



CERS Quarterly Performance Update

December 2025

Pension Portfolios Performance

CERS & CERS-HAZ - PENSION FUND PLAN NET RETURNS - 12/31/25											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
CERS	11,115,302,570.55	0.72	2.13	6.52	13.75	12.69	8.62	8.90	7.01	7.72	9.04
KY Ret. CKERS Plan IPS Index		0.66	2.02	6.58	13.46	12.49	8.46	8.65	7.00	7.71	9.07
CERS- H	4,029,126,980.62	0.71	2.12	6.48	13.75	12.75	8.61	8.88	7.00	7.72	9.04
KY Ret. CERS Haz Plan IPS Index		0.65	2.03	6.57	13.47	12.53	8.46	8.65	7.00	7.71	9.07
KPPA PENSION FUND UNIT - NET RETURNS - 12/31/25 - PROXY PLAN ASSET PERFORMANCE											
Structure		Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY		1.00	3.03	9.89	21.51	19.25	10.18	11.34	8.04	8.73	10.62
MSCI ACWI		1.03	3.22	11.14	22.06	19.98	10.52	11.43	7.96	8.56	10.52
PRIVATE EQUITY		0.45	0.53	3.85	7.81	6.54	11.53	11.27	9.90		11.18
Custom Private Equity BM		0.45	0.53	3.85	7.81	6.54	11.53	13.77	11.71		11.60
SPECIALTY CREDIT		0.89	2.09	4.64	9.09	10.46	8.11				7.12
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		0.60	1.26	3.44	7.26	9.72	5.50				5.32
CORE FIXED INCOME		-0.19	1.09	3.24	7.50	5.49	2.11	3.14			3.08
Bloomberg US Aggregate		-0.15	1.10	3.15	7.30	4.66	-0.36	2.01			2.16
CASH		0.33	1.02	2.12	4.37	4.74	3.17	2.34	2.04	2.70	3.41
FTSE Treasury Bill-3 Month		0.33	1.02	2.14	4.40	5.03	3.31	2.23	1.70	2.37	3.06
REAL ESTATE		0.14	0.30	1.15	4.99	-3.70	4.83	7.19	6.60	6.06	6.11
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.52	0.52	1.34	3.19	-6.15	2.59	4.13	4.92	6.86	5.81
REAL RETURN		1.04	1.86	5.59	10.47	13.50	12.35	8.53			6.40
US CPI +3%		0.04	0.78	2.30	5.74	5.87	8.01	5.72			4.38

Insurance Portfolios Performance

CERS INS & CERS HAZ INS - INSURANCE FUND - PLAN NET RETURNS - 12/31/25											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
CERS INS	4,092,224,723.77	0.69	2.11	6.41	13.48	12.60	8.59	8.86	6.63	7.04	7.65
KY Ins. CERS Plan IPS Index		0.58	1.94	6.40	12.94	12.40	8.40	8.59	6.71	7.29	7.87
CERS - H INS	1,908,344,310.67	0.68	2.09	6.32	13.28	12.47	8.62	8.89	6.65	7.05	7.66
KY Ins. CERS Haz Plan IPS Index		0.58	1.94	6.38	12.90	12.38	8.39	8.58	6.71	7.29	7.86
KPPA INSURANCE FUND UNIT - NET RETURNS - 12/31/25 - PROXY PLAN ASSET PERFORMANCE											
Structure		Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY		0.99	3.03	9.86	21.53	19.12	10.13	11.33	7.89		9.20
MSCI ACWI		1.03	3.22	11.14	22.06	19.98	10.50	11.42	7.83		9.07
PRIVATE EQUITY		-0.63	-0.56	1.09	0.47	4.74	11.53	11.10	10.12		10.18
Custom Private Equity BM		-0.63	-0.56	1.09	0.47	4.74	11.53	13.93	11.46		11.27
SPECIALTY CREDIT		0.91	2.13	4.68	9.26	10.61	8.26				7.07
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		0.60	1.26	3.44	7.26	9.72	5.50				5.32
CORE FIXED INCOME		-0.20	1.08	3.23	7.44	5.39	1.99	3.04			2.83
Bloomberg US Aggregate		-0.15	1.10	3.15	7.30	4.66	-0.36	2.01			2.16
CASH		0.32	1.01	2.11	4.36	4.75	3.16	2.20	1.87		2.64
FTSE Treasury Bill-3 Month		0.33	1.02	2.14	4.40	5.03	3.31	2.23	1.70		2.55
REAL ESTATE		0.16	0.32	1.20	4.95	-3.80	4.67	7.19			7.80
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.52	0.52	1.34	3.19	-6.15	2.59	4.13			4.58
REAL RETURN		1.15	1.63	4.63	8.54	11.93	10.85	7.90			5.92
US CPI +3%		0.04	0.78	2.30	5.74	5.87	7.55	5.72			4.42

Internal Portfolio Performance



Monthly Investment Manager Performance (Net of Fees)

As of Date: 12/31/25

Structure	Market Value	% of Total	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	ITD	Inception Date
PUBLIC EQUITY												
Russell 500 Index	3,704,545,224.01	16.32	-0.03	2.43	10.74	18.20	23.14	14.50	14.98	11.21	9.68	2001-07-01
KY Ret. S&P/Russell Blend			-0.06	2.34	10.51	17.60	22.91	14.37	14.79	11.11	9.58	
Internal US Mid Cap	290,959,172.95	1.28	0.00	1.67	7.38	7.74	13.31	9.61	11.27		10.20	2014-08-01
S&P MidCap 400 Index			0.07	1.64	7.29	7.50	12.56	9.12	10.72		9.74	
PRIVATE EQUITY												
INTERNAL PRIVATE EQ	98,860,593.26	0.44	0.13	1.96	7.81	12.84					15.14	2023-12-01
CORE FI												
INTERNAL CORE FI	1,166,284,189.62	5.14	-0.27	0.95	3.03	7.17					5.48	2023-09-01
Bloomberg US Aggregate Bond Index			-0.15	1.10	3.15	7.30					5.42	
REAL ESTATE												
INTERNAL REAL ESTATE	49,116,581.59	0.22	-1.75	-2.64	-0.18	4.46					4.92	2023-12-01
NCREIF NFI ODCE Net 1Qtr in Arrears Index ^A			0.52	0.52	1.34	3.19					-3.47	
REAL RETURN												
INTERNAL REAL RETURN	164,798,062.83	0.73	1.16	6.48	20.26	36.27					22.83	2023-12-01
KRS CPI + 300 bpts			0.04	0.78	2.30	5.74					5.53	
INTERNAL TIPS	150,347.14	0.00	0.33	1.02	2.12	4.37	4.97	3.28	2.89	3.48	4.26	2002-05-01
KR2 Internal US TIPS Blend			-0.18	0.30	2.24	7.37	4.99	2.52	3.35	3.63	4.38	
CASH ACCOUNT	424,957,905.27	1.87	0.33	1.02	2.12	4.37	4.74	3.17	2.34	2.04	3.41	1988-01-01
FTSE Treasury Bill-3 Month			0.33	1.02	2.14	4.40	5.03	3.31	2.23	1.70	3.06	

Asset Class Gross Performance - Pension



Pension Asset Class Performance (Gross)

As of Date: 12/31/25

Structure	Account	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
CERS	KR2F00030002	11,119,493,467.83	0.81	2.28	6.80	14.35	13.33	9.43	9.63
PUBLIC EQUITIES		5,601,191,580.41	1.02	3.01	9.82	21.23	19.16	10.21	11.39
CORE FIXED INCOME		1,445,481,845.48	-0.21	1.07	3.22	7.42	5.43	2.12	
SPECIALTY CREDIT		2,243,466,246.70	1.06	2.42	5.38	10.38	12.09	9.67	8.27
REAL ESTATE		537,980,519.43	0.29	0.59	1.49	5.79	-3.50	5.53	7.02
LIQUIDITY		163,548,841.50	0.33	1.02	2.12	4.37	4.59	3.08	2.29
REAL RETURN		578,532,515.50	1.15	1.29	3.35	5.99	13.18	12.55	8.69
PRIVATE EQUITY		543,859,027.35	0.68	0.58	3.07	6.44	6.69	13.68	12.56
CERS - H	KR2F00040002	4,030,662,703.50	0.80	2.26	6.75	14.32	13.37	9.39	9.60
PUBLIC EQUITIES		2,025,422,941.74	1.02	3.01	9.81	21.27	19.20	10.24	11.41
CORE FIXED INCOME		517,214,378.30	-0.21	1.07	3.21	7.43	5.43	2.12	
SPECIALTY CREDIT		802,589,704.89	1.03	2.35	5.26	10.28	11.96	9.50	8.18
REAL ESTATE		169,744,323.13	0.29	0.59	1.49	5.80	-3.48	5.55	7.03
LIQUIDITY		107,406,894.20	0.33	1.02	2.12	4.37	4.66	3.13	2.31
REAL RETURN		207,379,817.67	1.24	1.37	3.47	6.14	13.55	12.84	8.84
PRIVATE EQUITY		197,662,018.46	0.53	0.59	2.88	6.57	7.12	13.69	12.56

Asset Class Gross Performance - Insurance

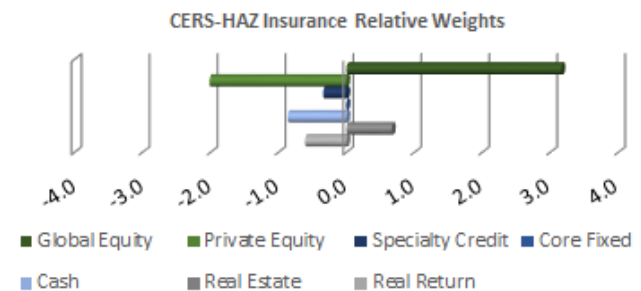
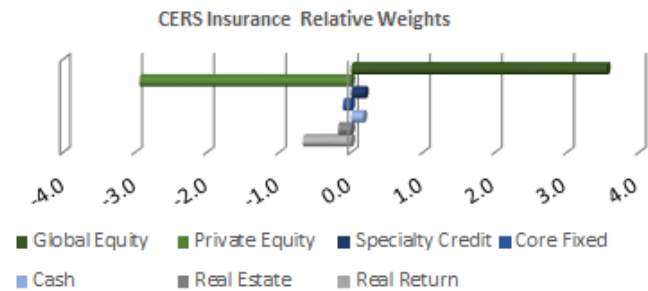
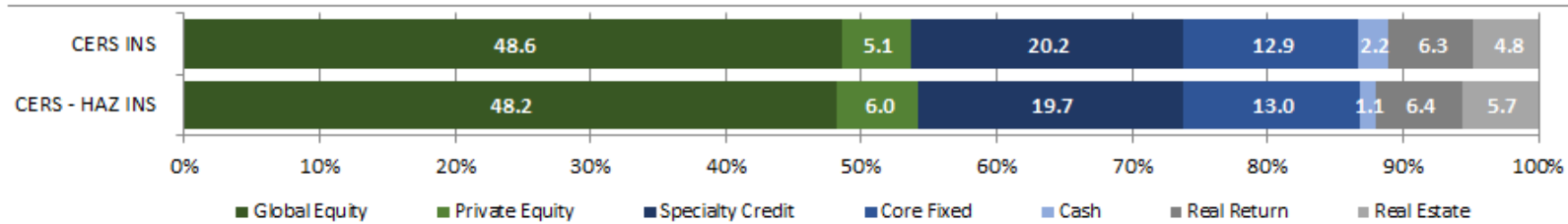
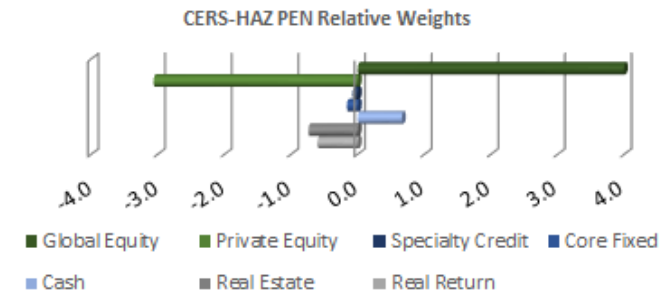
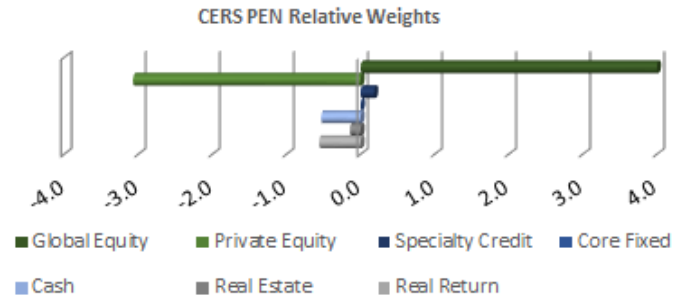
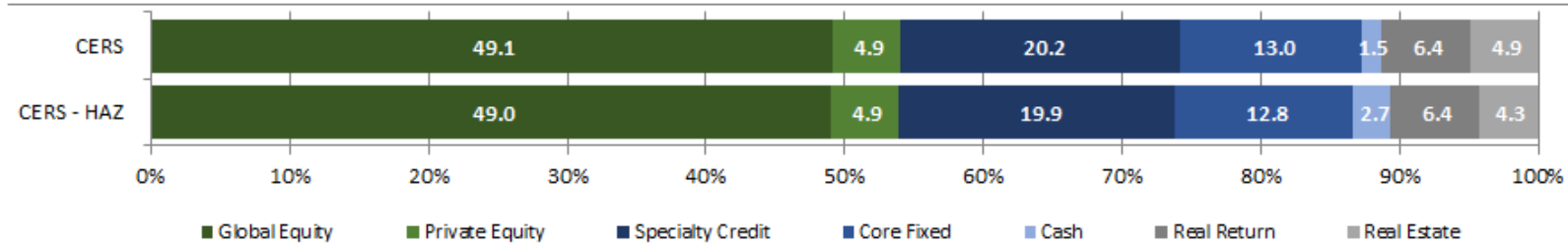


Insurance Asset Class Performance (Gross)

As of Date: 12/31/25

Structure	Account	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
CERS INS	KR3F00030002	4,093,915,336.76	0.77	2.24	6.69	14.08	13.25	9.41	9.65
PUBLIC EQUITIES		2,049,863,962.69	1.01	3.01	9.78	21.27	19.09	10.21	11.37
CORE FIXED INCOME		527,282,265.05	-0.20	1.08	3.22	7.41	5.36	2.00	
SPECIALTY CREDIT		826,256,305.58	1.07	2.46	5.43	10.60	12.17	9.61	8.14
REAL ESTATE		197,140,977.06	0.34	0.64	1.63	5.91	-3.24	5.33	6.96
LIQUIDITY		89,077,541.13	0.32	1.01	2.11	4.36	5.09	3.37	2.30
REAL RETURN		196,732,341.72	1.48	1.66	3.93	6.38	12.66	11.67	8.32
PRIVATE EQUITY		206,143,526.08	-0.34	-0.44	0.90	0.53	5.39	13.20	12.49
CERS - H INS	KR3F00040002	1,909,087,457.82	0.77	2.24	6.62	13.92	13.16	9.50	9.72
PUBLIC EQUITIES		949,252,118.08	1.02	3.02	9.78	21.25	19.08	10.17	11.38
CORE FIXED INCOME		248,009,418.51	-0.20	1.08	3.21	7.37	5.35	2.01	
SPECIALTY CREDIT		375,138,780.43	1.15	2.65	5.72	10.90	12.52	10.05	8.36
REAL ESTATE		108,198,156.98	0.35	0.64	1.63	5.92	-3.23	5.34	6.97
LIQUIDITY		21,826,003.72	0.32	1.01	2.11	4.36	5.01	3.32	2.28
REAL RETURN		92,298,066.15	1.31	1.50	3.67	6.13	12.15	11.30	8.20
PRIVATE EQUITY		113,749,778.10	-0.36	-0.46	0.62	0.07	5.23	13.11	12.33

Allocations



Performance Highlights

- The CERS Pension Composite produced a return of 2.13% for the quarter while the CERS Insurance Composite produced a return of 2.10% with all Plans outperforming their respective benchmarks by between 9bps and 17bps.

CERS Pension 2.13%
 Benchmark 2.02%

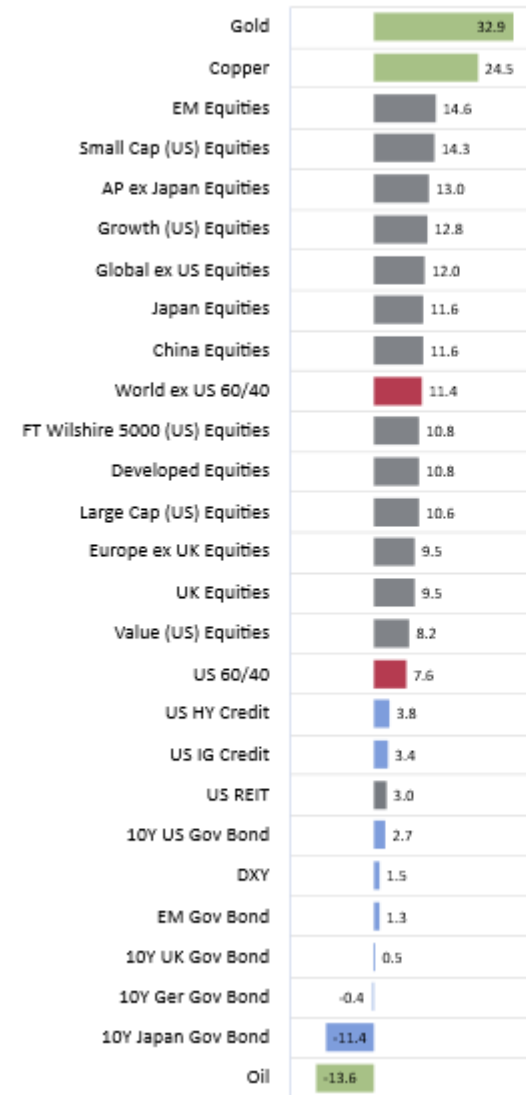
CERSH Pension 2.12%
 Benchmark 2.03%

CERS Insurance 2.11%
 Benchmark 1.94%

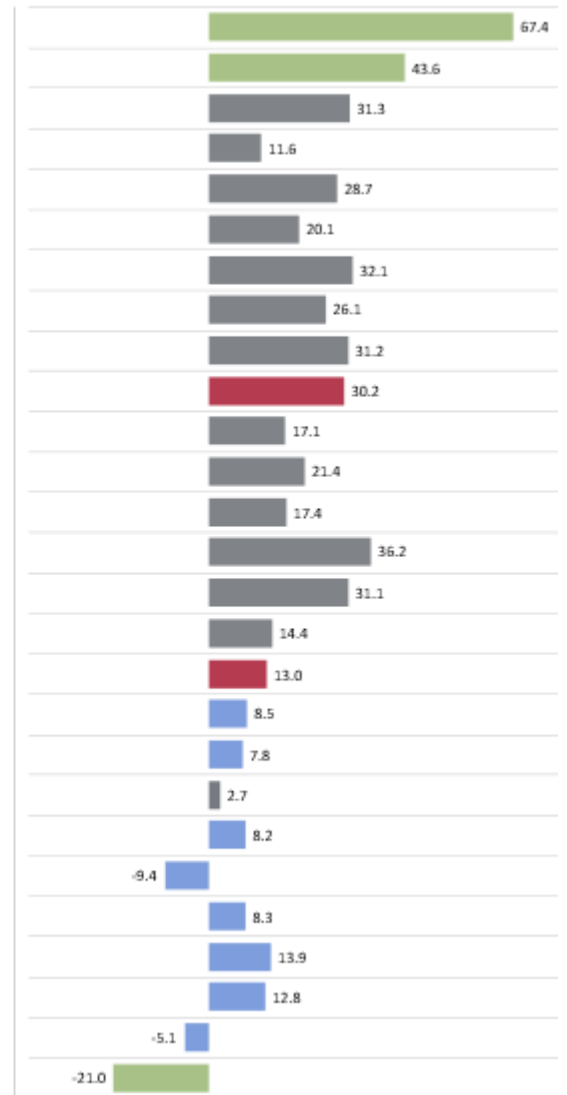
CERSH Insurance 2.09%
 Benchmark 1.94%

- Across portfolios, the largest contributors to relative performance during the quarter were the outperformance in the Real Return and Specialty Credit portfolios as well as the overweight to Public Equity.
- The overall Specialty Credit portfolio outperformed the benchmark by 83bps driven by especially strong performance in the global multi-sector alternative credit and opportunistic structured credit portfolios.
- The Real Return portfolio outperformed the benchmark by 108bps during the quarter with the Sports Franchise, Agriculture, Barge Leasing and Internally managed portfolios producing the strongest performance.
- Relative underperformance in the Public Equity portfolio was the only detractor from performance during the quarter as active managers struggled to keep up with their performance benchmarks.

From Jun 30 to Dec 31 (USD, TR %)



From Dec 31 to Dec 31 (USD, TR %)



Performance Highlights

- Fiscal year-to-date the CERS Pension Composite produced a return of 6.51% and the CERS Insurance Composite returned 6.38% with all portfolios performing in-line with their benchmarks.

CERS Pension **6.52%**
 Benchmark 6.58%

CERSH Pension **6.48%**
 Benchmark 6.57%

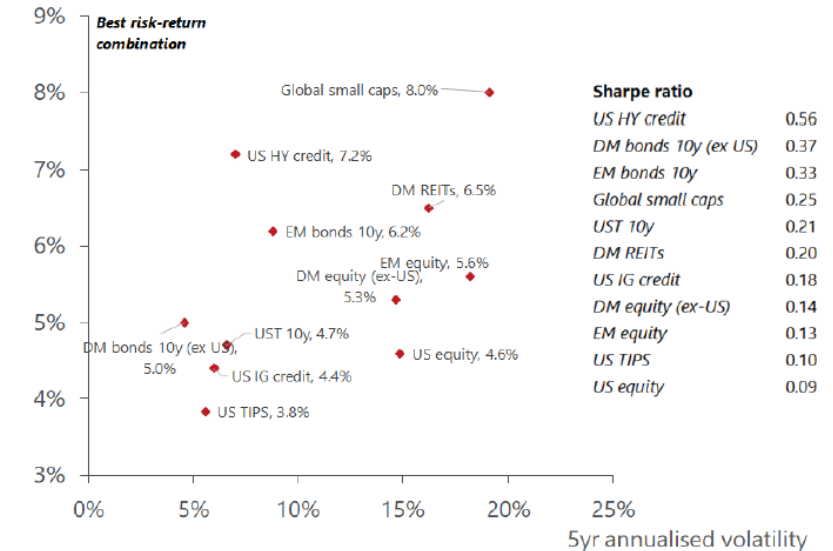
CERS Insurance **6.41%**
 Benchmark 6.40%

CERSH Insurance **6.32%**
 Benchmark 6.38%

- Contributors to relative performance FYTD were the outperformance in the Real Return and Specialty Credit portfolios and the overweight to Public Equity.
- The overall Specialty Credit portfolio outperformed the benchmark by 120bps with thirteen of the seventeen underlying portfolios producing positive outperformance.
- The Real Return portfolio outperformed the benchmark by 329bps over the first six months of the fiscal year with the Agriculture, Closed End Fund and Internal portfolios all producing strong performance and outperforming their benchmarks by 11.3%, 5.8% and 18.0% respectively.
- Underperformance in the Public Equity portfolio was the primary detractor from performance FYTD with a negative impact of between 49bps and 65bps for individual Funds.

Asset-Class Expected Risk/Return Profile

5yr annualised return



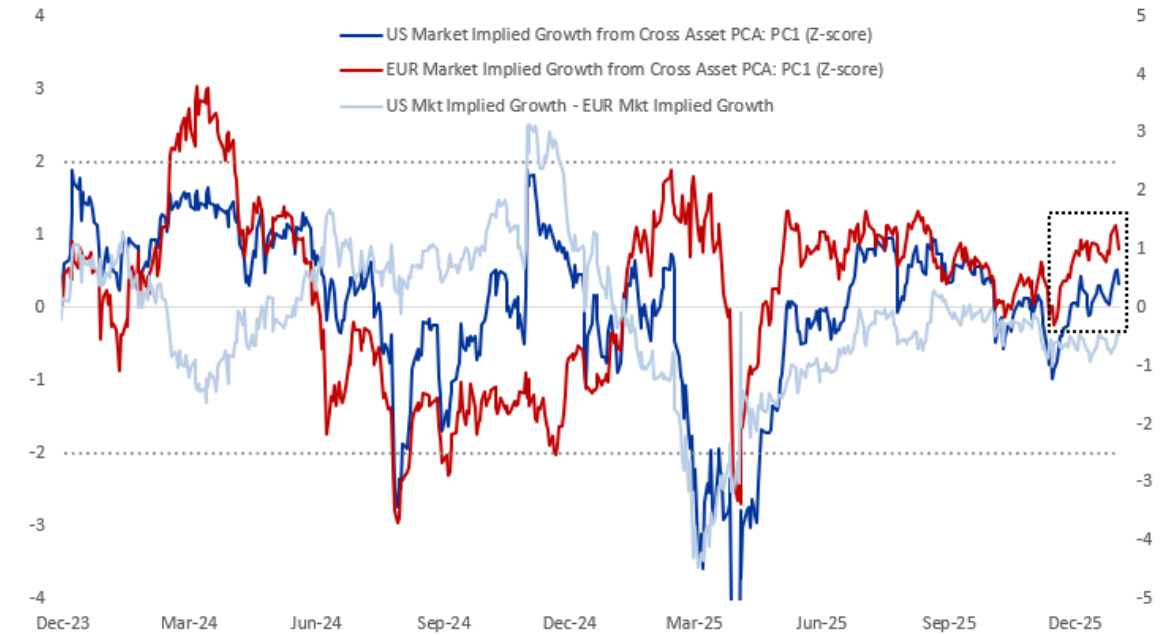
Stocks are extremely overvalued: Shiller Cyclically Adjusted PE ratio near all-time highs



Sources: Robert Shiller, Macrobond, Apollo Chief Economist

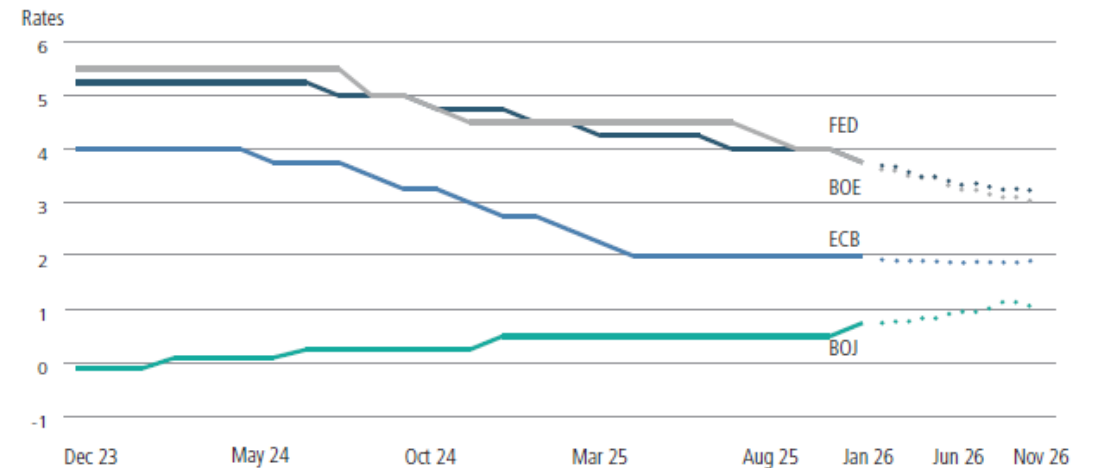
Performance Highlights

- Global risk markets delivered solid, broad-based performance across asset classes during the quarter, but the path was volatile as shifting economic data, tariff policy, geopolitical narratives and the longest government shutdown in US history repeatedly upending consensus views.
- US Public equities ended the year on a high note despite heightened scrutiny around the valuations of AI companies. International equities sustained their rally with a tailwind coming from a weakening USD. Core Fixed Income produced positive performance in the quarter benefiting from the FED lowering the Fed Funds rate two times to the 3.5%-3.75% range. Real assets saw mixed results with gold emerging as the clear winner as the precious metal hit a record high underscoring the desire of global central banks to decrease exposure to the USD and increase domestic reserves.
- An overall improved business outlook with signs of global GDP momentum, rising earnings growth, steady consumer spending and a supportive policy backdrop with historically significant financial conditions tailwind provide a mosaic of data that the probability of the US recession is low resulting in expectations for solid market gains in 2026.
- Elevated equity valuations, signs of a slowing labor market, stubbornly high inflation, fears of an AI bubble and geopolitical and policy uncertainty warrant a more cautious outlook and a disciplined, prudent deployment of capital.



REGIONAL DIVERGENCES IN POLICY PATHS PLAY TO ABSOLUTE RETURN STRATEGIES

Cumulative central bank interest rate cuts and expected future cuts (priced January 2024 through December 2026)



Performance Highlights

- During the quarter rebalancing activity was focused on opportunistically reducing the overweight Public Equities and increasing allocations to Core Fixed Income and Public Market mandates with the Specialty Credit allocation.
- Real Return and Specialty Credit managers were active during the quarter calling capital for attractive new investments opportunities while distributions increased modestly in the Real Estate and Private Equity portfolios on a handful of realizations.
- Staff continued to actively negotiate fee schedules with existing external managers.
 - Target effective fee rates that are in the lowest quartile of the manager universe
 - Successfully renegotiated management fees with seven of fourteen public equity managers
 - Annual fee savings of approximately \$4.6MM with a weighted average savings of 30.1%
 - Twelve managers are now in the cheapest quartile of the manager universe and one is just outside of the lowest quartile

Probability of US recession falling



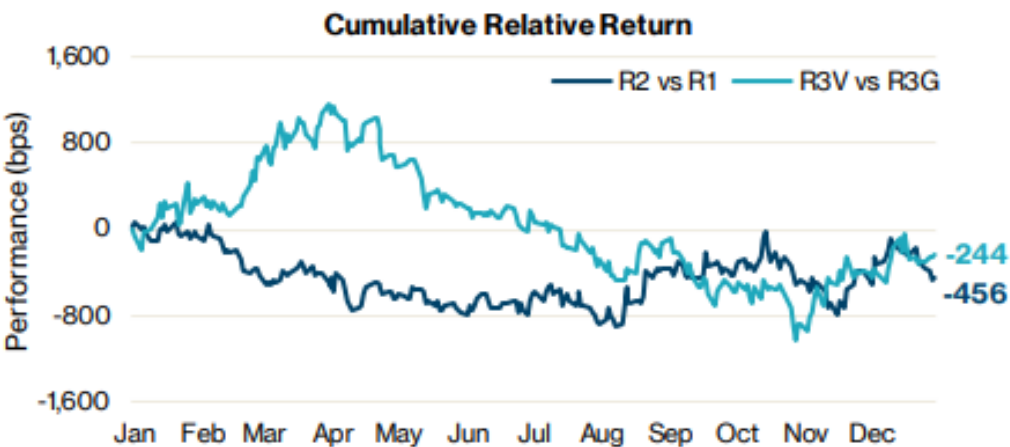
Currency	Appreciation in 2025
SE Swedish Krona	20.2%
MX Mexican Peso	15.6%
CH Swiss Franc	14.5%
ZA South African Rand	13.8%
EU Euro	13.5%
DK Danish Krone	13.3%
NO Norwegian Krone	12.9%
BR Brazilian Real	12.8%
AU Australian Dollar	7.8%
GB British Pound	7.7%
SG Singapore Dollar	6.2%
CA Canadian Dollar	4.8%
TW Taiwanese Dollar	4.4%
NZ New Zealand Dollar	2.8%
KR South Korean Won	2.2%
JP Japanese Yen	0.3%

Performance Highlights

Public Equities

US Markets

- The 4th Quarter of 2025 saw a continuation of the “risk on” environment that accelerated post April 2025.
- Public Equities broadly ended the quarter modestly higher, capping another strong year.
 - Higher beta and lower quality stocks led the rally
 - Large caps outperformed small caps and value outpaced growth during the quarter
- We remain cautiously constructive on overall equity markets as fundamentals are healthy despite potential macro volatility and optically elevated valuations.
 - Multiple expansion is likely to be modest at best, earnings to continue to drive market
 - Market performance has been very narrow, but is likely to broaden
 - Mag 7 earnings growth contracting while remaining large cap market shows signs of increasing EPS growth



Index	Total Return						
	4/9 - 12/31	Q4	1 YR	3 YR	5 YR	10 YR	20 YR
S&P 500	38.65	2.66	17.88	23.01	14.42	14.82	10.99
S&P 600	34.36	1.70	6.02	10.17	7.31	9.81	8.90
Russell 1000	38.50	2.41	17.37	22.74	13.59	14.59	10.93
Russell 3000	38.66	2.40	17.15	22.25	13.15	14.29	10.76
Russell Midcap	30.09	0.16	10.60	14.36	8.67	11.01	9.49
Russell 2000	42.37	2.19	12.81	13.74	6.09	9.62	8.20
Russell 1000 Growth	48.36	1.12	18.56	31.15	15.32	18.13	13.22
Russell 3000 Growth	47.87	1.14	18.15	30.25	14.59	17.59	12.94
Russell Midcap Growth	31.96	-3.70	8.66	18.64	6.65	12.49	10.30
Russell 2000 Growth	44.97	1.22	13.01	15.59	3.18	9.57	8.75
Russell 1000 Value	27.92	3.81	15.91	13.90	11.33	10.53	8.31
Russell 3000 Value	28.41	3.78	15.71	13.77	11.18	10.46	8.25
Russell Midcap Value	29.21	1.42	11.05	12.27	9.83	9.78	8.68
Russell 2000 Value	39.71	3.26	12.59	11.73	8.88	9.27	7.40

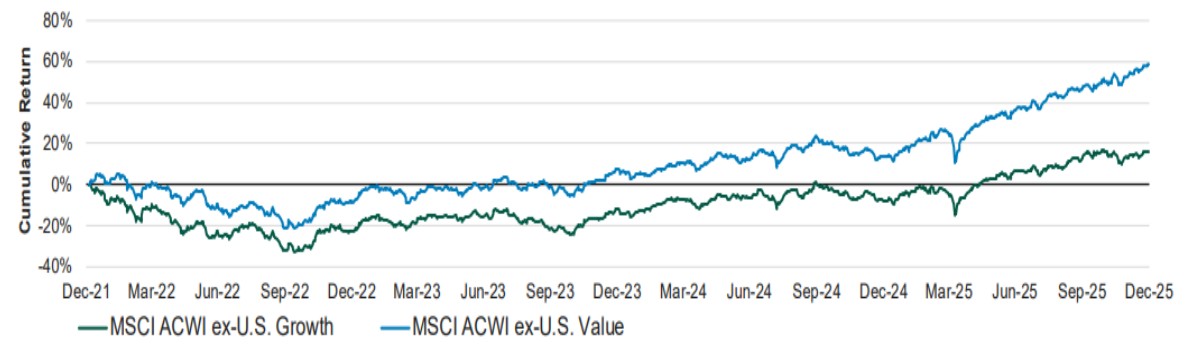
Performance Highlights

Public Equities

International Markets

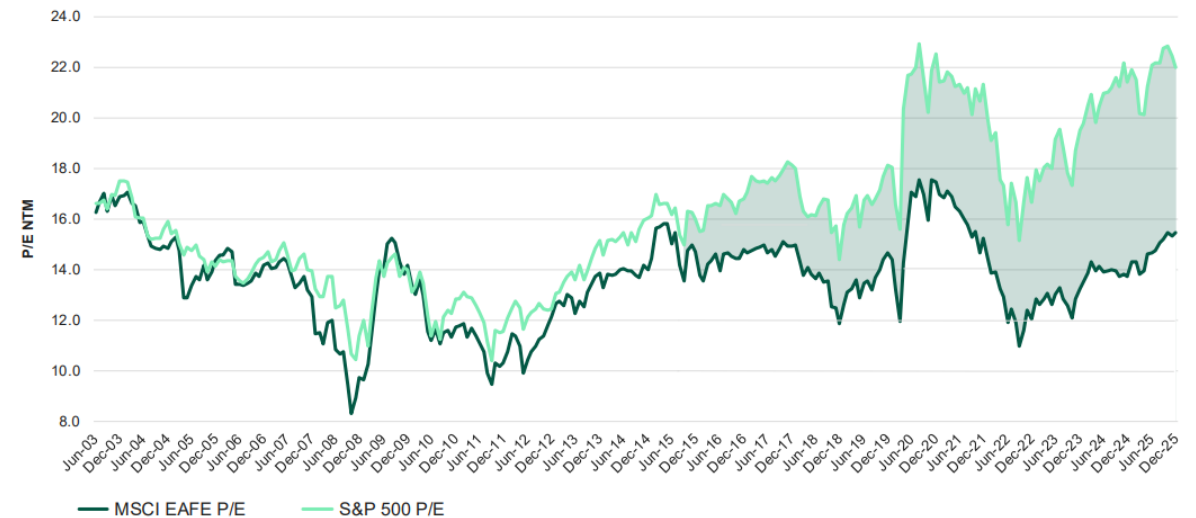
- Strong quarter for non-US market with international developed markets outpacing US large caps.
 - Extreme valuation discount versus US
 - Value stocks outperformed growth
 - Macroeconomic remains volatile
 - Inflation has remained above target levels, central banks continue to trim policy rates
- Market breadth remained narrow in International markets with a small number of constituents driving market performance.
 - Market breadth has been extremely narrow since COVID
 - Fundamentals have not been rewarded, making it difficult for active managers to outperform
 - Lower quality has continued to dominate performance

Growth and Value Performance Difference



Data is from 12/31/2021 to 12/31/2025 and in USD. Past performance is no guarantee of future results.
Source: FactSet

Relative Valuation



Data from 6/30/2003 to 12/31/2025. Past performance is no guarantee of future results. Source: FactSet

Performance Highlights

Public Equities

- The persistent “risk on” environment fueled by better-than-expected earnings, improving/accelerating economic growth, and expected rate cuts created a low-quality headwind for the public equity portfolio regardless of regional exposure or style. International growth managers have been plagued not only by a quality bias but a value headwind (value outpaced growth by an annualized 9% over the past 5 years). The correlation between earnings and stock prices has been weakening, making for a difficult environment for active management.
- For the 4th Quarter of 2025:
 - KPPA Global Equity 2.58% vs MSCI ACWI IMI 3.88%
 - Stock selection weakness (particularly in the international growth markets), difficult period for active management
 - KPPA US Equity 2.32% vs Russell 3000 2.40%
 - Allocation decisions had little impact on relative performance
 - Stock selection was split; large cap core and all cap growth active mandates detracted
 - KPPA NonUS Equity 4.22% vs MSCI ACWI Ex-US IMI 4.76%
 - Broad based individual mandate weakness in the developed markets, particularly growth
 - Partially offset by strong relative performance from the deep value developed market manager, and both dedicated EM managers

Performance Highlights

Public Equities

- For the LTM:
 - KPPA Global Equity 21.51% vs MSCI ACWI IMI 22.06%
 - Individual strategy performance broadly weaker due to style and factor weakness
 - Low quality and high volatility headwinds throughout the portfolio
 - KPPA US Equity 16.48% vs Russell 3000 17.15%
 - Individual active strategies were weaker across the board
 - External underperformance was partially offset by outperformance of internal accounts
 - Modest value tilt and smaller stance in terms of market cap earlier in the year were headwinds
 - R3000V 15.71% vs R3000G 18.15%
 - R500/SP500 Blend 17.60% vs Russell Midcap 7.50% vs Russell 2000 12.81%
 - KPPA NonUS Equity 30.37% vs MSCI ACWI Ex-US IMI 31.96%
 - Broad based individual mandate weakness in the developed markets Particularly strategies with a growth bent struggled as “risk on” environment ignored quality / earnings
 - Partially offset by strong relative performance from the deep value developed market manager, and both dedicated EM managers

Performance Highlights

Public Equities

- Spotlight Performance: American Century Investments
 - Sharp value rotation that began in 2021 has been a headwind to performance
 - Held winners too long allowing them to become large active positions
 - PE multiples became extremely high, should have been more tactical in profit taking, focusing more attention on valuations in the process
 - Exogenous events seem to be more frequent requiring greater emphasis on scenarios analysis
 - KPPA Investment Staff confidence in strategy remains, corrective actions taken, need a more agreeable market

Performance – Quarter



Performance Highlights

Public Equities

- Spotlight Performance: Franklin Templeton
 - Once the best performer in the portfolio, has struggled for years due to staffing issues, stock selection, and market environment
 - Stock selection in the healthcare sector was a significant issue in 2024, prompting an analyst replacement in early 2025, which has benefitted performance
 - Several strong headwinds over the past 3 years
 - Growth has underperformed value by a cumulative 25%
 - Quality has been a drag (MSCI World Ex-US Quality underperformed MSCI World Ex-US by a cumulative 20%)
 - Market narrowness has been an issue; market weighted index has outperformed the equal weighted by over 20% cumulatively
 - Overweight midcaps, also a headwind
 - Enhancements to monitoring
 - Stock price drop of 20% relative to peer group / market triggers immediate review with bias towards exit
 - Analysts encouraged to push new idea generation to recycle capital out of stale ideas
 - Greater use of risk metrics, maximum contribution to TE of any security at 6% - ensures positions are significant to impact portfolio, but not so much to completely derail performance
 - Staff has negotiated a significantly lower management fee effective retroactively 07/01/25 and continues to monitor. Corrective actions of the manager appear appropriate for the areas it has control. A more amenable market environment while beyond the manager's control is needed

Historical performance



Kentucky Retirement Systems

As of 12/31/2025

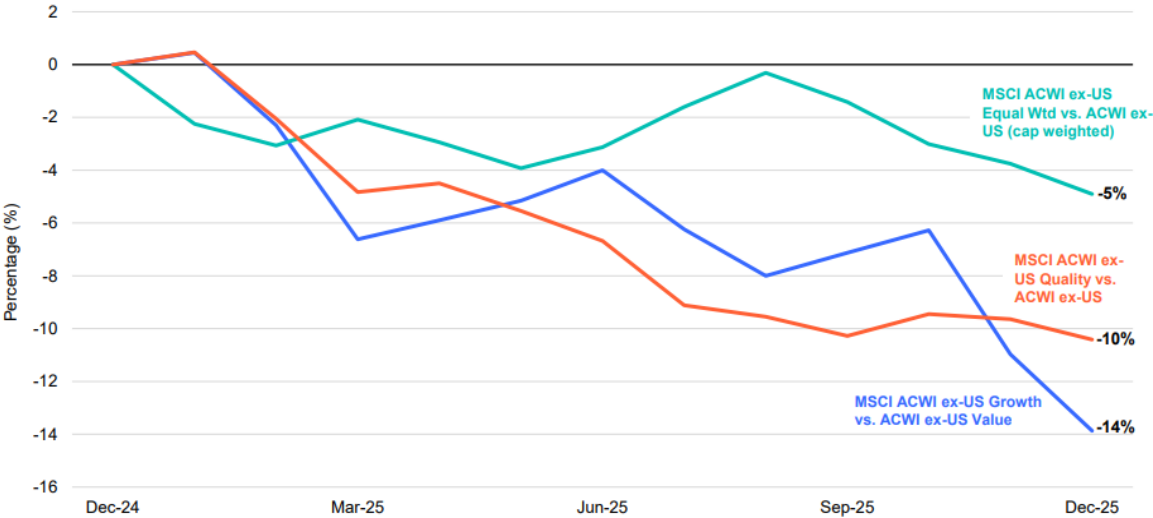
Average Annual Total Returns (%)	Inception Date	YTD*	1 Mth*	3 Mths*	1 Year	3 Year	5 Year	10 Year	Since Incept
Kentucky Retirement Systems—Net of Fees—(USD)	06/30/2014	11.43	0.60	-0.55	11.43	7.45	-2.99	5.58	4.22
Kentucky Retirement Systems—Gross of Fees—(USD)		11.76	0.60	-0.55	11.76	7.83	-2.63	6.00	4.62
MSCI All Country World ex-US Index—(USD)		33.11	3.02	5.11	33.11	17.95	8.46	8.95	6.37

Style headwinds: growth, quality, and concentration in a narrow market



MSCI ACWI ex-US Indices: Growth vs Value, Quality vs EAFE, Equal Weighted vs Cap Weighted

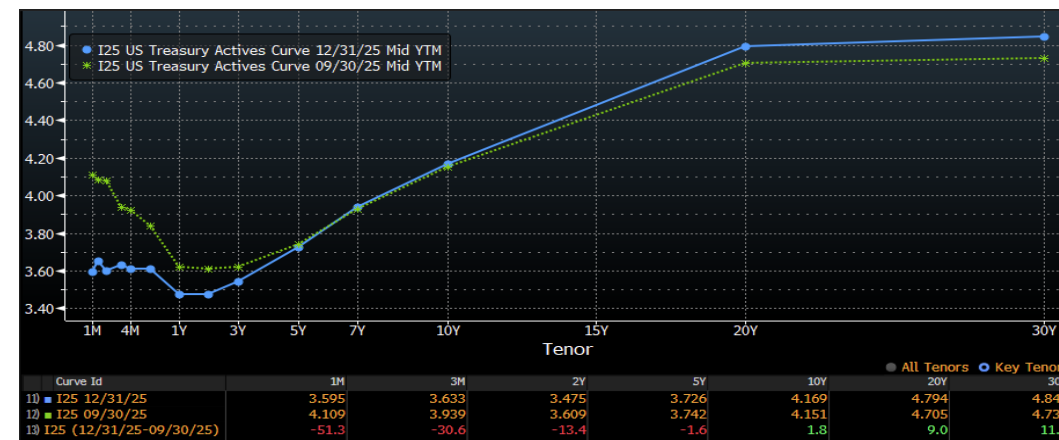
December 31, 2024 to December 31, 2025



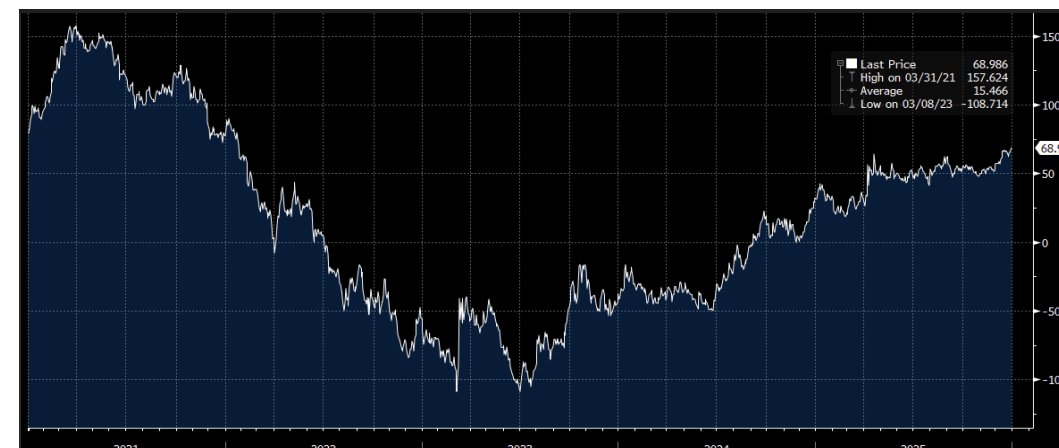
Performance Highlights

Core Fixed Income

- The U.S. Treasury yield curve steepened over the final two months of the calendar year as the Federal Reserve announced two more rate cuts. Yields seesawed over the quarter with the 2YR falling roughly the same rate as the 30YR rose while the belly of the curve was effectively unchanged.
- The 2YR and 5YR US Treasury yields fell 13 basis points and 2 basis points to close at 3.48% and 3.73%, respectively. The 10YR yield was 2 basis points higher to close at 4.17%. The 20YR and 30YR yields were higher 9 basis points and 11 basis points to close at 4.79% and 4.85%, respectively.
- The 2-10YR spread widening has continued since beginning mid-2023. The spread ended the quarter and 2025 at 69 basis points, a notable increase from the start of 2025 at 31 basis points but still below the historical average of 85.
- This steepening reflects shifting market sentiment amid growing concerns about high fiscal deficit and potential shifts in Federal Reserve policy causing investors to demand higher yields for longer-term bonds.



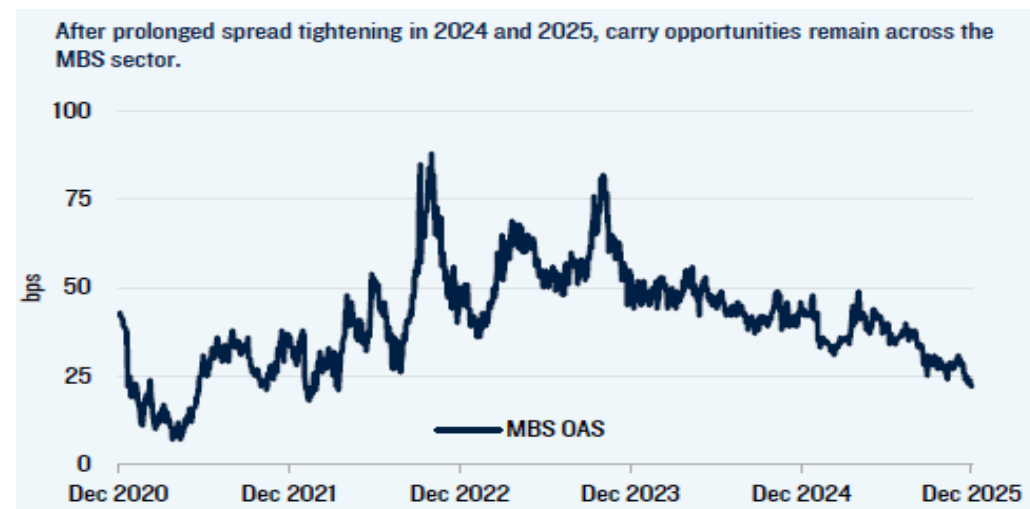
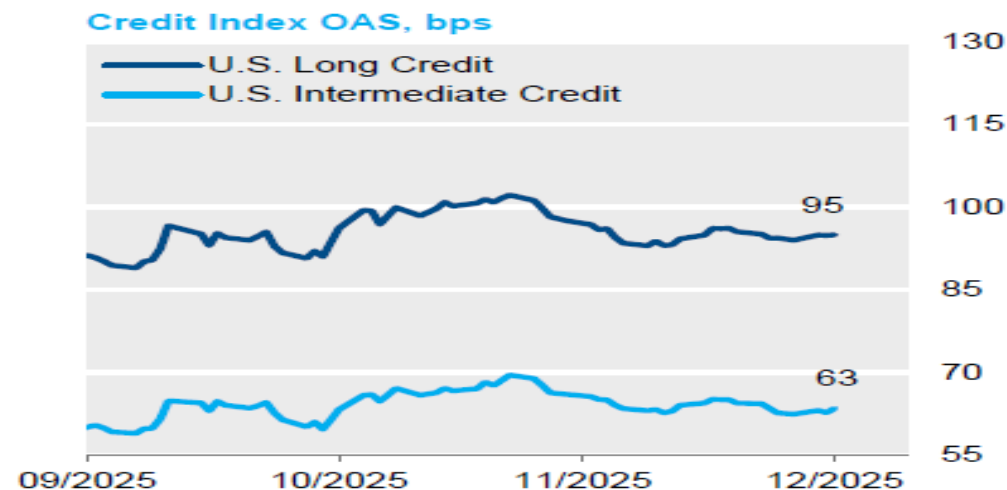
The yield spread between two- and 10-year Treasury yields has widened



Performance Highlights

Core Fixed Income

- The Core Fixed Income Portfolio produced a return of 1.09% for the quarter and 3.24% fiscal year-to-date, slightly underperforming the benchmark by 1 basis point for the quarter but outperforming by 9 basis points fiscal year-to-date.
- For the quarter, Mortgage-Backed Securities were the top performing sector, generating 69 basis points of excess returns when compared to similar-duration Treasuries. Next was CMBS producing 17 basis points in excess returns and rounding out the top three sectors, ABS gained 16 basis points.
- Investment grade credit spreads widened 4 basis points during the quarter finishing 2025 with an OAS of 78. For 2025, the OAS only tightened 2 basis points.
- Benefitting from lower volatility, improved demand and light origination volumes despite the decline in mortgage rates, the MBS OAS reached its tightest level since early 2022 as buyers sought the attractive carry of MBS.

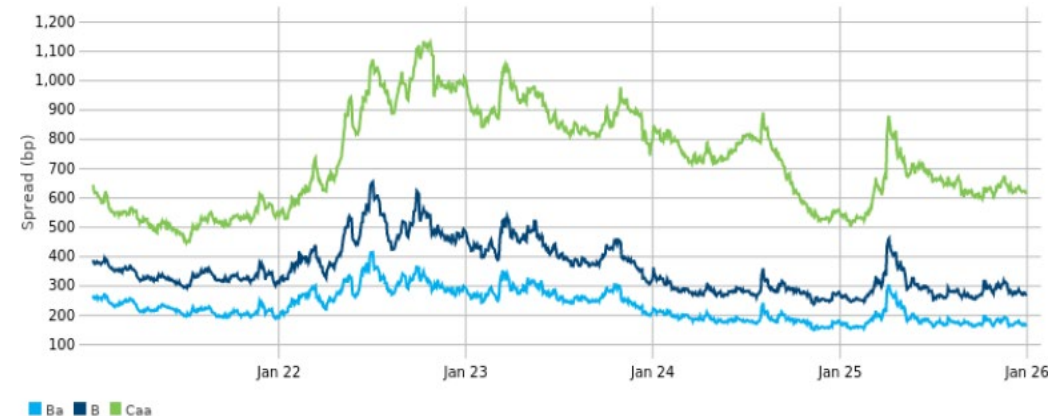


Performance Highlights

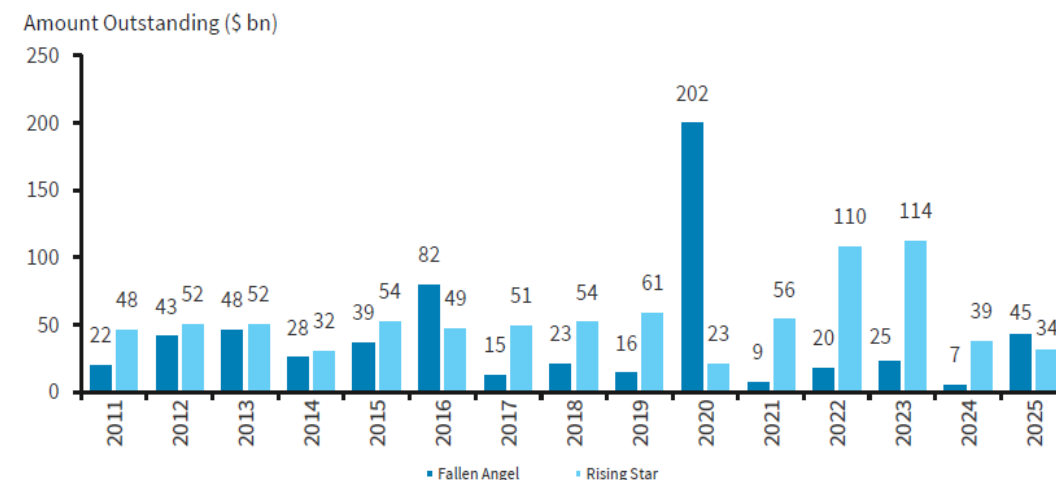
Specialty Credit Fixed Income

- The Specialty Credit portfolio produced a return of 2.09% for the quarter and 4.64% fiscal year-to-date, outperforming the custom benchmark for both the quarter and fiscal year-to-date by 83 basis points and 120 basis points, respectively.
- Over longer market cycles, the portfolio has returned 10.46% over three years and 8.11% over five years providing excess returns over the benchmark of 74 basis points and 261 basis points, respectively.
- Returns by quality were mixed over the quarter with lower quality issuers underperforming with BB, B and CCC-rated issues returning 1.52%, 1.57% and 0.14%, respectively. December marked the ninth consecutive month of positive returns.
- There were 10 rising stars during the quarter against 1 fallen angel. Despite the net rising star imbalance during the quarter, 2025 fallen angels outpaced rising stars by \$11 billion.

High Yield Spreads by Credit Quality



US Corporate Fallen Angels and Rising Stars

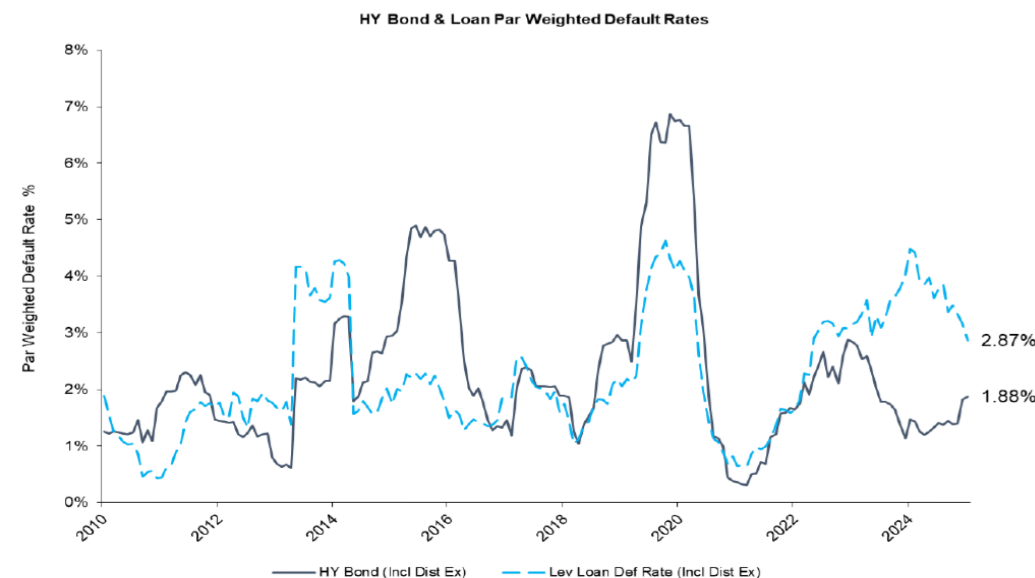
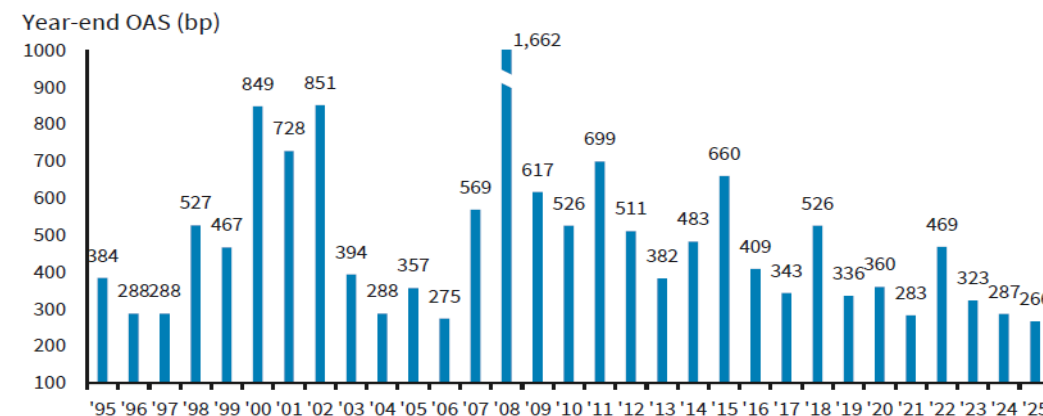


Performance Highlights

Specialty Credit Fixed Income

- High yield bond spreads tightened 1 basis point during the quarter to an option-adjusted spread (OAS) of 266. For the calendar year 2025, high yield bond spreads tightened 21 basis points ending the year at the tightest level ever.
- The high yield bond default and distressed exchange activity increased moderately over the quarter with five defaults and five distressed exchanges. The Last Twelve Month (LTM) par-weighted default rate including distressed exchanges increased to 1.88% after starting the year at 1.47%.
- The U.S. high yield market delivered its third consecutive year of 8%+ total returns in 2025. While the quarter's return was more muted and spread volatility increased, overall spreads continued to trend lower as the view on macro and fundamental backdrop remained positive for corporate credit.
- Corporate earnings expectations have moved higher following a strong third quarter reporting period and balance sheets remain in a solid starting point.

The high yield index faces its tightest starting spread on record in 2026



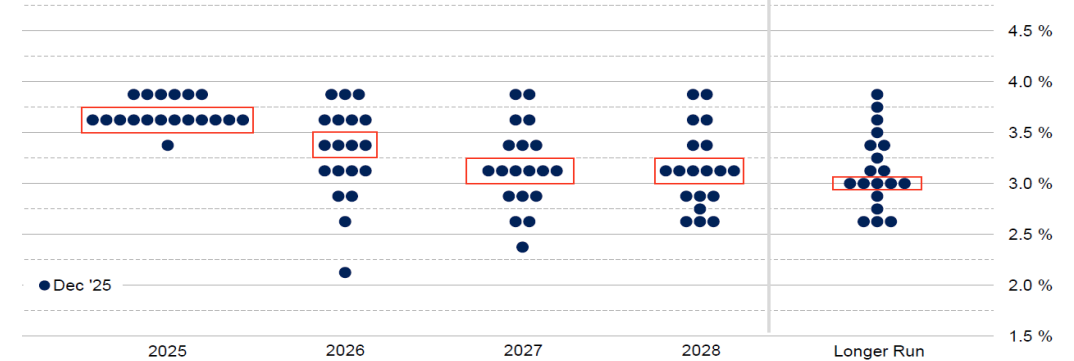
Performance Highlights

Liquidity

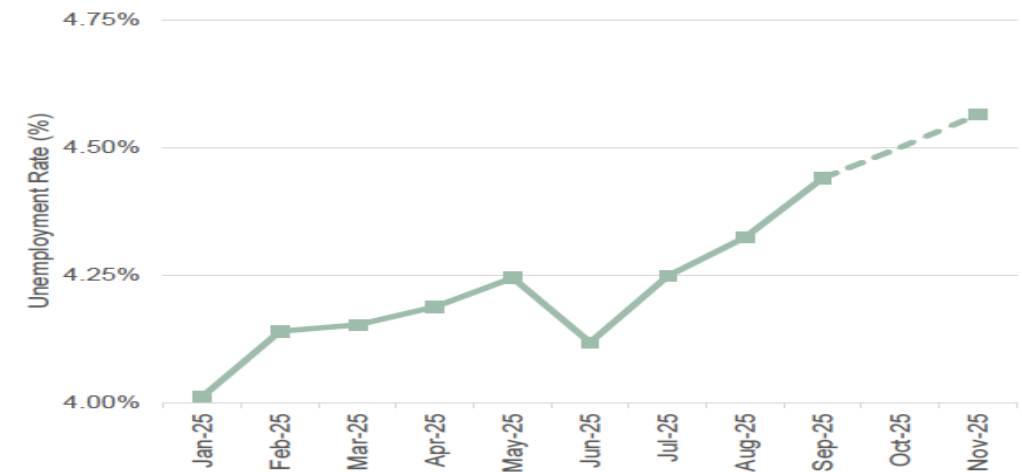
- At the December policy meeting, the FOMC delivered its third policy rate adjustment of the calendar year, even with limited data available following a 43-day government shutdown. The committee lowered by 25 basis points.
- While the rate reduction was widely expected by the market, the decision was not unanimous, drawing three dissenting votes. Two members favored holding rates steady, while one argued for a more aggressive 50 basis point cut.
- Citing key factors in the decision, Chair Powell pointed to a gradual cooling in the labor market, noting that jobs gains have slowed, and the unemployment rate has moved higher.
- Despite the rate cut, Chair Powell indicated that the Federal Reserve has shifted to a “wait-and-see” mode, making a pause on further rate adjustments the most likely scenario for upcoming meetings.
- The committee’s dot plot suggests that only one more quarter-point cut is anticipated through the end of 2026.
- Cash produced a return of 1.02% for the 3-month period ending June 30, matching the 3-Month Treasury Bill benchmark.
- For fiscal year-to-date, cash returned 2.12%, slightly underperforming the benchmark by 2 basis points.

The December 2025 Dot Plot

Expected fed funds rate at year-end



U.S. Unemployment Rate Total in Labor Force



Performance Highlights

Private Capital (as of 9/30/25 - 1 quarter lag)

- Private markets were broadly positive again in calendar 3Q 2025, but the recent performance gap versus public equity markets widened as the S&P 500 and Russell 3000 were both up 8% for the quarter.
- Even though it is at the top of the capital structure (and theoretically less risky), senior private credit's 6-8% returns have kept pace with or exceeded private equity over the trailing 1 and 3 years.
- Real assets like infrastructure have also produced higher returns than both private credit and equity over the past 3 years.
- Given its ample liquidity position, KPPA maintains a long-term focus in private markets and prefers that its managers continue to manage their investments if an attractive exit is not attainable in the current market environment.
- The Investment Team continues to find and evaluate opportunities arising from higher interest rates and lower liquidity. Real estate and private equity transaction volumes remain muted and below consensus expectations from the beginning of the year.

MSCI Private Capital Benchmarks – US

		Pooled Trailing Period Returns			
		Q3 2025	1-Yr	3-Yr	5-Yr
United States Private Capital		2.9%	8.1%	5.8%	12.7%
Private Equity	Private Equity	3.3%	9.6%	6.4%	14.0%
	Venture Capital	6.8%	17.3%	3.2%	13.4%
	Expansion Capital	1.5%	5.9%	6.5%	9.8%
	Buyout	1.8%	6.6%	7.9%	14.3%
Private Credit	Private Credit	1.8%	6.4%	8.1%	9.9%
	Direct Lending	1.5%	6.1%	8.7%	10.0%
	Opportunistic Lending	2.5%	7.9%	9.1%	11.6%
	Real Estate Debt	1.6%	5.0%	5.1%	7.1%
Private Real Assets	Private Real Assets	1.3%	3.7%	1.3%	9.6%
	Private Real Estate	0.0%	(0.6%)	(4.0%)	4.7%
	Natural Resources	1.0%	3.5%	4.9%	19.0%
	Infrastructure	2.9%	11.9%	9.0%	11.6%

Source: MSCI Private Capital Benchmarks Report (data through calendar 3Q 2025)

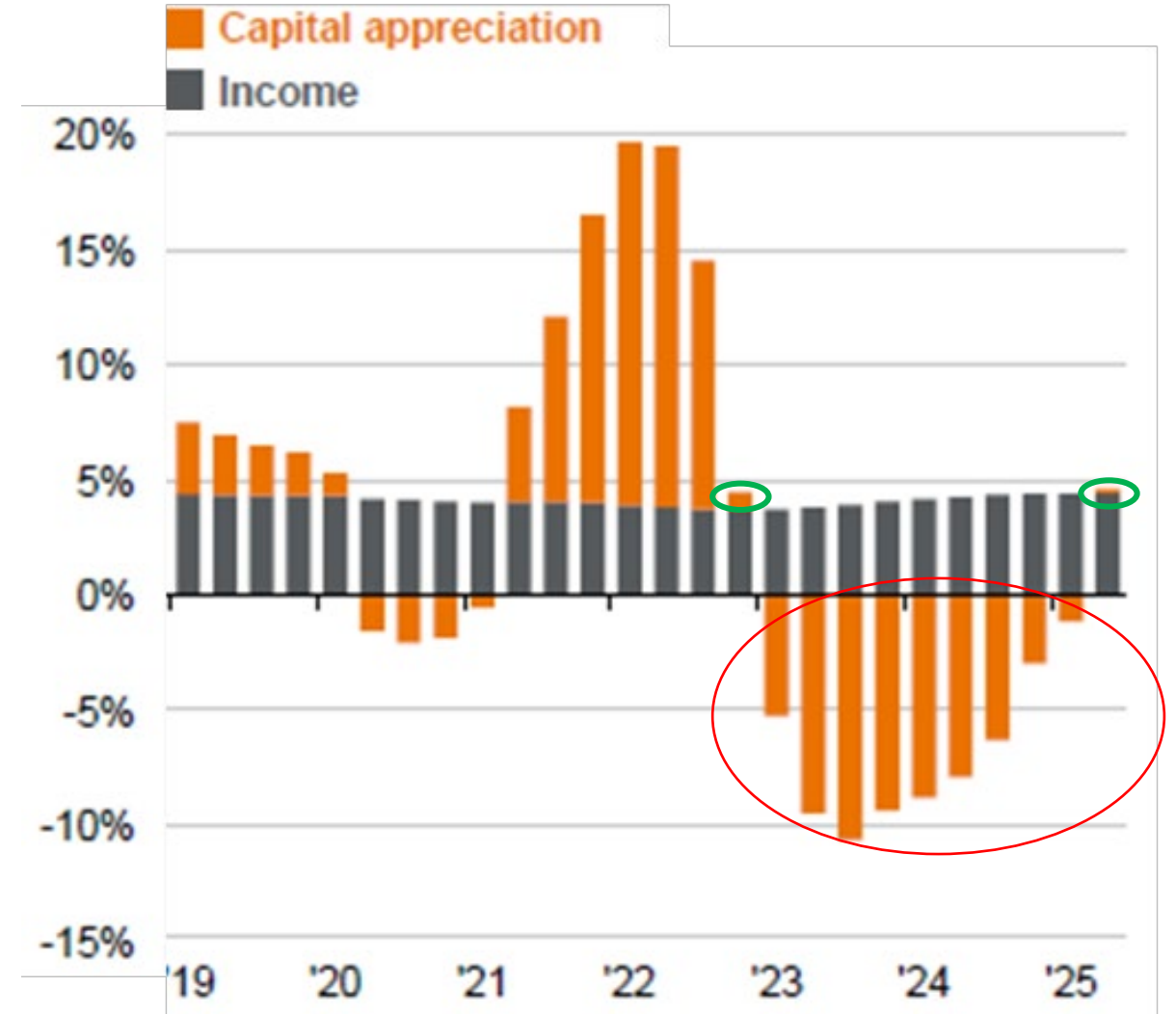
Performance Highlights

Real Estate (as of 9/30/25 - 1 quarter lag)

- Real Estate markets and sentiment have continued to rebound, with the Open-End Diversified Core Equity (NFI-ODCE) index posting a fifth consecutive positive quarter after two years of declines.
- The Real Estate portfolio's value grew 0.3% during the quarter, slightly behind the benchmark's 0.5% return. For the trailing year, the portfolio was up 5.0% vs the benchmark's 3.2% return.
- The portfolio's three open-end Core strategies (~2/3 total exposure) all produced positive returns during the third quarter and continue to outpace the ODCE benchmark over the past 1, 3, and 5 years.
- These same three funds raised more than \$300 million in 3Q 2025 and have been selective acquirers throughout the year.
- Returns continue to be comprised mostly from income as appreciation remains flat to slightly negative. However, the slowdown in new construction across the industry is expected to bring rent growth in the near to medium term.

Global private real estate returns

Rolling 4-quarter returns from income and capital appreciation

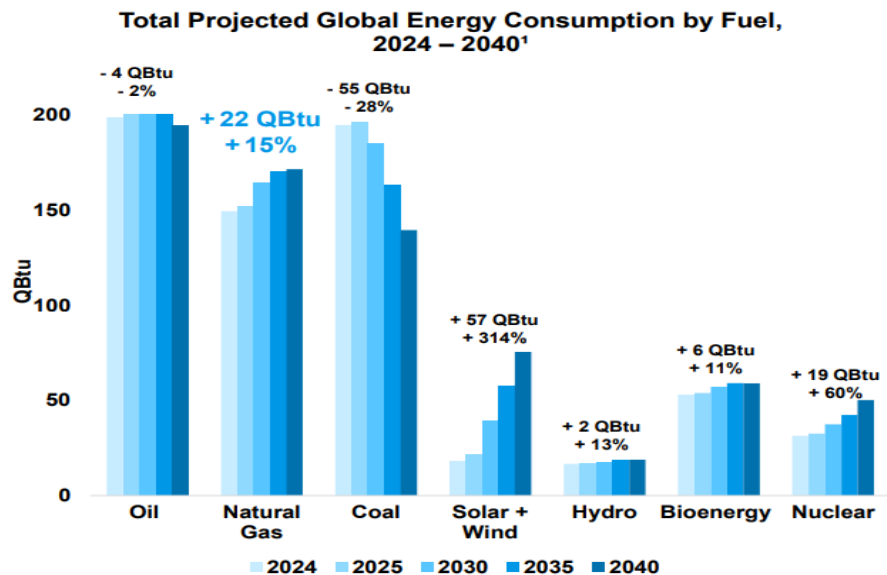


Performance Highlights

Real Return

- The Real Return portfolio continued to perform well, gaining 1.9% for 4Q 2025 (vs 0.8% benchmark) and 10.5% for calendar year 2025 (vs 5.7% benchmark).
- The portfolio's MLP manager was flat for 4Q 2025 and up just 4.9% for 2025, but has returned more than 23% annualized over the past three and five years. Midstream energy companies are still growing volumes and free cash flow thanks largely to natural gas demand for exports and powering data centers.
- The portfolio's activist closed-end fund manager gained 5.8% during the quarter and over 20% for 2025. The manager is finding similar opportunities in the United Kingdom to utilize activism and close discounts to net asset value.
- The portfolio's farmland manager returned 2.0% for the quarter and 6.9% for 2025. Thanks to alternative uses like solar and data center development, land values continue to appreciate. The remainder of KPPA's approved commitment from 2023 plus an incremental commitment was called during 4Q 2025 as well.

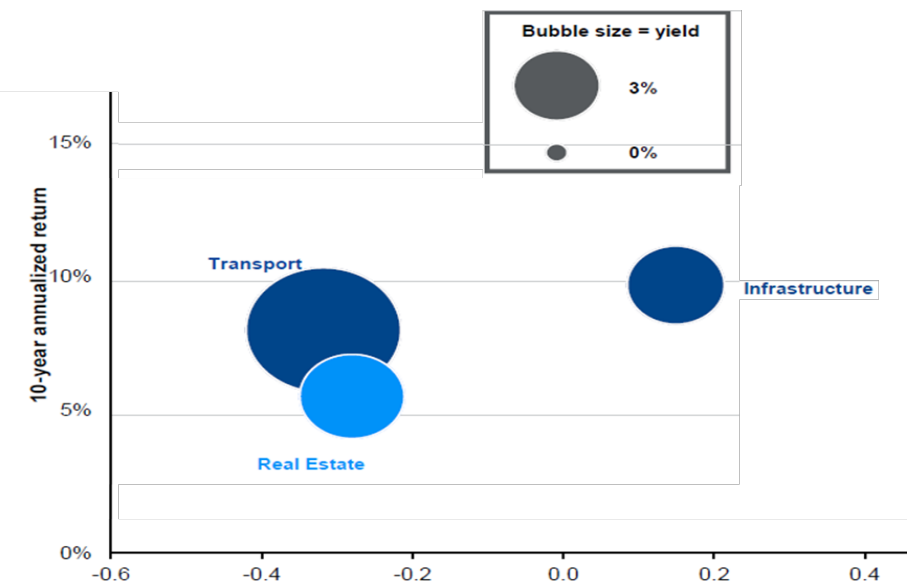
The growing need for natural gas



Source: Williams Companies (WMB), from Wood Mckenzie

Correlations, returns and yields

10-year correlations and 10-year annualized total returns, 4Q15 – 3Q25



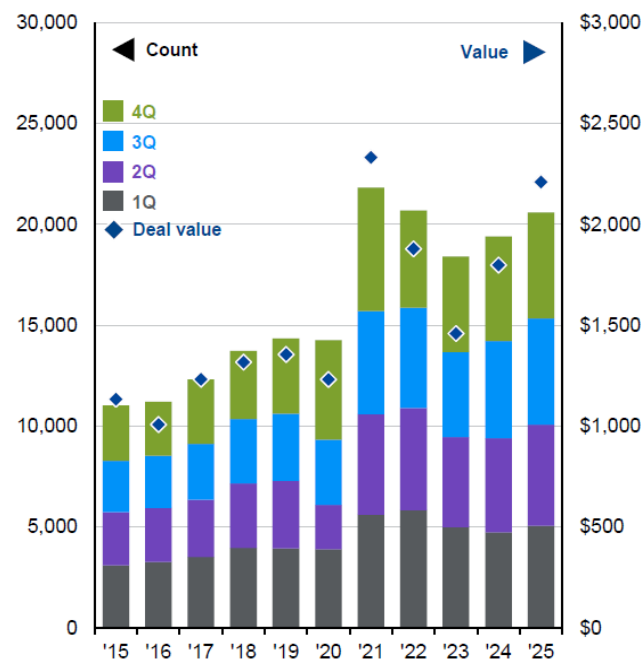
Source: JP Morgan

Performance Highlights

Private Equity (as of 9/30/25 - 1 quarter lag)

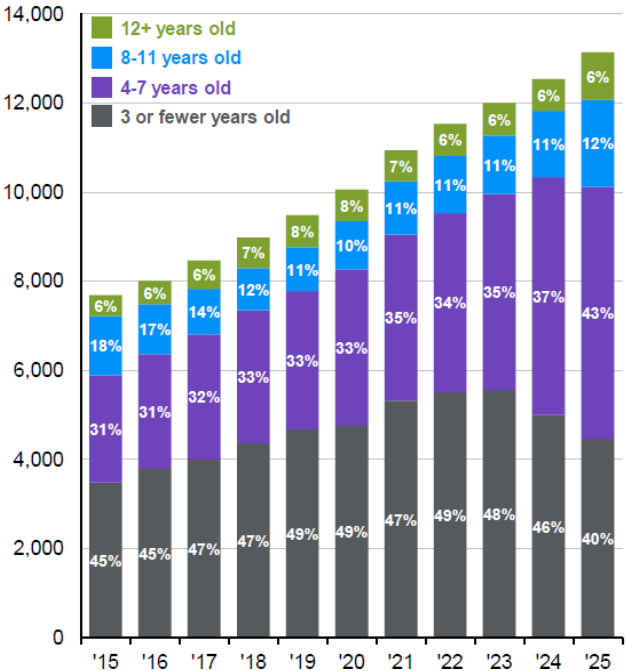
- The Private Equity portfolio’s returns for the quarter and trailing 1-year were 0.5% and 7.8%, respectively.
- Transaction activity and exits have picked up in 2024 and 2025 quarters, but distributions remain near historically low levels across PE.
- Higher interest rates have unfavorably impacted buyout math and valuation multiples, leaving thousands of companies lingering in aging funds.
- Perhaps the most active area in private equity remains secondaries, which closed with a record \$225 billion of deal volume in 2025. This is a 36% increase over 2024’s volume, with both LP and GP-led volumes growing above 35%.

Global private equity investment activity
Quarterly deal count and annual value, USD billions



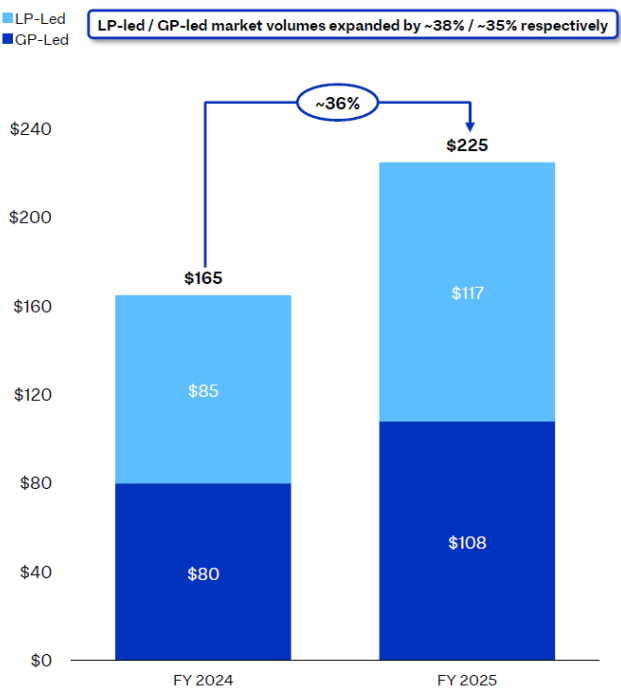
Source: JP Morgan

U.S. PE-backed company inventory
Count by investment duration



Source: JP Morgan

CLOSED SECONDARY MARKET VOLUME BY YEAR⁽¹⁾
\$ Billions



Source: PJT