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

**Tuesday** **1:00 p.m.** **October 25, 2022**

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**PRESENT:**

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

**ABSENT:**

**Nelia Belen, RTC Accountant**

The RTC Investment Committee Meeting was held on October 25, 2022 at 1:00 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 July 26, 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 change or comments, Bill Thomas moved for approval of the minutes, with Jelena Williams 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***

Monique Spyke from PFM Asset Management discussed the Investment Performance Review packet for the Quarter ended September 30, 2022, for the Regional Transportation Commission of Washoe County.

Starting with the Market update, the U.S. economy continues to deal with persistently high inflation across the board. The Fed has been embarking on a policy shift to try to combat that inflation. This past quarter, the housing market started to experience a deterioration, as a result of the much higher mortgage rate environment causing a dampening of demand for housing.

Personal consumption is impacting household savings and balance sheets. Consumer goods are really bearing the brunt of this.

The labor market continues to thrive and we are in a very low unemployment market. Expectations have shifted from a soft landing to a hard landing, which means there has been a lot of concern with the Fed increasing their overnight rate, and at these levels would cause the economy to faulter a bit. For those of us who rely on equity lines of credit, car loans, business loans, etc., we would be hit with much higher interest payments.

Short term Fed fund rates are projected to reach 4.25% and 4.5%. The Fed has increased their pace of quantitative tightening. What that means, is they have been committed to reducing their support of long-term bonds in the market place. Yields across the curve have reached their highest levels in 14 years, which is good for us. That means that our income expectation is much more attractive on a going forward basis.

Headline inflation remains elevated despite recent reductions in energy prices. On the left side of Page 2, the graphic shows major components of the headline inflation numbers. Energy prices have come back down, but prices across the board are still elevated. Contribution to a year over year CPI continues to be the highest awaited followed by foods. Shelter is a big contributor to year over year price increase.

Economist and market participants do expect that inflation will come down. On the chart on Page 3, we show on the left the annualized inflation rate. The light blue box is the range of economist expectations for inflation on a going forward basis. You can see again, there is a decline in the expectation among economics who participated in this forecast. The blue dot shows the median.

There is still the expectation that the prices will come down and that the feds activity will cause some decrease in the inflation number. The chart on the right shows the breakeven inflation rates over 2 to 10 years.

Consumption comes at a cost to the consumer. These are fairly distressing financial pictures. On the left on Page 4, we have personal savings as a percentage of disposable income, which is essentially how much people are saving. You can see that has dropped significantly and is at the lowest since the financial crisis of 2008. Where is this money going? Things cost more for the consumer in general, at the pump, at the grocery store and in general consumer goods.

On the other hand, consumer loans, credit cards and other revolving plans have gone up. Not only are consumers saving less, but they are also spending more or borrowing in the short run to make purchases. The consumer loan debt has reached about $913 billion as of the last reading.

However, the labor force continues to show very strong recovery. The unemployment rate continues to be low at 3.5% at the end of the quarter which is fairly significant. This has been one of the bright spots in the economy that the fed has leaned on to continue to justify their very aggressive rate hike stance. We also see that the labor force participation rate is also declining as well.

Housing affordability has deteriorated significantly as interest rates have risen and home prices have not yet adjusted to the higher reality of the market. You may see in your local areas, houses staying on the markets longer than they have been. Throughout the Pandemic, housing prices also dropped slightly. What we show here on Page 6, is home buyer affordability index.

One interesting thing about home buying as it relates to the market is as more people buy homes, you actually start to see them spend a lot on consumer goods. So, they often buy the furniture, appliances, etc. When we see that home prices and home activity start to decline, you can also expect consumer spending to decline as well.

Sector spreads widened a good bit in the 3rd quarter of the calendar year. A lot of this has to do with relativity in the market, as the uncertainty with the Fed. Investors started demanding much higher income for taking on credit risk. With that you also have the expectation that perhaps some of these corporations will not fare as well in a coming recession.

The Fed has really stated in the midst of all of this that they are going to stay the course and continue to be aggressive. They noted that despite this idea that raising the fed funds rate will cause the economy to move into a recession faster, they've acknowledged that price stability is most important. Without price stability and containing inflation, the economy doesn't work correctly. They will be moving their overnight rate to a level that is purposely able to sufficiently restrict inflation. They want to get inflation to return to the 2% target.

The range of forecasts, on Page 8, for the 2-year treasury is kind of at its height, but there is an expectation that in the next two years the fed will start moving interest rates down a bit. You can see that the 10-year treasury, which is the longer end of the yield curve, is still somewhat contained by the expectation of lower growth.

Just a snap shot of what this has meant for income. Quarter over quarter, the 2-year Treasury has increased about 1.33%, which is a significant increase. We see the shorter end of the yield curve is at about 1.62%. The overnight fed funds rate will end the year at about 4.25, so we still have some upward movement to go there.

Really what is most notable is that we're looking at the income environment for the first time in a long time where investment yields for treasuries. We are at the highest spot for this yield curve in about 14 years. The Fed did revise their projections to reflect a weaker economic growth over the long term. They did extend their time line for tighter policy, which means they looked at federal funds rate which is the orange graphic on the bottom right of Page 10. They acknowledged that the do expect the fed funds rate to stay at that slightly higher level through the end of 2023 and not to expect to see any serious decline until the latter half of 2024.

The pros and cons of the longer environment is that income has a much stronger potential but we do have some market value fluctuations. Your portfolio is not necessarily managed to a total return basis, but it is important to note that if we start taking on some more duration risk, extending a bit in the portfolio, then we are looking at some market value depreciation or sort of a booking of your investments at negative market value changes for the foreseeable future as the fed continues to raise rates.

Wale Kajopaiye, Senior Managing Consultant, PFM continued the presentation from here on.

Wale Kajopaiye: We will jump into the account summary on Page 16. The composition of the portfolio is mainly made of two security types. We have federal agency and U.S. treasuries, most of the assets in the portfolio are sitting in that 181-days to 1-year timeframe. Then we have some maturing assets in the next 30 days that will become available for reinvestment.

When we look at the allocations allowed in the policy, we can see we are not bumping against any of the policy limits in either of the securities that are allowed.

The next Page, 18, gives you an idea of the quality of securities. A very high rated quality with Federal Agencies and U.S. Treasuries, both rated AA and AAA by some of the other rating agencies.

Moving to the Portfolio snapshot on Page 20, here this gives an idea of what the portfolio's yield at cost, which is at .32%. That number should climb and there is almost $2 million in assets that should mature next month in November, so we'll be making a recommendation on what to do with those assets. Knowing those assets are available for reinvestment, they will be reinvested a lot closer to what the market rate is yielding, so right now the market rate of the portfolio as of the end of the 3rd Quarter is about 4%.

Page 22 gives you an idea of how the portfolio has changed over the last four quarters. There hasn't been much in changes. The U.S. Treasury allocation and Federal Agency allocations have pretty much held where they've been with maybe 1% changes over the last four quarters, but for the most part, no significant changes in overall asset allocation.

Monique Spyke: Wale mentioned that because we have about $2 Million in securities that are going to mature, coming up this month, the process for that is that we will be preparing a recommendation for Christian for reinvestments of that amount. It is expected that the reinvestment recommendation will likely be U.S. Treasury securities since interest rates are so attractive and the expectation is for a coming recession, so I don't think we will recommend any credit exposure to the portfolio.

Christian Schonlau: Looking at the expectations of the rate long term, it seems to make sense to me to take some of those maturing assets and put them into the 2 to 3-year timeline versus the 90-day to 1-year, to get the longest exposure to those rates before they decline.

Monique Spyke stated that is exactly what we will be recommending.

Wale Kajopaiye: Page 23 gives us an idea of the earning that the portfolio has generated. These are realized earnings and also interest earned in the portfolio, so this strips out any changes in unrealized gains or losses due to market value changes. The interest earned will always be positive because the portfolio will also generate positive income returns.

The portfolio is generating about $13,000 per quarter. Once we reinvest the almost $2 Million in assets, this number will definitely jump and we'll be able to reinvest assets at the current interest rate environment.

Monique, one of the things that we will continue to explore as we prepare the recommendations for the approved maturity is the remaining assets in the portfolio, but we do have a very conservative investment approach because these are bond funds for the benefit of the bond holder. We want to do our due diligence to try to see some income, but we're not taking any overdue risk both maturity or in sector amount. We will analyze the options for the remaining assets in the portfolio to see if there is some benefit for selling out early and reinvesting at these much higher income rates. We'll be sure to confirm that in the recommendation to Christian.

***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 1:31 p.m.

Christian Schonlau
Digitally signed by Christian Schonlau
Date: 2022.12.27 11:37:58 -08'00'

Christian Schonlau
Director of Finance/CFO
Regional Transportation Commission

# WASHOE COUNTY REGIONAL TRANS COMMISSION

## Investment Performance Review
## For the Quarter Ended September 30, 2022


**Client Management Team** | **PFM Asset Management LLC**

Monique Spyke, Managing Director
Robert Cheddar, CFA, Managing Director

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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

California Affiliated Risk Management Authorities
For the Quarter Ended March 31, 2022
Market Update

## Current Market Themes

- The U.S. economy is characterized by:
  - Persistent high inflation
  - A deteriorating housing market
  - Continued personal consumption that is impacting household savings and balance sheets
  - Worsening economic outlook that is propped up by a strong labor market

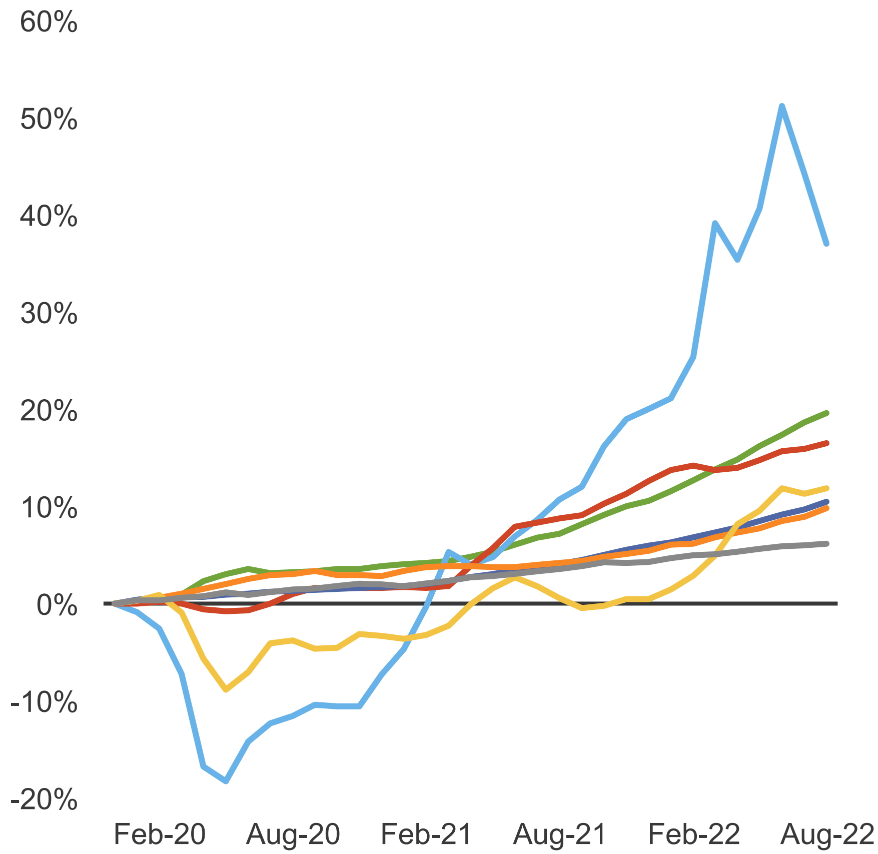
- The Federal Reserve has committed to a heavy-handed policy
  - Expectations have shifted from a soft landing to a moderate/hard landing, with increased recession risks
  - Short-term fed funds rate projected to reach 4.25% to 4.50% by year end
  - Increased pace of quantitative tightening

- Rapidly rising rates negatively impacting valuations and inducing market volatility
  - Yields across curve reached their highest levels in 14 years
  - Treasury yield curve remains inverted, but less so compared to Q2
  - Elevated volatility across all major asset classes


PFM Asset Management LLC

## Headline Inflation Remains Elevated Despite Recent Reduction in Energy Prices

### Price Change of Major CPI Components
*Since December 2019*

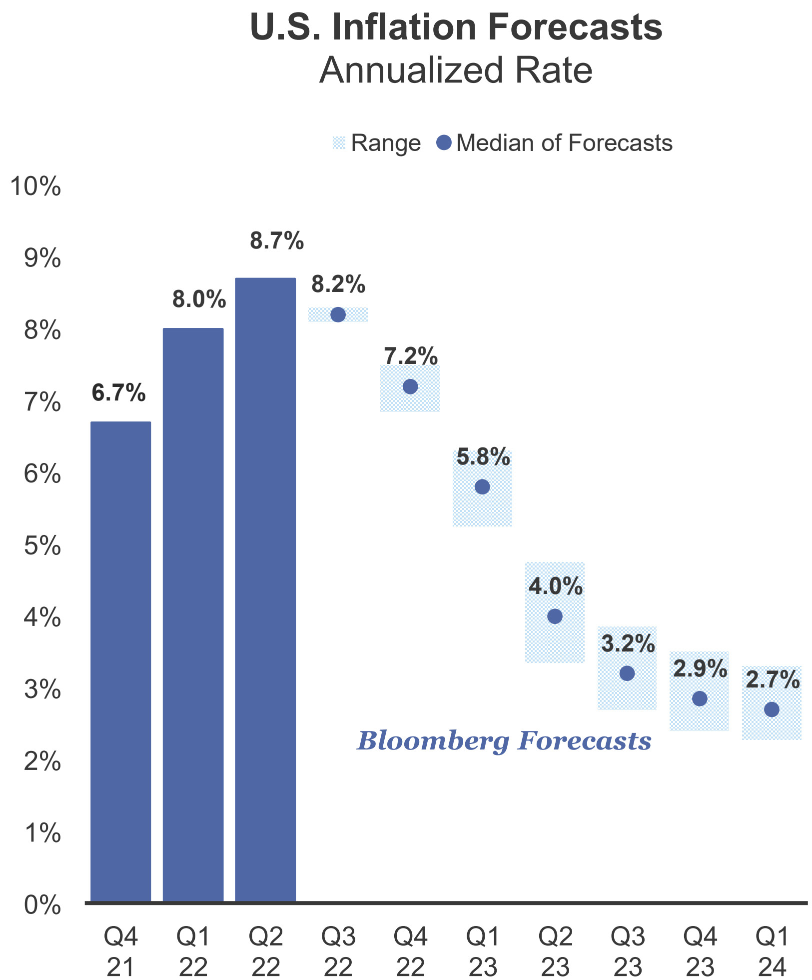


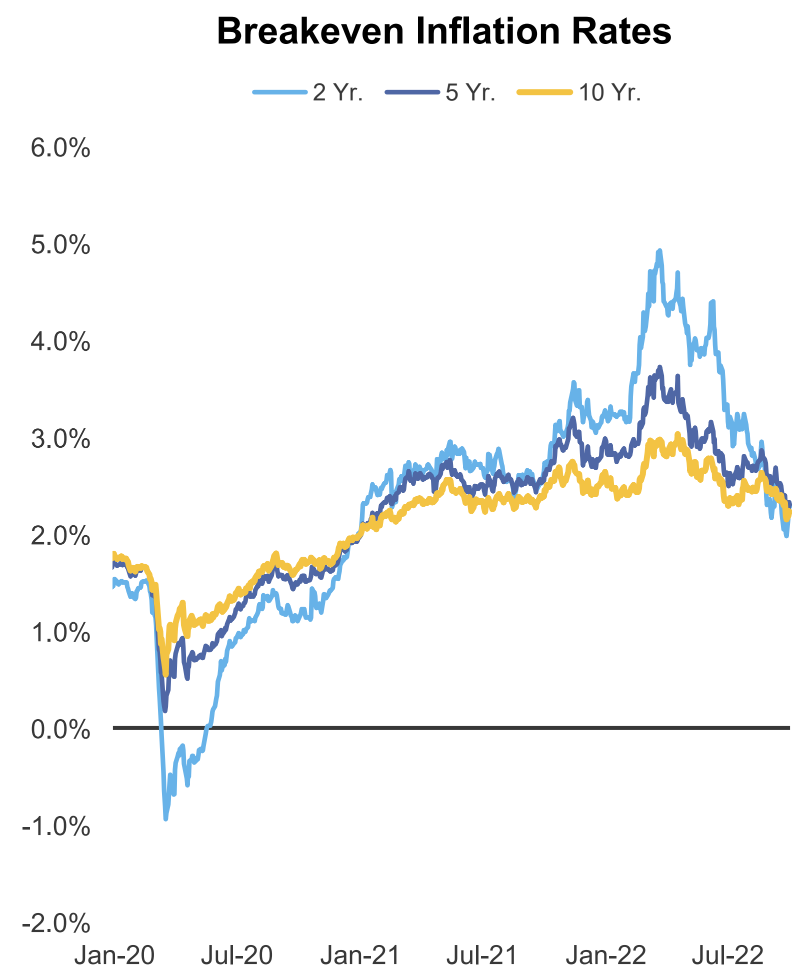

| CPI Component | 12-mo. Change | Weight[1] | Contribution to YoY CPI |
|---|---|---|---|
| Energy | 23.8% | 8.8% | 1.7% |
| Food | 11.4% | 13.5% | 1.5% |
| Goods | 7.1% | 21.2% | 1.5% |
| Transportation | 11.3% | 5.9% | 0.6% |
| Shelter | 6.2% | 32.2% | 2.1% |
| Medical Services | 5.6% | 6.8% | 0.4% |
| Other Services[2] | 3.4% | 11.6% | 0.4% |

*Detail may not add to total due to rounding.*

*Source: Bloomberg, Bureau of Labor Statistics as of August 2022.*
*[1]Index weights are as of July 2022 as they are published on a one-month lag.*
*[2]Other services is a weighted blend of Water/Sewer/Trash, Household Operations, Recreation, Education, Communication Services, and Other Personal Services.*

# Economist and Market Expectations Point to Slowly Moderating Inflation



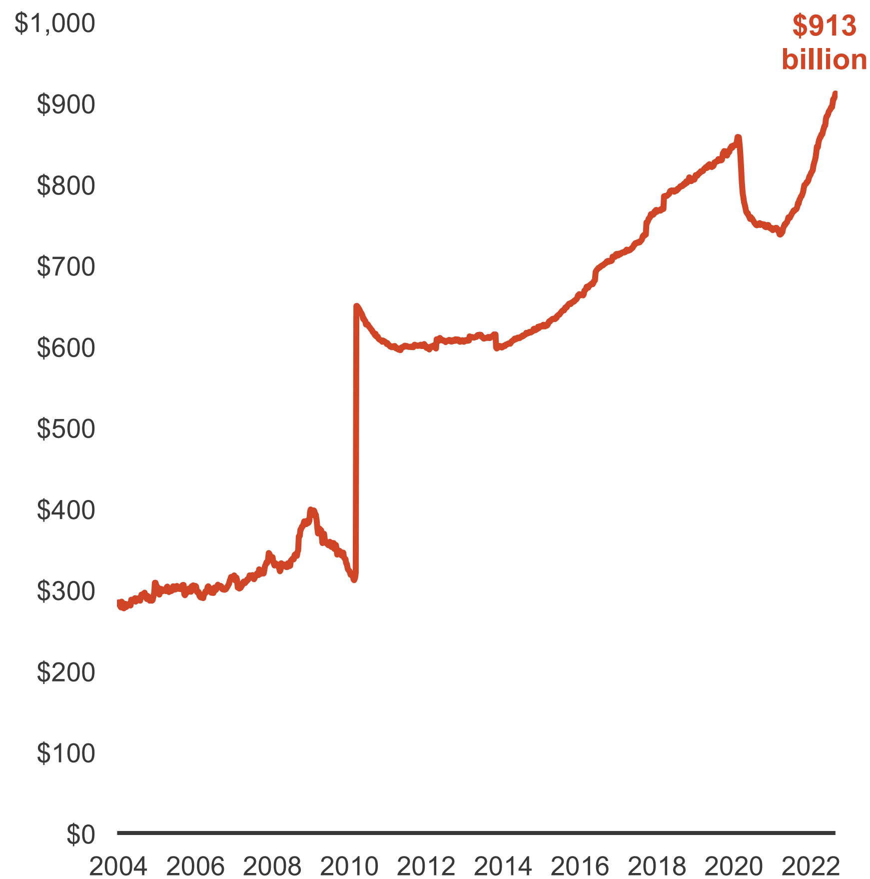




*Source: Bloomberg, data as of September 30, 2022.*

## Consumption Comes at a Cost to Consumer

### Personal Savings as % of Disposable Income

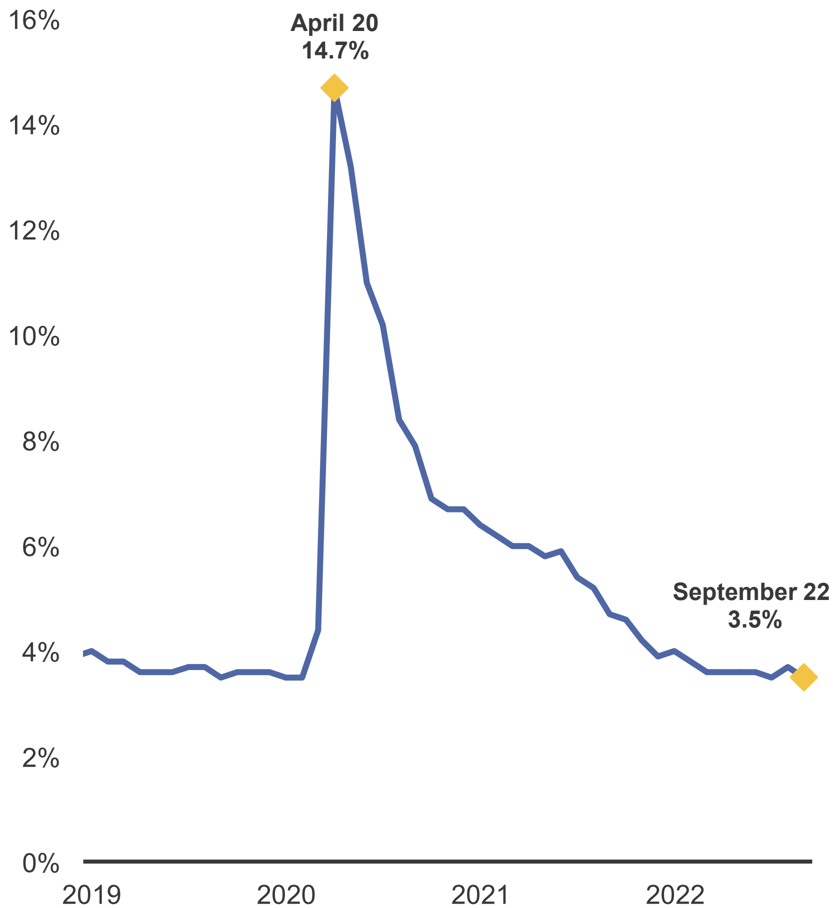

### Consumer Loans: Credit Cards and Other Revolving Plans (Billions)



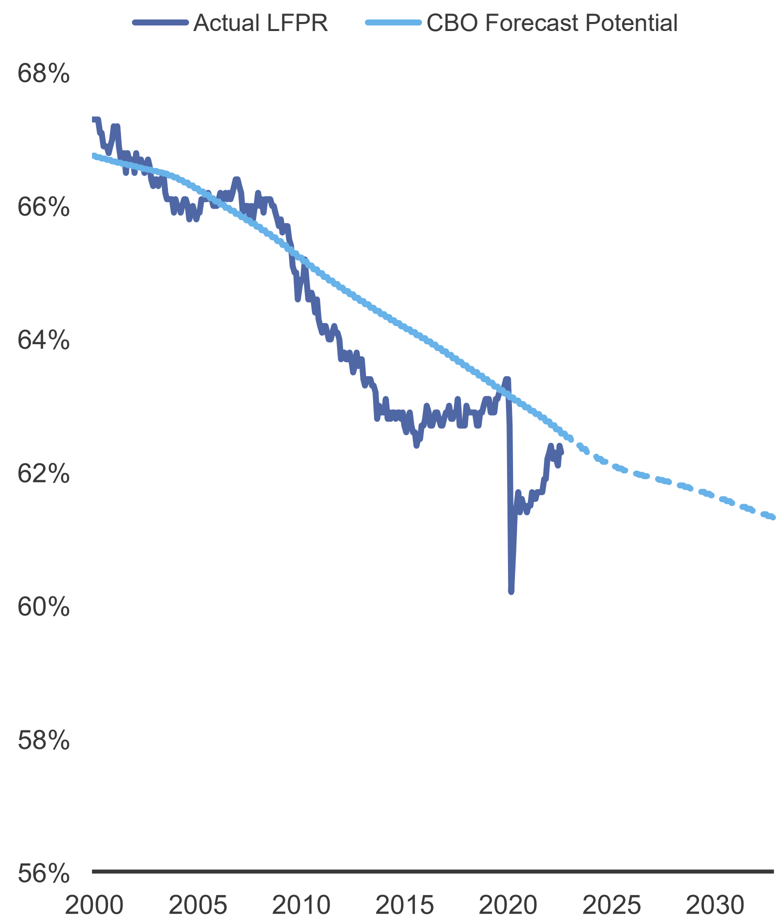

*Source U.S. Bureau of Economic Analysis, Federal Reserve, FRED. Most recent data as of August 2022.*

# Labor Force Continues to Recover

## Unemployment Rate

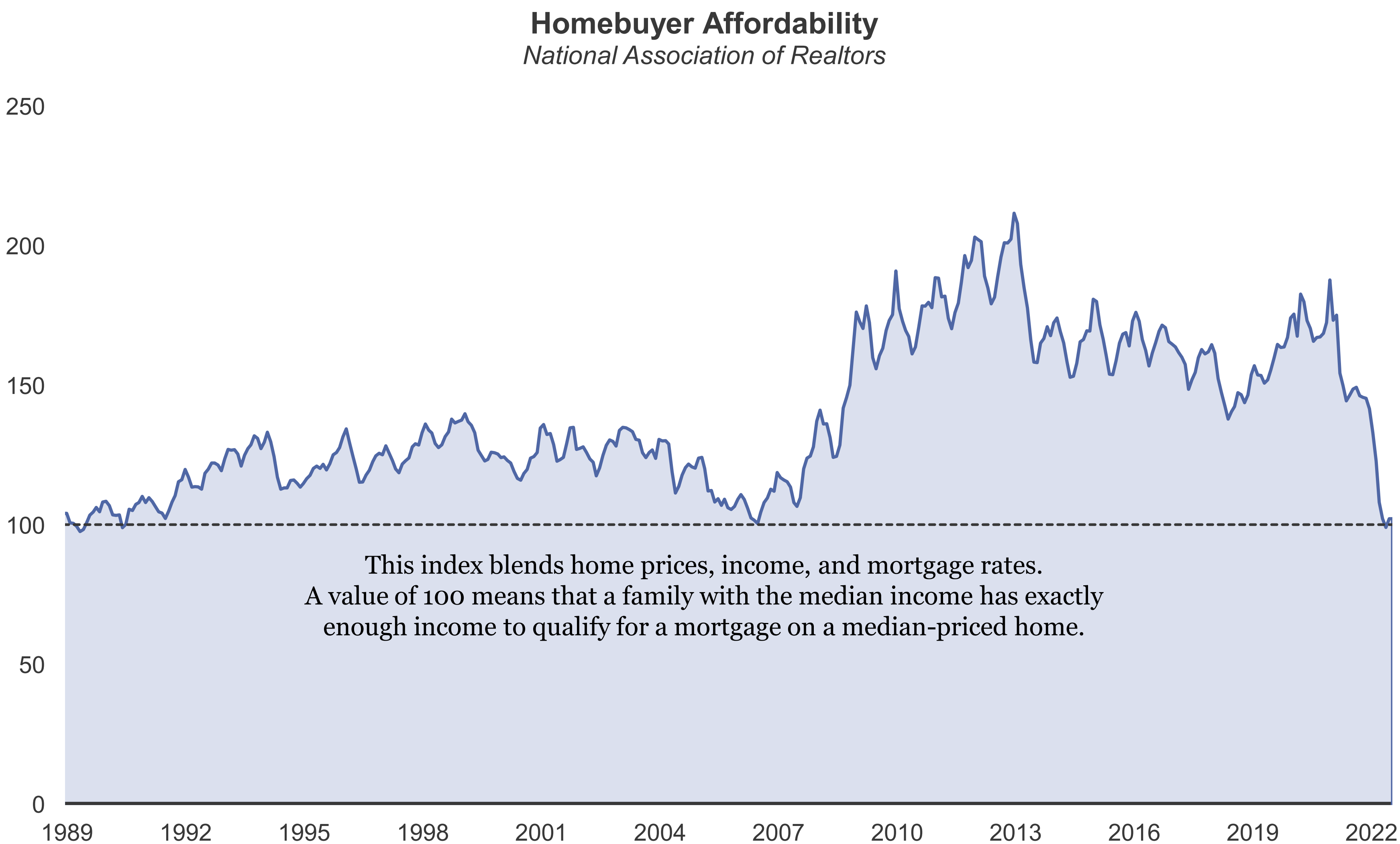



## Labor Force Participation Rate




*Source: Congressional Budget Office September 2022 economic projections, Bureau of Labor Statistics. Bloomberg, as of September 2022. Data is seasonally adjusted.*

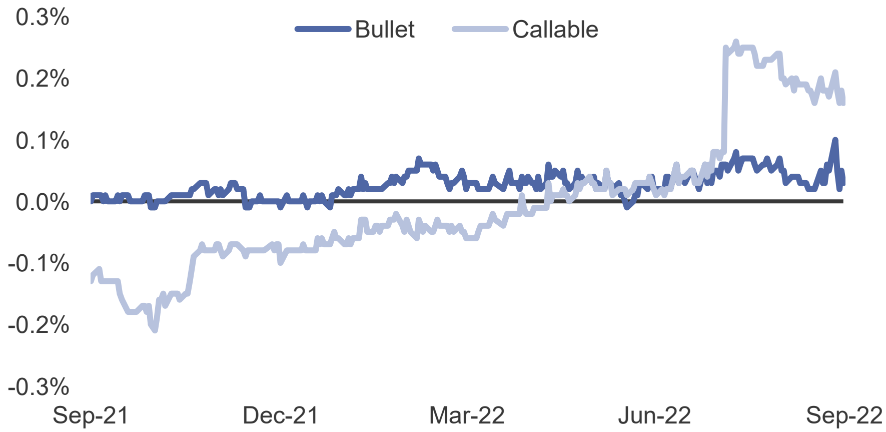
# Housing Affordability Deteriorating Amid Soaring Rates and Home Prices



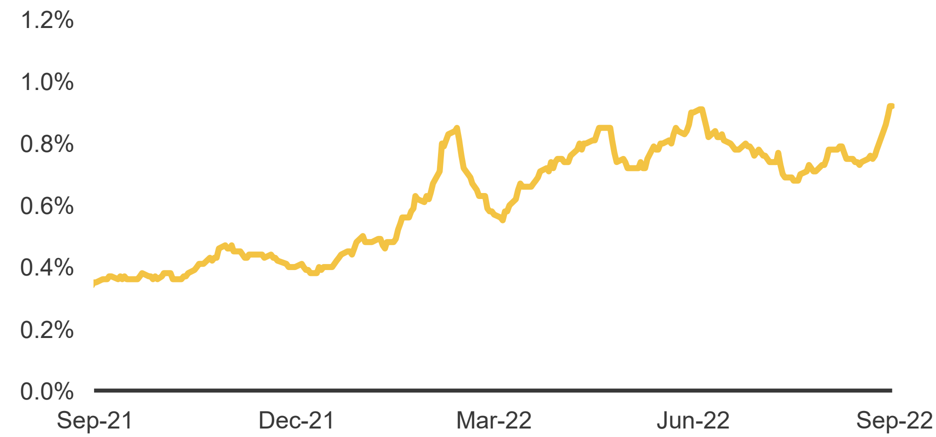

Source: Bloomberg, most recent data as of August 2022.

# Sector Yield Spreads Widened in Q3 2022

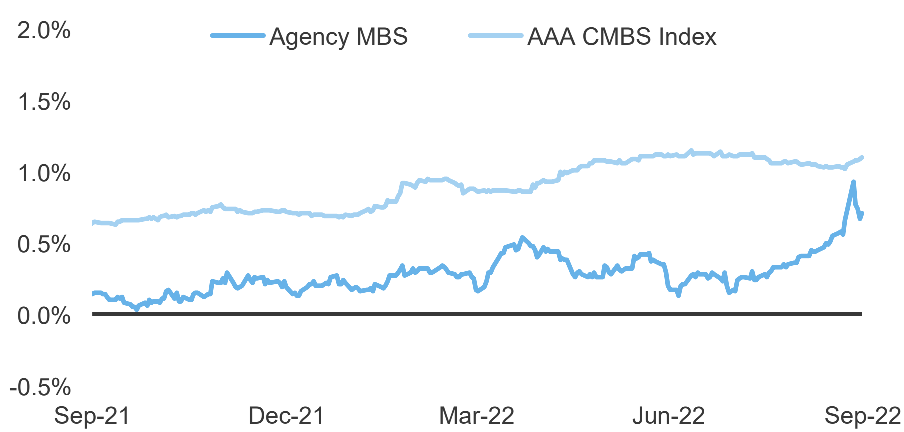
### Federal Agency Yield Spreads



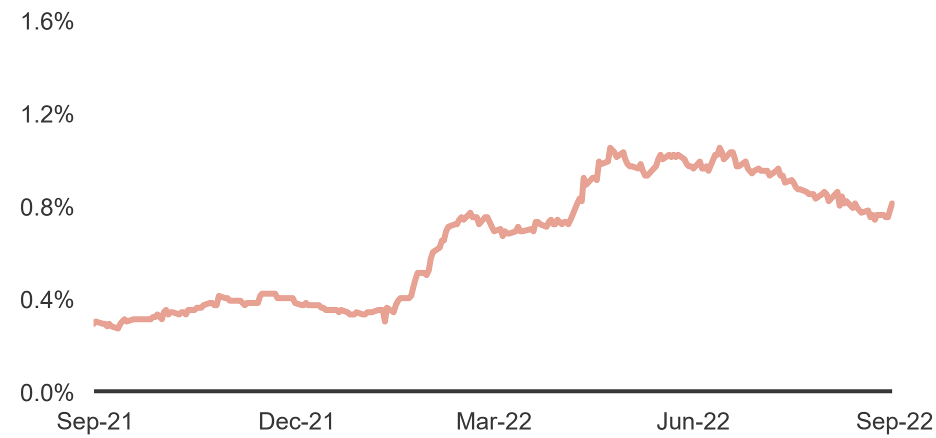

### Corporate Notes A-AAA Yield Spreads




### Mortgage-Backed Securities Yield Spreads




### Asset-Backed Securities AAA Yield Spreads




*Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of September 30, 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.*

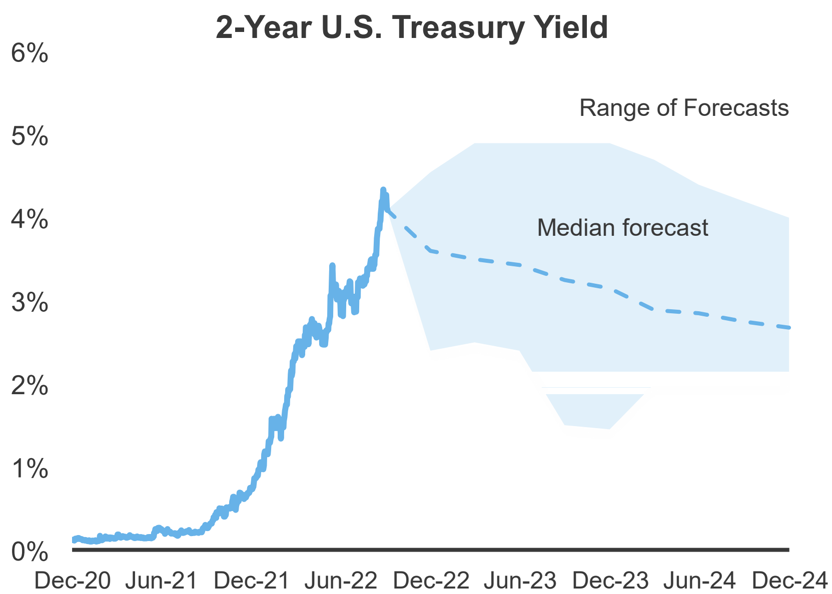
## Fed Makes Aggressive Stance Clear but Market Uncertainty Persists

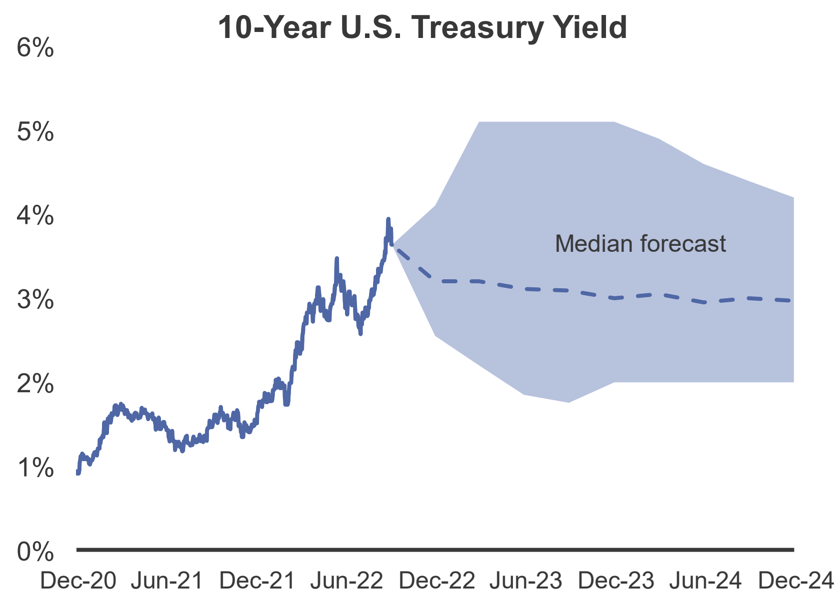
**From the September 2022 FOMC Meeting Press Conference**

"Without price stability, the economy does not work for anyone."

"We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2%."

"No one knows whether this process will lead to a recession or if so, how significant that recession would be."

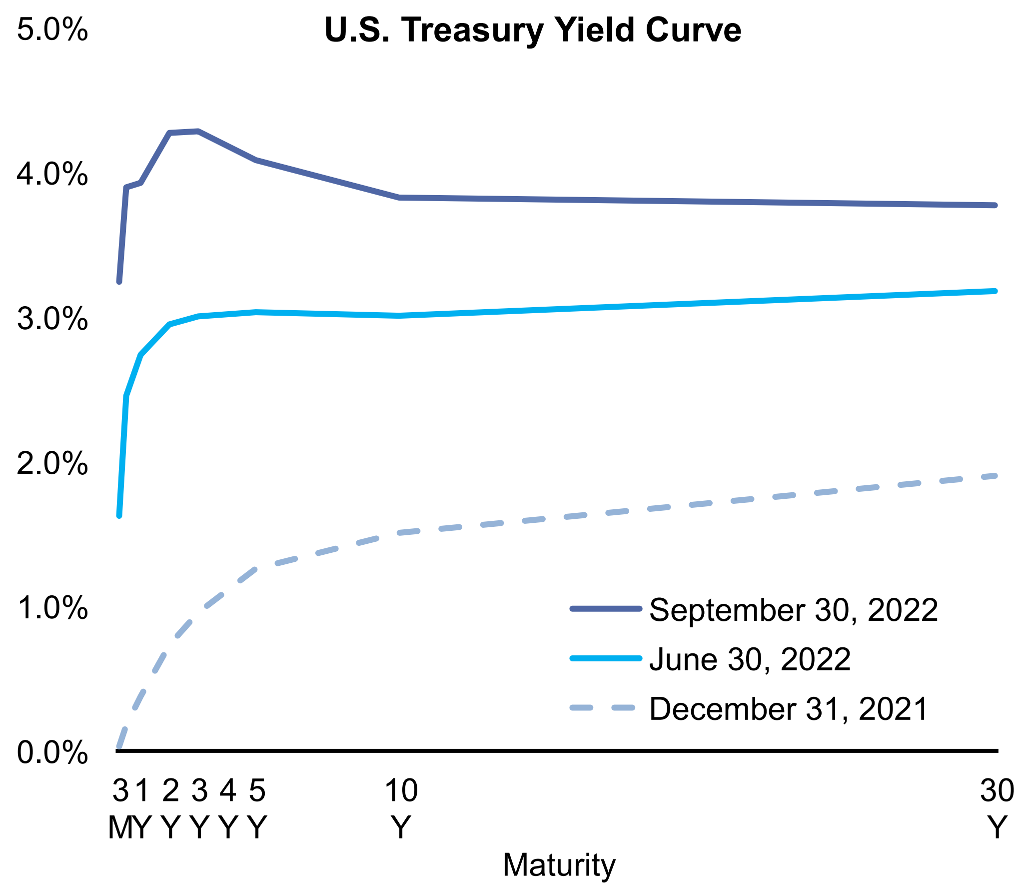



*Source: Federal Reserve, Bloomberg, Bloomberg Economist Forecasts as of September 30, 2022.*

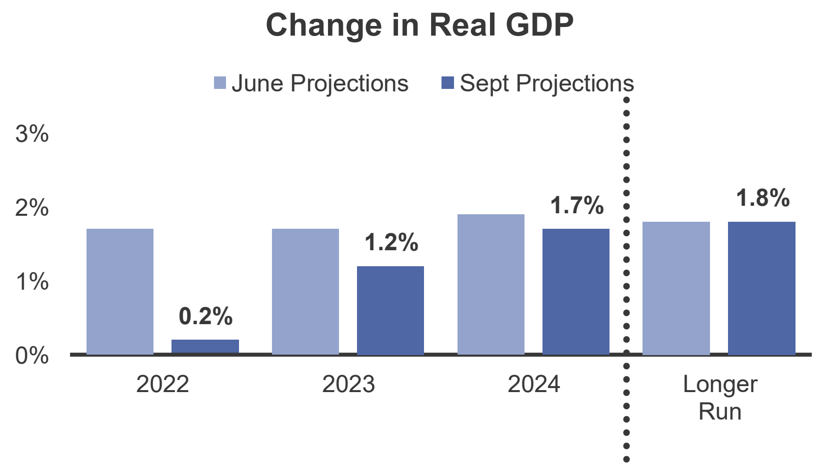
## Treasury Yields Move Higher Across the Curve; Inversion Steepens Over the Quarter

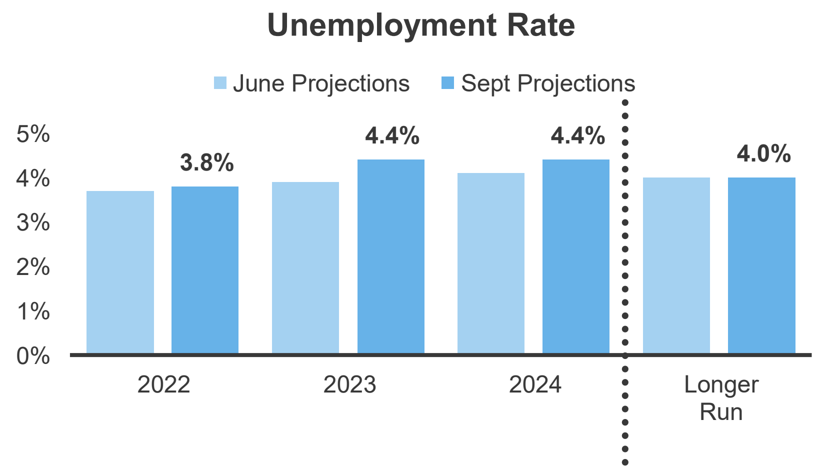
| | 3Q2022 09/30/22 | 2Q2022 06/30/22 | QoQ Change |
|---|---|---|---|
| **3-month** | **3.25%** | **1.63%** | +1.62% |
| **1-year** | **3.93%** | **2.74%** | +1.19% |
| **2-year** | **4.28%** | **2.95%** | +1.33% |
| **3-year** | **4.29%** | **3.01%** | +1.28% |
| **5-year** | **4.09%** | **3.04%** | +1.05% |
| **10-year** | **3.83%** | **3.01%** | +0.82% |
| **30-year** | **3.78%** | **3.18%** | +0.60% |

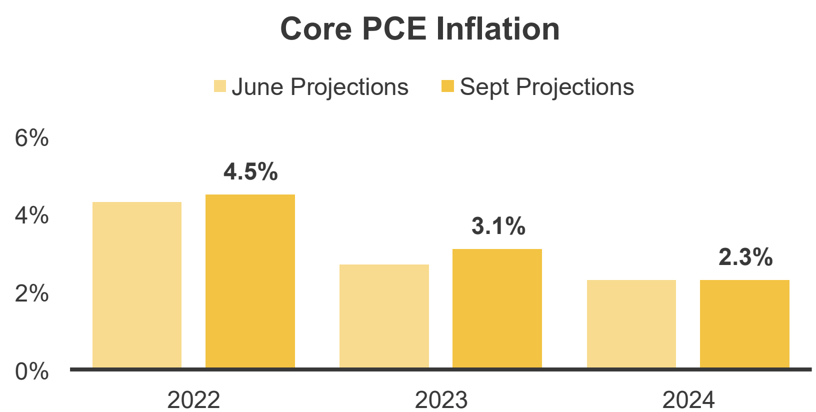


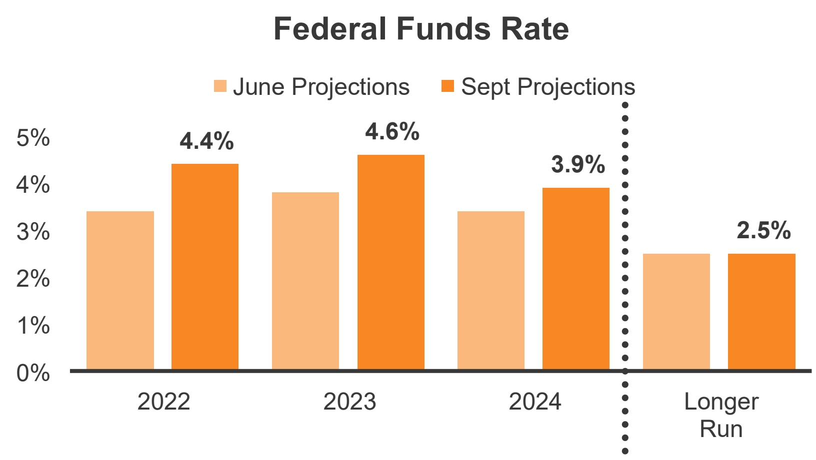

*Source: Bloomberg, as of September 2022.*

# Fed's Projections Reflect Weaker Economic Growth and Extended Timeline for Tighter Policy



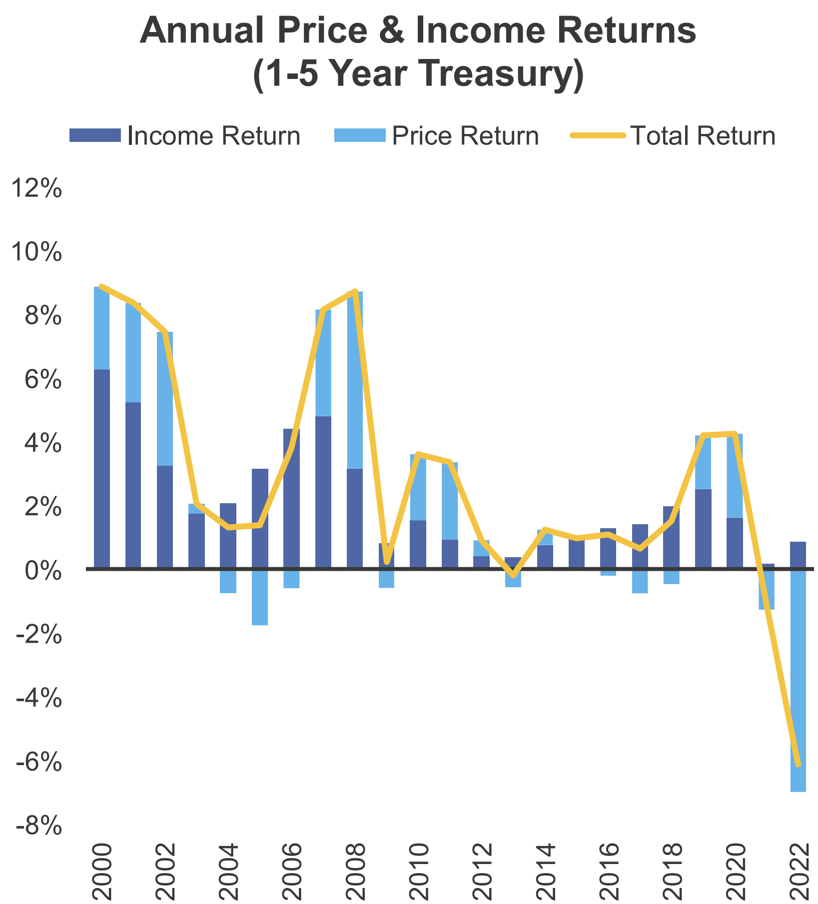



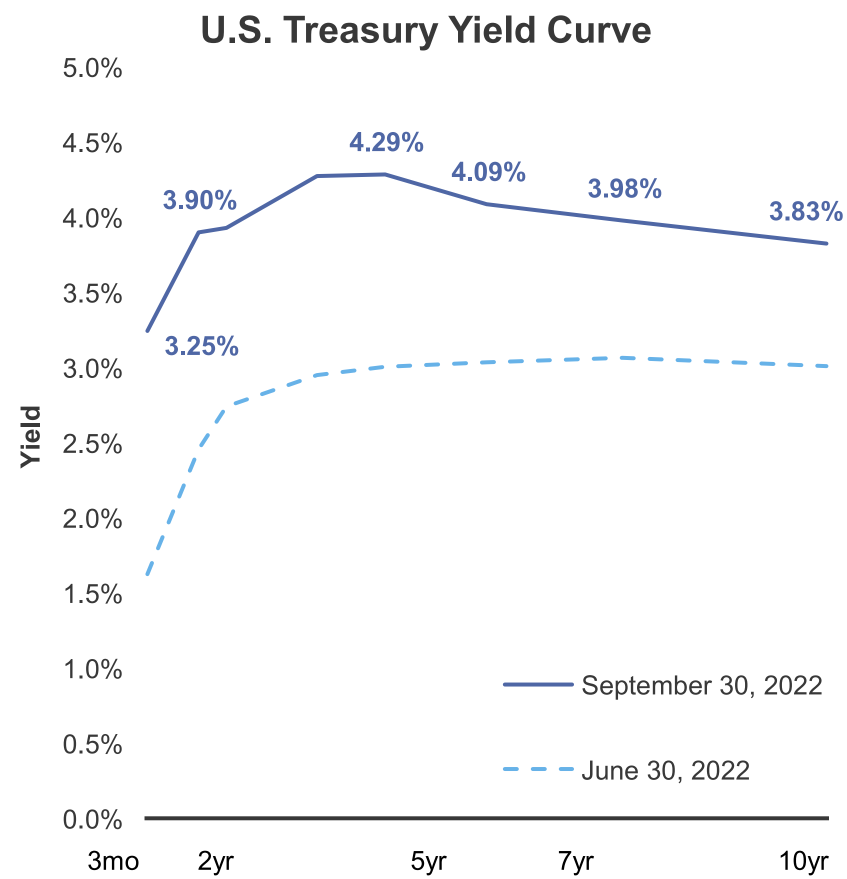




*Source: Federal Reserve, latest economic projections as of September 2022.*

# The Pros and Cons of Rising Rates: Lower Market Values and Stronger Income Potential

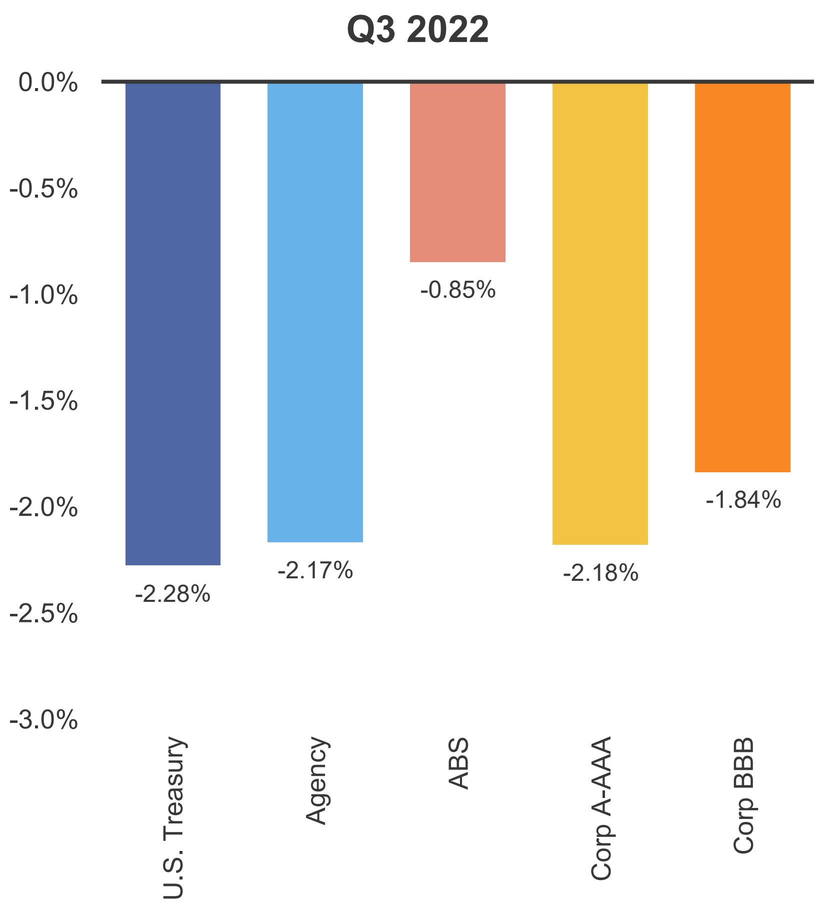


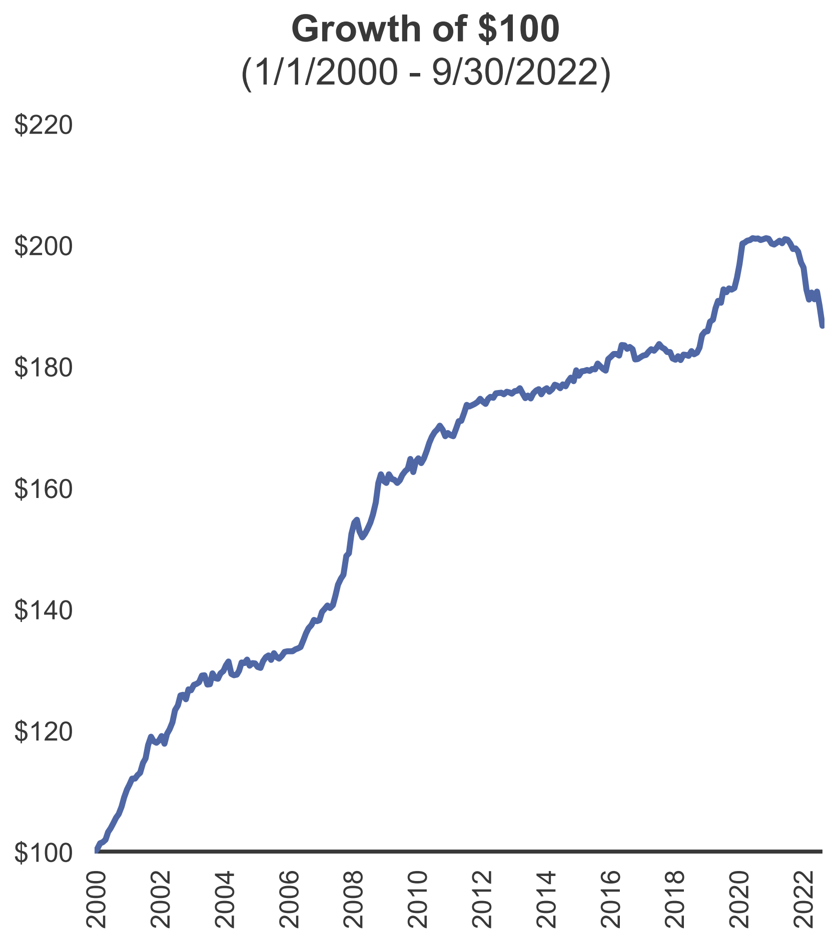




*Source: ICE BofAML Indices via Bloomberg, as of September 30, 2022; PFMAM calculations. 2022 Price, income, and total return is YTD as of September 30, 2022. Income return is based on the starting yield from the prior year ended December 31. Price return is calculated as the difference between the total return and calculated income return for each period.*

## Fixed Income Returns in Q3 2022

### 1-5 Year Indices



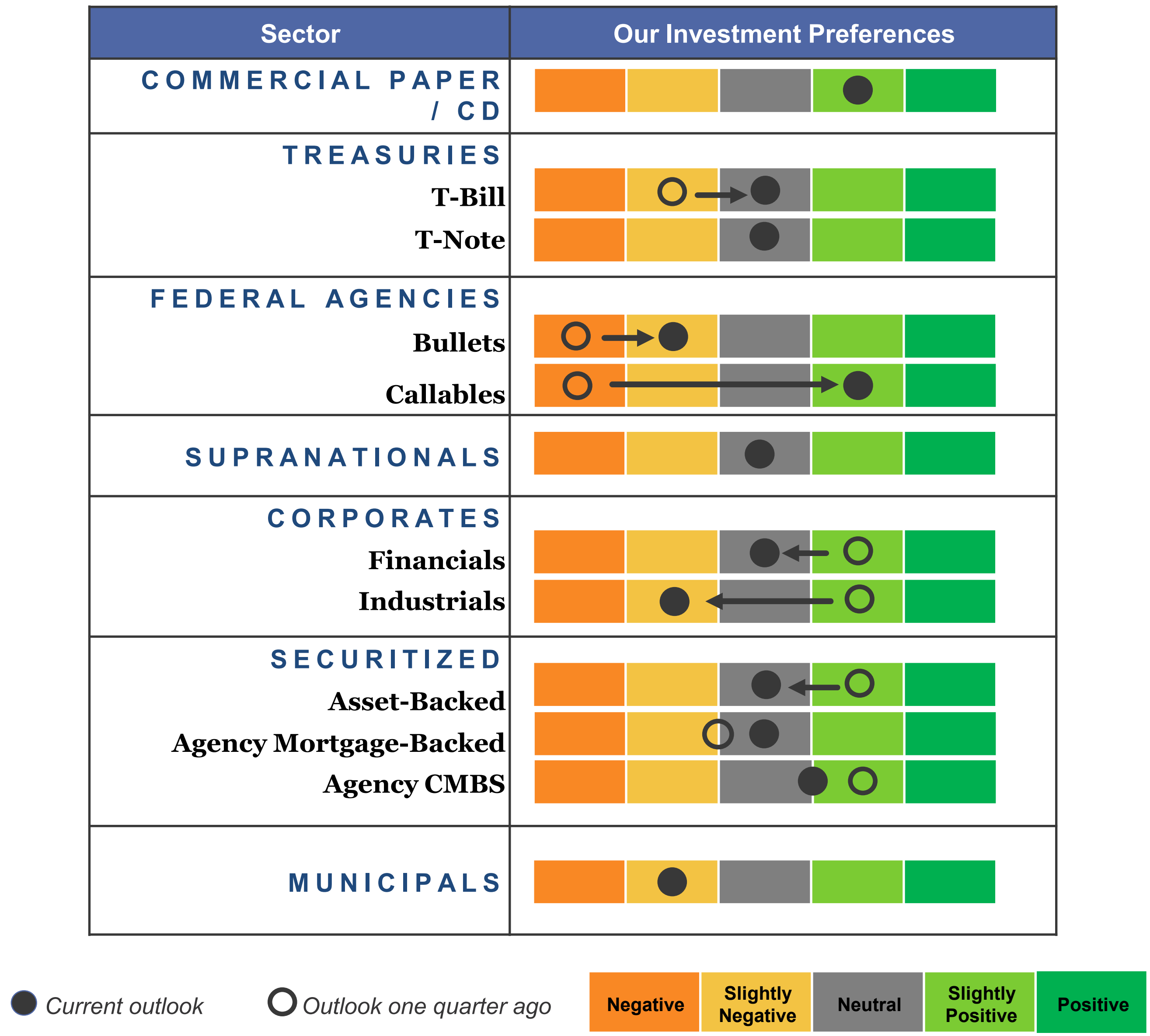




*Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of September 30, 2022.*
*Right Chart: 1-5 Year Treasury (GVQ0 Index).*

# Fixed Income Sector Commentary – 3Q 2022

- **U.S. Treasury** securities posted negative absolute returns during Q3 as interest rates continue to ascend to levels not seen in over 14 years.
- **Federal agency** bullet spreads remained mostly unchanged in the low single-digits and the sector remained largely stagnant on light issuance. Conversely, the rapid rise in rates and volatility prompted a widening in spreads for callable federal agencies.
- **Supranational** yield spreads widened slightly in the longer-end of the curve while issuance has consistently lagged projections this year. Unattractive funding levels compounded by liquidity pressures resulted in minimal activity in the sector. New issues at attractive concessions to secondary inventory were the lone avenue to new exposure.
- **Investment-Grade Corporates** were a strong performer for much of the quarter as spreads tightened. Increases to allocations in the sector over recent months played a significant role in the strong performance relative to benchmarks.
- **Asset-Backed** yield spreads lagged the comparative narrowing in other sectors but remained relatively elevated in relation to high quality corporate notes. Although elevated relative to corporates, spreads tightened throughout the quarter and the sector generated attractive excess returns, with automobile collateral besting credit card structures.
- **Mortgage-Backed Securities** have been a staggering underperformer so far this year. Soaring mortgage rates combined with record high housing prices caused refinancing and new purchases to grind to a halt. Heightened volatility and concerns about an economic slowdown continued to weigh on the sector, while the looming Fed balance sheet reduction compounded the gloomy outlook.
- **Taxable Municipals** were another sector that generated positive excess returns in Q3. New issuance was generally lackluster with deals being heavily oversubscribed, pressuring spreads lower.
- **Commercial Paper and CDs** have been subject to a rapidly changing backdrop influenced by the Fed's aggressive series of rate hikes. Fixed-rate credit spreads widened during the quarter and the short-term credit curve remains steep.

## Fixed Income Sector Outlook – 4Q 2022



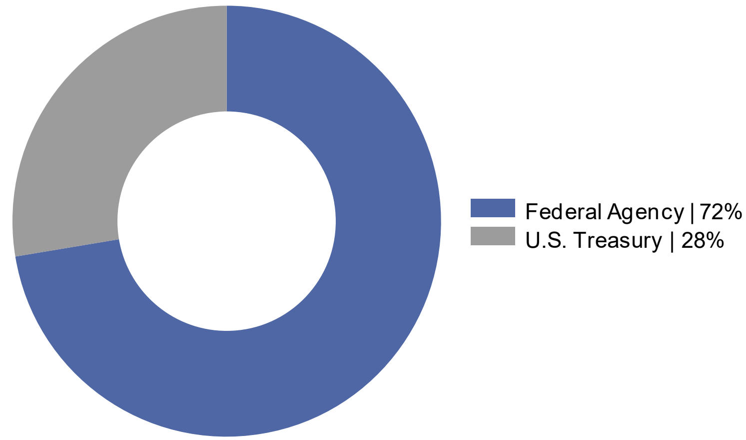
# Account Summary

# Consolidated Summary

## Account Summary

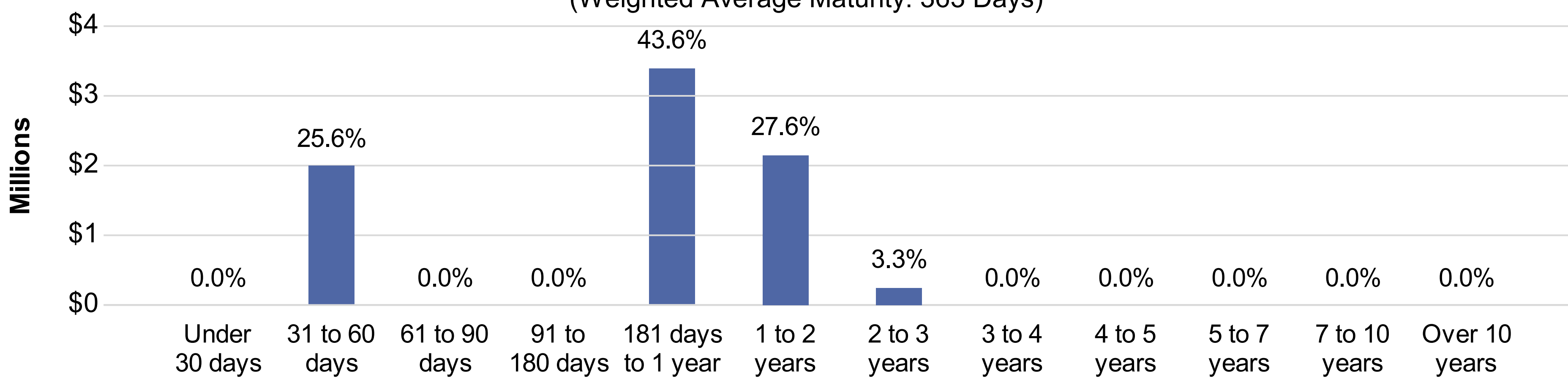
| | |
|---|---|
| **PFMAM Managed Account** | $7,845,451 |
| **Total Program** | **$7,845,451** |

## Sector Allocation



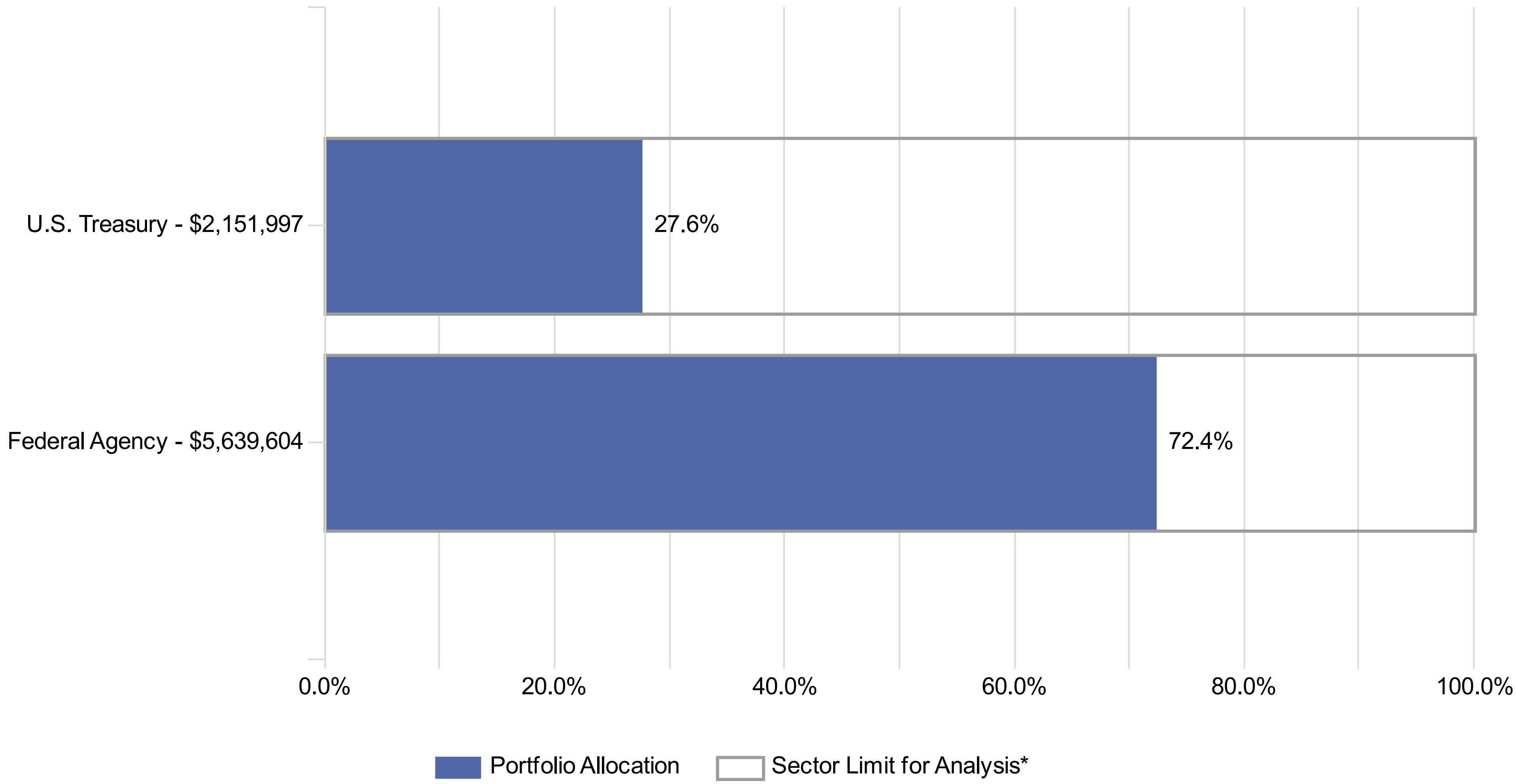

## Maturity Distribution

(Weighted Average Maturity: 363 Days)




*Account summary includes market values, accrued interest, cash and cash equivalents. Sector allocation and the maturity distribution include market values and accrued interest.*

## 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.*

# Issuer Diversification

| Security Type / Issuer | Market Value (%) | S&P / Moody s / Fitch |
|---|---|---|
| **U.S. Treasury** | **27.6%** | |
| UNITED STATES TREASURY | 27.6% | AA / Aaa / AAA |
| **Federal Agency** | **72.4%** | |
| FANNIE MAE | 31.2% | AA / Aaa / AAA |
| FEDERAL FARM CREDIT BANKS | 25.6% | AA / Aaa / AAA |
| FREDDIE MAC | 15.7% | 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.*

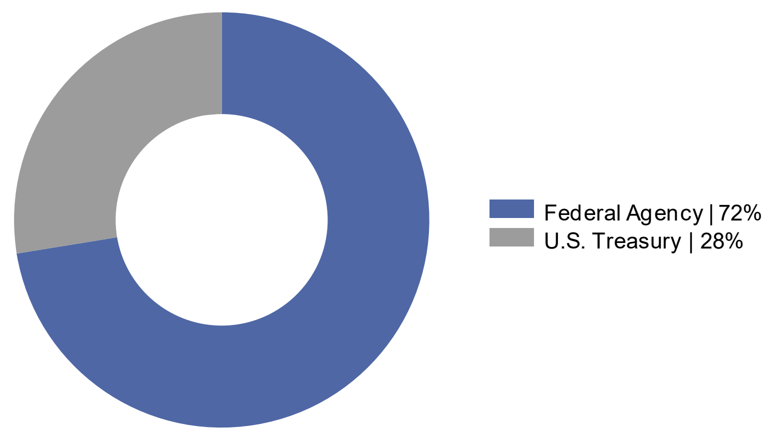
# Portfolio Review:
# WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

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

## Portfolio Statistics

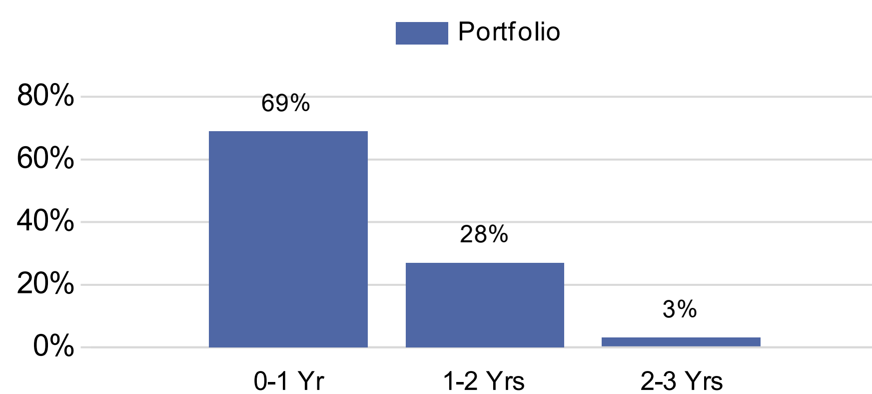
| | |
|---|---|
| **Total Market Value** | $7,845,450.88 |
| *Securities Sub-Total* | *$7,782,406.47* |
| *Accrued Interest* | *$9,194.92* |
| *Cash* | *$53,849.49* |
| **Portfolio Effective Duration** | 0.99 years |
| **Yield At Cost** | 0.32% |
| **Yield At Market** | 4.00% |
| **Portfolio Credit Quality** | 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.*

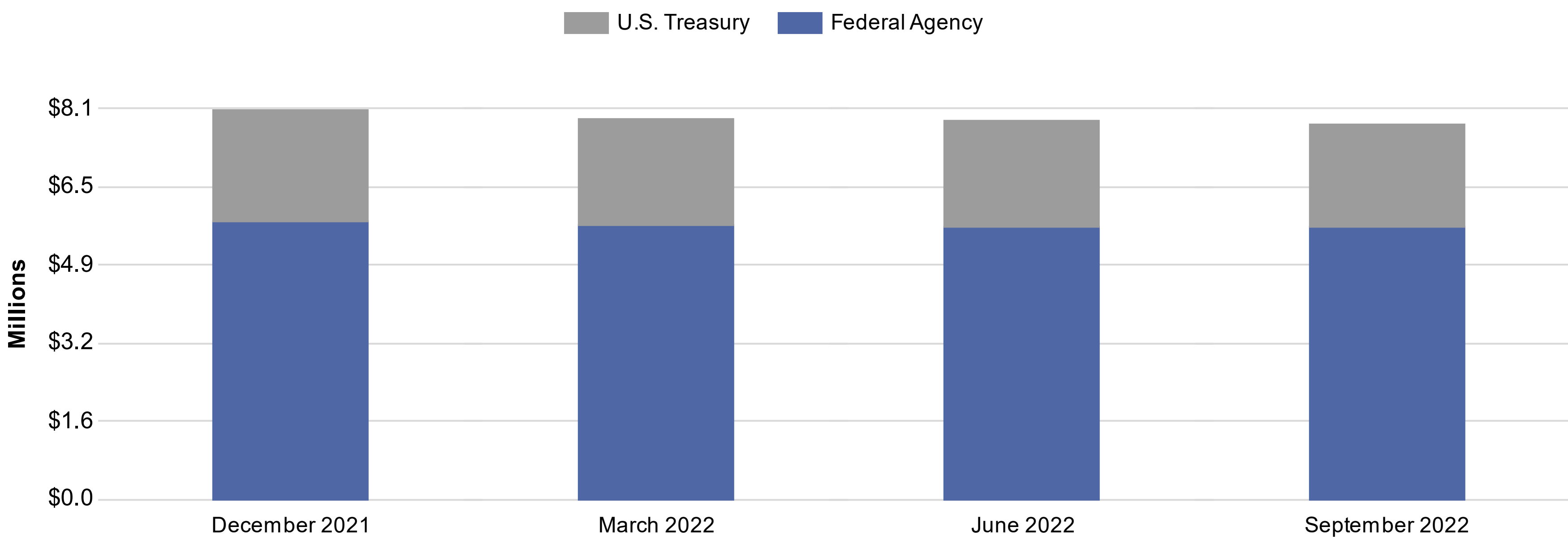
# Issuer Diversification

| Security Type / Issuer | Market Value (%) | S&P / Moody s / Fitch |
|---|---|---|
| **U.S. Treasury** | **27.6%** | |
| UNITED STATES TREASURY | 27.6% | AA / Aaa / AAA |
| **Federal Agency** | **72.4%** | |
| FANNIE MAE | 31.2% | AA / Aaa / AAA |
| FEDERAL FARM CREDIT BANKS | 25.6% | AA / Aaa / AAA |
| FREDDIE MAC | 15.7% | 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.*

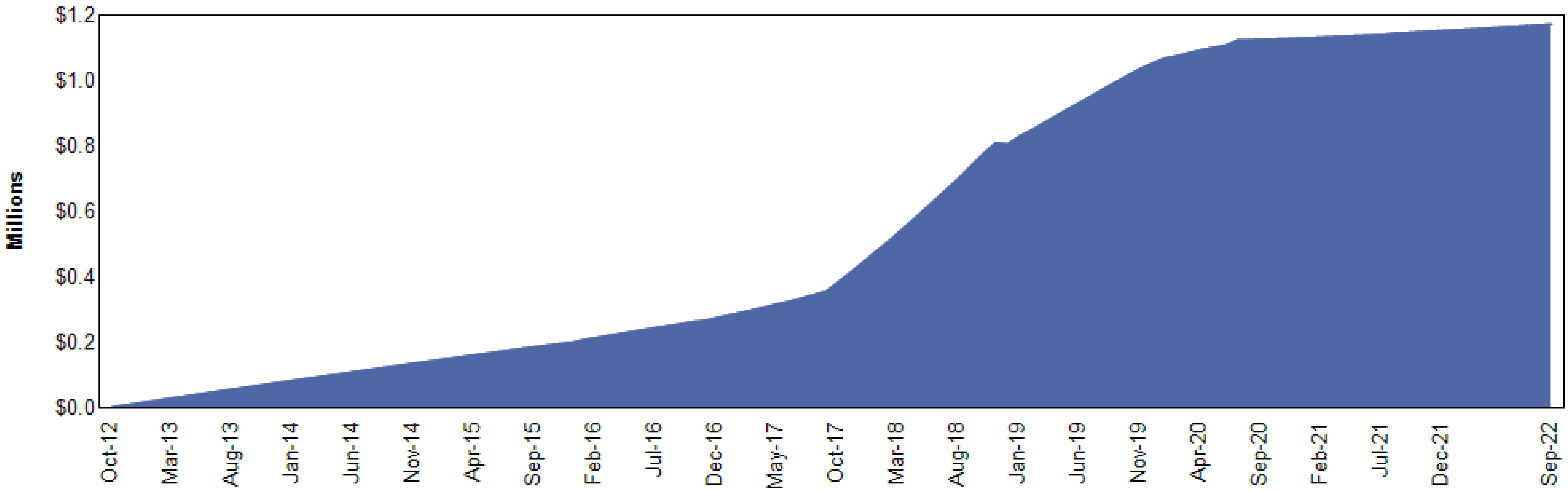
# Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

| Security Type | Dec 21 | % of Total | Mar 22 | % of Total | Jun 22 | % of Total | Sep 22 | % of Total |
|---|---|---|---|---|---|---|---|---|
| U.S. Treasury | $2.3 | 28.5% | $2.2 | 28.1% | $2.2 | 27.9% | $2.1 | 27.6% |
| Federal Agency | $5.8 | 71.5% | $5.7 | 71.9% | $5.6 | 72.1% | $5.6 | 72.4% |
| **Total** | **$8.0** | **100.0%** | **$7.9** | **100.0%** | **$7.8** | **100.0%** | **$7.8** | **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.*

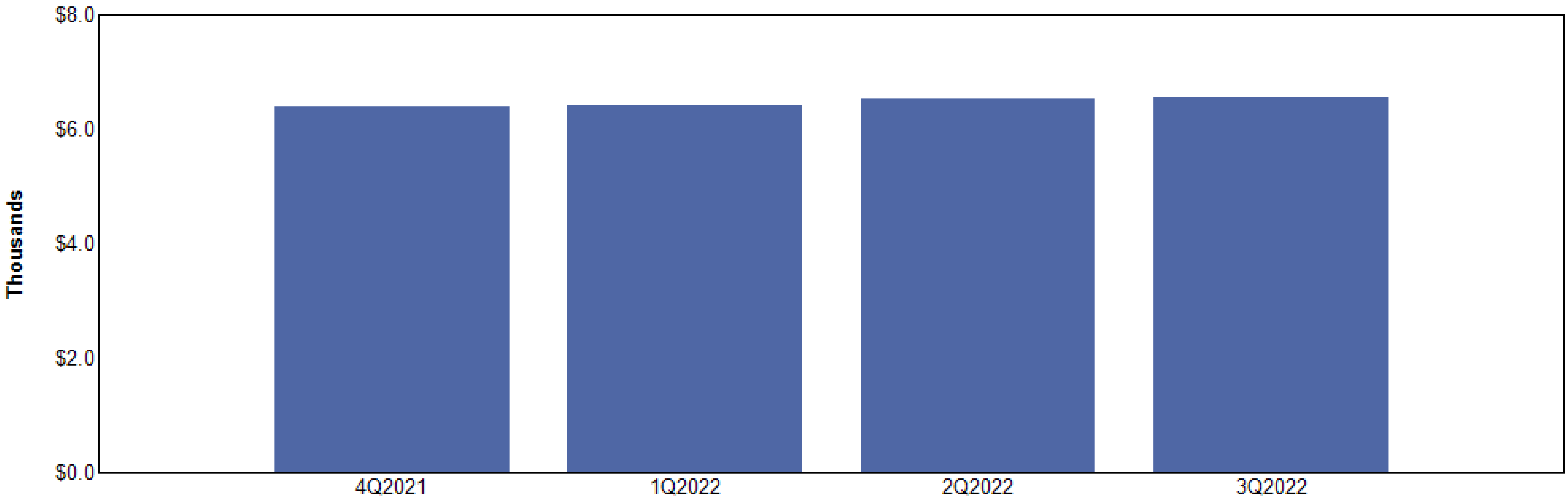
## Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO




| Accrual Basis Earnings | 3 Months | 1 Year | 3 Years | 5 Year | 10 Year[1] |
|---|---|---|---|---|---|
| Interest Earned[2] | $13,075 | $51,734 | $172,781 | $700,739 | $1,211,217 |
| Realized Gains / (Losses)[3] | - | - | $9,695 | ($26,621) | ($25,476) |
| Change in Amortized Cost | ($6,507) | ($25,816) | ($7,374) | $140,286 | ($12,082) |
| **Total Earnings** | **$6,568** | **$25,918** | **$175,101** | **$814,404** | **$1,173,659** |

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 | 4Q2021 | 1Q2022 | 2Q2022 | 3Q2022 |
|---|---|---|---|---|
| Interest Earned[1] | $12,902 | $12,794 | $12,963 | $13,075 |
| Realized Gains / (Losses)[2] | - | - | - | - |
| Change in Amortized Cost | ($6,507) | ($6,366) | ($6,436) | ($6,507) |
| **Total Earnings** | **$6,394** | **$6,429** | **$6,527** | **$6,568** |

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.*

# 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 | 6,619.09 | 2,299,702.63 | 2,145,378.13 |
| **Security Type Sub-Total** | | **2,245,000.00** | | | | | **2,333,309.18** | **0.41** | **6,619.09** | **2,299,702.63** | **2,145,378.13** |
| **Federal Agency** | | | | | | | | | | | |
| FFCB NOTES DTD 11/23/2020 0.125% 11/23/2022 | 3133EMGX4 | 2,000,000.00 | AA+ | Aaa | 11/16/2020 | 11/23/2020 | 1,996,180.00 | 0.22 | 888.89 | 1,999,722.66 | 1,990,296.00 |
| 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 | 1,406.25 | 2,498,802.47 | 2,427,072.50 |
| 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 | 256.94 | 999,643.98 | 965,775.00 |
| 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 | 23.75 | 284,488.30 | 253,884.84 |
| **Security Type Sub-Total** | | **5,785,000.00** | | | | | **5,774,482.15** | **0.28** | **2,575.83** | **5,782,657.41** | **5,637,028.34** |
| **Managed Account Sub Total** | | **8,030,000.00** | | | | | **8,107,791.33** | **0.32** | **9,194.92** | **8,082,360.04** | **7,782,406.47** |
| **Securities Sub Total** | | **$8,030,000.00** | | | | | **$8,107,791.33** | **0.32%** | **$9,194.92** | **$8,082,360.04** | **$7,782,406.47** |
| **Accrued Interest** | | | | | | | | | | | **$9,194.92** |
| **Total Investments** | | | | | | | | | | | **$7,791,601.39** |

# Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par ($) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount ($) | Yield at Market | Realized G/L (BV) |
|---|---|---|---|---|---|---|---|---|---|
| **INTEREST** | | | | | | | | | |
| 7/1/2022 | 7/1/2022 | | MONEY0002 | MONEY MARKET FUND | | | 15.90 | | |
| 7/10/2022 | 7/10/2022 | 2,500,000.00 | 3135G05G4 | FANNIE MAE NOTES | 0.25% | 7/10/2023 | 3,125.00 | | |
| 7/31/2022 | 7/31/2022 | 2,245,000.00 | 912828Y87 | US TREASURY NOTES | 1.75% | 7/31/2024 | 19,643.75 | | |
| 8/1/2022 | 8/1/2022 | | MONEY0002 | MONEY MARKET FUND | | | 29.43 | | |
| 8/24/2022 | 8/24/2022 | 1,000,000.00 | 3137EAEV7 | FREDDIE MAC NOTES | 0.25% | 8/24/2023 | 1,250.00 | | |
| 9/1/2022 | 9/1/2022 | | MONEY0002 | MONEY MARKET FUND | | | 75.19 | | |
| 9/23/2022 | 9/23/2022 | 285,000.00 | 3137EAEX3 | FREDDIE MAC NOTES | 0.37% | 9/23/2025 | 534.38 | | |
| **Total INTEREST** | | **6,030,000.00** | | | | | **24,673.65** | | **0.00** |

# Important Disclosures

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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.

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# 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.