

# Citizens Investment Summary



January 2020

## EXECUTIVE SUMMARY

- Citizens' total portfolio market value for January 2020 was \$9.23 billion (prior month: \$9.22 billion) with an average duration of 4.17 years (prior month: 4.02 years) and average credit ratings of A+/Aa3/AA-.
  - 88% of the total portfolio is taxable, with a market value of \$8.11 billion.
  - 12% of the total portfolio is tax-exempt, with a market value of \$1.12 billion.
  - 92%, or \$8.48 billion of the total portfolio is managed by 10 external investment managers, with an average duration of 4.28 years and 8% is internally managed, or \$0.75 billion.
- The 1-year total return and income return of Citizens' total portfolio was 7.48% and 2.23%\*.
- 3% of the portfolio matures in less than 90 days and 23% of the portfolio matures between 1 and 3 years.

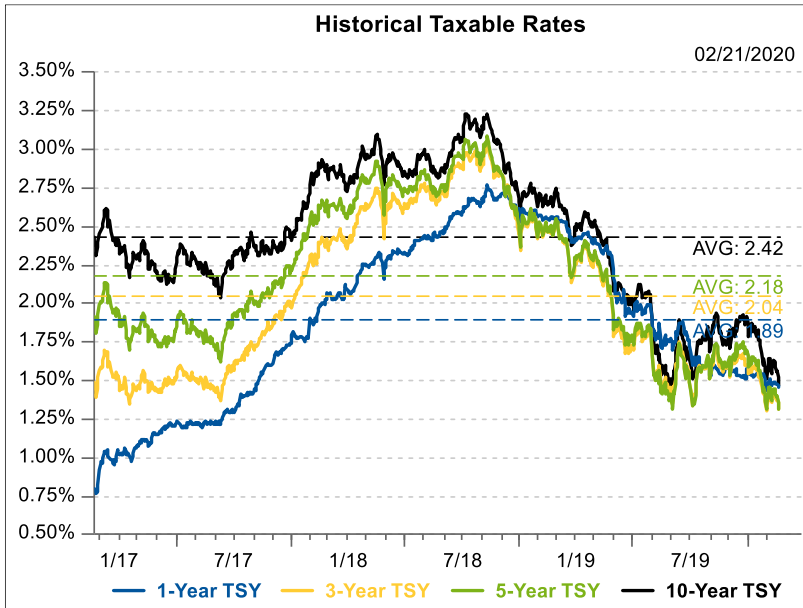
*\*The income returns of the money market funds generally are not included.*

# INTEREST RATES

## Taxable

- The 1-year US Treasury rate has decreased 111 basis points over the 12-month period ending 2/21/2020.
- The 5-year US Treasury rate has decreased 119 basis points over the 12-month period ending 2/21/2020.

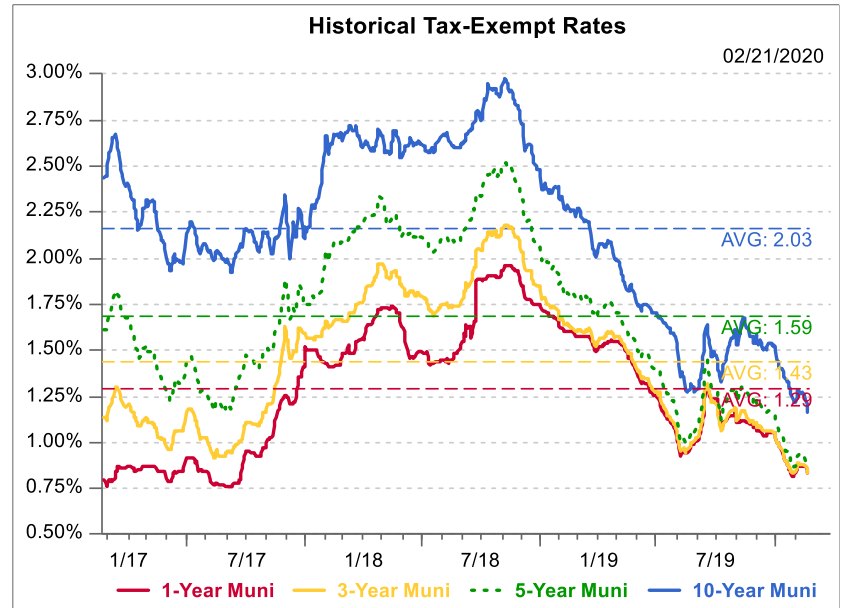
Taxable Rates	As Of 2/21/2020	3-Month Prior	1-Year Prior	3-Year Average	3-Month Change (bps)
1-Yr TSY	1.45%	1.54%	2.56%	1.89%	(9)
3-Yr TSY	1.31%	1.59%	2.49%	2.04%	(28)
5-Yr TSY	1.32%	1.62%	2.51%	2.18%	(30)
10-Yr TSY	1.47%	1.77%	2.69%	2.42%	(30)



## Tax-Exempt

- The S&P 1-Yr AAA Municipal rate has decreased 77 basis points over the 12-month period ending 2/21/2020.
- The S&P 5-Yr AAA Municipal rate has decreased 87 basis points over the 12-month period ending 2/21/2020.

Tax-Exempt Rates	As Of 2/21/2020	3-Month Prior	1-Year Prior	3-Year Average	3-Month Change (bps)
S&P 1-Yr AAA Muni	0.83%	1.10%	1.60%	1.29%	(27)
S&P 3-Yr AAA Muni	0.83%	1.12%	1.62%	1.43%	(29)
S&P 5-Yr AAA Muni	0.83%	1.17%	1.70%	1.59%	(34)
S&P 10-Yr AAA Muni	1.11%	1.49%	2.12%	2.03%	(38)



# PORTFOLIO SUMMARY

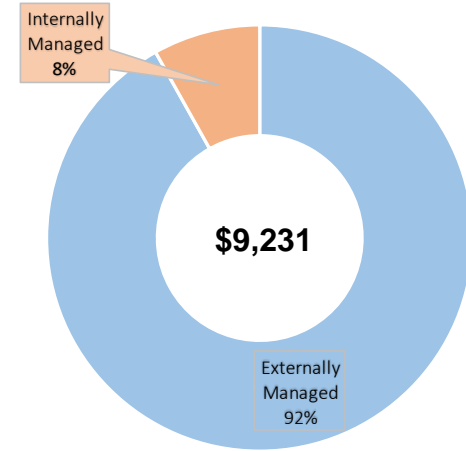
Security Description	Current Month Market Value	Prior Month Market Value	Month-to-Month Change	Current Month Weight (%)
<b>Total</b>	<b>\$9,231</b>	<b>\$9,215</b>	<b>\$16</b>	<b>100</b>
<b>Taxable</b>	8,113	7,950	163	88
Corporate Bonds, Commercial Paper, CDs, & Foreign Govt Securities	4,522	4,416	106	49
Treasury & Agency Securities	2,478	2,482	(3)	27
Money Market Funds & Cash	558	515	44	6
Municipal Bonds	458	446	12	5
ABS	96	91	5	1
<b>Tax Exempt</b>	1,118	1,265	(147)	12
Municipal Bonds	846	1,002	(156)	9
Treasury & Agency Securities	222	208	14	2
Money Market Funds & Cash	49	54	(5)	1

(\$ in Millions)

Notes:

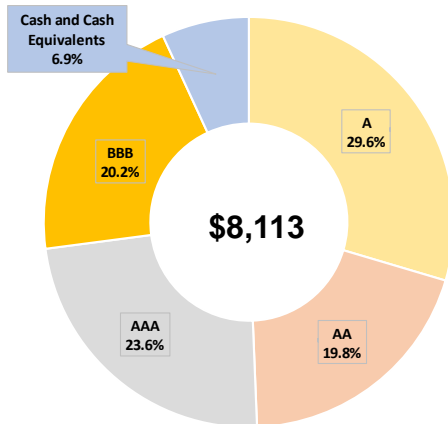
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## Total Portfolio Composition



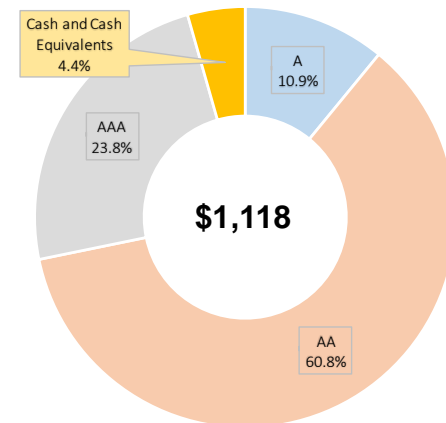
(\$ in Millions)

## Taxable Portfolio Credit Quality Distribution



(\$ in Millions)

## Tax-Exempt Portfolio Credit Quality Distribution



(\$ in Millions)

## PORTFOLIO RETURNS SUMMARY

- The total portfolio duration is 4.17 years.
- The 2-year annualized total return and income return was 4.93% and 2.52%.

Citizens Portfolio	Duration (Years)	S&P	Moody's	Fitch Credit	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	1.22	AA	Aa2	AA	0.33	0.61	2.63	2.23	1.66	0.09	0.29	1.53	1.66	1.46
Tax Exempt Externally Managed	1.48	AA	Aa2	AA	0.39	0.69	2.69	2.29	1.65	0.08	0.27	1.32	1.56	1.40
Taxable	4.59	A+	Aa3	A+	1.63	1.62	8.38	5.43	4.17	0.17	0.51	2.35	2.69	2.45
<b>Total</b>	<b>4.17</b>	<b>A+</b>	<b>Aa3</b>	<b>AA-</b>	<b>1.47</b>	<b>1.50</b>	<b>7.48</b>	<b>4.93</b>	<b>3.76</b>	<b>0.16</b>	<b>0.48</b>	<b>2.23</b>	<b>2.52</b>	<b>2.27</b>

*Notes:*

- *The income returns of the money market funds generally are not included.*
- *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	1.52%	1.59%	1.56%	1.85%	2.25%
US Corporate Bond 3-5 Year	2.19%	2.28%	2.31%	2.63%	3.07%
S&P 3-Yr AAA Muni	0.92%	1.04%	1.07%	1.27%	1.56%
US Corporate Bond 1 Year	2.00%	2.08%	2.14%	2.45%	2.80%
1-Year Treasury Yield	1.54%	1.55%	1.64%	1.97%	2.18%
1-Month LIBOR	1.68%	1.72%	1.88%	2.16%	2.13%

# **Citizens Investment Summary Report Appendix**



**January 2020**

## EXECUTIVE SUMMARY

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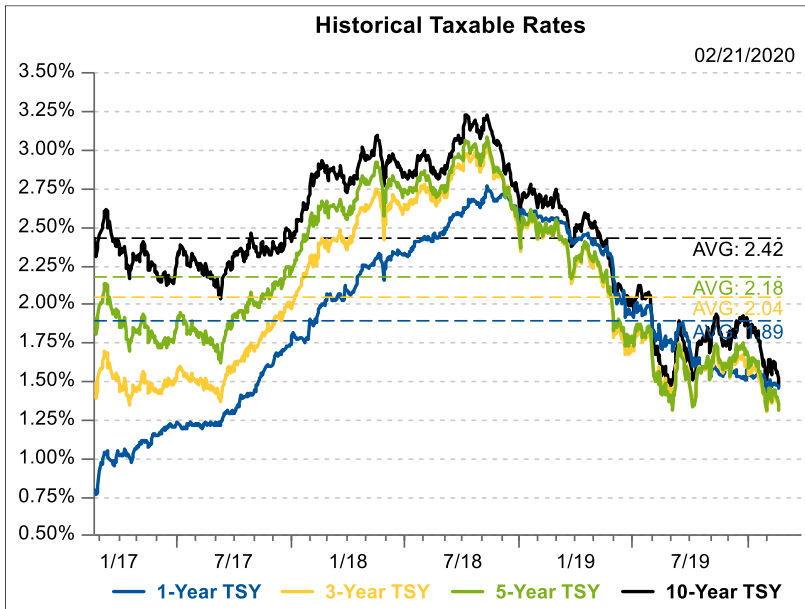
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# INTEREST RATES

## Taxable

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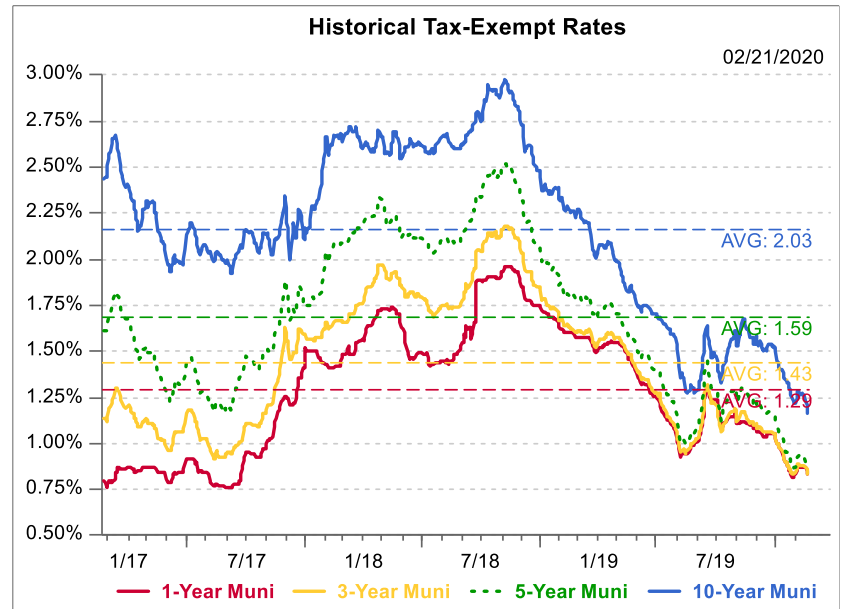
Taxable Rates	As Of 2/21/2020	3-Month Prior	1-Year Prior	3-Year Average	3-Month Change (bps)
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3-Yr TSY	1.31%	1.59%	2.49%	2.04%	(28)
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# PORTFOLIO SUMMARY

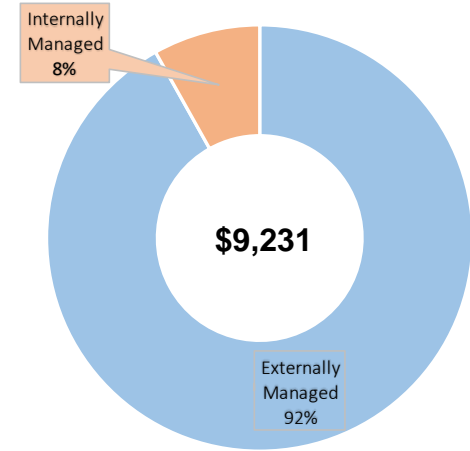
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(\$ in Millions)

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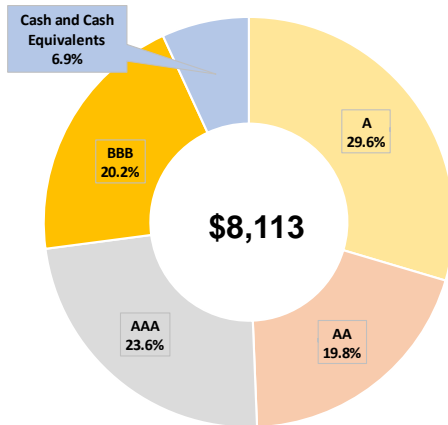
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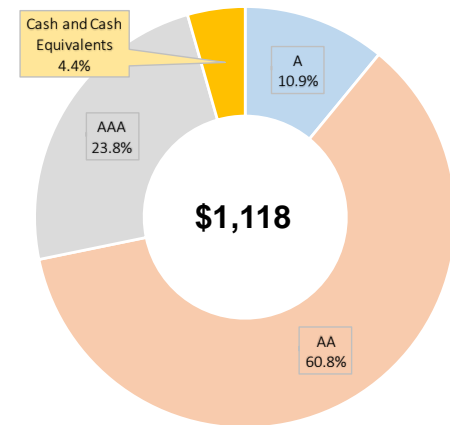
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## Taxable Portfolio Credit Quality Distribution



(\$ in Millions)

## Tax-Exempt Portfolio Credit Quality Distribution

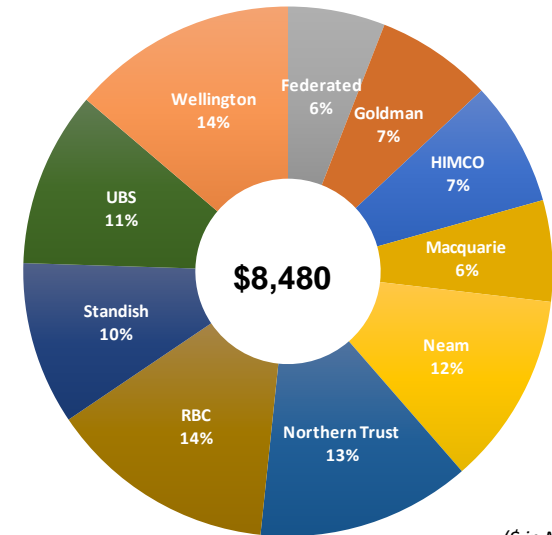


(\$ in Millions)

# INVESTMENT MANAGERS PORTFOLIO SUMMARY

## Total Externally Managed Portfolio Composition

Investment Manager	Taxable Liquidity Fund	Taxable Claims-Paying Fund	Taxable Claims Long Duration Fund	Tax-Exempt Claims-Paying Fund	Total	% of Total Portfolio
Federated	\$503	\$0	\$0	\$0	\$503	6%
Goldman	\$0	\$602	\$0	\$0	\$602	7%
HIMCO	\$0	\$647	\$0	\$0	\$647	8%
Macquarie	\$0	\$0	\$524	\$0	\$524	6%
Neam	\$0	\$309	\$688	\$0	\$997	12%
Northern Trust	\$0	\$0	\$1,108	\$0	\$1,108	13%
RBC	\$60	\$0	\$1,118	\$0	\$1,178	14%
Standish	\$0	\$0	\$0	\$844	\$844	10%
UBS	\$0	\$0	\$910	\$0	\$910	11%
Wellington	\$487	\$0	\$681	\$0	\$1,168	14%
<b>Grand Total</b>	<b>\$1,050</b>	<b>\$1,558</b>	<b>\$5,029</b>	<b>\$844</b>	<b>\$8,480</b>	<b>100%</b>



(\$ in Millions)

- 94% of the taxable portfolio, or \$7.64 billion, is managed by 9 external investment managers.
- 100% of the tax-exempt portfolio, or \$0.84 billion, is managed by an external investment manager.

## PORTFOLIO RETURNS SUMMARY

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- The 2-year annualized total return and income return was 4.93% and 2.52%.

Citizens Portfolio	Duration (Years)	S&P	Moody's	Fitch Credit	Total Return (%)					Income Return (%)				
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Tax Exempt	1.22	AA	Aa2	AA	0.33	0.61	2.63	2.23	1.66	0.09	0.29	1.53	1.66	1.46
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Taxable	4.59	A+	Aa3	A+	1.63	1.62	8.38	5.43	4.17	0.17	0.51	2.35	2.69	2.45
<b>Total</b>	<b>4.17</b>	<b>A+</b>	<b>Aa3</b>	<b>AA-</b>	<b>1.47</b>	<b>1.50</b>	<b>7.48</b>	<b>4.93</b>	<b>3.76</b>	<b>0.16</b>	<b>0.48</b>	<b>2.23</b>	<b>2.52</b>	<b>2.27</b>

*Notes:*

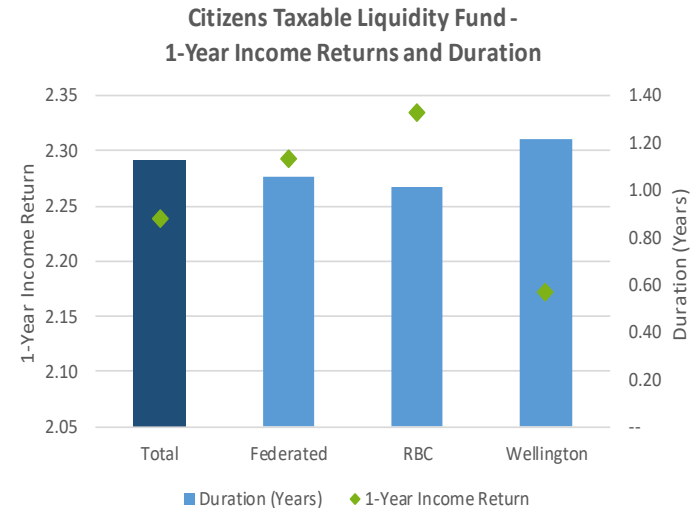
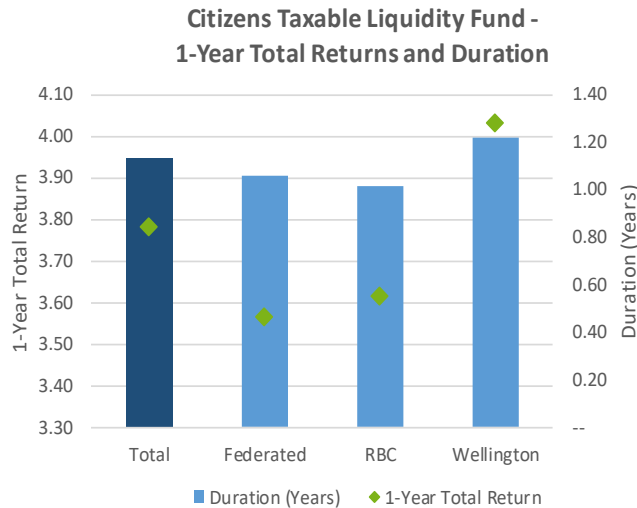
- *The income returns of the money market funds generally are not included.*
- *The 2 Year and 3 Year returns are annualized, and the remaining returns are actual for the period.*

	1 Month	3 Month	6 Month	1 Year	2 Year
3-Year Treasury Yield	1.52%	1.59%	1.56%	1.85%	2.25%
US Corporate Bond 3-5 Year	2.19%	2.28%	2.31%	2.63%	3.07%
S&P 3-Yr AAA Muni	0.92%	1.04%	1.07%	1.27%	1.56%
US Corporate Bond 1 Year	2.00%	2.08%	2.14%	2.45%	2.80%
1-Year Treasury Yield	1.54%	1.55%	1.64%	1.97%	2.18%
1-Month LIBOR	1.68%	1.72%	1.88%	2.16%	2.13%

# TAXABLE LIQUIDITY PORTFOLIO INVESTMENT MANAGER RETURNS SUMMARY

- The Taxable Liquidity portfolio duration is 1.13 years.
- The Taxable Liquidity portfolio 1-year total return is 3.78% and income return is 2.24%.

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
Federated	1.06	503	0.39	0.68	3.57	2.88	0.15	0.47	2.29	2.47
RBC	1.01	60	0.42	0.72	3.62	2.93	0.16	0.49	2.34	2.46
Wellington	1.22	487	0.41	0.66	4.03	3.25	0.14	0.45	2.17	2.44
<b>Total</b>	<b>1.13</b>	<b>1,050</b>	<b>0.40</b>	<b>0.67</b>	<b>3.78</b>	<b>3.04</b>	<b>0.15</b>	<b>0.46</b>	<b>2.24</b>	<b>2.45</b>



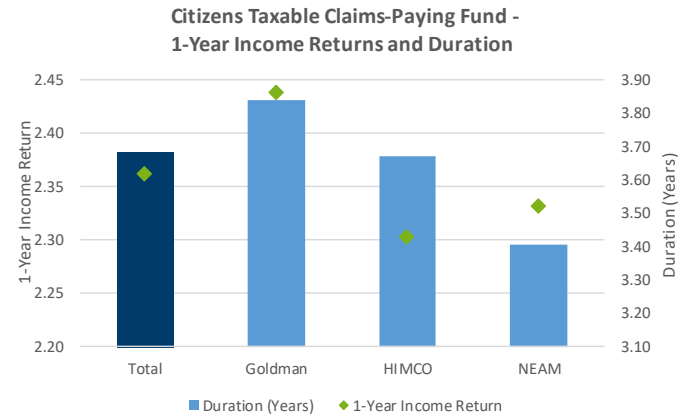
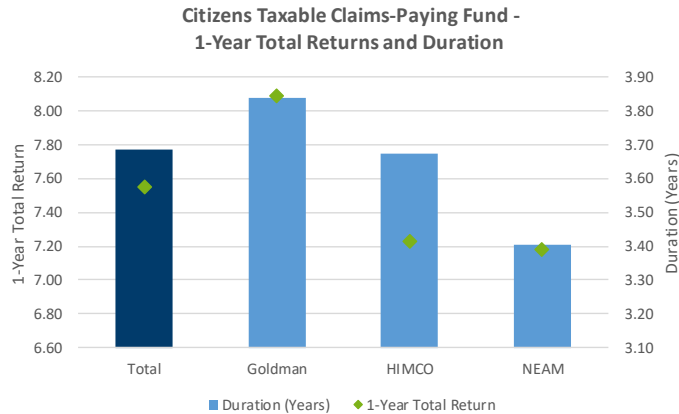
**Notes:**

- 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 Wellington composite includes a portfolio which was a Taxable Claims-Paying portfolio prior to Apr 2019.
- 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 3.68 years.
- The Taxable Claims-Paying Fund portfolio 1-year total return is 7.55% and income return is 2.36%.

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
Goldman	3.84	602	1.40	1.55	8.09	5.32	0.17	0.52	2.44	2.87
HIMCO	3.67	647	1.22	1.33	7.23	4.94	0.16	0.49	2.30	2.71
NEAM	3.41	309	1.22	1.35	7.18	4.94	0.16	0.50	2.33	2.75
<b>Total</b>	<b>3.68</b>	<b>1,558</b>	<b>1.29</b>	<b>1.42</b>	<b>7.55</b>	<b>5.07</b>	<b>0.16</b>	<b>0.51</b>	<b>2.36</b>	<b>2.79</b>



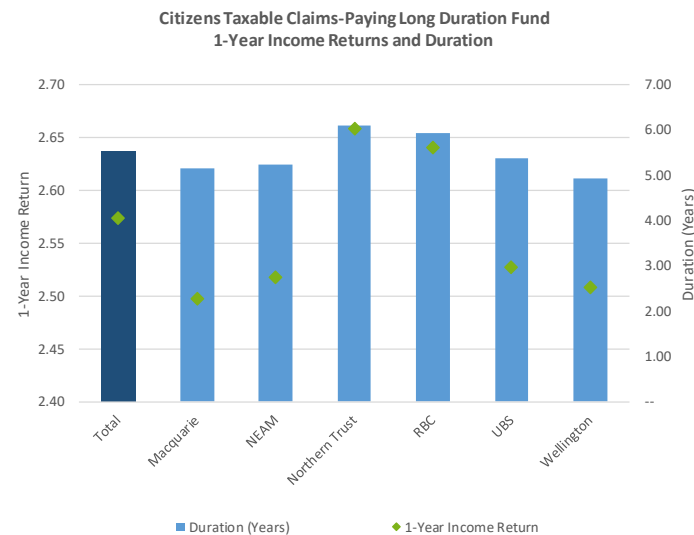
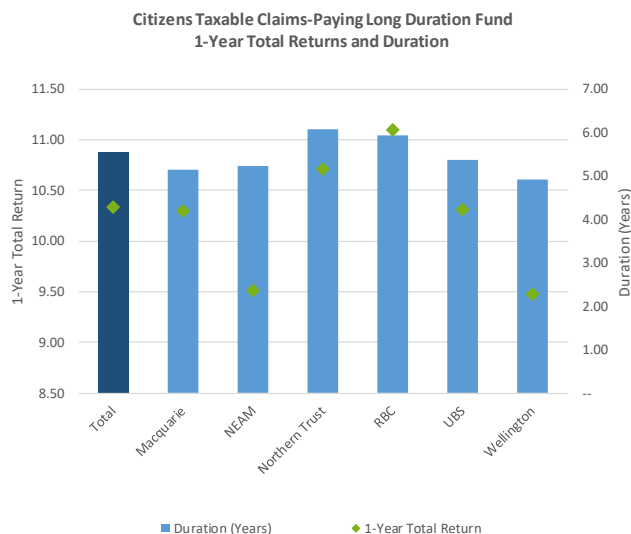
**Notes:**

- 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 historical returns of the portfolio currently managed by Goldman include the performance of previous managers.
- 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 5.55 years.
- The Taxable Claims-Paying Long Duration Fund portfolio 1-year total return is 10.34% and income return is 2.57%.

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
Macquarie	5.15	524	1.90	1.91	10.30	6.37	0.18	0.55	2.50	2.93
NEAM	5.24	688	1.99	1.90	9.51	6.18	0.18	0.56	2.52	2.93
Northern Trust	6.09	1,108	2.42	2.20	10.71	6.58	0.19	0.59	2.66	3.12
RBC	5.93	1,118	2.16	2.11	11.10	6.84	0.19	0.58	2.64	3.10
UBS	5.37	910	1.93	1.85	10.31	6.55	0.18	0.55	2.53	2.97
Wellington	4.92	681	1.93	1.68	9.47	6.07	0.18	0.54	2.51	2.95
<b>Total</b>	<b>5.55</b>	<b>5,029</b>	<b>2.09</b>	<b>1.97</b>	<b>10.34</b>	<b>6.48</b>	<b>0.18</b>	<b>0.57</b>	<b>2.57</b>	<b>3.02</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 historical returns of the portfolio currently managed by Macquarie include the performance of a previous manager.
- 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 1.48 years.
- The 1-year total return and income return of the Tax-Exempt Claims-Paying Fund portfolio managed by Standish is 2.78% and 1.32% respectively.

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
Standish	1.48	844	0.39	0.69	2.78	2.38	0.08	0.27	1.32	1.58

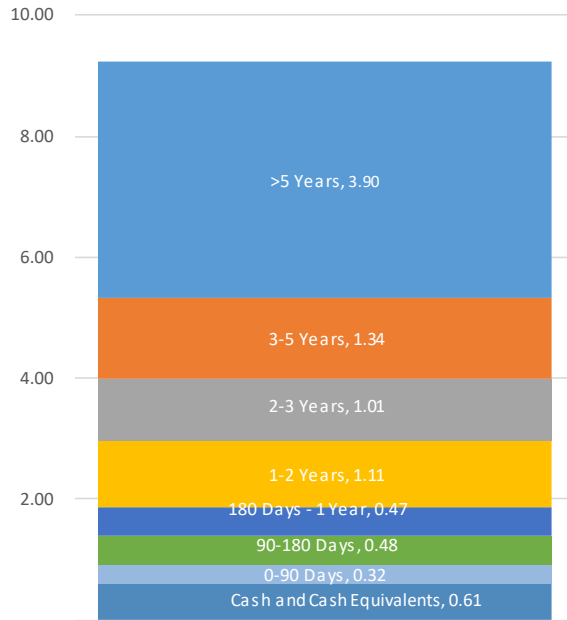
**Notes:**

- 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.

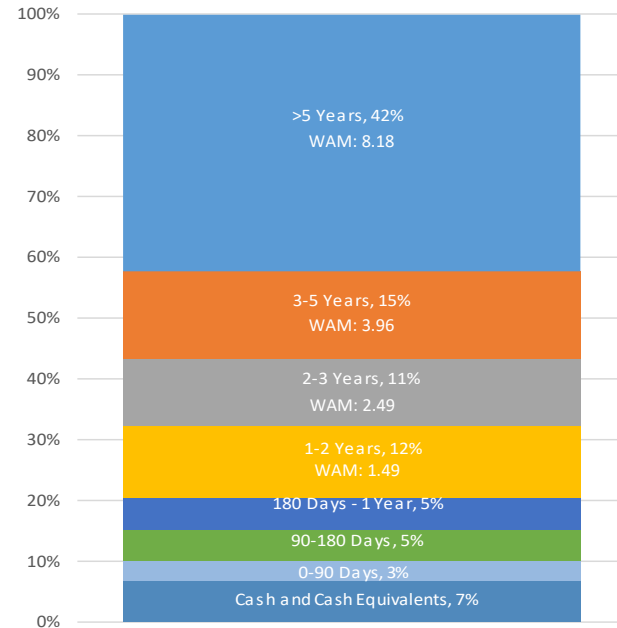
# PORTFOLIO MATURITY DISTRIBUTION

- 3% of the portfolio matures in less than 90 days.
- 10% of the portfolio matures between 90 days and 1 year.
- 23% of the portfolio matures between 1 and 3 years.
- 15% of the portfolio matures between 3 and 5 years.
- 42% of the portfolio matures in greater than 5 years.

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



Citizens Investment Portfolio Maturity Distribution – Percent



Note: 13% or \$0.04 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.



## DOWNGRADED SECURITIES

Securities Downgraded Below Minimum Ratings and/or Minimum Average Ratings						
Security Name and Maturity Date	Moody's Rating	S&P Rating	Fitch Rating	Market Value	Amortized Cost	Unrealized Gain/Loss
Ford Motor Credit Company Llc 2.979% 03-aug-2022	Ba1	BBB-	BBB	2,319,291	2,305,000	14,291
Ford Motor Credit Company Llc 3.81% 09-jan-2024	Ba1	BBB-	BBB	1,989,566	1,944,340	45,226
Ford Motor Credit Company Llc 3.219% 09-jan-2022	Ba1	BBB-	BBB	1,011,510	1,001,463	10,047
Ford Motor Credit Company Llc 5.875% 02-aug-2021	Ba1	BBB-	BBB	787,170	780,992	6,178
Ford Motor Credit Company Llc 3.339% 28-mar-2022	Ba1	BBB-	BBB	507,020	503,431	3,589
<b>Total</b>				<b>\$6,614,557</b>	<b>\$6,535,225</b>	<b>\$79,331</b>

The investment managers are not required to sell these securities. However, they may look to reduce or sell the positions as they continue to monitor the holdings.