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Bank Loan Manager Search

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Introduction

Bank Loan managers invest primarily in senior secured loans, which are corporate debt instruments underwritten and syndicated by banks. Within the capital structure of a corporation, bank loans are typically the most senior issues, with all secured and unsecured debt classes, preferred equity and equity subordinate in the capital structure. Bank loans usually pay a floating rate coupon calculated as a spread over a reference rate, typically LIBOR(e.g. LIBOR + 4%). Loans are generally rated below investment grade and are issued by both large and small-cap corporations. Credit research and security selection are very important in managing a portfolio of bank loans. Managers add value in the asset class by avoiding defaulting bonds, by maximizing recovery rates in the event of a default, or by investing in securities that outperform the universe. Portfolios will be diversified across industries.

Bank loans have some unique attributes that factor in to our selection process for managers. In addition to the standard criteria in our research process, we take into consideration the following:

- Experience in dealing with bankruptcies and recovery scenarios, both from a legal perspective and markets perspective
- Experienced investment professionals with good networking in the bank loan market. Bank loans are mostly traded in the private markets, thus making a manager’s ability to source deals important
- Back office and administrative resources capable of dealing with the complexities of trading and settlement processes unique to bank loans

For comparative purposes, the CS Leveraged Loan Index is profiled in this search book alongside manager performance. The index represents the broad opportunity set available in bank loans.

Research Process

NEPC's investment manager research process identifies a Focused Placement List of preferred strategies representing the strategies that we expect will provide superior investment performance over time. Our four step process used for identifying our Focused Placement List includes:

1. Universe Screening – Minimum inclusion criteria and screening are used to focus our analysis;

2. Quantitative Scoring – Proprietary quantitative analysis measuring the consistency and quality of alpha-only, net of fees returns;

3. Qualitative Research – Rigorous qualitative analysis of a strategy's key characteristics, focusing on identification of a clear and differentiating investment thesis to develop forward-looking conviction in future performance; and

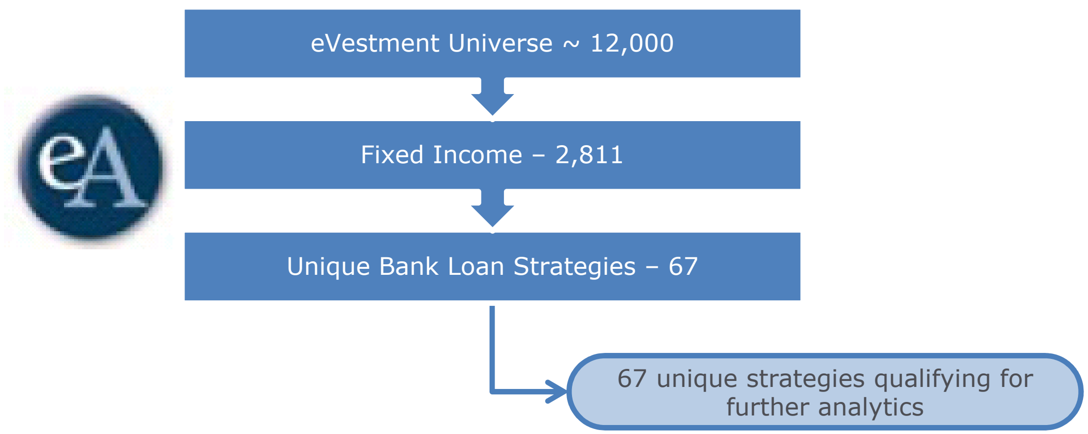
4. Peer Review – Confirmation through careful peer review of each strategy by senior investment professionals to challenge each investment thesis and raise critical business issues.

We believe that this exhaustive process leads to identification of strategies with a reasonable probability of delivering consistent, high quality investment results.

Research Process

1. Universe Screening

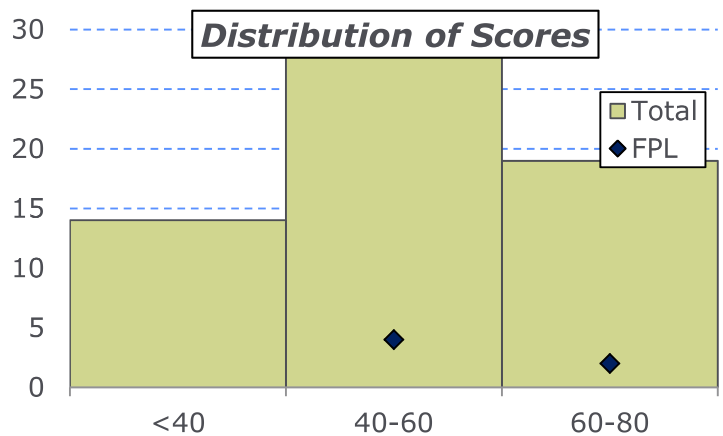
– The construction of the Focused Placement List begins with initial universe screening to identify candidates that meet acceptable criteria for further analysis.



2. Quantitative Scoring

– Strategies are scored using our proprietary Performance Analytics Statistical Software (PASS) on metrics that we believe identify investment processes expected to consistently outperform the benchmark over the long term. All analysis is based on excess manager returns, net of all fees. For Bank Loans, strategies are scored 0-100. Scoring is weighted 80% quantitative and 20% qualitative, including the following factors:

- % of Rolling 3 Year Returns > 0%
- % of Rolling 3 Year Returns > 1.0%
- Rolling 3 Year Information Ratio
- Contrarian Indicator
- Long Term Alpha Confidence (Statistical Significance)
- Length of Track Record
- Qualitative NEPC Opinion – Firm & Team Stability,
- Quality of Investment Thesis



3. Qualitative Research

- Deep, qualitative research is conducted on a focused set of strategies identified through scoring and supplemented by our research teams' knowledge of strategies that appear compelling for further research.

- Our research efforts are focused on developing a deep understand of each strategy's people, philosophy, & process, synthesizing those aspects into our interpretation of each strategy's investment thesis – the identification of a particular set of market inefficiencies and the conviction in a portfolio management team's ability to exploit those inefficiencies over the long-term, thereby, adding value over the benchmark.

- By focusing on investment thesis, our research remains forward-looking, supporting this investment view with critical knowledge of each organization, investment team, research support, investment process, performance expectations, and fees/available investment vehicles to identify strategies that we believe will provide quality excess returns above the relevant benchmark.

4. Peer Review

- The research process culminates in exhaustive peer review. The Fixed Income Advisory Group provides feedback and insight to the research team prior to vetting preferred strategies in front of senior research and consulting professionals on NEPC's Due Diligence Committee. The research team presents each Focused Placement List candidate to the Due Diligence Committee. The committee challenges both the soundness of the investment thesis (NEPC's articulation of why the strategy is expected to outperform over the long-term) and all relevant factors that might effect the long-term stability of the strategy, including business factors at the firm level. Candidates approved by the Due Diligence Committee are placed on the Focused Placement List and included in searches conducted for that asset class.

Search Candidates

The following is a list of managers under consideration for this search. The table below summarizes the products proposed for each manager:

Firm	Strategy	Comments
Bank Loans		
Bain Capital Credit, LP	Sankaty Senior Loan Strategy ex. CLOs	Composite Track Record Shown
Beach Point Capital Management LP	Beach Point Loan Fund	Commingled Track Record Shown
Crescent Capital Group LP	Crescent Bank Loan Strategy	Composite Track Record Shown
Guggenheim Investments	US Bank Loans	Composite Track Record Shown
Loomis, Sayles & Company, L.P.	Bank Loan	Composite Track Record Shown
Loomis, Sayles & Company, L.P.	Senior Floating Rate and Fixed Income	Client Track Record Shown from 12/31/13 - 12/31/16 Composite Track Record Shown from 1/1/17 - 3/31/17
Pacific Asset Management	Corporate (Bank) Loan Strategy	Composite Track Record Shown

Details regarding securities lending are available from the manager upon request.

Data Disclosure:

- The results profiled herein reflect the deduction of management fees and other expenses, except where specifically noted.
- Investment fees can have a significant effect on total returns.

Footnotes:

- Bain Capital: Operational and administrative expenses are capped at 0.13%.
- Beach Point: Commingled fund proposal represents a reduction of standard fees. Subscriptions are monthly and redemptions are monthly with 90 days' prior written notice. There is no lockup after the initial subscription. There is a 10% fund level gate.
- Crescent Capital: SMA proposal represents a reduction of standard fees.
- Crescent Capital:In December 2012, as part of a strategic partnership with Crescent, AWAC acquired just under 10% minority ownership interest in the Firm. Allied has standard minority rights that do not involve any aspect of Crescent's day-to-day management, and co-founders, Mark Attanasio and Jean-Marc Chapus, continue to be the controlling owners.
- Guggenheim: Guggenheim Capital, LLC, the ultimate parent company of Guggenheim, is a private company principally owned by its employees (approximately 45%) and Sammons Enterprises, Inc. (approximately 25%). The remaining ownership (approximately 30%) primarily includes k1 Ventures, Inc., a Singapore-based investment firm led by Ambassador Steven Jay Green, who is also a member of Guggenheim's Executive Committee; the Guggenheim family; and other clients, partners, and former employees.
- Pacific Asset Management: Commingled fund proposal represents a reduction of standard fees.
- Performance figures used for the March 2017 are preliminary, and subject to change.

Firm and Product Summary

Description

The following pages address portfolio-specific characteristics.

- **Firm and Product Summaries:**
  - On these pages, several portfolio characteristics are listed. The data here should match what you already know about the manager: do they have the staff to research this many ideas? How large is their trading staff if turnover is significant? How do they define their universe in terms of market capitalization?

Firm and Product Summary

Firm/Product	Firm/Team Comments	Investment Style/Strategy	Performance Expectations	Portfolio Positioning	Other Comments
Bank Loans					
Bain: *Sr Loans ex. CLO*	Sankaty Advisors was re-branded as Bain Capital Credit, and is an employee-owned credit affiliate of Bain Capital.	A diversified, bottom-up fundamental bank loan strategy with flexibility to invest across capital structure and geographies	Strategy should outperform the broad bank loan market with less volatility	Strategy can invest in high yield bonds and a limited amount of distressed and stressed credits. Will take material non-US positions	Fund will hold unhedged non-USD positions
Beach Point: *Loan Fund*	Beach Point was founded in 2008 following a management buyout of Post Advisory's alternatives business	Beach Point utilizes a bottom-up approach with an emphasis on capital preservation. Beach Point's size and experience allows them access opportunities not followed by larger peers	Beach Point should outperform in most markets, but may lag during beta rallies	Primarily senior secured loans and high yield bonds with opportunistic investments in middle market, DIP financing, and bridge loans. More concentrated than peers	Prior to 2009, the Fund utilized small amounts of leverage. The Fund no longer uses leverage.
Crescent: *Bank Loans*	Crescent spun out of TCW Group in January 2011 and is now a 100% employee owned and independent business	Crescent's strategy emphasizes capital preservation and income generation as the primary objectives. The strategy is highly diversified	Strategy should perform well in down-markets and lag in recovery periods due to higher quality biases	Conservative bank loan manager that seeks to add value by avoiding defaults and bankruptcies	Best option for client seeking broad bank loan market exposure
Guggenheim: *US Bank Loans*	Guggenheim employs a large team of attorneys that are fully integrated into the investment process	Focused on middle-market issuers and avoids the higher-beta larger issuers. Some out-of-benchmark investments in originated loans, club deals, second liens, and Non-US	Higher tracking error strategy, but high alpha expectations coming from better security selection and out-of-benchmark positions	Dedicated bank loan or high yield manager. Ability to combine bank loans with high yield bonds	Strong investment thesis

Firm and Product Summary

Firm/Product	Firm/Team Comments	Investment Style/Strategy	Performance Expectations	Portfolio Positioning	Other Comments
Bank Loans					
Loomis: *Bank Loan*	Loomis draws from a firm-wide culture of credit research and fixed income expertise. Credit analysts research the entire capital structure of the credits that they cover, informing multiple products in the Loomis line-up	Loomis is known for running aggressive credit strategies, however, bank loans is a strategy that is not run aggressively. Portfolio is highly diversified, with virtually no second lien loans	A low beta manager. Performance may lag during up and flat credit markets	Strategy is focused only on high quality (BB/B) rated loans. Second lien loan allocations are minimal	Also offer a Floating Rate and Fixed Income Fund that invests outside of bank loans
Pacific Asset Mgt: *Bank Loan*	PAM was formed in 2007 as a business division of Pacific Life	A high conviction bank loan strategy focused on the liquid broadly syndicated loan market	Expected to outperform in periods of high volatility and elevated defaults	Targets the largest and most liquid issuers in universe greater than $300 million issue size and companies with $100 million or more in EBITDA	PAM puts a greater emphasis on top-down macro factors than peers

NEPC Investment Thesis

Firm/Product	NEPC Investment Thesis
Bank Loans	
Bain: *Sr Loans ex. CLO*	Bain Capital Credit enjoys a competitive advantage in the bank loan space due to their experienced management team and breadth of issuer coverage conducted by a large industry research group. With an investment team of nearly 100 individuals, Bain is able to analyze a greater number of companies and credits than peers. This coverage breadth will lead to investment opportunities in issues that fall outside of the large, liquid flow names, which often offer attractive return potential for little or no additional risk. Furthermore, as an affiliate of a well-known and successful private equity firm, the strategy is able to leverage relationships and contacts of the Bain investment team to gain valuable insights.
Beach Point: *Loan Fund*	Beach Point specializes in below investment grade debt investing with a preference for underfollowed investments, middle market loans, and complex debt structures. The team is large and experienced with an average of 13 years in the industry. In addition, 25% of investment professionals have experience in bankruptcy and securities law. This informational advantage, combined with Beach Point's size, allows the team to be active and nimble when exploiting pricing inefficiencies in the market.
Crescent: *Bank Loans*	Since much of the upside is limited in bank loans, avoidance of default, and in the instance of default, maximizing recovery is key to preserving capital. The experience of the team, relationships they have built within the industry, and the firm's focus on credit all support Crescent's access to deal flow in primary markets, and ability to operate in secondary markets. Crescent has one of the longest bank loan track records in the industry dating back to 1993. We expect Crescent to outperform the market by investing conservatively in large syndicated issuers of leveraged loans and by avoiding defaults.
Guggenheim: *US Bank Loans*	Guggenheim is a firm with one foot in public debt markets and the other foot in private debt markets. The information flow from both areas (private debt, mezzanine financing, DIP, and public issuance) provides access to deal flow and an information advantage in secondary markets, particularly in middle-markets, where Guggenheim prefers to operate. Guggenheim tends to avoid the largest bank loan issuers as they believe this is not an area where they can add value. An additional component to Guggenheim's investment thesis is the integration of their legal team in the investment process. Bank loans are a research-intensive asset class and having legal expertise, particularly related to debt covenants, is a distinguishing part of the investment process.
Loomis: *Bank Loan*	Loomis adds value to bank loan portfolios through their proprietary credit research platform. Loomis credit analysts are career positions. The firm is able to leverage research on specific credits across their product spectrum. Analysts develop nuanced opinions on credits spanning the capital structure, with the objective to develop a thesis before the marketplace and rating agencies can react. John Bell, Kevin Perry and Michael Klawitter, drive the investment strategy and decision making process.

NEPC Investment Thesis

Firm/Product	NEPC Investment Thesis
Bank Loans	
Pacific Asset Mgt: *Bank Loan*	Pacific Asset Management invests mainly in the large and liquid portion of the broadly syndicated bank loan market. Being a small firm by assets under management, the team is able to be highly selective in constructing portfolios, leading to investments in 80-150 high conviction credits. This selectivity gives PAM a distinct advantage over bulge bracket managers and allows them to avoid being a closet indexer . Additionally, investing in only the most liquid issues gives them the ability to be active and opportunistic in times of elevated volatility.

Firm Comparison Summary

Firm Name	Location	Year Firm Founded	Total Assets Under Mgmt ($B)	% Employee Owned	% Parent Owned	Parent Company Name	% Publicly Held	% Other Ownership
Bank Loans								
Bain	Boston, MA	1998	$33.5	100	0	NA	0	0
Beach Point	Santa Monica, CA	2008	$12.1	100	0	NA	0	0
Crescent	Los Angeles, CA	1991	$23.9	91	0	NA	0	9
Guggenheim	New York, NY	1999	$209.2	45	0	NA	0	55
Loomis, Sayles	Boston, MA	1926	$240.2	0	100	Natixis Global Asset Management (NGAM)	0	0
Pacific Asset Mgt	Newport Beach, CA	2007	$5.8	0	100	Pacific Life Insurance Company	0	0

Firm Comparison Summary

Firm Name	Registered Investment Advisor	GIPS Compliant	Past or Pending Litigation	Firm uses Placement Agent
Bank Loans				
Bain	Yes	Yes	No	No
Beach Point	Yes	Yes	No	No
Crescent	Yes	Yes	No	No
Guggenheim	Yes	Yes	Yes	Yes
Loomis, Sayles	Yes	Yes	Yes	Yes
Pacific Asset Mgt	Yes	Yes	No	No

Product Comparison

Firm/Product	Inception Date	AUM ($B)	# of Portfolio Managers	# of Research Analysts	# of Traders
Bank Loans					
Bain: *Sr Loans ex. CLO*	2008	$4.6	5	100	8
Beach Point: *Loan Fund*	2005	$1.1	4	25	5
Crescent: *Bank Loans*	2004	$4.5	2	13	6
Guggenheim: *US Bank Loans*	2003	$18.2	10	91	9
Loomis: *Bank Loan*	2004	$3.5	3	2	3
Pacific Asset Mgt: *Bank Loan*	2007	$2.0	2	10	0

Characteristics as of December 31, 2016

Product Comparison

Firm/Product	Vehicle Proposed	Liquidity In	Liquidity Out	Reported Fee for $50.00 mm	Reported Fee in (bps)
Bank Loans					
Bain: *Sr Loans ex. CLO*	Commingled Fund	Monthly	Monthly	$250,000	50
Beach Point: *Loan Fund*	Commingled Fund	Monthly	Monthly	$325,000	65
Crescent: *Bank Loans*	Separate Account	Daily	Daily	$175,000	35
Guggenheim: *US Bank Loans*	Commingled Fund Mutual Fund	Monthly Daily	Monthly Daily	$250,000 $395,000	50 79
Loomis: *Bank Loan*	Separate Account Commingled Fund	Daily Monthly	Daily Monthly	$235,000 $235,000	47 47
Pacific Asset Mgt: *Bank Loan*	Commingled Fund	Monthly	Monthly	$200,000	40
eVestment Senior Bank Loan Median*	Separate Account Commingled Fund Mutual Fund	---	---	$250,000 $250,000 $360,000	50 50 72

Product Comparison

Firm/Product	PRI Signatory (Y/N)	Strategy is Managed with ESG Considerations (Y/N)
Bank Loans		
Bain: *Sr Loans ex. CLO*	No	Yes
Beach Point: *Loan Fund*	No	No
Crescent: *Bank Loans*	No	No
Guggenheim: *US Bank Loans*	No	No
Loomis: *Bank Loan*	Yes	No
Pacific Asset Mgt: *Bank Loan*	No	No

Product Comparison

Firm/Product	Internal ESG Research Utilized (Y/N)	Third Party ESG Research Utilized (Y/N)	Manager Explanation of Research Methodologies Used
Bank Loans			
Bain: *Sr Loans ex. CLO*	Yes	Yes	ESG factors are considered and debated as a part of the diligence process and are incorporated into all Credit Committee approvals. We complete our ESG/SRI checklist on every investment. Bain Capital Credit also subscribes to REPRISK. Reports for each issuer are pulled and reviewed prior to each Credit Committee. If a name isn't in the REPRISK database, we request to have it added.
Beach Point: *Loan Fund*	No	No	NA
Crescent: *Bank Loans*	No	No	NA
Guggenheim: *US Bank Loans*	No	No	NA
Loomis: *Bank Loan*	No	No	NA
Pacific Asset Mgt: *Bank Loan*	No	No	NA

Fixed Income Comparison

Firm/Product	Weighted Average Coupon (%)	Yield to Maturity (%)	Average Maturity (Years)	Duration (Years)	Average Quality	Minimum Quality
Bank Loans						
Bain: *Sr Loans ex. CLO*	5.0	5.5	5.26	0.33	B	Not Rated
Beach Point: *Loan Fund*	6.9	4.9	4.15	0.70	BB	CCC
Crescent: *Bank Loans*	5.1	5.4	5.08	0.25	B	CCC
Guggenheim: *US Bank Loans*	4.5	4.7	4.31	0.14	BB	CCC
Loomis: *Bank Loan*	4.4	4.4	4.95	0.10	BB	Not Rated
Pacific Asset Mgt: *Bank Loan*	5.3	6.4	5.31	0.44	B	Distressed Debt
CS Leveraged Loan Index	*4.9*	*6.6*	*4.55*	*0.25*	*BB*	*NA*

Fixed Income Comparison

Firm/Product	# of Countries	# of Issues	Current Cash (%)	Annual Turnover (%)	Yield to Worst (%)
Bank Loans					
Bain: *Sr Loans ex. CLO*	11	201	0.1	64.0	5.5
Beach Point: *Loan Fund*	11	82	19.4	39.0	1.4
Crescent: *Bank Loans*	3	220	-2.4	25.0	5.4
Guggenheim: *US Bank Loans*	8	232	9.7	32.2	4.7
Loomis: *Bank Loan*	11	287	2.7	27.4	4.4
Pacific Asset Mgt: *Bank Loan*	4	165	0.9	85.0	6.3
CS Leveraged Loan Index	*17*	*1,540*	*NA*	*NA*	*NA*

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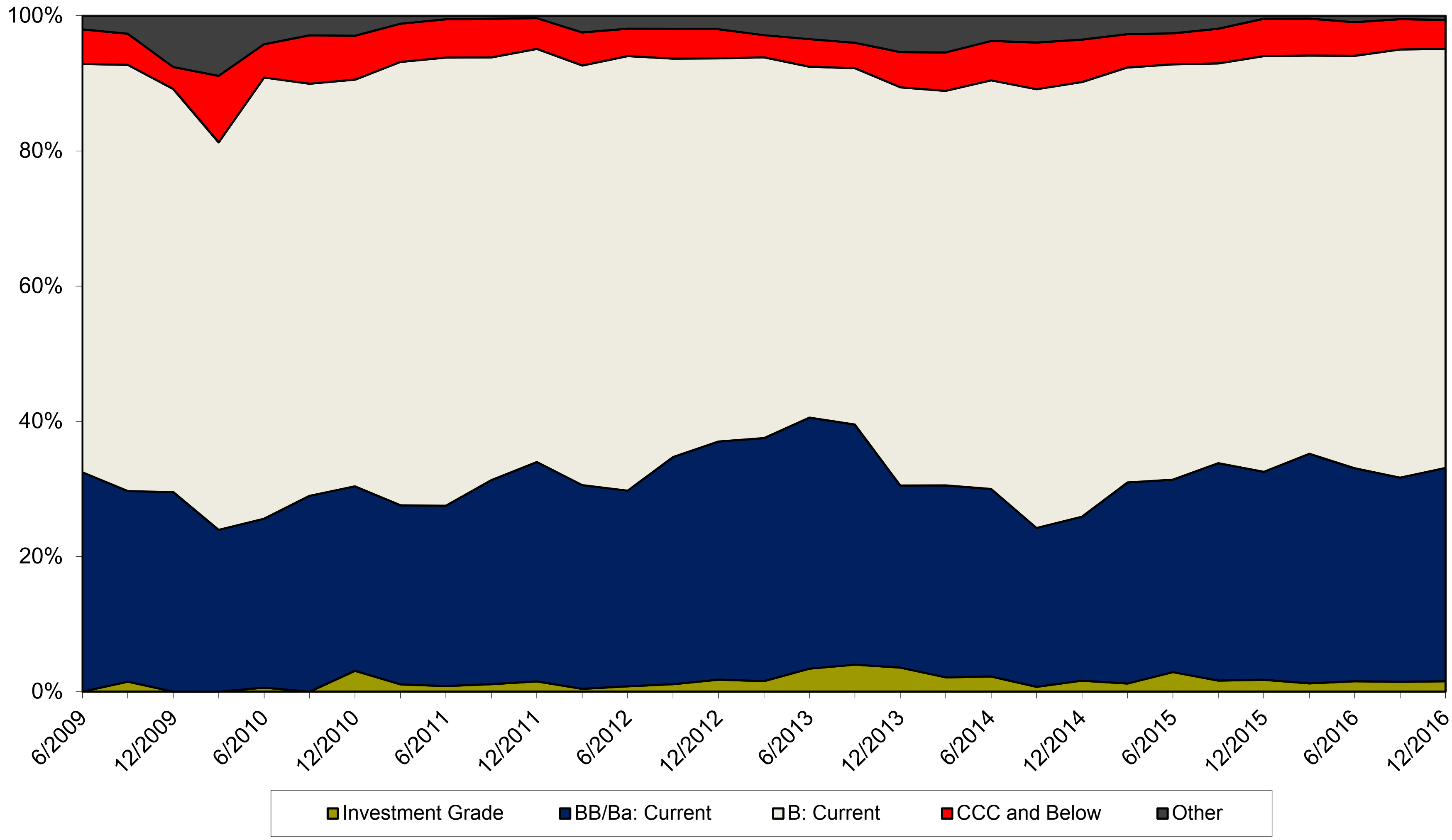
Characteristics as of December 31, 2016

Current Quality Allocations- Excluding Cash

Firm/Product	Investment Grade	BB/Ba (%)	B (%)	CCC/Caa and Below (%)	Other* (%)
Bank Loans					
Bain: *Sr Loans ex. CLO*	1.5	31.6	62.0	4.3	0.6*
Beach Point: *Loan Fund*	5.6	45.2	43.6	1.3	4.3*
Crescent: *Bank Loans*	3.9	22.9	68.4	4.2	0.6*
Guggenheim: *US Bank Loans*	1.5	17.7	78.1	2.3	0.5*
Loomis: *Bank Loan*	4.4	48.2	45.2	1.8	0.5*
Pacific Asset Mgt: *Bank Loan*	2.0	33.1	54.2	8.6	2.1*
CS Leveraged Loan Index	*7.5*	*41.3*	*42.4*	*6.9*	*1.9**

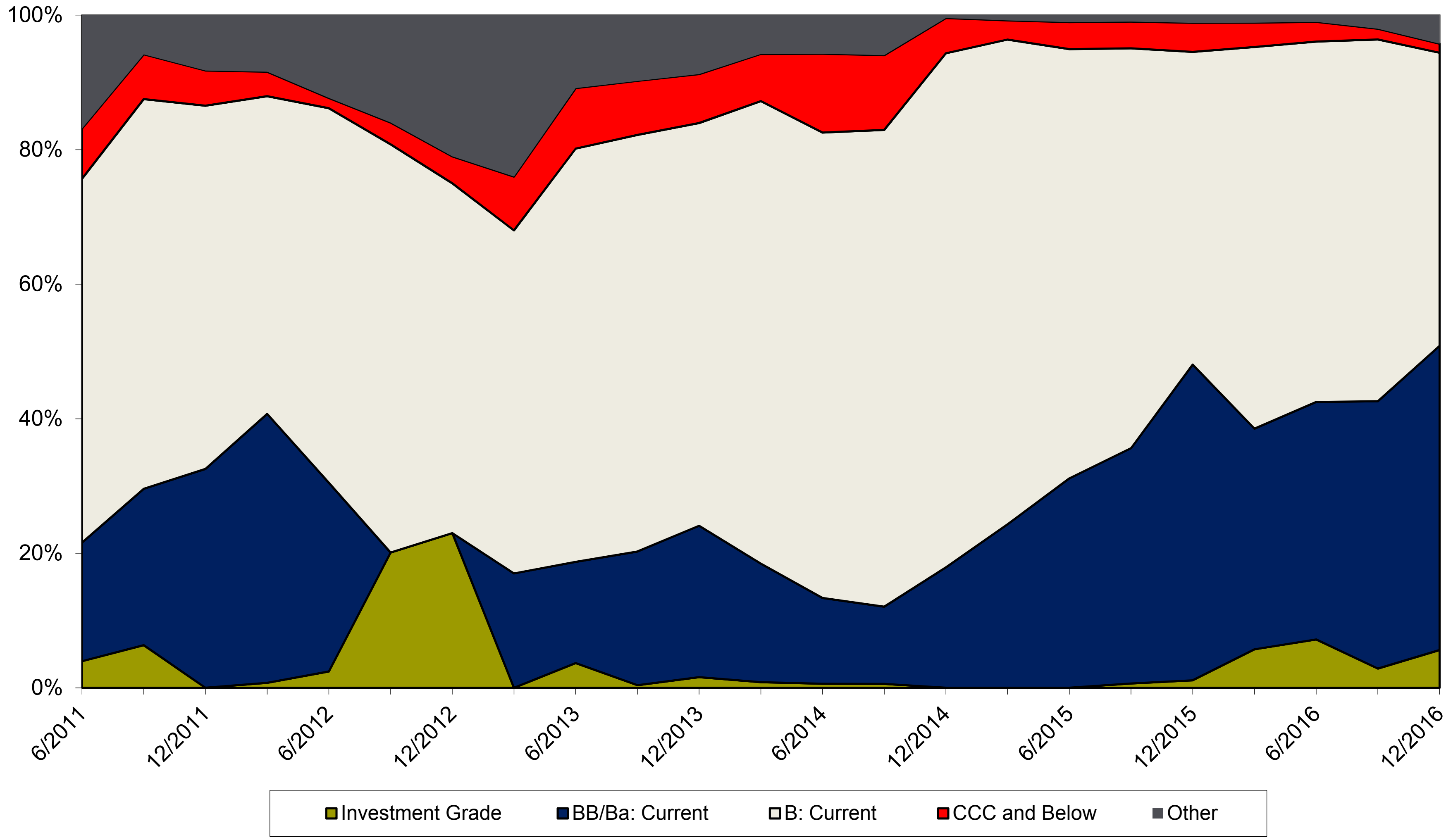
*"Other" allocation includes distressed debt and not rated securities .

Historical Quality Allocations (ex' cash): Bain



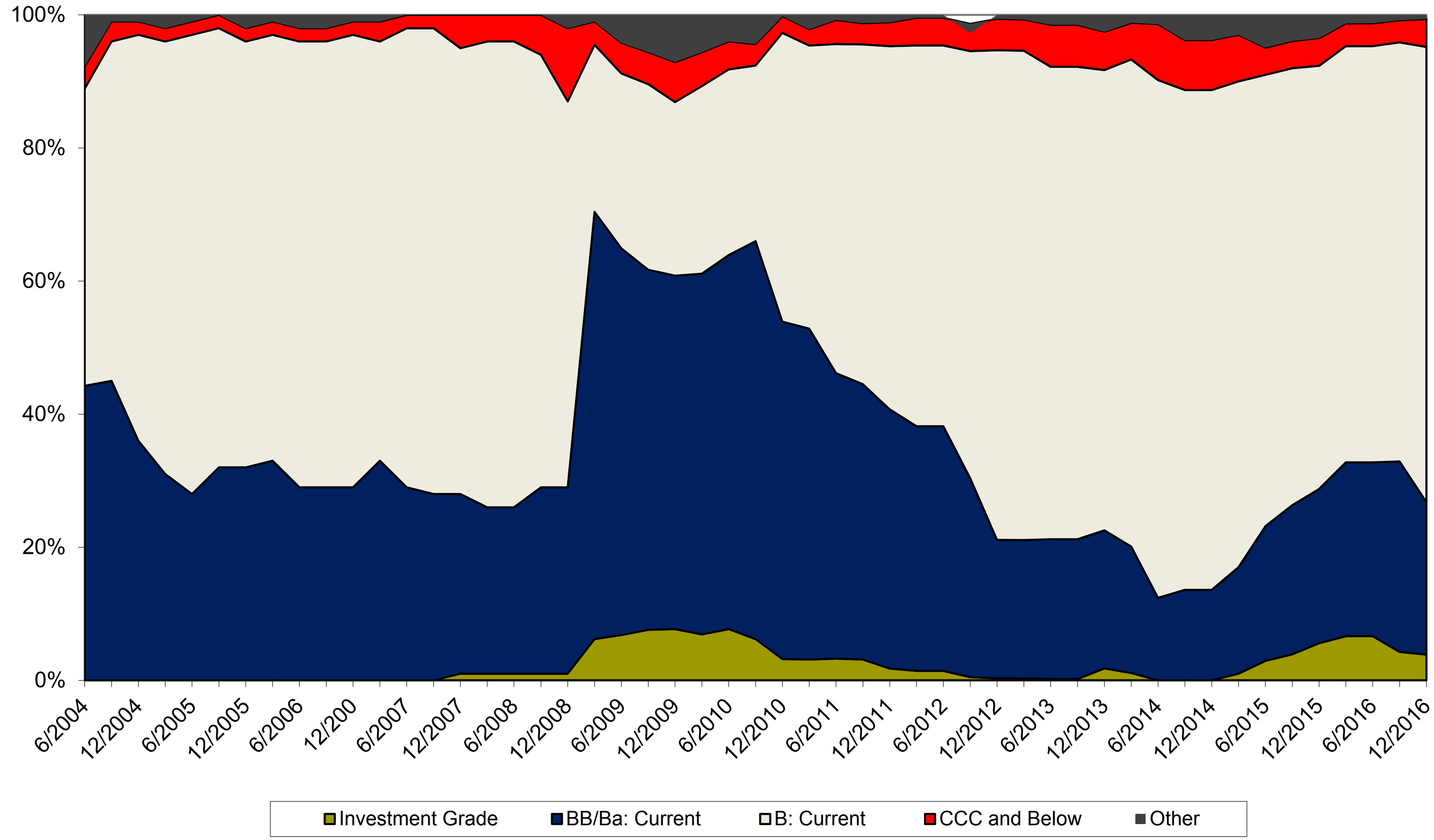
* "Other" allocation includes distressed debt and not rated securities.

Historical Quality Allocations (ex' cash): Beach Point



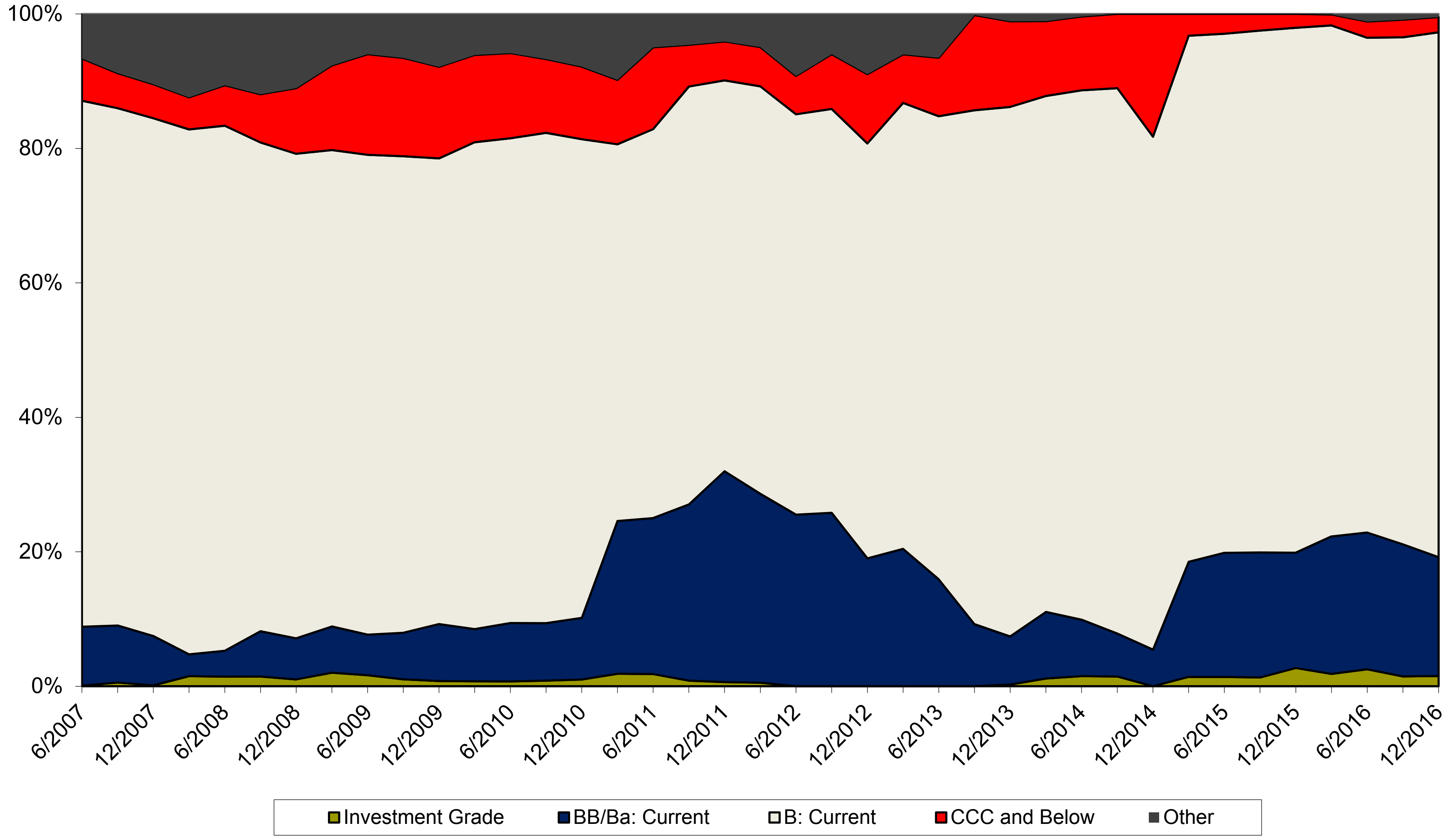
* "Other" allocation includes distressed debt and not rated securities.

Historical Quality Allocations (ex' cash): Crescent



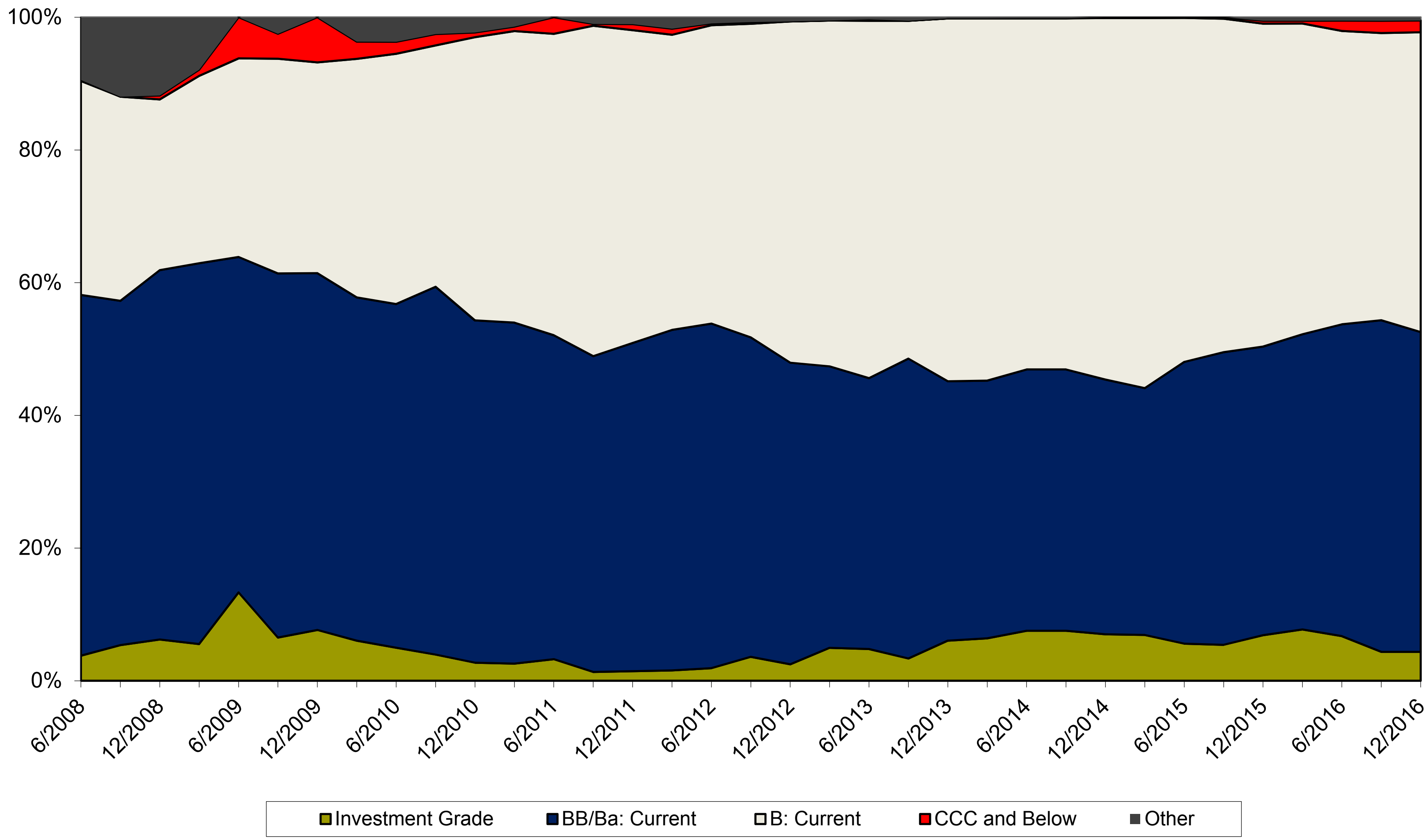
* "Other" allocation includes distressed debt and not rated securities.
** Crescent reports a -1.4% "other" allocation on 9/30/12.

Historical Quality Allocations (ex' cash): Guggenheim



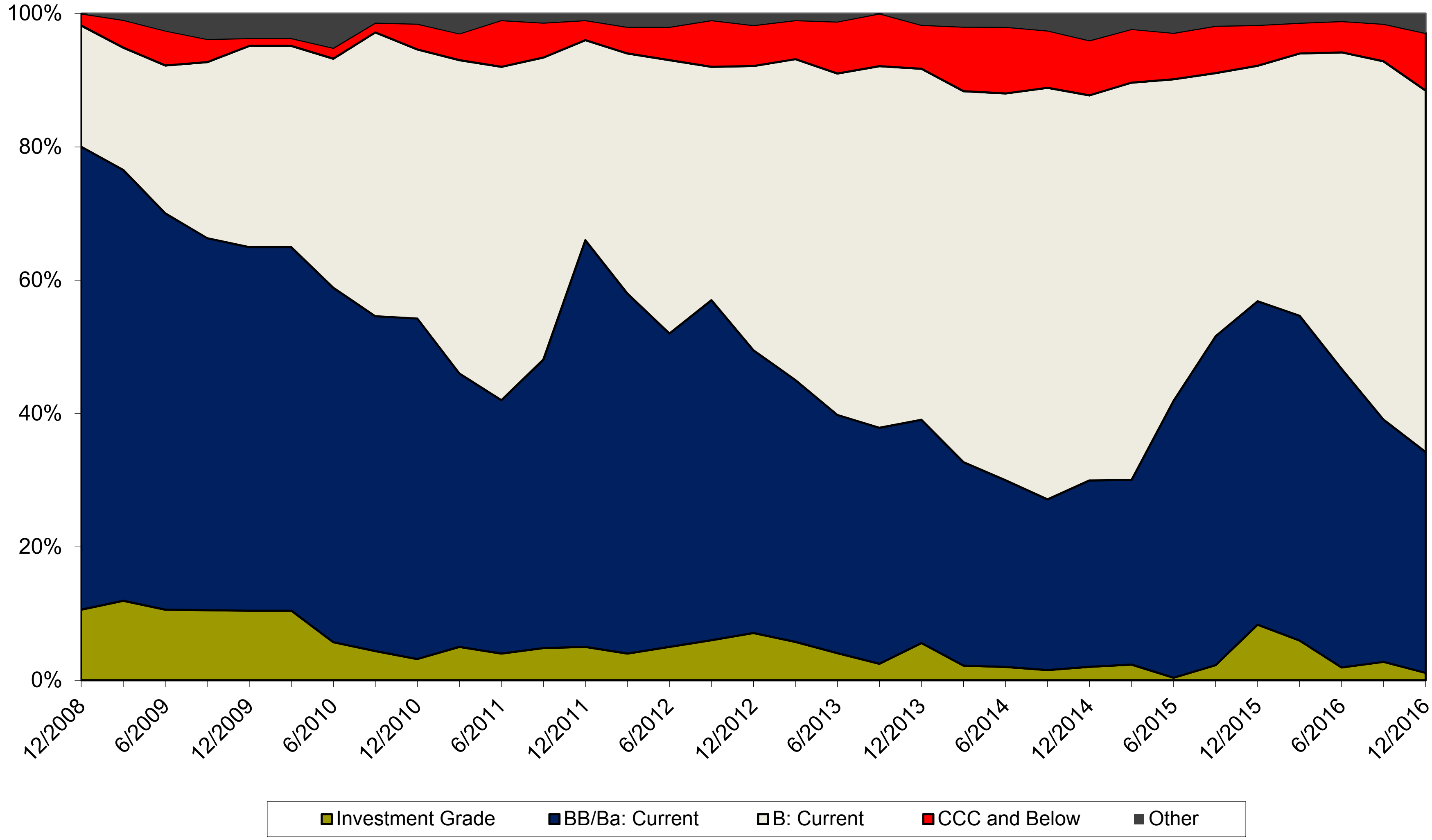
* "Other" allocation includes distressed debt and not rated securities.

Historical Quality Allocations (ex' cash): Loomis



* "Other" allocation includes distressed debt and not rated securities.

Historical Quality Allocations (ex' cash): Pacific



* "Other" allocation includes distressed debt and not rated securities.

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Characteristics as of December 31, 2016

Performance

The following performance charts show the historical record for the strategies under consideration. To manage client portfolios, each manager has a range of offerings (separate accounts, commingled funds or mutual funds) that allow all types of clients access to the strategy at reasonable prices.

Trailing Period Returns and Calendar Year Returns:

These pages highlight a manager’s performance for quarter, year to date, 1, 3, 5, 7 & 10 year periods as well as calendar year returns.

Performance Summary:

These pages highlight a manager's excess performance over various periods. All managers are also shown from the inception of the shortest record referred to as LCD or Least Common Denominator.

Return Histogram:

These charts display the frequency of a manager’s monthly excess performance data.

Rolling One Year and Three Year Excess Returns:

These charts demonstrate the manager’s demonstrated relative performance versus the benchmark over time. Using each manager’s one year return and subtracting the one year benchmark return shows how each manager has performed relative to the relevant benchmark. The same method is used for the three year charts.

Rolling One Year and Three Year Excess Return Versus Benchmark:

These charts demonstrate the manager’s demonstrated relative performance behavior over up and down equity markets. The charts are displayed in order of benchmark performance along the X-Axis rather than chronological order. By looking at the Y-Coordinate you can determine whether or not the manager added or detracted value versus the benchmark over that one year period. Each dot represents the one year excess return versus the relevant benchmark. The same method is used for the three year charts.

Risk/Return Performance Charts:

These charts show the risk and return of the candidates and indicies for 3, 5, 7 & 10 year periods.

Trailing Period Returns - (Net of Fees)

	Benchmark	Qtr	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Bank Loans								
Bain: *Sr Loans ex. CLO*	1	1.2%	1.2%	9.0%	3.1%	4.7%	6.0%	NA
Beach Point: *Loan Fund*	1	0.4%	0.4%	4.2%	3.5%	5.4%	6.0%	4.1%
Crescent: *Bank Loans*	1	0.7%	0.7%	7.9%	2.8%	4.3%	4.9%	4.2%
Guggenheim: *US Bank Loans*	1	0.8%	0.8%	7.1%	4.2%	5.3%	6.1%	5.9%
Loomis: *Bank Loan*	1	0.8%	0.8%	6.9%	3.2%	3.9%	4.3%	3.6%
Loomis: *SFFI*	1	1.4%	1.4%	12.8%	3.8%	NA	NA	NA
Pacific Asset Mgt: *Bank Loan*	1	1.3%	1.3%	8.5%	3.7%	5.0%	5.4%	5.3%

		Qtr	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
1	***S&P/LSTA Leveraged Loan Index***	*1.1%*	*1.1%*	*9.7%*	*3.6%*	*4.6%*	*4.8%*	*4.6%*
2	***CS Leveraged Loan Index***	*1.2%*	*1.2%*	*9.7%*	*3.7%*	*4.9%*	*5.0%*	*4.2%*

Calendar Year Returns - (Net of Fees)

	Benchmark	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Bank Loans											
Bain: *Sr Loans ex. CLO*	1	9.2%	-0.4%	1.0%	6.4%	11.7%	4.2%	13.3%	43.1%	NA	NA
Beach Point: *Loan Fund*	1	5.9%	2.7%	2.6%	7.2%	13.1%	3.7%	12.0%	45.9%	-32.5%	0.9%
Crescent: *Bank Loans*	1	8.4%	-1.3%	2.1%	6.1%	9.7%	2.8%	10.2%	35.3%	-23.3%	2.7%
Guggenheim: *US Bank Loans*	1	7.8%	2.2%	3.0%	6.8%	10.2%	3.7%	13.7%	38.5%	-21.5%	4.9%
Loomis: *Bank Loan*	1	7.5%	1.0%	1.2%	4.2%	8.1%	2.5%	8.4%	37.2%	-24.8%	1.6%
Loomis: *SFFI*	1	11.8%	-2.1%	2.3%	NA	NA	NA	NA	NA	NA	NA
Pacific Asset Mgt: *Bank Loan*	1	8.9%	1.5%	0.9%	6.0%	10.2%	2.9%	10.2%	38.8%	-19.9%	3.1%

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
1	***S&P/LSTA Leveraged Loan Index***	*10.2%*	*-0.7%*	*1.6%*	*5.3%*	*9.7%*	*1.5%*	*10.1%*	*51.6%*	*-29.1%*	*NA*
2	***CS Leveraged Loan Index***	*9.9%*	*-0.4%*	*2.1%*	*6.2%*	*9.4%*	*1.8%*	*10.0%*	*44.9%*	*-28.8%*	*1.9%*

Calendar Year Excess Returns - (Net of Fees) vs. CS Leveraged Loan

	Bench mark	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Bank Loans											
Bain: *Sr Loans ex. CLO*	1	-0.7%	-0.1%	-1.1%	0.3%	2.3%	2.3%	3.3%	-1.8%	NA	NA
Beach Point: *Loan Fund*	1	-4.0%	3.1%	0.5%	1.1%	3.7%	1.9%	2.0%	1.0%	-3.8%	-1.0%
Crescent: *Bank Loans*	1	-1.5%	-0.9%	0.0%	-0.1%	0.2%	0.9%	0.2%	-9.6%	5.4%	0.8%
Guggenheim: *US Bank Loans*	1	-2.1%	2.6%	0.9%	0.6%	0.8%	1.9%	3.7%	-6.4%	7.3%	3.1%
Loomis: *Bank Loan*	1	-2.3%	1.4%	-0.9%	-1.9%	-1.3%	0.7%	-1.6%	-7.6%	3.9%	-0.3%
Loomis: *SFFI*	1	2.0%	-1.7%	0.3%	NA	NA	NA	NA	NA	NA	NA
Pacific Asset Mgt: *Bank Loan*	1	-1.0%	1.8%	-1.2%	-0.1%	0.8%	1.1%	0.3%	-6.1%	8.9%	1.2%
1 CS Leveraged Loan Index		*9.9%*	*-0.4%*	*2.1%*	*6.2%*	*9.4%*	*1.8%*	*10.0%*	*44.9%*	*-28.8%*	*1.9%*

Manager Excess Return: > 3%, between 0% and 3%, between -0% and -3%, < -3%

Calendar Year Excess Returns - (Net of Fees) vs. S&P/LSTA Leveraged Loan

	Bench mark	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Bank Loans											
Bain: *Sr Loans ex. CLO*	1	-0.9%	0.2%	-0.6%	1.1%	2.1%	2.6%	3.2%	-8.5%	NA	NA
Beach Point: *Loan Fund*	1	-4.3%	3.4%	1.0%	2.0%	3.4%	2.2%	1.8%	-5.7%	-3.4%	NA
Crescent: *Bank Loans*	1	-1.8%	-0.6%	0.5%	0.8%	0.0%	1.2%	0.1%	-16.3%	5.8%	NA
Guggenheim: *US Bank Loans*	1	-2.4%	2.9%	1.4%	1.5%	0.6%	2.2%	3.6%	-13.1%	7.6%	NA
Loomis: *Bank Loan*	1	-2.6%	1.7%	-0.4%	-1.1%	-1.5%	1.0%	-1.7%	-14.4%	4.3%	NA
Loomis: *SFFI*	1	1.7%	-1.4%	0.7%	NA	NA	NA	NA	NA	NA	NA
Pacific Asset Mgt: *Bank Loan*	1	-1.3%	2.1%	-0.7%	0.7%	0.6%	1.4%	0.1%	-12.9%	9.2%	NA
1 S&P/LSTA Leveraged Loan		*10.2%*	*-0.7%*	*1.6%*	*5.3%*	*9.7%*	*1.5%*	*10.1%*	*51.6%*	*-29.1%*	*NA*

Manager Excess Return: > 3%, between 0% and 3%, between -0% and -3%, < -3%

Excess Returns Performance Summary - (Net of Fees)

	Primary Benchmark	# of Months (Track Record)	% Positive (Mo.)	High (Mo.)	Low (Mo.)	Average (Mo.)	% > 0.5%	Rolling 1 Yr. Rtr.		Rolling 3 Yr. Rtr.	
								> 0%	> 3%	> 0%	> 3%
Bank Loans											
Bain: *Sr Loans ex. CLO*	**S&P/LSTA Leveraged Loan**	**101**	**54%**	**4.0%**	**(1.7%)**	**0.1%**	**16%**	**63%**	**11%**	**80%**	**6%**
Beach Point: *Loan Fund*	**S&P/LSTA Leveraged Loan**	**120**	**59%**	**2.3%**	**(5.1%)**	**0.0%**	**18%**	**67%**	**17%**	**74%**	**0%**
Crescent: *Bank Loans*	**S&P/LSTA Leveraged Loan**	**120**	**48%**	**1.9%**	**(2.8%)**	**0.0%**	**7%**	**67%**	**6%**	**47%**	**0%**
Guggenheim: *US Bank Loans*	**S&P/LSTA Leveraged Loan**	**120**	**60%**	**3.5%**	**(4.4%)**	**0.1%**	**15%**	**84%**	**16%**	**96%**	**0%**
Loomis: *Bank Loan*	**S&P/LSTA Leveraged Loan**	**120**	**42%**	**2.4%**	**(2.8%)**	**(0.1%)**	**8%**	**38%**	**6%**	**7%**	**0%**
Loomis: *SFFI*	**S&P/LSTA Leveraged Loan**	**40**	**58%**	**0.8%**	**(1.2%)**	**0.0%**	**8%**	**59%**	**7%**	**100%**	**0%**
Pacific Asset Mgt: *Bank Loan*	**S&P/LSTA Leveraged Loan**	**120**	**52%**	**4.0%**	**(2.6%)**	**0.1%**	**12%**	**71%**	**18%**	**81%**	**0%**

Excess Returns Performance Summary - (Net of Fees)

	# of Months (Track Record)	Excess Return					Tracking Error				Information Ratio				Beta vs. Primary Benchmark
		1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	
Bank Loans															
Bain: *Sr Loans ex. CLO*	101	(0.7%)	(0.5%)	0.1%	1.2%	NA	0.5%	0.7%	1.3%	NA	(0.87)	0.12	0.92	NA	0.79
Beach Point: *Loan Fund*	120	(5.5%)	(0.1%)	0.8%	1.2%	(0.5%)	1.7%	1.4%	1.5%	3.1%	(0.06)	0.57	0.77	(0.15)	1.04
Crescent: *Bank Loans*	120	(1.8%)	(0.8%)	(0.3%)	0.1%	(0.3%)	0.6%	0.6%	0.8%	2.0%	(1.28)	(0.49)	0.11	(0.16)	0.82
Guggenheim: *US Bank Loans*	120	(2.7%)	0.6%	0.7%	1.3%	1.3%	1.1%	0.9%	1.1%	3.0%	0.55	0.78	1.19	0.44	0.71
Loomis: *Bank Loan*	120	(2.9%)	(0.4%)	(0.7%)	(0.5%)	(0.9%)	0.9%	0.8%	1.0%	2.1%	(0.42)	(0.92)	(0.53)	(0.43)	0.84
Loomis: *SFFI*	40	3.0%	0.2%	NA	NA	NA	1.4%	NA	NA	NA	0.17	NA	NA	NA	1.26
Pacific Asset Mgt: *Bank Loan*	120	(1.2%)	0.2%	0.4%	0.7%	0.7%	1.1%	0.9%	1.0%	2.5%	0.13	0.42	0.65	0.30	0.83

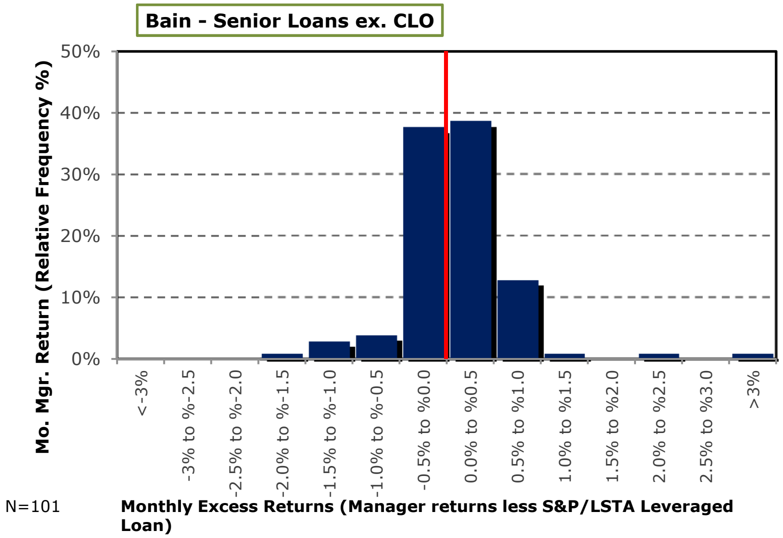
Excess Returns Performance Summary - (Net of Fees) (Least Common Denominator)

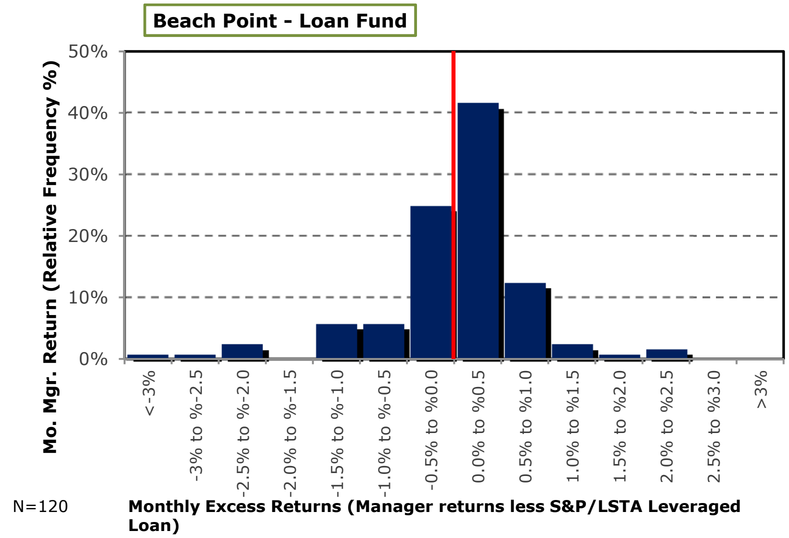
	Primary Benchmark	# of Months (Track Record)	% Positive (Mo.)	High (Mo.)	Low (Mo.)	Average (Mo.)	% > 0.5%	Rolling 1 Yr. Rtr.		Rolling 3 Yr. Rtr.	
								> 0%	> 3%	> 0%	> 3%
Bank Loans											
Bain: *Sr Loans ex. CLO*	S&P/LSTA Leveraged Loan	40	48%	0.2%	(0.4%)	0.0%	0%	21%	0%	0%	0%
Beach Point: *Loan Fund*	S&P/LSTA Leveraged Loan	40	45%	0.9%	(1.1%)	0.0%	15%	76%	21%	60%	0%
Crescent: *Bank Loans*	S&P/LSTA Leveraged Loan	40	35%	0.3%	(0.5%)	(0.1%)	0%	38%	0%	0%	0%
Guggenheim: *US Bank Loans*	S&P/LSTA Leveraged Loan	40	55%	0.7%	(0.7%)	0.0%	8%	76%	7%	100%	0%
Loomis: *Bank Loan*	S&P/LSTA Leveraged Loan	40	38%	0.6%	(0.5%)	0.0%	2%	55%	0%	0%	0%
Loomis: *SFFI*	S&P/LSTA Leveraged Loan	40	58%	0.8%	(1.2%)	0.0%	8%	59%	7%	100%	0%
Pacific Asset Mgt: *Bank Loan*	S&P/LSTA Leveraged Loan	40	45%	0.7%	(0.9%)	0.0%	5%	41%	7%	100%	0%

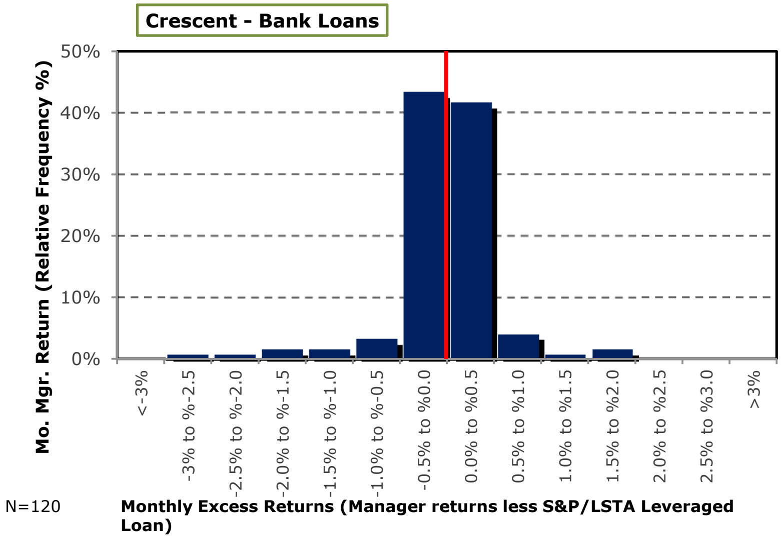
Excess Returns Performance Summary - (Net of Fees) (Least Common Denominator)

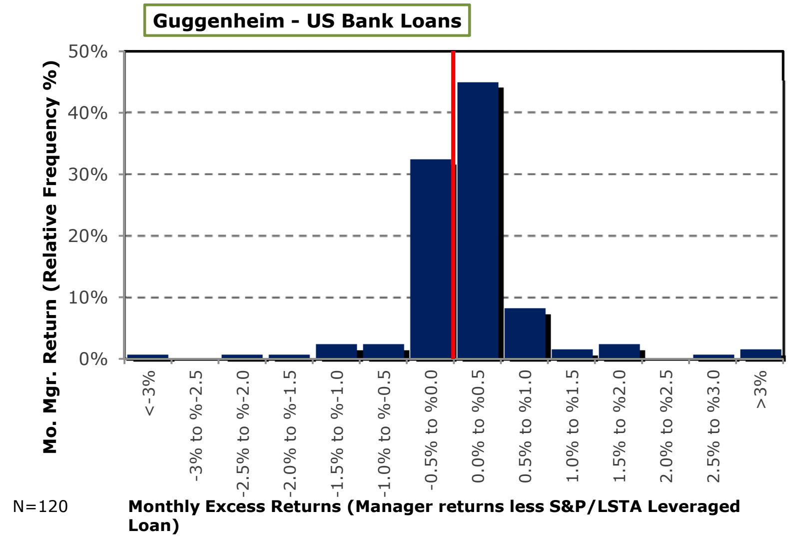
	# of Months (Track Record)	Excess Return					Tracking Error				Information Ratio				Beta vs. Primary Benchmark
		1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	
Bank Loans															
Bain: *Sr Loans ex. CLO*	40	(0.7%)	(0.5%)	NA	NA	NA	0.5%	NA	NA	NA	(0.87)	NA	NA	NA	0.92
Beach Point: *Loan Fund*	40	(5.5%)	(0.1%)	NA	NA	NA	1.7%	NA	NA	NA	(0.06)	NA	NA	NA	0.49
Crescent: *Bank Loans*	40	(1.8%)	(0.8%)	NA	NA	NA	0.6%	NA	NA	NA	(1.28)	NA	NA	NA	0.97
Guggenheim: *US Bank Loans*	40	(2.7%)	0.6%	NA	NA	NA	1.1%	NA	NA	NA	0.55	NA	NA	NA	0.69
Loomis: *Bank Loan*	40	(2.9%)	(0.4%)	NA	NA	NA	0.9%	NA	NA	NA	(0.42)	NA	NA	NA	0.77
Loomis: *SFFI*	40	3.0%	0.2%	NA	NA	NA	1.4%	NA	NA	NA	0.17	NA	NA	NA	1.26
Pacific Asset Mgt: *Bank Loan*	40	(1.2%)	0.2%	NA	NA	NA	1.1%	NA	NA	NA	0.13	NA	NA	NA	0.77

Excess Monthly Returns Histogram - (Net of Fees)



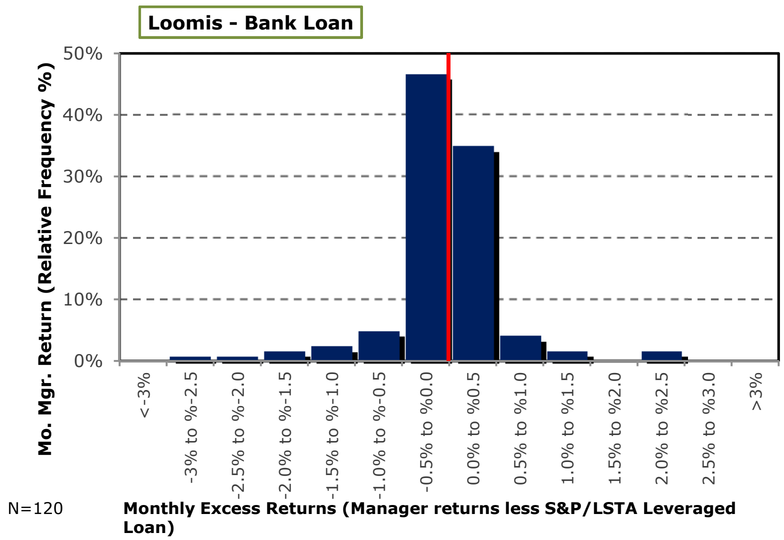


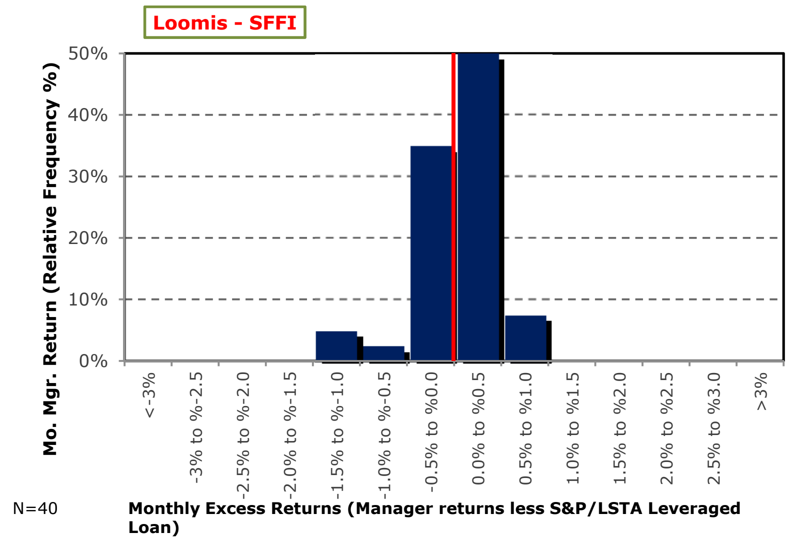


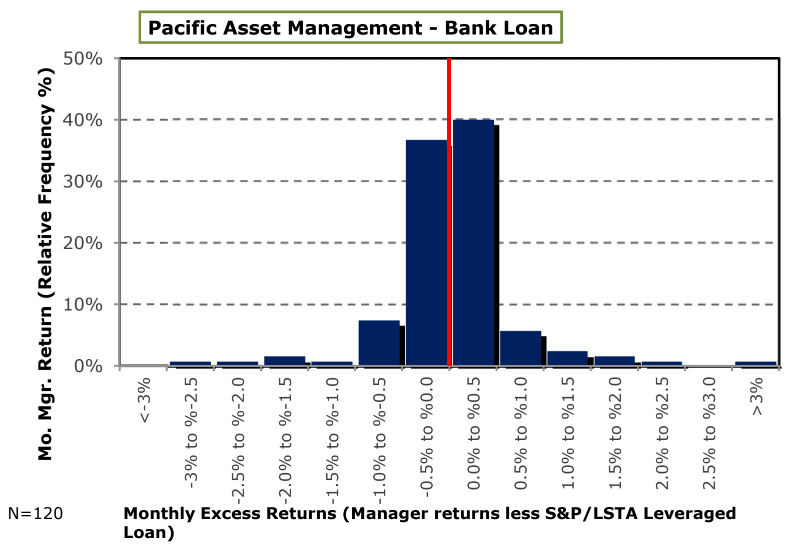


Bank Loans

Excess Monthly Returns Histogram - (Net of Fees)

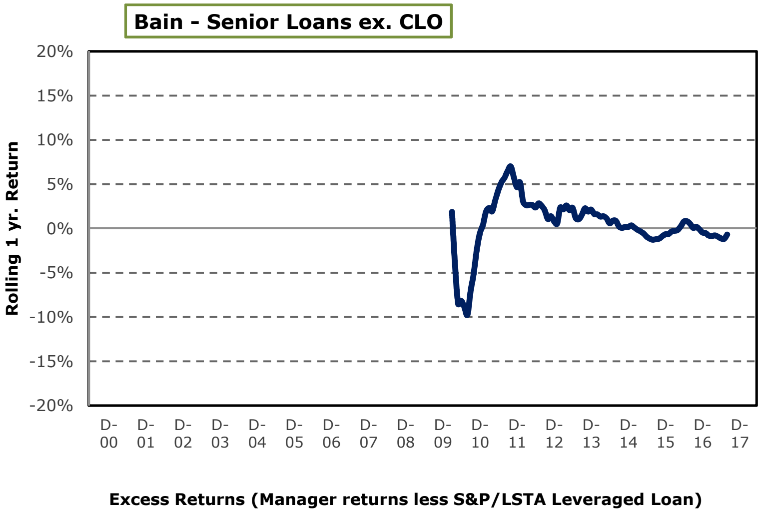


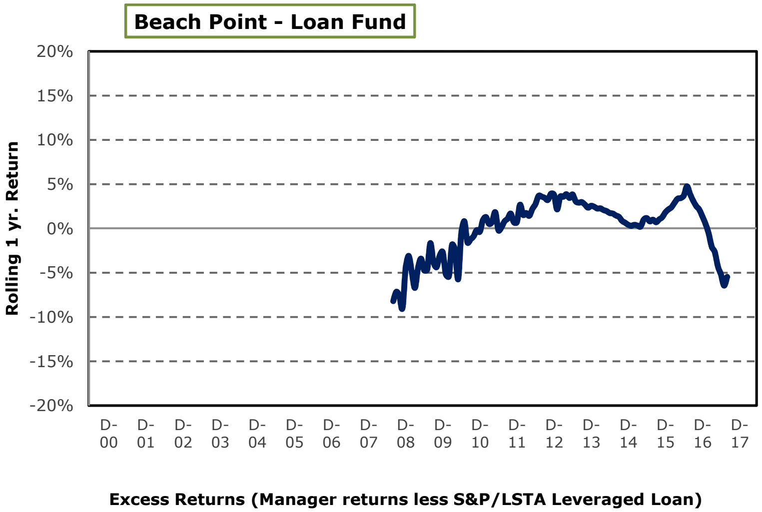


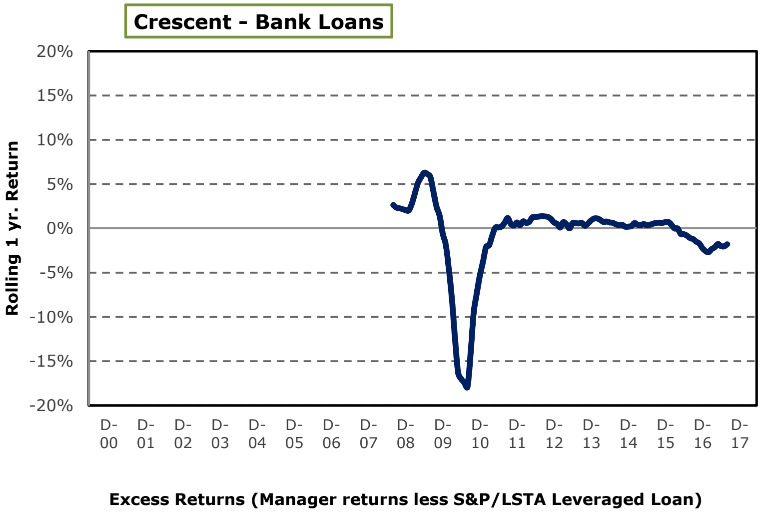


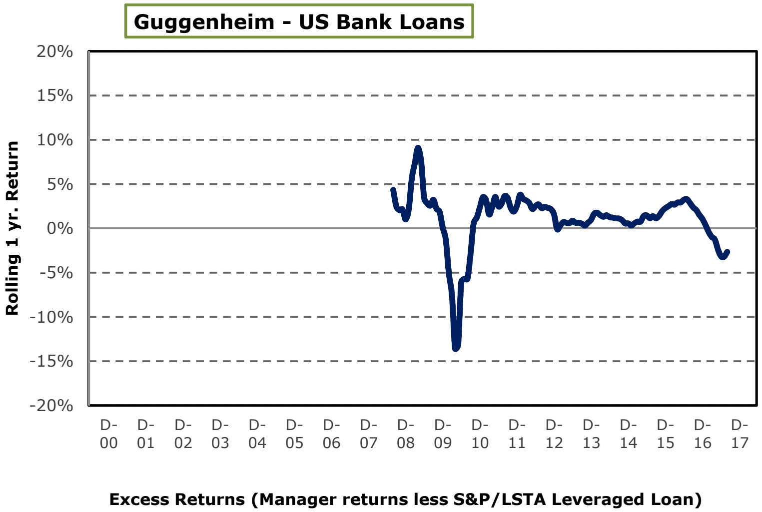
Bank Loans

Rolling 1 Year Excess Returns - (Net of Fees)



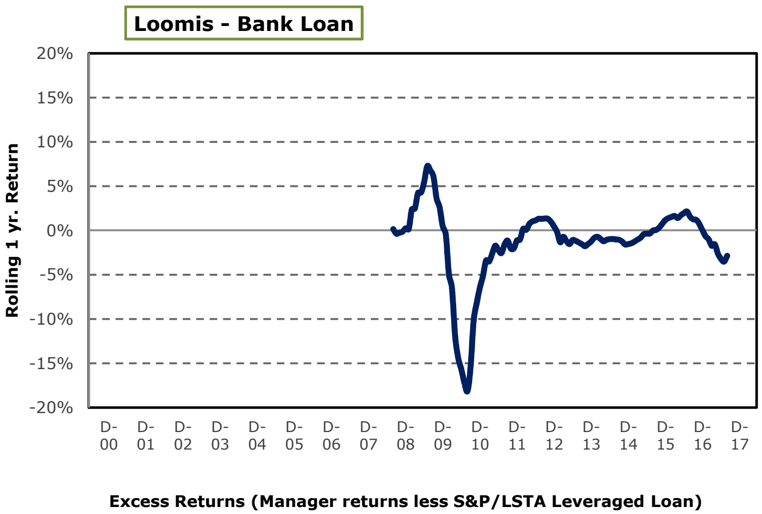


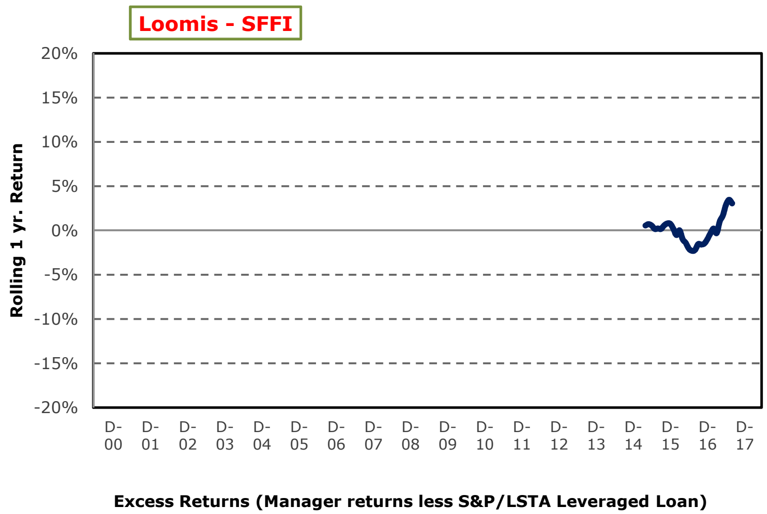


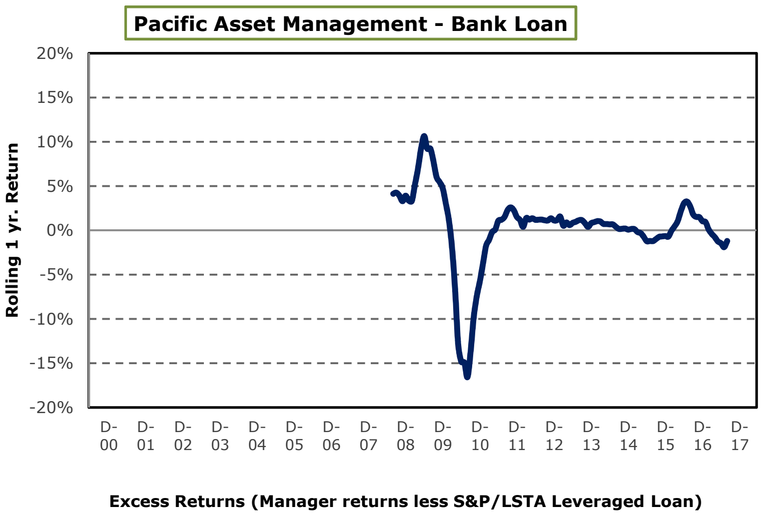


Bank Loans

Rolling 1 Year Excess Returns - (Net of Fees)



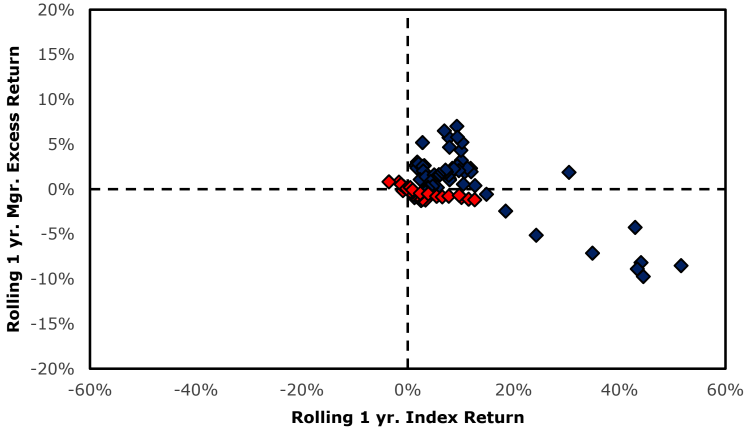




Bank Loans

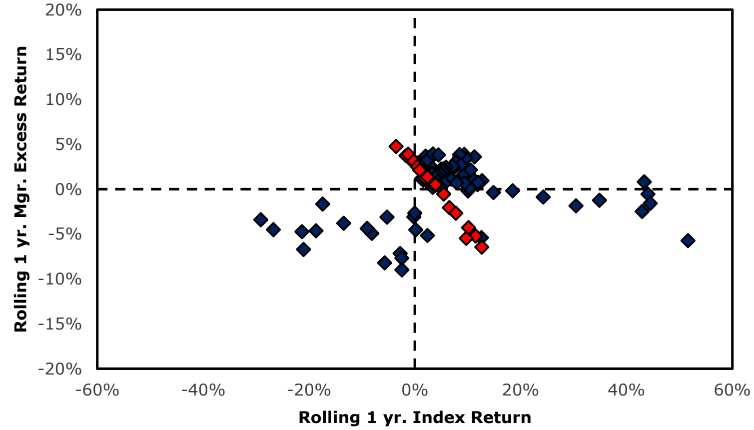
Rolling 1 Year Excess Returns - (Net of Fees)

Bain - Senior Loans ex. CLO



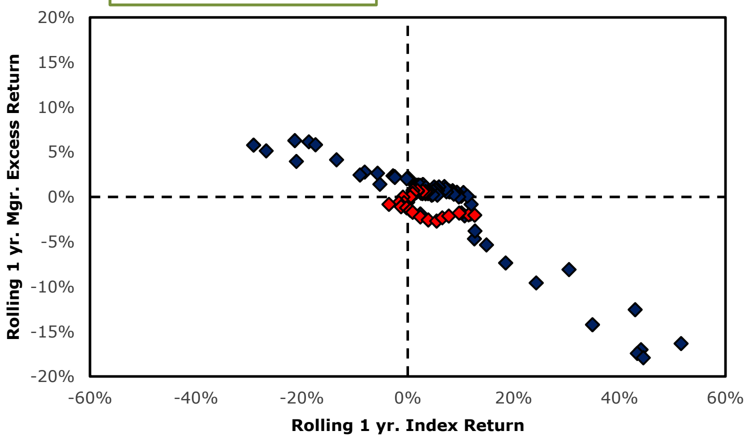
Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

Beach Point - Loan Fund



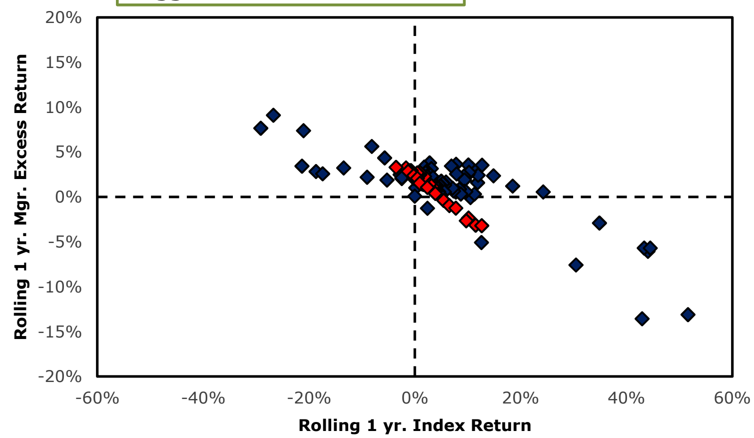
Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

Crescent - Bank Loans



Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

Guggenheim - US Bank Loans

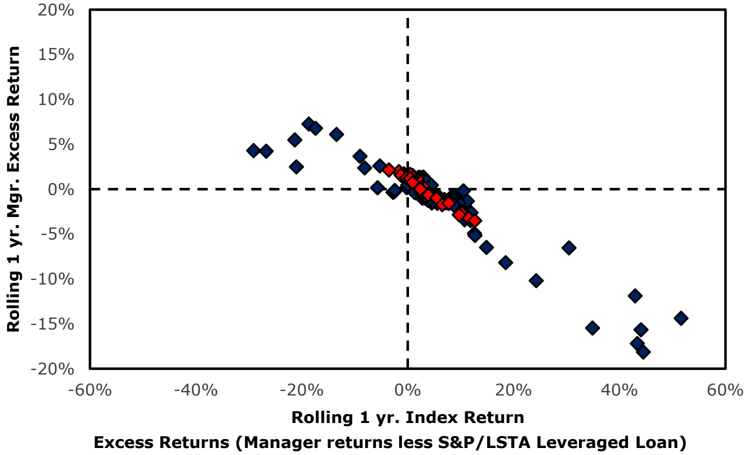


Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

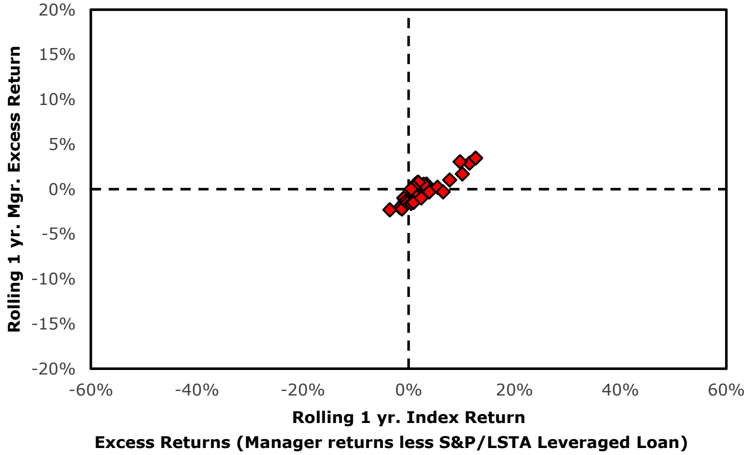
◆ = Rolling 1 year periods; ◆ = Last 24 rolling 1 year periods

Bank Loans

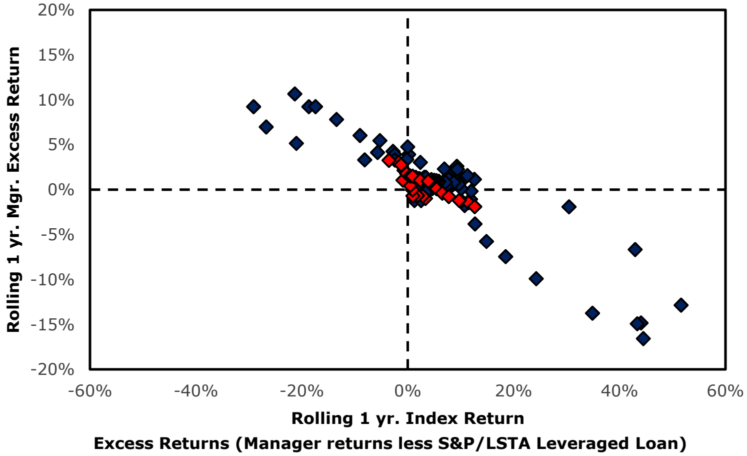
Loomis - Bank Loan



Loomis - SFFI



Pacific Asset Management - Bank Loan

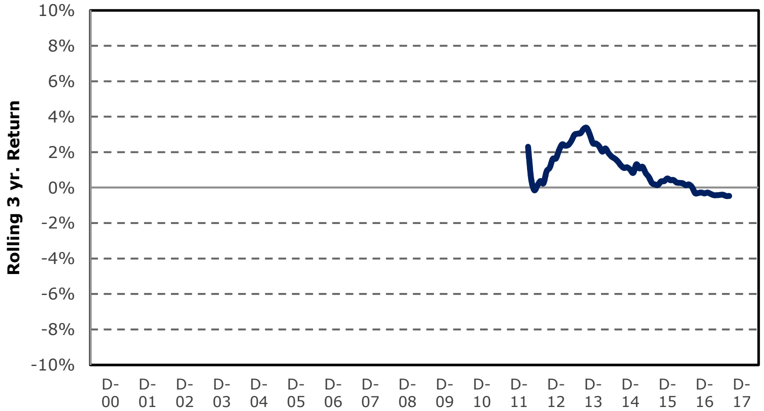


◆ = Rolling 1 year periods; ◆ = Last 24 rolling 1 year periods

Bank Loans

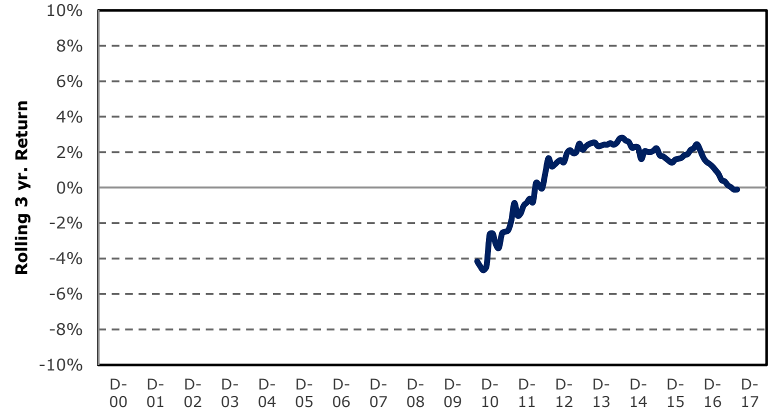
Rolling 3 Year Excess Returns - (Net of Fees)

Bain - Senior Loans ex. CLO



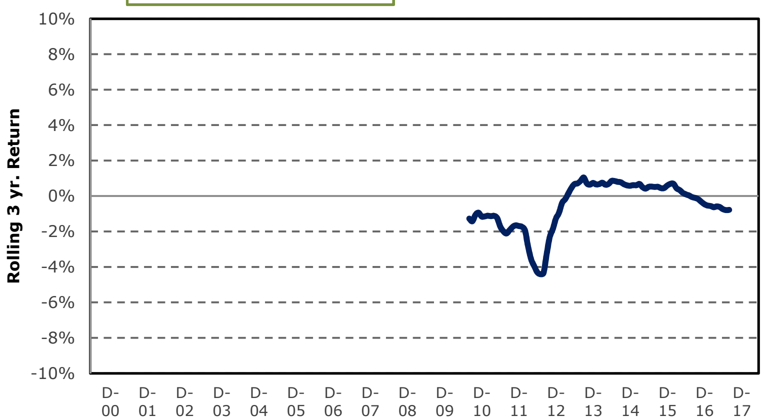
Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

Beach Point - Loan Fund



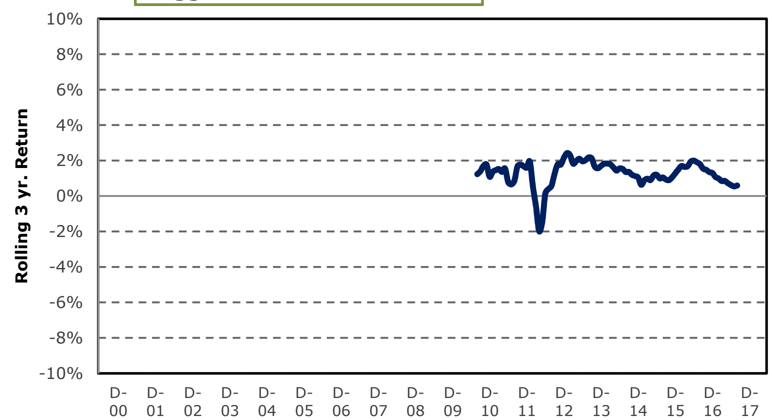
Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

Crescent - Bank Loans



Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

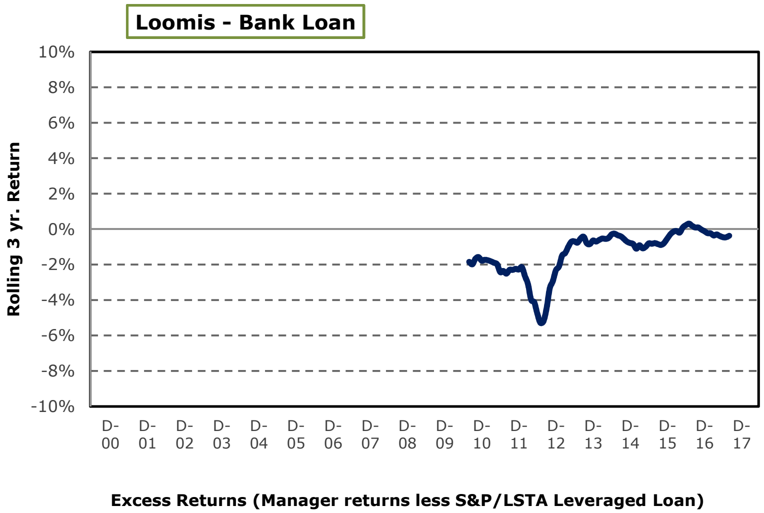
Guggenheim - US Bank Loans

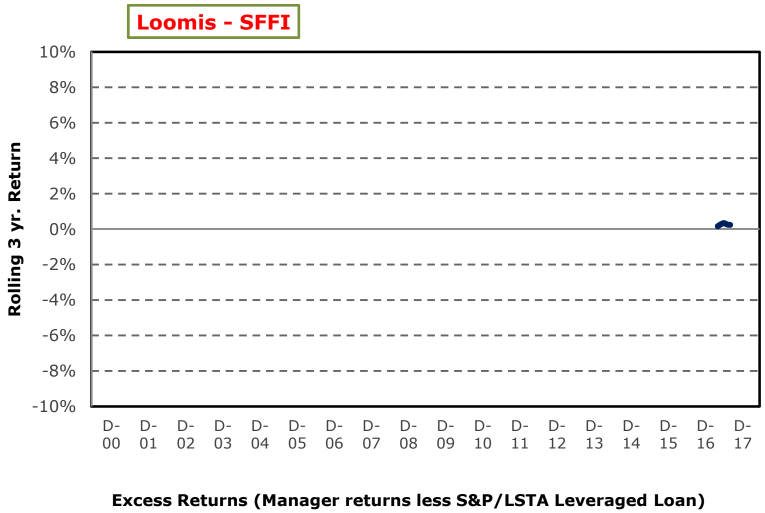


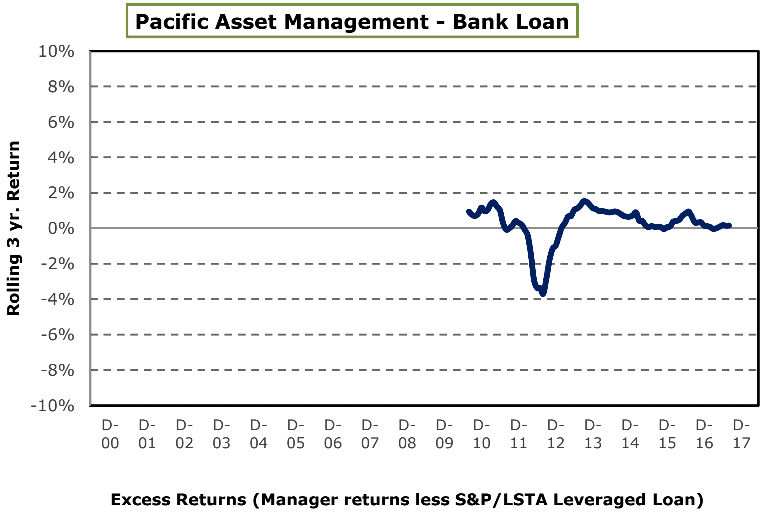
Excess Returns (Manager returns less S&P/LSTA Leveraged Loan)

Bank Loans

Rolling 3 Year Excess Returns - (Net of Fees)

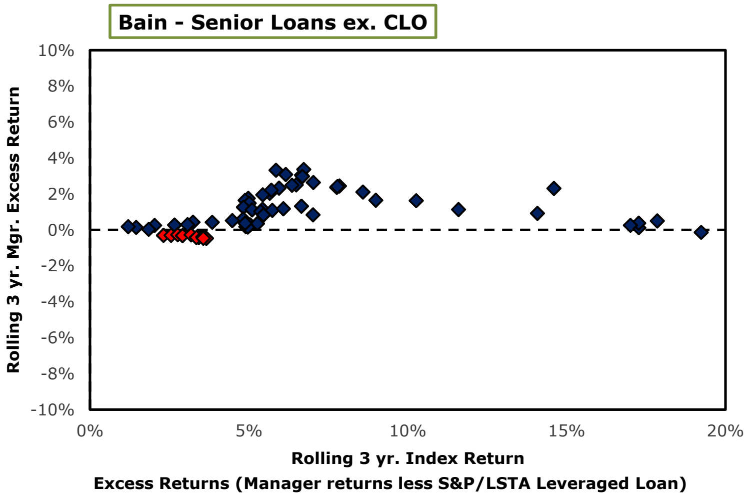


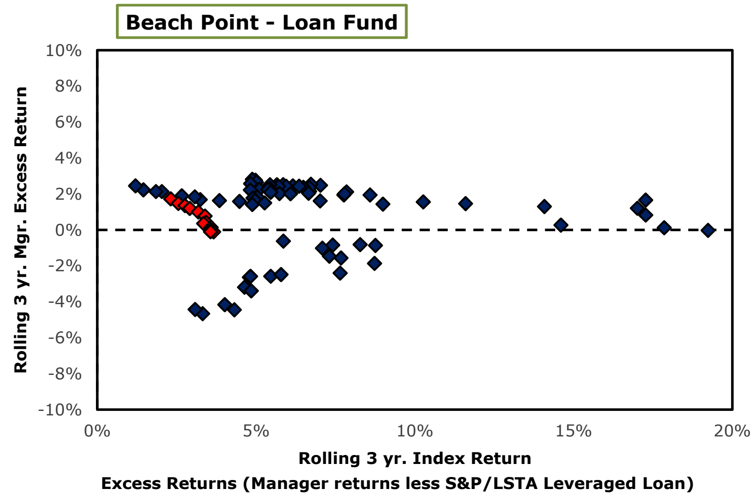


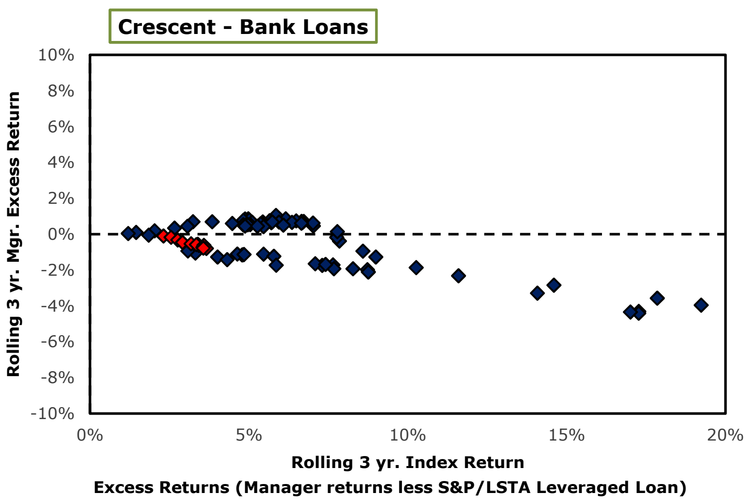


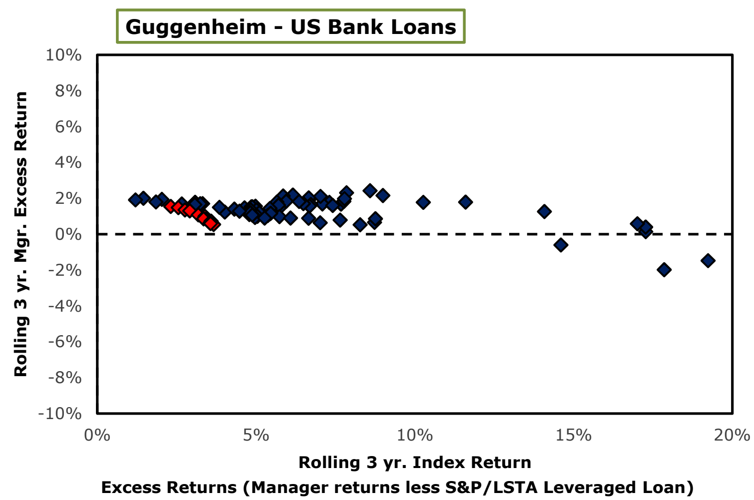
Bank Loans

Rolling 3 Year Excess Returns - (Net of Fees)





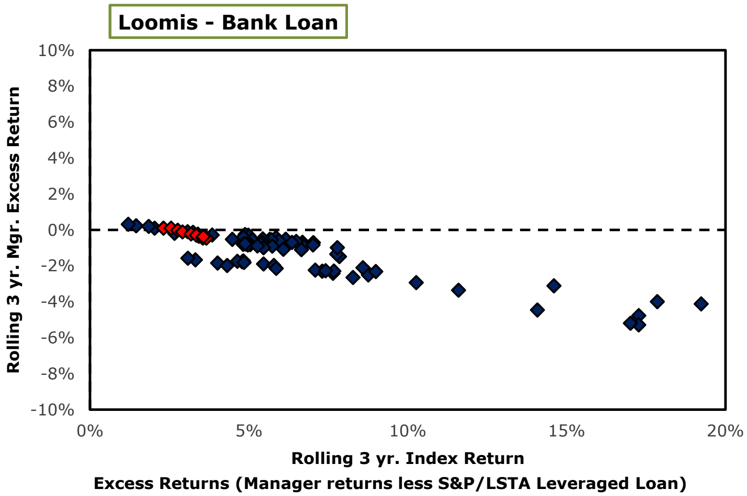


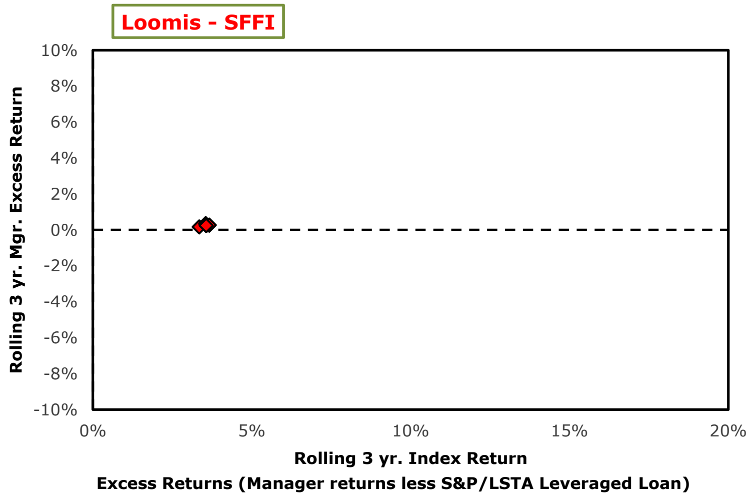


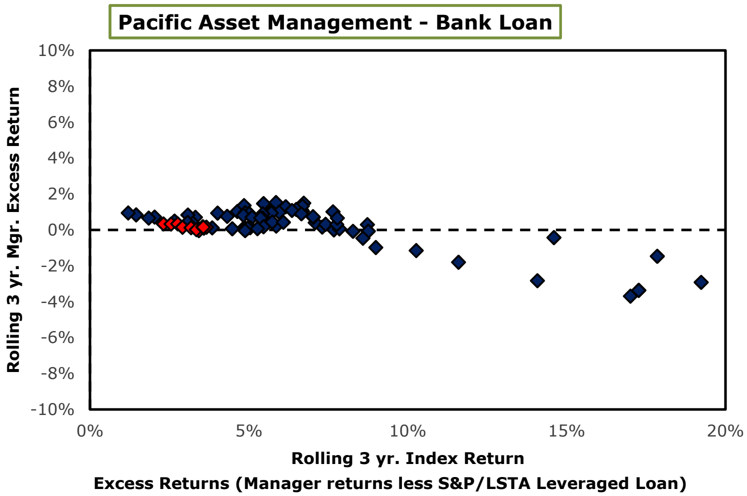
◆ = Rolling 3 year periods; ◆ = Last 12 rolling 3 year periods

Bank Loans

Rolling 3 Year Excess Returns - (Net of Fees)



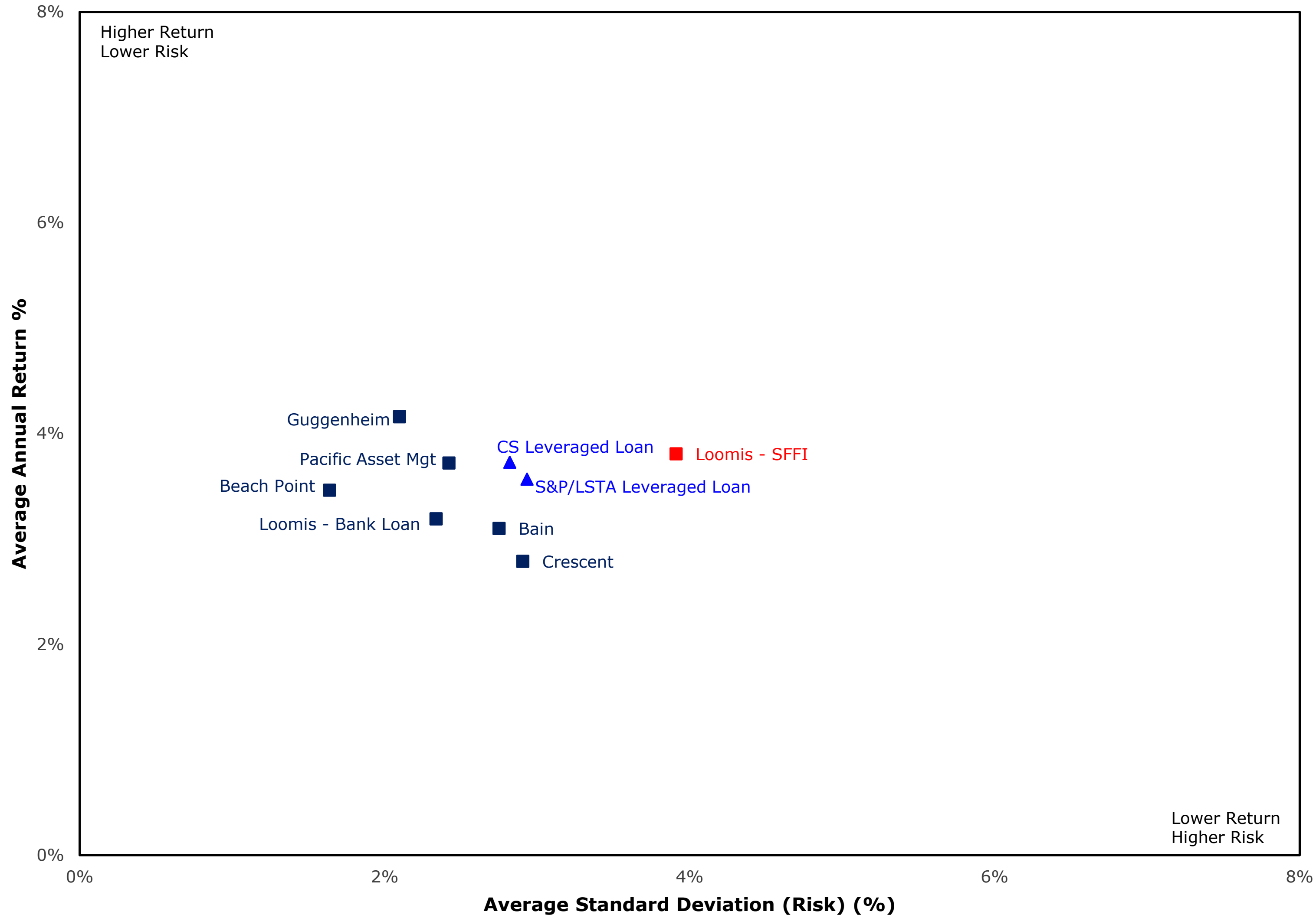




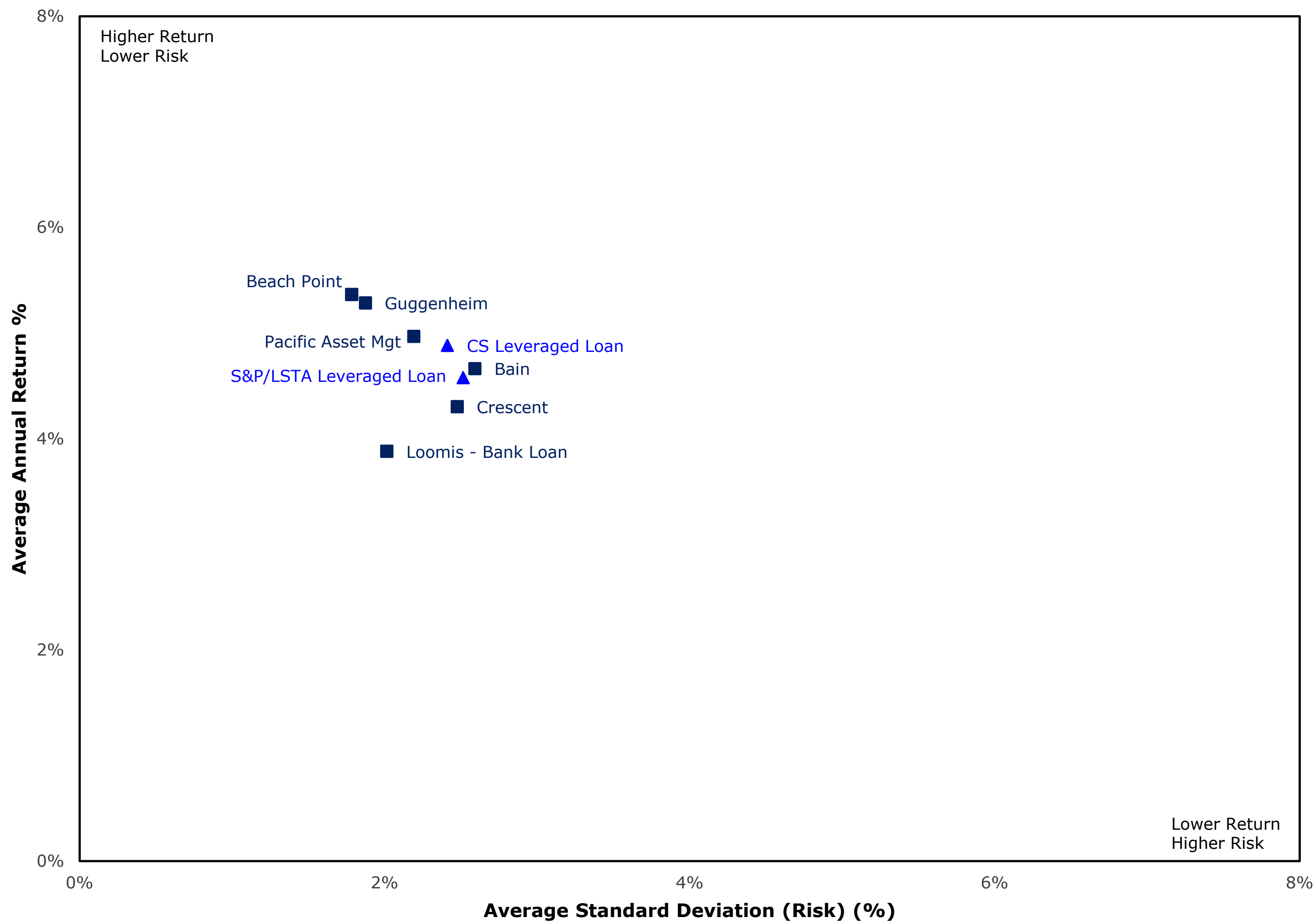
◆ = Rolling 3 year periods; ◆ = Last 12 rolling 3 year periods

Bank Loans

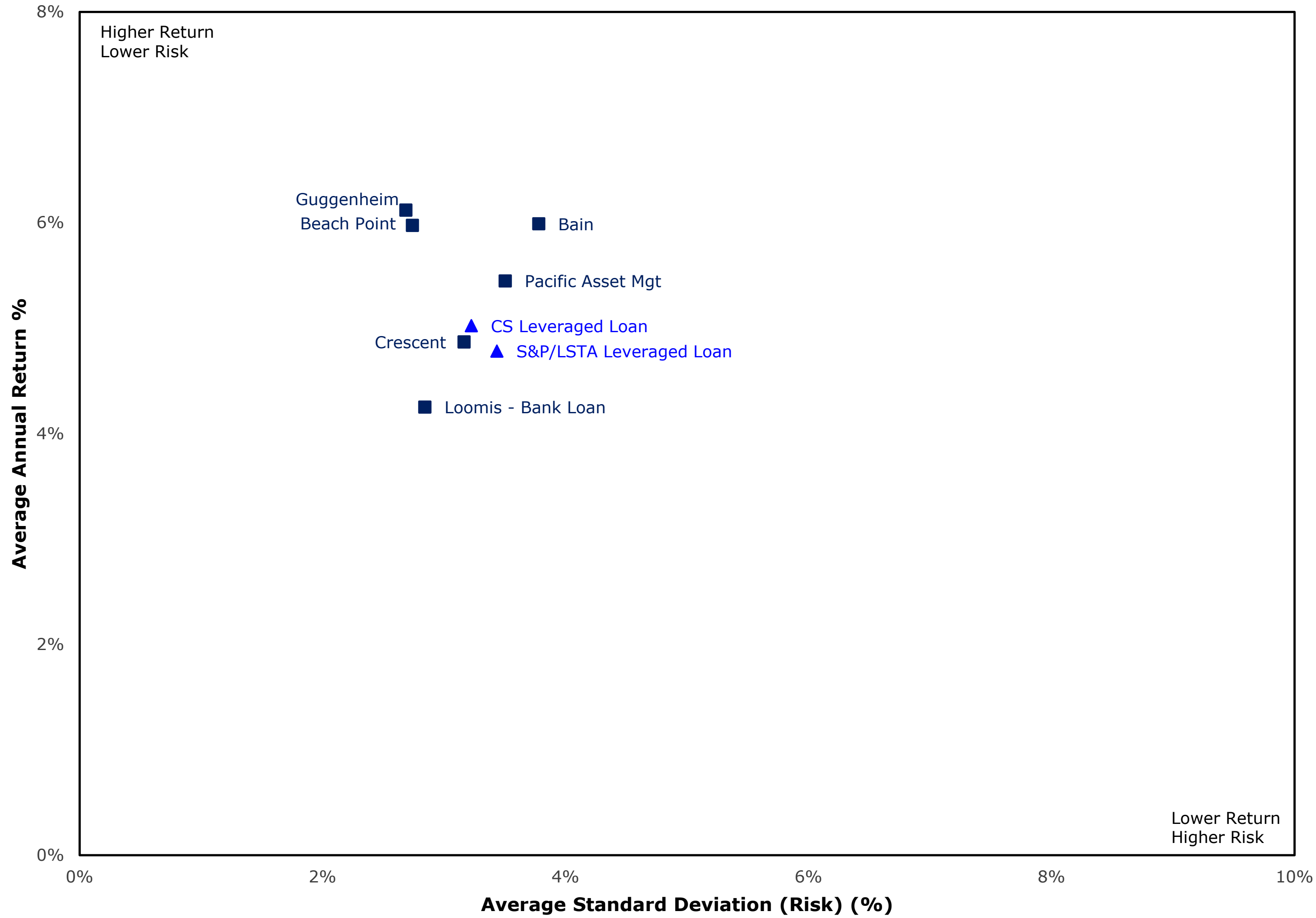
3 Year Total Risk/Returns Comparison - (Net of Fees)



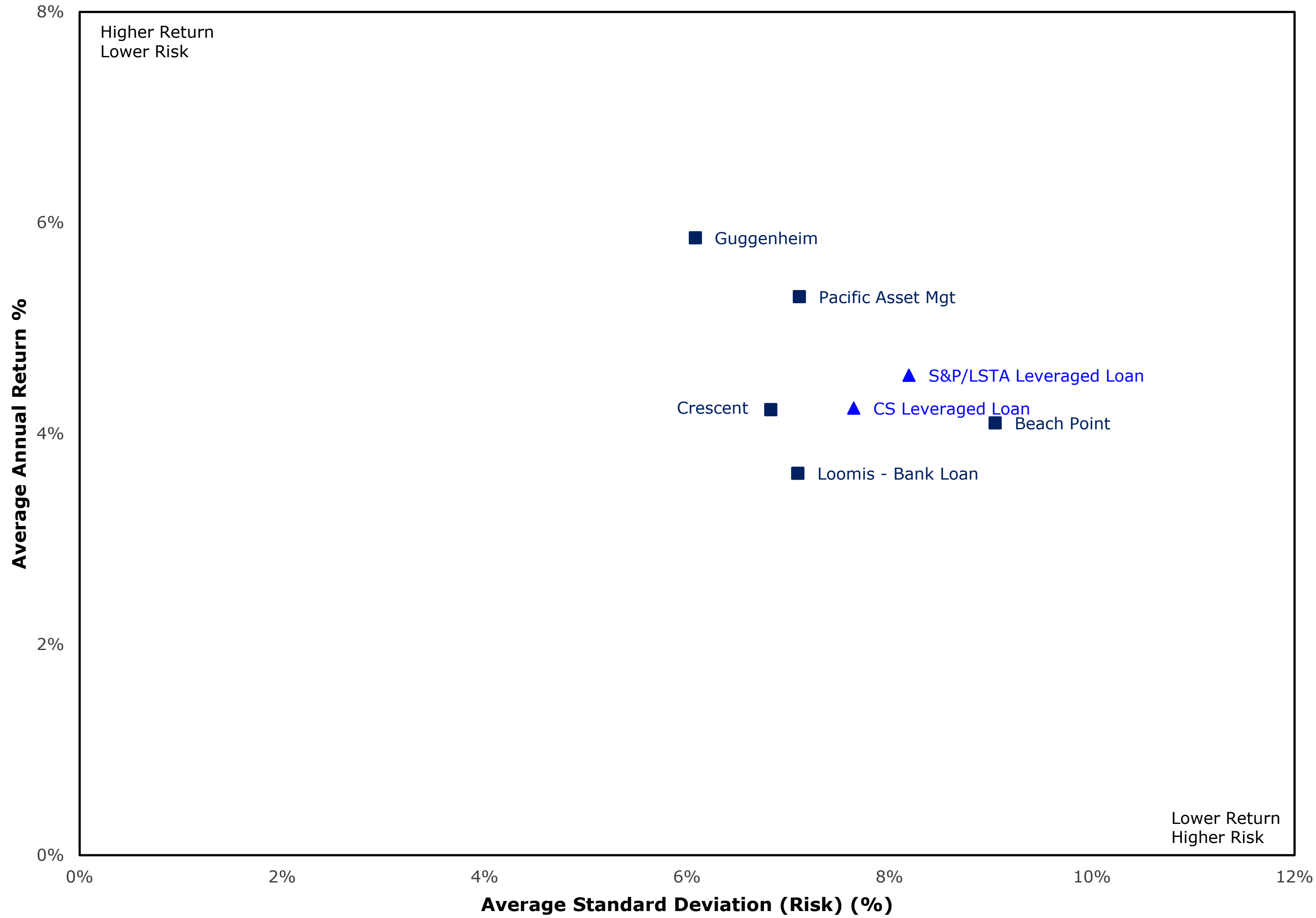
5 Year Total Risk/Returns Comparison - (Net of Fees)



7 Year Total Risk/Returns Comparison - (Net of Fees)



10 Year Total Risk/Returns Comparison - (Net of Fees)



Profiles

The following pages contain profile descriptions regarding each Manager Firm and Investment Product including:

- **Firm Description**
- **NEPC Investment Thesis**
- **People**
- **Philosophy**
- **Investment Strategy**
- **Portfolio Structure**
- **Performance Expectations**
- **Biographies**

Bank Loans

Bain Capital Credit, LP
Sankaty Senior Loan Strategy ex. CLOs

Taylor Furlong, Research Analyst
Source: NEPC and eVestment
October 2016

Firm Description

Bain Capital Credit (previously Sankaty Advisors) was founded in 1998 as a credit affiliate of Bain Capital. Bain Capital Credit is wholly-owned by Bain Capital, which is in turn owned by its Managing Directors, many of whom are Sankaty professionals. The firm specializes in performing and non-performing credit, mezzanine debt, and structured products. Jonathon Lavine is the founder, CIO, and Managing Partner of Sankaty Advisors. He is responsible for overseeing investment strategy, firm management, and risk management.

NEPC Investment Thesis

Bain Capital Credit enjoys a competitive advantage in the bank loan space due to their experienced management team and breadth of issuer coverage conducted by a large industry research group. With an investment team of nearly 100 individuals, Bain is able to analyze a greater number of companies and credits than peers. This coverage breadth will lead to investment opportunities in issues that fall outside of the large, liquid flow names, which often offer attractive return potential for little or no additional risk. Furthermore, as an affiliate of a well-known and successful private equity firm, the strategy is able to leverage relationships and contacts of the Bain investment team to gain valuable insights.

People

The Senior Loan strategy at Bain is managed by a five portfolio manager team dedicated to performing credit strategies. The group is led by CIO of Performing Credit Jon DeSimone. A team of four portfolio managers work with Mr. DeSimone in managing the bank loan strategy. Bain organizes its research group by industry into 14 teams, which consist of 2-3 individuals each. All industry groups include one senior analyst and/or portfolio manager and at least one other junior analyst. The traders at the firm are organized by industry vertical as well. A four-person Credit Committee consisting of Managing Partner Jonathon Levine, Tim Barns (Chief Credit Officer), Stuart Davies (CIO of Opportunistic Credit and Middle Market) and Jon DeSimone are charged with approving credits across Bain portfolios and setting industry/sector allocation. As the lead portfolio manager for the Senior Loan strategy, Jon DeSimone is the primary decision maker for the strategy’s industry and risk allocation. A separate Risk & Oversight Committee is fully integrated into the investment process and is charged with ensuring guideline adherence, monitoring portfolio risks, and maintaining a proprietary issuer and security information database.

Bain Capital Credit, LP
Sankaty Senior Loan Strategy ex. CLOs

Philosophy
Bain seeks to construct diversified portfolios of high quality companies and to add value through superior security selection and default avoidance. By employing a very large team of industry experts, Bain can add value by investing in issues and issuers that peer firms choose not to follow due to 1) a lack of resources or 2) too large such that the position would not have a meaningful impact on the portfolio.

Investment Strategy
Bain employs a bottom-up approach to credit investing. 14 industry teams are responsible for generating investment ideas and monitoring portfolio credits. Bain differentiates itself in its investment process by heavily emphasizing industry level research, where most peers begin at the company level. Portfolio positioning will tilt towards industries with attractive characteristics, such as high barriers to entry, low cyclicality, and diverse profit drivers, among others. Within industries, analysts seek to identify the top companies by assessing product, pricing, customers, and costs with the goal of answering the simple question "does anyone care of this company goes away?" A thorough credit analysis is performed on companies where there is a potential investment opportunity. Analysts evaluate credits via a multi-factor assessment of leverage, free cash flow relative to debt, enterprise/liquidation value, and covenant structure. Creditor agreements also undergo a third-party legal assessment, which provides an independent evaluation of security structure.

Bain Capital Credit, LP
Sankaty Senior Loan Strategy ex. CLOs

Once industry teams have completed their thorough industry, company, and credit analysis, the potential investment is presented to the Credit Committee. Credit Committee meetings are attended by many Bain investment professionals. The group debates the merits of the investment and its appropriateness for Bain strategies. Decisions are typically made on a consensus basis by the four-member Committee. Jon DeSimone will make the ultimate decision on suitability for the Senior Loan strategy. In addition to assessing suitability, Mr. DeSimone is responsible for determining the strategic industry allocation and positioning sizes in the Fund. Position sizing is based on the view of risk/reward, which is a function of investment fundamentals and liquidity. Weekly positioning meetings are held where portfolio managers, the Credit Committee, the Risk & Oversight Committee, and head traders meet to analyze portfolio positioning changes to ensure consistent strategy Firm-wide. On a quarterly and ad hoc basis, portfolio managers present to the Risk & Oversight Committee. The objective of these meetings are to assess several facets of risk at the strategy and firm level such as attribution, asset allocation, investors base, and counterparty exposure.

Portfolio
The Senior Loan strategy will consist mainly of liquid, first lien bank loans, but has the flexibility to invest across the corporate capital structure and geographies. Illiquid securities can be purchased but will not comprise more than 10% of the portfolio. The strategy must maintain a minimum 90% allocation to secured debt which may include secured high yield bonds. 25% or less of the portfolio can be invested in fixed-rate debt. The manager has discretion with regards to currency hedging, but non-USD currency positions will be typically be less than 10%. The strategy will hold 125-175 positions with position sizes ranging from 0.5% to 1.5%; maximum issuer allocation is 3%.

Bain Capital Credit, LP
Sankaty Senior Loan Strategy ex. CLOs

Performance Expectations

Through fundamental credit selection and active management, Bain aims to provide investors with exposure to the bank loan asset class in a benchmark agnostic approach. The Senior Loan strategy seeks to outperform the S&P LSTA Leveraged Loan Index with fewer defaults than the broad market. Investors should expect Bain to outperform in most market environments, especially those with elevated defaults. Given the group's emphasis on industry analysis, material active positions will be taken at the industry level. While distressed and stressed companies are not a material component of the portfolio, defaults do occur; Bain has significant resources devoted to restructurings and bankruptcy processes and as such will not indiscriminately sell a position if bankruptcy is expected.

Bain Capital Credit, LP
Sankaty Senior Loan Strategy ex. CLOs

Jonathon Lavine, Managing Partner
Mr. Lavine founded Sankaty Advisors in 1997 having previously joined Bain Capital in 1993. He is a Managing Director, and since inception, Managing Partner and the Chief Investment Officer. He is chair of the firm’s Credit Committee and Risk & Oversight Committee with overall responsibility for investment strategy, firm management and risk. Before the formation of Sankaty, and the eventual re-branding to Bain Capital Credit, Mr. Lavine worked in Bain Capital’s private equity business. Prior to joining Bain Capital, Mr. Lavine was a consultant at McKinsey & Company. He began his career at Drexel Burnham Lambert in the Mergers & Acquisitions Department. Mr. Lavine graduated Columbia College, Phi Beta Kappa and magna cum laude, and holds an M.B.A. with Distinction from Harvard Business School.

Jonathan DeSimone, Managing Directcr
Mr. DeSimone joined Bain Capital Credit (previously Sankaty Advisors) in 2002. He is a Managing Director, member of the Credit Committee, and portfolio manager for the Senior Loan Fund, High Income Partnership and Bain's separate accounts in liquid credit. Prior to his current role, Mr. DeSimone covered the enterprise services and chemicals industries. In addition, he opened Bain's London office and served as its head from 2005-2009. Previously, Mr. DeSimone was a Manager at Bain & Company where he worked in the firm's Private Equity Practice performing strategic due diligence and post-acquisition strategy assessments. Mr. DeSimone received an M.B.A. from the Amos Tuck School of Business at Dartmouth College as an Edward Tuck Scholar with Highest Distinction and a B.A. from Georgetown University.

Beach Point Capital Management LP
Beach Point Loan Fund

Taylor Furlong, Research Analyst
Source: NEPC and eVestment
October 2016

Firm Description

Beach Point was founded in 2008 after founding partners and co-CIOs Carl Goldsmith and Scott Klein, through a management buyout, purchased the alternatives business of Post Advisory Group, LLC. Mr. Goldsmith and Mr. Klein managed high yield, bank loan, and distressed debt portfolios during their time at Post. Beach Point focuses on high yield bonds, senior loans, distressed debt and special situations, event-driven equities, and other opportunistic investments. The firm also specializes in under-followed investments and middle-market loans. As of December 31, 2015, Beach Point is 100% employee owned with Mr. Goldsmith and Mr. Klein being the sole owners.

NEPC Investment Thesis

Beach Point specializes in below investment grade debt investing with a preference for underfollowed investments, middle market loans, and complex debt structures. The team is large and experienced with an average of 13 years in the industry. In addition, 25% of investment professionals have experience in bankruptcy and securities law. This informational advantage, combined with Beach Point's size, allows the team to be active and nimble when exploiting pricing inefficiencies in the market.

People

The investment team is led by co-CIOs Carl Goldsmith and Scott Klein, who worked together at Post Advisory for many years before founding Beach Point. Mr. Goldsmith and Mr. Klein ultimately have decision making authority on buy and sell decisions for all Beach Point strategies. Portfolio Managers Will Kozicki and Allan Schweitzer handle much of the day-to-day bank loan portfolio responsibilities. Beach Point employs a sizeable team of analysts and traders that cover a relatively small number of issuers each, ensuring a high level of expertise and understanding of their credits. An in-house legal team is also leveraged when analyzing complex indentures, covenants, and debt agreements. Beach Point employs internal finance, accounting, operations, and risk departments.

Beach Point Capital Management LP
Beach Point Loan Fund

Philosophy

Beach Point seeks to construct a diversified portfolio of bank loans that exhibits less risk than the broad market while still maintaining upside potential. They do this by focusing on three areas of analysis: value identification through intensive due diligence, downside protection, and risk management. Additionally, Beach Point uses their experience and depth of knowledge to seek opportunities in investments that are underfollowed by the broad market.

Investment Strategy

Beach Point conducts a four stage investment process: idea generation, value scoring model, credit analysis, and portfolio construction. The idea generation stage is driven by a deep team of investment analysts covering the full spectrum of high yield issuers' capital structures. Analysts have often covered these companies for several years, allowing them to quickly identify new investment opportunities when they arise. Investment ideas can come from a multitude of sources including industry contacts, suppliers, trade shows, buy- and sell-side relationships, and high yield dealers, among others. Ideas are also screened using a proprietary value scoring model. The model screens the investable universe on the following factors: industry position (barrier to entry, pricing power, and regulatory issues), company position (ownership, profitability, event risk), and security position (seniority, covenant and asset protection).

At the crux of the investment process is the bottom-up fundamental credit due diligence performed by the analysts. Once investment ideas have been identified as potential investment opportunities a detailed analysis process ensues. Analysts complete exhaustive due diligence on issuers and issues by researching factors such as capital structure, covenants, asset valuation, and liquidity. Interviews with various company stakeholders are performed to get a complete perspective of the issuers operations, management reputation, and profitability. On-site visits are done on an as-needed basis. Before purchasing a security, the team performs a relative value assessment to determine margin of safety, intrinsic value versus market pricing, potential catalysts, and value versus other opportunities in the market.

Beach Point Capital Management LP
Beach Point Loan Fund

The portfolio construction process necessitates participation from all members of the investment team. Analysts conduct the in-depth due diligence necessary to identify potential investment opportunities and traders provide valuable information on technicals, inventories, secondary market trading, and temporary mispricing. The two co-CIOs are responsible for approving all investment ideas for purchase in Beach Point portfolios. Once approvals are given, portfolio managers are given the latitude to work with analysts and traders to build and monitor positions. Positions are constantly re-evaluated to assess whether the original investment thesis still holds. On a weekly basis, traders are tasked with assigning a liquidity score to every holding across the all strategies. Portfolio managers use this system in order to assess the aggregate liquidity profiles across the Beach Point strategy platform.

Portfolio
The Beach Point Loan Fund invests primarily in senior secured bank loans, but will also opportunistically invest in high yield bonds, distressed debt, middle market loans, DIP financing, and bridge facilities. High yield bond allocation will range from 5-20% of the portfolio. Maximum issuer and industry allocation are 5% and 15%, respectively. Beach Point's active, nimble investment style leads to turnover that is typically greater than peers at 75-120%. The portfolio will be more concentrated than peer strategies with between 50-100 holdings on average.

Performance Expectations
Beach Point does not manage the Bank Loan strategy to a particular benchmark, but aims to outperform the broad leveraged loan market at a lower level of volatility. A strict focus on risk management and downside protection should result in outperformance in periods of elevated volatility. Beach Point may underperform in markets where fundamentals and credit selection are not rewarded. Note: the Bank Loan Fund composite includes periods prior to 2009 when the Fund used small amounts of leverage. Leverage is no longer used in the Fund.

Beach Point Capital Management LP
Beach Point Loan Fund

Scott Klein, Founding Partner, Co-CIO
Scott Klein is a Founding Partner and Co-Chief Investment Officer for Beach Point Capital Management. Mr. Klein has 20 years of experience in managing high yield bonds, bank loans and distressed debt portfolios and restructuring companies in financial distress. Before founding Beach Point Capital, Mr. Klein was Senior Managing Director at Post Advisory Group. Mr. Klein was responsible for co-running the alternative business of Post Advisory and co-managing the Total Return, Distressed Debt, and Corporate Loan strategies. In the early 1990s, Mr. Klein spent four years as a bankruptcy attorney at the law firm of Murphy, Weir and Butler. He subsequently served as a vice president analyzing distressed investments at Dabney Resnick Imperial.

Carl Goldsmith, Founding Partner, Co-CIO
Carl Goldsmith is a Founding Partner and Co-Chief Investment Officer for Beach Point Capital Management. Mr. Goldsmith has 20 years of experience managing high yield bonds, bank loans and distressed debt portfolios and working on corporate restructurings. Prior to founding Beach Point Capital, Mr. Goldsmith was the Senior Investment Officer at Post Advisory Group. Mr. Goldsmith was responsible for co-running the alternative business of Post Advisory and co-managing the Total Return, Distressed Debt, and Corporate Loan strategies. In the early 1990s, Mr. Goldsmith worked in the Bankruptcy Support and Valuation departments at Price Waterhouse.

William Kozicki, Portfolio Manager
William Kozicki is a Portfolio Manager for Beach Point Capital Management. Mr. Kozicki has been focused on the high yield and senior bank loan market for over 10 years and prior to Beach Point was a Senior Investment Analyst at Post Advisory Group responsible for various aspects of its bank loan platform. Before Post, Mr. Kozicki was Vice President of Leveraged Loan Investments at AIG for five years. Mr. Kozicki previously served in various financial and investment analysis roles at Merrill Lynch High Yield Investment Banking, Bank of America Mezzanine Investments Group and Warner Brothers Strategic Planning. Mr. Kozicki received a bachelor's degree with a dual concentration in finance and entrepreneurial management from the University of Pennsylvania's Wharton School of Business.

Beach Point Capital Management LP
Beach Point Loan Fund

Allan Schweitzer, Portfolio Manager
Allan Schweitzer is a Portfolio Manager at Beach Point Capital Management. Mr. Schweitzer has been in the industry for 18 years most recently as Chief Investment Officer and Senior Portfolio Manager at Post Advisory Group where he specialized in High Yield securities. Prior to Post, Mr. Schweitzer was a senior high yield analyst at Trust Company of the West where he specialized in healthcare, media, and the telecommunications industries. Prior to TCW, he was an emerging market corporate credit analyst at Putnam Investments. While at Putnam, he also designed global fixed income risk models. Mr. Schweitzer received a bachelor's degree in business administration from Washington University at St. Louis and his MBA from the University of Chicago with a concentration in analytical finance and international economics.

Crescent Capital Group LP
Crescent Bank Loan Strategy

Taylor Furlong, Research Analyst
Source: NEPC and eVestment
October 2016

Firm Description

The history of Crescent Capital Group LP ("Crescent") spans nearly 20 years. Crescent Capital Corp. was formed in July 1991 to focus on below investment grade credit markets. In 1995 Crescent joined Trust Company of the West ("TCW") to augment TCW's fixed income capabilities and to offer its clients specialization in below investment grade markets. The Crescent team was rebranded as the TCW Leveraged Finance Group and remained a part of TCW for 15 years. In the summer of 2010 the decision was made by the founders of Crescent to spin off from TCW. On January 1, 2011, Crescent Capital Group LP began operating as an independent, 100% employee-owned, registered investment advisory firm. The firm manages assets in two primary business divisions: public capital markets (high yield bonds and bank loans), private markets (private debt, distressed and mezzanine).

NEPC Investment Thesis

Since much of the upside is limited in bank loans, avoidance of default, and in the instance of default, maximizing recovery is key to preserving capital. The experience of the team, relationships they have built within the industry, and the firm’s focus on credit all support Crescent’s access to deal flow in primary markets, and ability to operate in secondary markets. Crescent has one of the longest bank loan track records in the industry dating back to 1993. We expect Crescent to outperform the market by investing conservatively in large syndicated issuers of leveraged loans and by avoiding defaults.

People

Crescent is overseen by a management committee that includes members of the investment teams. Below this level are five major investment teams: Capital Markets, Mezzanine, Direct Lending, European Specialty Lending, and Special Situations. The Capital Markets team, which consists of more than individuals, is responsible for the management and credit research of bank loan portfolios. Jonathan Insull and Wayne Hosang are the key decision makers for the bank loan strategy.

Crescent Capital Group LP
Crescent Bank Loan Strategy

Philosophy

Crescent's philosophy with respect to bank loans emphasizes principal preservation and income generation. A bottom-up approach to credit research is the primary driver of the investment process. The strategy focuses on companies that offer attractive yields, and that possess the ability to service their debt obligations in the future. Avoiding default is the most important part of managing bank loan portfolios, since the upside is very limited in the asset class; avoidance of losses due to default is key to adding value over the benchmark. There is also opportunity to add value through a credit cycle, as credit spreads widen and tighten. The strategy, over time, will be gradually risk-seeking in periods when spreads are wide, and risk-averse when spreads are tight.

Crescent Capital Group LP
Crescent Bank Loan Strategy

Investment Strategy

Through the credit research process the team attempts to select those issuers exhibiting superior credit characteristics. It tends to eliminate from consideration issuers operating in industries whose participants possess a limited ability to maintain a competitive advantage because of low entry barriers or an excessive reliance on technological innovation for growing cash flow. The investment process begins with screening the investment universe of eligible securities. While the potential universe is large (1, 500 issuers of bank loans), Crescent focuses on issues of companies with EBITDA greater than $100 million. Security types such as deferred-interest, PIK, step-up, and zero coupon are generally avoided because a primary objective of the strategy is to generate a high amount of current income, and these security types do not provide a reliable source of income.The next filter in the strategy's screening process focuses on proven industries that have historically been able to support their leverage. The strategy favors industries that demonstrate predictable demand and whose participants demonstrate stable cash flows, sustainable margins, profitability, and growth. The portfolio will tend to be biased towards the middle to upper tier segments of the market, which tend to be the largest and most stable industry sectors. Credit research is performed on strong issuers that pass initial screens and requirements.Meeting with management is a key part of assessing a company's business prospects. Management teams with proven track records, and that can clearly articulate the business plan are positive and indicators of potential security targets. In addition to meeting with management, Crescent will contact upstream or downstream business partners to corroborate research with the target entity. The goal is to understand the overall health of the company issuing the debt including the company's market position, competitive advantages, and performance record. In addition, the team reviews their financial flexibility and conducts sensitivity analysis to see if they have the wherewithal to endure difficult market conditions and if they have sufficient liquidity. The credit monitoring process is ongoing with the goal of identifying deteriorating situations before they occur. A flat team structure is conducive to acting quickly in such circumstances.

Portfolio

The team will focus on large, liquid issuers, with approximately $100 million in EBITDA and a rating B- and above. Any single issuer is limited to 3% of the total portfolio, and any industry exposure is limited at 15%. Portfolios are highly diversified across issuers and industries. The strategy targets about 150 issuers.

Crescent Capital Group LP
Crescent Bank Loan Strategy

Performance Expectations
While the strategy aims to outperform in all markets, the goal is to outperform the index over a market cycle (usually around 3 years). Because of its conservative investment style, the strategy will likely protect better on the downside by avoiding the lowest quality sectors of the market, and by avoiding defaults. The strategy may lag in strong recovery markets due to its bias away from higher beta segments of the market.

Crescent Capital Group LP
Crescent Bank Loan Strategy

Jonathon Insull, Managing Director
Mr. Insull is a Managing Director of Crescent Capital Group LP focusing on capital markets and a Managing Director of Trust Company of the West in his capacities with respect to the management of certain other funds sub advised by Crescent Capital Group. Mr. Insull is a lead Portfolio Manager of Crescent Capital Group’s Bank Loan strategy. Since joining the team in 1997, Mr. Insull has served in a number of roles of increasing responsibility, including Credit Analyst, Director of Research and Portfolio Manager. He previously worked as a credit officer at The Chase Manhattan Bank, and its predecessor institutions, Chemical Bank and Manufacturers Hanover Trust. Mr. Insull received a BA in Economics Summa Cum Laude from Hobart College where he was elected to Phi Beta Kappa and an MBA in Finance from New York University.

Wayne Hosang, SeniorVice President
Mr. Hosang is a Senior Vice President of Crescent Capital Group LP focusing on capital markets. He is an Assistant Portfolio Manager of Crescent Capital Group’s Bank Loan strategy and a research analyst for the Capital Markets strategies. Prior to joining the team in 2005, he spent four years in Corporate Banking at Soci t G n rale where he managed the bank's credit exposure to corporate clients with a focus on the integrated utility sector during his final two years. From 1993 to 2000, he worked in the loan restructuring and workout groups at TD Securities (USA), Bank of Tokyo Mitsubishi, and Merrill Lynch & Company. Mr. Hosang received a BA from the University of Massachusetts, Amherst, and an MBA from Columbia University.

John Fekete, Managing Director, Portfolio Manager
Mr. Fekete serves as lead Portfolio Manager of Crescent Capital Group's High Yield Bond strategy and a Portfolio Manager of the Senior Bank Loan strategy. He joined TCW in 2001 and most recently served as a Portfolio Manager with responsibility for TCW's High Yield accounts. Before joining TCW he was a high yield research analyst at Triton Partners in New York City where he was responsible for investments in the gaming, lodging, telecommunications and cable television industries. Mr. Fekete began his career at Philadelphia-based CoreStates Bank, where he served as a credit analyst. Mr. Fekete received an MBA with distinction from Cornell University and a BS in Finance from The College of New Jersey.

Guggenheim Investments
US Bank Loans

Taylor Furlong, Research Analyst
Source: NEPC and eVestment
October 2016

Firm Description
Guggenheim Investment Management LLC (GIM) is a Registered Investment Advisor and the corporate credit-based investment management group of Guggenheim Capital LLC. GIM is 45% employee owned, while Guggenheim Capital holds the remaining 55% stake. Guggenheim Partners Asset Management (GPAM) is another Registered Investment Advisor and affiliate of Guggenheim Capital LLC, with a focus on core fixed income, securitized bonds and special situations. GIM and GPAM are currently in the process of forming one legal entity (one Registered Investment Advisor) which will include firm-wide GIPS compliance. GIM traces its roots back to the early 2000s when the group managed private debt and public corporate debt for the Guggenheim family. GIM began managing money for other high net worth individuals and institutions, thus launching the investment management business. GIM specializes in private debt markets, asset-backed securities, mezzanine lending, high yield bonds and bank loans, with a particular emphasis on middle market issuers.

NEPC Investment Thesis
Guggenheim is a firm with one foot in public debt markets and the other foot in private debt markets. The information flow from both areas (private debt, mezzanine financing, DIP, and public issuance) provides access to deal flow and an information advantage in secondary markets, particularly in middle-markets, where Guggenheim prefers to operate. Guggenheim tends to avoid the largest bank loan issuers as they believe this is not an area where they can add value. An additional component to Guggenheim’s investment thesis is the integration of their legal team in the investment process. Bank loans are a research-intensive asset class and having legal expertise, particularly related to debt covenants, is a distinguishing part of the investment process.

People
Scott Minerd, CIO, is in charge of the investment teams at Guggenheim. a five-member Investment Committee is charged with approving all investments in Guggenheim credit portfoios. Credit research is organized by sector teams, with one or more senior team leaders representing each sector. The team leader is an experienced, senior-level analyst that works collaborates with junior level analysts in the sector and organizes the research effort to vet credit ideas. Credit research consists of fifteen senior members, plus a large team of junior analysts. The legal team consists of seventeen members.

Guggenheim Investments
US Bank Loans

Philosophy

The firm's investment philosophy centers on performing intensive bottom-up credit analysis in order to identify the most attractive investments and to manage downside risk. Deep industry, company, and debt structure due diligence by both analysts and a team of legal experts is required to consistenly add value and, most importantly, preserve investor capital. Guggenheim believes portfolios should be constructed without regard to a benchmark and only high conviction investments should be considered.

Investment Strategy

Guggenheim's strategy for bank loans focuses on investing in senior secured bank loans with a preference for middle market companies, which may be defined as companies that have less than $1.0 billion of debt outstanding. Although Guggenheim will invest in the securities of larger-capitalized companies, those securities generally have characteristics that set it apart within the company's capital structure. Before performing in-depth credit research, Guggenheim screens issuers based on basic criteria. The team looks for established businesses that have an economic reason to exist, an enterprise value that comfortably exceeds the relevant entry point in the capital structure, and market leaders that possess demonstrated strategic advantages to competitors. In addition, analysts look for management teams with strong credentials and track records, and equity sponsors that have a demonstrated commitment to portfolio companies. Fundamental credit research focuses on the entire capital structure of an issuer. Guggenheim will not investment in a company until all debt covenants and structure are completely understood. Research will focus on identifying companies with strong capitalization, balanced leverage, and financial coverage. Further research includes a quantitative analysis of the financial aspects of the company including the revenue, EBITDA, cash flow, and financial coverage. They also conduct a qualitative analysis focused on the management team, equity sponsor, competitors and barriers to entry. Particular attention is paid to the review and analysis of covenants, legal entitlements to collateral, multi-scenario stress testing and cash flow valuation.Credit analysts and sector specialist are directly responsible for determining and monitoring the credit quality of each investment. Matt Bloom and Joe McCurdy, co-Heads of Research, leads the credit research team. Credit analysts and sector specialists evaluate key quantitative and qualitative factors which serve as important tools to assess credit quality and relative value.

Guggenheim Investments
US Bank Loans

Portfolio
The portfolio is relatively concentrated, targeting between 80-100 issuers. Maximum issue size is 3%. Securities are purchased with the intent to hold for longer terms; turnover is usually under 50%. Credit quality averages around B, CCC rated issues are a meaningful part of the portfolio, but usually not exceed 14% of the total market value. The strategy may invest up to 25% in high yield bonds, but seldom uses the full allocation permitted. The strategy will also invest in non-US securities, mostly in western Europe.

Performance Expectations
Since some of the securities are not as liquid as the broad leveraged loan market, lower liquidity profile of the strategy should be taken into account. Historically, the strategy has performed well in down-markets, with reasonable upside capture in recovery periods.

Guggenheim Investments
US Bank Loans

B. Scott Minerd, Chief Investment Officer, Managing Partner
Scott Minerd is a Managing Partner of Guggenheim Partners and CIO of Guggenheim Partners Asset Management (GPAM), where he oversees approximately $42 billion in client assets. Mr. Minerd previously worked as a Managing Director for Morgan Stanley; at Credit Suisse, he was responsible for overseeing fixed-income credit trading in the United States, Europe and Asia. Early in his career, Mr. Minerd made significant contributions to the development and use of derivative securities in the global capital markets. During the 1993 European exchange rate crisis, he orchestrated the restructuring of Italy's Eurobond debt. Mr. Minerd began his career as a CPA and worked for the public accounting firm of Price Waterhouse. He received a bachelor's degree in economics from the Wharton School at the University of Pennsylvania and completed graduate work at both the University of Chicago Graduate School Of Business and the Wharton School at the University of Pennsylvania. Mr. Minerd is a regular featured guest on FOX Business News, Bloomberg Television, and CNBC sharing his insight on today’s financial climate.

Kevin Gunderson, CFA, Managing Director, Portfolio Manager
Mr. Gundersen is a portfolio manager for Guggenheim's Corporate Credit Strategies and is a member of the Investment Committee. He has been with Guggenheim Partners since December 2002. Since joining Guggenheim, Mr. Gundersen has been instrumental in the growth of the Corporate Credit business. During his career at the firm, Mr. Gundersen has been an analyst covering a variety of sectors, and subsequently led an industry team that focused on investing across the capital structure in the media, telecommunications and technology sectors. In addition, in his capacity as a senior analyst and as a team leader, Mr. Gundersen has sourced and structured directly negotiated middle market debt investments. Prior to joining Guggenheim, Mr. Gundersen worked at GeoTrust, a technology company focused on eCommerce security solutions. Mr. Gundersen received his A.B. from Harvard University and is a CFA Charter holder.

Guggenheim Investments
US Bank Loans

Zach Warren, Senior Managing Director, Fixed Income Analyst
Mr. Warren joined Guggenheim in 2004, focusing originally on middle market lending transactions. Currently, Mr. Warren leads Guggenheim's west coast initiatives and is focused on investing across the capital structure and across various leveraged credit markets in a variety of industries including business services, industrials and energy. Prior to Guggenheim, Mr. Warren was a senior research analyst at Centre Pacific, LLC, a Los Angeles-based high yield and bank loan portfolio manager where he focused on the food, retail, restaurant and telecommunication industries. Prior to Centre, Mr. Warren was a Vice President at Bear Stearns in the equity research group. Mr. Warren received his MBA from the Anderson School of Business at UCLA and his B.A. in Economics from the College of William & Mary.

Loomis, Sayles & Company, L.P.
Bank Loan

Taylor Furlong, Research Analyst
Source: NEPC and eVestment
October 2016

Firm Description
Loomis, Sayles & Company was founded as an investment management company in 1926. Throughout its history, the firm has grown to become a primarily institutional investment manager with specialized products in domestic/international fixed income, equities and alternatives. Currently, the firm is a wholly owned subsidiary of NATIXIS Global Asset Management. Loomis has built a strong organizational culture around proprietary research and fundamental analysis, and has applied this approach to investing across all of its products. The firm manages strategies across multiple asset classes, with a majority in domestic and international fixed income.

NEPC Investment Thesis
Loomis adds value to bank loan portfolios through their proprietary credit research platform. Loomis credit analysts are career positions. The firm is able to leverage research on specific credits across their product spectrum. Analysts develop nuanced opinions on credits spanning the capital structure, with the objective to develop a thesis before the marketplace and rating agencies can react. John Bell, Kevin Perry and Michael Klawitter, drive the investment strategy and decision making process.

People
Loomis Sayles' bank loan strategies are led by John Bell, Kevin Perry and Michael Klawitter. Michael Klawitter recently joined the team as the 3rd PM in 2016. Both John and Kevin previously worked at First Capital Holdings/Life Insurance where they were early investors in leveraged loan portfolios. While the portfolio level decisions are made by John, Kevin, and Michael, they are supported by Loomis' centralized credit research team. Below investment grade analysts cover the entire capital structure of an issuer, thus analysts make recommendations for senior secured loans, and for bonds.

Philosophy
Loomis believes that constructing bank loan portfolios based on bottom-up fundamental credit research coupled with a team management approach is the best way to add value to portfolios. The strategy emphasizes high current income generation and protection of capital in all economic environments. Furthermore, the benefits of bank loans are best created through portfolios broadly diversified by both company and industry. The goal is to own only loans with collateral values significantly in excess of par. The strategy will focus on par loans and will be generally conservative in nature. Yield and quality are the primary focus of security selection.

Loomis, Sayles & Company, L.P.
Bank Loan

Investment Strategy

Loomis Sayles' bank loan strategy seeks high current income and preservation of capital through a well-diversified portfolio primarily constructed of bank loans. The strategy's targeted return is LIBOR + 200-400 basis points over a full market cycle. Volatility is expected to be less than that of intermediate term Treasury Bonds. The investment process of Loomis' bank loan products focuses on credit selection and diversification. Individual portfolio ideas are evaluated by the fund's portfolio management team and credit analysts based on investment return potential and contribution to overall portfolio risk. Bank loans tend to pay down or be paid off quickly (3 years on average, with some paid off much faster) so looking at risks to the firm or the industry over the next decade is unlikely to be helpful. Moreover, the subtle, long-term risks, which often send high yield bond prices down many points, do not tend to move bank loan prices significantly, given their seniority and collateral, among other reasons. If there is a reasonable probability of default in the next two years, analysis of the un-owned credit ceases. Within the bank loan asset class, analysts focus on two key areas on every loan:"What is the probability of default in the next 12-24 months?" and "If there is a default, will the bank loan be well covered by value (a combination of collateral and enterprise value)?Maintaining credit cushions is also important to the bank loan strategy, with analysis covering such items as debt and equity subordination, quality of equity, collateral that is valuable and separable, loan covenants, and rating/quality of loans. Second lien loans are generally de-emphasized in the overall portfolio due to their subordination in the overall capital structure. This subordination to first lien loans leads to a risk/return profile that is more similar to unsecured high yield bonds. Loomis is also skeptical of second lien loans due to their short performance history and untested performance in a down market. As such, second lien loans are generally not a part of the strategy, however, Loomis may invest a very small allocation in second liens if valuations are extremely compelling and the collateral is strong.

Portfolio

Within the portfolio, a single issuer is limited to less than 5% of the total portfolio. The portfolio will be diversified with between 150 and 350 issues, while industry concentrations are closely monitored to maintain diversification. The portfolio is expected to maintain an average BB rating. Second lien and unsecured debt will be a very small component of the strategy.

Loomis, Sayles & Company, L.P.
Bank Loan

Performance Expectations
Loomis' bank loan strategy is conservative in nature. It should perform in-line with the index in most market environments, but protect better on the downside because in such markets, defaults tend to increase and weaker credits will trade lower in price.

Loomis, Sayles & Company, L.P.
Bank Loan

John Bell, Fixed Income Portfolio Manager
John was one of the original non-bank buyers of bank loans starting in 1988, where he was in charge of developing the bank loan effort at First Capital Holdings/First Capital Life Insurance. He later became Director of Research at that firm, which managed nearly $10B of assets including over $4B of high yield bonds and over $300MM of bank loans. He joined Loomis Sayles as a portfolio manager in 2001 to help the firm develop and manage its bank loan products. Prior to that, he served as a vice president and portfolio manager at Back Bay Advisors and at Jurika & Voyles (where he was Head of Credit and helped manage several hundred million dollars of fixed income, including high yield). John also previously served as President and Principal for Sextant Investments, a merchant bank, and Director of Research at Dabney/Resnick, Inc., a brokerage specializing in distressed securities, including bank loans. He earned a BBA from the University of Massachusetts, Amherst and an MBA from the University of California, Berkeley.

Kevin Perry, Fixed Income Portfolio Manager
Kevin started managing Bank Loans in 1989 and was one of the original non-bank managers of this asset category. He started his investment career in 1974, and was a Senior Vice President and Director of Baring America Asset Management Company where he managed over $500 million of high-yield bonds for a number of years. He joined Loomis Sayles in 2001 to help the firm establish and manage bank loan products. Prior to that, he served as a Senior Vice President at Jurika & Voyles where he was Head of Fixed Income (responsible for several hundred million dollars of diversified credit-sensitive fixed income portfolios) and Back Bay Advisors where he co-managed an institutional high-yield portfolio. Kevin also served as Chief Executive Officer and Principal for Sextant Investments, a merchant bank, and Senior Vice President and Chief Investment Officer at both The Pilgrim Group (where he supervised the largest bank loan mutual fund at that time of over $1 billion) and First Capital Holdings/First Capital Life Insurance (where he supervised a portfolio of about $10 billion, including over $4 billion of high-yield investments and several hundred million dollars invested in bank loans). He earned a BSBA from Lowell Technological Institute and an MBA from Boston University where he also pursued doctoral work in finance.

Loomis, Sayles & Company, L.P.
Bank Loan

Michael Klawitter, Fixed Income Portfolio Manager
Michael Klawitter is a vice president and portfolio manager for the bank loan team at Loomis, Sayles & Company. He began his investment career in 1997 in fund operations where he managed a group of fund specialists before joining Loomis Sayles in 2000 as a senior specialist in the mutual fund group. Prior to working for the bank loan team, Michael was one of the initial members of the newly formed quantitative research and risk analysis (QRRA) group, where he spent two years providing support to portfolio managers, traders and marketing professionals. Most recently, he was a strategist for the bank loan team. Michaelearned a BA from the University at Buffalo and an MSF from Boston College.

Pacific Asset Management
Corporate (Bank) Loan Strategy

Taylor Furlong, Research Analyst
Source: NEPC and eVestment
October 2016

Firm Description
Pacific Asset Management (PAM) is a fixed income advisor specializing in corporate debt strategies. PAM is a business division of Pacific Life Advisors, a wholly owned subsidiary of Pacific Life Insurance Company (Pacific Life). Prior to being formed in 2007, PAM managed fixed income assets for the general account of Pacific Life. PAM now manages third-party assets in addition to the general account of the parent.

NEPC Investment Thesis
Pacific Asset Management invests mainly in the large and liquid portion of the broadly syndicated bank loan market. Being a small firm by assets under management, the team is able to be highly selective in constructing portfolios, leading to investments in 80-150 high conviction credits. This selectivity gives PAM a distinct advantage over bulge bracket managers and allows them to avoid being a closet indexer . Additionally, investing in only the most liquid issues gives them the ability to be active and opportunistic in times of elevated volatility.

People
JP Leasure and Michael Marzouk serve as co-portfolio managers on this strategy. Mr. Leasure leads the credit research effort at PAM and directs a group of nine research analysts. Analysts are organized by sector group, covering between two and four sectors each. Portfolio managers are charged with approving credits, portfolio positioning, and trade execution while research analysts are responsible for identifying and presenting attractive investments to the Credit Committee.

Philosophy
The PAM bank loan investment philosophy centers on fundamental credit analysis and preservation of investor capital. A selective investment approach to corporate credit provides downside risk protection and a margin of safety. A focus on minimizing loss while providing the upside of the asset class is vital to the strategy’s value proposition.

Pacific Asset Management
Corporate (Bank) Loan Strategy

Investment Strategy
The investment process begins with a market assessment that integrates current portfolio risk positioning with their forward looking views on the macro environment. Factors such as corporate health, interest rate trends, and market technicals are discussed in order to develop a framework for risk positioning and sector positioning. Weekly sector reviews are also conducted where the analysts provide detailed insights into outlook, industry dynamics, and key themes within the sector. These discussions, in conjunction with the macro market assessment, lead the portfolio management team to arrive at sector and risk positions for bank loan portfolios.

Once sector and risk positions are determined by the team, analysts conduct screens of the investment universe to filter out credits and issuers that do not pass an initial set of criteria. Issuers with $100 million or less in EBITDA and facilitiy/issue sizes less than $300 million are eliminated from the potential pool of investments. The screens reflect PAM’s preference for liquidity and companies with larger, and thus more flexible, balance sheets. Fundamental analysis of potential investments is done on primary and secondary market credits where the analyst feels there is an investment opportunity. Company and capital structure analysis is a key piece of PAM’s investment process. They employ a traditional approach to fundamental analysis, emphasizing cash flow generation and ability to service debt. In addition, analyst will conduct in depth evaluation of each company’s competitive position, management, and cost structure. Given that analysts at PAM work with both loans and bonds, they are able to do full capital structure analyses to better understand relative value.

Pacific Asset Management
Corporate (Bank) Loan Strategy

All members of the credit team participate in the investment decision making process. Analysts go to the Credit Committee with their analyses, which are structured in a standardized template format. Once the committee agrees that a company is a viable business and has the ability and willingness to service its debts, a relative value discussion will commence. The team will determine how the potential investment might contribute to portfolio risk and diversification. A consensus is typically sought in order to approve a security to the buy list, but ultimately the portfolio management team owns the decision. Portfolio construction lies with the portfolio management team (see Portfolio section for more detail). Portfolio monitoring is an ongoing and constant step in the investment process. Using a proprietary centralized credit system called Tamale, the team is able to aggregate portfolio and company specific information into a singular location for all team members to access.

Portfolio
The Corporate Loan strategy will invest primarily in the largest and most liquid names of the bank loan market. To arrive at this investable universe, the team filters out those facility sizes less than $300 million and issuers with EBITDA of $100 million and below. This screen will reduce the universe from 1, 100 issuers to approximately 500. The portfolio will have a 60-80% allocation to what PAM calls core holdings, which are defined as high conviction issuers with strong fundamentals and a favorable risk/return profile. The remainder is allocated to story credits where they fulfill all of the fundamental and relative value criteria, but a catalyst has been identified that may lead to capital appreciation. The strategy has the ability to invest in unsecured debt (including high yield) and second-lien loans. The high yield allocation will vary, but generally will range from 0-10%.

Performance Expectations
PAM aims to outperform the Credit Suisse Leveraged Loan Index. Given the team's focus on downside avoidance and capital preservation, investors should expect the strategy to outperform in periods of heightened default rates. Through 2013, the bank loan strategy has experienced only two defaults since inception and only three distressed sales (loans sold at 20 points or less than original cost), reflecting a history of successful fundamental credit analysis. We expect PAM to outperform on a Sharpe ratio, or risk-adjusted, basis as well.

Pacific Asset Management
Corporate (Bank) Loan Strategy

JP Leasure, Senior Managing Director
Mr. Leasure is a Senior Managing Director for Pacific Asset Management. He serves as Pacific Asset Management's Head of Research, overseeing all credit research efforts. Mr. Leasure is a member of Pacific Asset Management's Investment Committee. Mr. Leasure joined Pacific Life in 1997. As a former senior member of Pacific Life's credit research team, he was responsible for overseeing Pacific Life's portfolio of investment grade corporate public bonds and portfolio of leveraged loans. Mr. Leasure is a former member of Pacific Life's Workout Committee. Prior to joining Pacific Life, Mr. Leasure was a Senior Associate in Credit Lyonnais' Leveraged Finance Group. Mr. Leasure has 11 years of investment and banking experience and holds a bachelor's degree from the University of California, Los Angeles and an MBA from Columbia University.

Michael Marzouk, Portfolio Manager
Michael is a Managing Director for Pacific Asset Management and serves as the Co-Portfolio Manager for the Corporate (Bank) Loan and Short Duration Strategy. In addition, Michael covers the Telecommunications and Cable sectors. Prior to joining Pacific Asset Management in 2007, Michael worked in the investment banking field most recently as Vice President in the Leveraged Finance Group at the Royal Bank of Scotland. Prior to the Royal Bank of Scotland, he worked at UBS Investment Bank, Prudential Financial and Deutsche Bank. Michael has over 15 years of investment experience. He received his B.A. summa cum laude in Business-Economics from UCLA and his M.B.A. from the Anderson School of Management at UCLA. Michael is a CFA Charterholder and member of the CFA Society of Los Angeles.

Appendix

Total Firm Assets

Firm	YTD		2015		2014		2013	
	$B	# of accounts	$B	# of accounts	$B	# of accounts	$B	# of accounts
Bank Loans								
Bain	$33.5	2,327	$30.1	2,343	$25.4	1,730	$21.7	1,785
Beach Point	$12.1	472	$9.5	452	$8.3	467	$7.2	0*
Crescent	$23.9	1,248	$18.2	1,243	$16.4	1,084	$13.8	968
Guggenheim	$209.2	915	$198.8	941	$195.9	955	$171.8	969
Loomis, Sayles	$240.2	1,554	$229.1	1,430	$230.2	1,363	$199.8	1,299
Pacific Asset Mgt	$5.8	22	$5.5	23	$4.8	19	$4.5	16

*Did not break out accounts until 2014.

Total Product Assets

Firm/Product	YTD		2015		2014		2013	
	$B	# of accounts	$B	# of accounts	$B	# of accounts	$B	# of accounts
Bank Loans								
Bain: *Sr Loans ex. CLO*	$4.6	201	$4.0	203	$3.2	183	$1.5	148
Beach Point: *Loan Fund*	$1.1	78	$1.0	66	$0.8	59	$0.7	0*
Crescent: *Bank Loans*	$4.5	59	$4.1	65	$5.1	58	$4.1	23
Guggenheim: *US Bank Loans*	$18.2	50	$14.8	48	$10.6	38	$8.9	28
Loomis: *Bank Loan*	$3.5	4	$3.0	4	$3.6	4	$3.4	4
Pacific Asset Mgt: *Bank Loan*	$2.0	6	$1.9	7	$1.9	6	$1.4	4

*Did not break out accounts until 2014.

Product Assets By Vehicle Type

Firm/Product	Separate Account		Commingled Fund		Inst. Mutual Fund	Retail Mutual Fund
	$MM	# of accounts	$MM	# of accounts	$MM	$MM
Bank Loans						
Bain: *Sr Loans ex. CLO*	2,247	11	2,369	190	0	0
Beach Point: *Loan Fund*	0	0	1,073	78	0	0
Crescent: *Bank Loans*	659	8	3,701	49	105	0
Guggenheim: *US Bank Loans*	4,680	25	10,513	23	0	2,987
Loomis: *Bank Loan*	0	0	3,548	4	0	0
Pacific Asset Mgt: *Bank Loan*	620	3	531	2	170	705

Account Minimums and Fee Schedules

Firm/Product	Separate Account Min. ($MM)	Commingled Fund Min. ($MM)	Mutual Fund Min. ($MM)	Separate Account Fee Schedule	Commingled Fund Fee Schedule	Mutual Fund Ticker and Fee
Bank Loans						
Bain: *Sr Loans ex. CLO*	100	3	NA	All Assets at 0.50%	First $100 million - 0.50% Next $100 million - 0.45% Balance - 0.40%	Not Available
Beach Point: *Loan Fund*	75	3	NA	All Assets at 0.75%	All Assets at 0.65%	Not Available
Crescent: *Bank Loans*	25	1	NA	All Assets at 0.35%	First $5 million - 0.50% Balance - 0.40%	Not Available
Guggenheim: *US Bank Loans*	100	5	2	First $100 million - 0.55% Next $200 million - 0.45% Balance - 0.40%	All Assets at 0.50%	GIFIX - 0.79%
Loomis: *Bank Loan*	50	5	NA	First $100 million - 0.47% Balance - 0.40%	First $100 million - 0.47% Balance - 0.40%	Not Available
Pacific Asset Mgt: *Bank Loan*	75	5	1	First $100 million - 0.50% Next $100 million - 0.40% Balance - 0.30%	All Assets at 0.40%	PLFRX - 0.72%

Litigation

Firm	Manager's explanation of Prior or Pending Litigation
Bank Loans	
Bain	There is no prior or pending litigation.
Beach Point	There is no prior or pending litigation.
Crescent	There is no prior or pending litigation.
Guggenheim	From time to time, Guggenheim Partners Investment Management, LLC (including, as applicable, its affiliates and employees) has been and can be expected to be involved in various legal proceedings, regulatory matters, and claims arising out of the conduct of its business. Other than what is disclosed on GPIM's ADV, it is generally not firm practice to disclose additional information regarding such matters. We can state that there are no such matters or proceedings pending that we believe would have a material impact on GPIM's ability to manage client portfolios. GPIM's required SEC disclosures can be found on the Form ADV Part 1, which can be found at www.sec.gov.
Loomis, Sayles	Pending Firm Litigation The Loomis Sayles Credit Alpha Fund was named as a defendant along with all former shareholders of the Tribune Corporation (the Company) that received cash in exchange for shares of the Company in a public-to-private leveraged buyout in 2007 (the LBO). The Fund received $1, 190, 000 for the shares it owned at the time of the LBO. Within one year of the LBO, the company filed for Chapter 11 bankruptcy. Pre-bankruptcy bondholders and unsecured creditors seek to recover all amounts paid to the shareholder defendants (Defendants) in connection with the LBO, with pre-bankruptcy interest, alleging that the LBO constituted a fraudulent conveyance by the Company. The entirety of this litigation, consisting of approximately 40 lawsuits, has been consolidated in federal district court in New York. The Fund is a member of a joint defense group formed by Ropes & Gray, which represents several similarly situated defendants. A settlement offer, which would have involved Defendants agreeing to repay 57.2% of the proceeds received, was rejected on the advice of counsel as premature, at the high end of the range of reasonableness, and not in the best interests of the Fund. In April 2014, the presiding judge ordered Ropes & Gray, on behalf of shareholder defendants (including Loomis) to file a Global Motion to Dismiss. The motion was filed in May 2014. In March 2016, the United States Court of Appeals for the Second Circuit dismissed the plaintiffs' claim of constructive fraudulent conveyance arising under state law. The plaintiffs will likely seek an appeal of this decision to the Supreme Court of the United States. The plaintiff's second claim, for intentional fraudulent conveyance arising under federal law, remains in federal district court. Past Firm Litigation (within ten years) In December, 2011, a complaint was filed in the U.S. District Court for the District of Colorado naming Loomis Sayles as a co-defendant along with its affiliate, Natixis Distributors, L.P. The complaint alleged that the use by Loomis Sayles of a name for a mutual fund that it manages, and Natixis distributes, was likely to cause customer confusion, constituted unfair competition, and represented an infringement of a service mark registered by another investment advisor on the Principal Register of the United States Patent and Trademark Office. Loomis Sayles and Natixis entered into a settlement with the Plaintiff on August 3, 2012.

Litigation

Firm	Manager's explanation of Prior or Pending Litigation
Bank Loans	
Pacific Asset Mgt	There is no prior or pending litigation.

Contact Information

Manager	Location	U.S. Client Contact	Phone	Email
Bank Loans				
Bain	Boston, MA	Kyle Betty	(617) 516-2335	kbetty@baincapital.com
Beach Point	Santa Monica, CA	Joel Karsch	(212) 360-0392	jkarsch@beachpointcapital.com
Crescent	Los Angeles, CA	Mark DeVincentis	(917) 617-0376	mark.devincentis@crescentcap.com
Guggenheim	New York, NY	Alexandra Court	(212)518-9209	Alexandra.Court@guggenheimpartners.com
Loomis, Sayles	Boston, MA	Lynsey Fitzgerald	(617) 960-2556	lfitzgerald@loomissayles.com
Pacific Asset Mgt	Newport Beach, CA	Michael Spitler	(949) 219-3729	Michael.Spitler@PacificLife.com

Beta: A measure of volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta can be thought of as the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 indicates that the security's price will be less volatile than the market.

Correlation: A statistical measure of how two securities move in relation to each other. Correlation is computed into a correlation coefficient which ranges between -1 to +1. A perfect positive correlation (+1) implies that as one security moves either up or down, the other security will move in the same direction. Alternatively, a perfect negative correlation (-1) means that if one security moves in either direction the security that is perfectly negatively correlated will move by an equal amount in the opposite direction.

Information Ratio: A measure of portfolio management's performance against risk and return relative to a benchmark or alternative measure.

Kurtosis: A statistical measure used to describe the distribution of observed data around the mean. Kurtosis describes trends in charts. A high kurtosis portrays a chart with fat tails and a low, even distribution, whereas a low kurtosis portrays a chart with skinny tails and a distribution concentrated toward the mean.

Skewness: A statistical term used to describe a situation's asymmetry in relation to a normal distribution. A positive skew describes a distribution favoring the right tail, whereas a negative skew describes a distribution favoring the left tail.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. Tracking errors are reported as a "standard deviation percentage" difference. It tells you the difference between the return you received and that of the benchmark you were trying to copy.

Disclaimer

- **This report contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, policies or portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches.**

- **Past performance is no guarantee of future results.**

- **Information on market indices was provided by sources external to NEPC, and other data used to prepare this report was obtained directly from the investment manager(s). While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.**

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