

# Great Lakes Water Authority

*Investment Performance Report – March 2022*



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# Executive Summary

## PORTFOLIO RECAP

- **Safety** – The aggregate portfolio is diversified amongst cash, bank deposits, U.S. Treasuries, Federal Agencies, commercial paper, SEC-registered money market funds, and a local government investment pool. The total credit profile of the portfolio is strong with over 97% of the assets invested in bank deposits or securities that are rated within the two highest short and long-term rating classifications as established by Standard and Poor’s.
- **Liquidity** – Great Lakes Water Authority (“GLWA”) has continued to monitor its portfolio with the goal of limiting the allocation to cash and bank deposit accounts and maximizing the use of short-term investments to meet cash requirements. As of March 31, 2022, approximately 44% of the funds were held in cash and money market accounts maturing overnight.
- **Return** – The overall yield at market increased to 0.77% as of March 31, 2022, versus 0.28% as of December 31, 2021. The higher yield is reflective of the rise in interest rates that the market is currently experiencing. GLWA earned almost \$2.7 million (unaudited) in investment income for the first nine months of fiscal year 2022 on a book value basis. We expect the investment income for GLWA for FY 2022 to be approximately \$3.8 million.

## AVAILABLE FUNDS (Unaudited)

Type	Financial Institution	Book Value	Market Value	Yield @ Cost (as of 3/31/22)	Yield @ Market (as of 3/31/22)
Deposit Account	Comerica	\$14,281,306	\$14,281,306	0.01%	0.01%
Deposit Account - Retainage	First Independence	\$21,190,672	\$21,190,672	0.01%	0.01%
Deposit Account – Flint Security Deposit	Chase	\$3,814,090	\$3,814,090	0.01%	0.01%
Deposit Account	Chase	\$7,059,419	\$7,059,419	0.05%	0.05%
Trust Money Market Fund	U.S. Bank	\$242,183,373	\$242,183,373	0.02%	0.02%
Money Market Fund	JP Morgan	\$101,775,314	\$101,775,314	0.02%	0.02%
Local Government Investment Pool	GovMIC	\$2,855,915	\$2,855,915	0.18%	0.18%
Managed Funds	PFMAM	\$509,220,344	\$503,698,118	0.66%	1.36%
<b><u>MARCH 2022 TOTALS:</u></b>		<b><u>\$902,380,433</u></b>	<b><u>\$896,858,207</u></b>	<b><u>0.38%</u></b>	<b><u>0.77%</u></b>
<b><u>PREVIOUS QUARTER TOTALS:</u></b>		<b><u>\$883,511,270</u></b>	<b><u>\$883,269,029</u></b>	<b><u>0.38%</u></b>	<b><u>0.28%</u></b>

The accounts at Comerica Bank get an earnings credit to offset bank fees. The funds and earnings in the Retainage account are held on behalf of the contractors and do not belong to GLWA. The funds and earnings in the Flint Security Deposit account are held on behalf of the City of Flint and do not belong to GLWA. In addition to the above, there also exists surety bonds in the amount of \$323,059,258 as of 3/31/2022.

# Investment Strategy

## OVERALL STRATEGY

- All investment activity is conducted subject to GLWA’s investment policy and state statutes while meeting the primary objectives of safety and liquidity. The portfolio is managed to a disciplined investment plan to provide improved safety and diversification while putting every dollar to work.
- GLWA, working with its investment advisor PFM Asset Management (“PFMAM”), has continued to invest its funds in a mixture of short and intermediate-term individual investment securities to ensure adequate liquidity to cover upcoming debt, pension payments, and operational requirements.
- PFMAM will continue to actively manage long-term portfolios with full discretion and align short-term balances with expected liabilities and identify strategies to maximize future investment income in the current interest rate environment, subject to GLWA’s investment policy and state statutes.

## PORTFOLIO PERFORMANCE – CURRENT PERIOD\*

- The overall portfolio’s original yield at cost stayed the same at 0.38% as of March 31, 2022.
- GLWA’s total portfolio had a market yield of 0.77% at the end of March, compared to 0.28% as of 12/31/2021. Yield at market represents what the market would provide in return if the portfolio was purchased on March 31, 2022 (versus purchased in prior months / years). The higher yield at market is a result of the higher interest rate environment.
  - We utilize a variety of investment sectors, and because of that, this 0.77% yield at market as of 3/31/2022 is beneficial when compared to the 0.52% yield of the 3-Month U.S. Treasury Bill Index, which is a comparable market indicator.

## PORTFOLIO PERFORMANCE – PROJECTIONS

- GLWA earned almost \$2.7 million (unaudited) in investment income for fiscal year-to-date 2022 (as of March 31, 2022) on a book value basis.
- The current period earnings are in line with budget expectations, especially with multiple Federal Reserve interest rate hikes priced into the market.
- The FY 2022 total interest earnings projection forecast is currently \$3.8 million, consistent with the budget.

*\* Yield at cost is based on the original cost of the individual investments from the purchase date to maturity. On the other hand, yield at market is calculated on a specific day (in this case, March 31, 2022) and assumes that all the securities in the portfolio are purchased given the market price/yield on that particular day. If one is to generally hold their investments to the stated maturity date, then the yield at cost would be the better number to use to gauge how the portfolio is performing.*

# Summary Market Overview and Outlook

## ECONOMIC HIGHLIGHTS UPDATE

- In the last quarter, U.S. economic conditions were characterized by: (i) persistent high inflation; (ii) the Federal Reserve (the “Fed”) kicking off a shift to tighter monetary policy; (iii) rapidly rising interest rates; (iv) elevated energy and commodity prices; (v) increased volatility and risk-off sentiment in credit and equity markets; and (vi) stronger than ever labor market.
- Just as Omicron’s potential to impact the economy waned, geopolitical tensions in Ukraine dominated headlines, applying further pressure to an already fragile inflation narrative. Simultaneously, the macro focus on economic growth and continued recovery shifted from elevated virus infections to surging consumer prices.
- On the heels of rising consumer prices, geopolitical uncertainty stemming from Russia’s invasion of Ukraine has stoked risks for both hampering global economic growth and creating additional pressures on supply chains and commodity prices. While the U.S. is largely insulated from the direct conflict, the global impact on energy prices is undeniable, as Russia produces about 12% of global crude oil supplies. Europe’s heavier dependence on Russian natural gas suggests that the European Union’s economy may face stiffer headwinds, ultimately dampening global growth in 2022 and beyond.
- As a result of surging inflation that proved not to be transitory, the Fed raised the Fed Funds target rate to 0.25% in March for the first time since 2018, underscoring the risk that inflation now poses to economic growth and stability. The Fed also forecasts as many as six more rate hikes this year. Additionally, the Fed will likely begin reducing its balance sheet through a reduction in the reinvestment of maturities and principal payments on its nearly \$9 trillion holdings of Treasuries and mortgage-backed securities.

## ECONOMIC IMPACT ON PORTFOLIO

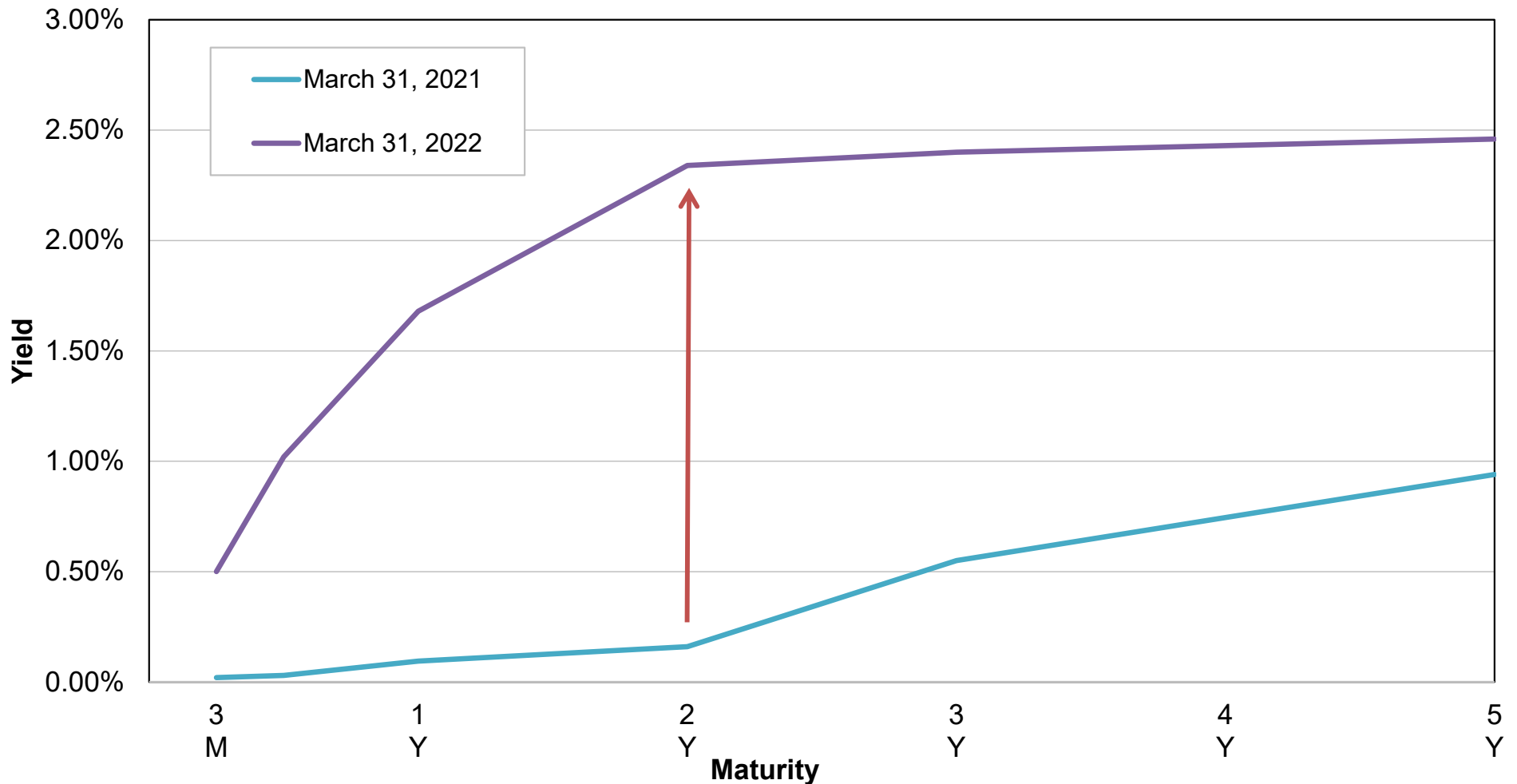
- U.S. Treasury yields rose meaningfully in the past quarter on surging inflation data and growing expectations for multiple Fed rate hikes in 2022. Given their maturity horizon, two and three-year yields were most impacted by the increased probability of future rate hikes, with both tenors increasing over 150 basis points (1.50%) during the quarter.
- Ten-year yields, which are more influenced by inflation expectations than Fed policy, increased by 83 basis points, resulting in a briefly inverted yield curve between three and ten-year maturities, suggesting markets expect inflation levels to ease over the longer run. Fed policy remains on a rate-hiking trajectory for the foreseeable future.
- As a result of sharply higher Treasury yields, fixed income indices posted some of the worst total returns dating back over 40 years.
- Diversification away from U.S. Treasury securities generally detracted from fixed-income performance during the quarter as no sector was immune from spread widening caused by risk-off sentiment during the quarter.
- Portfolio Impact: Given continued upward pressure on Treasury yields, PFMAM plans to maintain a defensive duration bias relative to benchmarks. Federal Agency spreads remain tight, which means there is limited opportunities to add to this sector. PFMAM will also look to increase allocations to commercial paper investments as wider spreads are attractive.

# Summary Market Overview and Outlook

## Treasury Yields Continue Their Upward Surge

- Yields generally increased across the yield curve during the quarter, with the biggest increases happening at the shorter end of the curve.

### U.S. Treasury Yield Curve



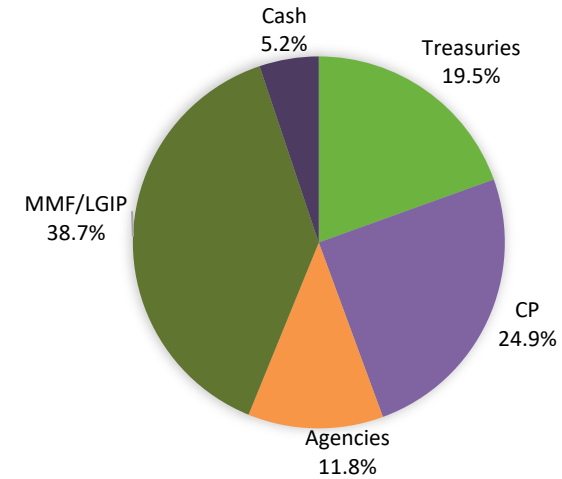
# Portfolio Snapshot

## Overall Portfolio Composition Summary

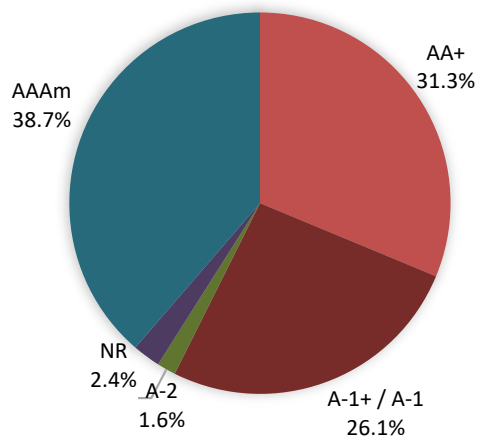
### PORTFOLIO STATISTICS

<b>Invested Amount</b>	\$896.858 Million
<b>Duration</b>	0.46 Years
<b>Yield at Cost</b>	0.38%
<b>Yield at Market</b>	0.77%

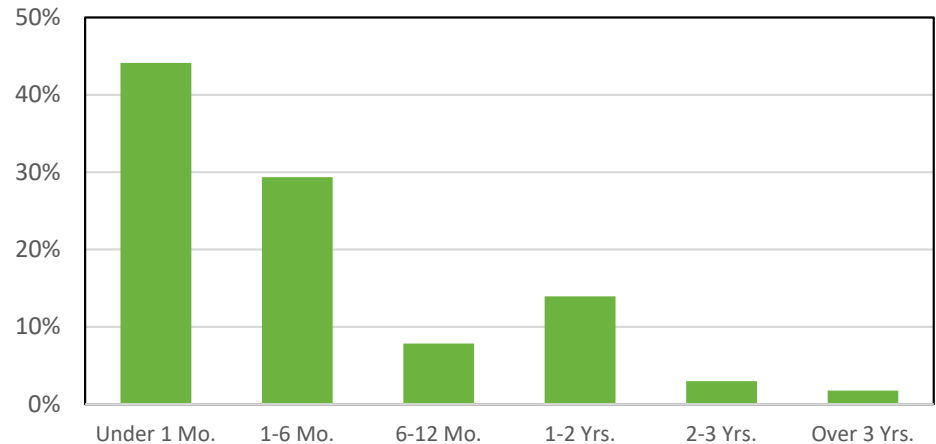
### SECTOR ALLOCATION



### CREDIT QUALITY



### MATURITY DISTRIBUTION

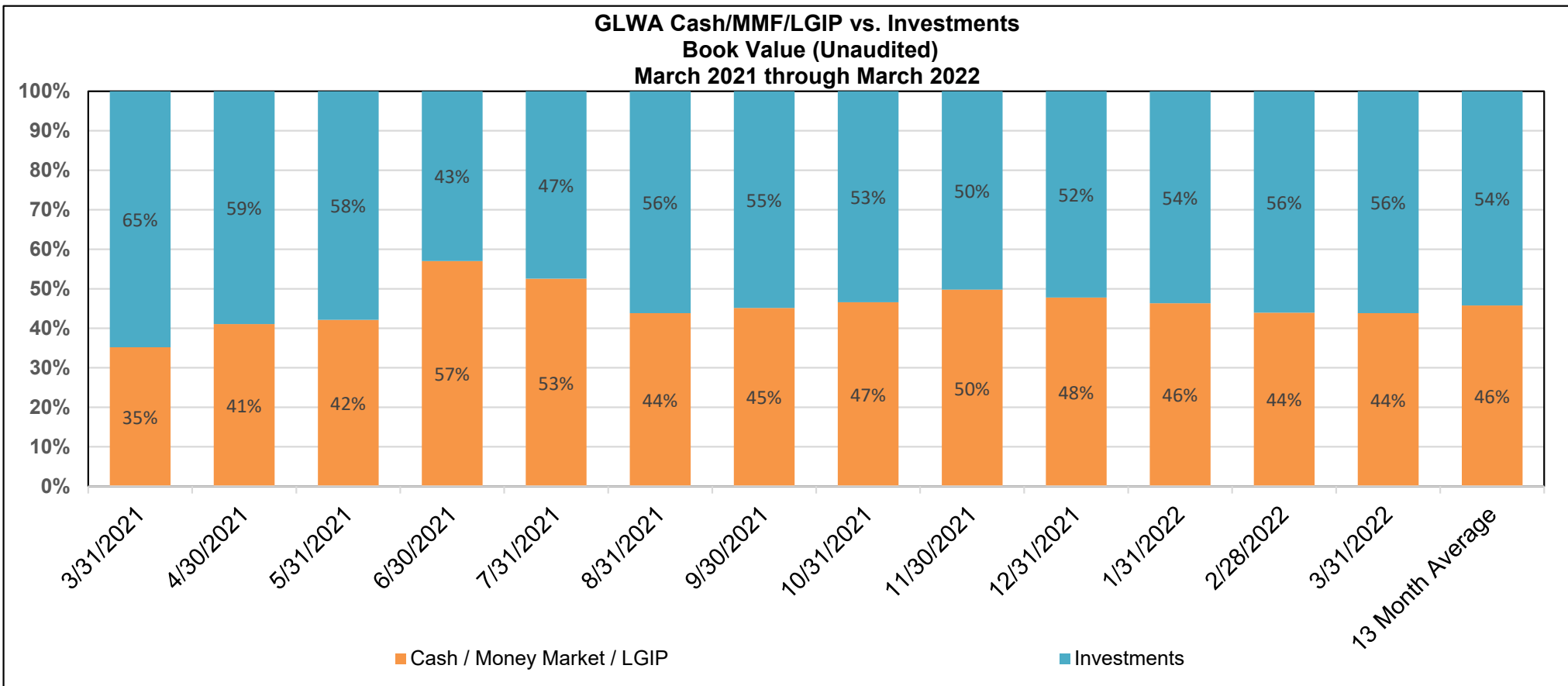


*In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.*

# Portfolio Snapshot

## Portfolio Mix – Cash / Money Market vs. Investments

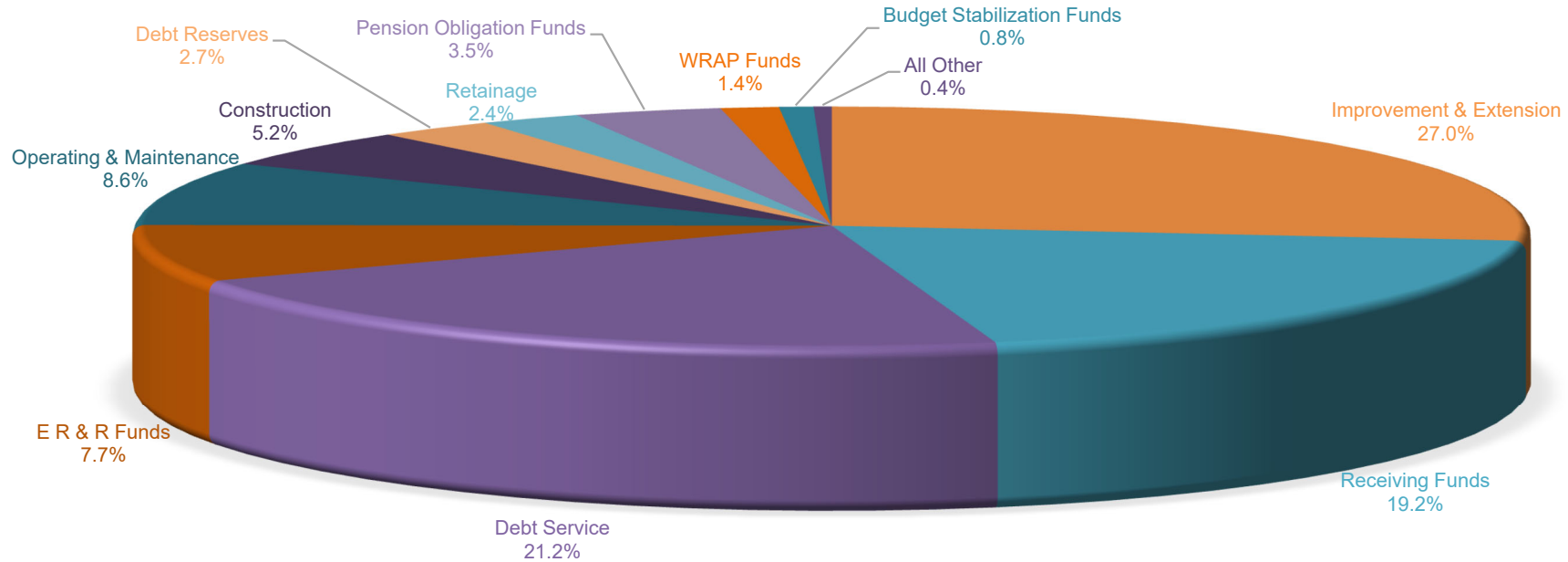
- GLWA’s liquidity requirements fluctuate each month based on operational requirements, capital funding, and debt payments. Based on a review of historical activity and refinement of cash flow projections, GLWA has continually tried to balance the allocation of the portfolio’s holdings to cash & money market accounts versus the allocation to investments for the portfolio holdings.
- The chart below compares the monthly allocation of the portfolio holdings to the 13-month average. The allocation between cash and investments will vary each month based on liquidity requirements. For March of 2022, 44% of the overall portfolio was invested in cash, LGIP, and/or overnight money market fund accounts.





# Portfolio Snapshot

## Investments – By Account Purpose



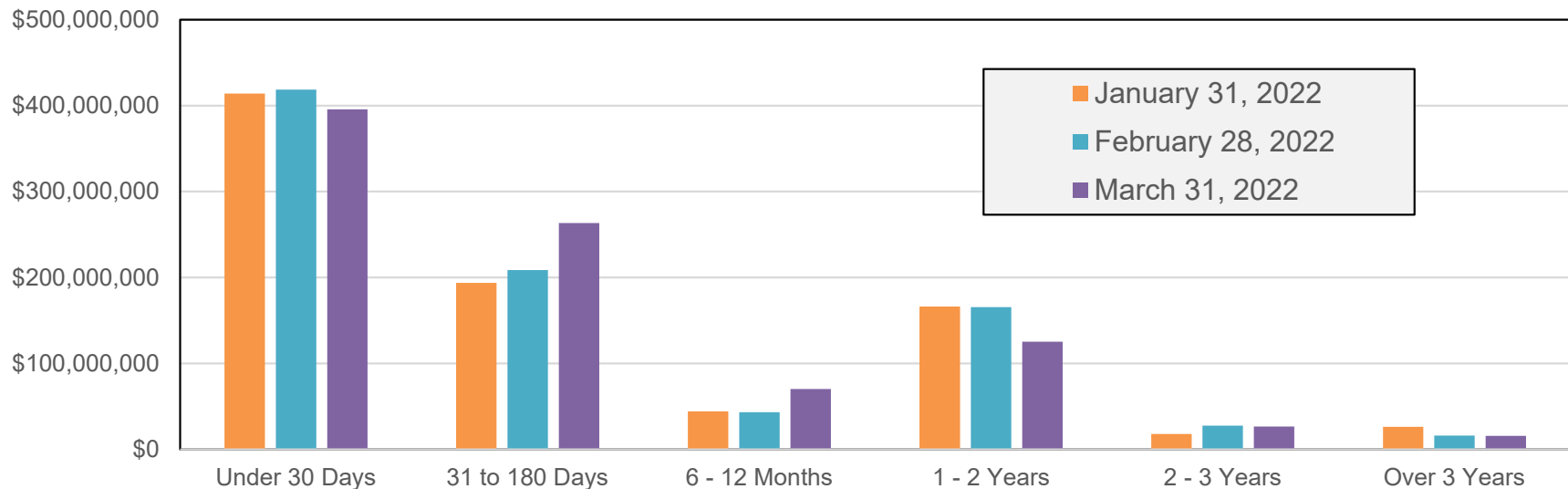
Account Purpose	Value Market	Allocation %	Cost Yield at	Market Yield at	Duration
Improvement & Extension	\$ 242,026,370	27.0%	0.74%	1.09%	0.630 Years
Debt Service	\$ 190,479,722	21.2%	0.51%	0.90%	0.254 Years
Receiving Funds (includes lockbox account)	\$ 172,309,855	19.2%	0.02%	0.02%	0.003 Years
Operating & Maintenance	\$ 76,937,749	8.6%	0.02%	0.02%	0.003 Years
Extraordinary Repair & Replacement Funds	\$ 68,651,255	7.7%	0.46%	2.24%	2.186 Years
Construction	\$ 46,198,865	5.2%	0.02%	0.02%	0.003 Years
Pension Obligation Funds	\$ 31,124,350	3.5%	0.33%	0.75%	0.177 Years
Debt Reserves	\$ 24,662,478	2.7%	0.28%	2.08%	1.637 Years
Retainage	\$ 21,190,672	2.4%	0.01%	0.01%	0.003 Years
WRAP Funds	\$ 12,241,403	1.4%	0.36%	0.70%	0.151 Years
Budget Stabilization Funds	\$ 7,221,397	0.8%	0.44%	2.14%	2.038 Years
Flint Security Deposit Account	\$ 3,814,090	0.4%	0.01%	0.01%	0.003 Years
<b>Total</b>	<b>\$ 896,858,207</b>	<b>100.0%</b>	<b>0.38%</b>	<b>0.77%</b>	<b>0.462 Years</b>

In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.

# Portfolio Snapshot

## Investments – By Maturity

Maturity Distribution	January 31, 2022		February 28, 2022		March 31, 2022	
	\$	%	\$	%	\$	%
Under 30 Days	414,133,906	48.0%	418,635,731	47.6%	395,738,220	44.1%
31 to 180 Days	193,662,262	22.5%	208,578,699	23.7%	263,305,333	29.4%
6 - 12 Months	44,390,306	5.1%	43,265,103	4.9%	70,290,672	7.8%
1 - 2 Years	166,090,562	19.3%	165,526,701	18.8%	125,135,877	14.0%
2 - 3 Years	17,909,895	2.1%	27,739,852	3.2%	26,671,796	3.0%
Over 3 Years	26,284,579	3.0%	16,145,575	1.8%	15,716,309	1.8%
<b>Totals</b>	<b>\$ 862,471,509</b>	<b>100.0%</b>	<b>\$ 879,891,661</b>	<b>100.0%</b>	<b>\$ 896,858,207</b>	<b>100.0%</b>



In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.

# Portfolio Snapshot

## Investment Accounts – Yield at Cost & Market

	As of March 31, 2022		As of December 31, 2021	
	YTM @ Cost	YTM @ Market	YTM @ Cost	YTM @ Market
<b>Bank Deposits</b>				
Comerica	0.01%	0.01%	0.01%	0.01%
First Independence	0.01%	0.01%	0.01%	0.01%
Flint Deposit Account	0.01%	0.01%	0.01%	0.01%
JP Morgan Chase	0.05%	0.05%	0.01%	0.01%
<b>Sub-Total Bank Deposits</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.01%</b>	<b>0.01%</b>
<b>Money Market Funds / LGIPs</b>				
GovMIC	0.18%	0.18%	0.03%	0.03%
U.S. Bank - First American MMF	0.02%	0.02%	0.02%	0.02%
JP Morgan Securities - Blackrock MMF	0.02%	0.02%	0.02%	0.02%
<b>Sub-Total MMF / LGIPs</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>
<b>Investment Portfolios</b>				
Sewage SR Debt Serv 5403	0.48%	0.87%	0.29%	0.39%
Sewage SR Res 5400	0.29%	2.11%	0.29%	0.70%
Sew SRF Debt Serv 5410	0.84%	1.22%	0.21%	0.26%
Sewage ER & R	0.46%	2.24%	0.46%	0.82%
Sewer Improvement & Extension	1.07%	1.57%	1.18%	0.49%
Sewer Pension Obligation	0.33%	0.77%	0.24%	0.37%
Sewer Wrap Fund	0.41%	0.87%	0.27%	0.31%
Sewer Budget Stabilization Fund	0.44%	2.15%	0.44%	0.78%
Sewer O&M Pension Sub Account	0.34%	0.78%	0.25%	0.34%
Water SR Debt Ser 5503	0.47%	0.84%	0.29%	0.40%
Water SR Reserve 5500	0.27%	2.10%	0.27%	0.69%
Water SRF Debt Serv 5575	0.66%	1.15%	0.22%	0.27%
Water ER & R	0.46%	2.25%	0.46%	0.82%
Water Improvement & Extension	0.99%	1.50%	1.15%	0.49%
Water Pension Obligation	0.33%	0.77%	0.24%	0.37%
Water Wrap Fund	0.43%	0.74%	0.23%	0.28%
Water Budget Stabilization Fund	0.44%	2.12%	0.44%	0.77%
Water O&M Pension Sub Account	0.35%	0.79%	0.25%	0.34%
<b>Sub-Total Investment Portfolios</b>	<b>0.66%</b>	<b>1.36%</b>	<b>0.72%</b>	<b>0.52%</b>
<b>Grand Total</b>	<b>0.38%</b>	<b>0.77%</b>	<b>0.38%</b>	<b>0.28%</b>

The accounts at Comerica Bank get an earnings credit to offset bank fees. The earnings in the accounts at First Independence Bank is credited to the contractors and not the Authority. The funds in the Flint Security Deposit account are held on behalf of the City of Flint and the earnings do not belong to GLWA. YTM @ Cost is the expected 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 @ Market is the rate of return, based on the current market value, the annual interest receipts, maturity value and time period remaining until maturity, stated as a percentage, on an annualized basis.

# Portfolio Snapshot

## Peer Analysis Comparison

- The comparison agencies included in the list below were selected based on type and/or other non-performance-based criteria to show a broad range of water entities/utilities; this peer group list does not represent an endorsement of any of the public agencies or their services.
- The overall yield of GLWA's aggregate portfolio compares somewhat favorably to those of other short-term market indices (i.e., the S&P LGIP index and the 3-month U.S. Treasury index), despite the volatility of short-term interest rates and the limited ability in managing assets to a longer-term strategy.
- GLWA does have some limitations and unique constraints related to its ordinance and covenants that restricts the potential for a longer duration portfolio when compared to other similar water agencies.

As of March 31, 2022

	Market Value	YTM @ Market	Effective Duration	Weighted Average Maturity
<b>GLWA</b>				
Great Lakes Water Authority	\$896,858,207	0.77%	0.46 Years	168 Days
<b>Short/Intermediate-Term Indices</b>				
S&P Rated Government Investment Pool Index		0.18%	0.08 Years	30 Days
BoA / ML 3-Month Treasury Index		0.52%	0.15 Years	55 Days
BoA / ML 6-Month Treasury Index		0.89%	0.40 Years	146 Days
BoA / ML 1-Year Treasury Index		1.60%	0.91 Years	332 Days
BoA / ML 1-3 Year Treasury Index		2.18%	1.80 Years	672 Days
BoA / ML 1-5 Year Treasury Index		2.30%	2.54 Years	956 Days
<b>Peer Analysis (Water Entities / Utilities)</b>				
District of Columbia Water & Sewer Authority, DC	\$216,379,297	1.78%	1.31 Years	522 Days
DuPage Water Commission, IL	\$171,238,992	2.22%	2.14 Years	1,033 Days
Fairfax County Water Authority, VA	\$154,741,640	2.12%	2.00 Years	763 Days
Metro Wastewater Reclamation District, CO	\$292,874,141	2.01%	1.79 Years	703 Days
Metropolitan Water District of Southern California, CA	\$1,126,109,188	1.50%	0.84 Years	377 Days
Philadelphia Water Department, PA	\$228,205,745	1.42%	0.75 Years	273 Days
San Bernardino Valley Municipal Water District, CA	\$356,849,600	2.20%	1.70 Years	649 Days
Tohopekaliga Water Authority, FL	\$197,968,956	2.24%	1.75 Years	814 Days
Truckee Meadows Water Authority, NV	\$99,047,393	2.13%	2.08 Years	791 Days

The BoA / ML indexes are unmanaged indexes tracking on-the-run Treasuries. These indexes are produced and maintained by Bank of America / Merrill Lynch & Co. Yield to maturity is the rate of return, based on the current market value, the annual interest receipts, maturity value and time period remaining until maturity, stated as a percentage, on an annualized basis.

# Portfolio Snapshot

## Monthly Investment Income

(Book Value in 000's)

### FY 2022 INVESTMENT INCOME BY MONTH (Unaudited)

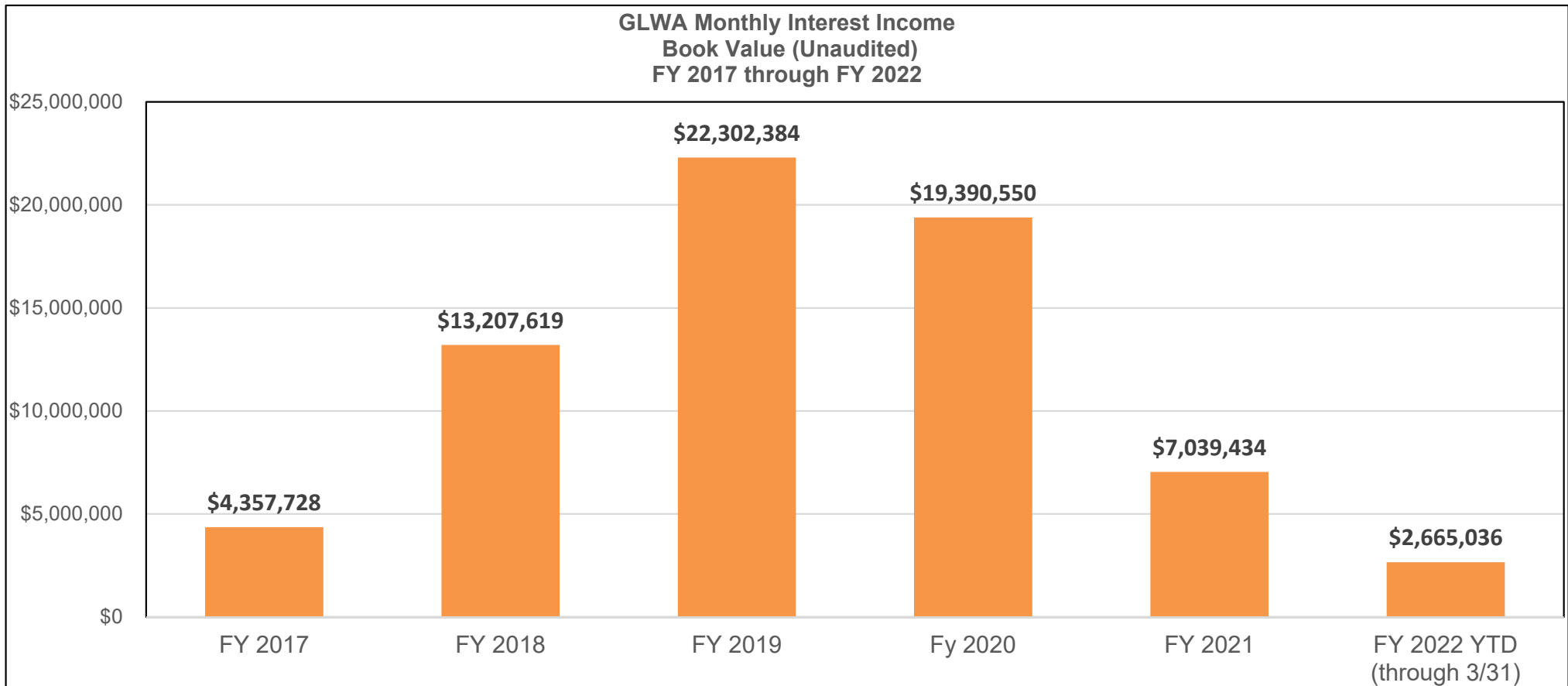
Month	Interest Earned During Period <i>(in thousands)</i>	Realized Gain / Loss <i>(in thousands)</i>	Investment Income <i>(in thousands)</i>
July 2021	\$332.7	\$0.0	\$332.7
August 2021	\$327.7	\$108.7	\$436.4
September 2021	\$297.6	\$0.0	\$297.6
October 2021	\$311.4	\$0.0	\$311.4
November 2021	\$247.2	\$0.0	\$247.2
December 2021	\$280.1	\$0.0	\$280.1
January 2022	\$253.9	\$0.0	\$253.9
February 2022	\$222.6	\$0.0	\$222.6
March 2022	\$283.3	\$0.0	\$283.3
<u>FY 2022 Y-T-D</u>	<u>\$2,556.4</u>	<u>\$108.7</u>	<u>\$2,665.0</u>

*These figures are based upon actual interest earned and posted to the Authority's various accounts via book value and does not include any earnings credit rate tied to the Authority's bank deposits.*

# Portfolio Snapshot

## Year-Over-Year Investment Income

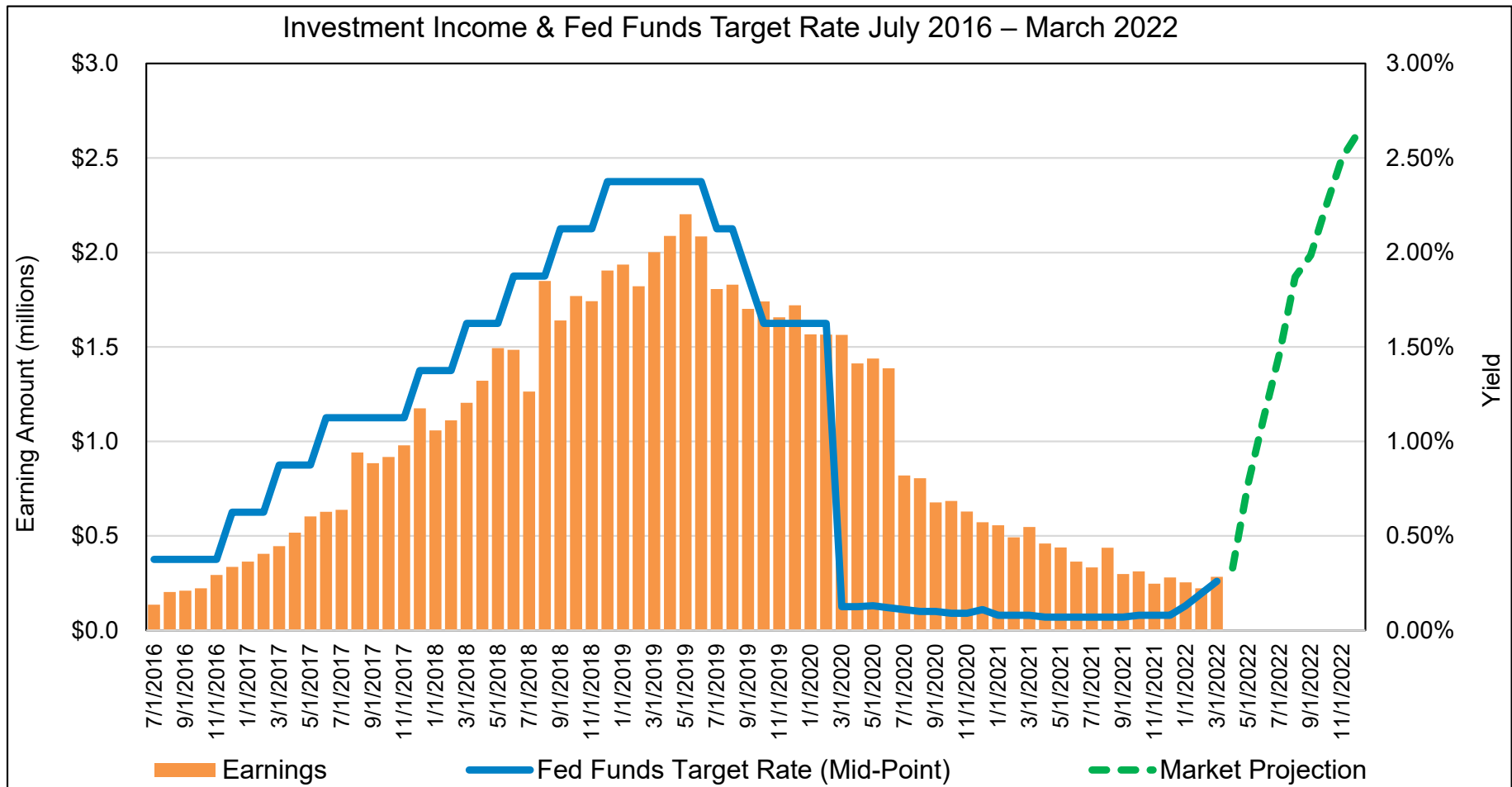
- GLWA earned \$2,665,036 in investment income for the first nine months of fiscal year 2022 on a book value basis compared to \$5,778,927 for the first nine months of fiscal year 2021.
- Based on current market assumptions, projected investment income for fiscal year 2022 is forecasted to be around \$3.8 million, as the market expects the overnight lending rate to significantly increase over the next few months.



# Portfolio Snapshot

## Monthly Investment Income Compared to Fed Funds Rate

- At least 50% of the GLWA portfolio is designated for obligations that are 12 months or less. As a result of the short-term duration of GLWA’s portfolio, it is heavily impacted by changes in the Fed Funds target rate; the chart below illustrates that GLWA’s investment income has consistently followed the trend of the Fed Funds rate.
- According to effective Fed Funds futures, the market is pricing in over 200 basis points more in rate hikes in calendar year 2022; based on the historical trend, this will translate into higher interest earnings for GLWA in fiscal year 2023 and beyond.



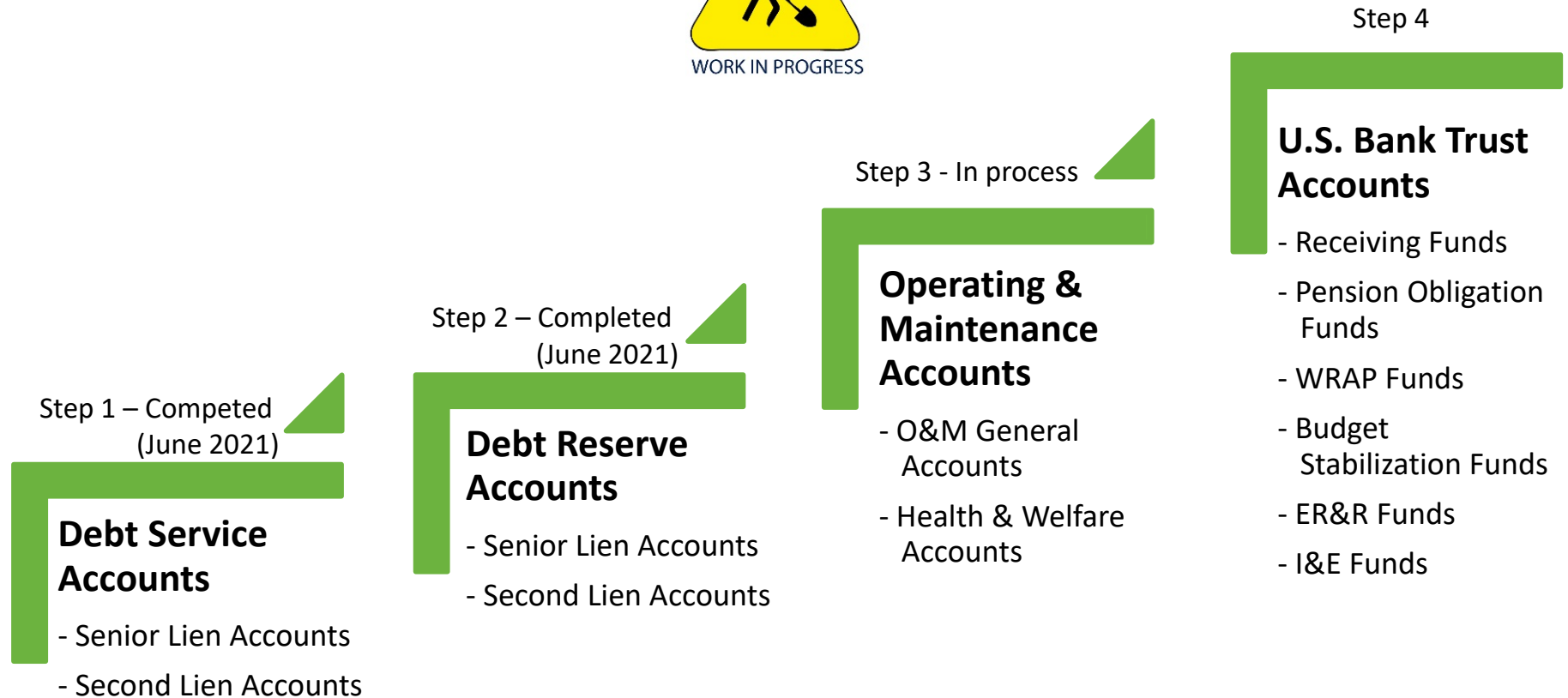
# Pooling of Cash / Investment Accounts

- PFMAM & GLWA are working toward reducing the number of bank accounts by pooling. Benefits of pooling accounts include the ability to take advantage of economies of scale when purchasing securities and reducing unnecessary liquidity. The steps to be taken for the recommended pooling strategy is shown below. Water and Sewer accounts will not be pooled.

## Putting Money To Work Safely – Investment Progression



WORK IN PROGRESS



*Non-pooled accounts include the lockbox accounts, payroll accounts, accounts payable, P-Card accounts, construction bond accounts, retainage accounts, and the Flint Security Deposit account.*



# Appendix I: Portfolio Holdings

## Portfolio Holdings As of March 31, 2022

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
<u>Short-Term Bank Deposits / MMF / LGIP</u>									
COMERICA BANK		\$ 14,281,306	4/1/2022	3/31/2022	0.01%	\$ 14,281,306	1	\$ -	\$ 14,281,306
FIRST INDEPENDENCE BANK		21,190,672	4/1/2022	3/31/2022	0.01%	21,190,672	1	-	21,190,672
FLINT DEPOSIT ACCOUNT		3,814,090	4/1/2022	3/31/2022	0.01%	3,814,090	1	-	3,814,090
JP MORGAN CHASE		7,059,419	4/1/2022	3/31/2022	0.05%	7,059,419	1	-	7,059,419
GovMIC		2,855,915	4/1/2022	3/31/2022	0.18%	2,855,915	1	-	2,855,915
U.S. BANK - FIRST AMERICAN MMF		242,183,373	4/1/2022	3/31/2022	0.02%	242,183,373	1	-	242,183,373
JP MORGAN SECURITIES - BLACKROCK MMF		101,775,314	4/1/2022	3/31/2022	0.02%	101,775,314	1	-	101,775,314

*In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.*

## Portfolio Holdings As of March 31, 2022

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
<b>Commercial Paper</b>									
Before Row Funding 0 6/17/2022	07644BFH0	\$ 9,385,000	6/17/2022	3/11/2022	1.00%	\$ 9,359,452	78	\$ -	\$ 9,367,732
BNZ International Funding 0 6/15/2022	0556X1FF4-1	10,000,000	6/15/2022	2/4/2022	0.42%	9,984,717	76	-	9,982,100
Collat CP Co 0 6/14/2022	19424JFE1	10,000,000	6/14/2022	12/13/2021	0.35%	9,982,208	75	-	9,982,300
Goldman Sachs 0 7/1/2022	38150UG13	4,915,000	7/1/2022	3/11/2022	1.21%	4,896,651	92	-	4,901,975
Natixis Bank NY 0 7/1/2022	63873KG19	4,285,000	7/1/2022	2/4/2022	0.46%	4,276,951	92	-	4,273,645
Nordea Bank ABP 0 7/1/2022	65558KG16	14,415,000	7/1/2022	1/11/2022	0.35%	14,391,035	92	-	14,376,800
Toronto Dominion Bank 0 6/17/2022	89119BFH4	14,285,000	6/17/2022	10/20/2021	0.21%	14,265,001	78	-	14,258,716
Westpac Securities 0 6/17/2022	96122HFH1	12,545,000	6/17/2022	12/14/2021	0.33%	12,523,726	78	-	12,521,917
CitiGroup Global Markets 0 9/19/2022	17327BJK2	1,005,000	9/19/2022	3/11/2022	1.46%	997,228	172	-	998,367
Royal Bank of Canada 0 9/19/2022	78015DJK7	500,000	9/19/2022	1/11/2022	0.43%	498,501	172	-	496,700
BNZ International Funding 0 6/15/2022	0556X1FF4-2	505,000	6/15/2022	2/4/2022	0.42%	504,228	76	-	504,107
Collat CP Co 0 5/20/2022	19424JEL6-2	390,000	5/20/2022	8/23/2021	0.18%	389,474	50	-	389,643
MacQuarie Bank LTD 0 6/13/2022	55607LFD1-1	1,915,000	6/13/2022	12/7/2021	0.30%	1,912,000	74	-	1,911,798
Manhattan Asset Funding 0 6/6/2022	56274MF64-2	505,000	6/6/2022	3/3/2022	0.75%	504,001	67	-	504,199
MUFG Bank LTD NY 0 6/13/2022	62479MFD0-2	505,000	6/13/2022	1/10/2022	0.35%	504,244	74	-	504,102
Svenska Handel Sbanken 0 5/27/2022	86960KET5-2	505,000	5/27/2022	9/3/2021	0.17%	504,366	57	-	504,520
BNZ International Funding 0 6/15/2022	0556X1FF4-1	895,000	6/15/2022	2/4/2022	0.42%	893,632	76	-	893,398
Collat CP Co 0 5/20/2022	19424JEL6-1	2,200,000	5/20/2022	8/23/2021	0.18%	2,197,030	50	-	2,198,086
MacQuarie Bank LTD 0 6/13/2022	55607LFD1-2	2,310,000	6/13/2022	12/7/2021	0.30%	2,306,381	74	-	2,305,981
Manhattan Asset Funding 0 6/6/2022	56274MF64-1	890,000	6/6/2022	3/3/2022	0.75%	888,239	67	-	888,594
MUFG Bank LTD NY 0 6/13/2022	62479MFD0-1	895,000	6/13/2022	1/10/2022	0.35%	893,660	74	-	893,443
Svenska Handel Sbanken 0 5/27/2022	86960KET5-1	435,000	5/27/2022	9/3/2021	0.17%	434,454	57	-	434,565
Aust & NZ Banking Group 0 5/31/2022	05253CEX0	850,000	5/31/2022	2/7/2022	0.44%	848,826	61	-	849,091
Collat CP Co 0 6/30/2022	19424JFW1	1,100,000	6/30/2022	3/3/2022	0.80%	1,097,091	91	-	1,097,635
LMA Americas LLC 0 5/4/2022	53944RE46	1,175,000	5/4/2022	12/7/2021	0.27%	1,173,696	34	-	1,174,307
Old Line Funding LLC 0 4/4/2022	67983UD42	1,175,000	4/4/2022	12/7/2021	0.22%	1,174,153	4	-	1,174,965
BNZ International Funding 0 6/15/2022	0556X1FF4-1	10,000,000	6/15/2022	2/4/2022	0.42%	9,984,717	76	-	9,982,100

In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.

## Portfolio Holdings As of March 31, 2022

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
<b>Commercial Paper</b>									
Collat CP Co 0 6/14/2022	19424JFE1	10,000,000	6/14/2022	12/13/2021	0.35%	9,982,208	75	-	9,982,300
Goldman Sachs 0 7/1/2022	38150UG13	15,085,000	7/1/2022	3/11/2022	1.21%	15,028,683	92	-	15,045,025
Natixis Bank NY 0 6/17/2022	63873KFH5	5,000,000	6/17/2022	12/14/2021	0.31%	4,992,035	78	-	4,990,800
Natixis Bank NY 0 7/1/2022	63873KG19	5,080,000	7/1/2022	2/4/2022	0.46%	5,070,458	92	-	5,066,538
Nordea Bank ABP 0 7/1/2022	65558KG16	14,900,000	7/1/2022	1/11/2022	0.35%	14,875,229	92	-	14,860,515
Sheffield Receivables 0 4/1/2022	82124MD15	450,000	4/1/2022	1/11/2022	0.22%	449,780	1	-	450,000
Toronto Dominion Bank 0 6/17/2022	89119BFH4	15,455,000	6/17/2022	10/20/2021	0.21%	15,433,363	78	-	15,426,563
Westpac Securities 0 6/17/2022	96122HFH1	12,455,000	6/17/2022	12/14/2021	0.33%	12,433,878	78	-	12,432,083
CitiGroup Global Markets 0 9/19/2022	17327BJK2	9,060,000	9/19/2022	3/11/2022	1.46%	8,989,936	172	-	9,000,204
Royal Bank of Canada 0 9/19/2022	78015DJK7	4,505,000	9/19/2022	1/11/2022	0.43%	4,491,494	172	-	4,475,267
BNZ International Funding 0 6/15/2022	0556X1FF4-2	905,000	6/15/2022	2/4/2022	0.42%	903,617	76	-	903,399
Collat CP Co 0 5/20/2022	19424JEL6-2	830,000	5/20/2022	8/23/2021	0.18%	828,880	50	-	829,241
MacQuarie Bank LTD 0 6/13/2022	55607LFD1-1	3,360,000	6/13/2022	12/7/2021	0.30%	3,354,736	74	-	3,354,382
Manhattan Asset Funding 0 6/6/2022	56274MF64-2	905,000	6/6/2022	3/3/2022	0.75%	903,209	67	-	903,564
MUFG Bank LTD NY 0 6/13/2022	62479MFD0-2	905,000	6/13/2022	1/10/2022	0.35%	903,645	74	-	903,391
Svenska Handel Sbanken 0 5/27/2022	86960KET5-2	905,000	5/27/2022	9/3/2021	0.17%	903,863	57	-	904,139
BNZ International Funding 0 6/15/2022	0556X1FF4-1	1,225,000	6/15/2022	2/4/2022	0.42%	1,223,128	76	-	1,222,807
Collat CP Co 0 5/20/2022	19424JEL6-1	2,950,000	5/20/2022	8/23/2021	0.18%	2,946,018	50	-	2,947,434
MacQuarie Bank LTD 0 6/13/2022	55607LFD1-2	3,070,000	6/13/2022	12/7/2021	0.30%	3,065,190	74	-	3,064,658
Manhattan Asset Funding 0 6/6/2022	56274MF64-1	1,230,000	6/6/2022	3/3/2022	0.75%	1,227,566	67	-	1,228,057
MUFG Bank LTD NY 0 6/13/2022	62479MFD0-1	1,225,000	6/13/2022	1/10/2022	0.35%	1,223,166	74	-	1,222,869
Svenska Handel Sbanken 0 5/27/2022	86960KET5-1	575,000	5/27/2022	9/3/2021	0.17%	574,278	57	-	574,425
LMA Americas LLC 0 5/4/2022	53944RE46	1,025,000	5/4/2022	12/7/2021	0.27%	1,023,862	34	-	1,024,395
MacQuarie Bank LTD 0 6/1/2022	55607LF17	1,025,000	6/1/2022	12/7/2021	0.30%	1,023,497	62	-	1,023,504
Natixis Bank NY 0 8/1/2022	63873KH18	1,025,000	8/1/2022	12/7/2021	0.35%	1,022,638	123	-	1,020,695
Natixis Bank NY 0 9/1/2022	63873KJ16	1,025,000	9/1/2022	3/4/2022	1.05%	1,019,640	154	-	1,018,942
Old Line Funding LLC 0 4/4/2022	67983UD42	1,025,000	4/4/2022	12/7/2021	0.22%	1,024,261	4	-	1,024,969
Svenska Handel Sbanken 0 7/1/2022	86960KG14	1,025,000	7/1/2022	12/7/2021	0.30%	1,023,240	92	-	1,022,284

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## Portfolio Holdings As of March 31, 2022

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
<b>Federal Agencies</b>									
FHLB 2.125 6/10/2022	313379Q69	\$ 10,000,000	6/10/2022	7/11/2019	1.92%	\$ 10,059,200	71	\$ 65,521	\$ 10,031,100
FHLMC 0.375 5/5/2023	3137EAER6	6,000,000	5/5/2023	6/5/2020	0.38%	6,000,060	400	9,125	5,906,700
FNMA 0.25 5/22/2023	3135G04Q3	10,000,000	5/22/2023	6/5/2020	0.36%	9,968,400	417	8,958	9,808,500
FNMA 0.25 7/10/2023	3135G05G4	1,250,000	7/10/2023	7/16/2020	0.29%	1,248,425	466	703	1,221,325
FHLB 2.125 6/10/2022	313379Q69	25,000,000	6/10/2022	7/11/2019	1.92%	25,148,000	71	163,802	25,077,750
FHLMC 0.375 5/5/2023	3137EAER6	14,650,000	5/5/2023	6/5/2020	0.38%	14,650,147	400	22,280	14,422,193
FNMA 0.25 5/22/2023	3135G04Q3	25,000,000	5/22/2023	6/5/2020	0.36%	24,921,000	417	22,396	24,521,250
FNMA 0.25 7/10/2023	3135G05G4	1,650,000	7/10/2023	7/16/2020	0.29%	1,647,921	466	928	1,612,149
FNMA 0.25 5/22/2023	3135G04Q3	240,000	5/22/2023	6/5/2020	0.35%	239,292	417	215	235,404
FNMA 0.25 5/22/2023	3135G04Q3	3,400,000	5/22/2023	6/5/2020	0.35%	3,389,970	417	3,046	3,334,890
FNMA 0.25 5/22/2023	3135G04Q3	670,000	5/22/2023	6/5/2020	0.35%	668,024	417	600	657,170
FHLMC 0.25 6/26/2023	3137EAES4	3,150,000	6/26/2023	7/2/2020	0.29%	3,146,189	452	2,078	3,083,472
FNMA 0.25 5/22/2023	3135G04Q3	5,750,000	5/22/2023	6/5/2020	0.35%	5,733,038	417	5,151	5,639,888

In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.

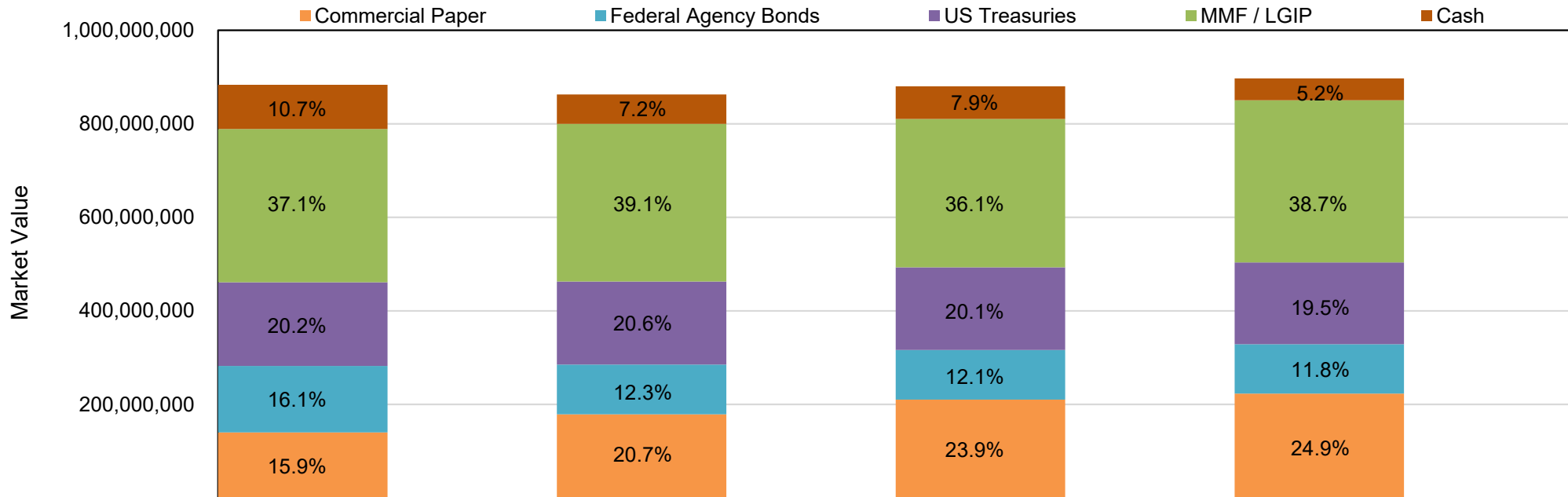
## Portfolio Holdings As of March 31, 2022

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
<b>U.S. Treasuries</b>									
T-Note 0 8/15/2023	912833LM0	\$ 10,500,000	8/15/2023	2/7/2020	1.41%	\$ 9,992,745	502	\$ -	\$ 10,209,150
T-Note 0.5 3/15/2023	912828ZD5	10,000,000	3/15/2023	3/16/2020	0.58%	9,977,344	349	2,174	9,890,600
T-Note 1.5 1/15/2023	912828Z29	15,000,000	1/15/2023	2/7/2020	1.39%	15,045,703	290	46,616	14,998,200
T-Note 0 8/15/2023	912833LM0	10,500,000	8/15/2023	2/7/2020	1.41%	9,992,745	502	-	10,209,150
T-Note 0.5 3/15/2023	912828ZD5	20,000,000	3/15/2023	3/16/2020	0.58%	19,954,688	349	4,348	19,781,200
T-Note 1.5 1/15/2023	912828Z29	15,000,000	1/15/2023	2/7/2020	1.39%	15,045,703	290	46,616	14,998,200
T-Note 0.125 1/15/2024	91282CBE0	260,000	1/15/2024	1/25/2021	0.18%	259,563	655	67	250,180
T-Note 0.125 10/31/2022	91282CAR2	200,000	10/31/2022	5/27/2021	0.10%	200,063	214	104	198,766
T-Note 0.25 3/15/2024	91282CBR1	125,000	3/15/2024	3/15/2021	0.33%	124,712	715	14	120,079
T-Note 0.375 12/31/2025	91282CBC4	250,000	12/31/2025	1/25/2021	0.43%	249,287	1,371	233	230,850
T-Note 0.375 4/30/2025	912828ZL7	125,000	4/30/2025	3/11/2021	0.61%	123,789	1,126	196	117,046
T-Note 0.5 3/15/2023	912828ZD5	250,000	3/15/2023	3/16/2020	0.59%	249,336	349	54	247,265
T-Note 1.375 1/31/2025	912828Z52	280,000	1/31/2025	12/6/2021	0.94%	283,773	1,037	627	271,382
T-Note 1.5 10/31/2024	912828YM6	130,000	10/31/2024	5/27/2021	0.42%	134,773	945	813	126,832
T-Note 1.625 10/31/2023	912828T91	130,000	10/31/2023	5/27/2021	0.20%	134,489	579	881	128,908
T-Note 1.75 12/31/2024	912828YY0	1,100,000	12/31/2024	8/30/2021	0.49%	1,145,719	1,006	4,786	1,077,912
T-Note 2.625 6/30/2023	9128284U1	3,250,000	6/30/2023	8/30/2021	0.19%	3,394,727	456	21,210	3,276,910
T-Note 1.5 9/15/2022	912828YF1	1,560,000	9/15/2022	12/14/2021	0.22%	1,574,930	168	1,017	1,563,713
T-Note 0.125 1/15/2024	91282CBE0	3,420,000	1/15/2024	1/25/2021	0.18%	3,414,255	655	886	3,290,827
T-Note 0.375 12/31/2025	91282CBC4	3,400,000	12/31/2025	1/25/2021	0.43%	3,390,305	1,371	3,170	3,139,560
T-Note 0.375 4/30/2025	912828ZL7	2,400,000	4/30/2025	8/24/2021	0.59%	2,381,531	1,126	3,754	2,247,288
T-Note 0.375 7/15/2024	91282CCL3	1,345,000	7/15/2024	8/23/2021	0.42%	1,343,266	837	1,045	1,283,735
T-Note 0.5 3/15/2023	912828ZD5	3,410,000	3/15/2023	3/16/2020	0.59%	3,400,942	349	741	3,372,695
T-Note 1.375 1/31/2025	912828Z52	3,346,000	1/31/2025	12/7/2021	0.95%	3,390,570	1,037	7,498	3,243,010
T-Note 1.5 10/31/2024	912828YM6	3,300,000	10/31/2024	5/28/2021	0.42%	3,421,301	945	20,648	3,219,579
T-Note 1.625 10/31/2023	912828T91	3,300,000	10/31/2023	5/28/2021	0.20%	3,414,082	579	22,368	3,272,280
T-Note 0.125 1/15/2024	91282CBE0	695,000	1/15/2024	1/25/2021	0.18%	693,833	655	180	668,750
T-Note 0.125 10/31/2022	91282CAR2	425,000	10/31/2022	5/27/2021	0.10%	425,133	214	222	422,378
T-Note 0.25 3/15/2024	91282CBR1	340,000	3/15/2024	3/15/2021	0.33%	339,216	715	37	326,614
T-Note 0.375 12/31/2025	91282CBC4	685,000	12/31/2025	1/25/2021	0.43%	683,047	1,371	639	632,529
T-Note 0.375 4/30/2025	912828ZL7	350,000	4/30/2025	3/11/2021	0.61%	346,609	1,126	547	327,730
T-Note 0.5 3/15/2023	912828ZD5	688,000	3/15/2023	3/16/2020	0.59%	686,173	349	150	680,473
T-Note 1.375 1/31/2025	912828Z52	740,000	1/31/2025	12/6/2021	0.94%	749,973	1,037	1,658	717,223
T-Note 1.5 10/31/2024	912828YM6	450,000	10/31/2024	5/27/2021	0.42%	466,523	945	2,816	439,034
T-Note 1.625 10/31/2023	912828T91	425,000	10/31/2023	5/27/2021	0.20%	439,676	579	2,881	421,430
T-Note 1.75 12/31/2024	912828YY0	5,550,000	12/31/2024	8/30/2021	0.49%	5,780,672	1,006	24,147	5,438,556
T-Note 2.625 6/30/2023	9128284U1	11,350,000	6/30/2023	8/30/2021	0.19%	11,855,430	456	74,073	11,443,978
T-Note 1.5 9/15/2022	912828YF1	5,950,000	9/15/2022	12/14/2021	0.22%	6,006,943	168	3,880	5,964,161
T-Note 0.125 1/15/2024	91282CBE0	5,790,000	1/15/2024	1/25/2021	0.18%	5,780,275	655	1,499	5,571,312
T-Note 0.375 12/31/2025	91282CBC4	5,750,000	12/31/2025	1/25/2021	0.43%	5,733,604	1,371	5,361	5,309,550
T-Note 0.375 4/30/2025	912828ZL7	3,965,000	4/30/2025	8/24/2021	0.59%	3,934,488	1,126	6,202	3,712,707
T-Note 0.5 3/15/2023	912828ZD5	5,765,000	3/15/2023	3/16/2020	0.59%	5,749,687	349	1,253	5,701,931
T-Note 1.375 1/31/2025	912828Z52	5,664,000	1/31/2025	12/7/2021	0.95%	5,739,446	1,037	12,693	5,489,662
T-Note 1.5 10/31/2024	912828YM6	5,500,000	10/31/2024	5/28/2021	0.42%	5,702,168	945	34,413	5,365,965
T-Note 1.625 10/31/2023	912828T91	5,500,000	10/31/2023	5/28/2021	0.20%	5,690,137	579	37,281	5,453,800

In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.

# Portfolio Snapshot

## Investments – By Security Type

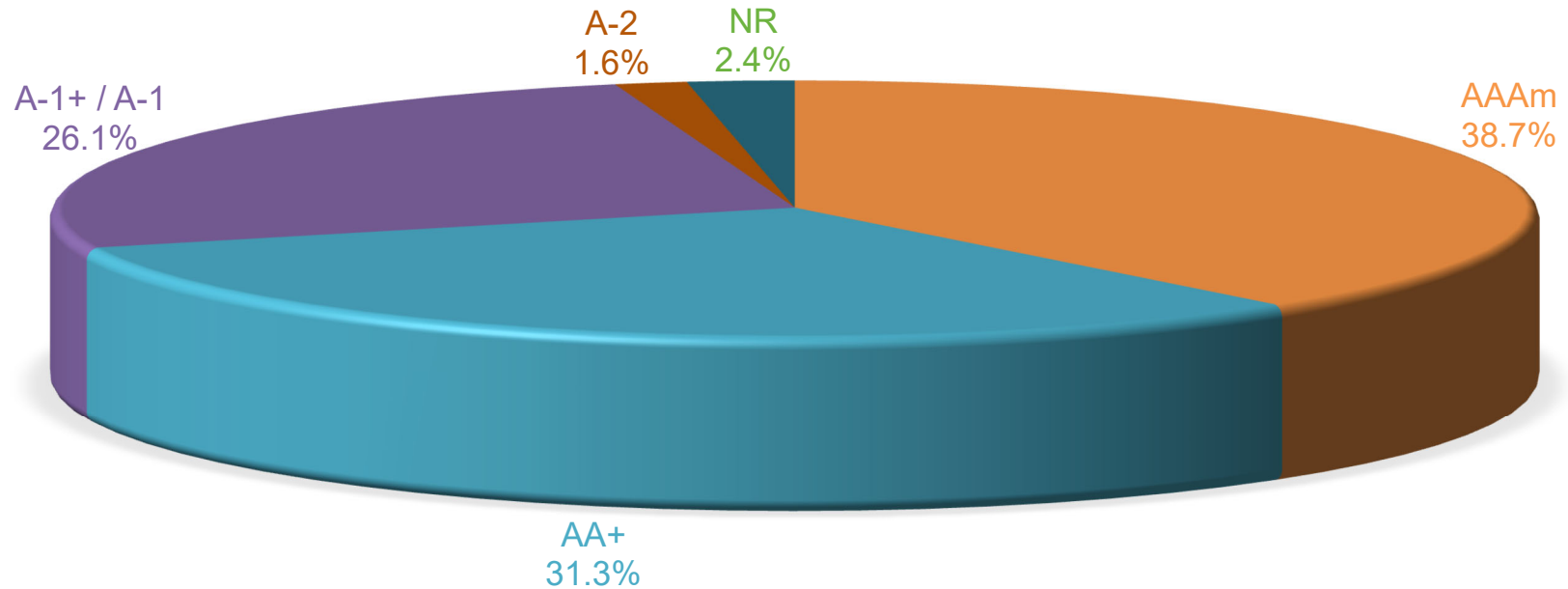


Security Type	December		January		February		March	
	Market Value	Asset Allocation	Market Value	Asset Allocation	Market Value	Asset Allocation	Market Value	Asset Allocation
Commercial Paper	140,558,113	15.9%	178,848,934	20.7%	210,285,614	23.9%	223,323,067	24.9%
Federal Agencies	141,811,811	16.1%	106,355,568	12.3%	106,049,977	12.1%	105,605,764	11.8%
U.S. Treasuries	178,749,200	20.2%	177,532,707	20.6%	176,812,919	20.1%	174,841,002	19.5%
MMF / LGIP	327,709,258	37.1%	337,289,365	39.1%	317,324,886	36.1%	346,814,603	38.7%
Cash	94,440,647	10.7%	62,444,935	7.2%	69,418,266	7.9%	46,273,771	5.2%
<b>Total</b>	<b>883,269,029</b>	<b>100.0%</b>	<b>862,471,509</b>	<b>100.0%</b>	<b>879,891,661</b>	<b>100.0%</b>	<b>896,858,207</b>	<b>100.0%</b>

In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.

# Portfolio Snapshot

## Investments – By Credit Quality



Credit Quality	Market Value	Asset Allocation
<b>Ratings</b>		
AAAm	346,814,603	38.7%
AA+	280,404,887	31.3%
A-1 + / A-1	234,166,740	26.1%
A-2	14,281,306	1.6%
NR	21,190,672	2.4%
<b>Totals</b>	<b>896,858,207</b>	<b>100.0%</b>

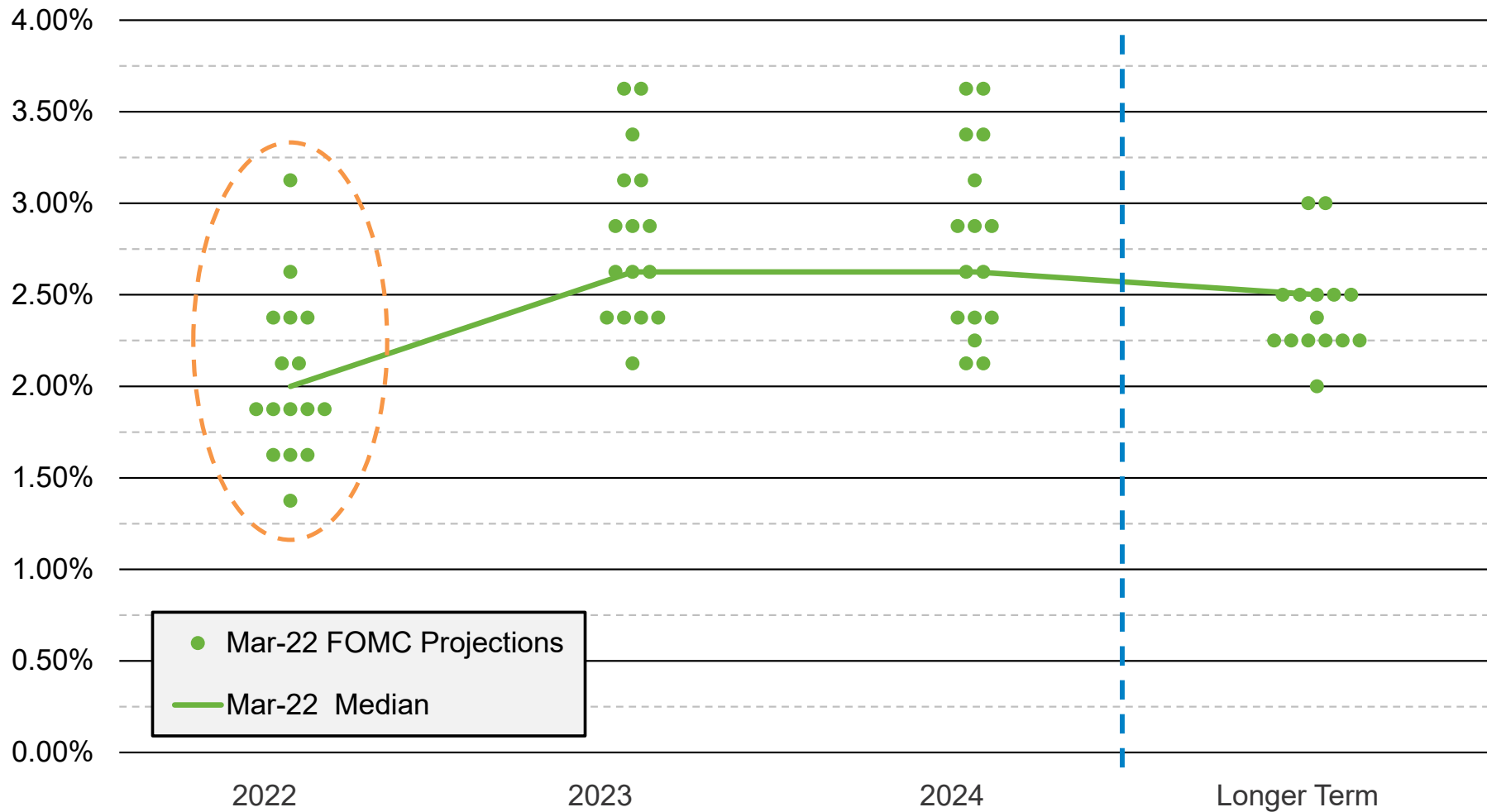
In addition to the totals listed above, there also exists surety bonds in the amount of \$323,059,258 as of March 31, 2022.



# Appendix II: Economic Update

# Federal Reserve Officials Project 7 Rate Hikes in 2022, 4 more in 2023

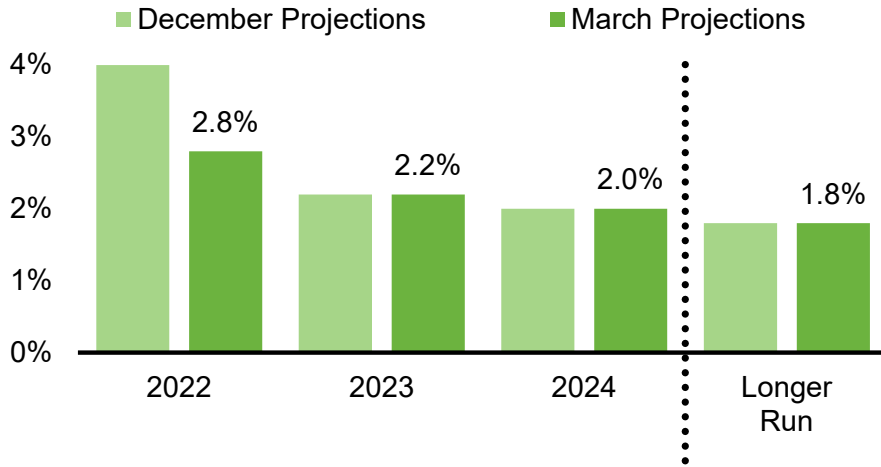
## Fed Participants' Assessments of 'Appropriate' Monetary Policy



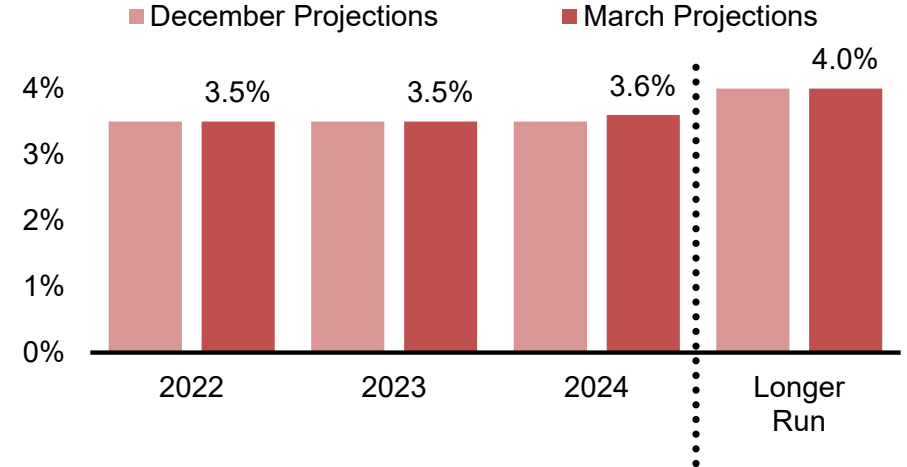
Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

# Fed's Projections Show Recent Surge in Growth and Inflation to Wane

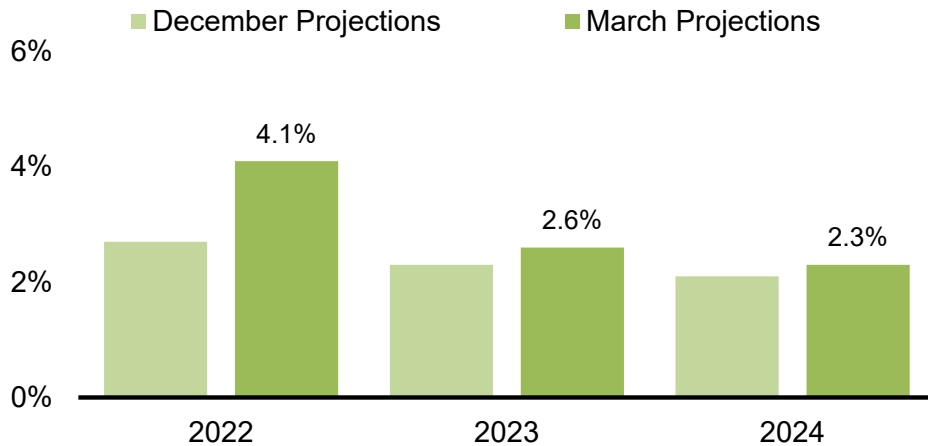
### Change in Real GDP



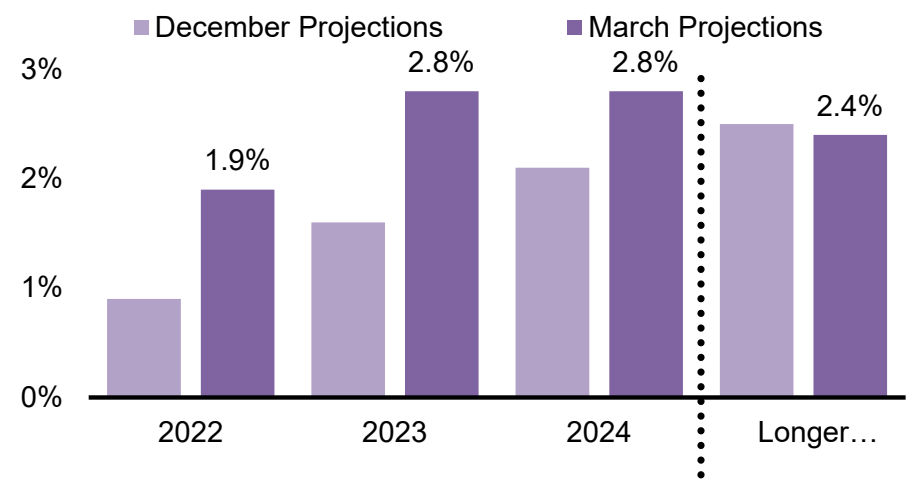
### Unemployment Rate



### Core PCE Inflation

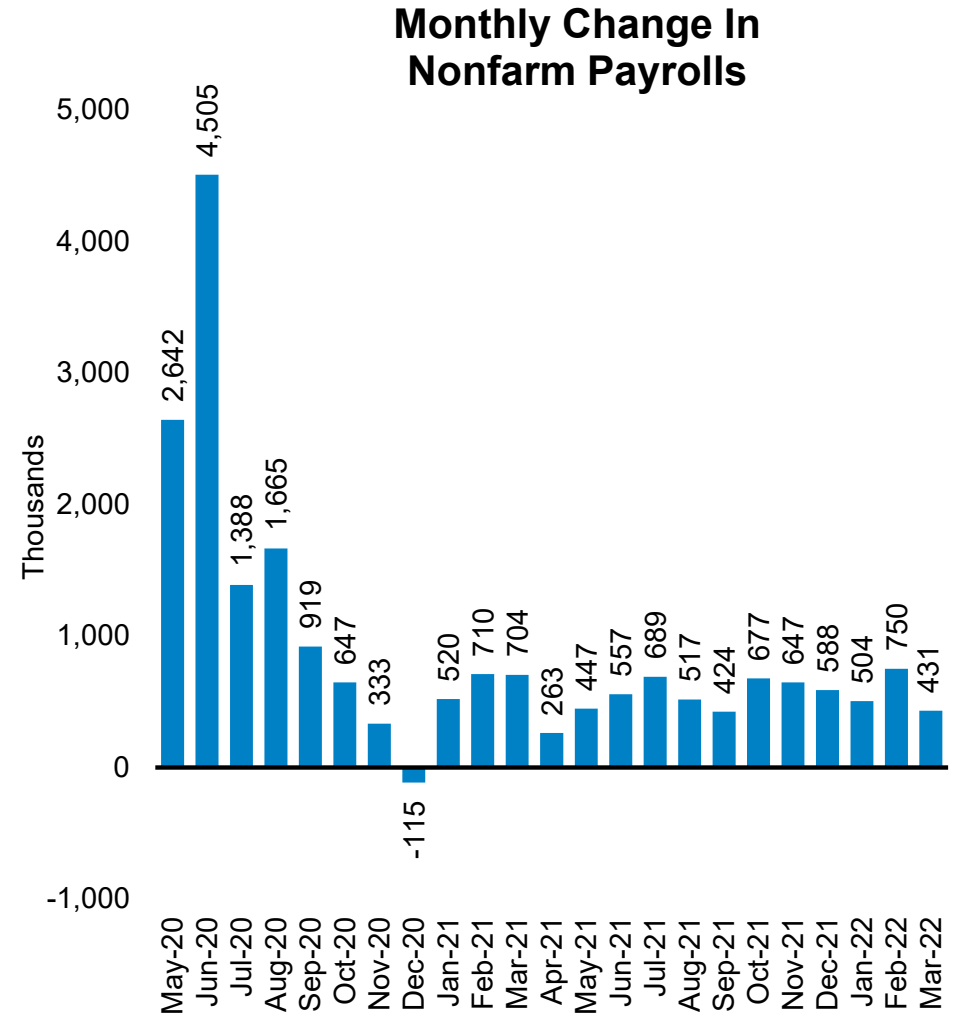
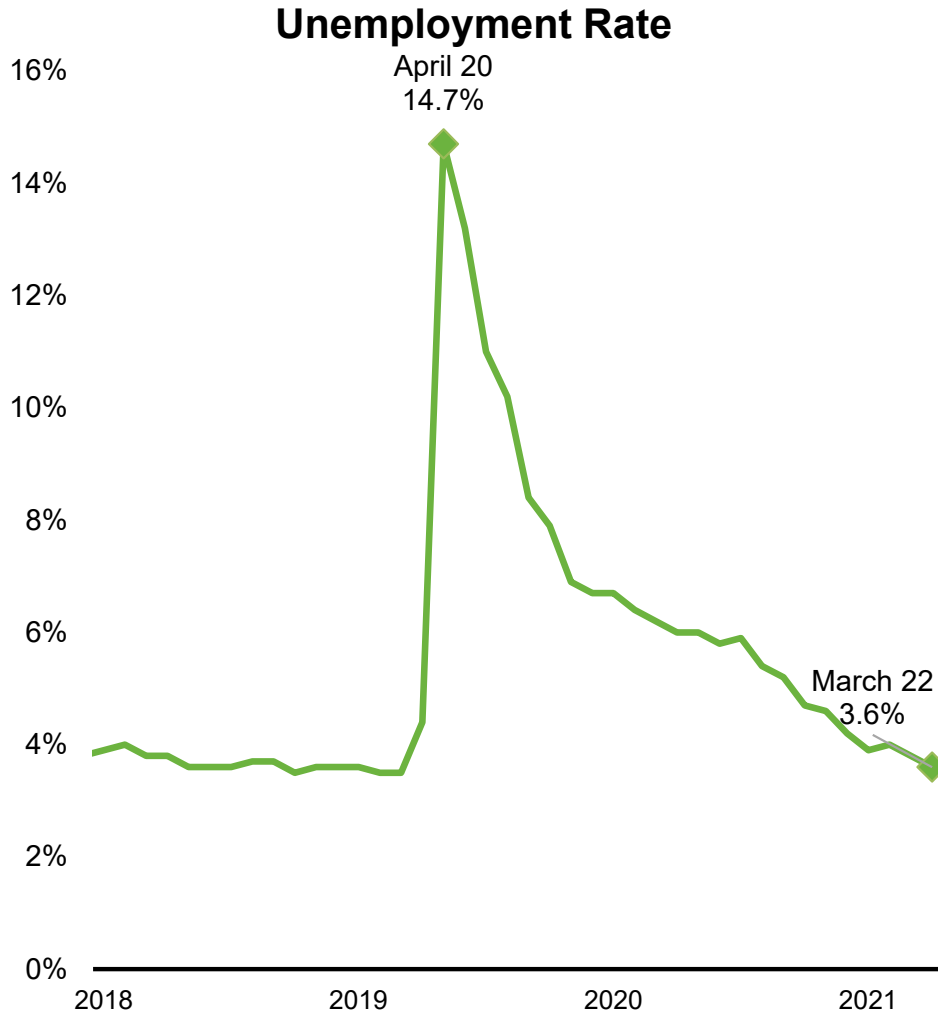


### Federal Funds Rate



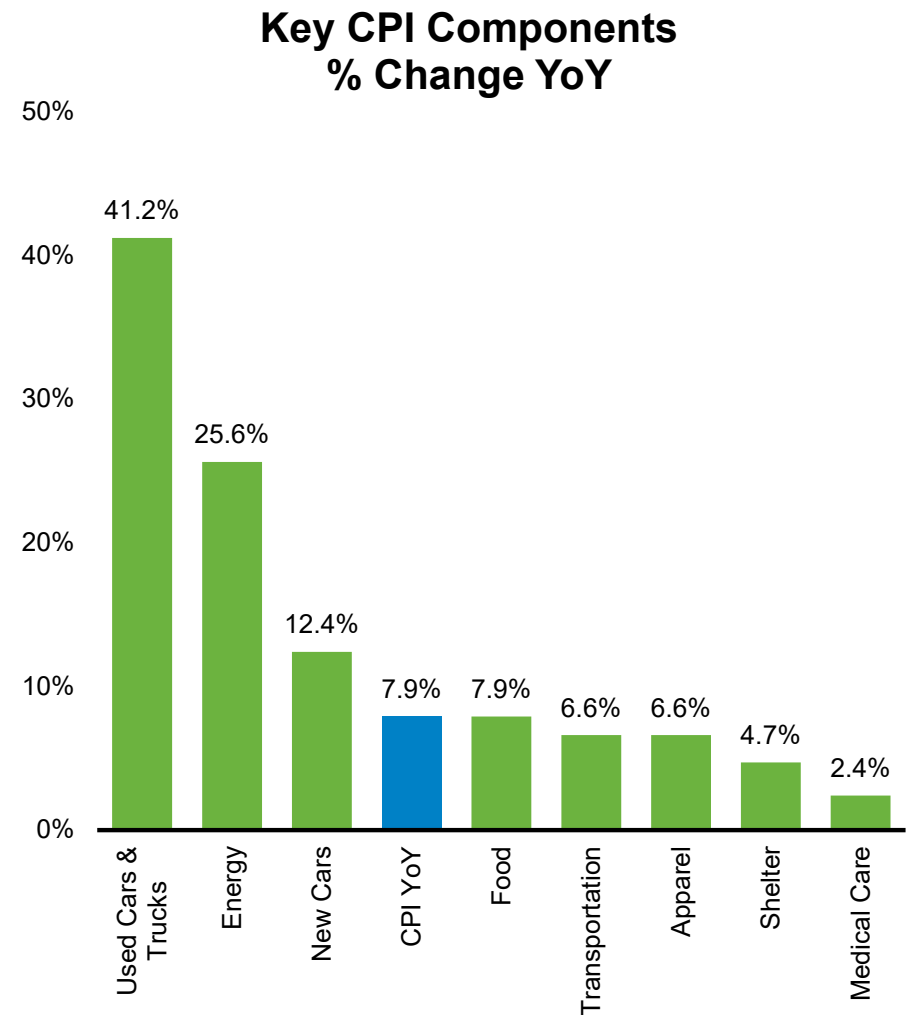
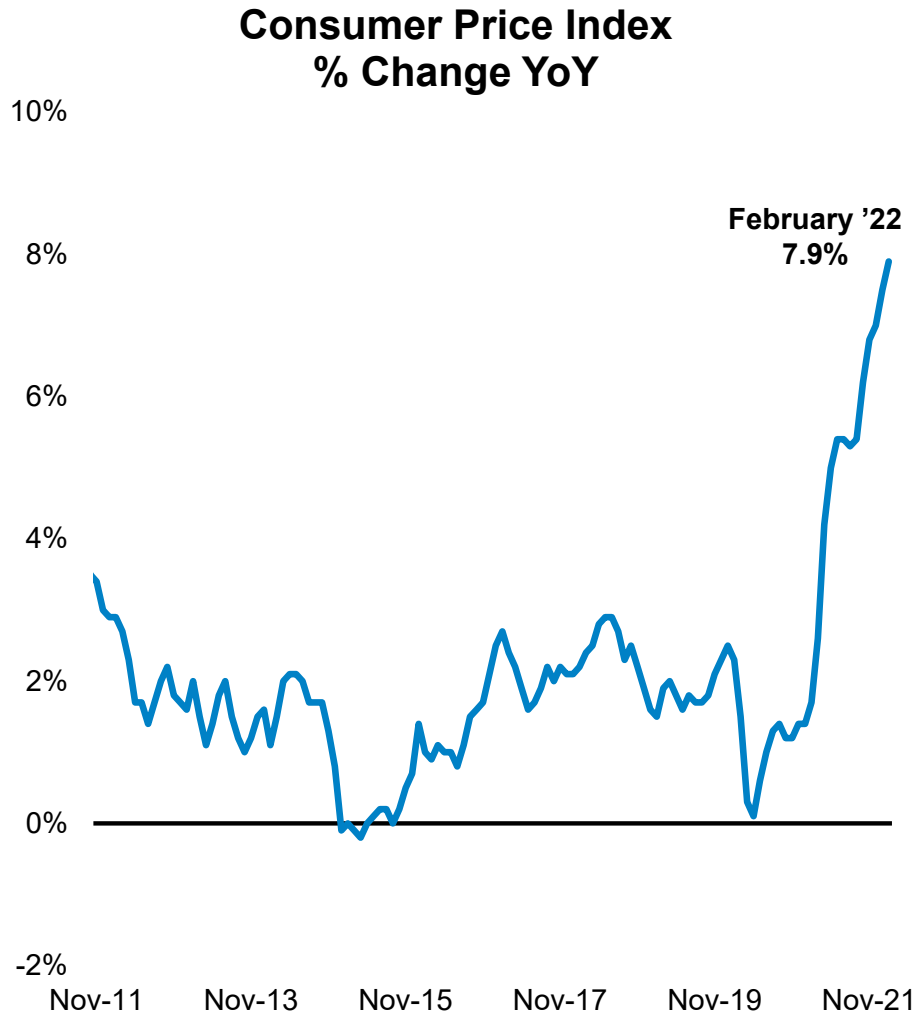
Source: Federal Reserve, latest economic projections as of March 2022.

# U.S. Economy Added 431,000 Jobs in March; Unemployment Rate Falls to 3.6%



Source: Bloomberg, as of March 2022. Data is seasonally adjusted.

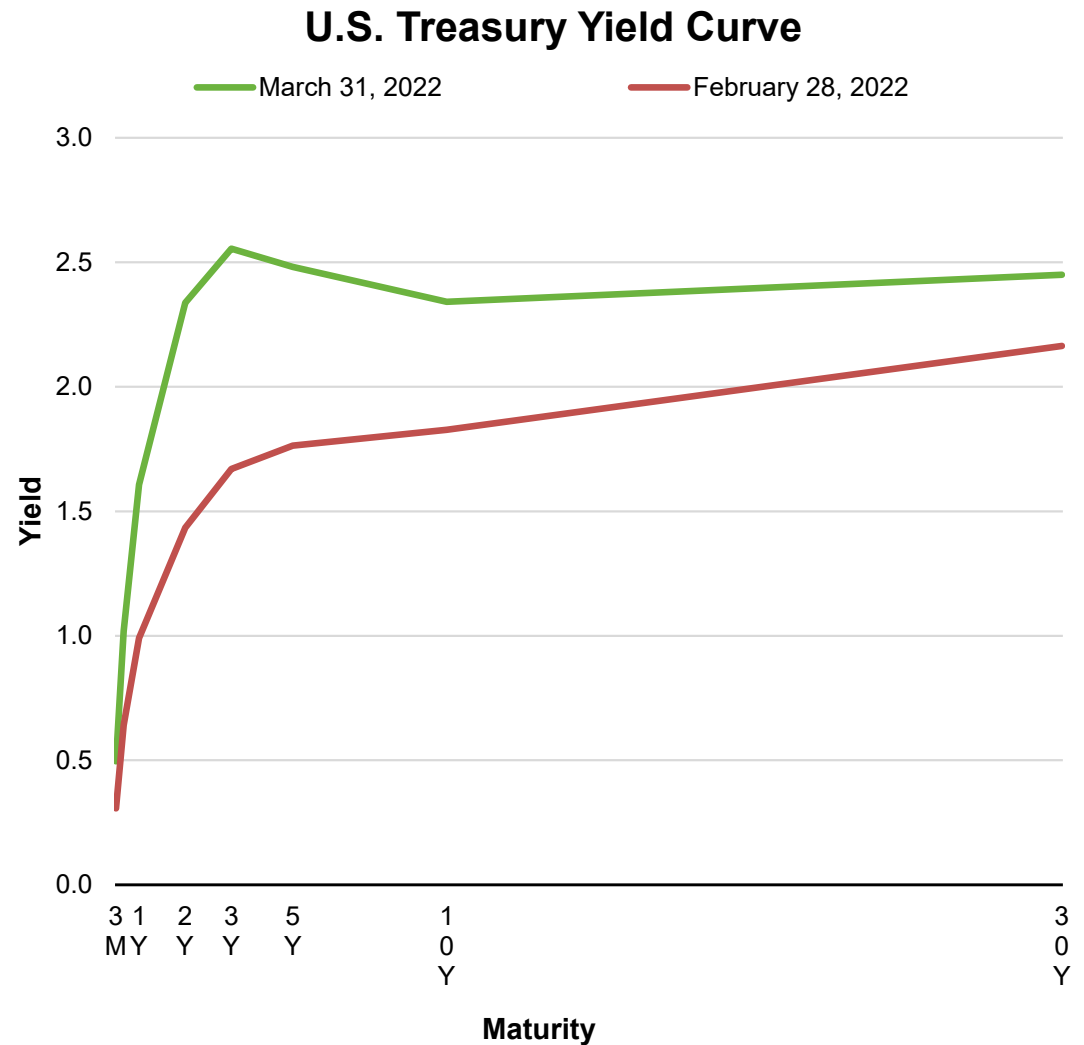
# Consumer Inflation Rose at Fastest Rate Since 1982



Source: Bloomberg, as of February 2022.

# Treasury Yield Curve Inverts

	02/28/2022	03/31/2022	Change
3 month	0.31%	0.50%	0.19%
6 month	0.64%	1.02%	0.38%
1 year	0.99%	1.61%	0.62%
2 year	1.43%	2.34%	0.90%
3 year	1.67%	2.55%	0.89%
5 year	1.76%	2.48%	0.72%
10 year	1.83%	2.34%	0.51%
30 year	2.16%	2.45%	0.29%



Source: Bloomberg, as of 02/28/2022 and 03/31/2022, as indicated.

# Fixed Income Market Overview and Outlook

## FIXED INCOME MARKET – ECONOMIC HIGHLIGHTS

- During the quarter, U.S. economic conditions were characterized by:
  - Unresolved Russia-Ukraine crisis and high commodity prices.
  - A strong labor market, inflation at a 40-year high, and depressed consumer confidence.
  - Federal Reserve tightening monetary policy and the Fed initiating the first of what will be many rate hikes in 2022.
- Treasury yields continued to rise significantly.
  - The jump in yields comes as Fed policymakers are increasingly voicing support for front-loading the rate hike cycle to curb pressing inflation.
  - Prospects of aggressive rate increases inspired a selloff in Treasuries.
- Inflation has continued to run hot with the Consumer Price Index increasing by 8.5% over the past year – a new 40 year high.
  - Energy costs again led the surge, with gasoline prices nearly doubling and fuel oil rising by 70% from a year ago.
  - Used car prices moderated, but food, transportation and shelter costs all rose at a strong clip.
  - Rising costs are negatively impacting consumer finances, felt most acutely by lower-income households, pushing consumer sentiment readings to a decade low.
- Manufacturing activity trended lower, falling to its lowest level since 2020 on slower growth in new orders and production.
  - Meanwhile, service sector activity picked up.
  - Survey commentary was less upbeat, noting supply-chain challenges, rising inflation, and global uncertainty.
- Currency markets have been volatile as supply chains worsen amid the Russia and Ukraine crisis, commodity prices spiking, and the U.S. and its allies imposing additional sanctions on Russia.
  - The U.S. dollar index (DXY) appreciated by 1.7% in the last month of the quarter alone.

# Fixed Income Market Overview and Outlook

## FIXED INCOME MARKET – ECONOMIC HIGHLIGHTS

- The Fed raised interest rates by 25 basis points in March and signaled 7 total rate hikes in 2022.
  - The rate hike occurred after two years of highly accommodative monetary policy to support the economy amid the Covid-19 pandemic.
  - The Fed has taken a decidedly hawkish tilt, suggesting that reduction of its \$8.9 trillion balance sheet will begin soon and 50 basis point rate hikes could occur at the next few FOMC meetings.
  
- The yield on the benchmark 2 and 10-year Treasury note finished the quarter at 2.33% and 2.34%, respectively.
  - As a result of the surge in rates, U.S. Treasuries posted some of the worst returns over the past 40 years.
  - In March, 30-year fixed rate mortgages spiked to 4.67%, a level not seen since December of 2018; this compares to 3.18% a year ago and the record low of 2.65% in January of 2021.
  
- The fog of war clouded the global economic outlook as Russia continued its assault on Ukraine.
  - The U.S. and its allies have imposed additional sanctions on Russia, and progress on peace negotiations seem to have now stalled.
  - Although Europe is highly vulnerable to conflict between Russia and Ukraine due to its reliance on Russian oil and gas, the impact on the United States' economy largely results from just higher prices for agricultural goods, metals, and energy commodities.
  
- Concerns over the economic implications of the Russian invasion of Ukraine and the potential need for a faster pace of interest rate hikes to combat higher inflation has weighed on the financial markets.
  - The market expects to see a continued upward pressure on Treasury yields.
  - In short-term markets, commercial paper and negotiable bank CDs look quite attractive, and shorter maturities and floating-rate issues seem to offer the best value, especially if the Fed moves to larger incremental rate hikes; on the other hand, yields on short-term T-Bills and Agencies seem less compelling.



## Disclosure

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