ASSET CLASS DEFINITIONS[1]

- **Global Equity:** Equity represents ownership of common stock in a company. The value of that stock is determined by the stock market, where the price will fluctuate, and is based largely on the company's financial position and investor perceptions of future prospects. In addition to stocks domiciled in the U.S., international stocks provide a means to participate in the growth of markets outside the U.S. and an opportunity to enhance portfolio diversification.

    - **Public Equity:** Stocks that are listed and available for trading on public market exchanges. Strategies can be active (an investor attempts to beat market benchmarks by selecting stocks expected to outperform for various fundamental or technical reasons) or passive (an investor seeks to match the return of the benchmark by mimicking its holdings).
    - **Private Equity:** Ownership stakes that are not listed or traded on a public exchange. These private investments typically have less liquidity, higher risk and higher expected return than public equity investments.

- **Global Fixed Income:** Fixed income securities include loans made to corporations, governments, or other entities that are scheduled to be paid back by a specific date. In exchange for the loan, regular interest payments are made to the lender.

    - **Public Fixed Income:** The investment opportunity set in this area includes corporate bonds, also known as corporate credit, that are rated investment-grade or below investment-grade ("high yield"). Other exposures may include commercial and residential mortgage-backed bonds, asset-backed bonds, non-U.S. and emerging market bonds and currency, and government/agency bonds. The strategy is designed to offer higher return potential than a traditional, high quality bond approach given an incrementally higher level of risk and more flexible investment mandates with fewer benchmark constraints. Some strategies include exposure to floating rate securities that mitigate interest rate risk found in the High Quality / Rate Sensitive area.
    - **Private Credit:** A diverse set of strategies that are implemented within a less liquid structure, allowing for investments in segments of the credit markets with higher return prospects than traditional fixed income strategies. Exposures can be global in nature and include ownership of loans made directly to corporations or commercial property owners, less liquid corporate or mortgage-backed securities, and other opportunistic credit investments.

- **Real Assets:** Physical assets that typically have relatively low correlation to equity and fixed income. Investments may include real estate, land, equipment, infrastructure, natural resources, precious metals, and commodities.

    - **Public Real Assets:** This allocation includes investments in real estate investment trusts (REITs) or holdings in publicly traded real estate companies. Natural resources and real estate investments may be held in Master Limited Partnerships (MLPs), which are companies organized as publicly traded partnerships. Treasury Inflation-Protected Securities (TIPS) are also held in this area, which are U.S. Treasury bonds that are indexed to inflation and thus protect investors from the negative effects of rising prices.

  - **Private Real Assets:** A diverse set of strategies that includes non-publicly traded real estate strategies across various property types and geographies, natural resource strategies including upstream oil and gas investments, renewable energy sources, and water infrastructure, among others. These investments are typically structured within a less liquid partnership structure with a lock-up.

- **Diversifying Strategies:** This portion of the portfolio is designed to provide a stable return stream with less volatility than equity investments and a higher long-term return than fixed income investments. This area encompasses a broad range of investment strategies implemented across asset classes. The objective of this allocation is to provide diversification to the portfolio as these strategies have a relatively low correlation to other asset classes. These funds typically allow quarterly or annual liquidity, reflecting the fact that certain investments can be less liquid.

[1]**Footnote:** Definitions of the broad asset classes used in the endowment were prepared by the University of Kentucky Investment Office to aid in the understanding and transparency of the portfolio's strategies. The following resources are recommended for those interested in additional education on investment asset classes and allocation.

1. Investopedia Dictionary. https://www.investopedia.com/dictionary/
2. U.S. Securities and Exchange Commission. "Beginners' Guide to Asset Allocation, Diversification, and Rebalancing." https://www.investor.gov/additional-resources/general-resources/publications-research/info-sheets/beginners%E2%80%99-guide-asset
3. The Motley Fool. "A Modern Approach to Asset Allocation." https://www.fool.com/investing/2018/07/25/a-modern-approach-to-asset-allocation.aspx