

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

Wednesday

11:00 a.m.

July 26, 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 July 26, 2023 at 11:00 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 May 4, 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 June 30, 2023, for the Regional Transportation Commission of Washoe County. The Quarterly Market Update is attached.

Wale Kajopaiye, inflation continues to be the theme that has been driving everything we've seen over the past two years now, but the good thing is, it is trending in the right direction. The Fed is focused on what we're starting to hear more about which is called Supercore Inflation. The labor market is very strong and there is a lot more optimism around the economy because unemployment remains low and consumer spending remains strong.

The Fed raised rates, as of today, by 25 basis points. There is a possibility that we might get one more rate hike before the end of 2023, and that could be the level where the Fed holds rates for a long period of time.

There has been some volatility in the bond markets. A lot had to do with the debt ceiling concerns, as we saw some stress in the banking sector. The 2-year and 10-year inversion got pretty deep, so something to monitor as we move forward into the second half of 2023.

Supercore inflation. When we look at their measurement of inflation, they look at PCE as their gauge of inflation. Looking at the chart on page 2, the overall PCE level is at 3.8%, so that has been trending lower over the last couple of months. When you look at Core PCE and Supercore PCE, those numbers remain elevated and you can see the lines have been fairly flat or stuck over the last couple of months. That is the part of the inflation curve that the Fed is concerned about, because it is not trending in the right direction compared to some of the other measurements that they use for inflation. So, they are hoping to get Supercore inflation down below their 2% target. The Supercore inflation is just taking out housing and food and energy.

Consumer spending has shifted more toward services, rather than goods. It remains fairly strong and fairly low. There are a lot of job openings that need to be filled and the consumer continues to spend. The consumer is also a big piece of GDP, which is why the Fed has revised some of their GDP projections for the future.

Another thing to be mindful of is when we had the debt ceiling issue. The US Treasury now needs to re-fill their depleted general fund. They are not receiving as much money in taxes and they have higher outflows, and if you look historically, based upon what those gross proceeds have been from the reserve, as you can see on page 3, that there is a gap that potentially needs to be filled. We're probably going to see a lot more issuance of treasuries moving forward, which is expected to pull liquidity out of other markets and place upward pressures on short term treasury yields.

Looking at the dot plots, page 5, most folks in the Federal Committee feel that rates should stay above 5% until the end of the year. So, we are not anticipating any rate cuts between now and December. Moving into 2024 and 2025, those projections start to change, but again it's going to be the data and how inflation is trending that will ultimately take what this looks like over the next couple of year.

One thing to be mindful of, if you look historically at what has happened during interest rate cycles where we've seen pretty steady hikes, the Fed typically, once they've reached their terminal rate, have held rates at level for about 8-months. Not to say that is exactly what will happen now, but I think it

does give you an idea that once we get to that terminal rate, we're not going to get rates to come down immediately within a short period of time.

Page 7 shows the Economic Projections. The four matrix that they look at consistently are PCE, Fed Funds Rate, GDP and Unemployment. The biggest change you'll see is the GDP revision, and 1% is not something to be overly excited about, but it is a lot more positive than what they had projected in the March meeting.

When we look at how yields moved along the curve, you can see that most of the biggest increases we saw on the curve were in the 12-month and the 12-year range. Not a lot of movement on the longer end of the curve, but mostly short-term maturities is where we are seeing a lot of the action. Rates did move higher in the quarter from March to June. The inversion has gotten steeper between the 2-year and 10-year, so again, this is good because as we are able to make new purchases as we recently did a couple weeks ago, we are able to capture very attractive rates, but then market values of older purchases do go down.

In this portfolio, I would not be overly concerned about it because there is no real trading. We're sort of buying and holding a lot of these securities to maturity and reinvesting them.

Christian Schonlau, you mentioned treasury new issuances are likely, which to me is an inflationary factor, and then it kind of feeds the rate hike and inflation. What do you guys view on that, is it a concern?

Wale Kajopaiye, issuing treasuries isn't necessarily an inflation factor. If you're taking treasuries out of the market and putting it in cash, so trading treasuries for cash, that is more inflationary. If you're issuing treasuries and you're taking cash out of the market and replacing it with treasuries, then I don't think we'll get an inflation spike.

Christian Schonlau, just a comment, we had those quarter percent instruments for the last few years, and we have another maturity coming up next month for about \$1 Million, and we just want to target that same 2-3 year range on those. The plateau of the rates eventually happens here and we want to make sure we're locked in at the top before they start ticking down again.

Wale Kajopaiye, the Freddie Mac note matures on August 24, 2023, that will probably go into treasuries when it matures. Again, agency spreads are not as attractive as they were earlier, so there isn't a lot of value in that sector of the market right now.

Wale Kajopaiye, the maximum maturity on what I see in the portfolio only goes out about 3-years. Christian said, yes, that is as far as we want to stay. When you get into the 5-year it becomes uncertain with any kind of shock to our revenue or whatnot.

Wale said he will make a note of that, and thank you for letting him know.

Wale Kajopaiye, now we'll jump into the account review. There is about \$8 Million in the account, most of the portfolio is right now sitting in that 30-days and under. At least it was at the end of the quarter. There was a new purchase that was made, so that will shift a little bit in the next quarter.

The portfolio has two components, treasuries and federal agencies, based upon what is allow in the investment policy and we are well within our limits.

If you look at the portfolio, there is about \$8 Million, duration is about 1.05 years, not really managing this to a benchmark, so I would not really be worried about how this compares to the benchmark. Yield at cost will get a boost, because I think the \$2.5 Million that was invested, the yield at market cost for that treasury that we bought was 4.41%. So, when it matures, there will be a pretty sizable amount of interest that will be earned at maturity.

Credit quality remains good at AA. As we move into the portfolio composition changes, I would say the biggest thing you'll see is that we decreased our allocations to agencies and the treasury allocation has increased over time. Internet earned over that 3-month period was about \$14,000 and there were no realized gains or losses during that time frame.

The most recent purchase was made on July 21st, so again that was about \$2.7 Million and the yield at market at cost was about 4.41%. So, when the agency bonds mature in August will probably be targeted around that 4% as well for the next investment.

Christian Schonlau asked for a motion to approve. Bill Thomas motioned to accept, 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 June 30, 2023

Client Management Team

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

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San Francisco, CA 94111-5411
415-393-7270

PFM Asset Management LLC

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717-232-2723

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Agenda

- Market Update
- Account Summary
- Portfolio Review

Market Update

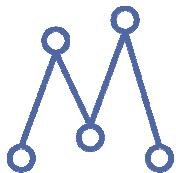
Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ Headline inflation numbers trending lower, but the Fed's current focus, "supercore inflation," is showing little sign of slowing
 - ▶ A labor market that has proven to be exceptionally strong
 - ▶ A more optimistic sentiment around economic growth due to resilient consumer spending



- ▶ Fed temporarily pauses rate hikes
 - ▶ The most aggressive series of interest rate hikes in recent history has come to a temporary pause in June
 - ▶ The Fed's most recent dot plot shows the potential for two additional rate hikes by the end of the year
 - ▶ Rates have moved up due to the Fed's rate trajectory shifting higher, the economy remaining stronger than expected, persistent inflation, and the market's "higher-for-longer" mindset

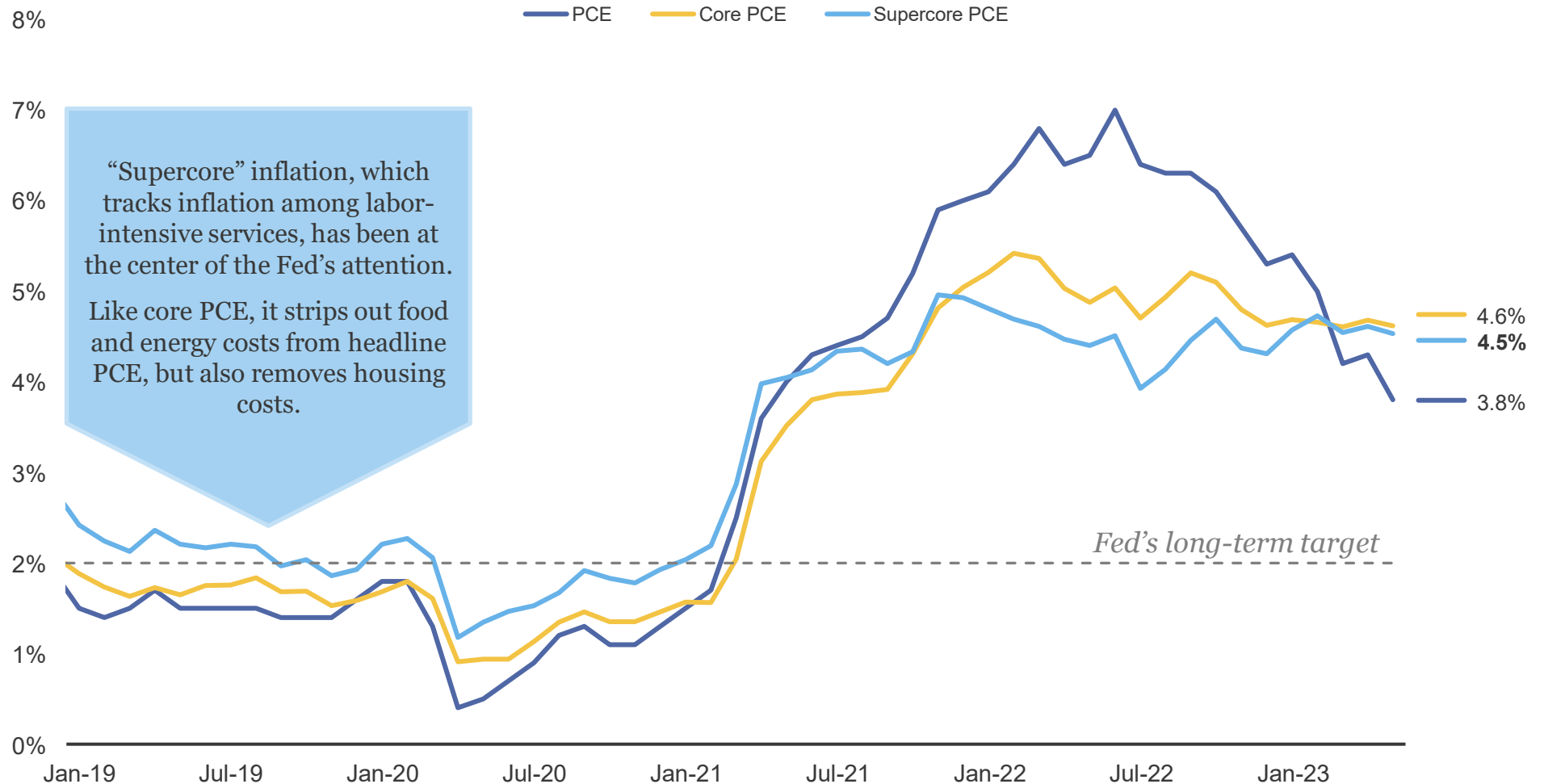


- ▶ Bond markets see continued volatility
 - ▶ The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default
 - ▶ After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points
 - ▶ The curve inversion fell dramatically at the start of Q2, but moved toward historic levels in June

Inflation Measures Remain Above Fed's Target

The Fed's Key Inflation Rate

Personal Consumption Expenditure Price Index, Year-over-year

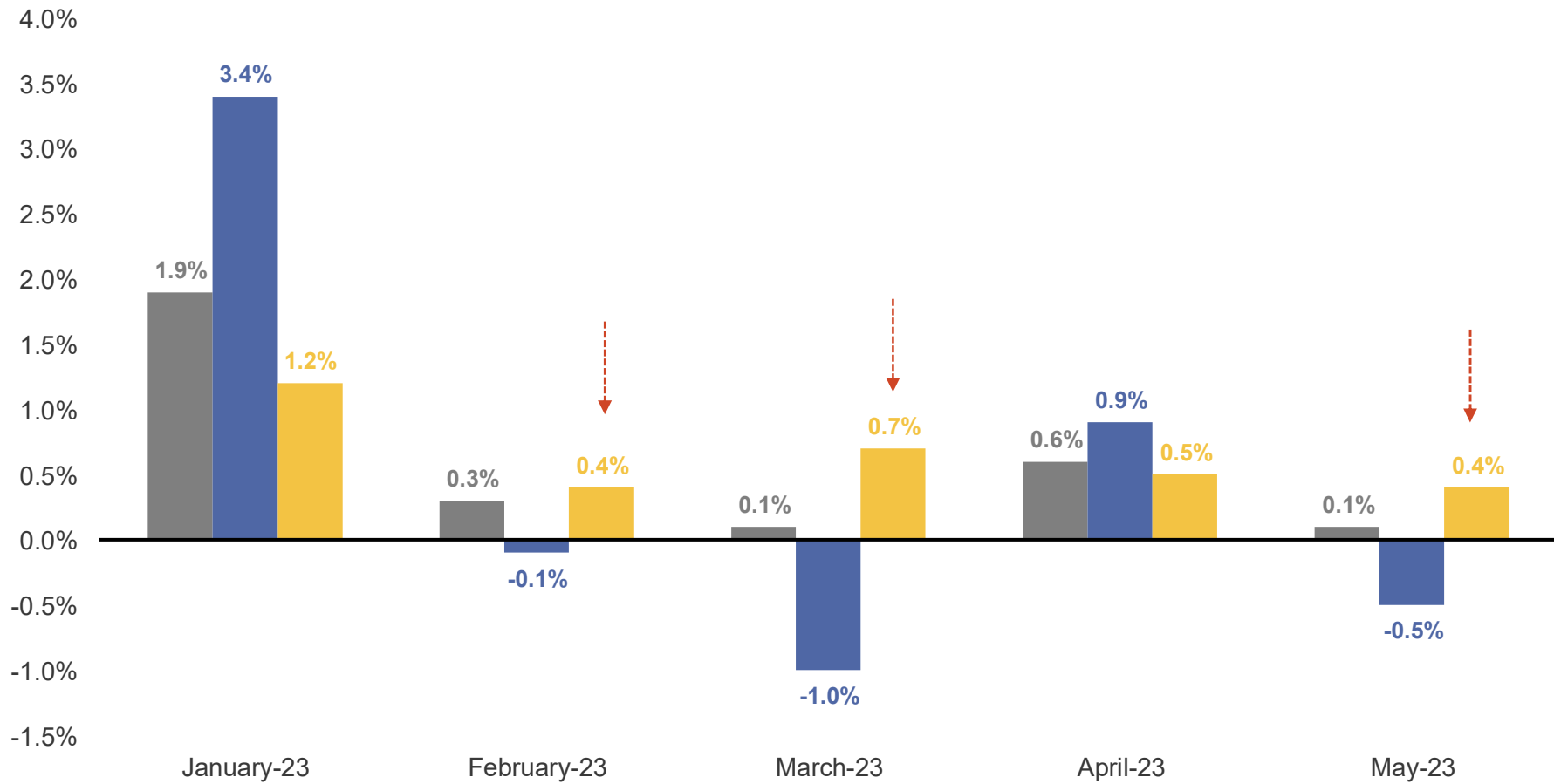


Source: Federal Reserve, Bloomberg, Bureau of Economic Analysis as of May 2023.

Consumers Have Been Spending More on Services

Change in Consumer Spending Month-over-month

■ Consumer Spending ■ Goods ■ Services



Source: Bloomberg, Bureau of Economic Analysis as of May 2023.

Treasury Issuance Expected to Surge Following Debt Ceiling Deal

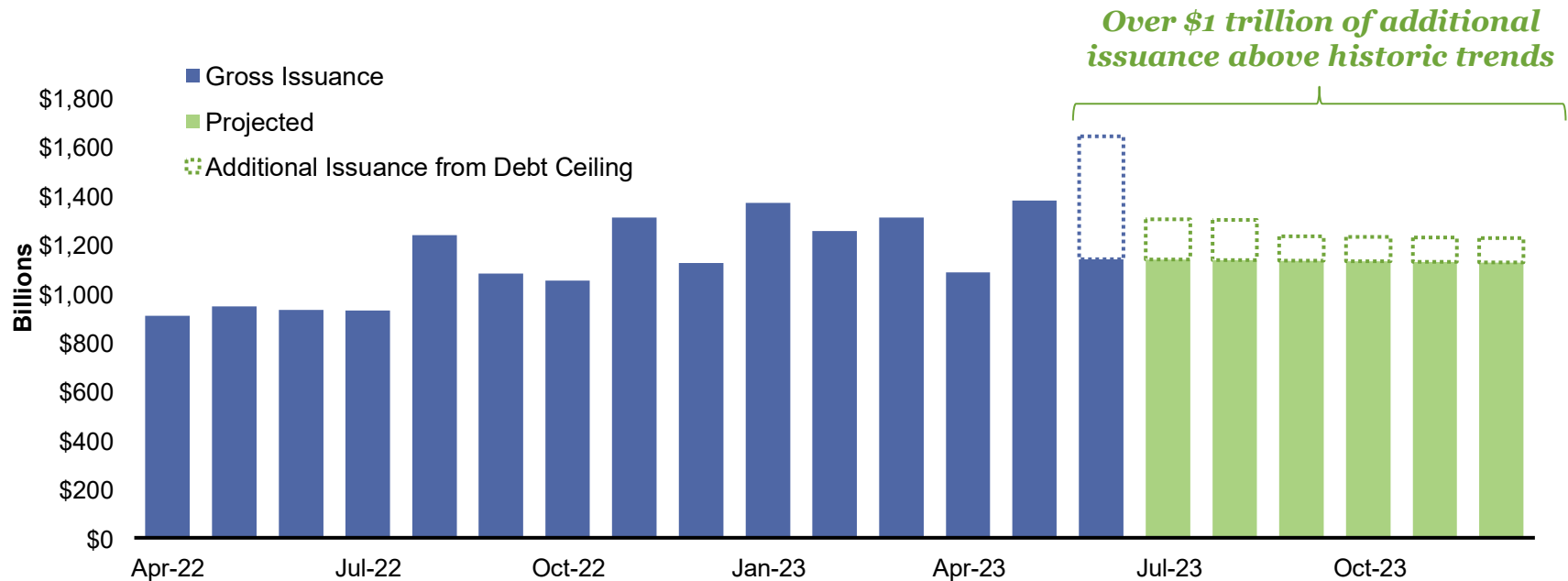
The Reason

The U.S. Treasury needs to refill its depleted general fund while also covering higher outflows and lower tax receipts

The Impact

The net new issuance is expected to pull liquidity out of other markets and place upward pressure on short-term Treasury yields and on other sectors

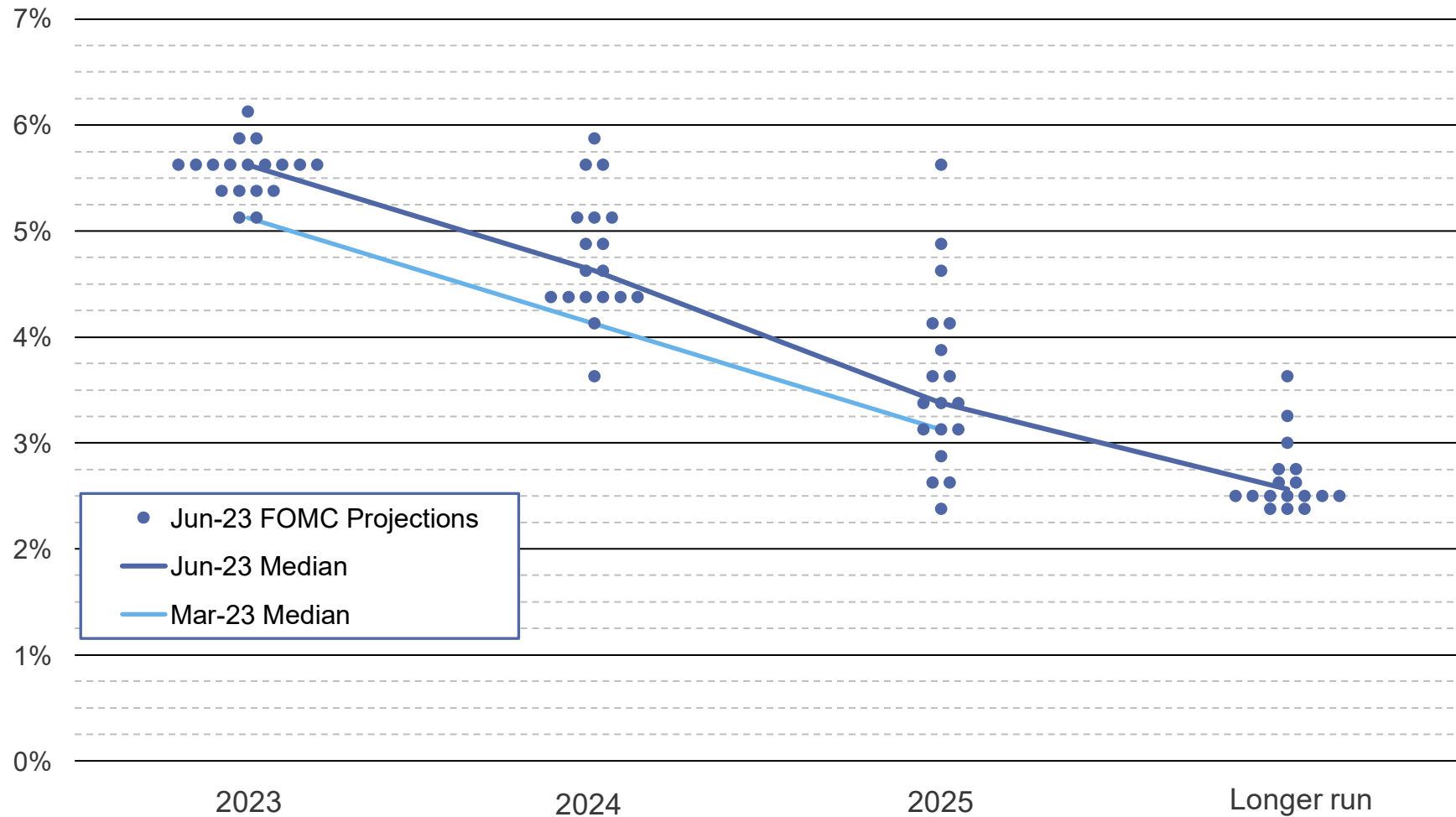
U.S. Treasury Bills Issuance



Source: Bloomberg, SIFMA, U.S. Treasury, Bank of America Global Strategy for U.S. Treasury issuance projections as of June 2023.

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

Fed Participants' Assessments of 'Appropriate' Monetary Policy



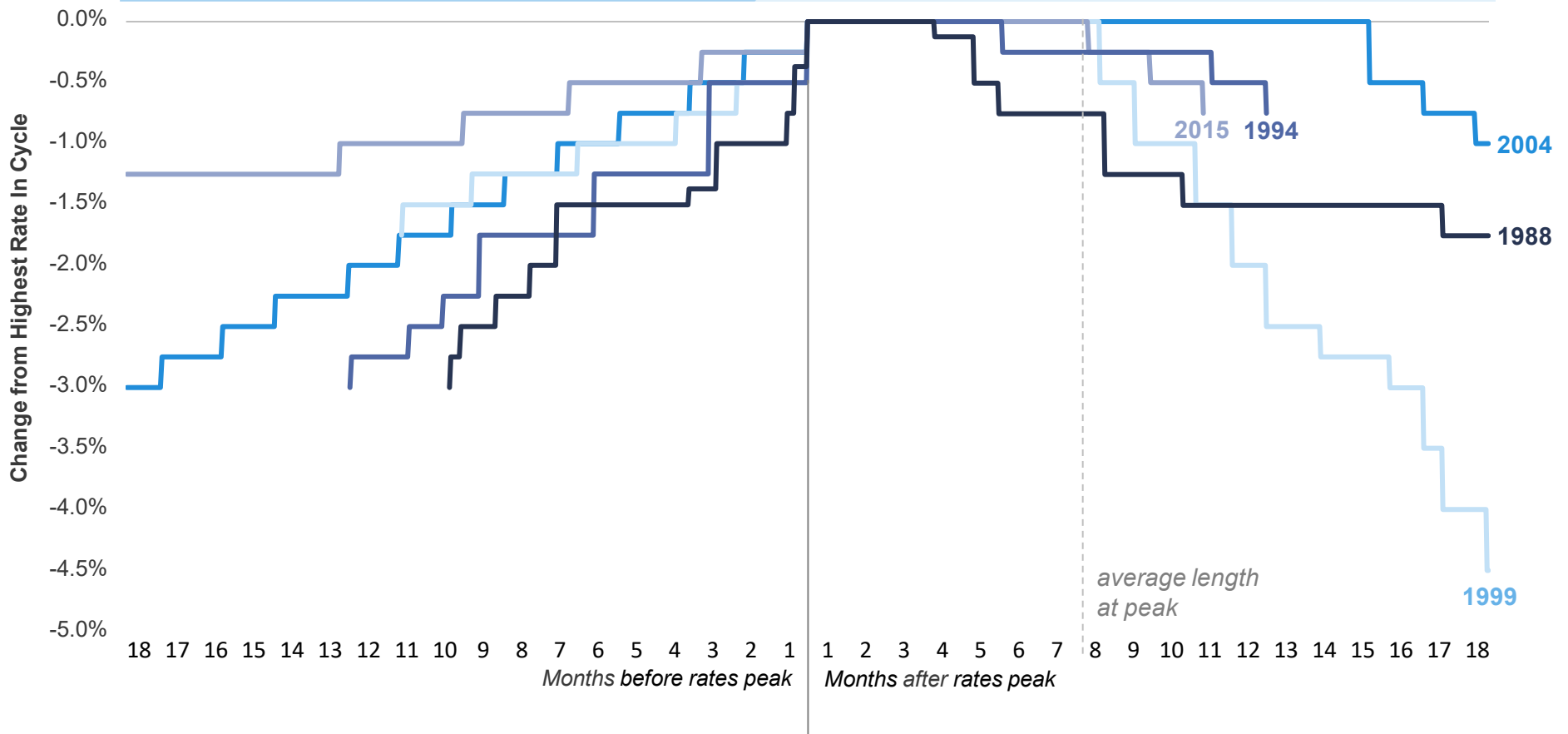
Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

How Long Have Rates Stayed at the Peak?

Federal Funds Rate Cycles

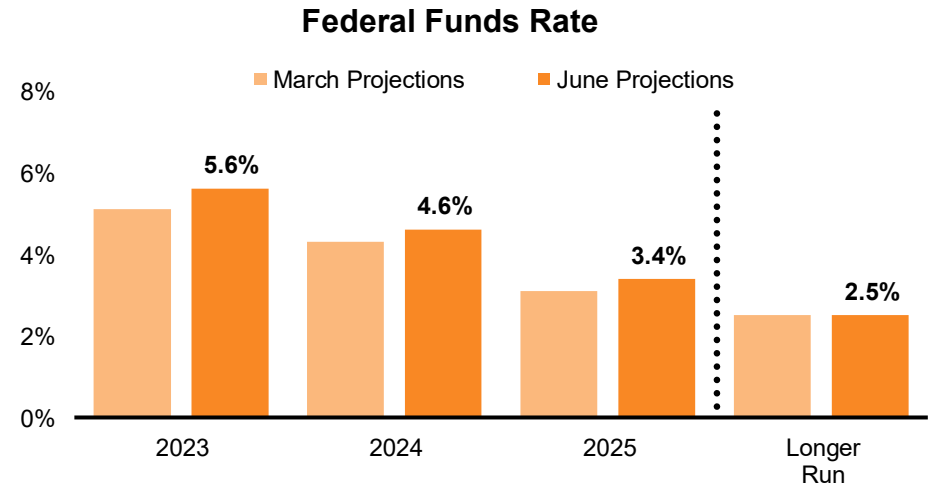
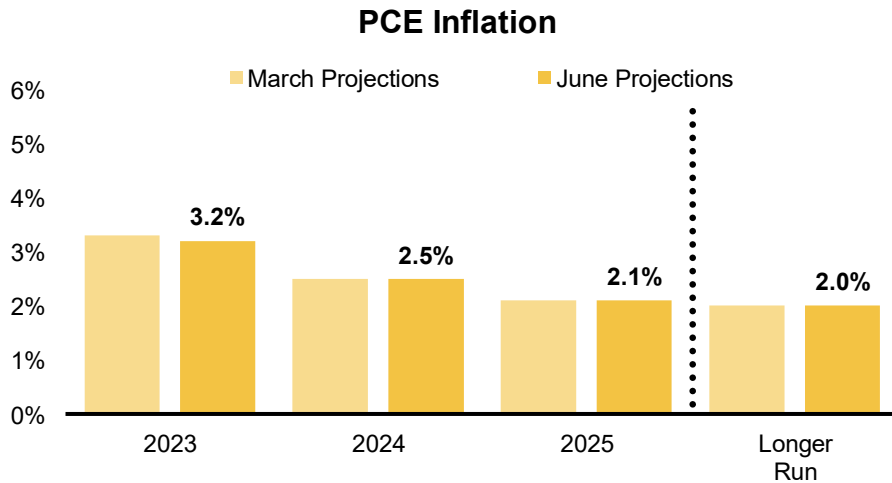
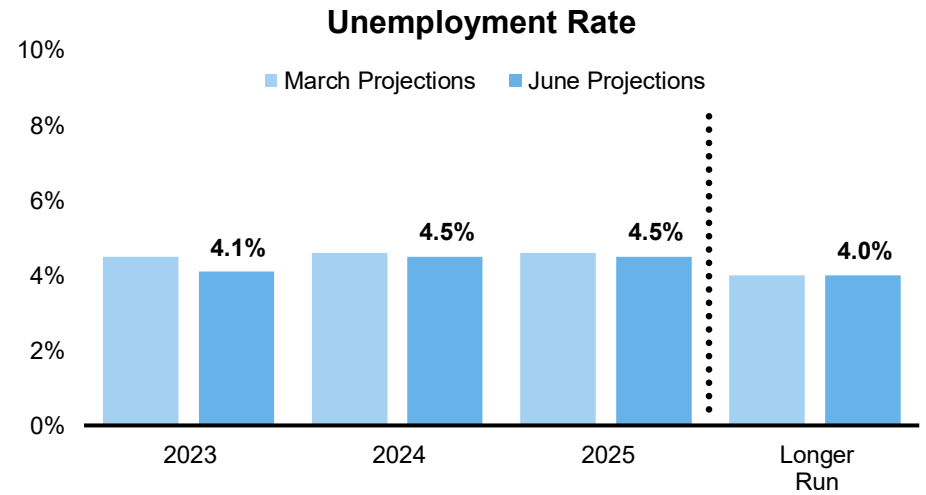
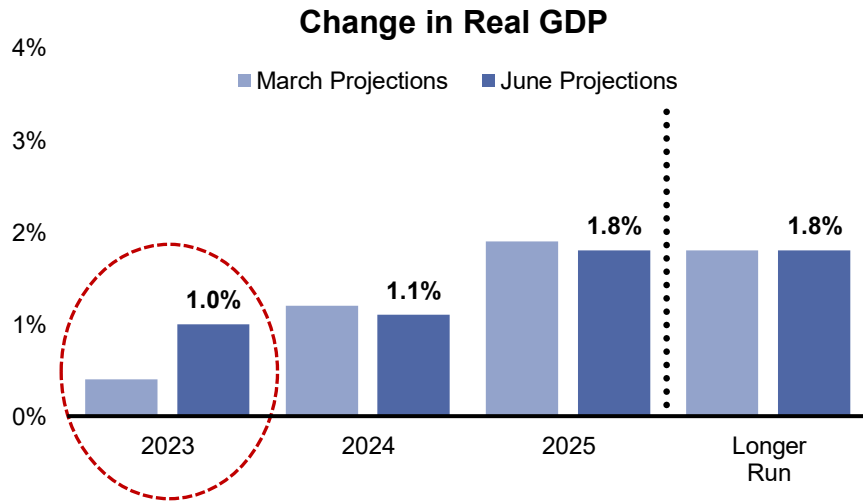
Peaks of previous Fed rate cycles, indexed to 0%

Once the Fed reaches their peak Fed Funds rate, they have historically held rates at that level for around **8 months**



Source: Federal Reserve, Bloomberg.

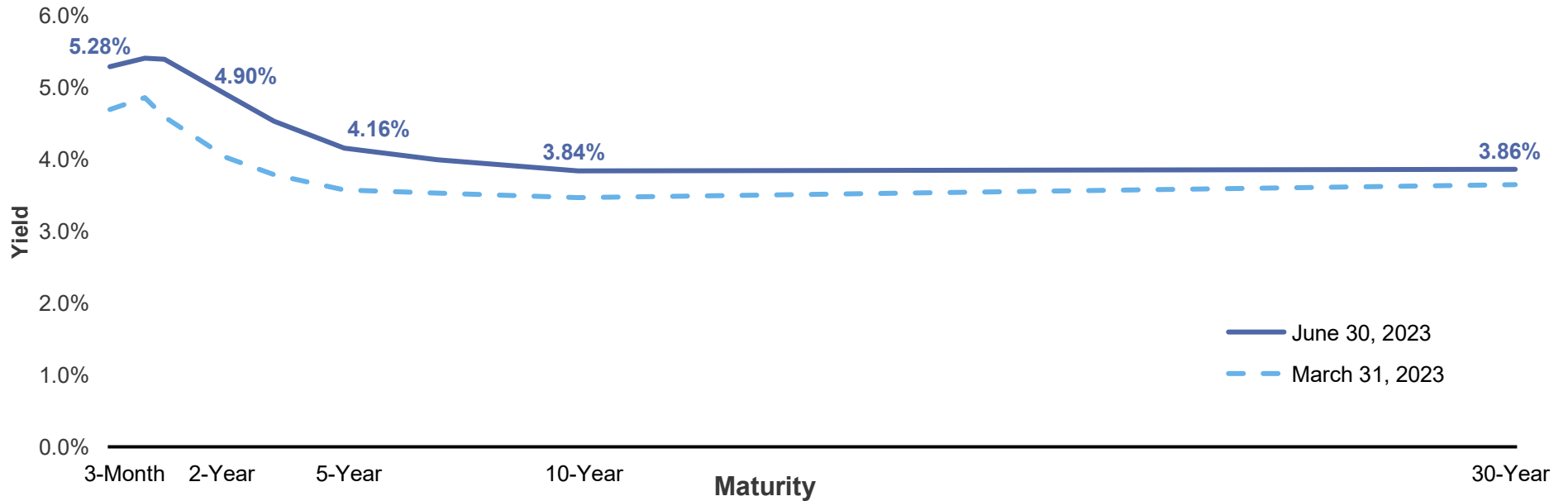
Fed's Updated June Projections Reflect Stronger Economic Expectations for 2023



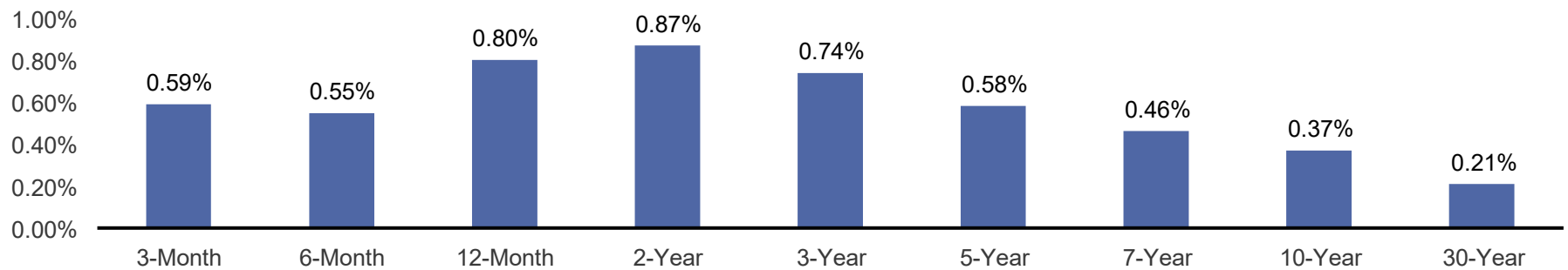
Source: Federal Reserve, latest economic projections as of June 2023.

Interest Rates Rise as “Higher-for-Longer” Mantra Sets In

U.S. Treasury Yield Curve



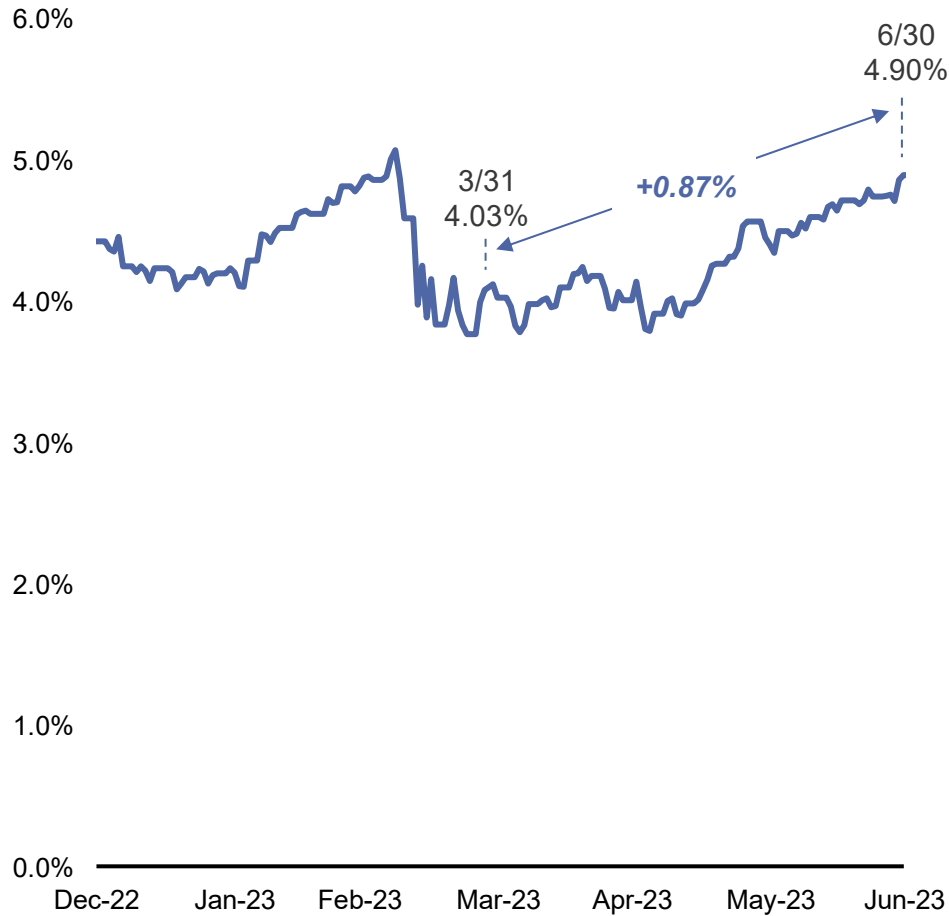
Yield Changes by Maturity from March 31 – June 30, 2023



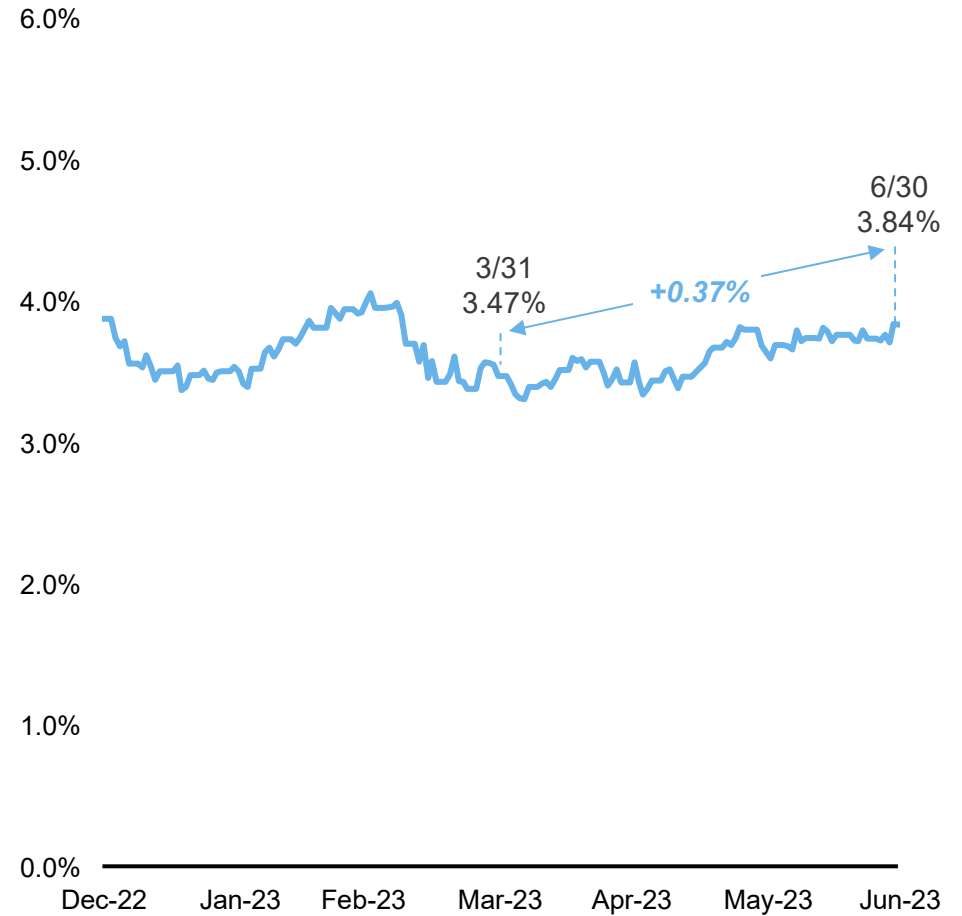
Source: Bloomberg, as of 06/30/2023.

Treasury Yields Move Upward on Expectation for Future Rate Increases

2-Year Treasury Yield



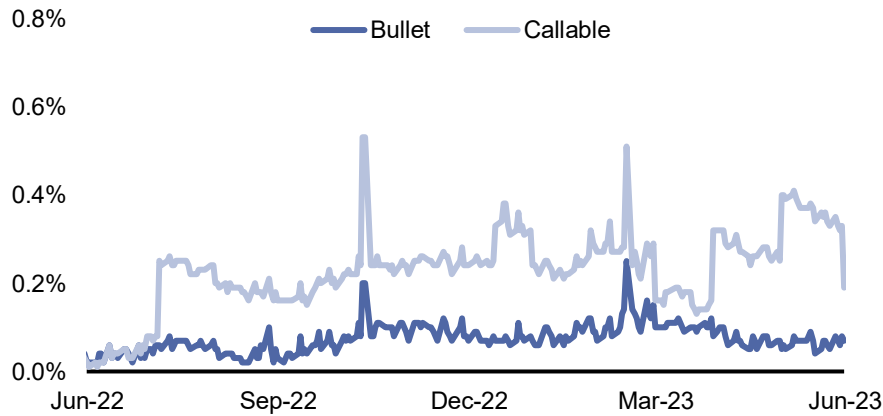
10-Year Treasury Yield



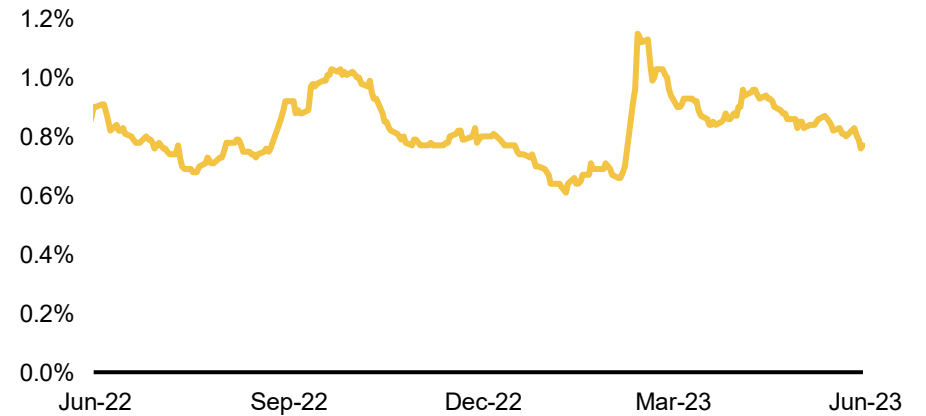
Source: Bloomberg, as of 06/30/2023.

Sector Yield Spreads

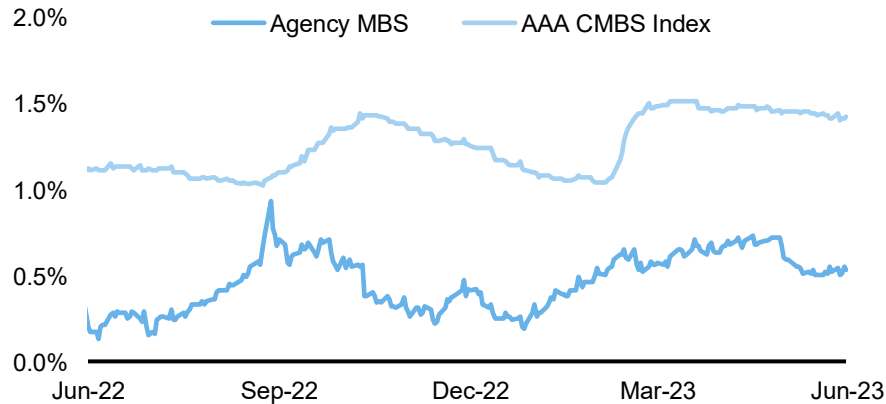
Federal Agency Yield Spreads



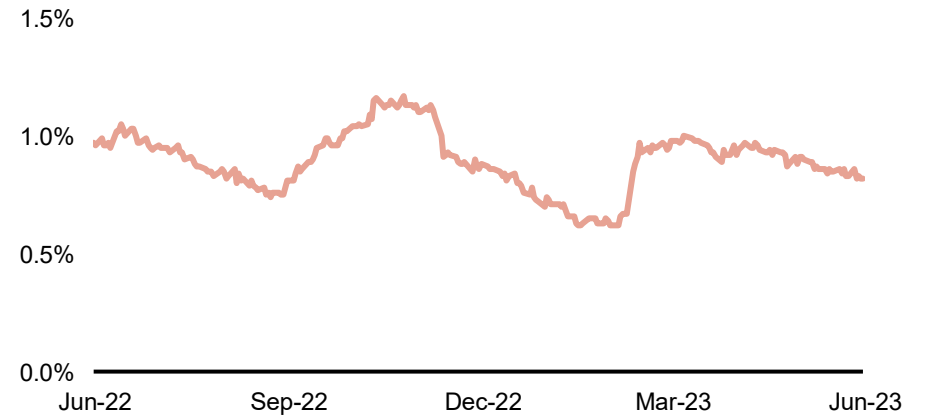
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads



Asset-Backed Securities AAA Yield Spreads

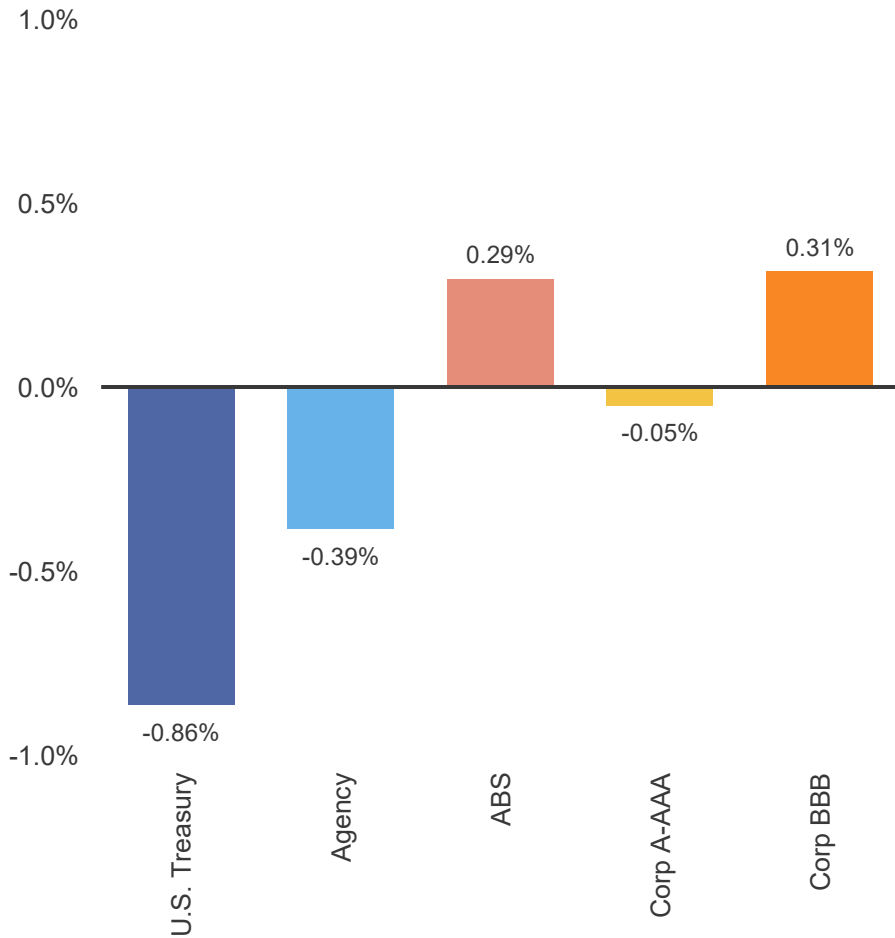


Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 06/30/2023. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

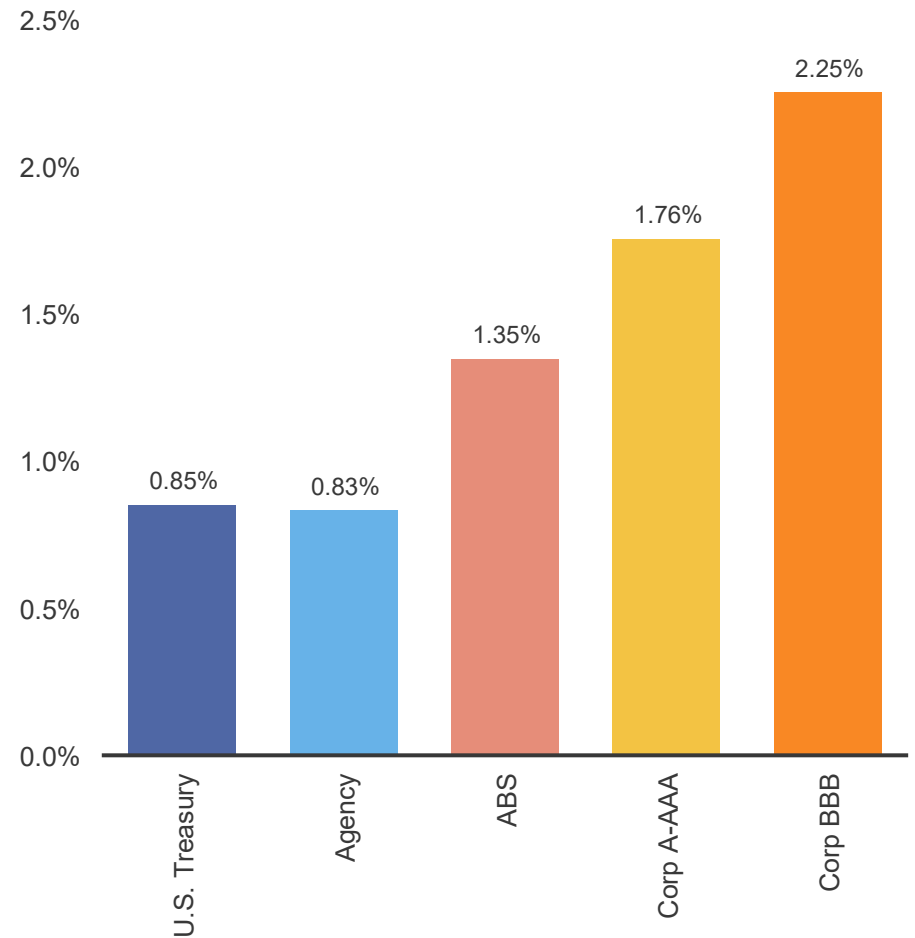
Fixed-Income Markets in Q2 2023

1-5 Year Indices

1-5 Year Indices Quarterly Returns



10-Year Average



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of 6/30/2023.

Fixed-Income Sector Commentary – 2Q 2023

- ▶ **U.S. Treasuries:** After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points.
- ▶ **Federal agency** yield spreads tightened during the quarter. Agency discount notes were favored over U.S. Treasury bills during the debt ceiling impasse; however, during Q1 value waned and callable spreads moved to the tighter end of their historical range.
- ▶ **Supranational** issuance was heavier than usual in the first couple months of the year which allowed spreads to widen and sporadic buying opportunities to arise. As supply dried up, spreads narrowed and traded in a tight range for the balance of the quarter.
- ▶ **Investment-Grade Corporate** spreads continued to retrace from their Q1 wides but remained above longer-term averages. Following the “risk-on” theme in the latter part of Q2, the IG curve flattened, resulting in longer durations and lower quality (BBB) performing best. Although the spread between financials and industrials remained well above typical levels, financials outperformed in Q2 as retracement from the exceptionally wide spreads in Q1 was significant.
- ▶ **Asset-Backed Security** spreads also retraced from mid-March wides, but not nearly to the extent as in corporates. Auto ABS issuance increased during Q2, which was a function of pent-up consumer demand.
- ▶ **Mortgage-Backed Securities** whipsawed in Q2 as a steep tightening of spreads through the second half of the quarter more than offset the steady and consistent widening through April. As a result, the sector generated attractive excess returns for the quarter. Strong returns were driven largely by the risk-on sentiment through much of the quarter and a modest decline in supply due to a drop in existing home sales and refinancings.
- ▶ **Taxable Municipals** issuance remained heavily oversubscribed due to a lack of new issuance. The secondary market had sporadic but limited opportunities that offered an attractive pickup versus industrial corporates.
- ▶ **Short-term credit** (commercial paper and CDs) yields increased during Q2 as the market repriced to actual Fed rate increases and reduced expectations for Fed rate cuts in late 2023. Spreads in short credit remained elevated and attractive for most of Q2 and added notable incremental income to shorter-term portfolios and liability-matching strategies inside of 12-month maturities.

Fixed-Income Sector Outlook – 3Q 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	



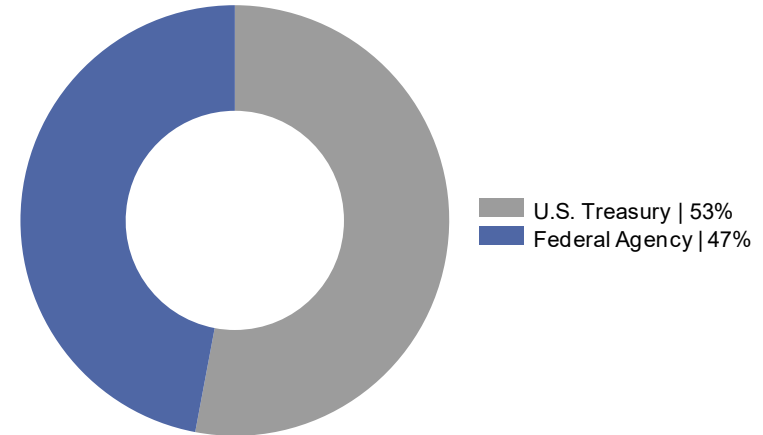
Account Summary

Consolidated Summary

Account Summary

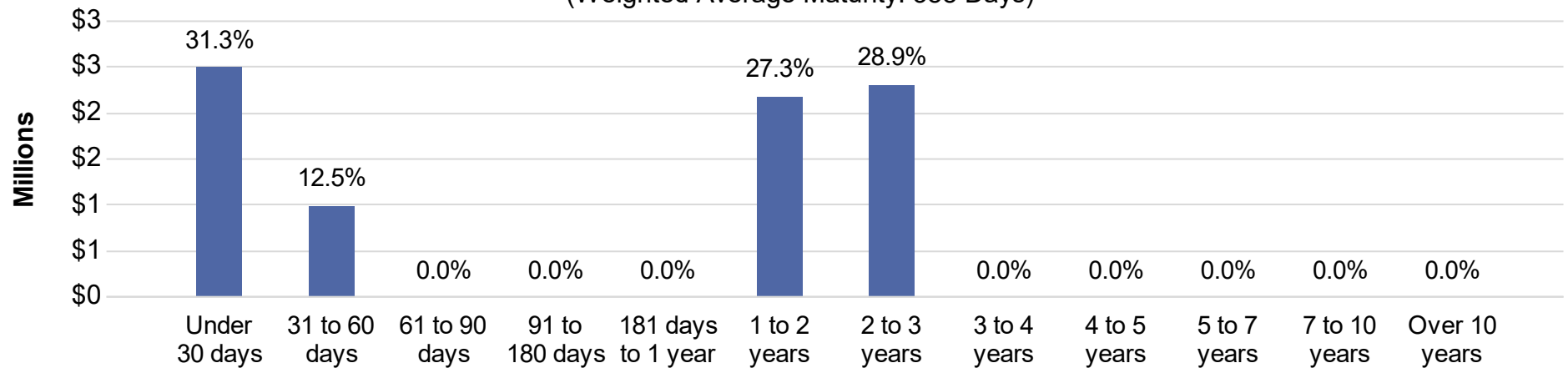
PFMAM Managed Account	\$8,025,330
Total Program	\$8,025,330

Sector Allocation



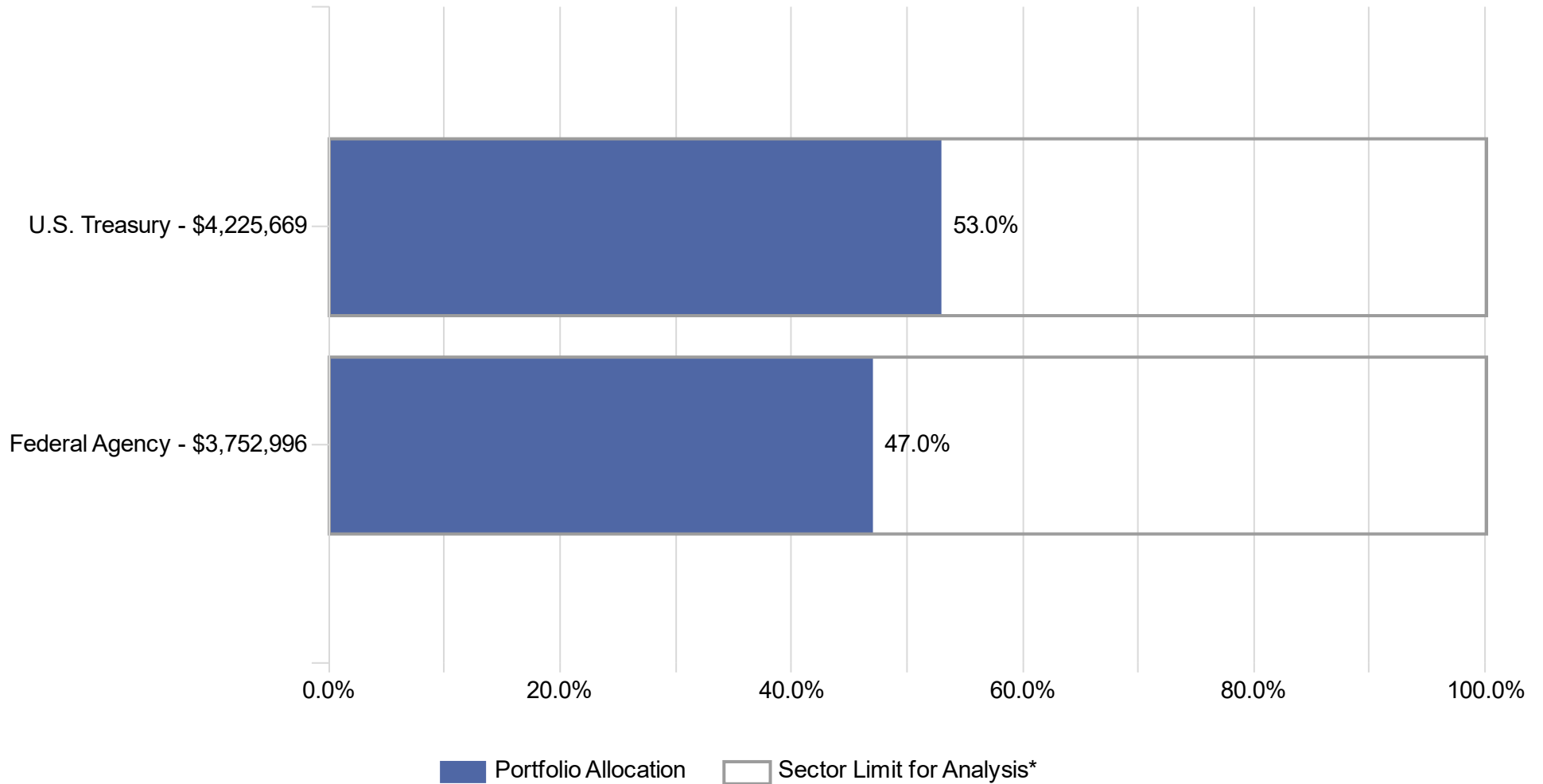
Maturity Distribution

(Weighted Average Maturity: 388 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.*

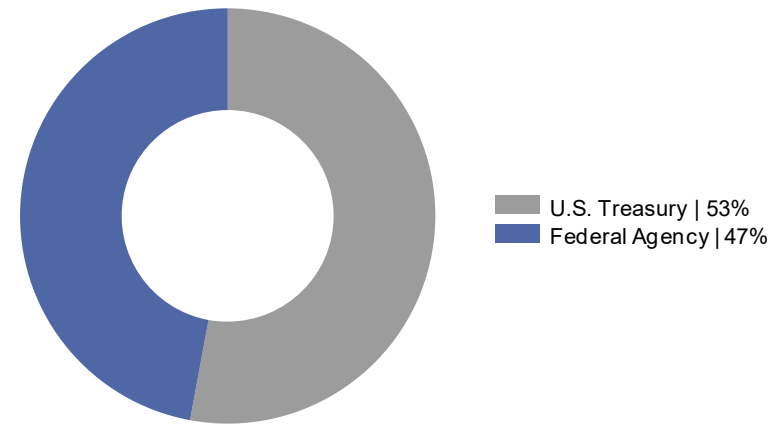
Portfolio Review:
WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Portfolio Snapshot - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO¹

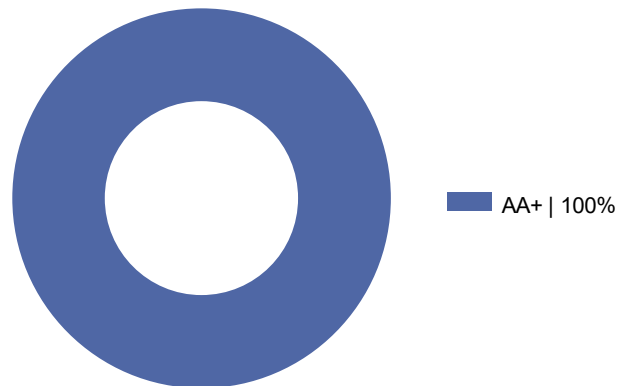
Portfolio Statistics

Total Market Value	\$8,025,330.21
Securities Sub-Total	\$7,954,569.52
Accrued Interest	\$24,095.95
Cash	\$46,664.74
Portfolio Effective Duration	1.05 years
Benchmark Effective Duration	2.50 years
Yield At Cost	1.29%
Yield At Market	4.64%
Portfolio Credit Quality	AA

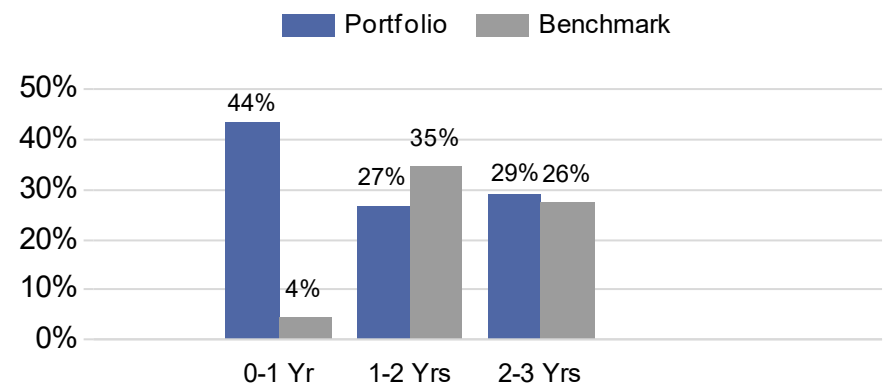
Sector Allocation



Credit Quality - S&P



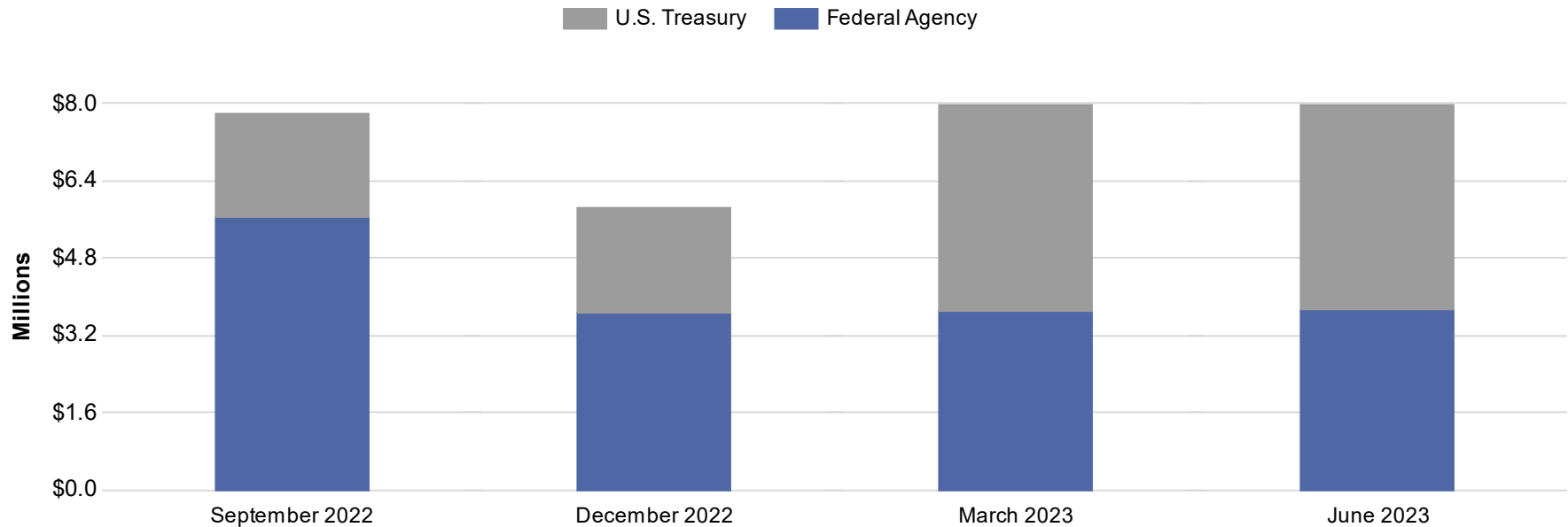
Duration Distribution



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.

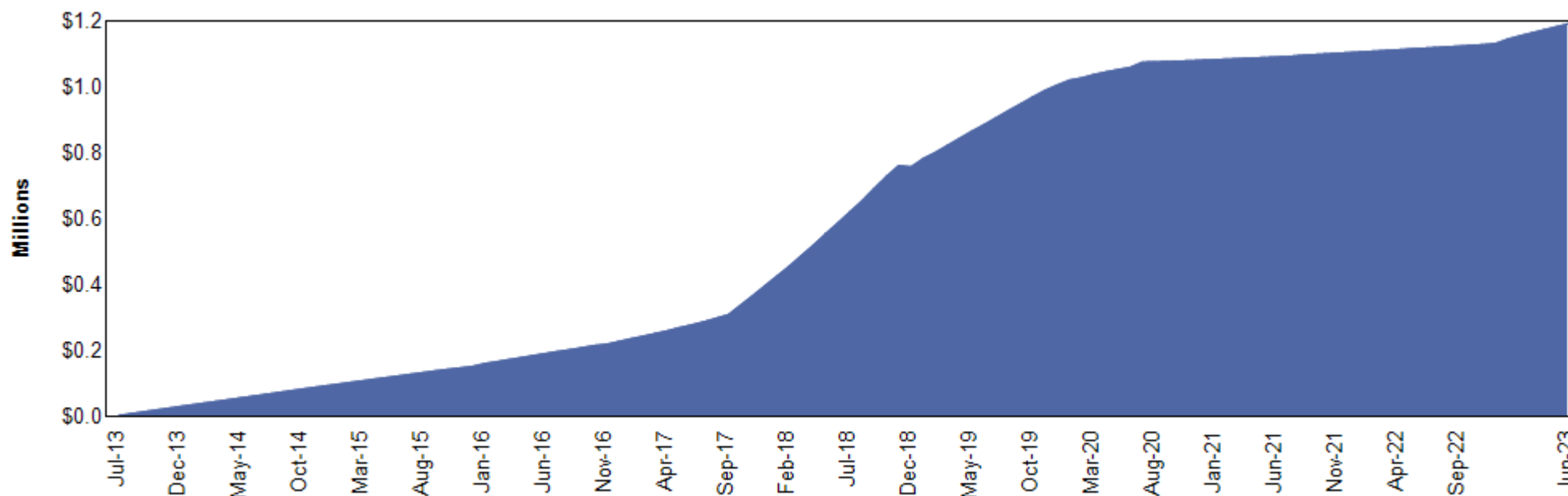
Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Security Type	Sep-22	% of Total	Dec-22	% of Total	Mar-23	% of Total	Jun-23	% of Total
U.S. Treasury	\$2.1	27.6%	\$2.1	36.9%	\$4.2	53.3%	\$4.2	52.9%
Federal Agency	\$5.6	72.4%	\$3.7	63.1%	\$3.7	46.7%	\$3.7	47.1%
Total	\$7.8	100.0%	\$5.8	100.0%	\$7.9	100.0%	\$8.0	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



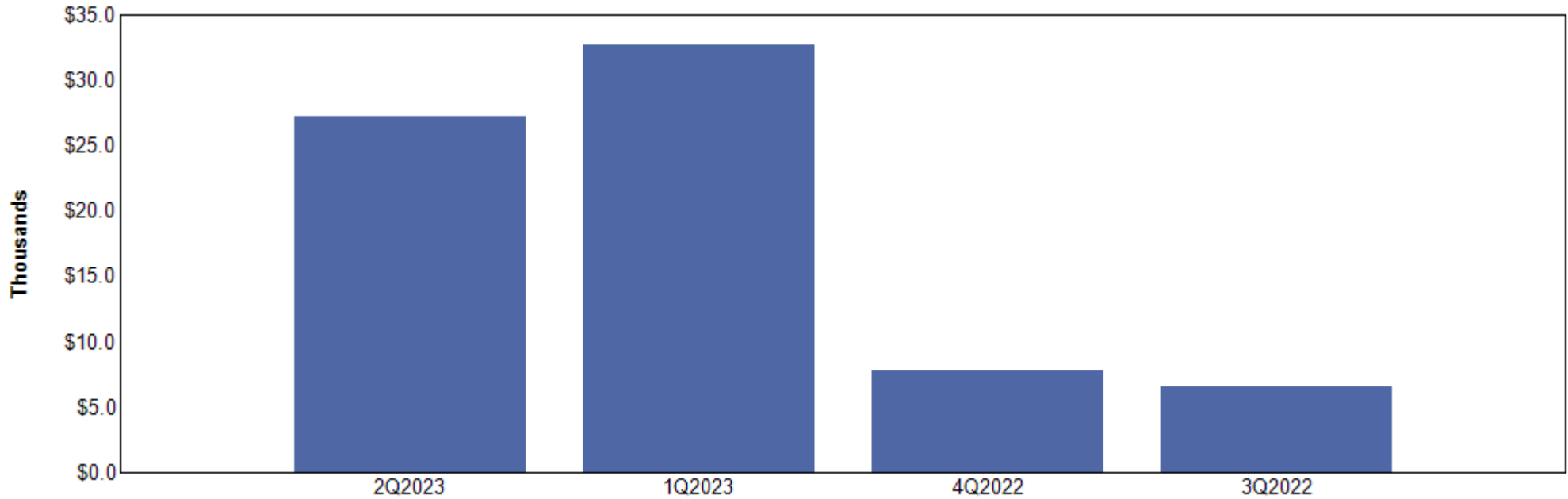
Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year ¹
Interest Earned ²	\$14,990	\$64,786	\$129,710	\$522,651	\$1,183,676
Realized Gains / (Losses) ³	-	-	\$10,503	(\$26,426)	(\$25,476)
Change in Amortized Cost	\$12,269	\$9,499	(\$7,939)	\$107,229	\$34,287
Total Earnings	\$27,259	\$74,284	\$132,273	\$603,454	\$1,192,488

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	2Q2023	1Q2023	4Q2022	3Q2022
Interest Earned ¹	\$14,990	\$22,258	\$14,462	\$13,075
Realized Gains / (Losses) ²	-	-	-	-
Change in Amortized Cost	\$12,269	\$10,448	(\$6,711)	(\$6,507)
Total Earnings	\$27,259	\$32,706	\$7,751	\$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.

Portfolio Holdings and Transactions

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	53.0%	
UNITED STATES TREASURY	53.0%	AA / Aaa / AAA
Federal Agency	47.0%	
FANNIE MAE	31.3%	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.

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	16,387.88	2,277,380.03	2,159,058.71
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	3,566.44	2,080,806.70	2,046,656.14
Security Type Sub-Total		4,525,000.00					4,377,649.81	2.16	19,954.32	4,358,186.73	4,205,714.85
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	2,499,961.78	2,497,545.00
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	999,941.21	992,854.00
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	284,616.70	258,455.67
Security Type Sub-Total		3,785,000.00					3,778,302.15	0.31	4,141.63	3,784,519.69	3,748,854.67
Managed Account Sub Total		8,310,000.00					8,155,951.96	1.29	24,095.95	8,142,706.42	7,954,569.52
Securities Sub Total		\$8,310,000.00					\$8,155,951.96	1.29%	\$24,095.95	\$8,142,706.42	\$7,954,569.52
Accrued Interest											\$24,095.95
Total Investments											\$7,978,665.47

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
4/3/2023	4/3/2023		MONEY0002	MONEY MARKET FUND			161.08		
5/1/2023	5/1/2023		MONEY0002	MONEY MARKET FUND			166.86		
6/1/2023	6/1/2023		MONEY0002	MONEY MARKET FUND			182.20		
Total INTEREST		0.00					510.14		0.00

Important Disclosures

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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 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.