

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

**Thursday**

**11:00 a.m.**

**July 25, 2024**

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**PRESENT:**

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

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The RTC Investment Committee Meeting was held on July 24, 2024 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 Jelena Williams 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 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 July 25, 2024, 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***

Annette Gaston, PFM Asset Management Senior Managing Consultant gave a presentation on the 2<sup>nd</sup> Quarter Investment Performance Review.

We are starting to see moderating economic growth and we're seeing consumers starting to pull back in a few areas like revenue. For a few quarters we were really trading sideways. We've seen this

stagnant pace of inflation where we weren't really increasing, but we also weren't seeing that downward trend. Now we've started to see the labor markets come into better balance. When we look at the market's expectations, the market originally had six rate cuts in their projections. They're now in that 1 to 2 camp as well, which I feel is a little bit more in line and appropriate. Then if we think about where yields really left off on maturities between 2 and 10 years rose about 13 to 20 basis points throughout the quarter. Considering the environment and the year that we're in, however, you know, we saw yields essentially fairly quiet.

When we talk about the labor market coming into better balance, we see that in the last quarter we added about 111,000 jobs, which were revised slightly downward. We need to be about 108,000 to 200,000 jobs per month for us to be firing on all cylinders. That's what it takes to keep our economy moving. As the Fed's looking to see the labor market come into better balance, they want a little bit of cooling. We can see that in the unemployment rate at the end of June at 4.1%. If you recall, we've been hovering right around 3.637 for a period of time. The Fed defines full employment as 4%. Anything under that is a bonus. Anything above that even 4.1 we're still really strong labor market. We're just starting to see a little bit of slack there. So that's what the fed is wanting to see.

Looking at the portfolio statistics, the total market value of the portfolio is \$8.3 million.

Christian Schonlau, when was the last time we were actually at the 2% figure that the Fed is targeting for any length of time? Also, how realistic is the 2% figure on maintaining it, and when does the Fed give up on that if they do?

Annette Gaston, it was probably right before the pandemic around 2017. It's possible that our new norm is 3-3.5%. I feel that we as consumers are comfortable in that inflation range with a lot of wage growth and things that we're seeing. I feel that we are positioned to handle that, but inflation absolutely had to come down in some of those other key areas, such as shelter. We saw food and energy extremely volatile, and we've seen that come down. I think 3.5% might be our new norm, and they may be forcing us to get to somewhere that might not be realistic.

Christian Schonlau, in my mind the inflation target should match the GDP rate. How close are those two things at the moment and do we know what our GDP is?

Annette Gaston, the number one driver of GDP is consumer spending. Consumer spending makes up 70% of growth, so if we're not spending there's not going to be any growth. As we're looking at some of this moderating growth out there in the market, it leads me to believe that one, consumers have absorbed all that they could over these last few years. The M2 money supply, which shows us, you know, what's out there where savings has declined a lot. So that tells me that probably the next few years, we're going to have growth well under 1.5%. In my opinion, when growth is at 1% or less, it feels essentially nonexistent. Inflation is likely going to be a lot higher because inflation is sitting in a lot of other sticky areas that are stickier than what I think people thought, one of those being shelter. And as a result, when we think of shelter, it includes mortgage payments, which have been a lot higher, but it includes lease payments. As a result, lease payments only roll over every 12 to 18 months, so there's a significant lag and I think those two will not cross because GDP is a bit more real time. There's a bit of a lag, but I feel like inflation when we look at some of those metrics, the lag is so much longer that it would take some time to be as reflective. With GDP, we're a Country that imports more than we

export, and exports tend to be a bit of a detractor from GDP. I think sometimes if we import more, we might see those cross, but not often.

Bill Thomas, so if yields are headed down are we looking then to stay short or go longer on it?

Annette Gaston, right now we're at 185. With this portfolio specifically, we do more of a buy and hold unless there's something that comes up, then I'll reach out to you. It has a lot to do with what's maturing in this 0 to 1 year space and we'll look to redeploy that longer. So as yields drop you want to be a bit longer. The reason we want to be longer in a falling rate environment is because now we're holding on to that for longer. We're not worried about having to reinvest in a low rate environment. We're holding on to that for two, three, four years. We mitigate some of that reinvestment risk for a few years now with where we've been. To your point exactly, why have we been so short? Well, in a rising rate environment, there's more incentive to be short because now you're not chasing yields on the way up. You're like, all right, you know, we've got some maturities three, six, nine months, a year or less. Let's just roll that out maybe nine months. Let's roll that out a year because we have the ability. So, you don't want to lock yourself in too long and miss out on that. Once yields have peaked and have shifted and that pivot starts to happen, like what we're seeing now, we go long very incrementally because now we're preparing, but we won't get caught off guard and have to do it in one full swoop.

PFM over the last six to eight months was to move that 0 to 1 year stuff more towards the far end to capture that as the rates fall. I think when we started, we were more 50+% in that one 0 to 1 year. I've looked at our cash balances and I'm thinking more like two and a quarter. That's really aggressive from what you're doing here, so I think we need to keep having these conversations as the rebuy opportunities come up and really evaluate that there truly is no cash need for us here, and there won't be any time soon. We could have a catastrophic event in the economy and all we do is stop doing projects. We're not going to stop paying our debt, so there's little to no risk in us extending that duration in my mind.

I'll communicate with the portfolio manager as well and just let them know we do have the ability to go longer if there's opportunity, which will be great, because now I can look at maybe even 4 to 5 year durations with some longer treasuries that are yielding. Maturity wise, we're looking at the end of this month and then January, to be a really good time to extend that quarter of our portfolio more.

Christian Schonlau asked for a motion to accept report. Bill Thomas motioned to accept, Jelena Williams seconded, and Motion carried unanimously.

#### ***Item 5           MEMBER ITEMS***

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

#### ***Item 6           PUBLIC INPUT***

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

***Item 7           ADJOURNMENT***

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

The meeting adjourned at 11:28 a.m.

Christian Schonlau

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Christian Schonlau  
Director of Finance/CFO  
Regional Transportation Commission



# WASHOE COUNTY REGIONAL TRANS COMMISSION

## Investment Performance Review For the Quarter Ended June 30, 2024

### Client Management Team

Annette Gaston, Director

### PFM Asset Management LLC

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San Francisco, CA 94111-5411  
480-271-0432

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717-232-2723

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# Agenda

- Market Update
- Account Summary
- Portfolio Review

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# Market Update

## Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Moderating economic growth following two quarters of exceptional strength
  - ▶ Recent inflation prints resuming the path towards the Federal Reserve (Fed)'s 2% target
  - ▶ Labor markets continuing to show strength while unemployment has ticked up modestly
  - ▶ Resilient consumer spending supported by wage growth that is outpacing inflation



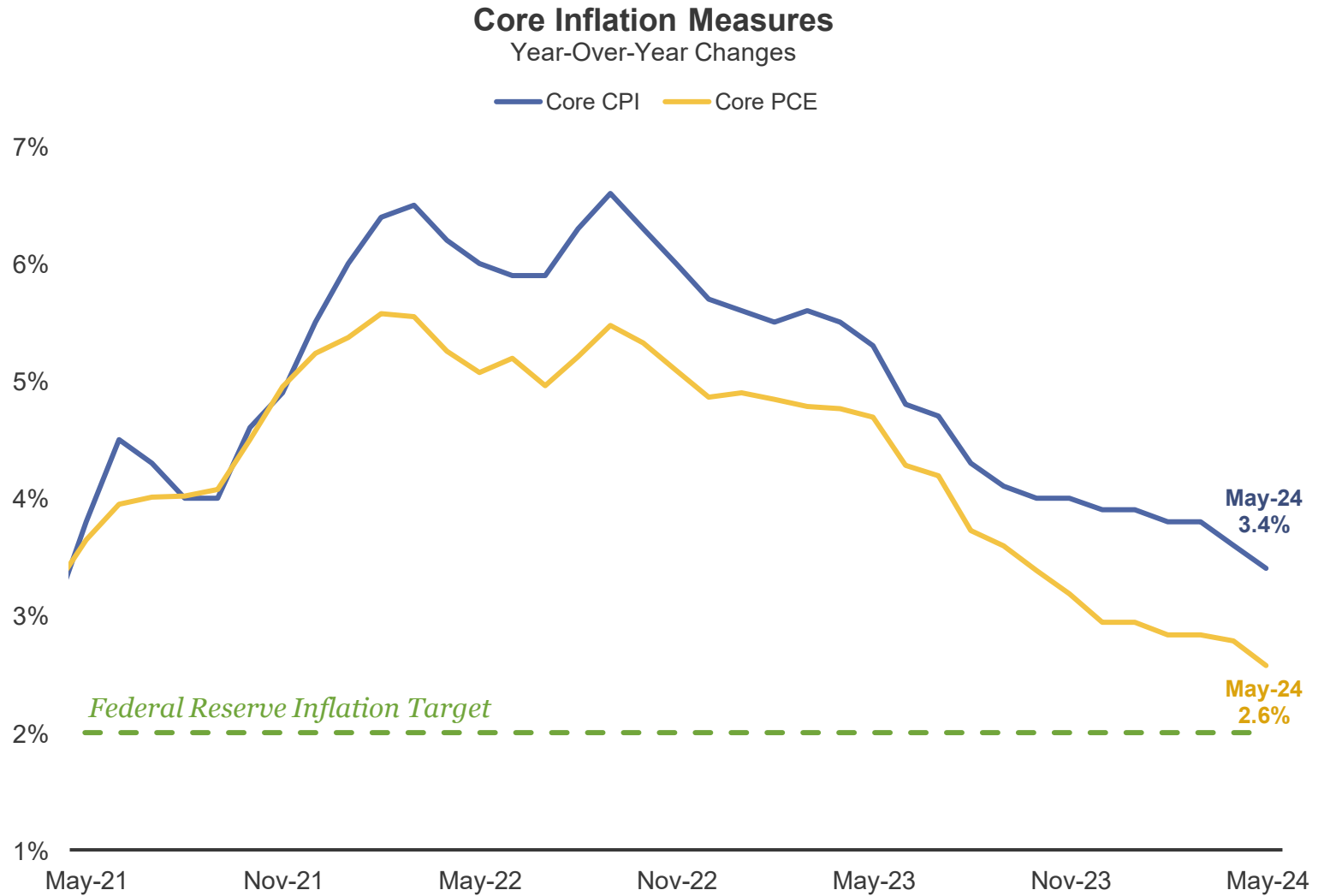
- ▶ Federal Reserve pushes out rate cuts
  - ▶ Fed revises expectations from 3 rate cuts in 2024 to 1 by year end following a lack of progress in the fight against inflation
  - ▶ Market continues to expect 1 or 2 rate cuts in 2024
  - ▶ Fed officials note that the risks to its “dual mandate” of stable inflation and maximum employment are becoming more balanced



- ▶ Treasury yields increase in response to economic data over the quarter
  - ▶ Yields on maturities between 2 and 10 years rose 13-20 basis points during the quarter
  - ▶ The yield curve has now been inverted for 24 months, the longest period in history
  - ▶ Spreads across most sectors remain near multi-year tight and represent market expectations for a soft landing

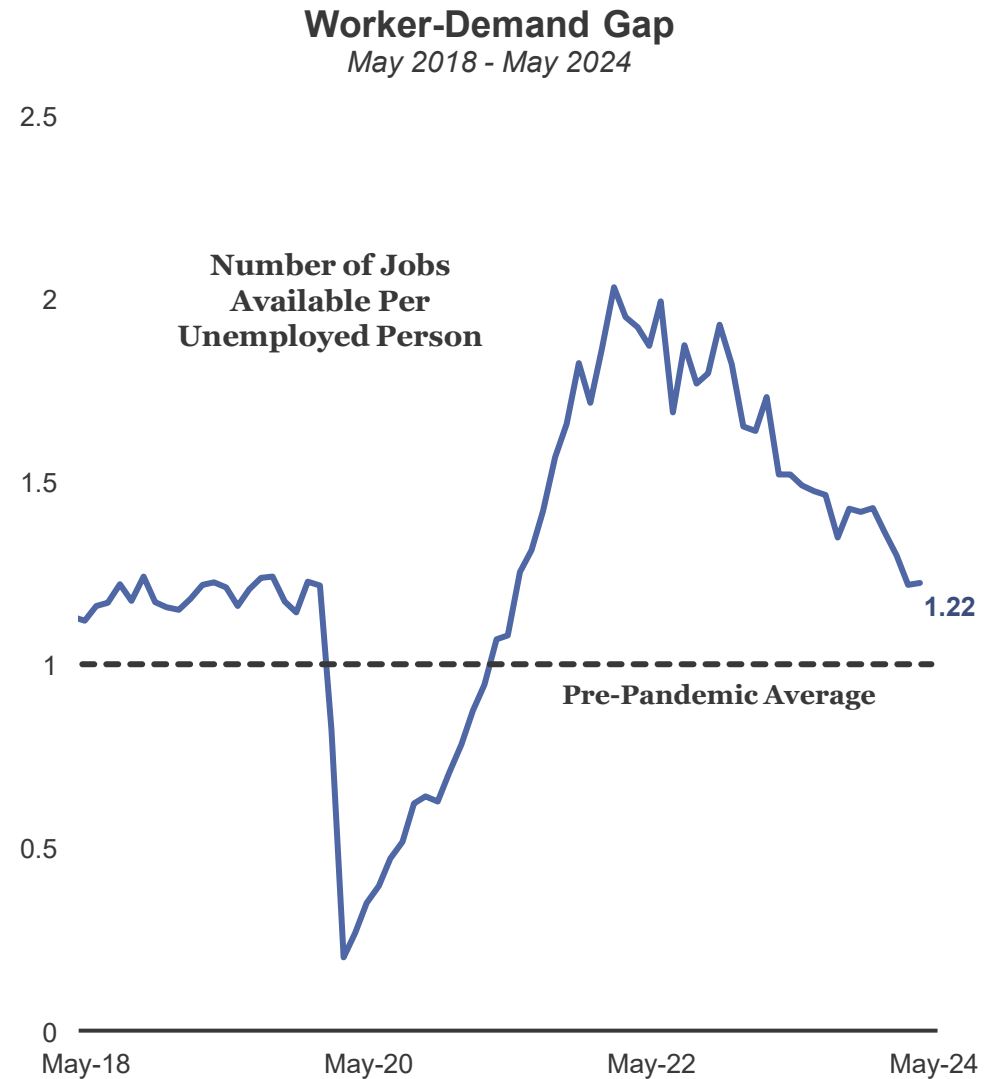
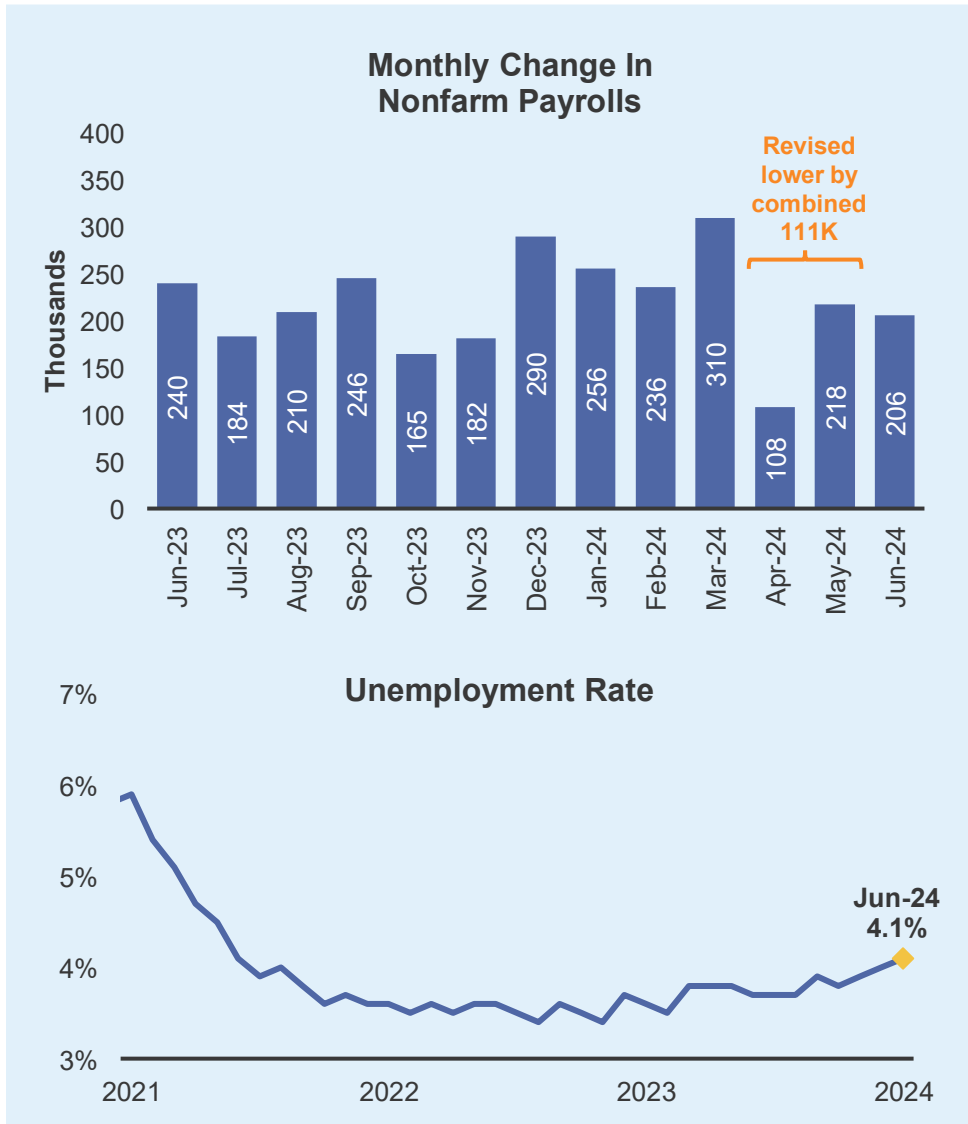
## Fed's Preferred Inflation Measure Shows Progress

Core CPI and PCE strips out the volatile food and energy components.



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, and Bloomberg. As of May 2024.

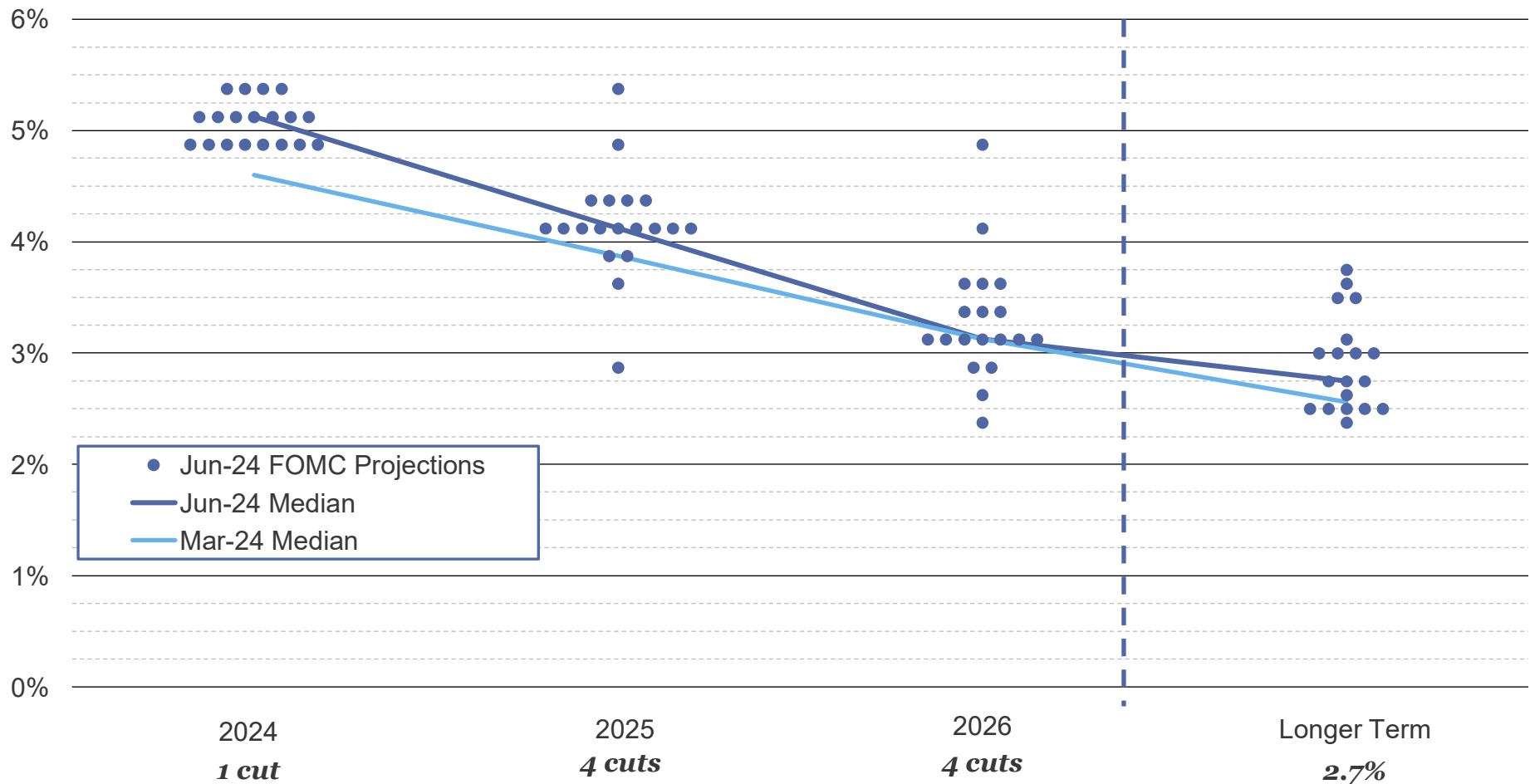
## Labor Market Moves Into Better Balance



Source: Bloomberg, Bureau of Labor Statistics. Monthly change in nonfarm payrolls and unemployment rate as of June 2024. Data is seasonally adjusted (left). Worker demand gap as of May 2024. Pre-pandemic average from February 2016 – February 2020 (right).

## The Fed's Latest "Dot Plot" Shows Only One Rate Cut In 2024

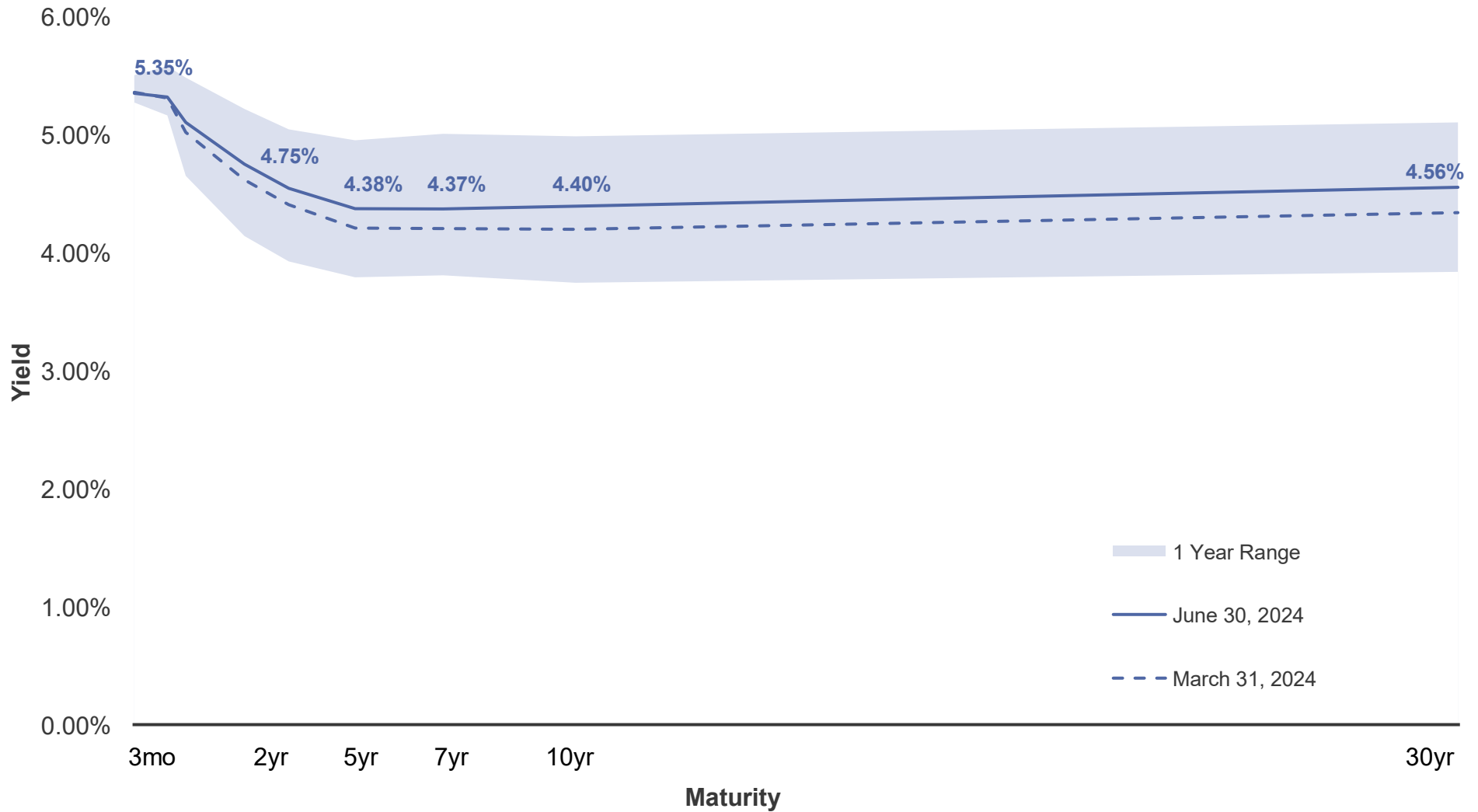
### Fed Participants' Assessments of 'Appropriate' Monetary Policy



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.

## Treasury Yields Move Higher as Market Evolves to Revised Fed Expectations

### U.S. Treasury Yield Curve



Source: Bloomberg, as of 6/30/2024.

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# Account Summary

## Fixed-Income Sector Commentary – 2Q 2024

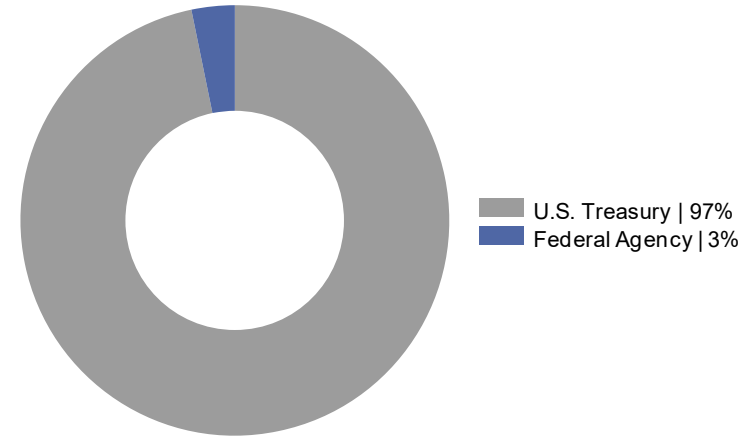
- ▶ **U.S. Treasury** yields once again rose over the quarter, reflecting the market adjusting to delayed rate cut expectations, but remained largely range-bound following the June Fed meeting. Despite higher yields, U.S. Treasury indexes less than 10 years posted positive returns as higher income more than offset the negative price effects.
- ▶ **Federal Agency** spreads remained in a narrow, tight range over the quarter driven by limited supply. Limited value, tight spreads, and normalized liquidity are likely to remain features of this sector absent an unexpected increase in new issuance. Callables, specifically, longer lockout structures with limited call options, can add value selectively in government-only accounts.
- ▶ **Supranational** spreads tightened on maturities on the short end of the curve, bringing the entire supranational yield curve into rich valuations.
- ▶ **Investment-Grade (IG) Corporates** continued to perform exceedingly well for the majority of the quarter, as strong performance in April and May offset modest weakness in June. Lower rated issuers and longer-duration securities performed best. Given strong trailing performance and spreads near their two-year tights, selective trimming in favor of increased portfolio liquidity or new issues offered at attractive concessions remains appropriate.
- ▶ **Asset-Backed Securities** continued to generate strong returns, as spreads in the sector flatlined in a tight range near their multi-year lows for most of Q2. Despite modest weakening in market confidence of consumer fundamentals and moderating personal consumption, new issuance remained well-digested by investors.
- ▶ **Mortgage-Backed Securities** ended the quarter with flat excess returns as a selloff in the 30-year U.S. Treasury over the final week of Q2 erased the strong performance of MBS in May and June. Several new issue opportunities in agency commercial mortgage-backed securities offered selective new buying opportunities.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) yield spreads continue to tighten closer to similar maturity USTs. However, the sector can selectively provide value with incremental yields ranging 20 to 25 basis point in 9- to 12-month maturities.

### Consolidated Summary

#### Account Summary

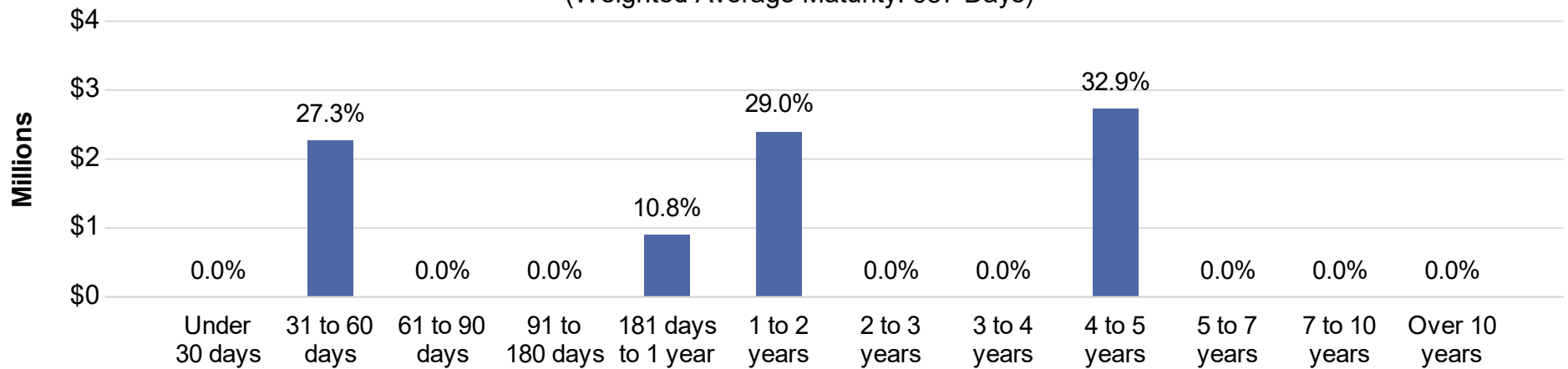
|                              |                    |
|------------------------------|--------------------|
| <b>PFMAM Managed Account</b> | \$8,365,908        |
| <b>Total Program</b>         | <b>\$8,365,908</b> |

#### Sector Allocation



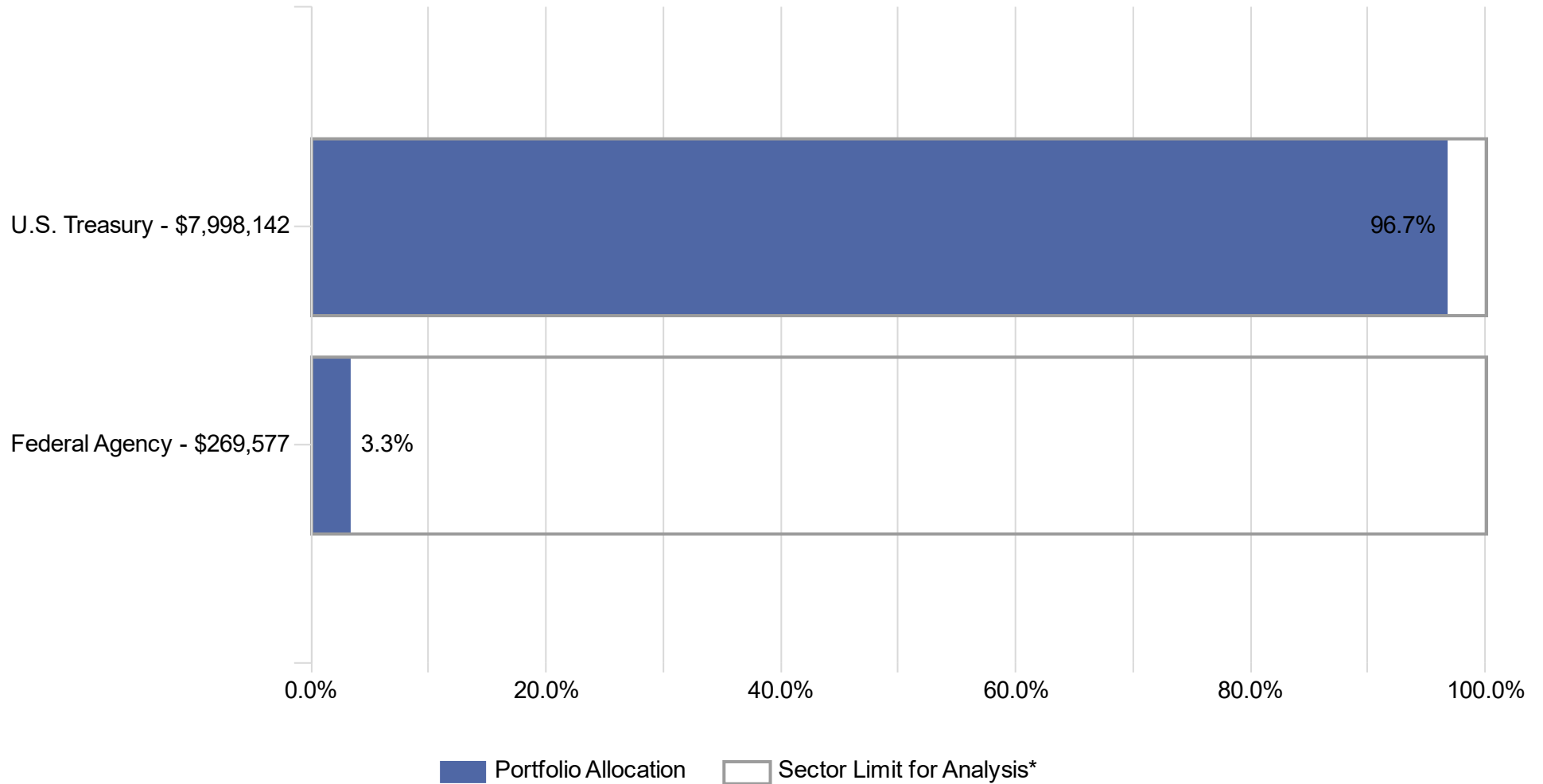
#### Maturity Distribution

(Weighted Average Maturity: 687 Days)



1. 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.

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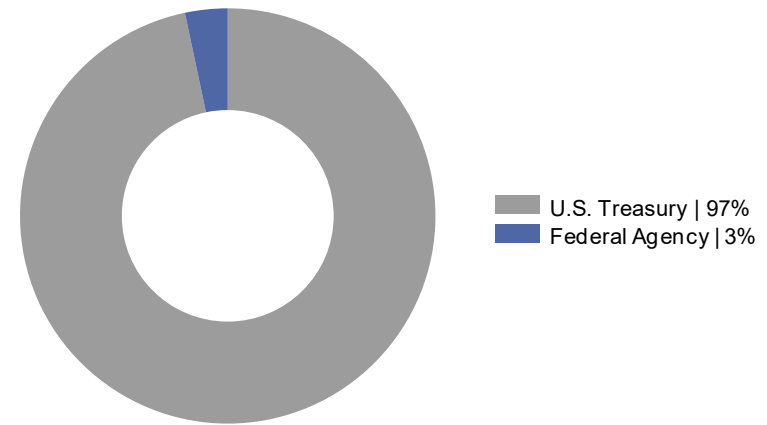
Portfolio Review:  
WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

## Portfolio Snapshot - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO<sup>1</sup>

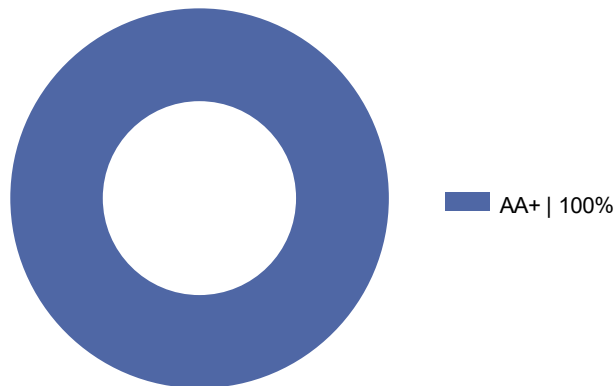
### Portfolio Statistics

|                                     |                |
|-------------------------------------|----------------|
| <b>Total Market Value</b>           | \$8,365,907.69 |
| <i>Securities Sub-Total</i>         | \$8,225,112.26 |
| <i>Accrued Interest</i>             | \$42,607.69    |
| <i>Cash</i>                         | \$98,187.74    |
| <b>Portfolio Effective Duration</b> | 1.85 years     |
| <b>Yield At Cost</b>                | 2.95%          |
| <b>Yield At Market</b>              | 4.88%          |
| <b>Portfolio Credit Quality</b>     | AA             |

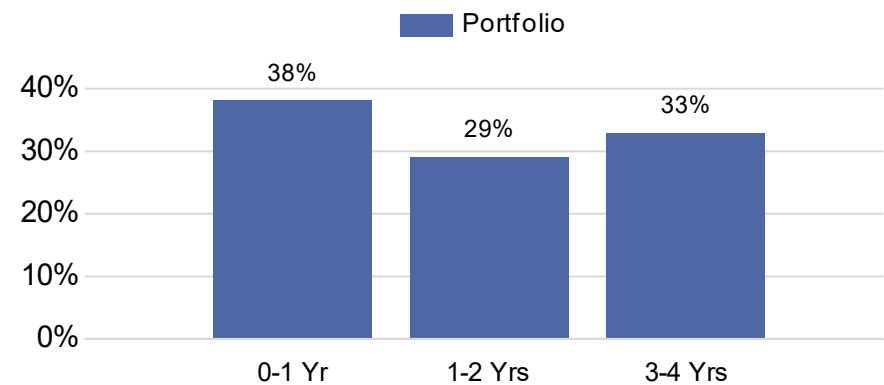
### Sector Allocation



### Credit Quality - S&P<sup>2</sup>



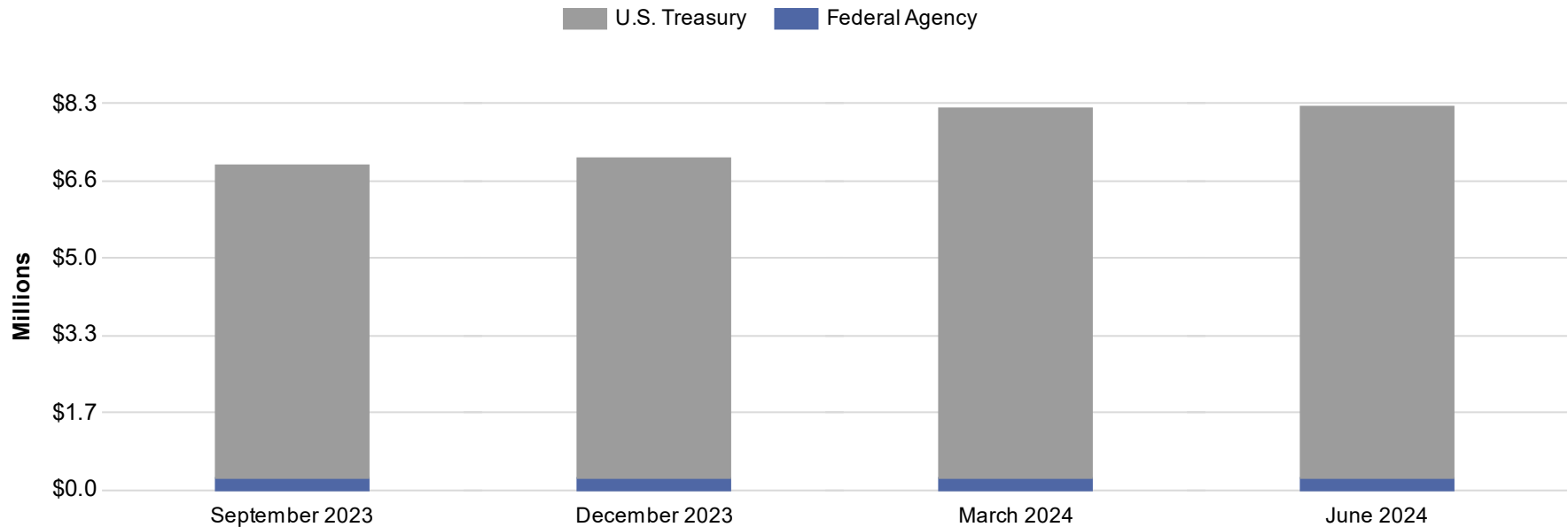
### Duration Distribution



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

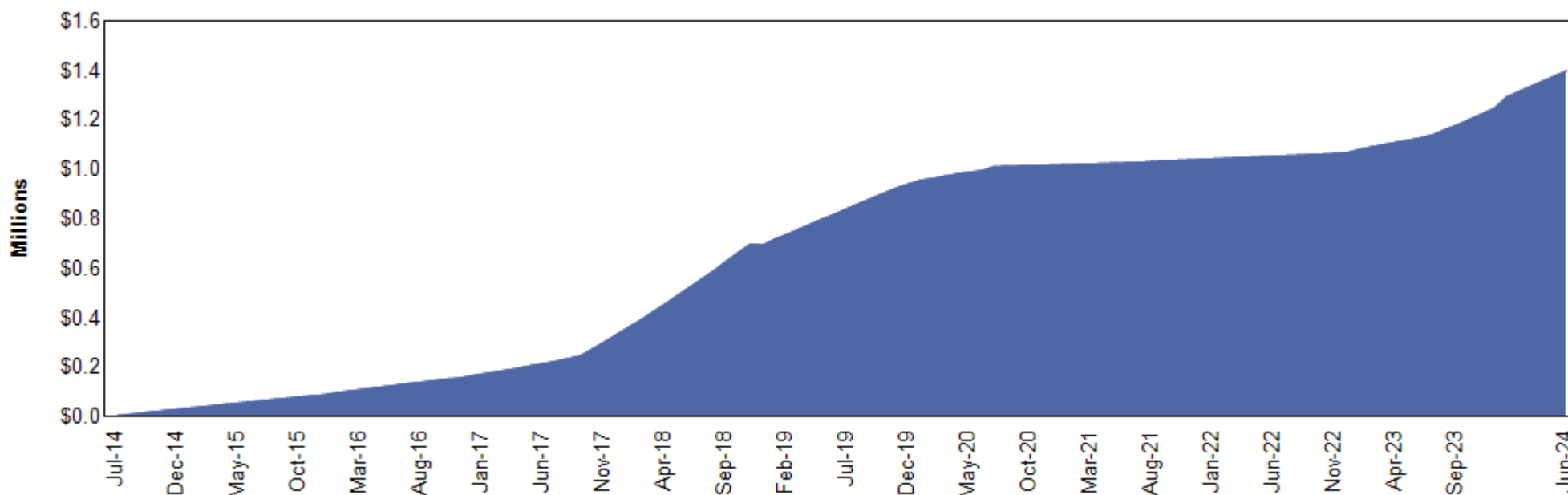
### Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

| Security Type  | Sep-23       | % of Total    | Dec-23       | % of Total    | Mar-24       | % of Total    | Jun-24       | % of Total    |
|----------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| U.S. Treasury  | \$6.7        | 96.3%         | \$6.9        | 96.3%         | \$7.9        | 96.7%         | \$8.0        | 96.7%         |
| Federal Agency | \$0.3        | 3.7%          | \$0.3        | 3.7%          | \$0.3        | 3.3%          | \$0.3        | 3.3%          |
| <b>Total</b>   | <b>\$7.0</b> | <b>100.0%</b> | <b>\$7.1</b> | <b>100.0%</b> | <b>\$8.2</b> | <b>100.0%</b> | <b>\$8.2</b> | <b>100.0%</b> |



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.

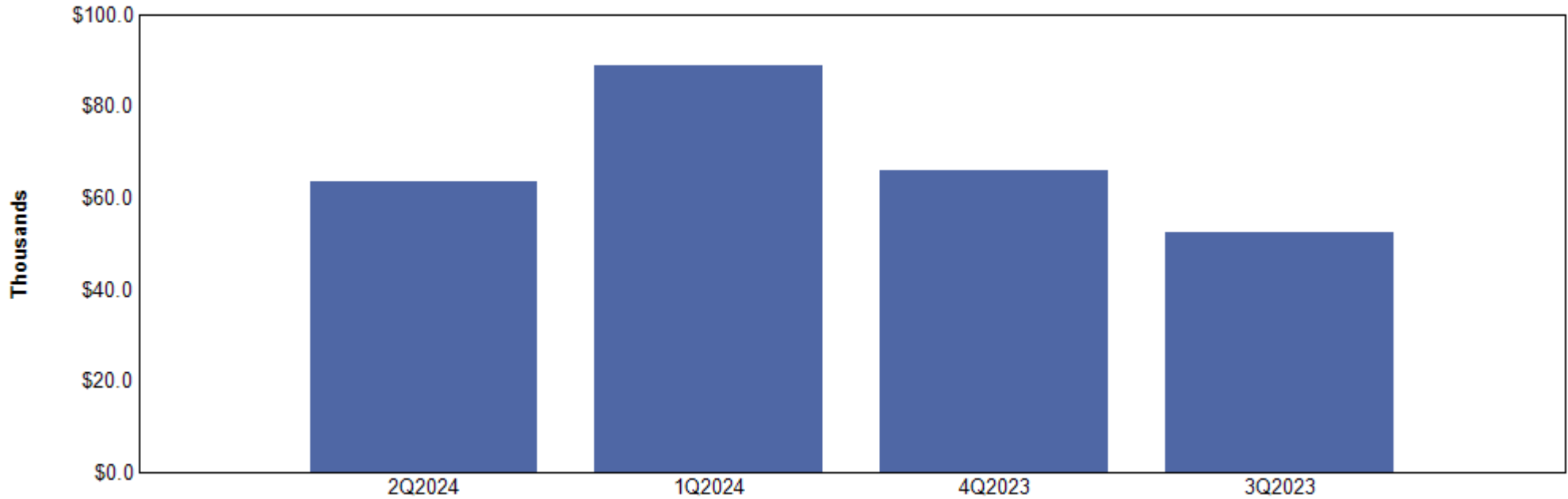
### Accrual Basis Earnings - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO



| Accrual Basis Earnings                 | 3 Months        | 1 Year           | 3 Years          | 5 Year           | 10 Year <sup>1</sup> |
|--|-----------------|------------------|------------------|------------------|----------------------|
| Interest Earned <sup>2</sup>           | \$26,806        | \$125,836        | \$237,458        | \$401,262        | \$1,205,650          |
| Realized Gains / (Losses) <sup>3</sup> | -               | \$20,915         | \$22,479         | \$30,610         | (\$4,560)            |
| Change in Amortized Cost               | \$36,867        | \$124,538        | \$112,132        | \$145,292        | \$202,221            |
| <b>Total Earnings</b>                  | <b>\$63,673</b> | <b>\$271,289</b> | <b>\$372,070</b> | <b>\$577,165</b> | <b>\$1,400,008</b>   |

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                 | 2Q2024          | 1Q2024          | 4Q2023          | 3Q2023          |
|--|-----------------|-----------------|-----------------|-----------------|
| Interest Earned <sup>1</sup>           | \$26,806        | \$32,814        | \$38,207        | \$28,009        |
| Realized Gains / (Losses) <sup>2</sup> | -               | \$20,915        | -               | -               |
| Change in Amortized Cost               | \$36,867        | \$35,238        | \$27,906        | \$24,527        |
| <b>Total Earnings</b>                  | <b>\$63,673</b> | <b>\$88,967</b> | <b>\$66,113</b> | <b>\$52,536</b> |

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.

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# Portfolio Holdings and Transactions

## Issuer Diversification

| Security Type / Issuer | Market Value (%) | S&P / Moody's / Fitch |
|------------------------|------------------|-----------------------|
| <b>U.S. Treasury</b>   | <b>96.7%</b>     |                       |
| UNITED STATES TREASURY | 96.7%            | AA / Aaa / AA         |
| <b>Federal Agency</b>  | <b>3.3%</b>      |                       |
| FREDDIE MAC            | 3.3%             | AA / Aaa / AA         |
| <b>Total</b>           | <b>100.0%</b>    |                       |

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<br>Dated Date/Coupon/Maturity | CUSIP     | Par                   | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost      | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost     | Market<br>Value       |
|---|-----------|-----------------------|---------------|-------------------|---------------|----------------|-----------------------|----------------|---------------------|-----------------------|-----------------------|
| <b>U.S. Treasury</b>                                    |           |                       |               |                   |               |                |                       |                |                     |                       |                       |
| US TREASURY NOTES<br>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           | 16,405.77           | 2,247,453.03          | 2,238,335.04          |
| US TREASURY NOTES<br>DTD 01/31/2018 2.500% 01/31/2025   | 9128283V0 | 900,000.00            | AA+           | Aaa               | 1/16/2024     | 1/17/2024      | 880,734.38            | 4.64           | 9,395.60            | 889,150.41            | 885,515.58            |
| US TREASURY NOTES<br>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           | 3,570.33            | 2,157,954.58          | 2,124,318.86          |
| US TREASURY NOTES<br>DTD 07/31/2021 1.000% 07/31/2028   | 91282CCR0 | 3,100,000.00          | AA+           | Aaa               | 1/16/2024     | 1/17/2024      | 2,727,273.44          | 3.92           | 12,945.05           | 2,764,613.58          | 2,707,656.25          |
| <b>Security Type Sub-Total</b>                          |           | <b>8,525,000.00</b>   |               |                   |               |                | <b>7,985,657.63</b>   | <b>3.03</b>    | <b>42,316.75</b>    | <b>8,059,171.60</b>   | <b>7,955,825.73</b>   |
| <b>Federal Agency</b>                                   |           |                       |               |                   |               |                |                       |                |                     |                       |                       |
| FREDDIE MAC NOTES<br>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              | 284,788.83            | 269,286.53            |
| <b>Security Type Sub-Total</b>                          |           | <b>285,000.00</b>     |               |                   |               |                | <b>284,142.15</b>     | <b>0.44</b>    | <b>290.94</b>       | <b>284,788.83</b>     | <b>269,286.53</b>     |
| <b>Managed Account Sub Total</b>                        |           | <b>8,810,000.00</b>   |               |                   |               |                | <b>8,269,799.78</b>   | <b>2.95</b>    | <b>42,607.69</b>    | <b>8,343,960.43</b>   | <b>8,225,112.26</b>   |
| <b>Securities Sub Total</b>                             |           | <b>\$8,810,000.00</b> |               |                   |               |                | <b>\$8,269,799.78</b> | <b>2.95%</b>   | <b>\$42,607.69</b>  | <b>\$8,343,960.43</b> | <b>\$8,225,112.26</b> |
| <b>Accrued Interest</b>                                 |           |                       |               |                   |               |                |                       |                |                     |                       | <b>\$42,607.69</b>    |
| <b>Total Investments</b>                                |           |                       |               |                   |               |                |                       |                |                     |                       | <b>\$8,267,719.95</b> |

### Quarterly Portfolio Transactions

| Trade Date            | Settle Date | Par (\$)    | CUSIP     | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|-----------------------|-------------|-------------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| <b>INTEREST</b>       |             |             |           |                      |        |               |                      |                 |                   |
| 4/1/2024              | 4/1/2024    |             | MONEY0002 | MONEY MARKET FUND    |        |               | 403.13               |                 |                   |
| 5/1/2024              | 5/1/2024    |             | MONEY0002 | MONEY MARKET FUND    |        |               | 393.11               |                 |                   |
| 6/3/2024              | 6/3/2024    |             | MONEY0002 | MONEY MARKET FUND    |        |               | 408.30               |                 |                   |
| <b>Total INTEREST</b> |             | <b>0.00</b> |           |                      |        |               | <b>1,204.54</b>      |                 | <b>0.00</b>       |

## Important Disclosures

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

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- 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 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.