



Item No. 4 Town of Atherton

FINANCE COMMITTEE STAFF REPORT

TO: FINANCE COMMITTEE

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: MARCH 12, 2019

SUBJECT: PRESENTATION BY INSIGHT ASSET MANAGEMENT INVESTMENT PROGRAM REVIEW OF THE TOWN. REVIEW STATEMENT OF INVESTMENT POLICY AND IF APPROPRIATE MAKE RECOMMENDATIONS OF CHANGES TO STATEMENT OF INVESTMENT POLICY FOR CITY COUNCIL APPROVAL

RECOMMENDATION

Review the Asset Management Investment Program with Insight Asset Management Group and review statement of investment policy; and, if appropriate, discuss and make recommendation of changes to the Statement of Investment Policy for City Council approval.

BACKGROUND

Dave Witthohn, Senior Portfolio Manager for Insight investment is present to discuss the Town's investment portfolio program, outlook of the economy, and suggestions to accommodate Town liquidity and interest earning needs for capital projects. The Investment Policy is required to be reviewed annually.

As of January 31, 2019, the total investment portfolio for the Town is \$17,197,416 as illustrated in the Insight investment review book. The Town has an additional \$19,372,107 in LAIF and operating account of \$3,855,416 with an approximate total cash and investment of \$40,424,939.

The main objectives of Town investments include preservation of capital and protection of investment, maintenance of appropriate liquidity to meet cash flow needs, attainment of market rate of return, and diversification. The Town's primary investment instruments include United States Treasury Bills, Federal Instrumentality, Medium Term Notes (corporate bonds), and the State's Local Agency Investment Fund (LAIF).

Investment of Town funds is important not only for interest earnings but also for liquidity. Investment diversification is a key component of the policy.

ANALYSIS

The Town's Investment Policy is attached for Committee review. Staff recommends discussion on one minor change of the policy in the area of Medium-term corporate investments.

- Update the minimum investment requirement on investing in AA for Medium-Term Notes to “A” ratings (page 3 of policy). This rating covers the entire range of A rated securities from A1, A2, A3.

Changing from “AA” to “A” gives the Town maximum flexibility within the medium-term corporate notes investment vehicle. This modification has been proposed in the past. The Town looks for investment opportunities that are diversified, consistent with safety risk and flexible depending upon the outlook for the economy, and cash needs of the Town. Over the last year we have seen an increase in interest earnings on investments, especially in medium-term notes.

Staff recommends that the Finance Committee accept the suggested minor changes to the policy; and, if appropriate, recommend the City Council approve the changes.

Civic Center Project

As staff prepares to launch the Civic Center Project, a goal over the next 24-27 months is to ensure that there is sufficient liquidity to manage the cash flow needs of the project. During the course of the project, staff does not recommend that maturing investments be reinvested as quickly. Cash flow needs over the next 24 to 27 months will require that investments be maintained in shorter duration instruments or instruments with more liquidity. For maintenance of suitable liquidity for Civic Center project, staff has reviewed the duration of investments in the coming year. Below is a list of security instruments that are maturing within the year.

Description	Maturity	Value
Exxon Mobile Corporate Bond	3/1/2019	\$300,000
Colgate Palmolive Corporate Bond	3/15/19	\$500,000
Apple Inc Corporate Bond	5/6/19	\$500,000
Microsoft Corporate Bond	6/1/19	\$500,000
Federal National Mort. Assoc.-Government Agencies	2/26/19	\$400,000
Federal Home Loan Banks-Government Agencies	5/28/19	\$650,000
Federal Home Loan Mortgage Group-Government Agencies	5/30/19	\$200,000
Federal Home Loan Banks-Government Agencies	6/14/19	\$500,000
Federal Home Loan Banks-Government Agencies	6/21/19	\$500,000
Federal Farm Credits-Government Agencies	7/03/19	\$500,000
Federal Home Loan Mortgage Group-Government Agencies	7/19/19	\$500,000
Federal Home Loan Banks-Government Agencies	8/7/19	\$500,000
Federal National Mortgage Association-Government Agencies	8/28/19	\$500,000
Federal Farm Credits-Government Agencies	9/27/19	\$500,000
Federal Farm Credits-Government Agencies	10/17/19	\$1,000,000
Federal Home Loan Banks-Government Agencies	10/18/19	\$500,000
Federal Home Loan Banks-Government Agencies	11/29/19	\$500,000
United States Treasury Note-Bonds	6/30/19	\$500,000
United States Treasury Note-Bonds	7/31/19	\$500,000
United States Treasury Note-Bonds	12/15/19	\$500,000
Total of Securities Maturing		\$10,050,000

FISCAL IMPACT

None.

ATTACHMENTS

Insight Investment -Town Investment Review Book
Statement of Investment Policy



Town of Atherton

Statement of Investment Policy

The City Council of the Town of Atherton (the Town) has adopted this Investment Policy (the Policy) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the Town. All Town funds will be invested in accordance with this Policy and with applicable sections of the California Government Code.

This Investment Policy was endorsed and adopted by the City Council on. It replaces any previous investment policy or investment procedures of the Town.

SCOPE

The provisions of this Policy shall apply to all financial assets of the Town as accounted for in the Town's Comprehensive Annual Financial Report.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds not less than annually.

OBJECTIVES

The Town's funds shall be invested in accordance with all applicable Town codes and resolutions, California statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

The management responsibility for the Town's investment program is delegated annually by the City Council to the Treasurer, as provided for in California Government Code Section 53607. The Town's City Manager serves as the Treasurer shall work in conjunction with the Finance Director to conduct investment transactions and to manage the operation of the investment portfolio. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The City Manager or designee shall develop administrative procedures and internal controls, consistent with this Policy, for the operation of the Town's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the Town.

The Town may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources.

PRUDENCE

The standard of prudence to be used for managing the Town's investment program is California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The Town's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally without risk and that the investment activities of the Town are a matter of public record. Accordingly, the Town recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.

The City Manager or designee and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the Town's investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall subordinate their personal investment transactions to those of the Town. In addition, Town City Council members, the City Manager, and the Finance Director shall file a Statement of Economic Interests each year as required by California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the Town shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Any revisions or extensions of these code sections will be assumed to be part of this Policy immediately upon being enacted.

The Town has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes or bonds with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement.

No more than 25% of the Town's total portfolio shall be invested in any one instrumentality issuer.

3. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at least ~~AA~~-"A" or the equivalent by a nationally recognized statistical rating organization (NRSRO). The aggregate investment in medium-term notes shall not exceed 30% of the Town's total portfolio. In addition, ~~AA~~ "A" rated FDIC guaranteed corporate bonds are herein authorized, within the aforementioned diversification and maturity requirements.

No more than 5% of the Town's portfolio shall be invested in any one corporate issuer.

4. Negotiable Certificates of Deposit with a maturity not exceeding five years from the date of trade settlement, in state or nationally chartered banks or savings banks that are insured by the FDIC, subject to the limitations of California Government Code Section 53638. Certificates of Deposits may be purchased only from financial institutions that meet the credit criteria set forth in the section of this Investment Policy, "Selection of Banks and Savings Banks." Depending on their maturity, Negotiable Certificates of Deposit shall have a short-term rating of at least A-1+ or the equivalent by a NRSRO at the time of purchase.

5. Non-negotiable Certificates of Deposit and savings deposits with a maturity not exceeding five years from the date of trade settlement, in FDIC insured state or nationally chartered banks or savings banks that qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5. Deposits exceeding the FDIC insured amount shall be secured pursuant to California Government Code Section 53652.

The Town will limit its investment in certificates of deposit to \$250,000 per issuer.

No more than 10% of the portfolio shall be invested in any one issuer of certificates of deposit.

6. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated at least A or the equivalent by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated at least A-1 or the equivalent by a NRSRO.

No more than 5% of the Town's total portfolio shall be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 25% of the Town's total portfolio.

7. Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2 above with the maturity of the collateral not exceeding five years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the Town's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the Town's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers and who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Primary Dealers approved as Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent. Repurchase agreement counterparties shall execute a Town approved Master Repurchase Agreement with the Town. The City Manager or designee shall maintain a copy of the Town's approved Master Repurchase Agreement and a list of the broker/dealers who have executed same.

8. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The aggregate investment in the pool shall not exceed 50% of the Town's total portfolio.
9. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in the applicable California statutes and (4) have a rating of at least AAAM or the equivalent by at least two NRSROs. The aggregate investment in money market funds shall not exceed 20% of the Town's total portfolio.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the City's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be preapproved by resolution of the City Council.

INVESTMENT DIVERSIFICATION

The Town shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the Town's anticipated cash flow needs.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The Town will not invest in securities maturing more than five years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

SELECTION OF BROKER/DEALERS

The City Manager or designee shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the Town to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code.

To be eligible, a firm must meet at least one of the following criteria:

1. be recognized as Primary Dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure, or
2. report voluntarily to the Federal Reserve Bank of New York, or

3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The City Manager or designee will select broker/dealers on the basis of their expertise in public cash management and their ability to provide service to the Town's account.

The City may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved broker/dealers. Such broker/dealers will comply with the selection criteria above and the list of approved firms shall be provided to the City on an annual basis or upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in the Town's portfolio, each authorized broker/dealer shall submit and annually update a Town approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

The Town may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 4 of the Authorized Securities and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded.

If the Town is offered a security for which there is no other readily available competitive offering, then the City Manager or designee will document quotations for comparable or alternative securities.

SELECTION OF BANKS

The City Manager or designee shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the Town. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

SAFEKEEPING AND CUSTODY

The City Manager or designee shall select one or more banks to provide safekeeping and custodial services for the Town. A Safekeeping Agreement approved by the Town shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the Town's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the Town. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the Town will be delivered by either book entry and will be held in third-party safekeeping by a Town approved custodian bank, or its Depository Trust Company (DTC) participant account.

PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the Town's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the Town's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

Quarterly, the City Manager or designee shall submit to the City Council a report of the investment earnings and performance results of the Town's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the Town;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;

4. A statement of compliance with this Policy or an explanation for non-compliance; and
5. A statement of the Town's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

POLICY REVIEW

This Investment Policy shall be adopted annually by resolution of the City Council. It shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to this Investment Policy shall be approved by resolution of the City Council.

THIS DOCUMENT SHOULD NOT BE REPRODUCED IN
ANY FORM WITHOUT PRIOR WRITTEN APPROVAL

Town of Atherton

Investment management program review

David Witthohn, CFA, CIPM, Senior Portfolio Manager

March 2019

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Market environment and strategies

US Fixed Income commentary

Fourth quarter 2018



Seemingly stable risk markets pivoted quickly during the fourth quarter. Beginning with the United Kingdom, the probability of a “crash out Brexit” increased as cabinet members resigned and a vote of confidence in Prime Minister Theresa May was required. The proposed deal to exit the European Union still may not be ratified by the March 2019 deadline. Within Europe, a popular rebuke of proposed taxes in France resulted in domestic violence while Italy continued to challenge protocol by proposing spending budgets in excess of Monetary Union guidelines. European growth slowed and interest rates remained depressed. Within emerging markets, China growth slowed as the US tariffs began to take effect and Mexico’s new government revealed signs that it was not going to be as market friendly as hoped.

US markets and economic expectations had remained largely immune to these exogenous pressures building in the global economy. Third quarter US GDP registered 3.4% growth and is tracking to 2.5-2.9% growth for the year. The labor market remained strong, registering 762,000 new non-farm payrolls added during the 4th quarter coupled with an unemployment rate of merely 3.9%¹. Wage growth has also passed 3%, which supported strong holiday spending. The Federal Reserve (Fed) raised interest rates for the fourth time in 2019 as a result of this economic strength and signaled a continued but slower pace of rate increases for 2019.

	Total return		Excess return versus Treasuries	
	1Q18-3Q18	4Q18	1Q18-3Q18	4Q18
S&P 500	10.6%	-13.5%		
High Yield Corp	2.6%	-4.5%	3.27%	-6.75%
IG Corp	-2.3%	-0.2%	-0.11%	-3.10%
US MBS	-1.7%	2.1%	-0.07%	-0.53%
US Treasury	-1.7%	2.6%		

To be fair, this type of risk-reversal hints at underlying factors beyond just another 25bp rise in the Fed Funds rate or those international issues previously described. The US midterm elections proved to be a referendum against many facets of the current administration with Democrats easily retaking the House of Representatives. The President’s response so far has

been acrimonious and unpredictable. Outward criticism of monetary policy was heightened, which raised the stakes for the Fed to deliver the right message without jeopardizing its independence. It was a no-win situation for Chairman Powell.

An unpredictable decision to end military operations in the Middle East resulted in another round of cabinet member departures. Separately, a televised confrontation between the administration and congressional leaders ultimately led to another government shutdown with red lines drawn over border security. Divided government has historically been proven positive for risk markets and economic growth, but the current situation has proved too much for risk assets to end 2018. It is also worth mentioning that several high profile ratings downgrades of A-rated companies to BBB and profit warnings due to international trade added to this toxic brew.

2019 Outlook

Confidence is a fragile thing. It has taken 10 years and significant changes to fiscal policy to return consumer and business confidence to pre-financial crisis expectations. Yet the most recent Institution for Supply Management manufacturing survey showed how quickly this confidence can fade, declining by the most in a monthly reading since 2008, though it remains in positive territory. The challenge with the recent external and internal exogenous events is that it can have an outsized effect on financial conditions, which then affects confidence and ultimately economic output.

While we expect 2019 economic growth to slow, it is still projected to be above economic potential thereby creating jobs, inflationary pressure and the likelihood that the Fed nudges the borrowing rate higher. Risk markets will likely remain volatile during this process as it is unclear if financial conditions can remain consistently calm amidst domestic and international geopolitical uncertainties. That being said, volatility creates opportunity as the market gyrates between expected recession and continued expansion. We anticipate opportunity for fixed income investors to safely add yield again in 2019 as interest rates and risk premiums rise, in the context of a slower but growing economy.

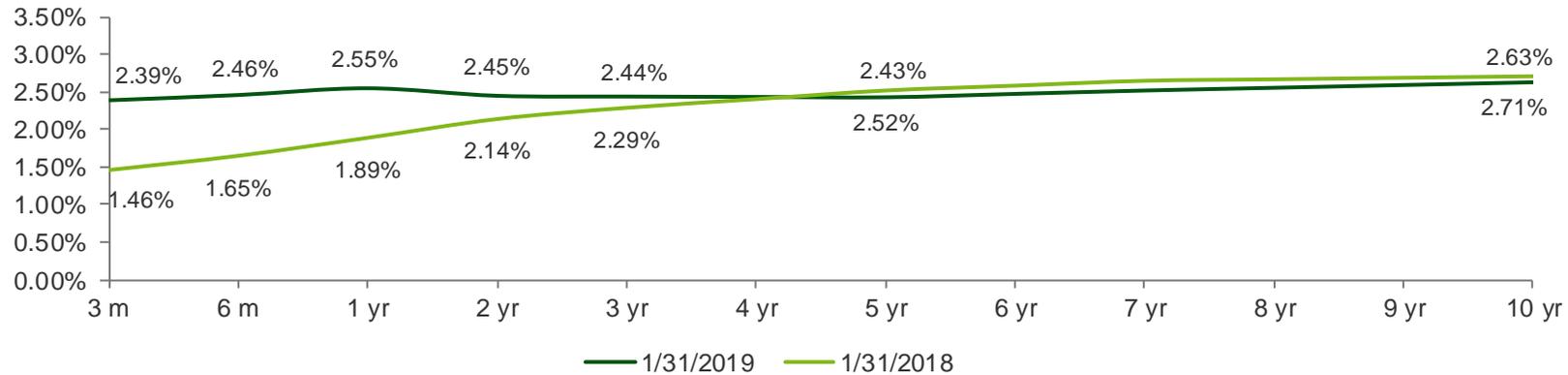
Fixed income index data provided by Bloomberg Barclays as of December 31, 2018. ¹ Bureau of Labor Statistics.

Market environment and strategies

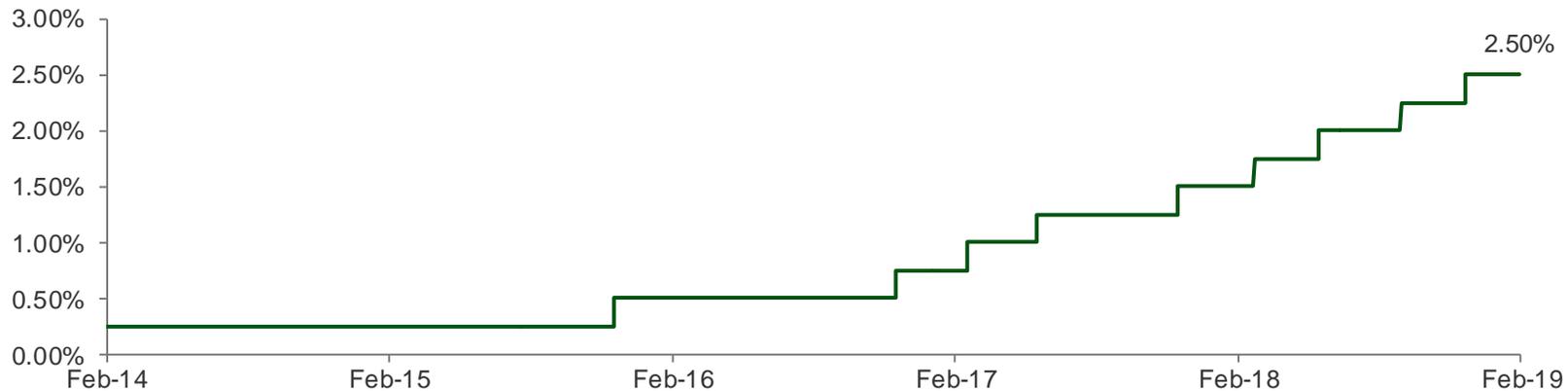
US economic indicators



Comparative historical yield curves¹



Fed funds target rate²



Source: Bloomberg LP, January 31, 2019. As of February 28, 2019.

Market environment and strategies

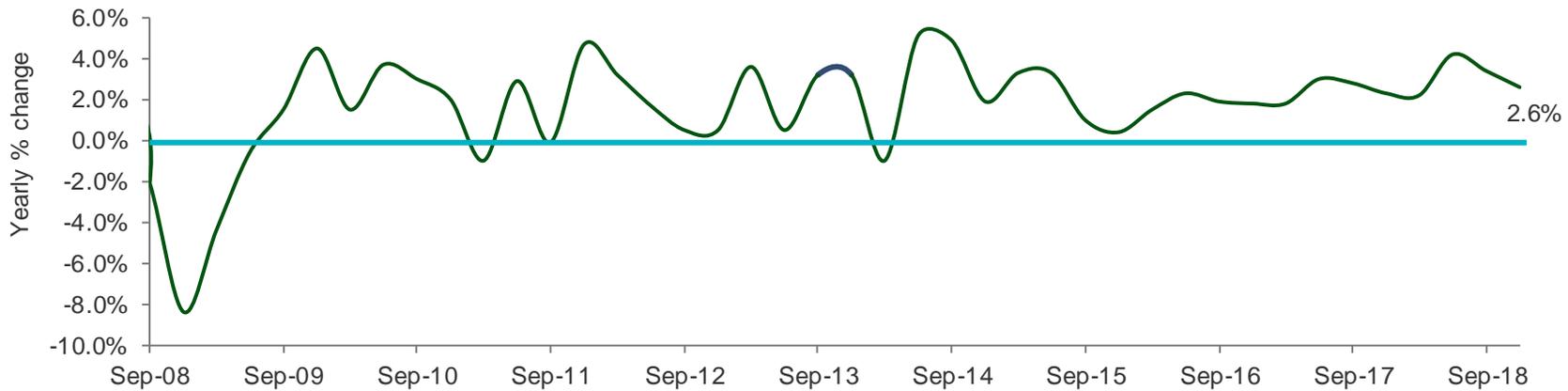
US economic indicators



Two-year and five-year treasury yields: February 2014–2019¹



Gross domestic product (GDP)²



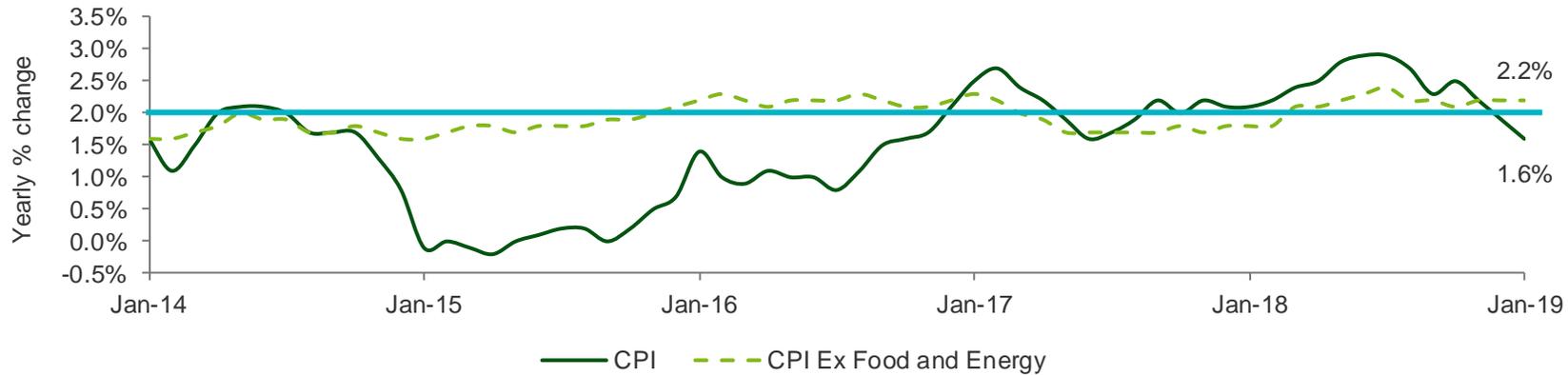
Source: Bloomberg LP, ¹ February 28, 2019. ² September 30, 2018.

Market environment and strategies

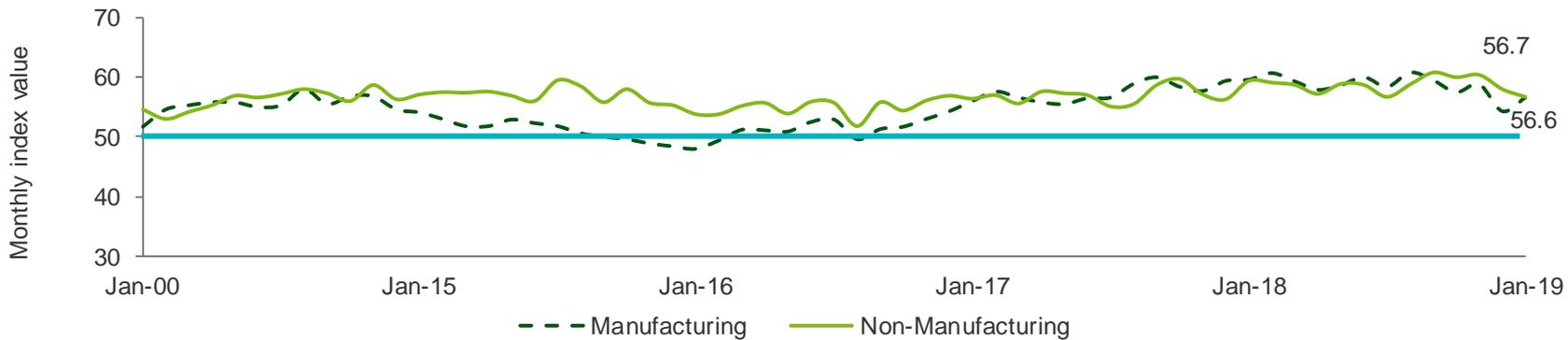
US economic indicators



Consumer Price Index (CPI)²



Institute for supply management¹



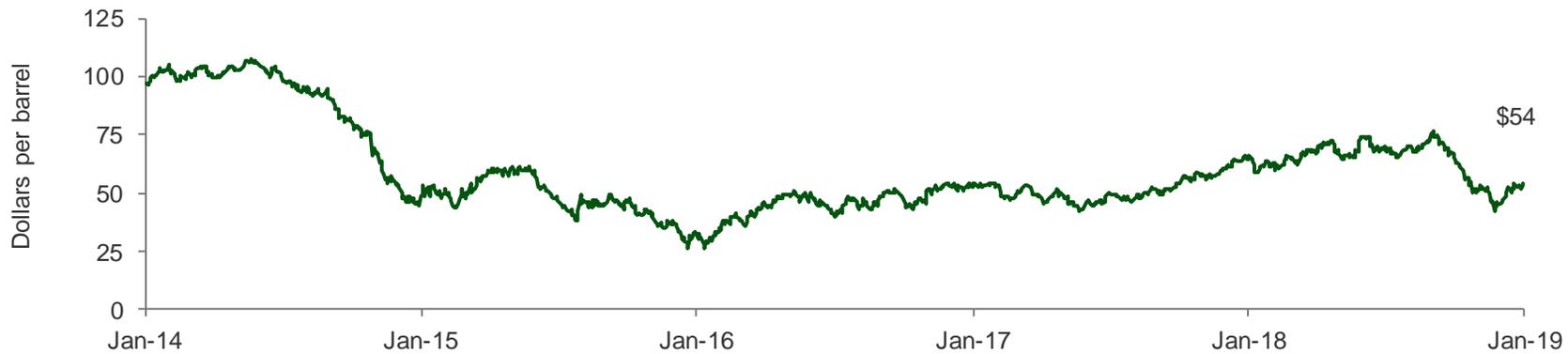
Source: Bloomberg LP, January 31, 2019.

Market environment and strategies

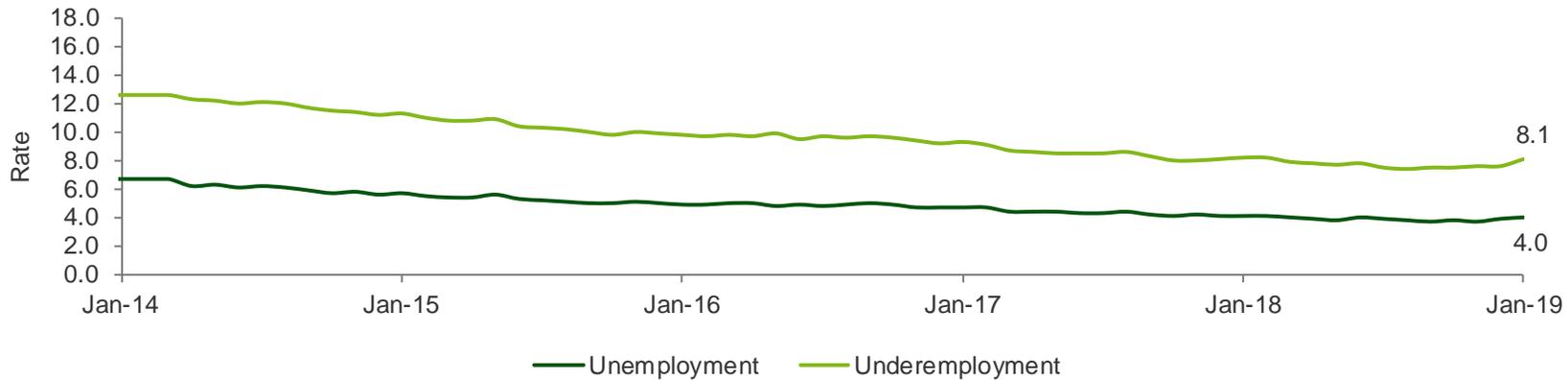
US economic indicators



Crude oil



Unemployment and underemployment



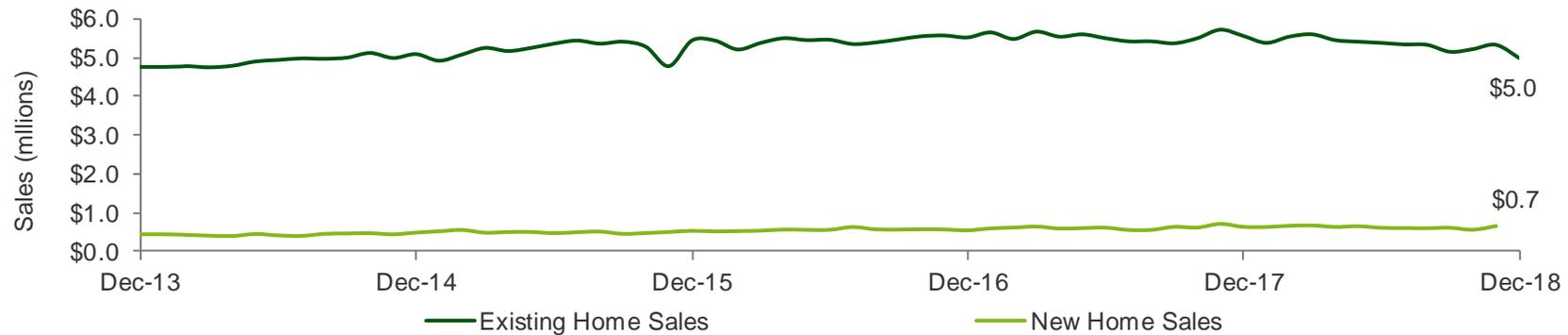
Source: Bloomberg LP, January 31, 2019.

Market environment and strategies

US economic indicators



New and existing home sales



Source: Bloomberg LP, December 30, 2018.

Comparison annualized yields

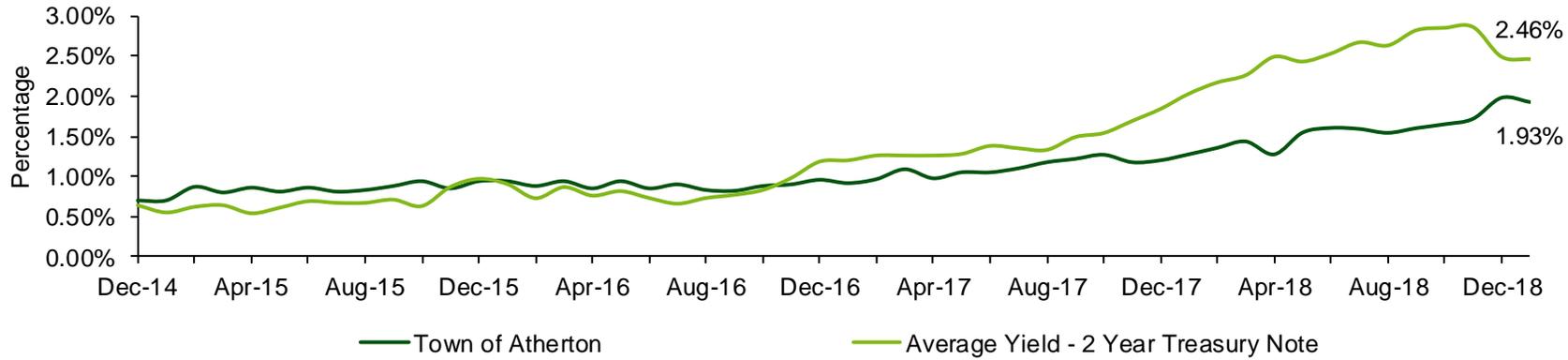
Town of Atherton

Comparison annualized yields

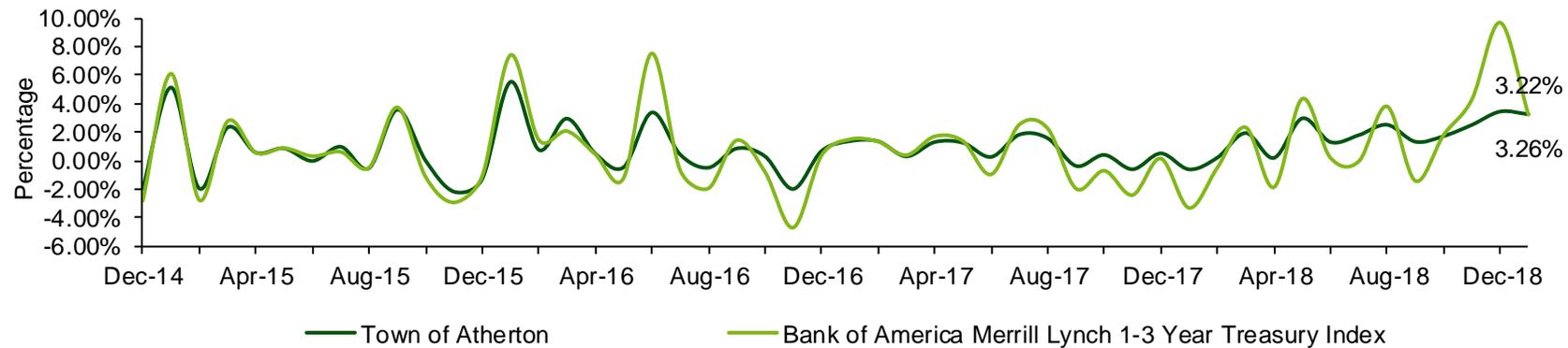
December 2014 through January 2019



Annualized return: Amortized cost basis



Annualized return: Fair value basis



As of January 31, 2019. **Past performance is not indicative of future results. Investment in any strategy involves a risk of loss.** Returns are gross of fees. Performance results do not reflect the deduction of investment advisory fees. Client's returns will be reduced by the investment advisory fees and other expenses. Please refer to the important disclosures and index definition at the back of this presentation.

Portfolio size and duration

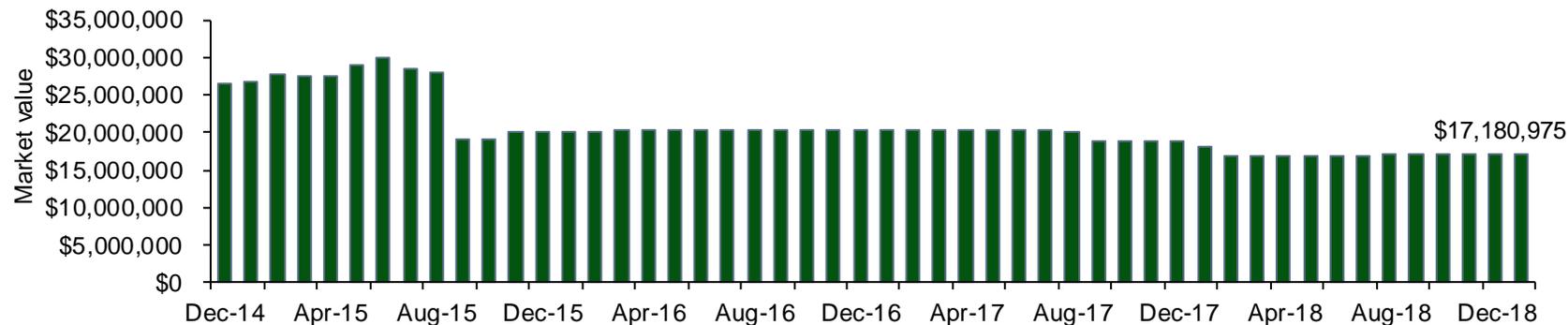
Town of Atherton

Portfolio size and duration

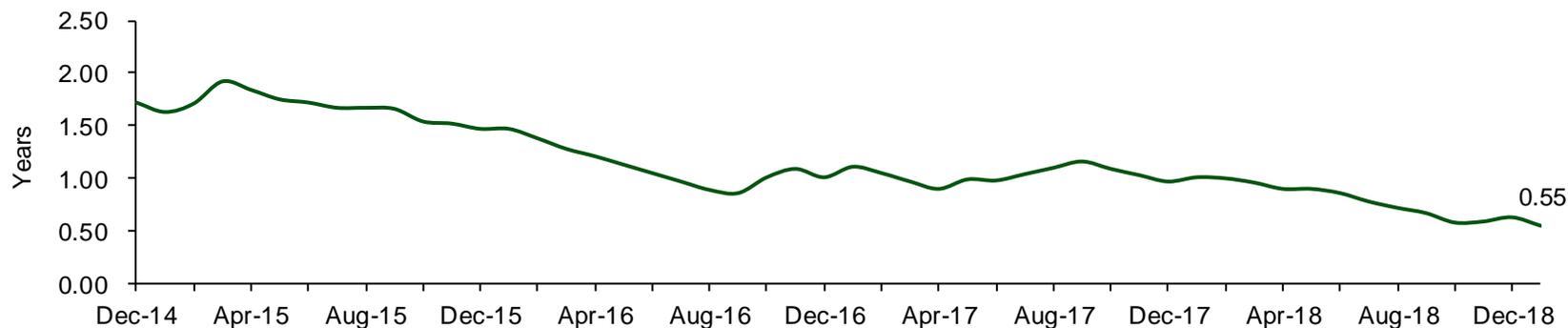
December 2014 through January 2019



Portfolio balance: Ending market value



Portfolio duration



As of January 31, 2019.

Performance versus benchmark

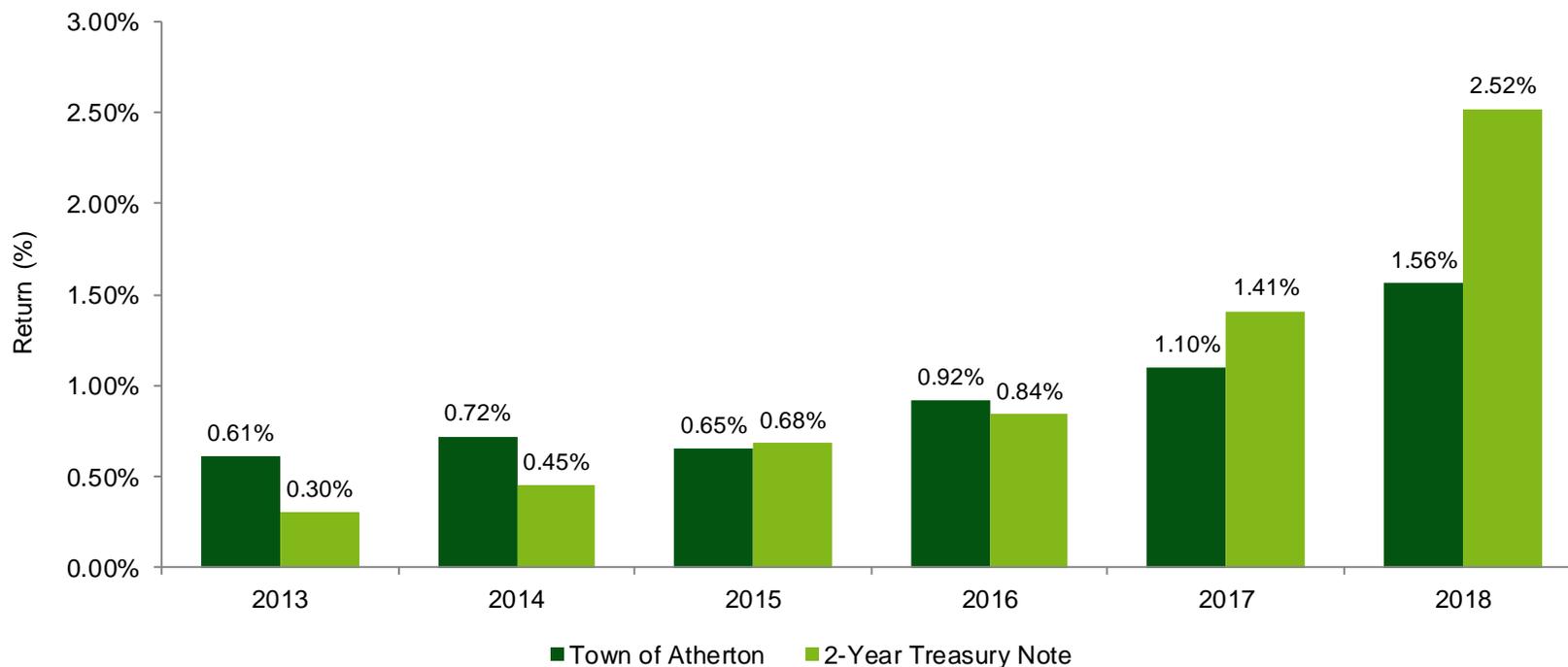
Town of Atherton

Performance versus benchmark

January 2013 through December 2018



Town of Atherton amortized cost return versus 2 Year Treasury Note and California Local Agency Investment Fund (LAIF)



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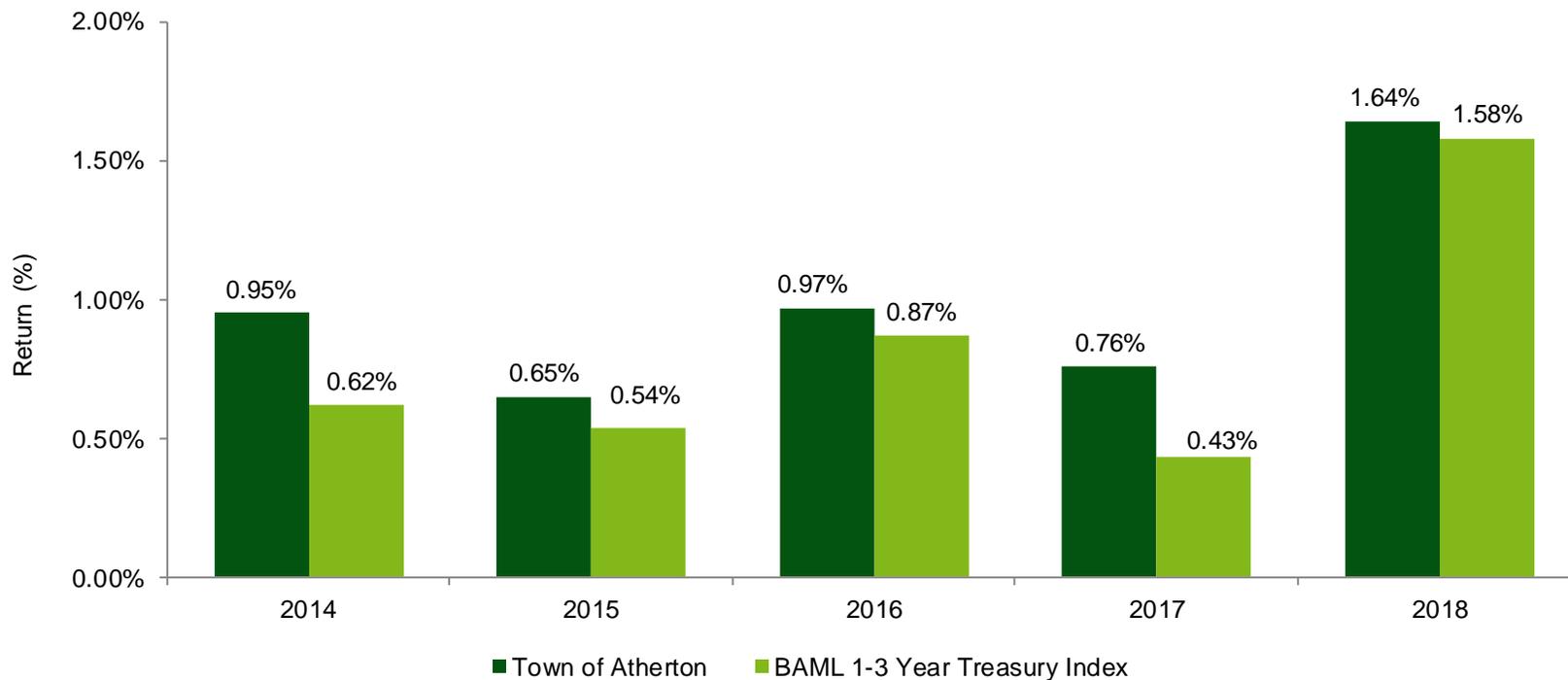
Town of Atherton

Performance versus benchmark

January 2013 through December 2018



Town of Atherton fair value return versus Bank of America Merrill Lynch 1-3 Year Treasury Index



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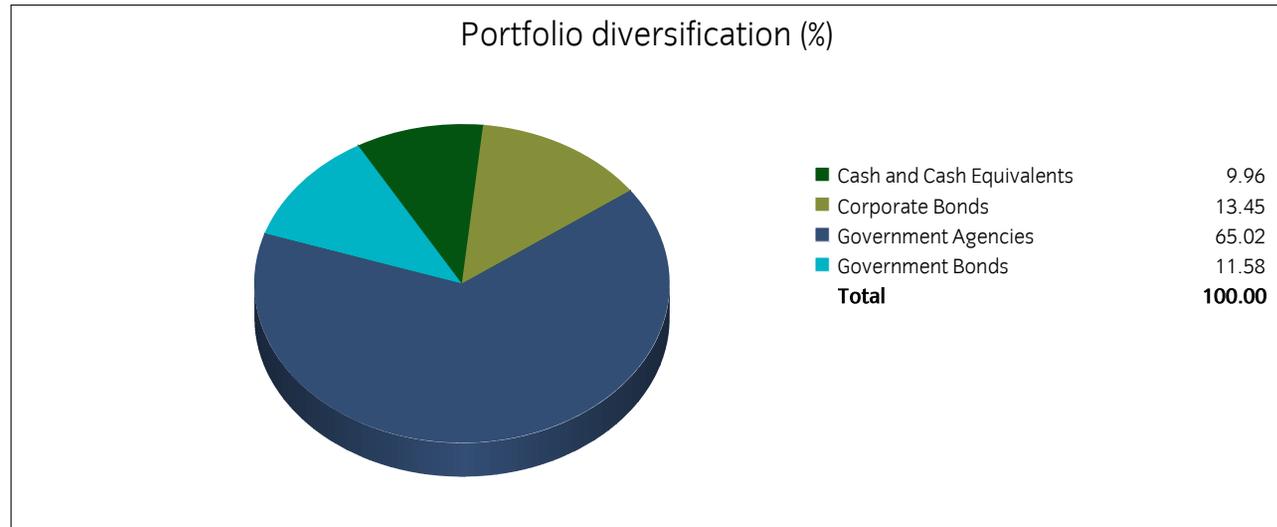
Portfolio diversification

The following data may not total 100% due to rounding. The list of holdings is only valid as of January 31, 2019 and should not be relied upon as a complete listing of the account's past investment decisions. Holdings are subject to change without notice, may not represent current or future decisions and should not be construed as investment recommendations.

RECAP OF SECURITIES HELD

As of January 31, 2019

	Historical cost	Amortized cost	Fair value	Unrealized gain (loss)	Weighted average final maturity (days)	Percent of portfolio	Weighted average effective duration (years)
Cash and Cash Equivalents	1,712,544.84	1,712,544.84	1,712,544.84	0.00	1	9.96	0.00
Corporate Bonds	2,312,375.00	2,303,191.22	2,298,628.50	(4,562.72)	127	13.45	0.34
Government Agencies	11,181,869.88	11,204,474.28	11,157,379.75	(47,094.53)	243	65.02	0.66
Government Bonds	1,990,626.67	1,995,694.42	1,983,827.88	(11,866.54)	250	11.58	0.68
Total	17,197,416.39	17,215,904.76	17,152,380.97	(63,523.79)	204	100.00	0.55



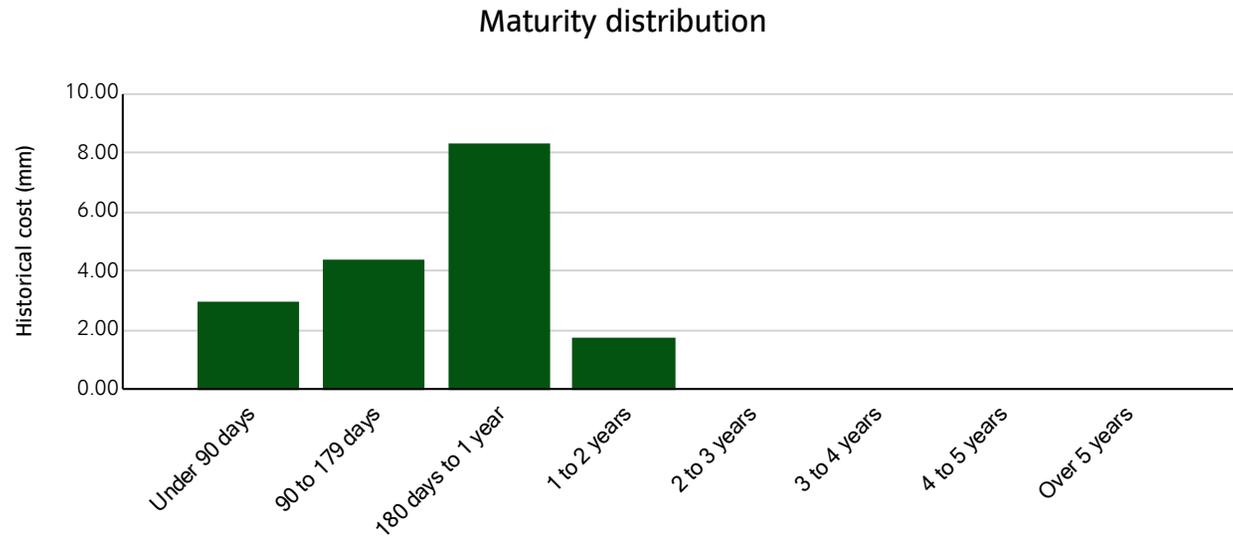
Maturity distribution

The following data is only valid as of January 31, 2019 and may not total 100% due to rounding.

MATURITY DISTRIBUTION OF SECURITIES HELD

As of January 31, 2019

Maturity	Historic cost	Percent
Under 90 days	2,914,326.84	16.95
90 to 179 days	4,335,012.51	25.21
180 days to 1 year	8,249,802.54	47.97
1 to 2 years	1,698,274.50	9.88
2 to 3 years	0.00	0.00
3 to 4 years	0.00	0.00
4 to 5 years	0.00	0.00
Over 5 years	0.00	0.00
	17,197,416.39	100.00





Holdings

The following list of holdings is only valid as of January 31, 2019 and should not be relied upon as a complete listing of past investment decisions. Holdings are subject to change without notice, may not represent current or future decisions and should not be construed as investment recommendations.

SECURITIES HELD

As of January 31, 2019

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Cash and Cash Equivalents											
Cash and Cash Equivalents	0.000		1,712,544.84	1,712,544.84 0.00	1,712,544.84 0.00	1,712,544.84 0.00	0.00	0.00	0.00	0.00	9.96
Total Cash and Cash Equivalents			1,712,544.84	1,712,544.84 0.00	1,712,544.84 0.00	1,712,544.84 0.00	0.00	0.00	0.00	0.00	9.96
Corporate Bonds											
30231GAP7 EXXON MOBIL CORPORATION 1.708% 01MAR2019	1.708	03/01/2019	300,000.00	298,965.00 0.00	299,838.77 156.03	299,860.50 394.80	21.73	0.00	427.00	2,135.00	1.74
19416QEF3 COLGATE-PALMOLIVE CO 1.75% 15MAR2019	1.750	03/15/2019	500,000.00	504,345.00 0.00	500,232.21 (154.81)	499,583.00 748.00	(649.21)	0.00	729.17	3,305.56	2.93
037833AQ3 APPLE INC 2.1% 06MAY2019	2.100	05/06/2019	500,000.00	504,675.00 0.00	500,625.07 (195.33)	499,355.00 445.00	(1,270.07)	0.00	875.00	2,479.17	2.93
594918AC8 MICROSOFT CORP 4.2% 01JUN2019	4.200	06/01/2019	500,000.00	504,310.00 0.00	502,471.61 (612.80)	502,664.50 (507.00)	192.89	0.00	1,750.00	3,500.00	2.93
94988J5G8 WELLS FARGO BANK NA 2.15% 06DEC2019	2.150	12/06/2019	500,000.00	500,080.00 0.00	500,023.56 (2.31)	497,165.50 1,699.50	(2,858.06)	0.00	895.83	1,642.36	2.91
Total Corporate Bonds			2,300,000.00	2,312,375.00 0.00	2,303,191.22 (809.22)	2,298,628.50 2,780.30	(4,562.72)	0.00	4,677.00	13,062.09	13.45
Government Agencies											
3135G0J53 FANNIE MAE 1% 26FEB2019	1.000	02/26/2019	400,000.00	398,472.00 0.00	399,590.43 472.57	399,582.40 473.60	(8.03)	0.00	333.33	1,722.22	2.32
3130ABF92 FEDERAL HOME LOAN BANK 1.375% 28MAY2019	1.375	05/28/2019	650,000.00	646,106.50 0.00	647,569.14 618.02	647,783.50 952.90	214.36	0.00	744.79	1,564.06	3.76

SECURITIES HELD

As of January 31, 2019

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Government Agencies											
3137EADG1 FREDDIE MAC 1.75% 30MAY2019	1.750	05/30/2019	200,000.00	199,032.85 0.00	199,597.02 100.74	199,539.40 173.60	(57.62)	0.00	291.66	583.33	1.16
313379EE5 FEDERAL HOME LOAN BANK 1.625% 14JUN2019	1.625	06/14/2019	500,000.00	496,740.00 0.00	499,058.53 210.77	498,512.00 679.50	(546.53)	0.00	677.08	1,060.76	2.89
3130A8DB6 FEDERAL HOME LOAN BANK 1.125% 21JUN2019	1.125	06/21/2019	500,000.00	493,998.88 0.00	497,649.56 500.09	497,475.00 910.00	(174.56)	0.00	468.75	625.00	2.87
3133EHPW7 FEDERAL FARM CREDIT BANK 1.42% 03JUL2019 (CALLABLE 08FEB19)	1.420	07/03/2019	500,000.00	499,471.00 0.00	499,884.87 22.58	497,970.00 755.00	(1,914.87)	3,550.00	591.66	552.22	2.90
3137EAEB1 FREDDIE MAC 0.875% 19JUL2019	0.875	07/19/2019	500,000.00	494,565.00 0.00	496,023.74 705.84	496,314.00 1,083.50	290.26	2,187.50	364.58	145.83	2.88
3130ABZX7 FEDERAL HOME LOAN BANK 1.41% 07AUG2019	1.410	08/07/2019	500,000.00	499,805.00 0.00	499,949.35 8.12	497,195.00 800.00	(2,754.35)	0.00	587.50	3,407.50	2.91
3137EAEH8 FREDDIE MAC 1.375% 15AUG2019	1.375	08/15/2019	1,295,000.00	1,284,083.15 0.00	1,286,203.36 1,353.32	1,287,372.45 2,776.48	1,169.09	0.00	1,483.85	8,210.66	7.47
3135G0P49 FANNIE MAE 1% 28AUG2019	1.000	08/28/2019	500,000.00	498,640.00 0.00	499,723.21 39.92	495,683.50 1,011.50	(4,039.71)	0.00	416.67	2,125.00	2.90
3133EG2D6 FEDERAL FARM CREDIT BANK 1.55% 27SEP2019	1.550	09/27/2019	500,000.00	501,520.00 0.00	500,371.38 (47.01)	496,935.00 905.00	(3,436.38)	0.00	645.83	2,669.44	2.92
3133EGYP4 FEDERAL FARM CREDIT BANK 1.05% 17OCT2019	1.050	10/17/2019	1,000,000.00	997,741.00 0.00	999,457.92 63.27	989,730.00 2,350.00	(9,727.92)	0.00	875.00	3,033.33	5.80

SECURITIES HELD

As of January 31, 2019

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Government Agencies											
3130ABTD8 FEDERAL HOME LOAN BANK 1.45% 18OCT2019 #0000	1.450	10/18/2019	500,000.00	499,760.00 0.00	499,923.46 8.90	496,170.00 985.00	(3,753.46)	0.00	604.17	2,074.31	2.91
3135G0R39 FANNIE MAE 1% 24OCT2019	1.000	10/24/2019	1,500,000.00	1,478,355.00 0.00	1,481,626.11 2,087.94	1,483,063.50 2,946.00	1,437.39	0.00	1,250.00	4,041.67	8.60
3130AA2H0 FEDERAL HOME LOAN BANK 1.125% 29NOV2019	1.125	11/29/2019	500,000.00	495,305.00 0.00	498,695.83 130.41	494,100.00 770.00	(4,595.83)	0.00	468.75	968.75	2.88
3133EHET6 FEDERAL FARM CREDIT BANK 1.58% 03MAR2020	1.580	03/03/2020	500,000.00	499,714.50 0.00	499,889.24 8.46	495,050.00 485.00	(4,839.24)	0.00	658.34	3,247.78	2.91
3134GBN40 FREDDIE MAC 1.625% 29JUN2020 CALLABLE #0001	1.625	06/29/2020	1,200,000.00	1,198,560.00 0.00	1,199,261.13 43.55	1,184,904.00 1,320.00	(14,357.13)	0.00	1,625.00	1,733.33	6.97
Total Government Agencies			11,245,000.00	11,181,869.88 0.00	11,204,474.28 6,327.49	11,157,379.75 19,377.08	(47,094.53)	5,737.50	12,086.96	37,765.19	65.02

Government Bonds

912828TC4 USA TREASURY 1% 30JUN2019	1.000	06/30/2019	500,000.00	496,113.28 0.00	499,254.47 154.08	497,109.38 830.08	(2,145.09)	0.00	428.18	428.18	2.88
9128282K5 USA TREASURY 1.375% 31JUL2019	1.375	07/31/2019	500,000.00	495,880.58 0.00	496,944.20 523.37	497,304.50 722.50	360.30	3,437.50	579.14	0.00	2.88
912828U73 USA TREASURY 1.375% 15DEC2019	1.375	12/15/2019	500,000.00	499,550.78 0.00	499,837.30 15.86	494,961.00 918.00	(4,876.30)	0.00	585.51	887.71	2.90

SECURITIES HELD

As of January 31, 2019

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Government Bonds											
912828V31 USA TREASURY 1.375% 15JAN2020	1.375	01/15/2020	500,000.00	499,082.03 0.00	499,658.45 30.34	494,453.00 761.50	(5,205.45)	3,437.50	584.10	303.87	2.90
Total Government Bonds			2,000,000.00	1,990,626.67 0.00	1,995,694.42 723.65	1,983,827.88 3,232.08	(11,866.54)	6,875.00	2,176.93	1,619.76	11.58
Grand total			17,257,544.84	17,197,416.39 0.00	17,215,904.76 6,241.92	17,152,380.97 25,389.46	(63,523.79)	12,612.50	18,940.89	52,447.04	100.00



Yield report

The following list of holdings is only valid as of January 31, 2019 and should not be relied upon as a complete listing of past investment decisions. Holdings are subject to change without notice, may not represent current or future decisions and should not be construed as investment recommendations.

SECURITIES HELD

As of January 31, 2019

Cusip	Description	Coupon	Maturity	Par value or shares	Historical cost	Trade date	Purchase yield	% Portfolio hist cost
Cash and Cash Equivalents								
	Cash and Cash Equivalents			1,712,544.84	1,712,544.84			9.96
Total Cash and Cash Equivalents				1,712,544.84	1,712,544.84			9.96
Corporate Bonds								
30231GAP7	EXXON MOBIL CORP	1.708	03/01/2019	300,000.00	298,965.00	08/13/2018	2.34	1.74
19416QEF3	COLGATE-PALMOLIVE CO	1.750	03/15/2019	500,000.00	504,345.00	11/14/2016	1.37	2.93
037833AQ3	APPLE INC	2.100	05/06/2019	500,000.00	504,675.00	05/09/2017	1.62	2.93
594918AC8	MICROSOFT CORP	4.200	06/01/2019	500,000.00	504,310.00	11/01/2018	2.67	2.93
94988J5G8	WELLS FARGO BANK NA	2.150	12/06/2019	500,000.00	500,080.00	01/18/2017	2.14	2.91
Total Corporate Bonds				2,300,000.00	2,312,375.00		2.00	13.45
Government Agencies								
3135G0J53	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.000	02/26/2019	400,000.00	398,472.00	11/20/2018	2.40	2.32
3130ABF92	FEDERAL HOME LOAN BANKS	1.375	05/28/2019	650,000.00	646,106.50	11/20/2018	2.54	3.76
3137EADG1	FEDERAL HOME LOAN MORTGAGE CORP	1.750	05/30/2019	200,000.00	199,032.85	08/13/2018	2.37	1.16
313379EE5	FEDERAL HOME LOAN BANKS	1.625	06/14/2019	500,000.00	496,740.00	03/01/2018	2.14	2.89
3130A8DB6	FEDERAL HOME LOAN BANKS	1.125	06/21/2019	500,000.00	493,998.88	06/22/2018	2.36	2.87
3133EHPW7	FEDERAL FARM CREDIT BANKS	1.420	07/03/2019	500,000.00	499,471.00	07/21/2017	1.47	2.90
3137EAEB1	FEDERAL HOME LOAN MORTGAGE CORP	0.875	07/19/2019	500,000.00	494,565.00	11/29/2018	2.61	2.88
3130ABZX7	FEDERAL HOME LOAN BANKS	1.410	08/07/2019	500,000.00	499,805.00	08/08/2017	1.43	2.91
3137EAEH8	FEDERAL HOME LOAN MORTGAGE CORP	1.375	08/15/2019	1,295,000.00	1,284,083.15	12/14/2018	2.66	7.47
3135G0P49	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.000	08/28/2019	500,000.00	498,640.00	10/27/2016	1.10	2.90
3133EG2D6	FEDERAL FARM CREDIT BANKS	1.550	09/27/2019	500,000.00	501,520.00	01/18/2017	1.44	2.92
3133EGYP4	FEDERAL FARM CREDIT BANKS	1.050	10/17/2019	1,000,000.00	997,741.00	10/27/2016	1.13	5.80
3130ABTD8	FEDERAL HOME LOAN BANKS	1.450	10/18/2019	500,000.00	499,760.00	07/20/2017	1.47	2.91
3135G0R39	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.000	10/24/2019	1,500,000.00	1,478,355.00	12/14/2018	2.73	8.60
3130AA2H0	FEDERAL HOME LOAN BANKS	1.125	11/29/2019	500,000.00	495,305.00	11/30/2016	1.45	2.88
3133EHET6	FEDERAL FARM CREDIT BANKS	1.580	03/03/2020	500,000.00	499,714.50	05/11/2017	1.60	2.91
3134GBN40	FEDERAL HOME LOAN MORTGAGE CORP	1.625	06/29/2020	1,200,000.00	1,198,560.00	09/28/2017	1.67	6.97
Total Government Agencies				11,245,000.00	11,181,869.88		1.98	65.02
Government Bonds								
912828TC4	UNITED STATES TREASURY NOTE/BOND	1.000	06/30/2019	500,000.00	496,113.28	05/09/2017	1.37	2.88

SECURITIES HELD

As of January 31, 2019

Cusip	Description	Coupon	Maturity	Par value or shares	Historical cost	Trade date	Purchase yield	% Portfolio hist cost
9128282K5	UNITED STATES TREASURY NOTE/BOND	1.375	07/31/2019	500,000.00	495,880.58	11/29/2018	2.62	2.88
912828U73	UNITED STATES TREASURY NOTE/BOND	1.375	12/15/2019	500,000.00	499,550.78	07/20/2017	1.41	2.90
912828V31	UNITED STATES TREASURY NOTE/BOND	1.375	01/15/2020	500,000.00	499,082.03	06/21/2017	1.45	2.90
Total Government Bonds				2,000,000.00	1,990,626.67		1.71	11.58
Grand Total				17,257,544.84	17,197,416.39		1.75	100.00



GASB 40

The following list of holdings is only valid as of January 31, 2019 and should not be relied upon as a complete listing of past investment decisions. Holdings are subject to change without notice, may not represent current or future decisions and should not be construed as investment recommendations.

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of January 31, 2019

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Federal Home Loan Mortgage Corp												
3137EADG1	FREDDIE MAC 1.75%	1.750	05/30/2019		AA+	Aaa	200,000.00	199,032.85	1.16	199,539.40	1.16	0.32
3137EAEB1	FREDDIE MAC 0.875%	0.875	07/19/2019		AA+	Aaa	500,000.00	494,565.00	2.88	496,314.00	2.89	0.46
3137EAEH8	FREDDIE MAC 1.375%	1.375	08/15/2019		AA+	Aaa	1,295,000.00	1,284,083.15	7.47	1,287,372.45	7.51	0.53
3134GBN40	FREDDIE MAC 1.625%	1.625	06/29/2020		AA+	Aaa	1,200,000.00	1,198,560.00	6.97	1,184,904.00	6.91	1.38
Issuer total							3,195,000.00	3,176,241.00	18.47	3,168,129.85	18.47	0.83
Federal Home Loan Banks												
3130ABF92	FEDERAL HOME LOAN	1.375	05/28/2019		AA+	Aaa	650,000.00	646,106.50	3.76	647,783.50	3.78	0.32
313379EE5	FEDERAL HOME LOAN	1.625	06/14/2019		AA+	Aaa	500,000.00	496,740.00	2.89	498,512.00	2.91	0.36
3130A8DB6	FEDERAL HOME LOAN	1.125	06/21/2019		AA+	Aaa	500,000.00	493,998.88	2.87	497,475.00	2.90	0.38
3130ABZX7	FEDERAL HOME LOAN	1.410	08/07/2019		AA+	Aaa	500,000.00	499,805.00	2.91	497,195.00	2.90	0.50
3130ABTD8	FEDERAL HOME LOAN	1.450	10/18/2019		AA+	Aaa	500,000.00	499,760.00	2.91	496,170.00	2.89	0.70
3130AA2H0	FEDERAL HOME LOAN	1.125	11/29/2019		AA+	Aaa	500,000.00	495,305.00	2.88	494,100.00	2.88	0.81
Issuer total							3,150,000.00	3,131,715.38	18.21	3,131,235.50	18.26	0.50
Federal Farm Credit Banks												
3133EHPW7	FEDERAL FARM CREDIT	1.420	07/03/2019		AA+	Aaa	500,000.00	499,471.00	2.90	497,970.00	2.90	0.41
3133EG2D6	FEDERAL FARM CREDIT	1.550	09/27/2019		AA+	Aaa	500,000.00	501,520.00	2.92	496,935.00	2.90	0.64
3133EGYP4	FEDERAL FARM CREDIT	1.050	10/17/2019		AA+	Aaa	1,000,000.00	997,741.00	5.80	989,730.00	5.77	0.70
3133EHET6	FEDERAL FARM CREDIT	1.580	03/03/2020		AA+	Aaa	500,000.00	499,714.50	2.91	495,050.00	2.89	1.06
Issuer total							2,500,000.00	2,498,446.50	14.53	2,479,685.00	14.46	0.70
Federal National Mortgage Association												
3135G0J53	FANNIE MAE 1%	1.000	02/26/2019		AA+	Aaa	400,000.00	398,472.00	2.32	399,582.40	2.33	0.07
3135G0P49	FANNIE MAE 1%	1.000	08/28/2019		AA+	Aaa	500,000.00	498,640.00	2.90	495,683.50	2.89	0.56

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of January 31, 2019

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Federal National Mortgage Association												
3135G0R39	FANNIE MAE 1%	1.000	10/24/2019		AA+	Aaa	1,500,000.00	1,478,355.00	8.60	1,483,063.50	8.65	0.72
Issuer total							2,400,000.00	2,375,467.00	13.81	2,378,329.40	13.87	0.58
United States Treasury Note/Bond												
912828TC4	USA TREASURY 1%	1.000	06/30/2019		AA+	Aaa	500,000.00	496,113.28	2.88	497,109.38	2.90	0.41
9128282K5	USA TREASURY 1.375%	1.375	07/31/2019		AA+	Aaa	500,000.00	495,880.58	2.88	497,304.50	2.90	0.49
912828U73	USA TREASURY 1.375%	1.375	12/15/2019		AA+	Aaa	500,000.00	499,550.78	2.90	494,961.00	2.89	0.86
912828V31	USA TREASURY 1.375%	1.375	01/15/2020		AA+	Aaa	500,000.00	499,082.03	2.90	494,453.00	2.88	0.94
Issuer total							2,000,000.00	1,990,626.67	11.58	1,983,827.88	11.57	0.68
Cash and Cash Equivalents												
	INVESTED CASH	0.000					1,712,544.84	1,712,544.84	9.96	1,712,544.84	9.98	0.00
Issuer total							1,712,544.84	1,712,544.84	9.96	1,712,544.84	9.98	0.00
Microsoft Corp												
594918AC8	MICROSOFT CORP 4.2%	4.200	06/01/2019		AAA	Aaa	500,000.00	504,310.00	2.93	502,664.50	2.93	0.33
Issuer total							500,000.00	504,310.00	2.93	502,664.50	2.93	0.33
Colgate-Palmolive Co												
19416QEF3	COLGATE-PALMOLIVE CO	1.750	03/15/2019		AA-	Aa3	500,000.00	504,345.00	2.93	499,583.00	2.91	0.12
Issuer total							500,000.00	504,345.00	2.93	499,583.00	2.91	0.12
Apple Inc												
037833AQ3	APPLE INC 2.1%	2.100	05/06/2019		AA+	Aa1	500,000.00	504,675.00	2.93	499,355.00	2.91	0.26
Issuer total							500,000.00	504,675.00	2.93	499,355.00	2.91	0.26

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of January 31, 2019

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Wells Fargo Bank NA												
94988J5G8	WELLS FARGO BANK NA	2.150	12/06/2019		A+	Aa2	500,000.00	500,080.00	2.91	497,165.50	2.90	0.83
Issuer total							500,000.00	500,080.00	2.91	497,165.50	2.90	0.83
Exxon Mobil Corp												
30231GAP7	EXXON MOBIL	1.708	03/01/2019		AA+	Aaa	300,000.00	298,965.00	1.74	299,860.50	1.75	0.08
Issuer total							300,000.00	298,965.00	1.74	299,860.50	1.75	0.08
Grand total							17,257,544.84	17,197,416.39	100.00	17,152,380.97	100.00	0.55

Important disclosures

Index descriptions

Information about the index shown here is provided to allow for comparison of the performance of the strategy to that of a certain well-known and widely recognized index. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the index represented does not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the index may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the index shown.

Index	Description
BofA Merrill Lynch 1-3 US Year Treasury Index	The BofA Merrill Lynch 1-3 US Year Treasury Index is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years.

Other disclosures

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All performance numbers used in the analysis are gross returns. The performance reflects the reinvestment of all dividends and income. INA charges management fees on all portfolios that they manage and these fees will reduce the returns on the portfolios. For example, assume that \$30 million is invested in an account with INA, and this account achieves a 5.0% annual return compounded monthly, gross of fees, for a period of five years. At the end of five years that account would have grown to \$38,500,760 before the deduction of management fees. Assuming management fees of 0.25% per year are deducted monthly from the account, the value at the end of the five year period would be \$38,022,447. Actual fees for new accounts are dependent on size and subject to negotiation. INA's investment advisory fees are discussed in Part 2A of its Form ADV. A full description of INA's advisory fees are described in Part 2A of Form ADV available from INA at www.adviserinfo.sec.gov.

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Average cumulative credit loss rates by letter rating, 1983-2018*

	Year 1	Year 2	Year 3	Year 4	Year 5
Aaa	0.00%	0.01%	0.01%	0.01%	0.02%
Aa	0.01%	0.04%	0.07%	0.11%	0.17%
A	0.04%	0.10%	0.19%	0.30%	0.43%
Baa	0.10%	0.25%	0.42%	0.63%	0.85%
Ba	0.48%	1.40%	2.53%	3.72%	4.75%
B	2.06%	4.97%	7.87%	10.45%	12.72%
Caa_C	5.95%	10.57%	14.51%	17.74%	20.46%
IG	0.05%	0.14%	0.24%	0.37%	0.51%
SG	2.52%	5.14%	7.61%	9.76%	11.57%
All Ratings	1.00%	1.99%	2.90%	3.66%	4.28%

*Based on average default rates and senior unsecured bond recoveries measured on issuer-weighted basis.

Source: Moody's Investors Service