# CITY OF FORT LAUDERDALE

## Investment Performance Review
## For the Quarter Ended March 31, 2024


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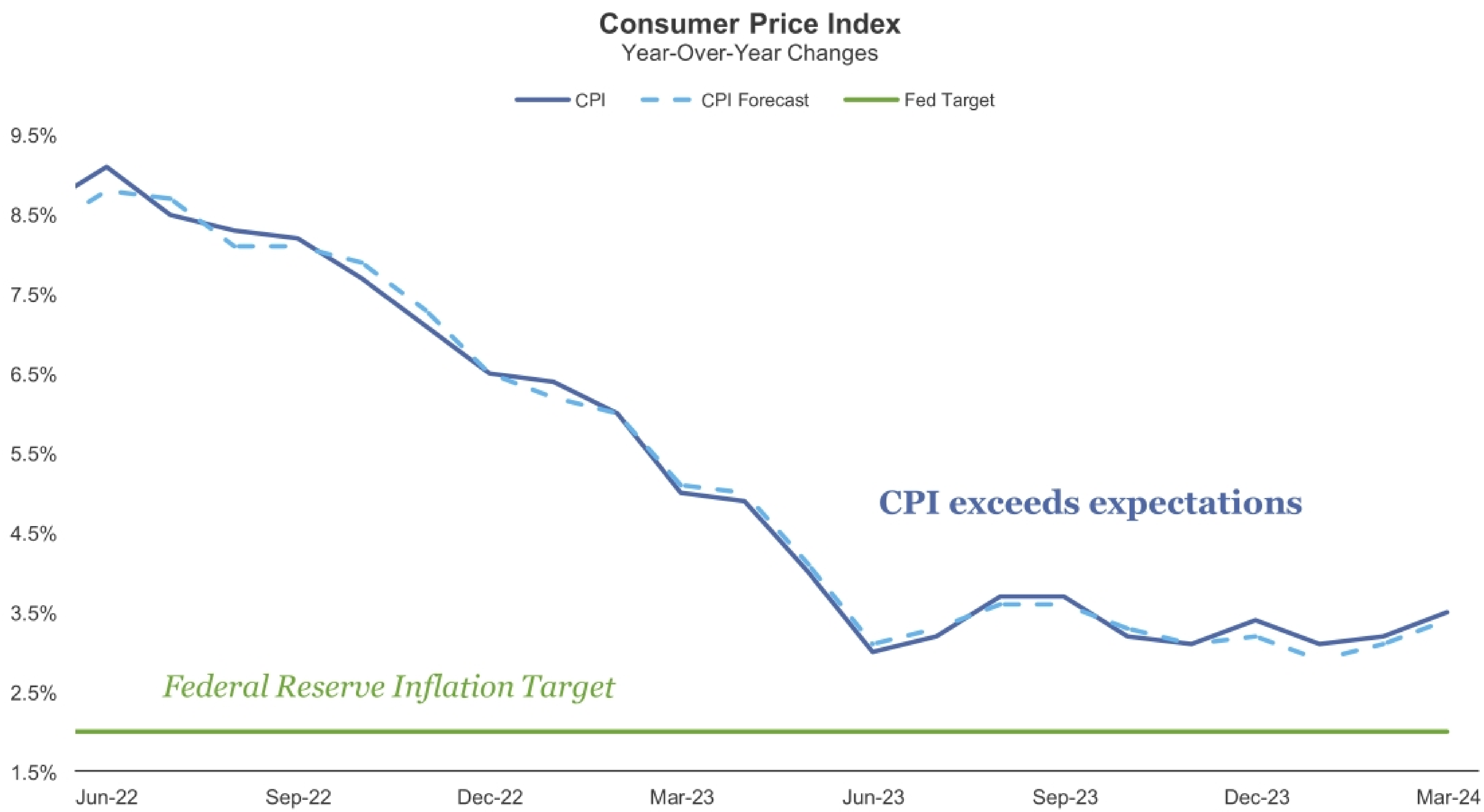
# Current Market Themes

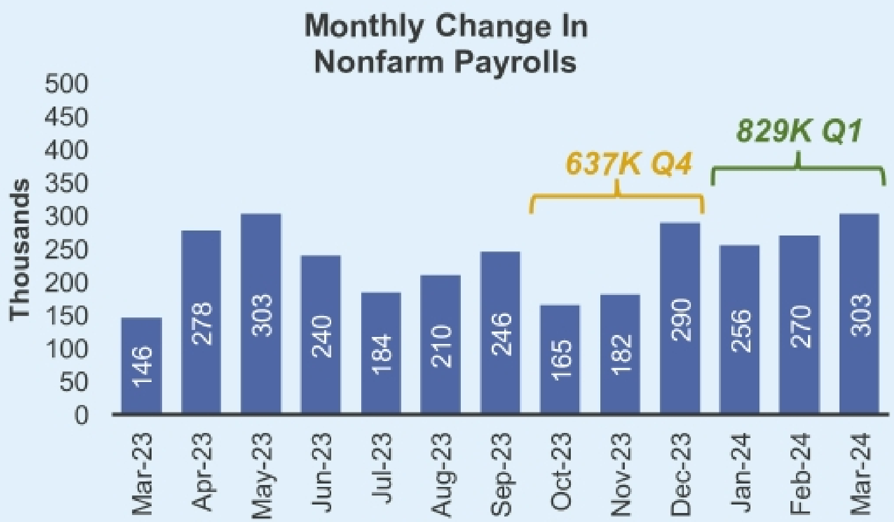
- The U.S. economy is characterized by:
  - Robust growth that continues to show surprising strength
  - Sticky inflation that remains above the Federal Reserve (Fed)'s 2% target
  - Labor markets continuing to show impressive job gains and low unemployment
  - Resilient consumer spending supported by wage growth that is outpacing inflation
- Federal Reserve reaffirms rate cut expectations
  - Forecast of 75 basis points of cuts this year
  - After entering the year expecting 6 cuts in 2024, markets have adjusted their expectations to only 2 to 3 cuts in 2024
  - Fed officials reaffirm that restoring price stability is the priority, but further confidence in inflation moving toward the 2% target is needed, which may delay the timing of rate cuts
- Treasury yields increase following the change in market expectations
  - Yields on maturities between 2 and 10 years rose 30-40 basis points during the quarter
  - Yield curve inversion persists
  - Spreads in most sectors fell to multi-year lows given the strong economic environment

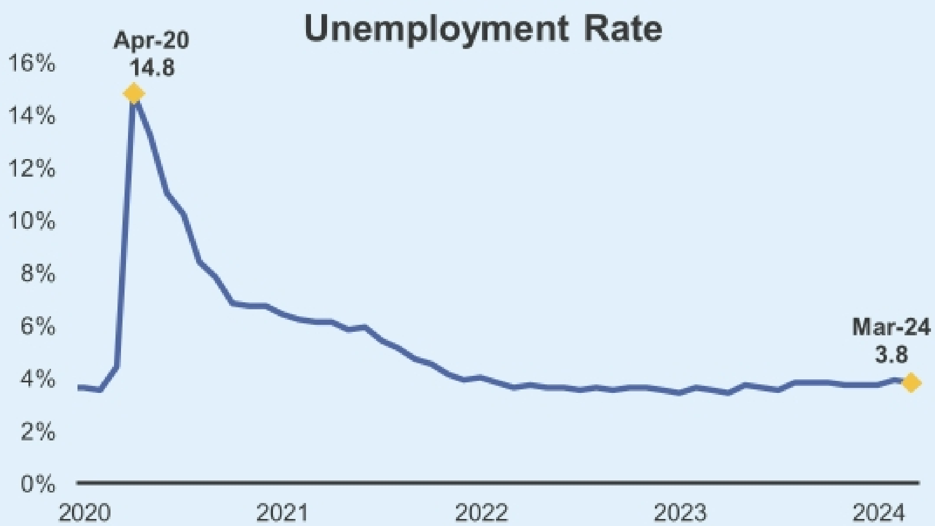
# Inflation Remains Range Bound After Significant Decline in CPI in 2022 and Early 2023

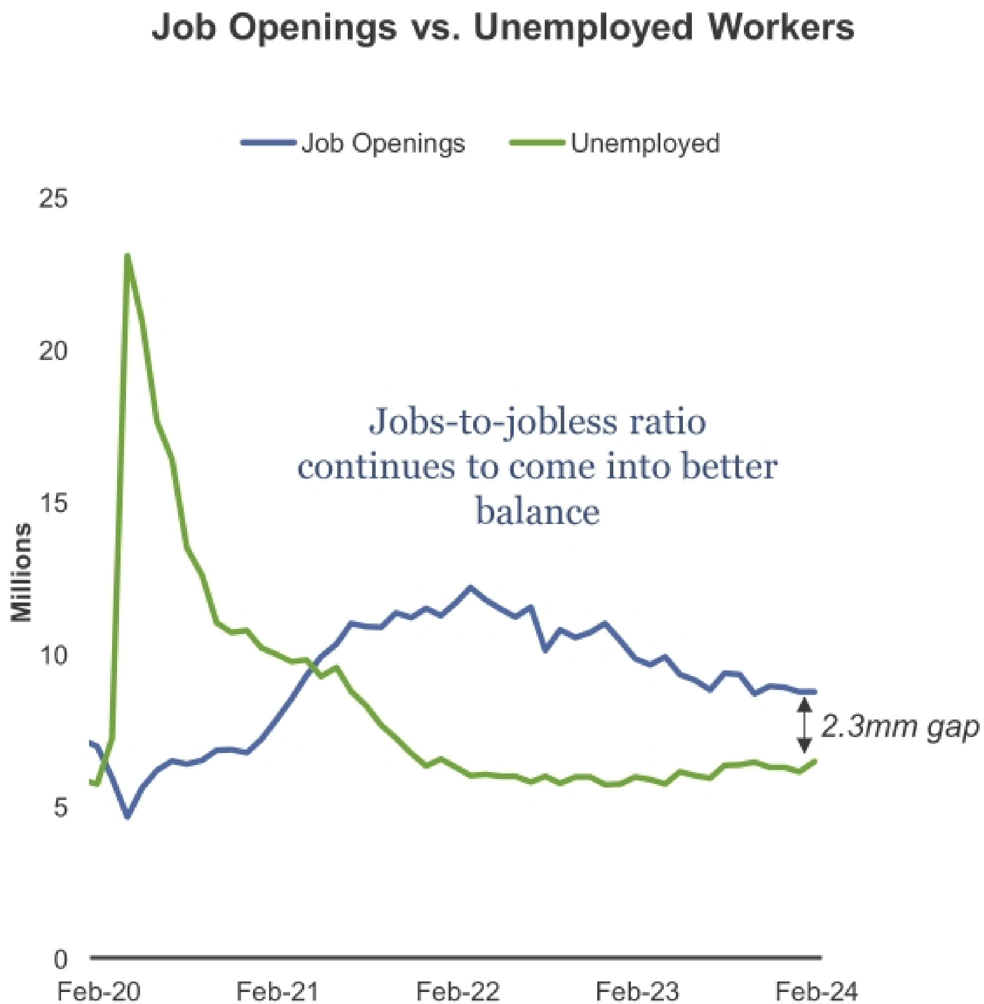



*Source: Bloomberg, as of 4/10/2024.*

# Labor Market Remains Strong

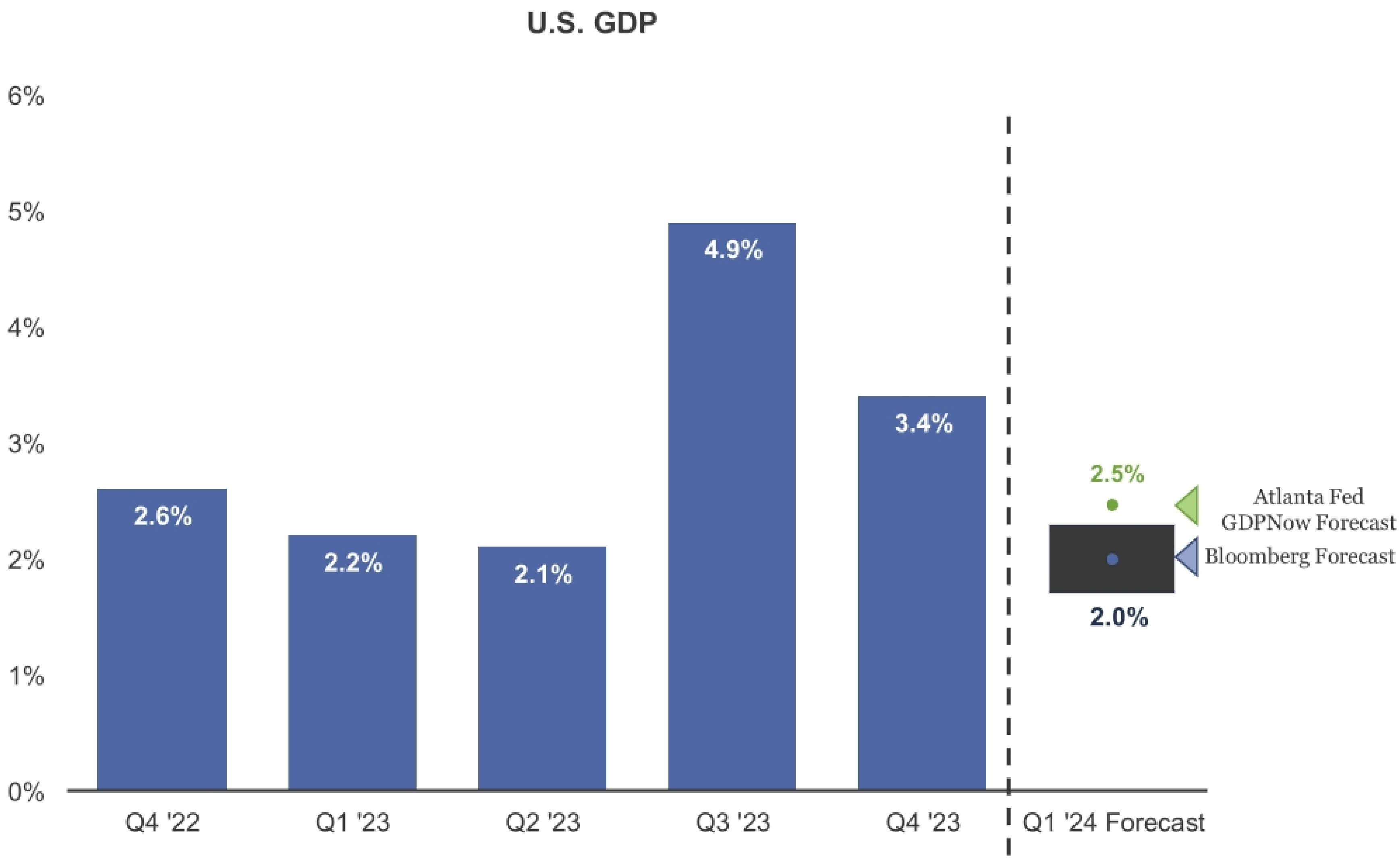


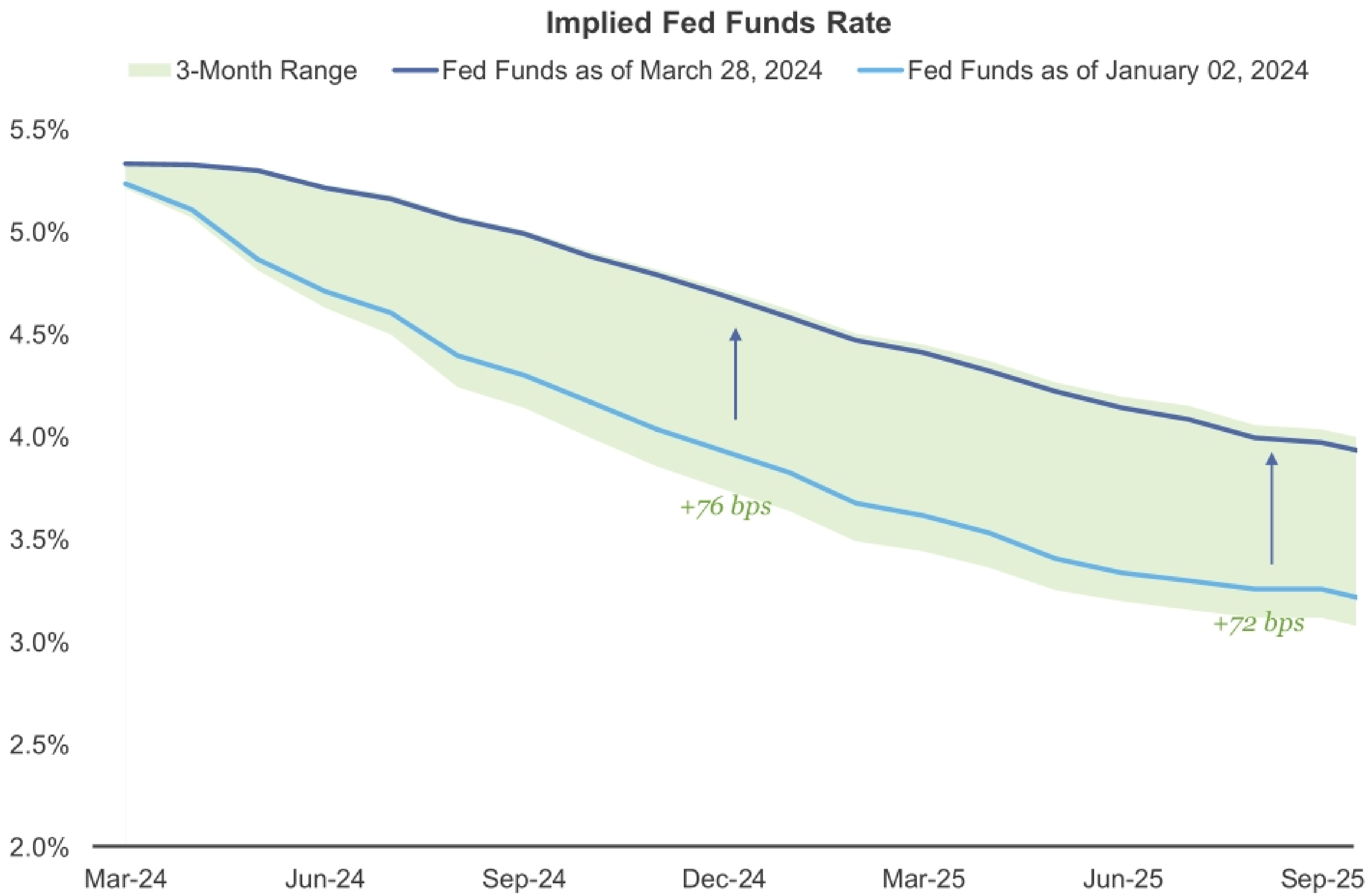

*Source: Bloomberg. Job openings as of February 2024. Monthly change in nonfarm payrolls and unemployment rate as of March 2024. Data is seasonally adjusted.*

## Consumer Spending Continues to Drive Strong Economic Growth




*Source: Bureau of Economic Analysis, U.S. Department of Commerce; as of March 28, 2024.*
*GDPNow estimates provided by the Federal Reserve Bank of Atlanta; as of April 4, 2024. The Atlanta Fed GDPNow estimate is a model-based projection not subject to judgmental adjustments. It is not an official forecast of the Atlanta Fed, its president, the Federal Reserve System, or the Federal Open Market Committee. Bloomberg Forecasts as of March 2024.*

## Market Reversed Course and Now Expects a Slower Pace of Rate Cuts




Market reprices expectations for number of cuts in 2024 in response to hotter than expected inflation and a resilient labor market

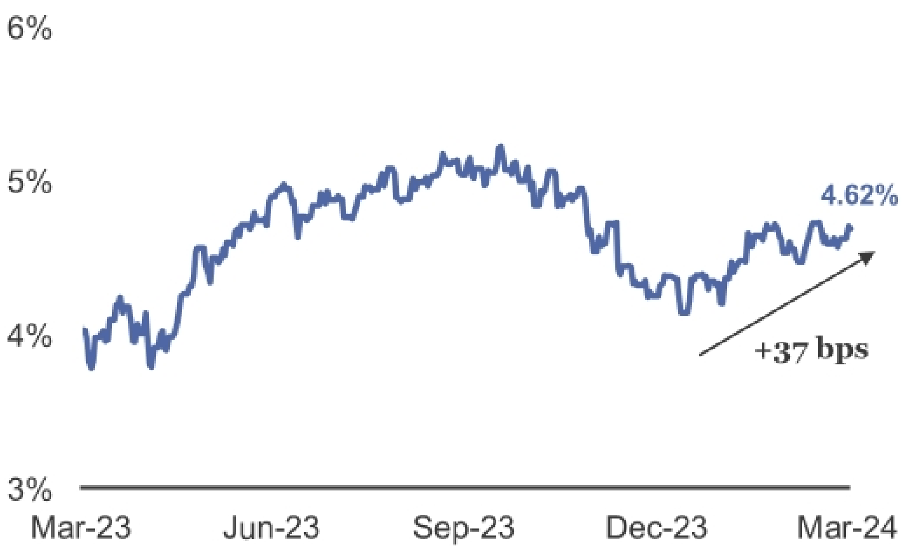
*Source: Bloomberg, as of March 2024.*

## Yields Reprice on Fed Patience

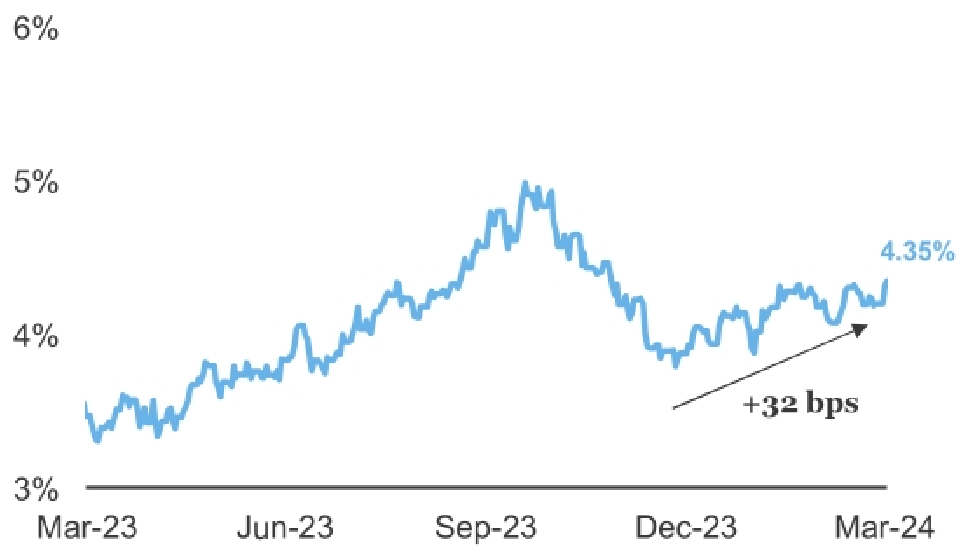
**From the March 24 FOMC Meeting Press Conference**

"...the Committee needs to see **more evidence** to build our **confidence** that inflation is moving down sustainably toward our 2 percent goal, and **we don't expect that it will be appropriate to begin to reduce rates until we're more confident** that that is the case"

### 2-Year Treasury Yield



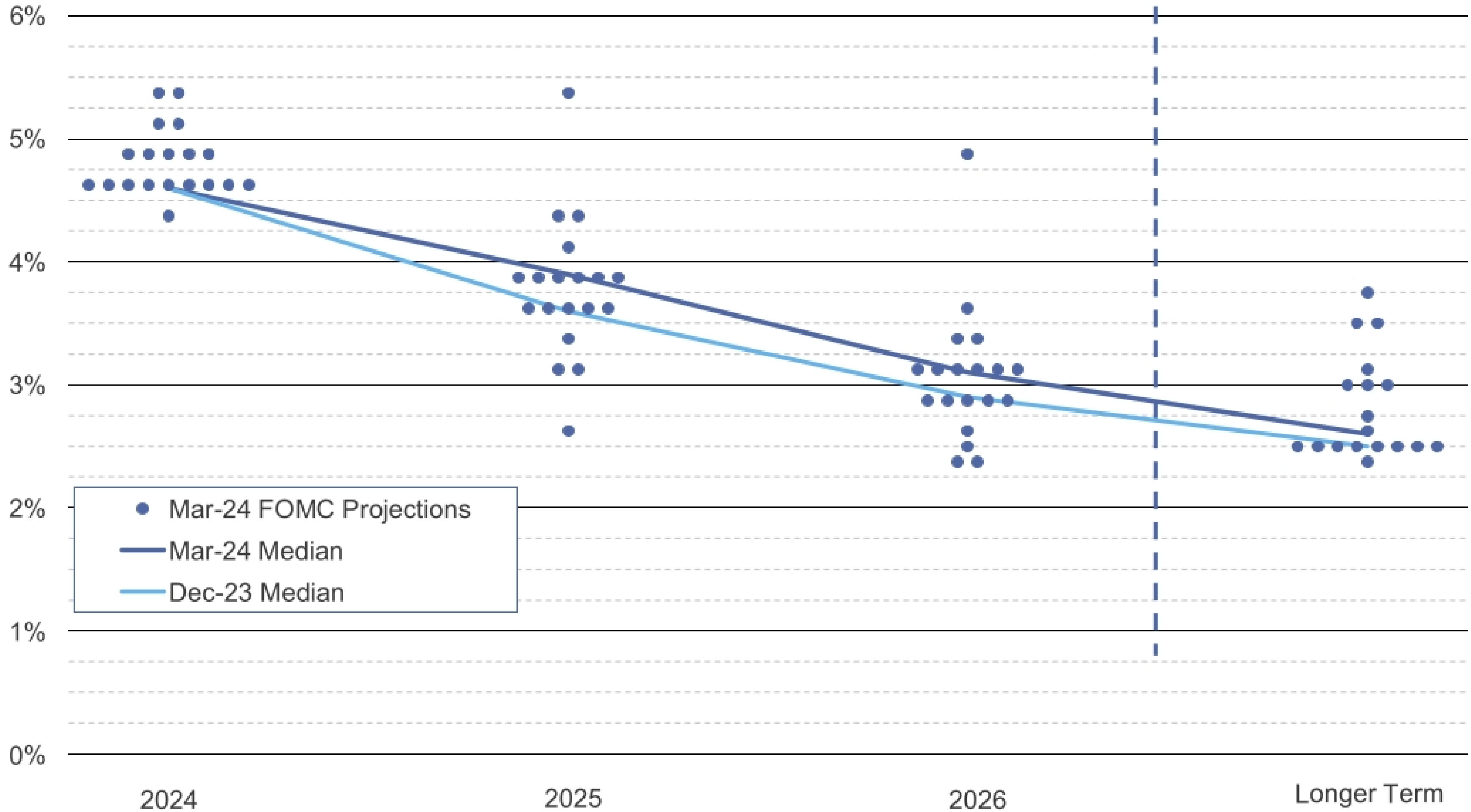

### 10-Year Treasury Yield




*Source: Federal Reserve, Bloomberg, as of 3/31/2024.*

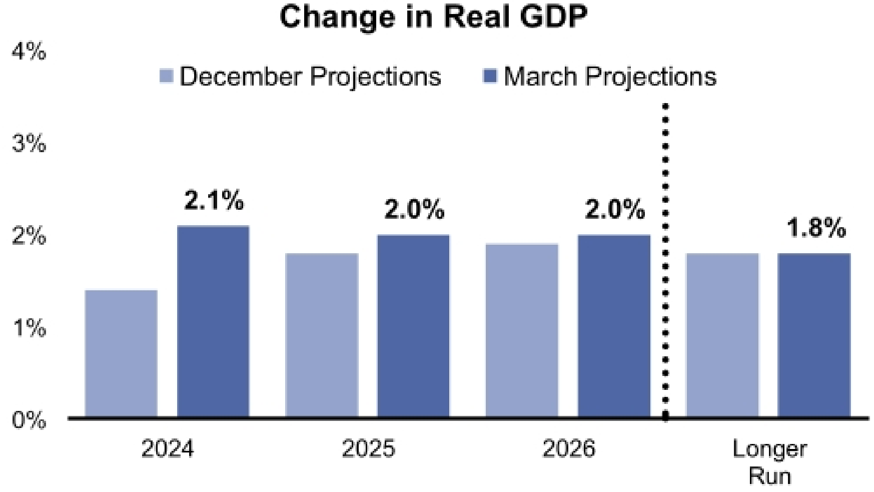
## Fed's Updated "Dot Plot" Shows Little Change in 2024 Expectation

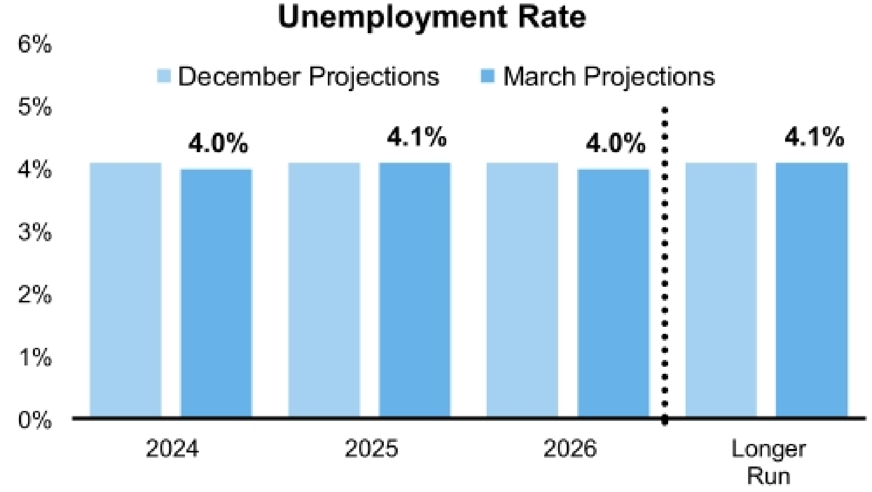
### Fed Participants' Assessments of 'Appropriate' Monetary Policy

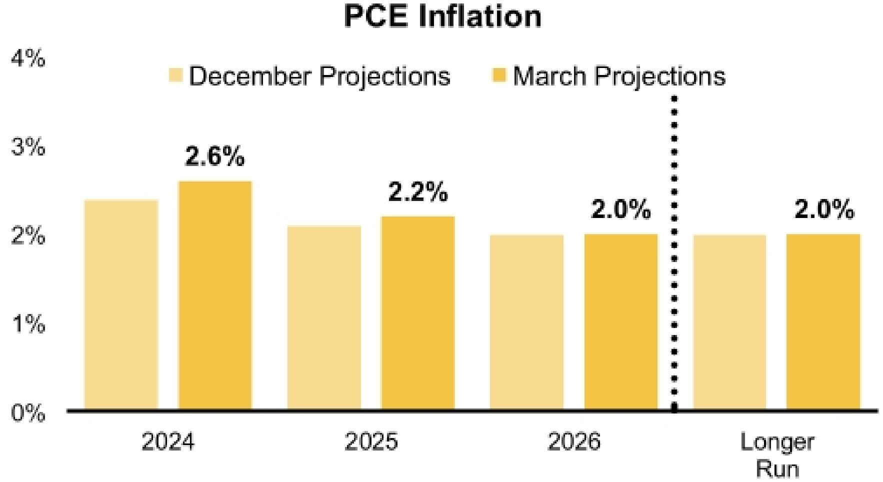


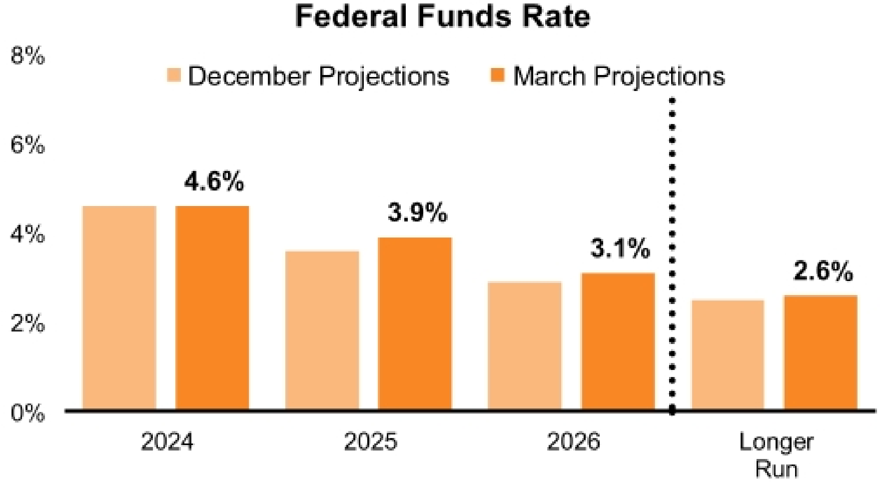

*Source: Federal Reserve. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.*

## Summary of Economic Projections Show Stronger Economic Story



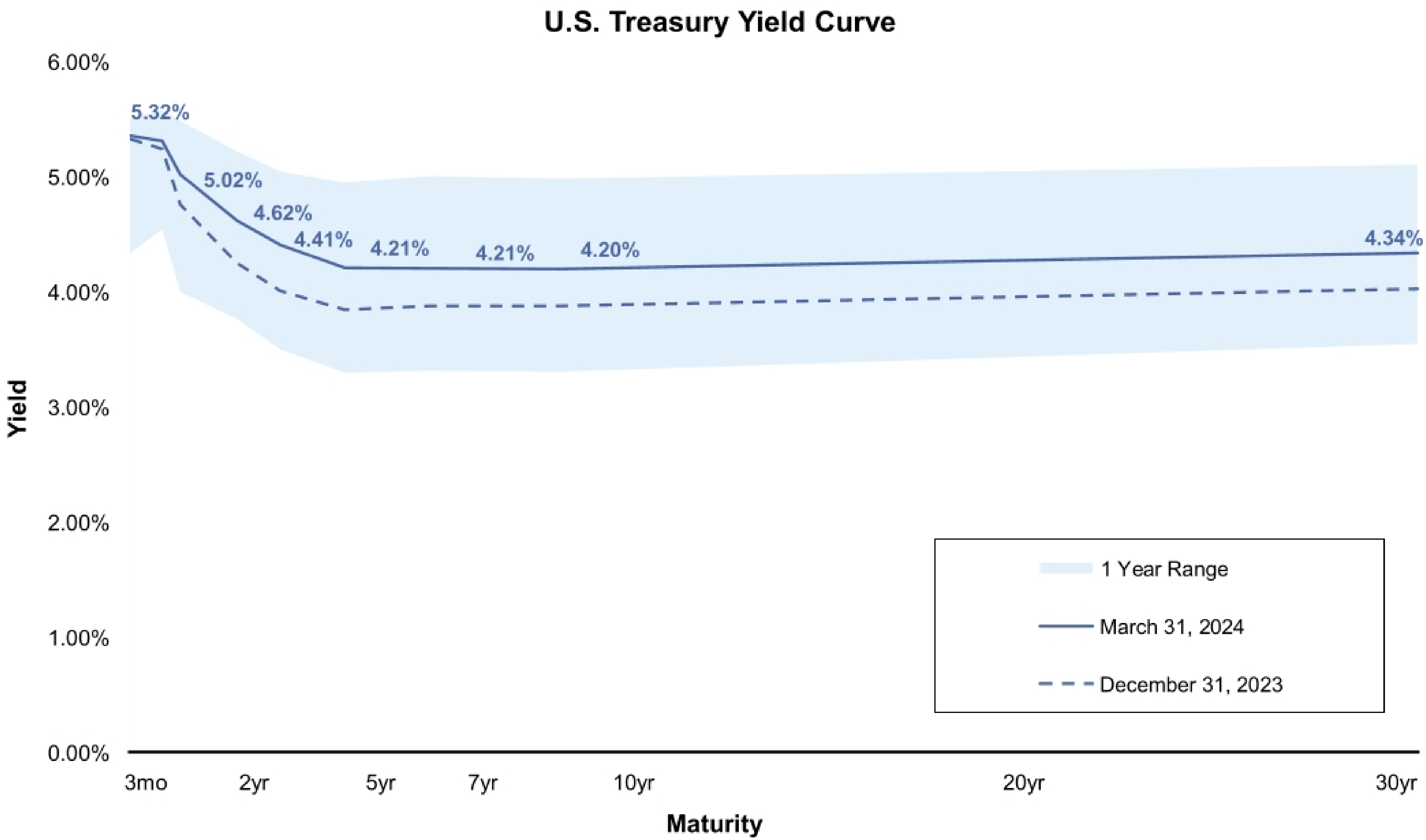




*Source: Federal Reserve, latest economic projections as of March 2024.*

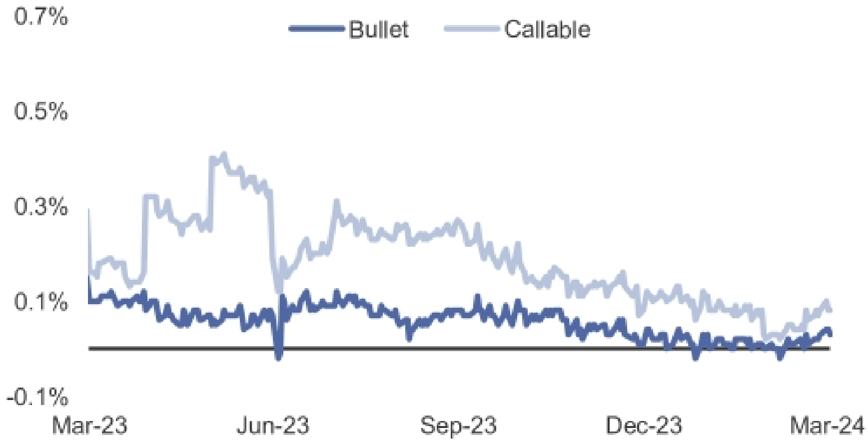
# Treasury Yields Move Higher as Market Evolves to Revised Fed Expectations



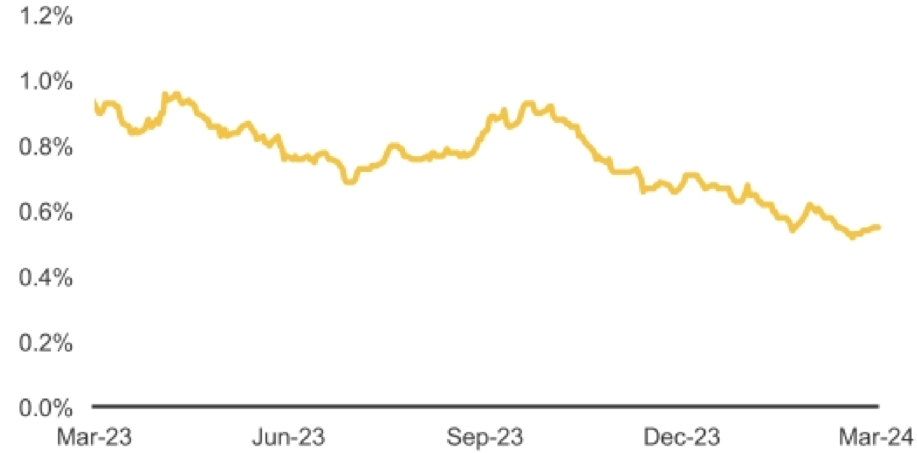

*Source: Bloomberg, as of 3/31/2024.*

# Sector Yield Spreads

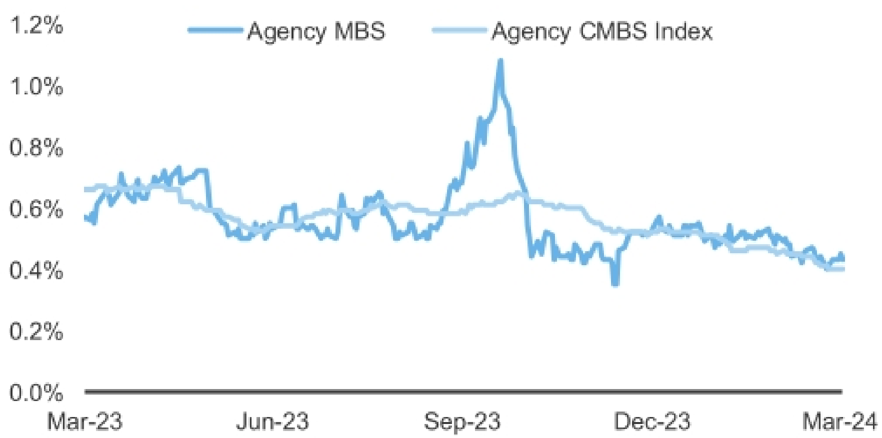
## Federal Agency Yield Spreads



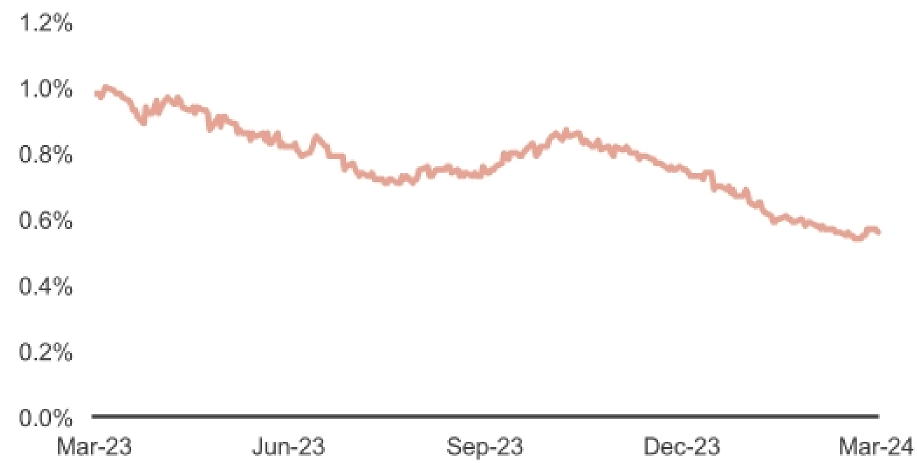

## Corporate Notes A-AAA Yield Spreads




## Mortgage-Backed Securities Yield Spreads



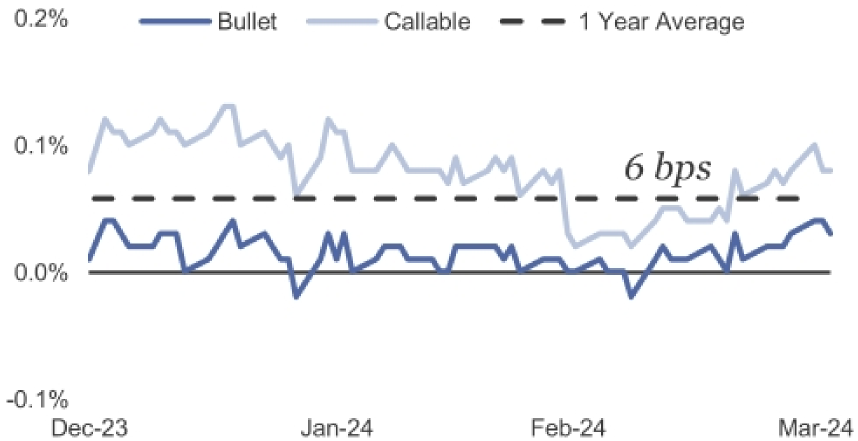

## Asset-Backed Securities AAA Yield Spreads




*Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of March 31, 2024. 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 and represented by the ICE BofA Agency CMBS Index.*

# Sector Yield Spreads

### Federal Agency Yield Spreads

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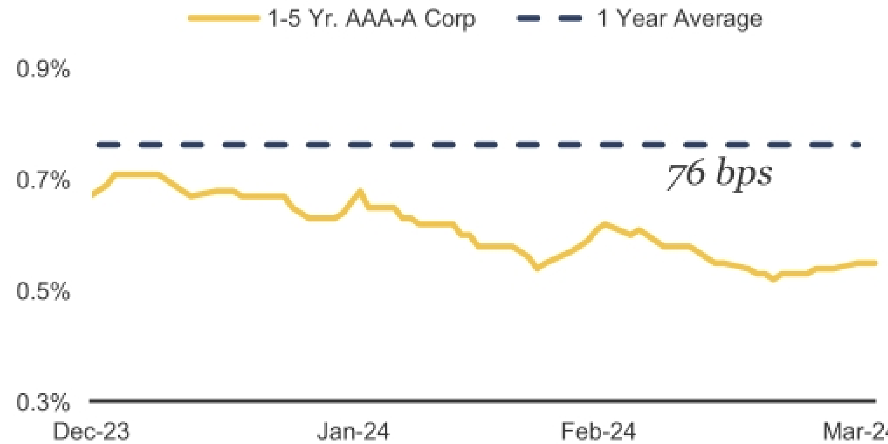
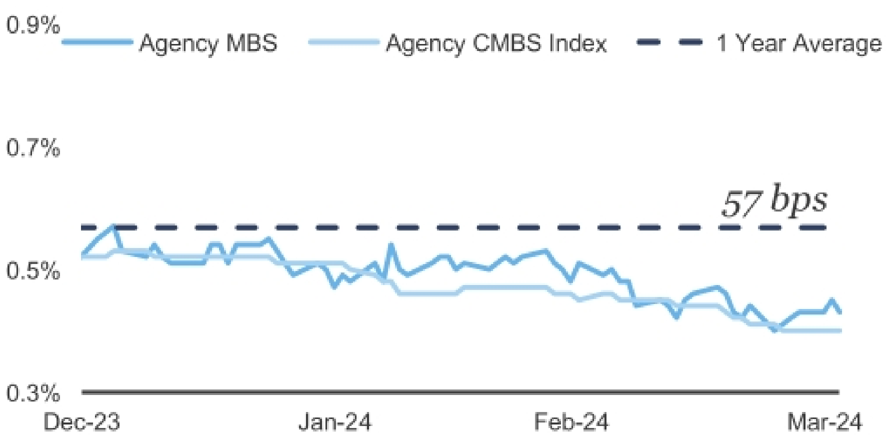



### Mortgage-Backed Securities Yield Spreads

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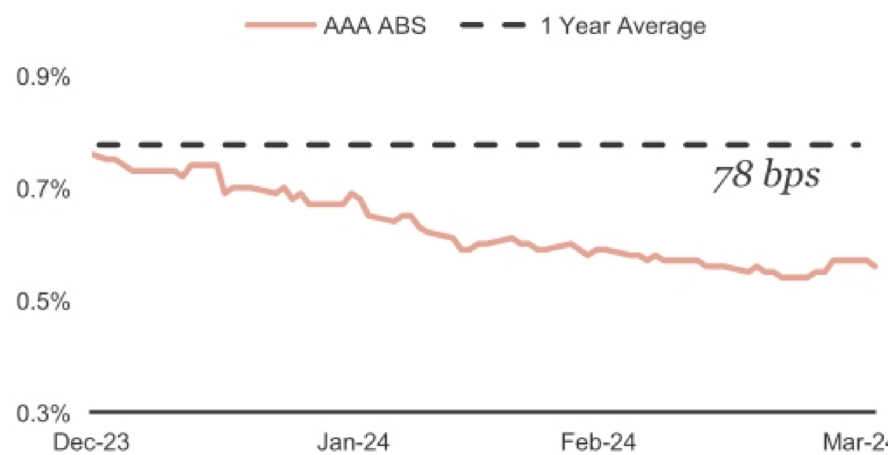


*Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of March 31, 2024. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries.*
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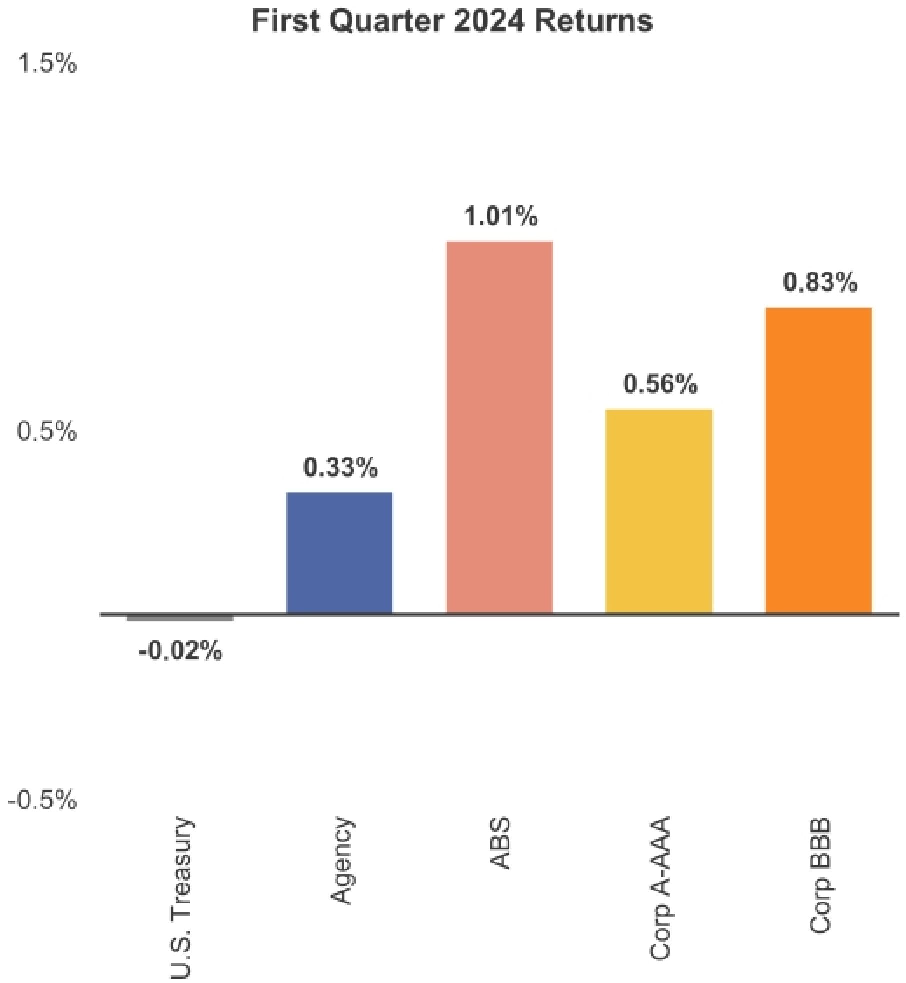
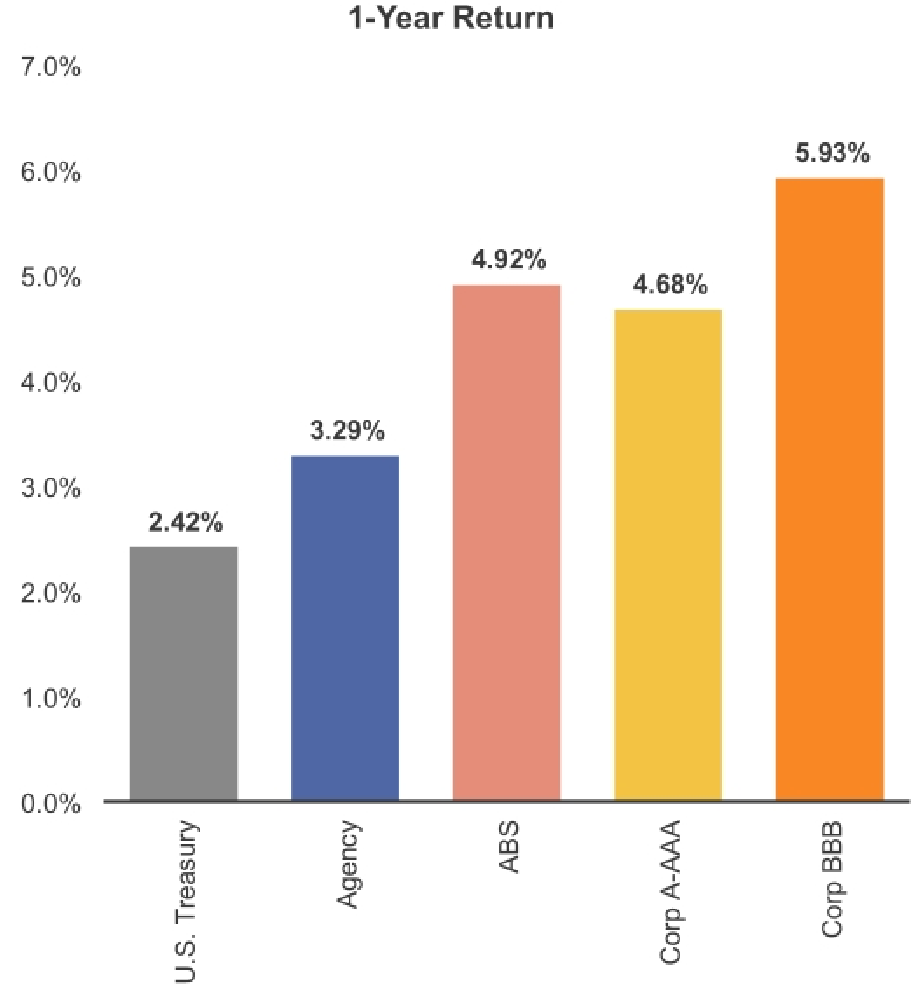
# Fixed-Income Index Total Returns in 1Q 2024

## 1-5 Year Indices

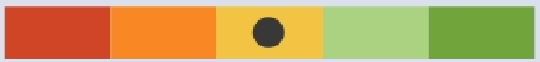



*Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. As of March 31, 2024.*

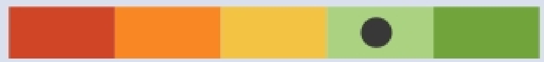
# Factors to Consider for 6-12 Months

## Monetary Policy:



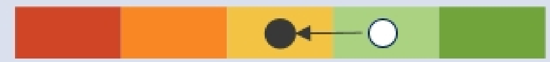
- Fed guidance implies a soft landing and 3 rate cuts for 2024. Market expectations have been volatile but recently converged to Fed projections.
- Globally, central banks are nearing the start of cutting cycles with the Swiss central bank being the first to cut.

## Economic Growth:



- U.S. resiliency continues as expectations for a soft-landing command center stage. Strength is led by consumers supported by a robust labor market.
- Eurozone growth set to improve in 2024 H2. Although Chinese growth targets seem aspirational, emerging economies are expected to grow.

## Inflation:



- Inflation continued to moderate but has proven to be stickier than expected, predominantly in housing and other service sectors.
- Further upside surprises in inflation indicators may complicate the Fed's path for monetary policy.

## Financial Conditions:

- Financial conditions continue to soften as the "Fed pivot" remains in play amid sustained strength in various economic indicators.
- With interest rates elevated, we continue to focus on identifying potential pockets of stress within financial markets.

## Consumer Spending (U.S.):

- Consumer confidence reached a multi-year high following strong wage growth, a resilient labor market, and slowly moderating inflation.
- Hiring and wage growth have played a role in boosting personal income, which combined with record U.S. household net worth, supported spending.

## Labor Markets:

- The labor market remains strong, but a few indicators are moderating from the extreme tightness of 2022.
- No sign of weakness in typical economically-sensitive industries, like retail, leisure and hospitality, and construction.

● **Current outlook** ○ **Outlook one quarter ago**

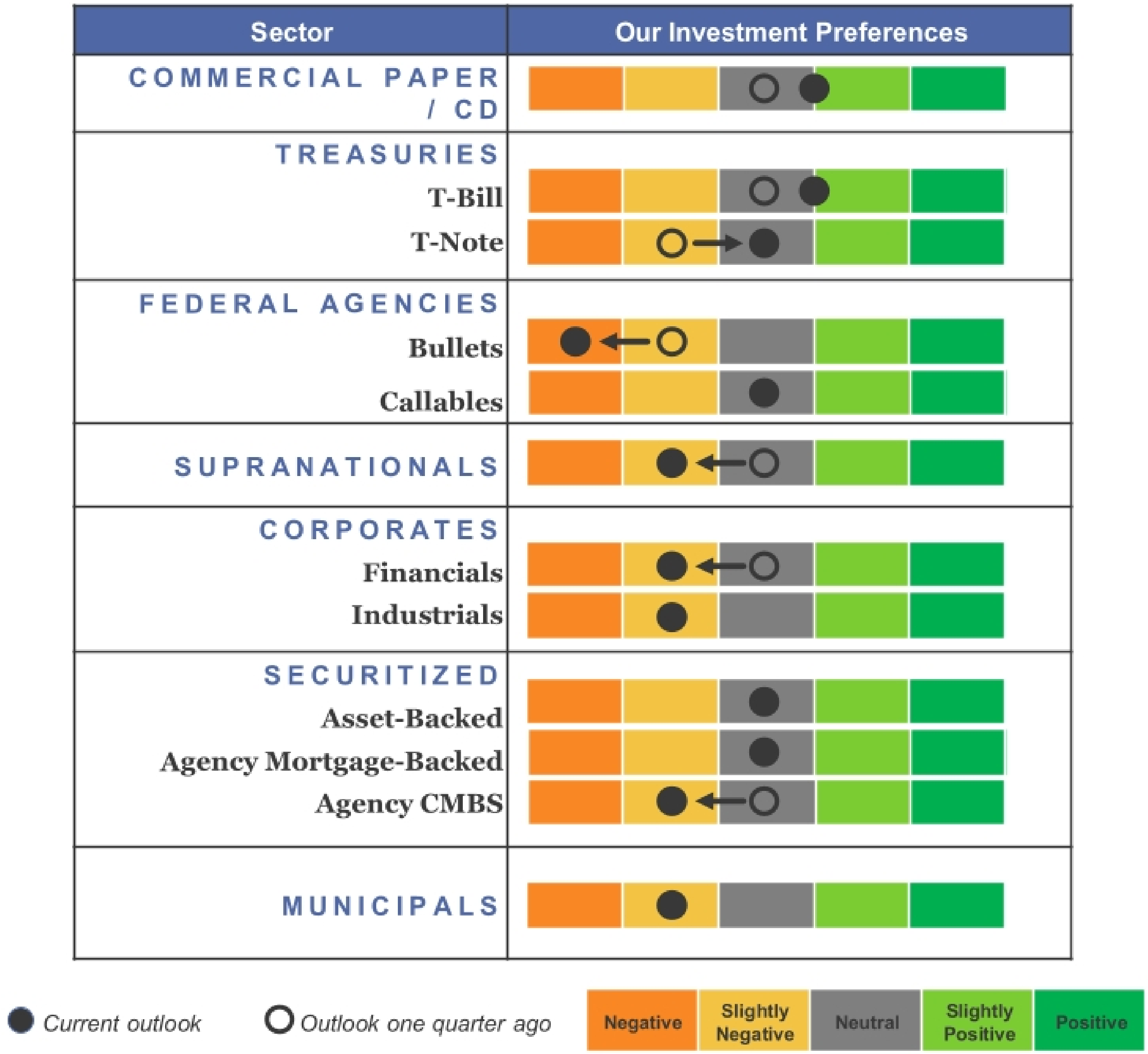
| Negative | Slightly Negative | Neutral | Slightly Positive | Positive |
|---|---|---|---|---|

*Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (3/31/2024) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.*

# Fixed-Income Sector Commentary – 1Q 2024

- **U.S. Treasuries** markets spent the quarter adjusting its expectations as strong economic data and Fed commentary pushed back on the notion that a rate cut was imminent. Yields reflected the repricing and are higher by over 30 basis points for maturities greater than a year.
- **Federal Agency, Municipal, and Supranational** yield spreads remained low and range bound. These sectors eked out positive excess returns, mostly from their modest incremental income. Callable agencies outperformed bullet agencies, as bond market volatility generally waned from recent multi-year highs.
- **Investment-Grade (IG) Corporates** produced strong excess returns on robust market demand and continued spread tightening in the sector. IG corporates finished the quarter at their tightest spread levels in over two years. Lower rated issues performed best. With spreads near historical tights, some caution in the sector is warranted.
- **Asset-Backed Securities** were the strongest-performing fixed income sector. The rally in the sector was led by ongoing optimism regarding the strength of the American consumer and, like IG corporates, robust appetite for investment opportunities in the sector. Incremental income from ABS remains attractive and our fundamental outlook for the economy is supportive for the sector.
- **Mortgage-Backed Securities** performance was mixed with spreads widening in longer maturity structures. Volatility was relativity muted compared to Q4 and helped bolster returns in the sector. Agency commercial mortgage-backed security spreads tightened more aggressively relative to pass-throughs, resulting in strong relative performance.
- **Short-term credit** (commercial paper and negotiable bank CDs) yield spreads continued to tighten over the quarter while the credit curve has steepened. Shorter-term maturities are less attractive and we prefer issues with maturities between 6 and 12 months.

## Fixed-Income Sector Outlook – 2Q 2024



| Portfolios | Market Value | Current Quarter | Fiscal Year To Date | Trailing 12 Months | Assumed Rate of Return |
|---|---|---|---|---|---|
| **City Operating Funds - Self-Directed[1]** | **$ 455,075,729** | **1.28%** | **1.61%** | **4.02%** | |
| *S&P GIP All 30 Day Gross Yield Index* | | *1.36%* | *2.77%* | *5.34%* | |
| **CRA Funds** | **$ 90,588,434** | **1.30%** | **1.63%** | **4.22%** | |
| *S&P GIP All 30 Day Gross Yield Index* | | *1.36%* | *2.77%* | *5.34%* | |
| **Fixed Income Investment Portfolio - PFMAM[4]** | **$ 462,753,074** | **0.21%** | **3.64%** | **3.42%** | |
| *ICE BofA 1-5 Year U.S. Treasury Index* | | *-0.02%* | *3.08%* | *2.42%* | |
| **Total City of Fort Lauderdale Funds[2]** | **$ 1,008,417,237** | **0.79%** | **2.54%** | **3.76%** | |
| *City of Fort Lauderdale Blended Benchmark* | | *0.73%* | *2.91%* | *4.00%* | |
| **Bond Proceeds[3]** | **$ 766,789,259** | **1.12%** | **2.26%** | **2.47%** | |
| **OPEB Trust Fund[4]** | **$ 43,673,456** | **4.34%** | **14.38%** | **14.42%** | **7.00%** |
| *Benchmark* | | *4.43%* | *14.57%* | *14.51%* | |
| **OPEB Post Retirement Pay Steps Plan Fund[4]** | **$ 9,020,999** | **4.54%** | **12.52%** | **12.65%** | **7.00%** |
| *Benchmark* | | *4.43%* | *14.57%* | *14.51%* | |
| **Cemetery Trust Fund[4]** | **$ 33,925,916** | **4.31%** | **13.40%** | **11.89%** | **5.00%** |
| *Benchmark* | | *4.87%* | *14.62%* | *15.05%* | |
| **General Employees Retirement System[4]** | **$ 744,973,099** | **4.30%** | **11.70%** | **10.80%** | **6.75%** |
| *Benchmark* | | *4.40%* | *11.60%* | *11.50%* | |
| **Police & Fire Retirement System[4]** | **$ 1,196,929,079** | **4.28%** | **11.38%** | **11.45%** | **7.20%** |
| *Benchmark* | | *3.72%* | *11.28%* | *10.66%* | |

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 Fund, OPEB Post Retirement Pay Steps Plan Fund, Cemetery Trust Fund, General Employees Retirement System ("GERS"), and Police & Fire Retirement System ("P&F") are derived from their manager reports as of March 31, 2024.

| | | Market Value as of March 31, 2024 | Percent of Portfolio | | Market Value as of December 31, 2023 | Percent of Portfolio |
|---|---|---|---|---|---|---|
| ***Funds Held for Liquidity*** | | | | | | |
| CitiBank - Health Ins | | 1,473,901 | 0.08% | | 1,056,906 | 0.06% |
| Wells Fargo - Wks Comp | | 273,012 | 0.02% | | 312,264 | 0.02% |
| Wells Fargo Govt Ckg - BMPO | | 2,142,656 | 0.12% | | 1,907,599 | 0.10% |
| Wells Fargo Master Account | | 73,393,435 | 4.13% | | 245,074,496 | 12.93% |
| Wells Fargo Utility Account | | 8,452,361 | 0.48% | | 8,557,358 | 0.45% |
| Wells Fargo CRA | | 90,588,434 | 5.10% | | 91,060,581 | 4.80% |
| Wells Fargo Police Evidence | | 1,470,354 | 0.08% | | 1,463,570 | 0.08% |
| Wells Fargo Grants | | 5,411,232 | 0.30% | | 5,411,232 | 0.29% |
| **Total Funds for Liquidity** | **$** | **183,205,385** | **10.31%** | **$** | **354,844,006** | **18.72%** |
| ***Funds Held for Investment*** | | | | | | |
| PFMAM Investment Portfolio | | 462,753,074 | 26.07% | | 391,825,641 | 20.67% |
| FL CLASS | | 156,693,016 | 8.83% | | 124,883,222 | 6.59% |
| FL PALM | | 115,765,762 | 6.52% | | 114,152,393 | 6.02% |
| FL PALM TERM | | 90,000,000 | 5.07% | | 30,000,000 | 1.58% |
| **Total Funds for Investment** | **$** | **825,211,852** | **46.49%** | **$** | **660,861,256** | **34.87%** |
| ***Bond Proceeds*** | | | | | | |
| Stormwater Bonds | | 56,955,020 | 3.21% | | 96,879,986 | 5.11% |
| Water & Sewer Bonds | | 551,631,713 | 31.07% | | 602,339,736 | 31.78% |
| Parks 2020-A | | 41,550,148 | 2.34% | | 41,235,303 | 2.18% |
| Public Safety 2020-B | | 47,345,535 | 2.67% | | 70,730,799 | 3.73% |
| FMIT G.O. Series 2011-A | | 5,177,879 | 0.29% | | 5,124,153 | 0.27% |
| FL CLASS GOB 2022A-Parks | | 64,128,964 | 3.61% | | 63,268,288 | 3.34% |
| **Total Bond Proceeds** | **$** | **766,789,259** | **43.20%** | **$** | **879,578,265** | **46.41%** |
| **Grand Total** | **$** | **1,775,206,496** | **100.00%** | **$** | **1,895,283,527** | **100.00%** |

Notes:

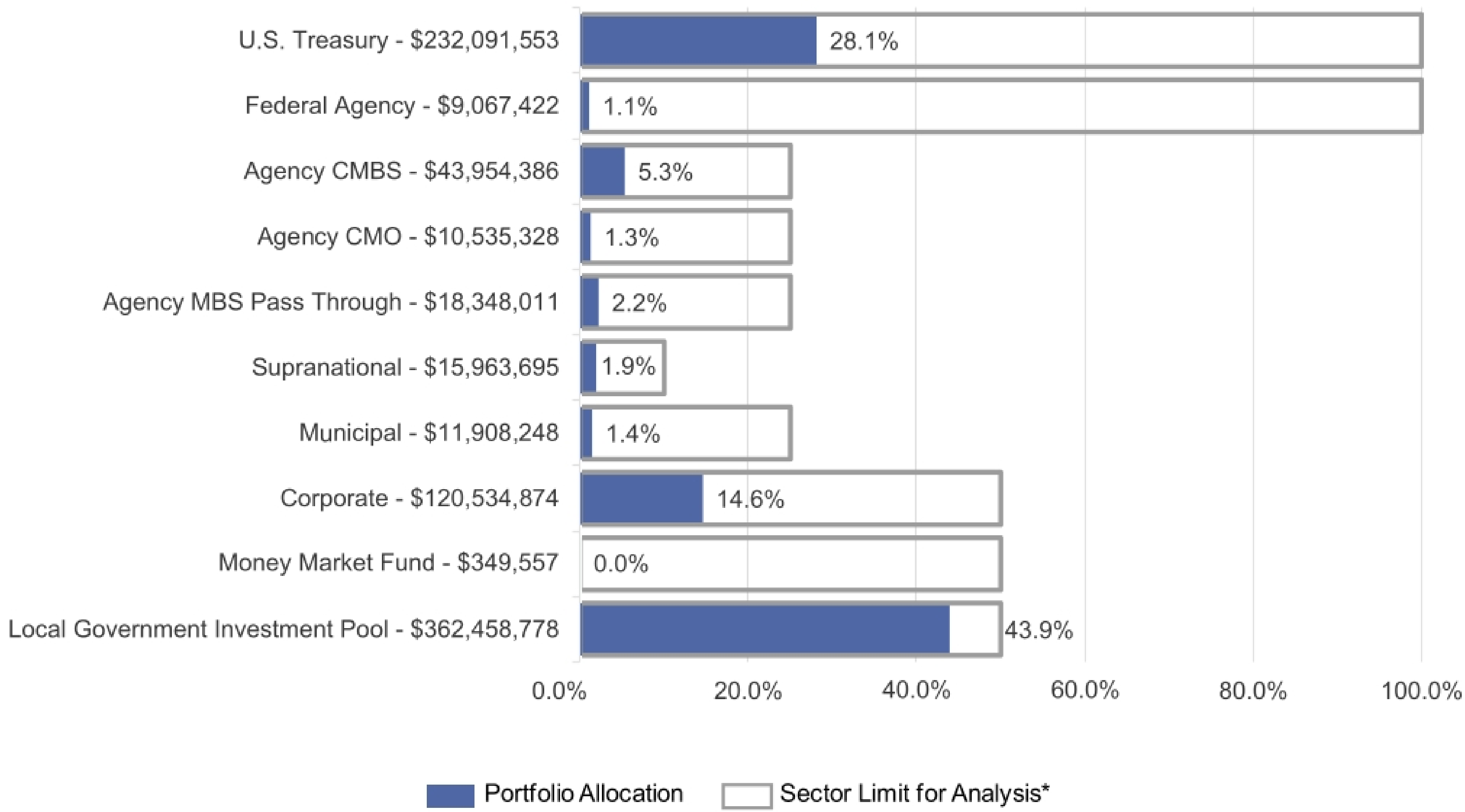
1. Market Values plus accrued interest as of March 31, 2024 and December 31, 2023 are derived from their respective statements from Wells Fargo, PFMAM, City National, or FMIT.
2. Bond Proceeds balances for Parks 2020-A and Public Safety 2020-B include cash balances, FL PALM balances, and FL PALM Term balances.

| Account Names | Yield to Market as of March 31, 2024 | Percent of Portfolio March 31, 2024 | Yield to Market as of December 31, 2023 | Percent of Portfolio December 31, 2023 |
|---|---|---|---|---|
| ***Funds Held for Liquidity*** | | | | |
| CitiBank - Health Ins | 0.00% | 0.08% | 0.00% | 0.06% |
| Wells Fargo - Wks Comp | 5.31% | 0.02% | 5.31% | 0.02% |
| Wells Fargo Govt Ckg - BMPO | 5.31% | 0.12% | 5.31% | 0.10% |
| Wells Fargo Master Account | 5.31% | 4.13% | 5.31% | 12.93% |
| Wells Fargo Utility Account | 0.00% | 0.48% | 0.00% | 0.45% |
| Wells Fargo CRA | 5.31% | 5.10% | 5.31% | 4.80% |
| Wells Fargo Police Evidence | 0.00% | 0.08% | 0.00% | 0.08% |
| Wells Fargo Grants | 0.00% | 0.30% | 0.00% | 0.29% |
| **Total Funds for Liquidity** | **4.82%** | **10.31%** | **5.06%** | **18.72%** |
| ***Funds Held for Investment*** | | | | |
| PFMAM Investment Portfolio | 4.97% | 26.07% | 4.83% | 20.67% |
| FMIT Subsidiary Accounts | 5.10% | 0.00% | 4.80% | 0.00% |
| FL CLASS | 5.41% | 8.83% | 5.48% | 6.59% |
| FL PALM | 5.44% | 6.52% | 5.56% | 6.02% |
| FL PALM TERM | 5.44% | 5.07% | 5.85% | 1.58% |
| **Total Funds for Investment** | **5.17%** | **46.49%** | **5.12%** | **34.87%** |
| ***Bond Proceeds*** | | | | |
| Stormwater Bonds | 1.08% | 3.21% | 1.08% | 5.11% |
| Water & Sewer Bonds | 1.08% | 31.07% | 1.08% | 31.78% |
| Parks 2020-A | 5.44% | 2.34% | 5.56% | 2.18% |
| Public Safety 2020-B | 5.44% | 2.67% | 5.56% | 3.73% |
| FMIT G.O. Series 2011-A | 5.30% | 0.29% | 5.20% | 0.27% |
| FL CLASS GOB 2022A-Parks | 5.41% | 3.61% | 5.48% | 3.34% |
| **Total Bond Proceeds** | **1.98%** | **43.20%** | **1.13%** | **46.41%** |
| **Total Average Yield** | **3.75%** | **100.00%** | **3.26%** | **100.00%** |

| Benchmarks | March 31, 2024 | December 31, 2023 |
|---|---|---|
| S&P GIP All 30 Day Gross Yield Index | 5.49% | 5.56% |
| ICE BofA 1-3 Year U.S. Treasury Index | 4.72% | 4.34% |
| ICE BofA 1-5 Year U.S. Treasury Index | 4.56% | 4.17% |

Notes:
1. Market Values plus accrued interest as of March 31, 2024 and December 31, 2023 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.

## Sector Allocation Analytics



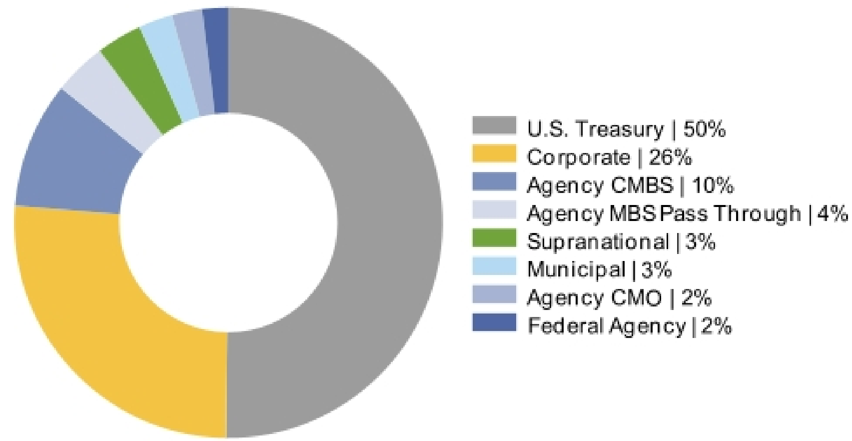

*For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.*
**Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

# Consolidated Summary

## Account Summary

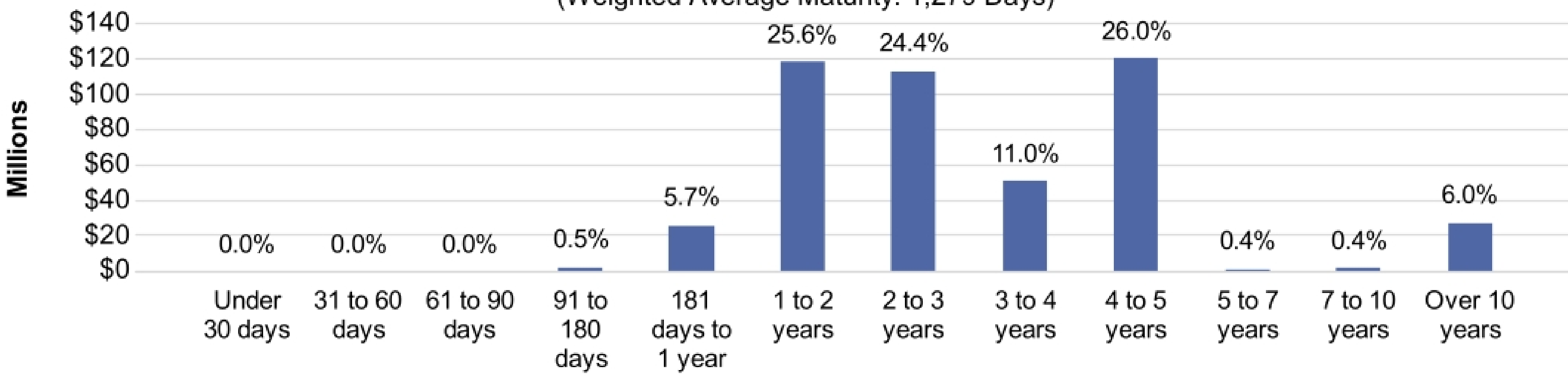
| | |
|---|---|
| **PFMAM Managed Account** | $462,753,074 |
| **Total Program** | **$462,753,074** |

## Sector Allocation




## Maturity Distribution

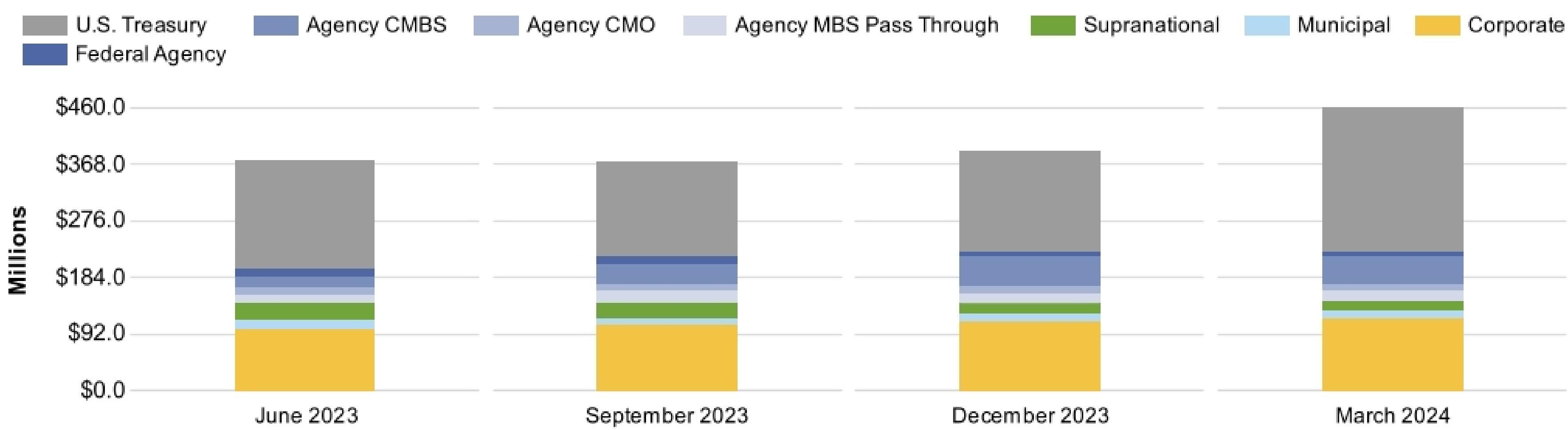
(Weighted Average Maturity: 1,279 Days)



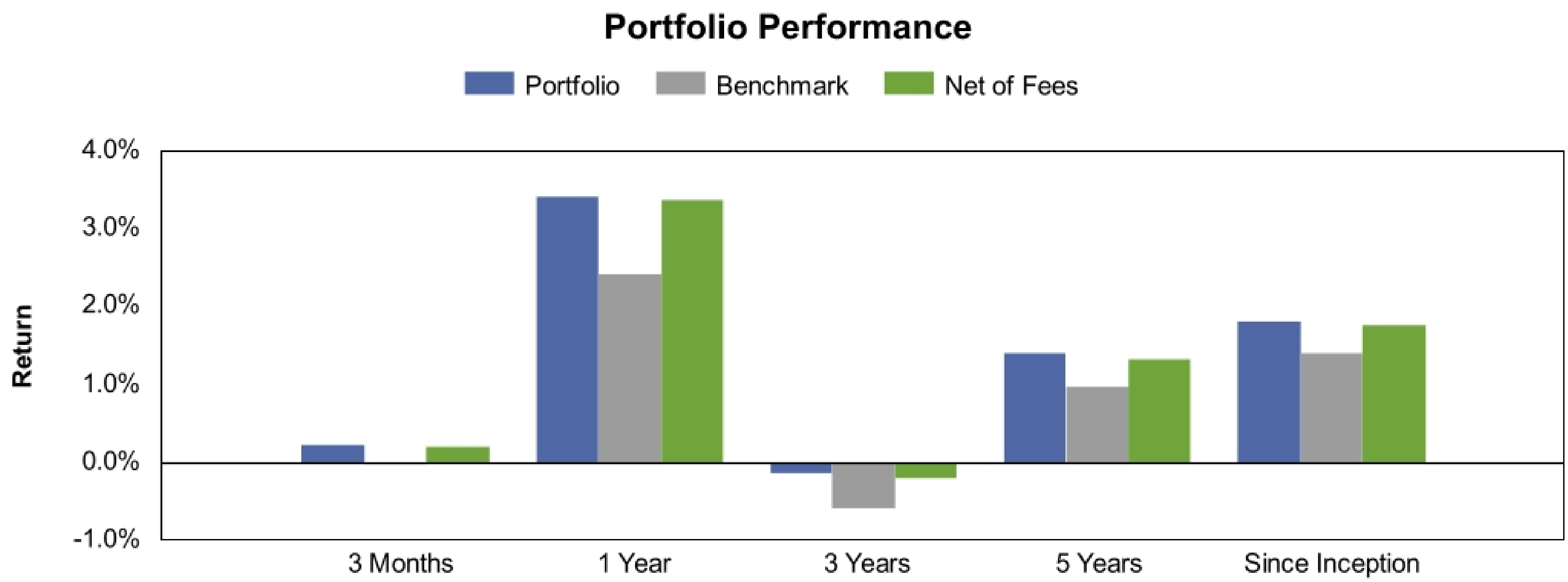

*1. Account summary and sector allocation include market values, accrued interest, and overnight balances. Maturity distribution includes market values and excludes accrued interest and overnight balances*

# Sector Allocation Review - CITY OF FORT LAUDERDALE - PFM

| Security Type | Jun-23 | % of Total | Sep-23 | % of Total | Dec-23 | % of Total | Mar-24 | % of Total |
|---|---|---|---|---|---|---|---|---|
| U.S. Treasury | $176.3 | 46.8% | $151.8 | 40.7% | $159.3 | 40.9% | $230.8 | 50.1% |
| Federal Agency | $11.7 | 3.1% | $11.7 | 3.2% | $10.8 | 2.8% | $9.0 | 2.0% |
| Agency CMBS | $16.2 | 4.3% | $33.9 | 9.1% | $46.0 | 11.8% | $43.8 | 9.5% |
| Agency CMO | $12.0 | 3.2% | $11.2 | 3.0% | $11.1 | 2.9% | $10.5 | 2.3% |
| Agency MBS Pass Through | $16.8 | 4.5% | $19.3 | 5.2% | $19.3 | 5.0% | $18.3 | 4.0% |
| Supranational | $24.2 | 6.5% | $24.0 | 6.4% | $15.9 | 4.1% | $15.9 | 3.5% |
| Municipal | $16.7 | 4.5% | $12.3 | 3.3% | $11.8 | 3.0% | $11.9 | 2.6% |
| Corporate | $101.8 | 27.1% | $108.4 | 29.1% | $114.6 | 29.5% | $119.6 | 26.0% |
| **Total** | **$375.7** | **100.0%** | **$372.7** | **100.0%** | **$388.8** | **100.0%** | **$459.8** | **100.0%** |

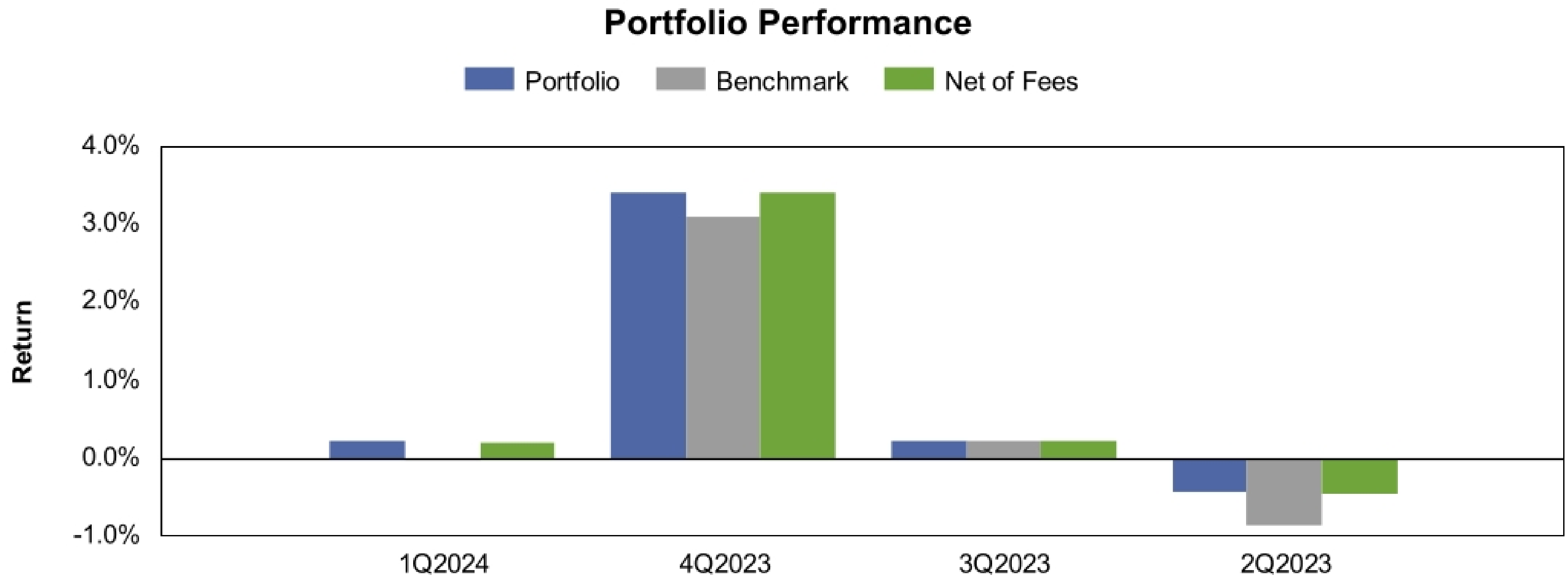



*Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.*




| Market Value Basis Earnings | 3 Months | 1 Year | 3 Years | 5 Years | Since Inception[1] |
|---|---|---|---|---|---|
| Interest Earned[2] | $2,782,300 | $9,536,956 | $22,269,927 | $36,359,063 | $39,514,764 |
| Change in Market Value | ($1,854,867) | $3,538,696 | ($23,592,167) | ($15,285,506) | ($9,999,715) |
| **Total Dollar Return** | **$927,433** | **$13,075,652** | **($1,322,240)** | **$21,073,557** | **$29,515,049** |
| **Total Return[3]** | | | | | |
| Portfolio | 0.21% | 3.42% | -0.15% | 1.40% | 1.81% |
| Benchmark[4] | -0.02% | 2.42% | -0.59% | 0.96% | 1.41% |
| **Basis Point Fee** | 0.01% | 0.05% | 0.05% | 0.06% | 0.06% |
| **Net of Fee Return** | 0.20% | 3.37% | -0.20% | 1.34% | 1.75% |

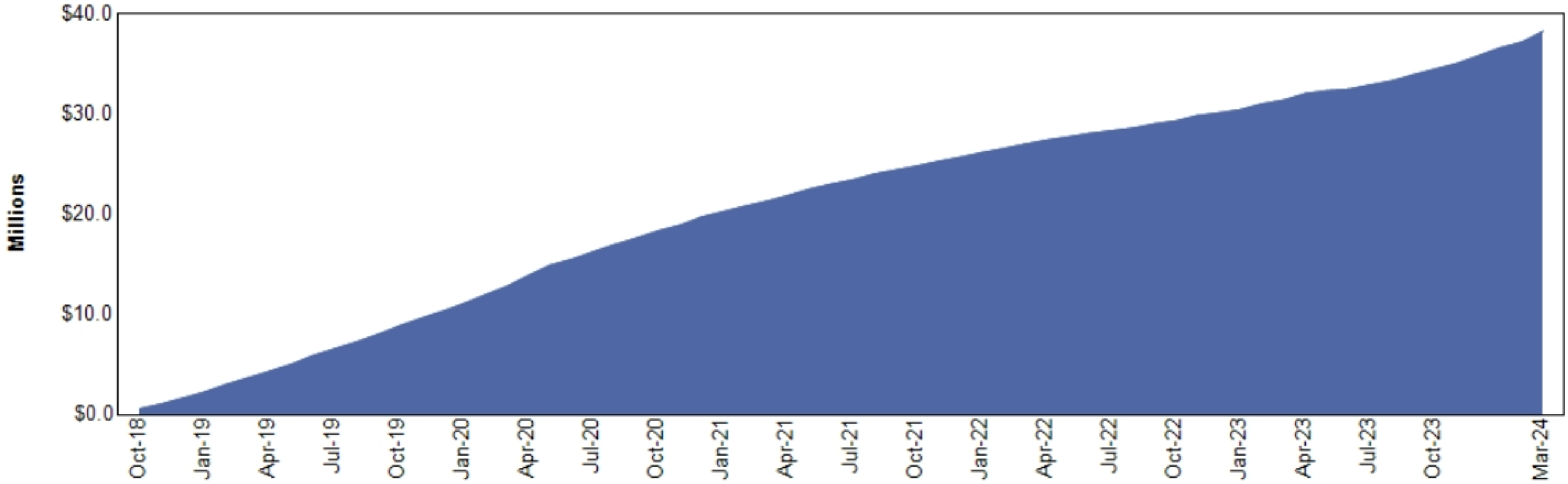
1. *The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2018.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *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 BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg.*




| Market Value Basis Earnings | 1Q2024 | 4Q2023 | 3Q2023 | 2Q2023 |
|---|---|---|---|---|
| Interest Earned[1] | $2,782,300 | $2,509,053 | $2,236,592 | $2,009,011 |
| Change in Market Value | ($1,854,867) | $10,442,676 | ($1,368,422) | ($3,680,691) |
| **Total Dollar Return** | **$927,433** | **$12,951,729** | **$868,170** | **($1,671,680)** |
| **Total Return[2]** | | | | |
| Portfolio | 0.21% | 3.42% | 0.23% | -0.44% |
| Benchmark[3] | -0.02% | 3.10% | 0.23% | -0.86% |
| **Basis Point Fee** | 0.01% | 0.01% | 0.01% | 0.01% |
| **Net of Fee Return** | 0.20% | 3.41% | 0.22% | -0.45% |

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 BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg.*

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




| Accrual Basis Earnings | 3 Months | 1 Year | 3 Years | 5 Year | Since Inception[1] |
|---|---|---|---|---|---|
| Interest Earned[2] | $2,782,300 | $9,536,956 | $22,269,927 | $36,359,063 | $39,514,764 |
| Realized Gains / (Losses)[3] | ($698,625) | ($3,633,938) | ($4,197,703) | $169,638 | $212,913 |
| Change in Amortized Cost | $353,770 | $935,570 | ($1,112,549) | ($1,957,378) | ($1,504,342) |
| **Total Earnings** | **$2,437,445** | **$6,838,589** | **$16,959,676** | **$34,571,323** | **$38,223,335** |

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.*

# Important Disclosures

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

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

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

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# 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 or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- Commercial Paper: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- Contribution to Total Return: The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- Effective Duration: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- Effective Yield: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- Interest Rate: Interest per year divided by principal amount and expressed as a percentage.
- Market Value: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- Maturity: The date upon which the principal or stated value of an investment becomes due and payable.
- Negotiable Certificates of Deposit: A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- Par Value: The nominal dollar face amount of a security.
- Pass-through Security: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

# Glossary

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