

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

Friday

10:00 a.m.

January 31, 2025

PRESENT:

**Christian Schonlau, RTC Director of Finance/CFO
Nelia Belen, RTC Accountant
Hannah Yue, RTC Accountant
Annette Gaston, Senior Managing Consultant, PFM Asset Management LLC**

ABSENT:

Bill Thomas, AICP, RTC Executive Director

The RTC Investment Committee Meeting was held on January 31, 2025 at 10:00 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. Hannah Yue moved to approve and Nelia Belena 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, Jelena Williams moved for approval of November 21, 2024, 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***

Annette Gaston, PFM Asset Management Senior Managing Consultant gave a presentation on the 4th Quarter Investment Performance Review.

Discussion began with an overview of current market themes, particularly focusing on the Federal Reserve's efforts to achieve a soft landing for the economy. She highlighted the Fed's dual mandates of price stability and full employment, noting that while inflation has been gradually decreasing towards the 2% target, it remains elevated in certain areas like shelter, food, and energy. The resilient consumer, bolstered by wage growth, plays a crucial role in driving economic growth, which is reflected in the GDP, where consumer spending constitutes about 70% of the total.

The Fed's recent monetary policy actions, including a series of rate cuts that began in September of the previous year. The Fed's decision to hold rates steady during their latest meeting was anticipated, as the market and analysts expected no immediate cuts. The discussion emphasized the importance of monitoring inflation trends and fiscal policy changes, particularly those that could be inflationary, such as tariffs. The Fed's cautious approach to rate cuts is influenced by the need to avoid triggering a resurgence in inflation.

The conversation also touched on the Treasury yield curve, which has shown signs of normalization after a period of inversion. The two-year and ten-year yields rose during the fourth quarter, indicating a return to a more typical yield curve shape. The speaker explained that the two-year yield reflects short-term rates influenced by Fed policy, while the ten-year yield provides insight into long-term economic expectations. This normalization is seen as a positive development in the context of monetary policy.

In discussing the Fed's economic projections, Annette noted a slower path for rate cuts, with the unemployment rate remaining stable at around 4.1%. The labor market is described as strong, with no significant layoffs, although job seekers may find it more challenging to secure new positions. The Fed's projections indicate that growth will remain at or above 2% in the coming years, driven by consumer confidence and spending, despite the challenges posed by persistent inflation in essential areas.

Finally, the Fed's preferred measure of inflation, the Personal Consumption Expenditures (PCE) index, which remains above the target but is not alarmingly high. The discussion concluded with an acknowledgment of the Fed's long-term goal of achieving a 2% inflation rate, while currently hovering around 2.5%. The overall sentiment was one of cautious optimism, with the Fed's approach aimed at supporting a soft landing for the economy while carefully managing inflation and employment.

The portfolio's sector allocation, emphasizing a significant investment in treasuries, amounting to approximately 8.2 million. Annette expresses confidence in this allocation due to the strong yields observed in the yield curve. While there is a small portion of the portfolio (3%) allocated to federal agencies, the speaker notes that treasuries are generally considered the safest and most liquid asset class, making them a more attractive option compared to agencies, which have not offered substantial value in recent years. I want to highlight the limited yield pickup from agencies, which has led to a lower allocation in that area, although they remain open to future opportunities if agencies begin to offer better value.

The conversation shifts to the overall performance of the portfolio, mentioning an effective duration of about 221 and a market value of 8.5 million. I emphasize the importance of yield at cost, which has

been increasing in a higher rate environment, and anticipates it will reach around 3.95 in the coming years. The yield at market is also discussed, indicating that the current holdings in the portfolio yield more than what can be purchased in the market, reinforcing the decision to target longer durations in the 2 to 4-year range for future allocations.

Annette also addresses the earnings generated by the portfolio, reporting quarterly earnings of over 85,000 for the last quarter and 316,000 for the year. She expresses satisfaction with the portfolio's performance over the past three to five years, noting that the current market environment has been strong. The expectation is that earnings will continue to rise, particularly as the portfolio captures value from recent treasury investments. The speaker highlights the importance of historical performance in shaping future expectations for the portfolio.

I'll conclude by summarizing the overall health of the portfolio, indicating that the yield at cost remains strong and that there is a plan to redeploy any maturing agency investments into areas with more value. Annette expressed confidence in the portfolio's trajectory, noting that earnings are steadily increasing and that the overall position remains optimal. The discussion reflects a strategic approach to managing the portfolio while maintaining a focus on safety, liquidity, and maximizing returns.

Christian Schonlau asked for a motion to accept report. Hannah Yue 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. Hannah Yue gave a motion to adjourn, which was seconded by Nelia Belen. Motion carried unanimously and meeting was adjourned.

The meeting adjourned at 10:38 a.m.

Christian
Schonlau  Digitally signed by Christian Schonlau
Date: 2025.05.15 08:35:07 -0700

Christian Schonlau
Director of Finance/CFO
Regional Transportation Commission



WASHOE COUNTY REGIONAL TRANS COMMISSION

Investment Performance Review For the Quarter Ended December 31, 2024

Client Management Team

Annette Gaston, Director

PFM Asset Management A division of U.S. Bancorp Asset Management, Inc

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Agenda

- Market Update
- Account Summary
- Portfolio Review

Market Update

Current Market Themes



- ▶ U.S. economic soft landing remains on track
 - ▶ Inflation and labor markets are in line with Fed expectations despite slower recent progress
 - ▶ Strong economic growth prospects remain intact, aided by a resilient consumer
 - ▶ Changes to fiscal policy may impact growth and inflation trajectory



- ▶ Fed easing cycle moves forward as expected, but looks to slow in 2025
 - ▶ The Fed cut the federal funds target rate by an additional 50 basis points (bps) during the fourth quarter to 4.25% - 4.50%
 - ▶ The Fed's December "dot plot" implies another 50 bps of cuts in 2025, less than the 100 bps of cuts previously projected in September
 - ▶ Fed Chair Powell noted the slower pace of cuts reflect "stickier" inflation heading into 2025

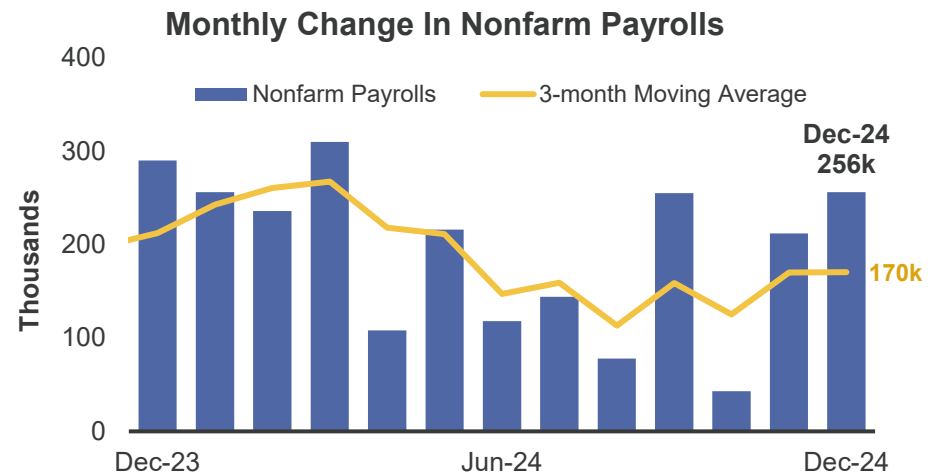
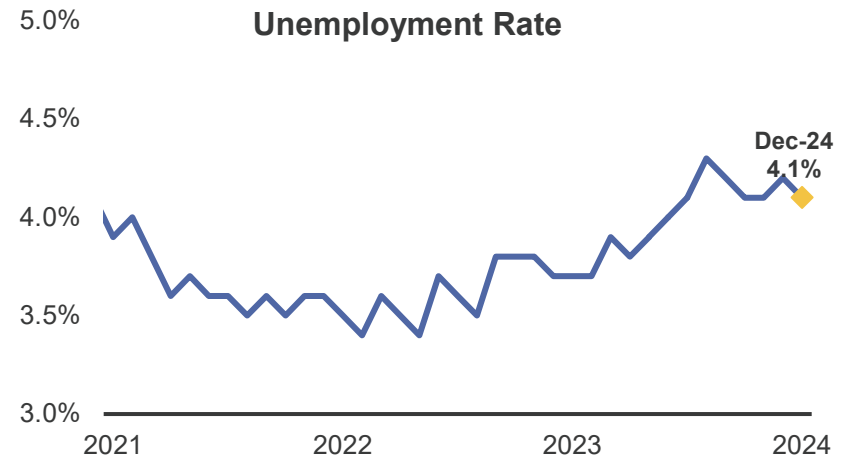
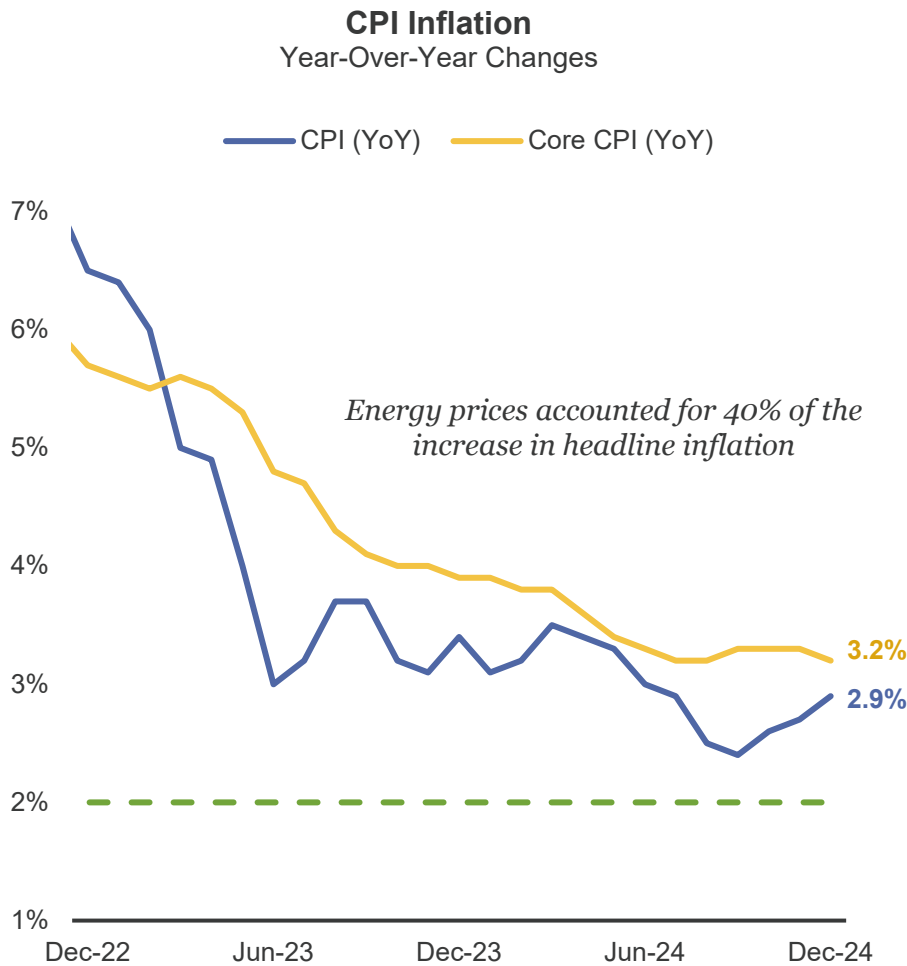


- ▶ Treasury yields responded to expected monetary and fiscal policy
 - ▶ Yields on maturities between 2 years and 10 years rose 60-83 bps during the 4th quarter
 - ▶ The yield curve disinversion continued and was flatter at the front end and positively sloped beyond 1-year
 - ▶ Yield spreads remained near historically tight levels across most sectors aided by robust demand and strength in the economy

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of December 31, 2024.

The Fed's Dual Mandate

Fed Chair Powell: "Downside risks to the labor market do appear to have diminished ... Inflation, we see that story as still broadly on track."

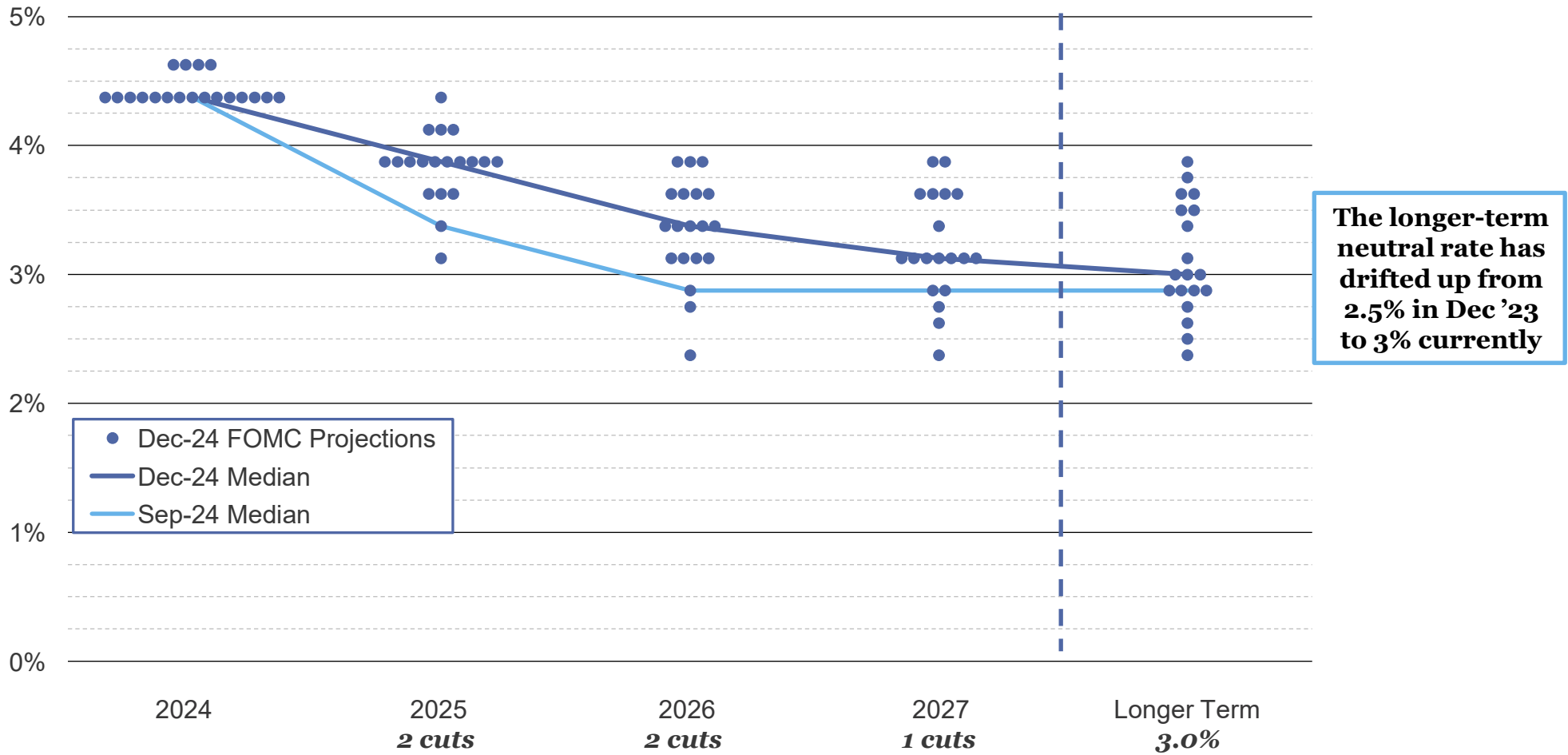


Source: FOMC Chair Jerome Powell Press Conference, December 18, 2024. Bureau of Labor Statistics, Bureau of Economic Analysis, and Bloomberg Finance L.P., as of December 2024. Data is seasonally adjusted. Historical average unemployment rate calculated from January 1990-November 2024.

The Fed's Latest "Dot Plot

Fed Chair Powell: "You see a slower path ... meaningful progress to get inflation down to [2.5%] ... we have the labor market forecast as being in good shape, we are also mindful that it is ... very gradually cooling"

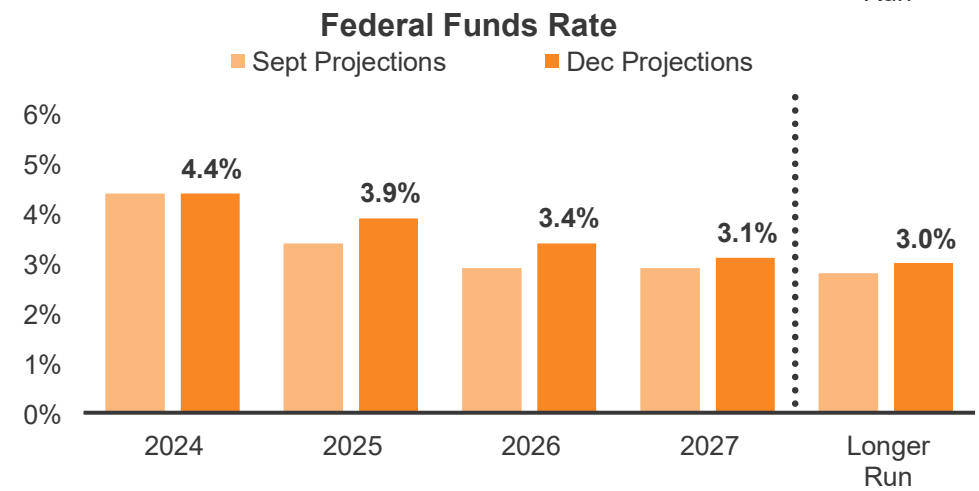
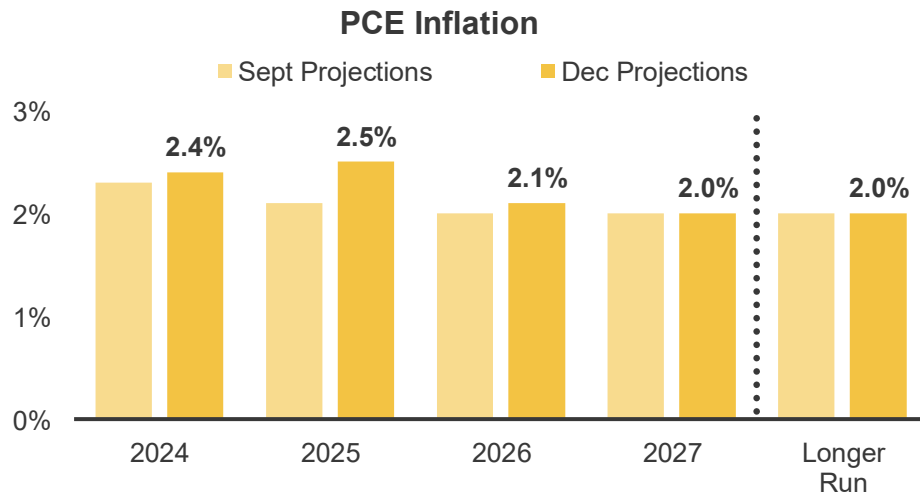
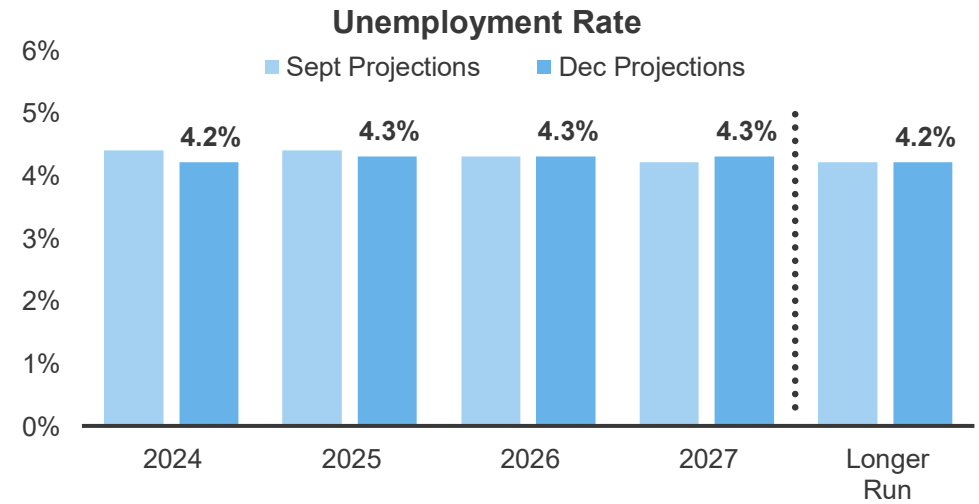
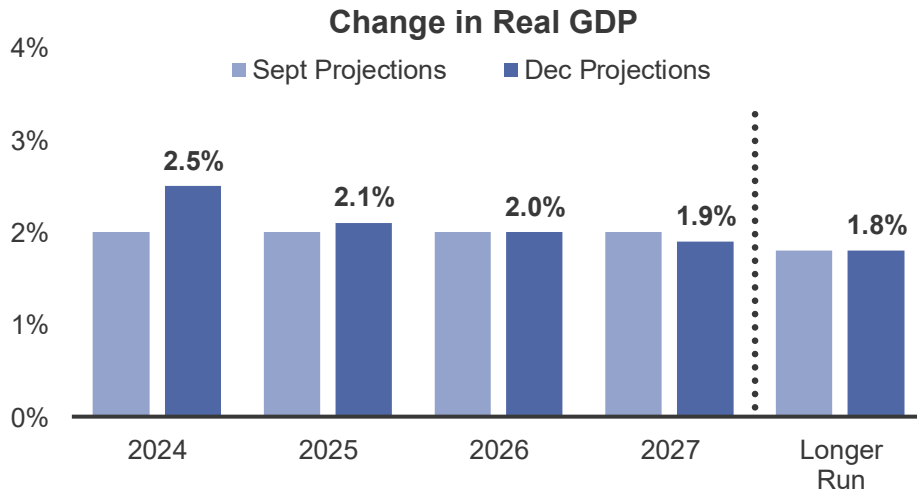
Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: Federal Reserve Chair Jerome Powell Press Conference as of December 18, 2024; Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of December 2024.

Fed's Updated Summary of Economic Projections

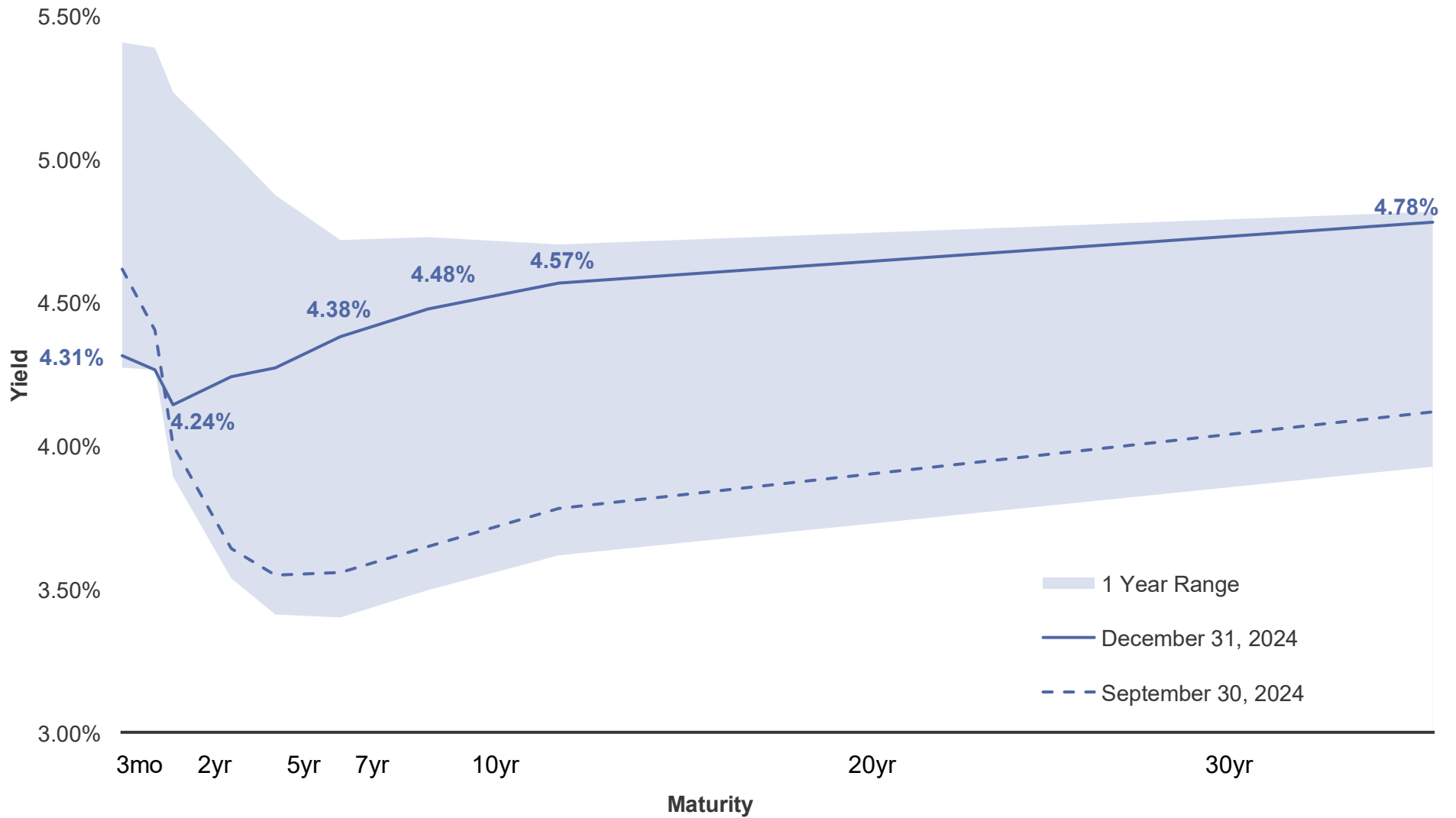
Fed Chair Powell: "These median projections are somewhat higher than in September, consistent with the firmer inflation projection."



Source: Federal Reserve Chair Jerome Powell Press Conference as of December 18, 2024; Federal Reserve. As of December 2024.

U.S. Treasury Yield Curve Steepens

U.S. Treasury Yield Curve



Source: Bloomberg Finance L.P., as of December 31, 2024.

Account Summary

Fixed-Income Sector Commentary – 4Q 2024

- ▶ **U.S. Treasury** yields reacted to the market attempting to digest the potential impacts of the new administration's policy proposals. Areas of focus include taxes, tariffs, immigration, and deregulation, which the market generally expects will result in more growth but larger budget deficits and higher inflation. Additionally, the Federal Open Market Committee (FOMC) continued with rate cuts, as expected, cutting a total of 100bps (basis points) in 2024. While the Fed cut rates at both FOMC meetings in the 4th quarter, guidance on future rate cuts point toward a much slower pace of cuts than previously anticipated. The culmination of both fiscal and monetary impulses led the Treasury curve steeper with the 2-year Treasury yield rising 60 bps in the quarter while longer 10-year Treasuries rose 79 bps. As a result of the Treasury sell-off, total returns were negative for the period.
- ▶ **Federal Agency & Supranational** spreads remained low and range bound throughout Q4. These sectors produced muted excess returns relative to other investment grade fixed income sectors as issuance has remained quite light and the incremental income from the sectors is minimal.
- ▶ **Investment-Grade (IG) Corporates** posted another strong relative quarter as robust investor demand remained intact while issuance slowed into year end. Yield spreads tightened further toward multi-year tights. From an excess return perspective, lower-quality and longer-duration issuers outperformed in Q4. Excess returns of financial and banking issuers once again led most other industries across much of the yield curve during the quarter.
- ▶ **Asset-Backed Securities** spreads are tighter than their historical average while their underlying technicals remain strong. Cross-sector spread comparisons relative to corporates have shifted notably, as ABS spreads tightened substantially through year-end and now trade through corporates. As a result, ABS was a top of class performer for Q4.
- ▶ **Mortgage-Backed Securities** were adversely affected by heightened rate volatility and headwinds in the housing market. After an exceptionally strong Q3, agency-backed mortgages underperformed Treasuries in the fourth quarter. On the other hand, well-structured Agency-backed commercial MBS (CMBS) performed better for the quarter and saw positive excess returns.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) yields on the front end fell in response to the Fed rate cuts, but the money market yield curve steepened on prospects for "higher for longer". Yield spreads also widened modestly across the money market curve, most notably towards the back end.

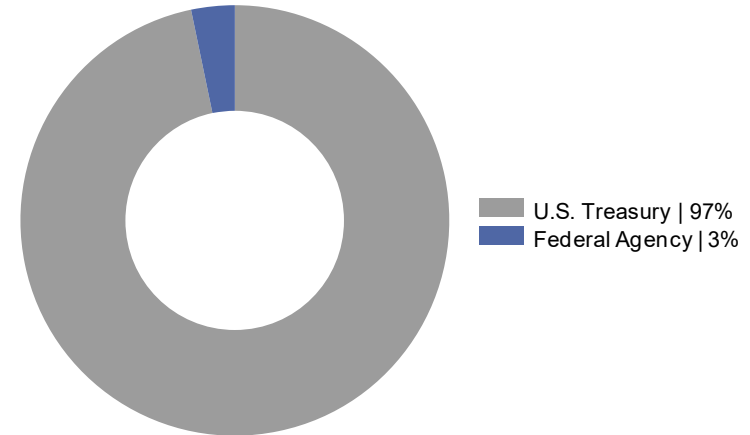
The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (12/31/2024) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

Consolidated Summary

Account Summary

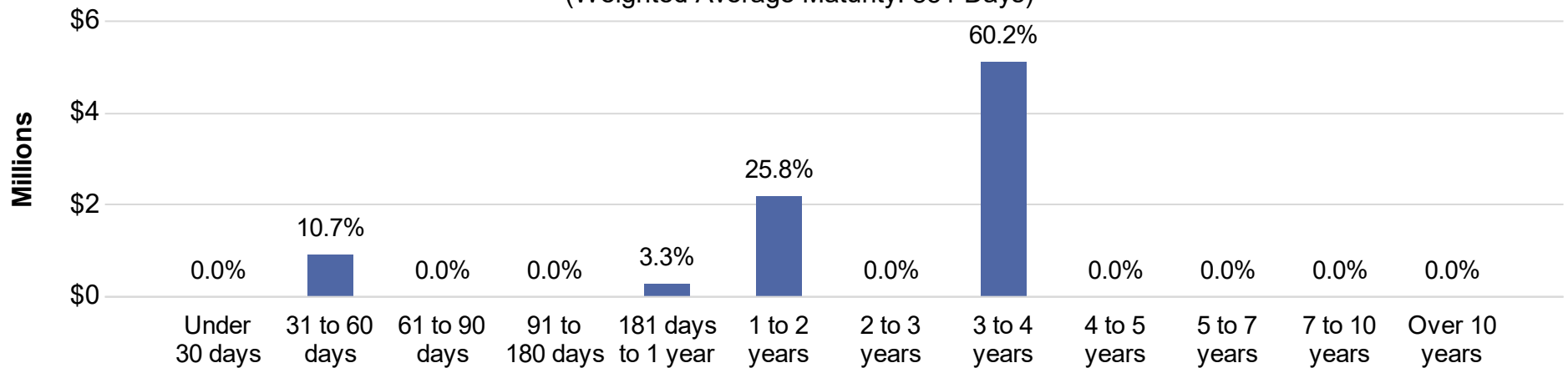
PFMAM Managed Account	\$8,571,195
Total Program	\$8,571,195

Sector Allocation



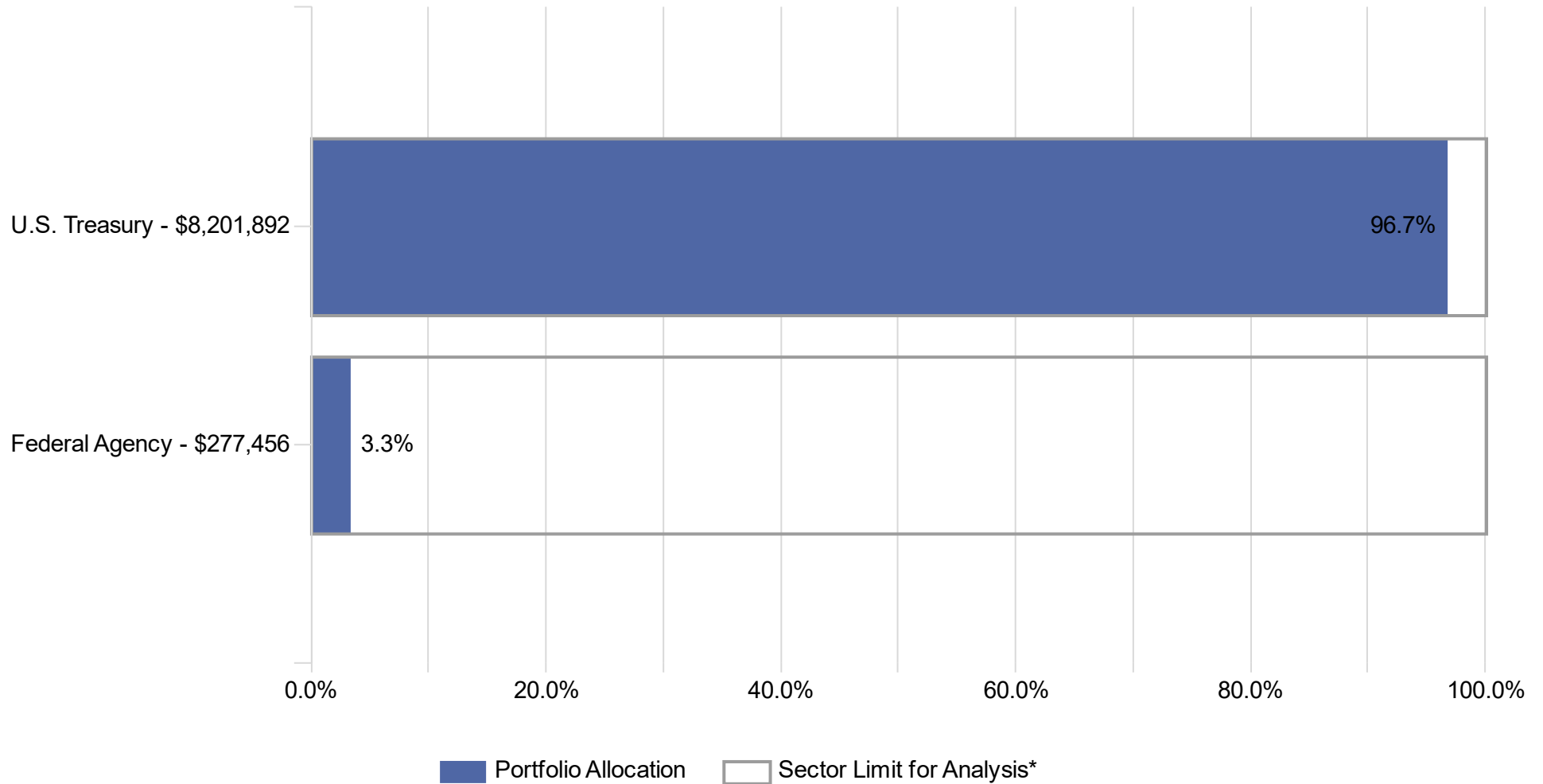
Maturity Distribution

(Weighted Average Maturity: 851 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.

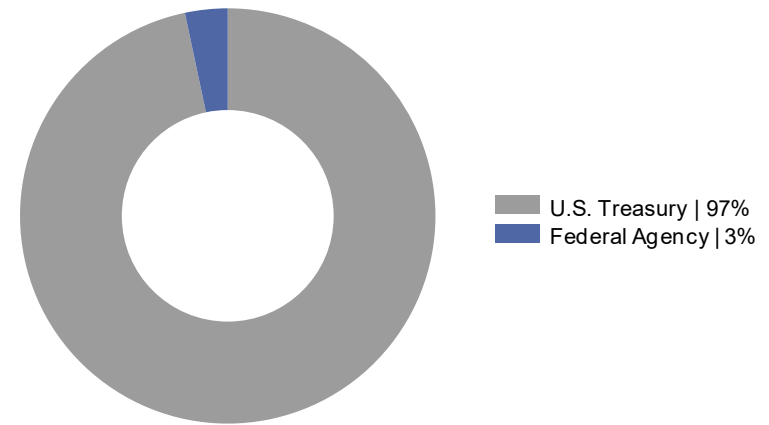
Portfolio Review:
WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Portfolio Snapshot - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO¹

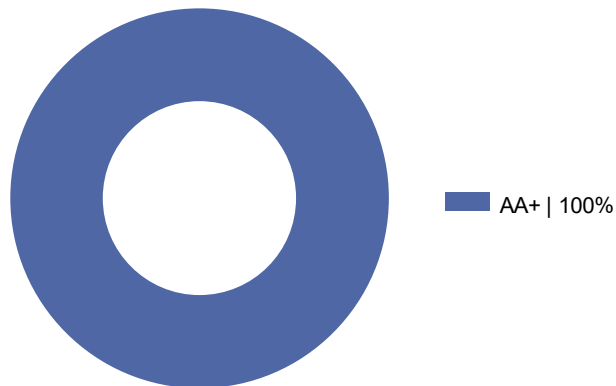
Portfolio Statistics

Total Market Value	\$8,571,195.34
<i>Securities Sub-Total</i>	\$8,418,670.49
<i>Accrued Interest</i>	\$60,677.36
<i>Cash</i>	\$91,847.49
Portfolio Effective Duration	2.21 years
Yield At Cost	3.95%
Yield At Market	4.42%
Portfolio Credit Quality	AA

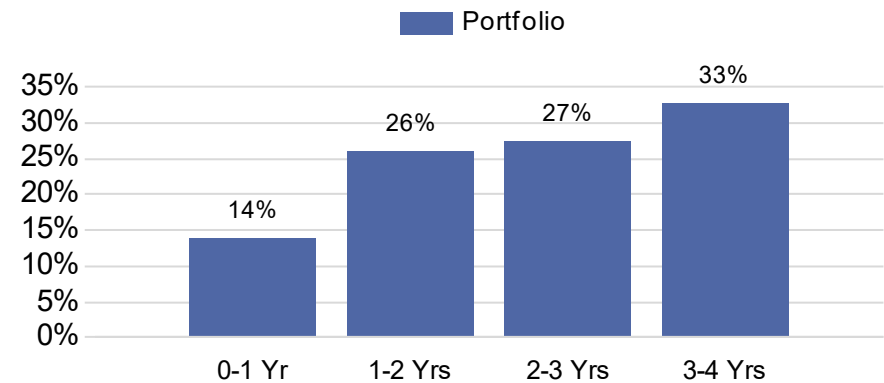
Sector Allocation



Credit Quality - S&P²



Duration Distribution

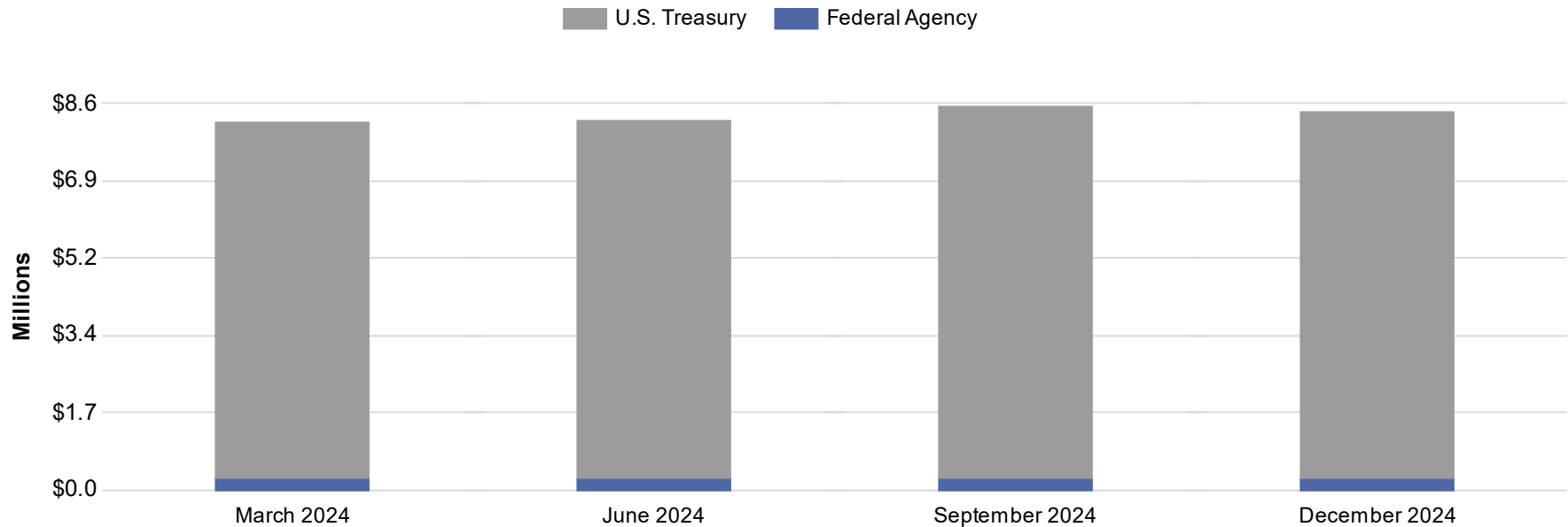


1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest.

2. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

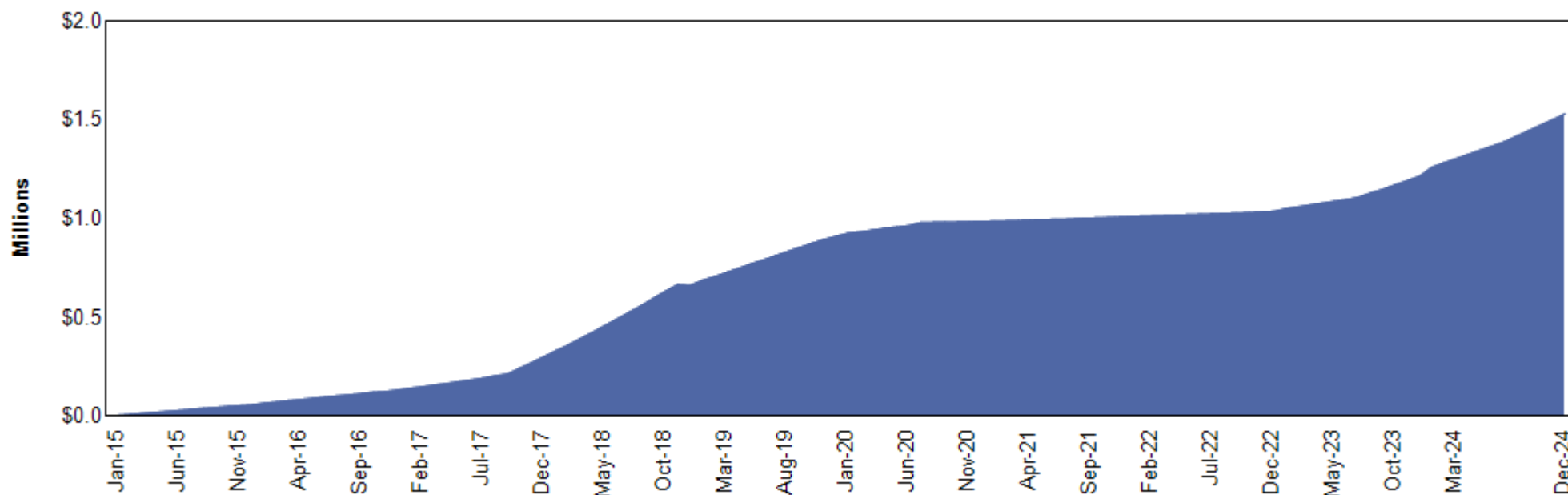
Sector Allocation Review - WASHOE RTC BOND PROCEEDS AGG PORTFOLIO

Security Type	Mar-24	% of Total	Jun-24	% of Total	Sep-24	% of Total	Dec-24	% of Total
U.S. Treasury	\$7.9	96.7%	\$8.0	96.7%	\$8.2	96.8%	\$8.1	96.7%
Federal Agency	\$0.3	3.3%	\$0.3	3.3%	\$0.3	3.2%	\$0.3	3.3%
Total	\$8.2	100.0%	\$8.2	100.0%	\$8.5	100.0%	\$8.4	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



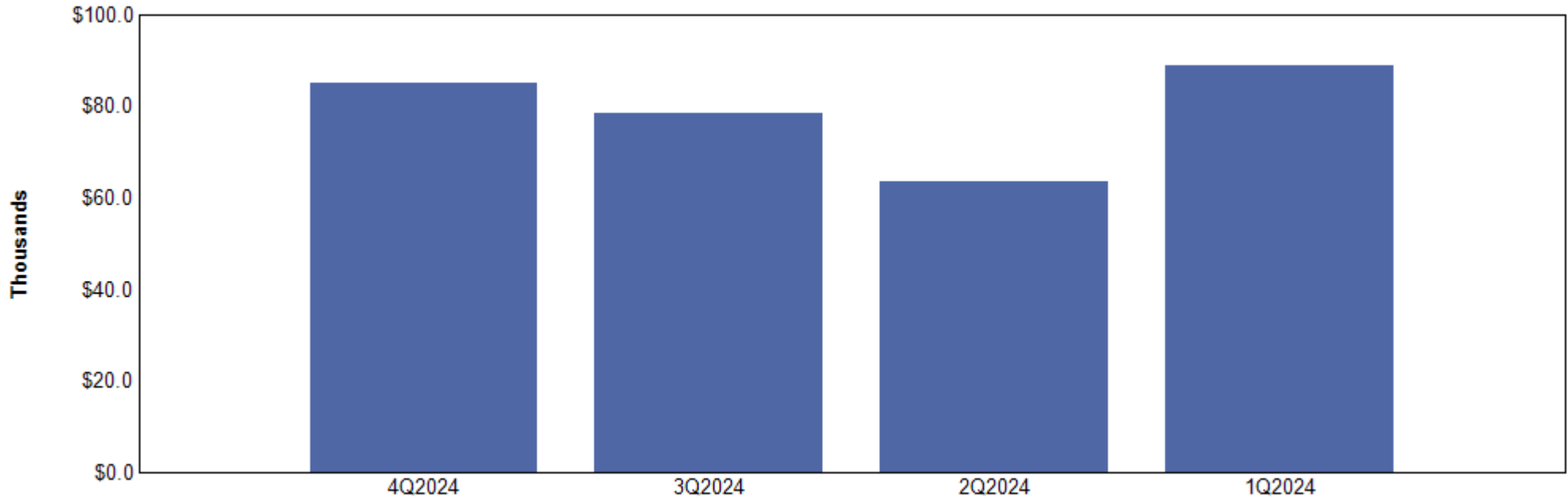
Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year ¹
Interest Earned ²	\$37,365	\$131,185	\$287,944	\$375,800	\$1,226,190
Realized Gains / (Losses) ³	-	\$20,915	\$20,915	\$31,418	(\$4,560)
Change in Amortized Cost	\$47,829	\$164,290	\$213,420	\$213,664	\$314,717
Total Earnings	\$85,194	\$316,390	\$522,279	\$620,882	\$1,532,161

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	4Q2024	3Q2024	2Q2024	1Q2024
Interest Earned ¹	\$37,365	\$34,200	\$26,806	\$32,814
Realized Gains / (Losses) ²	-	-	-	\$20,915
Change in Amortized Cost	\$47,829	\$44,356	\$36,867	\$35,238
Total Earnings	\$85,194	\$78,556	\$63,673	\$88,967

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	96.7%	
United States Treasury	96.7%	AA / Aaa / AA
Federal Agency	3.3%	
Federal Home Loan Mortgage Corp	3.3%	AA / Aaa / AA
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 N/B DTD 01/31/2018 2.500% 01/31/2025	9128283V0	900,000.00	AA+	Aaa	1/16/2024	1/17/2024	880,734.38	4.63	9,415.76	898,479.03	898,661.70
US TREASURY N/B DTD 02/01/2021 0.375% 01/31/2026	91282CBH3	2,280,000.00	AA+	Aaa	1/6/2023	1/9/2023	2,044,340.63	4.00	3,577.99	2,196,739.31	2,187,641.76
US TREASURY N/B DTD 01/31/2023 3.500% 01/31/2028	91282CGH8	2,350,000.00	AA+	Aaa	7/31/2024	8/1/2024	2,304,835.94	4.10	34,419.84	2,309,885.92	2,295,839.55
US TREASURY N/B DTD 08/02/2021 1.000% 07/31/2028	91282CCR0	3,100,000.00	AA+	Aaa	1/16/2024	1/17/2024	2,727,273.44	3.92	12,972.83	2,806,002.65	2,759,362.70
Security Type Sub-Total		8,630,000.00					7,957,184.39	4.07	60,386.42	8,211,106.91	8,141,505.71
Federal Agency											
FREDDIE MAC 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	284,875.00	277,164.78
Security Type Sub-Total		285,000.00					284,142.15	0.44	290.94	284,875.00	277,164.78
Managed Account Sub Total		8,915,000.00					8,241,326.54	3.95	60,677.36	8,495,981.91	8,418,670.49
Securities Sub Total		\$8,915,000.00					\$8,241,326.54	3.95%	\$60,677.36	\$8,495,981.91	\$8,418,670.49
Accrued Interest											\$60,677.36
Total Investments											\$8,479,347.85

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
10/1/2024	10/1/2024		MONEY0002	MONEY MARKET FUND	0.00%		352.22		
11/1/2024	11/1/2024		MONEY0002	MONEY MARKET FUND	0.00%		346.79		
12/2/2024	12/2/2024		MONEY0002	MONEY MARKET FUND	0.00%		323.67		
Total INTEREST		0.00					1,022.68		0.00

Important Disclosures

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

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

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

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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.**
- ICE Bank of America Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

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

Glossary

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