

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

Domestic Fixed: BB Mortgage 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*
DBF MBS	0.53%	-0.01%	2.15%	-1.53%	-0.83%
BB Mortgage	0.51%	0.17%	2.19%	-1.47%	-0.77%

### Portfolio Attributes

<u>Characteristics</u>	<u>DBF</u>	<u>BB Mtg</u>
Market Value (\$ m)	\$161.34	N/A
Weighted Average <i>Effective</i> Duration (in years)	6.0	6.0
Weighted Average Yield (in %)	5.3%	5.2%
Weighted Average Coupon (in %)	3.6%	3.5%

### Performance Attribution & Strategy Comments

The U.S. Treasury yield curve was down slightly in January, as investors evaluated the rhetoric and newly enacted policies of the incoming U.S. administration. President Trump had indicated that new tariffs would be instituted against major trading partners in the first days of his presidency, but it now appears that tariffs will be delayed for at least several weeks and that they are being utilized as part of a longer-term negotiation with several countries. Bond investors were encouraged by this development and the yield curve fell in the last days of January, with the 10-year Treasury yield ending the month at 4.54%. The risk of a lasting impact of tariffs on supply chains remains an important issue in the market today, however, and U.S. inflation breakeven rates (what investors are forecasting inflation to be in the future) remain above the Federal Reserve's 2.0% target. The 2-year U.S. inflation breakeven rate was 2.94% at the end of January.

U.S. agency mortgage-backed securities (MBS) performed well in January, as their option-adjusted spread (OAS) vis-à-vis Treasury yields fell during the month. We continue to see good value in the agency MBS market, as prepayment risk is very low for all but the highest coupon securities in the current interest rate environment. Additionally, agency MBS compare well against corporate bonds, whose spreads over Treasury yields are new 5-year lows.

PERSI's MBS portfolio returned 0.53% in January, outperforming its benchmark by two basis points. The portfolio's performance is close to its benchmark's return over longer periods, despite the drag created by significant cash requirements of the related Idaho Commercial Mortgage portfolio. The MBS portfolio ended January with a yield-to-maturity of 5.3% and effective duration of 6.0 years.

### 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	\$161	\$50		ok	
B2a. Security Type:					
MORTGAGE RELATED	100%	80%	100%	ok	
Generic MBSs	100%	75%	100%	ok	
GNMAs	7.7%				
FNMAs	58.2%				
FHLMCs	34.1%				
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	0.4%	0%	10%	ok	
Attributes:	BB Mtg				
Duration	6.0	6.0	4.0	8.0	ok
Coupon	3.5%	3.6%	2.5%	4.5%	ok
Quality	AAA+	AAA+	AAA		ok
B3. Individual security excl Treasuries as a % of portfolio		0%	5%	ok	
B4. Number of securities	80	25	50	check	
E2. Annual Turnover	10%	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 4 \$ 1,350

### Organizational/Personnel Changes

There were no organizational or personnel changes in January.

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### Account Turnover

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