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

For the month of: **August** **2021****Manager Performance Calculations**

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
DBF MBS	-0.26%	0.54%	0.00%	3.76%	2.17%
BC Mortgage	-0.16%	0.42%	-0.18%	3.77%	2.30%

Portfolio Attributes

<u>Characteristics</u>	<u>DBF</u>	<u>BC Mtg</u>
Market Value (\$ m)	\$100.63	N/A
Weighted Average <i>Effective</i> Duration (in years)	4.3	4.2
Weighted Average Yield (in %)	1.6%	1.7%
Weighted Average Coupon (in %)	2.8%	2.7%

Performance Attribution & Strategy Comments

Fixed income investors continue to eye policymakers' statements for clues to the timing of the "taper" of the Federal Reserve's monthly purchase of agency MBS and U.S. Treasuries. The consensus opinion today is for tapering to begin late this year – November or December – though economic data recently released have been somewhat weak, prompting some to push their taper forecasts into early 2022. Whatever the exact timing, mortgage-backed security prices have begun to price in the approaching policy change – agency MBS spreads have widened 26 points during the during the past four months.

Long-end Treasury yields moved slightly higher and the yield curve steepened in August, with the yield of a 10-year Treasury bond increasing 9 basis points to end the month at 1.31%. The PERSI MBS portfolio underperformed the Bloomberg Barclays U.S. MBS Index by 10 basis points in August, returning -0.26%. Despite elevated cash flows from the Commercial Mortgage Program, the MBS portfolio has outperformed its benchmark by 18 basis points during the past year. Our positioning remains close to that of the Bloomberg Barclays MBS Index, though we have a slight overweight to MBS with heightened protection from refinance risk, an up in coupon tilt, and an underweight to Ginnie Mae securities.

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	\$101	\$50		ok	
B2a. Security Type:					
MORTGAGE RELATED	97%	80%	100%	ok	
Generic MBSs	97%	75%	100%	ok	
GNMAs	15%				
FNMAs	63%				
FHLMCs	19%				
CMOs	0%	0%	25%	ok	
NON-MORTGAGE RELATED	1%	0%	20%	ok	
Treasuries	1%	0%	20%	ok	
Agencies	0%	0%	20%	ok	
Cash	2%	0%	10%	ok	
Attributes:	BB Mtg				
Duration	4.2	4.3	2.2	6.2	ok
Coupon	2.7%	2.8%	1.7%	3.7%	ok
Quality	AAA	AAA	AAA		ok
B3. Individual security excl Treasuries as a % of portfolio		0%	5%	ok	
B4. Number of securities	70	25	50	check	
E2. Annual Turnover	73%	0%	25%	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

- B4. Number of Securities: The number of securities is greater than 50 due to significant cash flows occurring in recent months.
- E2. Annual Turnover: Deviation due to the large number of commercial mortgages funded over the last year.

Total Firm Assets Under Management (\$m) as of: Qtr 2 \$ 1,410

Organizational/Personnel Changes

There were no organizational or personnel changes at DBF in August.

Account Turnover

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