Income Class Portfolio **DRAFT (July 2017)**

The purpose of the Income Class Portfolio is to produce a relatively high and stable income return stream to help mitigate the system's negative cashflow and reduce the need to sell portfolio assets to meet required benefit payments. The income return is expected to be produced by interest and dividend income.

The Income Class Portfolio seeks to achieve this goal through exposure to high yielding fixed income securities – both public and private and high dividend paying publicly traded equity securities. Over the long term, income is expected to be the primary source of return. However, it is expected there will be periods when capital appreciation may exceed income return.

The Income Class Portfolio is expected to produce a 400 bp yield premia over the investment grade fixed income market (Bloomberg Barclays Aggregate Index) across a full market cycle. The Income Class Portfolio may exhibit price volatility in certain environments, but the primary role of the Portfolio is to provide yield. The total Income Class portfolio should exhibit volatility lower than the publicly traded equity market.

Income Class portfolio strategic policy

Master Limited Partnerships (MLPs)	12.5% +/- 5%
Real Estate Investment Trusts (REITS)	12.5% +/- 5%
Liquid Debt Assets (High Yield and Bank Loans)	35.0% +/- 15%
Private Credit	40.0% +/- 15%

The portfolio may deviate from the strategic policy as market conditions and funding conditions permit within the ranges above. As of 7/10/17, the asset class weights (MLPs, REITS, etc) may fall outside of the ranges above for a 6-12 month transition period.

Asset	Benchmark
REITS	MSCI U.S. REIT Index
MLPs	Alerian MLP Index
Liquid Debt Assets	50% BB Barclays High Yield 2% Issuer Cap Index + 50% S&P/LSTA Leveraged Loan Index
Private Credit	S&P/LSTA Leveraged Loan Index +3%

The Income Class Portfolio benchmark will be a weighted average of the individual assets' benchmarks.

Risks that may impact the Income Class portfolio include:

- Equity Risk (growth risk)
- Credit Risk
- Interest Rate Risk
- Illiquidity risk (to the extent private credit assets are employed)
- Active management Risk

SIC Investment Philosophy – Income Class Portfolio:

- The SIC expects the Income Class portfolio to provide 400 bp of income over investment grade fixed income over a full market cycle.

- The Income Class portfolio plays the following roles for the total fund:

    - Income generation (primary goal)
    - Principal appreciation

As of July 2017, the strategic policy allocation to the Income Class portfolio is 8%