



# CITY OF FORT LAUDERDALE

## Investment Performance Review For the Quarter Ended September 30, 2022

### Client Management Team

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**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**

## Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Persistent high inflation
  - ▶ A deteriorating housing market
  - ▶ Continued personal consumption that is impacting household savings and balance sheets
  - ▶ Worsening economic outlook that is propped up by a strong labor market



- ▶ The Federal Reserve has committed to a heavy-handed policy
  - ▶ Expectations have shifted from a soft landing to a moderate/hard landing, with increased recession risks
  - ▶ Short-term fed funds rate projected to reach 4.25% to 4.50% by year end
  - ▶ Increased pace of quantitative tightening

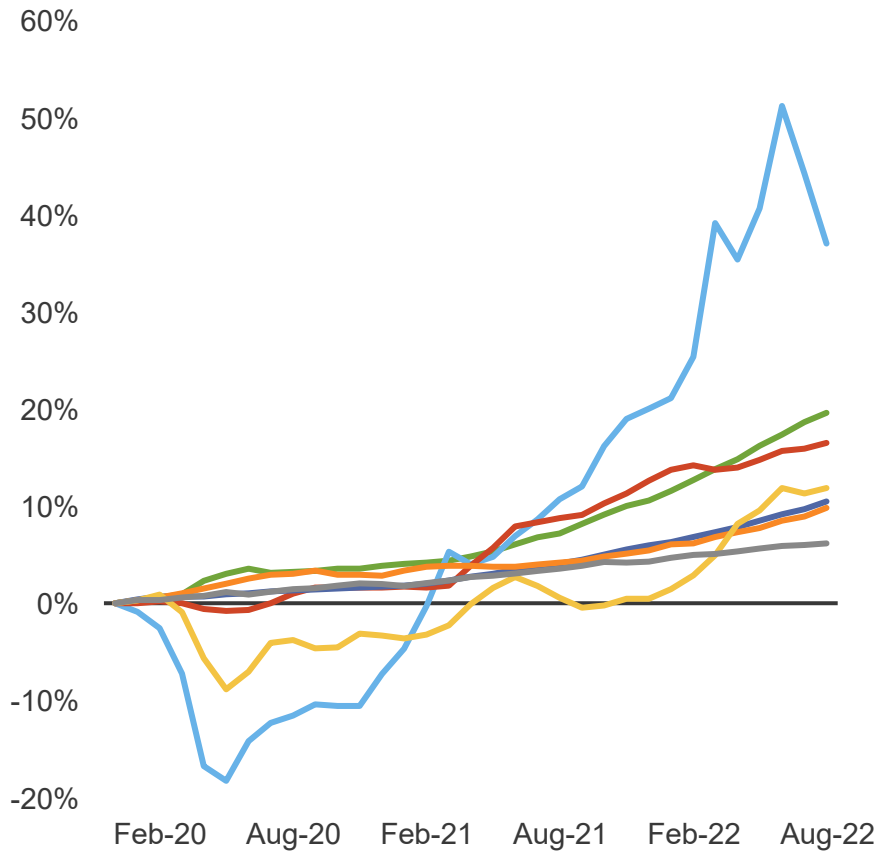


- ▶ Rapidly rising rates negatively impacting valuations and inducing market volatility
  - ▶ Yields across curve reached their highest levels in 14 years
  - ▶ Treasury yield curve remains inverted
  - ▶ Elevated volatility across all major asset classes

## Headline Inflation Remains Elevated Despite Recent Reduction in Energy Prices

### Price Change of Major CPI Components

Since December 2019



CPI Component	12-mo. Change	Weight <sup>1</sup>	Contribution to YoY CPI
Energy	23.8%	8.8%	1.7%
Food	11.4%	13.5%	1.5%
Goods	7.1%	21.2%	1.5%
Transportation	11.3%	5.9%	0.6%
Shelter	6.2%	32.2%	2.1%
Medical Services	5.6%	6.8%	0.4%
Other Services <sup>2</sup>	3.4%	11.6%	0.4%

Detail may not add to total due to rounding.

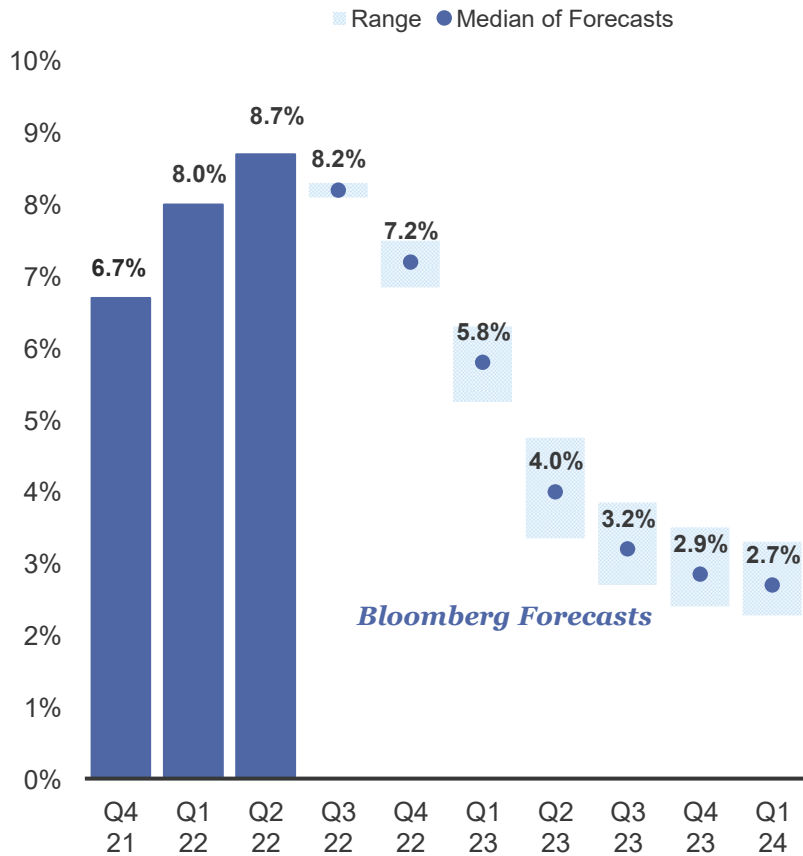
Source: Bloomberg, Bureau of Labor Statistics as of August 2022.

<sup>1</sup>Index weights are as of July 2022 as they are published on a one-month lag.

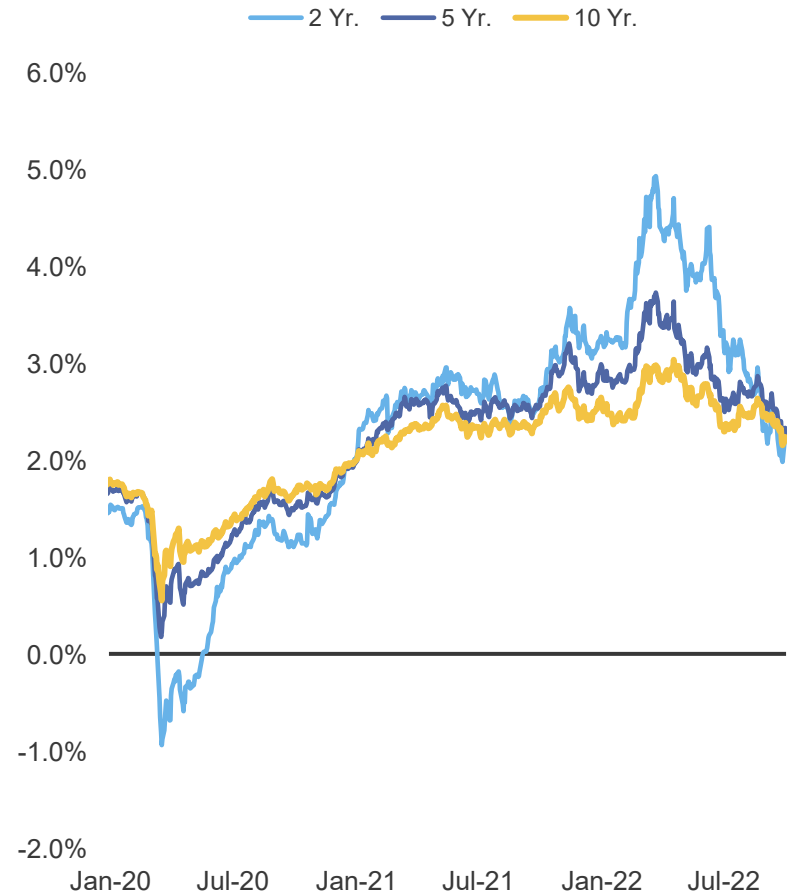
<sup>2</sup>Other services is a weighted blend of Water/Sewer/Trash, Household Operations, Recreation, Education, Communication Services, and Other Personal Services.

## Economist and Market Expectations Point to Slowly Moderating Inflation

### U.S. Inflation Forecasts Annualized Rate



### Breakeven Inflation Rates



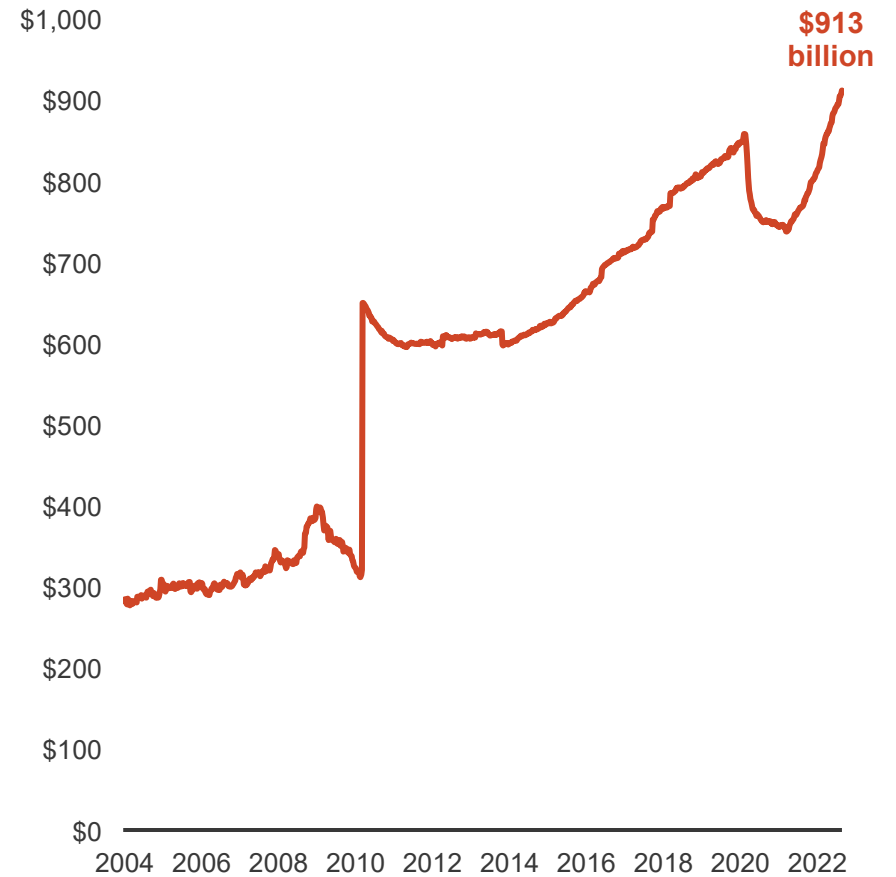
Source: Bloomberg, data as of September 30, 2022.

### Consumption Comes at a Cost to Consumer

#### Personal Savings as % of Disposable Income



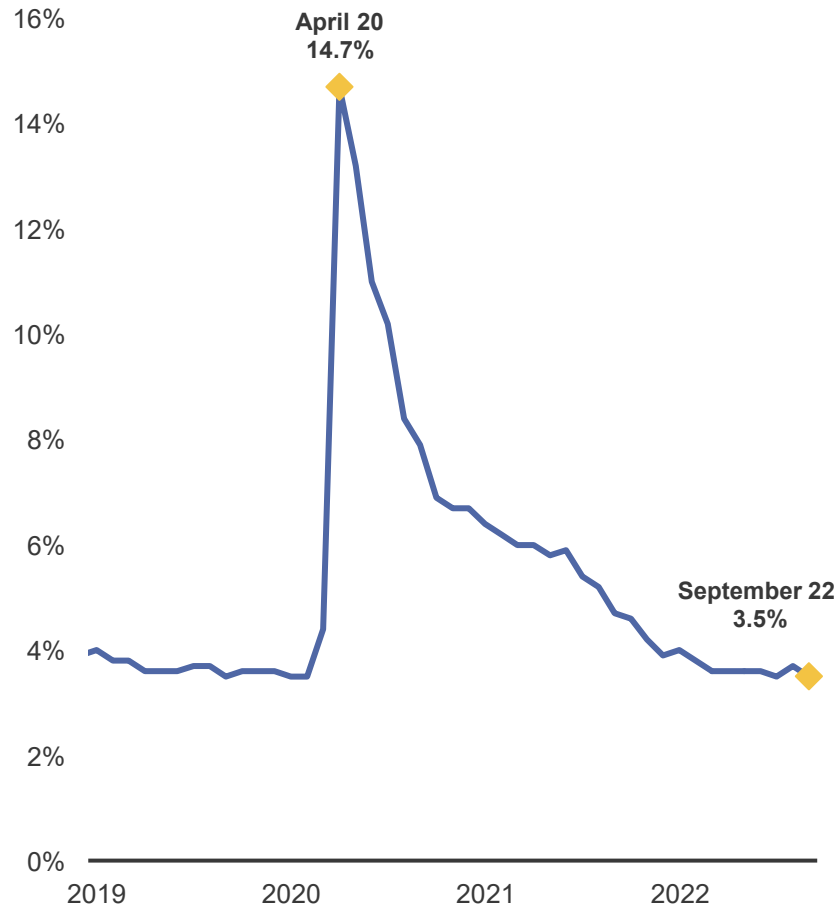
#### Consumer Loans: Credit Cards and Other Revolving Plans (Billions)



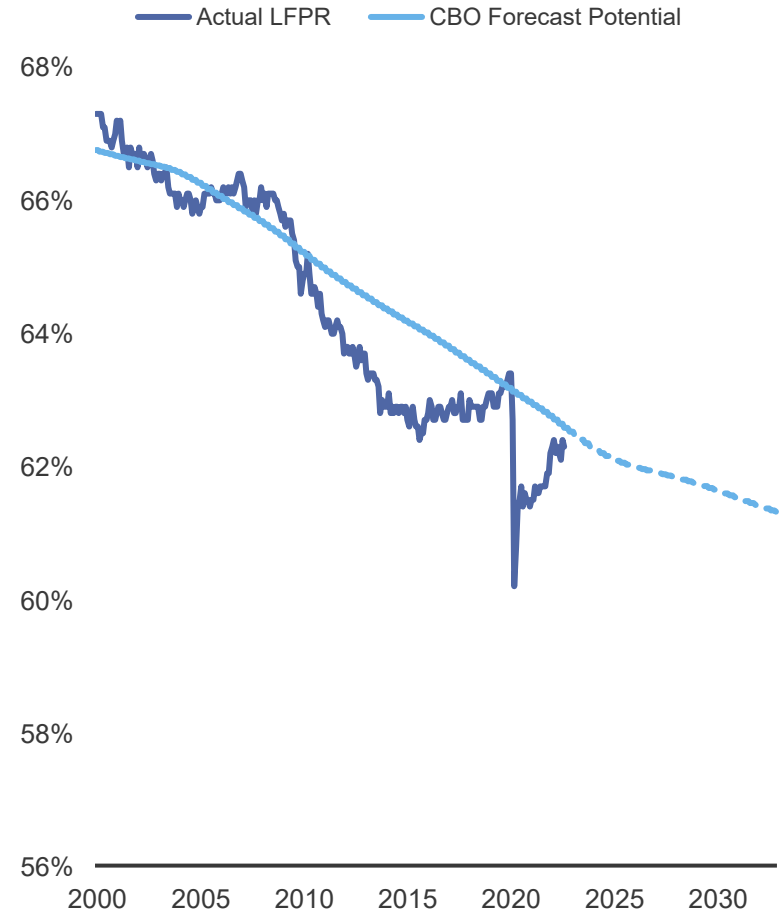
Source U.S. Bureau of Economic Analysis, Federal Reserve, FRED. Most recent data as of August 2022.

### Labor Force Continues to Recover

#### Unemployment Rate



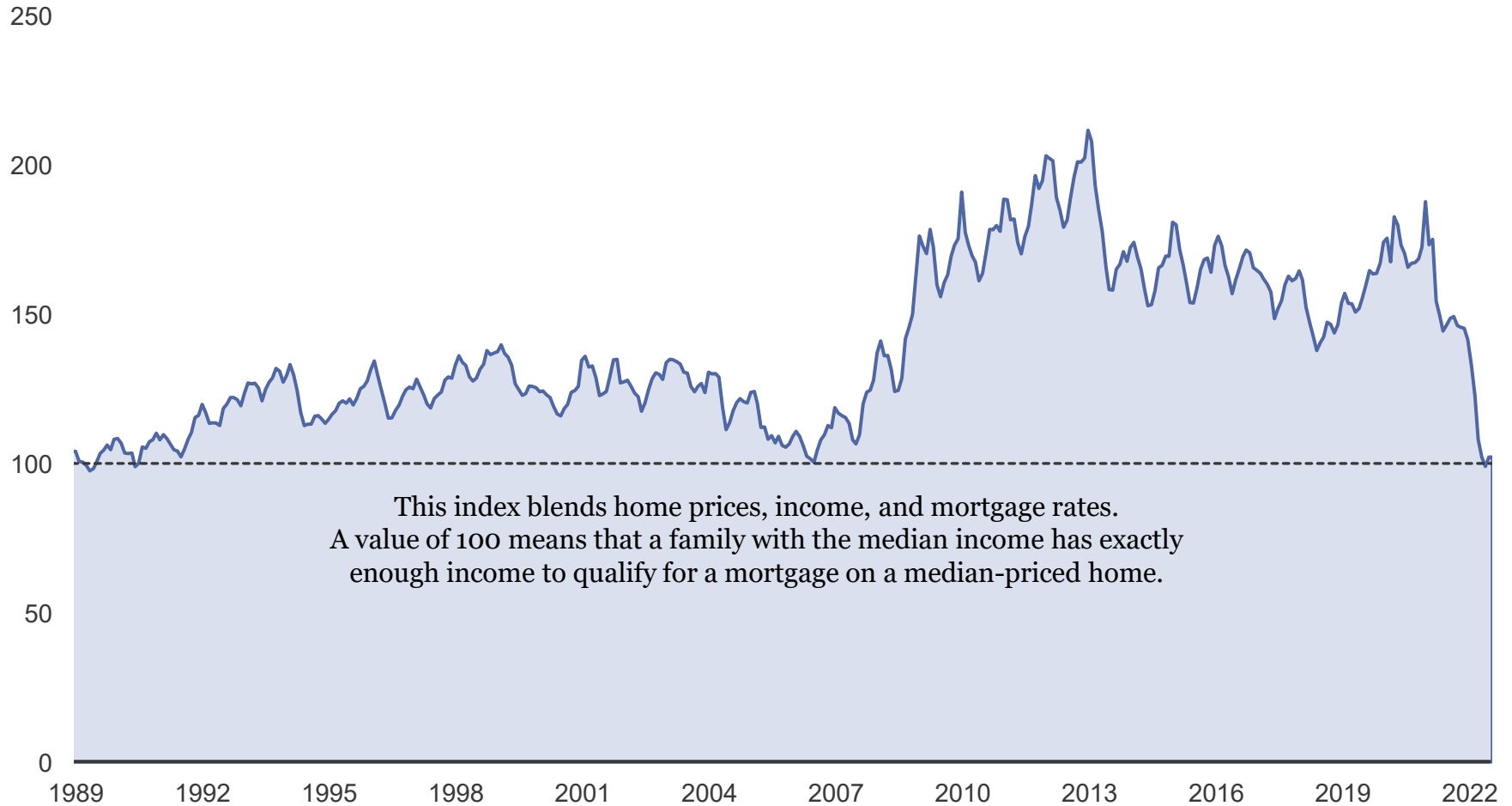
#### Labor Force Participation Rate



Source: Congressional Budget Office September 2022 economic projections, Bureau of Labor Statistics. Bloomberg, as of September 2022. Data is seasonally adjusted.

## Housing Affordability Deteriorating Amid Soaring Rates and Home Prices

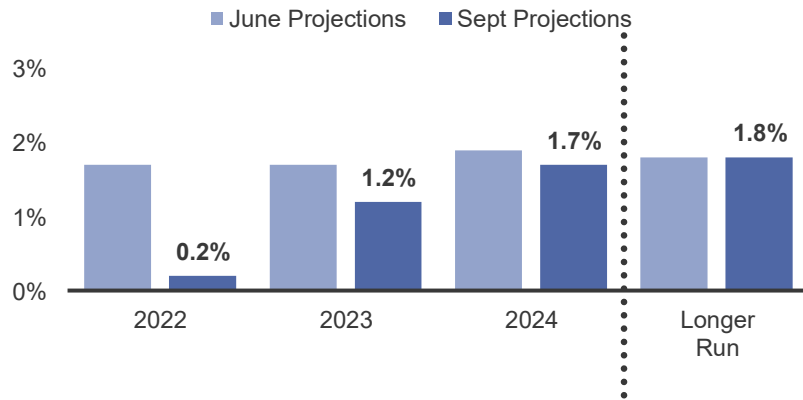
### Homebuyer Affordability *National Association of Realtors*



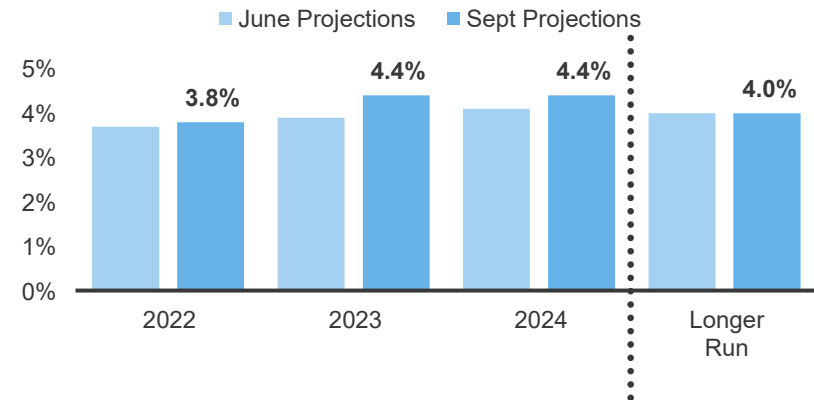
Source: Bloomberg, most recent data as of August 2022.

## Fed's Projections Reflect Weaker Economic Growth and Extended Timeline for Tighter Policy

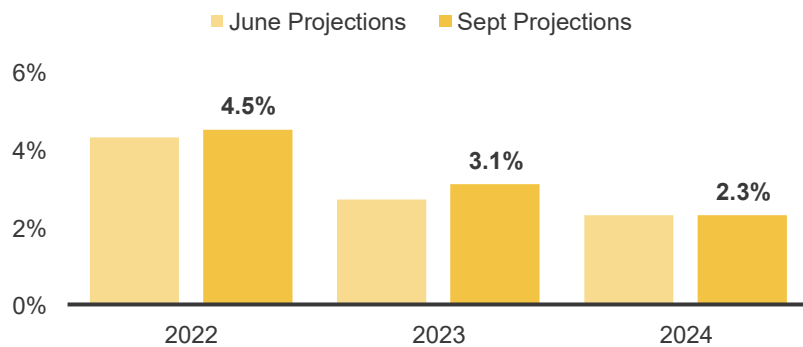
### Change in Real GDP



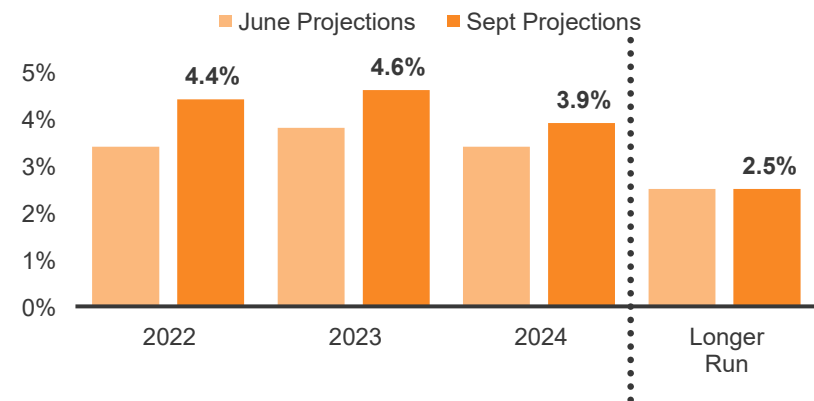
### Unemployment Rate



### Core PCE Inflation



### Federal Funds Rate



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



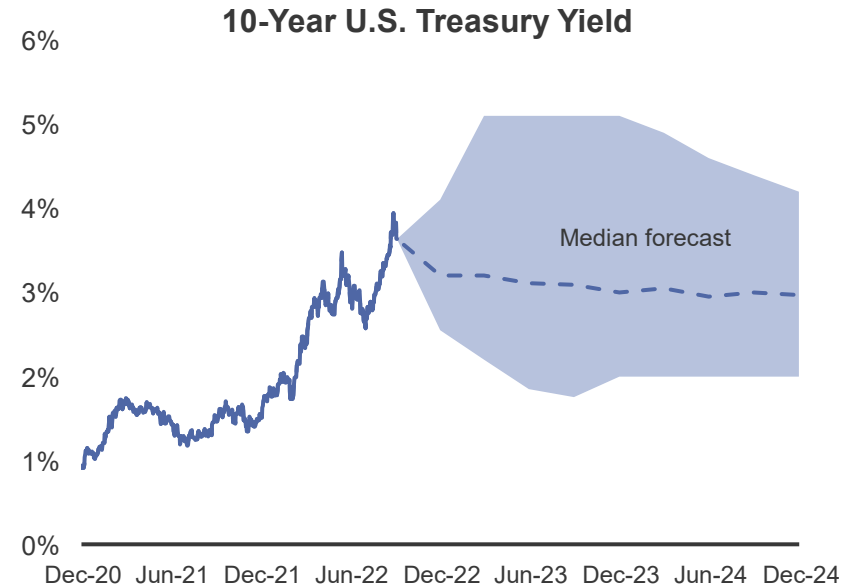
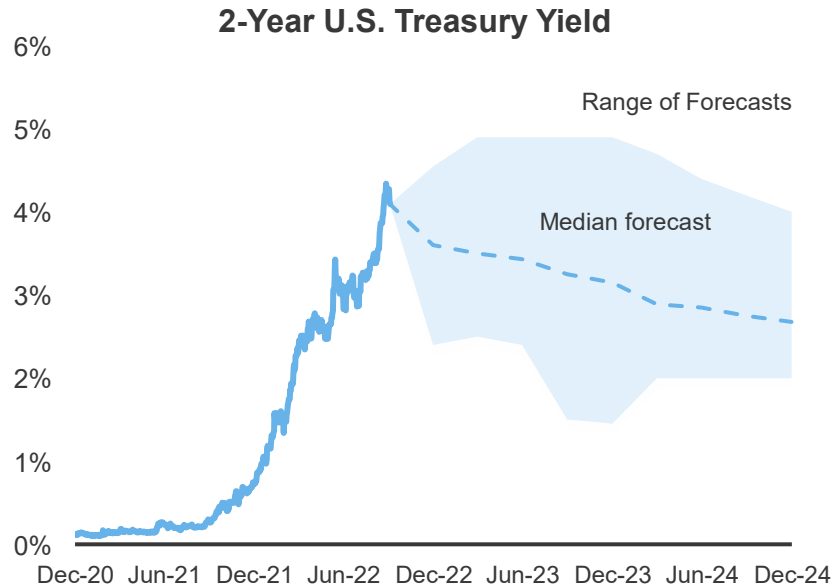
## Fed Makes Aggressive Stance Clear But Market Uncertainty Persists

**From the  
September 2022  
FOMC Meeting  
Press Conference**

“Without price stability, the economy does not work for anyone.”

“We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2%.”

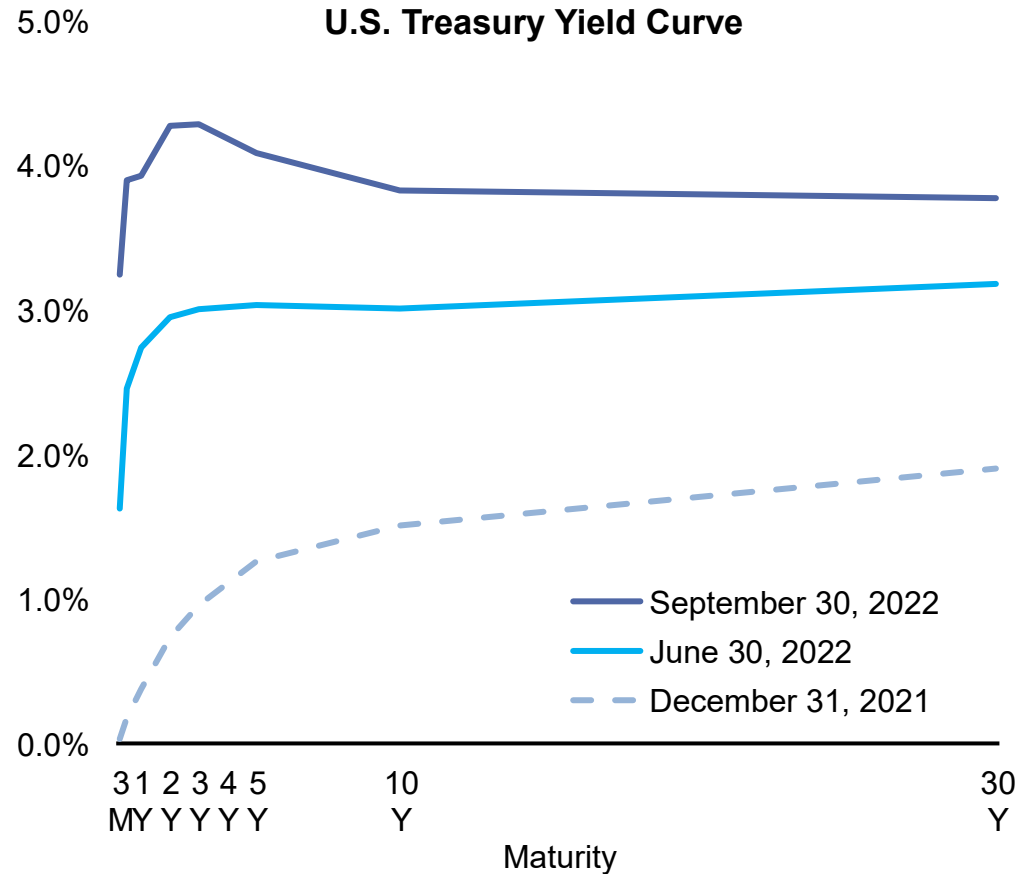
“No one knows whether this process will lead to a recession or if so, how significant that recession would be.”



Source: Federal Reserve, Bloomberg, Bloomberg Economist Forecasts as of September 30, 2022.

### Treasury Yields Move Higher Across the Curve; Inversion Steepens Over the Quarter

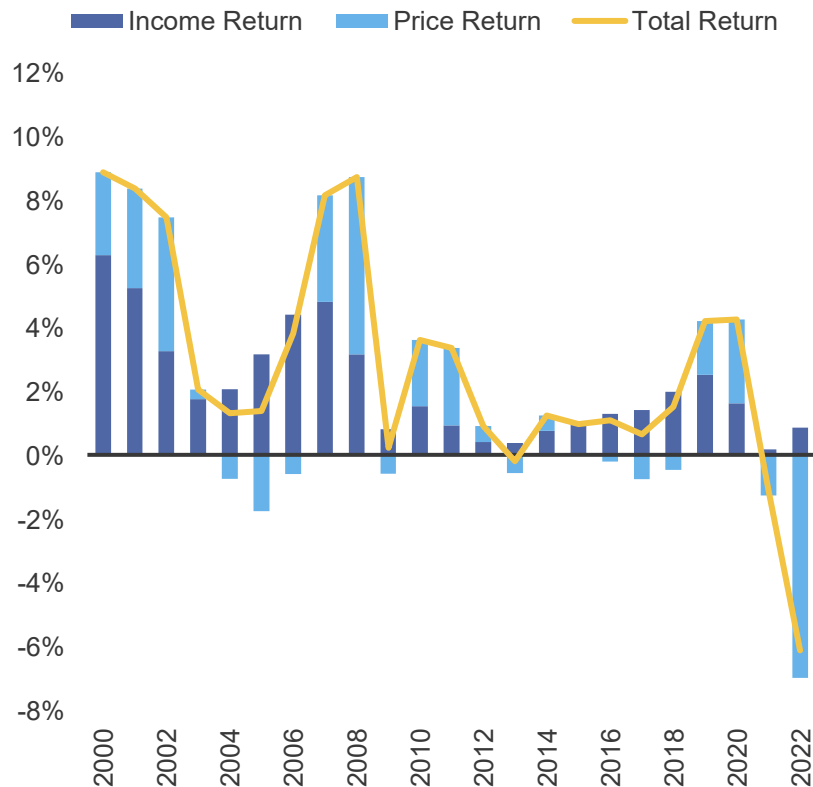
	3Q2022 09/30/22	2Q2022 06/30/22	QoQ Change
3-month	3.25%	1.63%	+1.62%
1-year	3.93%	2.74%	+1.19%
2-year	4.28%	2.95%	+1.33%
3-year	4.29%	3.01%	+1.28%
5-year	4.09%	3.04%	+1.05%
10-year	3.83%	3.01%	+0.82%
30-year	3.78%	3.18%	+0.60%



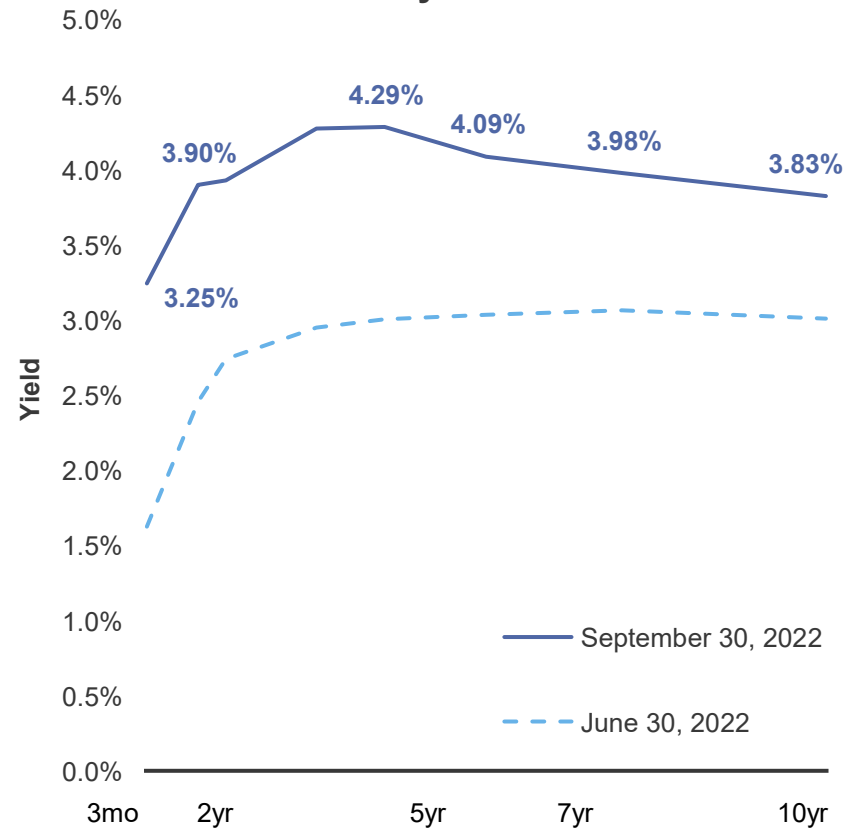
Source: Bloomberg, as of September 2022.

## The Pros and Cons of Rising Rates: Lower Market Values and Stronger Income Potential

### Annual Price & Income Returns (1-5 Year Treasury)



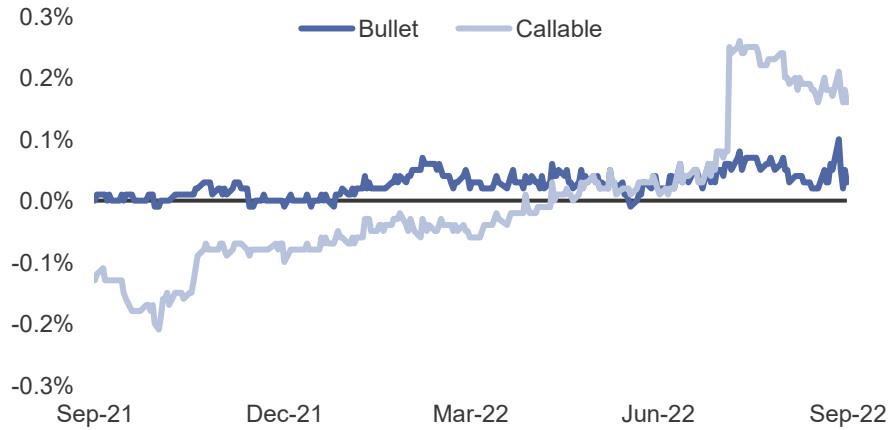
### U.S. Treasury Yield Curve



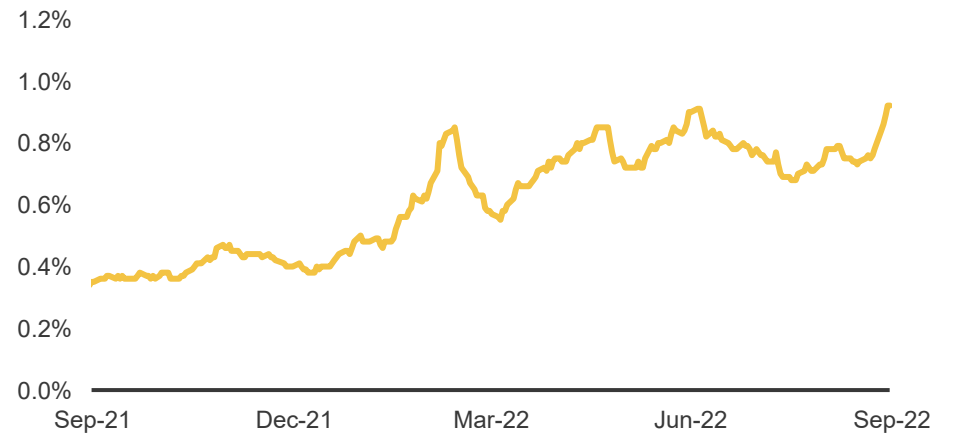
Source: ICE BofAML Indices via Bloomberg, as of September 30, 2022; PFAM calculations. 2022 Price, income, and total return is YTD as of September 30, 2022. Income return is based on the starting yield from the prior year ended December 31, 20xx. Price return is calculated as the difference between the total return and calculated income return for each period.

## Sector Yield Spreads Widened in Q3 2022

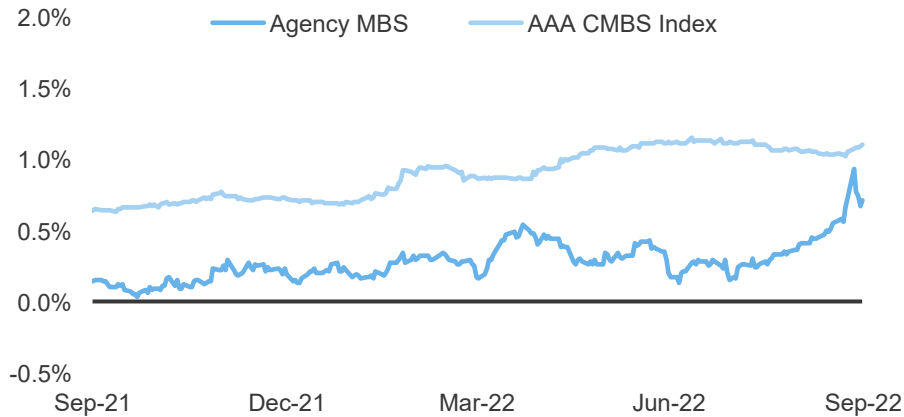
### Federal Agency Yield Spreads



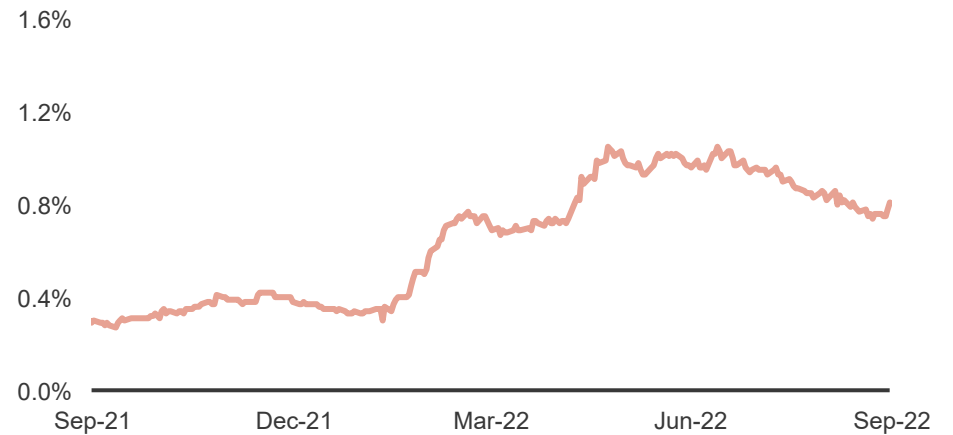
### Corporate Notes A-AAA Yield Spreads



### Mortgage-Backed Securities Yield Spreads



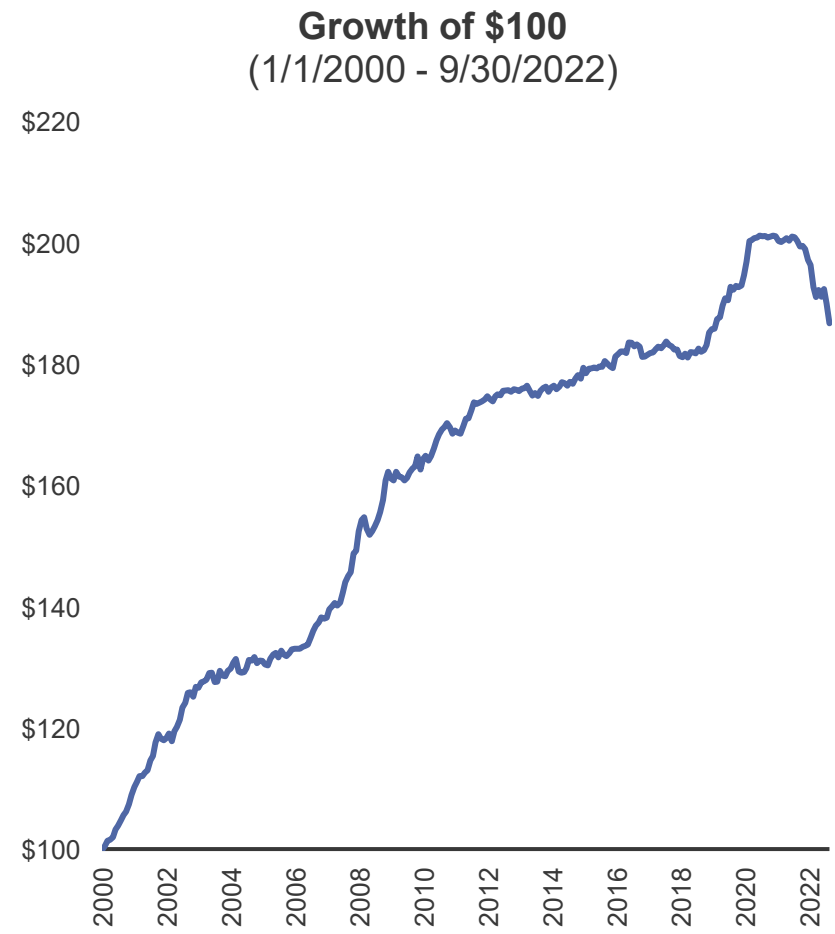
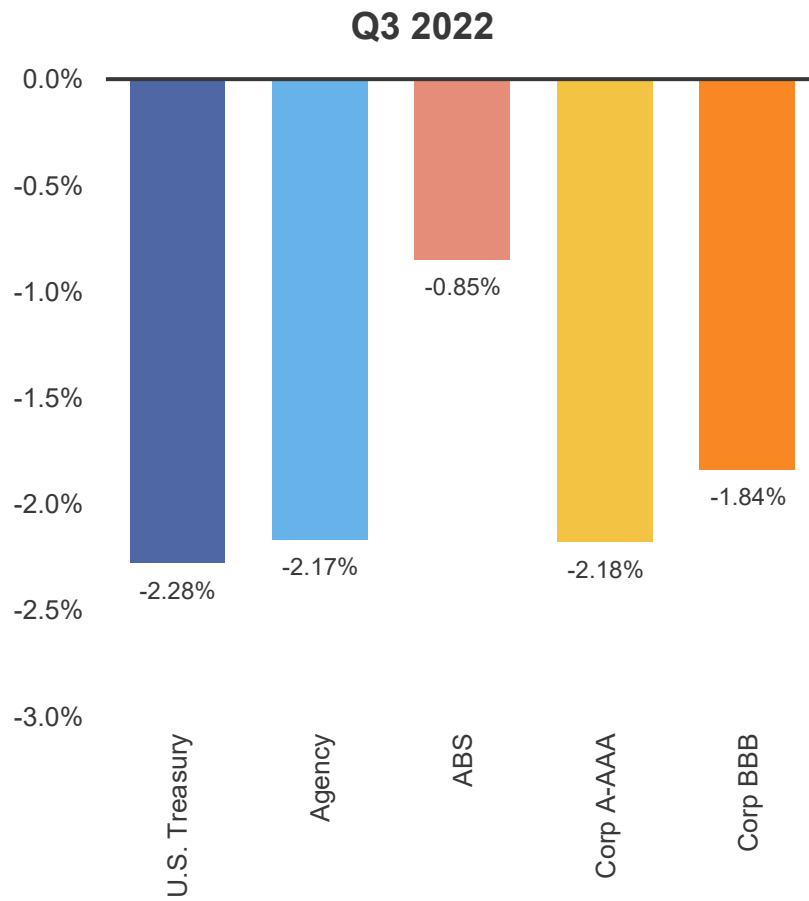
### Asset-Backed Securities AAA Yield Spreads



Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of September 30, 2022. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

## Fixed Income Returns in Q3 2022

### 1-5 Year Indices



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of September 30, 2022.  
 Right Chart: 1-5 Year Treasury (GVQ0 Index).

## Fixed-Income Sector Commentary – 3Q 2022

- ▶ **U.S. Treasury** securities posted negative absolute returns during Q3 as interest rates continue to ascend to levels not seen in over 14 years.
- ▶ **Federal agency** bullet spreads remained mostly unchanged in the low single-digits and the sector remained largely stagnant on light issuance. Conversely, the rapid rise in rates and volatility prompted a widening in spreads for callable federal agencies.
- ▶ **Supranational** yield spreads widened slightly in the longer-end of the curve while issuance has consistently lagged projections this year. Unattractive funding levels compounded by liquidity pressures resulted in minimal activity in the sector. New issues at attractive concessions to secondary inventory were the lone avenue to new exposure.
- ▶ **Investment-Grade Corporates** were a strong performer for much of the quarter as spreads tightened. Increases to allocations in the sector over recent months played a significant role in the strong performance relative to benchmarks.
- ▶ **Asset-Backed** yield spreads lagged the comparative narrowing in other sectors but remained relatively elevated in relation to high quality corporate notes. Although elevated relative to corporates, spreads tightened throughout the quarter and the sector generated attractive excess returns, with automobile collateral besting credit card structures.
- ▶ **Mortgage-Backed Securities** have been a staggering underperformer so far this year. Soaring mortgage rates combined with record high housing prices caused refinancing and new purchases to grind to a halt. Heightened volatility and concerns about an economic slowdown continued to weigh on the sector, while the looming Fed balance sheet reduction compounded the gloomy outlook.
- ▶ **Taxable Municipals** were another sector that generated positive excess returns in Q3. New issuance was generally lackluster with deals being heavily oversubscribed, pressuring spreads lower.
- ▶ **Commercial Paper and CDs** have been subject to a rapidly changing backdrop influenced by the Fed's aggressive series of rate hikes. Fixed-rate credit spreads widened during the quarter and the short-term credit curve remains steep.

### Fixed-Income Sector Outlook – 4Q 2022

Sector	Our Investment Preferences
<b>COMMERCIAL PAPER / CD</b>	
<b>TREASURIES</b>	
<b>T-Bill</b>	
<b>T-Note</b>	
<b>FEDERAL AGENCIES</b>	
<b>Bullets</b>	
<b>Callables</b>	
<b>SUPRANATIONALS</b>	
<b>CORPORATES</b>	
<b>Financials</b>	
<b>Industrials</b>	
<b>SECURITIZED</b>	
<b>Asset-Backed</b>	
<b>Agency Mortgage-Backed</b>	
<b>Agency CMBS</b>	
<b>MUNICIPALS</b>	

● Current outlook

○ Outlook one quarter ago



<u>Portfolios</u>	<u>Market Value</u>	<u>Current Quarter</u>	<u>Fiscal Year To Date</u>	<u>Trailing 12 Months</u>	<u>Assumed Rate of Return</u>
<b>City Operating Funds - Self-Directed<sup>1</sup></b>	<b>\$ 280,826,351</b>	<b>2.54%</b>	<b>3.50%</b>	<b>3.50%</b>	
<i>S&amp;P GIP All Gross Yield Index</i>		<i>0.52%</i>	<i>0.77%</i>	<i>0.77%</i>	
<b>CRA Funds</b>	<b>\$ 66,229,413</b>	<b>2.79%</b>	<b>4.75%</b>	<b>4.75%</b>	
<i>S&amp;P GIP All Gross Yield Index</i>		<i>0.52%</i>	<i>0.77%</i>	<i>0.77%</i>	
<b>Fixed Income Investment Portfolio - PFMAM</b>	<b>\$ 369,138,147</b>	<b>-1.98%</b>	<b>-6.62%</b>	<b>-6.62%</b>	
<i>ICE BofAML 1-5 Year U.S. Treasury Index</i>		<i>-2.28%</i>	<i>-6.78%</i>	<i>-6.78%</i>	
<b>Total City of Fort Lauderdale Funds<sup>2</sup></b>	<b>\$ 716,193,911</b>	<b>0.23%</b>	<b>-1.60%</b>	<b>-1.60%</b>	
<i>City of Fort Lauderdale Blended Benchmark</i>		<i>-0.92%</i>	<i>-3.12%</i>	<i>-3.12%</i>	
<b>Bond Proceeds<sup>3</sup></b>	<b>\$ 211,892,482</b>	<b>2.32%</b>	<b>4.09%</b>	<b>4.09%</b>	
<b>OPEB Trust Funds<sup>4</sup></b>	<b>\$ 40,697,211</b>	<b>-5.44%</b>	<b>-17.53%</b>	<b>-17.53%</b>	<b>7.00%</b>
<i>Benchmark</i>		<i>-5.61%</i>	<i>-17.47%</i>	<i>-17.47%</i>	
<b>Cemetery Trust Fund<sup>4</sup></b>	<b>\$ 27,367,832</b>	<b>-5.00%</b>	<b>-15.23%</b>	<b>-15.23%</b>	<b>5.00%</b>
<i>Benchmark</i>		<i>-5.42%</i>	<i>-16.00%</i>	<i>-16.00%</i>	
<b>General Employees Retirement System<sup>4</sup></b>	<b>\$ 667,333,204</b>	<b>-4.20%</b>	<b>-12.00%</b>	<b>-12.00%</b>	<b>7.00%</b>
<i>Benchmark</i>		<i>-4.40%</i>	<i>-13.50%</i>	<i>-13.50%</i>	
<b>Police &amp; Fire Retirement System<sup>4</sup></b>	<b>\$ 1,015,607,597</b>	<b>-4.03%</b>	<b>-10.29%</b>	<b>-10.29%</b>	<b>7.25%</b>
<i>Benchmark</i>		<i>-3.79%</i>	<i>-11.55%</i>	<i>-11.55%</i>	

## Notes:

1. City Operating Funds – Self-Directed performance is calculated based on the weighted average yield of the City Self – Directed Account portfolio and the self-directed bank accounts, as well as the Florida CLASS and FL PALM Holdings.
2. Total City of Fort Lauderdale Funds calculated as the weighted average return of City Operating Funds - Self Directed, CRA Funds, and Fixed Income Investment Portfolio – PFMAM
3. Bond Proceeds balance includes all bond proceeds portfolios. Current quarter yields estimated based on all bond proceeds holdings. Fiscal Year to Date and Trailing 12 Month yields are estimated based on current quarter yields and 2018 Water & Sewer bond yield data.
4. Performance and Market Values from Fixed Income Investment Portfolio – PFMAM, OPEB Trust Funds, Cemetery Trust Funds, General Employees Retirement System ("GERS"), and Police & Fire Retirement System ("P&F") are derived from their manager reports as of September 30, 2022.



	<u>Market Value as of September 30, 2022</u>	<u>Percent of Portfolio</u>	<u>Market Value as of June 30, 2022</u>	<u>Percent of Portfolio</u>
<b><u>Funds Held for Liquidity</u></b>				
CitiBank - Health Ins	1,132,005	0.12%	1,074,101	0.11%
Wells Fargo - Wks Comp	373,323	0.04%	801,873	0.08%
Wells Fargo Govt Ckg - BMPO	57,599	0.01%	57,599	0.01%
Wells Fargo Master Account	28,153,008	3.03%	40,891,371	4.14%
Wells Fargo Utility Account	8,646,337	0.93%	8,475,060	0.86%
Wells Fargo CRA	44,815,297	4.83%	48,808,249	4.94%
Wells Fargo Police Evidence	871,201	0.09%	871,201	0.09%
<b>Total Funds for Liquidity</b>	<b>\$ 84,048,770</b>	<b>9.06%</b>	<b>\$ 100,979,453</b>	<b>10.23%</b>
<b><u>Funds Held for Investment</u></b>				
PFMAM Investment Portfolio	369,138,147	39.77%	\$ 376,601,755	38.15%
CRA City Self - Directed Account	21,414,116	2.31%	21,316,506	2.16%
City Self - Directed Account	7,292,083	0.79%	7,261,566	0.74%
FMIT Subsidiary Accounts	128,914	0.01%	130,201	0.01%
FL CLASS	92,109,704	9.92%	106,576,018	10.80%
FL PALM	142,062,177	15.31%	48,909,223	4.95%
FL PALM TERM	0	0.00%	107,500,000	10.89%
<b>Total Funds for Investment</b>	<b>\$ 632,145,141</b>	<b>68.11%</b>	<b>\$ 668,295,269</b>	<b>67.70%</b>
<b><u>Bond Proceeds</u></b>				
Water & Sewer Bond 2018	67,968,608	7.32%	\$ 71,319,973	7.22%
Parks 2020-A	46,561,661	5.02%	48,294,067	4.89%
Public Safety 2020-B	92,344,631	9.95%	93,234,362	9.45%
FMIT G.O. Series 2011-A	5,017,582	0.54%	5,004,801	0.51%
<b>Total Bond Proceeds</b>	<b>\$ 211,892,482</b>	<b>22.83%</b>	<b>\$ 217,853,203</b>	<b>22.07%</b>
<b>Grand Total</b>	<b>\$ 928,086,393</b>	<b>100.00%</b>	<b>\$ 987,127,925</b>	<b>100.00%</b>

## Notes:

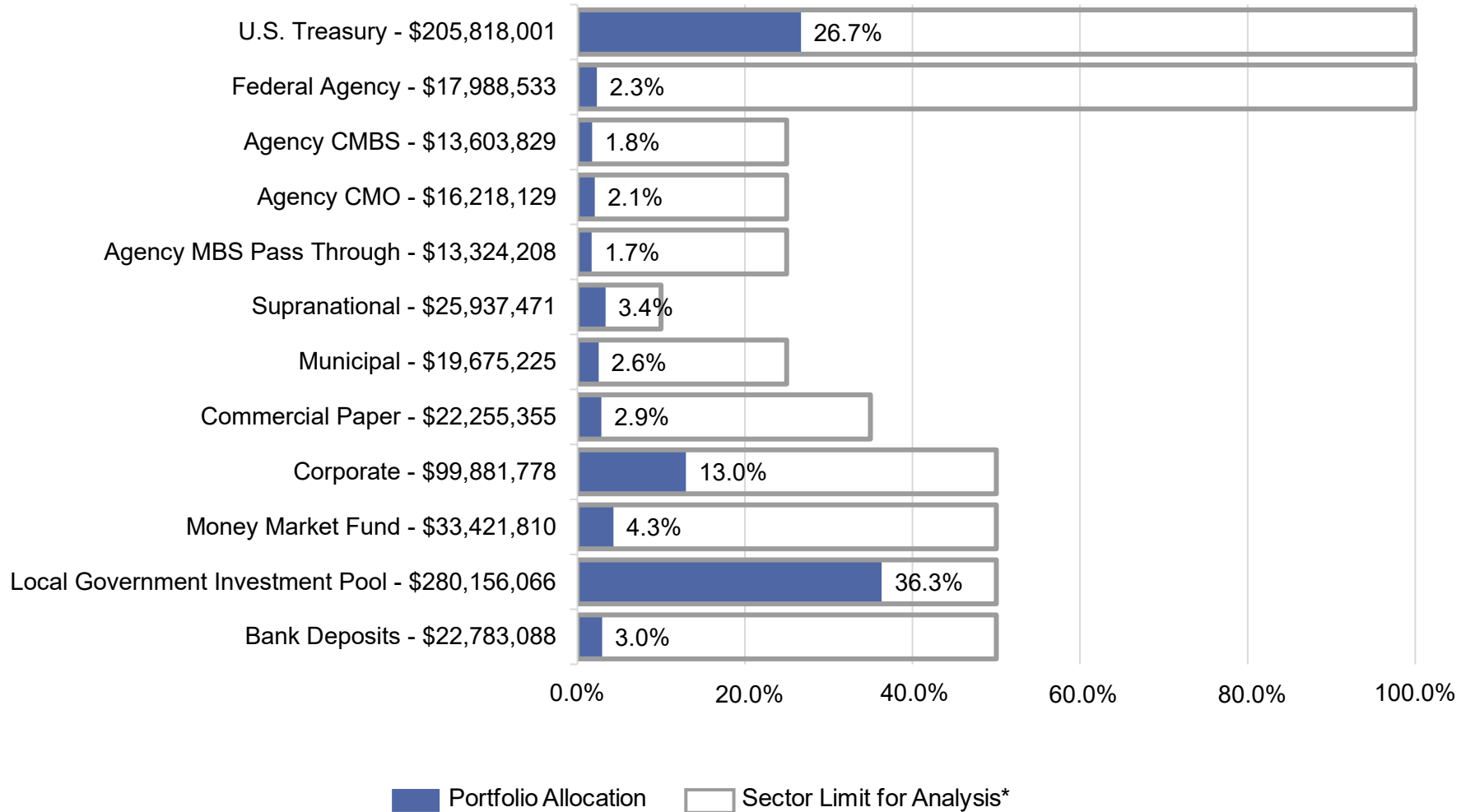
1. Market Values plus accrued interest as of September 30, 2022 and June 30, 2022 are derived from their respective statements from Wells Fargo, PFMAM, City National, or FMIT.
2. Bond Proceeds balances for Parks 2020-A and Public Safety 2020-B include cash balances, FL PALM balances, and FL PALM Term balances.

<u>Account Names</u>	<u>Yield to Market as of September 30, 2022</u>	<u>Percent of Portfolio September 30, 2022</u>	<u>Yield to Market as of June 30, 2022</u>	<u>Percent of Portfolio June 30, 2022</u>
<b><u>Funds Held for Liquidity</u></b>				
CitiBank - Health Ins	0.00%	0.12%	0.00%	0.11%
Wells Fargo - Wks Comp	3.06%	0.04%	1.56%	0.08%
Wells Fargo Govt Ckg - BMPO	3.06%	0.01%	1.56%	0.01%
Wells Fargo Master Account	3.06%	3.03%	1.56%	4.14%
Wells Fargo Utility Account	0.00%	0.93%	0.00%	0.86%
Wells Fargo CRA	3.06%	4.83%	1.56%	4.94%
Wells Fargo Police Evidence	0.00%	0.09%	0.00%	0.09%
<b>Total Funds for Liquidity</b>	<b>2.67%</b>	<b>9.06%</b>	<b>1.40%</b>	<b>10.23%</b>
<b><u>Funds Held for Investment</u></b>				
PFMAM Investment Portfolio	3.66%	39.77%	2.10%	38.15%
CRA City Self - Directed Account	2.24%	2.31%	0.74%	2.16%
City Self - Directed Account	1.95%	0.79%	0.45%	0.74%
FMIT Subsidiary Accounts	4.30%	0.01%	3.10%	0.01%
FL CLASS	2.54%	9.92%	1.07%	10.80%
FL PALM	2.65%	15.31%	1.17%	4.95%
FL PALM TERM	N/A	0.00%	0.17%	10.89%
<b>Total Funds for Investment</b>	<b>3.20%</b>	<b>68.11%</b>	<b>1.50%</b>	<b>67.70%</b>
<b><u>Bond Proceeds</u></b>				
Water & Sewer Bond 2018	1.95%	7.32%	0.45%	7.22%
Parks 2020-A	2.26%	5.02%	1.13%	4.89%
Public Safety 2020-B	2.52%	9.95%	2.17%	9.45%
FMIT G.O. Series 2011-A	4.00%	0.54%	2.90%	0.51%
<b>Total Bond Proceeds</b>	<b>2.32%</b>	<b>22.83%</b>	<b>1.39%</b>	<b>22.07%</b>
<b>Total Average Yield</b>	<b>2.95%</b>	<b>100.00%</b>	<b>1.46%</b>	<b>100.00%</b>
<b><u>Benchmarks</u></b>				
	<b><u>September 30, 2022</u></b>		<b><u>June 30, 2022</u></b>	
S&P GIP All 30 Day Gross Yield Index	2.52%		1.02%	
BofA Merrill Lynch 1-3 Year Treasury Index	4.30%		2.95%	
BofA Merrill Lynch 1-5 Year Treasury Index	4.25%		2.98%	

## Notes:

- Market Values plus accrued interest as of September 30, 2022 and June 30, 2022 are derived from their respective statements from Wells Fargo, PFMAM, City National, or FMIT.
- Bond Proceeds balances for Parks 2020-A and Public Safety 2020-B include cash balances, FL PALM balances, and FL PALM Term balances.

### Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

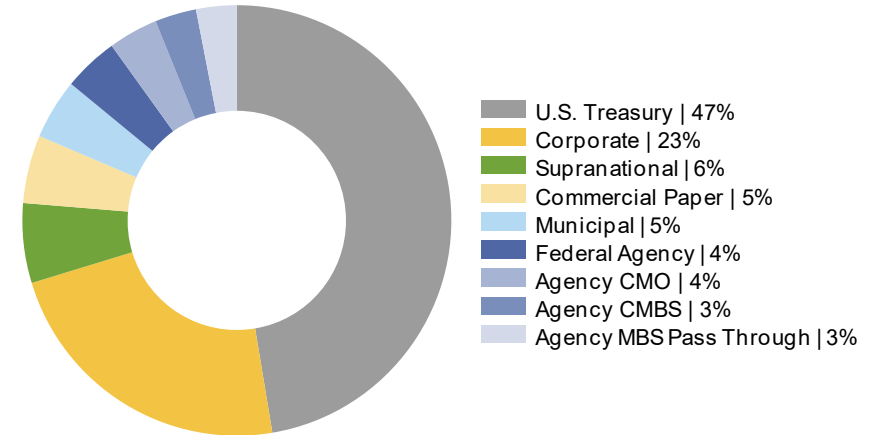
\*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

### Consolidated Summary

#### Account Summary

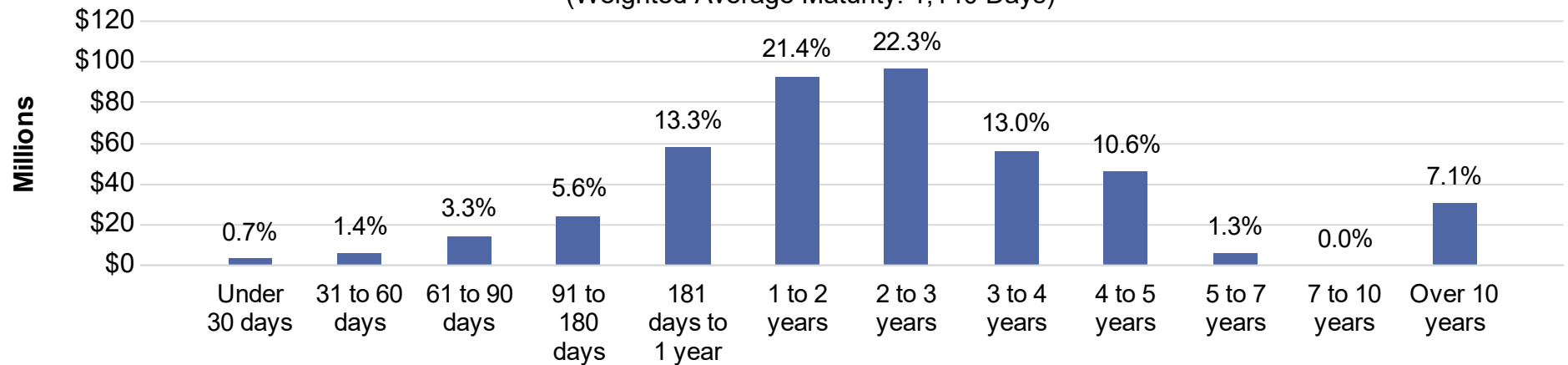
<b>PFMAM Managed Account</b>	\$462,189,169
<b>Total Program</b>	<b>\$462,189,169</b>

#### Sector Allocation



#### Maturity Distribution

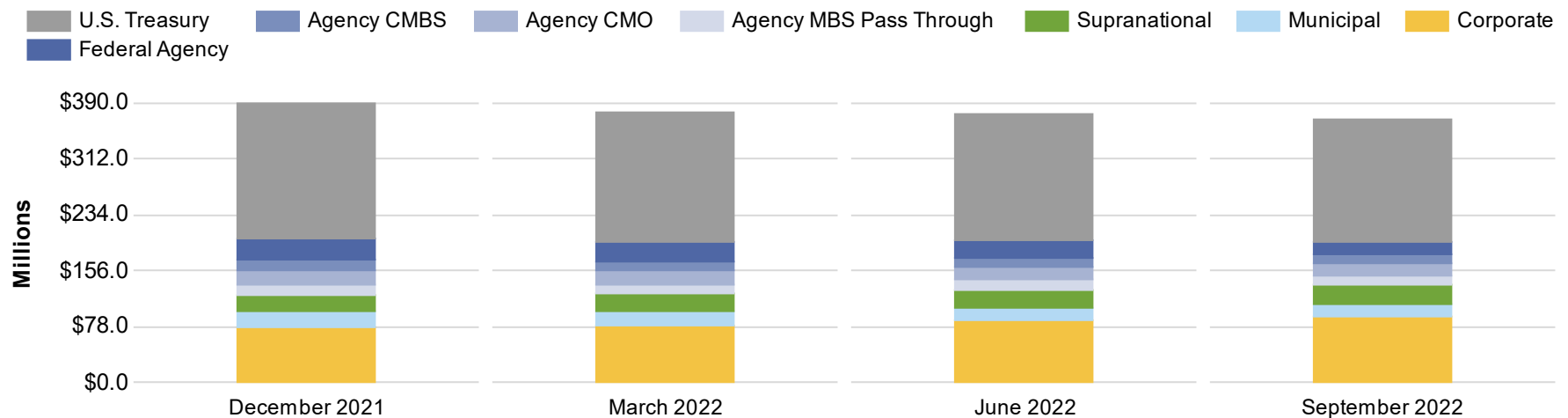
(Weighted Average Maturity: 1,140 Days)



1. Account summary includes market values, accrued interest, cash and cash equivalents. Sector allocation and the maturity distribution include market values and accrued interest.

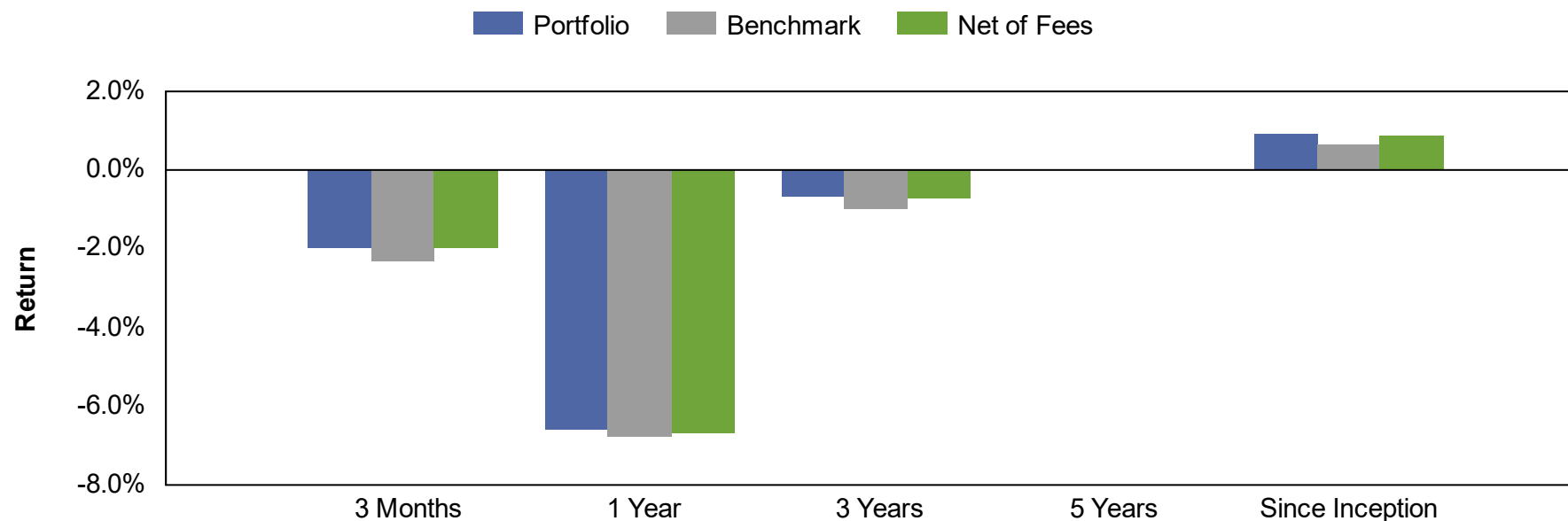
### Sector Allocation Review - CITY OF FORT LAUDERDALE - PFMAM

Security Type	Dec-21	% of Total	Mar-22	% of Total	Jun-22	% of Total	Sep-22	% of Total
U.S. Treasury	\$187.7	48.2%	\$181.5	47.9%	\$175.6	46.8%	\$170.2	46.4%
Federal Agency	\$30.8	7.9%	\$28.7	7.6%	\$24.6	6.6%	\$17.2	4.7%
Agency CMBS	\$14.9	3.8%	\$12.5	3.3%	\$11.9	3.2%	\$13.6	3.7%
Agency CMO	\$19.0	4.9%	\$19.6	5.2%	\$17.9	4.8%	\$16.2	4.4%
Agency MBS Pass Through	\$14.5	3.7%	\$12.9	3.4%	\$14.8	4.0%	\$13.3	3.6%
Supranational	\$22.8	5.9%	\$23.8	6.3%	\$23.6	6.3%	\$25.9	7.1%
Municipal	\$22.8	5.8%	\$19.6	5.2%	\$19.5	5.2%	\$19.1	5.2%
Corporate	\$77.0	19.8%	\$79.9	21.1%	\$86.2	23.1%	\$91.1	24.9%
<b>Total</b>	<b>\$389.4</b>	<b>100.0%</b>	<b>\$378.5</b>	<b>100.0%</b>	<b>\$374.1</b>	<b>100.0%</b>	<b>\$366.6</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

## Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$1,696,277	\$6,187,684	\$19,496,337	-	\$26,300,785
Change in Market Value	(\$9,158,345)	(\$31,837,654)	(\$30,218,943)	-	(\$20,400,652)
<b>Total Dollar Return</b>	<b>(\$7,462,068)</b>	<b>(\$25,649,970)</b>	<b>(\$10,722,606)</b>	<b>-</b>	<b>\$5,900,133</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	-1.98%	-6.62%	-0.66%	-	0.93%
Benchmark <sup>4</sup>	-2.28%	-6.78%	-0.97%	-	0.64%
<b>Basis Point Fee</b>	<b>0.01%</b>	<b>0.05%</b>	<b>0.06%</b>	<b>-</b>	<b>0.06%</b>
<b>Net of Fee Return</b>	<b>-2.00%</b>	<b>-6.67%</b>	<b>-0.72%</b>	<b>-</b>	<b>0.87%</b>

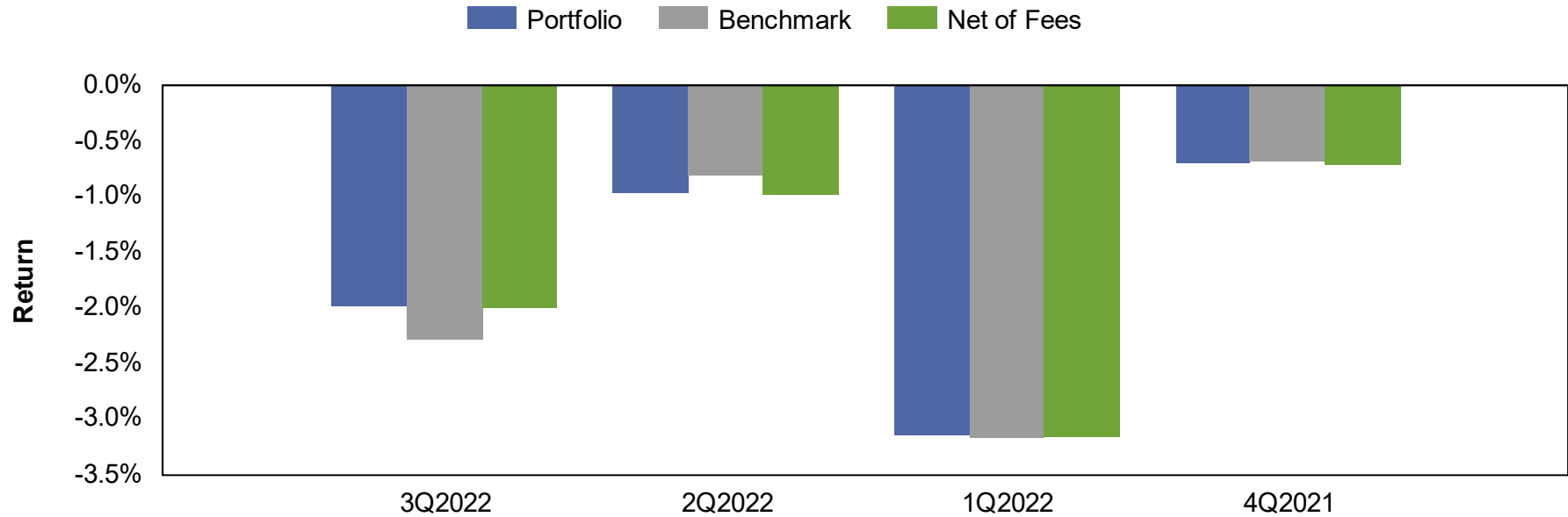
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2018.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Treasury Index. Source: Bloomberg.

### Portfolio Performance



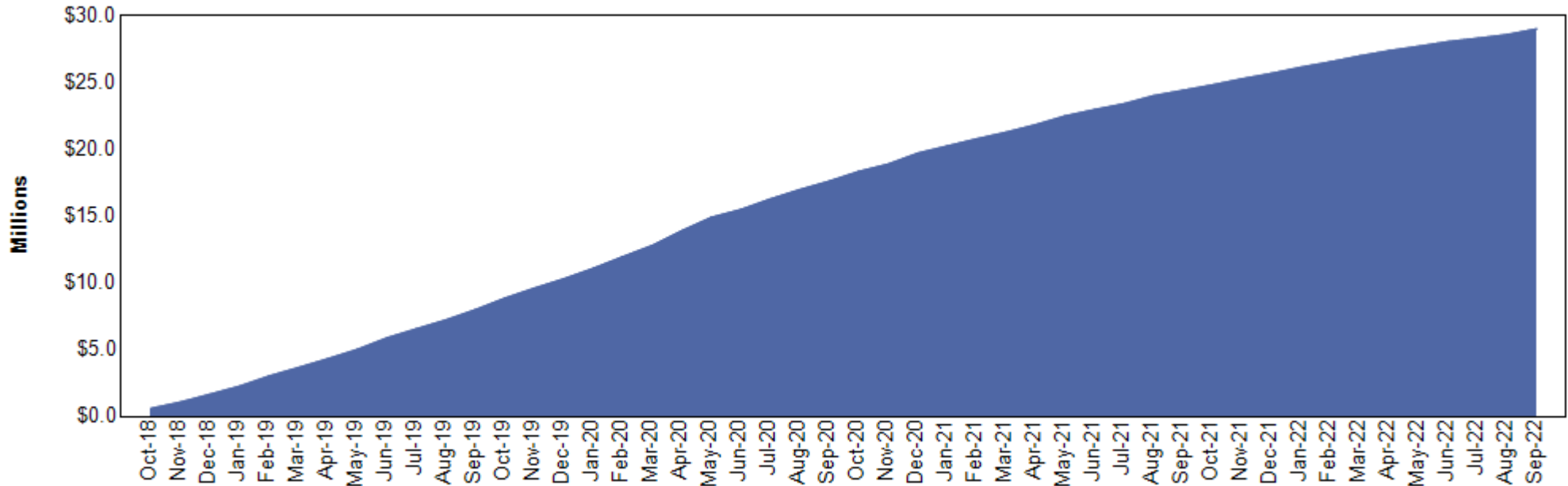
Market Value Basis Earnings	3Q2022	2Q2022	1Q2022	4Q2021
Interest Earned <sup>1</sup>	\$1,696,277	\$1,552,158	\$1,572,163	\$1,367,085
Change in Market Value	(\$9,158,345)	(\$5,206,382)	(\$13,887,698)	(\$3,585,228)
<b>Total Dollar Return</b>	<b>(\$7,462,068)</b>	<b>(\$3,654,224)</b>	<b>(\$12,315,535)</b>	<b>(\$2,218,143)</b>
<b>Total Return<sup>2</sup></b>				
Portfolio	-1.98%	-0.96%	-3.14%	-0.69%
Benchmark <sup>3</sup>	-2.28%	-0.81%	-3.16%	-0.68%
<b>Basis Point Fee</b>	0.01%	0.01%	0.01%	0.01%
<b>Net of Fee Return</b>	<b>-2.00%</b>	<b>-0.97%</b>	<b>-3.15%</b>	<b>-0.70%</b>

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Returns are presented on a periodic basis.

3. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Treasury Index. Source: Bloomberg.

### Accrual Basis Earnings - CITY OF FORT LAUDERDALE - PFMAM



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$1,696,277	\$6,187,684	\$19,496,337	-	\$26,300,785
Realized Gains / (Losses) <sup>3</sup>	(\$475,476)	(\$284,825)	\$4,414,323	-	\$4,977,779
Change in Amortized Cost	(\$267,813)	(\$1,298,061)	(\$2,894,248)	-	(\$2,279,899)
<b>Total Earnings</b>	<b>\$952,988</b>	<b>\$4,604,797</b>	<b>\$21,016,412</b>	-	<b>\$28,998,664</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is September 30, 2018.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Realized gains / (losses) are shown on an amortized cost basis.



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## Important Disclosures

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

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

## Glossary

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