

D.B. Fitzpatrick & Co., Inc. - MBS Portfolio
Domestic Fixed: Bloomberg Barclays Mortgage Benchmark

For the month of: **August** **2020**

Manager Performance Calculations

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
DBF MBS	0.10%	0.18%	4.25%	3.48%	2.87%
BC Mortgage	0.04%	0.13%	4.54%	3.64%	3.13%

Portfolio Attributes

<u>Characteristics</u>	<u>DBF</u>	<u>BC Mtg</u>
Market Value (\$ m)	\$72.10	N/A
Weighted Average <i>Effective</i> Duration (in years)	2.0	2.0
Weighted Average Yield (in %)	1.1%	1.2%
Weighted Average Coupon (in %)	3.4%	3.3%

Performance Attribution & Strategy Comments

The combination of perceived progress toward a COVID-19 vaccine and continued Federal Reserve (Fed) stimulus caused long-end U.S. Treasury yields to move modestly higher in August. Inflation breakeven rates rose again during the month and are up considerably from the depths of March and April. There is continued concern among fixed income investors that the economic downturn caused by the health crisis will be prolonged, however, and real interest rates remain near historic lows.

The PERSI MBS portfolio outperformed the Bloomberg Barclays U.S. MBS Index by 6 basis points in August, returning 0.10%, despite a significant cash drag on performance (commercial mortgage cash flows were \$20 million during the month). The account benefitted from being slightly up in coupon and from holding an overweight position to conventional securities.

Given the uncertainty of the long-term economic impact from COVID-19, we think it prudent to stay close to benchmark weights, though the portfolio does have a slightly defensive tilt. An underweight position to Ginnie Mae securities is the portfolio's most significant deviation from its benchmark.

Manager Style Summary

DBF's MBS (Mortgage Backed Security) portfolio is a "core" holding which attempts to generally track the returns of the Barclays Capital Mortgage Index. Excess returns are added through security selection and interest rate bets, although such bets are expected to be limited and relatively low-risk. DBF also manages the Idaho Mortgage Program in conjunction with this portfolio -- the MBS portfolio serves as a "cash reserve" of sorts, to fund mortgages managed through the Idaho Mortgage Program. Consequently, we expect this portfolio to hold traditional MBS instruments and to maintain a reasonably healthy status, with no significant bets which could go significantly awry.

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Portfolio Guideline Compliance

August 2020

Portfolio Guideline:	DBF	Min	Max	Compliance	
B2. Minimum portfolio size	\$72	\$50		ok	
B2a. Security Type:					
MORTGAGE RELATED	99%	80%	100%	ok	
Generic MBSs	99%	75%	100%	ok	
GNMAs	7.1%				
FNMA's	53.3%				
FHLMCs	38.7%				
CMOs	0.0%	0%	25%	ok	
NON-MORTGAGE RELATED	0.0%	0%	20%	ok	
Treasuries	0.0%	0%	20%	ok	
Agencies	0.0%	0%	20%	ok	
Cash	1.0%	0%	10%	ok	
Attributes:	BB Mtg				
Duration	2.0	2.0	0.0	4.0	ok
Coupon	3.3%	3.4%	2.3%	4.3%	ok
Quality	AAA	AAA	AAA		ok
B3. Individual security excl Treasuries as a % of portfolio		0%	5%	ok	
B4. Number of securities	56	25	50	check	
E2. Annual Turnover	67%	0%	25%	check	
The portfolio is in compliance with all other aspects of the Portfolio Guidelines			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	

Manager Explanations for Deviations from Portfolio Guidelines

B4. Number of Securities: The number of securities is greater than 50 due to significant cash flows occurring in recent months.

E2. Annual Turnover: Annual turnover has been elevated due to commercial mortgage funding requirements.

Organizational/Personnel Changes

There were no organizational or personnel changes in August.

Account Turnover

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	N/A			