

Hugh L. Carey Battery Park City Authority  
Meeting of the Investment Committee  
200 Liberty Street, 24<sup>th</sup> Floor  
New York, New York 10281  
February 26, 2020  
1:00 p.m.

AGENDA

- I. CALL TO ORDER
- II. APPROVAL OF THE JANUARY 27, 2020 MINUTES
- III. QUARTERLY INVESTMENT REPORT
- IV. REVIEW OF CORONAVIRUS
- V. DISCUSSION OF ACCREDITED INVESTOR
- VI. MOTION TO ADJOURN



# Hugh L. Carey Battery Park City Authority

## Review of Investment Performance

Quarter Ended January 31, 2020

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PFM Asset  
Management LLC

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Ewing, NJ 08628

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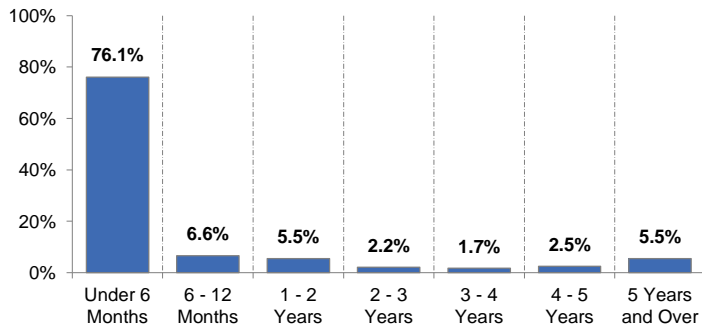
# I. Executive Summary



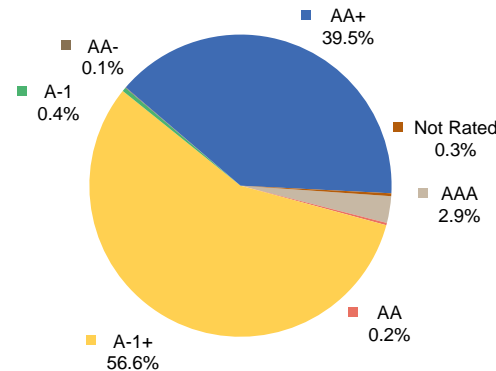
# Aggregate Portfolio Composition and Credit Quality

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	Effective Duration	October 31, 2019	% of Portfolio	Effective Duration	QoQ Change (% of portfolio)
U.S. Treasuries	\$546,459,547	94.0%	0.68	\$420,142,083	90.2%	0.72	3.7%
Federal Agencies and Instrumentalities (non-MBS)	\$11,662,136	2.0%	2.31	\$10,400,611	2.2%	1.10	(0.2%)
Commercial Paper	\$6,870,516	1.2%	0.11	\$18,227,872	3.9%	0.08	(2.7%)
Municipals	\$11,211,714	1.9%	1.34	\$10,870,363	2.3%	1.51	(0.4%)
Government MBS	\$5,352,611	0.9%	2.75	\$5,898,339	1.3%	2.80	(0.3%)
<b>Totals</b>	<b>\$581,556,524</b>	<b>100.0%</b>	<b>0.74</b>	<b>\$465,539,268</b>	<b>100.0%</b>	<b>0.75</b>	

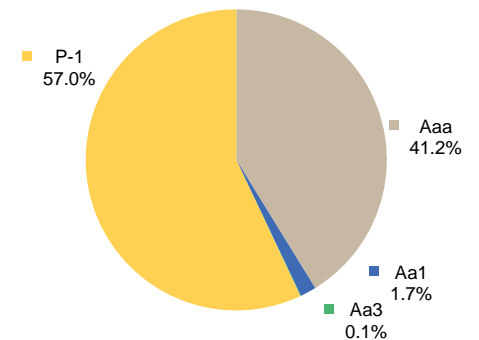
**Maturity Distribution  
As of 1/31/2020**



**Credit Quality Distribution (S&P)  
as of 1/31/2020**



**Credit Quality Distribution (Moody's)  
as of 1/31/2020**



Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.
3. NR holdings are not rated by S&P, but rated by Moody's and are in compliance with BPCA's Investment Policy.



## Performance Overview – Total Return Strategies – January 31, 2020

	Past Quarter	Past 12 Months	Past 3-Years	Since Inception
<b>Long-Term Strategy:</b>				
<b>2003 Reserve Fund</b>	<b>0.85%</b>	<b>3.51%</b>	<b>2.06%</b>	<b>3.10%</b>
<i>BM: BAML 1-5 Year US Treasury Note Index</i>	0.91%	4.77%	2.35%	3.02%
<b>BPCPC Operating Reserve Contingency Insurance Fund</b>	<b>1.37%</b>	<b>5.32%</b>	<b>2.83%</b>	<b>3.49%</b>
<b>Operating Budget Reserve</b>	<b>1.26%</b>	<b>5.23%</b>	<b>2.76%</b>	<b>3.63%</b>
<i>BM: BAML 1-10 Year US Treasury Note Index</i>	1.13%	6.17%	2.95%	3.21%
<b>BPCA Other Post-Employment Benefits</b>	<b>1.20%</b>	<b>6.15%</b>	<b>3.06%</b>	<b>2.75%</b>
<i>BM: BAML 1-10 Year US Treasury Note Index</i>	1.13%	6.17%	2.95%	2.53%
<b>BPCPC Other Post-Employment Benefits</b>	<b>1.19%</b>	<b>6.21%</b>	<b>3.09%</b>	<b>2.19%</b>
<i>BM: BAML 1-10 Year US Treasury Note Index</i>	1.13%	6.17%	2.95%	2.20%
<b>Short-Term Strategy:</b>				
<b>2003 Pledged Revenue</b>	<b>0.40%</b>	<b>2.24%</b>	<b>1.68%</b>	<b>1.25%</b>
<b>2003 Project Operating Fund</b>	<b>0.42%</b>	<b>2.29%</b>	<b>1.79%</b>	<b>1.27%</b>
<i>BM: BAML 3 Month US Treasury Bill Index</i>	0.40%	2.22%	1.70%	1.18%

Notes:

1. Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
2. Performance of the highlighted portfolios was impacted in the 2nd and 3rd calendar quarters of 2019 by a temporary suspension of investment strategy in order to provide liquidity for the 2019 bond financing.
3. Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present.
4. For the 'Reserve Fund,' the inception of the BAML 1-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BAML 1-10 Year Treasury Index was utilized.
5. Since inception performance for the 'BPCA Other Post Employment Benefits' is calculated from January 31, 2008 to present.
6. Since inception performance for the 'BPCPC Other Post Employment Benefits' is calculated from February 12, 2010 to present.



## Portfolio Recap – Market Drivers

### Economy

- The U.S. economy grew at a slightly better-than-expected 2.1% pace in the fourth quarter of 2019 and at 2.3% for the entire year. This was supported by robust job growth, strong consumer confidence, a solid housing market, and manufacturing stabilization.
- The U.S. and China agreed to “Phase 1” of a trade deal in December and was signed in January, allaying some of the fears relating to trade conflict, though the coronavirus outbreak raises questions about the actual increase in trade in the short run.
- Inflation remains weak with year-over-year growth in the core Personal Consumption Expenditure (PCE) price index at 1.6% in December, which is well below the Fed’s 2% target. Muted inflation pressures, including tentative wage growth, have led the Federal Open Market Committee (FOMC) to estimate a 2020 core PCE inflation rate of 1.9%.

### Federal Reserve

- After three consecutive rate cuts in 2019, the Federal Reserve left interest rates unchanged at its January 2020 meeting, maintaining the target range at 1.50% to 1.75%. FOMC members have a favorable view of the U.S. economy and believe the current policy stance will remain appropriate unless there is a meaningful change in the economic outlook.

### U.S. Treasury Yields

- U.S. Treasury yields were somewhat volatile during the quarter. Rates rose in November and the curve steepened in December as abundant liquidity, a stable Fed, and reduced trade risks stabilized the U.S. rate outlooks. This steepening caused the U.S. Treasury yield curve to un-invert. At the end of the calendar year, the spread between 3-month and 10-year Treasuries was +11 basis points (+0.11%).
- In January, however, there was a significant rally in U.S. Treasuries due to a flight in quality over emerging economic concerns, including the Coronavirus outbreak. At the end of the quarter, yields on 2-year Treasuries and longer declined by up to 21 basis points (0.21%), while shorter-term yields were relatively unchanged or slightly lower. The spread between 30-month and 10-year Treasuries ended the quarter at -4 basis points (-0.04%), resulting in a slightly inverted yield curve.



## Portfolio Recap – Performance & Cash Flows

### Longer-Term Funds

- Absolute performance for all longer-term funds was strong for both the quarter and year. Relative to benchmarks, performance was generally in line with or exceeded benchmark returns as the portfolios continued realignment with the designated investment strategy during the quarter.
- The two OPEB portfolios outperformed their benchmark for the quarter ending January 31, 2020 due to strong MBS and municipal sector performance. For the year, performance was very strong, with each portfolio returning over 6.1%. Strong performance for the year was largely driven by the decline in U.S. Treasury yields.
- Following three consecutive Fed rate cuts, we continued to maintain portfolio durations for the OPEB portfolios in line with the benchmark for the quarter as market expectations called for stable rates well into 2020.

### Short-Term Funds

- The two short-term portfolios performed generally in line the BAML 3 Month Treasury Bill index for the quarter and outperformed for the 12 months ending January 31, 2020. The relative return of the Short-Term portfolios has continued to benefit from attractive spreads in the high quality commercial paper sector.
- Each portfolio is positioned to match the unique requirements of expected cash flows.
- Consistent with historical patterns, the 2003 Pledged Revenue Fund experienced significant activity as intra-fund transfers related to the beginning of the fiscal year were initiated. The cash contributions were reinvested in short-term securities to align with future expected withdrawals.





## Investment Guidelines Compliance

Compliance Issuer Check						
Issuer	Actual (%)	Actual (\$)	IPS Limit	S&P Rating	Moody's Rating	Check
U.S. Treasury	93.96%	546,459,547	100%	AA+	Aaa	OK
JP Morgan	0.43%	2,483,627	5%	A-1	P-1	OK
Toyota Motor Credit Corporation	0.46%	2,677,949	5%	A-1+	P-1	OK
International Bank of Recon and Development	1.11%	6,428,008	-	AAA	Aaa	OK
New York City Transitional Finance Authority	0.77%	4,456,086	10%	AAA	Aa1	OK
Asian Development Bank	0.45%	2,594,829	-	AAA	Aaa	OK
Ginnie Mae	0.48%	2,770,671	250,000,000	AA+	Aaa	OK
New York State	0.37%	2,156,764	10%	AA+	Aa1	OK
Small Business Administration	0.29%	1,668,438	100%	AA+	Aaa	OK
NY State Dorm Authority	0.28%	1,614,872	10%	NR	Aa1	OK
New York City	0.25%	1,436,077	10%	AA	Aa1	OK
Salt River Project	0.29%	1,708,940	5%	A-1+	P-1	OK
African Development Bank	0.12%	689,930	-	AAA	Aaa	OK
Fannie Mae	0.10%	592,514	250,000,000	AA+	Aaa	OK
Georgia State	0.09%	510,197	10%	AAA	Aaa	OK
Port Authority of NY/NJ	0.07%	415,665	10%	AA-	Aa3	OK
NY Metro Transportation Authority	0.03%	150,732	10%	NR	Aaa	OK
Freddie Mac	0.06%	320,989	250,000,000	AA+	Aaa	OK
Babylon, Town of	0.02%	103,456	10%	AA+	Aaa	OK

Notes:

1. BPCA's investment guidelines does not detail sector limits for commercial paper, supranationals, or Government MBS.
2. Commercial paper issuer limits are subject to the lesser of 5% or \$250 million per issuer.
3. Actual (\$) include market value plus accrued interest.



## Change in Value – Total Return Accounts

Account Name	Beginning Period Value <sup>1</sup>	(+/-)	Net Transfers <sup>2</sup>	(+/-)	Change in Value	=	Ending Period Value <sup>1</sup>
<b>Longer Term Investment Strategy</b>							
2003 Reserve Fund	\$33,528,298		\$0		\$319,173		\$33,847,471
BPCPC Operating Reserve Contingency	\$11,613,220		\$2,259,735		\$190,653		\$14,063,608
Insurance Fund	\$5,972,028		\$0		\$75,228		\$6,047,257
Operating Budget Reserve	\$10,155,553		\$0		\$119,212		\$10,274,765
BPCA Other Post-Employment Benefits	\$26,778,407		(\$0)		\$321,970		\$27,100,377
BPCPC Other Post-Employment Benefits	\$14,071,754		\$0		\$167,533		\$14,239,287
<b>Subtotal</b>	<b>\$102,119,261</b>		<b>\$2,259,735</b>		<b>\$1,193,769</b>		<b>\$105,572,765</b>
<b>Shorter Term Investment Strategy</b>							
2003 Pledged Revenue	\$181,102,278		\$30,574,961		\$864,836		\$212,542,075
2003 Project Operating Fund	\$8,141,007		\$1,000,020		\$35,659		\$9,176,686
<b>Subtotal</b>	<b>\$189,243,285</b>		<b>\$31,574,981</b>		<b>\$900,495</b>		<b>\$221,718,761</b>
<b>Total</b>	<b>\$291,362,546</b>		<b>\$33,834,716</b>		<b>\$2,094,264</b>		<b>\$327,291,526</b>

Notes:

1. Beginning Period Value is as of October 31, 2019 and Ending Period Value is as of January 31, 2020. Beginning Period Value and Ending Period Value equal market values of portfolio holdings plus accrued interest and cash.
2. Net Transfers represent the total portfolio contributions and withdrawals during the quarter, as well as the net reduction in the 2003 Reserve Fund value associated with the liquidation related to the 2019 bond financing reduced debt service reserve requirement.



## Change in Value – Other BPCA Accounts

Account Name	Beginning Period Value <sup>1</sup>	(+/-)	Net Transfers <sup>2</sup>	(+/-)	Change in Value	=	Ending Period Value <sup>1</sup>
<b>PFM Asset Management Accounts</b>							
Corporate Funds	\$844,623		\$0		\$3,341		847,963.97
2000 Arbitrage Rebate	\$829,035		\$0		\$3,269		832,303.31
1993 Unpledged Revenue	\$17,329,807		\$2,522,276		\$80,581		19,932,664.30
2003 Residual Fund	\$2,808,077		\$0		\$11,219		2,819,295.92
Joint Purpose Fund	\$374,502		\$0		\$1,475		375,976.91
Special Fund	\$958,114		\$0		\$3,778		961,892.73
BPCPC Operating Reserve	\$1,033,635		\$0		\$4,166		1,037,800.75
BPCA Goldman Sachs Liberty Contribution	\$1,438		\$0		\$0		1,438.06
BPCA Series 2009A Project Costs	\$686,191		(\$110,259)		\$2,390		578,322.18
BPCA Series 2009B Project Costs	\$920,775		(\$527,600)		\$2,298		395,472.77
BPCA Insurance Advance	\$704		\$0		\$0		704.10
BPCA2013ACDE Proj Cost Sub AC	\$14,518,017		(\$431,998)		\$56,963		14,142,983.14
BPCA Pier A Reserve Fund	\$988,659		\$0		\$3,897		992,556.07
BPCA Subordinated Pmt Acct	\$3,348,865		(\$3,347,573)		\$1,989		3,280.48
BPCA 2019A Comm Ctr SB Proj	\$7,388,703		(\$14,488)		\$29,917		7,404,132.37
BPCA 2019A Sustainable Proj	\$74,645,353		(\$3,088,969)		\$295,820		71,852,204.34
BPCA 2019ABCDE COI	\$11,997		(\$6,885)		\$516		5,627.67
BPCA 2019BDE Project	\$9,586,256		\$0		\$39,259		9,625,515.06
BPCA 2019C Pier A SB Proj	\$3,515,187		\$0		\$16,200		3,531,386.67
<b>Subtotal</b>	<b>\$44,642,443</b>		<b>(\$1,895,154)</b>		<b>\$175,366</b>		<b>135,341,520.80</b>

Notes:

1. Beginning Period Value is as of October 31, 2019 and Ending Period Value is as of January 31, 2020. Beginning Period Value and Ending Period Value equal market values of portfolio holdings plus accrued interest and cash.
2. Net Transfers represent the total portfolio contributions and withdrawals during the quarter.



## Change in Value – Other BPCA Accounts

Account Name	Beginning Period Value <sup>1</sup>	(+/-)	Net Transfers <sup>2</sup>	(+/-)	Change in Value	=	Ending Period Value <sup>1</sup>
<b>Ramirez Asset Management Accounts</b>							
Liberty Terr Mariners Cove-K	\$302,518		\$0		\$1,211		\$303,730
Liberty House Mariners J	\$247,475		\$0		\$987		\$248,461
Rector Park L	\$34,461		\$0		\$135		\$34,597
Hudson View W Towers G	\$174,237		\$0		\$693		\$174,930
Hudson Towers E/F	\$211,892		\$0		\$844		\$212,736
Hudson View Towers C	\$187,043		\$0		\$744		\$187,788
Liberty Ct Mariners Cove B	\$616,746		\$0		\$2,534		\$619,280
Millenium	\$3,721,626		\$0		\$15,705		\$3,737,330
Liberty Battery Place Assoc 4	\$445,445		\$0		\$1,795		\$447,239
South Cove Assoc 11	\$404,538		\$0		\$1,631		\$406,170
Soundings Rector Park A	\$216,494		\$0		\$863		\$217,358
The Regatta Site 10	\$493,027		\$0		\$2,029		\$495,055
Debt Service Junior Payments	\$15,086,175		\$22,644,296		\$60,619		\$37,791,090
2003 Debt Service Senior Payments	\$40,092,214		\$15,268,560		\$34,680.25		\$55,395,454
BPCA Millenium Tower Security Fund 2A	\$3,108,566		\$0		\$13,126		\$3,121,692
BPCA S 16/17 Riverhouse Security Fund	\$6,600,591		\$0		\$27,690		\$6,628,281
BPCA Visionaire Security Fund	\$4,023,043		\$0		\$17,249		\$4,040,291
BPCA Pier A Security Deposit Account	\$423,453		\$0		\$1,707		\$425,160
BPCA One Rector Park Security Fund	\$986,847		\$0		\$4,212		\$991,059
BPCA Rector Square Security Fund Site D	\$227,760		\$0		\$907		\$228,667
BPCA WFC Tower C Retail Rent Escrow	\$256,811		\$0		\$1,028		\$257,839
BPCA River & Warren Sec Fund - Site 19A	\$6,078,315		\$0		\$25,673		\$6,103,988
BPCA North Cove Marina Security Fund	\$52,732		\$0		\$207		\$52,939
<b>Subtotal</b>	<b>\$83,992,011</b>		<b>\$37,912,856</b>		<b>\$216,269</b>		<b>\$122,121,135</b>

Notes:

1. Beginning Period Value is as of October 31, 2019 and Ending Period Value is as of January 31, 2020. Beginning Period Value and Ending Period Value equal market values of portfolio holdings plus accrued interest and cash balance.
2. Net Transfers represent the total portfolio contributions and withdrawals during the quarter.



## **II. Summary of Aggregate Portfolio**



# Aggregate Portfolio Issuer Breakdown

Security Type	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
<b>United States Treasury<sup>2</sup></b>					
U.S. Treasury	\$546,459,547	94.0%	\$420,142,083	90.2%	3.7%
Ginnie Mae	\$2,770,671	0.5%	\$3,228,034	0.7%	(0.2%)
Small Business Administration	\$1,668,438	0.3%	\$1,773,878	0.4%	(0.1%)
<b>Federal Agencies and Instrumentalities<sup>2,3</sup></b>					
Freddie Mac	\$320,989	0.1%	\$343,382	0.1%	(0.0%)
Fannie Mae	\$592,514	0.1%	\$617,651	0.1%	(0.0%)
International Bank of Recon and Development	\$6,428,008	1.1%	\$5,477,260	1.2%	(0.1%)
International American Development Bank	\$1,949,369	0.3%	\$0	0.0%	0.3%
Asian Development Bank	\$2,594,829	0.4%	\$4,173,150	0.9%	(0.5%)
African Development Bank	\$689,930	0.1%	\$685,593	0.1%	(0.0%)
<b>Commercial Paper<sup>2</sup></b>					
JP Morgan	\$2,483,627	0.4%	\$8,833,985	1.9%	(1.5%)
Toyota Motor Credit Corporation	\$2,677,949	0.5%	\$8,616,494	1.9%	(1.4%)
Salt River Project	\$1,708,940	0.3%	\$777,393	0.2%	0.1%
<b>Municipal Issuers<sup>2</sup></b>					
New York City	\$1,436,077	0.2%	\$1,293,682	0.3%	(0.0%)
New York City Transitional Finance Authority	\$4,456,086	0.8%	\$4,449,815	1.0%	(0.2%)
NY State Dorm Authority	\$1,614,872	0.3%	\$1,604,480	0.3%	(0.1%)
Port Authority of NY/NJ	\$415,665	0.1%	\$413,840	0.1%	(0.0%)
NY Metro Transportation Authority	\$150,732	0.0%	\$356,381	0.1%	(0.1%)
New York State Development Corporation	\$367,864	0.1%	\$0	0.0%	0.1%
New York State	\$2,156,764	0.4%	\$2,139,420	0.5%	(0.1%)
Georgia State	\$510,197	0.1%	\$507,952	0.1%	(0.0%)
Babylon, Town of	\$103,456	0.0%	\$104,793	0.0%	(0.0%)
<b>TOTAL</b>	<b>\$581,556,524</b>	<b>100.0%</b>	<b>\$465,539,268</b>	<b>100.0%</b>	

Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Pursuant to the Authority's Investment Policy, investments in obligations other than those backed by the full faith and credit of the U.S. Government are limited to the following: (1) Federal Agencies - \$250 million per issuer, (2) Commercial Paper - the lesser of 5% or \$250 million per issuer, (3) Bankers' Acceptances - the lesser of 5% or \$250 million per issuer and (4) Municipal Bonds - 10%.
- Federal Agencies and Instrumentalities includes Mortgage-Backed Securities.



## Portfolio Value – Total Return Accounts

	January 31, 2020			October 31, 2019		
	Market Value	Effective Duration	% of Total Portfolio	Market Value	Effective Duration	% of Total Portfolio
<b>Longer Term Investment Strategy</b>						
2003 Reserve Fund	\$33,846,831	2.39	5.8%	\$33,528,089	2.21	7.2%
BPCPC Operating Reserve Contingency	\$14,063,303	3.62	2.4%	\$11,612,725	2.42	2.5%
Insurance Fund	\$6,045,922	3.41	1.0%	\$5,971,910	2.28	1.3%
Operating Budget Reserve	\$10,274,569	3.30	1.8%	\$10,155,115	2.20	2.2%
BPCA Other Post-Employment Benefits	\$27,100,231	3.72	4.7%	\$26,772,244	3.72	5.8%
BPCPC Other Post-Employment Benefits	\$14,239,182	3.70	2.4%	\$14,068,358	3.71	3.0%
<b>Subtotal Longer Term Investment Strategy</b>	<b>\$105,570,039</b>	<b>3.22</b>	<b>18.2%</b>	<b>\$102,108,442</b>	<b>2.84</b>	<b>21.9%</b>
<b>Short Term Investment Strategy</b>						
2003 Pledged Revenue	\$210,878,469	0.06	36.3%	\$181,025,623	0.02	38.9%
2003 Project Operating Fund	\$9,176,301	0.07	1.6%	\$7,240,718	0.13	1.6%
<b>Subtotal Short Term Investment Strategy</b>	<b>\$220,054,771</b>	<b>0.06</b>	<b>37.8%</b>	<b>\$188,266,340</b>	<b>0.02</b>	<b>40.4%</b>
<b>Subtotal of Total Return Accounts</b>	<b>\$325,624,809</b>	<b>1.09</b>	<b>56.0%</b>	<b>\$290,374,782</b>	<b>1.01</b>	<b>62.4%</b>

Notes:

1. "Market Value" includes accrued interest, but does not include cash balances held at the bank.



## Portfolio Value – Other BPCA Accounts

	January 31, 2020			October 31, 2019		
	Market Value	Effective Duration	% of Total Portfolio	Market Value	Effective Duration	% of Total Portfolio
Corporate Funds	\$847,110	0.23	0.1%	\$844,036	0.23	0.2%
2000 Arbitrage Rebate	\$831,899	0.09	0.1%	\$828,554	0.04	0.2%
1993 Unpledged Revenue	\$19,928,734	0.04	3.4%	\$17,295,416	0.02	3.7%
2003 Residual Fund	\$2,817,941	0.38	0.5%	\$2,807,623	0.06	0.6%
Joint Purpose Fund	\$375,503	0.09	0.1%	\$373,799	0.04	0.1%
Special Fund	\$961,727	0.09	0.2%	\$957,485	0.04	0.2%
BPCPC Operating Reserve	\$1,037,106	0.11	0.2%	\$1,032,130	0.09	0.2%
BPCA Series 2009A Project Costs	\$577,597	0.05	0.1%	\$683,884	0.01	0.1%
BPCA Series 2009B Project Costs	\$394,725	0.05	0.1%	\$918,845	0.01	0.2%
BPCA2013ACDE PROJ COST SUB AC	\$14,142,647	0.10	2.4%	\$14,517,779	0.20	3.1%
BPCA PIER A RESERVE FUND	\$991,687	0.09	0.2%	\$988,468	0.04	0.2%
BPCA SUBORDINATED PAYMENT ACCOUNT	\$0	0.00	0.0%	\$3,348,319	0.05	0.7%
BPCA 2019A Comm Ctr SB Proj	\$7,403,529	0.34	1.3%	\$7,388,703	0.42	1.6%
BPCA 2019A Sustainable Proj	\$71,851,899	0.34	12.4%	\$74,645,353	0.42	16.0%
BPCA 2019ABCDE COI	\$0	0.00	0.0%	\$11,997	0.02	0.0%
BPCA 2019BDE Project	\$9,624,952	0.34	1.7%	\$9,586,256	0.42	2.1%
BPCA 2019C Pier A SB Proj	\$3,529,846	0.36	0.6%	\$3,515,187	0.09	0.8%
Liberty Terr Mariners Cove-K	303,598.82	0.15	0.1%	\$302,314	0.20	0.1%
Liberty House Mariners J	248,017.31	0.13	0.0%	\$246,771	0.19	0.1%
Rector Park L	33,997.67	0.13	0.0%	\$33,962	0.19	0.0%
Hudson View W Towers G	173,973.67	0.13	0.0%	\$173,808	0.18	0.0%
Hudson Towers E/F	212,026.99	0.13	0.0%	\$211,810	0.19	0.0%
Hudson View Towers C	187,018.72	0.13	0.0%	\$186,830	0.19	0.0%
Liberty Ct Mariners Cove B	619,232.72	0.23	0.1%	\$616,103	0.17	0.1%
Millenium	3,736,609.32	0.21	0.6%	\$3,721,296	0.26	0.8%
Liberty Battery Place Assoc 4	446,569.53	0.14	0.1%	\$445,053	0.17	0.1%
South Cove Assoc 11	405,517.84	0.15	0.1%	\$404,051	0.17	0.1%
Soundings Rector Park A	217,015.15	0.13	0.0%	\$215,800	0.19	0.0%
The Regatta Site 10	494,191.49	0.24	0.1%	\$492,124	0.17	0.1%
Debt Service Junior Payments	36,297,893.21	0.33	6.2%	\$0	0.00	0.0%
2003 Debt Service Senior Payments	55,395,270.22	0.36	9.5%	\$6,617,638	0.52	1.4%
BPCA Millenium Tower Security Fund 2A	3,120,930.13	0.20	0.5%	\$3,107,971	0.24	0.7%
BPCA S 16/17 Riverhouse Security Fund	6,627,348.72	0.20	1.1%	\$6,600,155	0.24	1.4%
BPCA Visionaire Security Fund	4,039,312.75	0.21	0.7%	\$4,022,392	0.24	0.9%
BPCA Pier A Security Deposit Account	424,550.64	0.15	0.1%	\$423,058	0.17	0.1%
BPCA One Rector Park Security Fund	990,426.13	0.28	0.2%	\$986,363	0.34	0.2%
BPCA Rector Square Security Fund Site D	227,991.06	0.13	0.0%	\$226,775	0.18	0.0%
BPCA WFC TOWER C RETAIL RENT ESCROW	257,698.84	0.15	0.0%	\$256,433	0.21	0.1%
BPCA RIVER & WARREN SEC FUND - SITE 19	6,103,597.85	0.21	1.0%	\$6,077,979	0.25	1.3%
BPCA NORTH COVE MARINA SECURITY FUNI	52,024.74	0.12	0.0%	\$51,967	0.19	0.0%
<b>Subtotal of Other BPCA Accounts</b>	<b>\$255,931,715</b>	<b>0.29</b>	<b>44.0%</b>	<b>\$175,164,486</b>	<b>0.31</b>	<b>37.6%</b>

Notes:

1. "Market Value" includes accrued interest, but does not include cash balances held at the bank.
2. Highlighted funds are managed by Ramirez Asset Management ("RAM"). Market values for these funds are provided by RAM.

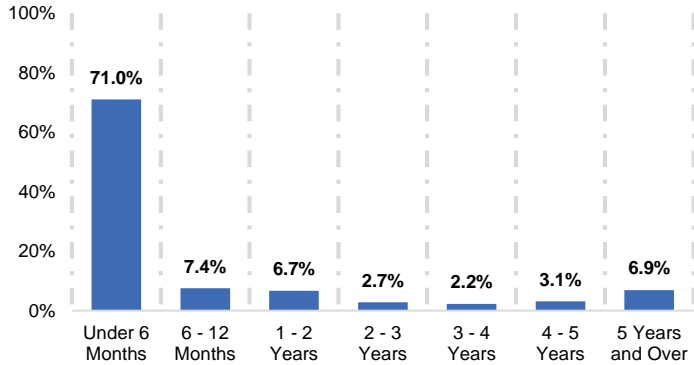




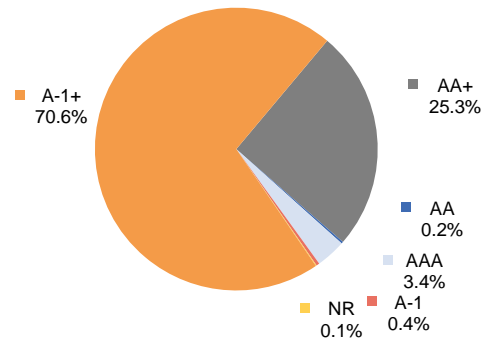
# Aggregate Portfolio Summary: PFM Asset Management

Security Type <sup>1</sup>	January 31, 2020	% of Advisor	% of Total Portfolio	Effective Duration	October 31, 2019	% of Advisor	% of Total Portfolio	Effective Duration	QoQ Change (% of Advisor)
U.S. Treasuries	\$435,026,195	94.4%	74.8%	0.77	\$391,824,581	85.0%	67.4%	0.75	9.4%
Federal Agencies and Instrumentalities (non-MBS)	\$11,662,136	2.5%	2.0%	2.31	\$10,336,004	2.2%	1.8%	1.09	0.3%
Commercial Paper	\$2,647,422	0.6%	0.5%	0.16	\$15,786,310	3.4%	2.7%	0.07	(2.9%)
Municipals	\$6,313,806	1.4%	1.1%	1.96	\$6,273,382	1.4%	1.1%	2.19	0.0%
Government MBS	\$5,292,151	1.1%	0.9%	2.75	\$5,898,339	1.3%	1.0%	2.80	(0.1%)
<b>Totals</b>	<b>\$460,941,711</b>	<b>100%</b>	<b>79.3%</b>	<b>0.85</b>	<b>\$430,118,616</b>	<b>93.3%</b>	<b>74.0%</b>	<b>0.78</b>	

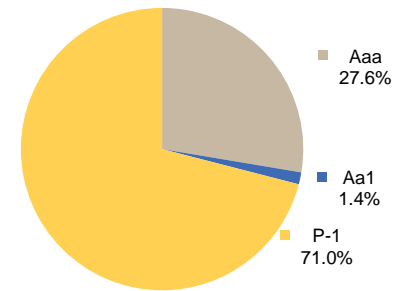
**Maturity Distribution as of 1/31/2020**



**Credit Quality (S&P) as of 1/31/2020**



**Credit Quality (Moody's) as of 1/31/2020**



**Notes:**

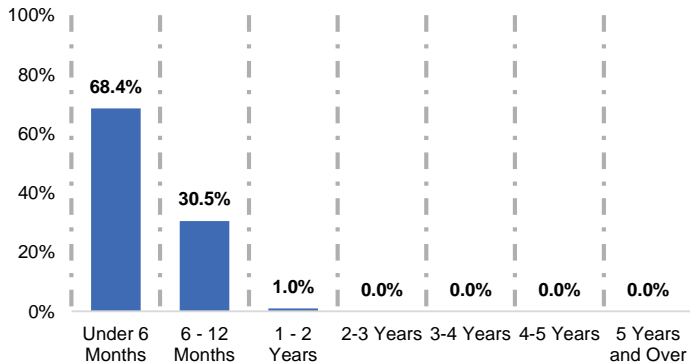
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



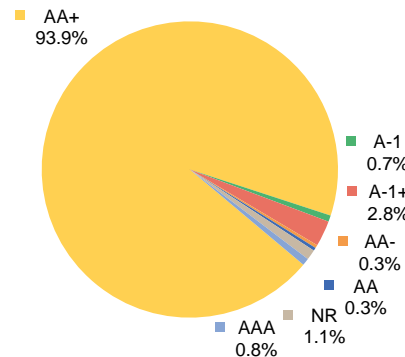
# Aggregate Portfolio Summary: Ramirez Asset Management

Security Type <sup>1</sup>	January 31, 2020	% of Advisor	% of Total Portfolio	Effective Duration	October 31, 2019	% of Advisor	% of Total Portfolio	Effective Duration	QoQ Change (% of Advisor)
U.S. Treasuries	\$111,433,351	92.4%	19.2%	0.31	\$28,317,502	23.5%	4.9%	0.25	68.9%
Federal Agencies and Instrumentalities (non-MBS)	-	0.0%	0.0%	0.00	\$64,607	0.1%	0.0%	2.59	(0.1%)
Commercial Paper	\$4,223,094	3.5%	0.7%	0.09	\$2,441,562	2.0%	0.4%	0.06	1.5%
Municipals	\$4,897,908	4.1%	0.8%	0.54	\$4,596,982	3.8%	0.8%	0.59	0.2%
Government MBS	\$60,460	0.1%	0.0%	2.49	\$0	0.0%	0.0%	0.00	0.1%
<b>Totals</b>	<b>\$120,614,814</b>	<b>100%</b>	<b>20.7%</b>	<b>0.31</b>	<b>\$35,420,653</b>	<b>29.4%</b>	<b>6.1%</b>	<b>0.29</b>	

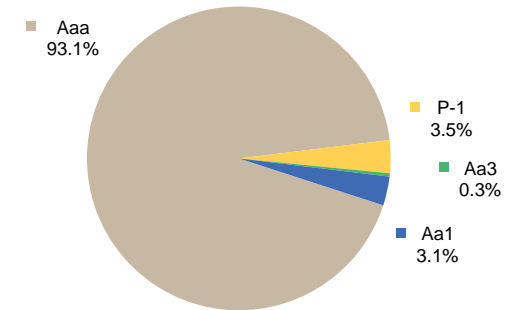
**Maturity Distribution as of 1/31/2020**



**Credit Quality (S&P) as of 1/31/2020**



**Credit Quality (Moody's) as of 1/31/2020**



**Notes:**

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.
- NR holdings are not rated by S&P, but rated by Moody's and are in compliance with BPCA's Investment Policy.



## Portfolio Earnings – PFM-Managed Accounts

	<b>Portfolio Earnings</b>	
	<i>Quarter-Ended January 31, 2020</i>	
	<u><b>Market Value Basis</b></u>	<u><b>Accrual (Amortized Cost) Basis</b></u>
Beginning Value - October 2019	429,550,423.43	428,420,978.76
Net Purchases (Sales)	28,646,651.69	28,646,651.69
Change in Value	2,061,132.77	1,356,752.24
Ending Value - January 2020	460,258,207.89	458,424,382.69
Interest Earned	586,910.34	586,910.34
Portfolio Earnings	2,648,043.11	1,943,662.58

Notes:

1. Beginning and Ending Values exclude accrued income and cash balances at the bank.
2. Net Income includes coupon income paid, change in beginning and ending accruals, and purchased/sold accrued interest.
3. A negative change in market value does not mean a realized loss. Losses are not realized until security/securities are sold.



## Portfolio Earnings – Ramirez-Managed Accounts

	<b>Portfolio Earnings</b>	
	<i>Quarter-Ended January 31, 2020</i>	
	<u>Market Value Basis<sup>1</sup></u>	<u>Accrual (Amortized Cost) Basis<sup>2</sup></u>
Beginning Value - October 2019	\$35,390,373	\$35,272,064
Net Purchases (Sales)	\$84,956,526	\$84,956,526
Change in Value	\$179,925	\$46,798
Ending Value - January 2020	\$120,526,824	\$120,275,388
Net Income <sup>3</sup>	\$35,876	\$35,876
Portfolio Earnings	\$215,801	\$82,674

Notes:

1. Underlying data for Market Value Basis supplied by Advent APX, values exclude accrued income and cash balances at the bank.
2. Accrual (Amortized Cost) Basis data provided by custodian, BNY-Mellon.
3. Net Income includes coupon income paid, change in beginning and ending accruals, and purchased/sold accrued interest.
4. A negative change in market value does not mean a realized loss. Losses are not realized until security/securities are sold.

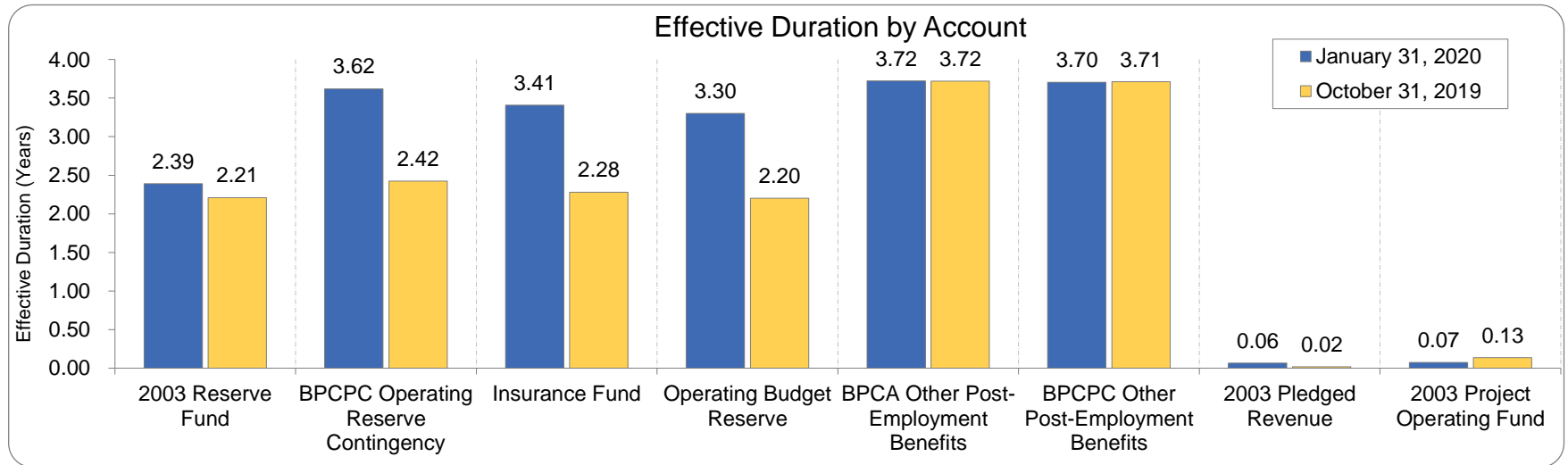


## **III. Total Return Performance Attributes**



# Total Return Portfolio Attributes

Yields	Effective Duration (in years)		Yield To Maturity - At Market		Yield To Maturity - On Cost	
	January 31, 2020	October 31, 2019	January 31, 2020	October 31, 2019	January 31, 2020	October 31, 2019
<b>Longer Term Investment Strategy</b>						
2003 Reserve Fund	2.39	2.21	1.66%	1.64%	1.46%	1.64%
BPCPC Operating Reserve Contingency	3.62	2.42	1.45%	1.66%	1.91%	1.94%
Insurance Fund	3.41	2.28	1.44%	1.61%	1.79%	1.78%
Operating Budget Reserve	3.30	2.20	1.48%	1.66%	1.88%	1.85%
BPCA Other Post-Employment Benefits	3.72	3.72	1.42%	1.63%	2.05%	2.08%
BPCPC Other Post-Employment Benefits	3.70	3.71	1.42%	1.63%	2.05%	2.05%
<b>Short Term Investment Strategy</b>						
2003 Pledged Revenue	0.06	0.02	0.85%	1.38%	1.50%	2.02%
2003 Project Operating Fund	0.07	0.13	1.26%	1.49%	1.61%	1.78%





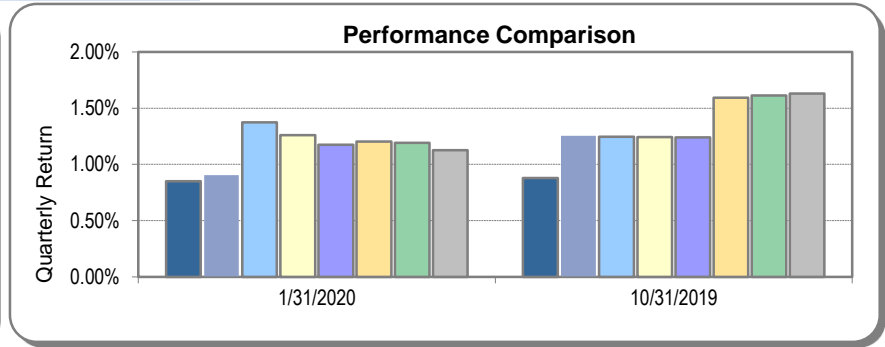
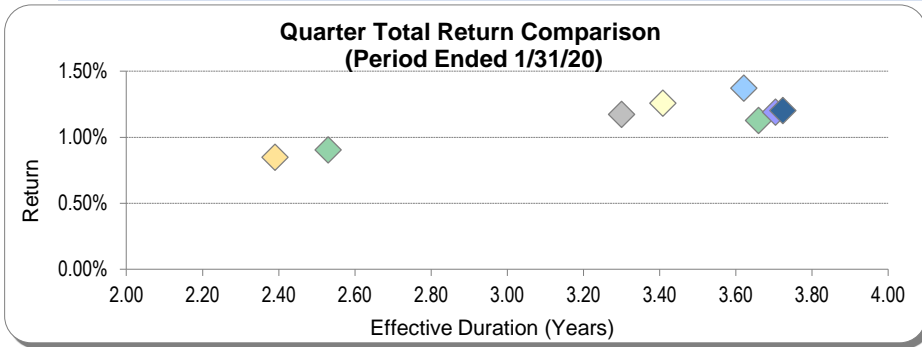
# ***Portfolios Managed with a Longer-Term Investment Strategy***



# Longer-Term Investment Strategy

Total Return <sup>1,2,4,5</sup>	January 31, 2020	Annualized Since Inception
2003 Reserve Fund	0.85%	3.10%
<b>BM: BAML 1-5 Year US Treasury Note Index</b>	<b>0.91%</b>	<b>3.02%</b>
BPCPC Operating Reserve Contingency	1.37%	3.49%
Insurance Fund	1.26%	3.63%
Operating Budget Reserve	1.17%	3.59%
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>1.13%</b>	<b>3.21%</b>
BPCA Other Post-Employment Benefits	1.20%	2.75%
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>1.13%</b>	<b>2.53%</b>
BPCPC Other Post-Employment Benefits	1.19%	2.19%
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>1.13%</b>	<b>2.20%</b>

Effective Duration (in years) <sup>3</sup>	January 31, 2020	October 31, 2019
2003 Reserve Fund	2.39	2.21
<b>BM: BAML 1-5 Year US Treasury Note Index</b>	<b>2.53</b>	<b>2.61</b>
BPCPC Operating Reserve Contingency	3.62	2.42
Insurance Fund	3.41	2.28
Operating Budget Reserve	3.30	2.20
BPCA Other Post-Employment Benefits	3.72	3.72
BPCPC Other Post-Employment Benefits	3.70	3.71
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>3.66</b>	<b>3.66</b>



Notes:

- Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
- 2003 Reserve Fund, Operating Budget Reserve, Insurance Fund, and the Operating Reserve Contingency Funds have temporarily suspended their investment strategies due to 2019 bond funding.
- Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
- Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
- Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
- Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present. For the 'Reserve Fund,' the inception of the BAML 1-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BAML 1-10 Year Treasury Index was utilized. Since inception performance for the 'BPCA Other Post Employment Benefits' is calculated from January 31, 2008 to present. Since inception performance for the 'BPCPC Other Post Employment Benefits' is calculated from February 12, 2010 to present.

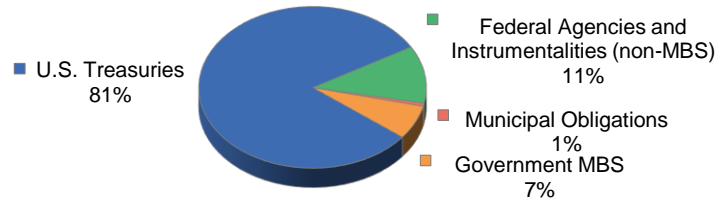




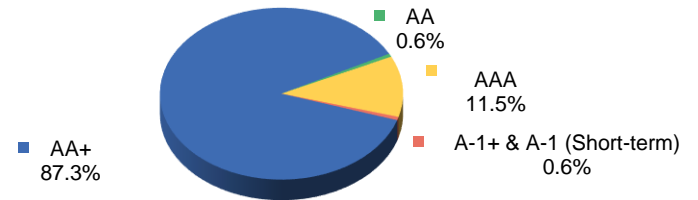
## 2003 Reserve Fund Portfolio

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$27,451,394	81.1%	\$27,904,478	83.2%	(2.1%)
Federal Agencies and Instrumentalities (non-MBS)	\$3,877,370	11.5%	\$2,804,406	8.4%	3.1%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$206,255	0.6%	\$204,229	0.6%	0.0%
Government MBS	\$2,311,812	6.8%	\$2,614,976	7.8%	(1.0%)
<b>Totals</b>	<b>\$33,846,831</b>	<b>100.0%</b>	<b>\$33,528,089</b>	<b>100.0%</b>	

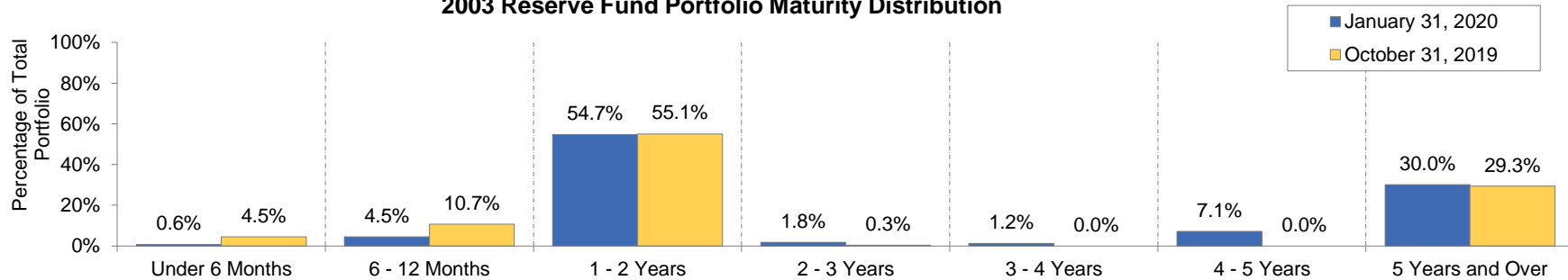
**Portfolio Composition as of 01/31/20**



**Credit Quality Distribution as of 1/31/20**



**2003 Reserve Fund Portfolio Maturity Distribution**



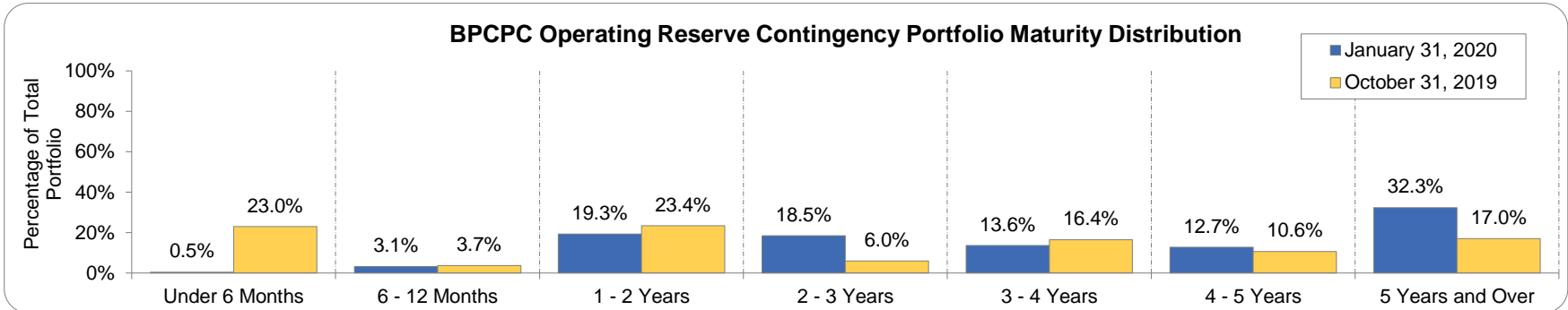
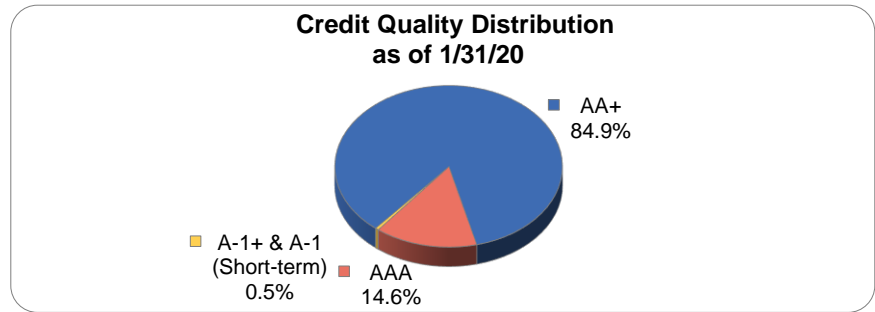
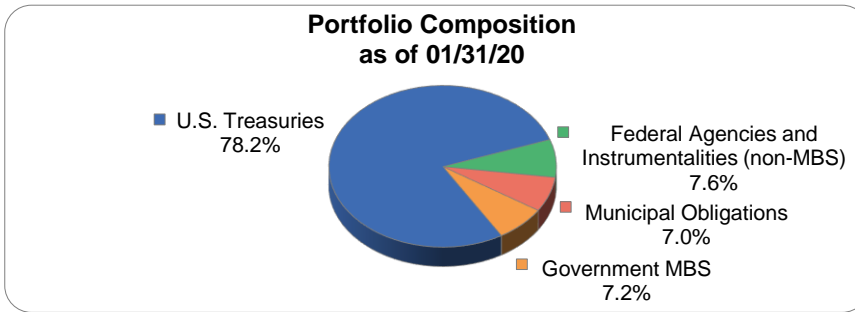
Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



# BPCPC Operating Reserve Contingency Portfolio

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$10,996,343	78.2%	\$8,532,473	73.5%	4.7%
Federal Agencies and Instrumentalities (non-MBS)	\$1,062,116	7.6%	\$977,281	8.4%	(0.9%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$987,845	7.0%	\$985,612	8.5%	(1.5%)
Government MBS	\$1,016,999	7.2%	\$1,117,360	9.6%	(2.4%)
<b>Totals</b>	<b>\$14,063,303</b>	<b>100.0%</b>	<b>\$11,612,725</b>	<b>100.0%</b>	

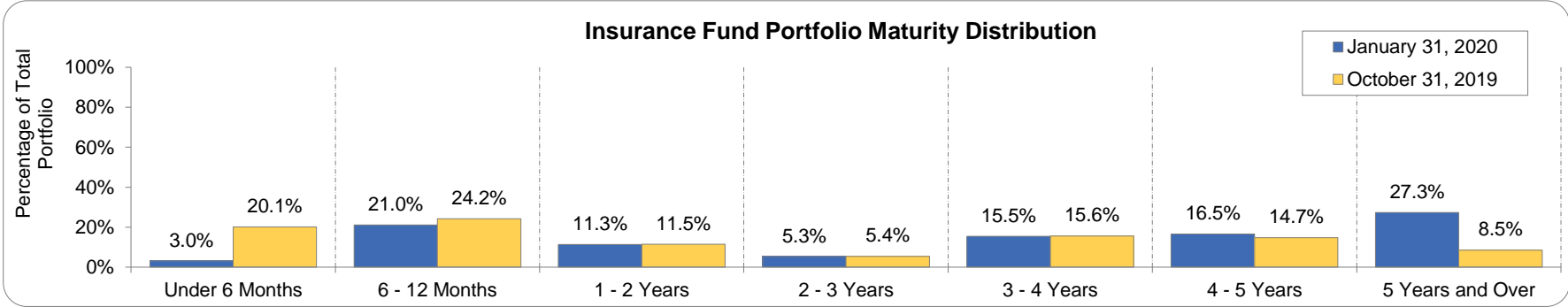
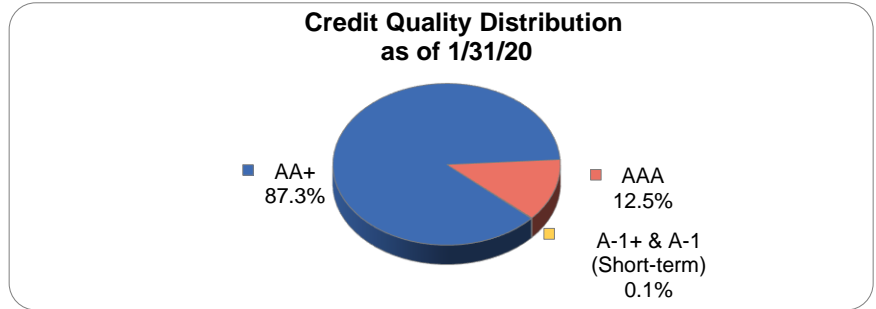
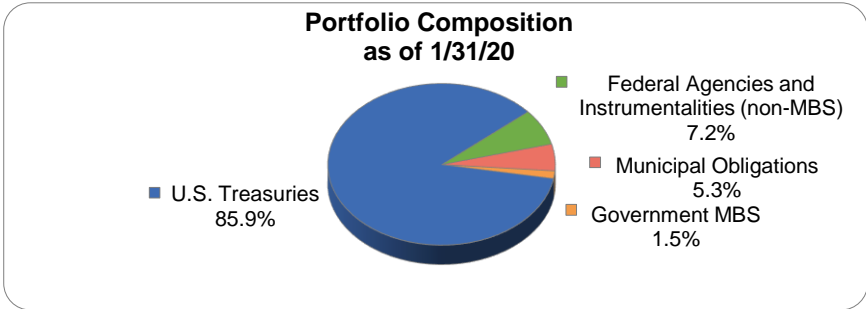


Notes:  
 1. End of quarter trade-date market values of portfolio holdings, including accrued interest.  
 2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



# Insurance Fund Portfolio

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$5,196,105	85.9%	\$5,237,230	87.7%	(1.8%)
Federal Agencies and Instrumentalities (non-MBS)	\$434,996	7.2%	\$315,676	5.3%	1.9%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$322,047	5.3%	\$321,567	5.4%	(0.1%)
Government MBS	\$92,774	1.5%	\$97,436	1.6%	(0.1%)
<b>Totals</b>	<b>\$6,045,922</b>	<b>100.0%</b>	<b>\$5,971,910</b>	<b>100.0%</b>	



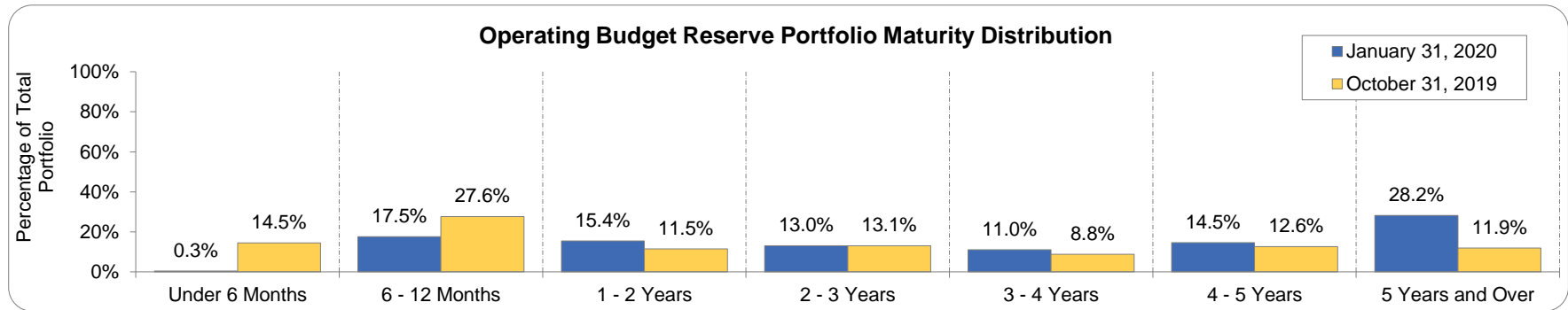
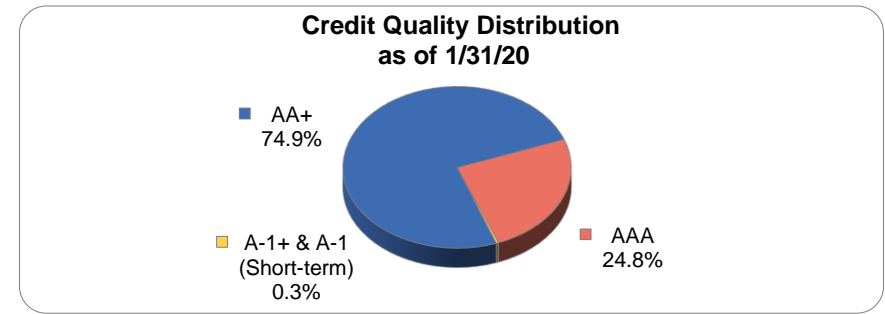
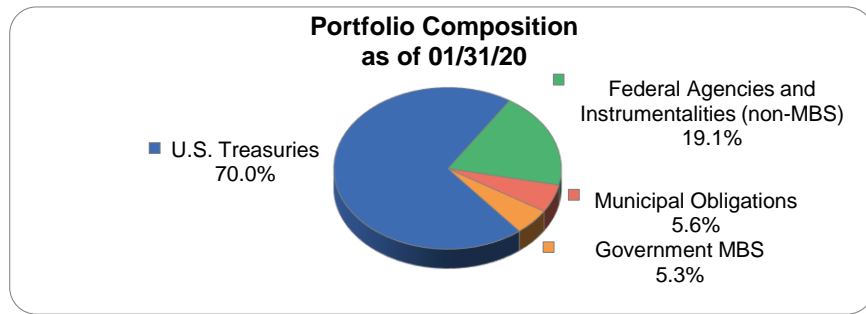
Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



# Operating Budget Reserve Portfolio

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$7,189,816	70.0%	\$6,215,523	61.2%	8.8%
Federal Agencies and Instrumentalities (non-MBS)	\$1,965,182	19.1%	\$2,770,553	27.3%	(8.2%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$578,948	5.6%	\$577,955	5.7%	(0.1%)
Government MBS	\$540,623	5.3%	\$591,085	5.8%	(0.6%)
<b>Totals</b>	<b>\$10,274,569</b>	<b>100.0%</b>	<b>\$10,155,115</b>	<b>100.0%</b>	



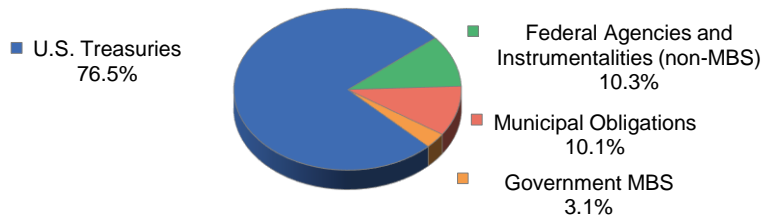
Notes:  
 1. End of quarter trade-date market values of portfolio holdings, including accrued interest.  
 2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



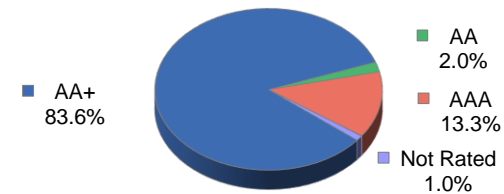
# BPCA OPEB Portfolio

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$20,732,621	76.5%	\$20,938,664	78.2%	(1.7%)
Federal Agencies and Instrumentalities (non-MBS)	\$2,800,929	10.3%	\$2,196,801	8.2%	2.1%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$2,724,513	10.1%	\$2,701,880	10.1%	(0.0%)
Government MBS	\$842,169	3.1%	\$934,899	3.5%	(0.4%)
<b>Totals</b>	<b>\$27,100,231</b>	<b>100.0%</b>	<b>\$26,772,244</b>	<b>100.0%</b>	

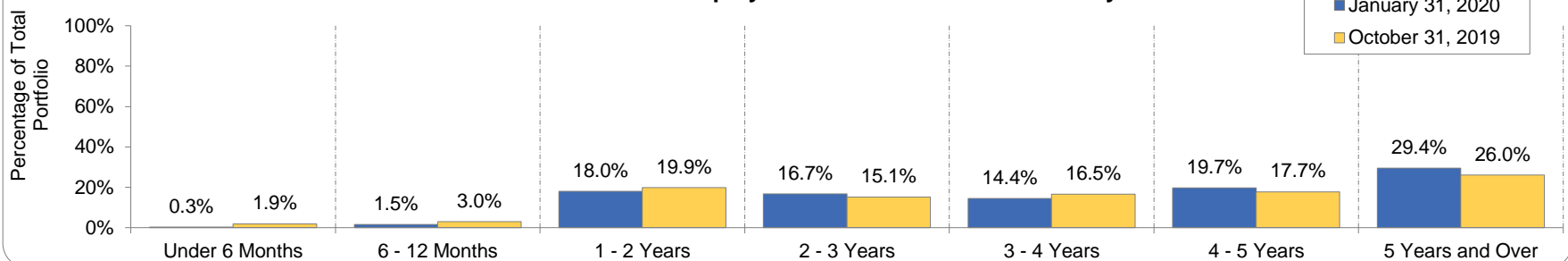
**Portfolio Composition as of 01/31/20**



**Credit Quality Distribution as of 1/31/20**



**BPCA Other Post Employment Benefits Portfolio Maturity Distribution**



**Notes:**

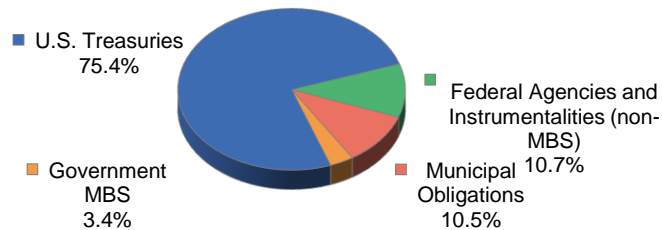
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



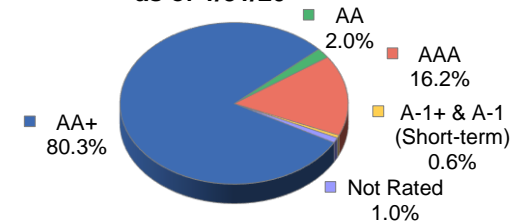
# BPCPC OPEB Portfolio

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$10,740,448	75.4%	\$10,777,885	76.6%	(1.2%)
Federal Agencies and Instrumentalities (non-MBS)	\$1,521,543	10.7%	\$1,271,286	9.0%	1.6%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$1,494,199	10.5%	\$1,482,139	10.5%	(0.0%)
Government MBS	\$482,992	3.4%	\$537,048	3.8%	(0.4%)
<b>Totals</b>	<b>\$14,239,182</b>	<b>100.0%</b>	<b>\$14,068,358</b>	<b>100.0%</b>	

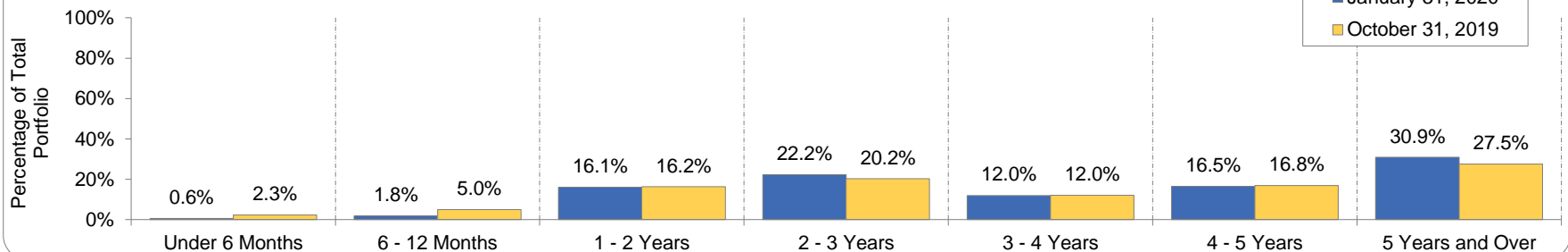
**Portfolio Composition as of 1/31/20**



**Credit Quality Distribution as of 1/31/20**



**BPCPC Other Post Employment Benefits Portfolio Maturity Distribution**



**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



# ***Portfolios Managed with a Shorter-Term Investment Strategy***

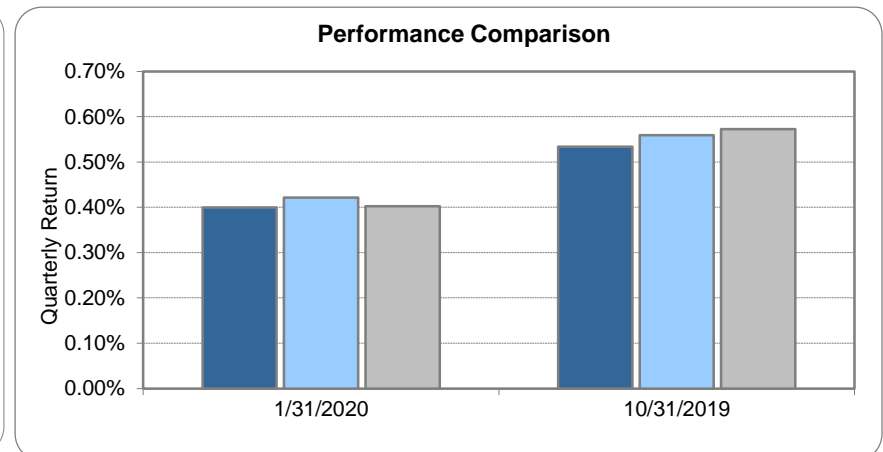
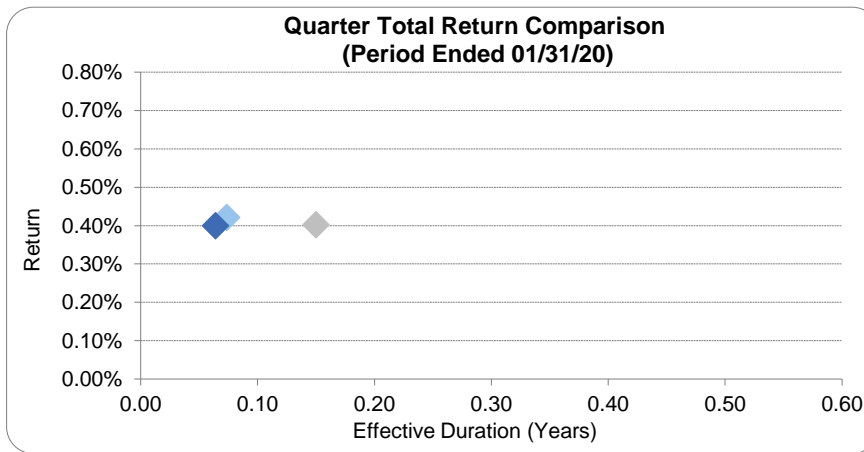


# Shorter-Term Investment Strategy

<u>Total Return<sup>1,2,4,5</sup></u>	<u>January 31, 2020</u>	<u>Annualized Since Inception</u>
■ 2003 Pledged Revenue	<b>0.40%</b>	1.25%
■ 2003 Project Operating Fund	<b>0.42%</b>	1.27%
■ <b>BM: BAML 3 Month US Treasury Bill Index</b>	<b>0.40%</b>	<b>1.18%</b>

<u>Effective Duration (in years)<sup>3</sup></u>	<u>January 31, 2020</u>	<u>October 31, 2019</u>
■ 2003 Pledged Revenue	0.06	0.02
■ 2003 Project Operating Fund	0.07	0.13
■ <b>BM: BAML 3-Month US Treasury Bill Index</b>	<b>0.15</b>	<b>0.25</b>



**Notes:**

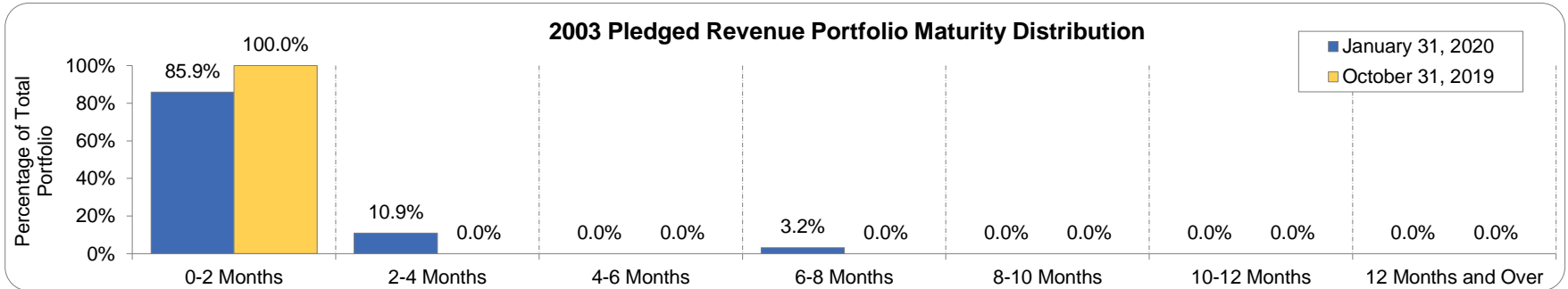
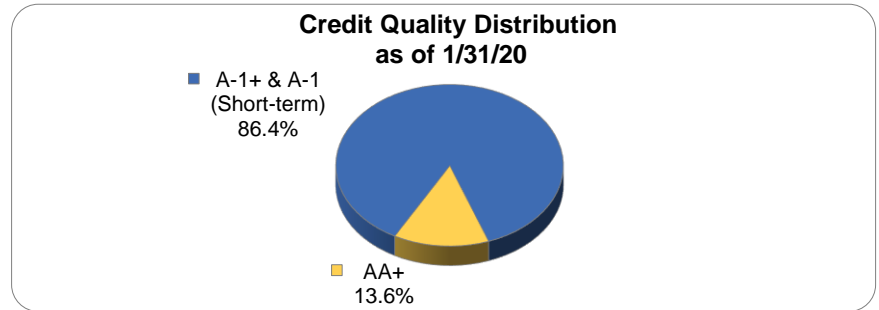
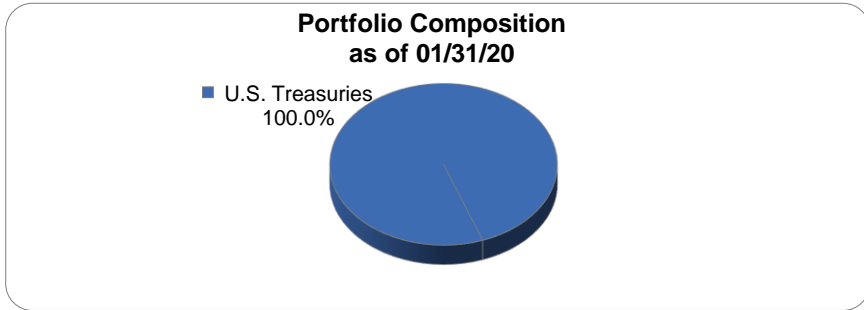
1. Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
2. Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
3. Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
4. Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
5. Since inception performance is calculated from January 31, 2006 to present.





# 2003 Pledged Revenue

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$210,878,469	100.0%	\$168,243,404	92.9%	7.1%
Federal Agencies and Instrumentalities (non-MBS)	\$0	0.0%	\$0	0.0%	0.0%
Commercial Paper	\$0	0.0%	\$12,782,219	7.1%	(7.1%)
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%
<b>Totals</b>	<b>\$210,878,469</b>	<b>100.0%</b>	<b>\$181,025,623</b>	<b>100.0%</b>	



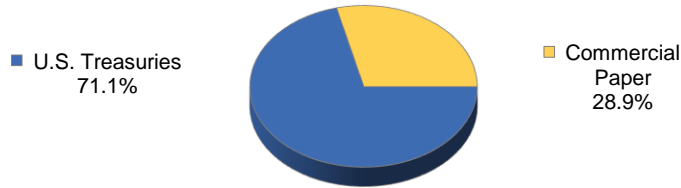
Notes:  
 1. End of quarter trade-date market values of portfolio holdings, including accrued interest.  
 2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



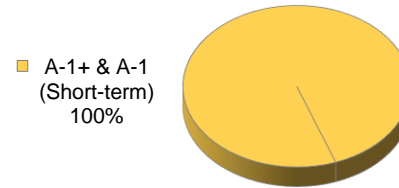
# 2003 Project Operating Fund Portfolio

Security Type <sup>1</sup>	January 31, 2020	% of Portfolio	October 31, 2019	% of Portfolio	QoQ % Change
U.S. Treasuries	\$6,528,879	71.1%	\$4,236,627	58.5%	12.6%
Federal Agencies and Instrumentalities (non-MBS)	\$0	0.0%	\$0	0.0%	0.0%
Commercial Paper	\$2,647,422	28.9%	\$3,004,091	41.5%	(12.6%)
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%
<b>Totals</b>	<b>\$9,176,301</b>	<b>100.0%</b>	<b>\$7,240,718</b>	<b>100.0%</b>	

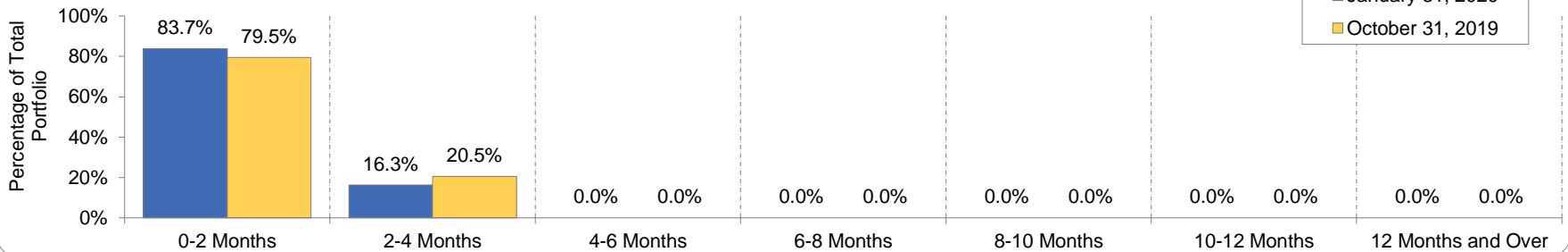
**Portfolio Composition as of 1/31/20**



**Credit Quality Distribution as of 1/31/20**



**2003 Project Operating Fund Portfolio Maturity Distribution**



**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



## IV. Market Commentary



# Market Commentary – Quarter Ended January 31, 2020

## SUMMARY

- Over the quarter the U.S. economic conditions were characterized by: (1) moderate economic growth; (2) robust job growth and elevated consumer confidence; (3) strong housing market, but mixed manufacturing activity; (4) growing risks to the economic outlook, including reescalation of trade conflicts, the Coronavirus outbreak, and the 2020 U.S. presidential election, and deteriorating business confidence and investment, and; (5) geopolitical risks taking center stage.
- Fed cut the overnight fed funds target rate twice in Q3 bringing to a new range of 1.50% to 1.75% in October. The dynamics supporting the rate cuts in October were similar to those cited for the first two of 2019, including weakness in global growth, ongoing trade uncertainty and muted inflation. The Fed is expected to hold their target range steady over the near-term absent a “material reassessment of their outlook.”

## ECONOMIC SNAPSHOT

- The U.S. economy grew at a slightly better-than-expected 2.1% pace in the fourth quarter of 2019 and at 2.3% for the entire year. A sharp decline in imports was notable, causing net exports (usually a detractor) to contribute 1.5% to the overall reading. Growth in consumer spending was tepid and private inventories fell sharply, but residential housing and government spending were positive contributors.
- The U.S. labor market continued to grow at a solid pace in the 4<sup>th</sup> Quarter. The U.S. economy added an average of 195,000 jobs in Q4. The 2019 monthly average was 177,000 which fell short of the 223,000 average of monthly gains in 2018. The unemployment rate edged higher to 3.6%.
- Inflation remains muted, showing no indication of substantial upward price pressure heading into Q1. Year-over-year growth in the core Consumer Price Index reached 2.3% in December, while the Fed’s preferred inflation gauge, the core Personal Consumption Expenditure price index, was 1.6% on a yearly basis in December, which is well below the Fed’s 2% target. Price pressures on services were stable in Q4, while price pressures on goods drifted lower amid a de-escalation of trade tensions.
- U.S. manufacturing activity was mixed in the fourth quarter. The ISM manufacturing PMI survey remained in contractionary territory during the quarter and fell to its lowest level since 2009 in December but rebounded sharply to 50.9 in January, above the 50-line demarcation that signals expansion, for the first time in six months.

## INTEREST RATES

- U.S. After falling for four consecutive quarters, the U.S. Treasury yield curve twisted around the 3-year inflection point in December. Shorter-term rates declined up to 0.40% and longer-term rates rose as much as 0.30% but were pushed down again in January, reinverting the curve as emerging risks caused treasuries to rally.
- With the expectations for the Fed now on hold, ultra-short rates stabilized and settled into an equilibrium by year-end. Investors found incremental value in short-term credit opportunities in Q4, as yield spreads on commercial paper and bank CDs widened to attractive levels, helping to offset a portion of recent declines in money market yields.

## SECTOR PERFORMANCE

- Broad portfolio diversification was additive to portfolio performance in Q4. Lower quality corporates and mortgage-backed securities (MBS) led the pack and drove positive performance, as spreads generally tightened across the board.
- Federal agency and supranational returns were muted as spread levels remained near historic tights and scarce supply largely limited value, capping both sectors’ excess returns. The slight incremental income relative to Treasuries helped buoy relative performance, as each sector generally traded in a tight range.
- The Corporate bonds performed top-of-class again, as yield spreads broke prior 2019 lows and challenged post-recession tights. As a result, investment-grade corporates generated attractive excess returns for Q4, with longer duration and lower quality issuers once again outperforming their shorter and higher-quality counterparts.
- Following a volatile quarter, MBS saw a retracement of volatility and spreads. As a result, most coupon and collateral structures generated strong absolute and relative performance. After leading the pack for most of 2019, performance of agency-backed commercial MBS lagged its peers in Q4.
- In the municipal sector, taxable issuance volume remained elevated but so too did investor appetite. As a result, the sector generated positive excess returns which helped buoy portfolio performance, especially for government-focused strategies.



# Economic Snapshot

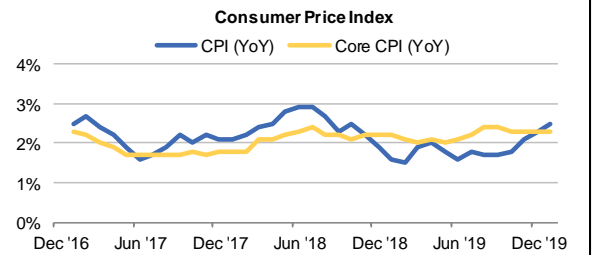
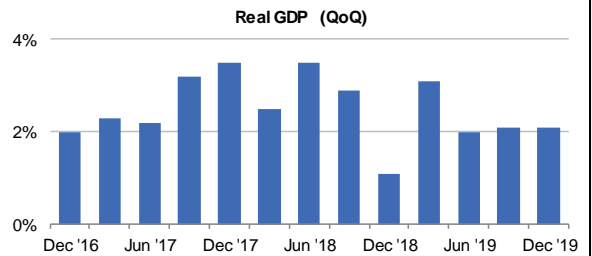
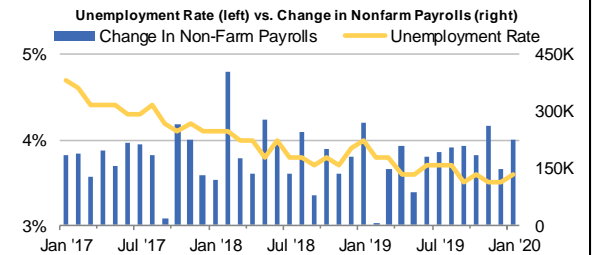
Labor Market		Latest	Oct '19	Jan '19
Unemployment Rate	Jan'20	3.6%	3.6%	4.0%
Change In Non-Farm Payrolls	Jan'20	225,000	185,000	269,000
Average Hourly Earnings (YoY)	Jan'20	3.1%	3.2%	3.3%
Personal Income (YoY)	Dec'19	3.9%	4.4%	4.5%
Initial Jobless Claims (week)	2/8/20	205,000	219,000	244,000

Growth				
Real GDP (QoQ SAAR)	2020Q4	2.1%	2.1% <sup>1</sup>	1.1% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2020Q4	1.8%	3.1% <sup>1</sup>	1.4% <sup>2</sup>
Retail Sales (YoY)	Jan'20	4.4%	3.1%	2.7%
ISM Manufacturing Survey (month)	Jan'20	50.9	48.5	55.5
Existing Home Sales SAAR (month)	Dec'19	5.54 mil.	5.44 mil.	4.93 mil.

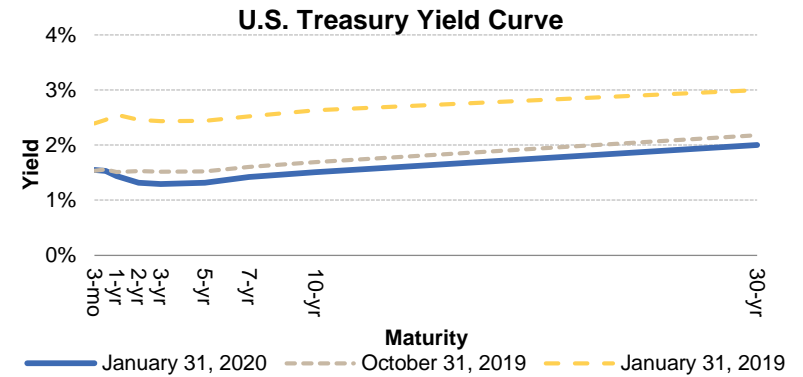
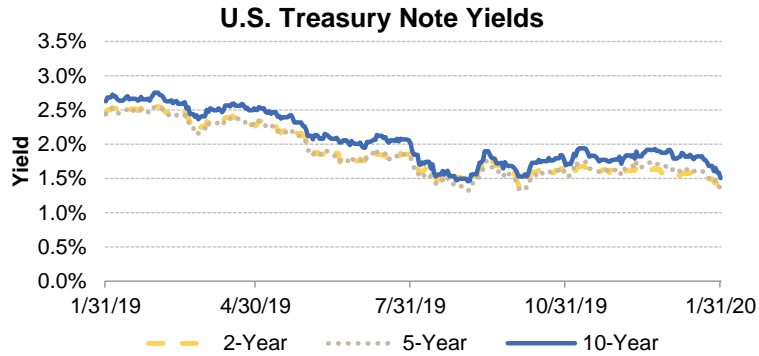
Inflation / Prices				
Personal Consumption Expenditures (YoY)	Dec'19	1.6%	1.4%	1.4%
Consumer Price Index (YoY)	Jan'20	2.5%	1.8%	1.6%
Consumer Price Index Core (YoY)	Jan'20	2.3%	2.3%	2.2%
Crude Oil Futures (WTI, per barrel)	Jan 31	\$51.56	\$54.18	\$53.79
Gold Futures (oz.)	Jan 31	\$1,583	\$1,515	\$1,320



Source: Bloomberg.



# Interest Rate Overview

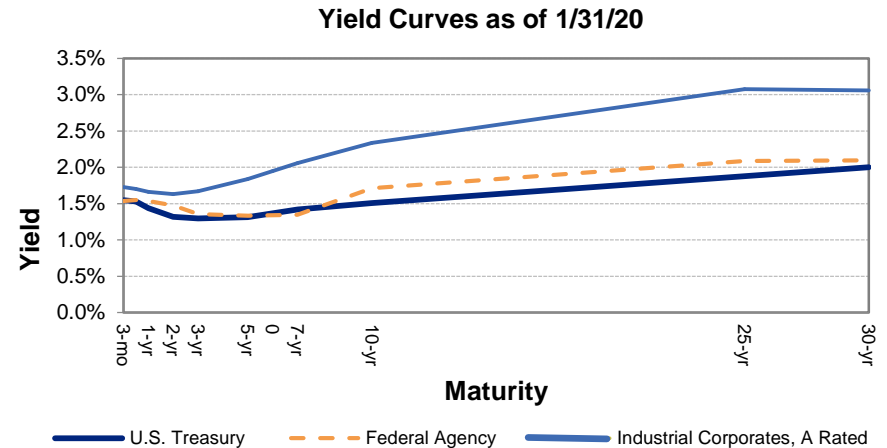


## U.S. Treasury Yields

Maturity	Jan '20	Oct '19	Change over Quarter	Jan '19	Change over Year
3-month	1.55%	1.54%	0.01%	2.39%	(0.84%)
1-year	1.44%	1.51%	(0.07%)	2.55%	(1.11%)
2-year	1.32%	1.53%	(0.21%)	2.46%	(1.14%)
5-year	1.31%	1.52%	(0.21%)	2.44%	(1.13%)
10-year	1.51%	1.69%	(0.18%)	2.63%	(1.12%)
30-year	2.00%	2.18%	(0.18%)	3.00%	(1.00%)

## LIBOR Rates

Maturity	Jan '20	Oct '19	Change over Quarter	Jan '19	Change over Year
3-month	1.66%	1.78%	(0.12%)	2.51%	(0.85%)
1-year	1.75%	1.90%	(0.15%)	2.74%	1.75%



Source: Bloomberg.



## Bank of America Merrill Lynch Index Returns

January 31, 2020	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
<b>U.S. Treasury</b>	1.85	1.38%	0.72%	3.83%	1.98%
<b>Federal Agency</b>	1.53	1.38%	0.67%	3.63%	2.06%
<b>U.S. Corporates, A-AAA rated</b>	1.85	1.75%	0.93%	4.85%	2.86%
<b>Agency MBS (0 to 3 years)</b>	2.99	2.20%	1.35%	6.16%	3.35%
<b>Taxable Municipals</b>	1.52	1.65%	0.92%	4.96%	3.08%
<b>1-5 Year Indices</b>					
<b>U.S. Treasury</b>	2.59	1.36%	0.91%	4.77%	2.35%
<b>Federal Agency</b>	2.01	1.34%	0.79%	4.11%	2.25%
<b>U.S. Corporates, A-AAA rated</b>	2.51	1.80%	1.22%	6.21%	3.41%
<b>Agency MBS (0 to 5 years)</b>	1.79	1.98%	1.02%	5.78%	2.94%
<b>Taxable Municipals</b>	2.14	1.83%	1.15%	5.57%	3.30%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
<b>U.S. Treasury</b>	6.89	1.51%	1.62%	9.22%	4.17%
<b>Federal Agency</b>	4.26	1.51%	1.23%	7.13%	3.55%
<b>U.S. Corporates, A-AAA rated</b>	7.98	2.34%	2.60%	13.22%	6.12%
<b>Agency MBS (0 to 30 years)</b>	2.88	2.27%	1.06%	6.39%	3.56%
<b>Taxable Municipals</b>	11.32	2.77%	4.00%	18.52%	9.02%

Returns for periods greater than one year are annualized

Source: Bloomberg.



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# Battery Park City Authority

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## Select Market Data Comparing 2002/03 and 2020 Global Health Crises

Prepared by:

**PFM Asset Management LLC**  
**Ramirez Asset Management, Inc.**

February 2020



## Observations

**We sought to directly compare the SARS and Coronavirus situations given the distinctly different economic and geopolitical environments**

### ◆ Economic

- China has grown exponentially since the SARS outbreak; accordingly, any disruption of their domestic economy today could have a far greater impact on the global economic outlook
- The US economy was far weaker during the SARS crisis than it is today
  - Jobless claims reached more than 400,000/week by mid-2003 and the unemployment rate exceeded 6%; contrast that with current data showing jobless claims in the low 200,000s and an unemployment rate of 3.5%
  - Consumer confidence measures far stronger in 2020 than in 2003

### ◆ Geopolitical

- Geopolitical concerns in late 2002 and early 2003, around the time of the first reported SARS case, centered on the authorization by President G.W. Bush for the use of military force against Iraq
  - Opening invasion in the Iraq War (March 2003) followed only one week after the World Health Organization (WHO) issued an emergency declaration regarding SARS



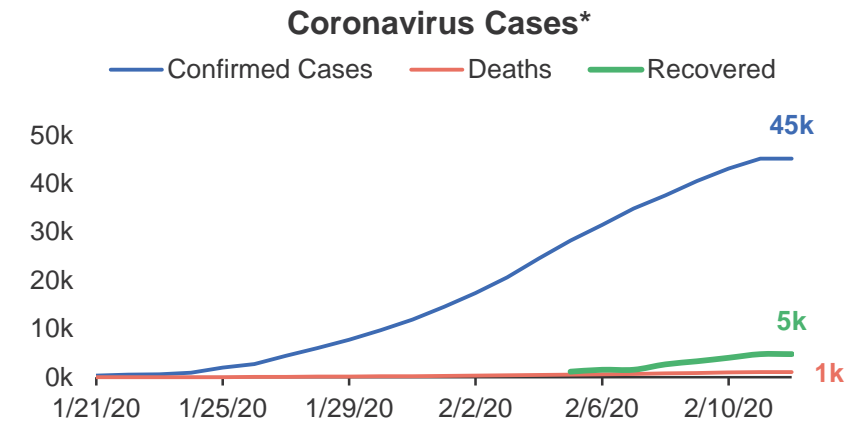
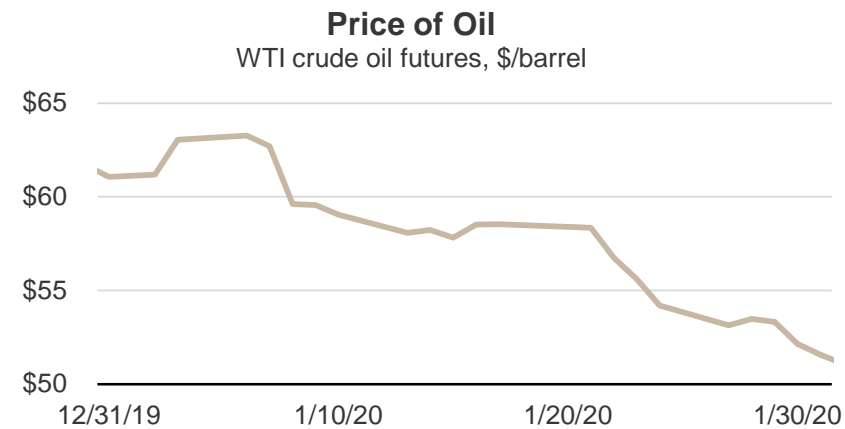
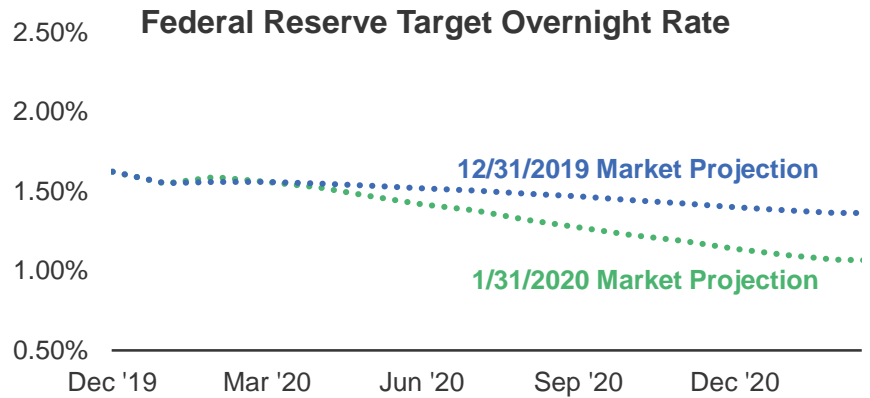
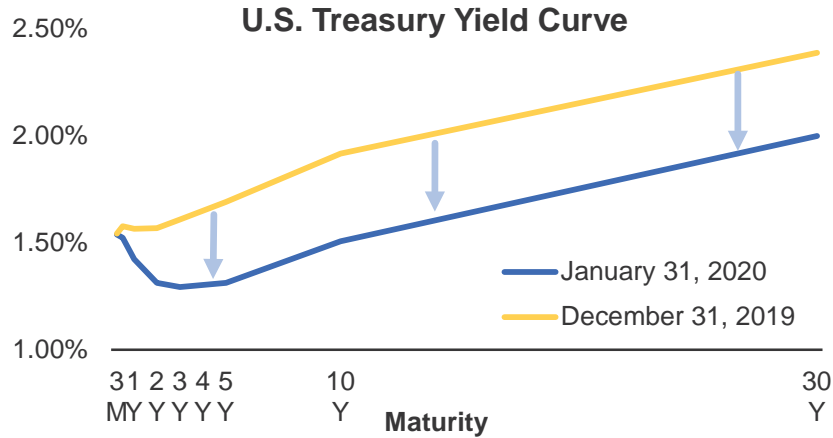
## Federal Reserve is Monitoring Spread of the Coronavirus in China

- Fed Chair Powell said the overall U.S. economy is in a good place, as economic activity increased at a moderate pace and the labor market strengthened further in 2019.
  - While uncertainties about trade recently have diminished, risks to the outlook remain
- ***"In particular, we are closely monitoring the emergence of the coronavirus, which could lead to disruptions in China that spill over to the rest of the global economy."*** – Mr. Powell
  - ***"I think we know there will be effects on China through some part of the first half of the year and China's close neighbors and trading partners in Europe as well as Asia. And we know that there will be very likely be some effects on the United States, I think it's just too early to say (what). We have to resist the temptation to speculate on this."*** – Mr. Powell
- The FOMC believes its current stance will support continued economic growth, a strong labor market and inflation returning to its 2% objective
  - ***"Of course, policy is not on a preset course, if developments emerge that cause a material reassessment of our outlook, we would respond accordingly."*** – Mr. Powell

Source: Pensions & Investments.



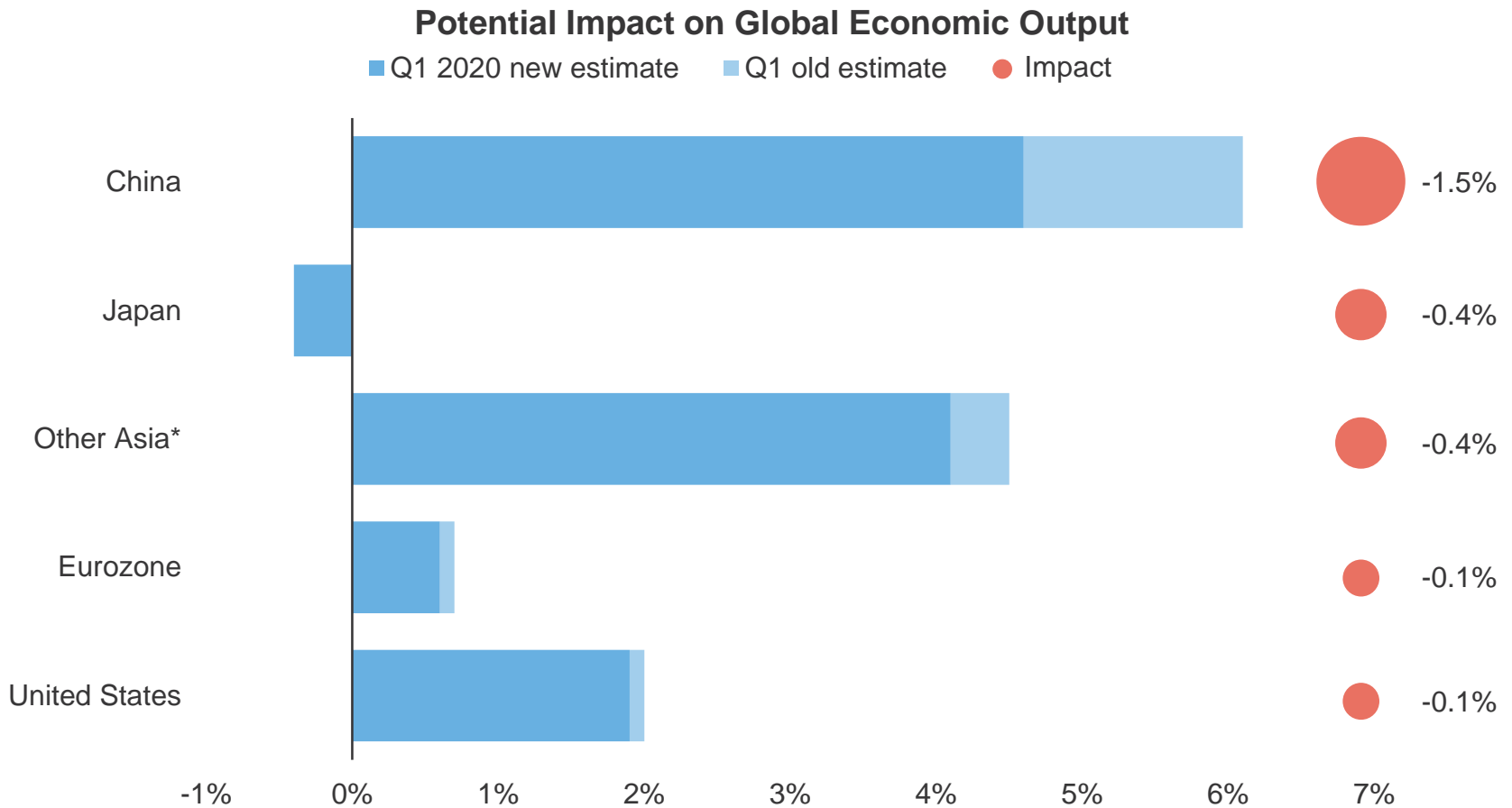
# Market Reaction to the Coronavirus Outbreak



Source: Bloomberg, as of 1/31/2020. \*Source: WHO, CDC, ECDC, NHC, NIH, as of 2/12/20.



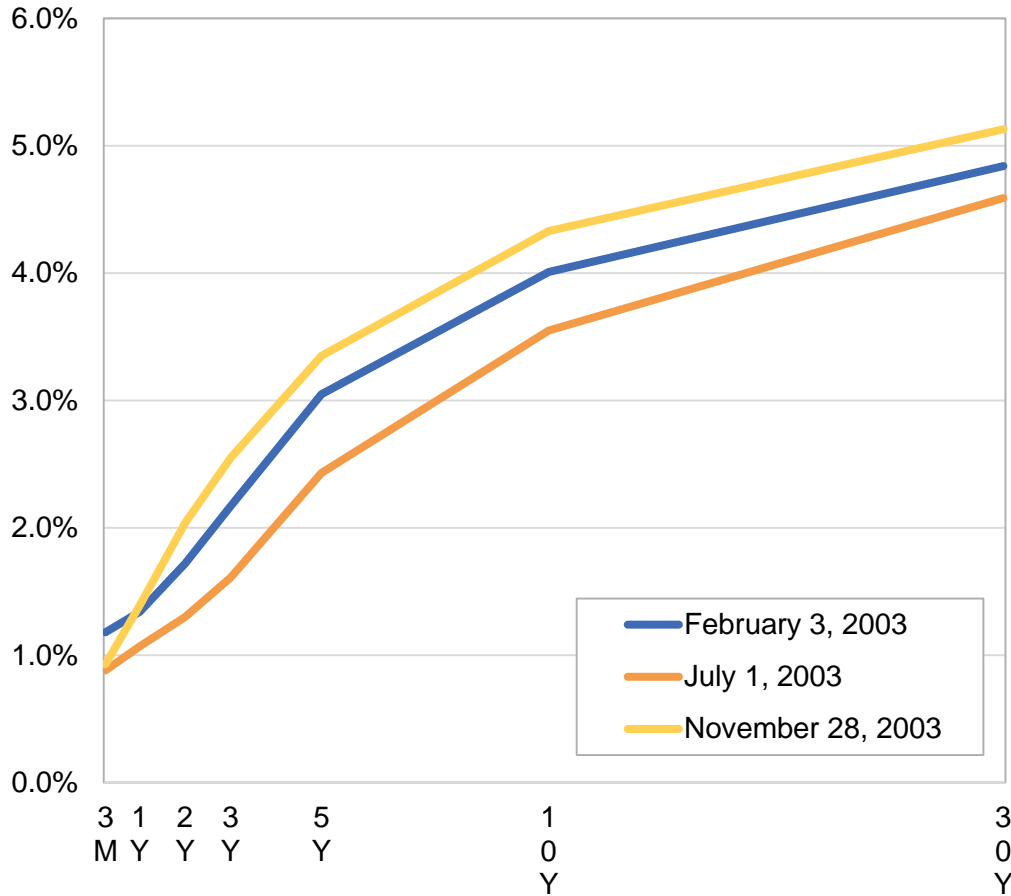
# Coronavirus Complicates Global Economic Outlook



Source: Bloomberg, Statista, as of 1/31/2020. \*Includes emerging Asian market economies other than China (2020 Projections).



## U.S. Treasury Yield Curve – SARS Outbreak 2002/03



Maturity	Feb. 3, 2003	Jul. 1, 2003	Nov. 28, 2003
3 Month	1.18%	0.88%	0.93%
6 Month	1.21%	0.94%	1.03%
1 Year	1.34%	1.07%	1.39%
2 Year	1.72%	1.30%	2.04%
3 Year	2.17%	1.61%	2.55%
5 Year	3.05%	2.43%	3.35%
10 Year	4.01%	3.55%	4.33%
30 Year	4.84%	4.59%	5.13%

Source: Bloomberg, as of 2/3/2020.

SARS was first reported in Asia in February 2003. The World Health Organization (WHO) issued a global alert for SARS on March 12, 2003.



## U.S. 2-Year Treasury Yield: January 1, 2003 - November 28, 2003

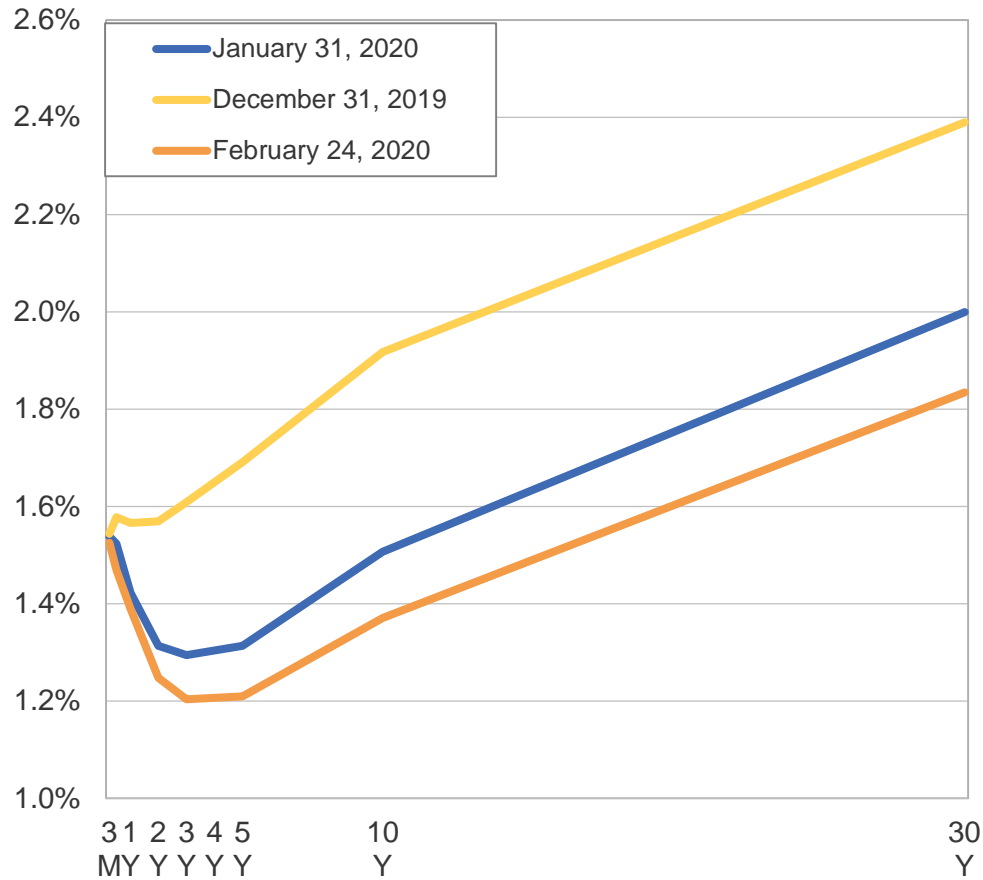


Source: Bloomberg



# UPDATED

## U.S. Treasury Yield Curve – Coronavirus Outbreak 2020



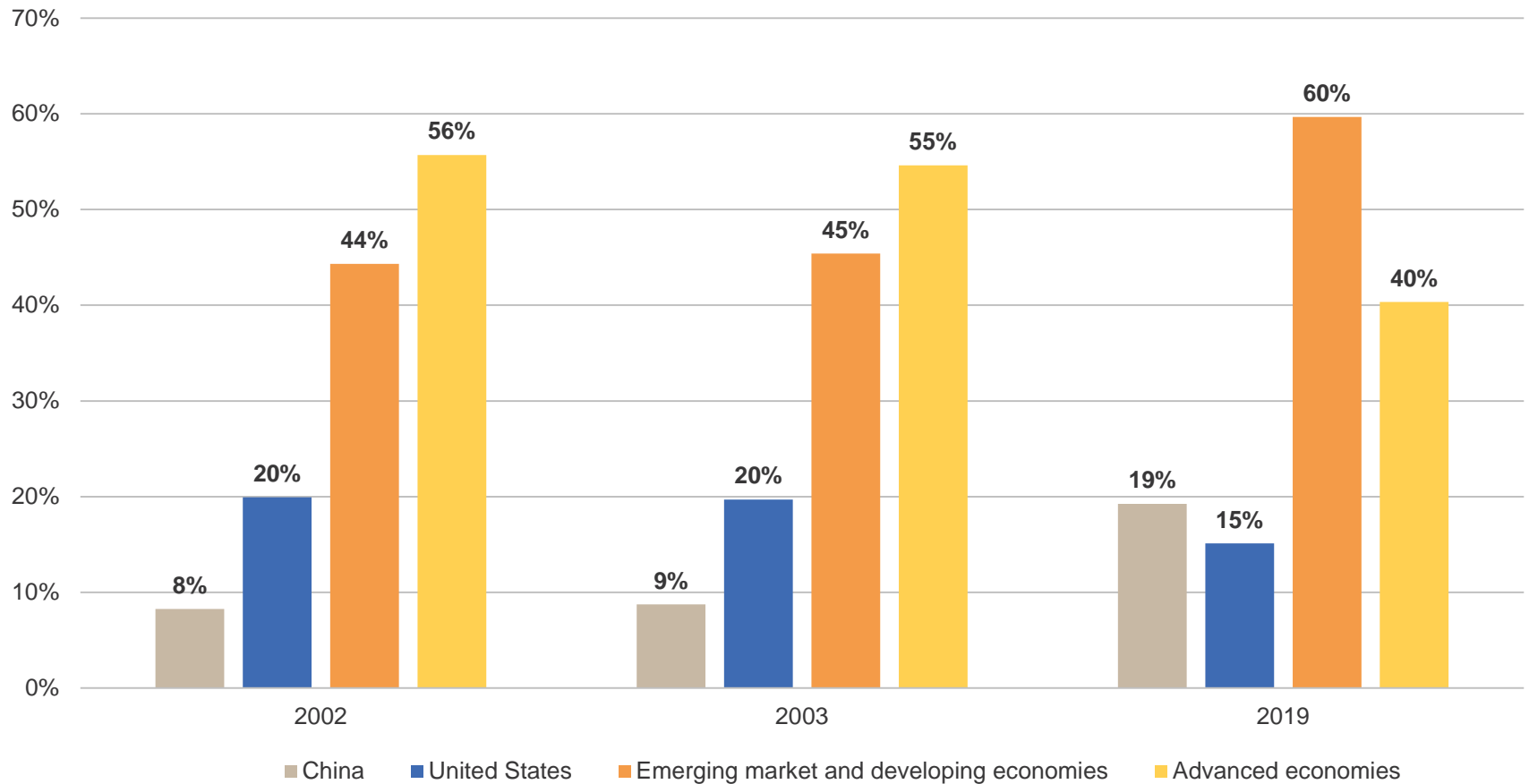
Maturity	Dec. 31, 2019	Jan. 31, 2020	Feb. 24, 2020
3 Month	1.54%	1.54%	1.53%
6 Month	1.58%	1.52%	1.47%
1 Year	1.57%	1.42%	1.39%
2 Year	1.57%	1.31%	1.25%
3 Year	1.61%	1.29%	1.20%
5 Year	1.69%	1.31%	1.21%
10 Year	1.92%	1.51%	1.37%
30 Year	2.39%	2.00%	1.83%

Source: Bloomberg.





## Share of GDP\*

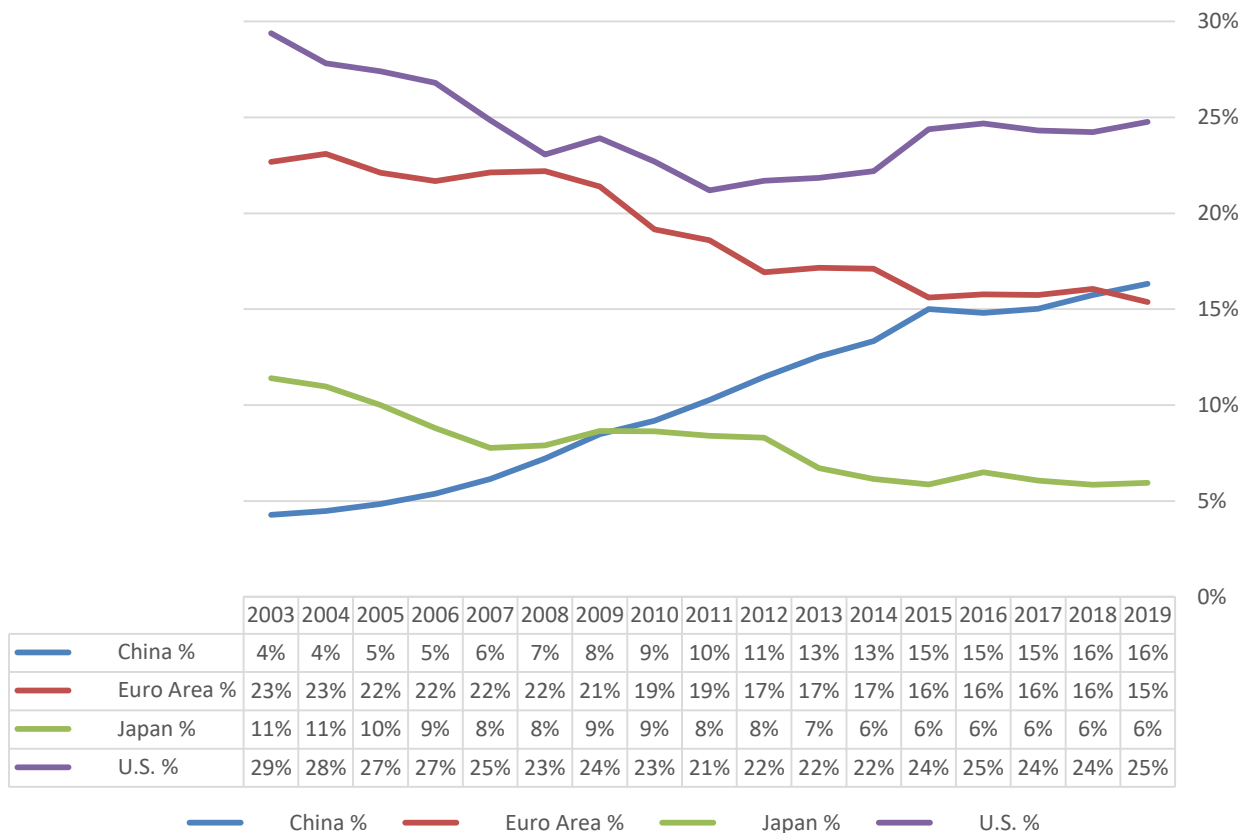


Source: International Monetary Fund, as of 2/3/2020.

\* Share of GDP based on purchasing power parity (PPP). PPP weights are individual countries' share of total world GDP at purchasing power parities. PPP is a theory which relates changes in the nominal exchange rate between two countries currencies to changes in the countries' price levels.

# China Nominal GDP Growth

World Nominal GDP

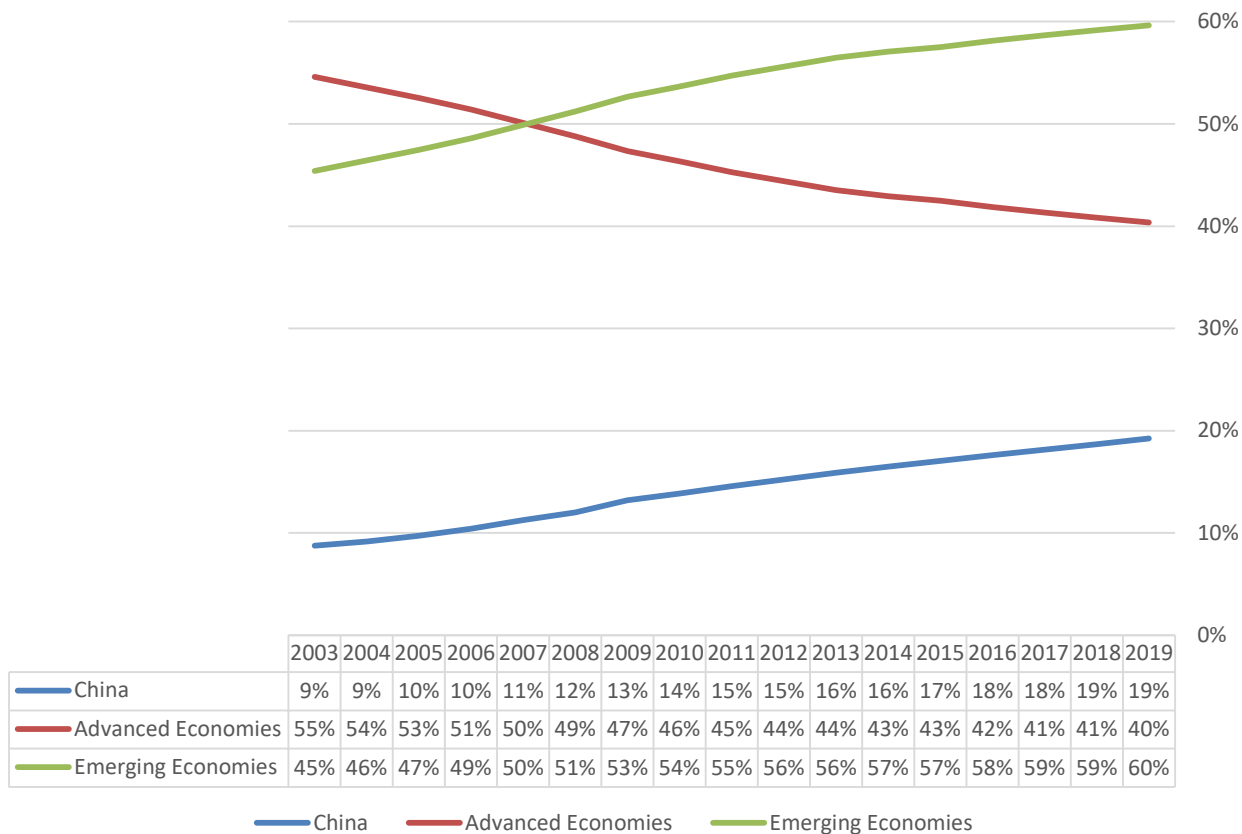


- China nominal GDP as a percentage world GDP has increased 4x from 4% in 2003 to 16% as of 2019
- The other major developed economies all saw their share of world GDP increase over the same time period
- Nominal GDP is calculated using market exchange rates and does not take into account any cost of living adjustments

Source: Bloomberg using IMF and World Bank data

# China PPP Adjusted GDP Growth

GDP based on PPP, Share of World



- China's GDP share of the world based on Purchasing Power Parity (PPP) has more than doubled from 2003
- PPP is measured differently than nominal GDP using an exchange rate to convert the currency to purchase the same amount of goods in services across countries rather than just using a market exchange rate
- China is shown individually and is included in the Emerging Economies line to show the increase in GDP share for Emerging Economies vs Advanced Economies over the time period

Source: IMF and World Bank



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