

Investment Performance Review  
Period Ending September 30, 2022

## Port Houston OPEB Plan

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## **3rd Quarter 2022 Market Environment**



## **The Economy**

- Broadly, global markets declined during the 3rd quarter as inflation remained elevated, causing global central banks further drain liquidity from the market, and geopolitical risks increased as the conflict in Ukraine escalated.
- While inflation moderated slightly in the US, it showed signs of increasing, especially in Europe, where UK and German inflation reached multi-decade highs. US CPI was 8.3% in August, down from 9.1% at the end of the 2nd quarter.
- The US Federal Reserve Bank (the Fed) continued to increase interest rates during the quarter by raising 0.75% at the July and September meetings. Importantly, the Fed signaled it was committed to fight inflation by additional rate hikes if needed.
- The US labor market showed its resiliency during the quarter by adding an estimated 1.1 million jobs. As a result, the unemployment rate fell to 3.5% in September. The number of workers re-entering the workforce increased slightly during the period as wage growth remained strong.
- Real estate markets were under pressure during the quarter as rising interest rates pushed mortgages to their highest levels since 2007. As of September, the average 30-year fixed mortgage was roughly 6.7%, up from roughly 3.0% last year at the same time.

## **Equity (Domestic and International)**

- US equities declined during the 3rd quarter as concerns regarding inflation, the path of interest rates, and a slowing global economy acted as headwinds. Small cap growth was the best performing domestic segment of the equity market relative to other US market capitalizations and styles during the period while large cap value performed the worst.
- Momentum was decidedly negative in international stocks during the 3rd quarter. The escalating conflict in Ukraine, rising inflation in Europe, and tightening monetary policy all contributed to the decline. The continued strength of the US dollar, which rose against most major developed market and emerging market currencies, also acted as a headwind. Finally, China continued its zero-tolerance policy regarding Covid-19, which led to additional restrictions.

## **Fixed Income**

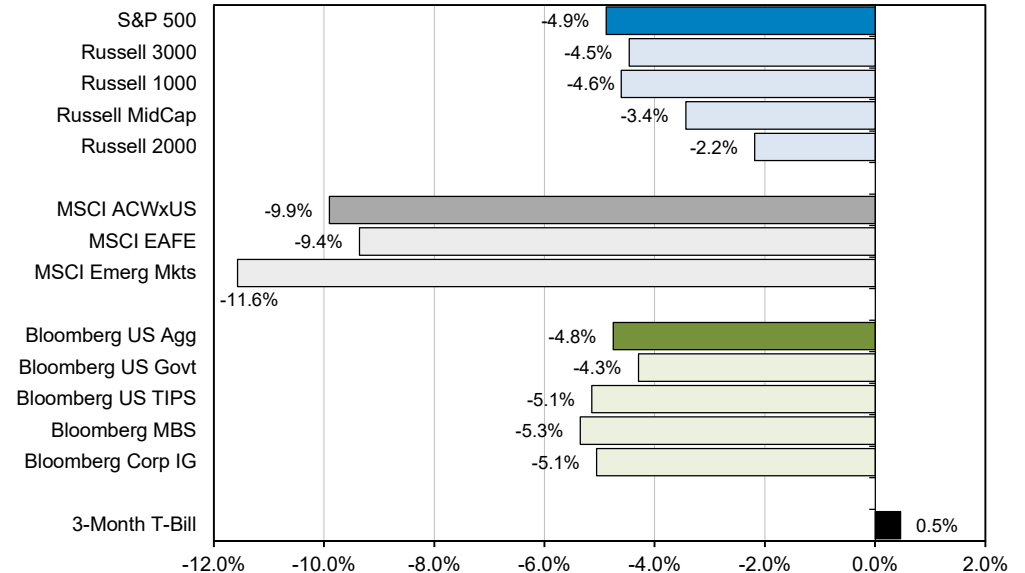
- While inflation fell slightly during the quarter, the Fed continued increasing interest rates which acted as a headwind for fixed income performance during the quarter. US interest rates moved significantly higher during the quarter with the US 10-Year Treasury bond rising 83 basis points to close at 3.80%.
- Performance across all bond market sectors was negative during the quarter, with US high yield corporate bonds and US Treasury bonds down the least.
- The combination of higher coupons and a shorter maturity profile relative to high quality government bonds was the primary driver of the relative outperformance of high yield bonds during the period.
- US Treasury bonds declined less than other investment grade bond market sectors during the quarter. During periods of increased volatility, investors have historically preferred the safety of government bonds over those with credit risk.

## **Market Themes**

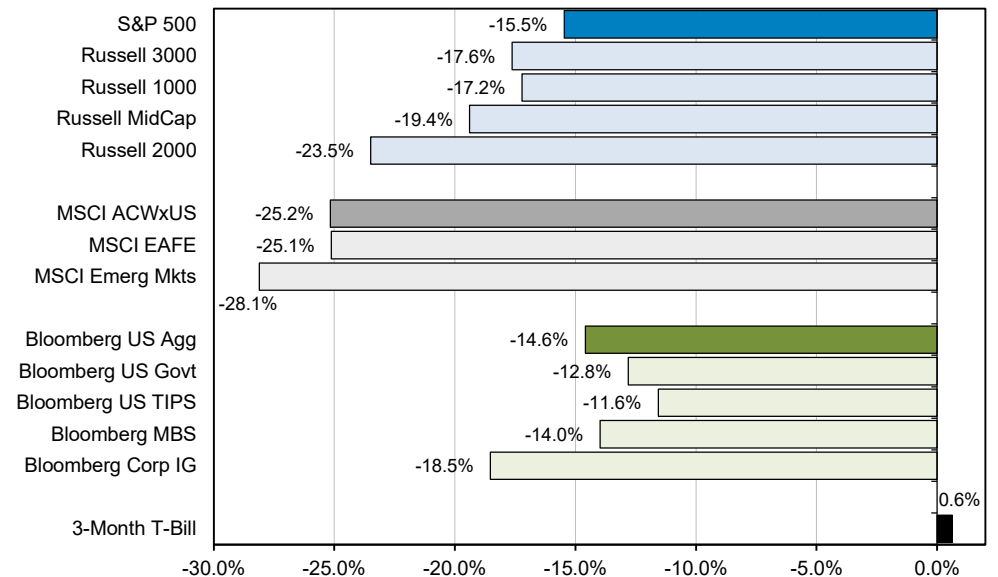
- Central banks remained hawkish during the quarter with several banks raising interest rates to fight higher inflation. The Fed, the Bank of England, and European Central Bank all raised rates during the quarter. Additionally, the Fed is currently allowing bonds to mature without reinvesting (quantitative tightening), while other banks are also considering similar actions. The outcome would be additional liquidity from the market.
- The escalating crisis in Ukraine spilled over as several gas pipelines were attacked in the Baltic Sea. The result was further disruption of energy supplies to Europe, Germany in particular. Energy costs have risen significantly since the start of the conflict which have negatively impacted economic activity in the region.
- US equity markets experienced their third consecutive quarter of negative performance during the 3rd quarter. Growth-oriented stocks outperformed value stocks as investors believe the Fed will begin slowing the rise of interest rates as economic growth declines. Historically, growth stocks have outperformed value stocks as the economy reaches the trough following a recession.
- Interest rates rose across the Treasury yield curve during the quarter as the Fed hiked interest rates by 0.75% at both the July and September meetings. The 3rd quarter marks the third consecutive quarter the bond market has suffered negative absolute returns. Long-term mortgage and investment grade corporate bonds underperformed during the quarter given their maturity profiles. High yield bonds outperformed primarily due to their shorter maturity profile and higher coupons.

- Negative momentum continued during the 3rd quarter as broad US equity markets experienced negative returns. Factors that contributed to performance included elevated inflation, tighter monetary policy, continued geopolitical events in Ukraine, and expectations of slower economic growth. For the period, the S&P 500 large cap benchmark returned -4.9%, compared to -3.4% for mid-cap and -2.2% for small cap indices.
- Like domestic equities, developed markets international equities also suffered negative results for the 3rd quarter. Europe was negatively impacted by higher-than-expected inflation, the conflict in Ukraine, uncertainty regarding energy supplies, and rising interest rates. Emerging markets were also negatively impacted by war in Ukraine and a strengthening USD. During the period, the MSCI EAFE Index returned -9.4% while the MSCI Emerging Markets Index declined by -11.6%.
- For the quarter, performance of the bond market was broadly negative due to continued concerns about inflation and the FOMC's decision to raise interest rates twice during the period. The Bloomberg (BB) US Aggregate Index returned -4.8%, for the period while Investment Grade Corporate bonds posted a return of -5.1%.
- Performance for developed equity markets was strongly negative over the trailing 1-year period. The primary drivers of return during the period were weakening global economic growth, more restrictive monetary policy from global central banks, and elevated inflation. The S&P 500 large cap stock index led equity market performance for the year with a return of -15.5%. The outlier was the MSCI ACWI ex-US index which declined by -25.2% for the year.
- Over the trailing 1-year period, international markets fell with the developed market MSCI EAFE Index returning -25.1% while the MSCI Emerging Markets Index fell by -28.1%. Global economic growth slowed throughout the year and both developed and emerging markets were negatively impacted by a strong USD and continued geopolitical concerns.
- Bond market returns disappointed over the trailing 1-year period due primarily to concerns about rising inflation and the expectation of higher future interest rates. US TIPS were the best performing sector returning -11.6% while investment grade corporate bonds was the worst, falling -18.5%.

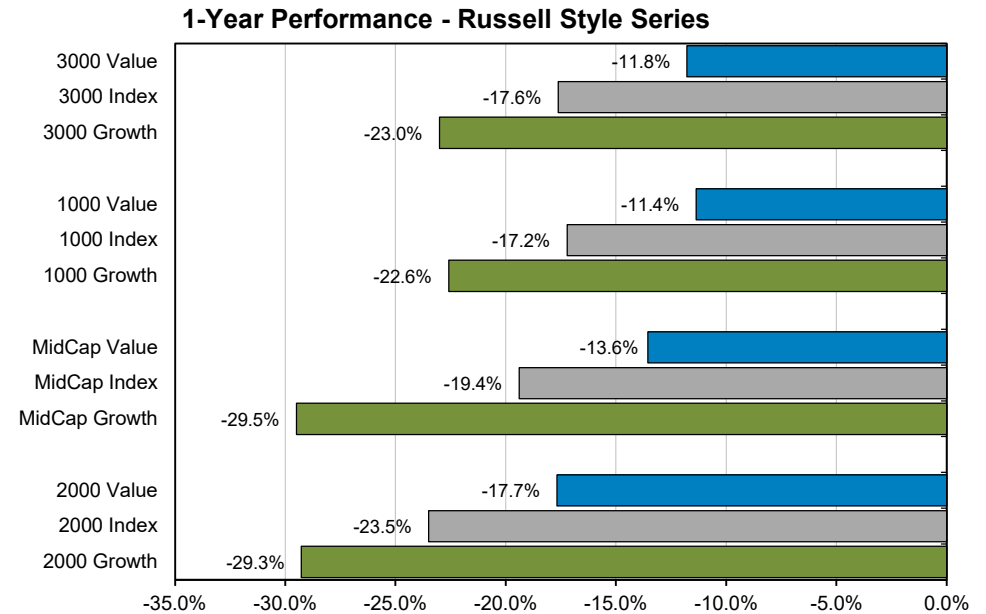
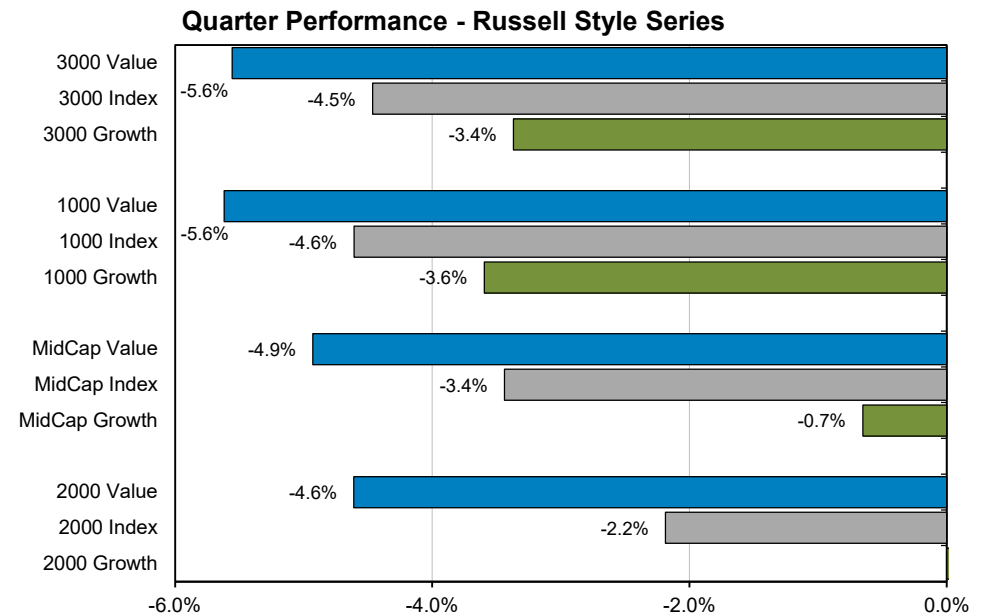
### Quarter Performance



### 1-Year Performance

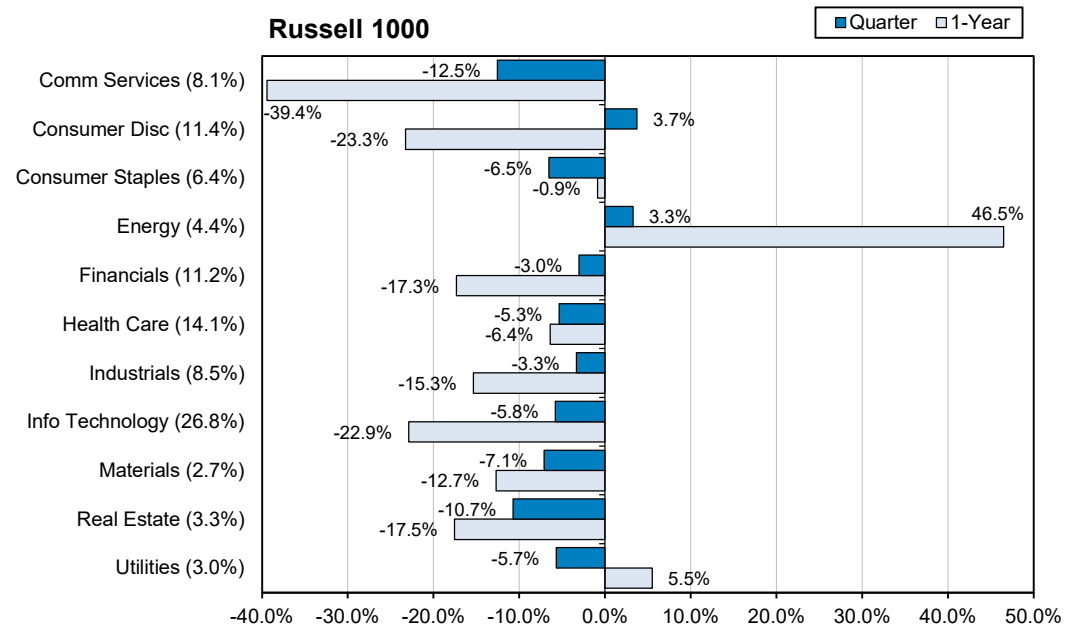


- Volatility was high during the 3rd quarter as broad US equity markets rose sharply before falling to close the period with negative results across both the style and market capitalization spectrums. Leadership switched during the quarter with small cap stocks outperforming, followed by mid and large cap issues. The Russell 2000 Index declined by -2.2% for the quarter while the Russell Mid Cap Index and the Russell 1000 Index fell by -3.4% and -4.6%, respectively.
- Performance across styles and market capitalizations was disparate during the quarter. Large, mid, and small cap growth stocks all outperformed their value counterparts. For the period, the Russell 2000 Growth Index was the best relative performing style index, posting a return of 0.0%. Large and mid cap value stocks were the laggards during the period with the Russell Large Cap Value Index and Russell Mid Cap Value Index falling by -5.6% and -4.9%, respectively.
- Performance across all market capitalizations and styles was negative over the trailing 1-year period. Unlike the 3rd quarter, large cap stocks outperformed mid and small cap stocks for the year. The Russell 1000 Index return of -17.2% for the year, significantly outperformed both its mid and small cap growth index counterparts. The outlier during the period was the Russell 2000 Index which returned -23.5%.
- There was wide performance dispersion within across all style-based indexes. Value significantly outperformed growth over the year. Within large cap stocks, the Russell 1000 Value returned -11.4% compared to -22.6% for the Russell 1000 Large Cap Growth benchmark. The Russell Mid Cap Value Index returned -13.6% while the Russell 2000 Value Index returned -17.7% for the period. In comparison, the Russell Mid Cap Growth Index returned -29.5%, while the Russell 2000 Growth Index declined by -29.3%.



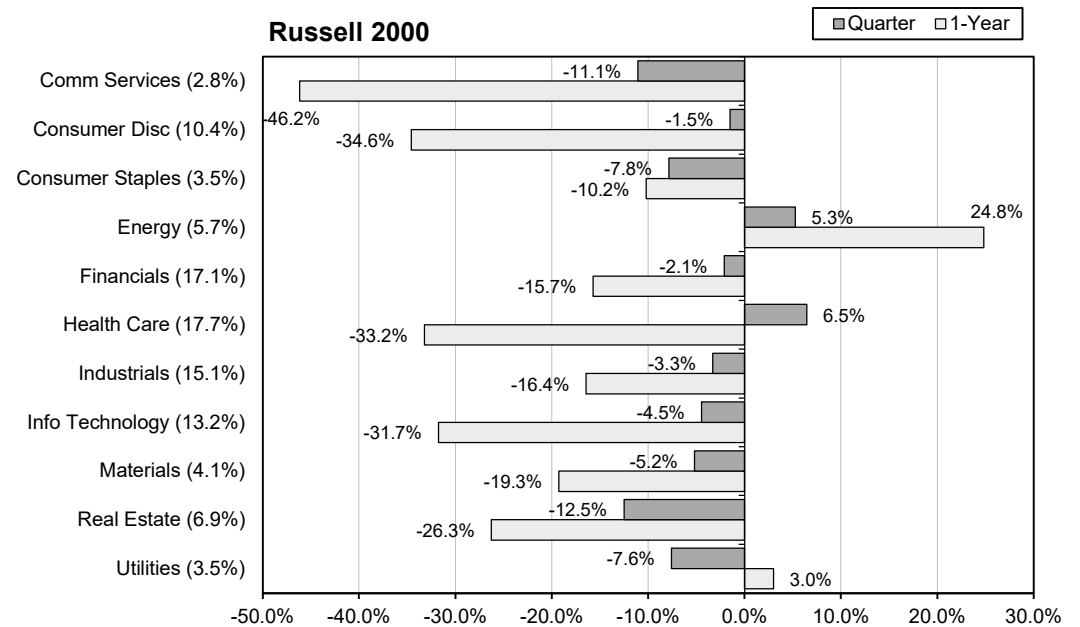
- Economic sector performance was negative across nine of the eleven large cap economic sectors for the 3rd quarter. Four sectors outpaced the return of the broad index on a relative basis during the period.
- Consumer Discretionary (3.7%) and Energy (3.3%) were the only sectors with positive absolute performance during the period. Additionally, Financials (-3.0%) and Industrials (-3.3%) outperformed the broad index. Strong consumer demand acted as a tailwind for consumer-related stocks during the quarter. Energy continued its relative outperformance as the price of oil remained elevated.
- For the full year, six sectors exceeded the return of the broad large cap benchmark: Energy (46.5%), Utilities (5.5%), Consumer Staples (-0.9%), Health Care (-6.4%), Materials (-12.7%), and Industrials (-15.3%). The weakest economic sector performance in the Russell 1000 for the year was Communication Services which declined by returns (-39.4%).

**Russell 1000**



- Small cap sector performance was also mixed during the quarter with two economic sectors posting positive performance relative to return of the broader Russell 2000 Index (-2.2%). Health Care (6.5%), and Energy (5.3%) were the best performing sectors for the period. Real Estate (-12.5%), and Communication Services (-11.1%) were the worst performing sectors for the quarter.
- For the trailing 1-year period, six of the eleven sectors outpaced the broad benchmark's return. Not surprisingly, sector performance was led by Energy (24.8%), Utilities (3.0%), Consumer Staples (-10.2%), Financials (-15.7%), and Industrials (-16.4%). The weakest sector over the full year was Communication Services (-46.2%), followed by Consumer Discretionary (-34.6%).

**Russell 2000**



Source: Morningstar Direct  
 As a result of the GICS classification changes on 9/28/2018 and certain associated reporting limitations, sector performance represents backward looking performance for the prior year of each sector's current constituency, post creation of the Communication Services sector.



**The Market Environment**  
**Top 10 Index Weights & Quarterly Performance for the Russell 1000 & 2000**  
As of September 30, 2022

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Apple Inc	6.31%	1.22%	-1.79%	Information Technology
Microsoft Corp	5.21%	-9.12%	-16.69%	Information Technology
Amazon.com Inc	3.00%	6.39%	-31.20%	Consumer Discretionary
Tesla Inc	2.02%	18.17%	2.61%	Consumer Discretionary
Alphabet Inc Class A	1.72%	-12.22%	-28.45%	Communication Services
Alphabet Inc Class C	1.55%	-12.09%	-27.85%	Communication Services
Berkshire Hathaway Inc Class B	1.44%	-2.20%	-2.17%	Financials
UnitedHealth Group Inc	1.41%	-1.36%	30.94%	Health Care
Johnson & Johnson	1.28%	-7.35%	3.82%	Health Care
Exxon Mobil Corp	1.09%	2.91%	55.15%	Energy

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Signify Health Inc Ordinary Shares	0.01%	111.23%	63.12%	Health Care
First Solar Inc	0.04%	94.14%	38.56%	Information Technology
Wolfspeed Inc	0.04%	62.90%	28.03%	Information Technology
Penumbra Inc	0.02%	52.26%	-28.86%	Health Care
Oak Street Health Inc Ordinary Shares	0.01%	49.15%	-42.35%	Health Care
Sarepta Therapeutics Inc	0.03%	47.47%	19.53%	Health Care
Constellation Energy Corp	0.08%	45.54%	N/A	Energy
The Trade Desk Inc Class A	0.08%	42.64%	-15.01%	Information Technology
Nutanix Inc Class A	0.01%	42.38%	-44.75%	Information Technology
Enphase Energy Inc	0.11%	42.12%	85.02%	Energy

Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Sotera Health Co Ordinary Shares	0.00%	-65.2%	-73.9%	Health Care
Novavax Inc	0.00%	-64.6%	-91.2%	Health Care
Spectrum Brands Holdings Inc	0.00%	-52.1%	-58.4%	Consumer Staples
AMC Entertainment Holdings Inc	0.01%	-48.6%	-81.7%	Communication Services
WeWork Inc	0.00%	-47.2%	N/A	Real Estate
The Scotts Miracle Gro Co A	0.01%	-45.4%	-70.1%	Materials
AppLovin Corp Ordinary Shares	0.01%	-43.4%	-73.1%	Information Technology
Azenta Inc	0.01%	-40.6%	-58.1%	Health Care
NCR Corp	0.01%	-38.9%	-51.0%	Information Technology
Enhabit Inc Shs	0.00%	-38.9%	N/A	Health Care

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
ShockWave Medical Inc	0.45%	45.5%	35.1%	Health Care
Biohaven Pharmaceutical Holding Co	0.43%	3.7%	8.8%	Health Care
Chart Industries Inc	0.31%	10.1%	-3.5%	Industrials
Karuna Therapeutics Inc	0.30%	77.8%	83.9%	Health Care
Apellis Pharmaceuticals Inc	0.28%	51.0%	107.2%	Health Care
Murphy USA Inc	0.28%	18.2%	65.3%	Consumer Discretionary
Texas Roadhouse Inc	0.27%	19.8%	-2.4%	Consumer Discretionary
SouthState Corp	0.27%	3.2%	8.5%	Financials
RBC Bearings Inc	0.27%	12.4%	-2.1%	Industrials
EMCOR Group Inc	0.27%	12.3%	0.5%	Information Technology

Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Akero Therapeutics Inc	0.04%	260.3%	52.3%	Health Care
Forma Therapeutics Holdings Inc	0.03%	189.6%	-14.0%	Health Care
Velo3D Inc	0.01%	185.5%	-52.9%	Industrials
Ventyx Biosciences Inc	0.04%	185.4%	N/A	Health Care
Verve Therapeutics Inc	0.06%	124.8%	-26.9%	Health Care
AN2 Therapeutics Inc	0.00%	124.3%	N/A	Health Care
Prothena Corp PLC	0.10%	123.3%	-14.9%	Health Care
Target Hospitality Corp Class A	0.02%	121.0%	238.3%	Consumer Discretionary
1Life Healthcare Inc Ordinary Shares	0.14%	118.8%	-15.3%	Health Care
Global Blood Therapeutics Inc	0.19%	113.1%	167.3%	Health Care

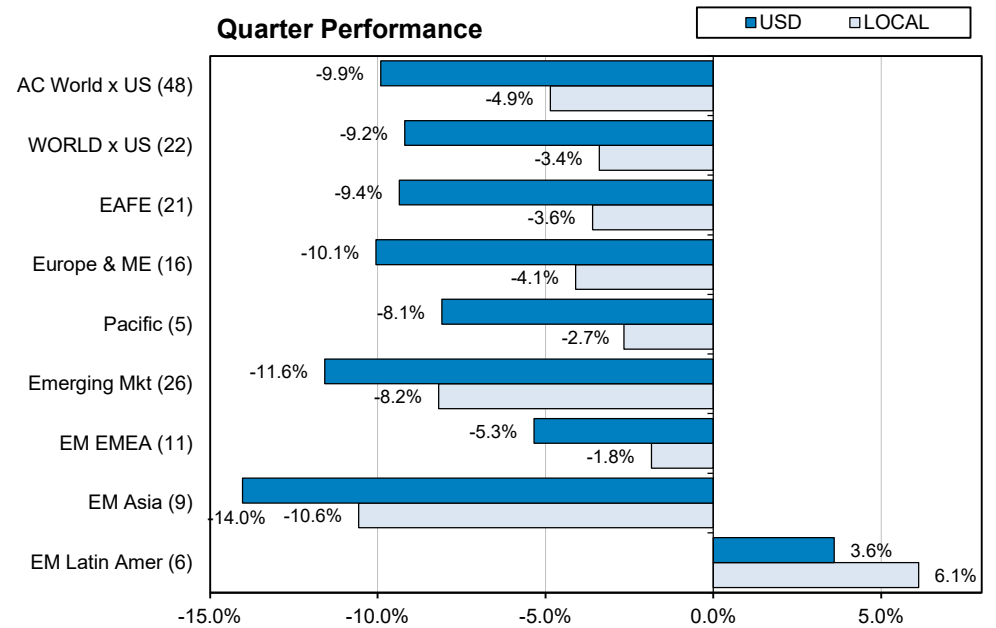
Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Leafly Holdings Inc	0.00%	-84.9%	0.0%	Communication Services
VistaGen Therapeutics Inc	0.00%	-82.7%	N/A	Health Care
Faraday Future Intelligent Electric Inc	0.00%	-75.5%	N/A	Consumer Discretionary
SelectQuote Inc Ordinary Shares	0.00%	-70.6%	-94.4%	Financials
IronNet Inc	0.00%	-68.8%	N/A	Information Technology
Core Scientific Inc Ord Shs - Class A	0.00%	-67.9%	N/A	Consumer Discretionary
Rockley Photonics Holdings Ltd	0.00%	-67.4%	N/A	Information Technology
Loyalty Ventures Inc Ordinary Shares	0.00%	-66.1%	0.0%	Communication Services
Cryptyde Inc	0.00%	-65.9%	0.0%	Materials
Vintage Wine Estates Inc	0.00%	-64.8%	-72.9%	Consumer Staples

Source: Morningstar Direct



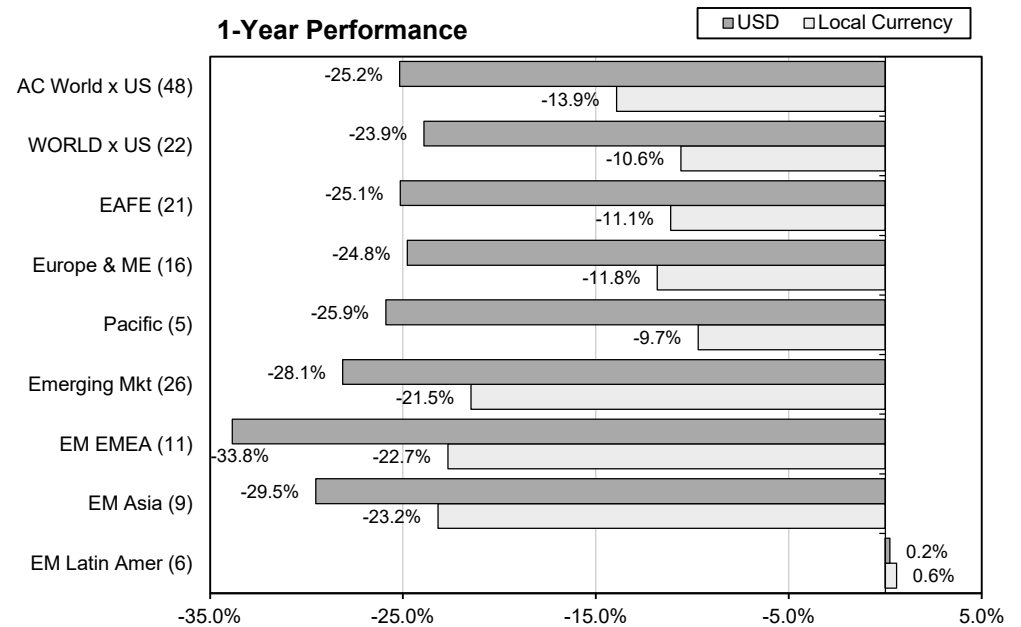
- Most developed and emerging market international equity indexes tracked in the chart posted negative returns in both US dollar (USD) and local currency (LC) terms for the 3rd quarter. The outlier during the period was the Latin America region. Higher commodity prices and demand benefited export-driven countries like Brazil. The developed market MSCI EAFE Index returned -9.4% in USD and -3.6% in LC terms for the period, while the MSCI Emerging Markets Index declined by -11.6% in USD and -8.2% in LC terms.

**Quarter Performance**



- The trailing 1-year results for international developed and emerging markets were broadly negative across most regions and currencies. The MSCI EAFE Index returned -25.1% in USD for the year and -11.1% in LC terms. Similarly, returns across emerging markets were broadly lower with the exception being Latin America with the MSCI Emerging Markets Index declining by -28.1% in USD and -21.5% in LC terms. Latin America regional index's return were the outlier, rising by 0.2% in USD and 0.6% in LC term. In contrast, performance in the EMEA regional benchmark significantly detracted from emerging market index performance with the EMEA Index returning -33.8% in USD and -22.7% in LC terms, respectively, due primarily to concerns related to Ukraine.

**1-Year Performance**



Source: MSCI Global Index Monitor (Returns are Net)





**The Market Environment**  
**US Dollar International Index Attribution & Country Detail**  
As of September 30, 2022

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Communication Services	4.8%	-13.7%	-28.6%
Consumer Discretionary	11.3%	-9.8%	-32.3%
Consumer Staples	11.3%	-7.1%	-17.3%
Energy	4.9%	-5.0%	6.0%
Financials	17.6%	-9.6%	-22.1%
Health Care	13.5%	-10.6%	-19.8%
Industrials	15.0%	-8.3%	-31.5%
Information Technology	7.9%	-8.3%	-38.9%
Materials	7.5%	-8.9%	-21.3%
Real Estate	2.8%	-13.1%	-29.1%
Utilities	3.4%	-13.3%	-20.3%
<b>Total</b>	<b>100.0%</b>	<b>-9.4%</b>	<b>-25.1%</b>

MSCI - ACWixUS	Sector Weight	Quarter Return	1-Year Return
Communication Services	6.1%	-16.5%	-32.0%
Consumer Discretionary	11.4%	-13.0%	-32.3%
Consumer Staples	9.4%	-6.4%	-16.7%
Energy	6.2%	-6.3%	-5.0%
Financials	20.7%	-7.9%	-18.3%
Health Care	9.6%	-11.0%	-23.5%
Industrials	12.1%	-8.2%	-28.7%
Information Technology	10.8%	-12.1%	-39.3%
Materials	8.2%	-7.9%	-21.1%
Real Estate	2.4%	-14.5%	-29.8%
Utilities	3.4%	-10.9%	-16.0%
<b>Total</b>	<b>100.0%</b>	<b>-9.9%</b>	<b>-25.2%</b>

MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Communication Services	9.7%	-19.3%	-36.2%
Consumer Discretionary	14.0%	-18.7%	-33.7%
Consumer Staples	6.6%	-4.5%	-17.8%
Energy	5.3%	-2.6%	-30.1%
Financials	22.6%	-5.1%	-14.3%
Health Care	3.9%	-13.8%	-42.8%
Industrials	5.8%	-9.9%	-20.8%
Information Technology	18.3%	-15.5%	-36.1%
Materials	8.7%	-7.4%	-26.3%
Real Estate	2.0%	-19.3%	-31.9%
Utilities	3.2%	-4.3%	-8.0%
<b>Total</b>	<b>100.0%</b>	<b>-11.6%</b>	<b>-28.1%</b>

Country	MSCI-EAFE Weight	MSCI-ACWixUS Weight	Quarter Return	1-Year Return
Japan	22.6%	14.1%	-7.7%	-29.3%
United Kingdom	15.5%	9.7%	-10.8%	-14.1%
France	11.3%	7.1%	-8.9%	-24.0%
Switzerland	10.7%	6.7%	-7.5%	-16.5%
Australia	8.0%	5.0%	-6.7%	-16.4%
Germany	7.6%	4.7%	-12.6%	-37.1%
Netherlands	4.1%	2.6%	-10.7%	-38.2%
Sweden	3.4%	2.1%	-8.8%	-35.7%
Hong Kong	3.0%	1.9%	-17.0%	-22.3%
Denmark	2.6%	1.7%	-12.3%	-23.5%
Spain	2.4%	1.5%	-14.1%	-25.6%
Italy	2.3%	1.4%	-8.5%	-28.5%
Singapore	1.6%	1.0%	-1.5%	-22.1%
Belgium	1.0%	0.6%	-13.2%	-27.3%
Finland	1.0%	0.6%	-7.2%	-25.0%
Norway	0.8%	0.5%	-15.3%	-20.7%
Israel	0.8%	0.5%	-1.9%	-21.8%
Ireland	0.6%	0.4%	-5.5%	-38.9%
Portugal	0.2%	0.1%	-11.0%	-12.9%
Austria	0.2%	0.1%	-15.2%	-40.9%
New Zealand	0.2%	0.1%	-8.6%	-33.4%
<b>Total EAFE Countries</b>	<b>100.0%</b>	<b>62.5%</b>	<b>-9.4%</b>	<b>-25.1%</b>
Canada		8.2%	-7.8%	-12.6%
<b>Total Developed Countries</b>		<b>70.7%</b>	<b>-9.2%</b>	<b>-23.9%</b>
China		9.2%	-22.5%	-35.4%
Taiwan		4.0%	-14.5%	-30.5%
India		4.5%	6.5%	-9.9%
Korea		3.1%	-16.4%	-40.7%
Brazil		1.7%	8.5%	4.3%
Saudi Arabia		1.4%	-0.1%	1.9%
South Africa		1.0%	-12.3%	-19.2%
Mexico		0.7%	-5.4%	-7.4%
Thailand		0.6%	-2.9%	-6.8%
Indonesia		0.6%	7.8%	14.3%
Malaysia		0.4%	-7.1%	-15.9%
United Arab Emirates		0.4%	-2.5%	5.1%
Qatar		0.4%	3.1%	12.7%
Kuwait		0.3%	-5.5%	6.4%
Philippines		0.2%	-13.6%	-26.3%
Poland		0.2%	-25.1%	-51.9%
Chile		0.2%	3.2%	0.6%
Turkey		0.1%	16.3%	3.8%
Peru		0.1%	-0.9%	3.0%
Greece		0.1%	-7.5%	-25.2%
Colombia		0.0%	-18.5%	-23.6%
Czech Republic		0.0%	-19.2%	-9.8%
Hungary		0.0%	-15.0%	-54.3%
Egypt		0.0%	-1.3%	-28.8%
<b>Total Emerging Countries</b>		<b>29.3%</b>	<b>-11.6%</b>	<b>-28.1%</b>
<b>Total ACWixUS Countries</b>		<b>100.0%</b>	<b>-9.9%</b>	<b>-25.2%</b>

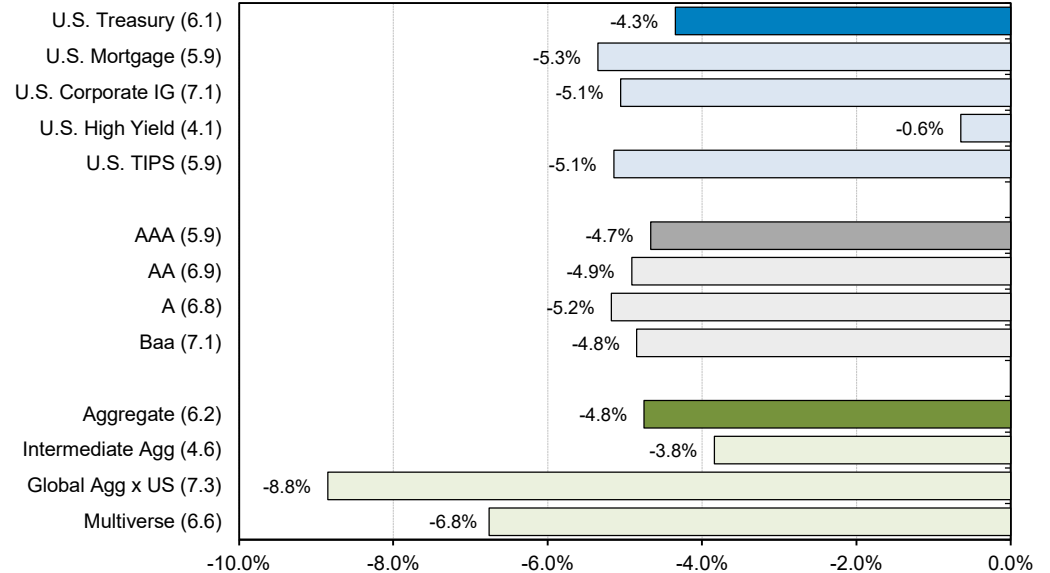
Source: Morningstar Direct, MSCI Global Index Monitor (Returns are Net in USD)  
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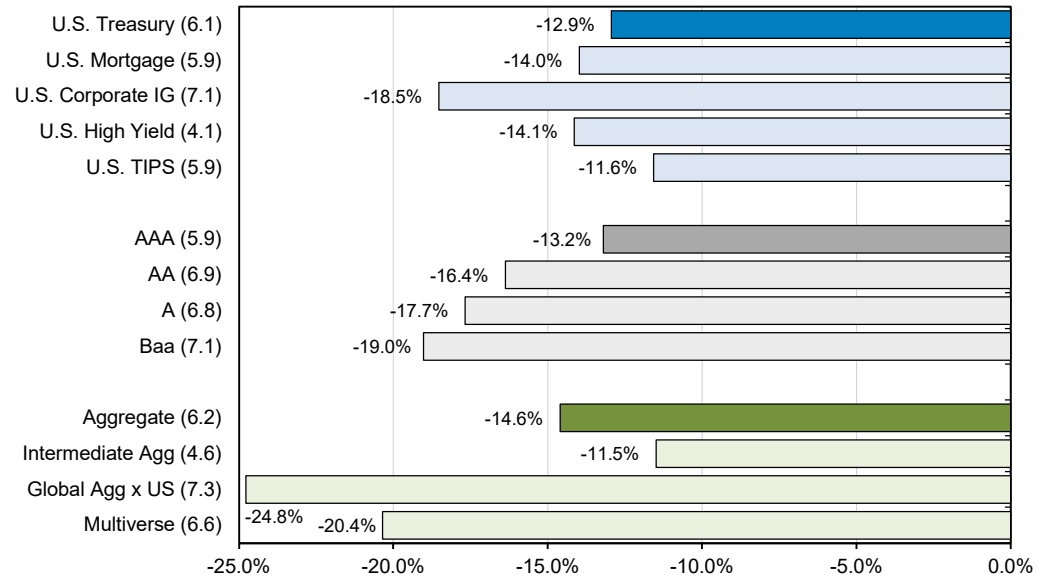
**The Market Environment**  
**Domestic Bond Sector & Broad/Global Bond Market Performance (Duration)**  
 As of September 30, 2022

- Fixed income market results were broadly negative during the 3rd quarter. Investors' concerns about rising inflation, combined with expectations of higher US interest rates, detracted from performance. As a result, US Treasury yields continued to rise across the maturity curve throughout the quarter.
- The return for the BB US Aggregate Bond Index, the bellwether investment grade benchmark, was down -4.8% for the period.
- Performance across the investment grade index's segments was also negative during the period with the US Corporate Investment Grade bonds returning -5.1% and the US Mortgage index component posting a return of -5.3%.
- High yield bonds outperformed their investment grade counterparts, but still declined by -0.6%. US TIPS, which have delivered strong performance in recent periods, posted a decline of -5.1% as investors' expectations of future inflation declined.
- Outside of domestic markets, the BB Global Aggregate ex US Index posted a return of -8.8% for the quarter. Like domestic bonds, global bond index performance was negatively impacted by rising interest rates and a strengthening USD, which acted as a drag on domestic index returns.
- Over the trailing 1-year period, domestic investment grade benchmark performance was negative, led lower by investment grade corporate bonds (-18.5%), followed by mortgage-backed bonds (-14.0%), US Treasury bonds (-12.9%), and US TIPS (-11.6%). The bellwether Bloomberg US Aggregate Bond Index (-14.6%) declined for the year.
- Lower quality high yield corporate bonds outperformed their investment grade counterparts on a relative basis with the Bloomberg US High Yield Index returning -14.1% for the period.
- Performance for non-US bonds was broadly negative for the year with the developed market Bloomberg Global Aggregate ex US Index falling by -24.9%. The combination of rising interest rates overseas, persistent inflation, and USD strength hindered index performance for the year.

**Quarter Performance**



**1-Year Performance**

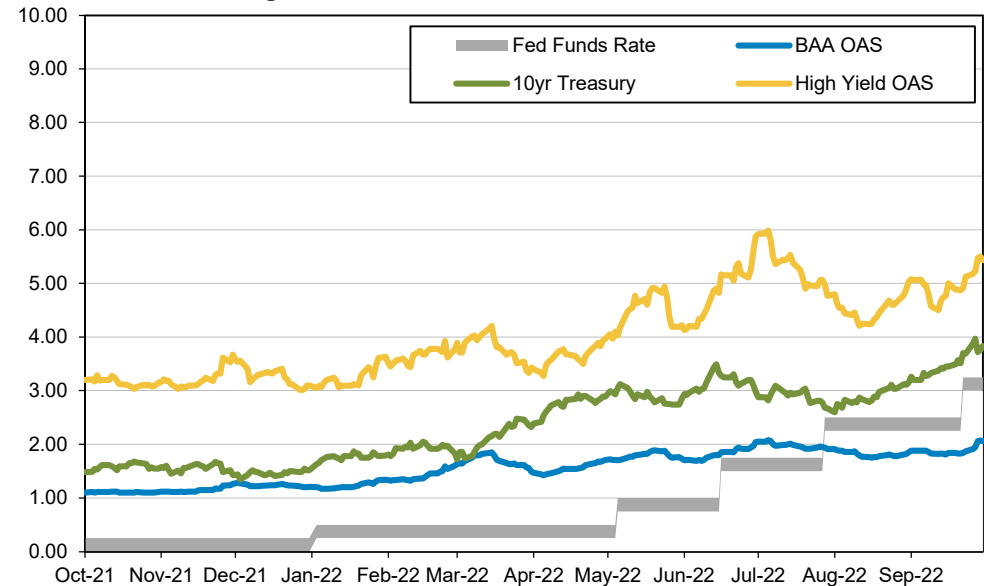


Source: Bloomberg

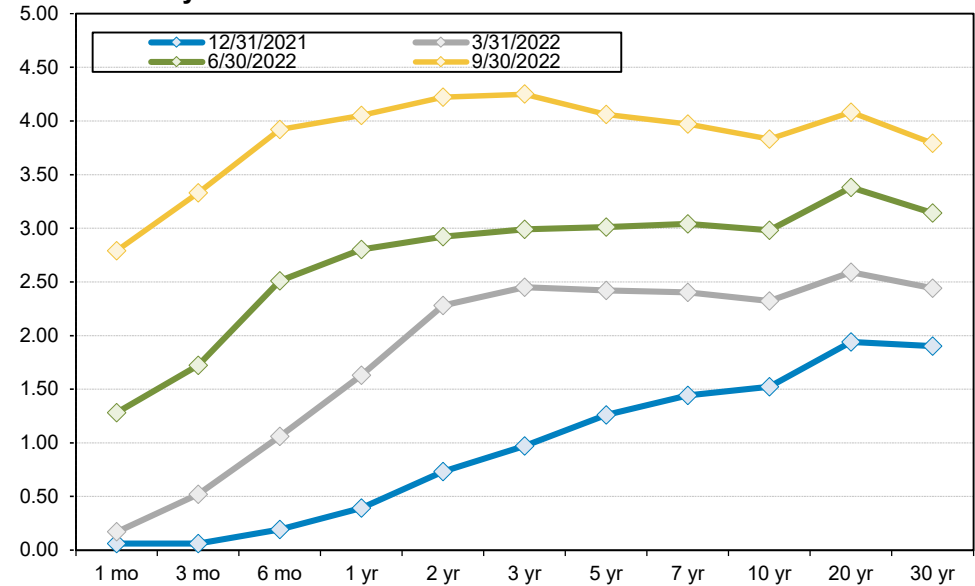


- The gray band across the graph illustrates the range of the current Fed Funds Rate. In the 3rd quarter this year, the Fed raised its target rate range from 1.75% to 3.25%. During its recent September meeting, the Federal Open Market Committee (FOMC) stated it intends to continue to remove liquidity from the market by raising interest rates and also allowing bonds held on its balance sheet to mature without reinvesting those proceeds. Importantly, the FOMC stated that it will remain vigilant in its fight against persistently higher inflation.
- The yield on the US 10-year Treasury (green line) ended the period higher as concerns over the pace of inflation, combined with the Fed's announced rate increase, drove yields higher. Interest rates continued to climb during the quarter, reaching a high of roughly 4.00% during the latter part of September 2022, before settling at 3.83% at the end of the month.
- The blue line illustrates changes in the BAA OAS (Option Adjusted Spread). This measure quantifies the additional yield premium that investors require to purchase and hold non-US Treasury investment grade issues. For the full year, the spread widened slightly from 1.10% to 2.06%. High Yield OAS was largely unchanged during the year as spreads rose from 3.17% to 5.43%. High Yield spreads reached as high as 5.80% in early July before trading lower the remainder of the quarter.
- The lower graph provides a snapshot of the US Treasury yield curve at the end of each of the last four quarters. Short-term rates continued to rise during the 3rd quarter as the FOMC continued raising rates to combat rising inflation. Both intermediate and longer-term rates were modestly higher across the curve, albeit less dramatically than short-term rates. The curve remained inverted between 2-year rates and 10-year rates. Said differently, the short-term rate was higher than the long-term rate. Historically, a persistent inversion of these two key rates has been an indication of a future recession withing 6- to 24-months.

**1-Year Trailing Market Rates**



**Treasury Yield Curve**



Source: US Department of Treasury, FRED (Federal Reserve of St. Louis)



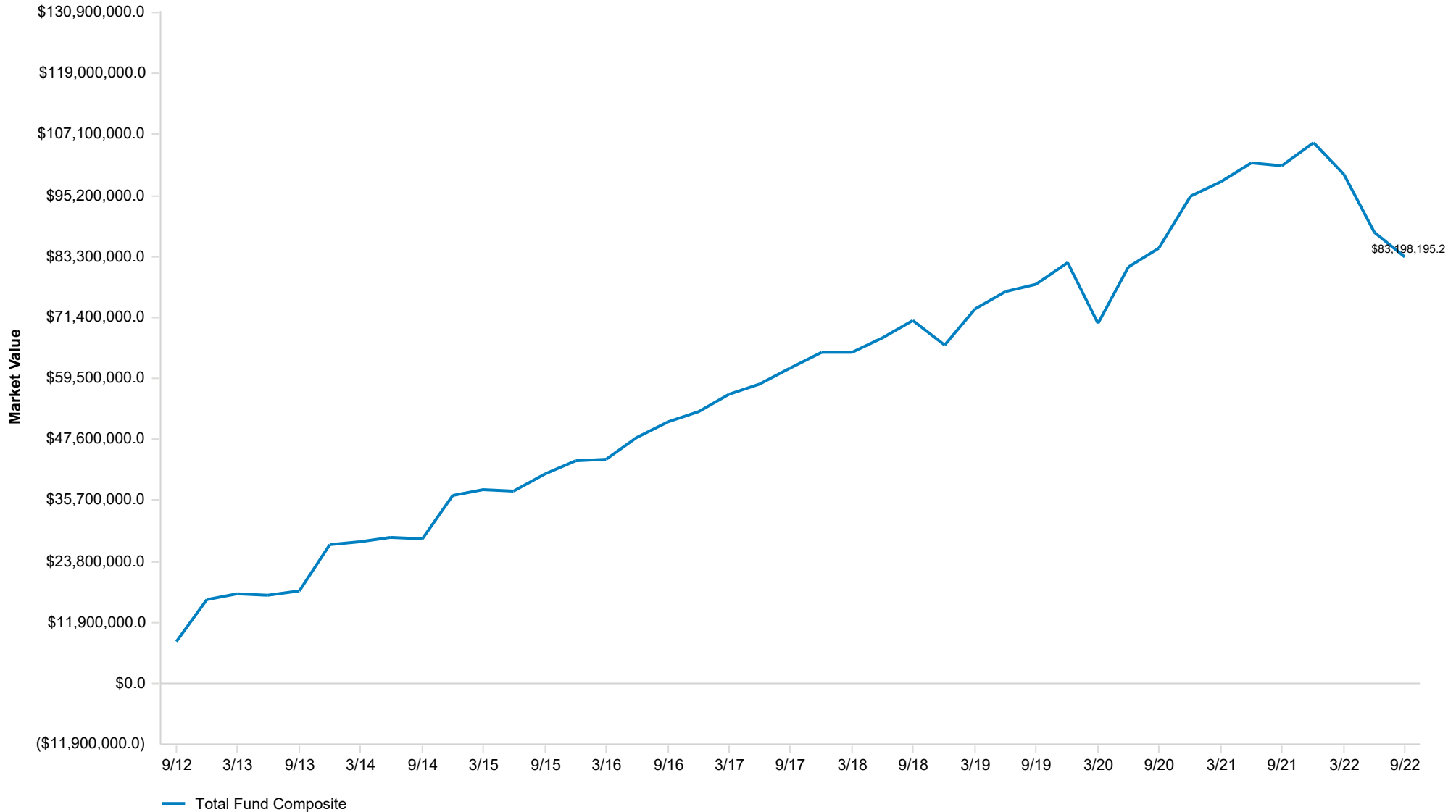
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**-15.9%**

**Schedule of Investable Assets**  
**Total Fund Composite**  
 October 1, 2012 To September 30, 2022

**Schedule of Investable Assets**



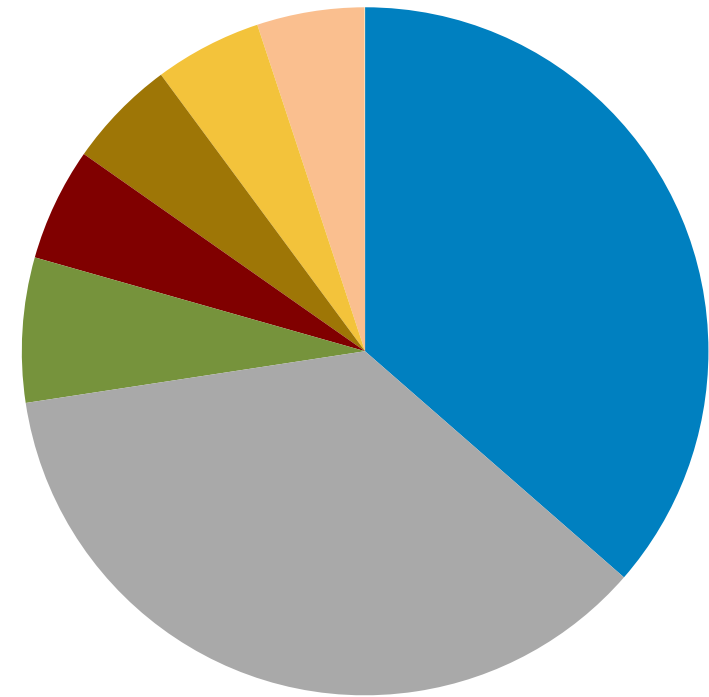
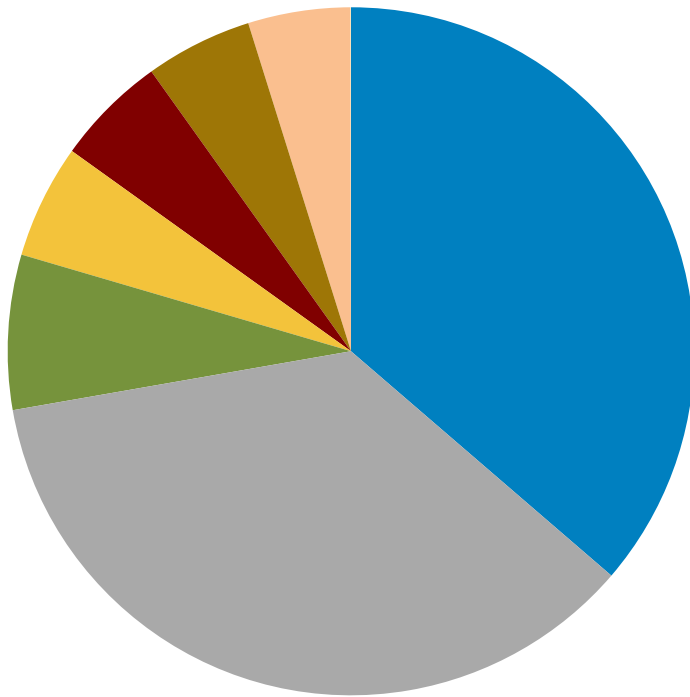
**Schedule of Investable Assets**

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2012 To Sep-2022	8,192,495	52,372,576	22,633,124	83,198,195	5.19



June 30, 2022 : \$87,998,004

September 30, 2022 : \$83,198,195



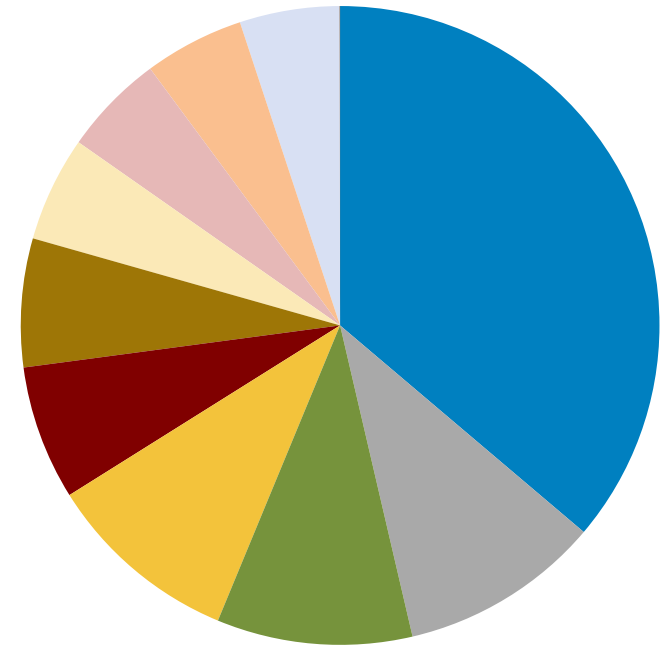
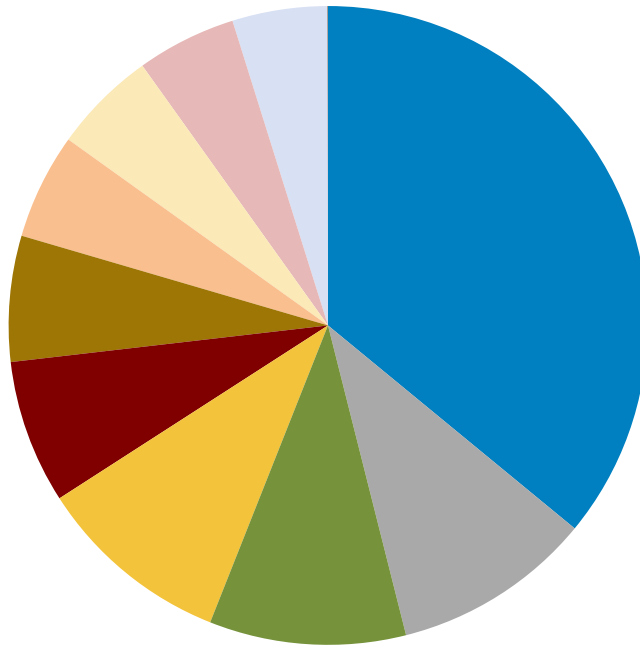
Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ Domestic Equity	31,946,006	36.3	■ Domestic Equity	30,292,621	36.4
■ Core Plus Fixed Income	31,640,729	36.0	■ Core Plus Fixed Income	30,108,668	36.2
■ International Equity	6,400,174	7.3	■ International Equity	5,659,056	6.8
■ Real Estate	4,715,753	5.4	■ Bank Loans	4,429,722	5.3
■ Bank Loans	4,603,865	5.2	■ GTAA	4,277,383	5.1
■ GTAA	4,431,067	5.0	■ Real Estate	4,202,112	5.1
■ High Yield Fixed Income	4,229,472	4.8	■ High Yield Fixed Income	4,197,850	5.0
■ Cash	30,938	0.0	■ Cash	30,783	0.0



**Asset Allocation By Manager  
Total Fund  
As of September 30, 2022**

June 30, 2022 : \$87,998,004

September 30, 2022 : \$83,198,195



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ MacKay Shields Core Plus	31,640,729	36.0	■ MacKay Shields Core Plus	30,108,668	36.2
■ Vanguard Index Fund Institutional (VINIX)	8,898,935	10.1	■ Vanguard Index Fund Institutional (VINIX)	8,463,735	10.2
■ Fiduciary Management	8,750,087	9.9	■ Fiduciary Management	8,223,426	9.9
■ Barrow Hanley MeWhinney & Strauss	8,696,951	9.9	■ Barrow Hanley MeWhinney & Strauss	8,192,461	9.8
■ Causeway International (CIVIX)	6,400,174	7.3	■ Causeway International (CIVIX)	5,659,056	6.8
■ Stephens Mid Cap Growth	5,600,033	6.4	■ Stephens Mid Cap Growth	5,412,999	6.5
■ Cohen & Steers (CSRIX)	4,715,753	5.4	■ Pacific Funds Floating Rate (PLFRX)	4,429,722	5.3
■ Pacific Funds Floating Rate (PLFRX)	4,603,865	5.2	■ BlackRock Multi-Asset Income (BK MIX)	4,277,383	5.1
■ BlackRock Multi-Asset Income (BK MIX)	4,431,067	5.0	■ Cohen & Steers (CSRIX)	4,202,112	5.1
■ Loomis Sayles High Yield (LSHIX)	4,229,472	4.8	■ Loomis Sayles High Yield (LSHIX)	4,197,850	5.0
■ Cash	30,938	0.0	■ Cash	30,783	0.0





**Port Houston OPEB  
Asset Allocation & Performance**

As of September 30, 2022

Asset Allocation & Performance	Allocation		Performance(%)						
	Market Value \$	%	QTR	1 YR	3 YR	5 YR	7 YR	Inception	Inception Date
	<b>Total Fund Composite (Gross of Fees)</b>	<b>83,198,195</b>	<b>100.0</b>	<b>-4.78</b>	<b>-15.89</b>	<b>1.38</b>	<b>2.72</b>	<b>4.72</b>	<b>5.19</b>
Policy Index			-4.80	-16.62	0.20	2.24	4.18	4.85	
OPEB Actuarial Assumption			1.54	6.30	6.35	6.47	6.60	6.74	
<b>Total Fund Composite (Net of Fees)</b>	<b>83,198,195</b>	<b>100.0</b>	<b>-4.85</b>	<b>-16.14</b>	<b>1.06</b>	<b>2.37</b>	<b>4.34</b>	<b>4.73</b>	<b>10/01/2012</b>
Fiduciary Management	8,223,426	9.9	-5.88	-14.42	2.79	5.63	8.36	9.50	10/01/2012
Russell 1000 Value Index			-5.62	-11.36	4.36	5.29	8.15	9.17	
S&P 500 Index			-4.88	-15.47	8.16	9.24	11.40	11.70	
Vanguard Index Fund Institutional (VINIX)	8,463,735	10.2	-4.89	-15.48	8.14	9.21	N/A	9.76	05/01/2017
S&P 500 Index			-4.88	-15.47	8.16	9.24	11.40	9.79	
Stephens Mid Cap Growth	5,412,999	6.5	-3.16	-28.53	5.83	9.74	11.73	11.83	01/01/2013
Russell Midcap Growth Index			-0.65	-29.50	4.26	7.62	9.54	10.96	
Barrow Hanley MeWhinney & Strauss	8,192,461	9.8	-4.16	-13.69	11.19	5.81	10.08	11.34	10/01/2012
Russell 2000 Value Index			-4.61	-17.69	4.72	2.87	7.42	7.94	
Causeway International (CIVIX)	5,659,056	6.8	-11.58	-23.32	-0.89	-2.12	1.67	0.61	10/01/2013
MSCI EAFE (Net) Index			-9.36	-25.13	-1.83	-0.84	2.84	1.65	
MSCI EAFE Value Index (Net)			-10.20	-20.16	-2.79	-2.74	1.42	0.21	
Cohen & Steers (CSRIX)	4,202,112	5.1	-10.89	-15.43	0.34	5.78	6.72	7.76	01/01/2013
FTSE NAREIT All Equity REITs			-10.83	-16.27	-1.10	4.10	6.13	6.84	
BlackRock Multi-Asset Income (BKMIX)	4,277,383	5.1	-3.47	-14.35	N/A	N/A	N/A	3.35	04/01/2020
50% S&P 500/50% Barclays Agg			-4.73	-14.75	2.72	4.76	6.15	5.17	
MacKay Shields Core Plus	30,108,668	36.2	-4.27	-15.34	-2.38	0.38	1.35	1.31	07/01/2014
Blmbg. U.S. Aggregate Index			-4.75	-14.60	-3.26	-0.27	0.54	0.83	
Loomis Sayles High Yield (LSHIX)	4,197,850	5.0	-0.75	-14.06	-0.68	0.53	3.38	3.64	01/01/2013
ICE BofA U.S. High Yield Index			-0.70	-14.10	-0.69	1.40	4.03	3.63	
Pacific Funds Floating Rate (PLFRX)	4,429,722	5.3	1.41	-2.74	N/A	N/A	N/A	-2.74	10/01/2021
Credit Suisse Leveraged Loan Index			1.19	-2.62	2.12	3.00	3.67	-2.62	
Cash	30,783	0.0							

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Vanguard Index Institutional (VINIX), Causeway International (CIVIX), Cohen & Steers (CSRIX), and Loomis Sayles High Yield (LSHIX).  
Gross of fees performance would be approximately 0.14% higher on an annual basis if these fees were included.



**Port Houston OPEB**  
**Asset Allocation & Performance**  
As of September 30, 2022

Asset Allocation & Performance	Allocation		Performance(%)						
	Market Value \$	%	YTD	2021	2020	2019	2018	2017	
<b>Total Fund Composite (Gross of Fees)</b>	<b>83,198,195</b>	<b>100.0</b>	<b>-19.66</b>	<b>11.28</b>	<b>12.03</b>	<b>17.38</b>	<b>-5.28</b>	<b>10.92</b>	
Policy Index			-19.98	11.63	9.04	17.62	-4.68	9.35	
OPEB Actuarial Assumption			4.69	6.30	6.40	6.50	6.75	6.75	
<b>Total Fund Composite (Net of Fees)</b>	<b>83,198,195</b>	<b>100.0</b>	<b>-19.84</b>	<b>10.97</b>	<b>11.64</b>	<b>16.96</b>	<b>-5.64</b>	<b>10.48</b>	
Fiduciary Management	8,223,426	9.9	-22.48	19.11	11.13	24.39	-2.89	18.86	
Russell 1000 Value Index			-17.75	25.16	2.80	26.54	-8.27	13.66	
S&P 500 Index			-23.87	28.71	18.40	31.49	-4.38	21.83	
Vanguard Index Fund Institutional (VINIX)	8,463,735	10.2	-23.87	28.66	18.39	31.46	-4.42	N/A	
S&P 500 Index			-23.87	28.71	18.40	31.49	-4.38	21.83	
Stephens Mid Cap Growth	5,412,999	6.5	-32.22	13.36	42.17	32.97	3.31	29.36	
Russell Midcap Growth Index			-31.45	12.73	35.59	35.47	-4.75	25.27	
Barrow Hanley MeWhinney & Strauss	8,192,461	9.8	-21.80	20.12	29.97	26.81	-17.80	18.51	
Russell 2000 Value Index			-21.12	28.27	4.63	22.39	-12.86	7.84	
Causeway International (CIVIX)	5,659,056	6.8	-24.02	9.17	5.40	20.10	-18.62	27.18	
MSCI EAFE (Net) Index			-27.09	11.26	7.82	22.01	-13.79	25.03	
MSCI EAFE Value Index (Net)			-21.08	10.89	-2.63	16.09	-14.78	21.44	
Cohen & Steers (CSRIX)	4,202,112	5.1	-27.41	42.38	-2.62	33.01	-3.99	7.43	
FTSE NAREIT All Equity REITs			-27.93	41.30	-5.12	28.66	-4.04	8.67	
BlackRock Multi-Asset Income (BKMIX)	4,277,383	5.1	-15.97	7.19	N/A	N/A	N/A	N/A	
50% S&P 500/50% Barclays Agg			-19.17	12.80	13.66	19.89	-1.90	12.37	
MacKay Shields Core Plus	30,108,668	36.2	-15.41	-0.18	9.90	9.48	-0.32	4.75	
Blmbg. U.S. Aggregate Index			-14.61	-1.55	7.51	8.72	0.01	3.54	
Loomis Sayles High Yield (LSHIX)	4,197,850	5.0	-15.18	8.25	3.42	10.51	-3.54	8.42	
ICE BofA U.S. High Yield Index			-14.65	5.35	6.17	14.41	-2.27	7.48	
Pacific Funds Floating Rate (PLFRX)	4,429,722	5.3	-3.47	N/A	N/A	N/A	N/A	N/A	
Credit Suisse Leveraged Loan Index			-3.31	5.40	2.78	8.17	1.14	4.25	
Cash	30,783	0.0							

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Vanguard Index Institutional (VINIX), Causeway International (CIVIX), Cohen & Steers (CSRIX), and Loomis Sayles High Yield (LSHIX).  
Gross of fees performance would be approximately 0.14% higher on an annual basis if these fees were included.



Fiduciary's objective is to buy durable business at value prices in order to achieve top in class investment results over a three to five year time horizon. Fiduciary considers themselves long-term investors, not traders. They will typically hold between 20-30 companies in their portfolio with an average turnover of 35%. The research process is geared toward finding six new investment ideas for the portfolio in a given year. All investment ideas are generated by a research team, rather than relying on the portfolio manager. As of September 30, 2022, Fiduciary had a market value of \$8,223,426.

Fiduciary Management		Russell 1000 Value Index	
	Weight %		Weight %
Dollar General Corporation	6.2	Berkshire Hathaway Inc	2.9
Berkshire Hathaway Inc	5.6	Johnson & Johnson	2.6
Schwab (Charles) Corp	5.3	Exxon Mobil Corp	2.2
Unitedhealth Group Inc	4.3	JPMorgan Chase & Co	1.8
Dollar Tree Inc	4.1	Chevron Corp	1.7
Masco Corporation	3.9	Pfizer Inc	1.5
Alphabet Inc	3.8	Meta Platforms Inc	1.5
CDW Corp	3.7	Bank of America Corp	1.3
Unilever PLC	3.6	Walmart Inc	1.1
PACCAR Inc	3.6	Thermo Fisher Scientific Inc	1.1

## Equity Assets Exposures by Sector

	Fiduciary Management	Russell 1000 Value Index
Cash	4.35	0.00
Communication Services	7.84	8.04
Consumer Discretionary	21.78	5.98
Consumer Staples	3.60	7.24
Energy	1.55	7.81
Financials	22.65	19.96
Health Care	9.49	17.30
Industrials	16.00	10.03
Information Technology	9.49	8.75
Materials	3.22	4.11
Real Estate	0.00	4.81
Utilities	0.00	5.98

## Equity Characteristics

	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	149,806,337,757	133,920,973,084
Price/Earnings ratio	16.6	13.7
Price/Book ratio	2.8	2.3
Current Yield	1.8	2.5
Number of Stocks	32	855



**Fund Information**

Fund Name :	Vanguard Institutional Index Fund: Vanguard Institutional Index Fund; Institutional Shares	Portfolio Assets :	\$257,195 Million
Fund Family :	Vanguard	Portfolio Manager :	Butler/Louie
Ticker :	VINIX	PM Tenure :	2000--2017
Inception Date :	07/31/1990	Fund Style :	IM S&P 500 Index (MF)
Fund Assets :	\$106,028 Million	Style Benchmark :	S&P 500 Index
Portfolio Turnover :	3%		

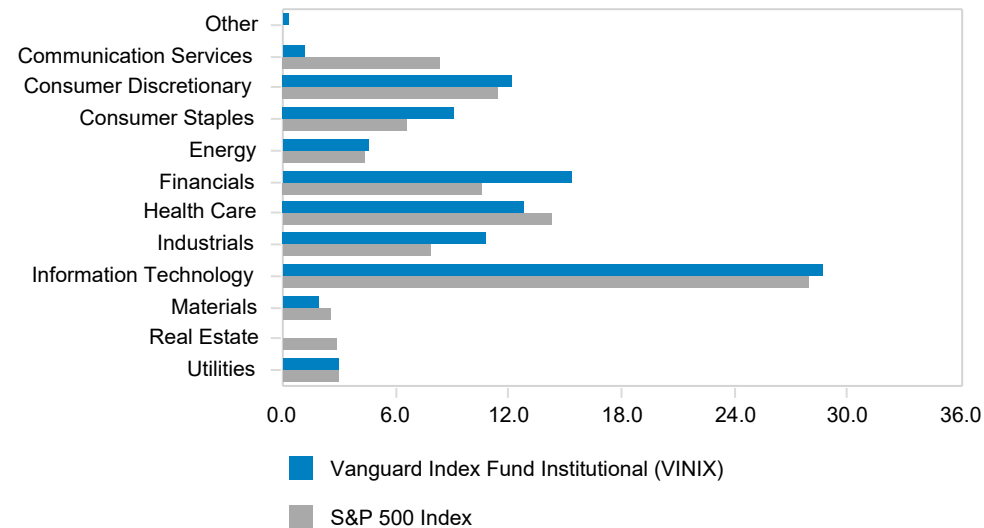
**Portfolio Characteristics As of 07/31/2022**

	Portfolio	Benchmark
Total Securities	505	503
Avg. Market Cap	531,002,638,959	560,612,928,840
Price/Earnings (P/E)	28.16	11.93
Price/Book (P/B)	9.07	4.08
Dividend Yield	1.89	1.58
Annual EPS	49.98	14.49
5 Yr EPS	19.16	18.74
3 Yr EPS Growth	19.43	N/A
Beta (5 Years, Monthly)	1.00	1.00

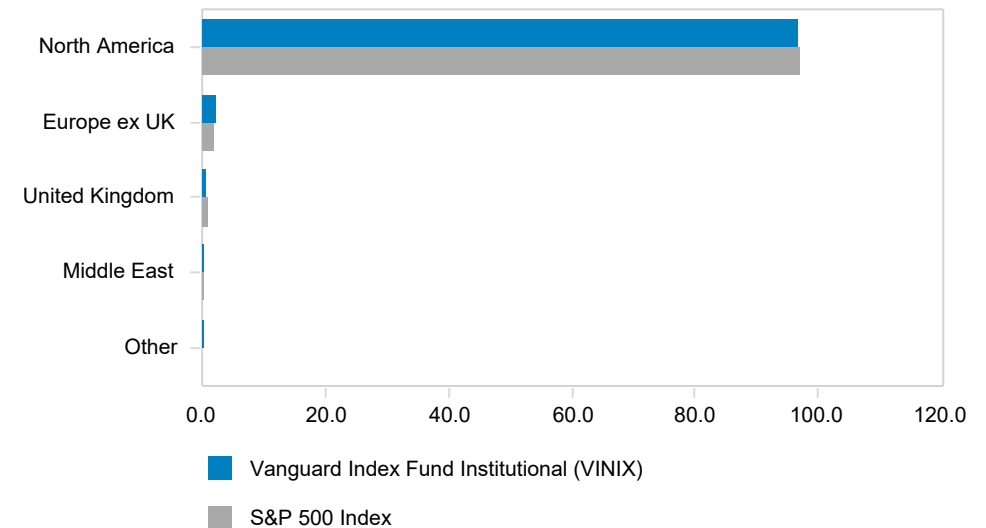
**Top Ten Securities As of 07/31/2022**

Apple Inc ORD	7.2 %
Microsoft Corp ORD	6.0 %
Amazon.com Inc ORD	3.4 %
Tesla Inc ORD	2.2 %
Alphabet Inc Class A ORD	2.0 %
Alphabet Inc Class C ORD	1.8 %
Berkshire Hathaway Inc ORD	1.6 %
UnitedHealth Group Inc ORD	1.5 %
Johnson & Johnson ORD	1.3 %
NVIDIA Corp ORD	1.3 %

**Sector Weights As of 07/31/2022**



**Region Weights As of 07/31/2022**



Statistics provided by Lipper. Most recent available data shown.



## Stephens Mid Cap Growth

As of September 30, 2022

The Stephens Mid Cap Growth portfolio is a diversified portfolio that seeks long term growth of capital by investing primarily in common stock of U.S. companies with market capitalizations of between \$1.5 billion to \$12.5 billion. They select mid cap growth companies that are established growth companies that have achieved above average growth. The combination of core growth and catalyst growth stocks positions the portfolio for varying market conditions. As of September 30, 2022, Stephens had a market value of \$5,412,999.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
Cadence Design Systems Inc	2.6	Synopsys Inc	1.5
Palo Alto Networks Inc	2.3	Cadence Design Systems Inc	1.4
Icon PLC	2.0	Chipotle Mexican Grill Inc	1.3
Resmed Inc	2.0	AutoZone Inc	1.2
Microchip Technology Inc	1.8	Enphase Energy Inc	1.2
Wingstop Inc	1.7	Paychex Inc.	1.2
Fortinet Inc	1.7	CrowdStrike Holdings Inc	1.1
VERISK ANALYTICS INC	1.7	Quintiles Transnational	1.1
Electronic Arts Inc	1.7	Agilent Technologies Inc	1.0
Take-Two Interactive	1.6	Fortinet Inc	1.0

### Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	3.84	0.00
Communication Services	7.27	5.53
Consumer Discretionary	12.79	14.43
Consumer Staples	2.67	2.98
Energy	4.37	4.66
Financials	7.25	5.57
Health Care	18.43	16.37
Industrials	11.94	15.27
Information Technology	31.45	29.21
Materials	0.00	3.83
Real Estate	0.00	1.89
Utilities	0.00	0.26

### Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	19,121,232,136	21,654,141,023
Price/Earnings ratio	28.8	22.9
Price/Book ratio	4.3	6.1
Current Yield	0.6	0.8
Number of Stocks	94	407



The strategy is designed to exploit inefficiencies in the small cap sector of the market by carefully employing high value-added proprietary research in a universe of small capitalization, low-expectation stocks. This process is directed toward the discovery of companies in which the value of the underlying business is significantly greater than the market price. The portfolio's goal is to consistently generate superior returns while assuming below average levels of risk. As of September 30, 2022, Barrow, Hanley, MeWhinney & Strauss had a market value of \$8,192,461.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
ATI Inc	4.7	SouthState Corporation	0.6
Super Micro Computer Inc	4.5	Agree Realty Corp	0.5
Darling Ingredients Inc	4.3	STAG Industrial Inc	0.5
Texas Capital Bancshares Inc	4.2	RBC Bearings Inc	0.5
OFG Bancorp	4.0	Selective Insurance Group Inc	0.5
WillScot Mobile Mini Holdings Corp	3.8	Old National Bancorp	0.5
Air Transport Services Group Inc	3.6	Glacier Bancorp Inc	0.4
Old National Bancorp	3.5	United Bankshares Inc	0.4
Cabot Corp	3.3	Valley National Bancorp	0.4
Gentherm Inc	3.2	TEGNA Inc	0.4

#### Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	2.73	0.00
Communication Services	0.00	2.99
Consumer Discretionary	8.92	9.63
Consumer Staples	6.36	2.66
Energy	0.00	5.75
Financials	14.86	29.06
Health Care	1.61	12.10
Industrials	31.83	12.36
Information Technology	19.87	5.81
Materials	13.81	3.74
Real Estate	0.00	10.76
Utilities	0.00	5.14

#### Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,774,268,121	2,147,826,661
Price/Earnings ratio	12.9	9.2
Price/Book ratio	1.8	1.5
Current Yield	1.0	2.4
Number of Stocks	38	1,394



**Fund Information**

Fund Name : Causeway Capital Management Trust: Causeway International Value Fund; Institutional Class Shares  
 Fund Family : Causeway  
 Ticker : CIVIX  
 Inception Date : 10/26/2001  
 Fund Assets : \$5,029 Million  
 Portfolio Turnover : 60%

Portfolio Assets : \$5,315 Million  
 Portfolio Manager : Team Managed  
 PM Tenure :  
 Fund Style : IM International Large Cap Value Equity (MF)  
 Style Benchmark : MSCI EAFE (Net) Index

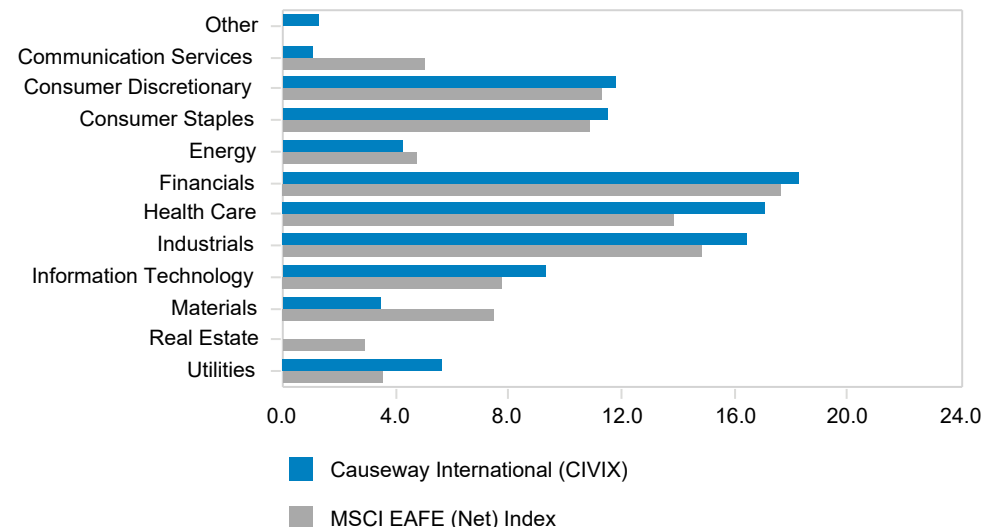
**Portfolio Characteristics As of 06/30/2022**

	Portfolio	Benchmark
Total Securities	67	799
Avg. Market Cap	71,656,166,304	69,495,849,479
Price/Earnings (P/E)	20.29	12.54
Price/Book (P/B)	3.33	2.42
Dividend Yield	3.39	3.61
Annual EPS	37.19	149.50
5 Yr EPS	6.55	13.52
3 Yr EPS Growth	-0.48	N/A
Beta (5 Years, Monthly)	1.24	1.00

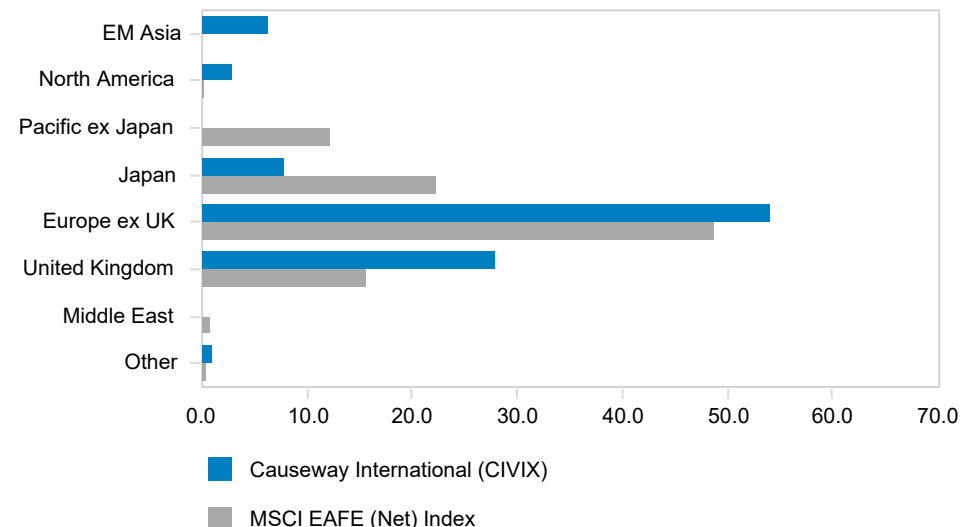
**Top Ten Securities As of 06/30/2022**

Rolls-Royce Holdings PLC ORD	3.7 %
UniCredit SpA ORD	3.3 %
Prudential PLC ORD	3.1 %
Novartis AG ORD	3.0 %
Fanuc Corp ORD	3.0 %
Enel SpA ORD	2.9 %
Unilever PLC ORD	2.9 %
Amadeus IT Group SA ORD	2.8 %
AstraZeneca PLC ORD	2.8 %
Reckitt Benckiser Group PLC ORD	2.8 %

**Sector Weights As of 06/30/2022**



**Region Weights As of 06/30/2022**



**Fund Information**

Fund Name : Cohen & Steers Institutional Realty Shares, Inc  
 Fund Family : Cohen & Steers  
 Ticker : CSRIX  
 Inception Date : 02/14/2000  
 Fund Assets : \$6,955 Million  
 Portfolio Turnover : 34%

Portfolio Assets : \$6,955 Million  
 Portfolio Manager : Cheigh/Yablon/Kirschner  
 PM Tenure : 2007--2013--2020  
 Fund Style : IM Real Estate Sector (MF)  
 Style Benchmark : FTSE NAREIT All Equity REITs

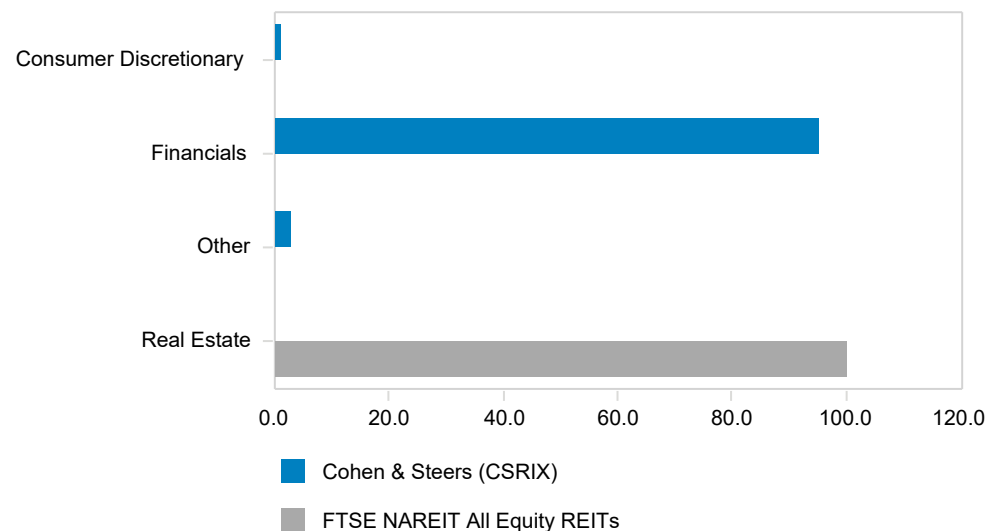
**Portfolio Characteristics As of 06/30/2022**

	Portfolio	Benchmark
Total Securities	35	153
Avg. Market Cap	42,803,943,062	38,025,162,051
Price/Earnings (P/E)	38.80	29.70
Price/Book (P/B)	6.40	2.71
Dividend Yield	2.94	3.44
Annual EPS	59.69	3.23
5 Yr EPS	8.85	12.49
3 Yr EPS Growth	12.49	N/A
Beta (5 Years, Monthly)	0.97	1.00

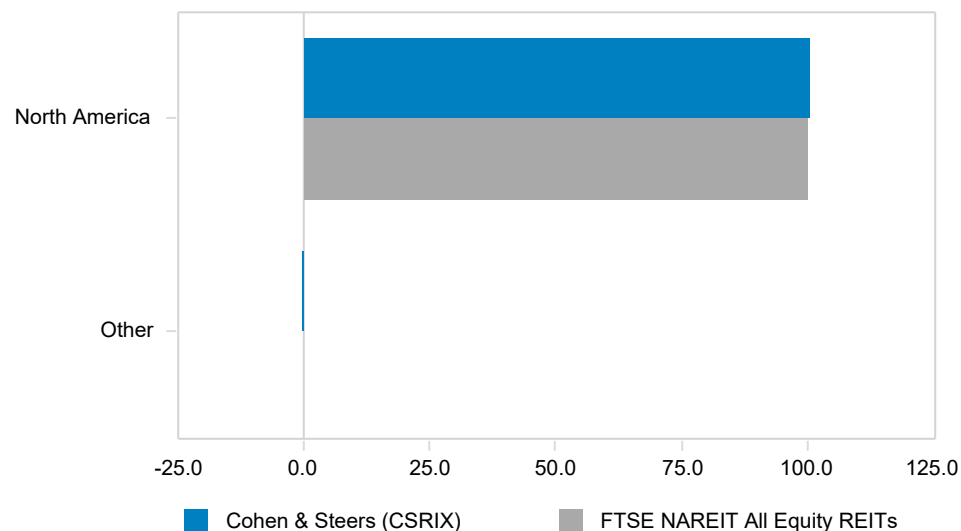
**Top Ten Securities As of 06/30/2022**

American Tower Corp ORD	13.6 %
Public Storage ORD	7.6 %
Invitation Homes Inc ORD	6.5 %
Welltower OP LLC ORD	5.7 %
Duke Realty Corp ORD	5.6 %
Prologis Inc ORD	5.1 %
Simon Property Group Inc ORD	4.8 %
Realty Income Corp ORD	4.7 %
Digital Realty Trust Inc ORD	4.4 %
Healthpeak Properties Inc ORD	3.7 %

**Sector Weights As of 03/31/2022**



**Region Weights As of 06/30/2022**



Statistics provided by Lipper. Most recent available data shown.

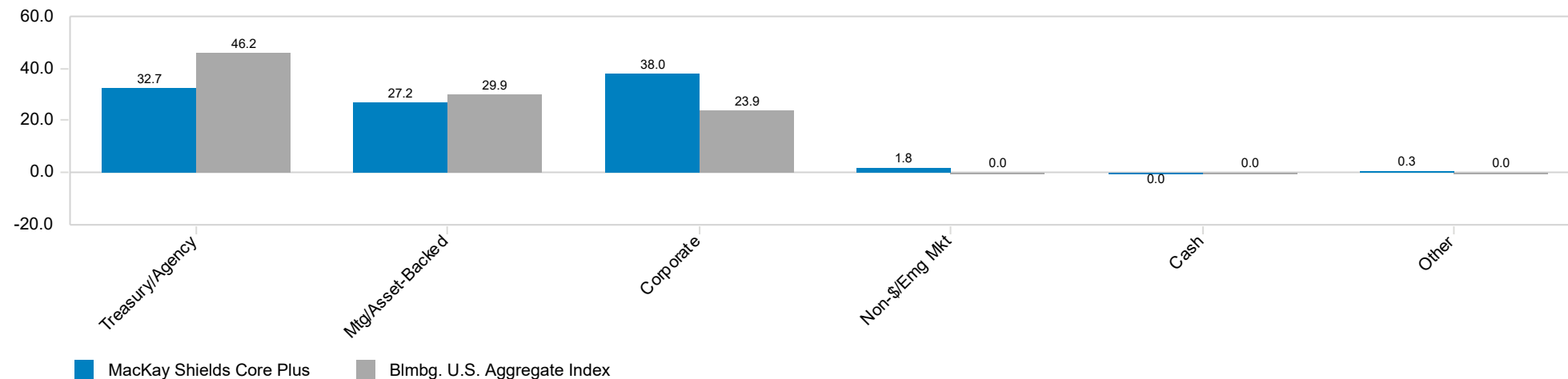




MacKay Shields Core Plus seeks to outperform the benchmark by eliminating or reducing uncompensated risk while opportunistically allocating investments across a range of core and off-benchmark sectors. The fund typically invests in the same sectors represented by the Barclays U.S. Aggregate Bond Index, as well as high yield, emerging market debt, and non-US Dollar exposure. Their philosophy is centered on their pursuit of consistent, superior rates of return with low volatility. Their goal for the product is to provide enhanced returns over a full market cycle with lower-than market risk. As of September 30, 2022,

MacKay Shields had a market value of \$30,108,668.

**Sector Distribution (%)**



**Portfolio Characteristics**

	Portfolio	Benchmark
Avg. Maturity	9.83	8.52
Avg. Quality	A+	AA1/AA2
Coupon Rate (%)	3.54	2.58
Modified Duration	N/A	N/A
Yield To Maturity (%)	6.02	4.75
Holdings Count	235	12,641



**Fund Information**

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$331 Million
Fund Family :	Loomis Sayles	Portfolio Manager :	Matthew Eagan/Elaine Stokes
Ticker :	LSHIX	PM Tenure :	2007--2007
Inception Date :	06/05/1996	Fund Style :	IM U.S. High Yield Bonds (MF)
Fund Assets :	\$331 Million	Style Benchmark :	FTSE High Yield Market Index
Portfolio Turnover :	105%		

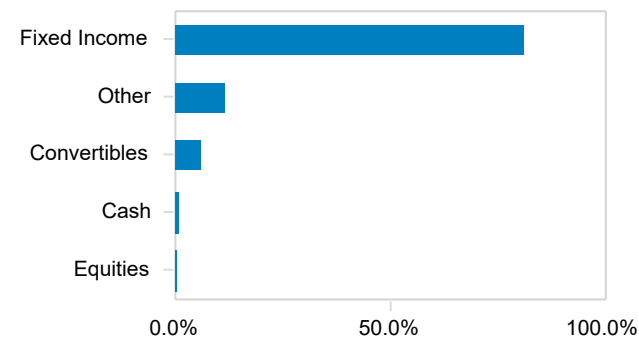
**Fund Characteristics As of 03/31/2022**

Avg. Coupon	N/A
Nominal Maturity	5.35 Years
Effective Maturity	N/A
Duration	3.57 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BB

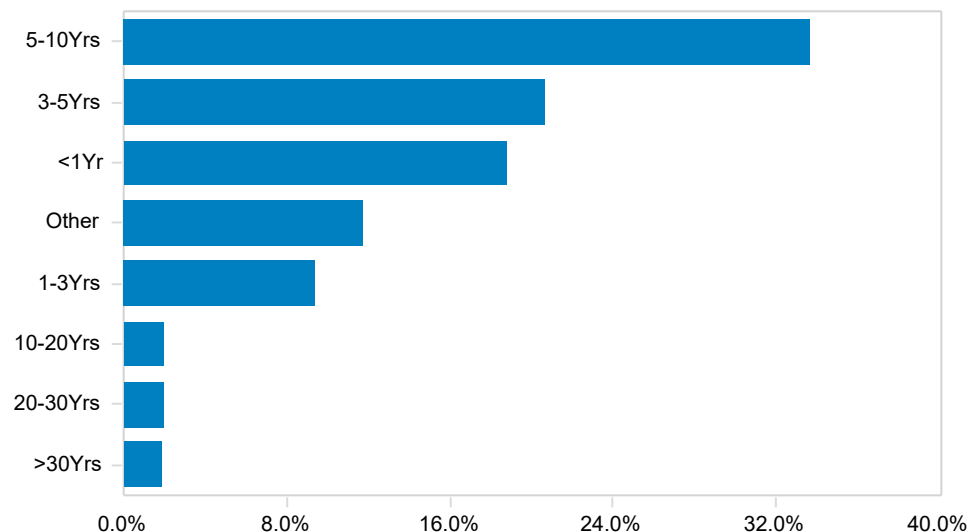
**Top Ten Securities As of 03/31/2022**

Corporate Notes/Bonds	62.4 %
Fgn. Currency Denominated Bonds	7.7 %
Treasury Notes/Bonds	7.0 %
Convertible Securities	5.9 %
Asset Backed Securities	4.3 %
Preferred Stock-Non Convertible	0.2 %

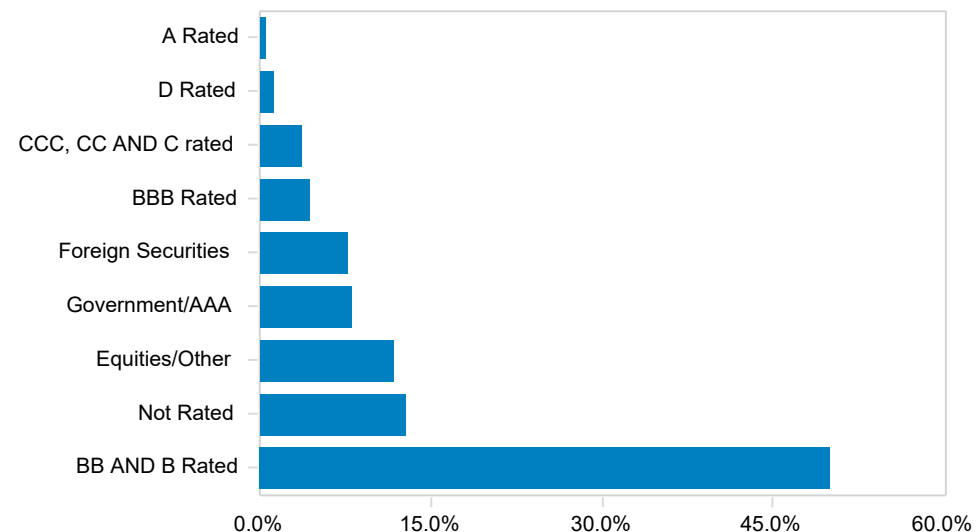
**Asset Allocation As of 03/31/2022**



**Maturity Distribution As of 03/31/2022**



**Sector/Quality Allocation As of 03/31/2022**



Statistics provided by Lipper. Most recent available data shown.



**Fund Information**

Fund Name : Pacific Funds Series Trust: Pacific Funds Floating Rate Income; Class I Shares	Portfolio Assets : \$4,453 Million
Fund Family : Pacific Funds	Portfolio Manager : Marzouk/Leasure
Ticker : PLFRX	PM Tenure : 2011--2011
Inception Date : 06/30/2011	Fund Style : IM U.S. Bank Loans (MF)
Fund Assets : \$1,997 Million	Style Benchmark : Morningstar LSTA US Leveraged Loan Index
Portfolio Turnover : 90%	

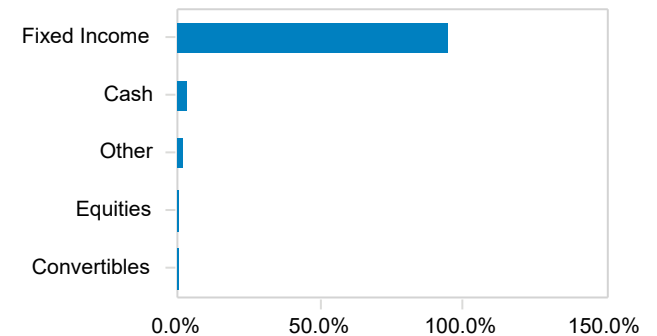
**Fund Characteristics As of 06/30/2022**

Avg. Coupon	N/A
Nominal Maturity	N/A
Effective Maturity	4.25 Years
Duration	0.45 Years
SEC 30 Day Yield	N/A
Avg. Credit Quality	B

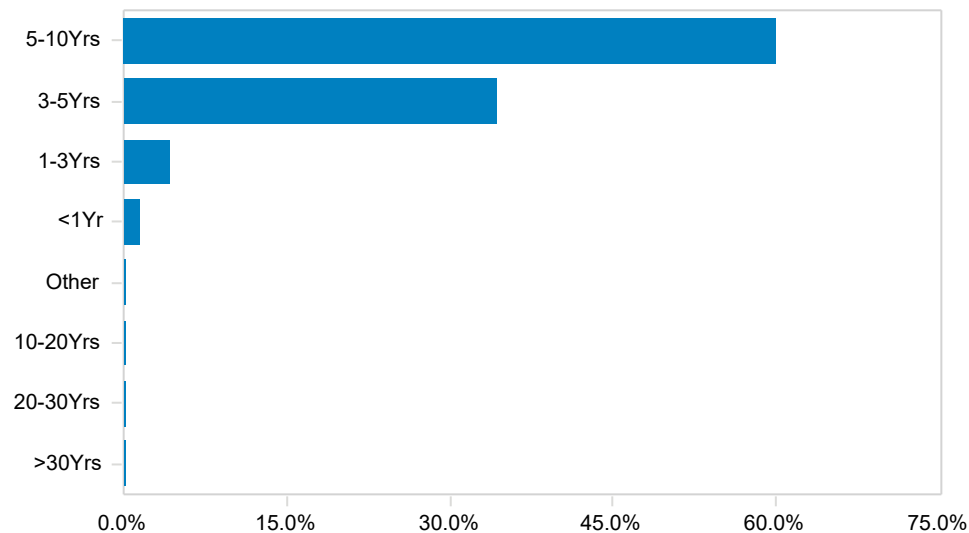
**Top Ten Securities As of 06/30/2022**

Corporate Notes/Bonds 94.7 %

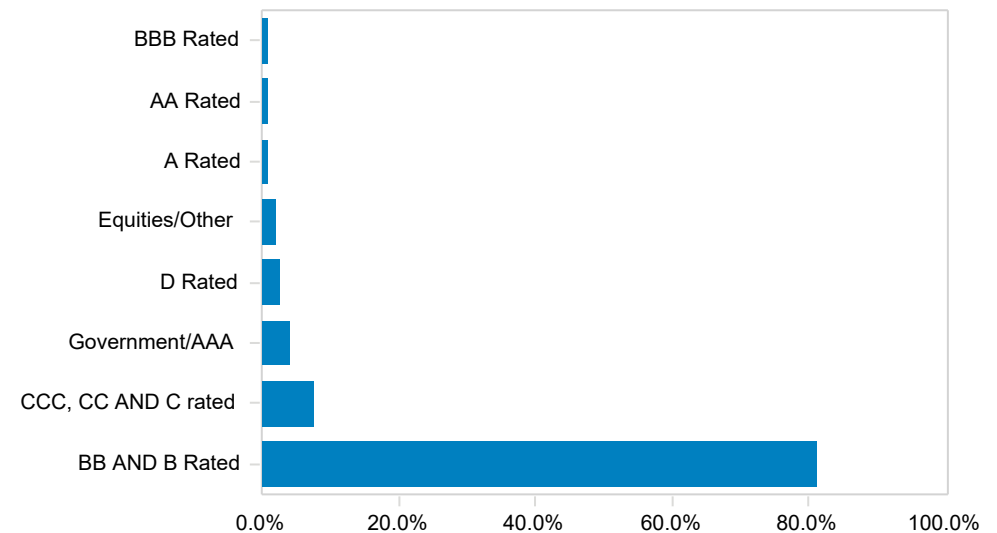
**Asset Allocation As of 06/30/2022**



**Maturity Distribution As of 06/30/2019**



**Sector/Quality Allocation As of 06/30/2022**



Statistics provided by Lipper. Most recent available data shown.



**Port of Houston OPEB  
Manager Status Summary  
As of September 30, 2022**

Manager	Mandate	Status	Notes
Fiduciary Management	Large Cap Value Equity	On Alert	2Q2021: Performance and Process Changes
Vanguard Index Fund (VINIX)	Large Cap Core Equity	In Compliance	
Stephens Mid Cap Growth	Mid Cap Growth Equity	In Compliance	
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	In Compliance	
Causeway International (CIVIX)	International Equity	In Compliance	
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	In Compliance	
BlackRock Multi-Asset (BKMIX)	GTAA	In Compliance	
Mackay Shields Core Plus	Core Plus Fixed Income	In Compliance	
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	In Compliance	

**In Compliance-** The portfolio is acting in full compliance with its guidelines and it is performing according to expectations.

**On Alert-** Concerns exist with the portfolio's performance, a change in investment characteristics, management style, ownership structure, staff or other related events.

**On Notice-** A continued and serious problem with any of the issues mentioned above. If the situation is not resolved to the Trustee's satisfaction, a replacement will be replaced and hired.



**Port of Houston Authority**  
**OPEB Fee Analysis**  
As of September 30, 2022

	Estimated Annual Fee (%)	Market Value (\$)	Estimated Annual Fee (\$)	Fee Schedule
<b>Total Fund Composite</b>	<b>0.48</b>	<b>83,198,195</b>	<b>402,229</b>	
Equity Composite	0.53	40,153,788	212,006	
Domestic Equity	0.43	30,292,621	131,257	
Fiduciary Management	0.55	8,223,426	45,229	0.55 % of Assets
Vanguard Index Fund Institutional (VINIX)	0.04	8,463,735	3,385	0.04 % of Assets
Stephens Mid Cap Growth	0.77	5,412,999	41,680	0.77 % of Assets
Barrow Hanley MeWhinney & Strauss	0.50	8,192,461	40,962	0.50 % of Assets
International Equity	0.87	5,659,056	49,234	
Causeway International (CIVIX)	0.87	5,659,056	49,234	0.87 % of Assets
Real Estate	0.75	4,202,112	31,516	
Cohen & Steers (CSRIX)	0.75	4,202,112	31,516	0.75 % of Assets
GTAA Composite	0.51	4,277,383	21,815	
BlackRock Multi-Asset Income (BKMIX)	0.51	4,277,383	21,815	0.51 % of Assets
Fixed Income Composite	0.44	43,044,407	190,223	
Core Plus Fixed Income	0.35	30,108,668	105,380	
MacKay Shields Core Plus	0.35	30,108,668	105,380	0.35 % of Assets
High Yield Fixed Income	0.71	4,197,850	29,805	
Loomis Sayles High Yield (LSHIX)	0.71	4,197,850	29,805	0.71 % of Assets
Bank Loans	0.75	4,429,722	33,223	
Pacific Funds Floating Rate (PLFRX)	0.75	4,429,722	33,223	0.75 % of Assets



**Port of Houston OPEB  
Fee Summary  
As of September 30, 2022**

Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	0.99%	0.44%	\$36,183
Vanguard Index Fund (VINIX)	Large Cap Core Equity	0.04%	0.99%	0.95%	\$80,405
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.77%	1.26%	0.49%	\$26,524
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	0.50%	1.27%	0.77%	\$63,082
Causeway International (CIVIX)	International Equity	0.87%	1.21%	0.34%	\$19,241
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.24%	0.49%	\$20,590
BlackRock Multi-Asset (BKMIX)	GTAA	0.51%	0.97%	0.46%	\$19,676
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$147,532
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.71%	1.04%	0.33%	\$13,853
Pacific Life (PLFRX)	Bank Loans	0.75%	0.90%	0.15%	
<b>Total Management Fees</b>		<b>0.48%</b>	<b>1.00%</b>	<b>0.52%</b>	<b>\$427,087</b>

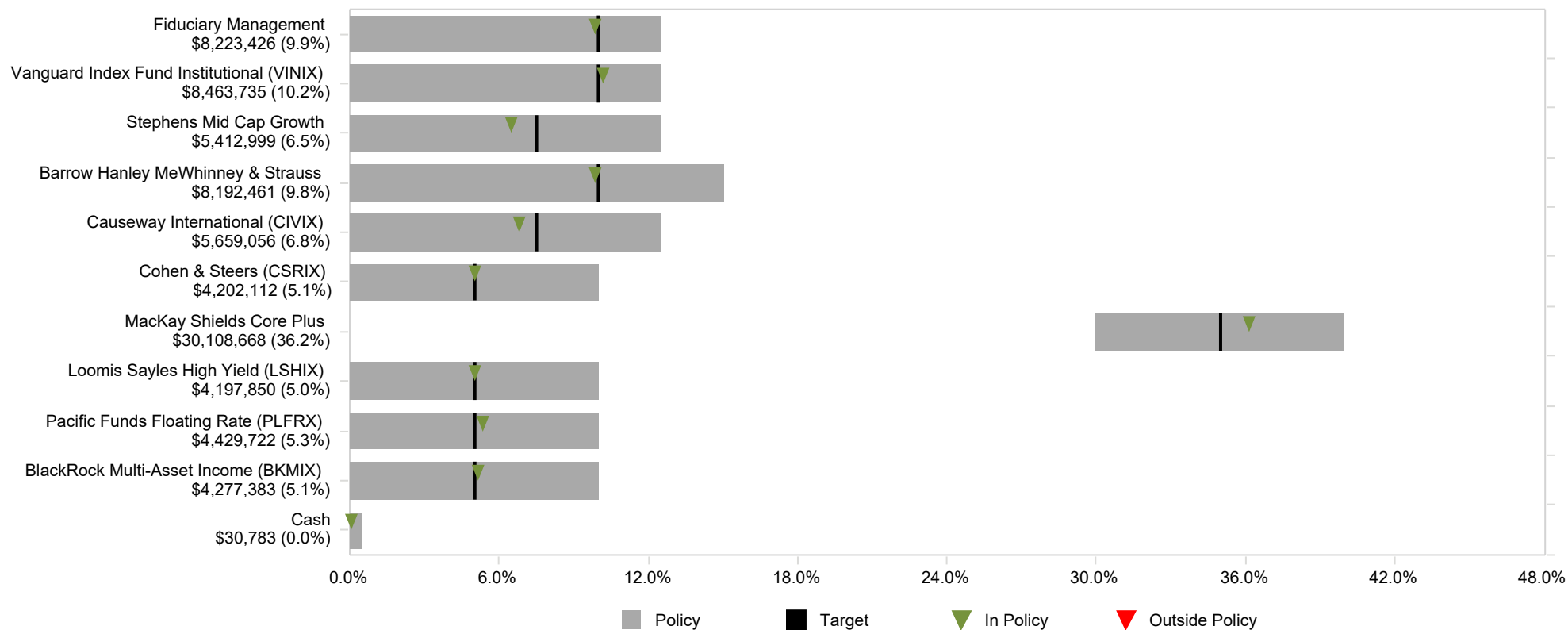
Source: Morningstar and Investment Managers



Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
<b>Total Fund Composite</b>	<b>83,198,195</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>		
Fiduciary Management	8,223,426	9.9	10.0	-0.1	0.0	12.5
Vanguard Index Fund Institutional (VINIX)	8,463,735	10.2	10.0	0.2	0.0	12.5
Stephens Mid Cap Growth	5,412,999	6.5	7.5	-1.0	0.0	12.5
Barrow Hanley MeWhinney & Strauss	8,192,461	9.8	10.0	-0.2	0.0	15.0
Causeway International (CIVIX)	5,659,056	6.8	7.5	-0.7	0.0	12.5
Cohen & Steers (CSRIX)	4,202,112	5.1	5.0	0.1	0.0	10.0
MacKay Shields Core Plus	30,108,668	36.2	35.0	1.2	30.0	40.0
Loomis Sayles High Yield (LSHIX)	4,197,850	5.0	5.0	0.0	0.0	10.0
Pacific Funds Floating Rate (PLFRX)	4,429,722	5.3	5.0	0.3	0.0	10.0
BlackRock Multi-Asset Income (BKMIX)	4,277,383	5.1	5.0	0.1	0.0	10.0
Cash	30,783	0.0	0.0	0.0	0.0	0.5

Executive Summary



<b>Historical Hybrid Composition</b>	
<b>Allocation Mandate</b>	<b>Weight (%)</b>
<b>Jan-1979</b>	
S&P 500 Index	47.50
Russell Midcap Index	12.50
Blmbg. U.S. Aggregate Index	40.00
<b>Dec-2012</b>	
S&P 500 Index	15.00
Russell Midcap Index	12.50
Russell 2000 Index	10.00
MSCI EAFE Index	12.50
Blmbg. U.S. Aggregate Index	35.00
ICE BofA U.S. High Yield Index	5.00
FTSE NAREIT All Equity REITs	5.00
Alerian MLP Index	5.00
<b>Aug-2015</b>	
S&P 500 Index	15.00
Russell Midcap Index	7.50
Russell 2000 Index	10.00
MSCI EAFE Index	7.50
Blmbg. U.S. Aggregate Index	40.00
ICE BofA U.S. High Yield Index	5.00
FTSE NAREIT All Equity REITs	5.00
Alerian MLP Index	10.00
<b>Jan-2021</b>	
S&P 500 Index	22.50
Russell Midcap Index	7.50
Russell 2000 Index	10.00
MSCI EAFE Index	7.50
Blmbg. U.S. Aggregate Index	42.50
ICE BofA U.S. High Yield Index	5.00
FTSE NAREIT All Equity REITs	5.00





<b>Active Return</b>	- Arithmetic difference between the manager's performance and the designated benchmark return over a specified time period.
<b>Alpha</b>	- A measure of the difference between a portfolio's actual performance and its expected return based on its level of risk as determined by beta. It determines the portfolio's non-systemic return, or its historical performance not explained by movements of the market.
<b>Beta</b>	- A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of the portfolio's systematic risk.
<b>Consistency</b>	- The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. Higher consistency indicates the manager has contributed more to the product's performance.
<b>Distributed to Paid In (DPI)</b>	- The ratio of money distributed to Limited Partners by the fund, relative to contributions. It is calculated by dividing cumulative distributions by paid in capital. This multiple shows the investor how much money they got back. It is a good measure for evaluating a fund later in its life because there are more distributions to measure against.
<b>Down Market Capture</b>	- The ratio of average portfolio performance over the designated benchmark during periods of negative returns. A lower value indicates better product performance
<b>Downside Risk</b>	- A measure similar to standard deviation that utilizes only the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. A higher factor is indicative of a riskier product.
<b>Excess Return</b>	- Arithmetic difference between the manager's performance and the risk-free return over a specified time period.
<b>Excess Risk</b>	- A measure of the standard deviation of a portfolio's performance relative to the risk free return.
<b>Information Ratio</b>	- This calculates the value-added contribution of the manager and is derived by dividing the active rate of return of the portfolio by the tracking error. The higher the Information Ratio, the more the manager has added value to the portfolio.
<b>Public Market Equivalent (PME)</b>	- Designs a set of analyses used in the Private Equity Industry to evaluate the performance of a Private Equity Fund against a public benchmark or index.
<b>R-Squared</b>	- The percentage of a portfolio's performance that can be explained by the behavior of the appropriate benchmark. A high R-Squared means the portfolio's performance has historically moved in the same direction as the appropriate benchmark.
<b>Return</b>	- Compounded rate of return for the period.
<b>Sharpe Ratio</b>	- Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is an absolute rate of return per unit of risk. A higher value demonstrates better historical risk-adjusted performance.
<b>Standard Deviation</b>	- A statistical measure of the range of a portfolio's performance. It represents the variability of returns around the average return over a specified time period.
<b>Total Value to Paid In (TVPI)</b>	- The ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid into the fund to date. It is a good measure of performance before the end of a fund's life
<b>Tracking Error</b>	- This is a measure of the standard deviation of a portfolio's returns in relation to the performance of its designated market benchmark.
<b>Treynor Ratio</b>	- Similar to Sharpe ratio but utilizes beta rather than excess risk as determined by standard deviation. It is calculated by taking the excess rate of return above the risk free rate divided by beta to derive the absolute rate of return per unit of risk. A higher value indicates a product has achieved better historical risk-adjusted performance.
<b>Up Market Capture</b>	- The ratio of average portfolio performance over the designated benchmark during periods of positive returns. A higher value indicates better product performance.



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