

Great Lakes Water Authority

Investment Performance Report – September 2019



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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 98% 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 & 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 liquidity requirements. As of September 30, 2019, only 32% of the total assets were held in cash and money market accounts maturing overnight.
- Return – The overall yield decreased to 1.81% as of September 30th versus 2.13% as of June 30th. The lower yield is a result of the declining interest rate environment. GLWA earned \$5.3 million (unaudited) in investment income for fiscal year-to-date on a book value basis. Based on the current interest rate environment, the income earned for the previous quarter, and assuming GLWA maintains the same investable balances for the remainder of the fiscal year, we are projecting earnings of approximately \$17.4 million in investment income for FY 2020.

AVAILABLE FUNDS (Unaudited)

Type	Financial Institution	Book Value	Market Value	YTM @ Market (as of 9/30/19)
Deposit Account	Comerica	\$3,717,173	\$3,717,173	0.18%
Deposit Account - Retainage	First Independence	\$17,121,026	\$17,121,026	0.05%
Deposit Account – Flint Security Deposit	Chase	\$3,800,685	\$3,800,685	1.08%
Deposit Account	Chase	\$7,376,244	\$7,376,244	1.10%
Trust Money Market Fund	U.S. Bank	\$145,484,530	\$145,484,530	1.79%
Money Market Fund	JP Morgan	\$71,773,077	\$71,773,077	1.86%
Local Government Investment Pool	GovMIC	\$68,387,618	\$68,387,618	2.15%
Managed Funds	PFM	\$682,234,869	\$685,062,525	1.83%
<u>TOTAL</u>		<u>\$999,895,221</u>	<u>\$1,002,722,877</u>	<u>1.81%</u>

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. Note that market values move inversely to interest rates, and the recent rise in yields has led to the overall market value being less than the book value. In addition to the totals listed above, there also exists surety bonds in the amount of \$324,309,258 as of 9/30/2019.

Investment Strategy

GLWA INVESTMENT STRATEGY

- The aggregate portfolio is in compliance with GLWA’s investment policy and Michigan Public Act 20.
- To date, GLWA has continued to invest its funds in a mixture of short and intermediate-term investments to ensure adequate liquidity.
- The aggregate portfolio was yielding 1.81% at the end of September.*
 - This compares to the 1.84% yield of the Bank of America / Merrill Lynch 3-Month U.S. Treasury Bill Index as of 9/30/2019, which is a comparable market indicator, despite the inverted yield curve environment.
 - It should be noted that even though the 3-Month Treasury Bill Index has been selected as a benchmark, the GLWA portfolio has slightly more intermediate-term investments than the index. The inversion of the yield curve at 9/30/2019 had more of an impact on the intermediate-term investments, which resulted in the GLWA portfolio yield being lower than the benchmark.
- GLWA continues to implement a disciplined investment plan to provide improved safety and diversification and putting every dollar to work.
- PFM Asset Management (PFM) will continue to actively manage long-term portfolios with full discretion and align short-term balances with expected liabilities, subject to GLWA’s investment policy.
- GLWA will continue to work with PFM to identify strategies in this somewhat volatile market to maximize future investment income while meeting the objectives of safety and liquidity.
- Assuming GLWA maintains the similar investable balances and the declining interest rate environment continues, the interest income earnings projection for FY2020 will be approximately \$17.4 million.

* Current market yield as of September 30, 2019.

Summary Market Overview and Outlook

ECONOMIC HIGHLIGHTS UPDATE

- The global economy has continued to cool, following the change of seasons in the U.S. and Europe. With mounting manufacturing woes, a looming Brexit deadline, and the threat of escalating trade wars, the economic outlook has weakened. Recent geopolitical events around the globe (e.g., Iran/Saudi Arabia, Syria/Turkey/U.S. and Ukraine/Russia/U.S.) add yet another layer of uncertainty and the specter of a presidential impeachment in the U.S. does not help.
- The Federal Reserve cut the overnight interbank rate by 0.25% in September and then once again in October, while also hitting a pause for future cuts. The Fed cut interest rates on October 30th for the third time this year in an attempt to help sustain U.S. growth amid a global economic slowdown. However, they signaled that rates would not be reduced further unless the economy stalls sharply. Market expectations for an additional 25 basis point rate cut at December's Federal Open Market Committee (FOMC) meeting are currently around 25%, based on effective Fed Funds futures.

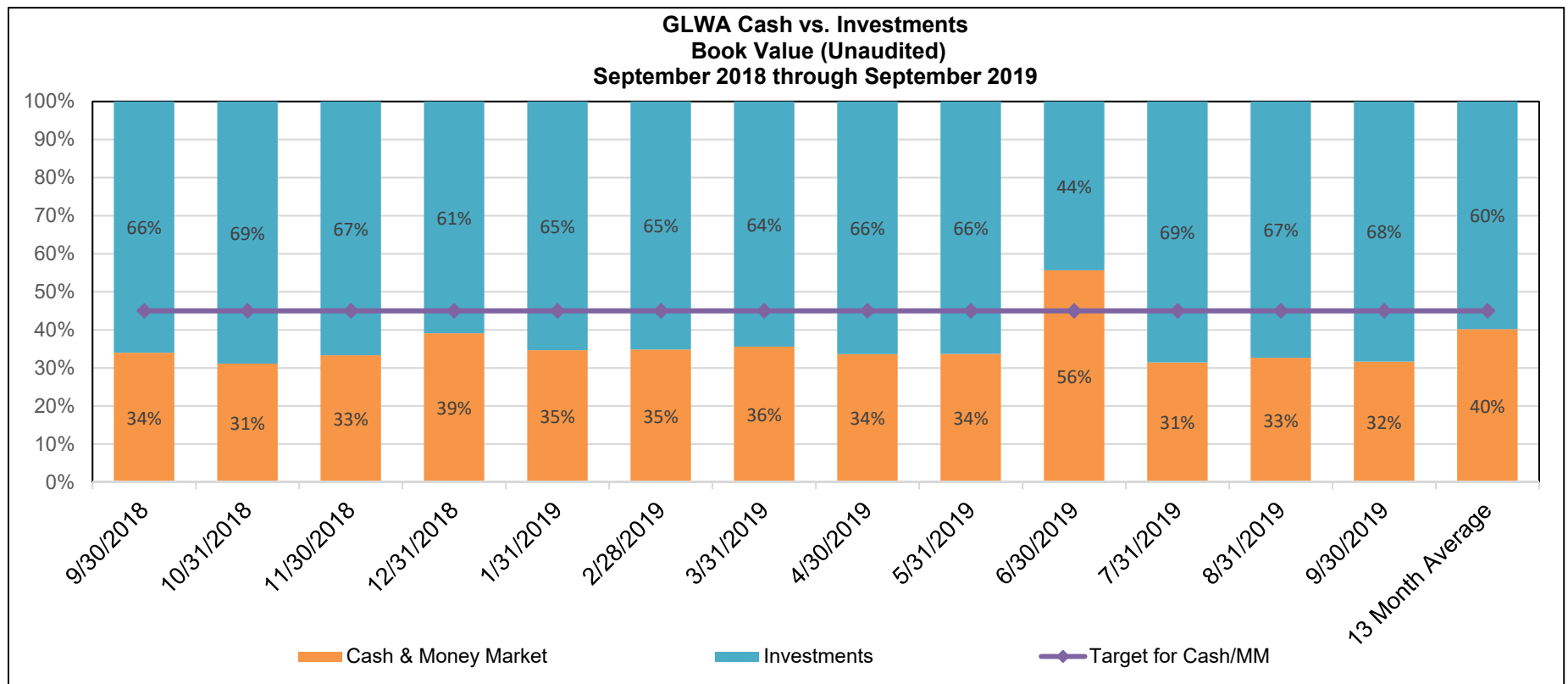
ECONOMIC IMPACT ON PORTFOLIO

- The new range for the Fed Funds target rate is now between 1.50% and 1.75%. “We took this step to help keep the economy strong in the face of global developments and to provide some insurance against ongoing risks,” said Fed Chair Jerome Powell. He also stated that “we see the current stance of monetary policy as likely to remain appropriate as long as incoming information about the economy remains broadly consistent with our outlook.”
- U.S. Treasury yields reversed their year-long decline in September as rates on Treasuries with maturities greater than one year rose. Longer-term yields rose 10 to 20 basis points over the month of September and into October. Meanwhile, shorter-term yields (less than six months) declined by 15 to 25 basis points as the curve adjusted to the three recent Fed rate cuts.
- For some months we have maintained a portfolio strategy built on an outlook that the economy would grow slowly but avoid a recession. As a result, we maintained a neutral duration strategy, and this strategy remains in place.
- Money market investors enjoyed a mid-September spike in repurchase agreement yields which forced the Fed to calm short-term markets by providing liquidity through open market repo operations. Yield spreads on short-term commercial paper and bank CDs widened during the month, providing good opportunities for ultra short-term investors.

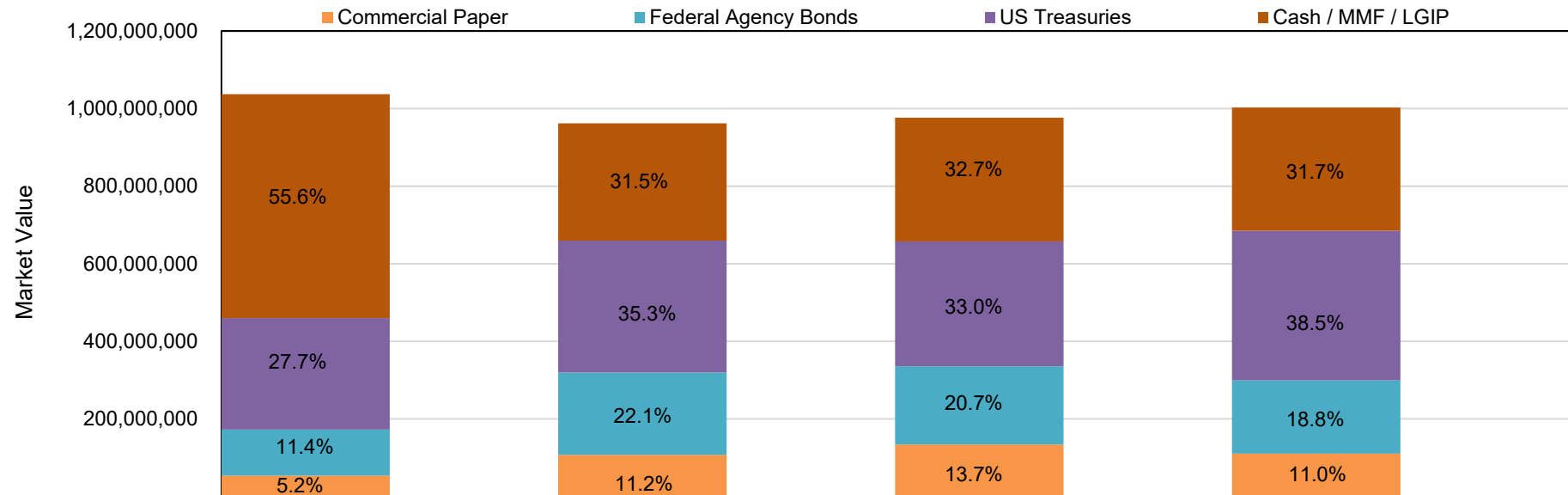
Portfolio Mix

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 set an average target of 45% cash/money market accounts and 55% investments for the portfolio holdings. The 13-month average at the end of September of 2019 was ahead of the target.
- The chart below compares the monthly allocation of the portfolio holdings to the 13-month average and the target. The allocation between cash and investments will vary each month based on liquidity requirements.



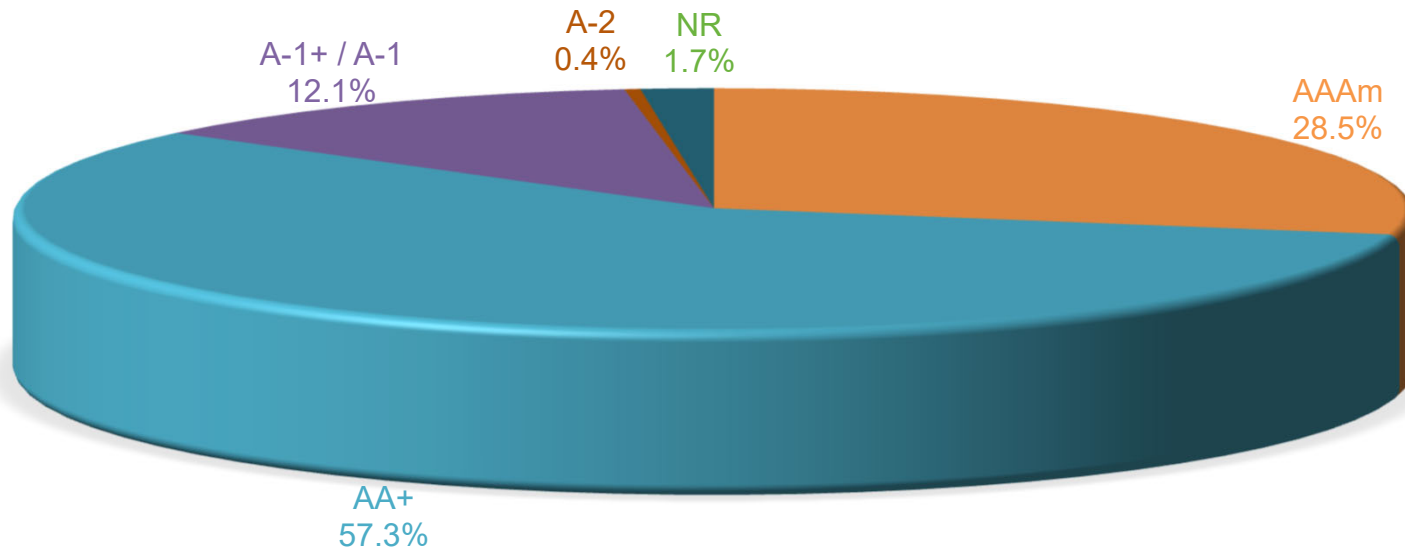
Investments – By Security Type



Security Type	June		July		August		September	
	Market Value	Asset Allocation	Market Value	Asset Allocation	Market Value	Asset Allocation	Market Value	Asset Allocation
Commercial Paper	53,840,560	5.2%	107,303,757	11.2%	133,989,323	13.7%	110,547,317	11.0%
Federal Agencies	118,656,693	11.4%	212,295,043	22.1%	201,717,542	20.7%	188,918,038	18.8%
U.S. Treasuries	287,580,347	27.7%	339,802,420	35.3%	321,846,509	33.0%	385,597,171	38.5%
Cash / MMF / LGIP	576,849,927	55.6%	302,573,205	31.5%	318,968,086	32.7%	317,660,352	31.7%
Total	1,036,927,527	100.0%	961,974,424	100.0%	976,521,459	100.0%	1,002,722,877	100.0%

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,309,258 as of September 30, 2019.

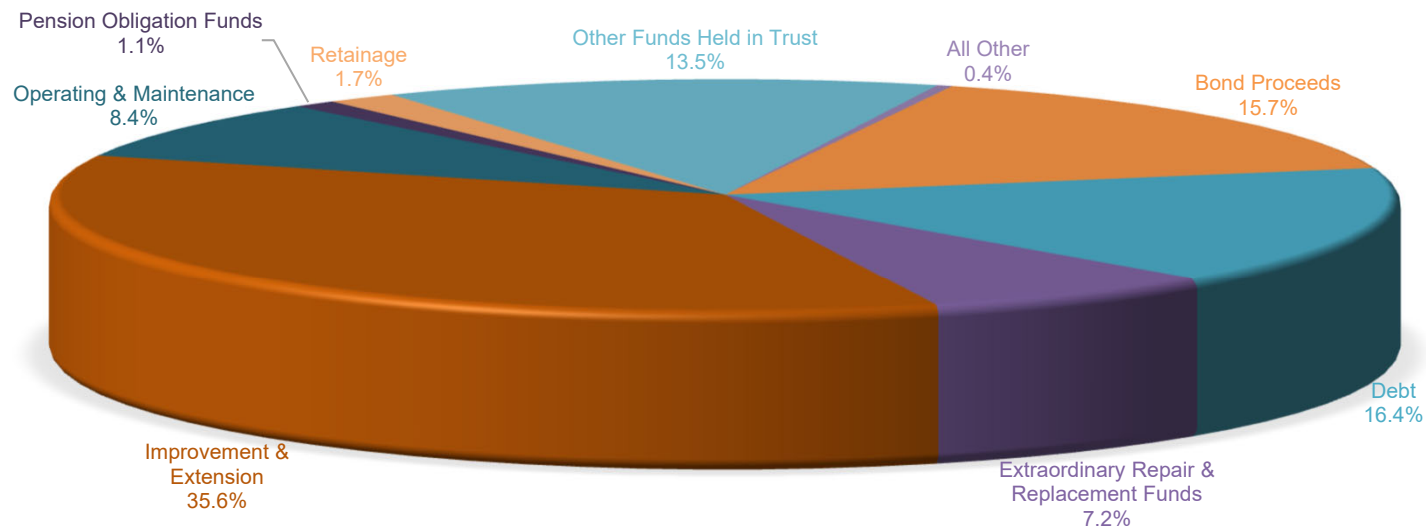
Investments – By Credit Quality



Credit Quality	Market Value	Asset Allocation
Ratings		
AAAm	285,645,224	28.5%
AA+	574,515,208	57.3%
A-1 + / A-1	121,724,245	12.1%
A-2	3,717,173	0.371%
NR	17,121,026	1.7%
Totals	1,002,722,877	100.0%

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,309,258 as of September 30, 2019.

Investments – By Account Purpose



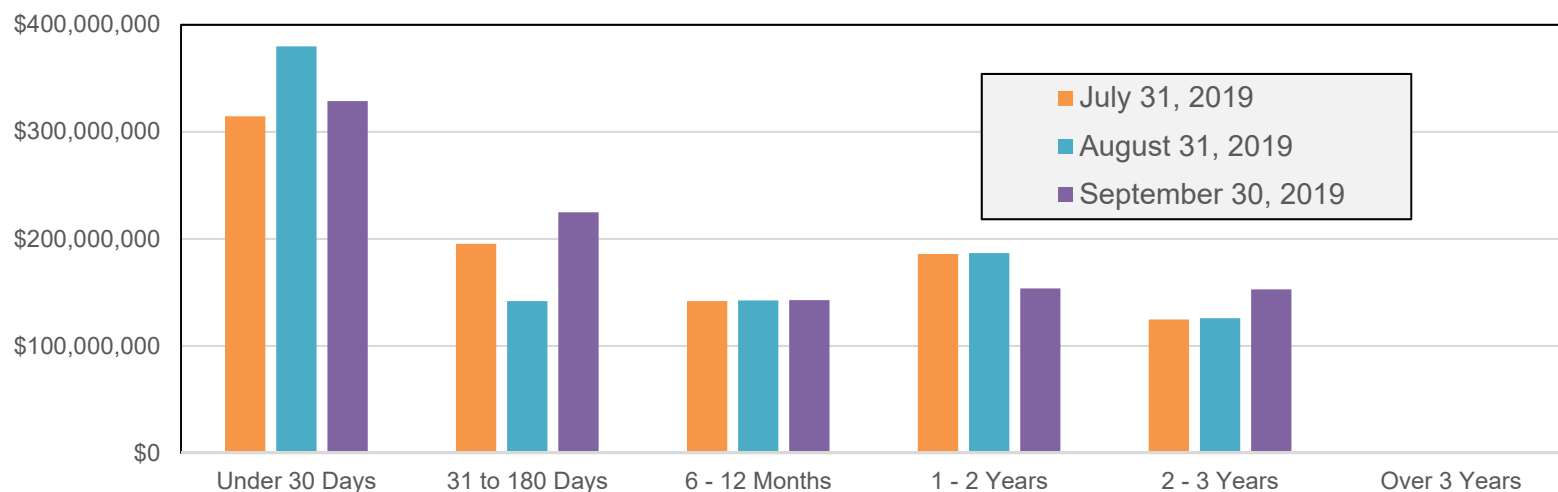
Account Purpose	Market Value	% Allocation
Bond Proceeds	\$ 157,872,157	15.7%
Debt	\$ 164,742,441	16.4%
Extraordinary Repair & Replacement Funds	\$ 71,975,423	7.2%
Improvement & Extension	\$ 356,815,816	35.6%
Operating & Maintenance	\$ 83,902,217	8.4%
Pension Obligation Funds	\$ 10,627,020	1.1%
Retainage	\$ 17,121,026	1.7%
Other Funds Held in Trust	\$ 135,866,094	13.5%
All Other	\$ 3,800,685	0.4%
Total	\$ 1,002,722,877	100.0%

Other Funds Held in Trust	Market Value	% Allocation
Budget Stabilization Funds	\$ 7,591,599	5.6%
Receiving Funds	\$ 118,597,558	87.3%
WRAP Funds	\$ 9,676,937	7.1%
Total	\$ 135,866,094	100.0%

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,309,258 as of September 30, 2019. "All Other" funds includes the Flint Security Deposit account which is held on behalf of the City of Flint and do not belong to GLWA.

Investments – By Maturity

Maturity Distribution	July 31, 2019	%	August 31, 2019	%	September 30, 2019	%
Under 30 Days	\$ 314,495,279	32.7%	\$ 379,815,398	38.9%	\$ 328,790,736	32.8%
31 to 180 Days	195,301,767	20.3%	141,891,388	14.5%	224,797,377	22.4%
6 - 12 Months	141,789,328	14.7%	142,395,570	14.6%	142,673,351	14.2%
1 - 2 Years	185,738,271	19.3%	186,628,361	19.1%	153,681,146	15.3%
2 - 3 Years	124,649,780	13.0%	125,790,742	12.9%	152,780,266	15.2%
Over 3 Years	-	0.0%	-	0.0%	-	0.0%
Totals	\$ 961,974,424	100.0%	\$ 976,521,459	100.0%	\$ 1,002,722,877	100.0%



In addition to the totals listed above, there also exists surety bonds in the amount of \$324,309,258 as of September 30, 2019.

Investment Accounts – Yield at Cost & Market

	As of September 30, 2019		As of June 30, 2019	
	YTM @ Cost	YTM @ Market	YTM @ Cost	YTM @ Market
Bank Deposits				
Comerica	0.18%	0.18%	0.18%	0.18%
First Independence	0.05%	0.05%	0.05%	0.05%
Flint Deposit Account	1.08%	1.08%	1.30%	1.30%
JP Morgan Chase	1.10%	1.10%	1.30%	1.30%
Sub-Total Bank Deposits	0.43%	0.43%	0.37%	0.37%
Money Market Funds / LGIPs				
GoMIC	2.15%	2.15%	2.39%	2.39%
U.S. Bank - First American MMF	1.79%	1.79%	2.25%	2.25%
JP Morgan Securities - Blackrock MMF	1.86%	1.86%	2.29%	2.29%
Sub-Total MMF / LGIPs	1.89%	1.89%	2.28%	2.28%
Investment Portfolios				
Sewage SR Debt Serv 5403	2.07%	2.00%	0.00%	0.00%
Sewage SR Res 5400	1.69%	1.73%	1.58%	1.96%
Sew 2nd Debt Serv 5403	2.07%	2.02%	0.00%	0.00%
Sewage 2nd Res 5481	1.74%	1.69%	2.12%	2.04%
Sew SRF Debt Serv 5410	2.01%	1.98%	2.62%	2.39%
Sewage ER & R	2.47%	1.78%	2.60%	1.95%
Sewer Improvement & Extension	2.15%	1.76%	2.64%	1.99%
Sewer Pension Obligation	1.91%	1.89%	0.00%	0.00%
Sewer Wrap Fund	2.19%	2.03%	2.42%	3.30%
Sewer Budget Stabilization Fund	2.53%	1.79%	2.66%	1.94%
Sewer Bond Fund	2.25%	2.05%	1.93%	2.24%
Sewer O&M Pension Sub Account	2.00%	1.87%	0.00%	0.00%
Water SR Debt Ser 5503	2.08%	2.01%	0.00%	0.00%
Water SR Reserve 5500	2.19%	1.70%	2.71%	1.96%
Water 2nd Debt Serv 5503	2.05%	2.00%	0.00%	0.00%
Water 2nd Res 5581	1.84%	1.69%	0.00%	0.00%
Water SRF Debt Serv 5575	2.00%	1.96%	2.64%	2.41%
Water ER & R	2.45%	1.77%	2.56%	1.94%
Water Improvement & Extension	2.35%	1.78%	2.65%	1.99%
Water Pension Obligation	1.90%	1.88%	0.00%	0.00%
Water Wrap Fund	2.11%	2.04%	2.39%	3.35%
Water Budget Stabilization Fund	2.53%	1.79%	2.66%	1.94%
Water Bond Fund	2.33%	1.96%	2.06%	2.15%
Water O&M Pension Sub Account	2.00%	1.87%	0.00%	0.00%
Sub-Total Investment Portfolios	2.23%	1.83%	2.45%	2.08%
Grand Total	2.08%	1.81%	2.30%	2.13%

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.

Demonstration of Yield to Maturity vs. Duration

- 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 types of funds (e.g., bond proceeds, debt service, etc.) and duration of the overall portfolios listed below as well as the various differences in permitted investments and allowable credit capacity in state statutes (i.e., the ability or non-ability to invest in long-term corporate credit) will have a direct impact on the corresponding yields at market.
- 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 inverted yield curve environment.
- GLWA does not have a potential for a longer duration portfolio when compared to other similar water entities/utilities as the Authority's covenants limits and restricts its ability in managing assets to a longer-term strategy.

As of September 30, 2019

	Market Value	YTM @ Market	Effective Duration	Weighted Average Maturity
GLWA				
Great Lakes Water Authority	\$1,002,722,877	1.81%	0.72 Years	270 Days
Short/Intermediate-Term Indices				
S&P Rated Government Investment Pool Index		2.05%	0.08 Years	30 Days
BoA / ML 3-Month Treasury Index		1.84%	0.16 Years	90 Days
BoA / ML 6-Month Treasury Index		1.83%	0.40 Years	180 Days
BoA / ML 1-Year Treasury Index		1.85%	0.90 Years	365 Days
BoA / ML 1-3 Year Treasury Index		1.69%	1.81 Years	661 Days
BoA / ML 1-5 Year Treasury Index		1.64%	2.56 Years	934 Days
Peer Analysis (Water Entities / Utilities)				
Alameda County Water District, CA	\$136,533,540	1.75%	2.52 Years	967 Days
Coachella Valley Water District, CA	\$409,983,827	1.86%	1.80 Years	815 Days
District of Columbia Water & Sewer Authority, DC	\$356,111,702	1.83%	0.56 Years	214 Days
DuPage Water Commission, IL	\$144,435,919	1.78%	2.39 Years	1,262 Days
Fairfax County Water Authority, VA	\$183,098,775	1.74%	1.92 Years	730 Days
San Bernardino Valley Municipal Water District, CA	\$354,960,699	1.81%	1.84 Years	696 Days
Truckee Meadows Water Authority, NV	\$114,636,958	1.77%	1.78 Years	679 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.

Monthly Investment Income (Book Value)

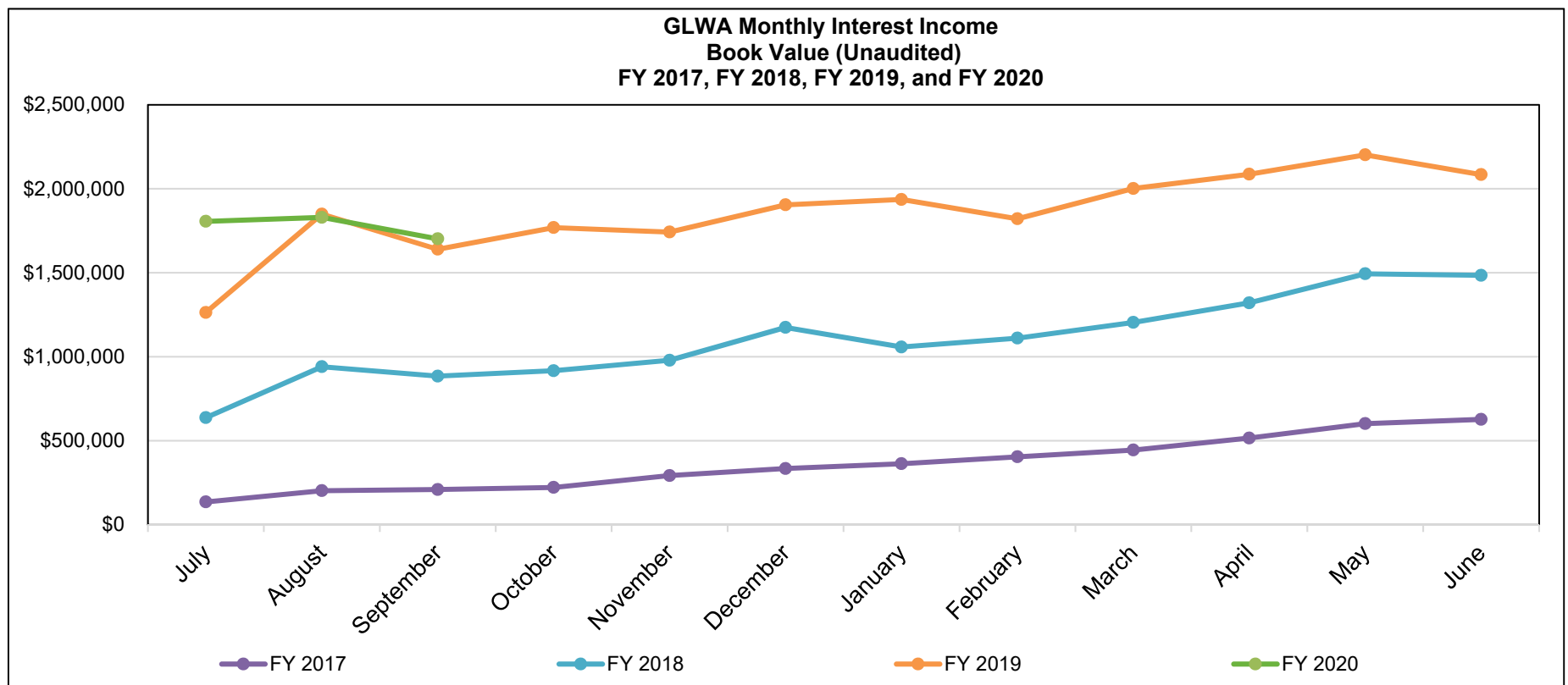
FY 2020 INVESTMENT INCOME BY MONTH (Unaudited)

Month	Interest Earned During Period	Realized Gain / Loss	Investment Income
July 2019	\$1,763,209.65	\$43,136.83	\$1,806,346.48
August 2019	\$1,829,826.44	\$0.00	\$1,829,826.44
September 2019	\$1,700,961.33	\$1,005.57	\$1,701,966.90
<u>FY 2020 Y-T-D</u>	<u>\$5,293,997.42</u>	<u>\$44,142.40</u>	<u>\$5,338,139.82</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.

Year-Over-Year Investment Income

- GLWA has earned \$5,338,140 in investment income for fiscal year 2020 on a book value basis compared to \$4,753,458 for the first three months of fiscal year 2019.
- Projected investment income for fiscal year 2020 is \$17.4 million as the market is pricing in expectations for more projected interest rate cuts by the Fed during fiscal year 2020.



Appendix I: Portfolio Holdings



Portfolio Holdings
As of September 30, 2019

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
Short-Term Bank Deposits / MMF / LGIP									
COMERICA BANK		\$ 3,717,173	7/1/2019	6/30/2019	0.18%	\$ 3,717,173	1	\$ -	\$ 3,717,173
FIRST INDEPENDENCE BANK		17,121,026	7/1/2019	6/30/2019	0.05%	17,121,026	1	-	17,121,026
FLINT DEPOSIT ACCOUNT		3,800,685	7/1/2019	6/30/2019	1.08%	3,800,685	1	-	3,800,685
JP MORGAN CHASE		7,376,244	7/1/2019	6/30/2019	1.10%	7,376,244	1	-	7,376,244
GoMIC		68,387,618	7/1/2019	6/30/2019	2.15%	68,387,618	1	-	68,387,618
U.S. BANK - FIRST AMERICAN MMF		145,484,530	7/1/2019	6/30/2019	1.79%	145,484,530	1	-	145,484,530
JP MORGAN SECURITIES - BLACKROCK MMF		71,773,077	7/1/2019	6/30/2019	1.86%	71,773,077	1	-	71,773,077

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,309,258 as of September 30, 2019.

Portfolio Holdings

As of September 30, 2019

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
Commercial Paper									
MUFG Bank NY 0 10/1/2019	62479MX16	\$ 1,330,000	10/1/2019	7/15/2019	2.32%	\$ 1,323,343	1	\$ -	\$ 1,330,000
BNP Paribas 0 10/1/2019	09659CX11	1,000,000	10/1/2019	5/10/2019	2.52%	990,040	1	-	1,000,000
Bank of Montreal 0 10/9/2019	06366HX93	1,000,000	10/9/2019	7/10/2019	2.31%	994,186	9	-	999,515
Bank of Montreal 0 10/9/2019	06366HX93	2,750,000	10/9/2019	7/10/2019	2.31%	2,734,012	9	-	2,748,666
MUFG LTD NY 0 11/1/2019	62479MY15	200,000	11/1/2019	7/10/2019	2.34%	198,531	32	-	199,656
MUFG LTD NY 0 11/1/2019	62479MY15	180,000	11/1/2019	8/8/2019	2.18%	179,078	32	-	179,690
MUFG LTD NY 0 11/1/2019	62479MY15	160,000	11/1/2019	9/6/2019	2.09%	159,482	32	-	159,725
NATIXIS NY 0 11/7/2019	63873KY76	2,500,000	11/7/2019	6/14/2019	2.28%	2,477,086	38	-	2,494,425
NATIXIS NY 0 11/7/2019	63873KY76	2,750,000	11/7/2019	6/14/2019	2.28%	2,724,795	38	-	2,743,868
Cooperatieve Rabobank 0 11/29/2019	21687BYV7	725,000	11/29/2019	8/5/2019	2.14%	720,047	60	-	722,450
Credit Agricole NY 0 11/29/2019	22533UYV9	1,000,000	11/29/2019	8/8/2019	2.19%	993,173	60	-	996,720
Credit Agricole NY 0 11/29/2019	22533UYV9	325,000	11/29/2019	8/8/2019	2.19%	322,781	60	-	323,934
MUFG Bank NY 0 12/2/2019	62479MZ22-1	2,500,000	12/2/2019	7/2/2019	2.24%	2,476,413	63	-	2,490,778
MUFG Bank NY 0 12/2/2019	62479MZ22-1	2,750,000	12/2/2019	7/2/2019	2.24%	2,724,054	63	-	2,739,855
MUFG LTD NY 0 12/2/2019	62479MZ22-2	680,000	12/2/2019	7/10/2019	2.29%	673,783	63	-	677,647
MUFG LTD NY 0 12/2/2019	62479MZ22-2	175,000	12/2/2019	9/6/2019	2.09%	174,120	63	-	174,395
Credit Agricole NY 0 12/10/2019	22533UZA4	3,325,000	12/10/2019	8/8/2019	2.08%	3,301,370	71	-	3,311,999
Credit Agricole NY 0 12/10/2019	22533UZA4	2,875,000	12/10/2019	8/9/2019	2.10%	2,854,568	71	-	2,863,759
Credit Agricole NY 0 12/10/2019	22533UZA4	7,350,000	12/10/2019	8/9/2019	2.10%	7,297,766	71	-	7,321,262
BNP Paribas NY 0 12/11/2019	09659CZB7	2,500,000	12/11/2019	7/11/2019	2.25%	2,476,306	72	-	2,489,670
BNP Paribas NY 0 12/11/2019	09659CZB7	2,500,000	12/11/2019	7/11/2019	2.25%	2,476,306	72	-	2,489,670
JPMorgan Securities 0 12/16/2019	46640QZG9	4,000,000	12/16/2019	6/14/2019	2.30%	3,953,339	77	-	3,982,444
JPMorgan Securities 0 12/16/2019	46640QZG9	4,750,000	12/16/2019	6/14/2019	2.30%	4,694,590	77	-	4,729,152
Credit Agricole NY 0 12/18/2019	22533UZJ5	2,250,000	12/18/2019	9/18/2019	2.06%	2,238,341	79	-	2,239,583
Credit Agricole NY 0 12/18/2019	22533UZJ5	2,500,000	12/18/2019	9/18/2019	2.06%	2,487,045	79	-	2,488,425
BNP Paribas NY 0 12/19/2019	09659CZK7	4,600,000	12/19/2019	7/16/2019	2.21%	4,556,346	80	-	4,579,714
Lloyds Bank 0 12/19/2019	53943SZK6	2,525,000	12/19/2019	7/15/2019	2.20%	2,500,994	80	-	2,513,865
Lloyds Bank 0 12/19/2019	53943SZK6	6,000,000	12/19/2019	7/15/2019	2.20%	5,942,957	80	-	5,973,540
Natixis Bank NY 0 12/19/2019	63873KZK6	3,000,000	12/19/2019	7/15/2019	2.23%	2,971,086	80	-	2,986,770
BNP Paribas NY 0 12/19/2019	09659CZK7	1,795,000	12/19/2019	7/16/2019	2.21%	1,777,965	80	-	1,787,084
Lloyds Bank 0 12/19/2019	53943SZK6	3,865,000	12/19/2019	7/15/2019	2.20%	3,828,255	80	-	3,847,955
Lloyds Bank 0 12/19/2019	53943SZK6	5,610,000	12/19/2019	7/15/2019	2.20%	5,556,664	80	-	5,585,260
Natixis Bank NY 0 12/19/2019	63873KZK6	3,000,000	12/19/2019	7/15/2019	2.23%	2,971,086	80	-	2,986,770
MUFG Bank NY 0 12/31/2019	62479MZX4	1,780,000	12/31/2019	7/16/2019	2.21%	1,761,808	92	-	1,770,958
Toyota Motor Credit 0 1/2/2020	89233GA22-2	4,150,000	1/2/2020	9/16/2019	2.05%	4,124,602	94	-	4,128,362
Toyota Motor Credit 0 1/2/2020	89233GA22-1	1,005,000	1/2/2020	9/6/2019	1.98%	998,510	94	-	999,784
Credit Agricole NY 0 1/2/2020	22533TA22	1,000,000	1/2/2020	8/8/2019	2.04%	991,752	94	-	994,810
Toyota Motor Credit 0 2/3/2020	89233GB39	1,010,000	2/3/2020	9/6/2019	1.97%	1,001,794	126	-	1,002,880
Toyota Motor Credit 0 3/2/2020	89233GC20	3,800,000	3/2/2020	9/16/2019	2.07%	3,763,647	154	-	3,768,186
Toyota Motor Credit 0 3/13/2020	89233GCD6	410,000	3/13/2020	7/11/2019	2.21%	403,892	165	-	406,191
Toyota Motor Credit 0 3/13/2020	89233GCD6	665,000	3/13/2020	7/11/2019	2.21%	655,094	165	-	658,822
Swedbank 0 3/16/2020	87019RCG9	2,500,000	3/16/2020	8/29/2019	2.08%	2,471,389	168	-	2,476,130
Swedbank 0 3/16/2020	87019RCG9	2,100,000	3/16/2020	8/29/2019	2.08%	2,075,967	168	-	2,079,949
Cooperatieve Rabobank 0 3/18/2020	21687ACJ0	3,750,000	3/18/2020	9/18/2019	2.04%	3,711,704	170	-	3,713,520
Toyota Motor Credit 0 3/20/2020	89233GCL8	145,000	3/20/2020	9/9/2019	2.00%	143,461	172	-	143,595
MUFG Bank NY 0 3/20/2020	62479LCL7	1,235,000	3/20/2020	8/9/2019	2.05%	1,219,477	172	-	1,223,033
Toyota Motor Credit 0 3/20/2020	89233GCL8	5,072,000	3/20/2020	9/9/2019	2.00%	5,018,161	172	-	5,022,852

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,309,258 as of September 30, 2019.

Portfolio Holdings As of September 30, 2019

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
Federal Agencies									
FHLMC 1.25 10/2/2019	3137EADM8	\$ 5,045,000	10/2/2019	12/28/2017	1.93%	\$ 4,985,469	2	\$ 31,181	\$ 5,044,849
FHLB 2.125 2/11/2020	3130ADN32	3,750,000	2/11/2020	6/28/2018	2.52%	3,726,750	134	10,846	3,752,715
FHLMC 2.5 4/23/2020	3137EAEM7	3,750,000	4/23/2020	6/28/2018	2.56%	3,746,288	206	40,885	3,762,780
FHLB 2.625 5/28/2020	3130AECJ7	3,750,000	5/28/2020	6/28/2018	2.57%	3,753,825	241	33,359	3,768,251
FHLMC 2.375 2/16/2021	3137EAEL9	3,500,000	2/16/2021	8/8/2018	2.79%	3,465,210	505	10,160	3,528,315
FHLMC 2.375 2/16/2021	3137EAEL9	20,000,000	2/16/2021	8/8/2018	2.79%	19,801,200	505	58,056	20,161,800
FHLMC 2.375 2/16/2021	3137EAEL9	250,000	2/16/2021	8/9/2018	2.78%	247,563	505	726	252,023
FHLMC 2.375 2/16/2021	3137EAEL9	685,000	2/16/2021	8/9/2018	2.78%	678,321	505	1,988	690,542
FNMA 2.5 4/13/2021	3135G0U27	3,500,000	4/13/2021	8/8/2018	2.82%	3,471,685	561	40,590	3,541,685
FNMA 2.5 4/13/2021	3135G0U27	20,000,000	4/13/2021	8/8/2018	2.82%	19,838,200	561	231,944	20,238,200
FNMA 2.5 4/13/2021	3135G0U27	250,000	4/13/2021	8/9/2018	2.81%	247,985	561	2,899	252,978
FNMA 2.5 4/13/2021	3135G0U27	3,400,000	4/13/2021	8/8/2018	2.81%	3,372,698	561	39,431	3,440,494
FNMA 2.5 4/13/2021	3135G0U27	685,000	4/13/2021	8/9/2018	2.81%	679,479	561	7,944	693,158
FNMA 2.5 4/13/2021	3135G0U27	5,750,000	4/13/2021	8/8/2018	2.81%	5,703,828	561	66,684	5,818,483
FHLB 2.25 6/11/2021	3130A1W95	10,000,000	6/11/2021	7/11/2019	1.94%	10,058,200	620	68,125	10,096,400
FHLB 2.25 6/11/2021	3130A1W95	25,000,000	6/11/2021	7/11/2019	1.94%	25,145,500	620	170,313	25,241,000
FHLB 1.875 7/7/2021	3130AGLD5	3,715,000	7/7/2021	6/10/2019	1.96%	3,708,982	646	16,060	3,728,114
FHLB 1.875 7/7/2021	3130AGLD5	3,910,000	7/7/2021	6/10/2019	1.96%	3,903,666	646	16,903	3,923,802
FHLMC 2.375 1/13/2022	3137EADB2	10,000,000	1/13/2022	7/11/2019	1.89%	10,118,700	836	50,799	10,154,000
FHLMC 2.375 1/13/2022	3137EADB2	25,000,000	1/13/2022	7/11/2019	1.89%	25,296,750	836	126,997	25,385,000
FHLB 2.125 6/10/2022	313379Q69	10,000,000	6/10/2022	7/11/2019	1.92%	10,059,200	984	64,931	10,126,700
FHLB 2.125 6/10/2022	313379Q69	25,000,000	6/10/2022	7/11/2019	1.92%	25,148,000	984	162,326	25,316,750

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Portfolio Holdings As of September 30, 2019

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
U.S. Treasuries									
T-Note 1.25 10/31/2019	912828TV2	\$ 1,275,000	10/31/2019	2/7/2019	2.54%	\$ 1,263,196	31	\$ 6,626	\$ 1,274,120
T-Note 1.5 10/31/2019	912828F62-2	2,000,000	10/31/2019	8/8/2018	2.56%	1,974,453	31	12,473	1,999,020
T-Note 1.5 10/31/2019	912828F62-1	3,405,000	10/31/2019	6/28/2018	2.43%	3,363,635	31	21,235	3,403,332
T-Note 1.25 10/31/2019	912828TV2	11,275,000	10/31/2019	2/7/2019	2.53%	11,171,499	31	58,596	11,267,220
T-Note 1.5 10/31/2019	912828F62-2	4,000,000	10/31/2019	8/8/2018	2.56%	3,948,906	31	24,946	3,998,040
T-Note 1.5 10/31/2019	912828F62-2	1,000,000	10/31/2019	6/10/2019	2.22%	997,227	31	6,236	999,510
T-Note 1.75 11/30/2019	9128283H1	3,350,000	11/30/2019	6/28/2018	2.44%	3,317,809	61	19,542	3,348,292
T-Note 1.75 11/30/2019	9128283H1	3,780,000	11/30/2019	6/28/2018	2.44%	3,743,677	61	22,050	3,778,072
T-Note 1.875 12/31/2019	9128283N8-1	3,300,000	12/31/2019	6/28/2018	2.46%	3,271,770	92	15,469	3,299,614
T-Note 1.875 12/31/2019	9128283N8-1	3,750,000	12/31/2019	6/28/2018	2.46%	3,717,920	92	17,578	3,749,561
T-Note 1.625 12/31/2019	912828G95	3,756,000	12/31/2019	8/9/2019	2.01%	3,750,278	92	15,259	3,752,770
T-Note 1.625 12/31/2019	912828G95	3,670,000	12/31/2019	8/9/2019	2.01%	3,664,409	92	14,909	3,666,844
T-Note 1.875 12/31/2019	9128283N8-2	3,974,000	12/31/2019	9/5/2019	1.93%	3,973,224	92	18,628	3,973,523
T-Note 1.875 12/31/2019	9128283N8-2	10,263,000	12/31/2019	9/5/2019	1.93%	10,260,996	92	48,108	10,261,768
T-Note 1.625 12/31/2019	912828G95	928,000	12/31/2019	8/9/2019	2.01%	926,586	92	3,770	927,202
T-Note 1.625 12/31/2019	912828G95	4,197,000	12/31/2019	8/9/2019	2.01%	4,190,606	92	17,050	4,193,391
T-Note 1.875 12/31/2019	9128283N8-2	3,789,000	12/31/2019	9/5/2019	1.93%	3,788,260	92	17,761	3,788,545
T-Note 1.875 12/31/2019	9128283N8-2	11,520,000	12/31/2019	9/5/2019	1.93%	11,517,750	92	54,000	11,518,618
T-Note 2 1/31/2020	9128283S7	3,750,000	1/31/2020	6/28/2018	2.46%	3,723,047	123	12,432	3,751,024
T-Note 2.25 2/29/2020	9128283Y4	3,500,000	2/29/2020	8/8/2018	2.63%	3,479,902	152	6,490	3,504,935
T-Note 2.25 2/29/2020	9128283Y4	20,000,000	2/29/2020	8/8/2018	2.63%	19,885,156	152	37,088	20,028,200
T-Note 2.25 2/29/2020	9128283Y4	250,000	2/29/2020	8/9/2018	2.62%	248,594	152	464	250,353
T-Note 2.25 2/29/2020	9128283Y4	3,400,000	2/29/2020	8/8/2018	2.63%	3,380,477	152	6,305	3,404,794
T-Note 2.25 2/29/2020	9128283Y4	685,000	2/29/2020	8/9/2018	2.62%	681,147	152	1,270	685,966
T-Note 2.25 2/29/2020	9128283Y4	5,750,000	2/29/2020	8/8/2018	2.63%	5,716,982	152	10,663	5,758,108
T-Note 2.25 3/31/2020	9128284C1	3,725,000	3/31/2020	6/28/2018	2.49%	3,709,431	183	-	3,731,549
T-Note 2.375 4/30/2020	9128284J6	3,500,000	4/30/2020	4/30/2019	2.40%	3,499,043	213	34,560	3,509,975
T-Note 2.375 4/30/2020	9128284J6	15,000,000	4/30/2020	4/30/2019	2.40%	14,996,484	213	148,115	15,042,750
T-Note 2.5 5/31/2020	9128284Q0	3,500,000	5/31/2020	8/8/2018	2.66%	3,489,883	244	29,167	3,514,070
T-Note 2.5 5/31/2020	9128284Q0	4,750,000	5/31/2020	7/11/2019	2.02%	4,770,039	244	39,583	4,769,095
T-Note 2.5 5/31/2020	9128284Q0	20,000,000	5/31/2020	8/8/2018	2.66%	19,942,188	244	166,667	20,080,400
T-Note 2.5 5/31/2020	9128284Q0	250,000	5/31/2020	8/9/2018	2.66%	249,297	244	2,083	251,005
T-Note 2.5 5/31/2020	9128284Q0	3,400,000	5/31/2020	8/8/2018	2.66%	3,390,172	244	28,333	3,413,668
T-Note 2.5 5/31/2020	9128284Q0	685,000	5/31/2020	8/9/2018	2.66%	683,073	244	5,708	687,754
T-Note 2.5 5/31/2020	9128284Q0	5,750,000	5/31/2020	8/8/2018	2.66%	5,733,379	244	47,917	5,773,115
T-Note 1.5 6/15/2020	912828XJ9-2	355,000	6/15/2020	7/10/2019	1.99%	353,391	259	1,557	354,084
T-Note 1.5 6/15/2020	912828XJ9-2	1,784,000	6/15/2020	9/6/2019	1.82%	1,779,679	259	7,823	1,779,397
T-Note 1.5 6/15/2020	912828XJ9-1	635,000	6/15/2020	7/10/2019	2.00%	632,098	259	2,785	633,361

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Portfolio Holdings As of September 30, 2019

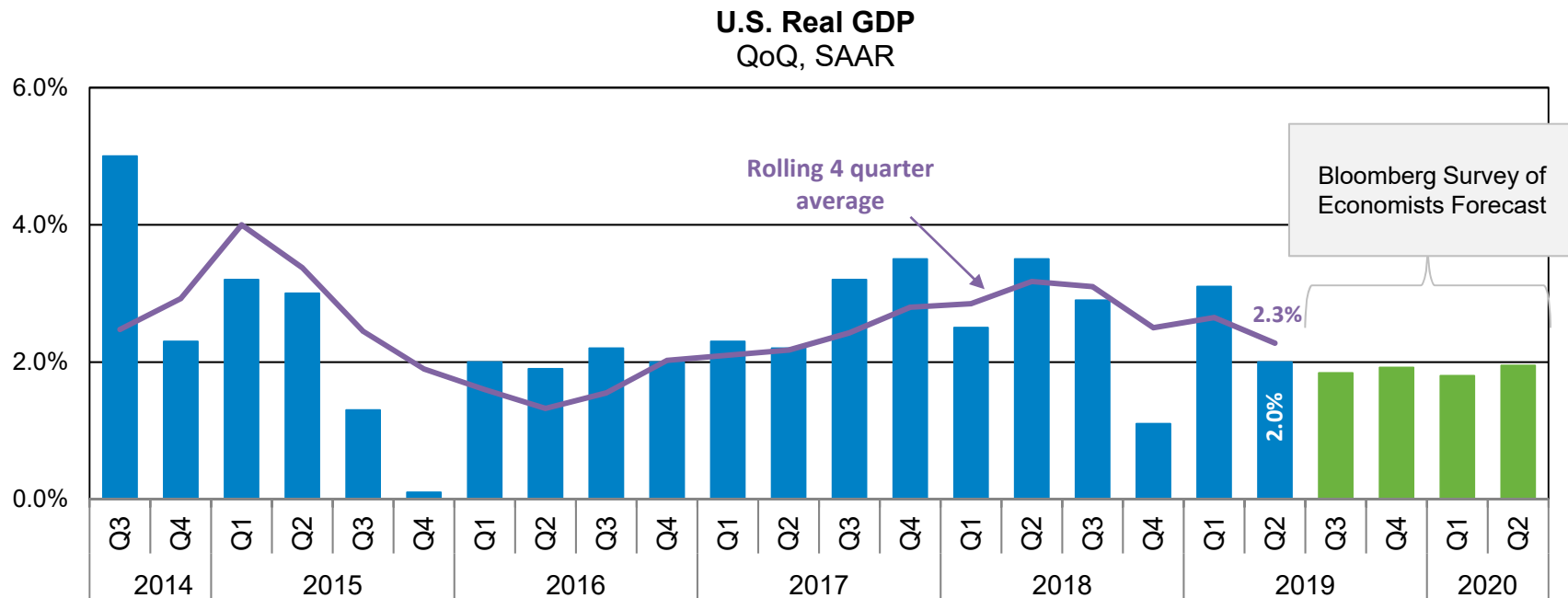
DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
U.S. Treasuries									
T-Note 1.5 6/15/2020	912828XJ9-2	299,000	6/15/2020	7/10/2019	1.99%	297,645	259	1,311	298,229
T-Note 1.5 6/15/2020	912828XJ9-2	2,449,000	6/15/2020	9/6/2019	1.82%	2,443,069	259	10,739	2,442,682
T-Note 1.5 6/15/2020	912828XJ9-1	1,140,000	6/15/2020	7/10/2019	2.00%	1,134,790	259	4,999	1,137,058
T-Note 1.875 6/30/2020	912828VJ6-1	3,750,000	6/30/2020	6/28/2018	2.52%	3,703,271	274	17,578	3,750,293
T-Note 1.875 6/30/2020	912828VJ6-2	1,740,000	6/30/2020	7/3/2018	2.54%	1,717,638	274	8,156	1,740,139
T-Note 1.875 6/30/2020	912828VJ6-2	2,760,000	6/30/2020	10/30/2018	2.81%	2,718,061	274	12,938	2,760,221
T-Note 1.625 6/30/2020	912828XH8	9,705,000	6/30/2020	10/11/2017	1.61%	9,709,928	274	39,427	9,687,919
T-Note 1.625 6/30/2020	912828XH8	4,565,000	6/30/2020	2/27/2017	1.54%	4,578,374	274	18,545	4,556,966
T-Note 1.625 6/30/2020	912828XH8	6,560,000	6/30/2020	10/11/2017	1.61%	6,563,331	274	26,650	6,548,454
T-Note 2.125 8/31/2020	912828VV9	3,500,000	8/31/2020	8/8/2018	2.69%	3,460,762	336	6,130	3,508,610
T-Note 2.125 8/31/2020	912828VV9	5,000,000	8/31/2020	7/11/2019	1.95%	5,009,570	336	8,757	5,012,300
T-Note 2.125 8/31/2020	912828VV9	20,000,000	8/31/2020	8/8/2018	2.69%	19,775,781	336	35,027	20,049,200
T-Note 2.125 8/31/2020	912828VV9	250,000	8/31/2020	8/9/2018	2.69%	247,188	336	438	250,615
T-Note 2.125 8/31/2020	912828VV9	3,400,000	8/31/2020	8/8/2018	2.69%	3,361,883	336	5,955	3,408,364
T-Note 2.125 8/31/2020	912828VV9	685,000	8/31/2020	8/9/2018	2.69%	677,294	336	1,200	686,685
T-Note 2.125 8/31/2020	912828VV9	5,750,000	8/31/2020	8/8/2018	2.69%	5,685,537	336	10,070	5,764,145
T-Note 2 11/30/2020	912828A42	3,500,000	11/30/2020	8/8/2018	2.72%	3,444,082	427	23,333	3,507,665
T-Note 2 11/30/2020	912828A42	6,100,000	11/30/2020	9/6/2019	1.74%	6,119,539	427	40,667	6,113,359
T-Note 2 11/30/2020	912828A42	20,000,000	11/30/2020	8/8/2018	2.72%	19,680,469	427	133,333	20,043,800
T-Note 2 11/30/2020	912828A42	250,000	11/30/2020	8/9/2018	2.72%	246,006	427	1,667	250,548
T-Note 2 11/30/2020	912828A42	3,400,000	11/30/2020	9/17/2018	2.81%	3,341,828	427	22,667	3,407,446
T-Note 2 11/30/2020	912828A42	685,000	11/30/2020	8/9/2018	2.72%	674,056	427	4,567	686,500
T-Note 2 11/30/2020	912828A42	5,750,000	11/30/2020	9/17/2018	2.81%	5,651,621	427	38,333	5,762,593
T-Note 1.875 12/15/2021	912828L2	2,070,000	12/15/2021	7/10/2019	1.91%	2,069,030	442	11,347	2,071,863
T-Note 2.625 5/15/2021	9128284P2	245,000	5/15/2021	2/7/2019	2.49%	245,708	593	2,412	248,530
T-Note 2.625 5/15/2021	9128284P2	3,455,000	5/15/2021	2/7/2019	2.49%	3,464,852	593	34,010	3,504,787
T-Note 2.625 5/15/2021	9128284P2	700,000	5/15/2021	2/7/2019	2.49%	702,023	593	6,891	710,087
T-Note 2.625 5/15/2021	9128284P2	5,685,000	5/15/2021	2/7/2019	2.49%	5,701,211	593	55,962	5,766,921
T-Note 1.25 10/31/2021	912828T67	10,000,000	10/31/2021	7/11/2019	1.83%	9,870,703	762	51,970	9,918,800
T-Note 1.25 10/31/2021	912828T67	2,500,000	10/31/2021	7/11/2019	1.83%	2,467,676	762	12,993	2,479,700
T-Note 1.25 10/31/2021	912828T67	17,500,000	10/31/2021	9/6/2019	1.55%	17,388,574	762	90,948	17,357,900
T-Note 1.25 10/31/2021	912828T67	270,000	10/31/2021	9/6/2019	1.55%	268,313	762	1,403	267,808
T-Note 1.25 10/31/2021	912828T67	3,405,000	10/31/2021	9/6/2019	1.55%	3,383,586	762	17,696	3,377,351
T-Note 1.25 10/31/2021	912828T67	730,000	10/31/2021	9/6/2019	1.55%	725,438	762	3,794	724,072
T-Note 1.25 10/31/2021	912828T67	5,765,000	10/31/2021	9/6/2019	1.55%	5,728,744	762	29,961	5,718,188
T-Note 2.625 12/15/2021	9128285R7	2,700,000	12/15/2021	7/10/2019	1.80%	2,752,945	807	20,720	2,759,481
T-Note 2.625 12/15/2021	9128285R7	7,100,000	12/15/2021	7/10/2019	1.80%	7,239,227	807	54,487	7,256,413
T-Note 2.625 12/15/2021	9128285R7	20,350,000	12/15/2021	7/10/2019	1.80%	20,749,051	807	156,170	20,798,311
T-Note 2.625 12/15/2021	9128285R7	10,900,000	12/15/2021	7/10/2019	1.80%	11,113,742	807	83,649	11,140,127

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Appendix II: Economic Update

Economic Growth Declines in Second Quarter

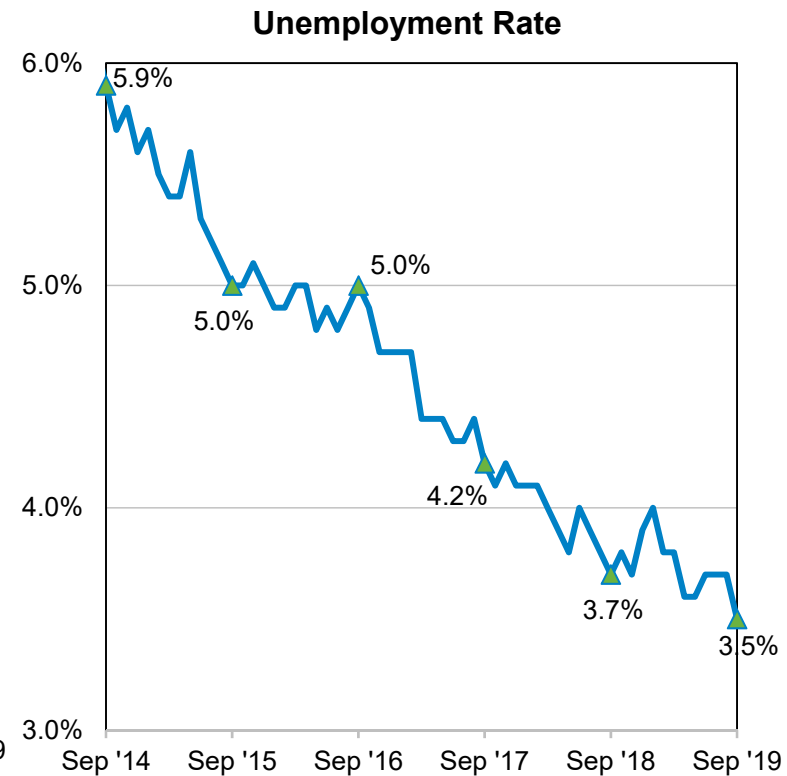
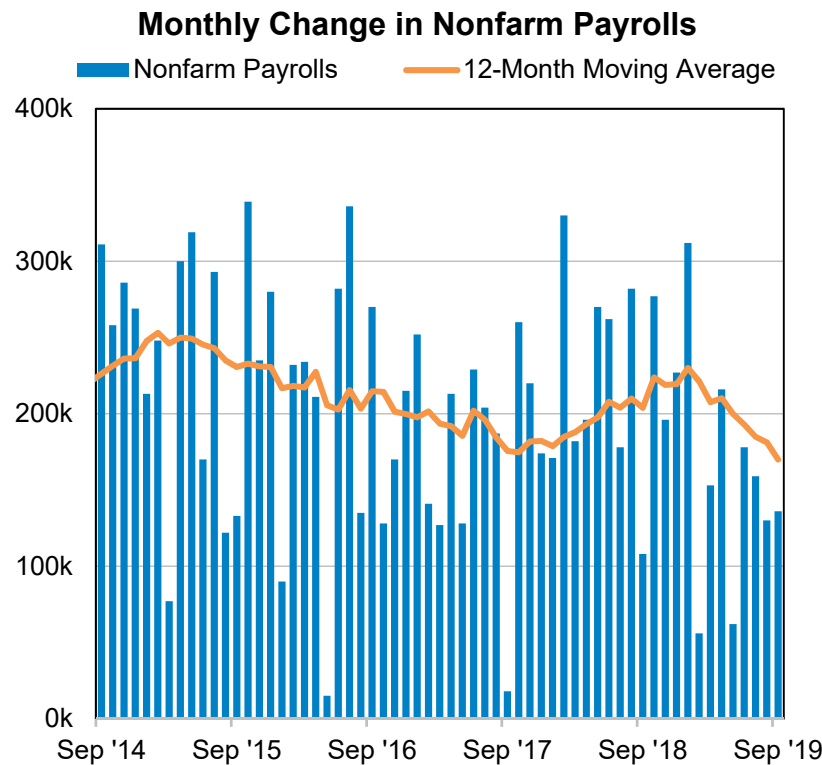
- U.S. economic activity experienced moderate growth during the second quarter of 2019
 - The final estimate of U.S. GDP growth for the second quarter was 2.0%, coinciding with the second estimate, and is modestly above trend in the first half of 2019
- Growth is still projected to steadily decline in the remaining quarters of 2019 and into 2020, highlighting positive but moderate growth
 - Over the past few quarters, economic risks in the U.S. have risen; however, domestic economic data remains supportive of moderate, sustained growth over the near-term



Source: Bloomberg, as of September 30, 2019. SAAR is seasonally adjusted annualized rate. Purple denotes rolling four-quarter averages.

Labor Market Job Growth Continues to Slow

- The U.S. economy added 136,000 jobs in September, below the street's expected 145,000
- The September unemployment rate fell below expectations to arrive at 3.5%, the lowest reading since 1969

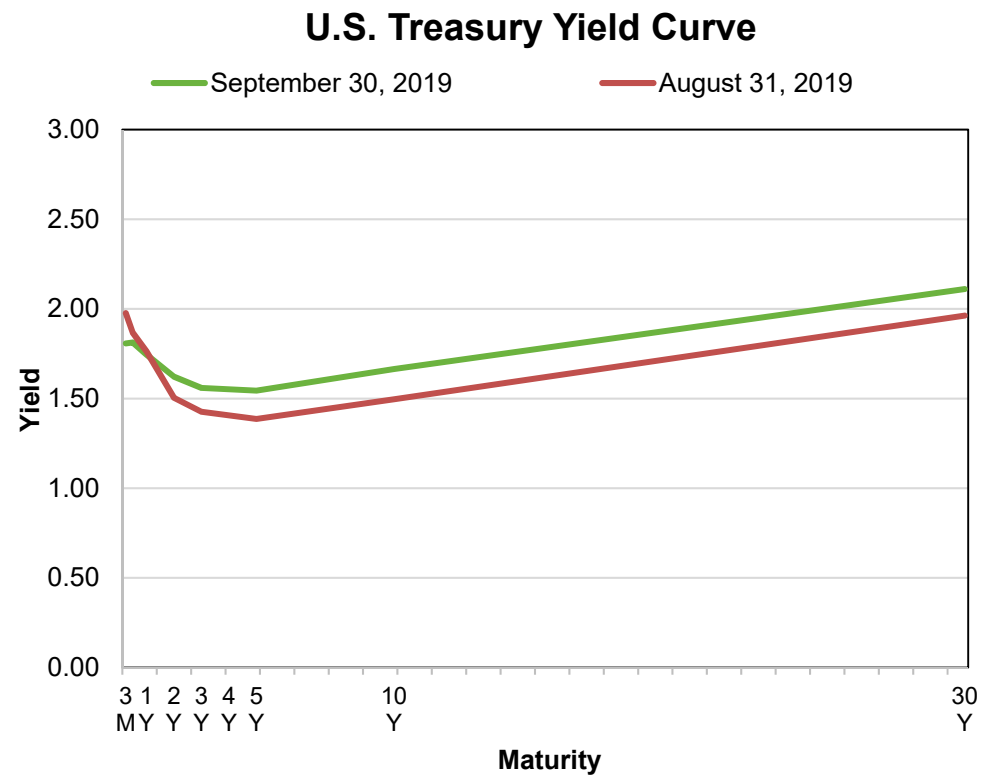


Source: Bloomberg, as of September 30, 2019.

U.S. Treasury Yield Curve

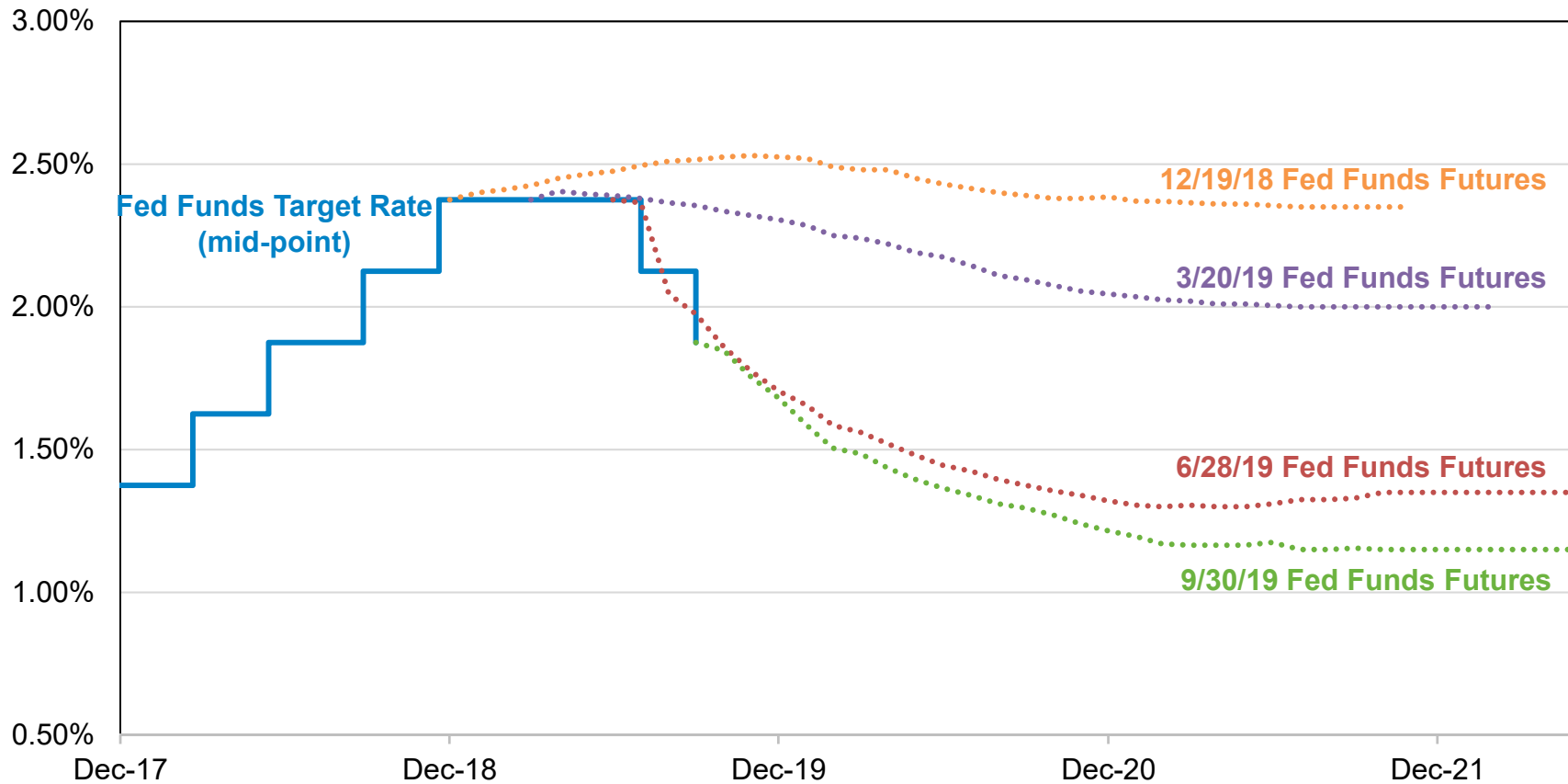
- Long-term U.S. Treasury yields increased in September while short-term rates fell as the curve becomes less inverted amid expansionary Federal Reserve policy and moderate economic growth
- As of September 30, 2019, the yield curve is inverted between the 3-month and 10-year maturities; over the month, longer-term yields rose to correct the inversion between the 3-month and 30-year maturities

	<u>8/31/2019</u>	<u>9/30/2019</u>	<u>Change</u>
3 month	1.98%	1.81%	-0.17%
6 month	1.87%	1.81%	-0.05%
1 year	1.77%	1.74%	-0.02%
2 year	1.51%	1.62%	0.12%
3 year	1.43%	1.56%	0.13%
5 year	1.41%	1.54%	0.16%
10 year	1.50%	1.66%	0.17%
30 year	1.96%	2.11%	0.15%



Source: Bloomberg, as of September 30, 2019.

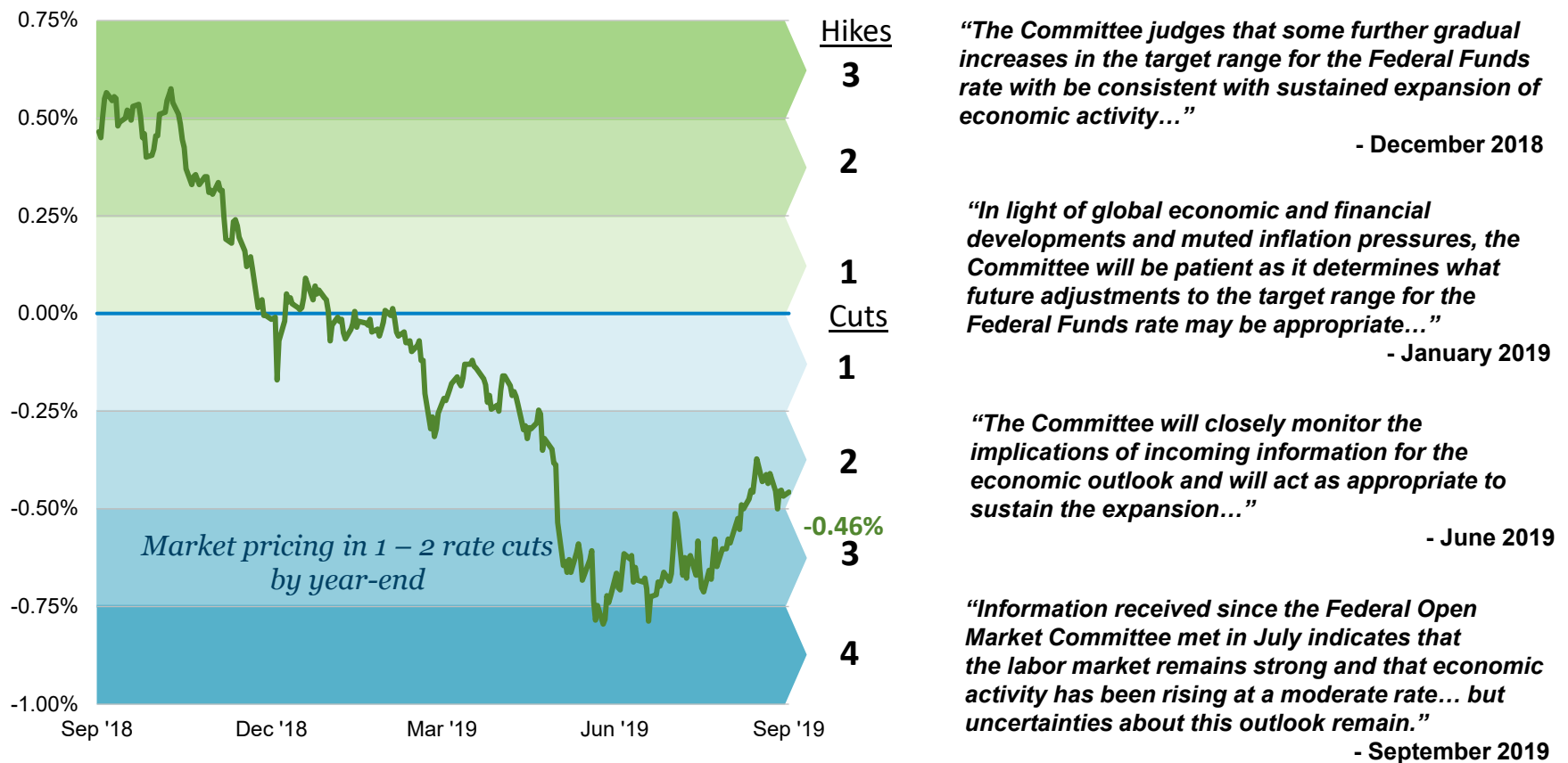
The Market Expects 1 – 2 More Rate Cuts by Year End



Source: Federal Reserve and Bloomberg. Fed Funds futures as of Fed meeting dates of 12/19/2018 and 3/20/2019 as well as 9/30/2019.

Market Expectations Adjust to FOMC Guidance

2019 Rate Moves Priced into the Futures Market

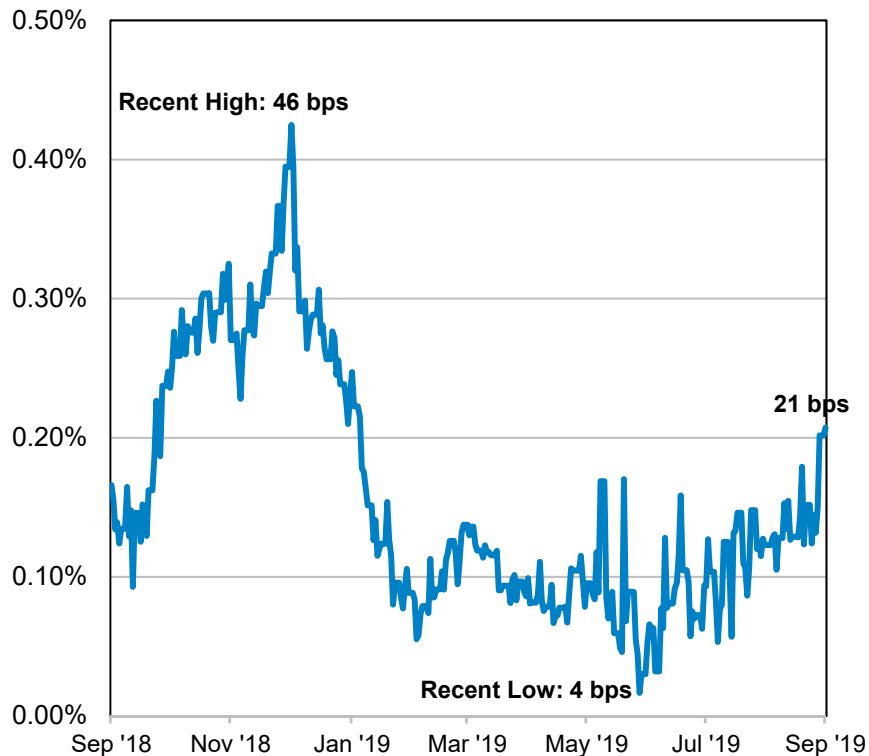


Source: Bloomberg, as of September 30, 2019.

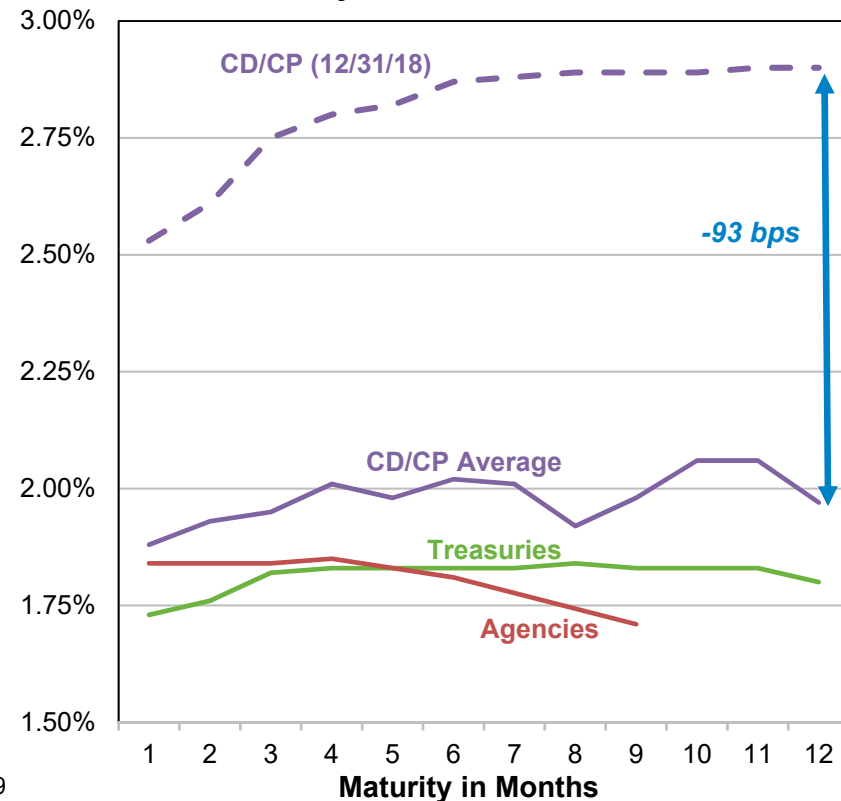
Current Short-Term Interest Rate Environment

- In September, commercial paper and bank certificate of deposit (CP / CD) yield spreads bounced backed from recent lows but remain narrow
- Treasuries continue to be relatively attractive versus Agency discount notes

Yield Spread on 6-month Commercial Paper over T-Bill



Money Market Yield Curves



Source: Bloomberg, PFMAM Trading Desk, as of 9/30/19. Not a specific recommendation. Actual yields may vary by issue.

Fixed Income Market Overview and Outlook

FIXED INCOME MARKET – ECONOMIC HIGHLIGHTS

- Interest rates continued their decline in the third quarter in response to further weakness in manufacturing activity, the on-again, off-again trade conflict with China, and heightened recession fears for the U.S. and global economies.
- Yields on intermediate-term maturity (2 – 5 year) U.S. Treasuries fell by 12 – 22 basis points (0.12% – 0.22%).
 - Long-term Treasury yields fell even more, with the benchmark 30-year Treasury bond declining by more than 40 basis points (0.40%) after briefly falling below 2.00% for the first time in history.
 - The front end of the yield curve (less than 6 months) declined by 25 – 30 basis points (0.25% – 0.30%) in response to the Fed's July and September rate cuts.
- Because yields were sharply lower over the past quarter (and year-to-date), bond market returns have been exceptionally strong: year-to-date returns were around 1.75% on cash, 3% – 4% on shorter-duration strategies, 8.5% on the U.S. Bond Aggregate, and over 12% on longer-term investment-grade credit.
- Our strategy for the third quarter included the following elements:
 - We continued to rotate out of the Federal Agency sector as their yield spreads remained near historical highs. Even new issue concessions were less attractive than in prior quarters. While limited supply is partly to blame, insatiable market demand has essentially capped any upside. As a result, we continued to prefer Treasury allocations over Federal Agencies.
 - After narrowing in the first half of 2019, yield spreads on short-term commercial paper gradually increased from multi-year lows. Short-term credit sectors once again offered favorable incremental yield opportunities for ultra-short term investors.

Fixed Income Market Overview and Outlook

FIXED INCOME MARKET – ECONOMIC HIGHLIGHTS

- Over the past few quarters, economic risks in the U.S. have risen; however, domestic economic data remains supportive of moderate, sustained growth over the near-term.
 - While our view remains that a recession is not imminent, we acknowledge that trade disputes and politics are significant wildcards.
- After two well-telegraphed Fed rate cuts, the future path of short-term rates is less certain.
 - One more cut before year-end is the consensus view, but recent inflation readings have improved, and the Fed may prefer to save its monetary policy ammunition for an actual slowdown.
- Our strategy as we enter the final quarter of 2019 is to maintain well-diversified portfolios as we seek to balance portfolio earnings potential with profit-taking in sectors that appear overly expensive.
 - Issue selection has become increasingly important, regardless of sector, as market cross-currents have created both risks and opportunities.
- Our outlook for the major investment-grade fixed-income sectors are as follows:
 - Federal Agency yield spreads remain very tight. In some cases, Agencies offer yields less than those on Treasuries of similar maturity. The U.S. Treasury Department also released an updated housing reform plan that seeks to reduce the role of the federal government, but implementation faces many political and practical difficulties. We continue to favor further reductions in Agency holdings because their upside is limited.
 - On the heels of two Fed rate cuts in the third quarter, money market investors may see further rate adjustments in the coming months. Short-term credit spreads have widened recently, creating investment opportunities that offset some of the Fed's lower overnight target rate.

Disclosure

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