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CAWD Defined Benefit Plan

3<sup>rd</sup> Quarter 2022 Performance Review

4<sup>th</sup> Quarter 2022 Action Plan

## Change in Market Value Register

From 7/1/2022 to 9/30/2022

### Carmel Area Wastewater

Account Name	Performance Start Date	Beginning Value with Accrued Interest (\$)	Net Contributions/ Withdrawals (\$)	Total Gains/Losses (\$)	Net Income (\$)	Ending Balance with Accrued Interest (\$)	Net Change (\$)	Performance Stop Date	TWR (%)	TWR Ann. (%)
Carmel Area Wastewater District Ppt Non Prototype NFS - PPS Custom (xxxx4110)	07/01/2022	5,542,638.41	(45,944.24)	(299,860.37)	24,803.30	5,211,937.48	(284,756.69)	09/30/2022	-5.17	
<b>Total</b>	<b>7/1/2022</b>	<b>\$5,542,638.41</b>	<b>(\$45,944.24)</b>	<b>(\$299,860.37)</b>	<b>\$24,803.30</b>	<b>\$5,211,937.48</b>	<b>(\$284,756.69)</b>	<b>9/30/2022</b>	<b>-5.17</b>	

# Performance Attribution

From 7/1/2022 To 9/30/2022

Carmel Area Wastewater District Ppt Non Prototype NFS - PPS Custom (xxxx4110)

## Holdings By Security

Description	Symbol	Start Date	End Date	Beginning Market Value (\$)	Ending Market Value (\$)	Portfolio Avg. Weight (%)	Return % (IRR Gross of Fees)	Est. Return Contribution (%)
Nuveen Floating Rate Income Fund CI I	NFRIX	07/01/2022	09/01/2022	563,014.16	0.00	3.47	5.89	0.20
Neuberger Berman Large-Cap Value Fund Institutional CI	NBPIX	07/01/2022	08/02/2022	764,996.49	0.00	4.85	2.07	0.10
MFS Mid-Cap Value Fund CI I	MCVIX	07/01/2022	08/02/2022	108,503.92	0.00	0.68	6.55	0.04
Fidelity Govt Money Market Capital Reserves CI	FZAXX	07/01/2022	09/30/2022	69,777.49	136,680.43	4.92	0.21	0.01
United States Treas Bills Zero Coupon 0.00000% 03/16/2023	912796YL7	09/15/2022	09/30/2022	0.00	754,099.06	2.38	0.17	0.00
United States Treas Bills Zero Coupon 0.00000% 12/15/2022	912796X79	09/15/2022	09/30/2022	0.00	344,024.34	1.08	0.20	0.00
First Trust Merger Arbitrage Fund CI I	VARBX	09/28/2022	09/30/2022	0.00	510,500.50	0.30	0.00	0.00
PGIM Ultra Short Bond ETF	PULS	09/28/2022	09/30/2022	0.00	510,284.76	0.30	0.00	0.00
iShares Treasury Floating Rate Bond ETF	TFLO	09/28/2022	09/30/2022	0.00	408,444.00	0.24	0.00	0.00
AQR Macro Opportunities Fund CI I	QGMIX	09/28/2022	09/30/2022	0.00	359,819.15	0.21	0.69	0.00
Forester Value Fund CI I	FVILX	09/28/2022	09/30/2022	0.00	359,686.02	0.21	0.65	0.00
Cash Credit (Debit) Balance	CASH	07/01/2022	09/30/2022	0.00	2,455.35	-0.10	0.00	0.00

Bridgeway Small-Cap Value Fund	BRSVX	07/01/2022	09/28/2022	220,605.38	0.00	3.89	-0.25	-0.01
Invesco Dynamic Energy Explr & Prod ETF	PXE	07/01/2022	07/07/2022	85,391.29	0.00	0.07	-9.61	-0.01
Victory Market Neutral Income Fund CI I	CBHIX	07/01/2022	08/02/2022	742,588.80	0.00	4.71	-0.43	-0.02
iShares MSCI Global Energy Producers ETF	FILL	07/01/2022	07/07/2022	335,928.13	0.00	0.27	-7.26	-0.02
Columbia Commodity Strategy Fund Advisor CI	CCOMX	07/01/2022	07/06/2022	266,382.81	0.00	0.26	-5.98	-0.02
Baird Intermediate Bond Fund CI Institutional	BIMIX	07/01/2022	09/14/2022	348,264.88	0.00	5.18	-1.29	-0.07
DFA Short-Duration Real Return Portfolio Institutional CI	DFAIX	07/01/2022	09/28/2022	461,637.33	0.00	8.14	-1.27	-0.10
Alphasimplex Managed Futures Strategy Fund CI Y	ASFYX	07/01/2022	08/02/2022	361,994.18	0.00	2.30	-5.17	-0.12
Oberweis Small-Cap Opportunities Fund	OBSOX	08/02/2022	09/30/2022	0.00	153,946.19	2.01	-9.09	-0.18
PGIM Short Duration High-Yield Income Fund- CI Z	HYSZX	08/02/2022	09/30/2022	0.00	0.00	6.39	-3.82	-0.24
JPMorgan Large-Cap Growth Fund CI I	SEEGX	07/01/2022	09/28/2022	160,451.11	0.00	5.94	-4.29	-0.25
Fidelity Mid-Cap Stock Fund	FMCSX	08/02/2022	09/28/2022	0.00	0.00	3.83	-6.80	-0.26
Schwab U.S. Aggregate Bond ETF	SCHZ	08/02/2022	09/16/2022	0.00	0.00	6.72	-4.45	-0.30
iShares Currency Hedged MSCI EAFE ETF	HEFA	08/02/2022	09/30/2022	0.00	310,616.88	4.02	-8.09	-0.33
iShares Core S&P 500 ETF	IVV	07/01/2022	09/30/2022	653,831.28	303,752.88	11.33	-2.98	-0.34
Columbia Contrarian Core Fund Advisor CI	CORRX	07/01/2022	09/30/2022	399,271.16	346,189.51	6.87	-4.95	-0.34
Vanguard Value Index Fund ETF Shares	VTV	08/02/2022	09/30/2022	0.00	711,438.42	9.41	-10.05	-0.94
<b>Grand Total</b>				<b>\$5,542,638.41</b>	<b>\$5,211,937.48</b>		<b>-4.99</b>	

	Value	Blend	Growth
Large	Russell 1000 Value -5.62%	Russell 1000 Total Return -4.61%	Russell 1000 Growth -3.60%
Mid	Russell Mid Cap Value -4.93%	Russell Mid Cap Total Return -3.44%	Russell Mid Cap Growth -0.65%
Small	Russell 2000 Value -4.61%	Russell 2000 Total Return -2.19%	Russell 2000 Growth 0.24%

## Market Environment

- ❑ 75 bps increase in July and Sept
  - Fed funds range: 3.0% - 3.25%
- ❑ Q3 GDP: 2.6%
- ❑ CPI
  - July: 8.5% (5.9% core)
  - Aug: 8.3% (6.3% core)
  - Sept: 8.2% (6.6% core)

## Major Market Indices

- ❑ Dow: -6.17%
- ❑ S&P 500: -4.88%
- ❑ Nasdaq: -4.11%
- ❑ MSCI EAFE: -9.36%

Index	1Q 2022	2Q 2022	3Q 2022	YTD to 9/30/22
<b>Bloomberg U.S. Agg Bond</b>	-5.93%	-4.69%	-4.75%	-14.61%
<b>Bloomberg U.S. Corporate Bond</b>	-7.69%	-7.26%	-0.65%	-14.74%
<b>Bloomberg U.S. Government 1 – 3 Yr</b>	-2.50%	-0.52%	-1.54%	-4.50%
<b>Bloomberg U.S. Intermediate Bond</b>	-4.19%	-1.65%	-3.11%	-11.81%
<b>Bloomberg U.S. Government/Credit Long-Term</b>	-10.95%	-12.27%	-9.03%	-28.94%

### Market Environment

- Rising interest rates vs. bond prices
  - Interest rate increases forecasted into 2023
- Continued positive correlation with stock market

### Actions Taken

- Sold intermediate and short-term duration bond holdings
- Purchased ultra-short duration
- Purchased 3- and 6-month U.S. Treasury bills

Sell:

- JP Morgan Large Cap Growth
- Fidelity Mid Cap
- Bridgeway Small-Cap Value
- Victory Market Neutral
- Baird Intermediate Bond
- Schwab US Aggregate Bond ETF
- PGIM Short-Duration High Yield

 Buy:

- AQR Macro Opportunities\*
- Forester Value Fund
- First Trust Merger Arbitrage
- iShares Treasury Floating Rate ETF
- PGIM Ultra Short Bond ETF
- 3- and 6-month U.S. Treasury bills

 Rebalance the rest of the portfolio

\* Purchased 9/28/22, sold 10/25/22

STRATEGY: Minimize/reduce correlation to stock and bond market

❑ AQR Opportunities

- Morningstar - Large Value
- Aims to deliver returns uncorrelated to stocks and bonds
- Beta: -0.05
- Top quartile in every time category over the past 5 years

❑ Forester Value

- Morningstar: Long – Short Equity
- Overweight in consumer defensive and healthcare
- Beta: -0.03
- In top two quartiles over the past 5 years

❑ First Trust Merger Arbitrage

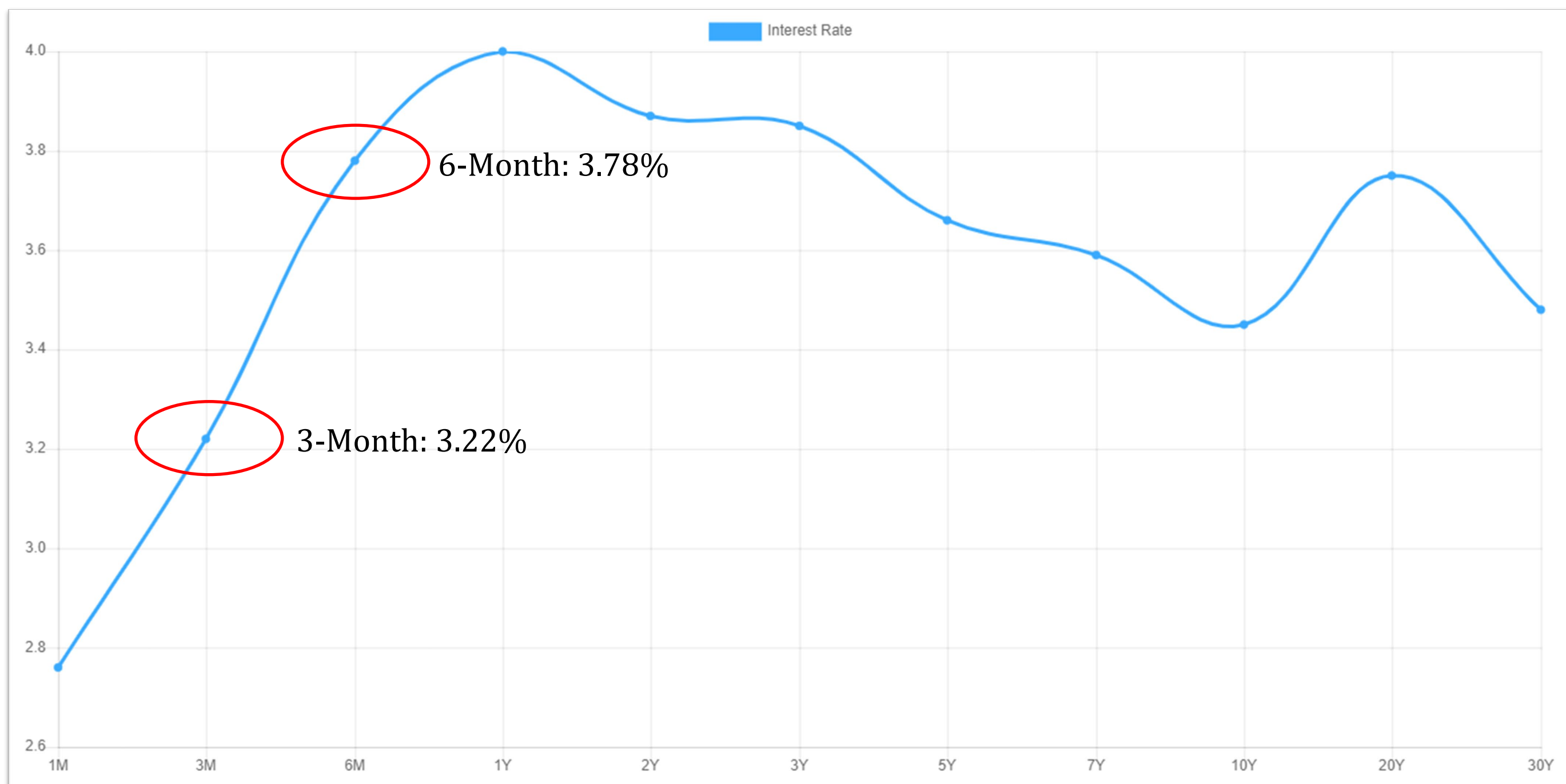
- Morningstar: Event Driven
- In top two quartiles over the past 5 years
- Seeks returns uncorrelated with general stock market



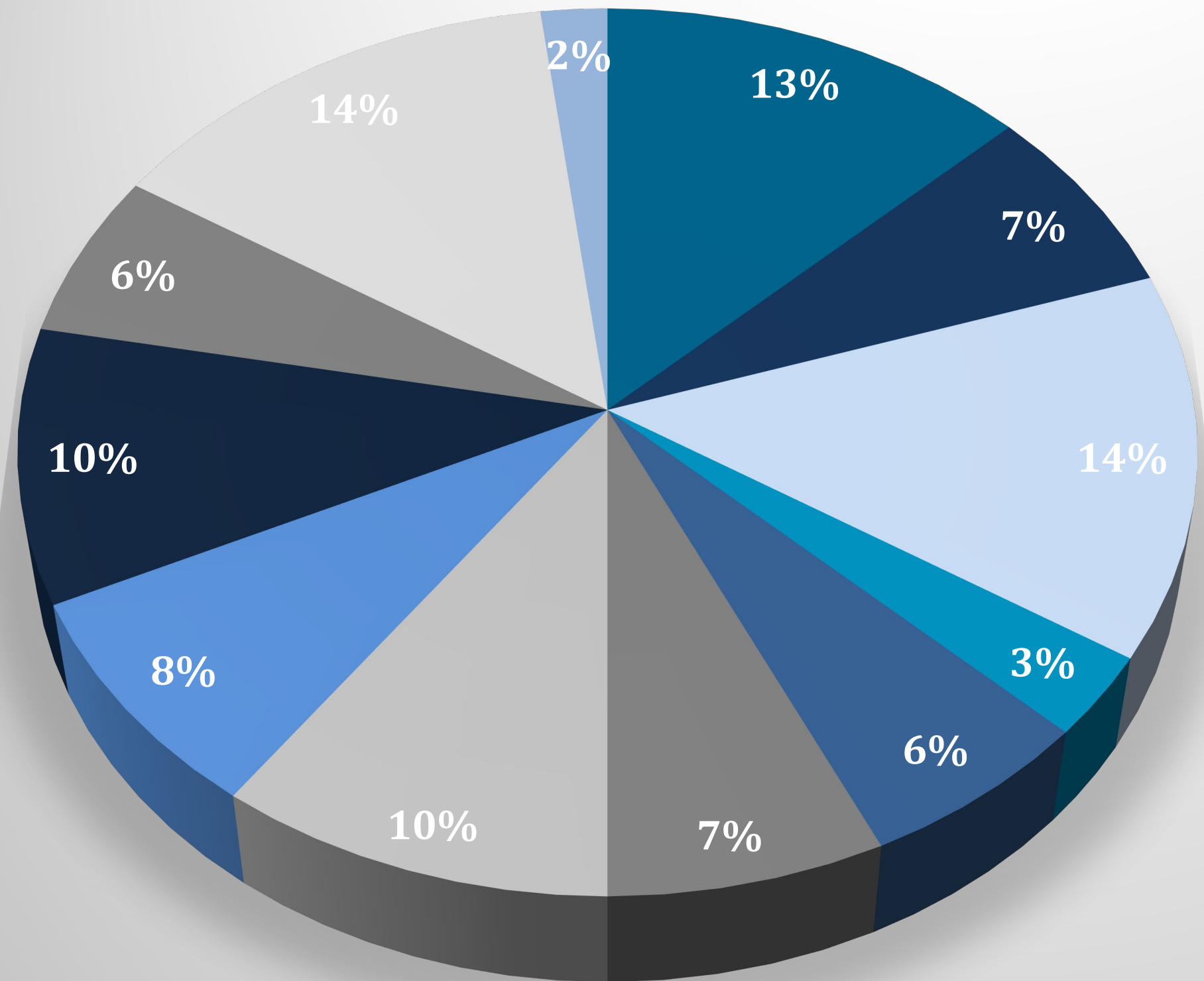
STRATEGY: Markedly reduce duration risk

- ❑ iShares Treasury Floating Rate ETF
  - Effective duration: 0.00
- ❑ PGIM Ultra Short Bond ETF
  - Effective duration: 0.1
- ❑ U.S. Treasury Bills
  - Principal and return federally guaranteed

## U.S. Treasuries Yield Curve - 9/15/2022



# 4<sup>TH</sup> QUARTER 2022 OVERALL PORTFOLIO



- iShares Core S&P 500 ETF - 13%
- Columbia Contrarian Core - 7%
- BNY Mellon Dynamic Value Fund - 14%
- Oberweis Small-Cap Growth - 3%
- iShares Currency Hedged EAFE ETF - 6%
- Forester Value Fund - 7%
- First Trust Merger Arbitrage - 10%
- iShares Treasury Floating Rate ETF - 8%
- PGIM Ultra Short Bond ETF - 10%
- 3-Month U.S. Treasury Bill - 6%
- 6-Month U.S. Treasury Bill - 14%
- Cash - 2%

**BETA:**

A measure of volatility (risk) relative to the Standard & Poor's 500 Index. Beta of 1.0 indicates risk equal to that of the Standard & Poor's 500 Index over a given period of time, usually 3, 5 and 10 years. Beta of less than 1.0 indicates risk less than that of the S&P 500 Index.

	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
CAWD Portfolio	0.33	0.34	0.37

Mutual Fund/ETF	3-Year Beta	Net Expense Ratio
iShares Core S&P 500 ETF	1.00	0.03
Columbia Contrarian Core	0.98	0.75
BNY Mellon Dynamic Value Fund	1.01	0.68
Oberweis Small-Cap Growth	1.06	1.25
iShares Currency Hedged EAFE ETF	0.77	0.35
AQR Macro Opportunities	-0.05	1.22
Forester Value Fund	-0.03	1.01
First Trust Merger Arbitrage	0.08	1.81
iShares Treasury Floating Rate ETF	0.00	0.15
PGIM Ultra Short Bond ETF	0.09	0.15

**STANDARD DEVIATION:**

Another measure of volatility (risk). A higher Standard Deviation indicates a higher degree of volatility (risk) over a given period of time, usually 3, 5 and 10 years. We will compare the CAWD Portfolio with the S&P 500 Index.

	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
CAWD Portfolio	6.97	6.41	5.55
Standard & Poor's 500 Index	20.30	18.07	14.40

**MEAN:**

Mean return over a given period of time, usually 3, 5 and 10 years. We will compare the CAWD Portfolio with the S&P 500 Index.

	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
CAWD Portfolio	4.68	4.67	5.57
Standard & Poor's 500 Index	8.16	9.24	11.70

**ALPHA:**

A measure of risk-adjusted returns. An Alpha of 0 indicates a return proportionate to the degree of risk taken. A positive Alpha indicates a return generated in excess of the degree of risk taken.

	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
CAWD Portfolio	1.14	0.40	0.65