Western Asset Management- Core Full Discretion

Global Fixed: BB Aggregate Benchmark

For the month of: **July** **2024**

Manager Performance Calculations

** Annualized returns*

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Western	2.34%	5.13%	4.45%	-4.48%	-0.15%
BB Aggregate	2.34%	5.06%	5.10%	-2.63%	0.19%

Performance Attribution & Strategy Comments

Performance Review: The portfolio's performance was in line with its benchmark in July.

Outlook Summary: US Treasury (UST) bond yields whipsawed but ultimately fell during June. Yields were initially pressured higher on the back of strong jobs data, but this was reversed later in the month as lower-than-expected inflation and soft economic activity revived expectations for a Federal Reserve (Fed) rate cut in September. Yields drifted lower even as the Fed continued to signal a patient and gradual approach. Risk assets were mixed as most credit spreads were flat to wider and the S&P 500 Index reached a new record high.gUS jobs data came in strong as nonfarm payrolls added 272,000 jobs, surpassing the expected 180,000. Average hourly earnings rose by a higher-than-expected +0.4% month-over-month (MoM) to a year-over- year (YoY) rate of 4.1%. However, in a sign that the job market is coming into better balance, the unemployment rate ticked higher to 4.0% from 3.9%. Inflation data for May provided Fed policymakers with optimism, as readings for both headline and core Consumer Price Index (CPI) came in below expectations. Core CPI rose 0.2% MoM, versus consensus expectations for a 0.3% increase—bringing the annual rate to 3.4% YoY. The Fed’s preferred inflation measure—the core Personal Consumption Expenditures (PCE) price index—also moderated and rose 0.1% MoM, which was the smallest increase in six months. Elsewhere, US retail sales for May disappointed against expectations for the second consecutive month while personal consumption was weaker than previously thought in 1Q24.

As expected, the Federal Open Market Committee (FOMC) kept the fed funds target rate range unchanged at 5.25% to 5.50%. The Fed emphasized that it continues to operate with a high degree of data dependency, reinforcing that the near-term path of policy rates will be dictated by incoming inflation and labor market data. The FOMC post- meeting statement acknowledged an improvement in recent inflation data, citing that “modest further progress” has been made toward the Fed’s 2% inflation target, which was an upgrade from the “lack of further progress” noted in the previous meeting’s statement. In June’s post-meeting press conference, Fed Chair Jerome Powell acknowledged that the current restrictive monetary policy stance will continue to exert downward pressure on both economic activity and inflation.

The updated Summary of Economic Projections showed that the median FOMC member now expects just one 25 basis-point (bp) cut in the fed funds rate in 2024, versus the expected 75 bps of cuts expected as of March; however, it is worth noting that the median dot would have shifted from 25 bps to 50 bps if just two dots were marked lower and that themedian FOMC member now projects four 25-bp rate cuts in 2025, up from three rate cuts previously. The median forecast for the long-term fed funds rate was raised from 2.6% to 2.8%, indicating that some committee members view the neutral level of interest rates as having moved incrementally higher in recent years. With respect to the future path of inflation, year-end 2024 and 2025 projections were modestly marked up with a move back toward the Fed’s 2% target by the end of 2026. Despite the unemployment rate already sitting at 4.0%, the year-end 2024 median projection for the rate was unchanged at 4.0%, setting a relatively low bar for the level of further labor market deterioration that might warrant more substantial policy easing.

Manager Style Summary

Western manages a customized portfolio for PERSI, which falls outside of their traditional product offerings. While the product is called, "Core Full Discretion" (one of their traditional products), Western has the flexibility to invest in global inflation-linked bonds and to take bigger bets where they see the opportunity. As such, this portfolio is more volatile than the traditional underlying product. This global mandate allows Western to hold foreign, non-dollar denominated securities, take currency positions, and enter into futures, options and swaps contracts.

Western Asset Management- Core Full Discretion

Global Fixed: BB Aggregate Benchmark

Portfolio Guideline Compliance

Portfolio Guideline:	Western	Min	Max	Compliance
C. Weighted average duration including futures positions	6.63	-30.00	30.00	ok
C4 (2): Sector Allocation				
a. Non-dollar denominated securities		0%	40%	ok
Un-hedged non-dollar denominated securities		0%	20%	ok
b. U.S. securities rated below investment grade (BIG)		0%	40%	ok
c. Non-dollar, Non-U.S. securities rated BIG		0%	20%	ok
d. Non-dollar denominated+emerging mkt+high yield		0%	50%	ok
C4 (3): Issuer				
a. Guaranteed by US gov, agencies, gov-sponsored corp or G-7		0%	100%	ok
b. Other national governments - limit per issuer		0%	10%	ok
c. Private MBS/ABS - limit per issuer		0%	10%	ok
If collateral is credit-independent of issuer & security's credit enhancement is generated internally - limit per is		0%	25%	ok
d. Obligations of other issuers subject to per issuer limit		0%	5%	ok
C4 (5): Credit				
No more than 40% of portfolio below Baa3 or BBB-/A2 or P2		0%	40%	ok
C4 (7): Derivatives				
Original futures margin and options premiums, exclusive any in-the-money portion of the premiums		0%	5%	ok
F2. Annual Turnover	48%	100%	200%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines			☑ Yes	☐ No

Manager Explanations for Deviations from Portfolio Guidelines

F2. Annual Turnover: The transactions were the intent of the portfolio manager and the account is in line with strategy's expected turnover

Total Firm Assets Under Management ($m) as of: Qtr 2 $ 381,095

Organizational/Personnel Changes

Mr. John Bellows resigned on May 1, 2024. Mr. Chia-Liang Lian left the Firm effective June 3, 2024 following his leave of absence. In July 2024 Mr. Keith Luna notified us of his intent to resign and he has subsequently left the Firm.

Account Turnover

Gained:	Number of Accounts:	1	Total Market Value ($m):	$ 11.0
Lost:	Number of Accounts:	6	Total Market Value ($m): -	$ 517.3
	Reason(s):	Asset Reallocation/Rebalancing; Strategic liquidation		