



PMA[™]
ASSET MANAGEMENT

PMA Lunch & Learn

WISC Extended Term Duration Series
Overview & Update



October 28, 2021



PMA Lunch & Learn – Today’s Presenters



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PMA Overview

Serving the Public Sector for over 35 Years

- PMA Financial Network has been a leading provider of financial services to public entities since 1984

The PMA Companies (under common ownership)

- PMA Financial Network
- PMA Asset Management (SEC registered investment advisor)
- PMA Securities (Registered broker-dealer and municipal advisor member (FINRA and SIPC))

PMA Statistics

- Work almost exclusively with public funds
- The PMA companies collectively have 150 employees to meet the ongoing needs of our clients

Over \$30 Billion in Assets Under Administration as of 9/30/2021*

- PMA Asset Management has over \$22 billion in investment advisory assets under management (as of 9/30/21)

*Total assets under administration include both money market pool assets for which the PMA Companies serve as fund administrator/accountant, marketer/distributor, fixed income program provider (brokerage services), and/or investment advisory, or separate institutional accounts.



Wisconsin Investment Series Cooperative

- ▶ Established as an Intergovernmental Agreement in 1988
- ▶ Governing board consists of representatives from participating Wisconsin public entities
 - ▶ Chad Trowbridge, Chippewa Falls AUSD Business Manager, serves as Board Chair
- ▶ Local government investment pool available only to public entities in Wisconsin
 - ▶ PMA Financial Network serves as Fund Administrator and PMA Securities serves as Marketer and Distributor
 - ▶ US Bank, NA serves as Fund Investment Adviser and PMA Asset Management serves as Sub-Adviser responsible for the day-to-day management of the Fund
 - ▶ US Bank, NA serves as Fund Custodian
- ▶ Investment relationships with over 280 WI public entities





WISC Investment Solutions

Match assets to liabilities to reduce risk and achieve best returns over market cycles

HIGH

RETURN POTENTIAL

LOW

Cash Management Series
Investment Series

Operating Funds
 Payroll

Limited Term Duration

Operating Reserves
 Fund 73
 Bond Proceeds

Extended Term Duration

Longer Term Reserves
 Fund 46, Fund 73
 OPEB Funds

0- 9 MONTHS

9 MONTHS TO- 2-3 YEARS

3 - 10 YEARS

INVESTMENT HORIZON





WISC Extended Term Duration – Overview

ETD launched in September with over \$10mm in assets

Objective

- ▶ The WISC “ETD” Series would seek to enhance income with potential additional return over market cycles by investing in the 1–10-year portion of the yield curve through a diversified portfolio of high-quality investments.

Investment Approach & Features

- ▶ Diversified, longer-term, investment-grade fixed income securities
- ▶ Focus on laddered securities maturing in 1-10 years targeting 3 - 4.5-year Series duration
- ▶ Variable NAV fund with income accruing to NAV rather than paid as dividend
- ▶ Structured to enhance income with greater return potential over market cycles
- ▶ Minimum credit quality of portfolio holdings: AA
- ▶ All investment purchases would be compliant with WI State Statute 66.0603
- ▶ Minimum investment of \$100,000 with minimum expected holding period of 3 years
- ▶ Longer duration to enhance income and return; longer term focus tolerating higher NAV volatility
- ▶ Pooled fund provides access to a well-diversified portfolio at low cost with quarterly liquidity





Why Invest in ETD?

- ▶ High quality investments allowable under Wisconsin State Statute
- ▶ Allows investors with a longer time horizon to better align their investments with expected liabilities
 - ▶ Long term reserves
 - ▶ Fund 46 & 73
- ▶ Investing with a purpose and taking advantage of higher yielding, longer duration assets
- ▶ Risk management and diversification
- ▶ Pooled solution provides benefits of scale to all Participants



WISC ETD – Benefits of Pooling

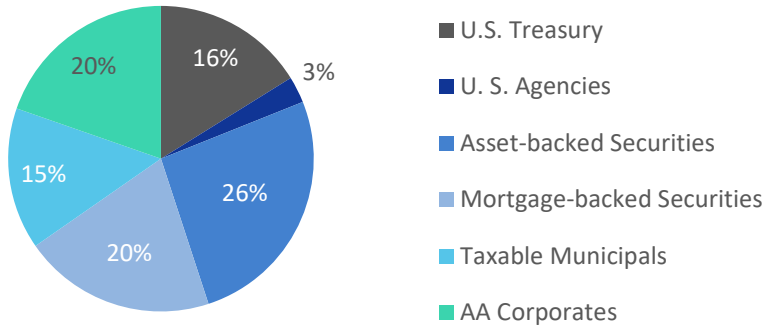
- ▶ Diversification Benefits
- ▶ Frequency of re-investment – portfolio benefits from ongoing participation in the market and access to best opportunities daily
- ▶ Ongoing Credit Risk Management
- ▶ Allows smaller clients access to markets and strategies that might be unavailable in a separate account
- ▶ No need for client to approve individual trades streamlines operation
- ▶ Full PMA resources and oversight applied to ETD
- ▶ Dollar cost averaging opportunities
- ▶ Quarterly liquidity with two weeks notice





Portfolio Characteristics – September 30, 2021

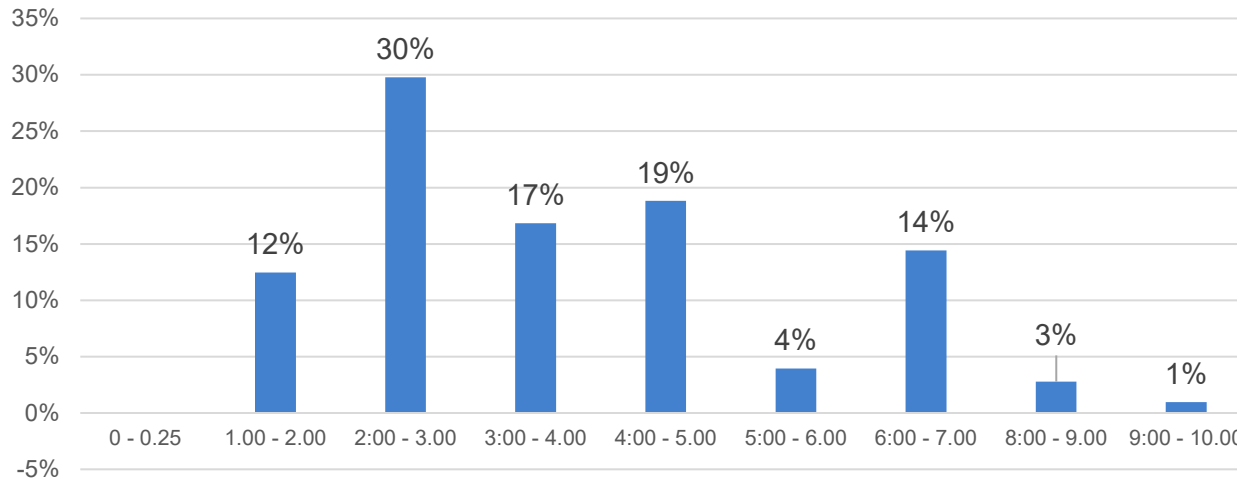
WISC ETD Sector Allocation



	WISC ETD	Index*
Market Yield	0.90%	0.70%
Duration (years)	3.89	4.00
Average Credit Quality	AA+	AAA

* Index: Bloomberg U.S. Government Intermediate Bond Index

Duration Distribution



Source: PMA Fund Accounting and Clearwater Analytics as of 9/30/21



Sensitivity Analysis – LTD vs ETD

WISC LTD

Basis Point Shift	% Change
-100	0.87
-50	0.44
-25	0.22
0	0
25	-0.22
50	-0.44
100	-0.87

WISC ETD

Basis Point Shift	% Change
-100	3.89
-50	1.95
-25	0.97
0	0
25	-0.97
50	-1.95
100	-3.89



Source: PMA Fund Accounting and Clearwater Analytics as of 9/30/21



Performance Comparison

	1 Yr	3 Yr	5 Yr	3 Yr Std. dev
WISC-CMS/IS	0.17%	1.29%	1.34%	0.30%
WISC-LTD	0.30%	2.03%	1.77%	0.51%
1-10 Year	-0.86%	3.99%	2.13%	2.15%

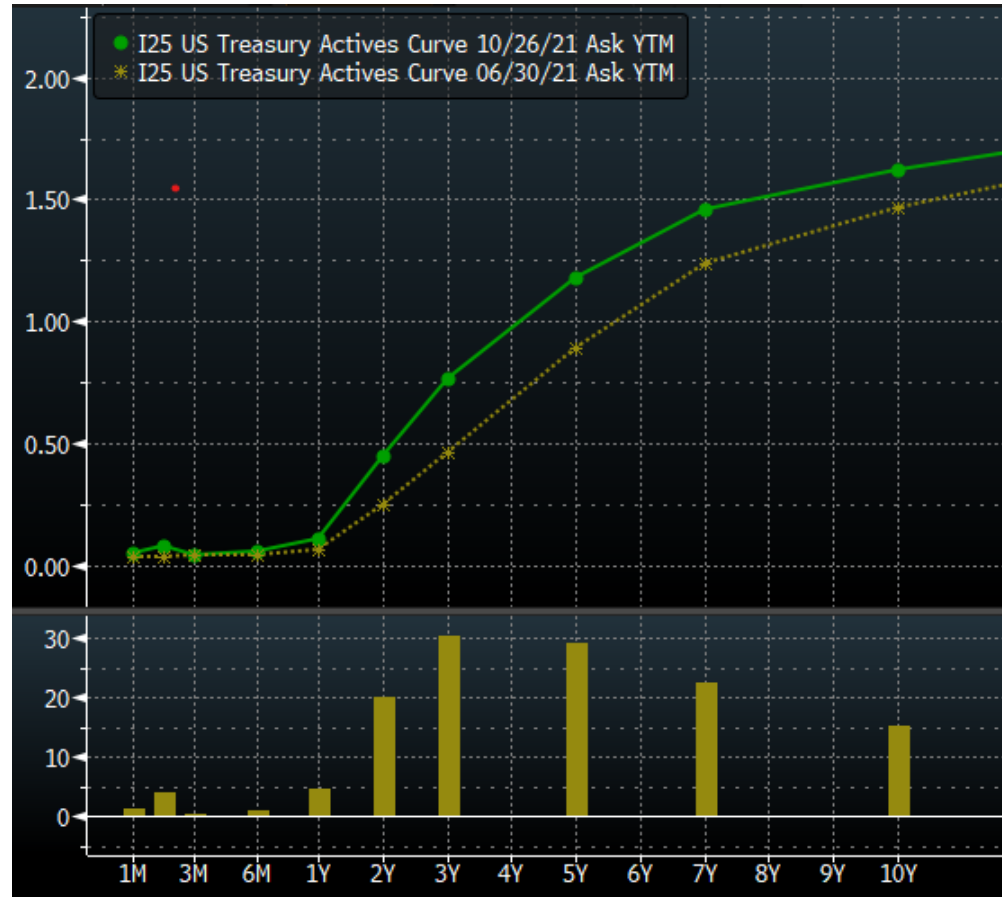
GIPS performance data as of 9/30/21

Bloomberg

- ▶ Longer maturities have higher returns over longer time horizons, but experience higher price volatility
- ▶ Matching investment time horizon to investment vehicle is key



Yield Curve Steepening Based On Expectations of Higher Future Interest Rates



- ▶ Recent interest rate moves have discounted a significant Fed action, compensating long-term investors

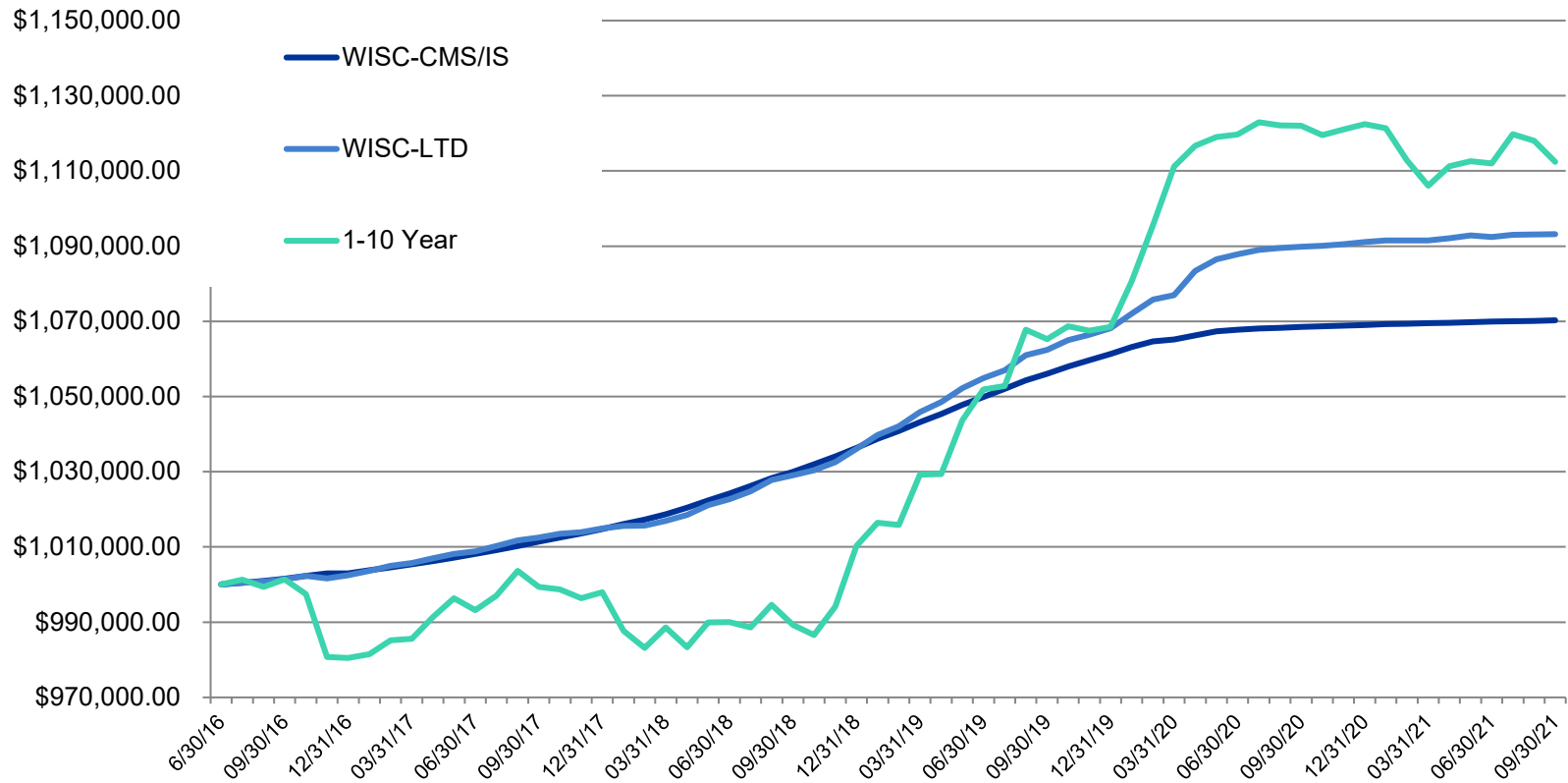
Source: Bloomberg and GIPS database through 9/30/21





Historical 5 Year Cumulative Growth

\$1 Million Initial Investment



- ▶ For funds that are longer term, matching assets to investment time horizon can provide a return advantage



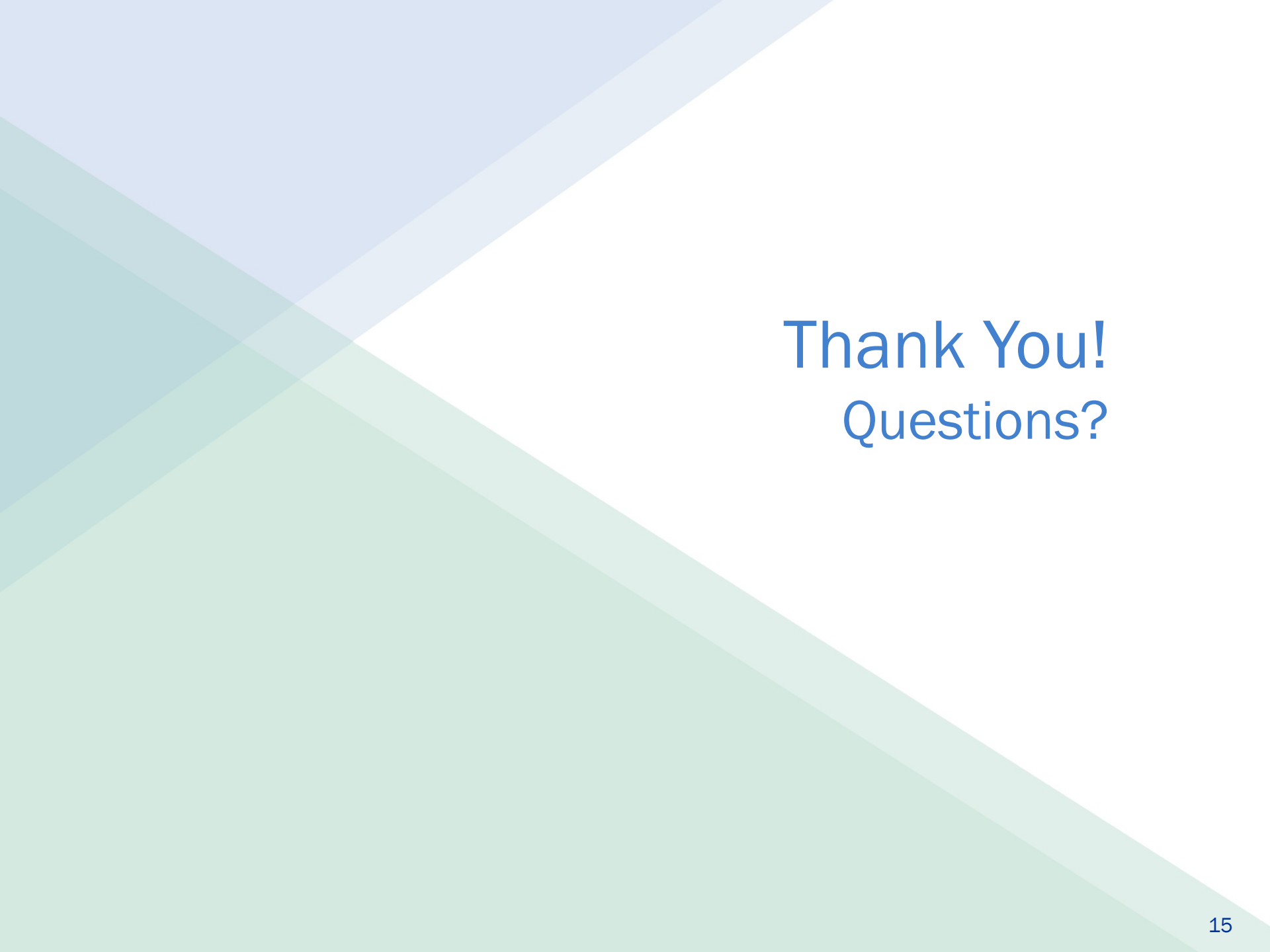
Source: Bloomberg and GIPS database through 9/30/21



ETD Launch & Vision going forward

- ▶ Successful launch and investment of \$10 million portfolio
- ▶ Portfolio return ahead of benchmark in volatile market in first month
- ▶ Over time, the broader opportunity set in 1 – 10-year high quality securities provides ability to diversify and take advantage of attractive valuations, steep yield curve, and reinvestment
- ▶ Active management of credit risk, market position and diversification
- ▶ Pooled structure with inflows over time allows ongoing participation in market yields and new issue securities
- ▶ Dollar-cost averaging opportunities, flexibility for changing investor time horizons, and quarterly liquidity
- ▶ Part of a set of options for clients across the maturity range for different investment time horizons





Thank You!
Questions?



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