Quarterly Investment Report

As of 3/31/2020

Executive Summary

TRANSACTIONS:

Action	Total	Comments	Average Tax-Equivalent Yield
Sales, Calls, and Maturities	$700,000	During the quarter, $0.7 million treasuries matured	2.16%
Purchases	$1,282,576	Maturities and cash were reinvested in shorter duration treasuries, given yield curve flattening observed in the first quarter. Overall duration lengthened slightly due to lower cash holdings at quarter close.	0.93%

PORTFOLIO STATISTICS:

Quarter Ending:	12/31/2019	03/31/2020
Tax-Equivalent Book Yield	2.14%	1.84%
Book Value	$4,357,255	$4,879,117
Projected Tax-Equivalent Annual Income	$93,201	$90,009
Unrealized Gain	$16,139	$55,639
YTD Realized Gain	$102	$0
Portfolio Duration	0.80	0.87
Average Credit Quality	AAA	AAA

PORTFOLIO ALLOCATION:

Sector	12/31/2019	03/31/2020
Treasury	98%	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	2%	1%

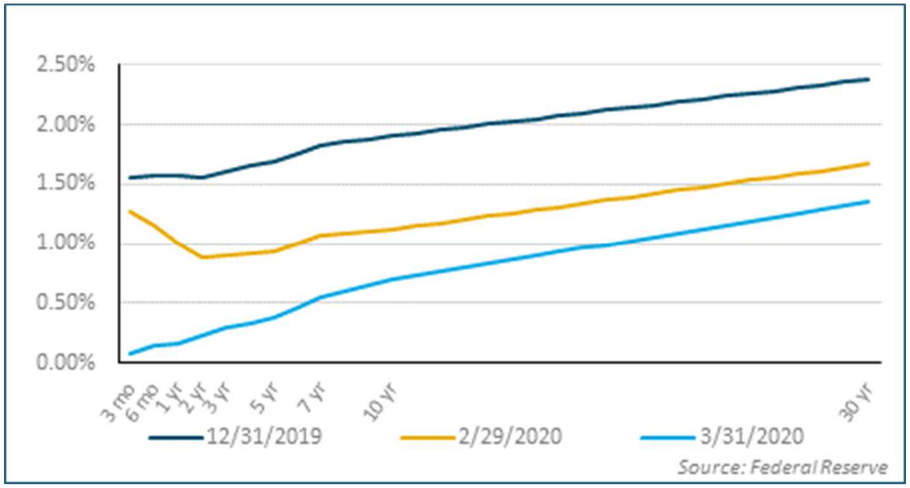
PERFORMANCE:

Tax-equivalent Performance	Portfolio	Target/Benchmark	Difference
YTD Booked Income	$22,606	$233,44	-$737
QTD Total Return	2.00%	1.92%	0.08%
YTD Total Return	2.00%	1.92%	0.08%

Economic Outlook

Treasury Yields

US Treasury Yields



10 Year Treasury Yields

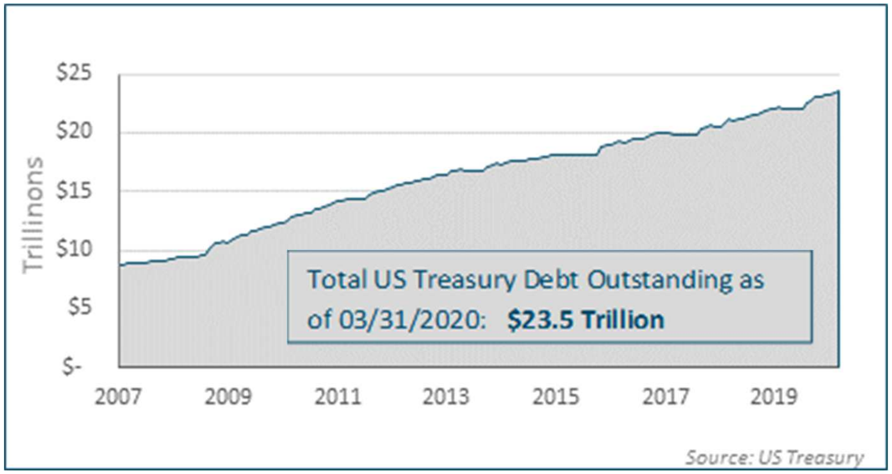
- While last year's concerns over slowing global growth were influenced by trade tensions, this year the global pandemic of Covid-19 has fueled anxiety unseen in the market before.
  - With much of the globe in lockdown, business activity in the second half of Q1 came to a sudden halt
  - As a result, investor fears peaked, driving yields to all-time lows, increasing market volatility and illiquidity across all sectors within the fixed income markets
    - After starting the year at 1.92%, 10-year Treasuries fell to historic low yields of 0.31% on 3/9/20 and ended the quarter at 0.67%
    - Liquidity within the markets froze as investor sales overwhelmed a small buyer base and spreads across all risk sectors widened violently
    - U.S. Equity markets experienced a greater than 20% decline year to date (S&P -20.0%, Dow -23.2%)

- As Central Banks expand QE programs and investors rushed to safe-haven assets, negative yielding debt has grown to $11.6 trillion, up from lows of $7.6 trillion on 3/19/20.
  - 10-year yields are negative in Germany (-0.47%), France (-0.03%), Sweden (-0.15%), Netherlands (-0.17%), and Switzerland (-0.42%)
  - Japan remains at 0% and the UK at +0.35%
  - Stressed economies also remain very low: Portugal (+0.85%), Italy (+1.52%), Greece (+1.58%) and Spain (+0.67%)

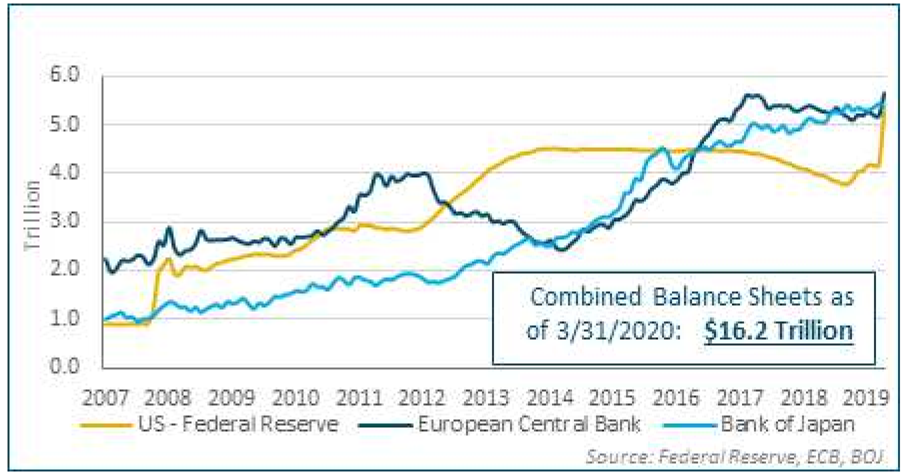
Economic Outlook

US Treasury Debt and Central Bank Activity

US Treasury Debt Outstanding



Global Central Banks Balance Sheets



- Along with Central Bank actions, governments across the globe were forced to implement massive fiscal stimulus programs to help mitigate the economic impact of the pandemic
  - For the U.S. stimulus measures included:
    - Phase 1, $8.3 billion for health agencies, testing and small business loan subsidies
    - Phase 2, $100 billion including tax credits for employers offering sick leave, increases to unemployment benefits and food assistance
    - Phase 3, $2.2 trillion checks to households, bailouts to airlines and other distressed industries, loans and grants for small businesses
    - Phase 4, Projected to be upwards of $2.0 trillion and may include large infrastructure projects, additional aid to states, relief to the mortgage markets and travel industry, as well as an extension of the phase 3 programs including additional payments to individuals.
- With the massive amount of debt being taken on to combat the economic impact of the virus, we expect to see significant Treasury debt come to market in future quarters
- During the quarter, the Fed along with other global central banks were forced to take immediate action to ensure credit markets functioned
  - The Fed implemented two rate cuts during the quarter, bringing rates back down to zero by reducing Fed Funds by -1.5%
  - Additionally, they announced credit facilities to provide financing for corporations, municipalities, small businesses and government entities
  - Quantitative Easing programs were reinstituted and expanded to include assets beyond Treasuries and agency mortgage-backed securities
  - Given the unknown length of pandemic, the Fed is pulling out all the stops and providing unlimited support to the markets
- With an estimated 2.8+ billion people globally under some type of lockdown all central banks are making moves
  - The balance sheets of the 3 major central banks (Fed, ECB, BOJ) have ballooned to over $15.8 trillion and will continue to move higher in Q2

Economic Outlook

Employment and Inflation

US Initial Jobless Claims

WTI Crude Oil ($/Barrel)

EMPLOYMENT

- Going into the crisis, the labor markets in the U.S. remained very strong, with ample job openings and unemployment printing at 50-year lows
- As government mandated "shelter in place" orders went into effect, jobless claims have skyrocketed and are expected to grow further in Q2
  - This is not a surprise given the range of service and manufacturing jobs that cannot be completed from home
  - This massive influx of unemployed workers will strain U.S. consumption in the coming quarters, and the unemployment rate may rise to 15-25%. GDP is also expected to decline significantly during Q2, with estimates ranging from -25% to -35%
  - On a positive note, many estimates are also calling for a rapid rebound in the second half of 2020, if businesses can reopen and work lives return to normal

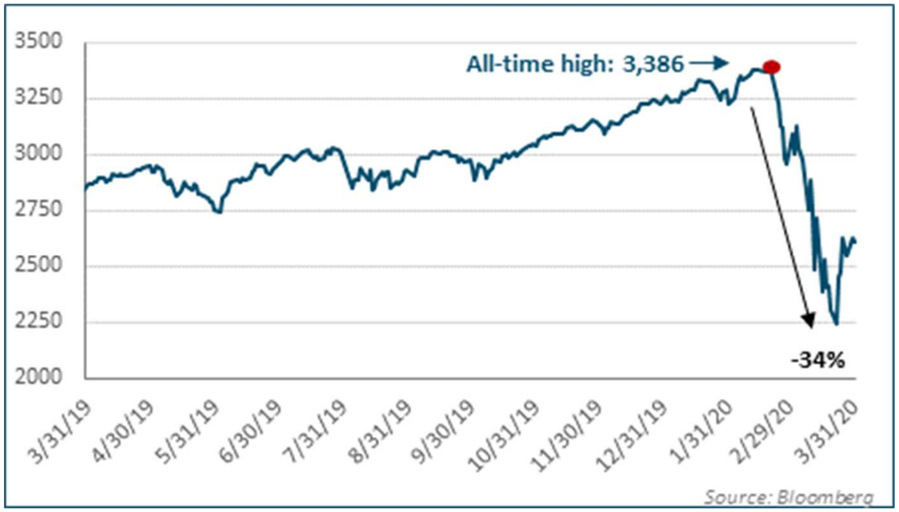
INFLATION

- U.S. inflation levels continue to soften with the impending economic downturn
  - Oil fell dramatically in March, suffering from both a lack of demand given the downturn and a deluge of supply
    - The catalyst for the selloff was the failure of OPEC+ to reach an agreement to cut supply at the March meeting, leading to an all-out price war between Saudi Arabia and Russia
    - As a result, crude oil has fallen -67% YTD to $20.10 per barrel
  - YTD 10-year inflation expectations have declined from 1.8% to 0.93%
    - This measure remains below both PCE core inflation at 1.8% year over year and the Feds inflation target of 2.0%

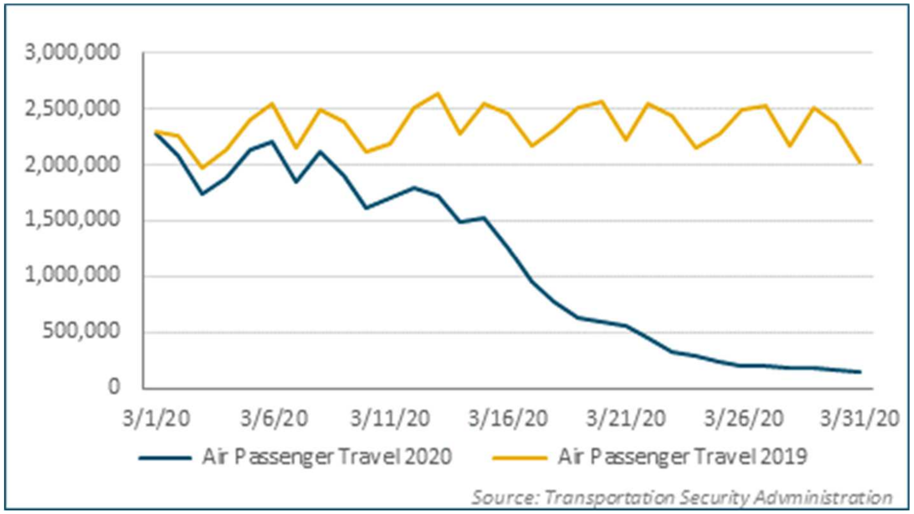
Economic Outlook

US Equity Market Volatility and Travel Industry

S&P 500 Index



TSA Traveler Throughput



US EQUITY MARKETS

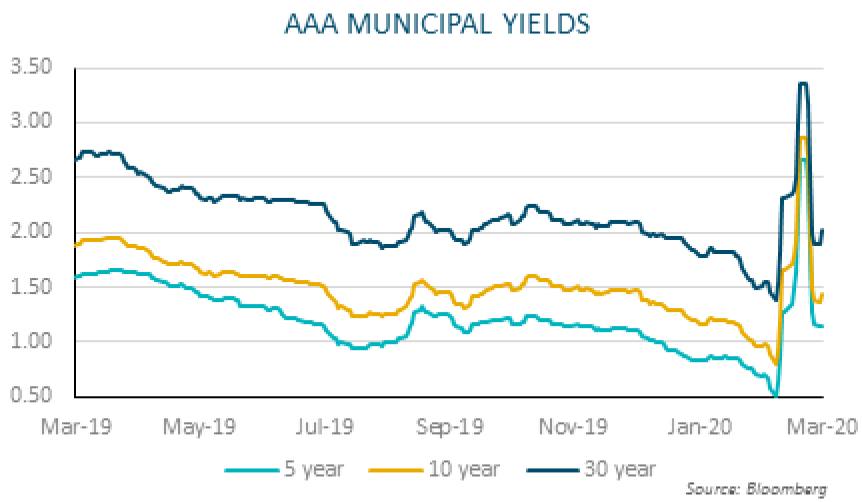
- This quarter the U.S. stock market set all-time record highs only to experience a complete reversal as the COVID-19 pandemic hit early in March
  - YTD both major indices moved lower by roughly 20% after hitting all-time highs in February
    - February all-time highs: Dow Jones Industrial Average 29,569 on 2/12/20 (+3.74% YTD), S&P high of 3,394 on 2/19/20 (+5.07% YTD)
    - Closing Q1: The Dow Jones Industrial Average was lower by -23.2% YTD while the S&P index ended lower by -20.0%
    - Global equity performance ended Q1 with their worst quarter since 2008
  - During March, the volatility index (VIX) spiked to all-time highs, hitting levels not witnessed since the 2008 financial crisis

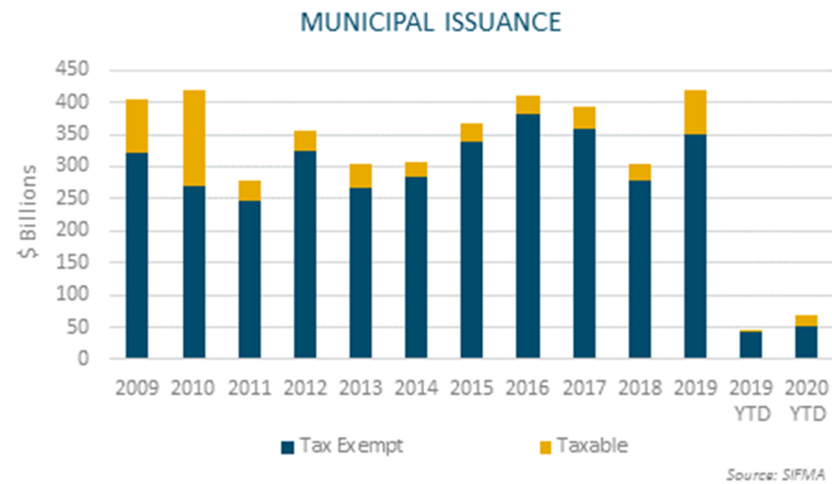
TRAVEL INDUSTRY

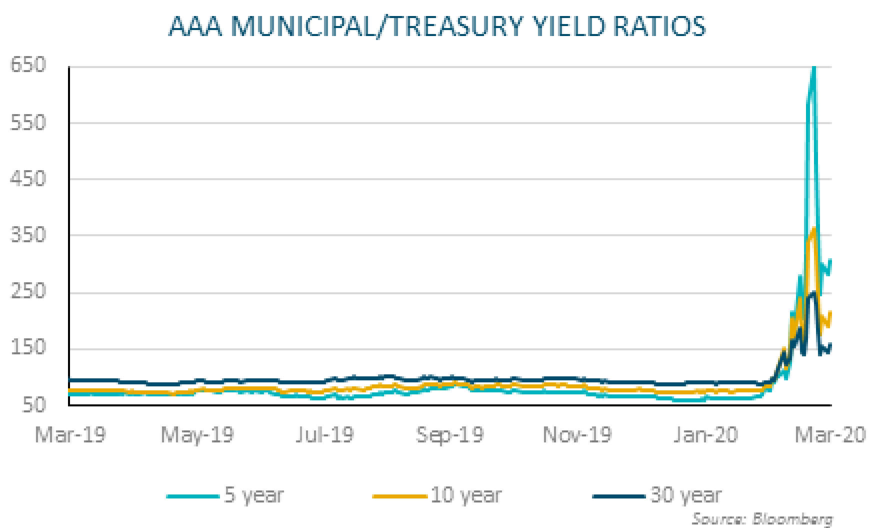
- With the lockdown, one of the most telling signs of its impact is on the travel industry
  - TSA daily passenger traffic across the U.S. fell in March from an average of 2.1 million passengers a day to less than 150,000
  - The effects are widespread, hitting sectors such as tourism, airlines, restaurants, and entertainment especially hard

Economic Outlook

Municipals





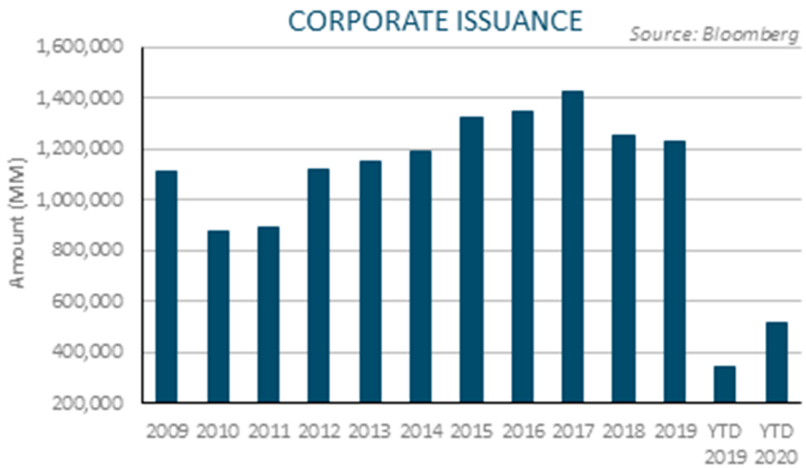


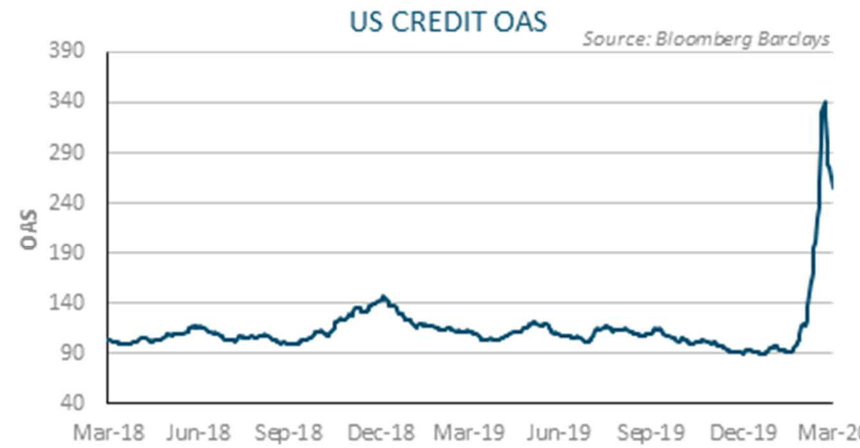
Comments

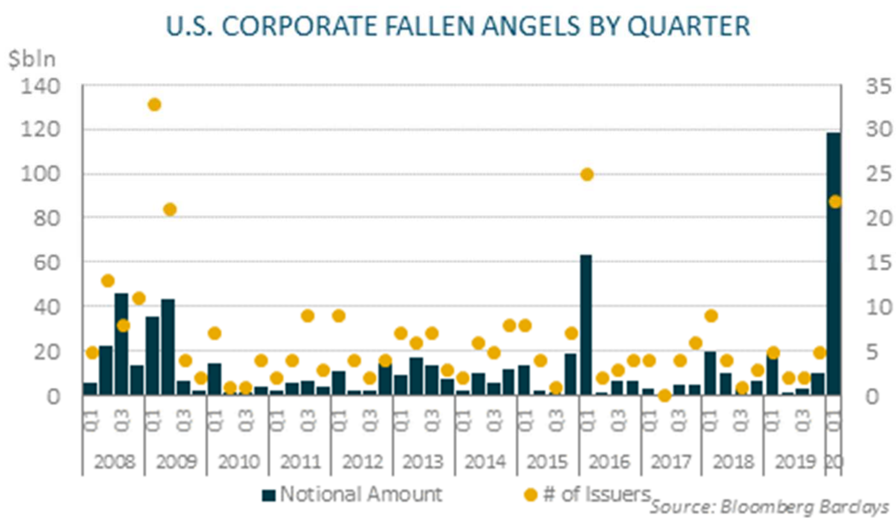
- On March 9th, municipal yields touched historic lows before fears of the impact of the COVID-19 virus roiled the market
- Within two weeks, yields were up roughly 200 basis points across the curve until the congressional stimulus bill was passed, allowing the Federal Reserve to purchase municipal securities
- Fourteen months of inflows into muni bond funds came to a screeching halt as investors pulled out $42bn, the largest monthly outflow on record according to Barclays
- Bloomberg Barclays Municipal Index returned -0.63% YTD
  - Taxable Municipal Index returned +1.18% YTD
- With the underperformance, Treasury ratios hit historically wide levels in some maturities, providing an attractive entry point for investors
- Primary market issuance has ceased due to the recent volatility

Economic Outlook

Corporates





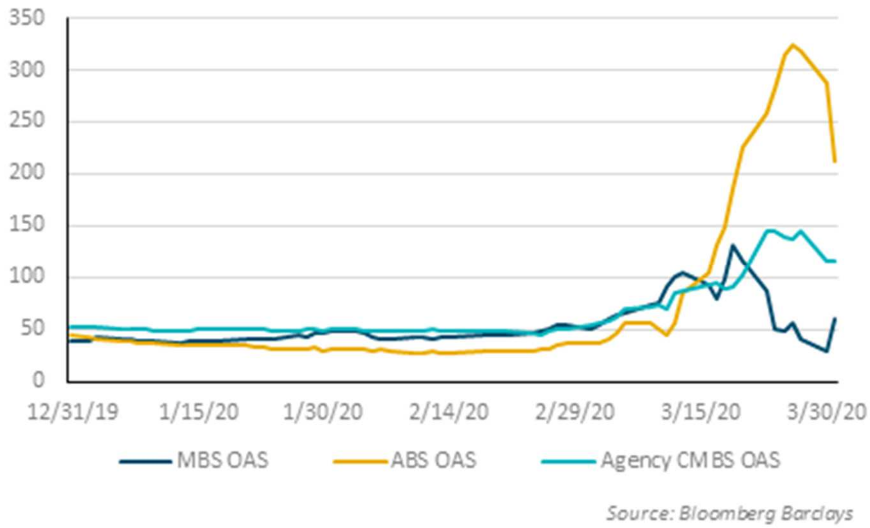


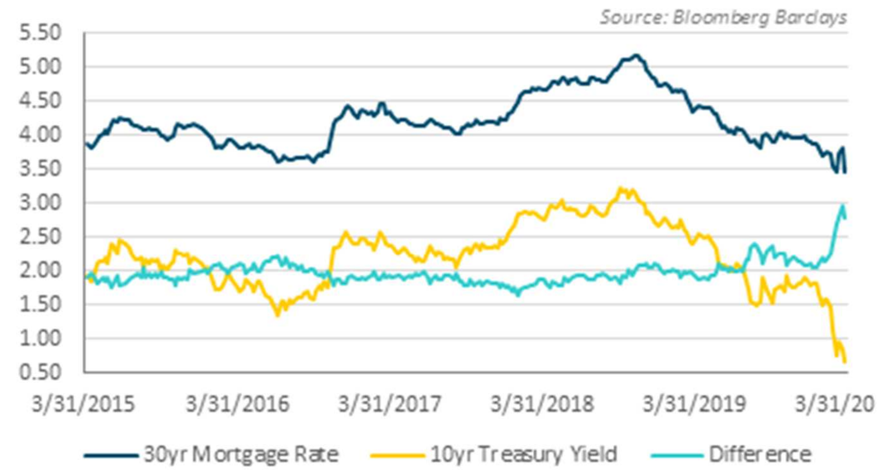
Comments

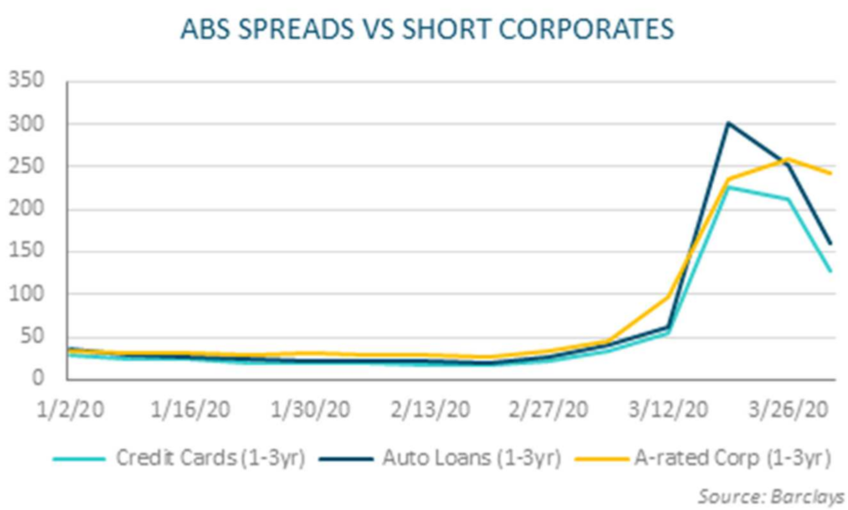
- Heightened volatility was the theme of Q1'20 amidst the outbreak of the COVID-19 pandemic and the Saudi Arabian oil-price war, which caused central banks worldwide to cut rates
- The volatility was exemplified by the movement in spreads in Q1; IG opened the year at +90, traded within a 5bps range through 2/25/20, before surging to +341 on 3/23/20, and ultimately closed Q1 at +255
- Despite the volatility, and significant spread widening, Q1'20 IG issuance increased 50% y/y to $519bn
- Steps taken to combat COVID-19 and it's unknown duration, has caused disruption to business and economic activity
  - As a result, rating agencies have downgraded numerous credits across a wide swath of industries, with ~$120bn in bonds being downgraded to below investment grade in Q1

Economic Outlook

Mortgage and Asset Backed Securities (MBS and ABS)







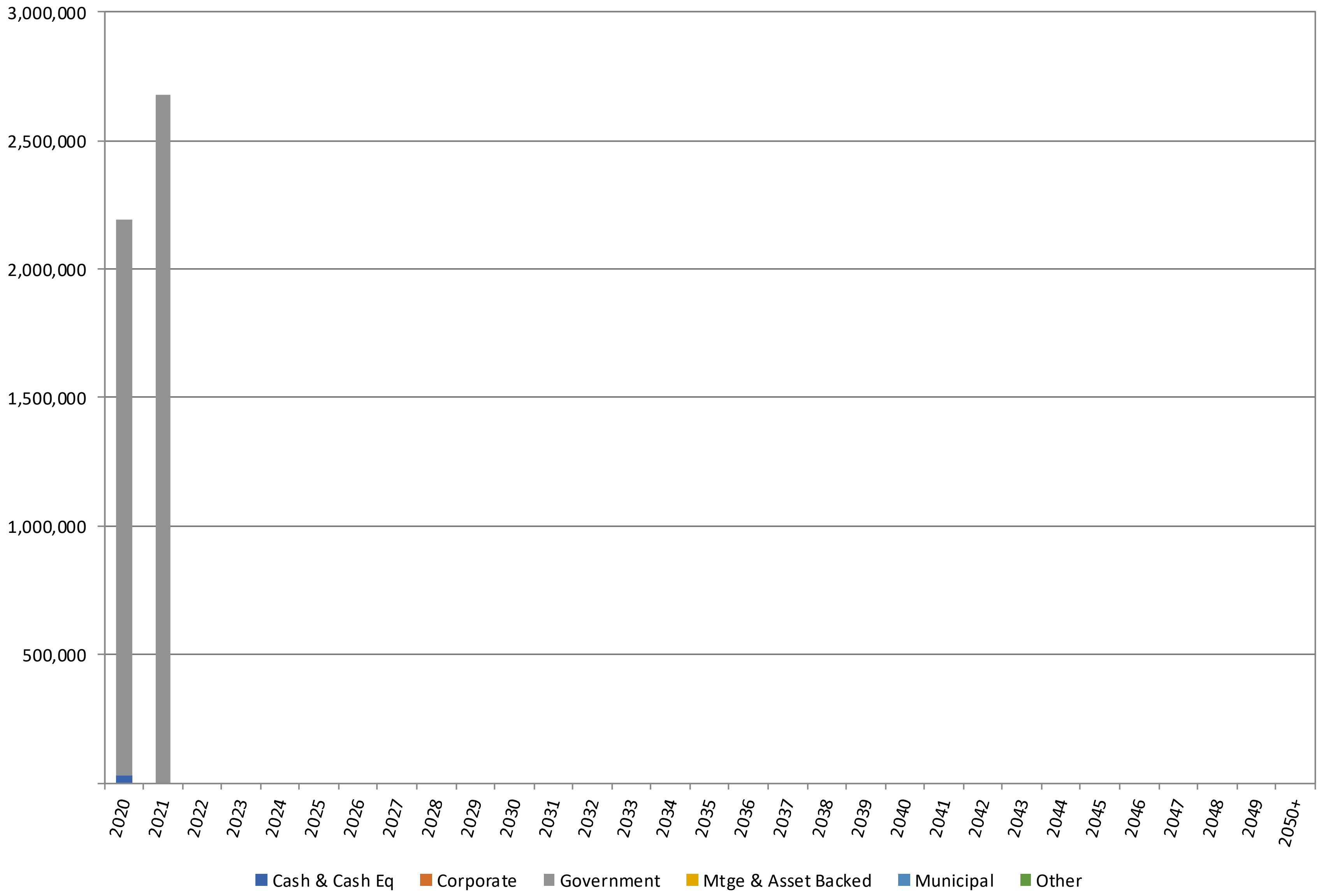
Comments

- The Coronavirus pandemic caused a severe risk-off move during the quarter, leading all structured product spreads to rise
  - ABS was the most impacted, widening as much as 250bps, as investors feared the coronavirus' potential impact to the consumer coupled with forced selling of short securities for cash
  - Agency CMBS and MBS widened to a lesser extent due to the implicit government guarantee
- Spreads eventually reversed course as the support from the Fed for ABS loan guarantees through TALF and direct purchases of MBS and CMBS provided some backstop for spreads
  - ABS benefitted as fundamental analysis showed strong credit enhancement for high-quality ABS, backed by credit card and auto loan receivables, tightening as much as 150bps
- Over the quarter we saw 10yr Treasury yields fall roughly 120bps, with mortgage rates initially falling, causing an increase in refinancing
  - The significant demand for refinancing was met with a shortage of mortgage originators, causing mortgage rates to hold steady
    - Typically, 30yr mortgage rates and 10yr Treasury yields average a 2% difference, however, as Treasury rates fell and mortgage rates held steady, the difference jumped to 2.8%

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	4,847,903	4,903,542	55,639	1.86	0.25	0.88	0.01	21	55,639	0	0
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	**4,847,903**	**4,903,542**	**55,639**	**1.86**	**0.25**	**0.88**	**0.01**	**21**	**55,639**	**0**	**0**
Short Term											
Sweep Money Market	31,214	31,214	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	**31,214**	**31,214**	**0**	**0.00**	**0.00**	**0.00**	**0.00**	**0**	**0**	**0**	**0**
Total Fixed Income & Short Term											
Total	**4,879,117**	**4,934,756**	**55,639**	**1.84**	**0.25**	**0.87**	**0.01**	**21**	**55,639**	**0**	**0**
Equity											
Common Stock	0	0	0					0	0	0	0
Total	**0**	**0**	**0**					**0**	**0**	**0**	**0**
Grand Total											
Total	**4,879,117**	**4,934,756**	**55,639**					**21**	**55,639**	**0**	**0**

Maturity Schedule By Weighted Average Life



Effective Maturity Schedule

Year	Book Value	Tax Equiv. Book Yield	% of Total Book Value
2020	2,156,746	2.33	45%
2021	2,691,157	1.48	56%
2022+	0	0.00	0%
Subtotal	**4.847.903**	**1.86**	**100%**
(inc. ABS, Agcy, CMBS, Corp, Muni, UST)			
MBS	0	0.00	0%
TOTAL	**4.847.903**	**1.86**	**100%**

Performance

Tax-Equivalent Total Return
as of 03/31/2020
Inception Date: 08/01/2014

	Portfolio	Benchmark	Difference
Quarter to Date	1.38%	0.63%	0.76%
Year to Date	1.38%	0.63%	0.76%
Since Inception	1.34%	1.24%	0.09%

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
02/04/2020	US TREASURY N/B	Treasury	AA+	Aaa	1.500	08/31/2021	N/A	100.03	170,046	1.48	1.48
02/04/2020	US TREASURY N/B	Treasury	AA+	Aaa	1.500	09/30/2021	N/A	100.05	175,082	1.47	1.47
02/26/2020	TREASURY BILL	Treasury	AA+	Aaa	0.000	08/06/2020	N/A	99.38	258,377	1.43	1.43
03/10/2020	US TREASURY N/B	Treasury	AA+	Aaa	1.250	10/31/2021	N/A	101.31	248,216	0.44	0.44
03/10/2020	US TREASURY N/B	Treasury	AA+	Aaa	1.500	11/30/2021	N/A	101.80	249,402	0.45	0.45
03/19/2020	US TREASURY N/B	Treasury	AA+	Aaa	2.625	12/15/2021	N/A	103.69	181,453	0.49	0.49
Total									**1,282,576**	**0.93**	**0.93**

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
01/31/2020	Maturity	US TREASURY N/B	Treasury	AA+	Aaa	2.000	01/31/2020	01/31/2020	100.00	250,000	0	2.10	2.10
02/15/2020	Maturity	US TREASURY N/B	Treasury	AA+	Aaa	1.375	02/15/2020	02/15/2020	100.00	250,000	0	2.13	2.13
03/15/2020	Maturity	US TREASURY N/B	Treasury	AA+	Aaa	1.625	03/15/2020	03/15/2020	100.00	200,000	0	2.26	2.26
Total										**700,000**	**0**	**2.16**	**2.16**

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																
03/16/2020			31,214	BANK OF AMER/ML	0.00			31,214	31,214	31,214	0	0.00	0.00	0.00	0.00	
			31,214					**31,214**	**31,214**	**31,214**	**0**	**0.00**	**0.00**	**0.00**	**0.00**	
Treasury																
02/26/2020	AA+	Aaa	260,000	TREASURY BILL	0.00	08/06/2020	08/06/2020	258,377	258,720	258,720	0	1.40	0.08	0.35	0.35	0.00
06/04/2019	AA+	Aaa	250,000	US TREASURY N/B	1.88	12/15/2020	12/15/2020	249,482	249,759	253,038	3,278	2.01	0.16	0.70	0.70	0.01
06/04/2019	AA+	Aaa	250,000	US TREASURY N/B	2.00	01/15/2021	01/15/2021	250,029	250,016	253,565	3,549	1.99	0.20	0.78	0.79	0.01
06/07/2018	AA+	Aaa	250,000	US TREASURY N/B	2.38	04/30/2020	04/30/2020	249,375	249,973	250,342	369	2.51	0.70	0.08	0.08	0.00
06/11/2018	AA+	Aaa	110,000	US TREASURY N/B	2.50	05/31/2020	05/31/2020	109,957	109,996	110,378	382	2.52	0.43	0.16	0.16	-0.01
05/17/2019	AA+	Aaa	200,000	US TREASURY N/B	2.75	11/30/2020	11/30/2020	201,461	200,640	203,438	2,798	2.26	0.17	0.66	0.66	0.01
03/19/2020	AA+	Aaa	175,000	US TREASURY N/B	2.63	12/15/2021	12/15/2021	181,453	181,332	182,061	729	0.49	0.26	1.67	1.71	0.04
07/02/2019	AA+	Aaa	200,000	US TREASURY N/B	1.63	06/30/2021	06/30/2021	199,414	199,631	203,532	3,901	1.78	0.21	1.23	1.25	0.02
08/01/2019	AA+	Aaa	220,000	US TREASURY N/B	1.75	07/31/2021	07/31/2021	219,699	219,798	224,426	4,628	1.82	0.24	1.32	1.33	0.02
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	2.25	03/31/2021	03/31/2021	251,455	250,813	255,148	4,335	1.92	0.19	0.99	1.01	0.01
07/05/2018	AA+	Aaa	250,000	US TREASURY N/B	2.63	08/15/2020	08/15/2020	250,244	250,045	252,030	1,985	2.58	0.46	0.37	0.37	0.00
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	1.13	02/28/2021	02/28/2021	246,592	248,178	252,140	3,962	1.93	0.19	0.91	0.91	0.01
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	1.38	04/30/2021	04/30/2021	247,588	248,610	253,203	4,593	1.90	0.19	1.07	1.08	0.02
03/10/2020	AA+	Aaa	245,000	US TREASURY N/B	1.25	10/31/2021	10/31/2021	248,216	248,103	248,800	697	0.44	0.27	1.56	1.58	0.03
06/18/2018	AA+	Aaa	150,000	US TREASURY N/B	1.88	06/30/2020	06/30/2020	147,961	149,747	150,593	846	2.57	0.29	0.25	0.25	0.00
07/05/2018	AA+	Aaa	250,000	US TREASURY N/B	2.00	07/31/2020	07/31/2020	247,148	249,533	251,435	1,902	2.57	0.28	0.33	0.33	0.00
07/16/2018	AA+	Aaa	200,000	US TREASURY N/B	2.00	09/30/2020	09/30/2020	197,289	199,376	201,820	2,444	2.64	0.18	0.50	0.50	0.00
03/13/2019	AA+	Aaa	240,000	US TREASURY N/B	1.75	10/31/2020	10/31/2020	237,103	238,958	242,194	3,236	2.51	0.18	0.58	0.58	0.01
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	2.00	05/31/2021	05/31/2021	250,508	250,303	255,255	4,952	1.89	0.20	1.15	1.16	0.02
02/04/2020	AA+	Aaa	170,000	US TREASURY N/B	1.50	08/31/2021	08/31/2021	170,046	170,042	173,028	2,985	1.48	0.24	1.40	1.42	0.03
02/04/2020	AA+	Aaa	175,000	US TREASURY N/B	1.50	09/30/2021	09/30/2021	175,082	175,075	178,267	3,192	1.47	0.25	1.48	1.50	0.03
03/10/2020	AA+	Aaa	245,000	US TREASURY N/B	1.50	11/30/2021	11/30/2021	249,402	249,256	250,130	874	0.45	0.24	1.64	1.67	0.03
			4,840,000					**4,837,883**	**4,847,903**	**4,903,542**	**55,639**	**1.86**	**0.25**	**0.88**	**0.88**	**0.01**
			4,871,214					**4,869,096**	**4,879,117**	**4,934,756**	**55,639**	**1.84**	**0.25**	**0.87**	**0.88**	**0.01**

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: *Objective*: The index should be identified ahead of the time, it should be easily understood, and the construction rules should be clearly defined. *Replicable*: The manager should be able to replicate the returns passively. *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. *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℠	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.

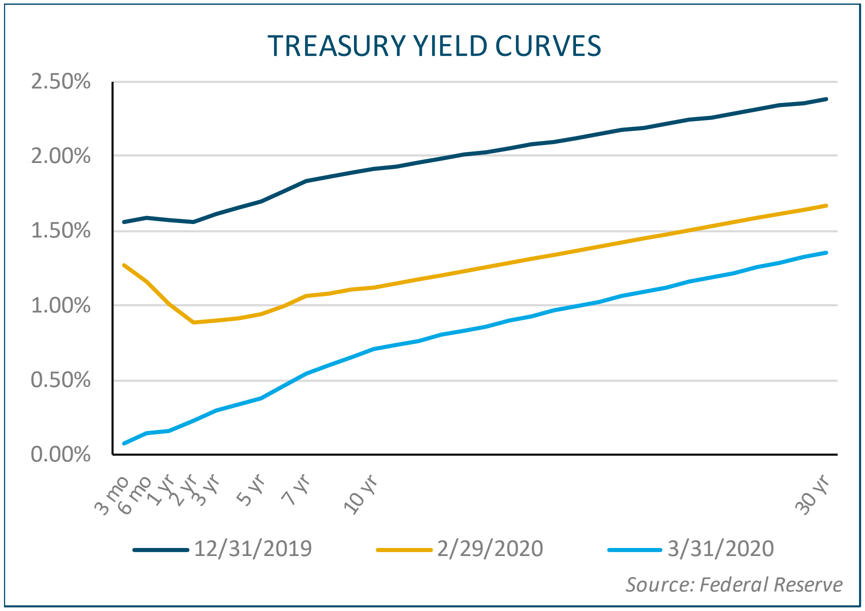
Appendix

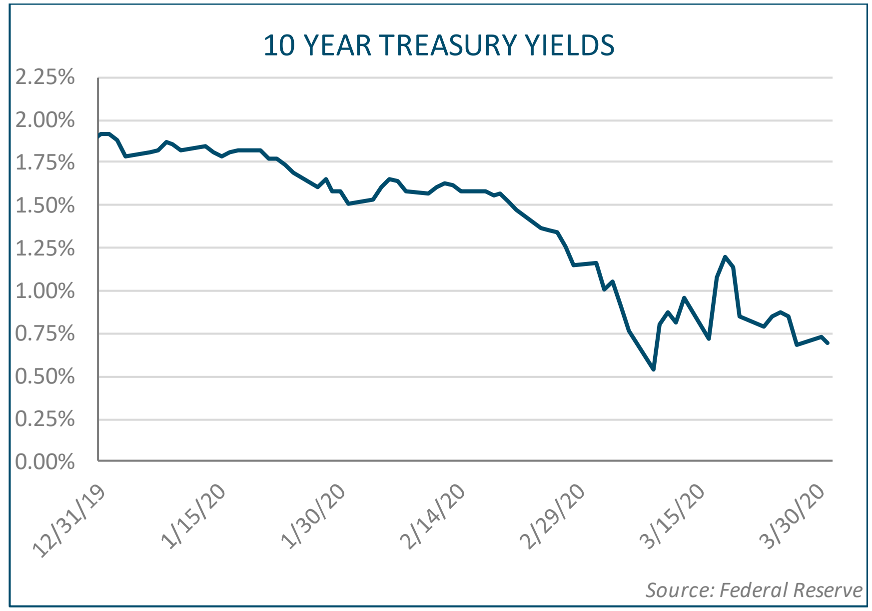
Presentation Overview

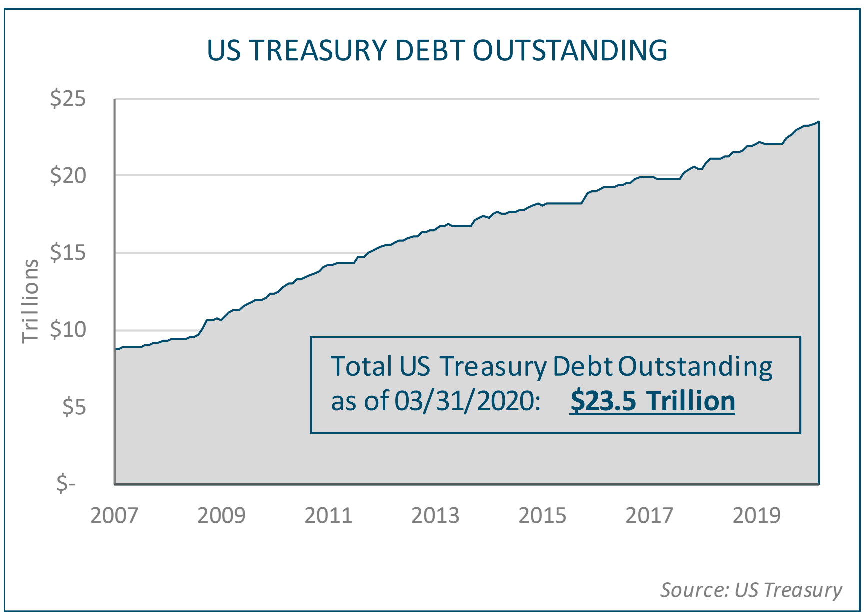
Overview

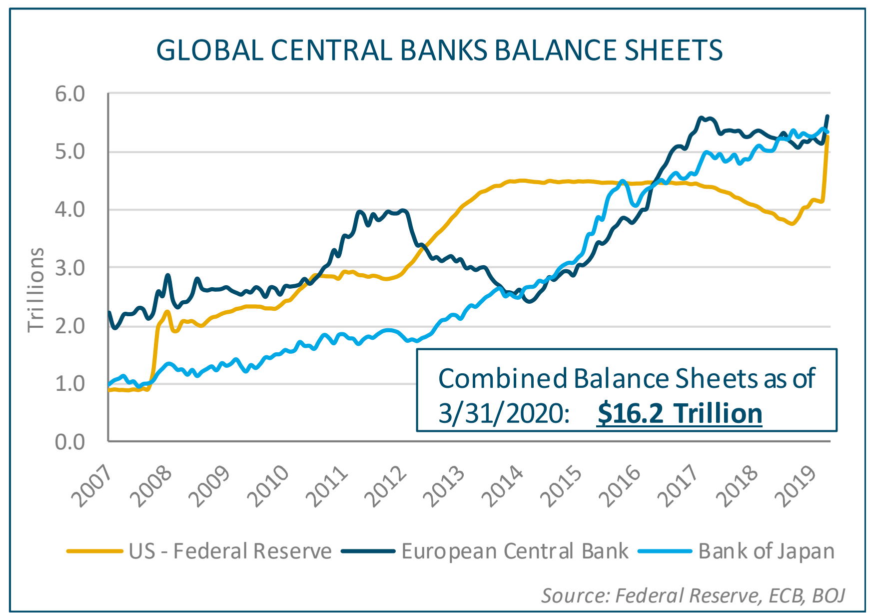
- Economic overview and market update
- Portfolio review
- Performance

US Treasury Yields, Debt and Global Balance Sheets

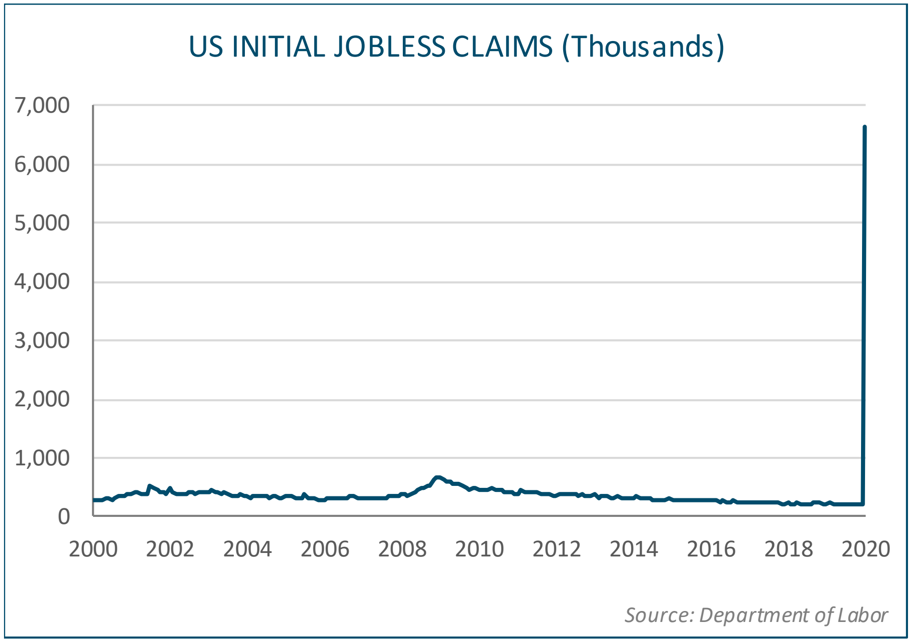


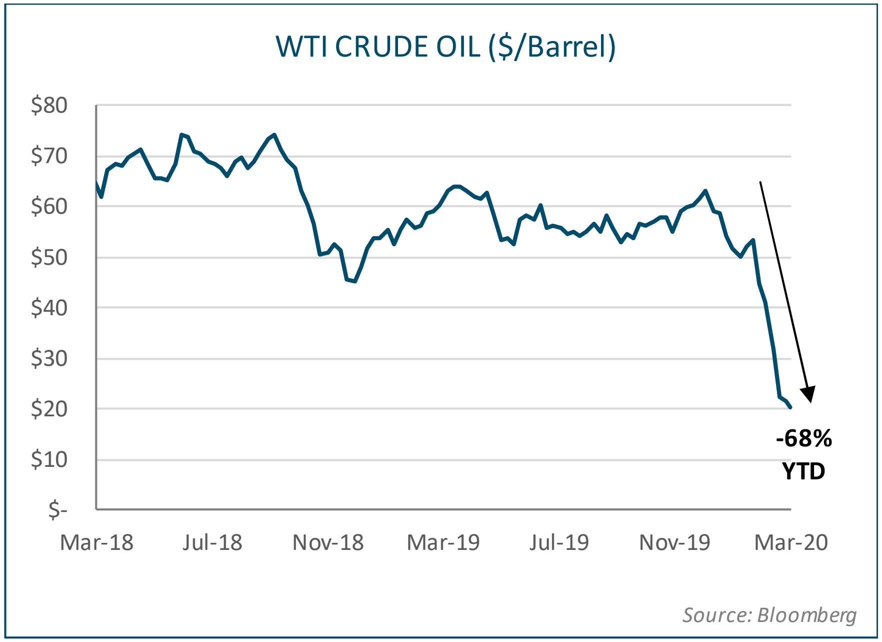


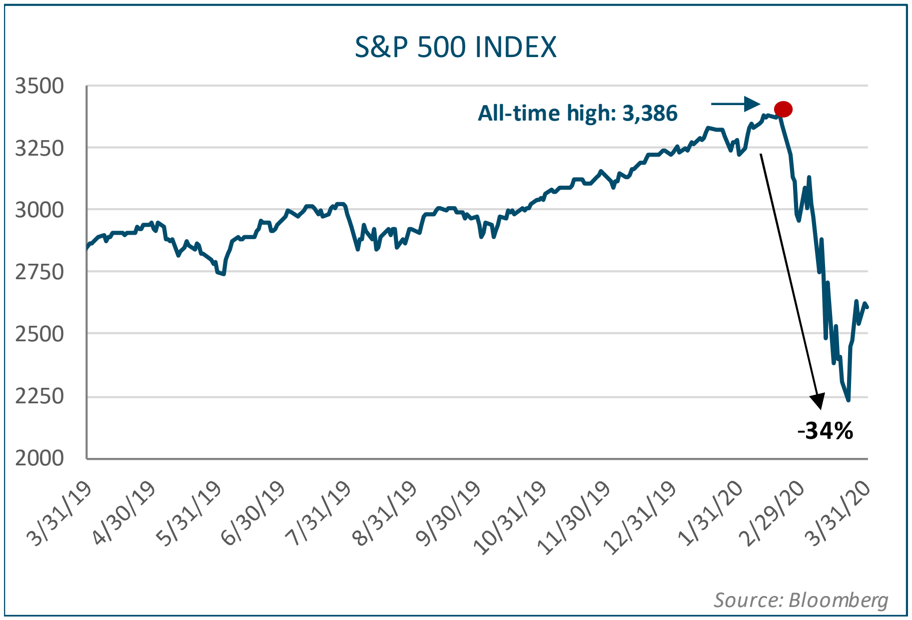


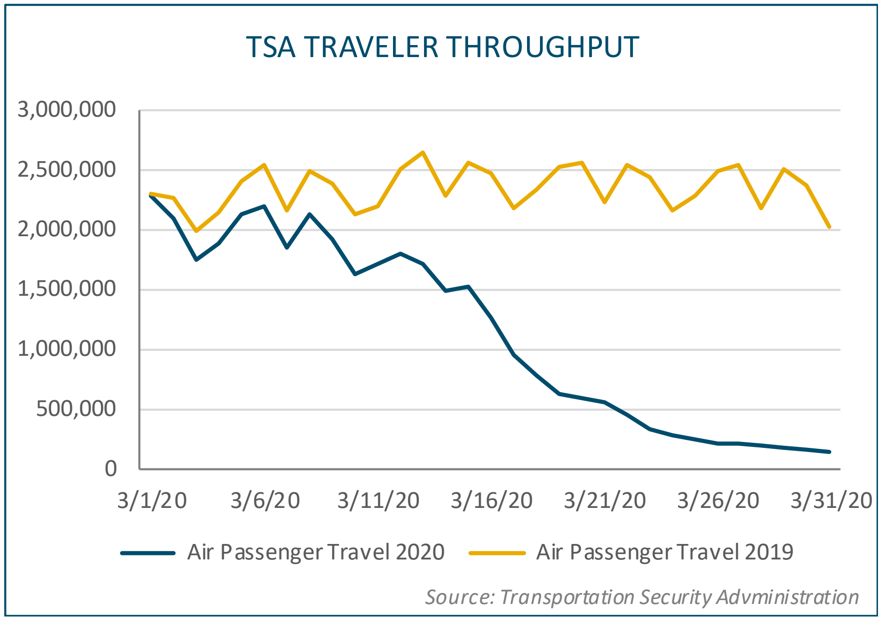


Market Indicators





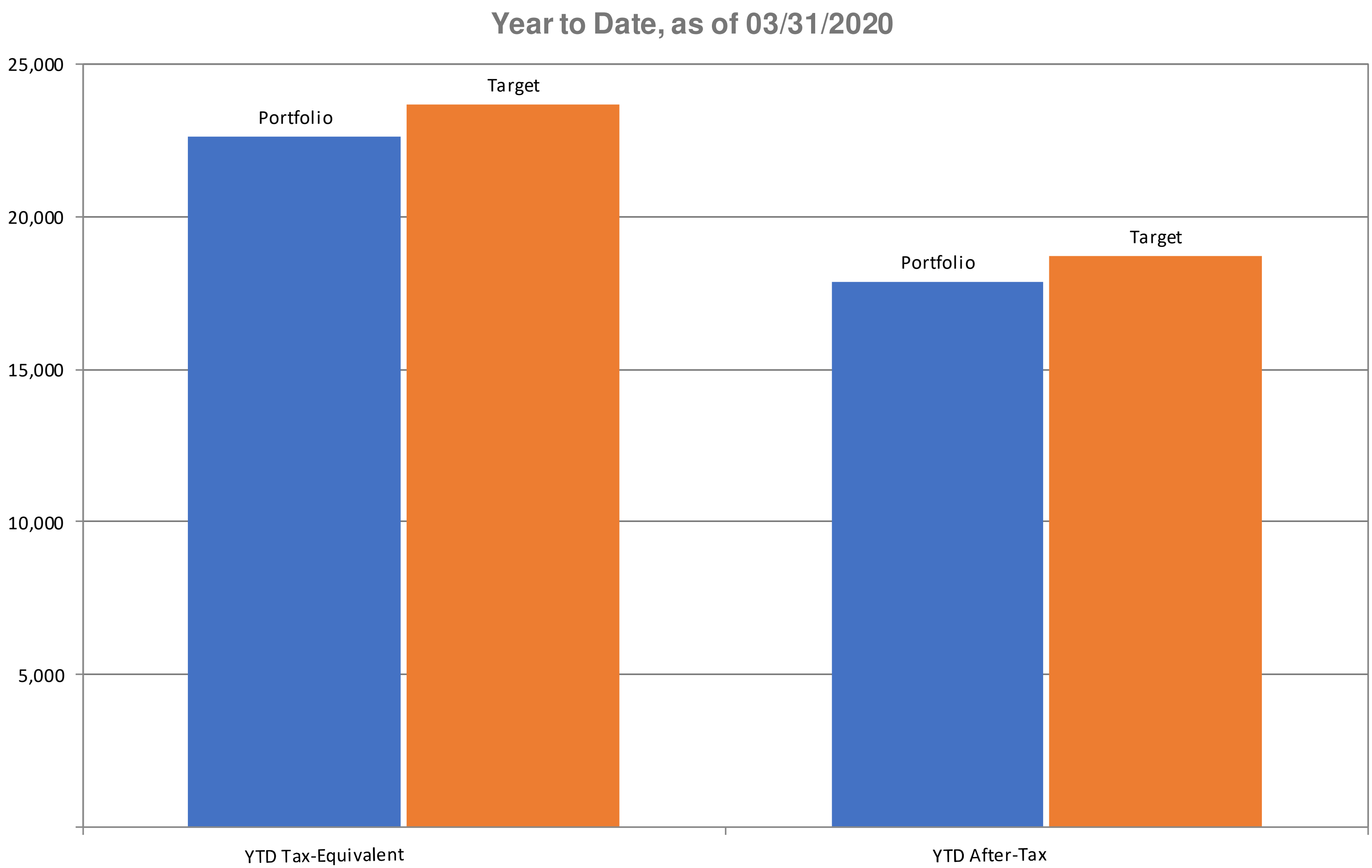




Portfolio Changes

Public Entity Joint Insurance Fund	03/31/2019	06/30/2019	09/30/2019	12/31/2019	03/31/2020
Treasury Yields					
2 yr Treasury Yield	2.29%	1.74%	1.62%	1.56%	0.23%
5 yr Treasury Yield	2.23%	1.76%	1.55%	1.68%	0.38%
10 yr Treasury Yield	2.41%	2.00%	1.67%	1.91%	0.70%
Book Statistics					
Tax-Equivalent Book Yield	2.23%	2.09%	2.02%	2.14%	1.84%
Book Value ($)	3,831,970	5,345,828	5,379,469	4,357,255	4,879,117
Projected Tax-Equivalent Income, next 12 months ($)	85,291	111,525	108,484	93,201	90,009
Unrealized Gains/(Losses) ($)	(1,379)	14,470	15,268	16,139	55,639
YTD Realized Gains/(Losses) ($)	0	0	0	102	0
Portfolio Risk Statistics					
Effective Duration	0.85	0.96	0.86	0.80	0.87
Convexity	0.01	0.02	0.01	0.01	0.01
Weighted Average Life	0.88	0.98	0.88	0.81	0.88
Average Rating	AAA	AAA	AAA	AAA	AAA
Portfolio Sector Allocation					
Treasury	100%	96%	93%	98%	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	0%	4%	7%	2%	1%

Income Year to Date



Performance

Tax-Equivalent Total Return
as of 03/31/2020
Inception Date: 08/01/2014

	Portfolio	Benchmark	Difference
Quarter to Date	1.38%	0.63%	0.76%
Year to Date	1.38%	0.63%	0.76%
Since Inception	1.34%	1.24%	0.09%

Benchmark Composition:

100.0% PEJIF Duration Matched Treasury