

Income Research & Management (IR+M)

Core Fixed: BB Gov/Credit Bond Index

	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*
IR+M	-0.20%	2.19%	0.72%	6.91%	N/A
BB Gov/Credit	-0.20%	2.14%	-0.11%	6.08%	N/A

Performance Attribution & Strategy Comments

The PERSI portfolio performed the same as the Bloomberg Barclays G/C index, returning (0.20)% in August. The summer doldrums took hold of August as the month progressed, despite varied economic data and continued delta variant concerns, with investors becoming increasingly focused on the Federal Reserve (Fed) Chair Powell's Jackson Hole speech at the end of the month. July CPI increased 5.4% year-over-year; although elevated, the monthly increase of 0.5% moderated from June, as many categories related to reopening showed signs of easing. The US labor market strengthened in July, with employers adding 943,000 jobs, the best pace in nearly a year; the unemployment rate fell from 5.9% to 5.4%. At the Fed's Jackson Hole meeting, Fed Chair Powell reiterated that the Fed will be as patient as possible given the "transitory" inflation pressures, noting that there is still "much ground to cover to reach maximum employment". Treasury yields increased across the curve, most notably in the belly of the curve, as investors favored higher-yielding spread product; the 10-year Treasury yield rose 9bps, from 1.22% to 1.31%. August supply was front-loaded over the first two weeks, while the final two weeks accounted for less than 15% of the month's total; investment-grade corporate issuers priced \$85 billion in August, down 35% year-over-year. Corporate spreads were range-bound during the month, ending 1bp wider at 87bps from 86bps. August marked the second busiest August on record with high-yield borrowers issuing more than \$34 billion during the month. Despite robust supply, high-yield spreads tightened 6bps, from 294bps to 288bps, as oil rebounded off monthly lows and risk appetite returned. Securitized sectors performed relatively well, outperforming investment-grade corporates; agency mortgage-backed securities (MBS), however, underperformed Treasuries in August on concerns of a sooner-than-expected Fed taper.

Total Firm Assets Under Management (\$m) as of:	Qtr 3	\$	88,335
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Organizational/Personnel Changes

N/A

Manager Style Summary

IR+M's investment philosophy is based on the belief that careful security selection and active portfolio risk management provide superior returns over the long term. Utilizing a disciplined, bottom-up investment approach, IR+M adds value through security selection by seeking attractive, overlooked, and inefficiently priced issues.

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Portfolio Guideline Compliance

Portfolio Guideline:	IR+M	BB G/C	Min	Max	Compliance
B2. Effective Duration:	7.6	7.7	7.2	8.2	ok
B3. Sector Diversification:					
Government	28%	56%	26%	86%	ok
Treasuries	26%	54%	24%	84%	ok
Agencies	0%	2%	-3%	7%	ok
Govt Guaranteed	2%	0%	-10%	10%	ok
Credit	43%	43%	23%	63%	ok
Financial	12%	12%	-3%	27%	ok
Industrial	25%	23%	8%	38%	ok
Utility	4%	3%	-7%	13%	ok
Non-Corporate	1%	5%	-5%	15%	ok
Securitized					
RMBS	2%	0%	-10%	10%	ok
ABS	9%	0%	-10%	10%	ok
CMBS	9%	0%	-10%	10%	ok
Agency CMBS	5%	0%	-5%	5%	ok
Municipals	3%	1%	-9%	11%	ok
B4. Issuer Concentration: <=5% all corporate issuers				5%	ok
B5. Number of positions	225		100	175	check
B6. Non-Investment Grade alloc	1%			5%	ok
E2. Annual Turnover	32%		25%	75%	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

B5. Number of Positions: Due to volatility, we positioned the portfolio to take advantage of attractive opportunities.

Account Turnover

Gained: Number of Accounts: 0 Total Mkt Value (\$m): \$ -
 Lost: Number of Accounts: 0 Total Mkt Value (\$m): \$ -
 Reason(s) for loss: IRM did not gain or lose any accounts in the G/C Strategy during the month.