

# Finance Committee Investment Report Cowlitz County July 27, 2023

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Data as of June 30, 2023

Total Aggregate Portfolio

# Quarterly Review

Cowlitz County | COWLITZ Total Portfolio

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Total Portfolio

Overview Strategic

Plan Review

Portfolio Holdings & Transactions

Market Overview

# Compliance Report

Cowlitz County | COWLITZ Total Portfolio



June 30, 2023

## Category

Policy Diversification Constraint	Policy Limit	Actual Value*	Status
US Treasury Obligations Maximum % of Holdings	100.000	12.382	Compliant
US Agency Callable Securities Maximum % of Total Portfolio	35.000	1.101	Compliant
US Agency FFCB Issuer Concentration	25.000	7.338	Compliant
US Agency FHLB Issuer Concentration	35.000	10.753	Compliant
US Agency FHLMC Issuer Concentration	35.000	1.120	Compliant
US Agency FNMA Issuer Concentration	35.000	1.194	Compliant
US Agency Maximum Maturity At Time of Purchase (years)	35.000	3.016	Compliant
US Agency Obligations Issuer Concentration	35.000	10.753	Compliant
US Agency Obligations Maximum % of Holdings	100.000	20.404	Compliant
Supranationals - Issuer is ADB, IADB, IBRD, or IFC	0.000	0.000	Compliant
Supranationals Maximum % of Holdings	10.000	0.000	Compliant
Municipal Bonds Issuer Concentration	5.000	0.000	Compliant
Municipal Bonds Maximum % of Holdings	30.000	0.000	Compliant
Municipal Bonds WA issues GO/Local and GO only Outside WA	0.000	0.000	Compliant
Corporate Note Portfolio Duration (years)	3.000	2.233	Compliant
Corporate Notes & Commercial Paper Foreign Exposure except Canada	2.000	0.000	Compliant
Corporate Notes & Commercial Paper Maximum % of Holdings	25.000	2.978	Compliant
Corporate Notes & Commercial Paper Single Issuer %	3.000	0.744	Compliant
Certificates of Deposit Issuer Concentration	10.000	0.000	Compliant
Certificates of Deposit Maximum % of Holdings	25.000	0.000	Compliant
Banker's Acceptance Issuer Concentration	5.000	0.000	Compliant
Banker's Acceptance Maximum % of Holdings	20.000	0.000	Compliant
LGIP Maximum % of Holdings	100.000	64.235	Compliant
PDPC Bank Deposits Issuer Concentration	10.000	0.000	Compliant
PDPC Bank Deposits Maximum % of Holdings	20.000	0.000	Compliant

1) Actual values are based on market value.

2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

# Compliance Report

Cowlitz County | COWLITZ Total Portfolio



June 30, 2023

## Category

<b>Policy Maturity Structure Constraint</b>	<b>Policy Limit</b>	<b>Actual %</b>	<b>Status</b>
Maturity Constraints Under 30 days Minimum % of Total Portfolio	10.000	64.235	Compliant
Maturity Constraints Under 1 year Minimum % of Total Portfolio	25.000	83.681	Compliant
Maturity Constraints Under 5.5 years Minimum % of Total Portfolio	100.000	100.000	Compliant
<b>Policy Maturity Constraint</b>	<b>Policy Limit</b>	<b>Actual Term</b>	<b>Status</b>
US Treasury Maximum Maturity At Time of Purchase (years)	5.500	3.000	Compliant
US Agency Obligations - All Other Issuers Combined	5.500	0.000	Compliant
Supranationals Maximum Maturity At Time of Purchase (years)	5.500	0.000	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	5.500	0.000	Compliant
Corporate Maximum Maturity At Time of Purchase (years)	5.500	2.964	Compliant
Commercial Paper Maximum Maturity At Time of Purchase (days)	270.000	0.000	Compliant
Certificates of Deposit Maximum Maturity At Time of Purchase (years)	5.500	0.000	Compliant
Banker's Acceptance Maximum Maturity At Time of Purchase (days)	180.000	0.000	Compliant
Weighted Average Maturity (years)	1.500	0.434	Compliant
<b>Policy Credit Constraint</b>			<b>Status</b>
Supranationals Ratings AA-/Aa3/AA- or better (Rated by 1 NRSRO)			Compliant
Municipal Bonds Ratings Minimum AA-/Aa3/AA- (Rated by 1 NRSRO)			Compliant
Corporate Notes A-/A3/A- Issuer Concentration (Rated by 1 NRSRO) (2%)			Compliant
Corporate Notes AA-/Aa3/AA- by All If Rated Issuer Concentration (3%)			Compliant
Corporate Notes Ratings Minimum A-/A3/A- by All if rated			Compliant
Corporate Notes Single A with Negative Outlook Cannot Purchase			Compliant
Corporate Notes Split AA- to A- Issuer Concentration % (All must be rated at least A-) (2%)			Compliant
Commercial Paper Over 100 days Minimum Long Term Rating A-/A3/A- by one			Compliant
Commercial Paper Ratings Minimum ST Rating A1/P1/F1 (Rated by 2 NRSROs)			Compliant

1) Actual values are based on market value.

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# Summary Overview

Cowlitz County | COWLITZ Total Portfolio

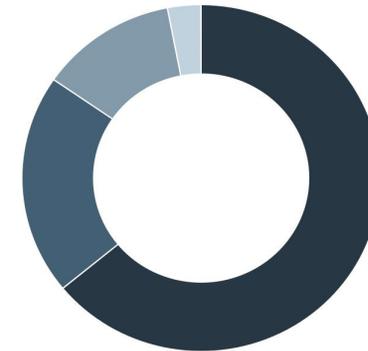


June 30, 2023

## Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	254,922,020
Investments	143,153,295
Book Yield	5.01%
Market Yield	5.26%
Effective Duration	0.41
Years to Maturity	0.44
Avg Credit Rating	AAA

## Allocation by Asset Class



Pooled Funds **64.0%**
 US Agency **20.6%**  
 US Treasury **12.4%**
 Corporate **3.0%**

## Strategic Structure

Account	Par Amount	Book Value	Market Value	Net Unrealized Gain (Loss)	Book Yield	Maturity in Years	Effective Duration	Benchmark Duration	Benchmark
COWLITZ-Pooled Investment Core	145,000,000	142,784,455	141,934,062	(850,393)	4.68%	1.22	1.13	1.35	ICE BofA 0-3 Year US Treasury Index
COWLITZ-Pooled Liquidity	254,922,020	254,922,020	254,922,020	0	5.20%	0.01	0.01	0.08	ICE BofA US 1-Month Treasury Bill Index
<b>Total</b>	<b>399,922,020</b>	<b>397,706,475</b>	<b>396,856,082</b>	<b>(850,393)</b>	<b>5.01%</b>	<b>0.44</b>	<b>0.41</b>	<b>0.54</b>	

# Portfolio Activity

Cowlitz County | Total Aggregate Portfolio



June 30, 2023

## Accrual Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Beginning Book Value	378,128,240.87	383,378,645.59
Maturities/Calls	(6,000,000.00)	(7,000,000.00)
Purchases	72,150,990.53	136,978,760.08
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(46,852,609.57)	(115,996,718.84)
Amortization/Accretion	279,853.32	345,788.31
Realized Gain (Loss)	0.00	0.00
Ending Book Value	397,706,475.15	397,706,475.15

## Fair Market Activity Summary

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Beginning Market Value	378,216,350.78	382,957,696.55
Maturities/Calls	(6,000,000.00)	(7,000,000.00)
Purchases	72,150,990.53	136,978,760.08
Sales	0.00	0.00
Change in Cash, Payables, Receivables	(46,852,609.57)	(115,996,718.84)
Amortization/Accretion	279,853.32	345,788.31
Change in Net Unrealized Gain (Loss)	(938,502.90)	(429,443.95)
Net Realized Gain (Loss)	0.00	0.00
Ending Market Value	396,856,082.16	396,856,082.16

Maturities/Calls	Market Value
Quarter to Date	(6,000,000.00)
Fiscal Year to Date	(7,000,000.00)

Purchases	Market Value
Quarter to Date	72,150,990.53
Fiscal Year to Date	136,978,760.08

Sales	Market Value
Quarter to Date	0.00
Fiscal Year to Date	0.00

# Return Management-Income Detail

Cowlitz County | Total Aggregate Portfolio



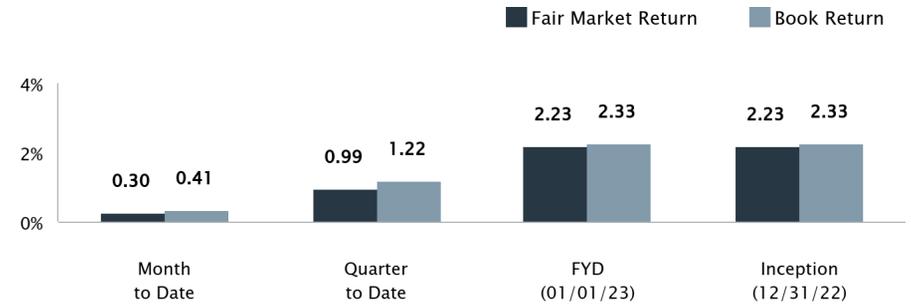
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## Accrued Book Return

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Amortization/Accretion	279,853.32	345,788.31
Interest Earned	4,742,969.58	8,795,404.51
Realized Gain (Loss)	0.00	0.00
Book Income	5,022,822.90	9,141,192.82
Average Portfolio Balance	409,870,532.83	392,011,641.58
Book Return for Period	1.22%	2.33%

## Return Comparisons

Periodic for performance less than one year. Annualized for performance greater than one year.



## Fair Market Return

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Market Value Change	(1,218,356.22)	(775,232.26)
Amortization/Accretion	279,853.32	345,788.31
Interest Earned	4,742,969.58	8,795,404.51
Fair Market Earned Income	3,804,466.68	8,365,960.56
Average Portfolio Balance	409,870,532.83	392,011,641.58
Fair Market Return for Period	0.99%	2.23%

## Interest Income

	Quarter to Date	Fiscal Year to Date (01/01/2023)
Beginning Accrued Interest	413,168.53	20,208.85
Coupons Paid	4,115,567.51	8,123,542.27
Purchased Accrued Interest	178,662.02	514,661.53
Sold Accrued Interest	0.00	0.00
Ending Accrued Interest	1,219,232.62	1,219,232.62
Interest Earned	4,742,969.58	8,795,404.51

Notation: Book and Fair market % returns are no annualized



# Strategic Quarterly Update

Cowlitz County | COWLITZ Total Portfolio

<b>Metric</b>			
<b>Book Yield</b>	<b>12/31/2022</b>	<b>03/31/2023</b>	<b>06/30/2023</b>
<b>Ending Book Yield</b>			
Pooled Investment Core	0.40%	4.32%	4.68%
Pooled Liquidity	4.28%	4.90%	5.20%
<b>Total Book Yield</b>	<b>3.96%</b>	<b>4.78%</b>	<b>5.01%</b>
<b>Values</b>	<b>12/31/2022</b>	<b>03/31/2023</b>	<b>06/30/2023</b>
<b>Market Value + Accrued</b>			
Pooled Investment Core	32,071,667	76,854,890	143,153,295
Pooled Liquidity	350,906,239	301,774,629	254,922,020
<b>Total MV + Accrued</b>	<b>382,977,905</b>	<b>378,629,519</b>	<b>398,075,315</b>
<b>Net Unrealized Gain/Loss</b>			
<b>Total Net Unrealized Gain/Loss</b>	<b>(420,949)</b>	<b>88,110</b>	<b>(850,393)</b>

# Risk Management - Maturity/Duration

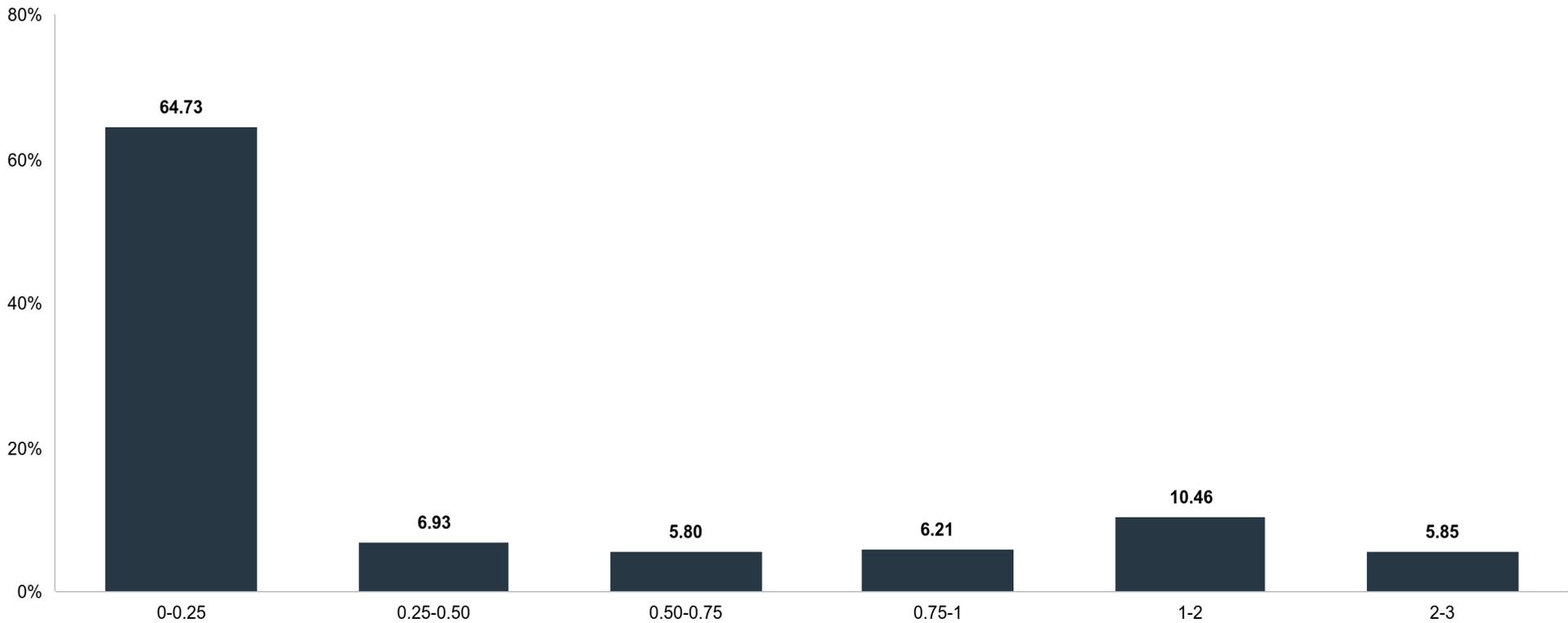
Cowlitz County | COWLITZ Total Portfolio



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<b>Effective Duration</b> <b>0.41 Yrs</b>	<b>Years to Maturity</b> <b>0.44 Yrs</b>	<b>Days to Maturity</b> <b>160</b>
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Distribution by Effective Duration



# Return Management - Performance

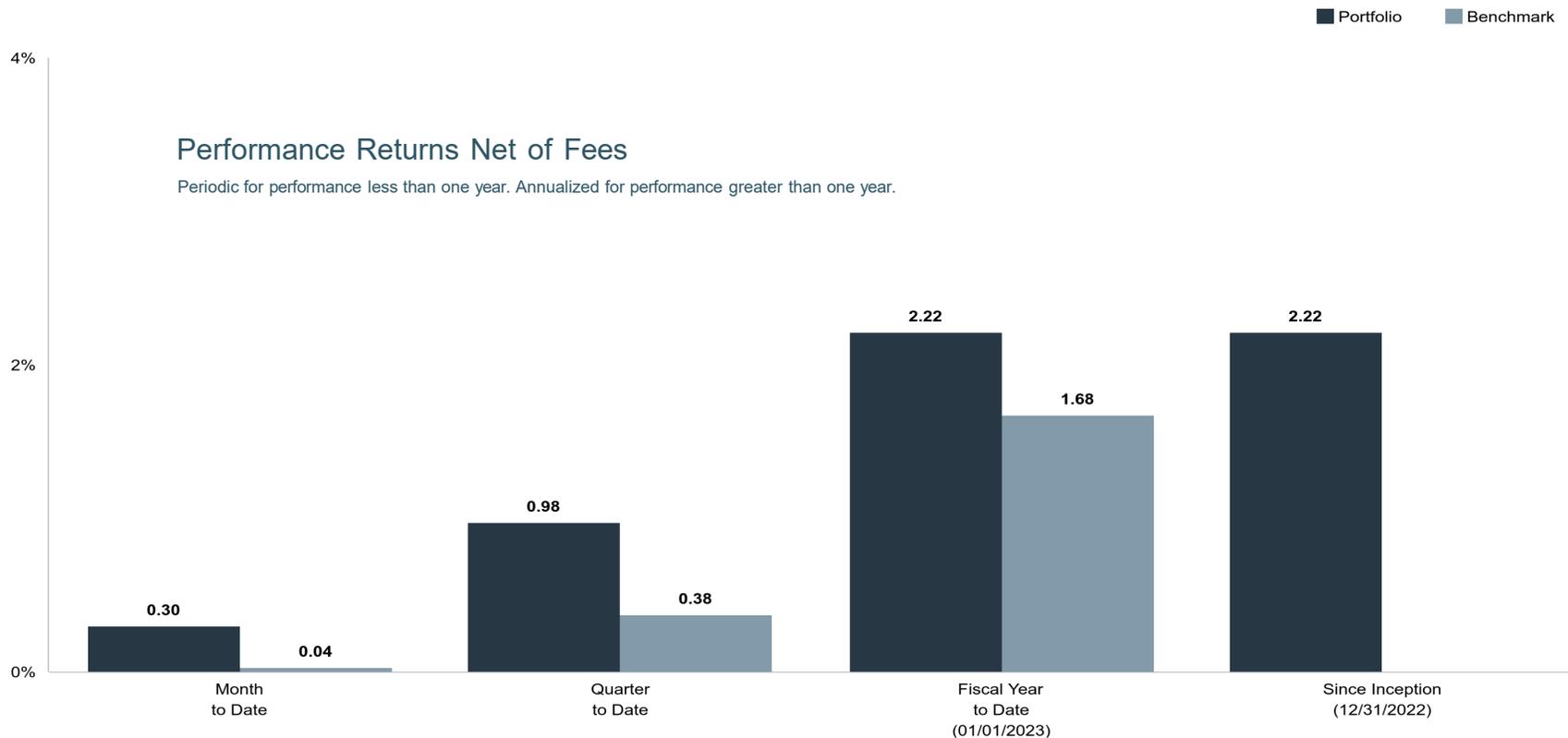


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Cowlitz County | COWLITZ Total Portfolio

## Historical Returns

Period	Month to Date	Quarter to Date	Fiscal Year to Date (01/01/2023)	Since Inception (12/31/2022)
Return (Net of Fees)*	0.301%	0.979%	2.222%	2.222%
Return (Gross of Fees)	0.303%	0.985%	2.234%	2.234%
65% ICE BofAML U.S. Treasuries 0-3 years / 35% ICE BofAML US 1-Month Treasury Bill Index	0.043%	0.381%	1.680%	



# Strategies Deployed

## 1) Building the portfolio:

Plan: Timing of adding in securities versus holding in the LGIP pool. The inverted curve is presenting the need to be patient in building up the investments to the target size.

Actions: The overall pool is up to a 5.01% yield – the investment component is yielding 4.63% and the liquidity component is yielding 5.20%.

## 2) Duration discipline:

Plan: Create a benchmark that has the appropriate duration parameters for the long term to balance the County Pool risk and return profile. This assessment involves understanding historical cash flows and participant expectations.

Actions: Cash flow analysis and communication with participants has been completed. The average duration target for the CCIP is 1 year. This construct applies a 35% target to liquidity at a duration of .01 years and 65% target to the investment core at 1.45 duration and a 0-3 year profile.

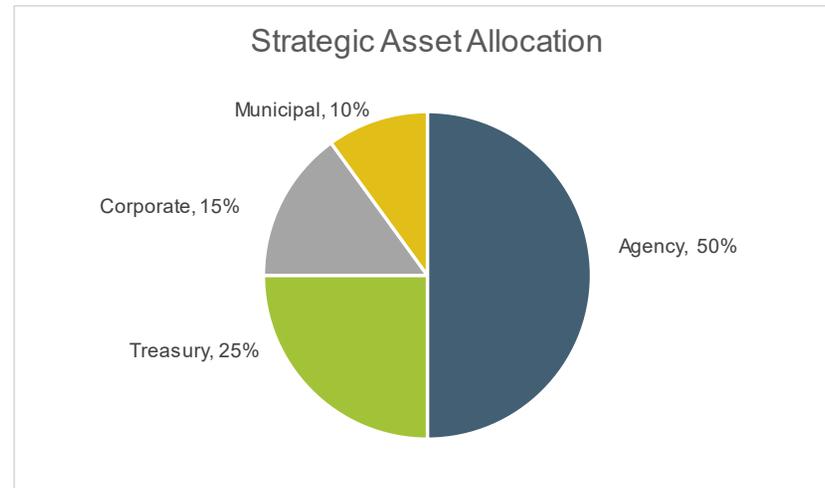
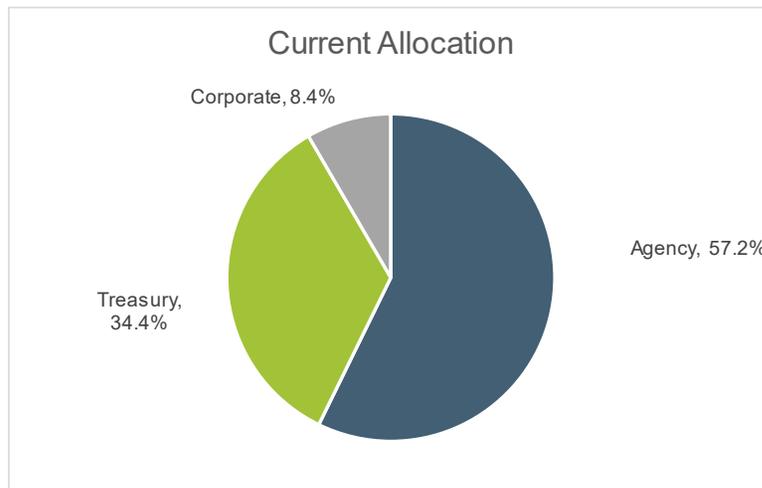
## 3) Asset allocation discipline:

Plan: Establish long-term targets and bands that provide for use of all allowable asset classes, which provide for improved earnings over interest rate cycles.

Actions: GPA will evaluate opportunities of value within the asset allocation choices and deploy tactical moves to align to the target objectives over time. Current corporate positions are John Deere, JP Morgan, Toyota Motor Credit, Toronto Dominion and Royal Bank of Canada.

## Core Liquidity Targets

	Current (6/30/2023)	Target	Minimum	Maximum	Target Percentage
Liquidity Component	\$254,922,020	\$125,000,000	\$100,000,000	\$150,000,000	35%
<b>Benchmark</b>		<b>Duration</b>	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>
ICE BAML 1 month Bill		0.01	0.01	0.01	0.01
	Current (6/30/2023)	Target	Minimum	Maximum	Target Percentage
Investment Component	\$145,000,000	\$250,000,000	\$175,000,000	\$275,000,000	65%
<b>Benchmark</b>		<b>Duration</b>	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>
ICE BAML 0-3 year		1.46	1.33	1.00	1.75
	Total	Current Duration	Blended Benchmark		
Total County Pool	\$399,922,020	0.53	0.87		



Market Sector	Current Allocation	Strategic Target	Tactical Bands
Agency	57.2%	50%	10%-85%
Treasury	34.4%	25%	10%-80%
Corporate	8.4%	15%	0%-20%
Municipal	0.0%	10%	0%-20%

## Portfolio Holding & Transactions

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# Holdings



Cowlitz County | COWLITZ Total Portfolio

June 30, 2023

Account	Par Value	Detailed Description	Book Yield	Net Unrealized Gain/Loss	Effective Duration	S&P Rating	Fitch Rating	Moody's Rating
<b>Fixed Income</b>								
COWLITZ-Pooled Investment	1,000,000	FHLBANKS 0.125 09/08/23	0.20%	(10,452)	0.19	AA+	AAA	Aaa
COWLITZ-Pooled Investment	1,000,000	FHLBANKS 0.280 09/11/23 '23	0.29%	(10,272)	0.19	AA+	AAA	Aaa
COWLITZ-Pooled Investment	2,000,000	US TREASURY 0.125 10/15/23	0.20%	(29,409)	0.29	AA+	AAA	Aaa
COWLITZ-Pooled Investment	5,000,000	FHLBANKS 4.900 11/07/23	5.04%	(7,892)	0.34	A-1+	F1+	P-1
COWLITZ-Pooled Investment	1,000,000	FHLBANKS 0.500 11/09/23	4.42%	(4,496)	0.35	AA+	AAA	Aaa
COWLITZ-Pooled Investment	10,000,000	US TREASURY BILL 11/09/23	5.38%	(2,990)	0.35	A-1+	F1+	P-1
COWLITZ-Pooled Investment	10,000,000	US TREASURY BILL 12/07/23	5.38%	(4,499)	0.43	A-1+	F1+	P-1
COWLITZ-Pooled Investment	10,000,000	US TREASURY 0.125 01/15/24	5.33%	(4,178)	0.53	AA+	AAA	Aaa
COWLITZ-Pooled Investment	5,000,000	FHLBANKS 5.000 02/08/24	5.01%	(22,460)	0.58	A-1+	F1+	Aaa
COWLITZ-Pooled Investment	1,500,000	FEDERAL FARM 0.200 02/16/24 '23	0.22%	(49,151)	0.61	AA+	AAA	Aaa
COWLITZ-Pooled Investment	2,000,000	FEDERAL FARM 0.250 03/01/24 '23	0.33%	(71,234)	0.65	AA+	AAA	Aaa
COWLITZ-Pooled Investment	5,000,000	FHLBANKS 4.375 03/08/24	5.00%	(31,643)	0.66	AA+	AAA	Aaa
COWLITZ-Pooled Investment	10,000,000	FEDERAL FARM 4.875 04/25/24	4.70%	(72,938)	0.79	AA+	F1+	Aaa
COWLITZ-Pooled Investment	10,000,000	US TREASURY 2.500 05/31/24	5.31%	(16,850)	0.89	AA+	AAA	Aaa
COWLITZ-Pooled Investment	5,000,000	FHLBANKS 4.875 06/14/24	5.15%	(15,378)	0.92	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FEDERAL FARM 4.875 08/21/24	5.04%	(30,246)	1.08	AA+	AAA	Aaa

# Holdings



June 30, 2023

## Cowlitz County | COWLITZ Total Portfolio

Account	Par Value	Detailed Description	Book Yield	Net Unrealized Gain/Loss	Effective Duration	S&P Rating	Fitch Rating	Moody's Rating
COWLITZ-Pooled Investment Core	1,000,000	FEDERAL FARM 3.375 08/26/24	3.45%	(21,999)	1.1	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	10,000,000	FHLBANKS 4.875 09/13/24	4.38%	(130,088)	1.14	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	1,000,000	US TREASURY 0.625 10/15/24	0.61%	(58,623)	1.25	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FANNIE MAE 1.625 01/07/25	5.01%	(18,871)	1.46	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FEDERAL FARM 4.250 02/10/25	4.55%	(50,573)	1.51	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FHLBANKS 4.625 03/14/25	4.80%	(28,772)	1.59	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	7,500,000	US TREASURY 2.625 04/15/25	4.83%	(26,872)	1.71	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FREDDIE MAC 12/11/25	4.70%	(13,698)	2.34	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	2,000,000	TD 5.103 01/09/26 MTN	5.09%	(11,127)	2.28	A	AA-	A1
COWLITZ-Pooled Investment Core	2,000,000	JOHN DEERE CAP 4.800 01/09/26 MTN	5.04%	2,871	2.3	A	A+	A2
COWLITZ-Pooled Investment Core	2,000,000	RBC 4.875 01/12/26 MTN	5.09%	(15,563)	2.3	A	AA-	A1
COWLITZ-Pooled Investment Core	5,000,000	FEDERAL FARM 4.125 02/13/26	4.18%	(57,495)	2.41	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FHLBANKS 4.375 03/13/26	4.76%	(9,381)	2.49	AA+	AAA	Aaa
COWLITZ-Pooled Investment Core	3,000,000	JP MORGAN 4.080 04/26/26 '25 FRN	5.09%	(11,618)	1.71	A-	AA-	A1
COWLITZ-Pooled Investment Core	3,000,000	TOYOTA MOTOR CRD 4.450 05/18/26 MTN	4.85%	(14,498)	2.66	A+	A+	A1
<b>Fixed Income Total</b>	<b>145,000,000</b>		<b>4.68%</b>	<b>(850,393)</b>	<b>1.13</b>	<b>AA+</b>	<b>AAA</b>	<b>Aaa</b>
<b>Money Market Funds</b>								
COWLITZ-Pooled Liquidity	254,922,020	WASHINGTON LGIP	5.20%	0	0.01	NA	NA	NA
<b>Money Market Funds Total</b>	<b>254,922,020</b>		<b>5.20%</b>	<b>0</b>	<b>0.01</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Total</b>	<b>399,922,020</b>		<b>5.01%</b>	<b>(850,393)</b>	<b>0.41</b>	<b>AA+</b>	<b>AAA</b>	<b>Aaa</b>

# Transactions

Cowlitz County | COWLITZ Total Portfolio



June 30, 2023

Identifier	Detailed Description	Trade Date	Settle Date	Total Amount	Units	Principal Amount	Accrued Interest
<b>Buy</b>							
WA_LGIP				(135,647,390)	135,647,390	135,647,390	0
3130ATVD6	FHLBANKS 4.875 09/13/24	05/04/2023	05/05/2023	(10,138,379)	10,000,000	10,063,900	74,479
3133EPGX7	FEDERAL FARM 4.875 04/25/24	05/04/2023	05/08/2023	(10,034,154)	10,000,000	10,016,550	17,604
89236TKT1	TOYOTA MOTOR CRD 4.450 05/18/26 MTN	05/25/2023	05/31/2023	(2,971,671)	3,000,000	2,966,850	4,821
91282CBE0	US TREASURY 0.125 01/15/24	06/01/2023	06/05/2023	(9,696,275)	10,000,000	9,691,406	4,869
912797FT9	US TREASURY BILL 12/07/23	06/08/2023	06/12/2023	(9,745,089)	10,000,000	9,745,089	0
912797FJ1	US TREASURY BILL 11/09/23	06/08/2023	06/12/2023	(9,784,210)	10,000,000	9,784,210	0
46647PCZ7	JP MORGAN 4.080 04/26/26 '25 FRN	06/21/2023	06/23/2023	(2,941,080)	3,000,000	2,920,680	20,400
91282CER8	US TREASURY 2.500 05/31/24	06/21/2023	06/23/2023	(9,764,244)	10,000,000	9,746,484	17,760
91282CEH0	US TREASURY 2.625 04/15/25	06/21/2023	06/23/2023	(7,254,550)	7,500,000	7,215,820	38,730
<b>Total</b>				<b>(207,977,043)</b>	<b>209,147,390</b>	<b>207,798,381</b>	<b>178,662</b>
<b>Maturity</b>							
912828R69	US TREASURY 1.625 05/31/23 MATD	05/31/2023	05/31/2023	1,000,000	(1,000,000)	(1,000,000)	0
3137EAES4	FREDDIE MAC 0.250 06/26/23 MTN MAT	06/26/2023	06/26/2023	5,000,000	(5,000,000)	(5,000,000)	0
<b>Total</b>				<b>6,000,000</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>0</b>
<b>Sell</b>							
WA_LGIP				182,500,000	(182,500,000)	(182,500,000)	0
<b>Total</b>				<b>182,500,000</b>	<b>(182,500,000)</b>	<b>(182,500,000)</b>	<b>0</b>

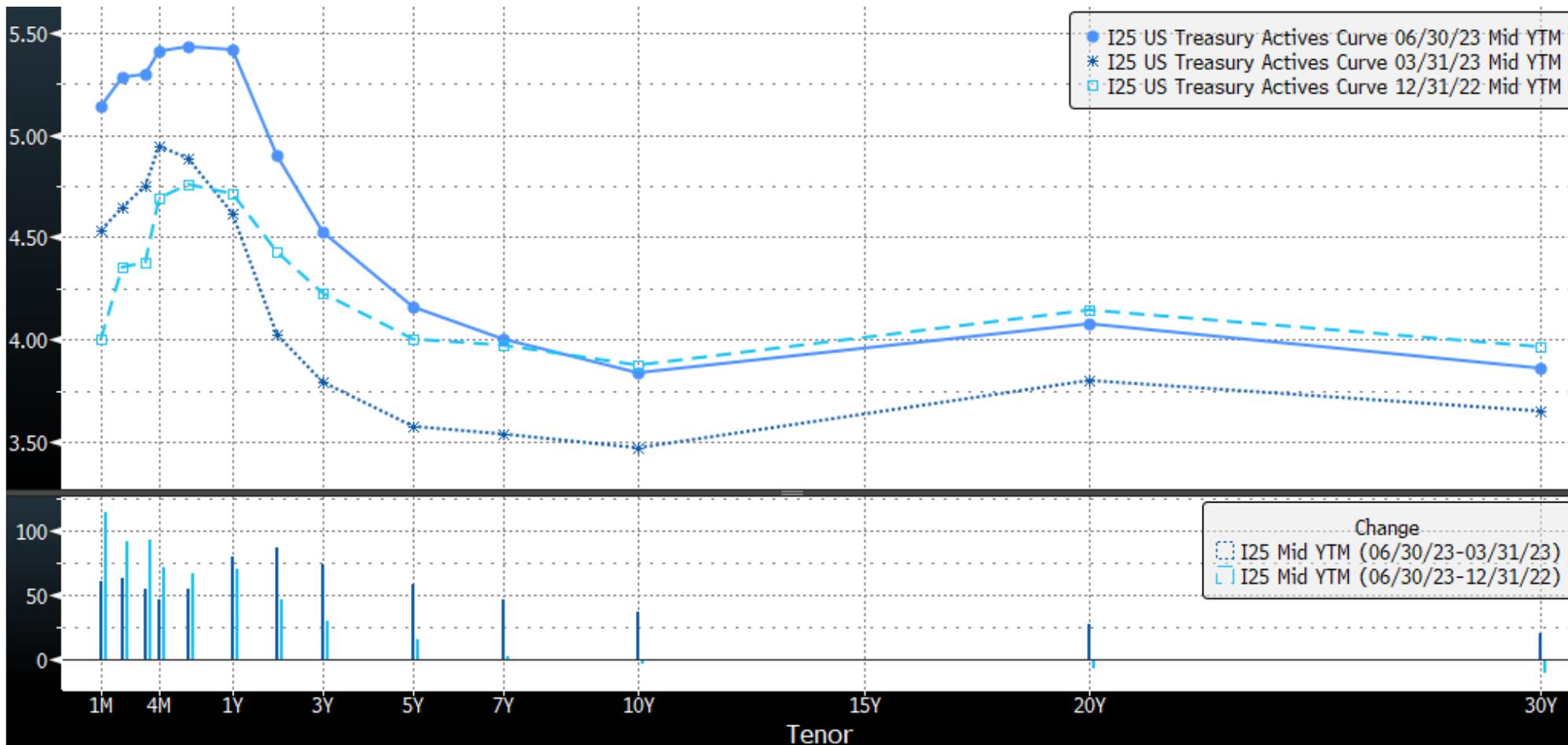
June 30, 2023

# Interest Rate Curve

Market Overview



June 30, 2023



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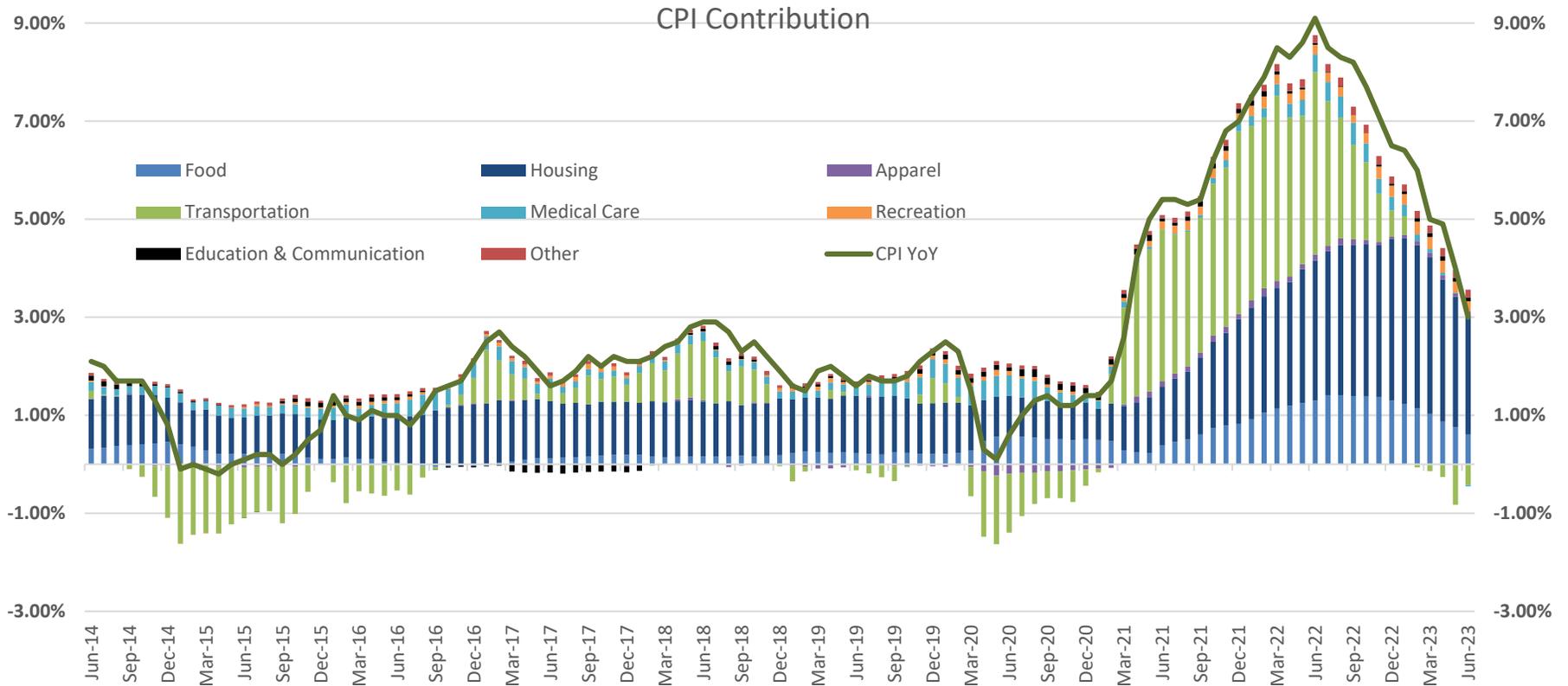
Interest rates moved higher in the second quarter as investors regained a sense of calm after a series of large bank failures while labor markets and domestic growth remain resilient despite the rapid increases in interest rates.

# Inflation Abating

Market Overview



June 30, 2023



Inflation continues to moderate with headline inflation at 3.0%, well below the 9.1% peak seen in the summer of 2022. With cooler housing and rent data set to enter the series in coming months, more declines are expected.

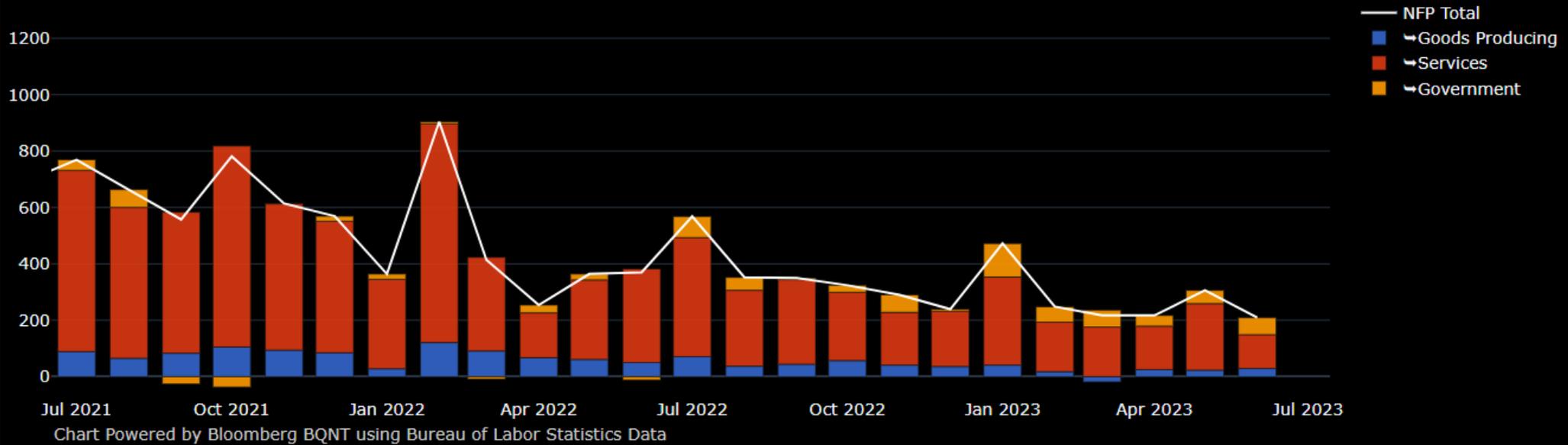
# Labor Market Update



June 30, 2023

## Market Overview

### US NFP Total Payrolls 1M Net Change (in Thousands)



### Average Hourly Earnings, Employment Cost Index and Atlanta Fed Wage Growth



Labor markets remain positive albeit on a slowing trend while wage growth continues to moderate but remains elevated over pre-pandemic levels.

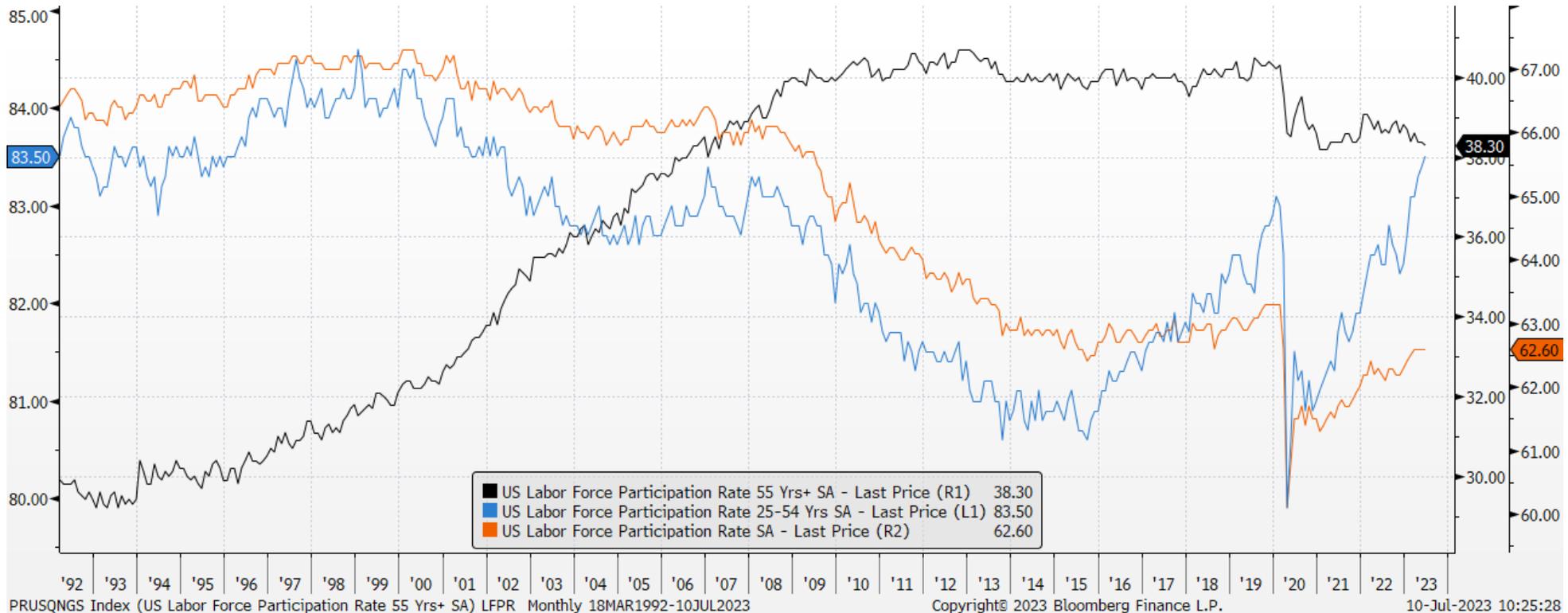
Continued progress will be a welcome sight for the Federal Reserve.

# Changing Labor Force Dynamics

Market Overview



June 30, 2023



Labor force participation remains below pre-pandemic levels (orange line) as retirements in the 55+ cohort (black line) are offsetting multi-decade high levels of participation out of the prime-age cohort (blue line). Does Fed policy need to adapt to demographic realities?

# Fed Expectations

## Market Overview



June 30, 2023



Markets expect one more hike out of the Fed before a series of cuts to fine-tune policy away from an overly restrictive level.



In the longer-run it is expected the Fed will operate with a funds rate in the 2%-3% range – well below current levels.

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A thick, dark teal line graphic that starts at the bottom left, rises to a peak, dips slightly, and then rises again to a higher peak at the right edge of the page.

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