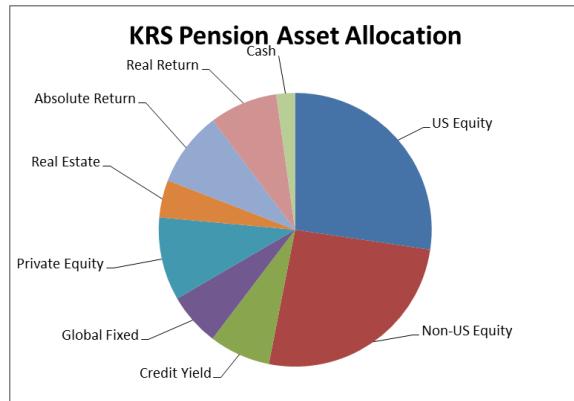


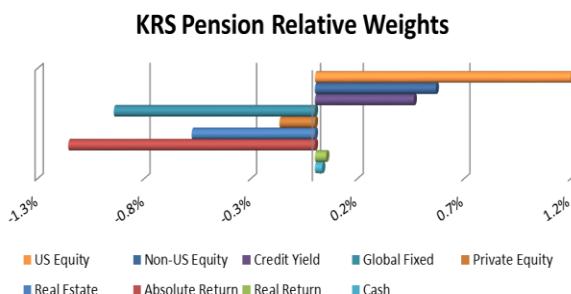
What's going on in the marketplace?

February was yet another consecutive month in the black for international and domestic equities. Domestic large caps in particular were positive, with the S&P 500 posting a 3.97% return on the month alone. S&P Mid Cap 400 had a good month as well returning 2.62%. Lastly, the Russel 2000 small caps returned 1.93%. The domestic stock fiscal year numbers are climbing into some incredible territory. The S&P 500 has returned 14.2% on the fiscal year and both mid and small caps were even better. While international stocks did not repeat their performance in January, they still had a good month. Developed international equities added 1.19% in value during February (MSCI EAFE Index). Emerging markets followed up a stellar January with a return of 1.74% in February (MSCI Emerging Market Index). International equities have not matched the quality of returns of domestic equities this fiscal year, however when taken together, they have still returned 11.24% (MSCI ACWI ex USA Index). With four months left on the fiscal year, it will be interesting if stocks can maintain their unabated rise.



Fixed Income, like equities, continued its streak in the black by adding 1.11% (KRS Blended Fixed Index) during the month of February. Corporate High Yield Bonds very nearly duplicated a great January with a 1.46% return (Barclays U.S. Corporate High Yield Index). Broad Fixed Market Income, as defined by Barclays U.S. Aggregate, once again lagged Corporate High Yield however was once again positive. It returned 0.67% during the month of February. KRS Fixed Income Blended Index is up 4.86% for the fiscal year.

What added value this month?



PENSION -- Once again, for the third straight month, every asset class was positive from an absolute perspective. From a relative standpoint, KRS underperformed the benchmark by 18 basis points. For the most part, underperformance in extremely positive markets is a tradeoff for downside protection. On the other hand, short-term allocations positively contributed to the plan during February. Although they only contributed a few basis points, when taken across the entire plan, it added large dollar amounts. Real Return

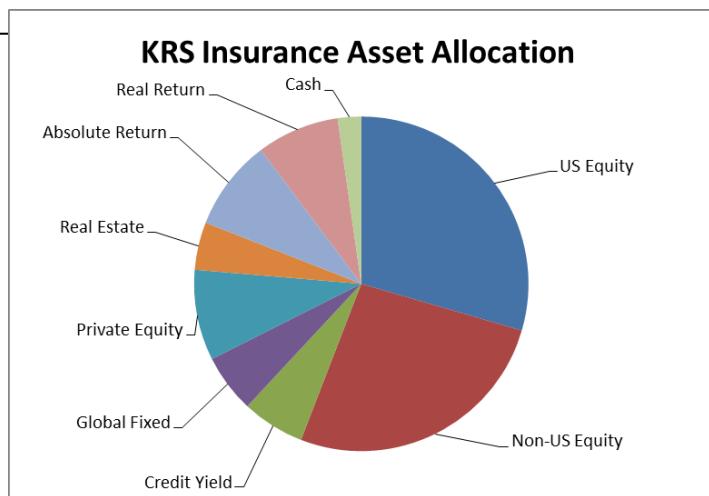
asset class was the only positive performer for the second straight month relative to the benchmark. Not only did it outperform, but it demolished its benchmark just like it did in January. Real Return ended the month with 67 basis points outperformance vs. 58 basis points outperformance in January. While in February KRS did underperform the benchmark, it is still very close to the benchmark for the entire fiscal year. There were plenty of individual managers that provided significant outperformance during the month. Glenview Institution, for example, returned 3.69% which is exceptional for its risk profile.

INSURANCE – The KRS Insurance portfolio underperformed slightly more than the Pension portfolio. While the Insurance Real Return asset class couldn't quite match the Pension Real Return number, it still outperformed by 51 basis points. The largest difference between Insurance and Pension was in the Absolute Return asset class. The Insurance Absolute Return portfolio underperformed 33 basis points while the Pension underperformed 45 basis points. Like the Pension portfolio, the month of February brought KRS back to the benchmark performance for the Fiscal Year. Allocation weights, on the other hand, really helped on Insurance side. On Public Equity alone, allocation differences added 6 basis points in value.

What detracted this month?

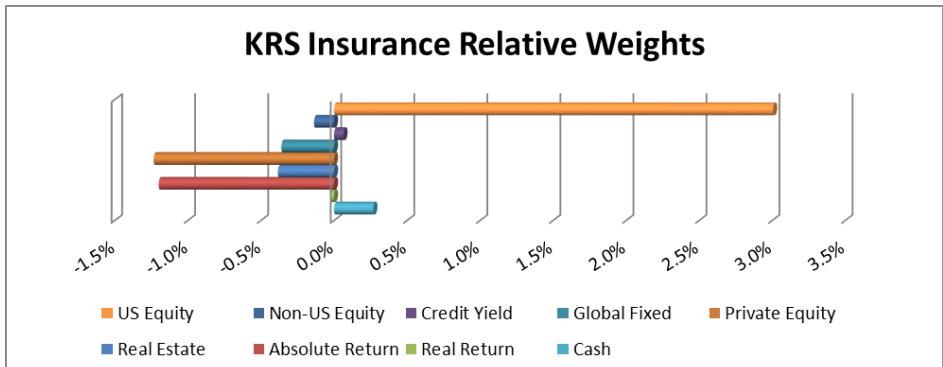
PENSION – The past few months have seen equity markets diverge from traditional fundamentals. For this reason, there has been general underperformance across the Pension portfolio. United States public equity in particular detracted in KRS relative performance to the benchmark. U.S. Public Equity underperformed by 54 basis points which caused the entire plan to underperform by 14 basis points. KRS Non-US Equity was better, underperforming by 17 basis points. Non-US underperformance caused a four basis point lag in the plan. Similarly, both Fixed Income and Absolute Return underperformance each caused five basis point lags. There was little to no underperformance in the Pension portfolio added 1.50% of value in February. In

INSURANCE – The Insurance Portfolio saw similar lags in Equities and Fixed Income. Unlike in January when a handful of managers caused the underperformance, most of our managers slightly underperformed in February. Collective underperformance is a symptom of general divergence from traditional fundamentals.



point lags. There was little to no underperformance due to allocation weights. Despite the relative underperformance, KRS Pension portfolio added 1.50% of value in February. In that sense, February was a great month.

INSURANCE – The Insurance Portfolio saw similar lags in Equities and Fixed Income. Unlike in January when a handful of managers caused the underperformance, most of our managers slightly underperformed in February. Collective underperformance is a symptom of general divergence from traditional fundamentals. Fiscal YTD numbers, relative to the b However, at least in our preliminary the plan nicely. The most overweight also contributed positively to perform



Fiscal YTD numbers, relative to the benchmarks, are much better in alternative asset classes than in Equity and Fixed Income. However, at least in our preliminary numbers for March, these trends seem to be reversing.. Allocation weights also benefited the plan nicely. The most overweighted asset class, US Equity, returned a remarkable 3.17%. Underweighting Absolute Return also contributed positively to performance.

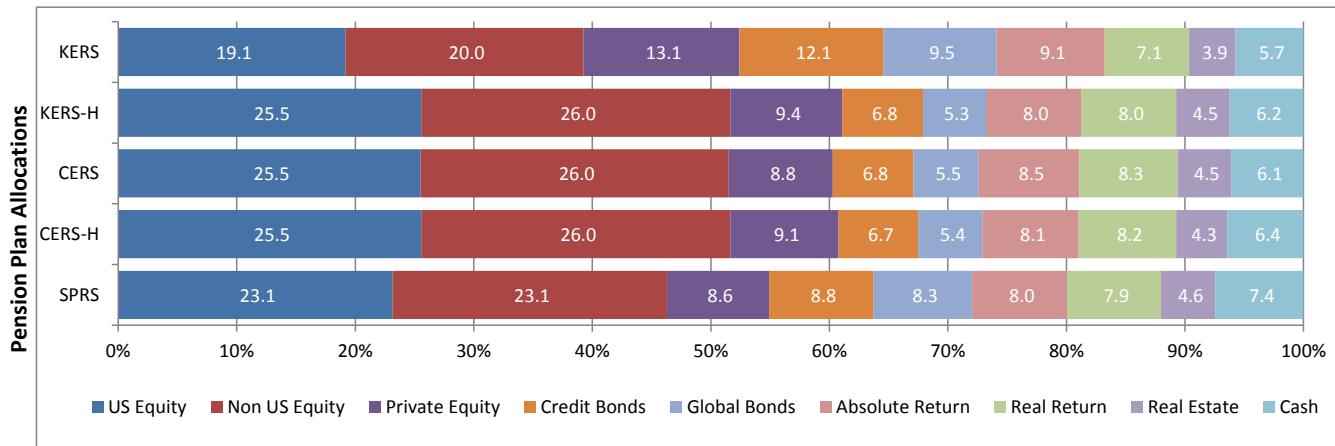
NOTES:

	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) 01/01/16 to Present 100.00% Russell 3000 Index + 3% (Qtr Lag)	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) 01/01/16 to Present 100.00% Russell 3000 Index + 3% (Qtr Lag)
5)	The Private Equity Benchmark, from one month returns up until five year returns, is equal to the performance of the KRS Private Equity allocation. 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 private equity investments.	
6)	<u>Pension Benchmark Composite 01/01/14 to 12/31/15</u> US Equity: Russell 3000 (20.5%) Non US Equity: MSCI AXCI Ex-US (20.0%) Emerging Market: MSCI Emerging Markets (2.9%) Fixed Income: Barclays Universal Index (19.3%) Real Estate: NCREIF ODCE (4.5%) Absolute Return: HFRI Diversified FOF (10.0%) Real Return: Allocation Specific (10.0%) Private Equity<5Yrs: Actual Performance Private Equity>5Yrs: Russell 3000 Index+4% (10.0%) Cash: Cit Grp 3-mos Treasury Bill (2.8%) <u>Pension Benchmark Composite 01/01/16 to Present</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>Insurance Benchmark Composite 01/01/14 to 12/31/15</u> US Equity: Russell 3000 (20.0%) Non US Equity: MSCI AXCI Ex-US (20.0%) Emerging Market: MSCI Emerging Markets (4.0%) Fixed Income: Barclays Universal Index (20.0%) Real Estate: NCREIF ODCE (5.0%) Absolute Return: HFRI Diversified FOF (10.0%) Real Return: Allocation Specific (10.0%) Private Equity<5Yrs: Actual Performance Private Equity>5Yrs: Russell 3000 Index+4% (10.0%) Cash: Cit Grp 3-mos Treasury Bill (1.0%) <u>Insurance Benchmark Composite 01/01/16 to Present</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%)

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

Kentucky Retirement Systems - Insurance Fund - Net Returns - 2/28/17																							
Structure	Benchmark	Inception	Market Value	% of Total	Month	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	ITD										
TOTAL FUND	KY Ins. Blended Index	4/1/1987	4,543,687,745.16	100.00	1.56	1.73	3.27	3.50	8.74	8.72	15.47	16.27	4.96	6.72	7.41	4.02	4.55	6.05	6.40	7.34	7.74		
US PUBLIC	KY Domestic Equity Blend	7/1/1992	1,340,732,975.37	29.51	3.18	3.72	4.96	5.67	14.93	14.96	26.40	26.29	9.38	9.92	13.32	13.85	7.39	7.67	7.83	7.55	9.58	9.41	
INTERNAL MID CAP GROWTH	Russell Midcap Index	8/1/2014	136,307,398.19	3.00	2.54	2.62	4.44	4.34	16.58	16.73	31.63	31.73									11.24	11.17	
KRS INTERNAL EQUITY	S&P 500 - Total Return Index	7/1/2016	142,124,617.25	3.13	3.62	3.97	5.69	5.94	9.77	14.23											22.74	15.89	
NTGI STRUCTURED	Russell 2000 Index	7/1/2011	52,862,278.43	1.16	1.49	3.42	3.65	4.04	22.74	15.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RIVER ROAD - DAV	Russell 3000 Value Index	7/1/2011	107,443,504.27	2.36	1.76	1.93	2.02	2.33	19.16	21.45	32.65	36.11	7.66	6.93	13.73	12.89					12.05	11.08	
RIVER ROAD - FAV	Russell 3000 Value Index	7/1/2016	33,630,781.95	0.74	2.54	3.42	3.68	4.04	14.59	15.89	24.61	30.02									12.29	12.62	
S&P 500 INDEX	KY Ins. S&P Blend	7/1/2001	660,527,125.50	14.54	3.96	3.97	5.93	5.94	14.09	14.23	24.68	24.98	10.56	10.63	13.93	14.01	7.87	7.84			6.88	6.81	
SYSTEMATIC	Russell Midcap Value Index	7/1/2012	133,466,998.48	2.94	1.18	2.79	1.77	4.52	18.96	15.20	34.11	31.84	6.45	9.77							13.26	16.15	
TRANSITION ACCOUNT																							
WESTFIELD CAPITAL	Russell 3000 Growth Index	7/1/2011	74,363,316.41	1.64	3.87	4.02	8.23	7.39	14.99	14.03	20.63	22.77	5.53	10.06	12.77	13.67					11.47	13.14	
Fee Accrual																							
EQUITY NON US	KRS Ins.Int'l Eq Blend	4/1/2000	1,197,935,809.64	26.36	1.56	1.75	4.99	5.41	10.24	11.22	16.85	19.88	0.31	0.29	4.11	4.03	1.67	1.10			2.36	1.94	
AMERICAN CENTURY	KY MSCI Blended Index	7/1/2014	137,560,494.44	3.03	-0.67	1.61	3.18	5.22	4.97	11.24	8.44	19.88									3.16	1.72	
BLACKROCK ACWI EX US	MSCI All Country World Ex United States Net Index	6/1/2012	524,906,408.48	11.55	1.59	1.59	5.20	5.19	11.02	11.05	19.30	19.31	19.30	19.31							7.17	7.07	
BLACKROCK ACWI EX-US SM C	MSCI AC World ex USA Small Cap Net Index	7/1/2013	64,158,957.49	1.41	2.64	2.63	6.64	6.57	11.10	10.95	18.69	19.52	1.94	1.80							7.74	7.01	
BOSTON CO NON-US VALUE	KY MSCI ACWI EX USA GD	6/1/2008	220,996.35	0.00	-0.65	1.61	0.46	5.22	10.49	11.24	13.07	19.88	-2.21	0.27	2.36	4.02					0.01	0.01	
FRANKLIN TEMPLETON	KY MSCI Blended Index	7/1/2014	91,834,296.40	2.02	3.51	1.61	7.24	5.22	10.56	11.24	16.77	19.88									0.45	0.45	
LAZARD ASSET MANAGEMENT	KY MSCI Blended Index	7/1/2014	175,465,668.33	3.86	1.32	1.61	3.80	5.22	4.58	11.24	11.28	19.88									1.34	1.34	
LSV ASSET MANAGEMENT	KY MSCI Blended Index	7/1/2014	202,317,356.98	4.45	2.05	1.61	5.21	5.22	17.25	11.24	22.25	19.88									-1.16	-1.16	
NON-US TRANSITION ACCOUNT																					-17.71	-17.71	
PYRAMIS NON-US GROWTH	KY MSCI ACWI EX USA GD	8/1/2001	858,901.16	0.02	-0.20	1.61	-1.00	5.22	-1.59	11.24	-1.14	19.88	2.12	0.27	5.65	4.02	2.32	0.98			6.09	6.09	
PUBLIC EQUITY	Global Equity Blended Index	7/1/1992	2,538,668,785.01	55.87	2.41	2.74	4.97	5.55	12.67	13.16	21.80	23.16	4.76	4.68	8.34	8.08	4.30	4.02	6.53	6.20	8.50	8.29	
FIXED INCOME	KRS Ins. Fixed Blended Index	7/1/1992	531,919,047.69	11.71	0.68	1.11	1.48	2.03	4.21	4.86	8.50	12.18	3.95	5.37	4.06	4.17	5.56	5.61	6.37	6.36	6.55	6.52	
CERBERUS	S&P LSTA Leveraged Loan Index	10/1/2014	40,694,577.90	0.90	1.12	0.50	1.29	1.06	5.21	6.53	9.21	12.66									8.16	3.64	
COLUMBIA	Barclays U.S. Corporate High Yield	11/1/2011	51,815,454.05	1.14	1.42	1.46	2.45	2.93	8.02	10.55	14.13	21.83	5.13	4.72	6.89	6.84					7.72	7.56	
MANULIFE ASSET MGMT	Barclays U.S. Universal Index	12/1/2011	156,614,407.33	3.45	0.56	0.77	1.03	1.13	0.74	-0.57	4.14	3.20	2.46	-0.12	3.90	-3.71					4.42	1.02	
MARATHON	Barclays U.S. Corporate High Yield	1/1/2016	92,279,987.03	2.03	0.17	1.85			1.85			19.05									16.12	17.38	
NISA	PIMCO Blended Index	4/1/2011	69,177.03	0.00			0.67	0.92	0.87	-1.68	-1.68	1.54	1.42	2.88	2.64	2.40					3.17	3.00	
PIMCO	PIMCO Aggregate Bond Index	4/1/2011	69,177.03	0.00			0.50	0.99	1.06	5.78	6.53	10.36	12.66	2.05	3.81	3.84					4.16	5.57	
SHENKMAN CAP	Shenkman Blended Index	7/1/2011	40,877,088.06	0.90	0.51	0.50	0.99	1.06	5.78	6.53	10.36	12.66	2.05	3.81	3.84							10.11	2.92
WATERFALL	Opportunistic FI Blended Index	7/1/2011	49,931,002.32	1.10	0.95	0.85	3.01	2.06	6.65	2.62	13.73	10.76	7.03	1.94	9.89							3.54	2.92
REAL RETURN	INSURANCE REAL RET CUSTOM BM	7/1/2011	362,368,696.48	7.98	1.36	0.85	3.07	2.06	4.52	2.62	14.89	19.87	4.02	2.30	1.94	2.02	2.84						
AMERRA AGRI FUND II																					6.10		
AMERRA-AGRI HOLDING																					0.24		
BIG PACTUAL																					-15.08		
INTERNAL TIPS	Barclays U.S. Treasury: US TIPS Index	10/1/2003	67,568,699.87	1.49	0.19	0.25	1.00	1.00	0.21	0.07	2.88	2.84	1.98	1.53	1.02	0.56	4.41	4.16			4.59	4.26	
MAGNETAR MTP	Barclays U.S. Treasury: US TIPS Index	7/1/2013	24,513,303.94	0.54	2.71	2.65			11.41			31.94									1.20		
MAGNETAR MTP EOF II																					2.38		
NUVEEN	Nuveen Real Asset Custom Index	2/1/2015	88,017,456.30	1.94	1.96	2.46	4.02	3.76	3.76	16.98											4.34	4.31	
OVERLAND CAPITAL																					3.17	3.17	
TAURUS MINE FINANCE	Barclays U.S. Treasury Inflation Notes: 1-10 Year	12/1/2011	109,237,328.36	2.40	1.84	0.24	4.31	0.99	5.49	0.07	17.20	2.85	1.61	1.21	2.99	0.52					15.50		
TORTOISE CAP	Alerian MLP Index	5/1/2015	5,092,518.00	0.11	0.00	0.00			13.19			31.15									15.18	10.64	
TPF II																							

KRS - PENSION									
	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD	
KERS	\$ 1,948,114,659.99	1.23	7.50	12.65	4.86	6.79	4.73	9.08	
KY Ret. KERS Plan Index		1.43	7.59	14.13	5.05	7.20	5.20	9.23	
KERS- H	\$ 573,358,868.68	1.52	8.42	14.75	5.03	6.99	4.83	9.11	
KY Ret. KERS Haz Plan Index		1.74	8.85	16.05	5.08	7.20	5.20	9.23	
CERS	\$ 6,468,631,198.54	1.56	8.81	15.29	5.02	6.99	4.83	9.11	
KY Ret. CERS Plan Index		1.77	8.94	16.25	5.09	7.21	5.21	9.23	
CERS- H	\$ 2,134,923,539.39	1.54	8.73	15.22	5.06	7.01	4.84	9.11	
KY Ret. CERS Haz Plan Index		1.76	8.90	16.17	5.08	7.20	5.20	9.23	
SPRS	\$ 233,587,664.65	1.43	7.93	13.76	4.42	6.61	4.65	9.05	
KY Ret. SPRS Plan Index		1.64	8.28	15.24	4.99	7.14	5.17	9.22	



KRS - INSURANCE									
	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD	
KERS INS	\$ 721,393,602.20	1.69	9.19	16.00	4.83	6.53	3.93	7.31	
KY Ins. KERS Plan Index		1.98	9.44	17.34	5.32	7.26	4.48	7.71	
KERS - H INS	\$ 466,911,118.95	1.60	8.85	15.62	4.94	6.75	4.03	7.34	
KY Ins. KERS Haz Plan Index		1.86	9.07	16.80	5.31	7.25	4.48	7.71	
CERS INS	\$ 2,055,902,282.68	1.53	8.63	15.34	4.98	6.76	4.04	7.35	
KY Ins. CERS Plan Index		1.78	8.84	16.47	5.31	7.25	4.48	7.71	
CERS - H INS	\$ 1,129,985,307.64	1.53	8.61	15.32	5.02	6.78	4.05	7.35	
KY Ins. CERS Haz Plan Index		1.78	8.83	16.45	5.31	7.25	4.48	7.71	
SPRS INS	\$ 170,846,149.20	1.52	8.60	15.21	4.98	6.75	4.04	7.35	
KY Ins. SPRS Plan Index		1.78	8.82	16.44	5.32	7.26	4.48	7.71	

