

# **Citizens Investment Summary Report Appendix**



**Oct 2017**

## EXECUTIVE SUMMARY

- Citizens' total portfolio market value for October 2017 was \$11.11 billion (prior month: \$11.30 billion) with an average duration of 3.96 years (prior month: 3.98 years) and average credit ratings of A/AA/AA (prior month: A/AA/AA).
  - 79% of the total portfolio is taxable, with a market value of \$8.75 billion.
  - 21% of the total portfolio is tax-exempt, with a market value of \$2.36 billion.
  - 85%, or \$9.41 billion of the total portfolio is managed by 14 external investment managers, with an average duration of 4.02 years and 15% is internally managed, or \$1.70 billion.
- Citizens' gross total 3-year return was 13 basis point below the 3-year Treasury yield.

Portfolio	1-Month	1-Year	3-Year
Taxable	0.10%	1.43%	1.62%
Tax-Exempt	-0.06%	1.03%	0.92%
<b>Total</b>	<b>0.10%</b>	<b>1.45%</b>	<b>1.54%</b>

- For October 2017, the average 1-year Treasury yield was 1.38%, 3-year Treasury yield was 1.67%, and 5-year Treasury yield was 1.97%.
- 4% of the portfolio matures in less than 90 days and 19% of the portfolio matures between 1 and 3 years.

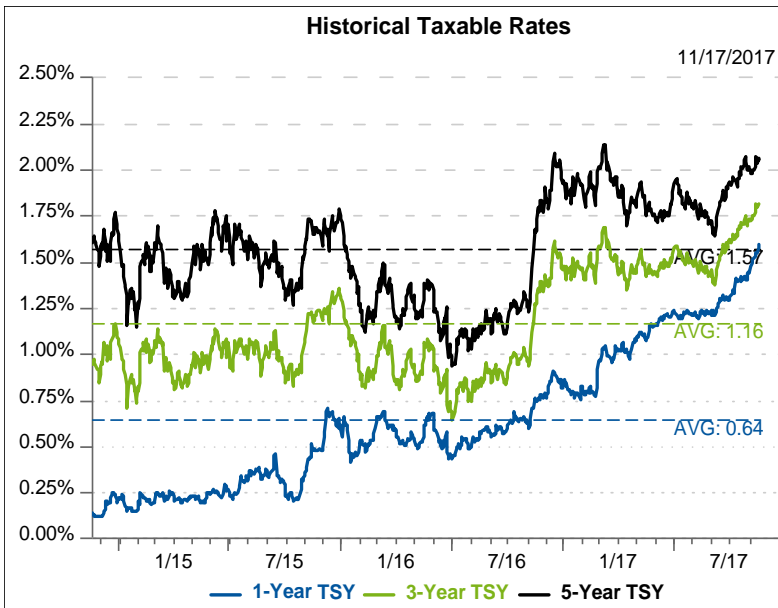
*Note: The legacy securities are not included in the taxable portfolio or total portfolio for the purpose of duration, average ratings and performance reporting in this report.*

# INTEREST RATES

## Taxable

- The 1 year US Treasury rate has increased 84 basis points over the 12-month period ending 11/17/2017.
- The 5 year US Treasury rate has increased 32 basis points over the 12-month period ending 11/17/2017.

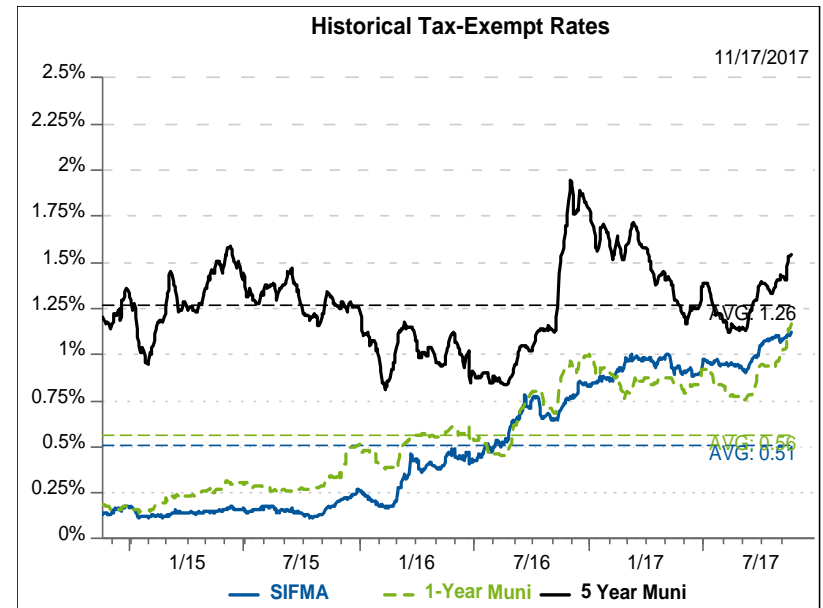
Taxable Rates	As Of 11/17/2017	3-Mos. Prior	1-Year Prior	3-Year Average
1-Yr TSY	1.60%	1.23%	0.76%	0.64%
3-Yr TSY	1.82%	1.46%	1.32%	1.16%
5-Yr TSY	2.06%	1.76%	1.74%	1.57%



## Tax-Exempt

- The short-term (SIFMA) rate has increased 37 basis points over the 12-month period ending 11/17/2017.
- The S&P 1-Yr AAA Municipal rate has increased 28 basis points over the 12-month period ending 11/17/2017.

Tax-Exempt Rates	As Of 11/17/2017	3-Mos. Prior	1-Year Prior	3-Year Average
SIFMA	1.08%	0.96%	0.71%	0.51%
S&P 1-Yr AAA Muni	1.17%	0.78%	0.89%	0.56%
S&P 5-Yr AAA Muni	1.54%	1.16%	1.55%	1.26%



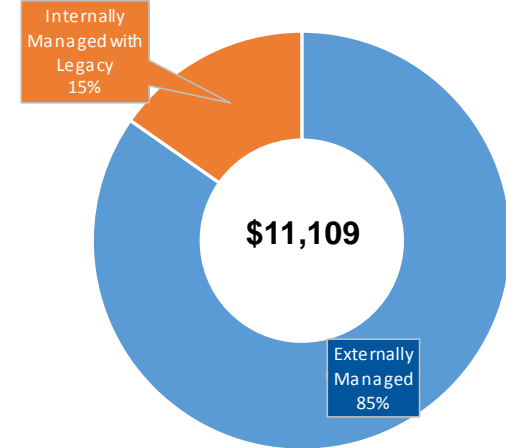
# PORTFOLIO SUMMARY

Security Description	Current Month Market Value	Prior Month Market Value	Month-to-Month Change	Current Month Weight (%)
<b>Total</b>	<b>\$11,109</b>	<b>\$11,296</b>	<b>(\$187)</b>	<b>100</b>
<b>Taxable with Legacy Securities</b>	8,751	8,936	(185)	79
Corporate Bonds, Commercial Paper, CDs, & Foreign Govt Securities	4,316	4,389	(73)	39
Treasury & Agency Securities	2,563	2,479	84	22
Money Market Funds & Cash	1,471	1,670	(199)	15
Municipal Bonds	264	257	7	2
ABS	87	90	(3)	1
Legacy Securities	50	50	0	0
<b>Tax Exempt</b>	2,358	2,360	(2)	21
Municipal Bonds	2,071	2,160	(89)	19
Treasury & Agency Securities	174	147	27	1
Money Market Funds & Cash	114	54	60	0

(\$ in Millions)

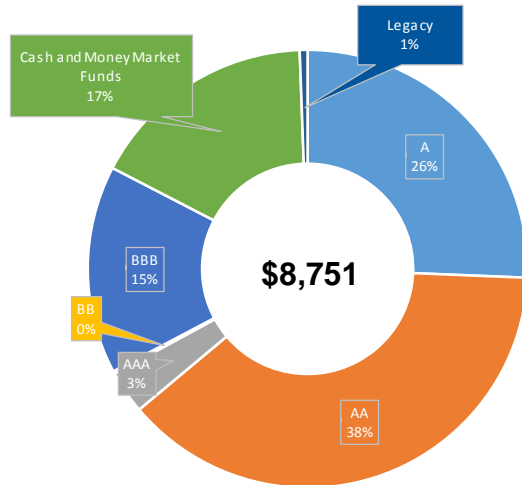
Note: Month-to-month changes can be driven by transfers of funds from one category of securities to another.

## Total Portfolio Composition



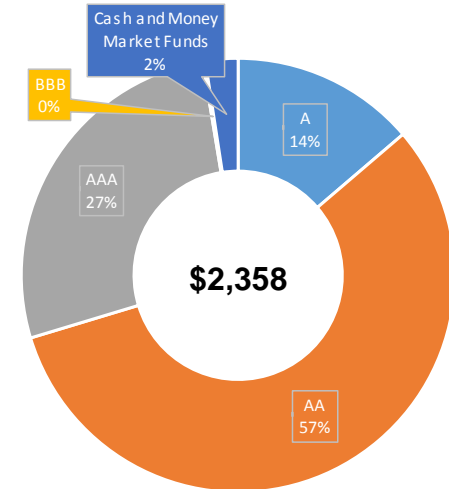
(\$ in Millions)

## Taxable Portfolio Credit Quality Distribution



in Millions)

## Tax-Exempt Portfolio Credit Quality Distribution

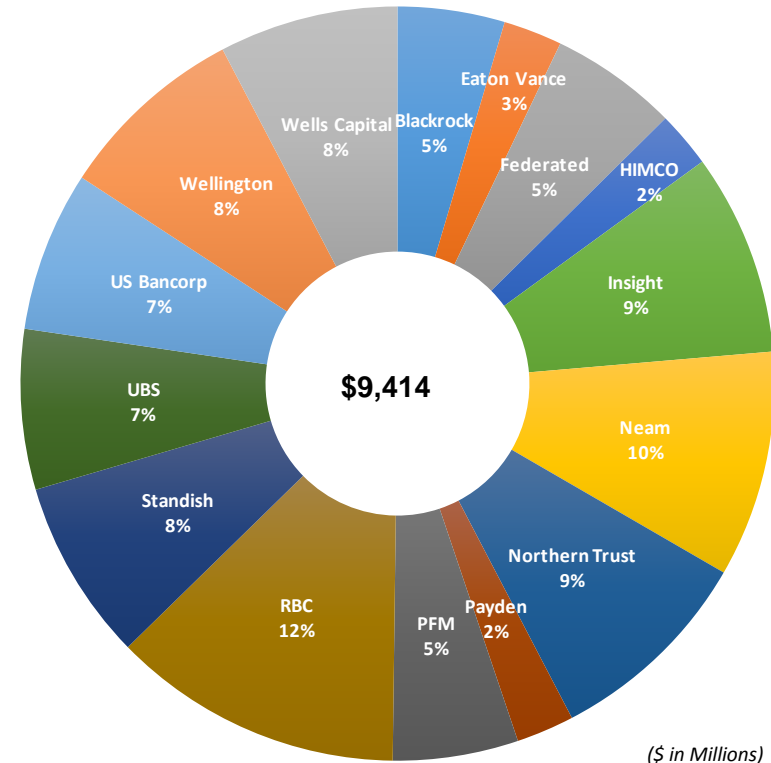


(\$ in Millio

# INVESTMENT MANAGERS PORTFOLIO SUMMARY

Investment Manager	Taxable Liquidity Fund	Taxable Claims-Paying Fund	Taxable Claims Long Duration	Tax-Exempt Claims-Paying Fund	Grand Total	% of Total Portfolio
Blackrock	\$171	\$0	\$0	\$261	\$432	5%
Eaton Vance	\$0	\$237	\$0	\$0	\$237	3%
Federated	\$164	\$0	\$0	\$351	\$515	5%
HIMCO	\$0	\$226	\$0	\$0	\$226	2%
Insight	\$0	\$194	\$494	\$128	\$815	9%
Neam	\$0	\$199	\$619	\$96	\$914	10%
Northern Trus	\$0	\$0	\$846	\$0	\$846	9%
Payden	\$0	\$233	\$0	\$0	\$233	2%
PFM	\$288	\$218	\$0	\$0	\$506	5%
RBC	\$56	\$0	\$992	\$127	\$1,175	12%
Standish	\$0	\$0	\$0	\$732	\$732	8%
UBS	\$0	\$0	\$510	\$136	\$646	7%
US Bancorp	\$0	\$345	\$302	\$0	\$647	7%
Wellington	\$151	\$0	\$614	\$0	\$765	8%
Wells Capital	\$0	\$428	\$0	\$294	\$723	8%
<b>Grand Total</b>	<b>\$830</b>	<b>\$2,081</b>	<b>\$4,377</b>	<b>\$2,126</b>	<b>\$9,414</b>	<b>100%</b>

## Total Externally Managed Portfolio Composition



- 83% of the taxable portfolio, or \$7.29 billion, is managed by 14 external investment managers.
- 90% of the tax-exempt portfolio, or \$2.13 billion, is managed by 8 external investment managers.

## PORTFOLIO RETURNS SUMMARY

- The total portfolio duration is 3.96 years.
- The 1-year total return is 1.45% and income return is 2.00%.
- The 2-year annualized total return is 1.66% and income return is 1.71%.

Citizens Portfolio	Duration (Years)	S&P	Moody's	Fitch	Total Return (%)					Income Return (%)				
					1 month	3 month	1 Year	2 Year	3 Year	1 month	3 month	1 Year	2 Year	3 Year
Tax Exempt	1.79	AA	AA	AA	-0.06	-0.02	1.03	0.91	0.92	0.36	1.05	2.34	1.74	1.51
Tax Exempt Externally Managed	1.91	AA	AA	AA	-0.06	-0.01	1.00	0.89	0.91	0.36	1.07	2.52	1.83	1.57
Taxable Excluding Legacy Securities	4.63	A	AA	AA	0.10	0.42	1.43	1.85	1.62	0.18	0.53	2.06	1.79	1.56
Taxable Internally Managed Excluding Legacy Securities	0.25	AAA	AAA	AAA	0.02	0.02	0.49	0.43	0.30	0.02	0.03	0.49	0.42	0.29
<b>Total Excluding Legacy Securities</b>	<b>3.96</b>	<b>A</b>	<b>AA</b>	<b>AA</b>	<b>0.10</b>	<b>0.42</b>	<b>1.45</b>	<b>1.66</b>	<b>1.54</b>	<b>0.18</b>	<b>0.53</b>	<b>2.00</b>	<b>1.71</b>	<b>1.50</b>

Note:

The 2 Year and 3 Year returns are annualized, and the remaining returns are actual for the period.

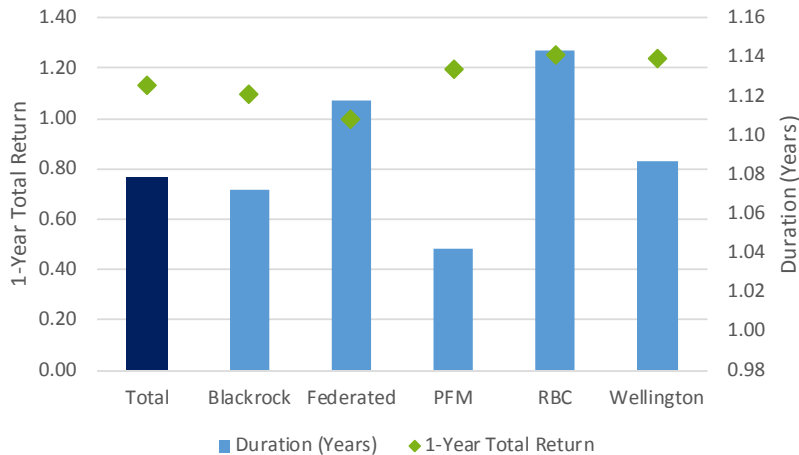
	1 Month	3 Month	6 Month	1 Year	2 Year
3-Year Treasury Yield	1.67%	1.55%	1.52%	1.48%	1.23%
US Corporate Bond 3-5 Year	2.45%	2.38%	2.39%	2.46%	2.32%
SIFMA	1.02%	0.99%	0.97%	0.94%	0.68%
S&P 3-Yr AAA Muni	1.12%	1.02%	1.04%	1.15%	0.98%
US Corporate Bond 1 Year	2.01%	1.94%	1.95%	1.92%	1.77%
1-Year Treasury Yield	1.38%	1.29%	1.23%	1.05%	0.81%
1-Month LIBOR	1.24%	1.24%	1.18%	0.99%	0.71%

# TAXABLE LIQUIDITY PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

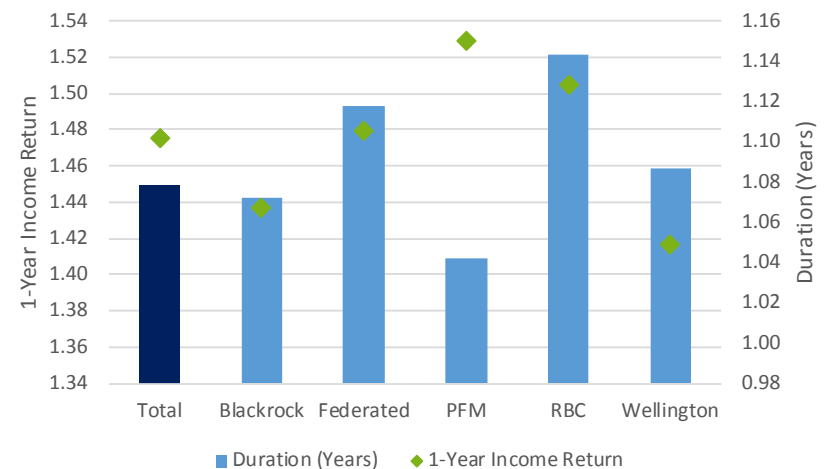
- The Taxable Liquidity portfolio duration is 1.08 years.
- The Taxable Liquidity portfolio 1-year total return is 1.13% and income return is 1.48%.

Investment Manager	Duration (Years)	Market Value	Total Return (%)				Income Return (%)			
			1 month	3 month	1 Year	2 Year	1 month	3 month	1 Year	2 Year
Blackrock	1.07	171	0.06	0.21	1.09	1.07	0.14	0.41	1.44	1.18
Federated	1.12	164	0.05	0.21	1.00	1.10	0.17	0.46	1.48	1.19
PFM	1.04	288	0.07	0.25	1.20	1.20	0.16	0.46	1.53	1.26
RBC	1.14	56	0.09	0.25	1.25	1.29	0.15	0.43	1.51	1.26
Wellington	1.09	151	0.11	0.35	1.24	1.17	0.18	0.49	1.42	1.20
<b>Total</b>	<b>1.08</b>	<b>830</b>	<b>0.07</b>	<b>0.25</b>	<b>1.13</b>	<b>1.15</b>	<b>0.16</b>	<b>0.45</b>	<b>1.48</b>	<b>1.22</b>

Citizens Taxable Liquidity Fund -  
1-Year Total Returns and Duration



Citizens Taxable Liquidity Fund -  
1-Year Income Returns and Duration



Notes:

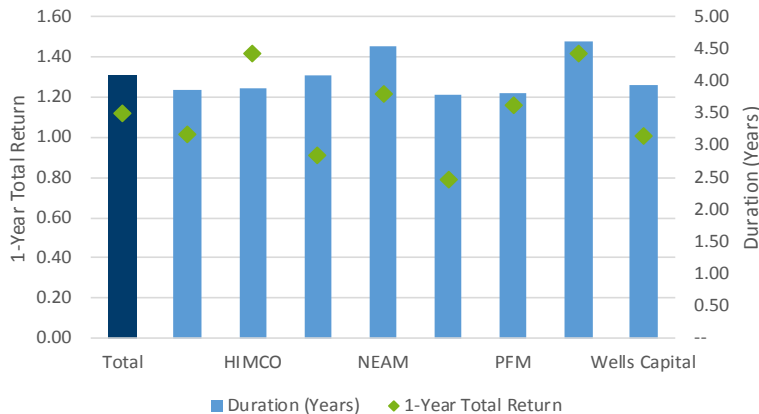
- The Taxable Liquidity Portfolio is managed to a maximum dollar weighted average maturity of 548 days. The applicable policy governs the investment of funds that will be the first moneys used to pay claims after an event and is also used to pay operating expenses on an ongoing basis.
- The 2 Year returns are annualized, and the remaining returns are actual for each reference period.
- Returns in green font fall within +/-10% of the average return or higher. Returns in red font fall below -10% of the average return.

# TAXABLE CLAIMS-PAYING FUND PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

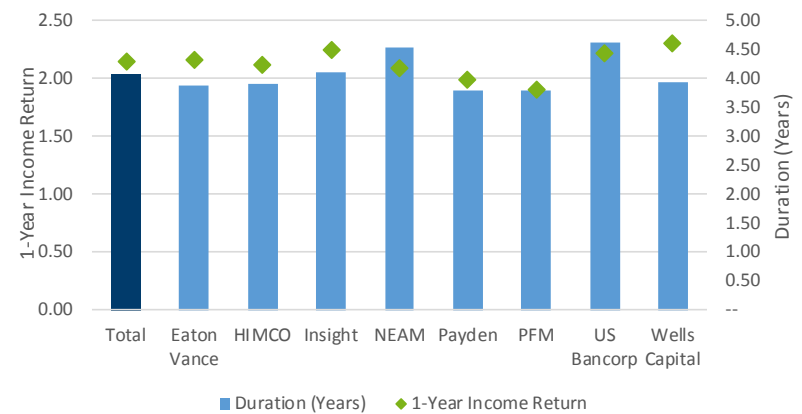
- The Taxable Claims-Paying Fund portfolio duration is 4.08 years.
- The Taxable Claims-Paying Fund portfolio 1-year total return is 1.12% and income return is 2.16%.

Investment Manager	Duration (Years)	Market Value (\$MM)	Total Return (%)				Income Return (%)			
			1 month	3 month	1 Year	2 Year	1 month	3 month	1 Year	2 Year
Eaton Vance	3.87	237	0.07	0.35	1.02	1.55	0.21	0.58	2.17	1.87
HIMCO	3.90	226	0.04	0.29	1.41	1.94	0.19	0.54	2.12	1.87
Insight	4.10	194	0.08	0.30	0.91	1.90	0.22	0.61	2.25	1.99
NEAM	4.54	199	0.05	0.33	1.22	1.69	0.21	0.57	2.10	1.84
Payden	3.79	233	0.10	0.26	0.79	1.89	0.20	0.54	1.99	1.80
PFM	3.81	218	0.03	0.24	1.16	N/A	0.20	0.55	1.91	N/A
US Bancorp	4.62	345	0.11	0.32	1.42	2.40	0.21	0.59	2.22	2.01
Wells Capital	3.93	428	0.10	0.38	1.01	1.88	0.21	0.58	2.31	2.04
<b>Total</b>	<b>4.08</b>	<b>2,081</b>	<b>0.08</b>	<b>0.32</b>	<b>1.12</b>	<b>1.86</b>	<b>0.21</b>	<b>0.57</b>	<b>2.16</b>	<b>1.89</b>

Citizens Taxable Claims-Paying Fund - 1-Year Total Returns and Duration



Citizens Taxable Claims-Paying Fund - 1-Year Income Returns and Duration



**Notes:**

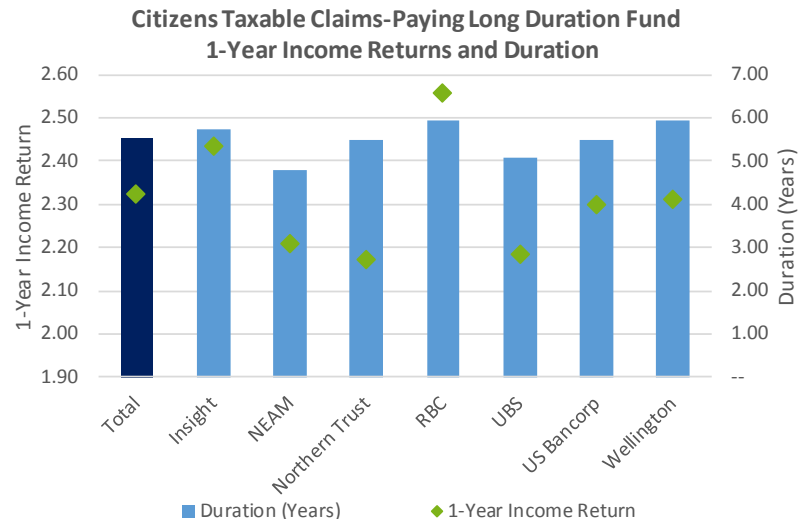
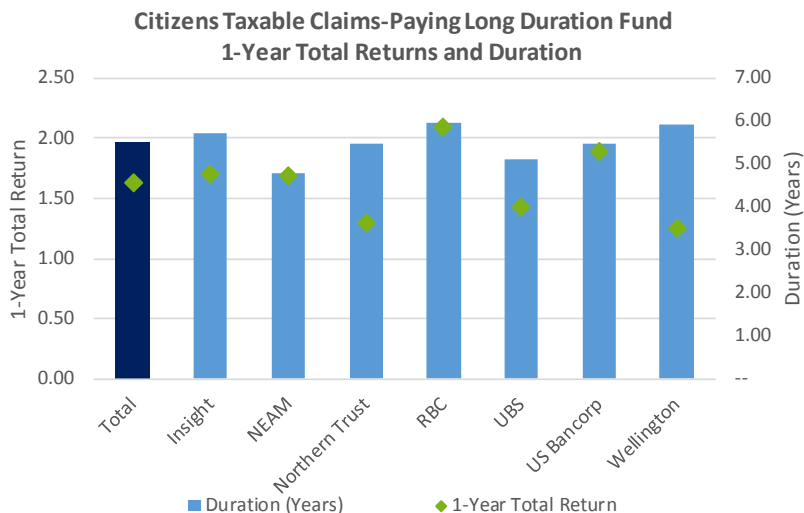
- The Taxable Claims-Paying Portfolio is managed to a maximum dollar weighted average maturity of 6 years. The applicable policy governs the investment of funds that will be used to pay claims post-event after Citizens has expended all moneys in the Liquidity Fund.
- The 2 Year returns are annualized, and the remaining returns are actual for each reference period.
- Returns in green font fall within +/-10% of the average return or higher. Returns in red font fall below -10% of the average return.
- PFM started managing claims paying fund in May 2016.



# TAXABLE CLAIMS-PAYING LONG DURATION FUND PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

- The Taxable Claims-Paying Long Duration Fund portfolio duration is 5.53 years.
- The Taxable Claims-Paying Long Duration Fund portfolio 1-year total return is 1.63% and income return is 2.32%.

Investment Manager	Duration (Years)	Market Value (\$MM)	Total Return (%)				Income Return(%)			
			1 month	3 month	1 Year	2 Year	1 month	3 month	1 Year	2 Year
Insight	5.72	494	0.18	0.50	1.70	2.04	0.24	0.69	2.43	2.05
NEAM	4.78	619	0.15	0.49	1.69	1.97	0.21	0.60	2.21	1.93
Northern Trust	5.49	846	0.15	0.44	1.29	2.28	0.20	0.57	2.17	2.00
RBC	5.94	992	0.13	0.57	2.09	2.52	0.25	0.68	2.56	2.17
UBS	5.09	510	0.12	0.41	1.42	1.99	0.22	0.62	2.19	1.93
US Bancorp	5.48	302	0.13	0.38	1.89	1.80	0.22	0.62	2.30	1.79
Wellington	5.93	614	0.13	0.44	1.25	1.85	0.24	0.67	2.31	2.04
<b>Total</b>	<b>5.53</b>	<b>4,377</b>	<b>0.14</b>	<b>0.48</b>	<b>1.63</b>	<b>2.13</b>	<b>0.23</b>	<b>0.64</b>	<b>2.32</b>	<b>2.02</b>



**Notes:**

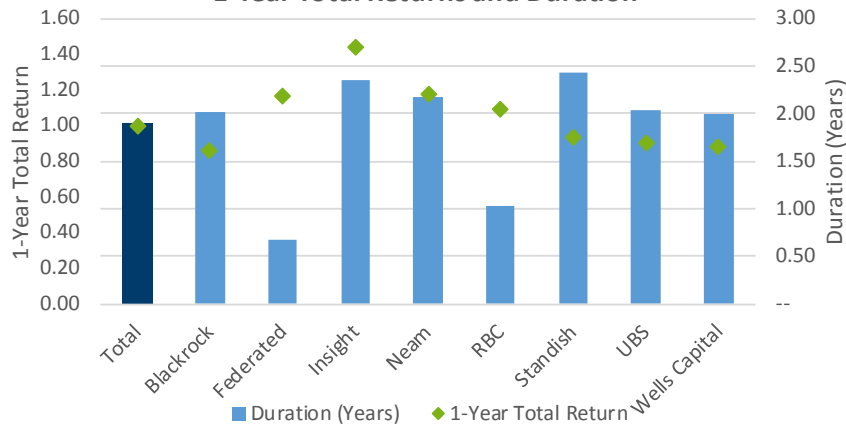
- The Taxable Claims-Paying Long Duration portfolio is managed a maximum dollar weighted average maturity of 10 years. The applicable policy governs the investment of funds that will be used to pay claims post-event after Citizens has expended all moneys in the Claims-Paying Fund.
- The 2 Year returns are annualized, and the remaining returns are actual for each reference period.
- Returns in green font fall within +/-10% of the average return or higher. Returns in red font fall below -10% of the average return.

# TAX-EXEMPT CLAIMS-PAYING FUND PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

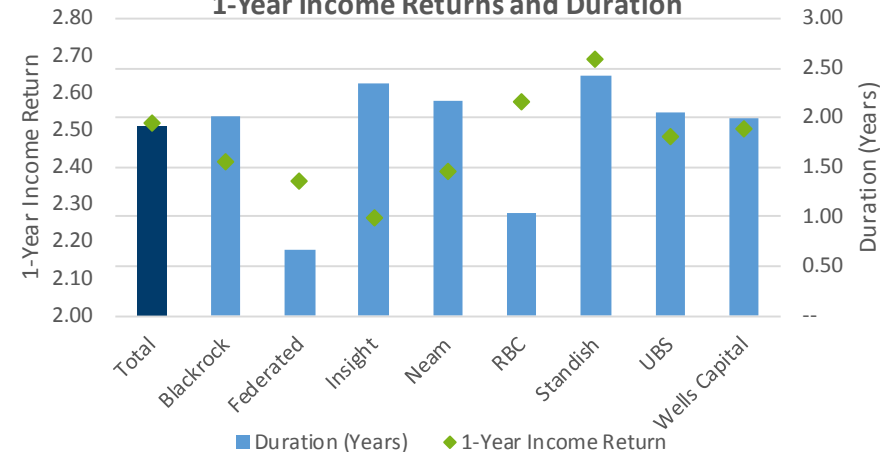
- The Tax-Exempt Claims-Paying Fund portfolio duration is 1.91 years.
- The Tax-Exempt Claims-Paying Fund portfolio 1-year total return is 1.00% and income return is 2.52%.

Investment Manager	Duration (Years)	Market Value (\$MM)	Total Return (%)				Income Return (%)			
			1 month	3 month	1 Year	2 Year	1 month	3 month	1 Year	2 Year
Blackrock	2.02	261	0.00	-0.02	0.86	0.80	0.34	1.03	2.41	1.73
Federated	0.67	351	0.02	0.14	1.17	0.93	0.33	0.98	2.36	1.69
Insight	2.35	128	-0.06	-0.05	1.44	1.17	0.28	0.82	2.26	1.76
Neam	2.17	96	-0.04	0.04	1.18	1.09	0.35	0.98	2.39	1.79
RBC	1.04	127	-0.03	0.04	1.10	1.07	0.33	1.00	2.57	1.94
Standish	2.43	732	-0.11	-0.07	0.94	0.85	0.40	1.17	2.69	1.96
UBS	2.05	136	-0.10	-0.03	0.90	0.83	0.39	1.08	2.48	1.78
Wells Capital	2.00	294	-0.10	-0.04	0.88	0.80	0.39	1.11	2.50	1.77
<b>Total</b>	<b>1.91</b>	<b>2,126</b>	<b>-0.06</b>	<b>-0.01</b>	<b>1.00</b>	<b>0.89</b>	<b>0.36</b>	<b>1.07</b>	<b>2.52</b>	<b>1.83</b>

Citizens Tax-Exempt Claims-Paying Fund - 1-Year Total Returns and Duration



Citizens Tax-Exempt Claims-Paying Fund - 1-Year Income Returns and Duration



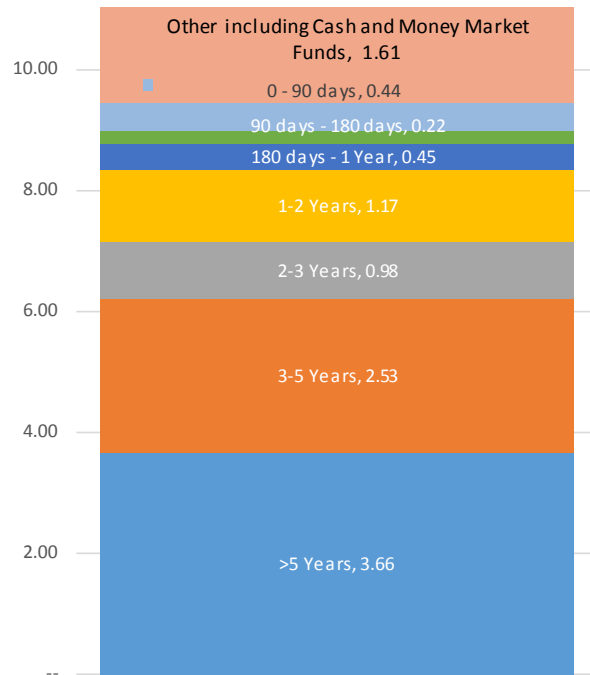
Notes:

- The Tax-Exempt Claims-Paying Portfolio is managed to a maximum dollar weighted average maturity of 3 years and 6 months for Series 2009 through 2012 Portfolio and a maximum dollar weighted average maturity of 4 years for any subsequent Series starting Series 2015 Portfolio. The applicable policy governs the investment of funds that are expected to be used to pay claims post-event once Citizens has expended monies in the Liquidity Fund and/or Taxable Claims portfolio.
- The 2 Year returns are annualized, and the remaining returns are actual for each reference period.
- Returns in green font fall within +/-10% of the average return or higher. Returns in red font fall below -10% of the average return.

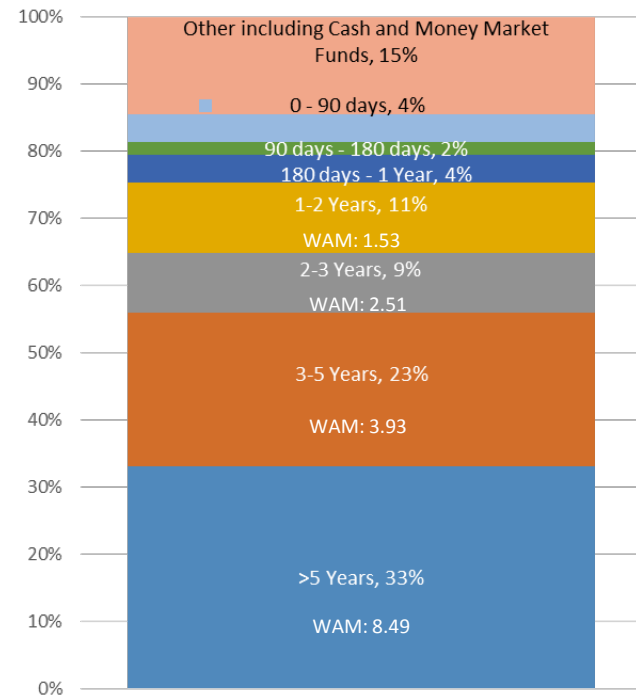
# PORTFOLIO MATURITY DISTRIBUTION

- 4% of the portfolio matures in less than 90 days.
- 6% of the portfolio matures between 90 days and 1 year.
- 19% of the portfolio matures between 1 and 3 years.
- 23% of the portfolio matures between 3 and 5 years.
- 33% of the portfolio matures in greater than 5 years.

Citizens Investment Portfolio Maturity Distribution – Amount (\$ in Billions)



Citizens Investment Portfolio Maturity Distribution – Percent



Notes:

1. 76% or \$0.34 billion of the 0-90 day maturity bar consists of VRDN's with longer stated maturities, which are included in the 0-90 day bar because the inherent put feature generally allows almost instant liquidity at par within 7 days.
2. The legacy securities are not included in the percent calculations or the distribution charts.

## DOWNGRADED SECURITIES AND LEGACY SECURITIES

Downgraded to Rating Below Minimum	Maturity Date	Moody's Rating	S&P Rating	Fitch Rating	Market Value	Amortized Cost	Unrealized Gain/Loss
Dell Emc, Inc. 1.875% 01-jun-2018	01-Jun-2018	Ba2	BB-	BB	12,967,240	13,008,718	(41,478)
Abbott Laboratories 2.0% 15-mar-2020	15-Mar-2020	Baa3	BBB	BBB	8,524,436	8,549,430	(24,994)
Mattel, Inc. 2.35% 15-aug-2021	15-Aug-2021	Baa3	BB	BBB-	922,500	999,098	(76,598)
Deutsche Bank Ag London Frn 13-feb-2018	13-Feb-2018	Baa2	BBB-	BBB+	500,390	500,000	390
New Jersey Bldg Auth St Bldg Rev 5.0% 15-jun-2018	15-Jun-2018	Baa1	BBB+	--	2,569,392	2,572,785	(3,393)
New Jersey St Edl Facs Auth Rev 5.0% 01-jun-2018	01-Jun-2018	A3	BBB+	A-	2,036,760	2,042,885	(6,125)
<b>Total</b>					<b>27,520,718</b>	<b>27,672,915</b>	<b>(152,198)</b>

- Citizens has the option of immediately reducing these positions to achieve compliance. After consulting with the investment managers, the decision was made to hold these securities, as the bonds do not pose a default risk.

Legacy Securities Currently Held										
Security	Maturity Date	Moody's		Fitch		S&P		Amortized Cost	Market Value	Unrealized Gain/Loss
		Rating	Downgrade Date	Rating	Downgrade Date	Rating	Downgrade Date			
Lehman Brothers Holdings	N/A	NP	9/16/2008	NR	9/16/2008	D	9/16/2008	\$0	\$1,550,250	\$1,550,250
Issuer Entity (Ottimo)	N/A	NP	11/9/2007	NR	11/9/2007	D	11/9/2007	\$7,926,506	\$19,710,997	\$11,784,491
Axon Financial Funding LLC	N/A	NP	11/27/2007	NR	11/27/2007	D	11/27/2007	\$24,333,360	\$29,094,934	\$4,761,574
<b>Total</b>								<b>\$32,259,866</b>	<b>\$50,356,181</b>	<b>\$18,096,315</b>

- The total write-down amount of all the legacy securities was \$290.7 million - the write-downs were taken on 12/31/07, 9/30/08, and 12/31/08 in the amount of \$88.5 million, \$117.8 million, and \$84.3 million, respectively. The legacy securities were purchased by the former investment manager.
- As of October 31, 2017, \$201.3 million total principal has been recovered, as these securities continue to pay principal and interest. The total principal recovered directly offsets the original write-down amount of \$290.7 million, resulting in a net current write-down amount of \$89.4 million.
- Atlantic East and Pacific West holdings were sold in May 2016, and June 2016, respectively.