



## Agenda Report

**DATE:** MAY 2, 2023  
**TO:** CITY COUNCIL  
**FROM:** ADMINISTRATIVE SERVICES DEPARTMENT – FINANCE  
**SUBJECT:** DECEMBER 2022 INVESTMENT AND SECTION 115 PENSION TRUST REPORT

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### **STATEMENT OF ISSUE:**

In compliance with the City's general Investment Policy and Investment Policy for Section 115 Pension Trust, the City Council is provided quarterly reports on the status of the City's investments. This report provides information for the quarter ending December 31, 2022.

### **RECOMMENDED ACTION:**

Accept the December 2022 Investment and IRS Section 115 Pension Trust Report.

### **DISCUSSION:**

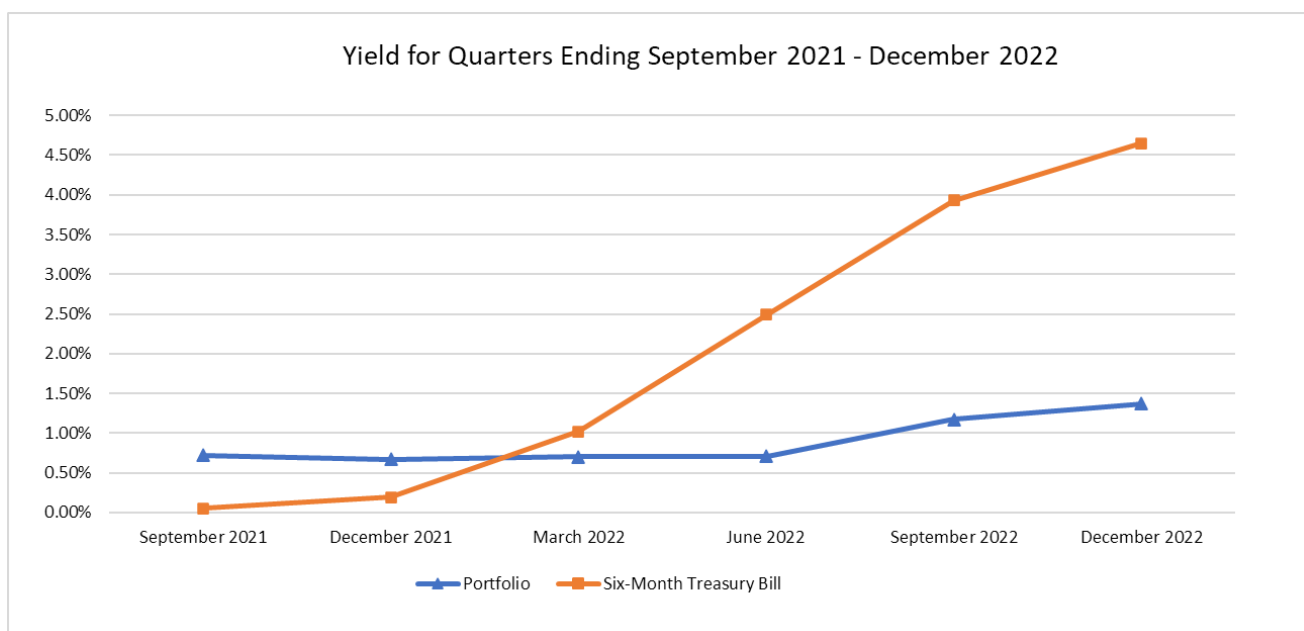
#### **Investment Portfolio**

The City's current Investment Policy was updated and adopted by City Council in January 2023. A section of that policy requires the quarterly submission of the City's investment portfolio to the City Council and City Manager. State legislation requires submission of an investment report noting compliance with the City's investment policy, market versus book value of investments and a statement regarding the City's ability to meet expenditure requirements for the next six months. The City Treasurer has the responsibility for the investment of funds in accordance with the City of Walnut Creek's Investment Policy and approves the quarterly investment report prepared by the Administrative Services Department.

#### **Current Status**

The effective interest rate of the portfolio as of December 31, 2022 was 1.37%. The current Investment Policy is designed with the objective of exceeding the six-month U.S. Treasury Bill rate while meeting other objectives of safety, liquidity and diversification of the portfolio. The City's portfolio structure remains conservative, with investments held to maturity. With the Federal Reserve interest rates continuing to increase during the quarter, this strategy resulted in the City's portfolio effective rate remaining below rising US Treasury bill rates. The Treasury bill rate, as compared to the City's portfolio yield, is detailed for the past six quarters in the table below:

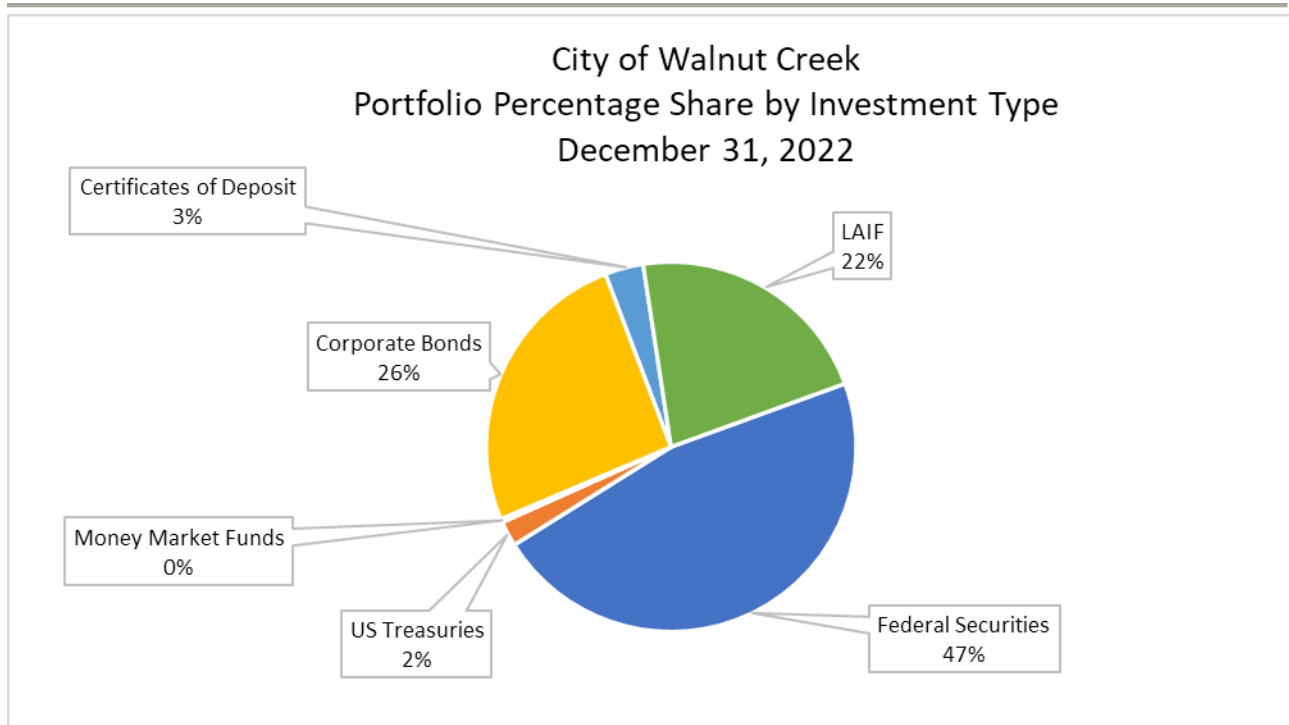
<b>Quarter Ending</b>	<b>Portfolio</b>	<b>Six-Month Treasury Bill</b>
December 2022	1.37%	4.65%
September 2022	1.17%	3.93%
June 2022	0.71%	2.49%
March 2022	0.70%	1.02%
December 2021	0.67%	0.19%
September 2021	0.72%	0.05%



The graph above illustrates the trend of the City’s portfolio yields against the six-month Treasury bill for the last six quarters. The yield is below the six-month Treasury rate as of December 31, 2022, because of the combination of factors noted earlier, including Federal Interest rate increases. In calendar year 2022, the Federal Funds rate was increased by 425 basis points. When the Federal Open Market Committee (FOMC) reviews interest rates, they consider a wide range of information, including readings on public health, labor market conditions, supply chain tensions, inflation pressures and expectations as well as financial and international developments.

As indicated on the pie chart on next page, the City’s portfolio is invested in Local Agency Investment Fund (LAIF), Federal Securities, Money Market (MM) Funds, Certificates of Deposit, California General Obligation bonds and Corporate bonds in order to take advantage of yields, while not compromising the City’s liquidity needs.

Since the City of Walnut Creek holds securities to maturity, the necessary liquidity for daily cash needs is provided through investment in the State Pool (Local Agency Investment Fund), money market funds and short-term securities. Staff does not anticipate any problem in the City’s ability to meet its expenditures and cash flow requirements for the next six months.



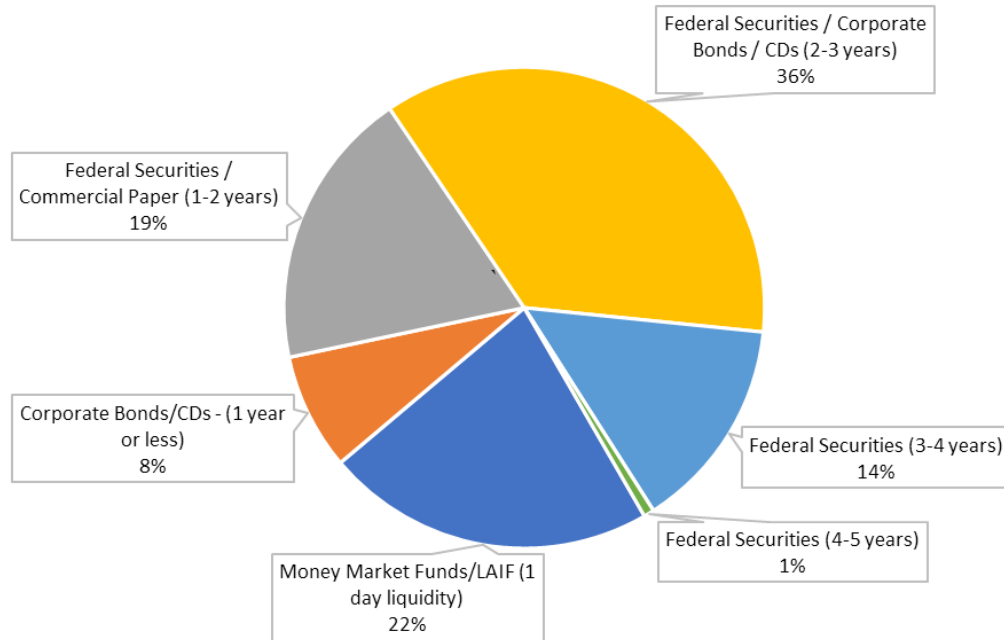
**Portfolio Liquidity**

The average length to maturity for the December 31, 2022 portfolio (excluding LAIF and Money Market Funds, which are immediately available) is 2.8 years, as detailed below. While the City assumes all securities will be held to maturity, it is important to note that most of the Federal Securities have callable features and thus could be redeemed by the issuers prior to their maturity dates.

**MATURITY SCHEDULE SUMMARY OF PORTFOLIO**

	<b>Amount</b>	<b>Percent</b>
Money Market Funds/LAIF (1 day liquidity)	\$29,659,632	22%
Corporate Bonds/CDs - (1 year or less)	\$10,475,861	8%
Federal Securities / Commercial Paper (1-2 years)	\$25,200,700	19%
Federal Securities / Corporate Bonds / CDs (2-3 years)	\$48,210,589	36%
Federal Securities (3-4 years)	\$19,190,256	14%
Federal Securities (4-5 years)	\$936,540	1%
<b>Total Portfolio</b>	<b>\$133,673,579</b>	<b>100%</b>

Maturity Information by Investment Type  
December 31, 2022



### **Market Value of Investments**

The market value and original cost value of investments in short-term instruments of less than one year, such as Certificates of Deposit and Money Market Funds, are reported as the same number. State Pool (Local Agency Investment Fund) market valuations are provided by the State Treasurer's Office. Other investment instruments, such as Government Securities and Corporate Bonds, are subject to daily changes in market value in the secondary market.

Per adopted policy, the City's intent is to hold all investments to maturity to maximize its return on investments and minimize exposure to potential losses resulting from temporary declines in market value. However, if a decline in the market value of a security is deemed by Staff to be permanent, the security may be sold early to minimize the loss of principal. As such, any reported gain or loss as shown in this quarterly report is temporary in nature and does not indicate a change in the ultimate value of the investment portfolio upon redemption. The market values as of December 31, 2022 were obtained from the City's safekeeping institution, Union Bank of California. The table below gives a snapshot of the City's Investment Portfolio as of December 31, 2022.

Type	Market Value	Amount Over/(Under) Cost	Average Length of Maturity	Effective Rate of Return
Federal Securities	\$62,380,411	(\$5,073,385)	2.2	1.00%
U.S. Treasuries	2,927,680	(\$58,652)	0.7	3.07%
California General Obligation Bonds	0	\$0	-	0.00%
Corporate Bonds	34,228,485	(\$3,606,805)	2.7	1.28%
Certificates of Deposit	4,477,371	(\$187,629)	2.7	1.48%
Money Market Funds	424,631	\$0	1 Day	4.06%
LAIF	29,235,001	(\$554,403)	1 Day	2.11%
<b>Total (Portfolio) Investments</b>	<b>\$133,673,579</b>	<b>(\$9,480,874)</b>	<b>2.81</b>	<b>0.72%</b>
U.S. Treasury Money Market (Actor's Equity Account)	26,500.00	-		
Cash (Net of outstanding checks)	18,294,944	-		
<b>Total Cash and Investments</b>	<b>\$151,995,023</b>	<b>(\$9,480,874)</b>		

**Current Cash Balances by Fund Category**

The reported totals for cash and investments are accounted for according to the following fund types, most of which are restricted for specific purposes, resulting from state or local policies. Funds are invested until needed to pay bills and demands, meaning that the composition and amount of the investment portfolio is variable. Total portfolio investments increased approximately \$4.8 million (3%) from the prior quarter.

	Amount	Percent
General Fund Contingencies / Future Projects (Assigned)	\$ 61,673,504	41%
Special Revenue Funds (Restricted)	20,072,992	13%
Impact / In Lieu Fee Funds (Restricted)	38,985,353	26%
Capital Project / Assessment District Funds (Restricted)	2,543,377	2%
Enterprise Funds (Restricted)	3,001,030	2%
Internal Service / Replacement Funds (Assigned)	16,640,358	11%
Permanent Fund (Restricted)	1,753,958	1%
Agency Funds (Restricted)	7,324,451	5%
<b>Total</b>	<b>\$151,995,023</b>	<b>100%</b>

**Portfolio Analysis**

Included in this agenda item is a detailed report on the City's investment portfolio, including maturity dates, call dates (if applicable), investment types, market values and effective yields of each of the City's individual investments.

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**IRS Section 115 Pension Trust**

In February 2018, the City Council adopted a resolution authorizing the City Manager to establish an IRS Section 115 irrevocable pension trust fund (the Trust) with PFM Asset Management LLC (PMF). In accordance with the adopted Section 115 Trust Investment Policy Statement, PFM acting as investment advisor has the responsibility for investment of funds in compliance with the Policy Statement. Consistent with the City's Investment Policy Statement for the Section 115 Pension Trust, the Committee herewith includes a quarterly report on performance of the Trust as provided by PFM.

The City Council authorized contributions to the pension trust of \$19.9 million since the trust was established:

- \$16.9 million from the General Fund unassigned fund balance:
  - \$12.8 million (FY16)
  - \$1.1 million (FY17)
  - \$3.0 million (FY18)
- \$3.0 million from the PERS Safety Side Fund Reserve in the General Fund (FY19)

The attached reports (3 and 4) represent Pension Trust activity for the quarter ended December 31, 2022. The closing market value of the trust is \$23,009,268. The weighted portfolio performance over the quarter is 5.37% vs. the blended benchmark of 5.80%. See Attachments 3 and 4, December 31, 2022 Walnut Creek Section 115 Pension Trust Statement and Economic Overview for more details.

**FINANCIAL IMPACTS:**

Acceptance of the December 31, 2022 Investment and Section 115 Pension Trust Report will have no financial impact.

**ALTERNATIVE ACTION:**

None.

**DOCUMENTS:**

- Attachment 1: December 31, 2022 Investment Detail Report
- Attachment 2: December 31, 2022 Supplementary Information by Investment Type
- Attachment 3: December 31, 2022 Walnut Creek Section 115 Pension Trust Statement
- Attachment 4: December 31, 2022 Walnut Creek Section 115 Pension Trust Economic Overview

**CITY COUNCIL ACTION RECOMMENDED:**

Accept the December 31, 2022 Investment and Section 115 Pension Trust Statement Report as submitted.

**STAFF CONTACT:** Katie Bruner, Budget Manager  
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bruner@walnut-creek.org

**City Of Walnut Creek Investment Report Detail**

ATTACHMENT 1

Type	1st Call Date	S&P Ratings	Purchase Date	Maturity Date	December 31, 2022		Par Value of Investment	Market Value As of 12/31/2022	US Bank Effective Yield	
					Days to Maturity	Original Cost				
<b>FEDERAL SECURITIES (Maximum maturity of 5 years - see additional restrictions below)</b>										
FHLB	11/27/2020	AA+	08/27/20	08/27/25	3	970	999,500.00	1,000,000	901,430.00	0.67%
FHLB	11/27/2020	AA+	08/27/20	08/27/25	3	970	1,399,650.00	1,400,000	1,262,002.00	0.67%
FHLB	12/11/2020	AA+	09/11/20	09/11/25	3	985	999,000.00	1,000,000	898,940.00	0.65%
FHLB	8/18/2021	AA+	04/01/21	11/18/24	2	688	996,000.00	1,000,000	917,430.00	0.33%
FHLB	8/18/2021	AA+	05/03/21	11/18/24	2	688	995,000.00	1,000,000	917,430.00	0.33%
FHLB	8/18/2021	AA+	05/06/21	11/18/24	2	688	498,000.00	500,000	458,715.00	0.33%
FHLB	8/26/2021	AA+	02/26/21	08/26/24	2	604	1,000,000.00	1,000,000	927,960.00	0.36%
FHLB	9/24/2021	NA	03/24/21	09/24/24	2	633	1,000,000.00	1,000,000	927,910.00	0.54%
FHLB	6/15/2021	AA+	03/15/21	03/15/24	2	440	999,388.00	1,000,000	947,170.00	0.40%
FHLB	6/24/2021	AA+	03/24/21	03/24/25	3	814	1,323,012.50	1,325,000	1,210,361.00	0.66%
FHLB	7/8/2021	AA+	04/08/21	04/08/24	2	464	1,000,000.00	1,000,000	943,120.00	0.40%
FHLB	7/26/2021	NA	04/26/21	07/26/24	2	573	1,000,000.00	1,000,000	932,980.00	0.48%
FHLB	7/22/2021	AA+	04/22/21	07/22/24	2	569	1,000,000.00	1,000,000	933,340.00	0.54%
FHLB	10/15/2021	AA+	04/15/21	10/15/24	2	654	999,850.00	1,000,000	927,080.00	0.61%
FHLB	8/27/2021	AA+	05/27/21	05/27/26	4	1243	1,000,000.00	1,000,000	894,870.00	0.67%
FHLB	12/10/2021	AA+	06/10/21	12/10/24	2	710	1,000,000.00	1,000,000	920,780.00	0.54%
FHLB	9/28/2021	AA+	07/08/21	06/28/24	2	545	999,250.00	1,000,000	934,800.00	0.43%
FHLB	9/28/2021	AA+	06/28/21	11/28/25	3	1063	999,000.00	1,000,000	897,390.00	0.84%
FHLB	9/28/2021	AA+	07/02/21	03/28/25	3	818	999,000.00	1,000,000	913,070.00	0.60%
FHLB	12/30/2021	AA+	10/12/21	04/30/25	3	851	999,250.00	1,000,000	910,880.00	0.69%
FHLB	12/30/2021	NA	09/30/21	06/30/25	3	912	1,000,000.00	1,000,000	908,750.00	0.83%
FHLB	9/28/2022	AA+	09/29/21	03/28/25	3	818	1,000,000.00	1,000,000	914,540.00	0.70%
FHLB	5/24/2022	AA+	11/24/21	11/24/26	4	1424	1,000,000.00	1,000,000	886,410.00	1.41%
FHLB	11/22/2022	NA	11/22/21	05/22/25	3	873	1,000,000.00	1,000,000	917,460.00	1.09%
FHLB	3/14/2022	AA+	12/14/21	12/14/26	4	1444	500,000.00	500,000	450,220.00	1.11%
FHLB	4/28/2022	AA+	01/31/22	04/28/26	4	1214	499,500.00	500,000	455,405.00	1.76%
FHLB	5/24/2022	AA+	02/24/22	11/24/25	3	1059	998,000.00	1,000,000	937,690.00	1.20%
FHLB	7/14/2022	NA	04/14/22	04/14/27	5	1565	1,000,000.00	1,000,000	936,540.00	3.20%
FHLB	11/5/2022	NA	05/04/22	05/05/23	1	125	999,370.00	1,000,000	992,630.00	2.14%
FHLB	2/24/2023	NA	09/24/22	08/24/23	1	236	1,000,000.00	1,000,000	987,750.00	3.16%
FHLB	2/15/2023	NA	08/15/22	08/15/23	1	227	1,000,000.00	1,000,000	991,120.00	3.28%
FHLB	2/15/2023	NA	09/06/22	08/15/23	1	227	999,900.00	1,000,000	991,120.00	3.28%
FHLB	3/27/2023	AA+	09/27/22	09/27/24	2	636	997,500.00	1,000,000	983,820.00	4.07%
FHLB	12/30/2022	NA	09/30/22	06/30/23	1	181	1,000,000.00	1,000,000	998,970.00	4.00%
FFCB	2/4/2021	AA+	08/04/20	08/04/25	3	947	2,000,000.00	2,000,000	1,810,500.00	0.74%
FFCB	8/12/2021	AA+	08/12/20	08/12/25	3	955	999,403.00	1,000,000	904,200.00	0.63%
FFCB	8/12/2021	AA+	08/17/20	08/12/25	3	955	999,000.00	1,000,000	904,200.00	0.63%
FFCB		NA	09/23/21	03/21/25	3	811	1,299,675.00	1,300,000	1,188,083.00	0.61%
FFCB	11/4/2021	AA+	09/09/21	11/04/24	2	674	999,060.00	1,000,000	924,980.00	0.48%
FFCB	2/16/2021	AA+	11/16/20	05/16/24	2	502	999,250.00	1,000,000	940,330.00	0.37%
FFCB	9/15/2021	AA+	07/13/21	09/15/23	1	258	998,916.00	1,000,000	966,890.00	0.17%
FFCB	4/14/2021	AA+	01/14/21	07/14/25	3	926	1,497,000.00	1,500,000	1,350,480.00	0.43%
FFCB	5/12/2021	AA+	02/25/21	11/12/24	2	682	998,000.00	1,000,000	920,700.00	0.33%
FFCB	8/17/2021	AA+	02/26/21	02/17/26	4	1144	996,031.00	1,000,000	887,880.00	0.66%
FFCB	9/1/2021	AA+	03/19/21	03/01/24	2	426	997,058.00	1,000,000	946,440.00	0.26%
FFCB	11/10/2021	AA+	08/11/21	02/10/25	3	772	999,000.00	1,000,000	915,730.00	0.52%
FHLMC	10/29/2021	NA	06/15/21	10/29/25	3	1033	1,490,298.00	1,500,000	1,341,435.00	0.50%
FHLMC	8/20/2021	NA	08/20/20	08/20/25	3	963	2,000,000.00	2,000,000	1,808,400.00	0.69%
FHLMC	8/12/2021	NA	08/12/20	08/12/25	3	955	1,000,000.00	1,000,000	904,860.00	0.66%
FHLB	6/17/2022	AA+	03/17/22	03/17/25	3	807	999,701.62	1,000,000	944,770.00	2.17%
FHLMC	7/8/2022	AA+	04/08/22	10/08/24	2	647	998,000.00	1,000,000	960,490.00	2.60%
FNMA	8/14/2023	AA+	05/03/21	08/14/25	3	957	991,579.00	1,000,000	899,310.00	0.56%
FNMA		NA	08/27/20	08/25/25	3	968	995,320.00	1,000,000	901,890.00	0.42%
FNMA	7/29/2021	NA	07/29/20	07/29/25	3	941	999,000.00	1,000,000	904,860.00	0.66%
FNMA	7/29/2021	NA	07/29/20	07/29/25	3	941	2,000,000.00	2,000,000	1,812,920.00	0.77%
FNMA	8/27/2021	AA+	08/27/20	08/27/25	3	970	1,000,000.00	1,000,000	901,750.00	0.67%
FNMA	2/28/2022	NA	08/28/20	08/28/25	3	971	1,000,000.00	1,000,000	901,670.00	0.67%
FNMA	8/27/2021	AA+	08/27/20	08/27/25	3	970	998,500.00	1,000,000	899,290.00	0.56%
FNMA	2/28/2022	AA+	08/28/20	08/28/25	3	971	2,000,000.00	2,000,000	1,804,580.00	0.69%
FREDDIE MAC	2/23/2023	AA+	11/23/22	08/23/24	2	601	1,000,000.00	1,000,000	1,002,080.00	4.99%
FFCB	11/3/2022	AA+	11/03/22	11/03/25	3	1038	1,000,000.00	1,000,000	998,370.00	5.21%
FNMA	8/25/2021	NA	08/25/20	08/25/25	3	968	1,000,000.00	1,000,000	903,380.00	0.73%
FHLMC		AA+	01/07/21	09/23/25	3	997	998,833.97	1,000,000	899,880.00	0.42%
<b>TOTAL FEDERAL SECURITIES</b>					<b>2.2</b>		<b>\$67,453,796.09</b>	<b>\$67,525,000</b>	<b>\$62,380,411.00</b>	<b>1.08%</b>
					years					

**City Of Walnut Creek Investment Report Detail**

Type	1st Call Date	S&P Ratings	Purchase Date	Maturity Date	December 31, 2022					ATTACHMENT 1
					Days to Maturity	Original Cost	Par Value of Investment	Market Value As of 12/31/2022	US Bank Effective Yield	
<b>U.S TREASURIES</b>										
US TREASURY NOTE			01/10/22	12/15/24	2	715	999,726.56	1,000,000	935,940.00	1.07%
US TREASURY NOTE			11/29/22	01/24/23	1	24	993,681.33	1,000,000	997,760.00	4.02%
US TREASURY NOTE			12/21/22	02/23/23	1	54	992,924.44	1,000,000	993,980.00	4.13%
<b>TOTAL U.S. TREASURIES</b>						0.7	\$2,986,332.33	\$3,000,000.00	\$2,927,680	3.07%
						years				
<b>CALIFORNIA GENERAL OBLIGATION (G.O.) BONDS</b>										
<b>TOTAL CALIFORNIA G.O. BONDS</b>						0.0	0.00	0	0.00	
						years				
<b>COMMERCIAL PAPER</b>										
<b>(For Commercial Paper, maximum \$2 million per institution, total may not exceed 15% of portfolio for maximum of 270 days)</b>										
<b>TOTAL COMMERCIAL PAPER</b>						0.0	\$0	\$0	\$0	0.00%
						years				
<b>CORPORATE BONDS</b>										
<b>(For Medium Term Notes (i.e. more than 270 days)- maximum 30% of portfolio, no more than \$5 million in one institution, maturity not to exceed 5 yrs)</b>										
<b>=Amortized monthly</b>										
AMAZON.COM	AA		05/13/21	05/12/26	4	1228	999,750.00	1,000,000	885,680.00	1.13%
AMERICAN HONDA FINANCE	A-		04/18/22	07/08/25	3	920	948,050.00	1,000,000	914,050.00	1.31%
APPLE INC CORP	AA+		01/07/20	09/11/24	2	620	1,000,000.00	1,000,000	951,920.00	1.89%
APPLE INC CORP	AA+		05/11/20	05/11/25	3	862	1,002,287.11	1,000,000	920,650.00	1.22%
APPLE INC CORP	AA+		02/08/21	02/08/26	4	1135	1,000,000.00	1,000,000	887,580.00	0.79%
BANK OF AMERICA CORP	A-		01/26/21	01/26/26	4	1122	1,000,000.00	1,000,000	869,550.00	0.69%
BANK OF AMERICA CORP	A-		01/26/21	01/26/26	4	1122	1,000,000.00	1,000,000	869,550.00	0.69%
BANK OF AMERICA CORP	A-		01/29/21	01/29/26	4	1125	1,000,000.00	1,000,000	866,420.00	0.87%
BANK OF AMERICA CORP	A-		05/28/21	05/28/26	4	1244	1,000,000.00	1,000,000	860,590.00	1.45%
BANK OF AMERICA CORP	A-		07/30/21	07/30/26	4	1307	1,000,000.00	1,000,000	819,230.00	1.46%
BANK OF AMERICA CORP	A-		08/26/21	08/26/26	4	1334	1,000,000.00	1,000,000	856,260.00	1.46%
BANK OF MONTREAL	NA		12/22/21	12/22/26	4	1452	1,000,000.00	1,000,000	875,030.00	2.29%
BNY MELLON CORP	A		04/30/18	04/28/23	1	118	374,591.25	375,000	373,376.25	3.52%
BNY MELLON CORP	A		03/19/20	10/24/24	2	663	1,000,000.00	1,000,000	953,350.00	2.20%
BNY MELLON CORP	A		07/21/21	01/28/26	4	1124	999,500.00	1,000,000	885,570.00	0.85%
BARCLAYS BK	A		10/29/21	04/29/25	3	850	2,000,000.00	2,000,000	1,798,920.00	1.11%
BARCLAYS BK PLC	NA		08/29/22	08/29/25	3	972	2,000,000.00	2,000,000	1,928,860.00	4.30%
BBT CORP	A		12/10/19	12/06/24	2	706	998,970.00	1,000,000	950,690.00	2.26%
CATERPILLAR FINL SRV	A		02/12/21	09/14/23	1	257	1,001,120.63	1,000,000	969,470.00	0.46%
CATERPILLAR FINL SRV	A		11/20/20	11/13/25	3	1048	1,353,843.00	1,350,000	1,210,882.50	0.89%
CATERPILLAR FINL SRV	A		01/21/21	11/13/25	3	1048	2,005,698.04	2,000,000	1,793,900.00	0.89%
CATERPILLAR FINL SRV	A		03/08/21	03/02/26	4	1157	793,416.00	800,000	712,960.00	1.01%
JOHN DEERE	A		03/23/20	01/09/25	3	740	979,770.00	1,000,000	949,260.00	2.16%
JOHN DEERE CAPITAL	A		01/27/21	01/15/26	4	1111	1,400,000.00	1,400,000	1,245,776.00	0.79%
JOHN DEERE CAPITAL	A		07/21/21	01/15/26	4	1111	999,500.00	1,000,000	889,840.00	0.79%
JPMORGAN CHASE	A+		01/22/21	01/22/26	4	1118	1,000,000.00	1,000,000	855,980.00	0.82%
JPMORGAN CHASE	A+		09/14/21	09/14/26	4	1353	1,000,000.00	1,000,000	871,260.00	1.15%
JPMORGAN CHASE	A-		08/30/21	08/28/26	4	1336	1,000,000.00	1,000,000	856,630.00	1.40%
JPMORGAN CHASE	NA		10/29/21	10/29/26	4	1398	1,000,000.00	1,000,000	857,470.00	1.63%
ROYAL BANK OF CANADA	A		03/12/21	01/19/24	2	384	995,620.23	1,000,000	954,710.00	0.45%
TORONTO DOMINION	A		10/13/20	09/11/25	3	985	1,000,000.00	1,000,000	892,610.00	0.84%
TORONTO DOMINION	A		04/19/21	03/04/24	2	429	1,001,995.68	1,000,000	949,670.00	0.58%
TOYOTA MTR CORP	A+		09/15/21	10/16/25	3	1020	995,995.66	1,000,000	895,250.00	0.89%
TRUIST BK TFC	A		03/30/20	03/10/25	3	800	1,985,182.10	2,000,000	1,855,540.00	1.62%
<b>TOTAL CORPORATE BONDS</b>						2.7	\$37,835,289.70	\$37,925,000	\$34,228,484.75	1.37%
						years				

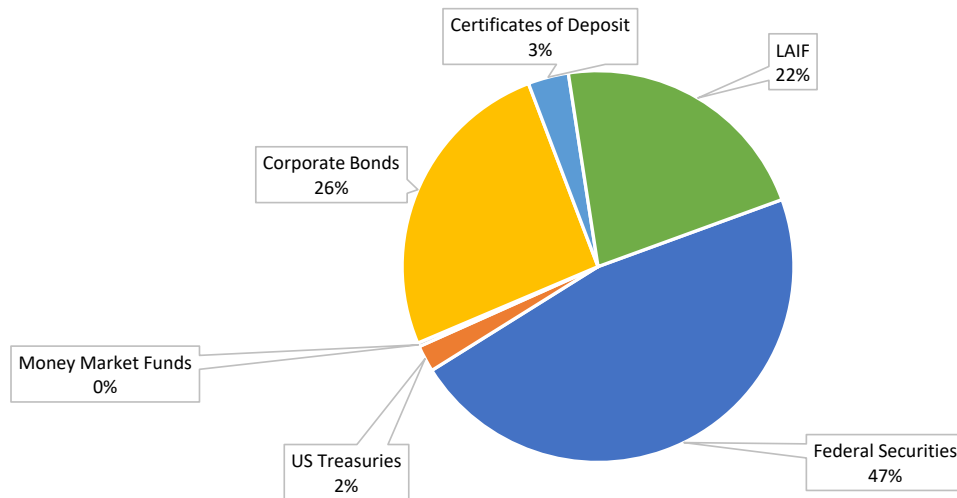


**City Of Walnut Creek Investment Report Detail**

Type	1st Call Date	S&P Ratings	Purchase Date	Maturity Date	December 31, 2022		Par Value of Investment	ATTACHMENT 1		
					Days to Maturity	Original Cost		Market Value As of 12/31/2022	US Bank Effective Yield	
<b>CERTIFICATES OF DEPOSIT</b>										
<b>(Maximum 20% of portfolio - no more than \$2 million in one institution , weighted average maturity not to exceed 3 years)</b>										
AMER CHRISTIAN CD			10/14/22	10/13/23	1	286	244,000.00	244,000	243,592.52	4.36%
CALIFORNIA CRED CD			10/20/22	10/20/23	1	293	244,000.00	244,000	243,404.64	4.31%
AUSTIN TELCO CD			11/28/22	11/27/24	2	697	248,000.00	248,000	249,569.84	4.92%
MBS-ENERBANK USA CD			03/13/20	03/13/23	1	72	245,000.00	245,000	243,461.40	1.01%
VS-AXOS BK BOFI CD			03/27/20	03/27/23	1	86	245,000.00	245,000	243,515.30	1.61%
MBS-GREENSTATE CU CD			08/18/20	08/18/23	1	230	245,000.00	245,000	238,821.10	0.41%
VS-STATE BANK INDIA CD			02/25/21	02/25/26	4	1152	245,000.00	245,000	216,646.15	0.68%
VS-SALLIE MAE BK CD			07/14/21	07/14/26	4	1291	245,000.00	245,000	216,611.85	1.13%
MBS-SALLIE MAE BK CD			08/11/21	08/11/26	4	1319	245,000.00	245,000	216,837.25	1.24%
VS-SYNCHRONY BK CD			09/10/21	09/10/24	2	619	245,000.00	245,000	229,155.85	0.64%
VS-MEDALLION BK CD			09/16/21	09/16/24	2	625	245,000.00	245,000	229,008.85	0.64%
VS-SYNCHRONY BK CD			10/22/21	10/22/24	2	661	248,000.00	248,000	231,443.52	0.75%
BEAL BANK USA CD			02/24/22	02/21/24	2	417	245,000.00	245,000	235,621.40	1.25%
AmericanExpress CD			03/11/22	03/11/24	2	436	245,000.00	245,000	236,447.05	1.66%
TVI-CAPITAL ONE CD			05/25/22	05/28/24	2	514	246,000.00	246,000	240,096.00	2.92%
CONNEXUS CREDIT CD			08/26/22	08/28/24	2	606	248,000.00	248,000	243,208.64	3.47%
CONNEXUS CREDIT CD			08/26/22	08/26/25	3	969	245,000.00	245,000	238,367.85	3.60%
MOUNTAIN AMERICA CREDIT UNION CD			08/31/22	02/28/25	3	790	245,000.00	245,000	239,227.80	3.53%
ESSENTIAL FED CD			09/09/22	09/09/24	2	618	247,000.00	247,000	242,334.17	3.52%
<b>TOTAL CERTIFICATES OF DEPOSIT</b>						<b>2.7</b>	<b>\$4,665,000.00</b>	<b>\$4,665,000</b>	<b>\$4,477,371.18</b>	<b>1.48%</b>
						<b>years</b>				
<b>MONEY MARKET FUNDS</b>										
US Bank Government Money Market Fund				N/A			424,631.07	424,631	424,631.07	4.06%
<b>TOTAL MUTUAL FUNDS</b>							<b>424,631.07</b>	<b>\$424,631</b>	<b>424,631.07</b>	<b>4.06%</b>
<b>PUBLIC INTEREST CHECKING ACCOUNT</b>										
Pacific Premier (formerly Opus) Bank Checking Account - Closed 3/05/21							-	-	-	-
<b>POOLED PUBLIC AGENCY INVESTMENTS (\$75 million limit per account)</b>										
Local Agency Investment Fund (LAIF) - City				N/A			25,133,699.21	25,133,699	24,665,942.42	2.107%
Local Agency Investment Fund (LAIF) - Successor Agency				N/A			4,655,454.91	4,655,455	4,568,813.44	2.173%
Local Agency Investment Fund (LAIF) - WCPFFA				N/A			250.11	250	245.46	2.173%
<b>TOTAL POOLED PUBLIC AGENCY INVESTMENTS</b>							<b>29,789,404.23</b>	<b>\$29,789,404</b>	<b>29,235,001.31</b>	<b>2.107%</b>
<b>TOTAL INVESTED PORTFOLIO <sup>(1)</sup></b>							<b>143,154,453.42</b>	<b>143,329,035.30</b>	<b>133,673,579.31</b>	<b>1.37%</b>
<b>MATURITY SCHEDULE SUMMARY OF PORTFOLIO</b>										
Money Market Funds/Public Interest Checking/LAIF (1 day liquidity)									\$29,659,632	22.19%
Maturing in 1 year or less									\$10,475,861	7.84%
Maturing in 1-2 years									\$25,200,700	18.85%
Maturing in 2-3 years									\$48,210,589	36.07%
Maturing in 3-4 years									\$19,190,256	14.36%
Maturing in 4-5 years									\$936,540	0.70%
Total Portfolio									\$133,673,579	100.01%
<b>SUMMARY BY INVESTMENT TYPE</b>										
Federal Securities									\$62,380,411	46.67%
U.S. Treasuries									\$2,927,680	2.19%
California General Obligation Bonds									\$0	0.00%
Commercial Paper									\$0	0.00%
Corporate Bonds									\$34,228,485	25.61%
Certificates of Deposit									\$4,477,371	3.35%
Money Market Funds									\$424,631	0.32%
Public Interest Checking Account									-	0.00%
LAIF									\$29,235,001	21.87%
<b>GRAND TOTAL</b>									<b>\$133,673,579</b>	<b>100.00%</b>
<b>% OF FEDERAL SECURITIES CALLABLE</b>										<b>89%</b>

<sup>(1)</sup> See page 5 of Agenda Report for additional details regarding the restricted use of these funds

City of Walnut Creek  
Portfolio Percentage Share by Investment Type  
December 31, 2022



TYPE OF INSTRUMENT	Market Value	Amount Over/(Under) Cost	Effective Rate of Return	% of Portfolio	Average Maturity in Years *
Federal Home Loan Bank (FHLB)	\$31,874,833	(\$2,325,039)	1.20%	23.85%	2.2
Federal Farm Credit Bureau (FFCB)	\$13,658,783	(\$1,123,610)	0.85%	10.22%	2.4
Federal National Mortgage Assn (FNMA)	\$9,929,650	(\$1,054,749)	0.72%	7.43%	2.9
Government National Mortgage Association (GNMA)	\$0	\$0	0.00%	0.00%	0.0
Federal Home Loan Mortgage Corporation (FHLMC)	\$6,917,145	(\$569,987)	1.56%	5.17%	2.6
<b>SUB -TOTAL FEDERAL SECURITIES</b>	<b>62,380,411</b>	<b>(5,073,385)</b>	<b>0.71%</b>	<b>46.67%</b>	<b>2.8</b>
U.S. Treasuries	\$2,927,680	(\$58,652)	3.13%	2.19%	0.7
California General Obligation Bonds	\$0	\$0	0.00%	0.00%	0.0
Commercial Paper	\$0	\$0	0.00%	0.00%	0.0
Corporate Bonds	\$34,228,485	(\$3,606,805)	1.42%	25.61%	3.0
Certificates of Deposit	\$4,477,371	(\$187,629)	1.54%	3.35%	1.6
Money Market Funds	\$424,631	\$0	4.06%	0.32%	0.0
LAIF	\$29,235,001	(\$554,403)	2.16%	21.87%	0.0
<b>GRAND TOTAL **</b>	<b>\$133,673,579</b>	<b>(\$9,480,874)</b>	<b>0.72%</b>	<b>100.00%</b>	<b>2.8</b>

\* Grand Total for Average Maturity Years reflects average for Federal Securities, Commercial Paper, Corporate Bonds and Certificate of Deposit only. LAIF and Money Market funds have same day availability.

\*\* See page 5 of Agenda Report for additional details regarding the restricted use of these funds



# City of Walnut Creek - Section 115 Pension Trust

## Investment Performance Review For the Quarter Ended December 31, 2022

Client Management Team

PFM Asset Management LLC

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Ellen Clark, Director  
Matt Smith, CFA, Senior Managing Consultant  
Chrystal Thomas, Analyst

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415-393-7270

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# **Financial Markets & Investment Strategy Review**

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
<b>DOMESTIC EQUITY</b>							
S&P 500	7.56%	-18.11%	-18.11%	7.66%	9.42%	11.48%	12.56%
Russell 3000 Index	7.18%	-19.21%	-19.21%	7.07%	8.79%	11.04%	12.13%
Russell 1000 Value Index	12.42%	-7.54%	-7.54%	5.96%	6.67%	9.12%	10.29%
Russell 1000 Growth Index	2.20%	-29.14%	-29.14%	7.79%	10.96%	12.95%	14.10%
Russell Midcap Index	9.18%	-17.32%	-17.32%	5.88%	7.10%	9.61%	10.96%
Russell 2500 Index	7.43%	-18.37%	-18.37%	5.00%	5.89%	9.00%	10.03%
Russell 2000 Value Index	8.42%	-14.48%	-14.48%	4.70%	4.13%	8.23%	8.48%
Russell 2000 Index	6.23%	-20.44%	-20.44%	3.10%	4.13%	7.90%	9.01%
Russell 2000 Growth Index	4.13%	-26.36%	-26.36%	0.65%	3.51%	7.09%	9.20%
<b>INTERNATIONAL EQUITY</b>							
MSCI EAFE (Net)	17.34%	-14.45%	-14.45%	0.87%	1.54%	4.53%	4.67%
MSCI AC World Index (Net)	9.76%	-18.36%	-18.36%	4.00%	5.23%	8.10%	7.98%
MSCI AC World ex USA (Net)	14.28%	-16.00%	-16.00%	0.07%	0.88%	4.80%	3.80%
MSCI AC World ex USA Small Cap (Net)	13.31%	-19.97%	-19.97%	1.07%	0.67%	5.08%	5.24%
MSCI EM (Net)	9.70%	-20.09%	-20.09%	-2.69%	-1.40%	5.17%	1.44%
<b>ALTERNATIVES</b>							
FTSE NAREIT Equity REIT Index	5.24%	-24.37%	-24.37%	-0.11%	3.68%	4.58%	6.53%
FTSE EPRA/NAREIT Developed Index	7.11%	-24.39%	-24.39%	-4.06%	0.70%	2.77%	3.90%
Bloomberg Commodity Index Total Return	2.22%	16.09%	16.09%	12.65%	6.44%	6.49%	-1.29%
<b>FIXED INCOME</b>							
Blmbg. Barc. U.S. Aggregate	1.87%	-13.01%	-13.01%	-2.71%	0.02%	0.89%	1.06%
Blmbg. Barc. U.S. Government/Credit	1.80%	-13.58%	-13.58%	-2.57%	0.21%	1.14%	1.16%
Blmbg. Barc. Intermed. U.S. Government/Credit	1.54%	-8.24%	-8.24%	-1.26%	0.73%	1.12%	1.12%
Blmbg. Barc. U.S. Treasury: 1-3 Year	0.73%	-3.82%	-3.82%	-0.46%	0.74%	0.71%	0.65%
Blmbg. Barc. U.S. Corp: High Yield	4.17%	-11.19%	-11.19%	0.05%	2.31%	5.05%	4.03%
Credit Suisse Leveraged Loan index	2.33%	-1.06%	-1.06%	2.34%	3.24%	4.31%	3.78%
ICE BofAML Global High Yield Constrained (USD)	6.95%	-13.26%	-13.26%	-1.74%	0.84%	4.03%	3.14%
Blmbg. Barc. Global Aggregate Ex USD	6.81%	-18.70%	-18.70%	-5.95%	-3.07%	-0.59%	-1.64%
JPM EMBI Global Diversified	8.11%	-17.78%	-17.78%	-5.28%	-1.31%	1.85%	1.59%
<b>CASH EQUIVALENT</b>							
90 Day U.S. Treasury Bill	0.84%	1.46%	1.46%	0.72%	1.26%	1.06%	0.75%

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

**THE ECONOMY**

▶ In line with slowing growth expectations, U.S. gross domestic product (GDP) for the fourth quarter of 2022 is projected to grow at an annual rate of 1.9%, according to the World Bank. 2023 is expected to grow by 1.7%, while 2024 growth is projected to be 2.7%.

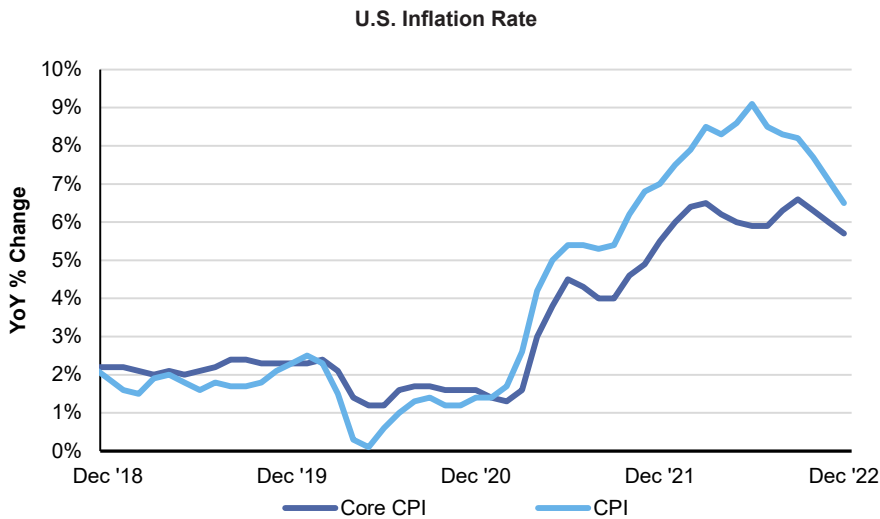
▶ The labor market has remained relatively strong through the fourth quarter. The U.S. economy added 742,000 jobs during the quarter though the pace appears to be moderating.

▶ Unemployment rose slightly at the beginning of the quarter but ended the year back at a pre-pandemic low of 3.5%. The participation rate dipped in October but edged back up to 62.3% by year-end, prompting some hopes that rising participation may relieve the labor supply issue.

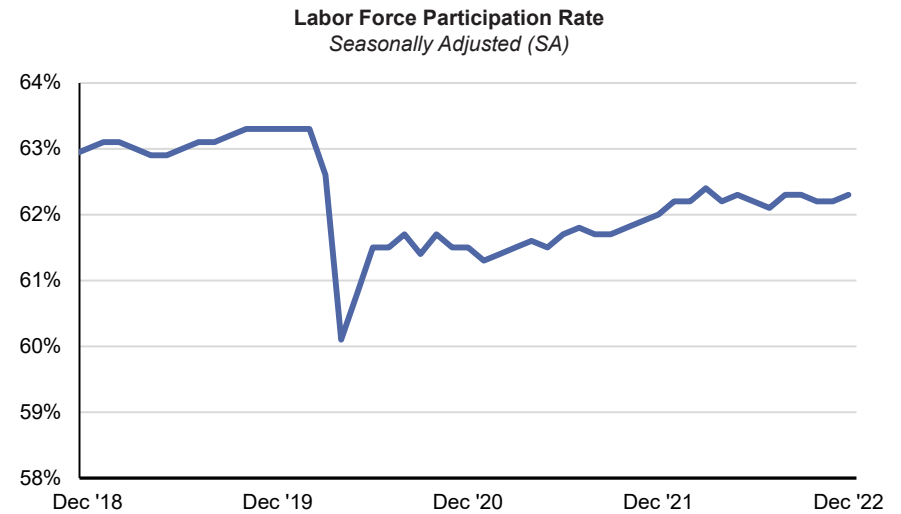
▶ Inflation cooled in the fourth quarter, continuing the trend of the third quarter, and ending the year with an annual inflation rate of 6.5%. While markets are optimistic about the continued cooling of inflation, the rate is still significantly over the Federal Reserve's (Fed) 2% long-term inflation target.



Source: World Bank. Dark blue bars indicate actual numbers; light blue bars indicate forecasted estimates.



Source: Bureau of Labor Statistics.

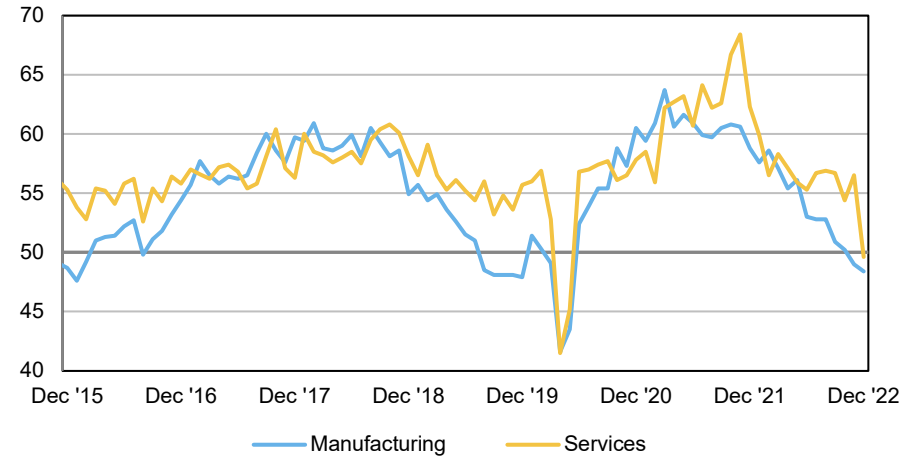


Source: Bureau of Labor Statistics.

**WHAT WE'RE WATCHING**

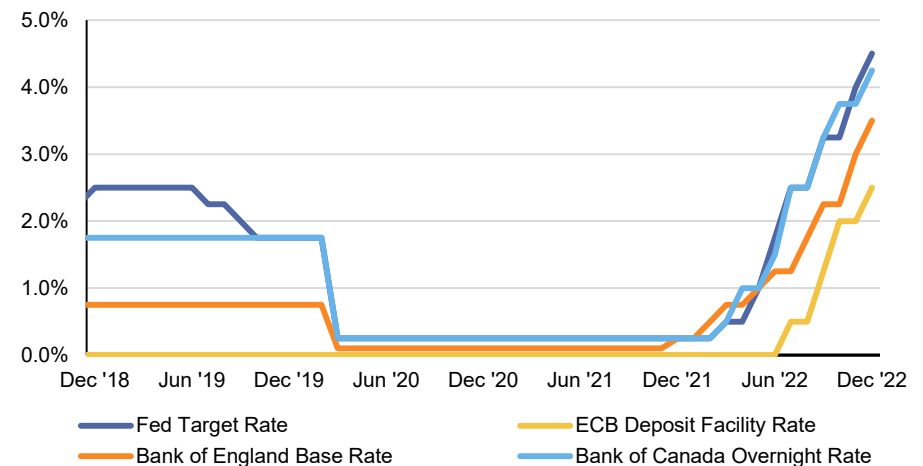
- ▶ Continued disruptions from Russia's ongoing war in Ukraine remain a headwind for the global economy, but some improvements have been seen. The FAO Food Price Index fell again in December, marking the ninth consecutive monthly decline, after hitting a record high and standing 1.0% below its pre-war value.
- ▶ The prospect of a low growth/mild recession continues to gain momentum as purchasing managers reported gloomy numbers across the economy. ISM Manufacturing PMI fell into contractionary territory during the fourth quarter, ending the year 48.4. ISM Services PMI also pointed to the first contraction in the services sector since May 2020 amid weakening demand, ending the year with a reading of 49.6.
- ▶ In China, the disruptions to supply chains caused by strict COVID-lockdown policies have come to an end. In the near term, however, we expect growth may be hampered in new ways as people struggle with infections and the government works to increase vaccination rates. The World Bank's most recent forecast expects China's economy to grow by 4.3% in 2023.
- ▶ Central banks in the U.S. and around the world continue to struggle with controlling inflation, balancing contractionary monetary policy with slowing economic growth. The Federal Open Market Committee's latest dot plot has the officials' targeted range for the Fed Funds rate now standing at 5.00-5.25% at the end of 2023. The European Central Bank (ECB) has a similar, if not more aggressive, message for 2023, with ECB president Christine Lagarde saying, "We're not slowing down. We're in for the long game" concerning interest rates.

**ISM Manufacturing & Services PMI**



Source: Bloomberg.

**Global Central Bank Rates**



Source: Bloomberg.



**DOMESTIC EQUITY**

▶ Over the quarter, the market saw positive gains in October and November. Still, it ended with a negative December, with the S&P 500 Index (S&P) posting a positive return of 7.56% for the quarter, which was the first and only positive quarter of the year. The ending return for 2022 was -18.11%.

▶ Within S&P, nine of 11 sectors ended with positive returns for the quarter. Year-to-date, Energy (65.43%) and Utilities (1.56%) were the only two positive sectors, while Communication Services (-39.89%), Consumer Discretionary (-37.03%), and Information Technology (-28.19%) were the biggest detractors.

▶ Value stocks, as represented by the Russell 1000 Value Index, returned 12.42% and outpaced growth stocks, as represented by the Russell 1000 Growth Index, which returned 2.20% for the quarter. Over the trailing 12 months, the value index has outperformed the growth index by over 21 percentage points (-7.54% vs. -29.14%).

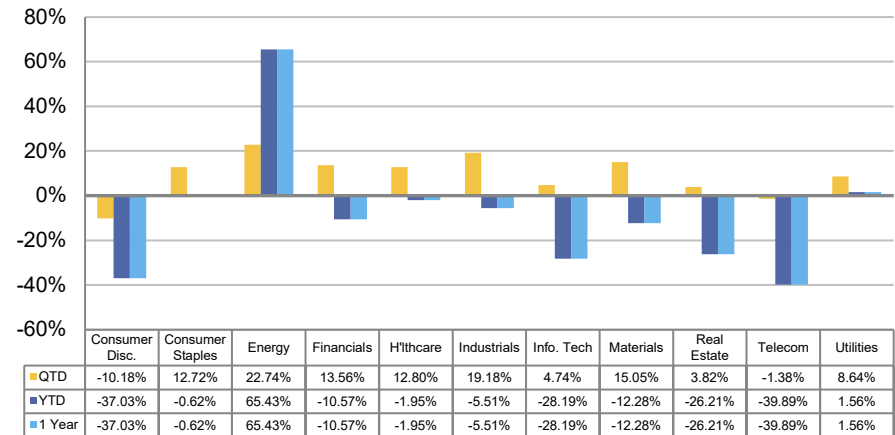
▶ Small-caps, as represented by the Russell 2000 Index, returned 6.23% during the quarter and lagged mid- and large-caps. The Russell Midcap and Russell 1000 Indices returned 9.18% and 7.23%, respectively.

▶ From a valuation perspective, large- and small-caps looked favorable. The S&P 500 Forward P/E ratio was 17.22, which is below its 5-year average of 19.29. By comparison, the Russell 2000, which represents small-cap stocks, had a Forward P/E ratio of 11.54, below its 5-year average of 16.08.

▶ According to FactSet Earnings Insight (as of January 6, 2023), the expected earnings growth rate for S&P for the quarter is -4.1%. If -4.1% is the actual growth rate for the quarter, it will mark the first year-over-year decline in earnings for the S&P since the third quarter of 2020 (-5.7%). The Energy sector is expected to be the biggest contributor to earnings for the fourth quarter. If Energy were excluded, the expected earnings decline of -4.1% would worsen to -8.5%.

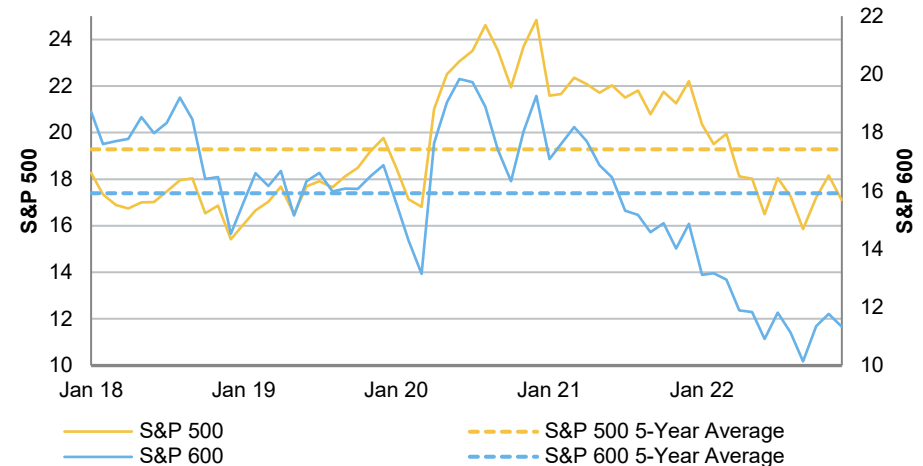
**S&P 500 Index Performance by Sector**

Periods Ended December 31, 2022



Source: Bloomberg.

**P/E Ratios of Major Stock Indices\***



Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

**NON-U.S. EQUITY**

▶ Markets outside of the U.S., as measured by the MSCI ACWI ex-U.S. Index, significantly outperformed their U.S. counterparts, returning 14.29% for the quarter, partially helped by a weakening U.S. dollar.

▶ All 11 sectors posted strong positive returns for the quarter. In 2022, Energy was the best-performing sector returning 8.08%, while Information technology was the worst-performer, returning -34.47% for the year.

▶ Emerging markets (EM), as represented by MSCI Emerging Market Index, underperformed Developed ex-U.S. Markets, represented by the MSCI EAFE Index, returning 9.70% versus 17.34% for the quarter.

▶ MSCI Europe (19.42%) and MSCI EM Europe (43.24%) outperformed the MSCI EAFE and MSCI EM indices, respectively. Higher than expected corporate earnings in Europe and hopes of the ECB’s slowdown in rate hikes boosted investor sentiment. EM Latin America (5.95%) lagged the index as the presidential election in Brazil and subsequent social unrest led to increased volatility across the region.

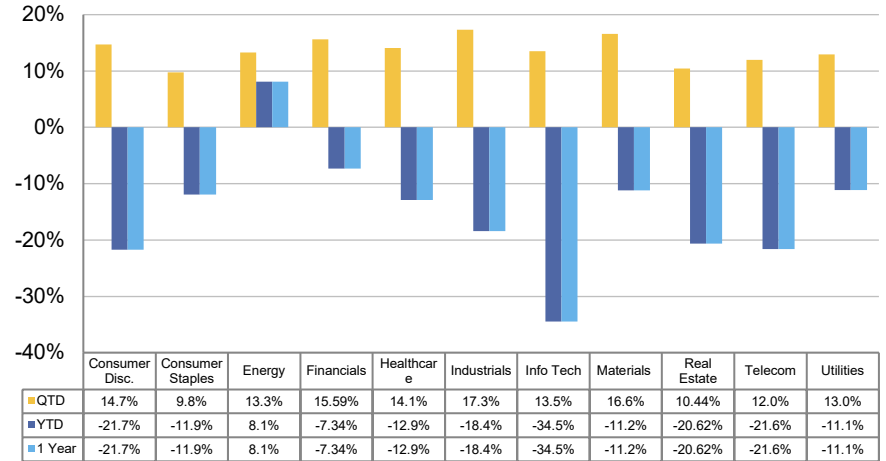
▶ Value stocks outperformed growth stocks for the quarter as represented by the broad benchmark, a reversal from the third quarter of 2022, which was the only quarter of growth outperformance for the year. MSCI AC World ex-USA Value returned 15.70%, while MSCI AC World ex-USA Growth returned 12.89% for the quarter.

▶ Capitalization-wise, small-caps, as represented by MSCI ACWI ex-U.S. Small Cap Index, underperformed within the international equity markets, returning 13.31% for the quarter.

▶ Valuations have substantially cheapened across international equity markets. MSCI EAFE ended the year with a Forward P/E ratio of 11.87, much lower than its 5-year average of 14.82. Similarly, MSCI EM’s Forward P/E stood at 10.71 versus a 5-year average of 12.78.

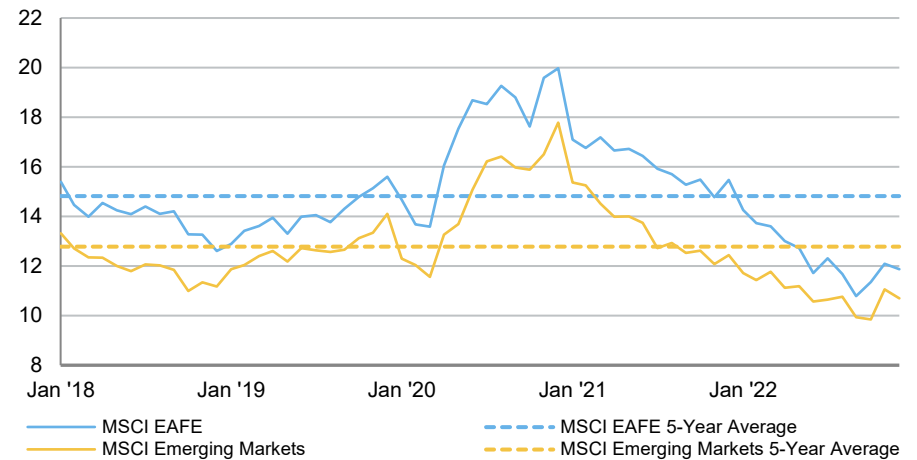
**MSCI ACWI ex-U.S. Sectors**

Periods Ended December 31, 2022



Source: Bloomberg.

**P/E Ratios of MSCI Equity Indices\***



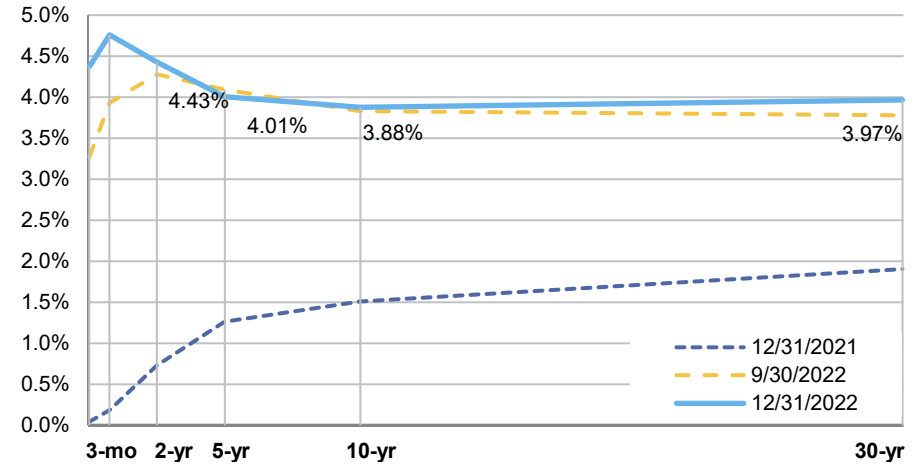
Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

**FIXED INCOME**

- ▶ In the fourth quarter, the U.S. bond market, represented by the Bloomberg U.S. Aggregate (Aggregate) Index, had its first period, up 1.87%. For the year, the Aggregate lost 13.01%, marking its worst annual performance since its inception in 1976.
- ▶ The Treasury market had a modest gain in the fourth quarter, up 0.72%, while the Bloomberg U.S. Treasury Index lost 12.46% in total return for the year.
- ▶ The front end of the yield curve out to the 2-year mark increased due to continued Fed Funds rate hikes, but the back end rose meaningfully in October with the 10-year briefly at the 4.1% mark. But throughout December, it declined, remained below 4% and ended at 3.88%.
- ▶ Corporate credit was strong in the fourth quarter, with higher yields and the longer end of the curve being range bound. The investment-grade (IG) Bloomberg U.S. Corporate (IG Corp) Index gained 3.63%, while high-yield bonds, as represented by the Bloomberg U.S. Corporate High Yield (HY) Index, were up 4.17%. HY was led by BB and B-rated quality. Floating rate leveraged loans gained 2.33% as measured by the Credit Suisse Leveraged Loan Index. For the year, loans fared best by a wide margin (-1.06%) versus -11.19% for broad HY and -15.76% for IG Corp.
- ▶ The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index, gained some traction in the fourth quarter, up 2.14%. On the commercial side, the Bloomberg U.S. Agency CMBS Index rose 1.29%. Both had double-digit losses in 2022, -11.81% and -11.29%, respectively.

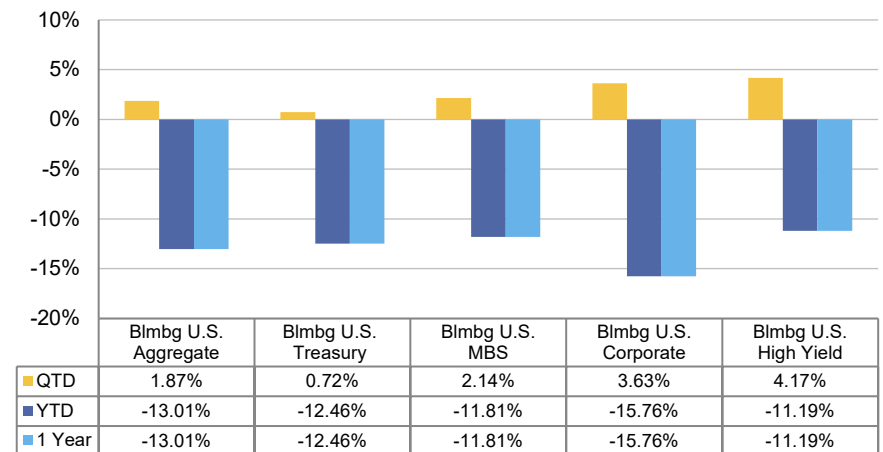
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended December 31, 2022



Source: Bloomberg.

**ALTERNATIVES**

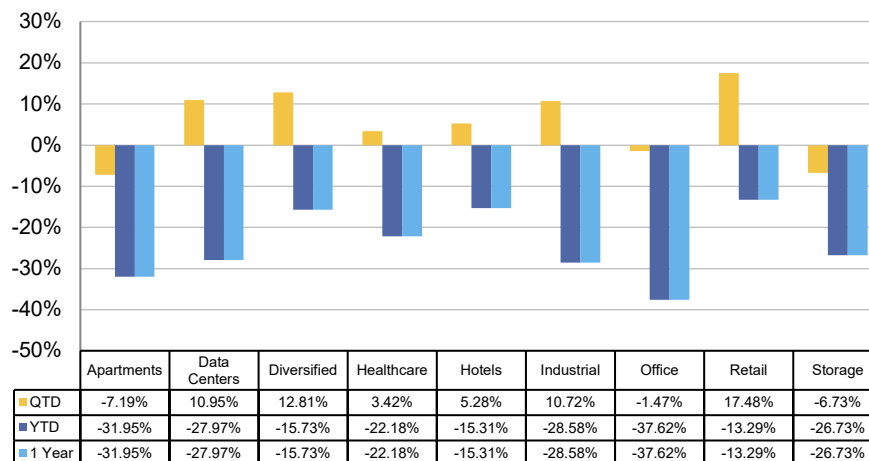
▶ REITs, as measured by the FTSE NAREIT Equity REITs Index, gained 5.24% in the fourth quarter of 2022, compared to a 9.94% decline in the prior quarter. Most major sectors posted positive returns during the fourth quarter, a reversal from the losses seen in prior quarters. The best performers were the Retail and Diversified sectors, which posted returns of 17.48% and 12.81%, respectively. The worst performers during the quarter were the Apartments and Self-Storage sectors, which had previously exhibited stronger performance relative to other real estate sectors. These sectors posted returns of -7.19% and -6.73%, respectively.

▶ Commodity futures, represented by the Bloomberg Commodity Total Return Index, gained 2.22% in the fourth quarter of 2022. The U.S. Dollar Index (DXY) declined 7.67% over the same period and fell from its record highs. Gold spot price finished the quarter at \$1,824.02 per ounce, an 9.84% gain over the period. The West Texas Intermediate (WTI) Crude Oil spot price increased 0.97% from \$79.49 to \$80.26 per barrel during the fourth quarter as prices were buoyed by supply concerns despite macroeconomic uncertainty.

▶ Hedge fund returns were mostly positive in the fourth quarter of 2022, with the HFRI Fund Weighted Composite Index returning 2.21%. During the same period, the HFRI Macro (Total) Index returned -1.04%. The HFRI Equity Hedge (Total) Index and the HFRI Fund of Funds Index returned 3.98% and 2.43%, respectively.

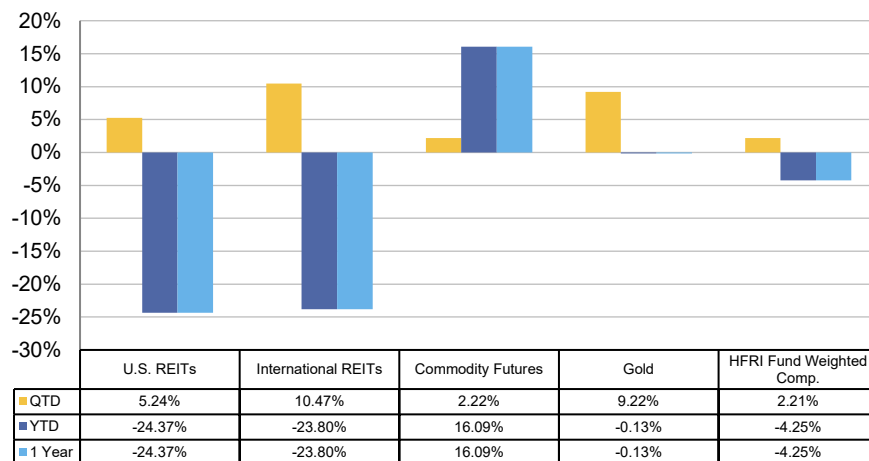
▶ Private Equity has been a strong performer relative to public equities; however, recent performance has weakened as a result of a slowing economy and market volatility. In the third quarter of 2022, private capital fundraising was led by private equity funds, which closed on \$115.80 billion. According to Cambridge Associates, U.S. private equity posted a return of -4.96% in the second quarter of 2022. However, the asset class has generated a return of 20.56% for the 5 years ended Q2 2022.

**FTSE NAREIT Sectors**  
Periods Ended December 31, 2022



Source: Bloomberg.

**Returns for Liquid and Semi-Liquid Alternative Assets**  
Periods Ended December 31, 2022



Sources: Bloomberg and Hedge Fund Research, Inc.

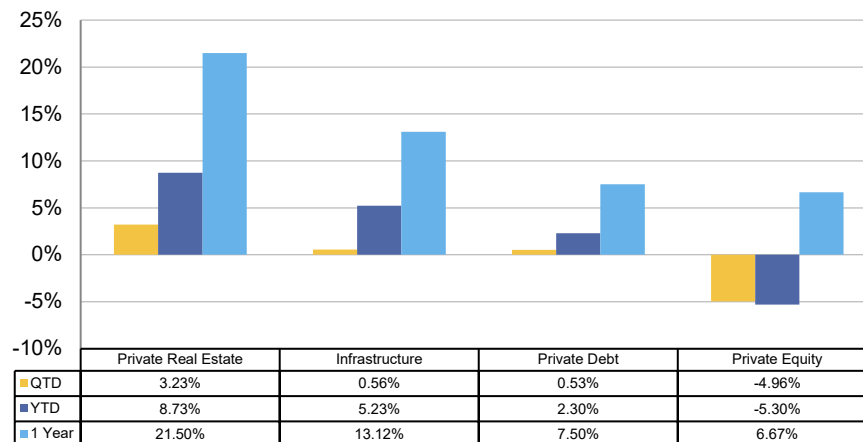
**ALTERNATIVES (continued)**

▶ Private debt has performed well relative to public fixed income and remains attractive despite the uncertain macroeconomic environment. Fundraising has started to slow, with the third quarter amounting to \$47 billion, but the deal flow has been strong over the past year. According to Cliffwater Direct Lending Index, U.S. middle market loans, a proxy for private debt, posted a return of 1.82% in the third quarter of 2022. The asset class has also generated a return of 8.28% for the 5 years ended Q3 2022.

▶ Private Real Estate, as measured by the NCREIF Property Index, gained 0.57% in the third quarter of 2022, resulting in a 16.10% return over the twelve-month period ended September 2022. Hotel properties were the top performers, with a total return of 2.69% in the third quarter, comprised of 2.27% in income return and 0.41% in appreciation return. Office properties were again the worst performers with a total return of -0.66%, comprised of 1.04% in income return and -1.70% in appreciation return.

▶ Infrastructure funds raising dropped 71.78% for the third quarter. Over half of the infrastructure capital raised went to riskier value-added and opportunistic funds as opposed to core infrastructure strategies. Despite macroeconomic headwinds, the asset class remains attractive due to its ability to provide moderate but consistent returns during periods of volatility, inflation and recession. According to PitchBook, infrastructure funds posted a return of 0.56% in the second quarter of 2022. The asset class has generated a return of 10.15% for the 5 years ended Q2 2022.

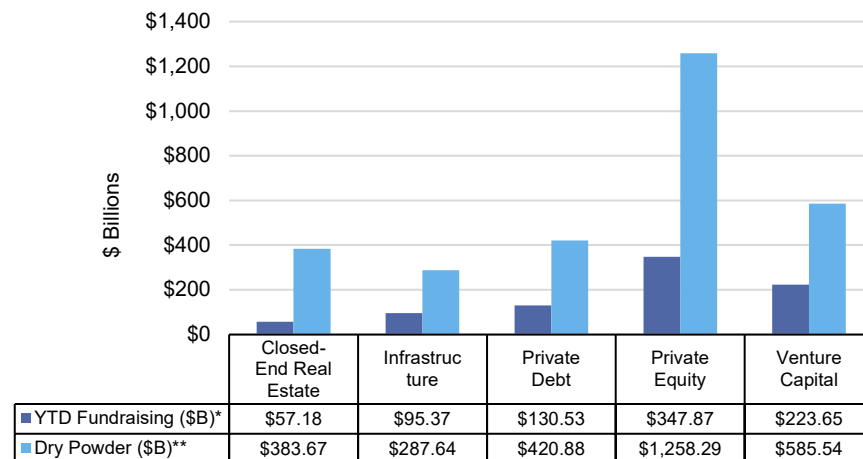
**Returns for Private Capital Assets**



Source: NCREIF, PitchBook, Cliffwater, Cambridge Associates.

\*Data as of Q2 2022 — most recent period for which all performance data is available.

**Private Capital Fundraising & Dry Powder**



Sources: Pitchbook.

\* Total capital raised in 2022 as of September 30, 2022.

\*\* Cumulative dry powder as of September 30, 2022.

**Investment Strategy Overview**

Asset Class	Our Q1 2023 Investment Outlook	Comments
<b>U.S. Equities</b>		<ul style="list-style-type: none"> <li>Higher interest rates have depressed equity valuation even as profit estimates have held up. As the Fed ends rate hike cycle, U.S. equities could stabilize.</li> <li>Slowing economic growth and tightening financial conditions could impact 2023 profit estimates. We are closely watching earnings expectations for any sustained deterioration.</li> <li>Valuations for small- and mid-caps look relatively attractive supported by earnings growth.</li> </ul>
<b>Non-U.S. Equities</b>		<ul style="list-style-type: none"> <li>International equities continue to trade at a discount to U.S. equities. Risks to the downside are reflected in these valuations, making it an attractive entry point.</li> <li>China's pivot away from COVID-zero and economic reopening is positive in the near term, but we remain cautious as China continues to face multiple headwinds.</li> <li>International small-caps provide exposure to local revenue streams and have been shown to add alpha over core benchmark over long-term. In the near-term, higher exposure to negative earnings is a headwind.</li> </ul>
<b>Fixed Income</b>		<ul style="list-style-type: none"> <li>Moderating inflation and slowing economic growth will likely lead to the Fed ending rate hike cycle over next several meetings.</li> <li>Interest rates may have peaked, providing an attractive entry point to reduce fixed income underweight.</li> <li>Corporate spreads have widened over the course of 2022, but credit markets remain attractive due to strong corporate fundamentals. We continue to seek diversified credit exposure and are closely watching signs for any distress in the corporate credit space.</li> </ul>
<b>Alternatives</b>		<ul style="list-style-type: none"> <li>Reasonable valuations and income potential are positives for publicly traded real estate while private real estate NAVs are likely overstated.</li> <li>Private equity and debt strategies can complement multi-asset portfolios by providing access to attractive opportunities during periods of disruption, but will be impacted by rising rates and any distress in credit markets.</li> <li>Commodities have given up the gains of earlier in the year. In 2023 commodities will be impacted by supply demand dynamics as the global economy continues to slow but offset by improving growth in China.</li> </ul>

● Current outlook    ○ Outlook one quarter ago



**Factors to Consider Over the Next 6-12 Months**

<p><b>Monetary Policy:</b></p> <ul style="list-style-type: none"> <li>• The Fed has stated its intention to focus on bringing down inflation at the cost of economic growth.</li> <li>• Uncertainty around the rate hike path is weighing on risk assets while we believe we are closer to end of rate hike cycle.</li> <li>• Globally, inflation continues to drive most central banks towards hiking rates.</li> </ul>	<p><b>Economic Growth:</b></p> <ul style="list-style-type: none"> <li>• Risk of recession in the next 12-18 months is rising as hawkish monetary policy impacts economic activity.</li> <li>• Relatively stable consumer and strong corporate balance sheets along with tight labor markets could lead to a shallow recession.</li> </ul>	<p><b>Inflation:</b></p> <ul style="list-style-type: none"> <li>• Inflation is moderating and is expected to continue to come down.</li> <li>• Any upside surprise driven by services inflation will be negative and will lead to continuing aggressive monetary policy.</li> </ul>
<p><b>COVID-19 Containment:</b></p> <ul style="list-style-type: none"> <li>• Rapidly rising caseloads in China poses a threat to overall COVID-19 containment across the globe.</li> <li>• While we are transitioning from pandemic to endemic, pockets of vulnerability expected to impact economic activity.</li> </ul>	<p><b>Consumer Spending (U.S.):</b></p> <ul style="list-style-type: none"> <li>• Consumer sentiment recently recovered modestly from an all-time low.</li> <li>• Consumers continue to face pressure from elevated inflation and declining saving rate. Moderating inflation and low unemployment rate may keep consumers spending.</li> </ul>	<p><b>Labor Markets:</b></p> <ul style="list-style-type: none"> <li>• Labor markets remain relatively strong but may soften as economy continues to slow.</li> <li>• Labor force participation rate remain lower than pre-pandemic and is a risk leading to continuing high wage growth which may feed inflation.</li> </ul>
<p><b>Corporate Fundamentals:</b></p> <ul style="list-style-type: none"> <li>• Earnings growth expectations have slowed. 2023 profit estimates may be at risk as global economy continues to slow.</li> <li>• Impact of rising input costs and stronger dollar has put downward pressure on profit margins but overall profit margin levels are still high.</li> </ul>	<p><b>Valuations:</b></p> <ul style="list-style-type: none"> <li>• Equities, especially international equities, look attractive after the sell-off in 2022.</li> <li>• Credit markets look attractive after spread widening in 2022, but pockets of vulnerabilities will appear as financial conditions tighten further.</li> </ul>	<p><b>Political Risks:</b></p> <ul style="list-style-type: none"> <li>• Political risks remain elevated with the ongoing war in Ukraine. In the near-term, the threat of continued war with some spillover effects is negative to risk assets.</li> <li>• Tensions between the U.S. and China are rising again.</li> </ul>



Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (12/31/2022) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.

## **Plan Performance Review**



Asset Allocation & Performance

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	Fiscal Year To Date	2022	1 Year	3 Years	Since Inception	Inception Date
<b>City of Walnut Creek - Total Fund</b>	<b>23,009,268</b>	<b>100.00</b>	<b>5.37</b>	<b>-0.53</b>	<b>-16.24</b>	<b>-16.24</b>	<b>2.02</b>	<b>3.74</b>	<b>09/01/2018</b>
Blended Policy Benchmark			5.80	0.01	-15.28	-15.28	1.37	3.39	09/01/2018
<b>Domestic Equity</b>	<b>7,409,473</b>	<b>32.20</b>							
PFM Multi-Manager Domestic Equity Fund	7,409,473	32.20	7.62	2.14	-18.97	-18.97	7.10	7.72	09/01/2018
<i>Russell 3000 Index</i>			7.18	2.40	-19.21	-19.21	7.07	7.72	09/01/2018
Vanguard Total Stock Market ETF - 61.2%			7.16	2.40	-19.50	-19.50	6.97	7.20	02/01/2020
<i>Russell 3000 Index</i>			7.18	2.40	-19.21	-19.21	7.07	7.32	02/01/2020
Vaughan Nelson Select - 11.7% (^)			6.71	1.97	-15.79	-15.79	12.54	11.21	09/01/2018
Nuance All Cap Value - 9.9% (^)			12.59	3.02	-6.46	-6.46	5.72	8.98	09/01/2018
<i>Russell 3000 Index</i>			7.18	2.40	-19.21	-19.21	7.07	7.72	09/01/2018
Aristotle Atlantic Core Equity - 6.9%(^)			7.17	1.86	-21.43	-21.43	N/A	-16.57	11/01/2021
<i>Russell 3000 Index</i>			7.18	2.40	-19.21	-19.21	7.07	-15.03	11/01/2021
Champlain Mid Cap Core - 4.1% (^)			7.43	3.08	-25.67	-25.67	6.90	7.94	09/01/2018
<i>S&amp;P MidCap 400</i>			10.78	8.05	-13.06	-13.06	7.23	5.73	09/01/2018
Jacobs Levy Small Cap - 5.6% (^)			11.06	2.50	-15.58	-15.58	11.88	10.72	05/01/2019
<i>S&amp;P SmallCap 600</i>			9.19	3.51	-16.10	-16.10	5.80	6.37	05/01/2019
<b>International Equity</b>	<b>3,946,004</b>	<b>17.15</b>							
PFM Multi-Manager International Equity Fund	3,946,004	17.15	13.96	2.30	-20.79	-20.79	-0.49	1.25	09/01/2018
<i>MSCI AC World ex USA (Net)</i>			14.28	2.96	-16.00	-16.00	0.07	1.86	09/01/2018
iShares Core MSCI Total Int'l Stock ETF - 35.4%			14.92	2.81	-16.35	-16.35	0.30	1.28	02/01/2020
<i>MSCI AC World ex USA (Net)</i>			14.28	2.96	-16.00	-16.00	0.07	1.01	02/01/2020
WCM Focused Growth International - 9.0% (^)			11.92	3.98	-28.14	-28.14	4.11	5.50	12/01/2019
<i>MSCI AC World ex USA (Net)</i>			14.28	2.96	-16.00	-16.00	0.07	1.46	12/01/2019
Ninety One Int'l Dynamic Equity - 10.2% (^)			13.64	3.36	-19.77	-19.77	N/A	-15.43	12/01/2021
<i>MSCI AC World ex USA (Net)</i>			14.28	2.96	-16.00	-16.00	0.07	-11.63	12/01/2021
Acadian Non-U.S. Equity - 19.8% (^)			15.36	6.54	-12.91	-12.91	3.42	3.42	01/01/2020
<i>MSCI EAFE (net)</i>			17.34	6.36	-14.45	-14.45	0.87	0.87	01/01/2020
Aristotle International Equity - 14.7% (^)			13.93	4.29	-20.52	-20.52	0.86	2.76	09/01/2018
<i>MSCI EAFE (net)</i>			17.34	6.36	-14.45	-14.45	0.87	2.32	09/01/2018
Kayne Anderson International Small Cap - 1.0% (^)			16.80	-0.56	-31.47	-31.47	N/A	-18.61	05/01/2021
<i>MSCI AC World ex USA Small Cap (Net)</i>			13.31	3.83	-19.97	-19.97	1.07	-11.31	05/01/2021
Schroders Global Emerging Markets - 9.7% (^)			11.88	-0.76	-21.11	-21.11	-1.01	-1.01	01/01/2020
<i>MSCI EM (net)</i>			9.70	-2.99	-20.09	-20.09	-2.69	-2.69	01/01/2020

Returns are net of mutual fund fees and are expressed as percentages.

(^) Performance information is gross of fees and reflects sleeve level information (not specific to this client/investor). It is provided by sub-advisers of the PFM Multi-Manager Equity Fund, PFM Multi-Manager International Equity Fund and PFM Multi-Manager Fixed-Income Fund.

## Asset Allocation &amp; Performance

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	Fiscal Year To Date	2022	1 Year	3 Years	Since Inception	Inception Date
<b>Fixed Income</b>	<b>10,215,946</b>	<b>44.40</b>							
PFM Multi-Manager Fixed-Income Fund	10,215,946	44.40	1.58	-2.18	-13.06	-13.06	-2.40	0.38	09/01/2018
<i>Blmbg. U.S. Aggregate</i>			1.87	-2.97	-13.01	-13.01	-2.71	0.25	09/01/2018
PGIM Core Fixed - 35.1% (^)			2.06	-2.67	-13.76	-13.76	-2.36	0.66	09/01/2018
TIAA Core Fixed - 34.9% (^)			1.09	-3.27	-13.92	-13.92	-2.27	0.70	09/01/2018
<i>Blmbg. U.S. Aggregate</i>			1.87	-2.97	-13.01	-13.01	-2.71	0.25	09/01/2018
iShares Core U.S. Aggregate Bond ETF - 1.2%			1.69	-3.12	-13.06	-13.06	-2.80	-7.51	05/01/2021
<i>Blmbg. U.S. Aggregate</i>			1.87	-2.97	-13.01	-13.01	-2.71	-7.42	05/01/2021
PineBridge IG Credit - 6.2% (^)			3.35	-2.17	-15.83	-15.83	-1.21	2.36	09/01/2018
<i>Blmbg. U.S. Credit Index</i>			3.44	-1.68	-15.26	-15.26	-2.86	0.90	09/01/2018
Brown Bros. Harriman Structured - 10.6% (^)			0.70	-0.01	-3.87	-3.87	0.80	2.04	09/01/2018
<i>ICE BofAML Asset-Bckd Fxd &amp; Flting Rate AA-BBB Idx</i>			0.54	-0.97	-6.37	-6.37	-0.32	1.05	09/01/2018
SPDR Blackstone Senior Loan ETF - 6.9%			2.17	2.01	-4.54	-4.54	0.95	-4.65	02/01/2022
<i>Credit Suisse Leveraged Loan Index</i>			2.33	3.55	-1.06	-1.06	2.34	-1.41	02/01/2022
Brandywine Global High Yield - 2.4%			4.18	4.43	-9.38	-9.38	2.89	0.84	10/01/2020
<i>Blmbg. Ba to B U.S. High Yield</i>			4.56	3.84	-10.59	-10.59	0.30	-0.45	10/01/2020
MainStay MacKay High Yield Corp Bond Fund - 2.5%			3.95	3.44	-7.81	-7.81	0.74	-3.54	06/01/2021
<i>ICE BofAML High Yield Master II</i>			3.98	3.26	-11.25	-11.25	-0.25	-5.53	06/01/2021
<b>Cash Equivalent</b>	<b>1,437,845</b>	<b>6.25</b>							
Wells Fargo Advantage Gov't MM Fund	1,437,845	6.25	0.85	1.33	1.47	1.47	0.61	1.21	09/01/2003

Returns are net of mutual fund fees and are expressed as percentages.

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## Comparative Performance

	2022	2021	2020	2019	2018	2017
<b>City of Walnut Creek - Total Fund</b>	<b>-16.24</b>	<b>11.18</b>	<b>14.02</b>	<b>18.54</b>	<b>N/A</b>	<b>N/A</b>
<i>Blended Policy Benchmark</i>	<i>-15.28</i>	<i>8.57</i>	<i>13.23</i>	<i>18.17</i>	<i>N/A</i>	<i>N/A</i>
<b>Domestic Equity</b>						
PFM Multi-Manager Domestic Equity Fund	-18.97	26.28	20.05	29.70	N/A	N/A
<i>Russell 3000 Index</i>	<i>-19.21</i>	<i>25.66</i>	<i>20.89</i>	<i>31.02</i>	<i>-5.24</i>	<i>21.13</i>
Vanguard Total Stock Market ETF - 61.2%	-19.50	25.72	20.95	30.80	-5.13	21.16
Vaughan Nelson Select - 11.7% (^)	-15.79	41.05	20.01	29.17	N/A	N/A
Nuance All Cap Value - 9.9% (^)	-6.46	15.15	9.69	31.33	N/A	N/A
Aristotle Atlantic Core Equity - 6.9%(^)	-21.43	N/A	N/A	N/A	N/A	N/A
<i>Russell 3000 Index</i>	<i>-19.21</i>	<i>25.66</i>	<i>20.89</i>	<i>31.02</i>	<i>-5.24</i>	<i>21.13</i>
Champlain Mid Cap Core - 4.1% (^)	-25.67	25.95	30.51	27.82	N/A	N/A
<i>S&amp;P MidCap 400</i>	<i>-13.06</i>	<i>24.76</i>	<i>13.66</i>	<i>26.20</i>	<i>-11.08</i>	<i>16.24</i>
Jacobs Levy Small Cap - 5.6% (^)	-15.58	39.61	18.81	N/A	N/A	N/A
<i>S&amp;P SmallCap 600</i>	<i>-16.10</i>	<i>26.82</i>	<i>11.29</i>	<i>22.78</i>	<i>-8.48</i>	<i>13.23</i>
<b>International Equity</b>						
PFM Multi-Manager International Equity Fund	-20.79	9.38	13.74	21.23	N/A	N/A
<i>MSCI AC World ex USA (Net)</i>	<i>-16.00</i>	<i>7.82</i>	<i>10.65</i>	<i>21.51</i>	<i>-14.20</i>	<i>27.19</i>
iShares Core MSCI Total Int'l Stock ETF - 35.4%	-16.35	8.52	11.14	21.85	-14.55	28.08
WCM Focused Growth International - 9.0% (^)	-28.14	18.78	32.21	N/A	N/A	N/A
Ninety One Int'l Dynamic Equity - 10.2% (^)	-19.77	N/A	N/A	N/A	N/A	N/A
<i>MSCI AC World ex USA (Net)</i>	<i>-16.00</i>	<i>7.82</i>	<i>10.65</i>	<i>21.51</i>	<i>-14.20</i>	<i>27.19</i>
Acadian Non-U.S. Equity - 19.8% (^)	-12.91	14.31	11.10	N/A	N/A	N/A
Aristotle International Equity - 14.7% (^)	-20.52	17.21	10.14	25.45	N/A	N/A
<i>MSCI EAFE (net)</i>	<i>-14.45</i>	<i>11.26</i>	<i>7.82</i>	<i>22.01</i>	<i>-13.79</i>	<i>25.03</i>
Kayne Anderson International Small Cap - 1.0% (^)	-31.47	N/A	N/A	N/A	N/A	N/A
<i>MSCI AC World ex USA Small Cap (Net)</i>	<i>-19.97</i>	<i>12.93</i>	<i>14.24</i>	<i>22.42</i>	<i>-18.20</i>	<i>31.65</i>
Schroders Global Emerging Markets - 9.7% (^)	-21.11	-3.38	27.26	N/A	N/A	N/A
<i>MSCI EM (net)</i>	<i>-20.09</i>	<i>-2.54</i>	<i>18.31</i>	<i>18.42</i>	<i>-14.57</i>	<i>37.28</i>

Returns are net of mutual fund fees and are expressed as percentages.

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## Comparative Performance

	2022	2021	2020	2019	2018	2017
<b>Fixed Income</b>						
PFM Multi-Manager Fixed-Income Fund	-13.06	-0.85	7.86	9.56	N/A	N/A
<i>Blmbg. U.S. Aggregate</i>	-13.01	-1.55	7.51	8.72	0.01	3.54
PGIM Core Fixed - 35.1% (^)	-13.76	-0.98	9.01	9.65	N/A	N/A
TIAA Core Fixed - 34.9% (^)	-13.92	-0.91	9.44	9.59	N/A	N/A
iShares Core U.S. Aggregate Bond ETF - 1.2%	-13.06	-1.67	7.42	8.68	-0.05	3.53
<i>Blmbg. U.S. Aggregate</i>	-13.01	-1.55	7.51	8.72	0.01	3.54
PineBridge IG Credit - 6.2% (^)	-15.83	0.02	14.54	15.48	N/A	N/A
<i>Blmbg. U.S. Credit Index</i>	-15.26	-1.08	9.35	13.80	-2.11	6.18
Brown Bros. Harriman Structured - 10.6% (^)	-3.87	3.01	3.42	5.07	N/A	N/A
<i>ICE BofAML Asset-Bckd Fxd &amp; Flting Rate AA-BBB Idx</i>	-6.37	1.75	3.94	4.31	3.16	4.53
SPDR Blackstone Senior Loan ETF - 6.9%	-4.54	4.91	2.73	9.33	-0.25	3.61
<i>Credit Suisse Leveraged Loan Index</i>	-1.06	5.40	2.78	8.17	1.14	4.25
Brandywine Global High Yield - 2.4%	-9.38	5.50	13.92	15.56	1.27	10.48
<i>Blmbg. Ba to B U.S. High Yield</i>	-10.59	4.71	7.78	15.18	-1.86	6.92
MainStay MacKay High Yield Corp Bond Fund - 2.5%	-7.81	5.35	5.28	13.03	-1.34	6.79
<b>Cash Equivalent</b>						
Wells Fargo Advantage Gov't MM Fund	1.47	0.01	0.34	2.06	1.69	0.73

Returns are net of mutual fund fees and are expressed as percentages.

(^) Performance information is gross of fees and reflects sleeve level information (not specific to this client/investor). It is provided by sub-advisers of the PFM Multi-Manager Equity Fund, PFM Multi-Manager International Equity Fund and PFM Multi-Manager Fixed-Income Fund.

Financial Reconciliation

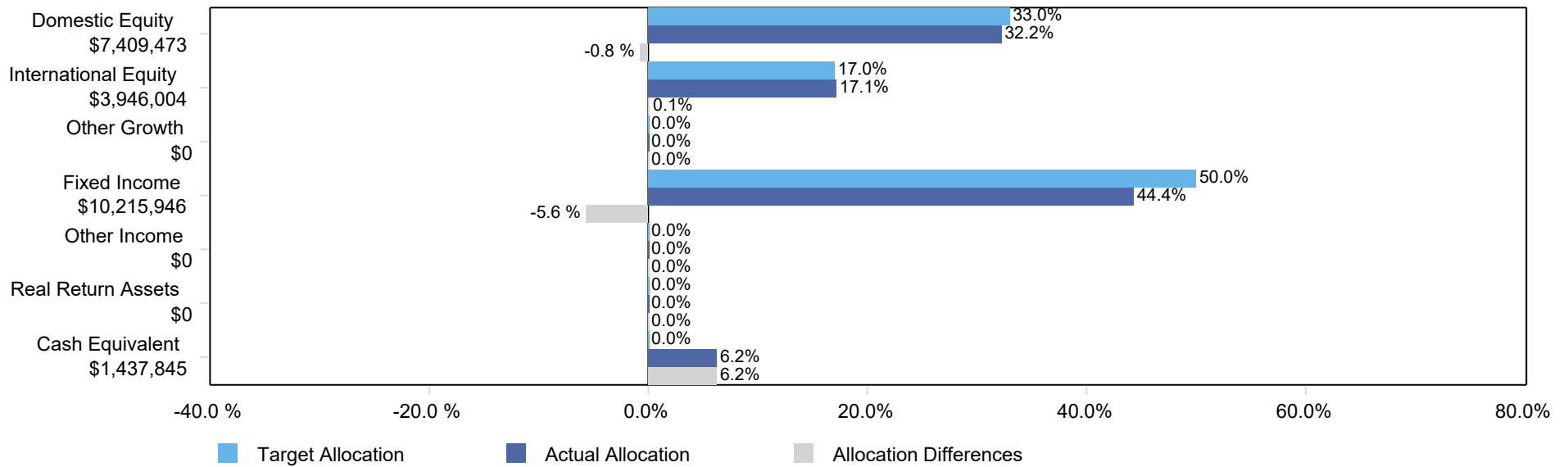
QTR	Market Value As of 10/01/2022	Net Flows	Return On Investment	Market Value As of 12/31/2022
City of Walnut Creek - Total Fund	21,850,872	(14,239)	1,172,635	23,009,268

YTD	Market Value As of 01/01/2022	Net Flows	Return On Investment	Market Value As of 12/31/2022
City of Walnut Creek - Total Fund	27,540,090	(61,418)	(4,469,404)	23,009,268

1 Year	Market Value As of 01/01/2022	Net Flows	Return On Investment	Market Value As of 12/31/2022
City of Walnut Creek - Total Fund	27,540,090	(61,418)	(4,469,404)	23,009,268

Asset Allocation Compliance - City of Walnut Creek - Total Fund

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
<b>City of Walnut Creek - Total Fund</b>	<b>100.0</b>	<b>100.0</b>	<b>N/A</b>	<b>N/A</b>	<b>0.0</b>
Domestic Equity	32.2	33.0	13.0	53.0	-0.8
International Equity	17.1	17.0	0.0	37.0	0.1
Other Growth	0.0	0.0	0.0	20.0	0.0
Fixed Income	44.4	50.0	30.0	70.0	-5.6
Other Income	0.0	0.0	0.0	20.0	0.0
Real Return Assets	0.0	0.0	0.0	20.0	0.0
Cash Equivalent	6.2	0.0	0.0	20.0	6.2



Historical Hybrid Composition - Blended Policy Benchmark

Allocation Mandate	Weight (%)
<b>Sep-2018</b>	
Russell 3000 Index	33.0
MSCI AC World ex USA (Net)	17.0
Blmbg. U.S. Aggregate	50.0

# **Investment Manager Review**



### ◆ Vanguard Total Stock Market Index

- **Management:** Gerard C. O'Reilly has managed the Fund since its inception in 1994. Walter Nejman, co-portfolio manager, has managed the Fund since 2016. They have been in the investment management industry since 1992 and 2008, respectively.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Strategy:** The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the CRSP US Total Market Index. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

### ◆ Vaughan Nelson Select

- **Management:** Scott Weber, CFA is the lead portfolio manager and final decision maker. He is the lead PM on the strategy since inception. Chris Wallis, co-portfolio manager, serves as the CIO of the firm.
- **Objective:** The sub-advisor seeks to invest in companies that are trading at a discount to fair value with the potential to generate above-average rates of returns over time.
- **Strategy:** Typical characteristics of an investment in the Select strategy are:
  - Undervalued Growth: companies with attractive ROIC that are trading at an attractive valuation
  - Undervalued Assets: companies where the market is under appreciating the value of underlying assets
  - Undervalued Dividends: companies with attractive dividend yields or return to shareholders

### ◆ Nuance All Cap Value

- **Management:** Scott Moore, CFA, founder of Nuance Investments, Chad Baumler, CFA, and Darren Schryer, CFA, CPA are the Portfolio Managers responsible for the strategy. Scott and Chad are the PMs for the strategy since inception; Darren was promoted to Associate Portfolio Manager. As of 2022, Jack Meurer was promoted to Associate Portfolio Manager.
- **Objective:** The sub-advisor seeks to invest in companies that are trading at a discount to fair value with the potential to generate above-average rates of returns over time.
- **Strategy:** The team follows a disciplined value approach to investing in companies with attractive competitive positioning that could be under-earning their normalized earning potential due to short-term, transitory issues and as a result they may be trading at a greater discount to their fair value.

### ● Aristotle Atlantic Core Equity

- **Management:** The strategy is managed by a team of three Portfolio Managers. Owen Fitzpatrick, CFA, is the lead portfolio manager and is ultimately responsible for all portfolio decisions. Thomas Hynes and Brendan O’Neill share in portfolio management responsibilities and serve as Research Analysts.
- **Objective:** The strategy seeks to maximize long-term capital appreciation relative to the Russell 3000 Index over a full business cycle utilizing a risk-controlled investment approach.
- **Strategy:** The sub-advisor invests in high quality stocks with a focus on long term sustainable growth identified through both bottom-up fundamental analysis and top-down themes approach. This strategy tends to be concentrated in 45-60 companies. The benchmark for this strategy is the Russell 3000 Index.

### ● Champlain Mid Cap Core

- **Management:** The strategy is managed through a team-based approach headed by Scott Brayman. Mr. Brayman is the founding partner and Chief Investment Officer, as well as portfolio manager for the Mid Cap Core strategy. He is the lead PM on the strategy since inception.
- **Objective:** The sub-advisor seeks to invest in companies that are trading at a discount to fair value with the potential to generate above-average rates of returns over time.
- **Strategy:** The sub-advisor invests in common stocks of mid-capitalization companies that they believe have strong-term fundamentals, superior capital appreciation potential and attractive valuations.

### ● Jacobs Levy Small Cap Equity

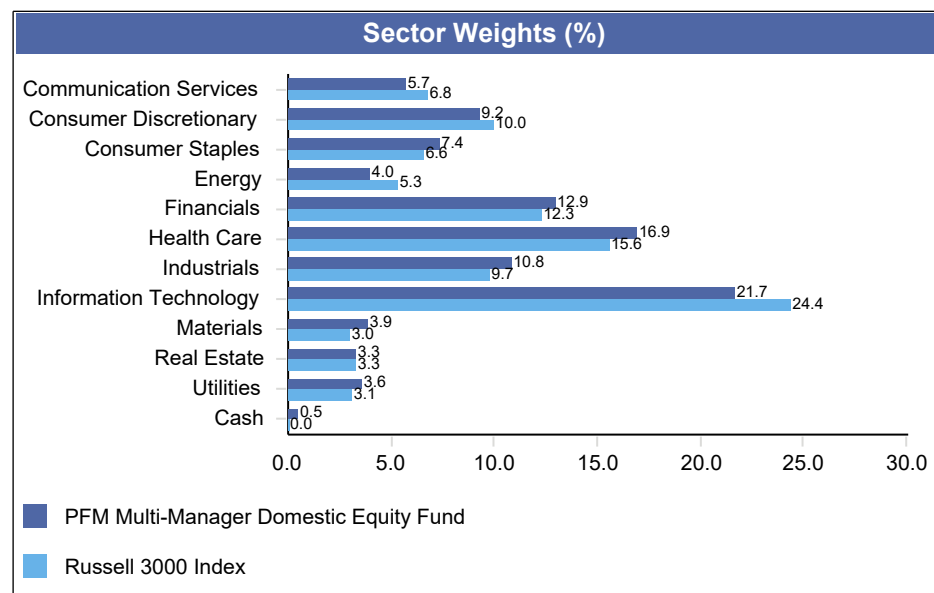
- **Management:** Dr. Bruce I. Jacobs and Mr. Kenneth N. Levy co-founded Jacobs Levy in 1986. The two individuals own 100% of the firm and are the portfolio managers responsible for the day-to-day management of firm assets. The two individuals are backed by a team of over 50 investment professionals.
- **Objective:** Through a quantitative approach, the strategy seeks outperformance relative to the S&P Small Cap Index.
- **Strategy:** The strategy employs an actively managed approach designed to outperform the S&P 600 over a full market cycle. The team uses a multi factor quantitative approach with over 80 factors, 42 are fundamental factors and 40 are industry factors. Stock selection is determined based on an optimizer run for expected alpha.

## Portfolio Characteristics

As of December 31, 2022

### PFM Multi-Manager Domestic Equity vs. Russell 3000 Index

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	284,679	354,764
Median Mkt. Cap (\$M)	903	1,954
Price/Earnings ratio	18.56	18.12
Price/Book ratio	3.49	3.64
5 Yr. EPS Growth Rate (%)	17.06	17.90
Current Yield (%)	1.61	1.72
Number of Stocks	3,970	2,960



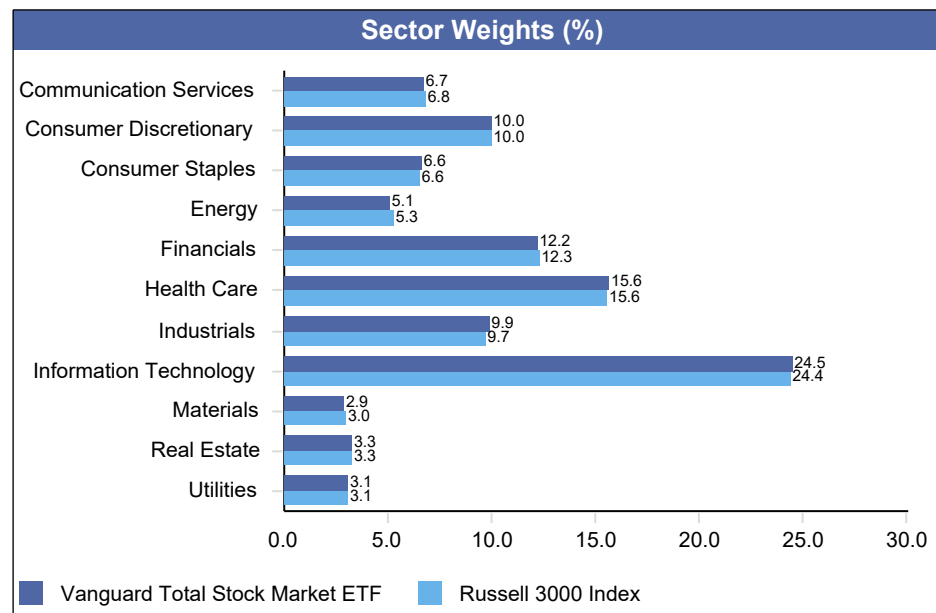
Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Microsoft Corp	4.00	4.76	-0.76	3.26
Apple Inc	3.65	5.18	-1.53	-5.83
Amazon.com Inc	2.05	1.98	0.07	-25.66
Alphabet Inc	1.89	1.41	0.48	-7.76
Johnson & Johnson	1.12	1.23	-0.11	8.83
Berkshire Hathaway Inc	1.11	1.48	-0.37	15.68
NextEra Energy Inc	1.08	0.44	0.64	7.15
Danaher Corp	0.86	0.46	0.40	2.86
NVIDIA Corporation	0.85	0.93	-0.08	20.42
JPMorgan Chase & Co	0.84	1.04	-0.20	29.49
% of Portfolio	17.45	18.91	-1.46	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Cabaletta Bio Inc	0.00	0.00	0.00	1,322.86
Nine Energy Service Inc	0.00	0.00	0.00	450.38
GlycoMimetics Inc	0.00	0.00	0.00	449.21
Madrigal Pharmaceuticals Inc	0.01	0.01	0.00	346.61
PDS Biotechnology Corp	0.00	0.00	0.00	344.44
Summit Therapeutics PLC	0.00	0.00	0.00	257.14
AppTech Payments Corp	0.00	0.00	0.00	245.98
Viking Therapeutics Inc	0.00	0.00	0.00	245.59
Immunovant Inc	0.00	0.00	0.00	218.10
Merrimack Pharmaceuticals Inc	0.00	0.00	0.00	205.60
% of Portfolio	0.01	0.01	0.00	

The fund characteristics and top holdings shown above are based on a look-through of any underlying mutual funds or ETFs held within the Fund. ETF holdings are available daily, while mutual fund holdings are only published on a monthly or quarterly basis. As a result, holdings used for the look-through of third-party mutual funds may be as of the prior month or quarter end depending on the most recent information available at the time this report was published.

Vanguard Total Stock Market ETF vs. Russell 3000 Index

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	354,061	354,764
Median Mkt. Cap (\$M)	896	1,954
Price/Earnings ratio	18.18	18.12
Price/Book ratio	3.65	3.64
5 Yr. EPS Growth Rate (%)	17.83	17.90
Current Yield (%)	1.72	1.72
Number of Stocks	3,957	2,960

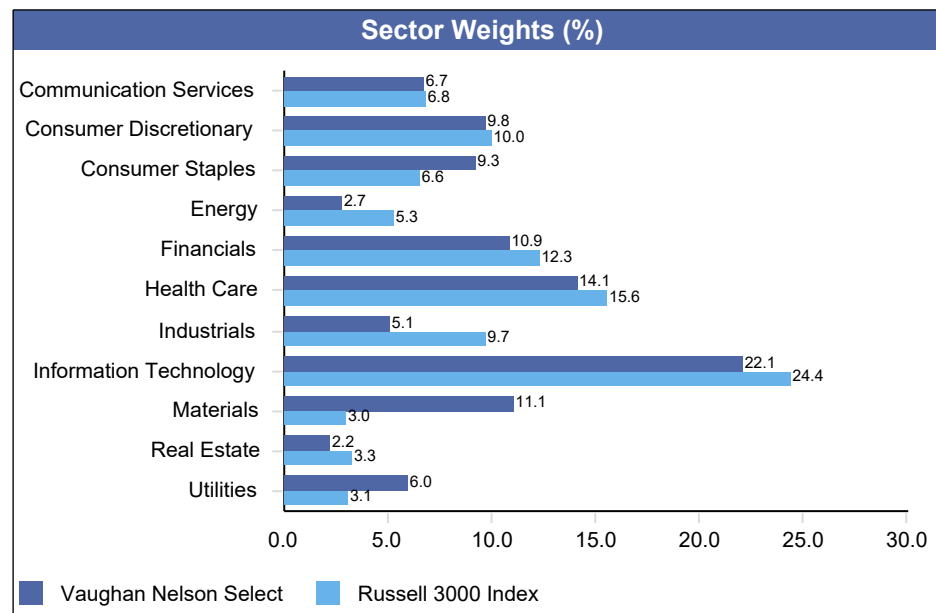


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Apple Inc	5.22	5.18	0.04	-5.83
Microsoft Corp	4.75	4.76	-0.01	3.26
Amazon.com Inc	1.94	1.98	-0.04	-25.66
Alphabet Inc	1.40	1.41	-0.01	-7.76
Berkshire Hathaway Inc	1.38	1.48	-0.10	15.68
Unitedhealth Group Inc	1.32	1.31	0.01	5.30
Johnson & Johnson	1.23	1.23	0.00	8.83
Alphabet Inc	1.22	1.25	-0.03	-7.72
Exxon Mobil Corp	1.21	1.20	0.01	27.35
JPMorgan Chase & Co	1.05	1.04	0.01	29.49
% of Portfolio	20.72	20.84	-0.12	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Cabaletta Bio Inc	0.00	0.00	0.00	1,322.86
Nine Energy Service Inc	0.00	0.00	0.00	450.38
GlycoMimetics Inc	0.00	0.00	0.00	449.21
Madrigal Pharmaceuticals Inc	0.01	0.01	0.00	346.61
PDS Biotechnology Corp	0.00	0.00	0.00	344.44
Summit Therapeutics PLC	0.00	0.00	0.00	257.14
AppTech Payments Corp	0.00	0.00	0.00	245.98
Viking Therapeutics Inc	0.00	0.00	0.00	245.59
Immunovant Inc	0.00	0.00	0.00	218.10
Merrimack Pharmaceuticals Inc	0.00	0.00	0.00	205.60
% of Portfolio	0.01	0.01	0.00	

Vaughan Nelson Select vs. Russell 3000 Index

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	247,417	354,764
Median Mkt. Cap (\$M)	57,302	1,954
Price/Earnings ratio	26.82	18.12
Price/Book ratio	4.68	3.64
5 Yr. EPS Growth Rate (%)	18.70	17.90
Current Yield (%)	1.26	1.72
Number of Stocks	30	2,960

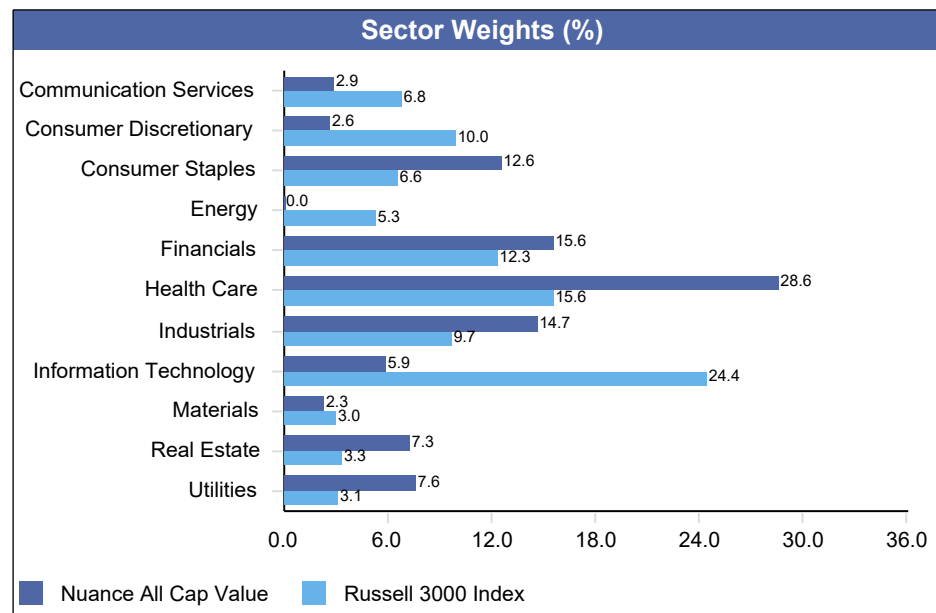


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
NextEra Energy Inc	6.00	0.44	5.56	7.15
Wheaton Precious Metals Corp	5.63	0.00	5.63	21.26
Dollar General Corporation	5.55	0.15	5.40	3.12
Sherwin-Williams Co (The)	5.46	0.15	5.31	16.21
Danaher Corp	5.13	0.46	4.67	2.86
Intercontinental Exchange Inc	5.03	0.15	4.88	13.96
Microsoft Corp	4.97	4.76	0.21	3.26
McCormick & Co Inc	4.66	0.06	4.60	17.43
Motorola Solutions Inc	4.61	0.11	4.50	15.45
Clorox Co (The)	4.60	0.05	4.55	10.22
% of Portfolio	51.64	6.33	45.31	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Kosmos Energy Ltd	2.74	0.01	2.73	23.02
Wheaton Precious Metals Corp	5.63	0.00	5.63	21.26
NVIDIA Corporation	1.71	0.93	0.78	20.42
Verisign Inc	2.48	0.05	2.43	18.27
McCormick & Co Inc	4.66	0.06	4.60	17.43
Chemed Corp	2.37	0.02	2.35	17.01
Sherwin-Williams Co (The)	5.46	0.15	5.31	16.21
Berkshire Hathaway Inc	2.27	1.48	0.79	15.68
Motorola Solutions Inc	4.61	0.11	4.50	15.45
Intercontinental Exchange Inc	5.03	0.15	4.88	13.96
% of Portfolio	36.96	2.96	34.00	

Nuance All Cap Value vs. Russell 3000 Index

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	74,639	354,764
Median Mkt. Cap (\$M)	9,269	1,954
Price/Earnings ratio	20.95	18.12
Price/Book ratio	2.63	3.64
5 Yr. EPS Growth Rate (%)	4.81	17.90
Current Yield (%)	2.13	1.72
Number of Stocks	51	2,960

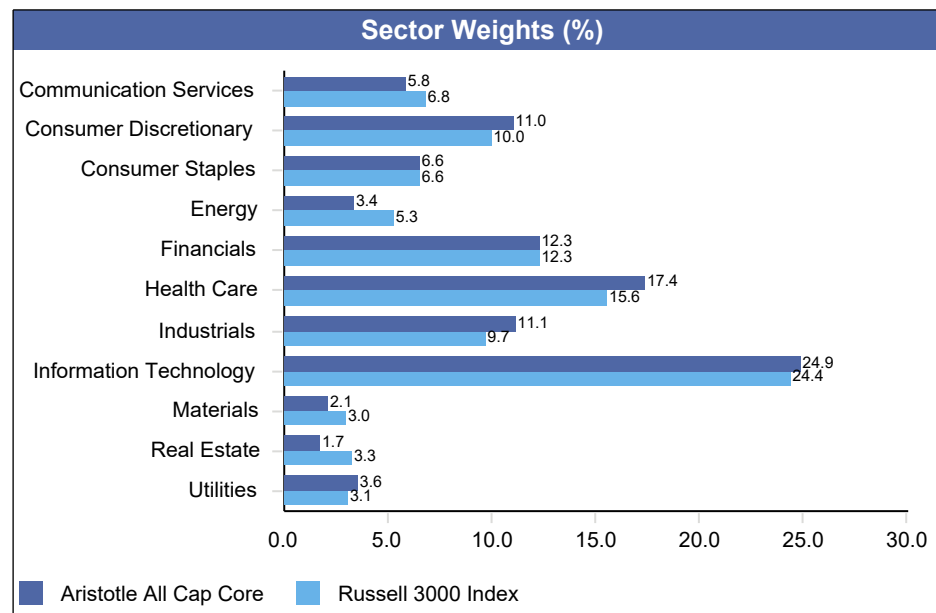


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
DENTSPLY SIRONA Inc	5.17	0.02	5.15	12.75
Smith & Nephew PLC	4.97	0.00	4.97	15.81
Northern Trust Corp	4.79	0.05	4.74	4.31
3M Co	4.47	0.18	4.29	9.80
Universal Health Services Inc.	4.46	0.02	4.44	60.02
Henkel AG & Co KGAA	4.36	0.00	4.36	12.59
Travelers Companies Inc (The)	4.23	0.12	4.11	22.99
Baxter International Inc	4.11	0.07	4.04	-4.84
Kimberly-Clark Corp	4.00	0.12	3.88	21.65
ICU Medical Inc	3.97	0.01	3.96	4.57
% of Portfolio	44.53	0.59	43.94	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Universal Health Services Inc.	4.46	0.02	4.44	60.02
SJW Group	2.60	0.01	2.59	41.68
Aerojet Rocketdyne Holdings Inc	2.63	0.01	2.62	39.86
Everest Re Group Ltd	0.24	0.03	0.21	26.86
Knorr-Bremse Aktiengesellschaft	2.56	0.00	2.56	25.29
Merit Medical Systems Inc	0.81	0.01	0.80	24.97
Globus Medical Inc	0.80	0.02	0.78	24.68
Hartford Financial Svcs Grp Inc.	0.54	0.06	0.48	23.11
Travelers Companies Inc (The)	4.23	0.12	4.11	22.99
Zimmer Biomet Holdings Inc	3.45	0.07	3.38	22.18
% of Portfolio	22.32	0.35	21.97	

Aristotle All Cap Core vs. Russell 3000 Index

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	422,958	354,764
Median Mkt. Cap (\$M)	65,586	1,954
Price/Earnings ratio	19.50	18.12
Price/Book ratio	4.20	3.64
5 Yr. EPS Growth Rate (%)	19.87	17.90
Current Yield (%)	1.26	1.72
Number of Stocks	52	2,960

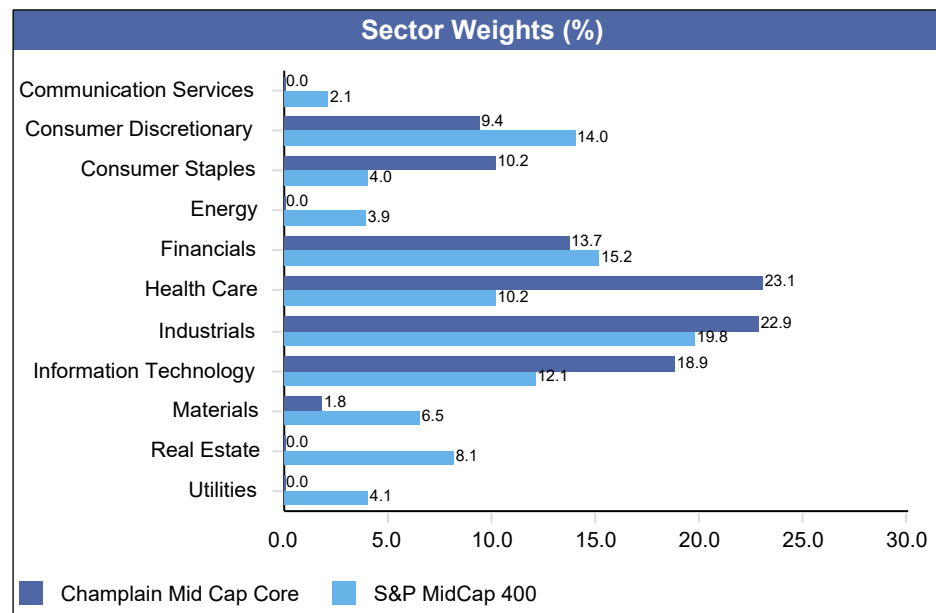


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Microsoft Corp	7.16	4.76	2.40	3.26
Apple Inc	6.02	5.18	0.84	-5.83
Alphabet Inc	4.74	1.41	3.33	-7.76
Cigna Corp	3.09	0.26	2.83	19.82
Broadcom Inc	2.99	0.59	2.40	26.98
Norfolk Southern Corp	2.92	0.15	2.77	18.18
Amazon.com Inc	2.87	1.98	0.89	-25.66
AMETEK Inc	2.86	0.09	2.77	23.39
JPMorgan Chase & Co	2.80	1.04	1.76	29.49
Chubb Ltd	2.79	0.24	2.55	21.76
% of Portfolio	38.24	15.70	22.54	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Halliburton Co	1.08	0.09	0.99	60.38
Spirit Aerosystems Holdings Inc	0.84	0.01	0.83	35.04
Phillips 66	1.57	0.13	1.44	30.10
JPMorgan Chase & Co	2.80	1.04	1.76	29.49
Honeywell International Inc	1.97	0.38	1.59	28.98
Broadcom Inc	2.99	0.59	2.40	26.98
Teleflex Inc	1.07	0.03	1.04	24.11
Ameriprise Financial Inc	2.57	0.09	2.48	24.08
AMETEK Inc	2.86	0.09	2.77	23.39
Chubb Ltd	2.79	0.24	2.55	21.76
% of Portfolio	20.54	2.69	17.85	

Champlain Mid Cap Core vs. S&P MidCap 400

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	18,403	6,615
Median Mkt. Cap (\$M)	13,842	5,217
Price/Earnings ratio	28.31	12.97
Price/Book ratio	3.97	2.51
5 Yr. EPS Growth Rate (%)	12.89	18.75
Current Yield (%)	0.82	1.80
Number of Stocks	64	401



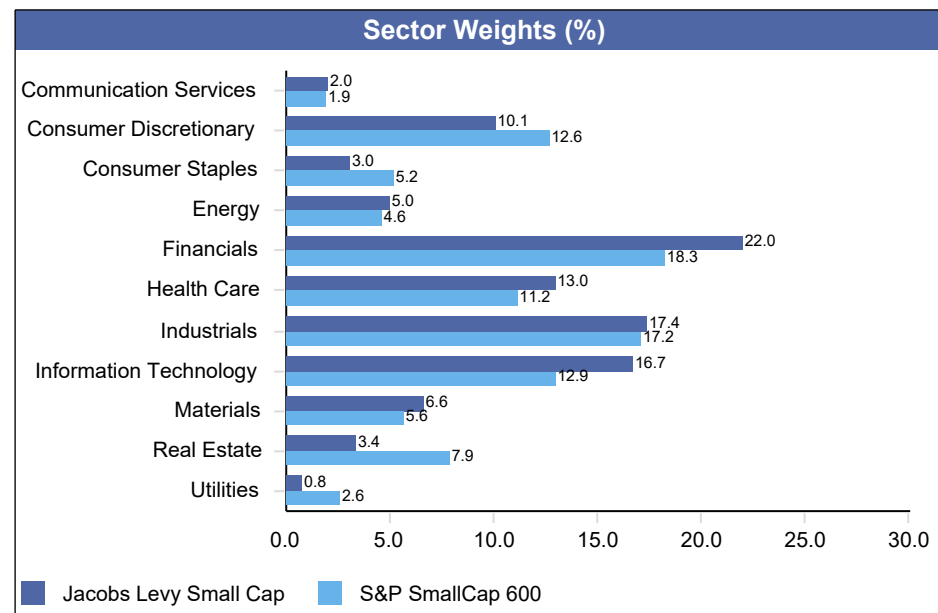
Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Everest Re Group Ltd	3.71	0.00	3.71	26.86
AMETEK Inc	3.56	0.00	3.56	23.39
Fortive Corp	3.44	0.00	3.44	10.32
Toro Co (The)	2.90	0.57	2.33	31.71
Workday Inc	2.90	0.00	2.90	9.93
Tradeweb Markets Inc	2.72	0.00	2.72	15.23
Rockwell Automation Inc.	2.70	0.00	2.70	20.27
Waters Corp	2.59	0.00	2.59	27.10
Nordson Corp	2.39	0.00	2.39	12.30
Advance Auto Parts Inc.	2.33	0.00	2.33	-4.97
% of Portfolio	29.24	0.57	28.67	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
DexCom Inc	2.03	0.00	2.03	40.60
Planet Fitness Inc	1.57	0.00	1.57	36.66
Integra LifeSciences Holdings Corp	1.51	0.20	1.31	32.37
Toro Co (The)	2.90	0.57	2.33	31.71
Bath & Body Works Inc	1.23	0.00	1.23	29.93
Waters Corp	2.59	0.00	2.59	27.10
Everest Re Group Ltd	3.71	0.00	3.71	26.86
Cooper Cos Inc (The)	1.64	0.00	1.64	25.30
IDEXX Laboratories Inc	0.89	0.00	0.89	25.22
Nutanix Inc	1.43	0.00	1.43	25.06
% of Portfolio	19.50	0.77	18.73	



Jacobs Levy Small Cap vs. S&P SmallCap 600

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	1,719	2,269
Median Mkt. Cap (\$M)	1,041	1,348
Price/Earnings ratio	9.25	11.51
Price/Book ratio	1.93	2.02
5 Yr. EPS Growth Rate (%)	23.95	16.80
Current Yield (%)	1.26	1.74
Number of Stocks	192	601



Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Encore Wire Corp	1.51	0.29	1.22	19.08
American Equity Invnt. Life Hldg Co	1.41	0.36	1.05	23.47
Comfort Systems USA Inc.	1.41	0.47	0.94	18.38
Blucora Inc	1.39	0.14	1.25	32.01
Boise Cascade Co	1.33	0.31	1.02	17.28
O I Glass Inc	1.29	0.29	1.00	27.95
Banner Corp	1.28	0.25	1.03	7.61
First BanCorp (Puerto Rico)	1.27	0.27	1.00	-6.28
Extreme Networks Inc	1.27	0.28	0.99	40.09
Rambus Inc	1.26	0.44	0.82	40.91
% of Portfolio	13.42	3.10	10.32	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Powell Industries Inc	0.16	0.04	0.12	68.58
Wabash National Corp	1.07	0.12	0.95	45.94
Patterson-UTI Energy Inc	0.95	0.42	0.53	44.82
Sylvamo Corp	0.44	0.18	0.26	43.33
Agilysys Inc	0.69	0.18	0.51	42.98
Par Pacific Holdings Inc	1.13	0.15	0.98	41.68
Rambus Inc	1.26	0.44	0.82	40.91
Extreme Networks Inc	1.27	0.28	0.99	40.09
MasterCraft Boat Holdings Inc	0.26	0.00	0.26	37.24
Vector Group Ltd	1.09	0.18	0.91	37.07
% of Portfolio	8.32	1.99	6.33	

● **iShares Core MSCI Total International Stock**

- **Management:** BlackRock Fund Advisors is the investment adviser for the fund. The five portfolio managers responsible for managing the fund include Jennifer Hsui, Paul Whitehead, Greg Savage, and Amy Whitelaw.
- **Objective:** The strategy seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Strategy:** The strategy employs an index replication strategy designed to track the performance of the MSCI All Country World ex-US IMI Index. The strategy uses a representative sampling approach. Representative sampling gives the Fund characteristics similar to the underlying index.

● **WCM Focused Growth**

- **Management:** The strategy is managed by Paul R. Black, Peter Hunkel, Michael Trigg, Sanjay Ayer, and Jon Tringale. Paul, Peter, and Michael have been with the fund since its inception in 2011. Sanjay and Jon were promoted to portfolio managers in 2020 and 2022, respectively.
- **Objective:** The strategy seeks to outperform the MSCI ACWI ex U.S. by using bottom-up security selection.
- **Strategy:** A concentrated, high-quality, growth-oriented international equity strategy, based purely on deep bottom-up fundamental research.

● **Ninety-One International Dynamic Equity**

- **Management:** The fund is managed by Ian Vose, lead portfolio manager, and Adam Child, assistant portfolio manager. Mr. Vose joined the firm in 2010 and Mr. Child joined in 2012. They have been in the investment industry for 39 and 14 years, respectively.
- **Objective:** The Strategy seeks long-term capital growth primarily through investments in compelling companies across sectors and geographies, excluding the United States.
- **Strategy:** The strategy utilizes a 4-factor front end screen (strategy, earnings, value, technicals) followed by fundamental analysis to identify companies with sustainable returns of capital and strong business growth drivers. This strategy tends to be concentrated in 50-70 companies. The benchmark for this strategy is the MSCI AC World ex U.S. Index.

● **Acadian Non-U.S. Equity**

- **Management:** The investment team is overseen by CIO, Brendan Bradley, who has been with the firm since 2004. Also leading the investment team are Ryan Taliaferro, Malcolm Baker, Alexandre Voitenok.
- **Objective:** The strategy seeks to provide long term growth by investing in global securities outside of the U.S.
- **Strategy:** Systematic, quantitatively managed strategy with an all-cap approach utilizing value, quality, growth, and technical factors for security selection.

### ● Aristotle International Equity

- **Management:** The strategy is managed by a team of three Portfolio Managers, Howard Gleicher, CFA, Geoffrey Stewart, CFA, and Sean Thorpe, with all decisions made by unanimous approval. The three PMs are supported by a 12-member global sector analyst team.
- **Objective:** The strategy's focus is on identifying high quality stocks, selling at attractive valuations, and with some compelling catalyst for future growth.
- **Strategy:** Aristotle's "value equity" strategies are based on a uniform investment philosophy of investing in high quality businesses trading at discounts to their estimates of intrinsic value. Valuation is looked at through different lens: relative valuation, strategic value for a buyer, discounted cash flows, and attractive company fundamentals relative to peers. Quality, Valuation, and Catalysts are the basis for all of their investment decisions.

### ● Virtus Kayne Anderson International Small Cap Equity

- **Management:** The fund is co-managed by Craig Thrasher and Hyung Kim. Mr. Kim became co-PM in January 2019 when the prior portfolio manager stepped back. Both are supported by three research analysts who oversee the small cap product. All five members on the team are generalists with dedicated stock coverage.
- **Objective:** The Fund seeks to invest in international small-cap companies with durable business models and high profitability at attractive prices.
- **Strategy:** The Fund combines quantitative screens with fundamental analysis to identify high-quality companies with a sustainable competitive advantage. Fundamental analysis includes reviewing industry data, regulatory filings, and comprehensive meetings with company management. The team has a specific focus on capital efficiency, growth profile, capital structure, and business resiliency. The quantitative assessment includes searching for a high sustainable rate on capital, low debt, and high free cash flow. The team conducts valuation analysis, primarily using EV/EBIT multiples, to determine the entry point.

### ● Schroders Emerging Markets Equity

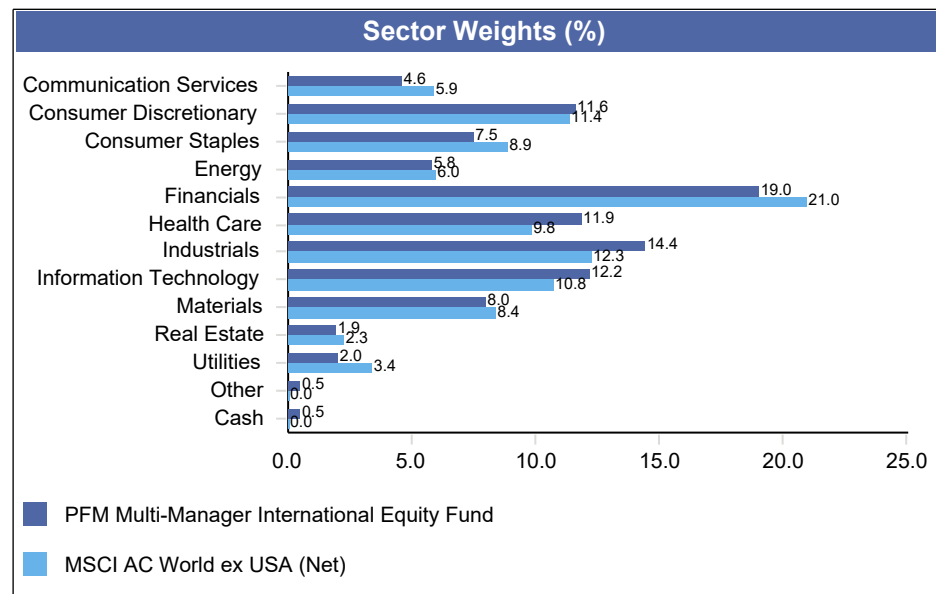
- **Management:** The fund is managed by a team of five portfolio managers led by Tom Wilson, Schroders' Head of Emerging Markets Equity. He has worked at Schroders since 2001 and has been involved with emerging markets equities at Schroders since 2004.
- **Objective:** The Fund seeks capital appreciation.
- **Strategy:** The Fund employs an actively managed approach that combines fundamental, bottom-up stock research with a quantitative country allocation process. Country rankings are prepared through evaluation of valuation, growth, currency, momentum, and interest rates. Stock level research targets a core universe of the most liquid stocks in the emerging markets universe, utilizing a relative value approach for stocks across the growth/value spectrum without any systematic style bias. Comprehensive risk controls are employed to keep factor exposures in check and constrain strategy-level tracking error to moderate levels.

## Portfolio Characteristics

As of December 31, 2022

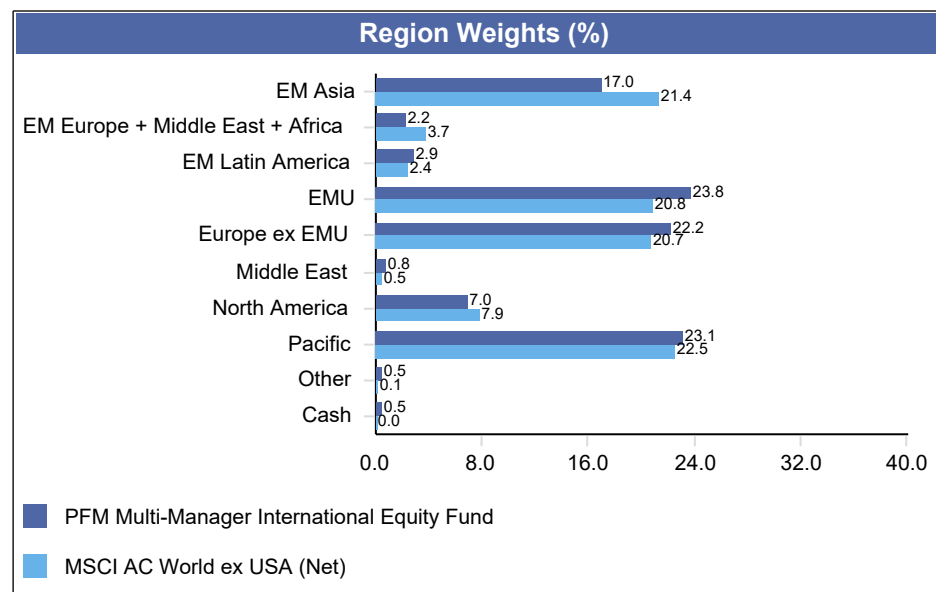
PFM Multi-Manager International Equity vs. MSCI AC World ex USA (net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	68,554	77,574
Median Mkt. Cap (\$M)	2,558	8,612
Price/Earnings ratio	12.52	12.19
Price/Book ratio	2.53	2.42
5 Yr. EPS Growth Rate (%)	13.62	12.16
Current Yield (%)	3.07	3.38
Number of Stocks	4,603	2,261



### Top Ten Equity Holdings

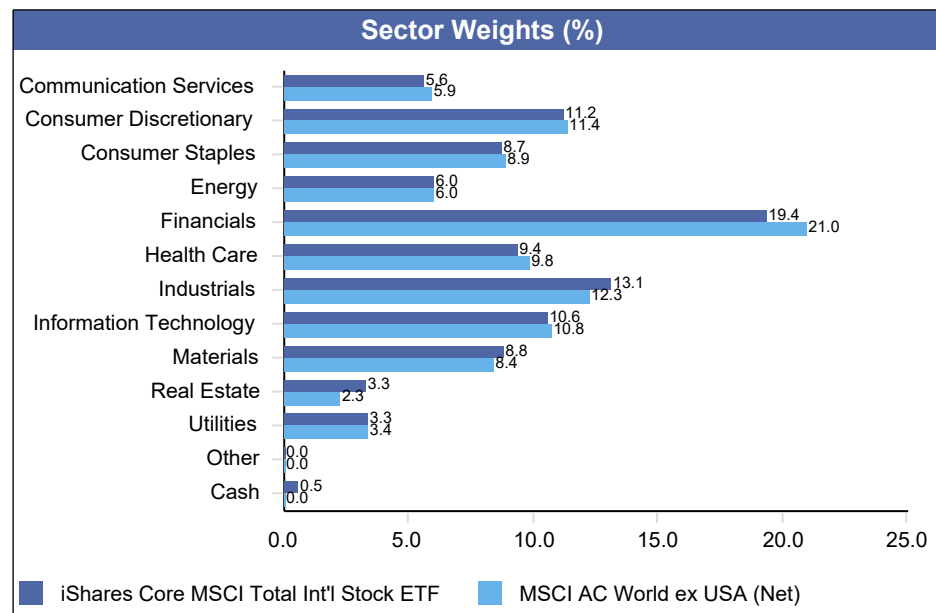
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Novo Nordisk A/S	1.60	1.00	0.60	34.18
LVMH Moet Hennessy Louis Vui	1.32	0.90	0.42	22.07
AIA Group Ltd	1.29	0.60	0.69	33.38
Novartis AG	1.16	0.88	0.28	17.40
Taiwan Semicon Manu Co	1.15	1.61	-0.46	10.55
DBS Group Holdings Ltd	1.05	0.21	0.84	9.81
Samsung Electronics Co Ltd	0.93	0.94	-0.01	18.27
Accenture PLC	0.93	0.00	0.93	4.17
Roche Holding AG	0.92	0.99	-0.07	-4.73
Sony Group Corporation	0.90	0.43	0.47	18.50
% of Portfolio	11.25	7.56	3.69	



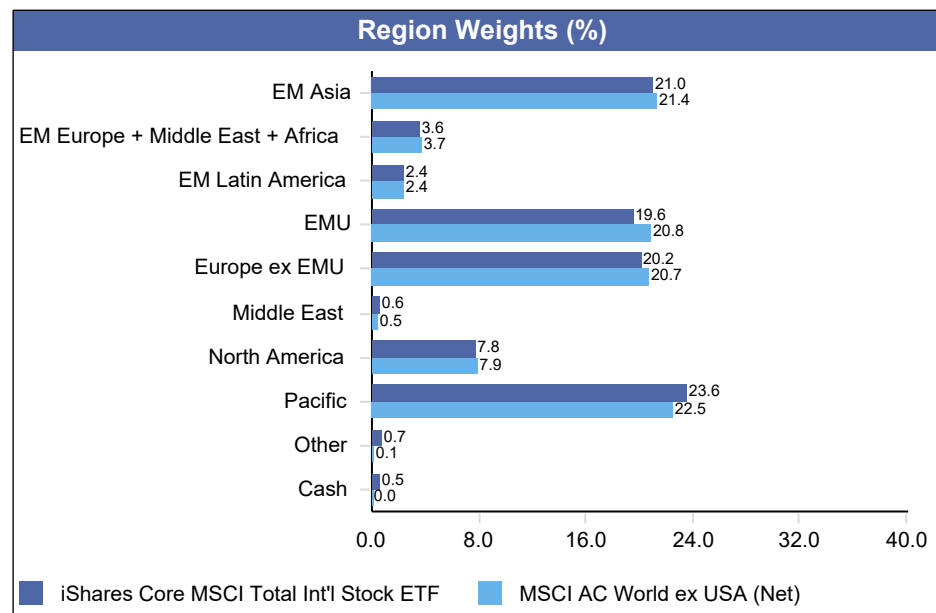
The fund characteristics and top holdings shown above are based on a look-through of any underlying mutual funds or ETFs held within the Fund. ETF holdings are available daily, while mutual fund holdings are only published on a monthly or quarterly basis. As a result, holdings used for the look-through of third-party mutual funds may be as of the prior month or quarter end depending on the most recent information available at the time this report was published.

iShares Core MSCI Total Int'l Stock ETF vs. MSCI AC World ex USA (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	65,945	77,574
Median Mkt. Cap (\$M)	2,758	8,612
Price/Earnings ratio	11.92	12.19
Price/Book ratio	2.38	2.42
5 Yr. EPS Growth Rate (%)	12.17	12.16
Current Yield (%)	3.41	3.38
Number of Stocks	4,320	2,261

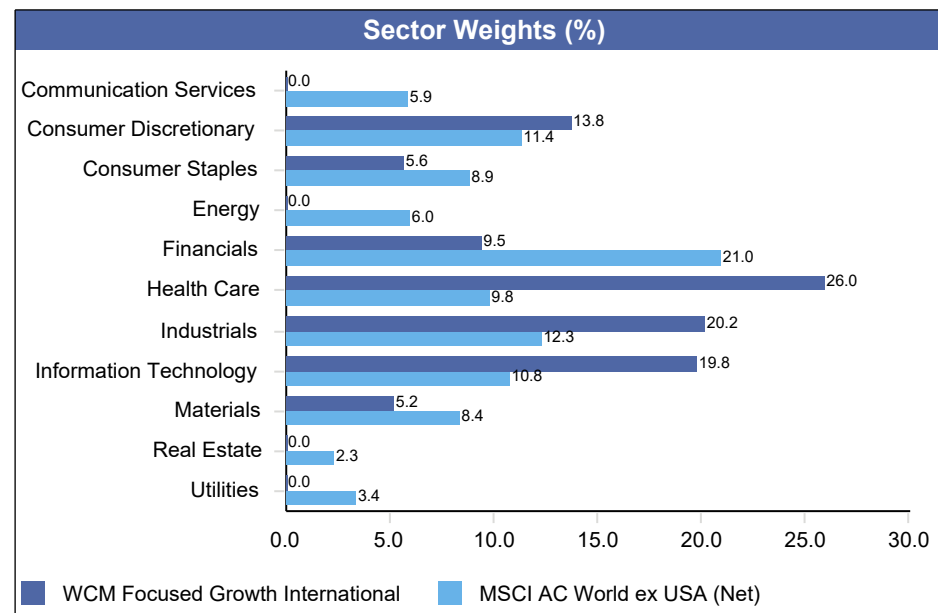


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Taiwan Semicon Manu Co	1.36	1.61	-0.25	10.55
Nestle SA, Cham Und Vevey	1.20	1.43	-0.23	6.14
Tencent Holdings LTD	1.02	1.20	-0.18	26.10
Novo Nordisk A/S	0.85	1.00	-0.15	34.18
Roche Holding AG	0.84	0.99	-0.15	-4.73
ASML Holding NV	0.83	0.98	-0.15	26.84
Astrazeneca PLC	0.79	0.94	-0.15	21.78
Samsung Electronics Co Ltd	0.79	0.94	-0.15	18.27
Shell Plc	0.78	0.91	-0.13	12.81
LVMH Moet Hennessy Louis Vui	0.76	0.90	-0.14	22.07
% of Portfolio	9.22	10.90	-1.68	

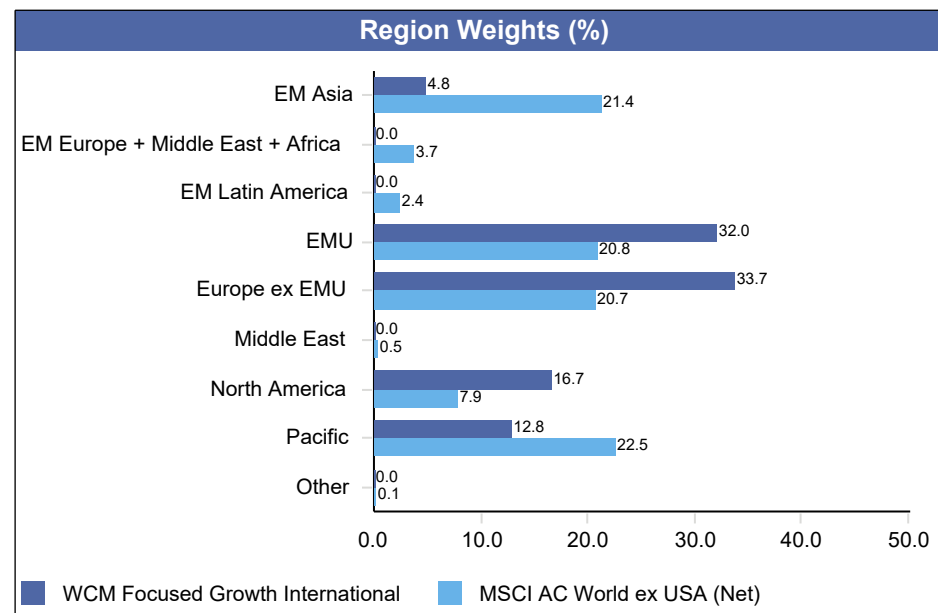


WCM Focused Growth International vs. MSCI AC World ex USA (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	96,628	77,574
Median Mkt. Cap (\$M)	41,434	8,612
Price/Earnings ratio	31.61	12.19
Price/Book ratio	4.79	2.42
5 Yr. EPS Growth Rate (%)	17.19	12.16
Current Yield (%)	1.08	3.38
Number of Stocks	38	2,261

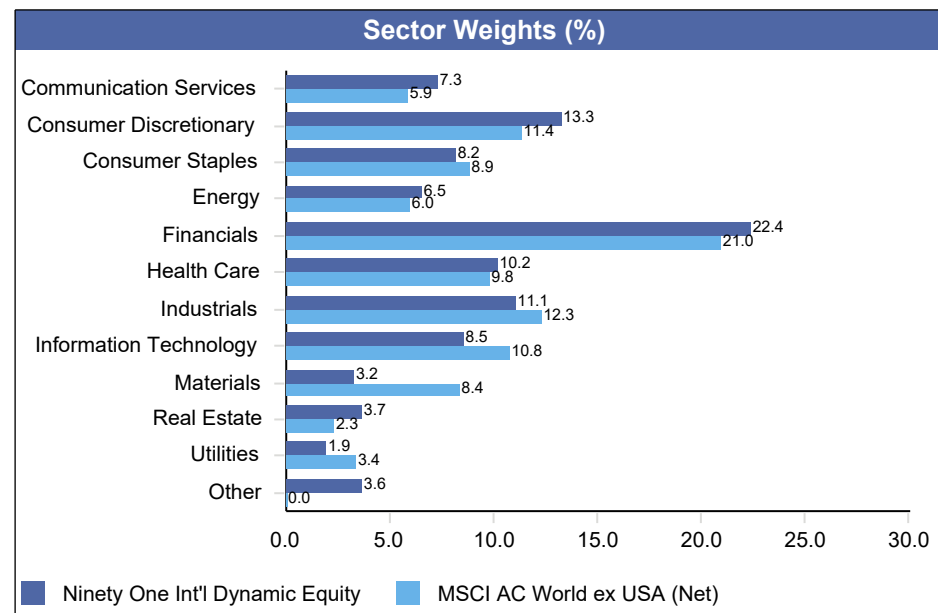


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Novo Nordisk A/S	4.78	1.00	3.78	34.18
Canadian Pacific Railway Ltd	4.40	0.31	4.09	12.00
Aon plc	4.06	0.00	4.06	12.27
Ferrari NV	3.67	0.12	3.55	13.67
Experian Plc	3.55	0.14	3.41	14.12
Astrazeneca PLC	3.45	0.94	2.51	21.78
Schneider Electric SA	3.30	0.34	2.96	21.67
CSL Ltd	3.29	0.42	2.87	6.27
Alcon Inc	3.27	0.15	3.12	15.27
Nestle SA, Cham Und Vevey	3.20	1.43	1.77	6.14
% of Portfolio	36.97	4.85	32.12	

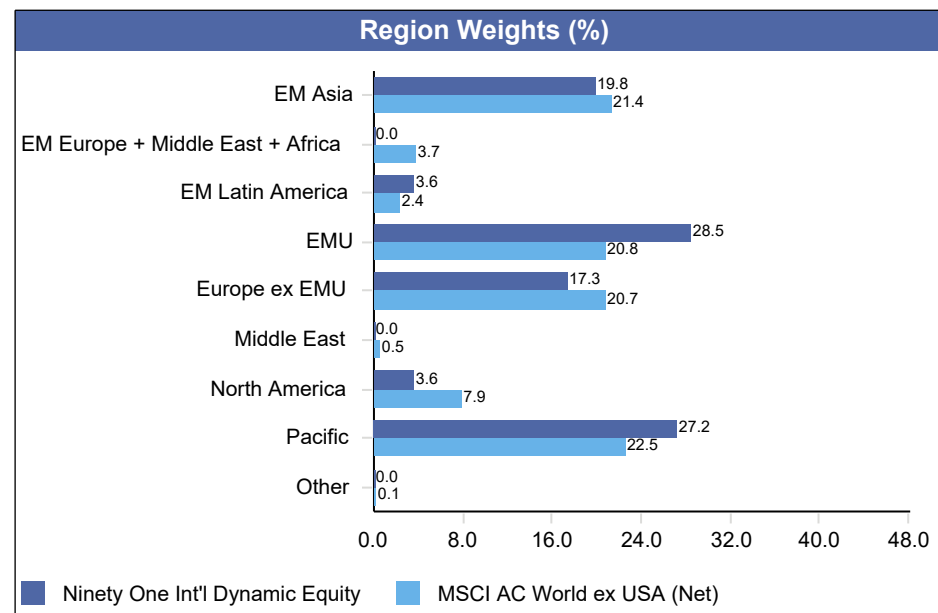


Ninety One Int'l Dynamic Equity vs. MSCI AC World ex USA (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	81,482	77,574
Median Mkt. Cap (\$M)	46,426	8,612
Price/Earnings ratio	15.50	12.19
Price/Book ratio	2.53	2.42
5 Yr. EPS Growth Rate (%)	11.75	12.16
Current Yield (%)	2.33	3.38
Number of Stocks	49	2,261

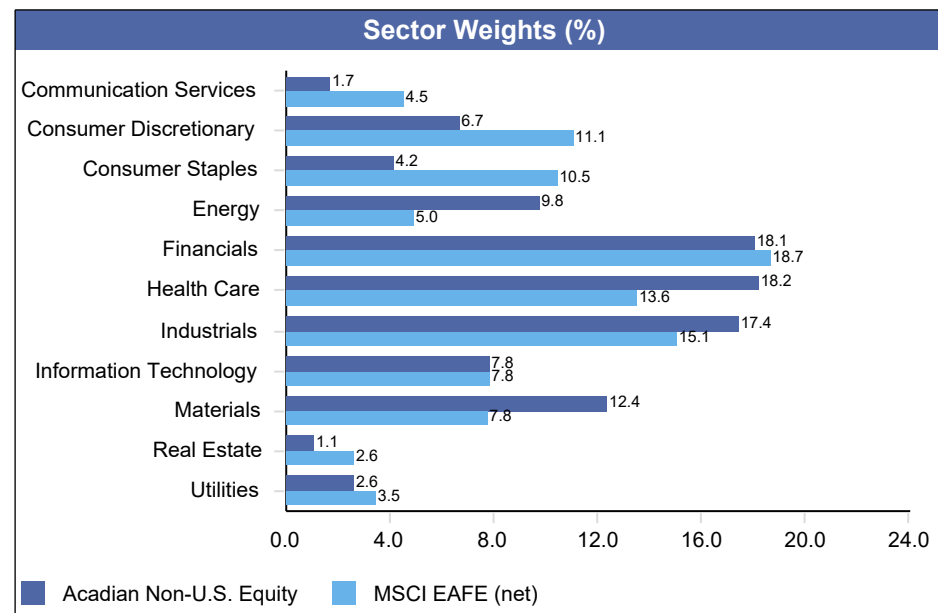


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
iShares Trust - MSCI India ETF	3.64	0.00	3.64	2.35
Bank Of Ireland Group Plc	3.05	0.05	3.00	47.08
LVMH Moet Hennessy Louis Vui	3.03	0.90	2.13	22.07
Novo Nordisk A/S	2.91	1.00	1.91	34.18
H D F C Bank Ltd	2.89	0.00	2.89	17.10
Deutsche Telekom AG	2.80	0.29	2.51	15.97
Taiwan Semicon Manu Co ADR	2.80	1.61	1.19	9.28
Chiba Bank Ltd	2.76	0.02	2.74	35.42
Ping An Insurance Group	2.74	0.19	2.55	32.52
Astrazeneca PLC	2.64	0.94	1.70	21.78
% of Portfolio	29.26	5.00	24.26	

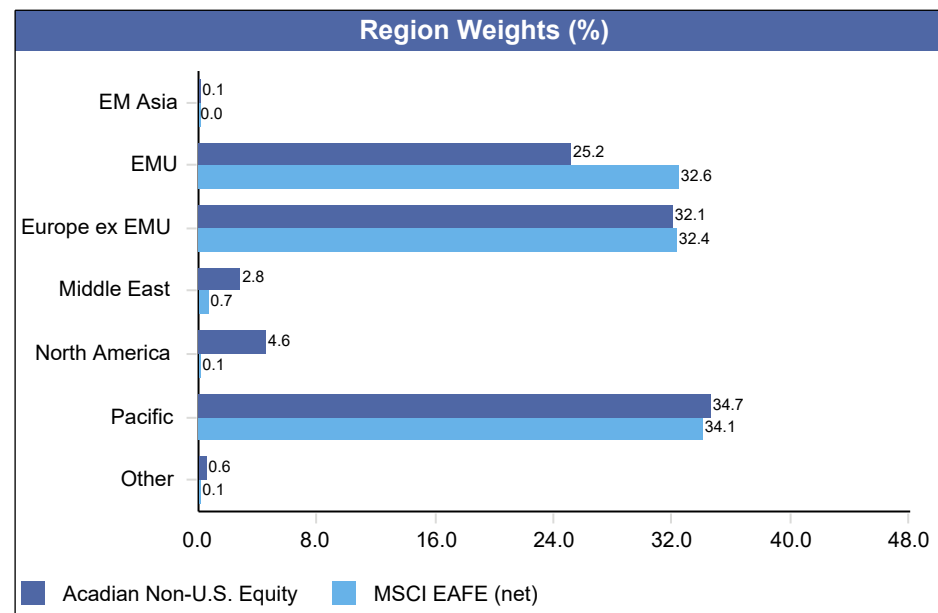


Acadian Non-U.S. Equity vs. MSCI EAFE (net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	48,720	76,649
Median Mkt. Cap (\$M)	939	11,967
Price/Earnings ratio	8.92	12.91
Price/Book ratio	2.39	2.44
5 Yr. EPS Growth Rate (%)	15.11	10.54
Current Yield (%)	4.47	3.45
Number of Stocks	407	796



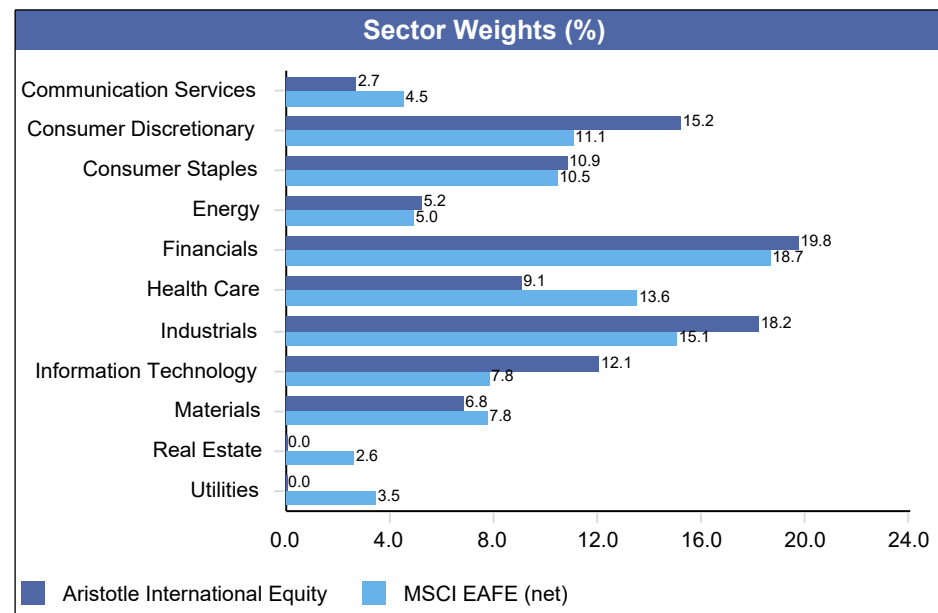
Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Roche Holding AG	3.11	1.55	1.56	-4.73
Novo Nordisk A/S	2.90	1.57	1.33	34.18
Novartis AG	2.78	1.37	1.41	17.40
BHP Group Ltd	2.15	1.10	1.05	24.69
DBS Group Holdings Ltd	1.80	0.32	1.48	9.81
RELX PLC	1.73	0.37	1.36	12.17
Sampo PLC	1.70	0.18	1.52	21.43
Imperial Brands PLC	1.70	0.16	1.54	23.35
ANZ Group Holdings Limited	1.65	0.34	1.31	12.55
GSK plc	1.61	0.49	1.12	20.56
% of Portfolio	21.13	7.45	13.68	



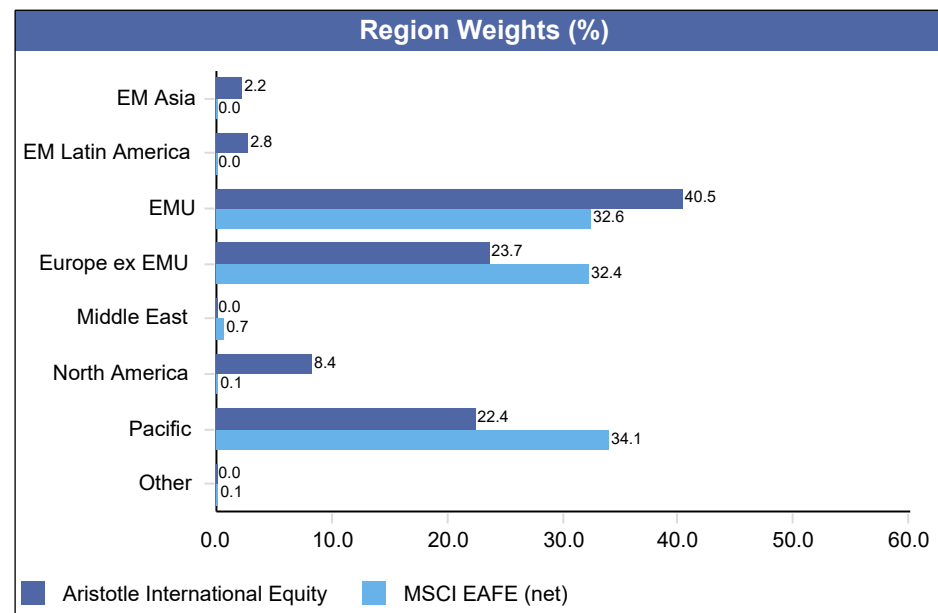


Aristotle International Equity vs. MSCI EAFE (net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	60,919	76,649
Median Mkt. Cap (\$M)	30,353	11,967
Price/Earnings ratio	16.46	12.91
Price/Book ratio	2.26	2.44
5 Yr. EPS Growth Rate (%)	14.91	10.54
Current Yield (%)	2.36	3.45
Number of Stocks	40	796

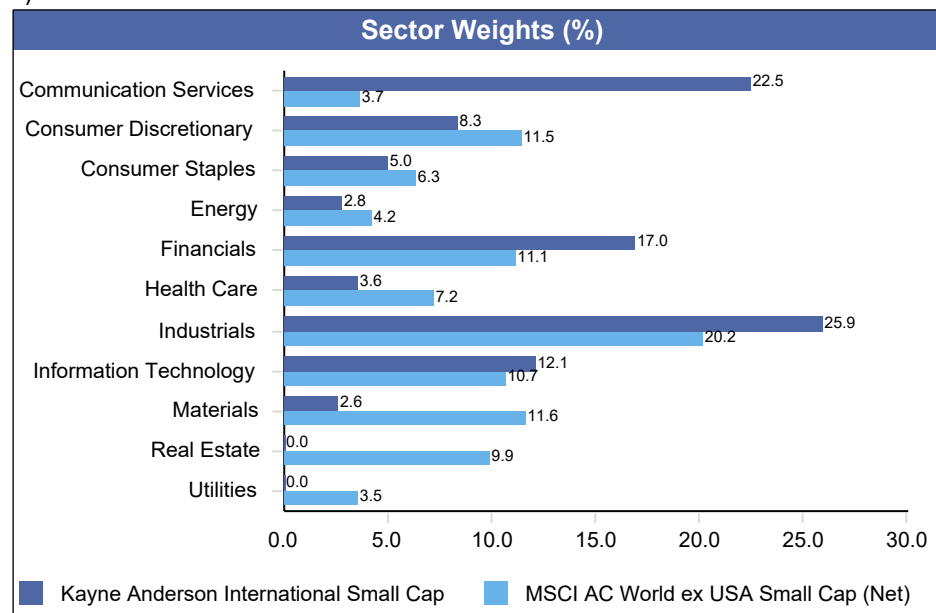


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Accenture PLC	4.58	0.00	4.58	4.17
Muenchener Rueck-Geslft Aktgslht	3.71	0.32	3.39	33.69
Sony Group Corporation	3.64	0.67	2.97	18.50
Ashtead Group PLC	3.62	0.18	3.44	24.70
LVMH Moet Hennessy Louis Vui	3.30	1.41	1.89	22.07
Pan Pacific International Holdings	3.20	0.05	3.15	5.25
Dassault Systemes SA	3.16	0.17	2.99	2.02
DBS Group Holdings Ltd	3.15	0.32	2.83	9.81
Haleon plc	3.07	0.14	2.93	26.54
TotalEnergies SE	3.06	1.09	1.97	34.52
% of Portfolio	34.49	4.35	30.14	

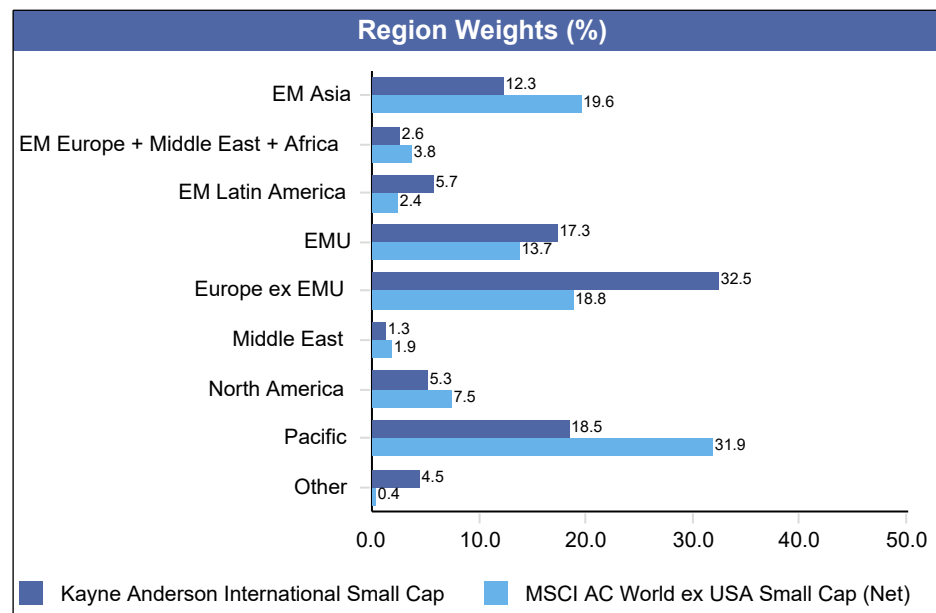


Kayne Anderson International Small Cap vs. MSCI AC World ex USA Small Cap (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	2,152	2,274
Median Mkt. Cap (\$M)	984	993
Price/Earnings ratio	18.64	10.59
Price/Book ratio	3.62	2.16
5 Yr. EPS Growth Rate (%)	9.31	11.66
Current Yield (%)	2.73	3.23
Number of Stocks	46	4,331

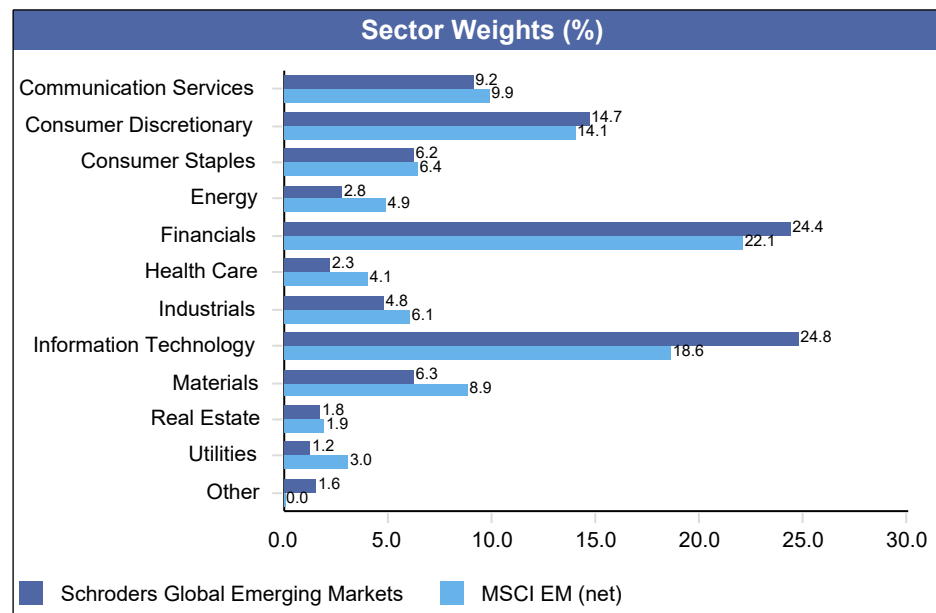


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Rightmove PLC	4.68	0.14	4.54	14.49
Baltic Classifieds Group PLC	4.49	0.00	4.49	11.36
Auto Trader Group plc	4.37	0.00	4.37	8.08
Haitian International Holdings Ltd	3.74	0.00	3.74	40.89
AJ Bell PLC	3.61	0.04	3.57	43.64
Haw Par Corp Ltd	3.59	0.00	3.59	-0.01
Alten, Boulogne-Billancourt	3.54	0.10	3.44	11.81
IntegraFin Holdings Limited	3.52	0.03	3.49	52.00
MarkLines Co Ltd	3.50	0.00	3.50	21.14
Bouvet ASA	3.33	0.00	3.33	22.26
% of Portfolio	38.37	0.31	38.06	

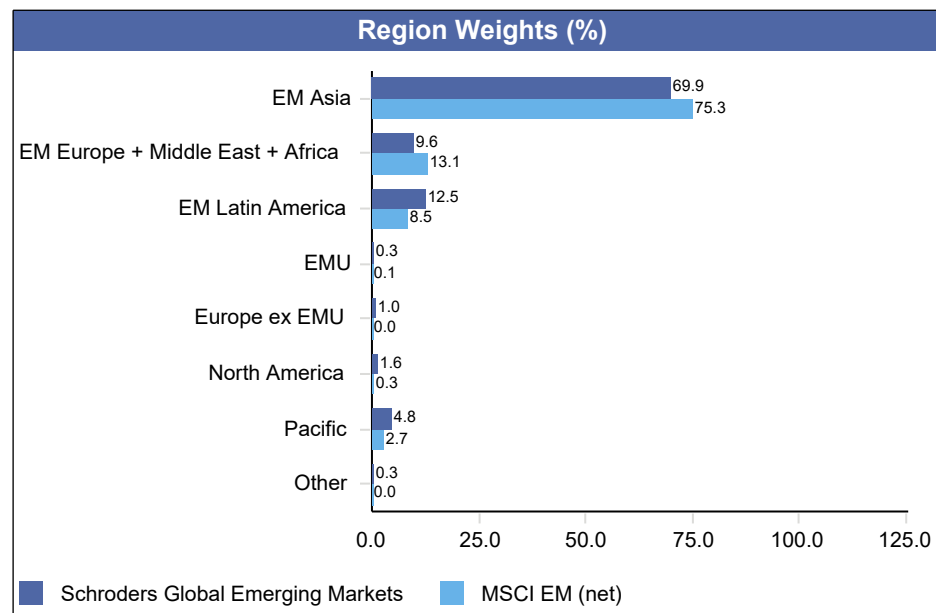


Schroders Global Emerging Markets vs. MSCI EM (net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	100,824	86,972
Median Mkt. Cap (\$M)	13,652	6,193
Price/Earnings ratio	11.48	10.90
Price/Book ratio	2.52	2.61
5 Yr. EPS Growth Rate (%)	12.27	15.46
Current Yield (%)	2.59	3.26
Number of Stocks	113	1,377



Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Taiwan Semicon Manu Co	6.93	5.69	1.24	10.55
Samsung Electronics Co Ltd	6.87	3.31	3.56	18.27
Tencent Holdings LTD	5.59	4.24	1.35	26.10
Icici Bank Ltd	2.73	0.88	1.85	4.39
H D F C Bank Ltd	2.73	0.00	2.73	17.10
JD.com Inc	2.61	0.96	1.65	11.51
AIA Group Ltd	2.52	0.00	2.52	33.38
Vale SA	2.27	1.02	1.25	27.84
Infosys Ltd	2.22	0.97	1.25	7.28
Alibaba Group Holding Ltd	2.21	2.59	-0.38	11.28
% of Portfolio	36.68	19.66	17.02	



#### ● PGIM - Core Fixed Income

- **Management:** Michael Collins, CFA (since 2009), Richard Piccirillo (2012) and co-CIO Gregory Peters (2014) are Senior Portfolio Managers.
- **Objective:** The strategy seeks to outperform the Bloomberg US Aggregate Index over full market cycles.
- **Strategy:** The strategy invests in a broad range of fixed income securities, including U.S. government securities, corporate bonds, taxable municipal securities and mortgage-backed or other asset-backed securities. The strategy may also invest in a limited amount of non-investment grade securities.

The investment process for Core Fixed Income portfolios utilizes both top-down and bottom-up approaches. Sector allocation, duration, yield curve, and “industry bias” decisions are made using top-down research derived from a range of internal sources, including our global macroeconomic research team and heads of the sector investment teams, as well as external sources. Actual subsector and security selections are made by sector specialists after conducting bottom-up fundamental and quantitative research and relative value analysis.

#### ● TIAA –Core Impact Bond

- **Management:** Stephen Liberatore, CFA is a Managing Director and Lead Portfolio Manager (2010)
- **Objective:** The strategy seeks a favorable long-term total return through income and capital appreciation while giving special consideration to certain environmental, social, and governance (“ESG”) criteria.
- **Strategy:** The strategy invests in a broad range of fixed income securities, including U.S. government securities, corporate bonds, taxable municipal securities and mortgage-backed or other asset-backed securities. The strategy may also invest in a limited amount of non-investment grade securities. The strategy seeks to add value through duration and yield-curve positioning, sector allocation and security selection. The evaluation process favors companies with leadership in ESG performance relative to their peers.

#### ● iShares Core U.S Aggregate Bond ETF

- **Management:** James Mauro and Karen Uyehara (the “Portfolio Managers”) are primarily responsible for the day-to-day management of the Fund. Mr. Mauro and Ms. Uyehara have been co-managing the Fund since 2011 and 2021, respectively.
- **Objective:** The Fund seeks to track the investment results of the Bloomberg U.S. Aggregate Bond Index.
- **Strategy:** BlackRock Fund Advisors (“BFA”) uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

● **PineBridge – Investment Grade Credit**

- **Management:** Robert Vanden Assem, CFA, Managing Director and Head of Developed Markets IG Fixed Income (2001) & Dana Burns, Sr. Portfolio Manager (2007)
- **Objective:** The total return strategy seeks strong returns by combining a top-down view with a bottom-up, credit intensive research process.
- **Strategy:** The strategy invests in USD-denominated investment grade credit, focused in the corporate sector. The portfolio is constructed combining views of fundamentals, valuations and market technicals affecting sector and individual securities.

● **Brown Brothers Harriman – Structured Fixed Income**

- **Management:** Neil Hohmann, PhD, Head of Structured Products (2006), Andrew Hofer, Head of Taxable Portfolio Management (2006) & Chris Ling (2020)
- **Objective:** To deliver attractive long-term results through capital preservation and taking advantage of differences between valuations and fundamentals through a bottom-up research process.
- **Strategy:** The strategy is an investment grade portfolio focused on asset-backed securities backed by assets other than real estate (also known as non-traditional asset-backed securities). These securities will include a mix of equipment leases, commercial royalty and insurance-linked, and broad consumer related including: credit card, auto loans, student loans and debt refinancing. The structured fixed-income strategy may also invest a limited amount in commercial mortgage-backed securities and municipal debt instruments that are secured by tangible asset collateral or revenue streams. The structured fixed-income strategies are constructed using either a bottom-up investment approach or a quantitative framework to assess valuation and long-term return potential.

● **SPDR Blackstone Senior Loan**

- **Management:** Sub-advised by the liquid credit group of Blackstone.
- **Objective:** To provide current income through investment in senior loans.
- **Strategy:** This actively managed ETF invests mainly in the floating rate loan market with an emphasis on larger sized deals. Fixed rate high yield corporate bonds may also be held in environments in which the team views them favorably. The team focuses on companies with strong private equity sponsorship.

● **BrandywineGLOBAL High Yield**

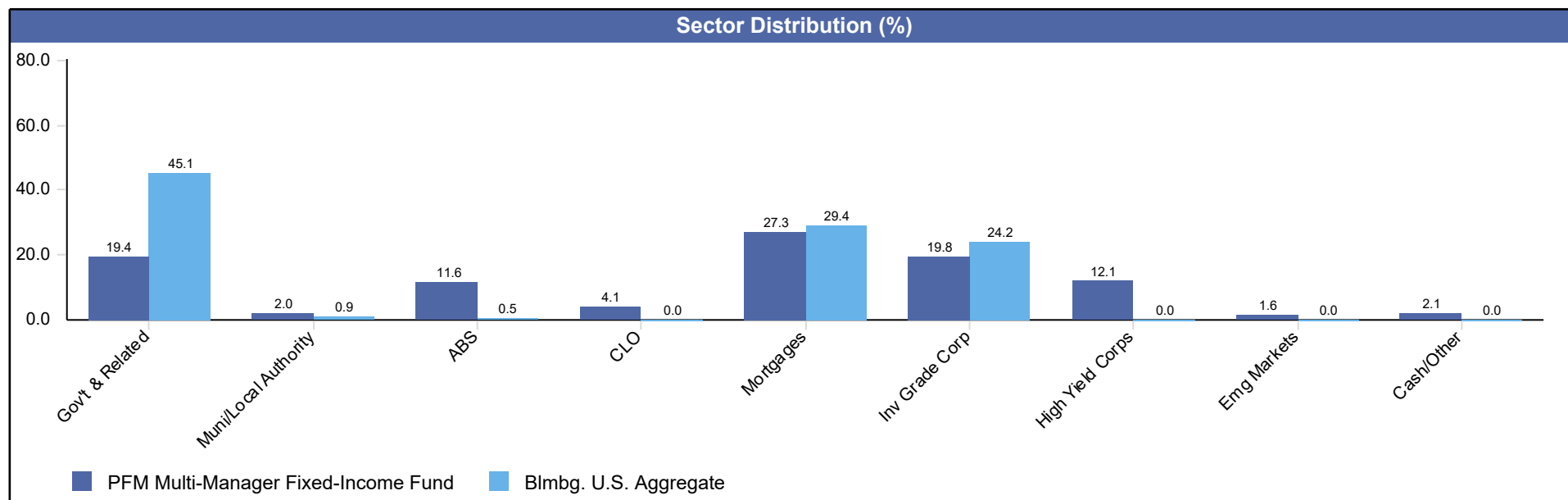
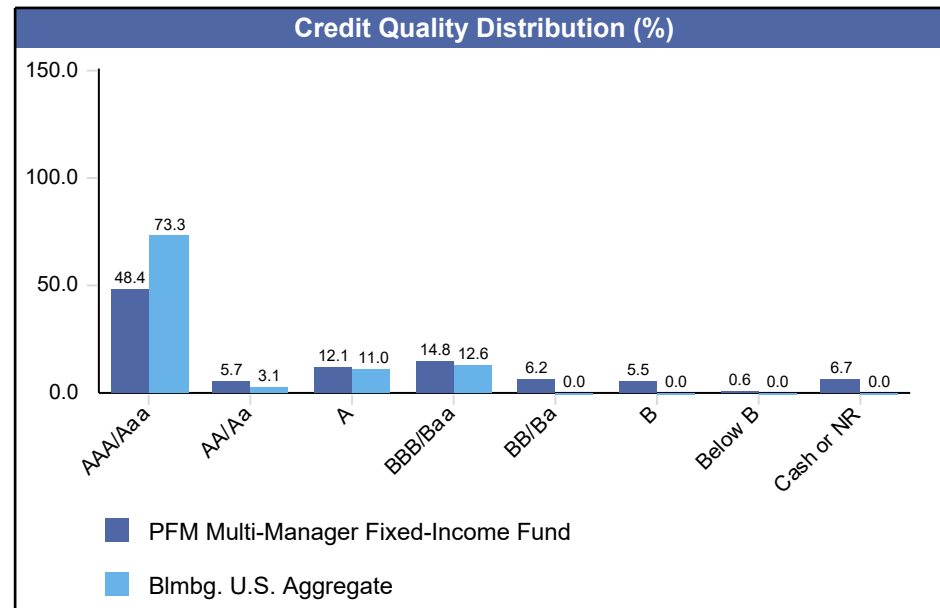
- **Management:** Bill Zox, CFA and John McClain, CFA have led the fund since its inception in 2014.
- **Objective:** Seeks high current income with the opportunity for capital appreciation.
- **Strategy:** The fund generally holds over 80% of its assets in corporate debt rated below investment grade. Securities are purchased when they believe the yield and total return potential are attractive relative to asset and interest coverage and comparable securities.

● **Mainstay MacKay Shields High Yield Corporate**

- **Management:** Andrew Susser is the lead portfolio manager (since 2013). He is supported by about a dozen analysts and traders.
- **Objective:** To outperform the high yield market over the long term through superior credit selection, while mitigating downside risks.
- **Strategy:** A bottom-up, value-oriented approach to investing in the high yield market. The team sets a minimum of 1.5x asset coverage on the universe of corporate bonds then breaks down the remainder into four risk groups with differing spread levels needed for potential inclusion. The result is a diversified portfolio that may include some exposure to loans or investment grade credits.

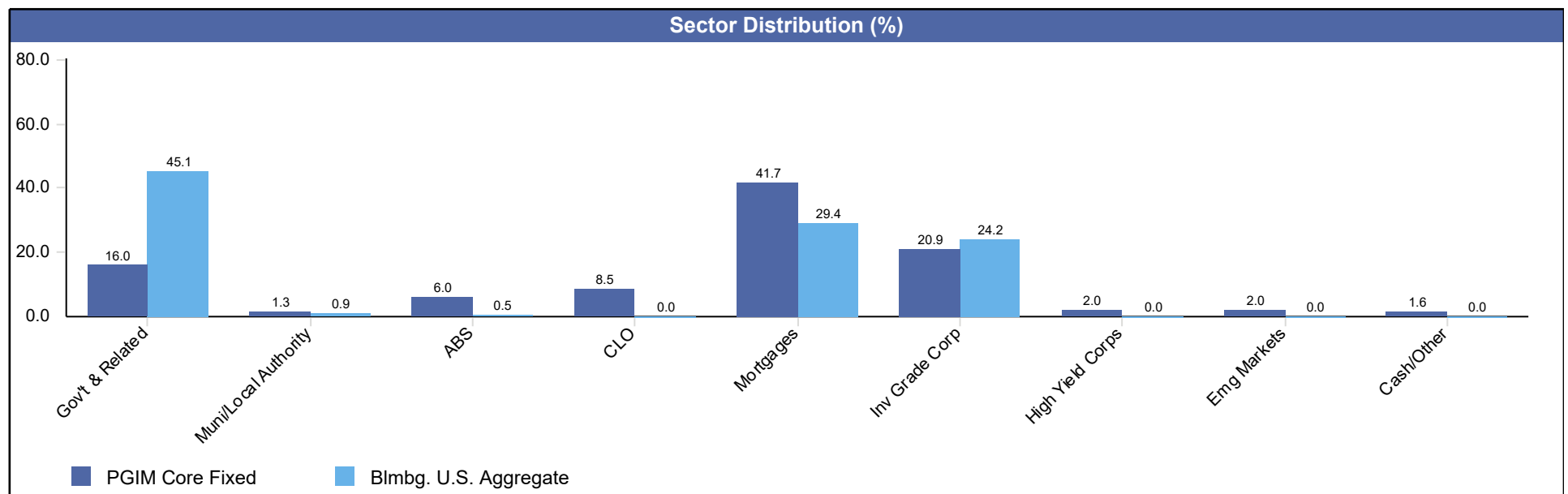
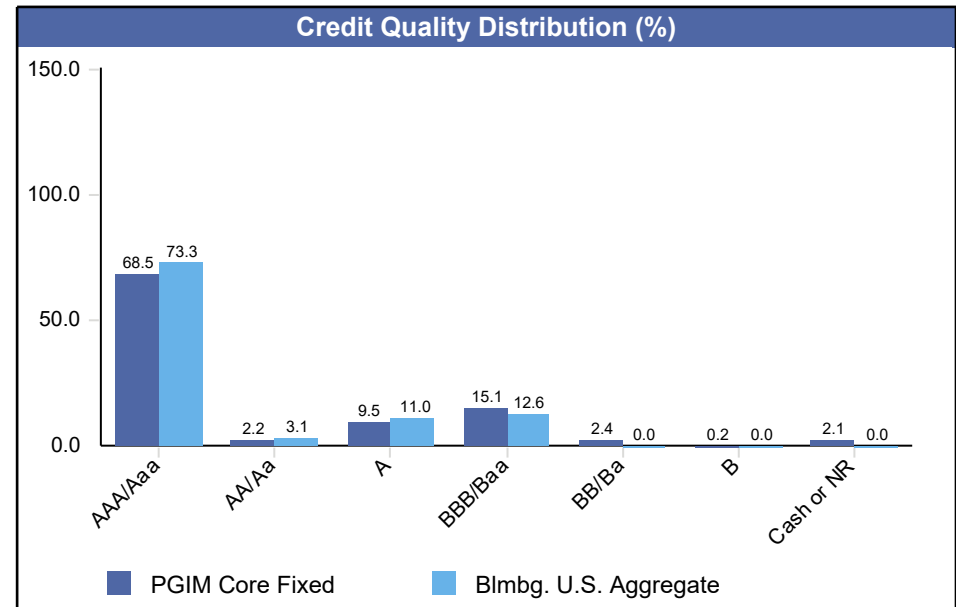
PFM Multi-Manager Fixed-Income Fund vs. Blmbg. U.S. Aggregate

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	5.23	6.17
Yield To Maturity (%)	6.08	4.67
Avg. Maturity	7.80	8.44
Avg. Quality	AA	AA
Coupon Rate (%)	3.70	2.69



PGIM Core Fixed vs. Blmbg. U.S. Aggregate

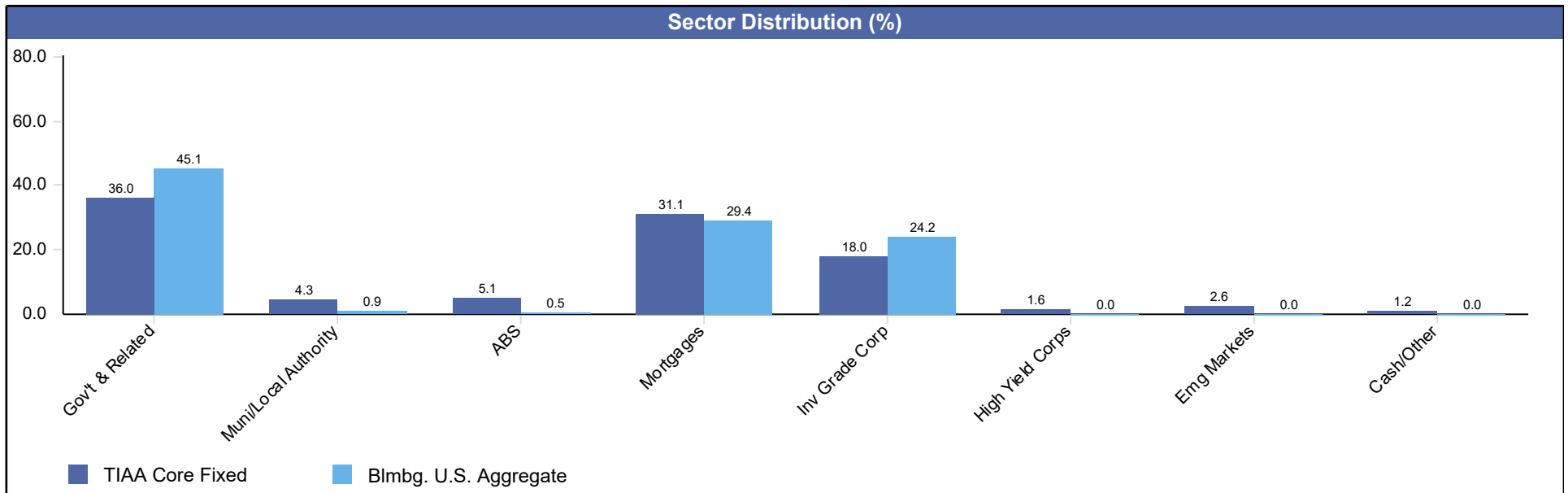
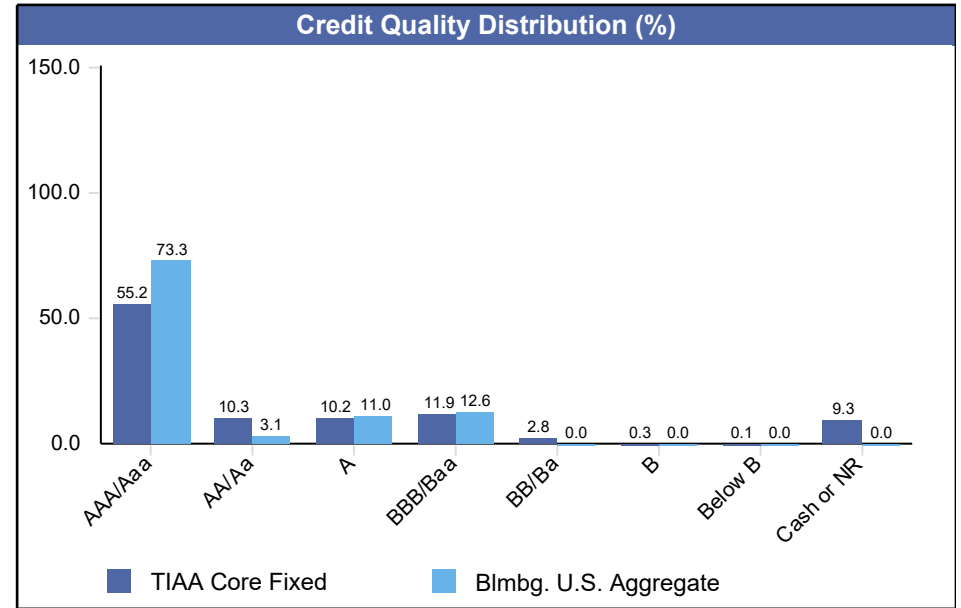
Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.31	6.17
Yield To Maturity (%)	5.31	4.67
Avg. Maturity	8.22	8.44
Avg. Quality	AA	AA
Coupon Rate (%)	3.59	2.69





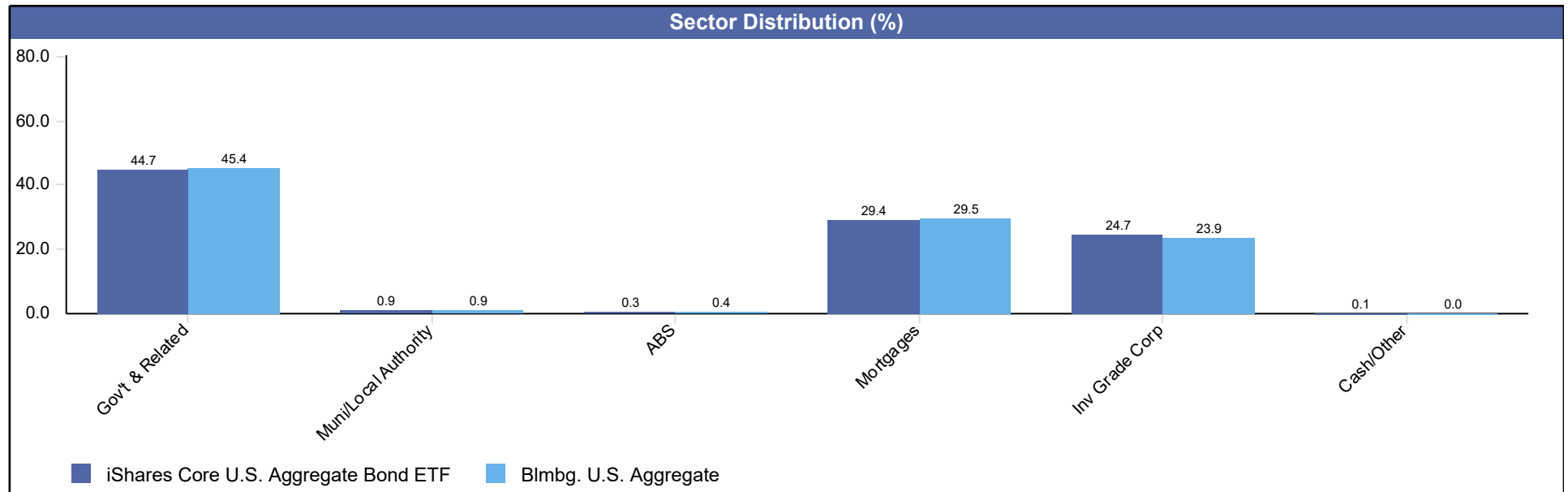
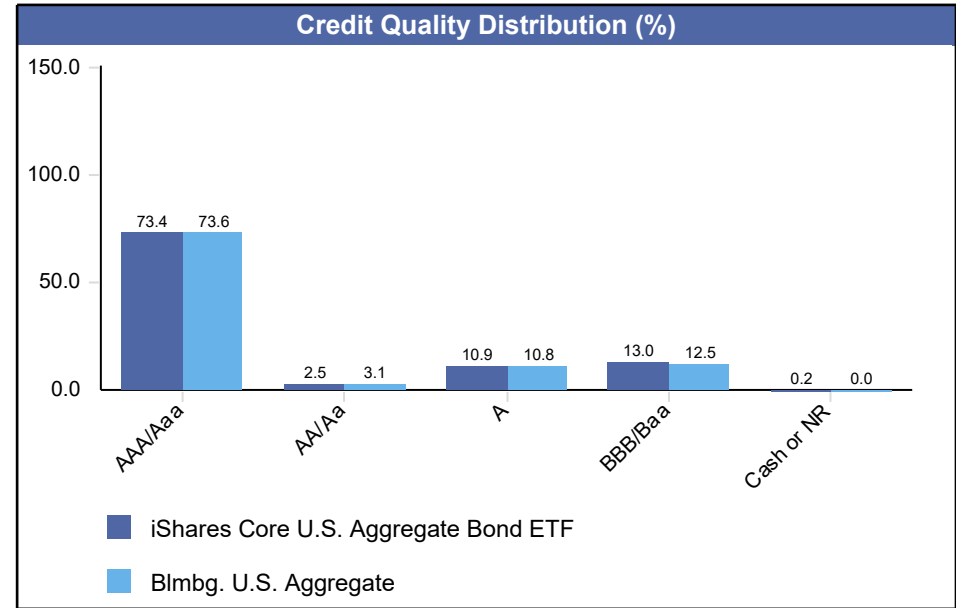
TIAA Core Fixed vs. Blmbg. U.S. Aggregate

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.21	6.17
Yield To Maturity (%)	5.85	4.67
Avg. Maturity	9.34	8.44
Avg. Quality	AA	AA
Coupon Rate (%)	2.72	2.69



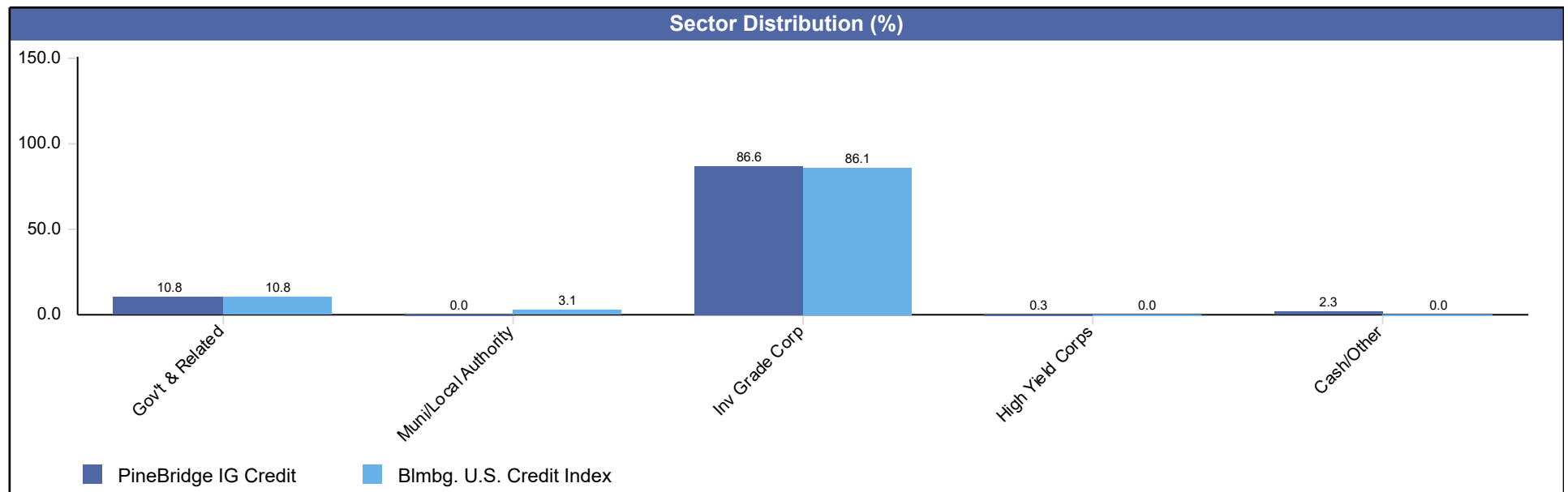
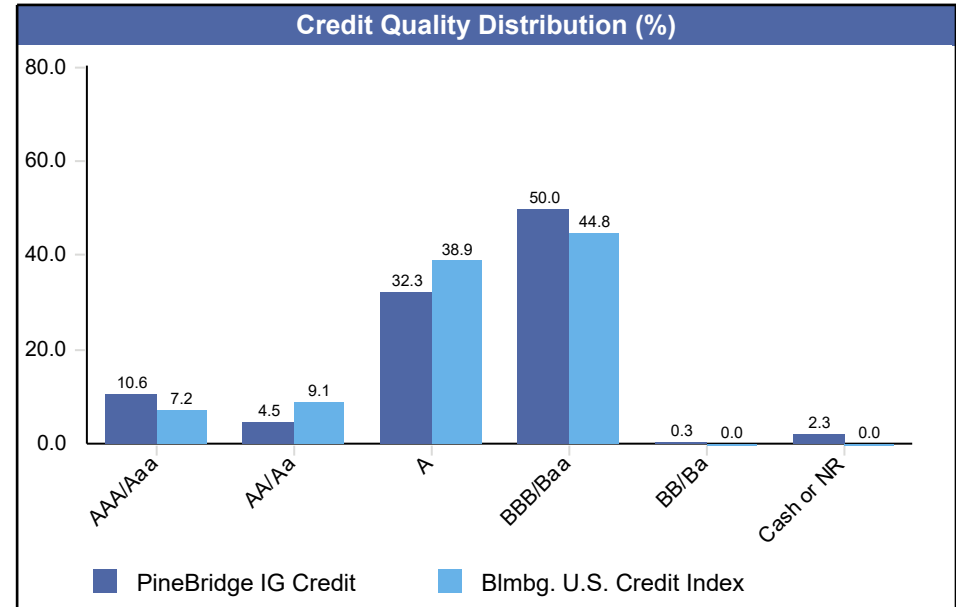
iShares Core U.S. Aggregate Bond ETF vs. Blmbg. U.S. Aggregate

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.42	6.20
Yield To Maturity (%)	4.68	4.73
Avg. Maturity	8.71	8.52
Avg. Quality	AA	AA
Coupon Rate (%)	2.61	2.58



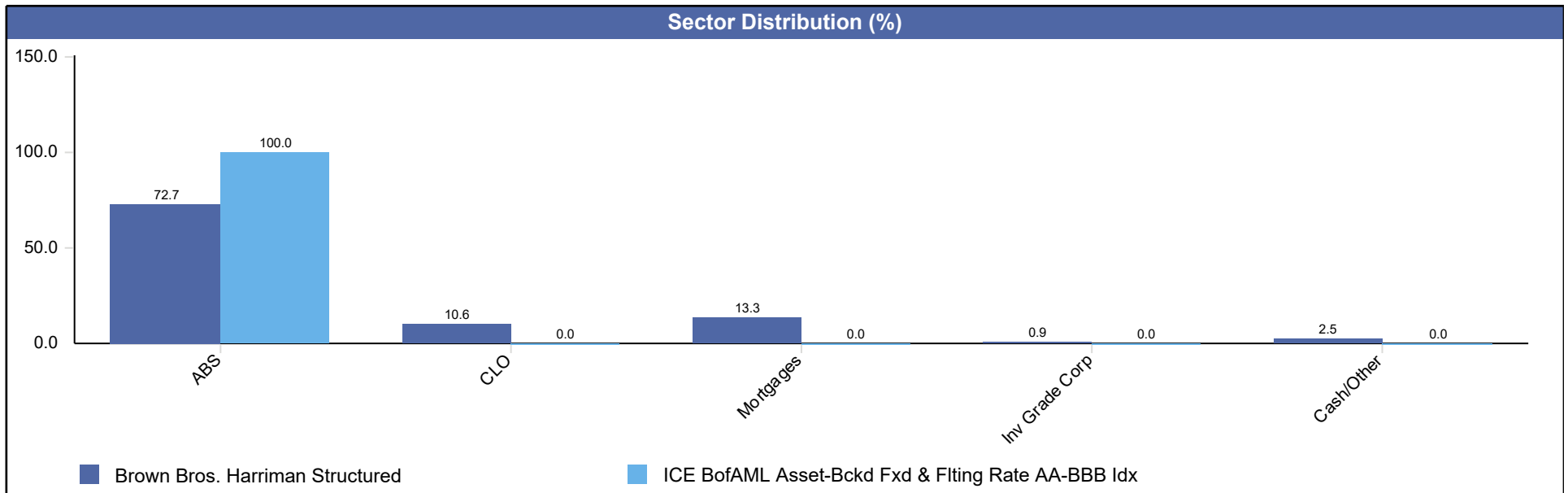
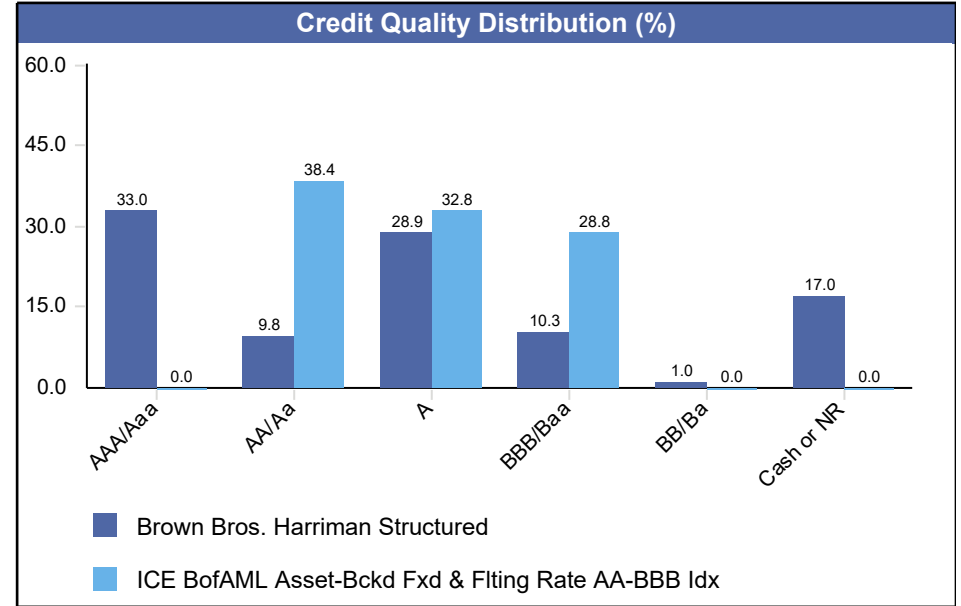
PineBridge IG Credit vs. Blmbg. U.S. Credit Index

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.79	6.92
Yield To Maturity (%)	5.48	5.34
Avg. Maturity	10.51	10.72
Avg. Quality	A	A
Coupon Rate (%)	3.64	3.62



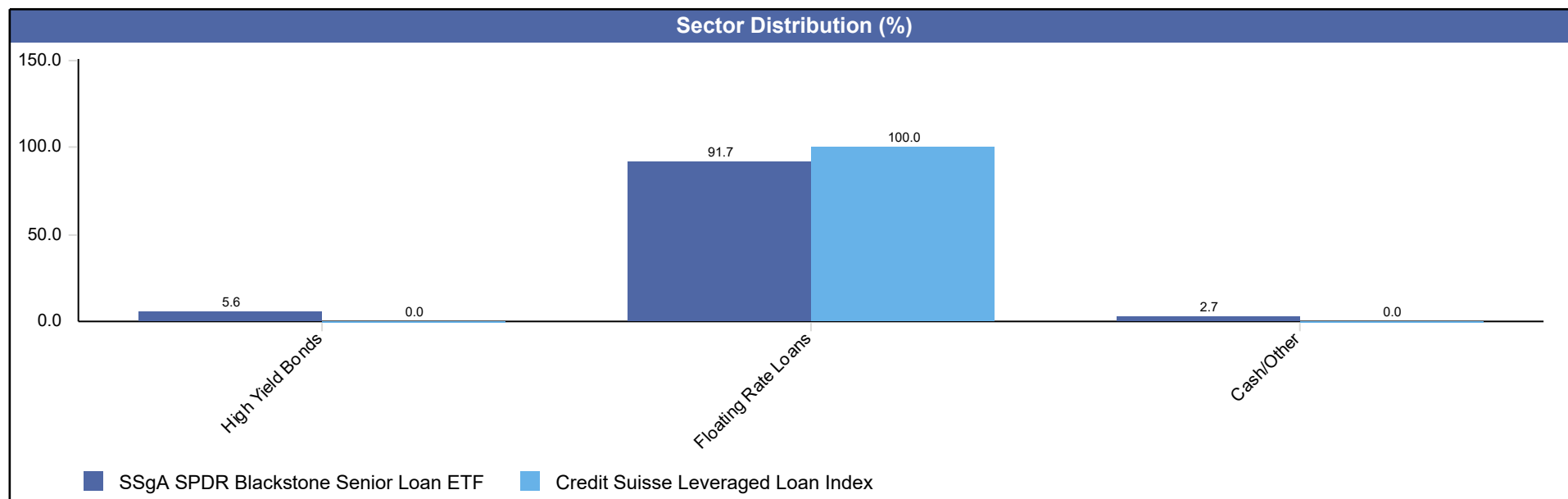
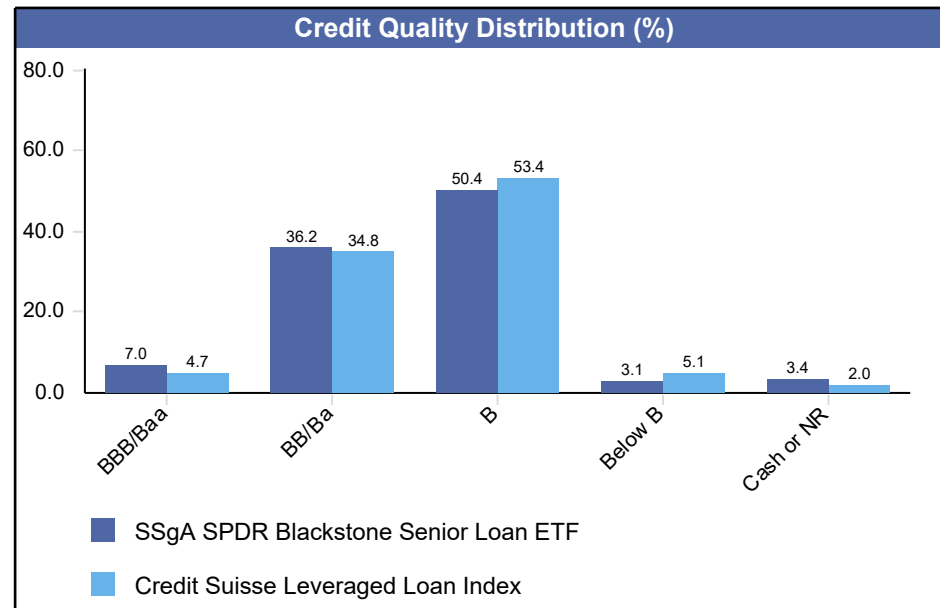
Brown Bros. Harriman Structured vs. ICE BofAML Asset-Bckd Fxd & Flting Rate AA-BBB Idx

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	2.03	2.68
Yield To Maturity (%)	7.35	6.91
Avg. Maturity	2.98	3.99
Avg. Quality	A	A
Coupon Rate (%)	4.36	3.29



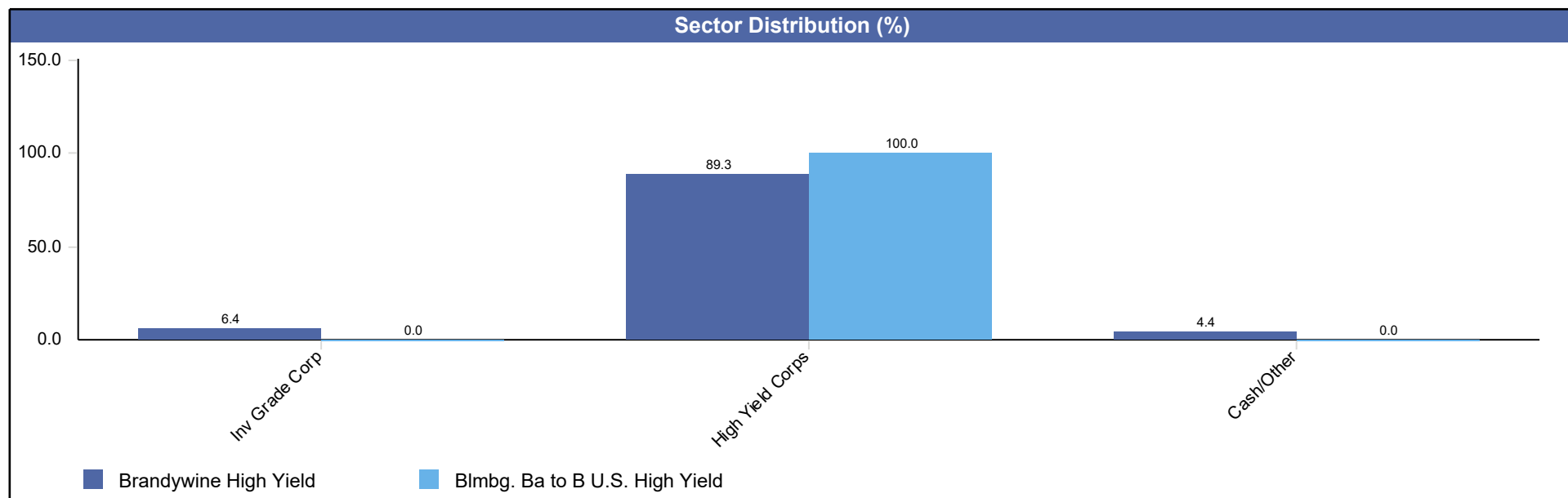
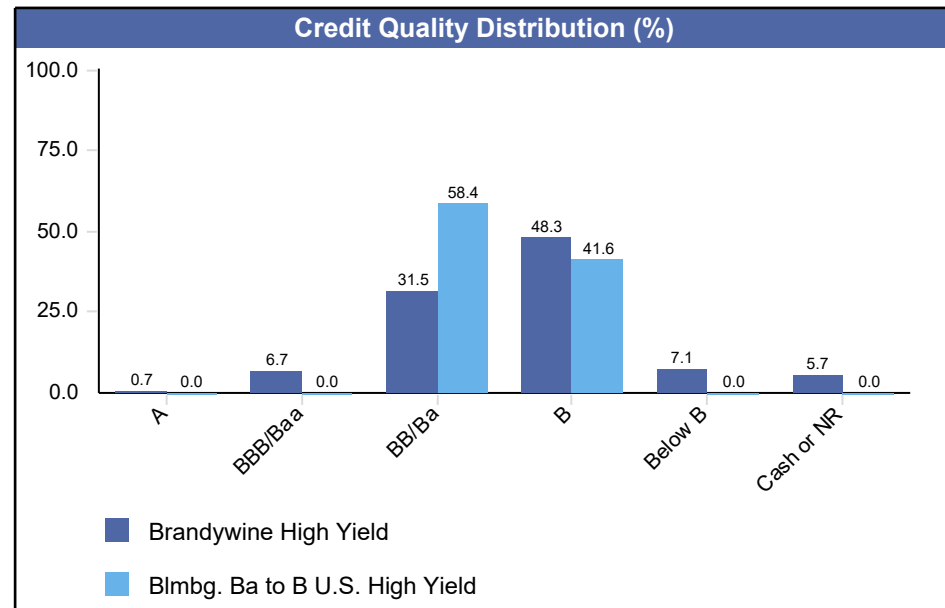
SSgA SPDR Blackstone Senior Loan ETF vs. Credit Suisse Leveraged Loan Index

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	0.20	0.25
Yield To Maturity (%)	8.56	10.68
Avg. Maturity	4.37	4.39
Avg. Quality	B	B
Coupon Rate (%)	7.15	8.14



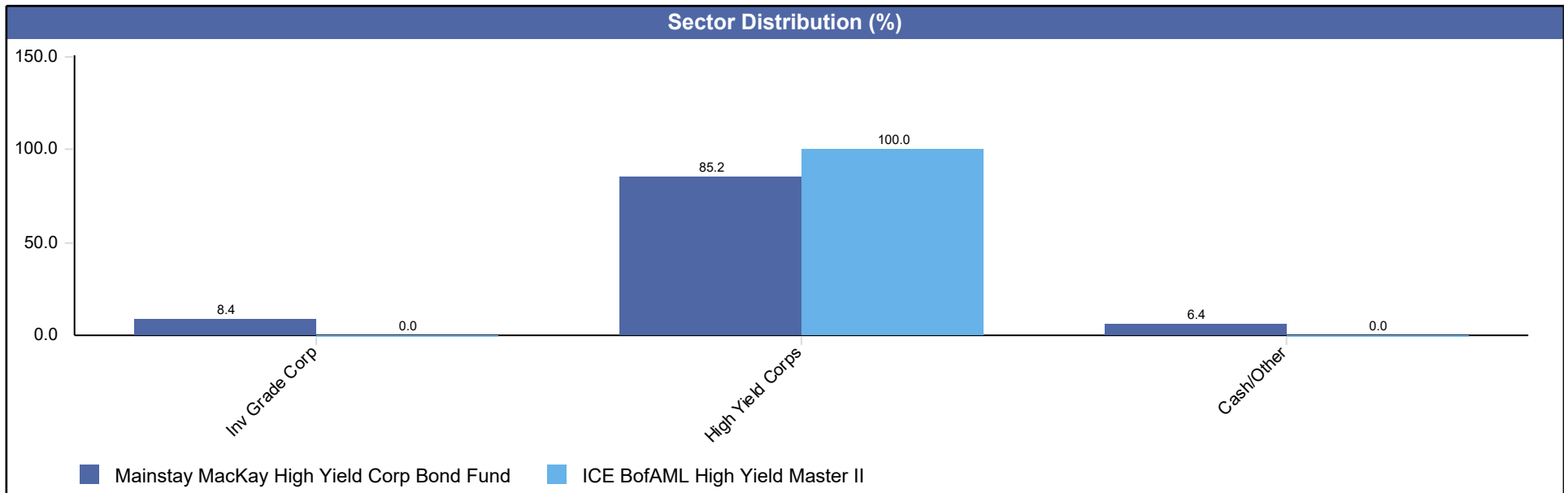
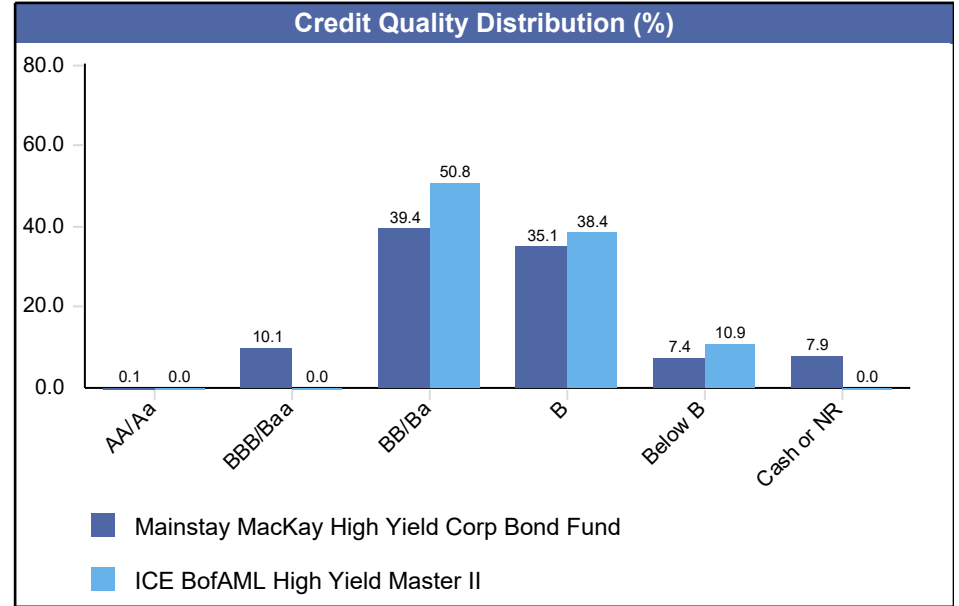
Brandywine High Yield vs. Blmbg. Ba to B U.S. High Yield

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	3.98	4.20
Yield To Maturity (%)	9.56	8.78
Yield To Worst	9.56	8.80
Avg. Maturity	5.89	5.83
Avg. Quality	B	BB
Coupon Rate (%)	5.86	5.44



Mainstay MacKay High Yield Corp Bond Fund vs. ICE BofAML High Yield Master II

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	3.62	4.02
Yield To Maturity (%)	7.60	8.97
Avg. Maturity	5.09	5.48
Avg. Quality	BB	B
Coupon Rate (%)	5.64	5.77



## IMPORTANT DISCLOSURES

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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(^) Performance information is gross of fees and reflects sleeve level information (not specific to this client/investor). It is provided by sub-advisers of the PFM Multi-Manager Equity Fund, PFM Multi-Manager International Equity Fund and PFM Multi-Manager Fixed-Income Fund.

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## SUMMARY

- **PFMAM's Multi-Asset Class Investment Committee (the "Committee") has voted to remove tactical exposures to public real estate (REITs), preferred shares and commodities (for those clients with an allocation to these strategies).**
- **REITs and preferred shares have proven to be highly correlated to equities this cycle vs. historically and commodities will likely perform poorly as the economy continues to slow and possibly enters a recession.**
- **As proceeds from these sales become available, US and international equities will be brought back to strategic targets and both fixed income and cash will be increased slightly. Fixed income will remain underweight vs. strategic targets.**

## ASSESSMENT

The Federal Reserve (Fed) and other major central banks (ECB, BoE and others) have aggressively raised rates in 2022 to deal with unacceptably high inflation. As a result, economic growth has moderated and capital markets have suffered significant drawdowns. While the US economy grew in the third quarter, it was largely due to exports and government spending while private sector activity nearly stalled. Various indicators, such as LEI (Leading Economic Index) and the yield curve, are suggesting the probability of a recession continues to increase. Meanwhile, the EuroZone has managed to weather the storm so far, but is expected to enter a recession in the fourth quarter of 2022.

While inflation domestically remains elevated, it is moderating. Inflation first began in the housing and goods sectors (i.e. new/used cars) before impacting the services sector. Recently, house price appreciation has moderated significantly while goods inflation has largely diminished and inventories are increasing. Inflation remains unacceptably high in the services sector, partly driven by the housing component of the inflation indices or the so-called OER (Owner's Equivalent Rent). CPI (Consumer Price Index) and PCE (Personal Consumption Expenditures) reflected rising inflation with a lag vs. what we were seeing in the economy and capital markets. As a result, we expect these indices will also show moderating inflation with a lag; as such, we expect CPI and PCE to show moderating inflation towards the end of the year and into 2023.

In addition to slowing economic growth and moderating inflation, we are beginning to see signs of financial instability. While we expect the Fed to continue to raise rates for the rest of 2022, slowing economic growth, moderating inflation and rising financial instability could cause the Fed to become less hawkish. The ECB (European Central Bank) already has become more balanced at its last meeting where it raised rates but softened its tone. Less hawkish central banks should provide some support to equity markets. Based on our expectations and Fed guidance, we expect central banks, including the Fed, to become more balanced. We expect continued rate increases for the rest of 2022 and first quarter of 2023 and think the fed funds rate will likely rise to 4.75% - 5% range by the end of the first quarter next year. REITs and preferred shares have suffered as rates have increased more than expected. We believe that both will continue to face headwinds as rates rise further. As a result, the Committee has decided to remove these tactical exposures from client portfolios. In addition, slowing economic growth is likely to continue to pressure commodity prices.

The Committee had previously reduced commodity exposure and, at its most recent meeting, decided to completely remove commodities from client portfolios.

The sales of REITs, preferred shares and commodities will be used to bring US equities back to strategic targets and slightly increase both fixed income and cash. For international equities, we are moving towards strategic targets using a measured approach as we continue to monitor developments in those markets.

US equities have become more attractively priced due to significant declines in stock prices; however, corporate fundamentals, such as profit growth, have held up better than expected. In addition, investor positioning and sentiment are very low. While US equities are expected to exhibit above average volatility over the next several months, the Committee assesses the current risk-reward as favorable for longer term investors as market uncertainty is starting to decline. As a result, the Committee decided to bring US equities back to long-term strategic targets. Within US equities, the Committee currently favors mid- and small-cap stocks. These segments of the market have lower valuations and better growth prospects. International equities, meanwhile, have suffered similar significant drawdowns due to rising rates, but have also faced the headwind of a strong US dollar. In local FX (foreign exchange), international equities have performed better. Many investors and economists believe the US dollar is likely overvalued. As the Fed becomes less hawkish and more balanced, the US dollar should reverse the recent gains. A weakening dollar will turn a headwind into a tailwind for international equities. In addition, unlike US equities which are trading at historical average valuations, international equities are trading at a discount and at similar levels to past crisis periods such as the great financial crisis and EuroZone debt crisis.

While equities will be brought back to strategic targets, multi-asset class client portfolios will continue to be underweight fixed income. While we expect central banks to moderate rate hikes over the next several meetings, we feel interest rates need to come down for fixed income investments to perform well. We believe this is unlikely to happen until the second half of 2023. As such, we prefer to have a modest cash position while we wait for a better point to increase fixed income closer to strategic targets.

We appreciate your continued confidence in PFMAM. Should you have any specific questions or wish to discuss this topic in more detail, please contact your client manager directly.

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## SUMMARY

- **PFMAM's Multi-Asset Class Investment Committee (the "Committee") voted to remove the tactical cash allocation from client portfolios by increasing fixed income to its strategic target.**

## ASSESSMENT

Multi-asset class client portfolios spent the majority of 2022 underweight fixed income in the face of aggressive rate hikes from the Federal Reserve's Open Market Committee (the "Fed"). The Fed has been battling a surge in inflation in the wake of the Covid-19 pandemic, further disrupted by global energy and other commodity supply realignment in the wake of Russia's invasion in Ukraine.

As we enter 2023, the Committee believes we're experiencing the tail end of the Fed rate hikes. It appears that inflationary levels have peaked based on several measures, although remain historically high. Following multiple rate hikes, the US Treasury yield curve has become inverted, leading to the belief that long-term rates likely peaked during their October 2022 highs. Client portfolios held a tactical cash allocation in 2022, resulting in an underweight to longer duration (interest rate sensitive) fixed income, which fares poorly when rates are rising. Given the expectation of more limited Fed rate hikes and a lower likelihood of long-term rates rising higher, the Committee views this as an opportunity to increase fixed income exposure back to policy targets. In addition, yields on investment grade broad market indices are at levels last seen during the global financial crisis.

## PORTFOLIO IMPLICATIONS

Following these changes, multi-asset class client portfolios will be at target weights for equity and fixed income. After one of the worst periods for a balanced portfolio given broad selloffs in both equity and fixed income, the Committee finds it prudent to reduce the defensive stance and move back to policy targets. Amidst this backdrop, the Committee continues to be focused on opportunistically allocating capital to attractive opportunities.

The Committee continues to monitor data for signs of an economic slowdown and will make changes to client portfolios based on economic fundamentals and market outlook.

We appreciate your continued confidence in PFMAM. Should you have any specific questions or wish to discuss this topic in more detail, please contact your client manager directly.

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## EVENT

- **The SPDR Blackstone Senior Loan ETF (the “ETF”) has been removed from the PFM Multi-Manager Fixed Income Fund**

## SUMMARY

As the investment advisor for the Fund, PFM Asset Management LLC (“PFMAM”) recently removed the ETF that was added early last year. The removal of the ETF comes as investment grade fixed income valuations look more attractive given current yield levels. Furthermore, nearing the end of Fed rate hikes decreases the need for floating rate loan exposure. Given some economic data signaling a weaker outlook, the removal of this ETF will also serve to increase credit quality in the Fixed Income Fund.

Proceeds from the liquidation will be allocated primarily to the iShares Core US Aggregate ETF currently held in the Fund.

We appreciate your continued confidence in the PFM Multi-Manager Series Trust. Should you have any specific questions or wish to discuss this topic in more detail, please contact your client manager directly.

*Investors should carefully consider the investment objectives, risks, charges and expenses before investing. A copy of the Fund's prospectus may be obtained by calling 1-833-736-6678 or is available on the Fund's website at [mmst.pfam.com](http://mmst.pfam.com). Please carefully read the summary prospectus or prospectus before investing.*

# City of Walnut Creek Pension Trust



## Economic Overview

In line with slowing growth expectations, U.S. gross domestic product (GDP) for the fourth quarter of 2022 is projected to grow at an annual rate of 1.9%, according to the World Bank. 2023 is expected to grow by 1.7%, while 2024 growth is projected to be 2.7%. The labor market has remained relatively strong through the fourth quarter. The U.S. economy added 742,000 jobs during the quarter though the pace appears to be moderating.

Unemployment rose slightly at the beginning of the quarter but ended the year back at a pre-pandemic low of 3.5%. The participation rate dipped in October but edged back up to 62.3% by year-end, prompting some hopes that rising participation may relieve the labor supply issue. Inflation cooled in the fourth quarter, continuing the trend of the third quarter, and ending the year with an annual inflation rate of 6.5%. While markets are optimistic about the continued cooling of inflation, the rate is still significantly over the Federal Reserve's (Fed) 2% long-term inflation target.

Continued disruptions from Russia's ongoing war in Ukraine remain a headwind for the global economy, but some improvements have been seen. The FAO Food Price Index fell again in December, marking the ninth consecutive monthly decline, after hitting a record high and standing 1.0% below its pre-war value.

The prospect of a low growth/mild recession continues to gain momentum as purchasing managers reported gloomy numbers across the economy. ISM Manufacturing PMI fell into contractionary territory during the fourth quarter, ending the year 48.4. ISM Services PMI also pointed to the first contraction in the services sector since May 2020 amid weakening demand, ending the year with a reading of 49.6.

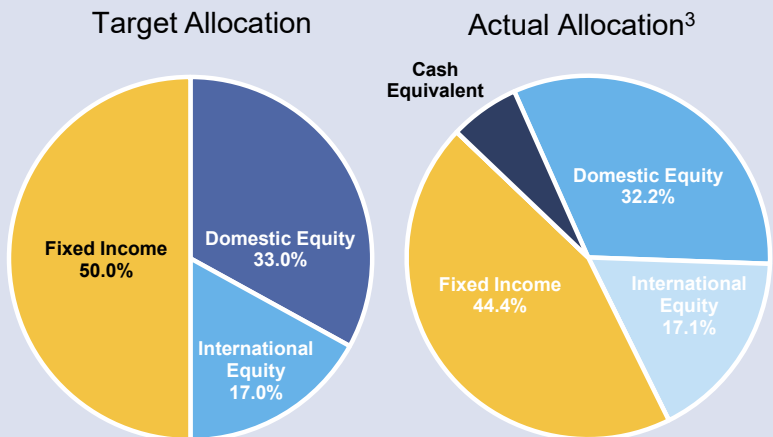
**Domestic Equity:** Domestic equity markets, as represented by the S&P 500 Index (S&P), posted a positive return of 7.56% for the quarter, which was the first and only positive quarter of the year. The ending return for 2022 was -18.11%. Within S&P, nine of 11 sectors ended with negative returns for the quarter. Year-to-date, Energy (65.43%) and Utilities (1.56%) were the only two positive sectors, while Communication Services (-39.89%), Consumer Discretionary (-37.03%), and Information Technology (-28.19%) were the biggest detractors. Value stocks, as represented by the Russell 1000 Value Index, returned 12.42% and outpaced growth stocks, as represented by the Russell 1000 Growth Index, which returned 2.20% for the quarter. Small-caps, as represented by the Russell 2000 Index, returned 6.23% during the quarter and lagged mid- and large-caps.

**International Equity:** Markets outside of the U.S., as measured by the MSCI ACWI ex-U.S. Index, significantly outperformed their U.S. counterparts, returning 14.29% for the quarter, partially helped by a weakening U.S. dollar. All 11 sectors posted strong positive returns for the quarter. In 2022, Energy was the best-performing sector returning 8.08%, while Information Technology was the worst-performer, returning -34.47% for the year. Emerging markets (EM), as represented by MSCI Emerging Market Index, underperformed Developed ex-U.S. Markets, represented by the MSCI EAFE Index, returning 9.70% versus 17.34% for the quarter.

**Fixed Income:** Bloomberg U.S. Aggregate Index was up 1.87%. For the year, the Aggregate lost 13.01%, marking its worst annual performance since its inception in 1976. Corporate credit was strong in the fourth quarter, with higher yields and the longer end of the curve being range bound. Corporate Index gained 3.63%, while high-yield bonds, as represented by the Bloomberg U.S. Corporate High Yield (HY) Index, were up 4.17%.

Portfolio Performance (Period Ending December 31, 2022)					
	4 <sup>th</sup> Quarter	Fiscal Year to Date	1 Year	3 Year	Since Inception <sup>1</sup>
<b>Pension Trust</b>	5.37%	-0.53%	-16.24%	2.02%	3.74%
<b>Benchmark<sup>2</sup></b>	5.80%	0.01%	-15.28%	1.37%	3.39%

City of Walnut Creek Portfolio Growth 2022 4Q Account Reconciliation	
<b>Beginning Market Value</b>	<b>\$21,850,872</b>
<b>Contributions</b>	\$0
<b>Distributions</b>	-\$14,239
<b>Earnings</b>	\$1,172,635
<b>Ending Market Value</b>	<b>\$23,009,268</b>



1. Inception date of September 1, 2018.  
 2. Blended Benchmark – September 2018: 33% Russell 3000 Index + 17% MSCI AC World ex USA (Net) + 50% Bloomberg Aggregate.  
 3. The asset allocation ranges are: Domestic Equity: 13%-53%; International Equity: 0%-37%; Fixed Income 30%-70%.