

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



CITY OF CUPERTINO

PARS 115 Trust - OPEB Prefunding Program and
Pension Rate Stabilization Program Client Review
July 25, 2022

CONTACTS



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PARS TRUST TEAM

Trust Administrator & Consultant



- Serves as record-keeper, consultant, and central point of contact
- Sub-trust account valuations
- Hands-on, dedicated support teams
- Processes contributions/disbursements
- Coordinates all agency services
- Ongoing plan compliance (IRS/GASB/Government Code)

Corporate Experience

38 years (1984-2022)

Dollars under Administration

Over \$6.2 billion

Investment Manager & Trustee



- Custodian of assets
- Investment fiduciary/oversight of plan assets
- Manage program portfolios
- Investment policy assistance
- Open architecture with active and index platform

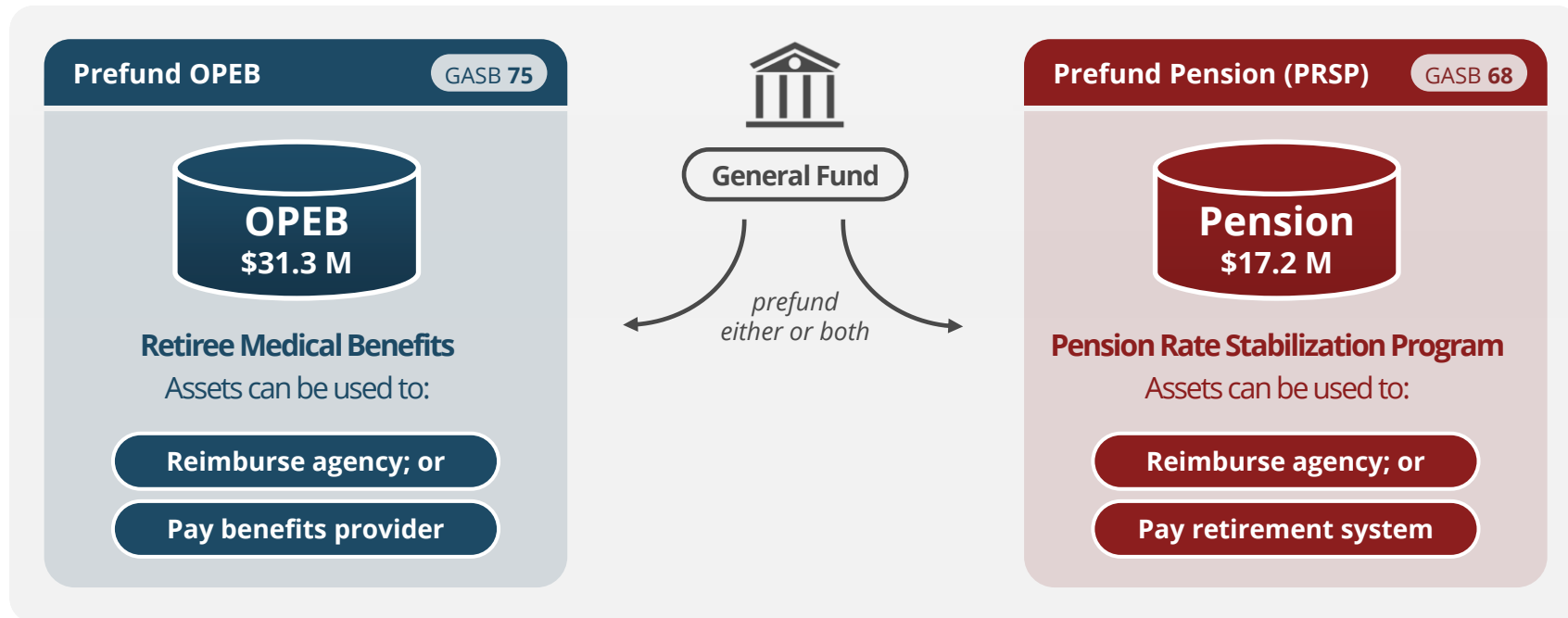
Corporate Experience

159 years (1863-2022)

Dollars under Administration

Over \$9.0 trillion

PARS IRS-APPROVED SECTION 115 TRUST



Subaccounts

OPEB and pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center.



Financial Stability

Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.



Flexible Investing

Allows separate investment strategies for OPEB and pension subaccounts.



Anytime Access

Trust funds are available anytime; OPEB for OPEB and pension for pension.



Economies-of-Scale

OPEB and pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!



No Set Up Cost or Minimums

No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

SUMMARY OF AGENCY'S OPEB PLAN

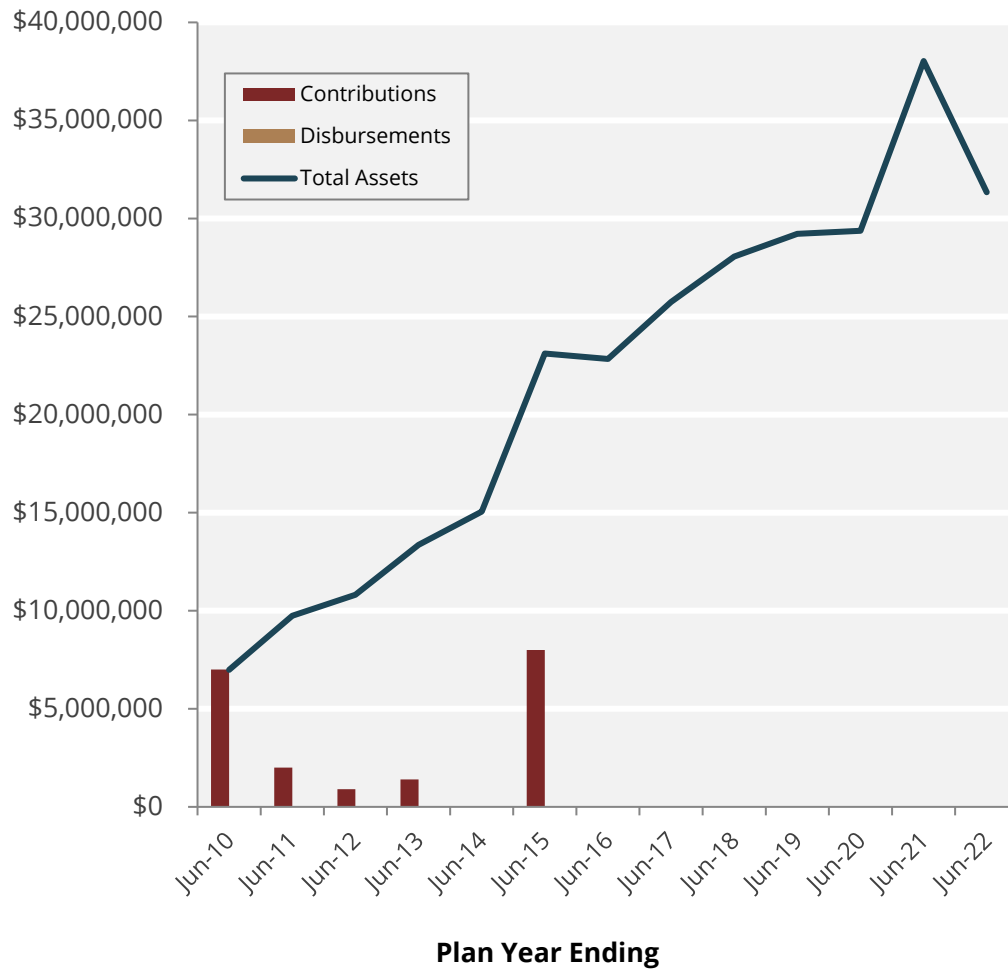
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	February 17, 2010
Plan Administrator:	Director of Administrative Services
Current Investment Strategy:	U.S. Bank Balanced Multi-Manager; Individual Account

AS OF JUNE 30, 2022:

Initial Contribution:	June 2010: \$7,000,000
Additional Contributions:	\$12,300,000
Total Contributions:	\$19,300,000
Disbursements:	\$0
Total Investment Earnings:	\$13,109,869
Account Balance:	\$31,339,861

SUMMARY OF AGENCY'S OPEB PLAN

HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF JUNE 30, 2022:



Year	Contributions	Disbursements	Total Assets
Jun-10*	\$7,000,000	\$0	\$6,985,379
Jun-11	\$2,000,000	\$0	\$9,742,816
Jun-12	\$900,000	\$0	\$10,810,484
Jun-13	\$1,400,000	\$0	\$13,358,376
Jun-14	\$0	\$0	\$15,054,002
Jun-15	\$8,000,000	\$0	\$23,113,331
Jun-16	\$0	\$0	\$22,834,090
Jun-17	\$0	\$0	\$25,745,075
Jun-18	\$0	\$0	\$28,056,145
Jun-19	\$0	\$0	\$29,218,234
Jun-20	\$0	\$0	\$29,370,249
Jun-21	\$0	\$0	\$38,025,046
Jun-22	\$0	\$0	\$31,339,861

*Plan Year Ending June 2010 is based on 1 month of activity.

OPEB ACTUARIAL RESULTS

- We have received the actuarial report by Cheiron dated September 22, 2021 with a measurement date as of June 30, 2021. In the table below, we have summarized the results.

Demographic Study	Measurement Date June 30, 2020	Measurement Date June 30, 2021
Actives	176	173
Retirees	127	137
Beneficiaries	11	11
Total	314	321

OPEB ACTUARIAL RESULTS

	Measurement Date: June 30, 2020 Discount Rate: 6.50%	Measurement Date June 30, 2021 Discount Rate: 6.50%
Total OPEB Liability (TOL)	\$31,338,000	\$28,626,000
Fiduciary Net Position	\$29,370,000	\$38,025,000
Net OPEB Liability (NOL)	\$1,968,000	(\$9,399,000)
Funded Ratio (%)	93.72%	132.8%
Actuarially Determined Contribution (ADC)	\$1,401,000 <i>for FY 2019-20</i>	\$124,000 <i>for FY 2020-21</i>
Annual Benefit Payments (Pay-as-you-Go)	\$1,490,000 <i>for FY 2019-20</i>	\$1,550,000 <i>for FY 2020-21</i>

For every one percent change in the discount rate, the unfunded liability is affected by 10-12%

SUMMARY OF AGENCY'S PENSION PLAN

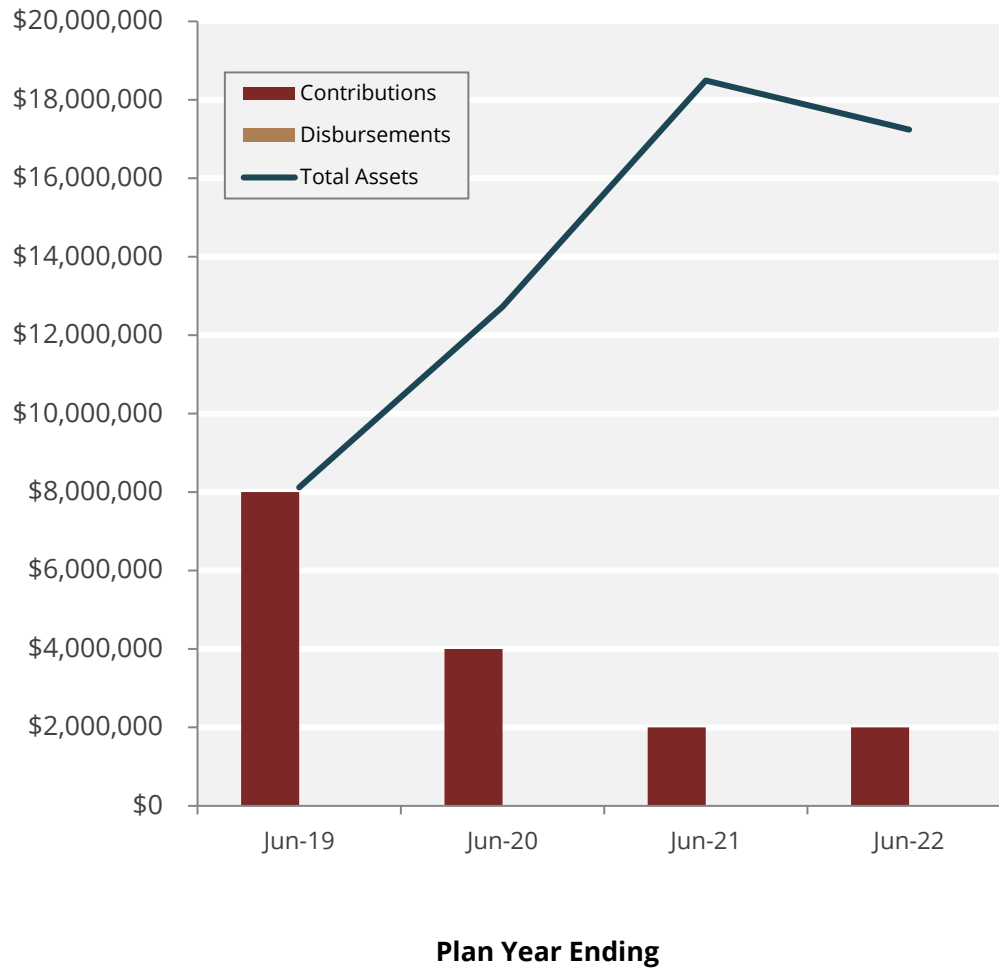
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	May 15, 2018
Plan Administrator:	Director of Administrative Services
Current Investment Strategy:	U.S. Bank Balanced Multi-Manager; Individual Account

AS OF JUNE 30, 2022:

Initial Contribution:	March 2019: \$8,000,000
Additional Contributions:	\$8,000,000
Total Contributions:	\$16,000,000
Disbursements:	\$0
Total Investment Earnings:	\$1,394,851
Account Balance:	\$17,240,051

SUMMARY OF AGENCY'S PENSION PLAN

HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF JUNE 30, 2022:



Year	Contributions	Disbursements	Total Assets
Jun-19*	\$8,000,000	\$0	\$8,119,289
Jun-20	\$4,000,000	\$0	\$12,725,224
Jun-21	\$2,000,000	\$0	\$18,491,004
Jun-22	\$2,000,000	\$0	\$17,240,051

*Plan Year Ending June 2019 is based on 4 months of activity.



PENSION FUNDING STATUS

As of June 30, 2020, City of Cupertino’s CalPERS pension plan is funded as follows*:

Combined Miscellaneous Groups	Valuation as of June 30, 2019	Valuation as of June 30, 2020	Change
Actuarial Liability	\$148.2 M	\$157.6 M	6.1% ↑
Assets	\$99.4 M	\$103.8 M	4.5% ↑
Unfunded Liability	\$49.2 M	\$53.8 M	9.5% ↑
Funded Ratio	66.9%	65.9%	1.6% ↓
Employer Contribution Amount	\$5.8 M (FY 20-21)	\$6.2 M (FY 21-22)	6.1% ↑
Employer Contribution Amount – Projected*	---	\$7.2 M (FY 27-28)	16.8% ↑

* Data through 2027-28 from Agency’s latest CalPERS actuarial valuation.



June 30, 2022

PARS/CITY OF CUPERTINO 115P

OPEB & PENSION ACCOUNTS

U.S. Bank Institutional Asset Management

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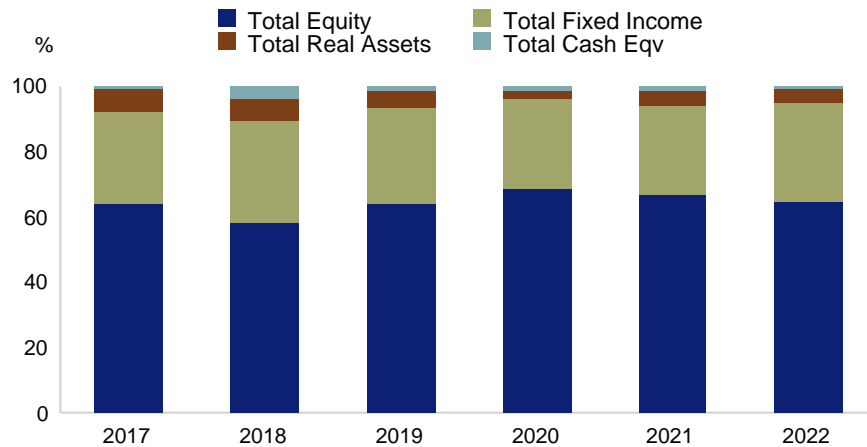
PORTFOLIO REVIEW

History of Asset Growth Graphs

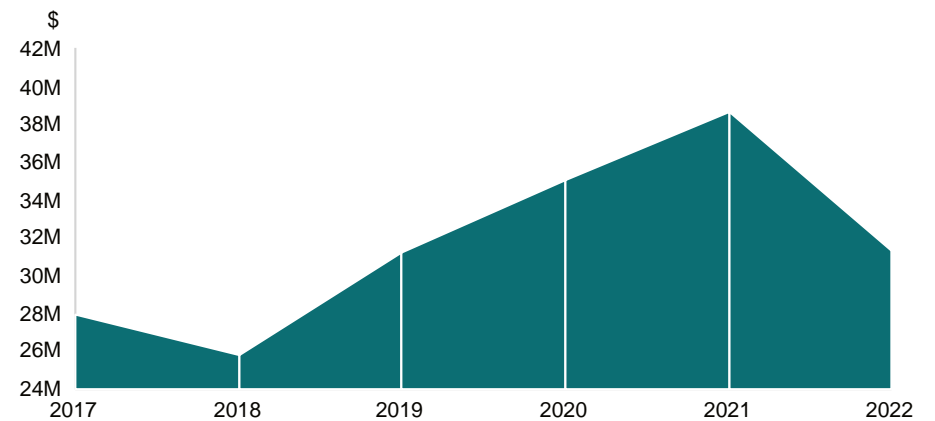
Annual Portfolio Values

	Consolidated	Jan 2017- Dec 2017	Jan 2018- Dec 2018	Jan 2019- Dec 2019	Jan 2020- Dec 2020	Jan 2021- Dec 2021	Jan 2022- Jun 2022
Beginning Portfolio Value	23,808,269	23,808,269	27,914,893	25,771,054	31,154,264	35,029,500	38,702,738
Contributions	28,325,739	2	15	28,325,715	2	1	3
Withdrawals	-28,955,070	-106,702	-113,476	-28,432,997	-110,991	-128,524	-62,381
Income Earned	3,008,961	452,364	548,841	695,433	482,644	640,255	189,425
Gain/Loss	5,160,162	3,760,960	-2,579,219	4,795,058	3,503,582	3,161,506	-7,481,725
Ending Portfolio Value	31,348,060	27,914,893	25,771,054	31,154,264	35,029,500	38,702,738	31,348,060
Total Return	5.45	17.73	-7.30	20.89	12.85	10.86	-18.86

Allocation Over Time



Ending Market Values Over Time



For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Investment products and services are:
 NOT A DEPOSIT • NOT FDIC INSURED • MAY LOSE VALUE • NOT BANK GUARANTEED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY



Custom Benchmark

CITY OF CUPERTINO

Asset Class	Benchmark	Range	Target	Actual
Equities	MSCI AC World Free Index	50%-70%	63%	65.7%
Fixed Income	BBARC Global Aggregate Index	20%-40%	29%	28.2%
Real Estate	S&P Global REIT TR USD	0%-15%	5%	5.1%
Commodities	S&P GSCI Commodity Index	0%-10%	2%	0%
Cash	FTSE 3-Mo US T-Bill Index	0%-10%	1%	1%

Selected Period Performance

	Market Value	3 Months	Year to Date (6 Months)	1 Year	3 Years	5 Years	97 Months	Inception to Date 07/01/2010
Total Portfolio Gross of Fees	31,348,060	-13.01	-18.86	-17.28	2.75	4.34	4.35	5.77
Total Portfolio Net of Fees	31,348,060	-13.05	-18.93	-17.43	2.55	4.14	4.14	
City of Cupertino		-13.02	-17.08	-13.78	3.93	5.27	4.35	6.65
Total Equity	20,233,127	-16.37	-22.77	-21.45	6.38	7.29	7.29	10.45
MSCI ACWI (Net)		-15.66	-20.18	-15.75	6.21	7.00	6.36	9.02
U.S. Equity	14,558,581	-17.86	-23.06	-18.93	6.53	8.10	8.72	
S&P 500 Index (Total Return)		-16.10	-19.96	-10.62	10.60	11.31	10.83	13.68
S&P MidCap 400 Index		-15.42	-19.54	-14.64	6.87	7.02	8.05	11.84
S&P SmallCap 600 Index		-14.11	-18.94	-16.81	7.30	7.20	8.53	12.34
Developed Markets Equity	3,748,382	-13.39	-21.79	-27.25	9.00	7.41	5.12	
MSCI EAFE Index (Net)		-14.51	-19.57	-17.77	1.07	2.20	1.91	5.49
Emerging Markets Equity	1,926,163	-10.33	-22.98	-30.88	-.96	.34	-.19	
MSCI Emerging Markets Index (Net)		-11.45	-17.63	-25.28	.57	2.18	2.07	3.16
Total Fixed Income	9,298,704	-4.90	-9.93	-9.58	-3.13	-.71	.06	1.44
BBARC Global Aggregate Index		-8.26	-13.91	-15.25	-3.22	-.55	-.38	1.15
BBARC US Aggregate Bond Index		-4.69	-10.35	-10.29	-.93	.88	1.47	2.22
Total Real Assets	1,506,040	-16.99	-20.29	-8.18	3.48	4.25		
Real Estate	1,506,040	-16.99	-20.29	-8.18	3.48	4.56	5.95	
S&P Global REIT Index (Gross)		-17.00	-20.00	-9.83	1.43	3.87	4.71	8.57
S&P GSCI Index		2.01	35.80	45.05	14.69	11.67	-3.44	-.55
Total Cash Equivalents	310,189	.14	.15	.16	.48	.91	.64	.44
ICE BofAML US 3-Month Treasury Bill Index		.10	.14	.17	.63	1.11	.77	.55
Pending Cash	0	.00	.00	.00	.00	.00	.00	.00

For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

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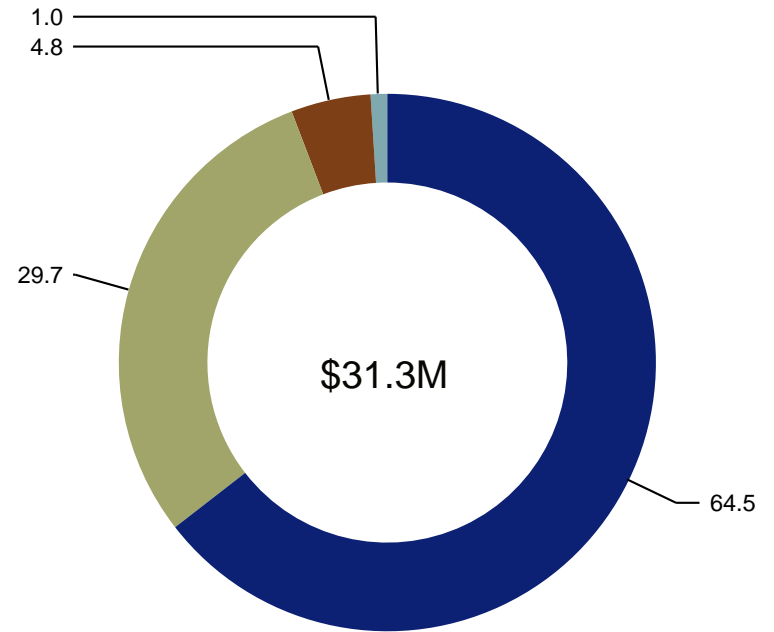


Asset Allocation Analysis Graph

Market Value by Asset Class

	Market Value	% of Mkt Val
● Total Equity	\$ 20,233,127	64.5 %
● Total Fixed Income	\$ 9,298,704	29.7 %
● Total Real Assets	\$ 1,506,040	4.8 %
● Total Cash Eqv	\$ 310,189	1.0 %
Total	\$ 31,348,060	100.0 %

Market Value by Asset Class Pie Chart



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Account: XXXXXX9600

Holdings Method: Direct

Report Date: 06/30/2022

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		100.0			31,318,831	29,478,191	1,840,640	1.85	577,899
Cash		.99			309,860	309,860	.00	1.26	3,906
Cash Equivalents		.99			309,860	309,860	.00	1.26	3,906
FIRST AM GOVT OB FD CL Z	31846V567	.99	1.00	309,860	309,860	309,860	.00	1.26	3,906
Fixed Income		29.60			9,269,803	7,721,710	1,548,093	3.06	283,934
Investment Grade		24.59			7,701,226	5,927,896	1,773,330	2.43	186,918
Mutual Funds & ETFs		24.59			7,701,226	5,927,896	1,773,330	2.43	186,918
DoubleLine Total Return Bond Fund Class I	DBLTX	8.20	9.35	274,775	2,569,144	2,024,933	544,210	3.41	87,653
Fidelity U.S. Bond Index Fund	FXNAX	8.23	10.64	242,173	2,576,716	1,309,185	1,267,531	2.09	53,762
TIAA-CREF Short-Term Bond Fd Institutio...	TISIX	8.16	9.94	257,079	2,555,366	2,593,778	-38,411	1.78	45,503
High Yield		5.01			1,568,577	1,793,814	-225,237	6.18	97,016
Mutual Funds & ETFs		5.01			1,568,577	1,793,814	-225,237	6.18	97,016
Artisan High Income Fund - Institutional Sh...	APHFX	5.01	8.65	181,338	1,568,577	1,793,814	-225,237	6.18	97,016
Equity		64.60			20,233,127	19,586,210	646,917	1.24	251,589
Large Cap U.S. Equity		29.57			9,262,293	10,479,248	-1,216,955	0.54	49,588
Mutual Funds & ETFs		29.57			9,262,293	10,479,248	-1,216,955	0.54	49,588
Harbor Capital Appreciation Fund - Retire...	HNACX	14.65	64.99	70,582	4,587,134	5,007,687	-420,553	0.00	0
John Hancock Fds III Disciplined Value Fu...	JVLIX	14.93	20.93	223,371	4,675,159	5,471,561	-796,402	1.06	49,588
Mid Cap U.S. Equity		11.83			3,706,473	1,446,771	2,259,702	1.47	54,503
Mutual Funds & ETFs		11.83			3,706,473	1,446,771	2,259,702	1.47	54,503
Fidelity Mid Cap Index Fund	FSMDX	11.83	24.89	148,914	3,706,473	1,446,771	2,259,702	1.47	54,503
Small Cap U.S. Equity		5.08			1,589,816	1,597,104	-7,288	0.33	5,298
Mutual Funds & ETFs		5.08			1,589,816	1,597,104	-7,288	0.33	5,298
Boston Trust Walden Small Cap Fund	BOSOX	5.08	15.27	104,114	1,589,816	1,597,104	-7,288	0.33	5,298
Developed Markets Equity		11.97			3,748,382	4,478,073	-729,691	3.79	142,199
Mutual Funds & ETFs		11.97			3,748,382	4,478,073	-729,691	3.79	142,199
Fidelity International Index Fund	FSPSX	11.97	39.83	94,110	3,748,382	4,478,073	-729,691	3.79	142,199
Emerging Markets Equity		6.15			1,926,163	1,585,014	341,150	0.00	0
Mutual Funds & ETFs		6.15			1,926,163	1,585,014	341,150	0.00	0
Baron Emerging Markets Fd Inst Shs	BEXIX	6.15	13.54	142,257	1,926,163	1,585,014	341,150	0.00	0



Account: XXXXXX9600

Holdings Method: Direct

Report Date: 06/30/2022

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Real Assets		4.81			1,506,040	1,860,411	-354,371	2.55	38,469
U.S. Listed Real Estate		4.81			1,506,040	1,860,411	-354,371	2.55	38,469
iShares Core U.S. REIT ETF	USRT	4.81	53.40	28,203	1,506,040	1,860,411	-354,371	2.55	38,469



Account: XXXXXX9600

Holdings Method: Direct

Report Date: 06/30/2022

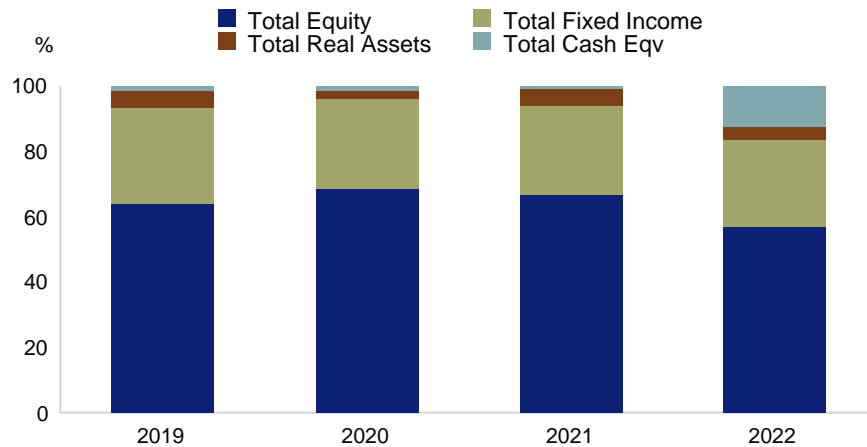
	Symbol	% of Fixed Income	Portfolio Value	Projected Annual Income	Current Yield	Yield to Maturity	Effective Duration	Effective Maturity	Avg. Quality
Total		100.00	9,269,803	283,934	3.06	4.43	4.06	4.64	BBB-
Investment Grade		83.10	7,701,226	186,918	2.43	3.91	4.35	4.64	BBB+
Mutual Funds & ETFs		83.10	7,701,226	186,918	2.43	3.91	4.35	4.64	BBB+
DoubleLine Total Return Bond Fund Class I	DBLTX	27.70	2,569,144	87,653	3.41	4.45	5.06	7.21	BB
Fidelity U.S. Bond Index Fund	FXNAX	27.80	2,576,716	53,762	2.09	NA	6.41	NA	AA
TIAA-CREF Short-Term Bond Fd Institutional Cl...	TISIX	27.60	2,555,366	45,503	1.78	3.37	1.57	2.06	BBB
High Yield		16.90	1,568,577	97,016	6.18	6.12	2.64	NA	B
Mutual Funds & ETFs		16.90	1,568,577	97,016	6.18	6.12	2.64	NA	B
Artisan High Income Fund - Institutional Shar...	APHFX	16.90	1,568,577	97,016	6.18	6.12	2.64	NA	B

History of Asset Growth Graphs

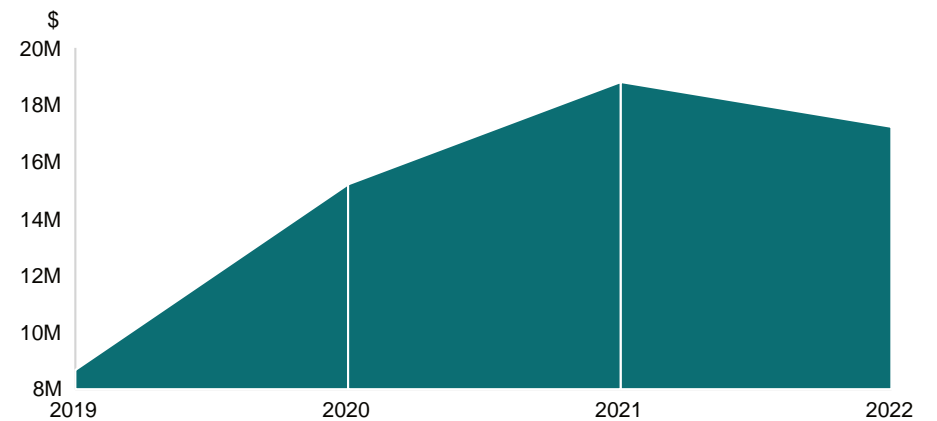
Annual Portfolio Values

	Consolidated	May 2019- Dec 2019	Jan 2020- Dec 2020	Jan 2021- Dec 2021	Jan 2022- Jun 2022
Beginning Portfolio Value	8,073,518	8,073,518	8,657,991	15,177,347	18,820,778
Contributions	8,000,006	1	4,000,002	2,000,000	2,000,002
Withdrawals	-153,480	-20,472	-43,099	-59,572	-30,337
Income Earned	743,205	155,938	193,205	301,788	92,273
Gain/Loss	580,789	449,006	2,369,247	1,401,215	-3,638,679
Ending Portfolio Value	17,244,038	8,657,991	15,177,347	18,820,778	17,244,038
Total Return	3.94	7.51	17.09	10.54	-18.77

Allocation Over Time



Ending Market Values Over Time



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Custom Benchmark

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Asset Class	Benchmark	Range	Target	Actual
Equities	MSCI AC World Free Index	50%-70%	63%	65.7%
Fixed Income	BBARC Global Aggregate Index	20%-40%	29%	28.2%
Real Estate	S&P Global REIT TR USD	0%-15%	5%	5.1%
Commodities	S&P GSCI Commodity Index	0%-10%	2%	0%
Cash	FTSE 3-Mo US T-Bill Index	0%-10%	1%	1%

Selected Period Performance

	Market Value	3 Months	Year to Date (6 Months)	1 Year	3 Years	Inception to Date 05/01/2019
Total Portfolio Gross of Fees	17,244,038	-12.91	-18.77	-17.19	3.96	3.94
Total Portfolio Net of Fees	17,244,038	-12.95	-18.84	-17.34	3.76	3.76
City of Cupertino		-13.02	-17.08	-13.78	3.93	4.16
Total Equity	9,838,934	-16.37	-22.77	-21.45	6.42	5.99
MSCI ACWI (Net)		-15.66	-20.18	-15.75	6.21	5.95
U.S. Equity	7,079,530	-17.86	-23.06	-18.93	6.53	6.21
S&P 500 Index (Total Return)		-16.10	-19.96	-10.62	10.60	10.10
S&P MidCap 400 Index		-15.42	-19.54	-14.64	6.87	6.18
S&P SmallCap 600 Index		-14.11	-18.94	-16.81	7.30	6.25
Developed Markets Equity	1,822,754	-13.39	-21.79	-27.25	9.01	8.14
MSCI EAFE Index (Net)		-14.51	-19.57	-17.77	1.07	1.28
Emerging Markets Equity	936,650	-10.33	-22.98	-30.88	-.95	-1.15
MSCI Emerging Markets Index (Net)		-11.45	-17.63	-25.28	.57	.07
Total Fixed Income	4,521,763	-4.90	-9.93	-9.58	-3.09	-2.24
BBARC Global Aggregate Index		-8.26	-13.91	-15.25	-3.22	-1.96
BBARC US Aggregate Bond Index		-4.69	-10.35	-10.29	-.93	.06
Total Real Assets	732,328	-16.99	-20.29	-8.18	3.51	3.90
Real Estate	732,328	-16.99	-20.29	-8.18	3.51	3.90
S&P Global REIT Index (Gross)		-17.00	-20.00	-9.83	1.43	1.97
S&P GSCI Index		2.01	35.80	45.05	14.69	12.36
Total Cash Equivalents	2,151,013	.07	.08	.09	.45	.54
ICE BofAML US 3-Month Treasury Bill Index		.10	.14	.17	.63	.74
Pending Cash	0	.00	.00	.00	.00	.00

For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Investment products and services are:
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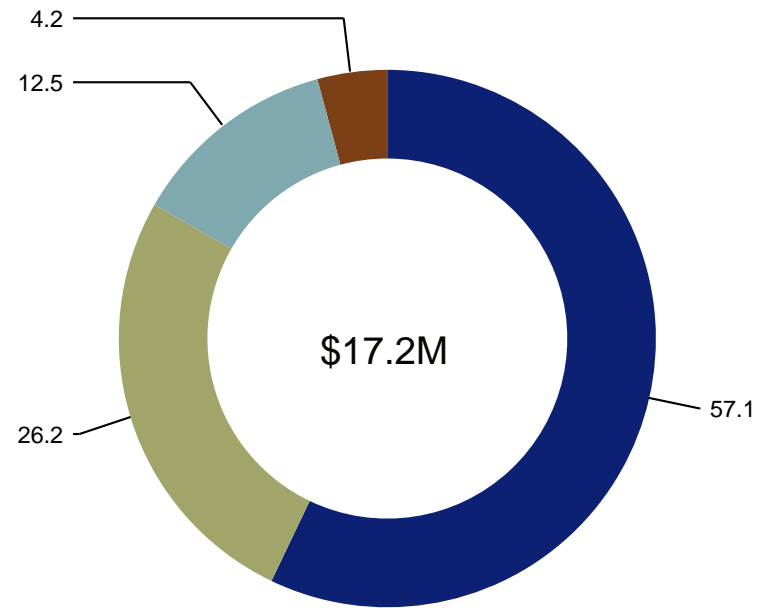


Asset Allocation Analysis Graph

Market Value by Asset Class

	Market Value	% of Mkt Val
● Total Equity	\$ 9,838,934	57.1 %
● Total Fixed Income	\$ 4,521,763	26.2 %
● Total Cash Eqv	\$ 2,151,013	12.5 %
● Total Real Assets	\$ 732,328	4.2 %
Total	\$ 17,244,038	100.0 %

Market Value by Asset Class Pie Chart



For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

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PARS/CITY OF CUPERTINO 115P- PENSION

Portfolio Holdings

Account: XXXXXX9601

Holdings Method: Direct

Report Date: 06/30/2022

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		100.0			17,229,686	17,820,605	-590,919	1.78	306,234
Cash		12.48			2,150,715	2,150,715	.00	1.26	27,114
Cash Equivalents		12.48			2,150,715	2,150,715	.00	1.26	27,114
FIRST AM GOVT OB FD CL Z	31846V567	12.48	1.00	2,150,715	2,150,715	2,150,715	.00	1.26	27,114
Fixed Income		26.16			4,507,709	4,572,334	-64,625	3.06	138,071
Investment Grade		21.74			3,744,943	3,700,038	44,906	2.43	90,894
Mutual Funds & ETFs		21.74			3,744,943	3,700,038	44,906	2.43	90,894
DoubleLine Total Return Bond Fund Class I	DBLTX	7.25	9.35	133,617	1,249,320	1,090,968	158,353	3.41	42,624
Fidelity U.S. Bond Index Fund	FXNAX	7.27	10.64	117,763	1,253,003	1,347,771	-94,768	2.09	26,143
TIAA-CREF Short-Term Bond Fd Institutio...	TISIX	7.21	9.94	125,012	1,242,621	1,261,299	-18,679	1.78	22,127
High Yield		4.43			762,766	872,296	-109,530	6.18	47,177
Mutual Funds & ETFs		4.43			762,766	872,296	-109,530	6.18	47,177
Artisan High Income Fund - Institutional Sh...	APHFX	4.43	8.65	88,181	762,766	872,296	-109,530	6.18	47,177
Equity		57.10			9,838,934	10,192,912	-353,978	1.24	122,342
Large Cap U.S. Equity		26.14			4,504,057	5,251,449	-747,392	0.54	24,114
Mutual Funds & ETFs		26.14			4,504,057	5,251,449	-747,392	0.54	24,114
Harbor Capital Appreciation Fund - Retire...	HNACX	12.95	64.99	34,323	2,230,626	2,590,799	-360,173	0.00	0
John Hancock Fds III Disciplined Value Fu...	JVLIX	13.19	20.93	108,621	2,273,431	2,660,650	-387,219	1.06	24,114
Mid Cap U.S. Equity		10.46			1,802,379	1,056,170	746,209	1.47	26,503
Mutual Funds & ETFs		10.46			1,802,379	1,056,170	746,209	1.47	26,503
Fidelity Mid Cap Index Fund	FSMDX	10.46	24.89	72,414	1,802,379	1,056,170	746,209	1.47	26,503
Small Cap U.S. Equity		4.49			773,094	776,638	-3,544	0.33	2,576
Mutual Funds & ETFs		4.49			773,094	776,638	-3,544	0.33	2,576
Boston Trust Walden Small Cap Fund	BOSOX	4.49	15.27	50,628	773,094	776,638	-3,544	0.33	2,576
Developed Markets Equity		10.58			1,822,754	2,177,588	-354,834	3.79	69,148
Mutual Funds & ETFs		10.58			1,822,754	2,177,588	-354,834	3.79	69,148
Fidelity International Index Fund	FSPSX	10.58	39.83	45,763	1,822,754	2,177,588	-354,834	3.79	69,148
Emerging Markets Equity		5.44			936,650	931,068	5,582	0.00	0
Mutual Funds & ETFs		5.44			936,650	931,068	5,582	0.00	0
Baron Emerging Markets Fd Inst Shs	BEXIX	5.44	13.54	69,177	936,650	931,068	5,582	0.00	0



PARS/CITY OF CUPERTINO 115P- PENSION

Portfolio Holdings

Account: XXXXXX9601

Holdings Method: Direct

Report Date: 06/30/2022

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Real Assets		4.25			732,328	904,644	-172,316	2.55	18,706
U.S. Listed Real Estate		4.25			732,328	904,644	-172,316	2.55	18,706
iShares Core U.S. REIT ETF	USRT	4.25	53.40	13,714	732,328	904,644	-172,316	2.55	18,706

Account: XXXXXX9601

Holdings Method: Direct

Report Date: 06/30/2022

	Symbol	% of Fixed Income	Portfolio Value	Projected Annual Income	Current Yield	Yield to Maturity	Effective Duration	Effective Maturity	Avg. Quality
Total		100.00	4,507,709	138,071	3.06	4.43	4.06	4.64	BBB-
Investment Grade		83.10	3,744,943	90,894	2.43	3.91	4.35	4.64	BBB+
Mutual Funds & ETFs		83.10	3,744,943	90,894	2.43	3.91	4.35	4.64	BBB+
DoubleLine Total Return Bond Fund Class I	DBLTX	27.70	1,249,320	42,624	3.41	4.45	5.06	7.21	BB
Fidelity U.S. Bond Index Fund	FXNAX	27.80	1,253,003	26,143	2.09	NA	6.41	NA	AA
TIAA-CREF Short-Term Bond Fd Institutional Cl...	TISIX	27.60	1,242,621	22,127	1.78	3.37	1.57	2.06	BBB
High Yield		16.90	762,766	47,177	6.18	6.12	2.64	NA	B
Mutual Funds & ETFs		16.90	762,766	47,177	6.18	6.12	2.64	NA	B
Artisan High Income Fund - Institutional Shar...	APHFX	16.90	762,766	47,177	6.18	6.12	2.64	NA	B

ECONOMIC OUTLOOK



Market analysis

July 18, 2022

This informational material is provided by U.S. Bank Asset Management Group who provides analysis and research to U.S. Bank and its affiliate U.S. Bancorp Investments. Contact your wealth professional for more details.

At a glance

Despite Friday's strong performance, equity prices declined last week as second quarter earnings season kicked off, with investors closely watching inflation, central bank policies and corporate profit outlooks. Despite hotter-than-expected inflation, consumer spending remained resilient in June.

Number of the week

9.1%

The increase in the Consumer Price Index in June compared to last year, the largest gain since November 1981.

Term of week

Gross domestic product – The total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

“Despite the June Consumer Price Index report, July consumer sentiment improved in the preliminary University of Michigan survey, rising above June's historic low. Respondents expect inflation to moderate over the next five years, perhaps responding to a modest decline in national average gasoline prices from June's all-time high (data began in 1990).”

- **Robert Haworth**, Senior Vice President, Senior Investment Strategy Director, U.S. Bank

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[1] Important disclosures provided on page 4.



Global economy

Quick take: Despite hotter-than-expected domestic inflation, U.S. consumer spending remains resilient. Meanwhile, China's policies suppressing COVID-19 spread continue to challenge economic growth.

Our view: Economies continue to battle through a resurgent coronavirus, and the Russia/Ukraine conflict continues to weigh on global commodity supplies. Our proprietary economic Health Check highlights positive but below-trend economic activity and decelerating momentum as the Federal Reserve (Fed) and other central banks tighten monetary policy to combat elevated inflation. Our score for emerging market economies is below long-term median levels, though economic growth is still positive, and the trend has improved for five consecutive months.

- **The U.S. Consumer Price Index (CPI) exceeded analysts' estimates in June, rising 9.1% above last year's levels** in the largest yearly price gain since November 1981. June price increases were broad-based, evidencing strong gains across housing, energy, food, clothing and new and used cars.
- **Despite the CPI report, July consumer sentiment improved** in the preliminary University of Michigan survey, rising above June's historic low. Respondents expect inflation to moderate over the next five years, perhaps responding to a modest decline in national average gasoline prices from June's all-time high (data began in 1990).
- **U.S. retail sales rebounded in June**, rising 1% versus the prior month and improving over May's monthly sequential decline of 0.1%. Despite higher food and energy prices, consumer spending remains resilient, evidenced by growth in home furnishings, online retail, and restaurants.
- **China's key economic data displayed the impact of COVID-related shutdowns in Shanghai.** Second quarter gross domestic product (GDP) rose just 0.4% over last year, decelerating sharply from the first quarter's 4.8% pace. However, most segments improved in June relative to May (except for housing construction), including loan growth, exports, retail sales, industrial output and energy production. COVID shutdowns remain a risk to economic growth, though June's sequentially improving data highlights the opportunity for China's economy to further rebound in the second half of 2022 assuming COVID remains in check.



Equity markets

Quick take: Recent performance trends of U.S. equities are presenting mixed signals. Despite posting strong performances on Friday, propelled by a stronger-than-expected retail sales report and an easing in consumers' inflation expectations, the popular broad-based U.S. indices and 10 of 11 S&P 500 sectors traded lower last week. Uncertainty around earnings and the prospects for earnings estimates for the second half of 2022 and 2023 to be reset lower are among headwinds.

Our view: Price volatility is likely to continue while uncertainty surrounding inflation and Fed interest rate hikes, pace of earnings growth, the Russia/Ukraine crisis, and technical price-trend deterioration persists.

- **Year-to-date performance reflects numerous headwinds.** 2022 price weakness has been broad based to date outside of the Energy sector. Inflation is running hot and central banks are responding by raising interest rates aggressively leading to increasing risks of a recession. Meanwhile, valuations, or the price investors pay for anticipated earnings, are well above extreme lows and analysts' earnings forecasts do not yet contemplate potentially slowing demand and margin pressures from rising energy and labor costs.
- **The early read from second quarter earnings releases is mixed.** The second quarter earnings season unofficially began last week with releases from several money center banks. On balance, banks are reporting upbeat consumer commentary, solid loan growth, generally benign credit conditions and good expense control. Investment banking activity is soft, spurred by rising interest rates and economic activity. Additionally, many banks have added to loan-loss reserves, reflecting defensive positioning in the event of a future recession. Another 49% of S&P 500 companies are slated to release results over the next two weeks.
- **Consensus earnings for 2022 and 2023 remain generally sanguine; broad market valuations are fair.** As of Friday's close, consensus earnings projections for 2022 and 2023 are roughly \$228 and \$247 per share, respectively, according to Bloomberg, FactSet and S&P Global. At these levels, the S&P 500 trades at 16.9 times the 2022 estimate and 15.6 times the 2023 projection, levels that are near historical averages during similar interest rate regimes. We expect earnings estimates to be reset modestly lower, particularly for 2023, as companies reset forward guidance to reflect likely weakening demand from both consumers and businesses as inflation and higher interest rates thwart forward growth prospects.



Bond markets

Quick take: Short-term Treasury yields rose (prices fell) last week after higher-than-expected inflation data solidified odds of a 0.75% Fed interest rate hike later this month. Long-term Treasury yields fell (prices rose) and riskier high yield bonds underperformed investment-grade bonds as investors lowered economic growth expectations. Uncertainty regarding the Fed's rate hike path continues to dominate investor sentiment and asset price movements.

Our view: We favor higher-than-normal exposure to high-quality bonds considering tightening financial conditions and slowing economic data remain headwinds for riskier assets. The rise in bond yields this year has improved return opportunities in investment-grade bonds.

- **We expect a 0.75% Fed rate hike at its meeting next week, although a 1.00% increase remains a possibility.** Headline CPI for June increased 9.1% over the prior year, the largest year-over-year increase since 1981, keeping intense pressure on the Fed to increase rates in an attempt to cool demand and bring prices down. Market-implied odds of a 1.00% hike spiked immediately following the inflation data, but Fed members soon noted a stronger preference for a 0.75% increase, barring major changes before their next meeting.
- **Central banks across the globe continue increasing interest rates rapidly to cool inflation, a headwind for stock and riskier bond prices.** Our tracker of 60 central bank net policy rate increases recorded an all-time high, with 55 increases during the second quarter. We favor higher-than-normal exposure to high-quality bonds for now as a way to mitigate drawdown risk.
- **Most corporate and municipal bond categories remain cheaper than historical averages, but far from extremes.** The additional yield corporate and municipal bond investors demand relative to Treasuries, or yield spreads, indicate valuations are somewhat cheaper than long-run median levels, and persistent spread widening trends have kept downward pressure on corporate bond prices. Valuations remain far from extreme cheap levels that were reached in past market bottoms, indicating further price pressure remains a possibility as growth decelerates, inflation remains high and monetary policy tightens. Tax-equivalent yield spreads over Treasuries tell a similar story for the investment-grade municipal category. Fundamental credit metrics for corporate and municipal bond issuers remain broadly positive, such as cash flow relative to debt costs and cash on hand, though investors focus more on expected future changes when determining current prices.



Real assets

Quick take: Broad commodities sold off again last week with investors ratcheting down economic growth expectations. Copper prices led declines, reflecting China's slower-than-expected economic growth, while crude oil prices fell 7%. Defensive sectors generally outperformed amid economic growth concerns.

Our view: We continue to see value in real assets' defensive sectors as the economy decelerates. Infrastructure, which offers tangible assets with stable cash flows, should continue to outperform on a relative basis as we move past peak earnings growth.

- **Real Estate outperformed the S&P 500 by 0.5% last week as longer-term interest rates declined.** Cell towers and retail properties were the top-performing sectors while data centers and offices lagged. Valuation, or the price investors pay for anticipated earnings, improved commensurate with the decline in longer-term Treasury yields, which is a positive for real estate prices.
- **Infrastructure traded in line with the S&P 500 last week.** Cell towers and airports both outperformed the S&P by 2%, while relative performance gains were evidenced across most infrastructure sectors.
- **Crude oil prices fell 7% last week along with other economically-sensitive commodity prices.** Domestic inventories of crude oil and refined products rose. The oil market remains undersupplied, with inventories near 10-year lows, which should support prices over a longer time horizon. However, near-term price volatility will reflect slowing growth fears and Russia's response to sanctions.

This information represents the opinion of U.S. Bank Wealth Management. The views are subject to change at any time based on market or other conditions and are current as of the date indicated on the materials. This is not intended to be a forecast of future events or guarantee of future results. It is not intended to provide specific advice or to be construed as an offering of securities or recommendation to invest. Not for use as a primary basis of investment decisions. Not to be construed to meet the needs of any particular investor. Not a representation or solicitation or an offer to sell/buy any security. Investors should consult with their investment professional for advice concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness. U.S. Bank is not affiliated or associated with any organizations mentioned.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. Diversification and asset allocation do not guarantee returns or protect against losses.

Past performance is no guarantee of future results. All performance data, while obtained from sources deemed to be reliable, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for direct investment. The **S&P 500 Index** consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market in general. The **Consumer Price Index** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is one of the most frequently used statistics for identifying periods of inflation or deflation.

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **International investing** involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility. Investing in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments. The **municipal bond market** is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. There are special risks associated with investments in **real assets** such as commodities and real estate securities. For commodities, risks may include market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults).

Important disclosures, definitions of terms and index descriptions

If you have questions regarding this information or wish to receive definitions of any additional terms or indexes used in this report, please contact your Portfolio Manager.

Important disclosures (page 1 of 4)

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For use in one-on-one meetings/presentations.

This information represents the opinion of U.S. Bank. The views are subject to change at any time based on market or other conditions and are current as of the date indicated on the materials. This is not intended to be a forecast of future events or guarantee of future results. The factual information provided has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness.

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Past performance is no guarantee of future results. All performance data, while obtained from sources deemed to be reliable, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for direct investment, nor are they subject to fees and expenses.

Performance reports included may show performance results gross of fees and expenses. If fees and expenses were included, the performance would be lower. If you have any questions, please speak with your relationship manager for additional information.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. **Diversification and asset allocation do not guarantee returns or protect against losses.**

Important disclosures (page 2 of 4)

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **Stocks of small-capitalization companies** involve substantial risk. These stocks historically have experienced greater price volatility than stocks of larger companies and may be expected to do so in the future. **Stocks of mid-capitalization companies** can be expected to be slightly less volatile than those of small-capitalization companies, but still involve substantial risk and may be subject to more abrupt or erratic movements than large-capitalization companies. The value of **large-capitalization stocks** will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends, which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

Investments in **real estate securities** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults). There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Investments in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in fixed income securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments.

Important disclosures (page 3 of 4)

The **municipal bond** market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. **Treasury Inflation-Protected Securities (TIPS)** offer a lower return compared to other similar investments and the principal value may increase or decrease with the rate of inflation. Gains in principal are taxable in that year, even though not paid out until maturity.

Non-financial **specialty assets**, such as real estate, farm, ranch and timber properties, oil, gas and mineral interests or closely-held business interests are complex and involve unique risks specific to each asset type, including the total loss of value. Special risk considerations may include natural events or disasters, complex tax considerations and lack of liquidity. Specialty assets may not be suitable for all investors.

Alternative investments very often use speculative investment and trading strategies. There is no guarantee that the investment program will be successful. Alternative investments are designed only for investors who are able to tolerate the full loss of an investment. These products are not suitable for every investor even if the investor does meet the financial requirements. It is important to consult with your investment professional to determine how these investments might fit your asset allocation, risk profile and tax situation. **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Exchange-traded funds (ETFs)** are baskets of securities that are traded on an exchange like individual stocks at negotiated prices and are not individually redeemable. ETFs are designed to generally track a market index and shares may trade at a premium or a discount to the net asset value of the underlying securities. **Private equity** investments provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt** investments may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies. **Structured products** are subject to market risk and/or principal loss if sold prior to maturity or if the issuer defaults on the security. Investors should request and review copies of Structured Products Pricing Supplements and Prospectuses prior to approving or directing an investment in these securities.

Important disclosures (page 4 of 4)

Mutual fund investing involves risk and principal loss is possible. Investing in certain funds involves special risks, such as those related to investments in small- and mid-capitalization stocks, foreign, debt and high-yield securities and funds that focus their investments in a particular industry. Please refer to the fund prospectus for additional details pertaining to these risks. An investment in **money market funds** is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although these funds seek to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in these funds.

Holdings of First American Funds: U.S. Bancorp Asset Management, Inc. is a registered investment advisor and subsidiary of U.S. Bank National Association. U.S. Bank National Association is a separate entity and wholly owned subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, performance or services of U.S. Bancorp Asset Management. U.S. Bancorp Asset Management, Inc. serves as an investment advisor to First American Funds. **Holdings of Nuveen mutual funds:** Firststar Capital Corporation (Firststar Capital), an affiliate of U.S. Bancorp, holds a less-than-10 percent ownership interest in Windy City Investments Holdings, LLC which was formerly the parent of Windy City Investment Inc. and the indirect parent of Nuveen Fund Advisors, LLC which is the investment advisor to the Nuveen Mutual Funds. On October 1, 2014, Windy City Investments, Inc. was sold to Teachers Insurance and Annuity Association of America. As a result of the sale, U.S. Bancorp no longer has an indirect ownership interest in Nuveen Fund Advisors, LLC. Depending on the outcome of certain factors, Firststar Capital might in the future receive an earn-out payment in respect of its interest in Windy City Investment Holdings, LLC, under the terms of the sale. **Non-proprietary mutual funds:** U.S. Bank may enter into agreements with other non-proprietary mutual funds or their service providers whereby U.S. Bank provides shareholder services and/or sub-transfer agency, custodial and other administrative support services and receives compensation for these services. Compensation received by U.S. Bank directly or indirectly from mutual funds does not increase fund fees and expenses beyond what is disclosed in the fund prospectuses. For more information, review the fund prospectus.

Definitions of report and statement terms (page 1 of 5)

Accredited Investor: Private placement securities generally require that investors be accredited due to the additional risks and speculative nature of the securities. For natural persons, the criteria is met by a net worth of more than \$1 million (excluding primary residence) or an income of more than \$200,000 individually (\$300,000 jointly) for the two most recent years and a reasonable expectation for the same in the current year. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least \$5 million in assets. See full definition in Rule 501 of Regulation D under the Securities Act of 1933.

Alpha: A measure of risk-adjusted performance. A statistic measuring that portion of a stock, fund or composite's total return attributable to specific or non-market risk. Alpha measures non-market return and indicates how much value has been added or lost. A positive Alpha indicates the fund or composite has performed better than its Beta would predict (i.e., the manager has added value above the benchmark). A negative Alpha indicates a fund or composite has underperformed given the composite's Beta.

Alternative Investments: As used by U.S. Bank, an investment considered to be outside of the traditional asset classes of long-only stocks, bonds and cash. Examples of alternative investments include hedge funds, private equity, options and financial derivatives.

Annualized Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided annualize only periods greater than one year.

Annualized or Annual Rate of Return: Represents the average annual change in the value of an investment over the periods indicated.

Batting Average: Shows how consistently the portfolio return met or beat the market.

Beta: A measure of your portfolio's risk relative to a benchmark. A portfolio with a beta of 1.5, for example, would be expected to return roughly 1.5 times the benchmark's return. A high Beta indicates a riskier portfolio.

Bond Credit Rating: A grade given to bonds by a private independent rating service that indicates their credit quality. Ratings are the opinion of Standard & Poor's or other agencies as noted and not the opinion of U.S. Bank.

Consumer Price Index (CPI): A measure of the average change in prices over time in a market basket of goods and services and is one of the most frequently used statistics for identifying periods of inflation and deflation.

Convexity to Stated Maturity: A measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes. Convexity is used as a risk-management tool and helps to measure and manage the amount of market risk to which a portfolio of bonds is exposed. This version of convexity measures the rate change in duration of a bond as the yield to (stated) maturity changes.

Definitions of report and statement terms (page 2 of 5)

Cost basis/book value: The original value of an asset at the time it was acquired. This is normally the purchase price or appraised value at the time of acquisition. This data is for information purposes only.

Cumulative Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided use unannualized returns in periods up to one year, but annualized returns for periods exceeding one year.

Downside Capture: The downside capture ratio reflects how a portfolio compares to a benchmark during periods when the benchmark is down. A downside capture ratio of 0.80 (or 80 percent) means the portfolio has historically declined only 80 percent as much as the benchmark during down markets.

Downside Deviation: The deviation of returns that fall below a minimum acceptable return (MAR). Although the numerator includes only returns below the MAR, the denominator includes all returns in the performance period. This risk statistic is similar to the downside standard deviation except the sum is restricted to returns less than the MAR instead of the mean.

Downside Standard Deviation: The deviation of returns that fall below the mean return. Although the numerator includes only returns below the mean, the denominator includes all returns in the performance period. This risk statistic is similar to the downside deviation except the sum is restricted to returns less than the mean instead of the minimum acceptable return (MAR).

Effective Maturity: The date of a bond's most likely redemption, given current market conditions, taking into consideration the optional and mandatory calls, the optional, mandatory and recurring puts, and the stated maturity.

Estimated annual income: The amount of income a particular asset is anticipated to earn over the period indicated. The shares multiplied by the annual income rate.

Gain/loss calculation: If an asset was sold, the difference between the proceeds received from the sale compared to the cost of acquiring the asset. If the value of the proceeds is the higher of the two numbers, then a gain was realized. If the value of the proceeds is the lower of the two numbers, a loss was incurred. This data is for information purposes only.

Information Ratio: The information ratio compares the average excess return of the portfolio over its associated benchmark divided by the tracking error.

M-Squared: The hypothetical return of the portfolio after its risk has been adjusted to match a benchmark.

Definitions of report and statement terms (page 3 of 5)

Market Value: Publicly traded assets are valued using market quotations or valuation methods from financial industry services believed by us to be reliable. Assets, that are not publicly traded, may be reflected at values from other external sources or special valuations prepared by us. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could have been bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

Market Value Over Time: Many factors can impact the portfolio value over time, such as contributions to the account, distributions from the account, the investment of dividends and interest, the deduction of fees and expenses, and market performance.

Modified Duration to Effective Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration takes into consideration a “horizon date/price” that is, given current conditions, the most likely redemption date/price using the set of calls/puts, as well as stated maturity.

Modified Duration to Stated Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration uses stated maturity as the “horizon date/price” and ignores any potential call/put/pre-refunding, even if they are mandatory.

Price/Earnings Ratio (P/E): The P/E ratio of a company is calculated by dividing the price of the company’s stock by its trailing 12-month earnings per share. A high P/E usually indicates that the market is paying a premium for current earnings because it believes in the firm’s ability to grow its earnings. A low P/E indicates the market has less confidence that the company’s earnings will increase. Within a portfolio, P/E is the weighted average of the price/earnings ratios of the stocks in the portfolio.

Qualified Purchaser: Some private placement securities require that investors be Qualified Purchasers in addition to being Accredited Investors. For natural persons, the criteria is generally met when the client (individually or jointly) owns at least \$5 million in investments. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least \$25 million in investments though there are other eligibility tests that may apply. See full definition in Section 2(a)(51) of the Investment Company Act of 1940.

R-Squared: Measures the portion of the risk in your portfolio that can be attributed to the risk in the benchmark.

Realized and Unrealized Gains/Losses: Are calculated for individual tax lots based on the records we have available. Some data may be incomplete or differ from what you are required to report on your tax return. Some data used in these calculations may have been obtained from outside sources and cannot be verified by U.S. Bank. The data is intended for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

Definitions of report and statement terms (page 4 of 5)

Residual Risk: The amount of risk specific to the assets in a portfolio distinct from the market, represented by a benchmark.

Return: An indication of the past performance of your portfolio.

Sharpe Ratio: Measures of risk-adjusted return that calculates the return per unit of risk, where risk is the Standard Deviation of your portfolio. A high Sharpe ratio indicates that the portfolio is benefiting from taking risk.

Sortino Ratio: Intended to differentiate between good and bad volatility. Similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which doesn't discriminate between up and down volatility.

Spread: The difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard traditionally lower risk Treasury bond). The bond spread will show the additional yield that could be earned from a bond which has a higher risk.

Standard Deviation: A measure of the volatility and risk of your portfolio. A low standard deviation indicates a portfolio with less volatile returns and therefore less inherent risk.

Time-weighted Return: The method used to calculate performance. Time-weighted return calculates period by period returns that negates the effect of external cash flows. Returns for periods of greater than one year are reported as an annualized (annual) rate of return. Returns of less than one year are reported on a cumulative return basis. Cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period involved.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

Traditional Investments: As used by U.S. Bank, an investment made in equity, fixed income or cash securities, mutual funds or exchange-traded funds (ETFs) where the investor buys at a price with the goal that the investment will go up in value.

Top 10 Holdings: The 10 assets with the highest market values in the account.

Total Portfolio Gross of Fees: Represents all assets included in the calculation of the portfolio, before the deduction of trust and asset management fees, and is inclusive of all applicable third-party security fees and expenses. Details of those fees and expenses are provided in the security's prospectus or offering documents.

Definitions of report and statement terms (page 5 of 5)

Total Return: The rate of return that includes the realized and unrealized gains and losses plus income for the measurement period.

Treynor Ratio: Measures the performance of a sector relative to risk by dividing the return of the sector in excess of the risk-free return by the sector's Beta. The higher the Treynor ratio, the better the return relative to risk.

Turnover Percent: Indicates how frequently asset are bought and sold within a portfolio.

Turnover Ratio: The percentage of a mutual fund's or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.

Unrealized gain (loss) — The difference between the current market value (at the end of the statement period) and the cost to acquire the asset. If the current market value is higher than the cost, a gain is reflected. If the current market value is lower than the cost paid, a loss is reflected. This data is for information purposes only.

Upside Capture: The upside capture ratio reflects how a portfolio compares to the selected model benchmark during periods when the benchmark is up. An upside capture ratio of 1.15 (or 115 percent) means the portfolio has historically beat the benchmark by 15 percent during up markets.

Yield: The annual rate of return on an investment, expressed as a percentage. For bonds, it is the coupon rate divided by the market price. For stocks, it is the annual dividend divided by the market price.

Frequently used indexes (page 1 of 5)

Bloomberg Barclays 1-3 year U.S. Treasury Index: Measures the performance of the U.S. government bond market and includes public obligations of the U.S. Treasury with a maturity between one year and up to (but not including) three years.

Bloomberg Barclays 1-5 year U.S. Treasury Index: Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than five years, are rated investment grade and have \$250 million or more of outstanding face value.

The Bloomberg Barclays 1-5 year Municipal Index: Measures the performance of municipal bonds with time to maturity of more than one year and less than five years.

Bloomberg Barclays 7-year Municipal Index: Includes municipal bonds with a minimum credit rating of Baa that have been issued as part of a transaction of at least \$50 million, have a maturity value of at least \$5 million and a maturity range of four to six years.

Bloomberg Barclays Global Aggregate Index ex-U.S. Index: Measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Global Treasury ex-U.S. Index: Includes government bonds issued by investment-grade countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

Bloomberg Barclays High Yield Municipal Bond Index: An unmanaged index made up of bonds that are non-investment grade, unrated or below Ba1 bonds.

Bloomberg Barclays Intermediate Aggregate Index: Consists of one- to 10-year governments, one- to 10-year corporate bonds, all mortgages and all asset-backed securities within the Aggregate Index.

Bloomberg Barclays Mortgage-Backed Securities Index: Covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Aggregate Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

Bloomberg Barclays U.S. Corporate Bond Index: Measures the investment grade, fixed-rate, taxable corporate bond market and includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Frequently used indexes (page 2 of 5)

Bloomberg Barclays U.S. Corporate High Yield Bond Index: Measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market.

Bloomberg Barclays U.S. Municipal Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed tax-exempt bond market. The index includes state and local general obligation, revenue, insured and pre-refunded bonds.

Bloomberg Barclays U.S. Treasury Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index: An unmanaged index includes all publicly issued, U.S. TIPS that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

Cambridge U.S. Private Equity Index: This index is based on returns data compiled for U.S. private equity funds (including buyout, growth equity and mezzanine funds) that represent the majority of institutional capital raised by private equity partnerships formed since 1986. Returns may be delayed by up to six months. Quarterly performance is prorated based on the cube root for the months of the quarter.

Citigroup 3-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last three-month Treasury Bill issues.

Citigroup 6-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last six-month Treasury Bill issues.

Credit Suisse Leverage Loan Index: Represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

Dow Jones Industrial Average (DJIA): The price-weighted average of 30 significant U.S. stocks traded on the New York Stock Exchange and NASDAQ. The DJIA is the oldest and single most watched index in the world.

Dow Jones Select REIT Index: Measures the performance of publicly traded REITs and REIT-like securities in the U.S. and is a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

HFRI Indices: The Hedge Fund Research, Inc. (HFRI) indexes are a series of benchmarks designed to reflect hedge fund industry performance by constructing composites of constituent funds, as reported by the hedge fund managers listed within the HFR Database.

Frequently used indexes (page 3 of 5)

HFRI Equity Hedge Total Index: Uses the HFR (Hedge Fund Research) database and consists only of equity hedge funds with a minimum of \$50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

HFRI Relative Value Fixed Income Corporate Index: Uses the HFR (Hedge Fund Research) database and consists of only relative value fixed income corporate funds with a minimum of \$50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

ICE BofAML 1-3 Year Corporate Index: Tracks U.S. dollar-denominated investment grade public debt issued in the U.S. bond market with maturities of one to three years.

ICE BofAML 1-5 Year Corporate and Government Index: Tracks the performance of short-term U.S. investment grade government and corporate securities with maturities between one and five years.

ICE BofAML U.S. 7-10 Year Index: Tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market and includes all securities with a remaining term to maturity of greater than or equal to seven years and less than 10 years.

ICE BofAML Global Broad Market Index: Tracks the performance of investment grade public debt issued in the major domestic and Eurobond markets, including global bonds.

ICE BofAML U.S. High Yield Master II Index: Commonly used benchmark index for high yield corporate bonds and measures the broad high yield market.

J.P. Morgan Emerging Markets Bond Index Global (EMBI Global): Tracks total returns for traded external debt instruments in the emerging markets.

London Interbank Offered Rate (LIBOR) 3-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a three-month maturity.

London Interbank Offered Rate (LIBOR) 9-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a nine-month maturity.

MSCI All Country World Index (ACWI): Designed to measure the equity market performance of developed and emerging markets.

Frequently used indexes (page 4 of 5)

Russell 2000 Value Index: Measures companies in the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

Russell 3000 Index: Measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

Russell Midcap Index: Measures the 800 smallest companies in the Russell 3000 Index.

Russell Midcap Growth Index: Measures companies in the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index: Measures companies in the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

MSCI All Country World ex-U.S. Index (ACWI, excluding United States): Tracks the performance of stocks representing developed and emerging markets around the world that collectively comprise most foreign stock markets. U.S. stocks are excluded from the index.

MSCI EAFE Index: Includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East.

MSCI Emerging Markets (EM) Index: Designed to measure equity market performance in global emerging markets.

MSCI World Index: Tracks equity market performance of developed markets through individual country indices.

NAREIT Index: Includes REITs (Real Estate Investment Trusts) listed on the New York Stock Exchange, NASDAQ and American Stock Exchange.

NASDAQ Composite Index: A market capitalization-weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.

NCREIF Property Index (NPI): Measures the investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index and is representative of the U.S. large capitalization securities market.

Frequently used indexes (page 5 of 5)

Russell 1000 Growth Index: Measures companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 1000 Value Index: Measures companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index and is representative of the U.S. small capitalization securities market.

Russell 2000 Growth Index: Measures companies in the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. and is representative of U.S. securities exhibiting growth characteristics. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

S&P 500 Index: Consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market.

S&P Global ex-U.S. Property Index: Measures the investable universe of publicly traded property companies domiciled in developed and emerging markets excluding the United States. The companies included are engaged in real estate related activities such as property ownership, management, development, rental and investment.

S&P GSCI: A composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

S&P/Case-Shiller Home Price Indexes: A group of indexes that track changes in home prices throughout the United States. Case-Shiller produces indexes representing certain metropolitan statistical areas (MSA) as well as a national index.

Swiss Re Global Cat Bond Total Return Index: Tracks the aggregate performance of all U.S. dollar-denominated euros and Japanese yen-denominated catastrophe bonds, capturing all ratings, perils and triggers.

U.S. Dollar Index: Indicates the general international value of the U.S. dollar by averaging the exchange rates between the U.S. dollar and six major world currencies.

Wilshire 5000 Index: Composed of more than 6,700 publicly-traded U.S. companies and is designed to track the overall performance of the American stock markets.