October 23, 2018

MEMO TO: INSURANCE FUND CHAIRMAN FERNANDEZ

FROM: PATRICK J. DEBLASIO, CPA, CMFO, CGFM, -FUND TREASURER

Please be advised that the following is an update of the status of the Public Entity Joint Insurance Fund:

| | | | August 2018 | | September 2018 |
|---|---|---|---|---|---|
| Beginning Cash Balance | Operating Account-Bank of America | $ | 453,030.21 | $ | 261,222.59 |
| | Claims Fiduciary Account-Bank of America | | (172,212.81) | | 8,254.19 |
| | Claims-TD Bank | | 6,929.18 | | 5,239.95 |
| | Custodial-Investments | | 18,169.65 | | 326,342.86 |
| | Total Balance | $ | 305,916.23 | $ | 601,059.59 |
| **Receipts:** | | | | | |
| Operating Account-Bank of America | | $ | 636,940.03 | $ | 653,156.34 |
| D&H Claims Fiduciary Account-Bank of America | | | 345,774.46 | | 46,639.17 |
| Claims-TD Bank | | | 14,149.02 | | 676,851.29 |
| Custodial-Deposits and Interest Income | | | 558,173.21 | | 362,114.06 |
| Total Receipts | | $ | 1,555,036.72 | $ | 1,738,760.86 |
| **Disbursements:** | | | | | |
| Operating Account-Bank of America | | $ | (828,747.65) | $ | (881,763.58) |
| D&H Claims Fiduciary Account-Bank of America | | | (165,307.46) | | (46,639.17) |
| Claims-TD Bank | | | (15,838.25) | | (675,510.45) |
| Custodial-Investments | | | (250,000.00) | | (650,000.00) |
| Total Disbursements | | $ | (1,259,893.36) | $ | (2,253,913.20) |
| Ending Cash Balance | Operating Account-Bank of America | $ | 261,222.59 | $ | 32,615.35 |
| | Claims Fiduciary Account-Bank of America | | 8,254.19 | | 8,254.19 |
| | Claims-TD Bank | | 5,239.95 | | 6,580.79 |
| | Custodial-Investments | | 326,342.86 | | 38,456.92 |
| | | | - | | - |
| Total Cash Account Balance | | $ | 601,059.59 | $ | 85,907.25 |
| Beginning Investment Balance | | $ | 5,244,645.99 | $ | 4,698,756.65 |
| Change in Accrued Income | | | (2,322.59) | | (1,059.25) |
| Change in Unrealized gain | | | 6,382.28 | | (4,232.71) |
| Income Received | | | 9,379.46 | | 3,910.94 |
| Realized Gain/Loss | | | (1,155.28) | | (1,845.32) |
| Cash Receipts/(Disbursements) | | | (250,000.00) | | (650,000.00) |
| Transfer to/From Custodial Account | | | (308,173.21) | | 287,885.94 |
| Total Investment Account | | $ | 4,698,756.65 | $ | 4,333,416.25 |
| Ending Cash and Investment Balance | | $ | 5,299,816.24 | $ | 4,419,323.50 |

## BANK RECONCILIATION

| | | | |
|---|---|---|---|
| ACCT.NAME | Bank of America | | |
| BANK/ACCT# | Custody Investment Acct -XXXXXX | | |
| | | From | To |
| DATE | | 09/01/18 | 09/30/18 |
| BOOK BALANCE AS OF | 09/01/18 | $ | 5,008,184.06 |
| ADD DEPOSITS (PER BANK LEDGER) | | | 362,114.06 |
| SUBTRACT:DISBURSEMENTS(PER BANK LEDGER) | | | 1,014,281.15 |
| BOOK BALANCE AS OF | 09/30/18 | $ | 4,356,016.97 |

| | | | |
|---|---|---|---|
| BALANCE PER BANK STATEMENT | 09/30/18 | | $4,356,016.97 |
| ADD: DEPOSIT IN TRANSIT | | | |
| DATE AMOUNT | | | |
| TOTAL | 0.00 | | 0.00 |
| SUBTRACT: CHECKS OUTSTANDING | | | |
| DATE CHECK# AMOUNT | | | |
| TOTAL | 0.00 | | 0.00 |
| LIST ITEMS IN LEDGER NOT ON STATEMENT | | | |
| DATE AMOUNT | | | |
| TOTAL | $ - | | 0.00 |
| LIST ITEMS ON STATEMENT NOT IN LEDGER | | | |
| DATE AMOUNT | | | |
| TOTAL | - | | 0.00 |
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 09/30/18 | | 4,356,016.97 |
| | | Difference | 0.00 |

PREPARED BY Patrick J. DeBlasio, CPA REVIEWED BY Mary Foulks

**BANK RECONCILIATION**

| | | | |
|---|---|---|---|
| ACCT.NAME | Bank of America | | |
| BANK/ACCT# | D & H Claims Fiduciary Acct -XXXXXXX | | |
| | | From | To |
| DATE | | 09/01/18 | 09/30/18 |
| BOOK BALANCE AS OF | 09/01/18 | $ | 8,254.19 |
| ADD DEPOSITS (PER BANK LEDGER) | | | 46,639.17 |
| SUBTRACT:DISBURSEMENTS(PER BANK LEDGER) | | | 46,639.17 |
| BOOK BALANCE AS OF | 09/30/18 | $ | 8,254.19 |

| | | |
|---|---|---|
| BALANCE PER BANK STATEMENT | 09/30/18 | $51,832.65 |
| ADD: DEPOSIT IN TRANSIT | | |
| DATE AMOUNT | | |
| TOTAL | 0.00 | 0.00 |
| SUBTRACT: CHECKS OUTSTANDING | | |
| DATE CHECK# AMOUNT | | |
| various list 43,578.46 | | |
| TOTAL | 43,578.46 | (43,578.46) |
| LIST ITEMS IN LEDGER NOT ON STATEMENT | | |
| DATE AMOUNT | | |
| TOTAL | $ - | 0.00 |
| LIST ITEMS ON STATEMENT NOT IN LEDGER | | |
| DATE AMOUNT | | |
| TOTAL | - | 0.00 |
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 09/30/18 | 8,254.19 |
| | Difference | 0.00 |

PREPARED BY Patrick J. DeBlasio, CPA REVIEWED BY Mary Foulks, CPA

## BANK RECONCILIATION

| | | | |
|---|---|---|---|
| ACCT.NAME | Bank of America | | |
| BANK/ACCT# | Claims/Operating Account -XXXXXX | | |
| | | From | To |
| DATE | | 09/01/18 | 09/30/18 |
| BOOK BALANCE AS OF | 09/01/18 | $ | 261,222.59 |
| ADD DEPOSITS (PER BANK LEDGER) | | | 653,156.34 |
| SUBTRACT:DISBURSEMENTS(PER BANK LEDGER) | | | 881,763.58 |
| BOOK BALANCE AS OF | 09/30/18 | $ | 32,615.35 |

| | | |
|---|---|---|
| BALANCE PER BANK STATEMENT | 09/30/18 | $43,526.49 |

ADD: DEPOSIT IN TRANSIT

| DATE | AMOUNT |
|---|---|
| TOTAL | 0.00 |

| | |
|---|---|
| | 0.00 |

SUBTRACT: CHECKS OUTSTANDING

| DATE | CHECK# | AMOUNT |
|---|---|---|
| 04/24/18 | 518 | 1,000.00 |
| 09/25/18 | 559 | 833.34 |
| 09/25/18 | 560 | 15.50 |
| 09/25/18 | 561 | 4.64 |
| 09/25/18 | 562 | 527.00 |
| 09/25/18 | 563 | 462.83 |
| 09/25/18 | 564 | 5,815.00 |
| 09/25/18 | 565 | 710.00 |
| 09/25/18 | 566 | 1,080.00 |
| 09/25/18 | 567 | 462.83 |
| TOTAL | | 10,911.14 |

| | |
|---|---|
| | (10,911.14) |

LIST ITEMS IN LEDGER NOT ON STATEMENT

| DATE | AMOUNT |
|---|---|
| TOTAL | $ - |

| | |
|---|---|
| | 0.00 |

LIST ITEMS ON STATEMENT NOT IN LEDGER

| DATE | AMOUNT |
|---|---|
| TOTAL | - |

| | |
|---|---|
| | 0.00 |

| | | |
|---|---|---|
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 09/30/18 | 32,615.35 |
| | Difference | 0.00 |

PREPARED BY Patrick J. DeBlasio, CPA

REVIEWED BY Mary Foulks, CPA

## BANK RECONCILIATION

| | | | |
|---|---|---|---|
| ACCT.NAME | TD Bank | | |
| BANK/ACCT# | Claims Acct -xxxxxx | | |
| | | From | To |
| DATE | | 09/01/18 | 09/30/18 |
| BOOK BALANCE AS OF | 09/01/18 | $ | 5,239.95 |
| ADD DEPOSITS (PER BANK LEDGER) | | | 676,851.29 |
| SUBTRACT:DISBURSEMENTS(PER BANK LEDGER) | | | 675,510.45 |
| BOOK BALANCE AS OF | 09/30/18 | $ | 6,580.79 |

| | | |
|---|---|---|
| BALANCE PER BANK STATEMENT | 09/30/18 | $671,580.79 |
| ADD: DEPOSIT IN TRANSIT | | |
| DATE AMOUNT | | |
| TOTAL | 0.00 | 0.00 |
| SUBTRACT: CHECKS OUTSTANDING | | |
| DATE CHECK# AMOUNT | | |
| Various list 665,000.00 | | |
| TOTAL | 665,000.00 | (665,000.00) |
| LIST ITEMS IN LEDGER NOT ON STATEMENT | | |
| DATE AMOUNT | | |
| TOTAL | $ - | 0.00 |
| LIST ITEMS ON STATEMENT NOT IN LEDGER | | |
| DATE AMOUNT | | |
| TOTAL | - | 0.00 |
| ADJUSTED BANK BALANCE(BOOK BAL)AS OF | 09/30/18 | 6,580.79 |
| | Difference | 0.00 |

PREPARED BY Patrick J. DeBlasio, CPA REVIEWED BY Mary Foulks

**RESOLUTION NO. 26-18**

**PUBLIC ENTITY JOINT INSURANCE FUND**
(Hereinafter the "FUND")

**APPROVING CERTAIN DISBURSEMENTS**

**WHEREAS,** the Bylaws of the FUND require that the Board of Commissioners approve all disbursements by a majority vote, and

**WHEREAS,** the attached bill of items sets forth certain bills or demands for monies;

**NOW, THEREFORE BE IT RESOLVED,** by the FUND's Board of Fund Commissioners that the attached bill of items totaling **$69,051.60** is approved for payment.

**Adopted**: ***this day by the Board of Fund Commissioners***

| | |
|---|---|
| _____ | October 23rd, 2018 |
| Chairman | Date |
| _____ | October 23rd, 2018 |
| Secretary | Date |

## October 23rd 2018- PEJIF Commissioners Meeting Bills List

**Date: 10.01.18**
**Bills List #: 53**

| PAY TO | DESCRIPTION | Check #/WT | Invoice Amt. |
|---|---|---|---|
| **Patrick DeBlasio** | Fund Treasurer October 2018 | **#568** | $ 500.00 |
| **Princeton Public Affairs** | inv#9480 - Governmental Affairs October 2018 | **#569** | $ 416.67 |
| **NJ Star Media** | PEJIF Meeting Posting in September in the Star Ledger $17.05 and NJ Times $6.38 | **#570** | $ 23.43 |
| **Pringle Quinn Anzano** | inv# 42072 Fund Attorney - Services for September 2018 | **#571** | $ 77.50 |
| **EANJ** | inv#1848 City of Plainfield Service /Sensitivity Training on 9/12/18 (2 sessions) $970 - inv#1846 City of Plainfield Cust. Service/Sensitivity Training on 9/5/18 (2 Sessions) $970; Inv#1849 City of Plainfield Cust. Srv. Sensitivity Training $485; inv#1850 City of East Orange Oct 4th Customer Service/Sensitivity Training Oct. 3rd (2 Sessions) $1,940 | **#572** | $ 4,365.00 |
| **Treasurer, State of New Jersey** | Investment receivables (6 trans.) | **#573** | $ 240.00 |
| **Connell Consulting** | inv#3376-18 Proactive police Supv. Training Rosell & City of Orange | **#574** | $ 300.00 |
| **Prime Advisors** | inv#8231 Quarterly Fees - Invest. Adv. | **#575** | $ 1,089.00 |
| **D & H Alternative** | City of Passaic Handling Fees Jan. to Oct. 2018 $36,666.70; City of Passaic handling fees Nov. 2018 $3,666.67; City of Passaic handling fees December $3,666.67; Borough of Roselle Handling fees 1st & 2nd Installment for 2018 $17,500 | **#576** | $ 61,500.00 |
| **New Jersey State Safety Council** | Coaching Experienced Driver response books | **#577** | $ 390.00 |
| | | | |
| | **Total in Checks** | | **$ 68,901.60** |
| | | | |
| | **WIRE TRANSFERS/ACH** | | |
| **NIP Management** | PEJIF Meeting Room for October $150 | **ACH** | $ 150.00 |
| | | | |
| | | | |
| | | | |
| | **Total Payments to NIP Management** | | **$ 150.00** |
| | | | |
| | **BGIA Payments** | | |
| | | | |
| | **Total BGIA** | | **$ -** |
| | | | |
| | | **Total** | **$ 69,051.60** |

**RESOLUTION NO. 27-18**

**PUBLIC ENTITY JOINT INSURANCE FUND**
(Hereinafter referred to as the "FUND")

**APPROVING CLAIMS PAYMENTS**

BE IT RESOLVED by the Board of Fund Commissioners of the Public Entity Joint Insurance Fund, that confirmation and authorization approval is made in issuance of the attached claims payments for the months of July and August totaling **$947,806.02** against the fund.

**ADOPTED:** ***this day before the Board of Fund Commissioners:***

| | |
|---|---|
| _____ | October 23rd, 2018 |
| Chairman | Date |
| _____ | October 23rd, 2018 |
| Secretary | Date |

| PEJIF MONTHLY PAYMENTS | | |
|---|---|---|
| **YEAR** | | 2018 |
| **MONTH** | | **September** |
| ***D&H*** | | **Amount** |
| **PASSAIC** | | |
| WC | $ | 36,164.02 |
| LIABILITY, PROP & APD | $ | 15,642.87 |
| | | |
| ***D&H*** | | |
| **PERTH AMBOY** | | |
| WC | $ | 85,265.21 |
| LIABILITY & PROP | $ | 247,481.43 |
| | | |
| ***CRC*** | | |
| **PLAINFIELD** | | |
| WC | $ | 36,547.88 |
| LIABILITY & PROP | $ | 48,424.11 |
| | | |
| ***D&H*** | | |
| **WNY** | | |
| WC | $ | 37,771.45 |
| LIABILITY & PROP | $ | 52,843.71 |
| | | |
| ***NIP & D&H*** | | |
| **Roselle** | | |
| WC | $ | 33,187.56 |
| Liability & Prop | $ | - |
| | | |
| ***NIP & CRC*** | | |
| **East Orange** | | |
| WC | $ | 201,363.69 |
| Liability &Prop | $ | 59,172.69 |
| | | |
| ***D&H*** | | |
| **Teaneck** | | |
| WC | $ | 56,979.44 |
| Liability & Prop | $ | - |
| | | |
| ***NIP & CRC*** | | |
| **Orange** | | |
| WC | $ | 36,961.96 |
| Liability &Prop | $ | 9,021.91 |
| **PEJIF Total for the month** | **$** | **947,806.02** |

**RESOLUTION NO. 01-18**

**PUBLIC ENTITY JOINT INSURANCE FUND**
(Hereinafter referred to as the "Fund")

**CERTIFYING THE ELECTION OF SECRETARY**

BE IT RESOLVED, by the Governing Body of the Fund that the following person have been elected as Secretary:

Secretary –

BE IT FURTHER RESOLVED that the Secretary shall serve for the remainder year 2018 and until their successors shall be elected and qualified.

ADOPTED:

This day before the Governing Body,

| | |
|---|---|
| _____ | October 23rd, 2018 |
| Chairman | Date |
| _____ | October 23rd, 2018 |
| Secretary | Date |

# Quarterly Investment Report

As of 9/30/2018

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# Executive Summary

## TRANSACTIONS:

| Action | Total | Comments | Average Tax-Equivalent Yield |
|---|---|---|---|
| Sales, Calls, and Maturities | $1,110,032 | A majority of the proceeds generated this quarter were executed by request to provide funding for operational purposes. These requests occurred early August thru mid-September. | 1.26% |
| Purchases | $694,682 | Early in the quarter, maturity proceeds along with positive operational cash added to the portfolio were deployed in conjunction with our 1-2 year laddered strategy for the portfolio. Overall, given the short nature of the portfolio, Fed rate hikes have been helpful in improving the portfolio book yield. Reinvestments of proceeds were executed at 133 basis points higher than disposals. As a result, overall portfolio book yield improved 25 basis points to 2.03%. | 2.59% |

## PORTFOLIO STATISTICS:

| Quarter Ending: | 06/30/2018 | 09/30/2018 |
|---|---|---|
| Tax-Equivalent Book Yield | 1.78% | 2.03% |
| Book Value | $4,759,873 | $4,381,467 |
| Projected Tax-Equivalent Annual Income | $84,917 | $89,029 |
| Unrealized Gain | -$21,732 | -$24,974 |
| YTD Realized Gain | -$1,462 | -$4,498 |
| Portfolio Duration | 1.09 | 1.17 |
| Average Credit Quality | AAA | AAA |

## PORTFOLIO ALLOCATION:

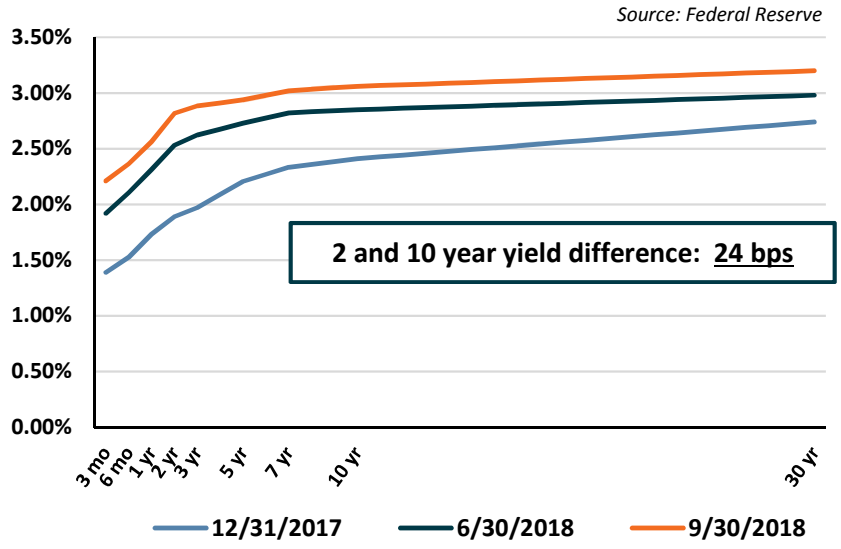
| Sector | 06/30/2018 | 09/30/2018 |
|---|---|---|
| Treasury | 100% | 99% |
| Agency | 0% | 0% |
| Credit | 0% | 0% |
| Exempt Muni | 0% | 0% |
| Taxable Muni | 0% | 0% |
| MPT | 0% | 0% |
| CMO | 0% | 0% |
| ABS | 0% | 0% |
| CMBS | 0% | 0% |
| Short-Term | 0% | 1% |

## PERFORMANCE:

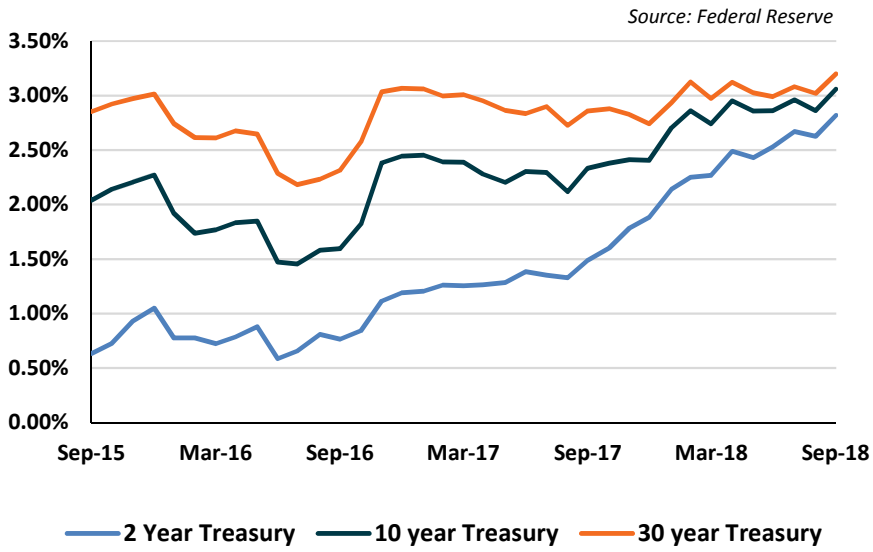
| Tax-equivalent Performance | Portfolio | Target/Benchmark | Difference |
|---|---|---|---|
| YTD Booked Income | $53,048 | $42,345 | $10,703 |
| QTD Total Return | 0.36% | 0.38% | -0.02% |
| YTD Total Return | 0.97% | 1.05% | -0.08% |

# Economic Outlook

## Treasury Yield Curves




## Treasury Yields

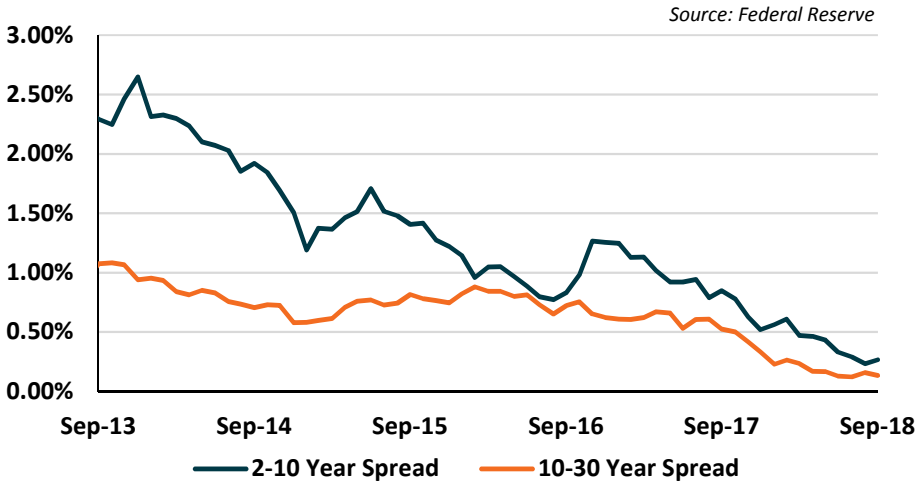



- Overall yields are higher YTD due to improved growth expectations due to favorable tax policy changes, higher deficit spending, strong employment growth and active Fed tightening
  - 10-year Treasuries closed the third quarter at 3.06%, brought on by an increased wage inflation print in the August employment data
  - While growth expectations have increased this year, geopolitical volatility and tariffs remain an ongoing concern for the markets
  - With little to no progress on trade negotiations with China, there is growing concern this will be a headwind in 2019
  - Yield curve continues to remain flat as investors are not being compensated for taking term risk in the market
- Federal Reserve has been active in 2018, this is expected to continue into 2019
  - Fed officials have cited improved economic conditions that support gradual increases of the Fed Funds rate
  - Tapering of reinvestments in the quantitative easing program has also continued as the market has easily digested supply
  - In 2019, press conferences will be held after each FOMC meeting, indicating every meeting will be open to possible rate action

# Economic Outlook

## Flattening Yield Curve and World Bond Yields

**Flattening Yield Curve**




**World Bond Yields**

| | 10 Year World Bond Yields | | |
|---|---|---|---|
| | 12/31/2017 | 9/30/2018 | Difference |
| **US** | 2.41% | 3.06% | 0.65% |
| **UK** | 1.19% | 1.57% | 0.39% |
| **Germany** | 0.42% | 0.47% | 0.05% |
| **France** | 0.78% | 0.80% | 0.02% |
| **Italy** | 2.01% | 3.14% | 1.13% |
| **Spain** | 1.56% | 1.50% | (0.06%) |
| **Japan** | 0.04% | 0.12% | 0.08% |

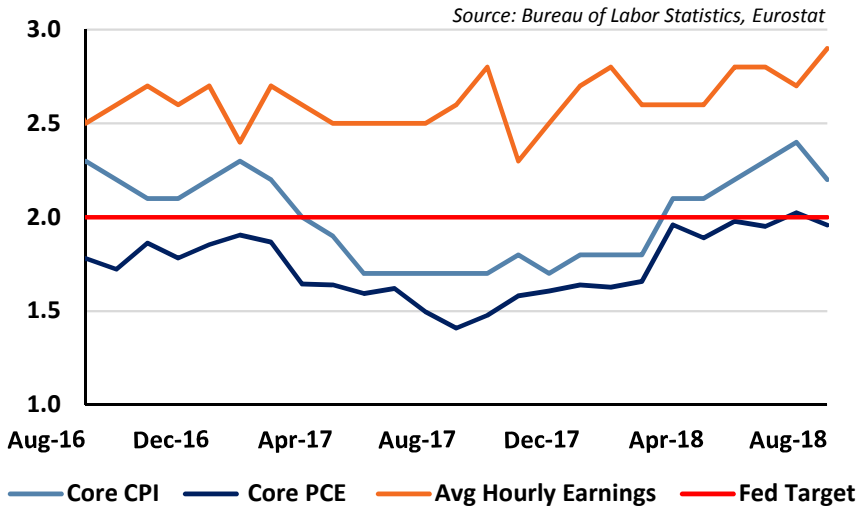
*Source: Federal Reserve, Bloomberg*

### Flattening Yield Curve and World Bond Yields

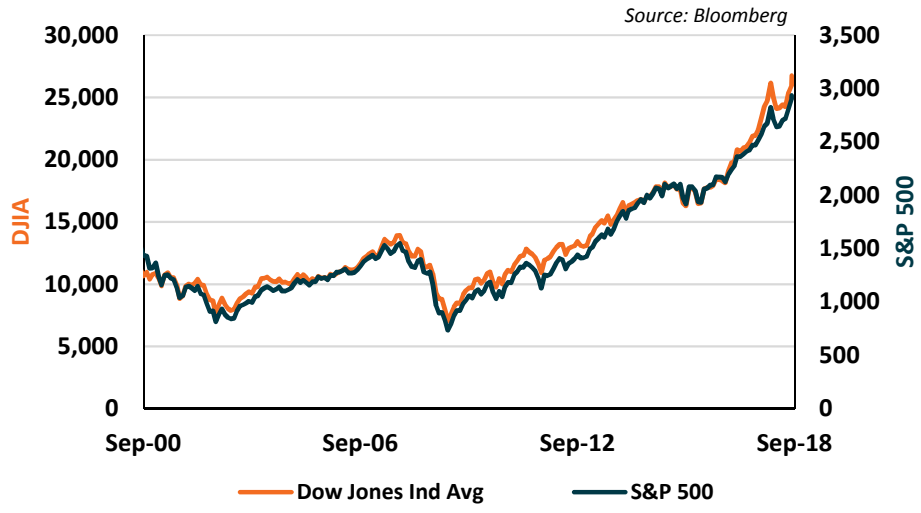
- With rising short-term yields, the yield curve has flattened to the tightest levels since 2007
  - 2 to 10-year Treasury yield spreads are 24 basis points(bps) down from 52 bps at the start of the year
  - 10 to 30-year Treasury yield spreads are 14 bps, down from 35 bps at the start of the year
  - Curve flattening is a market response to the Fed's hawkish stance, driving short rates higher while simultaneously reducing long-term inflation concerns
- European Central Bank announced in June they would wind down their quantitative easing purchase program by year-end
  - Their intent is to reinvest maturing debt for an extended period and have explicitly stated they would not raise interest rates before summer of 2019
- Bond yields in the UK are higher after the Bank of England hiked rates by 25bps in early August
- Italian yields are also higher, reflecting increased concerns about the economic plans of the Eurosceptic coalition between the 5 Star Movement and the Northern League

# Economic Outlook

## Inflation




## Equity Markets

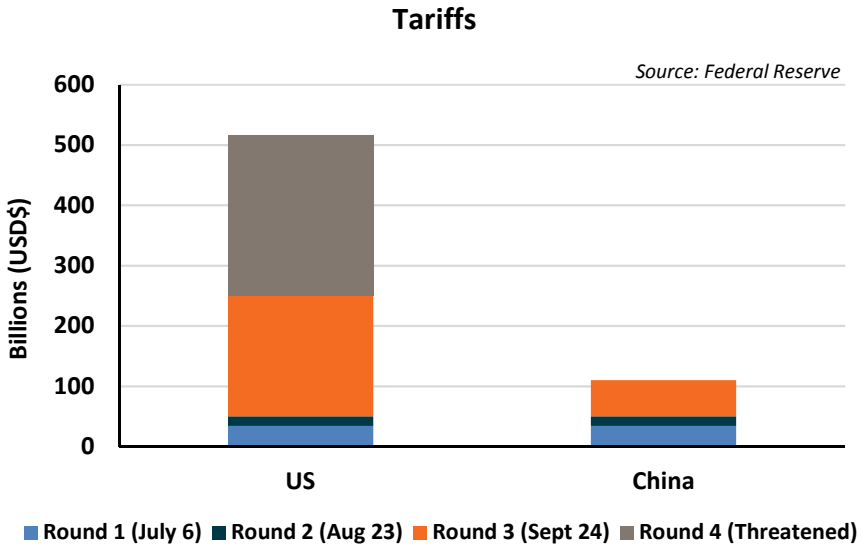


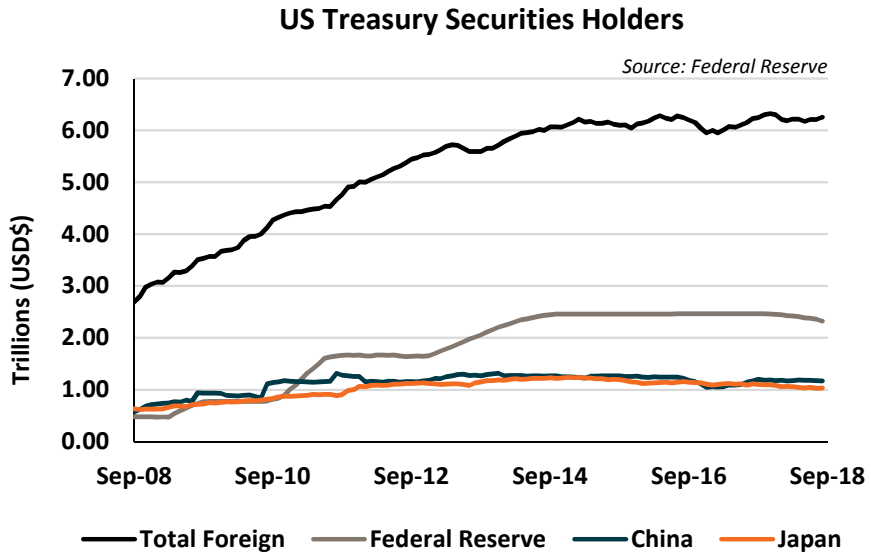

### Inflation, Employment & Equity Markets

- U.S. economy continues to experience healthy corporate earnings, strong employment and controlled inflation
  - While inflation levels have been below "target" for many years, the Fed's inflation gauge, Core PCE, has finally reached the target of 2%
    - Fed's inflation target is "symmetric", indicating they will allow inflation to run modestly above target
  - The employment landscape remains strong with the unemployment rate dropping to 3.7%
    - With the unemployment rate establishing cyclical lows, the markets focus on the wage component at each release
    - Higher wages are a potential catalyst to increased inflation pressure which could drive additional Fed action
      - The market is seeing evidence of increased wage inflation, YTD wage inflation has averaged 2.7% (year over year) compared to 2.5% in 2017
  - Equity markets remain confident in the strength of the economy
    - Recent favorable tax law changes have created a friendly business environment for US corporations
    - Repatriation of foreign profits at lower tax rates has allowed US companies to increase capital investment and pay dividends
    - As a result, both the S&P and Dow Jones Industrial average have reached all-time highs this year

# Economic Outlook

## Tariffs and Treasury Debt Holders



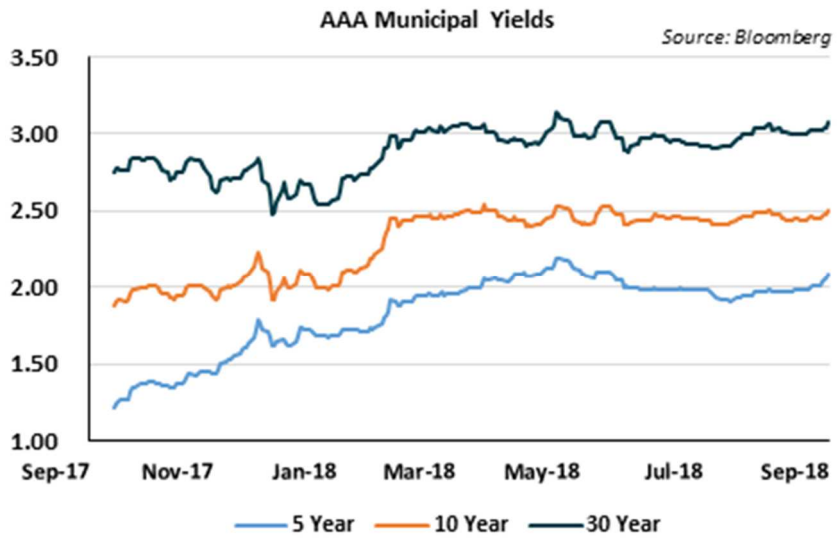



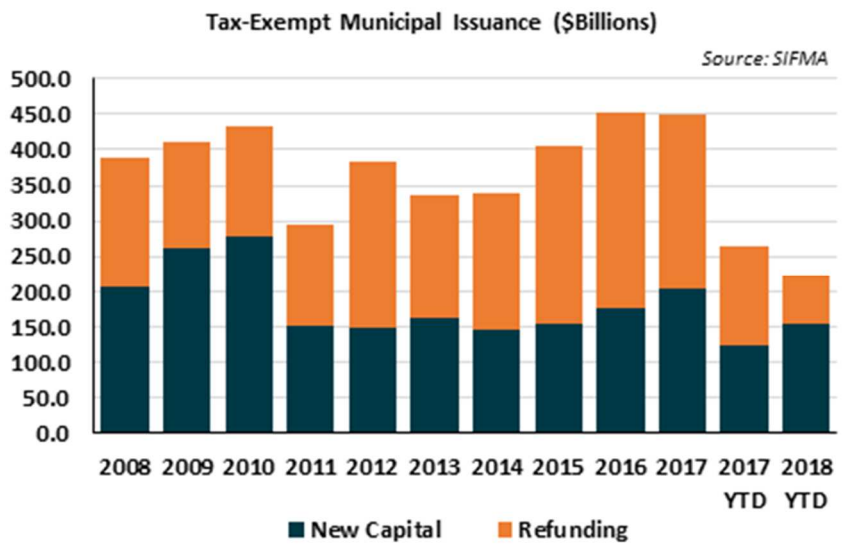

### Tariffs and Treasury Debt

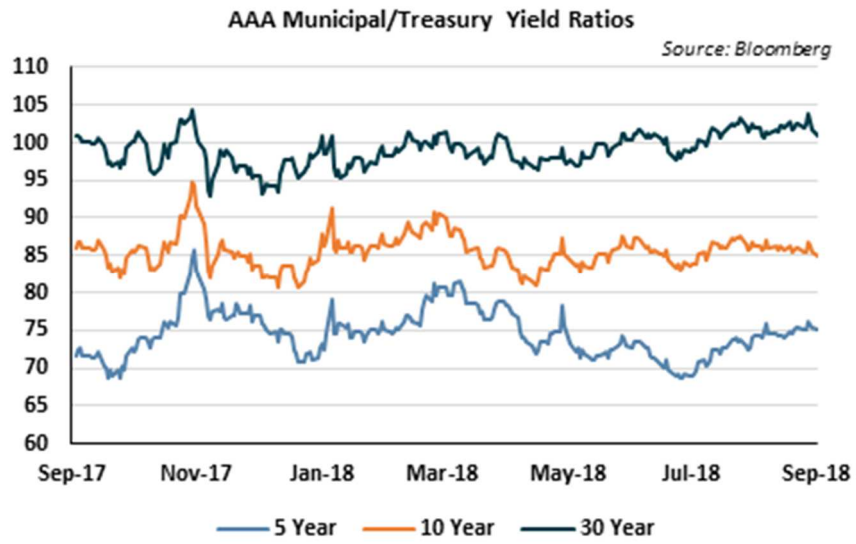
- US economy has exhibited strong results and is entering the tenth year of expansion
  - Recent tariffs and geopolitical issues, however, continue to be headwinds that could threaten global growth
- Markets remain concerned over the negative repercussions of U.S. tariff policy that could lead to lower growth and higher inflation
  - At the end of Q3, the US has levied $250 billion in tariffs against China and threatened additional increases in coming months
- While the trade imbalance limits China's ability to retaliate with dollar for dollar response, China could consider implementing "qualitative" measures, such as reducing US Treasury holdings, devaluing the Yuan and increasing pressures on US businesses operating in China
  - Foreign holders of U.S. Treasuries stand at $6.25 trillion, with China and Japan holding over $1 trillion each
- Without resolution in trade negotiations, Trump's tariff approach may threaten our ability to rely on foreign purchases to help finance our debt
- Excess supply could pressure rates higher

# Economic Outlook

## Municipals



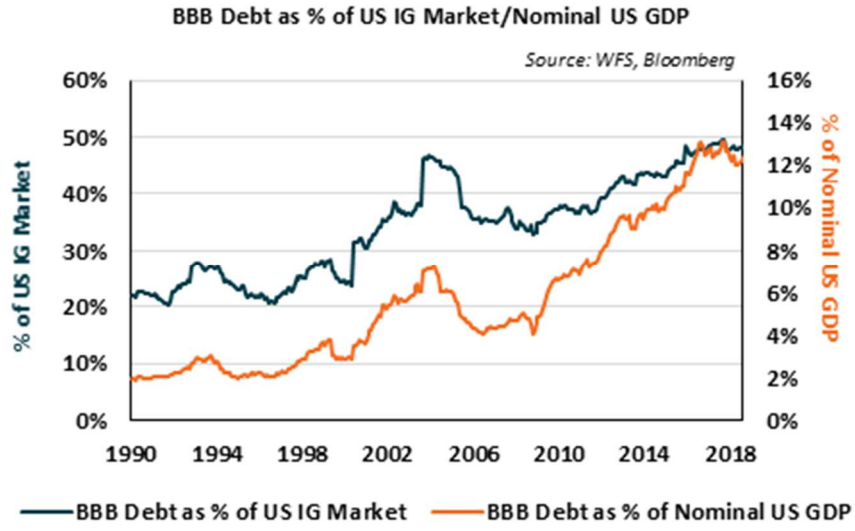



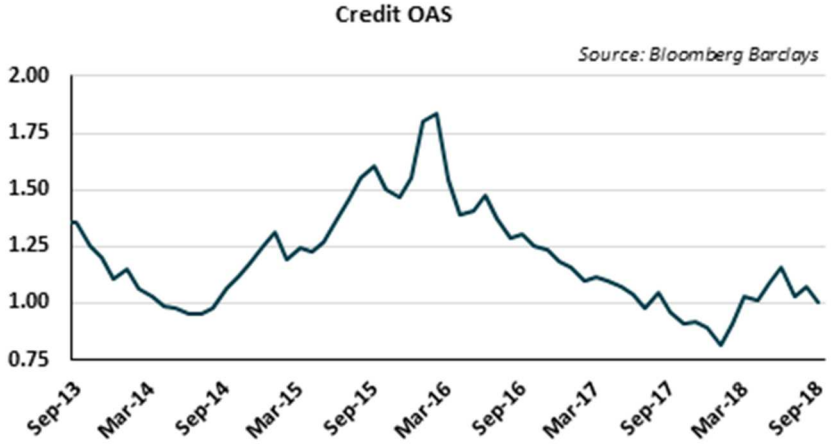

**Comments**

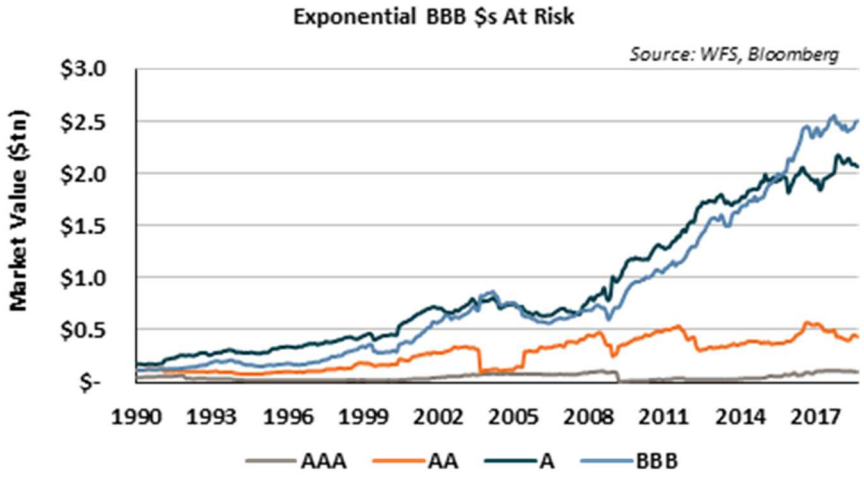
- Municipal yields followed rates higher in the 3rd quarter, underperforming treasuries in shorter maturity tenors.
- Treasury ratios improved over the quarter across most tenors but remain at or slightly through fair value
- Given the relative flatness of the back end of the municipal yield curve, investors can capture 93% of the available yield by staying inside 20 years.
- Prime continues to direct institutional cash in crossover accounts to other asset classes that offer better relative value
- Lack of primary market supply continues to be the main driver for municipal performance this year, as tax reform has greatly reduced the number of refinancing deals brought to market
- New issue supply is down roughly 15% YOY despite new money financings showing an increase over 2017

# Economic Outlook

## Corporates



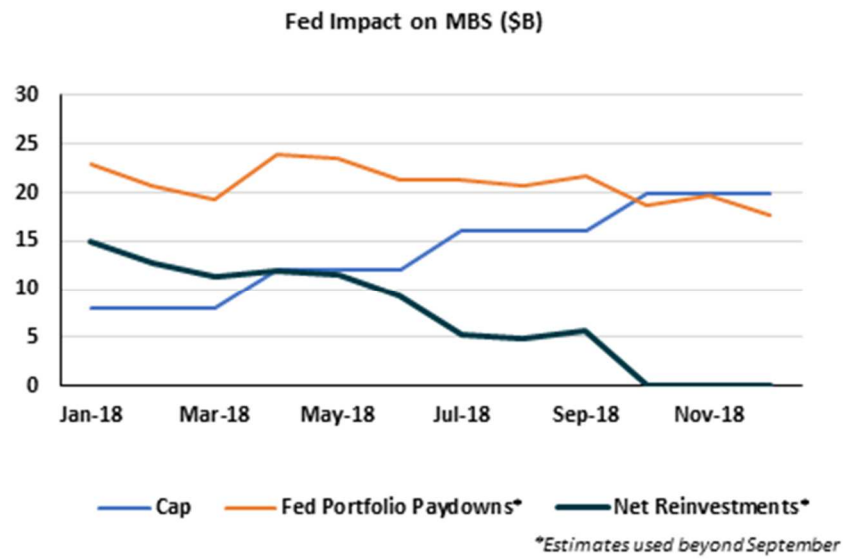



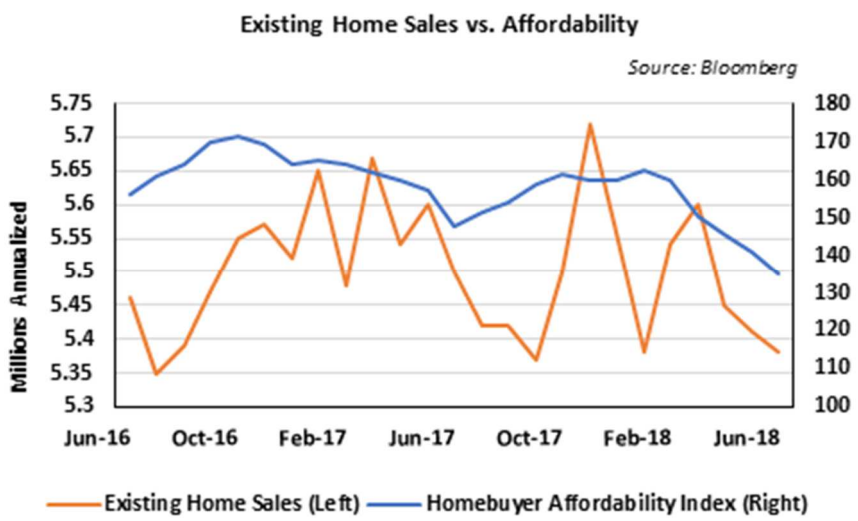

**Comments**

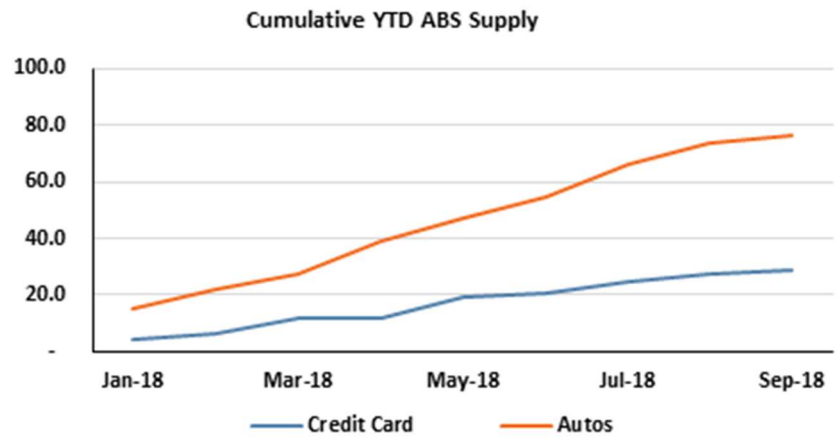
- Spread compression was the dominant theme of the third quarter with bond indices reversing some of the weakness seen during the first half of 2018
- Spreads are at the mid-point for the year after touching a low of 81bps in Q1 before widening to 117bps at the end of Q2
- BBBs have increased 155% since March 2009 and now represent ~50% of the Investment Grade market, or 12% of US nominal GDP
- This growth is the result of corporations levering up given abnormally low borrowing rates and healthy investor demand
- Proceeds have funded M&A to help expand growth operations
- Corporate earnings have been robust, and cash flow generation continues to benefit from the Tax Cuts and Jobs Act of 2017
- We retain our tactical overweight to corporates, but with a high quality bias which underscores the importance of credit selection and fundamental credit analysis.

# Economic Outlook

## Mortgage and Asset Backed Securities (MBS and ABS)




**Federal Reserve**

- While the level of the Fed's paydown reinvestments has so far remained above the capped level of payments it has targeted for runoff this year (Cap), it is projected that the Fed's net reinvestments will reach zero by October
- Tapering has contributed to MBS spreads widening 4bps YTD and will likely lead to further spread volatility in the absence of the Federal Reserve's net support of the sector

**Housing**

- As the economy has improved, interest rates have risen, and home prices have recovered. This has unfortunately resulted in declining housing affordability and a slower pace of home sales
- Affordability has weakened, with home price appreciation averaging 4.22% and median household income growth only averaging 2.65%
- Mortgage rates have increased from the post-recession lows of 3.47% to 4.84%

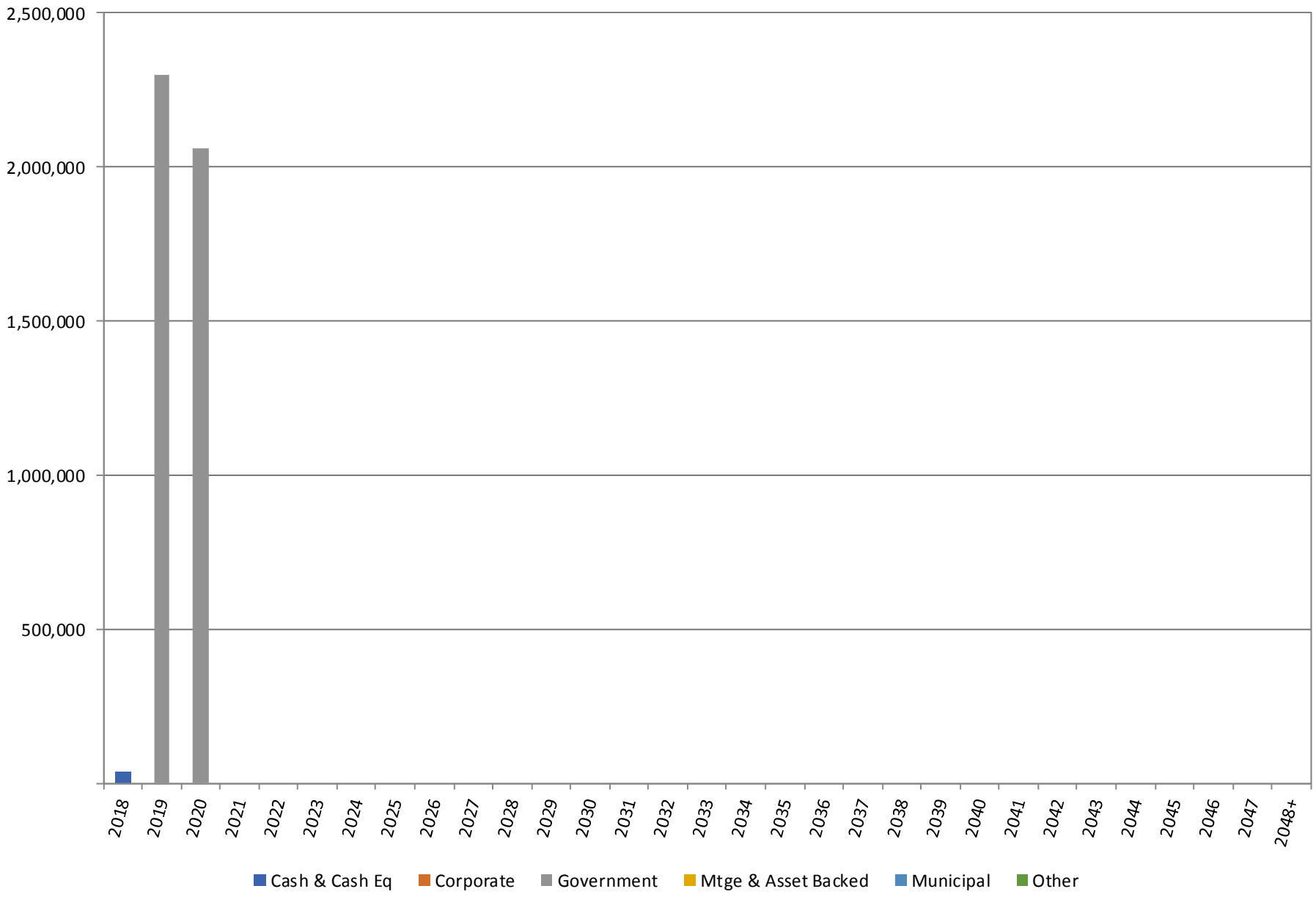
**ABS**

- The ABS market has seen a shift in the level of issuance between credit card and auto loan issuance this year
- Credit card issuance has totaled $29B YTD, a 12% YOY decline, while auto issuance has totaled $76B or a 16% increase

# Portfolio Statistics

| Security Type | Book Value | Market Value | Gain / (Loss) | Tax-Equivalent Book Yield | Tax-Equivalent Market Yield | Effective Duration | Convexity | Securities at Gain | | Securities at Loss | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | # | Amount | # | Amount |
| **Fixed Income** | | | | | | | | | | | |
| Treasury | 4,343,010 | 4,318,036 | (24,974) | 2.05 | 2.65 | 1.18 | 0.02 | 0 | 0 | 20 | (24,974) |
| Agency | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Corporate | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Taxable Municipal | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Tax-exempt Municipal | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Mortgage Pass-Through | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| CMOs | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| ARMs | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Asset Backed | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| CMBS | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| **Total** | **4,343,010** | **4,318,036** | **(24,974)** | **2.05** | **2.65** | **1.18** | **0.02** | **0** | **0** | **20** | **(24,974)** |
| **Short Term** | | | | | | | | | | | |
| Sweep Money Market | 38,457 | 38,457 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| Commercial Paper | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| (Payable)/Receivable | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | 0 |
| **Total** | **38,457** | **38,457** | **0** | **0.00** | **0.00** | **0.00** | **0.00** | **0** | **0** | **0** | **0** |
| **Total Fixed Income & Short Term** | | | | | | | | | | | |
| **Total** | **4,381,467** | **4,356,493** | **(24,974)** | **2.03** | **2.63** | **1.17** | **0.02** | **0** | **0** | **20** | **(24,974)** |
| **Equity** | | | | | | | | | | | |
| Common Stock | 0 | 0 | 0 | | | | | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | | | | | **0** | **0** | **0** | **0** |
| **Grand Total** | | | | | | | | | | | |
| **Total** | **4,381,467** | **4,356,493** | **(24,974)** | | | | | **0** | **0** | **20** | **(24,974)** |

# *Maturity Schedule By Weighted Average Life*



# *Effective Maturity Schedule*

| Year | Book Value | Tax Equiv. Book Yield | % of Total Book Value |
|---|---|---|---|
| 2018 | 0 | 0.00 | 0% |
| 2019 | 2,294,819 | 1.72 | 53% |
| 2020 | 2,048,191 | 2.42 | 47% |
| 2021+ | 0 | 0.00 | 0% |
| **Subtotal** | **4.343.010** | **2.05** | **100%** |
| (inc. ABS, Agcy, CMBS, Corp, Muni, UST) | | | |
| MBS | 0 | 0.00 | 0% |
| **TOTAL** | **4.343.010** | **2.05** | **100%** |

# *Performance*

**Tax-Equivalent Total Return**
**as of 09/30/2018**
**Inception Date: 08/01/2014**

| | Prime | Benchmark | Difference |
|---|---|---|---|
| Quarter to Date | 0.36% | 0.38% | -0.02% |
| Year to Date | 0.97% | 1.05% | -0.09% |
| Since Inception | 0.62% | 0.67% | -0.05% |

**Benchmark Composition:**

100.0% PEJIF Duration Matched Treasury

# Bond Purchases

| Trade Date | Description | Security Type | S&P Rating | Moody's Rating | Coupon | Maturity Date | Call Date | Price | Cost | Pre-Tax Book Yield | Tax-Equivalent Book Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 07/05/2018 | US TREASURY N/B | Treasury | AA+ | Aaa | 2.625 | 08/15/2020 | N/A | 100.10 | 250,244 | 2.58 | 2.58 |
| 07/05/2018 | US TREASURY N/B | Treasury | AA+ | Aaa | 2.000 | 07/31/2020 | N/A | 98.86 | 247,148 | 2.57 | 2.57 |
| 07/16/2018 | US TREASURY N/B | Treasury | AA+ | Aaa | 2.000 | 09/30/2020 | N/A | 98.64 | 197,289 | 2.64 | 2.64 |
| **Total** | | | | | | | | | **694,682** | **2.59** | **2.59** |

# Bond Sales, Calls & Maturities

| Trade Date | Trade Type | Description | Security Type | S&P Rating | Moody's Rating | Coupon | Effective Maturity | Maturity Date | Price | Book Value | Realized Gain/(Loss) | Pre-Tax Book Yield | Tax-Equivalent Book Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 07/15/2018 | Maturity | US TREASURY N/B | Treasury | AA+ | Aaa | 0.875 | 07/15/2018 | 07/15/2018 | 100.00 | 200,000 | 0 | 1.02 | 1.02 |
| 08/01/2018 | Sell | US TREASURY N/B | Treasury | AA+ | Aaa | 1.250 | 10/31/2018 | 10/31/2018 | 99.81 | 250,000 | (479) | 1.25 | 1.25 |
| 08/15/2018 | Sell | US TREASURY N/B | Treasury | AA+ | Aaa | 1.250 | 11/15/2018 | 11/15/2018 | 99.80 | 135,013 | (277) | 1.21 | 1.21 |
| 08/15/2018 | Sell | US TREASURY N/B | Treasury | AA+ | Aaa | 1.250 | 12/15/2018 | 12/15/2018 | 99.72 | 164,968 | (432) | 1.31 | 1.31 |
| 09/11/2018 | Sell | US TREASURY N/B | Treasury | AA+ | Aaa | 1.250 | 12/15/2018 | 12/15/2018 | 99.77 | 84,987 | (186) | 1.31 | 1.31 |
| 09/11/2018 | Sell | US TREASURY N/B | Treasury | AA+ | Aaa | 1.250 | 01/31/2019 | 01/31/2019 | 99.61 | 74,978 | (271) | 1.33 | 1.33 |
| 09/19/2018 | Sell | US TREASURY N/B | Treasury | AA+ | Aaa | 1.500 | 05/31/2019 | 05/31/2019 | 99.35 | 200,086 | (1,391) | 1.44 | 1.44 |
| **Total** | | | | | | | | | | **1,110,032** | **(3,035)** | **1.26** | **1.26** |

# *Appendix*

Detailed Portfolio Report

# Portfolio Holdings Report

| Date Acquired | S&P Rating | Moody's Rating | Quantity | Description | Coupon | Effective Maturity | Maturity | Original Cost | Book Value | Market Value | Unrealized Gain/(Loss) | Book Yield | Market Yield | Effective Duration | Avg Life | Convexity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Money Market** | | | | | | | | | | | | | | | | |
| 08/31/2018 | | | 38,457 | BANK OF AMER/MERRILL LYNCH | 0.00 | | | 38,457 | 38,457 | 38,457 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | |
| | | | **38,457** | | | | | **38,457** | **38,457** | **38,457** | **0** | **0.00** | **0.00** | **0.00** | **0.00** | |
| **Treasury** | | | | | | | | | | | | | | | | |
| 12/01/2017 | AA+ | Aaa | 200,000 | US TREASURY N/B | 1.25 | 08/31/2019 | 08/31/2019 | 198,195 | 199,044 | 197,522 | (1,522) | 1.78 | 2.63 | 0.90 | 0.92 | 0.01 |
| 01/29/2018 | AA+ | Aaa | 250,000 | US TREASURY N/B | 1.75 | 11/30/2019 | 11/30/2019 | 248,359 | 248,953 | 247,308 | (1,645) | 2.12 | 2.69 | 1.14 | 1.17 | 0.02 |
| 02/01/2018 | AA+ | Aaa | 225,000 | US TREASURY N/B | 1.88 | 12/31/2019 | 12/31/2019 | 223,884 | 224,267 | 222,716 | (1,551) | 2.14 | 2.70 | 1.22 | 1.25 | 0.02 |
| 02/05/2018 | AA+ | Aaa | 250,000 | US TREASURY N/B | 2.00 | 01/31/2020 | 01/31/2020 | 249,512 | 249,670 | 247,648 | (2,023) | 2.10 | 2.72 | 1.30 | 1.34 | 0.02 |
| 06/07/2018 | AA+ | Aaa | 250,000 | US TREASURY N/B | 2.38 | 04/30/2020 | 04/30/2020 | 249,375 | 249,478 | 248,475 | (1,003) | 2.51 | 2.77 | 1.53 | 1.59 | 0.03 |
| 06/11/2018 | AA+ | Aaa | 260,000 | US TREASURY N/B | 2.50 | 05/31/2020 | 05/31/2020 | 259,898 | 259,914 | 258,783 | (1,131) | 2.52 | 2.79 | 1.61 | 1.67 | 0.03 |
| 01/19/2018 | AA+ | Aaa | 175,000 | US TREASURY N/B | 1.75 | 09/30/2019 | 09/30/2019 | 174,187 | 174,517 | 173,457 | (1,060) | 2.03 | 2.65 | 0.98 | 1.00 | 0.01 |
| 01/29/2018 | AA+ | Aaa | 250,000 | US TREASURY N/B | 1.50 | 10/31/2019 | 10/31/2019 | 247,441 | 248,409 | 246,873 | (1,536) | 2.10 | 2.68 | 1.06 | 1.09 | 0.02 |
| 07/05/2018 | AA+ | Aaa | 250,000 | US TREASURY N/B | 2.63 | 08/15/2020 | 08/15/2020 | 250,244 | 250,220 | 249,138 | (1,083) | 2.58 | 2.81 | 1.81 | 1.88 | 0.04 |
| 08/28/2017 | AA+ | Aaa | 200,000 | US TREASURY N/B | 1.00 | 03/15/2019 | 03/15/2019 | 199,063 | 199,722 | 198,764 | (958) | 1.31 | 2.36 | 0.45 | 0.46 | 0.01 |
| 07/27/2017 | AA+ | Aaa | 175,000 | US TREASURY N/B | 1.25 | 01/31/2019 | 01/31/2019 | 174,802 | 174,956 | 174,382 | (574) | 1.33 | 2.31 | 0.33 | 0.34 | 0.00 |
| 08/01/2017 | AA+ | Aaa | 225,000 | US TREASURY N/B | 1.38 | 02/28/2019 | 02/28/2019 | 225,229 | 225,061 | 224,093 | (967) | 1.31 | 2.35 | 0.41 | 0.42 | 0.00 |
| 09/15/2017 | AA+ | Aaa | 200,000 | US TREASURY N/B | 1.25 | 04/30/2019 | 04/30/2019 | 199,672 | 199,881 | 198,630 | (1,251) | 1.35 | 2.44 | 0.57 | 0.58 | 0.01 |
| 06/18/2018 | AA+ | Aaa | 150,000 | US TREASURY N/B | 1.88 | 06/30/2020 | 06/30/2020 | 147,961 | 148,238 | 147,642 | (596) | 2.57 | 2.80 | 1.70 | 1.75 | 0.04 |
| 07/05/2018 | AA+ | Aaa | 250,000 | US TREASURY N/B | 2.00 | 07/31/2020 | 07/31/2020 | 247,148 | 247,471 | 246,433 | (1,038) | 2.57 | 2.80 | 1.78 | 1.84 | 0.04 |
| 07/16/2018 | AA+ | Aaa | 200,000 | US TREASURY N/B | 2.00 | 09/30/2020 | 09/30/2020 | 197,289 | 197,541 | 196,814 | (727) | 2.64 | 2.82 | 1.94 | 2.00 | 0.05 |
| 02/05/2018 | AA+ | Aaa | 250,000 | US TREASURY N/B | 1.38 | 02/15/2020 | 02/15/2020 | 246,270 | 247,455 | 245,430 | (2,025) | 2.13 | 2.74 | 1.35 | 1.38 | 0.02 |
| 03/05/2018 | AA+ | Aaa | 200,000 | US TREASURY N/B | 1.63 | 03/15/2020 | 03/15/2020 | 197,516 | 198,203 | 196,828 | (1,375) | 2.26 | 2.74 | 1.43 | 1.46 | 0.03 |
| 10/03/2017 | AA+ | Aaa | 200,000 | US TREASURY N/B | 1.63 | 06/30/2019 | 06/30/2019 | 200,594 | 200,257 | 198,664 | (1,593) | 1.45 | 2.53 | 0.73 | 0.75 | 0.01 |
| 12/01/2017 | AA+ | Aaa | 200,000 | US TREASURY N/B | 1.63 | 07/31/2019 | 07/31/2019 | 199,508 | 199,752 | 198,438 | (1,314) | 1.78 | 2.58 | 0.82 | 0.84 | 0.01 |
| | | | **4,360,000** | | | | | **4,336,146** | **4,343,010** | **4,318,036** | **(24,974)** | **2.05** | **2.65** | **1.18** | **1.21** | **0.02** |
| | | | **4,398,457** | | | | | **4,374,602** | **4,381,467** | **4,356,493** | **(24,974)** | **2.03** | **2.63** | **1.17** | **1.20** | **0.02** |

# Glossary of Terms

## Security Types

| | |
|---|---|
| **Adjustable Rate Mortgage (ARM)** | A mortgage in which the interest rate is changed at regular intervals to reflect fluctuations in market interest rates. Because the borrower takes some of the risk of rising interest rates, the initial rate may be lower than that on a fixed-rate mortgage. There are often limitations on the interest rate change from one period to the next, with a rate cap for the life of the loan. |
| **Agency** | A fixed income security issued by a government-sponsored agency, such as Ginnie Mae, Freddie Mac, or the Tennessee Valley Authority. Depending on the issuer, these bonds may or may not be backed by the full faith and credit of the U.S. government. |
| **Asset-Backed Security (ABS)** | A fixed income security backed by the cash flows from loans or leases. Auto loans, home equity loans, and credit card receivables are the most common assets backing these securities. Principal and interest payments made by borrowers are redirected to owners of ABS to meet the scheduled coupon and principal payments. |
| **Collateralized Mortgage Obligation (CMO)** | A security similar to a mortgage-pass through. In a CMO, the principal and interest received from borrowers is split into different classes called tranches. The structure of CMO payment tranches makes the timing of cash flows more certain for owners of some tranches and less certain for owners of other tranches. More uncertain tranches typically provide higher yields. |
| **Commercial Mortgage-Backed Security (CMBS)** | A fixed income security backed by the cash flows from commercial real estate mortgages. All principal and interest from the mortgages flow to bond holders in a defined sequence. Common types of real estate involved are apartment buildings, office and retail space, hotels, and health care facilities. |
| **Corporate (Corp)** | A fixed income security issued by a private corporation. |
| **Mortgage Pass-Through (MPT)** | A fixed income security backed by the cash flows from residential mortgages. Monthly principal and interest payments made by borrowers are redirected to owners of MPTs as they are received. Because borrowers may prepay their mortgages (perhaps due to refinancing or selling the house), the timing of cash flows on these securities is uncertain. |
| **Preferred Stock (Preferred)** | Capital stock having priority over a corporation's common stock in the distribution of dividends. In the event of a liquidation, preferred stock's claim on assets ranks above that of common stock but below that of bank loans or corporate bonds. |
| **Tax-exempt Municipal (ExMuni)** | A fixed income security, issued by a state or municipality, paying interest that is exempt from federal income tax. Interest may or may not be exempt from state and local tax. |
| **Taxable Municipal (TaxMuni)** | A fixed income security, issued by a state or municipality, paying interest that is subject to federal income tax. Typically issued much less commonly than tax-exempt municipals. |
| **Treasury** | A marketable fixed income security issued by the U.S. Department of the Treasury and backed by the full faith and credit of the U.S. government. |

# Glossary of Terms

## Definitions

| | |
|---|---|
| **Average Life** | The dollar-weighted average time to maturity of a stream of principal cash flows. Also referred to as "weighted average life" or "WAL". |
| **Basis Point (bp)** | 1/100 of 1% (or equivalently .0001). |
| **Benchmark** | An index against which performance can be measured. Attributes of a good benchmark include:<br>*Objective*: The index should be identified ahead of the time, it should be easily understood, and the construction rules should be clearly defined.<br>*Replicable*: The manager should be able to replicate the returns passively.<br>*Relevant*: The index should represent the manager's neutral position. In other words, without the manager's input, the index should represent a reasonable portfolio the company would purchase.<br>*Tax Adjusted*: The benchmark should adjust for the different tax rates on various security types |
| **Book Income** | Dollars of investment income that flow through an insurance company's income statement. This is equal to coupon received plus any accretion/ (amortization) of book value. It can also include any realized gains or losses in the portfolio. |
| **Book Value** | The value of a security that is reflected on an insurance company's balance sheet. For fixed income securities on a statutory and tax basis this is the amortized value. The amortized value periodically writes up any accrual of purchase discount (or writes down amortization of premium) over the life of the security. The amortized value holds the underlying "book yield" constant and therefore does not swing with movements in the market. |
| **Book Yield** | The average annual yield which a bond purchased and held to maturity will earn over the period it is owned. This is generally fixed at the time of purchase of the security. The book yield can be used to calculate the book value of the security at any time between purchase and maturity. |
| **Cash Flow** | Interest and principal payments from the securities in a fixed income portfolio. A bullet (non-callable) bond will typically pay a coupon payment every 6 months, with a return of principal at maturity. For mortgage-backed securities and asset-backed securities, cash flows generally arrive monthly from both interest and principal. This principal portion contains both the planned return of principal and prepayment of principal due to reasons such as mortgage refinancing. |
| **Convexity** | Describes the sensitivity of a bond's duration to a change in yield. As yields decrease, duration increases on bonds with positive convexity and decreases on bonds with negative convexity. This causes bonds with negative convexity to underperform when yields increase or decrease by large amounts. |
| **Credit Risk** | The risk that the issuer of a fixed income security may default and be unable to make timely interest and principal payments on the security. |
| **Duration** | The sensitivity of a bond's price to a change in yield. Duration generally increases for bonds with longer maturities, meaning these bonds are more sensitive to yield changes. Bond price and yield move in opposite directions. Example: A bond with a duration of 5.0 would experience a price decrease of 5% for every 1% (100 bps) increase in interest rates. |

# Glossary of Terms

## Definitions (cont.)

| | |
|---|---|
| **DYCARR$^{SM}$** | A proprietary model designed specifically for P/C insurance companies to maximize investment income while managing interest rate risk (see definition.) The model applies stress tests to projected operational cash flow and finds the likelihood that bonds in the portfolio will need to be liquidated in order to meet cash flow needs (such as the payment of losses). This may allow a company to invest in longer duration securities with higher yields. |
| **FICO Score** | A generic credit score developed by Fair, Isaac and Company, Inc., designed to predict the likelihood of borrowers becoming delinquent in their credit obligations. |
| **Gross Domestic Product (GDP)** | The total market value of all final goods and services produced in a country in a given year; it is equal to total consumer, investment, and government spending, plus exports, minus imports. |
| **Interest Rate Risk** | The risk to a bondholder that an increase in interest rates will cause bond prices to fall. Interest rates and market prices for fixed income securities generally move in opposite directions. Interest rate changes are the largest cause of changes in the market value of a bond portfolio. |
| **Loan to Value (LTV)** | A lending risk assessment ratio used in mortgage lending. LTV is calculated by dividing the mortgage amount by the lesser of appraised value or selling price. Residential mortgage loans conforming to agency guidelines have LTV ratios of 80% or lower at origination. Lenders will frequently require lower LTV ratios for commercial or investment properties. |
| **Market Value** | Estimated value of the bond based on current market price. This value fluctuates continually with interest rates and perceived risk of the issuer. Reflects the amount that could be received by selling the bond. |
| **Option Adjusted Spread (OAS)** | The portion of a bond's yield which is attributable to the credit risk of a bond as perceived by the market. This allows for comparison between bonds with or without embedded options such as calls, puts, and prepayment features. |
| **Realized Gain/(Loss)** | Difference between market and book value when a bond is sold. If market is greater than book value the bond was sold at a realized capital gain. Realized capital gains/(losses) flow through an insurer's income statement. |
| **Tax Equivalent Yield** | Yield adjusted for taxes, which allows for comparison of taxable bonds to tax-exempt bonds. Calculated by dividing after-tax yield by 0.65 (1 minus 35%). |
| **Total Return** | The return on a security or portfolio that reflects both income and price change. Assumes that the security or portfolio is priced using fair value at the end of the evaluation period. |
| **Unrealized Gain/(Loss)** | The difference between market value and book value on a bond. If market value is greater than book value the bond is at an unrealized gain. Under statutory accounting rules, changes in unrealized gain/(loss) do not affect income. |
| **Volatility Adjusted Duration** | A portfolio duration which has been adjusted for the lower observed price volatility seen in tax-exempt municipal bonds. Historically municipals appear to have about 15% lower price volatility than their stated durations suggest; this measure takes that observance into account. |
| **Whole Loan** | An original residential mortgage loan; distinct from a pooled pass-through which contains multiple loans. Non-agency CMOs use whole loans as collateral. They usually include jumbo mortgages and other mortgages which do not conform to the standards required for securitization by the agencies (GNMA, FNMA, FHLMC). |
| **Yield** | The implied return achievable for purchasing a bond at a given price. |

# *Appendix*

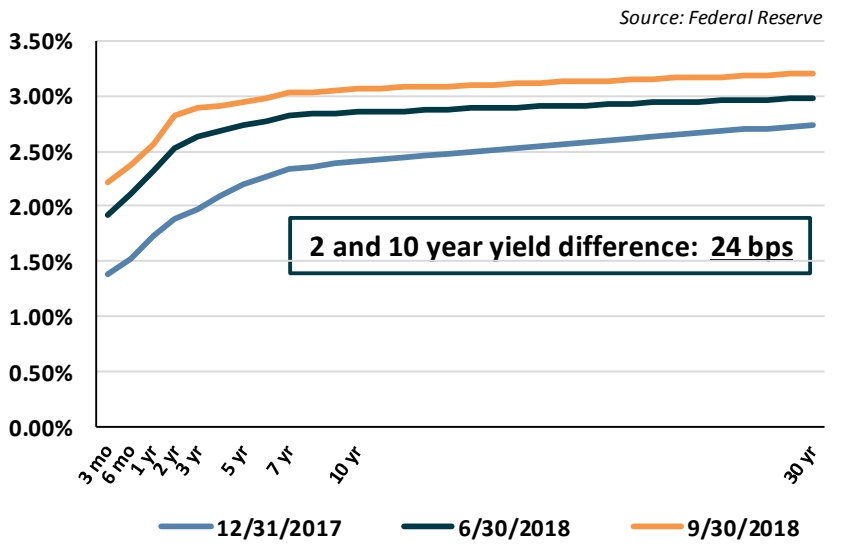
Presentation Overview

## *Overview*

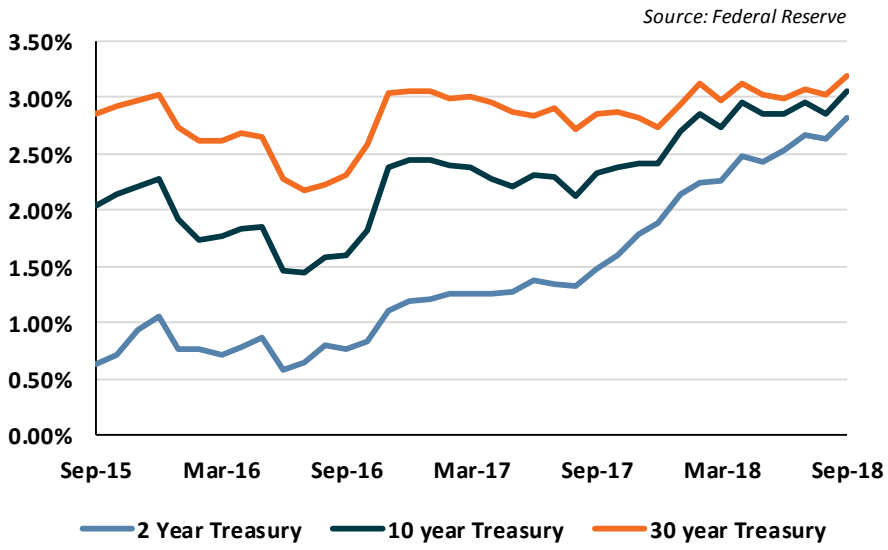
- Economic overview and market update
- Portfolio review
- Performance

# Treasury Yields

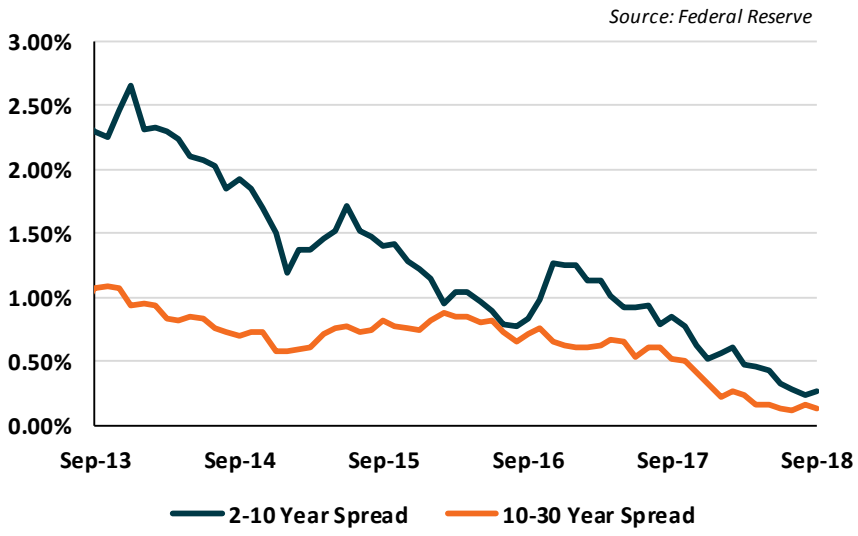
## Treasury Yield Curves




## 2, 10, 30 Year Treasury Yields




## Flattening Yield Curve



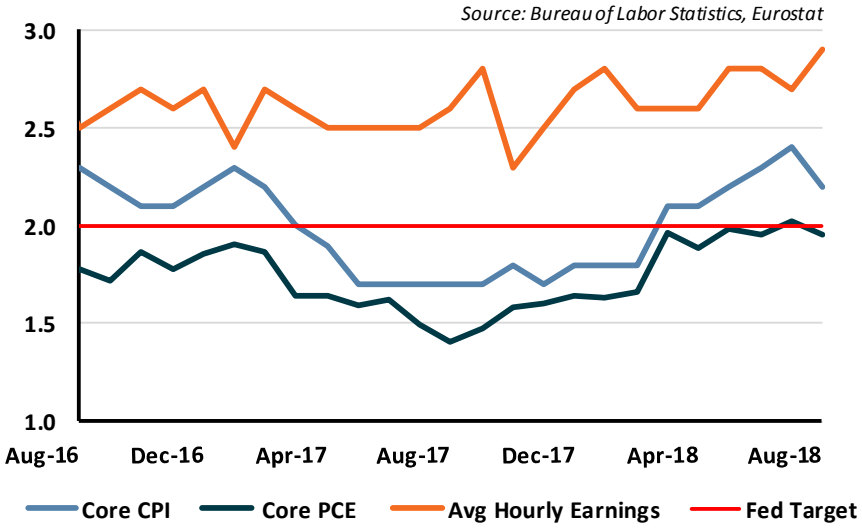

## World Bond Yields – 10 Year

| | 12/31/2017 | 9/30/2018 | Difference |
|---|---|---|---|
| US | 2.41% | 3.06% | 0.65% |
| UK | 1.19% | 1.57% | 0.39% |
| Germany | 0.42% | 0.47% | 0.05% |
| France | 0.78% | 0.80% | 0.02% |
| Italy | 2.01% | 3.14% | 1.13% |
| Spain | 1.56% | 1.50% | (0.06%) |
| Japan | 0.04% | 0.12% | 0.08% |

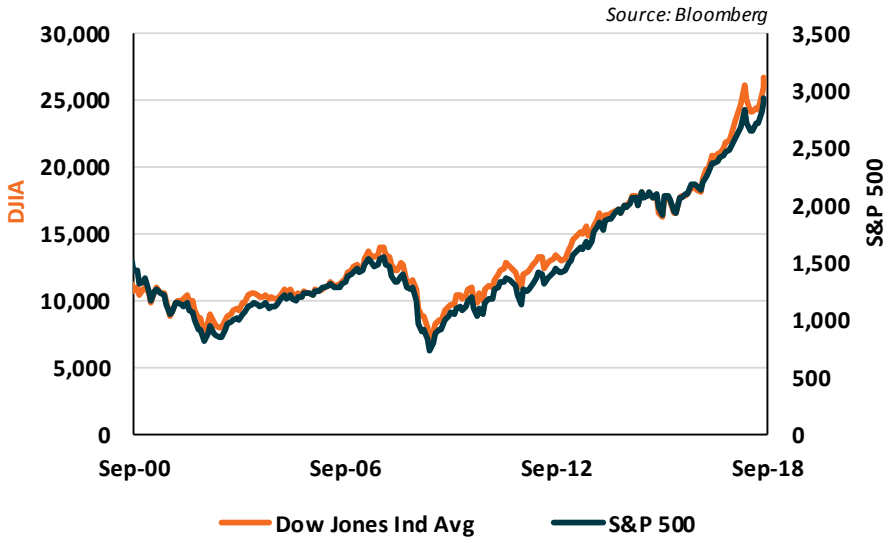
*Source: Federal Reserve, Bloomberg*

# Market Indicators

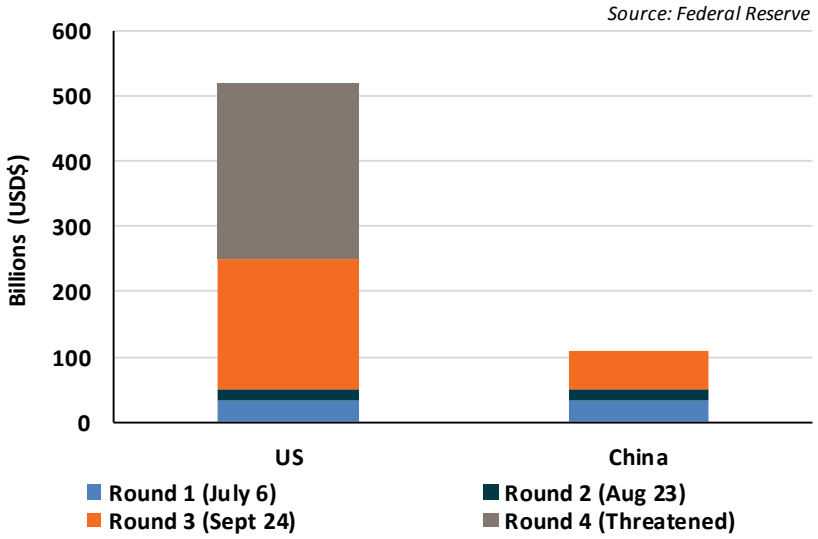
## Inflation



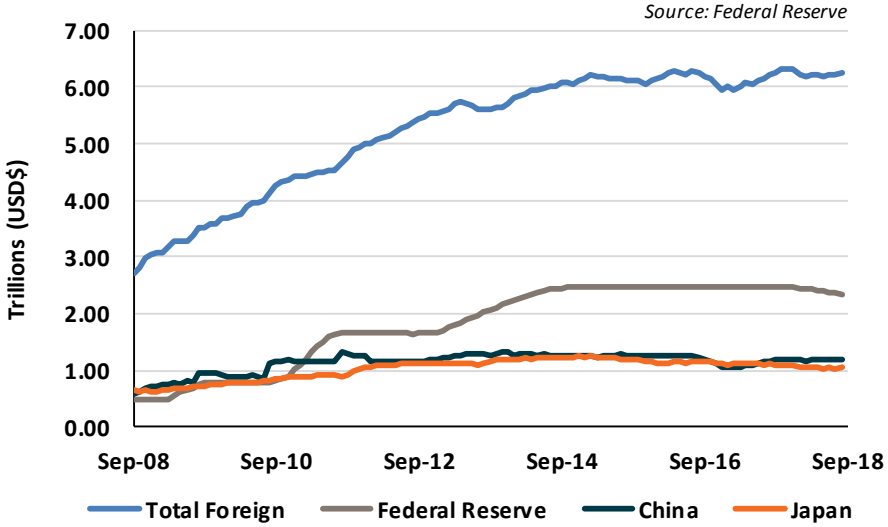

## Equity Markets




## Tariffs




## US Treasury Securities Holders

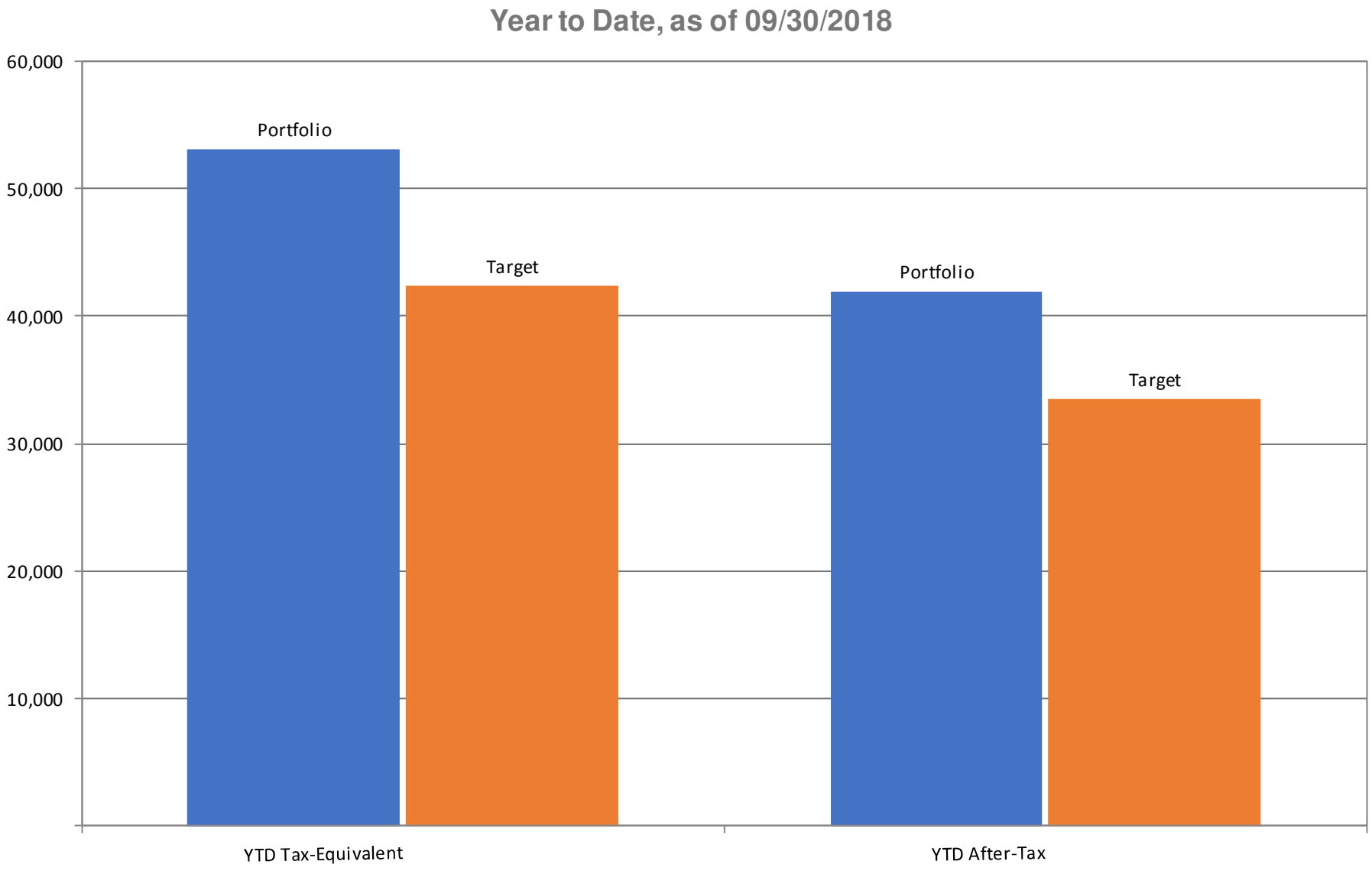


# Portfolio Changes

| Public Entity Joint Insurance Fund | 09/30/2017 | 12/31/2017 | 03/31/2018 | 06/30/2018 | 09/30/2018 |
|---|---|---|---|---|---|
| **Treasury Yields** | | | | | |
| 2 yr Treasury Yield | 1.48% | 1.89% | 2.27% | 2.53% | 2.82% |
| 5 yr Treasury Yield | 1.93% | 2.19% | 2.57% | 2.73% | 2.95% |
| 10 yr Treasury Yield | 2.33% | 2.41% | 2.74% | 2.85% | 3.06% |
| **Book Statistics** | | | | | |
| Tax-Equivalent Book Yield | 0.91% | 1.12% | 1.48% | 1.78% | 2.03% |
| Book Value ($) | 4,613,617 | 4,325,448 | 5,262,305 | 4,759,873 | 4,381,467 |
| Projected Tax-Equivalent Income, next 12 months ($) | 42,049 | 48,378 | 77,753 | 84,917 | 89,029 |
| Unrealized Gains/(Losses) ($) | (6,163) | (15,132) | (21,508) | (21,732) | (24,974) |
| YTD Realized Gains/(Losses) ($) | 0 | 0 | 0 | (1,462) | (4,498) |
| **Portfolio Risk Statistics** | | | | | |
| Effective Duration | 0.70 | 0.81 | 1.00 | 1.09 | 1.17 |
| Convexity | 0.01 | 0.01 | 0.02 | 0.02 | 0.02 |
| Weighted Average Life | 0.71 | 0.82 | 1.02 | 1.12 | 1.20 |
| Average Rating | AAA | AAA | AAA | AAA | AAA |
| **Portfolio Sector Allocation** | | | | | |
| Treasury | 91% | 94% | 96% | 100% | 99% |
| Agency | 0% | 0% | 0% | 0% | 0% |
| Corporate | 0% | 0% | 0% | 0% | 0% |
| Taxable Municipal | 0% | 0% | 0% | 0% | 0% |
| Tax-exempt Municipal | 0% | 0% | 0% | 0% | 0% |
| Mortgage Pass-Through | 0% | 0% | 0% | 0% | 0% |
| CMOs | 0% | 0% | 0% | 0% | 0% |
| ARMs | 0% | 0% | 0% | 0% | 0% |
| Asset Backed | 0% | 0% | 0% | 0% | 0% |
| CMBS | 0% | 0% | 0% | 0% | 0% |
| Cash & Cash Equivalents | 9% | 6% | 4% | 0% | 1% |

Note: The tax-equivalent yield calculation has changed after 12/31/17 due to the passing of the Tax Cuts and Jobs Act in December 2017. Tax-equivalent yield grosses up tax-exempt municipal yields so they are comparable to taxable bonds. The factor for 12/31/17 and prior was 1.46 [(1 - 5.25%) / (1 - 35%)]. The new factor is 1.20 [(1 - 5.25%) / (1 - 21%)].

# *Income Year to Date*



# *Performance*

**Tax-Equivalent Total Return**
**as of 09/30/2018**
**Inception Date: 08/01/2014**

| | Prime | Benchmark | Difference |
|---|---|---|---|
| Quarter to Date | 0.36% | 0.38% | -0.02% |
| Year to Date | 0.97% | 1.05% | -0.09% |
| Since Inception | 0.62% | 0.67% | -0.05% |

**Benchmark Composition:**
100.0% PEJIF Duration Matched Treasury

BGIA
Business & Governmental Insurance Agency

| PUBLIC ENTITY JOINT INSURANCE FUND CERTIFICATES ISSUED 7/01/2018 to 9/30/2018 | | | | |
|---|---|---|---|---|
| **JIF Member** | **ISSUED** | **CERT HOLDER** | **COVERAGE** | **HOLDER DESCRIPTION** |
| City of East Orange | 8/13/2018 | NJ Motor Vehicle Services | 2018 GL/AL/WC | Evidence of insurance as respects the 2008 Crimson Spartan Gladiator #4S7AX2C928C070730. |
| Town of West New York | 7/30/2018 | County of Hudson | 2018 GL/AL/WC | Certificate holder is included as additional insured as respects the Town of West New York's use of the County Showmobile for the Summer Concert Series on 8/10/18 and 8/24/18. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. * |
| Township of Teaneck | 8/7/2018 | State of New Jersey | 2018 GL/AL/WC | The New Jersey Department of Military and Veterans Affairs and its employees are included as additional insured for General Liability as respects the Township of Teaneck's use of the Ward Plaza side of parking lot of the Teaneck Armory on 8/10/18. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. * |
| Township of Teaneck | 8/9/2018 | Fairleigh Dickinson University | 2018 GL | Evidence of insurance as respects the Township of Teaneck's use of the Fairleigh Dickinson University Rothman Center for the Trinidad Family Mass on 8/11/18. |
| City of Perth Amboy | 9/18/2018 | Fulton Bank of New Jersey | 2018 GL/PROP | (ARQV-BWC-1) @ $265 each – total $37,100; 18 Car Cameras (ARQV-1CV-100) @ $6,000 each – total $108,000; 3 Interview Room Cameras (ARQV-1VR-1) @ $5,200 each – totaling $15,600, 1 Server (VNS-MS-36) @ $26,138.12, 11 Multi-Docking Stations @ $1,000 (continued on page 2) |
| City of Perth Amboy | 7/5/2018 | YMCA OF METUCHEN | 2018 GL/AL/WC | Evidence of insurance as respects the City of Perth Amboy Municipal Alliance Prevention Summer (MAPS) Day Camp trip to YMCA of Metuchen on 7/6/18 & 8/3/18. |
| City of Passaic | 7/17/2018 | Rockland Baseball Association | 2018 GL/AL/WC | Rockland Baseball Association / NABF are included as additional insured as respects the City of Passaic Recreation Department sponsored baseball teams participation in the 2018 - 10u NABF World Series. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. * |
| City of Passaic | 7/18/2018 | NJ Youth Baseball | 2018 GL/AL/WC | Certificate holder is included as an additional insured as respects the City of Passaic Recreation Department sponsored Baseball Teams participation in the NJYB Spring, Summer, Memorial Day and Fall Leagues. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. |
| City of Passaic | 8/10/2018 | Staten Island United Federation Baseball (SIUFB) | 2018 GL/AL/WC | Evidence of insurance as respects the City of Passaic Recreation Department sponsored 18U teams' participation in the SIUFB Tournament. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. |
| City of Passaic | 8/23/2018 | Borough of Carlstadt | 2018 GL/AL/WC | Evidence of insurance as respects the City of Passaic Recreation Department sponsored teams participation in the Lyndhurst 17U Wood Bat Tournament. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. |
| Borough of Roselle | 7/5/2018 | Evidence of Insurance | 2018 CRIME STAT | Evidence of Statutory Bond Coverage for: CFO/Treasurer Judith Curran; Tax Collector Martha Alexander; Municipal Judge Carl Marshall; Court Administrator Vivian Hoff. |

| PUBLIC ENTITY JOINT INSURANCE FUND CERTIFICATES ISSUED 7/01/2018 to 9/30/2018 | | | | |
|---|---|---|---|---|
| **JIF Member** | **ISSUED** | **CERT HOLDER** | **COVERAGE** | **HOLDER DESCRIPTION** |
| City of Plainfield | 7/12/2018 | Avis Car Rentals Inc | 2018 GL/AL/WC/APD | Avis Car Rentals Inc/Autolease is included as loss payee as respects the City of Plainfield's lease of seven (VIN A80933, A70288, A80947, A21536, A70285, A80951 & A21549) 2018 Ford Transit Vans, cost new $45,000 each, rental period 7/15-8/10. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. |
| City of Plainfield | 9/7/2018 | County of Union | 2018 GL/AL/WC UNION COUNTY | The County of Union, its Board of Chosen Freeholders, officers, employees, agents, servants and the State of New Jersey are included as Additional Insured under the general liability policy as respects the Division of Aging Grant. The General Liability insurance coverage is provided on a primary and non-contributory basis to the County of Union, et al. Where applicable, a waiver of subrogation in favor of the above named Additional Insured is to be included in those policies of insurance where permitted by law. * |
| City of Plainfield | 9/13/2018 | County of Union | 2018 GL/AL/WC UNION COUNTY | The County of Union, its Board of Chosen Freeholders, officers, employees, agents, servants and the State of New Jersey are included as Additional Insured under the general liability policy as respects the Safe Housing and Transportation Program (SHTP) Grant. The general liability insurance coverage is provided on a primary and non-contributory basis to the County of Union, et al. Where applicable, a waiver of subrogation in favor of the above named Additional Insured is to be included in those policies of insurance where permitted by law. * |
| City of Plainfield | 7/17/2018 | City of Plainfield | 2018 GL | Evidence of insurance as respects the 3rd annual Plainfield Bike Ride on 8/18/18 rain date 9/1/18. |
| City of Plainfield | 8/1/2018 | Rebounderz of Edison | 2018 GL | Evidence of insurance as respects the City of Plainfield Division of Parks & Recreation field trip in August. |
| City of Orange Township | 9/20/2018 | Sands Casino Resort Bethlehem | 2018 GL/AL/WC | Sands Bethworks Gaming LLC and its parent, subsidiary and affiliated companies and each of their respective officers, agents, shareholders and employees are included as additional insured as respects the City of Orange Senior bus trip to the Sands Casino. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. * |
| City of Perth Amboy | 8/22/2018 | PEIRCE-EAGLE EQUIPMENT CO. | 2018 GL/AL/WC/PROP | Certificate holder is included as additional insured (Lessor) & loss payee as respects City of Perth Amboy (Lessee) rental of a 2016 Rausch Truck Mounted Camera Pipe Inspection System on a Mercedes Model 3500 chassis VIN ...342579, valued at $229,000, rental period 8/23 through 8/27. Coverage is subject to the terms, conditions, limitations & exclusions of JIF policies.* |
| City of Perth Amboy | 9/18/2018 | NJ Motor Vehicle Commission | 2018 AL/APD | Evidence of insurance as respects 2017 Sullivan Portable Air Compressor, S/N 34485, Vin # 4YAHH1112HM001951. |
| City of Plainfield | 9/28/2018 | County of Union | | The County of Union, its officers, officials, employees and volunteers are included as additional insured as respects the City of Plainfield's use of the Union County Emergency Management Fire Safety Trailer on 10/6/18. Coverage is subject to the terms, conditions, limitations and exclusions of the JIF policies. * |