



BOYD WATTERSON

A S S E T M A N A G E M E N T

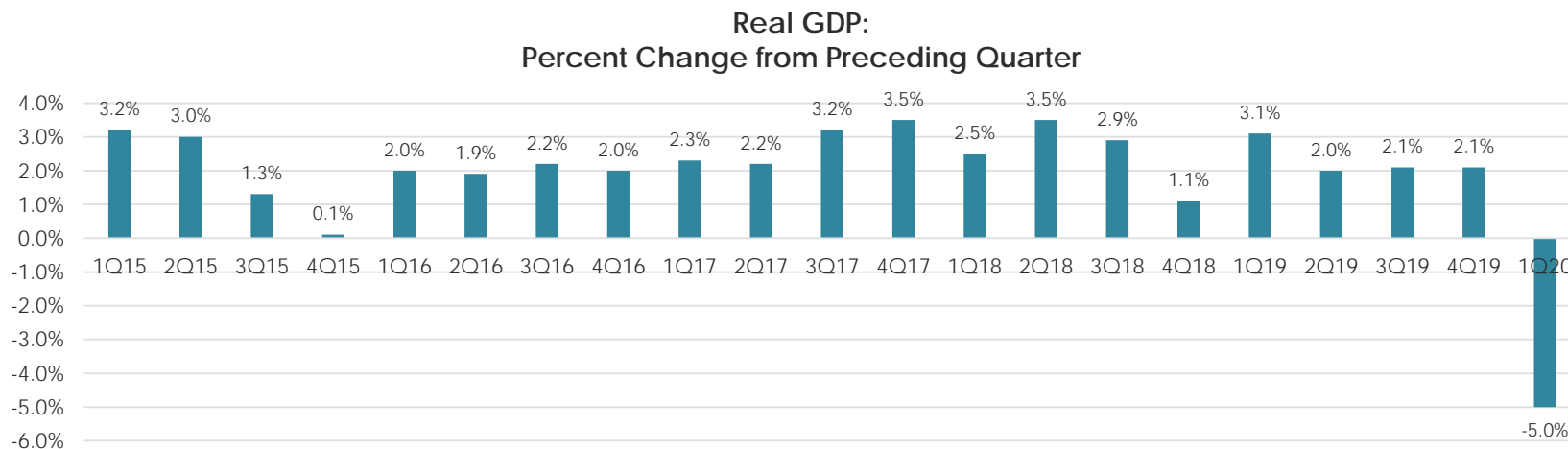
Montgomery County

Investment Portfolio Review

June 30, 2020

Our Macro View

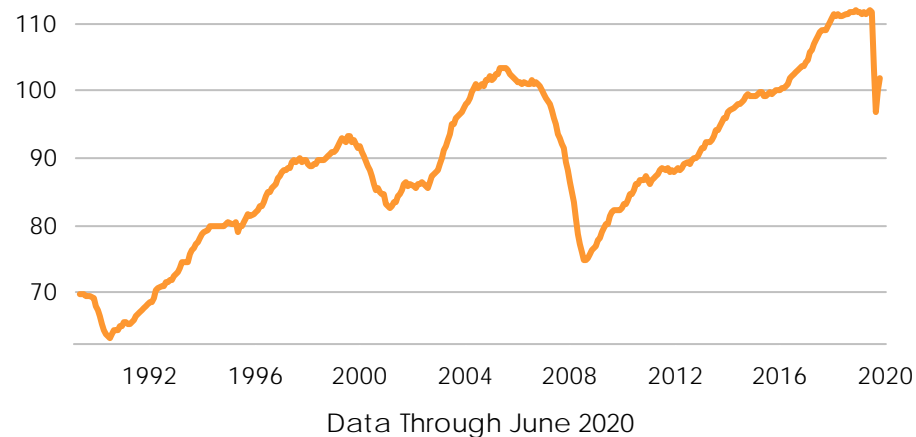
US Economic Growth



Source: U.S. Bureau of Economic Analysis.

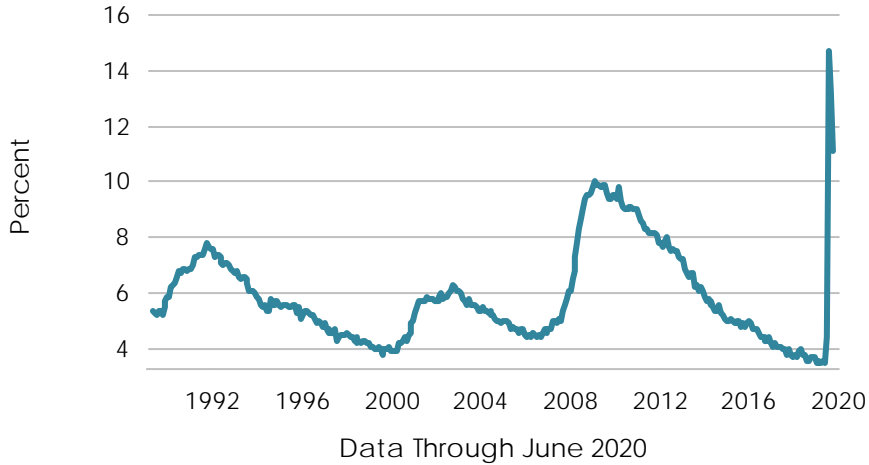
- The U.S. economy has witnessed depression-like economic data over the past couple months as a result of the COVID-19 pandemic.
- GDP contracted 5% in Q1, the first decline in six years and the sharpest since the first quarter of 2009.
- Economists estimate second quarter GDP will decline in excess of 30% due to the government-imposed stay-at-home policies in April and May.

Composite Index of 10 Leading Indicators



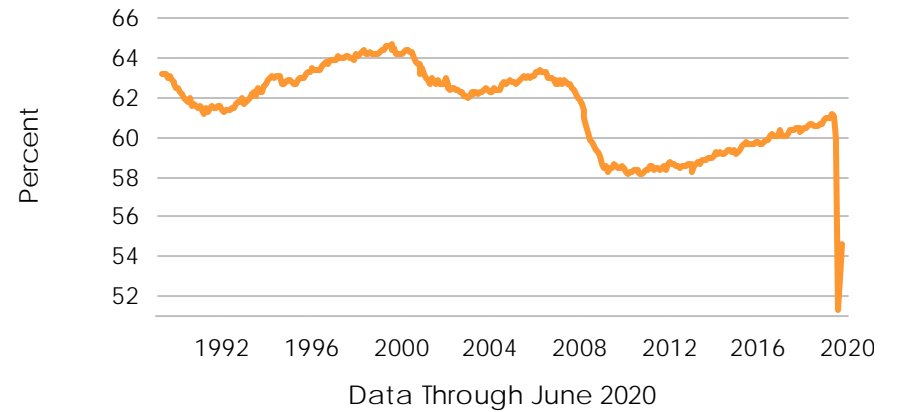
Source: The Conference Board

CIVILIAN UNEMPLOYMENT RATE



Source: The Conference Board

RATIO, CIVILIAN EMPLOYMENT TO WORKING-AGE POPULATION



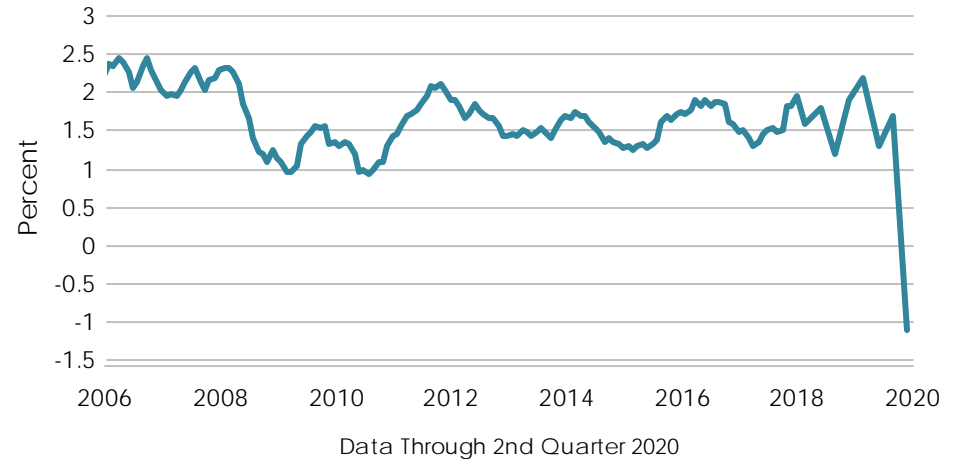
Source: The Conference Board

- The unemployment rate increased from 4.4% in March to 14.7% in April, before gradually improving to 11.1% in June.
- The torrid pace of initial jobless claims seen in March and April slowed significantly yet remained stubbornly above one million per week at quarter-end.
- Nonfarm payroll plummeted by nearly 21 million jobs in April and slowly recovered in May and June.

Inflation

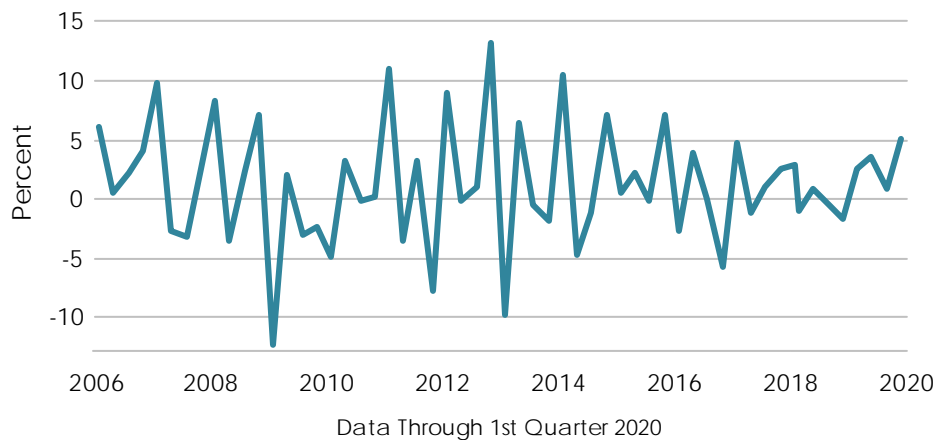
- The collapse in consumer demand and oil prices resulting from the pandemic has put significant downward pressure on inflation.
- Neither the Bloomberg consensus forecast, nor the Federal Reserve's forecast expect core PCE inflation to reach the FOMC target rate of 2% by the end of 2022.

CORE PCE YOY



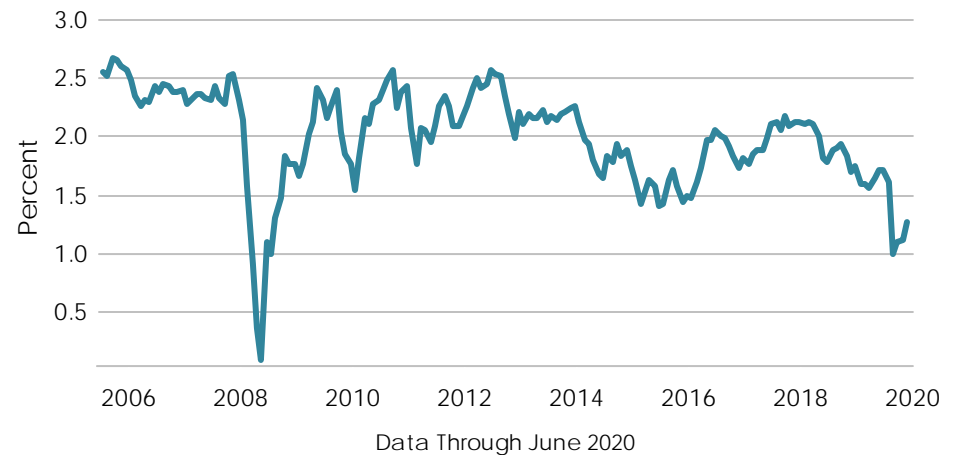
Source: Federal Reserve Bank of St. Louis

CHANGE IN UNIT LABOR COST



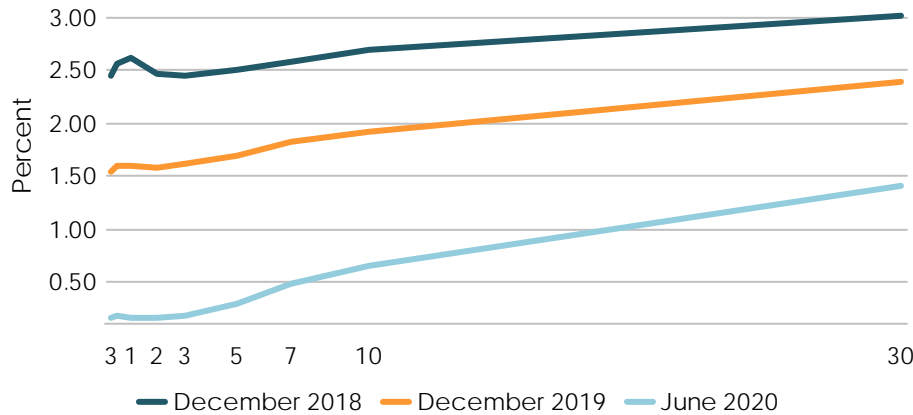
Source: Federal Reserve Bank of St. Louis

US 10-YEAR TIPS BREAKEVEN RATE



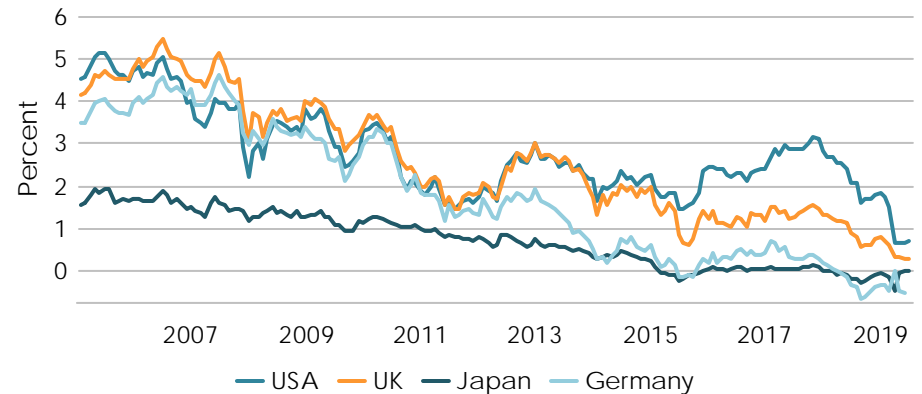
Source: Federal Reserve Bank of St. Louis

US TREASURY YIELD CURVES



Source: Federal Reserve Bank of St. Louis

GLOBAL INTEREST RATES 10-YEAR



Source: Federal Reserve Bank of St. Louis

- As a result of the pandemic, we expect global interest rates to remain lower for longer to support what is likely to be a long and slow economic recovery.
- The Federal Reserve has made it abundantly clear that ultra-low, short-term rates are here to stay until at least the end of 2022 if the FOMC's forecast holds.
- As a result of the unprecedented level of economic and financial uncertainty, coupled with declining levels of inflation, we believe overly accommodative monetary policy is warranted and will be expressed through both interest rate policy and balance sheet expansion (quantitative easing, Section 13(3) programs, etc.).
- We expect the Federal Reserve will continue to use the full extent of its balance sheet to support the economic recovery and financial market liquidity where it is able. We also believe additional fiscal stimulus will be necessary, yet this could prove more challenging given the approaching presidential election.

Our Economic Outlook

- While the COVID-19 pandemic has severely impacted the U.S. economy in the first half of 2020, we expect a relatively robust recovery in the second half of this year with gradual employment gains leading the way.
- Nonetheless, in the absence of a vaccine, we acknowledge the potential for multiple waves of infection that will result in a much slower economic recovery, one that will be measured in years, not months.
- Success in state's efforts to re-open, combined with consumer's willingness to re-engage in normal activities will heavily influence forthcoming economic data and the trajectory of the recovery.
- We expect the Federal Reserve to keep short term interest rates near zero for the next couple years while simultaneously expanding their balance sheet in support of multiple areas of the economy and financial markets.
- It is highly likely the economy will need additional fiscal and/or monetary policy stimulus to facilitate the recovery, actions both the Fed and politicians indicate they are willing and able to fulfill.

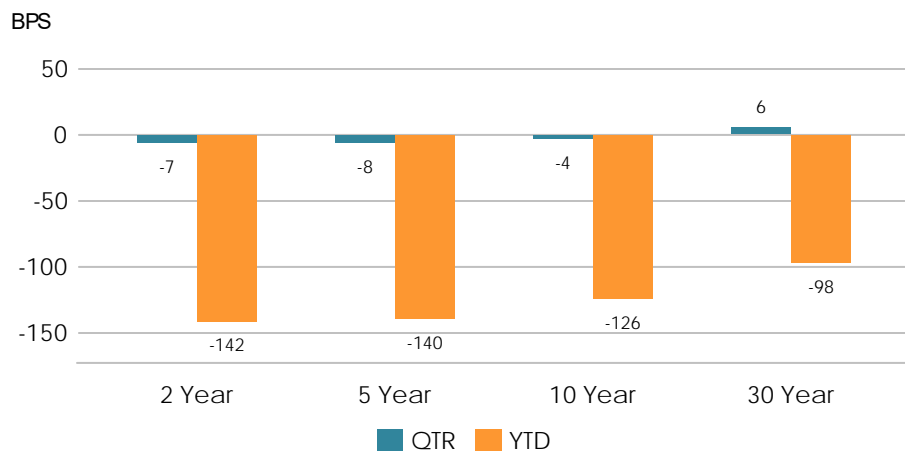
Fixed Income

- We expect interest rates to be range bound around their current historically low levels and take the Fed at their word that the fed funds rate will remain at its current level of 0.00% - 0.25% through 2022.
- Liquidity has improved and we don't anticipate retesting the March wides for investment grade and high yield spreads.
- We expect the peak in corporate defaults will occur in the first half of 2021. While the pace may slow, credit rating downgrades will be the norm over the next six months.
- We believe targeting companies with strong balance sheets within industries that will only be minimally impacted by the economic recession will offer the best risk/return profile in the second half of the year.
- Bottom line, don't fight the Fed; Continue to invest in the sectors and maturities that the Fed is targeting.

Our Portfolio Review

Market Recap

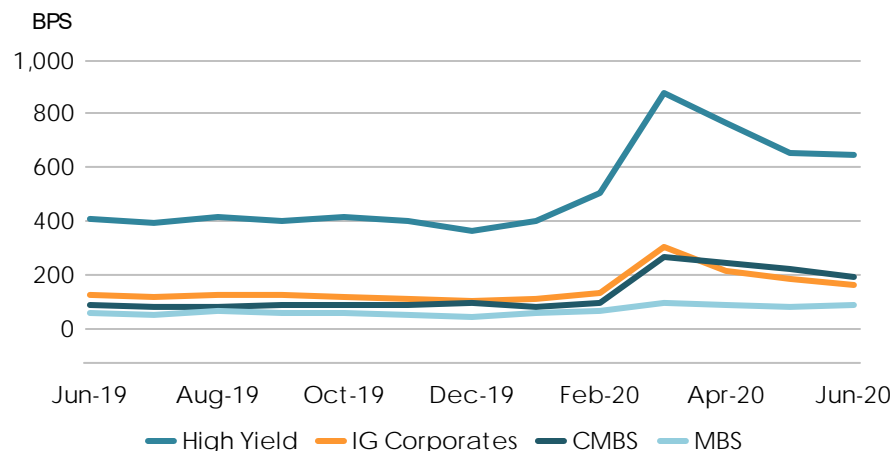
US TREASURY YIELD CHANGE



Source: U.S. Department of the Treasury

- Treasury yields fluctuated within a tight trading range as short-term and intermediate rates declined and long-term rates rose modestly in the second quarter.
- The 2s-10s yield curve steepened by 8 bps in 2Q20 to 51 bps.
- The 2s-30s yield curve steepened by 19 bps in 2Q20 to 126 bps.

US SPREAD SECTORS

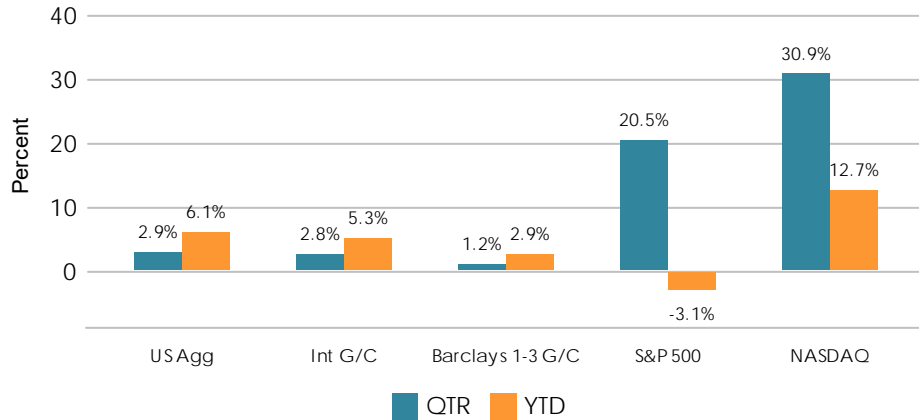


Source: Bloomberg, BofA Merrill Lynch Indices

- Spread sectors rebounded strongly and generated significant positive excess returns relative to Treasuries.
- Excess return trends were the opposite of that experienced in the first quarter of 2020.
- The longer the maturity and the lower in credit quality, the greater the excess returns.
- High yield credit led excess returns in Q2, followed closely by investment grade credit. Agency MBS, while still positive, generated the lowest excess returns.

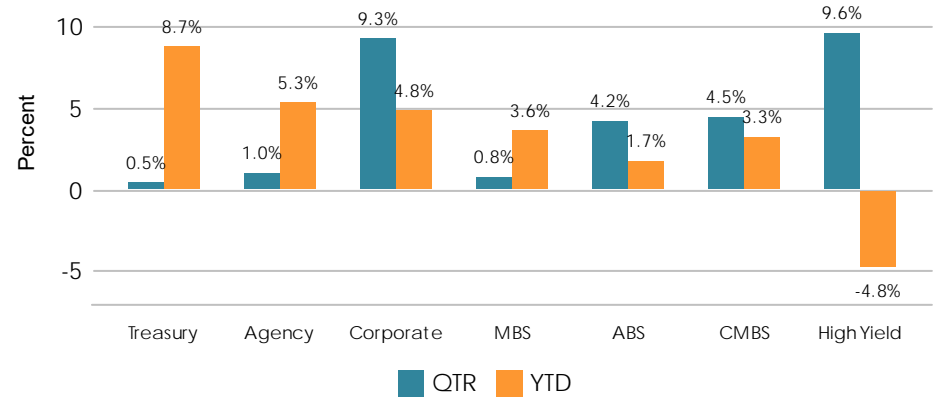
Total Returns

INDEX RETURNS



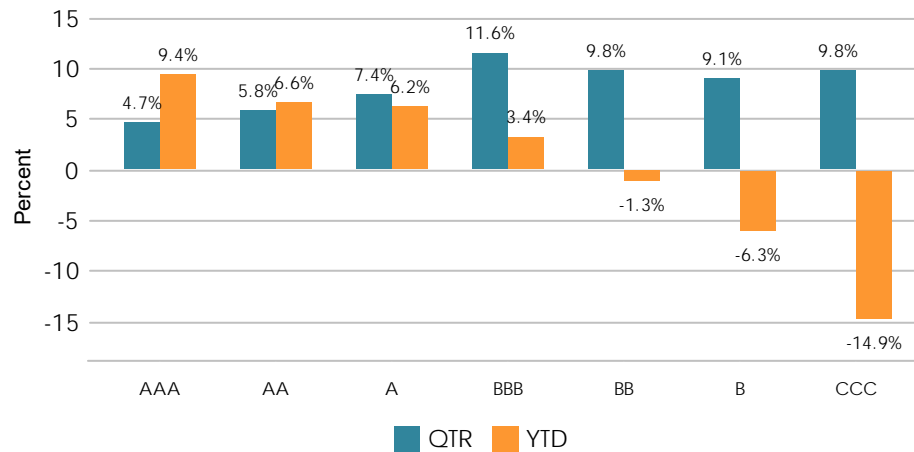
Source: Interactive Data Corporation Returns are calculated gross of fees.

SECTOR RETURNS



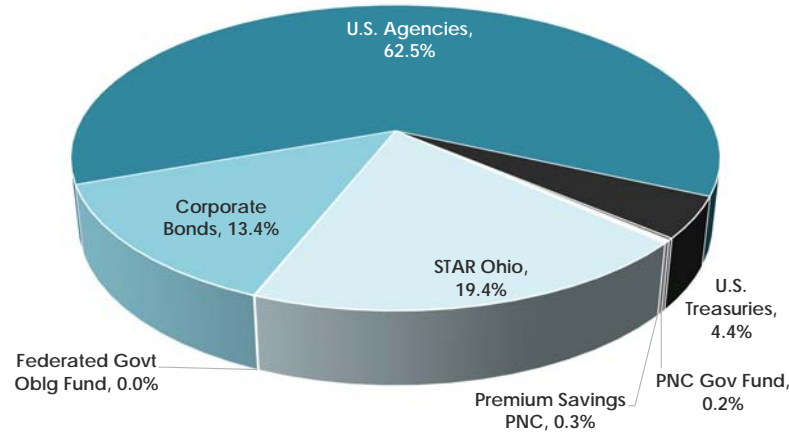
Source: Interactive Data Corporation Returns are calculated gross of fees.

RETURNS BY QUALITY



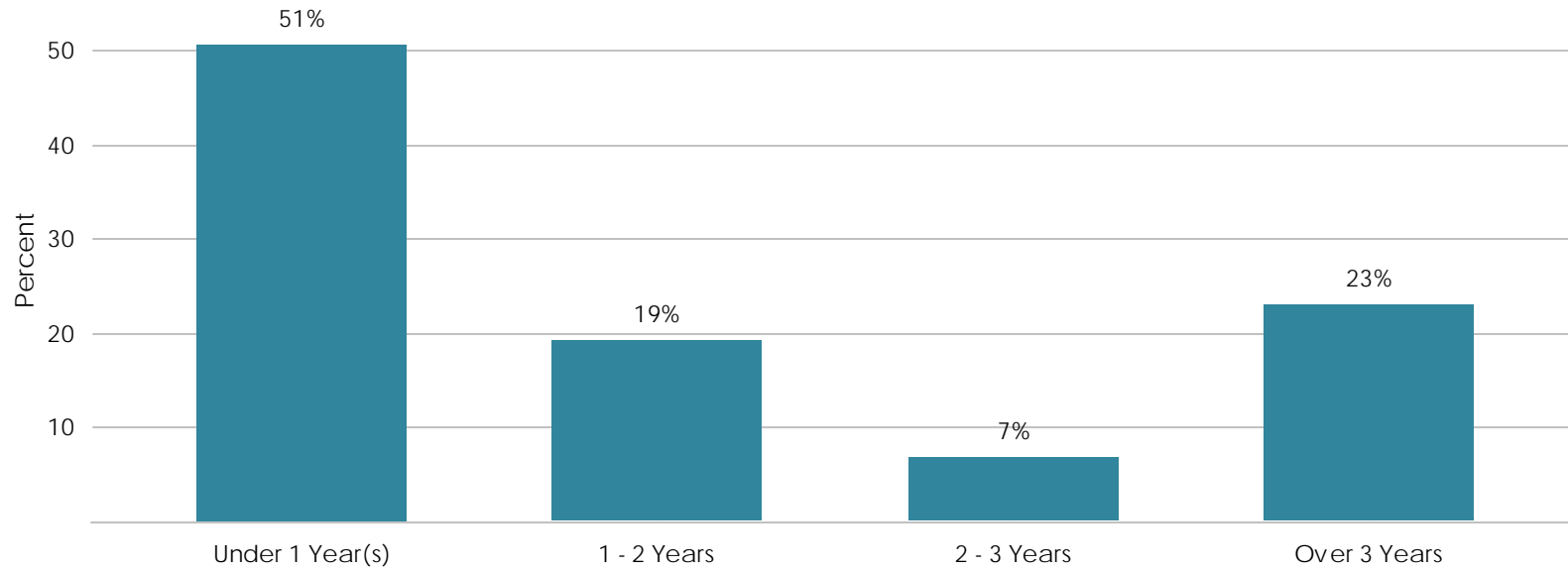
Source: Interactive Data Corporation Returns are calculated gross of fees.

SECTOR ANALYSIS



Sectors	Par Value	Percent of Portfolio
U.S. Agencies	427,470,000	62.5%
U.S. Treasuries	30,000,000	4.4%
PNC Gov Fund	1,604,161	0.2%
Premium Savings PNC	296,391	0.3%
STAR Ohio	132,405,492	19.4%
Federated Govt Oblg Fund	310,398	0.0%
Municipal Investment Account	0	0.0%
Corporate Bonds	92,000,000	13.4%
TOTAL	684,086,442	100%
Agency Issuers:		
FFCB	238,000,000	56.4%
FHLMC	40,000,000	6.2%
FHLB	45,000,000	7.8%
FNMA	104,470,000	29.6%
TOTAL	427,470,000	100%

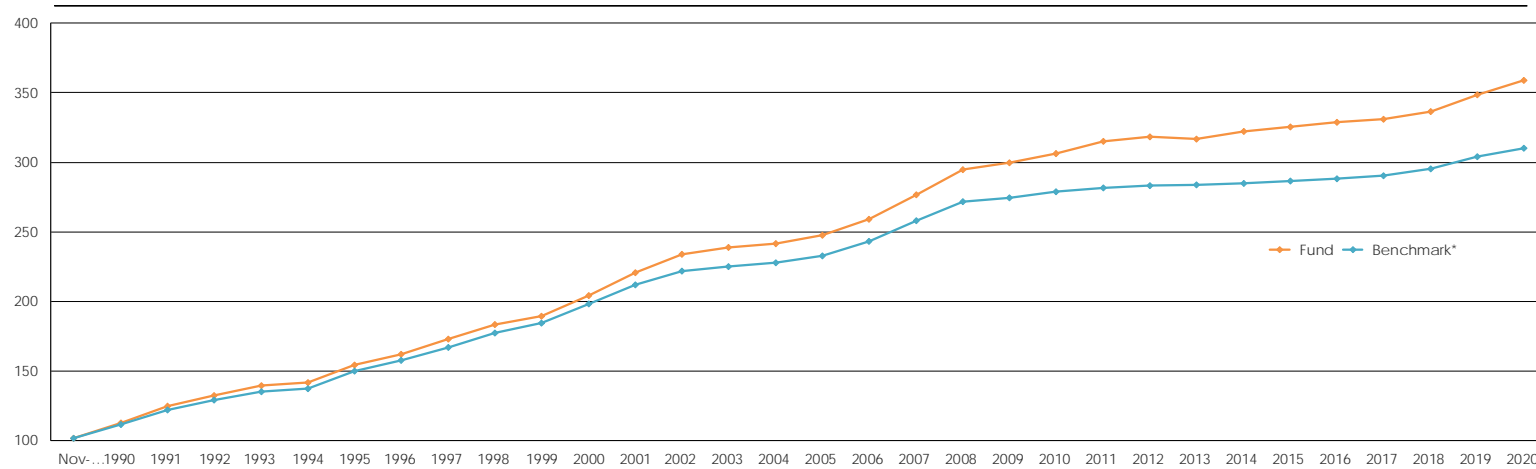
MATURITY DISTRIBUTION



Maturity	Market Value	Percent
Under 1 Year(s)	\$ 352,647,813	50.6%
1 - 2 Years	135,026,125	19.4
2 - 3 Years	48,373,683	6.9
Over 3 Years	160,535,284	23.0
Total	\$ 696,582,905	100.0%
Effective Average Maturity of Portfolio:		1.45 yrs

CUMULATIVE PERFORMANCE

Total Rate of Return



INVESTMENT PERFORMANCE

through June 30, 2020

	Nov '89 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD 2020	Since Inception
Total Return																							
Fund	89.21%	7.84%	8.08%	5.95%	2.16%	1.31%	2.31%	4.82%	6.69%	6.46%	1.80%	2.16%	2.80%	1.14%	-0.62%	1.75%	1.03%	1.02%	0.73%	1.69%	3.54%	3.00%	259.1%
Benchmark*	84.27	7.48	7.04	4.49	1.73	1.13	2.14	4.39	6.29	5.17	1.04	1.58	1.05	0.46	0.28	0.45	0.43	0.72	0.64	1.73	3.07	1.94	210.2
Yield at Period End																							
Fund at Cost	---	6.05	5.07	4.62	3.80	3.18	3.55	4.62	4.62	3.99	2.95	2.03	1.69	1.33	1.20	1.07	0.94	1.10	1.39	2.05	2.03	1.61	---
STAR Ohio	---	6.01	1.80	0.96	0.53	1.57	2.67	5.29	4.53	1.10	0.10	0.14	0.02	0.07	0.02	0.07	0.30	0.78	1.24	2.49	1.86	0.55	---
U.S. T Bills**	67.28	6.18	4.42	1.78	1.15	1.33	3.07	4.85	5.00	2.06	0.21	0.13	0.10	0.11	0.07	0.04	0.05	0.33	0.85	1.87	2.28	0.60	133.0
1-3 yr. Treasury**	93.18	8.00	8.30	5.76	1.90	0.91	1.67	3.96	7.32	6.61	0.78	2.35	1.55	0.43	0.36	0.62	0.54	0.89	0.42	1.58	3.55	2.94	236.3
1-3 yr. Agency**	95.22	8.51	8.67	6.11	2.19	1.18	1.75	4.50	6.76	7.05	2.17	2.32	1.53	0.85	0.42	0.70	0.70	0.96	0.65	1.78	3.48	2.33	248.3

*Total Return of Benchmark Components. Benchmark is 1/3 weighting each.

**Total Return of Benchmark calculated using monthly constituent index performance, then linked. **YoY return of each benchmark

Transaction Summary

Investment Portfolio Review
Period From January 1, 2019 To June 30, 2020

<u>Security</u>	<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Purchases</u>	<u>Price</u>	<u>Cost</u>
Purchases						
Bank of America Corp 2.63% 04/19/21	3/15/19	3/19/19	8,000,000	\$8,050,460.00	99.54	\$7,962,960.00
U S Bancorp 2.63% 01/24/22	3/15/19	3/19/19	8,000,000	\$8,007,123.33	99.69	\$7,975,040.00
Fannie Mae 2.50% 02/05/24	3/19/19	3/20/19	10,000,000	\$10,029,066.67	100.00	\$9,999,900.00
J P Morgan Chase MTN 2.29% 08/15/21	6/20/19	6/24/19	10,000,000	\$10,075,637.50	99.93	\$9,993,400.00
Fannie Mae 1.75% 07/02/24	7/9/19	7/10/19	10,000,000	\$9,914,972.22	99.14	\$9,914,000.00
Exxon Mobil Corp 1.90% 08/16/22	8/13/19	8/16/19	2,000,000	\$2,000,000.00	100.00	\$2,000,000.00
Exxon Mobil Corp 1.90% 08/16/22	8/14/19	8/16/19	3,000,000	\$3,007,860.00	100.26	\$3,007,860.00
Federal Home Loan Bank 1.50% 08/15/24	8/15/19	8/16/19	10,000,000	\$10,004,800.00	100.05	\$10,004,800.00
Bank of New York Mellon 1.95% 08/23/22	8/20/19	8/23/19	5,000,000	\$4,998,400.00	99.97	\$4,998,400.00
Federal Home Loan Bank 1.50% 08/15/24	8/22/19	8/23/19	10,000,000	\$9,982,716.67	99.80	\$9,979,800.00
Federal Farm Credit Bank 1.50% 09/06/22	8/29/19	9/6/19	10,000,000	\$9,998,800.00	99.99	\$9,998,800.00
Federal Farm Credit Bank 1.45% 09/05/24	8/29/19	9/5/19	10,000,000	\$9,991,500.00	99.92	\$9,991,500.00
Disney (Walt) Co 1.65% 09/01/22	9/3/19	9/6/19	5,000,000	\$4,989,150.00	99.78	\$4,989,150.00
Federal Farm Credit Bank 1.60% 08/14/23	9/12/19	9/13/19	10,000,000	\$9,993,188.89	99.80	\$9,980,300.00
Federal Farm Credit Bank 1.60% 09/17/24	9/16/19	9/17/19	19,000,000	\$18,833,370.00	99.12	\$18,833,370.00
Federal Farm Credit Bank 1.70% 09/25/23	9/17/19	9/25/19	15,000,000	\$14,994,150.00	99.96	\$14,994,150.00
Paccar Financial Corp 2.00% 09/26/22	9/27/19	10/1/19	3,000,000	\$3,002,633.33	100.06	\$3,001,800.00
Federal Farm Credit Bank 1.50% 10/16/24	10/10/19	10/16/19	10,000,000	\$9,967,900.00	99.68	\$9,967,900.00
Federal Farm Credit Bank 1.63% 10/23/23	10/15/19	10/23/19	10,000,000	\$9,994,200.00	99.94	\$9,994,200.00
Fannie Mae 1.63% 10/15/24	10/23/19	10/24/19	10,000,000	\$9,983,708.33	99.81	\$9,981,000.00
Federal Farm Credit Bank 1.60% 11/01/23	10/23/19	11/1/19	10,000,000	\$9,990,300.00	99.90	\$9,990,300.00
American Honda Finance 1.95% 05/20/22	11/18/19	11/21/19	4,000,000	\$3,998,640.00	99.97	\$3,998,640.00
American Honda Finance 1.95% 05/20/22	11/25/19	11/27/19	6,000,000	\$6,001,950.00	100.00	\$6,000,000.00
KeyBank NA 1.25% 03/10/23	3/5/20	3/10/20	4,000,000	\$3,998,120.00	99.95	\$3,998,120.00
Federal Farm Credit Bank 1.05% 10/16/23	4/8/20	4/16/20	20,000,000	\$20,000,000.00	100.00	\$20,000,000.00
Freddie Mac 1.15% 04/17/25	4/16/20	4/17/20	10,000,000	\$10,000,000.00	100.00	\$10,000,000.00

Transaction Summary

Investment Portfolio Review
Period From January 1, 2019 To June 30, 2020

<u>Security</u>	<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Purchases</u>	<u>Price</u>	<u>Cost</u>
Purchases						
Freddie Mac (callable) 0.75% 04/30/25	4/29/20	4/30/20	10,000,000	\$10,000,000.00	100.00	\$10,000,000.00
Freddie Mac (callable) 0.90% 05/06/25	5/4/20	5/6/20	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
Freddie Mac (callable) 0.80% 06/09/25	6/4/20	6/9/20	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
FHLB (callable) 0.68% 06/30/25	6/22/20	6/30/20	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
Intuit Inc 0.65% 07/15/23	6/25/20	6/29/20	5,000,000	\$4,998,800.00	99.98	\$4,998,800.00
Total Purchases				<u>\$291,807,446.94</u>		<u>\$291,554,190.00</u>

Appraisal Summary

Investment Portfolio Review
Period Ending June 30, 2020

	<u>Market Value</u>	<u>Percent</u>	<u>Income</u>
Liquid Reserves	134,615,926	19.3	175,001
Liquid	134,615,926	19.3	175,001
U.S. Treasuries	30,553,407	4.4	600,000
U.S. Government Agencies	439,612,503	62.9	7,197,925
Corporate Bonds	94,443,920	13.5	2,117,100
Fixed	564,609,830	80.7	9,915,025
Total Market Value	699,225,757	100.0%	10,090,026

Portfolio Appraisal

Investment Portfolio Review
Period Ending June 30, 2020

<u>Par / Shares</u>	<u>Description</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Price</u>	<u>Market Value</u>
310,398	Federated Govt Oblg Fund	0.130		310,398	100.000	310,398
1,603,646	Money Market	0.130		1,603,646	100.000	1,603,646
296,391	PNC Bank Mny Mkt Sav	0.130		296,391	100.000	296,391
132,405,492	STAR Ohio	0.130		132,405,492	100.000	132,405,492
134,615,926	Liquid Reserves			134,615,926		134,615,926
134,615,926	Liquid			134,615,926		134,615,926
15,000,000	U S Treasury Notes	2.000	2/28/2021	14,984,180	101.195	15,179,295
15,000,000	U S Treasury Notes	2.000	5/31/2021	14,970,117	101.656	15,248,430
30,000,000	U.S. Bonds/Notes			29,954,297		30,427,725
30,000,000	U.S. Treasuries			29,954,297		30,427,725
8,470,000	Fannie Mae	1.750	9/11/2020	8,468,560	100.312	8,496,393
6,000,000	Fannie Mae	2.875	10/30/2020	5,995,800	100.893	6,053,568
20,000,000	Fannie Mae	1.500	11/30/2020	19,952,700	100.538	20,107,620
10,000,000	Fannie Mae	1.250	8/17/2021	9,995,300	101.192	10,119,200
10,000,000	Fannie Mae	1.375	10/07/2021	9,966,350	101.498	10,149,810
20,000,000	Fannie Mae	2.000	1/05/2022	19,967,000	102.740	20,548,060
10,000,000	Fannie Mae	2.500	2/05/2024	9,999,900	107.855	10,785,480
10,000,000	Fannie Mae	1.750	7/02/2024	9,914,000	105.574	10,557,370
10,000,000	Fannie Mae	1.625	10/15/2024	9,981,000	105.075	10,507,510
20,000,000	Federal Farm Credit Bank	2.690	9/04/2020	19,986,000	100.453	20,090,640
5,000,000	Federal Farm Credit Bank	2.700	12/21/2020	4,995,650	101.170	5,058,510
8,000,000	Federal Farm Credit Bank	2.700	4/09/2021	7,993,120	101.814	8,145,160
15,000,000	Federal Farm Credit Bank	2.700	7/02/2021	14,993,100	102.496	15,374,445
16,000,000	Federal Farm Credit Bank	1.720	7/26/2021	15,996,160	101.636	16,261,728
15,000,000	Federal Farm Credit Bank	1.950	11/02/2021	15,000,000	102.339	15,350,910
10,000,000	Federal Farm Credit Bank	1.760	11/29/2021	9,952,900	102.192	10,219,240
10,000,000	Federal Farm Credit Bank	2.010	12/08/2021	10,000,000	102.588	10,258,770
10,000,000	Federal Farm Credit Bank	1.500	9/06/2022	9,998,800	102.679	10,267,940
15,000,000	Federal Farm Credit Bank	1.850	9/20/2022	14,961,300	103.497	15,524,490
10,000,000	Federal Farm Credit Bank	1.600	8/14/2023	9,980,300	103.973	10,397,300

Portfolio Appraisal

Investment Portfolio Review
Period Ending June 30, 2020

<u>Par / Shares</u>	<u>Description</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Price</u>	<u>Market Value</u>
15,000,000	Federal Farm Credit Bank	1.700	9/25/2023	14,994,150	104.419	15,662,850
20,000,000	Federal Farm Credit Bank	1.050	10/16/2023	20,000,000	100.029	20,005,860
10,000,000	Federal Farm Credit Bank	1.625	10/23/2023	9,994,200	104.264	10,426,450
10,000,000	Federal Farm Credit Bank	1.600	11/01/2023	9,990,300	104.206	10,420,580
10,000,000	Federal Farm Credit Bank	1.450	9/05/2024	9,991,500	104.343	10,434,320
19,000,000	Federal Farm Credit Bank	1.600	9/17/2024	18,833,370	104.987	19,947,549
10,000,000	Federal Farm Credit Bank	1.500	10/16/2024	9,967,900	104.617	10,461,690
10,000,000	Federal Home Loan Bank	2.675	12/22/2020	9,999,280	101.198	10,119,790
20,000,000	Federal Home Loan Bank	1.500	8/15/2024	19,984,600	104.699	20,939,820
15,000,000	FHLB (callable)	0.680	6/30/2025	15,000,000	99.897	14,984,565
10,000,000	Freddie Mac	1.150	4/17/2025	10,000,000	100.001	10,000,150
10,000,000	Freddie Mac (callable)	0.750	4/30/2025	10,000,000	100.015	10,001,470
15,000,000	Freddie Mac (callable)	0.900	5/06/2025	15,000,000	100.037	15,005,550
15,000,000	Freddie Mac (callable)	0.800	6/09/2025	15,000,000	100.001	15,000,225
427,470,000	U.S. Agencies			426,853,240		437,685,013
427,470,000	U.S. Agencies & Related			426,853,240		437,685,013
8,000,000	Bank of America Corp	2.625	4/19/2021	7,962,960	101.770	8,141,592
5,000,000	Bank of New York Mellon	1.950	8/23/2022	4,998,400	103.079	5,153,955
5,000,000	Berkshire Hathaway Inc	2.900	10/15/2020	4,990,507	100.769	5,038,430
10,000,000	J P Morgan Chase MTN	2.295	8/15/2021	9,993,400	100.209	10,020,900
4,000,000	KeyBank NA	1.250	3/10/2023	3,998,120	101.511	4,060,452
8,000,000	U S Bancorp	2.625	1/24/2022	7,975,040	103.292	8,263,392
40,000,000	Financial			39,918,427		40,678,721
10,000,000	American Honda Finance	1.950	5/20/2022	9,998,640	102.287	10,228,730
8,000,000	Apple Inc	2.850	5/06/2021	7,942,840	102.180	8,174,400
8,000,000	Cisco Systems Inc	2.900	3/04/2021	7,952,890	101.799	8,143,904
5,000,000	Disney (Walt) Co	1.650	9/01/2022	4,989,150	102.328	5,116,375
5,000,000	Exxon Mobil Corp	1.902	8/16/2022	5,007,860	103.117	5,155,845
5,000,000	Intuit Inc	0.650	7/15/2023	4,998,800	100.196	5,009,800
8,000,000	John Deere Capital Corp MTN	3.125	9/10/2021	7,964,960	103.148	8,251,840
3,000,000	Paccar Financial Corp	2.000	9/26/2022	3,001,800	103.154	3,094,626

Portfolio Appraisal

Investment Portfolio Review
Period Ending June 30, 2020

<u>Par / Shares</u>	<u>Description</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Price</u>	<u>Market Value</u>
52,000,000	Industrial			51,856,940		53,175,520
92,000,000	Corporate Bonds			91,775,367		93,854,241
549,470,000	Fixed			548,582,904		561,966,979
684,085,926	Total Portfolio			683,198,831		696,582,905

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