

Income Research & Management (IR+M)

Core Fixed: BB Gov/Credit Bond Index

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*
IR+M	0.73%	0.76%	0.06%	-2.30%	2.06%
BB Gov/Credit	0.63%	0.79%	-0.26%	-3.14%	1.46%

Performance Attribution & Strategy Comments

The PERSI portfolio outperformed the Bloomberg G/C Index, returning 0.73% versus 0.63%. The portfolios asset allocation aided relative performance. More specifically, the portfolios overweight to ABS and security selection within CMBS aided relative performance. Risk assets performed well in April, with equities and corporate bonds generating positive returns, while interest rate volatility remained slightly elevated as investors continued to grapple with persistent inflation and recession concerns. CPI grew 5.0% year-over-year in March, down from 6.5% in December 2022, driven by a decline in energy prices; Core CPI remained elevated, however, growing 0.4% month-over-month. News emerged at the end of the month that the Federal Deposit Insurance Corporation (FDIC) was preparing to take First Republic Bank (FRC) under receivership after collecting bids from prospective buyers (see page two for additional details). The minutes from the FOMC's March meeting revealed that Federal Reserve (Fed) officials are anticipating a mild recession beginning in the latter half of 2023; investors expect the Fed to hike rates by another 25bps at the upcoming meeting in the first week of May, a notable shift from last month when markets were expecting the Fed to stay put or cut rates. Treasury yields, outside of the front-end of the curve, remained roughly unchanged from March; the 10-year Treasury yield ended April at 3.43%, 5bps lower on the month. Following an abnormally quiet month of supply in March, investment-grade issuance fell short of expectations again in April; \$66 billion of new bonds priced, well below the \$100 billion that investors anticipated. Investment-grade corporate spreads tightened 2bps during the month, from 138bps to 136bps. High-yield borrowers returned to the market in April, pricing \$17.6 billion in new issuance; total high yield issuance stands at \$56.5 billion, a 4.4% increase year-over-year. The Bloomberg High Yield Index yield fell 4bps to 8.48%, and high-yield spreads tightened 3bps to 452bps. Agency mortgage-backed securities (MBS) was the only securitized sector to experience negative returns, underperforming other securitized sectors as the market began to absorb the FDIC's sale of MBS securities from failed banks. Following strong performance in March, municipal bonds dropped 0.23% in April; the Muni/10-year Treasury ratio climbed by about 3% to end the month at 68.5%.

Total Firm Assets Under Management (\$m) as of:

Qtr 2

\$

93,091

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:	6.6	6.5	6.0	7.0	ok
B3. Sector Diversification:					
Government	36%	60%	30%	90%	ok
Treasuries	34%	58%	28%	88%	ok
Agencies	0%	2%	-3%	7%	ok
Govt Guaranteed	2%	0%	-10%	10%	ok
Credit	40%	39%	19%	59%	ok
Financial	13%	11%	-4%	26%	ok
Industrial	22%	20%	5%	35%	ok
Utility	4%	3%	-7%	13%	ok
Non-Corporate	0%	5%	-5%	15%	ok
Securitized					
RMBS	1%	0%	-10%	10%	ok
ABS	8%	0%	-10%	10%	ok
CMBS	7%	0%	-10%	10%	ok
Agency CMBS	3%	0%	-5%	5%	ok
Municipals	3%	1%	-9%	11%	ok
B4. Issuer Concentration: <=5% all corporate issuers				5%	ok
B5. Number of positions	235		100	175	check
B6. Non-Investment Grade alloc	0%			5%	ok
E2. Annual Turnover	22%		25%	75%	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

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

E2. Annual Turnover April was a low trade volume using a 12 month rolling calculation.

Account Turnover

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