

Great Lakes Water Authority

Investment Performance Report – September 2020



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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 & 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, 2020, about 36% of the funds were held in cash and money market accounts maturing overnight.
- Return – The overall yield at cost decreased to 0.91% as of September 30, 2020 versus 1.12% as of June 30, 2020. The lower yield is reflective of the near zero-interest rate environment that maturities are reinvested in. GLWA earned over \$2.3 million (unaudited) in investment income for the first quarter of fiscal 2021 on a book value basis.

AVAILABLE FUNDS (Unaudited)

Type	Financial Institution	Book Value	Market Value	Yield @ Cost (as of 9/30/20)	Yield @ Market (as of 9/30/20)
Deposit Account	Comerica	\$5,250,773	\$5,250,773	0.01%	0.01%
Deposit Account - Retainage	First Independence	\$16,589,708	\$16,589,708	0.05%	0.05%
Deposit Account – Flint Security Deposit	Chase	\$3,813,464	\$3,813,464	0.15%	0.15%
Deposit Account	Chase	\$21,191,968	\$21,191,968	0.15%	0.15%
Trust Money Market Fund	U.S. Bank	\$220,749,962	\$220,749,962	0.05%	0.05%
Money Market Fund	JP Morgan	\$19,129,510	\$19,129,510	0.01%	0.01%
Local Government Investment Pool	GovMIC	\$36,543,173	\$36,543,173	0.19%	0.19%
Managed Funds	PFM	\$566,832,541	\$573,599,578	1.39%	0.17%
<u>SEPTEMBER 2020 TOTALS:</u>		<u>\$890,101,099</u>	<u>\$896,868,136</u>	<u>0.91%</u>	<u>0.14%</u>
<u>PREVIOUS QUARTER TOTALS:</u>		<u>\$949,191,639</u>	<u>\$957,477,726</u>	<u>1.12%</u>	<u>0.19%</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. In addition to the above, there also exists surety bonds in the amount of \$324,809,258 as of 9/30/2020.

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 LLC ("PFM"), has continued to invest its funds in a mixture of short and intermediate-term securities to ensure adequate liquidity to cover upcoming debt, pension payments, and operational requirements.
- PFM 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 went from 1.12% as of June 30, 2020 to 0.91% as of September 30, 2020. The lower yield is a result of investing in a much lower interest rate environment.
- The total portfolio had a market yield of 0.14% at the end of September. Yield at market represents what the market would provide in return if the portfolio was purchased on September 30, 2020 (vs. purchased in prior months / years)
 - We utilize a variety of investment sectors, and because of that, this 0.14% yield at market as of 9/30/2020 is higher than the 0.10% yield of the 3-Month U.S. Treasury Bill Index, which is a comparable market indicator.

PORTFOLIO PERFORMANCE – PROJECTIONS

- GLWA earned over \$2.3 million (unaudited) in investment income for fiscal year-to-date 2021 (as of September) on a book value basis.
- Even though the current period earnings are 88% of the FY 2021 amended budget of \$2.6 million, we anticipate a significant drop in earnings for the remainder of the year as a result of reinvesting in a near zero-interest rate environment.
- Based on the current rate environment, current period earnings, and assuming GLWA maintains investable balances that are similar to the July – September period, the FY 2021 earnings projection is now \$3.4 million, which slightly exceeds the amended 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, September 30, 2020) 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

- Although the season is changing, the clouds of uncertainty have not dissipated. Economic risks are still rooted in the country's struggle to contain the coronavirus, increasing business layoffs, stalled fiscal stimulus, and the upcoming highly acrimonious presidential election.
- At the September Federal Open Market Committee meeting, members continued to acknowledge the “tremendous human and economic hardship” the COVID-19 pandemic is causing. In new economic projections, the Committee extended the horizon of expected zero rates through 2023. They also referenced their new inflation policy by suggesting that they will allow “inflation moderately above 2.0% for some time so that inflation averages 2.0% over time.” Meanwhile, Federal Reserve (“Fed”) leaders continue to strongly call for additional fiscal stimulus.

ECONOMIC IMPACT ON PORTFOLIO

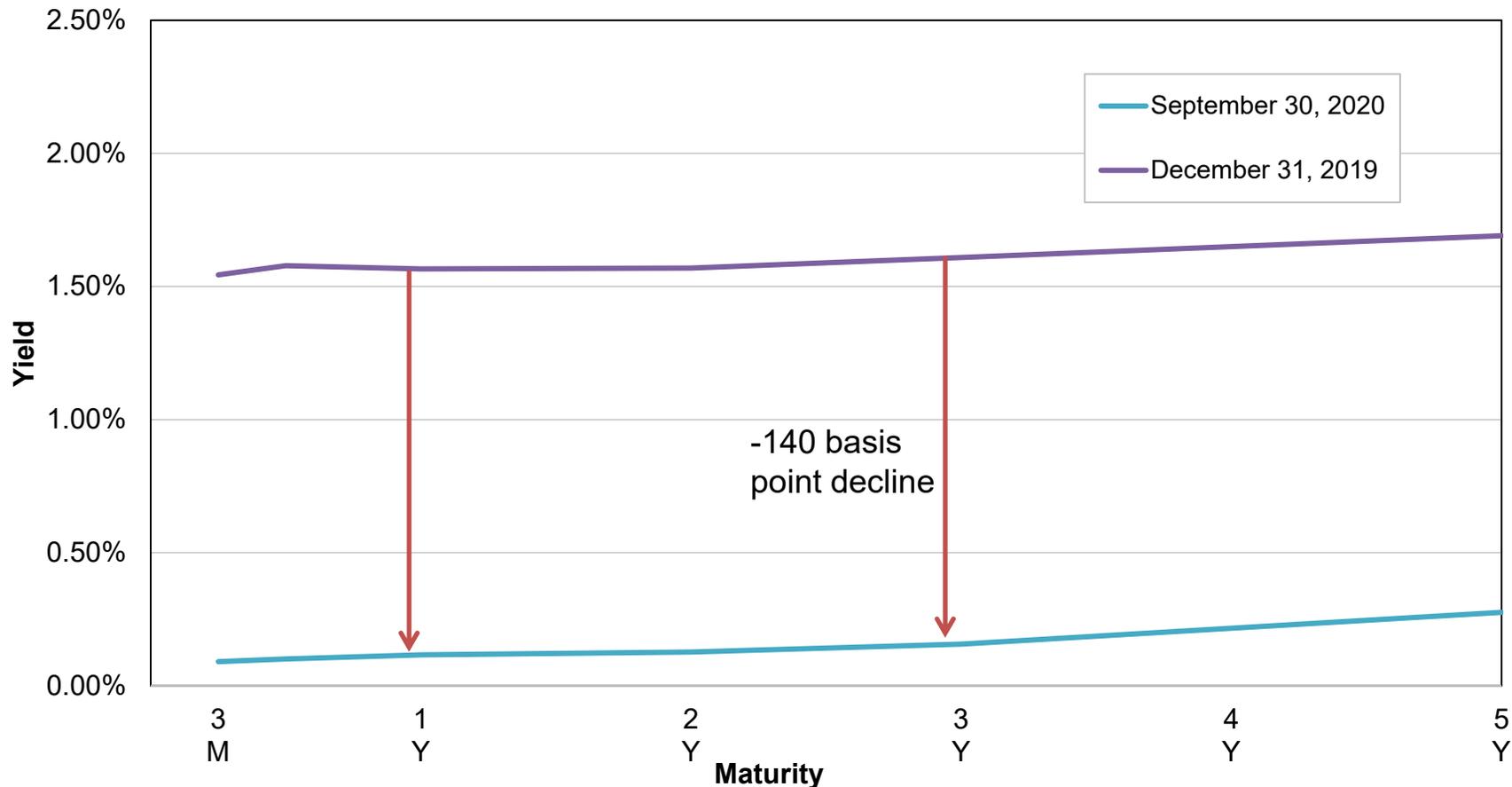
- Low volatility and directionless trading barely moved Treasury yields in September.
- The yield on the benchmark 2-year Treasury note remained anchored at 0.13%, and the yield on the benchmark 10-year Treasury note slipped to 0.68%.
- Treasury index returns were muted as yields traded in a very tight range for most of the month of September. For the period, the 3-month Treasury Index and the 5-year Treasury Index returned 0.01%, while the 10-year Treasury Index returned 0.22%
- The U.S. economy remains on a path toward a slow recovery amid a challenging health outlook and mounting political uncertainty. Considering these uncertainties, we continue to focus on investment discipline.
- In short-term markets, LIBOR fell to record lows, credit spreads continue to collapse, and supply is constrained, making finding reasonable value challenging.
- Portfolio Impact: Taking all of the above into consideration, there are limited investment opportunities in the market currently, and this leads to the conclusion that the new interest rate environment means lower interest earnings for GLWA going forward.

Summary Market Overview and Outlook

Interest Rates Remain Low

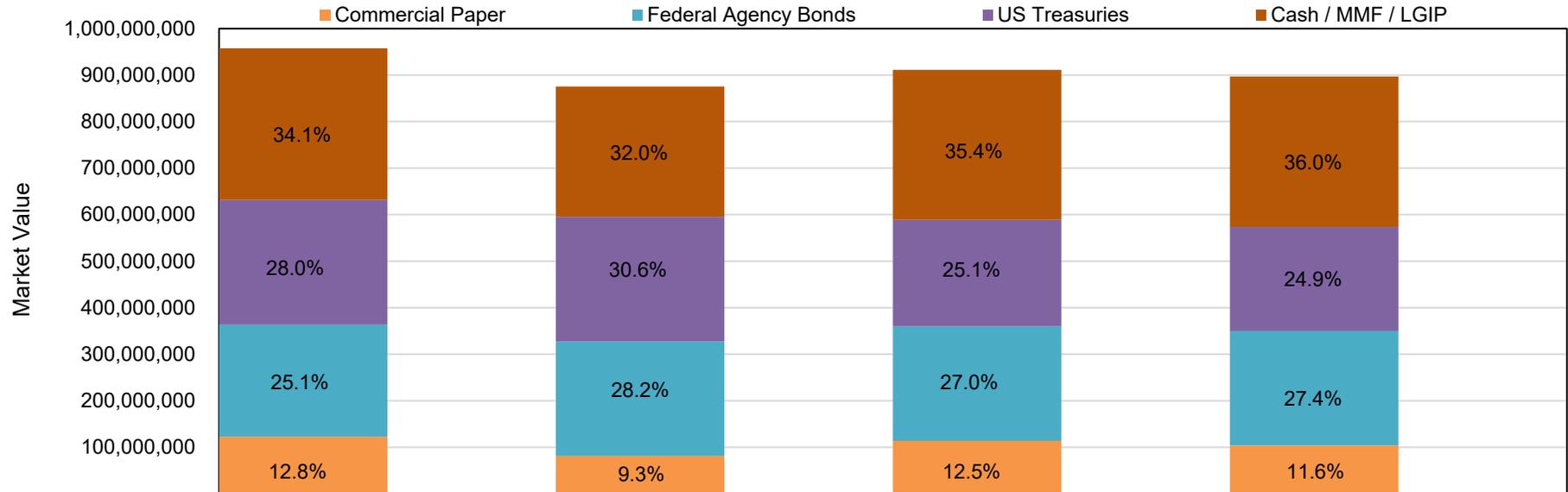
- It should be noted that as a result of the Federal Reserve’s current zero interest rate policy, the markets have seen a dramatic drop in fixed-income yields over the past nine months.

U.S. Treasury Yield Curve



Portfolio Snapshot

Investments – By Security Type

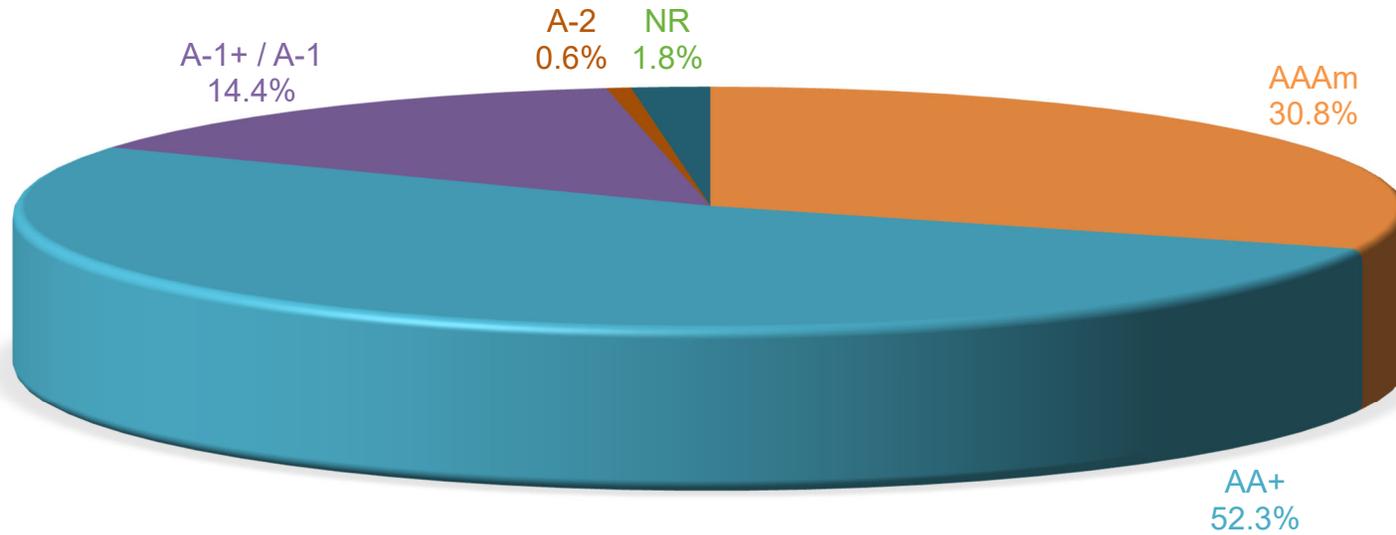


Security Type	June		July		August		September	
	Market Value	Asset Allocation						
Commercial Paper	122,917,184	12.8%	81,009,837	9.3%	113,910,757	12.5%	104,240,180	11.6%
Federal Agencies	240,552,126	25.1%	246,472,254	28.2%	246,187,773	27.0%	245,960,276	27.4%
U.S. Treasuries	267,906,040	28.0%	267,775,546	30.6%	228,840,911	25.1%	223,386,198	24.9%
Cash / MMF / LGIP	326,102,376	34.1%	280,105,531	32.0%	322,294,681	35.4%	323,281,482	36.0%
Total	957,477,726	100.0%	875,363,168	100.0%	911,234,122	100.0%	896,868,136	100.0%

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,809,258 as of September 30, 2020.

Portfolio Snapshot

Investments – By Credit Quality

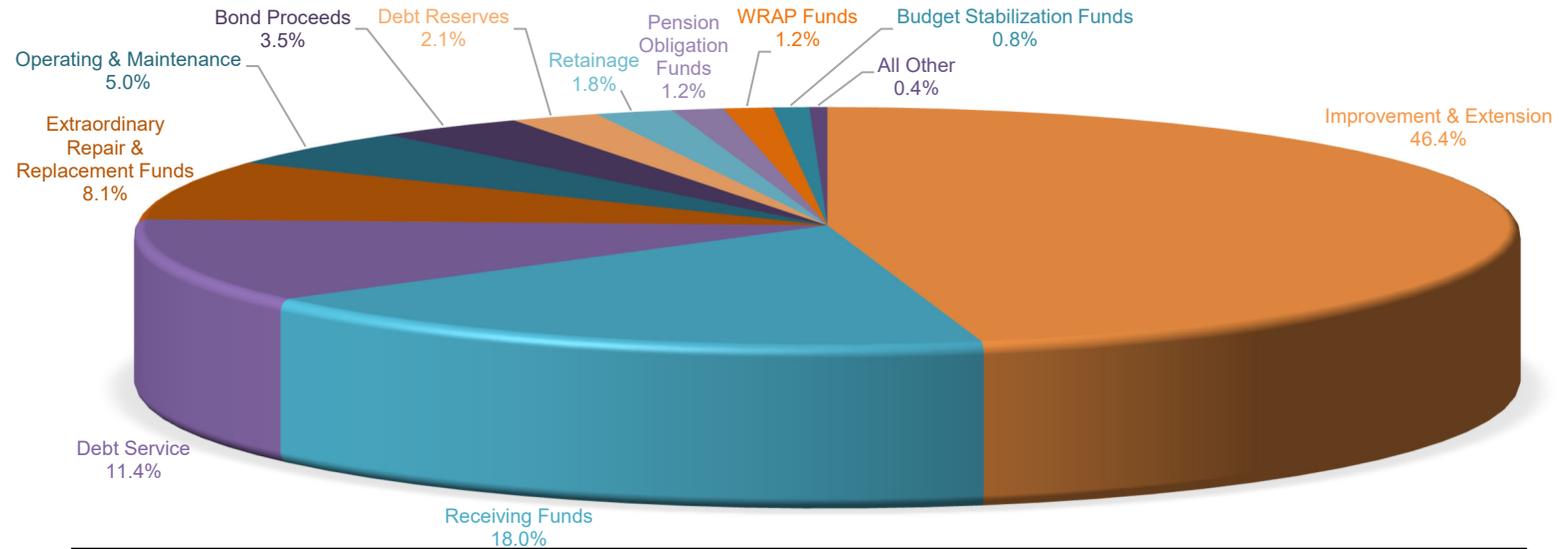


Credit Quality	Market Value	Asset Allocation
Ratings		
AAAm	276,422,645	30.8%
AA+	469,354,198	52.3%
A-1 + / A-1	129,250,813	14.4%
A-2	5,250,773	0.6%
NR	16,589,708	1.8%
Totals	896,868,136	100.0%

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,809,258 as of September 30, 2020.

Portfolio Snapshot

Investments – By Account Purpose



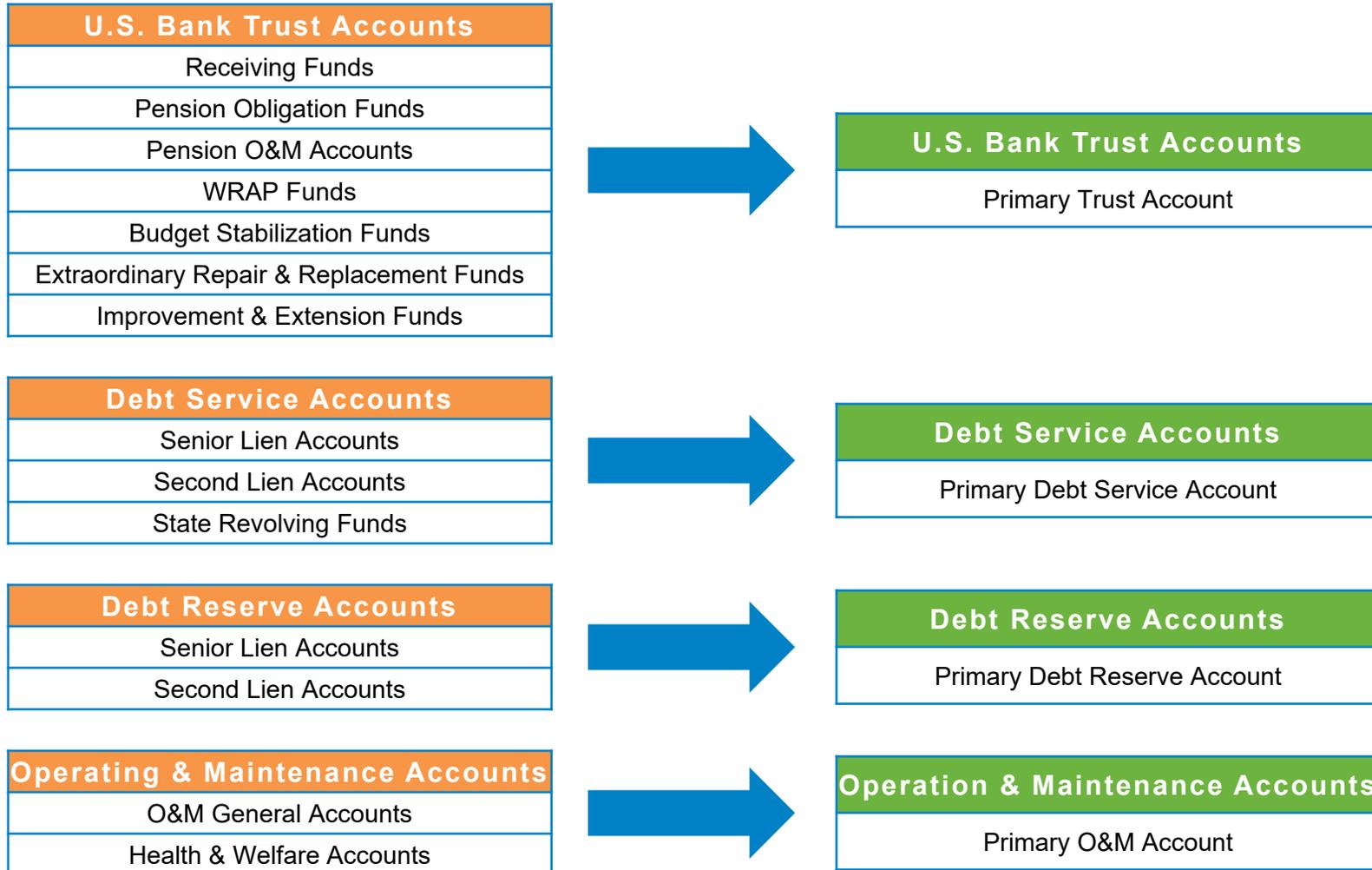
Account Purpose	Market Value	% Allocation	Yield at Cost	Yield at Market	Duration
Improvement & Extension	\$ 416,028,353	46.4%	1.46%	0.16%	1.322 Years
Receiving Funds (includes lockbox account)	\$ 161,775,026	18.0%	0.04%	0.04%	0.003 Years
Debt Service	\$ 102,231,796	11.4%	0.32%	0.21%	0.376 Years
Extraordinary Repair & Replacement Funds	\$ 72,322,373	8.1%	1.56%	0.15%	1.038 Years
Operating & Maintenance	\$ 44,629,461	5.0%	0.07%	0.07%	0.003 Years
Bond Proceeds	\$ 31,535,965	3.5%	0.19%	0.19%	0.003 Years
Debt Reserves	\$ 18,905,837	2.1%	1.54%	0.15%	1.449 Years
Retainage	\$ 16,589,708	1.8%	0.05%	0.05%	0.003 Years
Pension Obligation Funds	\$ 10,944,469	1.2%	0.14%	0.08%	0.045 Years
WRAP Funds	\$ 10,480,303	1.2%	0.21%	0.15%	0.110 Years
Budget Stabilization Funds	\$ 7,611,381	0.8%	1.66%	0.15%	0.977 Years
Flint Security Deposit Account	\$ 3,813,464	0.4%	0.15%	0.15%	0.003 Years
Total	\$ 896,868,136	100.0%	0.91%	0.14%	0.781 Years

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,809,258 as of September 30, 2020.

Portfolio Snapshot

Pooling of Cash / Investment Accounts

- GLWA & PFM 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 recommended pooling strategy is shown below and will continue to separate water and sewer accounts. The anticipated implementation of this strategy is the 1st quarter 2021.

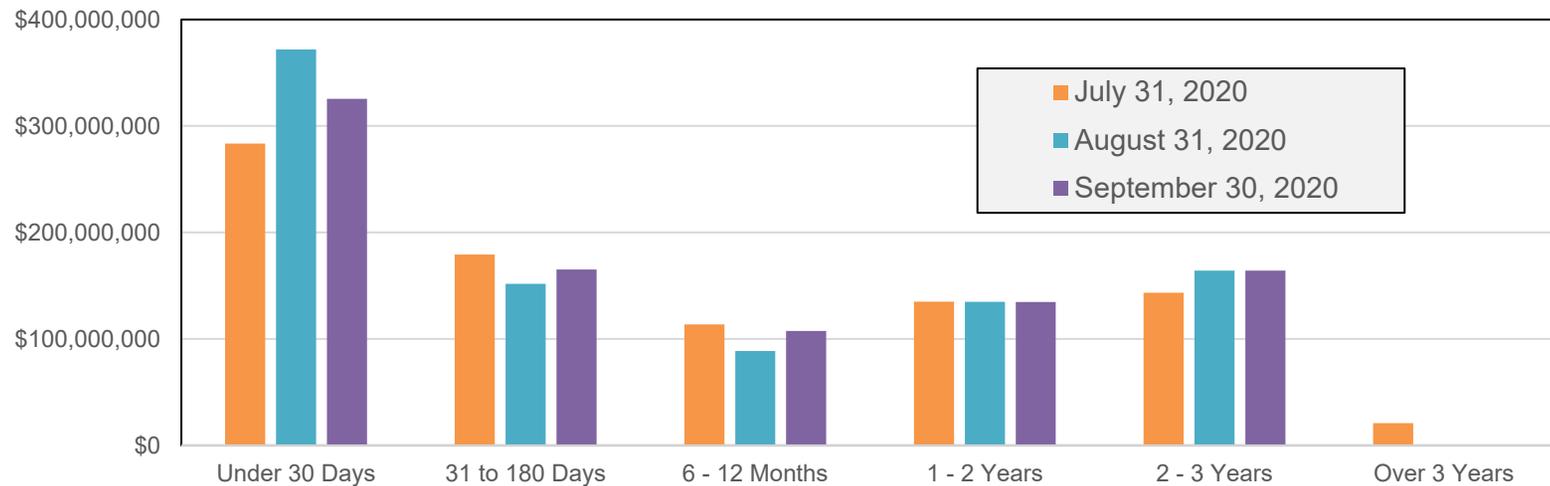


Non-pooled accounts include the lockbox accounts, payroll accounts, accounts payable, P-Card accounts, construction bond accounts, retainage accounts, and the Flint Security Deposit account.

Portfolio Snapshot

Investments – By Maturity

Maturity Distribution	July 31, 2020		August 31, 2020		September 30, 2020	
		%		%		%
Under 30 Days	\$ 283,355,014	32.4%	\$ 371,832,366	40.8%	\$ 325,446,456	36.3%
31 to 180 Days	179,208,058	20.5%	151,776,124	16.7%	165,208,044	18.4%
6 - 12 Months	113,563,296	13.0%	88,691,953	9.7%	107,464,110	12.0%
1 - 2 Years	134,958,444	15.4%	134,764,514	14.8%	134,607,535	15.0%
2 - 3 Years	143,398,120	16.4%	164,169,165	18.0%	164,141,992	18.3%
Over 3 Years	20,880,235	2.4%	-	0.0%	-	0.0%
Totals	\$ 875,363,168	100.0%	\$ 911,234,122	100.0%	\$ 896,868,136	100.0%



In addition to the totals listed above, there also exists surety bonds in the amount of \$324,809,258 as of September 30, 2020.

Portfolio Snapshot

Investment Accounts – Yield at Cost & Market

	As of September 30, 2020		As of June 30, 2020	
	YTM @ Cost	YTM @ Market	YTM @ Cost	YTM @ Market
Bank Deposits				
Comerica	0.01%	0.01%	0.15%	0.15%
First Independence	0.05%	0.05%	0.05%	0.05%
Flint Deposit Account	0.15%	0.15%	0.15%	0.15%
JP Morgan Chase	0.15%	0.15%	0.15%	0.15%
Sub-Total Bank Deposits	0.10%	0.10%	0.11%	0.11%
Money Market Funds / LGIPs				
GovMIC	0.19%	0.19%	0.57%	0.57%
U.S. Bank - First American MMF	0.05%	0.05%	0.06%	0.06%
JP Morgan Securities - Blackrock MMF	0.01%	0.01%	0.10%	0.10%
Sub-Total MMF / LGIPs	0.07%	0.07%	0.17%	0.17%
Investment Portfolios				
Sewage SR Debt Serv 5403	0.23%	0.20%	0.94%	0.18%
Sewage SR Res 5400	1.47%	0.17%	1.80%	0.17%
Sew 2nd Debt Serv 5403	0.23%	0.19%	0.45%	0.20%
Sewage 2nd Res 5481	1.80%	0.15%	1.80%	0.17%
Sew SRF Debt Serv 5410	0.21%	0.25%	1.49%	0.24%
Sewage ER & R	1.79%	0.16%	1.90%	0.20%
Sewer Improvement & Extension	1.50%	0.17%	1.57%	0.21%
Sewer Pension Obligation	0.33%	0.23%	0.00%	0.00%
Sewer Wrap Fund	0.26%	0.18%	0.82%	0.25%
Sewer Budget Stabilization Fund	1.90%	0.16%	2.00%	0.20%
Sewer Bond Fund	0.00%	0.00%	1.61%	0.23%
Sewer O&M Pension Sub Account	0.00%	0.00%	0.00%	0.00%
Water SR Debt Ser 5503	0.23%	0.19%	1.00%	0.17%
Water SR Reserve 5500	1.80%	0.15%	1.80%	0.17%
Water 2nd Debt Serv 5503	0.23%	0.20%	1.13%	0.19%
Water 2nd Res 5581	1.80%	0.15%	1.80%	0.17%
Water SRF Debt Serv 5575	0.21%	0.25%	1.48%	0.25%
Water ER & R	1.80%	0.16%	1.91%	0.20%
Water Improvement & Extension	1.67%	0.17%	1.76%	0.21%
Water Pension Obligation	0.33%	0.23%	0.00%	0.00%
Water Wrap Fund	0.25%	0.16%	0.70%	0.24%
Water Budget Stabilization Fund	1.90%	0.16%	2.00%	0.20%
Water Bond Fund	0.00%	0.00%	1.61%	0.23%
Water O&M Pension Sub Account	0.00%	0.00%	0.00%	0.00%
Sub-Total Investment Portfolios	1.39%	0.17%	1.61%	0.21%
Grand Total	0.91%	0.14%	1.12%	0.19%

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 zero-interest rate environment 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 September 30, 2020				
	Market Value	YTM @ Market	Effective Duration	Weighted Average Maturity
GLWA				
Great Lakes Water Authority	\$896,868,136	0.14%	0.78 Years	287 Days
Short/Intermediate-Term Indices				
S&P Rated Government Investment Pool Index		0.04%	0.08 Years	30 Days
BoA / ML 3-Month Treasury Index		0.10%	0.16 Years	58 Days
BoA / ML 6-Month Treasury Index		0.11%	0.40 Years	146 Days
BoA / ML 1-Year Treasury Index		0.14%	0.91 Years	332 Days
BoA / ML 1-3 Year Treasury Index		0.13%	1.83 Years	668 Days
BoA / ML 1-5 Year Treasury Index		0.16%	2.58 Years	942 Days
Peer Analysis (Water Entities / Utilities)				
District of Columbia Water & Sewer Authority, DC	\$401,538,091	0.21%	0.65 Years	255 Days
DuPage Water Commission, IL	\$159,662,085	0.59%	2.40 Years	1,294 Days
Fairfax County Water Authority, VA	\$162,781,090	0.27%	1.92 Years	724 Days
Metro Wastewater Reclamation District, CO	\$238,207,846	0.29%	2.17 Years	884 Days
Metropolitan Water District of Southern California, CA	\$475,656,983	0.45%	0.65 Years	335 Days
Philadelphia Water Department, PA	\$194,783,904	0.24%	0.93 Years	381 Days
San Bernardino Valley Municipal Water District, CA	\$369,596,970	0.27%	1.86 Years	690 Days
Tohopekaliga Water Authority, FL	\$157,238,286	0.69%	1.83 Years	968 Days
Truckee Meadows Water Authority, NV	\$106,839,623	0.29%	2.01 Years	758 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)

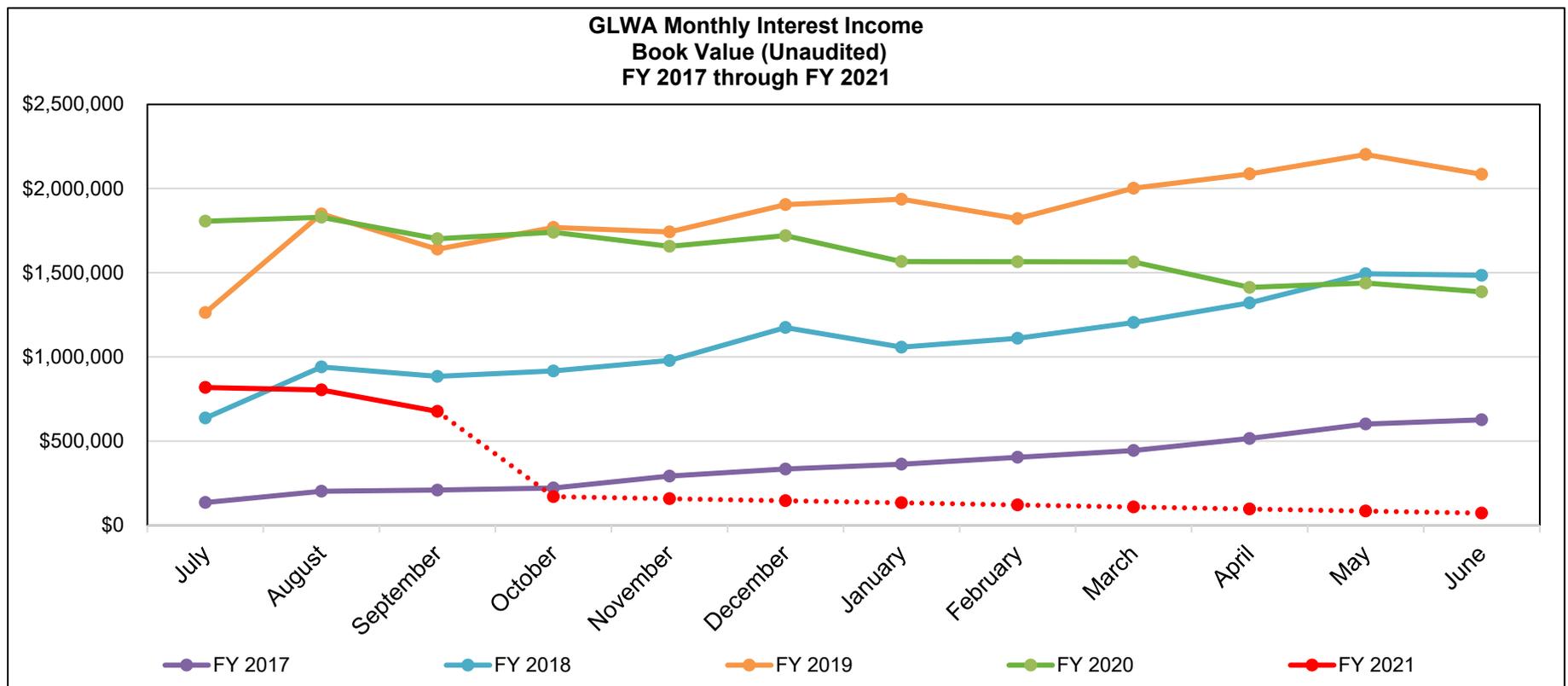
FY 2021 INVESTMENT INCOME BY MONTH (Unaudited)

Month	Interest Earned During Period	Realized Gain / Loss	Investment Income
July 2020	\$819,118.39	\$0.00	\$819,118.39
August 2020	\$804,779.94	\$0.00	\$804,779.94
September 2020	\$677,008.40	\$0.00	\$677,008.40
<u>FY 2021 Y-T-D</u>	<u>\$2,300,906.73</u>	<u>\$0.00</u>	<u>\$2,300,906.73</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. 7

Portfolio Snapshot Year-Over-Year Investment Income

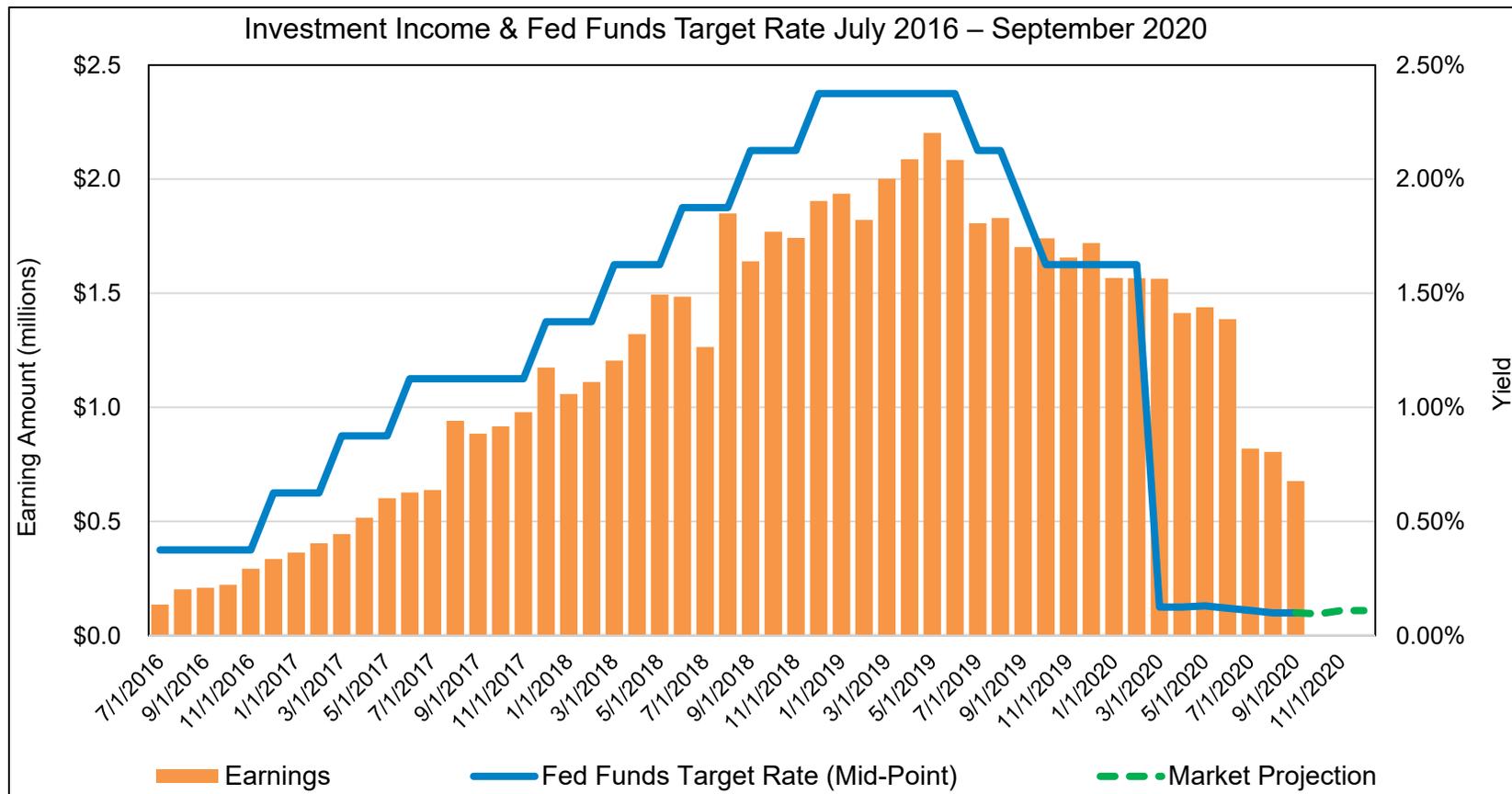
- GLWA earned \$2,300,907 in investment income for fiscal year 2021 on a book value basis compared to \$5,338,140 for the first three months of fiscal year 2020.
- Based on the previous fiscal year's average balance, projected investment income for fiscal year 2021 is \$3.4 million as the market expects the overnight lending rate to be maintained at its current range of 0.00% to 0.25% through 2023.



Portfolio Snapshot

Monthly Investment Income Compared to Fed Funds Rate

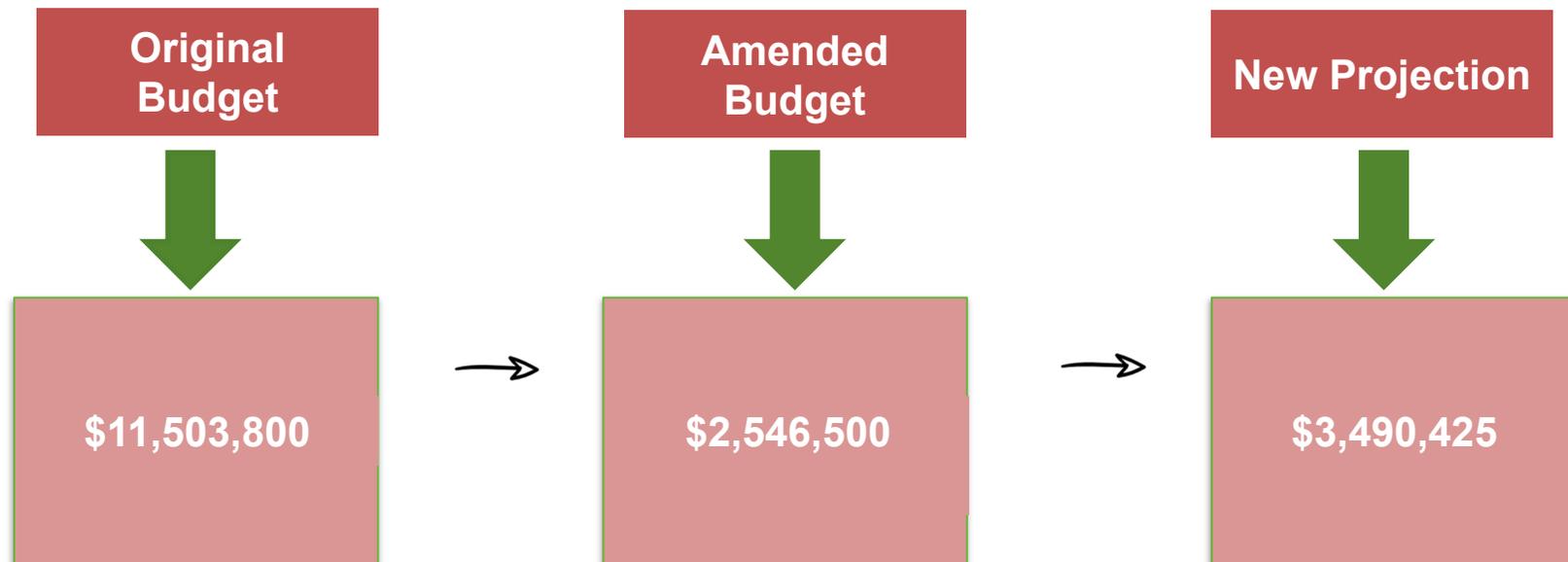
- As a result of the short-term duration of GLWA's portfolio, it is heavily impacted by changes in the Fed Funds target rate; the chart below illustrates that GLWA's investment income has consistently followed the trend of the Fed Funds rate.
- According to effective Fed Funds futures, the market expects the overnight lending rate to be maintained at its current range of 0.00% to 0.25% through 2023; based on the historical trend, the current zero interest rate monetary policy by the Federal Reserve will translate into lower interest earnings for GLWA going forward.



Portfolio Snapshot

Variance in Earnings Projections*

- The original budget projections for FY 2021 were completed using a rate of 1.50%. This rate assumption was developed at the beginning of the FY 2021 budget process and during a time before the COVID-19 pandemic when there was still stability in the financial markets.
- The amended budget projections for FY2021 were based on a rate of 0.33% and updated operating budget assumptions. The lower rate is reflective of the significant decline in yields and the current zero interest rate policy by the Federal Reserve.
- The updated projection is still based on a market rate of 0.33%, but assumes that the 1st quarter average balances, which are slightly higher than the amended budget, continue for the remainder of the year.



* Projections are a total of water and sewer and includes earnings from revenue requirements as well as construction bond funds.

Appendix I: Portfolio Holdings



Portfolio Holdings As of September 30, 2020

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		\$ 5,250,773	10/1/2020	9/30/2020	0.01%	\$ 5,250,773	1	\$ -	\$ 5,250,773
FIRST INDEPENDENCE BANK		16,589,708	10/1/2020	9/30/2020	0.05%	16,589,708	1	-	16,589,708
FLINT DEPOSIT ACCOUNT		3,813,464	10/1/2020	9/30/2020	0.15%	3,813,464	1	-	3,813,464
JP MORGAN CHASE		21,191,968	10/1/2020	9/30/2020	0.15%	21,191,968	1	-	21,191,968
GovMIC		36,543,173	10/1/2020	9/30/2020	0.19%	36,543,173	1	-	36,543,173
U.S. BANK - FIRST AMERICAN MMF		220,749,962	10/1/2020	9/30/2020	0.05%	220,749,962	1	-	220,749,962
JP MORGAN SECURITIES - BLACKROCK MMF		19,129,510	10/1/2020	9/30/2020	0.01%	19,129,510	1	-	19,129,510

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,809,258 as of September 30, 2020.



Portfolio Holdings As of September 30, 2020

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
Commercial Paper									
Exxon Mobil 0 10/2/2020	30229AK24	\$ 1,000,000	10/2/2020	6/3/2020	0.24%	\$ 999,193	2	\$ -	\$ 1,000,000
Credit Agricole 0 10/5/2020	22533TK54	300,000	10/5/2020	6/3/2020	0.18%	299,814	5	-	299,997
BNP Paribas NY 0 10/5/2020	09659BK58	615,000	10/5/2020	5/8/2020	0.30%	614,231	5	-	614,994
Credit Agricole 0 10/5/2020	22533TK54	250,000	10/5/2020	6/3/2020	0.18%	249,845	5	-	249,998
MUFG Bank LTD NY 0 11/2/2020	62479LL29	1,000,000	11/2/2020	7/16/2020	0.25%	999,243	33	-	999,880
Swedbank 0 11/2/2020	87019RL20	1,000,000	11/2/2020	6/3/2020	0.28%	998,818	33	-	999,880
Toyota Motor Credit 0 12/1/2020	89233GM11	1,000,000	12/1/2020	7/17/2020	0.26%	999,011	62	-	999,730
Toyota Motor Credit 0 12/1/2020	89233GM11	1,000,000	12/1/2020	7/16/2020	0.26%	999,003	62	-	999,730
Sumitomo Mitsui Bank 0 12/4/2020	86562KM43	5,500,000	12/4/2020	8/13/2020	0.20%	5,496,547	65	-	5,498,460
Sumitomo Mitsui Bank 0 12/4/2020	86562KM43	1,675,000	12/4/2020	8/13/2020	0.20%	1,673,948	65	-	1,674,531
Sumitomo Mitsui Bank 0 12/4/2020	86562KM43	4,050,000	12/4/2020	8/13/2020	0.20%	4,047,458	65	-	4,048,866
Mizuho Bank LTD NY 0 12/18/2020	60689FMJ4	2,400,000	12/18/2020	7/17/2020	0.28%	2,397,177	79	-	2,399,160
Mizuho Bank LTD NY 0 12/18/2020	60689FMJ4	7,500,000	12/18/2020	7/17/2020	0.28%	7,491,177	79	-	7,497,375
Toyota Credit PR 0 12/18/2020	8923A0MJ9	2,835,000	12/18/2020	7/17/2020	0.29%	2,831,483	79	-	2,834,008
Mizuho Bank LTD NY 0 12/18/2020	60689FMJ4	410,000	12/18/2020	7/17/2020	0.28%	409,518	79	-	409,857
MUFG Bank LTD NY 0 12/18/2020	62479LMJ1	200,000	12/18/2020	8/10/2020	0.21%	199,848	79	-	199,930
Mizuho Bank LTD NY 0 12/18/2020	60689FMJ4	2,885,000	12/18/2020	7/17/2020	0.28%	2,881,606	79	-	2,883,990
Toyota Credit PR 0 12/18/2020	8923A0MJ9	1,935,000	12/18/2020	7/17/2020	0.29%	1,932,600	79	-	1,934,323
Mizuho Bank LTD NY 0 12/18/2020	60689FMJ4	7,500,000	12/18/2020	7/17/2020	0.28%	7,491,177	79	-	7,497,375
Toyota Credit PR 0 12/18/2020	8923A0MJ9	1,855,000	12/18/2020	7/17/2020	0.29%	1,852,699	79	-	1,854,351
Mizuho Bank LTD NY 0 12/18/2020	60689FMJ4	305,000	12/18/2020	7/17/2020	0.28%	304,641	79	-	304,893
MUFG Bank LTD NY 0 12/18/2020	62479LMJ1	325,000	12/18/2020	8/10/2020	0.21%	324,754	79	-	324,886
Skandinav Eskiilda Bank 0 12/28/2020	83050TMU2	1,820,000	12/28/2020	9/3/2020	0.17%	1,819,003	89	-	1,819,290
Skandinav Eskiilda Bank 0 12/28/2020	83050TMU2	2,843,000	12/28/2020	9/3/2020	0.17%	2,841,443	89	-	2,841,891
Skandinav Eskiilda Bank 0 12/28/2020	83050TMU2	2,330,000	12/28/2020	9/3/2020	0.17%	2,328,724	89	-	2,329,091
Skandinav Eskiilda Bank 0 12/28/2020	83050TMU2	2,366,000	12/28/2020	9/3/2020	0.17%	2,364,704	89	-	2,365,077
BNP Paribas NY 0 12/31/2020	09659BMX5	3,960,000	12/31/2020	7/17/2020	0.25%	3,955,408	92	-	3,958,218
MUFG Bank LTD NY 0 12/31/2020	62479LMX0	4,315,000	12/31/2020	8/13/2020	0.21%	4,311,476	92	-	4,313,058
MUFG Bank LTD NY 0 12/31/2020	62479LMX0	4,825,000	12/31/2020	8/13/2020	0.21%	4,821,060	92	-	4,822,829
MUFG Bank LTD NY 0 12/31/2020	62479LMX0	3,145,000	12/31/2020	8/13/2020	0.21%	3,142,432	92	-	3,143,585
MUFG Bank LTD NY 0 12/31/2020	62479LMX0	5,800,000	12/31/2020	8/13/2020	0.21%	5,795,263	92	-	5,797,390
MUFG Bank LTD NY 0 2/1/2021	62479LP17	1,000,000	2/1/2021	8/10/2020	0.24%	998,833	124	-	999,350
ABN AMRO Funding LLC 0 3/2/2021	00084BQ23	394,000	3/2/2021	9/4/2020	0.21%	393,589	153	-	393,669
ABN AMRO Funding LLC 0 3/2/2021	00084BQ23	4,924,000	3/2/2021	9/4/2020	0.21%	4,918,859	153	-	4,919,864
Toyota Motor Credit 0 3/12/2021	89233GQC3	400,000	3/12/2021	7/16/2020	0.33%	399,124	163	-	399,640
Toyota Motor Credit 0 3/12/2021	89233GQC3	650,000	3/12/2021	7/16/2020	0.33%	648,576	163	-	649,415
CitiGroup Global Markets 0 5/28/2021	17327ASU2	2,500,000	5/28/2021	9/3/2020	0.23%	2,495,735	240	-	2,495,850
CitiGroup Global Markets 0 5/28/2021	17327ASU2	7,500,000	5/28/2021	9/3/2020	0.23%	7,487,206	240	-	7,487,550
CitiGroup Global Markets 0 5/28/2021	17327ASU2	2,500,000	5/28/2021	9/3/2020	0.23%	2,495,735	240	-	2,495,850
CitiGroup Global Markets 0 5/28/2021	17327ASU2	7,500,000	5/28/2021	9/3/2020	0.23%	7,487,206	240	-	7,487,550

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,809,258 as of September 30, 2020.

Portfolio Holdings As of September 30, 2020

DESCRIPTION	CUSIP	PAR AMOUNT	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	DAYS TO MATURITY	ACCRUED INTEREST	TOTAL VALUE
Federal Agencies									
FHLMC 2.375 2/16/2021	3137EAEL9	\$ 3,500,000	2/16/2021	8/8/2018	2.79%	\$ 3,465,210	139	\$ 10,160	\$ 3,529,330
FHLMC 2.375 2/16/2021	3137EAEL9	20,000,000	2/16/2021	8/8/2018	2.79%	19,801,200	139	58,056	20,167,600
FHLMC 2.375 2/16/2021	3137EAEL9	250,000	2/16/2021	8/9/2018	2.78%	247,563	139	726	252,095
FHLMC 2.375 2/16/2021	3137EAEL9	685,000	2/16/2021	8/9/2018	2.78%	678,321	139	1,988	690,740
FNMA 2.5 4/13/2021	3135G0U27	3,500,000	4/13/2021	8/8/2018	2.82%	3,471,685	195	40,590	3,543,645
FNMA 2.5 4/13/2021	3135G0U27	20,000,000	4/13/2021	8/8/2018	2.82%	19,838,200	195	231,944	20,249,400
FNMA 2.5 4/13/2021	3135G0U27	250,000	4/13/2021	8/9/2018	2.81%	247,985	195	2,899	253,118
FNMA 2.5 4/13/2021	3135G0U27	3,400,000	4/13/2021	8/8/2018	2.81%	3,372,698	195	39,431	3,442,398
FNMA 2.5 4/13/2021	3135G0U27	685,000	4/13/2021	8/9/2018	2.81%	679,479	195	7,944	693,542
FNMA 2.5 4/13/2021	3135G0U27	5,750,000	4/13/2021	8/8/2018	2.81%	5,703,828	195	66,684	5,821,703
FHLB 2.25 6/11/2021	3130A1W95	10,000,000	6/11/2021	7/11/2019	1.94%	10,058,200	254	68,125	10,146,700
FHLB 2.25 6/11/2021	3130A1W95	25,000,000	6/11/2021	7/11/2019	1.94%	25,145,500	254	170,313	25,366,750
FHLB 1.875 7/7/2021	3130AGLD5	3,715,000	7/7/2021	6/10/2019	1.96%	3,708,982	280	16,060	3,763,964
FHLB 1.875 7/7/2021	3130AGLD5	3,910,000	7/7/2021	6/10/2019	1.96%	3,903,666	280	16,903	3,961,534
FHLMC 2.375 1/13/2022	3137EADB2	10,000,000	1/13/2022	7/11/2019	1.89%	10,118,700	470	50,799	10,288,700
FHLMC 2.375 1/13/2022	3137EADB2	25,000,000	1/13/2022	7/11/2019	1.89%	25,296,750	470	126,997	25,721,750
FHLB 2.125 6/10/2022	313379Q69	10,000,000	6/10/2022	7/11/2019	1.92%	10,059,200	618	64,931	10,332,400
FHLB 2.125 6/10/2022	313379Q69	25,000,000	6/10/2022	7/11/2019	1.92%	25,148,000	618	162,326	25,831,000
FHLMC 0.375 5/5/2023	3137EAER6	6,000,000	5/5/2023	6/5/2020	0.38%	6,000,060	947	8,938	6,025,740
FHLMC 0.375 5/5/2023	3137EAER6	14,650,000	5/5/2023	6/5/2020	0.38%	14,650,147	947	21,822	14,712,849
FNMA 0.25 5/22/2023	3135G04Q3	10,000,000	5/22/2023	6/5/2020	0.36%	9,968,400	964	8,889	10,007,200
FNMA 0.25 5/22/2023	3135G04Q3	25,000,000	5/22/2023	6/5/2020	0.36%	24,921,000	964	22,222	25,018,000
FNMA 0.25 5/22/2023	3135G04Q3	240,000	5/22/2023	6/5/2020	0.35%	239,292	964	213	240,173
FNMA 0.25 5/22/2023	3135G04Q3	3,400,000	5/22/2023	6/5/2020	0.35%	3,389,970	964	3,022	3,402,448
FNMA 0.25 5/22/2023	3135G04Q3	670,000	5/22/2023	6/5/2020	0.35%	668,024	964	596	670,482
FNMA 0.25 5/22/2023	3135G04Q3	5,750,000	5/22/2023	6/5/2020	0.35%	5,733,038	964	5,111	5,754,140
FHLMC 0.25 6/26/2023	3137EAES4	3,150,000	6/26/2023	7/2/2020	0.29%	3,146,189	999	2,056	3,152,835
FNMA 0.25 7/10/2023	3135G05G4	1,250,000	7/10/2023	7/16/2020	0.29%	1,248,425	1,013	694	1,249,738
FNMA 0.25 7/10/2023	3135G05G4	1,650,000	7/10/2023	7/16/2020	0.29%	1,647,921	1,013	917	1,649,654

In addition to the totals listed above, there also exists surety bonds in the amount of \$324,809,258 as of September 30, 2020.

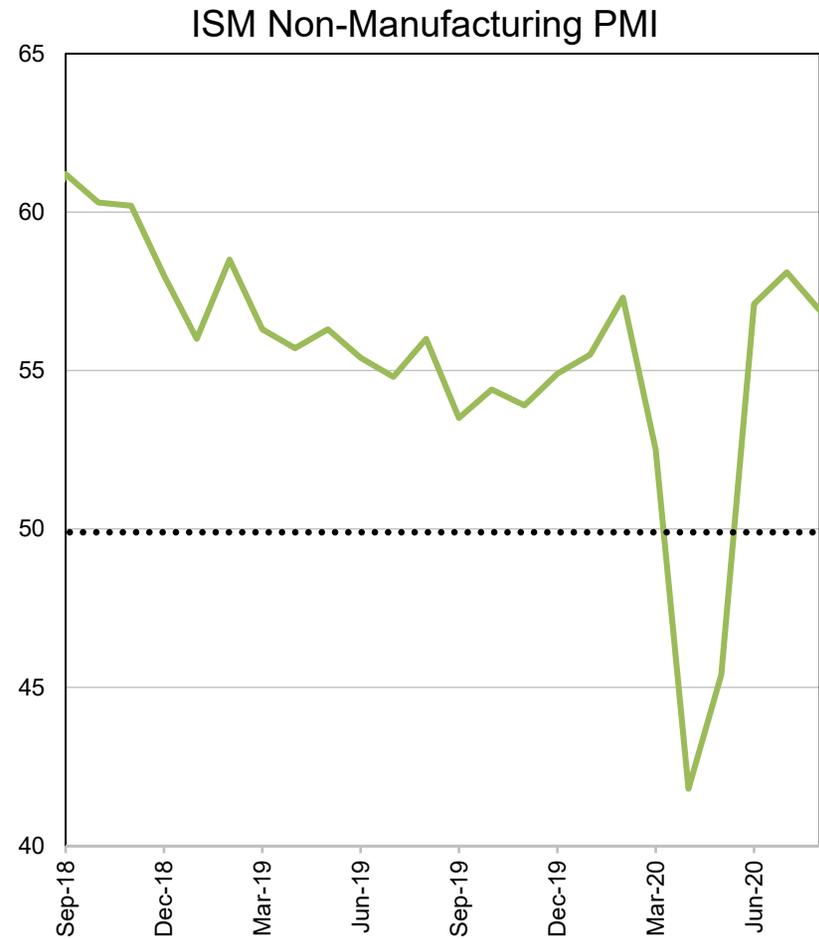
Portfolio Holdings As of September 30, 2020

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 1.75 10/31/2020	912828WC0	\$ 4,915,000	10/31/2020	11/20/2019	1.64%	\$ 4,919,992	31	\$ 35,761	\$ 4,921,586
T-Note 1.75 10/31/2020	912828WC0	13,595,000	10/31/2020	11/20/2019	1.64%	13,608,807	31	98,915	13,613,217
T-Note 2 11/30/2020	912828A42	3,500,000	11/30/2020	8/8/2018	2.72%	3,444,082	61	23,333	3,510,850
T-Note 2 11/30/2020	912828A42	6,100,000	11/30/2020	9/6/2019	1.74%	6,119,539	61	40,667	6,118,910
T-Note 2 11/30/2020	912828A42	20,000,000	11/30/2020	8/8/2018	2.72%	19,680,469	61	133,333	20,062,000
T-Note 2 11/30/2020	912828A42	250,000	11/30/2020	8/9/2018	2.72%	246,006	61	1,667	250,775
T-Note 2 11/30/2020	912828A42	3,400,000	11/30/2020	9/17/2018	2.81%	3,341,828	61	22,667	3,410,540
T-Note 2 11/30/2020	912828A42	685,000	11/30/2020	8/9/2018	2.72%	674,056	61	4,567	687,124
T-Note 2 11/30/2020	912828A42	5,750,000	11/30/2020	9/17/2018	2.81%	5,651,621	61	38,333	5,767,825
T-Note 1.875 12/15/2020	9128283L2	120,000	12/15/2020	7/10/2019	1.91%	119,944	76	658	120,431
T-Note 2.625 5/15/2021	9128284P2	245,000	5/15/2021	2/7/2019	2.49%	245,708	227	2,412	248,800
T-Note 2.625 5/15/2021	9128284P2	3,455,000	5/15/2021	2/7/2019	2.49%	3,464,852	227	34,010	3,508,587
T-Note 2.625 5/15/2021	9128284P2	700,000	5/15/2021	2/7/2019	2.49%	702,023	227	6,891	710,857
T-Note 2.625 5/15/2021	9128284P2	5,685,000	5/15/2021	2/7/2019	2.49%	5,701,211	227	55,962	5,773,174
T-Note 1.25 10/31/2021	912828T67	10,000,000	10/31/2021	7/11/2019	1.83%	9,870,703	396	51,970	10,121,100
T-Note 1.25 10/31/2021	912828T67	2,500,000	10/31/2021	7/11/2019	1.83%	2,467,676	396	12,993	2,530,275
T-Note 1.25 10/31/2021	912828T67	17,500,000	10/31/2021	9/6/2019	1.55%	17,388,574	396	90,948	17,711,925
T-Note 1.25 10/31/2021	912828T67	270,000	10/31/2021	9/6/2019	1.55%	268,313	396	1,403	273,270
T-Note 1.25 10/31/2021	912828T67	3,405,000	10/31/2021	9/6/2019	1.55%	3,383,586	396	17,696	3,446,235
T-Note 1.25 10/31/2021	912828T67	730,000	10/31/2021	9/6/2019	1.55%	725,438	396	3,794	738,840
T-Note 1.25 10/31/2021	912828T67	5,765,000	10/31/2021	9/6/2019	1.55%	5,728,744	396	29,961	5,834,814
T-Note 2.625 12/15/2021	9128285R7	2,700,000	12/15/2021	7/10/2019	1.80%	2,752,945	441	20,720	2,780,784
T-Note 2.625 12/15/2021	9128285R7	1,500,000	12/15/2021	7/10/2019	1.80%	1,529,414	441	11,511	1,544,880
T-Note 2.625 12/15/2021	9128285R7	6,050,000	12/15/2021	7/10/2019	1.80%	6,168,637	441	46,429	6,231,016
T-Note 2.625 12/15/2021	9128285R7	10,900,000	12/15/2021	7/10/2019	1.80%	11,113,742	441	83,649	11,226,128
T-Note 1.5 1/15/2023	912828Z29	15,000,000	1/15/2023	2/7/2020	1.39%	15,045,703	837	47,079	15,465,300
T-Note 1.5 1/15/2023	912828Z29	15,000,000	1/15/2023	2/7/2020	1.39%	15,045,703	837	47,079	15,465,300
T-Note 0.5 3/15/2023	912828ZD5	10,000,000	3/15/2023	3/16/2020	0.58%	9,977,344	896	2,072	10,086,700
T-Note 0.5 3/15/2023	912828ZD5	20,000,000	3/15/2023	3/16/2020	0.58%	19,954,688	896	4,144	20,173,400
T-Note 0.5 3/15/2023	912828ZD5	250,000	3/15/2023	3/16/2020	0.59%	249,336	896	52	252,168
T-Note 0.5 3/15/2023	912828ZD5	3,410,000	3/15/2023	3/16/2020	0.59%	3,400,942	896	706	3,439,565
T-Note 0.5 3/15/2023	912828ZD5	688,000	3/15/2023	3/16/2020	0.59%	686,173	896	143	693,965
T-Note 0.5 3/15/2023	912828ZD5	5,765,000	3/15/2023	3/16/2020	0.59%	5,749,687	896	1,194	5,814,983
T-Note 0 8/15/2023	912833LM0	10,500,000	8/15/2023	2/7/2020	1.41%	9,992,745	1,049	-	10,439,625
T-Note 0 8/15/2023	912833LM0	10,500,000	8/15/2023	2/7/2020	1.41%	9,992,745	1,049	-	10,439,625

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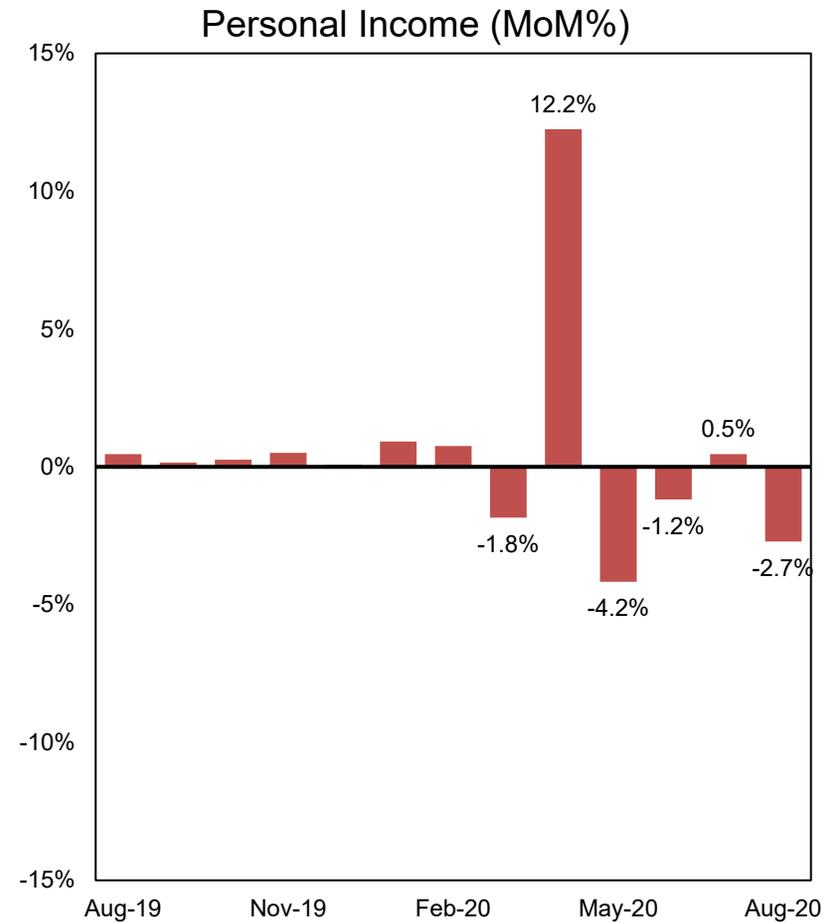
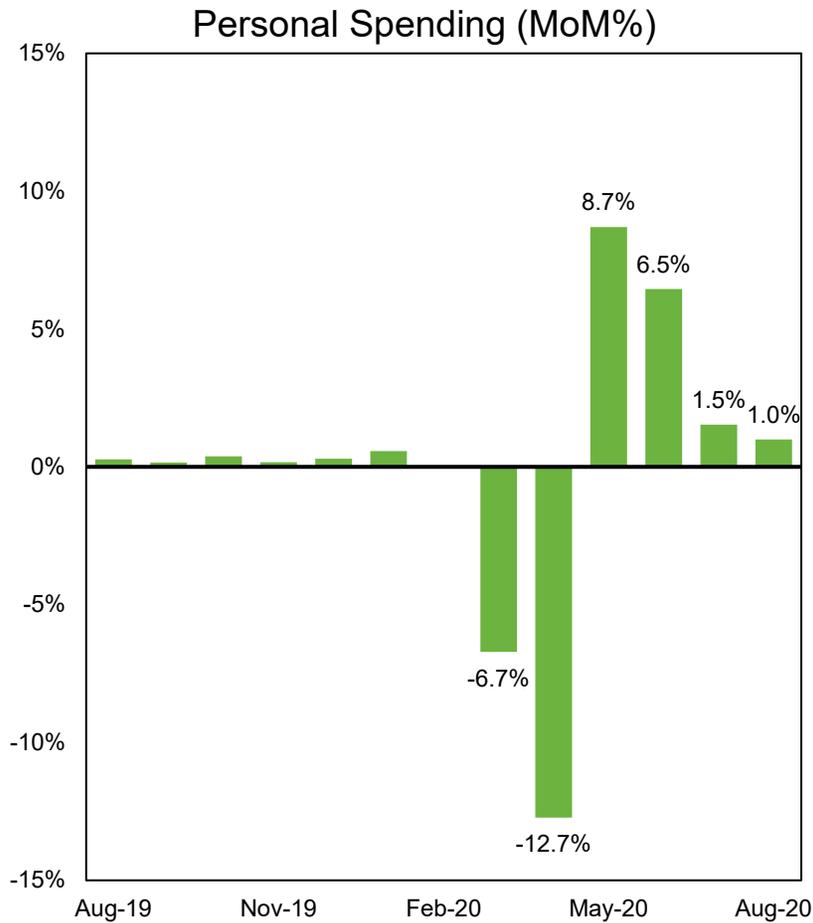
Appendix II: Economic Update

Expansion in the Manufacturing & Services Sectors Slow



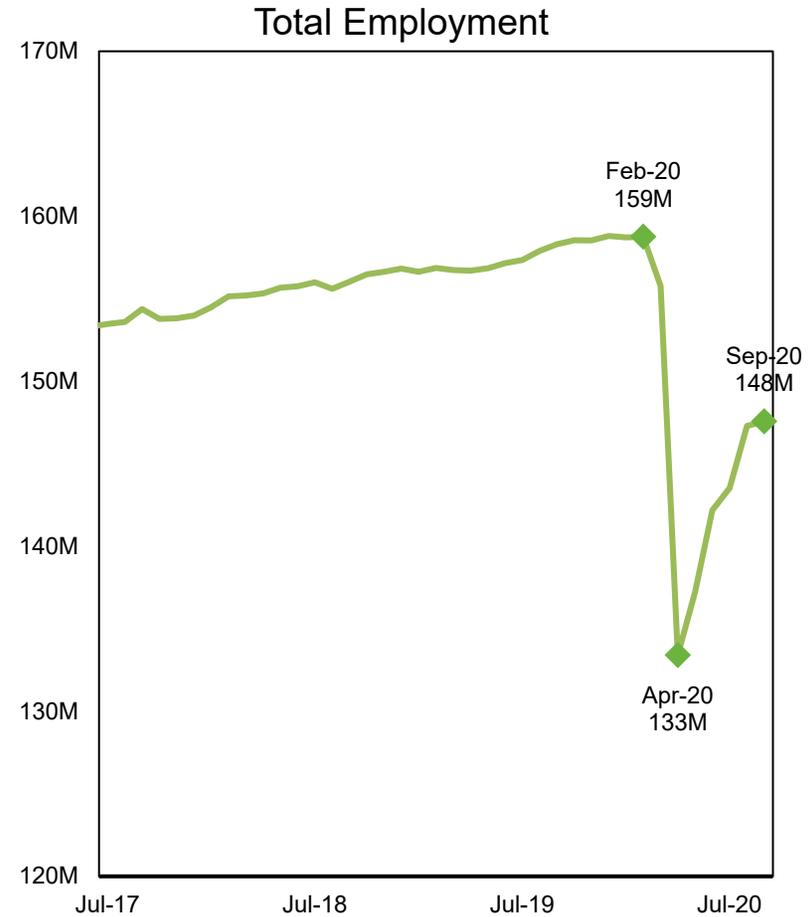
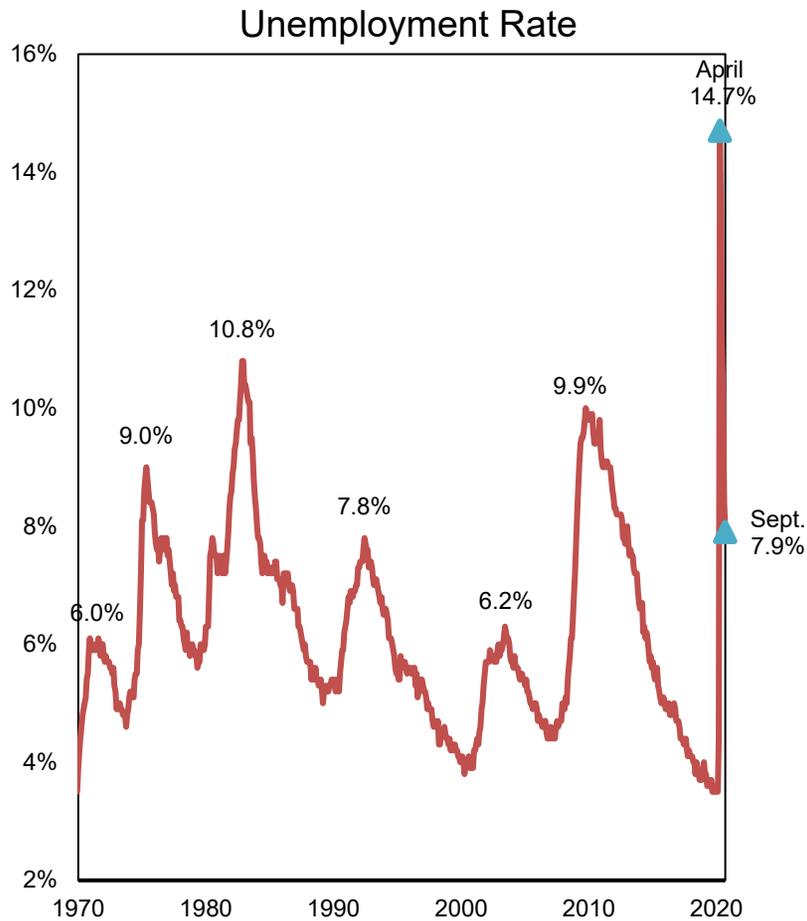
Source: Bloomberg, latest available data as of October 2020.

Personal Spending Stalls as Income Declines



Source: Bloomberg, as of 9/30/2020.

Slowing Momentum in the Labor Market Recovery



Source: Bloomberg, as of 9/30/2020. Data is seasonally adjusted.

Yield Environment as of October 2, 2020

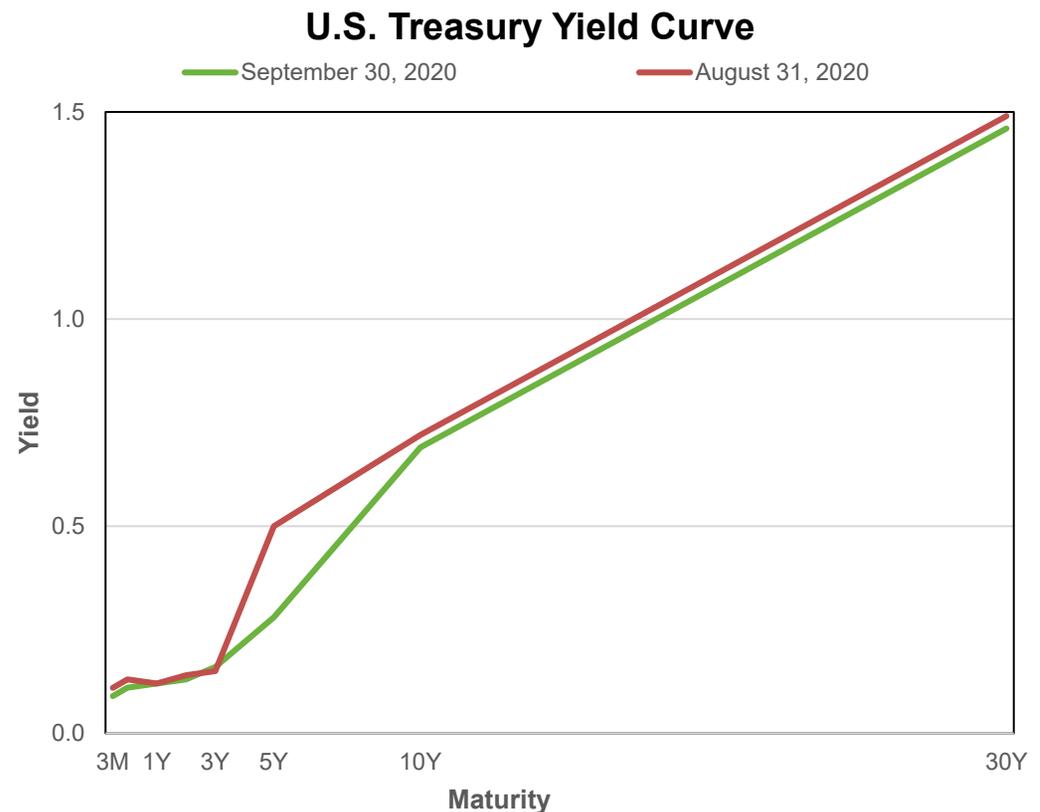
Maturity	Treasury	Federal Agency	AA Corporate	A Corporate
3-Month	0.09%	0.05%	0.19%	0.22%
6-Month	0.10%	0.06%	0.24%	0.29%
1-Year	0.11%	0.12%	0.25%	0.32%
2-Year	0.13%	0.12%	0.32%	0.41%
3-Year	0.16%	0.23%	0.41%	0.54%
5-Year	0.28%	0.35%	0.68%	0.84%

Source: Bloomberg BVAL yield curves for Treasury and Corporate. TradeWeb for Federal Agency yields. 3- and 6-month corporate yields from commercial paper; A-1+ for AA and A-1 for A. Yields are for indicative purposes only; actual yields may vary by issue.

U.S. Treasury Yields Curve Steepens

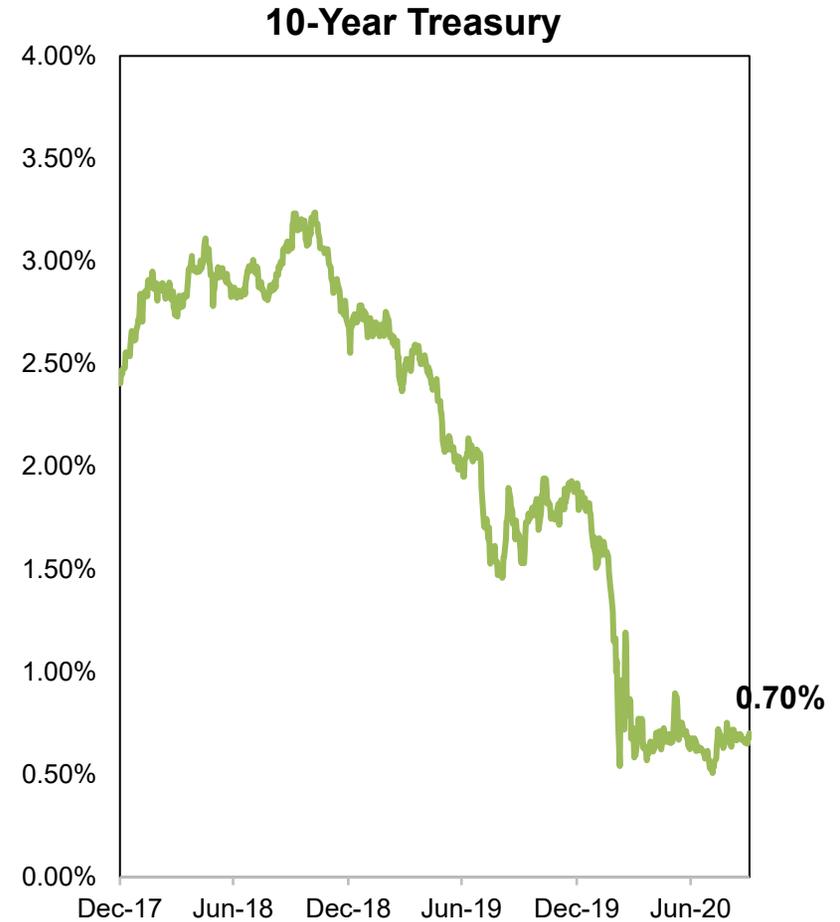
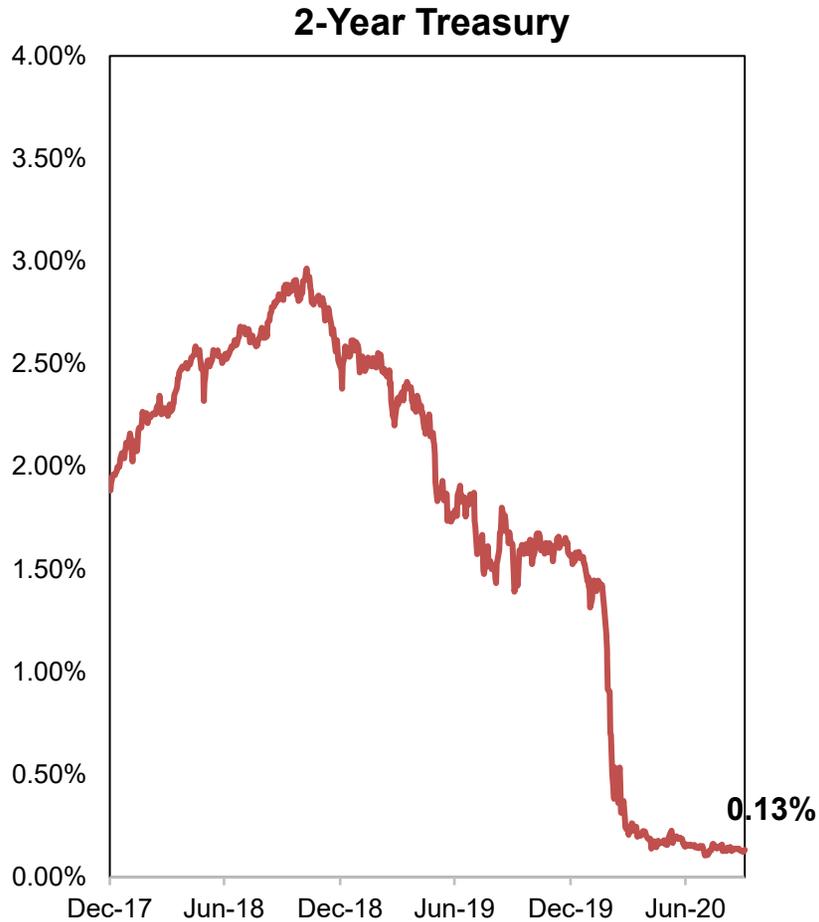
- The U.S. Treasury yield curve remained relatively unchanged at most maturities, although 5-year rates dropped more than 20 bps over the month

	<u>8/31/2020</u>	<u>9/30/2020</u>	<u>Change</u>
3 month	0.11%	0.09%	-0.02%
6 month	0.13%	0.11%	-0.02%
1 year	0.12%	0.12%	0.00%
2 year	0.14%	0.13%	-0.01%
3 year	0.15%	0.16%	0.01%
5 year	0.50%	0.28%	-0.22%
10 year	0.72%	0.69%	-0.03%
30 year	1.49%	1.46%	-0.03%



Source: Bloomberg, as of 9/30/2020.

Treasury Yields Trade Sideways



Source: Bloomberg, as of 10/02/2020.

Fixed Income Market Overview and Outlook

FIXED INCOME MARKET – ECONOMIC HIGHLIGHTS

- The impact of the coronavirus continued its ripple effect through global economies and financial markets during the third quarter of 2020:
 - Global health crisis – Coronavirus restrictions were gradually eased throughout the U.S. but were followed by regional hot spots, reminding people of how long the virus may linger.
 - Economic shutdown – U.S. second quarter GDP plunged by a record annualized rate of -31.7%. For context, GDP fell by 8.4% during the height of the 2008 great financial crisis. However, other economic indicators were surprisingly strong and recovered at a faster clip than originally expected, leading various economists to revise upward their forecasts for future growth. The labor market rebounded, but the jobs landscape remains a significant headwind to a more robust and consistent recovery.
 - Financial markets – The Federal Reserve (“Fed”) continued to play a large role in supporting financial market stability. The central bank re-affirmed its ongoing support of the Agency mortgage-backed security (“MBS”) and commercial mortgage-backed security (“CMBS”) markets through its ongoing purchase program, and it extended the expiration date of many of its targeted lending facilities. The Fed also continued to purchase corporate debt instruments, though at a slower pace than in the second quarter of 2020, while extending its forward guidance regarding zero short-term interest rates through 2023.

- The U.S. Treasury yield curve remained relatively unchanged over the quarter, with all maturities ending the quarter within 0.05% of where they began. Yields on shorter-term tenors drifted lower as the lack of new fiscal stimulus resulted in lighter Treasury debt issuance. Longer-dated yields inched only slightly higher, nudged primarily by the Fed’s new inflation targeting policy. As a result, Treasury index returns were muted for the quarter.
 - Diversification away from Treasuries was again additive to performance in the third quarter of 2020. Momentum from the retracement of wider spreads at the onset of the pandemic continued in the third quarter, albeit at a reduced pace, but led most investment grade fixed income sectors to generate positive excess returns relative to similar duration Treasuries.

Fixed Income Market Overview and Outlook

FIXED INCOME MARKET – ECONOMIC HIGHLIGHTS

- Our strategy for the third quarter of calendar year 2020 encompassed the following:
 - Maintained a sharp focus on portfolio safety with robust due diligence on credit and securitized products given the backdrop of a fragile economic environment.
 - Portfolio durations were targeted to match their respective benchmarks as few catalysts were present to push yields meaningfully higher over the near term.
 - U.S. Treasury allocations were reduced further as financial markets stabilized and other sectors presented better investment opportunities to enhance portfolio earnings. Increased allocations to other investment-grade sectors boosted performance for the second consecutive quarter.
 - We continued to increase allocations to the Federal Agency sector as yield spreads on new issue Fannie Mae, Freddie Mac, and Federal Home Loan Bank bonds remained elevated from a historical perspective, especially for maturities of three years and longer. Value in callable Federal Agency structures was limited, as spreads narrowed on most structures.
 - Short-term credit (i.e., commercial paper) yield spreads remained near pre-pandemic levels throughout the third quarter of 2020, which eroded much of the sector’s value. Select opportunities were found, but in general, allocations were reduced in favor of Treasury Bills.

- The U.S. and global economic recoveries have been stronger than expected. However, in the U.S., the pace of recovery appears to be slowing. Getting back to pre-pandemic growth and employment levels will likely be challenging.
 - The continued reach for yield and safety should pressure Agency spreads back to pre-COVID levels. Given this backdrop, we plan to continue to add to allocations at current yield spreads, which remain historically wide. Value is concentrated in maturities of 3 years and longer.

Disclosure

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