



KRS Quarterly Performance Update

June 2025

Pension Portfolios Performance

KERS, KERS-HAZ, & SPRS - PENSION FUND - PLAN NET RETURNS - 06/30/25											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS	5,058,465,579.03	2.50	5.30	11.22	11.22	9.21	8.64	6.96	6.52	7.56	8.77
KY Ret. KERS Plan IPS Index		1.80	4.31	9.63	9.63	8.91	8.20	6.73	6.46	7.52	8.79
KERS- H	1,145,898,830.25	2.66	6.29	11.87	11.87	10.81	9.89	7.71	6.88	7.79	8.95
KY Ret. KERS Haz Plan IPS Index		1.96	5.31	10.79	10.79	10.62	10.04	7.58	6.90	7.81	9.01
SPRS	740,068,971.57	2.46	5.34	10.96	10.96	9.38	8.72	6.95	6.50	7.54	8.76
KY Ret. SPRS Plan IPS Index		1.80	4.31	9.63	9.63	8.91	8.20	6.69	6.45	7.51	8.78
KPPA PENSION FUND UNIT - NET RETURNS - 06/30/25 - 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		4.31	12.03	16.14	16.14	16.96	13.12	9.63	8.00	8.86	10.51
MSCI ACWI		4.53	11.62	15.89	15.89	16.80	13.19	9.53	7.83	8.66	10.37
PRIVATE EQUITY		1.80	2.49	7.17	7.17	3.07	13.78	11.25	9.99		11.25
Russell 3000 + 3%(Qtr Lag)		-5.28	-3.68	10.22	10.22	11.25	21.24	14.84	12.77		12.58
SPECIALTY CREDIT		1.12	2.19	9.87	9.87	9.63	8.98				6.97
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		1.32	2.92	8.79	8.79	9.84	6.75				5.21
CORE FIXED INCOME		1.65	1.37	6.27	6.27	4.19	2.02	2.91			2.93
Bloomberg US Aggregate		1.54	1.21	6.08	6.08	2.55	-0.73	1.76			1.98
CASH		0.36	1.11	4.81	4.81	4.50	2.75	2.13	2.02	2.73	3.40
FTSE Treasury Bill-3 Month		0.36	1.09	4.88	4.88	4.75	2.88	2.01	1.68	2.39	3.04
REAL ESTATE		0.96	2.14	4.63	4.63	-2.84	5.28	7.50	6.76	6.09	6.16
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.85	0.85	1.17	1.17	-5.07	2.01	4.71	5.35	6.95	5.84
REAL RETURN		1.84	1.72	15.79	15.79	14.25	13.62	7.18			6.22
US CPI +3%		0.45	1.47	5.35	5.35	6.22	9.93	5.01			4.37

Insurance Portfolios Performance

KERS INS, KERS-HAZ INS, SPRS INS - INSURANCE FUND - PLAN NET RETURNS - 06/30/25											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS INS	1,828,143,537.95	2.64	6.30	11.75	11.75	10.89	9.88	7.57	6.49	6.96	7.47
KY Ins. KERS Plan IPS Index		1.96	5.31	10.79	10.79	10.62	9.88	7.57	6.72	7.34	7.78
KERS - H INS	723,643,804.01	2.48	6.03	11.18	11.18	10.54	10.01	7.74	6.63	7.06	7.55
KY Ins. KERS Haz Plan IPS Index		1.96	5.31	10.79	10.79	10.62	9.95	7.54	6.71	7.33	7.78
SPRS INS	289,239,589.01	2.52	6.10	11.25	11.25	10.57	10.11	7.91	6.72	7.11	7.59
KY Ins. SPRS Plan IPS Index		1.96	5.31	10.79	10.79	10.62	9.95	7.55	6.72	7.34	7.79
KPPA INSURANCE FUND UNIT - NET RETURNS - 06/30/25 - 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		4.31	12.04	16.03	16.03	16.84	13.08	9.65	7.85		9.03
MSCI ACWI		4.53	11.62	15.89	15.89	16.80	13.17	9.52	7.69		8.86
PRIVATE EQUITY		0.22	0.93	1.89	1.89	3.47	14.15	11.56	10.35		10.36
Russell 3000 + 3%(Qtr Lag)		-5.28	-3.68	10.22	10.22	11.25	21.24	14.84	12.48		12.17
SPECIALTY CREDIT		1.12	2.23	10.01	10.01	9.82	9.08				6.91
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		1.32	2.92	8.79	8.79	9.84	6.75				5.21
CORE FIXED INCOME		1.65	1.32	6.17	6.17	4.06	1.89	2.80			2.67
Bloomberg US Aggregate		1.54	1.21	6.08	6.08	2.55	-0.73	1.76			1.98
CASH		0.36	1.11	4.80	4.80	4.50	2.74	1.99	1.86		2.61
FTSE Treasury Bill-3 Month		0.36	1.09	4.88	4.88	4.75	2.88	2.01	1.68		2.53
REAL ESTATE		0.95	2.08	4.57	4.57	-2.98	5.11	7.56			7.97
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.85	0.85	1.17	1.17	-5.07	2.01	4.71			4.64
REAL RETURN		1.57	1.28	14.61	14.61	12.56	12.30	6.73			5.80
US CPI +3%		0.45	1.47	5.35	5.35	6.22	9.45	5.05			4.41

Internal Portfolio Performance

 Monthly Investment Manager Performance (Net of Fee)												
As of Date: 06/30/25												
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	3,424,987,621.68	16.09	5.10	11.45	15.77	15.77	19.92	16.75	13.83	10.98	9.42	2001-07-01
KY Ret. S&P/Russell Blend			5.10	11.17	15.40	15.40	19.79	16.69	13.67	10.88	9.33	
Internal US Mid Cap	246,811,931.54	1.16	3.67	6.78	7.78	7.78	13.69	13.91	9.77		9.97	2014-08-01
S&P MidCap 400 Index			3.58	6.71	7.53	7.53	12.83	13.44	9.25		9.50	
Scientific Beta	266,426.17	0.00	1.11	3.53	12.44	12.44	13.04	12.54			10.75	2016-07-01
S&P 500 Index			5.09	10.94	15.16	15.16	19.71	16.64			14.77	
PRIVATE EQUITY												
INTERNAL PRIVATE EQ	93,549,649.85	0.44	3.46	7.39	12.27	12.27					14.79	2023-12-01
CORE FI												
INTERNAL CORE FI	995,476,329.76	4.68	1.45	1.24	6.14	6.14					5.30	2023-09-01
Bloomberg US Aggregate Bond Index			1.54	1.21	6.08	6.08					5.15	
REAL ESTATE												
INTERNAL REAL ESTATE	49,203,411.79	0.23	0.60	1.22	12.30	12.30					6.64	2023-12-01
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^			0.85	0.85	1.17	1.17					-5.35	
REAL RETURN												
INTERNAL REAL RETURN	225,246,490.73	1.06	3.04	7.64	21.69	21.69					16.65	2023-12-01
KRS CPI + 300 bpts			0.45	1.47	5.35	5.35					5.81	
INTERNAL TIPS	147,222.95	0.00	0.36	1.12	4.80	4.80	4.74	2.86	2.54	3.38	4.26	2002-05-01
KR2 Internal US TIPS Blend			0.79	1.04	6.87	6.87	3.41	2.91	2.96	3.53	4.38	
CASH ACCOUNT	642,976,110.45	3.02	0.36	1.11	4.81	4.81	4.50	2.75	2.13	2.02	3.40	1988-01-01
FTSE Treasury Bill-3 Month			0.36	1.09	4.88	4.88	4.75	2.88	2.01	1.68	3.04	

Asset Class Gross Performance - Pension



Kentucky Retirement Systems Pension Board Asset Class Performance

Reporting Currency: BASE

As of Date: 6/30/2025

Structure	Account/Security Id	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
KERS	KR2F00010002	5,059,981,291.25	2.54	5.39	11.71	11.71	9.65	9.18	7.49
PUBLIC EQUITIES		1,755,649,592.81	4.19	11.64	16.04	16.04	17.01	13.22	9.71
CORE FIXED INCOME		1,346,651,476.92	1.63	1.35	6.19	6.19	4.18	2.06	
SPECIALTY CREDIT		964,779,671.89	1.19	2.47	10.83	10.83	10.42	10.05	7.19
REAL ESTATE		233,815,530.64	1.17	2.40	6.37	6.37	-1.21	7.05	7.52
LIQUIDITY		112,876,566.27	0.36	1.11	4.81	4.81	4.50	2.75	2.12
REAL RETURN		429,595,795.60	2.61	4.47	18.56	18.56	18.21	16.84	8.46
PRIVATE EQUITY		213,317,361.27	3.91	5.06	14.59	14.59	1.90	12.85	10.82
KERS- H	KR2F00020002	1,146,301,148.16	2.72	6.41	12.46	12.46	11.36	10.63	8.39
PUBLIC EQUITIES		512,675,735.66	4.26	11.80	15.99	15.99	16.95	13.19	9.62
CORE FIXED INCOME		111,758,722.53	1.62	1.26	6.06	6.06	4.10	2.01	
SPECIALTY CREDIT		273,738,929.69	1.31	2.67	10.65	10.65	10.80	9.93	7.08
REAL ESTATE		62,185,049.48	1.00	2.18	6.59	6.59	-1.78	6.09	7.63
LIQUIDITY		39,033,889.11	0.36	1.11	4.81	4.81	4.50	2.75	2.13
REAL RETURN		78,633,732.82	2.57	3.61	17.47	17.47	15.41	14.69	7.72
PRIVATE EQUITY		66,354,850.82	2.04	3.15	8.30	8.30	4.82	16.86	12.84
SPRS	KR2F00050002	740,305,969.30	2.50	5.44	11.44	11.44	9.78	9.25	7.50
PUBLIC EQUITIES		250,112,451.75	4.29	11.96	16.19	16.19	16.99	13.24	9.49
CORE FIXED INCOME		195,858,325.82	1.63	1.33	6.17	6.17	4.17	2.09	
SPECIALTY CREDIT		142,692,899.81	1.25	2.66	10.46	10.46	10.40	9.63	6.92
REAL ESTATE		35,164,476.00	0.73	1.94	5.59	5.59	-1.94	6.08	7.52
LIQUIDITY		21,249,235.05	0.36	1.11	4.81	4.81	4.50	2.75	2.12
REAL RETURN		64,023,867.73	2.54	4.62	17.64	17.64	15.82	14.95	7.73
PRIVATE EQUITY		30,617,260.64	3.13	5.08	12.40	12.40	5.59	15.98	12.74

Asset Class Gross Performance - Insurance



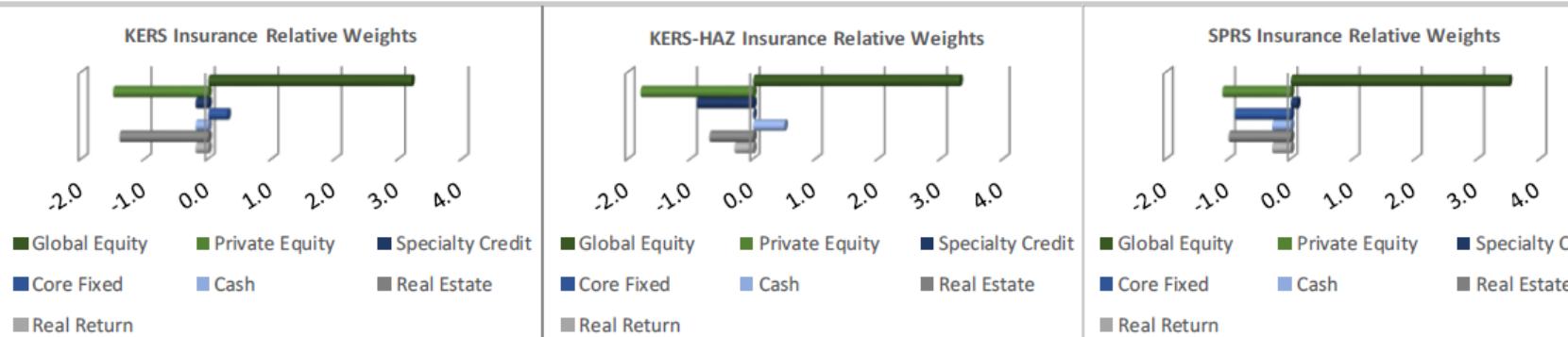
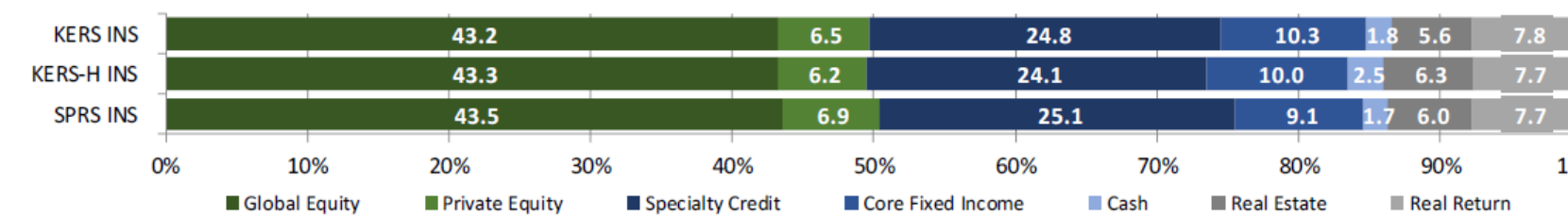
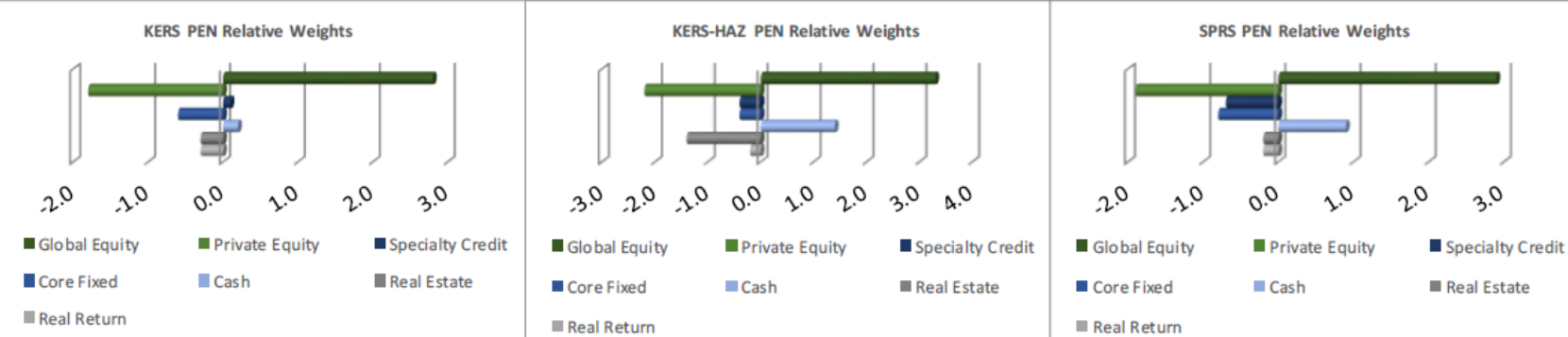
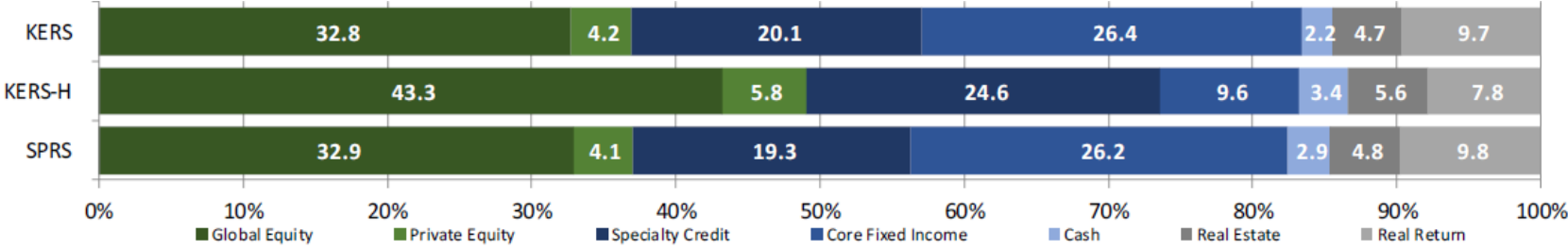
Kentucky Retirement Systems Insurance Board Asset Class Performance

Reporting Currency: BASE

As of Date: 6/30/2025

Structure	Account/Security Id	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
KERS INS	KR3F00010002	1,828,871,625.33	2.70	6.42	12.32	12.32	11.49	10.66	8.22
PUBLIC EQUITIES		816,170,202.39	4.31	11.90	16.04	16.04	16.91	13.24	9.75
CORE FIXED INCOME		191,904,025.54	1.60	1.26	6.05	6.05	3.99	1.90	
SPECIALTY CREDIT		442,131,727.00	1.30	2.72	10.59	10.59	10.72	9.97	6.97
REAL ESTATE		103,247,345.99	0.81	1.91	6.30	6.30	-1.66	5.92	7.56
LIQUIDITY		33,545,524.21	0.36	1.11	4.80	4.80	4.50	2.74	1.99
REAL RETURN		124,407,074.19	2.13	3.11	17.38	17.38	15.64	14.69	7.90
PRIVATE EQUITY		116,793,002.68	1.99	3.34	6.24	6.24	7.10	20.10	13.31
KERS - H INS	KR3F00020002	723,888,373.58	2.55	6.16	11.87	11.87	11.22	10.95	8.54
PUBLIC EQUITIES		319,640,734.39	4.31	11.99	16.20	16.20	17.00	13.21	9.69
CORE FIXED INCOME		74,335,643.83	1.60	1.26	6.03	6.03	4.04	1.92	
SPECIALTY CREDIT		173,484,943.30	1.13	2.30	11.31	11.31	11.40	10.95	7.44
REAL ESTATE		45,388,722.88	1.16	2.43	5.18	5.18	-2.44	5.37	7.28
LIQUIDITY		18,239,348.02	0.36	1.11	4.80	4.80	4.50	2.74	1.99
REAL RETURN		47,987,703.63	2.38	3.31	15.25	15.25	13.17	13.03	7.05
PRIVATE EQUITY		44,588,652.03	-0.08	0.51	1.16	1.16	3.50	16.30	12.53
SPRS INS	KR3F00050002	289,344,212.97	2.59	6.24	11.91	11.91	11.23	11.05	8.75
PUBLIC EQUITIES		129,795,914.43	4.29	11.88	16.02	16.02	16.93	13.11	9.67
CORE FIXED INCOME		26,999,116.66	1.60	1.21	6.02	6.02	4.03	1.92	
SPECIALTY CREDIT		71,038,140.30	1.21	2.46	11.12	11.12	11.10	10.51	7.25
REAL ESTATE		17,332,959.38	1.16	2.43	5.18	5.18	-2.43	5.39	7.29
LIQUIDITY		4,933,407.61	0.36	1.11	4.80	4.80	4.50	2.74	1.99
REAL RETURN		19,233,391.07	2.24	3.09	15.80	15.80	13.44	13.14	7.09
PRIVATE EQUITY		19,915,437.53	0.29	0.99	2.36	2.36	4.06	16.91	12.96

Allocations



Performance Highlights

- The KRS Pension Composite produced a return of 5.47% for the quarter outperforming the blended benchmark by 99 basis points.
- The KRS Insurance Composite produced a return of 6.21% for the quarter outperforming the benchmark return of 5.31%.

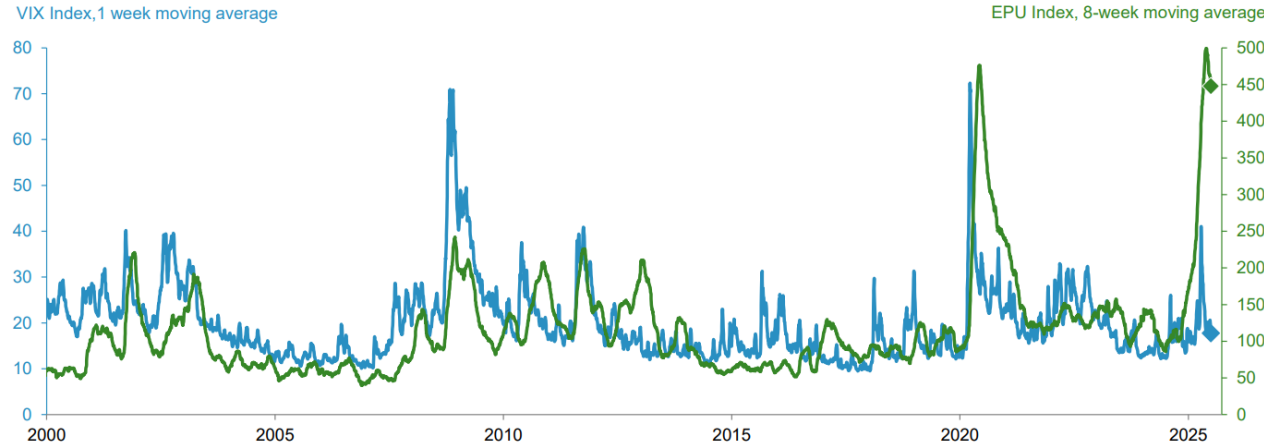
KERS Pension 5.30%
SPRS Pension 5.34%
Benchmark 4.31%

KERSH Pension 6.29%
KERS Insurance 6.30%
KERSH Insurance 6.03%
SPRS Insurance 6.10%
Benchmark 5.31%

- Across portfolios, the largest contributors to outperformance during the quarter were the relative outperformance in the Real Return, Public Equity and Private Equity portfolios.
- The NonUS Public Equity portfolio performed especially well with seven of the eight managers outperforming their individual benchmarks and the overall portfolio outperforming its index by 133 bps.
- The portfolios also benefited from an overweight to NonUS Public Equity relative to US Public Equity as these markets outperformed their US counterparts by over 2% during the quarter.
- The largest driver of underperformance was the relative performance of the Specialty Credit portfolio which underperformed its benchmark by 73bps during the quarter, driven by its larger floating rate exposure.

Stock Market Volatility and Policy Uncertainty

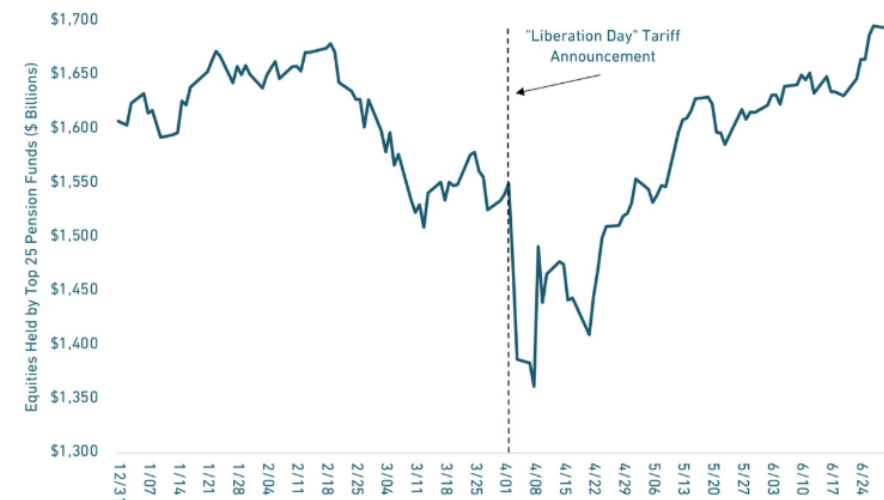
— Stock Market Volatility — Economic Policy Uncertainty
 VIX Index, 1 week moving average



EPU: Economic Policy Uncertainty Index. Source: Cboe Exchange, Inc., Bloomberg Financial LP, Macrobond, Fidelity Investments (AART) as of 6/30/25

Public Pension Asset Volatility in 2025

Daily change in equity value, Top 25 pension funds | Jan 1 – Jun 30



Source: State of Pensions 2025, Equable Institute's Annual Report 6th Edition

Performance Highlights

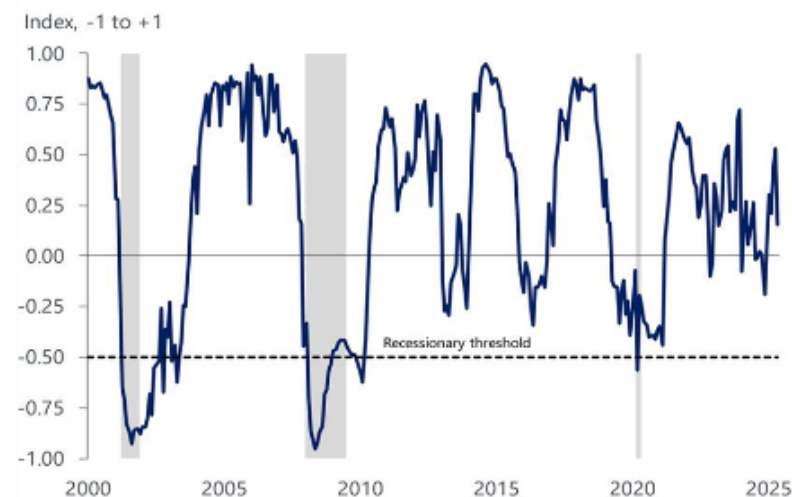
- For the Fiscal Year, the KRS Pension Composite produced a return of 11.30% outpacing the blended benchmark's return of 9.82%.
- The KRS Insurance Composite produced a return of 11.55% for the same period, outperforming the benchmark by 76bps.

KERS Pension 11.22%
SPRS Pension 10.96%
Benchmark 9.63%

KERSH Pension 11.87%
KERS Insurance 11.75%
KERSH Insurance 11.18%
SPRS Insurance 11.25%
Benchmark 10.79%

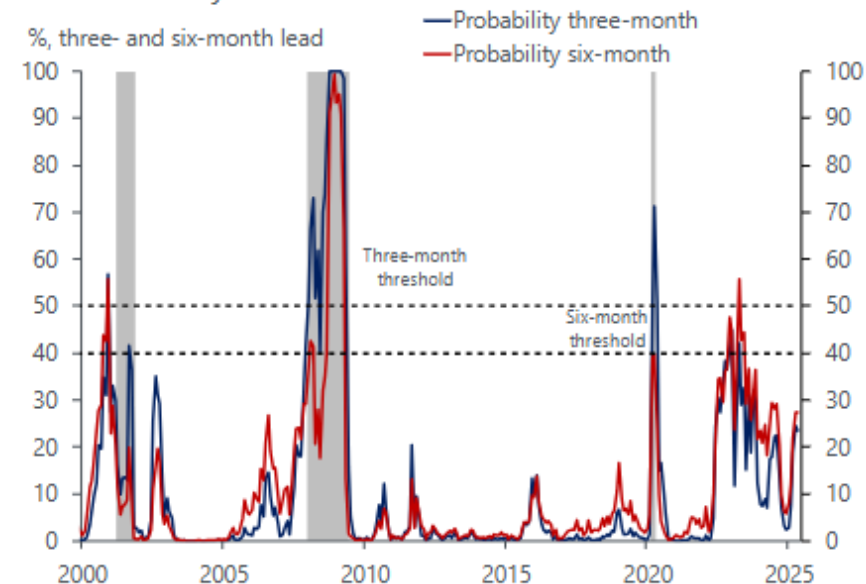
- During the Fiscal Year, the Specialty Credit, Real Return and Real Estate portfolios all outperformed their benchmarks and were the main drivers of outperformance:
 - Real Return 1044bps of outperformance
 - Real Estate 346bps of outperformance
 - Specialty Credit 108bps of outperformance
- The overweight to NonUS Public Equity relative to US Public Equity also benefitted portfolios during the year as these markets outperformed their US counterparts by over 2.5%.
- The main detractor to performance during the Fiscal Year was the 305bps of underperformance in the Private Equity portfolio relative to its public market plus 300bps benchmark.

US: Oxford Economics' US Business Cycle Indicator



Note: Latest month is estimated due to lagging datapoints and is subject to revisions
Source: Oxford Economics/Haver Analytics

US: Probability of a US recession

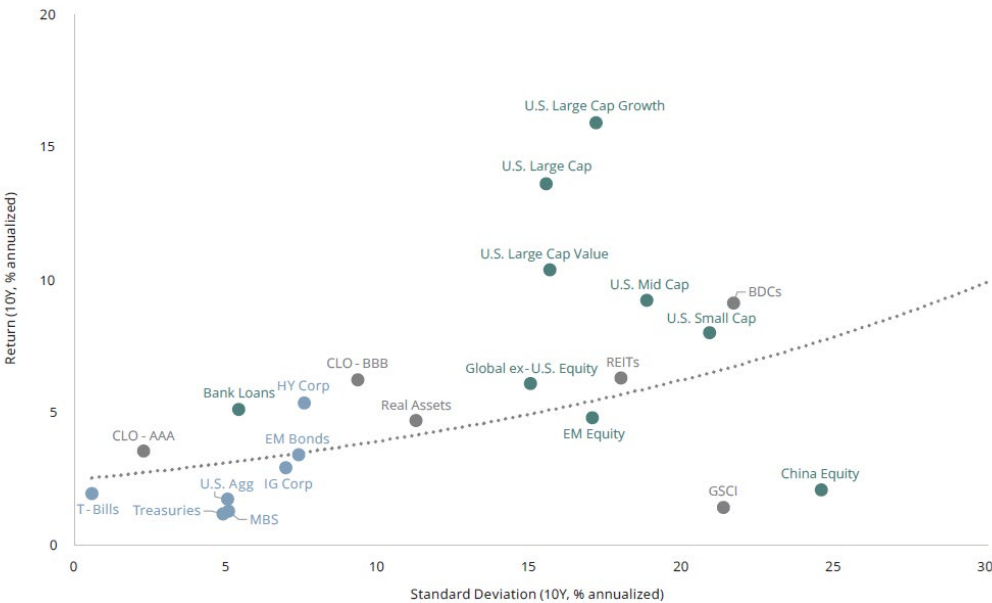


Source: Oxford Economics/Haver Analytics

Performance Highlights

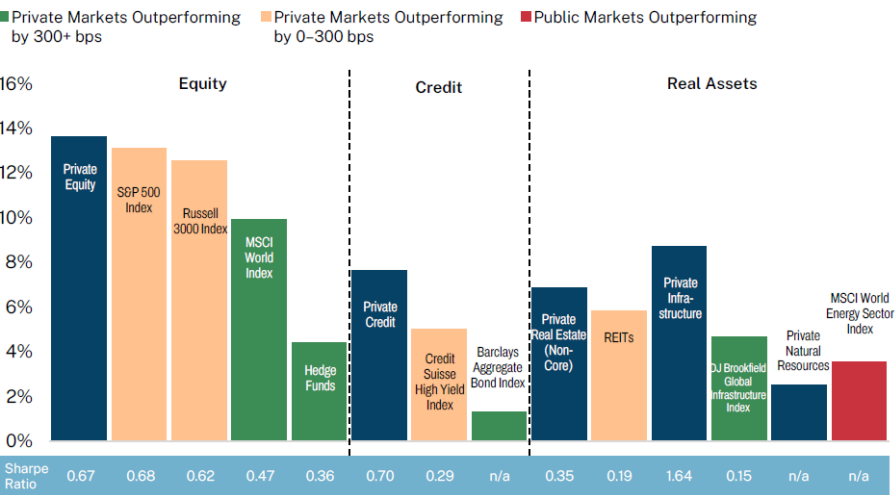
- Volatility remained the theme for markets in the 2nd quarter of 2025. After falling into correction territory in April, US Public Equities regained their momentum to close the quarter at all time highs with NonUS Public Equities, credit spreads and Treasuries able to join the rally as officials indicated progress towards multiple trade deals, armed conflict in the Middle East subsided, Congress continued working towards passing a reconciliation bill and the Fed signaled the need for continued patience.
- The nature of the US tariff rollout and ongoing global geopolitical realignment means market turbulence is likely to continue. Only with an easing of tensions and greater visibility into what a new global trade regime might look like and how it will impact the corporate sector is volatility likely to ease.
- More benign inflation data and softer but still positive growth could prompt the Federal Reserve to resume rate cuts, joining other central banks that have maintained easing policies. While tepid, economic growth remains positive globally, loosening of financial markets, greater fiscal stimulus from the reconciliation bill, and tariff de-escalation could see growth begin to accelerate toward the end of the year and into 2026.

TRANSPARENT MARKETS RISK/RETURN



10-Year Asset Class Performance

Annualized Time-Weighted Return as of 12/31/2024



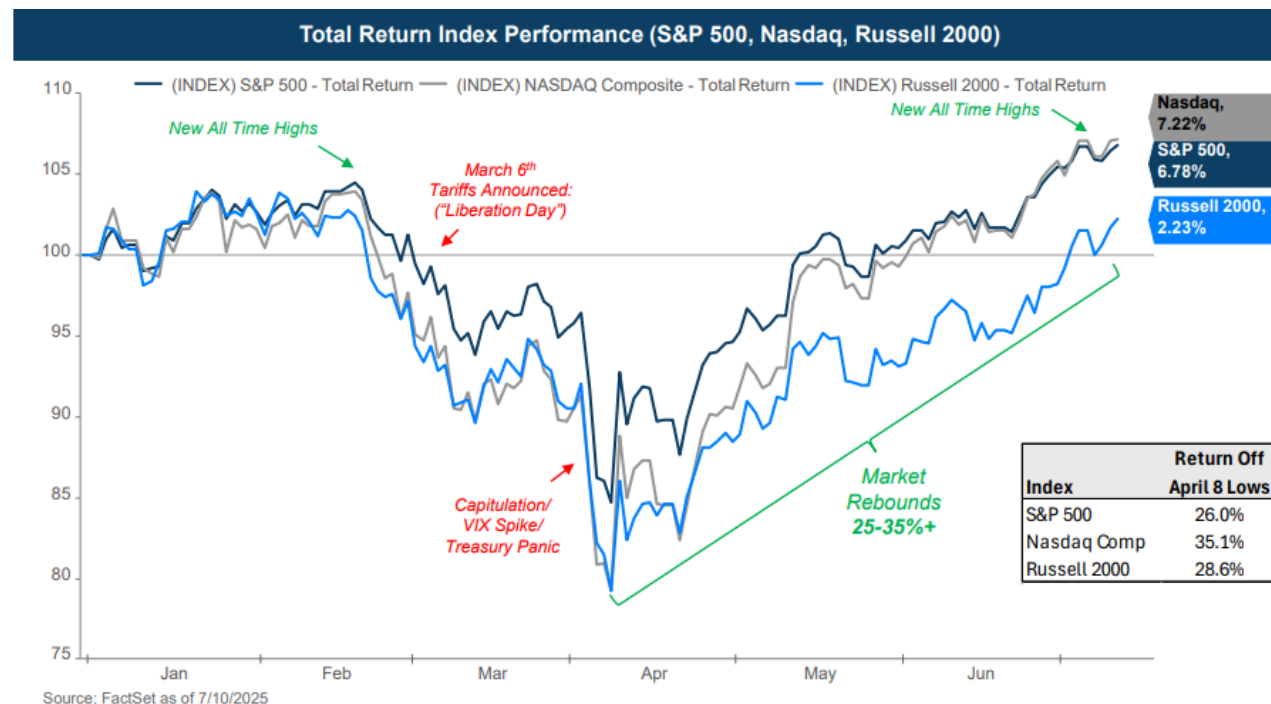
Source: Hamilton Lane Data via Cobalt, Bloomberg. Indices used: Hamilton Lane All Private Equity with volatility de-smoothed; S&P 500 Index; Russell 3000 Index; MSCI World Index; HFRI Composite Index; Hamilton Lane Private Credit with volatility de-smoothed; Credit Suisse High Yield Index; Barclays Aggregate Bond Index; Hamilton Lane Private Real Estate with volatility de-smoothed; Hamilton Lane Private Infrastructure with volatility de-smoothed; Hamilton Lane Private Natural Resources with volatility de-smoothed; FTSE/NAREIT Equity REIT Index; DJ Brookfield Global Infrastructure Index; MSCI World Energy Sector Index. Geometric mean returns in USD. Assumes risk free rate of 2.4%, representing the average yield of the ten-year treasury over the last ten years. (June 2025)

Performance Highlights

Public Equities

US Markets

- After a 15% drawdown to start the quarter, markets experienced a strong reversal led by AI optimism, tariff relief, and earnings strength.
 - Despite policy and geopolitical driven volatility, US markets displayed underlying durability of earnings
 - Easy financial conditions point to sustained business investment and consumer demand
 - Labor market remains firm and inflation trending lower
 - GDP moderating, but fear of recession seems off the table
- Market leadership while still narrow, began to broaden towards the end of the quarter.
 - Large cap growth led thanks to AI mega caps
 - Small caps rebound in the second half of the quarter on improved macros and market rotation
 - Winners were in the IT, communication services, and financials
 - Laggards were health care, energy, and staples
 - Momentum was particularly strong with a rotation towards value as the quarter ended



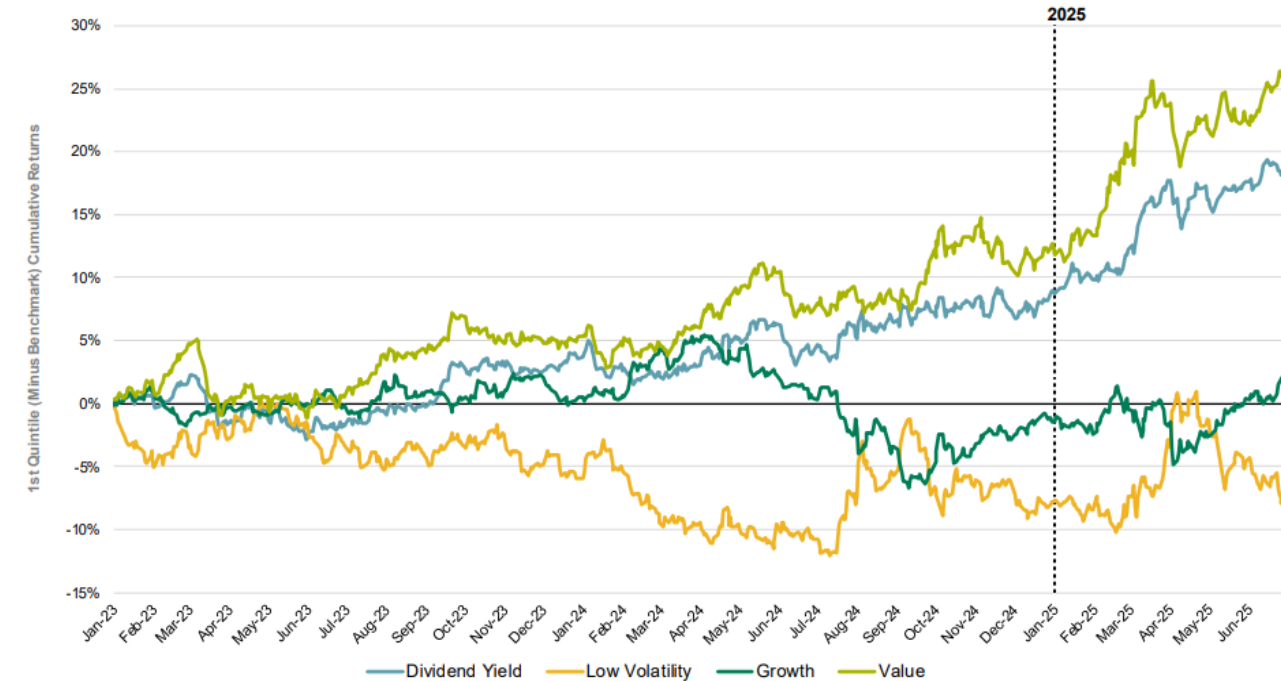
Performance Highlights

Public Equities

International Markets

- Markets were resilient during the second quarter.
 - Tariffs remained a strong source of uncertainty
 - After a sharp drawdown, markets rebounded with the announcement of a pause and lower baseline figures
 - Markets had to digest the increasing divergence between sentiment and hard numbers like employment, service sector activity, and earnings that point to a more optimistic picture
 - Market rewarding valuation and quality factors
 - Companies continued to post solid earnings, with many positive earnings surprises
- The USD weakened notably during the quarter, which can impact profit margins, but also translates into a source of investment returns for USD based investors

MSCI ACWI ex U.S. Factor Performance Since 2023



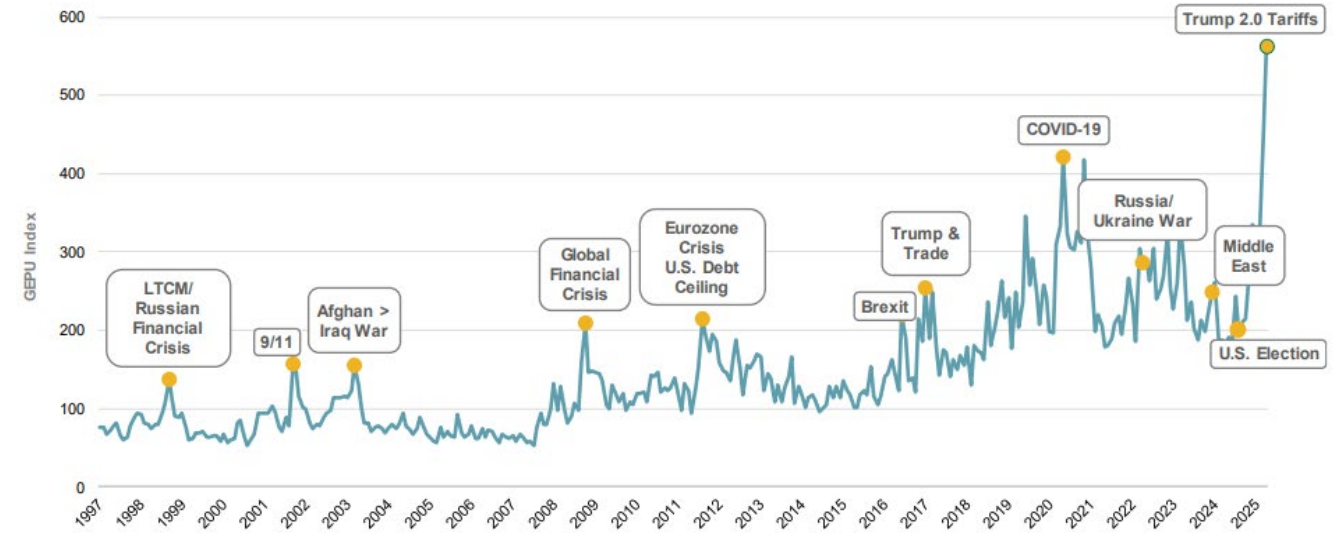
Data from: 1/2/2023 to 6/30/2025
Source: MSCI

Performance Highlights

Public Equities

- 2Q25: KPPA Global Equity 12.03% vs MSCI ACWI IMI 11.62%
 - NonUS Equity tilt contributed to relative outperformance as these markets outpaced the US by over 2.2%
 - Stock selection strength, particularly in the international markets
- 2Q25: KPPA US Equity 10.81% vs Russell 3000 10.99%
 - Value tilt and market cap positioning detracted from relative outperformance
 - Stock selection was split
 - Transition from internal factor based to new US LC Core mandates was completed during the last week of the quarter
- 2Q25: KPPA NonUS Equity 14.04% vs MSCI ACWI Ex-US IMI 12.71%
 - Individual mandates performed well except for one driven primarily by stock selection
 - Quantitative mandates factor models performed well

Global Economic Policy Uncertainty Index



Data from: 1/1/1997 to 4/30/2025. Data reported on a delay.

Each national EPU index reflects the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy (E), policy (P) and uncertainty (U). The GEPU Index is a GDP-weighted average of national EPU indices for 21 countries: Australia, Brazil, Canada, Chile, China, Colombia, France, Germany, Greece, India, Ireland, Italy, Japan, Mexico, the Netherlands, Russia, South Korea, Spain, Sweden, the United Kingdom, and the United States.

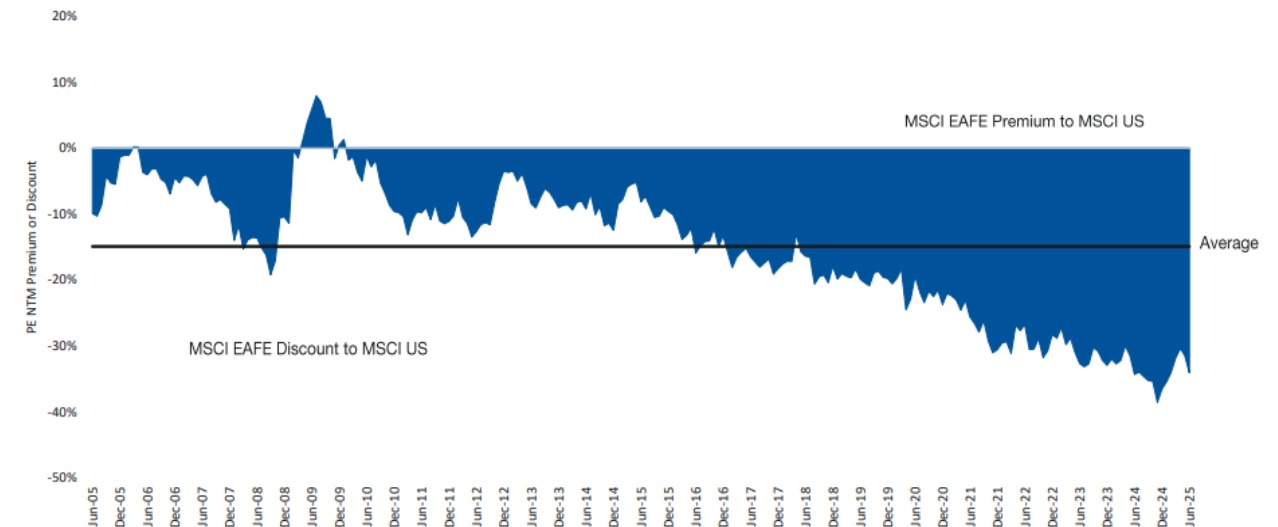
Source: FactSet, Economic Policy Uncertainty

Performance Highlights

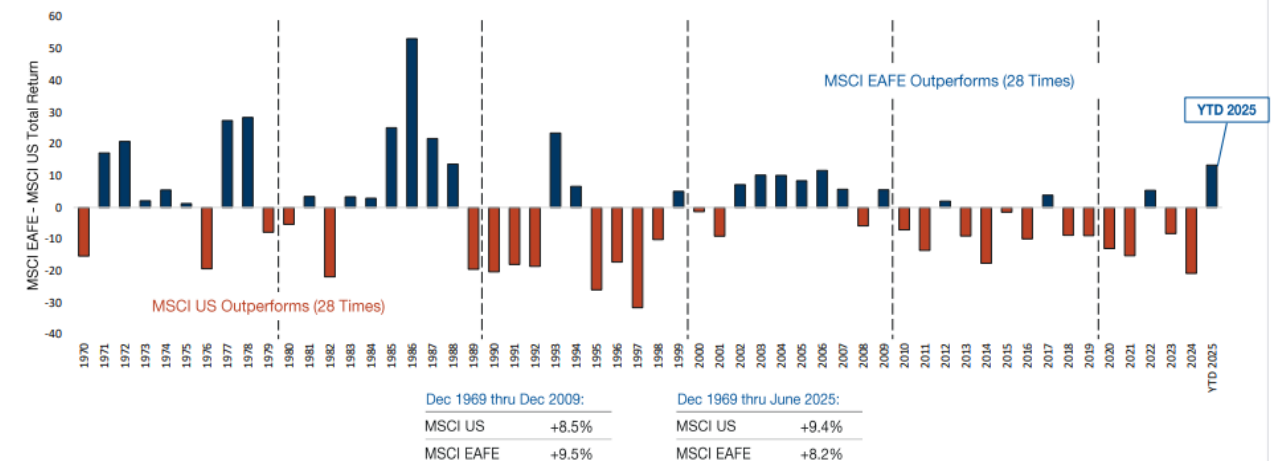
Public Equities

- 12months: KPPA Global Equity 16.14% vs MSCI ACWI IMI 15.89%
 - Regional positioning contributed to relative outperformance (tilt NonUS benefited, outperforming US markets by 2.5%)
 - Individual strategy performance while mixed, skewed positively, and particularly strong in the NonUS segment of the portfolio
- 12months: KPPA US Equity 15.09% vs Russell 3000 15.30%
 - Individual strategy relative performance was mixed; however, it skewed positive in aggregate
 - Notable standouts (ACV: 20.06%vs13.30%; Micro cap absolute performance of 18.54%)
 - Allocation positioning offset stock selection strength (value and smaller tilts)
 - R3000V 13.30% vs R3000G 16.89%
 - R500/SP500 Blend 15.40% vs Russell Midcap 7.53% vs Russell 2000 7.68%
- 12months: KPPA NonUS Equity 17.95% vs MSCI ACWI Ex-US IMI 17.83%
 - Individual strategy performance was mixed; split 60/40
 - Stock selection drove relative performance, right tails were significantly larger than left
 - Notable standouts (deep value: 24.34%vs17.72%; small cap: 28.30%vs18.34%)

MSCI EAFE vs MSCI USA



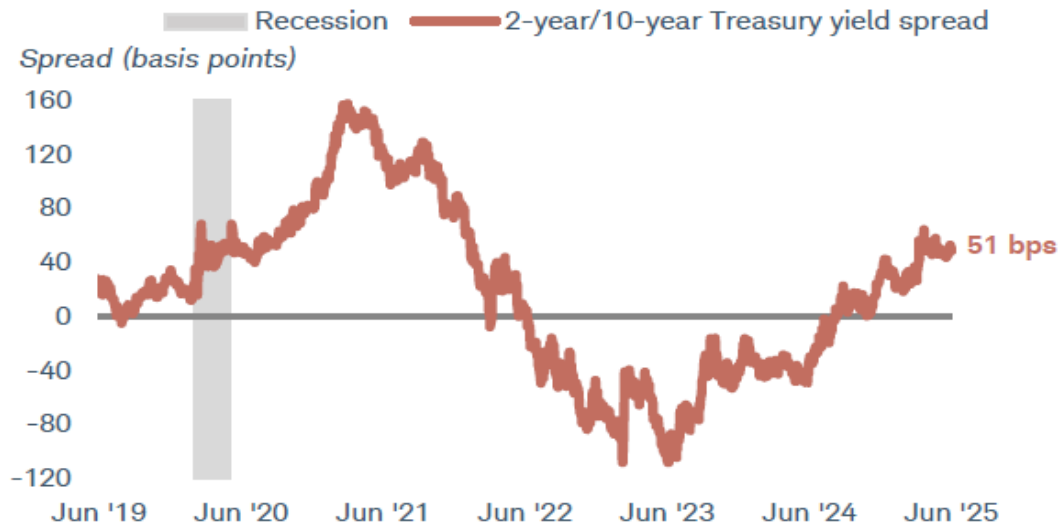
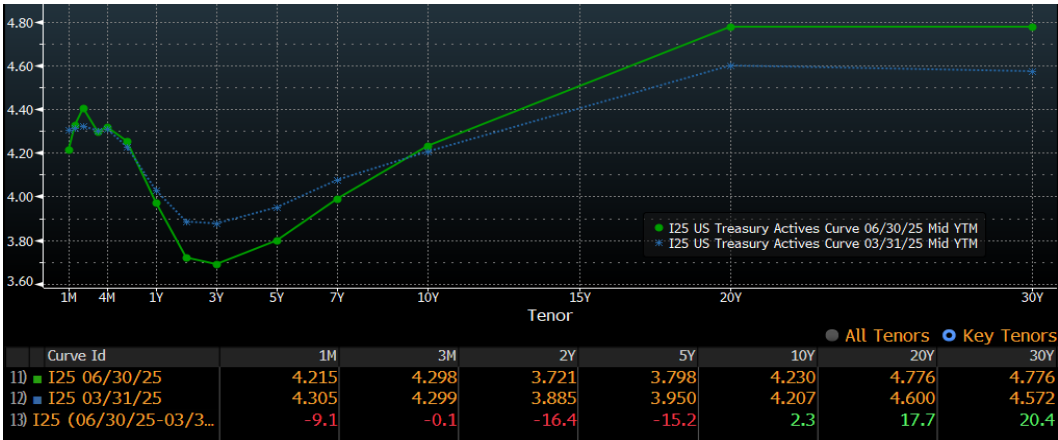
EAFE vs US Returns



Performance Highlights

Core Fixed Income

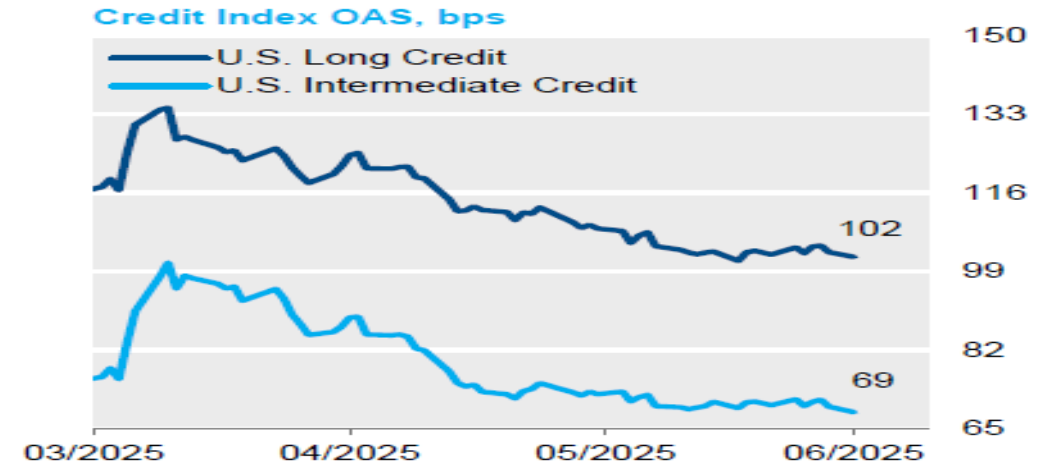
- The Federal Reserve held its benchmark interest rate steady during both policy meetings over the quarter, maintaining the level set in December 2024.
- In its Summary of Economic Projections, the Fed reaffirmed its expectation of two rate cuts in 2025.
- The 2YR and 5YR US Treasury yields fell 16 basis points and 15 basis points to close at 3.72% and 3.80%, respectively. The 10YR yield was 2 basis points higher to close at 4.23%. The 20YR and 30YR yields were higher 18 basis points and 20 basis points and both finished the quarter at 4.78%.
- The yield curve remained upward sloping throughout the quarter, with the 2-10YR spread widening modestly. The spread fluctuated within a range of 20 basis points, ending the quarter at 51 basis points, a notable increase from early 2025 but still below the historical average of 85 basis points.
- This steepening reflects shifting market sentiment amid growing expectations of multiple Fed rate cuts by year-end, driven by signs of slowing economic growth and moderating inflation during the quarter.



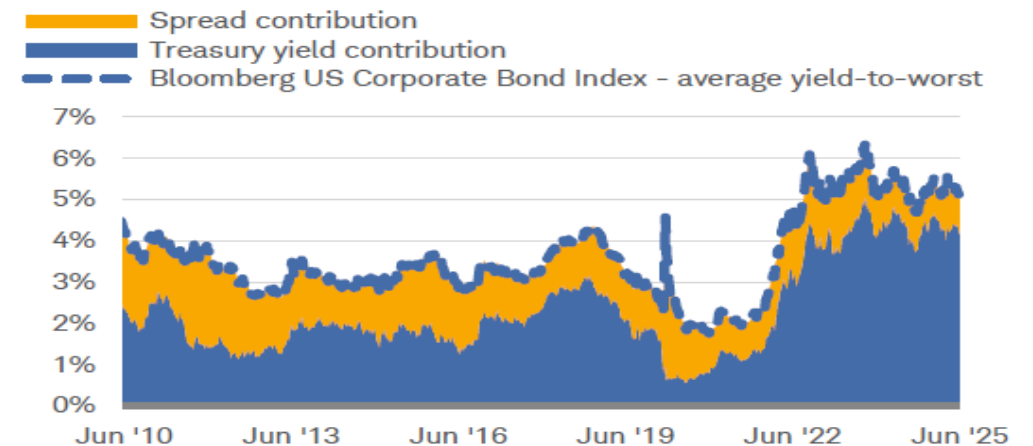
Performance Highlights

Core Fixed Income

- The Core Fixed Income Portfolio produced a return of 1.37% for the quarter and 6.27% for the Fiscal Year, outperforming the benchmark by 16 and 19 basis points, respectively.
- For the quarter, Corporate bonds were the top performing sector, generating 104 basis points of excess returns when compared to similar-duration Treasuries. CMBS was the next best performing sector producing 39 basis points in excess returns. ABS rounded out the top three sectors gaining 27 basis points for the quarter.
- Credit spreads recovered from early quarter widening to finish sharply tighter, particularly at the long end where they benefited from a supportive technical backdrop. With the yield on the Long Credit Index averaging 5.94% over the quarter, demand remained robust while issuers continued to favor shorter tenors.
- Despite low spreads, investment grade corporate bonds still appear attractive. Average yields are near the high end of their 15-year range, as the average yield-to-worst of Bloomberg Corporate Bond Index was nearly 5% at the end of June.



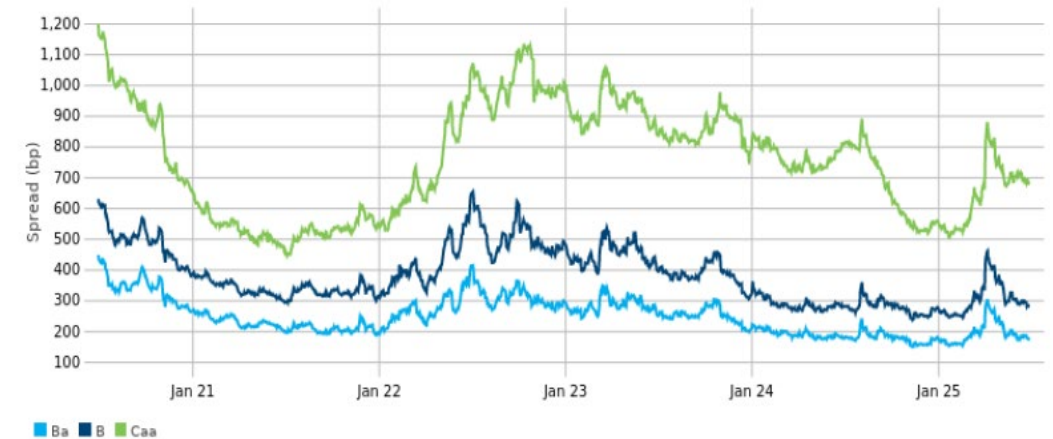
Investment-grade corporate bond yields still appear attractive, but spreads remain low



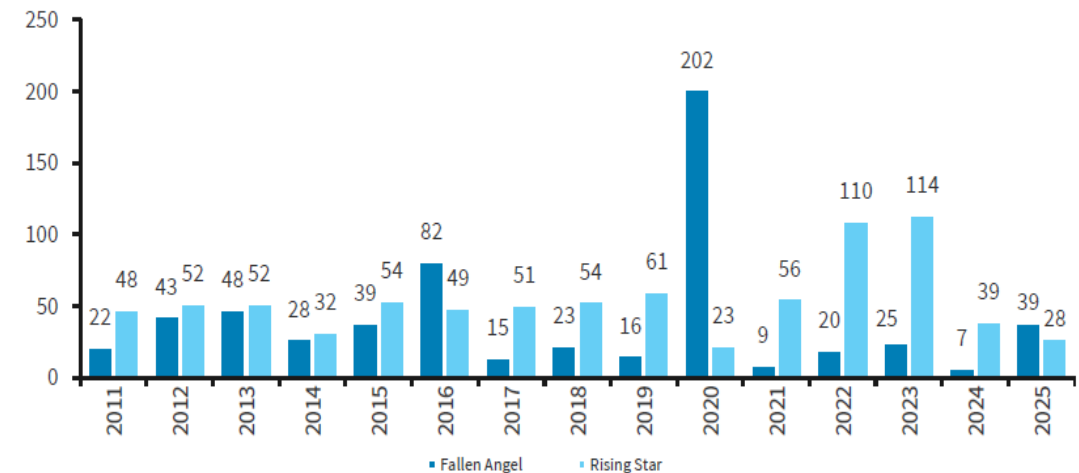
Performance Highlights

Specialty Credit Fixed Income

- The Specialty Credit portfolio produced a return of 2.19% for the quarter and 9.87% for the Fiscal Year, underperforming the custom benchmark for the quarter by 73 basis points but outperforming for the Fiscal Year by 108 basis points.
- At the five-year time period, the portfolio has generated 8.98% returns outperforming the benchmark by 223 basis points.
- High yield bond spreads tightened 57 basis points during the quarter to an option-adjusted spread of 290. After widening to 453 basis points in April post Liberation Day tariff sell-off, spreads quickly rebounded and ultimately finished the quarter at the tightest level since late February.
- As risk appetite improved, the lower quality segments of the market led the rally with Ba, B and Caa rated bonds posting returns of 344 basis points, 362 basis points and 401 basis points, respectively.
- The quarter saw seven rising stars totaling \$19 billion of par value with Royal Caribbean accounting for over half of the total. This compares to four fallen angels which totaled \$21 billion with the majority represented by the downgrade of Warner Brothers, the largest since Occidental Petroleum in March 2020.



Amount Outstanding (\$ bn)

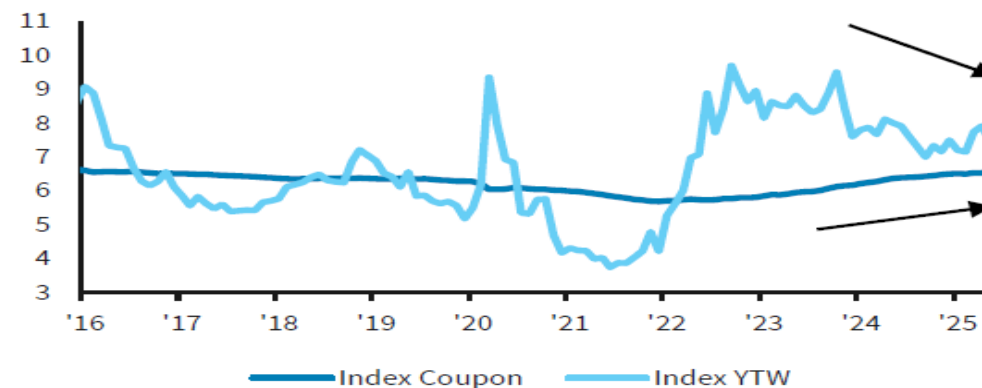


Performance Highlights

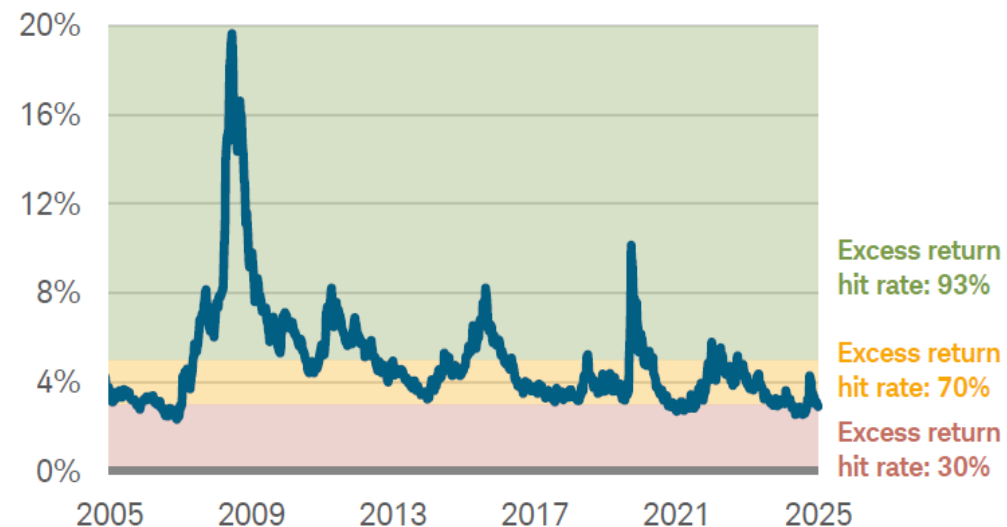
Specialty Credit Fixed Income

- Earnings reports from high yield issuers maintained the recent trend of generally meeting expectations with modest revenue and EBITDA growth and stable balance sheet metrics. However, more than 40% of reporting companies warned about negative tariff impacts.
- The high yield bond default and distressed exchange activity remained moderate for the quarter. The LTM par-weighted default rate including distressed exchanges increased to 1.41%.
- When yields rose in 2022, refinancing supply slowed as issuers balked at the increased cost of capital compared to coupons on their existing debt. Now, however, the gap between current interest expense (index coupon) and cost of new debt (index yield) has shrunk as average coupon has risen and average yield has fallen. Issuers are now facing less “sticker shock” at the cost of refinancing.
- High yield corporate bond spreads are low, with the Corporate High-Yield Index offering an average spread of just 2.90% at the end of June.
- Historically, high-yield bonds have outperformed Treasuries just 30% of the time when spreads were below 3%.

HY Index Yield and Coupon (%)



Average OAS — Bloomberg US Corporate High-Yield Bond Index



Performance Highlights

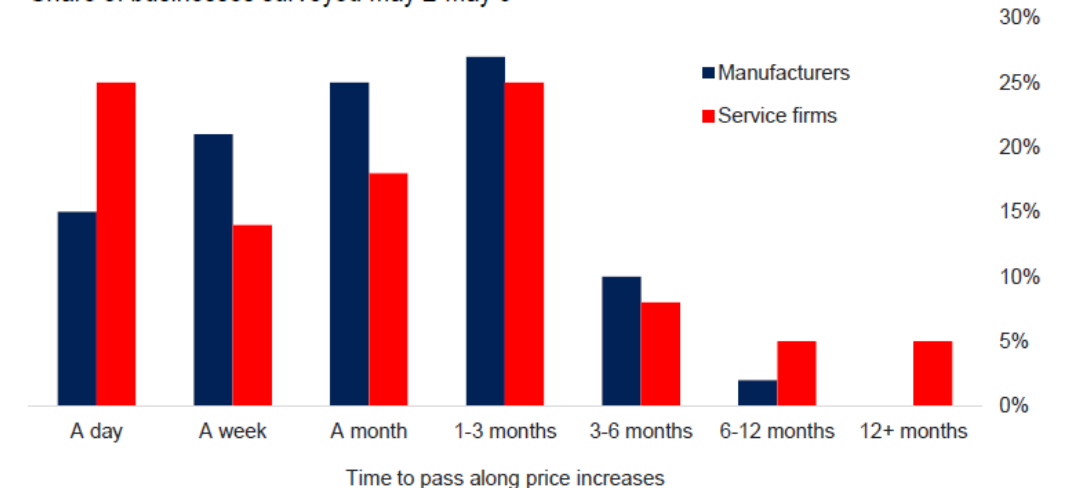
Liquidity

- The FOMC left policy unchanged during the quarter. The Chairman expressed patience in terms of the Committee's current monetary policy rate citing concerns of upside risks to inflation due to proposed tariff policies.
- However, a couple of members have argued the downside risks to employment outweighed concerns about inflation, advocating for rate cuts in July.
- Cash produced a return of 1.11% for the 3-month period ending June 30, slightly outperforming the 3-Month Treasury Bill benchmark which returned 1.09%.
- For the Fiscal Year, cash returned 4.81%, slightly underperforming the benchmark by 7 basis points.
- The Fed's reluctance to cut rates is less about what the inflation data says and more about what could be brewing in the future. Tariff pass-through to consumer prices will occur with a lag.
- With many tariff rates paused or lowered since initial announcements, some businesses may have delayed raising prices until they have clarity on the longer-term policy landscape.

Market expectation versus FOMC dot-plot median



New York Fed: Tariff Pass-through timeline
Share of businesses surveyed May 2-May 9



Source: Federal Reserve Bank of New York

Performance Highlights

Private Capital (as of 3/31/25 - 1 quarter lag)

- Private markets were broadly positive in calendar 1Q 2025 and started to close the recent performance gap versus public equity markets. US equity markets were actually negative for the quarter, with the S&P 500 down slightly (-0.2%) and the Russell 3000 falling nearly 5% (-4.7%).
- Even though it is senior in the capital structure, private credit's ~7% returns have significantly outpaced those from private equity over the trailing 1 and 3 years.
- Real assets like infrastructure and natural resources have also produced significantly higher returns than private 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 pressuring current holders of attractive assets. Real estate and private equity appear to be facing higher stress, although transaction volumes remain below consensus expectations from the beginning of the year.

MSCI Private Capital Benchmarks – US

		Pooled Trailing Period Returns			
		1Q 2025	1-Yr	3-Yr	5-Yr
Private Capital		1.0%	5.4%	2.5%	15.2%
Private Equity		1.3%	6.0%	1.9%	17.5%
	Venture Capital	2.3%	6.7%	(5.5%)	16.9%
	Expansion Capital	1.9%	10.6%	3.0%	12.2%
	Buyout	0.7%	5.3%	5.5%	17.8%
Private Credit		1.1%	6.7%	7.2%	11.1%
	Senior	1.8%	7.7%	8.5%	9.6%
	Mezzanine	1.3%	7.4%	7.4%	10.5%
	Distressed	0.4%	6.3%	6.7%	13.0%
Private Real Assets		0.7%	2.3%	1.4%	9.6%
	Real Estate	0.2%	(2.1%)	(4.2%)	4.9%
	Natural Resources	1.2%	2.8%	7.4%	18.5%
	Infrastructure	1.7%	11.2%	8.6%	11.3%

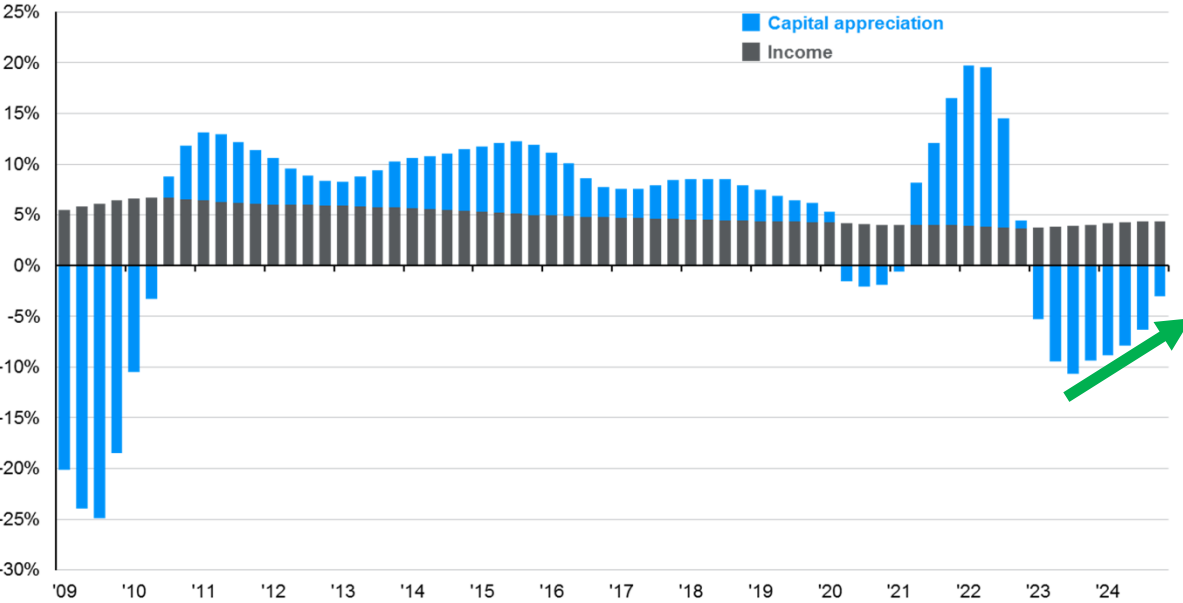
Source: MSCI Private Capital Benchmarks Report (data through calendar 1Q 2025)

Performance Highlights

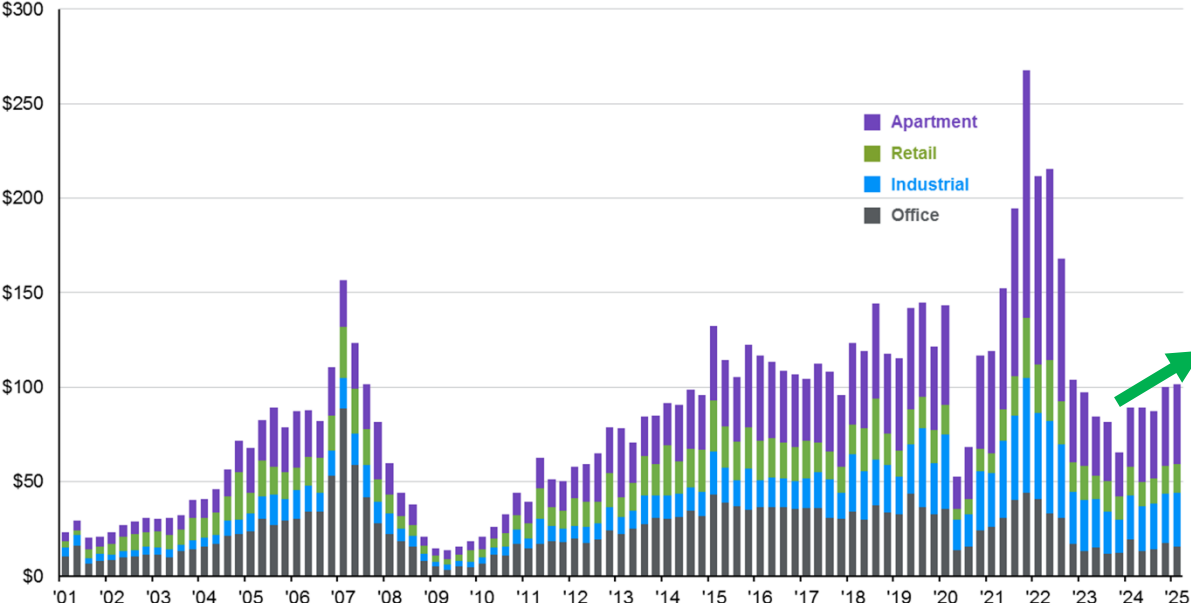
Real Estate (as of 3/31/25 - 1 quarter lag)

- Real Estate markets and sentiment have continued to rebound, with the Open-End Diversified Core Equity (NFI-ODCE) index posting a third consecutive positive quarter after two years of declines.
- The Real Estate portfolio's value grew 2.1% during the quarter, outpacing the benchmark's 0.9% return. For the fiscal year 2024-25, the portfolio was up 4.6% vs the benchmark's 1.2% return.
- The portfolio's three open-end Core strategies (~2/3 total exposure) all produced positive returns during the first quarter and now have positive trailing 1-year returns for the first time since 2022. Although some valuation markdowns persist, they have been more than offset by the funds' 3.5%+ annualized income returns.
- These same three funds raised an additional ~\$150 million in 1Q 2025 to go with the \$1.1 billion they collectively received in 4Q 2024. While they only closed 1 acquisition among them in 1Q '25, they have subsequently acquired 8 properties and sold 8 others during 2Q '25.
- Overall deal activity continues to grow, although it remains well below the elevated 2018-19 and peak 2021-22 levels.

Global private real estate returns
Rolling 4-quarter returns from income and capital appreciation



U.S. real estate transaction volumes
USD billions, seasonally adjusted, 1Q01 – 1Q25



Source: JP Morgan

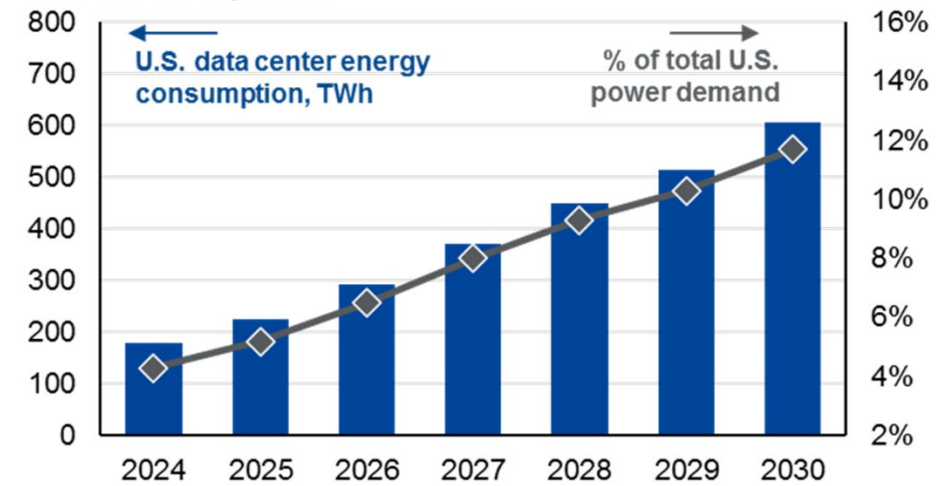
Performance Highlights

Real Return

- The Real Return portfolio continued to perform well, gaining during the quarter, gaining 1.7% for 2Q 2025 (vs 1.5% benchmark) and 15.8% for fiscal year 2024-25 (vs 5.4% benchmark).
- The portfolio's MLP exposure fell 2.4% during 2Q 2025 but has still gained 26% over the past 12 months and returned more than 30% annualized over the past three and five years. Midstream energy companies have continued to grow free cash flow and volumes and are benefiting from the tailwind of data centers' voracious energy demand.
- The portfolio's allocation to currently producing oil and gas investments was funded in 2Q 2025, with ~25% called.
- The portfolio's inland marine transportation manager returned 2.3% for 1Q 2025 and 8.3% for the trailing 12 months. The remainder of KPPA's original 2023 commitment is being called at the end of August 2025 to fund the acquisition of Centerline Logistics and the 125 vessels it owns / operates in the coastal Jones Act market.

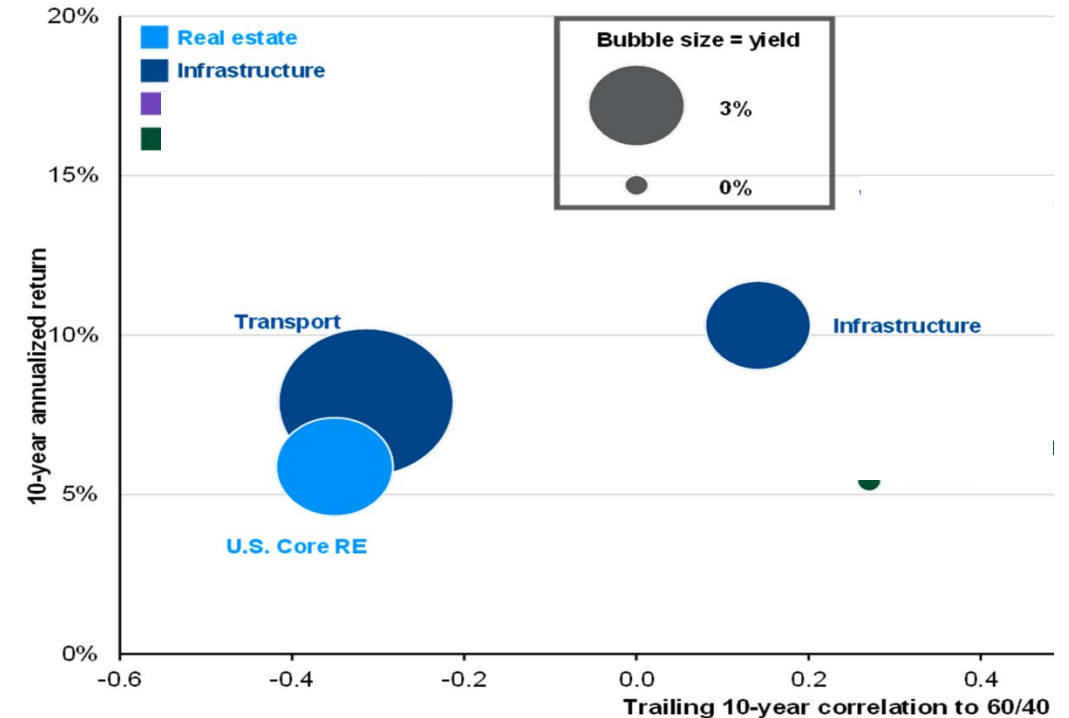
U.S. electricity consumption from data centers

Forecasts through 2030**



Correlations, returns and yields

10-year correlations and 10-year annualized total returns, 1Q15 – 4Q24



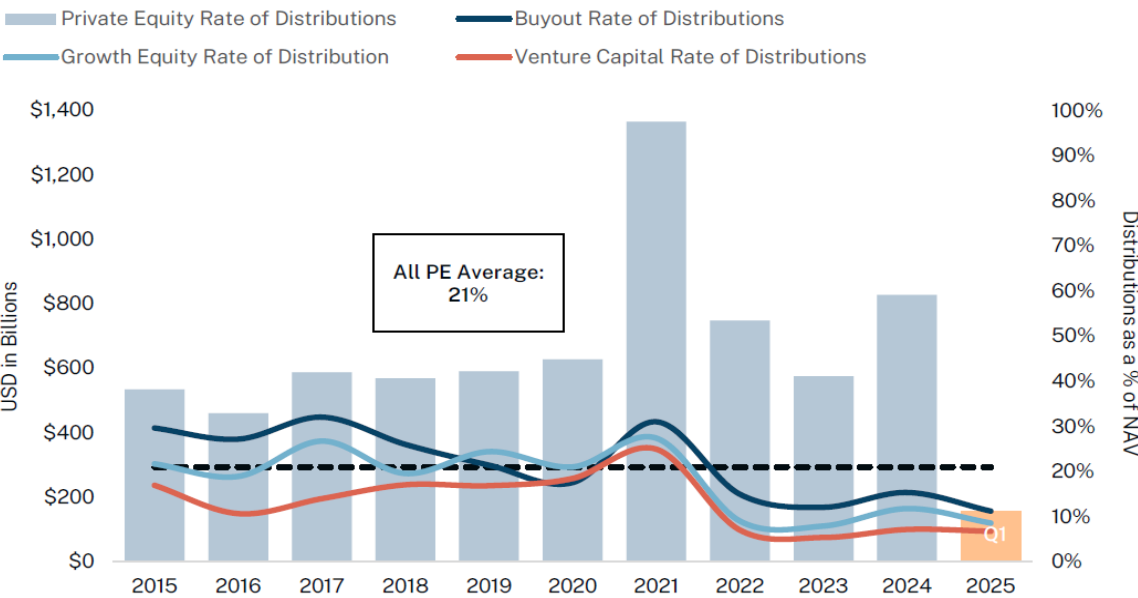
Source: JP Morgan

Performance Highlights

Private Equity (as of 3/31/25 - 1 quarter lag)

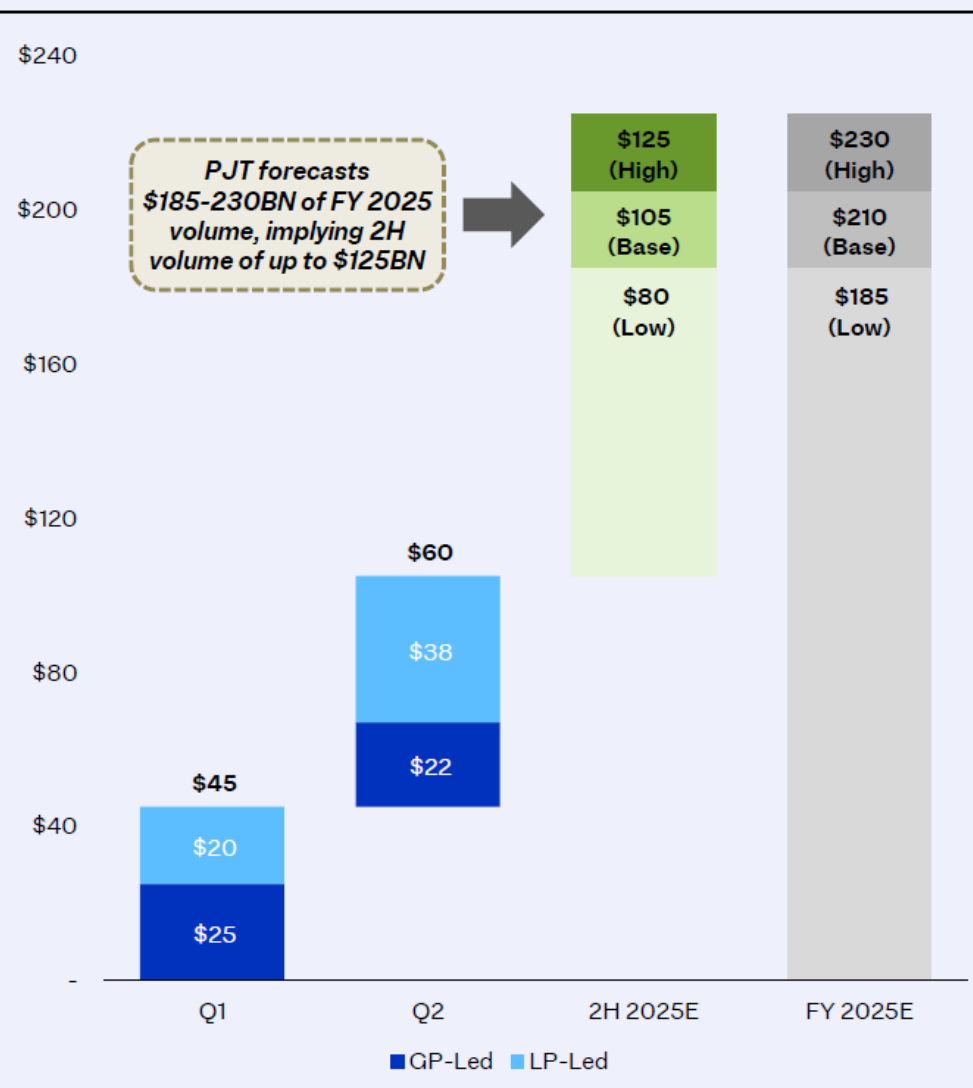
- The Private Equity portfolio produced a return of 2.5% for the quarter, beating the -3.7% return of its benchmark (Russell 3000 + 3%, lagged one quarter). However, the portfolio's trailing 1-year return of 7.2% still lagged the benchmark return of 10.2%.
- Transaction activity and exits have picked up in recent quarters, but distributions remain near historically low levels across PE. Higher interest rates have unfavorably impacted buyout math and valuation multiples, and broader market uncertainty driven by tariffs has not helped.
- Perhaps the most active area in private equity remains secondaries, where 1H 2025 volume was up 50% year-over-year to \$105 billion. Continuation vehicles remain heavily utilized by GPs to give themselves additional time and optionality to grow their most bankable assets.
- KPPA invested in two continuation vehicles during 4Q 2024 and received proceeds from four others during the first half of calendar 2025.

Private Equity Rate of Distributions



Source: Hamilton Lane data via Cobalt (June 2025)

1H 2025 MARKET VOLUMES AND FY 2025 FORECAST



Source: PJT Park Hill