

---

# Investment Committee Semi-Annual Activity Report

---

| 4. Fixed Income

---



# FIXED INCOME SEMI-ANNUAL REPORT

## MARKET RISKS<sup>1</sup>

As of 6/30/2023

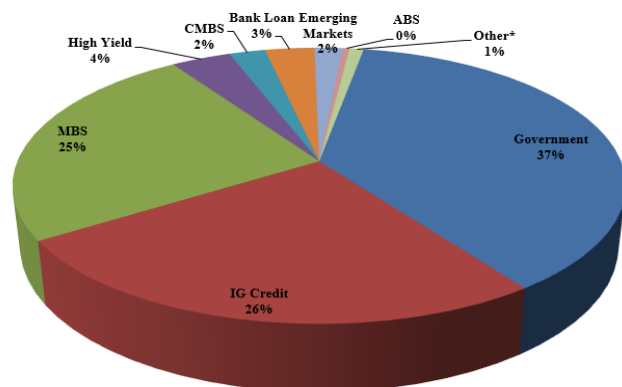
Indicator	6/30/2023	12/31/2022	Change	Risk / Valuation Level
Monetary Policy	5.00 - 5.25	4.25 - 4.50%	0.75%	← Accommodative   Neutral   Restrictive →
U.S. Unemployment Rate	3.60%	3.50%	0.10%	← Low   Moderate   High →
10 Yr. U.S. Treasury Yield (Interest Rate Risk)	3.84%	3.87%	-0.03%	← Low   Moderate   High →
Current Inflation (CPI)	3.00%	6.50%	-3.50%	← Low   Moderate   High →
Cost of Corporate Credit (Spread over U.S. Treasury)	1.14%	1.21%	-0.07%	← Cheap   Fair Value   Rich →

<sup>1</sup> Current level compared to long-term averages

## FIXED INCOME SECTOR WEIGHTS

Assets Under Management \$31.8 Billion

10.1%<sup>2</sup> Allocation vs. Target of 12%



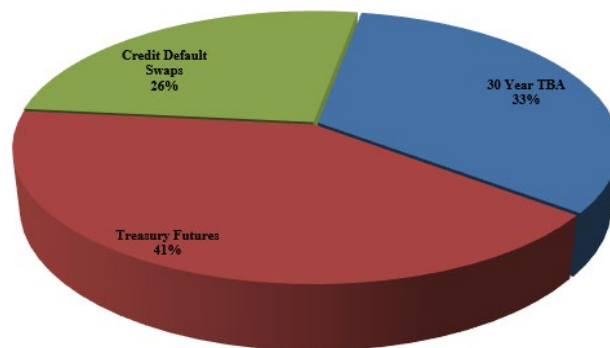
\*Includes other investments such as International Sovereign Bonds, Derivatives and Cash

<sup>2</sup>As allocated; <sup>3</sup>As invested

Strategic Overlay Fixed Income Portfolio

10.5%<sup>3</sup> Allocation vs. Target of 12%

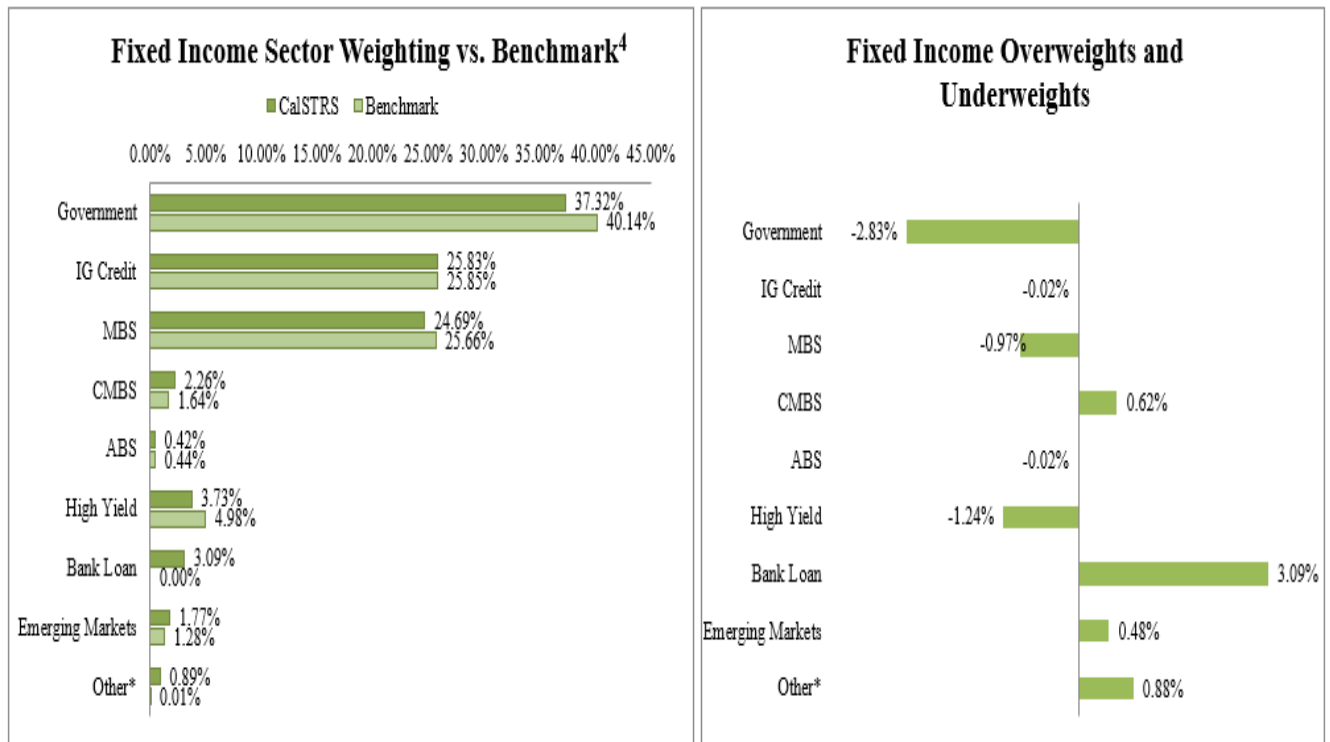
Notional Value \$1.75 Billion



## ACTIVITY UPDATE

The Fixed Income portfolio represented 10.1% as allocated (10.5% as invested) of the Total Fund as of June 30, 2023. During the period, the Fed raised rates 0.75% before pausing at the June meeting to assess additional information and its implication for monetary policy. Amid generative AI power optimism, equities entered bull market territory gaining 20% from an October low. Fixed Income rebalanced its Bank Loan aggregate by reducing one external Bank Loan manager by \$252 million, reallocating \$135 million to another external Bank Loan manager and \$117 million to the internally managed Core portfolios. In January, the Core portfolio moved closer to its policy benchmark by reducing its MBS overweight to allocate to Treasuries. Fixed Income narrowed the policy underweight by deploying \$1.75 billion notional allocation in the Strategic Overlay Fixed Income Portfolio.

# FIXED INCOME SEMI-ANNUAL REPORT



<sup>4</sup>Benchmark: (95%) Bloomberg U.S. Aggregate Custom Index + (5%) Bloomberg U.S. High Yield 2% Issuer Capped Custom Index

Index Sector Weightings and Overweights/Underweights may have some rounding variations due to calculations by BlackRock Risk System

