



# Audit & Finance Committee Meeting

August 15, 2022

# Agenda

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- Call to Order / Roll Call
- Public Comment (for items not on the Agenda)
- Action to set the Agenda and Approve Consent Items
- Regular Agenda
  - Q4 and YTD Financial Review
  - Meet with Investment Managers

# Audit Schedule – FY2021-2022 Financial Statements

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- Engagement Letter – in process
- Audit Field Work – now through end of September (approx.)
- AF Committee meet with Auditors – October 12
  - Public meeting
  - Recommendation to full Board for approval
  - Private meeting with less than 50% of AF members
- Board Meeting to Review/Approve – October 27

FY2021-2022

Q4 Financial Review

*Preliminary Financial Statements*

Ending June 30, 2021

# Revenue – Quarterly Trend

Revenue by Quarter as of

June-22

Quarter	Revenue Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Q1-FY2020/21	75.1	69.3	5.8
Q2-FY2020/21	62.9	41.2	21.7
Q3-FY2020/21	46.3	49.7	(3.4)
Q4-FY2020/21	43.9	55.6	(11.7)
<b>Total YTD 2020/21</b>	<b>\$228.1</b>	<b>\$215.7</b>	<b>\$12.4</b>

Q1-FY2021/22	58.4	61.0	(2.6)
Q2-FY2021/22	45.1	52.5	(7.5)
Q3-FY2021/22	43.8	50.3	(6.5)
<b>Q4-FY2021/22</b>	<b>92.0</b>	<b>58.4</b>	<b>33.6</b>
<b>Total YTD FY2021/22</b>	<b>\$239.2</b>	<b>\$222.2</b>	<b>\$17.0</b>

## Quarterly

- **Q4** Revenue was \$33.6 MM above Budget
  - Revenue was well above Budget despite Load being 8.0% below Budget
  - Residential load – 10.2% below Budget
  - Other load – 6.5% below Budget
  - Rates increased significantly beginning in April

## YTD

- **Q4-YTD** Revenue was \$17.0 MM above Budget
  - Full year load was 5.4% below Budget

# Revenue – Monthly Trend

Revenue (Last 13 months)

**June-22**

Month	Revenue Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Jun-21	\$17.3	\$23.4	(\$6.1)
Jul-21	\$19.0	\$19.4	(\$0.3)
Aug-21	\$20.0	\$21.0	(\$0.9)
Sep-21	\$19.3	\$20.7	(\$1.4)
Oct-21	\$14.6	\$20.1	(\$5.5)
Nov-21	\$14.5	\$15.3	(\$0.8)
Dec-21	\$16.0	\$17.1	(\$1.1)
Jan-22	\$15.1	\$17.6	(\$2.5)
Feb-22	\$14.1	\$16.0	(\$1.9)
Mar-22	\$14.7	\$16.8	(\$2.1)
Apr-22	\$26.1	\$15.5	\$10.7
May-22	\$29.5	\$19.6	\$9.9
Jun-22	\$36.3	\$23.3	\$13.0

# Cost of Energy – Quarterly Trend

Cost of Energy by Quarter as of

June-22

Quarter	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Q1-FY2020/21	66.7	55.3	(11.4)
Q2-FY2020/21	51.2	51.0	(0.1)
Q3-FY2020/21	49.4	46.7	(2.8)
Q4-FY2020/21	46.5	44.4	(2.0)
<b>Total YTD 2020/21</b>	<b>\$213.8</b>	<b>\$197.4</b>	<b>(\$16.4)</b>

Q1-FY2021/22	56.5	57.6	1.1
Q2-FY2021/22	51.1	53.9	2.8
Q3-FY2021/22	56.2	52.9	(3.4)
<b>Q4-FY2021/22</b>	<b>62.8</b>	<b>52.3</b>	<b>(10.5)</b>
<b>Q4-FY2021/22</b>	<b>\$226.7</b>	<b>\$216.7</b>	<b>(\$10.0)</b>

## Quarterly

- **Q4** Cost of Energy was \$10.5 MM above Budget
  - Cost was significantly higher than Budget despite lower load than planned
  - Energy market prices continued to be significantly higher than prior periods and higher than Budgeted levels
  - Significant hedged position mitigated much of the higher prices throughout the quarter and past 6 months

## YTD

- Cost of energy for full year was higher than Budget – all attributed to very high prices in past 6 months

# Cost of Energy – Monthly Trend

Cost of Energy (Last 13 months)

**June-22**

Month	COE Comparison vs Budget		
	Actual	Budget	Var Fav/(Unf)
Jun-21	\$14.1	\$15.8	\$1.7
Jul-21	\$18.4	\$17.9	(\$0.6)
Aug-21	\$20.6	\$20.4	(\$0.1)
Sep-21	\$17.5	\$19.3	\$1.8
Oct-21	\$17.4	\$18.0	\$0.6
Nov-21	\$15.0	\$16.7	\$1.7
Dec-21	\$18.8	\$19.3	\$0.5
Jan-22	\$20.3	\$18.8	(\$1.5)
Feb-22	\$17.6	\$17.2	(\$0.4)
Mar-22	\$18.4	\$16.9	(\$1.5)
Apr-22	\$19.5	\$16.5	(\$2.9)
May-22	\$19.8	\$17.6	(\$2.2)
Jun-22	\$23.6	\$18.2	(\$5.4)



# Financial Statement vs. Budget – Quarter and YTD

	Quarter ending June 2022					
	Current Quarter			Year-to-date		
	Actual	Budget	Var Fav/(Unf)	Actual	Budget	Var Fav/(Unf)
<b>OPERATING REVENUES</b>						
Electricity Sales, net	91,223,688	57,768,435	33,455,253	236,370,743	219,619,107	16,751,636
Green electricity premium	757,734	638,057	119,677	2,858,976	2,621,034	237,942
<b>Total Operating Revenues</b>	<b>91,981,423</b>	<b>58,406,492</b>	<b>33,574,931</b>	<b>239,229,719</b>	<b>222,240,141</b>	<b>16,989,578</b>
<b>OPERATING EXPENSES</b>						
Cost of energy	62,847,765	52,321,987	(10,525,777)	226,679,208	216,705,953	(9,973,255)
Staff compensation	1,750,469	1,628,177	(122,292)	6,351,193	6,464,275	113,082
Data Manager	877,699	855,000	(22,699)	3,417,178	3,420,000	2,822
Service Fees - PG&E	338,636	315,000	(23,636)	1,266,926	1,260,000	(6,926)
Consultants & Professional Services	289,326	333,692	44,366	1,084,742	1,351,204	266,462
Legal	307,851	394,500	86,649	1,174,129	1,615,500	441,371
Marketing and Noticing	461,311	475,886	14,575	1,527,208	2,068,197	540,989
General and Administrative	466,086	574,063	107,978	2,033,269	2,259,391	226,122
Community Energy Programs	1,349,511	1,133,138	(216,373)	2,930,948	6,555,671	3,624,723
Depreciation	19,999	31,294	11,295	81,503	111,675	30,172
<b>Total Operating Expenses</b>	<b>68,708,652</b>	<b>58,062,737</b>	<b>(10,645,915)</b>	<b>246,546,305</b>	<b>241,811,865</b>	<b>(4,734,440)</b>
<b>Operating Income (Loss)</b>	<b>23,272,771</b>	<b>343,755</b>	<b>22,929,016</b>	<b>(7,316,586)</b>	<b>(19,571,724)</b>	<b>12,255,138</b>
<b>Total Nonoperating Income/(Expense)</b>	<b>(1,144,692)</b>	<b>225,000</b>	<b>(1,369,692)</b>	<b>(5,660,185)</b>	<b>900,000</b>	<b>(6,560,185)</b>
<b>CHANGE IN NET POSITION</b>	<b>22,128,079</b>	<b>568,755</b>	<b>21,559,324</b>	<b>(12,976,771)</b>	<b>(18,671,724)</b>	<b>5,694,953</b>
<b>CHANGE IN NET POSITION</b>						
Net Position at the beginning of period	145,238,549	165,030,742	(19,792,192)	180,343,399	184,271,220	(3,927,821)
<b>Change in Net Position</b>	<b>22,128,079</b>	<b>568,755</b>	<b>21,559,324</b>	<b>(12,976,771)</b>	<b>(18,671,724)</b>	<b>5,694,953</b>
Net Position at the end of period	167,366,628	165,599,497	1,767,132	167,366,628	165,599,497	1,767,132
<b>Ending Total Cash (Restricted/Unrestricted)</b>	<b>138,837,795</b>	<b>168,332,845</b>	<b>(29,495,050)</b>	<b>138,837,795</b>	<b>168,332,845</b>	<b>(29,495,050)</b>

## YTD Results

### Revenues

- \$17.0 MM above Budget for YTD – all from Q4

### Expenses

- YTD - \$4.7 MM above Budget (will require BOD resolution when audit is complete)
- Cost of Energy (and minor PG&E fees) were the only costs over Budget – all in Q4
- Program expenses well-below Budget - \$2 MM catch-up payment not paid by year-end
- Losses in investment portfolio in Q3 and Q4 due to volatility of fixed income markets

### Change in Net Position

- Q4 was positive \$22.1, \$21.6 MM better than Budget
- YTD was still negative \$13.0 MM, but \$5.7 MM better than Budget due to Q4 rate increases

# Change in Net Position (Year-to-date)

## Change in Net Position - YTD as of

**June-22**

Accounts	Year-to-date vs Budget		
	Actual	Budget	Var Fav/(Unf)
Revenues	\$239.2	\$222.2	\$17.0
Cost of Energy	226.7	216.7	(10.0)
Other Opex	19.9	25.1	5.2
Non-Opex/(Income)	5.7	(0.9)	(6.6)
<b>Net Position</b>	<b>(\$13.0)</b>	<b>(\$18.7)</b>	<b>\$5.7</b>

## YTD

- CINP of \$13.0 MM loss was \$5.7 MM better than Budget due mostly to higher revenues than Budget

## Change in Net Position - Year-over-year

**June-22**

Accounts	Year-over-year Comparison (YTD)		
	YTD 2021-22	YTD 2020-21	Var Fav/(Unf)
Revenues	\$239.2	\$228.1	\$11.1
Cost of Energy	226.7	213.8	(12.8)
Other Opex	19.9	22.5	2.7
Non-Opex/(Income)	5.7	0.0	(5.6)
<b>Net Position</b>	<b>(\$13.0)</b>	<b>(\$8.3)</b>	<b>(\$4.7)</b>

## vs: Prior Year

- YTD of \$13.0 MM loss was \$4.7 MM worse than the prior year
- Significant increase in cost of energy (despite lower load) was the biggest contributor

# Cash and Investment Summary – Quarterly Trend

	Jun-19	Jun-20	Jun-21	Mar-22	Jun-22
<b>Investment Account - USBank (Combined PFM/FRB)</b>					
<b>Asset Summary</b>					
Cash & Equivalents	\$ 4,507,825	\$ 58,937,363	\$ 2,785,233	\$ 91,568	\$ 181,685
Fixed Income	\$ 90,743,561	\$ 105,343,286	\$ 153,947,396	\$ 129,037,454	\$ 125,313,000
Accrued Income		\$ 546,170	\$ 520,977	\$ 480,040	\$ 421,015
Ending Balance	<b>\$ 95,251,385</b>	<b>\$ 164,826,819</b>	<b>\$ 157,253,606</b>	<b>\$ 129,609,062</b>	<b>\$ 125,915,700</b>
<b>Other Accounts (Unrestricted)</b>					
Unrestricted - M&T LockBox			\$ 758,192	\$ -	\$ -
Unrestricted - Wilmington LockBox	\$ 5,632,155	\$ 5,030,087	\$ 2,465,340	\$ 5,200,816	\$ 8,133,146
Operating Account - First Republic	\$ 3,299,345	\$ 5,834,142	\$ 4,340,702	\$ 1,953,448	\$ 1,365,681
Savings Account - First Republic	\$ 9,885,949	\$ 2,484,545	\$ 1,354,942	\$ 1,571,650	\$ 74,032
Other Accounts	\$ 573	\$ -	\$ -	\$ 2,819	\$ 22,908
Subtotal Unrestricted (non-Investment accounts)	<b>\$ 18,818,022</b>	<b>\$ 13,348,775</b>	<b>\$ 8,919,176</b>	<b>\$ 8,728,733</b>	<b>\$ 9,595,766</b>
<b>Other Accounts (Restricted)</b>					
Restricted Cash - Wilmington LockBox	\$ 1,500,000	\$ 1,000,000	\$ 500,000	\$ 500,000	\$ -
Restricted Cash - First Republic	\$ 11,665,799	\$ 31,386,560	\$ 3,949,194	\$ -	\$ -
Subtotal Restricted (non-Investment accounts)	<b>\$ 13,165,799</b>	<b>\$ 32,386,560</b>	<b>\$ 4,449,194</b>	<b>\$ 500,000</b>	<b>\$ -</b>
<b>Total Cash</b>	<b>\$ 127,235,206</b>	<b>\$ 210,562,154</b>	<b>\$ 170,621,976</b>	<b>\$ 138,837,795</b>	<b>\$ 135,511,466</b>
<b>Unrestricted Cash</b>	<b>\$ 114,069,407</b>	<b>\$ 178,175,594</b>	<b>\$ 166,172,782</b>	<b>\$ 138,337,795</b>	<b>\$ 135,511,466</b>

Note: \$5.5 MM of cash is on deposit with CAISO not reflected in this summary

Investment Manager balances at 03/31/2022:

- PFM = \$64.3 MM
- FRB = \$61.6 MM

# Cash Reserves – Days Cash on Hand

	Actual June 30, 2022
<b>Total Cash/Investments Balance</b>	<b>\$135,511,466</b>
Restricted by Term/Covenant	
<b>Unrestricted Cash (per Approved Reserve Policy)</b>	<b>\$135,511,466</b>
<b>Days Cash on Hand (per Approved Reserve Policy)</b>	<b>201</b>
<b>Approved Reserve Policy (Days Cash on Hand)</b>	<b>180</b>
Unrestricted Operating Reserve Requirement (180 Days)	120,479,766
<b>Unrestricted Cash in Excess of Current Reserve Policy</b>	<b>\$15,031,700</b>

## Days Cash on Hand

- At June 30, DCOH = 201
- Compared to 213 at March 31
- Compared to 243 that was forecasted for end year at last AF meeting. Major components:
  - OPEX was higher than forecasted – results in lower DCOH (8 days)
  - Investment Returns were lower than forecasted – results in lower DCOH (7 days)
  - Significant increase in Accrued Revenue (due to higher rates) – results in lower cash (19 days)
- DCOH expected to recover significantly in next few months
- Already seen significant uptick in daily cash receipts by approx. \$500K per weekday from end of June to early August



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Investment Portfolio Review

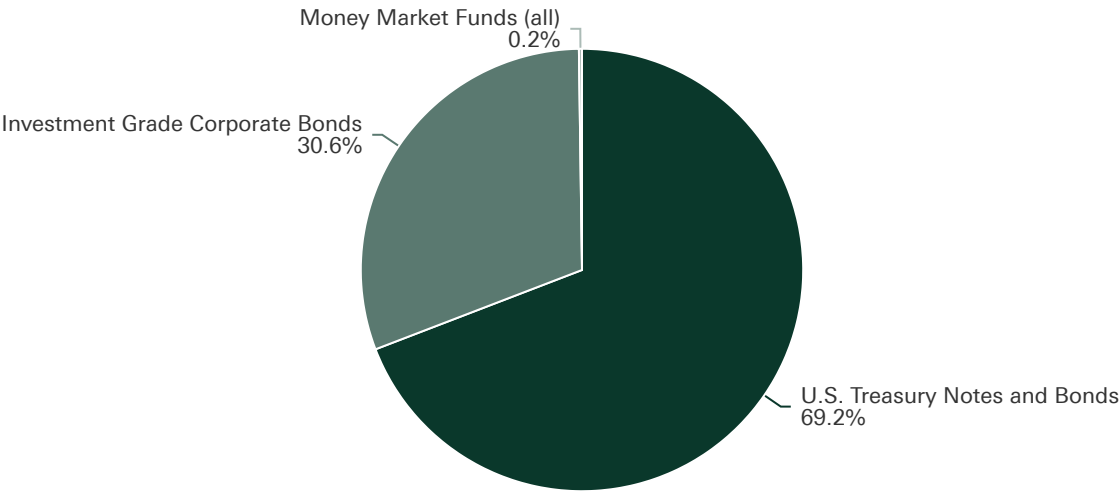
Peninsula Clean Energy Authority

*June 30, 2022*



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ASSET TYPE

	\$	%
Cash	\$137,260	0.2%
Money Market Funds (all)	\$137,260	0.2%
Fixed Income	\$61,505,993	99.8%
U.S. Treasury Notes and Bonds	\$42,635,100	69.2%
Investment Grade Corporate Bonds	\$18,870,893	30.6%
Total	\$61,643,253	100.0%



## Performance by Account

TOP LEVEL HOLDING ACCOUNT	\$	%	QTD	FYTD*	1 YR.	3 YR.	5 YR.	ITD	
Peninsula Clean Energy Authority	\$61,643,253	100.0%	(0.9%)	(4.4%)	(4.4%)	(1.0%)		(0.2%)	04-20-2018
<b>Total</b>	<b>\$61,643,253</b>	<b>100.0%</b>	<b>(0.9%)</b>	<b>(4.4%)</b>	<b>(4.4%)</b>	<b>(1.0%)</b>		<b>(0.2%)</b>	<b>04-20-2018</b>
ICE BofA AAA-A 1-5 Year US Broad Market (Total Return)			(1.0%)	(4.9%)	(4.9%)	-		-	
Bloomberg Government/Credit 1-3 Years			(0.6%)	(2.6%)	(2.6%)	(0.6%)		(0.2%)	

\*Fiscal year begins on 07-01-2021.





## Performance by Account

TOP LEVEL HOLDING ACCOUNT	\$	%	FYTD*	2021	2020	2019	2018	2017	ITD	
Peninsula Clean Energy Authority	\$61,643,253	100.0%	(4.4%)	(0.9%)	0.8%	2.0%			(0.2%)	04-20-2018
<b>Total</b>	<b>\$61,643,253</b>	<b>100.0%</b>	<b>(4.4%)</b>	<b>(0.9%)</b>	<b>0.8%</b>	<b>2.0%</b>			<b>(0.2%)</b>	<b>04-20-2018</b>
<i>ICE BofA AAA-A 1-5 Year US Broad Market (Total Return)</i>			<i>(4.9%)</i>	<i>(1.2%)</i>	-	-			-	
<i>Bloomberg Government/Credit 1-3 Years</i>			<i>(2.6%)</i>	<i>(0.8%)</i>	<i>1.0%</i>	<i>0.9%</i>			<i>(0.2%)</i>	

\*Fiscal year begins on 07-01-2021.



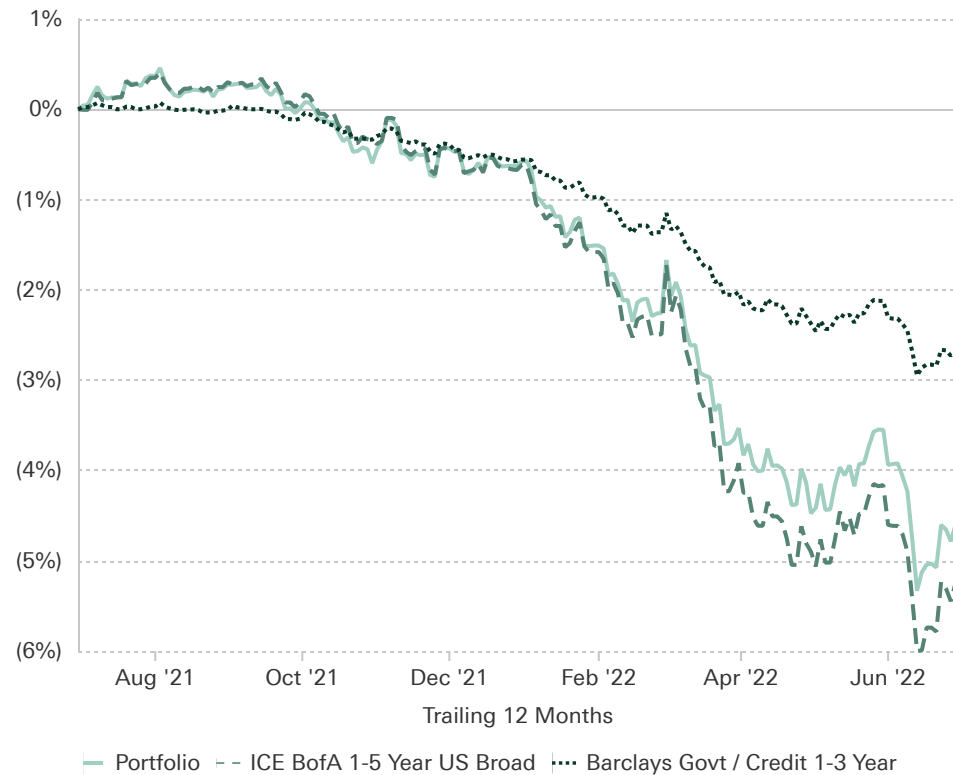
## Bond Portfolio Summary

	FYTD*	ITD**
Beginning Market Value	\$75,885,257	\$39,917,000
Net Cash Flow	(\$11,434,009)	\$20,984,271
Gain / Loss	(\$2,968,842)	\$604,722
Ending Market Value	\$61,505,993	\$61,505,993
TWR	(4.39%)	(0.18%)
Income	\$1,053,078	\$5,371,543
Year Projected Income	\$894,623	

\*Fiscal year begins on 07-01-2021.

\*\*Inception Date is 04-23-2018.

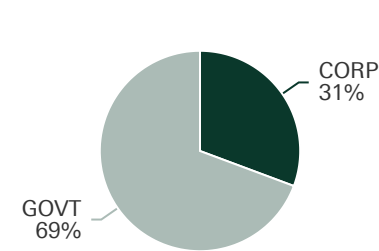
## Performance vs Benchmark



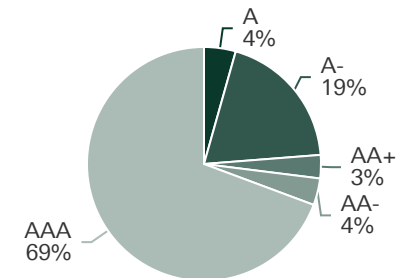
## Bond Statistics

	CURRENT
Duration to Worst	2.36
Duration to Maturity	2.36
Average Maturity (Years)	2.51
Current Yield	1.52%
Yield to Worst	3.14%
Yield to Maturity	3.14%
Coupon Rate (Weighted Average)	1.46%
Average Credit Rating	AAA

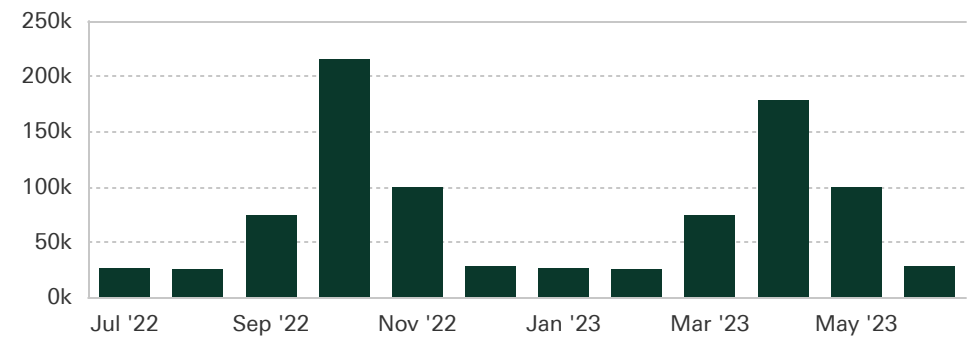
## Sector Allocation



## Credit Quality

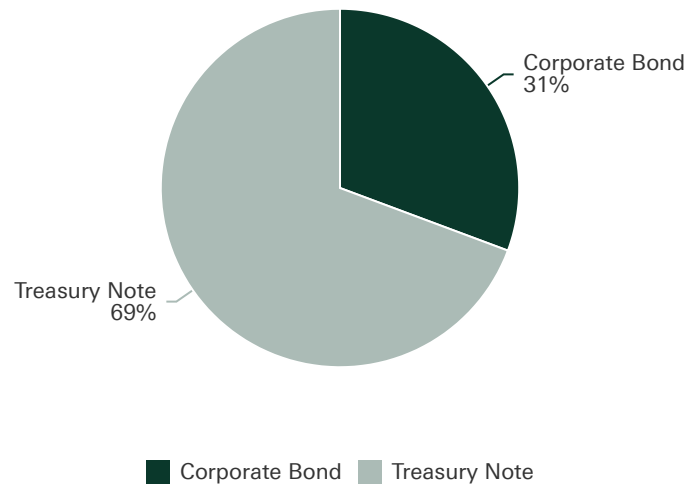


## Estimated Annual Income

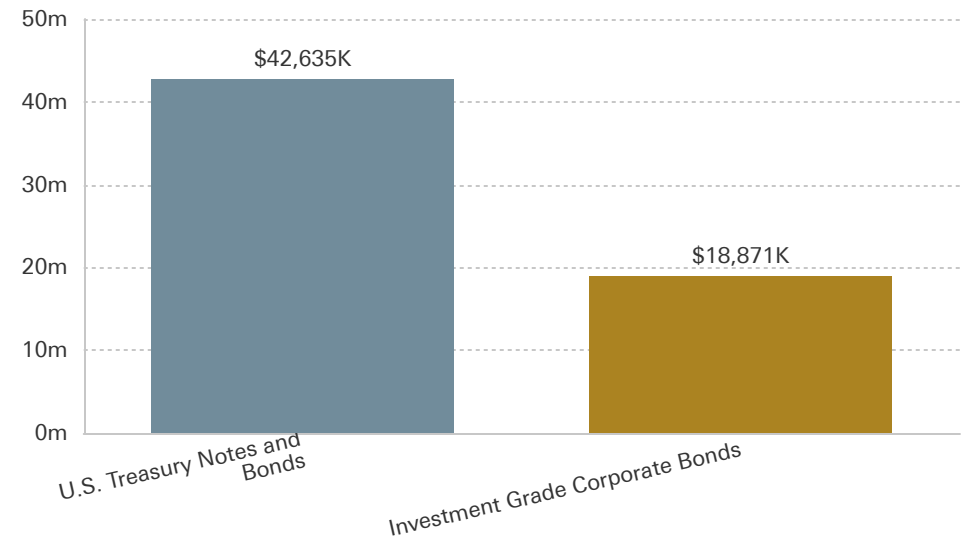




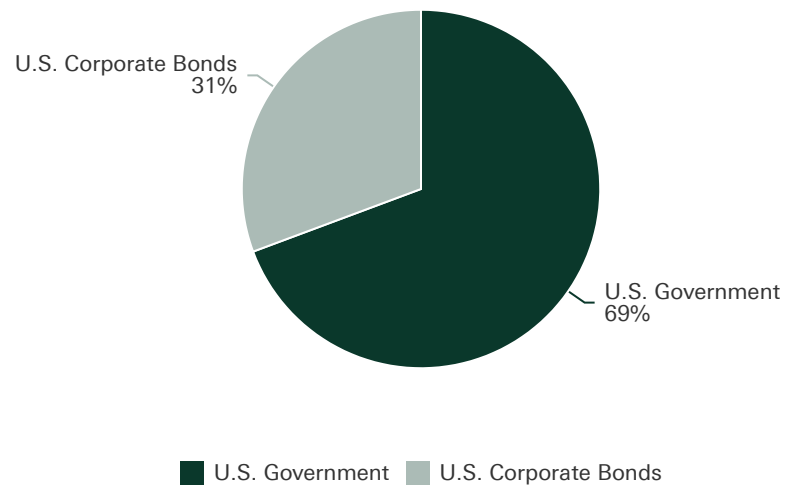
## Sector Overview



## Sector Breakdown



## Sub-Sector Overview

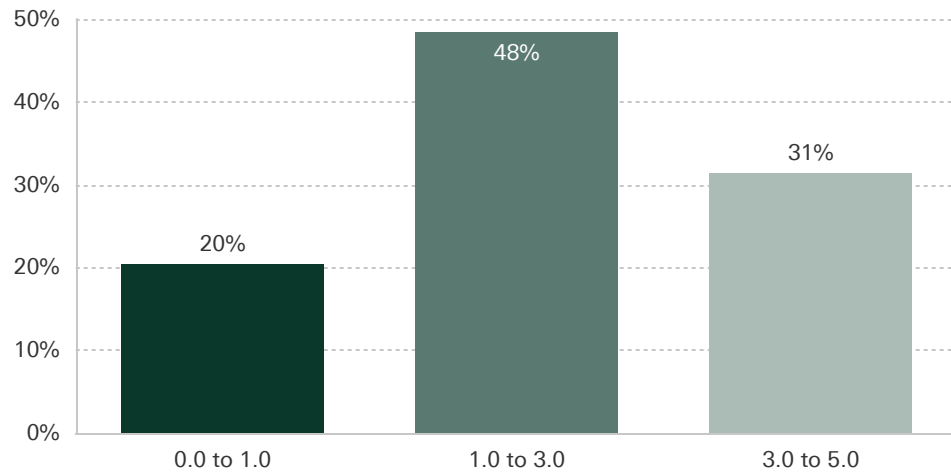


## Municipal Bond State Breakdown (includes only Munis)

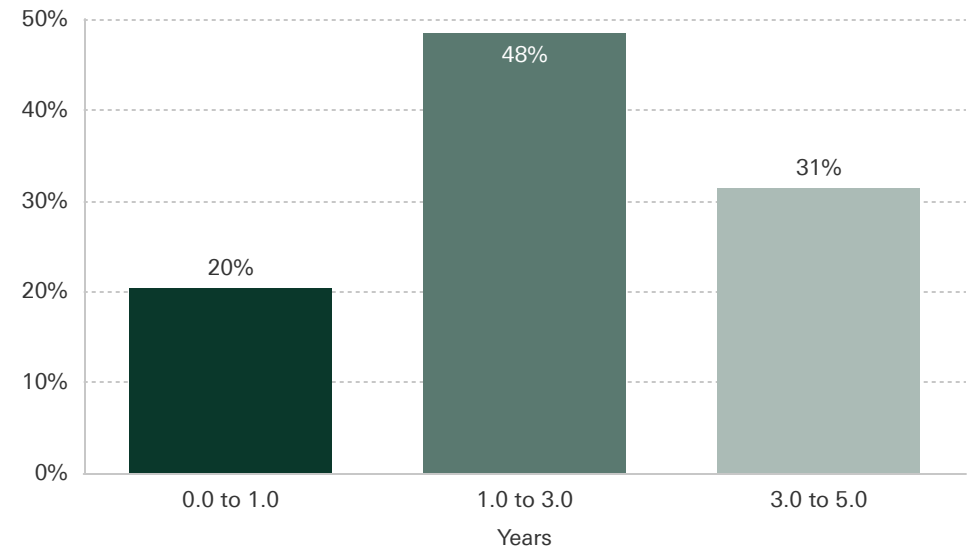
  
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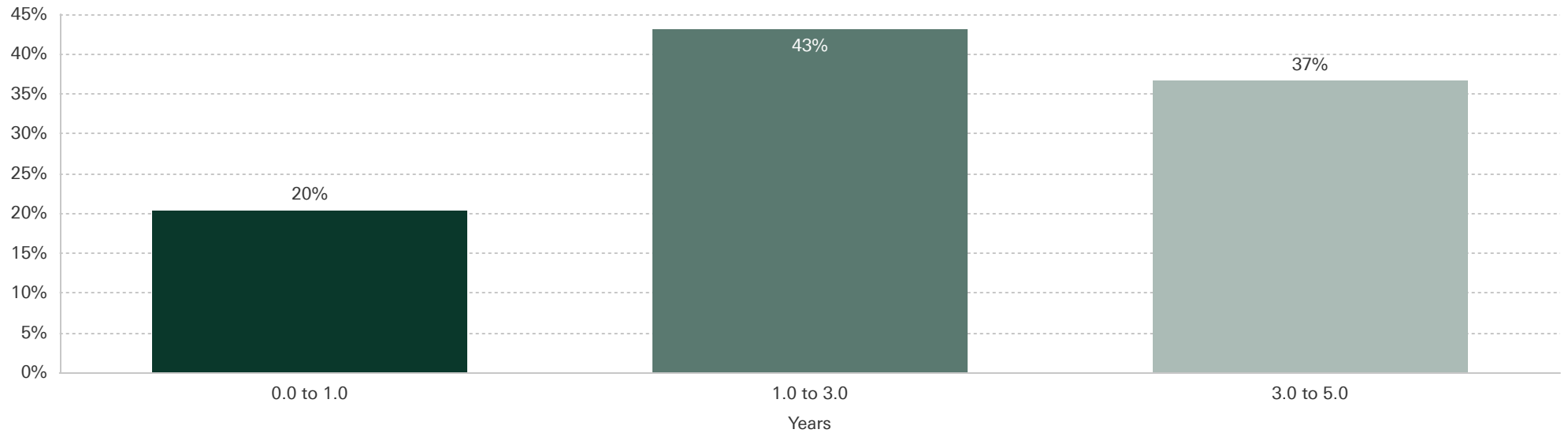
### Duration to Worst



### Duration to Maturity

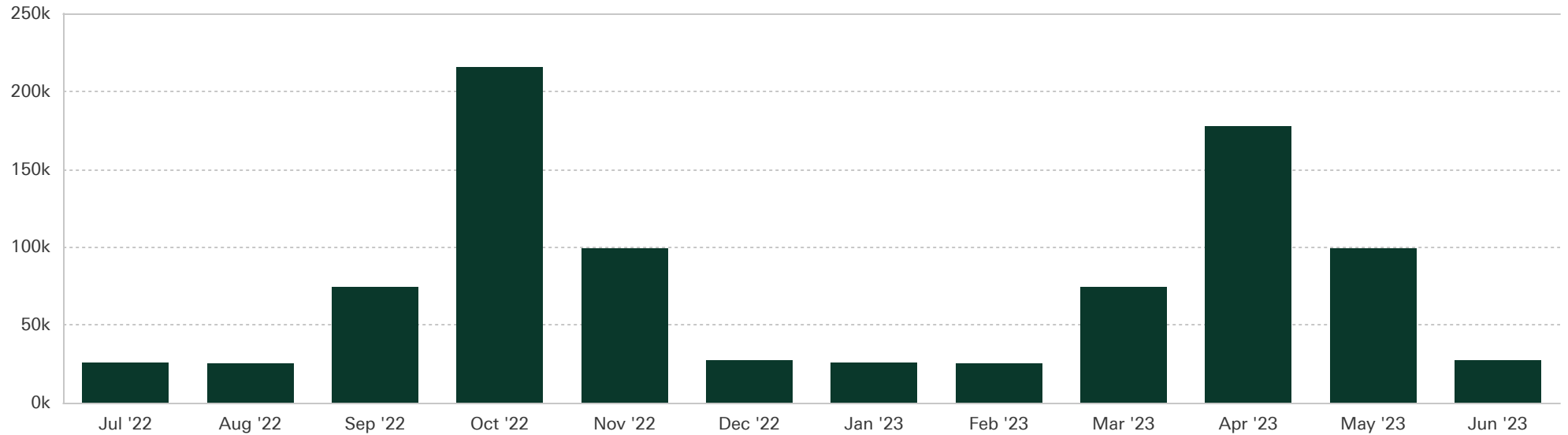


### Time to Maturity

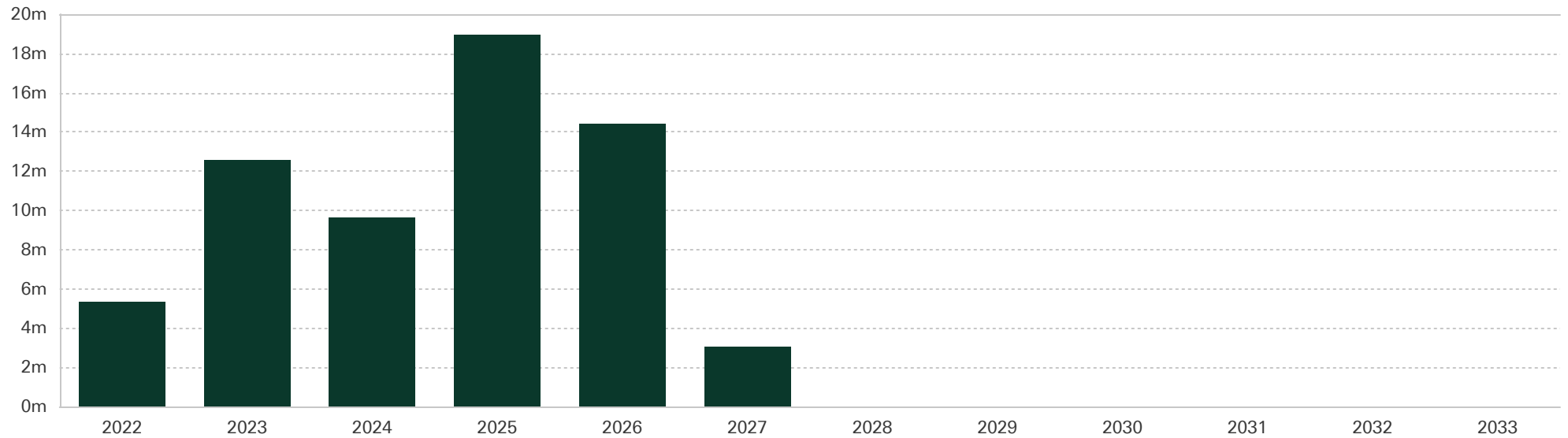




## Monthly Projected Cash Flows



## Maturity by Year





## Portfolio Holdings

SECURITY	PAR VALUE	COUPON RATE	MATURITY DATE	CALL DATE	TIME TO WORST	PRICE	CREDIT RATING	YIELD TO WORST	YTM	DURATION TO WORST	MARKET VALUE & ACCRUED	% HELD (MV)	ANNUAL INCOME
US Treasury Notes 10/15/2022	5,327,000	1.38%	10-15-2022	-	0.29	\$99.797	AAA	2.07%	2.07%	0.29	\$5,331,437	8.67%	\$36,723
BB&T Corp SR Medium Term NTS B/E DTD CLB	2,000,000	2.20%	03-16-2023	02-13-2023	0.71	\$99.457	A-	2.97%	2.97%	0.70	\$2,001,851	3.25%	\$44,000
U S Treasury NT 0.250% 4/15/23	5,265,000	0.25%	04-15-2023	-	0.79	\$97.988	AAA	2.84%	2.84%	0.78	\$5,161,809	8.39%	\$13,163
U S Treasury NT 0.125% 10/15/23	5,290,000	0.13%	10-15-2023	-	1.29	\$96.406	AAA	2.98%	2.98%	1.27	\$5,101,254	8.29%	\$6,612
US Treasury Note 2.250% Due 04/30/2024	1,950,000	2.25%	04-30-2024	-	1.83	\$98.695	AAA	2.99%	2.99%	1.77	\$1,931,885	3.14%	\$43,875
United States Treas NTS B/E DTD	5,268,000	1.50%	10-31-2024	-	2.34	\$96.613	AAA	3.01%	3.01%	2.27	\$5,102,779	8.30%	\$79,020
Aflac Incorporated 3.625 % Due Nov 15, 2024	2,400,000	3.62%	11-15-2024	-	2.38	\$100.130	A-	3.57%	3.57%	2.25	\$2,413,995	3.92%	\$87,000
Apple Inc FXD RT SR NT B/E DTD 2.50 %	2,000,000	2.50%	02-09-2025	-	2.61	\$98.058	AA+	3.28%	3.28%	2.48	\$1,980,743	3.22%	\$50,000
Cme Group Inc Fixed Rate Note B/E DTD CLB	2,286,000	3.00%	03-15-2025	12-15-2024	2.71	\$98.706	AA-	3.50%	3.50%	2.55	\$2,276,422	3.70%	\$68,580
Ameriprise Finl Inc SR NT B/E DTD CLB	1,650,000	3.00%	04-02-2025	03-02-2025	2.76	\$97.649	A-	3.91%	3.91%	2.59	\$1,623,308	2.64%	\$49,500
Caterpillar Finl SVCS Corp Med Term NTS Ser J Book Entry B/E DTD	1,140,000	1.45%	05-15-2025	-	2.88	\$94.275	A	3.56%	3.56%	2.77	\$1,076,801	1.75%	\$16,530
United States Treas NTS B/E DTD	5,415,000	0.25%	05-31-2025	-	2.92	\$92.277	AAA	3.04%	3.04%	2.86	\$4,997,949	8.13%	\$13,538
US Treasury Note 3.000% Due 10/31/2025	2,950,000	3.00%	10-31-2025	-	3.34	\$99.836	AAA	3.05%	3.05%	3.14	\$2,959,952	4.81%	\$88,500
JPMorgan Chase & Var 25 Due 12/10/25	3,485,000	1.56%	12-10-2025	11-10-2025	3.44	\$93.423	A-	4.19%	4.19%	2.41	\$3,258,814	5.30%	\$54,401
U S Treasury NT 0.375% 1/31/26	4,140,000	0.38%	01-31-2026	-	3.59	\$90.930	AAA	3.06%	3.06%	3.51	\$3,770,882	6.13%	\$15,525
U S Treasury NT 0.750% 3/31/26	4,740,000	0.75%	03-31-2026	-	3.75	\$91.848	AAA	3.07%	3.07%	3.64	\$4,362,556	7.09%	\$35,550
Bank Amer Corp FXD RT NT Series L B/E DTD 3.50 % Due Apr 19, 2026	1,234,000	3.50%	04-19-2026	-	3.80	\$97.425	A-	4.24%	4.24%	3.49	\$1,210,743	1.97%	\$43,190
BP Cap MKTS Amer Inc GTD FXD RT Note B/E DTD CLB	1,450,000	3.12%	05-04-2026	02-04-2026	3.84	\$96.985	A-	3.97%	3.97%	3.56	\$1,413,318	2.30%	\$45,226
United STS Treas NTS B/E DTD	2,850,000	1.25%	11-30-2026	-	4.42	\$92.598	AAA	3.05%	3.05%	4.24	\$2,641,971	4.30%	\$35,625

Portfolio Holdings

SECURITY	PAR VALUE	COUPON RATE	MATURITY DATE	CALL DATE	TIME TO WORST	PRICE	CREDIT RATING	YIELD TO WORST	YTM	DURATION TO WORST	MARKET VALUE & ACCRUED	% HELD (MV)	ANNUAL INCOME
Bank New York Mellon Corp Medium Term SR NT B/E DTD CLB	1,741,000	2.05%	01-26-2027	12-24-2026	4.57	\$91.880	A	4.01%	4.01%	4.25	\$1,614,898	2.63%	\$35,690
United States Treas NTS B/E DTD 04/30/27	150,000	0.50%	04-30-2027	-	4.83	\$88.508	AAA	3.08%	3.08%	4.70	\$132,887	0.22%	\$750
United STS Treas NTS B/E DTD	1,150,000	2.75%	04-30-2027	-	4.83	\$98.648	AAA	3.05%	3.05%	4.47	\$1,139,737	1.85%	\$31,625
Total	63,881,000	1.46%			2.51		AAA	3.14%	3.14%	2.36	\$61,505,993	100.00%	\$894,623



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- First Republic Private Wealth Management (PWM) provides clients access to financial products and services through First Republic affiliated companies:
  - Brokerage products and services through First Republic Securities Company, LLC (FRSC), member FINRA and SIPC.
  - Investment advisory through First Republic Investment Management, Inc. (FRIM), an SEC-Registered Investment Advisor
  - Trust services through First Republic Trust Company (FRTC), First Republic Trust Company of Delaware LLC (FRTCD), and First Republic Trust Company of Wyoming LLC (FRTCWY)
  - Insurance products and services through FRSC, DBA Grand Eagle Insurance Services, LLC, CA Insurance License #0I13184, and FRIM, DBA Eagle Private Insurance Services, CA Insurance License #0K93728.

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Performance returns for periods greater than one year are annualized unless otherwise noted.





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Please notify First Republic Investment Management if your investment objectives or financial situation has changed.

# Update on Portfolio, Strategy, and Market Conditions

Monique Spyke, PFM Asset Management LLC

August 15, 2022

415.393.7259 | [pfmam.com](https://pfmam.com)

*PFM Asset Management LLC*

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# Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ High inflation
  - ▶ A strong labor market
  - ▶ Depressed consumer confidence
  - ▶ Growing potential for prolonged economic recession



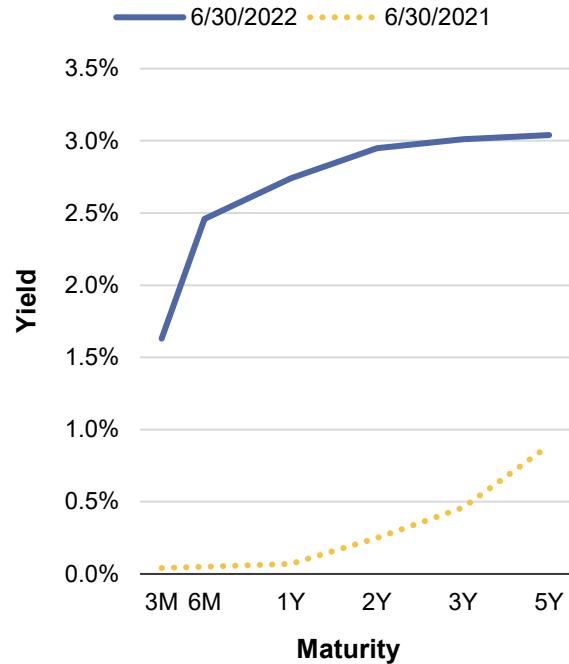
- ▶ The Federal Reserve is tightening monetary policy
  - ▶ More aggressive rate hikes to battle persistent inflation
  - ▶ Short-term fed funds rate projected to reach 3.25% to 3.75% by year-end
  - ▶ Start of balance sheet reduction; pace to double beginning in September



- ▶ Asset prices have fallen sharply in 2022 as a result of:
  - ▶ The impact of higher rates on bond prices and equity valuations
  - ▶ Wider credit spreads
  - ▶ High commodity prices, rising labor costs, and the continuing conflict in Ukraine
  - ▶ High levels of volatility and uncertainty

# U.S. Treasury Yield Curve

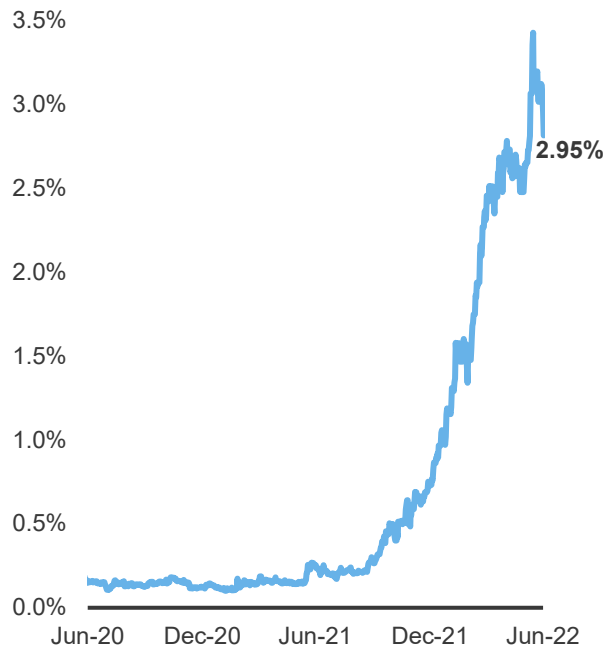
	FYE 6/30/22	FYE 6/30/21	Change YoY
3-month	<b>1.63%</b>	0.04%	1.59%
6-month	<b>2.46%</b>	0.05%	2.41%
1-year	<b>2.74%</b>	0.07%	2.68%
2-year	<b>2.95%</b>	0.25%	2.70%
3-year	<b>3.01%</b>	0.46%	2.55%
5-year	<b>3.04%</b>	0.89%	2.15%



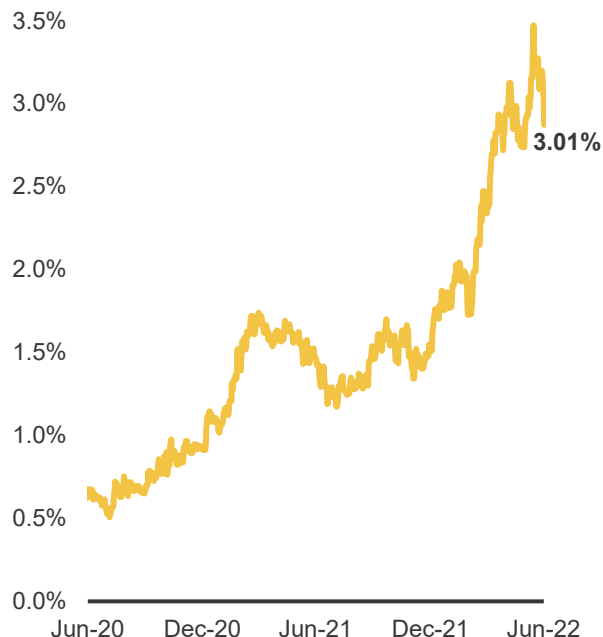
Source: Bloomberg as of 6/30/2022.

# Yields Rise as Inflation Persists and Probability of Recession Increases

## 2-Year Treasury Yield

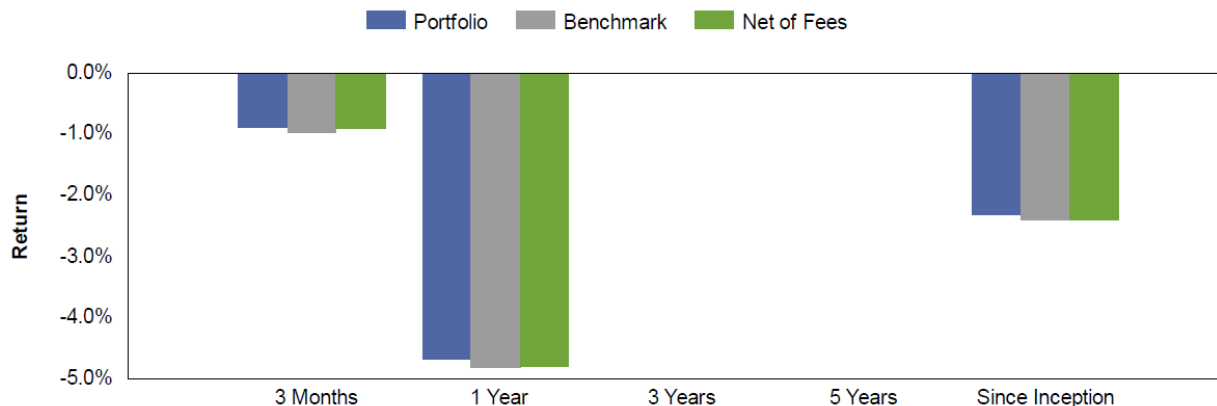


## 10-Year Treasury Yield



Source: Bloomberg as of June 30, 2022.

# Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$210,501	\$869,581	-	-	\$1,989,454
Change in Market Value	(\$784,842)	(\$4,065,550)	-	-	(\$5,053,749)
<b>Total Dollar Return</b>	<b>(\$574,341)</b>	<b>(\$3,195,969)</b>	-	-	<b>(\$3,064,295)</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	-0.89%	-4.69%	-	-	-2.30%
Benchmark <sup>4</sup>	-0.96%	-4.81%	-	-	-2.41%
<b>Basis Point Fee</b>	0.02%	0.10%	-	-	0.10%
<b>Net of Fee Return</b>	-0.91%	-4.79%	-	-	-2.40%

1. Performance inception date is June 30, 2020

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

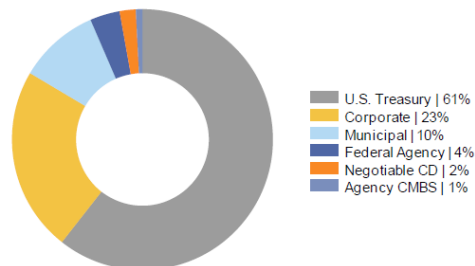
4. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Government/Corp A-AAA Index. Source: Bloomberg.

# Portfolio Snapshot

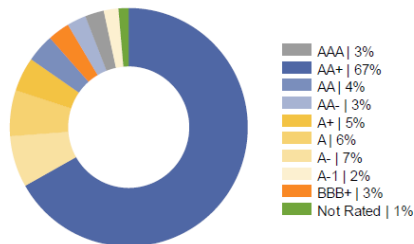
## Portfolio Statistics

<b>Total Market Value</b>	\$64,274,729.16
<i>Securities Sub-Total</i>	\$64,000,890.52
<i>Accrued Interest</i>	\$229,281.58
<i>Cash</i>	\$44,557.06
<b>Portfolio Effective Duration</b>	2.48 years
<b>Benchmark Effective Duration</b>	2.54 years
<b>Yield At Cost</b>	0.91%
<b>Yield At Market</b>	3.19%
<b>Portfolio Credit Quality</b>	AA

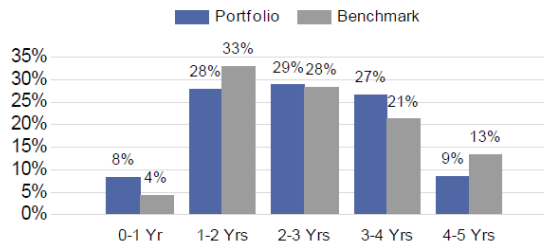
## Sector Allocation



## Credit Quality - S&P



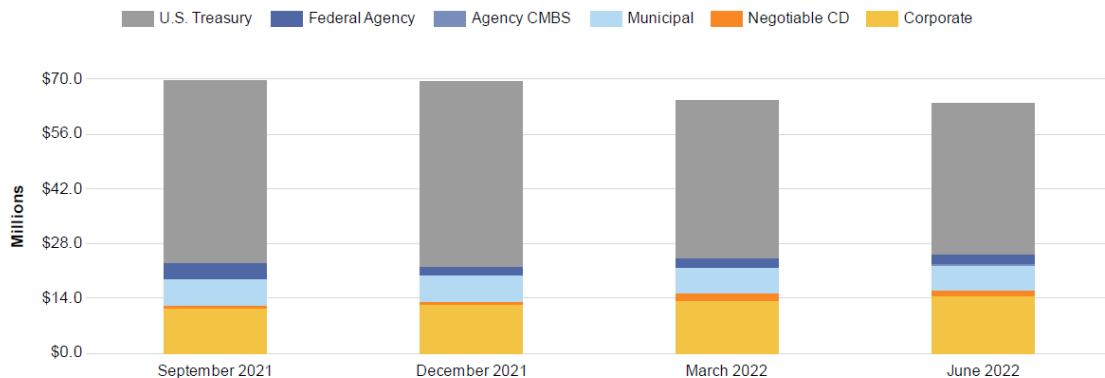
## Duration Distribution



Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interests. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Government/Corp A-AAA Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

# Sector Allocation Review

Security Type	Sep-21	% of Total	Dec-21	% of Total	Mar-22	% of Total	Jun-22	% of Total
U.S. Treasury	\$46.8	67.2%	\$47.1	68.0%	\$40.5	62.5%	\$38.8	60.6%
Federal Agency	\$4.1	5.9%	\$2.4	3.5%	\$2.4	3.7%	\$2.4	3.7%
Agency CMBS	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.5	0.8%
Municipal	\$6.7	9.6%	\$6.8	9.8%	\$6.5	10.0%	\$6.4	10.0%
Negotiable CD	\$0.6	0.9%	\$0.6	0.9%	\$1.9	3.0%	\$1.3	2.0%
Corporate	\$11.4	16.4%	\$12.3	17.8%	\$13.4	20.8%	\$14.6	22.9%
<b>Total</b>	<b>\$69.7</b>	<b>100.0%</b>	<b>\$69.3</b>	<b>100.0%</b>	<b>\$64.6</b>	<b>100.0%</b>	<b>\$64.0</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.



# PCE's ESG Investment Objectives & Approach

PCE's core mission is to **reduce greenhouse gas emissions** by expanding access to **sustainable and affordable energy solutions**<sup>1</sup>

## Sustainable Investment Objectives & Priorities

- Align investment approach with PCE's core mission and objectives
- Consider ESG risks in the investment process
- Limit environmental risk exposure
- Eliminate direct fossil fuel exposure

## ESG Investment Approach<sup>2</sup>

- Utilize ESG risk metrics and exclusions to mitigate ESG risk
- **Medium or lower ESG Risk Rating**
  - Exception for high-risk issuers that are top performers (rated in the top 25% of Subindustry)
- **Environmental risk exposure limit**
- **Industry exclusions:**
  - Energy Services
  - Oil & Gas Producers
  - Refiners & Pipelines

1. Source: <https://www.peninsulacleanenergy.com/strategy/>

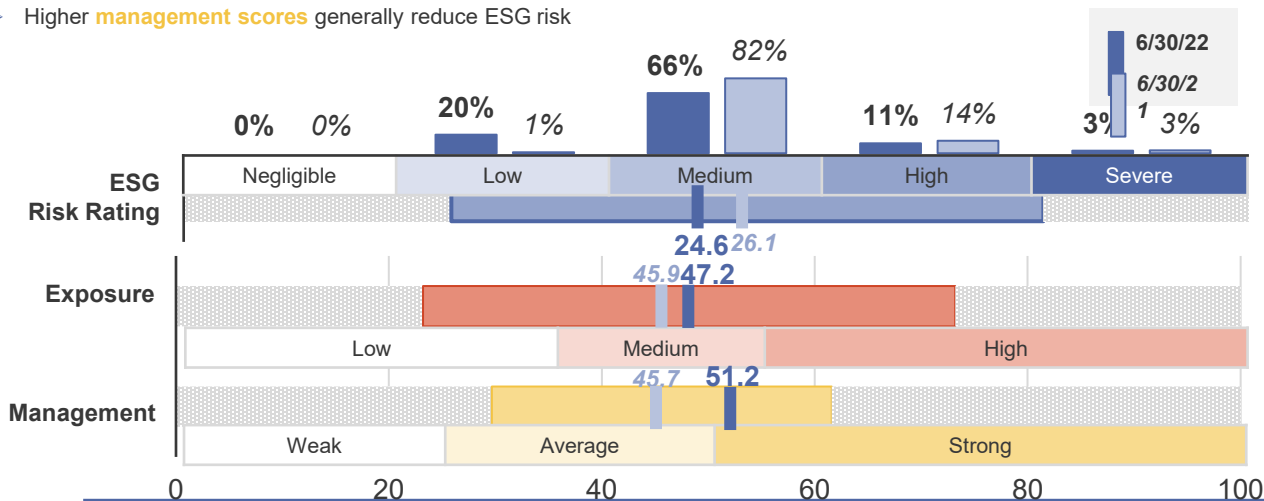
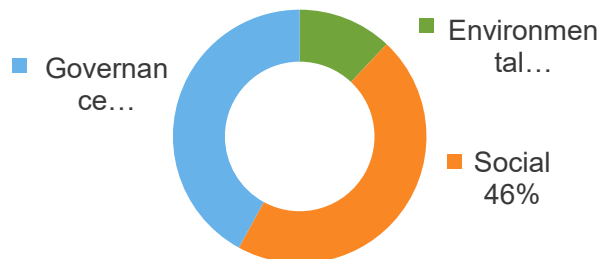
2. Source: PCE's Investment Policy Addendum, effective August 1, 2020. ESG metrics are based on Sustainalytics' data and methodology

# PCE: ESG Risk Assessment Summary

## As of June 30, 2022

- As of June 30, 2022, the PCE portfolio maintained **medium** ESG risk exposure
  - The Portfolio's **average ESG risk rating** slightly decreased during the year as a result of an increase to issuers that fall within the low-risk range
  - At the issuer level, ESG risk ratings ranged from 12.6 (low risk) to 42.4 (severe risk) as of June 30, 2022
- Lower **ESG Risk Ratings** indicate better ESG risk profiles
- Lower **exposure scores** generally result in lower ESG risk
- Higher **management scores** generally reduce ESG risk

### Risk Contribution by ESG Pillar



Data Source: Sustainalytics. Data as of June 30, 2022 and June 30, 2021, as indicated. Please see important disclosures at the end of this presentation.

## What We Are Watching...

The economic recovery has developed several risk factors looming over continued recovery, including:

- continued price pressures;
- increased probability of recession;
- aggressive monetary policy tightening; and
- the ever-present risk of a Covid resurgence.

At quarter end, expectations were for an additional 75-basis point Fed rate increase and a terminal rate of 3.25% to 3.75% for the year in order to combat persistent inflation. The Fed has also started the process of balance sheet reduction, with the pace to double beginning in September.

**QUESTIONS?**



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