



# CITY OF FORT LAUDERDALE

## Investment Performance Review For the Quarter Ended December 31, 2021

### Client Management Team

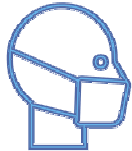
Steven Alexander, CTP, CGFO, CPPT, Managing Director  
Meredith LaBuda Sullivan, Portfolio Manager  
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### PFM Asset Management LLC

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## Current Market Themes



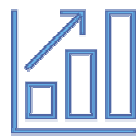
- COVID-19 caseloads reach record highs as the Omicron variant emerges as the dominant strain



- The U.S. economy is characterized by:
  - Rapidly increasing inflation
  - Improved labor market conditions
  - Depressed consumer confidence

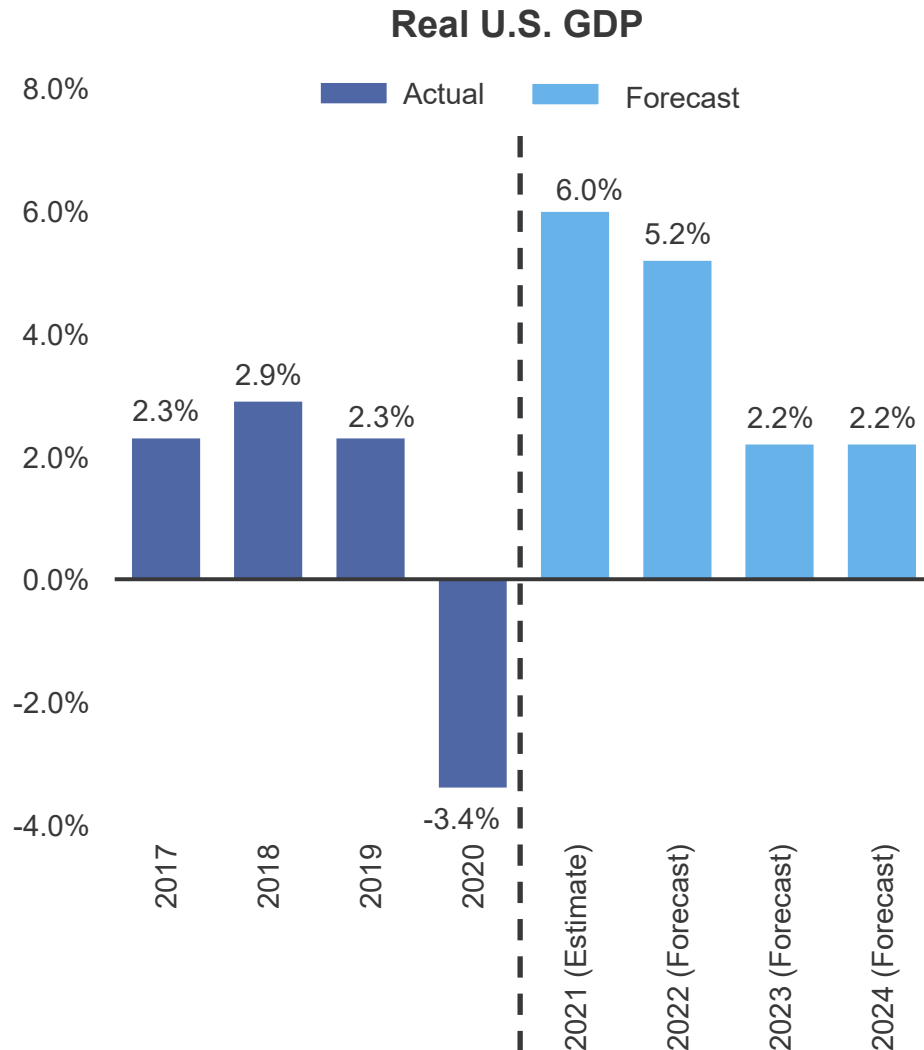


- The Federal Reserve is reducing monetary policy accommodation
  - Accelerated pace of asset purchase tapering
  - Fed expects three rate hikes in 2022
  - Changing composition of FOMC leadership



- The U.S. Treasury yield curve experiences “bear-flattening”
  - Short-term yields shift higher amid rate hike expectations
  - Longer-term yields adjust to evolving inflation and economic growth uncertainties

## U.S. GDP Rebounds from Pandemic



### Factors Driving Growth...

- Better-than-expected corporate profit margins fueling equity markets
- Unprecedented accommodative monetary policy and fiscal stimulus
- Access to COVID-19 vaccines and reduction of pandemic-era lockdowns
- Continued adaptation of all sectors of the economy to the challenging health situation

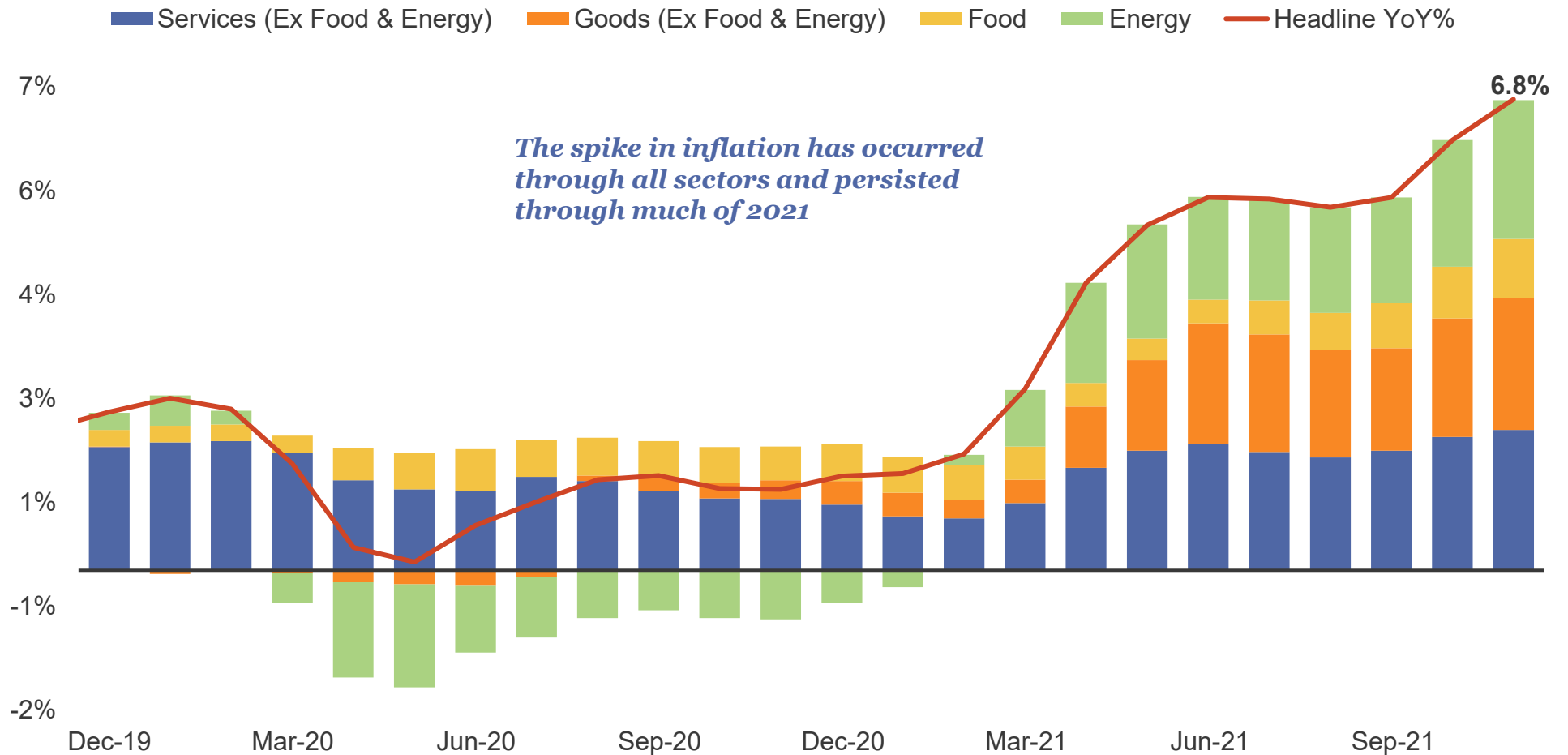
### Growth is Expected to Moderate...

- Persistent damage to supply chains continues to disrupt the production and distribution network
- Age-related impacts to labor force growth predating the pandemic
- Return to more normal household income and saving trends
- Normalizing fiscal and monetary policies

Source: International Monetary Fund, October 2021 World Economic Outlook

## Consumer Prices Rise to Four Decade High

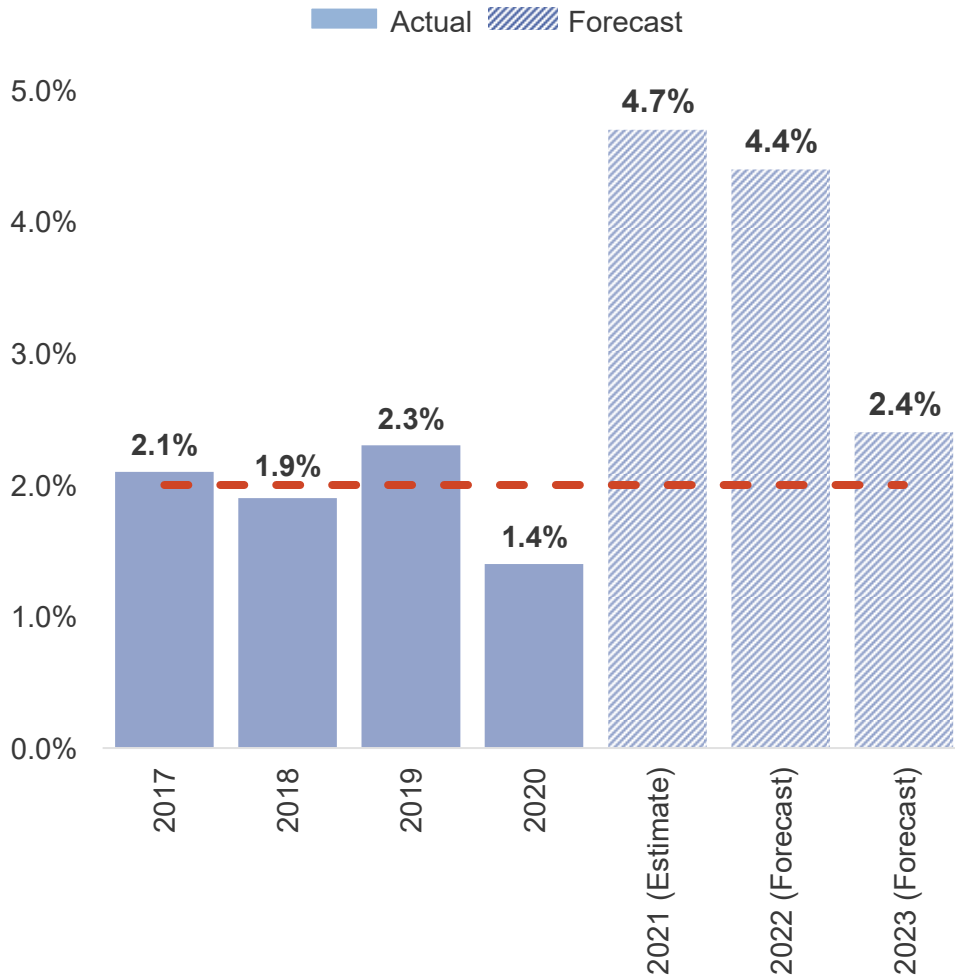
### Top-Line Contributions and CPI YoY



Source: Bloomberg, as of November 2021.

## Inflation Expected to Moderate over the Long Run

### Annual Change in CPI



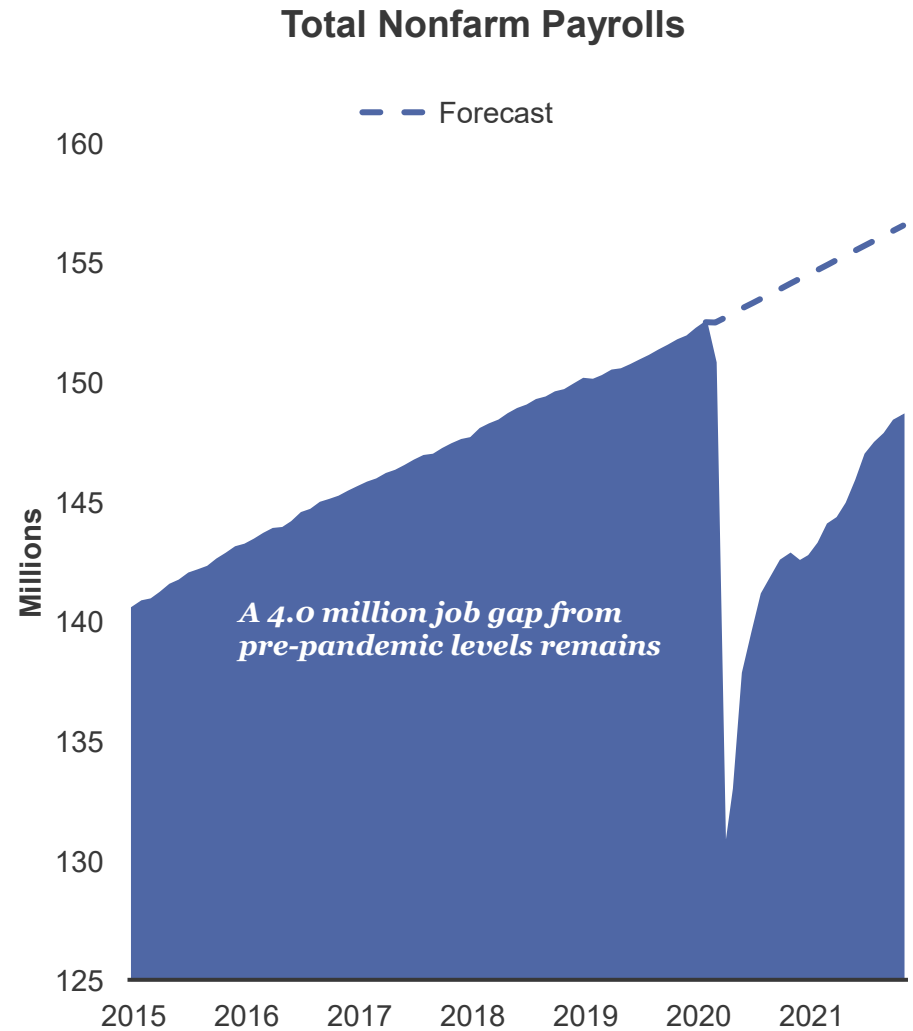
### Breakeven Inflation Rates



Source: Bureau of Labor Statistics as of 12/31/2021. Forecasts are represented by the median Bloomberg forecast from 71 contributors (Left). Bloomberg, as of 12/31/2021 (Right).

### Uneven Labor Market Recovery Post-Pandemic

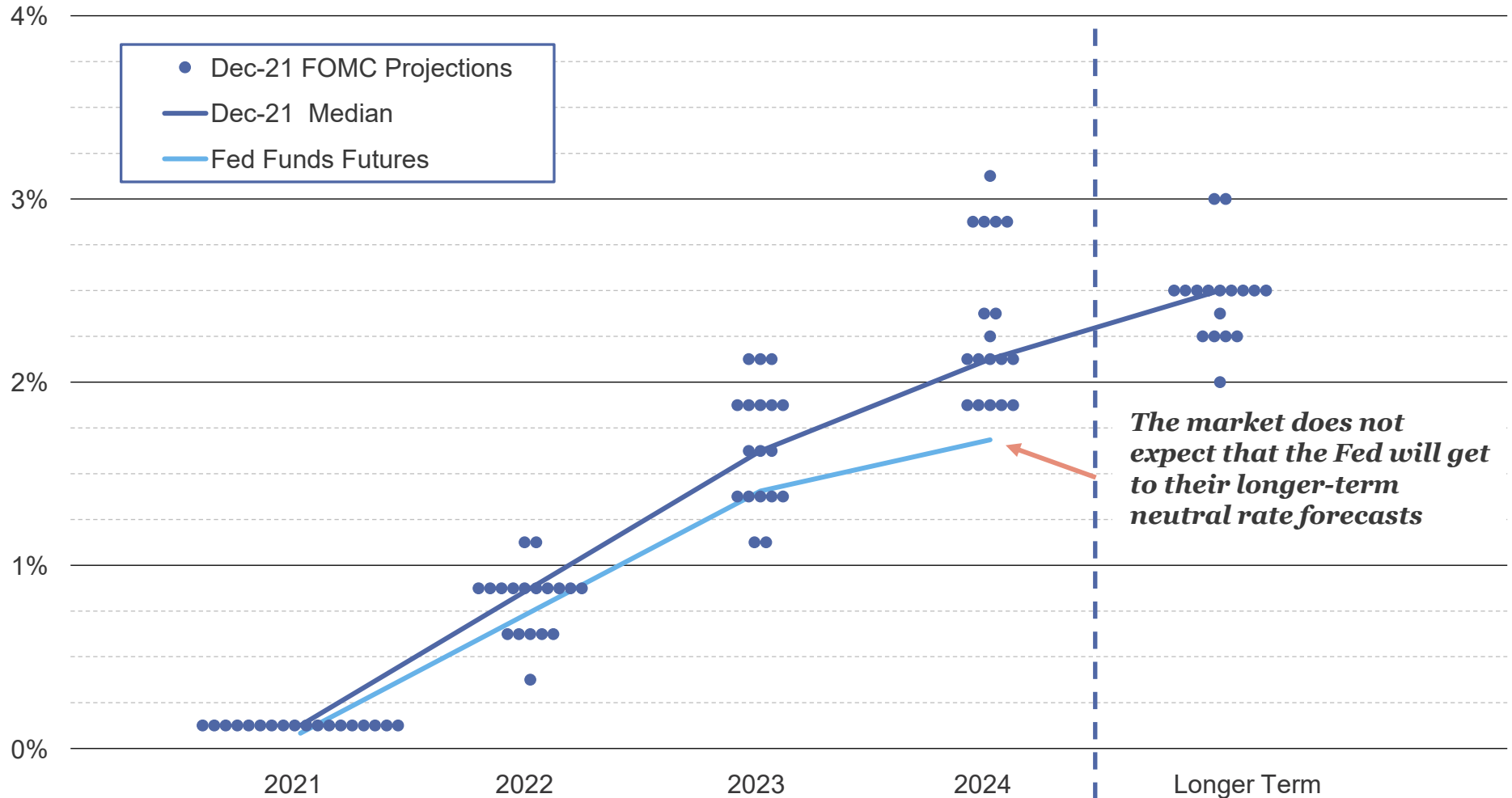
Economic Indicator	Pre-Pandemic	Pandemic Peak/Trough	Current
<b>Unemployment Rate</b>	3.6%	14.7%	3.9%
<b>Labor Force Participation Rate (Total)</b>	63.3%	60.2%	61.9%
<b>Labor Force Participation Rate (Prime Age)</b>	82.9%	79.9%	81.9%
<b>Average Hourly Earnings Growth</b>	2.9%	0.3%	4.7%
<b>Job Opening Level</b>	6.8 MM	4.6 MM	10.6 MM
<b>Turnover Rate</b>	3.7%	10.8%	4.2%
<b>Quits Rate</b>	2.3%	1.6%	3.0%
<b>Initial Jobless Claims</b>	218 K	6.1 MM	207 K
<b>Continuing Claims</b>	1.8 MM	23.1 MM	1.8 MM



Source: Bureau of Labor Statistics; latest available data as of December 2021; calculation from Bloomberg, pre-pandemic data as of December 2019.

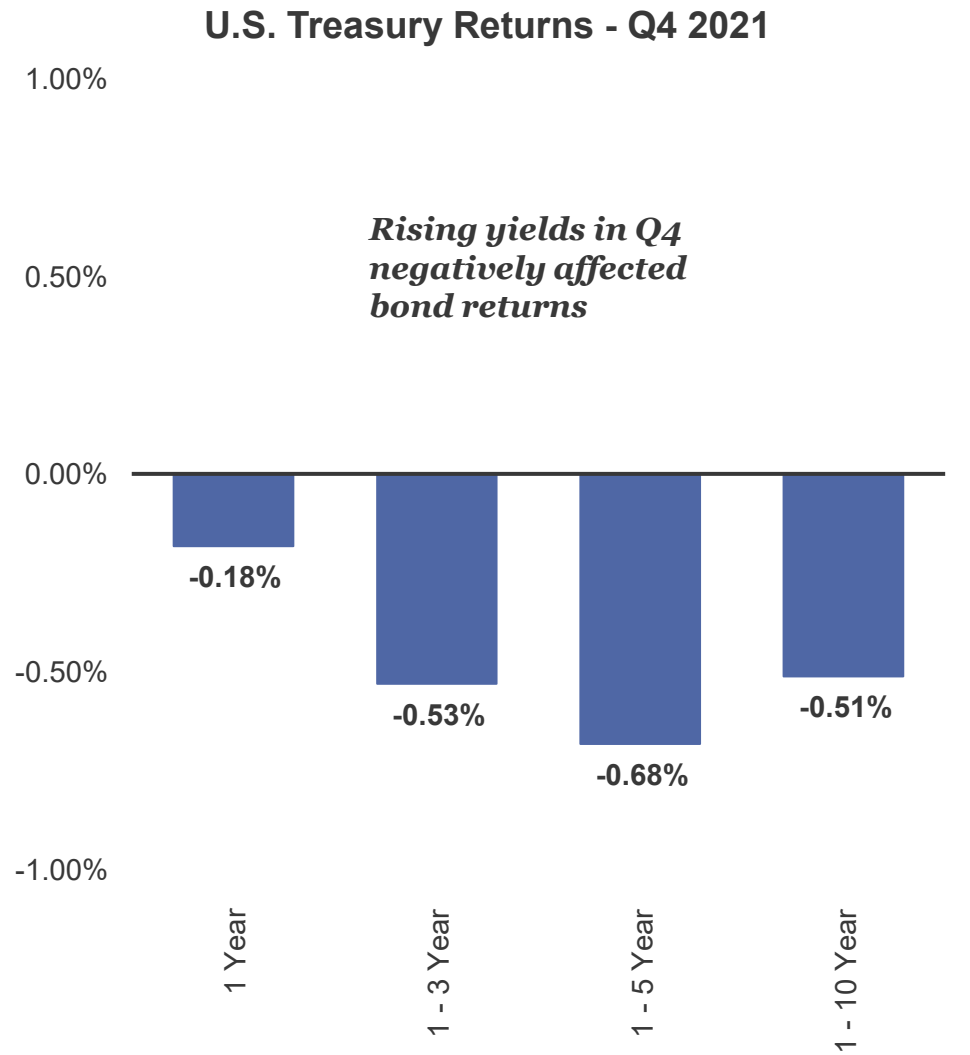
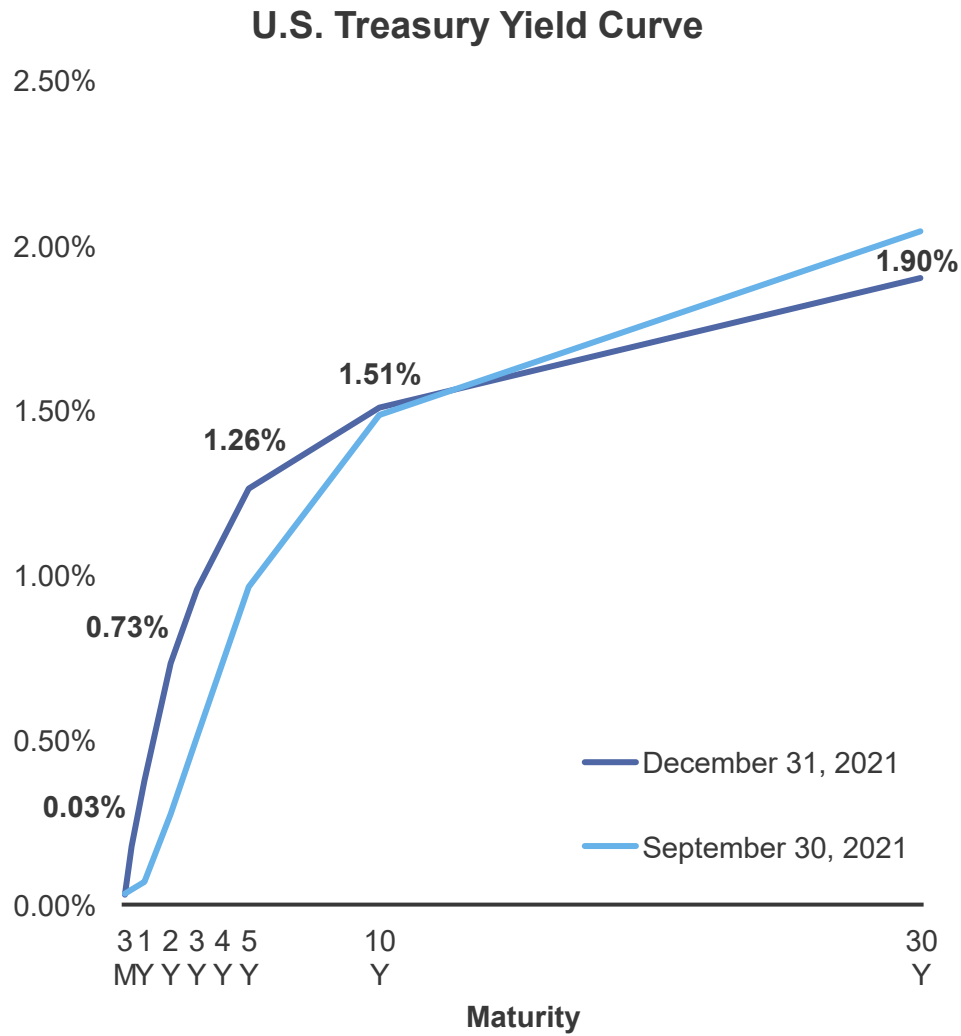
## FOMC Accelerates Asset Purchase Tapering and Prepares for Rate Lift-off

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



Source: Federal Reserve and Bloomberg, as of 12/31/2021. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

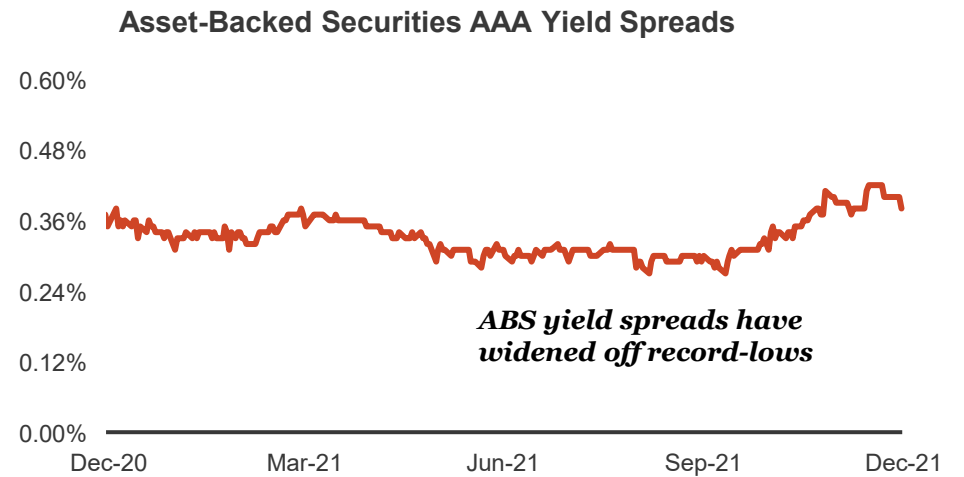
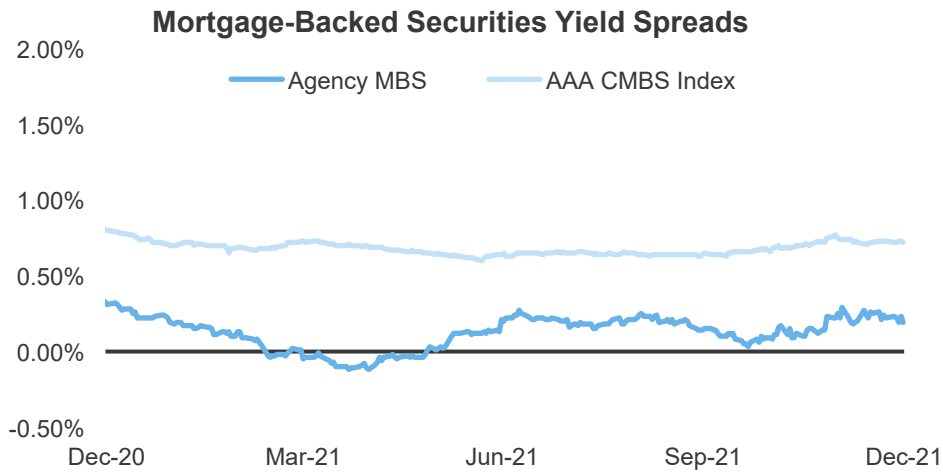
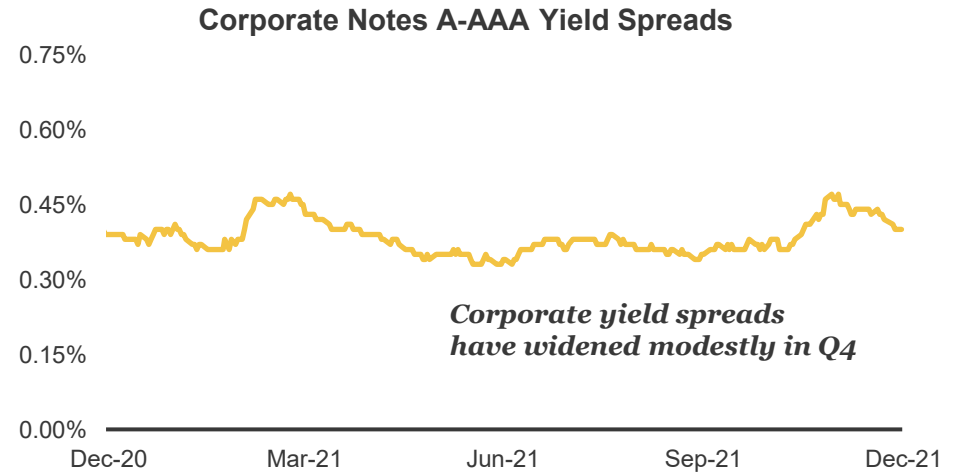
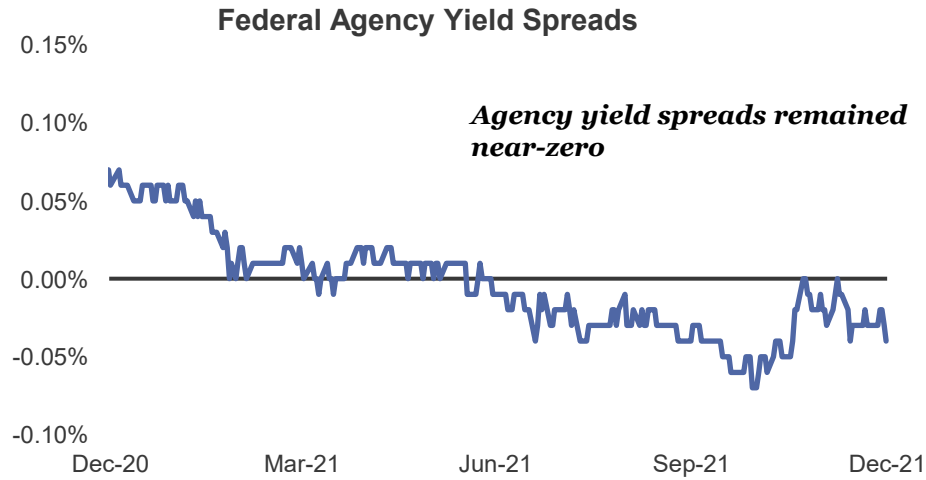
### Impact of Curve Flattening on Performance



Source: Bloomberg, as of 12/31/2021.



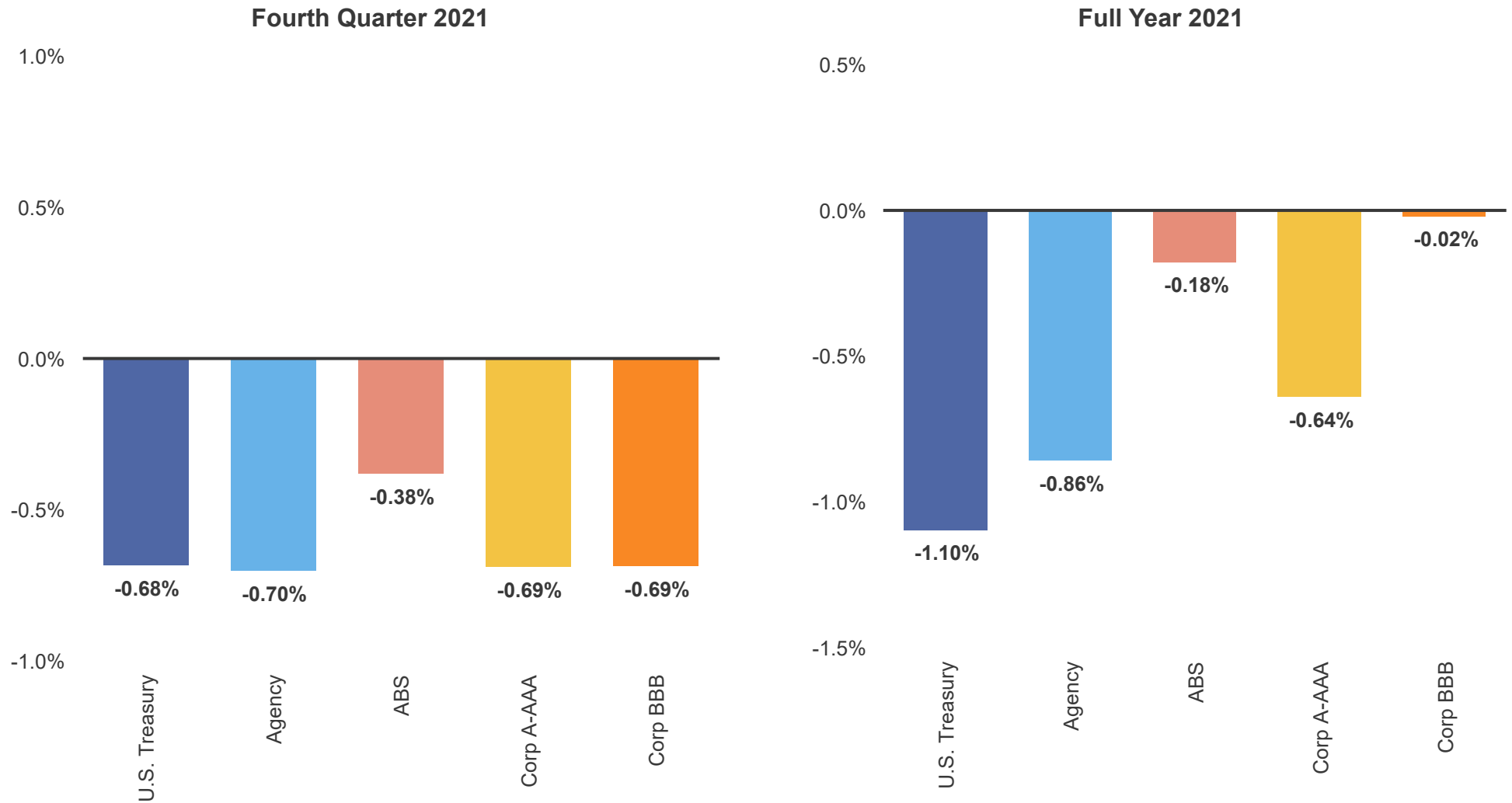
## Sector Yield Spreads Widened in Q4



Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFM as of 12/31/2021. 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.

## Rising Rates and Wider Spreads Hampered Fixed-Income Returns in Q4

### 1-5 Year Indices



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of 12/31/2021.

### Fixed-Income Sector Outlook – 4Q 2021

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

● Current outlook

○ Outlook one quarter ago



## Fixed-Income Sector Commentary – 4Q 2021

- ◆ **U.S. Treasury** securities generated negative performance as yields rose across maturities. The higher absolute level of yields support duration extensions and roll-down where the curve is steep.
- ◆ **Federal agency** spreads widened modestly, generating slightly negative excess returns. Spreads remain tight by historical standards and opportunities to add will be limited.
- ◆ **Supranational** securities performed in line with their federal agency counterparts – supply from seasonal issuance should provide opportunities to add sector exposure.
- ◆ **Corporates** underperformed after consistently being one of the top performing sectors in prior quarters. Modestly wider spreads are likely to provide opportunities to increase exposure on an issuer-specific basis.
- ◆ **Asset-Backed Securities** issuance remains robust and wider spreads enhance the sector's relative value as collateral performance remains strong.
- ◆ **Mortgage-Backed Securities** performance was generally negative across collateral and coupon types with 15-yr MBS pools being the exception. FOMC asset purchase tapering and potential balance sheet reduction will continue to weigh negatively on the sector.
- ◆ **Taxable Municipal** securities were one of the best performing sectors in Q4. Limited supply is likely to keep downward pressure on spreads and limit opportunities to increase allocations.
- ◆ **Commercial Paper and CD** rates gravitated higher throughout the quarter as market expectations for rate hikes sent short maturities higher, creating opportunities to add.

<u>Portfolios</u>	<u>Market Value</u>	<u>Current Quarter</u>	<u>Fiscal Year To Date</u>	<u>Trailing 12 Months</u>	<u>Assumed Rate of Return</u>
<b>City Operating Funds - Self-Directed<sup>1</sup></b> <i>S&amp;P GIP All Gross Yield Index</i>	\$ 305,089,837	0.05% 0.03%	0.05% 0.03%	0.33% 0.12%	
<b>CRA Funds</b> <i>S&amp;P GIP All Gross Yield Index</i>	\$ 82,609,761	0.33% 0.03%	0.33% 0.03%	0.43% 0.12%	
<b>Fixed Income Investment Portfolio - PFMAM</b> <i>ICE BofAML 1-5 Year U.S. Treasury Index</i>	\$ 392,571,519	-0.69% -0.68%	-0.69% -0.68%	-0.86% -1.10%	
<b>Total City of Fort Lauderdale Funds<sup>2</sup></b> <i>City of Fort Lauderdale Blended Benchmark</i>	\$ 780,271,116	-0.29% -0.33%	-0.29% -0.33%	-0.26% -0.49%	
<b>Bond Proceeds<sup>3</sup></b>	\$ 237,440,581	0.13%	0.13%	0.31%	
<b>OPEB Trust Funds<sup>4</sup></b> <i>Benchmark</i>	\$ 52,175,953	4.30% 4.50%	4.30% 4.50%	12.32% 11.71%	7.00%
<b>Cemetery Trust Fund<sup>4</sup></b> <i>Benchmark</i>	\$ 33,865,478	3.86% 4.38%	3.86% 4.38%	10.74% 10.43%	5.00%
<b>General Employees Retirement System<sup>4</sup></b> <i>Benchmark</i>	\$ 831,034,288	4.40% 4.60%	4.40% 4.60%	15.40% 14.60%	7.00%
<b>Police &amp; Fire Retirement System<sup>4</sup></b> <i>Benchmark</i>	\$ 1,217,449,369	4.21% 5.09%	4.21% 5.09%	12.35% 14.17%	7.30%

## Notes:

1. City Operating Funds – Self-Directed performance is calculated based on the weighted average yield of the City Self – Directed Account portfolio and the self-directed bank accounts, as well as the Florida CLASS and FL PALM Holdings.
2. Total City of Fort Lauderdale Funds calculated as the weighted average return of City Operating Funds - Self Directed, CRA Funds, and Fixed Income Investment Portfolio – PFMAM
3. Bond Proceeds balance includes all bond proceeds portfolios. Current quarter yields estimated based on all bond proceeds holdings. Fiscal Year to Date and Trailing 12 Month yields are estimated based on current quarter yields and 2018 Water & Sewer bond yield data.
4. Performance and Market Values from Fixed Income Investment Portfolio – PFMAM, OPEB Trust Funds , Cemetery Trust Funds, General Employees Retirement System ("GERS"), and Police & Fire Retirement System ("P&F") are derived from their manager reports as of December 31, 2021.

	<u>Market Value as of December 31, 2021</u>	<u>Percent of Portfolio</u>	<u>Market Value as of September 30, 2021</u>	<u>Percent of Portfolio</u>
<b><u>Funds Held for Liquidity</u></b>				
CitiBank - Health Ins	630,768	0.06%	853,414	0.10%
Wells Fargo - Wks Comp	265,150	0.03%	186,269	0.02%
Wells Fargo Govt Ckg - BMPO	57,599	0.01%	1,017,251	0.12%
Wells Fargo Master Account	24,879,787	2.44%	36,243,340	4.21%
Wells Fargo Utility Account	8,368,366	0.82%	8,307,552	0.96%
Wells Fargo CRA	47,819,534	4.70%	17,779,225	2.06%
Wells Fargo Police Evidence	856,308	0.08%	856,306	0.10%
<b>Total Funds for Liquidity</b>	<b>\$ 82,877,512</b>	<b>8.14%</b>	<b>\$ 65,243,357</b>	<b>7.57%</b>
<b><u>Funds Held for Investment</u></b>				
PFMAM Investment Portfolio	392,571,519	38.57%	\$ 315,310,510	36.60%
CRA City Self - Directed Account	21,296,109	2.09%	21,295,640	2.47%
CRA Central Beach	13,494,118	1.33%	13,804,795	1.60%
City Self - Directed Account	7,256,566	0.71%	7,255,934	0.84%
FMIT Subsidiary Accounts	133,235	0.01%	133,774	0.02%
FL CLASS	106,331,376	10.45%	96,314,273	11.18%
FL PALM	31,310,682	3.08%	41,306,291	4.79%
FL PALM TERM	125,000,000	12.28%	55,000,000	6.38%
<b>Total Funds for Investment</b>	<b>\$ 697,393,604</b>	<b>68.53%</b>	<b>\$ 550,421,217</b>	<b>63.89%</b>
<b><u>Bond Proceeds</u></b>				
Water & Sewer Bond 2018	80,775,928	7.94%	\$ 84,226,038	9.78%
Parks 2020-A	54,733,196	5.38%	57,752,135	6.70%
Public Safety 2020-B	96,712,871	9.50%	98,596,489	11.45%
FMIT G.O. Series 2011-A	5,218,587	0.51%	5,223,514	0.61%
<b>Total Bond Proceeds</b>	<b>\$ 237,440,581</b>	<b>23.33%</b>	<b>\$ 245,798,177</b>	<b>28.53%</b>
<b>Grand Total</b>	<b>\$ 1,017,711,698</b>	<b>100.00%</b>	<b>\$ 861,462,751</b>	<b>100.00%</b>

## Notes:

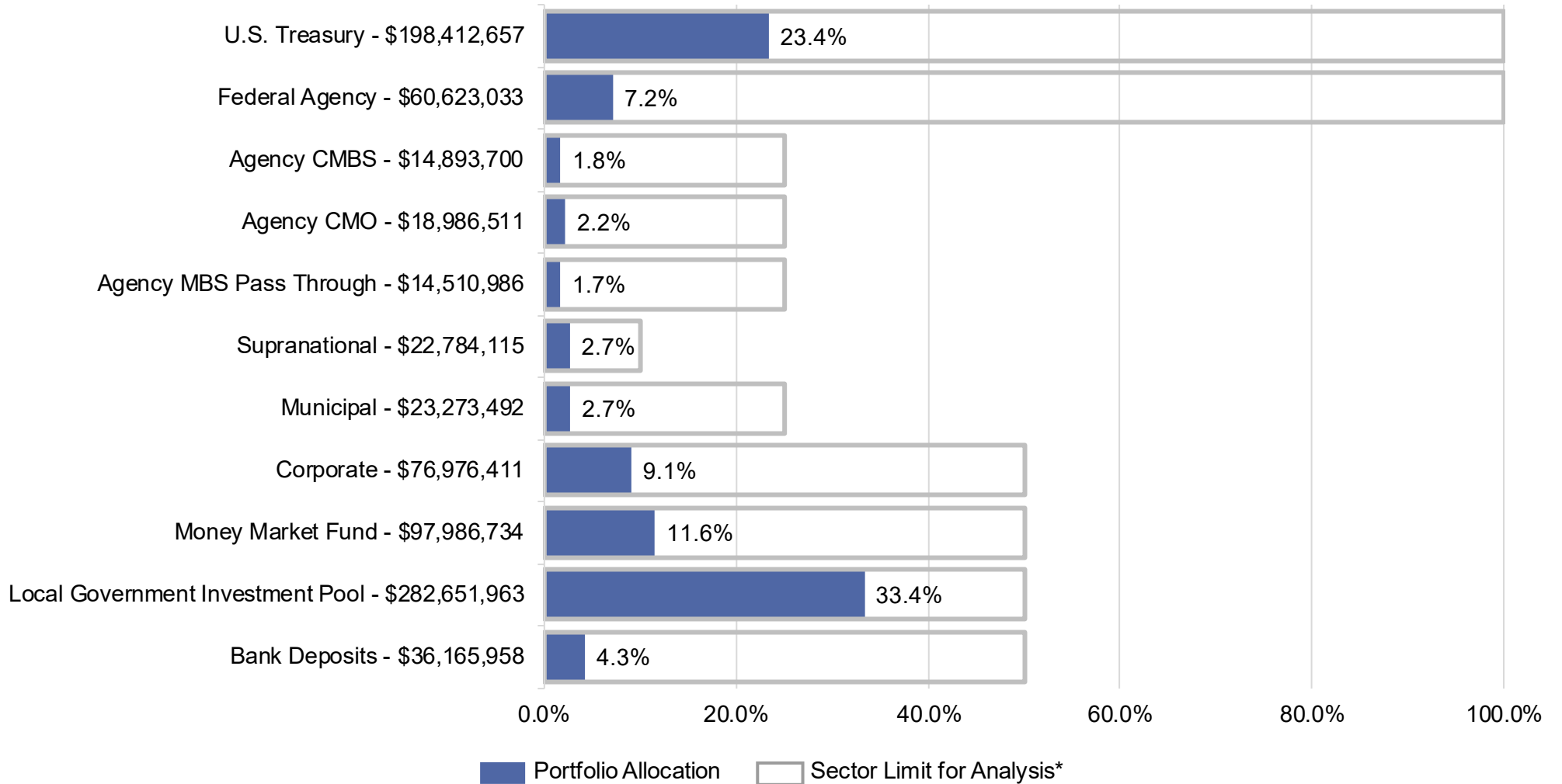
1. Market Values plus accrued interest as of December 31, 2021 and September 30, 2021 are derived from their respective statements from Wells Fargo, PFMAM, City National, or FMIT.
2. Bond Proceeds balances for Parks 2020-A and Public Safety 2020-B include cash balances, FL PALM balances, and FL PALM Term balances.

<u>Account Names</u>	<u>Yield to Market as of December 31, 2021</u>	<u>Percent of Portfolio December 31, 2021</u>	<u>Yield to Market as of September 30, 2021</u>	<u>Percent of Portfolio September 30, 2021</u>
<b><u>Funds Held for Liquidity</u></b>				
CitiBank - Health Ins	0.00%	0.06%	0.00%	0.10%
Wells Fargo - Wks Comp	0.06%	0.03%	0.06%	0.02%
Wells Fargo Govt Ckg - BMPO	0.06%	0.01%	0.06%	0.12%
Wells Fargo Master Account	0.06%	2.44%	0.06%	4.21%
Wells Fargo Utility Account	0.00%	0.82%	0.00%	0.96%
Wells Fargo CRA	0.06%	4.70%	0.06%	2.06%
Wells Fargo Police Evidence	0.00%	0.08%	0.00%	0.10%
<b>Total Funds for Liquidity</b>	<b>0.05%</b>	<b>8.14%</b>	<b>0.05%</b>	<b>7.57%</b>
<b><u>Funds Held for Investment</u></b>				
PFMAM Investment Portfolio	0.69%	38.57%	0.87%	36.60%
CRA City Self - Directed Account	0.02%	2.09%	0.02%	2.47%
CRA Central Beach	1.79%	1.33%	0.01%	1.60%
City Self - Directed Account	0.01%	0.71%	1.96%	0.84%
FMIT Subsidiary Accounts	0.80%	0.01%	0.50%	0.02%
FL CLASS	0.10%	10.45%	0.07%	11.18%
FL PALM	0.05%	3.08%	0.05%	4.79%
FL PALM TERM	0.18%	12.28%	0.08%	6.38%
<b>Total Funds for Investment</b>	<b>0.47%</b>	<b>68.53%</b>	<b>0.55%</b>	<b>63.89%</b>
<b><u>Bond Proceeds</u></b>				
Water & Sewer Bond 2018	0.01%	7.94%	0.01%	9.78%
Parks 2020-A	0.20%	5.38%	0.06%	6.70%
Public Safety 2020-B	0.16%	9.50%	0.06%	11.45%
FMIT G.O. Series 2011-A	0.60%	0.51%	0.40%	0.61%
<b>Total Bond Proceeds</b>	<b>0.13%</b>	<b>23.33%</b>	<b>0.05%</b>	<b>28.53%</b>
<b>Total Average Yield</b>	<b>0.36%</b>	<b>100.00%</b>	<b>0.37%</b>	<b>100.00%</b>
<b><u>Benchmarks</u></b>				
	<b><u>December 31, 2021</u></b>		<b><u>September 30, 2021</u></b>	
S&P GIP All 30 Day Gross Yield Index	0.11%		0.10%	
BofA Merrill Lynch 1-3 Year Treasury Index	0.70%		0.28%	
BofA Merrill Lynch 1-5 Year Treasury Index	0.87%		0.48%	

## Notes:

- Market Values plus accrued interest as of December 31, 2021 and September 30, 2021 are derived from their respective statements from Wells Fargo, PFMAM, City National, or FMIT.
- Bond Proceeds balances for Parks 2020-A and Public Safety 2020-B include cash balances, FL PALM balances, and FL PALM Term balances.

### Sector Allocation Analytics



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

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

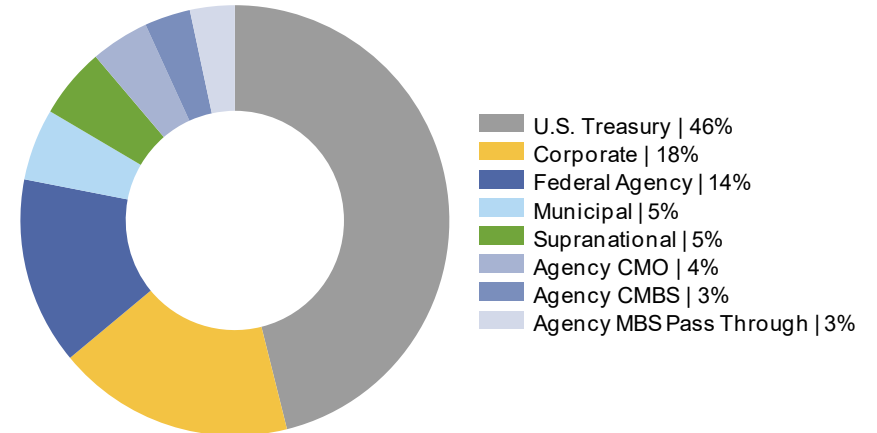


### Consolidated Summary

#### Account Summary<sup>1</sup>

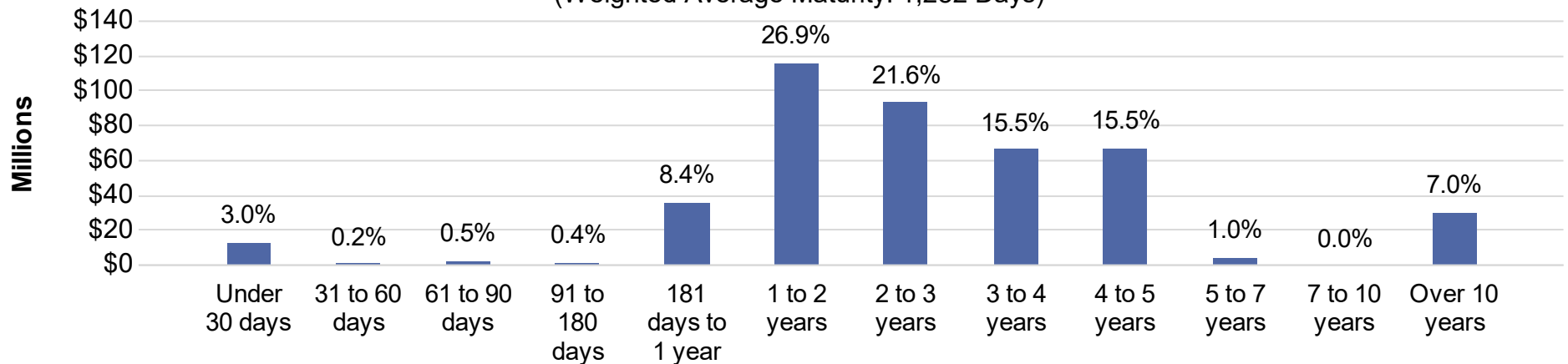
<b>PFMAM Managed Account</b>	\$430,460,905
<b>Total Program</b>	<b>\$430,460,905</b>

#### Sector Allocation



#### Maturity Distribution

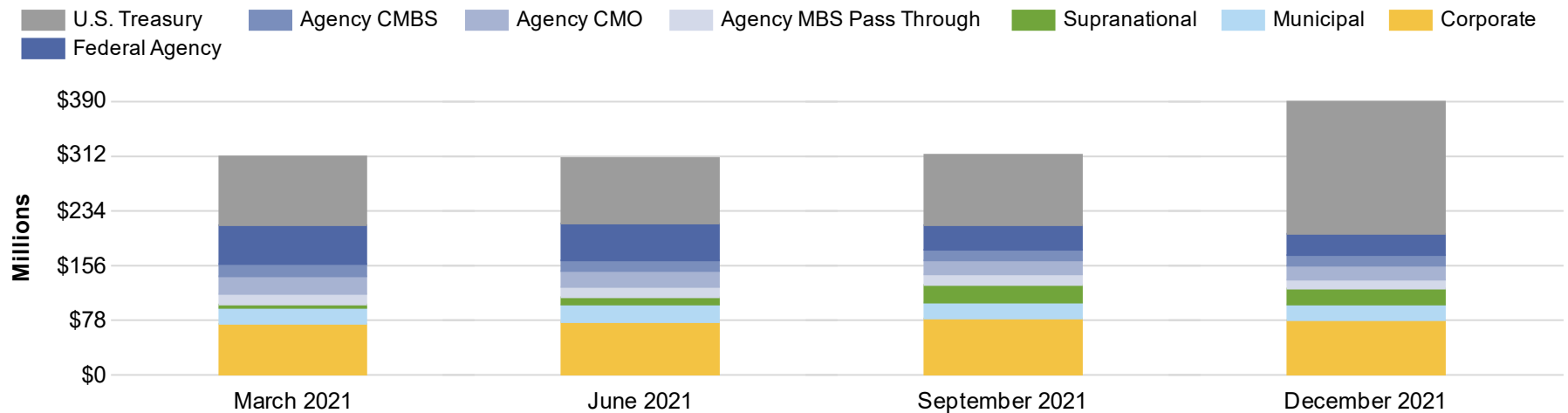
(Weighted Average Maturity: 1,282 Days)



1. Market values exclude accrued interest, as of December 31, 2021.

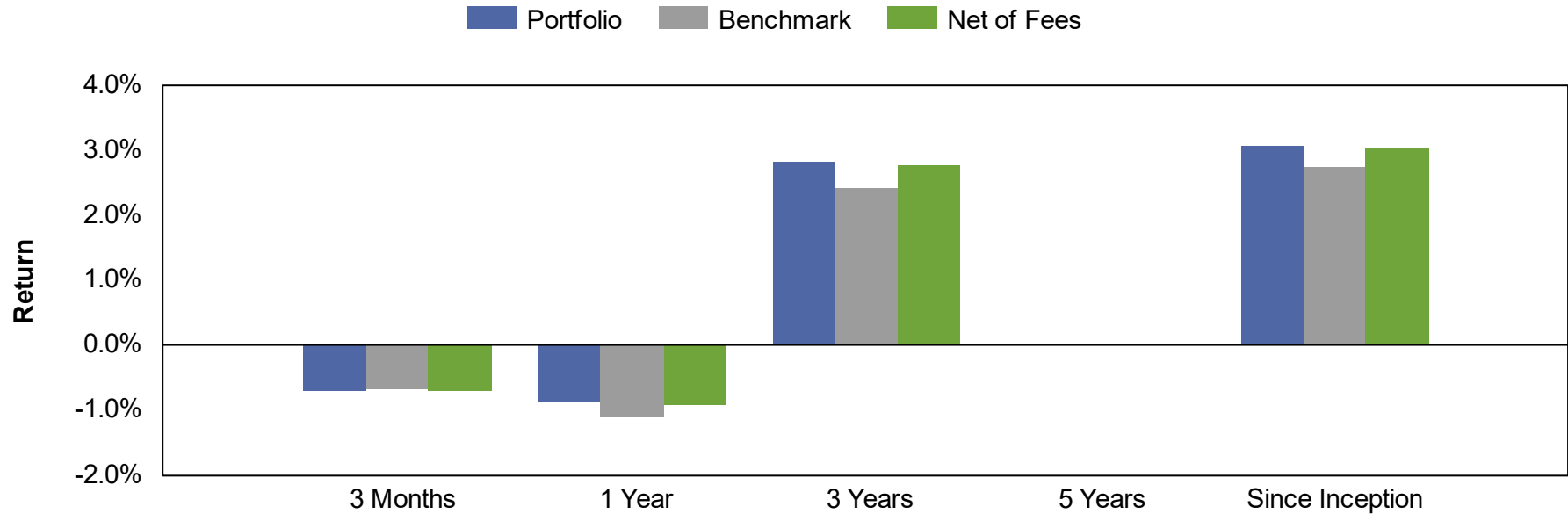
### Sector Allocation Review - CITY OF FORT LAUDERDALE - PFMAM

Security Type	Mar-21	% of Total	Jun-21	% of Total	Sep-21	% of Total	Dec-21	% of Total
U.S. Treasury	\$97.3	31.3%	\$94.7	30.4%	\$99.7	31.7%	\$187.7	48.2%
Federal Agency	\$56.3	18.1%	\$51.9	16.7%	\$34.2	10.9%	\$30.8	7.9%
Agency CMBS	\$16.9	5.4%	\$16.3	5.3%	\$15.7	5.0%	\$14.9	3.8%
Agency CMO	\$24.6	7.9%	\$22.5	7.3%	\$20.6	6.6%	\$19.0	4.9%
Agency MBS Pass Through	\$15.4	4.9%	\$14.0	4.5%	\$16.0	5.1%	\$14.5	3.7%
Supranational	\$5.1	1.6%	\$11.1	3.6%	\$23.1	7.4%	\$22.8	5.9%
Municipal	\$24.1	7.7%	\$24.1	7.8%	\$23.0	7.4%	\$22.8	5.8%
Corporate	\$72.1	23.1%	\$75.9	24.4%	\$81.1	25.9%	\$77.0	19.8%
<b>Total</b>	<b>\$311.8</b>	<b>100.0%</b>	<b>\$310.4</b>	<b>100.0%</b>	<b>\$313.4</b>	<b>100.0%</b>	<b>\$389.4</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes investments held within the separately managed account(s). Detail may not add to total due to rounding.

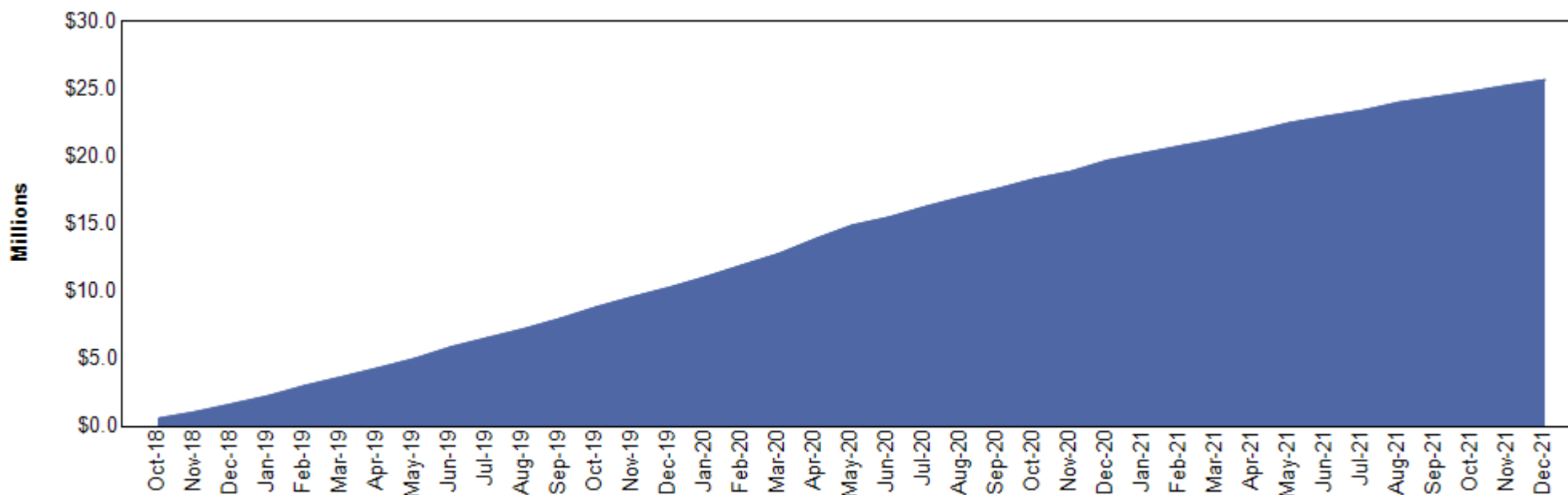
### Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$1,367,085	\$5,770,993	\$19,970,563	-	\$21,480,186
Change in Market Value	(\$3,585,228)	(\$8,519,720)	\$5,278,404	-	\$7,851,774
<b>Total Dollar Return</b>	<b>(\$2,218,143)</b>	<b>(\$2,748,727)</b>	<b>\$25,248,967</b>	<b>-</b>	<b>\$29,331,960</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	-0.69%	-0.86%	2.85%	-	3.07%
Benchmark <sup>4</sup>	-0.68%	-1.10%	2.42%	-	2.77%
<b>Basis Point Fee</b>	<b>0.01%</b>	<b>0.06%</b>	<b>0.06%</b>	<b>-</b>	<b>0.06%</b>
<b>Net of Fee Return</b>	<b>-0.70%</b>	<b>-0.92%</b>	<b>2.79%</b>	<b>-</b>	<b>3.01%</b>

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2018.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.  
 4. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Treasury Index. Source: Bloomberg.

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



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception
Interest Earned	\$1,367,085	\$5,770,993	\$19,970,563	-	\$21,480,186
Realized Gains / (Losses)	\$220,981	\$1,361,081	\$5,584,442	-	\$5,483,585
Change in Amortized Cost	(\$318,181)	(\$1,167,588)	(\$1,548,985)	-	(\$1,300,019)
<b>Total Earnings</b>	<b>\$1,269,885</b>	<b>\$5,964,486</b>	<b>\$24,006,020</b>	-	<b>\$25,663,752</b>

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

## Important Disclosures

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- 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.
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- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

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

## Glossary

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