Western Asset Management- Core Full Discretion

Global Fixed: BB Aggregate Benchmark

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*
Western	0.87%	-0.51%	-1.48%	-2.81%	0.82%
BB Aggregate	0.61%	0.49%	-0.43%	-3.15%	1.18%

Performance Attribution & Strategy Comments

Performance Review: The portfolio outperformed its benchmark in April. The portfolio returned 0.87% while its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, returned 0.61%.

Outlook Summary: In line with our expectations, global growth appears to be downshifting and inflation is trending lower. Declining new order activity, rising inventories and improving supply chains worldwide have resulted in lower manufacturing inflation. Signs of moderating price pressures are also evident across service sectors globally. These trends, combined with the major central banks continuing to advocate for tight monetary policy, should further temper growth and inflation. As global growth and inflation continue to moderate, and recent concerns over the stability of the US and EU banking systems abate, we expect developed market (DM) government bond yields to trend lower. In such an environment, we anticipate that the US dollar will weaken modestly and that EM—where central banks are at the end of their tightening cycle—will outperform. We believe credit markets currently offer attractive value but acknowledge that they remain vulnerable to unanticipated shifts in macro-related sentiment, geopolitical developments and the risk of central bank overtightening. We believe the effects of Federal Reserve (Fed) rate hikes to date are accumulating. While January economic data in the US looked better, much of that apparent improvement is the result of seasonal distortion reflecting mild winter weather that should fade as seasonal adjustment factors morph with the spring season. The moderation in inflation has also been interrupted in recent months, but we believe the declining pattern there will re-emerge shortly, and that real-world declines in housing costs will soon be reflected in official inflation data. We think month- to-month inflation will be within the Fed's target ranges before the middle of 2023. While year-over-year (YoY) measures won't show this improvement as quickly, the "perception lags" arising from looking at YoY measures are well understood by any trained economist, and we believe the Fed will be astute enough to make this deduction as well. Both the US construction and manufacturing sectors have been in recession for a number of months. Growth is continuing in service sectors, but even there, a clearly decelerating trend is in place, not just in consumer services spending data, but also in services payroll data, where declining workweeks buttress slowing job growth to produce an uneven but unmistakable deceleration in total hours worked in service sectors. We take these trends as clear evidence that either Fed rate hikes are taking their toll or that economic growth is slowing on its own, and, again, the full effects of Fed hikes to date have yet to be felt.

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.

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Portfolio Guideline Compliance

Portfolio Guideline:	Western	Min	Max	Compliance
C. Weighted average duration including futures positions	6.51	-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 o any in-the-money portion of the premiums		0%	5%	ok
F2. Annual Turnover	67%	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:

Total Firm Assets Under Management ($m) as of: Qtr 1 $ 402,125

Organizational/Personnel Changes

N/A

Account Turnover

Gained:	Number of Accounts:	3	Total Market Value ($m):	$ 66.7
Lost:	Number of Accounts:	13	Total Market Value ($m): -	$ 724.4

Reason(s): Asset Reallocation/Rebalancing, Change of Strategy/Vehicle, Strategic Liquidation, Merger/Acquisition