



# CITY OF FORT LAUDERDALE

## Investment Performance Review For the Quarter Ended December 31, 2023

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

This material is for the use of the City of Fort Lauderdale

## Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Economic resilience but expectations for a slowdown
  - ▶ Cooling inflation that still remains above the Federal Reserve's ("Fed") target
  - ▶ The labor market coming into better balance
  - ▶ Consumers that continue to support growth through spending



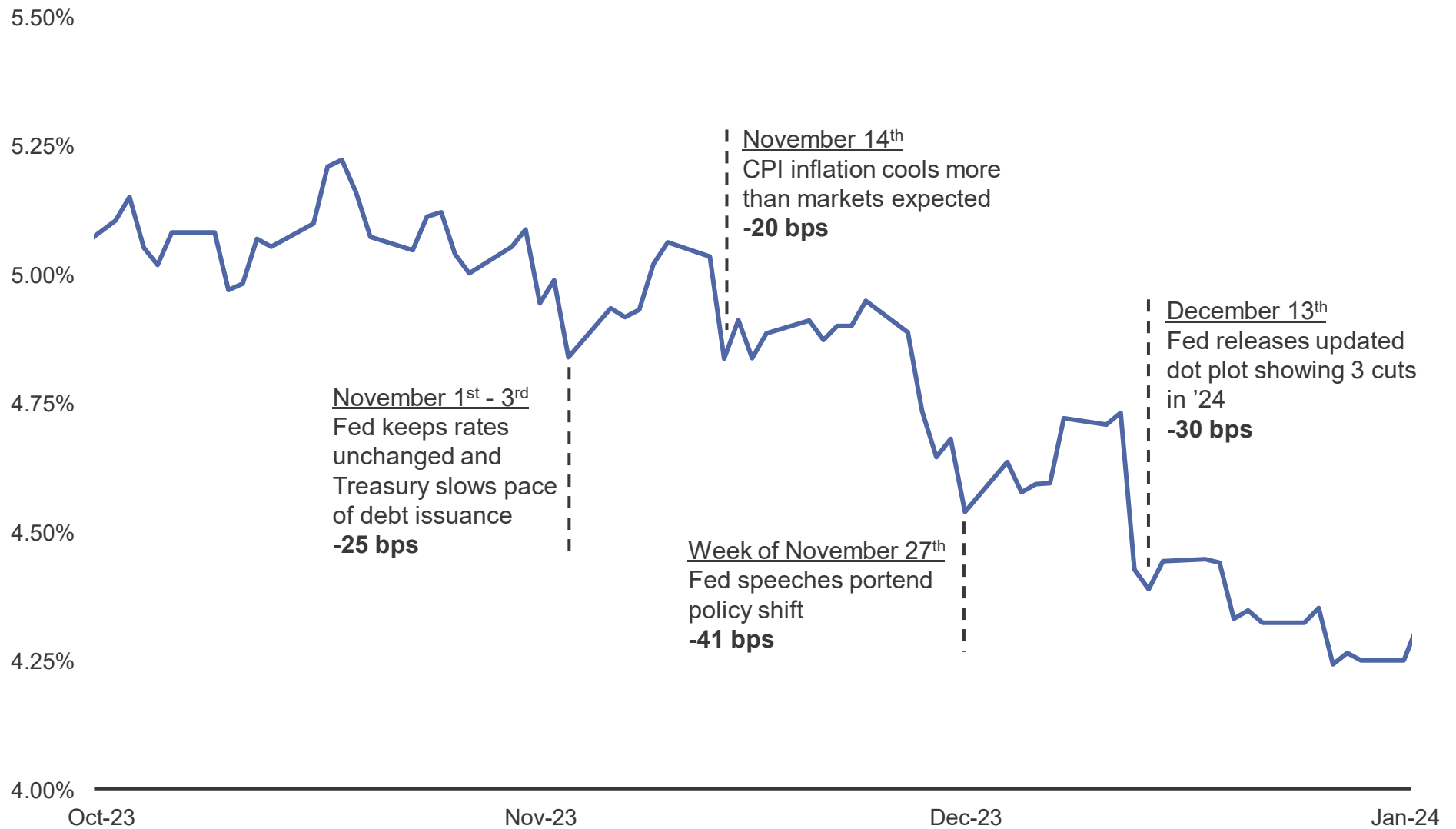
- ▶ Federal Reserve signals end to rate hiking cycle
  - ▶ Fed projected to cut the short-term Fed funds rate by 75 basis points by December 2024, with the overnight rate falling to 4.50% to 4.75%
  - ▶ Markets are pricing a more aggressive 6 rate cuts by year end
  - ▶ Fed officials reaffirm that restoring price stability is the priority



- ▶ Treasury yields ended the quarter materially lower
  - ▶ After peaking in October, yields reversed course on dovish Fed pivot
  - ▶ Yield curve inversion persisted throughout the rally
  - ▶ Credit spreads narrowed sharply on increased expectations for a soft landing

## Rates Fall on Softer Inflation and Fed Pivot

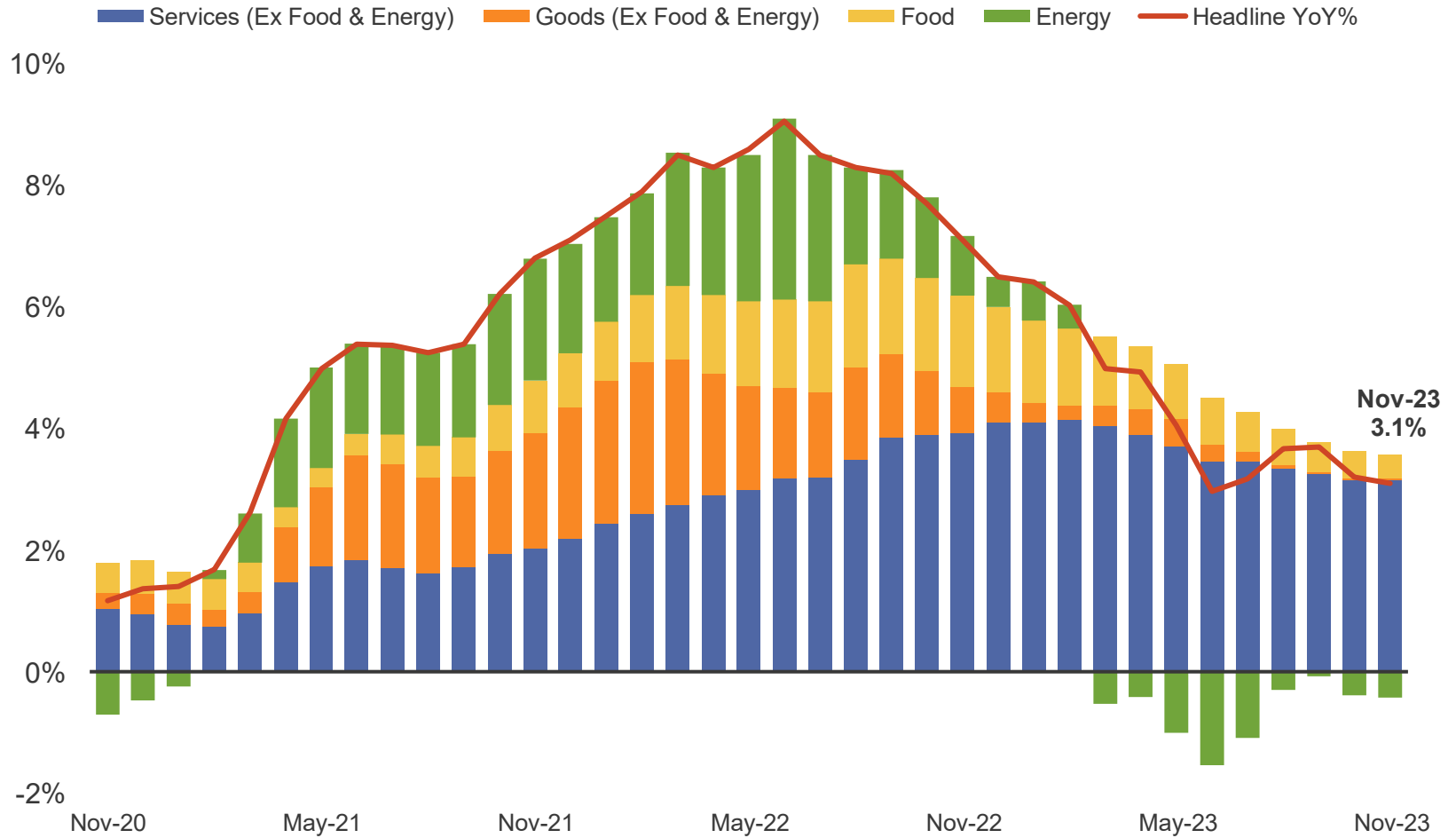
### 2-Year US Treasury Yield



Source: Bloomberg, as of 12/31/2023.

## Inflation Continues to Trend Lower

### Consumer Prices (CPI) Year-over-Year Change in Top-Line Contributions



Lower energy and goods prices help to offset increases in wage-driven services costs

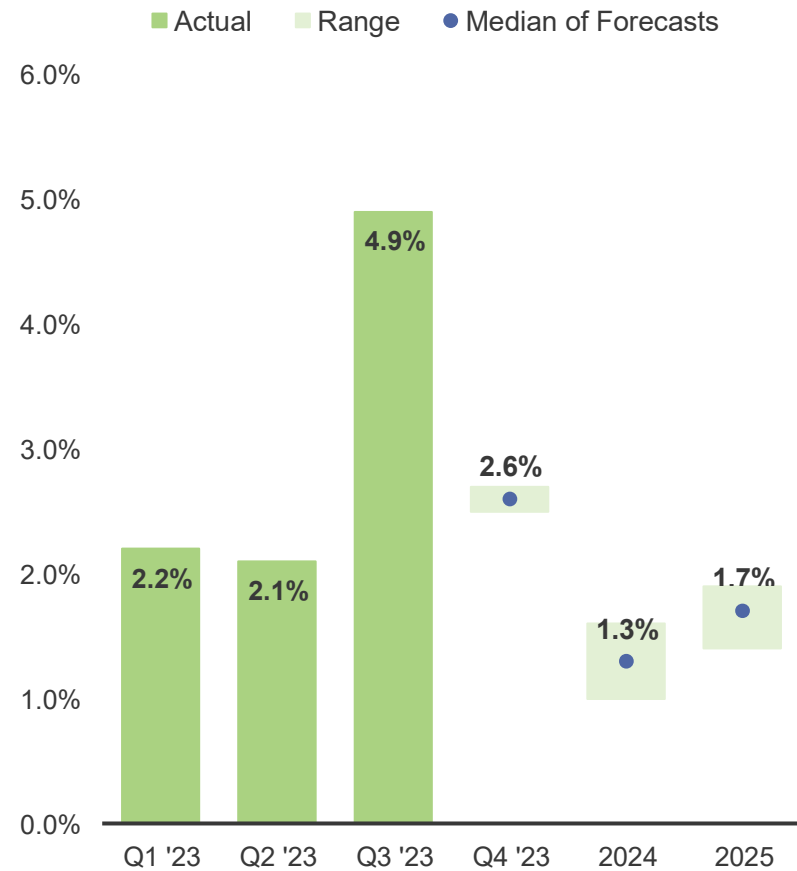
Source: Bloomberg, as of November 2023.

### Balanced Risks Support Soft Landing

<i>Employment</i>	○	○	●
<i>Wages</i>	○	○	●
<i>Consumer</i>	○	●	○
<i>Inflation</i>	○	●	○
<i>Housing</i>	●	○	○
<i>Manufacturing</i>	●	○	○
<i>Inverted yield curve</i>	○	●	○
<i>Credit spreads</i>	○	○	●
<i>Fed Policy</i>	○	●	○

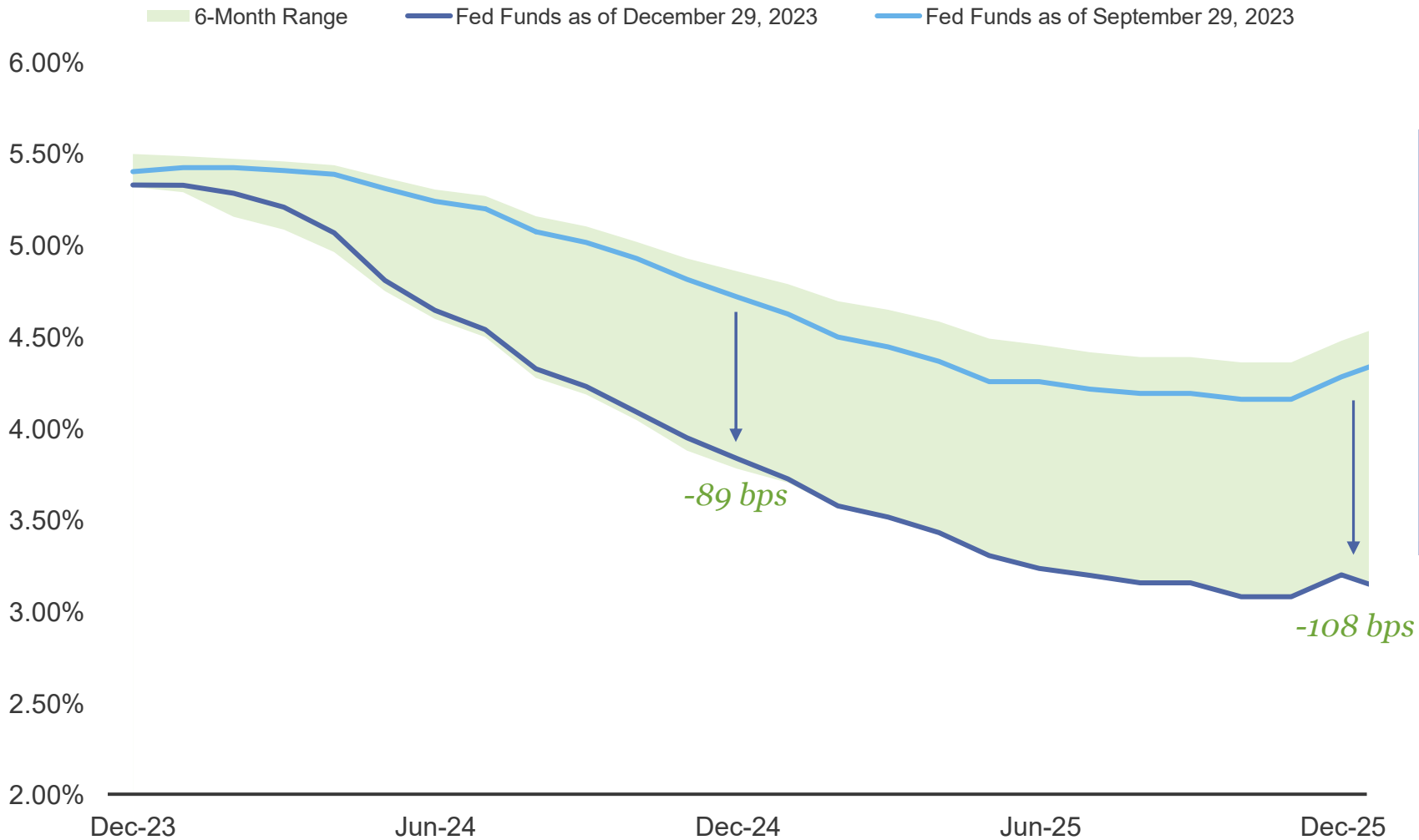
Source: Bloomberg, Economist Forecasts.

### U.S. GDP Forecasts Annualized Rate



## Market Expects Lower Rates

### Implied Fed Funds Rate

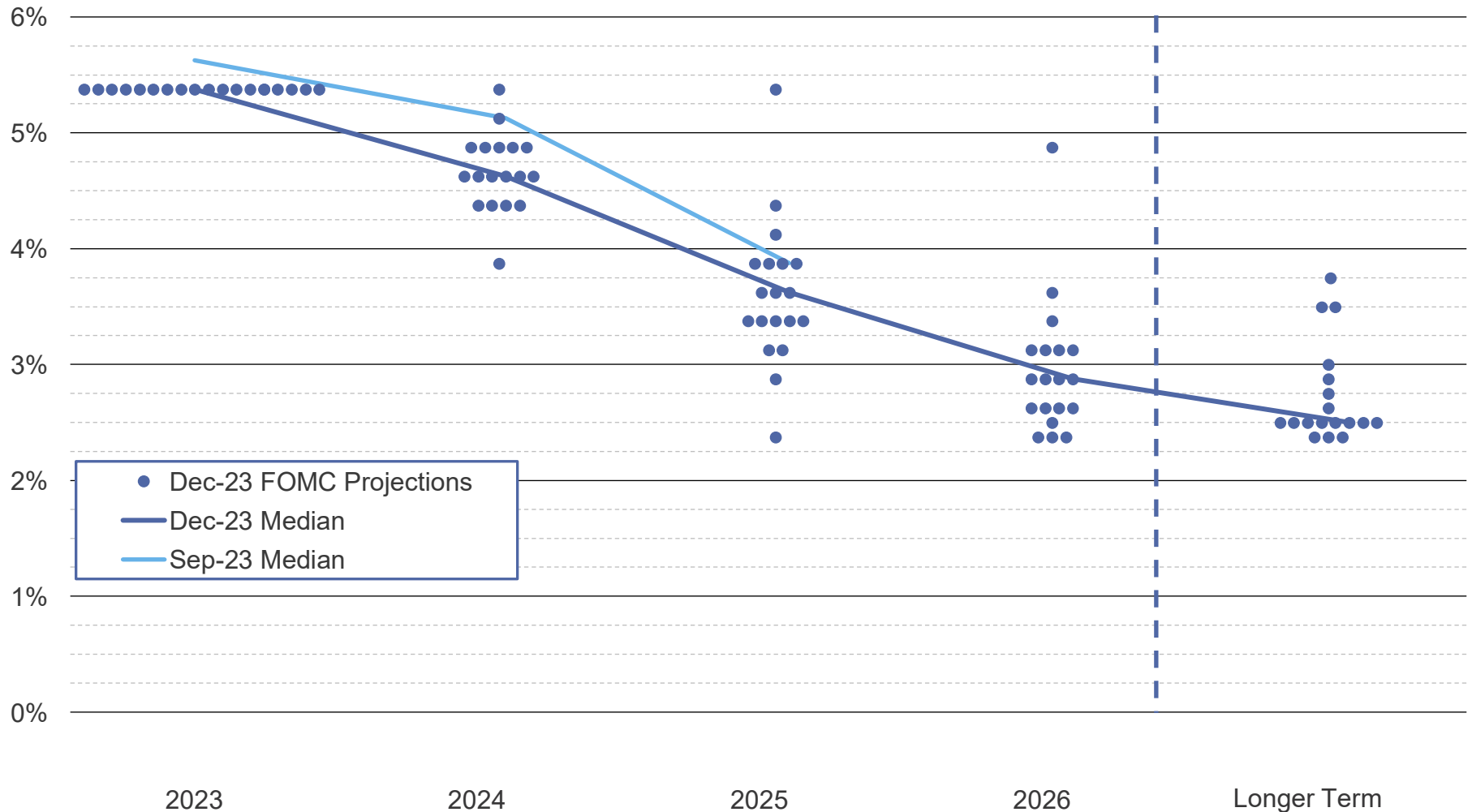


Expectations for Fed Funds have reached their most dovish levels in 6 months in response to falling inflation, Fed pivot and moderating labor market

Source: Bloomberg, as of December 2023.

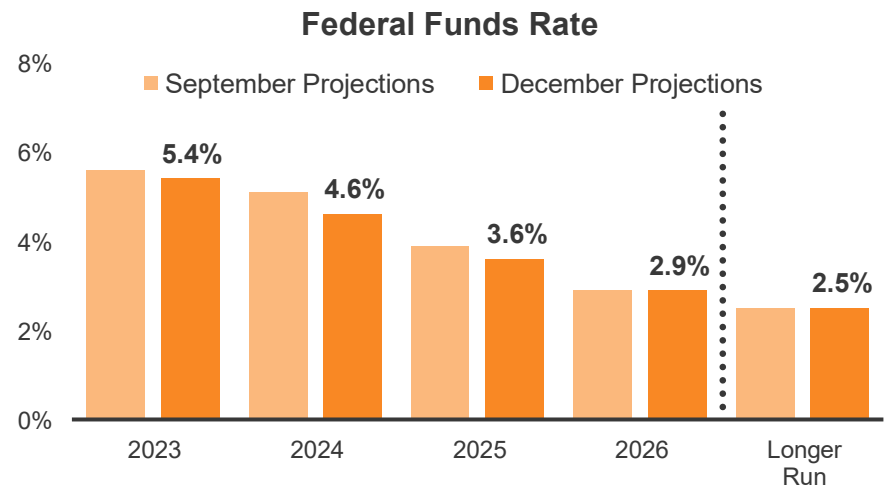
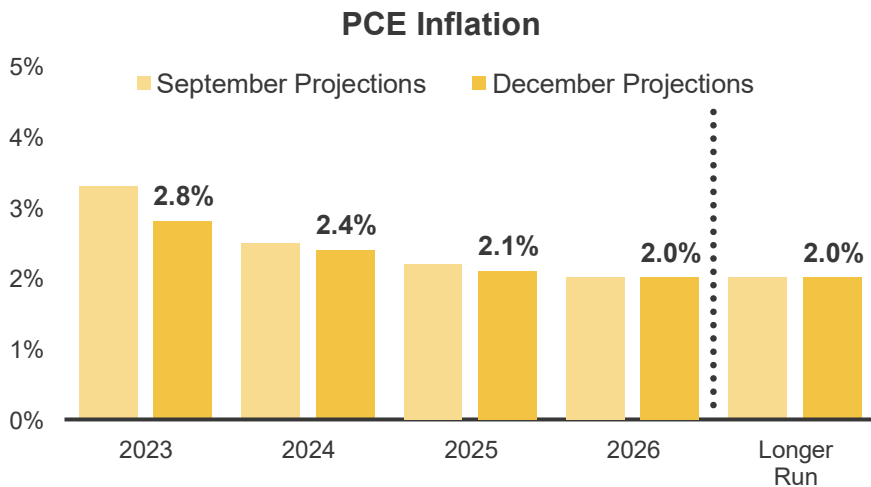
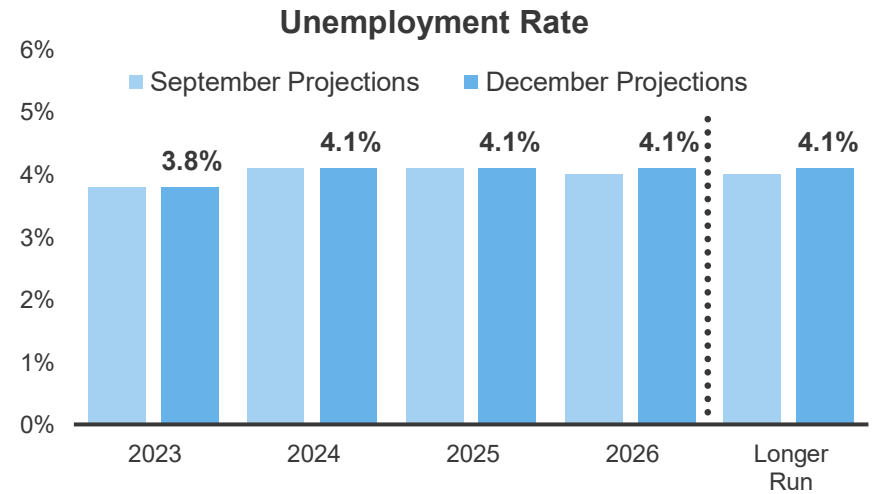
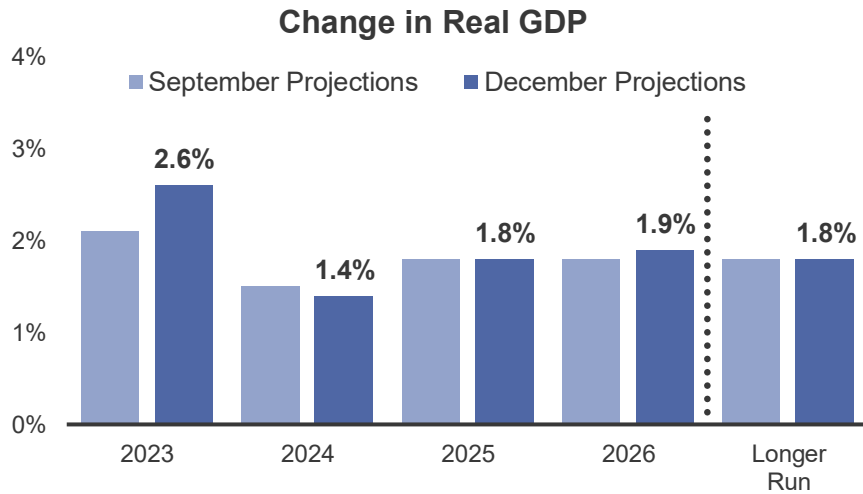
## Fed's Updated "Dot Plot" Also Shows Lower Rate Trajectory

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



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

## Federal Reserve Projects a Soft Landing

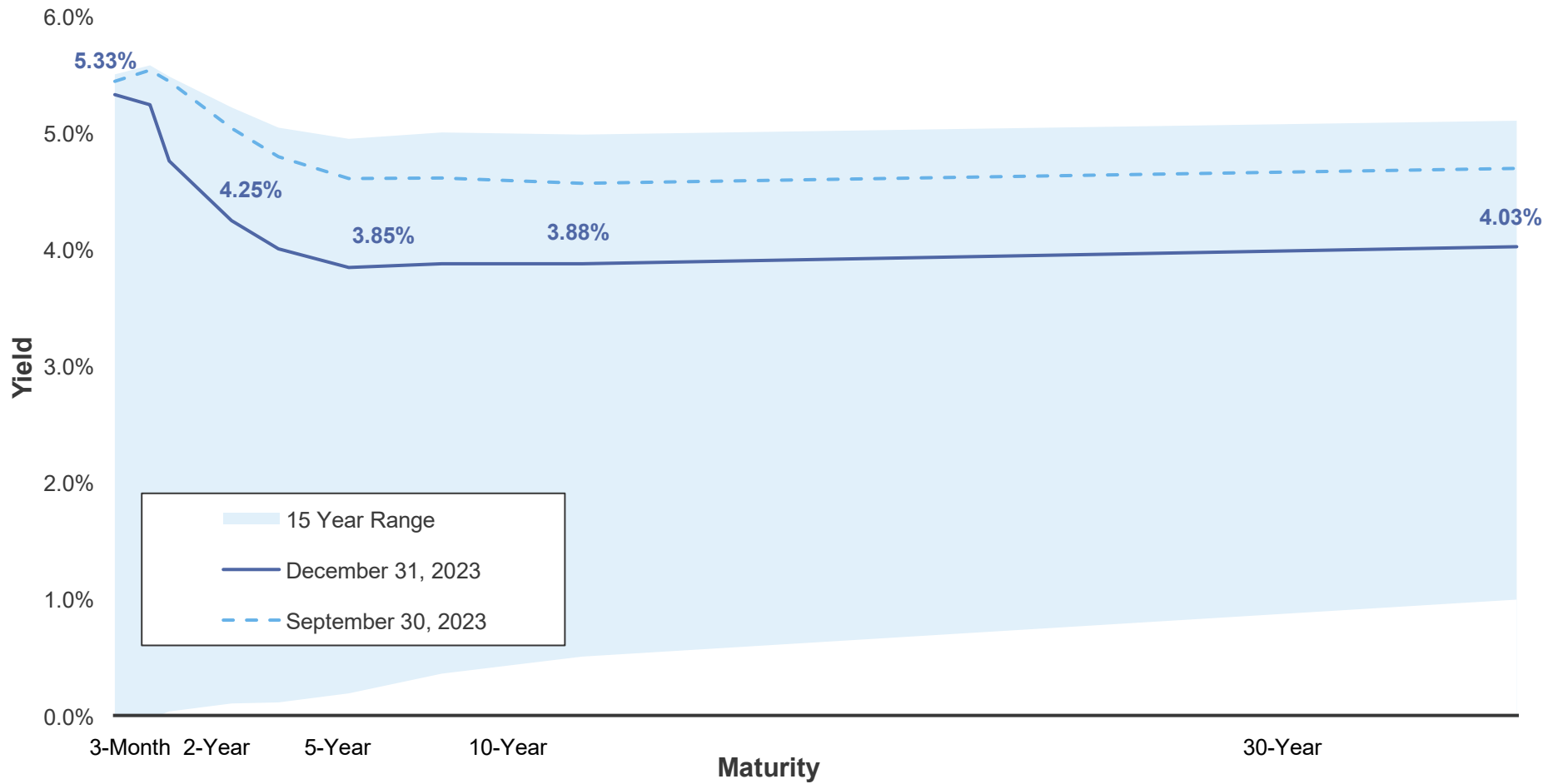


Source: Federal Reserve, latest economic projections as of December 2023.



## Interest Rates Moderate But Remain High

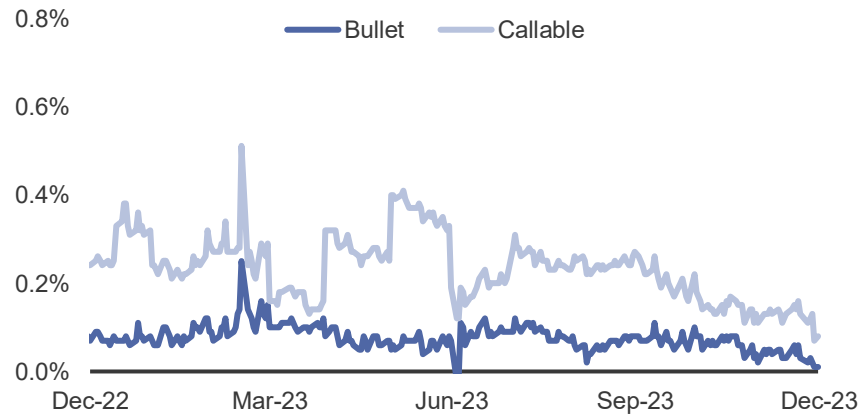
### U.S. Treasury Yield Curve



Source: Bloomberg, as of December 31, 2023.

## Sector Yield Spreads

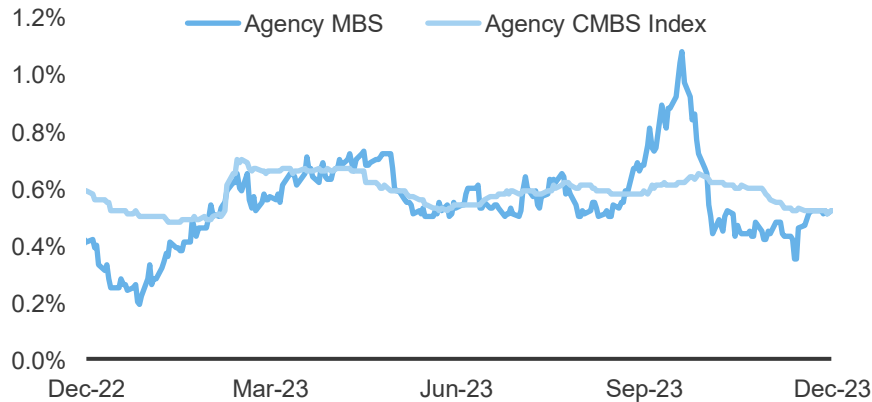
### Federal Agency Yield Spreads



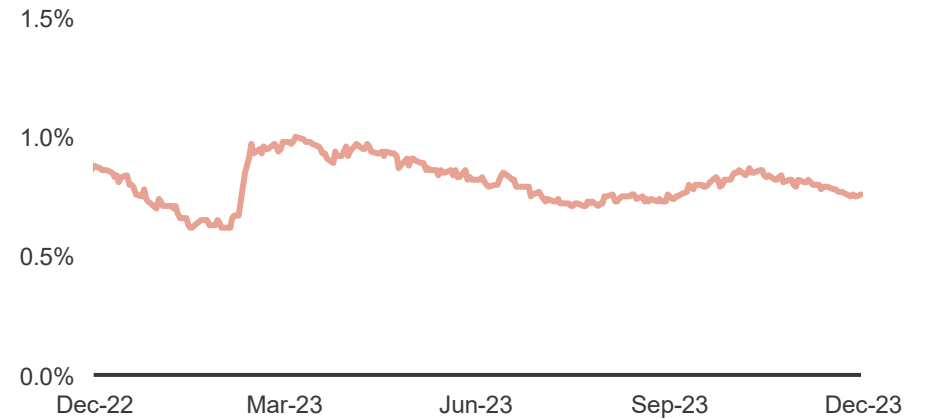
### Corporate Notes A-AAA Yield Spreads



### Mortgage-Backed Securities Yield Spreads

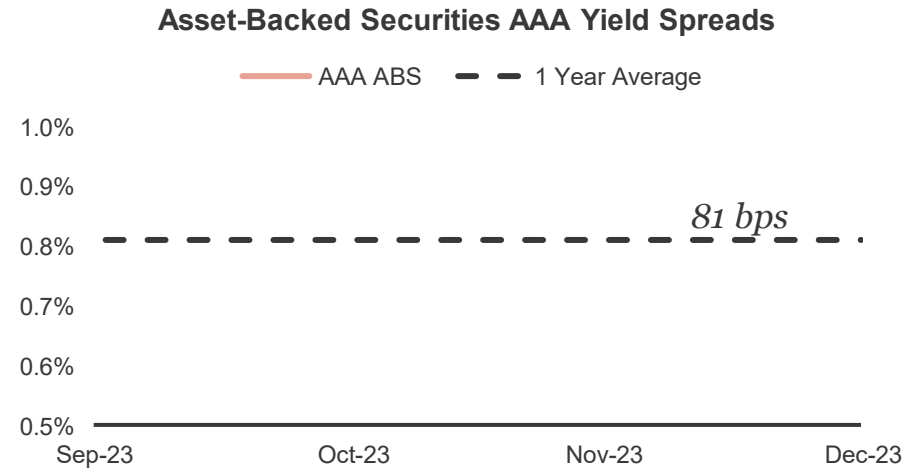
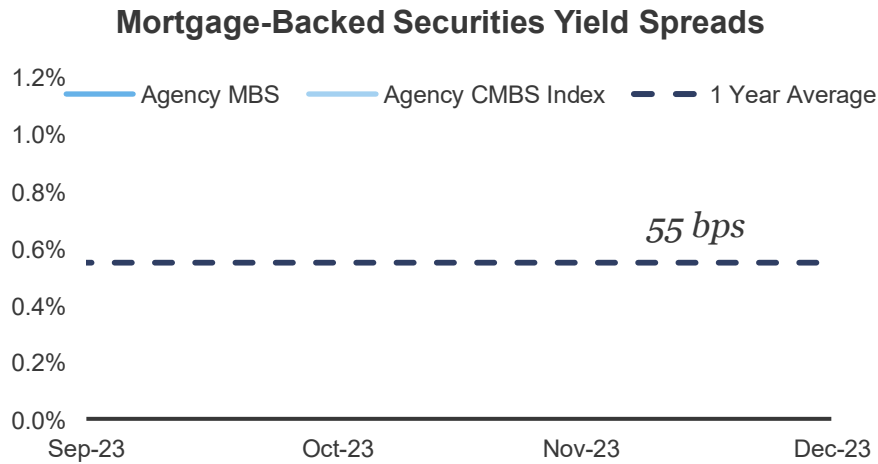
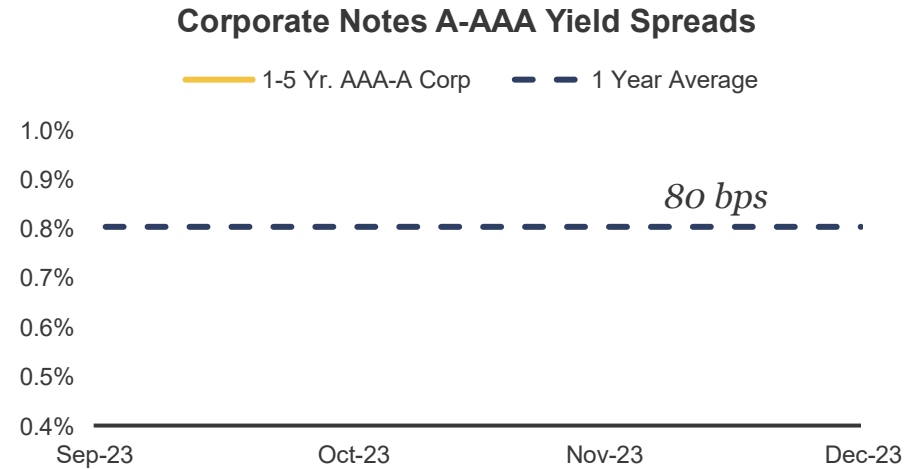
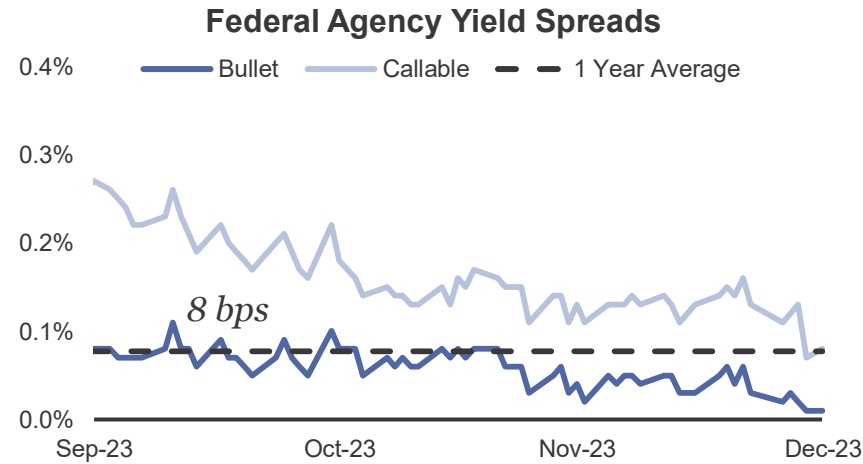


### Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of December 31, 2023. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

## Sector Yield Spreads

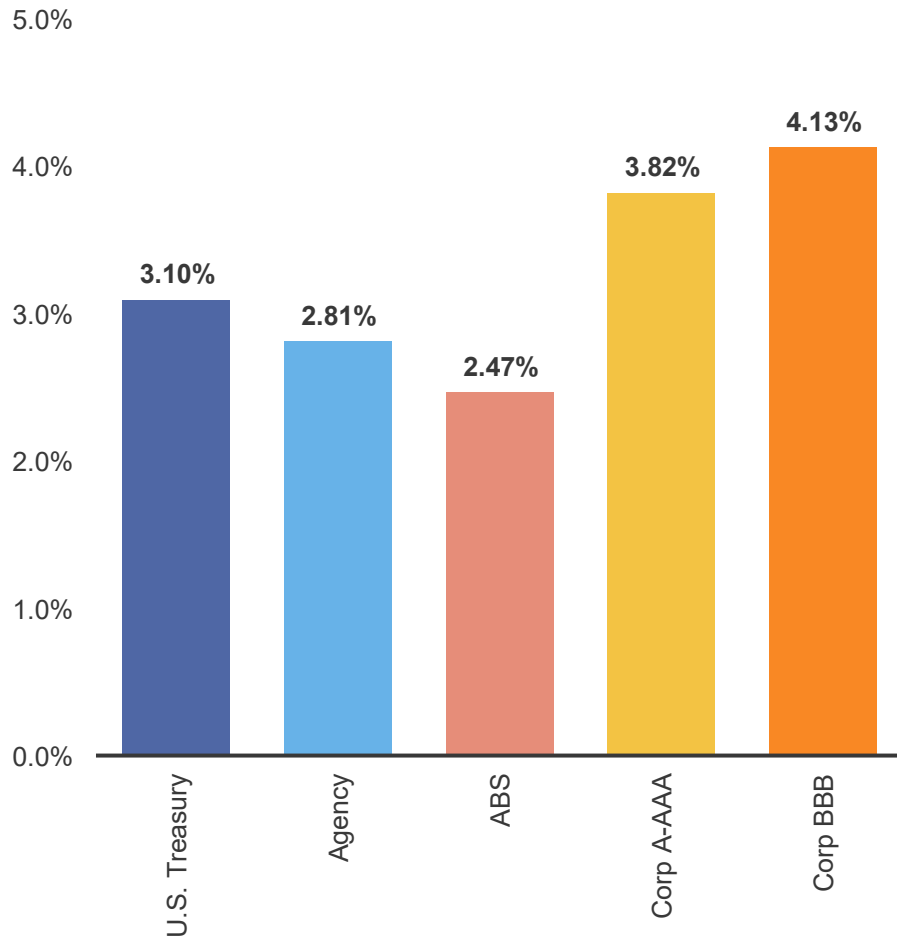


Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of December 31, 2023. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

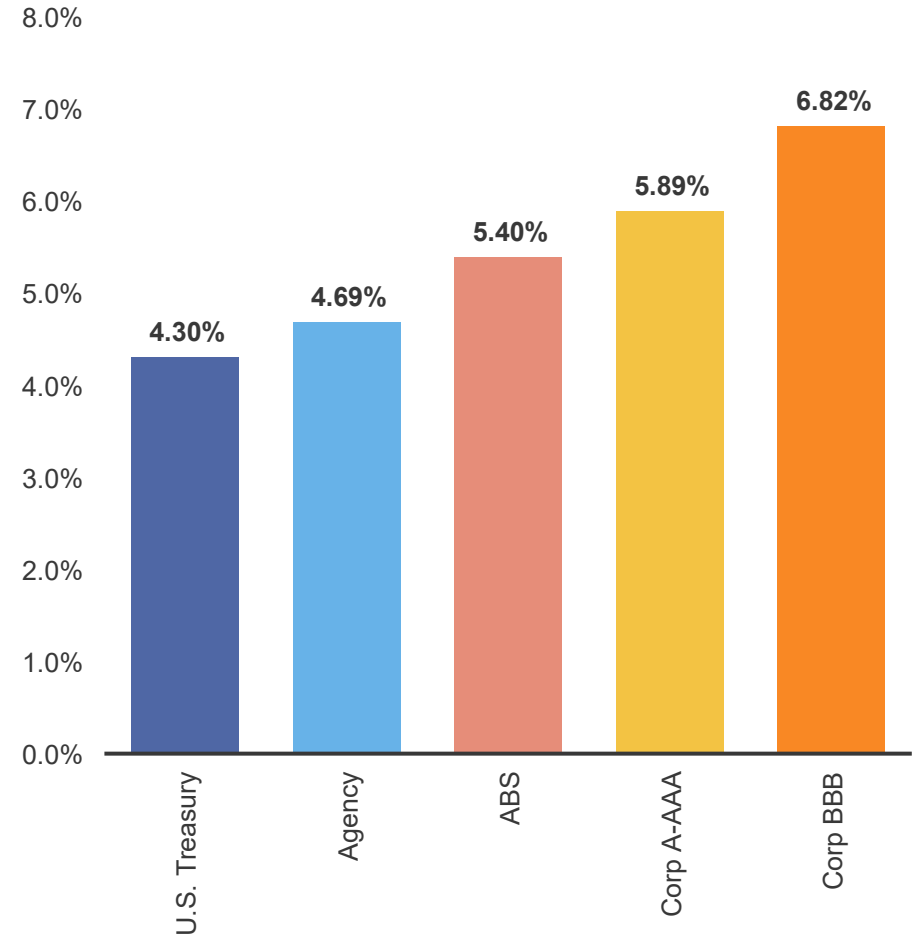
## Fixed-Income Markets in 4Q 2023

### 1-5 Year Indices

1-5 Year Indices Quarterly Returns



1-Year Return



Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. As of December 31, 2023.

## Fixed-Income Sector Commentary – 4Q 2023

- ▶ **U.S. Treasuries** yields are lower by 70-80 basis points over the quarter for maturities greater than one year as markets have now priced five to six rate cuts in 2024. While the curve remains inverted, yield levels remain above their 30-year averages.
- ▶ **Federal agency** spreads remained tight and issuance was light. As a result, value during Q4 was limited. Excess returns of callable structures outperformed bullets as spreads narrowed from historical wides.
- ▶ **Supranational** spreads, similar to agencies, remained low and range-bound on limited supply, favoring opportunities in other sectors.
- ▶ **Taxable Municipal** issuance remained heavily oversubscribed due to a lack of supply. The secondary market had limited opportunities to pick up yield versus similarly-rated corporates.
- ▶ **Investment-Grade Corporates** were one of the best performing fixed-income sectors for both Q4 and calendar year 2023. After a brief broad market de-risking in late September and most of October, the IG corporate sector did an about-face and finished the year with spreads rallying to their lowest levels in over nine months. Strong economic conditions, the increasing perception of a soft landing, and robust demand for the sector fueled the market rally, as longer duration and lower quality issuers outperformed.
- ▶ **Asset-Backed Securities** generated positive excess returns in Q4, although not to the same extent as corporates. While spreads tightened into year-end, the relatively muted rally vs. other non-government sectors possibly underscores the market expectation for modestly weaker consumer fundamentals moving forward. Incremental income from the sector remains attractive and our fundamental outlook for the economy is supportive for the sector.
- ▶ **Mortgage-Backed Securities** were one of the best performing investment grade sectors in Q4 despite a roller coaster pathway. After widening in October to their highest levels since the spring of 2020, spreads proceeded to rally into year-end, finishing near nine-month lows.
- ▶ **Short-term credit** (commercial paper and negotiable CDs) spreads tightened over the quarter and the credit curve flattened modestly. Shorter-term maturities are less attractive and we prefer issuers with maturities between 6 and 12 months.

### Fixed-Income Sector Outlook – 1Q 2024

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



<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 30 Day Gross Yield Index</i>	\$ 532,819,040	5.27% 5.33%	5.27% 5.33%	4.81% 4.44%	
<b>CRA Funds</b> <i>S&amp;P GIP All 30 Day Gross Yield Index</i>	\$ 91,060,581	5.31% 5.33%	5.31% 5.33%	5.08% 4.44%	
<b>Fixed Income Investment Portfolio - PFMAM<sup>4</sup></b> <i>ICE BofA 1-5 Year U.S. Treasury Index</i>	\$ 391,825,641	3.42% 3.10%	3.42% 3.10%	5.11% 4.30%	
<b>Total City of Fort Lauderdale Funds<sup>2</sup></b> <i>City of Fort Lauderdale Blended Benchmark</i>	\$ 1,015,705,262	4.56% 4.47%	4.56% 4.47%	4.95% 4.39%	
<b>Bond Proceeds<sup>3</sup></b>	\$ 879,578,265	1.13%	1.13%	3.05%	
<b>OPEB Trust Fund<sup>4</sup></b> <i>Benchmark</i>	\$ 42,614,306	9.62% 9.71%	9.62% 9.71%	15.41% 15.48%	7.00%
<b>OPEB Post Retirement Pay Steps Plan Fund<sup>4</sup></b> <i>Benchmark</i>	\$ 8,629,338	7.63% 9.71%	7.63% 9.71%	13.52% 15.48%	7.00%
<b>Cemetery Trust Fund<sup>4</sup></b> <i>Benchmark</i>	\$ 32,524,840	8.71% 9.30%	8.71% 9.30%	10.40% 15.88%	5.00%
<b>General Employees Retirement System<sup>4</sup></b> <i>Benchmark</i>	\$ 726,062,043	7.00% 6.80%	7.00% 6.80%	10.60% 11.20%	6.75%
<b>Police &amp; Fire Retirement System<sup>4</sup></b> <i>Benchmark</i>	\$ 1,149,605,891	6.53% 7.30%	6.53% 7.30%	10.53% 10.90%	7.20%

## Notes:

1. City Operating Funds – Self-Directed performance is calculated based on the weighted average yield of the Florida CLASS and FL PALM Holdings, as well as \$263,783,425 of Funds Held for Liquidity in the City's bank accounts.
2. Total City of Fort Lauderdale Funds calculated as the weighted average return of City Operating Funds - Self Directed, CRA Funds, and Fixed Income Investment Portfolio – PFMAM
3. Bond Proceeds balance includes all bond proceeds portfolios. Current quarter yields estimated based on all bond proceeds holdings. Fiscal Year to Date and Trailing 12 Month yields are estimated based on current quarter yields and 2018 Water & Sewer bond yield data.
4. Performance and Market Values from Fixed Income Investment Portfolio – PFMAM, OPEB Trust Fund, OPEB Post Retirement Pay Steps Plan Fund, Cemetery Trust Fund, General Employees Retirement System ("GERS"), and Police & Fire Retirement System ("P&F") are derived from their manager reports as of December 31, 2023.

	<b>Market Value as of December 31, 2023</b>	<b>Percent of Portfolio</b>	<b>Market Value as of September 30, 2023</b>	<b>Percent of Portfolio</b>
<b><u>Funds Held for Liquidity</u></b>				
CitiBank - Health Ins	1,056,906	0.06%	1,222,667	0.10%
Wells Fargo - Wks Comp	312,264	0.02%	339,172	0.03%
Wells Fargo Govt Ckg - BMPO	1,907,599	0.10%	57,599	0.00%
Wells Fargo Master Account	245,074,496	12.93%	29,662,363	2.50%
Wells Fargo Utility Account	8,557,358	0.45%	8,659,404	0.73%
Wells Fargo CRA	91,060,581	4.80%	72,571,638	6.11%
Wells Fargo Police Evidence	1,463,570	0.08%	913,570	0.08%
Wells Fargo Grants	5,411,232	0.29%	25,375,384	2.14%
<b>Total Funds for Liquidity</b>	<b>\$ 354,844,006</b>	<b>18.44%</b>	<b>\$ 138,801,799</b>	<b>9.56%</b>
<b><u>Funds Held for Investment</u></b>				
PFMAM Investment Portfolio	391,825,641	20.67%	378,873,912	31.92%
CRA City Self - Directed Account	-	0.00%	42,973	0.00%
City Self - Directed Account	-	0.00%	14,376	0.00%
FMIT Subsidiary Accounts	-	0.00%	-	0.00%
FL CLASS	124,883,222	6.59%	158,079,820	13.32%
FL PALM	114,152,393	6.02%	42,123,744	3.55%
FL PALM TERM	30,000,000	1.58%	117,000,000	9.86%
<b>Total Funds for Investment</b>	<b>\$ 660,861,256</b>	<b>34.87%</b>	<b>\$ 696,134,825</b>	<b>58.65%</b>
<b><u>Bond Proceeds</u></b>				
Water & Sewer Bond 2018	-	0.00%	168,622	0.01%
Stormwater Bonds	96,879,986.13	5.11%	96,706,769	8.15%
Water & Sewer Bonds	602,339,736.29	31.78%	58,335,297	4.91%
Parks 2020-A	41,235,303	2.18%	41,841,937	3.53%
Public Safety 2020-B	70,730,799	3.73%	87,563,680	7.38%
FMIT G.O. Series 2011-A	5,124,153	0.27%	5,040,584	0.42%
FL CLASS GOB 2022A-Parks	63,268,288	3.34%	62,397,262	5.26%
<b>Total Bond Proceeds</b>	<b>\$ 879,578,265</b>	<b>46.41%</b>	<b>\$ 352,054,151</b>	<b>29.66%</b>
<b>Grand Total</b>	<b>\$ 1,895,283,527</b>	<b>99.71%</b>	<b>\$ 1,143,440,802</b>	<b>100.00%</b>

## Notes:

1. Market Values plus accrued interest as of December 31, 2023 and September 30, 2023 are derived from their respective statements from Wells Fargo, PFMAM, City National, or FMIT.
2. Bond Proceeds balances for Parks 2020-A and Public Safety 2020-B include cash balances, FL PALM balances, and FL PALM Term balances.

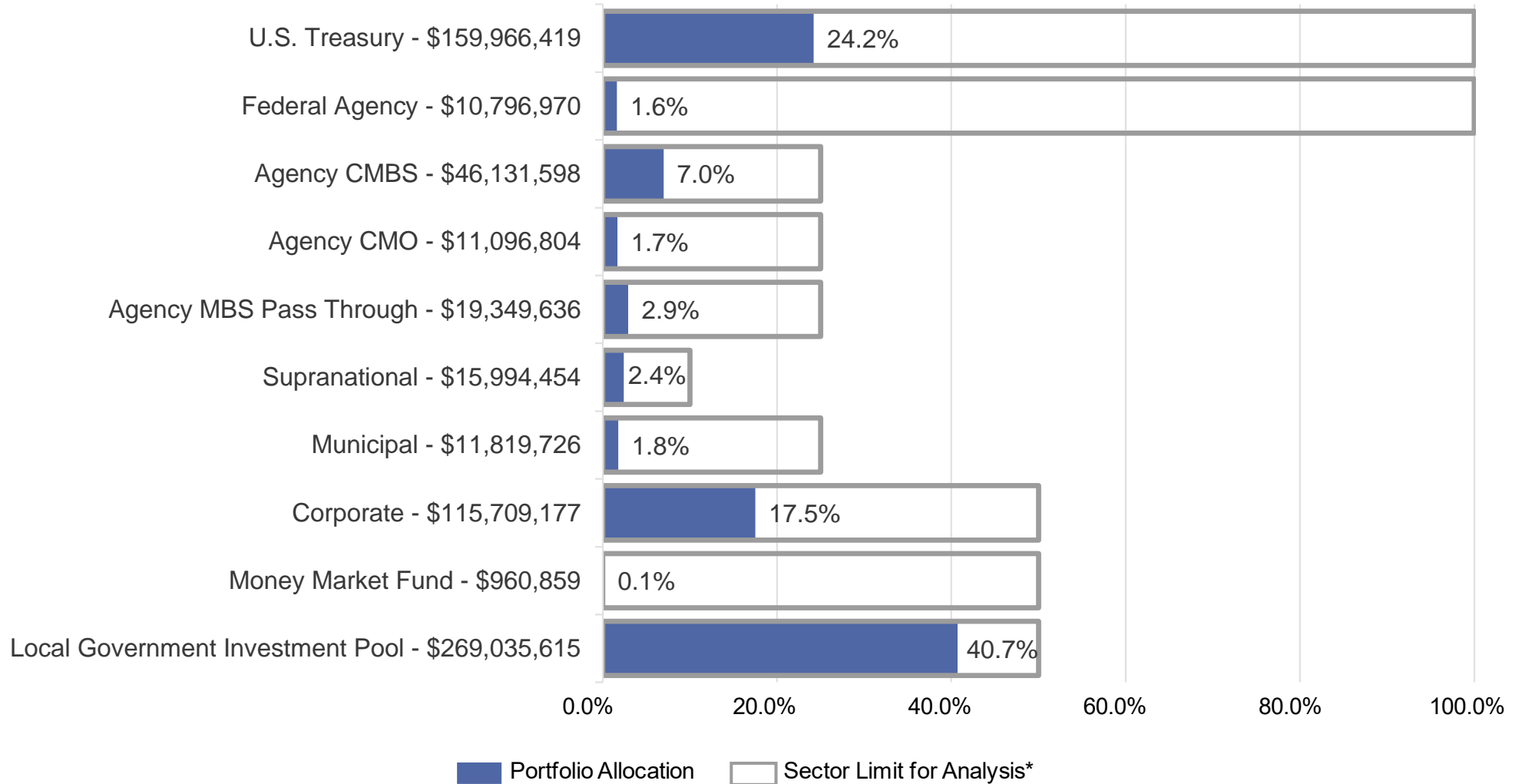


<u>Account Names</u>	<u>Yield to Market as of December 31, 2023</u>	<u>Percent of Portfolio December 31, 2023</u>	<u>Yield to Market as of September 30, 2023</u>	<u>Percent of Portfolio September 30, 2023</u>
<b><u>Funds Held for Liquidity</u></b>				
CitiBank - Health Ins	0.00%	0.06%	0.00%	0.10%
Wells Fargo - Wks Comp	5.31%	0.02%	5.31%	0.03%
Wells Fargo Govt Ckg - BMPO	5.31%	0.10%	5.31%	0.00%
Wells Fargo Master Account	5.31%	12.93%	5.31%	2.50%
Wells Fargo Utility Account	0.00%	0.45%	0.00%	0.73%
Wells Fargo CRA	5.31%	4.80%	5.31%	6.11%
Wells Fargo Police Evidence	0.00%	0.08%	0.00%	0.08%
Wells Fargo Grants	0.00%	0.29%	0.00%	2.14%
<b>Total Funds for Liquidity</b>	<b>5.14%</b>	<b>18.44%</b>	<b>4.80%</b>	<b>9.56%</b>
<b><u>Funds Held for Investment</u></b>				
PFMAM Investment Portfolio	4.83%	20.67%	5.20%	31.92%
CRA City Self - Directed Account	0.00%	0.00%	1.49%	0.00%
City Self - Directed Account	0.00%	0.00%	0.00%	0.00%
FMIT Subsidiary Accounts	4.80%	0.00%	5.50%	0.00%
FL CLASS	5.48%	6.59%	5.47%	13.32%
FL PALM	5.56%	6.02%	5.53%	3.55%
FL PALM TERM	5.85%	1.58%	5.12%	9.86%
<b>Total Funds for Investment</b>	<b>5.12%</b>	<b>34.87%</b>	<b>5.27%</b>	<b>58.65%</b>
<b><u>Bond Proceeds</u></b>				
Water & Sewer Bond 2018	0.00%	0.00%	0.00%	0.01%
Stormwater Bonds	0.00%	5.11%	0.00%	8.15%
Water & Sewer Bonds	0.00%	31.78%	0.00%	4.91%
Parks 2020-A	5.56%	2.18%	5.53%	3.53%
Public Safety 2020-B	5.56%	3.73%	5.43%	7.38%
FMIT G.O. Series 2011-A	5.20%	0.27%	5.70%	0.42%
FL CLASS GOB 2022A-Parks	5.48%	3.34%	5.47%	5.26%
<b>Total Bond Proceeds</b>	<b>1.13%</b>	<b>46.41%</b>	<b>3.06%</b>	<b>29.66%</b>
<b>Total Average Yield</b>	<b>3.26%</b>	<b>99.71%</b>	<b>4.46%</b>	<b>97.86%</b>
<b><u>Benchmarks</u></b>				
	<b><u>December 31, 2023</u></b>		<b><u>September 30, 2023</u></b>	
S&P GIP All 30 Day Gross Yield Index	5.56%		5.52%	
ICE BofA 1-3 Year U.S. Treasury Index	4.34%		5.12%	
ICE BofA 1-5 Year U.S. Treasury Index	4.17%		4.96%	

Notes:

1. Market Values plus accrued interest as of December 31, 2023 and September 30, 2023 are derived from their respective statements from Wells Fargo, PFMAM, City National, or FMIT.
2. Bond Proceeds balances for Parks 2020-A and Public Safety 2020-B include cash balances, FL PALM balances, and FL PALM Term balances.

### Sector Allocation Analytics



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

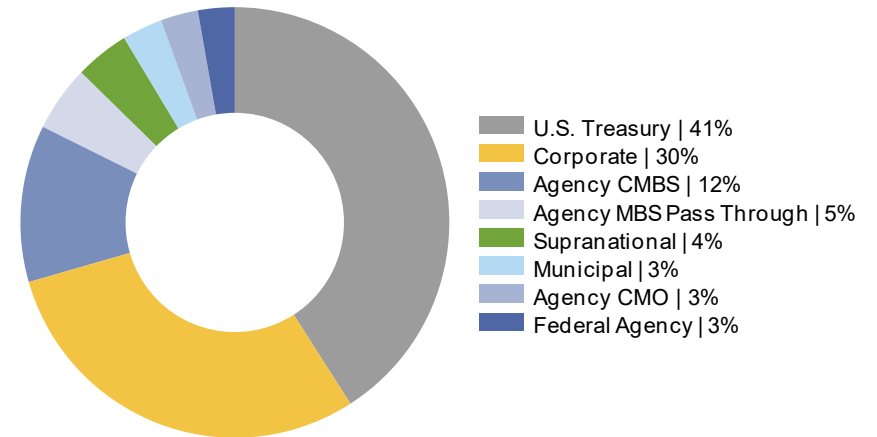
\*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

### Consolidated Summary

#### Account Summary

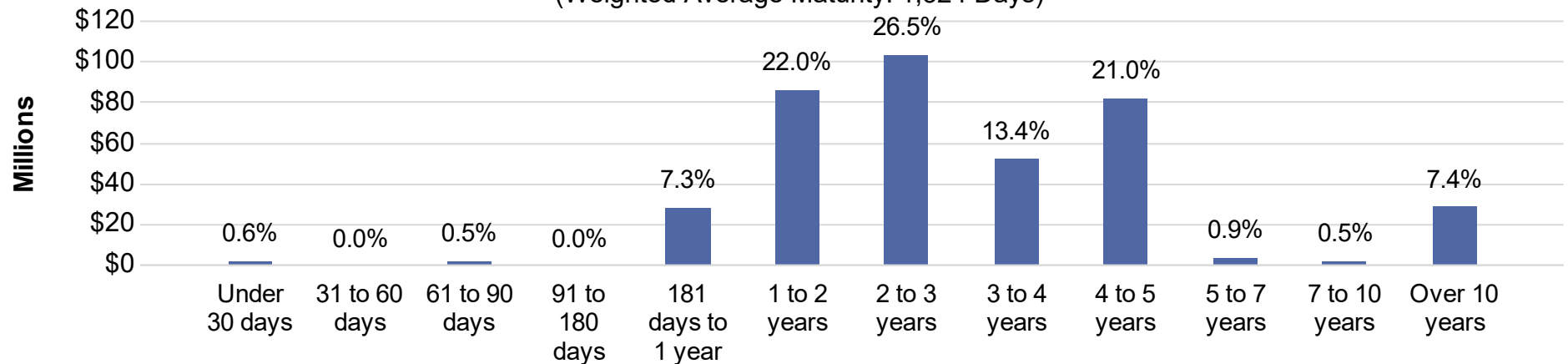
<b>PFMAM Managed Account</b>	\$391,825,641
<b>Total Program</b>	<b>\$391,825,641</b>

#### Sector Allocation



#### Maturity Distribution

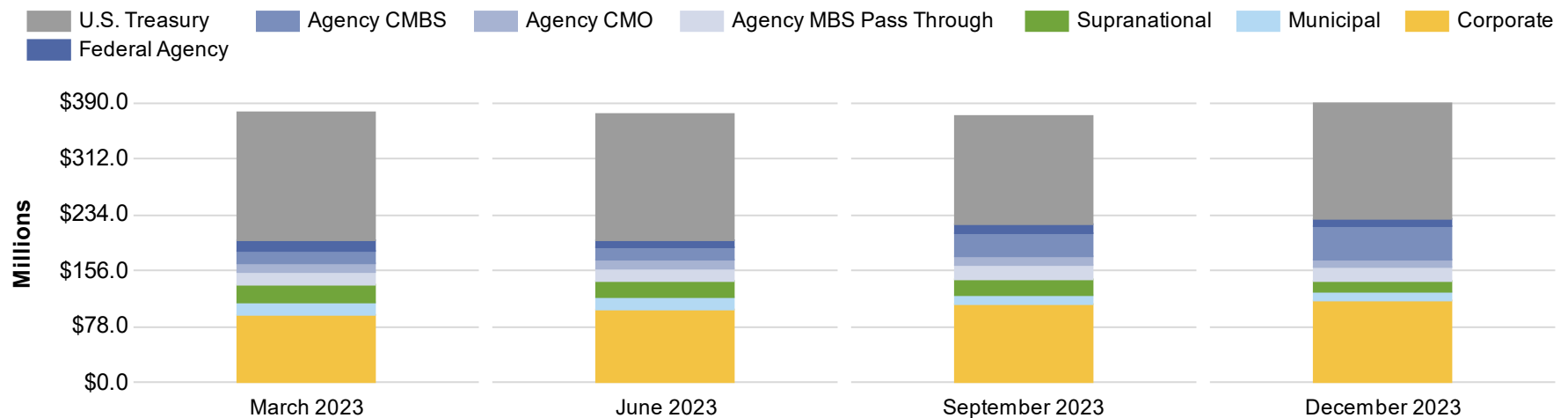
(Weighted Average Maturity: 1,324 Days)



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

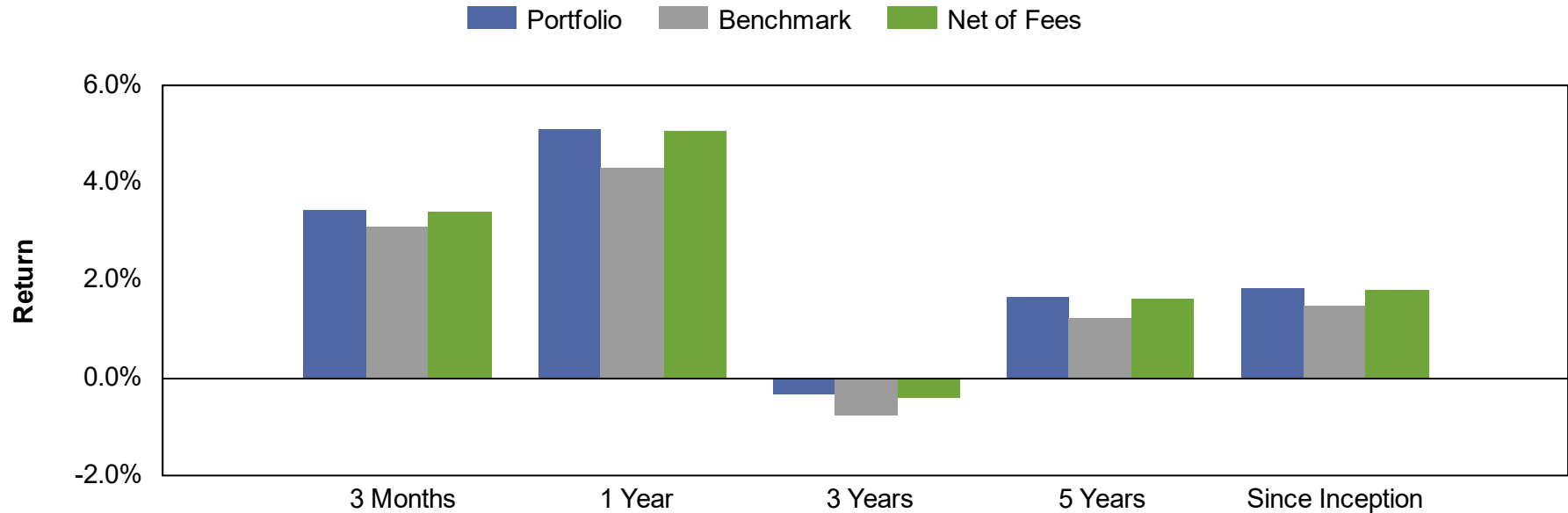
### Sector Allocation Review - CITY OF FORT LAUDERDALE - PFM

Security Type	Mar 23	% of Total	Jun 23	% of Total	Sep 23	% of Total	Dec 23	% of Total
U.S. Treasury	\$179.0	47.5%	\$176.3	46.8%	\$151.8	40.7%	\$159.3	40.9%
Federal Agency	\$13.4	3.6%	\$11.7	3.1%	\$11.7	3.2%	\$10.8	2.8%
Agency CMBS	\$16.9	4.5%	\$16.2	4.3%	\$33.9	9.1%	\$46.0	11.8%
Agency CMO	\$12.8	3.4%	\$12.0	3.2%	\$11.2	3.0%	\$11.1	2.9%
Agency MBS Pass Through	\$17.8	4.7%	\$16.8	4.5%	\$19.3	5.2%	\$19.3	5.0%
Supranational	\$26.4	7.0%	\$24.2	6.5%	\$24.0	6.4%	\$15.9	4.1%
Municipal	\$16.7	4.4%	\$16.7	4.5%	\$12.3	3.3%	\$11.8	3.0%
Corporate	\$94.1	24.9%	\$101.8	27.1%	\$108.4	29.1%	\$114.6	29.5%
<b>Total</b>	<b>\$377.1</b>	<b>100.0%</b>	<b>\$375.7</b>	<b>100.0%</b>	<b>\$372.7</b>	<b>100.0%</b>	<b>\$388.8</b>	<b>100.0%</b>



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

## Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$2,509,053	\$8,641,060	\$21,023,271	\$35,222,840	\$36,732,464
Change in Market Value	\$10,442,676	\$10,392,828	(\$24,516,342)	(\$10,718,218)	(\$8,144,848)
<b>Total Dollar Return</b>	<b>\$12,951,729</b>	<b>\$19,033,888</b>	<b>(\$3,493,071)</b>	<b>\$24,504,622</b>	<b>\$28,587,616</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	3.42%	5.11%	-0.35%	1.66%	1.85%
Benchmark <sup>4</sup>	3.10%	4.30%	-0.76%	1.21%	1.48%
<b>Basis Point Fee</b>	<b>0.01%</b>	<b>0.05%</b>	<b>0.05%</b>	<b>0.06%</b>	<b>0.06%</b>
<b>Net of Fee Return</b>	<b>3.41%</b>	<b>5.05%</b>	<b>-0.40%</b>	<b>1.60%</b>	<b>1.80%</b>

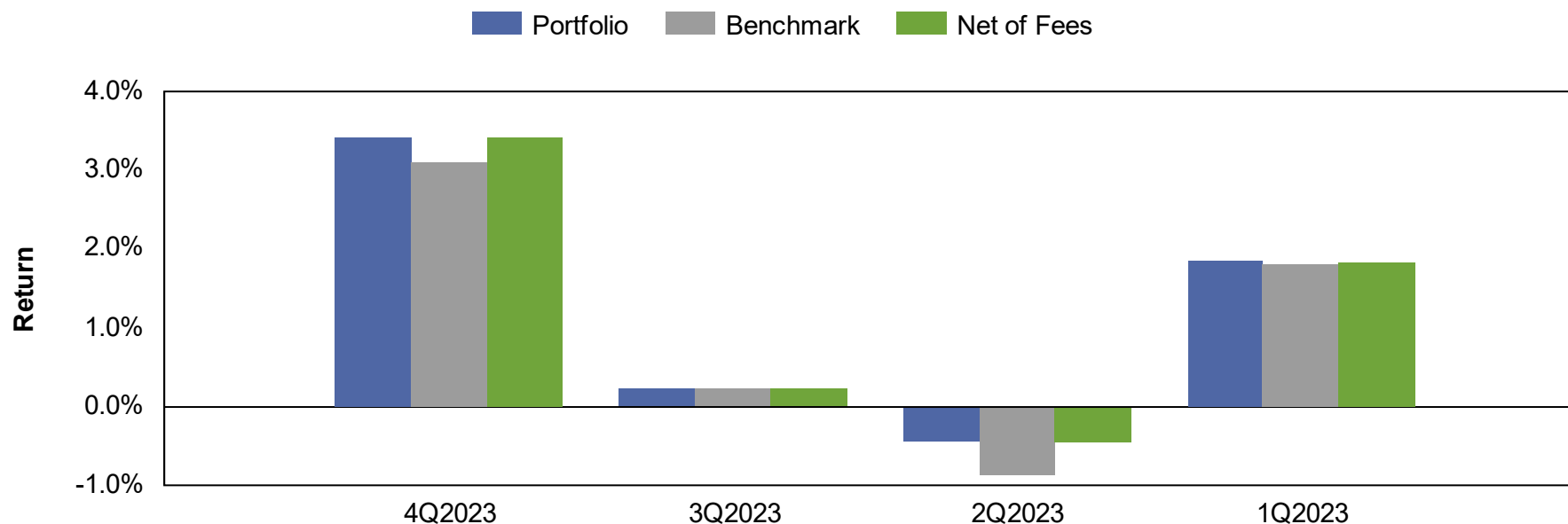
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2018.

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

## Portfolio Performance



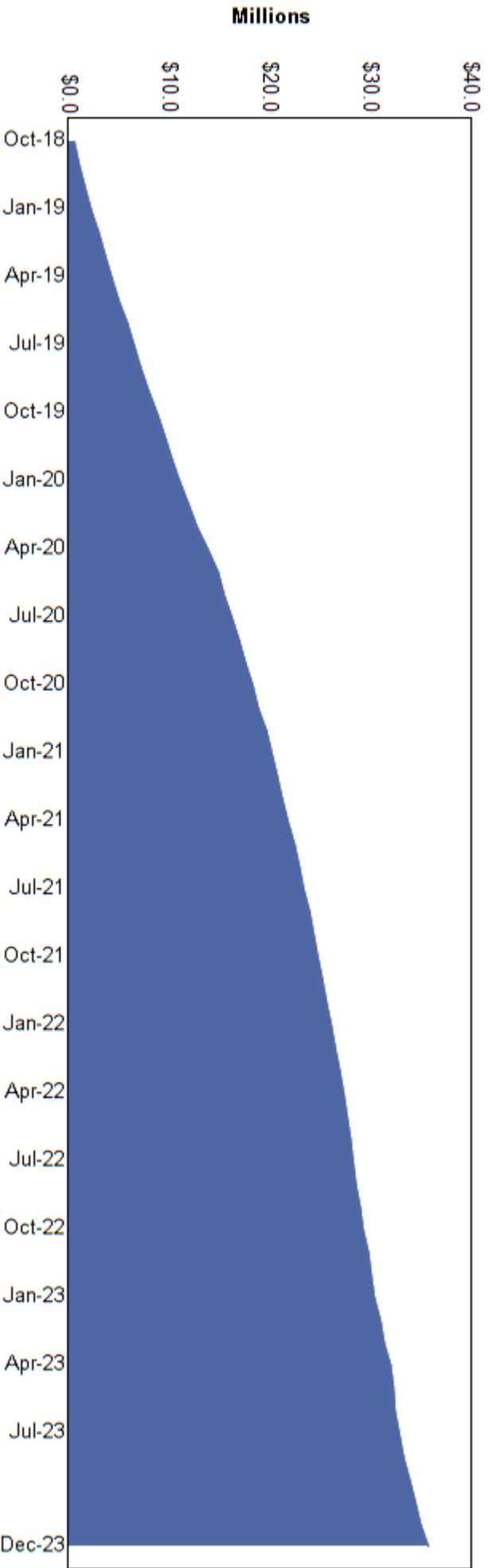
Market Value Basis Earnings	4Q2023	3Q2023	2Q2023	1Q2023
Interest Earned <sup>1</sup>	\$2,509,053	\$2,236,592	\$2,009,011	\$1,886,404
Change in Market Value	\$10,442,676	(\$1,368,422)	(\$3,680,691)	\$4,999,265
<b>Total Dollar Return</b>	<b>\$12,951,729</b>	<b>\$868,170</b>	<b>(\$1,671,680)</b>	<b>\$6,885,669</b>
<b>Total Return<sup>2</sup></b>				
Portfolio	3.42%	0.23%	-0.44%	1.85%
Benchmark <sup>3</sup>	3.10%	0.23%	-0.86%	1.82%
<b>Basis Point Fee</b>	<b>0.01%</b>	<b>0.01%</b>	<b>0.01%</b>	<b>0.01%</b>
<b>Net of Fee Return</b>	<b>3.41%</b>	<b>0.22%</b>	<b>-0.45%</b>	<b>1.83%</b>

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

2. Returns are presented on a periodic basis.

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

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



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$2,509,053	\$8,641,060	\$21,023,271	\$35,222,840	\$36,732,464
Realized Gains / (Losses) <sup>3</sup>	(\$690,510)	(\$3,517,836)	(\$3,210,966)	\$1,012,395	\$911,538
Change in Amortized Cost	\$269,727	\$570,827	(\$1,725,681)	(\$2,107,077)	(\$1,858,112)
<b>Total Earnings</b>	<b>\$1,888,269</b>	<b>\$5,694,051</b>	<b>\$16,086,623</b>	<b>\$34,128,158</b>	<b>\$35,785,890</b>

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

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

## Glossary

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

## Glossary

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