large, mid-sized and smaller capitalization equities. The target asset allocations for these (based on a 26% mid-point) are as follows: US Large Cap Value 10.5% (lower and upper limit range 6% to 15%), US Large Cap Growth 10.5% (range 6% to 15%), US Mid Cap 2.5% (0% to 5%) and US Small Cap 2.5% (range 0% to 5%).

BENCHMARKS

As a component of the due-diligence process performed in reviewing and analyzing the quantitative characteristics of external investment manager investment decisions, each manager will be measured against generally accepted international benchmarks as are appropriate given their individual investment mandates.

The benchmark to be applied against a manager will be detailed in his/her terms of engagement. In addition, investment management style attribution analysis will be applied

against each manager as part of the performance attribution and due-diligence reporting process performed quarterly by the Consultant.

Investment Style	Benchmark
Treasury/Agency Corporate/Government	Barclays Capital Aggregate Bond Index (Formerly Lehman Brothers Aggregate Bond Index)
Local Government/Statutory	US Prime Rate
Cash/ Money Market	US 90 day T-Bill
US Large Cap Value	S&P 500/Russell 1000 Value
US Large Cap Growth	S&P 500/Russell 1000 Growth
US Mid Cap Growth	S&P 400/Russell Mid Cap
US Small Cap Core	Russell 2000
International Equities	MSCI All Country World Index (ACWI) ex-U.S.
Convertibles	ML All Convertibles/1 st Boston Convertibles
Alternative Investments: Diversified Hedge Funds	HFRI Fund of Funds: Conservative Index
Managed Futures	Barclays CTA Index
Absolute Return Strategies	6 month LIBOR + 250 Basis Points

Individual Manager Objective and Measurement Standards:

Equity Managers

Total equity returns are expected to outperform the return generated by the S&P 500 Stock Index, net of fees, over rolling 3-year periods. The total equity portfolio is expected to generate a return above the median of a universe of equity funds over rolling 3-year periods.

Large-Cap Growth

The individually managed large-cap growth equity portfolio will be measured and benchmarked as follows:

1. Outperform the Russell 1000 Growth Index over 3-5 years;
2. Perform among the top 40% of large cap growth managers, over rolling 5- year periods.

Large-Cap Value

The individually managed large-cap growth equity portfolio will be measured and benchmarked as follows:

1. Outperform the Russell 1000 Value Index over 3-5 years;
2. Perform among the top 40% of large cap value managers, over rolling 5- year periods.

Mid Cap Core

The individually managed mid cap equity portfolio will be measured and benchmarked as follows:

1. Outperform the Russell Mid Cap Index over 3 years; and
2. Generate above median returns when compared to a universe of active mid-cap managers.

Small Cap Core

The individually managed small cap equity portfolio will be measured and benchmarked as follows:

1. Outperform the Russell 2000 Index over rolling 3-year periods; and
2. Generate above median returns when compared to a universe of active small-cap managers.

International Equity Managers

The individually managed international equity portfolio will be measured and benchmarked as follows:

1. Outperform the MSCI All Country World Index ex-U.S. Index over 3-5year periods; and
2. Outperform the median of a universe of similar international managers.

Fixed Income Managers

The Fixed Income returns are expected to provide a return similar to the Barclays Capital Aggregate Bond Index but are expected to produce a level of short-term volatility that is lower than that of the index.

The individually managed fixed income portfolio will be actively managed and will hold high-grade securities with short to long-term maturities with an average duration of 2.5 to 7 years. The portfolio will be benchmarked as follows:

1. Outperform the Barclays Capital Aggregate Index over 3-year rolling periods

2. Generate above median returns when compared to a universe of active U.S. domestic bond managers.

Convertibles

The individually managed convertible securities portfolio will be measured and benchmarked as follows:

1. Outperform the Merrill Lynch All Convertibles Index over 3-year rolling periods; and
2. Outperform the median of a universe of convertible securities managers.

UPDATED ALLOCATIONS

From time to time, it may be desirable to amend the basic strategic asset allocation. When such changes are made, updates will be attached to this Investment Policy Statement as an *Appendix* and will be considered part of this Investment Policy Statement.

In the case where the Investment Committee finds it necessary to modify the strategic asset allocation of the Investment Policy Statement a rebalancing exercise should be carried out by June 30, of the financial year thus allowing at most a quarter after the year-end to transfer funds to the relevant custodians and external investment managers.

REBALANCING

The strategic asset allocation of the Investment Portfolio will be maintained as close to the target allocation as reasonably possible. The asset allocation will be rebalanced at least semi-annually to keep asset classes within the allowable ranges. The purpose of rebalancing is to control risk and maintain the policy asset allocation within the targets approved by the Board.

The Investment Committee may also use its discretion to rebalance between cash flows, should market fluctuations cause actual weights to be outside of approved minimum and maximum weights. Cash additions and withdrawals shall be allocated across portfolios to bring the asset mix as close to the target allocation as possible. If the asset allocation cannot be maintained within the above policy limits through cash additions or withdrawals, assets shall be shifted across investment management portfolios to restore the strategic asset allocation. Such reallocations are anticipated to occur infrequently. Managers will be allowed a variance of plus or minus five per cent ($\pm 5\%$) within each respective asset class at the completion of each review.

IX GOVERNANCE

OVERVIEW

The Minister with responsibility for National Insurance appoints the Board of Directors of the National Insurance Board. The Board shall have full discretionary power to direct, manage, allocate and rebalance or liquidate the Fund's investments in compliance with the terms of this Investment Policy Statement. The Board may appoint such person(s) as necessary to achieve these objectives. Ultimate

authority remains with the Minister at all times who may direct investments under the powers set out in the Ordinance.

Pursuant to section 33 of the National Insurance Ordinance, the Board appoints an Investment Committee and designates its Chairman who is a member of the Board of Directors.

The Board shall appoint an Investment Manager who shall have responsibility for the day-to-day management of the Fund. This person shall be a member of the Investment Committee. In lieu of this position being occupied, the obligations of this position rest with the Director. The Director is responsible for ongoing monitoring of the day-to-day operations of the Investment Manager.

The Board of Directors and the Director are jointly responsible for ensuring ongoing compliance with the Investment Policy. On a quarterly basis the Fund shall be reviewed by the Investment Committee to determine whether its composition is consistent with the strategic asset allocation of the policy. Where necessary the appropriate action shall be taken to bring the portfolio into compliance.

INVESTMENT COMMITTEE

The Investment Committee shall consist of, but not be limited to, the following members:

- At least two non-executive members of the Board of Directors, one of whom shall be the Chairman;
- the Director of the National Insurance Board;
- two local community members experienced in investment matters;
- the Investment Manager of the National Insurance Board, Ex-Officio;

The Committee shall appoint a secretary to record minutes of the Meetings.

The Investment Committee shall meet a minimum of four times a year to review the current status of the fund, and may regulate the procedure of its meetings, and is empowered to act notwithstanding any vacancy among its members. Three members of the Committee including at least two Board non-executive Board Members shall constitute a quorum. At least 3 working days notice must be given for IC meetings unless the notice period is waived by all the members. Attendance by teleconference is allowed.

AUDIT COMMITTEE

At all times, it is imperative that each member of the Audit Committee recognizes his/her fiduciary duties and act in accordance with those duties. The Audit Committee must act as a separate entity from the Investment Committee. The main purpose of the Audit Committee in relation to the Fund is to ensure the following:

- That all investments and the dollars associated with them were properly recorded in the financial statements.
- That the internal controls involved in the management of the fund are appropriate
- That the fund is being managed in accordance with the IPS
- That the custody of the Fund assets is being properly secured

With regard to the investments, the Internal Auditor will perform an audit of each of the portfolios at least annually and will report the results of these audits to the Audit Committee, the Investment Committee and the NIB. In this role, the Internal Auditor serves as an additional layer of independent oversight for the managed assets. The Internal Auditor will then submit a report either affirming the accuracy of the records or stating that the records are in fact inexact and outlining the steps that must be taken in order to correct the books.

INVESTMENT MANAGER

The Board will appoint an Investment Manager, who will report directly to [1] the Director and [2] the Investment Committee. The Investment Manager will be the holder of a Bachelor's degree in Finance or Economics as well as a CFA or IMC or CIMA designation or MBA/MSc in the area of Finance/ Investments or an equivalent qualification. In addition, the Investment Manager will have appropriate experience in investment management.

The role and function of the Investment Manager shall consist of, but not be limited to:

- Development, implementation and update of the NIB Investment Policy Statement in consultation with the Board of Directors, Director and Investment Committee
- Monitoring cash flow positions of the Fund and revising investment decisions accordingly;
- Analysis, recommendation and implementation of investment strategy;
- Monitoring global economic and capital market conditions as may affect the Fund;
- Monitoring and measuring performance of the Fund on an absolute and comparative basis;
- Management of both local and overseas investment products;
- Liaise with all investment service/product providers;
- Voting of proxies in consultation with the investment committee, and notify the investment committee of material events relevant to any manager, which may adversely impact the management of the NIB funds including any deviations from investments guidelines;
- Perform due-diligence on all providers of investment services and products;
- Prepare management information and special reports as required.

The Investment Manager will be delegated the responsibility for effectively implementing the strategies reflected in this document as well as the day to day oversight, monitoring and management of the investments in line with the Investment Policy Statement.

The Board authorizes the utilization of external expertise to aid in the ongoing management of the Fund and the training of its stakeholders. In conjunction with the services of external investment professionals the internal Investment Manager is charged with the day-to-day implementation of investment decisions.

INVESTMENT MANAGEMENT CONSULTANT

Where deemed necessary the Board may decide to retain the services of an Investment Management Consultant to work closely with the Board of Directors, Investment Committee and Investment Manager in the ongoing investment the Fund.

The primary role of the Consultant will be to provide strategic direction and advice as to the selection, implementation, and ongoing due-diligence of external investment management expertise. The

secondary role of the Consultant will be to provide strategic direction and input as to the overall investment management of all of the assets of the Fund.

The role and responsibility of the Consultant to the National Insurance Board can be categorized under three functional lines. They include but are not limited to the following:

Strategic Advice:

- Provide prudent advice to the Board, Director and the Investment Committee.
- Thoroughly assess and understand NIB investment needs and risk tolerance.
- Ongoing testing of asset allocation policy against stated investment objectives and goals.
- Ongoing performance monitoring of the portfolio and analysis of the Fund.
- Provide strategic advice as to how the Fund should be positioned in light of evolving political, economic and capital market conditions on an ongoing basis.
- Construction of job-description [investment mandates] for each external investment manager retained.
- Negotiations of fees and expenses from all service providers.
- Advise on an optimized Strategic Asset Allocation.

Due Diligence:

- Monitor asset allocation.
- Search for and screen external investment managers.
- Analyze the past performance of the overall Fund as well as that of individual managers against appropriate benchmarks.
- Provide both qualitative and quantitative due-diligence analysis of external money managers on an ongoing basis, including notification of any significant change in strategy, personnel or capital structure of the firm, and of any potential conflict of interest that may exist.

Communication:

- Develop a good day- to -day working relationship with the Investment Manager.
- Aid the Investment Committee in the establishment of an Investment Policy Statement.
- Communicate results of due- diligence investigations on a quarterly basis.
- Communicate 'details of their engagement' for each of the external investment managers.
- Provide monthly transaction and holding summaries of investment assets.
- Prepare consolidated performance reporting compliant with guidelines established by the Association for Investment Management and Research (AIMR) to be delivered on a quarterly basis.
- Communicate economic and capital market conditions as pertaining to and influencing NIB investment assets.
- Provide ongoing practical advice and guidance to the Investment Manager on all aspects of portfolio management relating to the management of the Fund.

EXTERNAL INVESTMENT MANAGERS

In the attainment of the investment objectives and strategic asset allocation guidelines as defined in this document, the Fund will retain the services of external investment management firms. This process will be directed in concert between the Investment Manager and/or Investment Management Consultant. The prudent selection and combination of managers will be executed with an aim of proper portfolio optimization.

The number of available investment managers is significantly large. As a result, a detailed and rigorous process must be employed in the selection of managers for use by the Fund. The process should include these elements:

- Preliminary Criteria: reviewing assets under management; length of service and verifiability of track record; consistency of personnel; registration with regulatory agencies; compliance.
- Quantitative Criteria: predictability of performance relative to benchmark; style analysis; risk-adjusted performance; consistency; market cycle analysis. The quantitative performance of the external investment manager will be considered satisfactory if the quarterly moving four-year total return exceeds after management fees the return that could have been earned by passively managing the prescribed benchmarks assigned to each investment style. The performance will also be compared with the return generated by the performance of the median managers in the universe of the prescribed investment style maintained by a reliable provider of such information.
- Qualitative Analysis: reviewing personnel; investment philosophy and process; investment research; implementation of the investment process; business structure.
- Investment Committee Review and Ratification of Findings

Requirements:

- Be duly qualified and registered under appropriate securities legislation.
- Shall accept full fiduciary responsibility in the course of their normal business.
- Subject to the terms and conditions of this statement and their 'terms of engagement' mandates, external managers shall have discretionary power to direct and transact the investment assets held in their individual accounts make available key personnel for due-diligence reviews as well as dialogue with the Investment Manager and Investment Management Consultant of the NIB.
- Provide complete monthly transaction and position details.
- Participate, at least semi-annually, in performance reviews by the NIB
- Forward to the NIB quarterly reviews of investment performance, expectations of future returns on various asset classes and proposed investment strategies for the following 12 months
- Manage sector mix and select securities within each style, subject to applicable legislation and the constraints set out in this Statement
- Advise the NIB immediately of any changes in its senior investment personnel and/or significant changes in the size of assets managed

Procedures For External Investment Management Selection

- Formulation of specific manager search criteria that establishes the qualifications for the manager's role in the strategic plan.
- Identification of qualified candidates from manager search databases maintained by the Fund's Investment Consultant
- Conduct due diligence on each candidate that will include performance screening, qualitative screening and /or onsite visits.
- Selection and interview of finalist candidates based on final results of the due diligence process.
- Evaluation of any potential conflicts of interest.

Termination Of External Investment Managers

The Investment Committee at its discretion may terminate any investment manager for any reason. In the event any selected managers under-perform the applicable benchmarks for a period of three consecutive years, the selected manager will be placed on probation for the subsequent twelve months. If over the subsequent year the manager's average return for the applicable three-year period remains below that earned by the benchmark sharing the same investment objective, the Advisor, in conjunction with the Internal Investment Manager, will make a determination as to whether the manager continues to be a prudent and appropriate investment choice.

The Investment Committee will determine at least annually whether there are reasons for investment management changes for some or all of the assets of the Plan. Such reasons could include:

- failure to meet the quantitative performance targets;
- significant turnover of the manager's staff;
- desire to diversify investment management;
- manager involved in material litigation and fraud;
- client servicing problems;
- significant account losses or significant account growth;
- style drift and
- change in process or discipline.

CUSTODIAN – SECURITIES CUSTODY AND RECORD KEEPING

The Custodian will physically (or through agreement with sub-custodians) maintain possession of securities owned by the Fund, collect dividends and interest payments, and redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian shall also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets in and out of the fund and will fulfil all other regular duties required by law of the Custodian/Trustee.

Minimum Requirements:

- Monthly and annual reports will be provided by the custodians and will include a transaction detail of all activity in the account for the month, as well as a cost analysis of each security within the portfolio at month end.
- Provide the NIB with a certificate of Compliance with this Statement for the end of each quarter.
- Provide a quarterly summary report of proxy voting activities. It is expected that the external investment managers will review each proxy ballot and vote them in a manner that preserves and enhances shareholder value.
- The custodians will provide safekeeping of all securities and provide segregated reports of individual accounts in a segregated manner.
- The National Insurance Board will not permit at any time the lending of its securities. All fiduciaries must indicate in writing their commitment to comply with all provisions of this investment policy. An annual confirmation of compliance with these procedures should be submitted by all fiduciaries.

ACTUARY

The actuary will comment and report on any changes in the Fund's benefits and contribution flow which may affect how the Fund's assets are invested. The actuary will in consort with the Investment Manager/ Investment Management Consultant review forecasts and expectations about future returns on various asset classes and will review investment strategies in light of expectations.

REQUIREMENTS IMPOSED OF ALL FIDUCIARIES

- Investments shall be made solely in the interest of the Fund and for the exclusive purpose of providing long-term security and continuity of the Fund.
- Investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of managing a Fund with like character and like aims.
- Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return towards the achievement of the objectives as stated herein.
- All security transactions shall be executed by reputable broker/dealers and banks and shall be on at a best price and best execution basis.
- Investments shall possess good value and quality corroborated by accepted techniques and standards of fundamental, economic, financial and security analysis.
- The Fund should be invested to ensure adequate liquidity to meet all expected and unexpected cash flow requirements. The Fund must be managed in a fashion that it will be responsive to future liquidity requirements. Liquidity concerns in the near term will be minimal, but will evolve and increase over the years as the scheme matures as the average age demographic of beneficiaries of the Fund increases.

- Investments should meet the asset allocation criteria set out in this document.

X REPORTING

At a minimum the Investment Manager and Consultant will provide clear and precise reports including but not limited to the following:

- A quarterly cost analysis of each security within the portfolio showing both initial cost and current market value.
- A monthly transaction history of all activities since the previous report.
- The rate of return from inception-to-date, quarterly and annually based on a calendar year and for such a period as requested by the National Insurance Board
- Quarterly written statement commentary including actions taken in the portfolio, current outlook and expectations.
- Quarterly due diligence reports as to the status of each external manager retained by the NIB.
- The Investment Manager will perform due diligence on all providers of investment services and products and report on the same at least on a semi-annual basis.

SPECIAL REPORTING

The Board will request private equity partners to provide, on an annual basis, a summary of all the related investments. The Investment Manager will in turn report on an annual basis a summary of their activities.

XI CONFLICTS OF INTEREST

The Management of Fiduciary Responsibilities

The Board of Directors is the body that has fiduciary responsibility and control over the establishment and administration of plan's policies and programs. The Board Members involved in the investment process are to refrain from personal or other institutional business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. It is the Turks and Caicos Islands National Insurance Board's policy that all Members of the Board of Directors and Board Committees avoid any conflict, or appearance of conflict, between their personal interests and the interest of the Fund.

Policies and procedures have been designed to prevent or limit actions that may involve a potential conflict with the interests of the Fund and present the potential for improper or abusive conduct. If a Member of the Board of Directors becomes aware of an actual or potential conflict between the Fund's interests and the Board Member's interest that was not previously identified, the Board Member is expected to make every effort to fully disclose the matter to the Board as promptly as possible, and to obtain the Board's consent to the conflict or to a mutually-agreeable resolution of it.

It is expected that no Member of the Board of Directors, Committee or Staff Member shall use his or her position or knowledge gained there from in such manner that a conflict arises between the interest of the Fund and his or her personal or professional interest. Each Member of the Board of

Directors, Committee or Staff Member has the duty to place the interests of the Fund foremost in any dealings on behalf of the organization, and has a continuing responsibility to comply with this policy. In order that this policy may be formalized, the Turks and Caicos Islands National Insurance Board hereby declares:

1. All Members of the Board of Directors, Committees and Staff Members shall disclose any possible conflict of interest at the beginning of each meeting. Notwithstanding, Members may during a meeting, declare an interest which may not have been obvious earlier. Such disclosure shall be made a matter of record.
2. Any Member of the Board of Directors or Committee Member who has potential conflict of interest with respect to any matter coming before the Board of Directors or Committee shall not participate in any discussion or vote on any matter under consideration, but such Member should be prepared to excuse himself or herself from the room while the matter is discussed and voted on if asked to do so by the Board of Directors or Committee chairperson. The minutes of such a meeting shall reflect that a disclosure was made and that the Member having a possible conflict abstained from voting.
3. Staff Members who have an actual or potential conflict should not be substantively involved in decision-making affecting such transactions.

All candidates for Membership on the Board of Directors or Committees should be advised of this policy prior to assuming their responsibilities as Members.

Board Members involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Further, no Member involved in the investment process shall use the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that would create an improper influence upon the public official or employee with respect to the person's duties.

XII Confidentiality

Each person and/or entity related to this document must recognize that he/she/it is being contracted in a position of trust and confidence and will be obligated to protect confidential information relating to the investments of the NIB and individuals and/or companies with whom the NIB has a relationship.

Confidential information shall mean any and all information which shall become known during any period of service to the NIB and also in perpetuity regarding the affairs and accounts of the NIB and its clientele. This definition extends to any mailing lists, processes, procedures or techniques. Confidential information shall not include (1) information in the public domain not as a result of a breach of any duty or (2) information already known to the individual prior to their contract with the NIB (3) information published or disseminated by the NIB without restrictions to persons other than Employees and (4) information identified in writing by NIB as not being confidential information.

XII INVESTMENT POLICY STATEMENT REVIEW

ANNUAL REVIEW

The Investment Manager will review this Investment Policy Statement annually to determine whether revisions are appropriate.

PROPOSED CHANGES

Other than the regularly reviewed asset class target weights and return goals, any significant variation, changes or revisions to the policy will be approved by the Investment Committee and submitted to the Board for approval.

ANNUAL CONFIRMATION OR AMENDMENT

Annually the Board will review the recommendation from the Investment Committee decide on any amendments to the IPS and seek the Minister's ratification for any amendments to the Investment Policy Statement or notify the Minister that no change has been made.

VALUATION OF ASSETS

The NIB expects that all securities, with the exception of those held locally by the fund will have an active market and therefore valuation of the securities held by the Fund will be based on their market values.

As of the close of business on the last business day of each month, the Investment Manager will determine the fair market value of all the Investment Portfolio. Valuations shall be based on the books and records of the custodian for the valuation date. The final determination of value of the net assets shall normally be completed within five business days but can be longer under certain circumstances.


AMENDMENT OF INVESTMENT POLICY STATEMENT

The NIB reserves the right, at any time, to amend this Investment Policy Statement as it deems necessary or advisable. The Minister will be asked to ratify any changes.

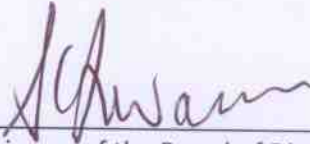
XIV ACCEPTANCE OF INVESTMENT POLICIES AND GUIDELINES:

The Director, Investment Committee's Chairman and Investment Management Consultant agree to provide in their periodic report to the Investment Committee and/or Board of Directors assurances that the investment management of the Fund is in accordance with the provisions of this statement.

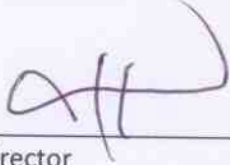
By signing below, each individual acknowledges receipt and understanding of this statement of investment policy and guidelines and accepts their charge as fiduciaries in its execution.



Minister with responsibility for the TCI National
Insurance Board



Chairman of the Board of Directors



Director

Signed in Providenciales this 15th day of NOV. 2017