



# Quarterly Investment Report

As of 6/30/2020



# Executive Summary

## TRANSACTIONS:

Action	Total	Comments	Average Tax-Equivalent Yield
Sales, Calls, and Maturities	\$510,000	Three Treasuries matured and were held as cash as of June 30, 2020.	2.53%
Purchases		There were no purchases in the second quarter as cash was on hold due to potential operational needs.	

## PORTFOLIO STATISTICS:

Quarter Ending:	03/31/2020	06/30/2020
Tax-Equivalent Book Yield	1.84%	1.57%
Book Value	\$4,879,117	\$4,904,284
Projected Tax-Equivalent Annual Income	\$90,009	\$77,157
Unrealized Gain	\$55,639	\$39,527
YTD Realized Gain	\$0	\$0
Portfolio Duration	0.87	0.63
Average Credit Quality	AAA	AAA

## PORTFOLIO ALLOCATION:

Sector	03/31/2020	06/30/2020
Treasury	99%	89%
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	1%	11%

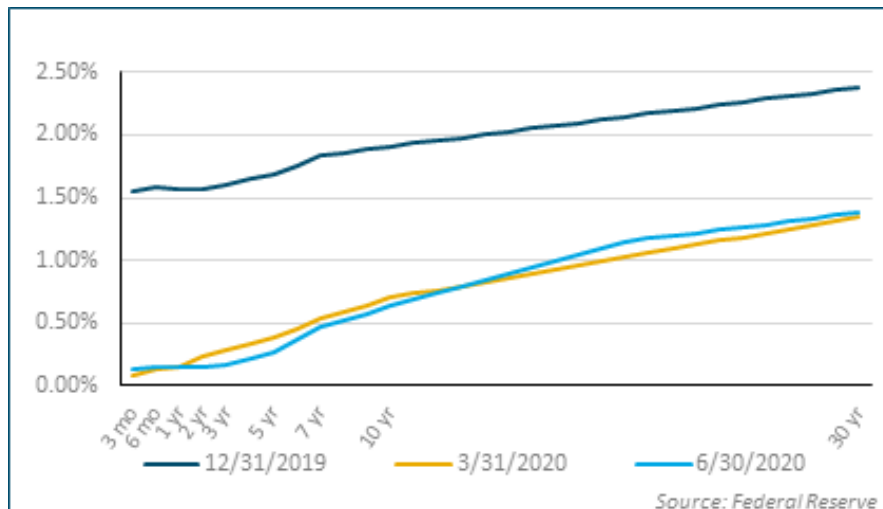
## PERFORMANCE:

Tax-equivalent Performance	Portfolio	Target/Benchmark	Difference
YTD Booked Income	\$43,715	\$46,313	-\$2,598
QTD Total Return	0.10%	0.02%	0.08%
YTD Total Return	1.49%	1.48%	0.01%

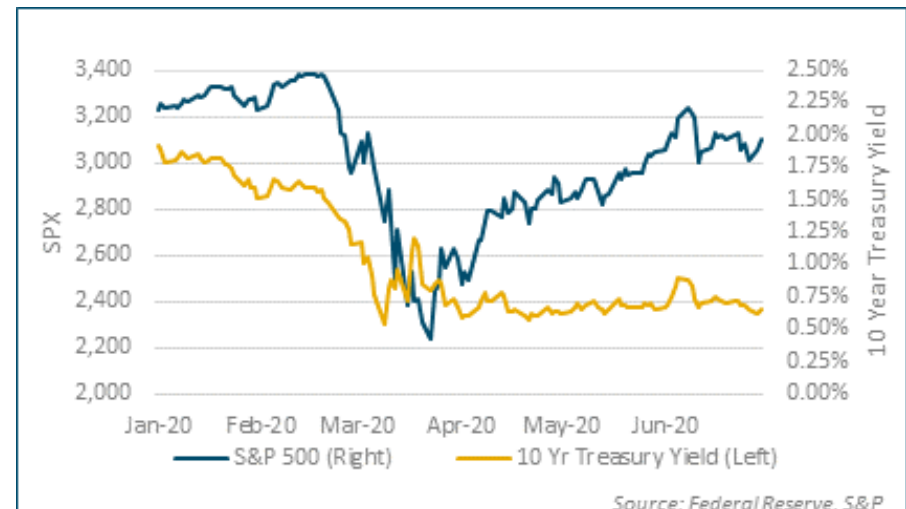
# Economic Outlook

## Treasury Yields

US Treasury Yield Curves



10 Year Treasury Yields and S&P 500



Market fear brought on by the global pandemic continued to keep rates low over the course of the second quarter. Yield changes inside 10 years were muted, while bonds maturing between 10 and 30 years rose slightly, steepening the yield curve.

10-year Treasury yields began the year at 1.92%, ended the first quarter at 0.67%, and declined slightly to 0.65% to end the second quarter

Liquidity within the markets vastly improved during the quarter with actions taken by the Federal Reserve

- The Fed was very responsive, implementing numerous programs to ensure businesses, both large and small, would have access to capital to help insulate the economy from job losses

After experiencing a very sharp decline Q1, equity markets rebounded on actions taken by the Federal Reserve, stimulus plans implemented by the federal government, and optimism around the reopening of the economy during Q2

Closing Q1: The Dow Jones Industrial Average was lower by -23.2% YTD while the S&P index ended lower by -20.0%

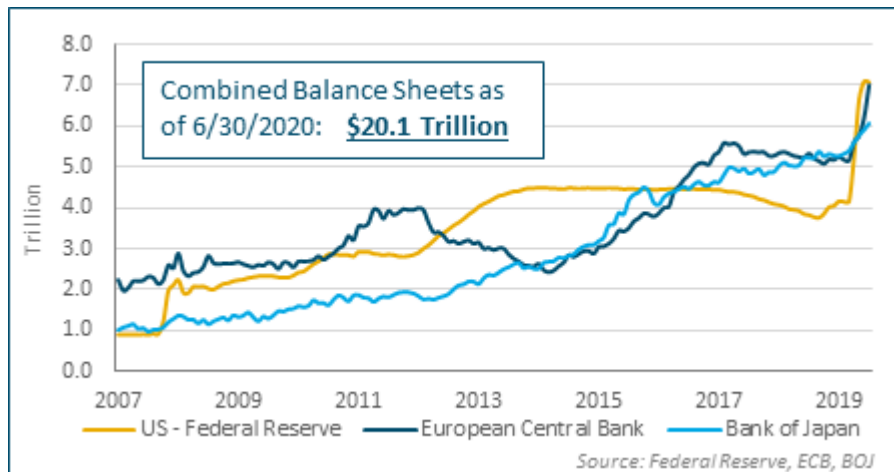
Closing Q2: The Dow Jones has recovered by +13.7% to close Q2 -9.6% YTD. The S&P index rallied +16.0% to end the quarter -4.0% YTD

While market conditions have improved within fixed income, Treasury yield levels still imply market concern over the long-term damage inflicted by the virus lockdowns. This is in contrast to the equity markets which appear to have taken a more optimistic recovery outlook

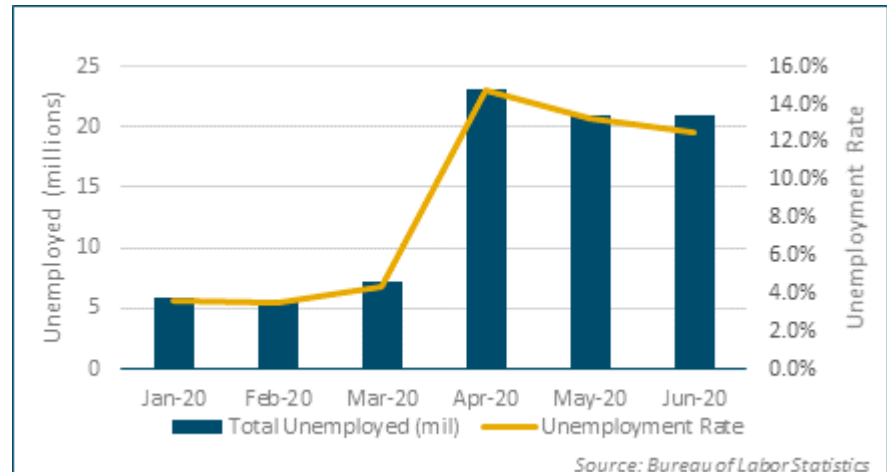
# Economic Outlook

## Central Bank Activity and Employment

Global Central Banks Balance Sheets



US Employment



With the pandemic slowdown, global central banks were forced to take immediate action to ensure functioning credit markets.

In the US, Federal Reserve measures included:

- Cutting the Fed Funds rate target by -150 basis points to 0.00% - 0.25%
- Implementing nine different lending programs to provide financing for corporations, municipalities, and government entities
- Reinstating the quantitative easing program and expanding purchases beyond Treasuries and agency mortgage-backed securities
- Assuring unlimited support to the markets given the unknown length of pandemic

The balance sheets of the three major central banks (Fed, ECB, BOJ) ballooned to \$20.1 trillion and is expected to move higher

Prior to the crisis, the US labor markets were very strong, with ample job openings and unemployment printing at 50-year lows

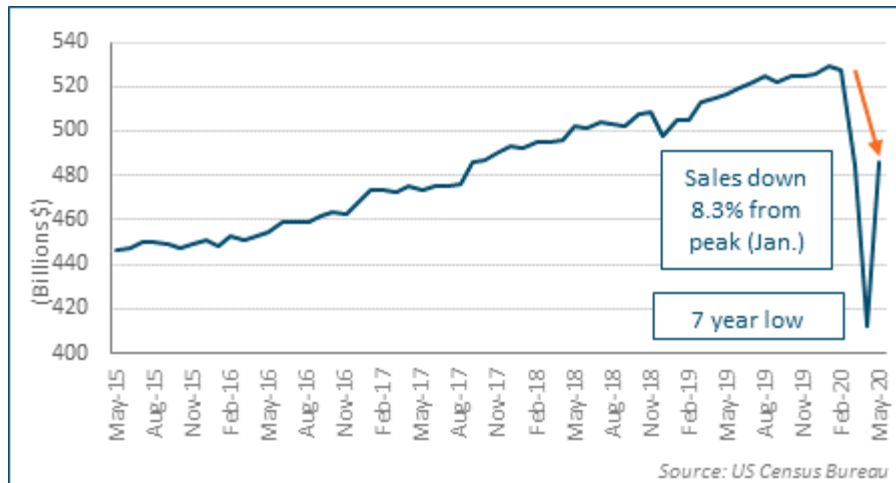
As government mandated “shelter in place” orders went into effect in March, jobless claims skyrocketed

- Unemployment peaked in April with the unemployment rate hitting 14.7% and jobless claims reaching nearly 25 million
  - Since then, labor markets have improved, the unemployment rate has declined to 11.1% and claims have fallen to 19.3 million
- While employment is expected to improve, many industries will face long term job losses leading to a higher unemployment rate than experienced pre-pandemic
- At the June FOMC meeting, the Fed reiterated this concern, projecting unemployment to end 2020 at 9.3%, with declines to 6.5% in 2021 and 5.5% in 2022

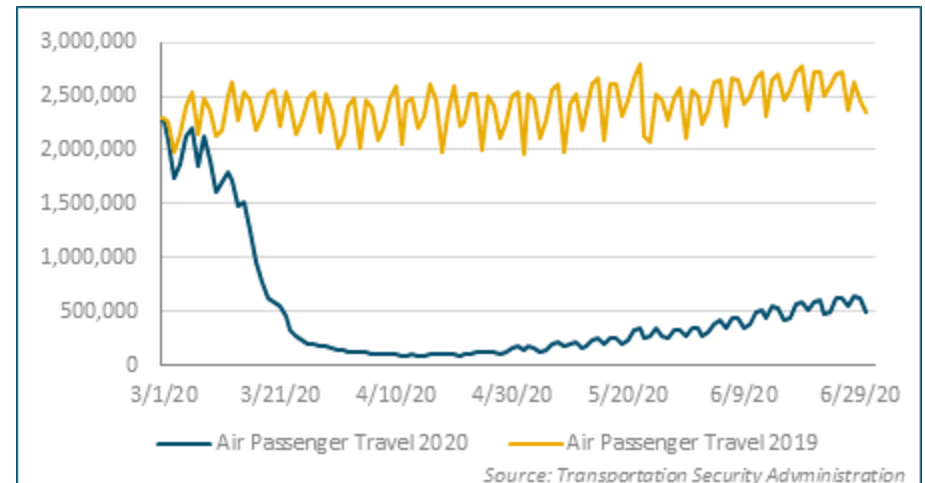
# Economic Outlook

## Consumer

Retail Sales



TSA Traveler Throughput



The consumer is clawing back as the economy begins to reopen, but the recovery will be at an uneven pace for different sectors of the economy

Consumer spending plummeted in March and April as retail sales declined -8.2% and -14.7% respectively

- In May, the economy experienced a strong recovery of +17.7%, however year-to-date this still reflects an -8.3% decline

Consumer spending is expected to remain under pressure this year, as uncertainty over job stability and income will factor into spending decisions

Over the next quarter, we could experience mounting pressures on consumption as the additional \$600 per week of unemployment benefits (CARES Act) ends on July 31<sup>st</sup>. Starting in early September, many unemployment benefit recipients will also reach the end of their 26 week maximum, which would result in further reductions in spending

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 100,000 at the height of the shutdown

In the last month, travel experienced a significant rebound, averaging 453,000 passengers per day. However, volumes are expected to remain depressed until a vaccine can be found and implemented

The effects are widespread, hitting sectors such as tourism, airlines, restaurants, and entertainment especially hard

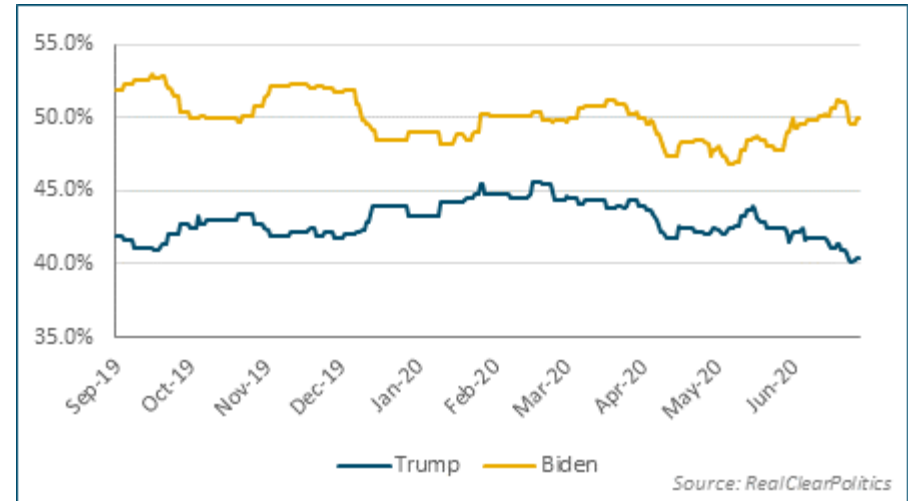
# Economic Outlook

## Oil Prices and the Election

WTI Crude



Presidential Election Polls

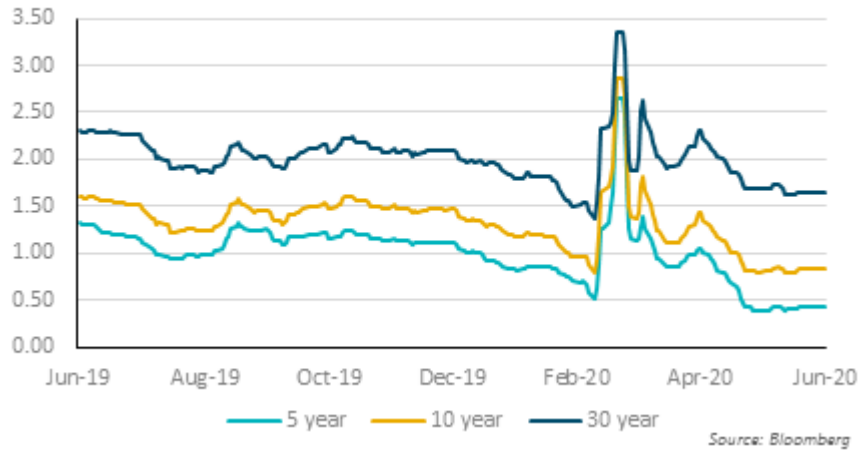


- Price action in crude oil depicted the volatility experienced in the market over the past quarter
  - After falling dramatically in March, suffering from both a lack of demand and deluge of supply, prices continued to decline further in April
  - With producers continuing to pump and holding facilities filling up rapidly, mid-April WTI contracts for May delivery traded down to negative \$37.63 a barrel, as futures traders were forced to pay to dump contracts prior to taking delivery
  - Crude rebounded in May and June, helped by historic supply cuts by OPEC+ nations, slowing production by U.S. shale producers and China returning to near full capacity
    - As a result, crude oil prices ended Q2 at \$39.27 per barrel, down -36% YTD (began year \$61.06)
- Oil prices along with soft consumer demand will continue to be a catalyst for weak inflation in the U.S. in coming quarters
  - 10-year inflation expectations remain at 1.33%, well below the Fed's target of 2.0%
- November elections are approaching and the latest polls show Biden with a significant lead over President Trump
  - As government spending has increased to fund stimulus programs, the national deficit climbed to over \$26 trillion
  - With a democratic win, markets would expect a return of higher individual and corporate tax rates
    - This could potentially result in reduced corporate profitability and increased demand of tax-exempt municipal bonds

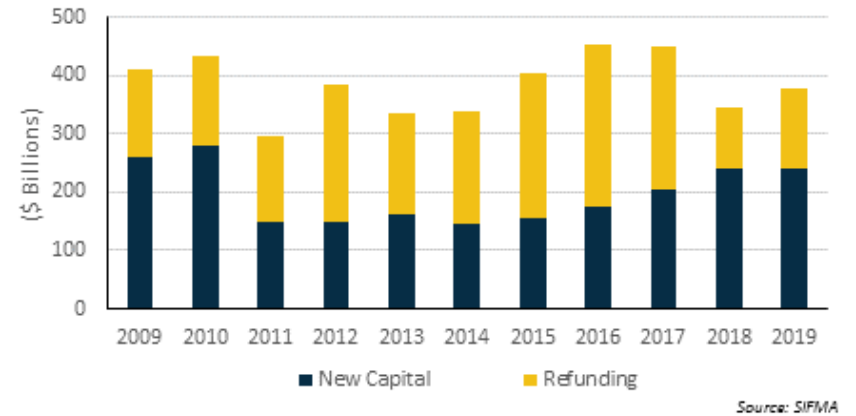
# Economic Outlook

## Municipals

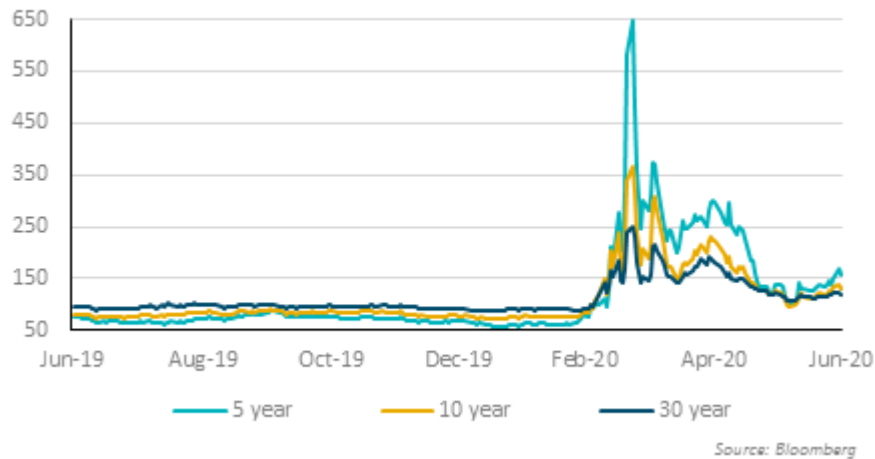
AAA MUNICIPAL YIELDS



TAX-EXEMPT MUNICIPAL ISSUANCE



AAA MUNICIPAL/TREASURY YIELD RATIOS

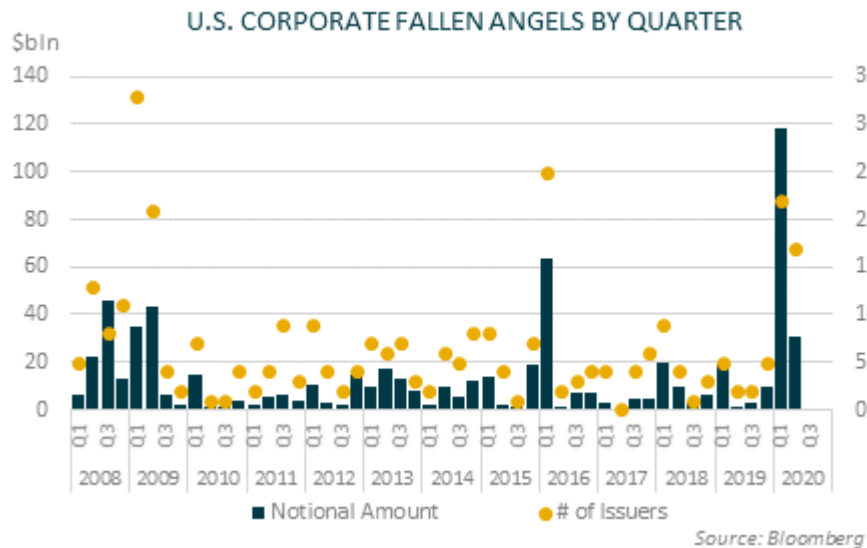
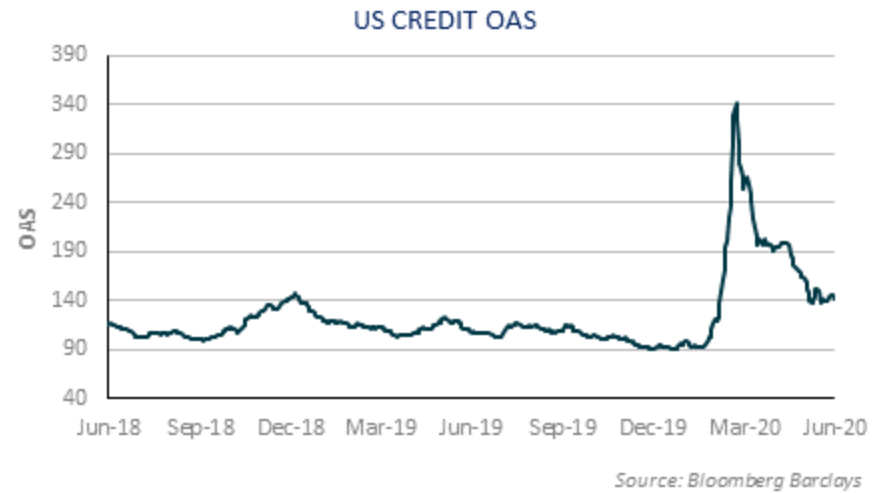
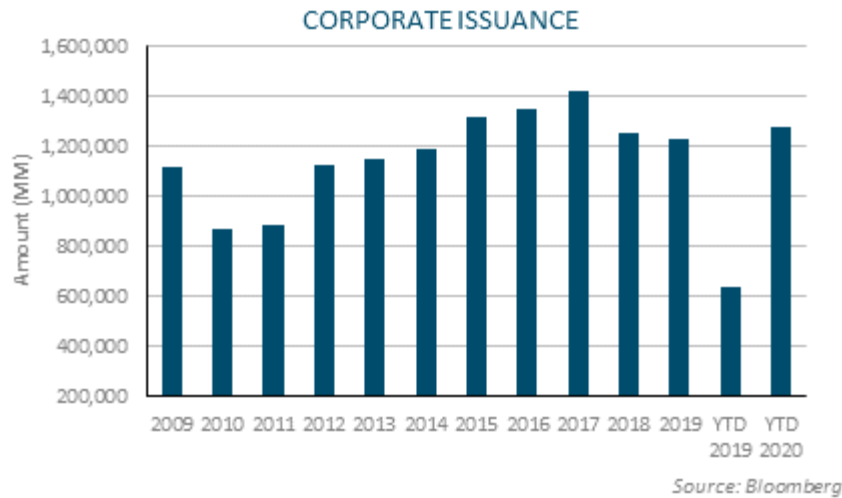


### Comments

- The Bloomberg Barclays Municipal Index had strong returns in June of 0.82%
- QTD municipals returned 2.72%, still lagging Treasuries YTD
- With the increased demand, tax-exempt municipal yields fell precipitously during the quarter
  - Ten-year yields began the quarter at 1.68% and dropped to 0.88% at quarter-end
  - Ten-year yields touched 2.79% in March
- During Q2, ten- and thirty-year Treasury ratios tightened from the historic wide levels seen in late March/early April
  - As a result, as we enter the 3rd quarter, tax-exempt municipals are considered trading at fair value
  - There is a strong chance that tax rates will increase, so we may look for opportunities to increase allocations
- The taxable municipal Index returned 5.89% QTD, these strong returns can be attributed to its longer duration

# Economic Outlook

## Corporates



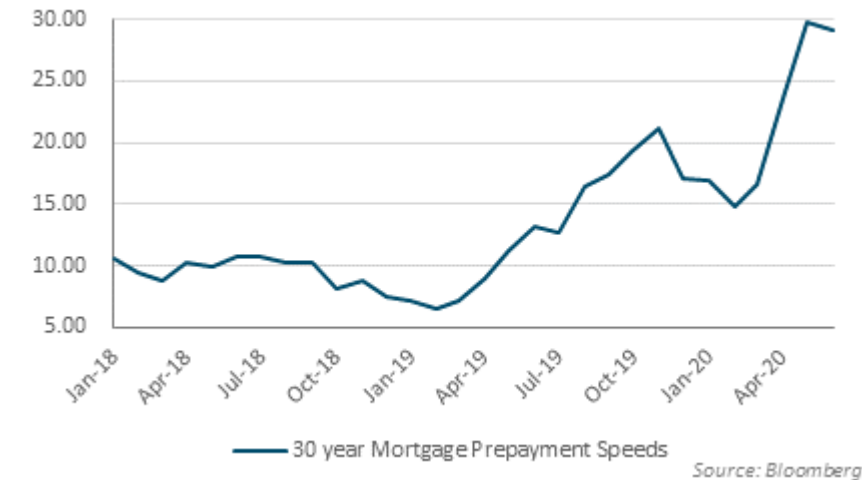
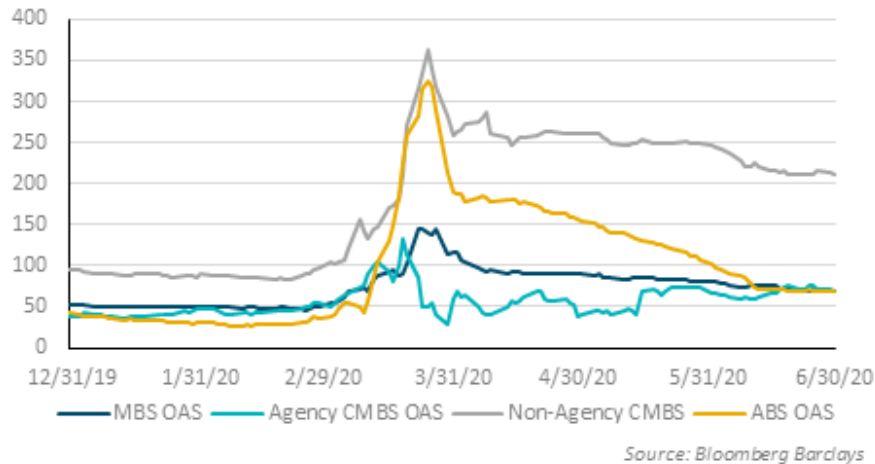
### Comments

- Among the Fed’s purchases were Investment Grade (IG) and High Yield corporate bonds and ETFs, providing a strong technical tailwind, leading to significant inflows in the asset class
- IG spreads tightened 112bps during the quarter, closing at +142
  - Spreads retraced 79% from the wide of +341 on 3/23/20
- Second quarter IG issuance surged 159% y/y to \$758bn, as corporations looked to raise liquidity, while buyers sought additional yield in the low rate environment
  - Issuance in the first half of 2020 jumped 100% to \$1,277bn, eclipsing all of 2019’s \$1,227bn in issuance
- Fallen Angels remained elevated and while credit metrics are likely to deteriorate further, rating agencies have been lenient.
- Q2’20 earnings will be challenged due to the pandemic, with risks around a potential 2<sup>nd</sup> wave remain
- We retain our tactical overweight to corporates

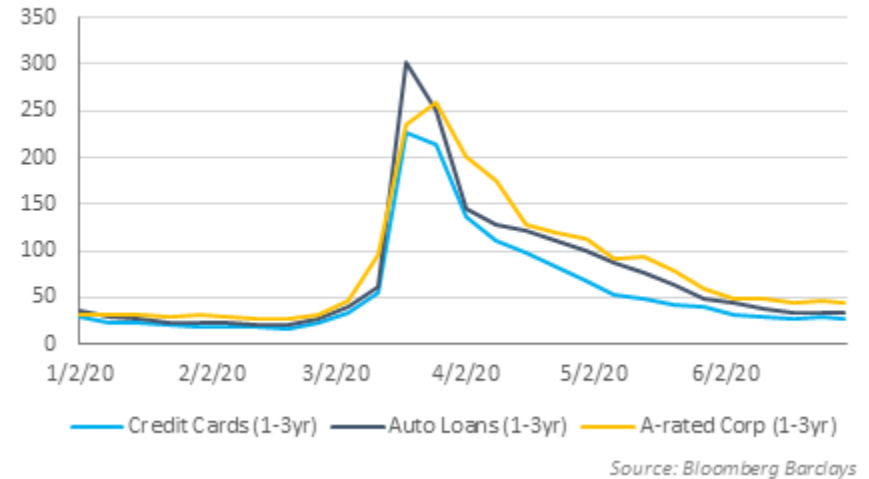


# Economic Outlook

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



## SPREADS: ABS VS SHORT CORPORATES



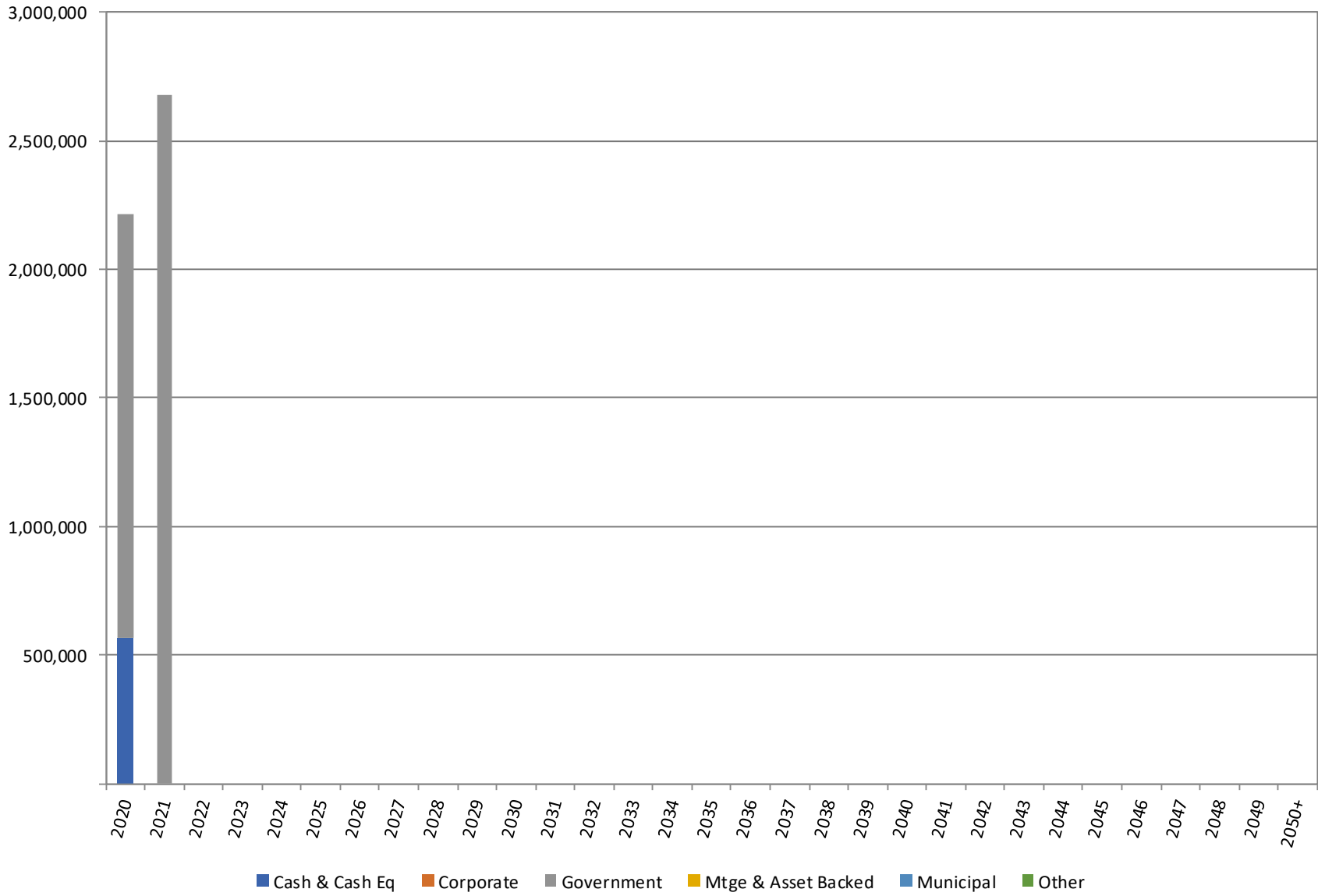
### Comments

- During Q2, MBS spreads widened 10bps as the Fed reduced purchases to only \$4.5B/day from initial purchases of \$50B/day
- Additionally, higher prepayments were a headwind for the sector
  - Mortgage prepayments were well above forecasts for March, April and May
  - The June report is likely to show a further increase in speeds of roughly 10%, reflecting a 10bp drop in mortgage rates, as well as a rise in seasonal housing turnover
- Both Agency and Non-Agency CMBS experienced a steady grind tighter over the quarter by roughly 50bps
  - However, non-Agency CMBS still lagged YTD, as spreads widened in March by 161bps compared to Agency CMBS' 66bps
- On average AAA rated ABS backed by credit cards and auto loans tightened 138bps in Q2 and 161bps since mid-March
  - ABS remains attractive vs single-A corporates picking up on average 5-10bps while receiving the benefits of credit enhancement and AAA rating

# 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
<b>Fixed Income</b>											
Treasury	4,338,617	4,378,144	39,527	1.78	0.18	0.72	0.01	18	39,527	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
<b>Total</b>	<b>4,338,617</b>	<b>4,378,144</b>	<b>39,527</b>	<b>1.78</b>	<b>0.18</b>	<b>0.72</b>	<b>0.01</b>	<b>18</b>	<b>39,527</b>	<b>0</b>	<b>0</b>
<b>Short Term</b>											
Sweep Money Market	565,667	565,667	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
<b>Total</b>	<b>565,667</b>	<b>565,667</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Fixed Income &amp; Short Term</b>											
<b>Total</b>	<b>4,904,284</b>	<b>4,943,811</b>	<b>39,527</b>	<b>1.57</b>	<b>0.16</b>	<b>0.63</b>	<b>0.01</b>	<b>18</b>	<b>39,527</b>	<b>0</b>	<b>0</b>
<b>Equity</b>											
Common Stock	0	0	0					0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>											
<b>Total</b>	<b>4,904,284</b>	<b>4,943,811</b>	<b>39,527</b>					<b>18</b>	<b>39,527</b>	<b>0</b>	<b>0</b>

# Maturity Schedule By Weighted Average Life



## Effective Maturity Schedule

Year	Book Value	Tax Equiv. Book Yield	% of Total Book Value
2020	1,648,872	2.27	38%
2021	2,689,746	1.48	62%
2022+	0	0.00	0%
<b>Subtotal</b> (inc. ABS, Agcy, CMBS, Corp, Muni, UST)	<b>4,338.617</b>	<b>1.78</b>	<b>100%</b>
MBS	0	0.00	0%
<b>TOTAL</b>	<b>4,338.617</b>	<b>1.78</b>	<b>100%</b>

# Performance

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**Tax-Equivalent Total Return  
as of 06/30/2020  
Inception Date: 08/01/2014**

	<b>Portfolio</b>	<b>Benchmark</b>	<b>Difference</b>
Quarter to Date	0.10%	0.02%	0.08%
Year to Date	1.49%	1.48%	0.01%
Since Inception	1.30%	1.33%	-0.04%

**Benchmark Composition:**

100.0% PEJIF Duration Matched Treasury

## *Bond Purchases*

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There were no purchases during this period.

## 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
04/30/2020	Maturity	US TREASURY N/B	Treasury	AA+	Aaa	2.375	04/30/2020	04/30/2020	100.00	250,000	0	2.51	2.51
05/31/2020	Maturity	US TREASURY N/B	Treasury	AA+	Aaa	2.500	05/31/2020	05/31/2020	100.00	110,000	0	2.52	2.52
06/30/2020	Maturity	US TREASURY N/B	Treasury	AA+	Aaa	1.875	06/30/2020	06/30/2020	100.00	150,000	0	2.57	2.57
<b>Total</b>										<b>510,000</b>	<b>0</b>	<b>2.53</b>	<b>2.53</b>

# ***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
<b>Money Market</b>																
03/16/2020			565,667	BANK OF AMER/ML	0.00			565,667	565,667	565,667	0	0.00	0.00	0.00	0.00	
			<b>565,667</b>					<b>565,667</b>	<b>565,667</b>	<b>565,667</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Treasury</b>																
02/26/2020	AA+	Aaa	260,000	TREASURY BILL	0.00	08/06/2020	08/06/2020	258,377	259,637	259,637	0	1.40	0.12	0.10	0.10	0.00
06/04/2019	AA+	Aaa	250,000	US TREASURY N/B	1.88	12/15/2020	12/15/2020	249,482	249,844	251,963	2,119	2.01	0.16	0.46	0.46	0.00
06/04/2019	AA+	Aaa	250,000	US TREASURY N/B	2.00	01/15/2021	01/15/2021	250,029	250,011	252,470	2,459	1.99	0.17	0.54	0.54	0.01
05/17/2019	AA+	Aaa	200,000	US TREASURY N/B	2.75	11/30/2020	11/30/2020	201,461	200,401	202,132	1,731	2.26	0.20	0.41	0.42	0.00
03/19/2020	AA+	Aaa	175,000	US TREASURY N/B	2.63	12/15/2021	12/15/2021	181,453	180,412	181,248	835	0.49	0.17	1.44	1.46	0.03
07/02/2019	AA+	Aaa	200,000	US TREASURY N/B	1.63	06/30/2021	06/30/2021	199,414	199,704	202,890	3,186	1.78	0.18	0.99	1.00	0.01
08/01/2019	AA+	Aaa	220,000	US TREASURY N/B	1.75	07/31/2021	07/31/2021	219,699	219,836	223,738	3,902	1.82	0.18	1.07	1.08	0.02
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	2.25	03/31/2021	03/31/2021	251,455	250,611	253,878	3,266	1.92	0.18	0.74	0.75	0.01
07/05/2018	AA+	Aaa	250,000	US TREASURY N/B	2.63	08/15/2020	08/15/2020	250,244	250,015	250,763	748	2.58	0.21	0.12	0.12	0.00
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	1.13	02/28/2021	02/28/2021	246,592	248,669	251,563	2,893	1.93	0.19	0.66	0.66	0.01
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	1.38	04/30/2021	04/30/2021	247,588	248,927	252,480	3,553	1.90	0.18	0.82	0.83	0.01
03/10/2020	AA+	Aaa	245,000	US TREASURY N/B	1.25	10/31/2021	10/31/2021	248,216	247,617	248,513	897	0.44	0.17	1.32	1.33	0.02
07/05/2018	AA+	Aaa	250,000	US TREASURY N/B	2.00	07/31/2020	07/31/2020	247,148	249,884	250,380	496	2.57	0.21	0.08	0.08	-0.01
07/16/2018	AA+	Aaa	200,000	US TREASURY N/B	2.00	09/30/2020	09/30/2020	197,289	199,688	200,922	1,234	2.64	0.16	0.25	0.25	0.00
03/13/2019	AA+	Aaa	240,000	US TREASURY N/B	1.75	10/31/2020	10/31/2020	237,103	239,403	241,255	1,852	2.51	0.18	0.33	0.33	0.00
06/10/2019	AA+	Aaa	250,000	US TREASURY N/B	2.00	05/31/2021	05/31/2021	250,508	250,239	254,170	3,931	1.89	0.18	0.91	0.91	0.01
02/04/2020	AA+	Aaa	170,000	US TREASURY N/B	1.50	08/31/2021	08/31/2021	170,046	170,035	172,623	2,588	1.48	0.18	1.16	1.17	0.02
02/04/2020	AA+	Aaa	175,000	US TREASURY N/B	1.50	09/30/2021	09/30/2021	175,082	175,063	177,898	2,835	1.47	0.17	1.24	1.25	0.02
03/10/2020	AA+	Aaa	245,000	US TREASURY N/B	1.50	11/30/2021	11/30/2021	249,402	248,622	249,623	1,001	0.45	0.17	1.40	1.42	0.03
			<b>4,330,000</b>					<b>4,330,590</b>	<b>4,338,617</b>	<b>4,378,144</b>	<b>39,527</b>	<b>1.78</b>	<b>0.18</b>	<b>0.72</b>	<b>0.72</b>	<b>0.01</b>
			<b>4,895,667</b>					<b>4,896,256</b>	<b>4,904,284</b>	<b>4,943,811</b>	<b>39,527</b>	<b>1.57</b>	<b>0.16</b>	<b>0.63</b>	<b>0.64</b>	<b>0.01</b>

# Glossary of Terms

Security Types	
<b>Adjustable Rate Mortgage (ARM)</b>	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.
<b>Agency</b>	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.
<b>Asset-Backed Security (ABS)</b>	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.
<b>Collateralized Mortgage Obligation (CMO)</b>	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.
<b>Commercial Mortgage-Backed Security (CMBS)</b>	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.
<b>Corporate (Corp)</b>	A fixed income security issued by a private corporation.
<b>Mortgage Pass-Through (MPT)</b>	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.
<b>Preferred Stock (Preferred)</b>	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.
<b>Tax-exempt Municipal (ExMuni)</b>	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.
<b>Taxable Municipal (TaxMuni)</b>	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 municipalities.
<b>Treasury</b>	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	
<b>Average Life</b>	The dollar-weighted average time to maturity of a stream of principal cash flows. Also referred to as “weighted average life” or “WAL”.
<b>Basis Point (bp)</b>	1/100 of 1% (or equivalently .0001).
<b>Benchmark</b>	<p>An index against which performance can be measured. Attributes of a good benchmark include:</p> <p><i>Objective:</i> The index should be identified ahead of the time, it should be easily understood, and the construction rules should be clearly defined.</p> <p><i>Replicable:</i> The manager should be able to replicate the returns passively.</p> <p><i>Relevant:</i> 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.</p> <p><i>Tax Adjusted:</i> The benchmark should adjust for the different tax rates on various security types</p>
<b>Book Income</b>	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 <u>realized</u> gains or losses in the portfolio.
<b>Book Value</b>	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.
<b>Book Yield</b>	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.
<b>Cash Flow</b>	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.
<b>Convexity</b>	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.
<b>Credit Risk</b>	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.
<b>Duration</b>	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.)	
<b>DYCARR<sup>SM</sup></b>	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.
<b>FICO Score</b>	A generic credit score developed by Fair, Isaac and Company, Inc., designed to predict the likelihood of borrowers becoming delinquent in their credit obligations.
<b>Gross Domestic Product (GDP)</b>	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.
<b>Interest Rate Risk</b>	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.
<b>Loan to Value (LTV)</b>	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.
<b>Market Value</b>	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.
<b>Option Adjusted Spread (OAS)</b>	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.
<b>Realized Gain/(Loss)</b>	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.
<b>Tax Equivalent Yield</b>	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%).
<b>Total Return</b>	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.
<b>Unrealized Gain/(Loss)</b>	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.
<b>Volatility Adjusted Duration</b>	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.
<b>Whole Loan</b>	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).
<b>Yield</b>	The implied return achievable for purchasing a bond at a given price.

# ***Appendix***

## Presentation Overview

## *Overview*

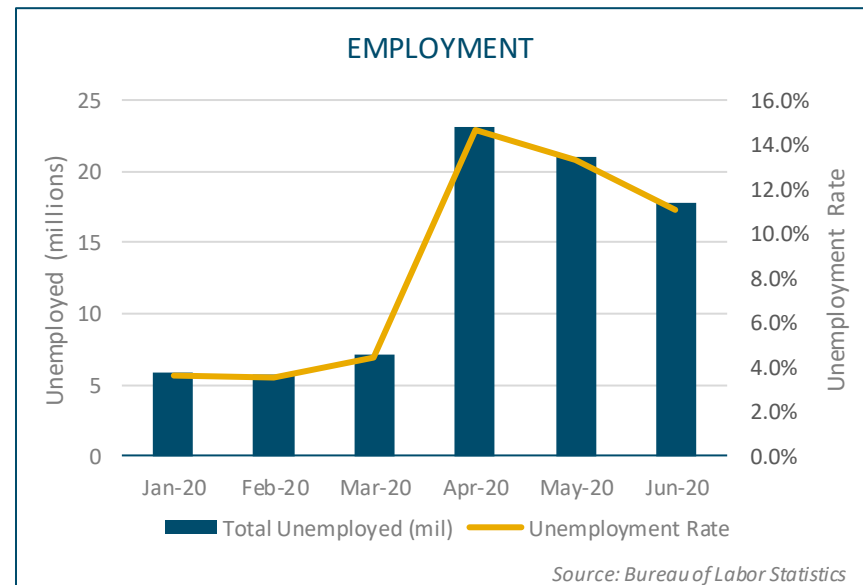
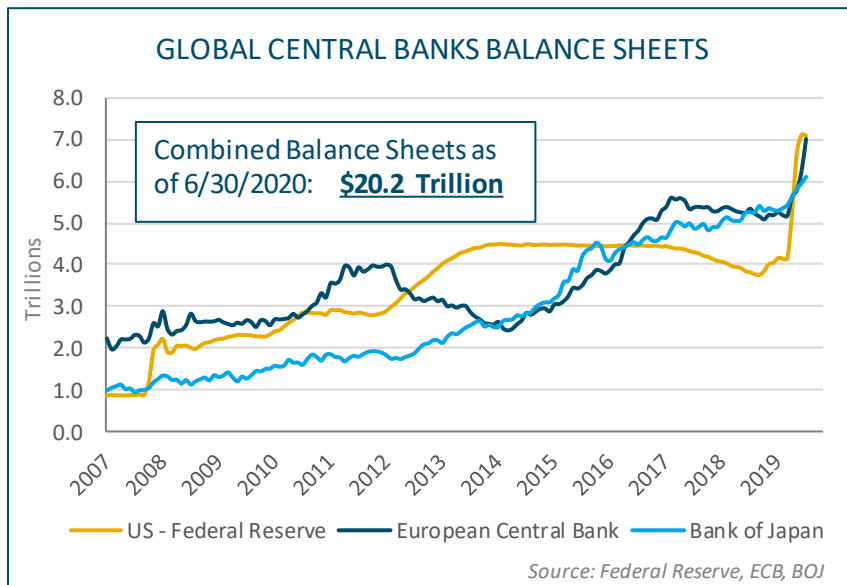
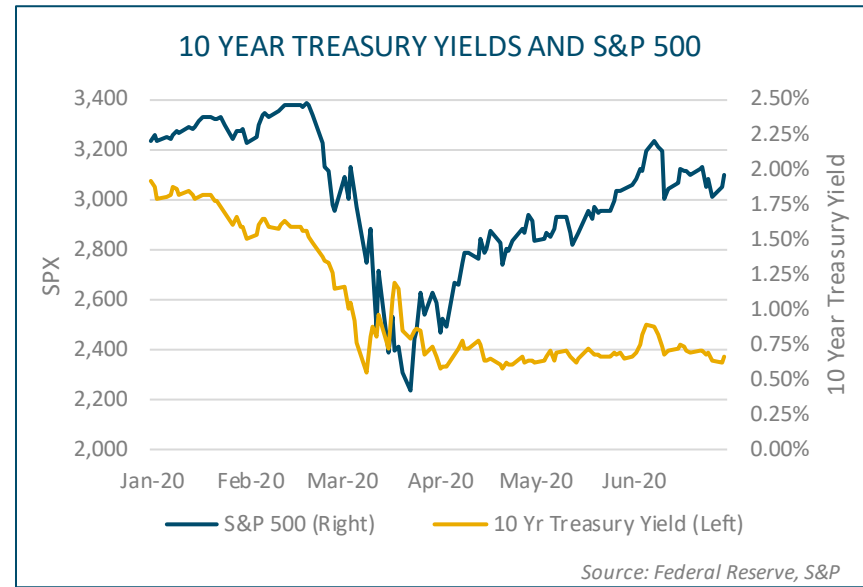
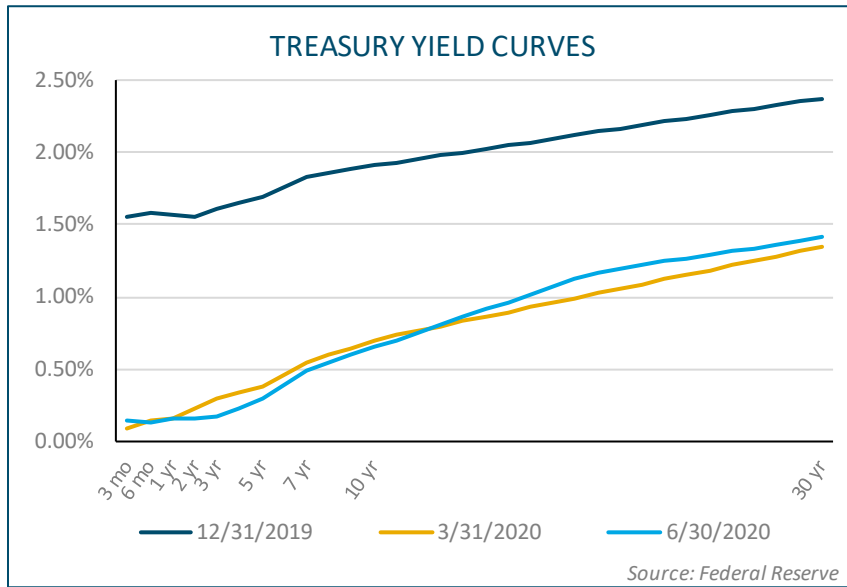
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Economic overview and market update

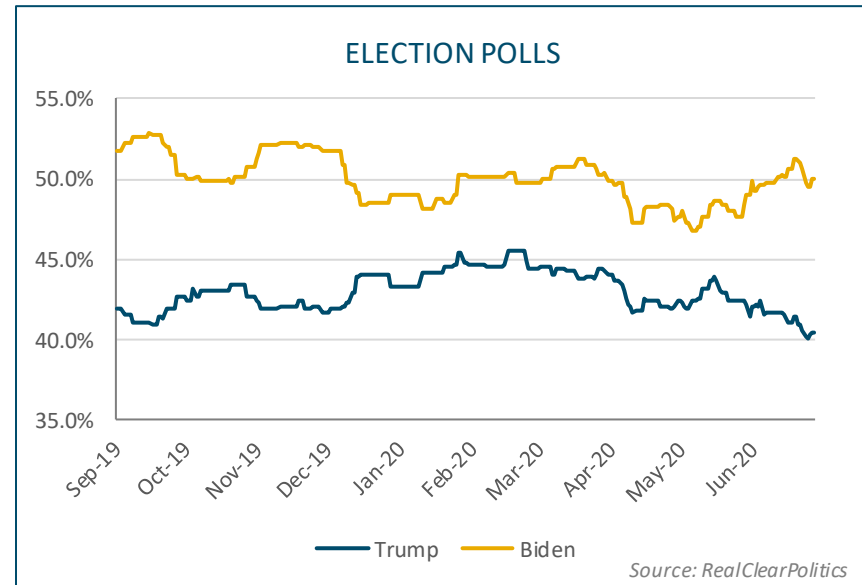
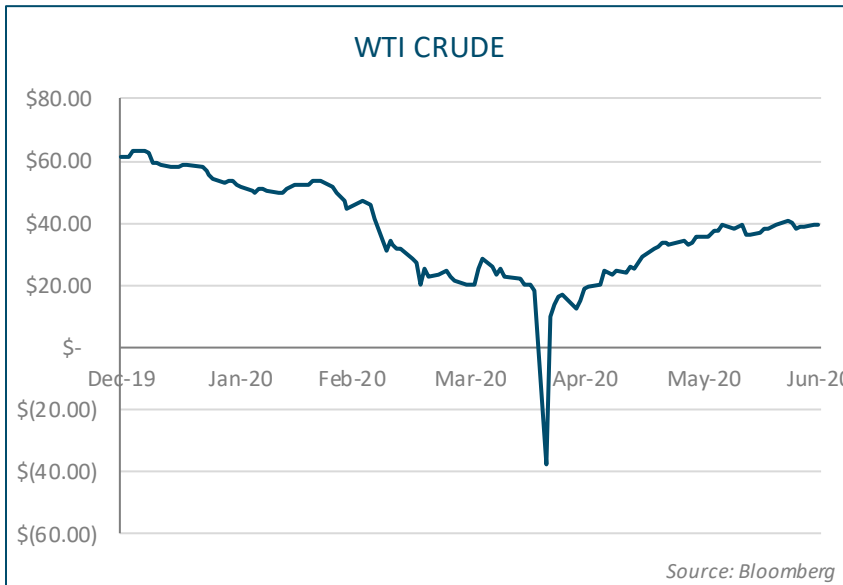
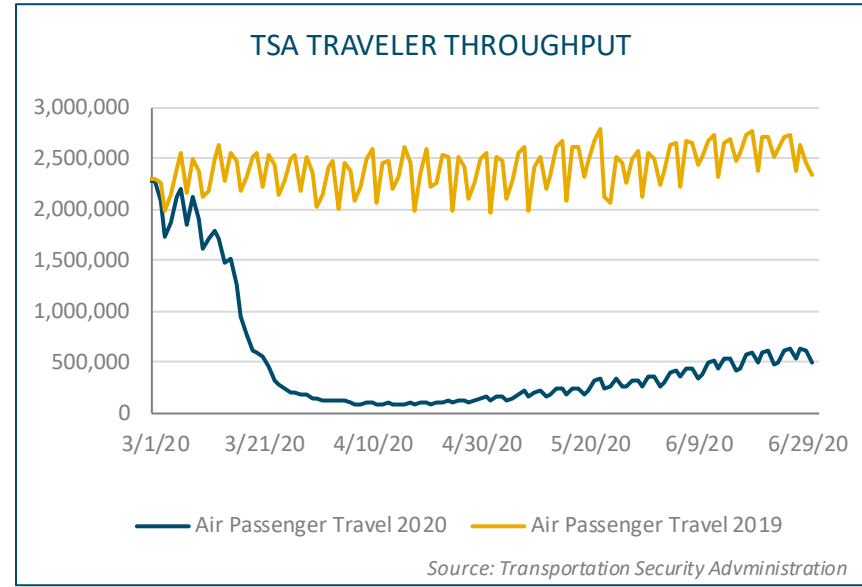
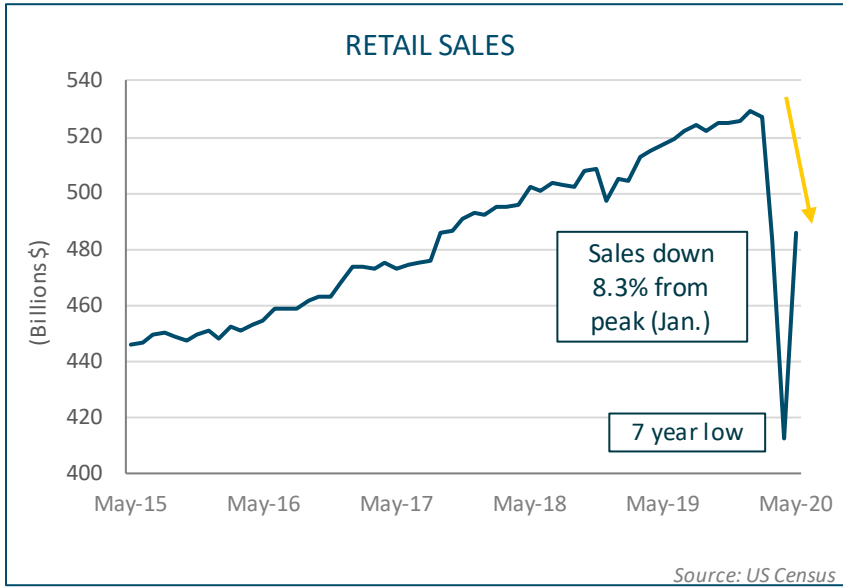
Portfolio review

Performance

# US Treasury Yields, Debt and Global Balance Sheets



# Market Indicators





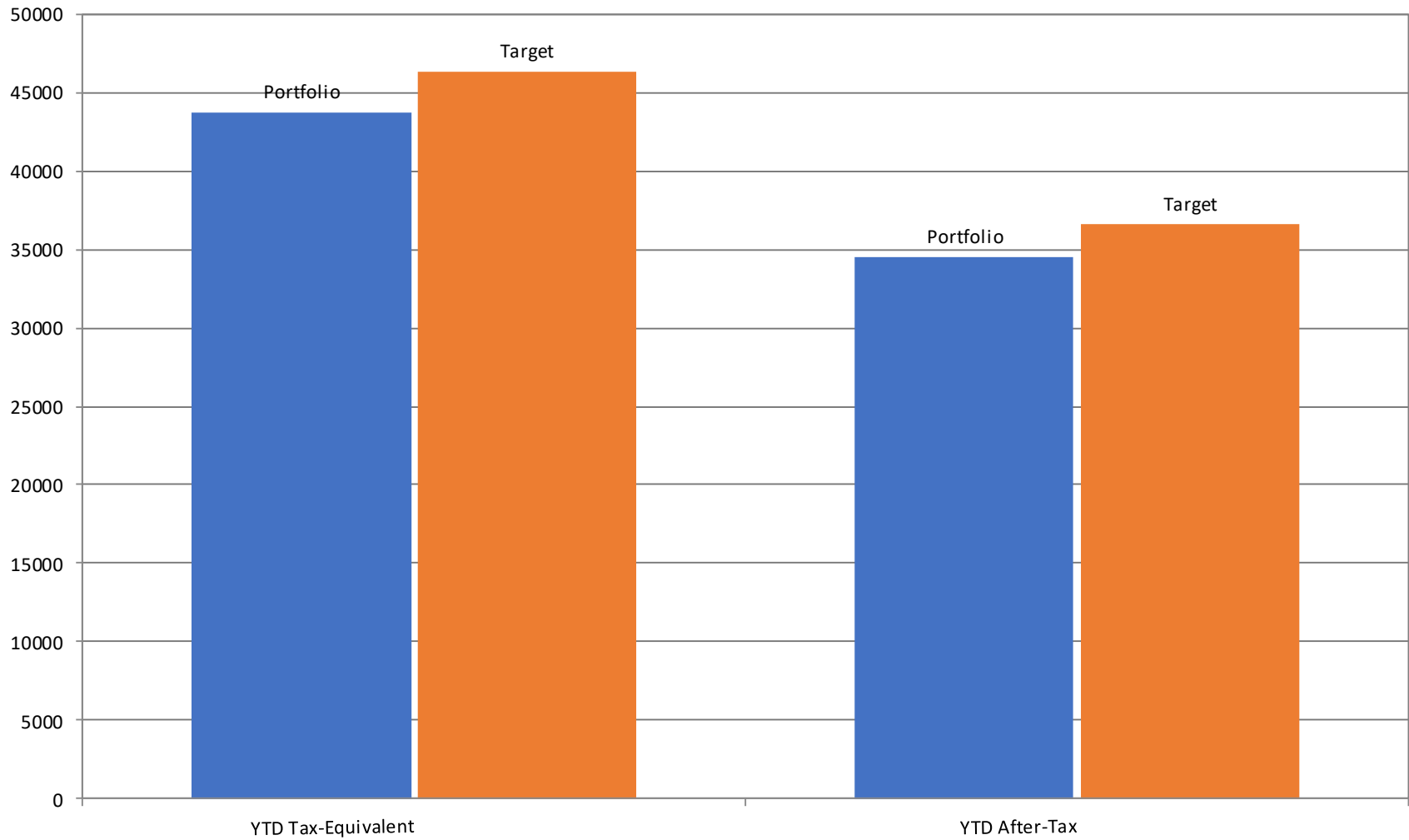
# Portfolio Changes

Public Entity Joint Insurance Fund	06/30/2019	09/30/2019	12/31/2019	03/31/2020	06/30/2020
<b>Treasury Yields</b>					
2 yr Treasury Yield	1.74%	1.62%	1.56%	0.23%	0.15%
5 yr Treasury Yield	1.76%	1.55%	1.68%	0.38%	0.29%
10 yr Treasury Yield	2.00%	1.67%	1.91%	0.70%	0.65%
<b>Book Statistics</b>					
Tax-Equivalent Book Yield	2.09%	2.02%	2.14%	1.84%	1.57%
Book Value (\$)	5,345,828	5,379,469	4,357,255	4,879,117	4,904,284
Projected Tax-Equivalent Income, next 12 months (\$)	111,525	108,484	93,201	90,009	77,157
Unrealized Gains/(Losses) (\$)	14,470	15,268	16,139	55,639	39,527
YTD Realized Gains/(Losses) (\$)	0	0	102	0	0
<b>Portfolio Risk Statistics</b>					
Effective Duration	0.96	0.86	0.80	0.87	0.63
Convexity	0.02	0.01	0.01	0.01	0.01
Weighted Average Life	0.98	0.88	0.81	0.88	0.64
Average Rating	AAA	AAA	AAA	AAA	AAA
<b>Portfolio Sector Allocation</b>					
Treasury	96%	93%	98%	99%	89%
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	4%	7%	2%	1%	11%

# Income Year to Date

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Year to Date, as of 06/30/2020



# Performance

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**Tax-Equivalent Total Return  
as of 06/30/2020  
Inception Date: 08/01/2014**

	<b>Portfolio</b>	<b>Benchmark</b>	<b>Difference</b>
Quarter to Date	0.10%	0.02%	0.08%
Year to Date	1.49%	1.48%	0.01%
Since Inception	1.30%	1.33%	-0.04%

**Benchmark Composition:**

100.0% PEJIF Duration Matched Treasury