



KENTUCKY RETIREMENT SYSTEMS INVESTMENTS



To: KRS Investment Committee of the Board of Trustees
From: Richard Robben, Interim Executive Director of Investments
Date: May 1st, 2018
Subject: Report on Recent Investment Staff Activities

Investment Activity

New States Capital Partners Fund II (Private Equity)- The Investment Committee approved a \$25MM investment in the Fund at the February 6th, 2018 meeting, however due to the requirements of 2017 SB2, New States has declined to accept our investment.

Davidson Kempner LP (Absolute Return)- In March, we received noticed from DK requesting KRS to withdraw our ~\$70MM investment in the fund, citing the requirements of 2017 SB2 and recent litigation involving KRS as the reasons.

Equity Reduction (Public Equities) – At the beginning of April staff conducted another equity reduction trade, removing roughly \$400MM of exposure.

Manulife Global Fixed Income (Core Fixed Income)- On April 9th, KRS sent an additional deposit of \$135MM to our existing Manulife Global Bond portfolio. These funds were the result of a reduction to our public equity exposure at the beginning of the month.

BNY Mellon Intermediate Credit Index CTF (Core Fixed Income)- On April 18th KRS made an additional deposit of \$288MM to the BNY Int Credit Index Fund. These funds were the result of a reduction to our public equity exposure at the beginning of the month.

Investment Guideline Waivers

The Investment Committee granted 3 guideline waivers at the February 6th meeting and agreed to review each of these waivers at all subsequent meetings.

1. Staff requests that the IC ***continue*** the waiver of the requirement that each of our external investment managers should be visited annually on-site by KRS staff.
2. Staff requests that the IC ***continue*** the waiver of the requirement to produce annual asset class reviews, but notes that these reviews are scheduled as part of the optional Board of Trustees training session on May 16th, 2018. These reviews will be included in the board books for the May 17th meeting, and will be posted on the KRS website.

3. Staff requests that the IC *continue* the waiver of the requirement to rebalance assets within the Absolute Return, Real Estate, and Fixed Income asset classes as the transition to our new asset allocation policy is ongoing.

MOTION: The Investment Committee grant the 3 waivers as presented.

Performance and Current Allocations