REGIONAL TRANSPORTATION COMMISSION OF WASHOE COUNTY (RTC)
INVESTMENT COMMITTEE MEETING

Thursday	**2:30 p.m.**	**January 26, 2023**

PRESENT:

Christian Schonlau, RTC Director of Finance/CFO
Bill Thomas, AICP, RTC Executive Director
Jelena Williams, RTC Financial Manager
Nelia Belen, RTC Accountant
Wale Kajopaiye, Senior Managing Consultant, PFM Asset Management LLC

The RTC Investment Committee Meeting was held on January 26, 2023 at 2:30 p.m. via Zoom and was called to order by Christian Schonlau. The following business was conducted:

Item 1 APPROVAL OF AGENDA

Christian Schonlau opened the meeting and asked for a motion for approval of the Agenda. Jelena Williams moved to approve and Bill Thomas seconded. Motion passed.

Item 2 PUBLIC INPUT

Christian Schonlau asked if there were any public comments. As there were none, we moved onto the approval of the October 25, 2022 meeting minutes.

Item 3 **APPROVAL OF MINUTES**

Christian Schonlau asked if everyone had a chance to look at the minutes, and if there were any changes or comments? As there were no changes or comments, Jelena Williams moved for approval of the minutes, with Nelia Belen seconding. Motion passed.

Item 4 DISCUSSION OF THE RTC DEBT SERVICE RESERVE INVESTMENT PERFORMANCE AND POSSIBLE APPROVAL OF A RECOMMENDATION TO BE PRESENTED TO THE RTC BOARD OF DIRECTORS

Wale Kajopaiye from PFM Asset Management discussed the Investment Performance Review packet for the Quarter ended December 31, 2022, for the Regional Transportation Commission of Washoe County. The Quarterly Market Update is attached.

We saw an incredible increase in interest rates in 2022, of 425 basis points, which is something we haven't seen in quite some time. This had a negative impact on the fixed income market for the first time in over a year. Consumer spending and the job market remained strong. We saw the impact of inflation on energy prices due to the geopolitical conflict and storage challenges. Overall, the best performance in Asset Class Returns in 2022 were cash and crude oil, with every other sector returning in the negative.

When we look at the current market themes moving forward to 2023, again inflation continues to be the biggest thing that is driving what the Fed is doing. We are seeing signs that inflation is starting to slow down and coming off the highs of the year, which is good, but with that we are seeing that the Fed has been very adamant about continuing to raise rates if needed, rather than prematurely cutting rates. They are saying they'd like to get the fed funds rate to about 5.0% to 5.25%. We are almost there, we're about 50 basis points away, and we do have another Fed meeting coming next week on February 1, 2023.

There are some other concerns to be mindful of as well, even though we do have a strong labor market, consumer health is starting to deteriorate with a lot of debt piling up on balance sheets. So, that is something to watch for as well. There are also signs of economic slow-downs.

When we look at the fixed income market, the 3-7 year part of the yield curve starts to move lower, even though there are some increases on the shorter end and the higher end of the yield curve, which is making the inversion a little bit deeper than what we had seen in the previous quarter. That is keeping us on a recession watch.

The next chart looks at how the CPI has looked like over the last couple of months. We can see we're moving in a very positive way and we were at a high of 9.1% and now it is down to 6.5%. The one area that is still decreasing from an inflation standpoint as you look at the services sector, services wages are increasing because there are not enough people looking to fill jobs as there are job openings. Employers are having to increase their wages to attract more workers and that is one of the reasons why the service sector has seen higher inflation, while energy and some of the other sectors are starting to abate a little bit.

For the Fed participants assessments of appropriate monetary policies, there is a pretty tight consensus for 2023, and we should stay above the 5% range or as close to it as possible. That number starts to come down as we move into 2024 and 2025. I think one of the biggest things the Fed does not want to do is prematurely start to cut rates and then all of a sudden start to see that inflation is not getting back down to their 2% target, then they have to start the cycle all over again and have to increase rates like they did in 2022. The Fed said they don't plan on cutting rates in 2023. The market thinks otherwise, but we'll have to wait and see what happens. They said they will be data dependent when it comes to making those decisions.

Looking at what the market is pricing in, in the light blue bars, is basically two potential 25 basis point rate hikes in February and in March. Then potentially seeing some rates cut in the back half of 2023. These are just projects of the bond market is pricing in. The Fed has not committed to something like this, so there is quite a disconnect based upon what the market is showing and what the Fed is saying from their last meeting.

Looking at a gauge of where we are with the recession risk, again we are still in the yellow with our inverted yield curve, and we see the housing market is starting to slow down. There are other parts of the economy that are slowing down as well. Analytic forecasts are saying the first half of 2023 has fairly slow or negative GDP, but as we move into 2023-2024, they are assessing GDP to increase and also to see some modest growth into 2024.

When we look at the yield curve to see what has happened quarter to quarter, for the most part you can see there were some increases on the front end of the curve and the back end. In the 3 and 5 year space you can see that rates did decrease slightly. You can see that the yield curve inversion is starting to deepen. This is not what a normal yield curve is supposed to look like, so that give caution when it comes to determining what type of recession we could see down the road.

When we look at returns from last year, we see a lot of the negative returns came from the negative impact of price returns. Based on the fact that the Fed was very aggressive as rates increased, market values of bonds decreased.

For new assets that are being purchased in today's bond market, those yields are very attractive. You can see in the 1-5 year space that the starting yield is somewhere around 4.33%.

We did see spreads narrow in some sectors of the market with treasuries being a little more attractive. We like to see spreads widen, so we can get more compensation for taking a little more risk outside of the treasuries, and for the most part, most of the four sectors that we're looking at did see spreads narrow in the back half of December.

For the first time in quite some time, we can report positive quarterly returns in pretty much every sector of the fixed income market.

When we look at the 1st Quarter moving into 2023, for the most part we are pretty neutral across most sectors of the market with the exception of commercial paper, where we are really positive. The reason for that is that short term rates are very attractive in that sector. Then when we look at treasury bills, we're slightly positive in that area and then also financial when we look at the corporate sector and mortgage backed securities.

Looking at the account summary, we have about $7.8 million in assets with the bulk of the assets in the shorter-term bucket of the portfolio. Average rate of maturity for the portfolio is about 1-year. This portfolio is mainly invested into U.S. Treasuries and Federal Agencies, and we are well within the limits of what the investment policy states, so no concerns there.

Then when we start to move into a little more detail, there is about $2.0 million in cash that is available in the portfolio, because there was a maturity that happened in the 4th Quarter. Christian, I'll probably need your insight in what to do with those assets. The yields at cost is .35% with the yielded market at 4.70%. Any money that gets reinvested or becomes available for reinvestment in the portfolio will be reinvested closer to that yield at market, based on today's current rates.

The portfolio has generated about $1.1 million in earnings from not only interest, but also from the amortized cost and gains and losses.

There was a maturity of about $2 million in assets, so what are the plans or what are you expected to do with those assets?

Christian Schonlau: We've been working with Jeremy on this one and it looks like they've identified some treasury notes. The yield is 3.95%.

Wale Kajopaiye: Next quarter you'll see the yields cause the portfolio jump with that reinvestment and new interest rates, so you'll see more interest generation from the portfolio when that $2 million gets invested.

Christian Schonlau: Yes, it's about a 10-times increase, so that is great.

Thank you for your presentation Wale Kajopaiye. We appreciate it.

Christian Schonlau asked for a motion to approve. Nelia Belen motioned to approve, Jelena Williams seconded, and Motion carried unanimously.

Item 5 MEMBER ITEMS

Christian Schonlau asked if anyone had any member items. Being none, we moved onto public input.

Item 6 PUBLIC INPUT

Christian Schonlau asked if there was any public input. Being none, we moved to adjournment.

Item 7 ADJOURNMENT

Christian Schonlau asked for a motion for adjournment. Bill Thomas gave a motion to adjourn, which was seconded by Jelena Williams. Motion carried unanimously and meeting was adjourned.

The meeting adjourned at 2:55 p.m.

Christian Schonlau
Digitally signed by Christian Schonlau
Date: 2023.07.13 11:35:13 -07'00'

Christian Schonlau
Director of Finance/CFO
Regional Transportation Commission

WASHOE COUNTY REGIONAL TRANS COMMISSION

Investment Performance Review
For the Quarter Ended December 31, 2022

Client Management Team

Monique Spyke, Managing Director
Robert Cheddar, CFA, Managing Director
Wale Kajopaiye, Senior Managing Consultant

PFM Asset Management LLC

1 California Street Ste. 1000
San Francisco, CA 94111-5411
415-393-7270

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

Agenda

- Market Update
- Account Summary
- Portfolio Review

Market Update

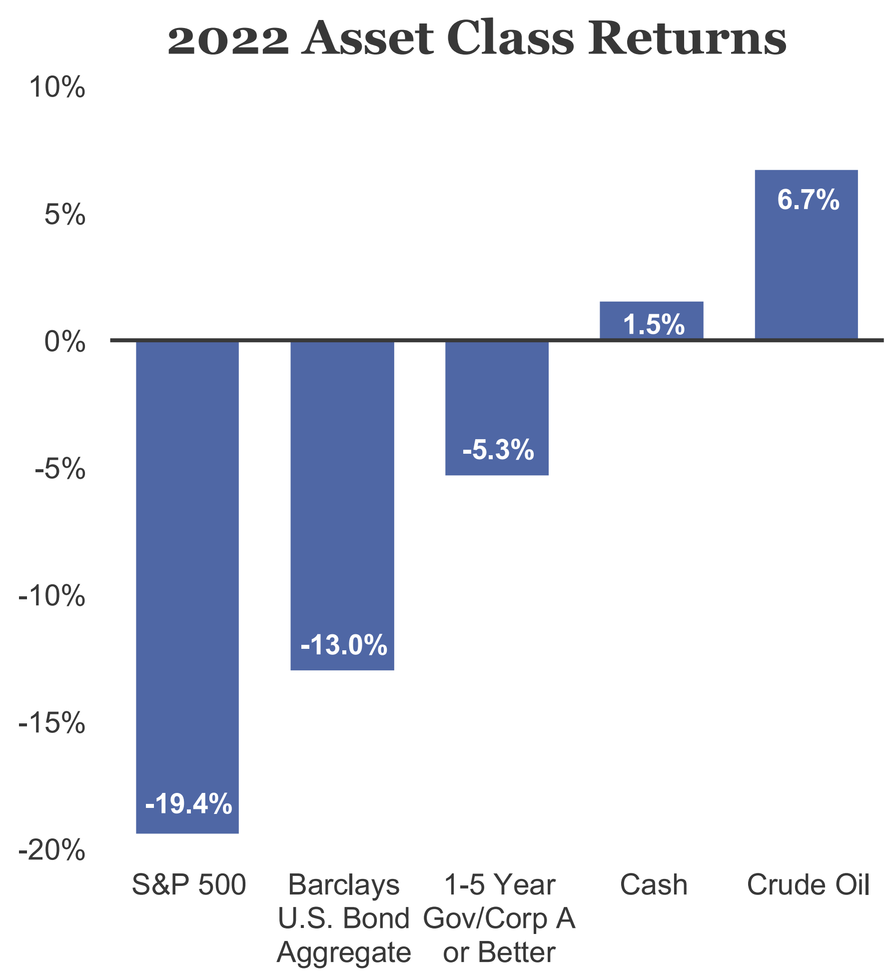
The Year in Review

Beginning in March, the Fed hiked rates by 425 basis points in 2022
- The 2-year treasury yield rose just 370 bps through 2022

2022 saw an uncommon phenomenon of both stocks and bonds posting negative returns

Consumer spending remained resilient despite price pressures and extended credit levels

Energy prices surged due to uncertainty, geopolitical conflict (war in Ukraine), and storage challenges

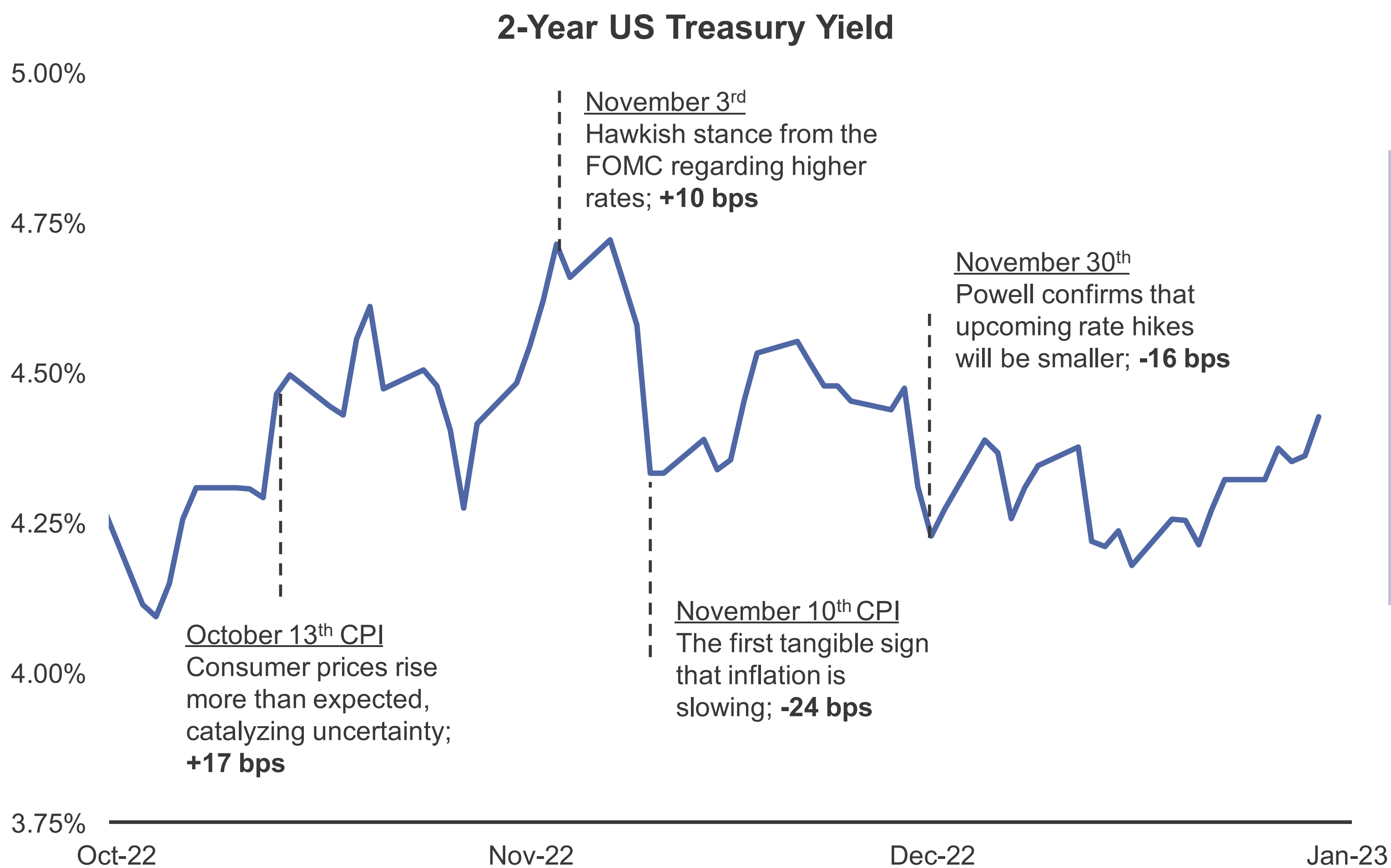


Source: Bloomberg, as of 12/31/2022.

Current Market Themes

- The U.S. economy is characterized by:
  - High inflation that shows signs of slowing
  - Continued strong labor market
  - Potentially declining health of U.S. household finances
  - Expectations for a modest yet broad economic downturn
- The Federal Reserve is expected to wrap up their normalization process
  - Slowing pace of rate hikes
  - Fed projecting short-term fed funds rate to reach 5.00% to 5.25% by year-end, with markets expecting rate cuts in the second half of 2023
  - Fed officials reaffirm that restoring price stability is the utmost priority, despite risks of overtightening
- Volatile markets potentially calming
  - Treasury yields in the belly of the curve (3-7 years) ended the quarter slightly lower, while shorter and longer maturities ended higher
  - Yield curve inversion has deepened further since last quarter
  - While still elevated, volatility and liquidity challenges have begun subsiding

Rates Remain Sensitive to Fed and Inflation

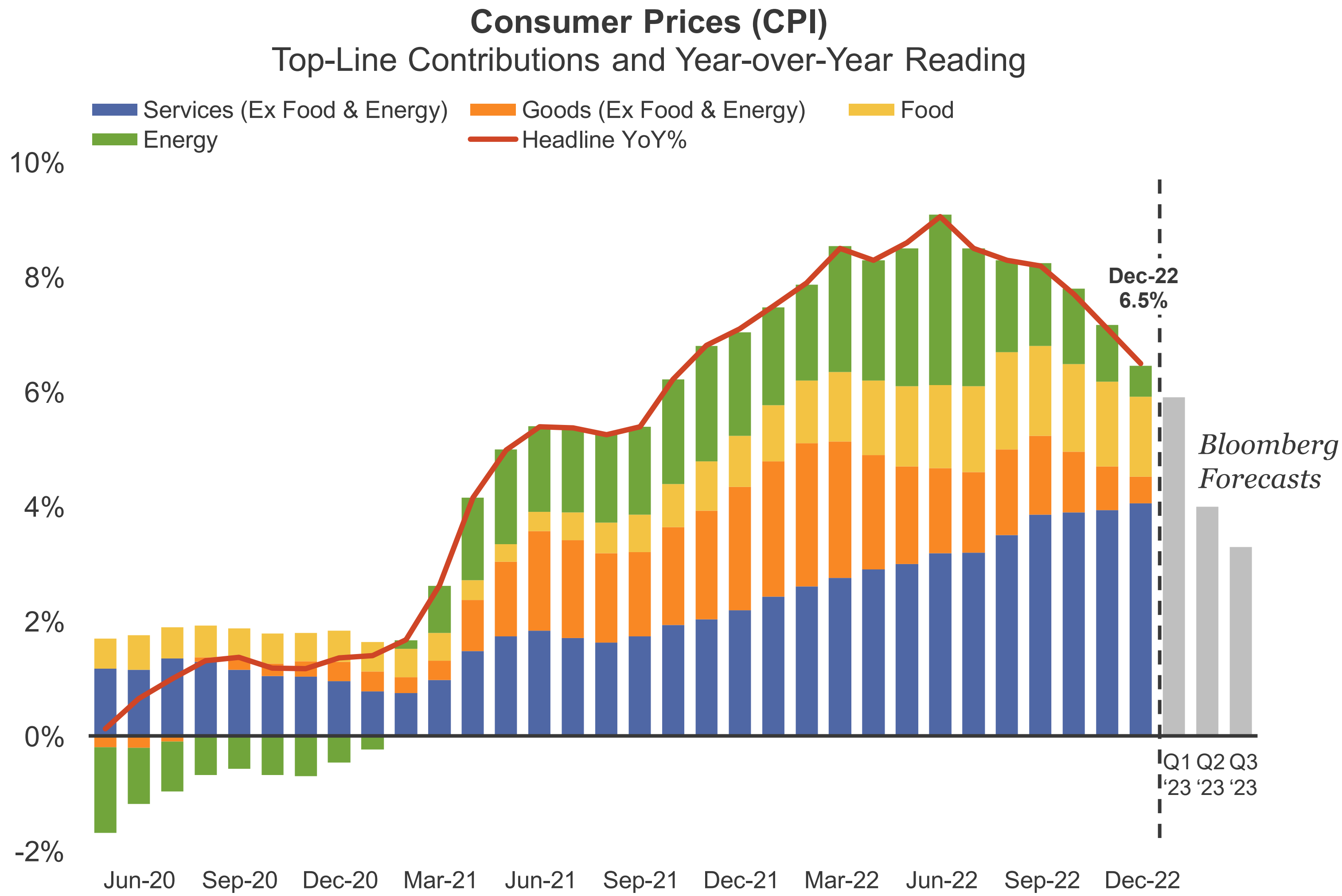


The 2-year Treasury is commonly used to gauge market reactions and near-term policy expectations

Source: Bloomberg, as of 12/31/2022.

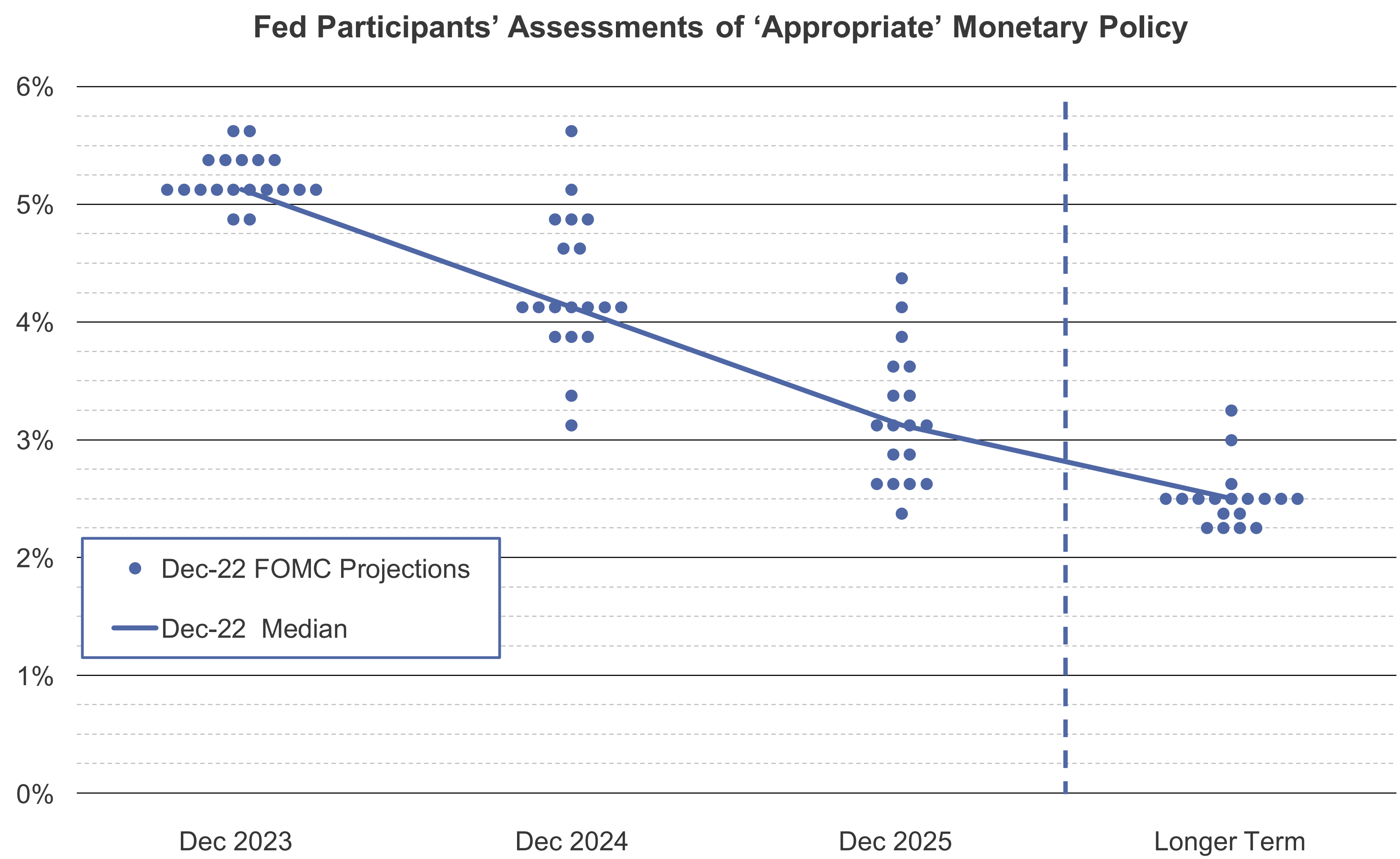
Inflation Now Trending Lower

Lower energy and goods prices help to offset increases in wage-driven services costs



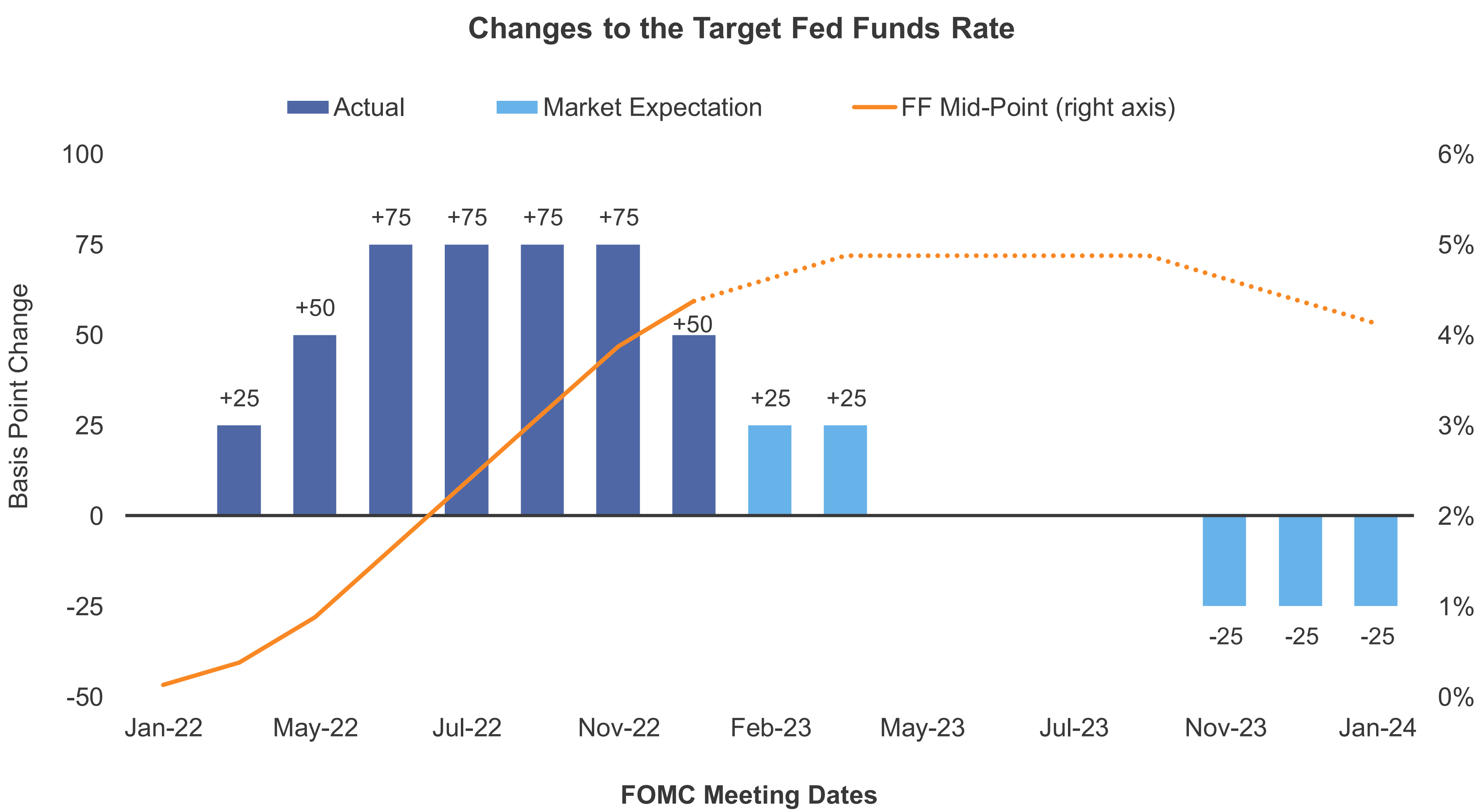
Source: Bloomberg, as of December 2022.

Fed's "Dot Plot" Suggests Expectations for a Drawn Out Normalization of Policy



Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

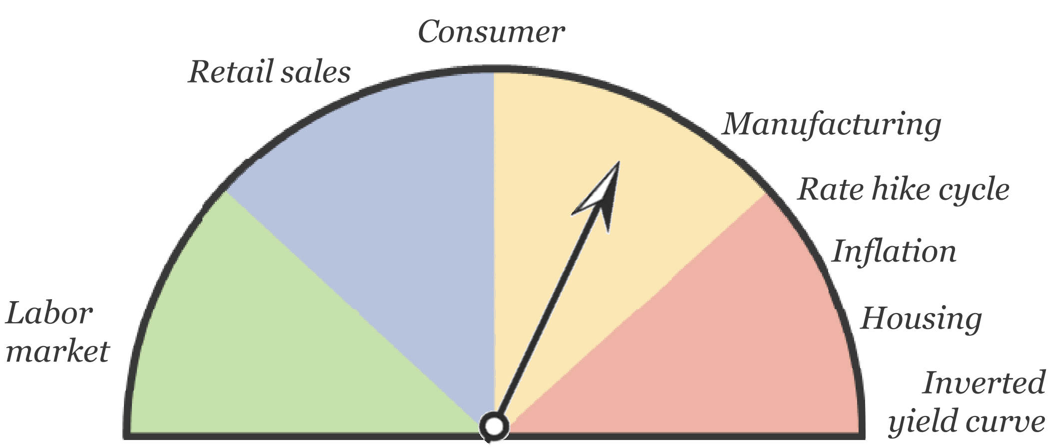
What Could the Fed's Pivot Look Like?



Source: Bloomberg WIRP Interest Rate Probability as of 1/9/2023.

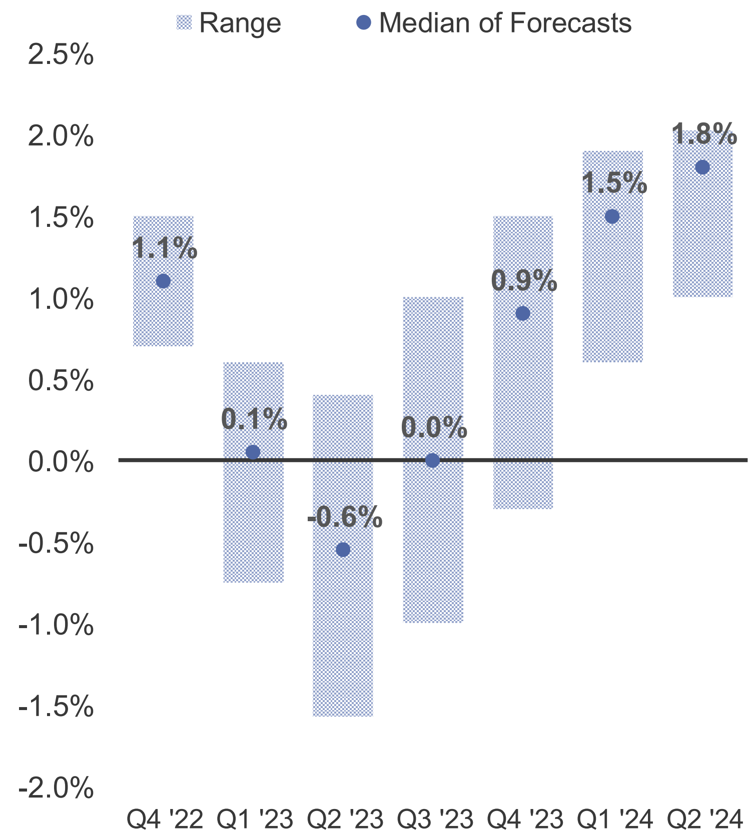
Recession Gauge Flashing Yellow, but GDP Expected to Grow by End of Year

Recession Risk



U.S. GDP Forecasts

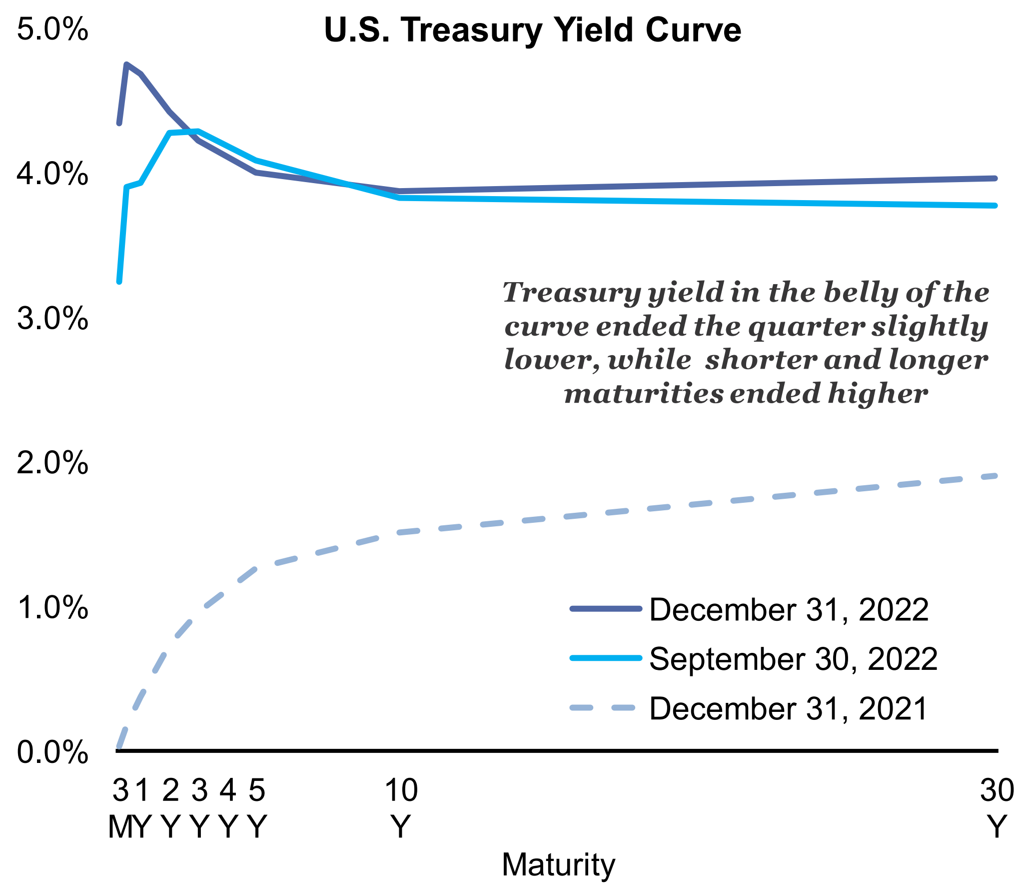
Annualized Rate



Source: Bloomberg, Economist Forecasts. Recession risk based on most recent economic data as of 1/9/2023.

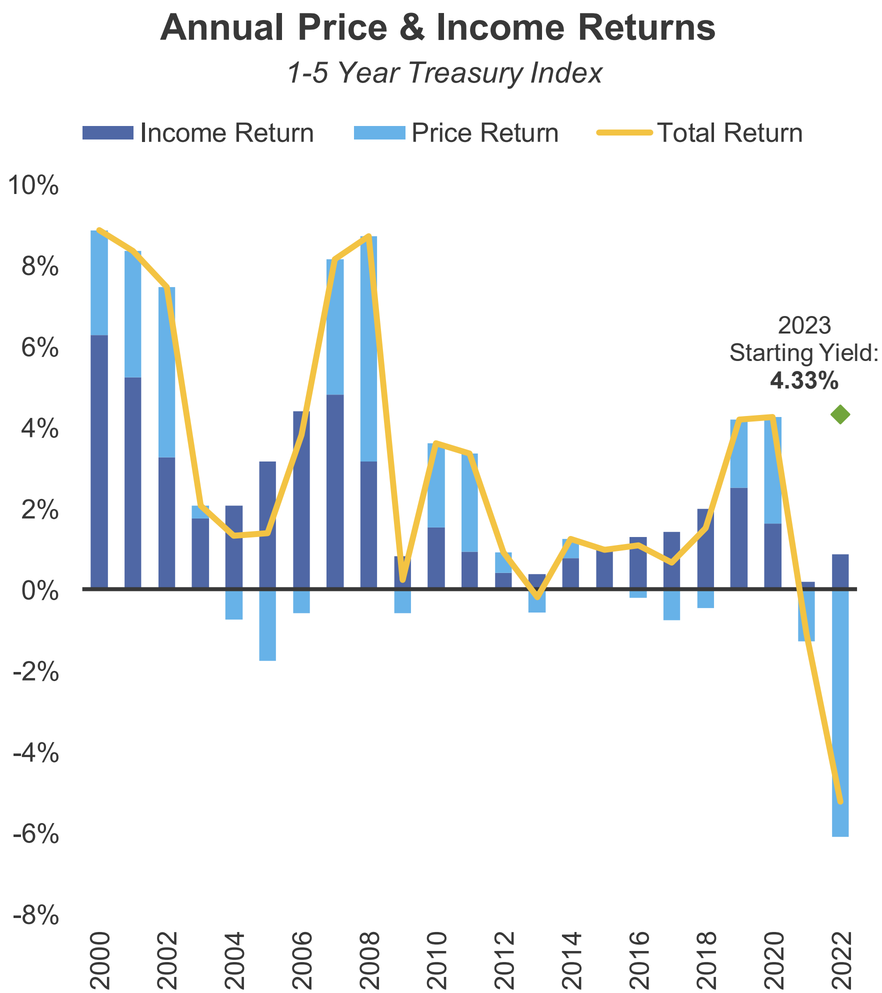
Yield Curve Inversion Deepens

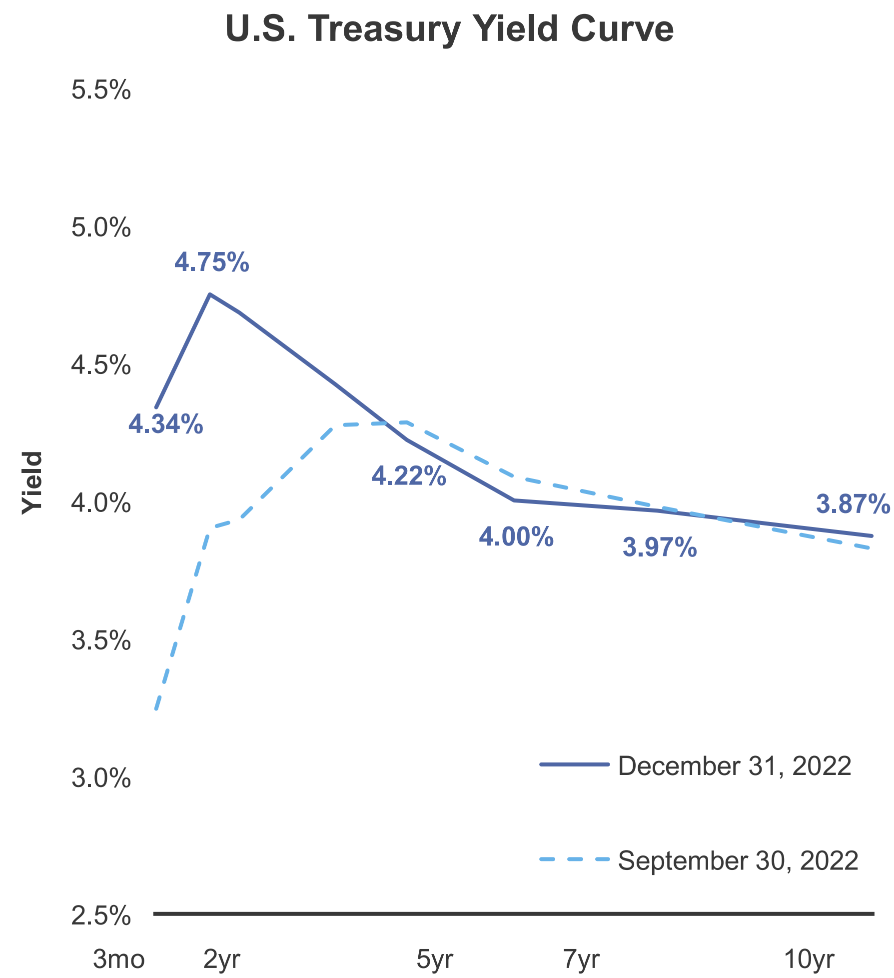
	4Q2022 12/31/22	3Q2022 09/30/22	QoQ Change
3-month	4.34%	3.25%	+1.10%
1-year	4.69%	3.93%	+0.75%
2-year	4.43%	4.28%	+0.15%
3-year	4.22%	4.29%	-0.06%
5-year	4.00%	4.09%	-0.09%
10-year	3.87%	3.83%	+0.05%
30-year	3.96%	3.78%	+0.19%



Source: Bloomberg, as of December 2022.

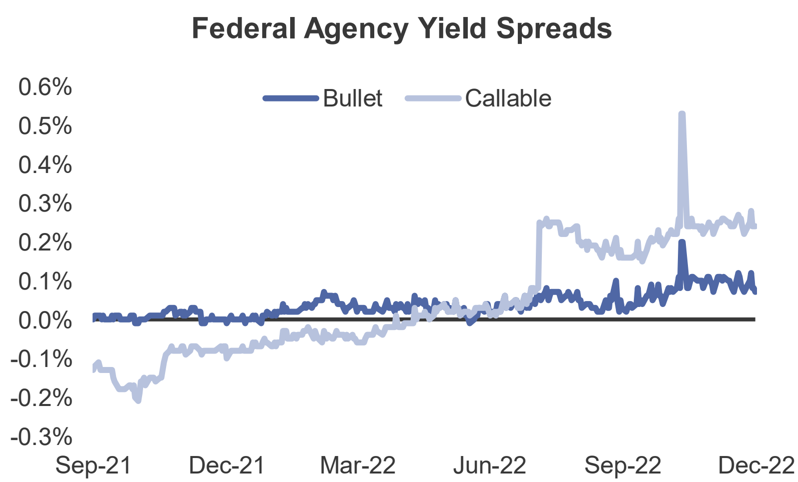
Higher Yields Can Offset Some of the Price Depreciation Woes

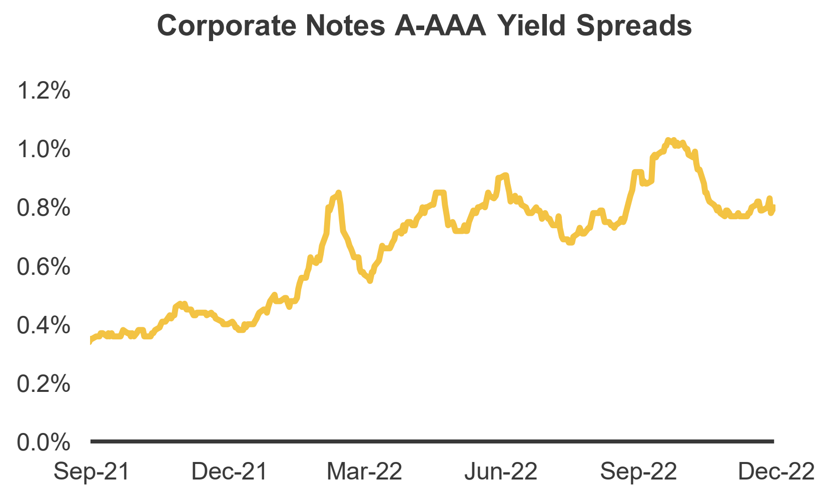


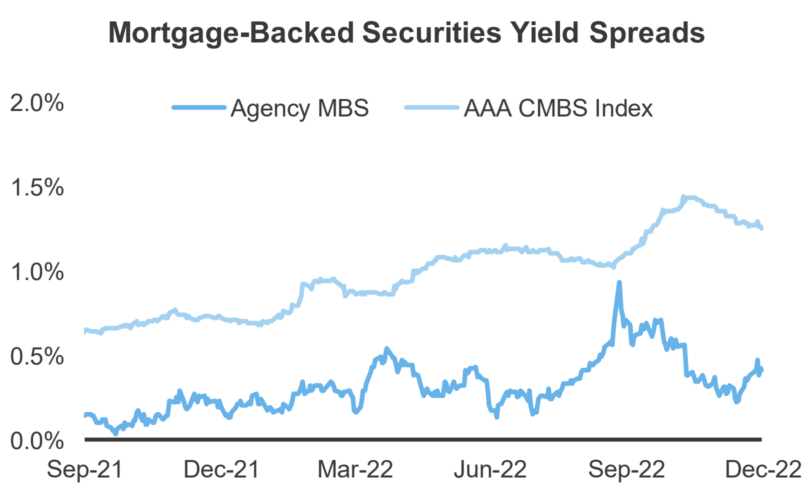


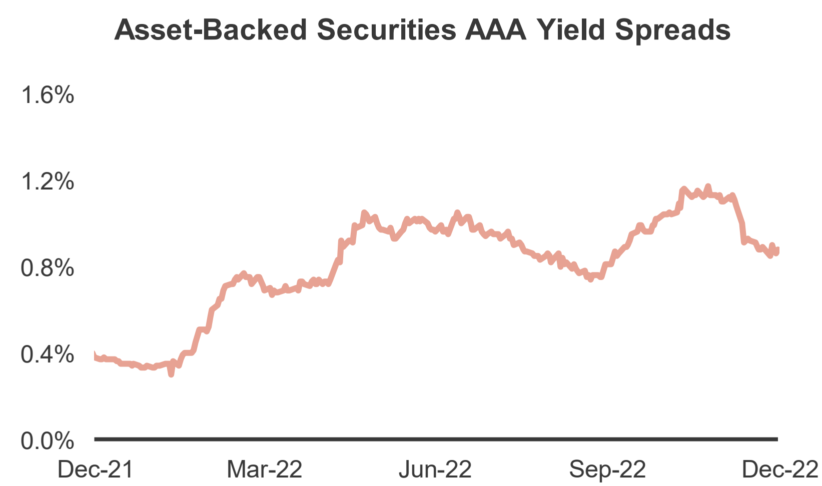
Source: ICE BofAML Indices via Bloomberg, as of 12/31/2022. PFMAM Calculations. Income return represents the yield of the benchmark index, as of the end of the prior calendar year, respective to the year of performance shown.

Sector Yield Spreads



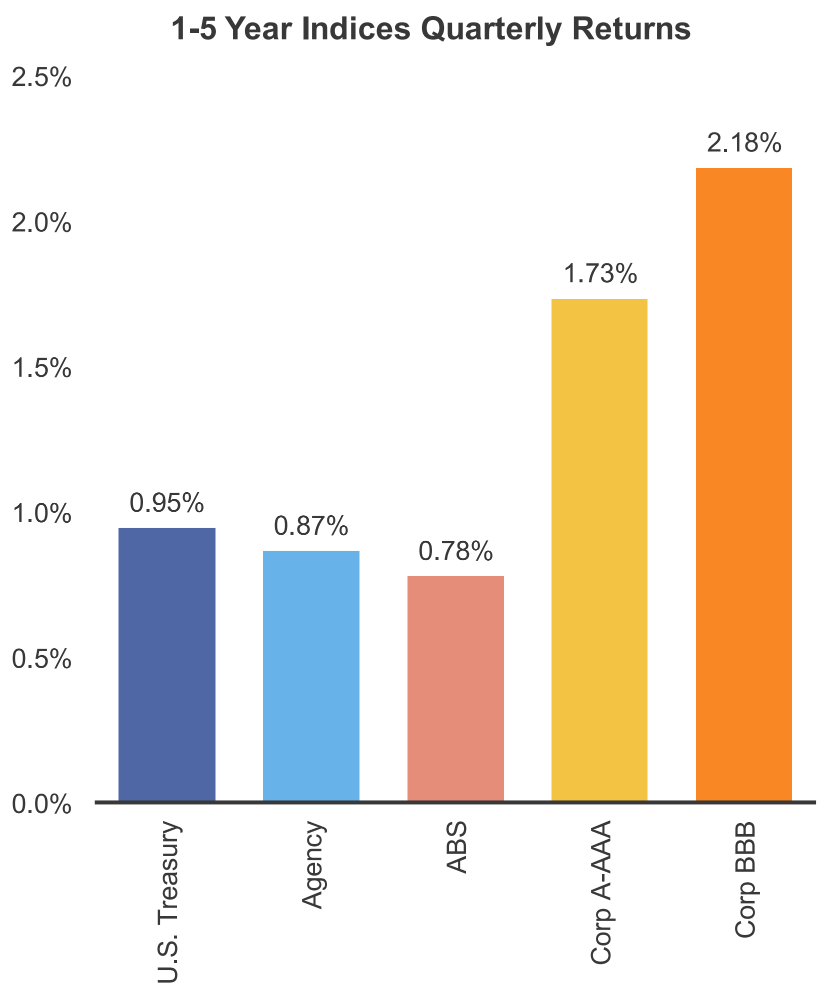


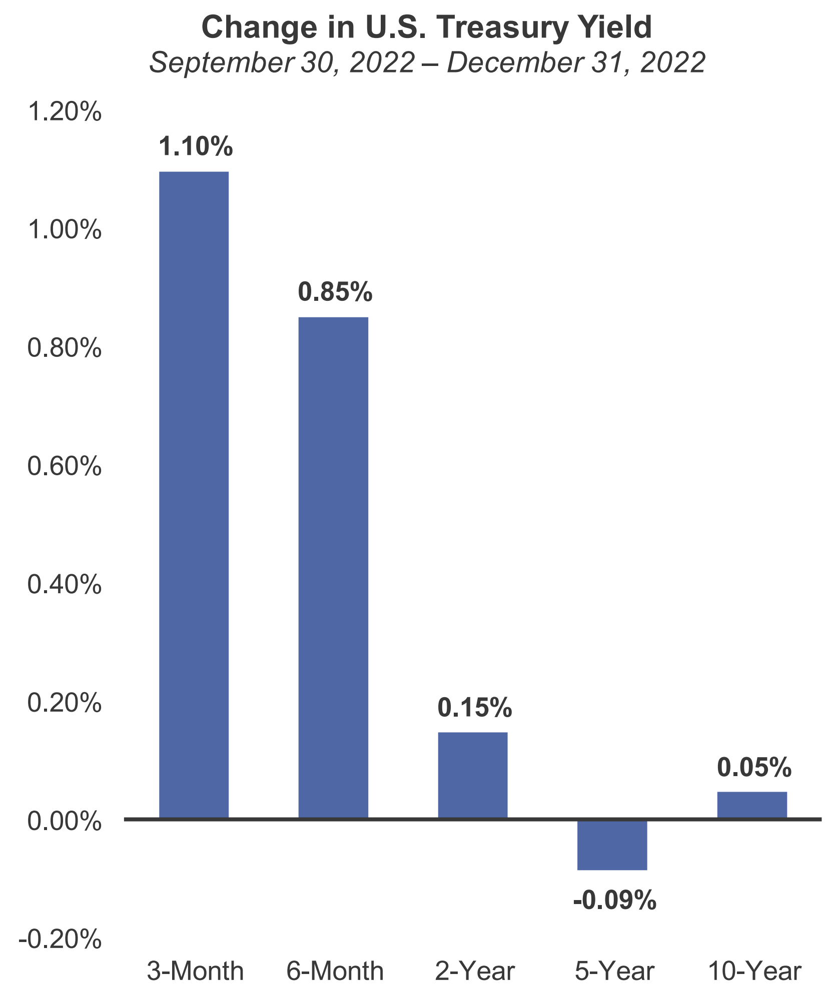




Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 12/31/2022. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries.
CMBS is Commercial Mortgage-Backed Securities.

Fixed-Income Markets in Q4 2022



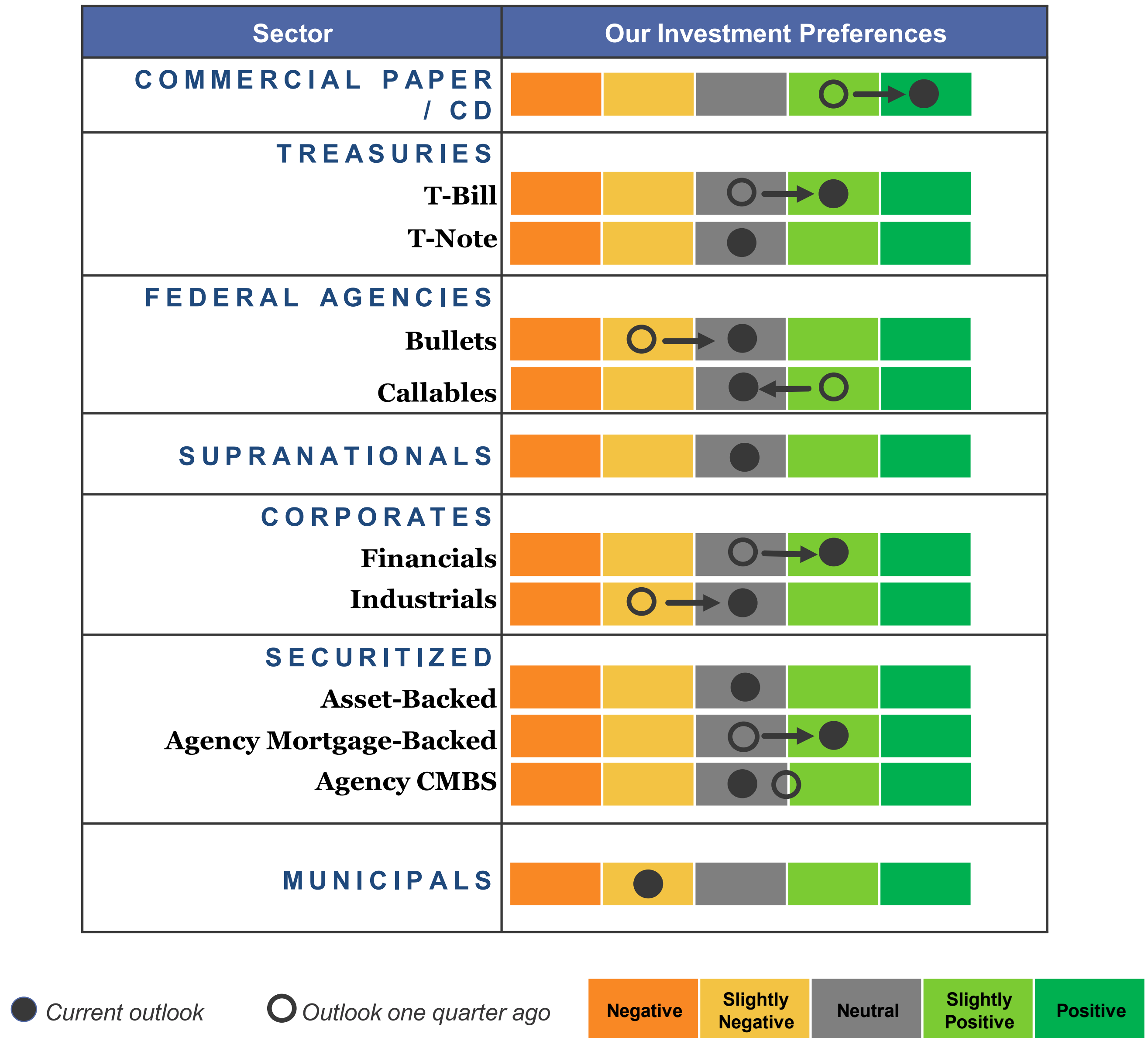


Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of 12/31/2022.
Right Chart: Generic US Treasury securities via Bloomberg, change in yield from 9/30/2022 to 12/31/2022.

Fixed-Income Sector Commentary – 4Q 2022

- **U.S. Treasury** yields settled into a wide range after surging for the first three quarters of the year. The result of more stable yields was generally positive returns for the quarter.
- **Federal agency** bullet spreads finally broke single digits and climbed to the widest levels in the past 12 months for certain maturities. Callable structures were attractive early in the quarter as new issues came to market at wide levels on the heels of historically high bond volatility.
- **Supranational** issuance fell notably short of expectations in Q4 limiting new investment opportunities. Liquidity was better than that of federal agencies, which provided some ability to swap into other sectors which were more attractive.
- **Investment-Grade Corporate** yield spreads fluctuated in Q4 underscoring the historic levels of volatility experienced throughout the year. After reaching post-pandemic wides in late October, credit spreads reversed, ending the quarter modestly tighter. The sector generated strong excess returns in Q4 and buoyed portfolio returns relative to benchmarks.
- **Asset-Backed** yield spreads lagged the narrowing move in the corporate sector for much of Q4 but rallied into year end, ending the quarter only modestly wider than where they began. ABS and IG corporate spreads diverged markedly in November, growing to the widest margin since 2020 and leading to a year-end rally which brought performance just shy of matched-duration U.S. Treasuries.
- **Mortgage-Backed Securities** reversed course in Q4 after the dreadful negative returns for the first three quarters of 2022. Although still negative for the year, excess returns on MBS were near top-of-class amongst investment-grade options in Q4.
- **Taxable Municipal** issuance remained underwhelming as deals were heavily oversubscribed, dragging spreads lower, while secondary inventory at attractive levels was sparse.
- The **short-term credit** (commercial paper and CDs) yield curve was notably steep throughout the quarter as the market priced the expectation for further Fed rate increases. The aggressive pace of those rate hikes created valuable opportunities in floating-rate securities.

Fixed-Income Sector Outlook – 1Q 2023



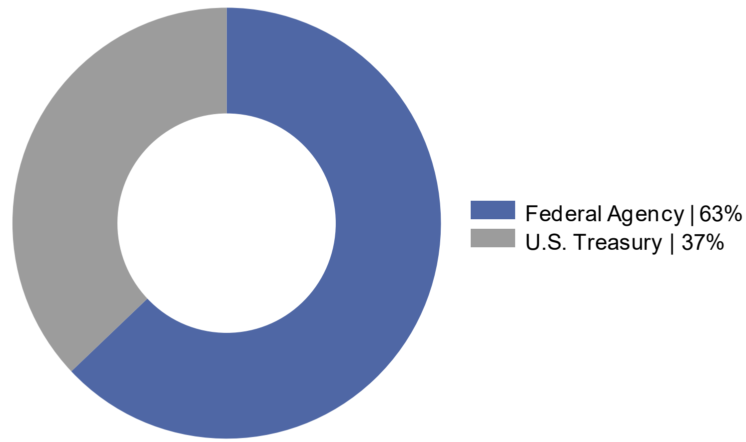
Account Summary

Consolidated Summary

Account Summary

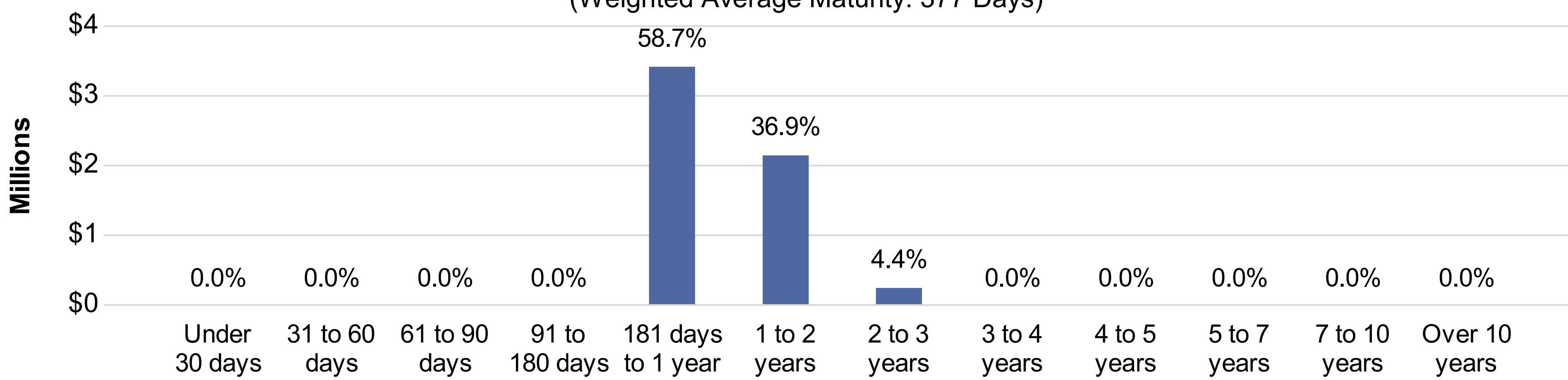
PFMAM Managed Account	$7,893,806
Total Program	**$7,893,806**

Sector Allocation



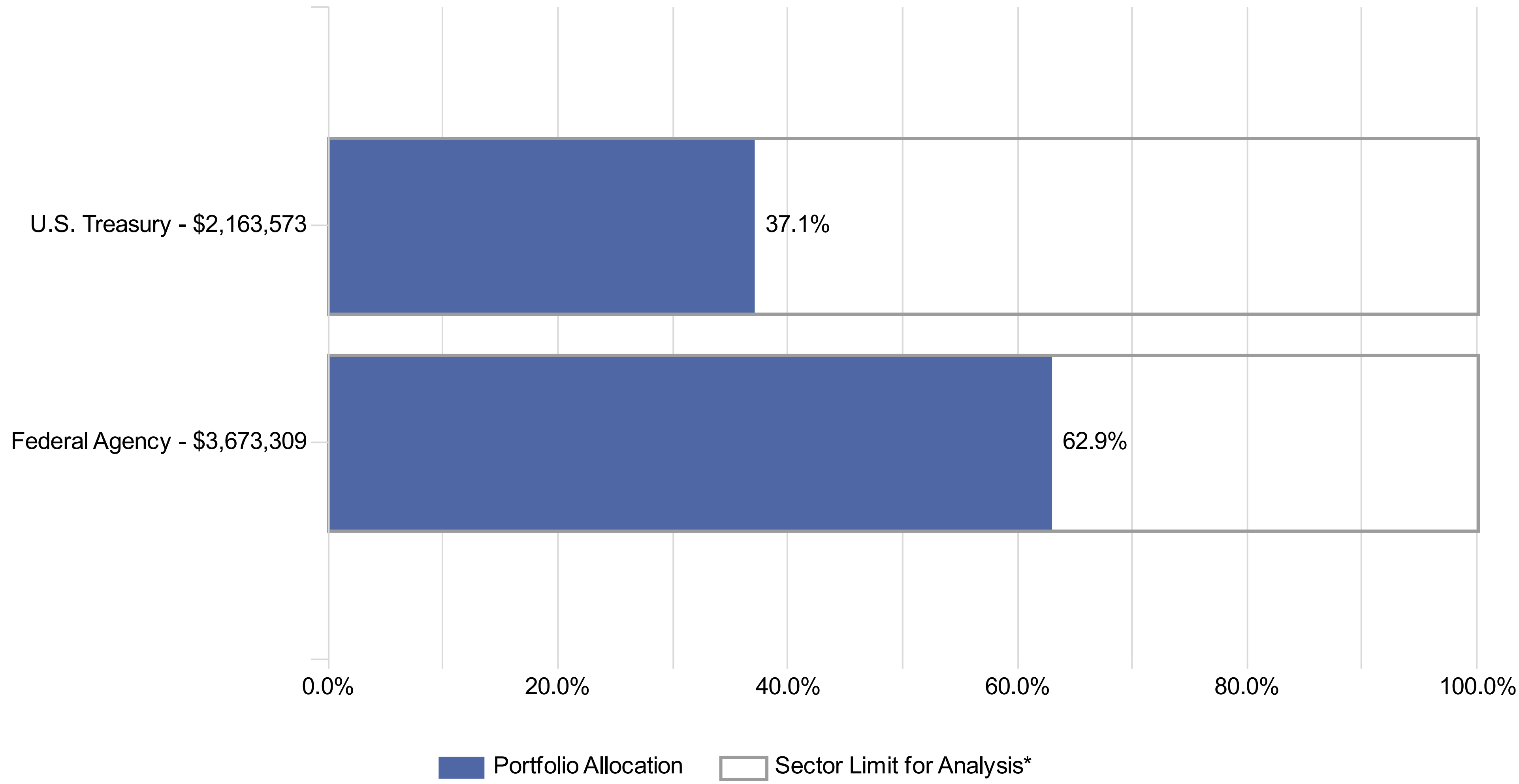
Maturity Distribution

(Weighted Average Maturity: 377 Days)



Account summary and sector allocation include market values, accrued interest, and overnight balances. Maturity distribution includes market values and excludes accrued interest and overnight balances

Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.
**Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

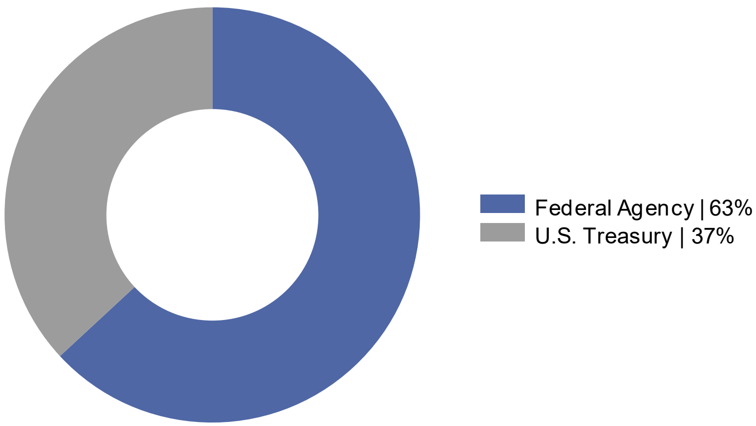
Portfolio Review:
WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Portfolio Snapshot - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO[1]

Portfolio Statistics

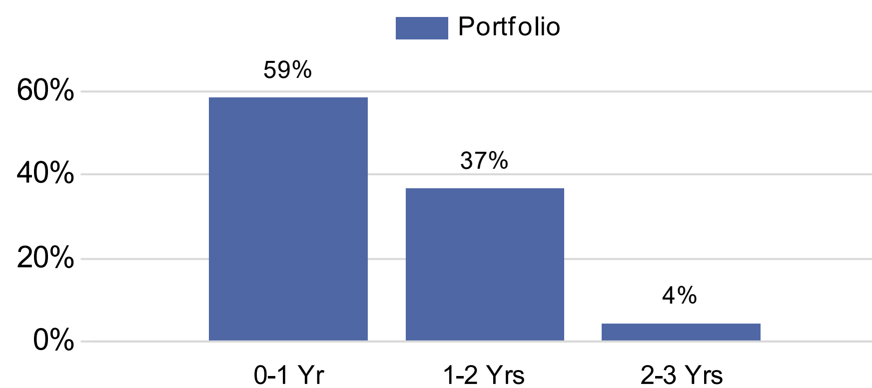
Total Market Value	$7,893,805.61
Securities Sub-Total	*$5,816,299.34*
Accrued Interest	*$20,582.59*
Cash	*$2,056,923.68*
Portfolio Effective Duration	1.03 years
Yield At Cost	0.35%
Yield At Market	4.70%
Portfolio Credit Quality	AA

Sector Allocation



Credit Quality - S&P

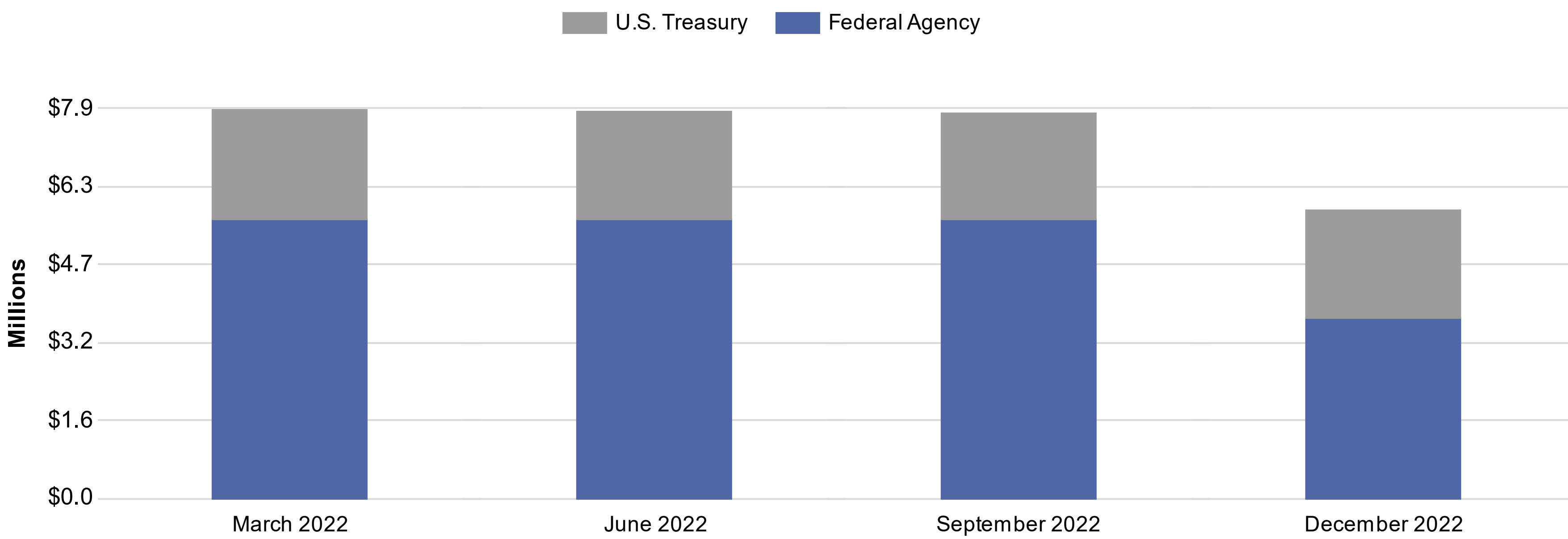
Duration Distribution



1. *Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interests. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.*

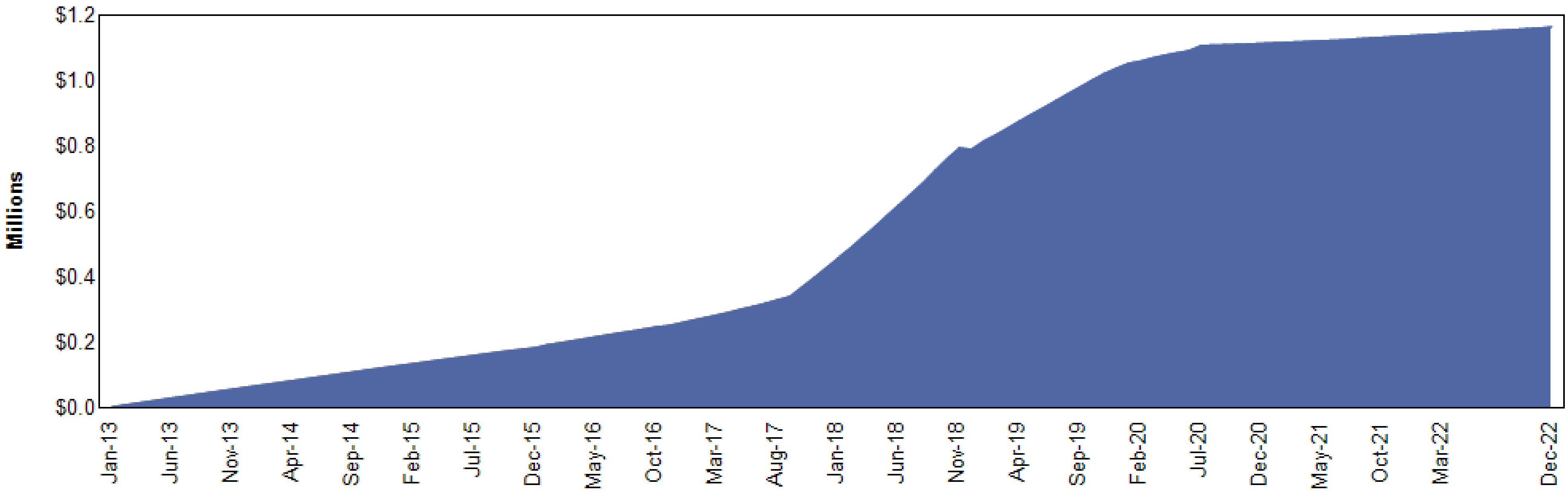
Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Security Type	Mar-22	% of Total	Jun-22	% of Total	Sep-22	% of Total	Dec-22	% of Total
U.S. Treasury	$2.2	28.1%	$2.2	27.9%	$2.1	27.6%	$2.1	36.9%
Federal Agency	$5.7	71.9%	$5.6	72.1%	$5.6	72.4%	$3.7	63.1%
Total	**$7.9**	**100.0%**	**$7.8**	**100.0%**	**$7.8**	**100.0%**	**$5.8**	**100.0%**



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

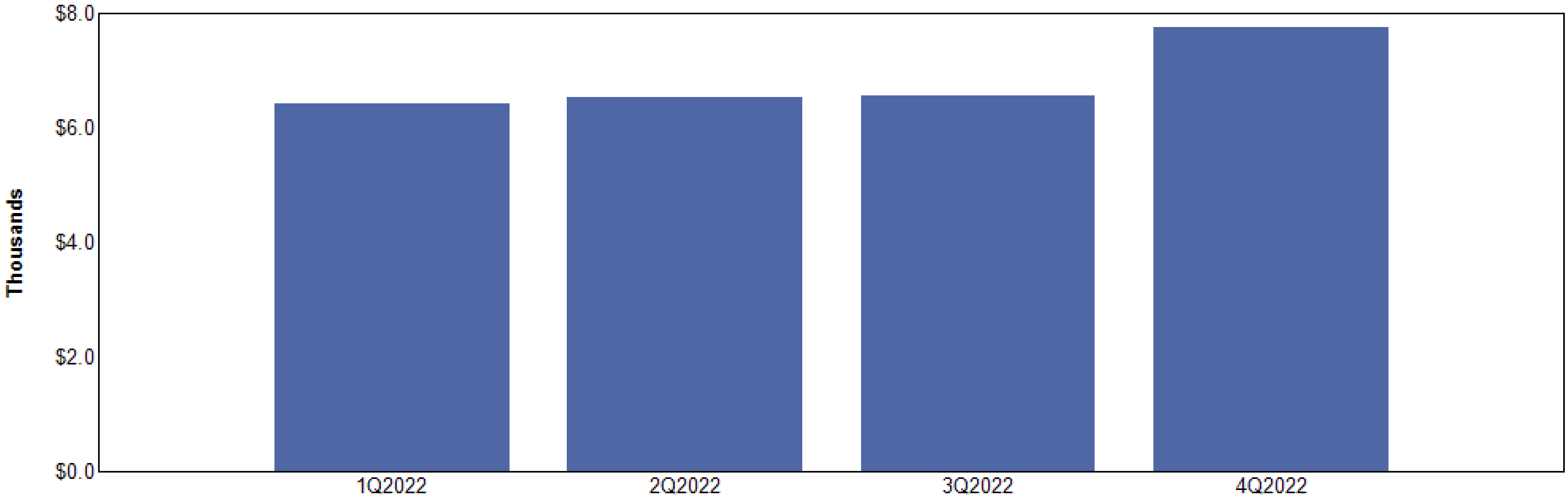
Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year[1]
Interest Earned[2]	$14,462	$53,295	$141,151	$636,397	$1,199,262
Realized Gains / (Losses)[3]	-	-	$10,503	($26,426)	($25,476)
Change in Amortized Cost	($6,711)	($26,020)	($25,777)	$124,397	($8,694)
Total Earnings	**$7,751**	**$27,274**	**$125,877**	**$734,369**	**$1,165,091**

1. *The lesser of 10 years or since inception is shown. Performance inception date is March 31, 2012.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Realized gains / (losses) are shown on an amortized cost basis.*

Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO



Accrual Basis Earnings	1Q2022	2Q2022	3Q2022	4Q2022
Interest Earned[1]	$12,794	$12,963	$13,075	$14,462
Realized Gains / (Losses)[2]	-	-	-	-
Change in Amortized Cost	($6,366)	($6,436)	($6,507)	($6,711)
Total Earnings	**$6,429**	**$6,527**	**$6,568**	**$7,751**

1. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
2. *Realized gains / (losses) are shown on an amortized cost basis.*

Portfolio Holdings and Transactions

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	**37.1%**	
UNITED STATES TREASURY	37.1%	AA / Aaa / AAA
Federal Agency	**62.9%**	
FANNIE MAE	41.9%	AA / Aaa / AAA
FREDDIE MAC	21.0%	AA / Aaa / AAA
Total	**100.0%**	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 07/31/2019 1.750% 07/31/2024	912828Y87	2,245,000.00	AA+	Aaa	8/13/2021	8/16/2021	2,333,309.18	0.41	16,440.96	2,292,180.00	2,147,131.92
Security Type Sub-Total		**2,245,000.00**					**2,333,309.18**	**0.41**	**16,440.96**	**2,292,180.00**	**2,147,131.92**
Federal Agency											
FANNIE MAE NOTES DTD 07/10/2020 0.250% 07/10/2023	3135G05G4	2,500,000.00	AA+	Aaa	7/9/2020	7/10/2020	2,495,350.00	0.31	2,968.75	2,499,193.15	2,441,925.00
FREDDIE MAC NOTES DTD 08/21/2020 0.250% 08/24/2023	3137EAEV7	1,000,000.00	AA+	Aaa	8/25/2020	8/26/2020	998,810.00	0.29	881.94	999,744.14	971,081.00
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	285,000.00	AA+	Aaa	9/23/2020	9/25/2020	284,142.15	0.44	290.94	284,531.57	256,161.42
Security Type Sub-Total		**3,785,000.00**					**3,778,302.15**	**0.32**	**4,141.63**	**3,783,468.86**	**3,669,167.42**
Managed Account Sub Total		**6,030,000.00**					**6,111,611.33**	**0.35**	**20,582.59**	**6,075,648.86**	**5,816,299.34**
Securities Sub Total		**$6,030,000.00**					**$6,111,611.33**	**0.35%**	**$20,582.59**	**$6,075,648.86**	**$5,816,299.34**
Accrued Interest											**$20,582.59**
Total Investments											**$5,836,881.93**

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount ($)	Yield at Market	Realized G/L (BV)
INTEREST									
10/3/2022	10/3/2022		MONEY0002	MONEY MARKET FUND			87.26		
11/1/2022	11/1/2022		MONEY0002	MONEY MARKET FUND			117.18		
12/1/2022	12/1/2022		MONEY0002	MONEY MARKET FUND			1,617.22		
12/21/2022	12/21/2022		MONEY0002	MONEY MARKET FUND			0.37		
12/21/2022	12/21/2022		MONEY0002	MONEY MARKET FUND			2.16		
Total INTEREST		**0.00**					**1,824.19**		**0.00**
MATURITY									
11/23/2022	11/23/2022	2,000,000.00	3133EMGX4	FFCB NOTES	0.12%	11/23/2022	2,001,250.00		
Total MATURITY		**2,000,000.00**					**2,001,250.00**		**0.00**

Important Disclosures

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

Investment advisory services are provided by PFM Asset Management LLC ("PFMAM"), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

For more information regarding PFMAM's services or entities, please visit www.pfmam.com.

Important Disclosures

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- Accrued Interest: Interest that is due on a bond or other fixed income security since the last interest payment was made.
- Agencies: Federal agency securities and/or Government-sponsored enterprises.
- Amortized Cost: The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- Asset-Backed Security: A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- Bankers' Acceptance: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- Commercial Paper: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- Contribution to Total Return: The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- Effective Duration: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- Effective Yield: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- Interest Rate: Interest per year divided by principal amount and expressed as a percentage.
- Market Value: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- Maturity: The date upon which the principal or stated value of an investment becomes due and payable.
- Negotiable Certificates of Deposit: A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- Par Value: The nominal dollar face amount of a security.
- Pass-through Security: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.