
Clearwater Advisors, LLCCore Fixed: BB Aggregate Benchmark

For the month of:

March**2025**

Manager Performance Calculations

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Clearwater Agg	-0.07%	2.66%	4.99%	0.73%	0.05%
BB Aggregate	0.04%	2.78%	4.88%	0.52%	-0.40%

Performance Attribution & Strategy Comments

During the month of March, financial markets continued to price in potential negative consequences of the promised tariffs and continued DOGE related job cuts. In a repeat of February, equity markets declined, interest rates fell, and credit spreads widened. Economic reports continued to show moderate growth, however, policy and administration uncertainty overshadowed the hard data.

The Fed held interest rates steady during March and reiterated that there is no need to cut until inflation comes back down to target.

At the time of this writing, the events of last month have become nearly irrelevant due to the massive tariffs announced by President Trump on April 2nd. The effects of those tariffs, or the attempts to negotiate out of them, will be the biggest driver of financial markets for at least the next month.

The Clearwater portfolio underperformed the benchmark by 11 basis points in March. The biggest driver of this was our overweight to corporate credit and our overweight to MBS. Credit spreads widened by 10 bps in March and Mortgage spreads widened by 12 bps. Our duration was right on target and our treasury allocation was increased, which helped a little.

Manager Style Summary

Clearwater manages a core Aggregate portfolio which is not expected to deviate significantly from the benchmark, although issuer concentration is expected to be much larger. They seek to add value through sector allocation and security selection rather than duration bets. Prior to January 2014, Clearwater managed a TBA mortgage portfolio. The historical returns through December 2013 reflects the performance of the TBA portfolio while performance beginning January 2014 reflects the Aggregate portfolio.

Clearwater Advisors, LLC

Core Fixed: BB Aggregate Benchmark

Portfolio Guideline Compliance

Portfolio Guideline:	Clearwater	BB Agg	Min	Max	Compliance
A1. The account shall consist of dollar denominated fixed income securities					ok
B2. Duration:	6.2	6.0	5.5	6.5	ok
B3. Sector Diversification:					
Treasuries	31%	45%	30%	60%	ok
Agencies	2%	1%	-14%	16%	ok
Supra/Sovereign	1%	3%	-7%	13%	ok
Corporates	37%	24%	4%	44%	ok
Industrial	16%	14%	-1%	29%	ok
Financial	19%	8%	-7%	23%	ok
Utility	2%	2%	-8%	12%	ok
MBS	26%	25%	10%	40%	ok
ABS	1%	0%	-5%	5%	ok
CMBS	2%	2%	-4%	7%	ok
B4. Issuer Concentration: <=5% all corporate issuers				5%	ok
B5. Number of positions	187		100	200	ok
B6. Non-Investment Grade alloc	0%			10%	ok
B7. Out of index sector alloc	0%			10%	ok
B7. TIPS allocation	0%			20%	ok
E2. Annual Turnover (ex TBA rolls)	22%		25%	65%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines				<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Manager Explanations for Deviations from Portfolio Guidelines

E2. Annual Turnover (ex TBA): Trading activity remains below average. Our view is that market risks are increasing and more clarity is needed before we are comfortable adding to any

Total Firm Assets Under Management (\$m) as of:

Qtr 4

\$

4,803

Organizational/Personnel Changes

none

Account Turnover

Gained: Number of Accounts: 1

Total Mkt Value (\$m): \$ 145.0

Lost: Number of Accounts: 0

Total Mkt Value (\$m):

Reason(s) for loss:

Clearwater Advisors - PERSI STIF

Cash: Merrill Lynch 0-3 Month Treasury Bill Benchmark

For the month of: **March** **2025**

Manager Performance Calculations

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Clearwater - PERSI STIF	0.36%	1.08%	5.09%	4.30%	2.70%
ML 0-3 Month T-bill	0.34%	1.04%	5.02%	4.31%	2.60%

Performance Attribution & Strategy Comments

In March, recession concerns started rising amid ongoing DOGE headlines, increased trade tensions, and inflation dynamics. The Fed expectedly held rates, but revised growth and inflation forecasts lower and higher, respectively. It currently sees no change in its prior two expected rate cuts. Currently, the market is pricing in more cuts this year than signaled by the Fed.

Hard economic data has held up better than soft recently. Consumer price inflation looks stickier and some measures of inflation expectations are rising, but the rising prices paid component of manufacturing/services indices garnered some future inflation concerns. With respect to labor, initial unemployment claims remained subdued and 151,000 jobs were added in February (roughly the replacement level). However, the employment components of the previously-mentioned indices declined and layoff announcement rose. Furthermore, consumer and business sentiment are declining on inflation and labor market outlook.

The U.S. Treasury curve twisted steeper in March with the 2-year yield falling 10 basis points and the 30-year yield rising 8 basis points. Yields on the very front end and SOFR were relatively unchanged. Investment grade corporate bond spreads widened 9 basis points with volatility rising in the first half of the month.

Portfolio Guideline Compliance

Portfolio Guideline:	Clearwater	Min	Max	Compliance
B2a. Sector Allocations:	100%			
Treasuries	19%	0%	100%	ok
Agencies	8%	0%	100%	ok
Corporates	10%	0%	100%	ok
Mortgage Backed Securities (MBSs)	0%	0%	60%	ok
Asset Backed Securities (ABSs)	10%	0%	40%	ok
Cash	5%	0%	100%	ok
Commercial Paper	47%	0%	100%	ok
B2b. Quality: Securities must be rated investment grade by S&P or Moody's at time of purchase				ok
B2c. Effective Duration <=18 months	2		18	ok
B2d. Number of securities	45	10	50	ok
B3a. Allocation of corporate securities to one issuer	6%		5%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines				<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Manager Explanations for Deviations from Portfolio Guidelines

B3a. Corporate Issuer: Compliant at purchase that exceeded the limit due to larger than expected outflow

Manager Style Summary

The enhanced cash portfolio was created with the expectation that the portfolio will generate returns similar to, or in slight excess of, the Mellon Short-Term Investment Fund (STIF), while providing PERSI with an increased level of transparency into the cash portfolio.

This page intentionally left blank