



# Moving On Up – Investing in Today’s Rate Environment

**Presented by PFM Asset Management LLC**

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## Today's Agenda

**Challenge:** Navigating the fixed income market can be difficult, and time consuming

**Goal:** Identifying and understanding the keys to addressing those challenges to create the optimal investment program for your public power utility

### Factors that impact your portfolio's unique investment goals

1. Current market environment and outlook
2. Liquidity Projections
3. Investment Guidelines and Objectives
4. Risks
  - Duration
  - Interest Rate
  - Credit



## Funds Maintained by Public Power Utilities

- ◆ Operating
- ◆ Revenue
- ◆ Debt Service Reserve
- ◆ Bond Reserve
- ◆ Construction
- ◆ Debt Service
- ◆ Rate Stabilization
- ◆ Nuclear Decommissioning Trust
- ◆ Renewal & Replacement
- ◆ General Reserves



## Different Investment Options for Different Funds/Strategies

### ◆ Short-term:

- Local Government Investment Pool (LGIP)
- Bank deposits with daily liquidity
- Certificates of deposit
- U.S. Treasury bills, federal agency and supranational discount notes
- Commercial paper
- Repurchase Agreements

### ◆ Long-term:

- U.S. Treasury notes
- Federal agency bonds/Federal agency mortgage backed securities
- Supranational bonds
- Municipal bonds
- Corporate notes

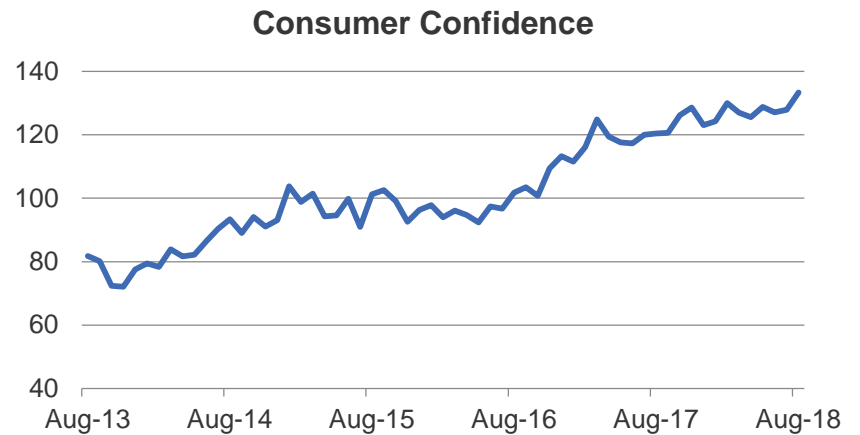
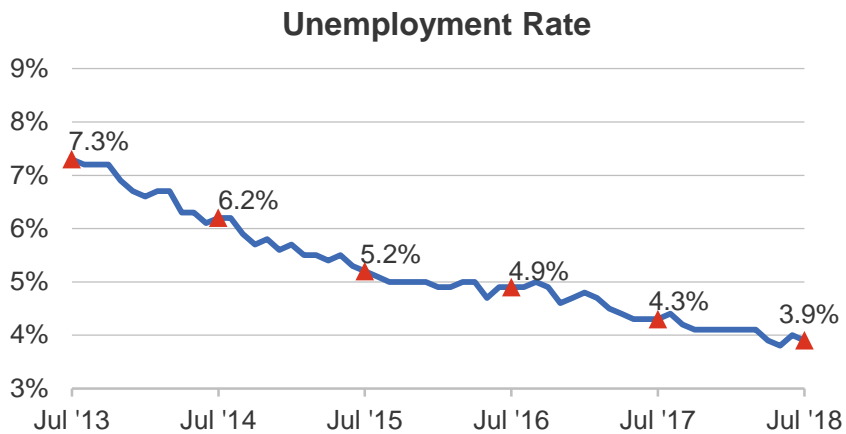
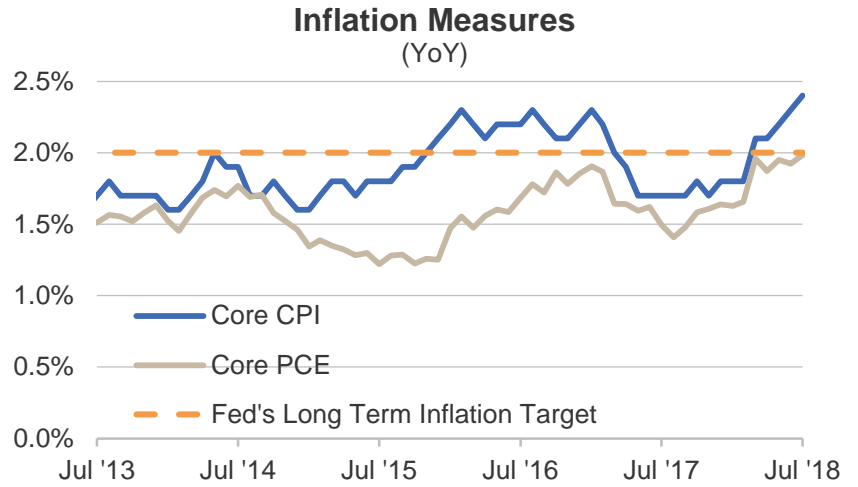
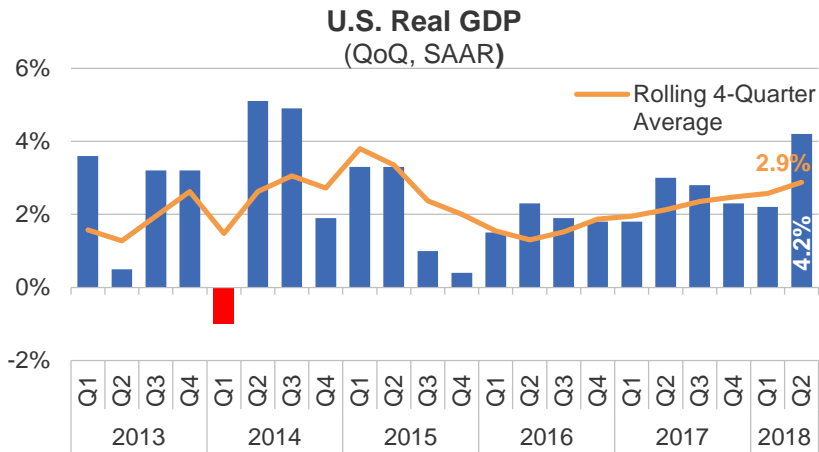


# **“It’s the Economy, Stupid”<sup>1</sup> ...and the Markets, Too**

*1. James Carville, 1992*



# Current U.S. Economic Conditions



Source: Bloomberg, latest data available as of 8/31/18. SAAR is seasonally adjusted annualized rate.

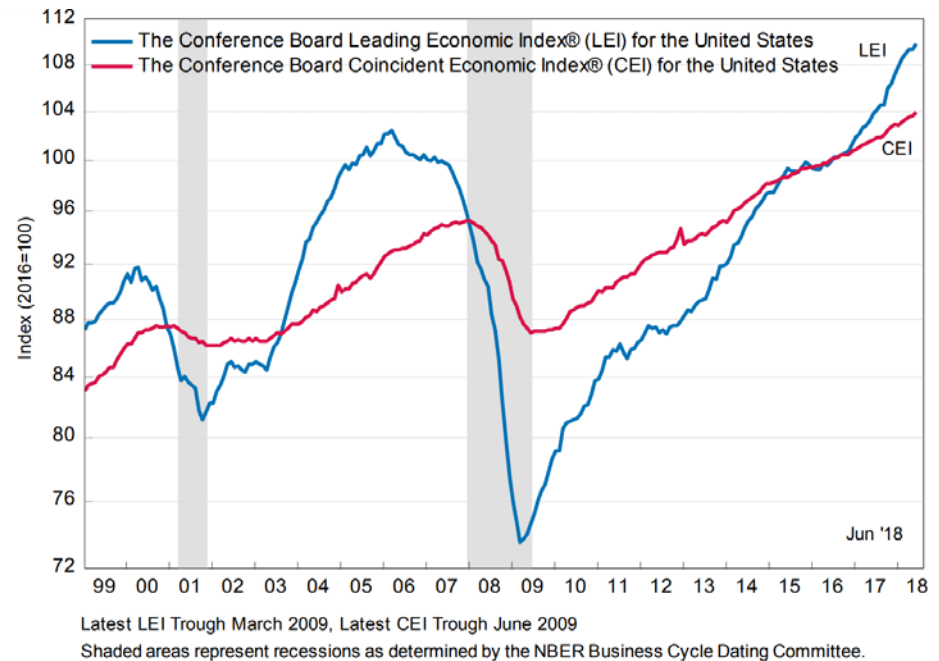


# Where Are We in the Economic Cycle?

## Different Indicators Give Differing Views

Duration	Length of cycle	Late
Slack	Labor market slack	Late
	Output market slack	Late
Cost pressures	Wage growth	Mid
	Unit labor cost growth	Early
Cyclical demand	Resi investment/GDP	Early
	Housing starts	Mid
	Consumer durables/GDP	Early
	Capital spending	Mid
Confidence	Cyclically adj. confidence	Mid
Leverage	Household leverage	Early
	Most levered companies	Mid
Credit	Bond default rates	Mid
	Loan delinquencies	Mid
	Bank lending standards	Mid
Profits	S&P 500 margins	Late
	Earnings rel. to normalized	Mid

## The Conference Board Leading Economic Index Continues to Rise



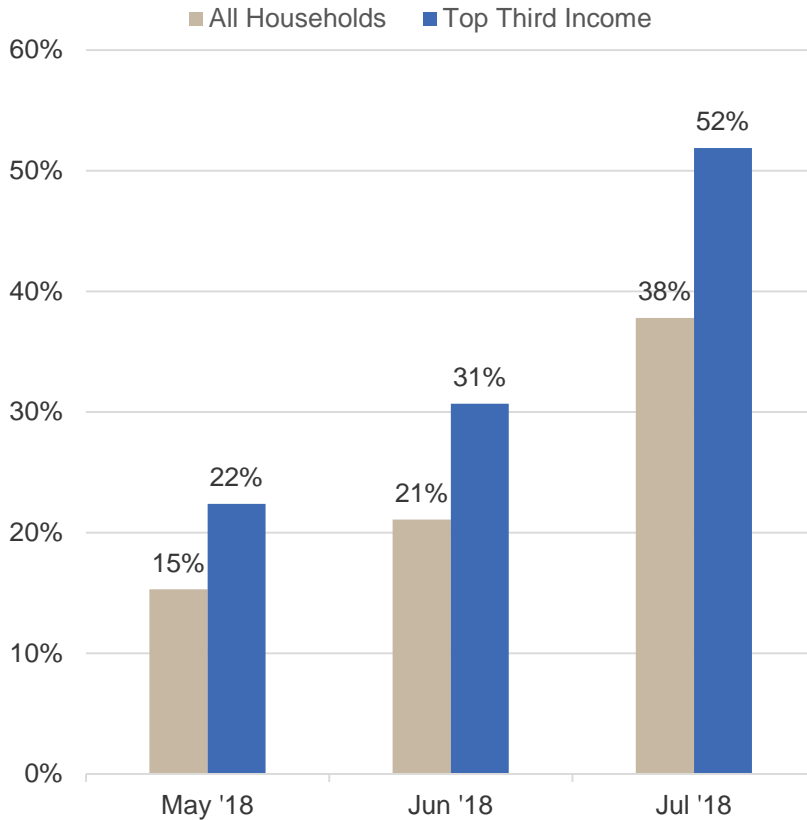
- Supports the continuing solid growth in the economy
- Suggests no recession in the near-term

Source (left): Wall Street Journal; Deutsche Bank. Source (right): Conference Board.

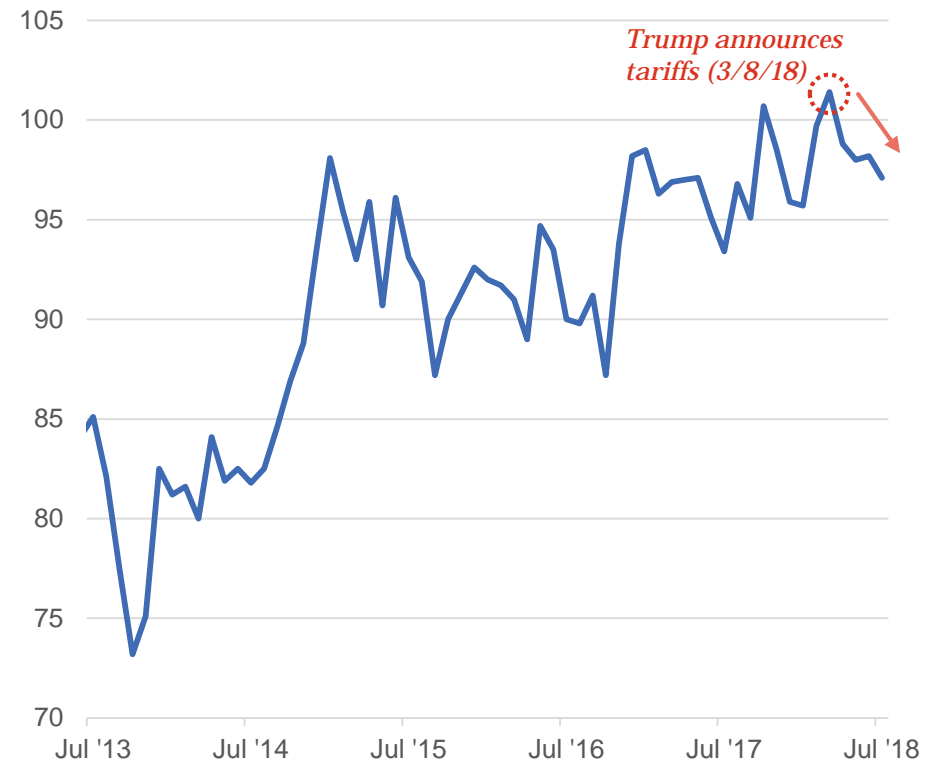


# Trade War Begins to Infiltrate U.S. Consumer Sentiment

## Negative References to Potential Impacts of Tariffs



## Consumer Sentiment



Sources: University of Michigan, FRED Economic Data.



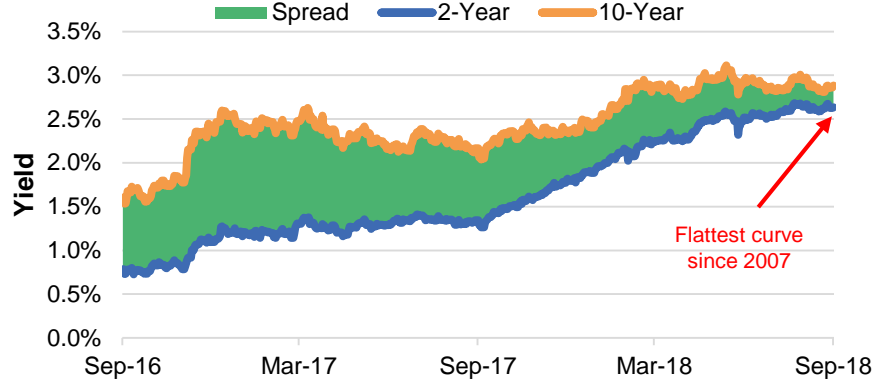


# What We're Watching... So You Should, Too

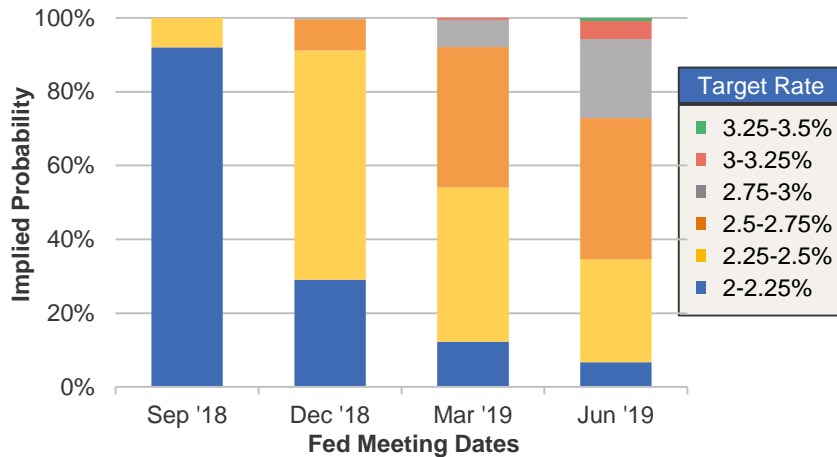
### 1-5 Year Corporate Spreads



### Flattening Yield Curve (10-Yr vs. 2-Yr)



### Market Implied Fed Rate Hike Probability



### Economic Indicators are Strong

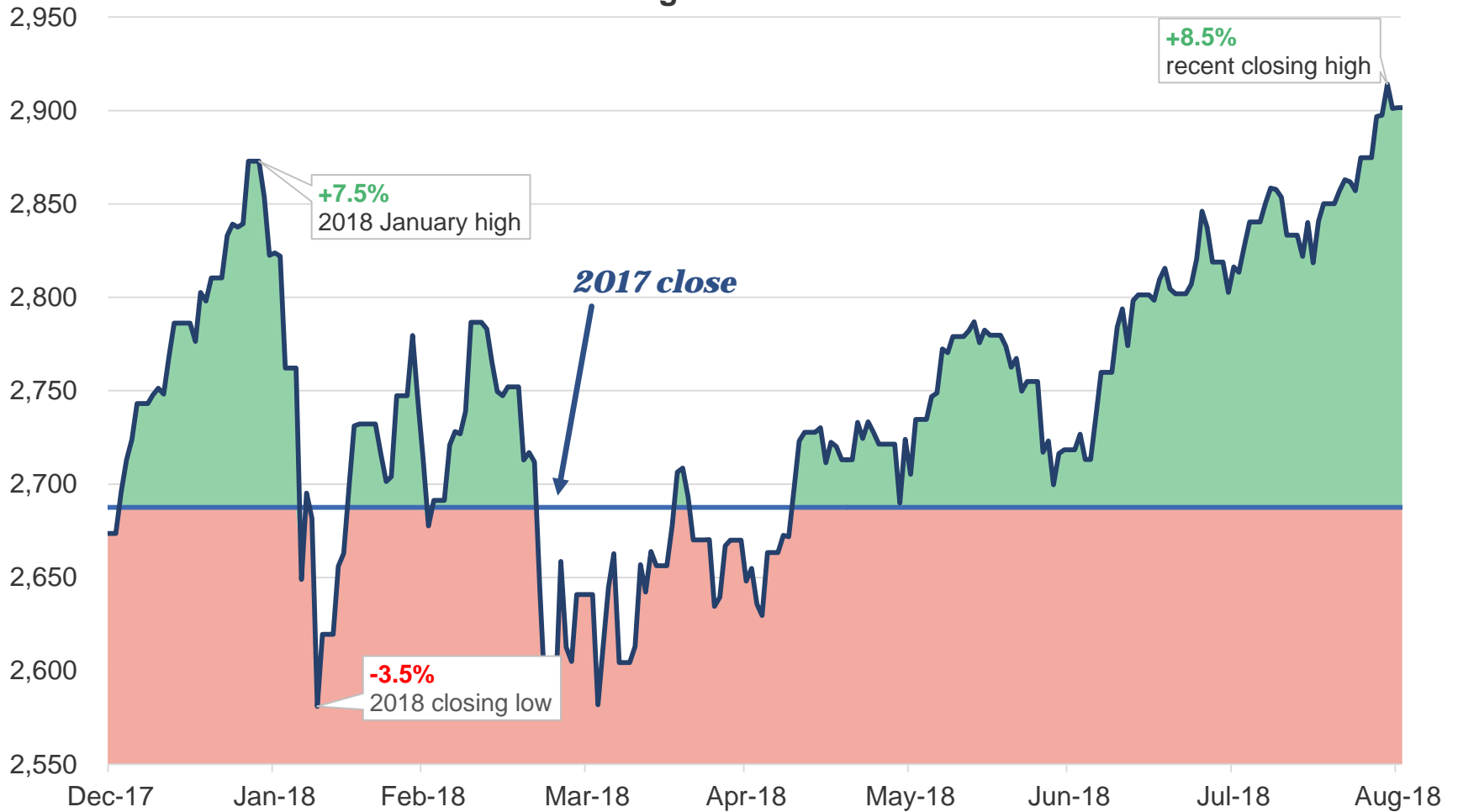
Metrics At or Near Multi-Year Bests	
U.S. GDP	Unemployment Rate
Global Growth	Job Openings
Consumer Confidence	Corporate Profits
Home Prices	Inflation

Source: Bloomberg, ICE BofAML Indices, as of 9/5/18.



# Domestic Equities March Higher after Difficult Q1

## Year-to-Date Change in S&P 500 Index



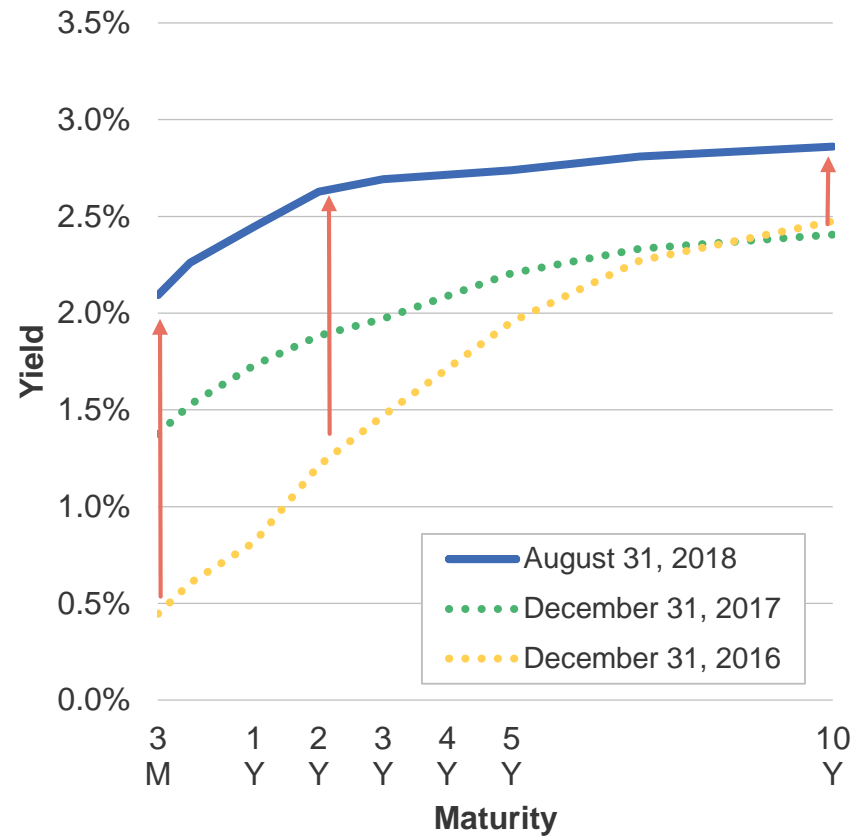
Source: Bloomberg, as of 8/31/18.



## A Flattening U.S. Treasury Yield Curve

Tenor	Current 8/31/18	Year-End 12/31/2017	Year-End 12/31/16
3 month	<b>2.09%</b>	1.38%	0.45%
6 month	<b>2.26%</b>	1.53%	0.61%
1 year	<b>2.45%</b>	1.73%	0.82%
2 year	<b>2.63%</b>	1.88%	1.21%
3 year	<b>2.69%</b>	1.97%	1.47%
5 year	<b>2.74%</b>	2.21%	1.95%
10 year	<b>2.86%</b>	2.41%	2.48%

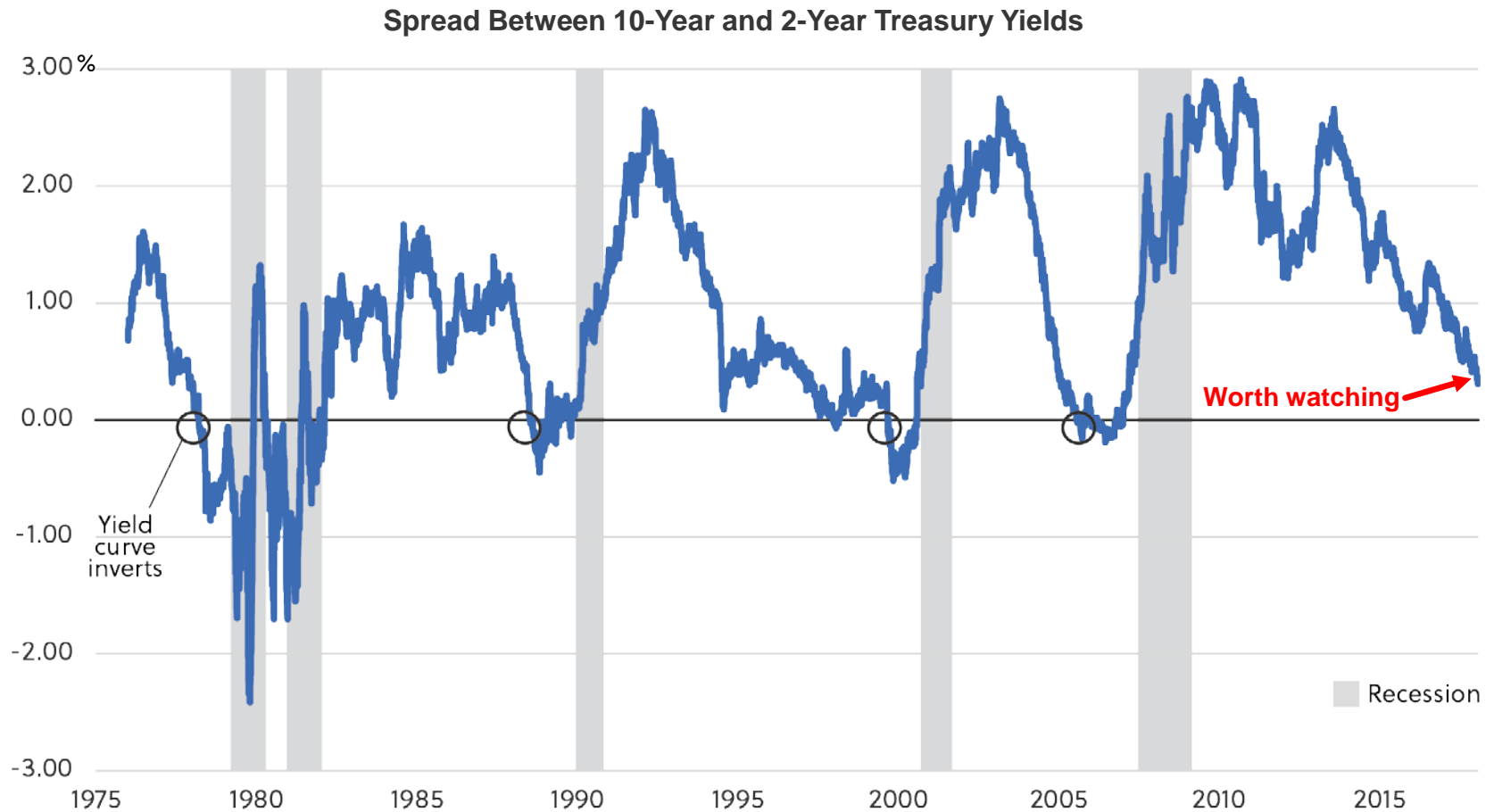
U.S. Treasury Yield Curve



Source: Bloomberg, as of 8/31/2018.



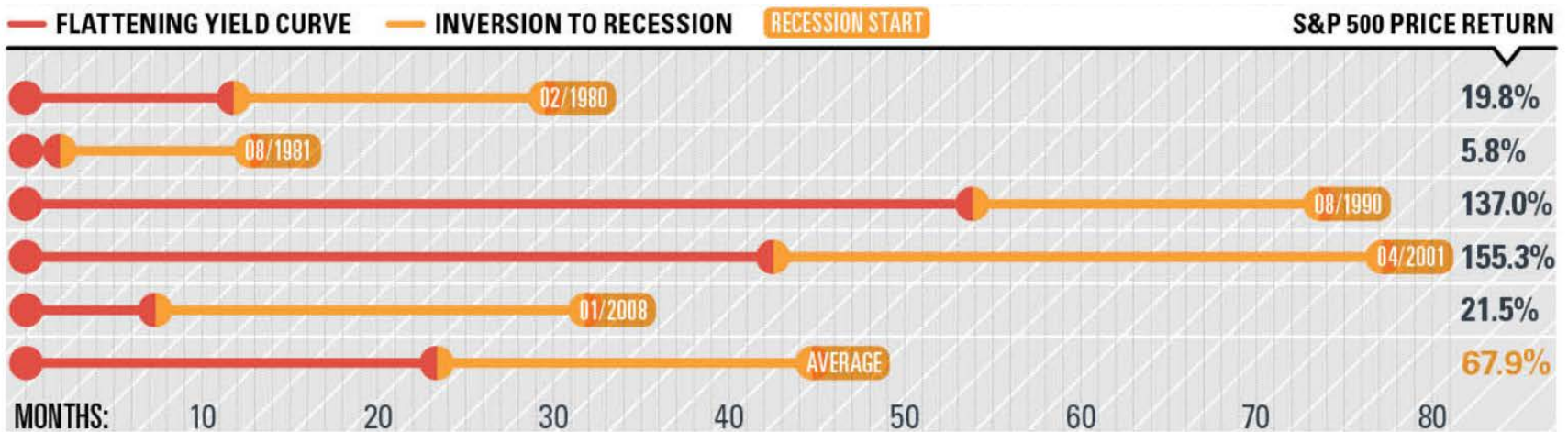
## Yield Curve Inversions Precede Recessions: Deja Vu or Not?



Source: Federal Reserve Economic Data (FRED)



## What Does the Flattening of the Yield Curve Mean?



Source (right): Wall Street Journal and Bloomberg. Source (bottom): LPL Research, FactSet.



## Yield Environment as of August 31, 2018

Maturity	Treasury	Federal Agency	AA Corporate	A Corporate
3-Month	2.08%	2.09%	2.15%	2.26%
6-Month	2.24%	2.17%	2.38%	2.44%
1-Year	2.45%	2.46%	2.59%	2.79%
2-Year	2.61%	2.68%	2.89%	3.11%
3-Year	2.71%	2.75%	3.03%	3.26%
5-Year	2.80%	2.87%	3.24%	3.47%

Source: Bloomberg BVAL yield curves for Treasury and Corporate. TradeWeb for Federal Agency yields. 3 and 6 month corporate yields from commercial paper; A-1+ for AA and A-1 for A. Yields are for indicative purposes only; actual yields may vary by issue.

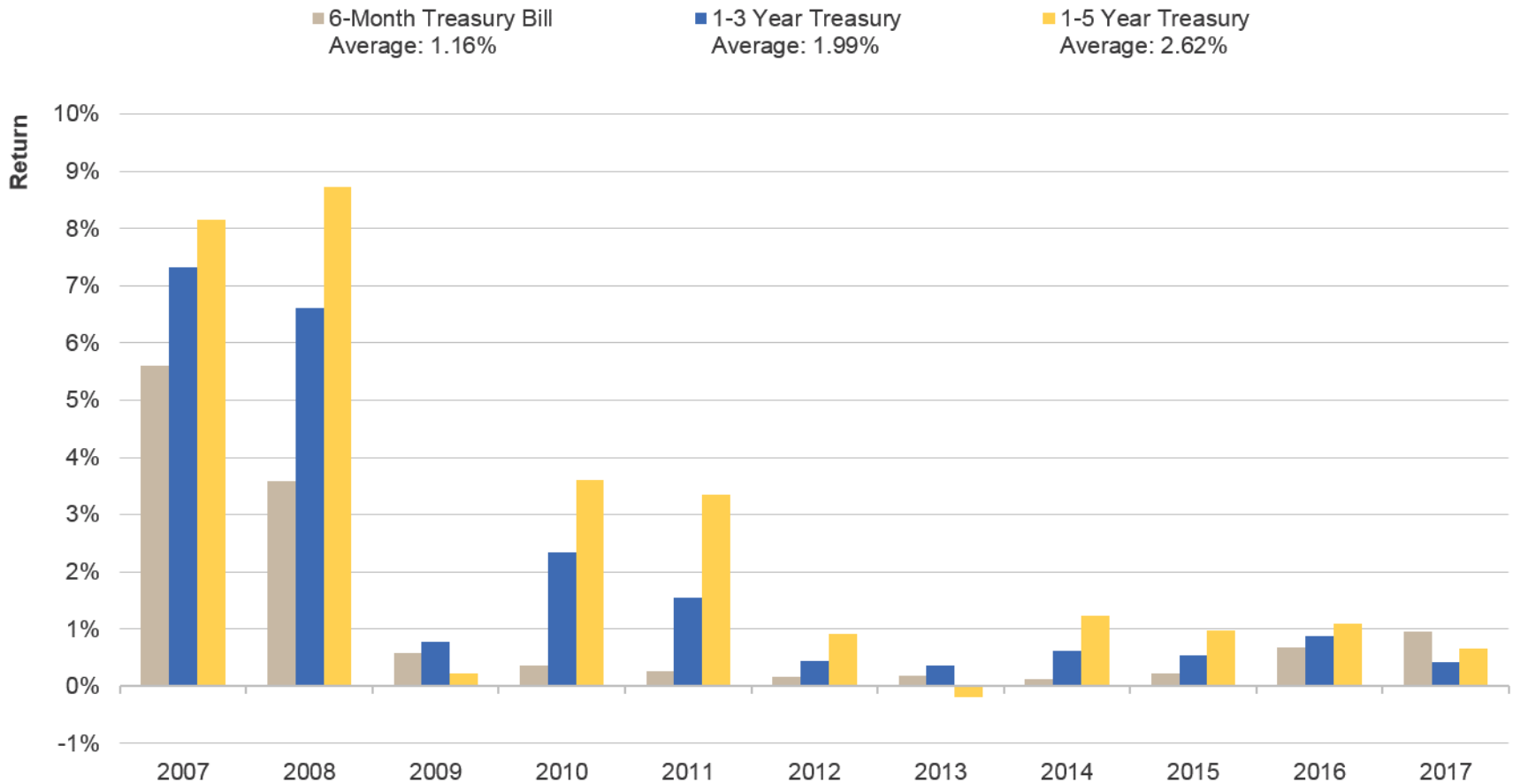


# Keys to Portfolio Planning



## Key #1: Liquidity Balance Overview

### Total Return (as of December 31, 2017)



Source: ICE Bank of America Merrill Lynch indexes.

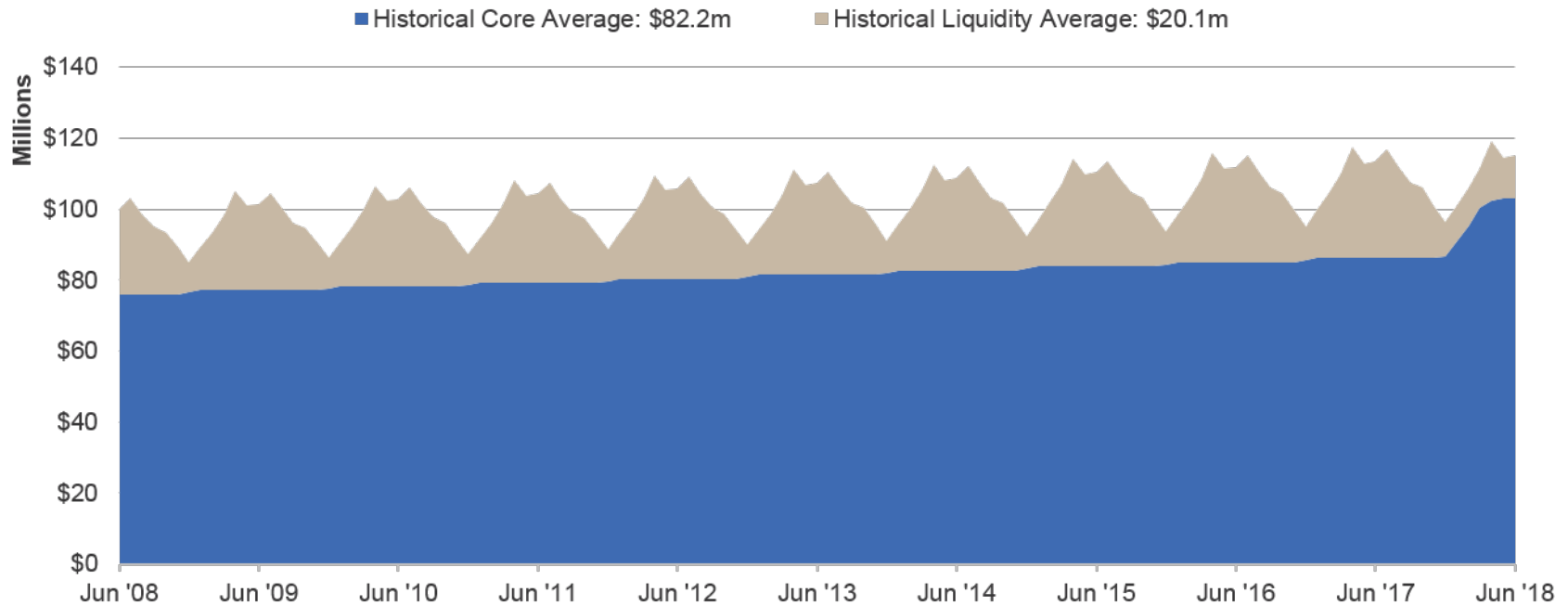




## Key #1: Liquidity Balance – Sample Cash Flow

Portfolio Planning Presentation Historical Statistics			
From June 30, 2008 to June 30, 2018			
	Total	Core	Liquidity
Monthly Average	\$102,286,295	\$82,186,759	\$20,099,537
Minimum	\$84,978,485	\$76,055,478	\$8,497,848
Maximum	\$118,977,085	\$102,959,807	\$31,105,821

### Portfolio Planning Presentation Portfolio Review



Source: PFM.



## Key #1: Liquidity Balance – Sample Seasonal Analysis

Portfolio Seasonality			
Month	Average Balance	Historical Factor	Average Change
January	\$95,019,028	92.93%	\$4,465,413
February	\$99,532,990	97.35%	\$4,513,962
March	\$104,660,456	102.36%	\$5,127,466
April	\$111,831,183	109.38%	\$7,170,727
May	\$107,528,801	105.17%	-\$4,302,382
June	\$107,324,354	104.97%	\$527,988
July	\$109,773,525	107.36%	\$3,212,888
August	\$104,958,748	102.65%	-\$4,814,777
September	\$101,054,772	98.84%	-\$3,903,976
October	\$99,610,145	97.42%	-\$1,444,627
November	\$95,084,122	93.00%	-\$4,526,023
December	\$90,553,615	88.57%	-\$4,530,507



## Investment Objectives – Yield vs. Total Return

**Yield** is the income return at a point in time, expressed as an annualized rate of return based on cost, and is forward-looking. The calculation of yield assumes no changes in cash flow and reinvestment rates.

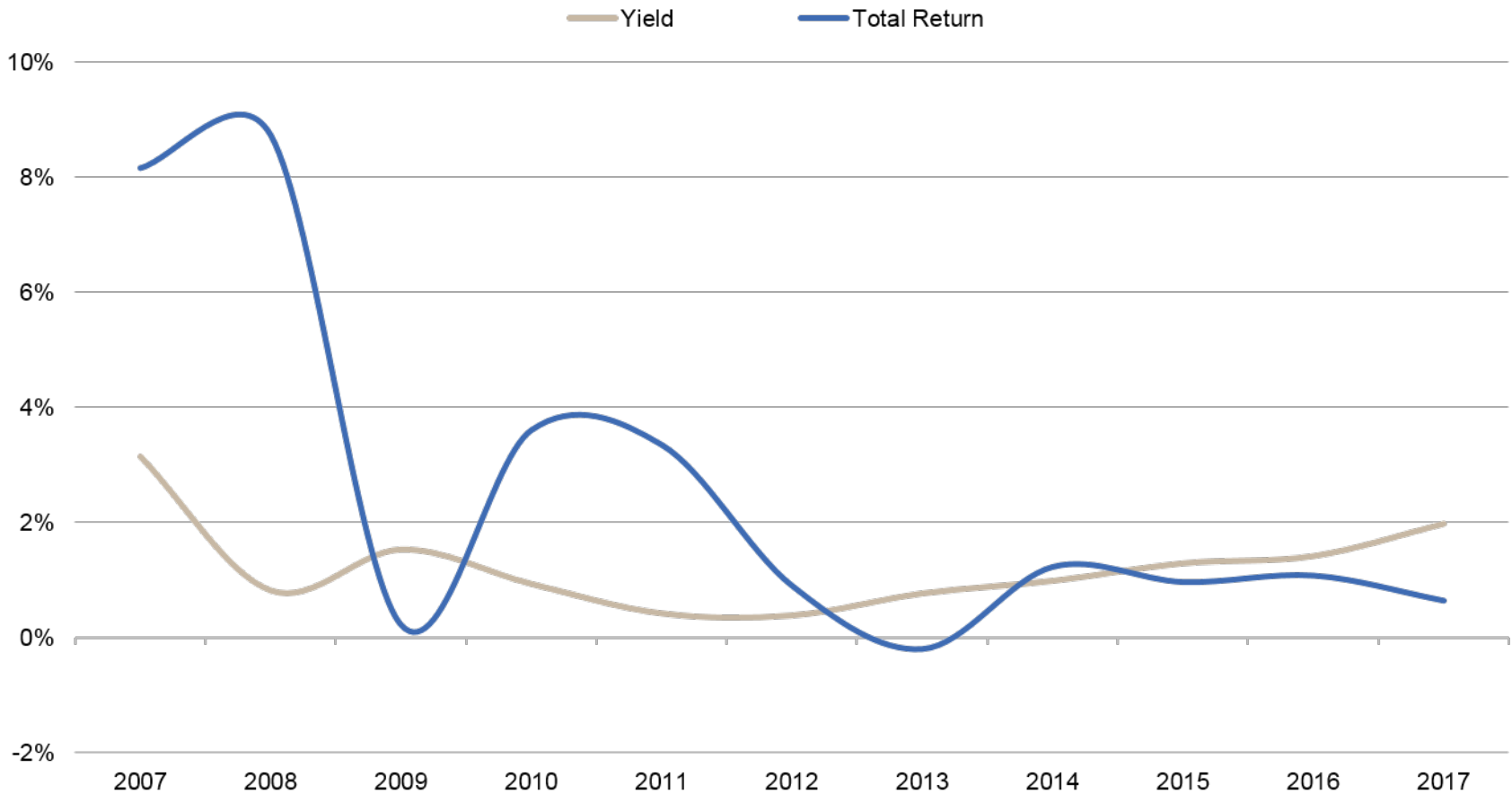
**Total return** is calculated based on interest and both realized and unrealized changes in market value, expressed as a rate of return over a specified period of time based on cost, and is backward-looking.

Earnings Target Approach	Total Return Approach
<ul style="list-style-type: none"> <li>- Focused on income stability and useful for budgeting purposes</li> <li>- Does not account for changes in market value</li> <li>- Not sufficient for assessing risk and performance</li> </ul>	<ul style="list-style-type: none"> <li>- Focused on long-term performance and growth</li> <li>- Affected by both yield and market value fluctuations</li> <li>- Reflects “true value” of the portfolio</li> <li>- Recommended approach by the Government Finance Officers Association</li> </ul>
<p><b>Portfolio Management Style</b></p> <ul style="list-style-type: none"> <li>- Can limit active management strategies</li> <li>- Focused on meeting earnings target</li> <li>- May sacrifice higher earnings in the future to avoid negatively affecting current year earnings</li> </ul>	<p><b>Portfolio Management Style</b></p> <ul style="list-style-type: none"> <li>- Flexible active management</li> <li>- More flexibility to capitalize on new opportunities from changes in interest rates</li> <li>- Can be negative during rising interest rates</li> </ul>



## Key #2: Investment Objectives – Keep Your Eye on the Ball

1-5 Year Treasury Periodic Annual Yield and Total Return (as of December 31, 2017)

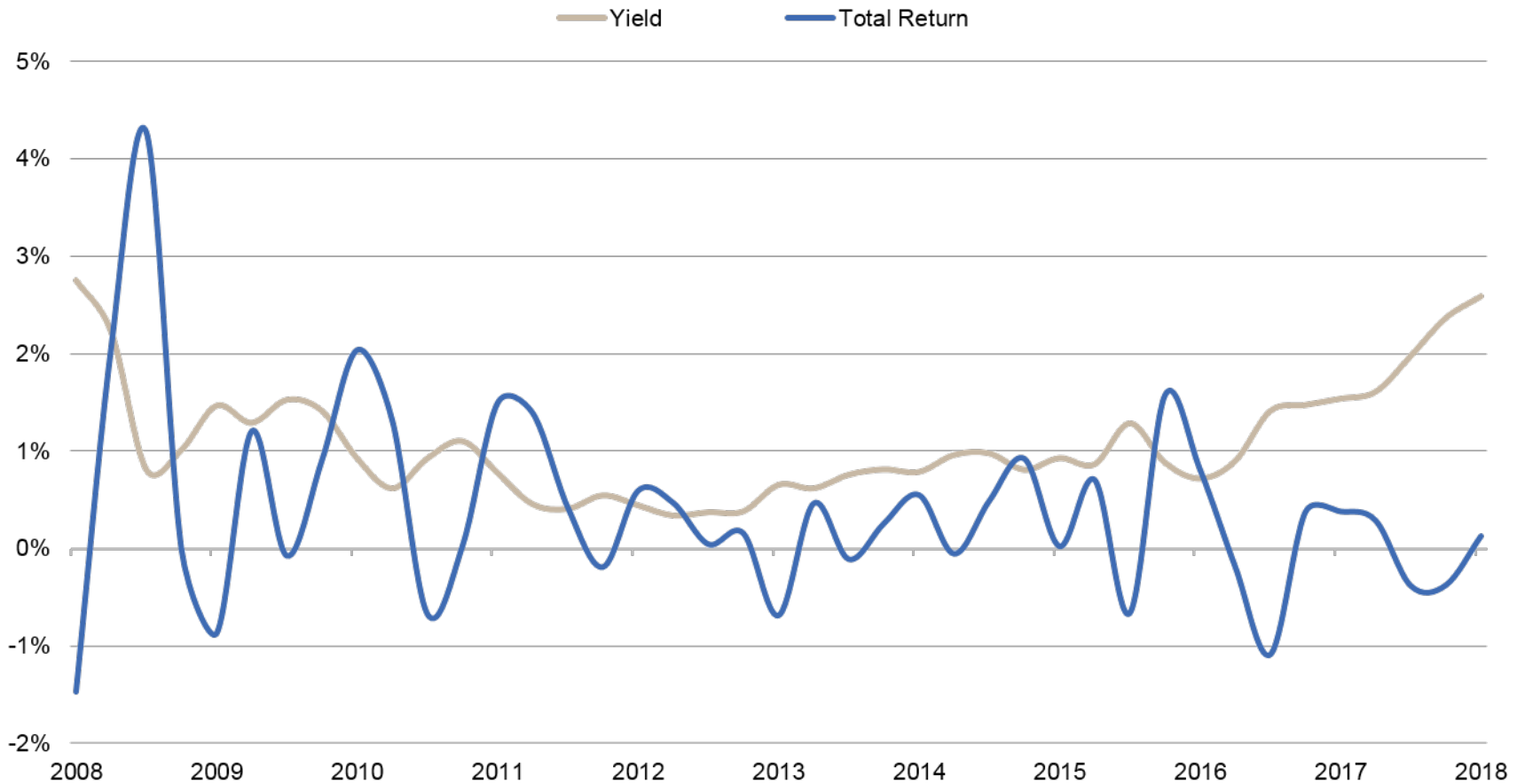


Source: ICE Bank of America Merrill Lynch indexes.



## Key #2: Investment Objectives – Keep Your Eye on the Ball

1-5 Year Treasury Periodic Quarterly Yield and Total Return (as of June 30, 2018)

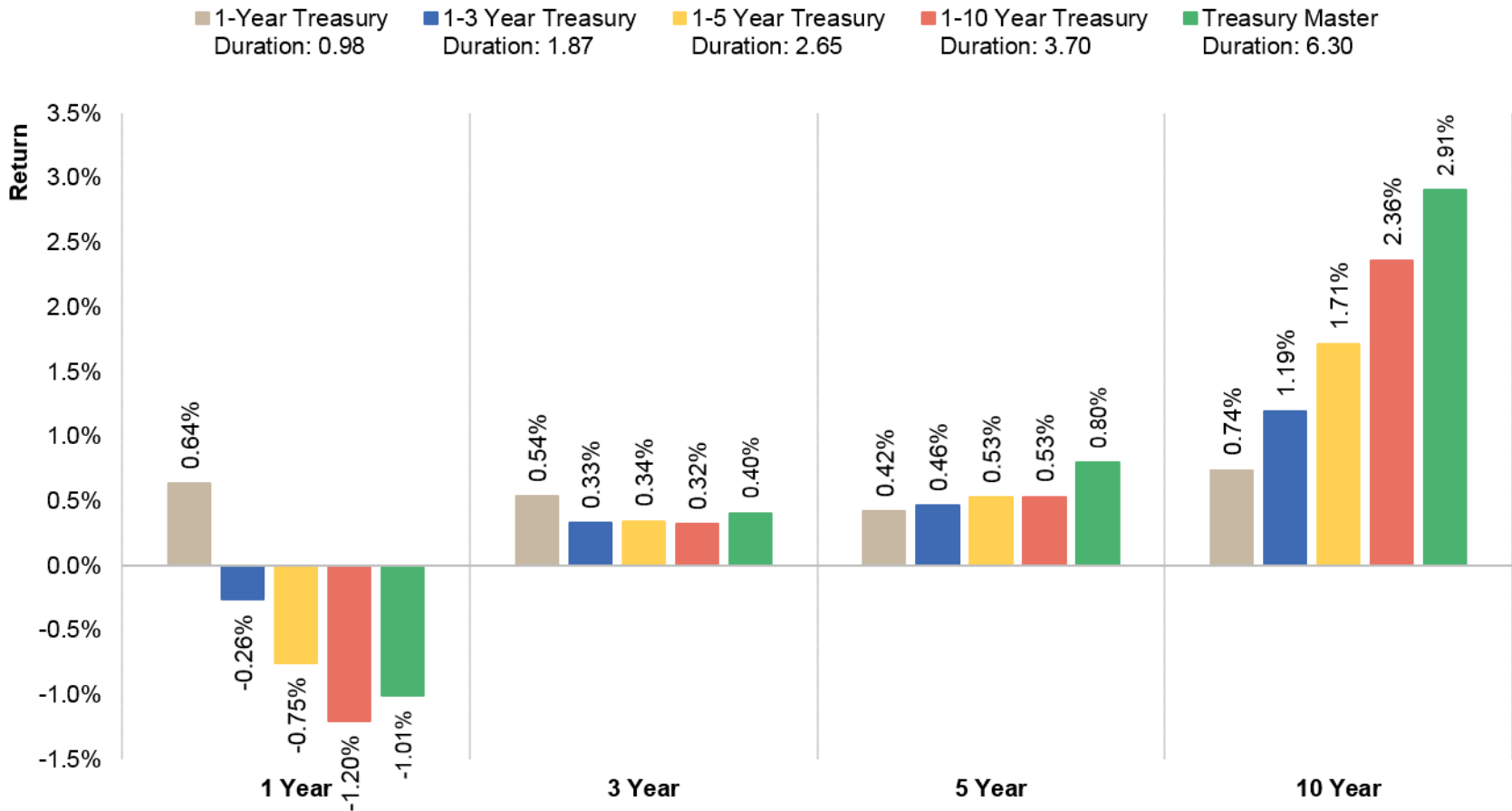


Source: ICE Bank of America Merrill Lynch indexes.



## Key #3: Duration Selection

### Total Returns % (U.S. Treasury Benchmarks as of June 30, 2018)



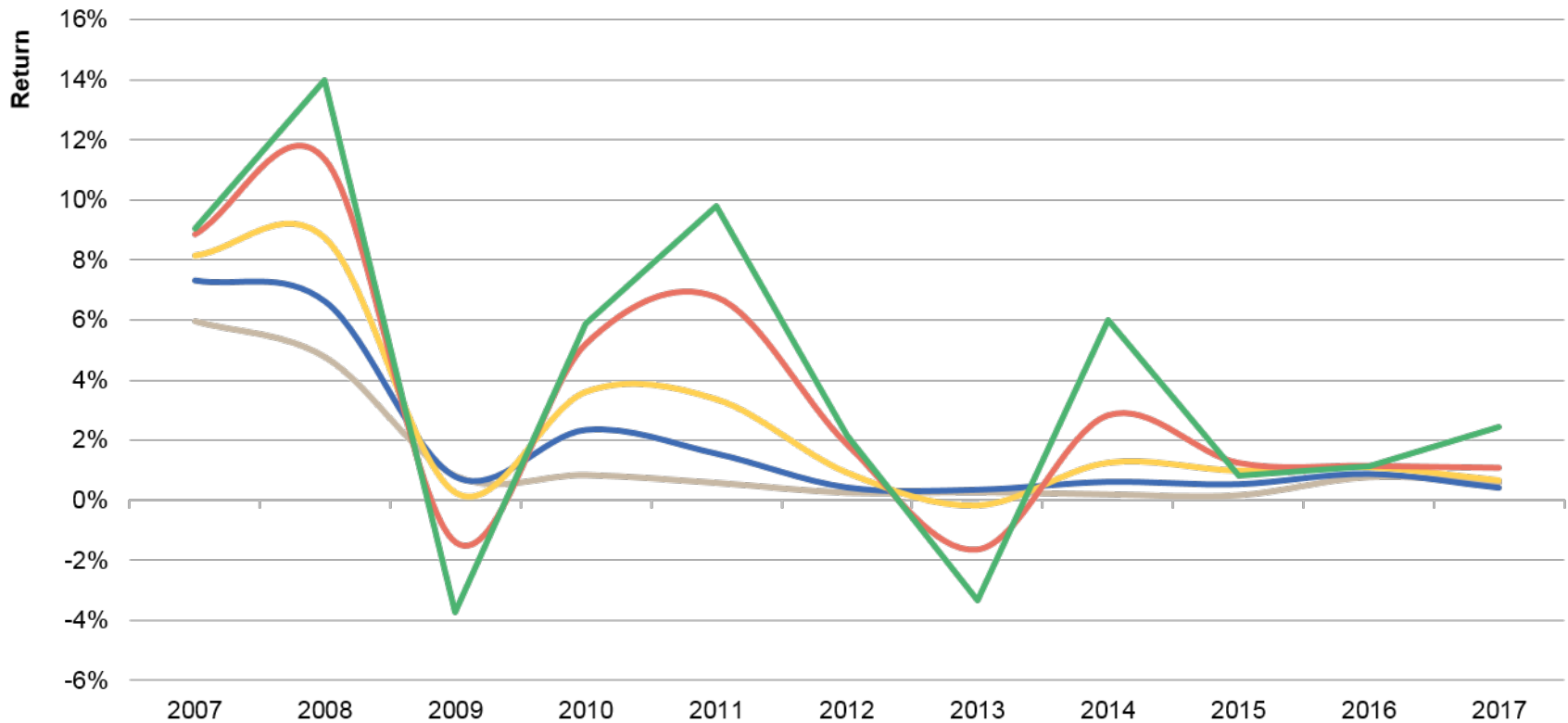
Source: ICE Bank of America Merrill Lynch indexes.



## Key #3: Duration Selection Matters

### Periodic Annual % (U.S. Treasury Benchmarks as of December 31, 2017)

1-Year Treasury Duration: 0.99    1-3 Year Treasury Duration: 1.86    1-5 Year Treasury Duration: 2.66    1-10 Year Treasury Duration: 3.75    Treasury Master Duration: 6.43

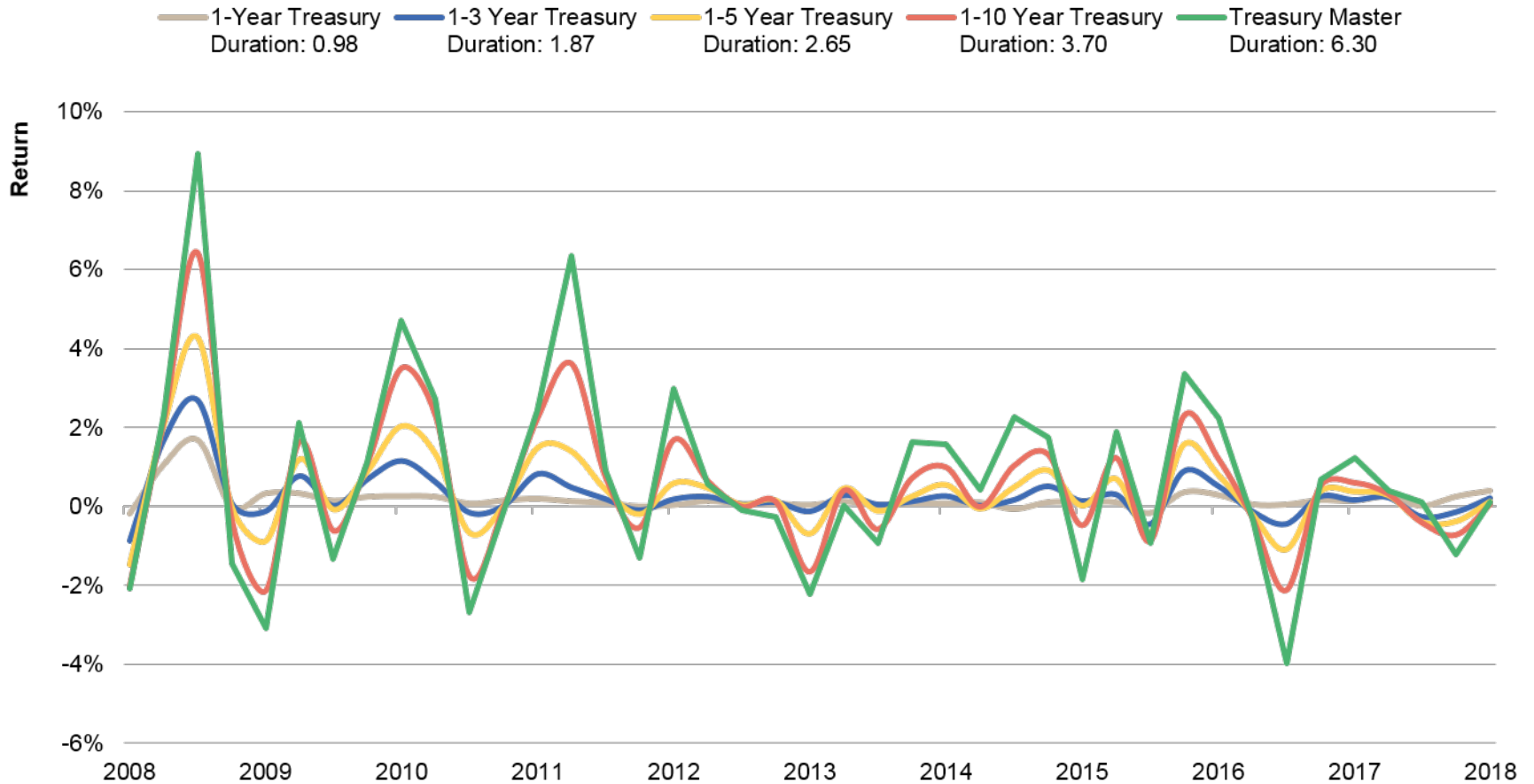


Source: ICE Bank of America Merrill Lynch indexes.



## Key #3: Duration Selection Matters

Periodic Quarterly % (U.S. Treasury Benchmarks as of June 30, 2018)



Source: ICE Bank of America Merrill Lynch indexes.





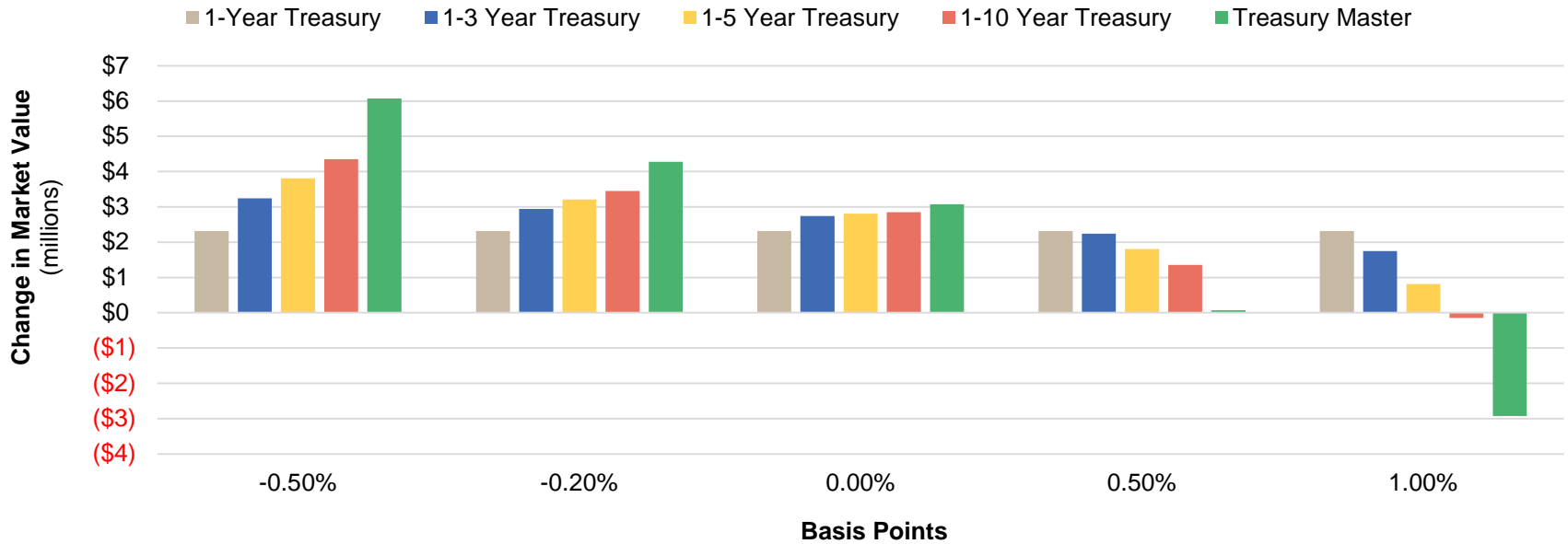
## Key #3: Duration Selection Impacts Market Value

### \$100 Million Dollar Portfolio Current Interest Rate Sensitivity

(Market value change is expressed in millions of dollars, source: Bloomberg, PFM. Proxy Yields as of June 30, 2018)

12-Month Horizon								
Benchmark	Duration	Proxy Security	Proxy Yield	-0.50%	-0.20%	0.00%	0.50%	1.00%
1-Year Treasury	0.98	1-Year Treasury	2.31%	\$2.3	\$2.3	\$2.3	\$2.3	\$2.3
1-3 Year Treasury	1.87	2-Year Treasury	2.53%	\$3.2	\$2.9	\$2.7	\$2.2	\$1.7
1-5 Year Treasury	2.65	3-Year Treasury	2.62%	\$3.8	\$3.2	\$2.8	\$1.8	\$0.8
1-10 Year Treasury	3.70	4-Year Treasury	2.68%	\$4.4	\$3.5	\$2.9	\$1.4	(\$0.1)
Treasury Master	6.30	7-Year Treasury	2.82%	\$6.1	\$4.3	\$3.1	\$0.1	(\$2.9)

### 12-Month Horizon



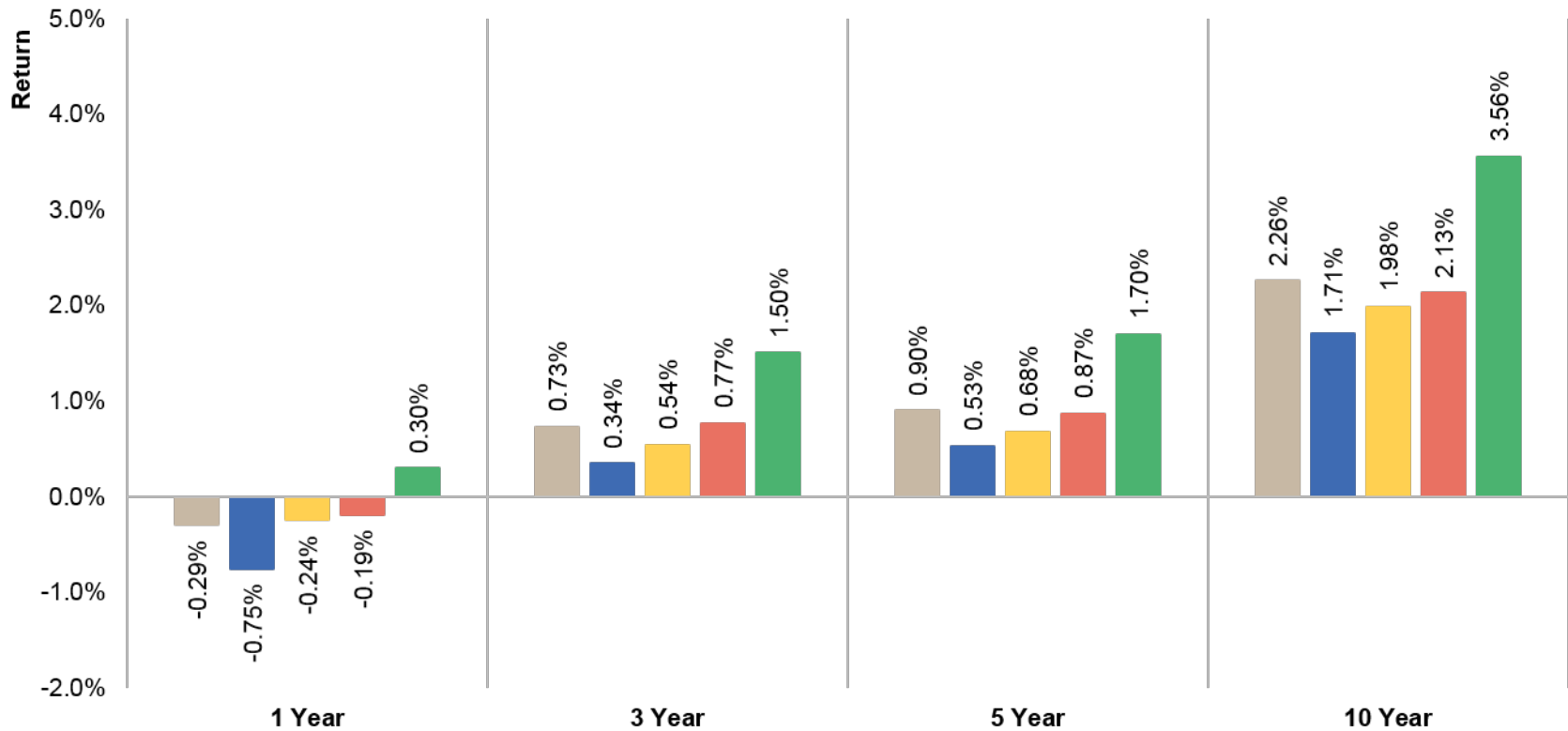
Source: Bloomberg, ICE Bank of America Merrill Lynch Indexes, and PFM.



## Key #4: Sector Selection

### Total Returns % (1-5 Year Benchmarks as of June 30, 2018)

■ Custom Index Duration: 2.52    
 ■ 1-5 Year Treasury Duration: 2.65    
 ■ 1-5 Year Bullet Agencies Duration: 2.10    
 ■ 1-5 Year Municipal Duration: 2.45    
 ■ 1-5 Year Corporate Duration: 2.78



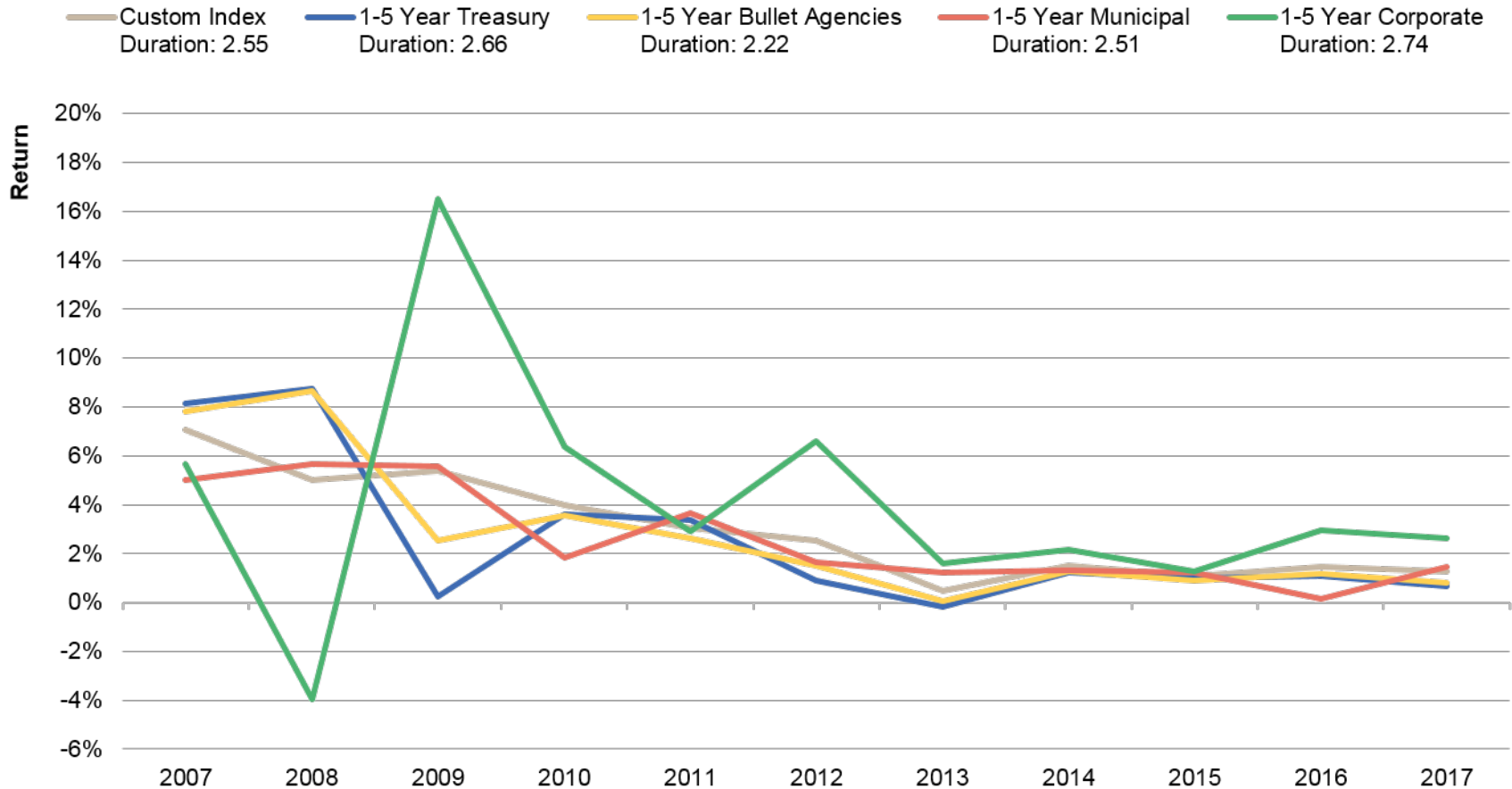
Source: ICE Bank of America Merrill Lynch indexes.

Custom Index is composed of ICE BAML 1-5 Year indexes allocated 40% to Treasury, 20% Bullet Agencies, 5% Callable Agencies, 10% Municipal, and 25% Corporate.



## Key #4: Sector Selection Can Add Value

### Periodic Annual % (1-5 Year Benchmarks as of December 31, 2017)



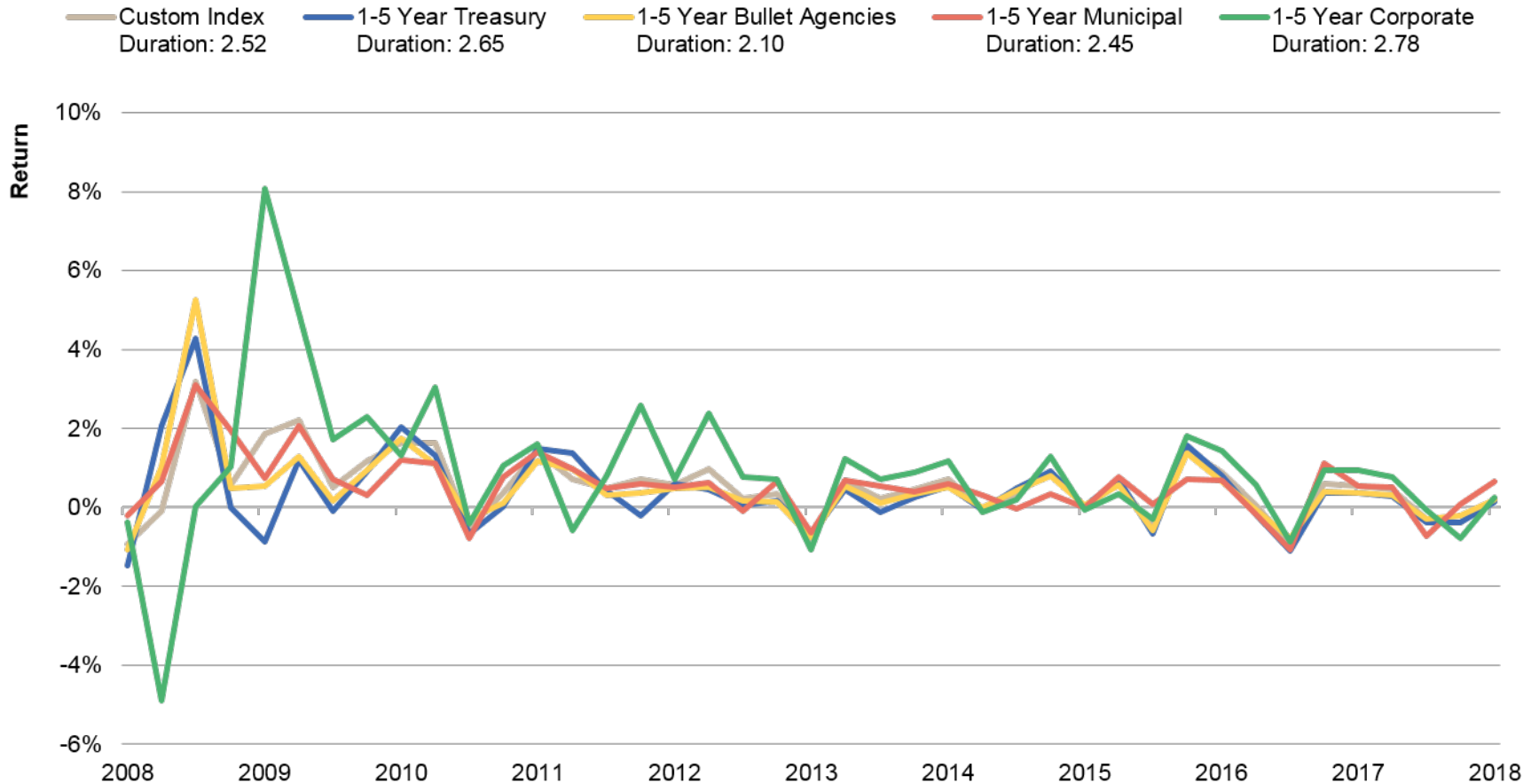
Source: ICE Bank of America Merrill Lynch indexes.

Custom Index is composed of ICE BAML 1-5 Year indexes allocated 40% to Treasury, 20% Bullet Agencies, 5% Callable Agencies, 10% Municipal, and 25% Corporate.



## Key #4: Sector Selection Can Add Value

### Periodic Quarterly % (1-5 Year Benchmarks as of June 30, 2018)



Source: ICE Bank of America Merrill Lynch indexes.

Custom Index is composed of ICE BAML 1-5 Year indexes allocated 40% to Treasury, 20% Bullet Agencies, 5% Callable Agencies, 10% Municipal, and 25% Corporate.



## Diversification Matters

Annual Index Returns	Duration	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Annualized Average
1-5 Year Treasury	2.66	8.16%	8.73%	16.50%	6.36%	3.66%	6.59%	1.78%	2.15%	1.28%	2.96%	2.64%	3.95%
1-5 Year Bullet Agencies	2.22	7.81%	8.63%	14.69%	4.86%	3.36%	4.49%	1.61%	1.38%	1.27%	2.39%	1.91%	3.29%
1-5 Year Callable Agencies	2.11	7.32%	7.78%	5.56%	3.61%	2.90%	1.63%	1.24%	1.30%	1.20%	1.19%	1.46%	2.77%
1-5 Year Municipal	2.51	7.12%	6.61%	4.21%	3.54%	2.62%	1.52%	1.07%	1.29%	1.01%	1.09%	1.00%	2.59%
1-5 Year Corporate	2.74	6.00%	5.65%	2.53%	2.67%	2.36%	1.03%	0.43%	1.24%	0.98%	0.99%	0.99%	2.57%
1-3 Year Treasury	1.86	5.77%	5.16%	2.23%	2.35%	1.76%	0.91%	0.40%	1.19%	0.92%	0.95%	0.86%	2.30%
1-3 Year Bullet Agencies	1.82	5.67%	4.84%	2.14%	1.85%	1.67%	0.89%	0.36%	0.73%	0.90%	0.89%	0.82%	2.04%
1-3 Year Callable Agencies	1.81	5.67%	4.68%	1.83%	1.29%	1.60%	0.85%	0.03%	0.72%	0.76%	0.81%	0.65%	1.96%
1-3 Year Municipal	1.83	5.00%	-2.68%	0.78%	1.24%	1.55%	0.69%	-0.01%	0.62%	0.64%	0.33%	0.59%	1.91%
1-3 Year Corporate	1.88	4.69%	-3.99%	0.23%	1.08%	1.21%	0.43%	-0.19%	0.58%	0.54%	0.16%	0.42%	1.71%

Source: ICE Bank of America Merrill Lynch indexes.



## Components of a Strong Investment Policy

### ◆ Objectives and Standards

- Safety, Liquidity, Yield
- Standard of Prudence
- Ethics and Conflicts of Interest
- Delegation of Authority

### ◆ Constraints

- Authorized Investments
- Diversification by Asset Class
- Diversification by Issuer
- Maximum Maturity of Single Security
- Maximum Maturity of Fund
- Targeted Duration/Weighted Average Maturity
- Prohibited Investments

### ◆ Operational Policies

- Security Downgrades
- Selection of Broker/Dealers
- Engagement of Investment Managers
- Competitive Selection of Investment Instruments
- Safekeeping and Custody
- Internal Controls
- Collateralization of Deposits

### ◆ Reporting

- Performance Standards
- Required Monthly / Quarterly Reporting



## Example: Defining Your Investment Parameters

Sector Type	Sector Max (%)	Issuer Max (%)	Ratings Requirement <sup>1</sup>	Max Maturity
US Treasury	100%	N/A	N/A	10 Years
Federal Agency	75%	35% <sup>3</sup>	N/A	10 Years
Agency MBS	15%		N/A	10 Years <sup>2</sup>
Corporate Notes	25%	5%	Top Three Ratings Categories	10 Years
Commercial Paper		5%	Highest Ratings Category	270 Days
Negotiable CDs		5%	Top Three Ratings Categories	10 Years
Municipals	30%	5%	Top Three Ratings Categories	10 Years

<sup>1</sup>By a Nationally Recognized Statistical Ratings Organization (“NRSRO”)

<sup>2</sup>Agency MBS securities shall have a maximum weighted average life of 10 years

<sup>3</sup>Federal Agency and Agency MBS securities are limited to a combined 35% maximum issuer allocation

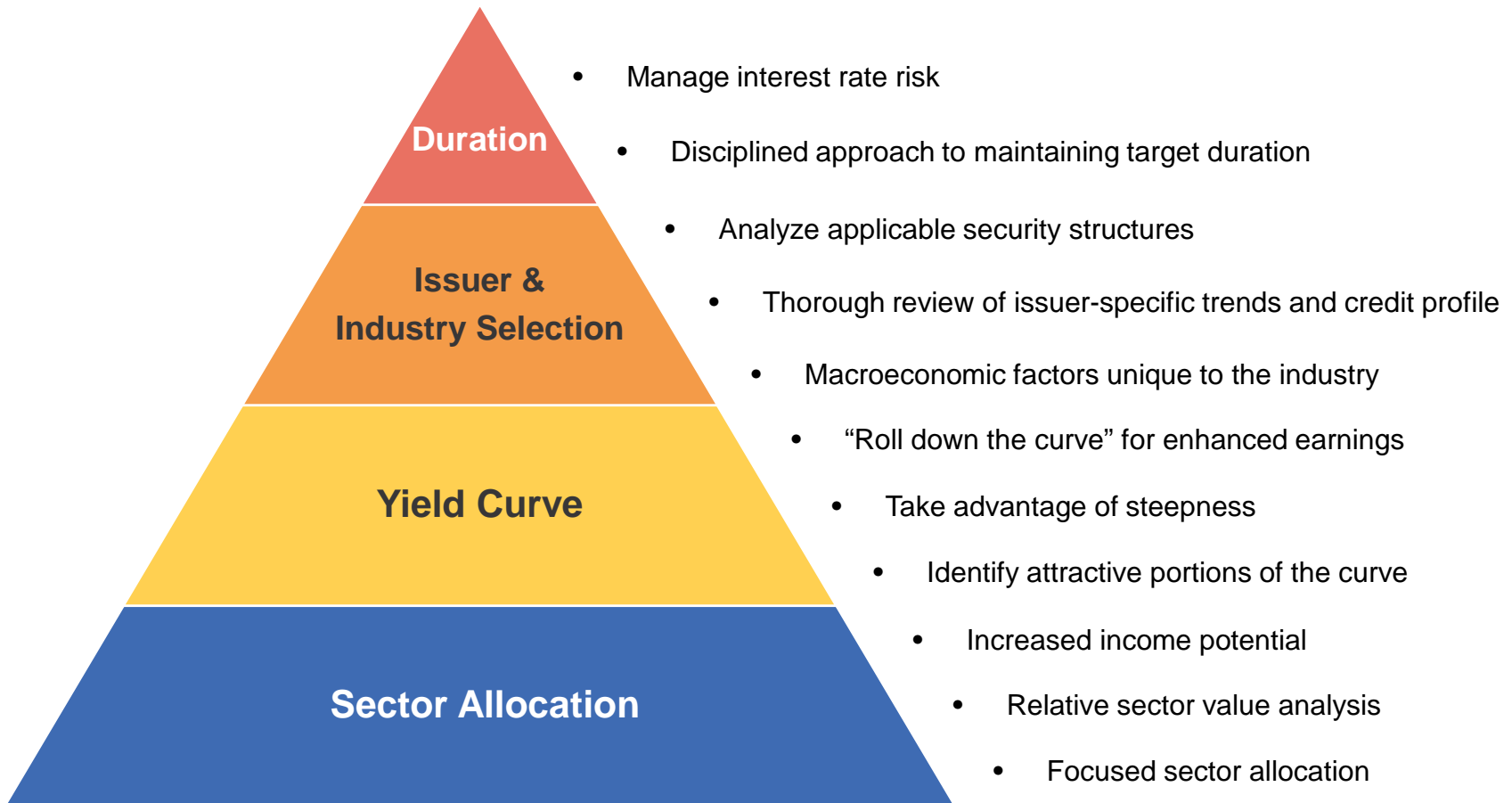


# Building an Optimal Investment Program



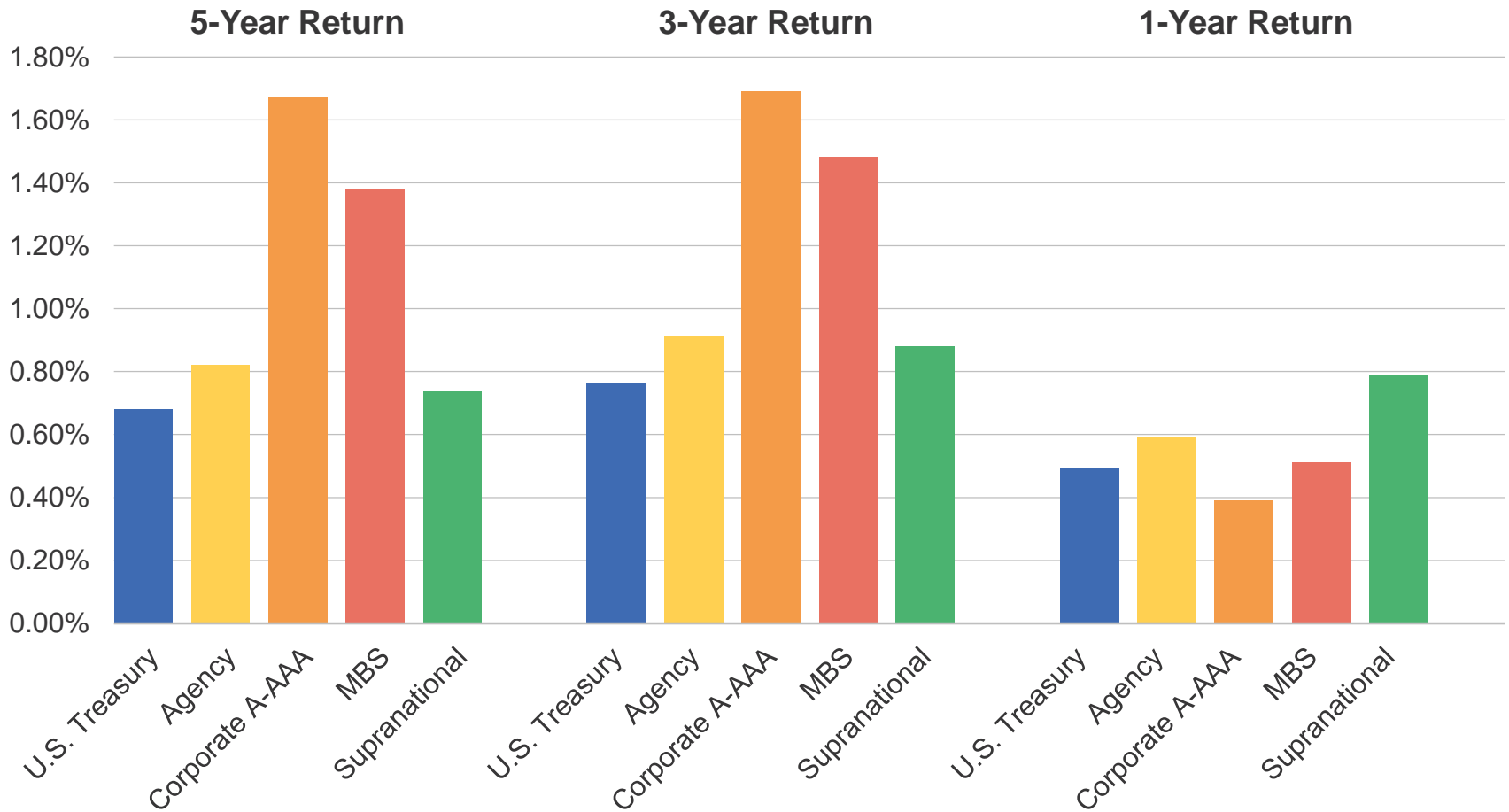


## Building Blocks of Portfolio Management





## Sector Returns over Time

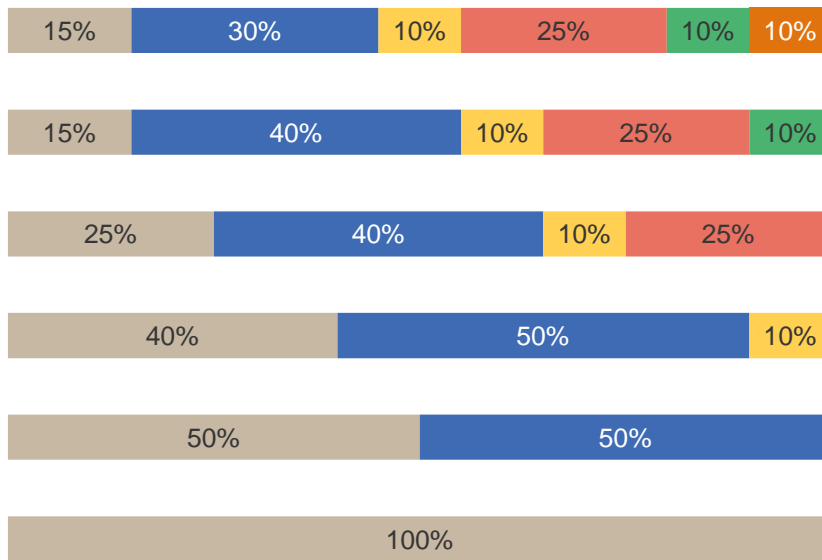


Source: ICE BofA Merrill Lynch Indices. MBS index is 0-5 year, based on weighted average life. As of 8/31/2018. Returns greater than 1-year are annualized.

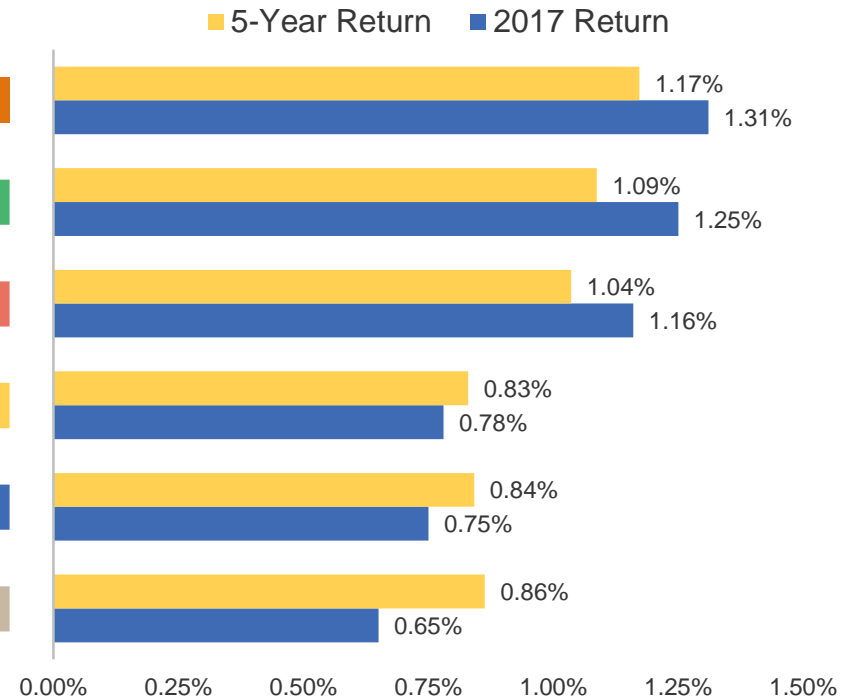


# Return Benefits of Diversification

## Example 1-5 Year Portfolio Sector Allocation



## Portfolio Return



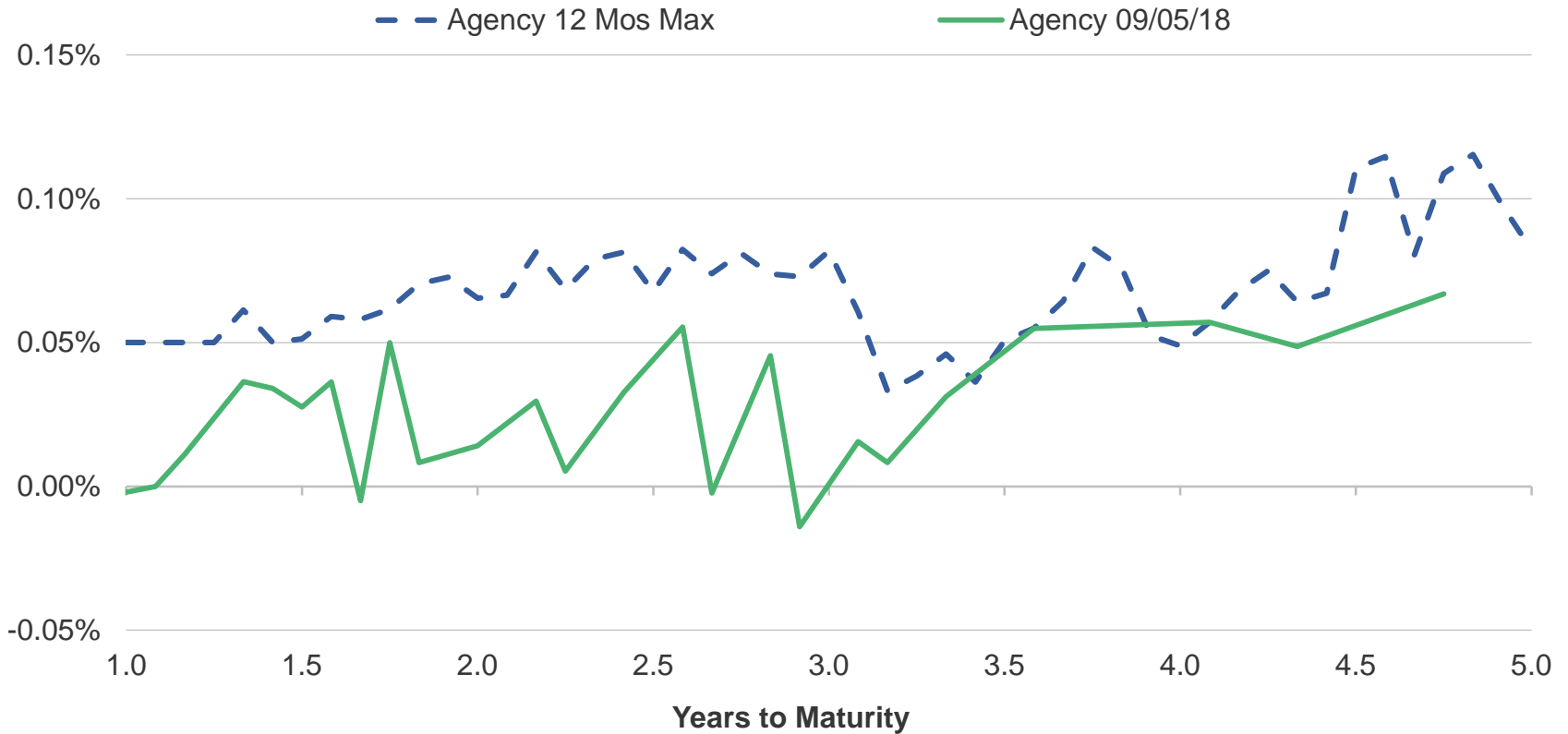
Treasury
  Agency
  Supranational
  Corp A-AAA
  Mortgage-Backed Securities
  Asset-Backed Securities

Example portfolio returns are based on the ICE BofA Merrill Lynch 1-5 Year indices for all sectors except for Supranational which uses the 1-3 Year index and are annualized for trailing periods longer than one year. Source: ICE BofA Merrill Lynch Indices, as of 8/31/18.



## Assessing and Finding Relative Value

### Federal Agency Yield Spreads

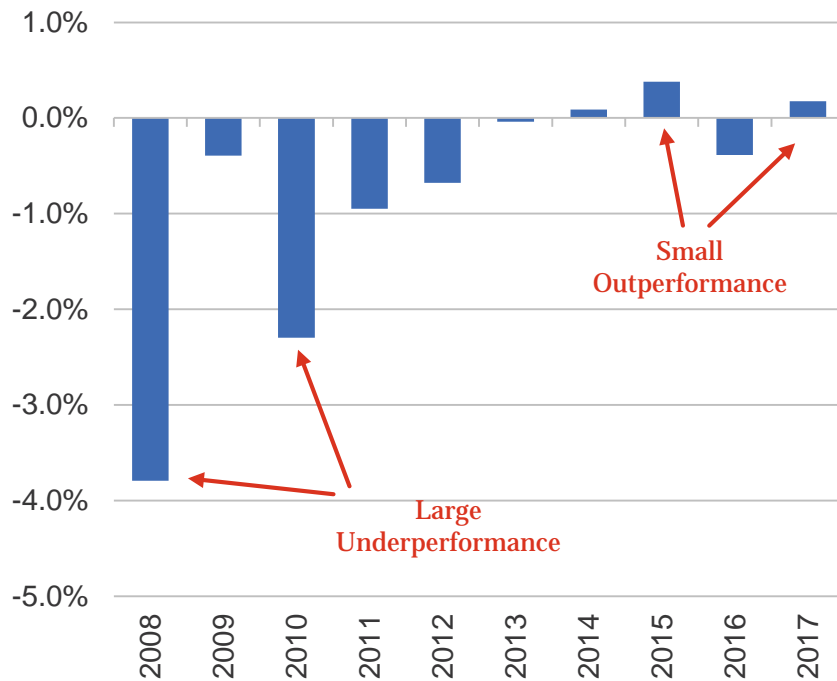




## Callable Bonds Offer Asymmetric Returns

- The maximum benefit of a callable security is the initial yield spread, but non-callable securities can generate significantly higher returns in comparison, especially during periods of falling rates.

Callable vs. Bullet Agency Returns (1-5 Year)



Annual Returns  
Callable vs. Bullet Agencies (1-5 Year)

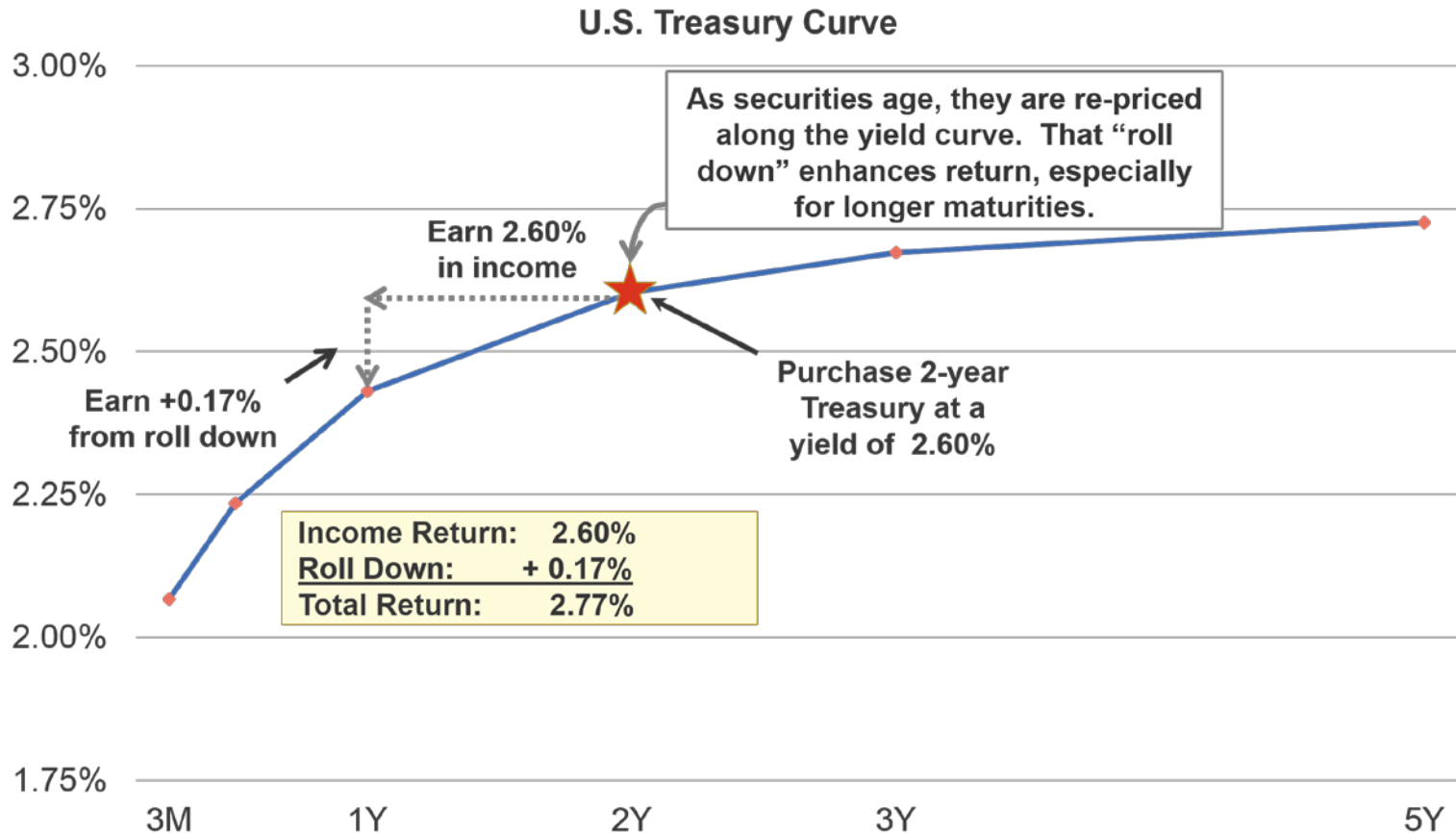
Year	Callable	Bullet	Difference
2008	4.84%	8.63%	-3.79%
2009	2.14%	2.53%	-0.39%
2010	1.24%	3.54%	-2.30%
2011	1.67%	2.62%	-0.95%
2012	0.85%	1.52%	-0.68%
2013	-0.01%	0.03%	-0.04%
2014	1.38%	1.29%	+0.09%
2015	1.28%	0.90%	+0.38%
2016	0.81%	1.19%	-0.38%
2017	0.99%	0.82%	+0.17%
<b>10-Year Average</b>	<b>1.52%</b>	<b>2.31%</b>	<b>-0.79%</b>

Source: Bloomberg. ICE BofA Merrill Lynch 1-5 Year indices, as of 12/31/17.



## Non-Callable Bonds Benefit From Roll Down

- Callable bonds have limited ability to appreciate in value because they are callable at par. Non-callable bonds have much more market appreciation capability, especially in a falling interest rate environment.



Source: Bloomberg, as of 8/21/18.



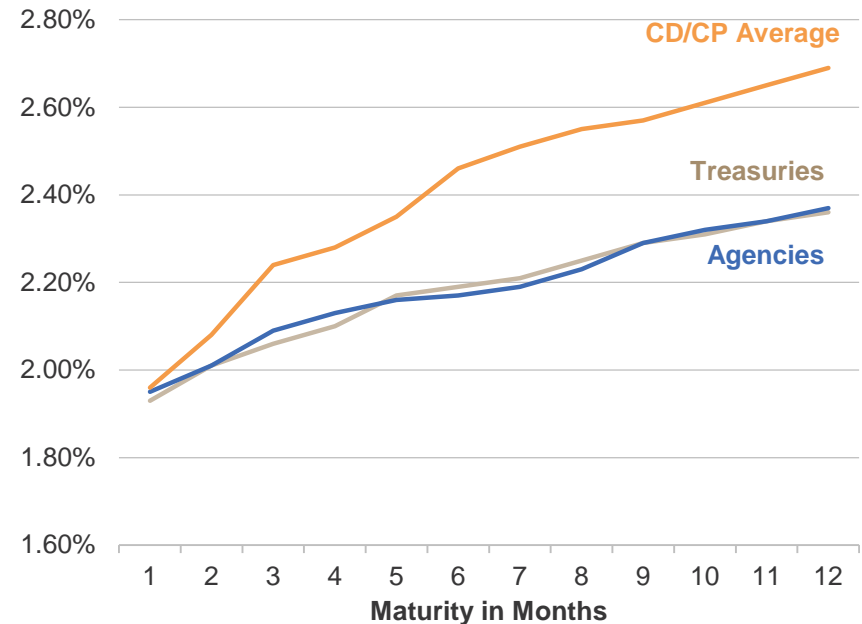
## Current Short-Term Credit Environment

- Short-term credit spreads have tightened since Q1, but commercial paper and negotiable bank CDs remain attractive alternatives to Treasuries and federal agencies.
- While, current yields indicate CP/CDs are generally fairly valued, they offer value in several areas of the curve, particularly in the 3-6 month range, where they compensate for 1-2 more Fed rate hikes

### Yield Spread on 6-month Commercial Paper over T-Bill



### Money Market Yield Curves

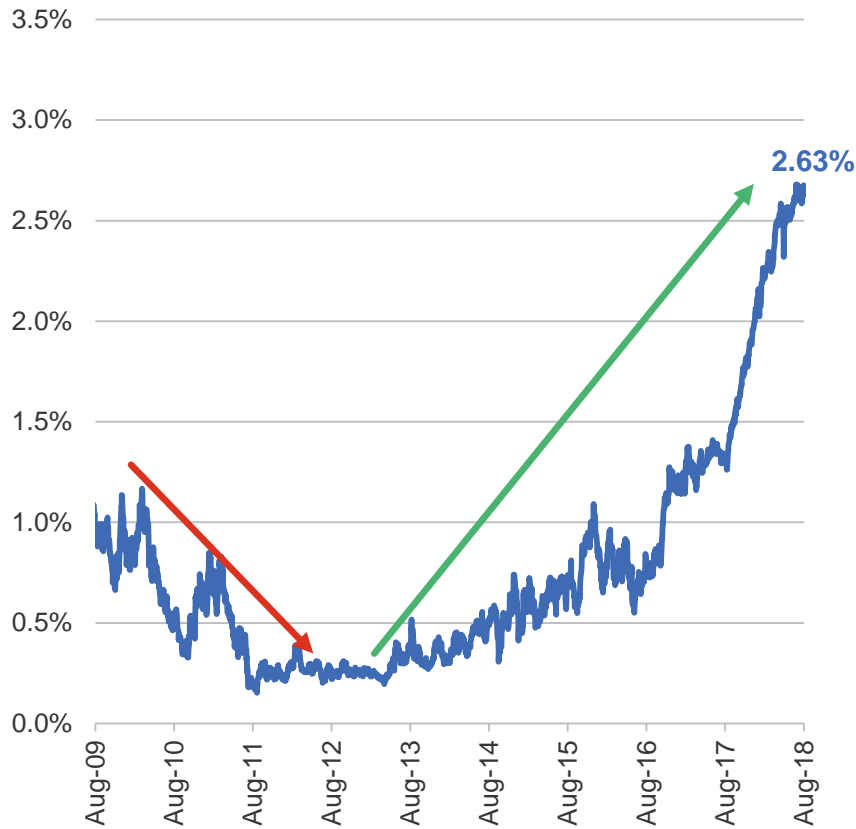


Source: Bloomberg, PFMAM Trading Desk, as of 8/31/18. Not a specific recommendation. 6-mo CP yield spread based on A1/P1 rated CP index.



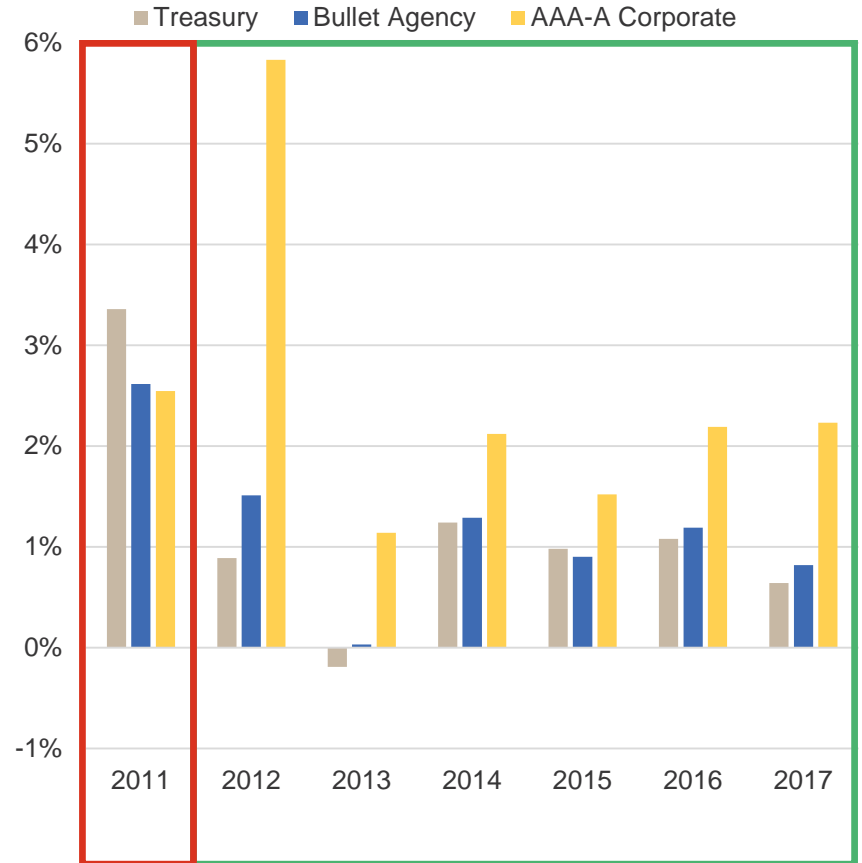
## Safety: Sectors With Lower Correlations

### 2-Year Treasury Yield



Source: ICE BofA Merrill Lynch Indices from Bloomberg, as 8/31/18.

### 1-5 Year Index Returns







# Volatility in Corporate Securities

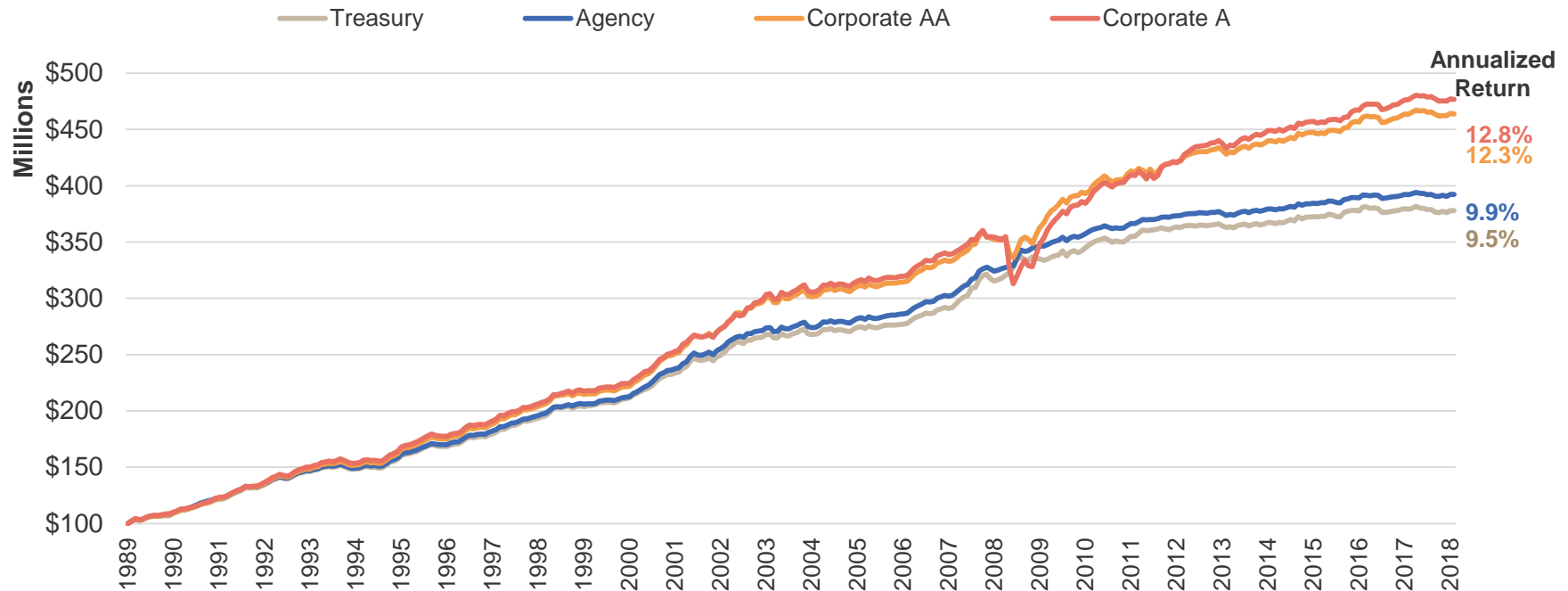
## Yield Spread (OAS) of 1-5 Year Investment Grade Corporate Index



Source: Bloomberg, ICE BofA Merrill Lynch Indices, as of 8/31/2018.



## Measuring Historical Corporate Note Outperformance (\$100MM)



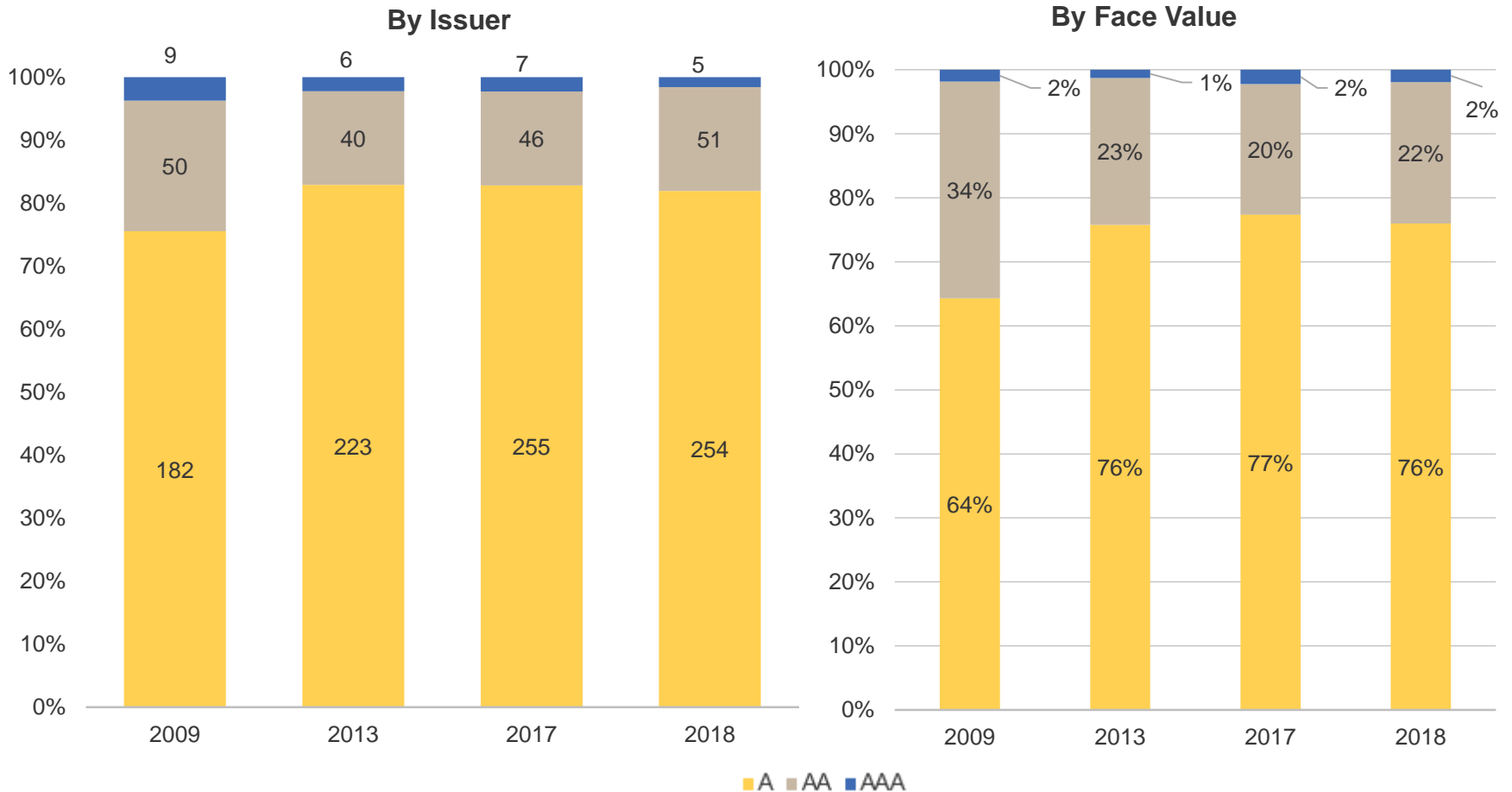
	Treasury	Agency	Corporate AA	Corporate A
<b>Ending Value</b> June 30, 2018	\$377,873,826	\$392,320,659	\$463,863,404	\$476,767,704
<b>Incremental Earnings over Treasury</b>	-	\$14,446,833	\$85,989,578	\$98,893,878

Source: Bloomberg and ICE BofA Merrill Lynch 1-5 Year Indices, as of 06/30/2018.



# AA Corporates Have Decreasing Diversification Benefits

## Composition of Merrill Lynch 1-5 Year AAA-A Corporate Index



Source: ICE BofA Merrill Lynch Indices composite ratings.



# Short-Term Funds

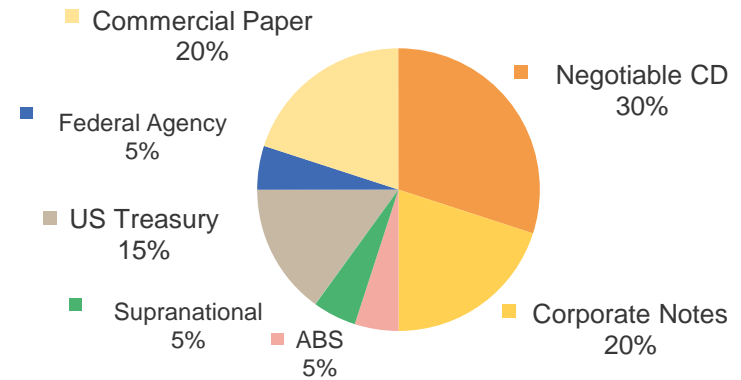


# Sample Liquidity Portfolio: 0-6 Month

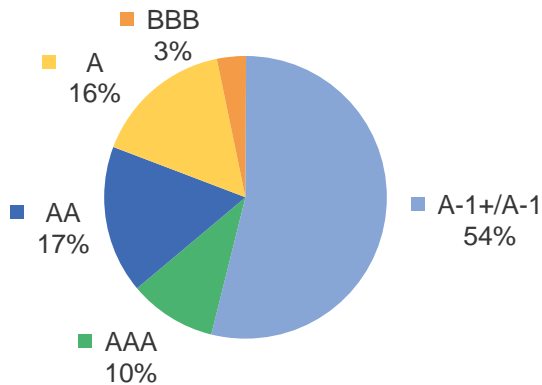
## Portfolio Statistics

Gross Yield	2.31%
Average Duration	72 days

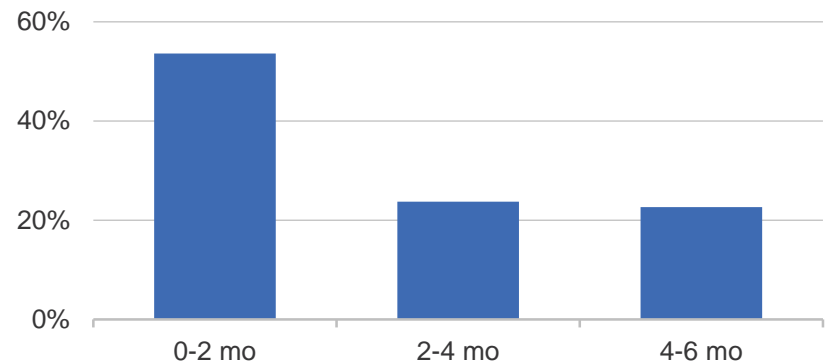
## Sector Allocation



## Credit Quality



## Duration



Source: Bloomberg. Data as of 09/06/18. Sample portfolio structured by PFM and is not an investment recommendation. Please see important disclosures at the end of this presentation.

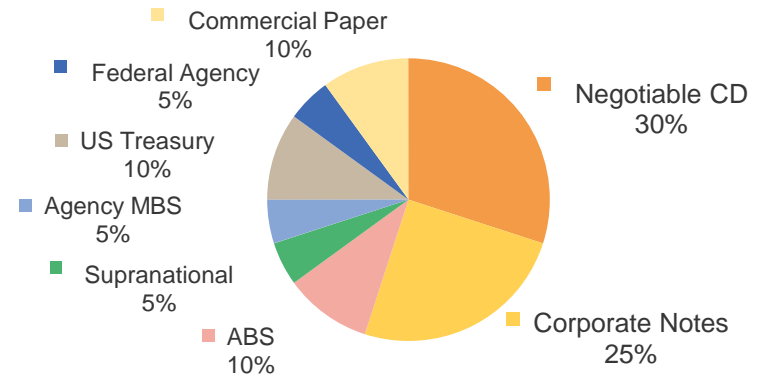


# Sample Enhanced Cash: 0-2 Year

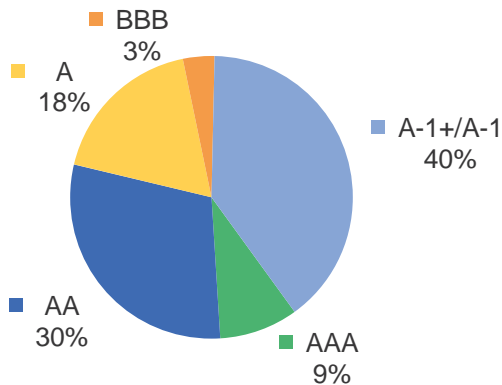
## Portfolio Statistics

Gross Yield	2.62%
Average Duration	0.90 years

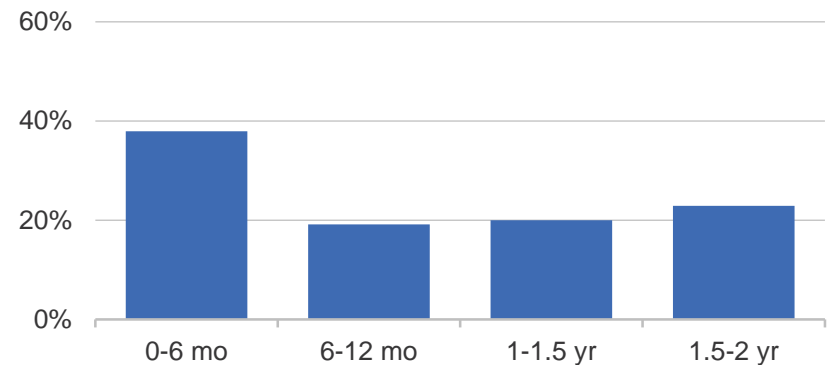
## Sector Allocation



## Credit Quality



## Duration



Source: Bloomberg. Data as of 09/06/18. Sample portfolio structured by PFM and is not an investment recommendation. Please see important disclosures at the end of this presentation.



# Capital/Project Funds




# Asset-Liability Portfolio Structuring

## Define Constraints & Objectives

- Draw schedule expectations
- Liquidity buffer

## Portfolio Optimization

- Meet initial expected cash flow needs
- Horizon and relative value analyses



### Construction Fund Portfolio Summary

**PORTFOLIO STATISTICS**

Invested Amount (incl. cash)	\$170MM
Portfolio Duration	0.40 years
Average Gross Yield*	1.19%
Average Credit Quality	AA-/Aa3

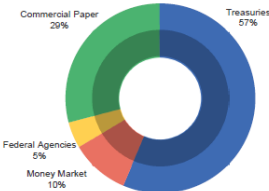
**RECENT TRANSACTIONS**

- We have continued to reinvest excess proceeds in high-quality commercial paper
- With Federal Agency spreads in the short end of the curve still very narrow, the portfolio continues to be more heavily weighted towards Treasuries

**OPPORTUNITIES**


- We will continue to monitor the draw schedule to determine opportunities to invest excess liquidity as securities mature or roll down the yield curve

**SECTOR ALLOCATION SNAPSHOT**



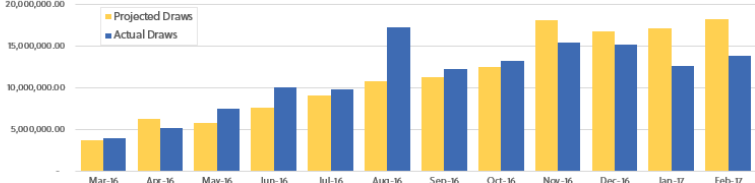
All data as of October 2, 2017 and subject to change.

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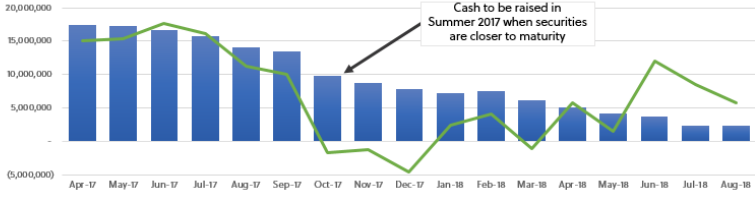


### Draw Schedule and Liquidity Update

**PROJECTED DRAWS VS. ACTUAL DRAWS**



**PROJECTED DRAWS VS. CASH BALANCES THROUGH TIME**



Data as of February 14, 2017.

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# Longer-Term Funds

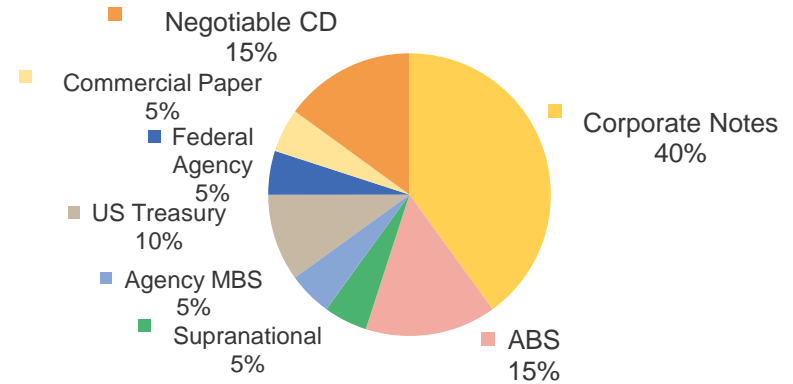


# Sample Rate Stabilization: 1-5 Year

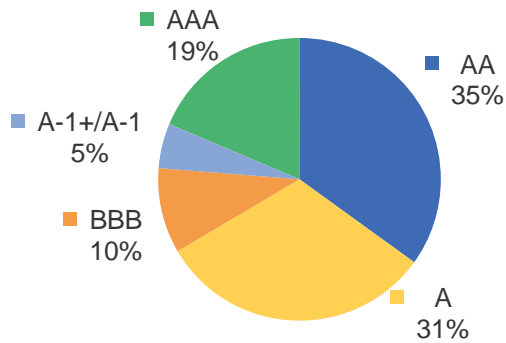
## Portfolio Statistics

Gross Yield	3.00%
Average Duration	2.40 years

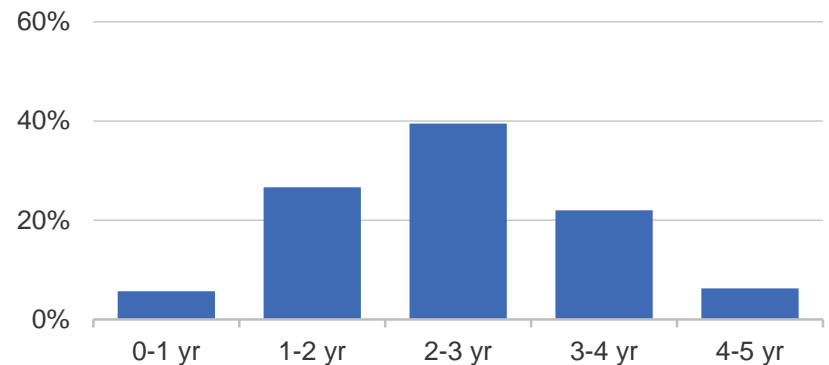
## Sector Allocation



## Credit Quality



## Duration



Source: Bloomberg. Data as of 09/06/18. Sample portfolio structured by PFM and is not an investment recommendation. Please see important disclosures at the end of this presentation.



## Sensitivity Analysis: Total Return Analysis

1 - MONTH HORIZON							
MATURITY	CURRENT YTM	-0.25%	0.00%	+0.25%	+0.50%	+0.75%	+1.00%
3 month Treasury	2.11%	0.28%	0.24%	0.20%	0.16%	0.12%	0.09%
6 month Treasury	2.26%	0.45%	0.35%	0.25%	0.15%	0.05%	-0.05%
1 year Treasury	2.49%	0.67%	0.45%	0.23%	0.00%	-0.22%	-0.44%
2 year Treasury	2.65%	0.89%	0.43%	-0.03%	-0.49%	-0.95%	-1.41%
5 year Treasury	2.78%	1.38%	0.25%	-0.89%	-2.03%	-3.16%	-4.30%
12 - MONTH HORIZON							
MATURITY	CURRENT YTM	-0.25%	0.00%	+0.25%	+0.50%	+0.75%	+1.00%
3 month Treasury	2.11%	-	-	-	-	-	-
6 month Treasury	2.26%	-	-	-	-	-	-
1 year Treasury	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%
2 year Treasury	2.65%	3.16%	2.91%	2.67%	2.43%	2.19%	1.94%
5 year Treasury	2.78%	3.78%	2.84%	1.90%	0.97%	0.03%	-0.91%

\*As of September 4, 2018, and subject to change. Assumes hypothetical interest rate shocks.



## Questions?





## Disclosures

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- ◆ Sample portfolio is provided for illustrative purposes only and is not an investment recommendation.
- ◆ Yield source Bloomberg as of September 6, 2018.
- ◆ Actual yields and security availability may vary at time of purchase.
- ◆ As economic and market conditions may change in the future, so may PFAM's recommendations as to the sale and purchase of securities in the portfolio.