KRS Fixed Income Review

October 2016

Market Review

- Bond yields remain at historic lows around the world, with over $10 trillion of government bonds trading at negative yields.
- Central banks in Europe and Japan continue their quantitative easing programs, pumping billions of dollars into markets and depressing credit spreads.
- US Federal Reserve has been hesitant to raise short-term rates as inflation and GDP growth remain stubbornly low.
- US 10-year Treasury notes continue to trade around 1.75% all in yield.
- Private credit markets are becoming increasingly popular with investors who are starved for yield.

Fixed Income Goals

- We invest in Fixed Income for 2 reasons:
  - To provide a steady flow on income to support the payment of benefits
  - To dampen equity market volatility.

- Fixed Income assets are grouped into 2 “buckets” that mirror our goals:
  - Rates bucket to provide exposure to global interest rates for volatility dampening
  - Credit bucket to provide income

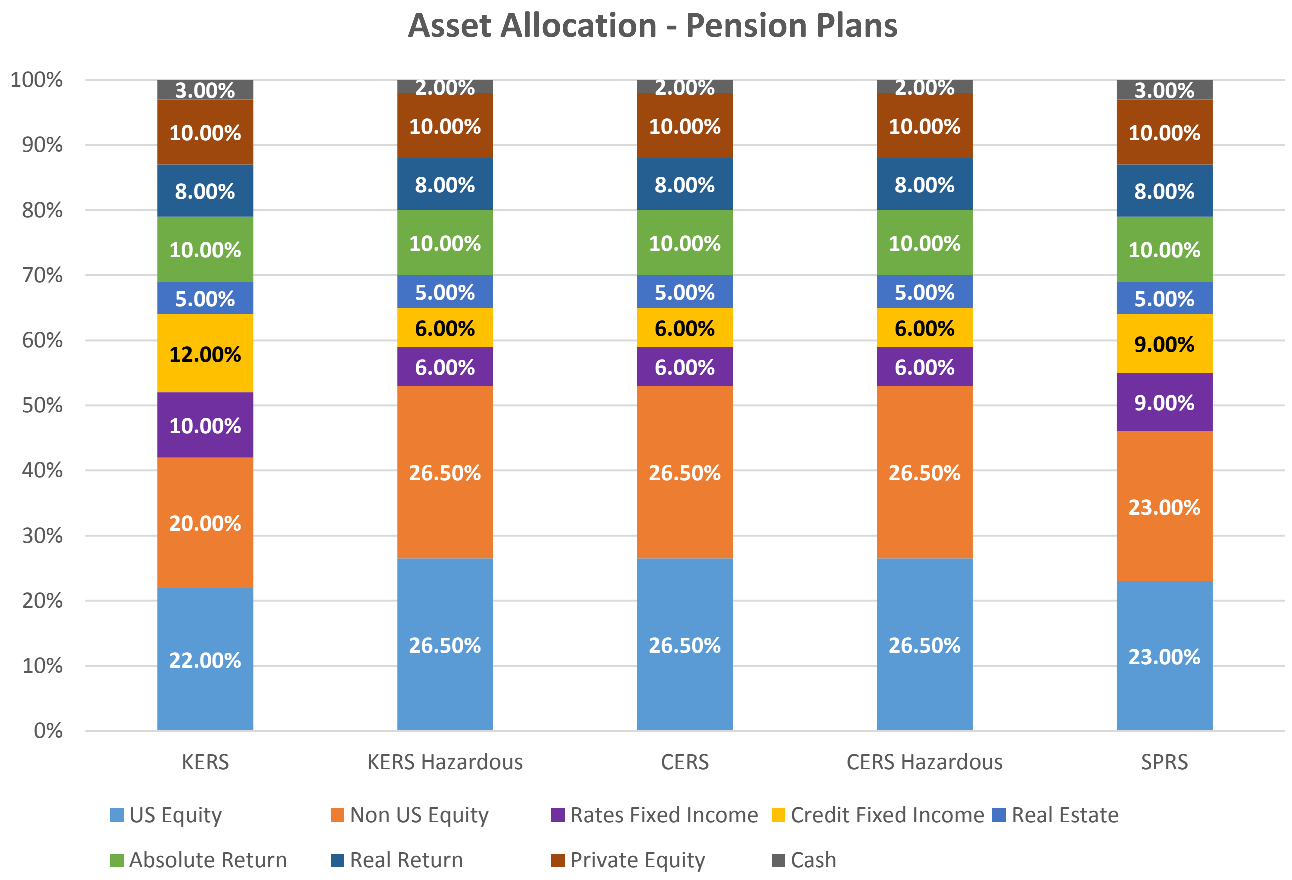
Performance

PENSION			
	Portfolio	Benchmark	Relative
FYTD	4.76%	7.53%	-2.77%
3 Year	4.39%	4.76%	-0.37%
5 Year	4.74%	4.35%	0.39%
10 Year	5.49%	5.50%	-0.01%

INSURANCE			
	Portfolio	Benchmark	Relative
FYTD	5.11%	7.53%	-2.42%
3 Year	3.90%	4.76%	-0.86%
5 Year	4.41%	4.35%	0.06%
10 Year	5.60%	5.58%	0.02%

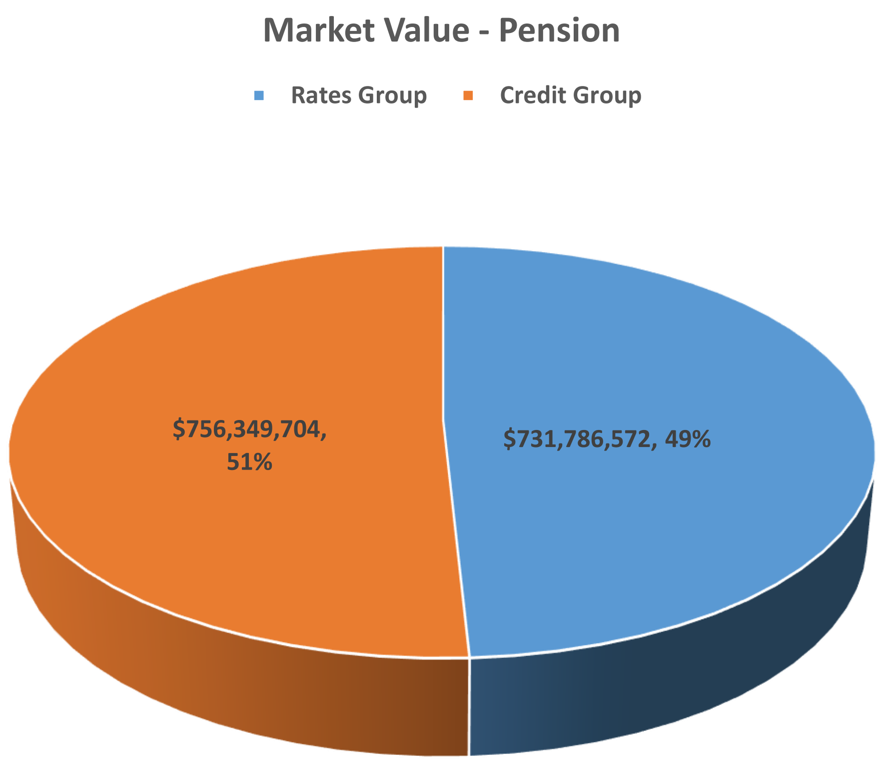
On 1/1/16 the Fixed Income benchmark was changed to a 50/50 blend of the Barclay's US Universal and the US High Yield index. We made the change because we felt like that blended index would be more representative of the way we are investing our fixed assets. So, during the first 6 months of the fiscal year when the High Yield index posted a return of -6.82% it was not include in the benchmark, and it was included for the second half of the fiscal year when it returned 9.06%. For reference, if we had made the change to the blended benchmark at the start of the fiscal year, it's return would have been 3.72% for the year.

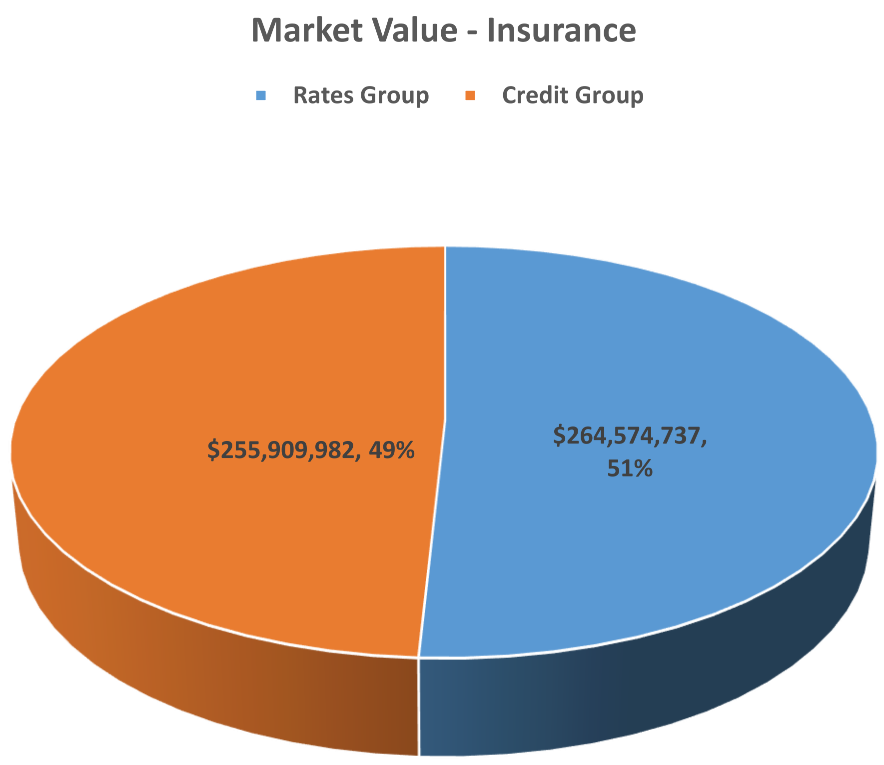
Asset Allocation - Pension



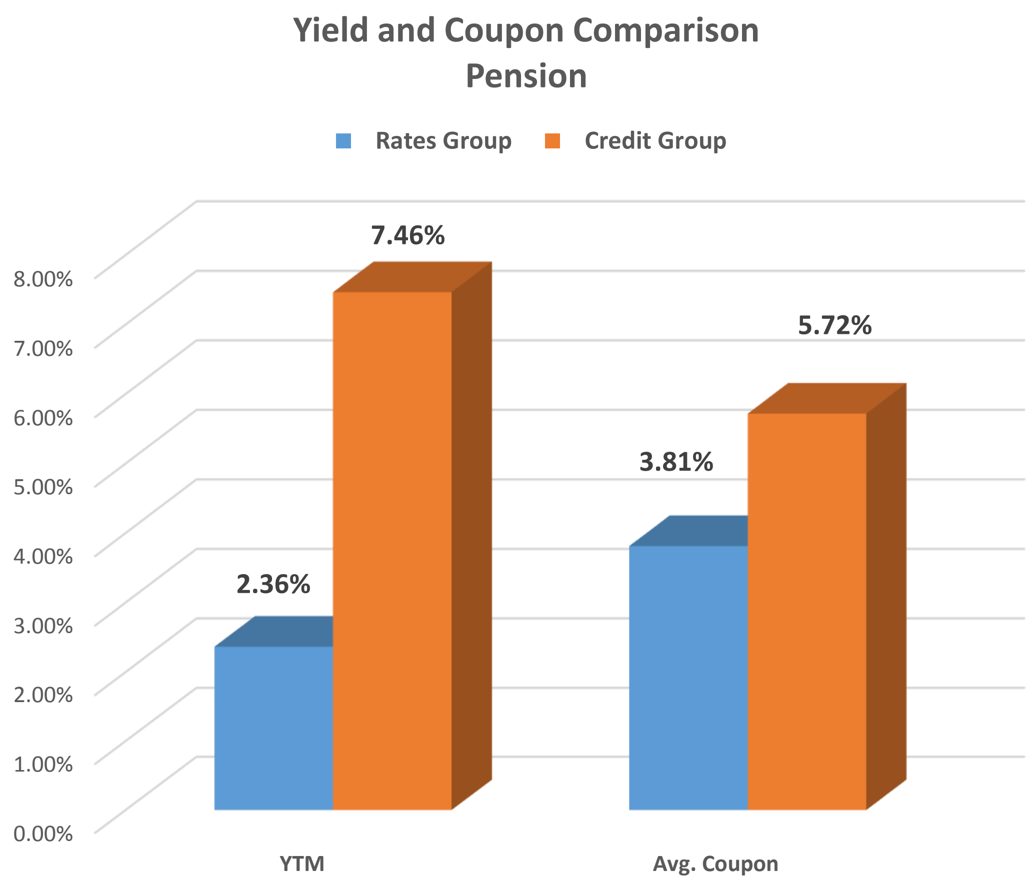
In January 2016 KRS adopted a new asset allocation that reduced the Fixed Income component of the KERS Hazardous, CERS, and CERS Hazardous plans from 20% to 12%. The Fixed Income allocation for the KERS plan was raised to 22% in recognition of that plans liquidity challenges.

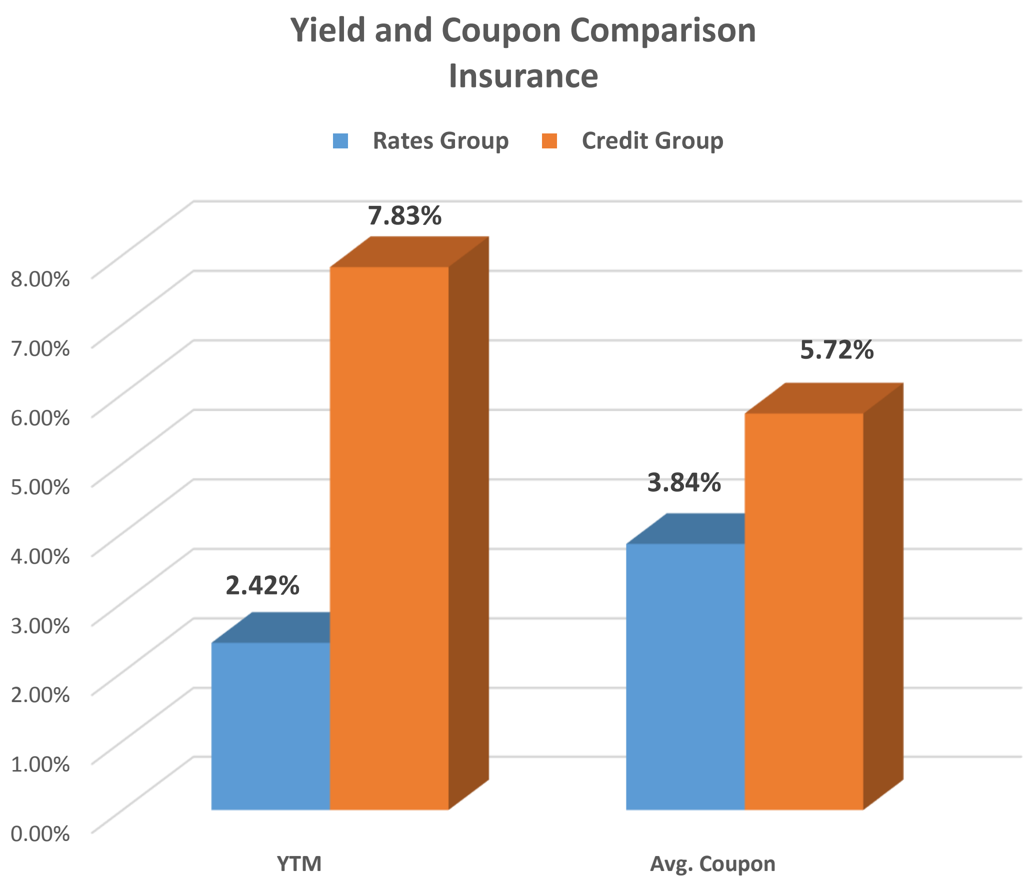
Portfolio Structure



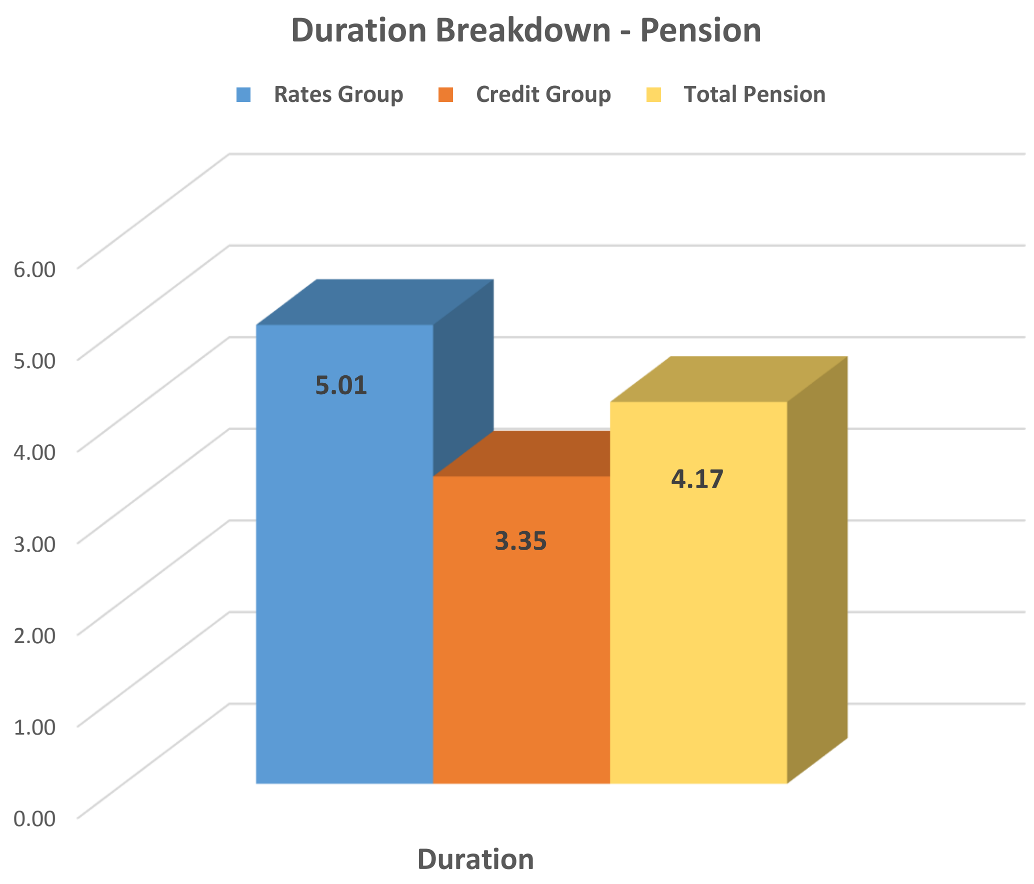


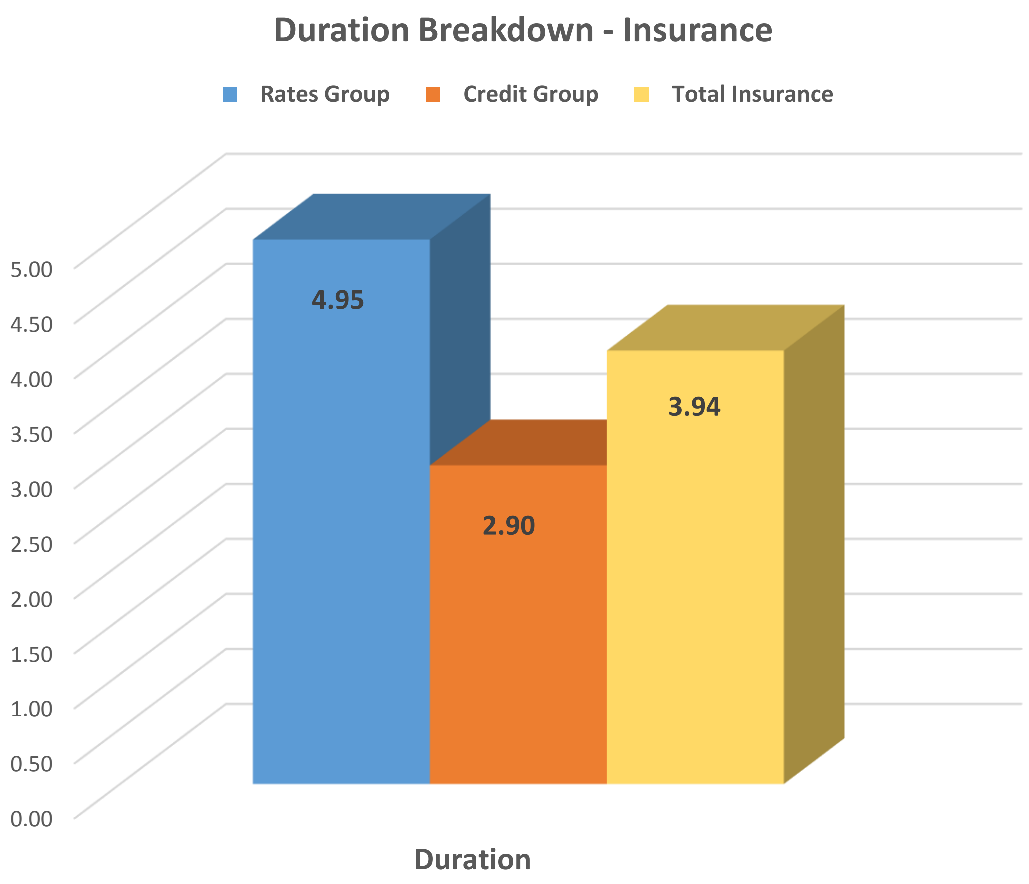
Portfolio Yield & Avg. Coupon



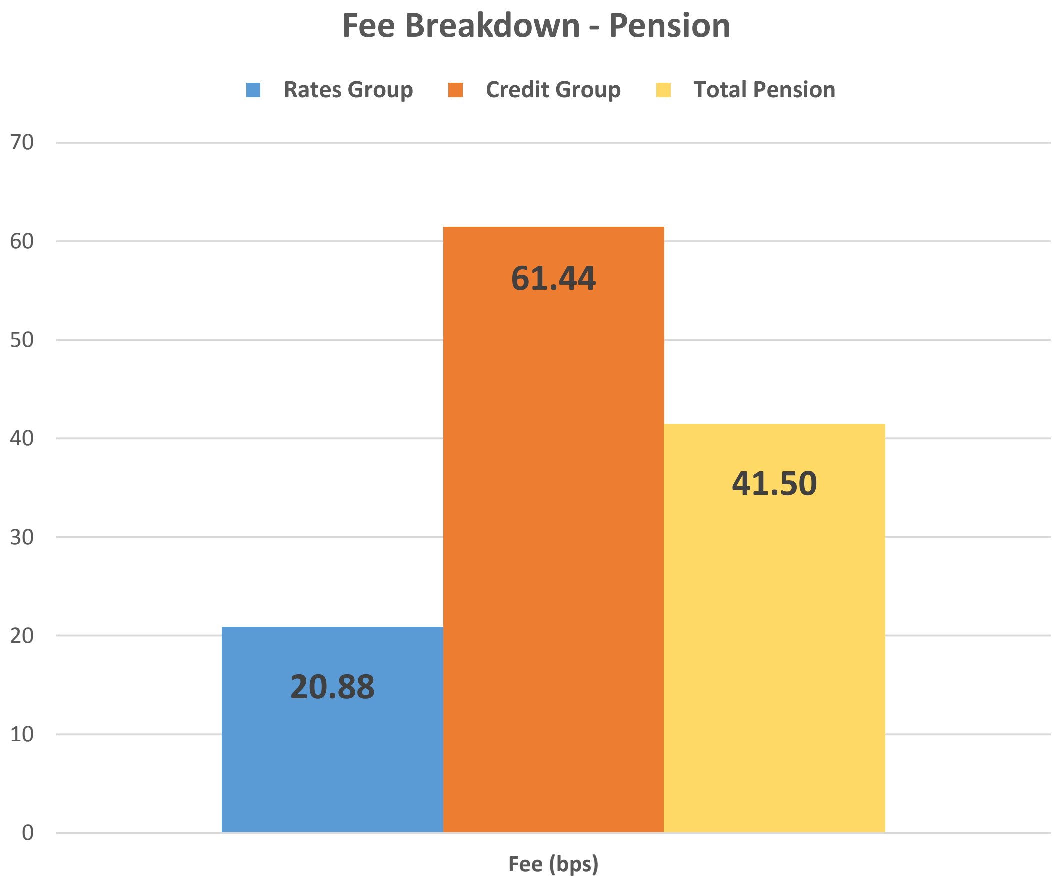


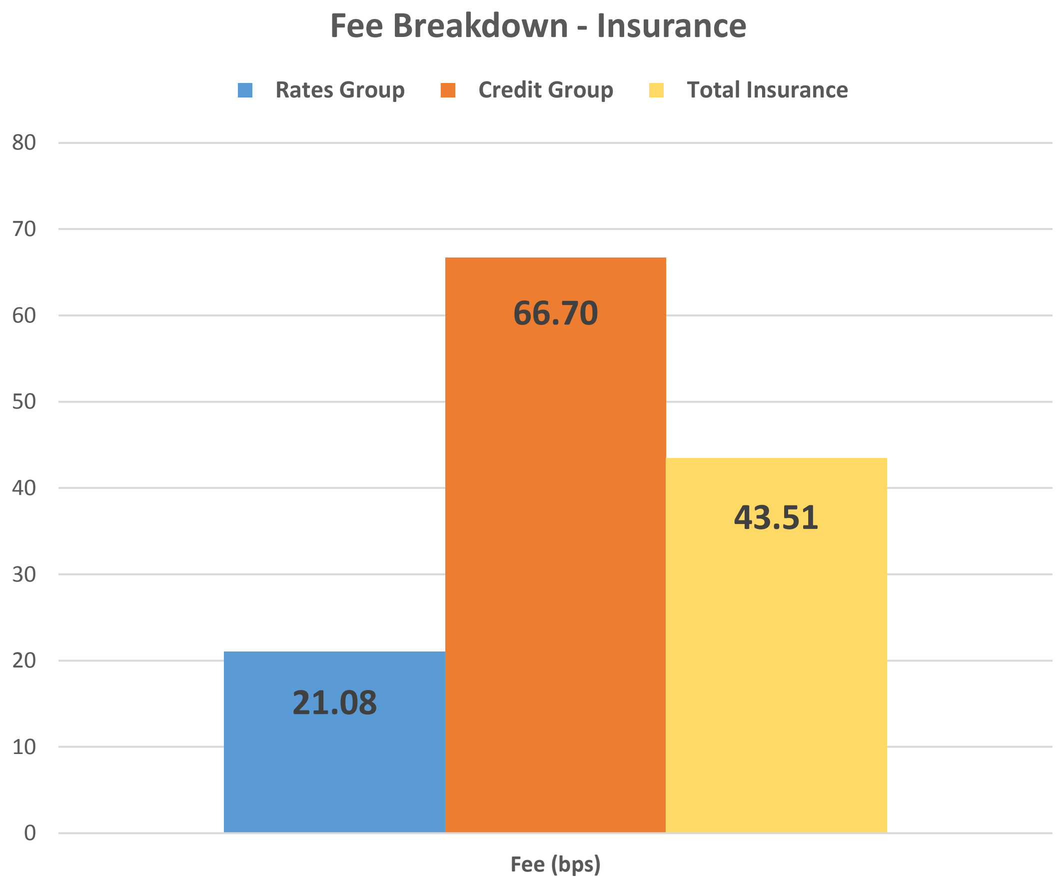
Portfolio Duration Exposure



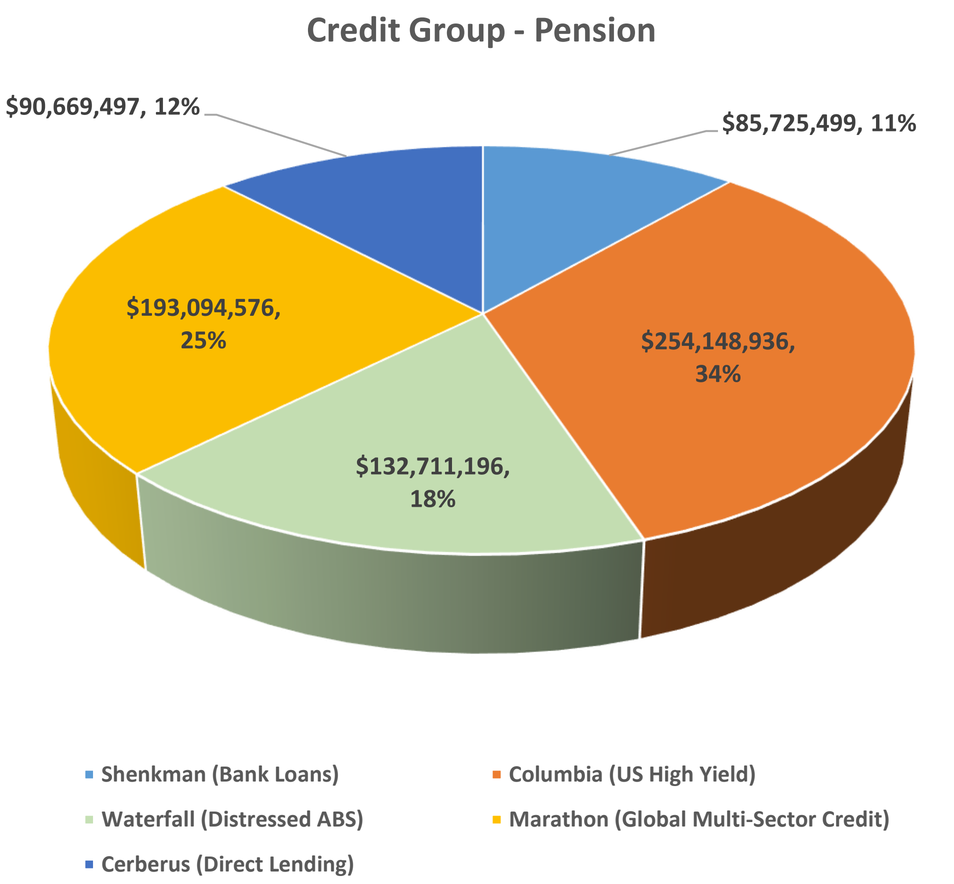


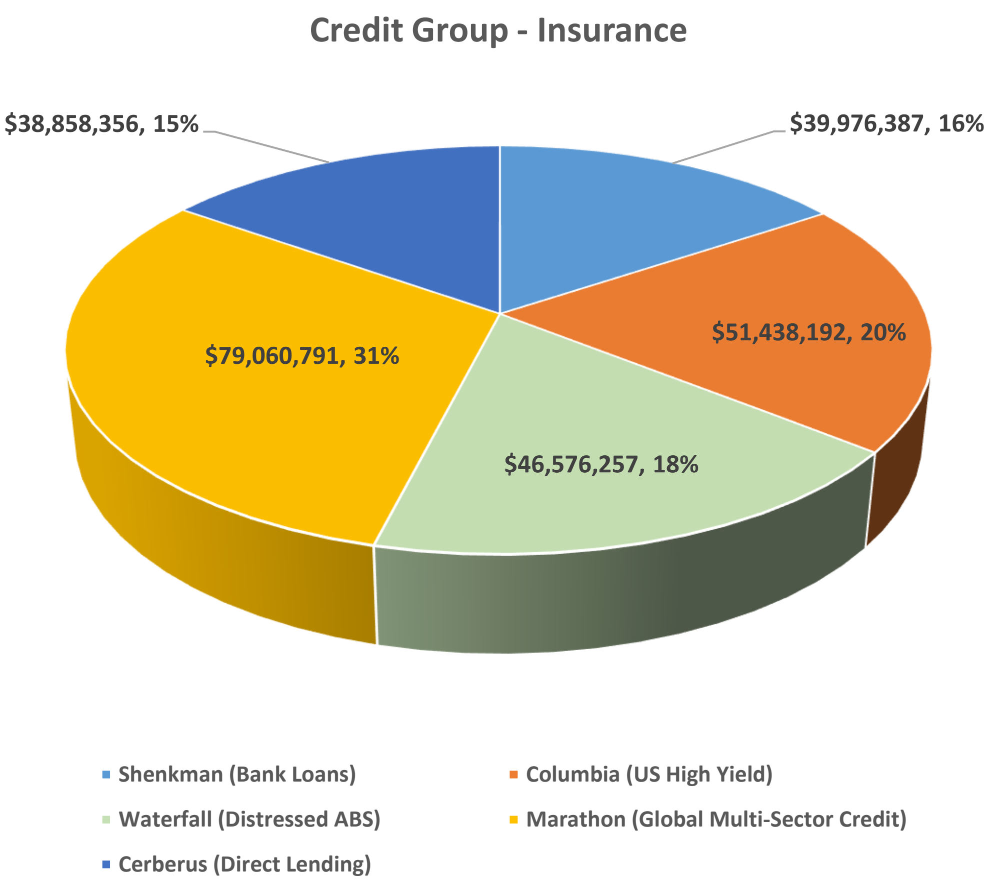
Portfolio Fees



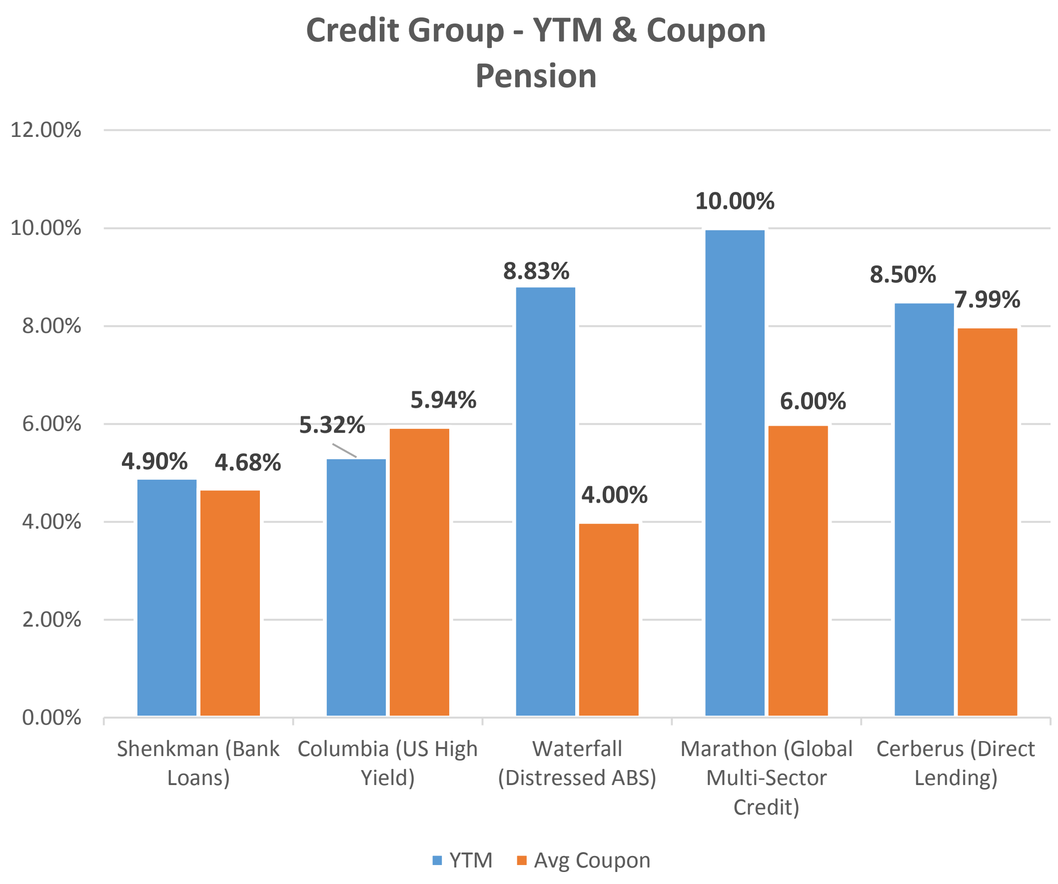


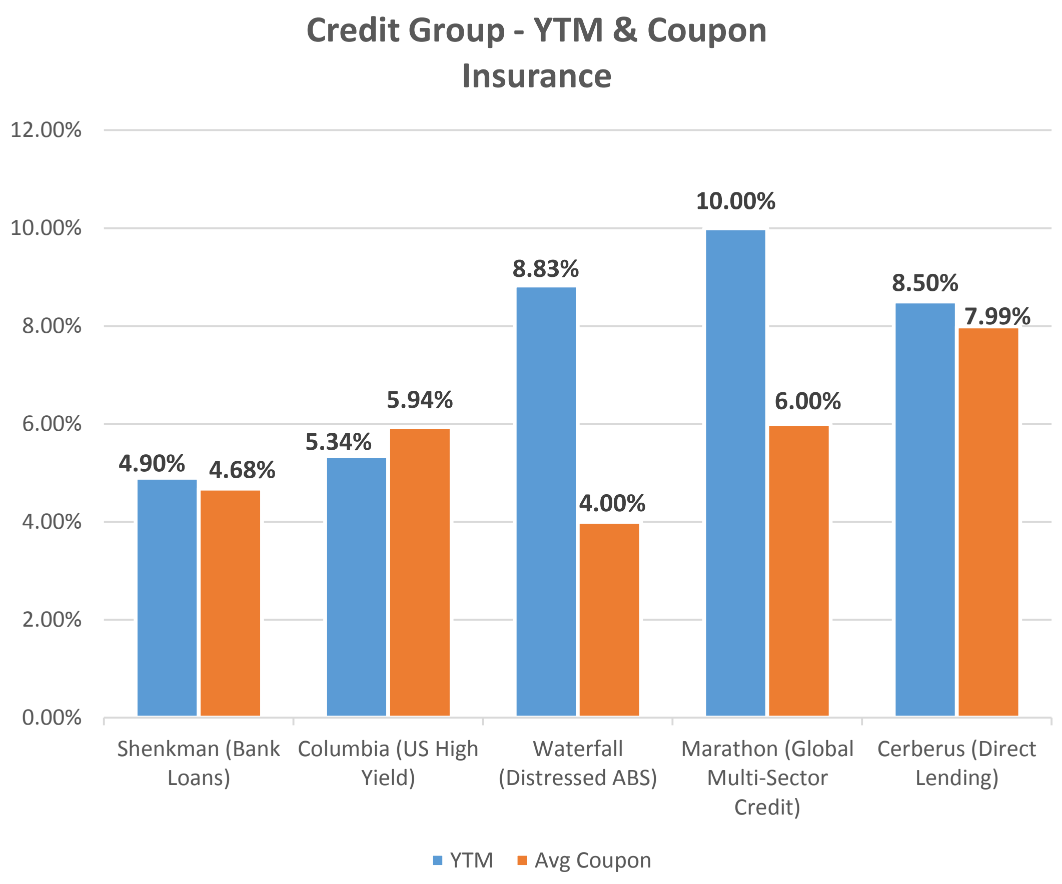
Credit Group Managers



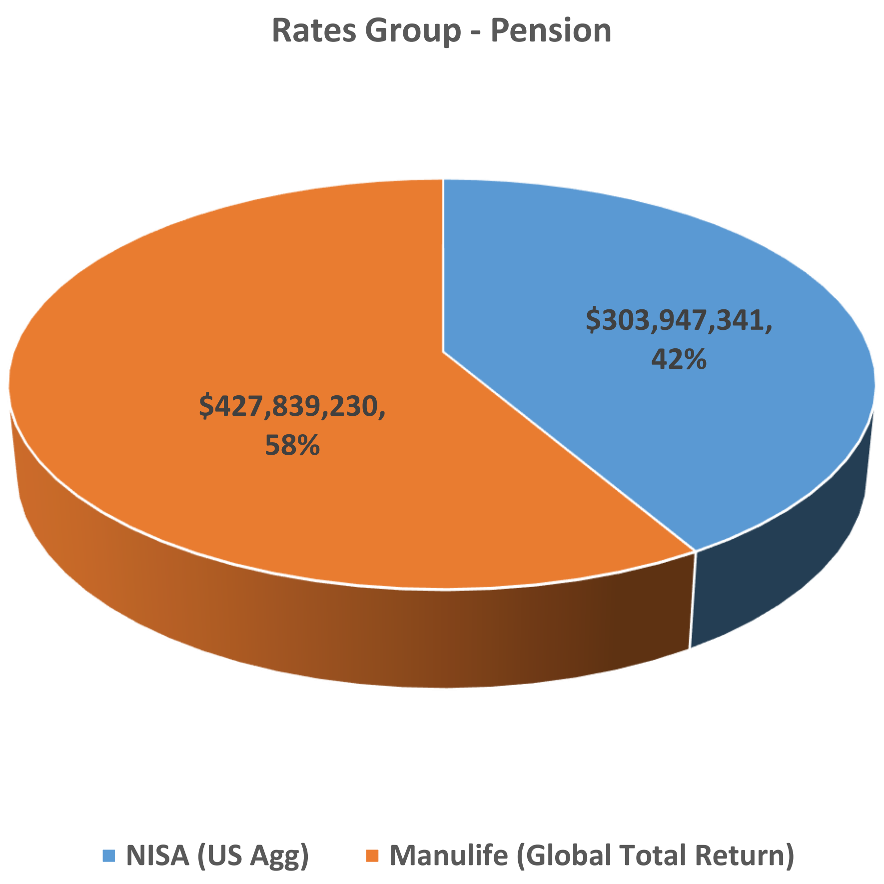


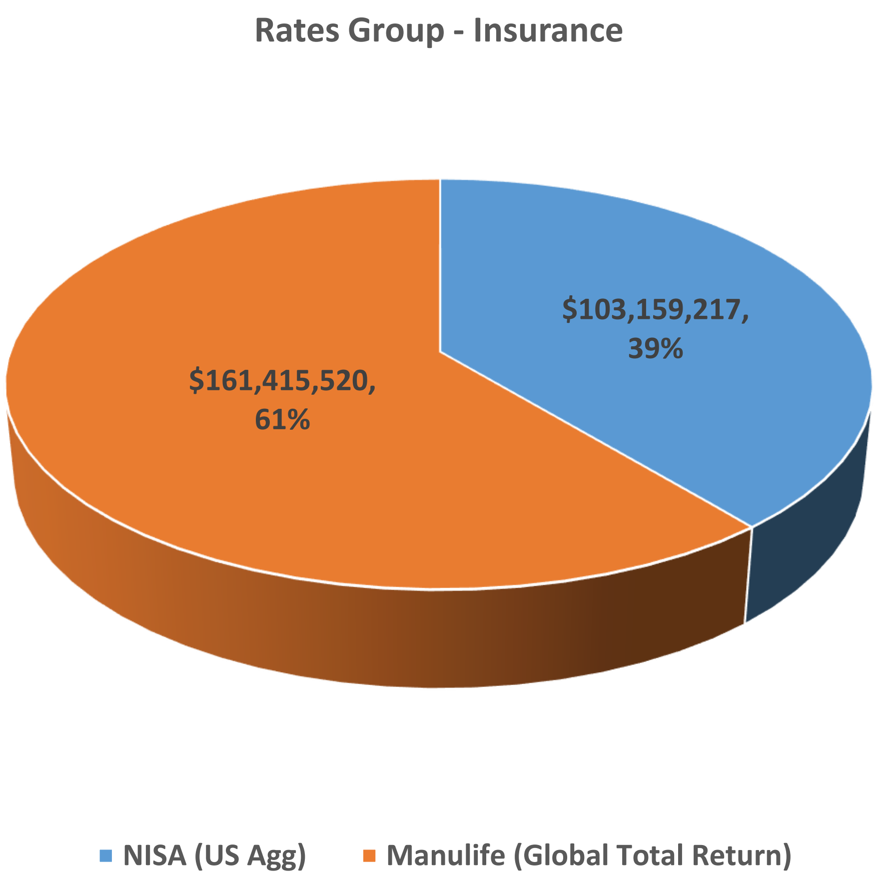
Credit Group – Yield Comparison



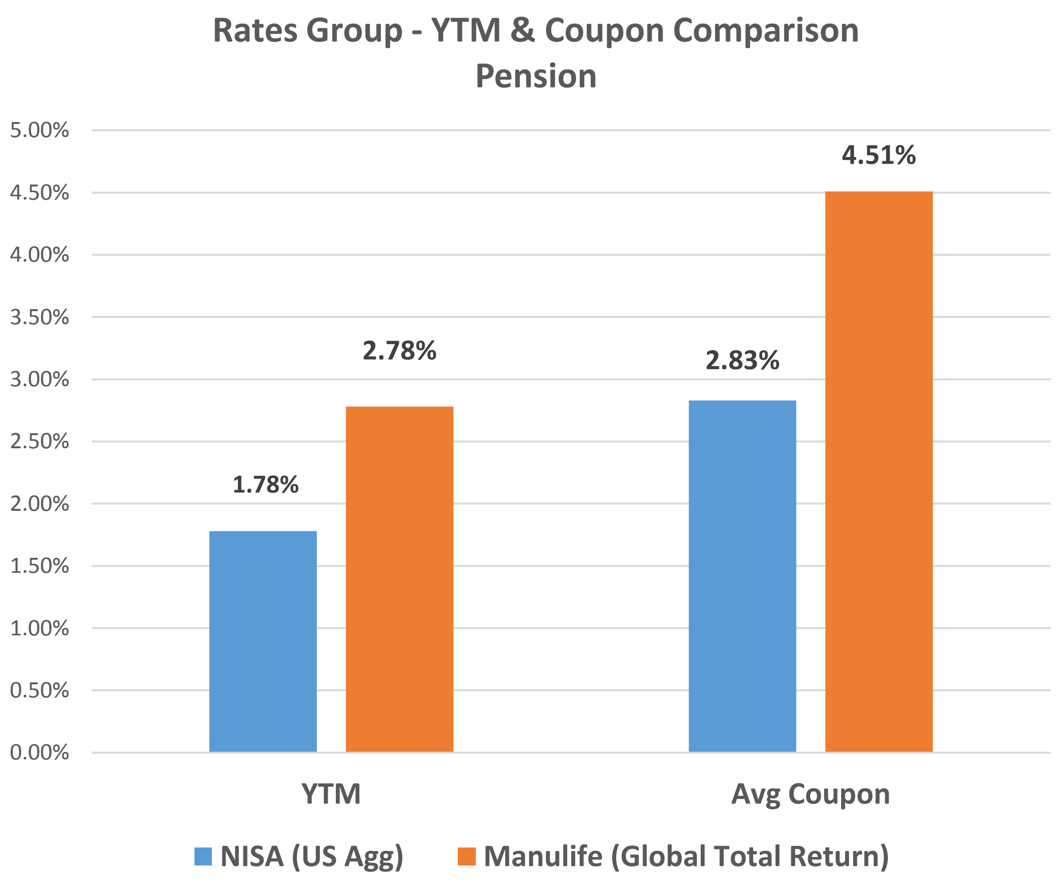


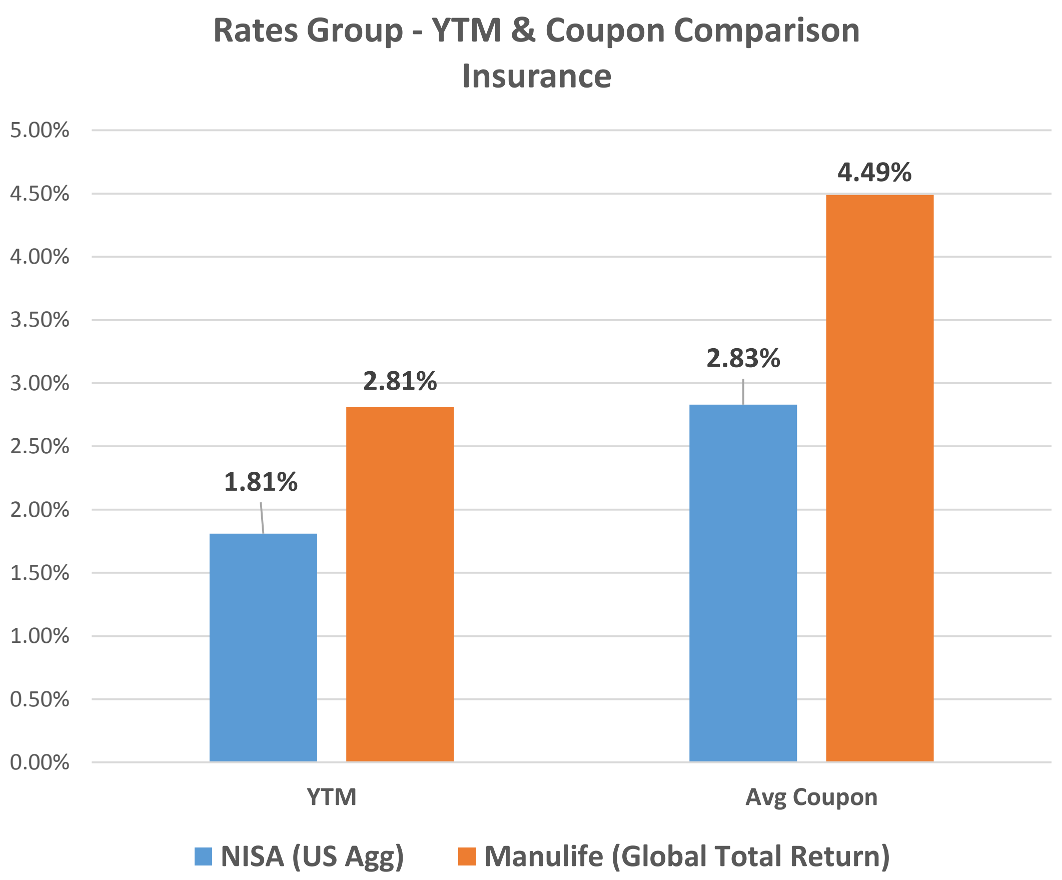
Rates Group Managers





Rates Group – Yield & Coupon





Individual Manager Review

Memorandum

To	James R. Robben, Kentucky Retirement System
From	RVK, Inc.
Subject	Fixed Income Manager Commentary Fiscal Year 2016
Date	October 25, 2016

PORTLAND OFFICE
1211 SW 5th Avenue
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Core

NISA

- Outperformance for the Pension portfolio managed by NISA was 90 basis points for fiscal year 2016. The Insurance portfolio outperformed by 85 basis points for the same time period. Sector allocation, specifically an overweight to Corporates, was the major contributor to outperformance for both portfolios.
- The portfolio benefited from an underweight to the energy sector as oil prices continued to decline. New issue selection in Anheuser-Busch InBev, Visa and Barclays contributed to performance as well.

Non-Core

Columbia

- Volatility in the energy and metals & mining sectors drove performance for high yield managers.
- Columbia maintained an underweight to metals & mining which was one of the biggest contributors to performance for the latter half of 2015 but was a significant detractor in the first half of 2016. The net effect of the underweight was slightly positive.
- Favorable security selection in independent energy contributed to about 1.0% of outperformance. However, the most significant detractor of relative performance in the first

Relative performance noted is gross of fees.

- half of 2016, was a result of the portfolio avoiding certain distressed energy securities which eventually rebounded.
- As the fiscal year progressed, the portfolio shifted from a slight overweight to CCC-rated securities to an underweight. This detracted from performance as lower rated securities performed well in the first two quarters of 2016.

Manulife

- Manulife's Pension and Insurance portfolios are benchmarked against the Barclays US Universal Index and trailed this benchmark by 14 and 24 basis points, respectively. The Universal benchmark includes high yield, emerging markets, and 144A securities that are not included in the Barclays US Aggregate index.
- Primary detractors included local investment in Canada, Australia, and New Zealand as global growth uncertainty plagued much of the year. Riskier assets underperformed and subsequently the portfolio's allocation to EMD and global high yield was a drag on performance. Currency was also a major detractor for fiscal year 2016.
- Corporate bond exposure was a bright spot as allocations to more stable sectors such as healthcare, pharmaceuticals and non-cyclicals outperformed.

Loomis Sayles (Partial Period Performance)

The Loomis Sayles portfolio was terminated by KRS in January 2016.

- The strategy underperformed its benchmark for the 3rd and 4th quarters of 2015.
- The strategy maintained a significant out-of-benchmark exposure. The exposure to securitized credit added 88 bps to performance over the second half of 2015 for the Pension. However, the out-of-benchmark exposure to Convertibles detracted 121 bps from performance for the Pension.
- Loomis Sayles' overweight to energy was a significant detractor from performance.

Waterfall

- On an absolute basis, the impact of illiquidity and spread widening broadly in the structured credit market detracted from returns offsetting a good portion of the income earned. The Pension and Insurance portfolios ended the fiscal year with slightly positive returns.
- The CLO sector experienced the most volatility during the year.
- On a relative basis, the portfolio outperformed the benchmark by a wide margin during the latter half of 2015 due to a market selloff of credit. However, this was partially offset by the portfolio's below-benchmark allocation to high yield corporate issues, as they rebounded during the first half of 2016.

Shenkman

- Positive security selection and an underweight to Utilities was the most significant contributor to performance from an industry perspective.
- An overweight to Oil and Gas was a contributor to performance, but it was significantly overshadowed by a negative security selection effect in that sector as Shenkman avoided the securities that were trading at distressed levels that had rebounded most significantly as oil prices increased in the first half of the year.
- Shenkman held a small position in one security in the Forest Products industry which defaulted during the latter half of 2015. This was a moderate detractor from performance.
- The portfolio maintained a small allocation to high yield bonds which detracted from performance.

RVK

Stone Harbor Emerging Markets Debt (Partial Period Performance)

Stone Harbor was notified of the KRS termination on 10/9/15 and began liquidating the separately managed portfolio. The following is summary of key drivers of performance during the 5-month period ending 11/30/15:

3Q15 (Excess Return -183bps)

- The biggest driver of underperformance during the quarter was positioning in Ukraine. Repositioning to a 0% allocation in late in 2Q stemmed from expectations on the upcoming debt restructuring. During the quarter, a surprisingly creditor-friendly outcome to the debt negotiations led to a sharp rally in the bonds.
- An increase in Brazil sovereign debt, as well as a small allocation to Brazil corporate debt in September, detracted from returns, as the bonds cheapened.

October 2015 - Liquidation began in late October (Excess Return +83 bps)

- An overweight to Venezuela, and a focus on short duration securities, was the key driver to the outperformance for the month.
- A tactical allocation to select corporate debt positions, particularly in Brazil and Argentina, also added to performance.

November 2015 (Excess Return: +370 bps)

- Because they were raising cash in the separate account during a period when the index was performing poorly, that was a source of positive relative performance.
- The key driver of performance came from the allocation to, and security selection within, Kazakhstan, where prices rose.

Marathon: Bluegrass Credit Fund (Partial Period Performance)

The performance start date for this investment is January 2016

- The positive performance year-to-date was driven largely by gains in distressed issuance. Within distressed, holdings benefitted from both the recovery in credit spreads during the second quarter and progress made in taking some of the companies through the bankruptcy restructuring process.
- Exposure to emerging markets, structured products, and commercial real estate strategies in Europe all contributed positively to performance while rounding out the portfolio.
- Hedging in the portfolio was the largest detractor, which the fund held to guard against market volatility expected for the Brexit vote and Federal Reserve rate decision.

NISA Investment Advisors

- Mandate: US Core Bonds
- Benchmark: Barclays US Aggregate Index
- Last On-Site Review: June, 2016

NISA - Pension			
Net Performance Thru 9/30/16			
	Portfolio	US Agg	Relative
FYTD	0.49%	0.46%	0.03%
1 Year	5.78%	5.19%	0.59%
3 Year	4.35%	4.03%	0.32%
5 Year	3.25%	3.08%	0.17%

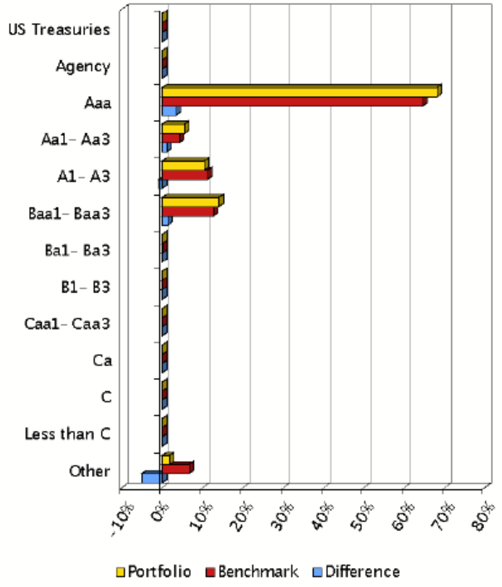
Manager At A Glance
Total
NISA vs. BC US Aggregate Bonds

Period Ending June 30, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.57	5.76	-0.19
Opt. Adj. Duration	5.53	5.78	-0.24
Spread Duration	3.37	3.37	-0.01
Average Quality Rating	AA2	AA2	---
Yield to Maturity	1.73%	1.74%	-0.01%
Num of Fixed Income Holdings	533	9804	---

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
NISA	303,968,735.23	1.82	2.29	6.65	6.65	4.36	3.94
Bloomberg Barclays U.S. Aggregate Bond		1.80	2.21	6.00	6.00	4.06	3.76
Excess Return		0.02	0.08	0.65	0.65	0.30	0.18

Average Quality Ratings - Credit Exposure



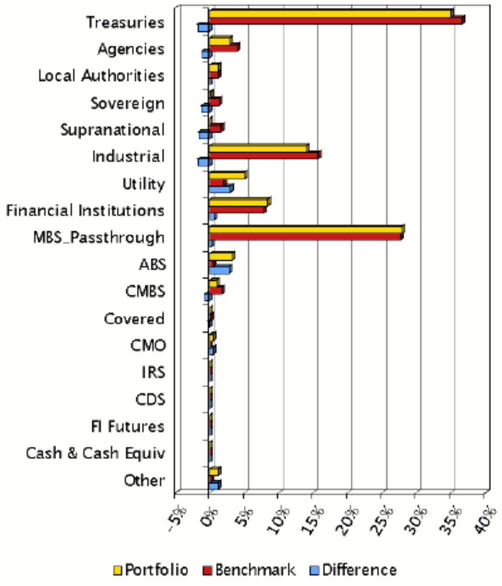
Top 5 Fixed Income Including Cash Overweight Positions

	Portfolio	Benchmark	Difference
U S TREASURY NOTE	2.72%	0.18%	2.54%
U S TREASURY NOTE	2.55%	0.19%	2.36%
U S TREASURY NOTE	2.07%	0.13%	1.95%
U S TREASURY NOTE	1.96%	0.16%	1.80%
U S TREASURY NOTE	1.93%	0.16%	1.76%

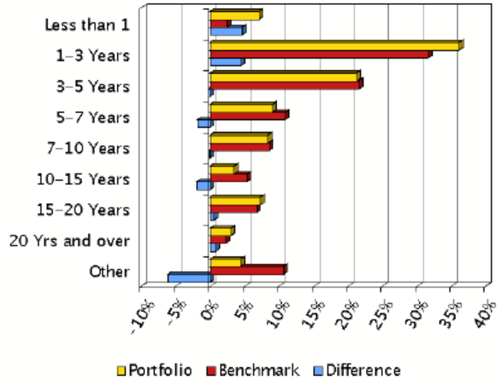
Top 5 Fixed Income Including Cash Underweight Positions

	Portfolio	Benchmark	Difference
GNMA II SINGLE FAMILY 30YR	0.00%	1.11%	-1.11%
FNMA CONVENTIONAL LONG T.	0.00%	1.07%	-1.07%
FNMA POOL #0MC0644	0.00%	0.79%	-0.79%
FNMA POOL #0MC0631	0.00%	0.76%	-0.76%
FHLM GOLD GUAR SINGLE F. 30YR	0.00%	0.72%	-0.72%

Barclays Global Scheme - Updated



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	0.62	0.37	0.26
Annualized Information Ratio	2.10	1.70	1.17
Annualized Sharpe Ratio	2.82	1.64	1.42
Annualized Tracking Error	0.41	0.27	0.29

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

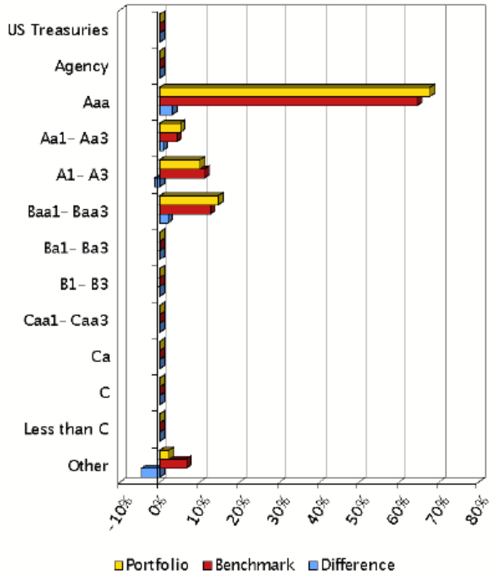
Manager At A Glance
Total
NISA vs. BC US Aggregate Bonds

Period Ending June 30, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.52	5.76	-0.23
Opt. Adj. Duration	5.49	5.78	-0.29
Spread Duration	3.38	3.37	0.00
Average Quality Rating	AA2	AA2	---
Yield to Maturity	1.72%	1.74%	-0.02%
Num of Fixed Income Holdings	358	9804	---

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
NISA	103,128,307.33	1.83	2.27	6.55	6.55	4.32	3.95
Bloomberg Barclays U.S. Aggregate Bond		1.80	2.21	6.00	6.00	4.06	3.76
Excess Return		0.03	0.06	0.55	0.55	0.26	0.19

Average Quality Ratings - Credit Exposure



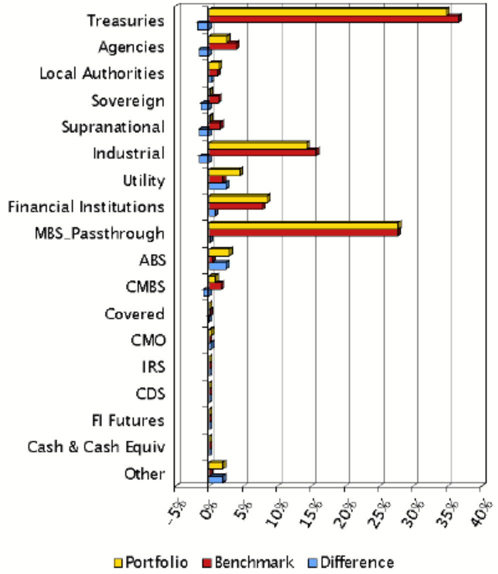
Top 5 Fixed Income Including Cash Overweight Positions

	Portfolio	Benchmark	Difference
U S TREASURY NOTE	2.10%	0.19%	1.92%
EB TEMP IVN FD	1.79%	0.00%	1.79%
U S TREASURY NOTE	1.93%	0.16%	1.77%
U S TREASURY NOTE	1.85%	0.16%	1.69%
U S TREASURY NOTE	1.79%	0.14%	1.66%

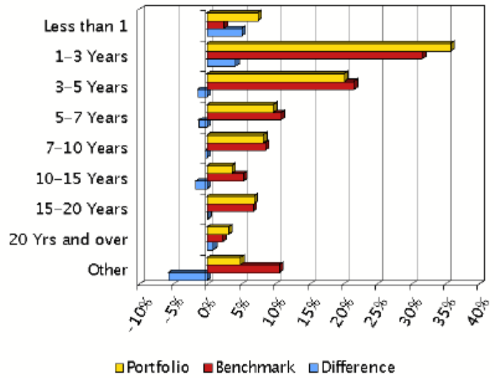
Top 5 Fixed Income Including Cash Underweight Positions

	Portfolio	Benchmark	Difference
GNMA II SINGLE FAMILY 30YR	0.00%	1.11%	-1.11%
FNMA CONVENTIONAL LONG T.	0.00%	1.07%	-1.07%
FNMA POOL #0MC0644	0.00%	0.79%	-0.79%
FNMA POOL #0MC0631	0.00%	0.76%	-0.76%
FHLM GOLD GUAR SINGLE F. 30YR	0.00%	0.72%	-0.72%

Barclays Global Scheme - Updated



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	0.36	0.34	0.26
Annualized Information Ratio	1.65	1.44	1.25
Annualized Sharpe Ratio	2.70	1.63	1.42
Annualized Tracking Error	0.49	0.31	0.28

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

Manulife Asset Management

- Mandate: Global Total Return
- Benchmark: Barclays US Universal Index
- Last On-Site Review: July, 2015

Manulife - Pension			
Net Performance Thru 9/30/16			
	Portfolio	US Universal	Relative
FYTD	1.02%	0.96%	0.06%
1 Year	6.00%	6.11%	-0.11%
3 Year	3.97%	4.27%	-0.30%

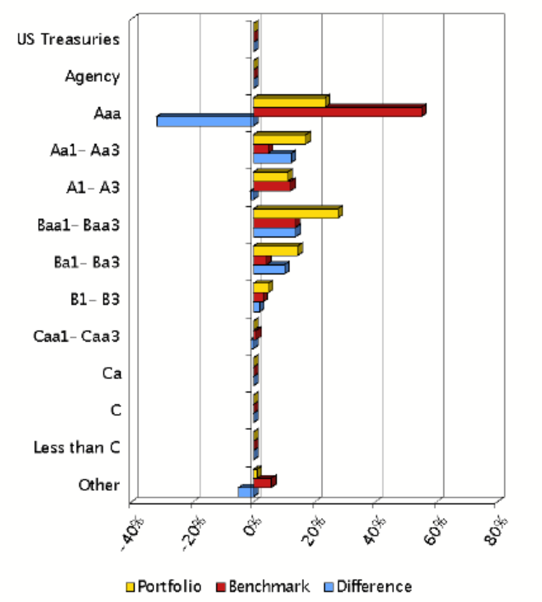
Manager At A Glance
Total
MANULIFE ASSET MGMT vs. BC US Universal

Period Ending June 30, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	6.52	5.66	0.86
Opt. Adj. Duration	4.77	5.61	-0.84
Spread Duration	5.69	3.61	2.08
Average Quality Rating	A2	AA3	---
Yield to Maturity	2.90%	2.32%	0.58%
Num of Fixed Income Holdings	437	15127	---

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
MANULIFE ASSET MGMT	426,047,353.87	1.28	1.99	4.87	4.87	3.79	---
Bloomberg Barclays U.S. Universal Index		1.76	2.53	5.82	5.82	4.20	---
Excess Return		-0.48	-0.54	-0.95	-0.95	-0.41	---

Average Quality Ratings - Credit Exposure



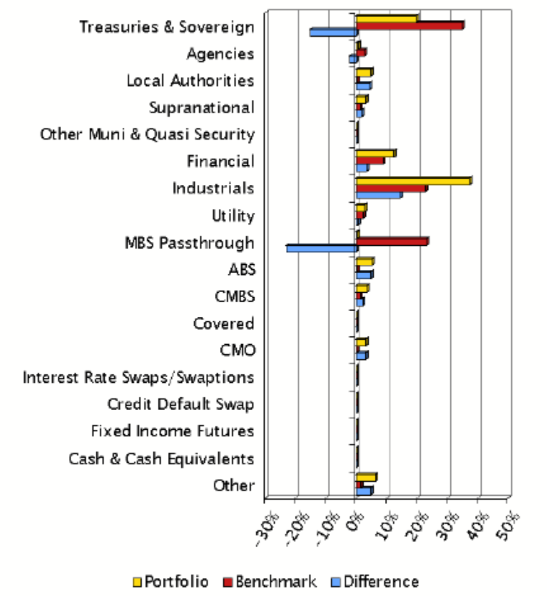
Top 5 Fixed Income Including Cash Overweight Positions

	Portfolio	Benchmark	Difference
FX FORWARDS - USD	7.48%	0.00%	7.48%
FX FORWARDS - USD	6.98%	0.00%	6.98%
FX FORWARDS - USD	6.37%	0.00%	6.37%
FX FORWARDS - USD	2.29%	0.00%	2.29%
FX FORWARDS - USD	2.26%	0.00%	2.26%

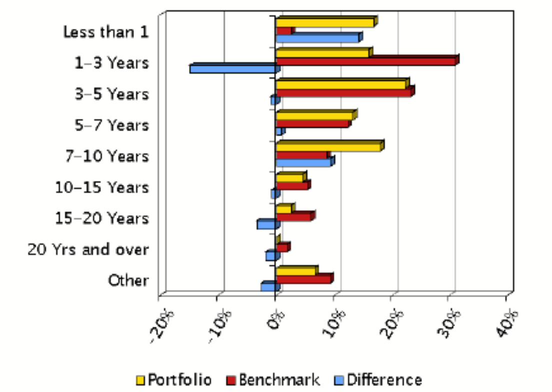
Top 5 Fixed Income Including Cash Underweight Positions

	Portfolio	Benchmark	Difference
FX FORWARDS - NZD	-7.85%	0.00%	-7.85%
FX FORWARDS - AUD	-7.08%	0.00%	-7.08%
FX FORWARDS - SGD	-6.48%	0.00%	-6.48%
FX FORWARDS - NOK	-2.25%	0.00%	-2.25%
FX FORWARDS - MXN	-2.23%	0.00%	-2.23%

Barclays Global Scheme



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	0.61	0.67	---
Annualized Information Ratio	-0.57	-0.06	---
Annualized Sharpe Ratio	2.39	1.58	---
Annualized Tracking Error	1.17	1.54	---

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

BNY MELLON
KR3F30020002-IX1F0000511C

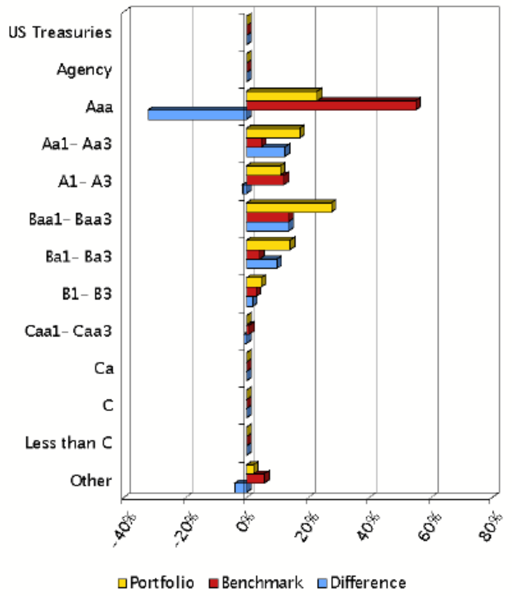
Manager At A Glance
Total
MANULIFE ASSET MGMT vs. BC US Universal

Period Ending June 30, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	6.37	5.66	0.71
Opt. Adj. Duration	4.67	5.61	-0.94
Spread Duration	5.59	3.61	1.99
Average Quality Rating	A2	AA3	---
Yield to Maturity	2.84%	2.32%	0.52%
Num of Fixed Income Holdings	441	15127	---

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
MANULIFE ASSET MGMT	160,585,740.73	1.23	1.93	4.77	4.77	3.85	---
Bloomberg Barclays U.S. Universal Index		1.76	2.53	5.82	5.82	4.20	---
Excess Return		-0.53	-0.60	-1.05	-1.05	-0.35	---

Average Quality Ratings - Credit Exposure



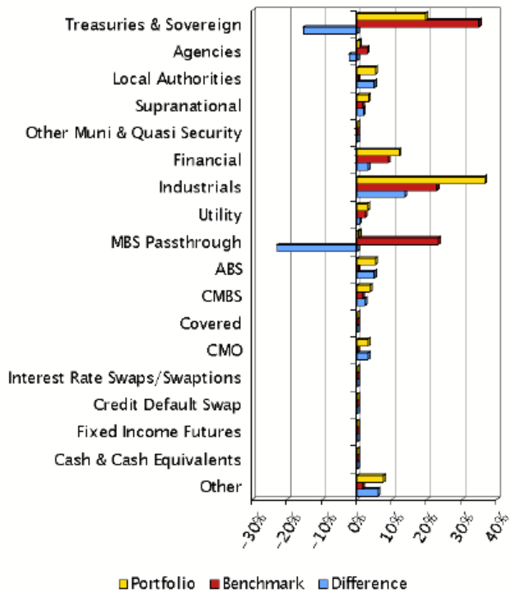
Top 5 Fixed Income Including Cash Overweight Positions

	Portfolio	Benchmark	Difference
FX FORWARDS - USD	7.12%	0.00%	7.12%
FX FORWARDS - USD	6.57%	0.00%	6.57%
FX FORWARDS - USD	6.11%	0.00%	6.11%
FX FORWARDS - USD	2.23%	0.00%	2.23%
FX FORWARDS - USD	2.17%	0.00%	2.17%

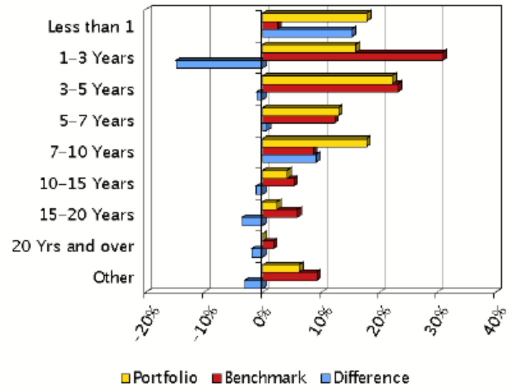
Top 5 Fixed Income Including Cash Underweight Positions

	Portfolio	Benchmark	Difference
FX FORWARDS - NZD	-7.47%	0.00%	-7.47%
FX FORWARDS - AUD	-6.66%	0.00%	-6.66%
FX FORWARDS - SGD	-6.22%	0.00%	-6.22%
FX FORWARDS - NOK	-2.19%	0.00%	-2.19%
FX FORWARDS - MXN	-2.13%	0.00%	-2.13%

Barclays Global Scheme



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	0.60	0.66	---
Annualized Information Ratio	-0.57	-0.02	---
Annualized Sharpe Ratio	2.28	1.50	---
Annualized Tracking Error	1.33	1.73	---

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

Columbia Threadneedle

- Mandate: US High Yield
- Benchmark: Barclays US High Yield Index
- Last On-Site Review: Sept 2016

Columbia - Pension			
Net Performance Thru 9/30/16			
	Portfolio	US High Yield	Relative
FYTD	4.26%	4.85%	-0.59%
1 Year	7.65%	9.07%	-1.42%
3 Year	6.20%	5.40%	0.80%

BNY MELLON
KR2F30070002-IX1F0003354C

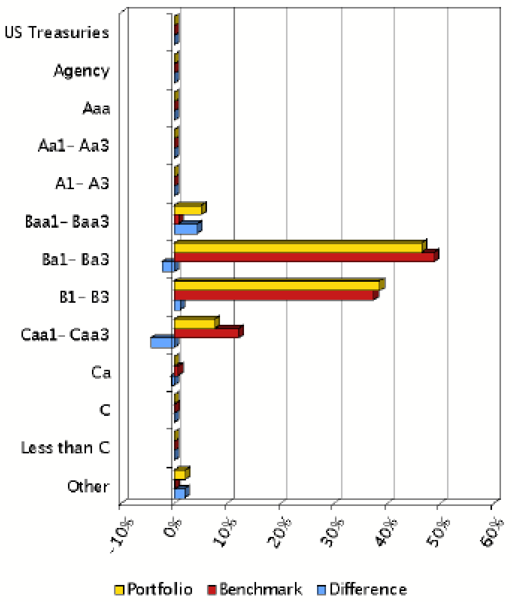
Manager At A Glance
Total
COLUMBIA vs. BC Crp High Yield

Period Ending August 31, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.31	4.84	0.47
Opt. Adj. Duration	4.47	4.04	0.42
Spread Duration	4.43	4.02	0.41
Average Quality Rating	B1	B1	---
Yield to Maturity	5.32%	6.55%	-1.23%
Num of Fixed Income Holdings	408	2152	---

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
COLUMBIA	254,148,936.45	2.04	4.71	7.65	4.26	6.20	---
Bloomberg Barclays U.S. Corporate High		2.09	5.82	9.07	4.85	5.40	---
Excess Return		-0.05	-1.11	-1.42	-0.59	0.80	---

Average Quality Ratings - Credit Exposure



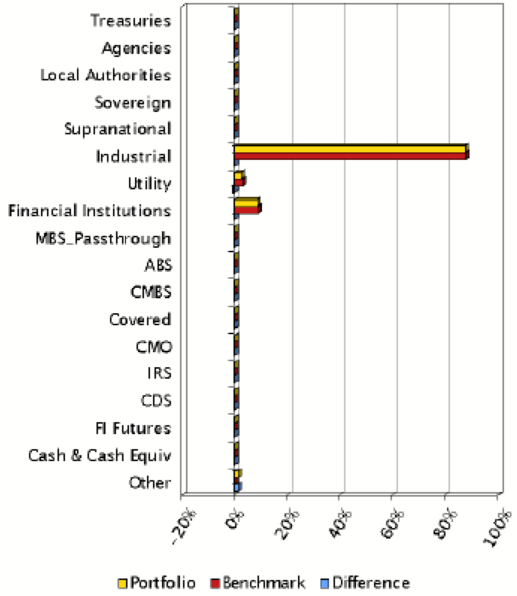
Top 5 Fixed Income Including Cash Overweight Positions

	Portfolio	Benchmark	Difference
EB TEMP IVN FD	1.61%	0.00%	1.61%
MPLX LP 144A	1.25%	0.00%	1.25%
ALLY FINANCIAL INC	0.88%	0.04%	0.84%
VIRGIN MEDIA FINANCE PLC 144A	0.87%	0.03%	0.84%
CARRIZO OIL & GAS INC	0.84%	0.05%	0.79%

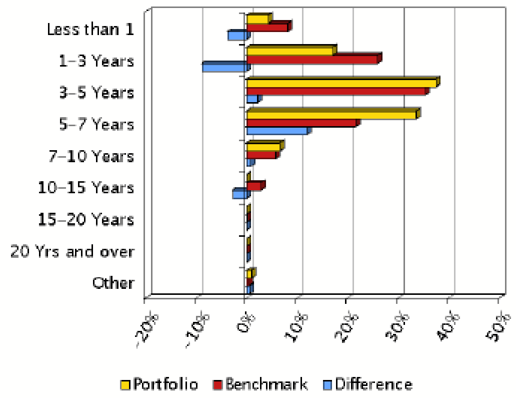
Top 5 Fixed Income Including Cash Underweight Positions

	Portfolio	Benchmark	Difference
SPRINT CORP	0.03%	0.32%	-0.29%
WESTERN DIGITAL CORP 144A	0.00%	0.29%	-0.29%
USD (UNITED STATES DOLLAR)	-0.28%	0.00%	-0.28%
PRIME SECURITY SERVICES B 144A	0.00%	0.26%	-0.26%
HCA INC	0.00%	0.25%	-0.25%

Barclays Global Scheme - Updated



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	1.54	2.26	---
Annualized Information Ratio	-0.34	0.49	---
Annualized Sharpe Ratio	1.24	1.27	---
Annualized Tracking Error	3.33	2.25	---

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

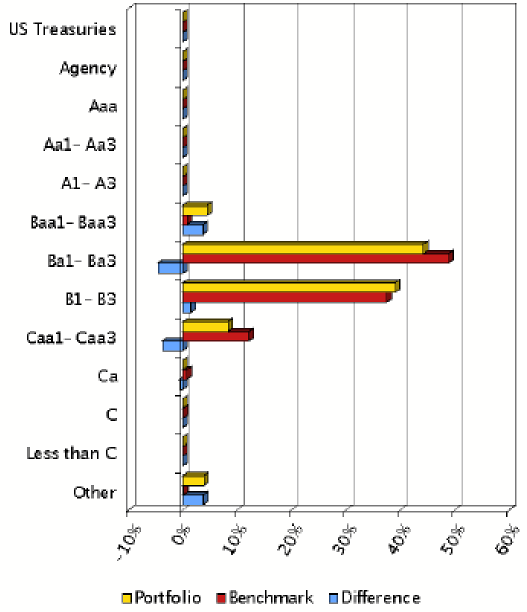
Manager At A Glance
Total
COLUMBIA vs. BC Crp High Yield

Period Ending August 31, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio	Benchmark	Difference
Modified Duration	5.23	4.84	0.39
Opt. Adj. Duration	4.34	4.04	0.30
Spread Duration	4.31	4.02	0.29
Average Quality Rating	B1	B1	---
Yield to Maturity	5.34%	6.55%	-1.20%
Num of Fixed Income Holdings	403	2152	---

Performance Total Net of Fees	Market Value	Current Month	3 Months	1 Year	Fiscal YTD	3 Years	5 Years
COLUMBIA	51,438,191.80	2.03	4.74	8.33	4.23	6.43	---
Bloomberg Barclays U.S. Corporate High		2.09	5.82	9.07	4.85	5.40	---
Excess Return		-0.06	-1.08	-0.74	-0.62	1.03	---

Average Quality Ratings - Credit Exposure



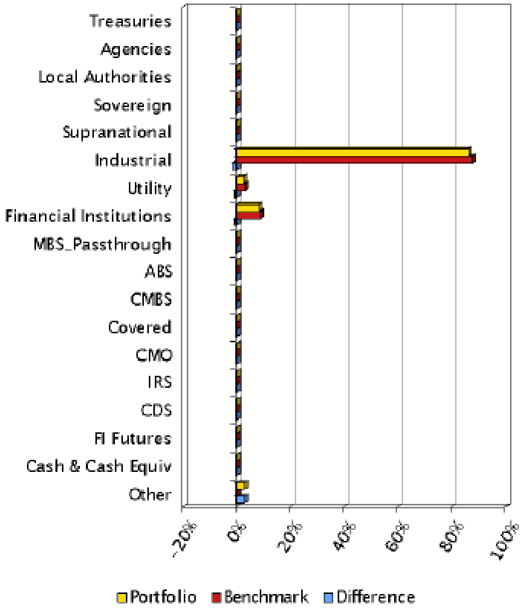
Top 5 Fixed Income Including Cash Overweight Positions

	Portfolio	Benchmark	Difference
EB TEMP IVN FD	11.60%	0.00%	11.60%
SBA COMMUNICATIONS CORP 144A	1.00%	0.08%	0.92%
CARRIZO OIL & GAS INC	0.86%	0.05%	0.81%
CSC HOLDINGS LLC 144A	0.99%	0.18%	0.81%
WPX ENERGY INC	0.86%	0.08%	0.78%

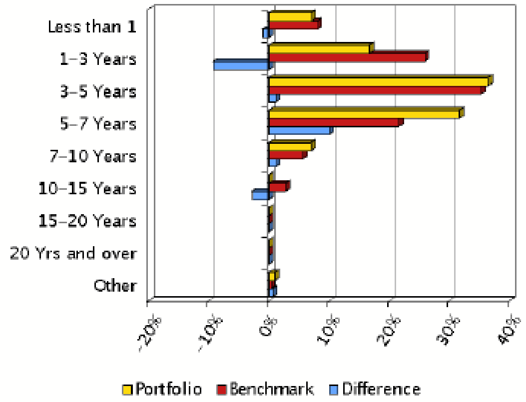
Top 5 Fixed Income Including Cash Underweight Positions

	Portfolio	Benchmark	Difference
USD (UNITED STATES DOLLAR)	-8.69%	0.00%	-8.69%
WESTERN DIGITAL CORP 144A	0.00%	0.29%	-0.29%
PRIME SECURITY SERVICES B 144A	0.00%	0.26%	-0.26%
HCA INC	0.00%	0.25%	-0.25%
ALTICE LUXEMBOURG SA 144A	0.00%	0.23%	-0.23%

Barclays Global Scheme - Updated



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	2.05	2.40	---
Annualized Information Ratio	-0.15	0.61	---
Annualized Sharpe Ratio	1.33	1.30	---
Annualized Tracking Error	3.13	2.14	---

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

Shenkman Capital Management

- Mandate: US Bank Loans
- Benchmark: 50% Barclays Capital U.S. High Yield Index and 50% Barclays Capital U.S. High Yield Loans Index
- Last On-Site Review: May 2016

Shenkman - Pension			
Net Performance Thru 9/30/16			
	Portfolio	Custom Index	Relative
FYTD	3.14%	3.08%	0.06%
1 Year	4.23%	5.46%	-1.23%
3 Year	3.56%	4.19%	-0.63%
5 Year	5.67%	6.78%	-1.11%

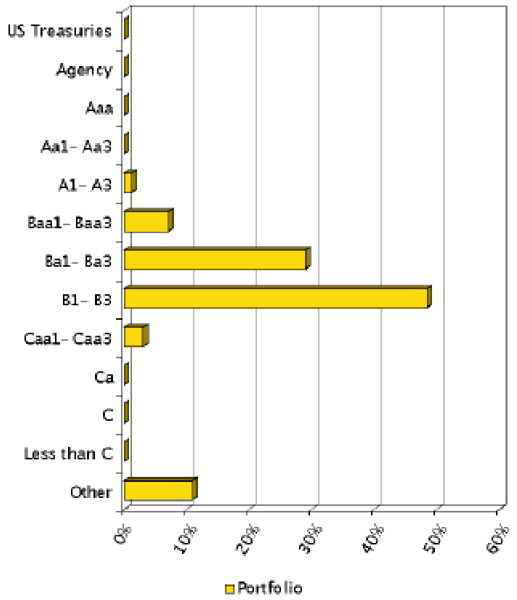
Manager At A Glance
Total
SHENKMAN CAP vs. Shenkman Blended Index

Period Ending August 31, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	4.74
Opt. Adj. Duration	4.23
Spread Duration	5.62
Average Quality Rating	BA3
Yield to Maturity	1.01%
Num of Fixed Income Holdings	262

Performance Total Net of Fees	Market Value	Current Month	Fiscal YTD	3 Months	1 Year	3 Years	5 Years
SHENKMAN CAP	85,725,498.55	0.78	2.25	2.03	2.51	3.50	5.40
Shenkman Blended Index		0.75	2.19	2.21	3.88	4.10	6.27
Excess Return		0.03	0.06	-0.18	-1.37	-0.60	-0.87

Average Quality Ratings - Credit Exposure



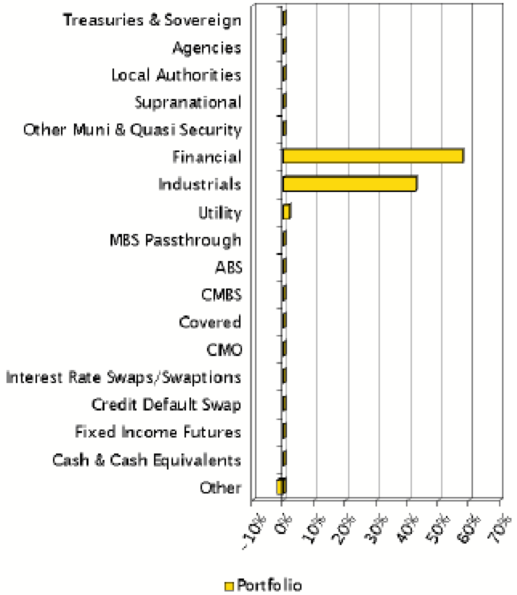
Top 5 Fixed Income Including Cash Currency Exposures

	Portfolio
UNITED STATES DOLLAR	100.00%
Total	100.00%

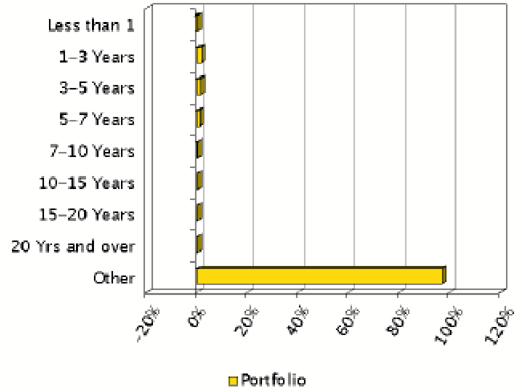
Top 5 Fixed Income Excluding Cash Positions

	Portfolio	Benchmark	Difference
DELL 6/15 (USD) COV-LITE TLB2	1.14%	---	---
FORMULA ONE 8/14 (USD)	1.13%	---	---
TRADER 8/16 TL	0.99%	---	---
MULTIPLAN 5/16 COV-LITE TLB	0.98%	---	---
VALEANT 3/15 F1 TLB	0.96%	---	---
Total	5.20%	---	

Barclays Global Scheme



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	-0.59	-0.15	-0.14
Annualized Information Ratio	-1.02	-0.07	-0.34
Annualized Sharpe Ratio	0.74	1.25	1.51
Annualized Tracking Error	0.79	0.82	0.95

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

BNY MELLON
KR3F30040002-KR3GX004SHEK

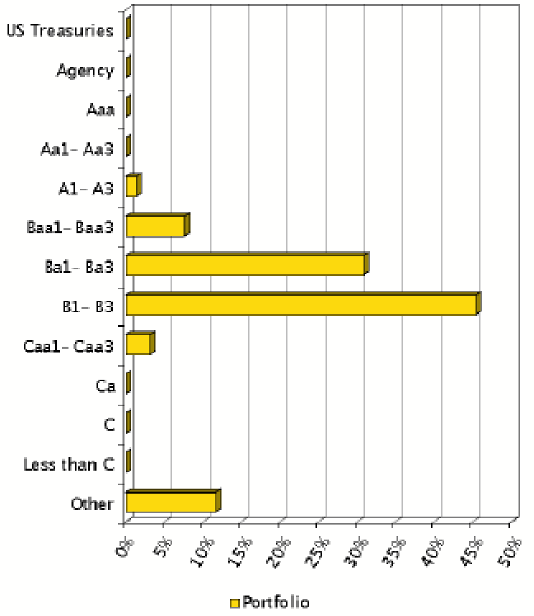
Manager At A Glance
Total
SHENKMAN CAP vs. Shenkman Blended Index

Period Ending August 31, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	4.71
Opt. Adj. Duration	3.00
Spread Duration	3.85
Average Quality Rating	BA3
Yield to Maturity	0.90%
Num of Fixed Income Holdings	279

Performance Total Net of Fees	Market Value	Current Month	Fiscal YTD	3 Months	1 Year	3 Years	5 Years
SHENKMAN CAP	39,976,386.66	0.74	2.17	1.74	2.57	2.44	4.85
Shenkman Blended Index		0.75	2.19	2.21	3.88	4.10	6.27
Excess Return		-0.01	-0.02	-0.47	-1.31	-1.66	-1.42

Average Quality Ratings - Credit Exposure



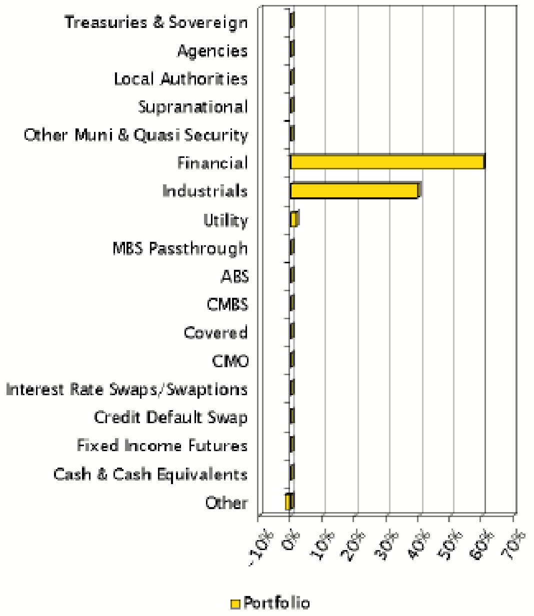
Top 5 Fixed Income Including Cash Currency Exposures

	Portfolio
UNITED STATES DOLLAR	99.20%
CANADIAN DOLLAR	0.80%
Total	100.00%

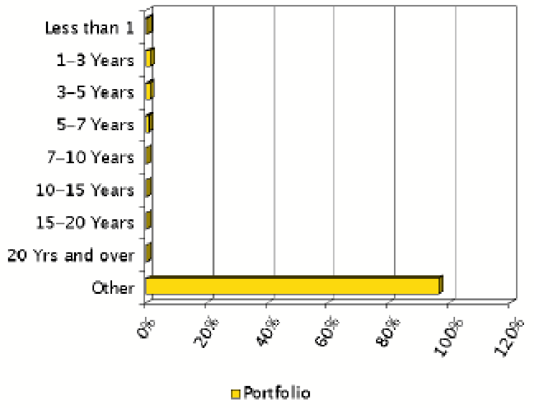
Top 5 Fixed Income Excluding Cash Positions

	Portfolio	Benchmark	Difference
FORMULA ONE 8/14 (USD)	1.32%	---	---
MULTIPLAN 5/16 COV-LITE TLB	1.18%	---	---
BRICKMAN GROUP 12/13 COV-LITE	1.10%	---	---
AMAYA 7/14 (USD) COV-LITE TL	0.98%	---	---
PATHEON 1/14 (USD) TL	0.98%	---	---
Total	5.56%	---	

Barclays Global Scheme



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	-0.44	-0.83	-0.79
Annualized Information Ratio	-0.73	-0.59	-0.52
Annualized Sharpe Ratio	0.76	0.87	1.28
Annualized Tracking Error	1.06	1.86	1.63

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

Waterfall Asset Management

- Mandate: Distressed securitized debt
- Benchmark: 60% Barclays US High Yield Index / 40% Barclays US Floating Rate ABS Index
- Last On-Site Review: May 2016

Waterfall - Pension			
Net Performance Thru 9/30/16			
	Portfolio	Custom Index	Relative
FYTD	4.07%	3.66%	0.41%
1 Year	5.08%	7.89%	-2.81%
3 Year	8.08%	3.55%	4.53%
5 Year	9.11%	5.45%	3.66%

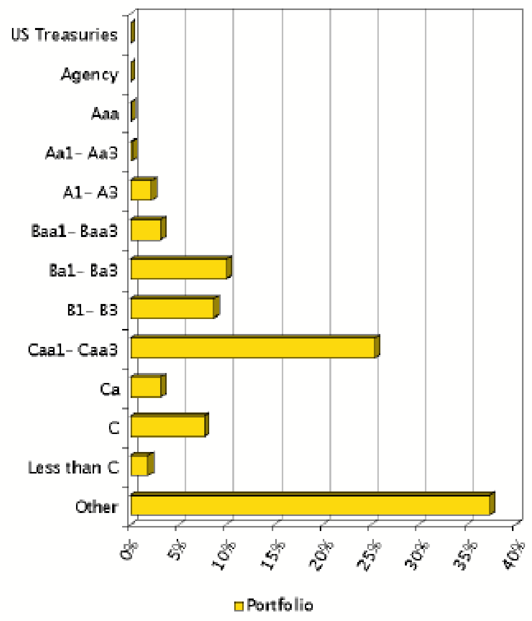
Manager At A Glance
Total
WATERFALL vs. Opportunistic FI Blended Index

Period Ending August 31, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	6.04
Opt. Adj. Duration	0.36
Spread Duration	4.40
Average Quality Rating	B3
Yield to Maturity	9.92%
Num of Fixed Income Holdings	185

Performance Total Net of Fees	Market Value	Current Month	Fiscal YTD	3 Months	1 Year	3 Years	5 Years
WATERFALL	132,711,196.01	1.05	2.64	3.33	4.02	7.92	8.85
Opportunistic FI Blended Index		1.41	3.15	3.82	5.68	3.60	4.92
Excess Return		-0.36	-0.51	-0.49	-1.66	4.32	3.93

Average Quality Ratings - Credit Exposure



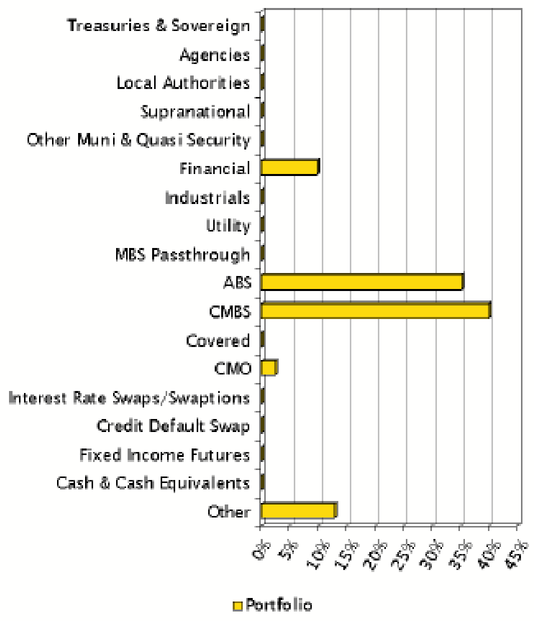
Top 5 Fixed Income Including Cash Currency Exposures

	Portfolio
UNITED STATES DOLLAR	100.00%
Total	100.00%

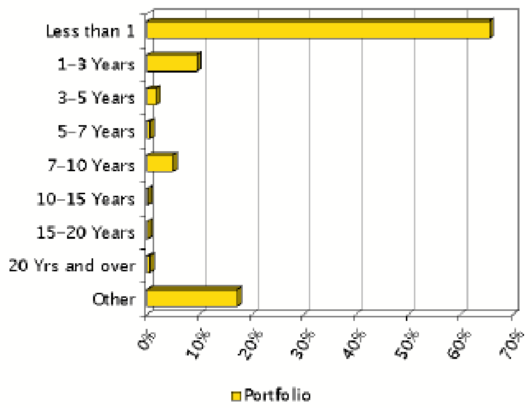
Top 5 Fixed Income Excluding Cash Positions

	Portfolio	Benchmark	Difference
GS MORTGAGE SECURITIES GG10	3.62%	---	---
GRAMERCY REAL ESTAT 1A A1	3.56%	---	---
CREDIT SUISSE COMMERCIAL C3	3.43%	---	---
FAIRWAY OUTDOOR FUND 1A B	2.71%	---	---
FREMF 2015-KF11 MO KF11 C 144A	2.57%	---	---
Total	15.89%	---	

Barclays Global Scheme



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	2.02	7.60	8.31
Annualized Information Ratio	-0.28	1.53	1.25
Annualized Sharpe Ratio	1.24	3.24	3.29
Annualized Tracking Error	4.02	3.44	3.89

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

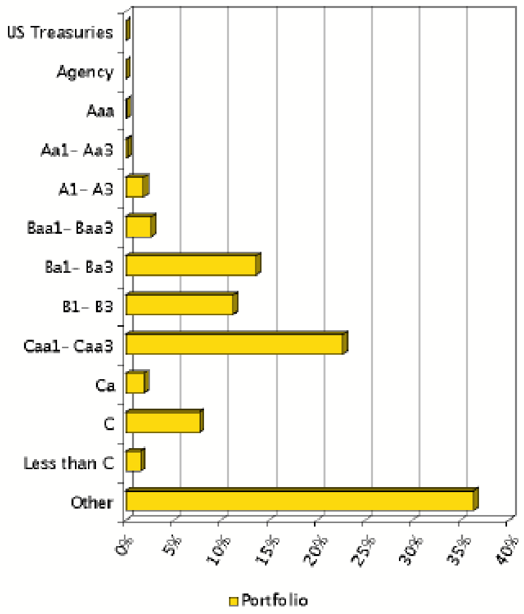
Manager At A Glance
Total
WATERFALL vs. Opportunistic FI Blended Index

Period Ending August 31, 2016
Currency : USD
Report ID : IAN0101

Fixed Income Characteristics	Portfolio
Modified Duration	4.89
Opt. Adj. Duration	0.16
Spread Duration	3.64
Average Quality Rating	B3
Yield to Maturity	10.25%
Num of Fixed Income Holdings	129

Performance Total Net of Fees	Market Value	Current Month	Fiscal YTD	3 Months	1 Year	3 Years	5 Years
WATERFALL	46,576,257.21	0.98	-0.52	2.69	3.37	6.61	9.61
Opportunistic FI Blended Index		1.41	3.15	3.82	5.68	3.60	4.92
Excess Return		-0.43	-3.67	-1.13	-2.31	3.01	4.69

Average Quality Ratings - Credit Exposure



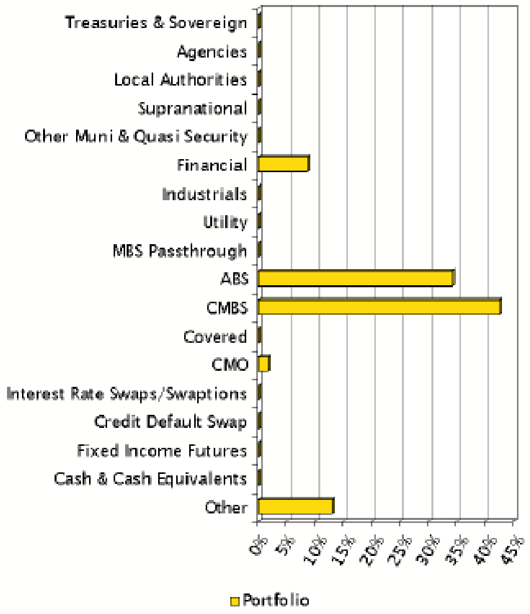
Top 5 Fixed Income Including Cash Currency Exposures

	Portfolio
UNITED STATES DOLLAR	100.00%
Total	100.00%

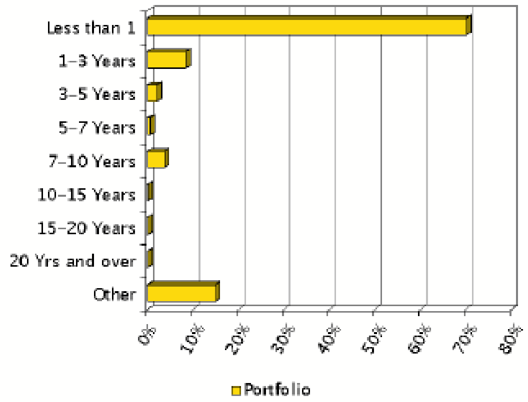
Top 5 Fixed Income Excluding Cash Positions

	Portfolio	Benchmark	Difference
VENTURE IX CDO LTD 9A E 144A	4.93%	---	---
GS MORTGAGE SECURITIES GG10	3.95%	---	---
CREDIT SUISSE COMMERCIAL C3	3.82%	---	---
GRAMERCY REAL ESTAT 1A A1	3.72%	---	---
BAMLL RE-REMIC TR CS1 AJA 144A	2.93%	---	---
Total	19.35%	---	

Barclays Global Scheme



Duration Breakdown - Broad Duration - OAD



Statistic	1 Year	3 Years	5 Years
Annualized Alpha	2.38	6.73	8.35
Annualized Information Ratio	-0.29	0.94	1.21
Annualized Sharpe Ratio	0.84	2.46	2.35
Annualized Tracking Error	5.75	4.16	4.65

Commentary

- Alpha is the return generated by the portfolio minus the return of the benchmark.
- Sharpe Ratio is the average return above the risk free rate / standard deviation of that return.
- Information Ratio is the return generated above the benchmark return / standard deviation of that return.
- Tracking Error is the standard deviation of the variance of return between the

Marathon Asset Management

- Mandate: Multi-Sector Global Credit
- Benchmark: Barclays US High Yield Index

Marathon - Pension			
Net Performance Thru 9/30/16			
	Portfolio	US High Yield	Relative
FYTD	5.13%	5.13%	0.00%
YTD	10.01%	15.11%	-5.10%

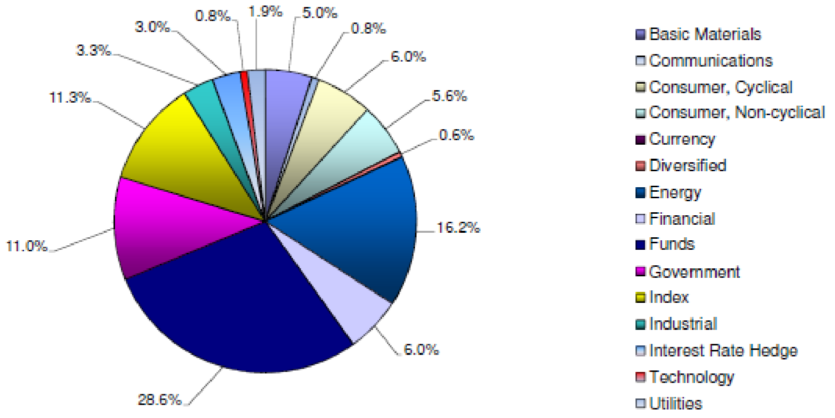
Marathon Blue Grass Credit Fund, LP

MARATHON ASSET MANAGEMENT

Monthly Performance Report • **September 2016**

Summary	9/30/2016
Monthly Net Return(est)[1]	2.14%
YTD Net Return(est)[1]	10.01%
NAV (est)	282,462,000
Capital Contribution	260,000,000

Gross Market Value by Industry Sector[2]



Industry Sector Summary[2]

Industry Name	Gross Market Value	Long Market Value	Short Market Value	Net Market Value	YTD Attribution[3]
Basic Materials	18,092,000	12,425,000	(5,667,000)	6,758,000	1.61%
Communications	2,838,000	2,838,000	0	2,838,000	-0.33%
Consumer, Cyclical	21,814,000	18,630,000	(3,184,000)	15,446,000	1.11%
Consumer, Non-cyclical	20,379,000	3,839,000	(16,540,000)	(12,701,000)	-0.70%
Currency	0	0	0	0	0.00%
Diversified	2,006,000	0	(2,006,000)	(2,006,000)	-0.09%
Energy	58,538,000	52,521,000	(6,017,000)	46,504,000	7.19%
Financial	21,578,000	16,744,000	(4,834,000)	11,910,000	0.52%
Funds	103,680,000	103,680,000	0	103,680,000	2.91%
Government	39,739,000	39,739,000	0	39,739,000	1.57%
Index	40,870,000	2,540,000	(38,330,000)	(35,790,000)	-1.57%
Industrial	11,824,000	9,395,000	(2,429,000)	6,966,000	0.49%
Interest Rate Hedge	10,958,000	4,785,000	(6,173,000)	(1,388,000)	-0.29%
Technology	2,809,000	0	(2,809,000)	(2,809,000)	-0.17%
Utilities	6,863,000	6,391,000	(472,000)	5,919,000	0.17%
Total	361,988,000	273,527,000	(88,461,000)	185,066,000	12.42%

Security Type Summary[2]

Security Type	Gross Market Value	Long Market Value	Short Market Value	Net Market Value	YTD Attribution[3]
Bank Debt	41,760,000	41,409,000	(351,000)	41,058,000	3.68%
Bond Convertible	1,599,000	0	(1,599,000)	(1,599,000)	-0.10%
Bond Corporate	90,075,000	58,462,000	(31,613,000)	26,849,000	6.75%
Bond Government	15,301,000	9,128,000	(6,173,000)	2,955,000	0.08%
Credit Default Swap	6,515,000	0	(6,515,000)	(6,515,000)	-0.97%
Credit Default Swap Index	5,850,000	0	(5,850,000)	(5,850,000)	-0.14%
Currency	0	0	0	0	0.00%
Equity Preferred	2,569,000	2,569,000	0	2,569,000	0.30%
Equity TRS	547,000	547,000	0	547,000	0.15%
Fund / UIT	103,680,000	103,680,000	0	103,680,000	2.95%
Index	0	0	0	0	-0.13%
Listed Option - American	14,416,000	2,688,000	(11,728,000)	(9,040,000)	-0.72%
Loan	6,206,000	6,206,000	0	6,206,000	0.50%
Local Stock	31,020,000	6,388,000	(24,632,000)	(18,244,000)	-1.03%
Municipal Bond	35,396,000	35,396,000	0	35,396,000	1.17%
OTC Equity Option	0	0	0	0	-0.01%
Unlisted Local Stock	7,054,000	7,054,000	0	7,054,000	-0.07%
Warrant	0	0	0	0	0.00%
Total	361,988,000	273,527,000	(88,461,000)	185,066,000	12.42%

NET RETURNS[1]

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2016		0.14%	0.83%	1.83%	0.98%	1.21%	0.87%	1.61%	2.14% E				10.01% E

STRATEGY DESCRIPTION

The Fund's investment objective is to seek to maximize total returns primarily through investments in, but not limited to: (i) investment grade corporate bonds; (ii) cross-over securities; (iii) convertible bonds; (iv) high-yield debt; (v) bank debt; (vi) distressed debt; and (vii) preferred securities. The investment strategy also allows for short bond, stock or derivative positions in single names or indices that allow for profit in the event of a market, industry or company decline or for portfolio hedging purposes.

INVESTMENT MANAGER: Marathon Asset Management, LP

Notes:

1. Monthly returns belong to Marathon Blue Grass Credit Fund, LP., and are net of management fees, expenses, and incentive fee (if any). Refer to fund's private offering memorandum for details on Incentive Fee Allocation. Returns are unaudited and reflect the reinvestment of dividends. Returns are from the administrator. The most recent month is an estimated net return from the administrator. Any capital flows are weighted in the return calculations. Past performance is not indicative of future results.
2. CDS/CDX market values are shown on a bond-equivalent basis Options, Swaptions, and Interest Rate Swaps are shown on a delta adjusted market value equivalent.
3. Gross returns and attribution are estimated and based on performance gross of all fees and expenses. Returns are unaudited and reflect the reinvestment of dividends. Past performance is not necessarily indicative of future results. Please see last page for important disclosure information.

Disclosure

The foregoing information has been provided pursuant to a specific written request. Since it is only a summary in response to a specific written request, this document should not be the basis of an investment decision. An investment decision should be based on a thorough review and due diligence process, which should include, but not be limited to, a thorough review of all relevant term sheets and other offering and organizational documents as well as consultation with legal, tax and regulatory advisors. Any person making an investment must be able to bear the risks involved and must meet the relevant suitability requirements. Some or all alternative investment programs may not be suitable for certain investors. No assurance can be given that any fund, account or strategy will meet its investment objectives or avoid losses. Among the risks, which we wish to call to your attention, are the following:

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<u>Investment Risks:</u> The funds or accounts discussed in this document utilize speculative investment strategies that accept varying degrees of risk, including substantial degrees of risk in some cases. The funds, accounts or strategies may be leveraged and may engage in other speculative investment practices that may increase the risk of investment loss. Past performance results achieved by the investment manager, Marathon Asset Management LP ("Marathon"), on behalf of any fund, account or strategy is not necessarily indicative of any future performance that may be achieved by Marathon on behalf of any fund, account or strategy. Any fund's, account's or strategy's performance may be volatile and certain market and economic events having a positive impact on performance may not repeat themselves. The net asset value of any fund or account may go up as well as down. An investor could lose all or a substantial amount of his, her or its investment. Marathon has total trading authority over any fund or account unless otherwise expressly agreed, and the fund or account is dependent upon the services of Marathon. The investments of any fund, account or strategy may be concentrated and accordingly may lack diversification and, consequently, involve higher risk. The fund, account or strategy may have liquidity provisions and limitations that could restrict the ability of an investor to redeem their investment. There is no secondary market for investors' interests in any fund or account and none is expected to develop. There are restrictions on transferring interests in any privately offered fund. The fund's or account's fees and expenses may offset the fund's or account's trading and investment profits. The fund or account may not be required to provide periodic pricing or valuation information to investors with respect to individual investments. The fund or account is not a registered investment company and is not subject to the same regulatory requirements as mutual funds. All or a portion of the trades executed for the fund or account may take place on foreign markets. The fund or account may pursue strategies other than those described herein, and such other strategies may result in losses that offset any gains generated by the strategies described herein. The fund, or account is subject to conflicts of interest of Marathon and its affiliates. The Governing Documents of any fund or account set forth the terms of an investment in such fund or account and other material information, including risk factors, conflicts of interest, fees and expenses, and tax-related information. The Governing Documents must be reviewed prior to any determination to invest in any fund or account described herein. Investment decisions should be made solely in reliance on the Governing Documents of the relevant fund or account and investors should not rely upon any other information, representation or warranty of the fund or account, including without limitation any interviews, quotes, statements or comments of Marathon or any of its directors, officers, partners, members, employees, agents, legal representatives and controlling persons, including those made in a public forum or through any media outlet.

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Cerberus

- Mandate: Private Credit – Direct Lending
- Benchmark: S&P LSTA Leveraged Loan Index
- Last On-Site Review: May 2016

Cerberus - Pension			
Net Performance Thru 9/30/16			
	Portfolio	S&P LSTA Lev Loans	Relative
FYTD e	2.25%	3.08%	-0.83%
1 Year e	8.72%	5.46%	3.26%
*** Returns for September 2016 are preliminary			