

# Fort Lauderdale Cemetery

As of March 31, 2023

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# Executive Summary

# First Quarter 2023 Review

## Executive Summary

- The S&P 500 gained 7.5% and equity markets broadly turned in positive performance in 1Q23, but returns were uneven, showing disparities among styles, market caps, and sectors. Large caps outperformed smaller market caps, growth dominated value, international developed bested U.S., and tech-heavy Nasdaq's strong gain more than halved its 2022 losses. The strength of the markets is surprising considering the regulatory shutdown of Silicon Valley, Signature, and First Republic Banks in early March.
- Swift action by Treasury, FDIC, and the Federal Reserve to backstop banking depositors quelled contagion fears. In addition, the markets' resilience also stems from expectations that the banking crisis and likely-tighter lending standards should prompt the Fed to pause or cut rates in the near-term.
- U.S. core fixed income, the Bloomberg U.S. Aggregate index, gained 3.0%. Bond yields fell as investors began to worry more about an economic slowdown than the still elevated, albeit lower, inflation levels. In 1Q, the 10-year U.S. Treasury yield fell to 3.4% from 3.9% at the start of the year.
- The Federal Reserve raised its federal funds rate twice in 1Q23, bringing its range to 4.75-5.00%. The Fed now finds itself in a conundrum to achieve its dual mandate of providing price stability and maintaining full employment.

# Asset Class Returns 3.31.23

| US EQUITY                              | 1Q2023 | 2022   |
|--|--------|--------|
| All-Cap (Russell 3000)                 | 7.2%   | -19.2% |
| Large-Cap (S&P 500)                    | 7.5%   | -18.1% |
| Large-Cap Growth (Russell 1000 Growth) | 14.4%  | -29.1% |
| Large-Cap Value (Russell 1000 Value)   | 1.0%   | -7.5%  |
| Mid-Cap (Russell MidCap)               | 4.1%   | -17.3% |
| Small-Cap (Russell 2000)               | 2.7%   | -20.4% |
| NASDAQ Composite                       | 17.1%  | -32.4% |

## NON-US EQUITY

|                                 |      |        |
|---------------------------------|------|--------|
| Developed Large Cap (MSCI EAFE) | 8.5% | -14.5% |
| Emerging Markets (MSCI EM)      | 4.0% | -20.1% |

## US FIXED INCOME

|   |      |        |
|---|------|--------|
| Core Taxable Bonds (Bloomberg US Agg)   | 3.0% | -13.0% |
| US Government (Bloomberg US Govt)       | 3.0% | -12.3% |
| Investment Grade (BofA US Corporate)    | 3.5% | -15.8% |
| High Yield (BofA US High Yield)         | 3.7% | -11.2% |
| US Mortgage-Backed (Bloomberg US MBS)   | 2.5% | -11.8% |
| Non-US Developed Bonds (BBG Global Agg) | 3.0% | -16.3% |

## OTHER ASSET CLASSES

|                                      |       |        |
|--------------------------------------|-------|--------|
| REITs (FTSE Nareit All Equity REITs) | 1.7%  | -25.0% |
| Commodities (Bloomberg Commodity)    | -5.4% | 16.1%  |
| Gold (S&P GSCI Gold)                 | 8.1%  | -0.7%  |

## LEVELS

|                               | 3/31/2023 | 12/31/2022 |
|-------------------------------|-----------|------------|
| 10-year U.S. Treasury Yield   | 3.47%     | 3.88%      |
| Crude Oil                     | \$75.67   | \$80.16    |
| Gold/oz                       | \$1,979   | \$1,812    |
| CPI (Feb 2023)                | 6.0%      | 6.5%       |
| CPI ex-Food/Energy (Feb 2023) | 5.5%      | 5.7%       |



# Performance Summary as of March 31, 2023

Value style & defensive sectors underperformed in the first quarter while growth style outperformed, reversal of 2022's trend

| Index % Total Return                          | MTD   | QTD   | YTD   | 1 Yr   |
|---|-------|-------|-------|--------|
| MSCI ACWI (net)                               | 3.08  | 7.31  | 7.31  | -7.44  |
| S&P 500                                       | 3.67  | 7.50  | 7.50  | -7.73  |
| MSCI EAFE (net)                               | 2.48  | 8.47  | 8.47  | -1.38  |
| MSCI Emerging Markets (net)                   | 3.03  | 3.96  | 3.96  | -10.70 |
| Dow Jones Industrials                         | 2.08  | 0.93  | 0.93  | -1.98  |
| Bloomberg Commodity Index                     | -0.21 | -5.36 | -5.36 | -12.49 |
| Bloomberg Aggregate                           | 2.54  | 2.96  | 2.96  | -4.78  |
| ICE BofA US High Yield                        | 1.13  | 3.72  | 3.72  | -3.56  |
| Bloomberg Municipal Bond Blend 1-15 Year      | 1.94  | 2.27  | 2.27  | 1.61   |
| ICE BofA Global Government xUS (USD Unhedged) | 4.34  | 2.94  | 2.94  | -13.14 |
| ICE BofA Global Government xUS (USD Hedged)   | 2.40  | 3.19  | 3.19  | -5.09  |

| Rates (%)                                | 3/31/23 | 12/31/22 | 9/30/22 | 6/30/22 | 3/31/22 |
|--|---------|----------|---------|---------|---------|
| Fed Funds Target                         | 5.00    | 4.50     | 3.25    | 1.75    | 0.50    |
| Libor, 3-Month                           | 5.19    | 4.76     | 3.75    | 2.28    | 0.96    |
| T-Bill, 3-Month                          | 4.75    | 4.41     | 3.23    | 1.64    | 0.51    |
| 2-Year Treasury                          | 4.06    | 4.41     | 4.20    | 2.93    | 2.28    |
| 5-Year Treasury                          | 3.60    | 4.00     | 4.03    | 3.00    | 2.42    |
| 10-Year Treasury                         | 3.49    | 3.87     | 3.79    | 2.97    | 2.32    |
| 30-Year Treasury                         | 3.68    | 3.96     | 3.76    | 3.12    | 2.45    |
| Bloomberg Aggregate (YTW)                | 4.40    | 4.68     | 4.75    | 3.72    | 2.92    |
| Bloomberg Municipal Bond Blend 1-15 Year | 2.87    | 3.18     | 3.73    | 2.82    | 2.36    |
| ICE BofA US High Yield                   | 8.50    | 8.95     | 9.58    | 8.93    | 6.02    |
| Currencies                               | 3/31/23 | 12/31/22 | 9/30/22 | 6/30/22 | 3/31/22 |
| Euro (\$/€)                              | 1.09    | 1.07     | 0.98    | 1.05    | 1.11    |
| Yen (¥/\$)                               | 133.09  | 131.95   | 144.75  | 135.86  | 121.37  |
| Pound (\$/£)                             | 1.24    | 1.20     | 1.12    | 1.21    | 1.32    |
| Commodities                              | 3/31/23 | 12/31/22 | 9/30/22 | 6/30/22 | 3/31/22 |
| Crude Oil (WTI)                          | 75.67   | 80.26    | 79.49   | 105.76  | 100.28  |
| Gold                                     | 1,986   | 1,826    | 1,672   | 1,807   | 1,954   |
| Volatility                               | 3/31/23 | 12/31/22 | 9/30/22 | 6/30/22 | 3/31/22 |
| CBOE VIX                                 | 18.70   | 21.67    | 31.62   | 28.71   | 20.56   |

## U.S. style % total returns (S&P indexes)

| Month |       |        |       | YTD   |      |        |
|-------|-------|--------|-------|-------|------|--------|
| Value | Core  | Growth |       | Value | Core | Growth |
| 1.31  | 3.67  | 5.85   | Large | 5.17  | 7.50 | 9.63   |
| -5.33 | -3.21 | -1.13  | Mid   | 2.51  | 3.81 | 5.04   |
| -6.40 | -5.16 | -3.97  | Small | 3.05  | 2.57 | 2.14   |

## S&P 500 sector % total returns YTD 3/31/23



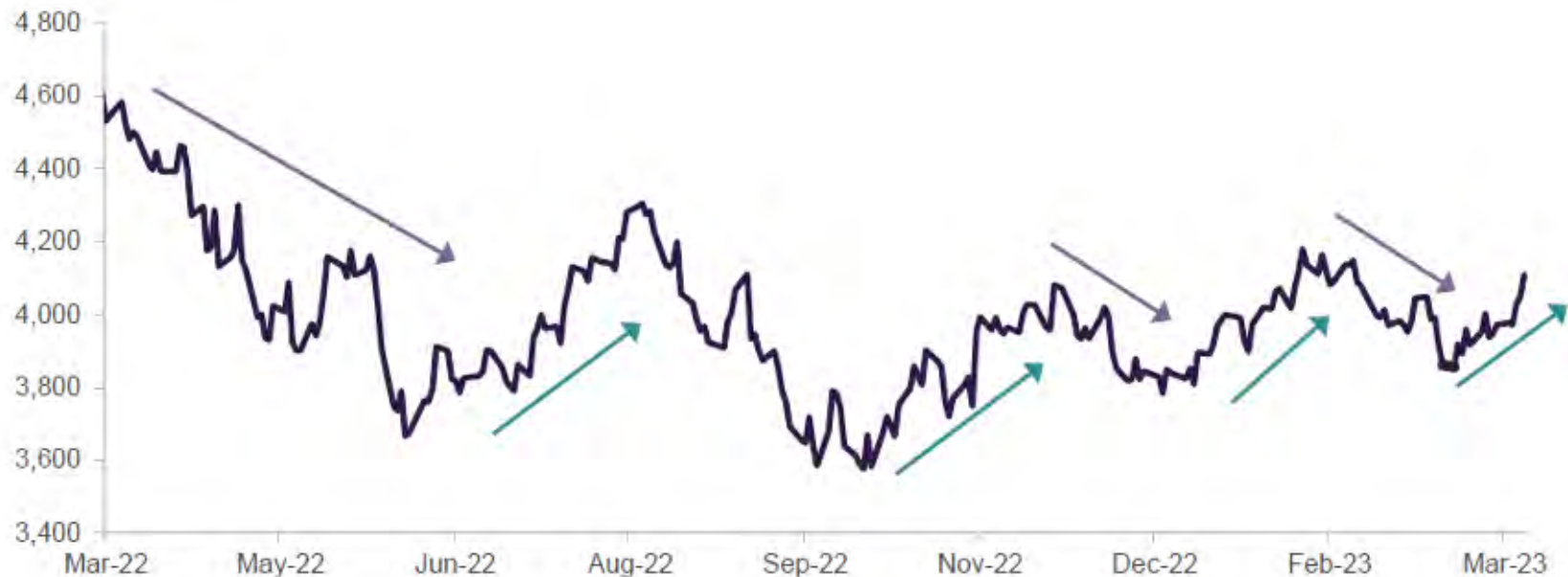
Sources: Truist IAG, FactSet

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## Choppy market over past year reflects shifting risk-on / risk-off sentiment

**OUR TAKE:** *Investor expectations have swung between pessimism and optimism; hard landing or soft landing; sticky inflation or easing inflation; Fed rate hikes or Fed pause*

S&P 500



## Valuations have rebounded toward the top-end of the pre-pandemic range

**OUR TAKE:** *The market seems to be pricing in unrealistic earnings expectations to justify valuations*

S&P 500 forward P/E





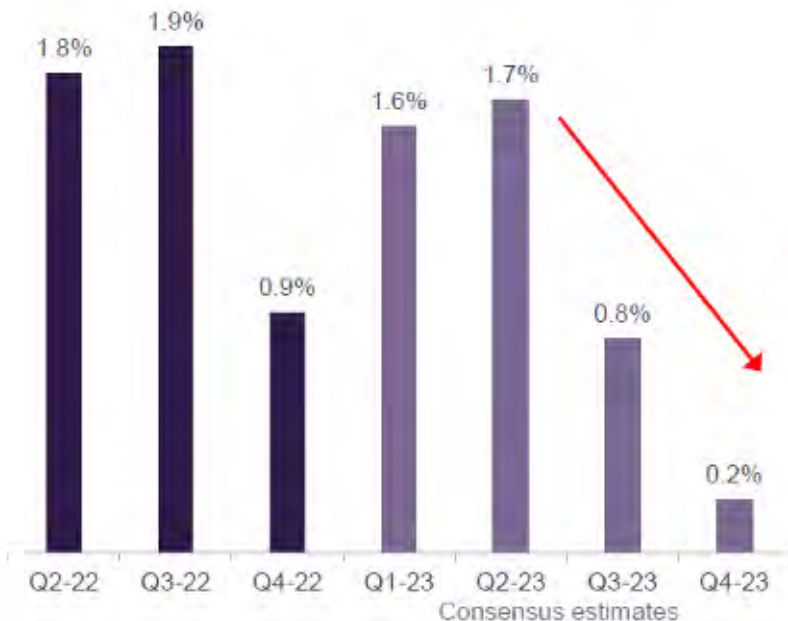
## Disconnect between earnings and economic estimates

**OUR TAKE:** Consensus earnings estimates are expected to reach a record in 2H23 while, at the same time, a material economic slowdown is projected in 2H23

S&P 500 actual and estimated quarterly earnings



U.S. real GDP (year over year) actual and consensus estimates





## Lowering top end of 10-year trading range expectation to 4%

**OUR TAKE:** Tighter lending standards and Fed policy will further weigh on U.S. growth, likely sustaining demand for high quality fixed income



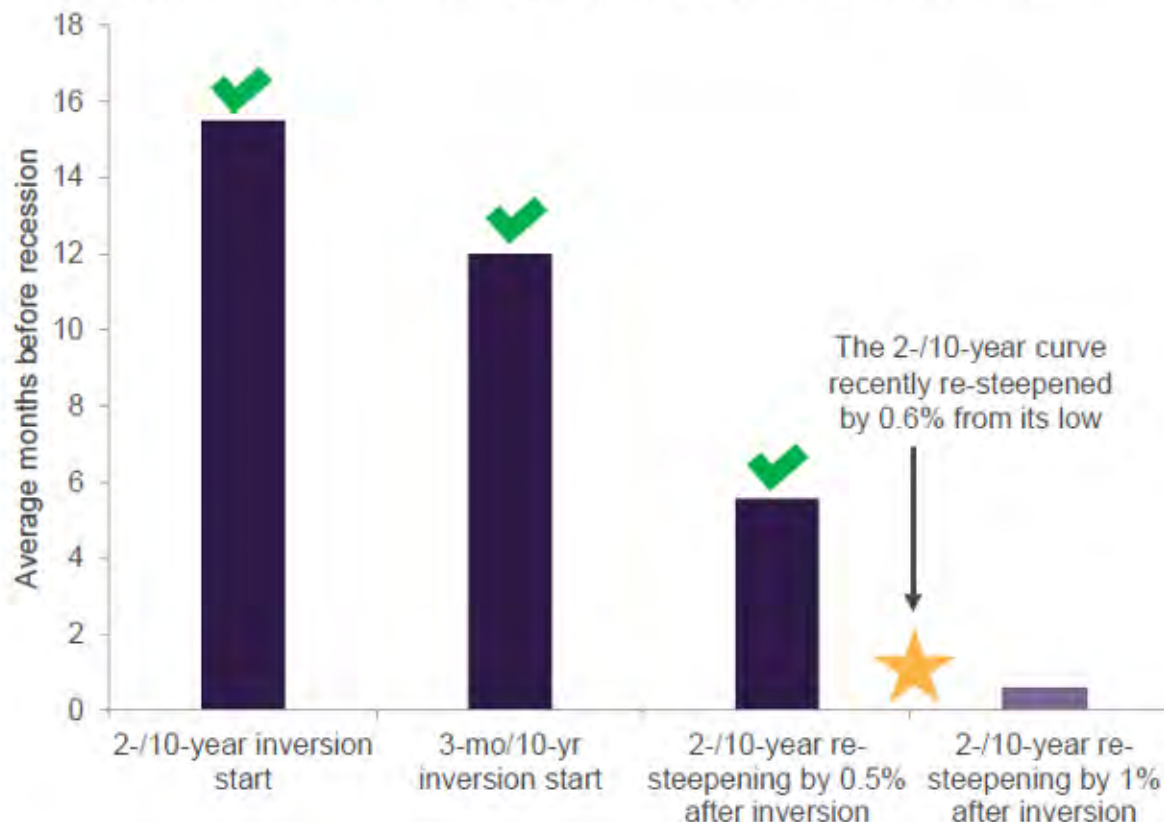
## Yield curve re-steepening is consistent with late-stage economic cycle



# Yield curve re-steepening is consistent with late-stage economic cycle

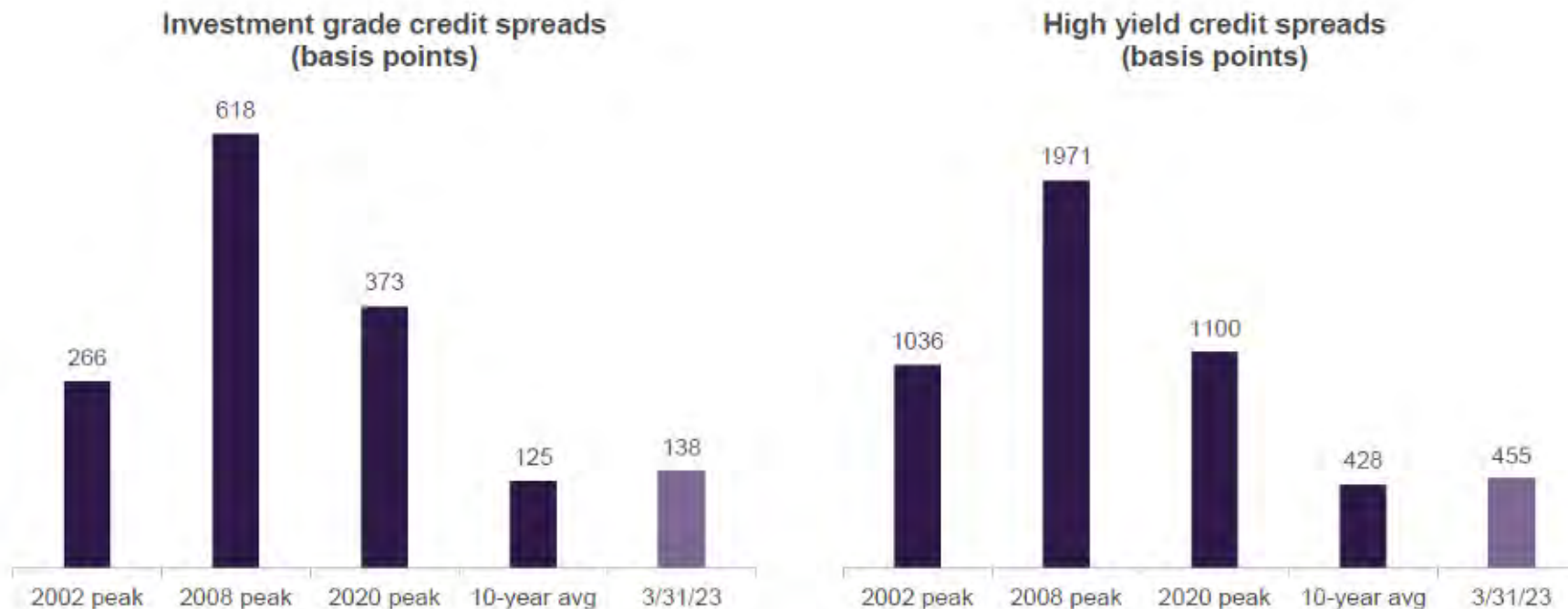
**OUR TAKE:** Following yield curve inversions, the 2/10-year U.S. Treasury yield curve tends to re-steepen as the economy shows signs of weakness and short yields drop in anticipation of future Fed rate cuts.

Relationship between U.S. yield curve and recessions



## U.S. corporate bond spreads remain well below recessionary levels

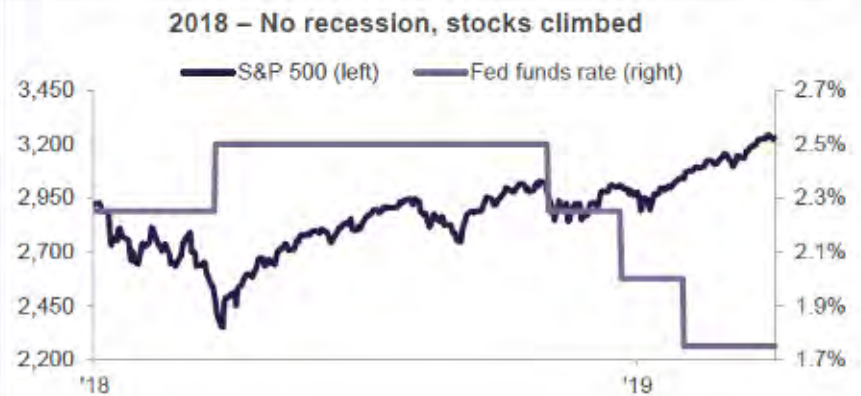
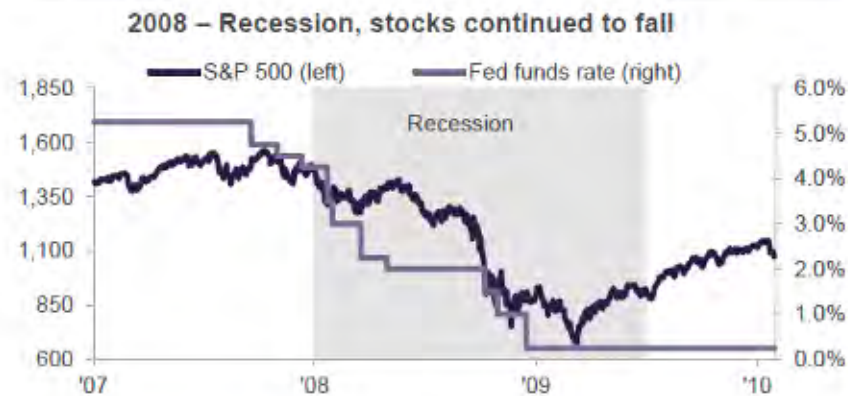
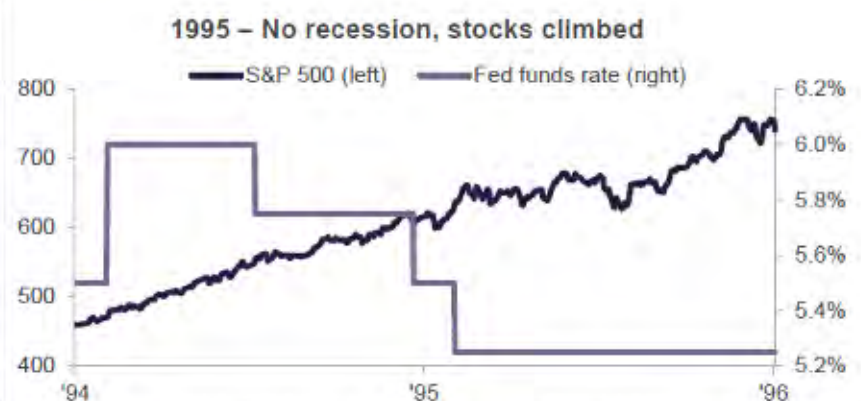
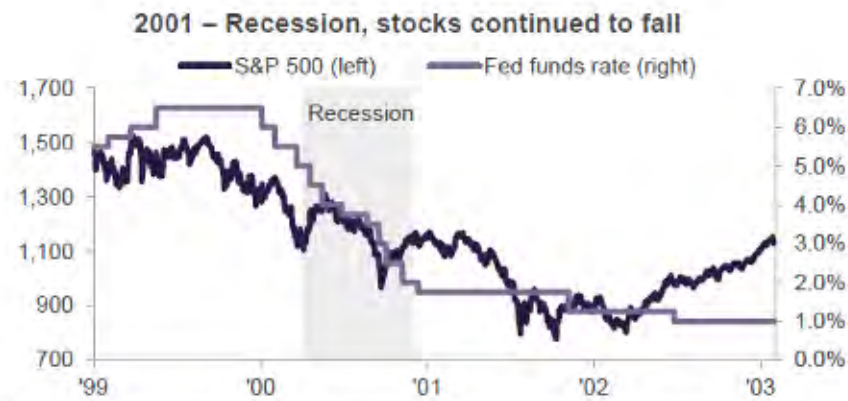
**OUR TAKE:** *Rising economic risks suggest corporate bond sectors are susceptible to further spread widening.*





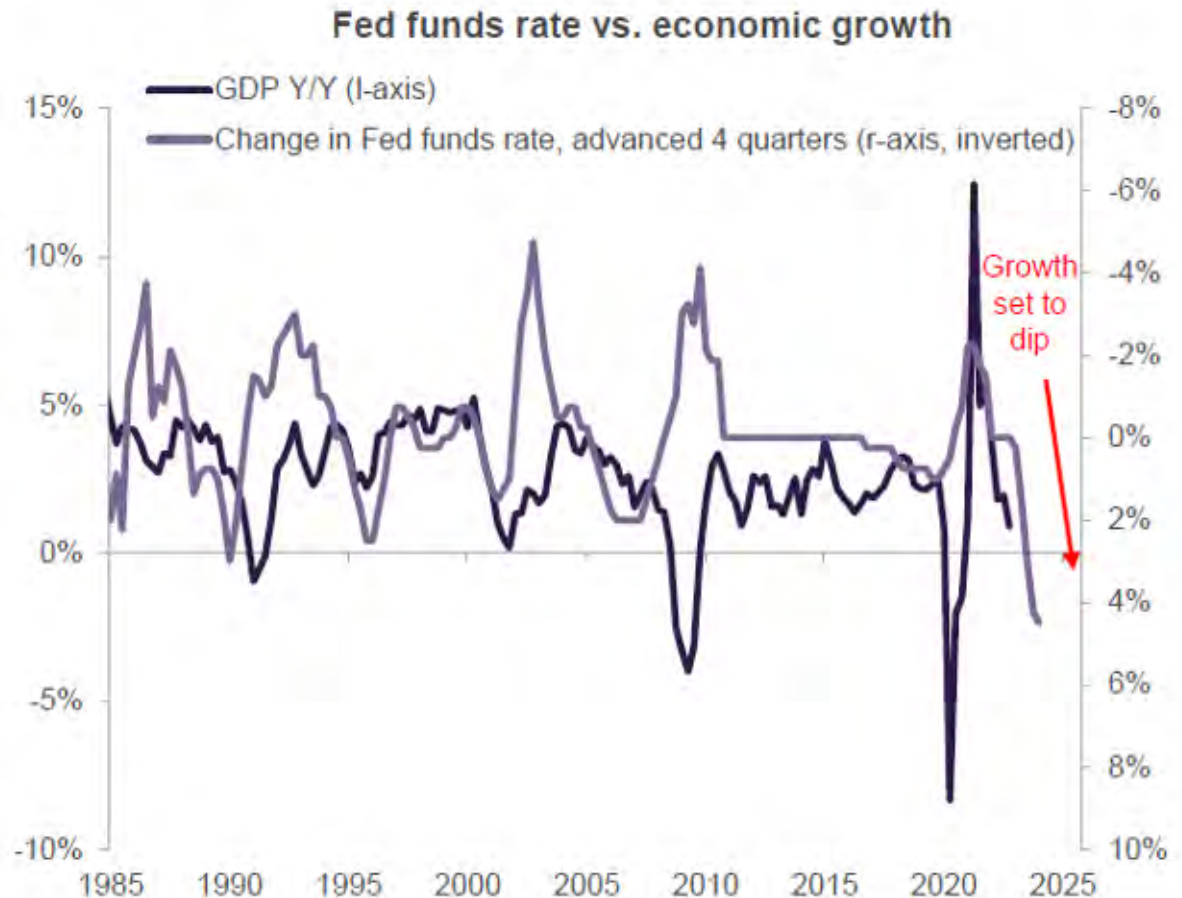
# Fed rate cuts, when they come, aren't always a panacea for markets

**OUR TAKE:** When the Fed cuts rates, what matters most to market outcome is whether the economy goes into recession



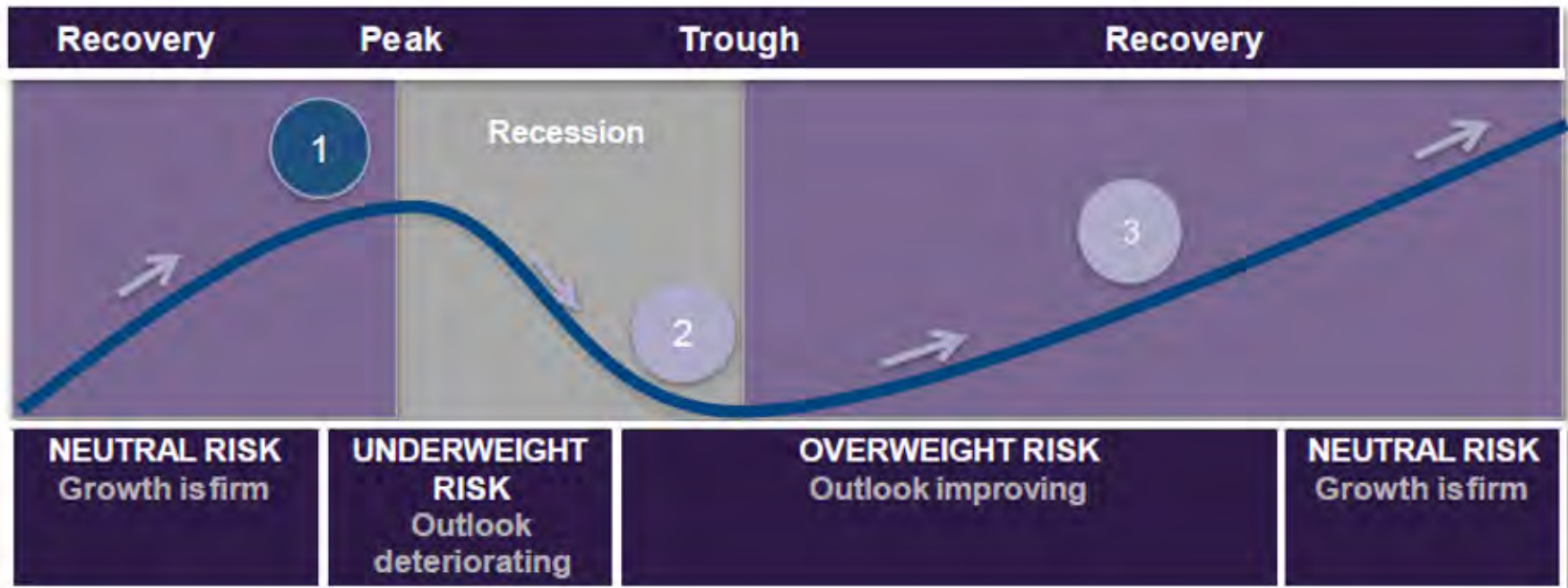
# Lagged effects of higher rates likely to weigh on U.S. economic growth

**OUR TAKE:** As the Federal Reserve aggressively raised rates in 2022 to combat inflation, interest rates for mortgages, auto loans, and credit cards increased dramatically. The lagged effects of those rate increases remain a headwind to growth in 2023



## Maintain cautious portfolio posturing shorter-term given elevated risks

**OUR TAKE:** Our shorter-term, tactical outlook – driven by our assessment of the market's risk/reward proposition – leads us to remain cautious. Recession risk is elevated, valuations are not compelling





## Outlook: Uncertainty continues to drive a wide range of potential outcomes

### Portfolio Focus for 2023

- ❖ **Maintain asset class diversification**
- ❖ **Remain tactical amid wide range of outcomes**
- ❖ **Look for catalysts for opportunity in choppy markets**

### Potential Upsides

- ❖ Economy avoids recession and much softer inflation
- ❖ Earnings hold up better than expected
- ❖ Improvement in China's economy boosts global economy
- ❖ Progress on Russia/Ukraine war
- ❖ Depressed sentiment propels stocks higher

### Potential Downsides

- ❖ Steeper and longer recession
- ❖ Earnings weaker than expected
- ❖ Inflation stays sticky; Fed hikes further
- ❖ Banking turmoil spreads
- ❖ Geopolitical risks escalate



# Asset class view, forecasts & valuation\*

In late March, we downgraded our view of value relative to growth to neutral from more attractive. We also brought down the top end of our 10-year U.S. Treasury range to 2.75% to 4.00% from 2.75% to 4.25% and lowered our expected Fed funds rate range to 4.75% to 5.00% from 5.00% to 5.25%.

## Tactical outlook (3-12 months)



## Long-term capital market assumptions (10 years)

| Equity                          | Expected Return | Expected Risk |
|---------------------------------|-----------------|---------------|
| Global equity                   | 6.75%           | 16.8%         |
| U.S. large cap                  | 7.00%           | 16.0%         |
| U.S. small cap                  | 8.25%           | 20.0%         |
| International developed markets | 6.00%           | 18.2%         |
| Emerging markets (EM)           | 5.75%           | 24.5%         |

| Fixed income                     | Expected Return | Expected Risk |
|----------------------------------|-----------------|---------------|
| Intermediate-term municipals     | 3.25%           | 4.0%          |
| U.S. core taxable bonds          | 4.50%           | 4.1%          |
| U.S. government bonds            | 4.00%           | 4.5%          |
| U.S. investment grade corporates | 5.75%           | 6.5%          |
| U.S. high yield corporates       | 6.50%           | 10.3%         |

## Key forecasted ranges

|                           |       |    |       |
|---------------------------|-------|----|-------|
| U.S. GDP                  | -0.5% | to | +0.7% |
| S&P 500                   | 3400  | to | 4300  |
| 10-year U.S. Treasury     | 2.75% | to | 4.00% |
| Fed funds rate (year end) | 4.75% | to | 5.00% |

For domestic use only

Past performance does not guarantee future results. Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

\*In this document, we express our high-level investment strategy views without portfolio context constraints. We aim to represent relative opportunities within each broader asset class. This allows us to signal what we are watching and where things are changing at the margin within positions that may differ from our asset allocation guidance and Strategy Portfolios. Long-term expected risk, return and correlation statistics are derived from the Portfolio & Market Strategy team's capital market assumptions process and are not guaranteed. Secular trends, such as demographics, global debt, inflation, etc. are initially assessed to determine the impact on global markets over the next decade. With an understanding of the current stage of the business cycle, a combination of quantitative and fundamental techniques is used to further analyze factors that include, but are not limited to: (1) the outlook for asset class return drivers; (2) the probability of sustained returns; (3) absolute and relative valuation measures; (4) the impact of economic drivers on asset class assumptions and (5) changes in investor sentiment and liquidity. +Capital market assumptions are reviewed and/or modified at least once a year and are currently as of 2022.

# Investment Review

# Activity Summary

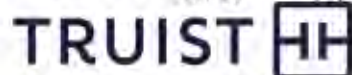
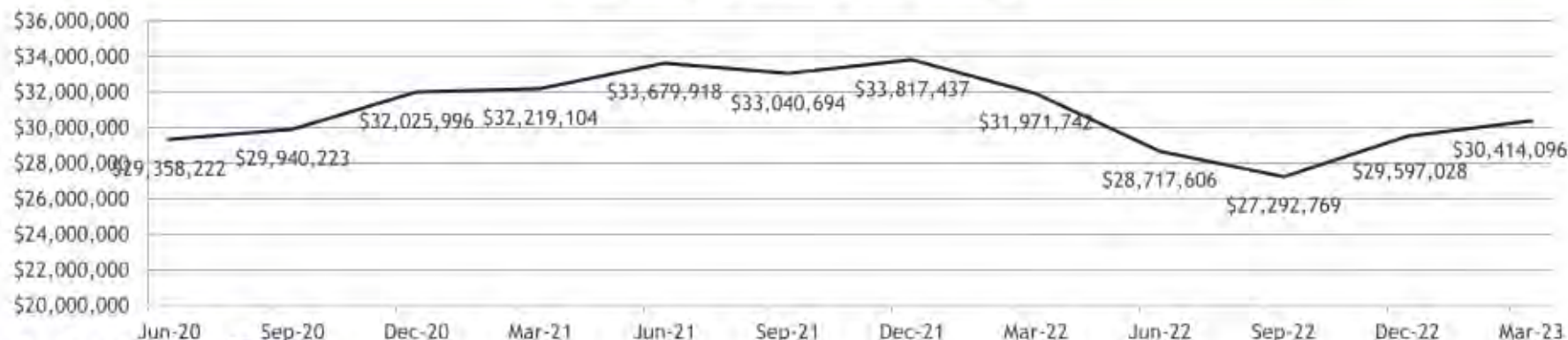
## Quarter

| Period Ending March 31, 2023 |              |
|------------------------------|--------------|
| Beginning Market Value       | \$29,597,028 |
| Beginning Accrued Income     | \$58,264     |
| Beginning Portfolio Value    | \$29,655,291 |
| Contributions                | \$532,767    |
| Withdrawals                  | (\$551,505)  |
| Gain (Loss)                  | \$634,768    |
| Interest and Dividends       | \$215,292    |
| Net Accrued Income           | \$14,253     |
| Ending Market Value          | \$30,414,096 |
| Ending Accrued Income        | \$72,517     |
| Ending Portfolio Value       | \$30,486,614 |

## Annual

| Period Ending March 31, 2023 |               |
|------------------------------|---------------|
| Beginning Market Value       | \$31,971,742  |
| Beginning Accrued Income     | \$65,059      |
| Beginning Portfolio Value    | \$32,036,801  |
| Contributions                | \$1,397,739   |
| Withdrawals                  | (\$1,199,539) |
| Gain (Loss)                  | (\$2,711,896) |
| Interest and Dividends       | \$963,509     |
| Net Accrued Income           | \$7,458       |
| Ending Market Value          | \$30,414,096  |
| Ending Accrued Income        | \$72,517      |
| Ending Portfolio Value       | \$30,486,614  |

## Quarterly Market Value Trends

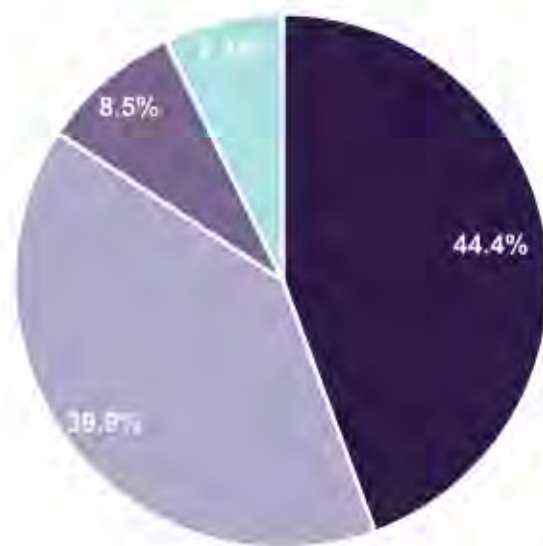


Excludes accrued income.  
Source: First Rate Advisor



# Foundations and Endowments Specialty Practice

## Portfolio Composition



- Domestic Equity
- Fixed Income
- Cash
- International Equity



| Period Ending March 31, 2023            |         |                      |                    |                      |            |               |
|---|---------|----------------------|--------------------|----------------------|------------|---------------|
|   | Vehicle | Current Market Value | Current Allocation | Prior Qtr Allocation | IPS Ranges | Expense Ratio |
| Total Portfolio                         |         | \$30,486,614         | 100.0%             | 100.0%               |            | 0.16%         |
| Total Equities                          |         | \$15,723,559         | 51.6%              | 51.7%                | 40-60%     |               |
| Large Cap Equities                      |         | \$10,882,099         | 35.7%              | 36.3%                |            |               |
| iShares DJ Select Dividend              | ETF     | \$2,229,935          | 7.3%               | 7.7%                 |            | 0.38%         |
| Vanguard Institutional Index            | MF      | \$2,387,165          | 7.8%               | 7.7%                 |            | 0.04%         |
| iShares Core High Dividend              | ETF     | \$1,421,918          | 4.7%               | 4.9%                 |            | 0.08%         |
| Vanguard Value Index- Admiral           | MF      | \$1,799,332          | 5.9%               | 6.2%                 |            | 0.05%         |
| Vanguard Russell 1000 Growth ETF        | MF      | \$1,232,015          | 4.0%               | 3.6%                 |            | 0.08%         |
| SPDR S&P Dividend                       | ETF     | \$1,811,733          | 5.9%               | 6.2%                 |            | 0.35%         |
| Smid Cap Equities                       |         | \$868,766            | 2.8%               | 2.9%                 |            |               |
| Eaton Vance Atlanta Capital SMID-Cap R6 | MF      | \$868,766            | 2.8%               | 2.9%                 |            | 0.82%         |
| Small Cap Equities                      |         | \$958,297            | 3.2%               | 3.2%                 |            |               |
| iShares Core S&P Small-Cap              | ETF     | \$958,297            | 3.2%               | 3.2%                 |            | 0.06%         |
| Real Estate                             |         | \$819,883            | 2.7%               | 2.7%                 |            |               |
| SPDR Dow Jones REIT                     | MF      | \$819,883            | 2.7%               | 2.7%                 |            | 0.25%         |
| International Equities                  |         | \$2,194,514          | 7.2%               | 6.7%                 | 0-10%      |               |
| iShares Core MSCI EAFE ETF              | ETF     | \$1,447,770          | 4.7%               | 4.5%                 |            | 0.07%         |
| Artisan International Value Instl       | MF      | \$746,743            | 2.4%               | 2.2%                 |            | 1.03%         |
| Total Fixed Income                      |         | \$12,168,633         | 39.9%              | 37.8%                | 40-60%     |               |
| Corporate Obligations                   | MA      | \$2,944,170          | 9.7%               | 9.7%                 |            | 0.00%         |
| Foreign Bonds                           | MA      | \$300,612            | 1.0%               | 1.0%                 |            | 0.00%         |
| U.S. Govt Bds                           | MA      | \$480,518            | 1.6%               | 1.6%                 |            | 0.00%         |
| DFA Intermediate Govt Fixed-Income I    |         | \$1,830,421          | 6.0%               | 3.7%                 |            | 0.11%         |
| Western Asset Core Plus Bond IS         | MF      | \$1,733,768          | 5.7%               | 5.7%                 |            | 0.42%         |
| Vanguard Total Bond Market              | MF      | \$4,879,145          | 16.0%              | 16.1%                |            | 0.04%         |
| Total Cash Equivalents                  |         | \$2,594,421          | 8.5%               | 10.5%                | 0-25%      |               |
| Portfolio Yield                         |         |                      | 2.819%             |                      |            |               |
| Estimated Annual Income                 |         |                      | \$846,701.62       |                      |            |               |



# Investment Performance

| Period Ending March 31, 2023       |         |               |         |         |         |          |                   |
|------------------------------------|---------|---------------|---------|---------|---------|----------|-------------------|
| Account                            | 1 Month | Quarter / YTD | 1 Year  | 3 Years | 5 Years | 10 Years | Inception to Date |
| Total Portfolio                    | 1.35%   | 2.91%         | -5.52%  | 7.20%   | 3.90%   | 5.25%    | 5.86%             |
| Total Portfolio (Net of Fees)      | 1.33%   | 2.85%         | -5.76%  | 6.93%   | 3.64%   | 4.95%    | 5.55%             |
| Policy Benchmark*                  | 2.96%   | 5.15%         | -5.66%  | 7.02%   | 5.43%   | 6.05%    | 6.41%             |
| Total Equities                     | 0.58%   | 3.02%         | -7.29%  | 16.98%  | 6.81%   | 8.78%    | 8.92%             |
| Domestic Equities                  | 0.19%   | 2.11%         | -8.52%  | 17.38%  | 7.69%   | 9.36%    | 9.61%             |
| S&P 500                            | 3.67%   | 7.50%         | -7.73%  | 18.60%  | 11.19%  | 12.24%   | 12.62%            |
| DJ US Select Dividend              | -2.21%  | -1.82%        | -4.58%  | 21.52%  | 8.54%   | 10.48%   | 11.57%            |
| Russell Mid Cap                    | -1.53%  | -4.06%        | -8.78%  | 19.20%  | 8.05%   | 10.05%   | 10.67%            |
| Russell 2000                       | -4.78%  | 2.74%         | -11.61% | 17.51%  | 4.71%   | 8.04%    | 8.72%             |
| International Equities - Developed | 3.06%   | 9.04%         | 1.15%   | 18.72%  | 4.15%   | --       | --                |
| MSCI EAFE                          | 2.48%   | 8.47%         | -1.38%  | 12.99%  | 3.52%   | 5.00%    | 4.70%             |
| Total Fixed Income                 | 2.54%   | 3.12%         | -4.05%  | -1.88%  | 0.71%   | 1.64%    | 2.83%             |
| Bloomberg Barclays Aggregate       | 2.54%   | 2.96%         | -4.78%  | -2.77%  | 0.91%   | 1.36%    | 1.80%             |
| Total Short Term                   | 0.38%   | 1.07%         | 2.62%   | 0.89%   | 1.28%   | 0.77%    | 0.66%             |

\*Policy Benchmark consists of 38% S&P 500, 12% MSCI ACWI ex US, 50% Bloomberg Barclays Aggregate

Inception begins August 1, 2011

Returns greater than one year are annualized

Source: First Rate Advisor

# Manager Performance

| Period Ending March 31, 2023            |               |         |               |         |         |         |          |                   |
|---|---------------|---------|---------------|---------|---------|---------|----------|-------------------|
| Assets                                  | Ticker Symbol | 1 Month | Quarter / YTD | 1 Year  | 3 Years | 5 Years | 10 Years | Net Expense Ratio |
| <b>Large Cap Equities</b>               |               |         |               |         |         |         |          |                   |
| Vanguard Russell 1000 Growth ETF        | VONG          | 6.82%   | 14.34%        | -10.96% | 18.49%  | 13.57%  | 14.48%   | 0.08%             |
| <i>Russell 1000 Growth</i>              |               | 6.84%   | 14.37%        | -10.90% | 18.58%  | 13.66%  | 14.59%   | --                |
| Vanguard Value Index Adm                | VVIAX         | -0.47%  | -0.98%        | -3.99%  | 18.69%  | 8.85%   | 10.52%   | 0.05%             |
| iShares Core High Dividend ETF          | HDV           | 2.14%   | -1.40%        | -0.92%  | 16.85%  | 7.78%   | 8.37%    | 0.08%             |
| <i>Russell 1000 Value</i>               |               | -0.46%  | 1.01%         | -5.91%  | 17.93%  | 7.50%   | 9.13%    | --                |
| SPDR S&P Dividend                       | SDY           | -1.15%  | -0.54%        | -0.82%  | 18.98%  | 9.30%   | 10.50%   | 0.35%             |
| iShares Dow Jones Select Dividend       | DVY           | -2.27%  | -1.94%        | -4.98%  | 20.99%  | 8.11%   | 10.03%   | 0.38%             |
| <i>Dow Jones US Select Dividend</i>     |               | -2.21%  | -1.82%        | -4.58%  | 21.52%  | 8.54%   | 10.48%   | --                |
| Vanguard Institutional Index            | VINIX         | 3.67%   | 7.49%         | -7.76%  | 18.57%  | 11.16%  | 12.21%   | 0.04%             |
| <i>S&amp;P 500</i>                      |               | 3.67%   | 7.50%         | -7.73%  | 18.60%  | 11.19%  | 12.24%   | --                |
| <b>Smid Cap Equities</b>                |               |         |               |         |         |         |          |                   |
| Eaton Vance Atlanta Capital SMID-Cap R6 | ERASX         | -1.25%  | 0.99%         | -3.30%  | 19.95%  | 9.61%   | 11.94%   | 0.82%             |
| <i>Russell 2500</i>                     |               | -3.75%  | 3.39%         | -10.39% | 19.42%  | 6.65%   | 9.07%    | --                |
| <b>Small Cap Equities</b>               |               |         |               |         |         |         |          |                   |
| iShares Core S&P Small-Cap              | IJR           | -5.16%  | 2.57%         | -8.90%  | 21.61%  | 6.24%   | 9.83%    | 0.06%             |
| <i>S&amp;P Small Cap 600</i>            |               | -5.16%  | 2.57%         | -8.82%  | 21.71%  | 6.30%   | 9.87%    | --                |

Source: Morningstar & First Rate Advisor

# Manager Performance

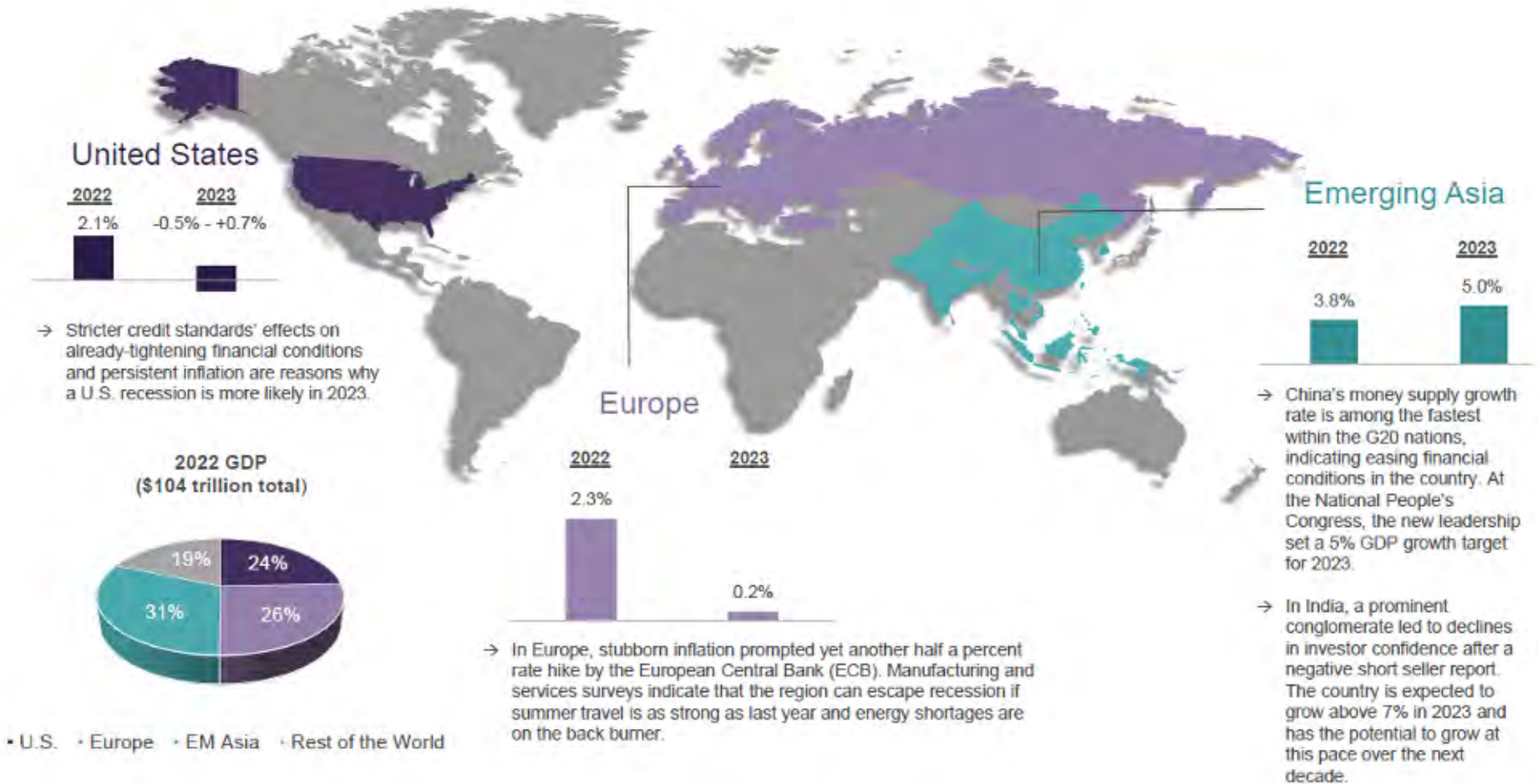
| Period Ending March 31, 2023         |               |         |               |         |         |         |          |                   |
|--------------------------------------|---------------|---------|---------------|---------|---------|---------|----------|-------------------|
| Assets                               | Ticker Symbol | 1 Month | Quarter / YTD | 1 Year  | 3 Years | 5 Years | 10 Years | Net Expense Ratio |
| <b>Real Estate</b>                   |               |         |               |         |         |         |          |                   |
| SPDR Dow Jones REIT                  | RWR           | -2.61%  | 2.69%         | -21.15% | 11.01%  | 4.42%   | 5.06%    | 0.25%             |
| S&P United States REIT               |               | -2.48%  | 2.72%         | -19.08% | 12.03%  | 6.03%   | 5.83%    | --                |
| <b>International Equities</b>        |               |         |               |         |         |         |          |                   |
| Artisan International Value Instl    | APHKX         | 3.56%   | 10.18%        | 5.89%   | 21.66%  | 7.22%   | 7.94%    | 1.03%             |
| MSCI EAFE                            |               | 2.48%   | 8.47%         | -1.38%  | 12.99%  | 3.52%   | 5.00%    | --                |
| iShares Core MSCI EAFE ETF           | IEFA          | 2.76%   | 8.13%         | -1.15%  | 13.17%  | 3.42%   | 5.30%    | 0.07%             |
| MSCI EAFE IMI                        |               | 2.09%   | 7.95%         | -2.66%  | 12.83%  | 3.12%   | 5.10%    | --                |
| <b>Fixed Income</b>                  |               |         |               |         |         |         |          |                   |
| DFA Intermediate Govt Fixed-Income I | DFIGX         | 3.08%   | 3.27%         | -4.58%  | -4.42%  | 0.80%   | 0.91%    | 0.11%             |
| Bloomberg Barclays US Government     |               | 2.87%   | 2.98%         | -4.42%  | -4.12%  | 0.76%   | 0.92%    | --                |
| Vanguard Total Bond Market Index I   | VBPIX         | 2.57%   | 3.16%         | -4.70%  | -2.77%  | 0.93%   | 1.34%    | 0.04%             |
| Western Asset Core Plus Bond IS      | WAPSX         | 2.27%   | 3.38%         | -7.97%  | -2.66%  | 0.18%   | 1.86%    | 0.42%             |
| Bloomberg Barclays US Aggregate Bond |               | 2.54%   | 2.96%         | -4.78%  | -2.77%  | 0.91%   | 1.36%    | --                |

Source: Morningstar & First Rate Advisor

# Market Review & Outlook

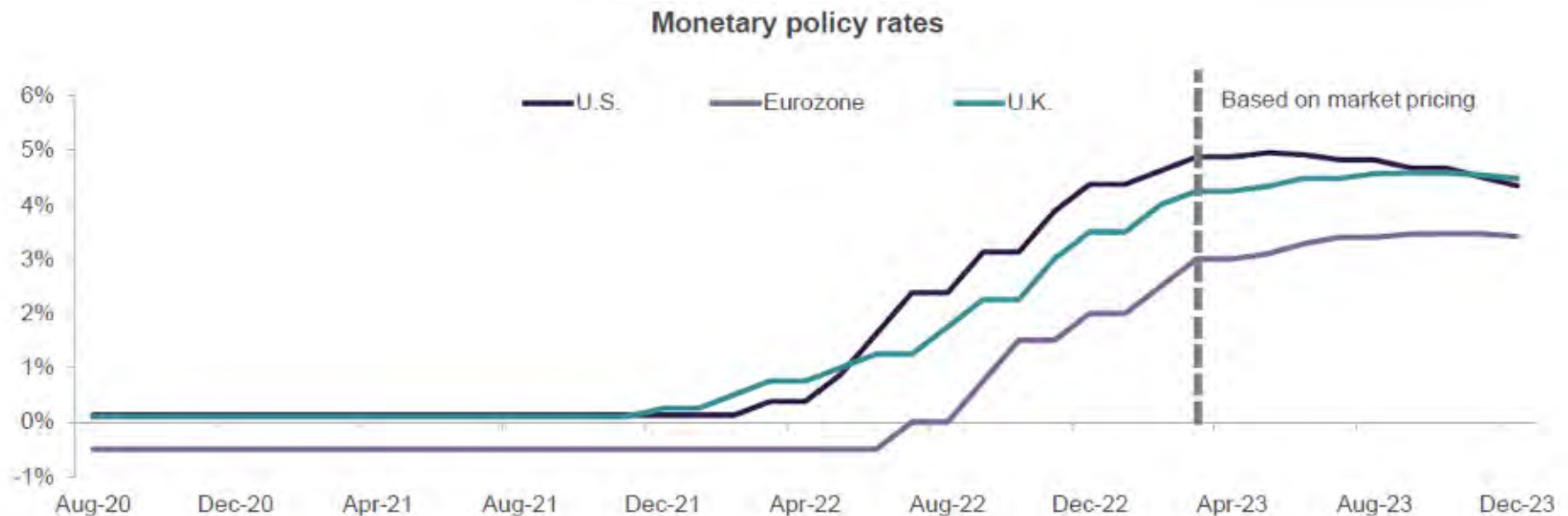


# Global growth set to slow in 2023



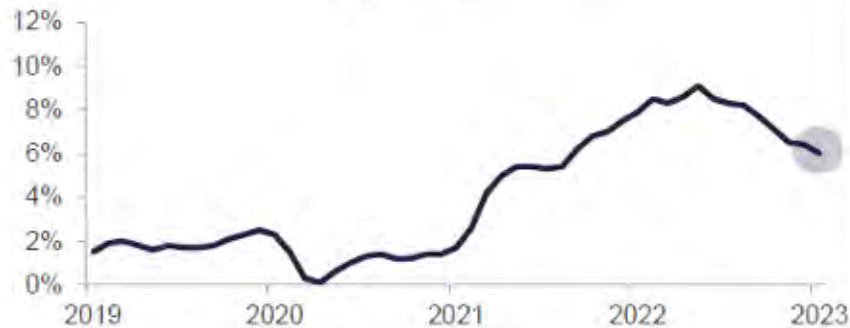
## Markets are anticipating that the end of global tightening cycle is over

**OUR TAKE:** Policy rate expectations globally have moderated following the banking turmoil

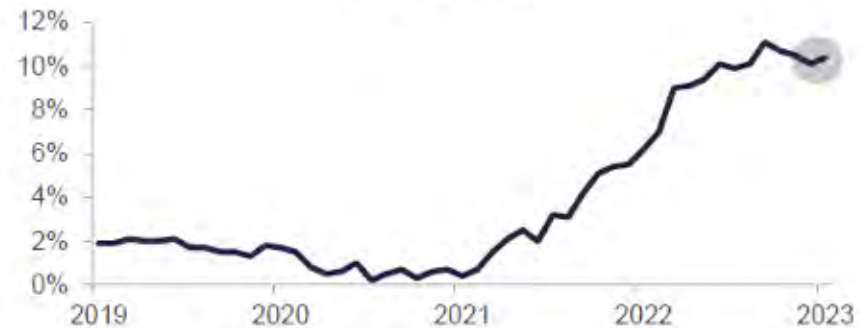


## Inflation moderating globally but still stubbornly high

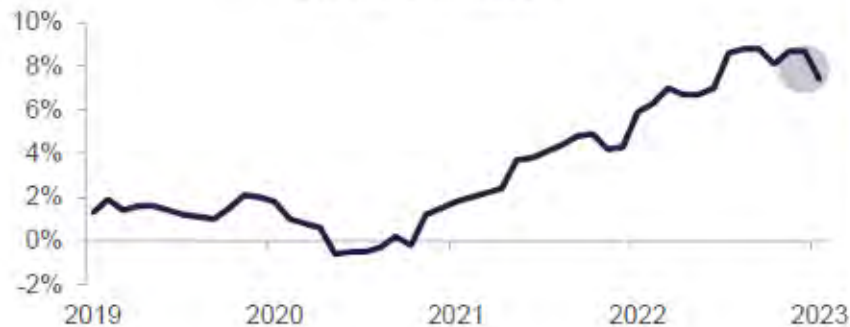
U.S. inflation



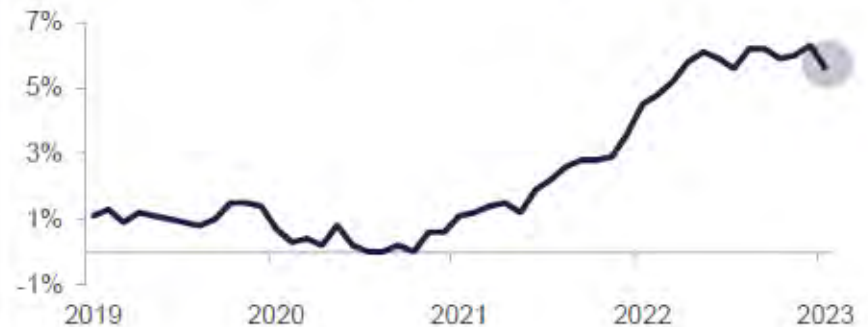
U.K. inflation



Germany inflation

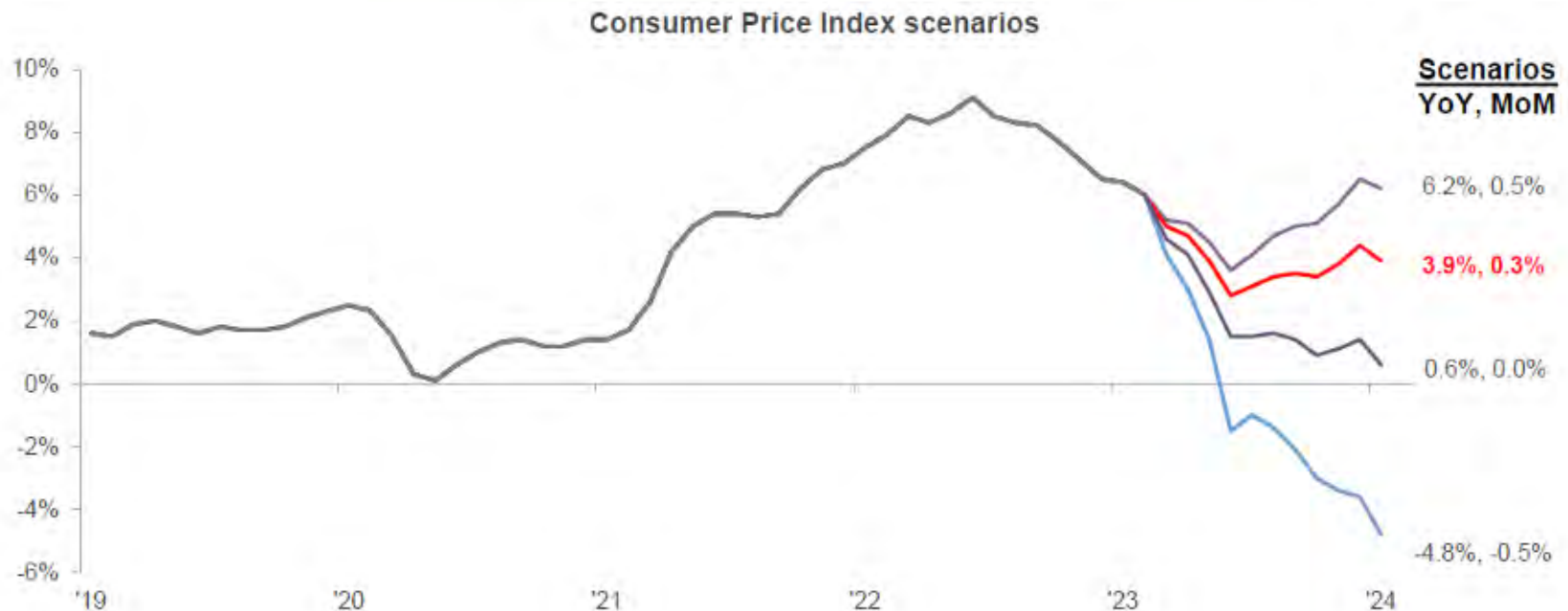


France inflation



# Consumer inflation scenarios – Wide range of outcomes but likely 3% to 4%

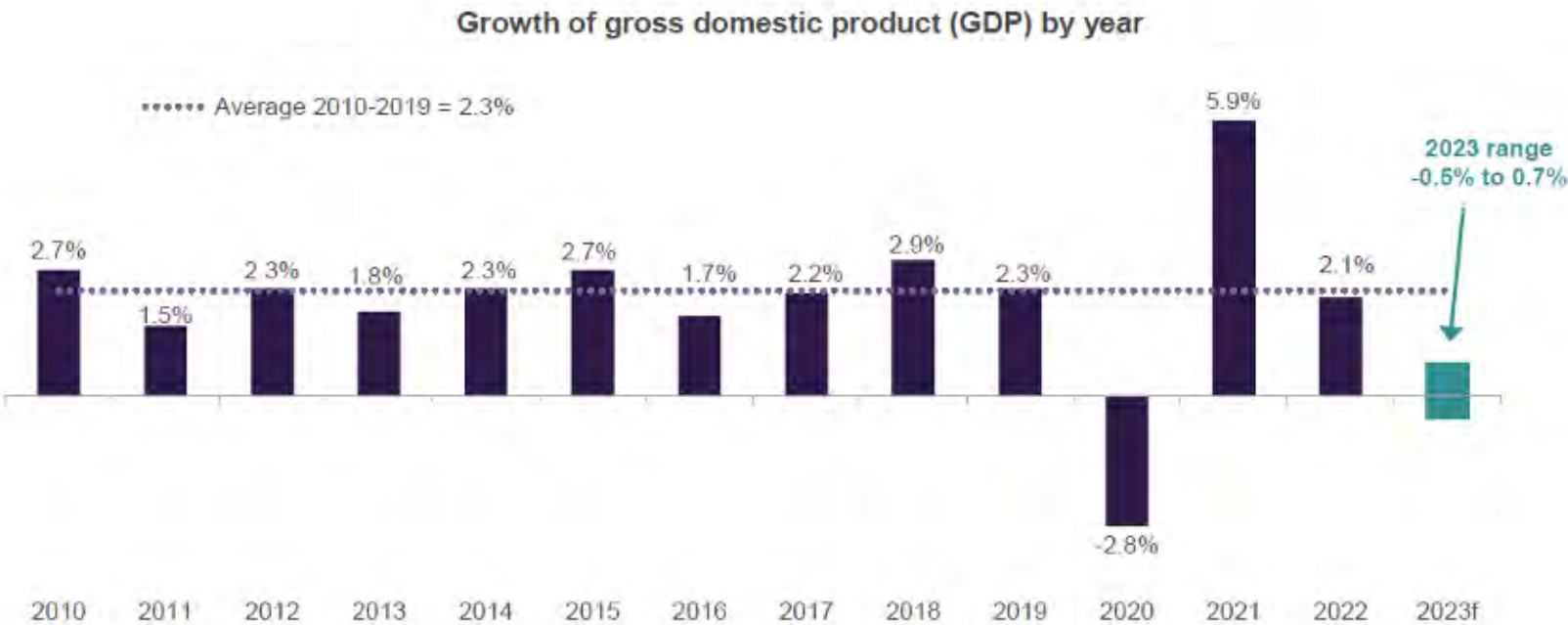
**OUR TAKE:** U.S. Consumer Price Inflation (CPI) slipped to 6.0% in February, down considerably from 9.1% in June 2022. Current pace of monthly increases likely to trend YOY range of 3% to 4%





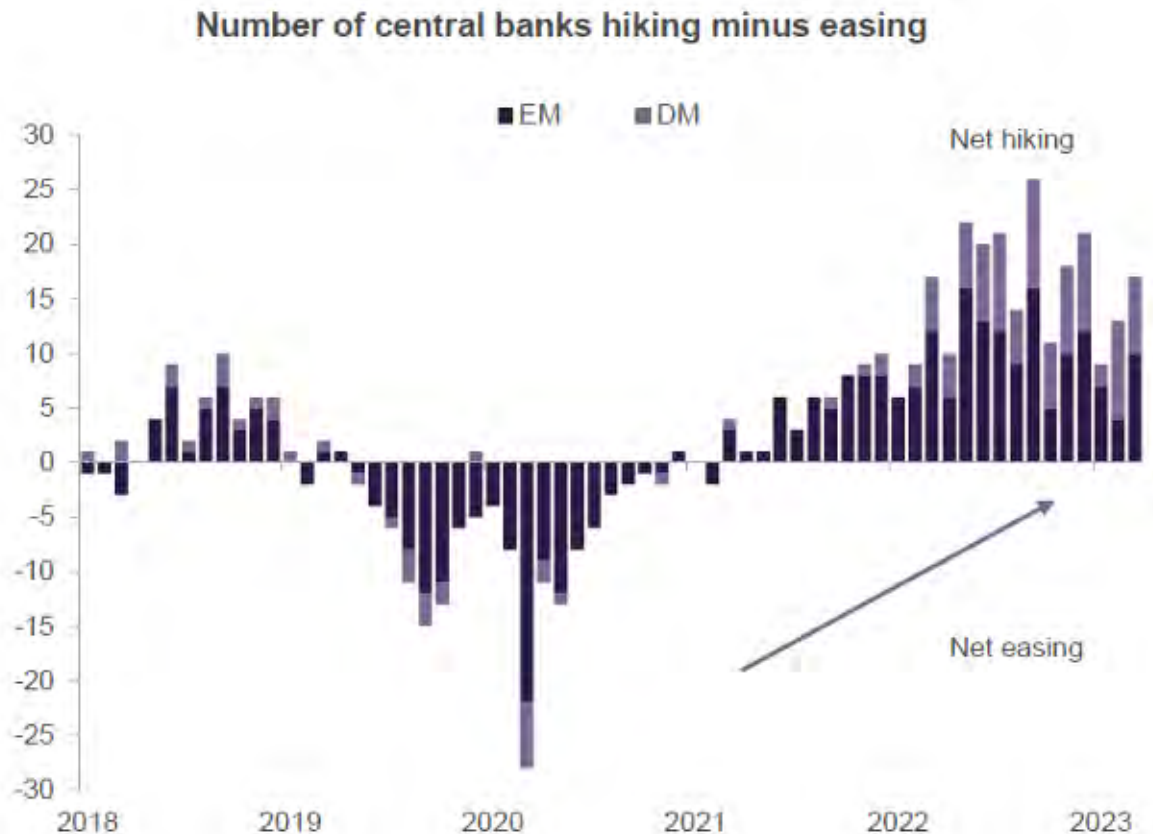
# Dual tightening in financial conditions to weigh on growth

**OUR TAKE:** Lagged effects from aggressively tight Federal Reserve policy along with tighter lending conditions from March's banking turmoil to weigh on U.S. growth

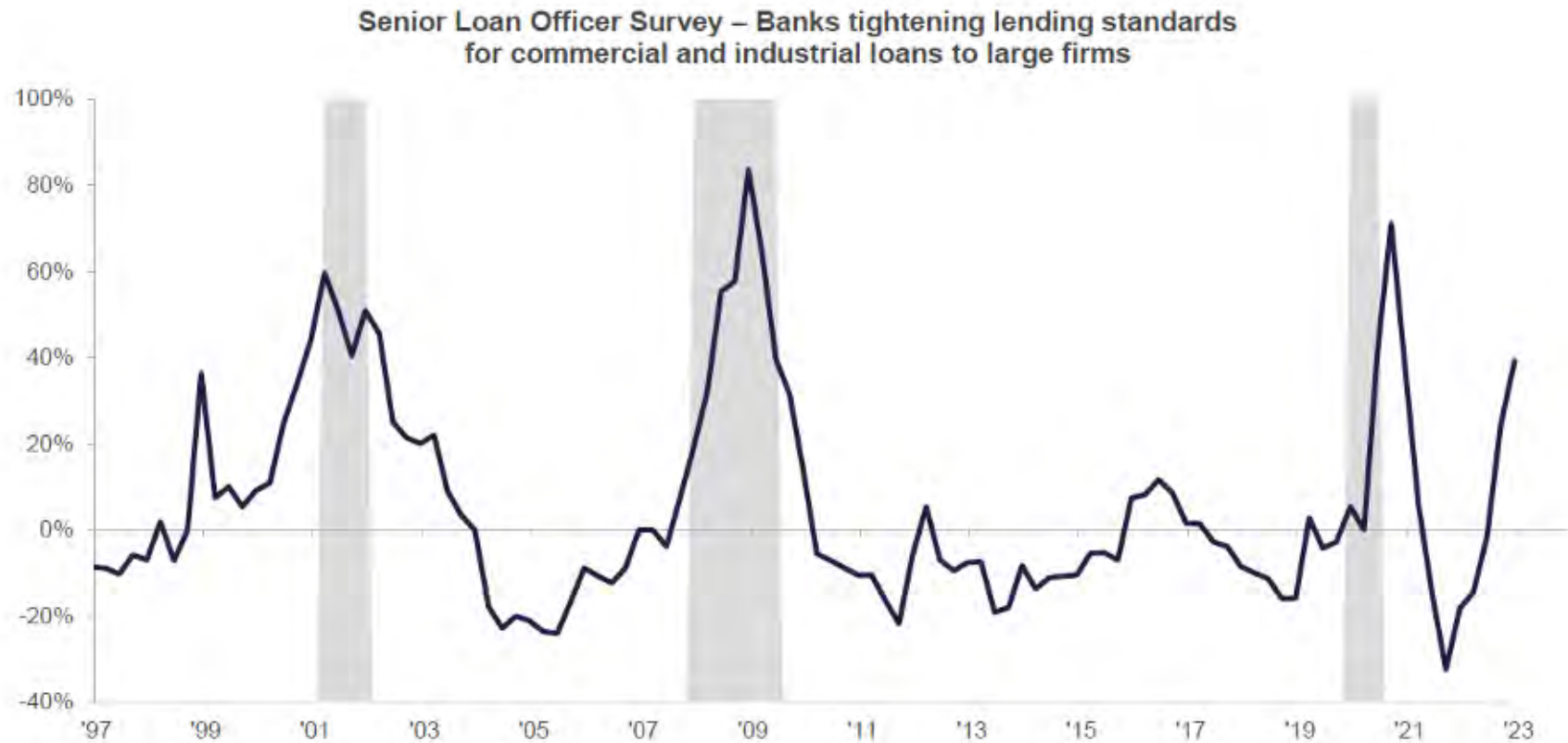


## Tightening financial conditions to weigh on global growth

**OUR TAKE:** Lagged effects from synchronized central bank rate hikes along with tighter lending conditions from March's banking turmoil to weigh on global growth



## Bank lending standards expected to get tighter



# Sharp interest rate increases have historically led to market disruptions



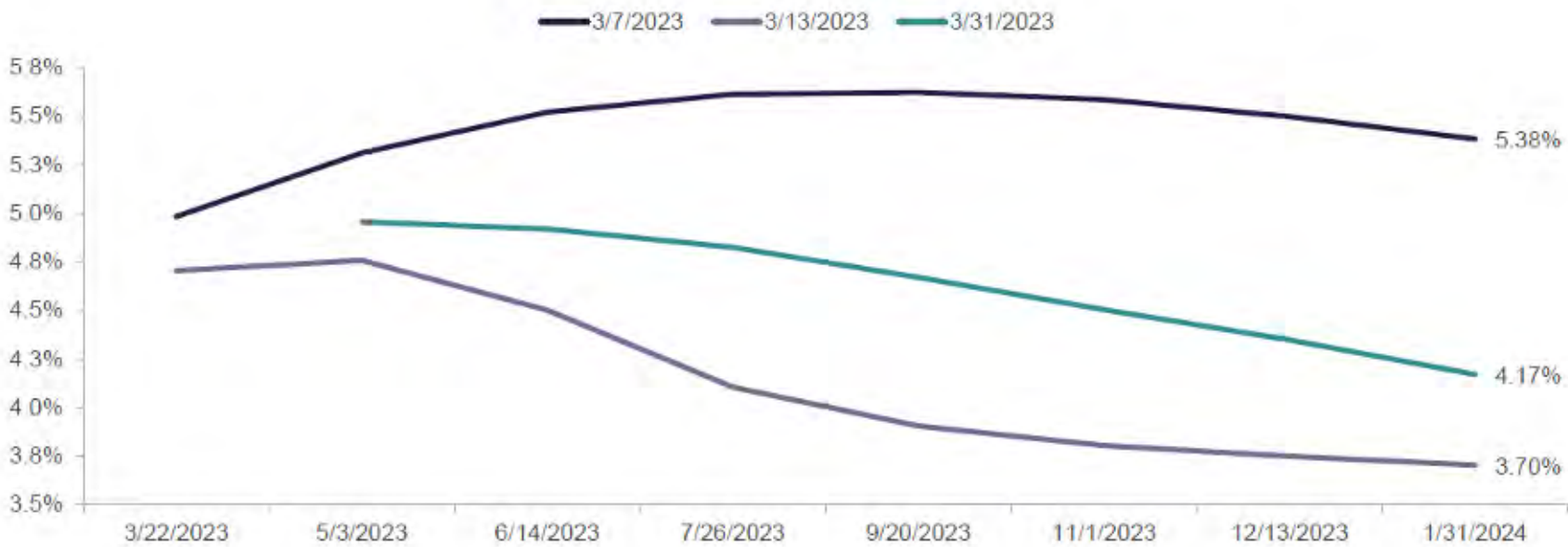
Sources: Truist IAG, Bloomberg, Piper Sandler. Past performance does not guarantee future results. Gray bars = recession



# Fed rate-expectations transformed by banking industry challenges

**OUR TAKE:** Although contagion fears within the banking system have eased, Fed Funds futures are now predicting the Fed will cut rates by mid-summer due to tighter lending standards and lagged impact of rate hikes.

Implied Fed funds rate

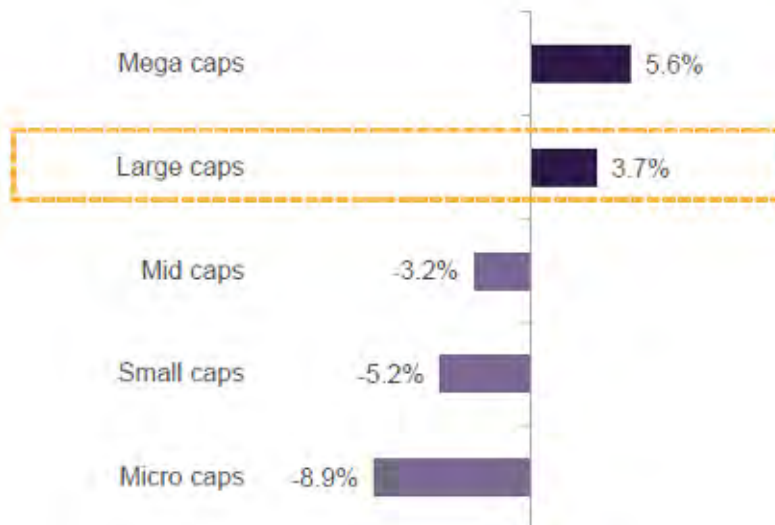


Sources: Truist IAG, Bloomberg. Derived from Fed Funds futures pricing.

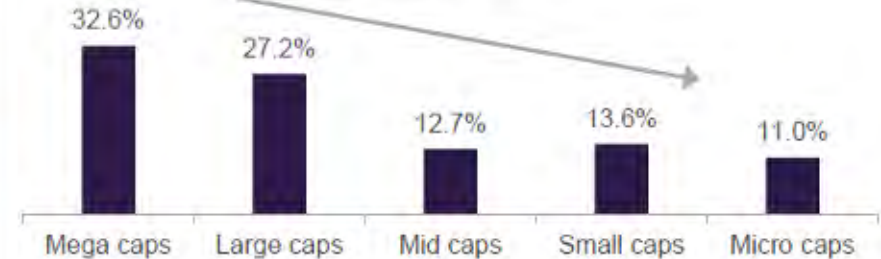
## Market rebound led by largest stocks; mid and smaller caps lagged

**OUR TAKE:** Since the March banking concerns, investors have gravitated toward larger companies that are more likely to withstand an economic slowdown. Large caps also benefit from lower exposure to financials than their smaller-cap counterparts

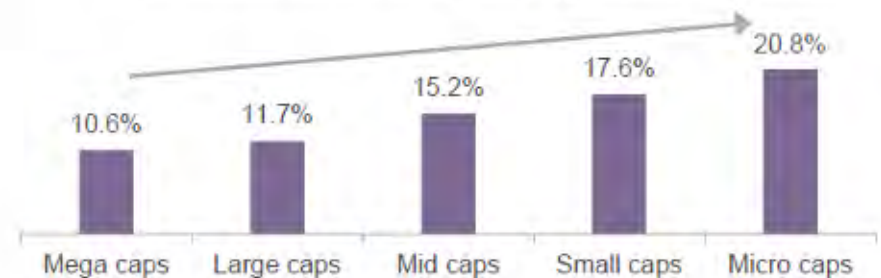
March total return by market capitalization



Technology sector weighting by market segment\*



Financials sector weighting by market segment\*



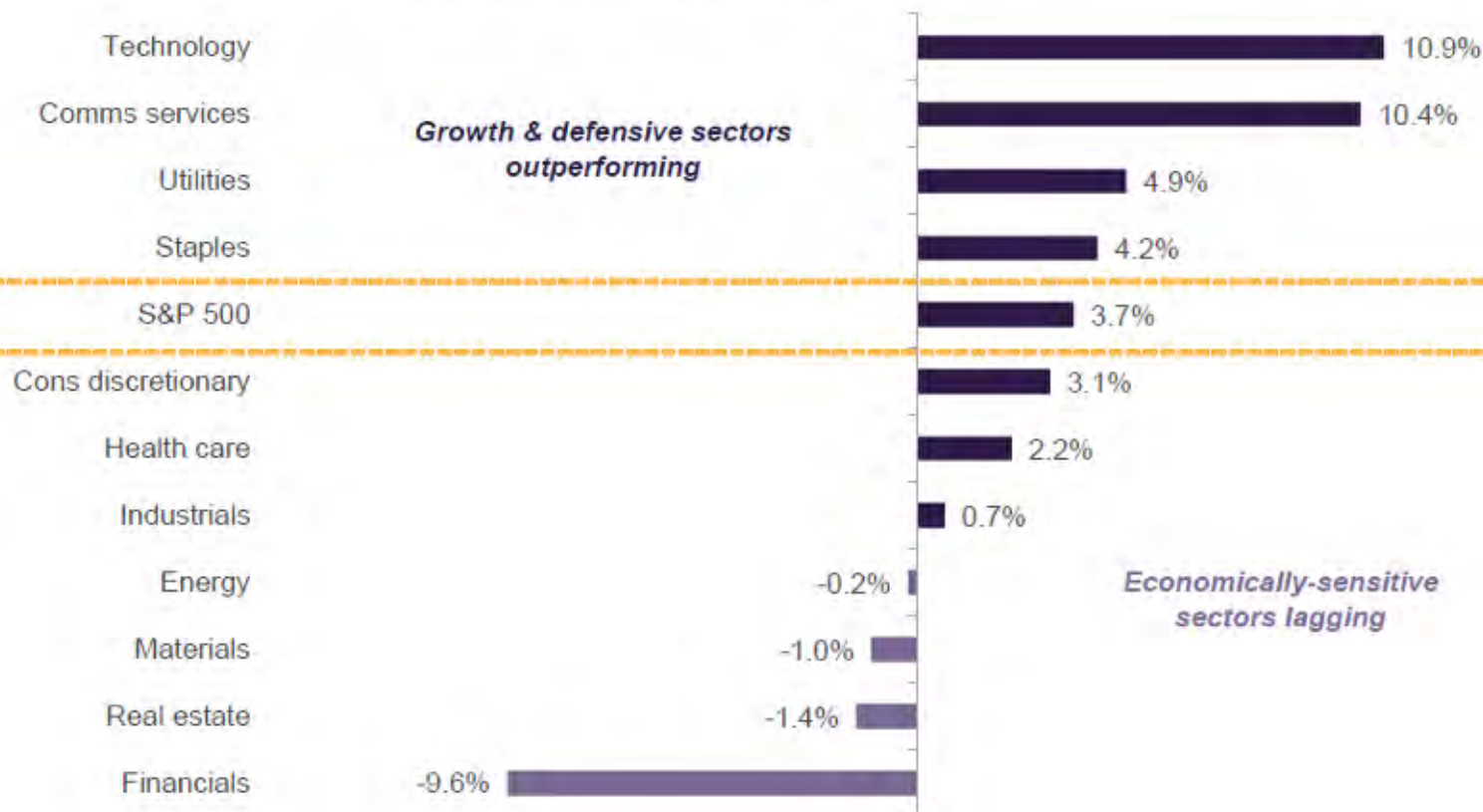
## Market rebound led by largest stocks

**OUR TAKE:** In 1Q23, the market cap of the S&P 500 increased by \$2.3 trln with 90% of the gain attributable to just 10 stocks.



# Growth and defensive sectors leading while economically-sensitive lagging

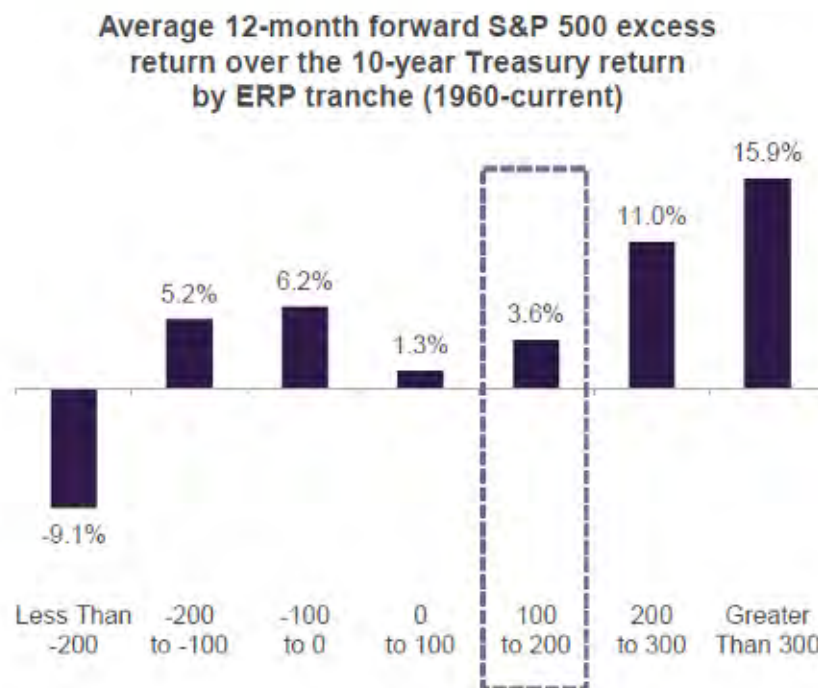
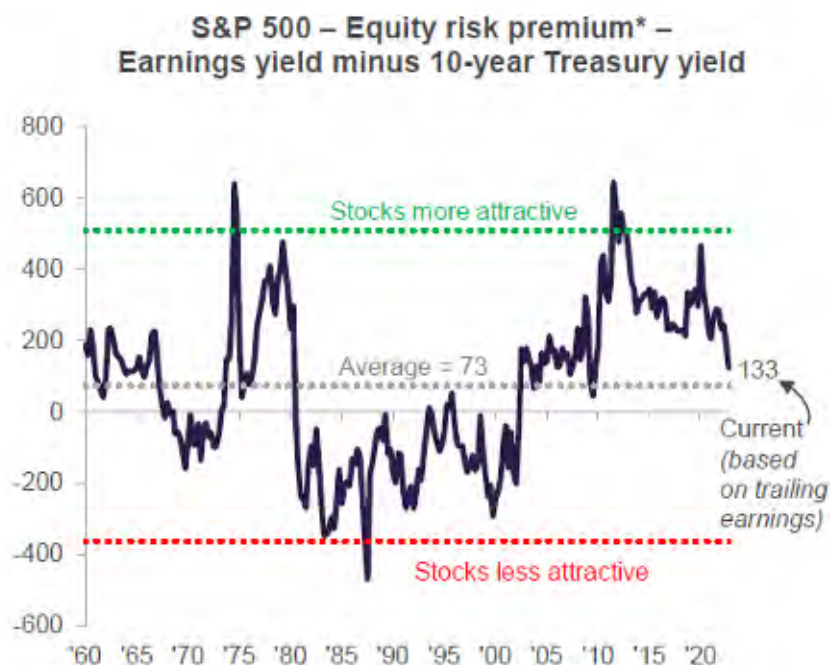
March S&P 500 and sector performance





# Equity valuations compared to bonds have become less competitive

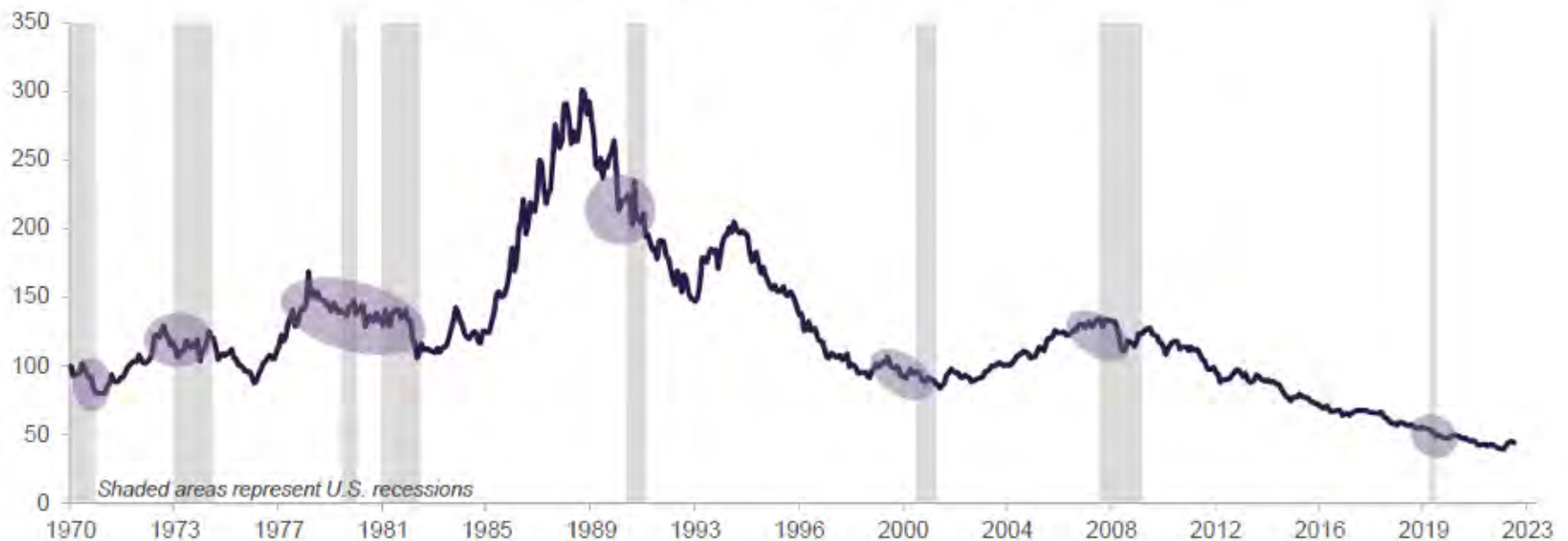
**OUR TAKE:** The equity risk premium (ERP) compares the earnings yield of stocks relative to the yield of bonds. While the ERP is still at a level where stocks tend to outperform bonds on a 12-month basis, downgrades to the economy and earnings remain risks



## International developed tends to underperform U.S. in economic slowdown

**OUR TAKE:** We still have concerns around Europe's ability to withstand the significant rate hikes undertaken by the European Central Bank

International developed markets' price relative to S&P 500

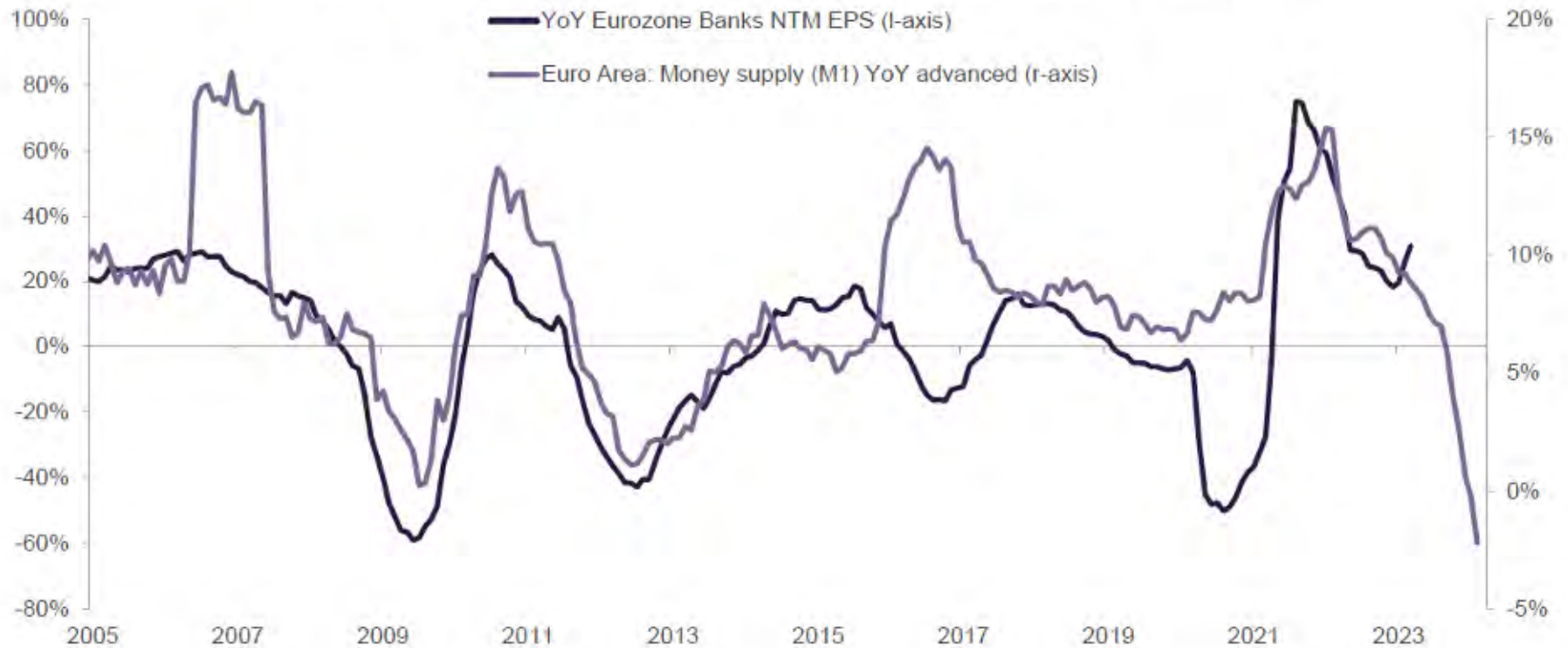


## International developed – Relative earnings and price trends moderating



## Eurozone banks have downside earnings risks

Money supply growth (advanced) vs. Eurozone banks' forward earnings



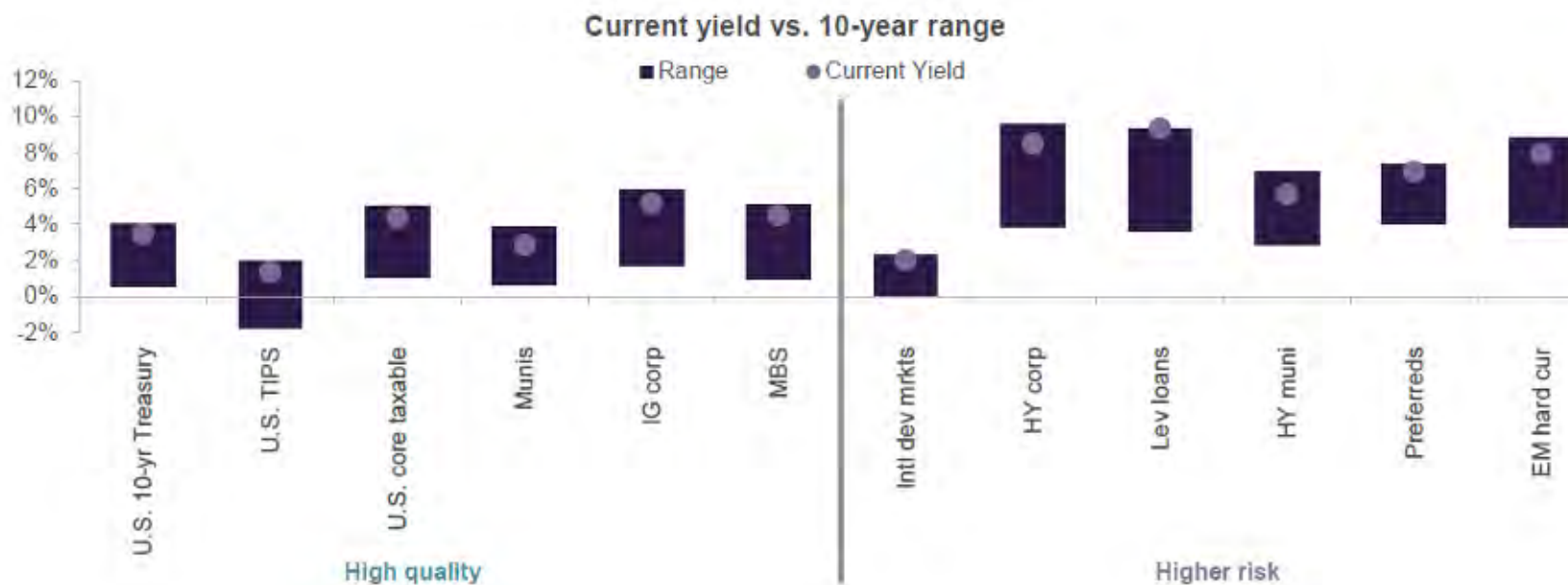


## Emerging markets – Price trends are mixed, relative earnings are weak



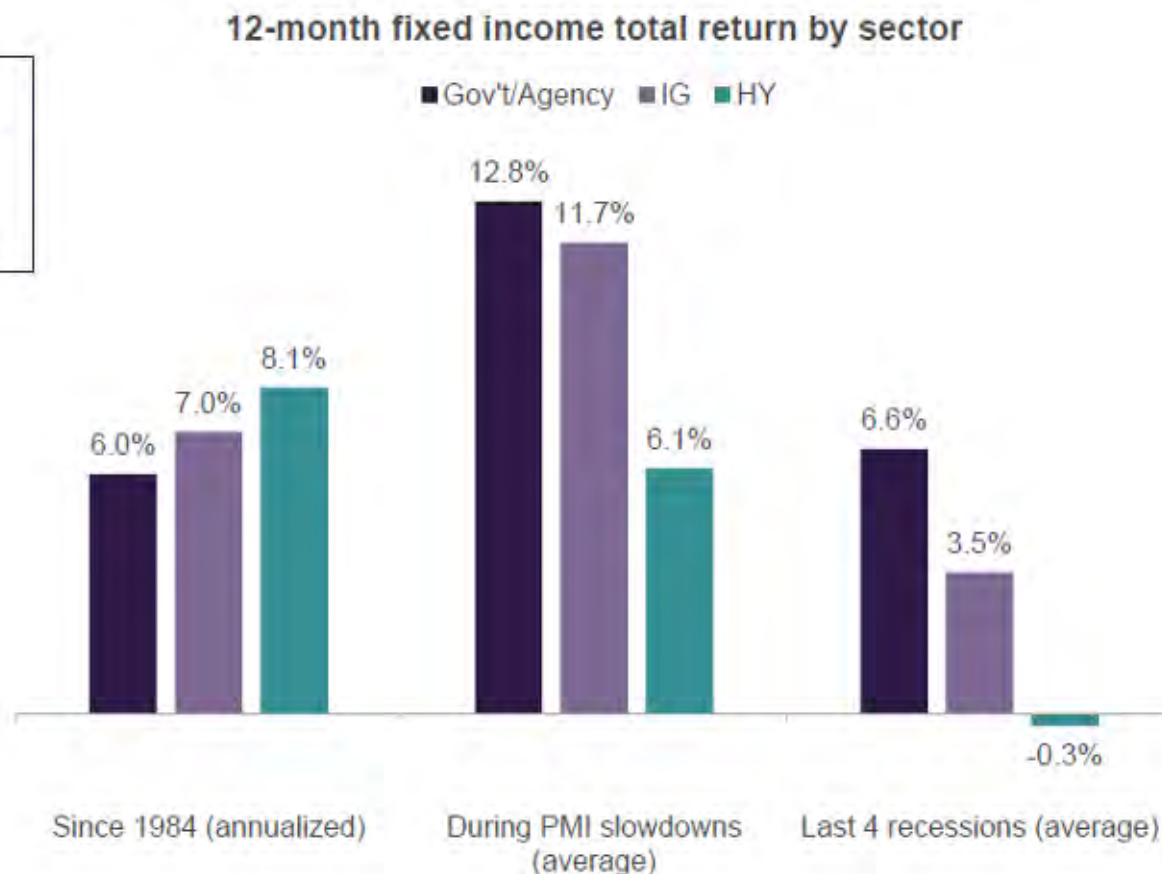
## Maintain focus on high quality in fixed income

**OUR TAKE:** With growing risks to the U.S. economy, we favor high quality fixed income. Spreads in higher-risk fixed income sectors are susceptible to further widening given our expectation for an economic downturn.



## Rising recession risks support emphasis on higher quality fixed income

**OUR TAKE:** Even during periods marked by slowdowns where the U.S. economy avoided a recession, higher quality bonds outperformed



# Appendix



# COUNT ON TRUIST

Truist remains guided by our purpose as we care for our clients and help guide them through this time of uncertainty. Truist has a long history of safety and soundness and now, more than ever, our clients and stakeholders need us to provide the full depth and breadth of what Truist has to offer to help them make sound financial decisions.

- 7th largest bank in the U.S.
- Diverse business mix offering a wide range of products and services through our retail and small business banking, commercial banking, corporate and investment banking, insurance, wealth management, and specialized lending businesses
- Stable and granular deposit franchise with 99% of deposit accounts fully FDIC insured
- Strong balance sheet with access to more than \$170 billion of funding and liquidity
- Well-capitalized, exceeding regulatory standards, with a long history of safety and soundness
- Truist, like the other largest banks, is subject to heightened regulatory requirements, and is required to maintain excess sources of capital and liquidity

## Retail Oriented Deposit Franchise

% of Deposits That Are Retail

Source: LRP Data



% of Deposit Balances That Are Insured

Source: FDIC



## Strong Balance Sheet

Strong Capital Position  
Common Equity Tier 1 Ratio



High Liquidity Levels  
Liquidity Covered Ratio



S&P Debt Ratings  
Long-Term Issuance



## High Quality Securities Portfolio

97% Government & Agency Obligations



Source: Bloomberg and company filings. Peers include Bank of America, Citizens Bank, Fifth Third Bank, JP Morgan, Key Bank, M&T Bank, PNC Bank, Regions Bank, US Bank, and Wells Fargo.

## Important Disclosures

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**INVESTMENT POLICY  
MUNICIPAL CEMETERY SYSTEM  
PERPETUAL CARE TRUST FUND  
REVISION EFFECTIVE - FEBRUARY 21, 2023**

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# **Investment Policy Statement (IPS) for City of Fort Lauderdale Cemetery Trust Fund**

## **I. PURPOSE**

The purpose of this Investment Policy Statement (IPS) is to establish cash management and investment guidelines for the City of Fort Lauderdale Cemetery Perpetual Trust Fund.

## **II. SCOPE**

The City Cemetery System Rules and Regulations (Regulations) established a Perpetual Care Trust to provide for the on-going care of all plots, crypts, niches, markers and memorials sold and installed in the Cemetery System. The same Regulations designate the Cemetery System Board of Trustees (Board) as trustor of the Perpetual Care Trust Fund (Trust Fund).

The Board has adopted these guidelines for the investment of the Trust Fund to be administered in accordance with applicable Florida State Statutes and City Ordinances. To that end, this policy is intended to set forth the procedures, investment objectives and parameters for the management of the Trust Fund in a manner designed to fulfill the requirements of the Board's fiduciary responsibilities.

In accordance with the Regulations, a trustee to manage the Trust Fund (Managing Trustee) has been recommended to and approved by the City Commission. The Managing Trustee is, and future Managing Trustees must be, a bank or other investment counselor licensed by the state to handle the investment of fiduciary funds.

## **III. DELEGATION OF AUTHORITY**

Section 10-46(a) of the Code of Ordinances of the City of Fort Lauderdale, Florida provides that the Cemetery System Board of Trustees shall be the trustor of and shall recommend to the City Commission a trustee to manage the Perpetual Care Trust Fund. The managing trustee shall be a bank or other investment counselor licensed by the State to handle the investment of fiduciary funds.

## **IV. INVESTMENT PHILOSOPHY & OBJECTIVES**

### Balanced Objective

The foremost objective of this investment program is the safety and preservation of the corpus of the fund. Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve the corpus of the

fund, understanding that losses may occur in individual securities and in any one particular year.

The definition of Balanced objective is as follows: This Balanced approach is designed to offer the potential for capital appreciation and current income through a 45% to 65% allocation to equities (long term target of 55%) and 35% to 55% allocation to fixed-income securities (long term target 45%).

The City's goal is to achieve an equal balance between maintaining purchasing power through principal appreciation of the trust fund and generating income to support its expenditures. All management fees are charged to income as they are incurred.

#### Maintenance of Liquidity

The Board determines eligible re-imbursement payments to the City on a bi-monthly basis. Since reimbursements are limited to the dividend and interest income of the Trust Fund, the Managing Trustee is able to determine the maximum liquidity position required to meet the bi-monthly (every two months) reimbursement requirements. It is the responsibility of the City to provide the Managing Trustee with any extraordinary disbursement projections in sufficient time to meet liquidity needs. The portfolios shall be managed by the Managing Trustee with the understanding that funds are to be available to meet reasonably anticipated cash flow requirements in an orderly manner.

The Regulations explicitly mandate that only the income generated by the Trust Fund can be expended. Deposits into the Trust Fund from Cemetery System sales make up the Corpus of the Trust Fund and no part of the Corpus can be expended. Accumulated earnings for all years, which include gains and losses, are not considered to be part of the corpus and may be used for expenditures as described in Section 10-47 of the Code of Ordinances of the City of Fort Lauderdale, provided that such expenditures have been approved by the Board and City Commission, as necessary.

#### Investment Income

Through a diversification of investments across various asset classes detailed in Section VIII, the investment income goals are two-fold:

- 1) Capital Appreciation of the Trust Fund which is essential to meeting future financial responsibilities.
- 2) Maximizing dividend and interest income, which is primarily used to reimburse the City (see Maintenance of Liquidity above), in order to maintain the cemeteries in top condition and promote a sound business relationship with the public.

## **V. PERFORMANCE MEASUREMENTS**

- A. The Measures of Investment Performance of investment returns on the various asset categories are as follows:

1. The Trust Funds' fixed income portfolio will be compared to the weighted average return of the Bloomberg Barclay's Aggregate Bond Index.
  2. The Trust Funds' domestic equity portfolio will be compared to the weighted average return of the Standard & Poor's 500 Index (S&P 500).
  3. Except for emerging markets, the Trust Funds' international portfolio will be compared to the weighted average return of the Morgan Stanley Europe, Australia, & Far East (EAFE) Index.
  4. The Trust Funds' emerging markets portfolio will be compared to the weighted average return of the MSCI Index for Emerging Markets.
- B. On a quarterly basis, the Board shall evaluate the current and historical performance of the Trust Fund to determine:
1. If the Managing Trustee has performed according to these Policy guidelines; and
  2. How the Managing Trustee has performed in relation to the Measures of Investment Performance for their asset class.

## **VI. PRUDENCE AND ETHICAL STANDARDS: Pursuant to Florida Probate Statute 518.11**

- A. The Board will adhere to the standard of a Prudent Investor within the context of the overall management of the Cemetery Trust Fund investment program.
- B. Any person or firm, such as the Managing Trustee, retained concerning the investment, monitoring, or advisement of Trust Fund assets will be held to the highest standard of Prudent Investor. Such person or firm will exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

## **VII. AUTHORIZED INVESTMENTS**

- A. Trust Fund placed with the Managing Trustee is to be invested only in those authorized classes of investment as contained in this Policy. Investments should be made subject to Trust Fund cash flow needs and such cash flows are subject to revision due to changes in Trust Fund needs and market conditions.
- B. The authorized classes of investments for the Trust Fund are as follows:
1. Bonds, securities, and certificates of indebtedness of the United States government;

2. Obligations guaranteed as to principal and interest by the United States government;
3. Obligations guaranteed as to principal and interest by government sponsored agencies of the United States government;
4. The Florida Local Government Surplus Funds Trust Fund (SBA);
5. Commercial Paper rated A-1 or P-1 by a nationally recognized rating service. If the Commercial Paper is backed by a Letter of Credit (LOC), the long-term debt of the LOC provider must be rated A or better by at least two nationally recognized rating services;
6. Bankers Acceptances of United States banks or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, rated A-1 or P-1 by a nationally recognized rating service;
7. Corporate bonds or notes (other than high yield bond funds authorized in 14 below), registered or unregistered under Rule 144A, issued by firms organized and operating within the United States or by depository institutions licensed by the United States rated A or better by a nationally recognized rating service at the time of purchase. (Rule 144A bonds or notes must include rights of registration. Any bond or note that falls below investment quality must be eliminated expeditiously unless the Board is notified for the reason or rational to be held);
8. General Obligation and/or Revenue Bonds of state or local government taxable or tax-exempt debt rated A or higher, for long term debt, by a nationally recognized rating service or rated at least MIG-2 or SP-2, for short term debt, by a nationally recognized rating service;
9. Intergovernmental investment pools authorized pursuant to the Florida Inter-local Cooperation Act, provided in Section 163.01, Florida Statutes.
10. Common and preferred stocks from domestic and foreign corporations;
11. Mutual Funds and co-mingled Trust Funds, including real estate investment trusts (REITs), providing the underlying investments meet the minimum quality standards of trust investments;
12. Repurchase agreements composed of only those investments authorized in numbers 1, 2, and 3 (above) (All firms are required to sign the Trust Funds' Master Repurchase Agreement prior to the execution of a repurchase agreement transaction); and
13. High Yield Bond Mutual Funds not to exceed 5% of the total portfolio value of the Trust Fund.



## **VIII. MATURITY AND LIQUIDATION REQUIREMENTS**

- A. The maximum maturity of Trust Fund investments will be as follows:
  - 1. For certificates of deposit, 1 year or less from the date of purchase.
  - 2. For commercial paper, 180 days or less from the date of purchase.
  - 3. For banker's acceptances, 180 days or less from the date of purchase.
  - 4. For money market funds, 120 days or less from the date of purchase.
  - 5. For repurchase agreements, 90 days or less from the date of purchase.
- B. To the extent possible, every attempt should be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

## **IX. PORTFOLIO COMPOSITION**

- A. The Managing Trustee will adhere to the following specific guidelines for the investment of Trust Fund assets:
  - 1. A maximum of 65% of the Trust Fund is to be invested in equity securities; the long-term targeted range is 55%.
  - 2. A minimum of 35% of the Trust Fund is to be invested in fixed income securities; the long-term targeted range is 45%.
  - 3. A maximum of 25% and a minimum of 0% of the Trust Fund are to be invested in cash equivalents.
  - 4. A maximum of 5% of the Trust Fund may be invested in High Yield Bond Mutual Funds.
- B. The Board will consider changes to the investment category ranges based on changes in contractual obligations of the Cemetery System, market environment or other conditions making such consideration appropriate toward administering this investment policy.

## **X. RISK AND DIVERSIFICATION**

- A. The Board has adopted a strategy, described in Sections V, VI and VII, whereby the Trust Fund portfolio will be diversified to the extent practicable to control the risk of

loss which might result from an over-concentration of investments in a specific security, maturity, issuer, dealer, or bank through which financial instruments are bought or sold.

B. In a further effort to control the risk of loss and assure adequate diversification, the following limitations are imposed upon the investment of Trust Funds:

1. A maximum of 5% investment in the outstanding common stock of any one company or organization;
2. A maximum of 5% investment in the outstanding debt issuance of any one company or organization except for U.S. Government Securities or Agencies; and
3. In International equities, a maximum of 20% of the total international portfolio investment in any foreign country.
4. A maximum of 25% investment in any one mutual fund.

#### **XI. THIRD-PARTY CUSTODIAL AGREEMENTS**

All securities will be held with the Custodial Bank (Bank) under a contractual agreement with the Board. All securities purchased by and all collateral obtained by the Investment Manager or the Board is designated as assets of the Trust Fund. No withdrawal of securities, or transfer of funds, in whole or in part, can be made from safekeeping except by authorization of the Board. Securities transactions between a broker-dealer and the Bank involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the Bank will have the security or money, as appropriate, in hand at the conclusion of the transaction.

#### **XII. MASTER REPURCHASE AGREEMENT**

All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

#### **XIII. BID REQUIREMENTS**

The Managing Trustee shall obtain competitive bids and offers on investment transactions to the fullest extent possible.

#### **XIV. INTERNAL CONTROLS**

- A. The Director of Finance shall establish a system of internal controls and written operational procedures to be a part of the operational procedures of the Trust Fund. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and record keeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery vs. payment" procedures. No person may engage in an investment transaction except as authorized under the terms of this policy.
- B. Independent auditors, as a normal part of their annual financial audits, may conduct a review of the system of internal controls to ensure compliance with policies and procedures.

## **XV. CONTINUING EDUCATION**

Any designated City officials responsible for making investment decisions related to this policy have the responsibility for completing 8 hours of continuing education annually in subjects or courses related to investment practices and products.

## **XVI. REPORTING**

The Managing Trustee shall provide periodic reports, which are to include securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be made available for submission to the City Commission, the Board and shall be available to the public.

## **XVIII. EXHIBITS**

- 1. Portfolio Guidelines
- 2. Glossary of Terms

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## CEMETERY TRUST FUND PORTFOLIO GUIDELINES

| Asset Class             | Target     | Range         | Benchmark                                   | Morningstar Peer Group       |
|-------------------------|------------|---------------|---|------------------------------|
| <b>TOTAL EQUITY</b>     | <b>55%</b> | <b>45-65%</b> |   |                              |
| <b>DOMESTIC</b>         | <b>45%</b> | <b>25-65%</b> |   |                              |
| Large Cap               | 35%        | 20-60%        | S&P 500 & Dow Jones Select Dividend         | Large-Cap Blend Equity       |
| Mid Cap                 | 5%         | 0-10%         | Russell Mid Cap                             | Mid-Cap Equity               |
| Small Cap               | 5%         | 0-10%         | Russell 2000                                | Small-Cap Equity             |
| US REITs                | 0%         | 0-10%         | NAREIT Equity                               | Real Estate                  |
| <b>INTERNATIONAL</b>    | <b>10%</b> | <b>0-25%</b>  |   |                              |
| Developed               | 8%         | 0-25%         | MSCI EAFE                                   | Foreign Large Blend          |
| Emerging                | 2%         | 0-10%         | MSCI Emerging Markets                       | Diversified Emerging Markets |
| <b>FIXED INCOME</b>     | <b>45%</b> | <b>35-55%</b> |   |                              |
| Core Investment Grade   | 43%        | 35-55%        | Barclays Aggregate                          | Intermediate-Term Bond       |
| High Yield              | 2%         | 0-10%         | Barclays US Corporate High Yield            | High Yield Bond              |
| International Developed | 0%         | 0-10%         | JPM GBI Global Bond (hedged)                | World Bond                   |
| International Emerging  | 0%         | 0-10%         | JPM GBI - EM Global Diversified (un-hedged) | Emerging Markets Bond        |
| <b>ALTERNATIVES</b>     | <b>0%</b>  | <b>0-10%</b>  |   |                              |
| Commodities             | 0%         | 0-10%         | DJ UBS Commodity Index                      | Commodities                  |
| <b>CASH</b>             | <b>0%</b>  | <b>0-25%</b>  |   |                              |

**Policy Benchmark** – the policy benchmark is a passive blended benchmark of:  
45% S&P 500  
10% MSCI All Country World Index (ACWI) Ex US  
45% Barclays US Aggregate



## **INVESTMENT POLICY ADOPTION**

The investment policy shall be adopted by Resolution. The Director of Finance will review the policy annually for modifications and make recommendations to the City Manager. The City Commission shall approve any necessary modifications.

**APPROVED    AND    ADOPTED    BY    RESOLUTION    NO.**\_\_\_\_\_.

## Glossary of Terms

**Accrued Income:** Income earned but not yet paid.

**Accrued Interest.** Interest earned but which has not yet been paid or received.

**Bankers' Acceptance (BA's).** A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a money market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

**Basis Point.** One hundredth of one percent, or 0.01%. Thus 1% equals 100 basis points.

**Benchmark.** A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance and duration of the actual portfolio's investments.

**Bond.** Financial obligation for which the issuer promises to pay the bondholder (the purchaser or owner of the bond) a specified stream of future cash flows, including periodic interest payments and a principal repayment.

**Book Value.** The value at which a debt security is reflected on the holder's records at any point in time. Book value is also called "amortized cost" as it represents the original cost of an investment adjusted for amortization of premium or accretion of discount. Also called "carrying value." Book value can vary over time as an investment approaches maturity and differs from "market value" in that it is not affected by changes in market interest rates.

**Broker/Dealer.** A person or firm transacting securities business with customers. A "broker" acts as an agent between buyers and sellers and receives a commission for these services. A "dealer" buys and sells financial assets from its own portfolio. A dealer takes risk by owning inventory of securities, whereas a broker merely matches up buyers and sellers. See also "Primary Dealer."

**Callable:** Redeemable by the issuer before the scheduled maturity date.

**Common Trust Fund:** A fund maintained by a bank or trust company exclusively for the collective investment of money contributed to the fund by customers of its trust department.

**Cost Basis:** The original cost of an asset.

**Coupon:** The interest rate, expressed as a percentage of the face amount, that the issuer of a bond will pay to the bondholder.

**Current Yield.** Annual rate of return on a bond based on its price. Calculated as (coupon rate / price) but does not accurately reflect a bond's true yield level.

**Cusip number:** An alpha-numeric code used in the securities industry to identify specific issues of securities. SunTrust also uses this field to identify other kinds of assets which are not recognized by the securities industry.

**Custody.** Safekeeping services offered by a bank, financial institution or trust company, referred to as the "custodian." Service normally includes the holding and reporting of the customer's securities, the collection and disbursement of income, securities settlement and market values.

**Dealer.** A dealer acts as a principal in all transactions, buying and selling for his own account.

**Delivery vs. Payment (DVP).** Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and Depository Trust Company (DTC), are done DVP as a protection for both the buyer and seller of securities.

**Discount.** The amount by which a bond or other financial instrument sells below its face value. See also "Premium."

**Diversification.** A method of reducing risk by investing in a variety of assets.

**Duration.** The weighted average maturity of a security's or portfolio's cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security/portfolio, the greater its percentage price volatility with respect to changes in interest rates. Used as a measure of risk and a key tool for managing a portfolio versus a benchmark and for hedging risk. There are also different kinds of duration used for different purposes (e.g. MacAulay Duration, Modified Duration).

**Ex-date (ex-dividend date):** Literally "without dividend," or the date on which a stock trades without the value of the dividend being contemplated in the price.

**Federal Funds (Fed Funds).** Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

**Federal Funds Rate (Fed Funds Rate).** The interest rate charged by a depository institution lending Federal Funds to another depository institution. The Federal Reserve influences this rate by establishing a "target" Fed Funds rate associated with the Fed's management of monetary policy.

**Federal Reserve Bank.** One of the 12 distinct banks of the Federal Reserve System.

**Federal Reserve System (The Fed).** The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven-member Board of Governors known as the "Federal Reserve Board" and headed by its Chairman.

**Fiscal Agent/Paying Agent.** A bank or trust company that acts, under a trust agreement with a corporation or municipality, in the capacity of general treasurer. The agent performs such duties as making coupon payments, paying rents, redeeming bonds, and handling taxes relating to the issuance of bonds.

**Index.** A compilation of statistical data that tracks changes in the economy or in financial markets.

**Internal Controls.** An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1. the cost of a control should not exceed the benefits likely to be derived and 2. the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Investment Advisor.** A company that provides professional advice managing portfolios, investment recommendations and/or research in exchange for a management fee.

**Investment Adviser Act of 1940.** Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Manager.** A company that actively manages fixed income portfolios which include operating funds, capital reserves, insurance reserves, proceeds from the sale of bonds and other funds.

**Investment Grade.** Bonds considered suitable for preservation of invested capital; bonds rated a minimum of Baa3 by Moody's, BBB- by Standard & Poor's, or BBB- by Fitch. Although "BBB" rated bonds are considered investment grade, most public agencies cannot invest in securities rated below "A."

**Liquidity.** Relative ease of converting an asset into cash without significant loss of value. Also, a relative measure of cash and near-cash items in a portfolio of assets. Also, a term describing the marketability of a money market security correlating to the narrowness of the spread between the bid and ask prices.

**Local Government Investment Pool (LGIP).** An investment by local governments in which their money is pooled as a method for managing local funds, (i.e., Florida PRIME).



**Market Value.** The fair market value of a security or commodity. The price at which a willing buyer would pay for a security.

**Mark-to-market.** Adjusting the value of an asset to its market value, reflecting in the process unrealized gains or losses.

**Master Repurchase Agreement.** A widely accepted standard agreement form published by the Bond Market Association (BMA) that is used to govern and document Repurchase Agreements and protect the interest of parties in a repo transaction.

**Maturity Date.** Date on which principal payment of a financial obligation is to be paid.

**Money Market.** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

**Money Market Mutual Fund (MMF).** A type of mutual fund that invests solely in money market instruments, such as Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements.

Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject "rule 2a-7" which significantly limits average maturity and credit quality of holdings. MMFs are managed to maintain a stable net asset value (NAV) of \$1.00. Many MMFs carry ratings by a NRSRO.

**Moody's Investors Service.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Mutual Fund.** Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (bond, equity, money fund); all except money market funds operate on a variable net asset value (NAV).

**Net Asset Value.** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$

**NRSRO.** A "Nationally Recognized Statistical Rating Organization." A designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating. Includes Moody's, S&P, Fitch and Duff & Phelps.

**Open Market Operations.** Federal Reserve monetary policy tactic entailing the purchase or sale of government securities in the open market by the Federal Reserve System from and to primary dealers in order to influence the money supply, credit conditions, and interest rates.

**Par Value:** The face amount of a bond.

**Pending Trade:** A trade that has been placed but not yet settled (see settlement date").

**Physical Delivery.** Delivery of readily available underlying assets at contract maturity.

**Portfolio.** Collection of securities and investments held by an investor.

**Premium.** The amount by which a bond or other financial instrument sells above its face value. See also "Discount."

**Pre-refunded:** A bond for which the issuer has raised the funds necessary to call the bond by issuing another bond that generally pays a lower coupon.

**Principal.** Face value of a financial instrument on which interest accrues. May be less than par value if some principal has been repaid or retired. For a transaction, principal is par value times price and includes any premium or discount.

**Prudent Investor Standard.** Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. More stringent than the "prudent person" standard as it implies a level of knowledge commensurate with the responsibility at hand.

**Rate of Return.** Amount of income received from an investment, expressed as a percentage of the amount invested.

**Realized Gains (Losses).** The difference between the sale price of an investment and its book value. Gains/losses are "realized" when the security is actual sold, as compared to "unrealized" gains/losses which are based on current market value. See "Unrealized Gains (Losses)."

**Repurchase Agreement (Repo).** A short-term investment vehicle where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor's custodial bank, or "tri-party" where the securities are delivered to a third-party intermediary. Any type of security can be used as "collateral," but only some types provide the investor with special bankruptcy protection under the law. Repos should be undertaken only when an appropriate BMA approved master repurchase agreement is in place.

**Reverse Repurchase Agreement (Reverse Repo).** A repo from the point of view of the original seller of securities. Used by dealers to finance their inventory of securities by essentially borrowing at short-term rates. Can also be used to leverage a portfolio and in this sense, can be considered risky if used improperly.

**Settlement Date:** The date by which the property must be delivered, and cash must be paid for an asset traded.

**Standard & Poor's.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Symbol:** The alpha-numeric code used to identify the asset within various pricing services.

**Tax cost basis:** The original cost of an investment, adjusted for any activity that is incorporated into the calculation of capital gain or loss.

**Total Return.** Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

**Trade date:** The date an asset is traded for later settlement.

**Trade date accounting:** Uses the trade date as the date upon which to include an asset or cash from a sale in the calculation of market value.

**Treasuries.** Collective term used to describe debt instruments backed by the U.S. Government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, Treasury Inflation- Protected Securities (TIPS) and Treasury bonds. Also, a benchmark term used as a basis by which the yields of non-Treasury securities are compared (e.g., "trading at 50 basis points over Treasuries").

**Treasury Bills (T-Bills).** Short-term direct obligations of the United States Government issued with an original term of one year or less. Treasury bills, or T-bills, are sold in terms ranging from a few days to 52 weeks. Bills are typically sold at a discount from the par amount (also called face value). For instance, you might pay \$990 for a \$1,000 bill. When the bill matures, you would be paid \$1,000. The difference between the purchase price and face value is interest. It is possible for a bill auction to result in a price equal to par, which means that Treasury will issue and redeem the securities at par value.

**Treasury Bonds.** Long-term interest-bearing debt securities backed by the U.S. Government. Issued Treasury bonds pay a fixed rate of interest every six months until they mature and are issued in a term of 30 years.

**Treasury Notes.** Intermediate interest-bearing debt securities backed by the U.S. Government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury. Treasury Notes earn a fixed rate of interest every six months until maturity. Notes are issued in terms of 2, 3, 5, 7, and 10 years.

**Trustee.** A bank designated by an issuer of securities as the custodian of funds and official representative of bondholders. Trustees are appointed to ensure compliance with the bond documents and to represent bondholders in enforcing their contract with the issuer.

**Unrealized Gains (Losses).** The difference between the market value of an investment and its book value. Gains/losses are "realized" when the security is actually sold, as compared to "unrealized" gains/losses which are based on current market value. See also "Realized Gains (Losses)."

**Yield Curve.** A graphic depiction of yields on like securities in relation to remaining maturities spread over a timeline. The traditional yield curve depicts yields on Treasuries, although yield curves exist for Federal Agencies and various credit quality corporates as well. Yield curves can be positively sloped (normal) where longer-term investments have higher yields, or "inverted" (uncommon) where longer-term investments have lower yields than shorter ones.

**Yield at Market.** The percentage return on an investor's money in terms of current prices calculated by dividing the annual income produced by the investment by its current market value.

**Yield to Maturity.** The rate of return the investor earns from payments of principal and interest, with interest compounded semi-annually and assuming the bond will be held until maturity (this maturity date is changed and, therefore, the calculation changes when a bond is declared to be "pre-funded").

RESOLUTION NO. 23-54

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA, AMENDING THE INVESTMENT POLICY FOR THE CITY OF FORT LAUDERDALE'S MUNICIPAL CEMETERY SYSTEM PERPETUAL CARE TRUST FUND AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Section 218.415, Florida Statutes, requires that investment activity by a unit of local government be consistent with a written investment plan adopted by the governing body; and

WHEREAS, the City Commission of the City of Fort Lauderdale approved the "Investment Policy Municipal Cemetery System Perpetual Care Trust Fund," on April 20, 2004; and

WHEREAS, amendments to the Investment Policy for the Municipal Cemetery System Perpetual Care Trust Fund were approved on January 21, 2021, by the City Commission of the City of Fort Lauderdale; and

WHEREAS, at its Board meeting on January 12, 2023, the Cemetery Board of Trustees unanimously approved certain amendments to the City's Cemetery System Investment Policy, as set forth in Exhibit 1 to the City of Fort Lauderdale's City Commission Agenda Memo No. 23-0186;

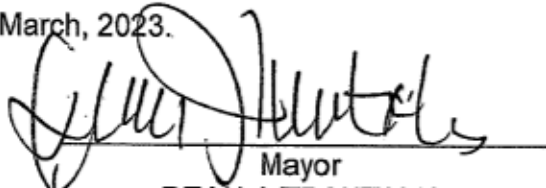
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA:

SECTION 1. That the amendments to the Investment Policy for the City of Fort Lauderdale's Municipal Cemetery System Perpetual Care Trust Fund set forth in Exhibit 1 to The City of Fort Lauderdale's City Commission Agenda Memo No. 23-0186, a copy of which is attached hereto and incorporated herein, are hereby approved.

SECTION 2. That this Resolution shall be in effect immediately upon its adoption.




ADOPTED this 8<sup>th</sup> day of March, 2023.

  
Mayor  
DEAN J. TRANTALIS

ATTEST:

  
City Clerk  
DAVID R. SOLOMAN

APPROVED AS TO FORM:

  
Interim City Attorney  
D'WAYNE M. SPENCE

|                        |            |
|------------------------|------------|
| Dean J. Trantalis      | <u>Yea</u> |
| John C. Herbst         | <u>Yea</u> |
| Steven Glassman        | <u>Yea</u> |
| Pamela Beasley-Pittman | <u>Yea</u> |
| Warren Sturman         | <u>Yea</u> |

*Kim Kause, Investment Advisor  
Trust  
3-31-2023*