2015 Fixed Income Review

Prepared for the Investment Committee of the Kentucky Retirement Systems Board of Directors

October 22nd, 2015

Executive Summary

For the fiscal year ended June 30th, 2015 the Fixed Income allocations posted the following returns:

	1yr	**3yr**	**5yr**
Pension	1.44%	3.70%	5.02%
Benchmark	1.61%	2.33%	3.85%
Relative	**-0.17%**	**1.37%**	**1.17%**
Insurance	0.16%	3.01%	4.65%
Benchmark	1.61%	2.33%	4.30%
Relative	**-1.45%**	**0.68%**	**0.35%**

While the Fixed Income holdings of both funds underperformed their benchmarks last fiscal year, the longer-term numbers remain positive.

Executive Summary

Absolute Return Ranking							
Pension				Insurance			
Manager	Return	Benchmark	Relative	Manager	Return	Benchmark	Relative
Waterfall	7.34%	0.21%	7.13%	Waterfall	6.67%	0.21%	6.46%
NISA	2.04%	1.86%	0.18%	NISA	2.01%	1.86%	0.15%
Shenkman	1.87%	1.82%	0.05%	Shenkman	1.88%	1.82%	0.06%
Columbia	1.78%	-0.40%	2.18%	Columbia	1.82%	-0.40%	2.22%
Manulife	0.12%	-7.09%	7.21%	Loomis	0.09%	-0.40%	0.49%
Loomis	0.03%	-0.40%	0.43%	Manulife	-0.02%	-7.09%	7.07%
Stone Harbor	-2.70%	0.51%	-3.21%	Stone Harbor	-3.08%	0.51%	-3.59%

Relative Return Ranking							
Pension				Insurance			
Manager	Return	Benchmark	Relative	Manager	Return	Benchmark	Relative
Manulife	0.12%	-7.09%	7.21%	Manulife	-0.02%	-7.09%	7.07%
Waterfall	7.34%	0.21%	7.13%	Waterfall	6.67%	0.21%	6.46%
Columbia	1.78%	-0.40%	2.18%	Columbia	1.82%	-0.40%	2.22%
Loomis	0.03%	-0.40%	0.43%	Loomis	0.09%	-0.40%	0.49%
NISA	2.04%	1.86%	0.18%	NISA	2.01%	1.86%	0.15%
Shenkman	1.87%	1.82%	0.05%	Shenkman	1.88%	1.82%	0.06%
Stone Harbor	-2.70%	0.51%	-3.21%	Stone Harbor	-3.08%	0.51%	-3.59%

The only manager who failed to beat their benchmark and post an absolute negative return was Stone Harbor.

Executive Summary

During the fiscal year ended June 30th, 2015 there was only one manager change in the portfolio. In February, the Investment Committee voted to terminate PIMCO from their US Core / Global blended mandate due to excessive staff turnover at the senior level. The dollars previously managed by PIMCO were divided between 2 existing managers: NISA and Manulife.

KRS Investment Staff also intends to recommend to the Investment Committee at the November meeting that we terminate Stone Harbor Investment Partners from their Emerging Markets Debt mandate. This manager has been part of both the Pension and Insurance portfolios for over 3 years, and has dramatically underperformed their benchmark for all measured periods. This, coupled with a very poor outlook for emerging markets debt, lead us to make the recommendation for termination.

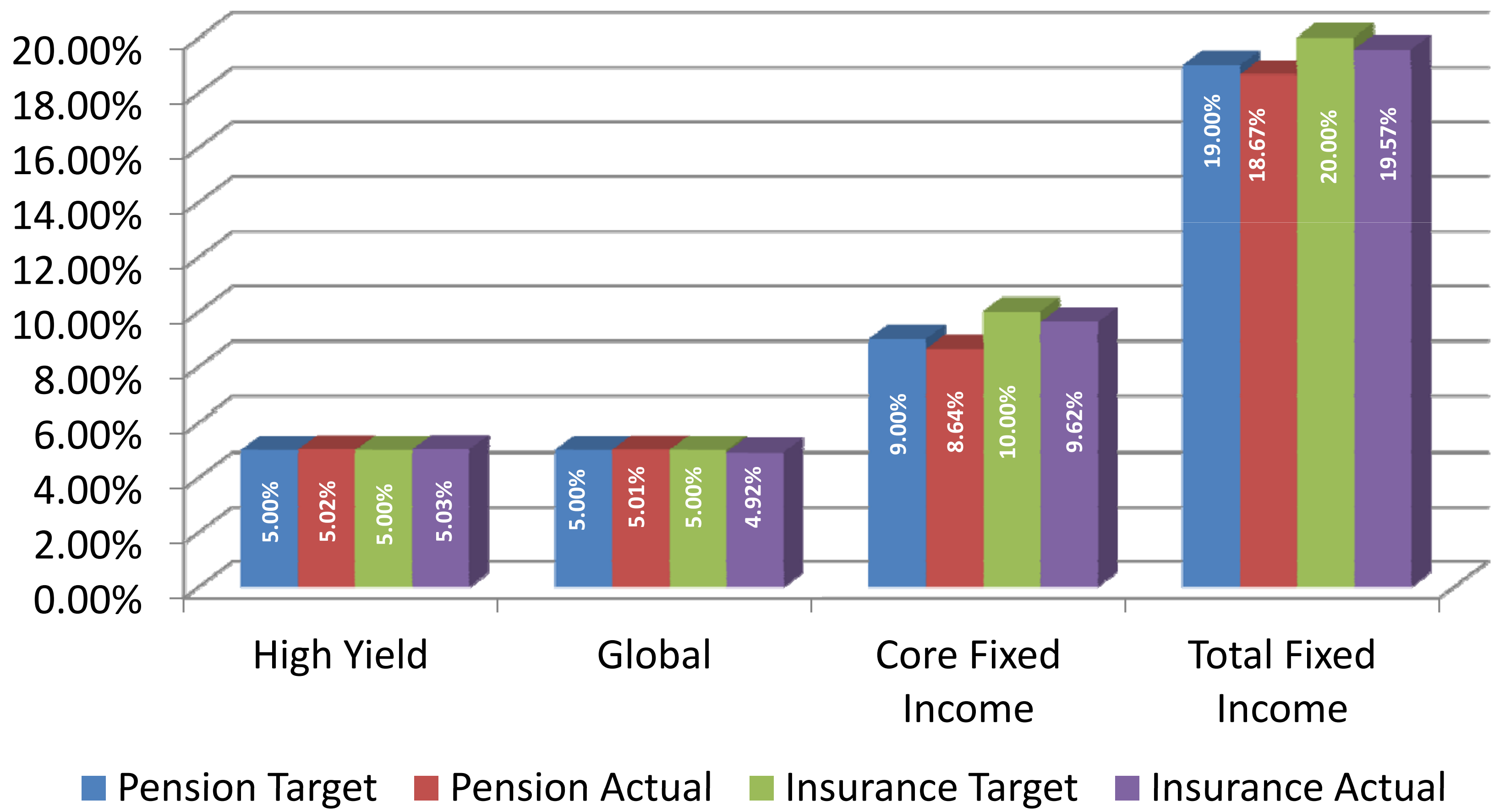
Executive Summary

Economic Indicators					
Indicator	6/30/2014	6/30/2015	Indicator	6/30/2014	6/30/2015
US 2 Year Yield	0.46%	0.64%	Brent Crude	$105.91	$65.22
US 10 Year Yield	2.53%	2.35%	Nat Gas	$4.15	$2.96
US 30 Year Yield	3.36%	3.12%	Gold	$1,327.33	$1,172.35
Germany 10 Year Yield	1.25%	0.76%	Silver	$21.03	$15.74
Italy 10 Year Yield	2.85%	2.33%	Copper	$7,015.00	$5,765.00
France 10 Year Yield	1.60%	1.21%			
Japan 10 Year Yield	0.56%	0.46%	EUR/USD	1.369	1.115
			USD/YEN	101.330	122.500
US Credit Index OAS	0.96%	1.37%	USD/GBP	1.710	1.571
US High Yield Index OAS	3.37%	4.76%			
Unemployment Rate US	6.10%	5.30%	CPI YoY	2.10%	0.10%

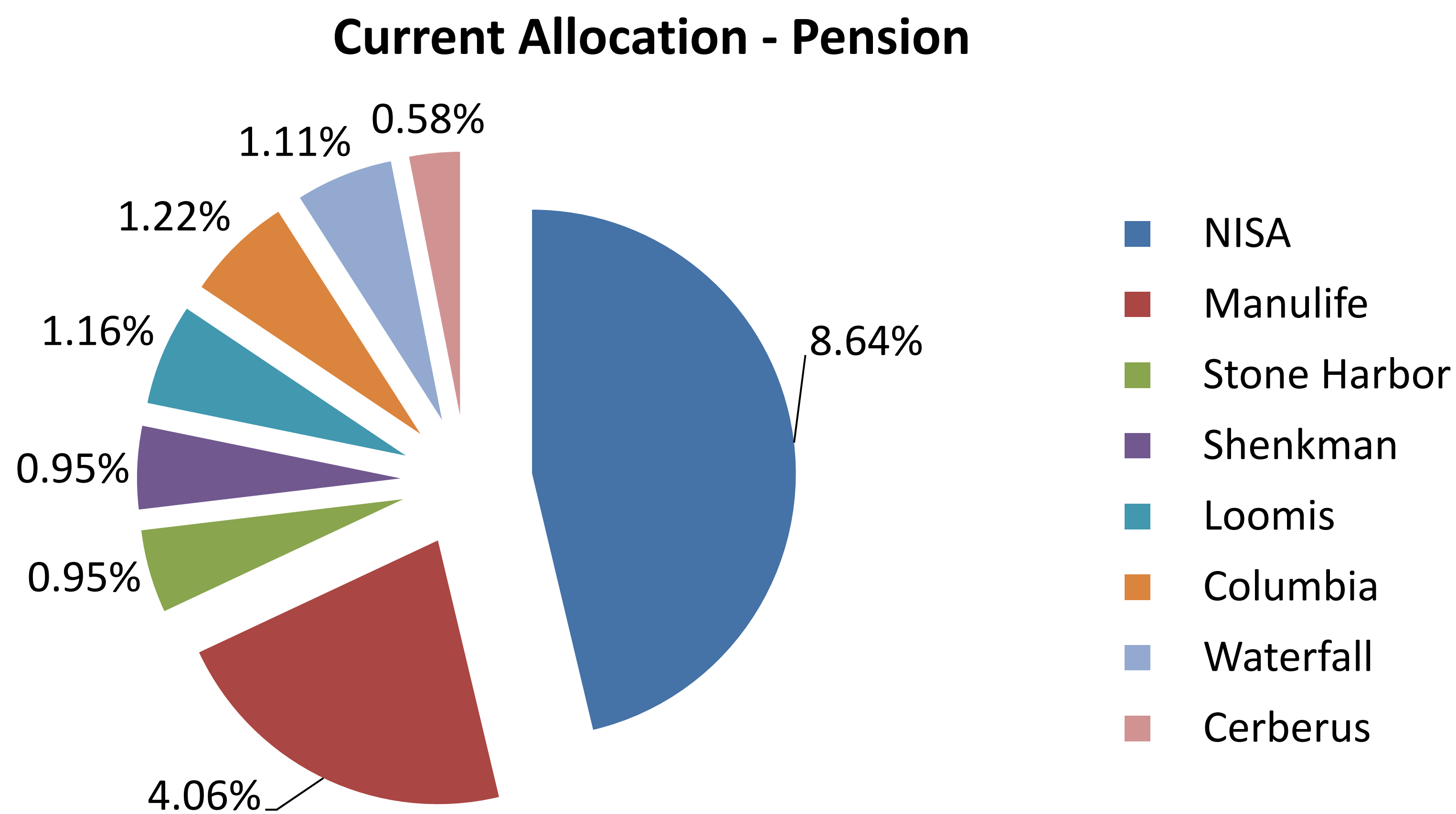
- Interest rate duration and the US Dollar were the big winners last year.

- Credit and Commodities were the worst performers

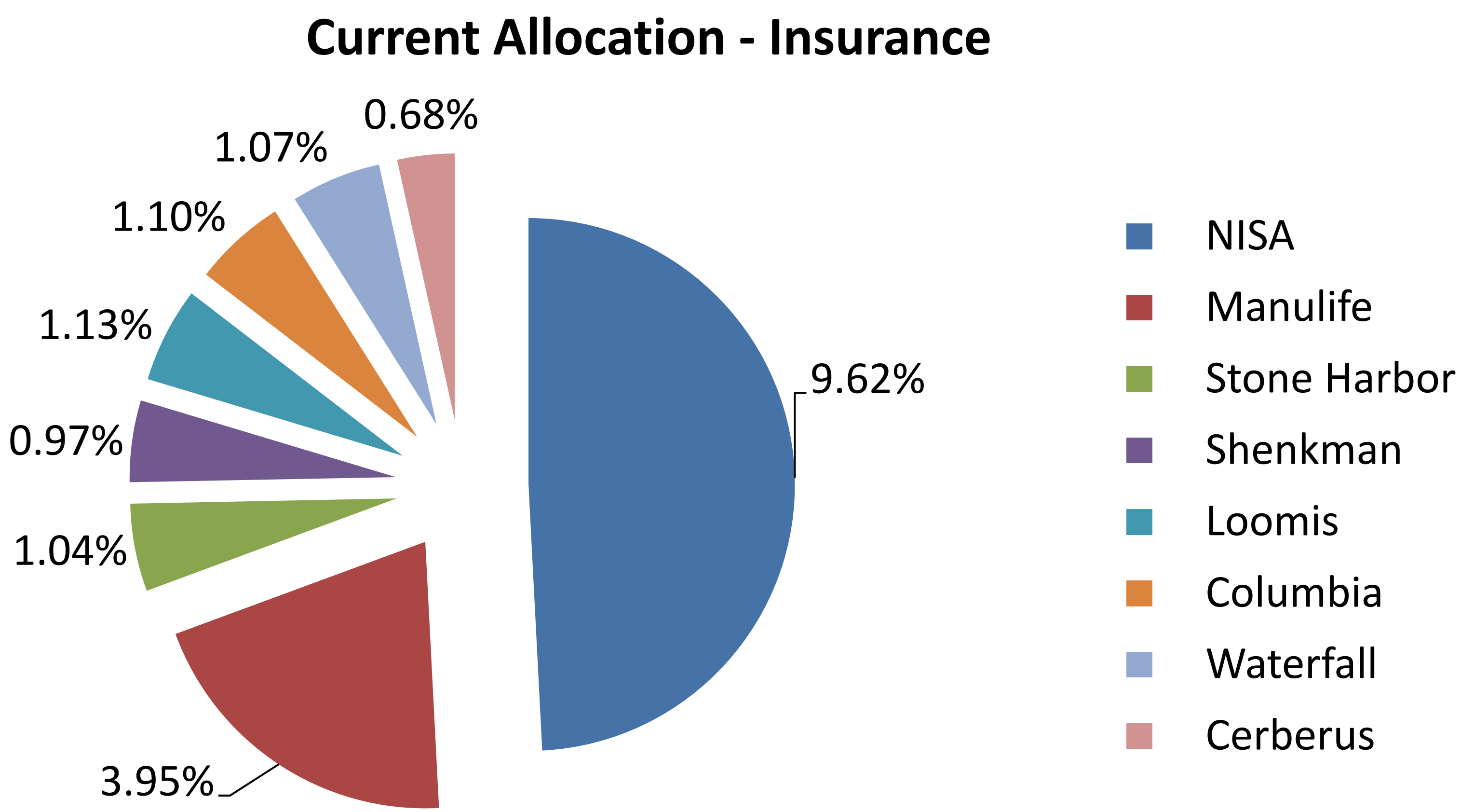
How the plans are allocated within Fixed Income



Allocation of plan assets among Fixed Income managers



Allocation of plan assets among Fixed Income managers



Fixed Income Characteristics

Pension

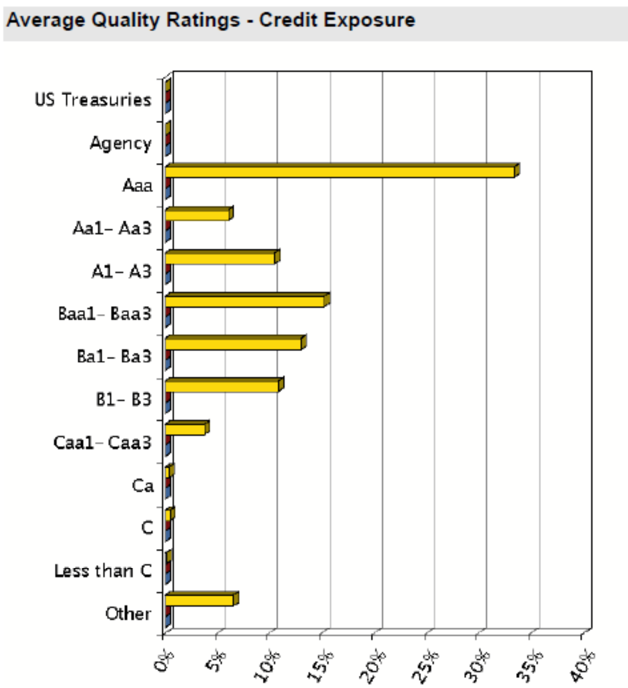
Fixed Income Characteristics	Portfolio
Modified Duration	5.75
Opt. Adj. Duration	4.80
Spread Duration	4.29
Average Quality Rating	A3
Yield to Maturity	3.59%
Yield to Worst	3.49%

Insurance

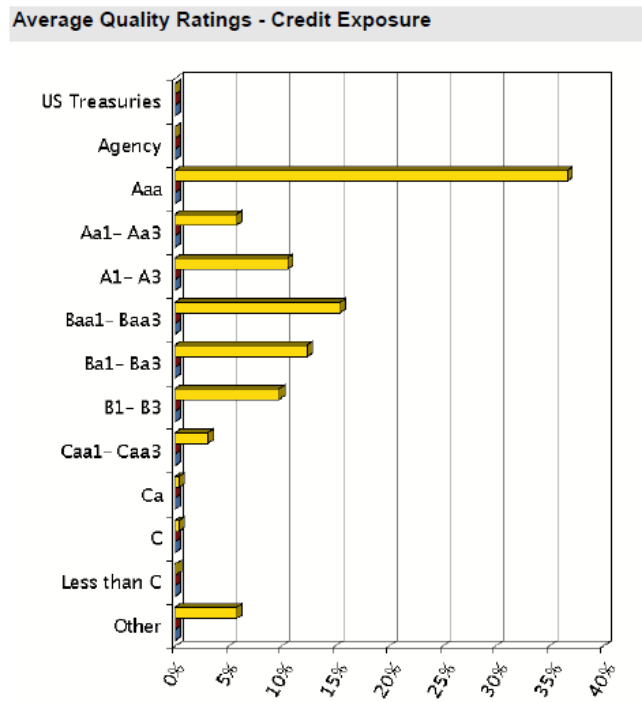
Fixed Income Characteristics	Portfolio
Modified Duration	5.74
Opt. Adj. Duration	4.86
Spread Duration	4.21
Average Quality Rating	A3
Yield to Maturity	3.39%
Yield to Worst	3.35%

Fixed Income Assets by Credit Quality

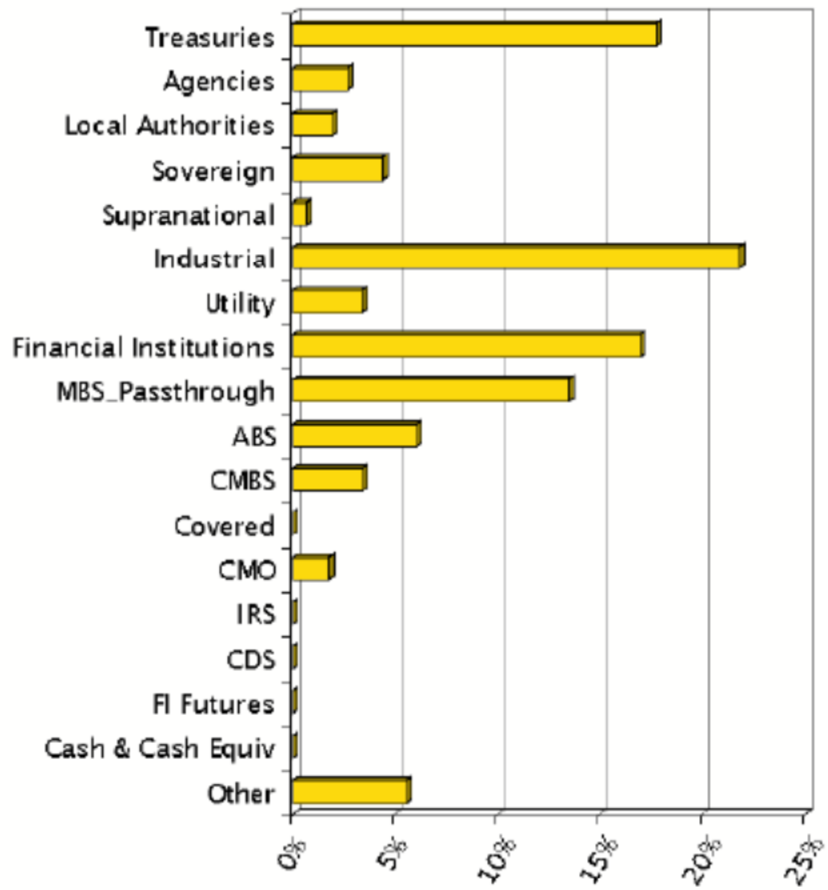
Pension

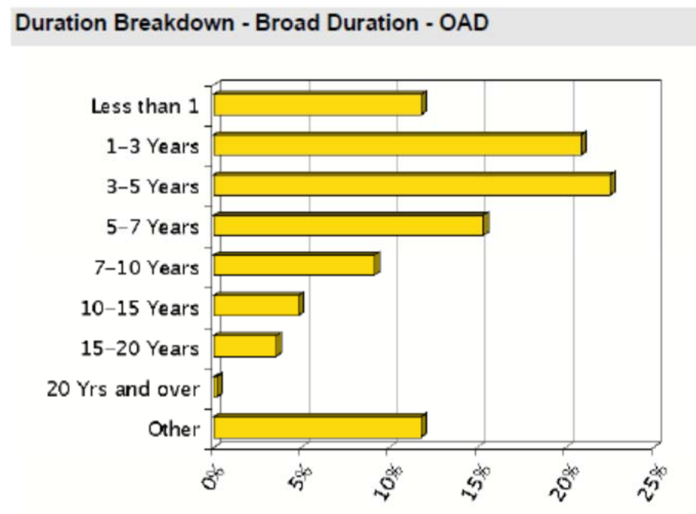


Insurance

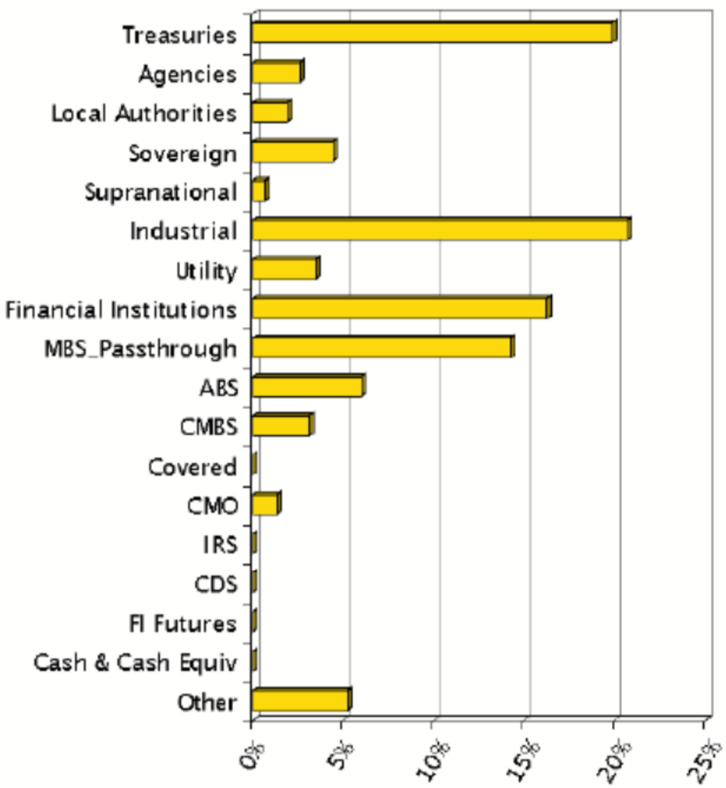


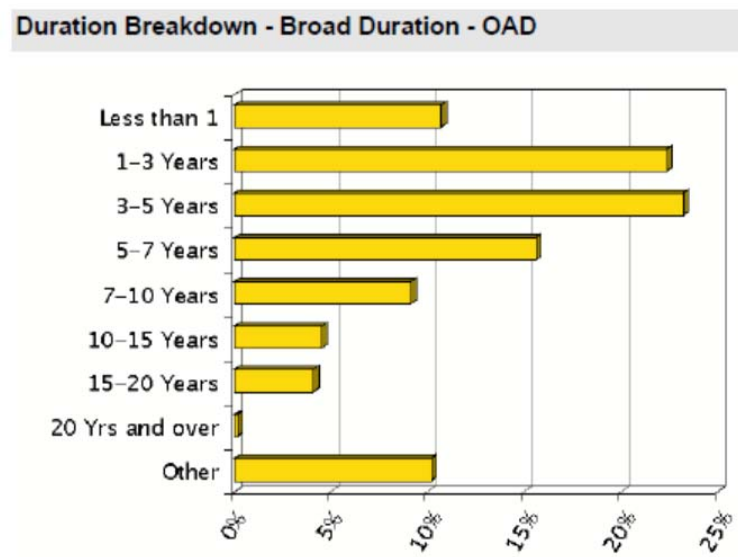
Current Sector and Duration Exposure - Pension





Current Sector and Duration Exposure - Insurance





Manager Review - NISA

Mandate: US Core Fixed Income

Size: Pension – $992,900,776 (8.64%)
Insurance-$405,541,084 (9.62%)

Annual Fee: Flat rate 12.5 bps on AUM

There are no issues with the NISA relationship from either an investment performance or business operational prospective. The investment performance has exceeded expectations. The only significant staff turnover was the retirement of the firms's Chief Risk Officer, who was immediately replaced via internal promotion.

Over the one year period, the pension and insurance portfolios over-performed the Barclays Aggregate benchmark by 20 and 15 basis points, respectively. As shown in Sector Selection section of the attached attribution pages, both portfolios benefited from being underweight credit relative to the benchmark as credit spreads widened significantly (approximately 40 bps) over the period. However, we believe most of the excess performance came from security selection and trading within corporate bonds. More specifically, both portfolios benefited from positioning at the industry and class levels as well as from active relative value trading. The portfolios were overweight financials and underweight industrials throughout the period and spreads in financials widened by less than industrials. Furthermore, within industrials, underweights to the Basic Industry and Energy classes also added to relative performance. As for active trading, while no single corporate issuer added more than 2 bps, volatility in fixed income markets and heavy new corporate issuance presented many relative value trading opportunities to aid performance.

NISA plans to continue to look for security selection and trading opportunities where available, and expects that yield curve positioning, sector selection and security selection will be potential sources of performance enhancement. The portfolios will keep their portfolio duration neutral to the benchmark (+/- 0.25 years). Consequently, duration should have very little influence on performance relative to the benchmark going forward. Both portfolios remain underweight credit, though within that underweight they are overweight financials, underweight industrials, neutral utilities and underweight non-corporates. Overall, NISA believes they are positioned to benefit from continued deterioration of emerging market fundamentals and commodity prices.

BNY MELLON
KR2F30080002-IX1F0000500C

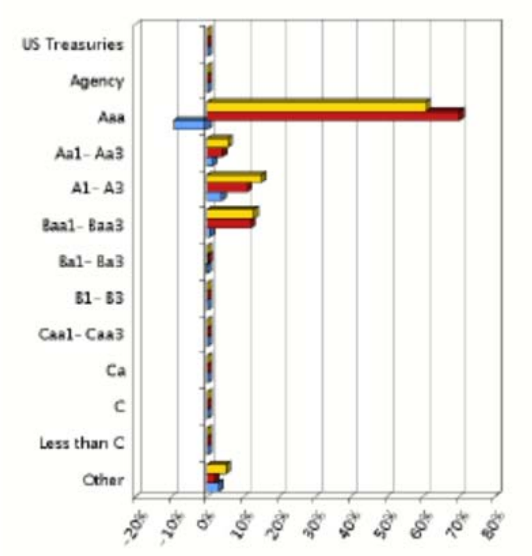
Manager At A Glance
Total
NISA vs. BC US Aggregate Bonds

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

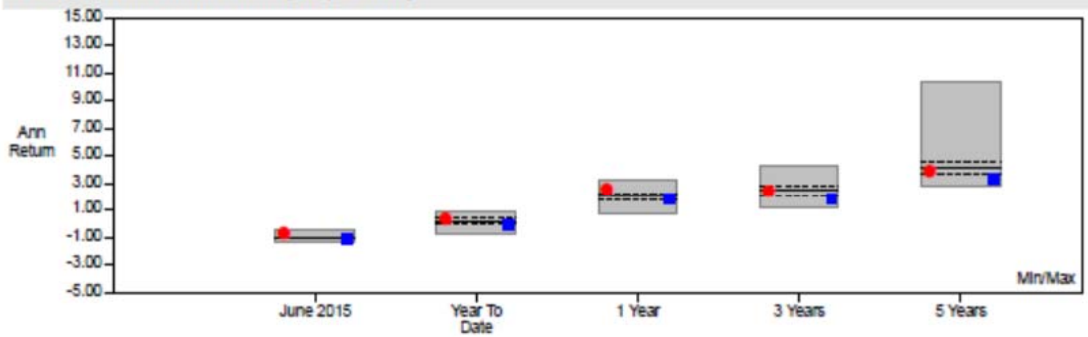
Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.47	5.72	-0.25
Opt. Adj. Duration	5.14	5.37	-0.23
Spread Duration	3.65	3.53	0.12
Average Quality Rating	AA2	AA2	—
Yield to Maturity	2.22%	2.29%	-0.07%
Num of Fixed Income Holdings	883	9496	—

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
NISA	992,900,776.63	-1.05	-1.67	2.04	2.04	1.90	3.43
Barclays U.S. Aggregate Bond Index		-1.09	-1.68	1.86	1.86	1.83	3.35
Excess Return		0.04	0.01	0.18	0.18	0.07	0.08

Average Quality Ratings - Credit Exposure



US Core Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.52	0.84	3.27	4.34	10.40
25th Percentile	-0.98	0.38	2.28	2.89	4.55
Median Percentile	-1.05	0.17	2.04	2.56	4.08
75th Percentile	-1.11	-0.04	1.85	2.07	3.69
Minimum	-1.41	-0.81	0.73	1.16	2.85
NumPortfolios	62	61	60	50	49
● NISA	-1.05	-0.03	2.15	2.05	3.55
%Tile	46	74	42	77	81
Rank	29	46	26	40	41
■ Barclays U.S. Aggregate	-1.09	-0.10	1.86	1.83	3.35
%Tile	68	85	75	89	86
Rank	43	53	46	46	43

Universe Source: Russell Investment Group; Universe Status: Final

Statistic	1 Year	3 Years	5 Years
Annualized Alpha	0.28	0.19	0.15
Annualized Information Ratio	2.29	1.76	0.60
Annualized Sharpe Ratio	0.69	0.69	1.22
Annualized Tracking Error	0.13	0.12	0.24

Top 5 Fixed Income Including Cash Overweight Positions	Portfolio	Benchmark	Difference
EB TEMP IVN FD	4.71%	0.00%	4.71%
U S TREASURY NOTE	2.01%	0.13%	1.88%
U S TREASURY NOTE	1.87%	0.20%	1.67%
FHLMC POOL #G0-8620	1.38%	0.00%	1.38%
U S TREASURY NOTE	1.55%	0.20%	1.35%

Top 5 Fixed Income Including Cash Underweight Positions	Portfolio	Benchmark	Difference
USD (UNITED STATES DOLLAR)	-1.40%	0.00%	-1.40%
FNMA POOL #0MC0644	0.00%	0.91%	-0.91%
FNMA POOL #0MC0631	0.00%	0.91%	-0.91%
FNMA POOL #0MA1804	0.00%	0.81%	-0.81%
FNMA POOL #0MA2127	0.00%	0.70%	-0.70%

BNY MELLON
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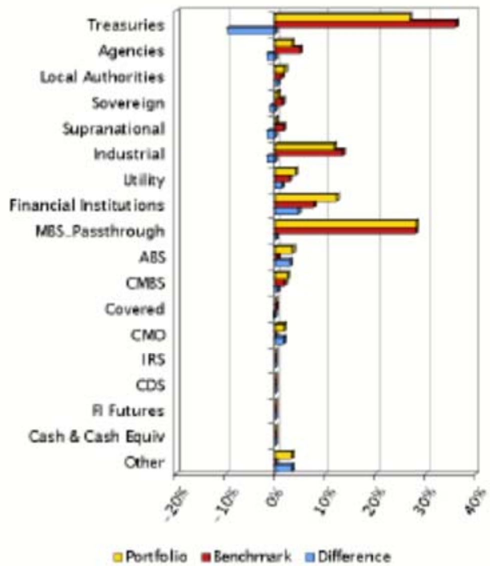
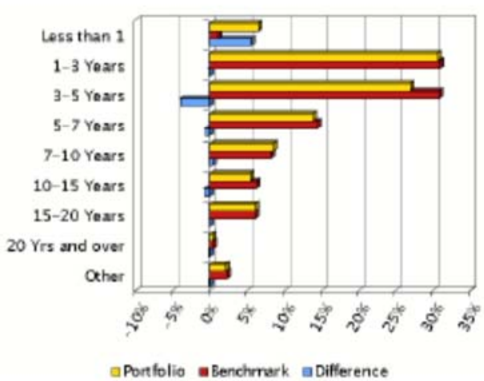
Manager At A Glance
Total
NISA vs. BC US Aggregate Bonds

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

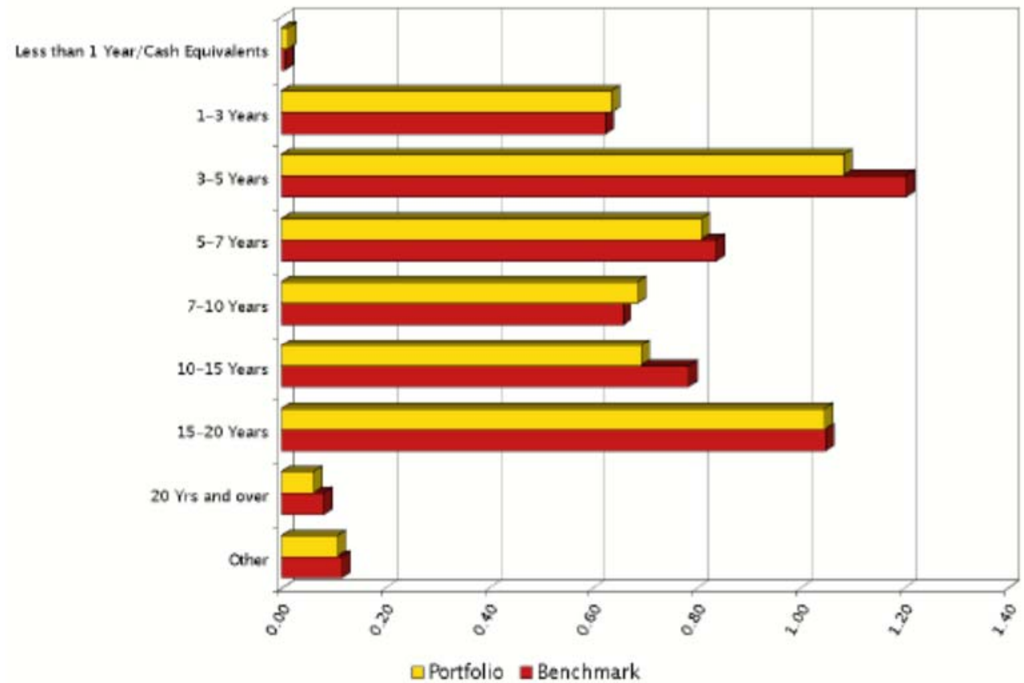
Barclays Global Scheme - Updated



Duration Breakdown - Broad Duration - OAD



Contribution to Opt Adj Duration



	Portfolio		Benchmark	
	Exposure	CTD	Exposure	CTD
Less than 1 Year/Cash Equivalents	6.48%	0.01	1.03%	0.01
1-3 Years	30.54%	0.64	30.81%	0.62
3-5 Years	26.83%	1.08	30.76%	1.21
5-7 Years	13.80%	0.81	14.44%	0.84
7-10 Years	8.52%	0.69	8.19%	0.66
10-15 Years	5.39%	0.69	6.16%	0.79
15-20 Years	6.03%	1.05	6.04%	1.05
20 Yrs and over	0.30%	0.06	0.39%	0.08
Other	2.09%	0.11	2.17%	0.12
Total	100.00 %	5.14	100.00 %	5.37

Source: The Bank of New York Mellon Corporation

BNY MELLON
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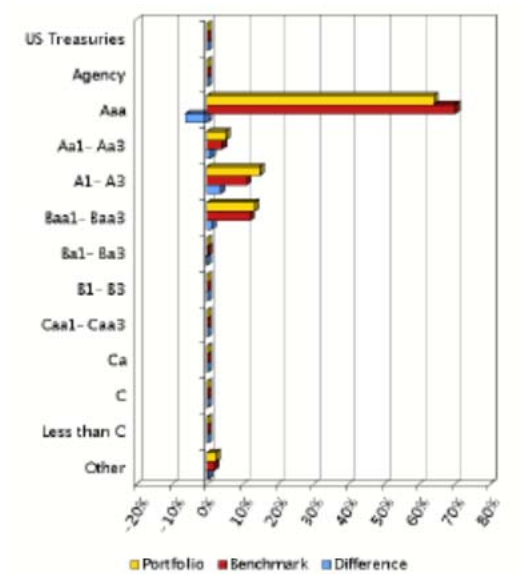
Manager At A Glance
Total
NISA vs. BC US Aggregate Bonds

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

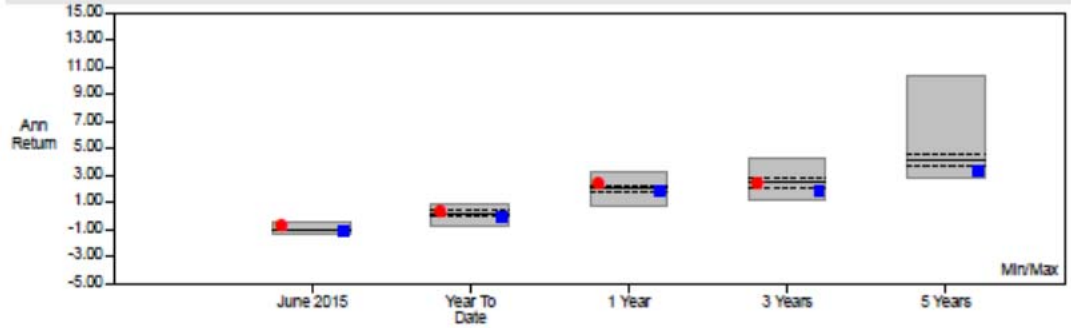
Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.60	5.72	-0.12
Opt. Adj. Duration	5.26	5.37	-0.11
Spread Duration	3.67	3.53	0.14
Average Quality Rating	AA2	AA2	—
Yield to Maturity	2.28%	2.29%	-0.01%
Num of Fixed Income Holdings	503	9496	—

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
NISA	405,541,084.25	-1.02	-1.66	2.01	2.01	1.87	—
Barclays U.S. Aggregate Bond Index		-1.09	-1.68	1.86	1.86	1.83	—
Excess Return		0.07	0.02	0.15	0.15	0.04	—

Average Quality Ratings - Credit Exposure



US Core Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.52	0.84	3.27	4.34	10.40
25th Percentile	-0.98	0.38	2.28	2.89	4.55
Median Percentile	-1.05	0.17	2.04	2.56	4.08
75th Percentile	-1.11	-0.04	1.85	2.07	3.69
Minimum	-1.41	-0.81	0.73	1.16	2.85
NumPortfolios	62	61	60	50	49
NISA	-1.05	-0.06	2.12	2.02	—
%Tile	46	79	46	78	—
Rank	29	49	28	40	—
Barclays U.S. Aggregate	-1.09	-0.10	1.86	1.83	3.35
%Tile	68	85	75	89	86
Rank	43	53	46	46	43

Universe Source: Russell Investment Group; Universe Status: Final

Statistic	1 Year	3 Years	5 Years
Annualized Alpha	0.26	0.17	—
Annualized Information Ratio	2.55	1.78	—
Annualized Sharpe Ratio	0.68	0.68	—
Annualized Tracking Error	0.10	0.11	—

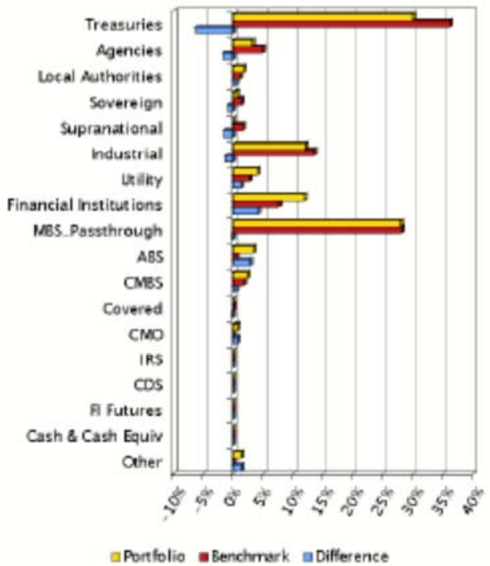
Top 5 Fixed Income Including Cash Overweight Positions	Portfolio	Benchmark	Difference
U S TREASURY NOTE	2.35%	0.20%	2.15%
U S TREASURY NOTE	2.07%	0.20%	1.88%
U S TREASURY NOTE	1.93%	0.15%	1.79%
EB TEMP IVN FD	1.71%	0.00%	1.71%
FHLMC POOL #G0-8620	1.63%	0.00%	1.63%

Top 5 Fixed Income Including Cash Underweight Positions	Portfolio	Benchmark	Difference
FNMA POOL #0MC0644	0.00%	0.91%	-0.91%
FNMA POOL #0MC0631	0.00%	0.91%	-0.91%
FNMA POOL #0MA1804	0.00%	0.81%	-0.81%
FNMA POOL #0MA2127	0.00%	0.70%	-0.70%
GNMA II POOL #0711695	0.00%	0.66%	-0.66%

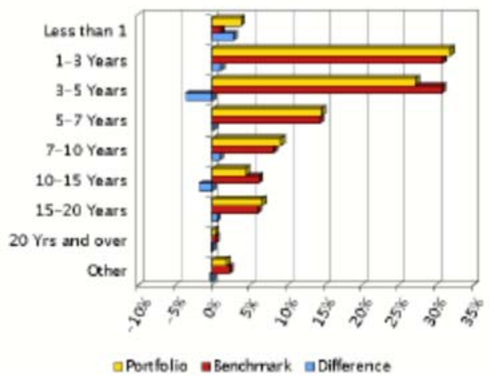
Manager At A Glance
Total
NISA vs. BC US Aggregate Bonds

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

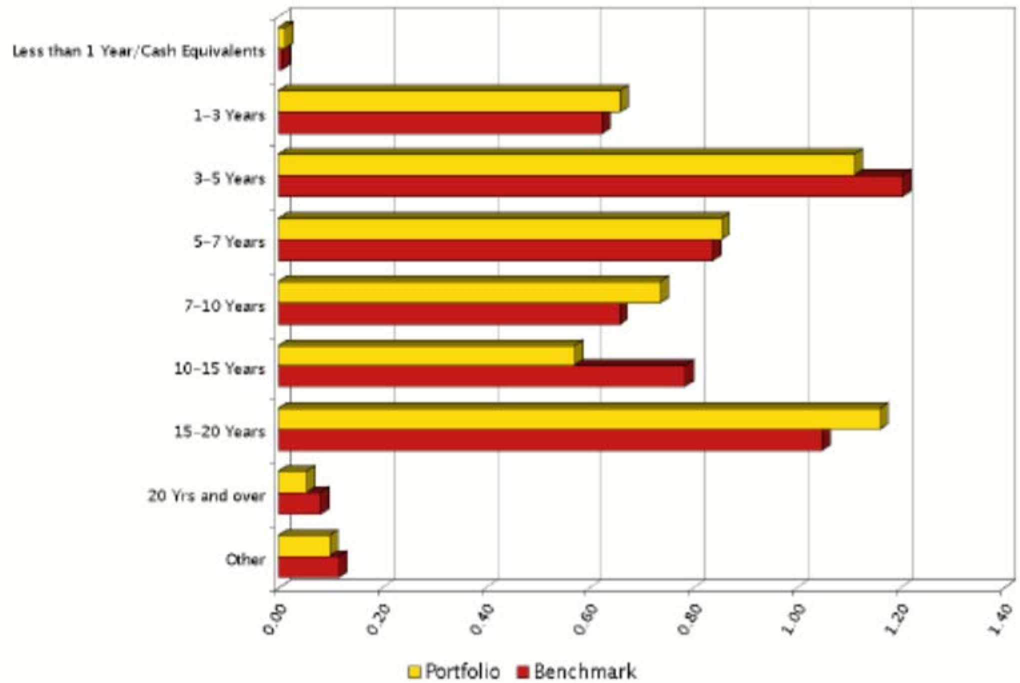
Barclays Global Scheme - Updated



Duration Breakdown - Broad Duration - OAD



Contribution to Opt Adj Duration



	Portfolio		Benchmark	
	Exposure	CTD	Exposure	CTD
Less than 1 Year/Cash Equivalents	3.79%	0.01	1.03%	0.01
1-3 Years	31.93%	0.66	30.81%	0.62
3-5 Years	27.26%	1.11	30.76%	1.21
5-7 Years	14.61%	0.86	14.44%	0.84
7-10 Years	9.16%	0.74	8.19%	0.66
10-15 Years	4.46%	0.57	6.16%	0.79
15-20 Years	6.66%	1.16	6.04%	1.05
20 Yrs and over	0.26%	0.05	0.39%	0.08
Other	1.87%	0.10	2.17%	0.12
Total	100.00 %	5.26	100.00 %	5.37

Manager Review - Manulife

Mandate: Global Total Return Bonds

Size: Pension – $466,797,586 (4.06%)
Insurance - $166,497,483 (3.95%)

Fee: 35 bps on the first $75MM, 30 bps on the next $75MM, 25 bps on the following $75MM, and 20 bps on AUM over $225MM

Relationship Overview

There are no issues with the Manulife relationship from either an investment performance or business operational prospective. The investment performance has exceeded expectations. KRS staff performed an on-site annual manager review on June 24th, 2015 and found all aspects of the firms operations, trading, and investment processes to be at or above industry standards. The firm added 4 new members to the Global Bond team, and had no meaningful departures.

The allocation deviations from benchmark are as follows: Government Debt -32%, Mortgage Backed Securities -15%, Financials +14%, and Industrials +20%. The portfolio's duration is 4.37 years versus the benchmark's duration of 6.31 years. The average credit quality of the portfolio is BBB+ versus the benchmark's average rating of AA-. The major geographic allocations are 68% North America, 6% Australia, 6% New Zealand, and 5% Developed Asia.

Currency management was the largest contributor to the portfolio's excess return during the 1 year period ending June 30, 2015. The portfolio's underweight exposure to the euro and Japanese yen relative to the Index, as well as its use of the Canadian dollar to hedge non-U.S. dollar bonds, were the main contributors. The euro, Japanese yen and Canadian dollar depreciated against the U.S. dollar by approximately 19%, 17% and 14%, respectively. Security selection, broadly within our corporate bond holdings (investment grade & high yield) also had a positive effect on performance. In contrast, the portfolio's shorter duration bias relative to the Index was the largest detractor as global government rates were generally lower, primarily in the U.S. as the 10 year US Treasury yield fell 18 bps, from 2.53% to 2.35%.

Manager Review - Manulife

RV Kuhn Performance Analysis:

- The largest contributor to relative performance was currency management. Within currency, an underweight to the Euro and Japanese Yen relative to the index, as well as the Canadian dollar to hedge non-U.S. dollar bonds, were the main contributors. The euro, Japanese Yen, and Canadian dollar all depreciated against the U.S. dollar by approximately 19%, 17% and 14%, respectively.
- A short duration position relative to the index was the largest detractor as global government rates were generally lower, primarily in the U.S. as the 10 year US Treasury yield fell 18 bps, from 2.53% to 2.35%.
- Sector allocation also detracted, particularly an overweight position to high yield corporates and an underweight to US Treasuries during the one year period ending 6/30/15.
- Security selection within corporate bond holdings across investment grade and high yield also contributed to performance.

BNY MELLON
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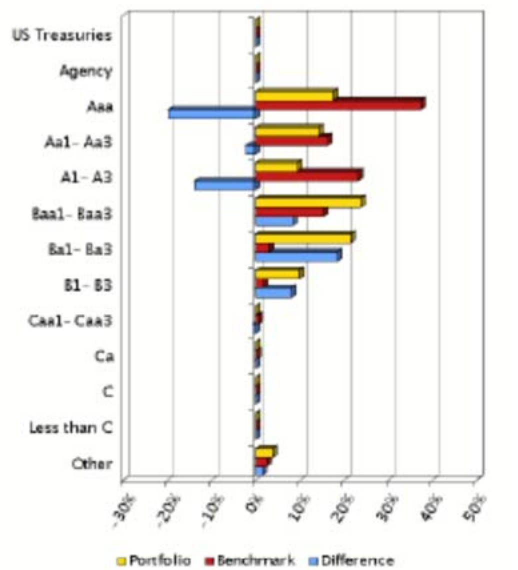
Manager At A Glance
Total
MANULIFE ASSET MGMT vs. BC Multiverse

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

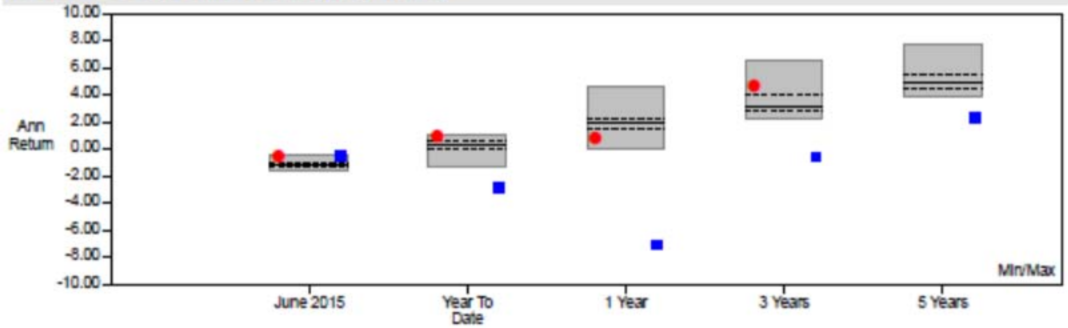
Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	6.07	6.48	-0.41
Opt. Adj. Duration	4.37	6.31	-1.95
Spread Duration	4.83	3.51	1.32
Average Quality Rating	BAA1	AA3	—
Yield to Maturity	3.04%	2.06%	0.98%
Num of Fixed Income Holdings	465	20492	—

Performance Total Net of Fees	Market Value	3 Months	Fiscal YTD	1 Year	3 Years	5 Years
MANULIFE ASSET MGMT	466,797,586.01	-1.29	0.12	0.12	4.03	—
Barclays Multiverse Index		-1.03	-7.09	-7.09	-0.55	—
Excess Return		-0.26	7.21	7.21	4.58	—

Average Quality Ratings - Credit Exposure



US Core Plus Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.36	1.12	4.70	6.58	7.74
25th Percentile	-1.03	0.58	2.28	4.00	5.60
Median Percentile	-1.13	0.33	1.98	3.16	5.00
75th Percentile	-1.25	0.05	1.51	2.86	4.48
Minimum	-1.58	-1.24	-0.01	2.27	3.84
NumPortfolios	52	52	52	45	45
● MANULIFE ASSET MGMT	-0.91	0.57	0.43	4.36	—
%Tile	12	27	96	12	—
Rank	6	15	51	6	—
■ Barclays Multiverse Index	-0.47	-2.90	-7.09	-0.55	2.29
%Tile	3	100	100	100	100
Rank	2	53	53	46	46

Universe Source: Russell Investment Group; Universe Status: Final

Top 5 Fixed Income Excluding Cash Overweight Positions

	Portfolio	Benchmark	Difference
SINGAPORE GOVERNMENT BOND	1.43%	0.01%	1.42%
SINGAPORE GOVERNMENT BOND	1.38%	0.01%	1.37%
NEW ZEALAND GOVERNMENT BO	1.33%	0.02%	1.31%
PHILIPPINE GOVERNMENT BOND	1.33%	0.02%	1.31%
GOVERNMENT OF CANADA	1.30%	0.00%	1.30%

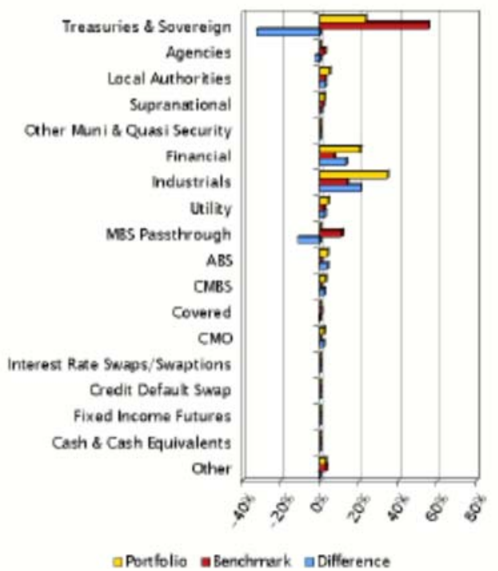
Statistic	1 Year	3 Years	5 Years
Annualized Alpha	2.89	4.55	—
Annualized Information Ratio	2.51	1.56	—
Annualized Sharpe Ratio	0.18	1.35	—
Annualized Tracking Error	3.08	3.08	—

Top 5 Fixed Income Excluding Cash Underweight Positions

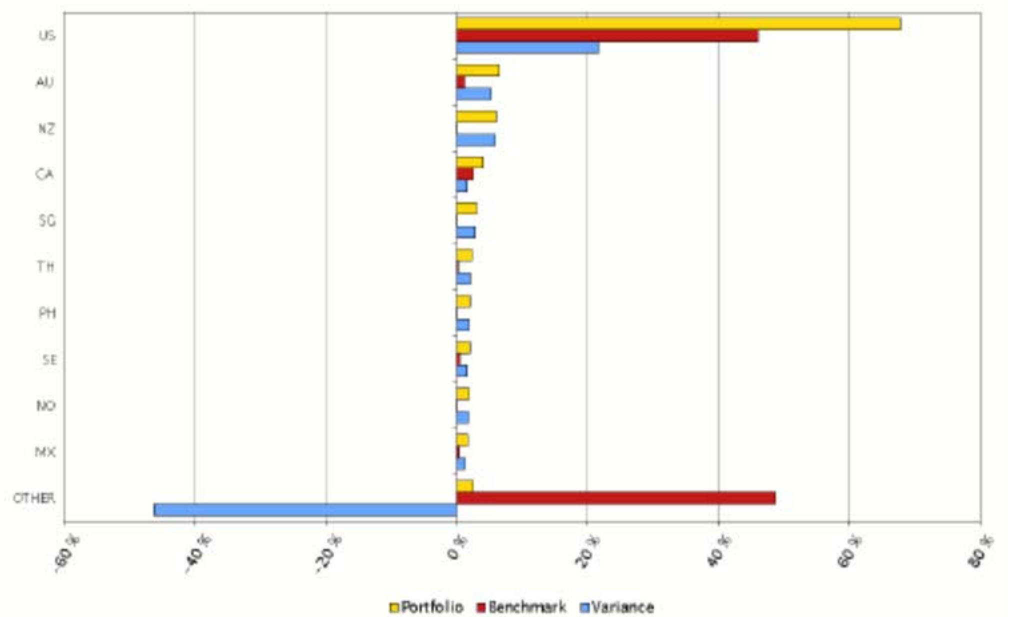
	Portfolio	Benchmark	Difference
FNMA POOL #0MC0644	0.00%	0.36%	-0.36%
FNMA POOL #0MC0631	0.00%	0.36%	-0.36%
FNMA POOL #0MA1804	0.00%	0.32%	-0.32%
FNMA POOL #0MA2127	0.00%	0.28%	-0.28%
GNMA II POOL #0711695	0.00%	0.26%	-0.26%

Currency : USD

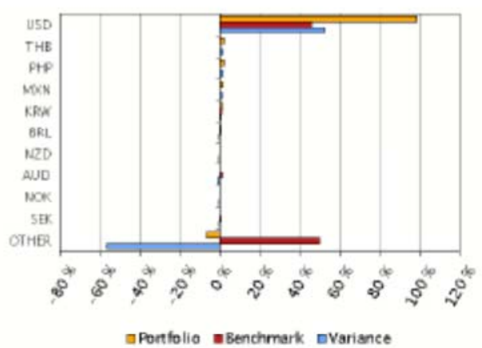
Barclays Global Scheme



Top 10 Countries - Total Market Exposure



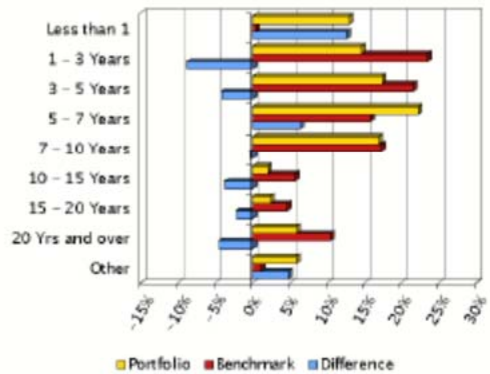
Top 10 Fixed Income Including Cash Currency Exposures



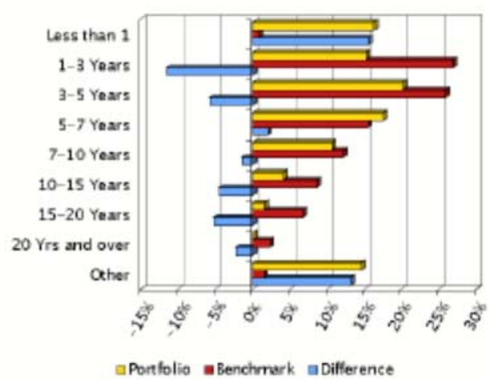
	Portfolio	Benchmark	Variance
United States	67.73%	46.02%	21.71%
Australia	6.52%	1.22%	5.30%
New Zealand	6.03%	0.13%	5.90%
Canada	4.09%	2.52%	1.57%
Singapore	3.01%	0.16%	2.86%
Thailand	2.29%	0.25%	2.04%
Philippines	2.06%	0.13%	1.93%
Sweden	2.04%	0.42%	1.62%
Norway	2.01%	0.13%	1.88%
Mexico	1.66%	0.35%	1.32%
OTHER	2.55%	48.68%	-46.13%
Total	100.00%	100.00%	0.00%

Currency : USD

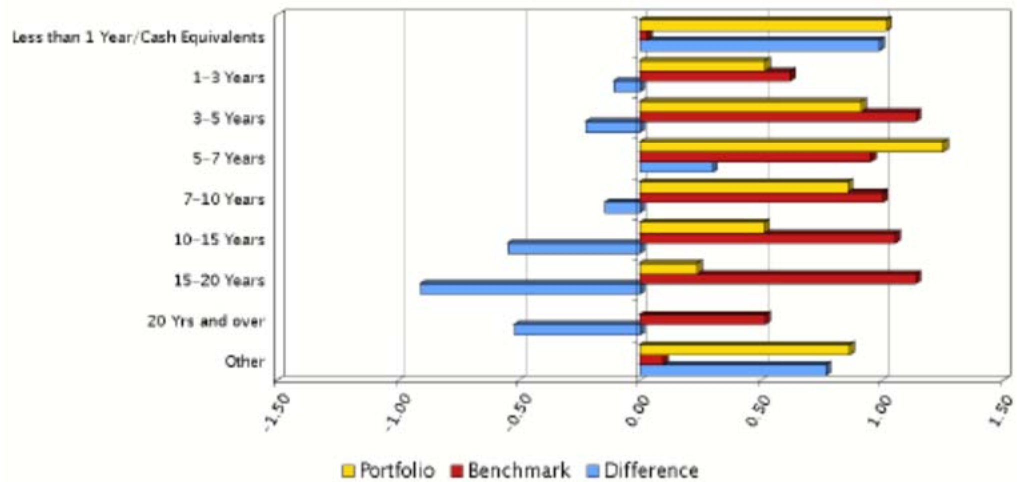
Maturity Breakdown



Duration Breakdown - Broad Duration - OAD



Contribution to Duration



	Portfolio		Benchmark		Difference	
	Exposure	CTD	Exposure	CTD	Exposure	CTD
Less than 1 Year/Cash Equivalents	16.26%	1.02	0.77%	0.03	15.50%	0.99
1-3 Years	15.23%	0.52	26.80%	0.62	-11.57%	-0.11
3-5 Years	20.10%	0.92	25.84%	1.14	-5.74%	-0.22
5-7 Years	17.48%	1.25	15.42%	0.95	2.06%	0.30
7-10 Years	10.65%	0.86	12.12%	1.00	-1.47%	-0.15
10-15 Years	4.11%	0.51	8.57%	1.06	-4.47%	-0.54
15-20 Years	1.54%	0.24	6.74%	1.14	-5.20%	-0.91
20 Yrs and over	—	—	2.27%	0.52	-2.27%	-0.52
Other	14.63%	0.87	1.48%	0.10	13.16%	0.77
Total	100.00 %	6.18	100.00 %	6.56	0.00 %	-0.38

BNY MELLON
KR3F30020002-IX1F0005607C

Manager At A Glance
Total
MANULIFE ASSET MGMT vs. BC Multiverse

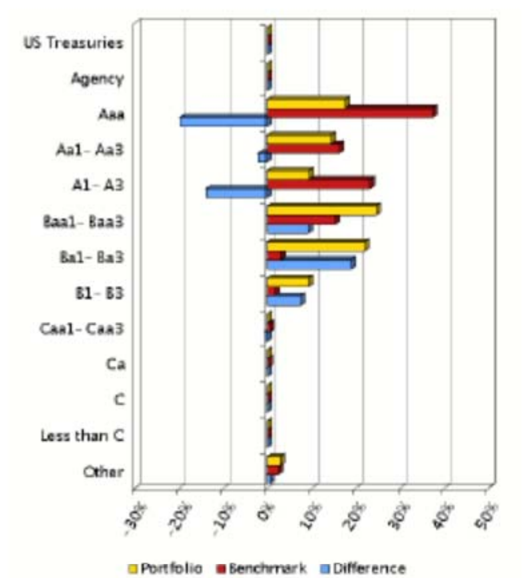
Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	6.06	6.48	-0.43
Opt. Adj. Duration	4.38	6.31	-1.93
Spread Duration	4.90	3.51	1.40
Average Quality Rating	BAA1	AA3	—
Yield to Maturity	3.07%	2.06%	1.02%
Num of Fixed Income Holdings	475	20492	—

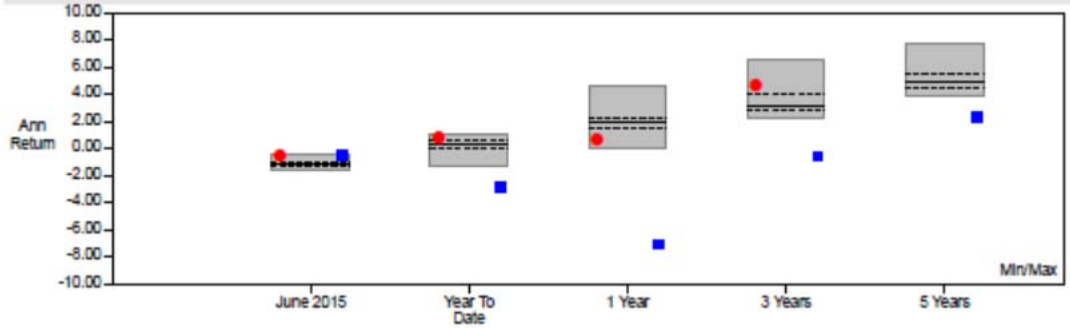
Performance Total Net of Fees

	Market Value	3 Months	Fiscal YTD	1 Year	3 Years	5 Years
MANULIFE ASSET MGMT	166,497,483.53	-1.26	-0.02	-0.02	4.06	—
Barclays Multiverse Index		-1.03	-7.09	-7.09	-0.55	—
Excess Return		-0.23	7.07	7.07	4.61	—

Average Quality Ratings - Credit Exposure



US Core Plus Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.36	1.12	4.70	6.58	7.74
25th Percentile	-1.03	0.58	2.28	4.00	5.60
Median Percentile	-1.13	0.33	1.98	3.16	5.00
75th Percentile	-1.25	0.05	1.51	2.86	4.48
Minimum	-1.58	-1.24	-0.01	2.27	3.84
NumPortfolios	52	52	52	45	45
● MANULIFE ASSET MGMT	-0.87	0.52	0.31	4.39	—
%Tile	9	35	97	11	—
Rank	5	19	52	5	—
■ Barclays Multiverse Index	-0.47	-2.90	-7.09	-0.55	2.29
%Tile	3	100	100	100	100
Rank	2	53	53	46	46

Universe Source: Russell Investment Group; Universe Status: Final

Top 5 Fixed Income Excluding Cash Overweight Positions

	Portfolio	Benchmark	Difference
PHILIPPINE GOVERNMENT BOND	1.44%	0.02%	1.42%
NEW ZEALAND GOVERNMENT BO	1.34%	0.02%	1.32%
GOVERNMENT OF CANADA	1.31%	0.02%	1.29%
SINGAPORE GOVERNMENT BOND	1.28%	0.01%	1.26%
SINGAPORE GOVERNMENT BOND	1.24%	0.01%	1.23%

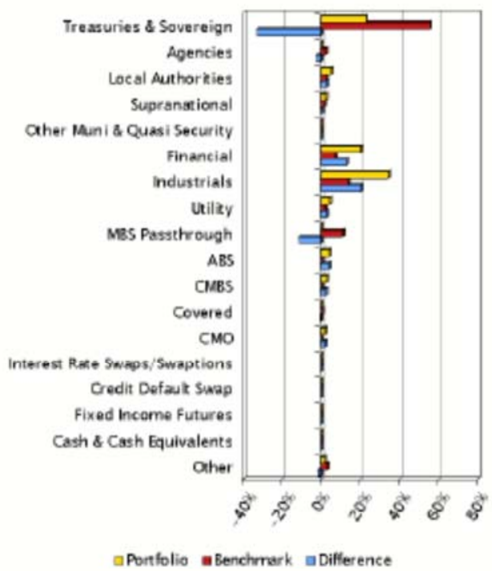
Statistic	1 Year	3 Years	5 Years
Annualized Alpha	3.11	4.59	—
Annualized Information Ratio	2.47	1.63	—
Annualized Sharpe Ratio	0.12	1.34	—
Annualized Tracking Error	3.09	2.96	—

Top 5 Fixed Income Excluding Cash Underweight Positions

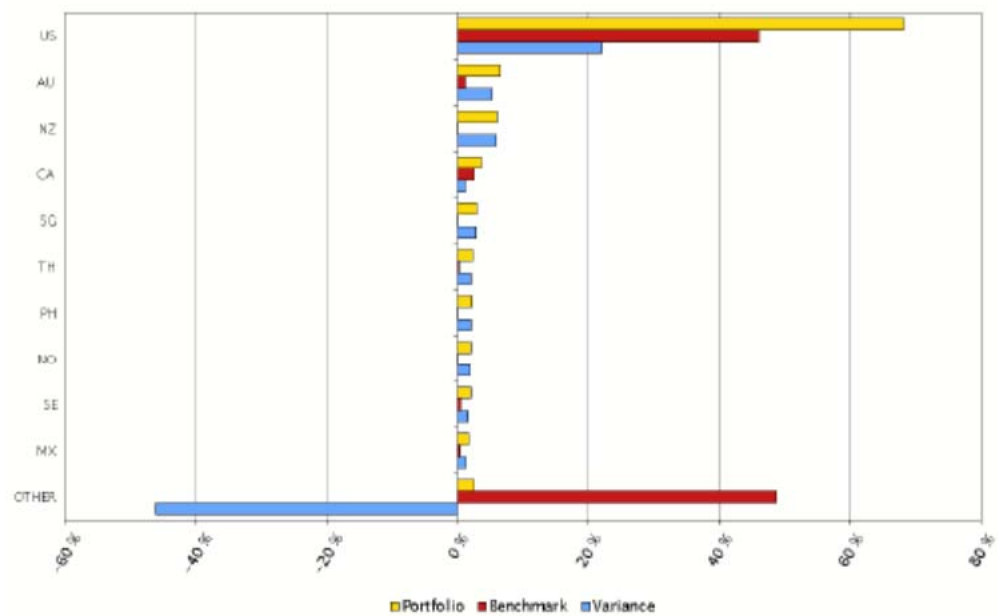
	Portfolio	Benchmark	Difference
FNMA POOL #0MC0644	0.00%	0.36%	-0.36%
FNMA POOL #0MC0631	0.00%	0.36%	-0.36%
FNMA POOL #0MA1804	0.00%	0.32%	-0.32%
FNMA POOL #0MA2127	0.00%	0.28%	-0.28%
GNMA II POOL #0711695	0.00%	0.26%	-0.26%

Currency : USD

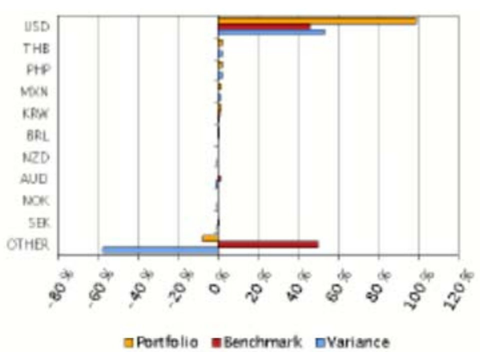
Barclays Global Scheme



Top 10 Countries - Total Market Exposure



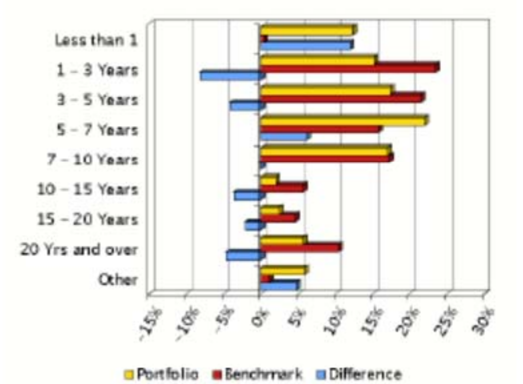
Top 10 Fixed Income Including Cash Currency Exposures



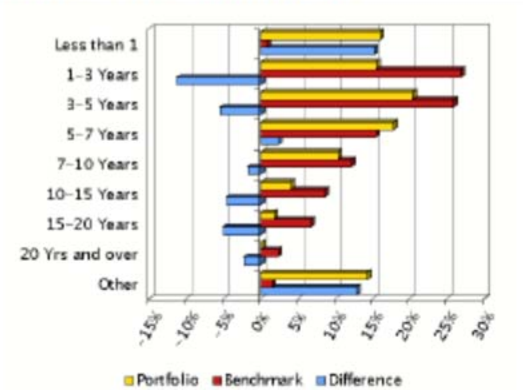
	Portfolio	Benchmark	Variance
United States	68.04%	46.02%	22.03%
Australia	6.49%	1.22%	5.27%
New Zealand	6.04%	0.13%	5.91%
Canada	3.68%	2.52%	1.16%
Singapore	2.91%	0.16%	2.75%
Thailand	2.28%	0.25%	2.03%
Philippines	2.16%	0.13%	2.03%
Norway	2.05%	0.13%	1.92%
Sweden	2.04%	0.42%	1.62%
Mexico	1.72%	0.35%	1.37%
OTHER	2.58%	48.68%	-46.10%
Total	100.00%	100.00%	0.00%

Currency : USD

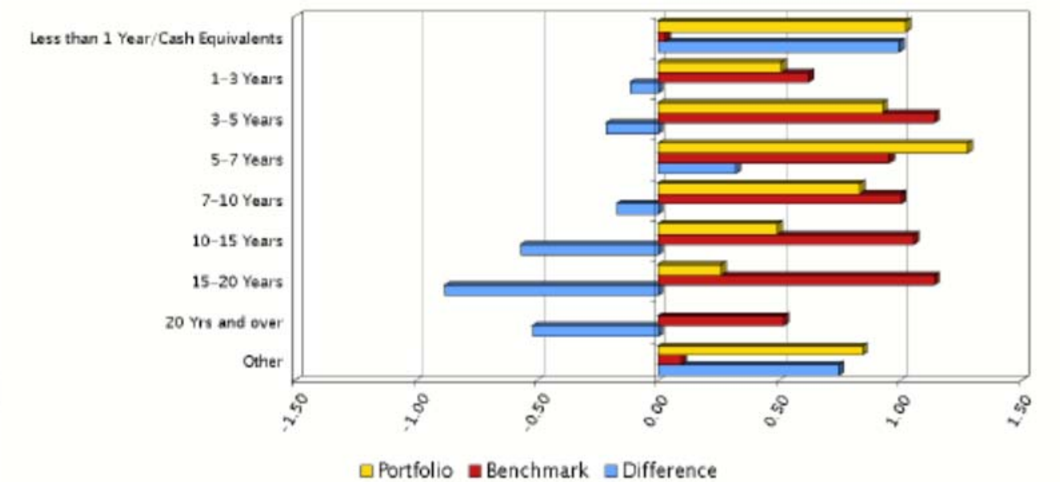
Maturity Breakdown



Duration Breakdown - Broad Duration - OAD



Contribution to Duration



	Portfolio		Benchmark		Difference	
	Exposure	CTD	Exposure	CTD	Exposure	CTD
Less than 1 Year/Cash Equivalents	15.97%	1.02	0.77%	0.03	15.20%	0.99
1-3 Years	15.51%	0.51	26.80%	0.62	-11.29%	-0.11
3-5 Years	20.41%	0.93	25.84%	1.14	-5.43%	-0.21
5-7 Years	17.78%	1.28	15.42%	0.95	2.36%	0.32
7-10 Years	10.32%	0.83	12.12%	1.00	-1.80%	-0.17
10-15 Years	4.00%	0.49	8.57%	1.06	-4.57%	-0.57
15-20 Years	1.70%	0.26	6.74%	1.14	-5.04%	-0.88
20 Yrs and over	—	—	2.27%	0.52	-2.27%	-0.52
Other	14.31%	0.84	1.48%	0.10	12.83%	0.74
Total	100.00 %	6.16	100.00 %	6.56	0.00 %	-0.40

Manager Review – Stone Harbor

Mandate: High Yield Asset-Backed Securities

Size: Pension – $108,876,493 (.95%)
Insurance- $44,003,345 (1.04%)

Fee: 60 bps on the first $50MM of assets, 50 bps on AUM above $50MM

The persistent underperformance of the Stone Harbor relationship has reached the point where we are recommending ***that the relationship be terminated.*** KRS' Emerging Markets Debt Pension portfolio posted a return of -2.70% (net of fees) for the 12 month period ending June 30th, 2015. During the period, the portfolio underperformed its benchmark by 3.21%. The decision to add tactical, non benchmark, Local Currency securities was the main driver of underperformance during the period (-1.29%.) Country selection in Hard Currency sovereign bonds detracted by 2.89% where the main driver was the overweight position in Venezuela. This was partially offset by positioning in the short end of the Venezuelan yield curve which contributed 1.06%. The net effect of country & issue selection decisions in Hard Currency sovereign bonds was -1.01% during the 12 month period. The portfolio's small underweight to Treasury duration caused a 45 basis point drag on relative performance as well. Lastly, our decision to add off benchmark Hard Currency Corporate Bonds contributed a positive 16 basis points to relative performance.

The Pension portfolio currently has a 17.20% overweight in Latin America led by Venezuela (4.87% o/w), Brazil (3.38%), Mexico (2.19%), and Dominican Republic (1.97%.). This is offset by a 14.08% underweight in Europe, Middle East, and Africa led by Lebanon (3.25% u/w), Poland (2.98), Hungary (2.58%), and a 5% underweight to Asia. The portfolio also has a 0.13% tactical, off benchmark allocation to Local Currency securities and 4.92% tactical, off benchmark allocation to Hard Currency Corporate debt.

Manager Review – Stone Harbor

RV Kuhn Performance Analysis:

- The main driver of underperformance over the period was a tactical, non-benchmark, allocation to local currency securities, which weighed on the portfolio by -1.29%.
- Country selection in hard currency sovereign bonds also detracted by 2.89%, driven mostly by an overweight position in Venezuela; however, this was partially offset by positioning in the short end of the Venezuelan yield curve, which contributed 1.06% over the period. The net effect of country & issue selection decisions in Hard Currency sovereign bonds was -1.01% during the 12 month period.
- The portfolio's small underweight to Treasury duration detracted 45 bps from performance. Lastly, an allocation to hard currency corporate bonds contributed modestly to relative performance.

BNY MELLON
KR2F30030002-IX1F0000413C

Manager At A Glance
Total
STONE HARBOR vs. JPM EMBI Global Diverse

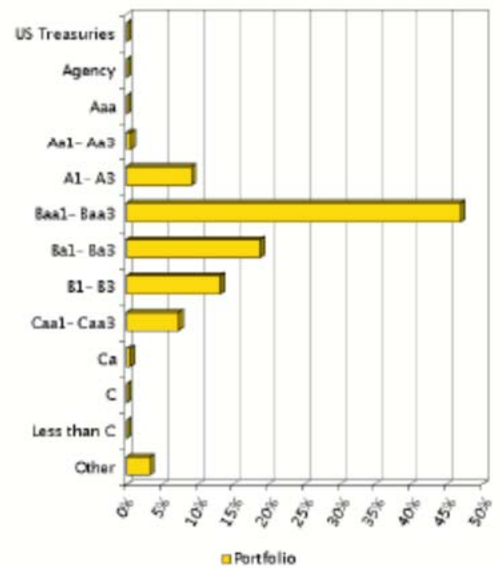
Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	6.83
Opt. Adj. Duration	7.12
Spread Duration	4.92
Average Quality Rating	BA1
Yield to Maturity	6.93%
Num of Fixed Income Holdings	187

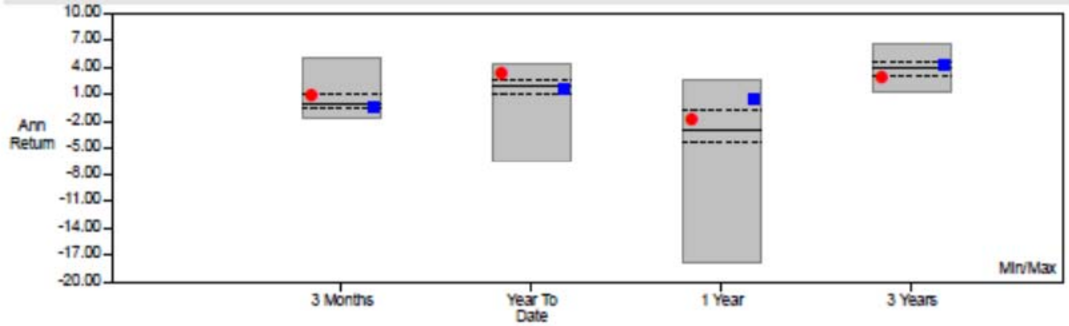
Performance Total Net of Fees

	Market Value	3 Months	Fiscal YTD	1 Year	3 Years	5 Years
STONE HARBOR	108,876,493.31	0.45	-2.70	-2.70	1.88	—
JP Morgan Emerging Markets Bond Index		-0.34	0.51	0.51	4.30	—
Excess Return		0.79	-3.21	-3.21	-2.42	—

Average Quality Ratings - Credit Exposure



Emerging Market Fixed Income Portfolios (USD) - Quarterly



	3 Months Value	Year To Date Value	1 Year Value	3 Years Value
Maximum	5.07	4.39	2.73	6.60
25th Percentile	1.03	2.66	-0.65	4.61
Median Percentile	-0.01	2.03	-2.94	3.98
75th Percentile	-0.49	1.00	-4.27	3.01
Minimum	-1.67	-6.45	-17.94	1.22
NumPortfolios	37	37	37	37
● **STONE HARBOR**	0.48	2.88	-2.22	2.42
%Tile	40	17	43	92
Rank	15	7	17	35
■ **JP Morgan Emerging**	-0.34	1.67	0.51	4.30
%Tile	68	60	13	37
Rank	26	23	5	14

Universe Source: Russell Investment Group; Universe Status: Calculated. Final

Top 5 Fixed Income Excluding Cash Overweight Positions

	Portfolio	Benchmark	Difference
PETROLEOS DE VENEZUELA SA	3.80%	0.00%	3.80%
DOMINICAN REPUBLIC INTERN	2.90%	0.00%	2.90%
ARGENTINA BONAR BONDS	2.50%	0.00%	2.50%
BRAZILIAN GOVERNMENT	2.31%	0.00%	2.31%
INDONESIA GOVERNMENT INTE	2.22%	0.00%	2.22%

Statistic	1 Year	3 Years
Annualized Alpha	-2.83	-2.23
Annualized Information Ratio	-0.90	-0.82
Annualized Sharpe Ratio	-0.33	0.35
Annualized Tracking Error	2.95	2.12

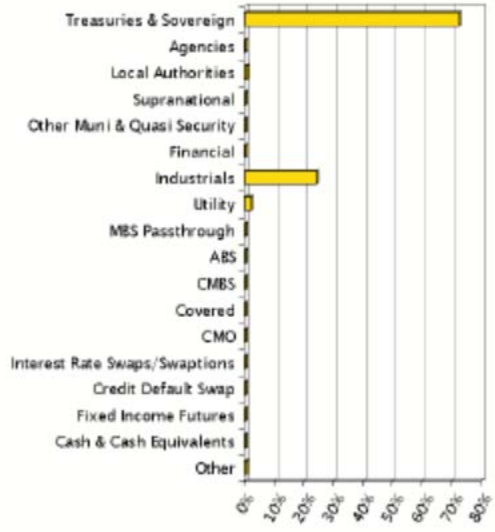
Top 5 Fixed Income Excluding Cash Underweight Positions

Portfolio	Benchmark	Difference
—	—	—

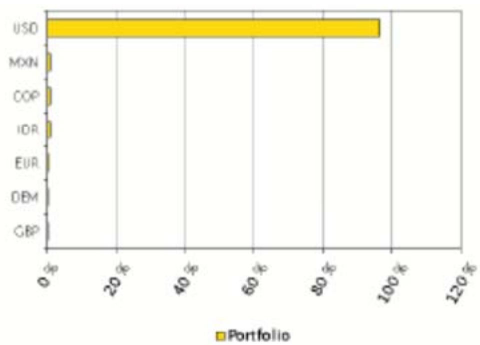
Manager At A Glance
Total
STONE HARBOR vs. JPM EMBI Global Diverse

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

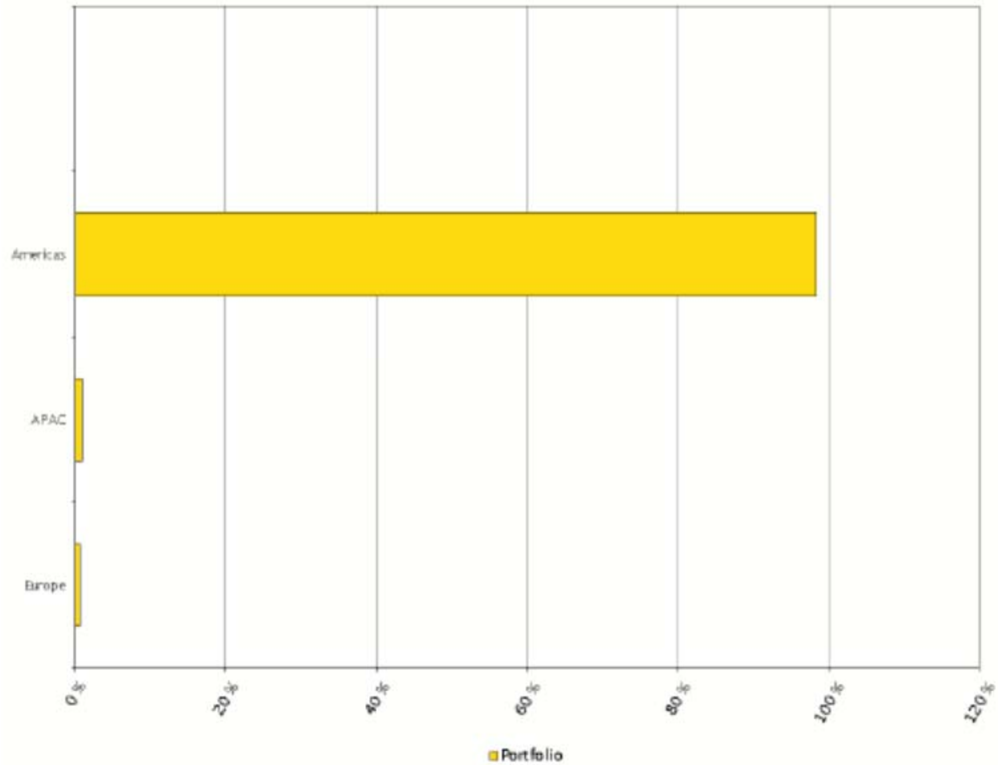
Barclays Global Scheme



Top 10 Fixed Income Excluding Cash Currency Exposures



World Market Exposure

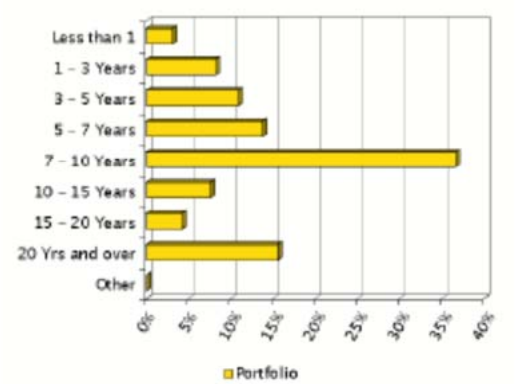


	Portfolio
AMERICAS	98.40%
ASIA / PACIFIC BASIN	0.92%
EUROPE	0.68%
Total	100.00%

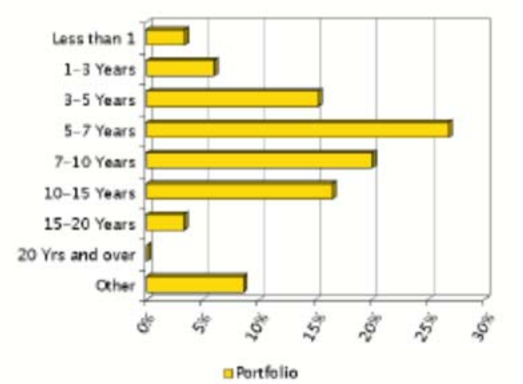
Manager At A Glance
Total
STONE HARBOR vs. JPM EMBI Global Diverse

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

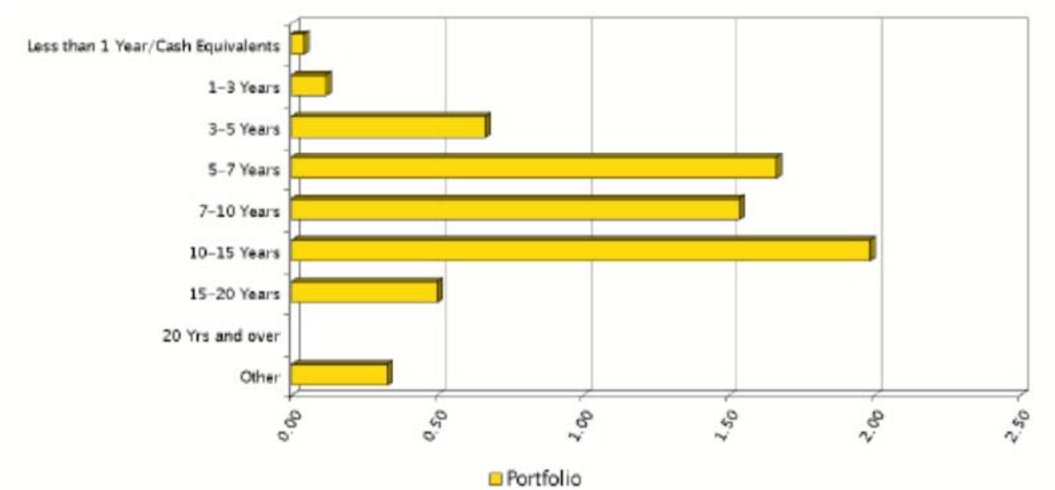
Maturity Breakdown



Duration Breakdown - Broad Duration - OAD



Contribution to Modified Duration



	Portfolio	
	Exposure	CTD
Less than 1 Year/Cash Equivalents	3.40%	0.04
1-3 Years	5.99%	0.12
3-5 Years	15.25%	0.66
5-7 Years	26.85%	1.66
7-10 Years	20.07%	1.54
10-15 Years	16.50%	1.98
15-20 Years	3.31%	0.50
20 Yrs and over	—	—
Other	8.63%	0.33
Total	100.00 %	6.83

Manager Review – Columbia

Mandate: High Yield Bonds

Size: Pension – $139,917,944 (1.22%)
Insurance - $46,366,178 (1.10%)

Annual Fee: 50 bps on the first $50MM, 40 bps on the next $50MM, then 35 bps on AUM over $100MM.

Relationship Overview

There are no issues with the Columbia relationship from either an investment performance or business operational prospective. There was no meaningful staff turnover during the past year, and the investment performance has met expectations in both the Pension and the Insurance portfolios, beating the benchmark for both the 1 year and 3 year periods. For the fiscal year ended June 30th, 2015, the Columbia portfolios returned 1.78% for the Pension plan, and 1.82% for the Insurance fund. These compare to a benchmark return of -.40%. The bulk of the outperformance is attributable to the managers calls in the energy sector, where they were early to recognize problems and were able to sell a large portion of their holdings in the sector before prices fell.

The average credit rating of the portfolio is B1, the yield to worst is 5.77%, and the duration is 4.64 versus the benchmark's average credit rating of B1, yield to worst of 6.41%, and a duration of 4.26. The portfolio's yield to worst difference of .38% indicates a defensive posture. The portfolio was slightly overweight single B credits, and slightly underweight BB rated names as of fiscal year end. The portfolio held slight underweight positions in basic industries, capital goods, and consumer cyclical sectors, and slight overweights to media and services cyclical.

Manager Review – Columbia

RV Kuhn Performance Analysis:

- Columbia outperformed the Barclays US High Yield Index by 260 bps for the year on a gross of fees basis. The portfolio contains almost all high yield bonds with a nominal allocation to investment grade corporates, cash, and, at times, bank loans. The duration of the portfolio has remained relatively in line with the benchmark. Therefore, outperformance can be predominantly attributed to security selection and sector allocation decisions.
- One of the most significant and persistent underweights in the portfolio has been to the metals and mining industry. This underweight allocation added 46 bps of outperformance. Within the energy sector, Columbia added 28 bps of outperformance due to an underweight and good security selection in the oil field services industry. Columbia was overweight independent energy which detracted about 26 bps from performance. However, security selection within independent energy added 126 bps to performance over the benchmark.
- The credit quality distribution of the portfolio overlaps with about 91% of the benchmark as of the end of June 2015. Accordingly, there was only a slight detraction from performance based on Columbia's quality distribution. The most significant underweight has been in Ba1 securities, and the most significant overweight has been in B2 rated securities.

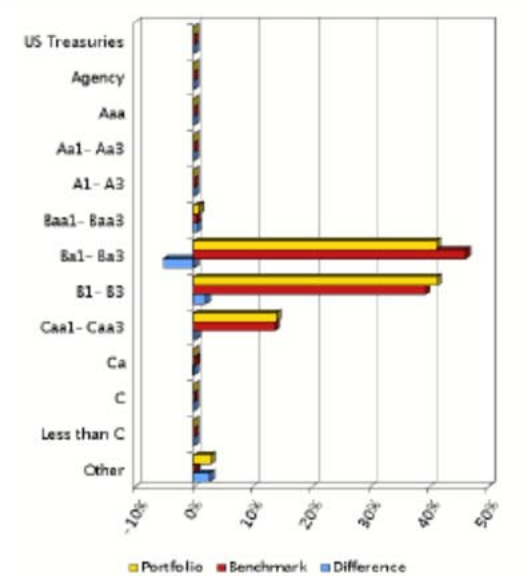
Manager At A Glance
Total
COLUMBIA vs. BC Crp High Yield

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

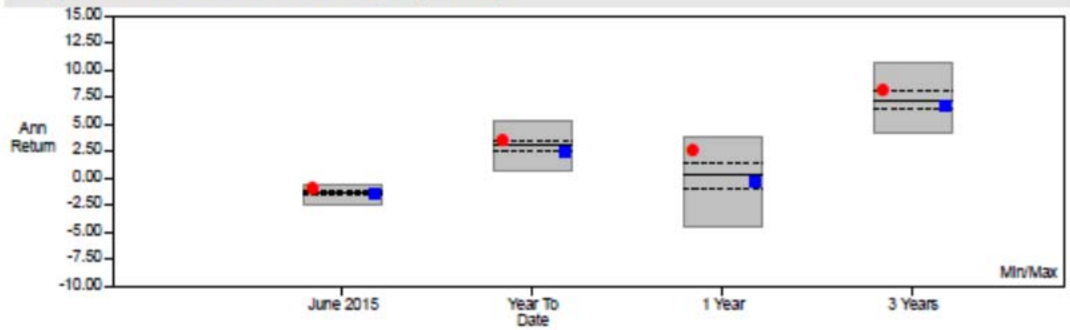
Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.24	4.95	0.29
Opt. Adj. Duration	4.64	4.26	0.38
Average Quality Rating	B1	B1	—
Yield to Worst	5.77%	6.41%	-0.64%
Num of Fixed Income Holdings	372	2220	—

Performance Total Net of Fees	Market Value	3 Months	YTD	Fiscal YTD	1 Year	3 Years	5 Years
COLUMBIA	139,917,944.38	-0.13	2.93	1.78	1.78	7.34	—
Barclays U.S. Corporate High Yield		0.00	2.53	-0.40	-0.40	6.81	—
Excess Return		-0.13	0.40	2.18	2.18	0.53	—

Average Quality Ratings - Credit Exposure



US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value
Maximum	-0.58	5.43	3.82	10.75
25th Percentile	-1.13	3.56	1.51	8.10
Median Percentile	-1.30	3.07	0.31	7.16
75th Percentile	-1.44	2.58	-0.97	6.46
Minimum	-2.50	0.69	-4.53	4.20
NumPortfolios	60	60	59	50
● **COLUMBIA**	-1.38	3.12	2.20	7.77
%Tile	69	45	10	32
Rank	42	28	6	16
■ **Barclays U.S. Corporate**	-1.49	2.53	-0.40	6.81
%Tile	78	77	65	63
Rank	48	47	39	33

Universe Source: Russell Investment Group; Universe Status: Final

Top 5 Fixed Income Including Cash Overweight Positions	Portfolio	Benchmark	Difference
EB TEMP IVN FD	1.99%	0.00%	1.99%
PQ CORP 144A	1.21%	0.05%	1.16%
SPRINT COMMUNICATIONS INC	1.02%	0.09%	0.93%
AERCAP IRELAND CAPITAL LT 144A	0.96%	0.08%	0.87%
AMC NETWORKS INC	0.89%	0.04%	0.85%

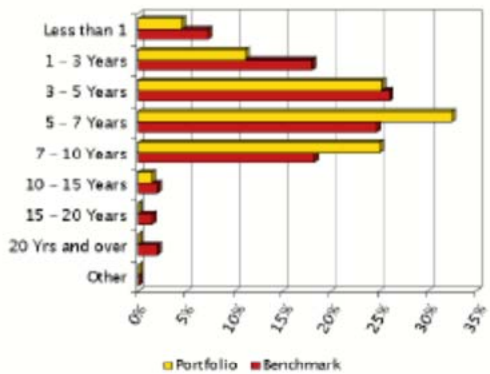
Statistic	1 Year	3 Years
Annualized Alpha	2.60	0.88
Annualized Information Ratio	1.89	0.86
Annualized Sharpe Ratio	0.45	1.71
Annualized Tracking Error	1.37	1.06
Annualized Standard Deviation	5.07	4.41

Top 5 Fixed Income Including Cash Underweight Positions	Portfolio	Benchmark	Difference
SPRINT CORP	0.05%	0.32%	-0.27%
HCA INC	0.00%	0.25%	-0.25%
FCA US LLC / CG CO-ISSUER INC	0.00%	0.25%	-0.25%
USD (UNITED STATES DOLLAR)	-0.24%	0.00%	-0.24%
KRAFT HEINZ FOODS CO	0.00%	0.24%	-0.24%

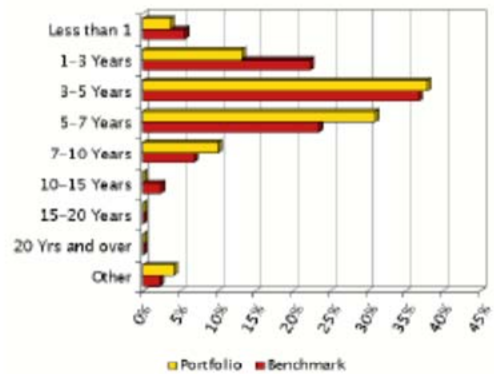
Manager At A Glance
Total
COLUMBIA vs. BC Crp High Yield

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

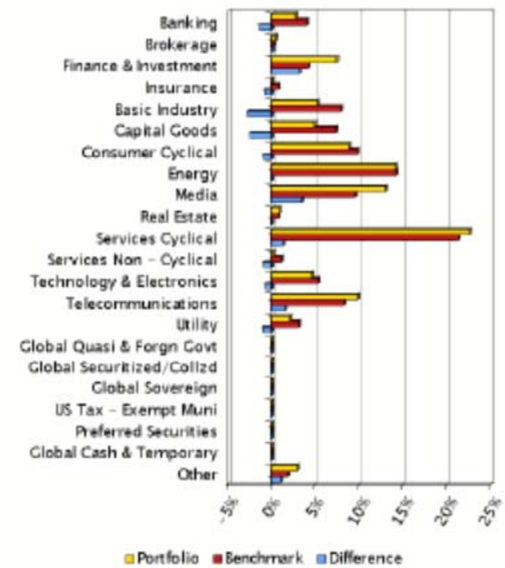
Maturity Breakdown



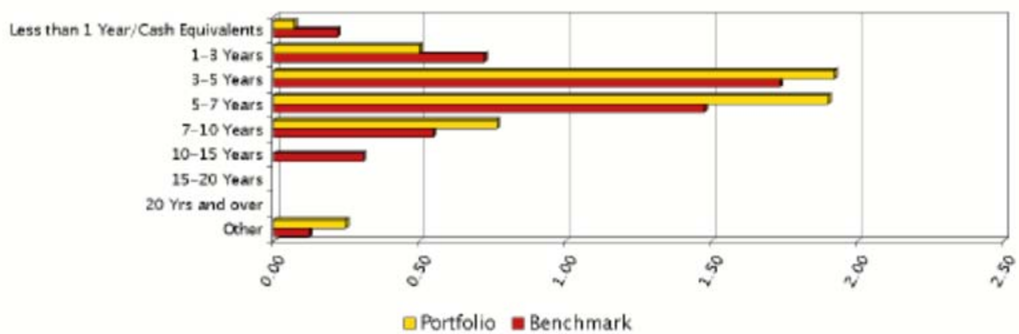
Duration Breakdown - Broad Duration - OAD



Merrill Lynch Global Scheme - Corporates 3



Contribution to Duration



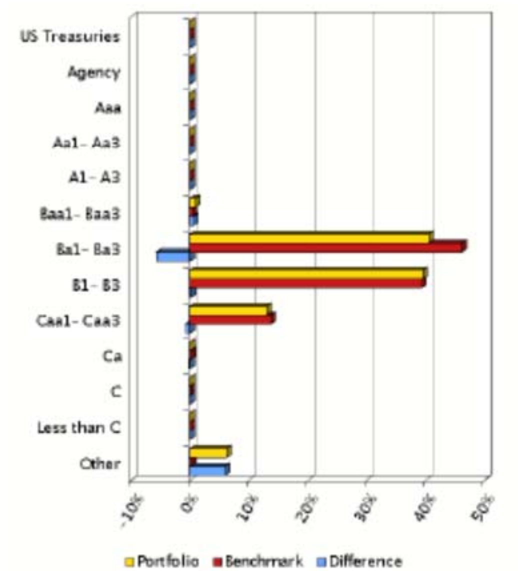
Manager At A Glance
Total
COLUMBIA vs. BC Crp High Yield

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

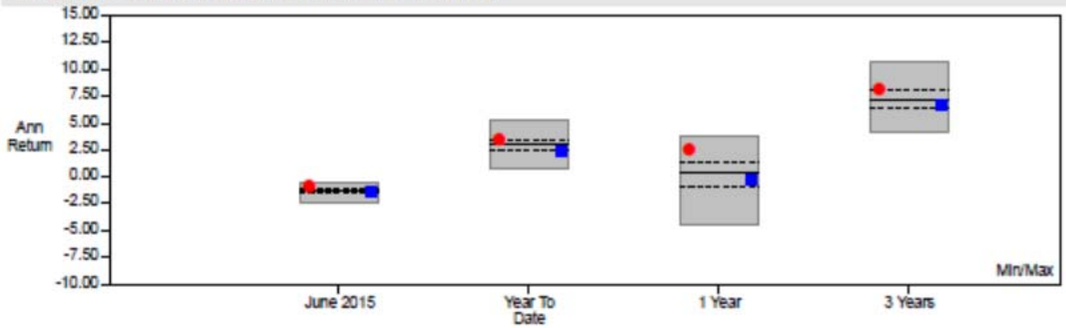
Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.09	4.95	0.14
Opt. Adj. Duration	4.49	4.26	0.23
Average Quality Rating	B1	B1	—
Yield to Worst	5.54%	6.41%	-0.87%
Num of Fixed Income Holdings	375	2220	—

Performance Total Net of Fees	Market Value	3 Months	YTD	Fiscal YTD	1 Year	3 Years	5 Years
COLUMBIA	46,366,178.20	-0.10	2.88	1.82	1.82	7.20	—
Barclays U.S. Corporate High Yield		0.00	2.53	-0.40	-0.40	6.81	—
Excess Return		-0.10	0.35	2.22	2.22	0.39	—

Average Quality Ratings - Credit Exposure



US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value
Maximum	-0.58	5.43	3.82	10.75
25th Percentile	-1.13	3.56	1.51	8.10
Median Percentile	-1.30	3.07	0.31	7.16
75th Percentile	-1.44	2.58	-0.97	6.46
Minimum	-2.50	0.69	-4.53	4.20
NumPortfolios	60	60	59	50
● COLUMBIA	-1.42	3.01	2.23	7.64
%Tile	71	55	10	37
Rank	43	34	6	19
■ Barclays U.S. Corporate	-1.49	2.53	-0.40	6.81
%Tile	78	77	65	63
Rank	48	47	39	33

Universe Source: Russell Investment Group; Universe Status: Final

Top 5 Fixed Income Including Cash Overweight Positions	Portfolio	Benchmark	Difference
EB TEMP IVN FD	4.34%	0.00%	4.34%
PQ CORP 144A	1.13%	0.05%	1.09%
AERCAP IRELAND CAPITAL LT 144A	1.12%	0.08%	1.04%
AMC NETWORKS INC	0.86%	0.04%	0.82%
HCA HOLDINGS INC	0.89%	0.08%	0.80%

Statistic	1 Year	3 Years
Annualized Alpha	2.63	0.66
Annualized Information Ratio	1.93	0.71
Annualized Sharpe Ratio	0.46	1.66
Annualized Tracking Error	1.36	1.10
Annualized Standard Deviation	5.04	4.48

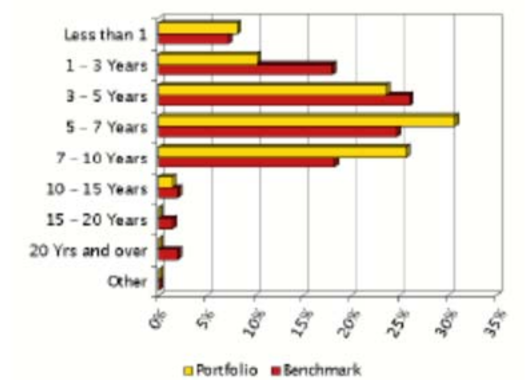
Top 5 Fixed Income Including Cash Underweight Positions	Portfolio	Benchmark	Difference
HCA INC	0.00%	0.25%	-0.25%
FCA US LLC / CG CO-ISSUER INC	0.00%	0.25%	-0.25%
KRAFT HEINZ FOODS CO	0.00%	0.24%	-0.24%
NAVIENT CORP	0.00%	0.21%	-0.21%
SOFTBANK GROUP CORP 144A	0.00%	0.19%	-0.19%

BNY MELLON
KR3F30070002-IX1F0003354C

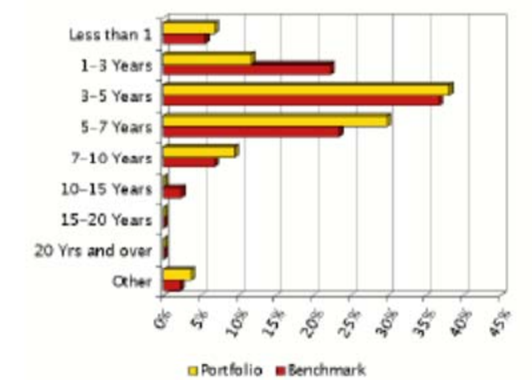
Manager At A Glance
Total
COLUMBIA vs. BC Crp High Yield

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

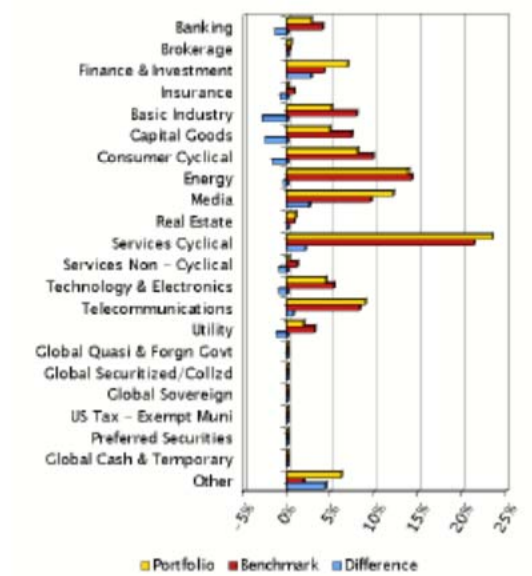
Maturity Breakdown



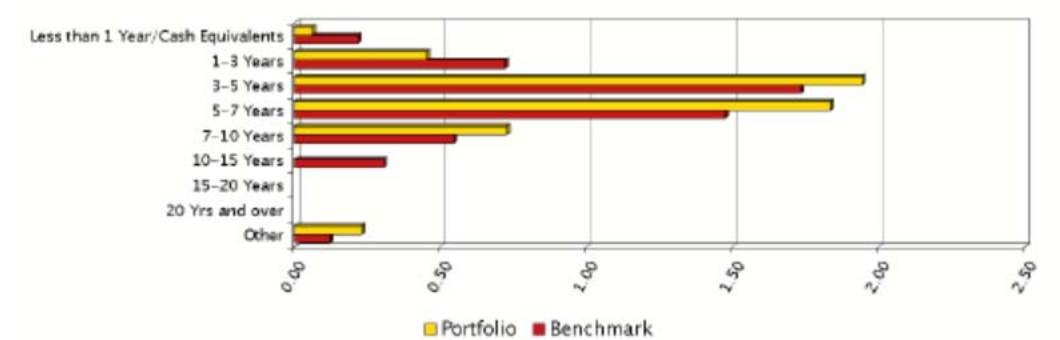
Duration Breakdown - Broad Duration - OAD



Merrill Lynch Global Scheme - Corporates 3



Contribution to Duration



Source: The Bank of New York Mellon Corporation

Manager Review – Loomis

Mandate: High Yield Bonds

Size: Pension – $133,386,638 (1.16%)
Insurance - $47,465,654 (1.13%)

Annual Fee: Flat 50 bps on AUM

Relationship Overview

There are no issues with the Loomis relationship from either an investment performance or business operational prospective. KRS staff performed an on-site annual manager review on June 25th, 2015 and found all aspects of the firms operations, trading, and investment processes to be at or above industry standards. The investment performance has exceeded expectations. Loomis did have 3 personnel changes at the very top of the organization, promoting the CFO to CEO, the controller to CFO, and naming a new Deputy CIO during the year. All of these changes were promotions of long-tenured employees, and we do not feel they will have any material effect on the KRS portfolios.

Loomis has currently positioned both portfolios in a defensive manner from a credit perspective, as evidenced by the higher average credit quality (Ba3 vs B1 for the Index), and much lower yield to worst. (3.82% vs. 6.41% for the benchmark). The portfolio is also underweight the media and cyclical sectors in favor of out-of-index holdings in global sovereigns.

Manager Review – Loomis

RV Kuhn Performance Analysis:

- About 25% of the portfolio's outperformance was due to yield curve positioning. This outperformance came primarily in the last two quarters of 2014. Loomis Sayles has maintained a higher duration and average maturity than the benchmark.
- About 35% of the portfolio's outperformance was due to asset allocation. Loomis Sayles takes significant out-of-benchmark positions. At the end of 2Q 2015, the portfolio had a 51.4% allocation to high yield bonds. Loomis Sayles has maintained about a 10% allocation to non-US bonds which, due to the strengthening of the dollar, detracted 88 bps from performance. This was offset by tactical allocations to convertibles, bank loans, securitized credits, and preferred securities which combined to add 174 bps to performance.
- Almost 40% of the portfolio's outperformance was due to security selection. Outstanding security selection was primarily bolstered by the portfolio not owning certain struggling securities in the energy sector.

BNY MELLON
KR2F30060002-IX1F0003354C

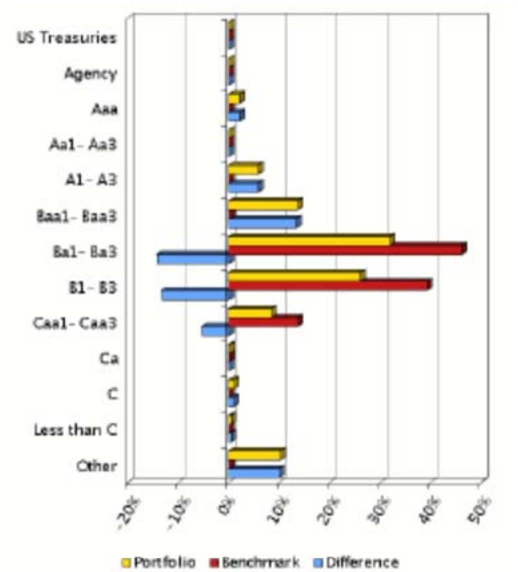
Manager At A Glance
Total
LOOMIS vs. BC Crp High Yield

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

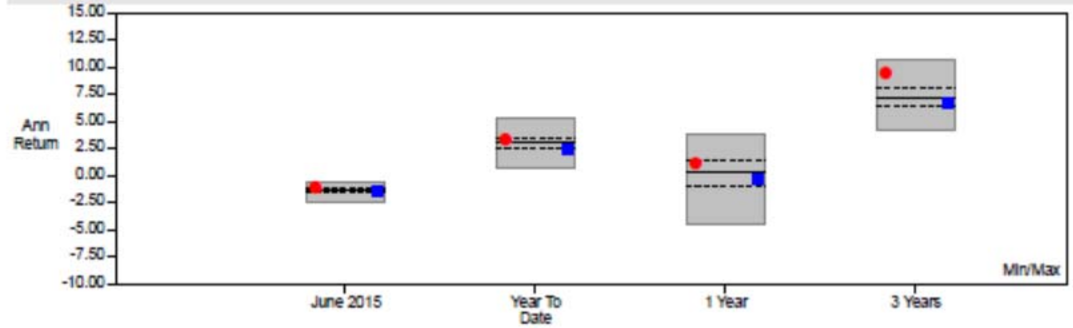
Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.66	4.95	0.71
Opt. Adj. Duration	4.89	4.26	0.63
Average Quality Rating	BA3	B1	—
Yield to Worst	3.82%	6.41%	-2.59%
Num of Fixed Income Holdings	503	2220	—

Performance Total Net of Fees	Market Value	3 Months	YTD	Fiscal YTD	1 Year	3 Years	5 Years
LOOMIS	133,386,638.07	0.77	2.69	0.03	0.03	8.52	—
Barclays U.S. Corporate High Yield		0.00	2.53	-0.40	-0.40	6.81	—
Excess Return		0.77	0.16	0.43	0.43	1.71	—

Average Quality Ratings - Credit Exposure



US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value
Maximum	-0.58	5.43	3.82	10.75
25th Percentile	-1.13	3.56	1.51	8.10
Median Percentile	-1.30	3.07	0.31	7.16
75th Percentile	-1.44	2.58	-0.97	6.46
Minimum	-2.50	0.69	-4.53	4.20
NumPortfolios	60	60	59	50
● **LOOMIS**	-1.60	2.96	0.58	9.07
%Tile	86	56	47	13
Rank	52	34	28	7
■ **Barclays U.S. Corporate**	-1.49	2.53	-0.40	6.81
%Tile	78	77	65	63
Rank	48	47	39	33

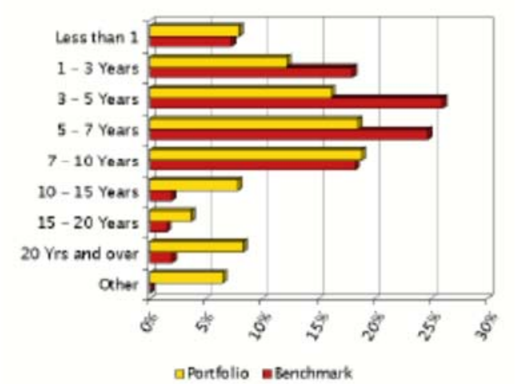
Universe Source: Russell Investment Group; Universe Status: Final

Top 5 Fixed Income Including Cash Overweight Positions	Portfolio	Benchmark	Difference
EB TEMP IVN FD	3.38%	0.00%	3.38%
MECCANICA HOLDINGS USA IN	1.78%	0.02%	1.75%
ALCATEL-LUCENT USA INC	1.40%	0.02%	1.38%
PHILIPPINE GOVERNMENT	1.35%	0.00%	1.35%
MYLAN INC	1.34%	0.00%	1.34%

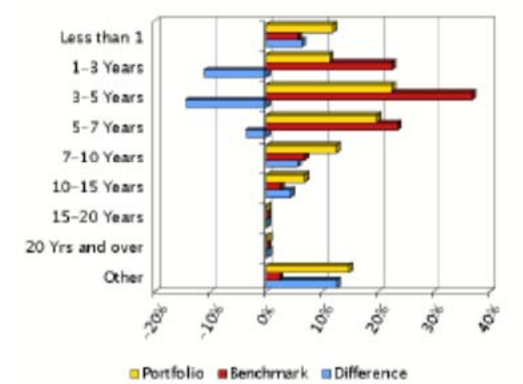
Statistic	1 Year	3 Years
Annualized Alpha	1.00	0.92
Annualized Information Ratio	0.99	1.05
Annualized Sharpe Ratio	0.14	1.63
Annualized Tracking Error	0.99	2.06
Annualized Standard Deviation	5.03	5.41

Top 5 Fixed Income Including Cash Underweight Positions	Portfolio	Benchmark	Difference
FX FORWARDS - MXN	-0.97%	0.00%	-0.97%
USD (UNITED STATES DOLLAR)	-0.54%	0.00%	-0.54%
FX FORWARDS - EUR	-0.44%	0.00%	-0.44%
SPRINT CORP	0.00%	0.32%	-0.32%
NUMERICABLE-SFR SAS 144A	0.00%	0.30%	-0.30%

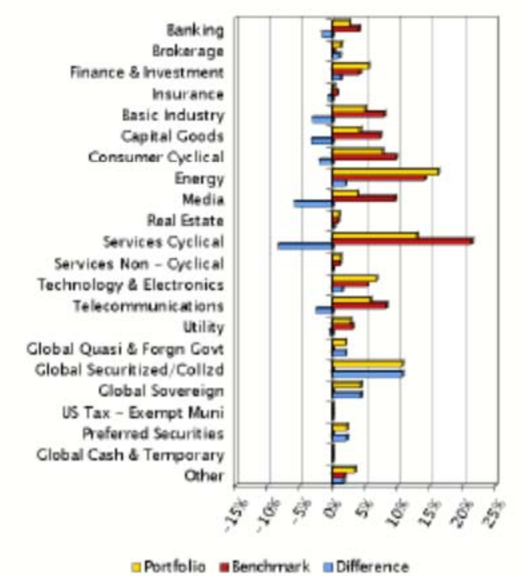
Maturity Breakdown



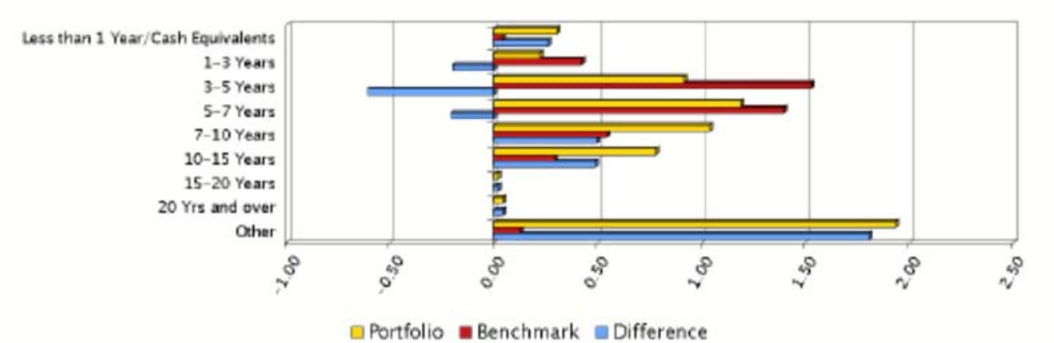
Duration Breakdown - Broad Duration - OAD



Merrill Lynch Global Scheme - Corporates 3



Contribution to Spread Duration



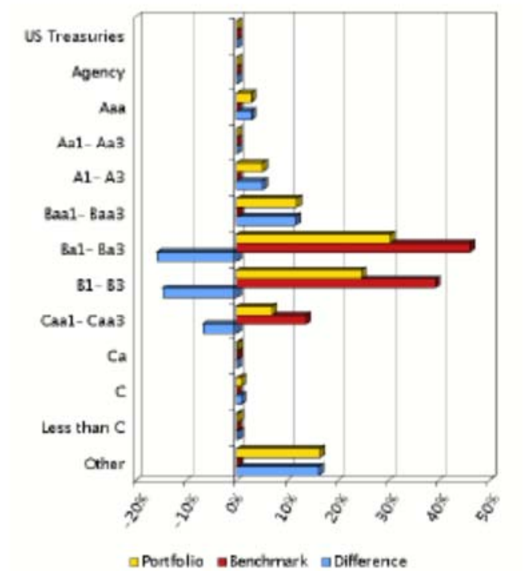
Manager At A Glance
Total
LOOMIS vs. BC Crp High Yield

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

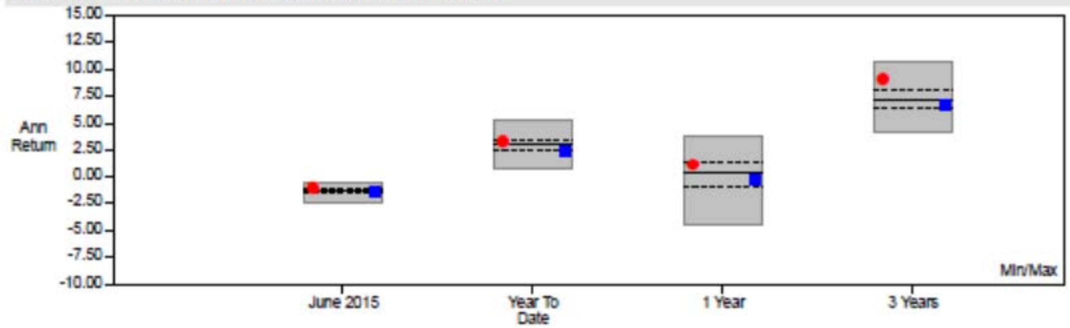
Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.11	4.95	0.16
Opt. Adj. Duration	4.43	4.26	0.17
Average Quality Rating	BA2	B1	—
Yield to Worst	3.58%	6.41%	-2.83%
Num of Fixed Income Holdings	498	2220	—

Performance Total Net of Fees	Market Value	3 Months	YTD	Fiscal YTD	1 Year	3 Years	5 Years
LOOMIS	47,465,654.28	0.67	2.67	0.09	0.09	8.15	—
Barclays U.S. Corporate High Yield		0.00	2.53	-0.40	-0.40	6.81	—
Excess Return		0.67	0.14	0.49	0.49	1.34	—

Average Quality Ratings - Credit Exposure



US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value
Maximum	-0.58	5.43	3.82	10.75
25th Percentile	-1.13	3.56	1.51	8.10
Median Percentile	-1.30	3.07	0.31	7.16
75th Percentile	-1.44	2.58	-0.97	6.46
Minimum	-2.50	0.69	-4.53	4.20
NumPortfolios	60	60	59	50
● LOOMIS	-1.52	2.92	0.63	8.73
%Tile	79	58	45	14
Rank	48	36	27	7
■ Barclays U.S. Corporate	-1.49	2.53	-0.40	6.81
%Tile	78	77	65	63
Rank	48	47	39	33

Universe Source: Russell Investment Group; Universe Status: Final

Top 5 Fixed Income Including Cash Overweight Positions

	Portfolio	Benchmark	Difference
EB TEMP IVN FD	9.43%	0.00%	9.43%
LEVEL 3 FINANCING INC 144A	1.79%	0.05%	1.74%
MECCANICA HOLDINGS USA IN	1.64%	0.02%	1.61%
MEXICAN BONOS	1.23%	0.00%	1.23%
MYLAN INC	1.18%	0.00%	1.18%

Statistic	1 Year	3 Years
Annualized Alpha	1.04	0.68
Annualized Information Ratio	1.08	0.94
Annualized Sharpe Ratio	0.15	1.59
Annualized Tracking Error	0.95	1.97
Annualized Standard Deviation	4.96	5.33

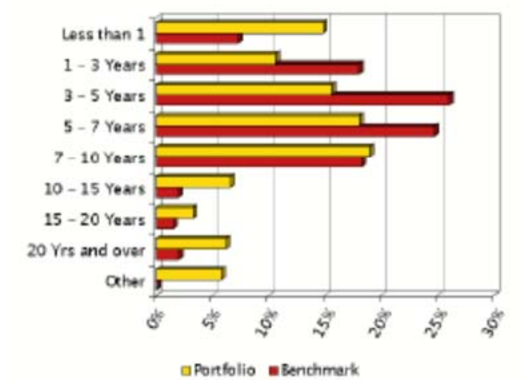
Top 5 Fixed Income Including Cash Underweight Positions

	Portfolio	Benchmark	Difference
FX FORWARDS - MXN	-0.86%	0.00%	-0.86%
USD (UNITED STATES DOLLAR)	-0.57%	0.00%	-0.57%
SPRINT CORP	0.00%	0.32%	-0.32%
NUMERICABLE-SFR SAS 144A	0.00%	0.30%	-0.30%
FIRST DATA CORP	0.00%	0.27%	-0.27%

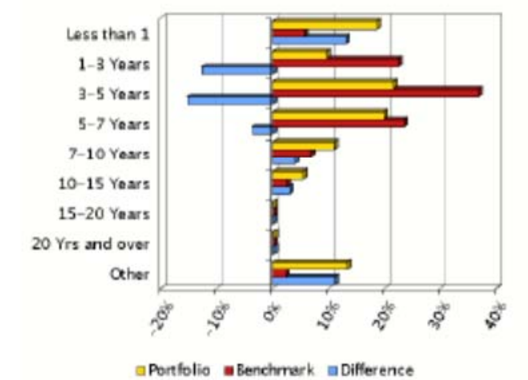
Manager At A Glance
Total
LOOMIS vs. BC Crp High Yield

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

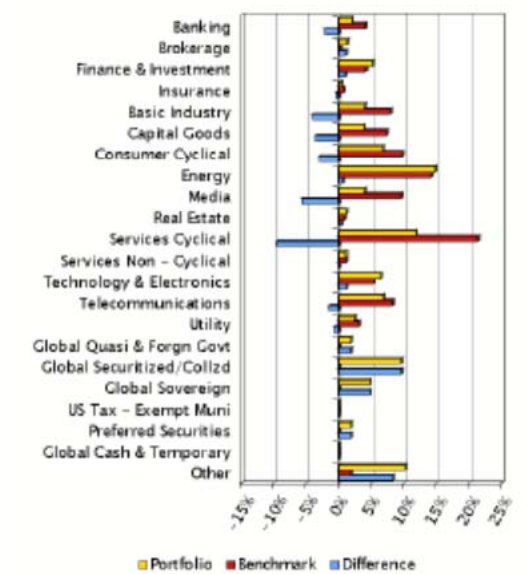
Maturity Breakdown



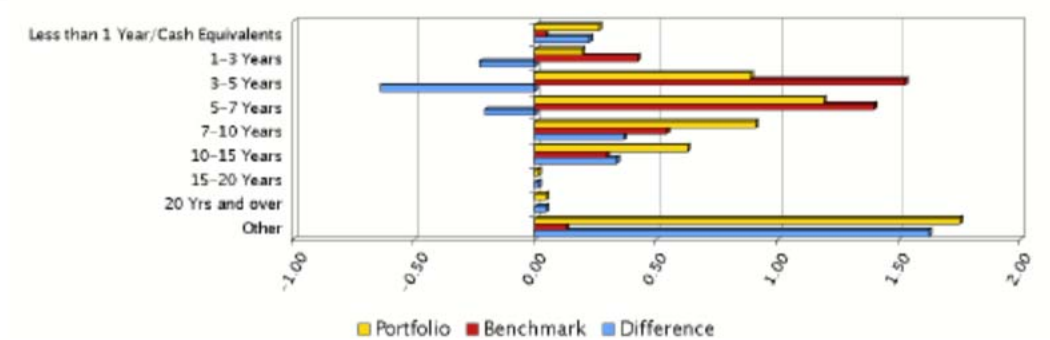
Duration Breakdown - Broad Duration - OAD



Merrill Lynch Global Scheme - Corporates 3



Contribution to Spread Duration



Manager Review – Shenkman

Mandate: High Yield Bank Loans

Size: Pension – $109,108,729 (.95%)
Insurance- $40,894,114 (.97%)

Annual Fee: Flat 50 bps on AUM.

Relationship Overview

There are no issues with the Shenkman relationship from either an investment performance or business operational prospective. During the fiscal year, Shenkman hired a total of 24 new professionals, and had 13 departures. None of these were senior staff, and none of the changes materially affect the KRS mandate. KRS staff performed an on-site annual manager review on June 23rd, 2015 and found all aspects of the firms operations, trading, and investment processes to be at or above industry standards.

During the 12 months ended 6/30/15, the KRS portfolios outperformed the S&P/LSTA LLI by approximately 57 bps. (Pension portfolio returned 2.39% while the Insurance returned 2.38%) Driving this relative outperformance was credit selection within the loan portion of the portfolio which returned 2.22% versus 1.82% for the LLI. Specifically, positive selection in and an underweight to Utilities (+71 bps) as well as positive selection in and an underweight to Metals/Minerals (+13 bps) helped relative performance. The portfolio's underweight position in CCC-rated loans (~2% versus ~7% for the LLI) added 65 bps of outperformance during the period. Key detractors included selection in and underweight to Electronics/Electrical (-11 bps) as well as selection in and underweight to Oil & Gas (-10 bps). The allocation to bonds, which averaged ~9% during the 12 month period, detracted approximately 3 bps as bonds experienced higher volatility over that time. The one year relative return of +57 bps is a good outcome, and while the 3 year number remains slightly below the index (6.04% vs 6.27% for the benchmark), we feel that the manager's conservative tilt will continue to outperform in the coming months.

Manager Review – Shenkman

RV Kuhn Performance Analysis:

- Shenkman's security selection and underweight to utilities added 71 bps of outperformance during the 1 year period ending 6/30/15. This was due, almost exclusively, to the avoidance of TXU Corp. loans which posted significant losses and made up about 2% of the benchmark. Underweight allocation to metals and mining was a positive but was offset by a slightly overweight allocation to oil and gas.
- The portfolio had an average allocation to B-rated bank loans of 55.3% over the past year compared to 46.6% for the benchmark. It was underweight loans rated CCC and below which was additive to performance. However, it was also underweight BBB- and BB-rated bonds which detracted from performance.
- Shenkman tactically allocates to high yield bonds. During the year, the average allocation to high yield was 10.5% but was brought down to 4.7% by the end of June. The high yield bonds portion of the portfolio ended up performing in line with the bank loan portion of the portfolio. The allocation to cash increased during the year, ending at 6.7%.

BNY MELLON
KR2F30040002-KR2GX004SHEK

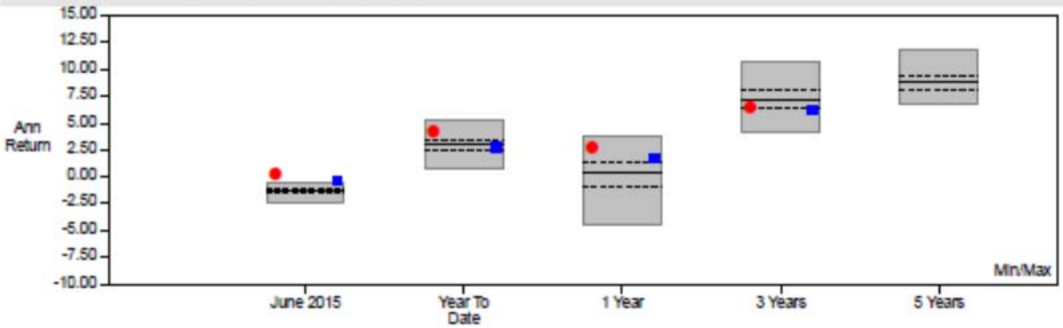
Manager At A Glance
Total
SHENKMAN CAP vs. Shenkman Blended Index

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	4.82
Opt. Adj. Duration	1.71
Average Quality Rating	B1
Yield to Maturity	0.69%
Average Coupon	0.28%
Num of Fixed Income Holdings	174

Performance Total Net of Fees	Market Value	Current Month	3 Months	Fiscal YTD	3 Years	5 Years
SHENKMAN CAP	109,108,729.15	-0.37	0.90	1.87	5.50	—
Shenkman Blended Index		-0.42	0.69	1.82	6.27	—
Excess Return		0.05	0.21	0.05	-0.77	—

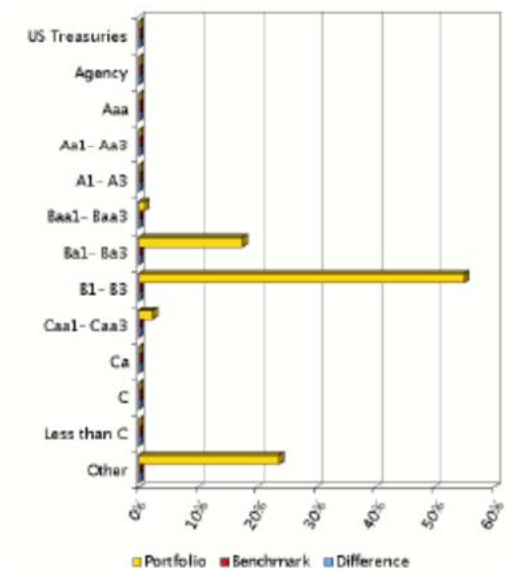
US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.58	5.43	3.82	10.75	11.81
25th Percentile	-1.13	3.56	1.51	8.10	9.50
Median Percentile	-1.30	3.07	0.31	7.16	8.92
75th Percentile	-1.44	2.58	-0.97	6.46	8.08
Minimum	-2.50	0.69	-4.53	4.20	6.87
NumPortfolios	60	60	59	50	42
● **SHENKMAN CAP**	-0.32	3.86	2.39	6.04	—
%Tile	1	16	8	87	—
Rank	1	10	5	44	—
■ **Shenkman Blended Index**	-0.42	2.83	1.82	6.27	—
%Tile	1	59	18	85	—
Rank	1	36	11	44	—

Universe Source: Russell Investment Group; Universe Status: Final

Average Quality Ratings - Credit Exposure



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	-0.01	-0.15	—
Annualized Information Ratio	0.54	-0.26	—
Annualized Sharpe Ratio	0.76	2.23	—
Annualized Standard Deviation	3.15	2.63	—
Annualized Tracking Error	1.08	0.83	—

Top 5 Fixed Income Excluding Cash Ultimate Issuer	Portfolio Exposure	Moody's	S&P	Fitch
Leonard Green & Partners LP	3.40%	-	-	-
Carlyle Group LP/The	2.55%	-	A-	A-
KKR & Co LP	2.44%	-	A	A
CVC Capital Partners SICAV-FIS SA	2.29%	-	-	-
TPG Capital Management LP	2.20%	-	-	-

BNY MELLON
KR3F30040002-KR3GX004SHEK

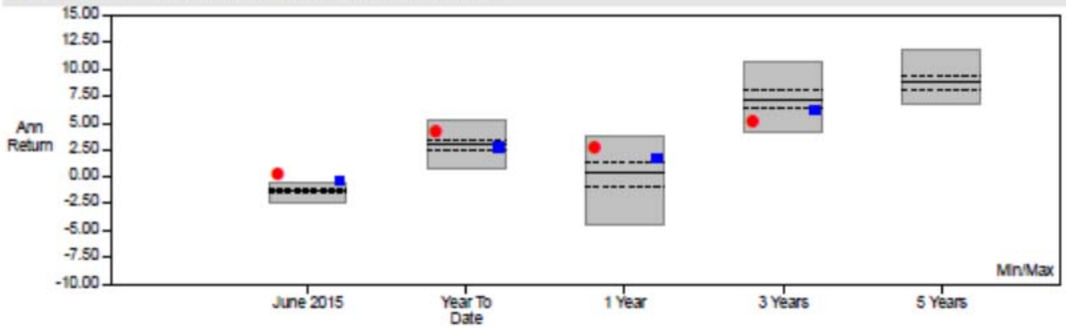
Manager At A Glance
Total
SHENKMAN CAP vs. Shenkman Blended Index

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	4.71
Opt. Adj. Duration	1.58
Average Quality Rating	B1
Yield to Maturity	0.71%
Average Coupon	0.34%
Num of Fixed Income Holdings	171

Performance Total Net of Fees	Market Value	Current Month	3 Months	Fiscal YTD	3 Years	5 Years
SHENKMAN CAP	40,894,114.07	-0.23	0.87	1.88	4.30	—
Shenkman Blended Index		-0.42	0.69	1.82	6.27	—
Excess Return		0.19	0.18	0.06	-1.97	—

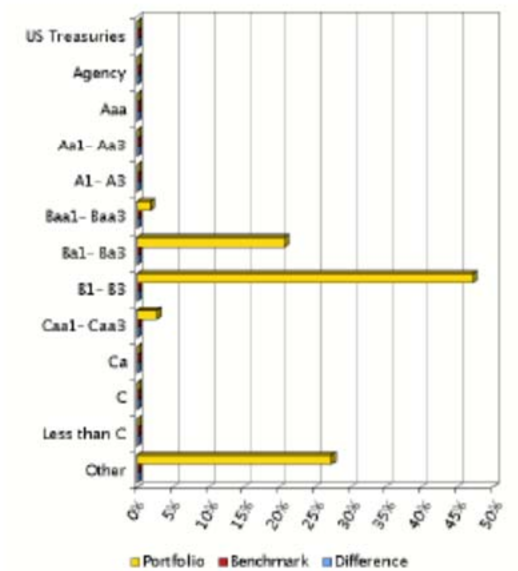
US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.58	5.43	3.82	10.75	11.81
25th Percentile	-1.13	3.56	1.51	8.10	9.50
Median Percentile	-1.30	3.07	0.31	7.16	8.92
75th Percentile	-1.44	2.58	-0.97	6.46	8.08
Minimum	-2.50	0.69	-4.53	4.20	6.87
NumPortfolios	60	60	59	50	42
● **SHENKMAN CAP**	-0.20	3.74	2.38	4.82	—
%Tile	1	20	8	97	—
Rank	1	12	5	50	—
■ **Shenkman Blended Index**	-0.42	2.83	1.82	6.27	—
%Tile	1	59	18	85	—
Rank	1	36	11	44	—

Universe Source: Russell Investment Group; Universe Status: Final

Average Quality Ratings - Credit Exposure



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	0.12	-0.93	—
Annualized Information Ratio	0.61	-0.74	—
Annualized Sharpe Ratio	0.80	1.58	—
Annualized Standard Deviation	2.96	2.99	—
Annualized Tracking Error	0.94	1.85	—

Top 5 Fixed Income Excluding Cash Ultimate Issuer	Portfolio Exposure	Moody's	S&P	Fitch
Leonard Green & Partners LP	2.76%	-	-	-
Carlyle Group LP/The	2.55%	-	A-	A-
CVC Capital Partners SICAV-FIS SA	2.30%	-	-	-
TPG Capital Management LP	1.80%	-	-	-
KKR & Co LP	1.56%	-	A	A

Source: The Bank of New York Mellon Corporation

Manager Review – Waterfall

Mandate: High Yield Asset-Backed Securities

Size: Pension – $127,098,758 (1.11%)
Insurance- $44,948,847 (1.07%)

Fee: Flat 55 bps on AUM annually, plus performance incentive fee of 20% of return over 8% hurdle.

There are no issues with the Waterfall relationship from either an investment performance or business operational prospective. The investment performance has exceeded expectations. During the fiscal year ended June 30, 2015 the portfolio returned 7.34% in the Pension mandate and 6.67% for the Insurance fund versus a benchmark return of just .21%. The firm has added over $1B in AUM over the past year, along with 18 new staff. Waterfall lost 3 staff members during the year, none of whom had any material effect on the KRS portfolios. KRS staff performed an on-site annual manager review on June 23rd, 2015 and found all aspects of the firms operations, trading, and investment processes to be at or above industry standards.

The benchmark is 60% Barclays High Yield Index and 40% Barclays Floating Rate ABS Index. The portfolio is not constructed to look like the benchmark; rather the benchmark is used to measure the return and standard deviation over time. The portfolio is 12% investment grade and 88% non-investment grade, with an average credit rating of B2. The duration of the portfolio is 1.53. The largest ABS sectors are CMBS 18%, CLO 16%, CRE CDO 12%, and TRUPS Bank REITS 10%. The top 5 sectors by attribution to the trailing 1 year performance were: Small Balance Commercial Loans, Franchise Loans, Manufactured Housing, CDOs, and Business Loans.

Going forward, Waterfall expects outperformance to continue given positive sector technicals and improving fundamentals. They remain constructive on sectors such as CRE CDOs/Trups CDOs/CMBS, where they seek to identify attractive value that is not properly reflected in current market pricing, and short duration CLOs (higher subordinated bonds off delevering deals with additional upside from continued call activity).

Manager Review – Waterfall

RV Kuhn Performance Analysis:

- Both portfolios posted high single digit returns for the 1 year period ending 6/30/15, significantly outperforming the custom benchmark of 40% Barclays U.S. Floating Rate ABS Index & 60% Barclays Capital US High Yield.
- Despite pockets of volatility amid the credit market within the trailing 12 months, higher yielding structured credit in the non-traditional/esoteric segments generally out-performed. Waterfall was able to identify opportunities across approximately 25 sectors.
- The portfolios' expected yield is around 8% in the base case scenario. Strategies continued to benefit from the disintermediation of banks. Forced selling of ABS by banks, due to increased regulatory pressure, created opportunities for Waterfall. Average dollar price of the holdings was around 83 cents on the dollar.
- While credit spread duration is approximately 4 years, interest rate duration for the portfolios are only around 0.5 years. This is achieved by have roughly 70% of the portfolio invested in floating rate instruments.

BNY MELLON
KR2F30050002-KR2GX004OPFI

Manager At A Glance
Total
WATERFALL vs. Opportunistic FI Blended Index

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	7.34
Opt. Adj. Duration	1.53
Spread Duration	5.64
Opt. Adj. Spread	9.60
Opt. Adj. Convexity	0.22
Weighted Average Life	7.62
Current Yield	4.09%
Effective Yield to Maturity	10.45%
Average Quality Rating	B2
Average Coupon	3.01%
Yield to Worst	10.48%

Performance Total Net of Fees

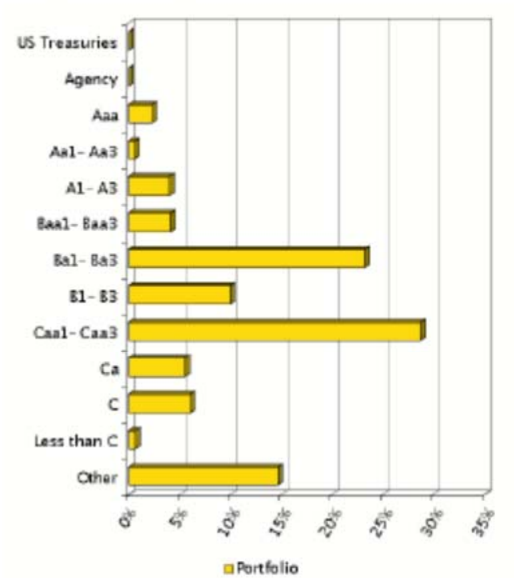
	Market Value	Fiscal YTD	1 Year	3 Years	5 Years
WATERFALL	127,098,757.91	7.34	7.34	11.28	12.94
Opportunistic FI Blended Index		0.21	0.21	4.69	5.65
Excess Return		7.13	7.13	6.59	7.29

Statistic	1 Year	3 Years	5 Years
Annualized Alpha	8.43	11.12	11.68
Annualized Information Ratio	2.87	2.74	1.94
Annualized Sharpe Ratio	8.98	5.41	4.06
Annualized Standard Deviation	0.94	2.29	3.28
Annualized Tracking Error	2.86	2.86	4.02

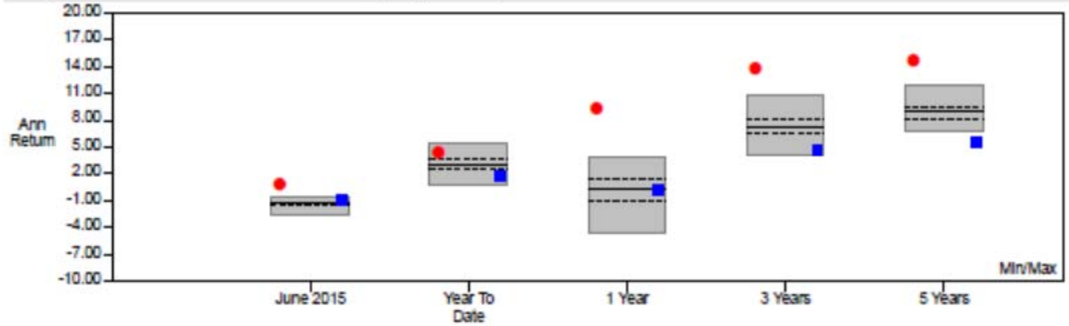
Top 5 Fixed Income Excluding Cash Positions

	Portfolio
TABERNA PREFERRED 6A A1BF	4.50%
GRAMERCY REAL ESTAT 1A A1	3.12%
INCAPS FUNDING II LTD/INC 144A	2.98%
FAIRWAY OUTDOOR FUND 1A B	2.85%
GS MORTGAGE SECURI RR2 A1	2.85%
Total	16.30%

Average Quality Ratings - Credit Exposure



US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.58	5.43	3.82	10.75	11.81
25th Percentile	-1.13	3.56	1.51	8.10	9.50
Median Percentile	-1.30	3.07	0.31	7.16	8.92
75th Percentile	-1.44	2.58	-0.97	6.46	8.08
Minimum	-2.50	0.69	-4.53	4.20	6.87
NumPortfolios	60	60	59	50	42
● **WATERFALL**	0.37	3.95	8.80	13.16	14.16
%Tile	1	15	1	1	1
Rank	1	9	1	1	1
■ **Opportunistic FI Blended**	-0.87	1.76	0.21	4.69	5.65
%Tile	14	95	53	98	100
Rank	9	58	32	50	43

Universe Source: Russell Investment Group; Universe Status: Final

Manager At A Glance
Total
WATERFALL vs. Opportunistic FI Blended Index

Period Ending June 30, 2015
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	6.72
Opt. Adj. Duration	1.64
Spread Duration	5.29
Opt. Adj. Spread	7.11
Opt. Adj. Convexity	0.22
Weighted Average Life	6.88
Current Yield	3.37%
Effective Yield to Maturity	8.00%
Average Quality Rating	B2
Average Coupon	2.61%
Yield to Worst	7.99%

Performance Total Net of Fees

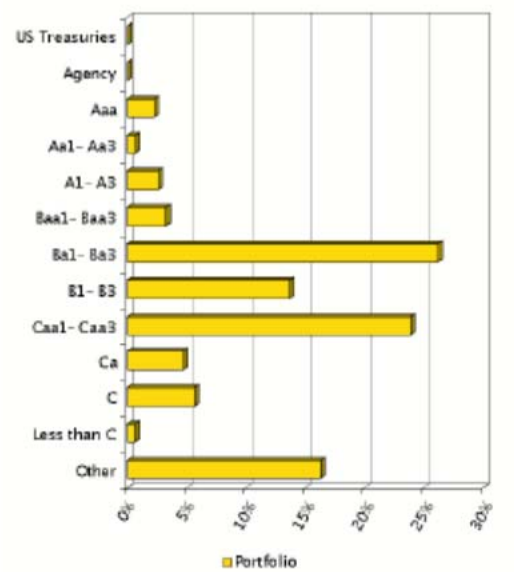
	Market Value	Fiscal YTD	1 Year	3 Years	5 Years
WATERFALL	44,948,846.76	6.67	6.67	11.38	—
Opportunistic FI Blended Index		0.21	0.21	4.69	—
Excess Return		6.46	6.46	6.69	—

Statistic	1 Year	3 Years	5 Years
Annualized Alpha	7.46	10.70	—
Annualized Information Ratio	2.32	2.83	—
Annualized Sharpe Ratio	7.23	4.97	—
Annualized Standard Deviation	1.03	2.51	—
Annualized Tracking Error	3.12	2.79	—

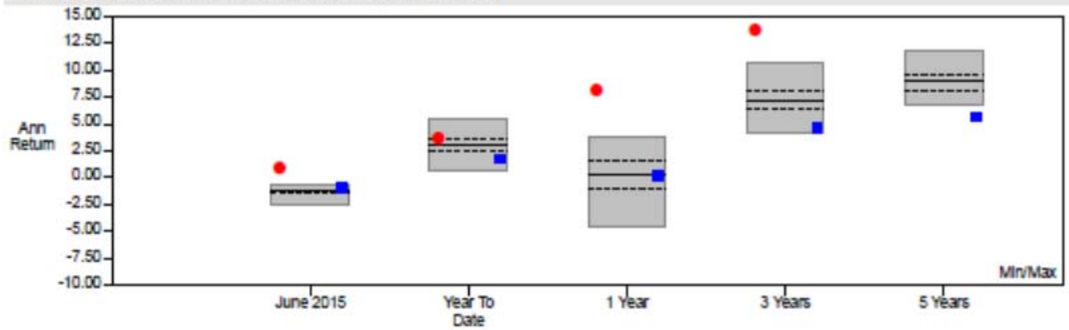
Top 5 Fixed Income Excluding Cash Positions

	Portfolio
VENTURE IX CDO LTD 9A E 144A	5.23%
TABERNA PREFERRED 6A A1BF	4.21%
GRAMERCY REAL ESTAT 1A A1	3.67%
BABSON CLO LTD 2011-1A D 144A	3.18%
GRAMERCY REAL ESTATE 1A B	3.18%
Total	19.47%

Average Quality Ratings - Credit Exposure



US High-Yield Bond Fixed Income Portfolios (USD) - Monthly



	June 2015 Value	Year To Date Value	1 Year Value	3 Years Value	5 Years Value
Maximum	-0.58	5.43	3.82	10.75	11.81
25th Percentile	-1.13	3.56	1.51	8.10	9.50
Median Percentile	-1.30	3.07	0.31	7.16	8.92
75th Percentile	-1.44	2.58	-0.97	6.46	8.08
Minimum	-2.50	0.69	-4.53	4.20	6.87
NumPortfolios	60	60	59	50	42
● **WATERFALL**	0.40	3.24	7.73	13.23	—
%Tile	1	36	1	1	—
Rank	1	22	1	1	—
■ **Opportunistic FI Blended**	-0.87	1.76	0.21	4.69	5.65
%Tile	14	95	53	98	100
Rank	9	58	32	50	43

Universe Source: Russell Investment Group; Universe Status: Final

Manager Review – Cerberus

Fund Manager	Cerberus Capital Management LP
Asset Class	Private Debt
Structure	Fund of One
First Draw Date	September, 2014
Total Commitment	$125,000,000.00
% Drawn to Date	71.92%
Contributions	$89,900,000.00
Value	$93,161,420.59
YTD Net Return	5.07%

The Cerberus KRS Levered Loan Opportunities Fund is the newest investment in the Fixed Income portfolio. The fund invests in private loans to middle market companies around the globe, providing financing in areas of the market where traditional banks have been regulated out. The fund was approved in August, 2014, and began to draw capital in September of 2014. It has currently drawn roughly 72% of the total capital commitment.