

**D.B. Fitzpatrick & Co., Inc. - MBS Portfolio**

Domestic Fixed: BB Mortgage Benchmark

For the month of:

**June****2025****Manager Performance Calculations**

\* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
DBF MBS	1.83%	1.26%	6.41%	2.33%	-0.58%
BB Mortgage	1.78%	1.14%	6.52%	2.32%	-0.60%

**Portfolio Attributes****Characteristics**

Market Value (\$ m)

**DBF**

\$170.99

**BB Mtg**

N/A

Weighted Average *Effective* Duration (in years)

5.7

6.0

Weighted Average Yield (in %)

5.0%

4.9%

Weighted Average Coupon (in %)

3.5%

3.4%

**Performance Attribution & Strategy Comments**

Three principal issues impacted the bond market during the second quarter. First, U.S. President Donald Trump's aggressive push to implement tariffs and rework trading relationships, begun in early April, impacted the outlook for inflation and led to some questions regarding the continuation of the United States' "safe haven" status in the global financial markets. Compounding this were growing concerns over the U.S. national debt and the trajectory of the government budget deficit, which have prompted many bond investors to question the wisdom of holding large positions of long-term fixed income securities. Finally, an already modestly slowing economy faced further headwinds as consumers began to pull back on spending and corporations slowed hiring and delayed new capital outlays in the face of heightened barriers to trade.

As these issues concentrated investor attention during the first quarter, the U.S. Treasury yield curve steepened. The short end of the curve was down as the market forecast a weaker economy in the near term, while the very long end of the curve rose. The two-year Treasury yield fell 16 basis points during the quarter to 3.72%, while the 30-year Treasury yield rose 20 basis points to 4.78%. The 10-year Treasury yield was up slightly to 4.23%.

Increased protectionism in the U.S. will be inflationary, while slowing economic growth puts downward pressure on near-term inflation. These factors roughly cancelled each other out in the second quarter, with the 10-year U.S. inflation breakeven rate (what investors are expecting inflation to be in the coming 10 years) down slightly to 2.28%. This figure is above the U.S. Federal Reserve's (Fed) long-term 2.0% target, however, prompting Fed policymakers to maintain relatively tight monetary policy. The fed funds rate, the Fed's main monetary policy instrument, was 4.5% at quarter-end, with the bond market forecasting two 25 basis point cuts to this rate by year-end. As this forecast demonstrates, the bond market believes that a weaker economy will soon overcome Fed policymakers' fears of tariff-induced inflation.

**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	\$171	\$50		ok	
B2a. Security Type:						
MORTGAGE RELATED		95%	80%	100%	ok	
Generic MBSs		95%	75%	100%	ok	
GNMAs		7.1%				
FNMA's		54.8%				
FHLMCs		33.0%				
CMOs		0.0%	0%	25%	ok	
NON-MORTGAGE RELATED		0.0%	0%	20%	ok	
Treasuries		0.0%	0%	20%	ok	
Agencies		0.0%	0%	20%	ok	
Cash		5.1%	0%	10%	ok	
Attributes:		BB Mtg				
Duration		6.0	5.7	4.0	8.0	ok
Coupon		3.4%	3.5%	2.4%	4.4%	ok
Quality		AAA+	AAA+	AAA		ok
B3.	Individual security excl Treasuries as a % of portfolio		0%	5%	ok	
B4.	Number of securities		77	25	50	check
E2.	Annual Turnover		7%	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 cash flow activity from the commercial mortgage portfolio.

Total Firm Assets Under Management (\$m) as of: Qtr 2 \$ 1,413

**Organizational/Personnel Changes**

There were no organizational or personnel changes in June.

**Account Turnover**

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