County Employees Retirement System
Investment Committee – Special Meeting
April 28, 2026 at 10:00 AM ET
Live Video Conference/Facebook Live

AGENDA

1.	**Call to Order**	**Dr. Merl Hackbart**
2.	**Opening Statement**	**Eric Branco**
3.	**Roll Call**	**Sherry Rankin**
4.	**Public Comment**	**Sherry Rankin**
5.	**Private Equity Investment Recommendation***	**Wilshire**
6.	**Public Equity Recommendation – Franklin Templeton All Country World ex U.S. Portfolio***	**Investment Office**
7.	**Real Return Investment Recommendation***	**Investment Office**
8.	**ADJOURN**	**Dr. Merl Hackbart**

Committee Action May Be Taken

Memorandum

To: CERS Board of Trustees

From: Wilshire Advisors LLC

Subject: Consideration of Commitment to Capitol Meridian Fund II

Date: April 24, 2026

Background

Wilshire first engaged with Capitol Meridian Partners ("Capitol Meridian," "CMP," or the "Firm") in early 2022 prior to the launch of Capitol Meridian Partners Fund I. Wilshire was aware of CMP's Founding Partners' pedigree and track record at their predecessor firm, Carlyle, and began tracking the Firm at that time. Wilshire began its due diligence for Capitol Meridian Partners Fund II in October 2025, with full approval of investment and operational due diligence being completed in February 2026. Wilshire's full investment due diligence included but was not limited to: a thorough review of the strategy and performance, multiple virtual meetings, an in-person investment due diligence on-site, 12 on- and off-sheet reference calls, background checks on the Firm and its partners, full approval of investment due diligence by Wilshire's Manager Research Committee, and third party operational due diligence which was approved by Wilshire's AOC Committee. Wilshire believes that Capitol Meridian Partners Fund II offers the opportunity to invest with a tenured sector specialist focused on aerospace, defense, and government end markets that have high barriers to entry and require deep and influential networks; a strategy that has led to successful investment outcomes and creates an attractive opportunity for investors.

Recommendation

Wilshire recommends that CERS commit $90 million to Capitol Meridian Partners Fund II; filling one of CERS 2026 North American Buyout slots that was outlined in Wilshire's private equity portfolio pacing and implementation study. Wilshire notes that there is significant investor demand for the Fund and investors may not receive the entirety of the commitment requested.

Important Information

Wilshire is providing a description of the Fund which relies on information provided by the investment manager and includes: i) a summary of the investment opportunity and ii) Wilshire's view of the investment merits and concerns for the Fund. Wilshire's view is based on a preliminary assessment of the Fund's organization, team, strategy, process, performance, terms, and market in which it is investing. Wilshire notes that the current view is limited with respect to the amount of due diligence that was performed on the Fund. For example, it does not include additional components of due diligence such as operational due diligence, on-site due diligence, background checks for the management team, or legal review.

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For more information, please contact us directly:

T +1 310 451 3051

Wilshire

1299 Ocean Avenue, Suite 600, Santa Monica, CA 90401

wilshire.com

Wilshire

CERS– Private Equity Portfolio Opportunity

April 2026

CERS Private Markets Agenda

- **Today's Agenda**:
  - 2026 private equity portfolio implementation update
  - Consideration of a $90 commitment to Capitol Meridian Fund II
- **Agenda for Future Meetings**:
  - Recommendation for new commitments
  - Portfolio pacing and construction update

Portfolio Implementation – Private Equity

CERS Private Equity Portfolio Implementation

Fund	General Partner	Geography	Vintage	Target Commitment ($M)[1]	Target Allocation Percent
Total					100%
Buyout					60%
Reserved Buyout North America 2026 (ex. Capitol Meridian Fund II)	TBD	North America	2026	90	4%
Reserved Buyout North America 2026	TBD	North America	2026	90	4%
Reserved Buyout Europe 2026	TBD	Europe	2026	90	4%
Reserved Buyout Asia-Pacific 2026	TBD	Asia-Pacific	2026	90	4%
Reserved Buyout North America 2027	TBD	North America	2027	75	3%
Reserved Buyout North America 2027	TBD	North America	2027	75	3%
Reserved Buyout North America 2027	TBD	North America	2027	75	3%
Reserved Buyout Europe 2027	TBD	Europe	2027	75	3%
Reserved Buyout North America 2028	TBD	North America	2028	75	3%
Reserved Buyout North America 2028	TBD	North America	2028	75	3%
Reserved Buyout Europe 2028	TBD	Europe	2028	75	3%
Reserved Buyout Asia-Pacific 2028	TBD	Asia-Pacific	2028	75	3%

[1] For this presentation, Target Commitment is defined as allocations within the four-year pacing and portfolio construction horizon (e.g., 2024-2027). Future Allocation should be +/-5% of Target Allocations. Wilshire takes into account commitments made to date in year 2025 within this total.

CERS Private Equity Portfolio Implementation

Fund	General Partner	Geography	Vintage	Target Commitment ($M)[1]	Target Allocation Percent
Venture / Growth					20%
Reserved Venture / Growth North America 2026	TBD	North America	2026	40	2%
Reserved Venture / Growth North America 2026	TBD	North America	2026	40	2%
Reserved Venture / Growth Asia-Pacific 2026	TBD	Asia-Pacific	2026	40	2%
Reserved Venture / Growth North America 2027	TBD	North America	2027	33	2%
Reserved Venture / Growth North America 2027	TBD	North America	2027	33	2%
Reserved Venture / Growth Europe 2027	TBD	Europe	2027	33	2%
Reserved Venture / Growth North America 2028	TBD	North America	2028	33	2%
Reserved Venture / Growth North America 2028	TBD	North America	2028	33	2%
Reserved Venture / Growth Asia-Pacific 2028	TBD	Asia-Pacific	2028	33	2%
Distressed Debt / Special Situations					20%
Reserved Distressed Debt / Special Situations North America 2026	TBD	North America	2026	60	3%
Reserved Distressed Debt / Special Situations North America 2026	TBD	North America	2026	60	3%
Reserved Distressed Debt / Special Situations North America 2027	TBD	North America	2027	50	2%
Reserved Distressed Debt / Special Situations Europe 2027	TBD	Europe	2027	50	2%
Reserved Distressed Debt / Special Situations North America 2028	TBD	North America	2028	50	2%
Reserved Distressed Debt / Special Situations North America 2028	TBD	North America	2028	50	2%

[1] For this presentation, Target Commitment is defined as allocations within the four-year pacing and portfolio construction horizon (e.g., 2024-2027). Future Allocation should be +/-5% of Target Allocations. Wilshire takes into account commitments made to date in year 2025 within this total.

Funds for Consideration – Private Equity

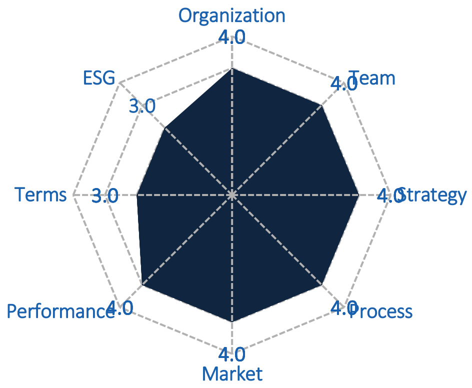
Private Markets : Private Equity Recommendation

- One $90 million commitment in Private Equity – Buyout
    - Capitol Meridian Fund II
    - Capitol Meridian Fund II is heavily oversubscribed
        - Wilshire is seeking $90 million on behalf of CERS
        - As a result of the oversubscribed nature of the Fund, there is the potential for CERS commitment amount to be less than requested

Capitol Meridian II

Final Diligence

Investment Type	Primary
Target Size (B) / Hard Cap (B)	USD / $1.2 / TBD
First Close (M)	N/A
First Close Date	Q1 2026
Final Close Date	TBD
Vintage Year	2026
Geographic Focus	North America
Strategy	Mid Buyout
Industry	A&D, Gov-Tech/Services
Investment Size (M)	$50 - $200
Number of Investments	8 – 10
Investment Period	4.5 Years
Fund Term	10 Years
GP Commitment	5% up to $65 million
Target Return	3x Gross MOIC
Management Fee – Investment Period	2.0% on committed
Management Fee – Post-Investment Period	2.0% on contributions
Carry/Hurdle	20% / 8%



Key: 5 = Top Decile; 4 = Top Quartile; 3 = Average;
2 = Bottom Half; 1 = Bottom Decile; 0 = No Information

Past performance is not indicative of future results.

Firm Overview

Capitol Meridian Partners ("Capitol Meridian," "CMP," or the "Firm") was founded in 2021 by Brooke Coburn and Adam Palmer (together the "Founders") to pursue investments in middle market businesses at the intersection of government and commercial markets; a strategy which they executed upon for over 25 years at their prior firm, Carlyle. Today, the team consists of 15 full-time professionals in a single office in Washington D.C. and is supplemented by nine operating partners and a proprietary network of over 50 advisors, former government officials, operators, and subject matter experts. To-date, Capitol Meridian has raised its debut Fund I at its hard cap of $900 million and is currently in the market with Capitol Meridian Fund II, L.P. ("Fund II" or the "Fund") with a target of $1.2 billion and expected hard cap of ~$1.7 billion.

Investment Strategy

Capitol Meridian will make control buyout and growth equity investments in middle market businesses at the intersection of government and commercial markets. Target sectors include aerospace and defense, government services and government tech (together "AD&G"), all of which possess high barriers to entry given the complexity of government compliance requirements, antiquated procurement protocols, opacity of industries, layers of regulation, and security clearances required. As such, Capitol Meridian will leverage the Founders 25+ years of experience in the Washington D.C. ecosystem, a nine-person operating partner group, and network of 50+ executives, government specialists, and subject matter experts in all aspects of the investment process. Target investments will be $50 to $200 million in North American-based businesses with $10-$75 million of EBITDA that operate in fragmented and defensible end markets that are largely uncorrelated to GDP growth given the government and regulated exposure. Post-close, Capitol Meridian will implement a five-lever value creation playbook that focuses on talent, operational improvement, strategy optimization, organic growth, and strategic M&A, which has led to significant revenue and EBITDA growth in portfolio companies to date.

Track Record

Capitol Meridian's Fund I has a young but developing track record, currently marked at 1.3x gross ROI and a 15.5% gross IRR, with Wilshire noting conservative valuation marks and meaningful embedded value driven by strong portfolio company growth. While the fund ranks in the third quartile on net ROI, deployment has been disciplined and returns stable, and the team's prior experience includes approximately 60 deals with 53 having been realized at a multiple of ~3.4x.

Fund	Vintage	Size ($M)	Gross ROI	Gross IRR
Fund I	2022	889	1.3x	15.5%

Source: Capital Meridian as of September 30, 2025.

Investment Merits

- Attractive point in manager lifecycle
- Cohesive, experienced senior team with sector expertise
- Differentiated strategy focused on mid-cap A&D
- Operations and value-add capabilities
- Proven track record with embedded value in Fund I
- Market tailwinds and acyclical nature

Investment Concerns

- Fund I remains early with modest headline returns
- Access given high level of demand

Key Investment Personnel

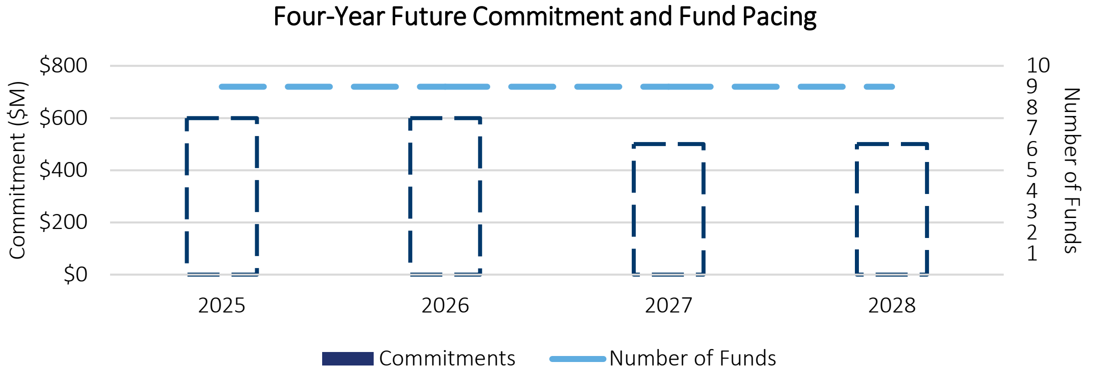
Name	Title	Experience
Brooke Coburn	Partner, Co-Founder	The Carlyle Group, Salomon Brothers, JP Morgan
Adam Palmer	Partner, Co-Founder	The Carlyle Group, Lehman Brothers
Michael Gozycki	Partner	The Carlyle Group, Staples, Siebel Systems, Arthur Andersen

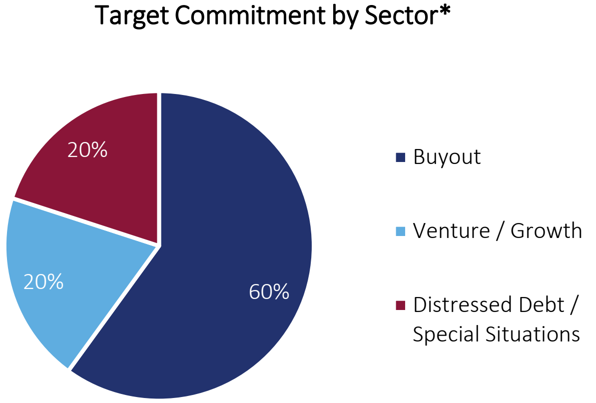
Appendix

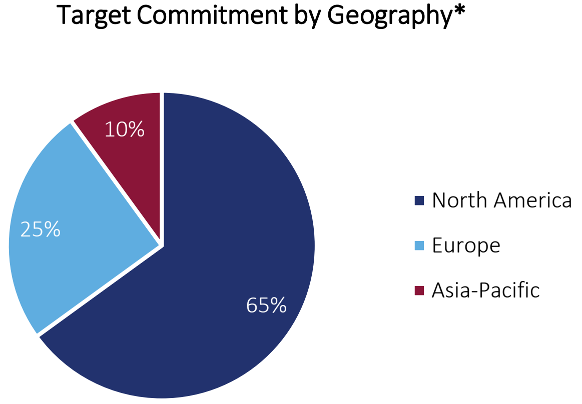
CERS Private Equity Portfolio Construction

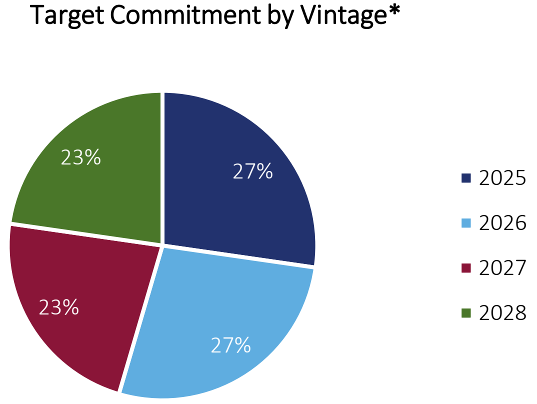
Next Four Years

			Future Annual Commitments ($M)[1]			
Investment Type	Target Commitment ($M)	% Total Target Commitment	2025	2026	2027	2028
Total Future Commitments	2,200	100%	600	600	500	500
Buyout	1320	60%	360	360	300	300
Venture / Growth	440	20%	120	120	100	100
Distressed Debt / Special Situations	440	20%	120	120	100	100
Number of Funds	36		9	9	9	9
Average Deal Size	61		67	67	56	56









*Portfolio allocation implementation should be +/- 5% of these targets.

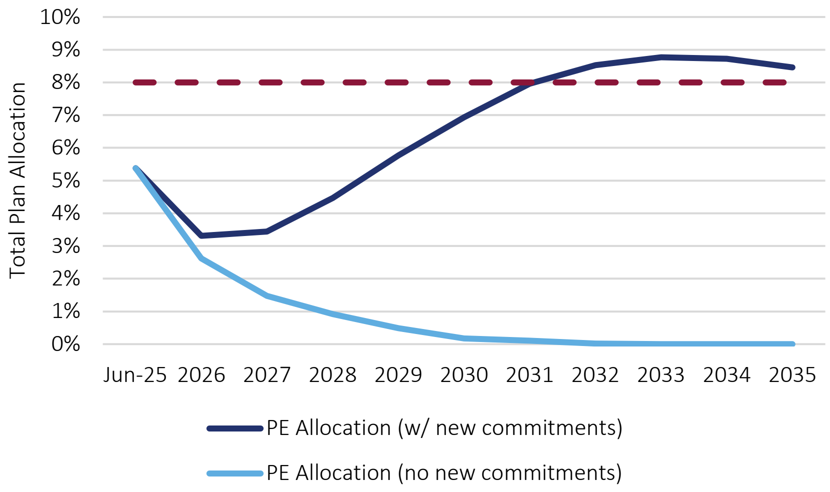
Private Equity Commitment Pacing

CERS

With annual commitments of $600 million, stepping down to $500 million in 2027, and stepping down to $400 million thereafter, CERS is expected to achieve and maintain its 8.0% allocation target to private equity, additionally allowing for appropriate vintage year diversification.

Model Input Summary	
Plan Asset Value as of 6/30/2025	$20,054
Private Equity Target Allocation	8.0%
Expected Nominal Growth Rate (after plan expenditures)	2.5%

Private Equity Allocation



(All figures in $M)	Dec-24	Year 2025	Year 2026	Year 2027	Year 2028
Total Plan Market Value	20,054	20,555	21,069	21,596	22,136
Private Equity Target Allocation	1,604	1,644	1,686	1,728	1,771
Private Equity Net Asset Value	1,078	681	725	965	1,277
Over/Under Allocated ($)	(526)	(964)	(960)	(763)	(494)
Private Equity Net Asset Value	5%	3%	3%	4%	6%
Over/Under Allocated (%)	-3%	-5%	-5%	-4%	-2%

Existing Commitments					
Net Asset Value	1,078	538	311	198	108
Contributions		23	1	4	0
Distributions		421	251	119	92

Total Future Commitments		**600**	**600**	**500**	**500**
Net Asset Value		143	414	766	1,169
Contributions		143	284	389	473
Distributions		0	36	102	192

Private Equity NAV as of Wilshire's Q2 2025 report.

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EXTERNAL INTERNATIONAL PUBLIC EQUITY MANAGEMENT TRANSITION RECOMMENDATION

SUPPORTED BY WILSHIRE ASSOCIATES

Recommendation

Kentucky Public Pensions Authority (KPPA) Staff and Wilshire recommend the transfer of management responsibilities from Franklin Templeton to ClearBridge (a Franklin Templeton Company) for the existing Franklin Equity Group MSCI ACWI Ex-US portfolio.

No placement agents have been involved or will be compensated as a result of this recommendation.

Franklin Templeton – Issues

Franklin Templeton (FT), after an initial period of strong performance, the strategy has experienced a period of significant underperformance. This underperformance has been the result of a combination of significant market headwinds (value and large cap biases), market narrowness, and self-inflicted wounds (stock selection, significant TE, stop loss passivity).

The manager has made good-faith efforts to address the strategy and management issues under their control. An analyst change was made in the health care sector to specifically address certain stock selection issues. FT strengthened its 20% relative loss rule instituting a “sell” bias to stock review. A tracking error limitation of 6% was instituted to ensure that while all holdings can be contributors in a concentrated portfolio, a significant individual stock failure should not derail the entire portfolio’s performance.

Staff believe the changes made are appropriate; however, it will take a more accommodative market to see a sustained relative performance recovery. This would likely entail a decrease in market volatility, a cut in rates, and midcap strength. It is unclear when this will occur.

An additional challenge is that the strategy is beginning to experience asset redemption and client loss. Recently staff have learned that a portfolio manager, along with two analysts, have agreed to buyouts offered by the firm and will be leaving the team in June. While the team lead notes that the remaining team members have capacity and points to the fact they are supported by a central research group, staff find these events concerning.

Recommended Solution

Transitioning asset management responsibilities to ClearBridge (an affiliate of FT) provides an attractive solution given current concerns, ease of transition, and timing. It is the belief of both ClearBridge (CB) and staff that management responsibilities can be transferred with a delegation of management document and continue to operate under the current Investment Management Agreement. The cost of transition will be covered by CB through an additional three months of no investment management fees.

ClearBridge has been running its NonUS growth strategy since 2015 and has an experienced team with a demonstrated, solid track record. The strategy offered is concentrated (to a lesser degree), has a similar growth profile, no market cap bias, and lower tracking error.

Organization Structure and Stability

ClearBridge is a Franklin Templeton Company with over 60 years of operation in the asset management space. As of 12/31/25, firm assets under management topped $210 billion. The firm has over 350 employees. The team responsible for the strategy managed $16.8 billion across the international growth platform as of 03/31/26, having 120 clients at the end of the quarter.

ClearBridge Investment Team

The strategy is managed by a long-tenured team consisting of four co-Portfolio Managers (3 of which have been on the strategy continuously since 2015) and two dedicated investment analysts (which joined the team in 2021). Each individual is responsible for 2-3 sectors, with overlapping coverage in a manner where each sector has at least two individuals covering. The team also utilizes the firm's central research desk of 15 sector analysts.

ClearBridge – Philosophy, Principles, Portfolio Construction & Sell Discipline

Philosophy

Invest in high-quality businesses with growth characteristics trading at a discount relative to their intrinsic value, or when growth drivers are not understood. The strategy defines quality as a product, process, or platform with a durable advantage over competitors and ability to finance growth.

Principles

The strategy is a valuation-driven approach to growth, supported by a multi-factor model, which enables consistent and systematic evaluation, and helps facilitate efficient allocation of resources and eliminate bias. Portfolio construction is an equal division between quality/valuation versus earnings/price momentum. The outcome is a roster of stocks with good valuation/quality, consistent and meaningful earnings upgrades, and positive surprises.

The strategy invests in a spectrum of growth companies categorized as the following:

1) Structural growth (20-40% of the portfolio) – opportunistic, capitalize on industry and/or company changes, duration and/or magnitude of growth is often mispriced
2) Secular growth (40-60% of the portfolio) – consistency and compounding of returns provide steady growth, stability, downside risk protection, and the duration of growth often mispriced
3) Emerging growth (up to 20% of the portfolio) – potential for outsized returns and participation in long-term upside, large addressable markets/very fast growth, risk of failure exists (positions are sized less than 1%), and magnitude of growth often mispriced

Portfolio Construction

Most of the risk is expected to come from stock selection rather than factor risk. The strategy allocates across all sectors, with no range limitations, but typically within 5% of the benchmark weight. As mentioned above, the strategy is diversified across growth types and sector exposures. Projected TE of 4-6%, with benchmark-level risk. The portfolio consists of 50-80 holdings and invests up to 40% in emerging markets. Turnover is expected to be 40-60% annually.

Sell Discipline

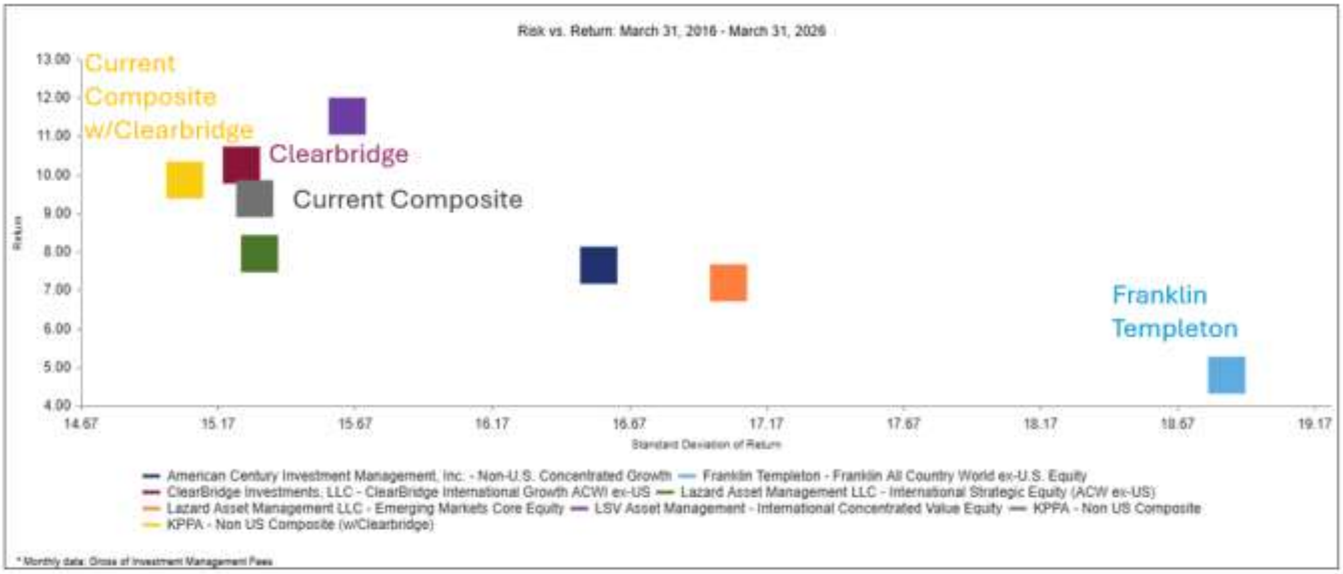
Candidates for sale include those names that have reached a price target, funding sources for better opportunities, or in the case of a broken investment thesis.

Performance

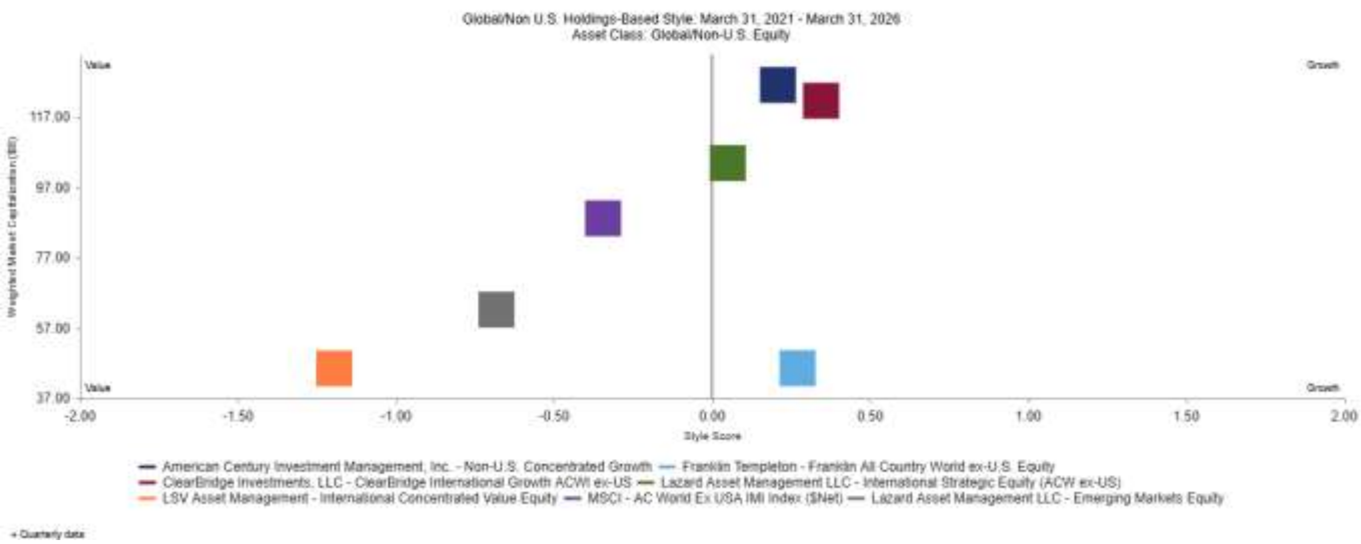
ClearBridge					
As of: 03/31/26	**1YR**	**3YR**	**5YR**	**10YR**	**SI**
International Growth ACWI ex-U:	**13.07**	**10.23**	**5.11**	**10.25**	**8.70**
MSCI ACWI ex-US	24.91	14.49	7.02	8.38	6.36
Relative Performance (+/-)	*-11.84*	*-4.26*	*-1.90*	*1.87*	*2.35*

The following chart demonstrates the CB strategy has provided a greater return with a lower standard deviation (compared to the FT strategy), improving the overall KPPA international portfolio quality, as defined by the risk/reward profile.

KPPA
Kentucky Public Pensions Authority



The chart below demonstrates the management transition from the FT team to the CB team is expected to eliminate the current midcap bias found in the growth portion of the international portfolio, while maintaining a similar level of growth.



Portfolio Sizing

As of close April 20, 2026, KPPA invested across both pension and insurance funds approximately $547.6 million in the FT Non-US Equity strategy. This equates to roughly 9.3% of the international equity exposure, or approximately 3.6% the total public equity investments, which equates to roughly 1.6% of the total KPPA portfolio.

Plan Allocation based on 04/20/26				
KERS	72,190,000.00	KERS INS	37,910,000.00	110,100,000.00
KERS - H	22,250,000.00	KERS - H INS	14,250,000.00	36,500,000.00
CERS	207,020,000.00	CERS INS	70,830,000.00	277,850,000.00
CERS - H	74,320,000.00	CERS - H INS	31,650,000.00	105,970,000.00
SPRS	11,520,000.00	SPRS INS	5,660,000.00	17,180,000.00
	387,300,000.00		160,300,000.00	547,600,000.00

Management Fees

ClearBridge originally offered a zero-management fee through March 31, 2027, consistent with the recently negotiated fee discount agreement reached with the FT team. Given the cost of transition, CB and KPPA staff have agreed to extend the zero-management fee through June 30, 2027. Beginning July 1, 2027, the manager has proposed an annual fee of a flat rate of 33bps and has provided the option of a tier break where assets under management in excess of $750 million, will receive a 28bps fee rate.

Third-Party Provider and Placement Agent Disclosure

In accordance with gating practices, staff has requested ClearBridge to acknowledge transparency requirements, and to complete a conflict of interest statement and placement agent form. No placement agents have been involved or will be compensated because of this recommendation.

Recommendation

As previously stated, in a continued effort to improve the portfolio, staff are recommending transitioning asset management responsibilities for the MSCI ACWI Ex-US portfolio from Franklin Equity Group to ClearBridge (a Franklin Templeton Company).

Staff and Wilshire believe this transition is a positive response given the above concerns. ClearBridge offers what is expected to be a consistent performance strategy, whose inclusion should improve the quality of the overall international portfolio given its expected better relative performance, with a lower standard deviation than that of the current FT offering. The CB strategy maintains the same level of growth, but with a lower tracking error, by eliminating the current midcap bias that has been detracting from relative performance for some time. The transition of management responsibilities to ClearBridge is also attractive logistically and from an administrative standpoint as they are a Franklin Templeton company. Asset management responsibilities can be transitioned with a delegation of management document. Transition costs will be borne by the manager through a discount fee extension and has offered an asset management fee rate of 0bps through June 30, 2027.

Staff and consultant plan to utilize this transition event as a catalyst to conduct a larger review of the international equity portfolio to ensure efficacy of both the structure and exposures within.

We welcome any comments or questions from the Committee.

Appendix

- Wilshire: FT-ClearBridge Transition with Evals

EXTERNAL INTERNATIONAL PUBLIC EQUITY MANAGEMENT TRANSITION RECOMMENDATION

IN CONJUCTION WITH WILSHIRE ASSOCIATES

RECOMMENDATION

- Kentucky Public Pensions Authority (KPPA) Staff and Wilshire recommend the transfer of management responsibilities from Franklin Templeton to ClearBridge (a Franklin Templeton Company) for the existing Franklin Equity Group MSCI ACWI Ex-US portfolio.

- No placement agents have been involved or will be compensated as a result of this recommendation.

FT ISSUES & RECOMMENDED SOLUTION

KPPA Kentucky Public Pensions Authority

- After a period of strong performance, the strategy has experienced a period of significant underperformance
  - Significant market headwinds (value and large cap biases), market narrowness, and self-inflicted wounds
- Manager has made good-faith efforts to address the strategy and management issues under their control
  - Analyst change made in the health care sector to address stock selection issues
  - Strengthened its 20% relative loss rule instituting a "sell" bias to stock review
  - TE limitation (6%) was instituted to ensure all holdings can be contributors, but a significant individual stock failure should not derail performance
- Changes made are appropriate; however, a more accommodative market is needed to see a sustained relative performance recovery
- Additional challenge is the strategy beginning to experience asset redemption and client loss; further, a PM and two analysts have accepted firm buyouts, leaving the team in June

- Recommend transitioning asset management responsibilities to ClearBridge (an affiliate of FT) provides an attractive solution given the current concerns, ease of transition, and timing.
  - Management responsibilities can be transferred with a delegation of management document and continue to operate under current IMA
  - Cost of transition will be covered by CB through an additional 3-months of no investment management fees
- CB has been running NonUS growth strategy since 2015 and has an experienced team with solid track record.
  - Concentrated strategy (to a lesser degree than FT), has similar growth profile, no cap bias, and lower tracking error

CLEARBRIDGE

- CB is a Franklin Templeton company
  - 60 years of operation in asset management space / $210b in firm AUM / +350 employees
  - Team manages $16.8b across the international growth platform with 120 clients

- Investment Team
  - Long-tenured team consisting of 4 co-PMs (3 of which have been on the strategy since 2015) and 2 analysts
  - Each individual is responsible for 2-3 sectors, with overlapping coverage – each sector has at least 2 individuals reviewing
  - Central research desk of 15 sector analysts

- Philosophy
  - High-quality businesses with growth characteristics trading at a discount relative to their intrinsic value, or when growth drivers are not understood
  - Quality is defined as a product, process, or platform with a durable advantage over competitor and ability to finance growth

- Principles
  - Strategy is a valuation-driven approach to growth, supported by a multi-factor model, which enables consistent and systematic evaluation, and helps facilitate efficient allocation of resources and eliminate bias.
  - Portfolio construction is an equal division between quality/valuation versus earnings/price momentum
    - Roster of stocks with good valuation/quality, consistent and meaningful earnings upgrades, and positive surprises

CLEARBRIDGE (cont.)

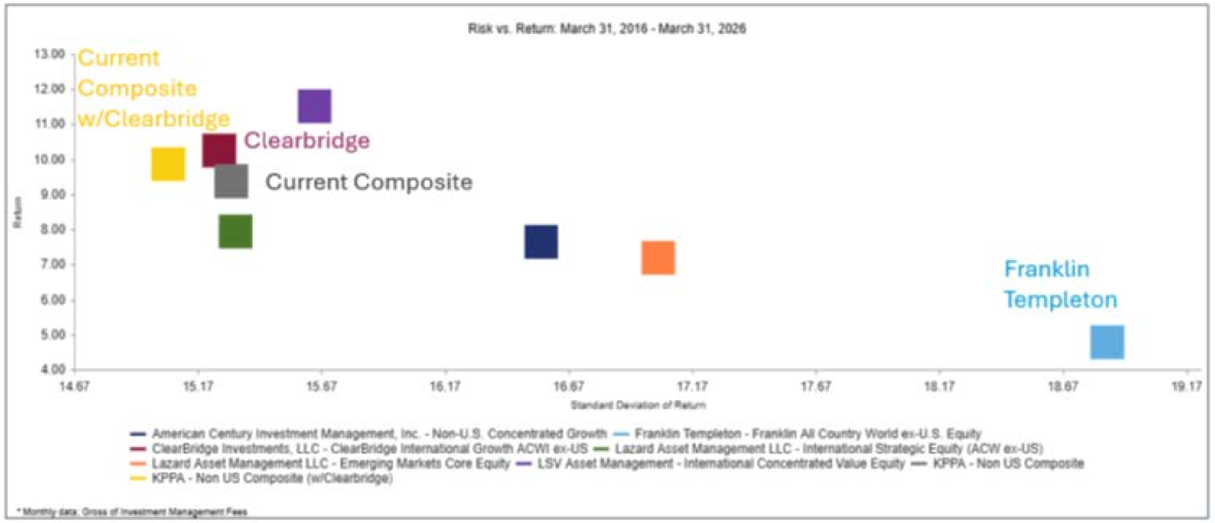
- Principles (cont.)
  - Strategy invests in a spectrum of growth companies
    - Structural (20-40%) – opportunistic, capitalize on industry / company changes, duration and/or magnitude of growth is often mispriced
    - Secular (40-60%) – consistency and compounding of returns provide steady growth, stability, downside risk protection, and duration of growth often mispriced
    - Emerging (up to 20%) – potential for outsized returns and participation in long-term upside, large addressable markets/very fast growth, risk of failure exists (positions less than 1%), and magnitude for growth often mispriced

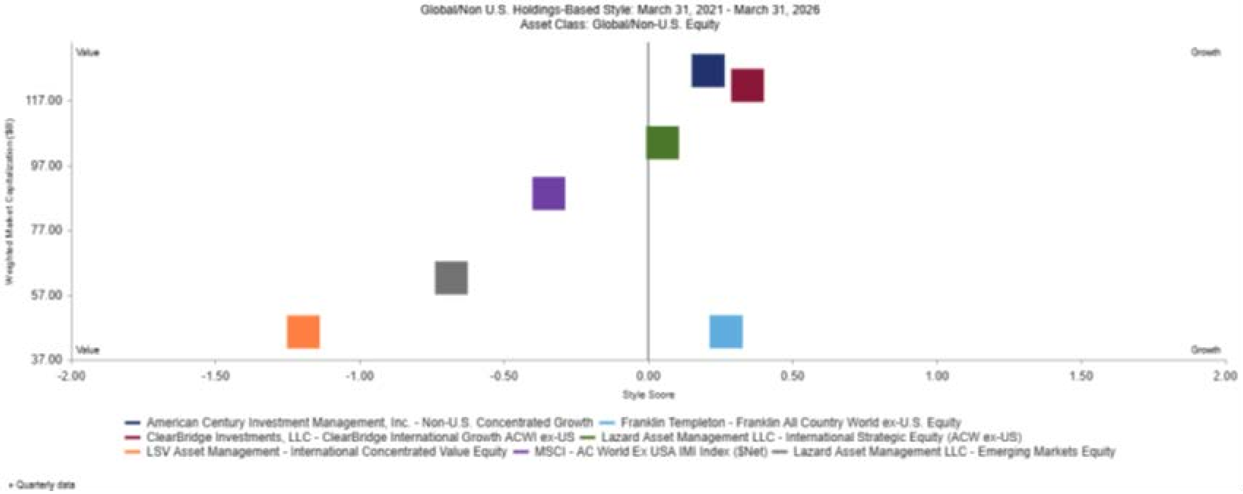
- Portfolio Construction
  - Allocates across all sectors typically +/- 5% of benchmark weight
  - Projected TE of 4-6%, which benchmark level risk
  - 50-80 holdings, turnover expected to be 40-60% annually

- Sell Discipline – Price target, funding sources for better opportunities, broken investment thesis

ClearBridge					
As of: 03/31/26	**1YR**	**3YR**	**5YR**	**10YR**	**SI**
International Growth ACWI ex-U	**13.07**	**10.23**	**5.11**	**10.25**	**8.70**
MSCI ACWI ex-US	24.91	14.49	7.02	8.38	6.36
Relative Performance (+/-)	*-11.84*	*-4.26*	*-1.90*	*1.87*	*2.35*

PERFORMANCE





PORTFOLIO SIZING & FEES

- As of 04/20/26, KPPA invested across both pension and insurance funds approximately $547.6m in the FT Non-US Equity strategy
  - 9.3% of the international equity portfolio / 3.6% of public equity / 1.6% of the total KPPA portfolio

Plan Allocation based on 04/20/26				
KERS	72,190,000.00	KERS INS	37,910,000.00	110,100,000.00
KERS - H	22,250,000.00	KERS - H INS	14,250,000.00	36,500,000.00
CERS	207,020,000.00	CERS INS	70,830,000.00	277,850,000.00
CERS - H	74,320,000.00	CERS - H INS	31,650,000.00	105,970,000.00
SPRS	11,520,000.00	SPRS INS	5,660,000.00	17,180,000.00
	387,300,000.00		160,300,000.00	547,600,000.00

- CB originally offered a zero-management fee through 03/31/27, consistent with the recently negotiated agreement with the FT team
  - CB and staff have agreed to extend the fee break to 06/30/27, to account for the cost of transition
  - Beginning 07/01/27, the manager has proposed a flat fee rate of 33bps, with a tier break for assets in excess of $750m (28bps)

RECOMMENDATION

- Staff and consultant believe this transition is a positive response given current concerns.

- ClearBridge offers what is expected to be a consistent performance strategy, whose inclusion should improve the quality of the overall international portfolio
    - Expected better relative performance, with a lower standard deviation than the current offering from FT
    - Maintains the similar level of growth, but with a lower TE, by eliminating the current midcap bias

- Transition of management responsibilities to ClearBridge is attractive logistically and from an administrative standpoint
    - Management responsibilities can be transitioned with a delegation of management document
    - Transition costs will be borne by the manager through a discount fee extension
    - Offered an asset management fee rate of 0bps through June 30, 2027

- Staff and consultant plan to utilize this transition event as a catalyst to conduct a larger review of the international equity portfolio to ensure efficacy of both the structure and exposures within

To: Kentucky Public Pensions Authority

From: Wilshire Client Solutions Team

Subject: Clearbridge – International Growth ACWI ex-US

Date: April 20, 2026

Following discussions with Wilshire's Manager Research team, this memo supports transitioning from the Franklin Templeton International Growth strategy to the strategy offering Clearbridge has presented, subject to a 0 bps management fee arrangement for the next 12 months.

Background

Franklin Templeton's All Country World Ex U.S. strategy has underperformed over the past several quarters. The underperformance has been largely attributable to stock selection, particularly within the Health Care sector. In addition, the strategy's portfolio manager (John Remmert) announced his retirement in 2025, increasing key-person and continuity risk.

Performance & Style

In addition to the Franklin Templeton performance concerns noted above, the Clearbridge strategy has also lagged the MSCI AC World Index IMI (Net) over the periods shown, based on data provided to Wilshire via the Compass Portal database. International growth has trailed international value over the quarter, one-, three-, and five-year periods ending 3/31/2026 (Exhibit II), with the spread between the two MSCI style indexes ranging from 5% to 10%. Both the Franklin Templeton and Clearbridge strategies exhibit a growth bias (Exhibit III), which has been a headwind to performance. Combined with negative stock selection attribution (Exhibit IV), this has resulted in negative excess returns versus the benchmark ranging from 10% to 18% for Franklin Templeton and 1% to 10% for Clearbridge over the same periods.

Portfolio Fit

To assess how the Clearbridge strategy would fit within the current composite, we reviewed correlations of excess returns versus the other strategies currently in the portfolio (Exhibit V). Correlations increased modestly for three strategies, decreased for two, and were broadly unchanged for the remainder. Most increases were 10 basis points or less. The largest change was between Axiom and Clearbridge, which showed a 16 bp reduction in correlation of excess returns, indicating improved diversification (more complementary).

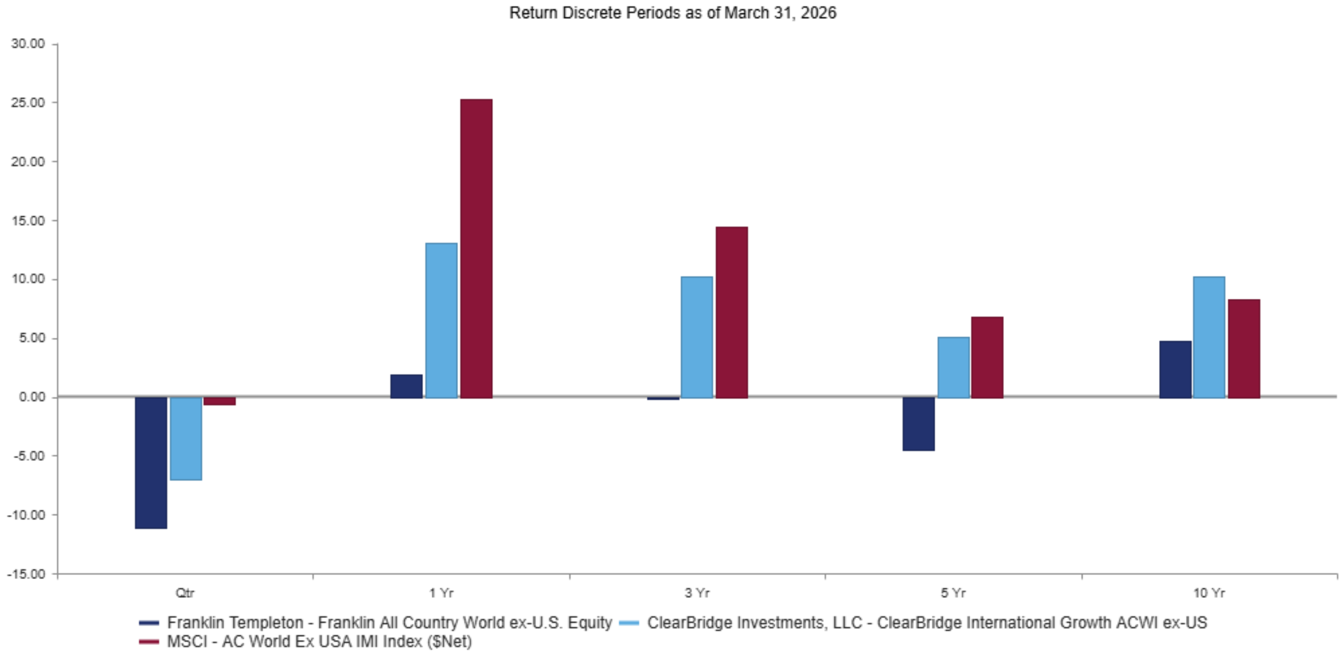
Qualitative Evaluations

Wilshire's Manager Research group has ranked both strategies, and the full evaluations are included at the end of this memo. Franklin Templeton received a downgrade from a third- to fourth-decile ranking in June 2025, and Wilshire's manager research analyst indicated there is risk of a further downgrade. Clearbridge received a third-decile manager research evaluation; however, the firm rating is fifth decile because Clearbridge is a wholly owned subsidiary of Franklin Resources.

Summary

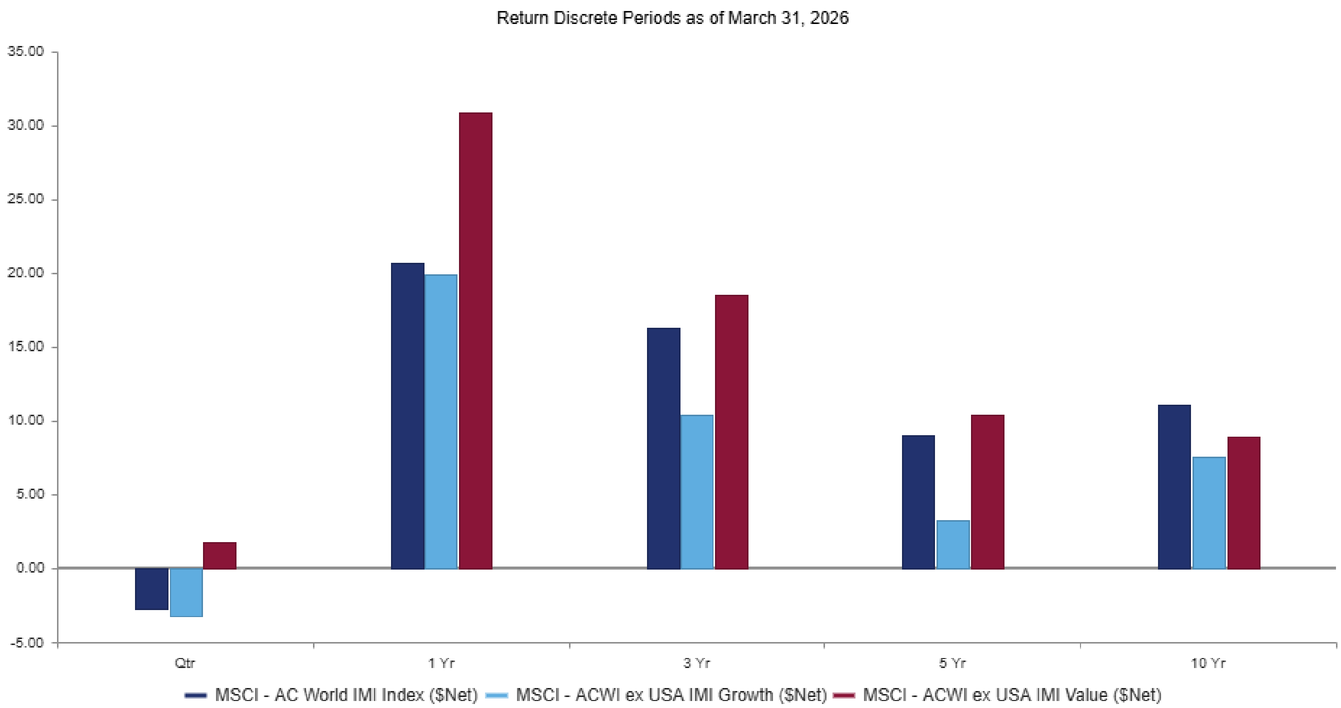
Wilshire supports transitioning from the Franklin Templeton strategy to the Clearbridge strategy, provided the management fees are held at 0 bps for the next 12 months. In addition, Wilshire will collaborate with KPPA staff to undertake a formal review of the Non-U.S. public equity composite investment structure.

Exhibit i



* Monthly data; Gross of Investment Management Fees

Exhibit ii



* Monthly data

Exhibit iii

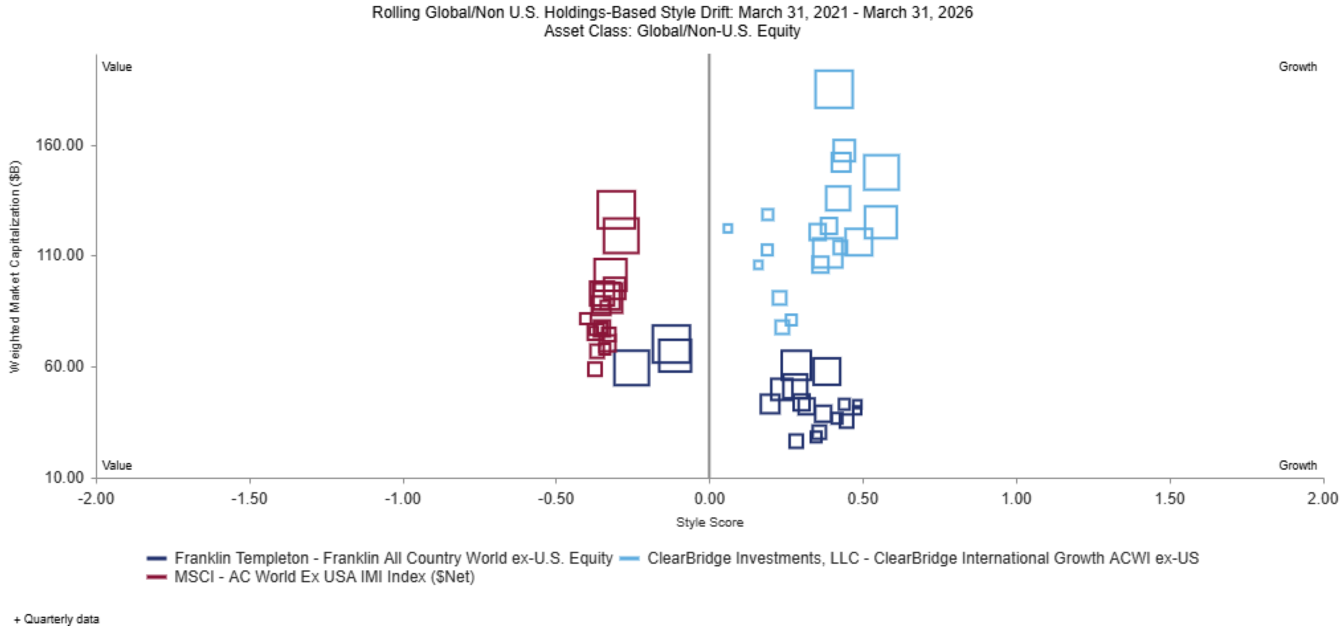


Exhibit iv

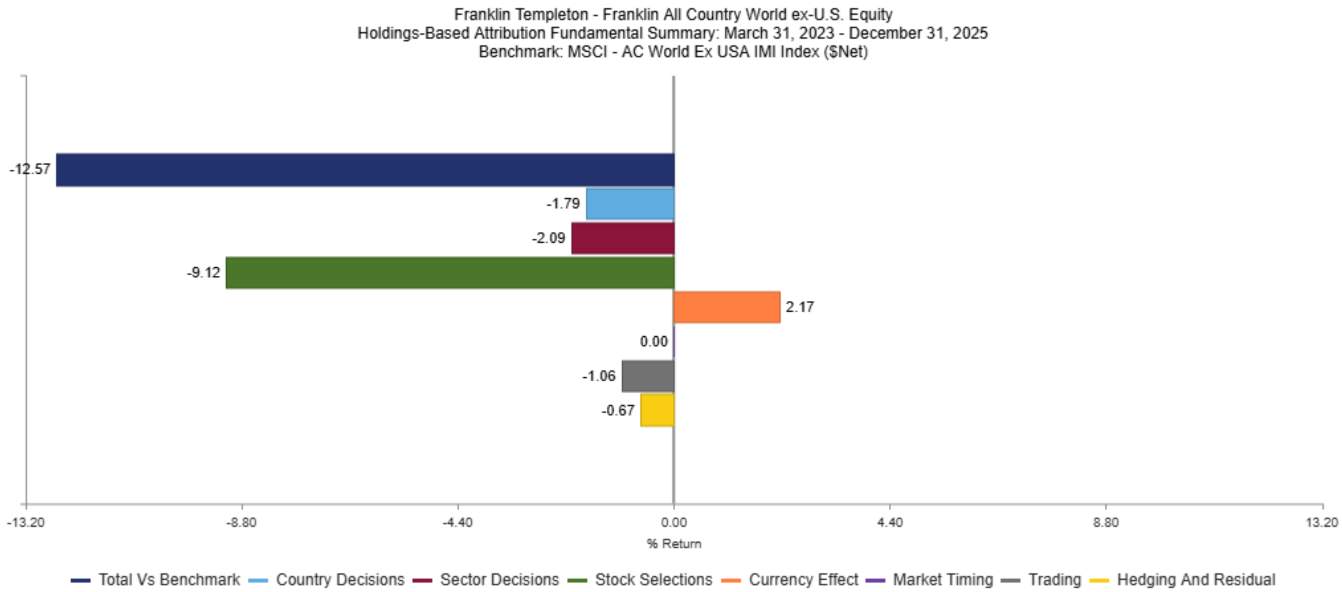


Exhibit v

	Blackrock	American Century	Franklin Templeton	Clearbridge	Lazard	Lazard EM	LSV	JPM	Pzena	Axiom
Correlation										
Blackrock	1.00									
American Century	0.13	1.00								
Franklin Templeton	0.14	0.69	1.00							
Clearbridge	0.22	0.73	0.57	1.00						
Lazard	0.04	0.54	0.46	0.59	1.00					
Lazard EM	-0.54	-0.43	-0.46	-0.46	-0.33	1.00				
LSV	0.21	-0.60	-0.53	-0.52	-0.35	0.21	1.00			
JPM	-0.77	0.15	0.10	0.06	0.20	0.38	-0.36	1.00		
Pzena	-0.59	-0.49	-0.50	-0.50	-0.34	0.68	0.26	0.29	1.00	
Axiom	-0.05	0.60	0.62	0.46	0.49	-0.30	-0.55	0.25	-0.37	1.00

Wilshire

Manager Research

Wilshire Manager Research Team

June 28, 2025

Franklin Templeton

Franklin EAFE Plus Equity

Rating Decile	Weight
4th	**100%**

Summary

The Franklin EAFE Plus Equity fund is a fairly concentrated, quality growth-oriented international equity strategy. The team is currently led by senior portfolio manager Patrick McKeegan, who is closely assisted by portfolio managers Don Huber and Samantha Mathews. Mr. McKeegan recently took over leadership for the team after long-time portfolio manager, John Remmert, announced his retirement from the firm. Mr. Remmert had been at the helm since 2004. The strategy utilizes a bottom-up, fundamental framework focused on growth opportunities worldwide. The strategy is relatively concentrated and typically holds approximately 35-40 securities that are conviction-weighted across the portfolio. Portfolio risk is a high consideration as the team strives to diversify the revenue/earnings stream of its holdings to ensure a strong risk/reward profile. The portfolio does not have stringent constraints relative to the benchmark allowing significant latitude. Annual turnover ranges from 30-50%. The goal of the EAFE Plus product is to outperform the benchmark by 200-300 bps over a 3-5 year market cycle. It is important to note that the strategy will maintain notable growth and lower market cap biases and will perform best when growth companies are in-favor. The same team also manages an ACWI ex-U.S. version of the strategy that has more latitude to invest in emerging market names.

Franklin Templeton

Franklin EAFE Plus Equity

	Rating Decile	Weight
I. Organization	**5th**	**20%**
Firm	6th	50%
Team	4th	50%

The Templeton organization was founded by Sir John Templeton in 1940. Today, Franklin Resources, Inc., the parent company of Templeton Investment Counsel, LLC, is a publicly-listed company. Directors and officers of Franklin Resources, Inc. own a considerable minority stake in the company’s stock. The firm provides investment advisory and related services to mutual funds, institutional and private accounts, and other investment products. The firm’s total assets under management stand at ~$1.6T as of 2Q24. While the firm does have a deep team of investors, there has been turnover over the last few years at the portfolio manager level on the equity side of the business that Wilshire views negatively in the short-term. The firm score has been reduced to reflect legacy Franklin Templeton's large AUM decline due to outflows and market moves, in addition to higher employee turnover. All portfolio managers and senior professional staff are compensated with a base salary, bonus in the form of cash, and restricted stock and deferred profit-sharing plan. Variable compensation is tied to investment performance as well as a number of other factors, such as top-line firm revenue. In mid-2023, the firm announced the acquisition of Putman Investments and ultimately completed its acquisition in January 2024. FT was looking to bolster its retirement and insurance capabilities. In early 2020, the firm announced the acquisition of Legg Mason, Inc. The deal is an all-cash transaction and includes the majority of Legg Mason's multiple investment affiliates, including Western Asset, ClearBridge, Brandywine Global, Martin Currie, QS Investors, Royce Investment Partners, and Clarion Partners. Most of the Legg Mason affiliates continue to operate autonomously. However, during 3Q 2020 Franklin Templeton announced its intention to combine Franklin Templeton Multi-Asset Solutions (FTMAS) and QS Investors capabilities to form Franklin Templeton Investment Solutions (FTIS).

The Franklin Non-US and Global products are managed under the Franklin Global Large Cap platform. The two strategies share the same leaders and team members. Senior Portfolio Manager John Remmert had been at the helm of the Non-US team since 2004 (this team was the former Fiduciary Trust team in NYC that was acquired by Franklin in 2001). In early 2025, Mr. Remmert announced his retirement effective June 30, 2025. At that time, it was announced that PM Patrick McKeegan would take over leadership of the team. He is supported by two other portfolio managers, Don Huber and Samantha Mathews and globally oriented team of research analysts and research associates. The team can also leverage the insights of the firm's global small cap and domestic growth teams.

This team has experienced notable turnover in recent years. Coleen Barbeau retired in 2018. Ms. Barbeau had co-managed the team with Mr. Remmert for a number of years and was a portfolio manager on the Global Equity strategy. In 2019, IT Analyst Diana Keenan departed the firm to take a position with Amazon and the team mutually parted ways with their Health Care analyst. Kelvin Way was hired as a replacement for Diana Keenan on the Technology side. In 2020, Matthew Button was hired as the new Health Care analyst. In 2021, Consumer Analyst Mary Killian left the team. She was replaced by Eric Dahl in early 2022. Two generalist analysts, Francyne Mu and Yan Lager, were promoted to portfolio managers in 2021. Lincoln Ye also joined the team as a multi-sector analyst in 2021. In 2022, Patrick McKeegan joined the portfolio management team. Financials Analyst Par Rostom left in early 2023 and the team added another generalist analyst, Samantha Mathews, that same year. In 2024, Health Care Analyst Matthew Button left the firm and Samantha Mathews was promoted to the portfolio management team. In addition, PMs Francyne Mu and Yan Lager left the team, and Anmol Bajwa was added as a replacement research analyst with in the Health Care sector. Finally, Senior Portfolio Manager John Remmert announced his retirement effective June 30, 2025. While we maintain a favorable opinion of new Group Head Patrick McKeegan, we maintain concerns about the high level of turnover associated with this team.

Franklin Templeton

Franklin EAFE Plus Equity

	Rating Decile	Weight
II. Information	3rd	20%

The Non-US Equity strategy is a growth-oriented, bottom-up portfolio focused on uncovering quality growth opportunities across the globe. Current Senior PM Patrick McKeegan spearheads the research efforts. Mr. McKeegan along with the other portfolio managers lead the global sector analysts through weekly meetings and team roundtables. Utilizing the 360-degree Research Process, analysts discover new names through quantitative and qualitative means. The analysts maintain coverage of approximately 5-10 securities in addition to the stocks rated they have rated Outperform and those already in client portfolios. Constant communication helps facilitate a productive information gathering procedure. The screening process begins with a search for companies that meet the team's growth, quality, and valuation criteria and generally gravitates towards companies with a market cap of $2 billion. Research is generated predominantly in-house for the product. Using a proprietary ranking tool, the team quantitatively screens for quality using EPS, revenue growth, ROE, and attractive free cash flow metrics. Moreover, the analysts will utilize industry research, attend conferences, and speak with various contacts to find solid ideas. 10% of the research is completed using a variety of sources including: sell-side research, industry experts, FactSet, Bloomberg, Thomson One Analytics, Guidepoint Global and Coleman research Group, and TheMarkets.com. In conjunction with the aforementioned materials, the team will uses Franklin Templeton's Global Research Library and call upon the firm's vast resources and investment professionals when appropriate. The team is relatively small, but exercises a very focused approach towards a maintaining a high conviction opportunity set. The investment professionals tend to exhibit significant depth in their names, rather than breadth in covering their universe of non-US growth securities. It is important to note that we have tempered our rating in this category due to the higher level of investment team turnover.

	Rating Decile	Weight
III. Forecasting	4th	20%

The strategy seeks to outperform the benchmark by 200-300 bps over a 3-5 year market cycle. The team does not value sectors, market, countries, or regions as the entirety of research is focused on valuing companies in a bottom-up fashion. Macroeconomic factors are not taken into account when purchasing securities. The primary process for valuing securities is implementing discounted cash flows and dividend discount models. Fixed inputs are implemented for consistency sake, which include risk-free rate, equity risk premium, and terminal growth rate. From there, stocks are categorized as either Outperform or Sell depending on their valuation attractiveness. Outperform securities are constantly researched and added to the portfolio if they are diversified and pass the robust growth, quality, and valuation criteria. Sell ratings are given when a stock's fundamentals break down or if significant underperformance occurs. Recent relative performance has been poor, which has led to weaker longer term results. While we believe this is a strategy that has the ability to outperform the Index over longer time periods, our conviction level has declined.

Franklin Templeton

Franklin EAFE Plus Equity

	Rating Decile	Weight
IV. Portfolio Construction	3rd	20%

The team takes a conviction-weighted approach towards building a fairly concentrated portfolio. The strategy is benchmarked against the MSCI EAFE Index although alternative benchmarks can be used at a client's request. Franklin does not believe the index is an integral part of the portfolio construction process. Non-benchmark securities have historically accounted for approximately 10-30% of the portfolio. The Non-US strategy holds 35-40 companies and invests primarily in common stocks. Tracking error can be near 7% on a rolling 5-year basis. The model portfolio has the following constraints: maximum position size of 5%, maximum cash holding of 5%, maximum holdings in non-developed markets of 20% and will not hold derivatives or perform currency hedging. Typically, positions are scaled into and are weighted between 2-3.5% Positions are not determined by domicile, but are simply a byproduct of the bottom-up process. Furthermore, the strategy invests in REITs and ADRs, GDRs etc. with ETFs used by some clients for liquidity reasons. One unique part of the portfolio construction process is the analysis of stock/company correlations. The team analyzes the overlap in economic exposures of each of their portfolio holdings.

Franklin Templeton's Performance Analysis and Investment Risk (PAIR) group is responsible for assisting the portfolio managers in monitoring portfolio risk. The PAIR group tracks risk using Barra GEM2 amongst other systems. Ultimately, through implementing a robust bottom-up process and diversifying the portfolio, the portfolio managers strive to minimize risk. Because the portfolio generally does not invest in companies with market caps below $2 billion, liquidity concerns are not an issue.

	Rating Decile	Weight
V. Implementation	2nd	10%

Franklin Templeton employs a proprietary order management system, OneTIS, which links together all the operation units, from investment management to compliance, operations, trading and settlements, and fund accounting. The firm has 12 trading desks and 32 professionals encompassing the Global Equity Trading Group. The firm uses the Charles River Investment Management System, which streamlines the entire investment management process, including both pre-trade checks. Omgeo's Oasys Global and Oasys Domestic process the back-end settlements. The firm will access dark pools and other means of trading through algorithmic and alternative trading systems to minimize costs. Additionally, the firm compliments trading cost measurement with the use of ITG. Over the past five years, turnover ranged between 30-50%.

	Rating Decile	Weight
VI. Attribution	3rd	10%

The investment team works collaboratively with the firm's centralized Performance Analysis and Investment Risk (PAIR) group. Performance attribution is run using FactSet, which is reviewed by the PAIR group throughout the portfolio construction and monitoring process. The group is charged with informing portfolio managers of risk and benchmark awareness on a continual basis. The team constantly reviews the attribution reports and evaluates the success of investment decisions to determine necessary improvements.

	Rating									
Decile	1	2	3	4	5	6	7	8	9	10
Corresponding Grade	A		B		C		D		F	

Wilshire

Manager Research

Wilshire Manager Research Team

June 28, 2025

Franklin Templeton

Franklin EAFE Plus Equity

Firm Information

Franklin Templeton

1133 Connecticut Avenue, N.W. Suite 410

Washington,CT

USA

CONTACT :

Ronan Murphy

Phone: 219-229-3610

Email: Ronan.Murphy@franklintempleton.com

Important Information

Wilshire Advisors LLC
1299 Ocean Avenue, Suite 700,
Santa Monica, CA 90401
Phone: 1.310.451.3051
www.wilshire.com

ClearBridge Investments, LLC

ClearBridge International Growth ACWI ex-US

	Rating Decile	Weight
Summary	**3rd**	**100%**

ClearBridge's International Growth strategy is a moderately diversified, bottom-up portfolio that aims to outperform the MSCI AC World ex-US Index over a full market cycle. The strategy is managed by a team of three portfolio managers and three supporting portfolio analysts with additional resources sourced from ClearBridge's centralized research team. The team adopts a bottom-up quality growth investment process and views growth in three distinct buckets and stocks are modeled based on which growth bucket the stock belongs. Positions are entered around 50 bps with most positions falling around a 2% weight, and approximately 40% of the portfolio's stocks are excluded from the benchmark. The portfolio holds between 50 – 80 stocks at any given time, with the average holding period for a stock falling around three years. This strategy is offered in Global and EAFE versions as well, though each strategy follows the same philosophy and process.

	Rating Decile	Weight
I. Organization	**4th**	**20%**
Firm	5th	50%
Team	2nd	50%

ClearBridge Advisors, LLC is a wholly owned subsidiary of Franklin Resources, a publicly traded asset management company (BEN). ClearBridge was founded in December 2005 following the transaction with Citigroup. In 2005 the firm was acquired by Legg Mason and renamed ClearBridge. In 2020 Legg Mason was acquired by Franklin Resources. The group's asset management expertise traces back approximately 50 years to several prominent firms including Smith Barney, Davis Skaggs and Salomon Brothers Asset Management. In December 2011, CEO Peter Sundman departed the firm. Terrence Murphy was named President of the firm in 2011 and then later also took on the CEO title. In late 2012, Scott Glasser was promoted to Co-CIO with Hersh Cohen. At the end of 2Q21, Mr. Glasser became the sole CIO as Mr. Hersh stepped back into an advisor role. As of 2Q23, the firm manages roughly $1658bn in AUM.

We view the transition from Legg Mason to Franklin Resources as a modestly favorable event for ClearBridge as the firm will continue to maintain its operating independence but should benefit from Franklin Templeton's broader distribution capabilities. In January 2021, it was announced that Mr. Murphy would join Franklin Templeton's executive committee as the Head of Equities to lead organizational growth for Franklin's equity business segment, which includes roughly 250 investment professionals. In 2019, ClearBridge entered into a business collaboration with RARE Infrastructure, a specialist in listed infrastructure investment management.

ClearBridge's PMs and other investment professionals receive a combination of base salary and discretionary compensation, comprising a cash incentive award and a deferred incentive plan (CDIP) which typically defers 15% of discretionary compensation into ClearBridge managed products. The compensation is primarily tied to long-term performance of their funds/accounts. ClearBridge makes a company investment in proprietary managed funds equal to the deferral amounts by fund, which is subject to vesting requirements. In addition, a small portion of discretionary year-end compensation is paid out in restricted stock with a typical four-year vesting period.

The strategy is managed by a team of three portfolio managers including Elisa Mazen (Head of Global Growth), Michael Testorf, and Pawel Wroblewski. The team includes three dedicated portfolio analysts, Michael Feldman, Charine Park, and Todor Petrov, with research responsibilities specific to the International Growth strategy. Both PMs and analysts typically cover three or four sectors. The team is also supported by the centralized Fundamental Research Team. PMs share ultimate decision-making authority and spend most of their time on research and portfolio construction. PMs are invested in the strategy as it is a ClearBridge practice to require personal investment from PMs. While the team has been fairly stable over time, a couple notable changes occurred more recently. In 2021, Thor Olsson, who was a PM on the team, left the firm. This was more of a firm-initiated change to focus more on increasing analytical resources for the team. Charine Park was added as a dedicated portfolio analyst in 2021 and Todor Petrov was added as a dedicated senior portfolio analyst in 2022. We continue to maintain a favorable opinion of the investment team.

ClearBridge Investments, LLC

ClearBridge International Growth ACWI ex-US

	Rating Decile	Weight
II. Information	3rd	20%

Research is bottom-up focused and primarily carried out by the PMs, the portfolio analyst, and the centralized Fundamental Research Team of sector analysts. Portfolio and sector analysts carry out research by focusing on the financial statements and forecasting earnings using fundamental inputs; company meetings serve as a significant source of information as well. Inputs for modeling come from discussions with customers, suppliers, distributors, and competitors in the industry, and depending on the research topic, analysts may use third-party consultants for surveys, industry-specific legal advice, and other specialized needs. The investment team meets with over a 1,000 management teams a year and covers roughly a quarter of the investable universe, which is about 1,500 names. In addition, ClearBridge subscribes to several third party vendors like Bloomberg, FactSet, Reuters Trader, Holt, and Morningstar.

The research agenda is set by the PMs according to their judgment on the needs of the existing portfolio. Research materials and the research agenda are shared through a common technology platform that provides access to current and past proprietary research, in addition to market intelligence from outside sources. The firm holds a weekly research meeting with all PM teams and analysts where investment ideas are shared. The best ideas presented during meetings are fully vetted, usually by a duo of a “sponsor” (the presenter of the idea) and another analyst. Additionally, PMs and analysts co-author whitepapers PMs monitor the quality of the portfolio analyst, while the Director of Research, Chuck Harris, is responsible for overseeing sector analysts’ research.

	Rating Decile	Weight
III. Forecasting	2nd	20%

The focus of the forecasting process is to identify stocks that are trading significantly below the intrinsic value of the business. First, using a quantitative model, the universe is ranked 1 – 100 based on proprietary factors specific to the strategy with the goal of understanding relative sector and regional valuations. Next, an analysis is done on industries by examining size, growth drivers, and the competitive landscape. The team then analyzes a company’s fundamentals, competitive strategy, relative strengths, and growth opportunities. After this initial analysis, analysts have the necessary inputs to calculate critical assumptions like discount rates and growth rates. The primary valuation model is a discounted cash flow, but a comparable analysis may also be used to get a sense for the company’s absolute and relative valuation. The final output is a target price with an accompanying investment thesis, and stocks often have more than one thesis.

During this process, analysts are looking for stocks whose growth and quality characteristics are being undervalued. To better model a stock’s mispriced growth, companies are placed in three different growth buckets: emerging, secular, and structural. Emerging growth companies are modeled with emphasis on the total attributable market and the speed of adoption of a company’s product; the valuation disconnect is usually around the size of the opportunity and the speed of market share capture. Secular growth companies are modeled based on the durability and magnitude of growth, where the mispricing is generally based on the sustainability of growth and the use of free cash flow. Lastly, structural growth companies are modeled based off a step change in returns and profitability, where the disconnect is typically around the level of improvement of short-term profitability and capital allocation. The strategy has exhibited strong performance since inception with value primarily being added through stock selection. While the strategy's growth-bias has been a headwind in terms of recent relative performance, longer-term performance remains favorable.

ClearBridge Investments, LLC

ClearBridge International Growth ACWI ex-US

	Rating Decile	Weight
IV. Portfolio Construction	2nd	20%

The strategy aims to outperform the MSCI AC World ex-US Index over a full market cycle. The portfolio typically holds between 50 – 80 stocks and takes an all cap approach with a slight large cap bias. Positions are initiated around 50bps with the majority of weights falling around 2%. Position sizes are determined by the team's level of conviction and are subsequently adjusted to manage risk. The PMs are benchmark aware and active sector weights are limited to +/- 10%. Tracking error is not targeted, but it commonly falls in the 4 – 6% range, and over 40% of the portfolio's holdings fall outside of the benchmark. While in the portfolio, stocks are evaluated against the target price and investment thesis and are sold when the investment thesis breaks, the target price is reached, or a significantly better option is identified.

In assessing risk, the team pays specific attention to operating and financial leverage, reporting quality, and regulatory risks. The Northfield Global Fundamental Equity Risk Model is used to monitor risk levels, and Russell Investment's external analysis is used for formal reviews against the benchmark on tracking error, beta, Sharpe ratio, standard deviation of returns, R-squared, market cap, several valuation measures. The team seeks to have stock specific risk represent at least two-thirds of the risk budget and monitors this closely. An independent Investment Risk Management Team provides insight into potential and actual risks. The team is led by Farhan Mustafa who reports directly to the CEO and regularly works with the Portfolio Analytics group to generate a wide range of risk reports using Northfield, FactSet, and Morningstar.

	Rating Decile	Weight
V. Implementation	4th	10%

The team of five traders is led by Patrick Collier and all strategies have a dedicated primary and backup trader to ensure familiarity with the portfolio's style. For International Growth, the primary trader is Lisa Utasi, who has over 30 years of experience and joined a predecessor in 1986. The backup trader is Mr. Collier, who has close to 30 years of experience and joined ClearBridge in 2005. ClearBridge uses Fidessa Group PLC's Buy Side suite to support investment products. PMs use the Fidessa module "Tesseract" to perform what-if scenarios and generate orders. Orders are screened through Fidessa "Sentinel", the compliance module, and are then sent to the traders' order management system called Fidessa "Minerva". Traders are required to discuss buy/sell orders with PMs through Bloomberg EMSX prior to execution, which helps the trader understand the PM's intent regarding timing and execution strategy. PMs may override restrictions, but must submit a written explanation for the override before the order is sent to trading. Following execution, traders use Omgeo Connect, Oasys, and SWIFT for trade matching and communication with brokers and custodians. Turnover for the strategy is around 40% and capacity is estimated to be $17 billion, with current assets across the International Growth products at approximately $8.3 billion as of 3/31/2025.

	Rating Decile	Weight
VI. Attribution	4th	10%

ClearBridge maintains a detailed in-house set of standard performance attribution reports, which incorporate daily holdings feeds from the fund accounting and FactSet attribution software. PMs use attribution to understand alpha sources and validate the portfolio's diversification, ensuring that no one sector allocation is having an outsized effect on performance.

ClearBridge Investments, LLC

ClearBridge International Growth ACWI ex-US

	Rating									
Decile	1	2	3	4	5	6	7	8	9	10
Corresponding Grade	A		B		C		D		F	

ClearBridge Investments, LLC

ClearBridge International Growth ACWI ex-US

Firm Information

ClearBridge Investments, LLC

Building No. 930 – 2nd Floor

San Mateo,CA

USA

CONTACT :

Tina Jurman

Phone: 212-805-2262

Email: tjurman@clearbridge.com

Important Information

Wilshire Advisors LLC
1299 Ocean Avenue, Suite 700,
Santa Monica, CA 90401
Phone: 1.310.451.3051
www.wilshire.com

CERS
County Employees Retirement System

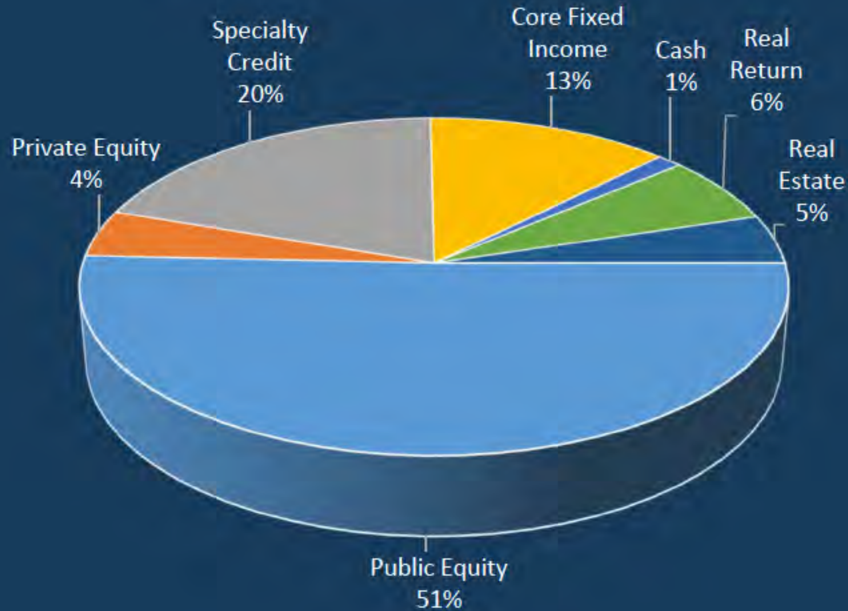
CERS Investment Committee

Real Return Recommendation

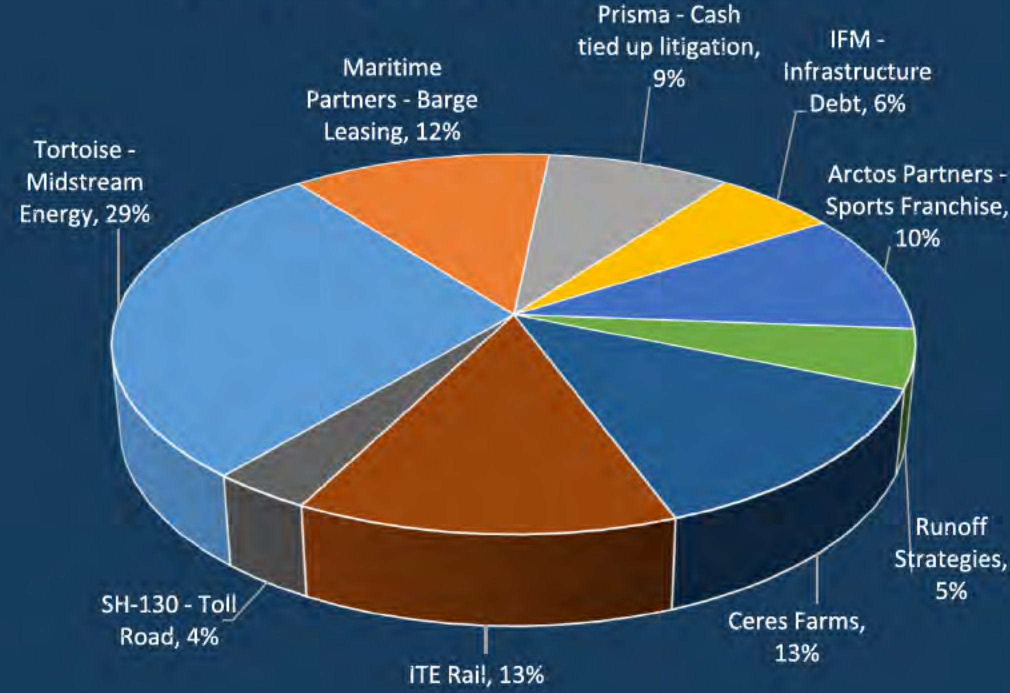
April 28, 2026

Real Return Allocation Today

Current Asset Allocation*



Current Real Return Allocation*



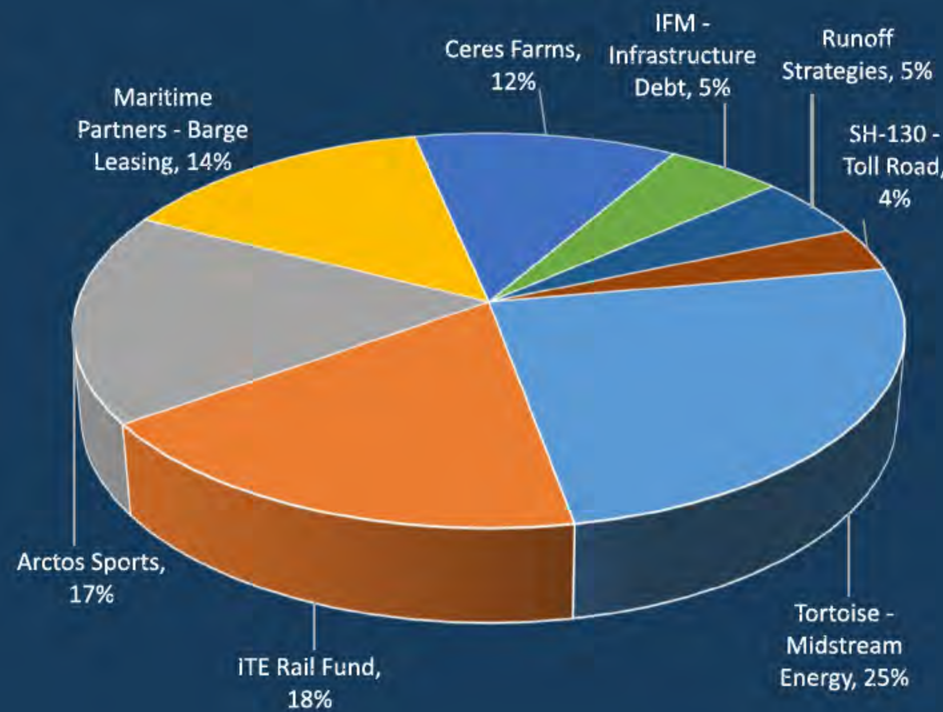
***CERS Pension as representation**

CERS County Employees Retirement System

Impact and Rationale

- Unique investment opportunity in diversified, hard to replicate assets with defensive characteristics and downside protection create a resilient strategy
- Favorable expected risk-adjusted return from stable and growing cash flows that mitigate inflation
- Low return correlations to current Real Return investments and the broader overall public and private portfolio
- Strong alignment with the General Partner
- Dominant position within the industry provides favorable economies of scale with wholly owned repair and maintenance network platform providing data advantage that benefits portfolio management and underwriting
- Will add 0.5% additional Real Return exposure within short funding window and be funded through cash and rebalancing of overweight asset classes

Fully Called Real Return Allocation



Top Candidate Characteristics – ITE Rail

Additional $100 Million Recommendation

Founded in 2014, Industrial Transportation Equipment ("ITE" or the "Firm") is a New York-based investment firm focused on the leasing of cash-generating transportation assets. Historically, the Firm has primarily been invested in railcars, but it has also been building exposure in aviation, intermodal container, and inland marine assets.

The firm is led by co-founders Jason Koenig and David Smilow and employs 55 professionals across investments, asset management, operations, and back-office roles at its New York, Chicago, and St. Louis offices. The team is supplemented by affiliated operating platforms that ITE has acquired from American Railcar Industries, The Andersons, and Sumitomo Mitsui that include hundreds of employees and a nationwide maintenance and repair network.

This investment would provide exposure to an attractive, resilient lease income stream that also provides upside optionality, inflation-hedging characteristics, and diversification from public equity and fixed income assets.

Due Diligence Summary

Date of First KPPA Meeting
12/4/2019 (Aksia conference)

Date of Subsequent Meetings
Calls: 2/23/2021, 6/15/2021, 1/11/2022, 2/2/2022, 3/16/2022, 8/30/2022, 8/13/2024, 9/23/2024, 11/21/2024
Onsite – Chicago: 12/9/2024

Date of Operational Due Diligence Reports
10/30/2023, 8/21/2024

Date of Consultant Manager Reports
10/28/2022, 1/25/2023, 9/12/2024

Legal Negotiation Initiated
11/15/2024

Comparable Strategies Reviewed
8 (transportation and infrastructure-related funds)

Funding Dates
4/1/2025, 10/1/2025

CERS
County Employees Retirement System

KENTUCKY PUBLIC PENSIONS AUTHORITY

INVESTMENTS

KPPA

To:	CERS Investment Committee
From:	Anthony Chiu, Deputy CIO
Date:	April 28, 2026
Subject:	Investment Recommendation – ITE Rail Fund additional investment

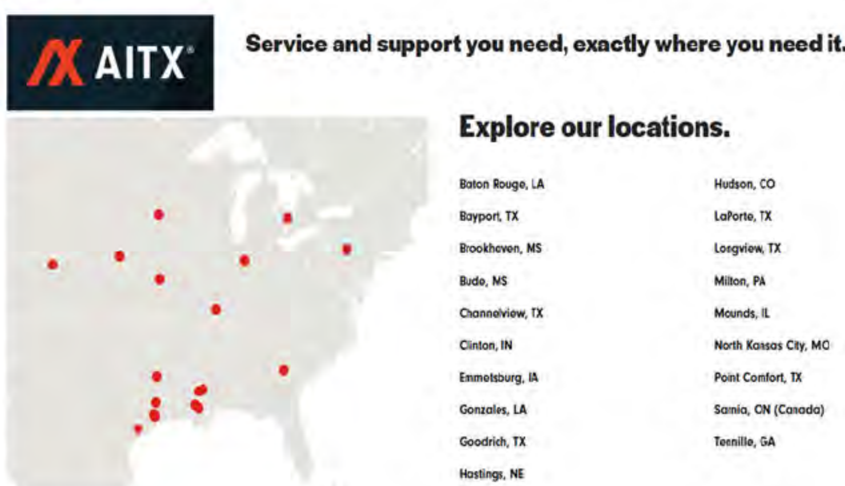
KPPA Investment Staff is proposing an additional investment in the ITE Rail Fund, L.P. (the "Rail Fund" or "Fund"), an open-end fund managed by Industrial Transportation Equipment ("ITE" or the "Firm"). Based in New York with offices in Chicago and St. Louis, ITE primarily leases railcars for the transportation of over 500 dry and liquid cargoes such as food, fuel, cars, sand, metals, and chemicals. In December 2024, the CERS IC and Board unanimously approved Staff's recommendation to commit up to $200 million. This commitment was subsequently fully called and deployed as of October 2025.

The Firm launched in 2014 and as of 12/31/25 owns ~121,000 railcars with an estimated value of $10.1 billion. ITE has grown its fleet by building vessels, buying through the secondary market from banks and non-bank lessors, as well as acquiring other lessors. The Fund has essentially been closed to new commitments and CERS's original commitment was limited to capacity available at the time. ITE is currently evaluating a transaction on a short timeline that is providing an opportunity to invest additional capital into what we still believe is a very attractive investment. Since there is a public markets element to the potential transaction, the Investment Team is limited in the information we can share publicly, but believe this is consistent with ITE's strategy as originally presented in December 2024.

Business / People:
ITE was co-founded in 2014 by Jason Koenig and David Smilow with Jim Unger as the Senior Rail Operating Partner. Unger co-founded American Railcar Industries and served as its CEO from 1995 to 2009 and brought ITE access to key rail industry talent and relationships in a relatively small industry where those are essential. This is similar to other real asset areas we have evaluated in recent years (such as farmland and inland marine transportation) where deal sizes are smaller and exposure often must be aggregated gradually.

Like other lessor and asset manager entrants, ITE started by sourcing railcars from manufacturers and fleet owners that needed cash and/or balance sheet relief. However, ITE has differentiated itself through industry relationships and operational capabilities that distinguish it from competitors that are more reliant on larger players like Greenbrier or Trinity for both railcars and their servicing.

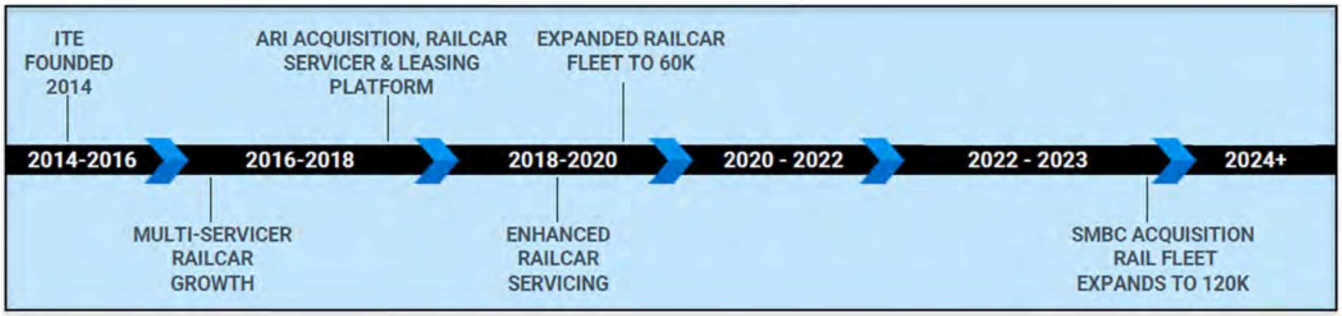
A key inflection point for ITE occurred in late 2018 when the Fund acquired American Rail Industries (ARI) from activist investor Carl Icahn. ITE was a logical buyer given Unger's experience building and leading ARI, and the deal more than doubled ITE's fleet to 27,000 railcars and included nine repair facilities across the US.



ARI's railcar leasing and repair was rebranded to American Industrial Transport (AITX), which is the affiliate of ITE that directly interfaces with lessee clients like BNSF Railway, Exxon, or Cargill. These additions gave the Rail Fund a national presence and a way to reduce maintenance and repair costs for its assets.

Subsequently, two other major acquisitions have provided step function growth for the Rail Fund's portfolio: (1) the acquisition of the Andersons, Inc. (Nasdaq: ANDE) railcar leasing business in August 2021, which added nearly 20,000 railcars and (2) the November 2023 acquisition of Sumitomo Mitsui's rail services group, which included a fleet of over 50,000 railcars as well as an experienced team and longtime customer relationships.

ITE Rail Fund Timeline



Investment Process and Portfolio:
ITE leases its fleet of railcars to a diverse set of ~1,000 lessees that transport more than 500 different commodities. Covered hoppers (48% of the Fund's ~121,000 vessels) and tank cars (36%) comprise the vast majority of the Rail Fund's fleet.

The Fund's leases are multi-year take-or-pay contracts that are typically only modified in bankruptcy. Like any leasing business, non-payment of rent is a primary risk, and the Fund mitigates that by diversifying across counterparties, commodities, asset age, and lease term expiration.

Unlike our inland marine investment, the Rail Fund has very little customer concentration. As of 9/30/25, the Fund's top 3 lessees are renting just 6% of the fleet by value, with the top 2 lessees comprising 2.6% and 1.9% of the total fleet, respectively.

Additionally, almost half of the on-lease fleet is contracted with investment grade companies, and over 85% of the fleet's lessees are rated. Write-offs as a percentage of annual revenues have typically been below 1%, except for 2019 and 2020 when they rose to 1.7-1.8% due to energy industry weakness and the fund's exposure to frac sand transportation.

ITE believes it has learned from its frac sand experience, with "virtually all" of the Fund's bankrupt lessees to date coming from that sector. As a result, ITE has significantly diversified the Fund by commodity and selectively tilted away from ones they view as less economically favorable, like coal or frac sand. As of 9/30/25, the Fund's top commodity carried by value is grain, which comprises less than 5% of the Fund. The Top 10 commodities by value represent less than 25% of fund exposure.

Fleet age is actively managed as well, with approximately half the fleet under 10 years old. Railcars can typically return their cost basis through income in 8-12 years on an unlevered basis, or within 4-7 years if levered. Ideally, ITE would like to receive its cost back before the first lease renewal. Since railcars can have a useful life of up to 50 years, additional leasing cash flows can be significant, although the lease rate is likely to decline with asset age.

Finally, the Fund has staggered lease expirations with a goal of around 15-20% of leases rolling off in any given year. With this setup, ~80-85% of the Fund's cash flows are known on January 1 each year, while re-setting leases can provide some upside. For example, publicly traded GATX reports a Lease Price Index (LPI) that measures the percentage change between the average renewal lease rate and the average expiring lease rate for its North American railcar fleet. For the third and fourth quarters of 2025, the LPI was +23% and +22%, respectively, indicating that lease rates likely still have room to rise for the next several quarters.

Given this consistent cash flow, the Rail Fund's strategy is one that can bear some leverage. The Fund targets 2:1 leverage (67% LTV) and has generally been between 60-65% since inception, which they believe is less than industry peers who are at 70-90% LTVs.

Performance:

Fund	1 yr	3 yr	5 yr	Since Inception	Inception Date
ITE Rail Fund	9.3%	9.6%	9.9%	10.6%	Oct-14

Source: ITE as of 9/30/25

Over the long term we are interested in accessing two main sources of return: (1) mid-single digit annual income from asset leasing and (2) modest appreciation as lease rates and vessel replacement costs increase with inflation.

Conclusion: Given the attractive risk/reward profile, compelling market opportunity, and current Real Return allocations, Staff is recommending an additional investment of $100 million to be shared among all CERS portfolios pending successful legal negotiations. When fully funded, this would represent an additional ~0.5% of Plan assets (depending on fluctuations in market value).

Investment and Terms Summary

Type of Investment: Real Return

Structure: Open end

Management Fee: [redacted] of net asset value [redacted]

Performance Fee: [redacted] of profits [redacted]

Purpose: Capture current income and inflation exposure from railcar lease payments

Risks: Key Person, Leverage, Liquidity

Exp. Net Return: 6 - 9%

*No placement agents have been involved or will be compensated as a result of this recommendation.

PORTFOLIO OVERVIEW

ITE Rail Fund L.P.

Q4 2025

Disclaimer

This document is not an offer to sell or the solicitation of an offer to purchase an interest in any fund managed by ITE Management L.P. or any of its affiliates (collectively, "ITE"). Any such offer or solicitation will only be made by means of a Private Placement Memorandum furnished by ITE and only in those jurisdictions where permitted by law. Information contained in this document is current only as of the date specified in this document, regardless of the time of delivery or of any investment, and does not purport to present a complete picture of the Fund or ITE, nor does ITE undertake any duty to update the information set forth herein.

Net performance results (i) include dividends, interest and other earnings, (ii) are calculated net of all expenses, management fees and incentive allocations, if any, that would apply to a full fee-paying limited partner invested in the Fund. An individual investor's actual return may vary from the performance results presented herein based upon, among other factors, the timing of investments and withdrawals/redemptions, differing fees/allocations and expenses, and an investor's participation in, or exclusion from, certain investments. Hypothetical returns are not indicative of future results and are based upon certain models, assumptions, historical data and assessments made by ITE and third-party research that, in each case, ITE considers reasonable under the circumstances as of the date hereof. It is necessarily speculative, hypothetical, and inherently uncertain in nature, and it can be expected that some or all of the models, assumptions, historical data and assessments underlying the hypothetical returns contained herein will not materialize and/or that actual events and consequences thereof will vary materially. Among the assumptions made by ITE in calculating hypothetical returns are: (i) the initial lease period; (ii) the additional lease renewal utilization rate; (iii) the equipment cost and cash yield; (iv) the residual value of the underlying asset; (v) the approximate useful life and (vi) certain macroeconomic conditions such as interest rate levels. Inclusion of target net returns herein should not be regarded as a representation or guarantee regarding the reliability, accuracy or completeness of such information, and neither ITE nor any fund is under any obligation to revise such returns after the date provided to reflect the occurrence of future events. Risk information and models will promptly be made available upon request.

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Various statements in this document, including those that express belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of strategies, plans or intentions. Such statements are based on ITE's current expectations and assumptions about future events. These assumptions include, among others, ITE's projections and expectations regarding market trends and ITE's ability to create an opportunity with attractive current yields and upside. Such expectations and assumptions are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond ITE's control and could cause actual results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. ITE undertakes no obligation to update any forward-looking statements or any other information in this document to conform to actual results or changes in expectations, unless required by applicable law. An index presents certain information with respect to the Fund in various categories and classifications. The various categories and classifications represent the opinions of ITE. The categories and classifications presented could be materially different from other third party classification systems.

The information contained herein may contain general, summary discussions of certain tax, regulatory, accounting and/ or legal issues. Any such discussions and issues may be generic and may not be applicable to or complete for the Recipient. ITE does not offer investment, tax, regulatory, accounting or legal advice and this document should not and cannot be relied upon as such. Prior to entering into any proposed transaction or agreeing to proposals made herein, the Recipient should determine, in consultation with the Recipient's own legal, tax, regulatory and accounting advisors, the economic risks and merits of any action, as well as the legal, tax, regulatory and accounting consequences of such action. When considering alternative investments, such as private equity funds, the Recipient should consider various risks which may not be suitable for all investors, including the fact that some funds may use leverage and engage in a substantial degree of speculation that may increase the risk of investment loss, can be illiquid, are not required by law to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager. This document shall not, nor the fact of its distribution, form the basis for, or be relied upon in connection with, any contract or decision to invest in the Fund. Before relying on this information in any way, ITE advises the Recipient to perform independent verification of the data and conduct his or her own analysis hereto with appropriate advisors. Do not enter into an investment without fully understanding the worst-case scenarios of the investment.

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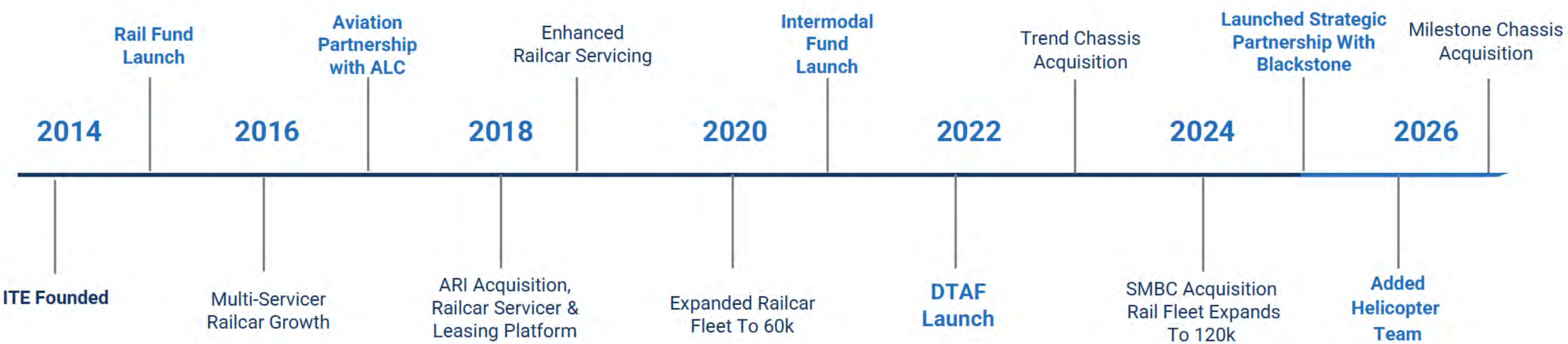
ITE: Recognized Leader in Transportation Infrastructure

ITE has built a portfolio of critical transportation infrastructure assets: Rail, Multimodal, Specialty Aviation

Largest North American Railcar Lessors[1]

Rank	Lessor	Fleet	Market %
#1	GATX	213,300	13.3%
#2	CIT Group	127,600	8.0%
#3	**ITE Management**	**118,808**	**7.5%**

3rd Largest Freight Railcar Owner in North America[1]

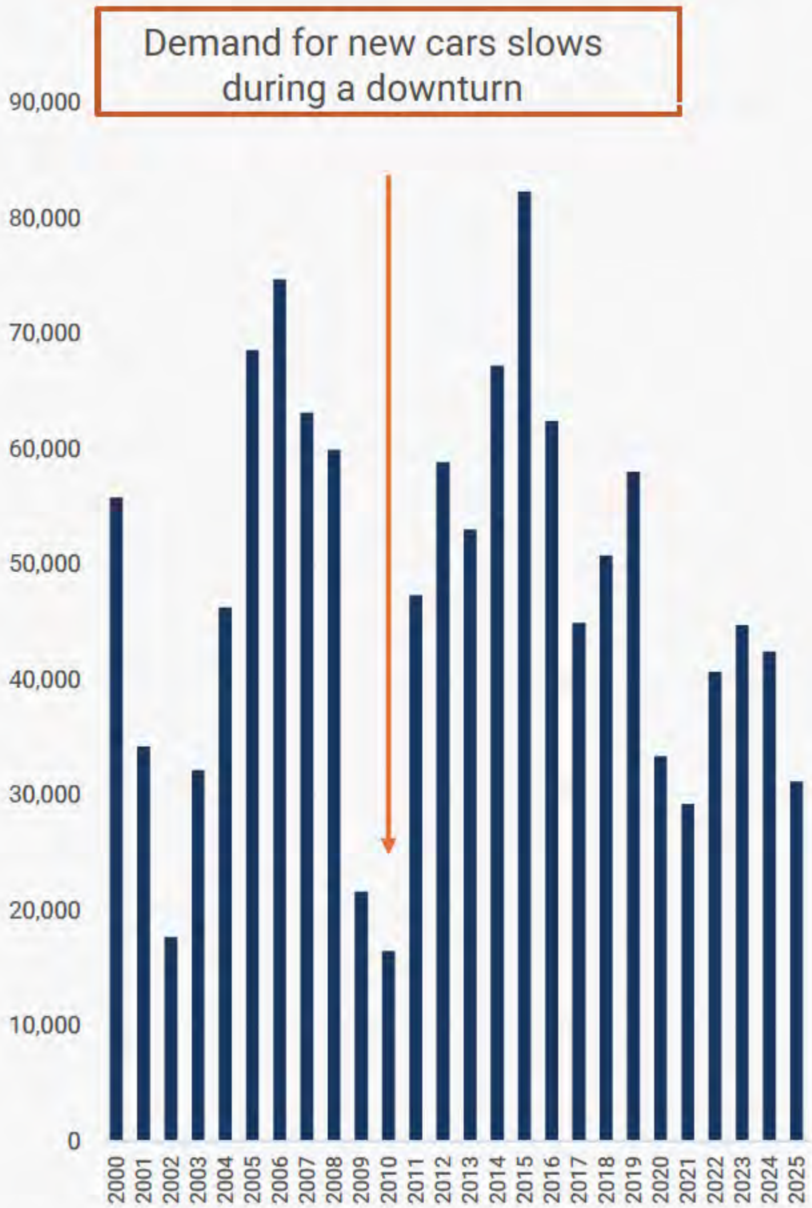


[1]GATX's combined Norh American fleet based on publicly available data as of January 2026. ITE's and CIT's fleet size as of 12/31/2025

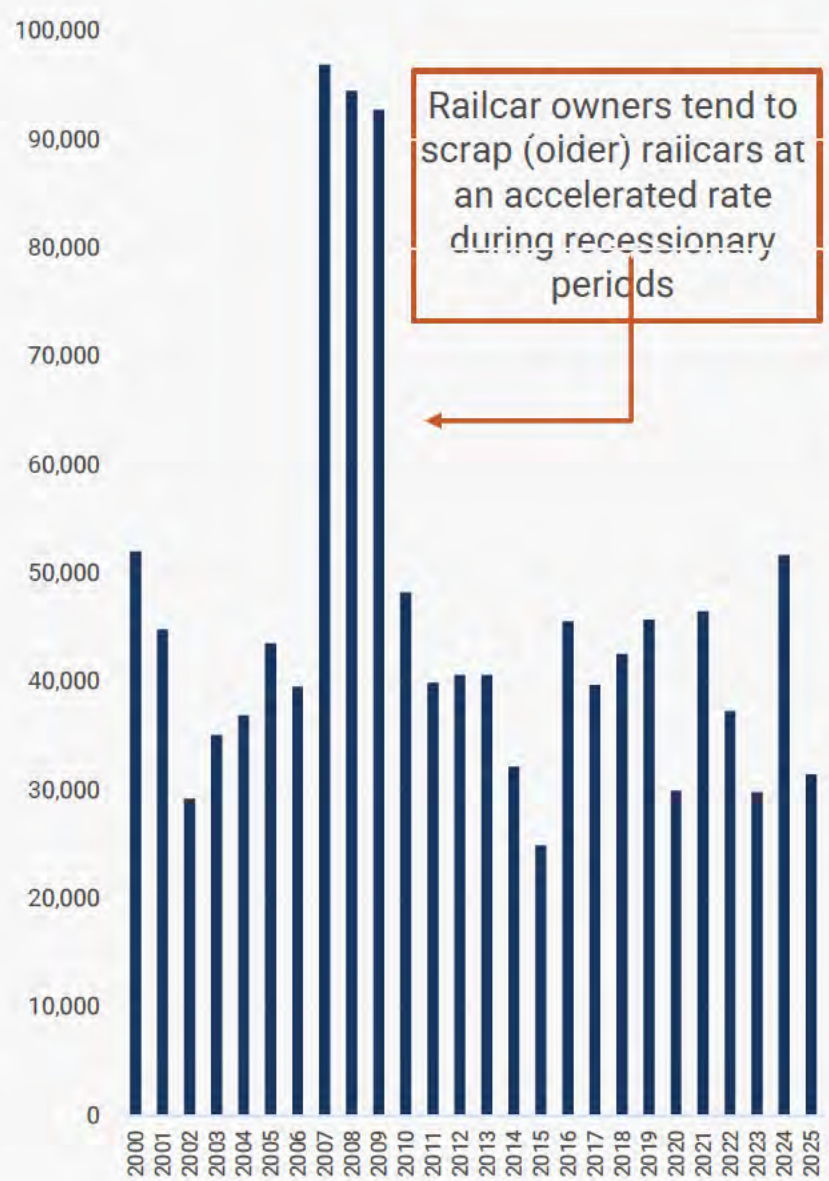
Railcar Leasing: Industry Supply and Demand

Inelastic customer demand and reduced supply during downturns support consistently high utilization rates

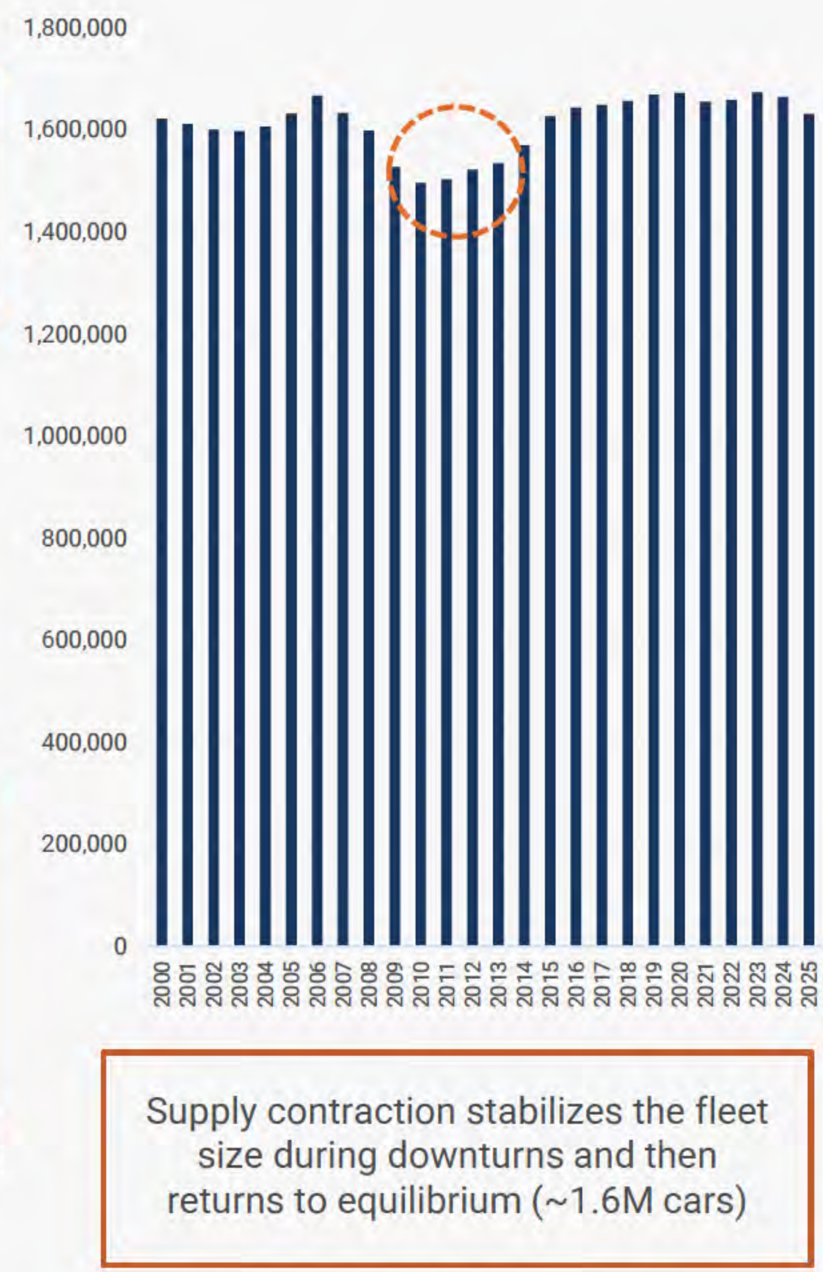
New Build Deliveries



Railcar Retirements



Railcar Fleet Size



Source: TRN (Trinity Industries Inc), GBX (The Greenbrier Companies), ARI (American Railcar Industries) now AITX, RAIL (FreightCar America), UTLX (Union Tank Car), and NSC (National Steel Car), Chart: ITE, FTR, and company filings.

ITE Rail: Portfolio Overview

ITE Rail Fund aims to generate durable cashflows across a highly diversified portfolio with staggered lease expirations

~121,000
Railcars

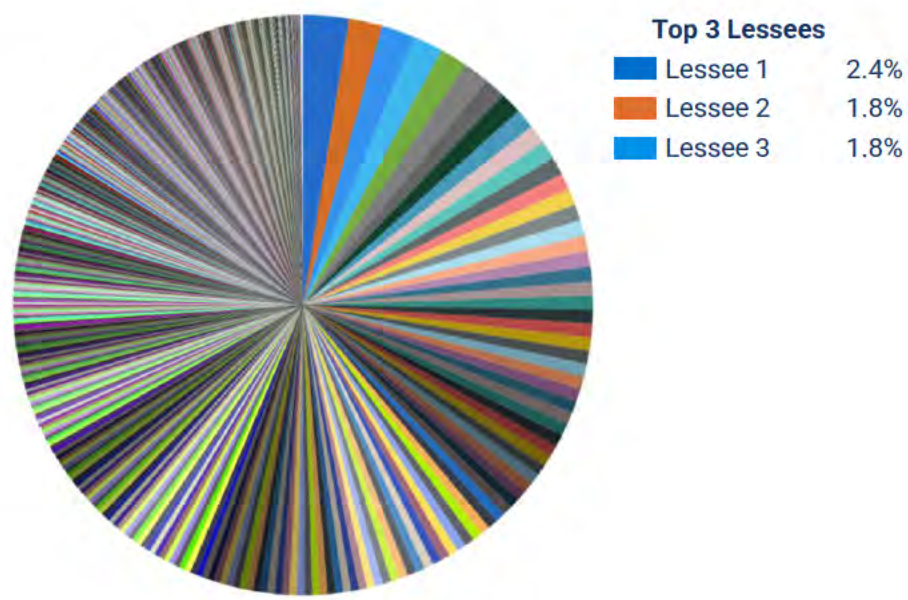
12 Years
Average Age

77.2%
Renewal Rate[1]

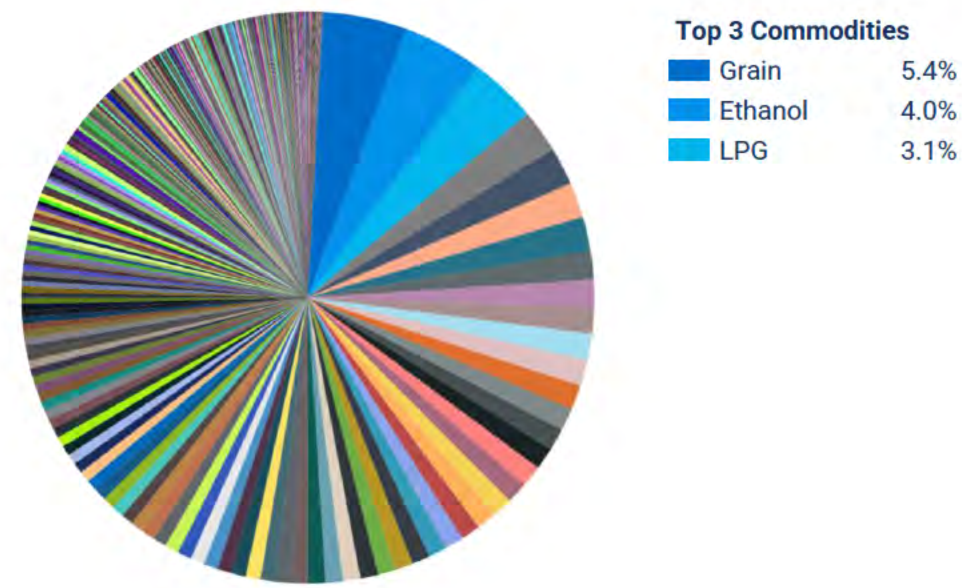
~1,000
Unique Lessees

~$10.1B[2]
Fleet Value

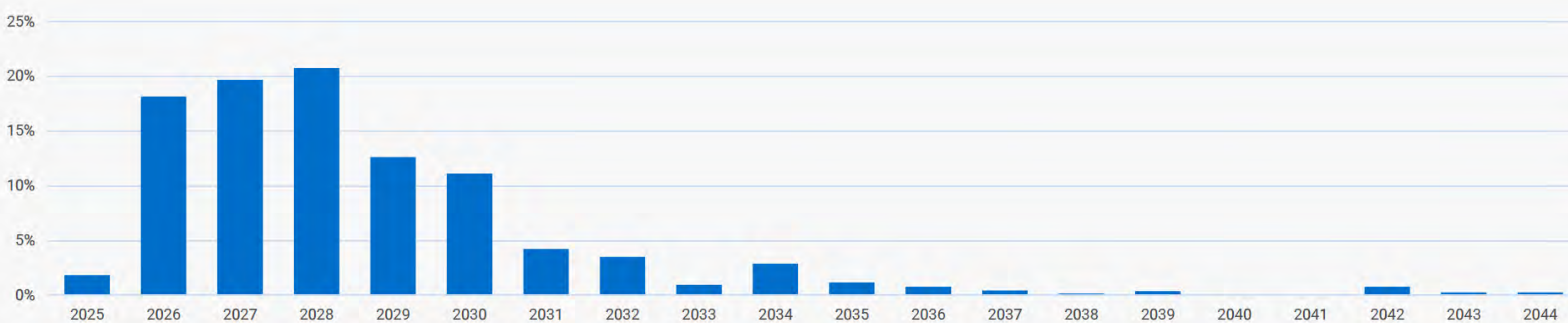
Fleet by Lessee[3]



Fleet by Commodity[3]



Leases Expiring Each Year[1]

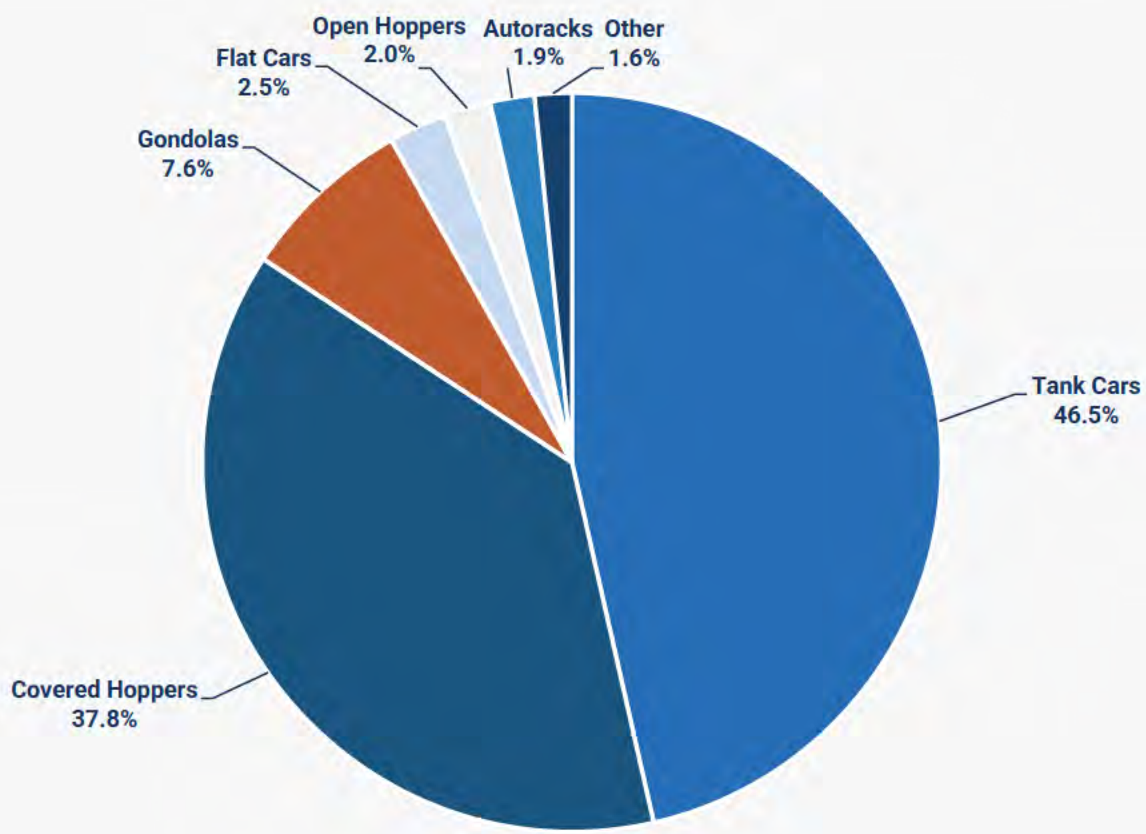


Source: ITE Research. Represents North American and European Fleet [1] Renewal/Reassign Success %, last twelve months, [2]Fleet value of ITE Rail Fund L.P. which includes leverage. [3] Information based on value of assets.

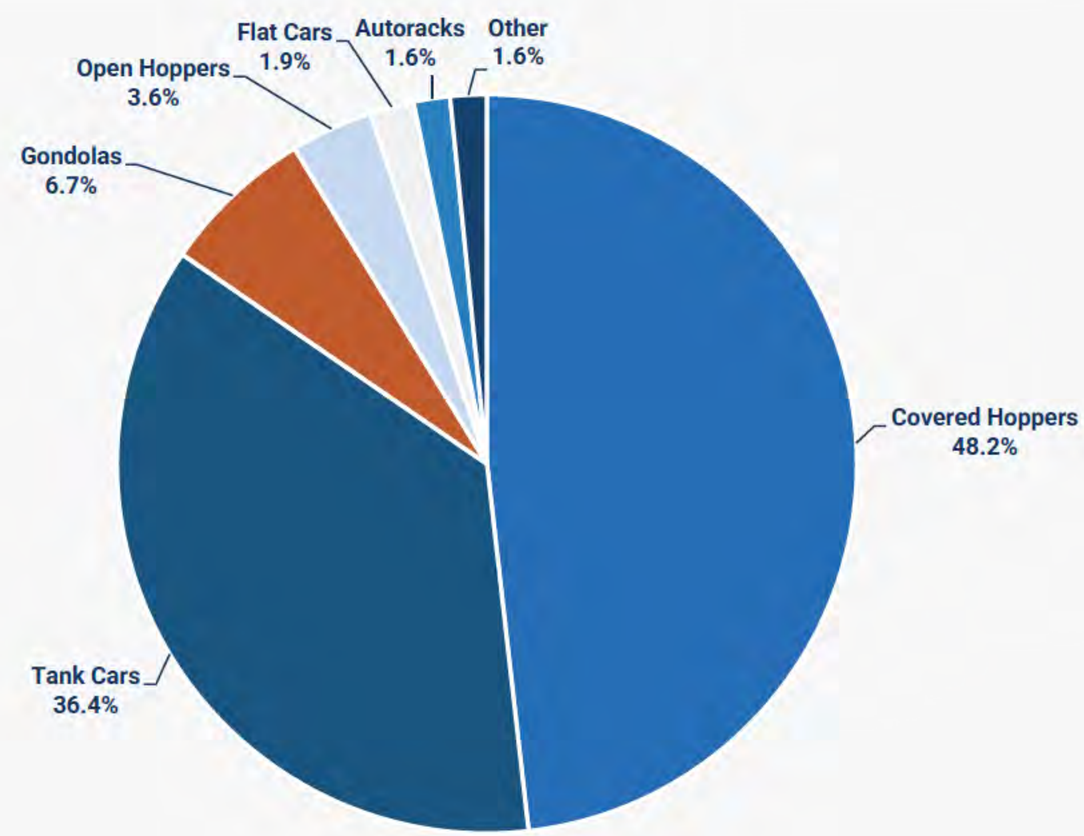
Fleet Characteristics: Car Type

The portfolio is diversified across major car types including tank cars, gondolas, hoppers and autoracks

Fleet Car Type (By Value)



Fleet Car Type (By Number)

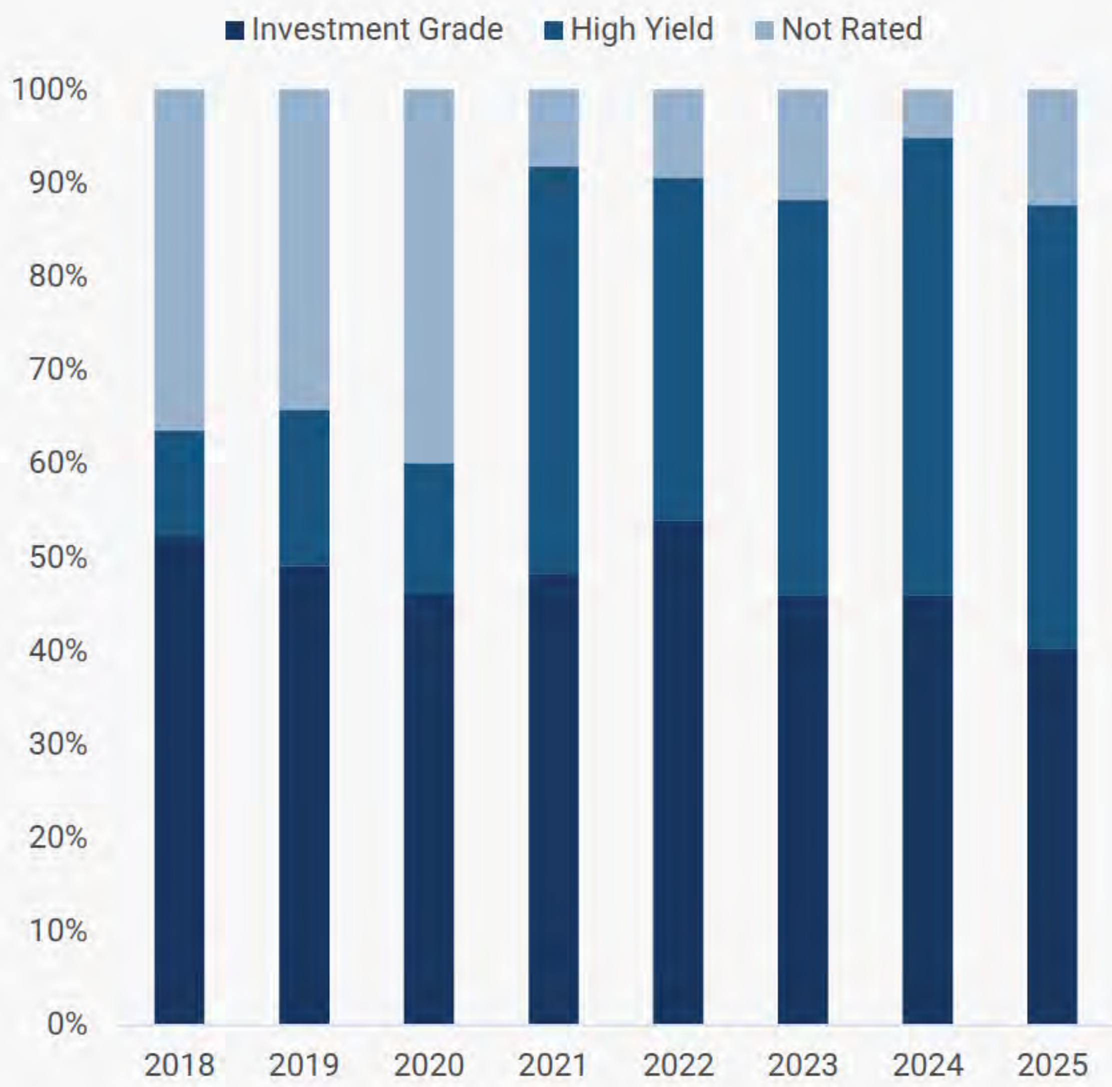


Source: ITE Research. Represents North American and European as of 12/31/2025.

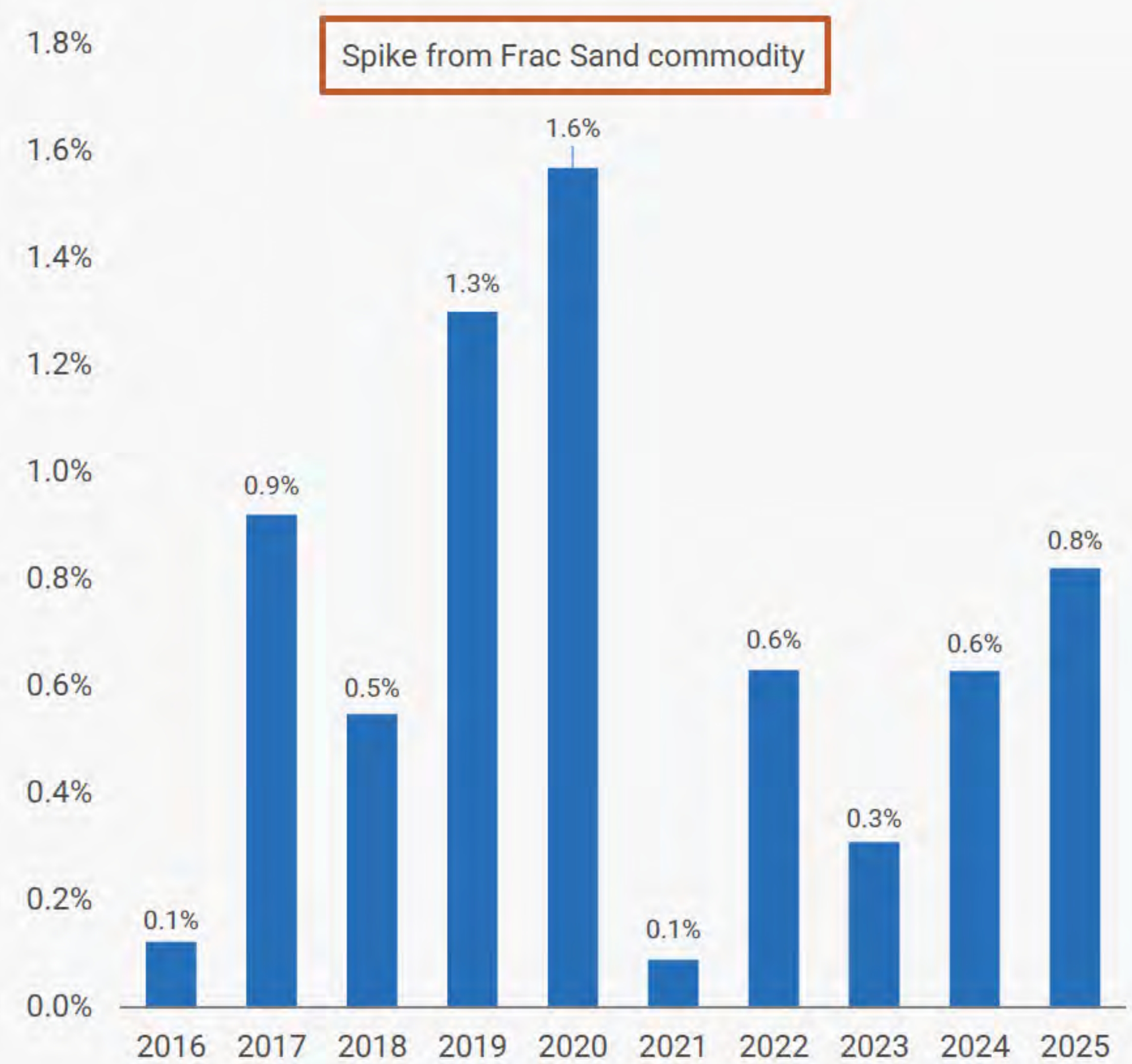
Fleet Characteristics: Credit Quality

~95% of the fleet's lessees have a rating, and 46% are investment grade, with low default rates

Lessee Credit Ratings



Write Offs as a % of Annual Revenue[1]



Source: ITE research. Credit quality information prior to 2022 represents an average of each year. Starting in 2022, the data represents the credit quality of the lessees as of December 31st of each year except 2025 is as of 9/30/2025. Prior to Q2 2021, in instances in which a lessee did not have a public credit rating itself but was owned by a parent with a public, investment grade, corporate family rating, ITE ascribed the parent's rating to the unrated subsidiary lessee. Beginning in Q2 2021, ITE implemented Standard & Poor's Credit Analytics rating model to assign ratings to all lessees that do not have public credit ratings, including aforementioned unrated subsidiaries. As a result, certain lessees that had previously been recognized as investment grate through their respective parents are not assigned model-generated investment grade credit ratings. [1]Revenue figures exclude the net impact of lease intangible amortization; [2]Figures exclude amounts from Intermodal entities, which were included in the combined financial statements for 2021 and 2022; [3]2025 revenue and write-offs are estimated annualized amounts

Wilshire

INVESTMENT REVIEW

ITE Rail Fund

Background

Wilshire has been requested to review ITE Rail Fund (the "Fund") and provide a written analysis outlining the merits and concerns of the investment opportunity along with verification that such investment is deemed prudent and consistent with market standards. Wilshire is providing a description of the Fund which relies on information provided by the investment manager and includes: i) a summary of the investment opportunity and ii) Wilshire's view of the investment merits and concerns for the Fund. Wilshire's view is based on a preliminary assessment of the Fund's organization, team, strategy, process, performance, terms, and market in which it is investing. Wilshire notes that the current view is limited with respect to the amount of due diligence that was performed on the Fund.

At-A-Glance

Organization		Process		Terms	
Team		Market		ESG	
Strategy		Performance			

Above or consistent with market standards

Below market standards with some concerns

Below market standards with material concerns and/or insufficient information

Confirmation

Wilshire's review confirms that an investment in ITE Rail Fund is considered prudent, of institutional quality, and generally consistent with market standards.

Investment Summary

Firm Overview

Founded in 2014, Industrial Transportation Equipment Management ("ITE" or the "Firm") is an alternative investment firm focused on investing in real assets in the transportation industry. The Firm has specialization in Rail, Intermodal Containers, and Aviation and is led today by two co-founders, David Smilow and Jason Koenig. ITE employs 55 professionals across investment and asset management, asset operations, and back-office operations including ITE Labs (an in-house data-driven technology platform). ITE's team is augmented by operating platforms the Firm has acquired, adding hundreds of employees and a nationwide maintenance and repair network. The Firm has offices in New York, Chicago, and St Louis.

Investment Strategy

ITE Rail Fund (or the "Fund") will manage a portfolio of freight rail cars and related assets. ITE will primarily purchase rail cars that are on-lease and will seek to build a portfolio that is diversified by car type, commodity carried, lessee, length and expiration of leases, and age of car. Broad diversification allows the Fund to mitigate volatility and risks. Currently, the portfolio is comprised of approximately 120,000 rail cars and diversified across over 526 different commodities, over 1,000 lessees, rail cars ranging from 1 to 50 years old with a weighted average age of 6 years by value, and with approximately 75% of the rated fleet as investment grade. The Fund seeks to generate stable and predictable cash flows through strong lease contracts that are take-or-pay, long-dated, and priced at fixed rates throughout the term. To source opportunities, ITE uses its large network of partners including manufacturers, operating lessors, and servicers. The Fund also owns American Industrial Transport's ("AITX") rail car maintenance and servicing network with 15 maintenance facilities and over 540 employees, which is used to service existing assets by providing ongoing maintenance and repairs. The Fund targets 2:1 leverage on an asset-level and uses asset-backed loans and securitizations on a non-recourse basis through SPVs that contain portfolios of rail cars.

Key Investment Personnel

Name	Title	Experience
David Smilow	Founder	Jefferson National Financial, TeleBanc, Goldman Sachs
Jason Koenig	Founder	Hale Capital Partners, Avenue Capital, Versa Capital Partners
Peter Appel	Head of Rail	Jefferson National Financial, TeleBanc

Opportunity Summary

Investment Type	Primary
Currency / AUM (B)	USD / 2.9
Term	Open-ended
Inception Year	2014
Geographic Focus	North America
Strategy	Other Infrastructure
Industry	Industrials
Investment Size (M)	$5 - $100
Number of Investments	120,000+
Subscriptions	[redacted]
Redemptions	[redacted]
Notice	[redacted]
Lockup Period	[redacted]
Gate	[redacted]
GP Commitment*	[redacted]
Target Return	10% - 12% net IRR
Management Fee	[redacted]
Carry / Hurdle	[redacted] [redacted]

*GP Commitment is to ITE Rail and ITE Intermodal Funds.

Track Record Summary

Since inception in 2014, the Firm has purchased over 120,000 rail cars totaling over $8.9 billion in asset value. Today, the Firm is a top 10 owner of freight rail cars in North America. Currently, ITE manages over $3.0 billion in investor commitments in the Fund. As of December 31, 2023, the Firm has achieved an unlevered gross cash yield of [redacted]

Fund	Year	AUM ($B)	ITD (%)	ITD ROI
ITE Rail	2014	2,877	10.7%	2.5x

Source: ITE Management as of December 31, 2023.

Investment Merits

- Organizational specialization & platform resources
- Portfolio construction & diversification quality
- Due diligence insight & monitoring

Investment Concerns

- Firm ownership distribution
- Modest use of leverage
- Underlying asset correlation/sensitivity to GDP

