

City of Kirkland
Request for Proposals for the Comprehensive Investment Advisory Services
Job # 31-20-FA

Below are the questions and provided answers for the Investment Advisory Services Project.

1. Why is the search being conducted at this time?

Answer: Kirkland is required to review contracts and rebid them after a maximum of five years. This RFP was put out to assess what the current market has available for this service and what providers are available to the City of Kirkland.

2. Which firm is the incumbent? Will that firm be welcome to rebid?
Government Portfolio Advisors is the incumbent.

Answer: Yes, they will be allowed to rebid for this service if they so choose.

3. Could you please provide the City's current/recent portfolio holdings report?

Answer: Included is Attachment A, the first quarter report for 2020.

4. What are your current investment management fees?

Answer: The current amount we pay for the services included in the investment advisory services request for proposal is \$50,000 annually.

5. Does the City currently use an external investment adviser? If so, would you please disclose the name of the firm, as well as fees paid to the current adviser?

Answer: Yes, the City currently uses Government Portfolio Advisors. Our fee is currently \$50,000 annually.

6. Would the City please provide its most recent CUSIP-level investment report?

Answer: Please see the attached report.

Quarterly Investment Report City of Kirkland

March 31, 2020

Total Aggregate Portfolio

Market Commentary

Market Yields: Yields plummeted across the curve in the first quarter in response to the economic fallout from the ongoing global COVID-19 pandemic. The long-end of the curve hit all-time lows in yields with the 10-year yield reaching a low of 0.33% and the 30-year reaching a low of 0.70%. The Fed sensitive 2-year yield closed the quarter at 0.25%. The curve steepened out during the quarter as front-end yields led the way lower. Yield markets will now face a test with an expected onslaught of issuance to fund massive stimulus programs offset by a Fed actively buying in the market to support the economy ensuring markets are functioning.

FOMC: The Fed slashed rates back to the zero-lower bound through two surprise moves in the first quarter. In response to the viral crisis, and poor market liquidity, the Federal Reserve ushered in a series of buying programs aimed to stimulate the economy, backstop money-market funds and provide relief to credit markets. The Fed's purchase programs were so aggressive, they purchased \$1.1 trillion in assets in the month of March alone. This activity surpasses any previous month, including the quantitative easing days that followed the 2008-2009 financial crisis. In theory, they have unlimited capacity to continue buying and may need this unlimited capacity given the amount of issuance ahead to fund the various stimulus efforts.

Employment and Inflation: Employment and inflation data started out strong in 2020, however this is irrelevant now as we grapple with the massive challenges inherent in shutting down activity to quell the growth of the viral outbreak. The first glimpse of virus-impacted employment data came in the last two weeks of March as we got reads on weekly unemployment claims. The two releases indicated that 9.95 million Americans filed for unemployment insurance, shattering previous records by many multiples. The trend looks set to continue.

Market Outlook

GDP: Like the employment picture, U.S. growth was in decent shape to start the year. The onset of the virus, and its damage to all segments of the economy, puts the growth picture in serious jeopardy. At this point, what we don't know far outweighs what we do know. That said, it appears likely the U.S. is currently in a recession and the focus is now on how deep and how long the slump lasts.

Fed Funds: The federal funds rates is back in the all-too-familiar 0.00%-0.25% range that we all felt was history and history not to be repeated. At this point, neither the market or the Fed expect a move in the fed funds rate for the foreseeable future. Additionally, Fed Chair Jerome Powell has stated multiple times that he is not a fan of negative rates. Let's hope that he, or his predecessor, stay true to this.

Two-year Yield Expectations: The two-year yield is sensitive to monetary policy meaning we expect the 2-year yield to trade in a range that is informed by the current and expected policy rate. That is a fancy way of saying we don't expect much movement for now. It will be easier to establish a view on yields once we come to understand the economic and policy impacts.

Portfolio Positioning: During Q2 2020, GPA is recommending portfolio durations stay close to their respective benchmark durations. Spreads on corporate, agency and municipal securities widened substantially in response to the pandemic. We believe this market will offer intermittent opportunities to selectively add to spread sectors. Given the significant uncertainty, a patient deployment into these sectors is warranted.

Quarterly Yield Change

	06/30/19	09/30/19	12/31/19	03/31/20
3 month bill	2.09	1.81	1.54	0.06
2 year note	1.76	1.62	1.57	0.25
5 year note	1.77	1.54	1.69	0.38
10 year note	2.01	1.67	1.92	0.67

Economists' Survey Projections

	Q2-20	Q3-20	Q4-20	Q1-21
Real GDP	-9.4	1.9	2.7	2.6
Core PCE (YOY%)	1.7	1.7	1.8	1.8
Unemployment	3.9	4.2	4.3	4.2

Economists' Survey Projections for Rates

	Q2-20	Q3-20	Q4-20	Q1-21
Fed Funds	0.35	0.4	0.45	0.55
2 Year	0.4	0.53	0.62	0.7
10 year	0.73	0.94	1.1	1.23

Compliance Report

City of Kirkland | Total Aggregate Portfolio



March 31, 2020

Policy Diversification Constraint	Policy Limit	Actual Value	Status
Banker's Acceptance Issuer Concentration	5	0	Compliant
Banker's Acceptance Maximum % of Holdings	5	0	Compliant
Certificates of Deposit Issuer Concentration	5	2	Compliant
Certificates of Deposit Maximum % of Holdings	10	2	Compliant
Commercial Paper Issuer Concentration	3	0	Compliant
Commercial Paper Maximum % of Holdings	25	0.00	Compliant
LGIP Maximum % of Holdings	100	14.82	Compliant
Municipal Bonds Issuer Concentration	5	0.00	Compliant
Municipal Bonds Maximum % of Holdings	20	0.000	Compliant
PDPC Bank Deposits Issuer Concentration	100	9.468	Compliant
PDPC Bank Deposits Maximum % of Holdings	50	9.47	Compliant
US Agency Callable Securities Maximum % of Total Portfolio	25	4.07	Compliant
US Agency FFCB Issuer Concentration	30	14.90	Compliant
US Agency FHLB Issuer Concentration	30	28.97	Compliant
US Agency FHLMC Issuer Concentration	30	6.092	Compliant
US Agency FNMA Issuer Concentration	30	12.62	Compliant
US Agency Obligations - Primary FHLB, FNMA, FHLMC, FFCB Maximum % of Holdings	100	62.58	Compliant
US Agency Obligations - Secondary FICO, FARMER MAC etc. Maximum % of Holdings	20	0.00	Compliant
US Agency Obligations Issuer Concentration - Secondary FICO, FARMER MAC etc.	10	0.00	Compliant
US Treasury Obligations Maximum % of Holdings	100	11.00	Compliant

Policy Maturity Structure Constraint	Policy Limit	Actual Term	Status
Maturity Constraints Under 30 days Minimum % of Total Portfolio	10	26.31	Compliant
Maturity Constraints Under 1 year Minimum % of Total Portfolio	25	47.52	Compliant
Maturity Constraints Under 5 years Minimum % of Total Portfolio	100	100.00	

Policy Maturity Constraint	Policy Limit	Actual Term	Status
Municipals Maximum Maturity (years)	5	0.00	Compliant
US Agency Maximum Maturity (years)	5	4.32	Compliant
US Agency Obligations - Secondary Must be rated by Atleast one	0	0.00	Compliant
US Treasury Maximum Maturity of (years)	5	4.63	Compliant
Weighted Average Maturity	3	1.67	Compliant

Policy Credit Constraint	Status
Commercial Paper Ratings Minimum Ratings A1/P1 by both and F1 (if rated)	Compliant
Municipal Bonds Ratings Minimum AA-/Aa3/AA- by All if rated	Compliant
US Agency Obligations - Secondary Minimum Ratings AA-/Aa3/AA- if rated	Compliant

Strategic Quarterly Update

City of Kirkland | Total Aggregate Portfolio



March 31, 2020

Strategic Outlook

- GPA recommends clients stay the course and maintain their targeted duration. Deposit and pool yields will continue to be low, being fully invested will help offset earnings declines despite low yields.
- GPA is evaluating asset allocation alternatives for each account. Risk assets, such as corporate and municipal securities, are priced attractively given the heightened economic uncertainty. We recommend a patient approach that continues to focus on high-quality issuers.
- GPA is anticipating rates to remain low throughout 2020. We are on the lookout for continued volatility given the buying programs from the Federal Reserve and the issuance needs to fund stimulus efforts.

Portfolio Positioning

- GPA is targeting to keep duration at or close to the benchmark to anchor the portfolio through the current volatility and economic uncertainty. We expect the portfolio to end the upcoming quarter between 2.00-2.20 years of duration.
- We continue to find value in the agency and high-quality municipal markets. In the quarter ahead, we anticipate keeping our agency allocation near current levels and may look to add municipals to the account to diversify and add attractive and safe yield.
- Book yield declined marginally over the quarter as lower rates prevailed at the time of reinvestments made in January and late February. Given the rate environment, book yield is expected to decline as reinvestments occur.
- The Core Investment returned 2.77% on the quarter and underperformed the benchmark by 0.44%. Underperformance was largely driven by widening in agency spreads and slight duration underweight. Underperformance related to agency spreads will correct in coming time periods as positions mature and purchased yield premium is realized.

Strategy

	12/31/2019 Previous QTR	3/31/2020 This QTR
Effective Duration		
Effective Duration Investment Core	2.039	2.017
Benchmark Core Fund Duration	2.146	2.147

Final Maturity

Average Final Maturity Investment Core	2.303	2.256
Benchmark Average Maturity	2.236	2.214

Performance

	12/31/2019 Previous QTR	3/31/2020 This QTR
Ending Book Yield		
Investment Core	2.139	2.116
Liquidity	1.357	1.322
Certificates of Deposit	2.375	2.375
Total Book Yield	1.945	1.929
Total Return (Net of Fees)		
Portfolio Investment Core	0.42%	2.77%
Benchmark 0-5 Year Treasury	0.39%	3.20%

Values

	12/31/2019 Previous QTR	3/31/2020 This QTR
Market Value		
Investment Core	178,686,002	182,755,083
Liquidity	62,681,935	60,041,682
Certificates of Deposit	5,258,546	5,289,774
Total MV + Accrued	246,626,482	248,086,539

Net Unrealized Gain/Loss

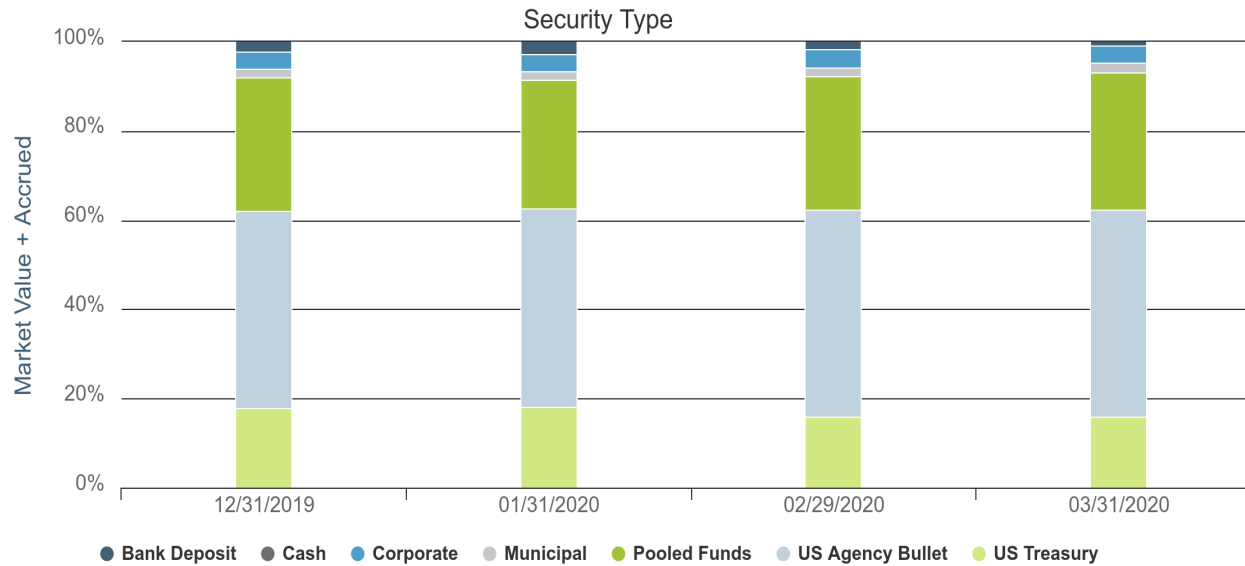
Portfolio Investment Core	2,147,167	6,183,153
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Asset Allocation Changes over the Period

City of Kirkland | Total Aggregate Portfolio



March 31, 2020



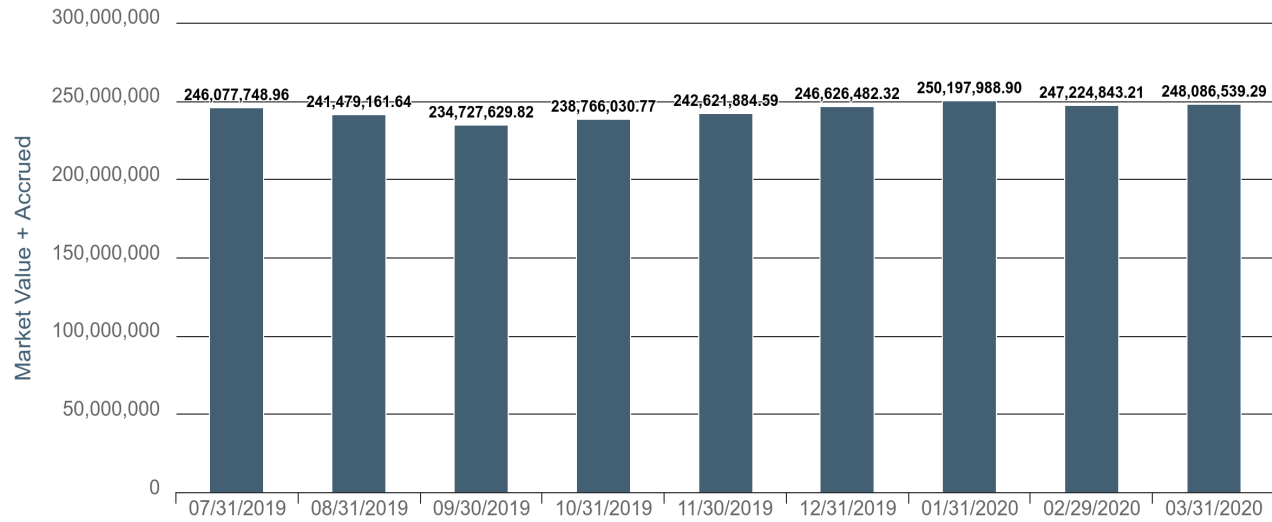
Security Type	12/31/2019		3/31/2020		Change	
	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio
Bank Deposit	23,299,829	9.45%	23,405,201	9.43%	105,372	-0.01%
Non-Negotiable CD	5,258,546	2.13%	5,289,774	2.13%	31,228	0.00%
Pooled Funds	39,382,106	15.97%	36,636,482	14.77%	(2,745,625)	-1.20%
US Agency Bullet	147,364,469	59.75%	145,303,008	58.57%	(2,061,461)	-1.18%
US Agency Callable	10,059,919	4.08%	10,094,899	4.07%	34,980	-0.01%
US Treasury	21,261,614	8.62%	27,357,176	11.03%	6,095,562	2.41%
Total Funds	246,626,482	100%	248,086,539	100%	1,460,057	

Historical Balances

City of Kirkland | Total Aggregate Portfolio



March 31, 2020



Period Begin	Period End	Market Value + Accrued	Years to Final Maturity
07/01/2019	07/31/2019	246,077,749	1.75
08/01/2019	08/31/2019	241,479,162	1.74
09/01/2019	09/30/2019	234,727,630	1.78
10/01/2019	10/31/2019	238,766,031	1.76
11/01/2019	11/30/2019	242,621,885	1.67
12/01/2019	12/31/2019	246,626,482	1.68
01/01/2020	01/31/2020	250,197,989	1.68
02/01/2020	02/29/2020	247,224,843	1.71
03/01/2020	03/31/2020	248,086,539	1.67

Risk Management-Credit/Issuer

City of Kirkland | Total Aggregate Portfolio



March 31, 2020

Credit Rating S&P/Moody's/Fitch

	Market Value	%
S&P		
A-2	5,289,774.21	2.13
AA+	182,755,082.68	73.67
NA	60,041,682.41	24.20
Moody's		
Aaa	182,755,082.68	73.67
NA	65,331,456.62	26.33
Fitch		
AAA	182,755,082.68	73.67
NA	65,331,456.62	26.33
Total	248,086,539.29	100.00

Issuer Concentration

Risk Management-Maturity/Duration

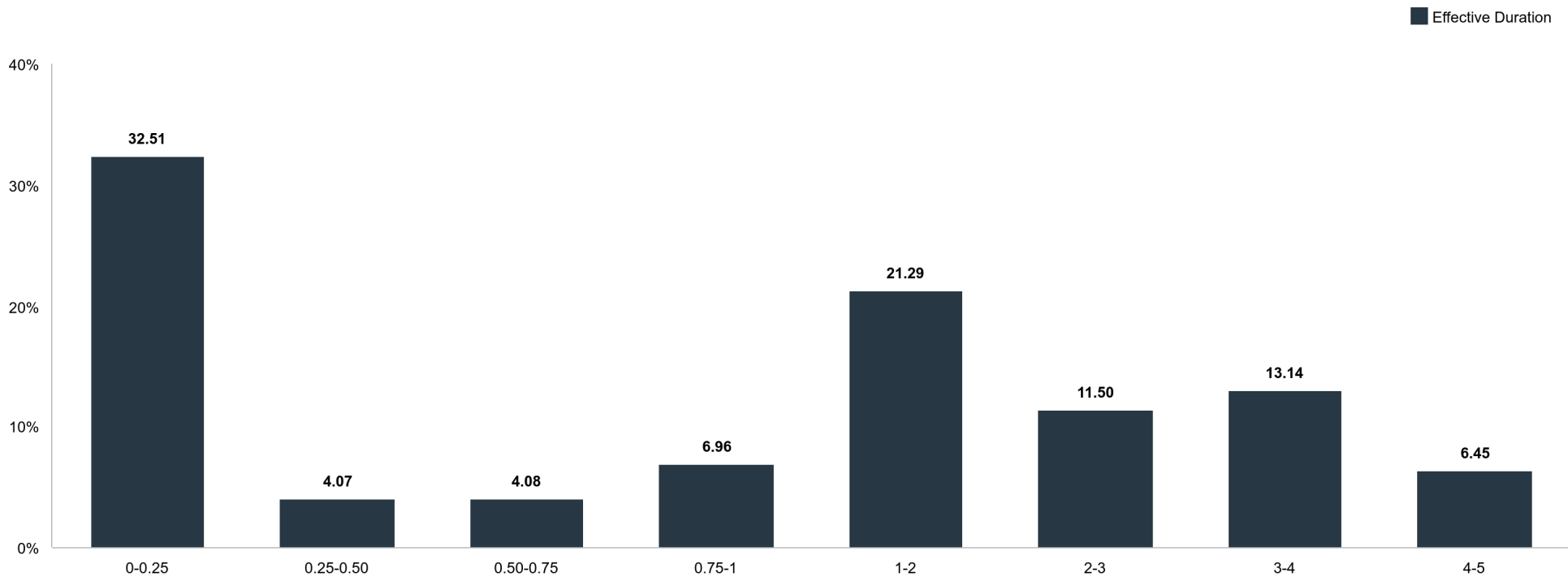
City of Kirkland | Total Aggregate Portfolio



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Distribution by Effective Duration



Holdings by Maturity & Ratings



City of Kirkland | Total Aggregate Portfolio

March 31, 2020

Cusip	Par Amount	Security	Coupon Rate	Maturity Date	Call Date	Market Value	Accrued	Market Value + Accrued	Book Yield	Market Yield	% of Portfolio	Years to Maturity	Eff Duration	S&P, Moody, Fitch
KIRK_OPUS_DEP	23,405,200.72	OPUS BANK DEPOSIT	1.830	03/31/2020		23,405,200.72	0.00	23,405,200.72	1.830		9.43	0.010	0.010	NA NA NA
WA_LGIP	36,636,481.69	WASHINGTON LGIP	0.998	03/31/2020		36,636,481.69	0.00	36,636,481.69	0.998		14.77	0.010	0.010	NA NA NA
3137EAEF2	5,000,000.00	FREDDIE MAC	1.375	04/20/2020		5,002,425.00	30,746.53	5,033,171.53	1.921	0.453	2.03	0.055	0.053	AA+ Aaa AAA
313383HU8	5,000,000.00	FEDERAL HOME LOAN BANKS	1.750	06/12/2020		5,015,455.00	26,493.06	5,041,948.06	1.630	0.181	2.03	0.200	0.197	AA+ Aaa AAA
KIRK-17340 25-2020	5,289,430.03	East West Bank	2.375	06/19/2020		5,289,430.03	344.18	5,289,774.21	2.375	2.375	2.13	0.219	0.219	NA NA NA
3130A5Z77	5,000,000.00	FEDERAL HOME LOAN BANKS	1.830	07/29/2020		5,026,325.00	15,758.33	5,042,083.33	1.676	0.222	2.03	0.329	0.328	AA+ Aaa AAA
3130ACE26	5,000,000.00	FEDERAL HOME LOAN BANKS	1.375	09/28/2020		5,026,265.00	572.92	5,026,837.92	1.968	0.305	2.03	0.496	0.491	AA+ Aaa AAA
912828L99	5,000,000.00	UNITED STATES TREASURY	1.375	10/31/2020		5,035,940.00	28,897.66	5,064,837.66	1.313	0.140	2.04	0.586	0.579	AA+ Aaa AAA
3137EAEK1	5,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	1.875	11/17/2020		5,043,180.00	34,895.83	5,078,075.83	1.984	0.495	2.05	0.632	0.622	AA+ Aaa AAA
3130A7CV5	2,000,000.00	FEDERAL HOME LOAN BANKS	1.375	02/18/2021		2,018,112.00	3,284.72	2,021,396.72	1.628	0.344	0.81	0.887	0.876	AA+ Aaa AAA
3135G0J20	5,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.375	02/26/2021		5,042,630.00	6,684.03	5,049,314.03	1.448	0.428	2.04	0.909	0.897	AA+ Aaa AAA
3130AFV61	5,000,000.00	FEDERAL HOME LOAN BANKS	2.500	03/12/2021		5,104,160.00	6,597.22	5,110,757.22	2.524	0.296	2.06	0.947	0.940	AA+ Aaa AAA
912828WN6	6,000,000.00	UNITED STATES TREASURY	2.000	05/31/2021		6,129,138.00	40,327.87	6,169,465.87	1.663	0.153	2.49	1.167	1.151	AA+ Aaa AAA
313379RB7	5,000,000.00	FEDERAL HOME LOAN BANKS	1.875	06/11/2021		5,089,390.00	28,645.83	5,118,035.83	1.843	0.373	2.06	1.197	1.179	AA+ Aaa AAA

Holdings by Maturity & Ratings



City of Kirkland | Total Aggregate Portfolio

March 31, 2020

Cusip	Par Amount	Security	Coupon Rate	Maturity Date	Call Date	Market Value	Accrued	Market Value + Accrued	Book Yield	Market Yield	% of Portfolio	Years to Maturity	Eff Duration	S&P, Moody, Fitch
313378JP7	5,000,000.00	FEDERAL HOME LOAN BANKS	2.375	09/10/2021		5,135,050.00	6,927.08	5,141,977.08	1.642	0.492	2.07	1.446	1.421	AA+ Aaa AAA
3130AF5B9	5,000,000.00	FEDERAL HOME LOAN BANKS	3.000	10/12/2021		5,197,850.00	70,416.67	5,268,266.67	2.502	0.404	2.12	1.534	1.485	AA+ Aaa AAA
3130A0EN6	5,000,000.00	FEDERAL HOME LOAN BANKS	2.875	12/10/2021		5,204,240.00	44,322.92	5,248,562.92	2.615	0.448	2.12	1.695	1.647	AA+ Aaa AAA
3135G0S38	5,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	2.000	01/05/2022		5,140,590.00	23,888.89	5,164,478.89	2.048	0.396	2.08	1.767	1.729	AA+ Aaa AAA
3135G0U92	5,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	2.625	01/11/2022		5,193,230.00	29,166.67	5,222,396.67	2.590	0.440	2.11	1.783	1.736	AA+ Aaa AAA
3133EKBV7	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	2.550	03/01/2022		5,199,645.00	10,625.00	5,210,270.00	2.518	0.455	2.10	1.917	1.876	AA+ Aaa AAA
313378WG2	5,000,000.00	FEDERAL HOME LOAN BANKS	2.500	03/11/2022		5,205,070.00	6,944.44	5,212,014.44	2.361	0.381	2.10	1.945	1.905	AA+ Aaa AAA
3135G0T45	5,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.875	04/05/2022		5,148,780.00	45,833.33	5,194,613.33	1.111	0.388	2.09	2.014	1.962	AA+ Aaa AAA
3130AEBM1	5,000,000.00	FEDERAL HOME LOAN BANKS	2.750	06/10/2022		5,252,025.00	42,395.83	5,294,420.83	2.840	0.436	2.13	2.194	2.122	AA+ Aaa AAA
9128283C2	5,000,000.00	UNITED STATES TREASURY	2.000	10/31/2022		5,223,440.00	42,032.97	5,265,472.97	1.593	0.262	2.12	2.586	2.508	AA+ Aaa AAA
3130A3KM5	7,000,000.00	FEDERAL HOME LOAN BANKS	2.500	12/09/2022		7,372,407.00	54,444.44	7,426,851.44	2.937	0.505	2.99	2.693	2.594	AA+ Aaa AAA
3135G0T94	5,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	2.375	01/19/2023		5,274,805.00	23,750.00	5,298,555.00	3.041	0.399	2.14	2.805	2.711	AA+ Aaa AAA
3133ELMD3	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	1.600	02/10/2023	02/10/2021	5,034,490.00	11,333.33	5,045,823.33	1.600	1.353	2.03	2.865	0.925	AA+ Aaa AAA
3133EJFK0	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	2.650	03/08/2023		5,313,180.00	8,465.28	5,321,645.28	1.602	0.498	2.15	2.936	2.836	AA+ Aaa AAA

Holdings by Maturity & Ratings



City of Kirkland | Total Aggregate Portfolio

March 31, 2020

Cusip	Par Amount	Security	Coupon Rate	Maturity Date	Call Date	Market Value	Accrued	Market Value + Accrued	Book Yield	Market Yield	% of Portfolio	Years to Maturity	Eff Duration	S&P, Moody, Fitch
3133EJUS6	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	2.875	07/17/2023		5,382,680.00	29,548.61	5,412,228.61	3.069	0.528	2.18	3.296	3.148	AA+ Aaa AAA
313383YJ4	5,000,000.00	FEDERAL HOME LOAN BANKS	3.375	09/08/2023		5,483,090.00	10,781.25	5,493,871.25	3.036	0.533	2.21	3.441	3.267	AA+ Aaa AAA
3135G0U43	5,000,000.00	FEDERAL NATIONAL MORTGAGE ASSOCIATION	2.875	09/12/2023		5,389,960.00	7,586.81	5,397,546.81	2.541	0.586	2.18	3.452	3.299	AA+ Aaa AAA
912828V80	5,000,000.00	UNITED STATES TREASURY	2.250	01/31/2024		5,366,600.00	18,853.02	5,385,453.02	1.602	0.325	2.17	3.838	3.684	AA+ Aaa AAA
3133EKBW5	5,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	2.610	02/27/2024		5,384,745.00	12,325.00	5,397,070.00	2.572	0.613	2.18	3.912	3.726	AA+ Aaa AAA
3130A1XJ2	5,000,000.00	FEDERAL HOME LOAN BANKS	2.875	06/14/2024		5,480,060.00	42,725.69	5,522,785.69	2.025	0.560	2.23	4.205	3.959	AA+ Aaa AAA
3134GTTY9	5,000,000.00	FEDERAL HOME LOAN MORTGAGE CORP	2.330	06/17/2024	06/17/2020	5,015,420.00	33,655.56	5,049,075.56	2.341	2.252	2.04	4.214	0.213	AA+ Aaa AAA
3133EKWV4	10,000,000.00	FEDERAL FARM CREDIT BANKS FUNDING CORP	1.850	07/26/2024		10,520,430.00	33,402.78	10,553,832.78	1.917	0.627	4.25	4.320	4.150	AA+ Aaa AAA
912828G38	5,000,000.00	UNITED STATES TREASURY	2.250	11/15/2024		5,429,295.00	42,651.10	5,471,946.10	1.688	0.375	2.21	4.627	4.385	AA+ Aaa AAA
Total	240,331,112.44		2.007			247,211,214.44	875,324.85	248,086,539.29	1.919	0.550	100.00	1.630	1.453	

This report is for general informational purposes only and is not intended to provide specific advice or recommendations. Government Portfolio Advisors (GPA) is an investment advisor registered with the Securities and Exchange Commission and is required to maintain a written disclosure statement of our background and business experience.

Questions About an Account: GPA's monthly & quarterly reports are intended to detail the investment advisory activity managed by GPA. The custodial bank maintains the control of assets and settles all investment transactions. The custodial statement is the official record of security and cash holdings and transactions. GPA recognizes that clients may use these reports to facilitate record keeping and that the custodial bank statement and the GPA report should be reconciled, and differences documented.

Trade Date versus Settlement Date: Many custodial banks use settlement date basis and post coupons or maturities on the following business days when they occur on weekend. These items may result in the need to reconcile due to a timing difference. GPA reports are on a trade date basis in accordance with GIPS performance standards. GPA can provide all account settings to support the reason for any variance.

Bank Deposits and Pooled Investment Funds Held in Liquidity Accounts Away from the Custodial Bank are Referred to as Line Item Securities: GPA relies on the information provided by clients when reporting pool balances, bank balances and other assets that are not held at the client's custodial bank. GPA does not guarantee the accuracy of information received from third parties. Balances cannot be adjusted once submitted however corrective transactions can be entered as adjustments in the following months activity. Assets held outside the custodial bank that are reported to GPA are included in GPA's oversight compliance reporting and strategic plan.

Account Control: GPA does not have the authority to withdraw or deposit funds from or to any client's custodial account. Clients retain responsibility for the deposit and withdrawal of funds to the custodial account. Our clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

Custodial Bank Interface: Our contract provides for the ability for GPA to interface into our client's custodial bank to reconcile transactions, maturities and coupon payments. The GPA client portal will be available to all clients to access this information directly at any time.

Market Price: Generally, GPA has set all securities market pricing to match custodial bank pricing. There may be certain securities that will require pricing override due to inaccurate custodial bank pricing that will otherwise distort portfolio performance returns. GPA may utilize Reuter's pricing source for commercial paper, discount notes and supranational bonds when custodial bank pricing does not reflect current market levels. The pricing variances are obvious when market yields are distorted from the current market levels.

Amortized Cost: The original cost on the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discounts or premiums are amortized on a straight-line basis on all securities. This can be changed at the client's request.

Callable Securities: Securities subject to redemption in whole or in part prior to the stated final maturity at the discretion of the security's issuer are referred to as "callable". Certain call dates may not show up on the report if the call date has passed or if the security is continuously callable until maturity date. Bonds purchased at a premium will be amortized to the next call date while all other callable securities will be amortized to maturity. If the bond is amortized to the call date, amortization will be reflected to that date and once the call date passes, the bond will be fully amortized.

Duration: The duration is the effective duration. Duration on callable securities is based on the probability of the security being called given market rates and security characteristics.

Benchmark Duration: The benchmark duration is based on the duration of the stated benchmark that is assigned to each account.

Rating: Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed.

Coupon Payments and Maturities on Weekends: On occasion, coupon payments and maturities occur on a weekend or holiday. GPA's report settings are on the accrual basis so the coupon postings and maturities will be accounted for in the period earned. The bank may be set at a cash basis, which may result in a reconciliation variance.

Cash and Cash Equivalents: GPA has defined cash and cash equivalents to be cash, bank deposits, LGIP pools and repurchase agreements. This may vary from your custodial bank which typically defines cash and equivalents as all securities that mature under 90 days. Check with your custodial bank to understand their methodology.

Account Settings: GPA has the portfolio settings at the lot level, if a security is sold our setting will remove the lowest cost security first. First-in-first-out (FIFO) settings are available at the client's request.

Historical Numbers: Data was transferred from GPA's legacy system, however, variances may exist from the data received due to a change of settings on Clearwater. GPA is utilizing this information for historical return data with the understanding the accrual settings and pricing sources may differ slightly.

Financial Situation: In order to better serve you, GPA should be promptly notified of any material change in your investment objective or financial situation.

No Guarantee: The securities in the portfolio are not guaranteed or otherwise protected by GPA, the FDIC (except for non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.

