

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

Thursday

10:45 a.m.

May 4, 2023

PRESENT:

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

ABSENT:

Jelena Williams, RTC Financial Manager

The RTC Investment Committee Meeting was held on May 4, 2023 at 10:30 a.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. Bill Thomas moved to approve and Nelia Belen 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 January 26, 2023 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, Bill Thomas 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 March 31, 2023, for the Regional Transportation Commission of Washoe County. The Quarterly Market Update is attached.

A lot has happened over the last 3-4 months and I'll touch base on some new things that happened as of yesterday, with the Fed raising rates again.

The Fed has been very diligent in making sure they get inflation below or at their 2% long term target. Inflation is still trending downward, but it still remains well above their long-term inflation target. For the first time in quite some time, we're starting to see some moderations in the Labor Market, as we've seen a lot of layoffs in the last six months. It hasn't pushed unemployment higher, but we are starting to see some moderations there.

Bank failures have also been a hot topic. Silicon Valley Bank, Signature Bank and First Public Bank being the three that have been in the headlines. Despite that, the Fed has said that the banking system still remains resilient.

Yesterday, May 3rd, the Fed did hike rates up. The Fed rate is now between 5.0%-5.25%. We do anticipate that this could be an area where the Fed holds rates and then starts digest the new data as it comes through to see if any more rate hikes are warranted.

I checked the 2-year yield before this meeting and it's now around 3.75%. There are a lot of moving parts in the shorter end of the yield curve. The yield curve remains inverted and this is a signal that there could be a recession in the future, so that is also something we are monitoring, especially when the spread between the 3-month and 10-year has now seen its deepest inversion in the last 40 years.

The Average Daily Swing in the 2-year yield was 20 basis points. Typically, you see movements of anywhere between 1-5 basis points on a day to day basis, so a move of 20 basis points is something fairly dramatic. We haven't seen this type of swing since 2020.

The implied Fed funds rate now, based on the what the market is pricing, has shifted lower. Chairman Powell said yesterday that they are not anticipating making any cuts this year, so we'll see how the market makes any adjustments in the 2nd Quarter of this year. Again, there is a disconnect with what the Fed is signaling and what the Market is pricing.

We are anticipating the Fed could hold rates at 5% through the end of 2023.

There are four areas we look at for economic projections; Unemployment, GDP, PCE and Federal Funds Rate. The biggest change you'll see between the December meeting and the March meeting is the GDP projections.

When we look at areas of opportunity, the area that I will focus on mainly for this portfolio is that Federal Agency's spreads came down. So, when we're looking at the possible reinvestments of the proceeds that will be coming due in July/August, we might be favoring Treasuries over Federal Agency's, if the spreads remain pretty thin.

Temporarily lost contact with Wale via Zoom. Waiting for reconnection.

Wale Kajopaiye, as Fixed Income managers, when we're looking at opportunities to add yield to the portfolio, we look at different sectors; Agencies, Mortgage-Backed Securities, Asset-Backed Securities and Corporate Notes. This portfolio doesn't invest in the other three, but to give you some perspective, when spreads widen and you're able to capture more yield outside or incremental yield compared to treasuries, that does present an opportunity for us to invest in other sectors. If spreads start to tighten or come down and you're not compensated for taking additional risk outside of treasuries, we would then favor treasuries. If you look at Federal Agency's right now, you can see for the quarter that spreads did tighten. In that case, if we did have assets that were available to reinvest, Federal Agency's would probably not be the area we would invest in at that moment, we would just buy treasuries, because you're not being compensated for that additional risk.

For example, if this portfolio was invested in Corporates, spreads widen in the Corporate sector because of the bank failures and the financial risk that did present itself at that moment. So, when there is more risk, you can start to see spreads start to widen. When there is less risk in the market and you see spreads start to tighten, we just favor treasuries, because there is no compensation for taking that additional risk.

The spread is the difference between buying a treasury of equal duration and let's say a corporate of the same duration. So, if I bought a 3-year treasury that was paying 3.75% and I bought a corporate that was paying 3.78%, that incremental additional yield of basically 3 basis points may not be worth the risk. So, in that aspect I would favor treasuries. When we're comparing spreads, we're comparing the risk between this sector and treasuries.

The difference between Bullets and Callables for the 2nd Quarter outlook for the portfolio. Bullets are like non-callable federal agencies, so there is no risk there and the callables are just agencies that could get called at a sooner date, compared to its actual maturity.

For the Account Summary, at the end of the Quarter there was about \$8 million in assets. Most of the assets are sitting in that 91 to 180-day maturity range. So, these will be coming due between July and August. Asset allocation is split between U.S. Treasuries and Federal Agencies.

In the Portfolio Review, yield at cost is 1.3%, so that is the yield that the portfolio is generating on an annual basis. Currently, it is below the yield at market, but I will reiterate that once those assets become due in the summer time, that we'll be able to reinvest the \$3.5 million in assets.

Interest earned for the Quarter was \$22,000 and \$62,000 over the last year. Over the 10-year time frame of this portfolio, \$1.1 million in accrued interest.

How is money lost in the market? It's the inverse relationship between the market price of the security and interest rates. When interest rates are moving up, fixed income security, market values move down. For example, if you bought a security in 2020 and interest rates moved up like they did last year and you wanted to get out of that security, you would be selling that security at a loss.

Wale Kajopaiye, the yield to maturity is just the yield that the portfolio is generating. If you hold the security to maturity, whatever you purchased will be returned to you, plus interest.

The par value of this portfolio, assuming everything has come to maturity, is about \$8.3 million. The Treasury note was the most recent purchase that was made. Yield at Cost is at 4%, which is a lot higher than what we were getting back in 2020. This purchase was made January 23, 2023. We're just waiting for these assets which mature July 10, 2023 and August 24, 2023 to come due, which is \$3.5 million. When those assets do come due, we'll be able to reinvest.

Christian Schonlau, I know we talked about this earlier, but I would be interested in some longer-term securities at the higher interest rate environment we're currently in, then those 180 day and 2-year marks.

Temporarily lost contact with Wale again via Zoom. Waiting for reconnection.

Christian Schonlau, my strategy is when we have high interest rates to take advantage of longer duration securities. When we have low interest rates, we stay in short durations, so if interest rates change we can take advantage of them. When we're in a high interest rate environment and rates go down over the long term, that actually increases the value of our security and we're collecting higher interest in the market, so it's kind of a win-win.

Our bond issuances are non-callable in a couple cases I believe. I think it comes down to how the organization funded or financed their program.

Bill Thomas, it's the different between getting a loan that you can pay off early versus one you can't.

Christian Schonlau, that is the exact situation.

Wale Kajopaiye is back. Christian reiterated his comments about looking at longer duration securities to catch Wale up.

Wale Kajopaiye, I will keep that in mind. I will have to look at the maximum maturity would be for purchases and if it's allowed within the policy or the Trust Agreement.

Bill Thomas, when do we have to place the \$3.5 million? Is that this quarter or next?

Wale Kajopaiye, usually what happens is once it becomes due, we will make a recommendation for the purchase and then Christian would be the one to bring that purchase forward.

Christian Schonlau asked for a motion to approve. Bill Thomas motioned to approve, Nelia Belen 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 Nelia Belen. Motion carried unanimously and meeting was adjourned.

The meeting adjourned at 11:20 a.m.

Christian Schonlau
Director of Finance/CFO
Regional Transportation Commission



WASHOE COUNTY REGIONAL TRANS COMMISSION

Investment Performance Review For the Quarter Ended March 31, 2023

Client Management Team

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

PFM Asset Management LLC

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Agenda

- Market Update
- Account Summary
- Portfolio Review

Market Update

Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ Lingering inflation that remains well above the Fed's long-term inflation target
 - ▶ A labor market showing the first signs of moderation
 - ▶ Greater economic uncertainty following the surprise failure of Silicon Valley Bank and Signature Bank



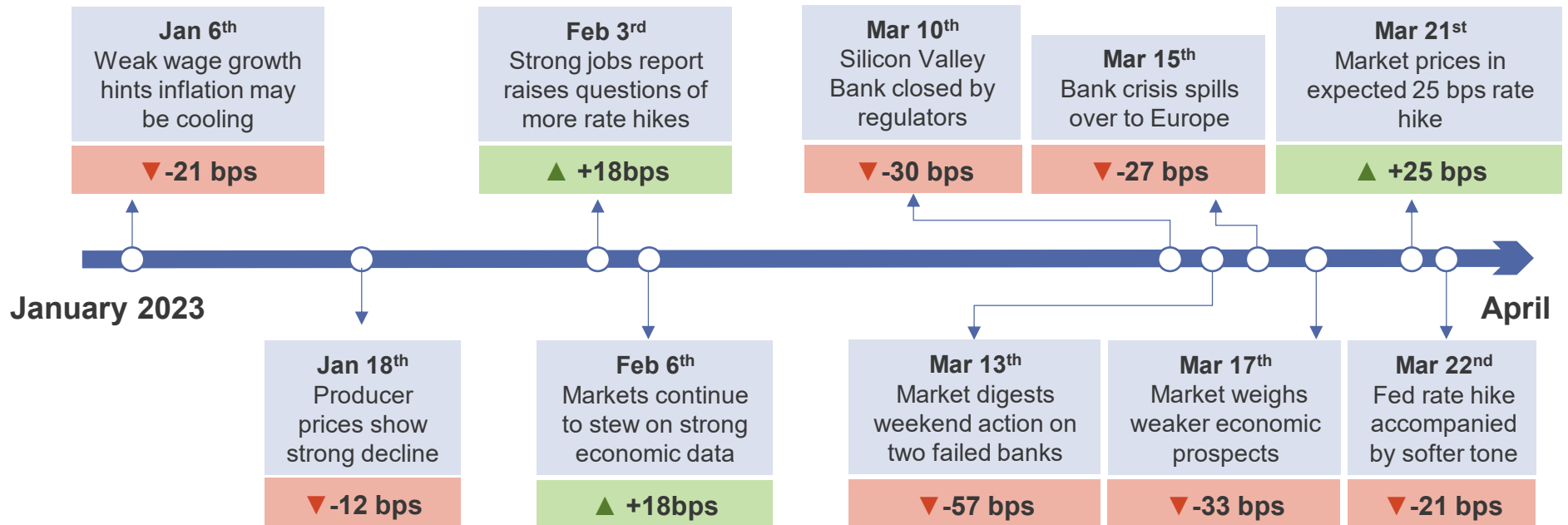
- ▶ Fed policy tightening may be nearly complete
 - ▶ The most recent FOMC statement noted that “some additional policy firming may be appropriate,” but the need for more rate hikes has become less clear
 - ▶ Although the Fed acknowledged the impact of the recent bank failures, their March updated Summary of Economic Projections were little changed from December
 - ▶ The Fed has maintained that they will keep rates elevated for some time, but the market is pricing in rate cuts beginning mid-year



- ▶ Bond markets saw unprecedented volatility in March
 - ▶ In a classic “flight to quality,” Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8 to under 4.00% on March 17
 - ▶ The curve inversion from 3 months to 10 years reached the deepest levels in over 40 years
 - ▶ Credit yield spreads widened, especially those on banks, but not nearly to levels seen during the global financial crisis

Market Events Drive Large Yield Moves

Major Economic and Market Events and the Daily Change in the 2-Year U.S. Treasury Yield



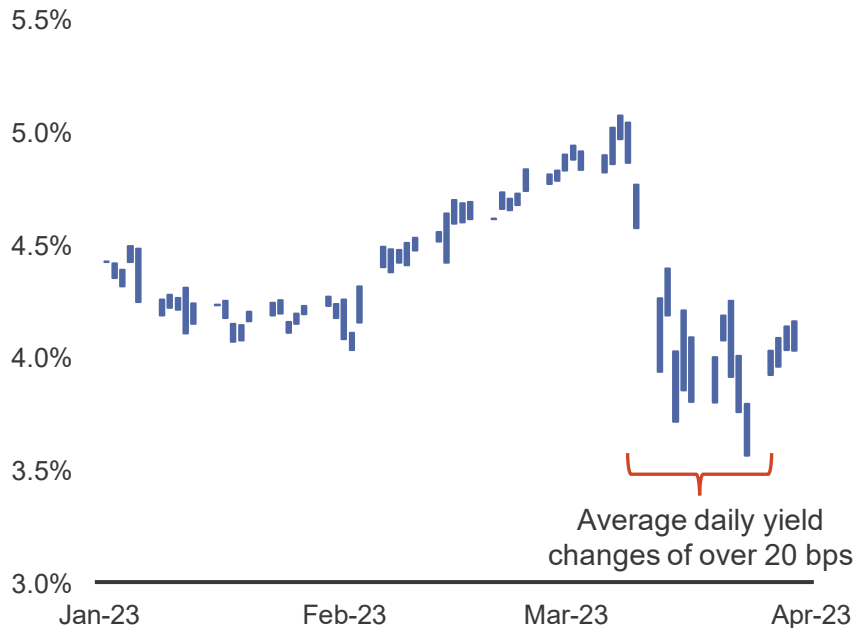
▼/▲ Changes in 2-Year Treasury

Bond Markets Saw Unprecedented Volatility in March

The surprise failure of two large U.S. banks caused volatility in the markets. In a classic “flight to quality,” Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8, to 4.03% on March 31.

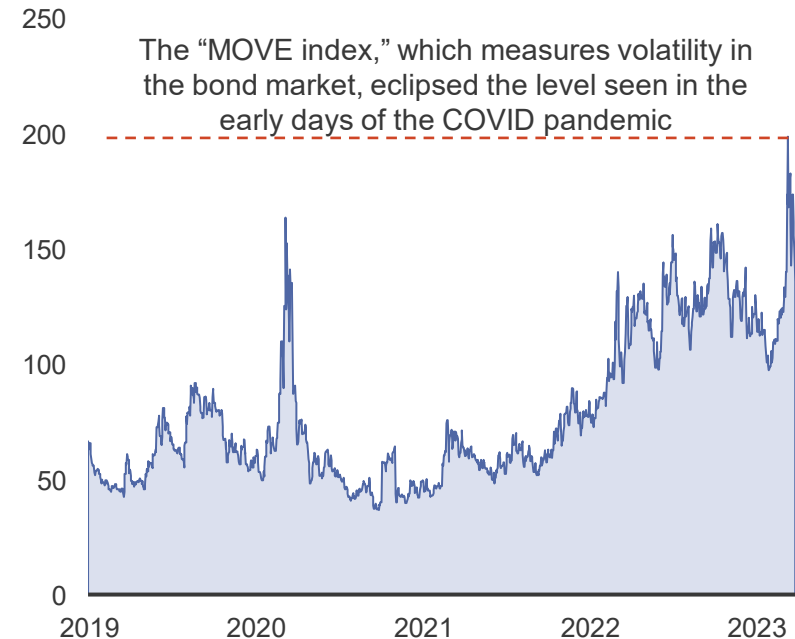
2-Year Treasury

Daily High and Low Yield



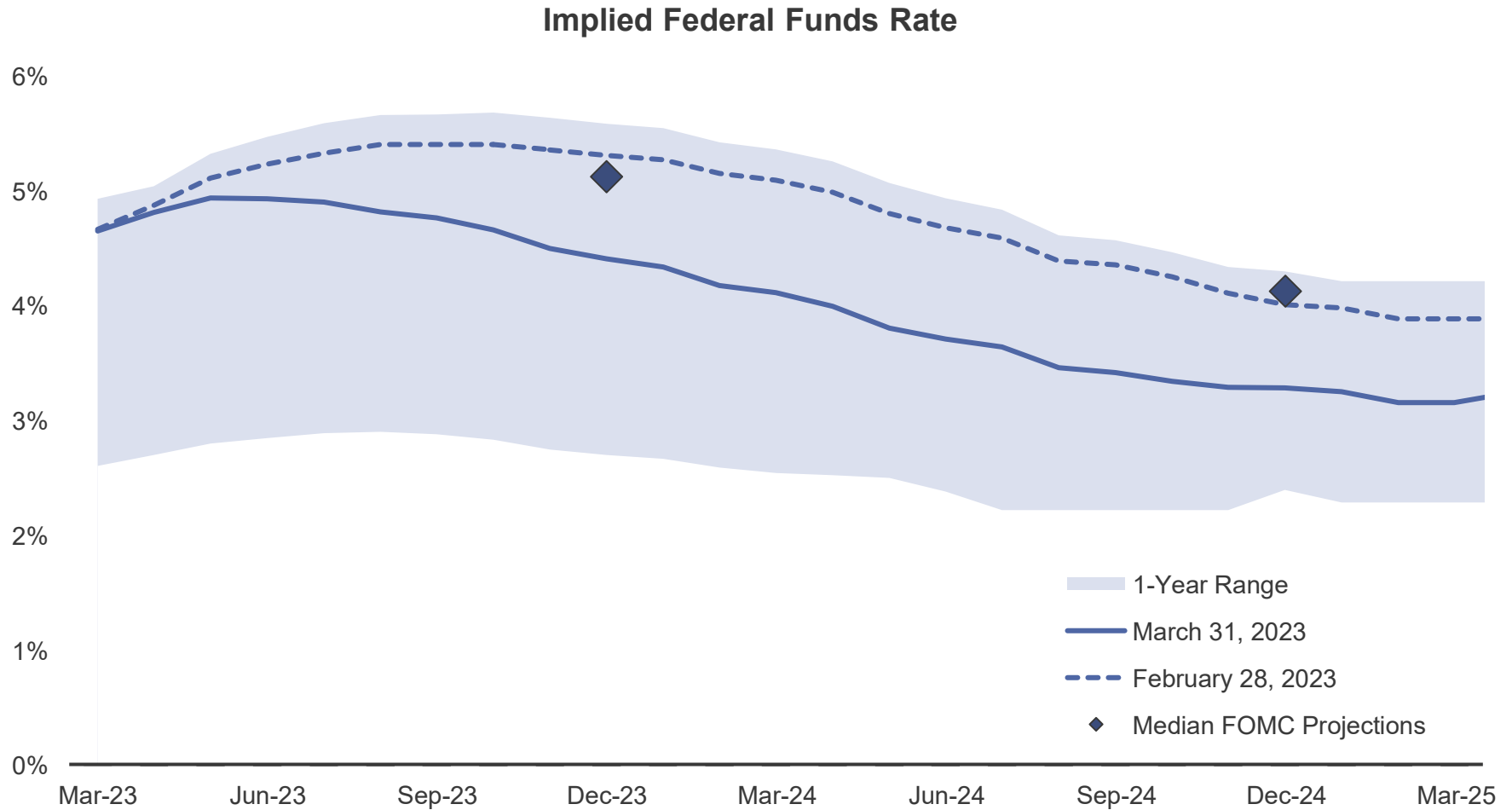
Fixed Income Market Volatility

ICE BofA MOVE Index



Source: Bloomberg, ICE BofA Indices. As of 3/31/2023.

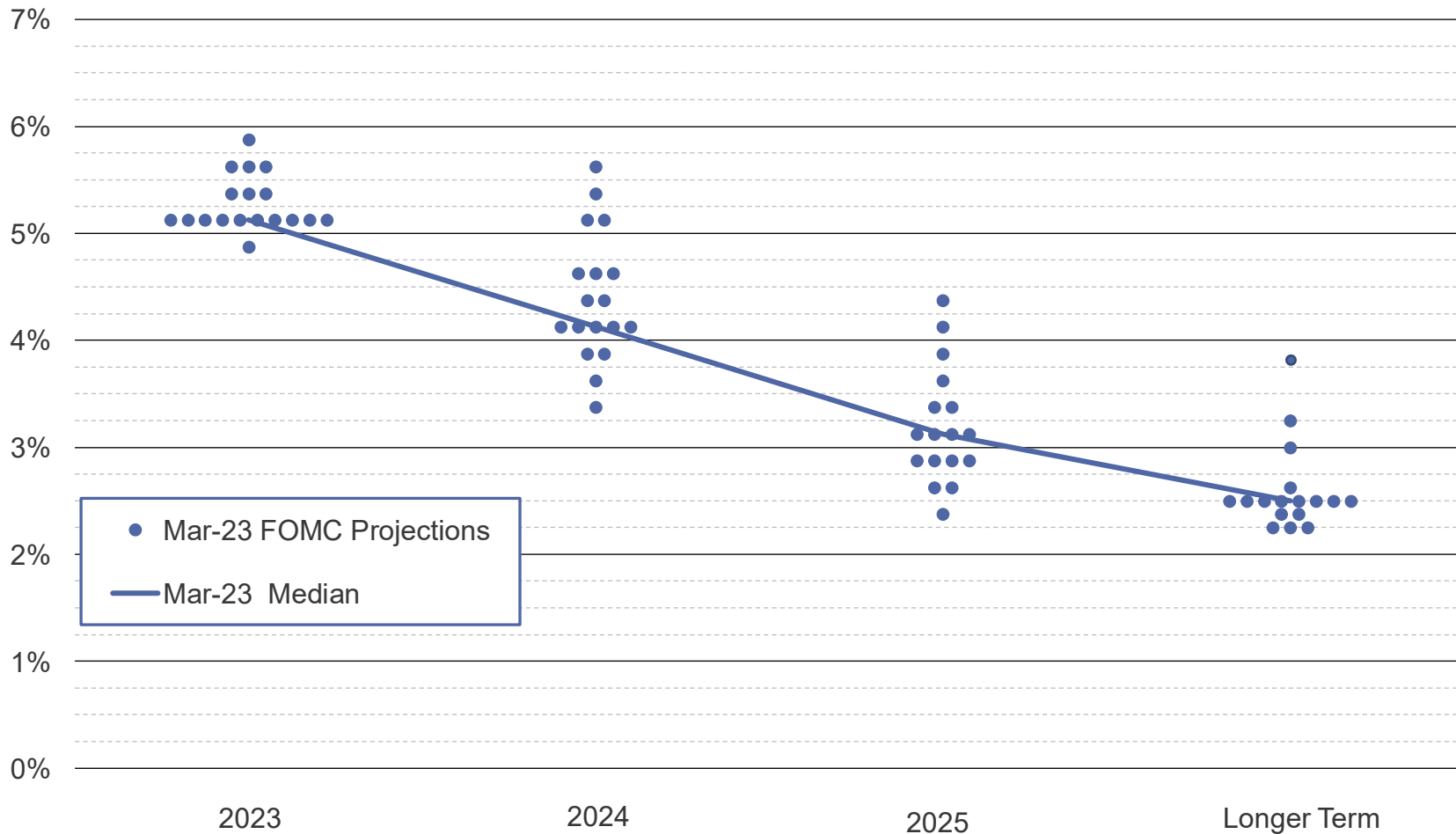
Market Expectations Evolve Amid Changing Policy Environment



Source: Bloomberg, Federal Reserve latest economic projection as of 3/31/2023.

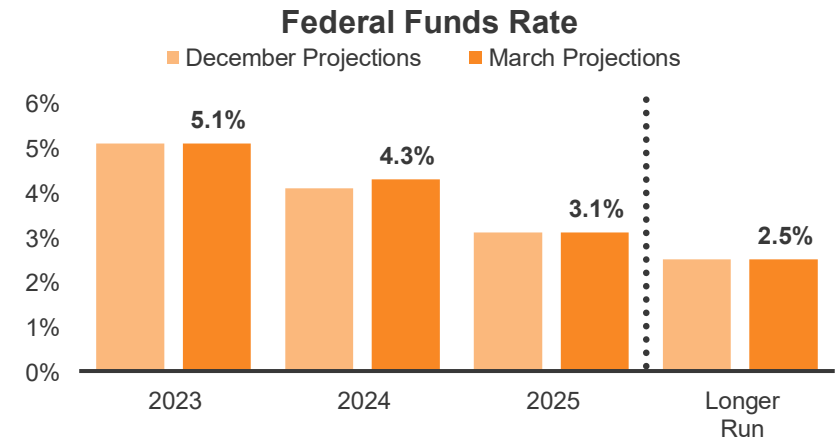
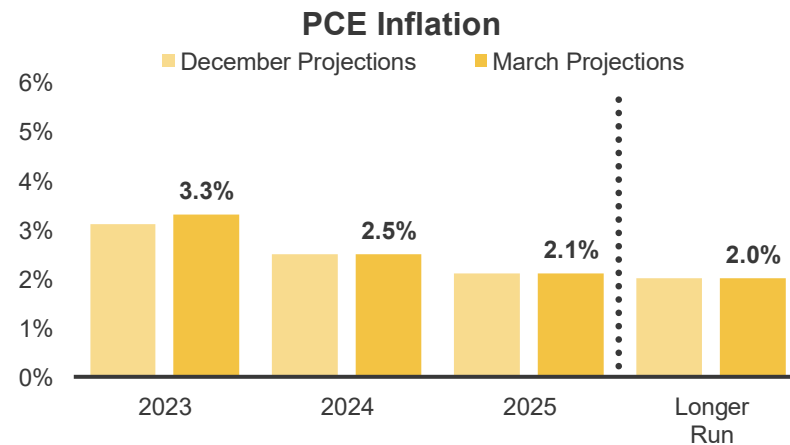
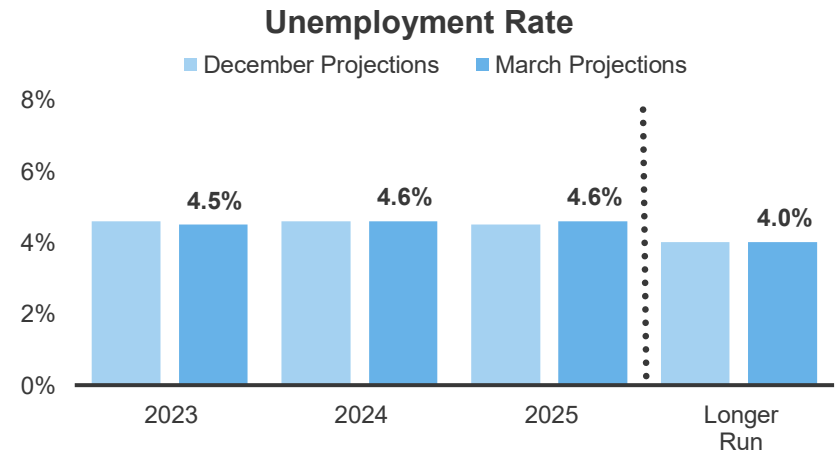
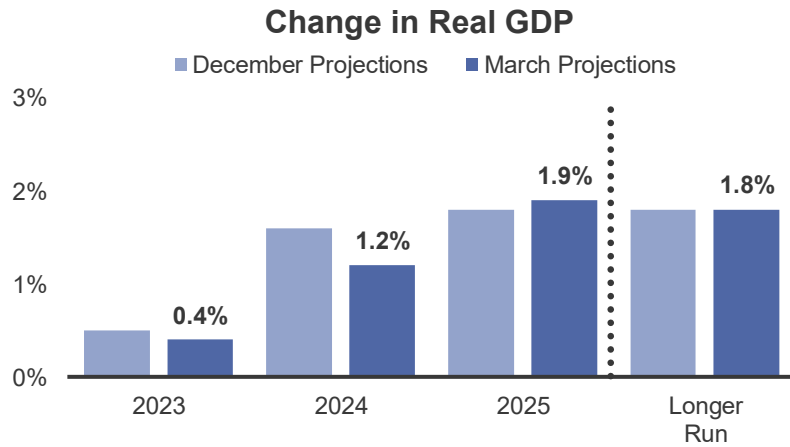
Fed's "Dot Plot" Indicates We Are Nearing Sufficiently Restrictive Territory

Fed Participants' Assessments of 'Appropriate' Monetary 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.

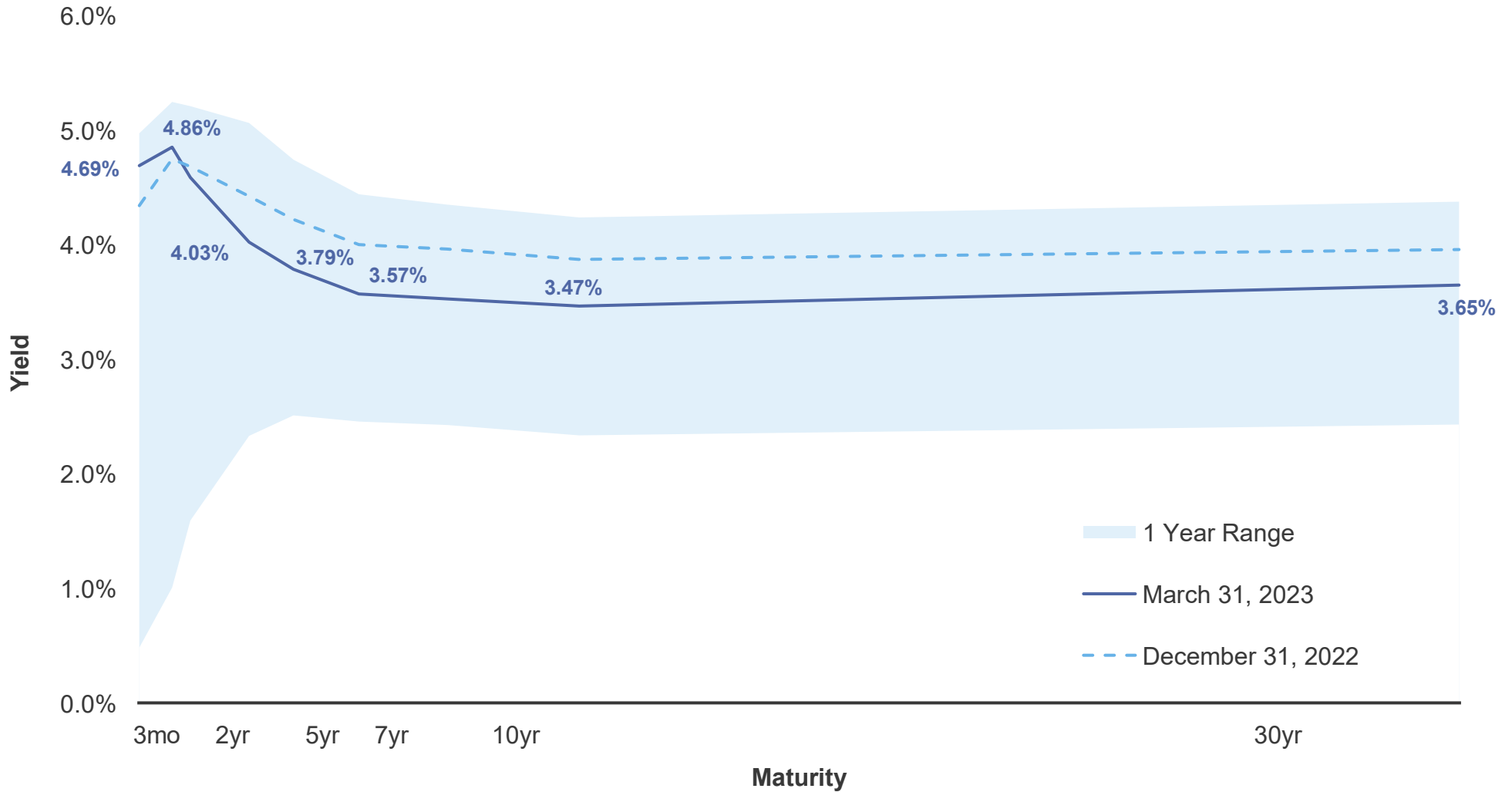
Fed's Updated Projections Reflect Little Change From December



Source: Federal Reserve, latest economic projections as of March 2023.

As Economic Uncertainty Increased, Longer-Term Interest Rates Fell

U.S. Treasury Yield Curve



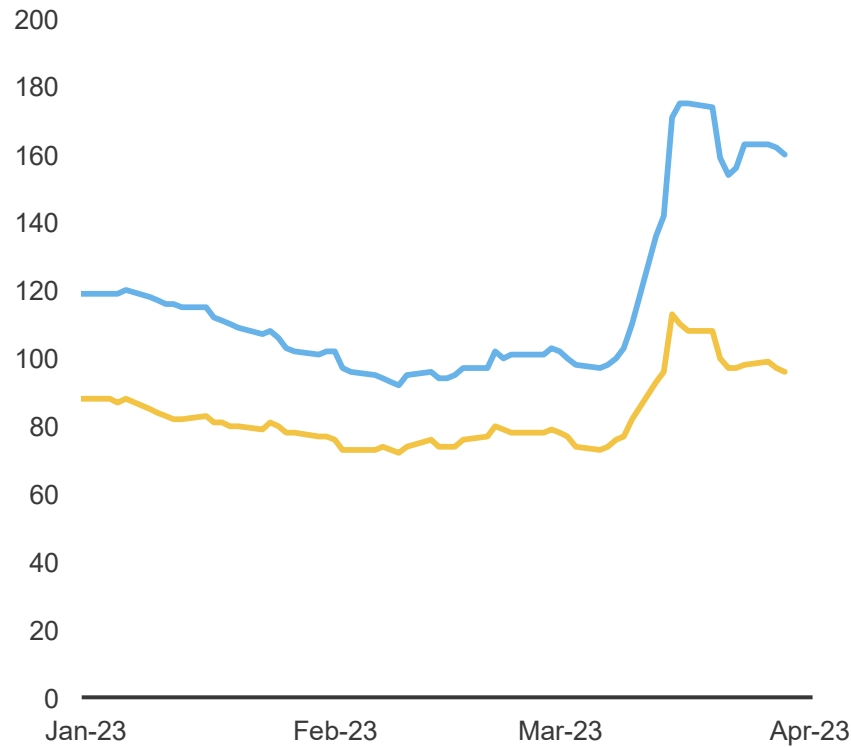
Source: Bloomberg, as of 3/31/2022.

Corporate Yield Spreads Modestly Wider, Led By Financials

Investment Grade Corporate Spreads

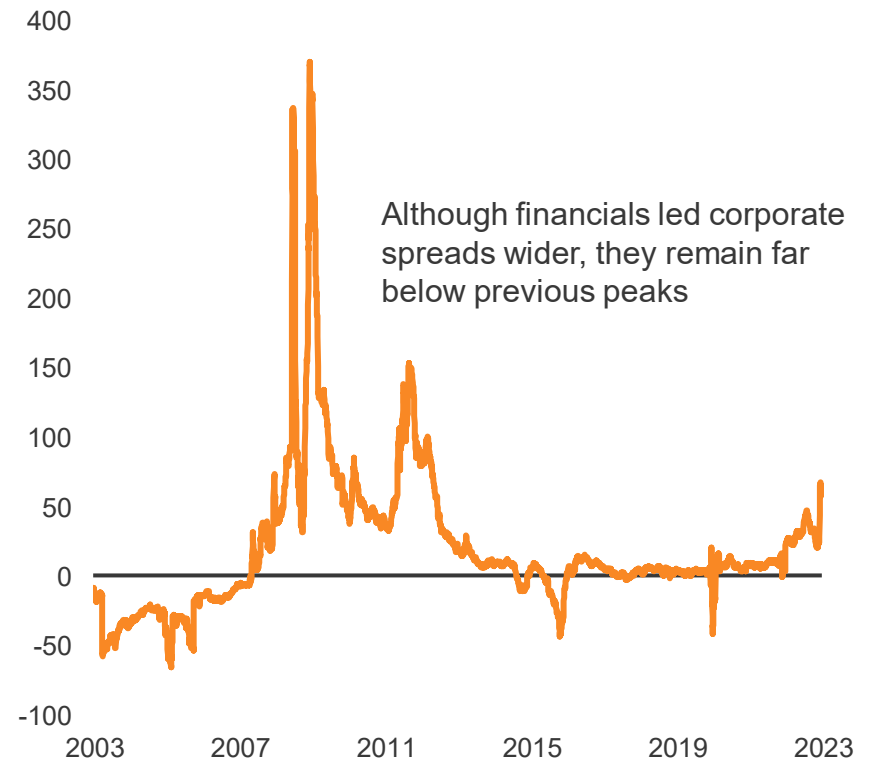
1-5 Year U.S. Corporate Index

Financials Industrials



Difference Between Financial and Industrial Corporate Yield Spreads

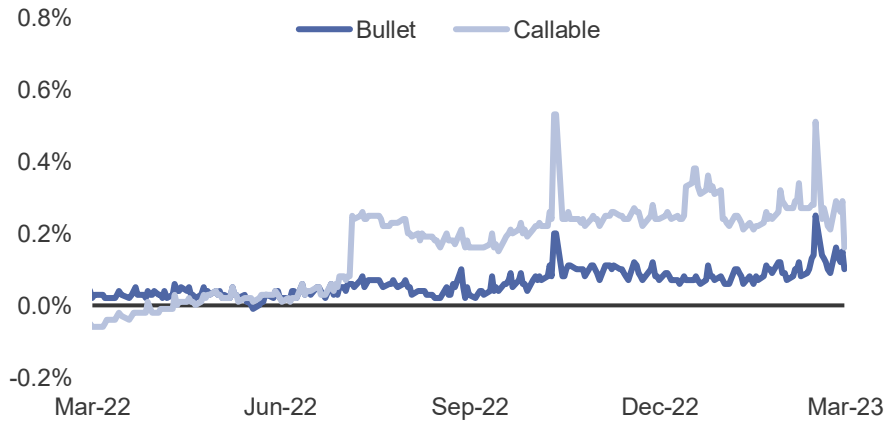
1-5 Year U.S. Corporate Index



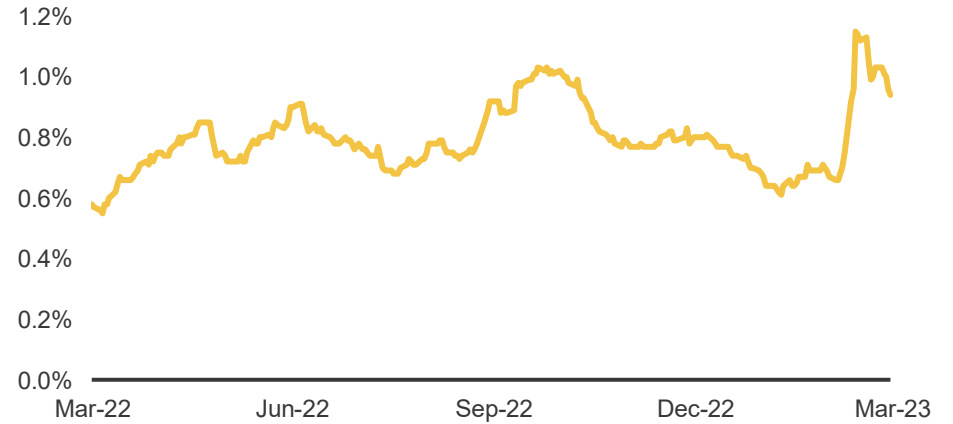
Source: Bloomberg, ICE BofA Indices as of 3/31/2023.

Sector Yield Spreads

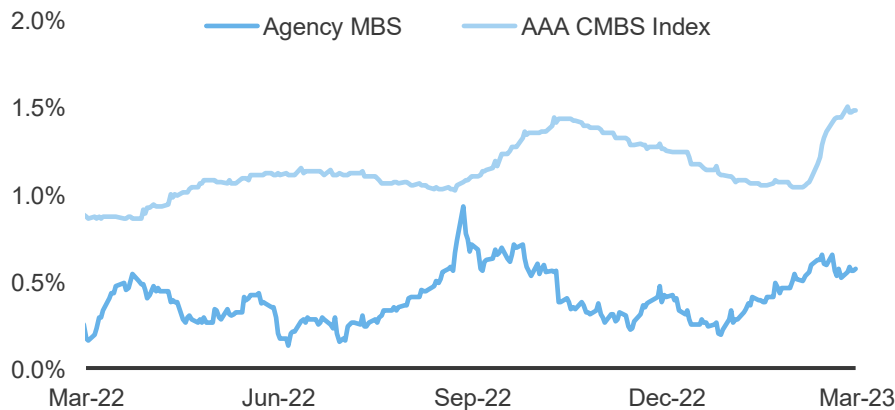
Federal Agency Yield Spreads



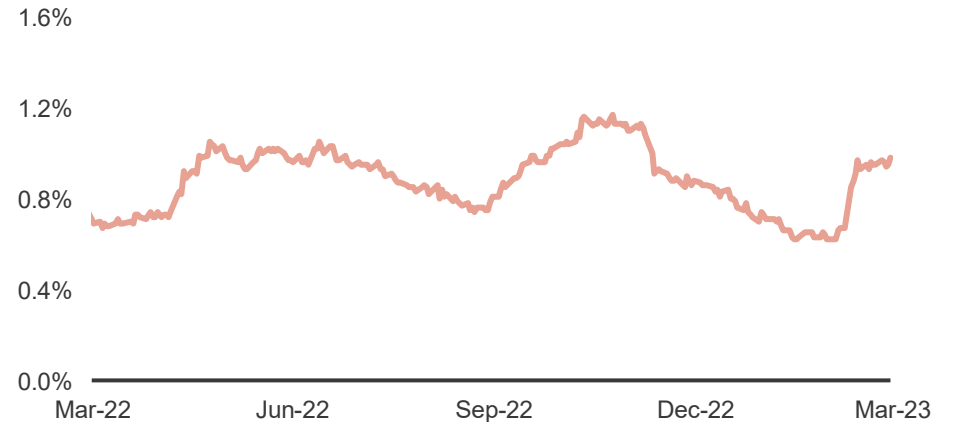
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads

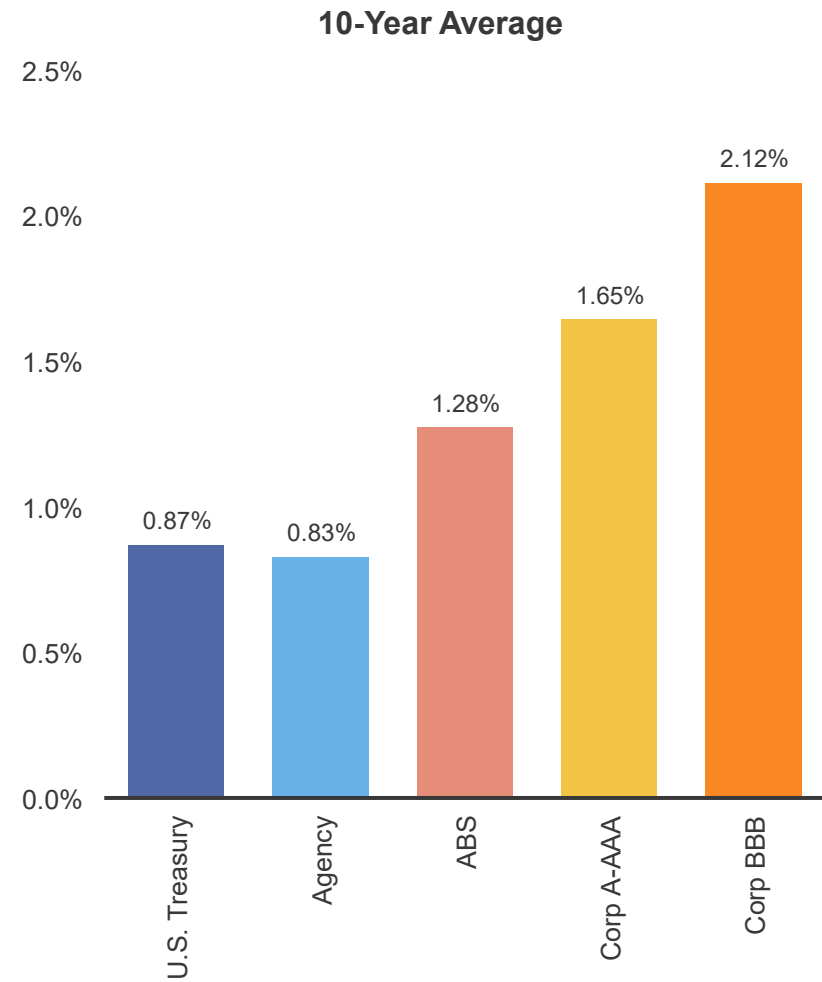
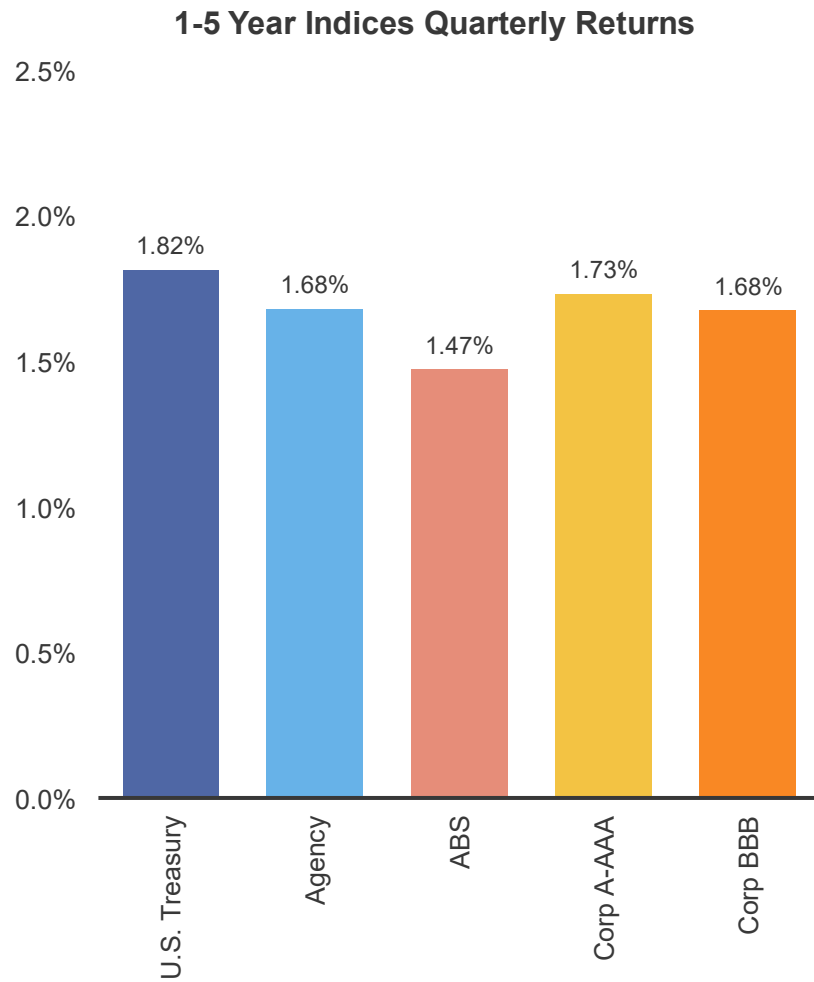


Asset-Backed Securities AAA Yield Spreads



Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess, and PFMAM as of 3/31/2023. 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 Q1 2023



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of 3/31/2023.

Fixed-Income Sector Commentary – 1Q 2023

- ▶ **U.S. Treasury** experienced a classic “flight-to-quality” in March which caused 2-Year U.S. Treasury yields to plummet by more than 100 basis points in the biggest 3-day slide since 1987. Yields across the curve followed suit and shifted lower, further inverting the yield curve.
- ▶ **Federal agency** yield spreads widened this quarter as interest rates fell and new issuance was heavy. Callable agency spreads also widened for certain structures with the surge in market volatility.
- ▶ **Supranational** issuance experienced a strong start to the year as the value of U.S. dollar funding levels improved throughout Q1 vs. the Euro. Spreads ended the quarter tighter and the sector generated strong excess returns vs. other fixed income sectors.
- ▶ **Investment-Grade Corporate** fundamentals were stable to start the year, with yield spreads priced for continued economic growth and benign credit markets. However, spreads ended the quarter markedly wider, led by financials, in response to concerns in the banking sector. Spreads on industrial issues widened less, but appeared attractive relative to recent levels when considering the strength of their fundamentals.
- ▶ **Asset-Backed Security** fundamentals remain positive for prime deals. Collateral performance has slightly deteriorated, but remains well within typical historical norms. The new issue market has been active, causing spreads to touch multi-month wides near quarter-end.
- ▶ **Mortgage-Backed Securities** underperformed Treasuries for the quarter after outperforming during the first two months of the year. Elevated mortgage rates are leading to slower refinancings and prepayments while volatility led to wider spreads.
- ▶ **Taxable Municipal** saw little activity in Q1 and what issuance occurred was heavily oversubscribed. The secondary market had few opportunities as spreads were generally unattractive favoring sells over buys.
- ▶ **Short-term credit** (commercial paper and CDs) was impacted by the debt ceiling impasse to start the quarter and spreads narrowed. Along with the broad risk-off widening of credit in Q1; however, there were large dislocations between primary (new issue) and secondary offerings and a wide dispersion between financial and non-financial names. Short-term rates remain near the highest level in 15 years.

Fixed-Income Sector Outlook – 2Q 2023

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	

● Current outlook

○ Outlook one quarter ago



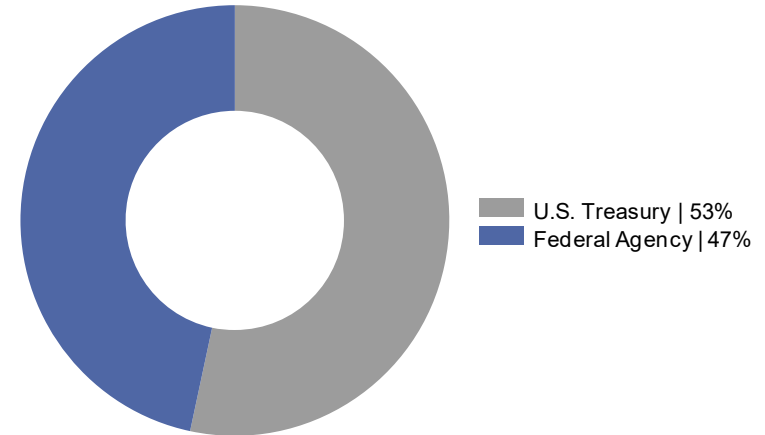
Account Summary

Consolidated Summary

Account Summary

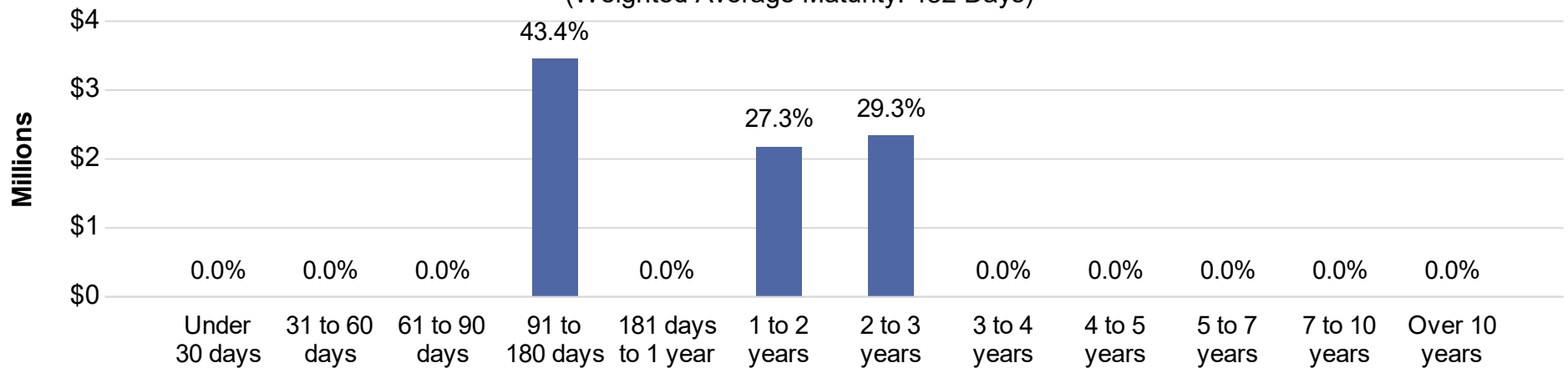
PFMAM Managed Account	\$8,004,339
Total Program	\$8,004,339

Sector Allocation



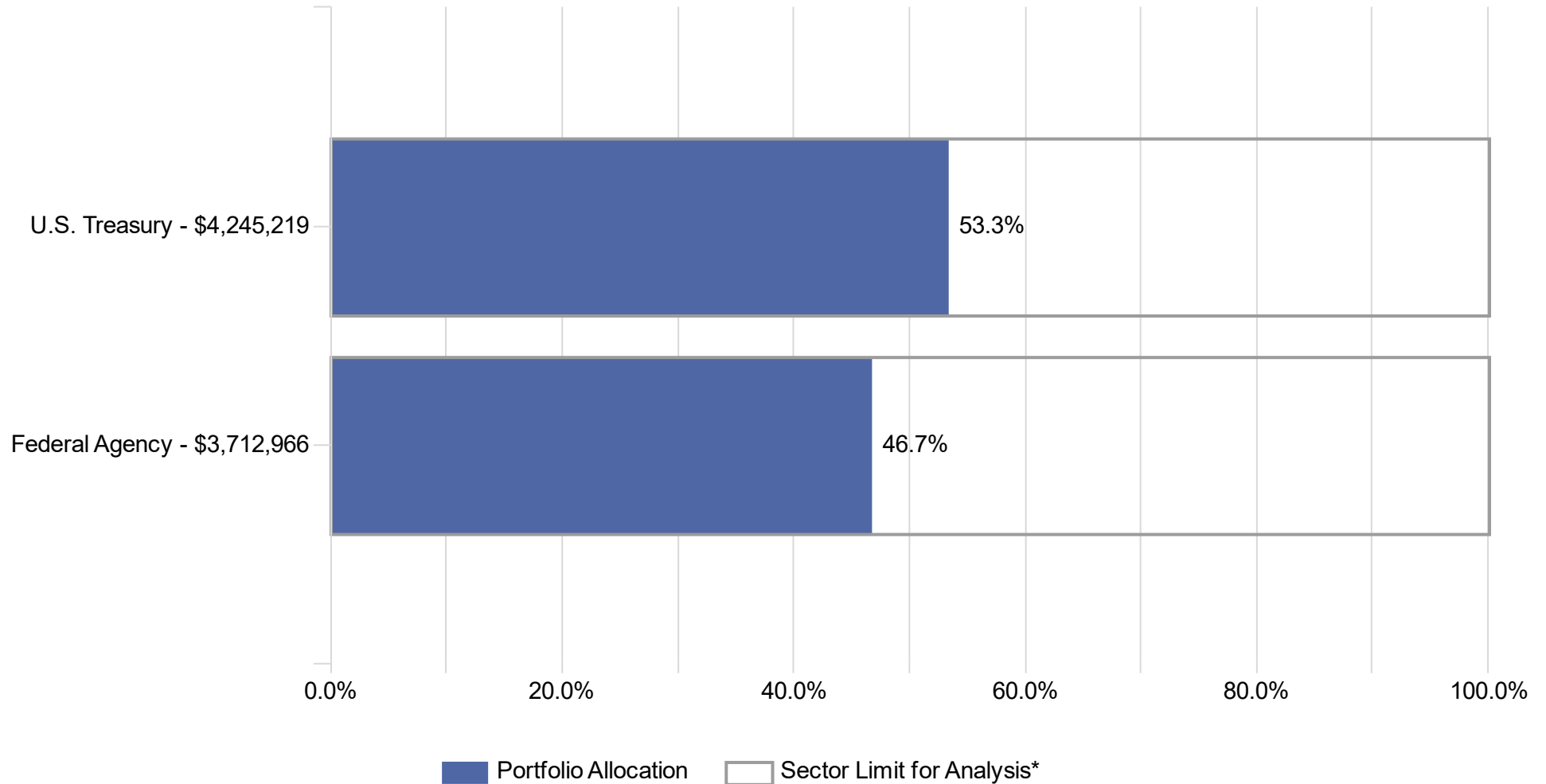
Maturity Distribution

(Weighted Average Maturity: 482 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.

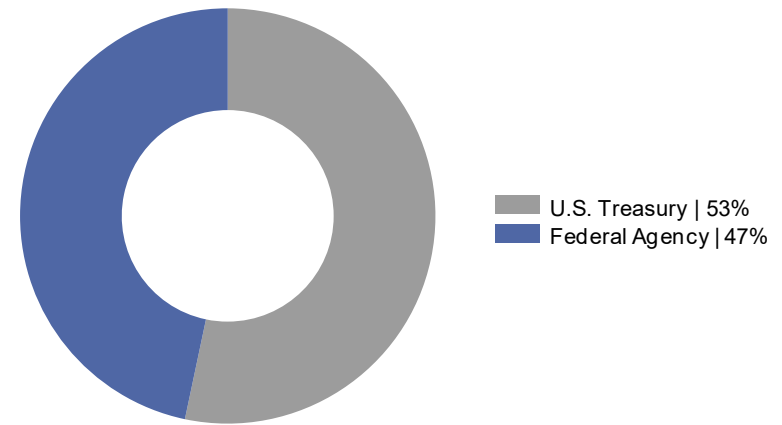
Portfolio Review:
WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Portfolio Snapshot - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO¹

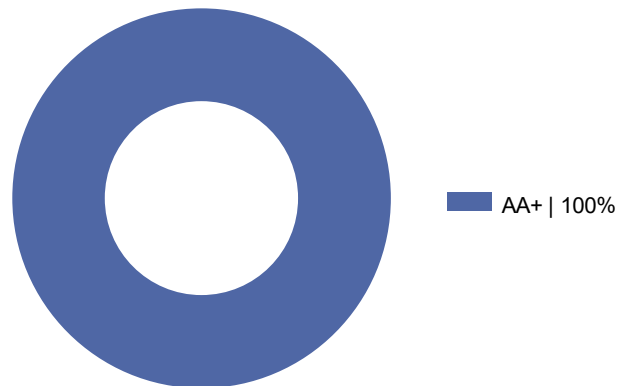
Portfolio Statistics

Total Market Value	\$8,004,339.15
Securities Sub-Total	\$7,948,568.74
Accrued Interest	\$9,615.81
Cash	\$46,154.60
Portfolio Effective Duration	1.31 years
Benchmark Effective Duration	2.50 years
Yield At Cost	1.30%
Yield At Market	4.44%
Portfolio Credit Quality	AA

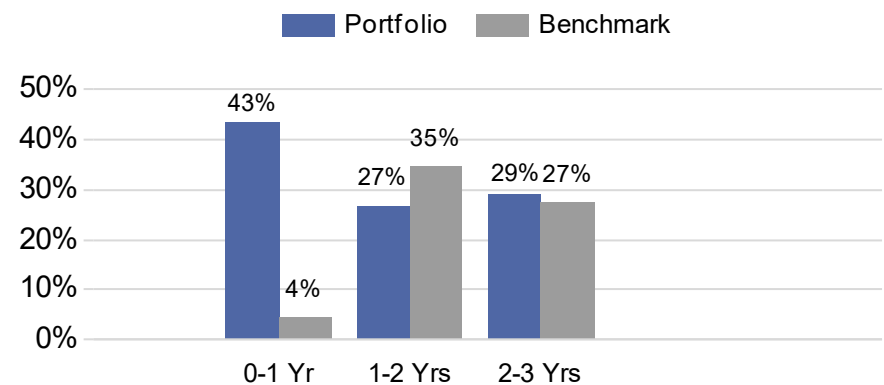
Sector Allocation



Credit Quality - S&P



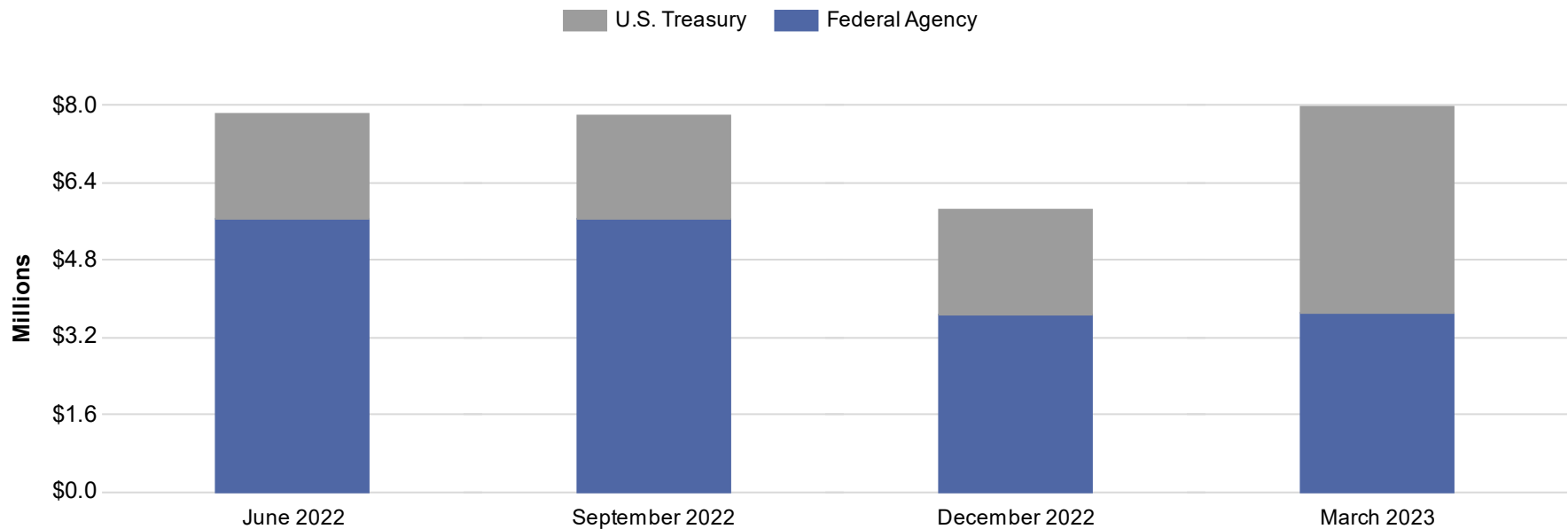
Duration Distribution



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

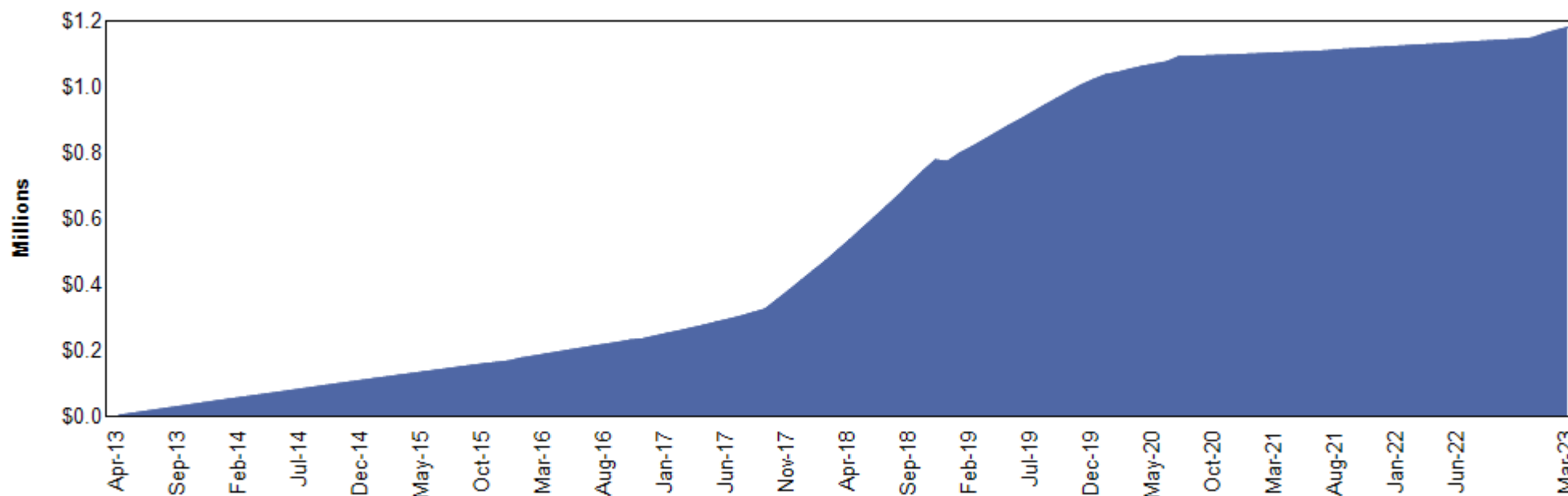
Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Security Type	Jun-22	% of Total	Sep-22	% of Total	Dec-22	% of Total	Mar-23	% of Total
U.S. Treasury	\$2.2	27.9%	\$2.1	27.6%	\$2.1	36.9%	\$4.2	53.3%
Federal Agency	\$5.6	72.1%	\$5.6	72.4%	\$3.7	63.1%	\$3.7	46.7%
Total	\$7.8	100.0%	\$7.8	100.0%	\$5.8	100.0%	\$7.9	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.

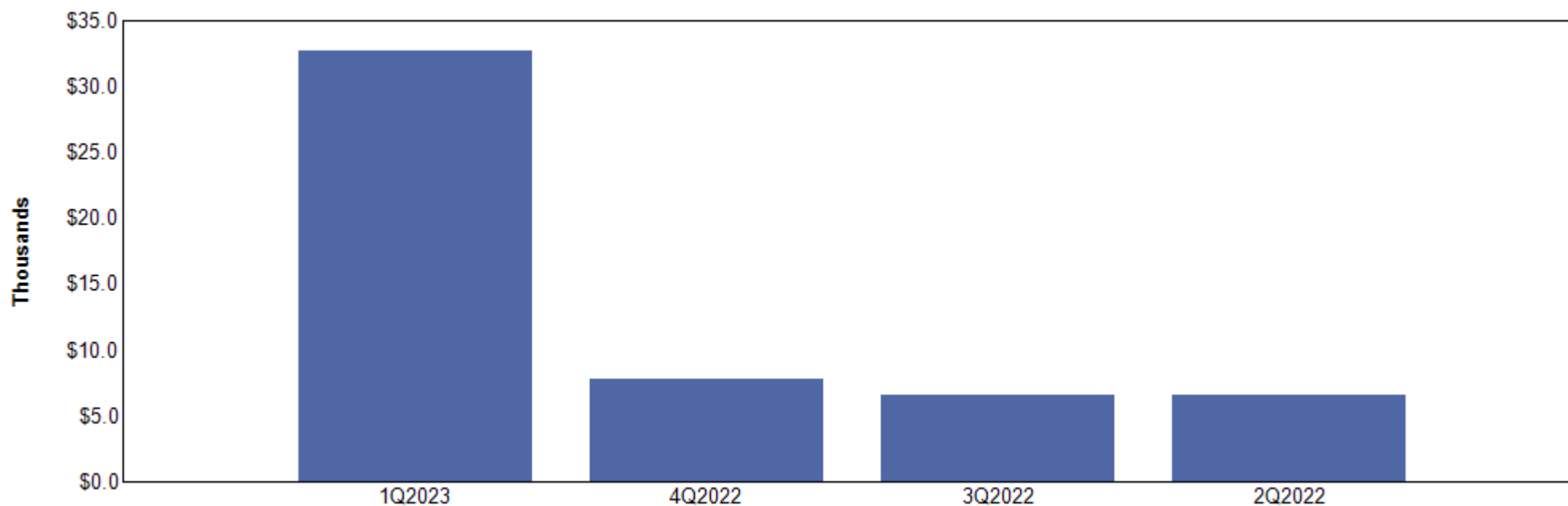
Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year ¹
Interest Earned ²	\$22,258	\$62,759	\$135,865	\$583,788	\$1,195,103
Realized Gains / (Losses) ³	-	-	\$10,503	(\$26,426)	(\$25,476)
Change in Amortized Cost	\$10,448	(\$9,207)	(\$19,258)	\$117,723	\$11,872
Total Earnings	\$32,706	\$53,552	\$127,109	\$675,086	\$1,181,499

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	1Q2023	4Q2022	3Q2022	2Q2022
Interest Earned ¹	\$22,258	\$14,462	\$13,075	\$12,963
Realized Gains / (Losses) ²	-	-	-	-
Change in Amortized Cost	\$10,448	(\$6,711)	(\$6,507)	(\$6,436)
Total Earnings	\$32,706	\$7,751	\$6,568	\$6,527

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	53.3%	
UNITED STATES TREASURY	53.3%	AA / Aaa / AAA
Federal Agency	46.7%	
FANNIE MAE	31.0%	AA / Aaa / AAA
FREDDIE MAC	15.6%	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	6,511.74	2,284,820.90	2,167,477.46
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	2,280,000.00	AA+	Aaa	1/6/2023	1/9/2023	2,044,340.63	4.00	1,417.13	2,061,625.13	2,069,812.50
Security Type Sub-Total		4,525,000.00					4,377,649.81	2.16	7,928.87	4,346,446.03	4,237,289.96
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	1,406.25	2,499,575.34	2,468,652.50
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	999,842.13	981,963.00
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	284,573.90	260,663.28
Security Type Sub-Total		3,785,000.00					3,778,302.15	0.32	1,686.94	3,783,991.37	3,711,278.78
Managed Account Sub Total		8,310,000.00					8,155,951.96	1.30	9,615.81	8,130,437.40	7,948,568.74
Securities Sub Total		\$8,310,000.00					\$8,155,951.96	1.30%	\$9,615.81	\$8,130,437.40	\$7,948,568.74
Accrued Interest											\$9,615.81
Total Investments											\$7,958,184.55

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
BUY									
1/6/2023	1/9/2023	2,280,000.00	91282CBH3	US TREASURY NOTES	0.37%	1/31/2026	2,048,104.49	4.00%	
Total BUY		2,280,000.00					2,048,104.49		0.00
INTEREST									
1/3/2023	1/3/2023		MONEY0002	MONEY MARKET FUND			6,265.91		
1/10/2023	1/10/2023	2,500,000.00	3135G05G4	FANNIE MAE NOTES	0.25%	7/10/2023	3,125.00		
1/31/2023	1/31/2023	2,245,000.00	912828Y87	US TREASURY NOTES	1.75%	7/31/2024	19,643.75		
1/31/2023	1/31/2023	2,280,000.00	91282CBH3	US TREASURY NOTES	0.37%	1/31/2026	4,275.00		
2/1/2023	2/1/2023		MONEY0002	MONEY MARKET FUND			1,758.69		
2/24/2023	2/24/2023	1,000,000.00	3137EAEV7	FREDDIE MAC NOTES	0.25%	8/24/2023	1,250.00		
3/1/2023	3/1/2023		MONEY0002	MONEY MARKET FUND			136.32		
3/23/2023	3/23/2023	285,000.00	3137EAEX3	FREDDIE MAC NOTES	0.37%	9/23/2025	534.38		
Total INTEREST		8,310,000.00					36,989.05		0.00

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- 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 of 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.