

# **Citizens Investment Summary Report Appendix**



**February 2019**

## EXECUTIVE SUMMARY

- Citizens' total portfolio market value for February 2019 was \$9.28 billion (prior month: \$9.28 billion) with an average duration of 3.84 years (prior month: 3.86 years) and average credit ratings of A/A/AA.
  - 82% of the total portfolio is taxable, with a market value of \$7.64 billion.
  - 18% of the total portfolio is tax-exempt, with a market value of \$1.64 billion.
  - 91%, or \$8.45 billion of the total portfolio is managed by 15 external investment managers, with an average duration of 3.98 years and 9% is internally managed, or \$0.82 billion.
- 1-year total return and income return of Citizens' total portfolio was 3.35% and 3.06%.
- 6% of the portfolio matures in less than 90 days and 25% of the portfolio matures between 1 and 3 years.

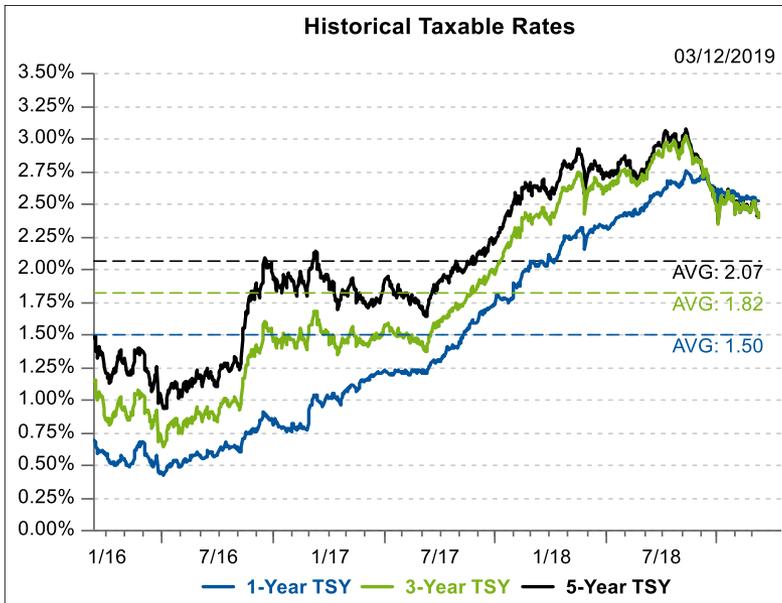
*Note: The legacy securities are not included in the taxable portfolio or total portfolio for the purpose of duration, average ratings and performance reporting in this report.*

# INTEREST RATES

## Taxable

- The 1 year US Treasury rate has increased 49 basis points over the 12-month period ending 3/12/2019.
- The 5 year US Treasury rate has decreased 23 basis points over the 12-month period ending 3/12/2019.

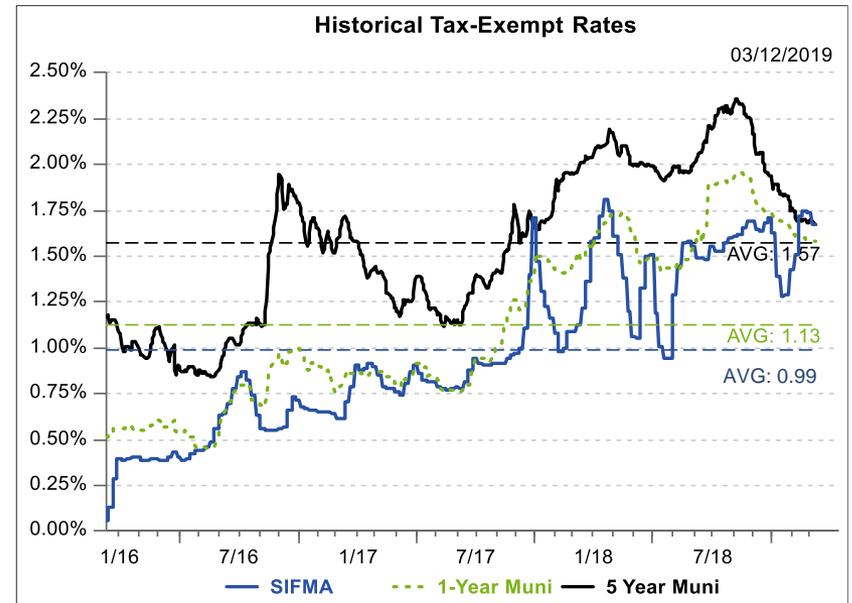
Taxable Rates	As Of 3/12/2019	3-Month Prior	1-Year Prior	3-Year Average	3-Month Change (bps)
1-Yr TSY	2.53%	2.72%	2.04%	1.51%	(19)
3-Yr TSY	2.41%	2.78%	2.42%	1.83%	(37)
5-Yr TSY	2.41%	2.76%	2.64%	2.07%	(35)



## Tax-Exempt

- The short-term (SIFMA) rate has increased 54 basis points over the 12-month period ending 3/12/2019.
- The S&P 1-Yr AAA Municipal rate has increased 10 basis points over the 12-month period ending 3/12/2019.

Tax-Exempt Rates	As Of 3/12/2019	3-Month Prior	1-Year Prior	3-Year Average	3-Month Change (bps)
SIFMA	1.67%	1.69%	1.13%	0.99%	(2)
S&P 1-Yr AAA Muni	1.58%	1.78%	1.48%	1.13%	(20)
S&P 5-Yr AAA Muni	1.67%	2.07%	2.01%	1.57%	(40)



# PORTFOLIO SUMMARY

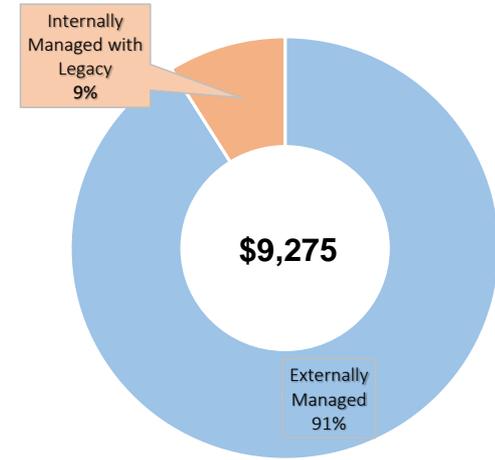
Security Description	Current Month Market Value	Prior Month Market Value	Month-to-Month Change	Current Month Weight (%)
<b>Total</b>	<b>\$9,275</b>	<b>\$9,280</b>	<b>(\$5)</b>	<b>100</b>
<b>Taxable with Legacy Securities</b>	<b>7,632</b>	<b>7,640</b>	<b>(8)</b>	<b>82</b>
Corporate Bonds, Commercial Paper, CDs, & Foreign Govt Securities	4,335	4,335	0	47
Treasury & Agency Securities	2,360	2,353	7	25
Money Market Funds & Cash	502	517	(15)	6
Municipal Bonds	304	312	(8)	3
ABS	86	78	8	1
Legacy Securities	42	43	(1)	0
<b>Tax Exempt</b>	<b>1,643</b>	<b>1,640</b>	<b>3</b>	<b>18</b>
Municipal Bonds	1,303	1,320	(17)	14
Treasury & Agency Securities	296	266	29	3
Money Market Funds & Cash	44	53	(9)	1

(\$ in Millions)

Notes:

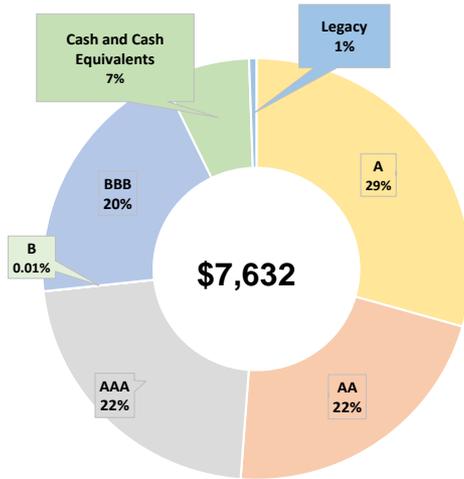
1. Month-to-month changes can be driven by transfers of funds from one category of securities to another.
2. Numbers may not add up due to rounding.

## Total Portfolio Composition



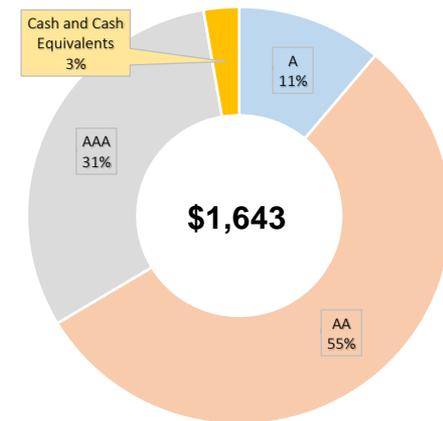
(\$ in Millions)

## Taxable Portfolio Credit Quality Distribution



(\$ in Millions)

## Tax-Exempt Portfolio Credit Quality Distribution

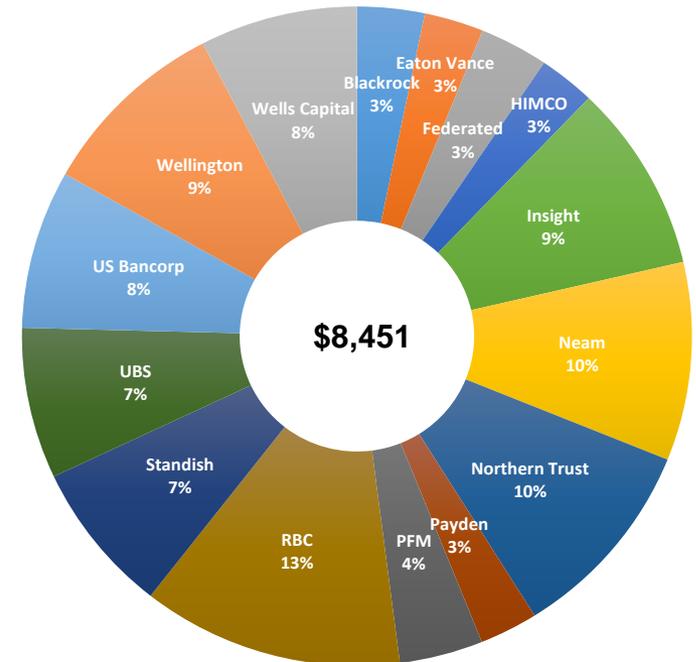


(\$ in Millions)

# INVESTMENT MANAGERS PORTFOLIO SUMMARY

Investment Manager	Taxable Liquidity Fund	Taxable Claims-Paying Fund	Taxable Claims Long Duration Fund	Tax-Exempt Claims-Paying Fund	Grand Total	% of Total Portfolio
Blackrock	\$175	\$0	\$0	\$100	\$275	3%
Eaton Vance	\$0	\$242	\$0	\$0	\$242	3%
Federated	\$168	\$0	\$0	\$112	\$280	3%
HIMCO	\$0	\$230	\$0	\$0	\$230	3%
Insight	\$0	\$197	\$475	\$107	\$779	9%
Neam	\$0	\$193	\$629	\$1	\$822	10%
Northern Trust	\$0	\$0	\$844	\$0	\$844	10%
Payden	\$0	\$238	\$0	\$0	\$238	3%
PFM	\$144	\$197	\$0	\$0	\$341	4%
RBC	\$58	\$0	\$1,008	\$0	\$1,066	13%
Standish	\$0	\$0	\$0	\$628	\$628	7%
UBS	\$0	\$0	\$519	\$107	\$626	7%
US Bancorp	\$0	\$350	\$307	\$0	\$657	8%
Wellington	\$154	\$0	\$623	\$0	\$778	9%
Wells Capital	\$0	\$410	\$0	\$233	\$644	8%
<b>Grand Total</b>	<b>\$700</b>	<b>\$2,057</b>	<b>\$4,405</b>	<b>\$1,289</b>	<b>\$8,451</b>	<b>100%</b>

## Total Externally Managed Portfolio Composition



(\$ in Millions)

- 94% of the taxable portfolio, or \$7.16 billion, is managed by 14 external investment managers.
- 78% of the tax-exempt portfolio, or \$1.29 billion, is managed by 7 external investment managers.

## PORTFOLIO RETURNS SUMMARY

- The total portfolio duration is 3.84 years.
- The 2-year annualized total return is 1.93% and income return is 2.51%.

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	1.45	AA	AA	AA	0.21	1.11	2.05	1.15	0.86	0.11	0.38	1.66	1.35	1.23
Tax Exempt Externally Managed	1.78	AA	AA	AA	0.21	1.13	2.08	1.17	0.88	0.11	0.39	1.68	1.36	1.24
Taxable Excluding Legacy Securities	4.38	A	A	AA	0.15	2.61	3.35	2.16	1.82	0.22	0.76	3.06	2.59	2.21
Taxable Internally Managed Excluding Legacy Securities	--	AAA	AAA	AAA	0.03	0.17	0.43	0.29	0.35	0.02	0.14	0.40	0.29	0.34
<b>Total Excluding Legacy Securities</b>	<b>3.84</b>	<b>A</b>	<b>A</b>	<b>AA</b>	<b>0.15</b>	<b>2.61</b>	<b>3.35</b>	<b>1.93</b>	<b>1.58</b>	<b>0.22</b>	<b>0.76</b>	<b>3.06</b>	<b>2.51</b>	<b>2.11</b>

*Note:*

- The 2 Year and 3 Year returns are annualized, and the remaining returns are actual for the period.
- The taxable internally managed portfolio (excluding legacy securities) is mainly invested in money market funds. The duration data for these funds is not available in the FactSet system.

	1 Month	3 Month	6 Month	1 Year	2 Year
3-Year Treasury Yield	2.48%	2.56%	2.73%	2.66%	2.18%
US Corporate Bond 3-5 Year	3.33%	3.56%	3.63%	3.54%	3.04%
SIFMA	1.64%	1.58%	1.58%	1.47%	1.20%
S&P 3-Yr AAA Muni	1.64%	1.77%	1.92%	1.85%	1.54%
US Corporate Bond 1 Year	3.08%	3.27%	3.31%	3.19%	2.64%
1-Year Treasury Yield	2.56%	2.61%	2.62%	2.44%	1.90%
1-Month LIBOR	2.50%	2.49%	2.37%	2.17%	1.71%

# TAXABLE LIQUIDITY PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

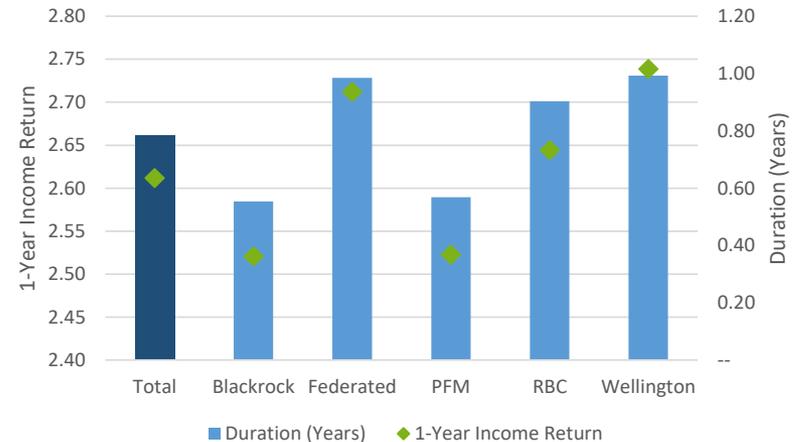
- The Taxable Liquidity portfolio duration is 0.78 years.
- The Taxable Liquidity portfolio 1-year total return is 2.48% and income return is 2.61%.

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	0.55	175	0.22	0.91	2.41	1.67	0.20	0.68	2.52	2.00
Federated	0.99	168	0.24	0.91	2.45	1.64	0.22	0.75	2.71	2.09
PFM	0.57	144	0.25	0.90	2.41	1.64	0.21	0.67	2.52	1.99
RBC	0.90	58	0.23	1.06	2.56	1.75	0.22	0.72	2.64	2.08
Wellington	0.99	154	0.22	0.99	2.68	1.95	0.20	0.69	2.74	2.25
<b>Total</b>	<b>0.78</b>	<b>700</b>	<b>0.23</b>	<b>0.93</b>	<b>2.48</b>	<b>1.71</b>	<b>0.21</b>	<b>0.70</b>	<b>2.61</b>	<b>2.07</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 PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

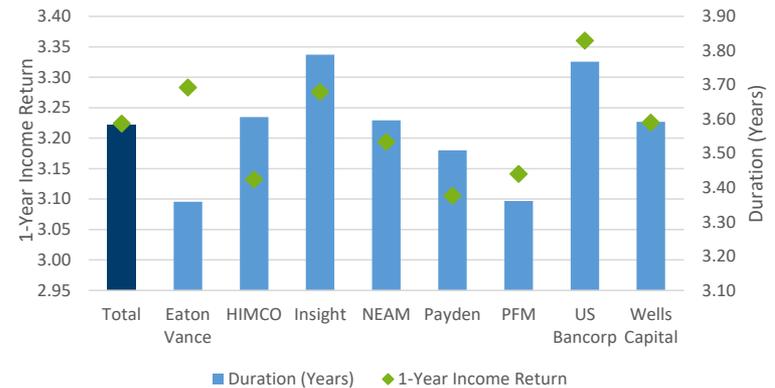
- The Taxable Claims-Paying Fund portfolio duration is 3.58 years.
- The Taxable Claims-Paying Fund portfolio 1-year total return is 3.41% and income return is 3.22%.

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	3.36	242	0.25	2.55	3.45	2.30	0.23	0.81	3.28	2.78
HIMCO	3.61	230	0.12	2.44	3.40	2.26	0.22	0.75	3.13	2.65
Insight	3.79	197	0.15	2.64	3.42	2.09	0.23	0.79	3.28	2.79
NEAM	3.60	193	0.14	2.57	3.51	2.12	0.23	0.77	3.19	2.76
Payden	3.51	238	0.16	2.27	3.32	1.99	0.22	0.75	3.11	2.61
PFM	3.36	197	0.17	2.40	3.45	2.13	0.22	0.76	3.14	2.63
US Bancorp	3.77	350	0.24	2.67	3.47	2.09	0.24	0.81	3.36	2.86
Wells Capital	3.59	410	0.20	2.50	3.31	2.07	0.23	0.78	3.23	2.75
<b>Total</b>	<b>3.58</b>	<b>2,057</b>	<b>0.19</b>	<b>2.51</b>	<b>3.41</b>	<b>2.13</b>	<b>0.23</b>	<b>0.78</b>	<b>3.22</b>	<b>2.74</b>

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



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



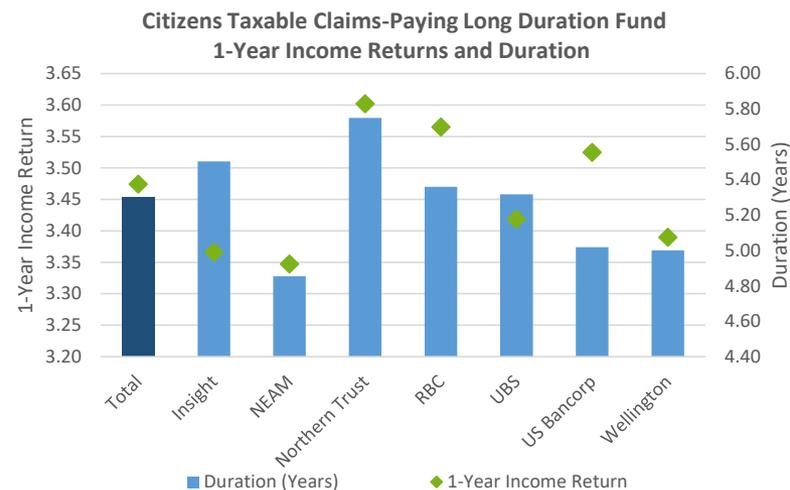
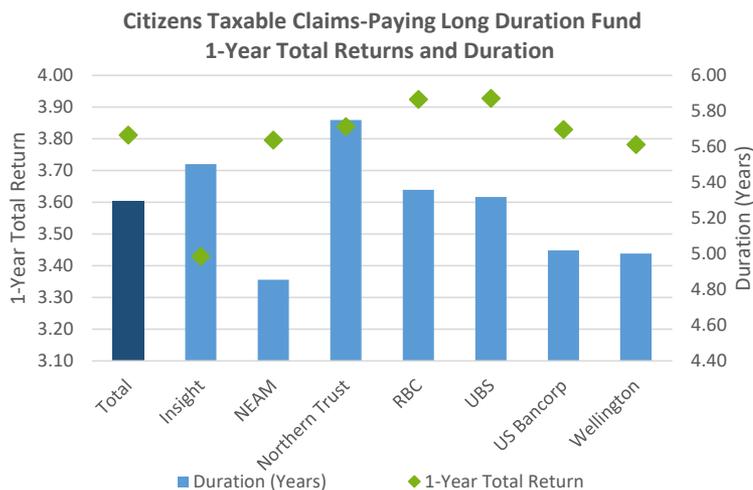
**Notes:**

- 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.

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

- The Taxable Claims-Paying Long Duration Fund portfolio duration is 5.30 years.
- The Taxable Claims-Paying Long Duration Fund portfolio 1-year total return is 3.81% and income return is 3.47%.

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	5.50	475	0.06	2.92	3.43	2.22	0.23	0.80	3.37	2.95
NEAM	4.85	629	0.01	2.85	3.80	2.14	0.24	0.80	3.35	2.91
Northern Trust	5.75	844	0.18	3.45	3.84	2.14	0.26	0.88	3.60	3.03
RBC	5.36	1,008	0.19	3.46	3.92	2.72	0.25	0.85	3.56	3.12
UBS	5.32	519	0.13	3.26	3.93	2.36	0.24	0.82	3.42	2.90
US Bancorp	5.02	307	0.21	3.34	3.83	2.40	0.24	0.84	3.52	3.03
Wellington	5.00	623	0.13	2.97	3.78	2.03	0.24	0.81	3.39	2.96
<b>Total</b>	<b>5.30</b>	<b>4,405</b>	<b>0.14</b>	<b>3.21</b>	<b>3.81</b>	<b>2.31</b>	<b>0.24</b>	<b>0.83</b>	<b>3.47</b>	<b>3.00</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 PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

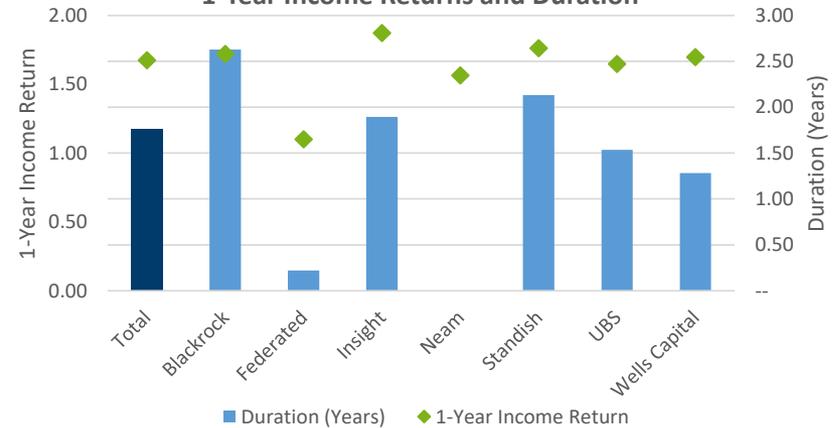
- The Tax-Exempt Claims-Paying Fund portfolio duration is 1.76 years.
- The Tax-Exempt Claims-Paying Fund portfolio 1-year total return is 2.08% and income return is 1.68%.

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	2.63	100	0.26	1.48	2.36	1.30	0.12	0.42	1.72	1.38
Federated	0.22	112	0.13	0.49	1.71	1.13	0.04	0.12	1.10	0.97
Insight	1.89	107	0.25	1.20	2.15	1.42	0.14	0.46	1.87	1.56
Neam	--	1	0.01	0.60	1.48	1.03	0.01	0.24	1.56	1.39
Standish	2.13	628	0.24	1.32	2.22	1.15	0.12	0.42	1.76	1.41
UBS	1.53	107	0.20	1.03	1.99	1.13	0.12	0.36	1.65	1.33
Wells Capital	1.28	233	0.16	0.89	1.77	1.02	0.11	0.40	1.70	1.36
<b>Total</b>	<b>1.76</b>	<b>1,289</b>	<b>0.21</b>	<b>1.13</b>	<b>2.08</b>	<b>1.17</b>	<b>0.11</b>	<b>0.39</b>	<b>1.68</b>	<b>1.36</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



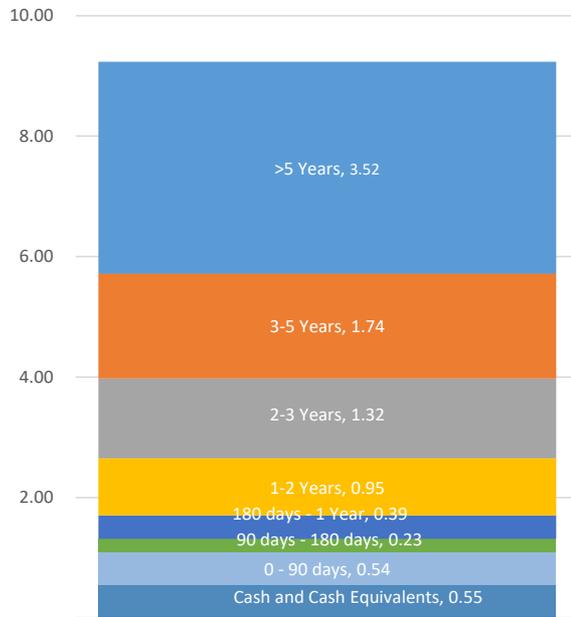
Notes:

- 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 moneys 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.

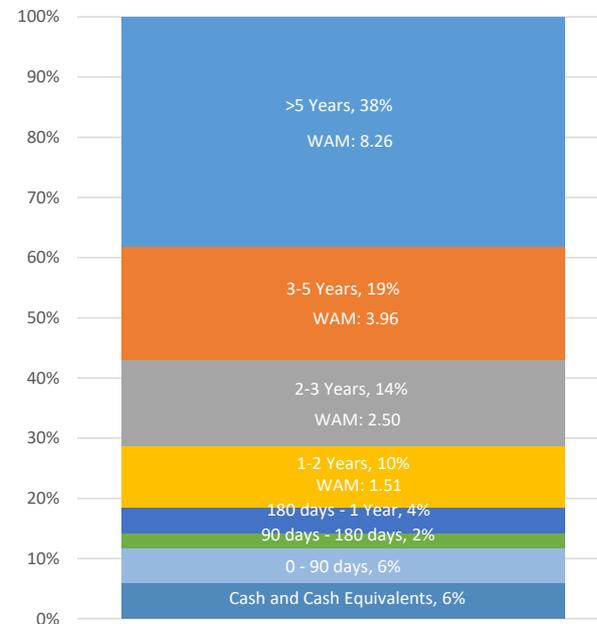
# PORTFOLIO MATURITY DISTRIBUTION

- 6% of the portfolio matures in less than 90 days.
- 7% of the portfolio matures between 90 days and 1 year.
- 25% of the portfolio matures between 1 and 3 years.
- 19% of the portfolio matures between 3 and 5 years.
- 38% 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. 25% or \$0.13 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

Security Name and Maturity Date	Moody's Rating	S&P Rating	Fitch Rating	Market Value	Amortized Cost	Unrealized Gain/Loss
Mattel, Inc. 2.35% 15-aug-2021	B3	B+	CCC+	933,750	999,405	(65,655)

- Citizens has the option of immediately reducing this position to achieve compliance. After consulting with the investment manager, the decision at this point is to hold the security.
- In March 2019, two securities issued by Edison International were downgraded below the minimum rating required by the policy. The managers will seek opportunities to sell these securities.

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	516,750	516,750
Issuer Entity (Ottimo)	N/A	NP	11/9/2007	NR	11/9/2007	D	11/9/2007	7,730,462	18,121,472	10,391,009
Axon Financial Funding LLC	N/A	NP	11/27/2007	NR	11/27/2007	D	11/27/2007	21,296,923	23,341,210	2,044,287
<b>Total</b>								<b>\$29,027,386</b>	<b>\$41,979,431</b>	<b>\$12,952,046</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 February 28, 2019, \$204.8 million of principal amount has been recovered from the original write down amount of \$290.7 million resulting in a remaining current write down amount of \$85.9 million, nonetheless, these legacy securities continue to pay principal and interest.