Clearwater Advisors, LLC

Core Fixed: BB Aggregate Benchmark

For the month of: **January** **2025**

Manager Performance Calculations

** Annualized returns*

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Clearwater Agg	0.51%	-0.11%	2.45%	-1.31%	-0.34%
BB Aggregate	0.53%	-0.07%	2.07%	-1.52%	-0.60%

Performance Attribution & Strategy Comments

January was certainly an eventful month, but you might not notice if you just look at the end result in the markets. Even though there was a presidential inauguration, a Fed meeting, a slew of executive orders and new tariffs on significant trading partners, the financial markets remained fairly calm. In fact, long-term interest rates ended just 2 basis points lower than where they started. Credit spreads fell by 3 basis points to end at 117. Stocks climbed by about 2% and volatility fell by about 1 point.

2025 is off to a good start and that probably shouldn't be too much of a surprise. The majority of the underlying fundamental economic measures are still coming in positively. The economy is growing at a reasonable but not remarkable pace. Unemployment is low and moving slightly lower. Wages are growing slightly faster than inflation and consumers are still consuming at a steady rate. The only concerning thing to note is that with a strong economy like this, inflation usually starts to pick up. If that happens this time, it could put the Fed in a very difficult position of having to consider going back into hiking mode.

The Clearwater portfolio underperformed the benchmark by 2 basis points in January. Our duration was right on target and our sector exposures were even closer to benchmark than normal. As mentioned above, interest rates ended where they started and spreads only tightened slightly so there was very little opportunity for performance to deviate from the benchmark. Our Muni exposure was the top performer, and MBS was at the bottom, but all sectors were relatively similar in terms of return for the month.

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.

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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	5.9	5.4	6.4	ok
B3. Sector Diversification:					
Treasuries	30%	45%	30%	60%	ok
Agencies	3%	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%	-3%	7%	ok
B4. Issuer Concentration: <=5% all corporate issuers				5%	ok
B5. Number of positions	189		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)	21%		25%	65%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines				☑ Yes	☐ No

Manager Explanations for Deviations from Portfolio Guidelines

E2. Annual Turnover (ex TBA): Trading activity remains below average. Our view is that credit spreads are historically tight and relative value trades are sparse for the time being.

Total Firm Assets Under Management ($m) as of: Qtr 4 $ 4,523

Organizational/Personnel Changes

none

Account Turnover

Gained:	Number of Accounts:	1	Total Mkt Value ($m):	$	1.0
Lost:	Number of Accounts:	0	Total Mkt Value ($m):	$	-

Reason(s) for loss: N/A

Clearwater Advisors - PERSI STIF

Cash: Merrill Lynch 0-3 Month Treasury Bill Benchmark

For the month of: **January** **2025**

Manager Performance Calculations

** Annualized returns*

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Clearwater - PERSI STIF	0.38%	1.16%	5.14%	4.06%	2.60%
ML 0-3 Month T-bill	0.37%	1.16%	5.24%	4.09%	2.52%

Performance Attribution & Strategy Comments

Higher yields earlier in the month on stronger economic data ultimately reversed and gave way to the lack of "day one" material universal tariffs, less hawkish Powell comments, and inflation satisfaction later in the month. Economic data trended stronger to begin January -- improved manufacturing and services activity, more job openings, an upside surprise to monthly job adds, and lower unemployment rate. However, markets were relieved in the middle of the month with slightly lower core inflation despite higher headline inflation. The Fed also ended the month sending a mixed signal at its January meeting where Chairman Powell's less hawkish sounding comments ultimately overpowered hawkish changes to the official statement. Meanwhile, Trump didn't impose "day one" material universal tariffs, which added to market relief.

U.S. Treasury yields moved little on net in January with the 2- and 10-year yield falling 3 and 5 basis points, respectively. Similarly, yields on the very front end were little changed with the 3-month falling 3 basis points and the 6-month rising 3 basis points. Removing some year end volatility, SOFR ended January relatively steady at 4.33%. US investment grade corporate bond spreads narrowed modestly over the month.

Portfolio Guideline Compliance

Portfolio Guideline:	Clearwater	Min	Max	Compliance
B2a. Sector Allocations:	100%			
Treasuries	16%	0%	100%	ok
Agencies	10%	0%	100%	ok
Corporates	8%	0%	100%	ok
Mortgage Backed Securities (MBSs)	0%	0%	60%	ok
Asset Backed Securities (ABSs)	8%	0%	40%	ok
Cash	3%	0%	100%	ok
Commercial Paper	55%	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	43	10	50	ok
B3a. Allocation of corporate securities to one issu	4%		5%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines			☑ Yes	☐ No

Manager Explanations for Deviations from Portfolio Guidelines

There were no deviations.

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.