



BOYD WATTERSON

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

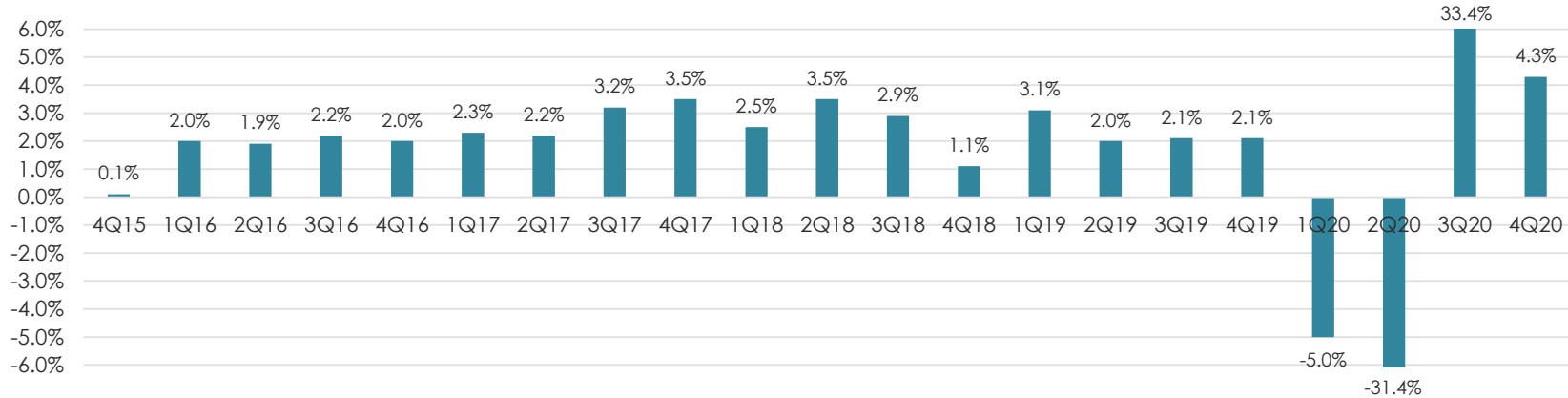
Montgomery County

March 31, 2021

This material was prepared exclusively for Montgomery County

Our Macro View

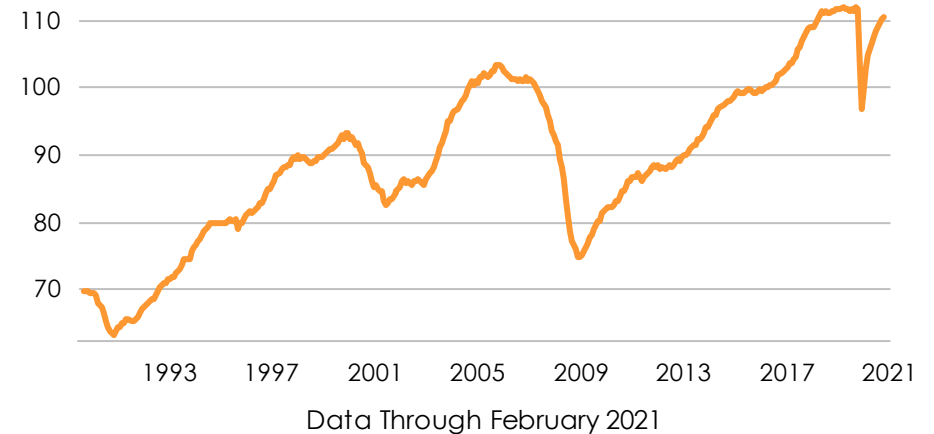
Real GDP: Percent Change from Preceding Quarter



Source: U.S. Bureau of Economic Analysis.

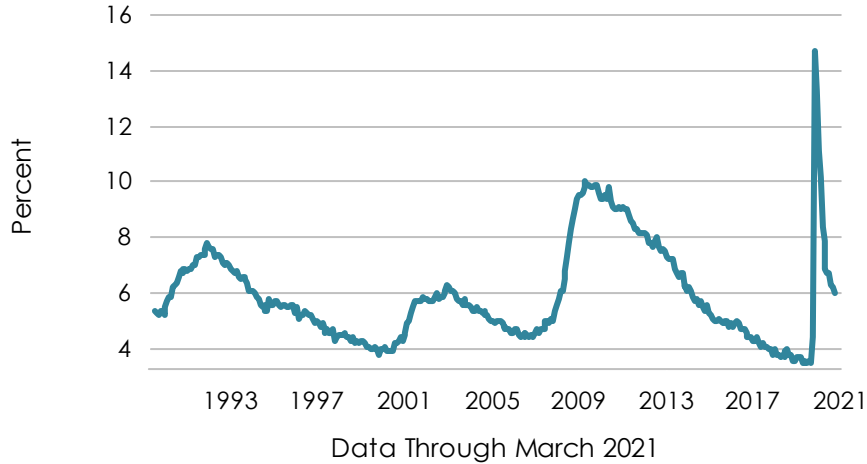
- Following a record third quarter, fourth quarter real GDP slowed to a respectable 4.3% annualized pace. For 2020, real GDP declined 3.5%, the first annual decline since 2009.
- An elevated personal savings rate, coupled with states' reopening efforts, should combine to drive stronger consumption in the quarters ahead.
- The Bloomberg consensus estimate for first quarter annualized real GDP growth is 4.7% and 5.8% for 2021.

Composite Index of 10 Leading Indicators



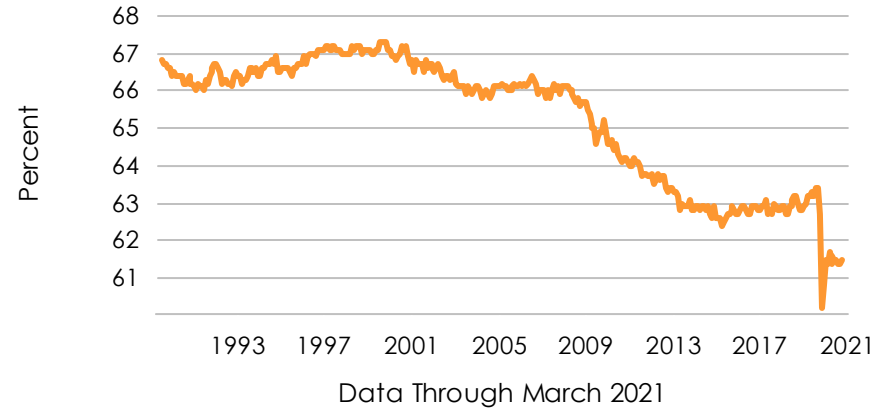
Source: The Conference Board

CIVILIAN UNEMPLOYMENT RATE



Source: The Conference Board

CIVILIAN LABOR FORCE PARTICIPATION RATE



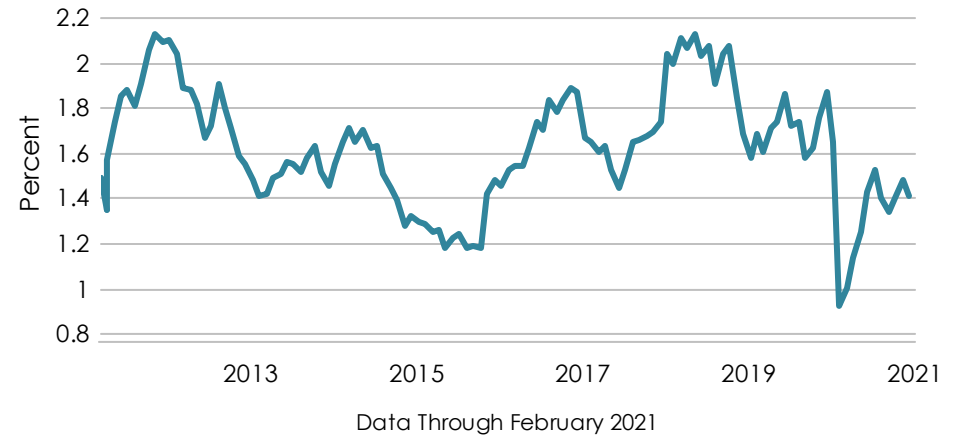
Source: The Federal Reserve Board

- The employment picture continues to improve, with the unemployment rate, which ended 2020 at 6.7%, declining to 6.0% in March, well off its peak of 14.8% reached in April, 2020.
- Weekly initial jobless claims have declined as well in 2021, averaging 795,200 during the quarter, down from 1,352,100 for all of 2020.
- The civilian labor force participation rate ended the quarter at 61.5%, unchanged from year-end 2020 levels.

Inflation

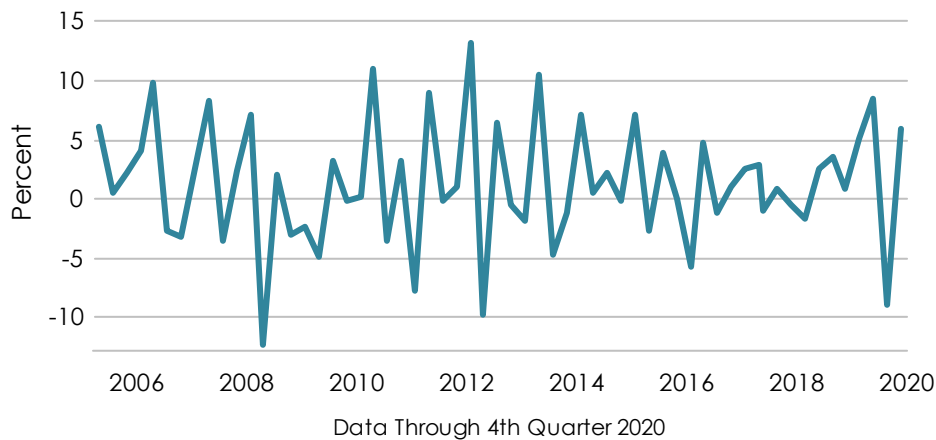
- Core PCE YOY continues to run below the Fed's "average" inflation target of 2.0%. However, we expect inflation to increase in the near term due to fiscal stimulus, elevated commodity prices, and supply chain disruptions.
- 10-year TIPS breakeven rates ended the quarter at 2.37% as investors' expectations for higher inflation increased.

CORE PCE YOY



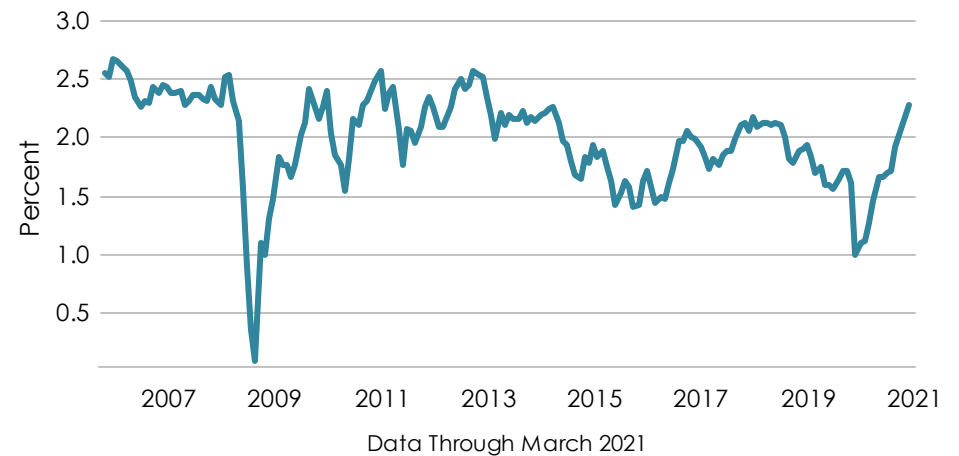
Source: FactSet

CHANGE IN UNIT LABOR COST



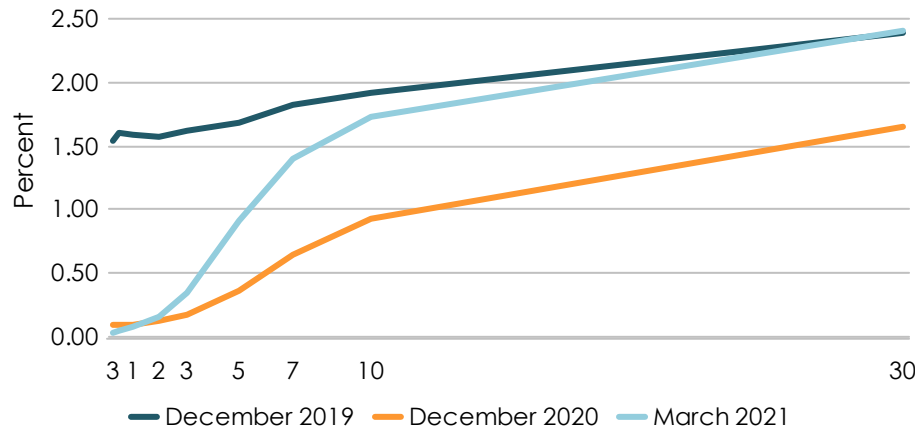
Source: Federal Reserve Bank of St. Louis

US 10-YEAR TIPS BREAKEVEN RATE



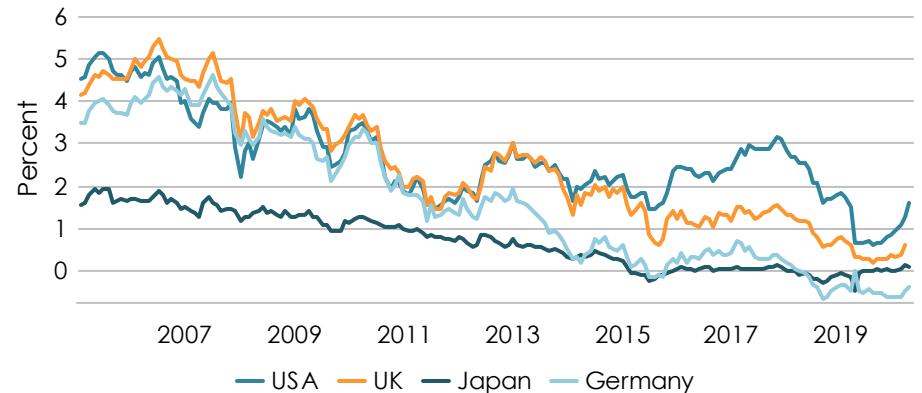
Source: Federal Reserve Bank of St. Louis

US TREASURY YIELD CURVES



Source: Federal Reserve Bank of St. Louis

GLOBAL INTEREST RATES 10-YEAR



Source: Federal Reserve Bank of St. Louis

- According to the Bloomberg Barclays Global Aggregate Index, 2020 ended with over \$17 trillion in negative yielding securities. As the growth outlook improved and inflation expectations increased, the resulting rise in interest rates around the world brought this total down to \$13.4 trillion by quarter end.
- The Federal Open Market Committee (FOMC) continues to guide the markets with a very patient policy stance through 2023, given their desire to make substantial progress toward their dual mandate of stable prices and maximum employment. We expect the FOMC to begin preparing the markets for reductions in their bond buying program later this year, the first step toward eventual increases in their policy rate.

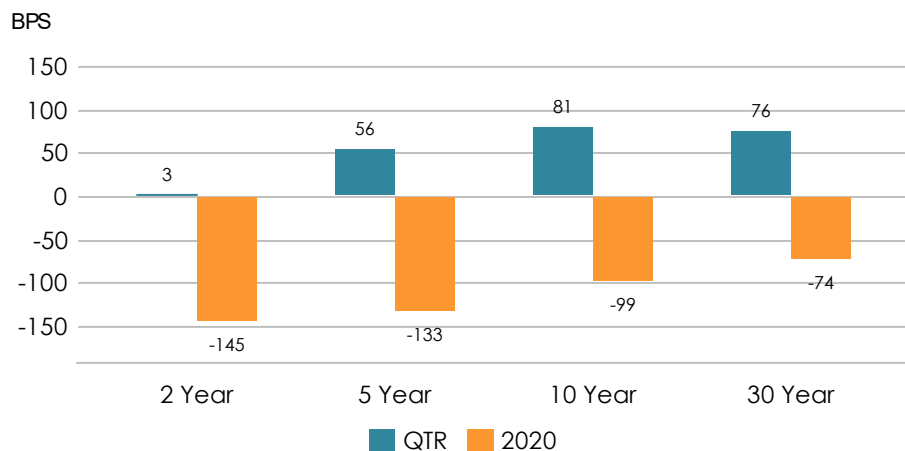
Our Economic Outlook

- The economic outlook continues to brighten on the heels of two fiscal stimulus plans enacted in the last three months. Additionally, with three approved vaccines now ramping up distribution, states are progressing with re-opening plans, further spurring increases in economic activity.
- Following a year of restricted mobility and many consumers working from home, we believe there is considerable pent-up demand for travel and other forms of leisure activity that will likely drive above trend economic growth over the next several quarters.
- Fiscal stimulus, elevated commodity prices, supply chain disruptions and consumer demand will likely drive inflation metrics higher over the near-term. Looking beyond this initial surge in activity, we believe core inflation will likely settle back into its pre-pandemic level below the Fed's 2% target level.
- The Federal Open Market Committee continues to guide the markets with a very patient policy stance through 2023, however, their recent dot plot shows some members moving rate increases forward while investors simultaneously push market rates higher. We look for communication from the Fed on the tapering of QE later this summer if the recovery remains on its current course, which would be the first step toward increasing the policy rate.

Fixed Income

- The first quarter saw a sharp increase in intermediate and long-term interest rates on improving economic growth and prospects of higher inflation.
- Looking forward, we expect continued upward pressure on interest rates, but not to the same magnitude we witnessed in the first quarter. As a result, our range has moved wider for the 10-year Treasury to 1.50% – 2.25%.
- We expect near-term inflation metrics to likely increase above 2%, yet we agree with the Fed in that elevated inflation will be transitory and will moderate to pre-pandemic levels beyond 2021.
- Our intermediate and core strategies have maintained a short duration bias and a bulleted maturity structure as we expect interest rates to move higher and the yield curve to steepen. However, our short-term strategies remain neutral to slightly long duration as the front end of the yield curve remains relatively anchored due to current Fed policy.
- While corporate bond valuations are near the tighter end of their recent range, we remain overweight given the improving fundamentals and positive technical backdrop.

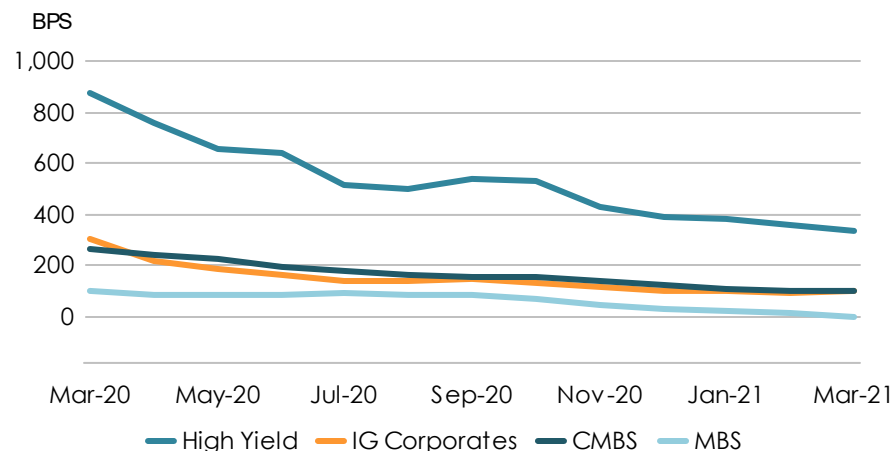
US TREASURY YIELD CHANGE



Source: U.S. Department of the Treasury

- Short-term Treasury yields were relatively stable in the first quarter, while intermediate and long-term yields rose sharply.
- The 10-year Treasury yield increased 81 basis points to end the quarter at 1.74%, followed by a 76 basis point increase in the 30-year Treasury to yield 2.41%.
- Given stable front end rates, the 2s-10s yield curve steepened by 79 basis points during the quarter to reach 158 basis points.
- Similarly, the 2s-30s yield curve steepened by 73 basis points in the first quarter to 225 basis points.

US SPREAD SECTORS

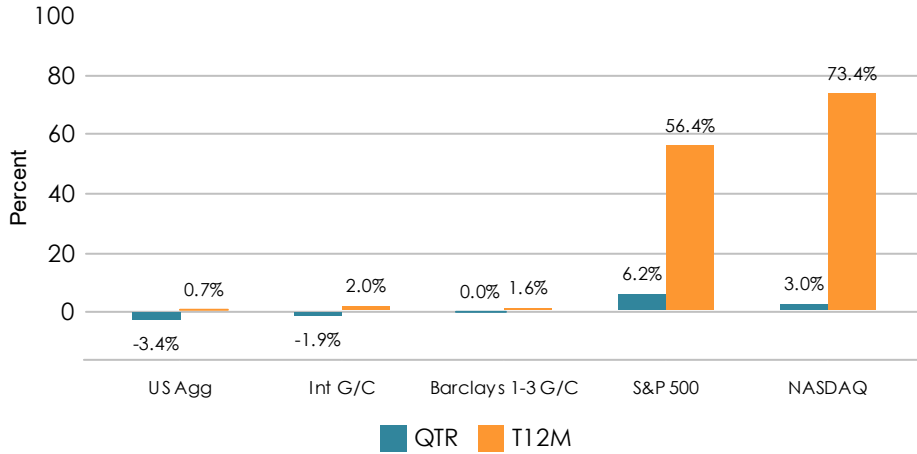


Source: Bloomberg, BofA Merrill Lynch Indices

- Virtually all spread sectors generated positive excess returns relative to Treasuries for the first quarter, the lone exception was agency MBS.
- High yield credit posted both positive total and excess returns for the quarter, with particular strength in the CCC-rated segment which generated excess returns over 6%.
- Investment grade credit posted negative total returns, but positive excess returns due to spread compression. Similar to high yield, the BBB-rated segment outperformed the higher quality segments.
- Both ABS and CMBS generated positive excess returns, while agency MBS excess returns were negative, resulting from higher rates and increased volatility.

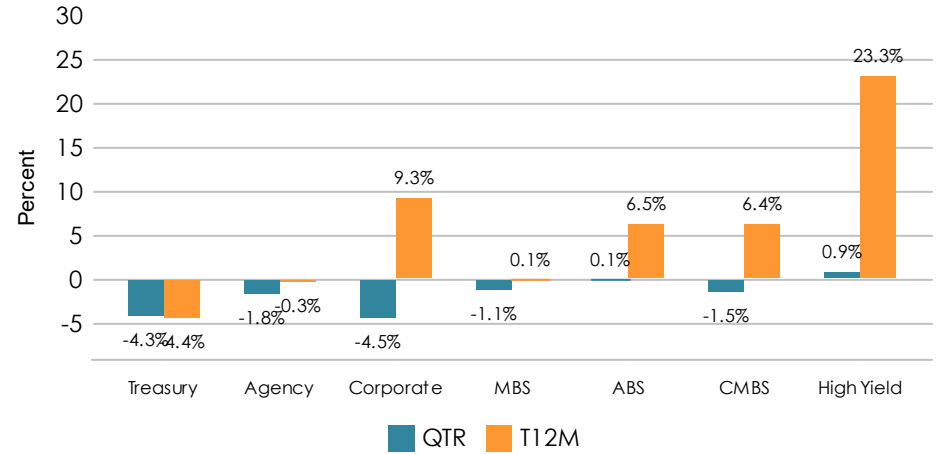
Total Returns

INDEX RETURNS



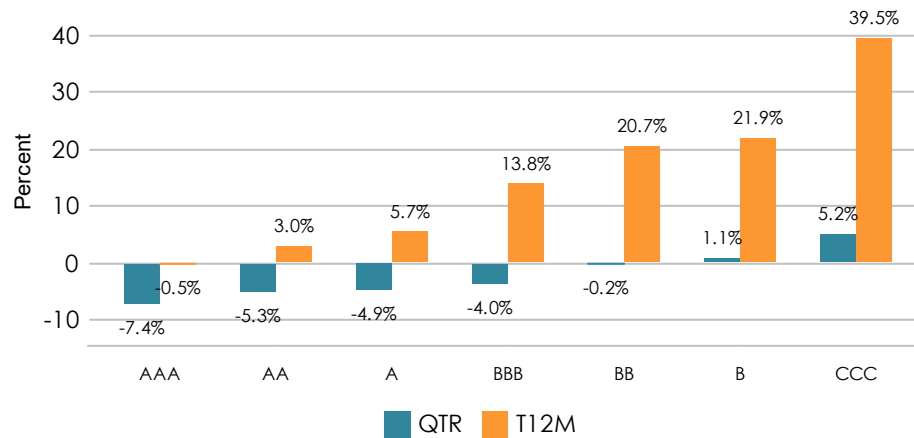
Source: Interactive Data Corporation. Returns are calculated gross of fees.

SECTOR RETURNS



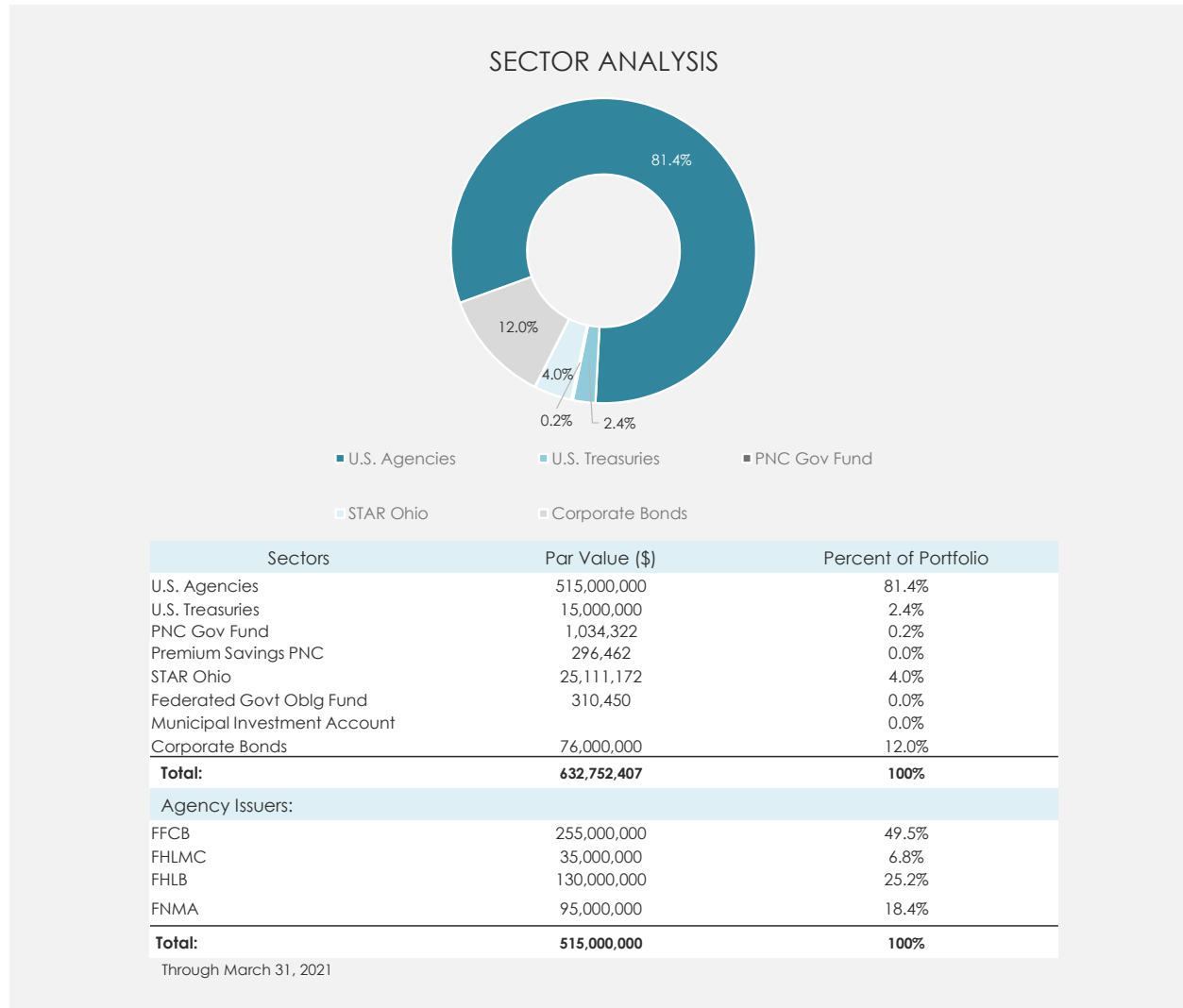
Source: Interactive Data Corporation. Returns are calculated gross of fees.

RETURNS BY QUALITY

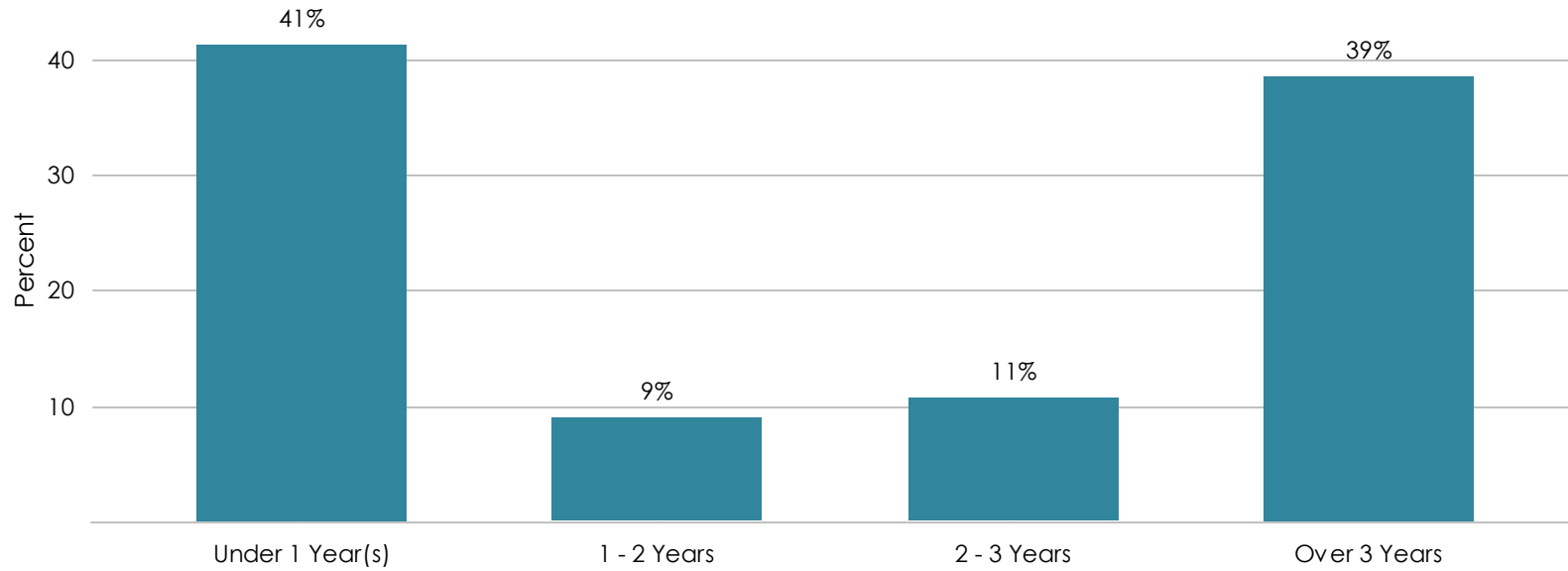


Source: Interactive Data Corporation. Returns are calculated gross of fees.

Our Portfolio Review

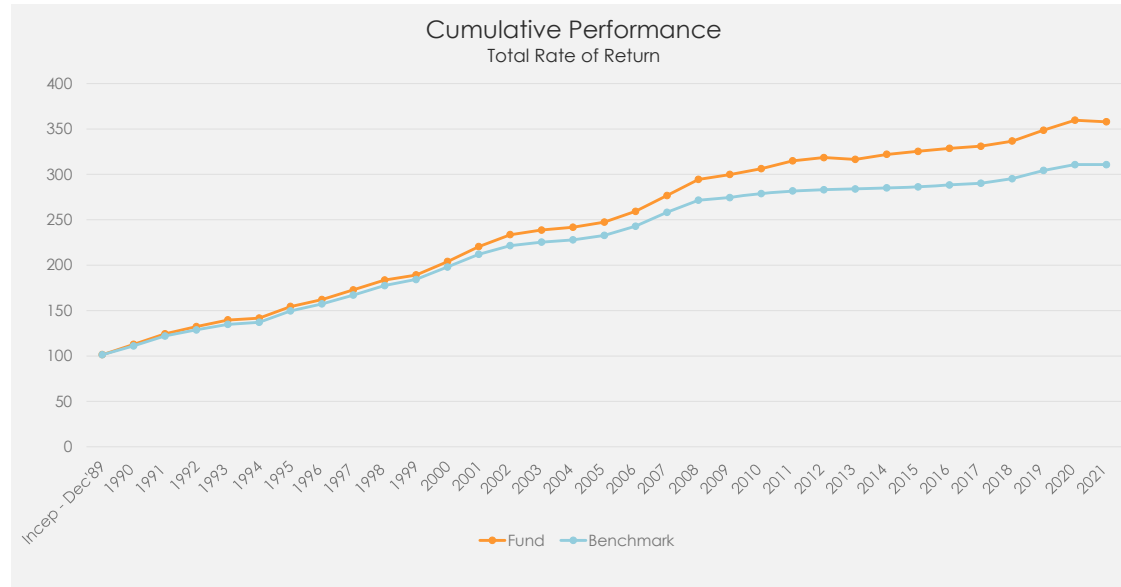


MATURITY DISTRIBUTION



Maturity	Market Value	Percent
Under 1 Year(s)	\$ 263,769,909	41.4%
1 - 2 Years	58,203,681	9.1
2 - 3 Years	69,187,422	10.8
Over 3 Years	246,697,072	38.7
Total	\$ 637,858,084	100.0%
Effective Average Maturity of Portfolio:		2.16 yrs

Performance



Investment Performance Through March 31, 2021

	Nov. '89-1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	3/31/21	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	3.37	-0.46%	258.7%
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	2.12	-0.01	210.7
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	2.03	1.38	---
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	1.86	0.07	---
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	0.55	0.02	139.3
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	3.10	-0.05	248.5
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	2.67	-0.02	267.5

*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, 2020 To March 31, 2021

<u>Security</u>	<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Purchases</u>	<u>Price</u>	<u>Cost</u>
Purchases						
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
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
Federal Home Loan Bank (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
Fannie Mae (callable) 0.45% 07/20/23	7/20/20	7/21/20	20,000,000	\$20,000,250.00	100.00	\$20,000,000.00
Federal Farm Credit Bank (callable) 0.67% 08/04/25	7/29/20	8/4/20	10,000,000	\$10,000,000.00	100.00	\$10,000,000.00
Federal Farm Credit Bank (callable) 0.68% 08/04/25	7/29/20	8/4/20	10,000,000	\$10,000,000.00	100.00	\$10,000,000.00
Federal Farm Credit Bank (callable) 0.47% 01/22/24	7/29/20	7/30/20	15,000,000	\$15,001,566.67	100.00	\$15,000,000.00
Paccar Financial Corp 0.35% 08/11/23	8/4/20	8/11/20	1,870,000	\$1,867,550.30	99.87	\$1,867,550.30
Paccar Financial Corp 0.35% 08/11/23	8/5/20	8/11/20	130,000	\$129,892.10	99.92	\$129,892.10
Fannie Mae (callable) 0.38% 08/24/23	8/12/20	8/24/20	10,000,000	\$10,000,000.00	100.00	\$10,000,000.00
Fannie Mae (callable) 0.50% 08/14/25	8/18/20	8/20/20	15,000,000	\$14,974,250.00	99.82	\$14,973,000.00
Caterpillar Financial SE 0.45% 09/14/23	9/9/20	9/14/20	5,000,000	\$4,996,600.00	99.93	\$4,996,600.00
Freddie Mac (callable) 0.32% 09/14/23	9/10/20	9/14/20	10,000,000	\$10,000,000.00	100.00	\$10,000,000.00
Freddie Mac (callable) 0.35% 03/22/24	9/11/20	9/22/20	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
Federal Farm Credit Bank (callable) 0.40% 10/15/24	10/15/20	10/16/20	5,000,000	\$4,994,555.56	99.89	\$4,994,500.00
Federal Farm Credit Bank (callable) 0.54% 11/03/25	11/3/20	11/4/20	7,000,000	\$6,989,605.00	99.85	\$6,989,500.00
Federal Farm Credit Bank (callable) 0.56% 12/01/25	11/30/20	12/1/20	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
Federal Farm Credit Bank (callable) 0.60% 12/09/25	12/8/20	12/9/20	10,000,000	\$10,000,000.00	100.00	\$10,000,000.00
Federal Home Loan Bank (callable) 0.60% 12/15/25	12/10/20	12/15/20	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
Federal Farm Credit Bank (callable) 0.50% 12/23/25	12/22/20	12/23/20	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
Federal Home Loan Bank (callable) 0.52% 01/28/26	1/25/21	1/28/21	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00

Transaction Summary

Investment Portfolio Review
Period From January 1, 2020 To March 31, 2021

<u>Security</u>	<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Purchases</u>	<u>Price</u>	<u>Cost</u>
Purchases						
Federal Home Loan Bank (callable) 0.60% 02/18/26	2/3/21	2/18/21	6,000,000	\$6,000,000.00	100.00	\$6,000,000.00
Federal Home Loan Bank (callable) 0.88% 03/17/26	3/3/21	3/17/21	20,000,000	\$20,000,000.00	100.00	\$20,000,000.00
Federal Home Loan Bank (callable) 0.95% 03/17/26	3/4/21	3/17/21	15,000,000	\$15,000,000.00	100.00	\$15,000,000.00
Federal Home Loan Bank (callable) 0.52% 09/30/24	3/12/21	3/30/21	12,000,000	\$12,000,000.00	100.00	\$12,000,000.00
Federal Home Loan Bank (callable) 0.63% 12/30/24	3/15/21	3/30/21	12,000,000	\$12,000,000.00	100.00	\$12,000,000.00
Total Purchases				<u>\$352,951,189.63</u>		<u>\$352,947,962.40</u>

Appraisal Summary

Investment Portfolio Review
Period Ending March 31, 2021

	<u>Market Value</u>	<u>Percent</u>	<u>Income</u>
Liquid Reserves	26,751,545	4.2	2,675
Liquid	26,751,545	4.2	2,675
U.S. Treasuries	15,148,249	2.4	300,000
U.S. Government Agencies	520,520,575	81.4	6,324,400
Corporate Bonds	77,277,619	12.1	1,540,100
Fixed	612,946,443	95.8	8,164,500
Total Market Value	639,697,989	100.0%	8,167,175

Portfolio Appraisal

Investment Portfolio Review
Period Ending March 31, 2021

Par / Shares	Description	Rate	Maturity	Cost	Price	Market Value
310,450	Federated Govt Oblg Fund	0.010		310,450	100.000	310,450
1,033,461	Money Market	0.010		1,033,461	100.000	1,033,461
296,462	PNC Bank Mny Mkt Sav	0.010		296,462	100.000	296,462
25,111,172	STAR Ohio	0.010		25,111,172	100.000	25,111,172
26,751,545	Liquid Reserves			26,751,545		26,751,545
26,751,545	Liquid			26,751,545		26,751,545
15,000,000	U S Treasury Notes	2.000	5/31/2021	14,970,117	100.318	15,047,700
15,000,000	U.S. Bonds/Notes			14,970,117		15,047,700
15,000,000	U.S. Treasuries			14,970,117		15,047,700
10,000,000	Fannie Mae	1.250	8/17/2021	9,995,300	100.398	10,039,760
10,000,000	Fannie Mae	1.375	10/07/2021	9,966,350	100.672	10,067,240
20,000,000	Fannie Mae	2.000	1/05/2022	19,967,000	101.484	20,296,760
10,000,000	Fannie Mae	2.500	2/05/2024	9,999,900	106.277	10,627,690
10,000,000	Fannie Mae	1.750	7/02/2024	9,914,000	104.298	10,429,840
10,000,000	Fannie Mae	1.625	10/15/2024	9,981,000	103.895	10,389,550
15,000,000	Fannie Mae (callable)	0.500	8/14/2025	14,973,000	98.361	14,754,090
10,000,000	Fannie Mae (callable)	0.375	8/24/2023	10,000,000	100.046	10,004,620
8,000,000	Federal Farm Credit Bank	2.700	4/09/2021	7,993,120	100.060	8,004,760
15,000,000	Federal Farm Credit Bank	2.700	7/02/2021	14,993,100	100.676	15,101,370
16,000,000	Federal Farm Credit Bank	1.720	7/26/2021	15,996,160	100.546	16,087,376
15,000,000	Federal Farm Credit Bank	1.950	11/02/2021	15,000,000	101.117	15,167,550
10,000,000	Federal Farm Credit Bank	1.760	11/29/2021	9,952,900	101.120	10,112,000
10,000,000	Federal Farm Credit Bank	2.010	12/08/2021	10,000,000	101.333	10,133,290
10,000,000	Federal Farm Credit Bank	1.500	9/06/2022	9,998,800	101.933	10,193,260
15,000,000	Federal Farm Credit Bank	1.850	9/20/2022	14,961,300	102.496	15,374,355
10,000,000	Federal Farm Credit Bank	1.600	8/14/2023	9,980,300	103.231	10,323,060
15,000,000	Federal Farm Credit Bank	1.700	9/25/2023	14,994,150	103.558	15,533,775
10,000,000	Federal Farm Credit Bank	1.625	10/23/2023	9,994,200	103.427	10,342,710
10,000,000	Federal Farm Credit Bank	1.600	11/01/2023	9,990,300	103.376	10,337,580
10,000,000	Federal Farm Credit Bank	1.450	9/05/2024	9,991,500	103.330	10,332,990

Portfolio Appraisal

Investment Portfolio Review
Period Ending March 31, 2021

Par / Shares	Description	Rate	Maturity	Cost	Price	Market Value
19,000,000	Federal Farm Credit Bank	1.600	9/17/2024	18,833,370	103.852	19,731,956
10,000,000	Federal Farm Credit Bank	1.500	10/16/2024	9,967,900	103.530	10,352,990
5,000,000	Federal Farm Credit Bank (callable)	0.400	10/15/2024	4,994,500	99.548	4,977,405
10,000,000	Federal Farm Credit Bank (callable)	0.670	8/04/2025	10,000,000	100.003	10,000,310
10,000,000	Federal Farm Credit Bank (callable)	0.680	8/04/2025	10,000,000	100.003	10,000,320
7,000,000	Federal Farm Credit Bank (callable)	0.540	11/03/2025	6,989,500	97.747	6,842,318
15,000,000	Federal Farm Credit Bank (callable)	0.560	12/01/2025	15,000,000	98.144	14,721,645
15,000,000	Federal Farm Credit Bank (callable)	0.500	12/23/2025	15,000,000	97.204	14,580,555
10,000,000	Federal Farm Credit Bank (callable)	0.600	12/09/2025	10,000,000	97.628	9,762,780
20,000,000	Federal Home Loan Bank	1.500	8/15/2024	19,984,600	103.560	20,712,020
12,000,000	Federal Home Loan Bank (callable)	0.520	9/30/2024	12,000,000	99.826	11,979,072
12,000,000	Federal Home Loan Bank (callable)	0.625	12/30/2024	12,000,000	99.922	11,990,652
15,000,000	Federal Home Loan Bank (callable)	0.680	6/30/2025	15,000,000	98.549	14,782,365
15,000,000	Federal Home Loan Bank (callable)	0.600	12/15/2025	15,000,000	98.036	14,705,415
15,000,000	Federal Home Loan Bank (callable)	0.520	1/28/2026	15,000,000	97.820	14,672,985
6,000,000	Federal Home Loan Bank (callable)	0.600	2/18/2026	6,000,000	98.352	5,901,144
20,000,000	Federal Home Loan Bank (callable)	0.875	3/17/2026	20,000,000	99.313	19,862,680
15,000,000	Federal Home Loan Bank (callable)	0.950	3/17/2026	15,000,000	99.384	14,907,570
10,000,000	Freddie Mac (callable)	0.320	9/14/2023	10,000,000	100.029	10,002,900
15,000,000	Freddie Mac (callable)	0.350	3/22/2024	15,000,000	100.022	15,003,300
10,000,000	Freddie Mac (callable)	0.750	4/30/2025	10,000,000	99.899	9,989,870
515,000,000	U.S. Agencies			514,412,250		519,133,878
515,000,000	U.S. Agencies & Related			514,412,250		519,133,878
8,000,000	Bank of America Corp	2.625	4/19/2021	7,962,960	100.093	8,007,424
5,000,000	Bank of New York Mellon	1.950	8/23/2022	4,998,400	102.272	5,113,580
4,000,000	KeyBank NA	1.250	3/10/2023	3,998,120	101.550	4,061,988
8,000,000	U S Bancorp	2.625	1/24/2022	7,975,040	101.748	8,139,840
25,000,000	Financial			24,934,520		25,322,832
10,000,000	American Honda Finance	1.950	5/20/2022	9,998,640	101.848	10,184,820
8,000,000	Apple Inc	2.850	5/06/2021	7,942,840	100.230	8,018,360
5,000,000	Caterpillar Financial SE	0.450	9/14/2023	4,996,600	100.034	5,001,725

Portfolio Appraisal

Investment Portfolio Review
Period Ending March 31, 2021

<u>Par / Shares</u>	<u>Description</u>	<u>Rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Price</u>	<u>Market Value</u>
5,000,000	Disney (Walt) Co	1.650	9/01/2022	4,989,150	101.841	5,092,040
5,000,000	Exxon Mobil Corp	1.902	8/16/2022	5,007,860	102.230	5,111,485
5,000,000	Intuit Inc	0.650	7/15/2023	4,998,800	100.465	5,023,230
8,000,000	John Deere Capital Corp MTN	3.125	9/10/2021	7,964,960	101.258	8,100,664
3,000,000	Paccar Financial Corp	2.000	9/26/2022	3,001,800	102.405	3,072,153
2,000,000	Paccar Financial Corp	0.350	8/11/2023	1,997,442	99.883	1,997,652
51,000,000	Industrial			50,898,092		51,602,129
76,000,000	Corporate Bonds			75,832,612		76,924,961
606,000,000	Fixed			605,214,980		611,106,539
632,751,545	Total Portfolio			631,966,525		637,858,084

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