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**D.B. Fitzpatrick & Co., Inc. - MBS Portfolio**Domestic Fixed: Bloomberg Barclays Mortgage Benchmark

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For the month of:

April

2023

**Manager Performance Calculations**

\* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
DBF MBS	0.54%	-0.31%	-1.45%	-3.54%	0.28%
BC Mortgage	0.52%	-0.23%	-0.88%	-3.35%	0.41%

**Portfolio Attributes**

<u>Characteristics</u>	<u>DBF</u>	<u>BC Mtg</u>
Market Value (\$ m)	\$138.09	N/A
Weighted Average <i>Effective</i> Duration (in years)	5.9	5.9
Weighted Average Yield (in %)	4.5%	4.5%
Weighted Average Coupon (in %)	3.0%	2.8%

**Performance Attribution & Strategy Comments**

The bond market stabilized in April, with the U.S. Treasury yield curve little changed at month-end. The movement that did occur during the month was toward further inversion, with the 10-year Treasury yield down 5 basis points to 3.42%.

Inflation has remained sticky, forcing U.S. Federal Reserve (Fed) policymakers to press forward with monetary policy tightening even in the face of serious strain in the U.S. banking sector. Inflation remains the most important issue for the markets today, with continued high readings increasing the pressure on Fed leadership to maintain tight monetary policy for a longer period. We believe that the Fed will err on the side of getting inflation under control as policy is calibrated during the coming months, even as this increases the risk of a sharper slowdown later this year. This outlook argues for continued yield curve inversion (at least for several more months) and increasing strain in the U.S. banking sector.

Agency mortgage-backed security (MBS) option-adjusted spreads rose slightly in April and remain elevated from the levels of earlier this year. The asset class is very attractive today, as spreads are historically high even though the vast majority of the MBS market has no prepayment incentive. The issues weighing on investor demand for MBS today – lessened demand from banks, for example – will eventually subside.

The PERSI MBS portfolio outperformed its benchmark by 2 basis points in April. The portfolio's attributes are close to the benchmark, with a slight overweight to higher coupon MBS. Recent purchases have skewed toward securities with prepayment protection (which has generally been cheap). This should aid the portfolio should interest rates fall from today's levels.

**Manager Style Summary**

*DBF's MBS (Mortgage Backed Security) portfolio is a "core" holding which attempts to generally track the returns of the Barclays Capital Mortgage Index. Excess returns are added through security selection and interest rate bets, although such bets are expected to be limited and relatively low-risk. DBF also manages the Idaho Mortgage Program in conjunction with this portfolio -- the MBS portfolio serves as a "cash reserve" of sorts, to fund mortgages managed through the Idaho Mortgage Program. Consequently, we expect this portfolio to hold traditional MBS instruments and to maintain a reasonably healthy status, with no significant bets which could go significantly awry.*

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**Portfolio Guideline Compliance**

Portfolio Guideline:	DBF	Min	Max	Compliance	
B2. Minimum portfolio size	\$138	\$50		ok	
B2a. Security Type:					
MORTGAGE RELATED	100%	80%	100%	ok	
Generic MBSs	100%	75%	100%	ok	
GNMAs	12%				
FNMA's	60%				
FHLMCs	28%				
CMOs	0%	0%	25%	ok	
NON-MORTGAGE RELATED	0%	0%	20%	ok	
Treasuries	0%	0%	20%	ok	
Agencies	0%	0%	20%	ok	
Cash	0%	0%	10%	ok	
Attributes:	BB Mtg				
Duration	5.9	5.9	3.9	7.9	ok
Coupon	2.8%	3.0%	1.8%	3.8%	ok
Quality	AAA	AAA	AAA		ok
B3. Individual security excl Treasuries as a % of portfolio		0%	5%	ok	
B4. Number of securities	78	25	50	check	
E2. Annual Turnover	22%	0%	25%	ok	
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**

B4. Number of Securities: Number of securities is greater than 50 due to significant cash flows (from commercial mortgage fundings and payoffs) occurring during last year.

**Total Firm Assets Under Management (\$m) as of:** Qtr 1 \$ 1,277

**Organizational/Personnel Changes**

There were no organizational or personnel changes in April.

**Account Turnover**

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	N/A			