

**KENTUCKY RETIREMENT SYSTEMS
INVESTMENT MANAGEMENT AGREEMENT**

THIS INVESTMENT MANAGEMENT AGREEMENT (the "Agreement" or "Contract") is entered into as of November __, 2021 by and between Axiom Investors LLC ("Manager"), and Kentucky Retirement Systems ("KRS" or "Systems"), a 401(a) governmental pension plan; each a "Party" and together the "Parties".

WITNESSETH:

WHEREAS, KRS desires to appoint Axiom Investors as investment manager with authority to manage and control a portion of KRS' assets held from time to time (the "Account") pursuant to this Contract;

NOW, THEREFORE, in consideration of the foregoing and subject to the terms and conditions set forth herein, the parties hereby agree as follows:

1. **Designation of Manager; Prudent Person.** Subject to the terms and conditions contained in this Agreement, KRS hereby appoints Manager as investment manager of the Account with full power and discretion to manage such assets of the Account as KRS designates, such assets not otherwise being subject to the management or control of another investment manager specifically appointed by KRS. Manager hereby accepts appointment as investment manager of the Account pursuant to the terms of this Agreement. Manager shall discharge its duties under this Agreement solely in the interest of KRS with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investment manager acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, pursuant to Kentucky Revised Statutes Section 61.650(1)(c)(3) or Section 78.790(1)(a)(3). In addition, in managing the Account the Manager will take into account the duties it has as a "fiduciary" of KRS, as that term is defined the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to the investment and management of the assets in the Account, as if the Account were subject to ERISA. KRS has selected the Manager's Emerging Markets Select Value strategy.

2. **Custody of Account Assets.** KRS has established or will establish one or more investment accounts at a custodian of KRS's choice (the "Custodian"). Title to all Systems' Account assets shall at all times be registered in the name of Systems or the name of the Systems' Master Custodian or its nominee for the account of Systems, and the indicia of ownership of all Systems' Account assets shall at all times be maintained in trust by the Systems' Master Custodian. The Manager shall at no time have the right to physically possess or to have the securities making up the Account registered in its own name or that of its nominee, nor shall the Manager in any manner acquire or become possessed of any income or proceeds distributable by reason of selling, holding or controlling the Account. KRS shall instruct the Custodian to provide the Manager with written statements of the Account, at least monthly, and such other information as Manager may reasonably request from time to time.

3. **Investment Policy and Procedures.** The Manager hereby agrees to provide the services enumerated in Item 1 and Item 2 above in accordance with the Investment Policy Statements (the "Investment Policy") as issued by Systems, as amended from time to time, which are attached hereto as Attachment I and incorporated herein by this reference, and the Portfolio Guidelines for the Manager (the "Guidelines"), which are attached hereto as Attachment II and incorporated herein by this reference. Manager shall exercise its power and authority with respect to the Account in accordance with the Investment Policy. The Investment Policy and Guidelines shall remain in effect until such time as KRS approves (in writing) a modification to the Investment Policy or Guidelines. The Manager shall have no responsibility to implement any changes in the investments of the Account as a result of any change in the Investment Policy or the Guidelines unless and until such change is communicated to the Manager in writing; provided, such change becomes effective only upon the Manager's written acknowledgment of receipt. The Manager shall acknowledge receipt within five (5) business days after receiving the notification and shall be in compliance with the modified Investment Policy of Guidelines within forty-five (45) days after receiving notification. Notwithstanding anything to the contrary contained herein, in the event the terms of the Guidelines conflict with those of the Investment Policy, the terms of the Investment Policy shall control. The Manager will attempt to obtain the "best available price and most favorable execution" with respect to all Account transactions.

4. **Brokerage.** In selecting brokers or dealers, the Manager shall use reasonable efforts to seek the most favorable combination of price and execution, and may consider the fact that a broker or dealer has furnished, or has agreed to furnish in the future, statistical, research or other information or services which enhance the Manager's investment research and portfolio management capability for investing the assets, all in accordance with Section 28(e) of the U.S. Securities Exchange Act of 1934. If Manager accepts or receives such information or services from a broker or dealer, then Manager shall report to KRS in accordance with Section 18(c)(iv) of this Agreement.

Notwithstanding the foregoing, the Manager shall not place orders with any broker/dealer who: (a) KRS has by written notice to the Manager deemed unsuitable for Account trades, (b) is affiliated with the Manager or (c) is affiliated with an investment consultant that provides non-brokerage related services to KRS. KRS shall provide the initial list of restricted broker/dealers arising under (a) and (c), and any changes, to the Manager in writing. The Manager agrees to be bound by such broker/dealer list, or any changes to such broker/dealer list upon receipt of written notice from KRS. In addition, the Manager shall not engage in transactions that involve a broker acting as a principal where the broker is also the investment manager, without KRS's advance written consent.

5. **Performance Objectives.** The Manager acknowledges that KRS has established performance objectives for the assets in the Account as are set forth in Attachment II attached hereto (the "Performance Objectives"), as the same may be amended from time to time by KRS in writing, and that failure to consistently meet such performance standards may result in termination of this Agreement. The Manager hereby acknowledges that it has reviewed and is familiar with the Performance Objectives. KRS may amend the Performance Objectives by providing written notice to Manager.

6. **Fees and Terms of Payment.** As consideration for the services rendered pursuant to this Agreement, the Manager shall receive a management fee, payable quarterly in arrears, and calculated as outlined in Attachment III titled "Fee Schedule". If the fees are not paid by KRS, KRS shall cause the Custodian to compensate Manager for its services under this Agreement from the assets of the Account. Except as provided in Attachment III, the Manager shall not be entitled to receive any additional fees or

reimbursements for travel expenses, meals, production materials, or any other service or product provided in connection with this Agreement. Under Section 61.645(i) and Section 78.782(18)(i) of the Kentucky Revised Statutes, KRS is required to disclose, and post on its website, the dollar value of fees and commissions paid to each individual manager or partnership. KRS shall not publicly disclose the Fee Schedule listed in Attachment III, unless legally required to do so after exhausting all reasonable available remedies to prevent disclosure as determined by KRS, however, on a quarterly basis, it is legally required to update and post to its website the fees and commissions paid for each fund administered by the board, as well as any fees and commissions paid to a manager or partnership. If KRS does disclose the Fee Schedule listed in Attachment III, KRS shall immediately notify the Manager. Public disclosure shall not encompass KRS' lawful responses to a valid subpoena or order from a Court of competent jurisdiction, or disclosure and posting required pursuant to KRS 61.645(19)(i) or KRS 78.782(19). KRS shall also reimburse the Manager for any third-party costs incurred by the Manager at the instruction of KRS.

7. **Benefit of More Favorable Terms.** The Manager hereby agrees that at all times during the management of the Account, [REDACTED]

[REDACTED] The Manager agrees to notify the System if, at any time, the Manager is in violation of the aforementioned clause, and [REDACTED]

[REDACTED] as long as KRS is legally authorized to agree to such other conditions, terms, agreements, or circumstances applicable to [REDACTED]

8. **Placement Agents.** The Manager agrees that it will remain in compliance with System's Statement of Disclosure and Placement Agent policy, which is attached hereto as Attachment IV. The Manager warrants that no person or selling agency has been employed or retained to solicit and secure this Agreement upon an agreement or understanding for commission, percentage, brokerage or contingency; excepting bona fide employees or selling agents maintained by the Manager for the purpose of securing business unless disclosed in writing, prior to the engagement. The Manager has not paid any placement fees, finder's fees, or gratuities (including gifts and entertainment) to any fiduciary, trustee or employee of KRS. The Manager has not made any contributions that would result in an Investment Adviser being disqualified from collecting performance fees under rule 206(4)-5 of the Investment Advisers Act of 1940, as amended ("Advisers Act"). Additionally, under Section 61.645(1) and Section 78.782(20) of the Kentucky Revised Statutes, Manager acknowledges and agrees that no funds of KRS, including the fees and commissions paid to the Manager, shall be used to pay fees and commissions to placement agents. For the purposes of this Agreement, "placement agent" means a third-party individual, who is not an employee, or firm, wholly or partially owned by the entity being hired, who solicits investments on behalf of an investment manager, private fund, or company issuing securities

9. **Authorization.** In accordance with this Contract and all Attachments hereto, Manager is hereby authorized, without prior consultation with, or approval of, KRS, to:

- a) use its sole judgment and discretion in the acquisition, placement, maintenance, transfer, swap, sale, or other disposition of any and all Account assets;

- b) bind or commit KRS to any contract(s) or agreement(s) necessary to accomplish its duties and obligations set forth in this Agreement;
- c) direct the Custodian with respect to all powers subject to such direction under any Agreement including, but not limited to, buying and selling securities, signing contracts or other agreements; and
- d) combine orders on behalf of the account with orders on behalf of the Manager or its affiliates or of other clients of the Manager.

10. **Trading Procedures.** All transactions authorized by this Agreement shall be settled through the Custodian, who shall retain sole possession of and have complete custodial responsibility for the assets. The Manager shall notify and instruct the Custodian on (a) orders which the Manager places for the sale or purchase of assets and the management or disposition of such assets, and (b) the purchase or acquisition of other securities or property for the Account. The Manager shall provide the Custodian with such trade information as the Custodian may require to effect settlement, within the time frames as the Custodian may designate. In its sole discretion, KRS may (by giving notice to either the Manager or the Custodian) amend, limit or revoke Manager's above-described authority to direct the Custodian.

11. **Manager Not Acting as Principal.** The Manager shall not act as a principal in sales and/or purchases of the assets, unless the Manager shall have received prior written approval from an Authorized Person (defined below) for such transaction. The Manager shall also not engage in non-exempt prohibited transactions to the extent set forth in ERISA.

12. **Trade Confirmation and Settlement.** Where a transaction is eligible for settlement through the Depository Trust Company's Institutional Delivery System, the Manager shall use such System for trade confirmation and settlement. The Manager shall cooperate with KRS's Custodian and other parties to the trade to promptly resolve any trade settlement discrepancies or disputes.

13. **Discretionary Rights and Powers Affecting the Assets.** The Manager may receive requests for instructions from the Custodian concerning the assets held in the Account, including without limitation, conversion rights, subscription rights, warrants, options, pendency of calls, maturities of securities, expirations of rights, tender and exchange offers, and any other right or power requiring a discretionary decision by the Manager. The Manager shall be responsible for timely directing the Custodian as to the exercise of such rights and/or powers if, and solely to the extent, the Manager has actual knowledge of same based on a written notice or request for instructions received from the Custodian or KRS. The Manager shall not be responsible for notifying KRS or the Custodian of, or managing, monitoring or conducting litigation or other proceedings (including class action or bankruptcy proceedings) related to any investment held or once held in the Account, and KRS acknowledges and agrees that it, and any legal adviser of KRS, shall remain solely responsible for the management of such proceedings. Despite the preceding sentence, the Manager will use reasonable efforts to forward to KRS any proof of claims forms that the Manager receives and that are directed to the attention of the Account.

14. **Acting on Illegal Information.** The Manager shall not place orders to purchase and/or sell any assets on the basis of any material information obtained, or utilized, by the Manager in violation of the securities laws of the United States, or any other country in which the Manager transacts business on the Fund's behalf.

15. **Account Reconciliation.** The Manager shall cooperate with the Custodian to reconcile the Account each month. The Manager shall review all performance and other reports provided to it by the Custodian with respect to the Account assets, and notify KRS in writing of any material errors or discrepancies that are not reconciled.

16. **Notification of Tax Liabilities.** The Manager shall notify KRS within a reasonable amount of time if, at any time, the Manager becomes aware of KRS's obligation to pay taxes to any government or to file any returns or other tax documents with respect to income earned on the Account assets. The Manager is not an expert in tax matters and does not possess the information necessary to assist KRS in determining its tax liabilities. Notwithstanding anything to the contrary, the Manager will not, under any circumstances, be obligated to pay taxes to any government or to file any returns or other tax documents with respect to income earned on the Account assets.

17. **Manager Representations.** Manager hereby represents and acknowledges to KRS that:

- a) Manager is duly organized, validly existing and in good standing under the laws of the state of its organization and has complete authority to carry out its business as it has been conducted;
- b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are within the power of the Manager and have been duly authorized by all necessary corporate action. The Manager has duly executed and delivered this Agreement, and this Agreement constitutes the legal, valid and binding agreement and obligation of the Manager, enforceable against the Manager in accordance with its terms, except insofar as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar limitations on creditors' rights generally and general principles of equity.
- c) Neither the execution and delivery of this Agreement, nor the consummation of the transactions provided herein, will violate any agreement to which the Manager is a party or by which it is bound, any law, regulation, order, or any provision of the charter documents of the Manager.
- d) Manager is a registered investment adviser as defined in the Investment Advisers Act of 1940, as amended ("the Advisers Act"), and therefore eligible to act as an investment manager under ERISA, is registered in or is exempt from registration in accordance with applicable state laws and is not subject to any of the disqualifications set forth in Section 411 of ERISA. In accordance with the provisions of the Advisers Act, no assignment of this Agreement shall be made by Manager without KRS' permission;
- e) Manager has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents, or examinations required by any government or governmental authority for acts as contemplated by this Agreement;

- f) Manager will maintain the following insurance coverage¹ for the duration of the Agreement plus thirty-six (36) months after expiration or termination of the Agreement. Proof of the existence of such policies shall be provided to KRS annually with the Compliance Certificate in Attachment V:
- i) A fidelity bond in the minimum amount of \$10,000,000 with a maximum deductible of \$1,000,000. The bond shall cover at a minimum, losses due to dishonest or fraudulent acts by the Manager; and
 - ii) An errors and omissions policy in the minimum amount of \$25,000,000.00, with a maximum deductible of \$2,500,000 per claim. The policy shall cover, at a minimum, Manager's business activities and any claim made against Manager in the conduct of any professional services by or on behalf of Manager that Manager is legally obligated to pay.
- g) As of the date hereof, Manager warrants and represents that to its actual knowledge there is no litigation pending that alleges any breaches of fiduciary duty or other material failures in the performance of its duties as an investment adviser. The Manager will inform KRS in a reasonable time if a court of law or governmental authority issues a judgment or concludes an enforcement action in which the Manager is found to have breached its fiduciary duty or violated federal or state securities laws, rules or regulations in a manner that would be reasonably expected to adversely impact the Account or the Manager's ability to discharge its responsibilities to the Account in the future.
- h) The Manager has adopted policies and procedures reasonably designed to ensure that the Manager will make all required filings with all applicable regulatory agencies within all prescribed deadlines on behalf of its investments of the assets in the Account.
- i) The Manager shall annually file with KRS a compliance certificate, executed by a responsible officer of the Manager's firm, in the form attached hereto as Attachment V, within thirty (30) days after each December 31. For clarity, the Parties acknowledge and agree that the compliance certificate is not intended to establish additional obligations or requirements not explicitly addressed in this Agreement.
- j) Pursuant to Kentucky Revised Statutes Section 61.650(1)(d)2. and Section 78.790(1)(d)(2), the Manager shall comply with all applicable provisions of the federal Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder, and shall comply with all other applicable federal securities statutes and related rules and regulations that apply to investment managers.
- k) Manager shall comply with all laws and regulations issued from time to time by any governmental or administrative or other body with jurisdiction over the Manager, which relate to the discharge of its duties under this Agreement. For clarity, the Manager shall be considered to have satisfied its obligations under this and other paragraphs of Section 17

¹ The limits of insurance described herein shall not limit the liability of the Manager and Manager's officers, employees, agents, representatives or subcontractors. Failure to procure and maintain insurance shall constitute a material breach of this Agreement upon which KRS may immediately terminate the Agreement.

and elsewhere in this Agreement that require compliance with applicable laws, regulations, and rules under U.S. federal, state, or foreign law, so long as the Manager has adopted policies and procedures reasonably designed to comply with all such laws, regulations, and rules and has provided reasonable responses to KRS's inquiries related thereto.

18. **Reporting Requirements.** Manager shall furnish reports in the format specified by KRS upon their reasonable request.

- a) The Manager shall provide the following reports monthly (either hard copy or by electronic access) within ten (10) business days of month-end:
 - i) Reports describing in detail the previous month's portfolio activities, including GIPS compliant performance tabulations gross and net of fees for the 1-month, 3-month, calendar YTD, fiscal YTD, 1-year, 3-year, 5-year, 10-year, and since inception as appropriate. A summary of purchases & sales (Account activity), sector weights and other appropriate Account characteristics (e.g. convexity and effective duration, P/E, etc.) for both the benchmark and the Account; and
 - ii) Reports tracking units, original cost, amortized cost, market value, and gain/loss of each holding.
- b) The Manager shall provide quarterly reports within thirty (30) calendar days of calendar quarter-end:
 - i) Reports reviewing portfolio performance (as above) and the Manager's current investment strategy and outlook;
 - ii) A summary of the proxy votes for the quarter;
 - iii) An attribution breakdown for the current quarter, and 1 year periods;
 - iv) Reports tracking the Manager's utilization of brokers/dealers, including the identification of the brokers/dealers utilized, the perceived market costs (market impact) if any at a portfolio level, and the dollar volume executed through each broker/dealer, and a commission analysis report;
 - v) A synopsis of the key investment decisions made by the Manager, underlying rationale, and how those decisions could affect future results;
 - vi) A commentary on investment results in light of the appropriate standards of performance; and
- c) The Manager shall provide annually, after the close of the calendar year:
 - i) Within 120 days after the end of Manager's fiscal year, a copy of SEC form ADV – Part 2, any amendments thereto as available;
 - ii) A Compliance Certificate provided in Attachment V;

- iii) A report on the Manager's use of soft dollars earned and expended resulting from its duties under this Agreement. The report shall include the products and services obtained through soft dollar arrangements. Otherwise, the Manager shall indicate in writing that soft dollar information is not applicable to this Account.
- d) The Manager shall provide the following information periodically as requested:
 - i) Information relating to industries, businesses, corporations or securities, in which the Account has invested, as requested by KRS;
 - ii) Reports containing the Manager's and affiliates' conflict of interest policies; and
 - iii) Any other such reports regarding the Account as KRS or the Custodian may reasonably request.

19. **Meetings.** On a periodic basis mutually convenient to Manager and KRS, Manager shall meet with KRS to review the Account investments and to discuss current holdings and future placements and acquisitions. Additionally, the individual or individuals assigned by the Manager to the Systems account must be generally accessible by telephone to Systems on a daily basis during regular business hours.

20. **Change in Status.** The Manager acknowledges as an investment adviser, as such term is defined in the Adviser's Act, it is required to take reasonable steps to notify its clients, including KRS, of any material change in Manager's business which may materially adversely affect Manager's ability to perform its duties and responsibilities under its client agreements, including this Agreement, including, but not limited to, any change in Manager's status as an SEC-registered investment adviser, any material litigation, any material adverse change to the Manager's financial or organizational status, or any material adverse change in its Executive Committee, and any change in portfolio managers managing a KRS Account. The Manager has adopted and implemented conflicts of interest policies to outline key ways that the Manager identifies, manages, and discloses actual or potential conflicts of interest arising in connection with its investment business, including disclosures in the Manager's Form ADV as filed with the SEC and agrees to take reasonable steps consistent with such policies to notify KRS of any material conflicts of interest arising from Manager's relationship with any KRS employees, KRS trustees, elected officials of the Commonwealth of Kentucky, or third-party vendors of KRS to the extent related to the services provided under this Agreement.

KRS authorizes Manager to combine orders for the Account with orders for other clients of Manager. When effecting trades on an aggregated basis, the Manager is required to allocate aggregated trades promptly and fairly. Securities purchased or proceeds of securities sold through aggregated orders shall be allocated in accordance with the Manager's Trade Allocation & Aggregation Policy. Further, in the event not all portfolios are allocated the entire number of securities sought to be bought or sold on behalf of such portfolio, it is possible that no portfolio will be deemed to have purchased or sold the entire number of securities sought to be purchased or sold on behalf of such portfolio.

21. **KRS Representations and Acknowledgement.** KRS hereby represents to Manager that the execution and performance of this Agreement and the making of investments of the Account in accordance with this Agreement will not violate any provision of the governing documents of KRS, require KRS to obtain any consent or any waiver that has not heretofore been obtained, or violate any

contract or other agreement to which KRS is a party or by which it or its assets (including the Account) may be bound or any statute, rule, regulation or order of any governmental body. KRS will inform the Manager of any event which might affect this authority or the propriety of this Agreement. KRS hereby represents that it is independent of, and unrelated to, the Manager or any affiliate thereof. KRS acknowledges that it has received Part 2 of the Manager's Form ADV or similar disclosure document prior to entering into this Agreement.

22. **Authorized Parties; Directions to the Manager.** KRS may appoint or designate any person or committee to act on its behalf concerning this Agreement and its operation, as it deems appropriate. KRS has furnished to the Manager a list of authorized persons, in Attachment VI ("Authorized Persons"), which it will update from time to time as necessary and until written notice of changes are received by the Manager, the Manager may conclusively rely upon the authority of the Authorized Persons to act on behalf of KRS. All directions to the Manager by or on behalf of KRS shall be in writing signed by one or more Authorized Persons and the Manager shall be fully protected in relying on such directions.

23. **Assignment.** The Manager may not assign, convey, or otherwise transfer any of its rights, obligations, or interests herein without the prior express written consent of KRS.

24. **Audit or Examination of Records.** The Manager will provide reasonable cooperation to KRS and its representatives with any requests for access to examine any directly pertinent books, documents, papers, and records of the Manager relating to the Account assets upon reasonable advance notice and during the Managers normal business hours. The Manager has developed policies and procedures to reasonably designed to comply with the record retention requirements of the Advisers Act.

25. **Reliance on Representations.** KRS and the Manager each acknowledge that the other will be relying, and shall be entitled to rely, on the representations, undertakings and acknowledgments of the other set forth in this Agreement. KRS and the Manager each agree to notify the other promptly in the event of any material misrepresentations of its representations, undertakings, or acknowledgments set forth in this Agreement which would have an adverse effect on KRS, the Manager, or the Account.

26. **Notice.** All notices, instructions and advices with respect to securities transactions or other matters contemplated by this Contract shall be deemed duly given when delivered to and received by the respective parties as follows (a facsimile transmission is acceptable only for purposes of amending this Contract and only if the receipt of such facsimile is confirmed by the recipient. Electronic mail transmissions are acceptable only for purposes of providing notice or instructions with respect to securities transaction or cash flows. Electronic mail transmissions may not be used to terminate or amend this Contract):

The Manager at:	Axiom Investors LLC Attn: Edward Azimi 33 Benedict Place Greenwich, CT 06830
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With a copy to: Axiom Investors LLC
Attn: Client Relations,
33 Benedict Place
Greenwich, CT 06830

KRS at: Steven M. Herbert, CFA
Executive Director Office of Investments
Chief Investment Officer
1260 Louisville Rd
Frankfort KY, 40601

With a copy to: Victoria Hale
Office of Legal Services
Division of Non-Advocacy
1260 Louisville Road
Frankfort, KY 40601

27. **Controlling Law; Jurisdiction and Venue; Waiver.** All questions as to the execution, validity, interpretation, construction, and performance of this agreement shall be construed in accordance with the laws of the Commonwealth of Kentucky, without regard to conflict of laws principles thereof, except to the extent preempted by federal law(s), if any. The Manager hereby consents to the jurisdiction of the courts of the Commonwealth of Kentucky and further consents that venue shall lie in the Franklin Circuit Court located in Franklin County, Kentucky. Manager stipulates and agrees that it is subject to personal jurisdiction of such courts. To the extent that in any jurisdiction Manager may now or hereafter be entitled to claim for itself or its assets immunity from suit, execution, attachment (before or after judgment) or other legal process, Manager, to the extent it may effectively do so, irrevocably agrees not to claim, and it hereby waives, same.

28. **Confidentiality.** The Manager shall protect the financial privacy of all information relating to the Account and recognizes that the information is confidential in nature. The Manager's employees and agents shall be allowed access to the information only as needed for their duties related to the Agreement and in accordance with the rules established by the custodian of the records. The Manager shall preserve the confidentiality of the information except where otherwise required by law, where requested by an appropriate regulator, or where reasonably required to be disclosed by the Manager to a person (including, without limitation, affiliates, the Custodian, delegates, agents, advisers, brokers and counterparties) in order to perform the services under this Agreement. The Manager shall maintain positive policies and procedures for safeguarding the confidentiality of such information. The Manager recognizes that it may be liable for the negligent, wanton, or willful release of such information.

KRS is a public agency subject to (i) Kentucky's public record law (Kentucky Revised Statutes sections 61.870 to 61.884, the "Open Records Act"), which provides generally that all records relating to a public agency's business are open to public inspection and copying unless exempted under the Open Records Act and (ii) Kentucky Revised Statutes Sections 61.645 (19)(l) and (20), and Sections 78.782 (18)(1) and (19) (the "Document Disclosure Laws"), which provide generally that all contracts or offering documents for services, goods, or property purchased or utilized by KRS shall be made available to the public, and posted on KRS' website, unless exempt under the Document Disclosure Laws (the Open Records Act and Document Disclosure Laws, collectively, the "Kentucky Information Disclosure Laws").

Notwithstanding any provision in this Agreement to the contrary, the Manager hereby agrees that (i) KRS will, to the extent required by the Kentucky Information Disclosure Laws treat all information received from the Manager as open to public inspection under the Kentucky Information Disclosure Laws unless such information is exempt from such disclosure under the Kentucky Information Disclosure Laws, and (ii) KRS will not be deemed to be in violation of any provision of this Agreement if KRS discloses or makes available to the public (e.g., via KRS' website) any information regarding the Manager to the extent required pursuant to or under the Kentucky Information Disclosure Laws, provided that KRS shall use reasonable efforts to notify the Manager of any request for disclosure of this Agreement which is not redacted or any other information or material relating to the business of the Manager and provided by the Manager and marked by the Manager as "Confidential" (or with words of similar import) pursuant to the Kentucky Information Disclosure Laws so that the Manager may, at its own expense, seek an appropriate exemption to such disclosure as and to the extent permitted under any Kentucky Information Disclosure Law. Manager acknowledges that KRS is subject to the Open Records Act. Manager also acknowledges that a party requesting information that is unable to obtain such information directly from KRS may bring legal action (either in a court of law, or by appealing to the attorney general) to compel disclosure of the information.

29. **Remedies.** In addition to the right to terminate this Agreement, KRS may also file suit against the Manager for breach of duty and/or confidentiality, without limitation. Should KRS obtain a judgment against the Manager as a result of a breach of contract, the Manager consents to such judgment being set-off against any monies owed by KRS to the Manager under this or other contracts. This Section 29 shall not be interpreted to limit KRS's remedies as provided for by law.

30. **Defense and Indemnification.**

- a) Manager shall indemnify, hold harmless and defend KRS and its agents, officers and employees from and against all claims, any actual damages, losses, judgments, liabilities, expenses and other costs, including litigation costs and attorneys' fees, to the extent arising directly from a fiduciary breach of this Agreement by the Manager or Manager's officers, employees, agents, or representatives; provided, however, such indemnification shall not extend to or cover loss, damage or expense to the extent arising from the sole negligence or willful misconduct of KRS or its agents, officers and employees, or its Custodian and other third parties. Manager's obligation to defend, indemnify and hold KRS and its agents, officers and employees harmless under the provisions of this paragraph is not limited to or restricted by any requirement in this Agreement for Manager to procure and maintain a policy of insurance.
- b) Subject to the availability of funds properly appropriated for such purposes, KRS shall indemnify, hold harmless and defend KRS and its agents, officers and employees from and against any actual damages, losses, judgments, liabilities, expenses and other costs, including litigation costs and attorneys' fees, to the extent arising directly from a fiduciary breach with respect to the Account or the Systems by KRS or KRS's officers, employees, and representatives; provided, however, such indemnification shall not extend to or cover loss, damage or expense arising from the negligence, breach of duty or willful misconduct of Manager or its agents, officers and employees.

31. **Securities Lending.** The Manager understands that KRS may engage in a "Securities lending program". The Manager and KRS agree that the Manager shall not be responsible or liable for any consequences or damages arising from a delay in or failed delivery of any securities subject to any such "Securities lending program" and any lending activities thereunder.

32. **Duration of Contract.** The period in which subject services are to be performed shall begin on such date as is mutually agreed to in writing by the parties, and continue through the date that one of the parties hereto notifies the other party that it wishes to terminate the Agreement in accordance with Section 33 below.

33. **Termination.** KRS and Manager reserve the right to terminate this Agreement without penalty provided that written notice is sent under any one of the following circumstances:

- a) At KRS's discretion, with or without cause, after five (5) business days written notice to the Manager or at Manager's discretion upon thirty (30) calendar days written notice to KRS. Manager shall cooperate with KRS and follow KRS's written directions in connection with the termination of this agreement to effect the smooth and orderly transfer of securities and all applicable records to a successor or other entity designated by KRS; or
- b) At KRS's discretion, immediately, if a result of the Manager's default or breach of contract as specifically described in KRS's notice of termination; or
- c) At KRS's discretion, immediately, if the Manager's decisions/conduct/actions are deemed not to be in alignment with KRS's interests specifically described in KRS's notice of termination.

Following termination notification, Manager shall not take any action with respect to the Account, unless specifically authorized to do so by KRS, provided that the Manager is permitted to take actions in the ordinary course of business in connection with any transaction entered into prior to or at the time such termination notification is received.

34. **Withdrawal of Assets from Management.** KRS may withdraw from and decrease the Account assets in its sole discretion, with prior notice provided to the Manager within a reasonable time frame. Any such notice shall set forth the amount of any such withdrawal or identify the investment assets and amount of cash to be withdrawn, the date as of which such withdrawal shall be effective and such other information that KRS deems necessary or appropriate. On and after the effective date of such withdrawal and decrease and except as may otherwise be set forth in such notice, the Manager shall cease to be responsible for future investment of the assets and/or cash withdrawn.

35. **Amendments.** Except as otherwise provided herein, written modifications, amendments or additions to this Contract shall be effective only when signed by both parties.

36. **Conflicts of Laws.** Manager hereby certifies Manager is legally entitled to enter into the subject contract with the Commonwealth of Kentucky and certifies that Manager is not and will not be violating any conflict of interest statute (KRS 121.056 or any other applicable statute) or principle by the performance of this Contract. The Manager shall not engage directly or indirectly in any financial or other transaction with a trustee or employee of Systems which would violate standards of the Executive Branch

Ethics provisions, as set forth in KRS Chapter 11A. Manager hereby agrees to provide the services referenced in this agreement, and execute the corresponding External Conflict of Interest Statement, in accordance with KRS' Conflict of Interest and Confidentiality Policy as adopted by Systems, which are attached hereto as Attachment VIII and incorporated herein by this reference. Manager hereby affirms that there are no relevant facts or circumstances now giving rise or which could, in the future, give rise to a Conflict of Interest except as otherwise set forth in its Form ADV Part II, as received by KRS. A Conflict of Interest means that because of other activities or relationships with other persons, Manager is unable or potentially unable to render impartial assistance or advice to KRS, or Manager's objectivity in performing the Agreement work is or might be otherwise impaired. If any other actual or potential Conflict of Interest arises subsequent to the date of this Agreement, Manager shall make a full disclosure in writing to KRS of all relevant facts and circumstances. This disclosure shall include a description of actions that Manager has taken and proposes to take to avoid, mitigate, or neutralize the action or potential Conflict of Interest. Manager will continue performance of work under this Agreement until notified by KRS of any contrary action to be taken.

37. **Sovereign Immunity.** Manager acknowledges that KRS reserves all immunities, defenses, rights or actions arising out of its sovereign status or under the Eleventh Amendment to the United States Constitution, and no waiver of any such immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by reason of its entry into this Agreement, by an express or implied provision thereof or by any actions or omissions to act by KRS or any of its employees, representatives or agents, whether taken pursuant to this Agreement prior to the execution thereof, provided that KRS shall not knowingly evade the contractual obligations of this Agreement by relying on the immunities, defenses, rights or actions arising out of its sovereign status or under the Eleventh Amendment to the United States Constitution.

38. **Purchasing by the Commonwealth of Kentucky.** The Manager hereby certifies that it will not attempt in any manner to influence any specifications to be restrictive in any way or respect nor will he attempt in any way to influence any purchasing of services, commodities or equipment by the Commonwealth of Kentucky.

39. **Severability.** In case one or more of the provisions contained in this Agreement shall be found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, to the fullest extent permitted by law.

40. **Miscellaneous.** All section headings in this Agreement are for convenience of reference only, do not form part of this Agreement, and will not affect in any way the meaning or interpretation of this Agreement.

No term or provision of this Agreement may be waived except in writing signed by the party against whom such waiver is sought to be enforced. A party's failure to insist at any time on strict compliance with this Agreement or with any of the terms of the Agreement or any continued course of such conduct on its part will not constitute or be considered a waiver by such party of any of its rights or privileges. Manager is an independent contractor, and nothing in this Agreement may be interpreted or construed to create any employment, partnership, joint venture or other relationship between Manager and KRS. This Agreement contains the entire understanding between KRS and Manager concerning the

subject matter of this Agreement, and supersedes all prior agreements, arrangements and understandings, written or oral, between the parties.

KRS understands that Manager serves as investment manager for other clients and will continue to do so. KRS also understands that Manager, its personnel and affiliates ("Affiliated Persons") may give advice or take action in performing their duties to other clients, or for their own accounts, that differ from advice given to or action taken for KRS. Manager is not obligated to buy, sell or recommend for KRS any security or other investment that Manager or its Affiliated Persons may buy, sell or recommend for any other client or for their own accounts. This Agreement does not limit or restrict in any way Manager or any of its Affiliated Persons from buying, selling or trading in any securities for their own accounts; provided, however, that neither Manager nor any of its Affiliated Persons will act as principal or receive any compensation in connection with the purchase or sale of any securities by the Account, other than the investment management fee described in Section 6 above.

Manager does not guarantee the future performance of the Account or any specific level of performance, the success of any investment decision or strategy that Manager may use, or the success of Manager's overall management of the Account. KRS understands that investment decisions made for the Account by Manager are subject to various market, currency, economic and business risks, and that those investment decisions will not always be profitable. Manager will manage only the securities, cash and other investments held in the Account and in making investment decisions for the Account, Manager will not consider any other securities, cash or other investments owned by KRS. Except as may otherwise be provided by law, Manager will not be liable to KRS for (i) any loss that KRS may suffer by reason of any investment decision made or other action taken or omitted in good faith by Manager with that degree of care, skill, prudence, and diligence under the circumstances that a prudent person acting in a like capacity would use; or (ii) any loss arising from Manager's adherence to KRS's instructions. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing in this Agreement shall waive or limit any rights which KRS may have under those laws.

Manager acknowledges and agrees that in the event any representations, undertakings, or acknowledgments set forth in this Agreement cease to be true, the Manager shall notify KRS of such event if required under applicable law. KRS acknowledges and agrees that it shall promptly notify the Manager in the event any representation, undertaking, or acknowledgement set forth in this Agreement is no longer required. KRS and Manager acknowledge that where this Agreement or any Exhibit hereto call for notice within a "reasonable" time frame, such "reasonable" notice will be understood to mean seven (7) Business Days.

41. **Voting of Proxies.** The Manager shall exercise voting rights with respect to securities under its management. Manager is authorized and directed to vote all proxies and affect any corporate actions (except with respect to class action and related litigation, as provided above) in accordance with Manager's Proxy Voting Policy, a copy of which, if Manager has a Proxy Voting Policy, has been provided to KRS. If Manager does not have a written Proxy Voting Policy, the Manager is authorized and directed to vote all proxies and affect any corporate actions in accordance with KRS's Investment Proxy Voting Policy, as amended from time to time, attached hereto as Attachment VII. The Manager shall maintain detailed records of its performance of this duty and shall provide those records to KRS quarterly. Manager will not advise KRS or act for KRS in any legal proceedings, including bankruptcies and class action litigation, involving securities held or previously held by the Account or the issuers of these securities.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

Kentucky Retirement Systems

By: 

Name: Steven M. Herbert, CFA
Title: Executive Director, Office of Investments
Kentucky Public Pensions Authority on behalf of
Kentucky Retirement Systems
1260 Louisville Road
Frankfort, Kentucky 40601
On behalf of Kentucky Retirement Systems

Manager

By: 

Name: Edward Azimi
Title: COO
Axiom Investors LLC
33 Benedict Place
Greenwich, CT 06830
On behalf of Manager

ATTACHMENT I

Investment Policy and Procedures

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Kentucky Retirement Systems

Investment Policy Statement
Adopted November 16, 2021

This Investment Policy Statement ("IPS") is issued by the Board of Trustees ("Board" or "Trustees") of the Kentucky Retirement Systems ("KRS") in connection with investing the assets of the Kentucky Employees Retirement System ("KERS") and the State Police Retirement System ("SPRS"), jointly referred to as "Systems." This document supersedes all prior documents entitled Statement of Investment Policy or Investment Policy Statement.

I. Introduction

A. Purpose

The purpose of this IPS is to define the framework for investing the assets of the Systems. This IPS is intended to provide general principles for establishing the goals, the allocation of assets, employment of outside asset management, and monitoring the results of the Systems.

The pension plans administered by KRS are "Qualified Pension Plans" under Section 401(a) of the Internal Revenue Code. Additionally, Kentucky Revised Statutes 61.701 establishes health insurance benefits to recipients of KERS, and SPRS. Kentucky Revised Statutes 61.702 provides that all amounts necessary to provide for insurance benefits shall be paid to the insurance fund. The Board shall administer the insurance trust fund in the same manner as the pension plans.

B. Philosophy

The Trustees of KRS recognize their fiduciary duty not only to invest the Systems' assets in formal compliance with the Prudent Person Rule, but also to manage those assets in continued recognition of the basic long-term nature of the Systems. The Trustees interpret this to mean, in addition to the specific guidelines and restrictions set forth in the law and this document, that the assets of the Systems shall be proactively managed -- that is, investment decisions regarding the particular asset classes, strategies, and securities to be purchased or sold shall be the result of the conscious exercise of discretion.

The Trustees recognize that asset allocation is the primary driver of long-term investment performance, and will therefore review asset allocation and asset-liability studies on a regular basis as outlined in Section III of this document. The asset allocation guidelines represent a strategic decision, with the primary aim that the portfolios meet their performance objectives in the long-term while understanding that this may not necessarily occur in the short term.

The Trustees recognize that there is generally an inverse relationship between market efficiency, and the ability for active management to produce alpha. Therefore, investments in efficient markets will be made using index or index-like investments with the goal of replicating index returns with low management fees. Active management will be pursued in less efficient markets, accepting higher tracking error, and paying higher management fees with the expectation of producing excess returns over the long term. This focuses Office of Investments' ("Staff") and consultant(s) efforts on identifying, selecting, and monitoring managers as well as the overall management fees paid, in the areas of the market most likely to produce excess returns.

The Trustees recognize that, commensurate with their overall objective of maximizing long-term returns while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both across and within the classes of securities held to minimize/mitigate overall portfolio risk. Consistent with carrying out their fiduciary responsibilities, the Trustees will not systematically exclude any investments in companies, industries, countries, or geographic areas unless required to do so by statute. Within this context of proactive management and the necessity for adherence to proper diversification, the Trustees rely upon appropriate professional advice from Staff and multiple service providers.

II. Responsibilities

The Trustees and other fiduciaries shall discharge their duties with respect to the Systems:

- (1) solely in the interest of the participants and beneficiaries;
- (2) for the exclusive purpose of providing benefits to participants and beneficiaries;
- (3) with the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose (Prudent Person Rule);
- (4) impartially;
- (5) incurring and paying appropriate and reasonable expenses of administration and management which may not necessarily be the lowest; and,
- (6) in accordance with a good faith interpretation of the laws, regulations and other instruments governing KRS and the Systems.

Additionally, the Trustees and other fiduciaries shall not engage in any transaction which results in a substantial diversion of the Systems income or assets without adequate security and reasonable rate of return to a disqualified person or in any other prohibited transaction described in Internal Revenue Code Section 503(b) - Prohibited Transactions.

A. Board of Trustees

The Investment Committee is created by Kentucky Revised Statutes 61.650 and the Board as set forth in the Board's Statement of Bylaws and Committee Organization document. The Board Chair authorizes and appoints members to an Investment Committee with full power to act for the Board in the acquisition, sale and management of the assets of the Systems in accordance with the provisions of any applicable statutes, and policies of the Board. The Board shall review and ratify the actions of the Investment Committee at the Board meeting following the Investment Committee meeting where such action was taken.

B. Investment Committee

The Investment Committee consists of at least three (3) Trustees appointed by the Governor to the Board pursuant to Kentucky Revised Statutes 61.645(1)(c). Additional members may be appointed by the Board Chair. The Investment Committee acts on behalf of the Board on investment related matters.

The Investment Committee has the following oversight responsibilities:

- A. Assure compliance with this IPS and all applicable laws and regulations.
- B. Approve the selection and termination of service providers. If the need arises to terminate a manager between Board meetings, the Chief Investment Officer ("CIO") will have

discretion to do so after receiving approval from either the Board Chair or the Investment Committee Chair. The Investment Committee and the Board must be notified of the manager termination at the next scheduled Investment Committee and Board meetings.

- C. Meet no less than quarterly to evaluate whether this IPS, the investment activities and management controls and processes continue to be consistent in meeting the Systems' goals. Mandate actions necessary to maintain the overall effectiveness of the investment program.
- D. Review assessment of investment program management processes and procedures, and this IPS relative to meeting stated goals.

C. Staff

The Chief Investment Officer is responsible for the administration of investment assets of the Systems consistent with the policies, guidelines and limits established by the law, the Board, and the Investment Committee.

The Chief Investment Officer receives direction from and reports to the Investment Committee on all investment matters, including but not limited to the following:

- i. Maintaining the diversification and risk exposure of the Systems consistent with policies and guidelines.
- ii. Assessing and reporting on the performance and risk exposure of the overall investment program relative to goals, objectives, policies and guidelines.
- iii. Monitoring and assessing service providers to assure that they meet expectations and conform to policies and guidelines.
- iv. Recommending changes to service providers, statutes, policies or guidelines as needed to maintain a productive relationship between the investment program and its goals; acting as liaison on all investment related matters.
- v. Identifying issues for consideration by the Investment Committee and preparing recommendations or reports regarding such matters.
- vi. Preparing, for each proposed investment, a memo to the Investment Committee covering the pertinent details of the investment, including but not limited to: amount of the investment, type of investment, purpose, opportunity/goal, risks, volatility assumptions, liquidity, structure, fees, background of investment firm with reasons for selection, list of other firms considered.

The Chief Investment Officer or designee is authorized to execute trades on fixed income and equity securities (including exchange-traded funds or "ETF's") and to execute proxies for the Board consistent with this IPS.

To carry out the IPS and any investment related decisions of the Board, the, Chief Investment Officer or designee is authorized to execute agreements and other necessary or proper documents pertaining to investment managers, consultants, investment related transactions or other investment functions.

D. Investment Managers

In instances where the Investment Committee has determined it is desirable to employ the services of an external Investment Manager, the following shall be applicable:

- i. Investment Managers shall be qualified by the Chief Investment Officer, agree to serve as

- a fiduciary to the Systems, and should be of institutional quality as deemed by Staff in consultation with the investment consultant(s).
- ii. Investment Managers shall manage assets in accordance with this IPS and any additional guidelines established by contract, as may be modified in writing from time to time.
 - iii. Total assets assigned to the selected manager shall not exceed 25% of that firm's total assets under management and shall not exceed 25% of a firm's total assets under management in a commingled product. Separate accounts or funds of one are not included in this 25% limitation for commingled products.
 - iv. The assets managed by any one active or passive investment manager shall not exceed 15% of the overall assets in the pension and insurance funds per KRS 61.650(5).
 - v. All investment management services will be contracted according to the Investment Procurement Policy established by the Board.

E. Custody Bank

The Board shall hire custodians and other agents who will be fiduciaries to the Systems and who will assume responsibility for the safekeeping and accounting of all assets held on behalf of the Systems, as well as other duties as agreed to by contract.

F. Investment Consultants

Qualified independent investment consultants may be retained by the Systems for asset allocation studies, asset allocation recommendations, performance reviews, manager searches, and other investment related consulting functions and duties as set forth by contract.

G. Selection

Qualified investment managers, custody banks, investment consultants, and other investment related service providers shall be selected by the Investment Committee in accordance with the IPS. The selection shall be based upon the demonstrated ability of the professional(s) to provide the required expertise or assistance described in the RFP/RFI (if utilized). In order to create an efficient and effective process, the Investment Committee or Chief Investment Officer may, in their sole discretion, utilize a Request For Information ("RFI"), a Request For Proposals ("RFP"), third party proprietary software or databases, review of existing service provider capabilities, or any combination of these, or other methods to select a service provider.

III. Asset Allocation Guidelines

In establishing asset allocation guidelines the Board recognizes that each plan and any underlying fund* have their own capacity to tolerate investment volatility, or risk. The asset allocation guidelines of each Fund will be reviewed annually.

Based on the asset liability study, which analyzes the expected returns, risk, and correlations of various asset classes, projected liabilities, liquidity, and the risks associated with alternative asset mix strategies, the Board has established the following Asset Allocation Guidelines, effective November 12, 2020. The asset classes are "bucketed" or grouped together into macro-asset class buckets (i.e. growth, liquidity and diversifying) based on their expected correlations to one another in order to create a better understanding of risk and diversification, and based on asset class exposures to the economic factors of growth and inflation.

*KERS Hazardous and Non-hazardous

KERS Hazardous Pension Fund and the KRS Insurance Trust Fund - 6.25% Assumed Rate of Return				
Asset Class	Target	Relative Range (+/-)	Minimum	Maximum
Growth	68.50%	15%	58.23%	78.78%
US Equity	21.75%	30%	15.23%	28.28%
Non US Equity	21.75%	30%	15.23%	28.28%
Private Equity	10.00%	30%	7.00%	13.00%
High Yield / Specialty Credit	15.00%	30%	10.50%	19.50%
Liquidity	11.50%	20%	9.20%	13.80%
Core Fixed Income	10.00%	20%	8.00%	12.00%
Cash	1.50%	100%	0.00%	3.00%
Diversifying	20.00%	15%	17.00%	23.00%
Real Estate	10.00%	30%	7.00%	13.00%
Real Return	10.00%	30%	7.00%	13.00%
Opportunistic	0.00%	n/a	0.00%	5.00%

KERS Non-Hazardous Pension Fund and SPRS Pension Plan - 5.25% Assumed Rate of Return				
Asset Class	Target	Relative Range (+/-)	Minimum	Maximum
Growth	54.50%	15%	46.33%	62.68%
US Equity	16.25%	30%	11.38%	21.13%
Non US Equity	16.25%	30%	11.38%	21.13%
Private Equity	7.00%	30%	4.90%	9.10%
High Yield / Specialty Credit	15.00%	30%	10.50%	19.50%
Liquidity	25.50%	20%	20.40%	30.60%
Core Fixed Income	20.50%	20%	16.40%	24.60%
Cash	5.00%	100%	0.00%	10.00%
Diversifying	20.00%	15%	17.00%	23.00%
Real Estate	10.00%	30%	7.00%	13.00%
Real Return	10.00%	30%	7.00%	13.00%
Opportunistic	0.00%	n/a	0.00%	5.00%

The intent of the Board in allocating funds to the investment managers is for the investment managers to fully invest the funds. However, the Board is aware that from time to time the investment manager will require a portion of the allocated funds to be held in cash provided the cash holdings do not exceed five percent (5%) of the manager's allocation for any given quarter, unless such cash holdings are an integral part of a fixed income manager's investment strategy.

The individual asset allocations of each Pension and Insurance Trust Fund constituent will be reviewed monthly by Staff relative to its target asset class allocation, taking into account any tactical policy shift directed by the Investment Committee.

Regarding individual investment manager initial allocations, Staff will get approval at the Investment Committee meeting for a specific dollar amount intended to be committed to a closed-

end fund such as private equity or real estate funds and will get approval for a percent of the appropriate asset class target for open-end investments such as public equity, public fixed income, and Diversifying Strategies managers. For those open-end funds where assets can be added or subtracted, the Chief Investment Officer will have discretion to reduce or increase an investment manager's allocation between 50% and 150% of the approved target. The target will not be raised prior to the one-year anniversary of the amount approved by the Investment Committee, and must be reported to the Investment Committee at the next scheduled meeting. If the need arises to terminate a manager between Board meetings, the Chief Investment Officer will have discretion to do so after receiving approval from either the Board Chair or the Investment Committee Chair. The Investment Committee and the Board must be notified of the manager termination at the next scheduled Investment Committee and Board meetings.

Short-term market shifts may cause the asset mix to drift from the allocation targets. Should the target percentage fall out of the indicated range for a particular asset class, Staff shall direct rebalancing transactions to reallocate assets from the over-allocated asset class to the under-allocated asset class. Within the allowable ranges, Staff should use regular cash flows to rebalance toward targets to avoid incurring additional trading costs to correct minor deviations from policy targets. Except when there is a perceived extraordinary downside risk in a particular asset class, movement outside the normal ranges should be avoided.

Investments in private assets are generally less liquid than investments in public markets securities and are typically implemented via periodic commitments to funds with limited partnership structures. As a result, actual allocations to these asset classes may deviate from their strategic targets for extended periods. Actual vs. target deviations for these asset classes shall not be considered in violation of the Asset Allocation Guidelines. Under/over weights to these asset classes shall be invested in public markets securities with the most similar risk/return characteristics as a short-term proxy for the private asset classes.

In keeping with its responsibility as a Board and wherever consistent with its fiduciary responsibility, the Board encourages the investment of the System's assets in investments, funds, and securities of corporations which provide a positive contribution to the economy of the Commonwealth of Kentucky. However, where any security is not a prohibited investment under the governing laws and policies, discretion will be granted to the appointed investment managers in the selection of such securities and timing of transactions consistent with the following guidelines and restrictions.

A. Growth

US Equity

Investment may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETF's or any other type of security contained in a manager's benchmark. Each individual domestic equity account shall have a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions, and standards of performance for the account.

The internally managed equity index funds are intended, to gain exposure to a broad asset sector to replicate the characteristics of the asset class, to minimize administrative expenses, and to help achieve overall portfolio objectives. These objectives can be achieved through several management techniques, including but not limited to, portfolio optimization, non-reinvestment of index dividends, and other management techniques intended to help achieve the objectives of

the Systems.

Non-US Equity

Investments may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETF's or any other type of security contained in a manager's benchmark. Each individual Non-US equity account shall have a comprehensive set of investment guidelines, which shall contain a listing of permissible investments, portfolio restrictions, and standards of performance for the account.

High Yield/Specialty Credit

High yield/specialty credit investments will be similar in type to those securities found in the Systems' high yield benchmarks, and the characteristics of the portfolio will be similar to the Systems' high yield fixed income benchmarks. The high yield fixed income accounts may include, but are not limited to, the following fixed income securities: non-investment grade U.S. corporate credit including both bonds and bank loans, non-investment grade non-U.S. corporate credit including bonds and bank loans, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities, and whole loans, asset-backed securities, and emerging market debt ("EMD") including both sovereign EMD and corporate EMD, and asset class relevant ETF's.

Each individual high yield/specialty credit account shall have a comprehensive set of investment guidelines which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

Private Equity Investments

Subject to specific approval of the Investment Committee, investments may be made for the purpose of creating a diversified portfolio of alternative investments. Private equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. Examples of such investments include, but are not limited to, private investments into venture capital, leveraged buyouts, special situations, distressed debt, private debt, timberland, oil and gas partnerships, infrastructure, commodities and private placements. While it is expected that the majority of these assets will be invested within the United States, a portion can be allocated to non-US investments. These non-U.S. investments are not restricted by geography.

The private equity market is highly sophisticated and specialized with respect to variety and types of investment structures. There exists major competition for deal flow on the part of both investor and general partners. To a great extent, market forces drive the bargaining of economic terms. Most investment vehicles are structured as commingled vehicles and often blind pool investment partnerships. The most common offering forms are equity private placements where the governing laws of the partnership impose a passive role of the limited partner investor. These contractual arrangements are long-term in nature and provide the general partner or sponsors a reasonable time horizon to wisely invest capital, add value through intensive operational management, then realize the proceeds of such an investment. Moreover, terms of the partnership are proposed by the general partner and are critical to the economic incentives and

ultimate net performance of the partnership.

Investment Strategy and Plan Guidelines

To strengthen the diversification of the investments, several guidelines will be utilized in Staff's formulation and recommended annual investment strategy and plan. These guidelines encompass annual commitment levels to the asset class, types of investment vehicles that can be utilized, controlling financing stage risks, industry, manager and geography concentration/diversification limits, acceptable contract negotiations, appropriate sizes for investments, and the preferred alignment of interests.

Investment Vehicles: The Systems will gain exposure to private equity investments by hiring external investment managers either directly or through participation in secondary private equity markets. Typically, KRS will subscribe as a Limited Partner ("LP") to limited partnership vehicles sponsored by such specialty external investment managers. KRS will also at times structure separately managed accounts with specific investment objectives to be implemented by external investment managers. The Systems may also gain exposure by utilizing the following vehicles: limited liability companies and co-investments alongside KRS' existing or potential limited partnerships.

Investment Timing Risks: Staff should limit the potential for any one investment to negatively impact the long-term results of the portfolio by investing across business cycles. Moreover, the portfolio must gain exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle. Staff may also consider purchasing secondary partnership interests to shorten the effective life of the partnership interest and therefore positively impacting the current and long-term net return of the portfolio. In addition, mindful of vintage year diversification, the Systems should seek to identify attractive commitments annually, further ensuring the portfolio invests across business cycles.

General Partner Diversification: Staff will seek to work with a variety of general partners due to their specialized expertise in particular segments of the private equity market and source of their deal flow. No more than fifteen (15) percent of the overall Systems' Pension or Insurance Trust Fund total allocation to private equity investments may be committed to any one partnership, without the approval of the Board.

B. Fixed Income/Liquidity

Core Fixed Income

Core Fixed Income investments will be similar in type to those securities found in the Systems' core fixed income benchmark(s), and the characteristics of the Systems' core fixed income portfolio will be similar to the System' core fixed income benchmarks. The core fixed income accounts may include, but are not limited to the following fixed income securities: U.S. Government and Agency bonds, investment grade U.S. corporate credit, investment grade non-U.S. corporate credit, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities, and whole loans, asset-backed securities, and asset class relevant ETF's.

Each individual core fixed income account shall have a comprehensive set of investment guidelines which contains a listing of permissible investments, portfolio restrictions, risk

parameters, and standards of performance for the account.

Cash Equivalent Securities

Selection of particular short-term instruments, whether viewed as liquidity reserves or as investment vehicles, should be determined primarily by the safety and liquidity of the investment and only secondarily by the available yield. The following short-term investment vehicles are considered acceptable: Publicly traded investment grade corporate bonds, variable rate demand notes, government and agency bonds, mortgages, municipal bonds, and collective short-term investment funds ("STIFs"), money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days. Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur. Variable rate securities shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three years.

The Systems' fixed income managers that utilize cash equivalent securities as an integral part of their investment strategy are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for fixed income managers shall be included in the investment manager's investment guidelines.

C. Diversifying Strategies

Real Estate

Investments may be made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. Allowable real estate investments include open-end and closed-end commingled real estate funds, joint venture investments, public and private real estate investment trusts ("REITs"), public real estate operating companies, and real estate related debt.

The Systems has determined that the primary role of the real estate asset class is to provide for the following:

- Attractive risk adjusted returns through active management and ability to access managers with the expertise and capabilities to exploit market inefficiencies in the asset class. The illiquid nature of real estate investments combined with the complexity of investments makes it difficult for casual investors to effectively access the asset class effectively. It is our belief that through active management and by investing in top tier managers with interests aligned through co-investment and incentive based compensation, the Systems can maximize their risk adjusted returns. This active management approach will be pursued.
- Diversification benefits through low correlations with other asset classes, primarily the U.S. equity markets.

- Provide a hedge against unanticipated inflation, which real estate has historically provided due to lease structures and the increases in material and labor costs during inflationary periods.
- Permit the Systems to invest in unique opportunities that arise due to dislocations in markets that occur from time to time.

Real Return

The purpose of the Real Return Portfolio is to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans. Real Return strategies are not necessarily a separate asset class but may include real assets, such as infrastructure, real estate, commodities, and natural resources among others, as well as financial assets that have a positive correlation to inflation. This can include "real" bonds such as Treasury Inflation-Protected Securities ("TIPS") (and other inflation linkers) or "real" stocks such as REITs, Master Limited Partnerships ("MLPs"), and oil & gas stocks. Additionally, Real Return managers may attempt to add value by tactically allocating to various asset classes according to how each asset class performs across an economic cycle and the manager's perception of where we are in the cycle. The goal is to invest in inflation sensitive assets during inflationary periods, and avoid those assets in deflationary periods, thus providing a positive real return across the cycle.

The real return opportunity set may include numerous vehicles to access a wide variety of investment styles and strategies. These investment vehicles may include mutual funds, ETFs, separately managed accounts as well as hedge funds (open-end limited partnerships) and private equity (close-end limited partnerships). The list of strategies that the Systems' Real Return Portfolio may include, but is not limited to, the following:

- Global Tactical Asset Allocation ("GTAA")/Global Macro: GTAA or macro strategies are those that make directional bets on major markets or asset classes instead of individual securities. GTAA and macro strategies typically invest in all major assets classes including equity markets, credit and debt instruments, currencies/interest rates, and commodities. These strategies tend to focus on economic factors that would suggest an opportune time to invest in a given asset class, and will change their allocations actively over time. These strategies may use inflation as the economic factor to gain exposure to and will target a real rate of return over time.
- Inflation Linked Securities are securities that directly tie coupon payments or principal increases to an inflation index, such as Consumer Price Index ("CPI"). These strategies could include not only US TIPS, but also global sovereign inflation linked bonds, corporate or infrastructure inflation linked bonds, and possibly short duration floating rate bonds.
- Inflation Sensitive Equities include publicly traded equity and equity related securities in companies which have a high sensitivity to inflation in their profit margins via the nature of their operating assets, such as energy companies, basic materials and miners, natural resource stocks, and listed infrastructure. This category can also include REITs, MLPs as well as ETFs and index products on REITs, MLPs, natural resource stocks.
- Commodities: Commodities are the raw materials that are physical inputs into the production process. Managers that invest in liquid commodity strategies using exchange

traded futures can span from simple indexing (matching a long-only commodities index), to enhanced indexing or active long (selecting positions that vary from the index but within fairly tight ranges), as well as unconstrained long-short managers.

- **Private Property:** For the purposes of this IPS, private property refers to the ownership of an idiosyncratic, physical asset that is predominately fixed and/or permanent or at least substantially long-lived. This includes real estate, such as land and any improvements to or on the land, as well as timberland and farmland. Timberland investing involves the institutional ownership of forest for the purpose of growing and harvesting the timber. Private property can also include infrastructure investing, which refers to financing the manufacture or development of the underlying fundamental assets and basic systems that are necessary for an economy whereby such assets are largely fixed and long-lived. These tend to be high cost, capital-intensive investments that are vital to a society's prosperity and facilitate the transfer, distribution, or production of basic goods and services.
- **Natural Resources:** Natural resources can include investing in the financing, development, extraction, and production of minerals, basic materials, petroleum products, and water as well as renewable resources such as agricultural commodities and solar energy. As opposed to property, the returns generated in these investment strategies come more from the actual production of the resource itself. Further, these are depleting and/or consumable assets that are also portable and fungible and which in the aggregate comprise a majority of the inputs into most measurements of inflation.
- **Private Assets:** Private assets can include tangible or intangible assets that are not easily sold in the regular course of a business' operations for cash, and which are held for their role in contributing directly to the business' ability to generate profit. As the useful life of the asset tends to extend across many years and the assets tend to be capital intensive as well, they have some similarity to private infrastructure. Further, given that the assets contribute directly to the production process as well as often retaining intrinsic value, there is a fundamental link to inflation somewhat similar to natural resources.
- **Other (Opportunistic Inflation Hedge):** Other/opportunistic strategies include those that have a propensity to provide a positive real return or positive correlation with inflation over time. Liquid strategies such as inflation swaps, diversified inflation hedging mutual funds, or nominal bonds backed by inflation sensitive assets may be included in this allocation, while other illiquid strategies that may provide the same real profile can include private equity in inflation sensitive companies, hard asset-backed private credit, and structured inflation-linked products among others.

Portfolio Guidelines

No more than 50% of the total net assets of the Real Return portfolio may be invested in any one registered investment vehicle, mutual fund, or separately managed account.

No more than 20% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.

The relative allocations to the liquid and illiquid portfolios will be determined according to each individual System's liquidity needs, funding status, and allocation targets on an investment by

investment basis.

Opportunistic

Opportunistic investments are intended to capitalize on opportunities outside of the asset classes targeted in the asset allocation guidelines. These allocations are intended to take advantage of market dislocations and unique opportunities and can be short-to-medium-term in nature. Opportunistic investments may be implemented through targeted portfolios or multi-asset approaches. Initial allocations are to be made following the same policies and procedures as all other investments as outlined previously in this IPS.

D. Co-Investment Policy

The CIO has discretion to make direct co-investments in companies alongside of current general partners. Any co-investment opportunity must also be part of the main account or fund into which the Systems has already invested before it can be considered. For purposes of this IPS, a direct co-investment is defined as a direct investment in a portfolio company alongside an existing Systems' partnership deemed in good standing.

The maximum investment in any co-investment vehicle shall not exceed 50 percent of the total capital committed by all partners at the time of the final closing. The maximum investment in any single direct co-investment shall not exceed 20 percent of the original partnership commitment. Total investment in direct co-investments shall not exceed 20 percent of the asset class portfolio on a cost basis at the time of investment.

IV. Monitoring

Performance Measurement

The Systems overall fund performance is measured relative to the Systems' Pension or Insurance Total Fund Benchmark. The benchmark is calculated by means of a weighted average methodology. This method is consistent with the CFA Institute Global Investment Performance Standards (GIPS®), a set of standardized, industry-wide ethical principles that guide investment managers and asset owners on how to fairly calculate and present their investment results, with the goal of promoting performance transparency and comparability. It is the product of the various component weights (i.e., asset classes' percentages) by their respective performance (returns). Due to market fluctuations and acceptable divergence, the asset classes' weights (percentages) are often not equivalent to the benchmark's weights. Therefore, the performance may indicate that the Funds have outperformed (underperformed) relative to their respective benchmarks, even when the preponderance of lesser weighted categories have underperformed (outperformed) their indices.

The Systems measures its asset classes, sub-asset classes, sectors, strategies, portfolios, and instruments (investment) performance with indexes that are recognized and published (e.g., S&P 500 & Barclays Aggregate Bond Index). These indexes are determined to be appropriate measures of investments and composites of investments with identical or similar investments, profiles, characteristics, and strategies. The benchmarks and indexes are intended to be objective, investable, replicable, representative and measurable of the investment mandate and, developed from publicly available information that is acceptable to the Systems and the investment manager/advisor as the neutral position consistent with the underlying investor status.

The Systems' investment consultant and Staff recommend the benchmarks and indexes. These measures shall be subject to the review and approval of the Investment Committee with ratification by the Board when asset allocation studies are performed, or when a change to existing benchmarks is recommended by Staff and the investment consultant. The current asset class benchmarks, effective as of July 1, 2018 with the adoption of the asset allocation, are as follows:

Asset Class	Benchmark
Growth	
US Equity	Russell 3000
Non US Equity	MSCI ACWI ex US IMI
Private Equity	Russell 3000 + 300 bps (lagged)
High Yield / Specialty Credit	50% Bloomberg Barclays US High Yield 50% S&P LSTA Leveraged Loan
Liquidity	
Core Fixed Income	Bloomberg Barclays US Aggregate
Cash	Citi Grp 3-mos Treasury Bill
Diversifying	
Real Estate	NCREIF ODCE
Opportunistic	Highest Assumed Discount Rate of Participating Plans
Real Return	US CPI + 3%

The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of the Systems. They are to be computed and expressed on a time-weighted total return basis:

Total Public Asset Class Allocations

Short-term

- For periods less than five years or a full market cycle, the Asset Class Allocation should exceed the returns of the appropriate Index.

Intermediate & Long-term

- For periods greater than five years or a full market cycle, the Asset Class Allocation should exceed the appropriate Index, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the Index.

Individual Public Security Portfolios: Individual portfolios shall be assigned a market goal or benchmark that is representative of the style or market capitalization of the assignment. Individual accounts should be monitored using the following Standards:

Short-term

- For periods less than five years or a full market cycle, individual portfolios should exceed the returns of their market goal or benchmark.

Intermediate & Long-term

- For periods greater than five years or a full market cycle, individual portfolios should exceed the return of their market goal or benchmark, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the benchmark.

Alternative Assets:

Private Equity

The Private Equity portfolio should also seek to achieve the following:

Short-term

- Alternative investments should earn a Net Internal Rate of Return ("IRR") that place the investment above the median Net IRR of other similar funds, of the same vintage year.

Intermediate & Long-term

- The private equity portfolio should earn a return that meets or exceeds the Systems Private Equity Index. Individual private equity investments should earn a Net IRR above the median Net IRR of other similar funds, of the same vintage year.

Real Estate

Private Real Estate investments are unique and can be illiquid and long term in nature. Given that this may lead to large short-term performance discrepancies versus public benchmarks, the Systems more appropriately measures its real estate investments based on both relative return and absolute return methodologies:

Relative Return: The Real Estate portfolio is expected to generate returns, net of all fees and expenses, in excess of the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index ("NCREIF ODCE") lagged 1 calendar quarter.

Absolute Return: The long-term real return objective (returns adjusted for inflation) for the Systems' Real Estate portfolio is five percent (5%) over the Barclays Capital U.S. 7-10 Year Treasury Bond Index, net of investment management fees. This return shall be calculated on a time-weighted basis using industry standard reporting methodologies.

Real Return

The total Real Return allocation shall seek to:

- (1) Short-term benchmark: For periods less than five (5) years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the appropriate benchmark (the weighted average return of the underlying investment benchmarks) annually over a complete market cycle, net of all investment management fees.
- (2) Strategic objective: For periods greater than five (5) years or a full market cycle, the allocation should not only outperform the short-term benchmark, but also achieve a rate of return that exceeds (CPI + 300 basis points) as well.
- (3) Achieve a positive risk/reward trade-off when compared to similar style Real Return Investment Managers.

Opportunistic

The total Opportunistic allocation shall seek to:

- (1) Short-term benchmark: For periods less than five (5) years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the

highest assumed rate of return of the participating plans.

(2) Strategic benchmark: For periods greater than five (5) years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the highest assumed rate of return of the participating plans.

Performance Review

Not less than quarterly the Investment Committee will review the performance of the portfolio for determination of compliance with this IPS. On an annual basis, a comprehensive review of each asset class and underlying portfolios shall be conducted by the Staff and presented to the Investment Committee. The review shall consist of an organizational, performance and compliance assessment.

The Compliance Officer shall perform tests at least monthly to assure compliance with the restrictions imposed by this IPS. These tests shall be performed at the asset class and total fund level. Quarterly, the Compliance Officer shall prepare a report to the Investment Committee detailing the restrictions tested, exceptions, the cause of the exception and the subsequent resolution. The Investment Committee shall report the findings to the Board at the next regularly scheduled meeting.

The following restrictions shall be tested at least monthly:

- ▶ The amount of stock in the domestic or international equity allocation in any single corporation shall not exceed 5% of the aggregate market value of the Systems' assets.
- ▶ The amount of stock held in the domestic or international equity allocation shall not exceed 3% of the outstanding shares of any single corporation.
- ▶ Investment in "frontier" markets (those countries not included in the MSCI EM Index) shall not exceed 5% of the Systems' international equity assets.
- ▶ The duration of the core fixed income portfolios combined shall not vary from that of the Systems' Fixed Income Index by more than +/- 25% duration as measured by effective duration, modified duration, or dollar duration except when the Investment Committee has determined a target duration to be used for an interim basis.
- ▶ The amount invested in the debt of a single issuer shall not exceed 5% of the total market value of the Systems' fixed income assets, with the exception of U.S. Government issued, guaranteed or agency obligations (or securities collateralized by same), and derivative securities used for exposure, cost efficiency, or risk management purposes in compliance with Section VII of this policy.
- ▶ 50% of the core fixed income assets must have stated liquidity that is trade date plus three days or better.

The CIO shall develop a comprehensive set of investment guidelines for each externally managed account. These guidelines should ensure, at the total fund and asset class level, that the restrictions set forth above are preserved.

V Additional Items

Derivatives Permitted Use:

The Systems permits external managers and Staff to invest in derivative securities, or strategies which make use of derivative investments, for exposure, cost efficiency and risk management purposes, if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Typical uses of derivatives in the portfolio are broadly defined below:

Exposure:

Derivatives are an effective way for a portfolio manager to gain exposure to a security that the manager does not want to purchase in the cash market. Reasons for gaining exposure to a security through the use of derivatives may include cheaper transactions costs, liquidity/lack of supply in the underlying market, and the flexibility to implement investment views with minimum portfolio disruption. An example is a cash equitization program.

Cost Efficiency:

Derivatives are often used due to the cost efficiency associated with the contract properties. Given the fact that derivatives can be used as a form of insurance, upfront trading costs must be sufficiently low for investors to purchase the contract and insure their portfolios efficiently. Furthermore, due to properties associated with derivatives and cash outlay characteristics (minimal cash outlay at inception of the contract) derivatives are generally a vehicle of gaining cost efficient exposure. An example is the cost (zero) to purchase a futures contract.

Risk Management:

Derivatives can be used for mitigating risk in the portfolio. When used as a risk management tool, derivatives can significantly reduce an identified financial risk or involuntary risk from investment areas by providing changes in fair values or cash flows that substantially offset the changes in fair values or cash flows of the associated item being hedged. An example is the use of currency forwards to offset periods of dollar strength when international equity markets increase in value, thereby protecting foreign asset gains in the portfolio.

Derivatives Restricted Use:

Settlement:

Investments in futures contracts are to be cash settled unless physically settled and stored by external managers. At no time shall the Systems agree to take physical delivery on a futures contract.

Position Limits:

Futures and options positions entered into by the Systems, or on its behalf, will comply with all position and aggregate limits established by the local governing authorities within each jurisdiction.

Over-the-Counter (OTC):

Investments in securities not traded on public exchanges that are deemed over-the-counter (OTC) in nature are allowed provided that a counterparty risk monitoring component is delineated in the manager's guideline section of the manager's contract. All counterparties must have a short-term credit rating of at least BBB (Standard and Poor's or Fitch) or Baa2 (Moody's).

All OTC derivative transactions, including those managed through Agency Agreements, must be subject to established International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements and have full documentation of all legal obligations of the Systems under the transactions. All ISDA Master Agreements entered into by or on behalf of the Systems by the Staff and external manager pursuant to an Agency Agreement shall provide that Netting applies. (Netting allows the parties to an ISDA Master Agreement to aggregate the amounts owed by each of them under all of the transactions outstanding under that ISDA Master Agreement and replace them with a single net amount payable by one party to the other.) The Staff and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. If an external manager utilizes a collateral arrangement to mitigate counterparty credit or performance risk the arrangement shall be delineated in the manager's guideline section of the manager's contract.

Derivatives Applications Not Permitted:**Speculation:**

Except for investments in Alternative, Opportunistic Diversifying Strategies investments, and Real Return investments, derivatives may not be used for any activity for which the primary purpose is speculation or to profit while materially increasing risk to the Systems. Derivatives are considered speculative if their uses have no material relation to objectives and strategies specified by the IPS or applicable to the portfolio. Derivatives may not be used for circumventing any limitations or restrictions imposed by the IPS or applicable regulatory requirements.

Leverage:

Leverage is inherent in derivative contracts since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivative investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk, i.e. the net notional value, assumed in a derivative investment.

The above is not intended to limit the Systems from borrowing to cover short-term cash flow needs nor prohibit the Systems from loaning securities in accordance with a securities lending agreement.

The Board recognizes that the voting of proxies is an important responsibility in assuring the overall performance of the Systems over a long time horizon. The Board has delegated the responsibility of voting all proxies to an outside Proxy Voting service provider or contracted external investment manager. The Board expects that the proxy voting service will execute all proxies in a timely fashion, and in accordance with the voting policy which has been formally

adopted.

The Board has adopted the ISS U.S. Proxy Voting Guidelines as the Systems' approved Proxy Voting Policy for all internally voted items. This policy is updated at least annually by ISS and hereby incorporated by this reference.

- A. Investment Procurement Policy, as amended, is hereby incorporated by reference.
- B. KPPA Investment Brokerage Policy, as amended, is hereby incorporated by reference.
- C. KPPA Transactions Procedures Policy, as amended, is hereby incorporated by reference.
- D. KPPA Securities Litigation Policy and Procedures, as amended, is hereby incorporated by reference.
- E. KPPA Investment Securities Lending Guidelines, as amended, is hereby incorporated by reference.
- F. KPPA Securities Trading Policy for Trustees and Employees, as amended, is hereby incorporated by reference.
- G. KPPA Manager and Placement Agent Statement of Disclosure Policy, as amended, is hereby incorporated by reference.
- H. KPPA Real Estate Policy as amended and hereby incorporated by reference.
- I. KPPA Proxy Voting Policy as amended and hereby incorporated by reference.

Signatories

As Adopted by the Investment Committee

Date: _____

Signature: _____

C. Prewitt Lane

Chair, Investment Committee

As Adopted by the Board of Trustees

Date: _____

Signature: _____

Keith Peercy

Chair, Board of Trustees



County Employees Retirement Systems

Investment Policy Statement

Adopted November 10, 2021

This Investment Policy Statement (IPS) is issued by the CERS Board of Trustees (CERS Board or CERS Trustees) of the County Employees Retirement System (CERS) in connection with investing in the pension and insurance trust funds (Funds) of CERS.

I. Introduction

A. Purpose

The purpose of this IPS is to define the framework for investing the assets of CERS. This IPS is intended to provide general principles for establishing the goals of CERS, the allocation of assets, employment of outside asset management, and monitoring the results of the respective Funds.

The pension plans administered by the County Employees Retirement System (CERS) are Qualified Pension Plans under Section 401(a) of the Internal Revenue Code. Additionally, Kentucky Revised Statutes 61.701 establishes health insurance benefits to recipients of CERS. Kentucky Revised Statutes 61.702 provides that all amounts necessary to provide for insurance benefits shall be paid to the insurance fund. The CERS Board shall administer the insurance fund in the same manner as the pension funds.

B. Philosophy

The CERS Trustees recognize their fiduciary duty not only to invest CERS funds in formal compliance with the Prudent Person Rule, but also to manage those assets in continued recognition of the basic long-term nature of CERS. The CERS Trustees interpret this to mean, in addition to the specific guidelines and restrictions set forth in the law and this document, that the assets of CERS shall be proactively managed—that is, investment decisions regarding the particular asset classes, strategies, and securities to be purchased or sold shall be the result of a long-term investment strategy. Being a long-term investor means that CERS Trustees are willing to accept a certain amount of risk in pursuit of potentially higher reward and that the Trustees can afford to be patient for a longer period of time.

The CERS Trustees recognize that asset allocation is the primary driver of long-term investment performance, and will therefore review asset allocation and asset-liability studies on a regular basis as outlined in Section III of this document. The Asset Allocation Guidelines represents a strategic decision, with the primary aim that CERS meet their performance objectives in the long-term, but understanding that this may not necessarily occur every year.

The CERS Trustees recognize that there is generally an inverse relationship between market efficiency and the ability for active management to produce excess returns. Therefore,

investments in efficient markets will be made using index or index-like investments with the goal of replicating, or exceeding, index returns with low management fees and low tracking errors. Active management will be pursued in less efficient markets accepting higher tracking error and paying higher management fees with the expectation of producing excess returns over the long term. This allows the KPPA Office of Investments staff (KPPA Investment Staff) and consultant(s) to focus their efforts on identifying, selecting, and monitoring managers, as well as the overall management of fees paid, in the areas of the market most likely to produce excess returns.

The CERS Trustees recognize that, commensurate with their overall objective of maximizing long-term return given the appropriate level of risk, it is necessary that proper diversification of assets be maintained both across and within the classes of securities held to minimize/mitigate overall portfolio risk. Consistent with carrying out their fiduciary Responsibilities and the concept of Modern Portfolio Theory, the CERS Trustees will not systematically exclude any investments in companies, industries, countries, or geographic areas unless required to do so by statute. Within this context of proactive management and the necessity for adherence to proper diversification, the CERS Trustees rely upon appropriate professional advice from staff and service providers.

The CERS Trustees recognize the importance of responsible investing. Accordingly, the Trustees acknowledge that integrating Environment, Social, and Governance (ESG) policy principles that engages the issue from a risk, opportunity and fiduciary duty perspective will enhance investment results. The overriding consideration for the Trustees will continue to be investing to maximize the long-term returns for plan beneficiaries.

II. Responsibilities

The CERS Trustees and other fiduciaries shall discharge their duties with respect to CERS: (1) solely in the interest of the participants and beneficiaries; (2) for the exclusive purpose of providing benefits to participants and beneficiaries; (3) with the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose; (4) impartially; (5) incurring and paying appropriate and reasonable expenses of administration which may not necessarily be the lowest and (6) in accordance with a good faith interpretation of the laws, regulations, and other instruments governing CERS.

Additionally, the Trustees and other fiduciaries shall not engage in any transaction which results in a substantial diversion of CERS income or assets. Every fiduciary shall provide adequate security and a reasonable rate of return to a disqualified person or in any other prohibited transaction described in Internal Revenue Code Section 503(b).

A. CERS Board of Trustees

The CERS Investment Committee is created by Kentucky Revised Statutes 78.790(1)(b) and the CERS Board as set forth in the CERS Board's Statement of Bylaws and Committee Organization (Section 2.2(e)). The Chair authorizes and directs the appointment of a CERS Investment Committee with full power to act for the CERS Board in the acquisition, sale and management of the securities and funds of CERS in accordance with the provisions of any applicable statutes, and policies of the CERS Board. The CERS Investment Committee has the power to act on behalf of the CERS Board on all investment related matters, including the acquisition, sale, safeguarding, monitoring and management of the assets, securities and funds of CERS. The CERS Board shall require a vote of six (6) Trustees to ratify the actions of the CERS Investment Committee at the

CERS Board meeting following the CERS Investment Committee meeting where such action was taken.

B. CERS Investment Committee

The CERS Board of Trustees shall establish an investment committee as required by KRS 78.790(b). The CERS Investment Committee shall consist of five members of the CERS Board and shall be specifically composed as follows: The three (3) members with investment experience appointed by the Governor under KRS 78.782(1)(b); one (1) elected member to be appointed by the CERS Board Chair; and one (1) member appointed by the Governor under KRS 78.782(1)(b) with retirement experience, to be appointed by the CERS Board Chair. The CERS Investment Committee has the authority to implement the investment policies adopted by the CERS Board and to act on behalf of the CERS Board on all investment related matters.

The CERS Investment Committee has the following oversight responsibilities:

1. Assure compliance with this IPS and all applicable laws and regulations.
2. Approve the selection and termination of service providers. If the need arises to terminate a manager between CERS Board meetings, the KPPA Executive Director, Office of Investments, (CIO) will have discretion to do so after receiving approval from either the CERS Board Chair or the CERS Investment Committee Chair, with concurrence by the CERS CEO. The CERS Investment Committee and the CERS Board must be notified of the manager termination at the next scheduled CERS Investment Committee and CERS Board meetings.
3. Meet no less than quarterly to evaluate whether this IPS, the investment activities and management controls and processes continue to be consistent in meeting CERS goals. Mandate actions necessary to maintain the overall effectiveness of the investment program.
4. Review assessment of investment program management processes and procedures, and this IPS relative to meeting stated goals.

C. KPPA Investment Staff

The CIO, is responsible for the administration of investment assets of CERS consistent with the policies, guidelines and limits established by the federal and state laws, the CERS Board, and the CERS Investment Committee.

The CIO receives direction from and reports to the KPPA Executive Director. The CIO shall provide information to the CERS Investment Committee on all investment matters, including but not limited to the following:

- i. Maintaining the diversification and risk exposure of the Funds consistent with policies and guidelines.
- ii. Assessing and reporting on the performance and risk exposure of the overall investment program relative to goals, objectives, policies and guidelines.
- iii. Monitoring and assessing service providers to assure that they meet expectations and conform to policies and guidelines.
- iv. Recommending changes to service providers, statutes, policies or guidelines as needed to maintain a productive relationship between the investment program and its goals; and acting as liaison on all investment related matters.
- v. Identifying issues for consideration by the CERS Investment Committee and preparing recommendations or reports regarding such matters.
- vi. Preparing a memo for the CERS Investment Committee for each proposed investment

- which shall cover the pertinent details of the investment, which should include, but not be limited to: the amount of the investment, type of investment, purpose, opportunity/goal, risks, volatility assumptions, liquidity, structure, fees, background of investment firm with reasons for selection, list of other firms considered, which CERS funds will invest, and the specific reasons, if any, why a CERS plan may be excluded from the investment.
- vii. Engaging in a monthly meeting with the CERS Investment Committee Chair and the CERS CEO to discuss market trends and all things relevant to the CERS plans positioning.

The CIO or designee is authorized to execute trades on fixed income and equity securities (including exchange-traded funds (ETFs) and to execute proxies for the CERS Board consistent with this IPS.

To carry out this IPS and any investment related decisions of the CERS Board, the CERS Chief Executive Officer (CEO), and the CIO or designee are authorized to execute agreements and other necessary or proper documents pertaining to investment managers, consultants, investment related transactions, or other investment functions. All investment decisions of the CEO and/or the CIO not addressed in this IPS will be ratified by the Investment Committee and the Board of CERS.

D. Investment Managers

In instances where the CERS Investment Committee, in consultation with the CIO, has determined it is desirable to employ the services of an external Investment Manager, the following shall be applicable:

- i. Investment Managers shall be qualified and agree to serve as a fiduciary to CERS and should be of institutional quality as deemed by KPPA Investment Staff in collaboration with the investment consultant(s).
- ii. Notwithstanding the CIO responsibilities when selecting a new investment, when the KPPA Investment Staff seeks a new external Investment Manager, the Investment Committee shall interview the top three candidates identified and considered by KPPA Investment Staff and the Investment Committee will participate in the selection of the Manager.
- iii. Investment Managers shall manage assets in accordance with this IPS and any additional guidelines established by contract, as may be modified in writing from time to time.
- iv. Total assets assigned to the selected manager shall not exceed 25% of that firm's total assets under management and shall not exceed 25% of a firm's total assets under management in a commingled product. Separate accounts or funds of one are not included in this 25% limitation for commingled products.
- v. The assets managed by any one active or passive investment manager shall not exceed 15% of the overall assets in the pension and insurance funds.
- vi. All investment management services will be contracted according to the CERS Investment Procurement Policy established by the CERS Board.

E. Custody Bank

KPPA shall hire custodians and other agents who will be fiduciaries to CERS and who will assume responsibility for the safekeeping and accounting of all assets held on behalf of CERS and other duties as agreed to by contract.

F. Investment Consultants

Qualified independent investment consultants may be retained by the CERS Investment Committee for asset allocation studies, asset allocation recommendations, performance reviews, manager searches, and other investment related consulting functions and duties as set forth by contract.

G. Selection

Qualified investment managers, investment consultants, and other investment related service providers shall be selected by the CERS Investment Committee in accordance with the IPS. The selection shall be based upon the demonstrated ability of the professional(s) to provide the required expertise or assistance described in the Request For Proposals (RFP) or Request For Information (RFI), if utilized. In order to create an efficient and effective process, the CERS Investment Committee or CIO may, in their sole discretion, utilize an RFI, an RFP, third party proprietary software or database, review of existing service provider capabilities, or any combination of these or other methods to select a service provider.

III. Asset Allocation Guidelines

In establishing asset allocation guidelines, the CERS Board recognizes that each CERS plan has its own capacity to tolerate investment volatility, or risk. Therefore, each CERS plan has been studied and asset allocation guidelines have been established on a plan by plan basis. The CERS Board will ensure the asset allocation guidelines of each plan are reviewed annually. The CERS Board will provide the CERS Investment Committee with the results of any asset liability valuation study and guidance for determining the needs of any particular CERS plan.

This asset allocation is the result of an update to the Investment Policy enacted on January 1, 2021. The changes to the asset allocation were arrived upon after the Asset Allocation study of November 2020 and an Efficient Frontier analysis conducted in November 2021. The CERS Board has established the following Asset Allocation Guidelines, effective November 10, 2021.

Asset Class	Target	Minimum	Maximum
Equity			
Public Equity	50%	35%	65%
Private Equity	10%	7%	13%
Fixed Income			
Core Fixed Income	10%	8%	12%
Specialty Credit*	10%	7%	13%
Cash	0%	0%	3%
Inflation Protected			
Real Estate	7%	5%	9%
Real Return	13%	9%	17%

*Includes High Yield Fixed Income

The intent of the CERS Board in allocating funds to the investment managers is for the investment managers to fully invest the funds. However, the CERS Board is aware that from time to time the investment manager will require a portion of the allocated funds to be held in cash provided the cash holdings do not exceed five percent (5%) of the manager's allocation for any given quarter, unless such cash holdings are an integral part of a fixed income manager's investment strategy.

The individual CERS plan level asset allocations will be reviewed monthly by KPPA Investment Staff relative to its target asset class allocation taking into account any tactical asset allocation shift directed by the CERS Investment Committee.

Regarding individual investment manager initial allocations, KPPA Investment Staff will get approval at the CERS Investment Committee meeting for a specific dollar amount intended to be committed to a closed-end fund such as private equity or real estate funds and will get approval for a percent of the appropriate asset class target for open-end managers. For those open-end funds where assets can be added or subtracted, the CIO will have discretion to reduce or increase an investment manager's allocation between 50% and 150% of the approved target. The target will not be raised prior to the one-year anniversary of the amount approved by the CERS Investment Committee, and must be reported to the CERS Investment Committee at the next scheduled meeting. If the need arises to terminate a manager between CERS Board meetings, the CIO will have discretion to do so after receiving approval from either the CERS Board Chair or the CERS Investment Committee Chair with concurrence by the CERS CEO. The CERS Investment Committee and the CERS Board must be notified of the manager termination at the next scheduled CERS Investment Committee and Board meetings.

Short-term market shifts may cause the asset mix to drift from the allocation targets. Should the target percentage fall out of the indicated range for a particular asset class, KPPA Investment Staff shall direct rebalancing transactions to reallocate assets from the over-allocated asset class to the under-allocated asset class. Within the allowable ranges, KPPA Investment Staff should use regular cash flows to rebalance toward targets to avoid incurring additional trading costs to correct minor deviations from asset allocation targets. Except when there is a perceived extraordinary downside risk in a particular asset class, movement outside the normal ranges should be avoided.

Investments in private assets are generally less liquid than investments in public markets securities and are typically implemented via periodic commitments to funds with limited partnership structures. As a result, actual allocations to these asset classes may deviate from their strategic targets for extended periods. Actual vs. target deviations for these asset classes shall not be considered in violation of the Asset Allocation Guidelines. However, when identified by the KPPA Investment Staff the deviation must be reported to the CERS Investment Committee Chair within ten (10) business days and at the next Quarterly CERS Investment Committee meeting and each Investment Committee meeting thereafter until the allocation is in compliance with the target. Under/overweights to these asset classes shall be invested in public markets securities with the most similar risk/return characteristics as a short-term proxy for the private asset classes.

In keeping with its responsibility as a CERS Board and wherever consistent with its fiduciary responsibility, the CERS Board encourages the investment of the fund's assets in investments, funds, and securities of corporations which provide a positive contribution to the economy of the Commonwealth of Kentucky. However, where any security is not a prohibited investment under the governing laws and policies, discretion will be granted to the appointed investment managers in the selection of such securities and timing of transactions consistent with the following

guidelines and restrictions.

A. Equity

Public Equity

Investments may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETFs or any other type of security contained in a manager's benchmark. Each individual equity account shall have a comprehensive set of investment guidelines prepared by the CIO, which contains a listing of permissible investments, portfolio restrictions, and standards of performance for the account.

The KPPA Investment Staff internally manages approximately fifteen (15%) percent of US equity index funds that are intended, consistent with the governing Plan documents, to gain exposure to a broad asset sector to replicate the characteristics of the asset class, to minimize administrative expenses and to help achieve overall portfolio objectives. The KPPA Investment Staff may passively manage up to twenty (20%) percent of the overall portfolio dedicated to these efficient markets. Beyond this level the CIO shall seek the approval of the Investment Committee by explaining how further passive management would help achieve the overall portfolio objectives. These objectives can be achieved through several management techniques, including, but not limited to, portfolio optimization, non-reinvestment of index dividends, and other management techniques intended to help achieve the investment objectives of CERS.

Private Equity Investments

Subject to specific approval of the CERS Investment Committee, investments may be made for the purpose of creating a diversified portfolio of alternative investments. Private equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. Examples of such investments include, but are not limited to: private investments into venture capital; leveraged buyouts; special situations; distressed debt; private debt; timberland, oil and gas partnerships; infrastructure; commodities; and private placements. While it is expected that the majority of these assets will be invested within the United States, a portion has been allocated to non-US investments. These non-U.S. investments are not restricted by geography.

The private equity market is highly sophisticated and specialized with respect to variety and types of investment structures. There exists major competition for deal flow on the part of both investor and general partners. To a great extent, market forces drive the bargaining of economic terms. Most investment vehicles are structured as commingled vehicles and often blind pool investment partnerships. The most common offering forms are equity private placements where the governing laws of the partnership impose a passive role of the limited partner investor. These contractual arrangements are long-term in nature and provide the general partner or sponsors a reasonable time horizon to wisely invest capital, add value through intensive operational management, then realize the proceeds of such an investment. Moreover, terms of the partnership are proposed by the general partner and are critical to the economic incentives and ultimate net performance of the partnership.

Investment Strategy and Plan Guidelines

To strengthen the diversification of the investments, several guidelines will be utilized in KPPA Investment Staff's formulation and recommended annual investment strategy and plan for private equity investments. These guidelines encompass annual commitment levels to the asset class, types of investment vehicles that can be utilized, controlling financing stage risks, industry, manager and geography concentration/diversification limits, acceptable contract negotiations, appropriate sizes for investments, and the preferred alignment of interests.

Investment Vehicles: CERS plans will gain exposure to private equity investments by hiring external investment managers either directly or through participation in secondary private equity markets. Typically, CERS plans will subscribe as a Limited Partner (LP) to limited partnership vehicles sponsored by such specialty external investment managers. CERS will also at times structure separately managed accounts with specific investment objectives to be implemented by external investment managers. CERS plans may also gain private equity exposure by utilizing the following vehicles: limited liability companies and co-investments alongside CERS existing or potential limited partnerships.

Investment Timing Risks: KPPA Investment Staff should limit the potential for any one investment to negatively impact the long-term results of the portfolio by investing across business cycles. Moreover, the portfolio must gain exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle. KPPA Investment Staff may also consider purchasing secondary partnership interests to shorten the effective life of the partnership interest and therefore positively impacting the current and long-term net return of the portfolio. Should KPPA Investment Staff anticipate the need of entering a secondary partnership such agreement would need the approval of CERS Investment Committee and ratification by the CERS Board. In addition, mindful of vintage year diversification, CERS should seek to identify attractive commitments annually, further ensuring the portfolio invests across business cycles.

General Partner Diversification: KPPA Investment Staff will seek to work with a variety of general partners due to their specialized expertise in particular segments of the private equity market and source of their deal flow. No more than fifteen (15) percent of CERS Pension or Insurance total allocation to private equity investments may be committed to any one partnership.

Total Exposure to Private Equity: Given the illiquid nature of the asset and the complexity of each private equity transaction, it is important that the CIO actively manage the maximum amount of CERS Plan assets allocated to this asset class. The asset allocation authorizes a maximum of thirteen (13%) percent of total CERS Plan assets to this asset class. Should circumstances arise and the allocation go beyond the maximum allocation, the CIO will inform the Investment Committee Chair as soon as possible and report to the Investment Committee Chair and the CEO at the next monthly strategic planning meeting and all subsequent quarterly CERS Investment Committee meetings until the allocation is back in compliance.

B. Fixed Income

Core Fixed Income

The core fixed income accounts may include, but are not limited to the following fixed income securities: U.S. Government and Agency bonds; investment grade U.S. corporate credit; investment grade non-U.S. corporate credit; municipal bonds; Non-U.S. sovereign debt; mortgages including residential mortgage backed securities; commercial mortgage backed securities; and whole loans, asset-backed securities, and asset class relevant ETFs.

The high yield fixed income accounts may include, but are not limited to, the following fixed income securities: non-investment grade U.S. corporate credit including both bonds and bank loans; non-investment grade non-U.S. corporate credit including bonds and bank loans; municipal bonds; non-U.S. sovereign debt; mortgages including residential mortgage backed securities, commercial mortgage backed securities, and whole loans, asset-backed securities; and emerging market debt (EMD) including both sovereign EMD and corporate EMD and asset class relevant ETFs.

Each individual core fixed income account shall have a comprehensive set of investment guidelines prepared by the CIO which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

Specialty Credit

Each individual Specialty Credit account shall have a comprehensive set of investment guidelines prepared by the CIO which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

Cash Equivalent Securities

Selection of particular short-term instruments, whether viewed as liquidity reserves or as investment vehicles, should be determined primarily by the safety and liquidity of the investment and only secondarily by the available yield. The following short-term investment vehicles are considered acceptable: Publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds, and collective short-term investment funds (STIFs), money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days. Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur. Variable rate securities shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three years.

CERS fixed income managers that utilize cash equivalent securities as an integral part of their investment strategy are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for fixed income managers shall be included in the investment manager's investment guidelines.

C. Inflation Protected

Real Estate

Investments are made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. Allowable real estate investments include open-end and closed-end commingled real estate funds, joint venture investments, public and private real estate investment trusts (REITs), public real estate operating companies, and real estate related debt. CERS has determined that the primary role of the real estate asset class is to provide for the following:

- Attractive risk adjusted returns through active management and ability to access managers with the expertise and capabilities to exploit market inefficiencies in the asset class. The illiquid nature of real estate investments combined with the complexity of investments makes it difficult for casual investors to effectively access the asset class effectively. It is our belief that through active management and by investing in top tier managers with interests aligned through co-investment and incentive-based compensation, CERS can maximize their risk adjusted returns. This active management approach will be pursued.
- Diversification benefits through low correlations with other asset classes, primarily the U.S. equity markets.
- Provide a hedge against unanticipated inflation, which real estate has historically provided due to lease structures and the increases in material and labor costs during inflationary periods.
- Permit CERS to invest in unique opportunities that arise due to dislocations in markets that occur from time to time.

Real Return

The purpose of the Real Return Portfolio is to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans. Real Return strategies are not necessarily a separate asset class but may include real assets, such as infrastructure, real estate, commodities, and natural resources among others, as well as financial assets that have a positive correlation to inflation. This can include real bonds such as Treasury Inflation-Protected Securities (TIPs) (and other inflation linkers) or real stocks such as REITs, Master Limited Partnerships (MLPs), and oil & gas stocks. Additionally, Real Return managers may attempt to add value by tactically allocating to various asset classes according to how each asset class performs across an economic cycle and the manager's perception of where we are in the cycle. The goal is to invest in inflation sensitive assets during inflationary periods, and avoid those assets in deflationary periods, thus providing a positive real return across the cycle.

The real return opportunity set may include numerous vehicles to access a wide variety of investment styles and strategies. These investment vehicles may include mutual funds, ETFs, separately managed accounts as well as hedge funds (open-end limited partnerships) and private equity (close-end limited partnerships). The list of strategies that CERS' Real Return Portfolio

may use includes, but is not limited to, the following:

- Global Tactical Asset Allocation (GTAA)/Global Macro: GTAA or macro strategies are those that make directional bets on major markets or asset classes instead of individual securities. GTAA and macro strategies typically invest in all major assets classes including equity markets, credit and debt instruments, currencies/interest rates, and commodities. These strategies tend to focus on economic factors that would suggest an opportune time to invest in a given asset class, and will change their allocations actively over time. These strategies may use inflation as the economic factor to gain exposure to and will target a real rate of return over time.
- Inflation Linked Securities are securities that directly tie coupon payments or principal increases to an inflation index, such as Consumer Price Index (CPI). These strategies could include not only US TIPS, but also global sovereign inflation linked bonds, corporate or infrastructure inflation linked bonds, and possibly short duration floating rate bonds.
- Inflation Sensitive Equities include publicly traded equity and equity related securities in companies which have a high sensitivity to inflation in their profit margins via the nature of their operating assets, such as energy companies, basic materials and miners, natural resource stocks, and listed infrastructure. This category can also include, but are not limited to, REITs, MLPs as well as ETFs and index products on REITs, MLPs, and natural resource stocks.
- Commodities: Commodities are the raw materials that are physical inputs into the production process. Managers that invest in liquid commodity strategies using exchange traded futures can span from simple indexing (matching a long-only commodities index), to enhanced indexing or active long (selecting positions that vary from the index but within fairly tight ranges), as well as unconstrained long-short managers.
- Private Property: For the purposes of this IPS, private property refers to the ownership of an idiosyncratic, physical asset that is predominately fixed and/or permanent or at least substantially long-lived. This includes real estate, such as land and any improvements to or on the land, as well as timberland and farmland. Timberland investing involves the institutional ownership of forest for the purpose of growing and harvesting the timber. The timber may be used for furniture, housing lumber, flooring, pulp for paper, woodchips, and charcoal, among other things. Farmland investing entails ownership of land used primarily, if not exclusively, for agricultural production both for crops, including row crops and permanent crops, as well as livestock. Private property can also include infrastructure investing, which refers to financing the manufacture or development of the underlying fundamental assets and basic core infrastructure that are necessary for an economy whereby such assets are largely fixed and long-lived. These tend to be high cost, capital-intensive investments that are vital to a society's prosperity and facilitate the transfer, distribution, or production of basic goods and services.
- Natural Resources: Natural resources can include investing in the financing, development, extraction, and production of minerals, basic materials, petroleum products, and water as well as renewable resources such as agricultural commodities and solar energy. As opposed to property, the returns generated in these investment strategies come more from the actual production of the resource itself. Further, these are depleting and/or consumable assets that are also portable and fungible and which in the aggregate

comprise a majority of the inputs into most measurements of inflation.

- **Private Assets:** Private assets can include tangible or intangible assets that are not easily sold in the regular course of a business' operations for cash, and which are held for their role in contributing directly to the business' ability to generate profit. As the useful life of the asset tends to extend across many years and the assets tend to be capital intensive as well, they have some similarity to private infrastructure. Further, given that the assets contribute directly to the production process as well as often retaining intrinsic value, there is a fundamental link to inflation somewhat similar to natural resources.
- **Other (Opportunistic Inflation Hedge):** Other/opportunistic strategies include those that have a propensity to provide a positive real return or positive correlation with inflation over time. Liquid strategies such as inflation swaps, diversified inflation hedging mutual funds, or nominal bonds backed by inflation sensitive assets may be included in this allocation, while other illiquid strategies that may provide the same real profile can include private equity in inflation sensitive companies, hard asset-backed private credit, and structured inflation-linked products among others.

Portfolio Guidelines

No more than 50% of the total net assets of the Real Return portfolio may be invested in any one registered investment vehicle, mutual fund, or separately managed account.

No more than 20% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.

The relative allocations to the liquid and illiquid portfolios will be determined according to each individual System's liquidity needs, funding status, and allocation targets on an investment by investment basis.

D. Co-Investment Policy

The CIO has discretion to make direct co-investments in companies alongside of current general partners. Any co-investment opportunity must also be part of the main account or fund into which CERS has already invested before it can be considered. For purposes of this IPS, a direct co-investment is defined as a direct investment in a portfolio company alongside an existing CERS' partnership deemed in good standing.

The maximum investment in any co-investment vehicle shall not exceed 50 percent of the total capital committed by all partners at the time of the final closing. The maximum investment in any single direct co-investment shall not exceed 20 percent of the original partnership commitment. Total investment in direct co-investments shall not exceed 20 percent of the asset class portfolio on a cost basis at the time of investment.

IV. Monitoring

Performance Measurement

CERS overall fund performance is measured relative to CERS Pension or Insurance Total Fund Benchmark. The benchmark is calculated by means of a weighted average methodology. This method is consistent with the CFA Institute Global Investment Performance Standards (GIPS®),

a set of standardized, industry-wide ethical principles that guide investment managers and asset owners on how to fairly calculate and present their investment results, with the goal of promoting performance transparency and comparability. It is the product of the various component weights (i.e., asset classes' percentages) by their respective performance (returns). Due to market fluctuations and acceptable divergence, the asset classes' weights (percentages) are often not equivalent to the benchmark's weights. Therefore, the performance may indicate that the Funds have outperformed (underperformed) relative to their respective benchmarks, even when the preponderance of lesser weighted categories have underperformed (outperformed) their indices.

CERS measures its asset classes, sub-asset classes, sectors, strategies, portfolios, and instruments (investment) performance with indices that are recognized and published). These indices are determined to be appropriate measures of investments and composites of investments with identical or similar investments profiles, characteristics, and strategies. The benchmarks and indexes are intended to be objective, investable, replicable, representative and measurable of the investment mandate and, developed from publicly available information that is acceptable to CERS and the investment manager/advisor as the neutral position consistent with the underlying investor status. The CERS investment consultant and KPPA Investment staff recommend the benchmarks and indexes. These measures shall be subject to the review and approval of the CERS Investment Committee with ratification by the CERS Board when asset allocation studies are performed, or when a change to existing benchmarks is recommended by KPPA Investment Staff and the CERS investment consultant. The current asset class benchmarks, effective as of November 10, 2021 with the adoption of the asset allocation, are as follows:

Asset Class	Benchmark
Equity	
Public Equity	MSCI ACWI
Private Equity	Russell 3000 + 300 bps (lagged)
Fixed Income	
Core Fixed Income	Bloomberg Barclays US Aggregate
Specialty Credit	50% Bloomberg Barclays US High Yield/ 50% S&P LSTA
Cash	Citi Grp 3-mos Treasury Bill
Inflation Protected	
Real Estate	NCREIF ODCE
Real Return	US CPI + 3%
Absolute Return	HFRI Diversified Fund of Fund Composite

The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of CERS. They are to be computed and expressed on a time-weighted total return basis:

Total Public Asset Class Allocations

Short-term

- For periods less than five years or a full market cycle, the Asset Class Allocation should exceed the returns of the appropriate Index.

Intermediate & Long-term

- For periods greater than five years or a full market cycle, the Asset Class Allocation should exceed the appropriate Index, compare favorably on a risk-

adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the Index.

Individual Public Security Portfolios: Individual portfolios shall be assigned a market goal or benchmark that is representative of the style or market capitalization of the assignment. Individual accounts should be monitored using the following Standards:

Short-term

- For periods less than five years or a full market cycle, individual portfolios should exceed the returns of their market goal or benchmark.

Intermediate & Long-term

- For periods greater than five years or a full market cycle, individual portfolios should exceed the return of their market goal or benchmark, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the benchmark.

Alternative Assets:

Private Equity

The Private Equity portfolio should also seek to achieve both short-term and intermediate/long term Net Internal Rate of Returns (IRR) that provide yields in excess of core equity investments. The KPPA Investment Staff shall quarterly complete a comparison of performance between equity portfolio performance and Private Equity portfolio returns. The KPPA Investment Staff will report to the Investment Committee the following:

Short-term

- Alternative investments should earn a Net Internal Rate of Return (IRR) that place the investment above the median Net IRR of other similar funds, of the same vintage year, as reported by industry benchmarks.

Intermediate & Long-term

- The private equity portfolio should earn a return that meets or exceeds CERS Private Equity Index. Individual private equity investments should earn a Net IRR above the median Net IRR of other similar funds, of the same vintage year, as reported by industry benchmarks.

Inflation Protected

Real Estate

Private Real Estate investments are unique and can be illiquid and long term in nature. Given that this may lead to large short-term performance discrepancies versus public benchmarks, CERS more appropriately measures its real estate investments based on both relative return and absolute return methodologies:

Relative Return: The Real Estate portfolio is expected to generate returns, net of all fees and expenses, in excess of the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index (NCREIF ODCE) lagged 1 calendar quarter.

Absolute Return: The long-term real return objective (returns adjusted for inflation) for CERS' Real Estate portfolio is five percent (5%) over the Barclays Capital U.S. 7-10 Year Treasury Bond Index, net of investment management fees. This return shall be calculated on a time-weighted basis using industry standard reporting methodologies.

Real Return

The total Real Return investments shall seek to:

1. Short-term benchmark: For periods less than five (5) years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the appropriate benchmark (the weighted average return of the underlying investment benchmarks) annually over a complete market cycle, net of all investment management fees.
2. Strategic objective: For periods greater than five (5) years or a full market cycle, the allocation should not only outperform the short-term benchmark, but also achieve a rate of return that exceeds (CPI + 300 basis points) as well.
3. Achieve a positive risk/reward trade-off when compared to similar style Real Return Investment Managers.

Performance Review

On a timely basis, but not less than quarterly, the CERS Investment Committee will review the performance of the portfolio for determination of compliance with this IPS. This will include a quarterly performance peer review analysis comparing CERS with other public pension plans. On an annual basis, a comprehensive review of each asset class and underlying portfolios shall be conducted by the KPPA Investment staff and presented to the CERS Investment Committee. The review shall consist of an organizational, performance and compliance assessment.

The Compliance Officer shall perform tests at least monthly to assure compliance with the restrictions imposed by this IPS. These tests shall be performed at the asset class and total fund level. Quarterly, the Compliance Officer shall prepare a report to the CERS Investment Committee detailing the restrictions tested, exceptions, the cause of the exception and the subsequent resolution. The CERS Investment Committee shall report the findings to the CERS Board at the next regularly scheduled meeting. Internal Audit will schedule periodic reviews/audits of this function to ensure compliance with this IPS.

The following restrictions shall be tested at least monthly:

1. The amount of stock in the domestic or international equity allocation in any single corporation shall not exceed 5% of the aggregate market value of CERS' assets.
2. The amount of stock held in the domestic or international equity allocation shall not exceed 3% of the outstanding shares of any single corporation.
3. Investment in frontier markets (those countries not included in the MSCI EM Index) shall not exceed 5% of CERS' international equity assets.

4. The duration of the core fixed income portfolios combined shall not vary from that of CERS' Fixed Income Index by more than +/- 25% duration as measured by effective duration, modified duration, or dollar duration except when the CERS Investment Committee has determined a target duration to be used for an interim basis.
5. The amount invested in the debt of a single issuer shall not exceed 5% of the total market value of CERS' fixed income assets, with the exception of U.S. Government issued, guaranteed or agency obligations (or securities collateralized by same), and derivative securities used for exposure, cost efficiency, or risk management purposes in compliance with Section VII of this policy.
6. 50% of the core fixed income assets must have stated liquidity that is trade date plus three days or better.

The CIO shall develop a comprehensive set of investment guidelines for each externally managed account. These guidelines should ensure, at the total fund and asset class level, that the restrictions set forth above are preserved.

Under the CIO's direction, KPPA Investment Staff shall perform site visits with all current CERS investment managers over 3-year rolling market cycles, with at least 1/3 of all current managers occurring on a yearly basis.

V Additional Items

Derivatives Permitted Use:

CERS permits external managers and KPPA Investment Staff to invest in derivative securities, or strategies which make use of derivative investments, for exposure, cost efficiency and risk management purposes, if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Typical uses of derivatives in the portfolio are broadly defined below:

Exposure:

Derivatives are an effective way for a portfolio manager to gain exposure to a security that the manager does not want to purchase in the cash market. Reasons for gaining exposure to a security through the use of derivatives may include cheaper transactions costs, liquidity/lack of supply in the underlying market, and the flexibility to implement investment views with minimum portfolio disruption. An example is a cash equalization program.

Cost Efficiency:

Derivatives are often used due to the cost efficiency associated with the contract properties. Given the fact that derivatives can be used as a form of insurance, upfront trading costs must be sufficiently low for investors to purchase the contract and insure their portfolios efficiently. Furthermore, due to properties associated with derivatives and cash outlay characteristics (minimal cash outlay at inception of the contract) derivatives are generally a vehicle of gaining cost efficient exposure. An example is the cost (zero) to purchase a futures contract.

Risk Management:

Derivatives can be used for mitigating risk in the portfolio. When used as a risk management tool, derivatives can significantly reduce an identified financial risk or involuntary risk from investment areas by providing changes in fair values or cash flows that substantially offset the changes in fair values or cash flows of the associated item being hedged. An example is the use of currency forwards to offset periods of dollar strength when international equity markets increase in value, thereby protecting foreign asset gains in the portfolio.

Derivatives Restricted Use:

Settlement:

Investments in futures contracts are to be cash settled unless physically settled and stored by external managers. At no time shall CERS plans agree to take physical delivery on a futures contract.

Position Limits:

Futures and options positions entered into by CERS, or on its behalf, will comply with all position and aggregate limits established by the local governing authorities within each jurisdiction.

Over-the-Counter (OTC):

Investments in securities not traded on public exchanges that are deemed OTC in nature are allowed provided that a counterparty risk monitoring component is delineated in the manager's guideline section of the manager's contract. All counterparties must have a short-term credit rating of at least BBB (Standard and Poor's or Fitch) or Baa2 (Moody's).

All OTC derivative transactions, including those managed through Agency Agreements, must be subject to established International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements and have full documentation of all legal obligations of CERS under the transactions. All ISDA Master Agreements entered into by or on behalf of CERS by the KPPA Investment Staff and external manager pursuant to an Agency Agreement shall provide that netting applies (netting allows the parties to an ISDA Master Agreement to aggregate the amounts owed by each of them under all of the transactions outstanding under that ISDA Master Agreement and replace them with a single net amount payable by one party to the other.) The KPPA Investment Staff and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. If an external manager utilizes a collateral arrangement to mitigate counterparty credit or performance risk the arrangement shall be delineated in the manager's guideline section of the manager's contract.

Derivatives Applications Not Permitted:

Speculation:

Except for investments in Real Return Investments, derivatives may not be used for any activity for which the primary purpose is speculation or to profit while materially increasing risk to CERS. Derivatives are considered speculative if their uses have no material relation to

objectives and strategies specified by the CERS IPS or applicable to the CERS portfolio. Derivatives may not be used for circumventing any limitations or restrictions imposed by the CERS IPS or applicable regulatory requirements.

Leverage:

Leverage is inherent in derivative contracts since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivative investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk, i.e. the net notional value, assumed in a derivative investment.

The above is not intended to limit CERS from borrowing to cover short-term cash flow needs nor prohibit CERS from loaning securities in accordance with a securities lending agreement.

The CERS Board recognizes that the voting of proxies is an important responsibility in assuring the overall performance over a longtime horizon. The CERS Board has delegated the responsibility of voting all proxies to an outside Proxy Voting service provider or contracted external investment manager. The CERS Board expects that the proxy voting service will execute all proxies in a timely fashion, and in accordance with the voting policy which has been formally adopted.

The CERS Board has adopted the ISS U.S. Proxy Voting Guidelines as the CERS approved Proxy Voting Policy for all internally voted items. This policy is updated at least annually by ISS and hereby incorporated by this reference. The policy can be found publicly using the following link:

[ISS U.S. Proxy Voting Guidelines.com](https://www.issproxy.com/ISS%20U.S.%20Proxy%20Voting%20Guidelines.com)

Additional CERS Investment Administrative Policies

- A. Investment Procurement Policy as amended and the as amended are hereby incorporated by reference.
- B. KPPA Investment Brokerage Policy as amended is hereby incorporated by reference.
- C. KPPA Transactions Procedures Policy as amended is hereby incorporated by reference.
- D. KPPA Securities Litigation Policy and Procedures as amended is hereby incorporated by reference.
- E. KPPA Investment Securities Lending Guidelines as amended is hereby incorporated by reference.
- F. KPPA Securities Trading Policy for Trustees and Employees as amended is hereby incorporated by reference.
- G. KPPA Manager and Placement Agent Statement of Disclosure Policy as amended is hereby incorporated by reference.
- H. KPPA Real Estate Policy as amended and hereby incorporated by reference.
- I. CERS Conflict of Interest and Confidentiality Policy as amended and hereby incorporated by reference.
- J. KPPA Proxy Voting Policy as amended and hereby incorporated by reference.

Signatories

As Adopted by the CERS Investment Committee

Date: _____

Signature: _____

Dr. Merl Hackbart

Chair, CERS Investment Committee

As Adopted by the CERS Board of Trustees

Date: _____

Signature: _____

Ms. Betty Pendergrass

Chair, CERS Board of Trustees

ATTACHMENT II

Portfolio Guidelines

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ATTACHMENT II



KENTUCKY RETIREMENT SYSTEMS

Investment Guidelines for Axiom Investors Axiom International Small Cap Equity Strategy



PURPOSE

These investment guidelines represent an extension of the Statement of Investment Policy for the Kentucky Retirement Systems.

INVESTMENT OBJECTIVE

The International Small Cap Equity Strategy seeks capital appreciation primarily through investments in the equity and equity-related securities of a portfolio of small capitalization companies located outside of the U.S., including emerging markets.

Benchmark: MSCI All Country World ex USA Small Cap Index (Net).

GUIDELINES

Permissible investments include, but are not limited to:

- Equity Securities and equity related securities traded on an exchange or over the counter including:
 - Common Stocks / Preferred Stocks
 - Convertible Securities
 - Real Estate Investment Trusts ("REITs")
 - Publicly traded master limited partnerships ("MLPs")
 - Rights and Warrants
 - American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and similar securities
 - Rule 144A securities – Subject To Qualified Institutional Buyer requirements
 - IPOs in which manager/affiliate(s) are not part of the syndicate
- Index Exchange Traded Funds ("ETFs")
- Participatory Notes ("P-notes")
- Forward currency exchange contracts (included in cash limit)
- Non U.S. currency (included in cash limit)
- Cash, Cash equivalent securities and vehicles, Money Market mutual funds

The following types of assets or transactions are expressly prohibited without prior written permission:

- Sell securities short
- Borrow money to leverage its portfolio for investment purposes
- Derivatives
- Loans
- Direct participations
- Direct investment in real estate or commodities

DIVERSIFICATION AND RISK CONTROL

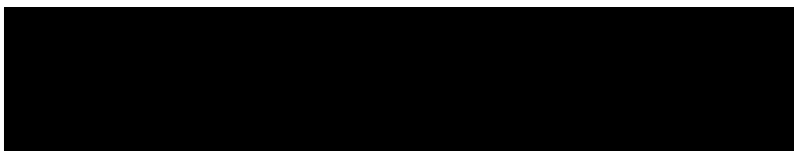
- Individual equity positions of 5% maximum, at time of purchase. Maximum of 7.5% at market.
- Individual equity positions <5% of outstanding shares
- Emerging Markets maximum of 30% at time of purchase
- Country exposure limits
 - 20% maximum exposure to any country (ex- Japan or UK)
 - 35% maximum exposure to Japan or UK
- Sector (GICS) limited to index weight + 20% (excluding IT), Information Technology maximum of 40%
- Industry (GICS) limited to the greater of 25% of the portfolio or 2x the benchmark weight.
- Cash, ETFs, & MLPs limited to 5% of portfolio (individually)

ATTACHMENT III

Fee Schedule

Fees are paid quarterly in arrears upon submission of an invoice by Manager. Fees shall be computed on the basis of the average of the adjusted closing market value of assets as determined by the Master Custodian on the last business day of each month in the calendar quarter, in accordance with the following schedule;

The annual advisory fee for the portfolio is calculated as follows:



NOTE: For billing purposes, the average market value of assets for the Pension and Insurance Portfolio will be aggregated in order to calculate fees. Each account will be billed a pro-rated share of the fees based on the total average market value of assets invested by each account in the strategy.

If an investment strategy utilizes a commingled, pooled fund, mutual fund, money fund, or other vehicle managed by the Manager or an affiliate thereof which has a built in management fee, these fees will be identified and reimbursed to KRS Account and the Managers Fee Schedule will be applied, or the Manager will deduct the assets already assessed a fee, from their fee calculation. (Details shown on the invoice.) Any over-billing will be reimbursed to KRS Account within a reasonable time period.

PRO-RATION OF CONTRIBUTIONS/WITHDRAWALS

Fees are calculated at the end of each calendar quarter on the basis of the average of the closing market value of assets on the last day of each month in the calendar quarter; provided however, that the market value shall be adjusted such that contributions and disbursements made during the quarter (and which constitute greater than 1 (one) percent of the total portfolio market value) shall be billed on a pro rata basis for the amount of time under management.

The **adjusted monthly market value** = month-end asset value adjusted for contributions or withdrawals made by KRS.

- (a) For **contributions to** the assets in the account after the first business day of a month, the adjusted ending assets will be determined by subtracting from the closing value of the account on the last business day of the month an amount equaling the product of (x) the quotient derived by dividing the amount of the contribution by the number of days in the month, and (y) the number of days from the beginning of the month to the transfer date.
- (b) For **withdrawals from** the account after the first business day of a month, the adjusted assets will be determined by adding to the closing value of the account on the last business day of the month an amount equaling the product of (x) the quotient derived by dividing the amount of the withdrawal by the number of days in the month, and (y) the number of days from the beginning of the month to the transfer date.

ATTACHMENT IV

Statement of Disclosure and Placement Agents

(Remainder of this page left blank intentionally.)



Kentucky Retirement Systems
Manager and Placement Agent Statement of Disclosure
Approved June 27, 2018

A. Purpose

This Manager Statement of Disclosure (Policy) sets forth the disclosure requirements which must be satisfied prior to any Kentucky Retirement Systems (KRS) investment. This policy requires disclosure of conflicts of interest and/or political contributions with any new KRS investment. KRS shall require the disclosure of detailed information regarding any manager used, their services, and payments and fees in connection with all KRS investments. This Policy is intended to apply broadly to all of the types of investment advisors with whom KRS conducts or potentially conducts business with including general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds, as well as investment managers retained pursuant to a contract.

The goal of this Policy is to bring transparency to our investment management relationships in connection with KRS' investments and to help ensure that KRS' investment decisions are made based solely on the merits of the investment opportunity and in a manner consistent with the responsibilities of the Board of Trustees and individuals who owe a fiduciary duty to KRS.

B. Objectives

The objectives of KRS' policy are:

1. To ensure that KRS' investment decisions are consistent with KRS' overall Investment Policy Statements;
2. To supplement the due diligence and information available to KRS Board members, staff, and consultants when evaluating an investment opportunity;
3. To prevent impropriety and/or the appearance of improprieties and to disclose conflicts of interest and/or the appearances of conflicts of interest;
4. Provide transparency and confidence in KRS investment decision-making and process; and
5. Establish procedures to comply with state and federal law.

C. Application

This Policy applies to all agreements with managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with managers if, after the date this Policy is adopted, the term of the agreement is extended; there is any increased commitment of funds by KRS pursuant to the existing agreement; or there is a material amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the manager.

D. Definitions

1. "KRS vehicle" means a partnership, limited liability company, account or other investment vehicle in which KRS is the investor.
2. "Consultant" refers to individuals or firms, and includes key personnel of consultant firms, who are contractually retained or have been contracted by KRS to provide investment advice to KRS but who do not exercise investment discretion.
3. "Manager" means an asset management firm that is seeking to be, or has been, retained by KRS or by a KRS vehicle to manage a portfolio of assets (including securities and or contracts, etc...) for a fee. The manager usually has full discretion to manage KRS assets, consistent with investment management guidelines provided by KRS and fiduciary responsibility.
4. "Placement Agent" means any person or entity hired, engaged or retained by or acting on behalf of an External Manager or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investments from or to obtain access to KRS, directly or indirectly, including without limitation through a KRS Vehicle.
5. "Executive Agency Lobbyist (EAL)" means any person engaged to influence executive agency decisions or to conduct executive agency lobbying activity as one of his main purposes on a substantial basis. An EAL does not include an elected or appointed officer or employee of a federal or state agency, state college, state university, or political subdivision who attempts to influence or affect executive agency decisions in his fiduciary capacity as a representative of his agency, college, university, or political subdivision.
6. "Executive Agency Lobbying Activity" includes any contact made to promote, oppose, or otherwise influence the outcome of an executive agency decision by direct communication with an elected executive official, the secretary of any cabinet listed in Kentucky Revised Statutes 12.250, any executive agency official, or a member of the staff of any one of the officials listed in this paragraph.
7. "Real Party-In-Interest (RPI)" is a person or organization on whose behalf the executive agency lobbyist is acting, if that person is not the employer. For example, if the ABC Corporation engages XYZ Consulting Company which, in turn, hires John Smith to influence decisions or conducts executive agency lobbying on behalf of ABC Corporation, (a) John Smith is the EAL; (b) XYZ Consulting Company is the employer; and (c) ABC Corporation is the "real party in interest".

Manager's Responsibilities

Prior to KRS investing with any manager, KRS Staff shall obtain a signed Manager Disclosure Questionnaire from the investment manager. This form includes a statement as to whether or not the investment manager has used a placement agent in connection with the proposed KRS investment opportunity. It also includes conflict of interest disclosures and political contribution disclosures among other required information including but not limited to:

- The name of the placement agent;
- The fee paid or payable to the placement agent;
- Representation that the fee is the sole obligation of the investment manager and not that of KRS or the limited partnership;

- Current or former Kentucky officials (federal, state, and local government), KRS Board of Trustees members, KRS employees or consultants to KRS that are receiving any fees or compensation from the manager and/or placement agent;
- The names of any current or former Kentucky elected or appointed government officials (federal, state, and local government) KRS Board of Trustees members, employees, or consultants of KRS, or any other person, if any, who suggested the retention of the placement agent;
- Evidence of the regulatory agencies, if any, in any Federal, state or foreign jurisdiction the placement agent or any of its affiliates are registered with, such as the Securities and Exchange Commission (SEC), Financial Regulatory Agency (FINRA), or any similar regulatory agency;
- A résumé for each officer, partner or principal of the placement agent detailing the person's education, professional designations, regulatory licenses and investment and work experience;
- A description of the services to be performed by the placement agent;
- A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any and all Kentucky state and local (county) governments; and
- A statement by the manager and/or placement agent representing and warranting the accuracy of the information provided to KRS regarding the Statement of Disclosure in any final written agreement with a continuing obligation to update any such information within 10 business days of any change in the information.

The manager shall notify the placement agent of his or her obligations under Kentucky Revised Statutes Chapter 11A.

Compliance with the following procedures is the responsibility of the manager, the EAL and the placement agent. KRS staff is not responsible for ensuring compliance with the following procedures as staff is not a party to the process.

The following is a description of the process external persons must follow to comply with Kentucky's EAL registration procedures:

1. Prior to contact with KRS personnel the placement agent, employer, and, if applicable, the RPI, is required to file jointly, the Initial Registration Statement Form* with the Kentucky Executive Branch Ethics Commission (EBEC) and furnish a copy to KRS.

Questions as to the process or applicability should be addressed to:

Executive Branch Ethics Commission (502) 564-7954.

2. After Initial Registration, the placement agent, employer, and, if applicable, the RPI, is required to abide by the EBEC *Requirements After Registration* by filing an Updated Registration Statement** annually (Due by July 31) with the EBEC and furnish a copy to KRS.
3. If the placement agent, employer, and, if applicable, the RPI, wishes to terminate their lobbying effort they must notify the EBEC within 30 days after the termination of engagement by filling out the Termination Notification Form *** attaching it to the EAL's final Updated Registration Statement form** and furnishing a copy to KRS.

* Initial Registration Statement Form is available at:
<http://ethics.ky.gov/lobbying/Pages/Registration.aspx>

** Updated Registration Statement Forms are available at:
<http://ethics.ky.gov/lobbying/Pages/RequirementsAfterRegistration.aspx>

*** Termination Notification Form is Available at:
<http://ethics.ky.gov/lobbying/Pages/howToTerminate.aspx>

In the event a placement agent is expected to receive remuneration for a KRS investment, KRS staff will notify the Investment Committee in the memorandum discussing the recommended/approved investment. If a manager breaches this policy, staff will notify the Investment Committee as soon as practicable.

KRS Staff Responsibilities

KRS staff are responsible for:

- Providing the public with disclosure by posting a copy of this policy on KRS' website;
- Implementing this policy on behalf of KRS with each Investment Director responsible for their specific asset class; and
- Providing regular disclosure updates to the KRS Investment Committee and the Board of Trustees.

All parties responsible for implementing, monitoring and complying with this Policy shall consider the spirit as well as the literal expression of the Policy.

E. Conflict of Interest

All persons and entities contracting with KRS shall certify that:

- they are legally capable of entering into a binding contract and authorized to do so;
- that they are not, nor shall be, in violation of any Kentucky law, statute or regulation pertaining to a conflict of interest including, but not limited to, Kentucky Revised Statutes 121.056; and
- that they are not, nor shall be, in violation of any provision of Kentucky Revised Statutes Chapter 11A or any regulation promulgated there under, or any law or regulation pertaining to the Kentucky Registry of Election Finance and the reporting requirements thereof.

All persons and entities seeking to or actually contracting with KRS shall disclose all relationships and potential conflicts of interest with any KRS staff, committee or Board Member. Any disclosed conflicts of interest will be discussed at the Investment Committee as to the severity of the conflict and the appropriate resolution. Options the Investment Committee might recommend include but are not limited to: no action required; conflicted party abstention; and refusal to invest. Subsequent discovery of any undisclosed conflict may be considered a breach of contract and may result in immediate termination of any agreements without penalty or fee to KRS.

Signatories

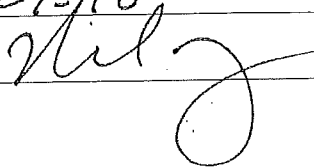
As Adopted By The Investment Committee

Date:

6-27-18

Signature:

Mr. Neil Ramsey




As Adopted By The Board of Trustees

Date:

6-27-18

Signature:

Mr. David L. Harris





Kentucky Retirement Systems
Statement of Disclosure and Placement Agents – Manager Questionnaire

1. Did your firm use a placement agent as defined in the KRS "Statement of Disclosure and Placement Agents" policy in an effort to solicit an investment from KRS? Please indicate fund vehicle title if relevant? If yes, please continue to question 2; if no, please proceed to question 10.

No - Action did not use a placement agent in an effort to solicit an investment from KRS.

2. Please disclose the name of the placement agency used, the names of the individuals contracted by the placement agency (either as employees or as sub-agents) in order to solicit an investment from KRS, and the fees paid or payable to the placement agent in connection with a prospective KRS investment.
3. Please represent that any fees paid to placement agents are the sole obligation of the investment manager and not that of KRS or the limited partnership.
4. Please disclose the names of any current or former Kentucky elected or appointed government officials (federal, state, and local government), KRS Board of Trustees members, employees, or consultants of KRS, or any other person, if any, who suggested the retention of the placement agent.
5. Please provide evidence of the regulatory agencies, if any, in any Federal, state or foreign jurisdiction the placement agent or any of its affiliates are registered with, such as the Securities and Exchange Commission ("SEC"), FINRA, or any similar regulatory agency.
6. Please provide a resume for each officer, partner or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience.
7. Please describe the services to be performed by the Placement Agent.
8. Please disclose whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any and all Kentucky state and local (county) governments.

9. Please disclose any political contributions made by the Placement Agent to any Kentucky official within the prior 2 years.

10. Please disclose the names of any current or former Kentucky elected or appointed government officials (federal, state, and local government) KRS Board of Trustees members, employees, or consultants of KRS that are receiving any fees or compensation from the External Manager and/or placement agent. Please disclose any additional known relationships or conflicts with same.

N/A

11. Please disclose any political contributions made by External Manager or principals of the External Manager in the prior 2 years.

N/A

12. Please disclose whether any principals of the firm have been involved in any regulatory proceedings, and if so, details concerning the same.

N/A

13. Please provide a statement representing and warranting the accuracy of the information provided to KRS regarding the Statement of Disclosure, and acknowledge that similar language will be included in any final written agreement with a continuing obligation to update any such information within 10 business days of any change in the information.

This statement shall serve as a testament to the accuracy of the information provided to KRS regarding the Statement of Disclosure. Axiom acknowledges that similar language will be included in any final written agreement with a continuing obligation to update any such information within 10 business days of any change in the information.

Not Signed by:
Edward Ajimi
PRINCIPAL/ADVISOR
External Manager Signature

6/29/2021
Date

ATTACHMENT V

Compliance Certificate

(The remainder of this page intentionally left blank.)

Compliance Certificate

As a duly authorized officer of _____ (the "Investment Manager"), I hereby certify that I am familiar with that certain Investment Management Agreement dated _____, 20__ (the "Agreement") between Kentucky Retirement Systems and the Investment Manager relating to investment of certain KRS assets by the Investment Manager. In addition, to the best of my knowledge after diligent inquiry, I hereby certify to KRS that:

- (a) All investments of the KRS assets made by the Investment Manager during the fiscal year ending June 30, ____, were made within applicable Investment Policy and Procedures incorporated in the Agreement at the time each investment was made, except as set forth below;
- (b) All current investment holdings in the portfolio managed by the Investment Manager are in compliance with the Investment Policy and Procedures currently applicable under the Agreement, except as set forth below;
- (c) During the fiscal year ending June 30, ____, no member of the KRS Board of Trustees, or key staff of KRS, and no person claiming to represent or have influence with the Board of Trustees has contacted the Investment Manager with respect to a financial transaction or solicitation which is not solely on behalf of KRS with the Investment Manager, except as set forth below; and
- (d) The Investment Manager is in compliance with all representations, warranties and covenants in the Agreement which apply to the Investment Manager, including but not limited to any indemnity or insurance coverage requirements, except as set forth below. Current insurance coverage applicable to KRS's assets are as follows: (Please attach insurance certificates.)

Errors and Omissions dedicated to the Agreement: Date of expiration: _____

Per occurrence limit: _____

Annual aggregate: _____

Directors and officers liability: _____

Date of expiration: _____

Brokers blanket bond or similar coverage: _____

Date of expiration: _____

Other: _____

Date of expiration: _____

Exceptions: [Attach a separate sheet if necessary.]

Dated: _____

By: _____

Name: _____

Title: _____

ATTACHMENT VI

Authorized Persons

(Remainder of this page left blank intentionally.)



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director
1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



Kentucky Public
Pensions Authority

August 5, 2021

Re: Designation of Authority

To Whom It May Concern:

Pursuant to the authority granted to me in the Investment Policy Statements (as amended from time to time), and the Investment Procurement Policies (as amended from time to time), as the Chief Investment Officer for the Kentucky Public Pensions Authority ("KPPA"), I hereby designate the individual below to transact official investment business, perform any investment function, and execute all investment related documents, on behalf of the Kentucky Retirement Systems ("KRS") and the County Employees Retirement System ("CERS"), jointly referred to as the "Plans". The designation granted herein is effective as of June 29, 2021, and will continue in effect until the authorized designee no longer occupies the position, or notification is issued regarding a change of authorization to execute investment documents on behalf of the Plans.

Executive Director, Office of Investments
Chief Investment Officer
Kentucky Public Pensions Authority
Steven M. Herbert, CFA
(502) 696-8575 phone, (502)-696-8806 fax

Signature: _____

I understand and accept the above designation.

Deputy Executive Director, Office of Investments
Kentucky Public Pensions Authority
Stephen M. Willer, CFA
(502) 696-8490 phone, (502) 696-8806 fax

Signature: _____



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



August 10, 2021

Re: Designation of Authority

To Whom It May Concern:

Pursuant to the authority granted to me in the Investment Policy Statements (as amended from time to time), and the Investment Procurement Policies (as amended from time to time), as the Chief Investment Officer for the Kentucky Public Pensions Authority ("KPPA"), I hereby designate the individuals below to transact the following official investment business, on behalf of the Kentucky Retirement Systems ("KRS") and the County Employees Retirement System ("CERS"), jointly referred to as the "Plans":

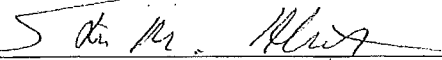
- Execute trades on fixed income and equity securities (including exchange-traded funds or "ETF's"); and,
- Except for the execution of investment agreements, and related documentation such as subscription agreements or side-letter agreements with investment managers, these individuals have the authority to execute necessary and proper documents pertaining to investment managers; and,
- Except for the execution of investment agreements, and related documentation such as subscription agreements or side-letter agreements with investment managers, or the execution of an agreement with any consultant, these individuals have the authority to execute necessary or proper documents pertaining to investment related transactions or other investment functions.

The designation granted herein is effective as of June 29, 2021, and will continue in effect until the authorized designee no longer occupies the position, or notification is issued regarding a change of authorization to execute investment documents on behalf of the Plans.

Under the Investment Policy Statements, the Boards of Trustees have designated that these individuals have the authority to:

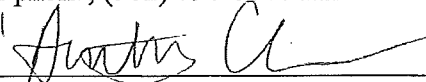
- direct rebalancing transactions to reallocate assets from over-allocated asset classes to under-allocated asset classes; and,
- use regular cash flows to rebalance toward targets to avoid incurring additional trading costs to correct minor deviations from asset allocation targets; and,
- enter into International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements; and,
- enter into collateral arrangements to mitigate counterparty credit or performance risk
- invest in derivative securities and related restrictions as defined in the Investment Policy Statements including, but not limited to, futures contracts, options, and over-the-counter securities

Executive Director, Office of Investments
Chief Investment Officer
Kentucky Public Pensions Authority
Steven M. Herbert, CFA
(502) 696-8575 phone, (502) 696-8806 fax

Signature: 

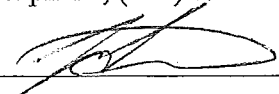
I understand and accept the above designation.

Director of Private Equity and Alternative Assets, Office of Investments
Kentucky Public Pensions Authority
Anthony Chiu
(502) 696-8632 phone, (502) 696-8806 fax

Signature: 

I understand and accept the above designation.

Director of Equity, Office of Investments
Kentucky Public Pensions Authority
Joe Gilbert
(502) 696-8632 phone, (502) 696-8806 fax

Signature: 

ATTACHMENT VII

Proxy Voting Policy

(The remainder of this page intentionally left blank.)



Kentucky Retirement Systems

Investment Proxy Voting Policy

Approved June 27, 2018

The Kentucky Retirement Systems (KRS) Board of Trustees (Board) appoints an Investment Committee with full authority to act for the Board in the acquisition, sale and management of the securities and funds of the Retirement Systems. The Board also authorizes the Investment Committee or designee, custodian, investment manager or agent to execute stock proxies for the Board. Said delegate(s) shall maintain detailed records of its performance of its duty and provide such records to the Board as may be requested by the Board from time to time.

This position paper is hereby adopted by the Investment Committee to provide a set of guidelines to be followed in order to execute proxies. The following statement reflects the general policy that shall be applied as proxy issues are considered:

To support management if management's position appears reasonable, is not detrimental to the long term equity ownership of the corporation and reflects consideration of the impact of societal values and attitudes on the long-term liability of the corporation and is in the best interest of the plan participants.

The following paragraphs shall be applied when considering the more specific proxy issues that are likely to be encountered on a more routine basis.

A. Routine Business or Financial Matters

Election of Directors

FOR

In a majority of instances, election of directors is a routine voting issue. Unless there is a proxy fight for seats on the Board, KRS will usually vote in favor of the Management-proposed slate of directors.

Appointment of Auditors

FOR

The selection of independent accountants to audit the company's financial records is a routine business matter and in most instances is submitted to shareholders for public relations reasons. Since the accounting firm selected to do the audit has no effect on the investment value of the company's securities, KRS will support Management's recommendation.

Increase Authorized Common Stock

FOR *

KRS will support an increase in authorized common stock needed to implement a stock split when coupled with intent to immediately effect the split, or aid in a restructuring or acquisition or provide a sufficient number of shares for employee savings plans, stock option or executive compensation plans. A satisfactory explanation for a company's plans for the stock must be disclosed in the proxy statement.

* KRS will oppose increases in authorized common stock if we suspect that the shares are to be used to

implement a poison pill or another form of anti-takeover device, or if the issuance of new shares could excessively dilute the value of the outstanding shares upon issuance.

Changes in Board Structure

FOR *

Companies may propose various provisions related to the structure of the Board of Directors. These provisions may include changing the way Board vacancies are filled, directors are nominated or the number of directors. These provisions may include Majority Vote Director Elections and the Separation of the CEO and Chairman of Board. These proposals may be proposed amendments to the Charter or by-laws and need to be reviewed by the shareholders prior to voting. In most instances these proposals are not controversial nor an anti-takeover device. Therefore, KRS generally votes in favor of the proposal.

* However, KRS is opposed to cumulative voting for members of the Board and attempts to limit term of Board of Directors based on tenure or age.

B. Non-Routine Business or Financial Matters

Considering Non-Financial Effects of a Merger Proposal

AGAINST

KRS will oppose proposals that require the Board of Directors to consider what impact a merger would have on certain groups other than a company's shareholders, such as employees, consumers, business partners, and the communities in which the company is located. We expect that a company's Board of Directors will act in the best interest of its shareholders at all times.

Director Liability and Indemnification

FOR *

The Investment Committee believes that proposals concerning Liability and Indemnification, which limit the personal liability of directors for breaches of fiduciary duty of care and provisions for payment of expenses incurred by officials, directors and other representatives who become defendants in lawsuits, should be evaluated on a case by case basis with reasonable measures supported and extreme measures opposed.

Executive Compensation

FOR *

Executive compensation can take various forms but should provide adequate compensation and incentives to management consistent with the long term interests of the shareholders of the company.

* Management should have some assurance that they will not, in the event of a takeover, be terminated without motive and compensation. However, KRS is concerned that some compensation agreements provide excessive compensation in the event of a takeover. KRS does not oppose agreements which provide executives with a reasonable period of compensation after termination; however, they will oppose compensation plans which are excessive.

Stock Splits

FOR

KRS will vote in favor of a proposal to split the company's stock if there is an immediate intent to effect the split.

Employment Relations

FOR *

The Board of Directors and Corporate Management have the responsibility for harmonious labor relations. This responsibility also includes conducting labor negotiations within the appropriate laws of the jurisdiction.

- * Where efficient operation of the corporation requires plant closings or relocations, the corporation should give as much notice as possible and assist its employees in relocating or in seeking other employment. Resolutions of shareholders which seek to impose requirements on management in this regard will not be supported automatically. Support will be contingent upon whether or not managers can demonstrate that efforts have been made to retain good employment relations subject to the constraints encountered in the particular circumstances.

C. Anti-Takeover Issues

Blank Check Preferred Stock

AGAINST

A Blank Check Preferred Stock proposal is one that authorizes the issuance of certain preferred stock at some future point in time and allows the Board of Directors to establish voting, dividend, conversion, and other rights at the time of issuance. While Blank Check Preferred Stock can provide a corporation with the flexibility needed to meet changing financial conditions, it also may be used as the vehicle for implementing a poison pill defense, or it may be placed in friendly hands to help block a takeover bid. KRS' concern is that once this stock has been authorized, shareholders have no further power to determine how or when it will be allocated.

Classified Boards

AGAINST

A Classified Board is typically divided into three separate classes, each class to hold office for a term of two or three years. Only a portion of the Board of Directors can be elected or replaced each year. Since this type of proposal has fundamental anti-takeover implications, KRS opposes the adoption of Classified Boards.

Fair Price Provisions

AGAINST

A Fair Price provision in the company's charter or by-laws is designed to assure that, if the Corporation is acquired under a plan not agreed to by the Board of Directors, each shareholder's securities will be purchased at the same price. In most instances the provision requires that any tender offer made by a third party be made to all shareholders at the same price.

Fair pricing provisions attempt to limit the "two-tiered" pricing systems in which the interested party or would-be acquirer of the company initially offers a premium for a sufficient number of shares of the company to garner control. Thereafter, an offer at a much lower price is made to the remaining shareholders who have no choice at all but to accept the offer. The "two-tiered" approach is coercive in that it makes it easier for an outsider to gain control of a company because it provides an incentive to the shareholder to sell his shares immediately in order to receive the benefits of a higher price per share and avoid falling into the second tier, if the offer is successful. The coercive pressures associated with these offers have caused many states to adopt controlled share acquisition statutes which restrict this practice by law.

In theory this type of provision is acceptable standing alone, however, given the fact that the practice is in most aspects prohibited by law, and the fact that Fair Price Provisions are invariably linked with other anti-takeover measures, such as supermajority voting requirements to approve certain transactions, KRS will vote against most Fair Price Provisions.

Limiting Shareholders' Right to Call Special Meetings

AGAINST

Companies contend that such limitations are necessary to prevent minority shareholders from taking control of the company's agenda. However, such limits also have anti-takeover implications such as preventing a shareholder who has acquired a significant stake in the company from forcing management to address the potential sale of the company. Additionally, a limitation on shareholder action makes it difficult for a large shareholder or group of shareholders to use this facility to force management to address issues that may be of urgent or utmost importance. Since, in most instances, state law prohibits shareholders from abusing or using this facility in certain manners, KRS sees no justifiable reason for management to eliminate this facility. KRS will oppose the elimination of this fundamental shareholder right.

Limiting Shareholders' Right to Act by Written Consent

AGAINST

Action by written consent enables a large shareholder or group of shareholders of a company to initiate and vote on corporate matters without having to wait until the date of the next annual meeting. KRS believes this is a fundamental shareholder right that is inherent in the concept of stock ownership and will oppose any proposals which may limit.

Supermajority Vote Requirements

AGAINST

A Supermajority Vote Requirement is a charter or by-law requirement that, when implemented, raises the percentage of shareholder votes needed to approve certain proposals such as mergers, changes of control, or proposals to amend or repeal a portion of the Articles of Incorporation.

Re-incorporation

AGAINST

For various reasons, a corporation may choose to reincorporate under the laws of a different state. Their reasoning may include taxation, the state's General Business Law and the level of corporate experience the state's court may have. However, in a majority of instances a re-incorporation proposal has its foundation in the corporations's desire to incorporate in another state in order to take advantage of that state's laws governing corporations and corporate control and the state courts' views in interpreting laws that make it more difficult for unsolicited takeovers to occur. In such cases, KRS will oppose proposals for reincorporation.

Issuance of Stock with Unequal Voting Rights

AGAINST

Proposals of this nature are generally anti-takeover schemes which result in unequal voting rights among different classes of shareholders. The most frequent proposal of this type is a dual class capitalization plan which establishes two classes of stock. As an incentive to encourage shareholders to approve plans designed to concentrate voting power in the hands of insiders, some plans give higher dividends to shareholders willing to exchange shares with superior voting rights for shares with inferior voting rights.

Unequal voting rights plans are designed to reduce the voting power of existing shareholders and concentrate a significant amount of voting power in the hands of management. In the majority of instances,

they serve as an effective safeguard against hostile takeovers. For these reasons, KRS deems these plans unacceptable and in most instances will vote against these proposals.

Elimination of Preemptive Rights

AGAINST

Preemptive Rights allow the shareholders of the company to buy newly issued shares before they are offered to the public in order to retain their then current percentage of ownership as well as to avoid ownership dilution by the issuance of additional stock. KRS believes this is fundamental right of a shareholder and barring a compelling reason should not be eliminated by management. KRS will oppose management proposals requesting eliminating these rights and will support shareholder proposals which request the restoration of Preemptive Rights.

D. Corporate Governance Shareholder Proposals

Submit Company's Shareholder Rights Plan Shareholder Vote

FOR *

Most Shareholder Rights Plans (sometimes called poison pills) permit the shareholders of a target company involved in a hostile takeover to acquire shares of that company, the acquiring company, or both, at a substantial discount once a triggering event occurs. A triggering event is usually a hostile tender offer or the acquisition by an outside party of a certain percentage of the company's stock. Since most plans exclude the hostile bidder from the purchase, the effect in most instances, is to dilute the equity interest and the voting rights of the potential acquirer once the plan is triggered. Shareholder Rights Plans are designed to be so disadvantageous to potential acquirers that merely their existence could deter possible acquirers from making a hostile bid.

* KRS will support shareholder proposals asking that the company submit their Shareholder Rights Plan to a shareholder vote. KRS will vote case-by-case on proposals to completely redeem Rights Plans.

Anti-Greenmail Proposal

FOR

Greenmail payments generally result when a potential hostile acquirer has accumulated a significant percentage of the company's stock and the company acquires the raider's stock at an aggregate price usually above the then current market value usually in exchange for an agreement that the raider would not attempt to acquire control within a certain number of years. The proposal that has been proposed most often to prevent greenmail is the adoption of charter amendments severely limiting the board's ability to acquire blocks of the company's stock in these situations and at above market prices. KRS will vote in favor of an anti-greenmail proposal standing alone provided the proposal has no other management initiated anti-takeover attributes.

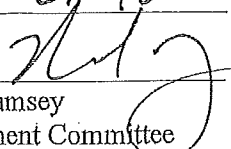
E. Social and Policy Issues

We believe that most decisions of a policy nature, having either a direct or an indirect effect on the conduct of business and on corporate profitability should remain management responsibilities. As such, they should be subject only to their Board of Director's approval; therefore, we would support the position taken by management.

Signatories

As Adopted by the Investment Committee

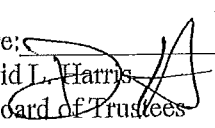
Date: 6-27-18

Signature: 

Mr. Neil P. Ramsey
Chair, Investment Committee

As Adopted by the Board of Trustees

Date: 6-27-18

Signature: 

Mr. David L. Harris
Chair, Board of Trustees

ATTACHMENT VIII

Conflict of Interest and Confidentiality Policy

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KENTUCKY RETIREMENT SYSTEMS
CONFLICT OF INTEREST AND CONFIDENTIALITY POLICY
[As Amended: September 14, 2017]

INTRODUCTION

Adoption of Conflict of Interest and Confidentiality Policy:

Pursuant to the provisions of KRS 61.645, the Board of Trustees ("Board") of the Kentucky Retirement Systems ("KRS") is permitted to adopt procedures necessary to conduct the business of the Retirement Systems as needed. The law shall control if any inconsistency exists between the law and this policy.

Statement of Conflict of Interest and Confidentiality Policy:

KRS recognizes the need to maintain the public's confidence and trust in the integrity of KRS and the Commonwealth of Kentucky. Individuals associated with KRS must not engage in activities that have the potential to become a conflict of interest with their association with KRS. Likewise, Individuals associated with KRS must not release information about KRS or any of its members that would breach any duty to protect such information. KRS recognizes the need to establish procedures to prevent such conflicts or breaches.

Purpose:

The purpose of this Conflict of Interest and Confidentiality Policy ("Policy") is to: a) establish what individuals are subject to conflict of interest provisions of KRS; b) establish the specific standards of conduct with regard to conflict of interest; c) establish standards with regard to the confidentiality of information; and d) establish procedures for the obtaining of written conflict of interest statements and confidentiality agreements from certain individuals.

PROCEDURES REGARDING CONFLICTS OF INTEREST AND CONFIDENTIALITY

Section 1: Application of Policy

1. This Policy shall apply to all individuals who have a statutory, contractual or working relationship with KRS.
2. Individuals affected by this Policy shall include, but are not limited to:
 - a. Employees of KRS;
 - b. KRSTrustees;
 - c. Independent contractors of KRS; and
 - d. Vendors and service providers of KRS with whom a contractual obligation to KRS exists.

Section 2: Standards of Conduct Regarding Conflicts of Interest

1. Individuals have an obligation to diligently identify, disclose, avoid, and manage conflicts of interest or potential conflicts of interest.
2. Potential conflicts of interest exist when an individual or an individual's family may be directly or indirectly financially impacted, whether favorably or detrimentally, by a decision made or considered by KRS in which the individual participates or would participate.
3. Individuals and their family members should not enter into any contract with KRS or any agency doing business with KRS, for financial gain, apart from an employment contract, without full disclosure and satisfactory management of any potential conflict of interest in accordance with the Executive Branch Code of Ethics provisions, as set forth in KRS Chapter 11A.
4. Individuals should not be involved in the decision to hire or in the supervision of any member of their immediate family.
5. Individuals should not conduct business or participate in decisions with a company or agency in which the individual or family member is employed or is actively seeking employment.
6. Individuals should not accept gifts, loans, gratuities, discounts, favors, hospitality, services, or other compensation under circumstances from which it could reasonably be inferred that a major purpose of the donor is to influence the individual in the performance of their duties.
7. Individuals must avoid all conduct which in any way might lead the public to believe that the individual is using his or her position with KRS to further a professional or private interest.
8. Individuals not covered by the conflict of interest provisions under KRS Chapter 11A must not violate any conflict of interest statute or principle by the performance of their duties with KRS. These individuals must not engage directly or indirectly in any financial or other transaction with a Trustee or employee of KRS that would violate the standards of the Executive Branch Ethics provisions, as set forth in KRS Chapter 11A.

Section 3: Standards of Conduct Regarding Confidentiality

1. Individuals associated with KRS may be granted access to confidential information in the course of employment, as a KRS Trustee, or within a contractual relationship with KRS.
2. This information may include, but is not limited to, individual member information, including but not limited to, Social Security numbers, names, addresses, phone numbers, birth dates, beneficiaries, health insurance information, Personal Identification Numbers (PIN), as well as documents, records, programs, files, scientific or technical information, or other information made available to individuals for purposes of completing their obligations to KRS.

3. These individuals have a duty to keep confidential the information to which they are granted access as a result of their association with KRS.
4. KRS and these individuals shall also recognize that confidential member information is protected under KRS 61.661.

Section 4: Written Statements of Conflict of Interest and Confidentiality

1. Conflict of Interest (KRS Trustees and Employees): On an annual basis, the Executive Director, Executive Director Office of Investments, Executive Director Office of Operations, Executive Director Office of Benefits, Executive Director Office of Legal Services, Executive Advisor, all employees of the Division of Investments and Investment Operations, General Counsel(s), all Division Directors, and all KRS Trustees shall file a written conflict of interest statement on the form(s) provided by KRS and approved by the Board of Trustees.
2. Conflict of Interest (Contractors; Vendors; Service Providers): All independent contractors, vendors and service providers of KRS shall file a written conflict of interest statement on the form(s) provided by KRS and approved by the Board of Trustees, which shall remain effective during the term of their relationship with KRS and thereafter.
3. Confidentiality Agreement (Contractors; Vendors; Service Providers): Upon proposal for contract that requires the exchange or disclosure of confidential KRS information, the contractor, vendor or service provider making the proposal shall file a written confidentiality agreement on a form provided by KRS and approved by the Board of Trustees. The confidentiality agreement may be amended to conform to specific needs of the proposed contract as well as the individual contractor, vendor or service provider.
4. Conflict of Interest and Confidentiality: Other individuals or entities covered by this Policy may also be requested to file a written conflict of interest or confidentiality statement as needed or requested by the Board.

Individuals or entities covered by this Policy who abstain from involvement in an official KRS decision because of personal or private interests must disclose that fact. KRS employees, contractors, vendors and service providers must disclose the conflict in writing to KRS' Executive Director or his or her designee. KRS Trustees who abstain from an official KRS decision because of personal or private interests shall disclose that fact in the minutes for the meeting where the recusal or abstention occurs.

Section 5: Violations of Conflict of Interest and Confidentiality Policy

1. Any person who suspects that an employee of KRS, a member of the Board of Trustees of KRS, or a contractor, vendor or service provider has violated the Kentucky Retirement Systems' Conflict of Interest and Confidentiality Policy, the Bylaws, or any Board policy, may file a complaint in writing with the Board.
2. The written complaint shall be in the form of a letter addressed to the Chair of the Board, or if the complaint is about the Chair of the Board, the complaint shall be addressed to the Vice Chair of the Board. A complaint may be filed anonymously. Employees of KRS filing a complaint may be protected by the Kentucky Whistleblower Statute, KRS 61.102.

3. A complaint shall include the name of the person or organization against whom the complaint is made and include a detailed description of the alleged violation including the time, date, and place, if known. The person should attach to the complaint all evidence in his or her possession regarding the alleged violation.
4. If the complaint is against an employee of KRS (other than the Executive Director, the Internal Auditor, or the Executive Director Office of Investments) the complaint shall be forwarded to the Executive Director (or delegate) for investigation, or in the discretion of the Executive Director (or delegate) may be referred to the Executive Branch Ethics Branch; if the alleged violation is found to be true by the Executive Director (or delegate), the employee shall be disciplined as procedures established by the Personnel Cabinet policies.
5. If the complaint is against a contractor, vendor or service provider of KRS, the complaint shall be forwarded to the Executive Director for investigation. If the alleged violation is found to be true, any action taken shall be consistent with the contract between KRS and the contractor, vendor or service provider.
6. If the complaint is against (i) a member of the Board of Trustees, (ii) the Executive Director, (iii) the Internal Auditor, or (iv) the Executive Director Office of Investments, the Chair shall, in consultation with the Board: (A) appoint an ad hoc special committee ("Special Committee") in accordance with the Bylaws of the Board, to investigate the complaint and report its conclusions and recommendations to the Board, or (B) if the complaint alleges a violation of the Executive Branch Code of Ethics (KRS Chapter 11A), refer the complaint to the Executive Branch Ethics Commission (KRS 11A.060), the Kentucky Attorney General or other appropriate entity.
7. Upon appointment of a Special Committee, the Chairman of the Board shall appoint a Chair of the Special Committee and designate other Board members (which shall be not less than three (3) nor more than seven (7) members, including the Chair of the Special Committee). The Chair of the Special Committee shall forward the complaint to the person against whom the complaint is made. The person may file a written response to the complaint, which should include all evidence in his or her possession regarding the alleged violation.
8. The Special Committee shall determine how the investigation of the complaint is to proceed; provided that the investigation and any information gathered in the course of investigation shall be conducted and maintained on a confidential basis. The Special Committee may assign staff to investigate the alleged violation or may engage a third party to investigate the alleged violation. Information shall be deemed confidential if it is not subject to public disclosure pursuant to the Kentucky Open Records Act, KRS 61.872 to 61.884, at the time of its disclosure or use.
9. If the result of the investigation indicates that the facts are not sufficient to constitute a violation of this (or other applicable) Policy, the Special Committee shall immediately terminate the investigation and report its determination and recommendations to the Board of Trustees. If the Board decides to take no action, the Special Committee shall prepare an explanation of the decision to take no action and shall maintain a copy of the complaint and the explanation in a confidential file. A copy of the explanation shall be sent to the person against whom the allegations were made and no further disclosure shall be made.

10. If the results of the investigation indicate that there is cause to believe that a violation of this (or other applicable) Policy has occurred, the Special Committee shall report its determination to the Board for its consideration at the next regular or special Board meeting. The Board discussion of the allegations and the report of the Special Committee, including any proposed disciplinary action, shall be conducted in closed session pursuant to KRS 61.810(f). The decision regarding disciplinary action shall be made in open session as required by KRS 61.815(l)(c).
11. If the Executive Director, the Internal Auditor, or the Executive Director Office of Investments is found to have violated this (or other applicable) Policy, the Board may impose one of the following disciplinary actions:

- a. Verbal Reprimand;
- b. Written reprimand, which will be added to the minutes and placed in the personnel file of the Executive Director, Internal Auditor, or Executive Director Office of Investments;
- c. Suspension without pay for a period of time; or
- d. Termination of employment.

The determination that the Executive Director, the Internal Auditor, or the Executive Director Office of Investments violated this (or other applicable) Policy shall require a vote of two-thirds (2/3) of the total membership of the Board. The Executive Director, the Internal Auditor and the Executive Director Office of Investments shall not have the right to appeal to the Kentucky Personnel Board.

12. If a member of the Board of Trustees is found to have violated this (or other applicable) Policy, the Board may impose any or all of the following disciplinary actions:
 - a. Remove the member of the Board from any or all committees of the Board to which the member is assigned;
 - b. Verbal public reprimand; and/or
 - c. Written public reprimand.

The determination that a member of the Board violated this (or other applicable) Policy shall require a vote of two-thirds (2/3) of the total membership of the Board. If there are not sufficient members of the Board present at a meeting, the Chair may pass the matter to the next regular or special meeting of the Board.


13. If KRS becomes aware of violations of its Conflict of Interest and Confidentiality Policy, no provision of this (or other applicable) Policy shall be interpreted to limit KRS' remedies provided pursuant to the terms of an applicable contract, and by State or Federal Law.

ETHICS AND CONFIDENTIALITY

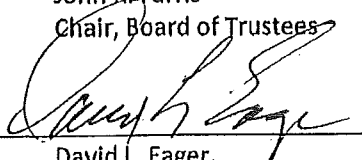
Individuals as set forth above shall conform to the Executive Branch Code of Ethics with regard to conflicts of interests as set forth in KRS Chapter 11A. Individuals as set forth above shall conform to the confidentiality requirements of KRS 61.661.

CERTIFICATION

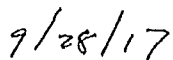
We, the Chair of the Board of Trustees and the Executive Director, do each hereby certify that this Kentucky Retirement Systems' Conflict of Interest and Confidentiality Policy was amended and made effective by the Board of Trustees on the 14th day of September, 2017.



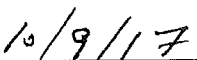
John R. Farris
Chair, Board of Trustees



David L. Eager,
Interi



Date



Date

EXHIBIT B – Conflict of Interest Statement

**KENTUCKY RETIREMENT SYSTEMS
CONFLICT OF INTEREST STATEMENT**

In consideration of the investment by Kentucky Retirement Systems and Kentucky Retirement Systems Insurance Trust Fund (collectively, "KRS") in a vehicle or account ("Account") managed by [Axiom Investors] (the "Manager"), the Manager acknowledges the need to maintain the public's confidence and trust in the integrity of KRS and the Commonwealth of Kentucky. In light of the foregoing, the Manager agrees to:

- Diligently identify, disclose, avoid and manage conflicts of interest that may arise through its relationship with KRS.
- Conduct activities with KRS so as not to advance or protect its own interests or the private interests of others with whom it has a relationship in a way that is detrimental to the interests of KRS.
- Conduct its activities in a manner to best promote the interests of KRS, but subject to the Manager's duty which requires it not to put the interests of one investor ahead of those of another investor.
- Upon discovery of an actual or potential conflict of interest involving KRS, disclose such conflict of interest to KRS and work with KRS in good faith to resolve or mitigate such conflict.
- Not engage directly or indirectly in any financial or other transactions with a trustee or employee of KRS that would violate the standards of the Executive Branch Ethics provisions as set forth in KRS Chapter 11A.

Agreed this the 29th day of June, 2021

MANAGER

For itself and on behalf of the Account

By: Edward Azimi

Name: Edward Azimi

Title: Chief Operations Officer

(Rev. Feb 2018)