Prilago. · PDF p.64 Excerpt

Credit

The HPOPS public credit portfolio consists of two high yield bond mandates. This asset class delivered positive returns even though performance was constrained by historically tight credit spreads and market volatility. While high yield bonds faced significant headwinds, they proved to be resilient due to strong credit fundamentals and attractive yields in the latter part of the fiscal year. The credit portfolio returned 9.7%, underperforming the FTSE High Yield benchmark by 0.7% due to its more conservative risk profile.

Assets under management, annualized rates of return and fees paid to credit-oriented managers for the fiscal year ending June 30, 2025, are listed below (dollars in 000's):

Manager	Style	Assets	% Returns	Fees	Portfolio Expense
MacKay Shields[1]	High Yield	$ 18	N/A	$ -	$ -
Shenkman	High Yield	230,854	9.0%	832	-
Northern Trust[2]	High Yield	229,490	10.5%	698	33
		$ 460,362		$ 1,530	$ 33

[1] Terminated May 30, 2014.
[2] Portfolio expense includes admin and commission costs.

Fixed Income

The System's fixed income allocation was tactically underweight beginning the year in favor of the return potential of public equity assets but ended the year closer to its strategic weight primarily due to outsized risk repricing in public equity during the fourth quarter. The fixed income portfolio returned 5.5%, underperforming the Barclays US Aggregate benchmark by 0.6%. The underperformance was driven by a long duration tactical position that was implemented to capitalize on anticipated Fed rate cuts. The position was unwound when the tariff announcements reignited inflation concerns and called the Fed's ability to further reduce rates into question.

Assets under management, annualized rates of return and fees paid to fixed income managers for the fiscal year ending June 30, 2025, are listed on the following page (dollars in 000's):

Manager	Style	Assets	% Returns	Fees	Portfolio Expense[1]
Blackrock	BC US Aggregate	$ 59,660	8.3%	$ 12	$ -
Shenkman	Short Duration High Yield	332,941	7.7%	961	-
Northern Trust	Investment Grade Debt	266,132	8.0%	69	12
Northern Trust[2]	Tactical Fixed Income	97,500	NA	-	-
		$ 756,232		$ 1,042	$ 12

[1] Portfolio expenses include commissions, exchange fees and admin costs.
[2] Tactical Cash mandate was a component of the STIF.