

### What's going on in the marketplace?

April ushered in strong performance for global equity markets recovering a portion of the value lost during the previous couple of months (U.S. equity markets outperformed Non-U.S. markets). Driving the market recovery was massive a monetary and fiscal policy response, along with slowing infection rates of the Covid-19 virus and some easing of restrictions, as an eye towards reopening the economy emerged. This risk-on environment was also felt in the bond markets as corporate bonds outpaced government securities. Non-U.S. bonds outperformed U.S. bonds during the period.

### The KRS investment portfolio gained 5.34% versus the benchmark return of 6.0%.

Relative underperformance was primarily driven by weaker performance in the Specialty Credit and Absolute Return portfolios. In addition, the portfolio's underweight to the Real Return space combined with its overweight position to Cash hampered relative performance. Offsetting some of the drag on relative performance was the overweight to public equities, especially to U.S. Equities, which was the strongest performing asset class during the month. The portfolio also benefitted from strong relative performance in the Core Fixed Income space.

### U.S. Equities

U.S. markets experienced significant rebound during the month, gaining 13.2% (per the Russell 3000). All market cap segments were positive, with mid-caps leading the way with a return of 14.2%; small caps followed and then large caps returning 13.7% and 12.8%, respectively. Growth again outpaced value by nearly 350 bps (R3000G 14.8%, R3000V 11.3%).

During the month, the KRS U.S. Equity portfolio trailed the Russell 3000 Index by 22 bps. From a stock selection perspective, relative performance of the individual mandates were mixed; however, the net effect was that of a tailwind. Allocation positioning also hampered relative performance. Not in terms of sizing, but in terms of style expressed through a slight value tilt in the portfolio.

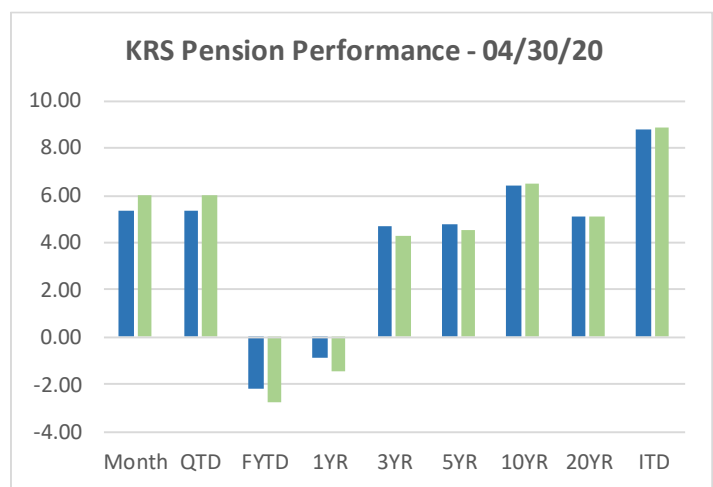
### Non-U.S. Equities

Non-U.S. equity gained 8.2% for the month per the MSCI ACWI-Ex US Index. Emerging markets (9.2%) outperformed their developed market counterparts, which gained 7.1%. Growth outpaced value in both developed and emerging countries.

The KRS Non-U.S. Equity portfolio gained 8.3% during the month, outpacing the benchmark by 13 bps. Stock selection was the primary driver of relative outperformance as three of the four active MSCI ACWI Ex-US mandates outpaced their respective benchmarks. Both active emerging market portfolios returned over 10.0% outpacing the EM Index. The small cap piece of the portfolio returned 11.4%; however, it trailed the benchmark by 74 bps. Allocation decisions had little effect on the period's relative performance.

### Fixed Income

The fixed income markets were positive during the period, with those higher risk segments leading the way. The U.S. Corporate High Yield and Leveraged Loan markets both gained approximately 4.5%. The U.S. Intermediate Credit Index rose 3.4% and the Barclays Universal Index returned 2.0%. The U.S. Aggregate gained 1.8% for the month.



The KRS Specialty Credit allocation gained 0.5%, trailing the benchmark by roughly 4%, as some of the leveraged loan and opportunistic strategies struggled versus their respective indices. Individual strategy relative performance was mixed. The KRS Core Fixed Income allocation added 101 bps over the Bloomberg Barclays Aggregate (1.8%). Relative outperformance can be attributed solid performance of the U.S. Aggregate portfolios, and the U.S. Credit-Intermediate allocation.

### Alternative Assets

The diversifying strategy group gained 2.9% during the month; relative performance of the individual sub asset classes was mixed. The Real Return portfolio earned 7.1%, followed by the Real Estate portfolio added 79 bps. The Opportunistic portfolio was flat and the Absolute Return portfolio lost -4.3%. The Private Equity portion of the portfolio gained 1.1% during the month.

### Cash

The Cash portfolio trailed the 3-month T-Bill, returning 5 bps versus 8 bps.

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#### NOTES:

- 1) Returns displayed are “net”. For the purposes of this report, total fund return information is net of fees and expenses, with audited data beginning in July 2011. At the manager level returns are net of fees beginning with July 2011, and gross of fees for prior data.
- 2) Individual plan allocation and performance (pg.4).
- 3) Prior to January 1, 2014, the inception date for the Private Equity asset class was stated as 10/1/1990 for Pension Fund and 6/1/2001 for Insurance Fund. Prior to 07/01/02, the characteristics of the allocation, and the benchmark itself, were more closely aligned with Real Estate. As such, it is not appropriate to report this portion of the return stream within the Private Equity allocation, whose true inception date has been determined to be 07/01/02 based on funding the Systems’ first private equity mandate. The portion of the original return streams that are no longer reported within the Private Equity allocation (Pension from 10/1/90 to 06/30/02; Insurance 06/01/01 to 06/30/02) are reported within the Fund Level performance figures.
- 4)

<b>Private Equity Composite (Pension)</b> Inception (07/01/02) to 06/30/11 60.00% S&P 1500 Composite Index 40.00% Barclays US Corporate High Yield Index 07/01/11 to 12/31/15 100.00% Russell 3000 Index + 4% (Qtr Lag) <b>01/01/16 to Present</b> <b>100.00% Russell 3000 Index + 3% (Qtr Lag)</b>	<b>Private Equity Composite (Insurance)</b> Inception (07/01/02) to 06/30/11 80.00% S&P 1500 Composite Index 20.00% Barclays US Corporate High Yield Index 07/01/11 to 12/31/15 100.00% Russell 3000 Index + 4% (Qtr Lag) <b>01/01/16 to Present</b> <b>100.00% Russell 3000 Index + 3% (Qtr Lag)</b>
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- 5) The Private Equity & Real Return Benchmarks, from one month returns up until five year returns, is equal to the performance of the associated KRS allocations. Given there is not appropriate benchmark to use for short term performance evaluation, this will allow greater focus on longer term returns, which is more appropriate given the long term nature of these investments.

<u>Pension Benchmark Composite 01/01/16 to 08/31/17</u> US Equity: Russell 3000 (25.6%) Non US Equity: MSCI AXCI Ex-US IMI (25.2%) Global Fixed Income: Barclays Universal Index (6.8%) Credit Fixed Income: Barclays US High Yield (7.2%) Real Estate: NCREIF ODCE (5.0%) Absolute Return: HFRI Diversified FOF (10.0%) Real Return: Allocation Specific (8.0%) Private Equity<5Yrs: Actual Performance Private Equity>5Yrs: Russell 3000 Index+3% (10.0%) Cash: Cit Grp 3-mos Treasury Bill (2.2%) <u>Pension Benchmark Composite 09/01/17 to 05/31/18 -</u>	<u>Insurance Benchmark Composite 01/01/16 to 08/31/17</u> US Equity: Russell 3000 (26.5%) Non US Equity: MSCI AXCI Ex-US IMI (26.5%) Global Fixed Income: Barclays Universal Index (6.0%) Credit Fixed Income: Barclays US High Yield (6.0%) Real Estate: NCREIF ODCE (5.0%) Absolute Return: HFRI Diversified FOF (10.0%) Real Return: Allocation Specific (8.0%) Private Equity<5Yrs: Actual Performance Private Equity>5Yrs: Russell 3000 Index+3% (10.0%) Cash: Cit Grp 3-mos Treasury Bill (2.0%) <u>Insurance Benchmark Composite 09/01/17 to 05/31/18 -</u>
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Transition Period w/Sliding Targets

US Equity: Russell 3000 (23.6%)  
Non US Equity: MSCI AXCI Ex-US IMI (23.2%)  
Global Fixed Income: Barclays Universal Index (9.0%)  
Credit Fixed Income: Barclays US High Yield (9.0%)  
Real Estate: NCREIF ODCE (5.0%)  
Absolute Return: HFRI Diversified FOF (10.0%)  
Real Return<5yrs: Actual Performance  
Real Return>5yrs: CPI+3% (8%)  
Private Equity<5Yrs: Actual Performance  
Private Equity>5Yrs: Russell 3000 Index+3% (10.0%)  
Cash: Cit Grp 3-mos Treasury Bill (2.2%)

Pension Benchmark Composite 06/01/18 to 07/31/18

US Equity: Russell 3000 (17.0%)  
Non US Equity: MSCI AXCI Ex-US IMI (21.0%)  
Global Fixed Income: Barclays Universal Index (13.0%)  
Credit Fixed Income: Barclays US High Yield (12.4%)  
Real Estate: NCREIF ODCE (5.0%)  
Absolute Return: HFRI Diversified FOF (10.0%)  
Real Return<5yrs: Actual Performance  
Real Return>5yrs: CPI+3% (10.0%)  
Private Equity<5Yrs: Actual Performance  
Private Equity>5Yrs: Russell 3000 Index+3% (9.4%)  
Cash: Cit Grp 3-mos Treasury Bill (2.2%)

Pension Benchmark Composite 07/31/18 to Present

**US Equity: Russell 3000 (18.2%)**  
**Non US Equity: MSCI AXCI Ex-US IMI (18.2%)**  
**Core Fixed Income: Barclays US Aggregate (14.8%)**  
**Specialty Credit/High Yield FI: Custom Benchmark (15.0%)**  
**Real Estate: NCREIF ODCE (5.0%)**  
**Absolute Return: HFRI Diversified FOF (3.0%)**  
**Real Return<5yrs: Actual Performance**  
**Real Return>5yrs: CPI+3% (15.0%)**  
**Private Equity<5Yrs: Actual Performance**  
**Private Equity>5Yrs: Russell 3000 Index+3% (9.4%)**  
**Cash: Cit Grp 3-mos Treasury Bill (1.4%)**

Transition Period w/Sliding Targets

US Equity: Russell 3000 (24.5%)  
Non US Equity: MSCI AXCI Ex-US IMI (24.5%)  
Global Fixed Income: Barclays Universal Index (8.0%)  
Credit Fixed Income: Barclays US High Yield (8.0%)  
Real Estate: NCREIF ODCE (5.0%)  
Absolute Return: HFRI Diversified FOF (10.0%)  
Real Return<5yrs: Actual Performance  
Real Return>5yrs: CPI+3% (8%)  
Private Equity<5Yrs: Actual Performance  
Private Equity>5Yrs: Russell 3000 Index+3% (10.0%)  
Cash: Cit Grp 3-mos Treasury Bill (2.0%)

Insurance Benchmark Composite 06/01/18 to 07/31/18

US Equity: Russell 3000 (17.9%)  
Non US Equity: MSCI AXCI Ex-US IMI (21.9%)  
Global Fixed Income: Barclays Universal Index (13.0%)  
Credit Fixed Income: Barclays US High Yield (11.0%)  
Real Estate: NCREIF ODCE (5.0%)  
Absolute Return: HFRI Diversified FOF (10.0%)  
Real Return<5yrs: Actual Performance  
Real Return>5yrs: CPI+3% (10.0%)  
Private Equity<5Yrs: Actual Performance  
Private Equity>5Yrs: Russell 3000 Index+3% (9.2%)  
Cash: Cit Grp 3-mos Treasury Bill (2.0%)

Insurance Benchmark Composite 07/31/18 to Present

**US Equity: Russell 3000 (18.75%)**  
**Non US Equity: MSCI AXCI Ex-US IMI (18.75%)**  
**Core Fixed Income: Barclays US Aggregate (5.0%)**  
**Specialty Credit/High Yield FI: Custom Benchmark (13.5%)**  
**Real Estate: NCREIF ODCE (10.0%)**  
**Absolute Return: HFRI Diversified FOF (3.0%)**  
**Real Return<5yrs: Actual Performance**  
**Real Return>5yrs: CPI+3% (15.0%)**  
**Private Equity<5Yrs: Actual Performance**  
**Private Equity>5Yrs: Russell 3000 Index+3% (15.0%)**  
**Cash: Cit Grp 3-mos Treasury Bill (1.0%)**

\*\*Fund composite benchmark is a roll-up of individual plans, which may differ from one another.

