



Quarterly Investment Report

As of 12/31/2019



SLC Management is the brand name used by Prime Advisors, Inc.

Executive Summary

TRANSACTIONS:

Action	Total	Comments	Average Tax-Equivalent Yield
Sales, Calls, and Maturities	\$4,150,050	We sold three short-maturity US Treasury bonds during the quarter to provide liquidity for the Company.	1.44%
Purchases		There were no purchases during the quarter as cash was needed for operational purposes.	

PORTFOLIO STATISTICS:

Quarter Ending:	09/30/2019	12/31/2019
Tax-Equivalent Book Yield	2.01%	2.11%
Book Value	\$51,340,937	\$46,108,806
Projected Tax-Equivalent Annual Income	\$1,033,618	\$974,710
Unrealized Gain	\$410,232	\$409,946
YTD Realized Gain	\$0	-\$216
Portfolio Duration	1.42	1.33
Average Credit Quality	AA+	AA+

PORTFOLIO ALLOCATION:

Sector	09/30/2019	12/31/2019
Treasury	97%	99%
Agency	0%	0%
Credit	0%	0%
Exempt Muni	0%	0%
Taxable Muni	0%	0%
MPT	0%	0%
CMO	0%	0%
ABS	0%	0%
CMBS	0%	0%
Short-Term	3%	1%

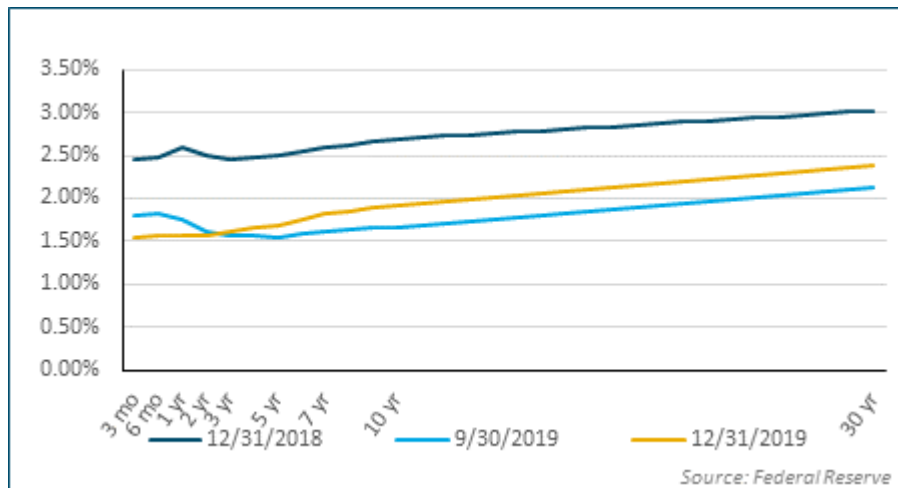
PERFORMANCE:

Tax-equivalent Performance	Portfolio	Target/Benchmark	Difference
YTD Booked Income	\$973,359	\$907,966	\$65,393
QTD Total Return	0.52%	0.32%	0.20%
YTD Total Return	3.39%	3.08%	0.31%

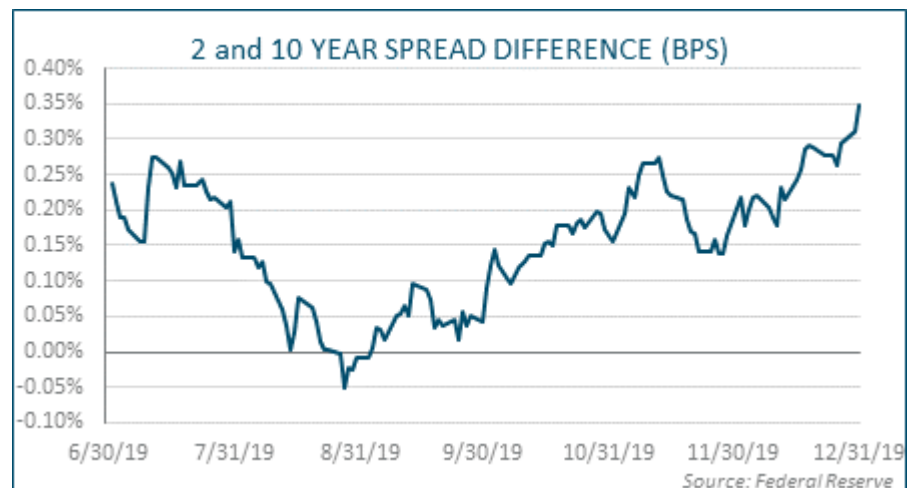
Economic Outlook

Treasury Yields

US Treasury Yields



2 Year and 10 Year Treasury Yields



- Trade tensions, slowing global growth and geopolitical anxiety fueled fear during 2019, driving yields to their lowest levels since 2016
 - Global investor demand for US debt remained high with the ongoing trade wars, the decline in global growth and manufacturing
 - Interest rates were very volatile on the year, as 10-year yields traded from 2.78% to 1.46%
 - Levels ended the year at 1.91%, 78 basis points lower than year-end 2018

- During the year, the FOMC shifted their focus from raising rates (hawkish) to lowering rates (dovish), reacting to increased market concerns of slowing global growth
 - While the US economy continued to outperform relative to other economies, the shift to a dovish stance helped reduce global imbalances
 - During the year, the Fed cut rates by 25 basis points 3 separate times, leaving the Fed funds rate at 1.50%-1.75%
 - These moves helped return the yield curve to upward sloping, as 2/10 year spread levels closed the year at +35 basis points
 - With these moves, the Fed is perceived to be on hold, based on comments following the December FOMC meeting
 - Fed feels strongly about allowing market to digest recent cuts before making additional adjustments, unless new developments arise
 - Futures markets have also reduced the number of rate cuts expected for upcoming year, currently pricing in one cut in late 2020

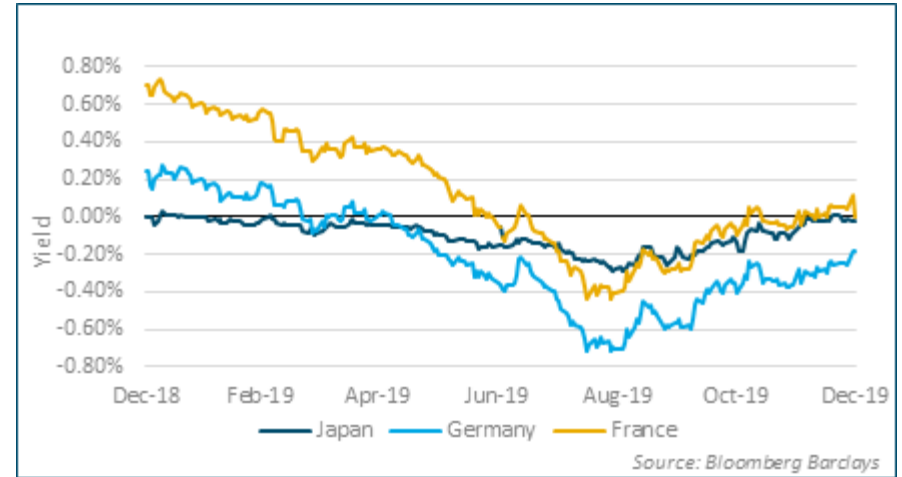
Economic Outlook

Global Debt and Yields

Negative Yielding Global Debt (USD)



10 Year Global Yields

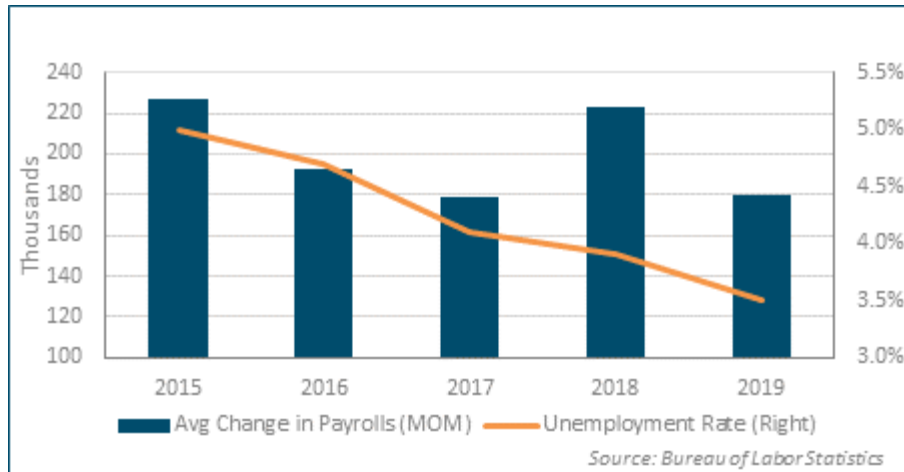


- Global bond yields have recovered from the “peak pessimism” in August 2019, decreasing the amount of negative yielding debt
 - At the peak, negative global debt hit \$17.04 trillion and declined to \$11.27 trillion at year-end, driven by the increase in German and Japanese yields the second half of 2019
- With the recent resolution of phase one of the US/China trade dispute along with the likely passage of the USMCA trade deal, global growth fears subsided and allowed yields to recover
- Moving forward, we are seeing a shift in sentiment around negative yields, as many Central banks question their effectiveness
 - In many countries, the negative yield environment did not spur lending, but rather hurt the banking sector
 - Moving forward many countries may introduce more fiscal stimulus to drive growth

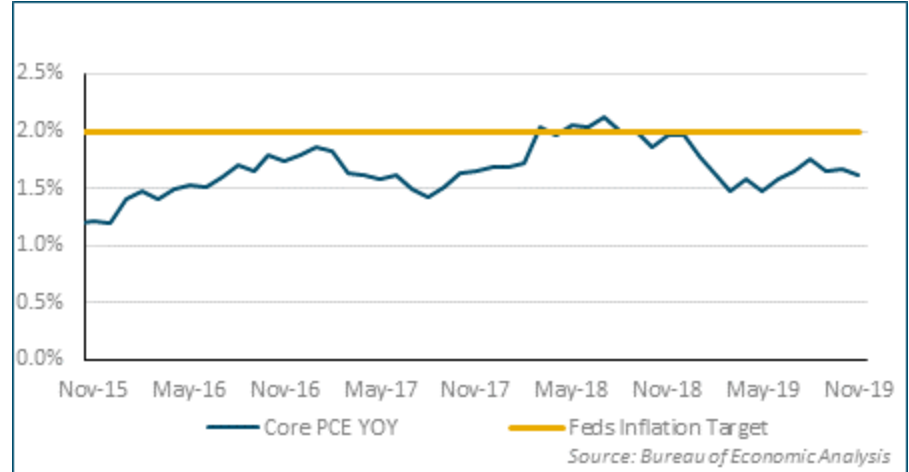
Economic Outlook

Employment and Inflation

Average Change in Payrolls and Unemployment Rate



Inflation



EMPLOYMENT

- The U.S. labor market continues to reflect a healthy economy with the unemployment rate at 3.5%, a 50-year low
 - While job creation remains positive, there are signs of cooling as the market reaches "full employment"
 - Monthly nonfarm payrolls averaged 180,000 YTD (through Nov.), running below the 2018 average of 223,000 per month
- The wage component continues to be closely monitored as a potential catalyst for higher inflation
 - Despite tightness in the labor markets, wage inflation has only increased modestly, averaging 3.2% over the past year

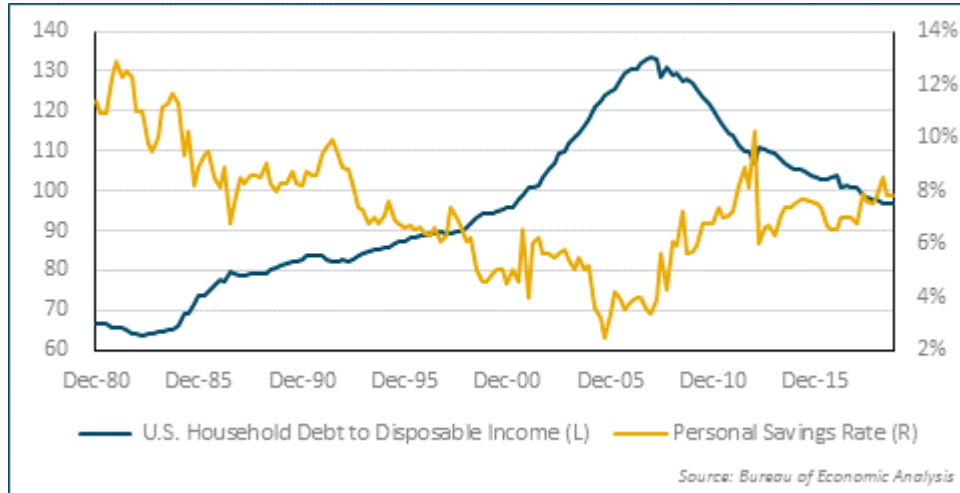
INFLATION

- U.S. inflation levels have softened and have remained persistently below "target" for many years
 - Hidden in the aggregate measure of inflation are some divergent trends pulling inflation in opposite directions
 - Medical care spending as a percentage of PCE inflation remains close to all-time highs
 - Conversely, housing costs have declined over the last decade due to lower interest rates
 - Housing makes up 25% of PCE and 42% of CPI, medical costs make up 20% of PCE and 10% of CPI
- This past year global central banks have extended dovish policies, implemented rate cuts and extended quantitative easing to drive growth and curtail deflation, these policies were put in place to increase monetary supply, encourage spending, in hopes of pushing inflation higher

Economic Outlook

Consumer Debt and Savings, Bond Market Universe

Debt to Income vs Savings Rate



Bond Market Universe

BLOOMBERG BARCLAYS AGGREGATE COMPONENTS			
	2007	2019	Difference
Size (Trillions \$)	\$10.1	\$23.2	\$13.1
Duration	4.41	5.87	1.46
Yield to Worst	4.9%	2.3%	-2.6%
Govt: Treasury, Agency	35.3%	40.8%	5.5%
Corporate	19.6%	29.6%	10.0%
MBS	38.6%	27.1%	-11.5%
ABS, CMBS	6.5%	2.5%	-4.0%
AAA	79.2%	72.0%	-7.1%
AA	5.4%	3.4%	-2.0%
A	8.2%	10.8%	2.6%
BBB	7.3%	13.8%	6.6%

Source: Bloomberg Barclays

CONSUMER

- Market expectations are for slowing growth in the U.S. for 2020, but levels should remain positive, supported by the strong consumer
- While consumer debt levels have returned to pre-crisis levels, the relative size of debt compared to consumer income remains much lower
 - This has resulted in a much more manageable debt load per unit of income
 - Personal savings rates have been steadily building and are at levels not seen in almost three decades
 - When viewed together, these two indicators show a healthy consumer balance sheet with capacity to continue spending
 - Consumer strength has been supported by the strong employment market, growing wages, and increased personal wealth effect

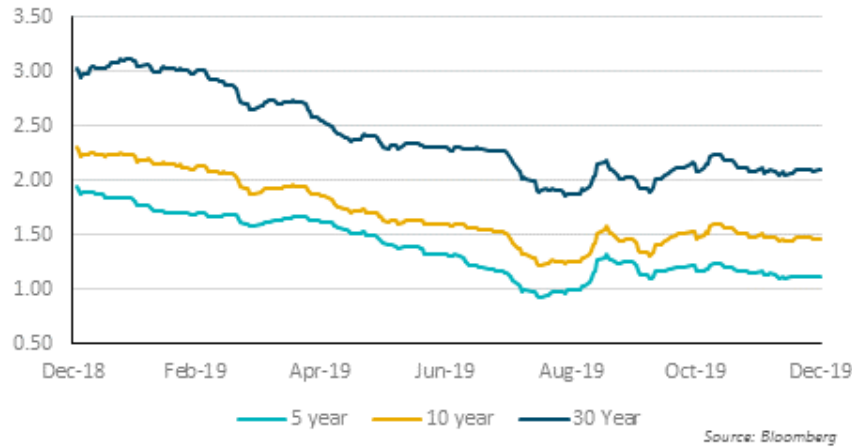
BOND MARKET UNIVERSE – Bloomberg Barclays Aggregate Index

- Since the crisis, the bond market has seen a sizeable shift in risk given lower rates and increased debt issuance
 - Size of the overall market has more than doubled since pre-crisis levels, driven by increased government and corporate debt loads
 - Corporate credit has experienced the largest move in debt issuance, increasing more than 50% over the 12-year period
 - Duration of the overall market has extended as issuers took advantage of low rates and issued longer debt
 - Corporate credit ratings have also moved lower, BBB rated debt currently comprises more than half of the corporate debt outstanding
 - With heavy demand from both domestic and foreign buyers, risk taking is reaching all-time highs as investors search for yield

Economic Outlook

Municipals

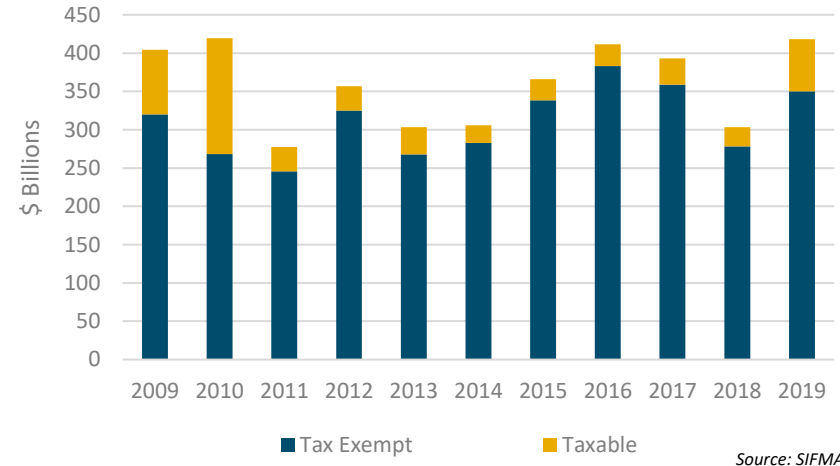
AAA MUNICIPAL YIELDS



AAA MUNICIPAL/TREASURY YIELD RATIOS



Municipal Issuance

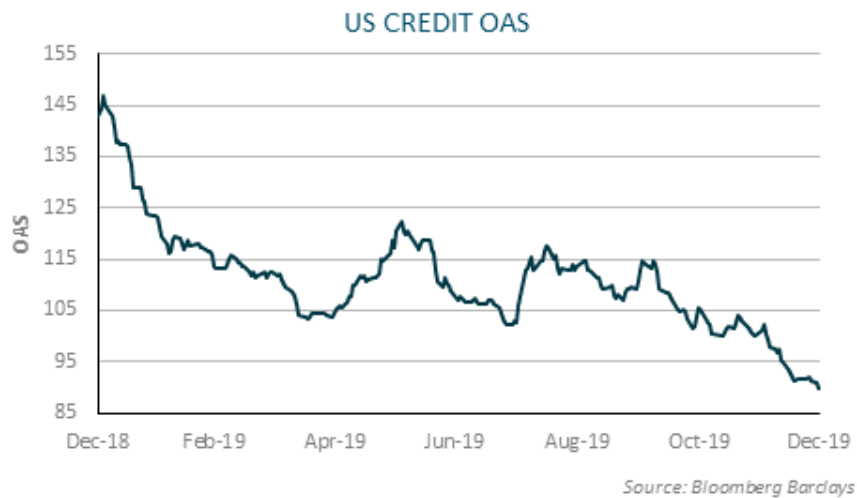
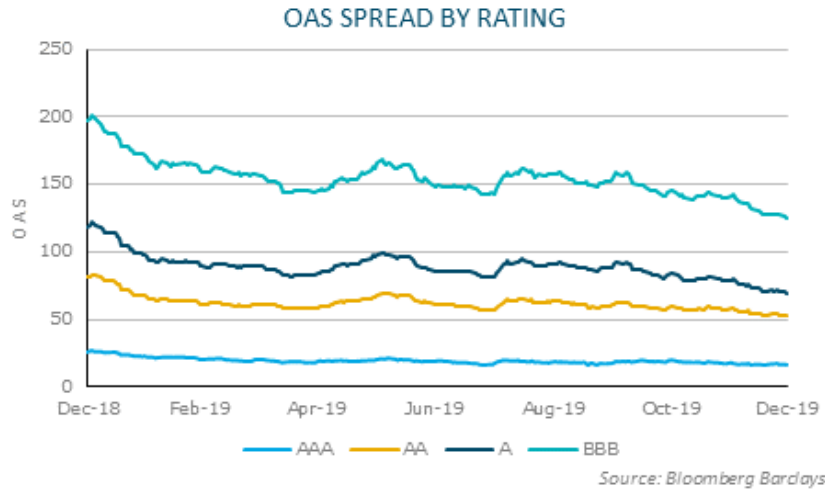


Comments

- The Bloomberg Barclays municipal index returned 7.54% and the taxable municipal index returned an impressive 11.06% YTD
 - Municipal credit spreads tightened year over year, however, duration was the main driver of performance as interest rates moved lower
- Demand for municipals remained strong throughout the year, even as longer maturity yields touched historic lows
 - Municipal bond funds saw record inflows of \$92bn
- Primary market issuance totaled \$420bn, of that taxable municipal debt was \$67bn versus an average \$30bn per year since 2010
 - Municipalities rushed to refinance outstanding debt as rates moved lower, taxable municipal debt dominated the refinancing
- As we enter 2020, SLC recommends increasing allocations to taxable municipals

Economic Outlook

Corporates

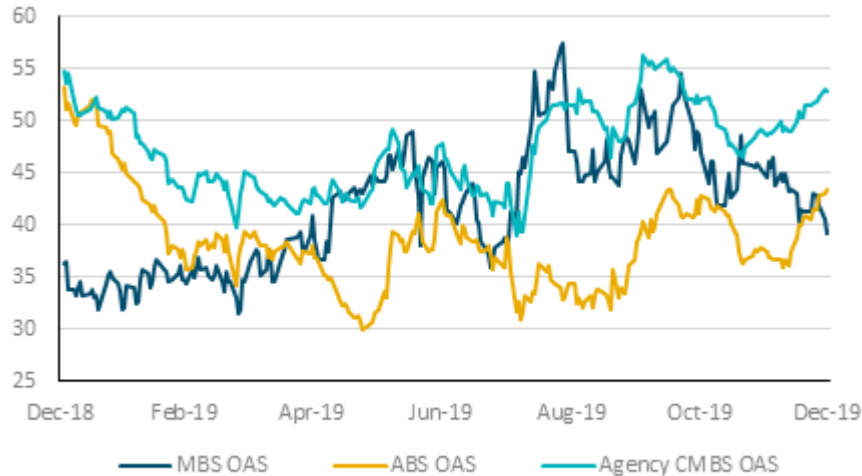


Comments

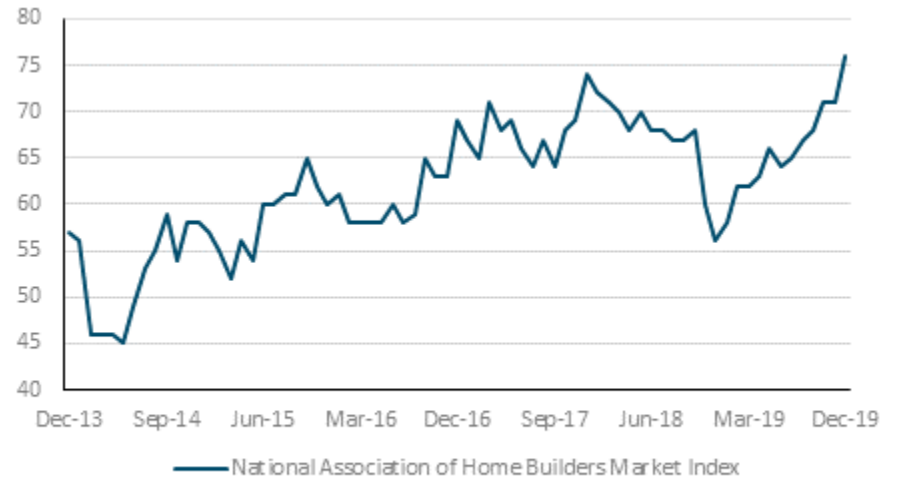
- Corporate spreads closed the year at +90, after tightening 20bps during the fourth quarter, driven by reduced new issuance and continued demand for positive yielding US debt
- Q4 IG issuance increased 7% y/y to \$225bn, bringing 2019 issuance to \$1,228bn, just shy of 2018's \$1,253bn
- Growth rates for revenue and EBITDA were positive on a y/y basis (+1.2% and +1.6%), however risks to corporate earnings remain, as both metrics marked the slowest growth rates since Q4 2016
- We retain our tactical overweight to corporates with a high-quality bias, as the accommodative FOMC likely extends the credit cycle, providing further opportunities for corporate balance sheet repair

Economic Outlook

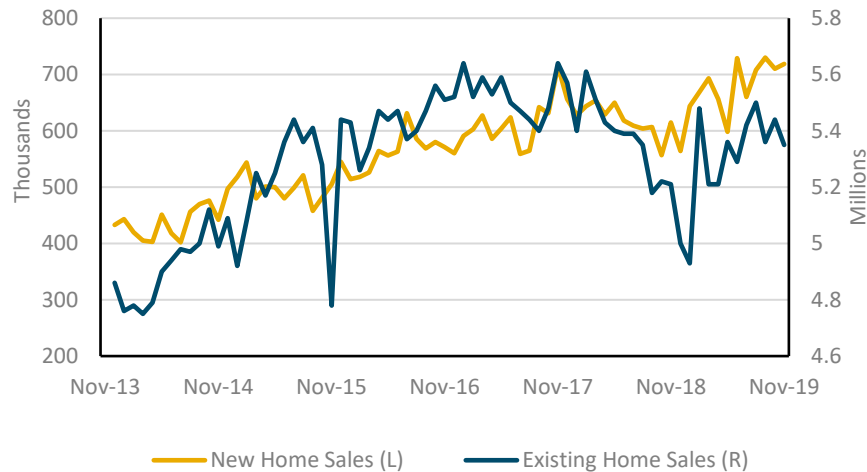
Mortgage and Asset Backed Securities (MBS and ABS)



Source: Bloomberg Barclays



Source: National Assoc. of Home Builders



Source: US Census Bureau

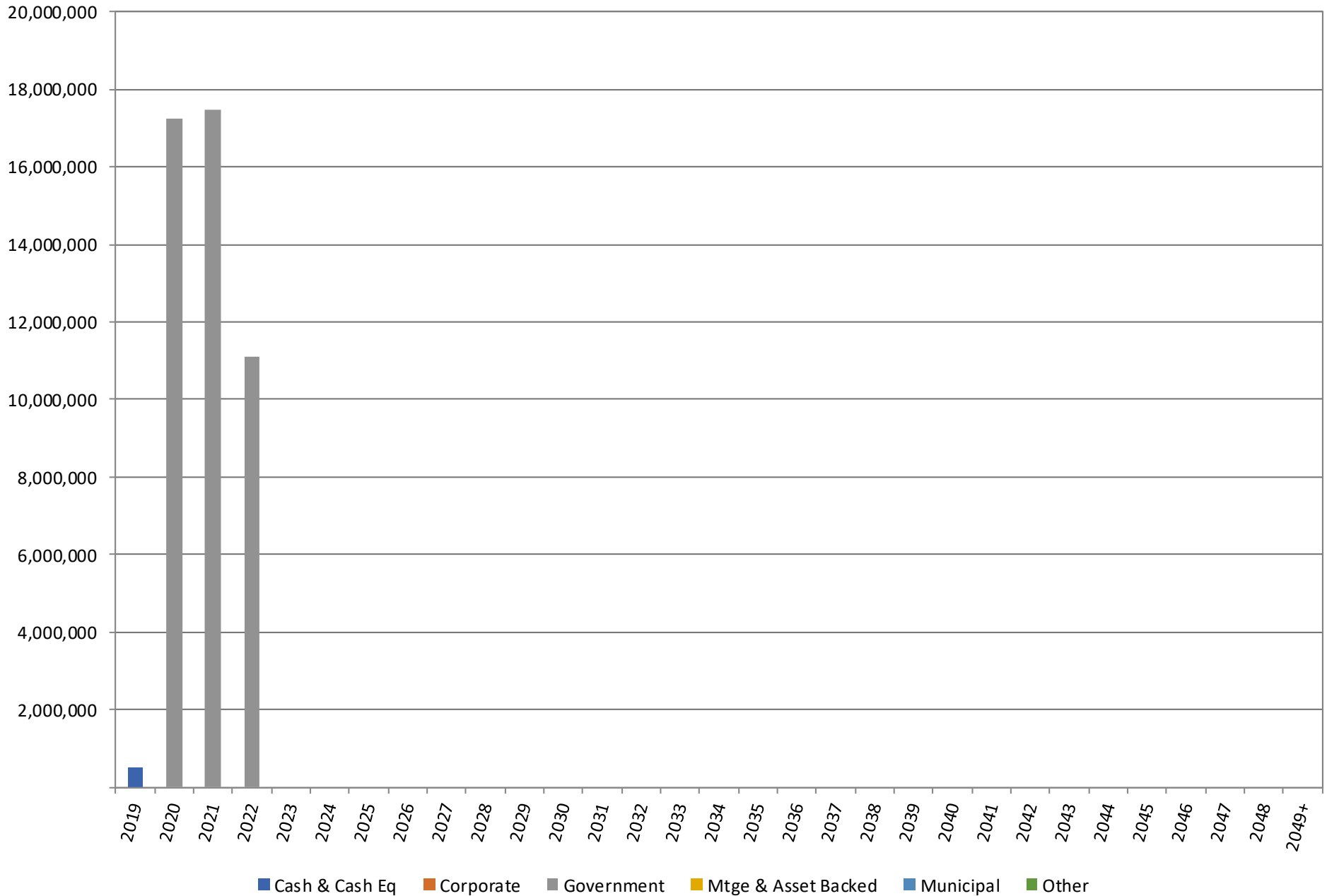
Comments

- In 2019 we saw performance deviation between MBS and other structured products such as ABS and CMBS
 - The sharp rally in rates and the prepay risk associated with MBS caused spreads to spike in the summer then tighten during the fourth quarter, ultimately finishing wider YOY
 - ABS and CMBS performance was positive on the year
- Existing home sales have outpaced new home sales for most of the current cycle, but as the price of existing homes rose and inventories shrank, new home sales are beginning to fill the gap
- The recent pick up in new home sales coincides with the recent resurgence in the optimism of homebuilders, as the NAHB Index reached new post-crisis highs in December as the outlook for new home construction improves

Portfolio Statistics

Security Type	Book Value	Market Value	Gain / (Loss)	Tax-Equivalent Book Yield	Tax-Equivalent Market Yield	Effective Duration	Convexity	Securities at Gain		Securities at Loss	
								#	Amount	#	Amount
Fixed Income											
Treasury	45,626,074	46,036,020	409,946	2.14	1.62	1.34	0.03	31	411,163	3	(1,217)
Agency	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Corporate	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Taxable Municipal	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Tax-exempt Municipal	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Mortgage Pass-Through	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
CMOs	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
ARMs	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Asset Backed	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
CMBS	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Other	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Total	45,626,074	46,036,020	409,946	2.14	1.62	1.34	0.03	31	411,163	3	(1,217)
Short Term											
Sweep Money Market	482,732	482,732	0	0.00	0.00	0.00	0.00	0	0	0	0
Commercial Paper	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
(Payable)/Receivable	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
Total	482,732	482,732	0	0.00	0.00	0.00	0.00	0	0	0	0
Total Fixed Income & Short Term											
Total	46,108,806	46,518,751	409,946	2.11	1.60	1.33	0.03	31	411,163	3	(1,217)
Equity											
Common Stock	0	0	0					0	0	0	0
Total	0	0	0					0	0	0	0
Grand Total											
Total	46,108,806	46,518,751	409,946					31	411,163	3	(1,217)

Maturity Schedule By Weighted Average Life



Effective Maturity Schedule

Year	Book Value	Tax Equiv. Book Yield	% of Total Book Value
2019	0	0.00	0%
2020	17,219,902	1.78	38%
2021	17,409,574	2.36	38%
2022	10,996,597	2.34	24%
2023+	0	0.00	0%
Subtotal	45,626,074	2.14	100%
(inc. ABS, Agcy, CMBS, Corp, Muni, UST)			
MBS	0	0.00	0%
TOTAL	45,626,074	2.14	100%

Performance

**Tax-Equivalent Total Return
as of 12/31/2019
Inception Date: 07/01/2010**

	Prime	Benchmark	Difference
Quarter to Date	0.52%	0.32%	0.20%
Year to Date	3.39%	3.08%	0.32%
Since Inception	1.49%	1.24%	0.25%

Benchmark Composition:

100.0% Garden State Duration Matched Treasury

Bond Purchases

There were no purchases during this period.

Bond Sales, Calls & Maturities

Trade Date	Trade Type	Description	Security Type	S&P Rating	Moody's Rating	Coupon	Effective Maturity	Maturity Date	Price	Book Value	Realized Gain/(Loss)	Pre-Tax Book Yield	Tax-Equivalent Book Yield
10/18/2019	Sell	US TREASURY N/B	Treasury	AA+	Aaa	1.250	10/31/2019	10/31/2019	100.00	1,399,930	70	1.44	1.44
11/08/2019	Sell	US TREASURY N/B	Treasury	AA+	Aaa	1.500	11/30/2019	11/30/2019	99.99	1,500,045	(163)	1.44	1.44
12/16/2019	Sell	US TREASURY N/B	Treasury	AA+	Aaa	1.625	12/31/2019	12/31/2019	100.00	1,250,075	(124)	1.45	1.45
Total										4,150,050	(216)	1.44	1.44

Appendix

Detailed Portfolio Report

Portfolio Holdings Report

Date Acquired	S&P Rating	Moody's Rating	Quantity	Description	Coupon	Effective Maturity	Maturity	Original Cost	Book Value	Market Value	Unrealized Gain/(Loss)	Book Yield	Market Yield	Effective Duration	Avg Life	Convexity
Money Market																
11/13/2019			482,732	BANK OF AMER/ML	0.00			482,732	482,732	482,732	0	0.00	0.00	0.00	0.00	
			482,732					482,732	482,732	482,732	0	0.00	0.00	0.00	0.00	
Treasury																
07/18/2017	AA+	Aaa	1,250,000	US TREASURY N/B	1.50	07/15/2020	07/15/2020	1,249,268	1,249,866	1,249,125	(741)	1.52	1.63	0.53	0.54	0.01
01/05/2018	AA+	Aaa	1,650,000	US TREASURY N/B	2.00	02/28/2021	02/28/2021	1,641,996	1,646,510	1,656,897	10,387	2.19	1.64	1.14	1.16	0.02
01/19/2018	AA+	Aaa	1,500,000	US TREASURY N/B	2.25	03/31/2021	03/31/2021	1,499,102	1,499,644	1,511,430	11,786	2.27	1.63	1.22	1.24	0.02
05/21/2018	AA+	Aaa	1,575,000	US TREASURY N/B	2.13	09/30/2021	09/30/2021	1,561,129	1,569,427	1,589,033	19,606	2.33	1.61	1.71	1.75	0.04
06/07/2018	AA+	Aaa	1,500,000	US TREASURY N/B	2.00	10/31/2021	10/31/2021	1,481,621	1,491,335	1,511,190	19,855	2.32	1.58	1.79	1.83	0.04
06/18/2018	AA+	Aaa	1,050,000	US TREASURY N/B	2.13	12/31/2021	12/31/2021	1,028,836	1,037,772	1,060,994	23,222	2.73	1.59	1.95	2.00	0.05
06/02/2017	AA+	Aaa	1,550,000	US TREASURY N/B	1.38	03/31/2020	03/31/2020	1,541,867	1,548,358	1,549,148	790	1.81	1.59	0.24	0.25	0.00
06/16/2017	AA+	Aaa	1,500,000	US TREASURY N/B	1.38	04/30/2020	04/30/2020	1,490,684	1,497,820	1,498,770	950	1.82	1.62	0.33	0.33	0.00
07/19/2017	AA+	Aaa	1,500,000	US TREASURY N/B	1.38	08/31/2020	08/31/2020	1,485,234	1,494,913	1,497,540	2,627	1.89	1.62	0.66	0.66	0.02
07/02/2019	AA+	Aaa	1,050,000	US TREASURY N/B	1.75	09/30/2022	09/30/2022	1,050,861	1,050,741	1,054,347	3,606	1.72	1.60	2.66	2.75	0.09
07/19/2017	AA+	Aaa	1,500,000	US TREASURY N/B	1.38	09/30/2020	09/30/2020	1,485,059	1,494,374	1,497,015	2,641	1.88	1.64	0.74	0.75	0.01
07/27/2017	AA+	Aaa	1,500,000	US TREASURY N/B	1.38	10/31/2020	10/31/2020	1,484,141	1,493,659	1,496,595	2,936	1.89	1.65	0.82	0.83	0.01
07/16/2019	AA+	Aaa	1,025,000	US TREASURY N/B	1.88	10/31/2022	10/31/2022	1,025,721	1,025,632	1,032,770	7,137	1.85	1.60	2.74	2.83	0.09
09/05/2017	AA+	Aaa	1,500,000	US TREASURY N/B	1.63	11/30/2020	11/30/2020	1,496,406	1,498,581	1,499,655	1,074	1.73	1.65	0.90	0.91	0.01
10/03/2017	AA+	Aaa	1,500,000	US TREASURY N/B	1.75	12/31/2020	12/31/2020	1,495,020	1,496,917	1,501,470	4,553	1.96	1.65	0.98	1.00	0.01
12/01/2017	AA+	Aaa	1,250,000	US TREASURY N/B	1.38	01/31/2021	01/31/2021	1,223,643	1,240,545	1,246,538	5,992	2.09	1.63	1.06	1.08	0.02
05/01/2018	AA+	Aaa	1,400,000	US TREASURY N/B	2.13	08/15/2021	08/15/2021	1,375,063	1,387,446	1,411,480	24,034	2.69	1.61	1.58	1.62	0.03
06/11/2018	AA+	Aaa	1,425,000	US TREASURY N/B	2.00	11/15/2021	11/15/2021	1,404,416	1,414,647	1,436,129	21,482	2.40	1.57	1.83	1.87	0.04
07/05/2018	AA+	Aaa	1,140,000	US TREASURY N/B	2.00	02/15/2022	02/15/2022	1,116,478	1,125,777	1,149,622	23,845	2.61	1.59	2.06	2.12	0.05
06/24/2019	AA+	Aaa	1,000,000	US TREASURY N/B	1.63	08/15/2022	08/15/2022	997,305	997,746	1,001,020	3,274	1.71	1.58	2.54	2.62	0.08
02/27/2017	AA+	Aaa	1,250,000	US TREASURY N/B	1.38	01/15/2020	01/15/2020	1,247,598	1,249,968	1,249,663	(305)	1.44	2.03	0.04	0.04	0.00
06/25/2018	AA+	Aaa	1,050,000	US TREASURY N/B	1.88	01/31/2022	01/31/2022	1,020,592	1,032,646	1,056,153	23,507	2.70	1.59	2.02	2.08	0.05
03/06/2017	AA+	Aaa	1,250,000	US TREASURY N/B	1.38	02/15/2020	02/15/2020	1,242,529	1,249,684	1,249,513	(171)	1.58	1.68	0.12	0.12	-0.01
07/05/2018	AA+	Aaa	1,000,000	US TREASURY N/B	1.88	03/31/2022	03/31/2022	971,367	982,458	1,006,410	23,952	2.69	1.58	2.18	2.24	0.06
01/26/2018	AA+	Aaa	1,600,000	US TREASURY N/B	2.25	04/30/2021	04/30/2021	1,597,094	1,598,794	1,613,632	14,838	2.31	1.60	1.30	1.33	0.02
02/05/2018	AA+	Aaa	1,500,000	US TREASURY N/B	2.00	05/31/2021	05/31/2021	1,486,953	1,493,806	1,508,385	14,579	2.30	1.60	1.39	1.41	0.03
03/05/2018	AA+	Aaa	1,390,000	US TREASURY N/B	2.13	06/30/2021	06/30/2021	1,375,853	1,382,652	1,400,912	18,259	2.49	1.59	1.47	1.49	0.03
04/03/2018	AA+	Aaa	1,650,000	US TREASURY N/B	2.25	07/31/2021	07/31/2021	1,643,420	1,646,996	1,666,632	19,636	2.37	1.60	1.54	1.58	0.03
07/06/2018	AA+	Aaa	1,100,000	US TREASURY N/B	1.88	04/30/2022	04/30/2022	1,067,430	1,079,706	1,107,304	27,597	2.70	1.58	2.26	2.33	0.06
06/16/2017	AA+	Aaa	1,400,000	US TREASURY N/B	1.50	05/15/2020	05/15/2020	1,395,914	1,398,594	1,399,398	804	1.77	1.61	0.37	0.37	0.00
07/16/2018	AA+	Aaa	1,350,000	US TREASURY N/B	1.88	05/31/2022	05/31/2022	1,308,287	1,323,512	1,359,383	35,870	2.72	1.58	2.35	2.41	0.07
08/20/2018	AA+	Aaa	1,325,000	US TREASURY N/B	2.13	06/30/2022	06/30/2022	1,297,931	1,307,178	1,342,596	35,418	2.69	1.58	2.42	2.49	0.07
06/19/2019	AA+	Aaa	1,065,000	US TREASURY N/B	2.00	07/31/2022	07/31/2022	1,072,425	1,071,202	1,076,065	4,863	1.77	1.59	2.49	2.58	0.08

Portfolio Holdings Report

Date Acquired	S&P Rating	Moody's Rating	Quantity	Description	Coupon	Effective Maturity	Maturity	Original Cost	Book Value	Market Value	Unrealized Gain/(Loss)	Book Yield	Market Yield	Effective Duration	Avg Life	Convexity
06/30/2017	AA+	Aaa	1,550,000	US TREASURY N/B	1.50	06/15/2020	06/15/2020	1,540,813	1,547,169	1,549,210	2,041	1.91	1.61	0.45	0.45	0.00
			45,845,000					45,402,051	45,626,074	46,036,020	409,946	2.14	1.62	1.34	1.37	0.03
			46,327,732					45,884,783	46,108,806	46,518,751	409,946	2.11	1.60	1.33	1.36	0.03

Glossary of Terms

Security Types	
Adjustable Rate Mortgage (ARM)	A mortgage in which the interest rate is changed at regular intervals to reflect fluctuations in market interest rates. Because the borrower takes some of the risk of rising interest rates, the initial rate may be lower than that on a fixed-rate mortgage. There are often limitations on the interest rate change from one period to the next, with a rate cap for the life of the loan.
Agency	A fixed income security issued by a government-sponsored agency, such as Ginnie Mae, Freddie Mac, or the Tennessee Valley Authority. Depending on the issuer, these bonds may or may not be backed by the full faith and credit of the U.S. government.
Asset-Backed Security (ABS)	A fixed income security backed by the cash flows from loans or leases. Auto loans, home equity loans, and credit card receivables are the most common assets backing these securities. Principal and interest payments made by borrowers are redirected to owners of ABS to meet the scheduled coupon and principal payments.
Collateralized Mortgage Obligation (CMO)	A security similar to a mortgage-pass through. In a CMO, the principal and interest received from borrowers is split into different classes called tranches. The structure of CMO payment tranches makes the timing of cash flows more certain for owners of some tranches and less certain for owners of other tranches. More uncertain tranches typically provide higher yields.
Commercial Mortgage-Backed Security (CMBS)	A fixed income security backed by the cash flows from commercial real estate mortgages. All principal and interest from the mortgages flow to bond holders in a defined sequence. Common types of real estate involved are apartment buildings, office and retail space, hotels, and health care facilities.
Corporate (Corp)	A fixed income security issued by a private corporation.
Mortgage Pass-Through (MPT)	A fixed income security backed by the cash flows from residential mortgages. Monthly principal and interest payments made by borrowers are redirected to owners of MPTs as they are received. Because borrowers may prepay their mortgages (perhaps due to refinancing or selling the house), the timing of cash flows on these securities is uncertain.
Preferred Stock (Preferred)	Capital stock having priority over a corporation's common stock in the distribution of dividends. In the event of a liquidation, preferred stock's claim on assets ranks above that of common stock but below that of bank loans or corporate bonds.
Tax-exempt Municipal (ExMuni)	A fixed income security, issued by a state or municipality, paying interest that is exempt from federal income tax. Interest may or may not be exempt from state and local tax.
Taxable Municipal (TaxMuni)	A fixed income security, issued by a state or municipality, paying interest that is subject to federal income tax. Typically issued much less commonly than tax-exempt municipals.
Treasury	A marketable fixed income security issued by the U.S. Department of the Treasury and backed by the full faith and credit of the U.S. government.

Glossary of Terms

Definitions	
Average Life	The dollar-weighted average time to maturity of a stream of principal cash flows. Also referred to as “weighted average life” or “WAL”.
Basis Point (bp)	1/100 of 1% (or equivalently .0001).
Benchmark	<p>An index against which performance can be measured. Attributes of a good benchmark include:</p> <p><i>Objective:</i> The index should be identified ahead of the time, it should be easily understood, and the construction rules should be clearly defined.</p> <p><i>Replicable:</i> The manager should be able to replicate the returns passively.</p> <p><i>Relevant:</i> The index should represent the manager’s neutral position. In other words, without the manager’s input, the index should represent a reasonable portfolio the company would purchase.</p> <p><i>Tax Adjusted:</i> The benchmark should adjust for the different tax rates on various security types</p>
Book Income	Dollars of investment income that flow through an insurance company’s income statement. This is equal to coupon received plus any accretion/ (amortization) of book value. It can also include any <u>realized</u> gains or losses in the portfolio.
Book Value	The value of a security that is reflected on an insurance company’s balance sheet. For fixed income securities on a statutory and tax basis this is the amortized value. The amortized value periodically writes up any accrual of purchase discount (or writes down amortization of premium) over the life of the security. The amortized value holds the underlying “book yield” constant and therefore does not swing with movements in the market.
Book Yield	The average annual yield which a bond purchased and held to maturity will earn over the period it is owned. This is generally fixed at the time of purchase of the security. The book yield can be used to calculate the book value of the security at any time between purchase and maturity.
Cash Flow	Interest and principal payments from the securities in a fixed income portfolio. A bullet (non-callable) bond will typically pay a coupon payment every 6 months, with a return of principal at maturity. For mortgage-backed securities and asset-backed securities, cash flows generally arrive monthly from both interest and principal. This principal portion contains both the planned return of principal and prepayment of principal due to reasons such as mortgage refinancing.
Convexity	Describes the sensitivity of a bond’s duration to a change in yield. As yields decrease, duration increases on bonds with positive convexity and decreases on bonds with negative convexity. This causes bonds with negative convexity to underperform when yields increase or decrease by large amounts.
Credit Risk	The risk that the issuer of a fixed income security may default and be unable to make timely interest and principal payments on the security.
Duration	The sensitivity of a bond’s price to a change in yield. Duration generally increases for bonds with longer maturities, meaning these bonds are more sensitive to yield changes. Bond price and yield move in opposite directions. Example: A bond with a duration of 5.0 would experience a price decrease of 5% for every 1% (100 bps) increase in interest rates.

Glossary of Terms

Definitions (cont.)	
DYCARRSM	A proprietary model designed specifically for P/C insurance companies to maximize investment income while managing interest rate risk (see definition.) The model applies stress tests to projected operational cash flow and finds the likelihood that bonds in the portfolio will need to be liquidated in order to meet cash flow needs (such as the payment of losses). This may allow a company to invest in longer duration securities with higher yields.
FICO Score	A generic credit score developed by Fair, Isaac and Company, Inc., designed to predict the likelihood of borrowers becoming delinquent in their credit obligations.
Gross Domestic Product (GDP)	The total market value of all final goods and services produced in a country in a given year; it is equal to total consumer, investment, and government spending, plus exports, minus imports.
Interest Rate Risk	The risk to a bondholder that an increase in interest rates will cause bond prices to fall. Interest rates and market prices for fixed income securities generally move in opposite directions. Interest rate changes are the largest cause of changes in the market value of a bond portfolio.
Loan to Value (LTV)	A lending risk assessment ratio used in mortgage lending. LTV is calculated by dividing the mortgage amount by the lesser of appraised value or selling price. Residential mortgage loans conforming to agency guidelines have LTV ratios of 80% or lower at origination. Lenders will frequently require lower LTV ratios for commercial or investment properties.
Market Value	Estimated value of the bond based on current market price. This value fluctuates continually with interest rates and perceived risk of the issuer. Reflects the amount that could be received by selling the bond.
Option Adjusted Spread (OAS)	The portion of a bond's yield which is attributable to the credit risk of a bond as perceived by the market. This allows for comparison between bonds with or without embedded options such as calls, puts, and prepayment features.
Realized Gain/(Loss)	Difference between market and book value when a bond is sold. If market is greater than book value the bond was sold at a realized capital gain. Realized capital gains/(losses) flow through an insurer's income statement.
Tax Equivalent Yield	Yield adjusted for taxes, which allows for comparison of taxable bonds to tax-exempt bonds. Calculated by dividing after-tax yield by 0.65 (1 minus 35%).
Total Return	The return on a security or portfolio that reflects both income and price change. Assumes that the security or portfolio is priced using fair value at the end of the evaluation period.
Unrealized Gain/(Loss)	The difference between market value and book value on a bond. If market value is greater than book value the bond is at an unrealized gain. Under statutory accounting rules, changes in unrealized gain/(loss) do not affect income.
Volatility Adjusted Duration	A portfolio duration which has been adjusted for the lower observed price volatility seen in tax-exempt municipal bonds. Historically municipals appear to have about 15% lower price volatility than their stated durations suggest; this measure takes that observance into account.
Whole Loan	An original residential mortgage loan; distinct from a pooled pass-through which contains multiple loans. Non-agency CMOs use whole loans as collateral. They usually include jumbo mortgages and other mortgages which do not conform to the standards required for securitization by the agencies (GNMA, FNMA, FHLMC).
Yield	The implied return achievable for purchasing a bond at a given price.

Appendix

Presentation Overview

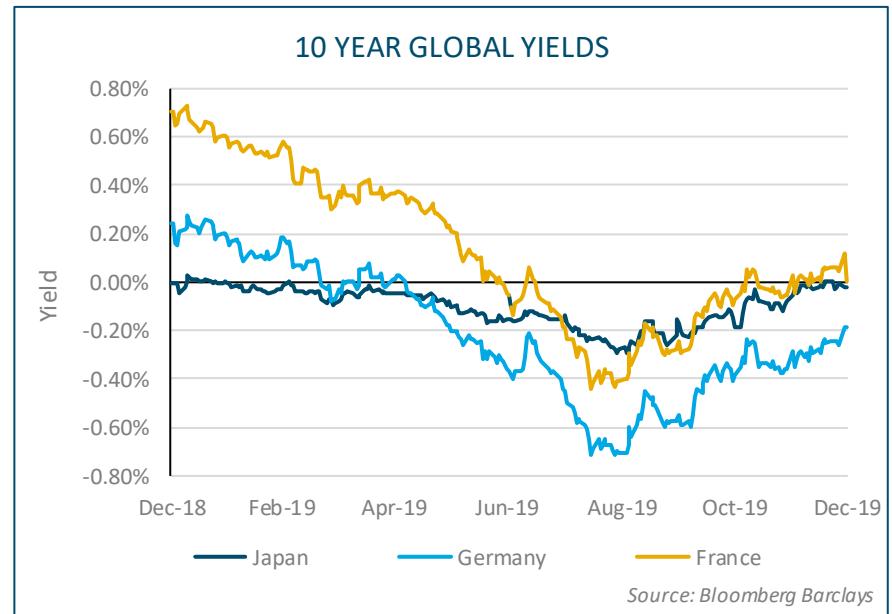
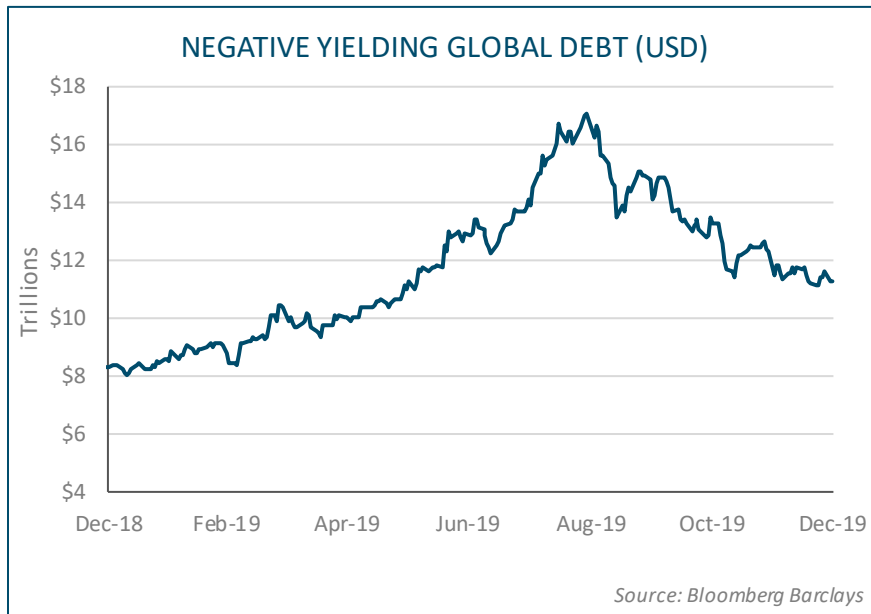
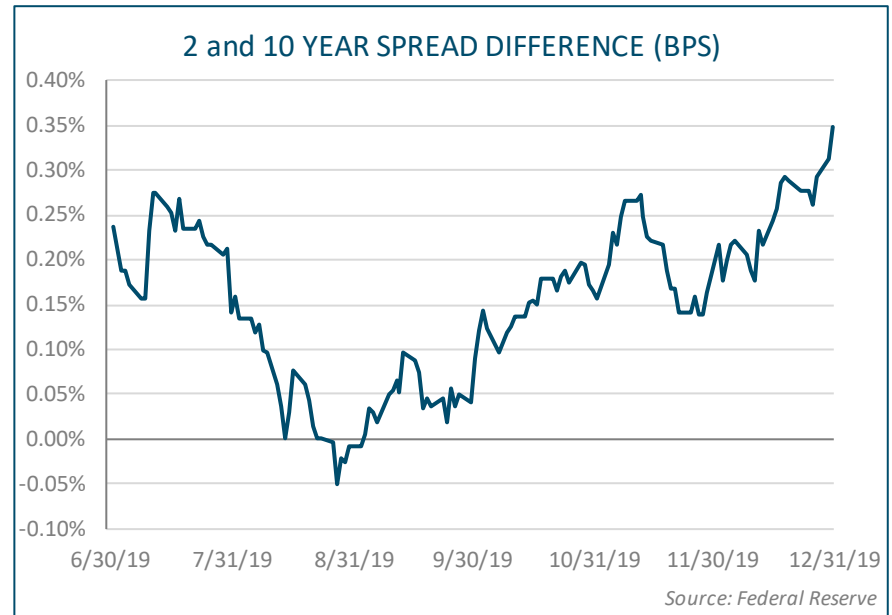
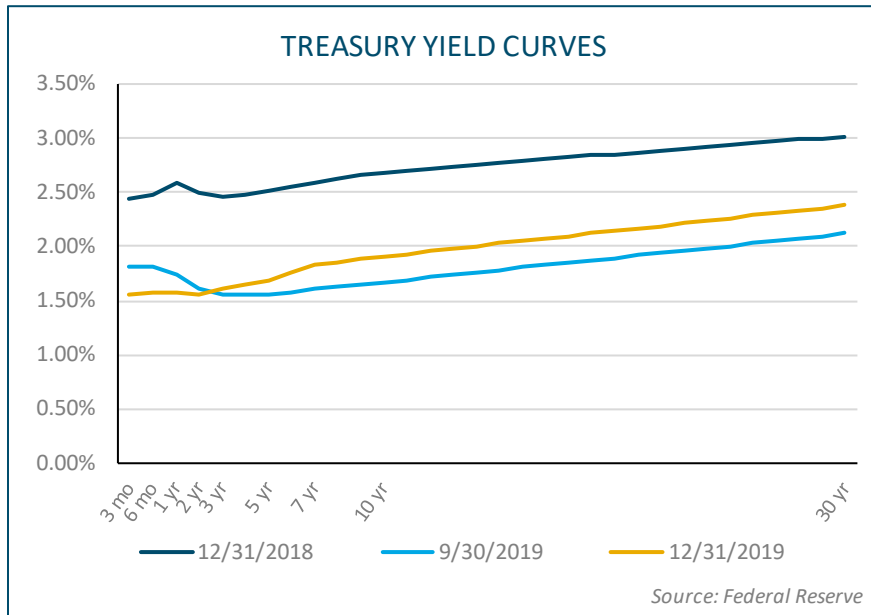
Overview

Economic overview and market update

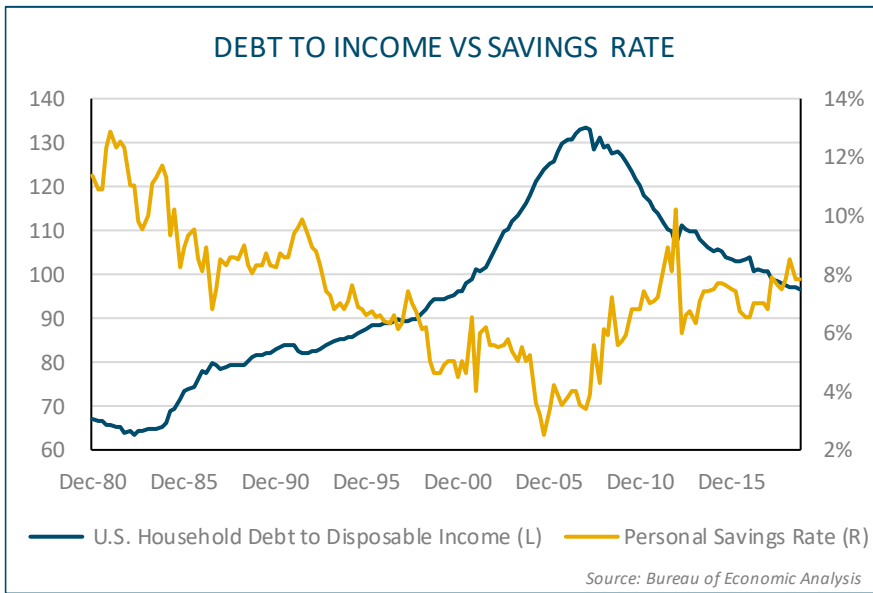
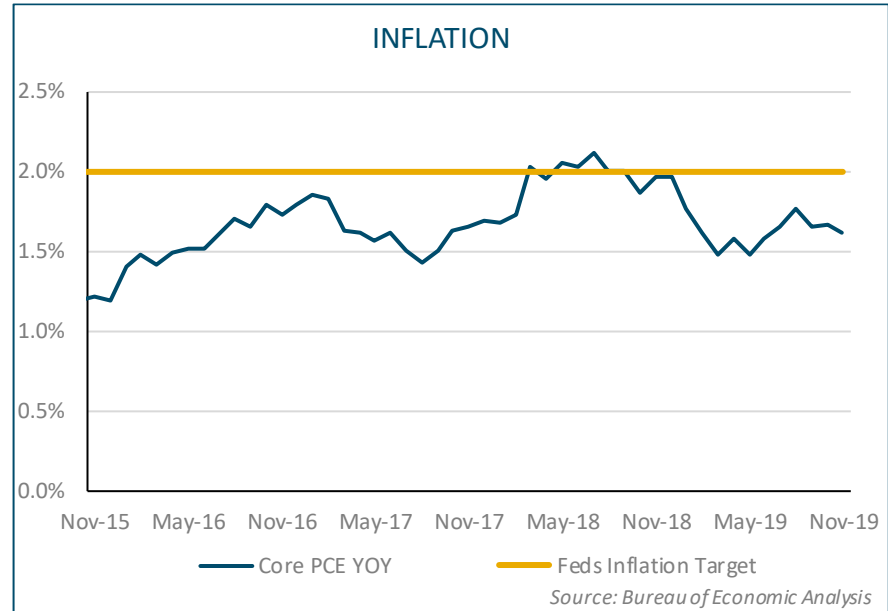
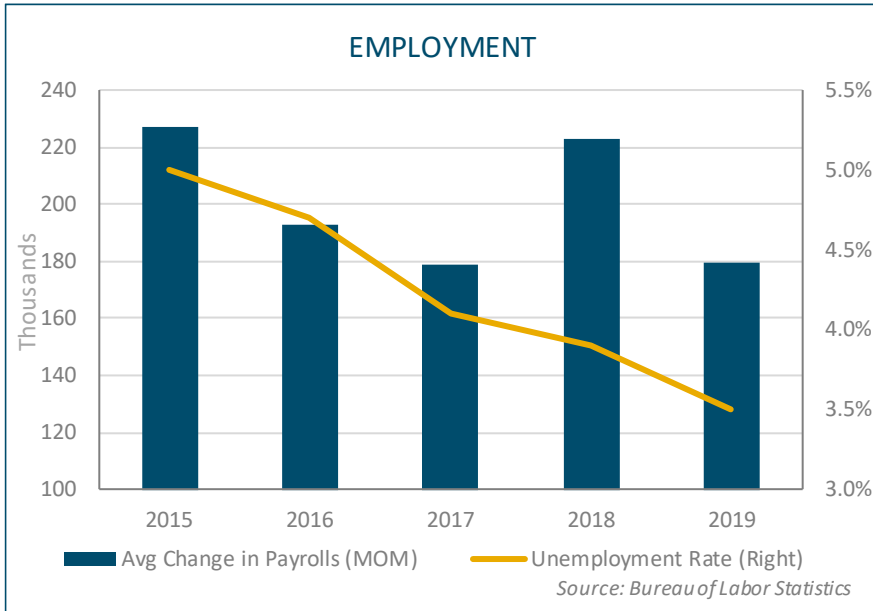
Portfolio review

Performance

US Treasury Yields, Global Debt and Yields



Market Indicators



BLOOMBERG BARCLAYS AGGREGATE COMPONENTS

	2007	2019	Difference
Size (Trillions \$)	\$10.1	\$23.2	\$13.1
Duration	4.41	5.87	1.46
Yield to Worst	4.9%	2.3%	-2.6%
Govt: Treasury, Agency	35.3%	40.8%	5.5%
Corporate	19.6%	29.6%	10.0%
MBS	38.6%	27.1%	-11.5%
ABS, CMBS	6.5%	2.5%	-4.0%
AAA	79.2%	72.0%	-7.1%
AA	5.4%	3.4%	-2.0%
A	8.2%	10.8%	2.6%
BBB	7.3%	13.8%	6.6%

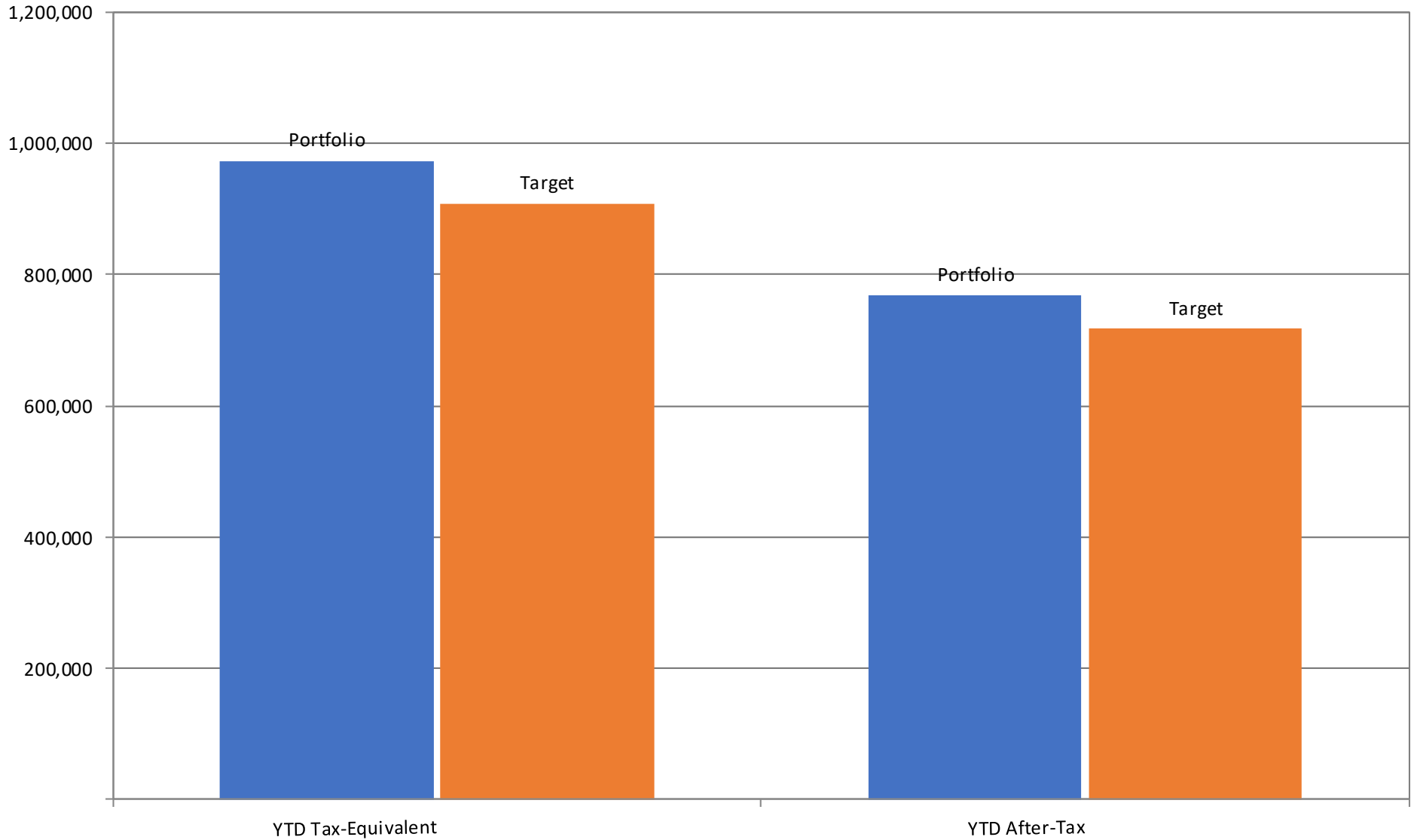
Source: Bloomberg Barclays

Portfolio Changes

Garden State Muni Joint Insurance Fund	12/31/2018	03/31/2019	06/30/2019	09/30/2019	12/31/2019
Treasury Yields					
2 yr Treasury Yield	2.50%	2.29%	1.74%	1.62%	1.56%
5 yr Treasury Yield	2.51%	2.23%	1.76%	1.55%	1.68%
10 yr Treasury Yield	2.69%	2.41%	2.00%	1.67%	1.91%
Book Statistics					
Tax-Equivalent Book Yield	1.86%	1.98%	2.01%	2.01%	2.11%
Book Value (\$)	45,654,180	47,795,788	50,032,683	51,340,937	46,108,806
Projected Tax-Equivalent Income, next 12 months (\$)	850,199	946,751	1,006,239	1,033,618	974,710
Unrealized Gains/(Losses) (\$)	(243,042)	(20,726)	358,710	410,232	409,946
YTD Realized Gains/(Losses) (\$)	(18,760)	0	0	0	(216)
Portfolio Risk Statistics					
Effective Duration	1.79	1.62	1.52	1.42	1.33
Convexity	0.05	0.04	0.04	0.03	0.03
Weighted Average Life	1.85	1.68	1.56	1.46	1.36
Average Rating	AA+	AA+	AA+	AA+	AA+
Portfolio Sector Allocation					
Treasury	100%	100%	100%	97%	99%
Agency	0%	0%	0%	0%	0%
Corporate	0%	0%	0%	0%	0%
Taxable Municipal	0%	0%	0%	0%	0%
Tax-exempt Municipal	0%	0%	0%	0%	0%
Mortgage Pass-Through	0%	0%	0%	0%	0%
CMOs	0%	0%	0%	0%	0%
ARMs	0%	0%	0%	0%	0%
Asset Backed	0%	0%	0%	0%	0%
CMBS	0%	0%	0%	0%	0%
Cash & Cash Equivalents	0%	0%	0%	3%	1%

Income Year to Date

Year to Date, as of 12/31/2019



Performance

**Tax-Equivalent Total Return
as of 12/31/2019
Inception Date: 07/01/2010**

	Prime	Benchmark	Difference
Quarter to Date	0.52%	0.32%	0.20%
Year to Date	3.39%	3.08%	0.32%
Since Inception	1.49%	1.24%	0.25%

Benchmark Composition:

100.0% Garden State Duration Matched Treasury