



NEPC, LLC

YOU DEMAND MORE. So do we.™



BOSTON
PUBLIC LIBRARY

Boston Public Library

Diversified Fixed Income Manager Search

November 10, 2017

Sebastian Grzejka, Senior Consultant
Nedelina Petkova, Senior Analyst

255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

	<u>Tab</u>
Introduction and Disclosures	1
Firm and Product Summary	2
Performance	3
Profiles	4
Appendix	5

Introduction



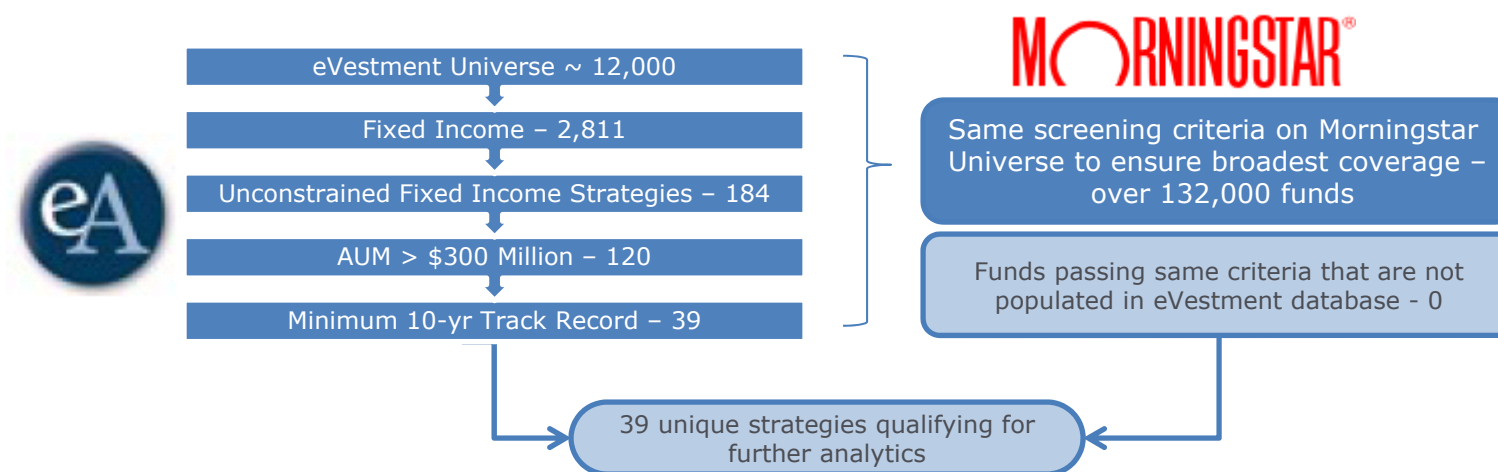
NEPC’s investment manager research process identifies a Focused Placement List of preferred strategies representing the strategies that we expect will provide superior investment performance over time. Our four step process used for identifying our Focused Placement List includes:

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.

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

- Although we use our proprietary Performance Analytics Statistical Software (PASS) to help us identify potential strategies to research further, multi-sector fixed income is an evolving asset class. Product track records vary in length, and benchmarking products that may employ very different investment styles is challenging.

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 understanding 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
Absolute Return Fixed Income		
Payden & Rygel	Payden Absolute Return Investing	Composite Track Record Shown
Global Multi-Sector Fixed Income		
Loomis, Sayles & Company, L.P.	Multisector Full Discretion	Composite Track Record Shown
Manulife Asset Management	Strategic Fixed Income	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:

- Proposed Vehicles:
 - Payden & Rygel is willing to waive the \$50 million minimum investment for the proposed mutual fund.

Firm and Product Summary



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 may already know about the manager: do they have the staff to research this many ideas? How large is their trading staff if portfolio turnover is significant? How do they define their universe?

Firm and Product Summary

Firm/Product	Firm/Team Comments	Investment Style/Strategy	Performance Expectations	Portfolio Positioning	Other Comments
Absolute Return Fixed Income					
Payden & Rygel - PARI	Strategy is managed by a stable team of three senior portfolio managers Brian Matthews, Scott Weiner and Brad Boyd, and the Investment Policy Committee comprises of 10 senior investors.	PARI is a best-ideas, full-tool-kit portfolio. Strategy has a strong emphasis on income and downside protection, with little interest rate exposure. Portfolio is constructed with a stable core, a tactical trading overlay, and hedging as insurance.	PARI is a best-ideas, full-tool-kit portfolio. Strategy has a strong emphasis on income and downside protection, with little interest rate exposure. Portfolio is constructed with a stable core, a tactical trading overlay, and hedging as insurance.	Strategy duration range is -2 to 5 years. Emerging markets and non-agency positions are limited to 40%, while high yield maximum exposure is 50%. Foreign currency is limited to 10% of the fund.	A majority women-owned firm, though not registered as such.
Global Multi-Sector Fixed Income					
Loomis - Multisector FD	Product is managed by the Full Discretion portfolio management team consisting of Dan Fuss, Matt Egan, and Elaine Stokes	MSFD is a best-ideas strategy across the Loomis fixed income research platform; product has a heavy tilt towards corporate bonds, both investment grade, international and high yield	Strategy will lag during credit bear markets, but will perform exceeding well during periods of spread tightening	High yielding, return seeking, credit oriented strategy; will hold hybrid securities such as convertible bonds and preferred equity	Most aggressive credit manager on list; best paired with a lower volatility strategy
Manulife - Strategic FI	Managed by a team of three portfolio managers, with support from the various sector teams	Strategic Fixed Income is a top-down global fixed income and currency strategy; the strategy's Asia footprint is a differentiator for Manulife	Expect performance to lag during credit bear markets and at times be less directional due to currency positions	High yielding, return seeking fixed income strategy with an emphasis on credit and currency. Duration will typically be lower than the benchmark	Strategy will give clients a full spectrum exposure to the global fixed income and currency markets

NEPC Investment Thesis

Firm/Product	NEPC Investment Thesis
Absolute Return Fixed Income	
Payden & Rygel - PARI	Sticking to their core strengths of a consistent team-based approach, their deep expertise in low duration, and a history of achieving stable, income-oriented returns, the PARI team builds a defensible income core of a highly diversified and rigorously vetted global portfolio, to which they then add an outer layer of medium-term thematic and shorter-term tactical views, and protect it with tail hedging. Central to the consistency of PARI's alpha add is the balanced, diversified make-up of the core, the conservative nature of the team, and their emphasis on portfolio insurance with an annual budget set aside for macro hedging.
Global Multi-Sector Fixed Income	
Loomis - Multisector FD	The Multisector Full Discretion strategy represents the best ideas across the global fixed income markets as identified by the Loomis Sayles fixed income organization. Loomis' team of experienced credit analysts cover all parts of an issuer's capital structure, and all issuers in a specific industry, making each analyst a specialist in their respective industry. Analysts are charged with developing a nuanced position on each credit, with the objective to develop a thesis on the credit before the marketplace and rating agencies can react. Loomis' team of portfolio managers will tactically allocate to portions of the global bond market where the best relative value opportunities exist. It is therefore a combination of the security selection recommendations from the credit analyst group, the enhanced yield of the portfolio from its historic credit bias, and the tactical nature of the portfolio where clients will recognize value-added.
Manulife - Strategic FI	Manulife's Strategic Fixed Income strategy will add value through the team's high conviction sector positions in high yield bonds, global sovereign bonds, and emerging markets debt. Guidelines are flexible and allow for a balance of risks, but also to strongly express active views. The three person management team has a good balance of specialization and background (currency, corporate credit and risk management), and it is the management team, gathering input from Manulife's Asia offices on currency and government policy, combined with the credit research team that provide informational advantages.

Firm Comparison Summary

Firm Name	Location	Year Firm Founded	Total Assets Under Mgmt (\$MM)	% Employee Owned	% Parent Owned	Parent Company Name	% Publicly Held	% Other Ownership
Absolute Return Fixed Income								
Payden & Rygel	Los Angeles, California	1983	114,300	100	0	NA	0	0
Global Multi-Sector Fixed Income								
Loomis, Sayles & Company, L.P.	Boston, Massachusetts	1926	257,582	0	100	Natixis Global Asset Management (NGAM)	0	0
Manulife Asset Management	Toronto, Ontario	1887	480,174	0	100	Manulife Financial Corporation	0	0

Firm Name	Registered Investment Advisor	GIPS Compliant	Past or Pending Litigation	Firm uses Placement Agent
Absolute Return Fixed Income				
Payden & Rygel	Yes	Yes	No	No
Global Multi-Sector Fixed Income				
Loomis, Sayles & Company, L.P.	Yes	Yes	Yes	Yes
Manulife Asset Management	Yes	Yes	Yes	No

Product Comparison

Firm/Product	Inception Date	AUM (\$MM)	# of Portfolio Managers	# of Research Analysts	# of Traders
Absolute Return Fixed Income					
Payden & Rygel - PARI	2008	3,978	3	22	10
Global Multi-Sector Fixed Income					
Loomis - Multisector FD	1989	38,640	4	80	46
Manulife - Strategic FI	1986	26,138	4	19	0

Firm/Product	Vehicle Proposed	Liquidity In	Liquidity Out	Reported Fee for \$5.00 mm	Reported Fee in (bps)
Absolute Return Fixed Income					
Payden & Rygel - PARI	Mutual Fund	Daily	Daily	27,500.00	55
Global Multi-Sector Fixed Income					
Loomis - Multisector FD	Commingled Fund Mutual Fund	Daily Daily	Daily Daily	28,500.00 28,500.00	57 57
Manulife - Strategic FI	Mutual Fund	Daily	Daily	19,500.00	39

Product Comparison

Firm/Product	Internal ESG Research Utilized (Y/N)	Third Party ESG Research Utilized (Y/N)	Manager Explanation of Research Methodologies Used
Absolute Return Fixed Income			
Payden & Rygel - PARI	Yes	Yes	As a firm, we embed ESG considerations in all aspects of our investment process and consider it an important part of fundamental analysis. In particular, we use the Sustainable Accounting Standards Board's (SASB) "industry standards" as a touchstone for organizing our ESG thinking at the issuer level. Our analysts and portfolio managers consider ESG issues whenever they depend on or undertake fundamental analysis. In particular, we focus on factors such as: *Transparency of management *Board independence *Executive compensation *Reputation *Employee-employer relations *Employee safety *Pollution impact *Climate change In addition, we utilize the services of third-party ESG related data providers to further aid to our research process.
Global Multi-Sector Fixed Income			
Loomis - Multisector FD	No	No	NA
Manulife - Strategic FI	No	No	NA

Fixed Income Comparison

Firm/Product	Duration Emphasis	Weighted Average Coupon (%)	Yield to Maturity (%)	Average Maturity (Years)	Duration (Years)	Average Quality	Minimum Quality
Absolute Return Fixed Income							
Payden & Rygel - PARI	Core/All Durations	3.7	2.9	3.83	2.76	BBB	CC
Global Multi-Sector Fixed Income							
Loomis - Multisector FD	Intermediate	4.1	3.9	6.39	4.38	BBB	CCC
Manulife - Strategic FI	Core/All Durations	4.3	3.0	7.11	2.79	BBB	C

Firm/Product	# of Issues	Current Cash (%)	Annual Turnover (%)	Yield to Worst (%)
Absolute Return Fixed Income				
Payden & Rygel - PARI	255	-4.0	47.0	2.7
Global Multi-Sector Fixed Income				
Loomis - Multisector FD	347	8.2	17.4	3.9
Manulife - Strategic FI	472	1.9	44.7	2.8



Current Quality Allocations

Firm/Product	AAA/Aaa (%)	AA/Aa (%)	A (%)	BBB/Baa (%)	BB/Ba (%)	B (%)	CCC/Caa and Below (%)	Other* (%)
Absolute Return Fixed Income								
Payden & Rygel - PARI	16.0	5.0	11.0	37.0	9.0	6.0	4.0	12.0
Global Multi-Sector Fixed Income								
Loomis - Multisector FD	21.9	2.6	15.9	27.1	19.0	8.6	2.4	2.5
Manulife - Strategic FI	20.7	8.1	11.3	32.1	18.0	6.0	0.2	3.7

Benchmark	AAA/Aaa (%)	AA/Aa (%)	A (%)	BBB/Baa (%)	BB/Ba (%)	B (%)	CCC/Caa and Below (%)	Other* (%)
Bloomberg Barclays Global Aggregate Hedged (USD)	40.0	16.3	26.8	16.9	0.0	0.0	0.0	0.0

*Includes Not Rated issues, cash, and derivatives.

Current Duration

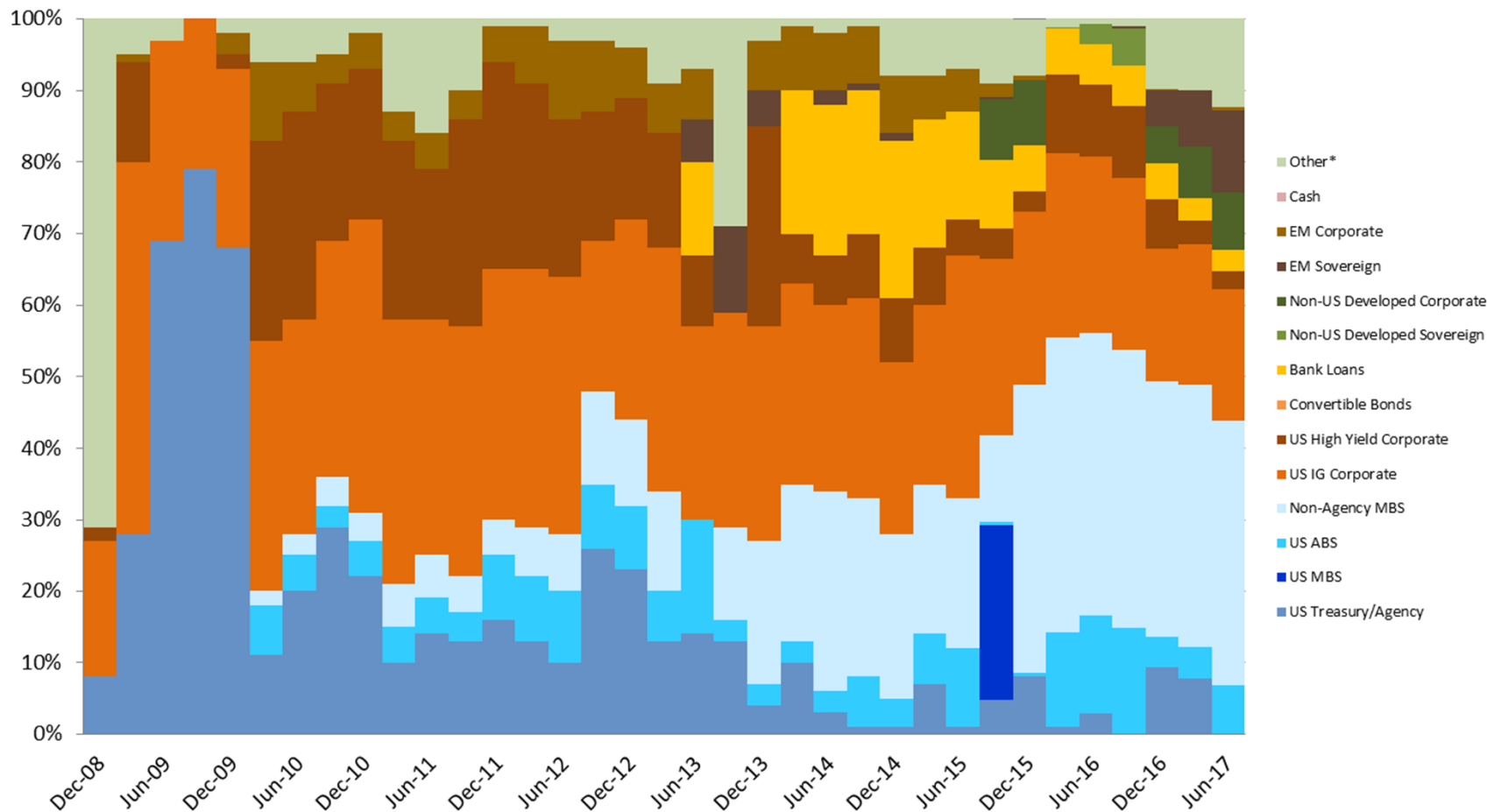
Firm/Product	Duration <1 Yr (%)	Duration 1-3 Yrs (%)	Duration 3-5 Yrs (%)	Duration 5-7 Yrs (%)	Duration 7-10 Yrs (%)	Duration 10-20 Yrs (%)	Duration >20 Yrs (%)
Absolute Return Fixed Income							
Payden & Rygel - PARI	48.1	23.1	26.9	1.0	1.0	0.0	0.0
Global Multi-Sector Fixed Income							
Loomis - Multisector FD	12.6	26.9	16.2	19.3	12.8	12.1	0.1
Manulife - Strategic FI	30.0	20.8	18.0	18.2	11.5	1.7	0.0

Benchmark	Duration <1 Yr (%)	Duration 1-3 Yrs (%)	Duration 3-5 Yrs (%)	Duration 5-7 Yrs (%)	Duration 7-10 Yrs (%)	Duration 10-20 Yrs (%)	Duration >20 Yrs (%)
Bloomberg Barclays Global Aggregate Hedged (USD)	1.0	22.8	26.6	16.4	13.2	19.8*	0.0*

*Bloomberg reports durations of 10+ years in one bucket.

Sector Allocations

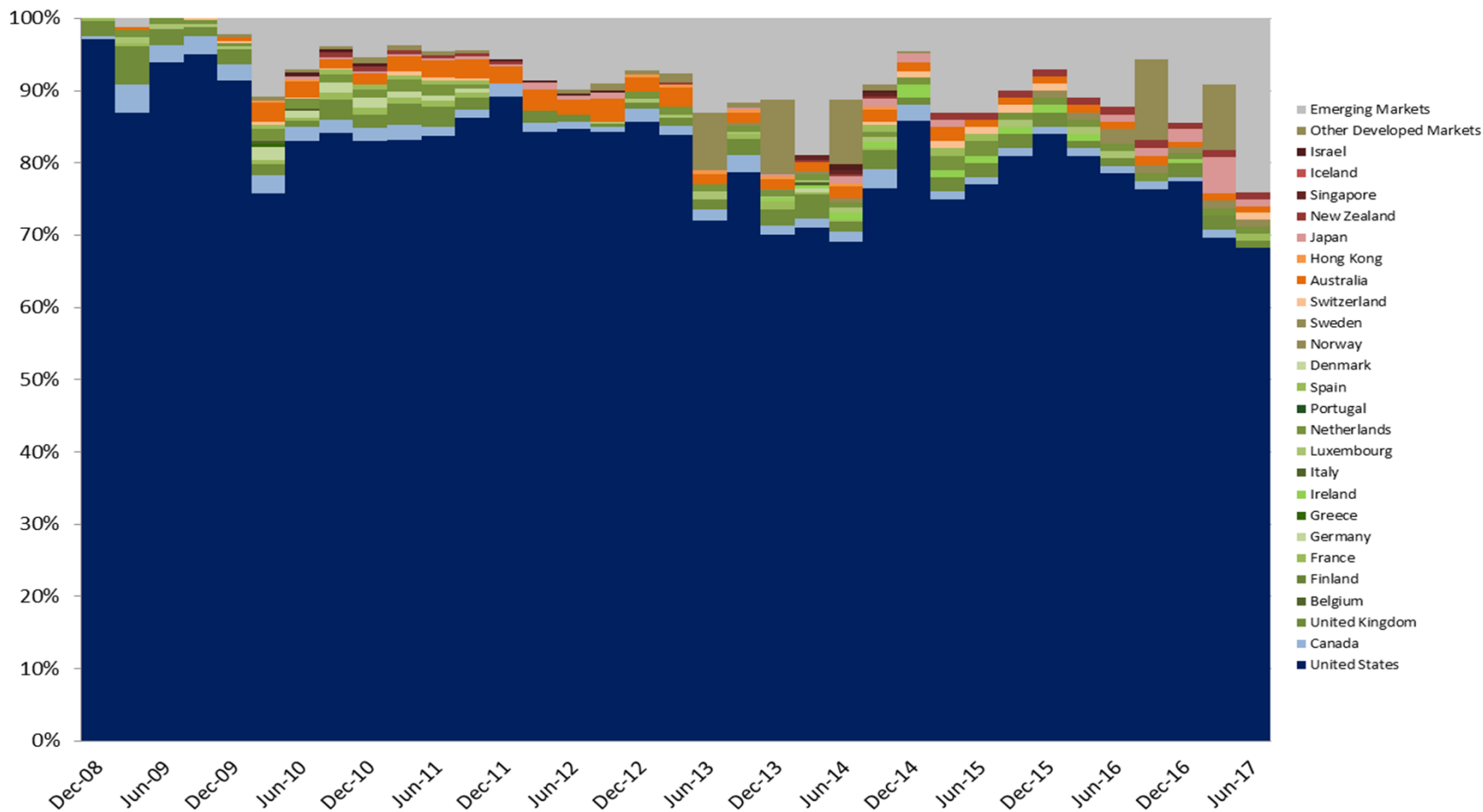
Payden & Rygel Payden Absolute Return Investing Sector Allocations



*As of 6/30/2017, Other consists of CMBS, money markets, and cash.

Country Allocations

Payden & Rygel Payden Absolute Return Investing Country Allocations

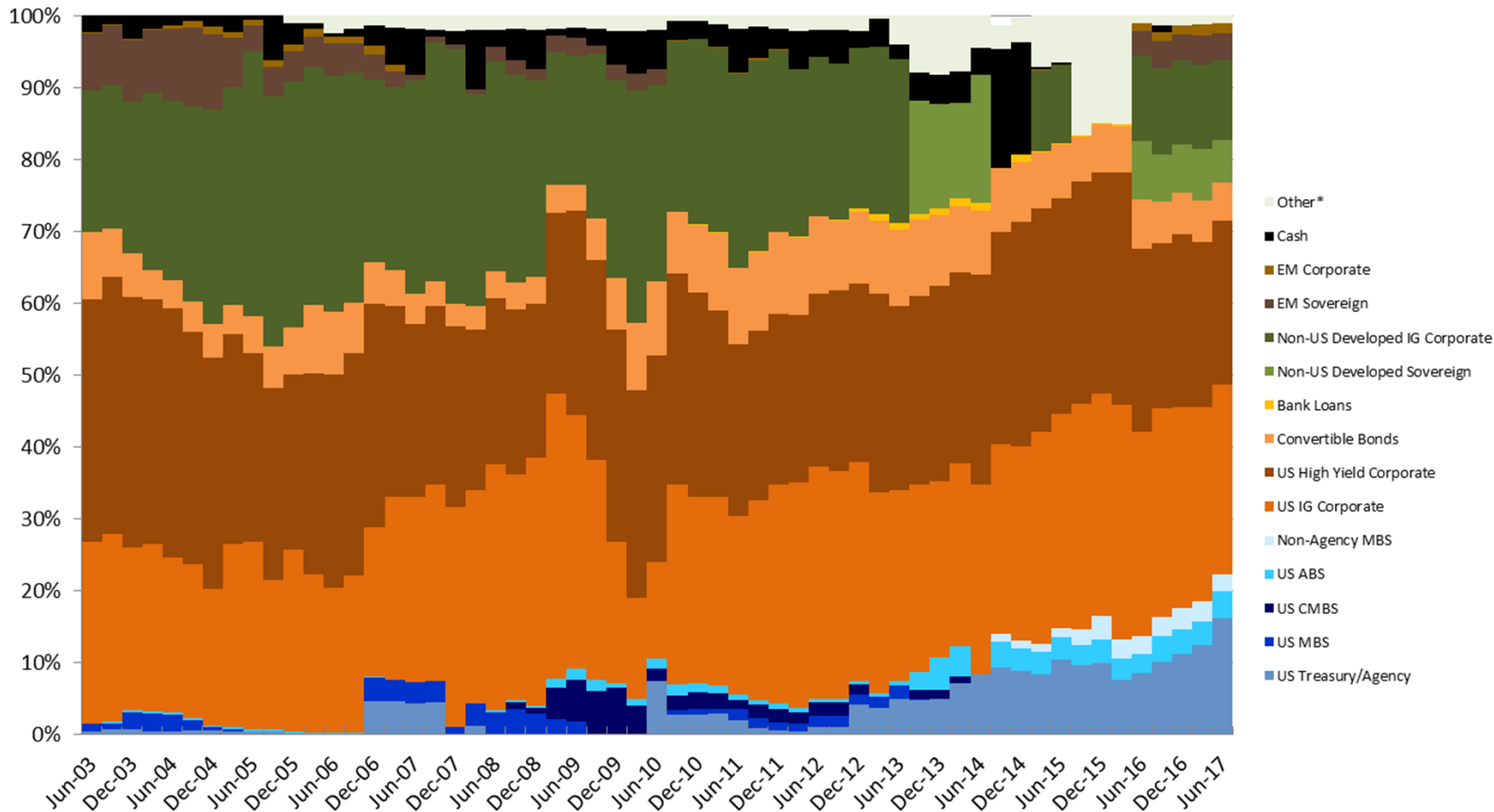


Sector Allocations

Loomis, Sayles & Company, L.P.

Multisector Full Discretion

Sector Allocations



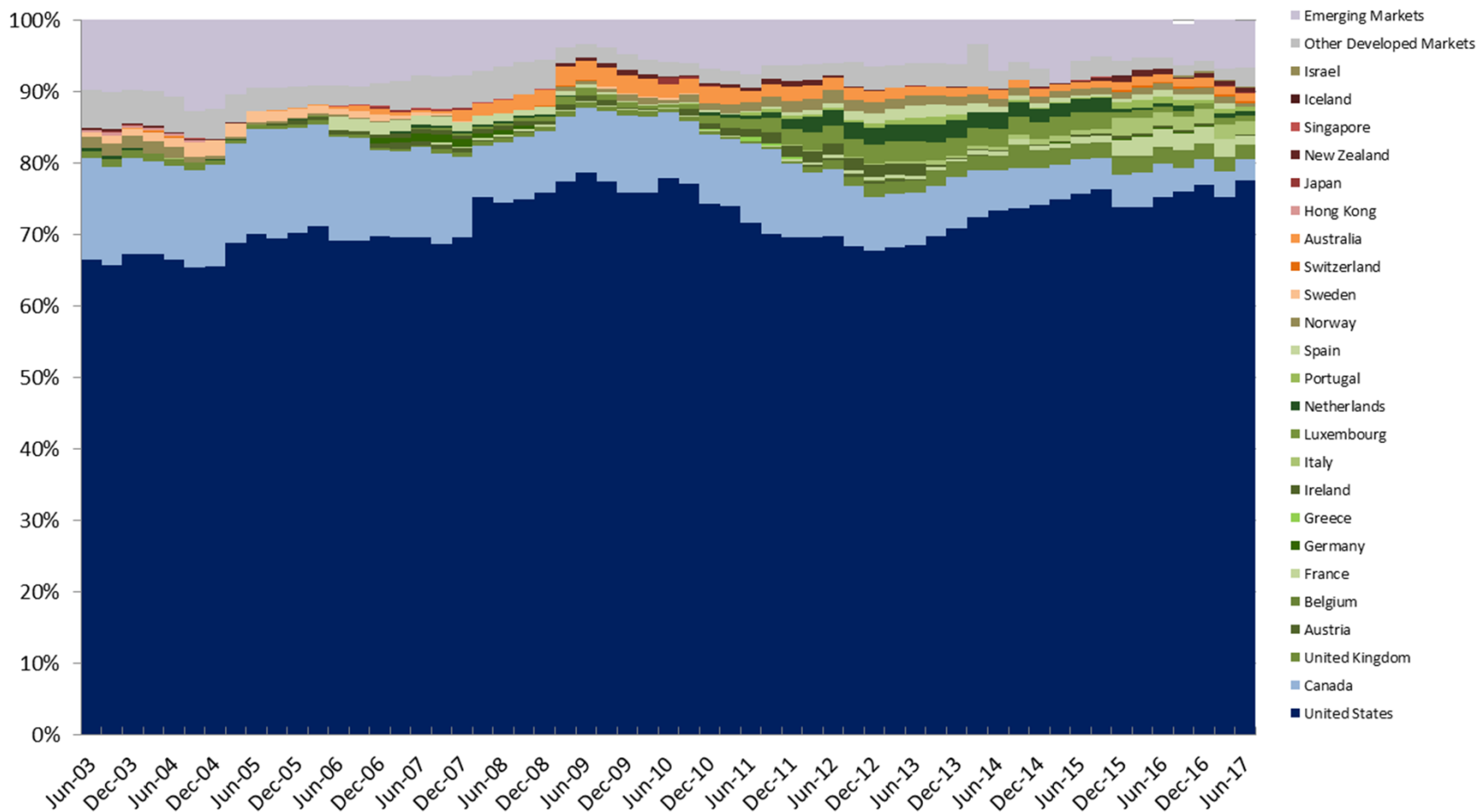
*As of 6/30/2017, the Other allocation included Preferred/Equity.

Country Allocations

Loomis, Sayles & Company, L.P.

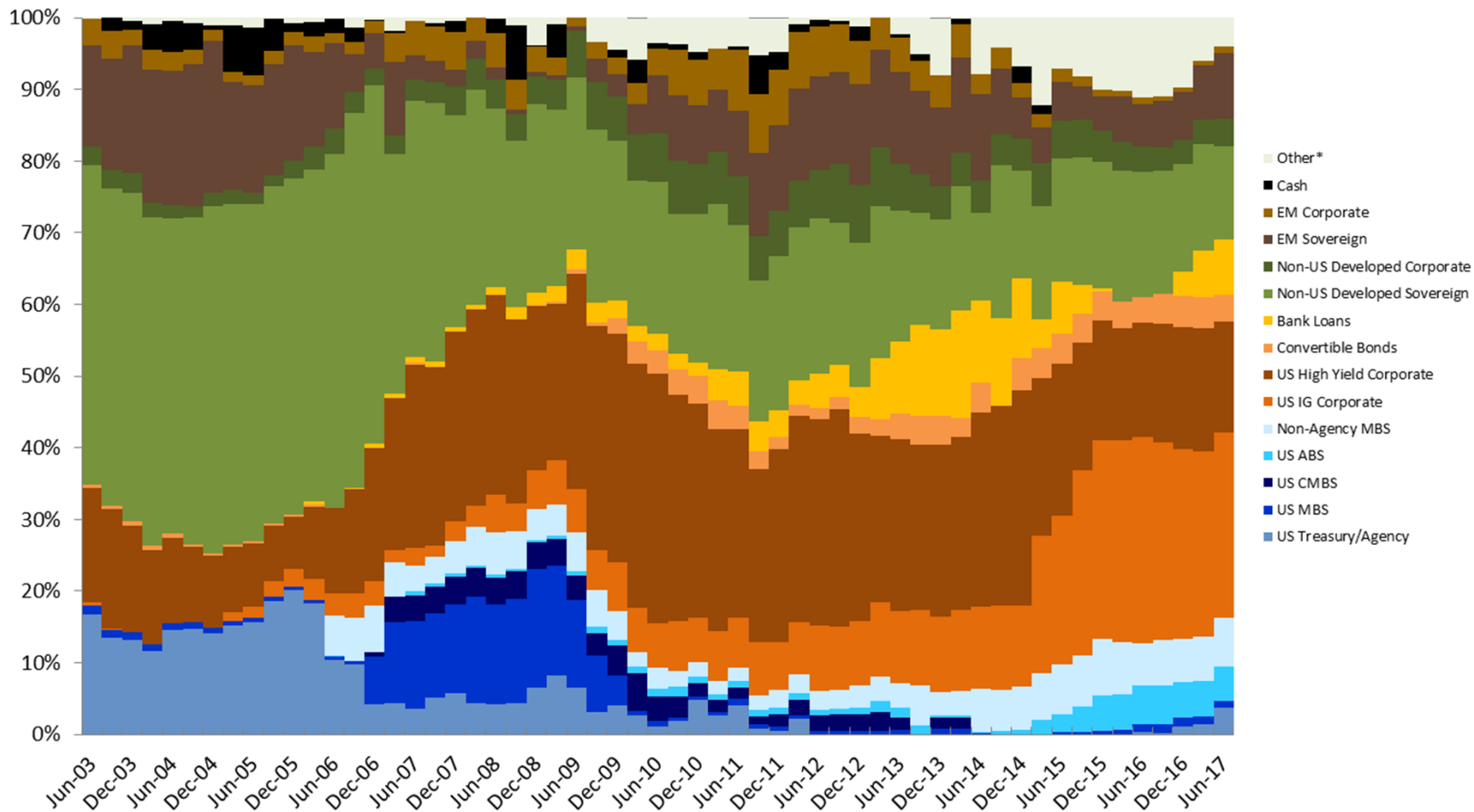
Multisector Full Discretion

Country Allocations



Sector Allocations

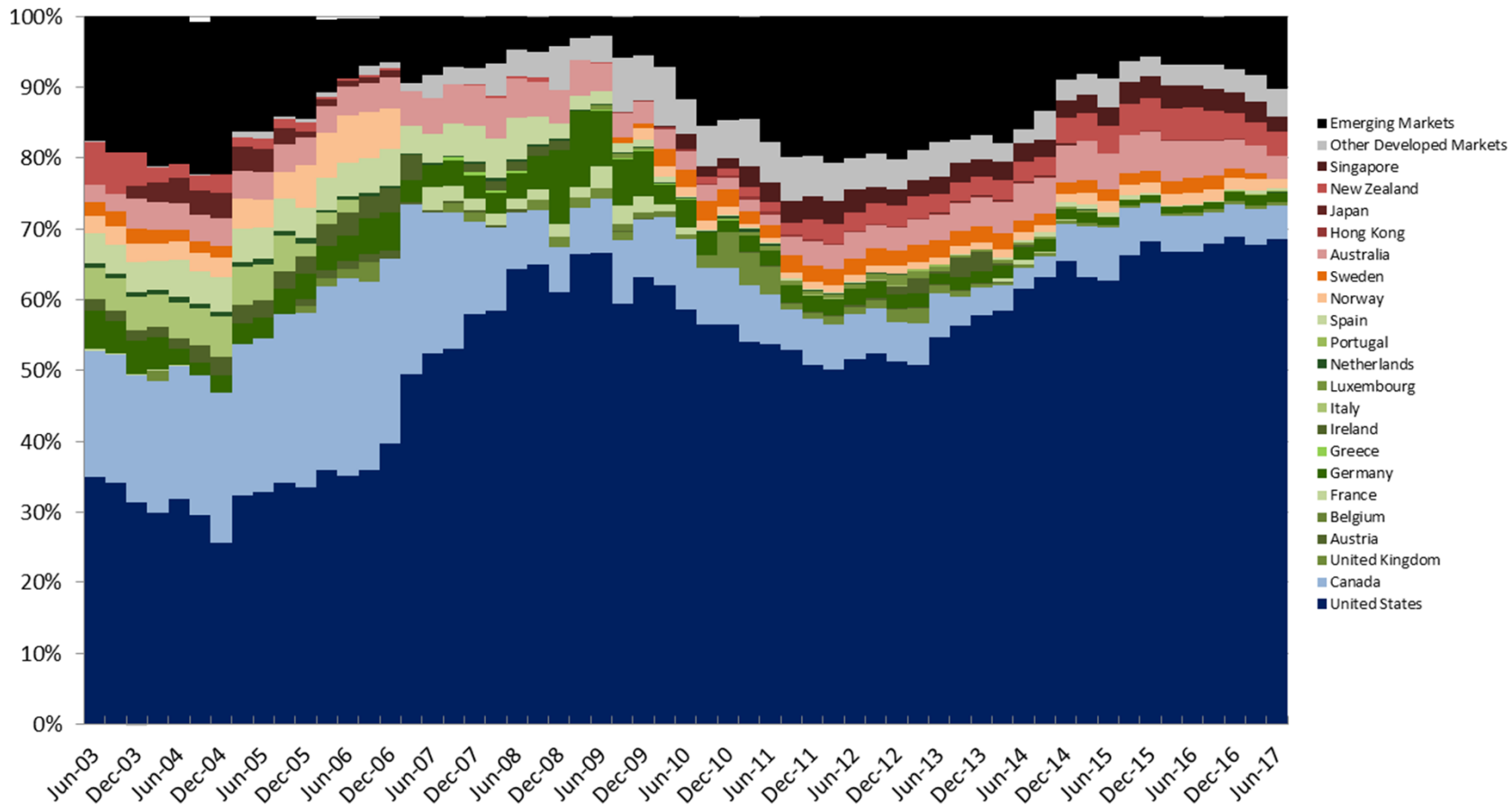
Manulife Asset Management Strategic Fixed Income Sector Allocations



*As of 6/30/2017, the Other allocation includes Non-Fixed Income Securities.

Country Allocations

Manulife Asset Management Strategic Fixed Income Country Allocations



Performance

Introduction to Performance Analysis

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
Absolute Return Fixed Income								
Payden & Rygel - PARI	1	0.9%	3.0%	3.2%	2.6%	2.3%	2.8%	NA
Global Multi-Sector Fixed Income								
Loomis - Multisector FD	1	1.5%	6.6%	5.7%	4.1%	4.9%	6.1%	7.0%
Manulife - Strategic FI	1	1.0%	4.2%	2.8%	3.1%	3.5%	4.7%	6.2%

Actual Return

1 Bloomberg Barclays Global Aggregate Hedged (USD)	0.8%	2.2%	-0.2%	3.1%	3.1%	3.4%	4.3%
2 Bloomberg Barclays US Aggregate	0.8%	3.1%	0.1%	2.7%	2.1%	3.0%	4.3%



Calendar Year Returns - (Net of Fees)

	Bench mark	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Absolute Return Fixed Income											
Payden & Rygel - PARI	1	4.0%	1.2%	1.9%	0.1%	7.4%	0.8%	5.5%	4.5%	NA	NA
Global Multi-Sector Fixed Income											
Loomis - Multisector FD	1	10.9%	-4.8%	5.8%	3.6%	17.0%	3.5%	13.4%	38.7%	-17.5%	6.4%
Manulife - Strategic FI	1	3.7%	0.9%	3.9%	2.1%	12.1%	2.4%	15.5%	29.6%	-9.3%	6.1%

Actual Index Return

1 Bloomberg Barclays Global Aggregate Hedged (USD)	3.9%	1.0%	7.6%	-0.1%	5.7%	5.4%	4.6%	5.1%	5.6%	5.3%
2 Bloomberg Barclays US Aggregate	2.6%	0.5%	6.0%	-2.0%	4.2%	7.8%	6.5%	5.9%	5.2%	7.0%



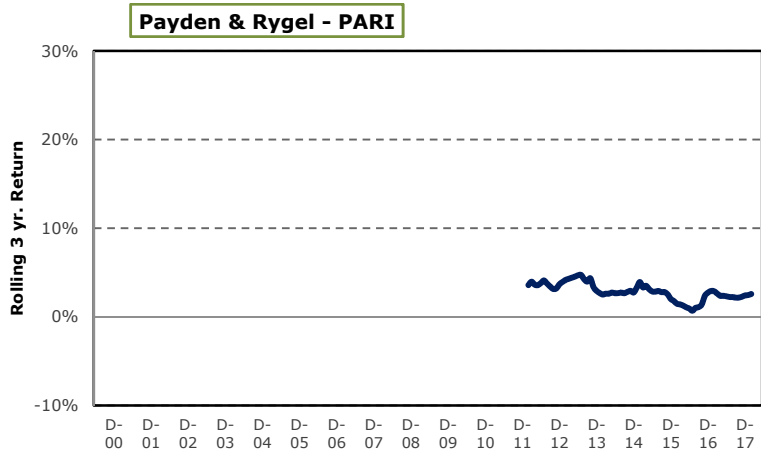
Total Return Performance Summary - (Net of Fees)

	# of Months (Track Record)	% Positive (Mo.)	% Negative (Mo.)	High (Mo.)	Low (Mo.)	Total Return				
						1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.
Absolute Return Fixed Income										
Payden & Rygel - PARI	108	78%	22%	1.8%	(2.2%)	3.2%	2.6%	2.3%	2.8%	NA
Global Multi-Sector Fixed Income										
Loomis - Multisector FD	240	67%	33%	8.3%	(13.0%)	5.7%	4.1%	4.9%	6.1%	7.0%
Manulife - Strategic FI	240	72%	28%	4.4%	(7.5%)	2.8%	3.1%	3.5%	4.7%	6.2%

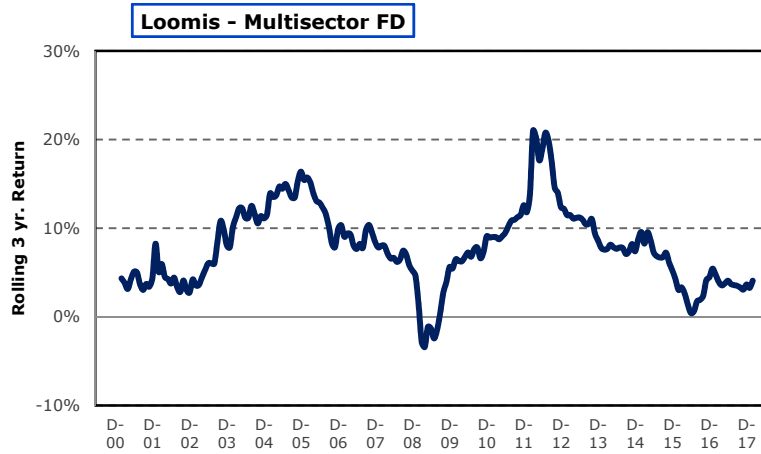
	# of Months (Track Record)	Standard Deviation				Sharpe Ratio			
		3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.
Absolute Return Fixed Income									
Payden & Rygel - PARI	108	1.3%	1.7%	2.1%	NA	1.74	1.26	1.24	NA
Global Multi-Sector Fixed Income									
Loomis - Multisector FD	240	4.7%	4.8%	5.7%	8.7%	0.80	0.98	1.04	0.75
Manulife - Strategic FI	240	1.9%	2.7%	4.2%	5.5%	1.46	1.23	1.09	1.06



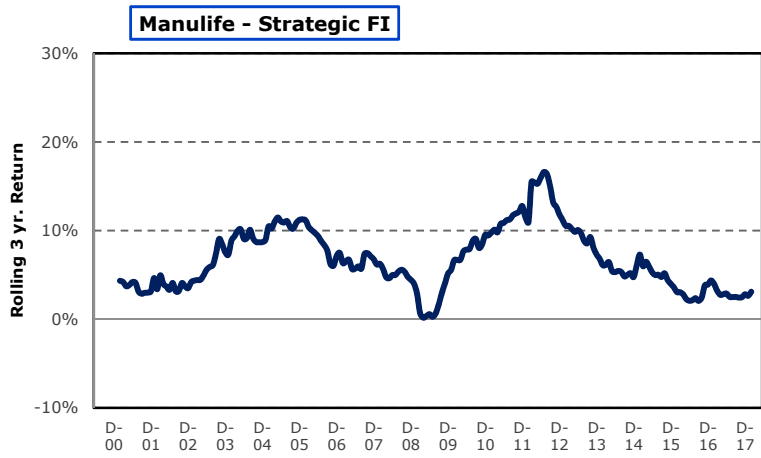
Rolling 3 Year Total Returns - (Net of Fees)



Total Returns



Total Returns

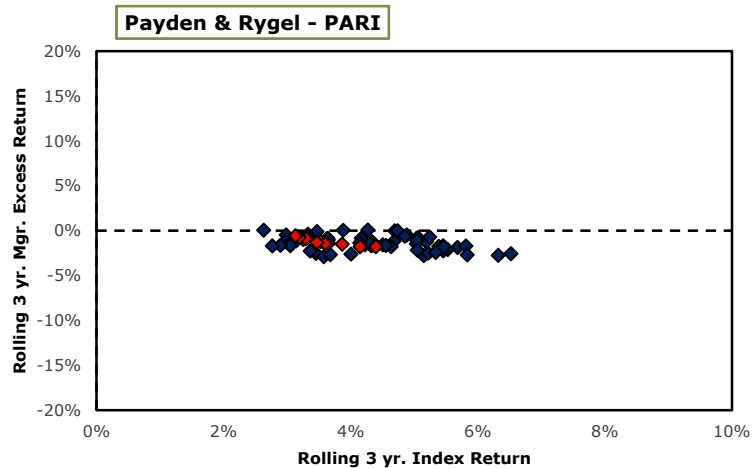


Total Returns

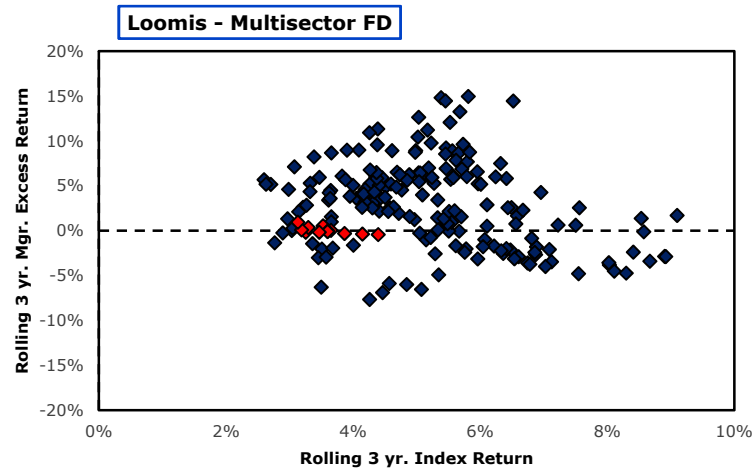
 Absolute Return Fixed Income
 Global Multi-Sector Fixed Income



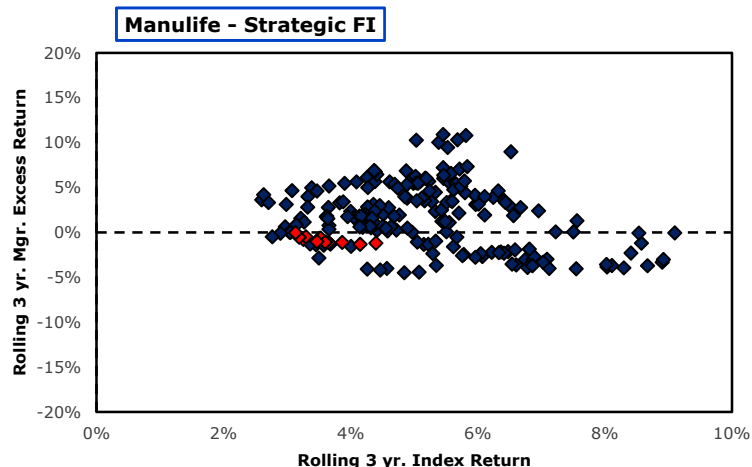
Rolling 3 Year Total Returns - (Net of Fees)



Excess Returns (Manager returns less Bloomberg Barclays Global Aggregate Hedged (USD))



Excess Returns (Manager returns less Bloomberg Barclays Global Aggregate Hedged (USD))



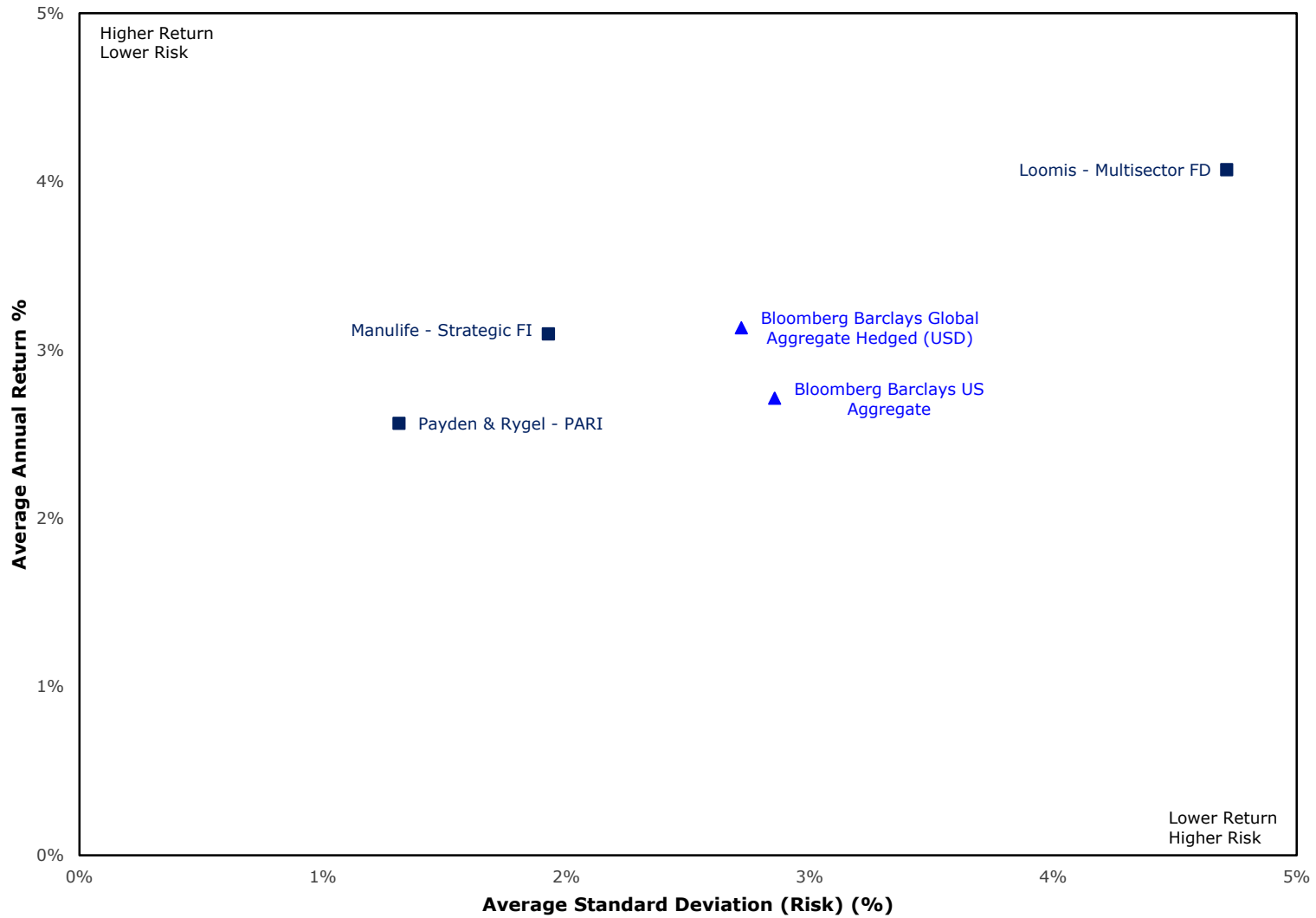
Excess Returns (Manager returns less Bloomberg Barclays Global Aggregate Hedged (USD))

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

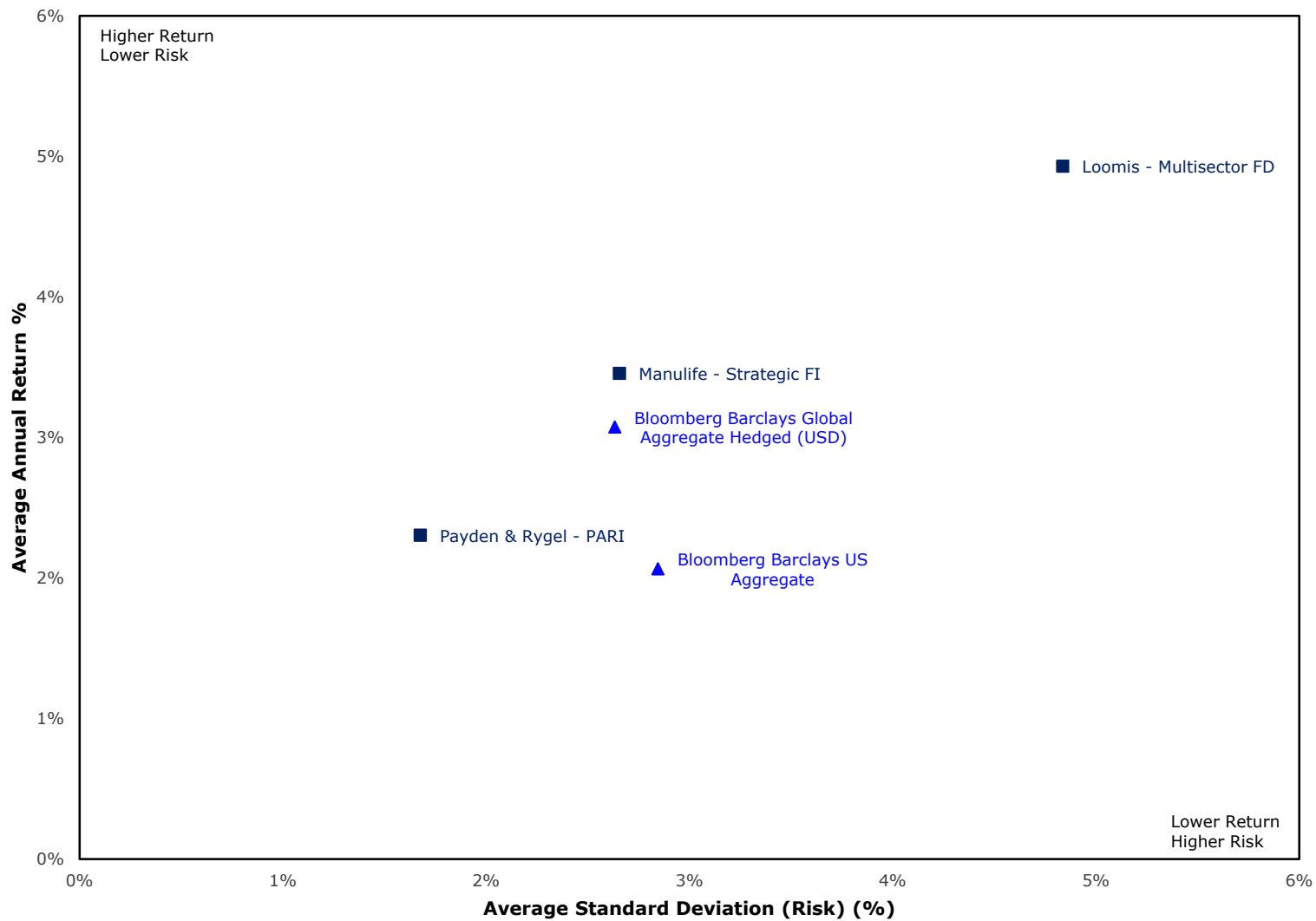
■ Absolute Return Fixed Income ■ Global Multi-Sector Fixed Income



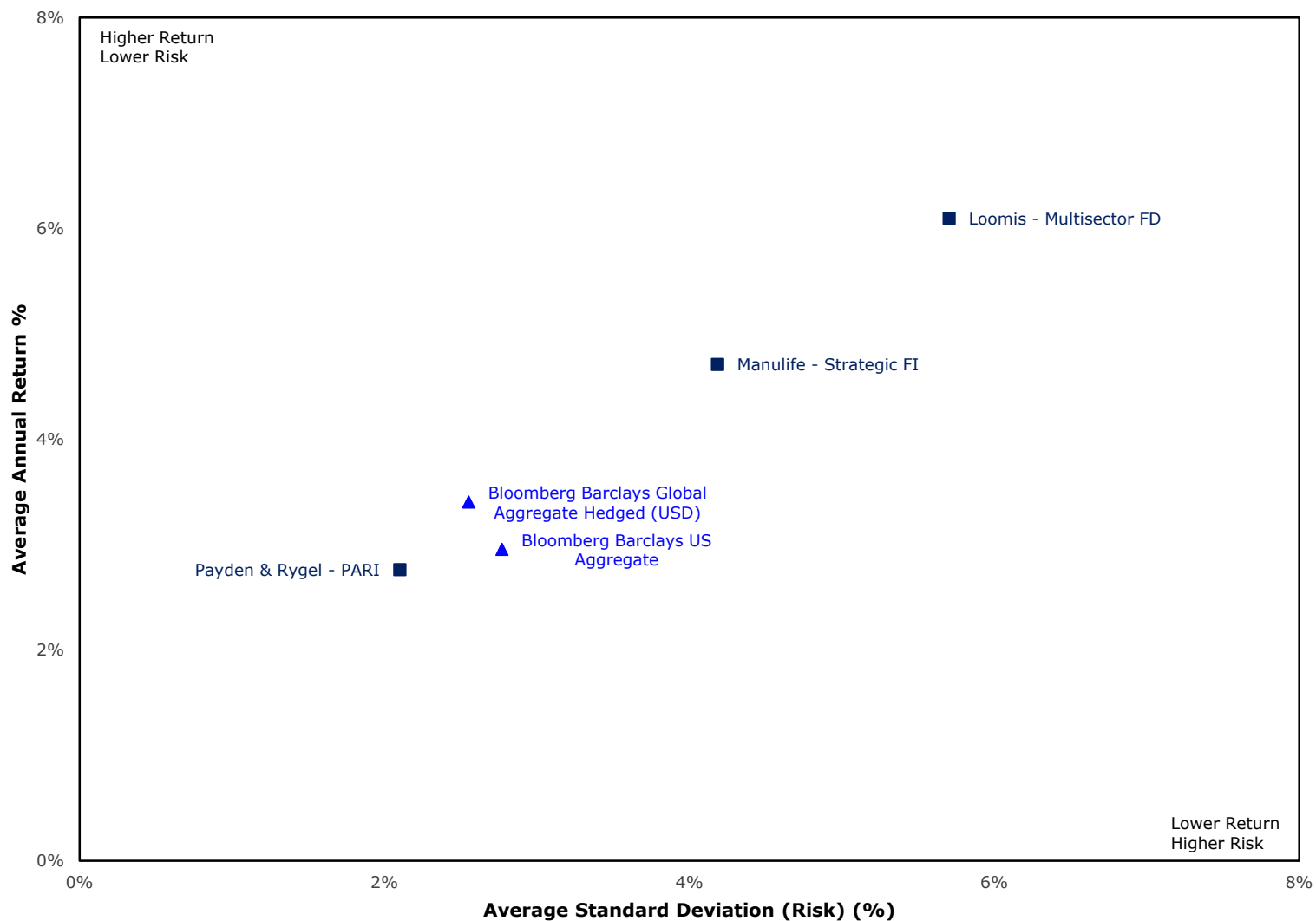
3 Year Total Risk/Returns Comparison - (Net of Fees)



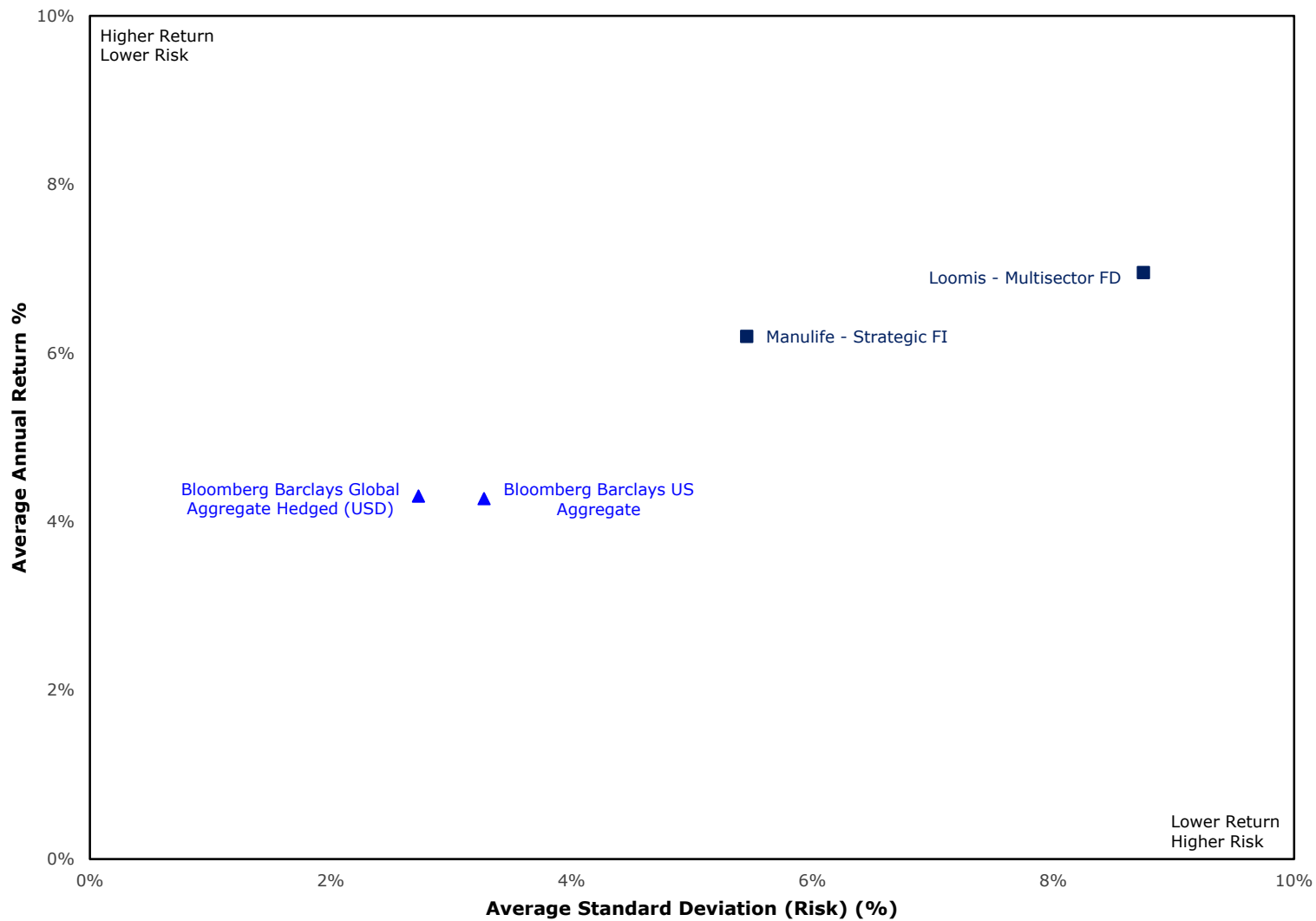
5 Year Total Risk/Returns Comparison - (Net of Fees)



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



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



Appendix



Total Firm and Product Assets

Firm	YTD		2016		2015		2014	
	\$MM	# of accounts	\$MM	# of accounts	\$MM	# of accounts	\$MM	# of accounts
Absolute Return Fixed Income								
Payden & Rygel	114,300	373	106,000	369	95,300	373	83,718	325
Global Multi-Sector Fixed Income								
Loomis, Sayles & Company, L.P.	257,582	1,577	240,193	1,554	229,126	1,430	230,229	1,363
Manulife Asset Management	480,174	1,885	343,140	1,693	313,486	1,634	286,119	1,009

Firm/Product	YTD		2016		2015		2014	
	\$MM	# of accounts	\$MM	# of accounts	\$MM	# of accounts	\$MM	# of accounts
Absolute Return Fixed Income								
Payden & Rygel - PARI	3,978	13	2,985	14	2,726	16	2,139	15
Global Multi-Sector Fixed Income								
Loomis - Multisector FD	38,640	107	38,348	107	45,366	109	62,040	109
Manulife - Strategic FI	26,138	39	24,369	37	16,434	26	10,583	17

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
Absolute Return Fixed Income						
Payden & Rygel - PARI	2,745	9	888	2	345	0
Global Multi-Sector Fixed Income						
Loomis - Multisector FD	8,608	38	1,488	54	1,869	26,676
Manulife - Strategic FI	25,527	23	611	16	0	0

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
Absolute Return Fixed Income						
Payden & Rygel - PARI	50	1	50*	First \$100 million - 0.40% Balance - 0.35%	All Assets at 0.68%	PYAIX - 0.55%
Global Multi-Sector Fixed Income						
Loomis - Multisector FD	50	5	3	First \$20 million - 0.50% Next \$30 million - 0.40% Balance - 0.30%	First \$15 million - 0.57% Next \$15 million - 0.45% Balance - 0.30%	LSFIX - 0.57%
Manulife - Strategic FI	25	0	1	First \$25 million - 0.40% Next \$75 million - 0.35% Next \$75 million - 0.30% Balance - 0.25%	First \$25 million - 0.35% Next \$75 million - 0.30% Balance - 0.25%	JSNWX - 0.39%

*Willing to waive

Litigation

Firm	Manager's explanation of Prior or Pending Litigation
Absolute Return Fixed Income	
Payden & Rygel	There is no prior or pending litigation.
Global Multi-Sector Fixed Income	
Loomis, Sayles & Company, L.P.	<p>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.</p>

Litigation

Firm	Manager's explanation of Prior or Pending Litigation
Global Multi-Sector Fixed Income	
Manulife Asset Management	<p>During the past 12 months* Manulife Asset Management has not been the subject of any litigation, formal investigation or administrative proceedings related to its investment management activities that were either materially adverse to the Firm's business operations or had a materially unfavorable outcome to the Firm. As an affiliate of a global organization, our affiliates are at times involved in litigation both as a defendant and as a plaintiff. Litigation naming a Manulife Financial Corporation entity as a defendant ordinarily involves its activities as a provider of insurance protection and wealth management products, or as an investment adviser, employer or taxpayer. In addition, government and regulatory bodies in Canada, the United States and Asia, including provincial and state regulatory bodies, state attorneys general, the United States Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (formerly National Association of Securities Dealers, Inc.) and Canadian provincial securities commissions regularly make inquiries and, from time to time, require the production of information and conduct examinations concerning the organization's compliance with, among other things, insurance laws, securities laws, and laws governing the activities of broker-dealer practices. None of our affiliates' litigation or investigation matters are believed to be material to Manulife Asset Management's ability to provide investment management services. *As of June 30, 2017. Updated semiannually.</p>

Contact Information

Manager	Location	U.S. Client Contact	Phone	Email
Absolute Return Fixed Income				
Payden & Rygel	Los Angeles, California	Justin G. Bullion	(617) 807-1991	jbullion@payden.com
Global Multi-Sector Fixed Income				
Loomis, Sayles & Company, L.P.	Boston, Massachusetts	Lynsey Fitzgerald	(617) 960-2556	lfitzgerald@loomissayles.com
Manulife Asset Management	Toronto, Ontario	Brian Torrisi	(617) 375-1876	btorrisi@manulifeam.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.

- **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.**
- **This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.**