



Reams Asset Management

Finance & Insurance Committee

Item 7b-2

August 17, 2020

Reams Asset Management Overview

- A trusted investment management partner since 1981
- An exclusive focus on U.S. fixed income portfolios for institutional clients and individual investors through separate account and fund vehicles
- The investment team includes 12 investment professionals with an average of 23 years industry experience
- Reams Asset Management is a division of Scout Investments, an affiliate of Carillon Tower Advisers (a wholly-owned subsidiary of Raymond James Financial, Inc.)
- Total Firm AUM as of 6/30/2020: \$20.1 billion

Fixed Income Products:

Core Plus

Core

Intermediate

Long Duration

Low Duration

Ultra Low Duration

Unconstrained

Reams Investment Philosophy and Process

The Pillars

- *Volatility:* Volatility is a key driver of performance in the fixed income market. It is usually higher than commonly perceived and often mispriced in the marketplace. This core belief leads us to react opportunistically to valuation discrepancies and volatility in the bond market.
- *Downside Risk:* The risk profile of bonds tends to be asymmetrical. We strive to use a solvency-based research focus in our analysis of corporate and securitized debt in an effort to avoid permanent impairment.

The Process

Step 1
Duration, Yield Curve, Currency Decision

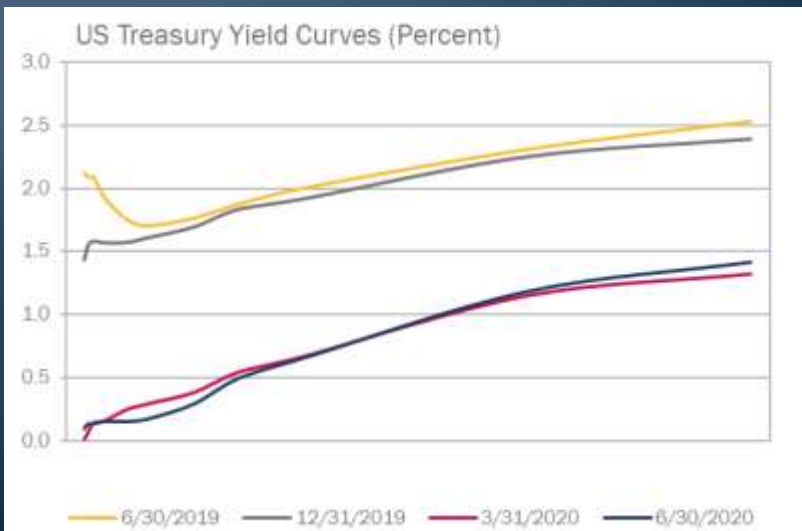
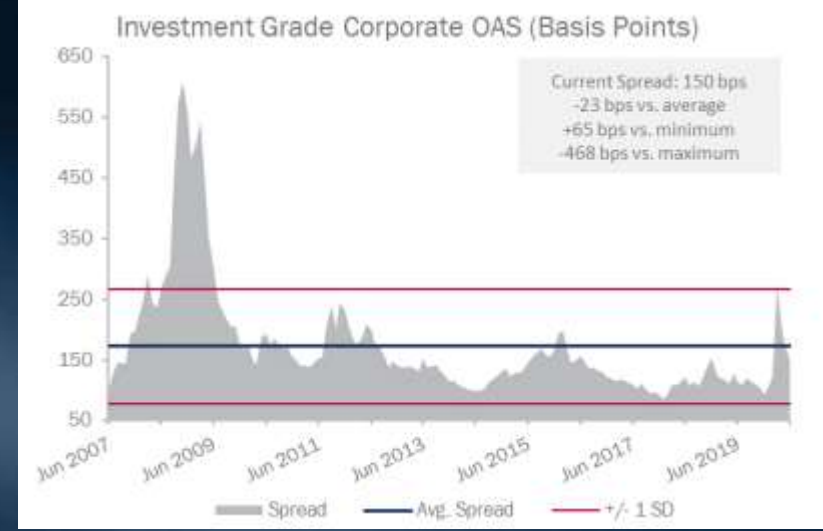
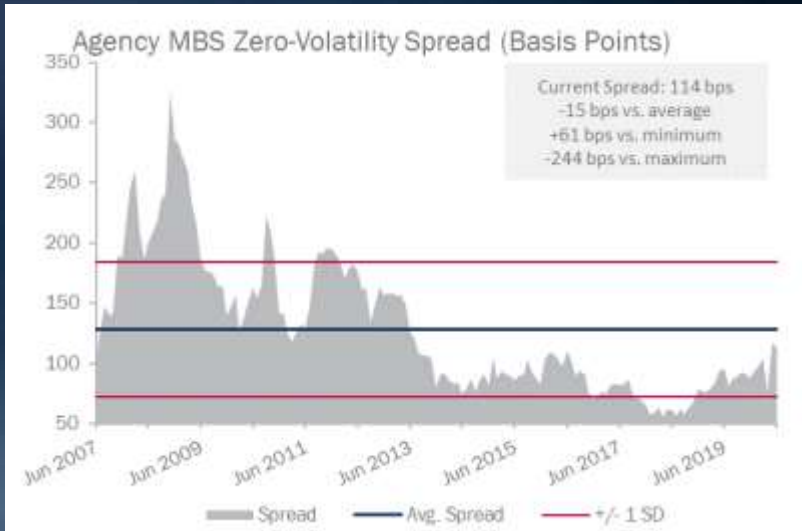


Step 2
Sector and Security Decisions



Step 3
Risk Analysis and Control

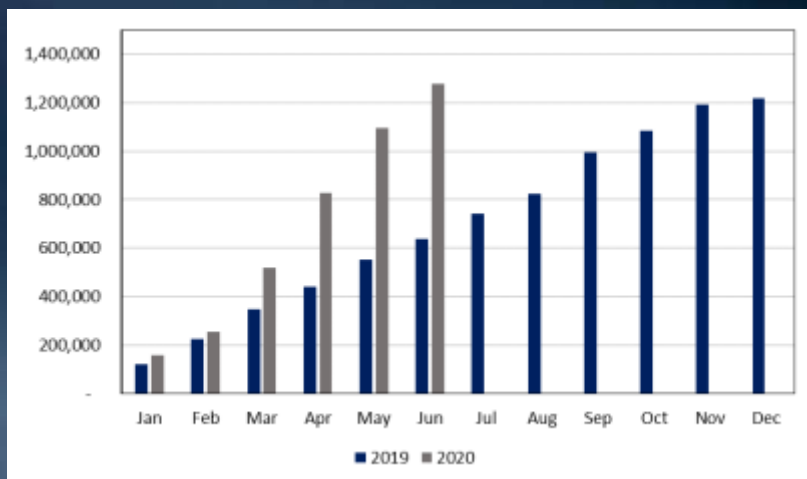
Fixed Income Market Dashboard



As of June 30, 2020

Market Insights

Cumulative U.S. IG Corporate Issuance:
YTD 2020 vs. 2019 (Millions)



Federal Reserve Balance Sheet (Millions)



- In response to the government-mandated shutdown and temporary closure for many businesses, there was a deluge of supply by corporations looking to husband cash to hold them through the uncertain period. The excess supply exacerbated the weakness in an already reeling market for corporate debt.

- The Fed pivoted quickly in response to the pandemic and launched a host of asset purchase programs with the aim of stabilizing specific parts of the market, ensuring low financing costs, and easing capital access for companies. Some economists believe the balance sheet could swell to over \$14 trillion if the recovery proves stubbornly weak.

Source: Bloomberg

As of June 30, 2020

Performance and Relationship Summary

Relationship Inception

May 1, 2002

Financial Data as of July 31, 2020:

Initial Investment	\$183.4 million
Contributions	\$0.0 million
(Withdrawals)	(\$86.2 million)
Portfolio Gains	\$99.4 million
Portfolio Value	\$ 196.6 million

	Percent Gain or Loss					
	Year To Date	Last 12 Months	Two Years (annualized)	Three Years (annualized)	Five Years (annualized)	Since Inception* (annualized)
Metropolitan Water District of Southern California (a)	4.10	5.65	5.38	3.45	2.61	3.59
Metropolitan Water District of Southern California (b)	3.98	5.49	5.22	3.30	2.45	3.43
ICE BAML Gov't/Corp, 1-5 Yrs, A Rated and Above Index	4.29	5.74	5.37	3.36	2.51	3.11

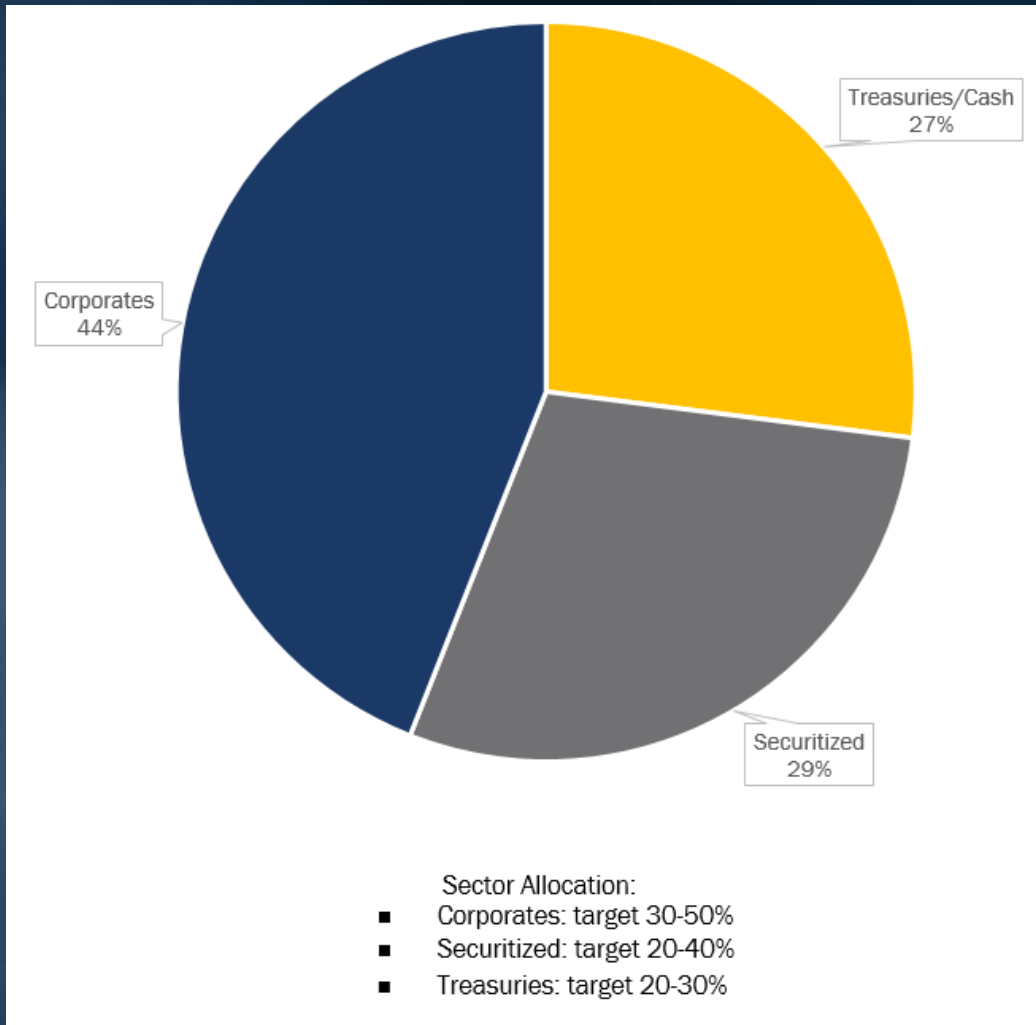
* Inception Date: 5/1/2002

(a) Gross of Investment Management Fees

(b) Net of Investment Management Fees (recorded on cash basis)

As of July 31, 2020

Portfolio Sector Allocation



As of July 31, 2020

Portfolio Characteristics

Metropolitan Water District of Southern California: 7/31/2020

	Portfolio	Index
Total Market Value (\$)	196,591,155	9,120 billion
Avg. Duration (Years)	2.2	2.7
Avg. Convexity	0.09	0.07
Avg. Yield to Worst (%)	0.6	0.3
Avg. Maturity (Years)	2.5	2.8
Avg. Quality	Aa2	Aa1
Avg. Coupon (%)	2.4	2.1
Number of Issues	87	2,379

Quality Structure (% of Portfolio)	Portfolio *	Index
AAA	58.3	80.0
AA	11.6	5.3
A	29.5	14.7
BBB	0.6	0.0
Other	0.0	0.0
Total	100.0	100.0

* The methodology used is consistent with client investment guidelines.

Duration Distribution (Years)	Portfolio	Index
0 - 1 yr.	0.1	0.0
1 - 2	0.6	0.5
2 - 3	0.3	0.7
3 - 4	0.3	0.7
4 - 5	0.9	0.7
5 +	0.0	0.0
Total	2.2	2.7

Sector Structure (% of Portfolio)	Portfolio	Index
Treasury	26.8	72.4
Govt Related	0.0	11.0
Mortgage-Backed	28.2	0.0
Asset-Backed	0.0	0.0
Corporate	42.7	16.6
Non-US Dollar	0.0	0.0
Cash and Equivalents	2.3	0.0
Total	100.0	100.0

Maturity Distribution (%)	Portfolio	Index
0 - 1 yr.	10.3	0.0
1 - 3	55.3	60.5
3 - 5	34.3	39.5
5 - 7	0.0	0.0
7 - 10	0.0	0.0
10 - 20	0.0	0.0
20 +	0.0	0.0
Total	100.0	100.0

