CITY OF CUPERTINO

PARS 115 Trust – OPEB Prefunding Program and Pension Rate Stabilization Program

Client Review

July 26, 2021

CONTACTS

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PARS TRUST TEAM

Trust Administrator & Consultant

PUBLIC AGENCY RETIREMENT SERVICES PARS
TRUSTED SOLUTIONS. LASTING RESULTS.

- Serves as record-keeper, consultant, and central point of contact
- Sub-trust account valuations
- Monitors contributions
- Processes disbursements
- Handles all agency/participant inquiries
- Ongoing plan compliance (IRS/GASB/Government Code)

Corporate Experience

37 years (1984-2021)

Dollars under Administration

Over $6.0 billion

Investment Manager & Trustee

usbank

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

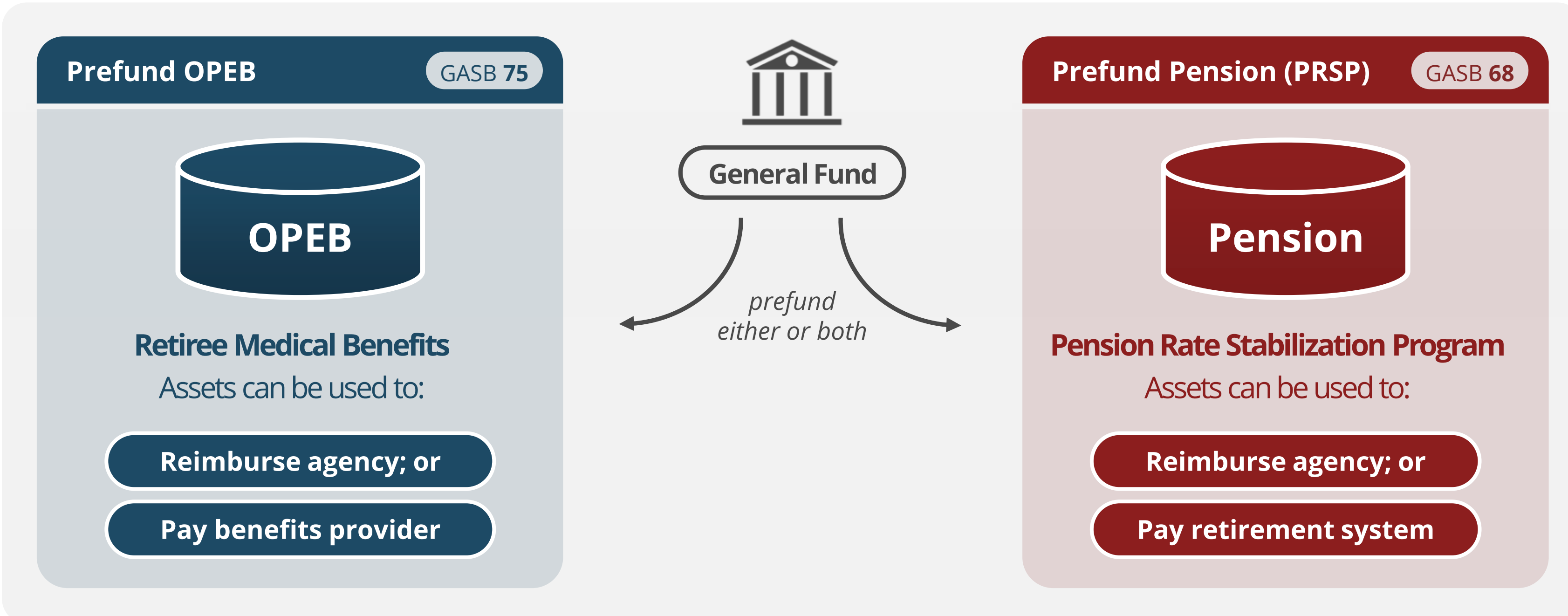
Corporate Experience

158 years (1863–2021)

Dollars under Administration

Over $5.0 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

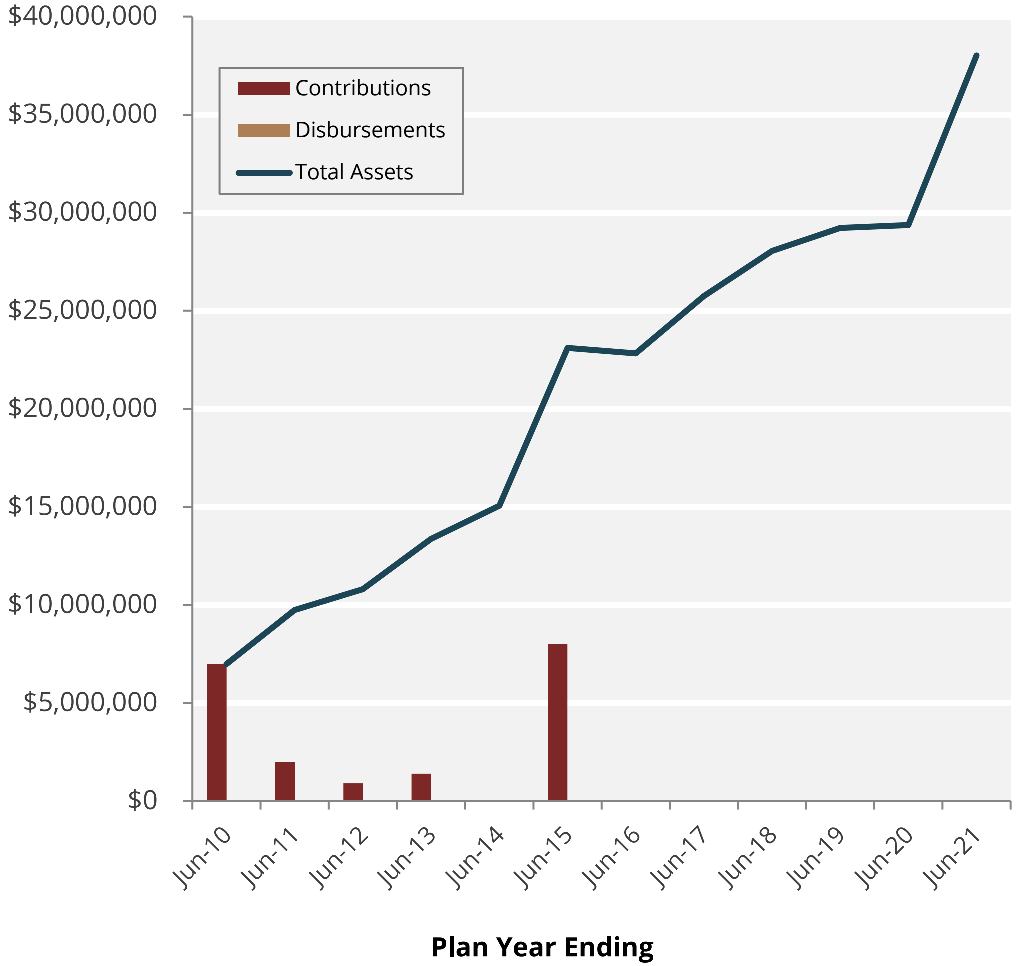
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	February 17, 2010
Plan Administrator:	Director of Administrative Services
Current Investment Strategy:	US Bank Balanced Multi-Manager

AS OF JUNE 30, 2021:

Initial Contribution:	June 2010: $7,000,000
Additional Contributions:	$12,300,000
Total Contributions:	$19,300,000
Reimbursements:	$0
Total Investment Earnings:	$19,667,667
Account Balance:	$38,025,046

SUMMARY OF AGENCY'S OPEB PLAN

CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF JUNE 30, 2021:



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

**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 2020 with a measurement date as of June 30, 2020. In the table below, we have summarized the results.

Demographic Study	Measurement Date: June 30, 2019	Measurement Date: June 30, 2020
Actives	174	176
Retirees	117	127
Beneficiaries	13	11
Total	304	314

OPEB ACTUARIAL RESULTS

	Measurement Date: January 30, 2019 Discount Rate: 7.00%	Measurement Date: June 30, 2020 Discount Rate: 6.50%
Total OPEB Liability (TOL) *Actuarial Accrued Liability (AAL)*	$28,073,000	$31,338,000
Fiduciary Net Position *Actuarial Value of Assets*	$29,218,000	$29,370,000*
Net OPEB Liability (NOL) *Unfunded Actuarial Accrued Liability (UAAL)*	($1,145,000)	$1,968,000
Funded Ratio (%)	104.08%	93.72%
Actuarially Determined Contribution (ADC)	$1,300,000 *for FY 2018-19*	$1,401,000 *for FY 2019-20*
Annual Benefit Payments (Pay-as-you-Go)	$1,423,000 *for FY 2018-19*	$1,490,000 *for FY 2019-20*

*As of June 30, 2021, assets at $38,025,046.

Rule of thumb: For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

PARS PENSION RATE STABILIZATION PROGRAM

for prefunding pension obligations

SUMMARY OF AGENCY'S PENSION PLAN

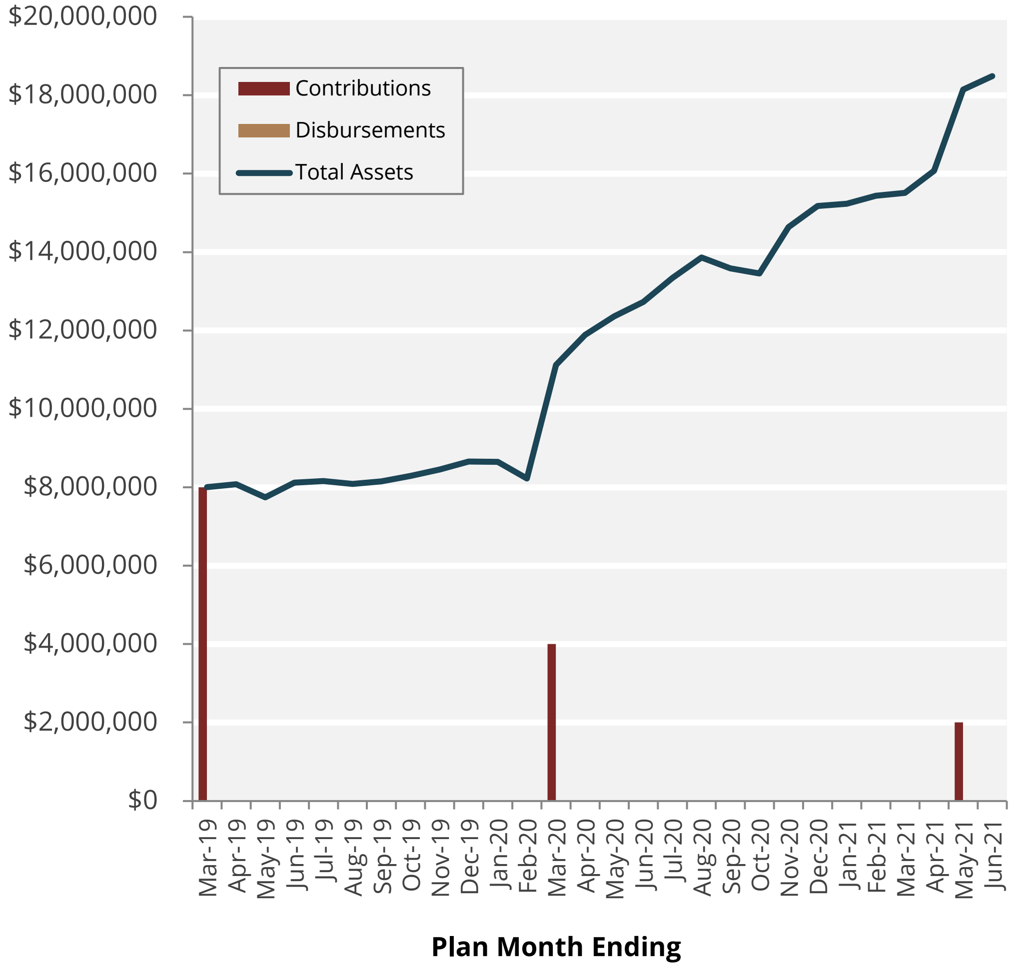
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	May 15, 2018
Plan Administrator:	Director of Administrative Services
Current Investment Strategy:	US Bank Balanced Multi-Manager

AS OF JUNE 30, 2021:

Initial Contribution:	March 2019: $8,000,000
Additional Contributions:	$6,000,000
Total Contributions:	$14,000,000
Reimbursements:	$0
Total Investment Earnings:	$4,583,859
Account Balance:	$18,491,004

SUMMARY OF AGENCY'S PENSION PLAN

CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF JUNE 30, 2021:



Month	Contributions	Disbursements	Total Assets
Mar-19	$8,000,000	$0	$8,002,553
Apr-19	$0	$0	$8,073,643
May-19	$0	$0	$7,740,504
Jun-19	$0	$0	$8,119,289
Jul-19	$0	$0	$8,159,158
Aug-19	$0	$0	$8,084,254
Sep-19	$0	$0	$8,154,100
Oct-19	$0	$0	$8,288,373
Nov-19	$0	$0	$8,453,520
Dec-19	$0	$0	$8,657,992
Jan-20	$0	$0	$8,646,340
Feb-20	$0	$0	$8,221,627
Mar-20	$4,000,000	$0	$11,123,617
Apr-20	$0	$0	$11,889,492
May-20	$0	$0	$12,360,510
Jun-20	$0	$0	$12,725,224
Jul-20	$0	$0	$13,336,469
Aug-20	$0	$0	$13,862,575
Sep-20	$0	$0	$13,582,864
Oct-20	$0	$0	$13,455,686
Nov-20	$0	$0	$14,637,777
Dec-20	$0	$0	$15,177,347
Jan-21	$0	$0	$15,231,395
Feb-21	$0	$0	$15,440,185
Mar-21	$0	$0	$15,506,981
Apr-21	$0	$0	$16,076,429
May-21	$2,000,000	$0	$18,148,082
Jun-21	$0	$0	$18,491,004

PENSION FUNDING STATUS

As of June 30, 2019, City of Cupertino's CalPERS pension plan is funded as follows*:

Miscellaneous Group	Valuation as of June 30, 2018	Valuation as of June 30, 2019	Change
Actuarial Liability	$141.0 M	$148.2 M	5.11% ↑
Assets	$93.6 M	$99.4 M	6.20% ↑
Unfunded Liability	$47.5 M	$49.2 M	3.58% ↑
Funded Ratio	66.3%	66.9%	0.90% ↑
Employer Contribution Amount	$5.1 M (FY 19-20)	$5.8 M (FY 20-21)	13.73% ↑
Employer Contribution Amount – Projected*	---	$7.0 M (FY 26-27)	20.89% ↑

** Data through 2026-27 from Agency's latest CalPERS actuarial valuation.*

US BANK
INVESTMENT REVIEW

PARS/CITY OF CUPERTINO 115P
OPEB & PENSION ACCOUNTS

June 30, 2021

U.S. Bank Institutional Asset Management

usbank

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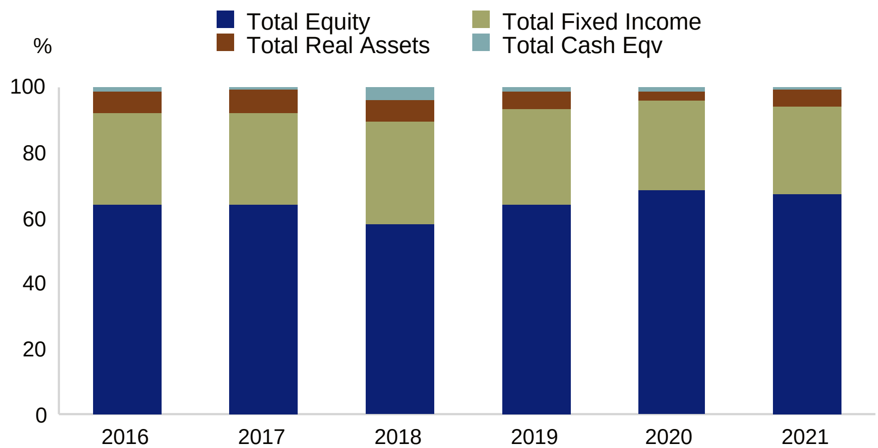
PORTFOLIO REVIEW

History of Asset Growth Graphs

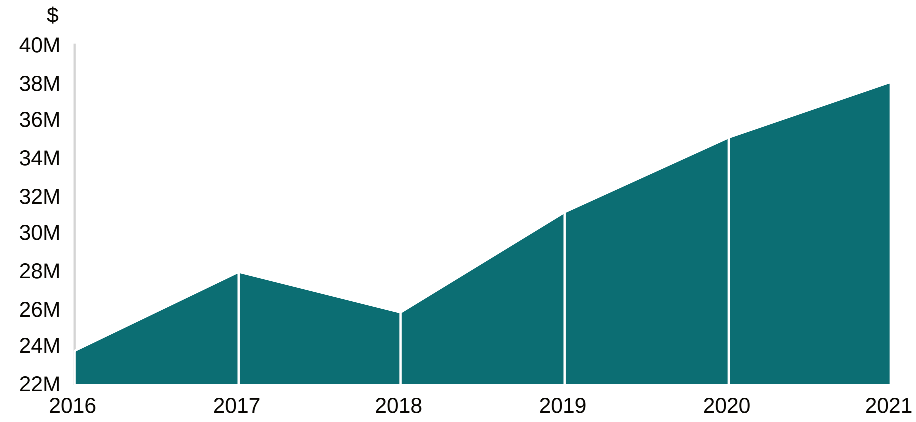
Annual Portfolio Values

	Consolidated	Jan 2016-Dec 2016	Jan 2017-Dec 2017	Jan 2018-Dec 2018	Jan 2019-Dec 2019	Jan 2020-Dec 2020	Jan 2021-Jun 2021
Beginning Portfolio Value	**22,293,645**	**22,293,645**	**23,808,269**	**27,914,893**	**25,771,054**	**31,154,264**	**35,029,500**
Contributions	28,325,739	3	2	15	28,325,715	2	1
Withdrawals	-28,925,662	-97,969	-106,702	-113,476	-28,432,997	-110,991	-63,527
Income Earned	2,852,508	448,187	452,364	548,841	695,433	482,644	225,039
Gain/Loss	13,484,781	1,164,403	3,760,960	-2,579,219	4,795,058	3,503,582	2,839,998
Ending Portfolio Value	**38,031,011**	**23,808,269**	**27,914,893**	**25,771,054**	**31,154,264**	**35,029,500**	**38,031,011**
Total Return	**10.56**	**7.25**	**17.73**	**-7.30**	**20.89**	**12.85**	**8.76**
Principal	8.53	5.20	15.74	-9.15	18.08	11.09	8.09
Income	1.88	1.97	1.74	1.99	2.42	1.59	.62

Allocation Over Time



Ending Market Values Over Time



Custom Benchmark

CITY OF CUPERTINO

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

Selected Period Performance

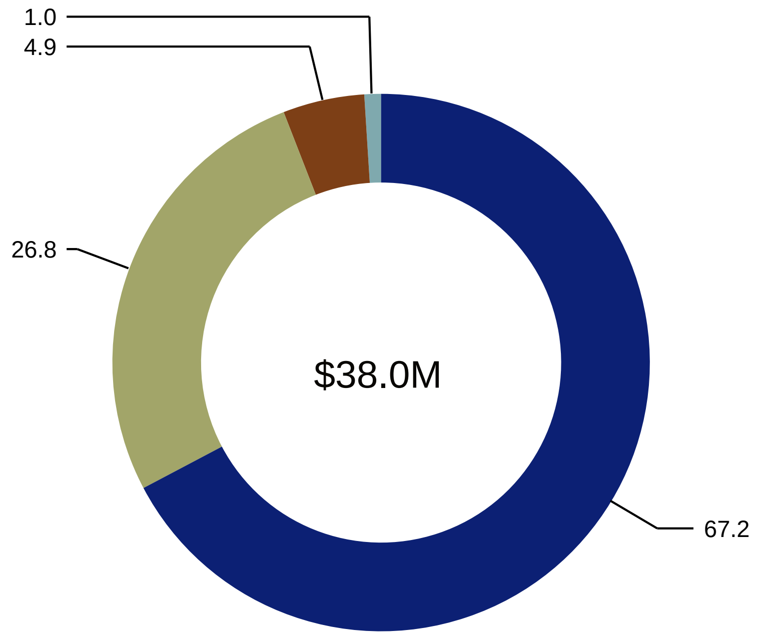
	Market Value	3 Months	Year to Date (6 Months)	1 Year	3 Years	5 Years	86 Months	Inception to Date 07/01/2010
Total Portfolio Gross of Fees	38,031,011	6.34	8.76	29.93	10.95	11.10	7.98	8.16
Total Portfolio Net of Fees	38,031,011	6.29	8.66	29.70	10.74	10.88	7.75	
City of Cupertino		5.93	8.26	27.88	11.45	10.67	7.35	8.73
Total Equity	25,562,332	7.70	11.89	44.47	16.56	16.65	12.31	13.93
MSCI ACWI (Net)		7.39	12.30	39.26	14.57	14.61	10.12	11.60
U.S. Equity	18,663,164	8.10	14.28	43.28	16.22	16.80	13.48	
S&P 500 Index (Gross)		8.55	15.25	40.79	18.67	17.65	14.44	16.20
S&P MidCap 400 Index		3.64	17.59	53.24	13.17	14.29	11.83	14.62
S&P SmallCap 600 Index		4.51	23.56	67.40	12.20	15.82	12.56	15.45
Developed Markets Equity	4,619,781	7.49	6.38	51.22	20.94	18.38	10.83	
MSCI EAFE Index (Net)		5.17	8.83	32.35	8.27	10.28	5.22	7.91
Emerging Markets Equity	2,279,387	4.83	4.67	42.40	10.87	11.88	5.68	
MSCI Emerging Markets Index (Net)		5.05	7.45	40.90	11.27	13.03	7.10	6.23
Total Fixed Income	10,209,939	2.23	-.31	2.27	2.09	2.16	1.60	2.51
BBARC Global Aggregate Index		1.31	-3.21	2.63	4.23	2.34	1.98	2.79
BBARC US Aggregate Bond Index		1.83	-1.60	-.33	5.34	3.03	3.37	3.44
Total Real Assets	1,875,684	11.56	21.14	33.47	8.70	5.57		
Real Estate	1,875,684	11.56	21.14	33.47	9.59	6.16	8.42	
S&P Global REIT Index (Gross)		10.43	17.55	36.11	8.40	5.77	7.26	10.42
S&P GSCI Index		15.72	31.40	57.37	-2.72	1.73	-8.75	-3.90
Total Cash Equivalents	383,056	.01	.01	.03	1.07	.96	.70	.47
ICE BofAML US 3-Month Treasury Bill Index		.00	.02	.09	1.34	1.17	.85	.59
Pending Cash	0	.00	.00	.00	.00	.00	.00	.00

Asset Allocation Analysis Graph

Market Value by Asset Class

		Market Value	% of Mkt Val
Total Equity	$	25,562,332	67.2 %
Total Fixed Income	$	10,209,939	26.8 %
Total Real Assets	$	1,875,684	4.9 %
Total Cash Eqv	$	383,056	1.0 %
Total	**$**	**38,031,011**	**100.0 %**

Market Value by Asset Class Pie Chart



	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		**100.0**			**38,007,681**	**12,621,669**	**25,386,012**	**1.53**	**581,101**
Cash		**1.01**			**383,049**	**383,049**	**.00**	**0.02**	**77**
Cash Equivalents		**1.01**			**383,049**	**383,049**	**.00**	**0.02**	**77**
FIRST AM GOVT OB FD CL Z	31846V567	1.01	1.00	383,049	383,049	383,049	.00	0.02	77
Fixed Income		**26.80**			**10,186,616**	**5,690,436**	**4,496,181**	**3.21**	**326,550**
Investment Grade		**20.84**			**7,921,570**	**3,464,742**	**4,456,829**	**2.56**	**202,669**
Mutual Funds & ETFs		**20.84**			**7,921,570**	**3,464,742**	**4,456,829**	**2.56**	**202,669**
DoubleLine Total Return Bond Fund Class I	DBLTX	5.94	10.54	214,057	2,256,166	1,414,816	841,349	3.22	72,565
Fidelity U.S. Bond Index Fund	FXNAX	8.94	12.13	280,221	3,399,077	648,626	2,750,451	1.87	63,610
PGIM Total Return Bond Fund Class R6	PTRQX	5.96	14.69	154,277	2,266,328	1,401,299	865,028	2.93	66,493
High Yield		**5.96**			**2,265,046**	**2,225,694**	**39,352**	**5.47**	**123,881**
Mutual Funds & ETFs		**5.96**			**2,265,046**	**2,225,694**	**39,352**	**5.47**	**123,881**
American Century High Income Fund Clas...	NPHIX	2.99	9.87	114,977	1,134,822	1,095,471	39,352	5.20	58,983
Artisan High Income Fund - Institutional S...	APHFX	2.97	10.31	109,624	1,130,223	1,130,223	-.00	5.74	64,897
Equity		**67.26**			**25,562,332**	**4,859,252**	**20,703,079**	**0.77**	**195,821**
Large Cap U.S. Equity		**28.11**			**10,685,781**	**1,927,264**	**8,758,517**	**0.96**	**102,523**
Mutual Funds & ETFs		**28.11**			**10,685,781**	**1,927,264**	**8,758,517**	**0.96**	**102,523**
Columbia Dividend Income Fund Class I3	CDDYX	7.06	30.07	89,185	2,681,780	367,459	2,314,322	1.53	41,114
Harbor Capital Appreciation Fund - Retire...	HNACX	7.04	114.38	23,383	2,674,602	486,854	2,187,748	0.00	0
T. Rowe Price Blue Chip Growth Fund, Inc.	TRBCX	7.00	186.29	14,277	2,659,746	653,887	2,005,859	0.00	0
Vanguard Equity Income Fund Admiral Sh...	VEIRX	7.02	90.86	29,382	2,669,653	419,064	2,250,588	2.30	61,408
Mid Cap U.S. Equity		**16.02**			**6,088,195**	**1,114,759**	**4,973,436**	**1.04**	**63,451**
Mutual Funds & ETFs		**16.02**			**6,088,195**	**1,114,759**	**4,973,436**	**1.04**	**63,451**
Fidelity Mid Cap Index Fund	FSMDX	16.02	31.28	194,635	6,088,195	1,114,759	4,973,436	1.04	63,451
Small Cap U.S. Equity		**4.97**			**1,889,189**	**238,720**	**1,650,468**	**0.87**	**16,383**
Mutual Funds & ETFs		**4.97**			**1,889,189**	**238,720**	**1,650,468**	**0.87**	**16,383**
Fidelity Small Cap Index Fund	FSSNX	4.97	29.29	64,499	1,889,189	238,720	1,650,468	0.87	16,383
Developed Markets Equity		**12.15**			**4,619,781**	**469,173**	**4,150,608**	**0.29**	**13,465**
Mutual Funds & ETFs		**12.15**			**4,619,781**	**469,173**	**4,150,608**	**0.29**	**13,465**
Vanguard International Growth Fund Admi...	VWILX	12.15	170.52	27,092	4,619,781	469,173	4,150,608	0.29	13,465

Holdings Date: 6/30/2021

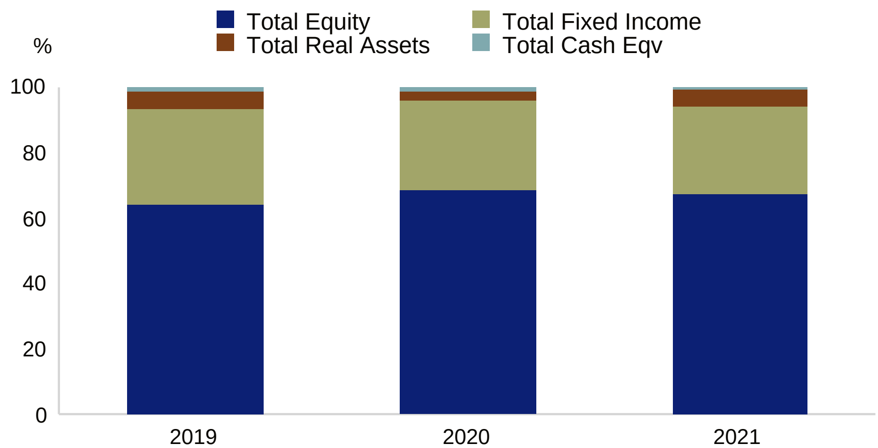
	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Emerging Markets Equity		**6.00**			**2,279,387**	**1,109,337**	**1,170,050**	**0.00**	**0**
Mutual Funds & ETFs		**6.00**			**2,279,387**	**1,109,337**	**1,170,050**	**0.00**	**0**
Baron Emerging Markets Fd Inst Shs	BEXIX	6.00	19.95	114,255	2,279,387	1,109,337	1,170,050	0.00	0
Real Assets		**4.94**			**1,875,684**	**1,688,932**	**186,752**	**3.13**	**58,653**
U.S. Listed Real Estate		**4.94**			**1,875,684**	**1,688,932**	**186,752**	**3.13**	**58,653**
Vanguard Real Estate ETF	VNQ	4.94	101.79	18,427	1,875,684	1,688,932	186,752	3.13	58,653

History of Asset Growth Graphs

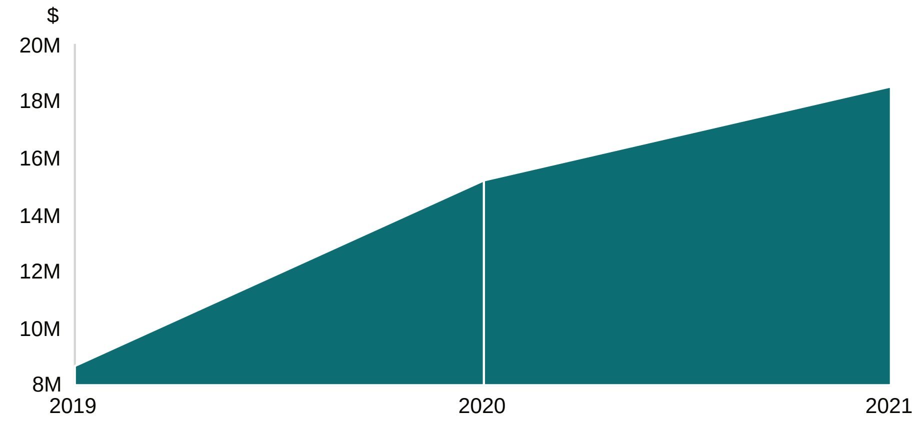
Annual Portfolio Values

	Consolidated	May 2019-Dec 2019	Jan 2020-Dec 2020	Jan 2021-Jun 2021
Beginning Portfolio Value	**8,073,518**	**8,073,518**	**8,657,991**	**15,177,347**
Contributions	6,000,004	1	4,000,002	2,000,000
Withdrawals	-91,535	-20,472	-43,099	-27,964
Income Earned	448,995	155,938	193,205	99,851
Gain/Loss	4,062,925	449,006	2,369,247	1,244,672
Ending Portfolio Value	**18,493,907**	**8,657,991**	**15,177,347**	**18,493,907**
Total Return	**15.45**	**7.51**	**17.09**	**8.44**
Principal	13.33	5.52	15.31	7.79
Income	1.88	1.91	1.55	.61

Allocation Over Time



Ending Market Values Over Time



Custom Benchmark

CITY OF CUPERTINO

Asset Class	Benchmark	Range	Target
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Fixed Income	BBARC Global Aggregate Index	20%-40%	29%
Real Estate	S&P Global REIT TR USD	0%-15%	5%
Commodities	S&P GSCI Commodity Index	0%-10%	2%
Cash	FTSE 3-Mo US T-Bill Index	0%-10%	1%

Selected Period Performance

	Market Value	3 Months	Year to Date (6 Months)	1 Year	Inception to Date 05/01/2019
Total Portfolio Gross of Fees	18,493,907	6.02	8.44	29.55	15.44
Total Portfolio Net of Fees	18,493,907	5.98	8.34	29.32	15.23
City of Cupertino		5.93	8.26	27.88	13.66
Total Equity	12,429,075	7.70	11.89	44.47	21.71
MSCI ACWI (Net)		7.39	12.30	39.26	17.77
U.S. Equity	9,074,822	8.09	14.27	43.27	20.31
S&P 500 Index (Gross)		8.55	15.25	40.79	21.22
S&P MidCap 400 Index		3.64	17.59	53.24	17.43
S&P SmallCap 600 Index		4.51	23.56	67.40	18.95
Developed Markets Equity	2,246,332	7.49	6.38	51.22	29.85
MSCI EAFE Index (Net)		5.17	8.83	32.35	11.51
Emerging Markets Equity	1,107,921	4.83	4.67	42.40	16.60
MSCI Emerging Markets Index (Net)		5.05	7.45	40.90	14.51
Total Fixed Income	4,968,018	2.21	-.33	2.25	1.34
BBARC Global Aggregate Index		1.31	-3.21	2.63	4.86
BBARC US Aggregate Bond Index		1.83	-1.60	-.33	5.23
Total Real Assets	912,649	11.65	21.24	33.59	10.00
Real Estate	912,649	11.65	21.24	33.59	10.00
S&P Global REIT Index (Gross)		10.43	17.55	36.11	7.93
S&P GSCI Index		15.72	31.40	57.37	-.14
Total Cash Equivalents	184,165	.00	.01	.03	.75
ICE BofAML US 3-Month Treasury Bill Index		.00	.02	.09	1.00
Pending Cash	0	.00	.00	.00	.00

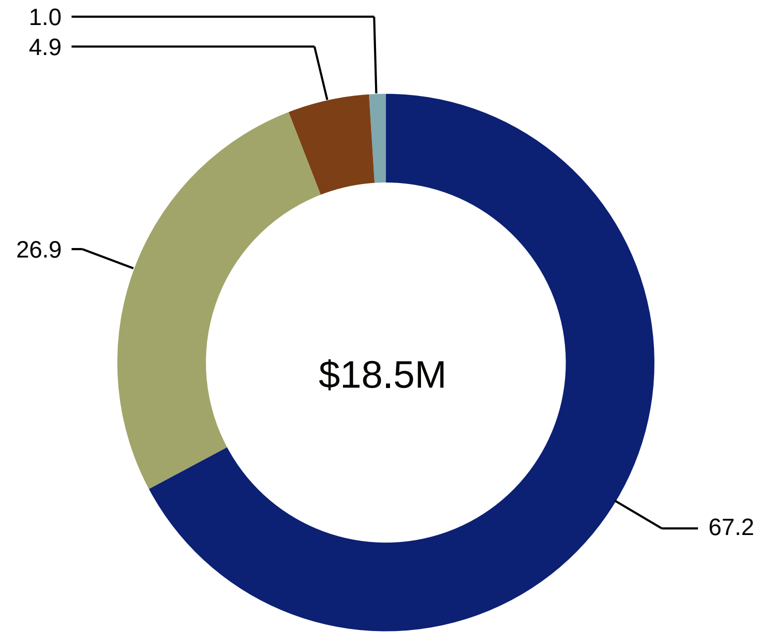
For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Asset Allocation Analysis Graph

Market Value by Asset Class

		Market Value	% of Mkt Val
Total Equity	$	12,429,075	67.2 %
Total Fixed Income	$	4,968,018	26.9 %
Total Real Assets	$	912,649	4.9 %
Total Cash Eqv	$	184,165	1.0 %
Total	**$**	**18,493,907**	**100.0 %**

Market Value by Asset Class Pie Chart



	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		**100.0**			**18,482,633**	**8,695,501**	**9,787,131**	**1.53**	**282,679**
Cash		**1.00**			**184,148**	**184,148**	**.00**	**0.02**	**37**
Cash Equivalents		**1.00**			**184,148**	**184,148**	**.00**	**0.02**	**37**
FIRST AM GOVT OB FD CL Z	31846V567	1.00	1.00	184,148	184,148	184,148	.00	0.02	37
Fixed Income		**26.82**			**4,956,761**	**3,674,989**	**1,281,772**	**3.21**	**158,897**
Investment Grade		**20.86**			**3,854,616**	**2,600,971**	**1,253,645**	**2.56**	**98,618**
Mutual Funds & ETFs		**20.86**			**3,854,616**	**2,600,971**	**1,253,645**	**2.56**	**98,618**
DoubleLine Total Return Bond Fund Class I	DBLTX	5.94	10.54	104,158	1,097,823	795,107	302,717	3.22	35,310
Fidelity U.S. Bond Index Fund	FXNAX	8.95	12.13	136,352	1,653,950	1,027,545	626,405	1.87	30,952
PGIM Total Return Bond Fund Class R6	PTRQX	5.97	14.69	75,074	1,102,842	778,319	324,524	2.93	32,357
High Yield		**5.96**			**1,102,144**	**1,074,018**	**28,127**	**5.47**	**60,279**
Mutual Funds & ETFs		**5.96**			**1,102,144**	**1,074,018**	**28,127**	**5.47**	**60,279**
American Century High Income Fund Clas…	NPHIX	2.99	9.87	55,946	552,191	524,065	28,127	5.20	28,701
Artisan High Income Fund - Institutional S…	APHFX	2.98	10.31	53,342	549,953	549,953	-.00	5.74	31,578
Equity		**67.25**			**12,429,075**	**4,008,735**	**8,420,340**	**0.77**	**95,206**
Large Cap U.S. Equity		**28.11**			**5,194,628**	**1,649,426**	**3,545,202**	**0.96**	**49,828**
Mutual Funds & ETFs		**28.11**			**5,194,628**	**1,649,426**	**3,545,202**	**0.96**	**49,828**
Columbia Dividend Income Fund Class I3	CDDYX	7.05	30.07	43,339	1,303,201	383,649	919,553	1.53	19,979
Harbor Capital Appreciation Fund - Retire…	HNACX	7.03	114.38	11,365	1,299,892	391,625	908,267	0.00	0
T. Rowe Price Blue Chip Growth Fund, Inc.	TRBCX	7.00	186.29	6,946	1,293,887	459,269	834,619	0.00	0
Vanguard Equity Income Fund Admiral Sh…	VEIRX	7.02	90.86	14,282	1,297,647	414,883	882,764	2.30	29,849
Mid Cap U.S. Equity		**16.02**			**2,961,126**	**894,742**	**2,066,384**	**1.04**	**30,861**
Mutual Funds & ETFs		**16.02**			**2,961,126**	**894,742**	**2,066,384**	**1.04**	**30,861**
Fidelity Mid Cap Index Fund	FSMDX	16.02	31.28	94,665	2,961,126	894,742	2,066,384	1.04	30,861
Small Cap U.S. Equity		**4.97**			**919,068**	**209,065**	**710,002**	**0.87**	**7,970**
Mutual Funds & ETFs		**4.97**			**919,068**	**209,065**	**710,002**	**0.87**	**7,970**
Fidelity Small Cap Index Fund	FSSNX	4.97	29.29	31,378	919,068	209,065	710,002	0.87	7,970
Developed Markets Equity		**12.15**			**2,246,332**	**556,230**	**1,690,102**	**0.29**	**6,547**
Mutual Funds & ETFs		**12.15**			**2,246,332**	**556,230**	**1,690,102**	**0.29**	**6,547**
Vanguard International Growth Fund Admi…	VWILX	12.15	170.52	13,173	2,246,332	556,230	1,690,102	0.29	6,547

Holdings Date: 6/30/2021

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Emerging Markets Equity		**5.99**			**1,107,921**	**699,272**	**408,649**	**0.00**	**0**
Mutual Funds & ETFs		**5.99**			**1,107,921**	**699,272**	**408,649**	**0.00**	**0**
Baron Emerging Markets Fd Inst Shs	BEXIX	5.99	19.95	55,535	1,107,921	699,272	408,649	0.00	0
Real Assets		**4.94**			**912,649**	**827,629**	**85,020**	**3.13**	**28,539**
U.S. Listed Real Estate		**4.94**			**912,649**	**827,629**	**85,020**	**3.13**	**28,539**
Vanguard Real Estate ETF	VNQ	4.94	101.79	8,966	912,649	827,629	85,020	3.13	28,539

ECONOMIC OUTLOOK

Market analysis

July 6, 2021

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

Higher oil prices did not deter investors last week, as the S&P 500 notched another all-time high. Manufacturing sentiment softened, but U.S. payrolls continued to rebound, a positive for the economic expansion.

14.4%

The S&P 500's return through the first two quarters of 2021.

TERM OF THE WEEK

Dot-com bubble – A rapid rise in U.S. technology stock equity valuations fueled by investments in internet-based companies in the late 1990s. The value of equity markets grew exponentially during this period, with the technology-dominated Nasdaq index rising from less than 1,000 to more than 5,000 between 1995 and 2000. The Nasdaq then fell 77 percent from March 10, 2000 to October 4, 2002.

> "The global economy continues to recover from the COVID-19 pandemic. However, comparable year-over-year sales and earnings become more challenging in the second half, implying a slower earnings growth rate and, presumably, more subdued equity returns."
>
> **Terry Sandven,** Portfolio Manager, Chief Equity Strategist, U.S. Bank

[1] Important disclosures provided on page 4.

Global economy

Quick take: U.S. job growth is strong, though there is significant room for improvement when compared to pre-pandemic employment. Meanwhile, surveys of U.S. businesses point to a moderation in activity from a very high level. In China, surveys of businesses point to slowing growth.

Our view: Economic growth is positive, helped by reopening, stimulus and vaccine progress. Coronavirus case growth is falling globally. Overall, the global economy is in expansion.

- **The U.S. added 850,000 jobs in June, beating estimates and exhibiting the highest growth since August 2020**. The substantial gain indicates impediments to job gains are decreasing. However, future improvement is essential: The economy is still 6.8 million jobs short of pre-pandemic levels, and more than 14 million Americans are still receiving unemployment assistance. Another concern is supply constraints — also evident in business surveys noted below — which are potentially impacting hours worked and dampening growth in manufacturing. Back-to-school season will be a key indicator of the type of labor market we face.
- **Surveys of U.S. businesses point to decelerating activity from high levels.** Part of this is the inevitable normalization after the economy bounced back during reopening. Another factor is supply chain constraints that continue to push prices higher for U.S. manufacturers. These constraints are likely temporary but may take time to smooth over.
- **China's firms are experiencing decelerating activity**, according to surveys of both state-owned and private sector Chinese companies. China's regulatory push and efforts to control credit growth may cause further deceleration, as China resumes its gradual pre-pandemic path of normalization toward a lower growth rate compared to the previous decade.

Equity markets

Quick take: Policy, pandemic and economic reopening progress bode well for domestic equities in the second half of 2021.

Our view: We maintain our "glass half-full" orientation for U.S. equities. Rising revenue and earnings, generally restrained inflation, relatively low interest rates, ongoing monetary and fiscal stimulus policies and COVID-19 medical progress support our outlook.

- **First-half performance was superb and broad-based.** The S&P 500 ended June 30 up 14.4 percent for the year, above the long-term annual average of roughly 10.5 percent. All 11 S&P 500 sectors have delivered year-to-date gains, with eight returning 10 percent or more.
- **Both secular-growing and cyclical-oriented sectors are favorably positioned.** Cyclically-oriented sectors (those that tend to move with the overall economy) outperformed in the first six months of 2021, led by Energy, Financials, Real Estate, Industrials, Materials and Communication Services. Ongoing monetary and fiscal stimulus in concert with vaccination progress continues to support reopening, with cyclical sectors well-positioned to benefit in this investment environment. Meanwhile, the positive trends in digitization, artificial intelligence, machine learning and e-commerce bode well for Information Technology, the best-performing sector in June, up 6.8 percent.
- **Broad-market valuations remain elevated, yet short of dot-com era extremes.** The global economy continues to recover from the COVID-19 pandemic. However, comparable year-over-year sales and earnings become more challenging in the second half, implying a slower earnings growth rate and, presumably, more subdued equity returns. The S&P 500 currently trades at roughly 23 times consensus earnings for 2021 of approximately $190, according to Bloomberg, FactSet and S&P Global.
- **Inflation and tax changes are among potential disrupters to our second half outlook.** During early-2021 earnings reports, an increasing number of companies signaled higher labor, freight and commodity prices spurred by pent-up demand due to COVID-19, along with port congestion and a shortage of semiconductor chips, ships, cargo containers and workers. While not yet at alarming levels, inflationary pressures are potentially problematic for equity prices. When inflation proves to be persistent, we have historically seen investors demand higher interest rates to compensate for higher costs. Additionally, potential corporate tax policy changes may have disparate impacts on companies and industries.

Bond markets

Quick take: High- and low-quality bonds alike delivered favorable returns last week, benefitting from lower Treasury yields and investor enthusiasm about corporate and municipal credit health. Higher growth and inflation expectations reflected in rising oil prices and other risk assets make the recent weakness in Treasury yields unusual.

Our view: A variety of lower-quality bonds offer the opportunity to increase current income, while the recovering economy and strong credit fundamentals should support bond prices. High yield corporate and municipal bonds, bank loans and mortgage loans not backed by the government offer meaningful yields, even though they are low by historical standards. Owning some high-quality bonds remains necessary to diversify portfolios, although we expect low yields to limit forward return potential.

- **Despite strong employment data released Friday, lower long-term growth expectations contributed to a fall in Treasury yields.** Inflation-adjusted yields fell last week in tandem with the market pricing in a slower expected pace of Federal Reserve (Fed) rate hikes. Although the payroll gains were stronger than expected, it will take many months of significant gains before the economy has substantially improved and the Fed can justify tighter policy. Recent Treasury yield weakness is unusual, because long-term yields tend to rise with higher oil prices and dollar strength. The recent fall in Treasury yields may have been caused in part by demand from investors looking to hedge equity risk and foreign buyers who can increase yield versus their local government bonds. We expect strong growth, inflation and Treasury issuance to support higher yields.
- **We see value in increasing current income through lower-quality bonds.** Low yields relative to Treasuries across the quality spectrum in corporate and municipal bonds limits the potential for price gains, but investors allocating to riskier high yield credits can still benefit from increasing current income. High yield corporate and municipal bonds, bank loans and mortgage loans not backed by the government pay attractive yields and present favorable credit quality.

Real assets

Quick take: Commodities outperformed the broader market last week, but commodity producers, like energy and mining companies, lagged. Defensive sectors remain funding sources for better growth opportunities.

Our view: We believe our positive view on economic growth and inflation should reward tangible goods producers. That view was challenged last week, however. Real estate is likely a tale of two segments — cyclical properties recovering as we reopen at the expense of secular growth properties, such as cell towers and data centers. We continue to remain neutral on real estate.

- **Real Estate underperformed by 1 percent last week,** even as interest rates declined**.** Losses were broad-based across sectors, with hotels and office properties the largest losers and retail as the top performer. Forward prospects for real estate remain mixed; as reopening should benefit prior laggards, such as hotels and retail properties, but future demand appears unclear for many sectors.
- **Domestic crude oil prices rose 1.5 percent last week to new cycle highs,** with domestic inventories again declining more than expected. Additionally, the Organization of Petroleum Exporting Countries (OPEC) and its oil-producing allies failed to reach a production agreement at its latest meeting, meaning current quotas likely remain in place, supporting prices in the short term.
- **Gold and silver rose marginally last week** as interest rates net of inflation (real interest rates) continued to trade lower. We believe the most likely move in gold is lower as nominal, and real interest rates should move higher, reducing speculative demand for precious metals.

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

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)

The information provided here is not intended to replace your account statement. Your account statement is the official record of your account.

EQUAL HOUSING LENDER

Equal Housing Lender. Credit products are offered by U.S. Bank National Association and subject to normal credit approval. Deposit products offered by U.S. Bank National Association. Member FDIC.

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.

U.S. Bank and its representatives do not provide tax or legal advice. Your tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation.

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**: Firstar Capital Corporation (Firstar 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, Firstar 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 indicted. 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 counties 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 County 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.

ADMINISTRATIVE REVIEW

1	Future contributions
2	Future disbursement requests/options
3	Agency's future actuarial valuation for GASB 45/75 compliance Next valuation measurement date: (06/22)
4	GASB 75 updates – effective for fiscal years beginning after June 15, 2017
5	Client funding policy
6	GASB 74/75 Compliance
7	Employer Portal – Now Available

EMPLOYER PORTAL

Public Agency Retirement Services (PARS) is pleased to announce the launch of our new employer portal for the IRC Section 115 Trust. Features include:

- Latest monthly account balance
- Transaction history
- Downloadable prior statements
- Investment Performance

To access this powerful new tool for account management, please provide:

- Opt-In Addendum
- Agency Personnel Designation Form

employer.pars.org

PUBLIC AGENCY RETIREMENT SERVICES PARS
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GASB 74/75 REPORTING

- **To assist our public agency clients with GASB 74/75, PARS will be providing the following:**
  - An individual trust statement of each agency's plan assets that shows a reconciliation of assets held at the beginning of the fiscal year through the end of the fiscal year, breaking out the appropriate plan contributions, benefit payments, expenses, and investment earnings
  - Year-end audited financial statements of the Trust as a whole including Schedule of Changes in Fiduciary Net Position by Employer completed by CliftonLarsonAllen (CLA) that is intended to be compliant with GASB 74/75 requirements.
  - Supporting SOC 1-Type 2 report on the controls over the calculation and allocation of additions and deductions to employer accounts within the Trust
  - Investment allocation data and information on investment policies including target asset allocations and allowable asset class allocation ranges
- PARS Auditors have determined that participating plans should be considered an agent multiple-employer defined benefit OPEB plan (agent OPEB plan) as defined under GASB