



# CITY OF ROCKVILLE, MARYLAND

## **Investment Performance Review For the Quarter Ended September 30, 2019**

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## **Tab I**

- ◆ Market Update

## **Tab II**

- ◆ Portfolio Recap & Strategy
- ◆ Investment Portfolio Review

## **Tab III**

- ◆ Important Disclosures
- ◆ Glossary

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# Tab I

## Market Indicators Mixed, but Recession Does Not Appear Imminent

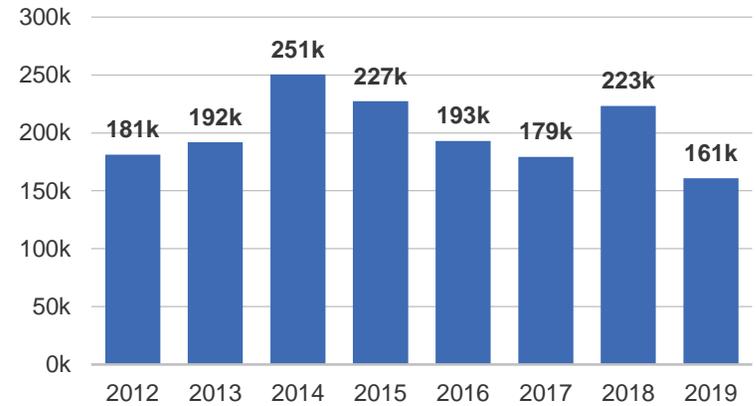
*Recession fears growing as manufacturing slows and job growth moderates...*

ISM Manufacturing Activity Index



*recent trade conflicts taking toll on manufacturing sector*

Average Monthly Job Growth

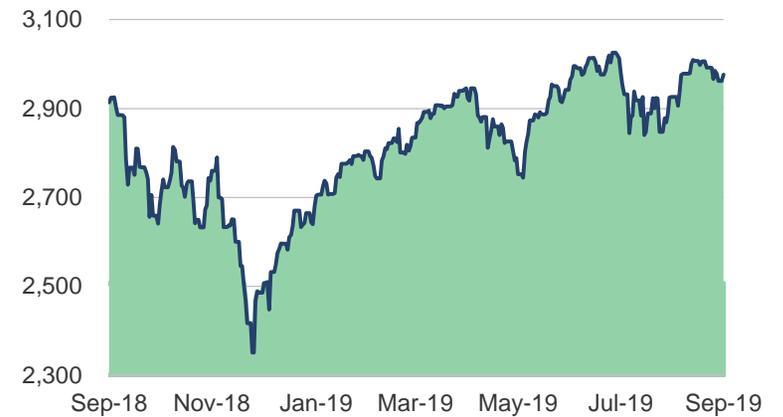


*...but consumers remain confident and financial markets seem optimistic*

Conference Board Consumer Confidence



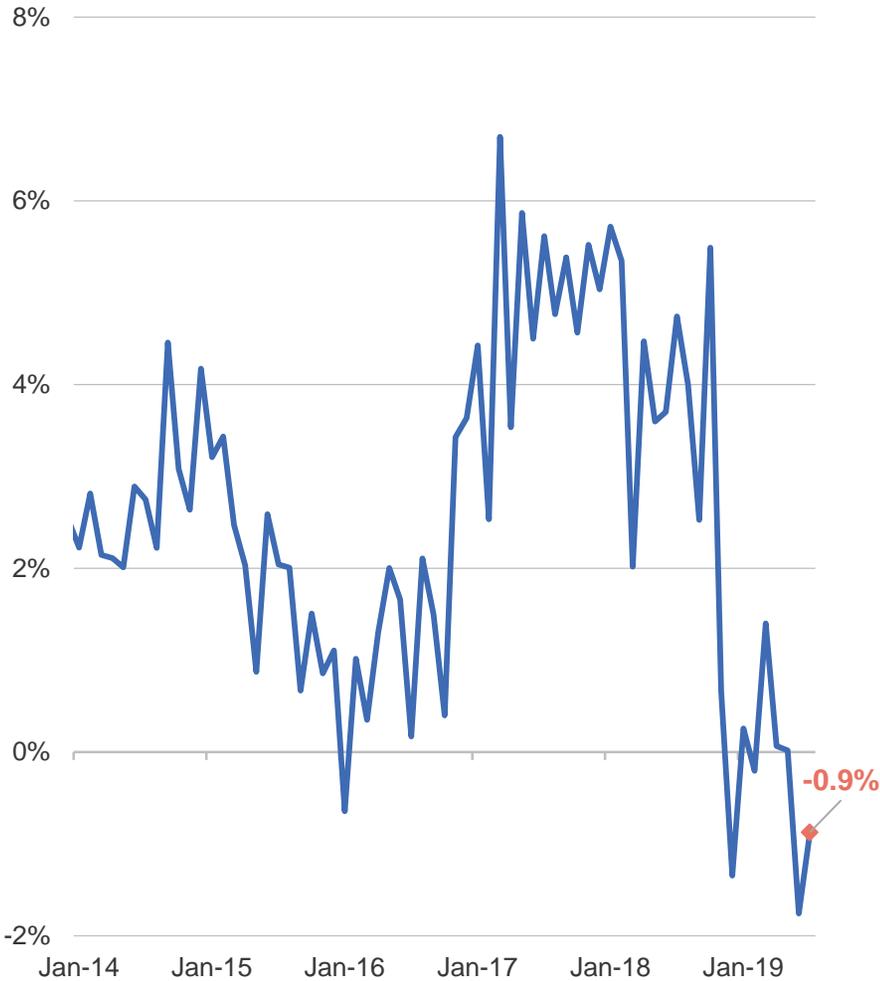
S&P 500 Price Change



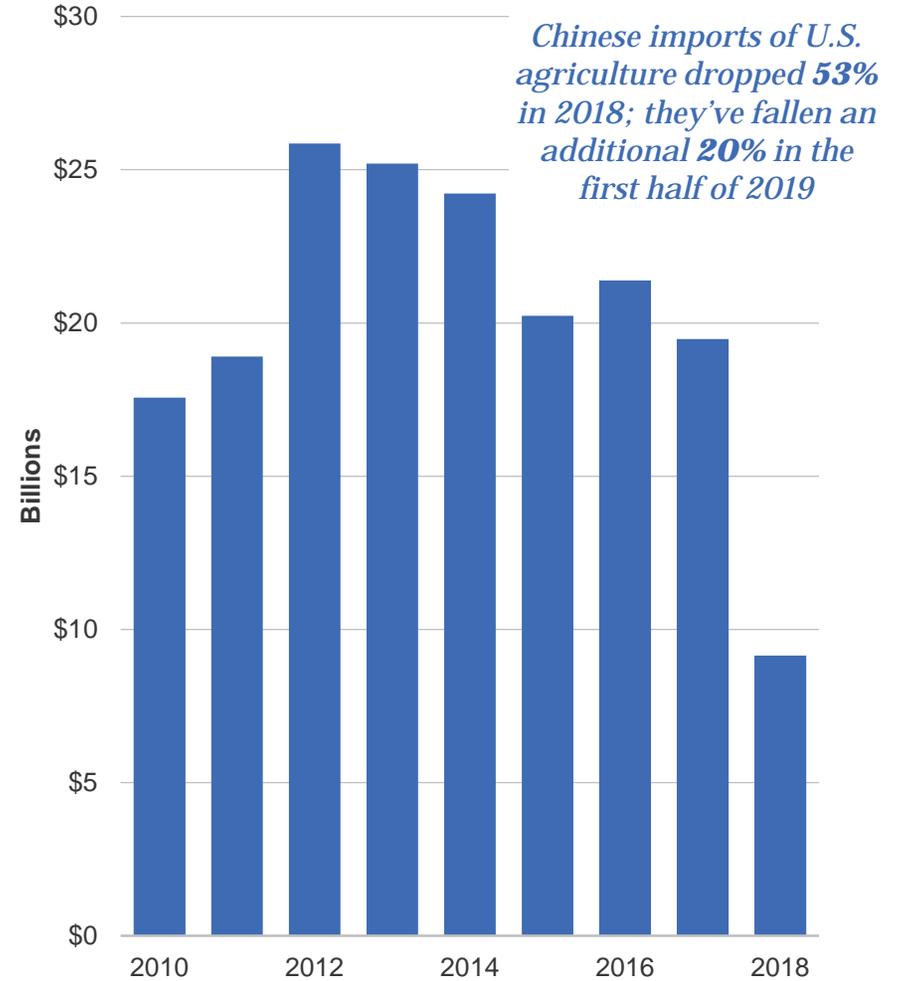
Source: Bloomberg, data available as of 9/30/19.

## Tariffs Take a Toll on Global Trade Volume, Especially U.S. Agriculture

### Global Trade Volume YoY



### U.S. Agricultural Exports to China



Source: CPB (left); Wall Street Journal & USDA Foreign Agricultural Service (right).

## The OECD Follows World Bank & IMF in Lowering Growth Projections

- The world growth outlook was cut to 2.9% for 2019, down from the 3.2% projection from 4 months ago
- This rate is the slowest pace since the global financial crisis

*“The global economy has become increasingly fragile and uncertain, with growth slowing and downside risks continuing to mount.”*

*-OECD, 9/19/19*

**OECD GDP Growth Projections**  
September 2019

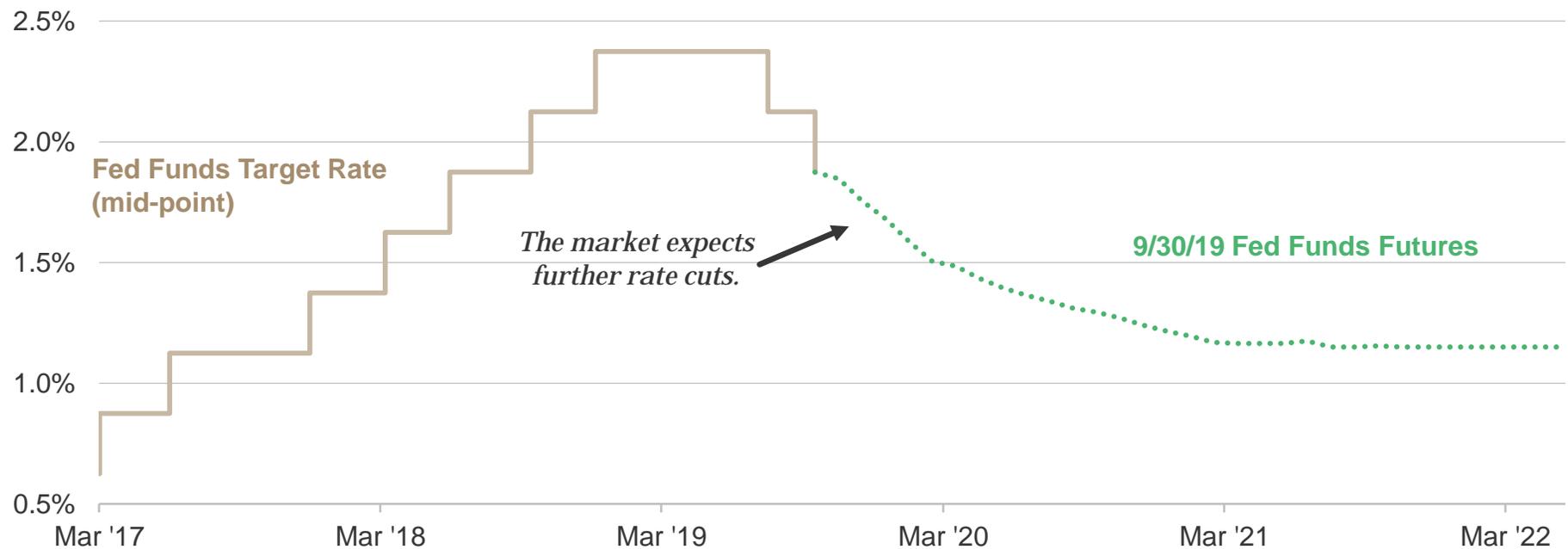
Region	2019	2020
World	2.9% ↓	3.0% ↓
U.S.	2.4% ↓	2.0% ↓
China	6.1% ↓	5.7% ↓
United Kingdom	1.0% ↓	0.9% ↓
Euro Area	1.1% ↓	1.0% ↓
Germany	0.5% ↓	0.6% ↓
France	1.3%	1.2% ↓
Italy	0.0%	0.4% ↓
Japan	1.0% ↑	0.6%
Canada	1.5% ↑	1.6% ↓

Source: The Organization for Economic Co-operation and Development. Arrows indicate change from prior projection.

### The Federal Reserve Cut Rates in July and September



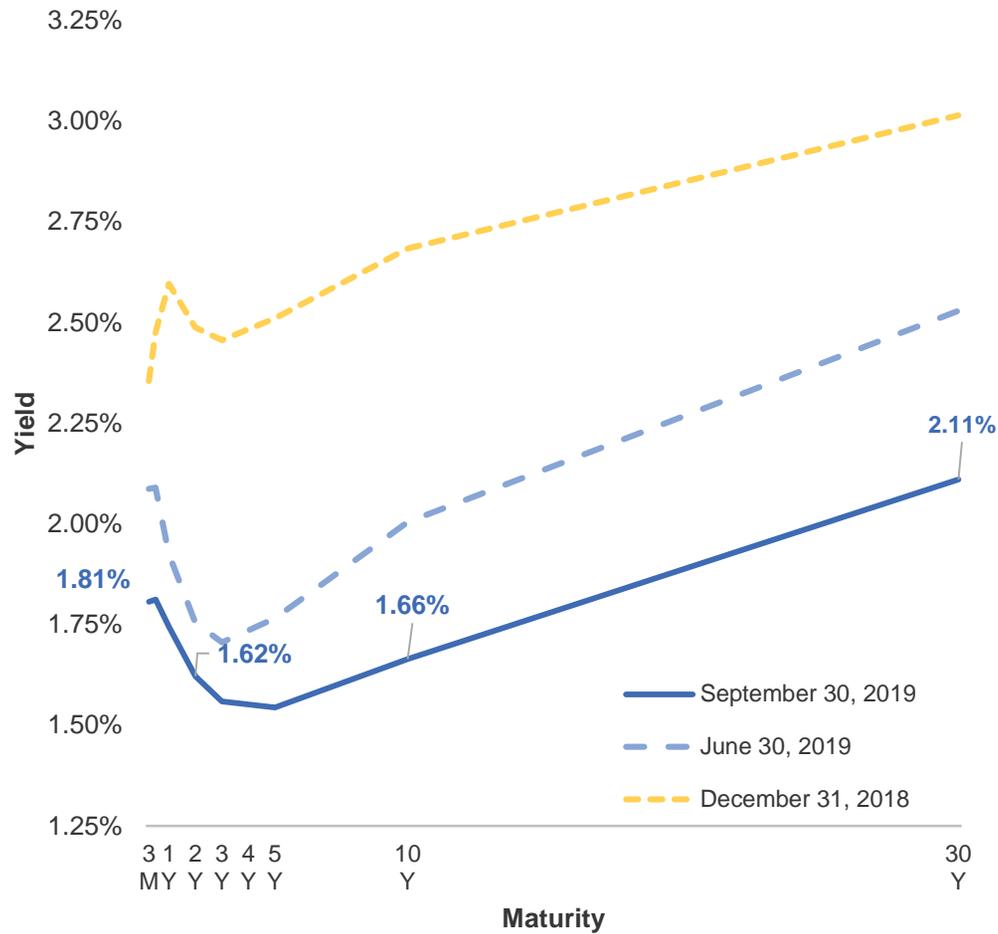
The Fed cited “...weak global growth ...trade policy uncertainty ...and muted inflation...”



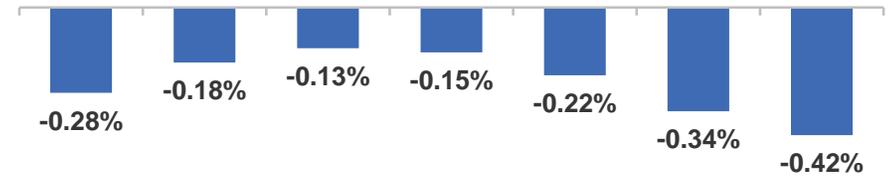
Source: Federal Reserve and Bloomberg.

## Yields Continued to Decline in the Third Quarter

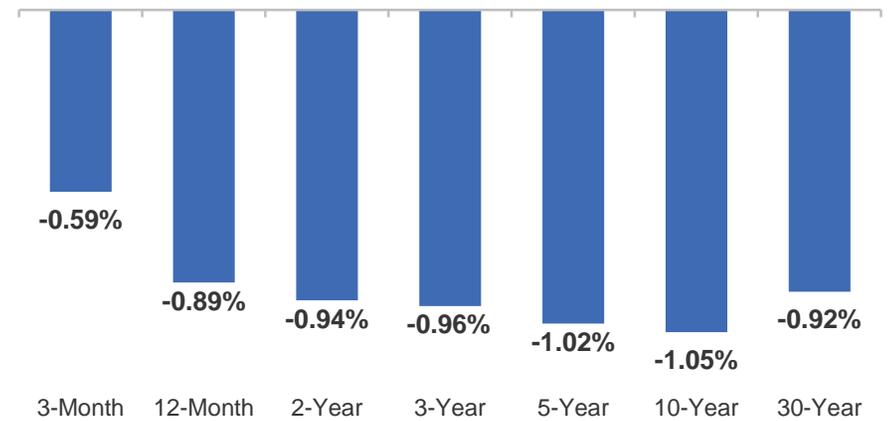
### U.S. Treasury Yield Curve



### Q3 Change in Yield



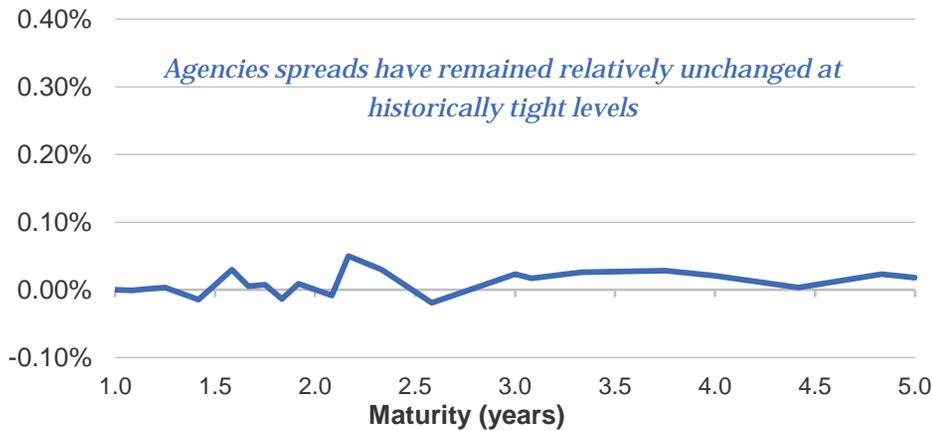
### YTD Change in Yield



Source: Bloomberg, as of 9/30/2019.

## Yield Spreads Narrow Across All Spread Sectors

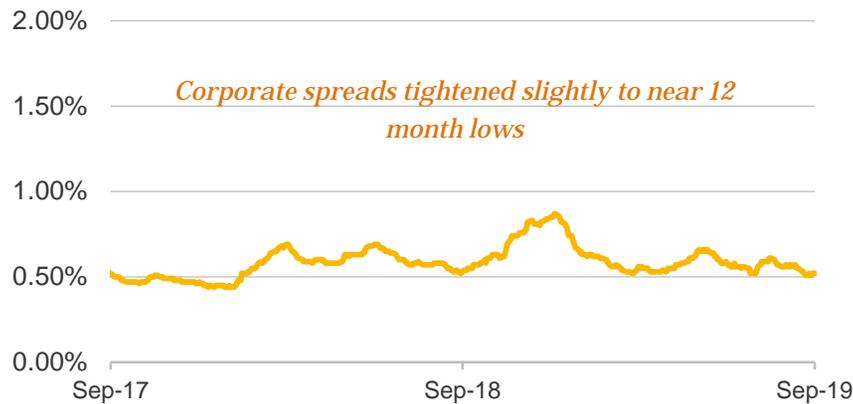
### Federal Agency Yield Spreads



### Auto Asset-Backed Securities Yield Spreads



### Corporate Notes (1-5 yr A-AAA) Yield Spreads



### Mortgage-Backed Securities Yield Spreads

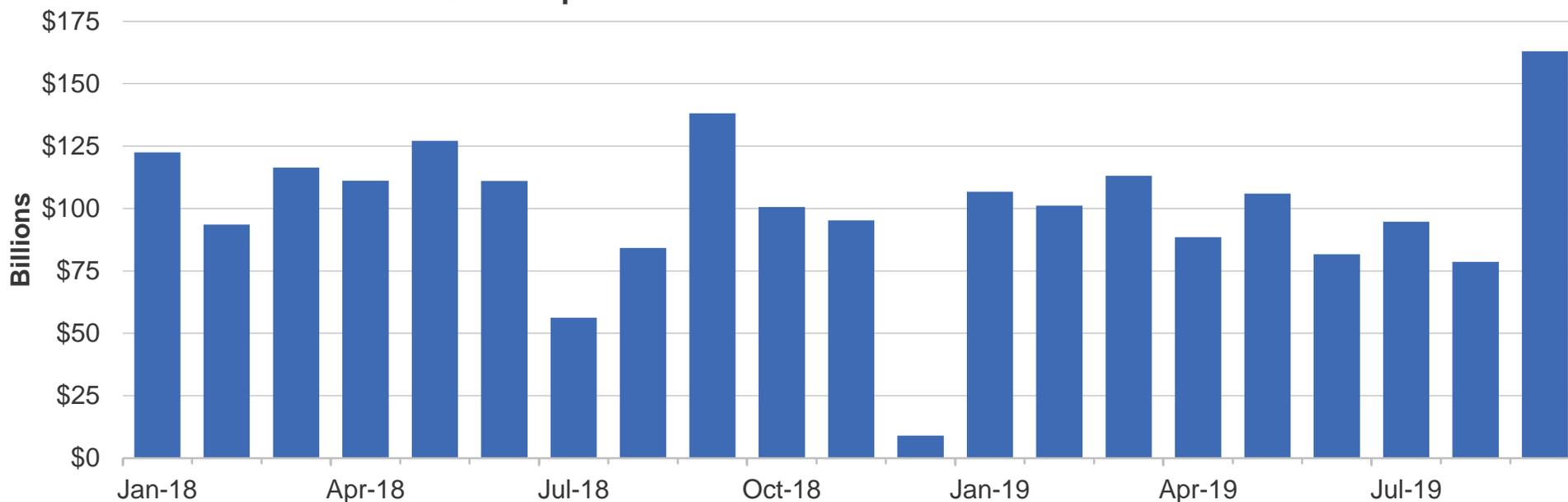


Source: Bloomberg, MarketAxess and PFM. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. ICE BofAML 1-5 year Indices. Data as of 9/30/19.

## Corporate Issuance Surges in September

- ◆ After a slow start to the quarter, investment grade corporate issuance broke records in September
  - \$163 billion issued in September
  - 3rd busiest month on record
  - The first week of September was the busiest single week on record
- ◆ Spreads tightened as demand was high to meet the surge in supply

### U.S. Corporate Investment Grade Issuance



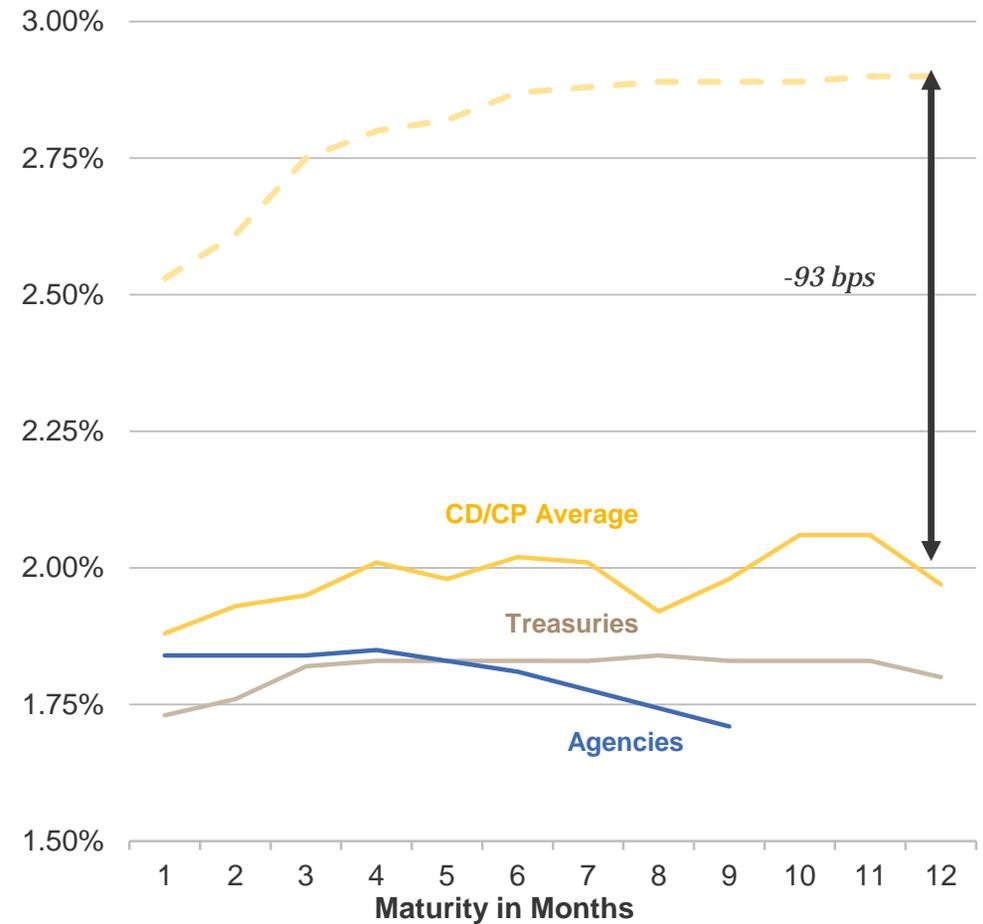
Source: SIFMA, as of September 2019.

## Short-Term Credit Spreads Stretch to Near 8-Month Wides

**Yield Spread on  
6-month Commercial Paper over T-Bill**



**Money Market Yield Curves**



Source (left): Bloomberg, as of 9/30/2019. Source (right): PFM Trading Desk, as of 9/30/2019. 6-mo CP yield spread based on A1/P1 rated CP index.

### Fixed-Income Sector Outlook – October 2019

Sector	Our Investment Preferences	Comments
<b>COMMERCIAL PAPER / CD</b>		<ul style="list-style-type: none"> <li>CP/negotiable CD spreads are near historic tights, though securities appear cheap relative to corporate notes.</li> </ul>
<b>TREASURIES</b>		
<b>T-Bill</b>		<ul style="list-style-type: none"> <li>Treasury bill supply is expected to increase by over \$100 billion during the fourth quarter.</li> </ul>
<b>T-Note</b>		<ul style="list-style-type: none"> <li>The Treasury yield curve remains inverted, providing little opportunities to benefit from roll-down.</li> </ul>
<b>FEDERAL AGENCIES</b>		
<b>Bullets</b>		<ul style="list-style-type: none"> <li>Federal agency spreads remain near historic tights. Treasuries continue to be attractive relative to agencies.</li> <li>Callables have been underperforming duration-matched bullets as redemption activity has been elevated, especially in short lock-out structures.</li> </ul>
<b>Callables</b>		
<b>SUPRANATIONALS</b>		<ul style="list-style-type: none"> <li>Spreads remain near historical tights; Treasuries have better value.</li> <li>There may be opportunities to sell at single digit yield spreads before a possible demand-side technical decay into year-end.</li> </ul>
<b>CORPORATES</b>		
<b>Financials</b>		<ul style="list-style-type: none"> <li>Tighter credit spreads and a cloudy economic outlook have reduced the attractiveness of the corporate sector.</li> <li>Steady demand from foreign investors and a lower interest rate environment, supported by recent FOMC action, are both positives for the sector.</li> </ul>
<b>Industrials</b>		
<b>SECURITIZED</b>		
<b>Asset-Backed</b>		<ul style="list-style-type: none"> <li>The AAA-rated ABS sector offers a defensive outlet to credit exposure but has tightened to near multi-year tights.</li> <li>As interest rates have fallen and supply has increased, MBS spreads have widened significantly to a more historic norm. We view this as an buying opportunity.</li> <li>Agency CMBS are an attractive alternative to other government sectors due to their incremental income potential.</li> </ul>
<b>Agency Mortgage-Backed</b>		
<b>Agency CMBS</b>		
<b>MUNICIPALS</b>		<ul style="list-style-type: none"> <li>The low interest rate environment should spur refunding activity and increase taxable municipal supply.</li> </ul>



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# Tab II

## PORTFOLIO RECAP

- The portfolio is invested in U.S. Treasuries, Federal Agencies/GSE, and Federal Agency/CMO securities. As of September 30, 2019, the portfolio has an average credit quality of AA.
- Interest rates continued their decline in the third quarter in response to further weakness in manufacturing activity; the on-again, off-again trade conflict with China; and heightened recession fears for the U.S. and global economies. Because yields were sharply lower over the past quarter (and YTD), bond market returns have been exceptionally strong. Diversification across sectors was generally additive, although agency mortgage-backed securities (MBS) continued to struggle on a relative basis.
- We continued to rotate out of the federal agency sector as its yield spreads remained near historical tight. Even new issue concessions were less attractive than in prior quarters. While limited supply is partly to blame, insatiable market demand has essentially capped any upside. As a result, we continued to prefer Treasury allocations over agencies, and avoided callable agencies, which have experienced significant early redemptions.
- After narrowing in the first half of 2019, yield spreads on short-term commercial paper gradually increased from multi-year lows. During the quarter, PFM sold \$600,000 of the City's remaining allocation to commercial paper and invested the proceeds in longer-term U.S. Treasury and agency securities.
- As of September 30, 2019, the City's portfolio returned 0.74% for the third quarter, slightly underperforming the benchmark's performance of 0.75%.
- Exclusive of funds in money market vehicles, the City's portfolio duration and yield to maturity at cost ended 3Q19 at 2.63 years and 2.11%, respectively.

## PORTFOLIO STRATEGY

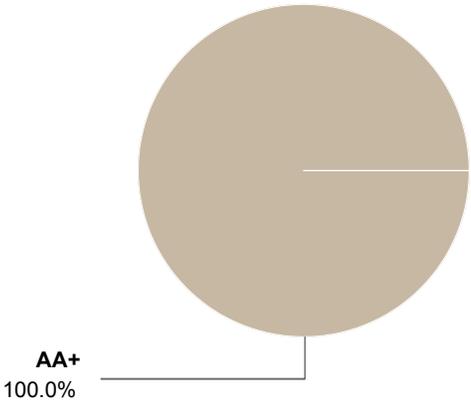
- Over the past few quarters, economic risks in the U.S. have risen; however, domestic economic data remains supportive of moderate, sustained growth over the near-term. While our view remains that a recession is not imminent, we acknowledge that trade disputes and politics are significant wildcards.
- After two well-telegraphed Fed rate cuts, the future path of short-term rates is less certain. One more cut before year-end is the consensus view, but recent inflation readings have improved and the Fed may prefer to save its monetary policy ammunition for an actual slowdown. As result of this uncertainty, we plan to maintain portfolio durations in line with benchmarks to reduce performance differences that could result from future interest rate changes.
- Our strategy as we enter the final quarter of 2019 is to maintain well-diversified portfolios as we seek to balance portfolio earnings potential with profit-taking in sectors that appear overly expensive. Issue selection has become increasingly important, regardless of sector, as market cross-currents have created both risks and opportunities.
- Federal agency yield spreads remain very tight. In some cases, agencies offer yields less than those on Treasuries of similar maturity. The U.S. Treasury Department also released an updated housing reform plan that seeks to reduce the role of the Federal Government, but implementation faces many political and practical difficulties. We continue to favor further reductions in agency holdings because their upside is limited.
- On the heels of two Fed rate cuts in Q3, money market investors may see further rate adjustments in the coming months. Short-term credit spreads have widened recently, creating investment opportunities that offset some of the Fed's lower overnight target rate.

**Portfolio Statistics**

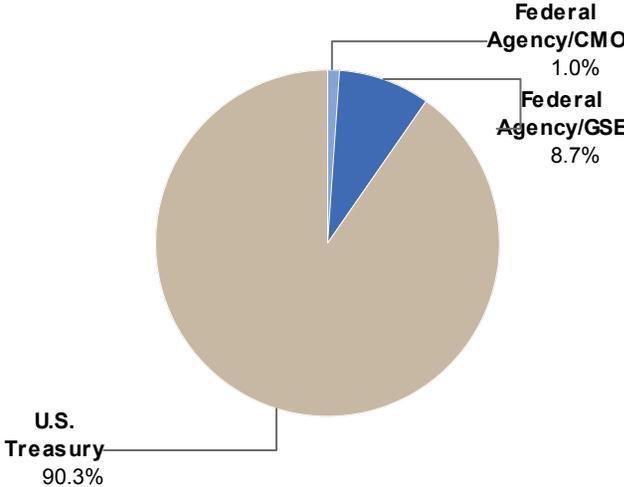
As of September 30, 2019

Par Value:	\$30,005,000
Total Market Value:	\$30,707,510
Security Market Value:	\$30,473,312
Accrued Interest:	\$202,230
Cash:	\$31,968
Amortized Cost:	\$30,143,043
Yield at Market:	1.64%
Yield at Cost:	2.11%
Effective Duration:	2.63 Years
Duration to Worst:	2.62 Years
Average Maturity:	2.75 Years
Average Credit: *	AA

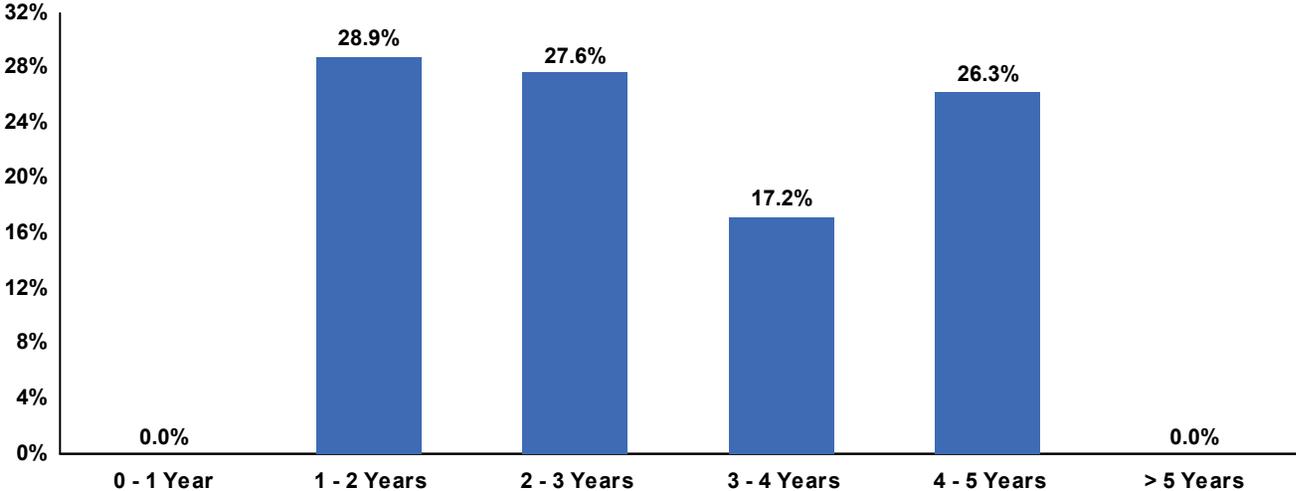
**Credit Quality (S&P Ratings)**



**Sector Allocation**



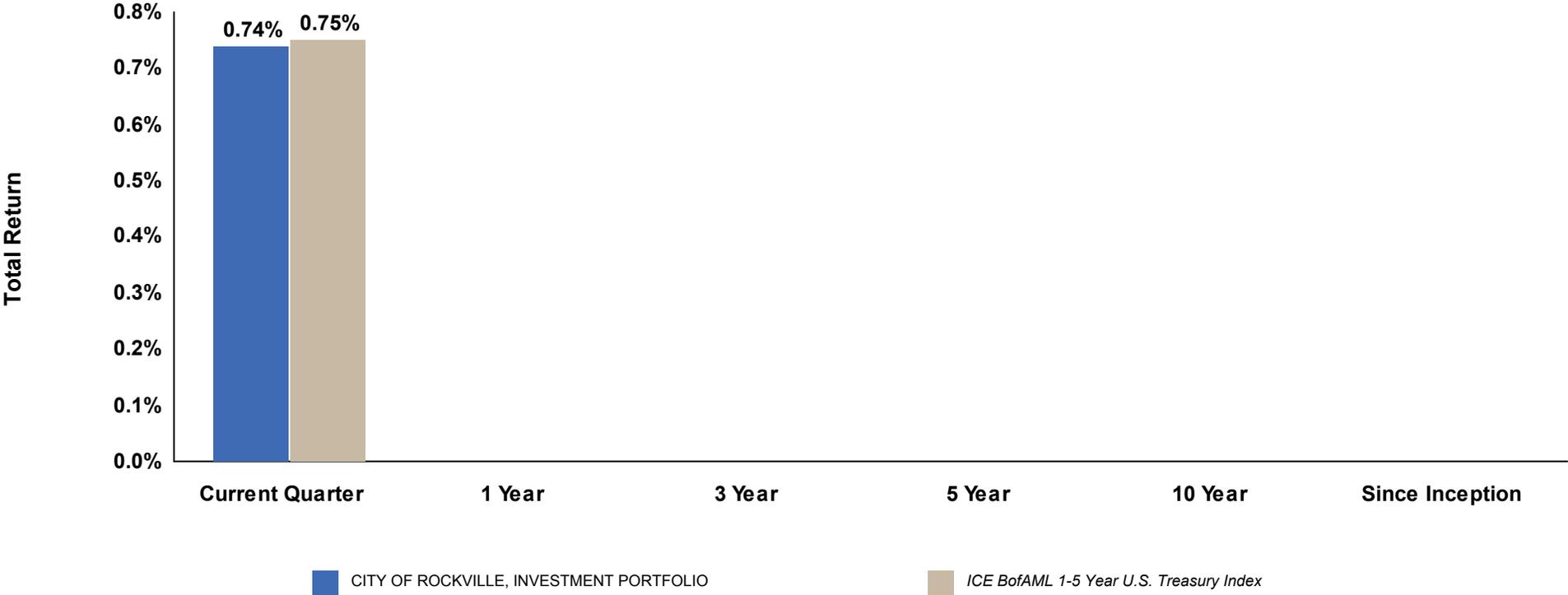
**Maturity Distribution**



\* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

**Portfolio Performance (Total Return)**

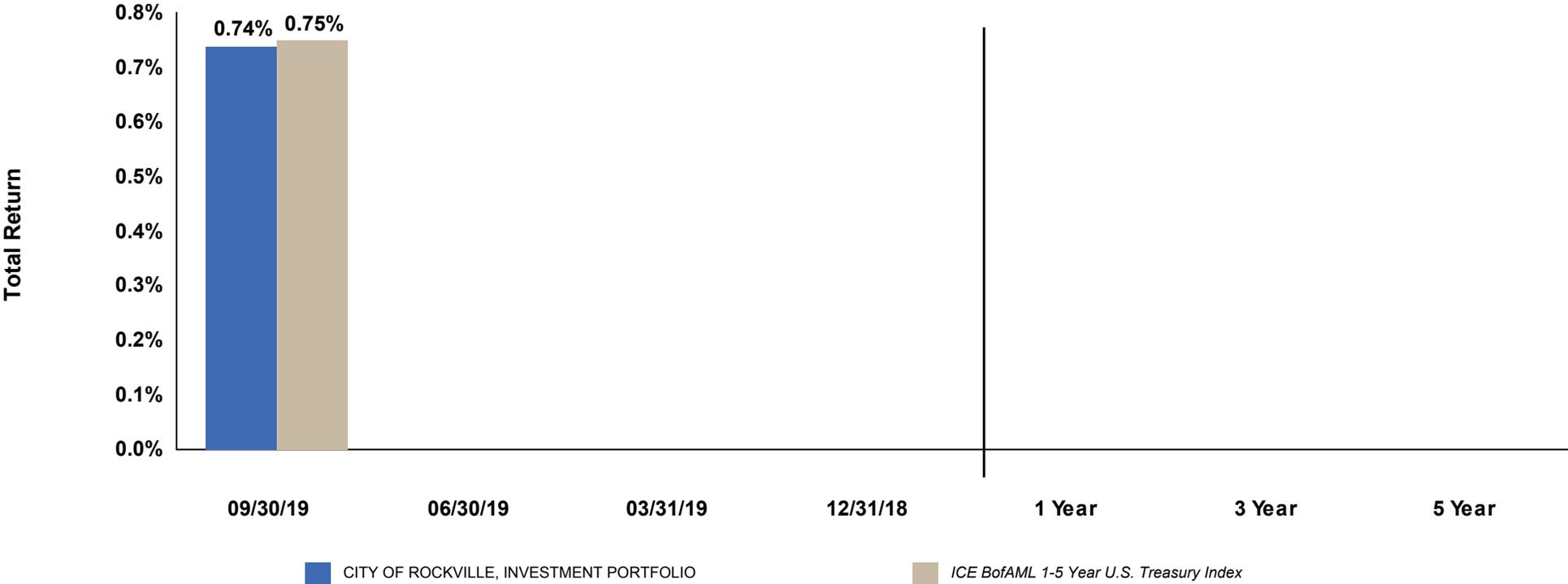
Portfolio/Benchmark	Effective Duration	Current Quarter	Annualized Return				
			1 Year	3 Year	5 Year	10 Year	Since Inception (06/30/19) **
CITY OF ROCKVILLE, INVESTMENT PORTFOLIO	2.63	0.74%	-	-	-	-	-
ICE BofAML 1-5 Year U.S. Treasury Index	2.56	0.75%	-	-	-	-	-
Difference		-0.01%	-	-	-	-	-



Portfolio performance is gross of fees unless otherwise indicated. \*\*Since Inception performance is not shown for periods less than one year.

Portfolio Performance (Total Return)

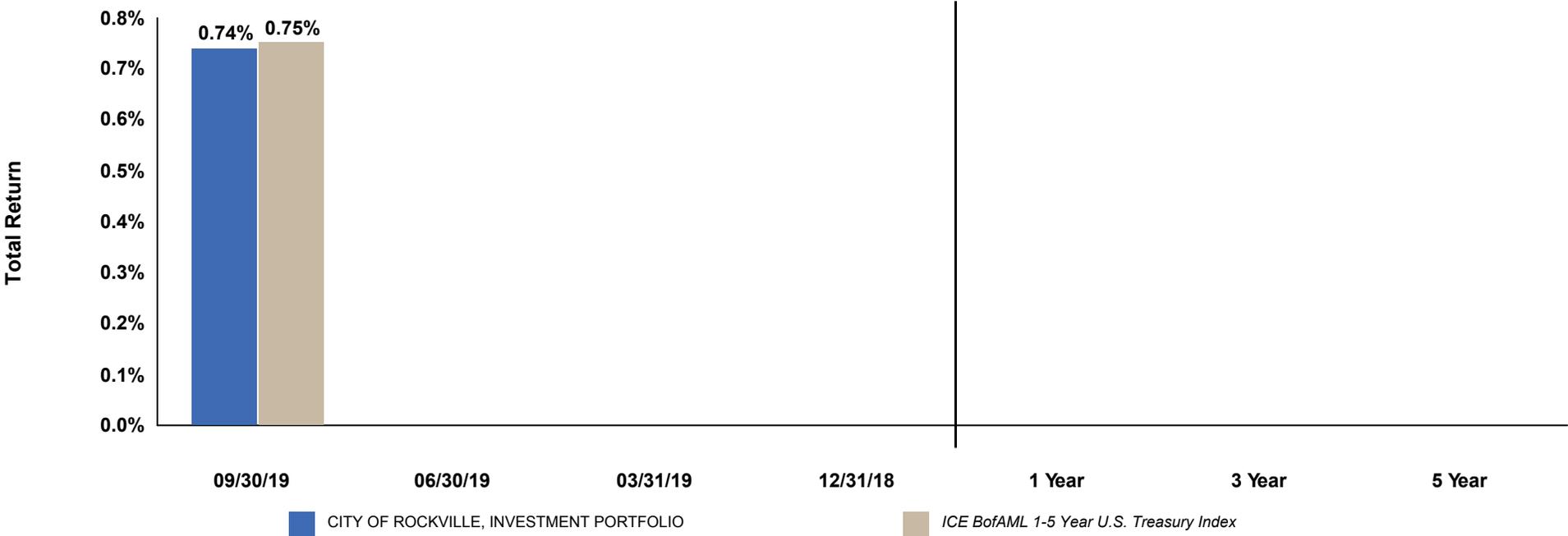
Portfolio/Benchmark	Effective Duration	Quarter Ended				1 Year	Annualized Return	
		09/30/19	06/30/19	03/31/19	12/31/18		3 Year	5 Year
CITY OF ROCKVILLE, INVESTMENT PORTFOLIO	2.63	0.74%	-	-	-	-	-	-
ICE BofAML 1-5 Year U.S. Treasury Index	2.56	0.75%	-	-	-	-	-	-
Difference		-0.01%	-	-	-	-	-	-



Portfolio performance is gross of fees unless otherwise indicated.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		09/30/19	06/30/19	03/31/19	12/31/18	1 Year	3 Year	5 Year
CITY OF ROCKVILLE, INVESTMENT PORTFOLIO	2.63	0.74%	-	-	-	-	-	-
<i>Net of Fees **</i>	-	0.72%	-	-	-	-	-	-
ICE BofAML 1-5 Year U.S. Treasury Index	2.56	0.75%	-	-	-	-	-	-
Difference (Gross)		-0.01%	-	-	-	-	-	-
Difference (Net)		-0.03%	-	-	-	-	-	-



Portfolio performance is gross of fees unless otherwise indicated. \*\* Fees were calculated based on average assets during the period at the contractual rate.

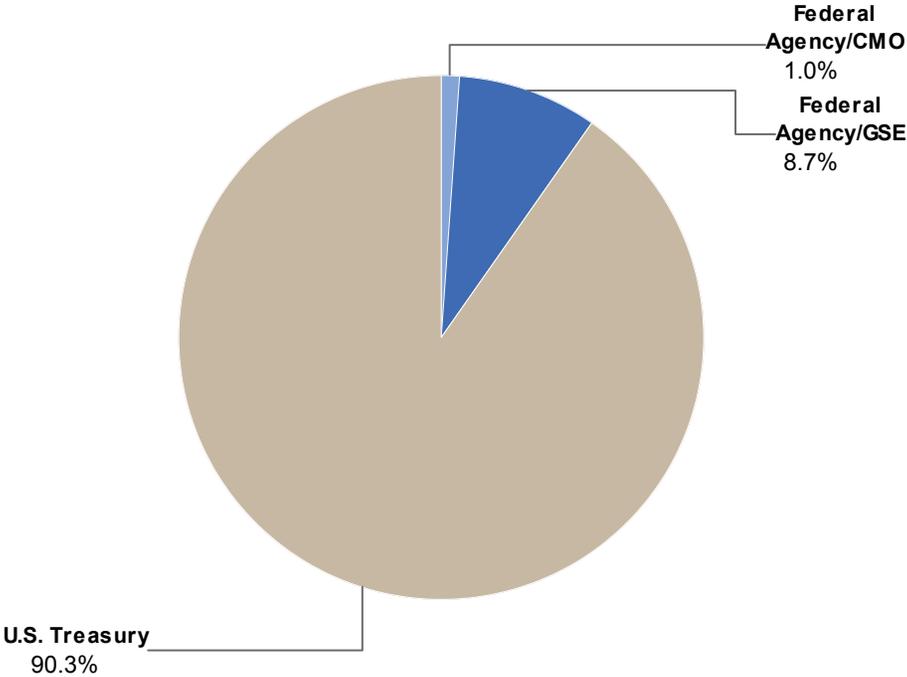
**Portfolio Earnings**

**Quarter-Ended September 30, 2019**

	<b>Market Value Basis</b>	<b>Accrual (Amortized Cost) Basis</b>
<b>Beginning Value (06/30/2019)</b>	\$30,407,952.58	\$30,039,077.31
<b>Net Purchases/Sales</b>	(\$7,234.01)	(\$7,234.01)
<b>Change in Value</b>	\$72,593.70	\$111,200.03
<b>Ending Value (09/30/2019)</b>	\$30,473,312.27	\$30,143,043.33
<b>Interest Earned</b>	\$151,985.66	\$151,985.66
<b>Portfolio Earnings</b>	\$224,579.36	\$263,185.69

**Sector Allocation**  
*As of September 30, 2019*

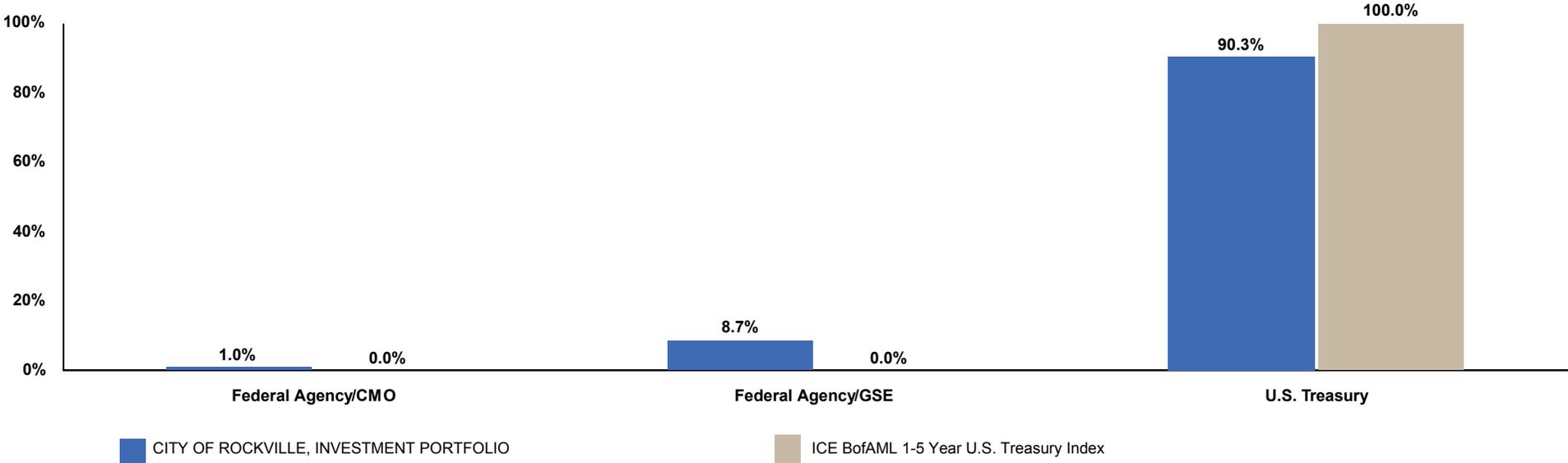
Sector	Market Value (\$)	% of Portfolio
U.S. Treasury	27,521,006	90.3%
Federal Agency/GSE	2,647,951	8.7%
Federal Agency/CMO	304,356	1.0%
<b>Total</b>	<b>\$30,473,312</b>	<b>100.0%</b>



Detail may not add to total due to rounding.

**Sector Allocation**  
*As of September 30, 2019*

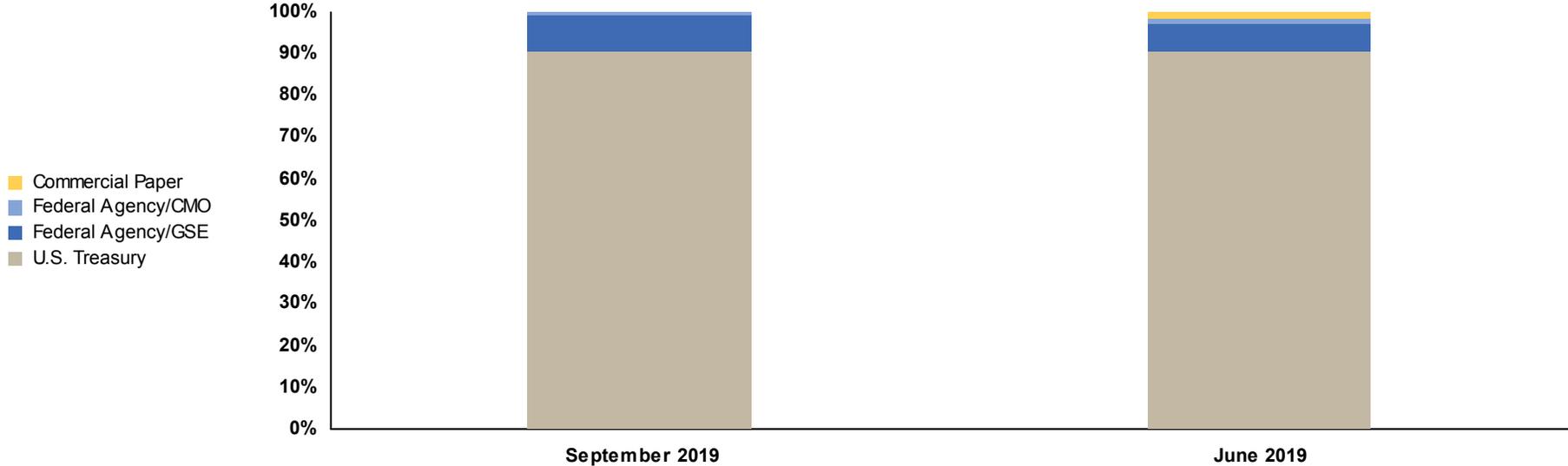
Sector	Market Value (\$)	% of Portfolio	% of Benchmark
U.S. Treasury	27,521,006	90.3%	100.0%
Federal Agency/GSE	2,647,951	8.7%	-
Federal Agency/CMO	304,356	1.0%	-
<b>Total</b>	<b>\$30,473,312</b>	<b>100.0%</b>	<b>100.0%</b>



Detail may not add to total due to rounding.

Sector Allocation

Sector	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
U.S. Treasury	27.5	90.3%	27.5	90.5%	0.0	0.0%	0.0	0.0%
Federal Agency/GSE	2.6	8.7%	2.0	6.5%	0.0	0.0%	0.0	0.0%
Federal Agency/CMO	0.3	1.0%	0.3	1.0%	0.0	0.0%	0.0	0.0%
Commercial Paper	0.0	0.0%	0.6	2.0%	0.0	0.0%	0.0	0.0%
<b>Total</b>	<b>\$30.5</b>	<b>100.0%</b>	<b>\$30.4</b>	<b>100.0%</b>	<b>\$0.0</b>	<b>0.0%</b>	<b>\$0.0</b>	<b>0.0%</b>

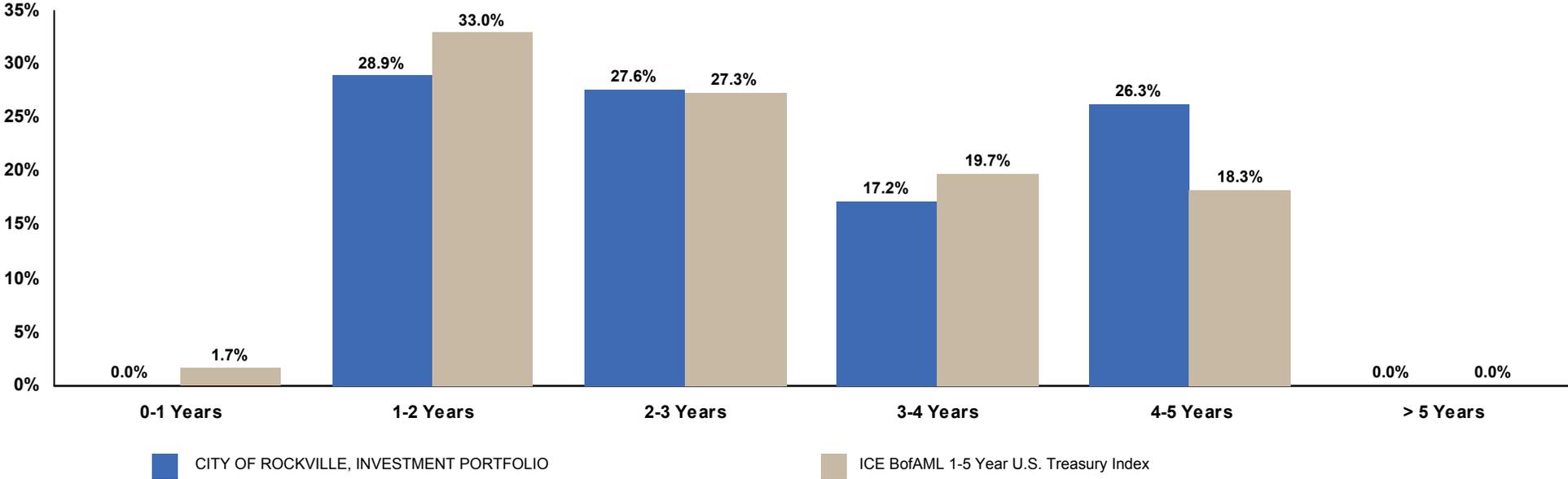


Detail may not add to total due to rounding.

**Maturity Distribution**

As of September 30, 2019

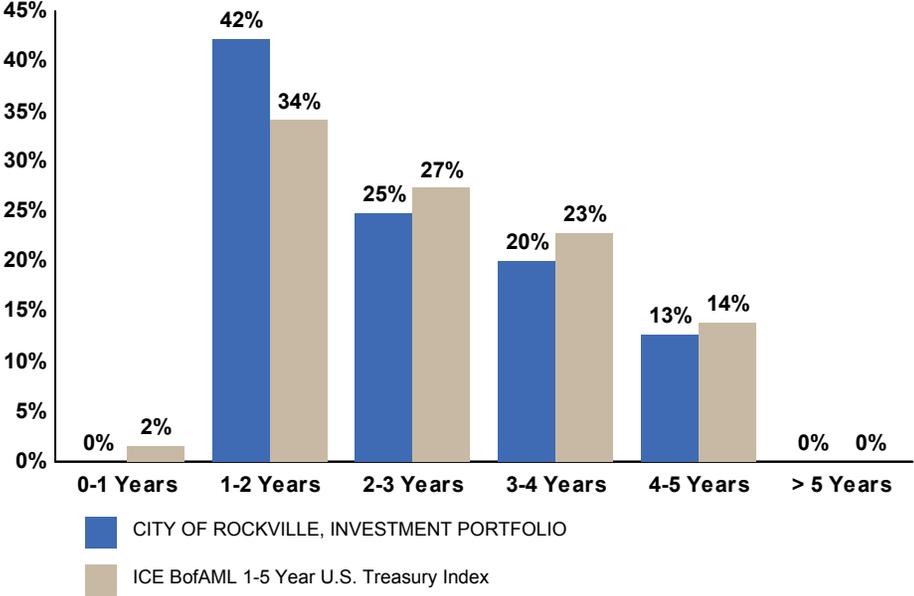
Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
CITY OF ROCKVILLE, INVESTMENT PORTFOLIO	1.64%	2.75 yrs	0.0%	28.9%	27.6%	17.2%	26.3%	0.0%
ICE BofAML 1-5 Year U.S. Treasury Index	1.64%	2.74 yrs	1.7%	33.0%	27.3%	19.7%	18.3%	0.0%



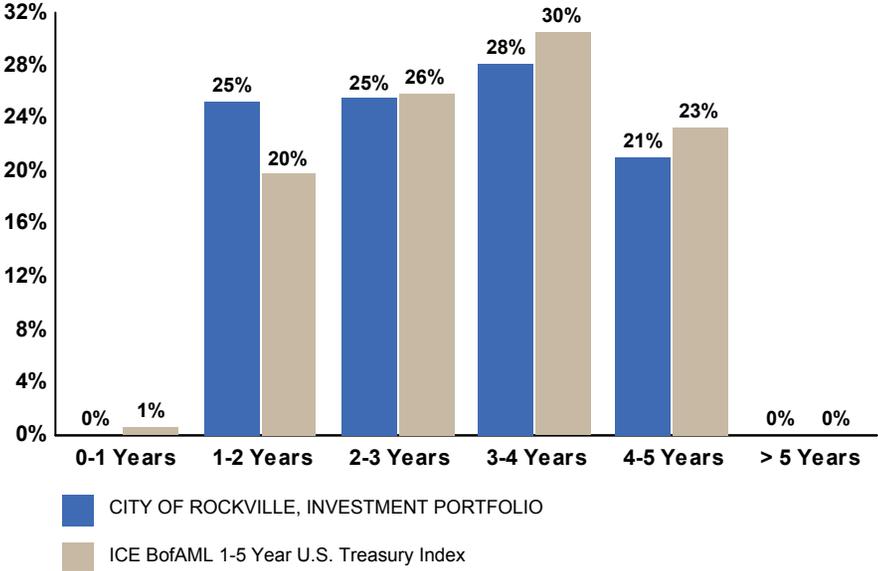
**Duration Distribution**  
As of September 30, 2019

Portfolio / Benchmark	Effective Duration	0-1 YEARS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	> 5 YEARS
CITY OF ROCKVILLE, INVESTMENT PORTFOLIO	2.63	0.0%	42.4%	24.8%	20.1%	12.8%	0.0%
ICE BofAML 1-5 Year U.S. Treasury Index	2.56	1.7%	34.2%	27.3%	22.8%	14.0%	0.0%

**Distribution by Effective Duration**



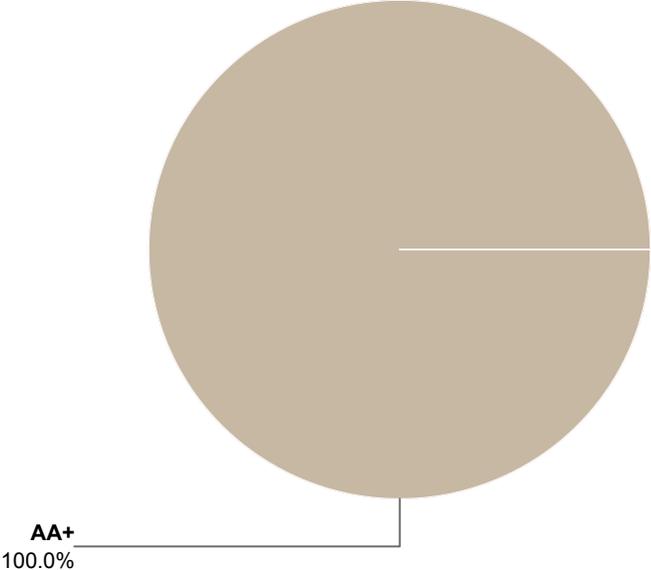
**Contribution to Portfolio Duration**



**Credit Quality**

*As of September 30, 2019*

<b>S&amp;P Rating</b>	<b>Market Value (\$)</b>	<b>% of Portfolio</b>
<b>AA+</b>	\$30,473,312	100.0%
<b>Totals</b>	<b>\$30,473,312</b>	<b>100.0%</b>



*Detail may not add to total due to rounding.*

**Issuer Distribution**  
**As of September 30, 2019**

Issuer	Market Value (\$)	% of Portfolio
UNITED STATES TREASURY	27,521,006	90.3%
FEDERAL HOME LOAN BANKS	2,201,143	7.2%
FANNIE MAE	446,808	1.5%
FREDDIE MAC	304,356	1.0%
<b>Grand Total:</b>	<b>30,473,312</b>	<b>100.0%</b>

**Sector/Issuer Distribution**  
*As of September 30, 2019*

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Federal Agency/CMO</b>			
FREDDIE MAC	304,356	100.0%	1.0%
<b>Sector Total</b>	<b>304,356</b>	<b>100.0%</b>	<b>1.0%</b>
<b>Federal Agency/GSE</b>			
FANNIE MAE	446,808	16.9%	1.5%
FEDERAL HOME LOAN BANKS	2,201,143	83.1%	7.2%
<b>Sector Total</b>	<b>2,647,951</b>	<b>100.0%</b>	<b>8.7%</b>
<b>U.S. Treasury</b>			
UNITED STATES TREASURY	27,521,006	100.0%	90.3%
<b>Sector Total</b>	<b>27,521,006</b>	<b>100.0%</b>	<b>90.3%</b>
<b>Portfolio Total</b>	<b>30,473,312</b>	<b>100.0%</b>	<b>100.0%</b>

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
7/1/19	7/3/19	200,000	912828XX3	US TREASURY N/B NOTES	2.00%	6/30/24	202,181.05	1.77%	
8/1/19	8/5/19	420,000	912828U57	US TREASURY NOTES	2.12%	11/30/23	426,925.06	1.82%	
8/15/19	8/16/19	225,000	3130AGWK7	FEDERAL HOME LOAN BANKS NOTES	1.50%	8/15/24	224,471.25	1.55%	
9/3/19	9/5/19	300,000	9128282F6	US TREASURY N/B NOTES	1.12%	8/31/21	298,077.61	1.46%	
9/3/19	9/5/19	800,000	912828WJ5	US TREASURY NOTES	2.50%	5/15/24	848,266.30	1.34%	
9/3/19	9/5/19	1,500,000	912828W48	US TREASURY N/B NOTES	2.12%	2/29/24	1,551,062.84	1.35%	
9/3/19	9/5/19	560,000	912828D56	US TREASURY NOTES	2.37%	8/15/24	588,387.10	1.34%	
9/5/19	9/6/19	450,000	3135G0W33	FANNIE MAE NOTES	1.37%	9/6/22	448,434.00	1.49%	
9/30/19	10/3/19	950,000	9128284A5	US TREASURY N/B NOTES	2.62%	2/28/23	984,842.85	1.59%	
<b>Total BUY</b>		<b>5,405,000</b>					<b>5,572,648.06</b>		
<b>INTEREST</b>									
7/1/19	7/1/19	0	MONEY0002	MONEY MARKET FUND			202.64		
7/1/19	7/25/19	300,000	3137BHXY8	FHLMC MULTIFAMILY STRUCTURED P	2.79%	1/25/22	697.75		
7/7/19	7/7/19	955,000	3130AGLD5	FEDERAL HOME LOAN BANKS NOTES	1.87%	7/7/21	1,492.19		
7/31/19	7/31/19	445,000	9128282P4	US TREASURY NOTES	1.87%	7/31/22	4,171.88		
8/1/19	8/1/19	0	MONEY0002	MONEY MARKET FUND			4.08		
8/1/19	8/25/19	300,000	3137BHXY8	FHLMC MULTIFAMILY STRUCTURED P	2.79%	1/25/22	697.75		
8/31/19	8/31/19	200,000	912828W48	US TREASURY N/B NOTES	2.12%	2/29/24	2,125.00		
9/1/19	9/25/19	300,000	3137BHXY8	FHLMC MULTIFAMILY STRUCTURED P	2.79%	1/25/22	697.75		
9/3/19	9/3/19	0	MONEY0002	MONEY MARKET FUND			18.43		
9/30/19	9/30/19	4,210,000	912828Q37	US TREASURY NOTES	1.25%	3/31/21	26,312.50		
<b>Total INTEREST</b>		<b>6,710,000</b>					<b>36,419.97</b>		

CITY OF ROCKVILLE, INVESTMENT PORTFOLIO

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
<b>SELL</b>									
7/1/19	7/3/19	200,000	912828G61	US TREASURY NOTES	1.50%	11/30/19	199,786.12	2.09%	290.59
8/1/19	8/5/19	425,000	912828G61	US TREASURY NOTES	1.50%	11/30/19	425,286.31	2.13%	421.21
8/15/19	8/16/19	230,000	912828X70	US TREASURY N/B NOTES	2.00%	4/30/24	236,686.72	1.49%	4,342.25
9/3/19	9/5/19	400,000	9128285F3	UNITED STATES TREASURY NOTES	2.87%	10/15/21	416,352.55	1.44%	6,977.26
9/3/19	9/5/19	2,200,000	912828R28	US TREASURY N/B NOTES	1.62%	4/30/23	2,234,091.03	1.35%	71,260.38
9/3/19	9/5/19	600,000	89233HY40	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	11/4/19	597,950.00	2.06%	450.00
9/5/19	9/5/19	30,000	912828Q37	US TREASURY NOTES	1.25%	3/31/21	29,996.66	1.61%	317.41
9/5/19	9/6/19	445,000	912828P4	US TREASURY NOTES	1.87%	7/31/22	451,175.43	1.45%	5,252.49
9/30/19	10/3/19	1,000,000	912828M98	US TREASURY NOTES	1.62%	11/30/20	1,003,518.61	1.80%	6,119.17
<b>Total SELL</b>		<b>5,530,000</b>					<b>5,594,843.43</b>		<b>95,430.76</b>

## Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	3,380,000.00	AA+	Aaa	5/6/2019	5/7/2019	3,342,899.22	2.34	18,458.40	3,352,323.58	3,373,135.22
US TREASURY NOTES DTD 03/31/2016 1.250% 03/31/2021	912828Q37	4,210,000.00	AA+	Aaa	5/6/2019	5/7/2019	4,128,266.80	2.30	143.78	4,145,279.33	4,179,410.14
US TREASURY N/B NOTES DTD 08/31/2016 1.125% 08/31/2021	9128282F6	300,000.00	AA+	Aaa	9/3/2019	9/5/2019	298,031.25	1.46	287.43	298,101.30	296,964.90
UNITED STATES TREASURY NOTES DTD 10/15/2018 2.875% 10/15/2021	9128285F3	4,000,000.00	AA+	Aaa	5/6/2019	5/7/2019	4,056,250.00	2.28	53,101.09	4,047,224.96	4,097,656.00
US TREASURY NOTES DTD 05/01/2017 1.875% 04/30/2022	912828X47	3,550,000.00	AA+	Aaa	5/6/2019	5/7/2019	3,510,201.17	2.27	27,854.96	3,515,390.02	3,573,990.90
US TREASURY N/B NOTES DTD 10/31/2017 2.000% 10/31/2022	9128283C2	3,200,000.00	AA+	Aaa	5/6/2019	5/7/2019	3,171,750.00	2.27	26,782.61	3,174,888.06	3,239,376.00
US TREASURY N/B NOTES DTD 02/28/2018 2.625% 02/28/2023	9128284A5	950,000.00	AA+	Aaa	9/30/2019	10/3/2019	982,582.03	1.59	2,260.82	982,582.03	982,841.50
US TREASURY N/B DTD 10/31/2018 2.875% 10/31/2023	9128285K2	3,500,000.00	AA+	Aaa	5/6/2019	5/7/2019	3,587,910.16	2.28	42,109.38	3,580,432.07	3,679,511.50
US TREASURY NOTES DTD 11/30/2016 2.125% 11/30/2023	912828U57	420,000.00	AA+	Aaa	8/1/2019	8/5/2019	425,315.63	1.82	2,999.39	425,132.95	429,253.02
US TREASURY N/B NOTES DTD 02/28/2017 2.125% 02/29/2024	912828W48	1,500,000.00	AA+	Aaa	9/3/2019	9/5/2019	1,550,625.00	1.35	2,714.63	1,549,840.64	1,535,625.00
US TREASURY N/B NOTES DTD 02/28/2017 2.125% 02/29/2024	912828W48	200,000.00	AA+	Aaa	5/6/2019	5/7/2019	198,476.56	2.29	361.95	198,599.68	204,750.00
US TREASURY N/B NOTES DTD 05/01/2017 2.000% 04/30/2024	912828X70	305,000.00	AA+	Aaa	6/3/2019	6/5/2019	306,370.12	1.90	2,552.72	306,285.93	310,802.02
US TREASURY NOTES DTD 05/15/2014 2.500% 05/15/2024	912828WJ5	800,000.00	AA+	Aaa	9/3/2019	9/5/2019	842,125.00	1.34	7,554.35	841,512.44	832,937.60
US TREASURY N/B NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	200,000.00	AA+	Aaa	7/1/2019	7/3/2019	202,148.44	1.77	1,010.87	202,047.38	203,882.80
US TREASURY NOTES DTD 08/15/2014 2.375% 08/15/2024	912828D56	560,000.00	AA+	Aaa	9/3/2019	9/5/2019	587,628.13	1.34	1,698.64	587,245.30	580,868.96
<b>Security Type Sub-Total</b>		<b>27,075,000.00</b>					<b>27,190,579.51</b>	<b>2.14</b>	<b>189,891.02</b>	<b>27,206,885.67</b>	<b>27,521,005.56</b>

**Managed Account Detail of Securities Held**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Collateralized Mortgage Obligation</b>											
FHLMC MULTIFAMILY STRUCTURED P DTD 05/01/2015 2.791% 01/25/2022	3137BHXY8	300,000.00	AA+	Aaa	5/16/2019	5/21/2019	301,875.00	2.20	697.75	301,608.23	304,355.85
<b>Security Type Sub-Total</b>		<b>300,000.00</b>					<b>301,875.00</b>	<b>2.20</b>	<b>697.75</b>	<b>301,608.23</b>	<b>304,355.85</b>
<b>Federal Agency Bond / Note</b>											
FEDERAL HOME LOAN BANKS NOTES DTD 06/07/2019 1.875% 07/07/2021	3130AGLD5	955,000.00	AA+	Aaa	6/6/2019	6/7/2019	954,150.05	1.92	4,178.13	954,272.28	958,373.06
FANNIE MAE NOTES DTD 09/06/2019 1.375% 09/06/2022	3135G0W33	450,000.00	AA+	Aaa	9/5/2019	9/6/2019	448,434.00	1.49	429.69	448,469.58	446,807.70
FEDERAL HOME LOAN BANKS NOTES DTD 05/09/2013 2.125% 06/09/2023	3133834G3	1,000,000.00	AA+	Aaa	6/17/2019	6/18/2019	1,007,870.00	1.92	6,611.11	1,007,323.56	1,018,986.00
FEDERAL HOME LOAN BANKS NOTES DTD 08/16/2019 1.500% 08/15/2024	3130AGWK7	225,000.00	AA+	Aaa	8/15/2019	8/16/2019	224,471.25	1.55	421.88	224,484.01	223,784.10
<b>Security Type Sub-Total</b>		<b>2,630,000.00</b>					<b>2,634,925.30</b>	<b>1.82</b>	<b>11,640.81</b>	<b>2,634,549.43</b>	<b>2,647,950.86</b>
<b>Managed Account Sub Total</b>		<b>30,005,000.00</b>					<b>30,127,379.81</b>	<b>2.11</b>	<b>202,229.58</b>	<b>30,143,043.33</b>	<b>30,473,312.27</b>
<b>Securities Sub-Total</b>		<b>\$30,005,000.00</b>					<b>\$30,127,379.81</b>	<b>2.11%</b>	<b>\$202,229.58</b>	<b>\$30,143,043.33</b>	<b>\$30,473,312.27</b>
<b>Accrued Interest</b>											<b>\$202,229.58</b>
<b>Total Investments</b>											<b>\$30,675,541.85</b>

Bolded items are forward settling trades.

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# Tab III

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**IMPORTANT DISCLOSURES**

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, 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.
- **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 DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **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.

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**GLOSSARY**

- **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.
- **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.
- **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.