

# **Citizens Investment Summary Report Appendix**



**July 2018**

## EXECUTIVE SUMMARY

- Citizens' total portfolio market value for July 2018 was \$9.56 billion (prior month: \$9.59 billion) with an average duration of 4.01 years (prior month: 4.04 years) and average credit ratings of A/A/AA.
  - 83% of the total portfolio is taxable, with a market value of \$7.89 billion.
  - 17% of the total portfolio is tax-exempt, with a market value of \$1.66 billion.
  - 91%, or \$8.66 billion of the total portfolio is managed by 15 external investment managers, with an average duration of 4.06 years and 9% is internally managed, or \$0.90 billion.
- 1-year total return and income return of Citizens' total portfolio was -0.88% and 2.44%, respectively, as compared to the average 1-year Treasury yield of 2.38% for July 2018.
- 3% of the portfolio matures in less than 90 days and 22% of the portfolio matures between 1 and 3 years.

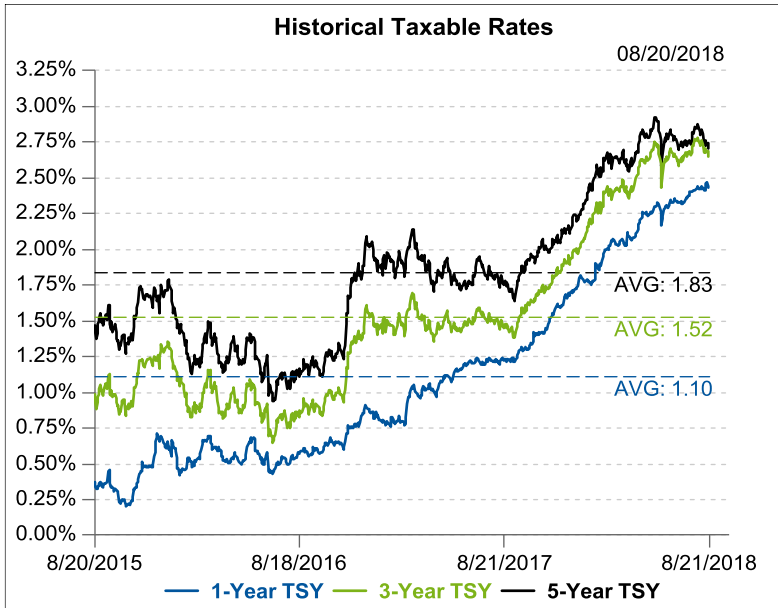
*Note: The legacy securities are not included in the taxable portfolio or total portfolio for the purpose of duration, average ratings and performance reporting in this report.*

# INTEREST RATES

## Taxable

- The 1 year US Treasury rate has increased 121 basis points over the 12-month period ending 8/20/2018.
- The 5 year US Treasury rate has increased 93 basis points over the 12-month period ending 8/20/2018.

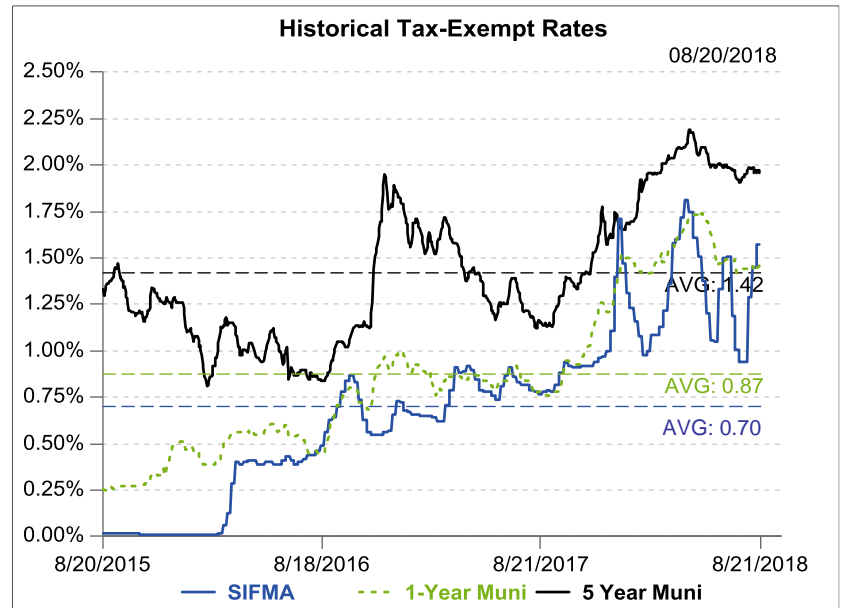
| Taxable Rates | As Of 8/20/2018 | 3-Month Prior | 1-Year Prior | 3-Year Average | 3-Month Change (bps) |
|---------------|-----------------|---------------|--------------|----------------|----------------------|
| 1-Yr TSY      | 2.43%           | 2.31%         | 1.22%        | 1.10%          | 13                   |
| 3-Yr TSY      | 2.65%           | 2.72%         | 1.46%        | 1.52%          | (7)                  |
| 5-Yr TSY      | 2.70%           | 2.89%         | 1.77%        | 1.83%          | (19)                 |



## Tax-Exempt

- The short-term (SIFMA) rate has increased 80 basis points over the 12-month period ending 8/20/2018.
- The S&P 1-Yr AAA Municipal rate has increased 71 basis points over the 12-month period ending 8/20/2018.

| Tax-Exempt Rates  | As Of 8/20/2018 | 3-Month Prior | 1-Year Prior | 3-Year Average | 3-Month Change (bps) |
|-------------------|-----------------|---------------|--------------|----------------|----------------------|
| SIFMA             | 1.57%           | 1.75%         | 0.77%        | 0.70%          | (18)                 |
| S&P 1-Yr AAA Muni | 1.48%           | 1.73%         | 0.77%        | 0.87%          | (25)                 |
| S&P 5-Yr AAA Muni | 1.96%           | 2.10%         | 1.15%        | 1.42%          | (14)                 |



# PORTFOLIO SUMMARY

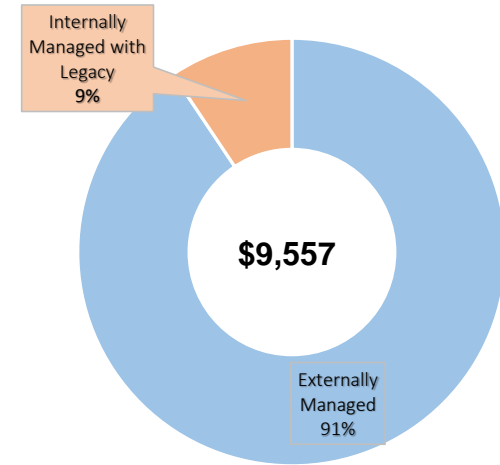
| Security Description  | Current Month Market Value | Prior Month Market Value | Month-to-Month Change | Current Month Weight (%) |
|---|----------------------------|--------------------------|-----------------------|--------------------------|
| <b>Total</b>  | <b>\$9,557</b>             | <b>\$9,589</b>           | <b>(\$31)</b>         | <b>100</b>               |
| <b>Taxable with Legacy Securities</b>                             | 7,894                      | 7,928                    | (34)                  | 83                       |
| Corporate Bonds, Commercial Paper, CDs, & Foreign Govt Securities | 4,357                      | 4,386                    | (29)                  | 46                       |
| Treasury & Agency Securities                                      | 2,338                      | 2,358                    | (20)                  | 25                       |
| Money Market Funds & Cash   | 735                        | 724                      | 11                    | 8                        |
| Municipal Bonds   | 312                        | 308                      | 4                     | 3                        |
| ABS   | 106                        | 106                      | 0                     | 1                        |
| Legacy Securities   | 46                         | 46                       | (1)                   | 0                        |
| <b>Tax Exempt</b>   | 1,664                      | 1,661                    | 3                     | 17                       |
| Municipal Bonds   | 1,485                      | 1,541                    | (56)                  | 16                       |
| Treasury & Agency Securities                                      | 114                        | 90                       | 24                    | 1                        |
| Money Market Funds & Cash   | 64                         | 30                       | 35                    | 0                        |

(\$ in Millions)

Notes:

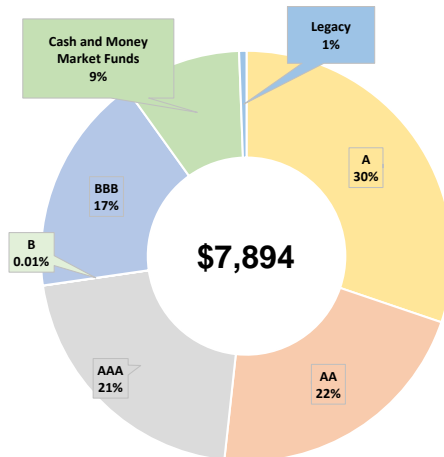
1. Month-to-month changes can be driven by transfers of funds from one category of securities to another.
2. Numbers may not add up due to rounding.

## Total Portfolio Composition



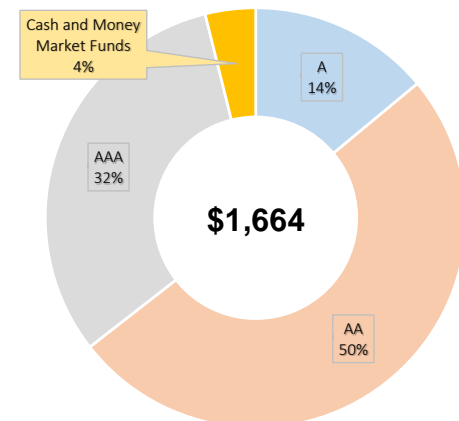
(\$ in Millions)

## Taxable Portfolio Credit Quality Distribution



(\$ in Millions)

## Tax-Exempt Portfolio Credit Quality Distribution

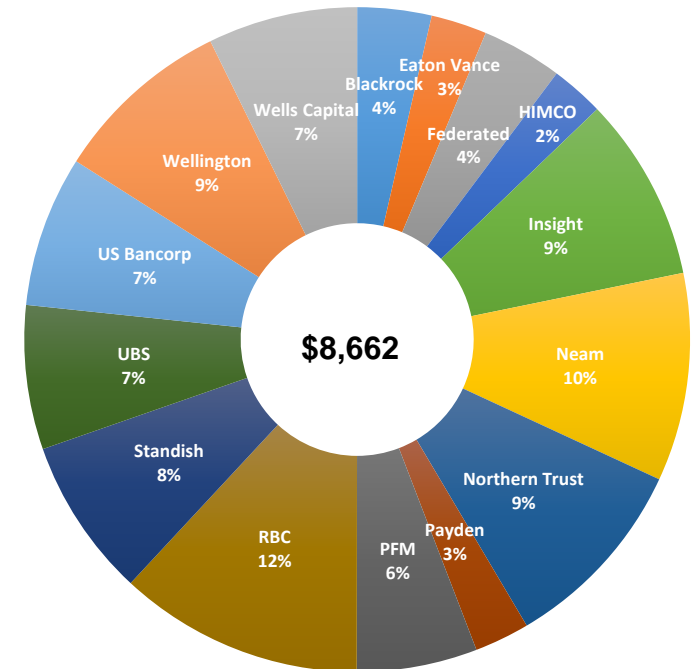


(\$ in Millions)

# 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          | \$173                  | \$0                        | \$0                               | \$139                         | \$312          | 4%                   |
| Eaton Vance        | \$0                    | \$235                      | \$0                               | \$0                           | \$235          | 3%                   |
| Federated          | \$165                  | \$0                        | \$0                               | \$174                         | \$339          | 4%                   |
| HIMCO              | \$0                    | \$224                      | \$0                               | \$0                           | \$224          | 3%                   |
| Insight            | \$0                    | \$191                      | \$461                             | \$125                         | \$777          | 9%                   |
| Neam               | \$0                    | \$197                      | \$608                             | \$72                          | \$877          | 10%                  |
| Northern Trust     | \$0                    | \$0                        | \$830                             | \$0                           | \$830          | 10%                  |
| Payden             | \$0                    | \$231                      | \$0                               | \$0                           | \$231          | 3%                   |
| PFM                | \$291                  | \$216                      | \$0                               | \$0                           | \$507          | 6%                   |
| RBC                | \$56                   | \$0                        | \$973                             | \$0                           | \$1,030        | 12%                  |
| Standish           | \$0                    | \$0                        | \$0                               | \$671                         | \$671          | 8%                   |
| UBS                | \$0                    | \$0                        | \$501                             | \$106                         | \$607          | 7%                   |
| US Bancorp         | \$0                    | \$340                      | \$297                             | \$0                           | \$636          | 7%                   |
| Wellington         | \$152                  | \$0                        | \$603                             | \$0                           | \$755          | 9%                   |
| Wells Capital      | \$0                    | \$399                      | \$0                               | \$231                         | \$630          | 7%                   |
| <b>Grand Total</b> | <b>\$838</b>           | <b>\$2,033</b>             | <b>\$4,274</b>                    | <b>\$1,516</b>                | <b>\$8,662</b> | <b>100%</b>          |

## Total Externally Managed Portfolio Composition



(\$ in Millions)

- 91% of the taxable portfolio, or \$7.15 billion, is managed by 14 external investment managers.
- 91% of the tax-exempt portfolio, or \$1.52 billion, is managed by 7 external investment managers.

## PORTFOLIO RETURNS SUMMARY

- The total portfolio duration is 4.01 years.
- The 2-year annualized total return is -0.08% and income return is 2.02%.

| 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   | 1.76             | AA       | AA       | AA        | 0.21             | 0.97        | 0.25         | 0.00         | 0.60        | 0.13              | 0.42        | 1.41        | 1.22        | 1.18        |
| Tax Exempt Externally Managed                          | 1.86             | AA       | AA       | AA        | 0.22             | 0.98        | 0.26         | 0.01         | 0.61        | 0.13              | 0.42        | 1.41        | 1.23        | 1.19        |
| Taxable Excluding Legacy Securities                    | 4.52             | A        | A        | AA        | 0.15             | 0.61        | -0.70        | 0.15         | 1.09        | 0.25              | 0.75        | 2.51        | 2.14        | 1.89        |
| Taxable Internally Managed Excluding Legacy Securities | --               | AAA      | AAA      | AAA       | 0.02             | 0.08        | 0.26         | 0.39         | 0.35        | 0.02              | 0.07        | 0.25        | 0.38        | 0.34        |
| <b>Total Excluding Legacy Securities</b>               | <b>4.01</b>      | <b>A</b> | <b>A</b> | <b>AA</b> | <b>0.15</b>      | <b>0.61</b> | <b>-0.88</b> | <b>-0.08</b> | <b>0.84</b> | <b>0.25</b>       | <b>0.75</b> | <b>2.44</b> | <b>2.02</b> | <b>1.78</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.

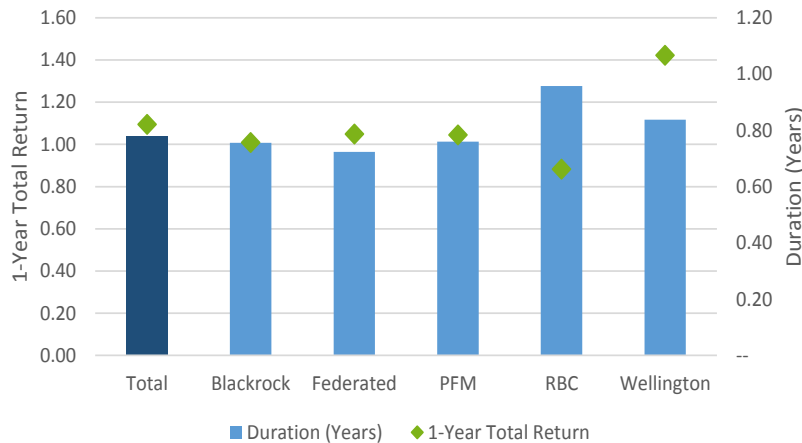
|                            | 1 Month | 3 Month | 6 Month | 1 Year | 2 Year |
|----------------------------|---------|---------|---------|--------|--------|
| 3-Year Treasury Yield      | 2.69%   | 2.66%   | 2.55%   | 2.15%  | 1.74%  |
| US Corporate Bond 3-5 Year | 3.53%   | 3.52%   | 3.38%   | 2.95%  | 2.65%  |
| SIFMA                      | 1.22%   | 1.29%   | 1.31%   | 1.16%  | 0.94%  |
| S&P 3-Yr AAA Muni          | 1.73%   | 1.82%   | 1.78%   | 1.51%  | 1.30%  |
| US Corporate Bond 1 Year   | 3.18%   | 3.13%   | 2.99%   | 2.55%  | 2.18%  |
| 1-Year Treasury Yield      | 2.38%   | 2.32%   | 2.19%   | 1.83%  | 1.36%  |
| 1-Month LIBOR              | 2.08%   | 2.03%   | 1.90%   | 1.62%  | 1.21%  |

# 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 1.09% and income return is 2.01%.

| 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          | 0.76             | 173                 | 0.18             | 0.57        | 1.01        | 1.01        | 0.20              | 0.59        | 1.93        | 1.52        |
| Federated          | 0.72             | 165                 | 0.24             | 0.63        | 1.05        | 0.99        | 0.22              | 0.64        | 2.02        | 1.57        |
| PFM                | 0.76             | 291                 | 0.20             | 0.57        | 1.04        | 1.09        | 0.21              | 0.60        | 1.92        | 1.55        |
| RBC                | 0.96             | 56                  | 0.18             | 0.57        | 0.88        | 1.08        | 0.21              | 0.63        | 1.99        | 1.60        |
| Wellington         | 0.84             | 152                 | 0.21             | 0.62        | 1.42        | 1.23        | 0.22              | 0.66        | 2.27        | 1.70        |
| <b>Total</b>       | <b>0.78</b>      | <b>838</b>          | <b>0.20</b>      | <b>0.59</b> | <b>1.09</b> | <b>1.07</b> | <b>0.21</b>       | <b>0.62</b> | <b>2.01</b> | <b>1.57</b> |

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



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



Notes:

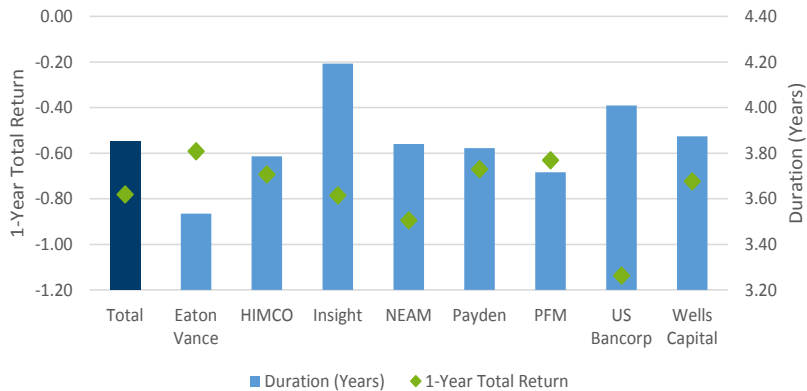
- The Taxable Liquidity Portfolio is managed to a maximum dollar weighted average maturity of 548 days. The applicable policy governs the investment of funds that will be the first moneys used to pay claims after an event and is also used to pay operating expenses on an ongoing basis.
- The 2 Year returns 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

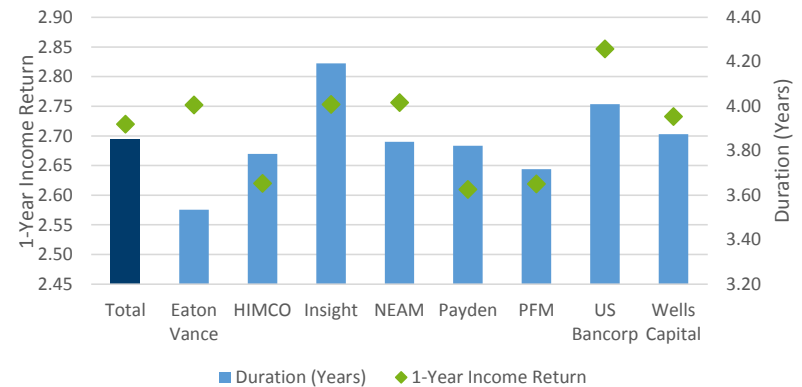
- The Taxable Claims-Paying Fund portfolio duration is 3.85 years.
- The Taxable Claims-Paying Fund portfolio 1-year total return is -0.78% and income return is 2.72%.

| 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        | 3.54             | 235                 | 0.18             | 0.65        | -0.59        | 0.11         | 0.27              | 0.81        | 2.75        | 2.31        |
| HIMCO              | 3.79             | 224                 | 0.20             | 0.65        | -0.69        | 0.22         | 0.26              | 0.78        | 2.62        | 2.23        |
| Insight            | 4.19             | 191                 | 0.19             | 0.68        | -0.78        | -0.20        | 0.28              | 0.82        | 2.75        | 2.32        |
| NEAM               | 3.84             | 197                 | 0.17             | 0.59        | -0.89        | -0.10        | 0.27              | 0.79        | 2.76        | 2.26        |
| Payden             | 3.82             | 231                 | 0.06             | 0.54        | -0.67        | -0.18        | 0.26              | 0.78        | 2.61        | 2.16        |
| PFM                | 3.72             | 216                 | 0.14             | 0.67        | -0.63        | 0.22         | 0.26              | 0.78        | 2.62        | 2.05        |
| US Bancorp         | 4.01             | 340                 | 0.24             | 0.68        | -1.14        | 0.00         | 0.28              | 0.84        | 2.85        | 2.37        |
| Wells Capital      | 3.87             | 399                 | 0.21             | 0.58        | -0.72        | -0.13        | 0.27              | 0.81        | 2.73        | 2.36        |
| <b>Total</b>       | <b>3.85</b>      | <b>2,033</b>        | <b>0.18</b>      | <b>0.63</b> | <b>-0.78</b> | <b>-0.02</b> | <b>0.27</b>       | <b>0.80</b> | <b>2.72</b> | <b>2.28</b> |

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



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



Notes:

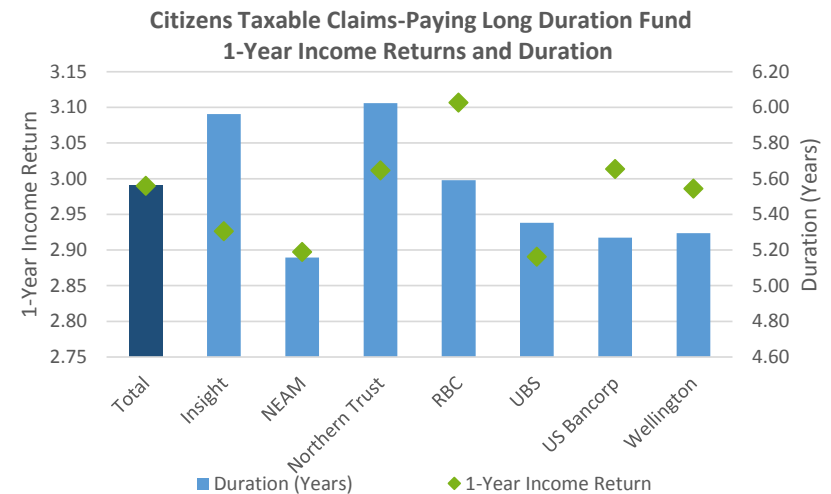
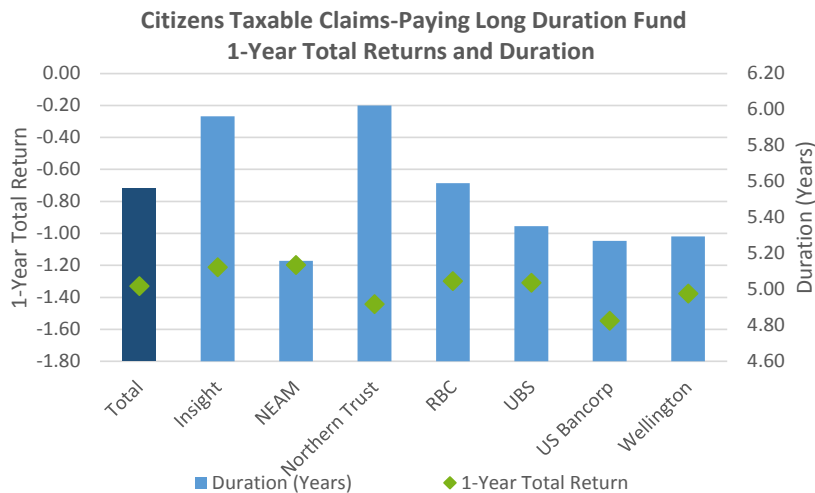
- The Taxable Claims-Paying Portfolio is managed to a maximum dollar weighted average maturity of 6 years. The applicable policy governs the investment of funds that will be used to pay claims post-event after Citizens has expended all moneys in the Liquidity Fund.
- The 2 Year returns are annualized, 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 5.56 years.
- The Taxable Claims-Paying Long Duration Fund portfolio 1-year total return is -1.33% and income return is 2.99%.

| 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            | 5.96             | 461                 | -0.04            | 0.51        | -1.21        | -0.04        | 0.28             | 0.84        | 2.93        | 2.43        |
| NEAM               | 5.16             | 608                 | 0.07             | 0.69        | -1.20        | -0.04        | 0.28             | 0.84        | 2.90        | 2.37        |
| Northern Trust     | 6.02             | 830                 | 0.21             | 0.73        | -1.44        | -0.43        | 0.30             | 0.89        | 3.01        | 2.49        |
| RBC                | 5.59             | 973                 | 0.23             | 0.76        | -1.30        | 0.22         | 0.30             | 0.90        | 3.11        | 2.62        |
| UBS                | 5.35             | 501                 | 0.21             | 0.78        | -1.31        | -0.21        | 0.29             | 0.86        | 2.89        | 2.35        |
| US Bancorp         | 5.27             | 297                 | 0.26             | 0.78        | -1.55        | 0.04         | 0.30             | 0.88        | 3.01        | 2.47        |
| Wellington         | 5.29             | 603                 | 0.08             | 0.65        | -1.38        | -0.38        | 0.28             | 0.84        | 2.99        | 2.45        |
| <b>Total</b>       | <b>5.56</b>      | <b>4,274</b>        | <b>0.15</b>      | <b>0.70</b> | <b>-1.33</b> | <b>-0.12</b> | <b>0.29</b>      | <b>0.87</b> | <b>2.99</b> | <b>2.47</b> |



**Notes:**

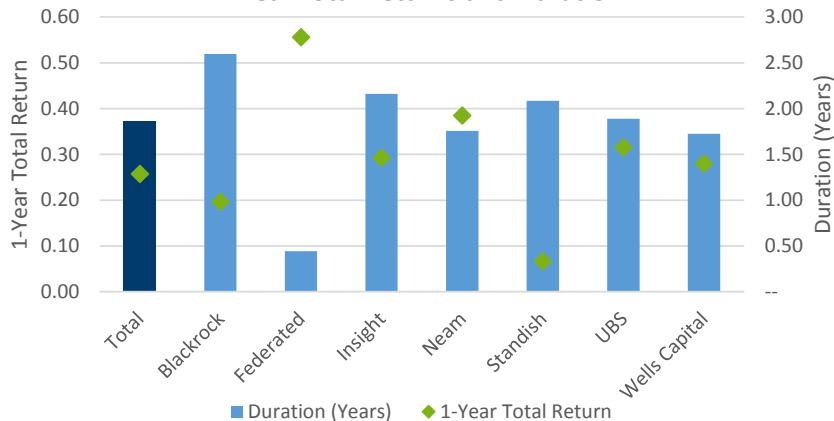
- The Taxable Claims-Paying Long Duration portfolio is managed a maximum dollar weighted average maturity of 10 years. The applicable policy governs the investment of funds that will be used to pay claims post-event after Citizens has expended all moneys in the Claims-Paying Fund.
- The 2 Year returns 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

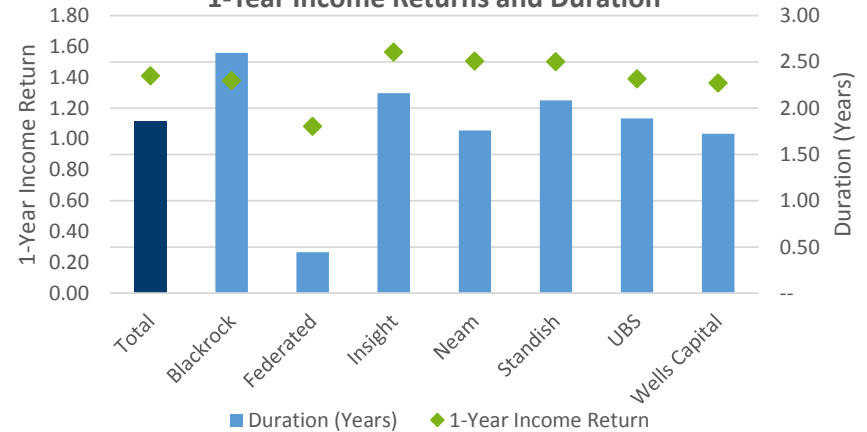
- The Tax-Exempt Claims-Paying Fund portfolio duration is 1.86 years.
- The Tax-Exempt Claims-Paying Fund portfolio 1-year total return is 0.26% and income return is 1.41%.

| 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          | 2.60             | 139                 | 0.23             | 1.04        | 0.20        | -0.10       | 0.14              | 0.44        | 1.38        | 1.18        |
| Federated          | 0.44             | 174                 | -0.01            | 0.47        | 0.56        | 0.35        | 0.10              | 0.31        | 1.08        | 1.04        |
| Insight            | 2.16             | 125                 | 0.26             | 1.06        | 0.29        | 0.34        | 0.16              | 0.48        | 1.57        | 1.39        |
| Neam               | 1.76             | 72                  | 0.24             | 0.98        | 0.38        | 0.05        | 0.14              | 0.45        | 1.51        | 1.30        |
| Standish           | 2.09             | 671                 | 0.25             | 1.08        | 0.07        | -0.18       | 0.14              | 0.44        | 1.50        | 1.29        |
| UBS                | 1.89             | 106                 | 0.24             | 0.98        | 0.32        | 0.07        | 0.11              | 0.42        | 1.39        | 1.18        |
| Wells Capital      | 1.73             | 231                 | 0.23             | 0.97        | 0.28        | -0.03       | 0.13              | 0.43        | 1.36        | 1.16        |
| <b>Total</b>       | <b>1.86</b>      | <b>1,516</b>        | <b>0.22</b>      | <b>0.98</b> | <b>0.26</b> | <b>0.01</b> | <b>0.13</b>       | <b>0.42</b> | <b>1.41</b> | <b>1.23</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



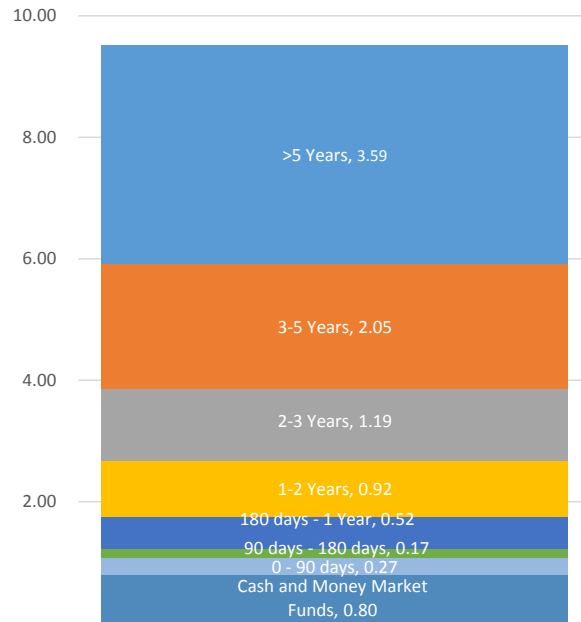
Notes:

- 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.

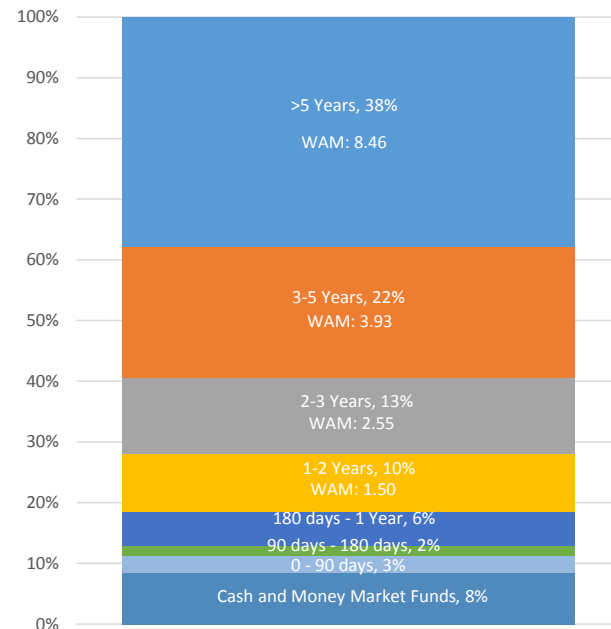
# PORTFOLIO MATURITY DISTRIBUTION

- 3% of the portfolio matures in less than 90 days.
- 7% of the portfolio matures between 90 days and 1 year.
- 22% of the portfolio matures between 1 and 3 years.
- 22% 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. 56% or \$0.15 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+         | 907,500      | 999,270        | (91,770)             |

- Citizens has the option of immediately reducing this position to achieve compliance. After consulting with the investment managers, the decision at this point is to hold the security.

| 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                   | 805,600             | 805,600              |
| Issuer Entity (Ottimo)           | N/A           | NP      | 11/9/2007      | NR     | 11/9/2007      | D      | 11/9/2007      | 7,789,589           | 18,734,151          | 10,944,562           |
| Axon Financial Funding LLC       | N/A           | NP      | 11/27/2007     | NR     | 11/27/2007     | D      | 11/27/2007     | 22,482,600          | 26,234,507          | 3,751,907            |
| <b>Total</b>                     |               |         |                |        |                |        |                | <b>\$30,272,189</b> | <b>\$45,774,259</b> | <b>\$15,502,069</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 July 31, 2018, \$203.5 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 \$87.2 million, nonetheless, these legacy securities continue to pay principal and interest.