

# LGIP Risk Management

Navigating Market Volatility

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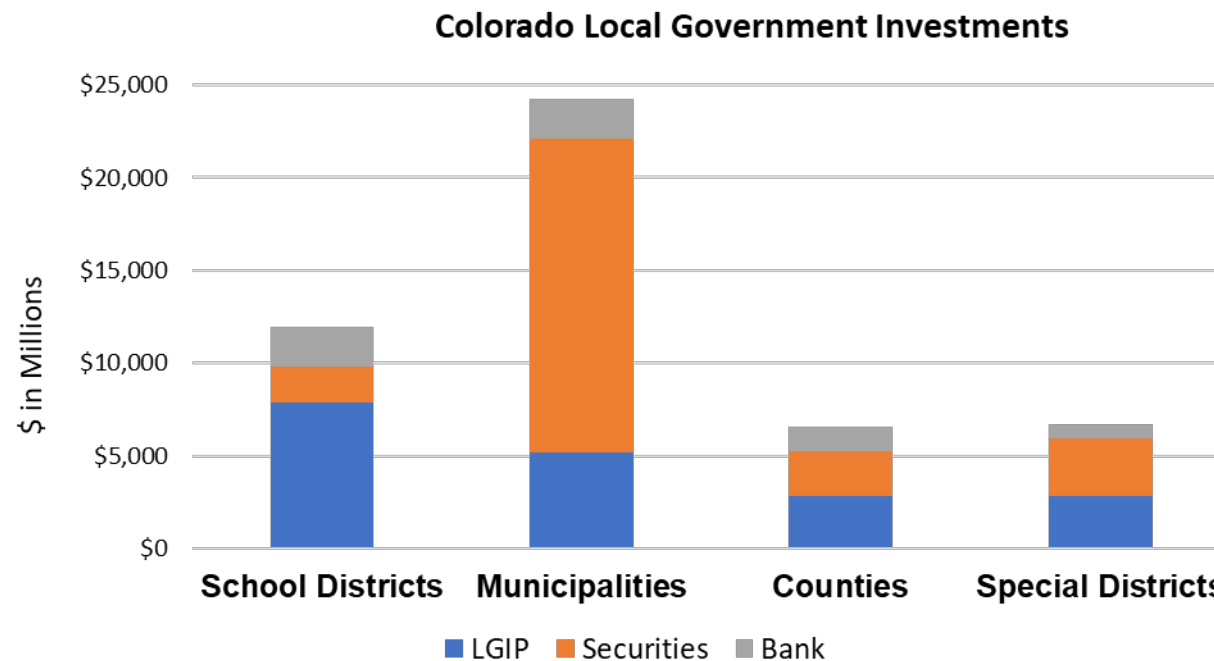




# The Colorado LGIP Market

# LGIPs in Colorado

- A local government investment pool (LGIP) is a collective investment vehicle utilized by local government entities such as municipalities, counties, school districts, and special districts to pool their available funds for investment purposes. The primary purpose of LGIPs is to provide local governments with a secure and efficient way to invest their short-term funds while maintaining liquidity and earning a competitive rate of return
- LGIPs have existing in Colorado since 1985. LGIPs are a common investment product utilized by Colorado local governments. Within each sector, the percentage of local government assets that are invested in Colorado LGIPs is as follows:
  - School districts (59.1%)
  - Municipalities (20.4%)
  - Counties (41.1%)
  - Special districts (38.5%).



Source: Investing Public Funds in Colorado

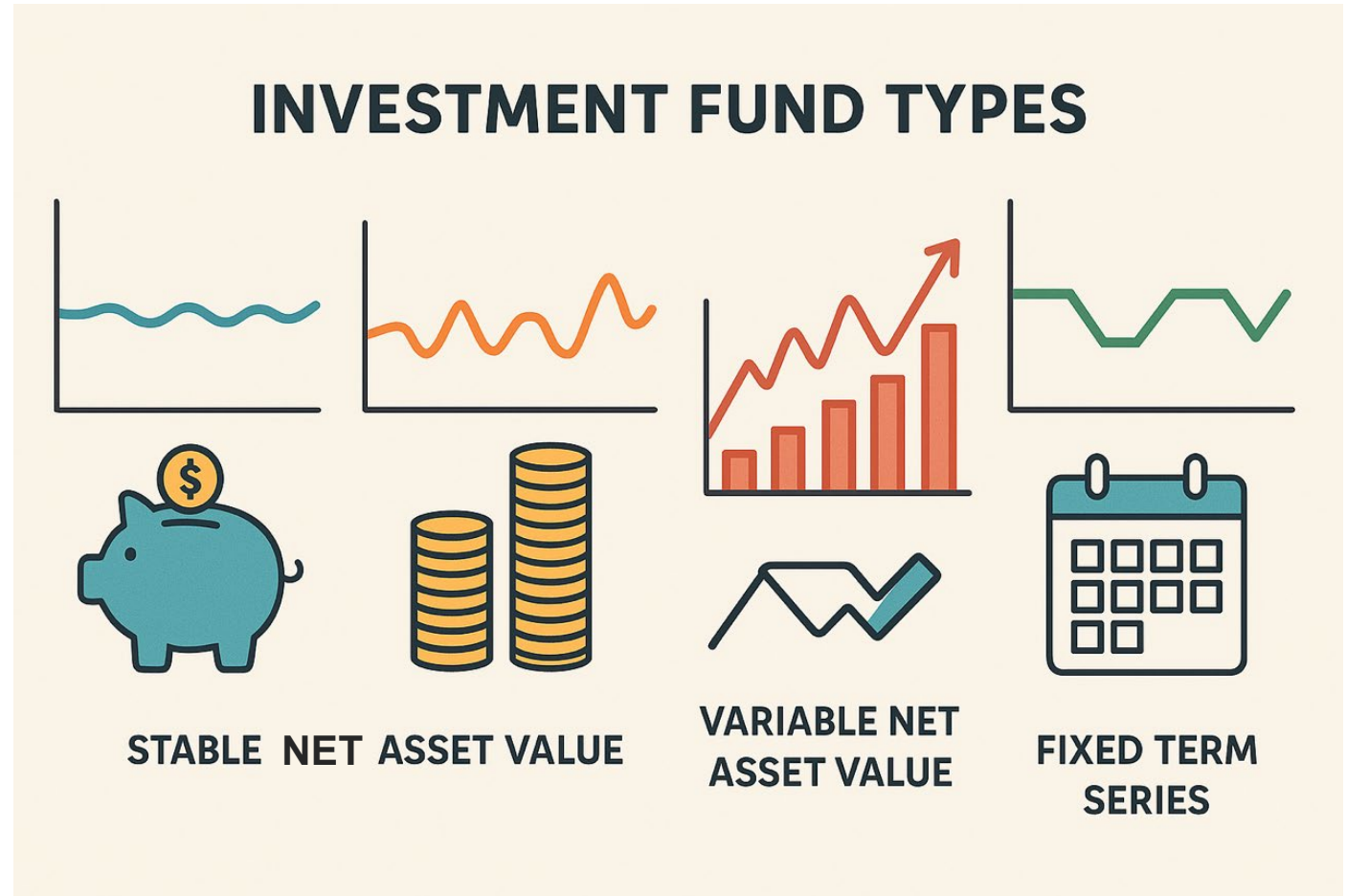
# Not all LGIPs are the same

## ■ Fund Types

- Stable Net Asset Value
  - GASB 79 complaint
  - FASB compliant
- Variable Net Asset Value
  - Short Term
  - Long Term
- Fixed Rate Term Series

## ■ Fund structure

- Diversification
- Liquidity
- Credit exposure
- Expense ratio



# GASB 79

GASB Statement No. 79 (GASB 79) was adopted in 2015. The National Association of State Treasurers published an excellent report on this topic titled: *Voluntary Guidelines for the Management of Stable Net Asset Value Local Government Investment Pools: Recommended Best Practices for Stable NAV pools.*

GASB 79 is quite detailed, but key portfolio management guidelines include:

- **Maturity Requirements.** All securities in the portfolio must have a maturity of 397 days or less. The portfolio's weighted average maturity must be 60 days or less and the portfolio's weighted average life should be 120 days or less.
- **Diversification.** No more than 5% of the portfolio's assets are from a single issuer. U.S. government securities are exempt from this requirement.
- **Liquidity.** 90% of the portfolio should be comprised of highly liquid investments. In addition, at least 10% of the portfolio's assets must be in daily liquid assets, in addition to at least 30% being held in weekly liquid assets as those thresholds are defined in GASB 79. These minimum liquidity requirements are an important safety element.
- **Portfolio Quality.** An LGIP should maintain an approved issuer list. Securities must be rated in the highest category of short-term ratings.



# Colorado LGIPs

- LGIPs typically invest in a diversified portfolio of short-term securities such as U.S. Treasury bills, commercial paper, negotiable CDs, and other fixed-income instruments with relatively low risk and short-term maturities. The income generated from these investments is distributed pro-rata among the participants in the pool based on their respective contributions.

## Colorado LGIPs

LGIP	Year Established	Portfolio / Assets (\$ million)	Expense Ratio
CSIP	2017	<ul style="list-style-type: none"> <li>• Liquid Portfolio \$2,091</li> <li>• Term Portfolio \$565</li> </ul>	<ul style="list-style-type: none"> <li>13 basis points</li> <li>13 basis points</li> </ul>
COLOTRUST	1985	<ul style="list-style-type: none"> <li>• Prime \$774</li> <li>• Plus \$13,982</li> <li>• Edge \$512</li> </ul>	<ul style="list-style-type: none"> <li>12 basis points</li> <li>12 basis points</li> <li>8 basis points</li> </ul>
CSAFE	1988	<ul style="list-style-type: none"> <li>• Cash \$3,236</li> <li>\$2,699</li> </ul>	<ul style="list-style-type: none"> <li>16 basis points</li> <li>15 basis points</li> </ul>
CSLIP	2024	<ul style="list-style-type: none"> <li>• Liquid \$474</li> </ul>	16 basis points

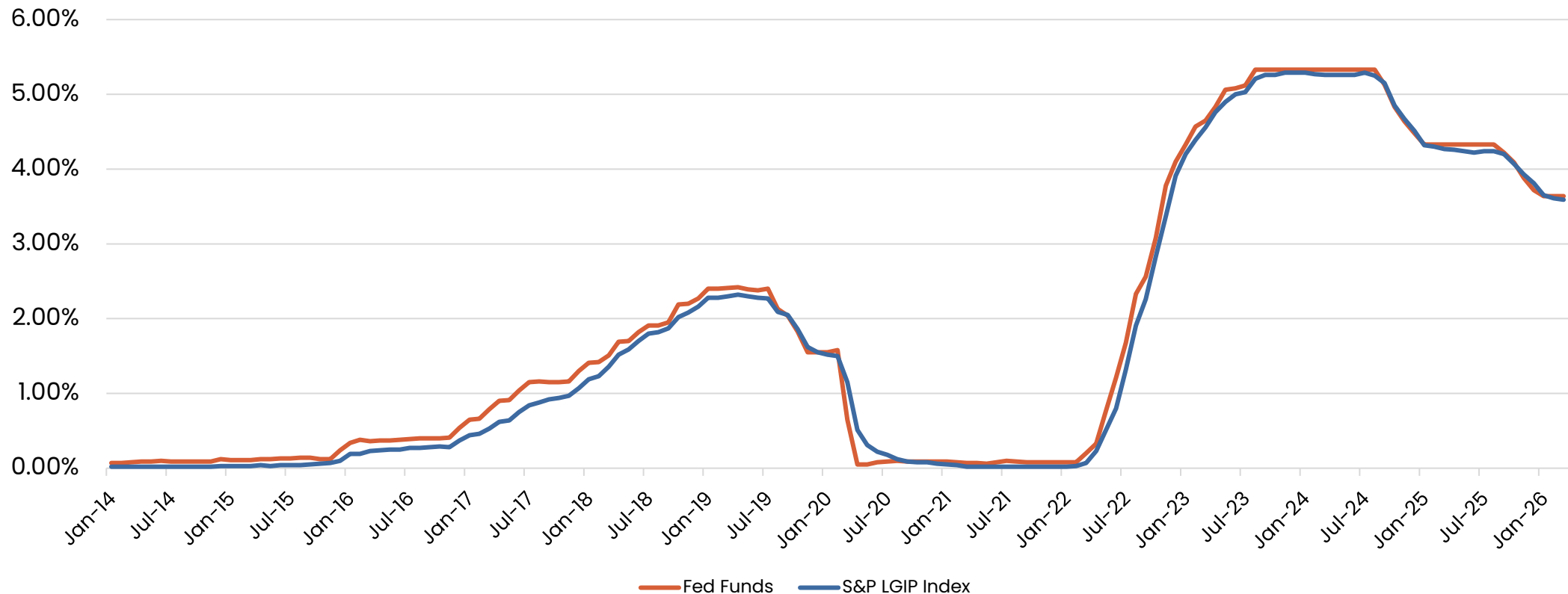
Sources: csipinvest.com, colotrust.com, csafe.org, cslip.org

Note: All information is as reported in financial reports dated 12/31/25. Expense ratios are shown net of fee waivers. The CSAFE Core portfolio includes \$357 million of CSAFE Cash assets.

# LGIP Yield Dynamics

The federal funds rate (Fed Funds) is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. Changes in the federal funds rate trigger a chain of events that affect other short-term interest rates, including LGIP yields.

### Fed Funds vs. S&P LGIP Index



Source: Bloomberg

# Elements to Managing an LGIP

## Investments

Investments must comply with Colorado Revised Statutes, the LGIP's investment policy and the rating agency guidelines

## Operations

An LGIP must have the systems in place to monitor portfolio holdings, facilitate trading, client service, participant transactions and website reporting

## Strategies

The portfolio strategies of an LGIP are designed to provide competitive yields and manage risk

## Compliance

An LGIP should have the systems and experience to monitor portfolio compliance, trading activity, marketing disclosures and distribution rules (FINRA)

# Daily LGIP Management Process



## • Review portfolio holdings

- Floating rate securities
- Fixed rate securities
- Repo
- MMF



## Confirm liquidity levels

- 1 day
- 7 day



## Review exposures

- Issuer
- Sector
- Country



## Assess transaction activity

- Redemptions
- Purchases



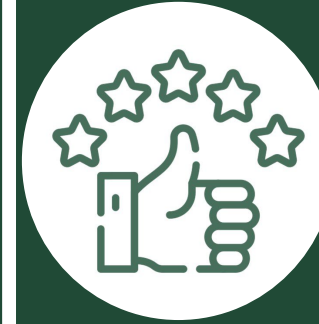
## Review investment opportunities

- Spread levels
- Supply
- WAM/WAL constraints



## Fund close

- Finalize repo
- Verify portfolio compliance
- Strike NAV



## Trade Completion

- Review trade tickets
- Confirm trade settlement

# LGIP Transparency



## Monthly

Fact Sheets  
Portfolio Holdings  
Newsletter  
Portfolio Stress  
Tests



## Quarterly

Board meetings  
Financial Reports  
Colorado Division  
of Securities  
Reporting



## Annual

Financial Audit  
Board member  
elections



# **Portfolio Management and Credit Analysis**

# Constructing a Portfolio

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## ■ Duration Risk

- Weighted Average Maturity (WAM) is the key metric to assess sensitivity to changes in interest rates.
- WAM is limited to 60 days maximum.

## ■ Credit Risk

- Weighted Average Life (WAL) evaluates sensitivity to changes in credit spreads.
- The maximum permitted WAL is 90 days.

## ■ Sector Allocation

- Diversifying investments across sectors/industries reduces risk and can enhance returns.

## ■ Security Selection

- Rating minimums (A-1/P-1), issuer concentration limitations (5%, or 10% at the parent/sponsor level) reduce idiosyncratic risks.
- This must be supplemented by thorough credit analysis and monitoring.

## ■ Liquidity Management

- A minimum of 10% must be available overnight, and 30% maturing within 7-days (GASB 79).

# Duration Strategies

## Scenario A: Rising interest rates:

Shorten the Weighted Average Maturity (WAM) to safeguard principal value and allow reinvestment at higher rates.

## Scenario B: Falling interest rates:

Lengthen the WAM to lock-in higher rates and reduce reinvestment risk.

## Scenario C: Stable interest rates:

Extend the WAM to capitalize on a steeper yield curve and higher rates.

PRIME Money Market Fund WAM



Source: SEC.gov

# Credit Strategies

## **Scenario A: Improving credit conditions:**

Accelerating economic growth, looser financial conditions.

Extend the Weighted Average Life (WAL) to take advantage of tightening credit spreads and rising principal values.

## **Scenario B: Deteriorating credit conditions:**

Declining economic growth, tighter financial conditions.

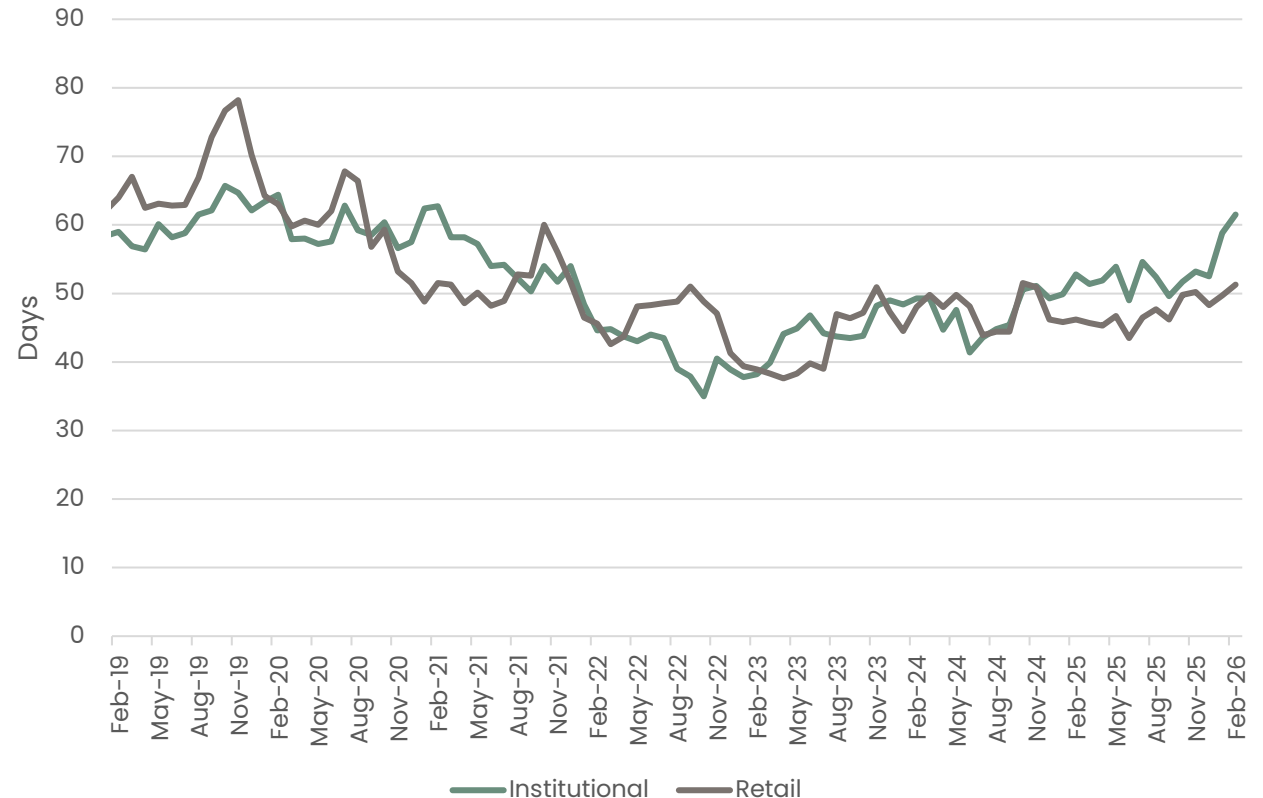
Reduce WAL to protect principal value.

## **Scenario C: Stable credit conditions:**

Modest growth, neutral financial conditions:

Extend the WAM to maximize carry/yield.

**PRIME Money Market Fund WAL**



Source: SEC.gov

# Eligible Credit Investments

- **Negotiable Certificates of Deposit**
  - Short-term (<12mo) secured loans issues by deposit-taking institutions
  - Issued at a discount, or as a floating rate note
  - Lower availability, larger minimum sizes (\$25-\$50 million)
- **Commercial Paper**
  - Short-term unsecured loans to manage working capital needs
  - Issued at a discount, or as a floating rate security
  - Allows diversification into non-financial issuers
  - More availability than the CD market, lower minimums
- **Asset-Backed Commercial Paper**
  - Important subset of CP market, ~30%
  - Collateralized by receivables on underlying loans e.g. auto, credit card
  - Multi-seller vs. single seller program
  - Credit and liquidity support
  - Bankruptcy remote, sponsor strength key
- **Corporate Securities**
  - Allows further diversification, but could exhibit more volatility



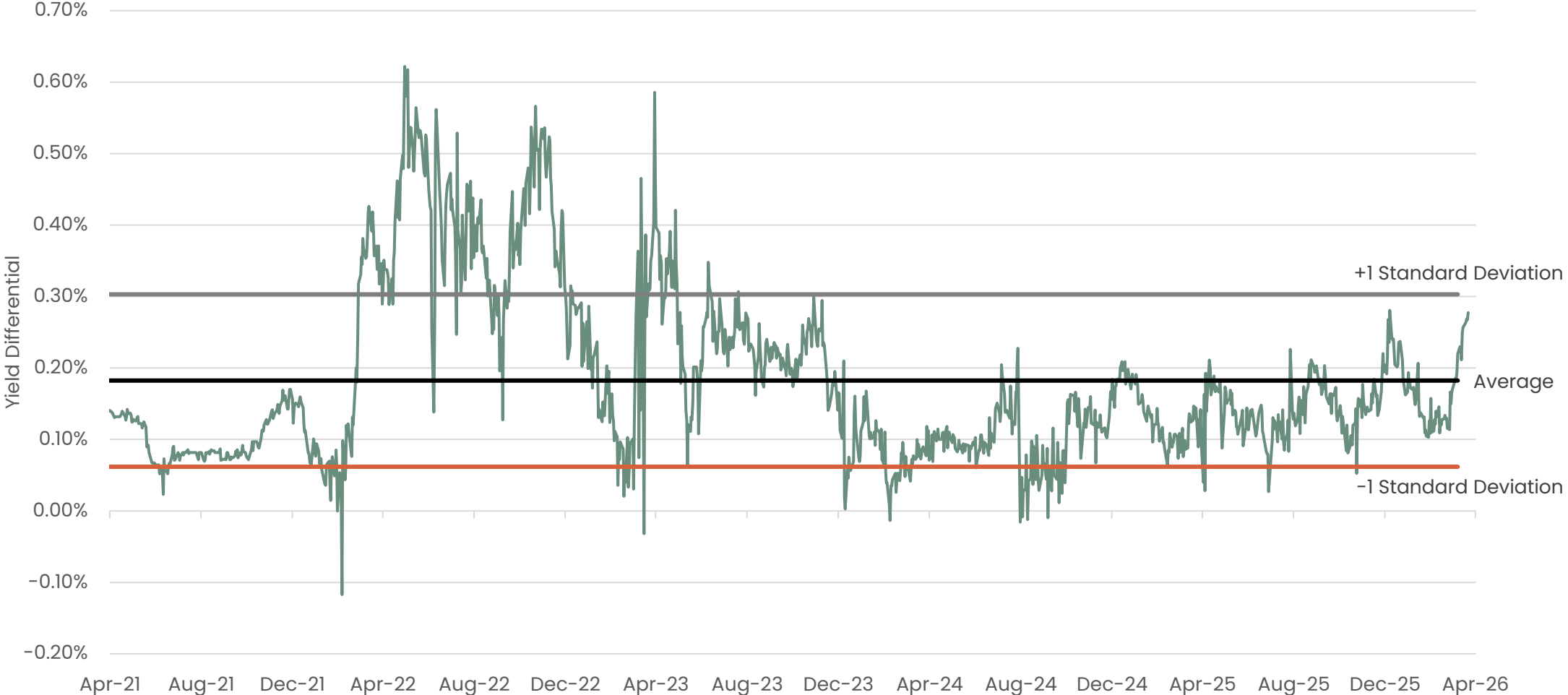
Colorado  
LGIPs have  
79% exposure  
to credit  
instruments

# Commercial Paper

	Section 3(a)(3) CP	Section 4(a)(2) CP
Securities Act exemption	§3(a)(3)	§4(a)(2)
Nature of exemption	Security-based	Transaction-based (private placement)
Use of proceeds	Must fund "current transactions"	No "current transaction" requirement
Maximum maturity	≤ 270 days (9 months)	No statutory limit, but market practice ≤ 270 days
Distribution	Broadly sold via dealers	Private placement only
Investors	Institutional CP buyers	Accredited / sophisticated investors only
Resale	Freely tradable in CP market	Restricted resale
Common issuers	Corporates, banks	Financials, ABCP conduits, corporates
MMF eligibility	Common	Common (subject to Rule 2a-7)

# Credit Risk Premium

## 180 Day A1/P1 CP vs 6 Month Bills



Source: Bloomberg

# Repurchase Agreements (“Repos”)

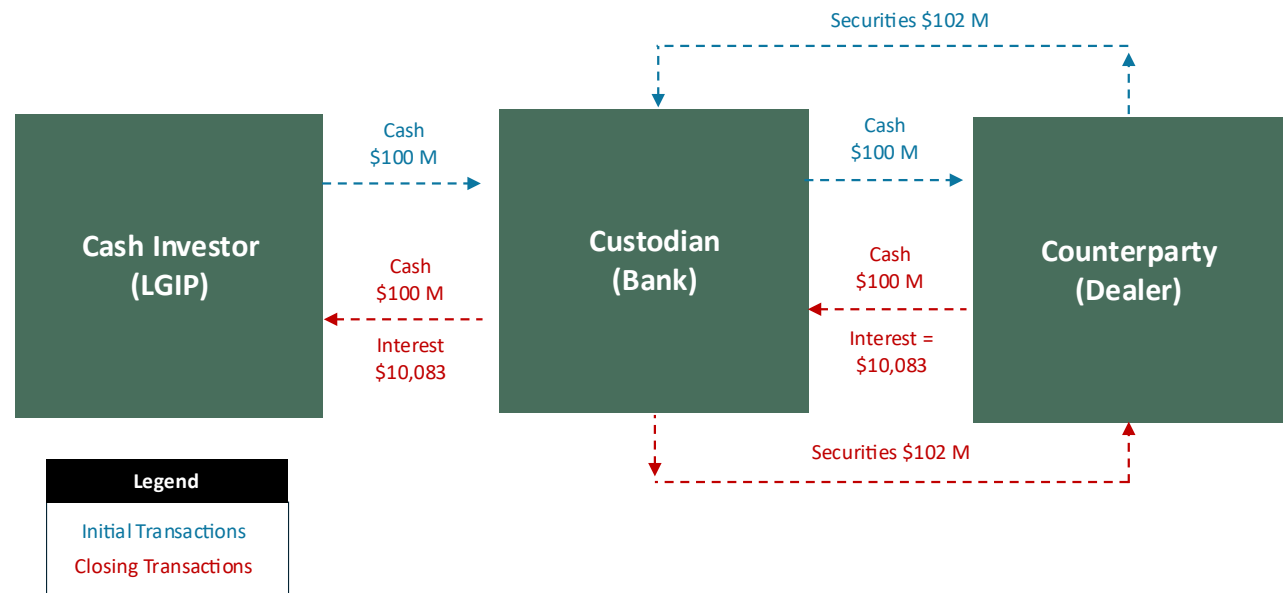
- One party (a dealer) sells a security for cash (to an LGIP) and agrees to repurchase it on a certain date
- A custodian bank acts as the intermediary, forming a contractual tri-party agreement
- Repos allow LGIPs to earn interest on cash while maintaining safety and liquidity
- Repo interest rates are influenced by several factors:

- Federal funds rate
  - Market liquidity
  - Credit conditions
- Macro factors
- Counterparty risk
  - Underlying collateral
  - Repo term
- Micro factors

- Upcoming repo market reform: central clearing

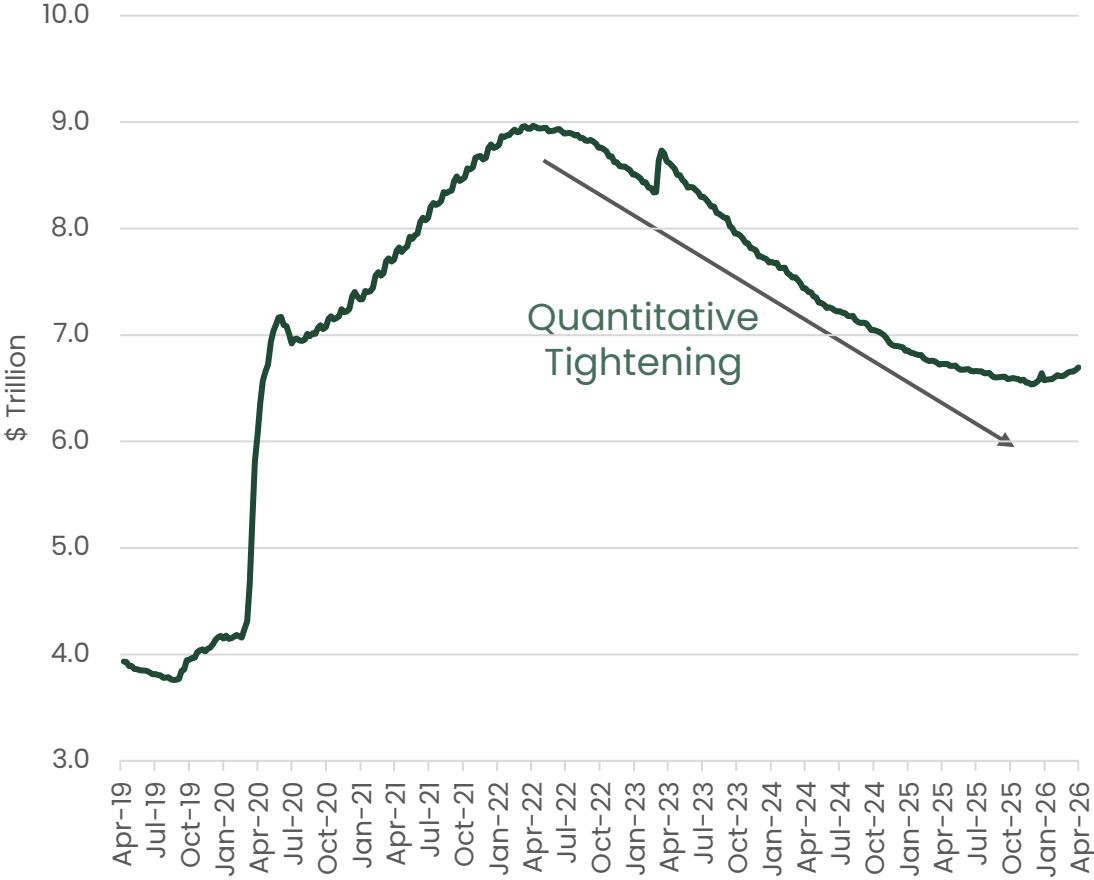
- Reduce counterparty risk and rate volatility, particularly during month/quarter end

Tri-Party Repo Flow of Funds



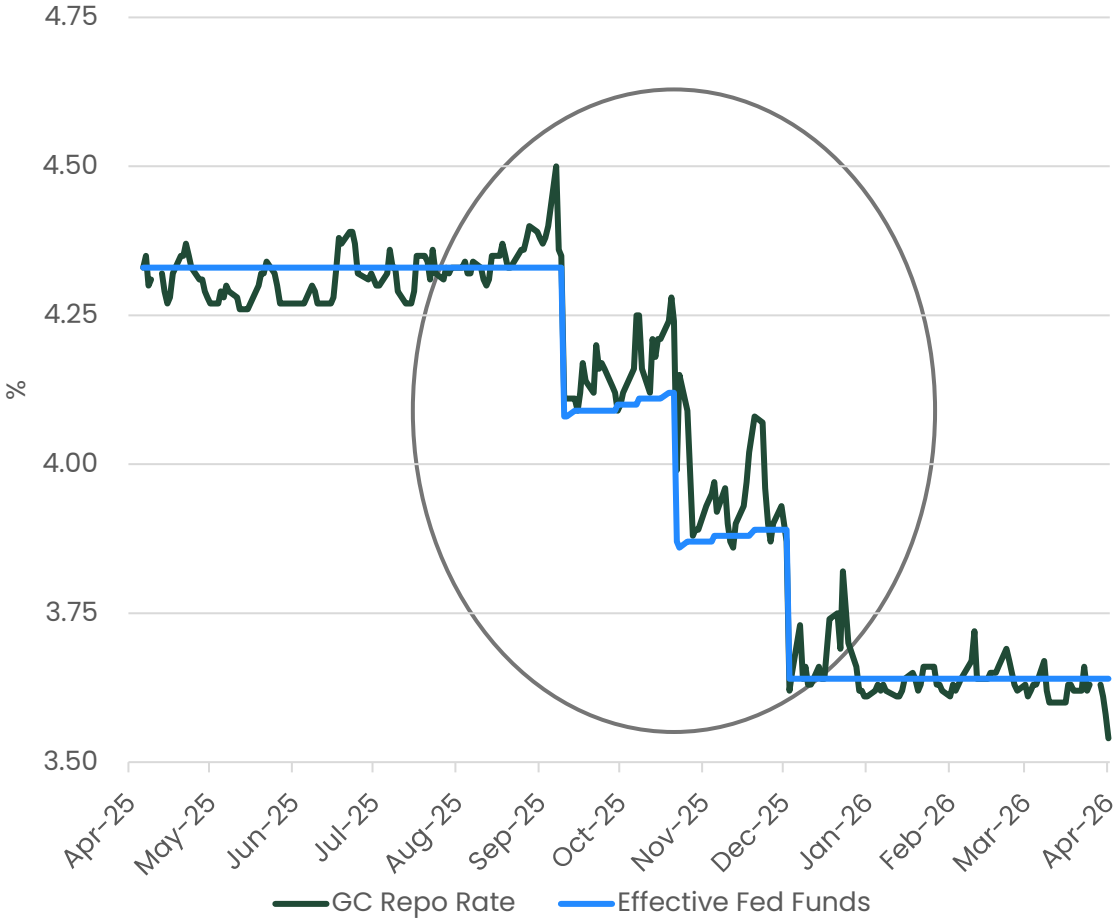
# Repo Rates

Federal Reserve Balance Sheet



Source: Bloomberg

Fed Funds and Repo Rates



# Security Analysis

- Credit analysis is an integral part of the investment process
- Financial institutions comprise the majority of LGIP assets
- Foreign (parent) entities form a significant portion
- Understanding the unique macro and business environment, and risk-taking culture is key

**Win by not losing!**

## Quantitative Analysis

1. PROFITABILITY: return on equity, return on assets
2. ASSET QUALITY: non-performing loan ratio
3. FUNDING STRUCTURE: loan to deposit ratio
4. CAPITAL ADEQUACY: capital and leverage ratios
5. LIQUIDITY: liquidity coverage ratio

## Qualitative Analysis

1. BUSINESS RISK: dependence on capital markets, unreliable deposits, higher risk loans
2. GEOGRAPHICAL RISK: operations in volatile markets, opaque regulations
3. GOVERNANCE ISSUES: history of weak internal risk controls

# Colorado LGIP Key Characteristics

	COLOTRUST+	CSAFE Cash	CSIP	CSLIP
<b>Investment Advisor</b>	PTMA	Morgan Stanley	PFMAM	State Street
<b>Fund Assets (\$ million)</b>	\$13,982	\$3,236	\$2,091	\$474
<b>Ratings</b>	AAAm	AAAmmf	AAAm/AAAmmf	AAAm
<b>GASB 79</b>	No	Yes	Yes	Yes
<b>WAM (days)</b>	42	24	45	44
<b>WAL (days)</b>	81	74	82	82
<b>Repurchase Agreements</b>	14.8%	-	29.9%	24.5%
<b>Commercial Paper</b>	46.5%	25.0%	36.1%	27.9%
<b>Asset-Backed Commercial Paper</b>	23.1%	61.2%	11.9%	14.9%
<b>Certificates of Deposit</b>	9.4%	5.0%	18.8%	24.0%
<b>Corporates</b>	-	-	-	0.8%
<b>US Treasuries</b>	-	-	2.3%	4.2%
<b>Money Market Funds</b>	6.8%	8.6%	1.0%	3.6%
<b>Fixed Rate</b>	62.5%	66.7%	68.3%	69.2%
<b>Floating Rate</b>	37.5%	33.3%	31.7%	30.8%

Sources: csipinvest.com, colotrust.com, csafe.org, cslip.org.

Note: All information is as reported in financial reports dated 12/31/25.

Percentages may not add to 100% due to rounding.



# Maintaining a Stable NAV

# Maintaining a Stable Net Asset Value

- To achieve the goal of maintaining \$1.00 per share, an investment advisor can employ a number of strategies, policies and investment approaches to help ensure that a stable net asset value is maintained during volatile market environments.
- Stable net asset value LGIPs can use the amortized cost method to value the portfolio if it meets GASB 79 criteria and elects to follow its requirements to value the portfolio.
- The amortized cost method ignores changes in the market value of securities in the portfolio. In order to assess the impact of security prices and interest rates, the rating agencies often require an LGIP's investment advisor to conduct regular "stress tests" on the portfolio.
- Stress testing (sometimes referred to as "scenario" or "what-if" analysis) can be an effective tool to track the sensitivity of a fund's marked-to-market net asset value to changes in interest rates, credit spread movements, net redemptions, and the combined effects of these items.



# LGIP Stress Tests

- The value of securities in an LGIP portfolio can change for a variety of reasons:
  - Change in interest rates
  - Declines in the value of credit instruments (commercial paper, negotiable CDs)
  - A change in the relative value of credit instruments (credit spreads)
  - Large simultaneous redemptions in the LGIP (run on the fund)
- Potential Results
  - Decline in Net Asset Value below \$0.995 (Breaking the Buck)
  - Loss of credit rating
  - Allocation of fund losses to investors
  - Suspension of fund activity
  - Closing of the fund
- Stress Test Example
  - \$1 billion portfolio
  - 35% allocation to credit instruments
  - AAAM rated, GASB 79 compliant

# LGIP Stress Test Model

Security	Amortized Cost	% Allocation	Maturity to Reset Date (WAM)			Final Maturity (WAL)			Net Asset Value Calculation	
			Reset Date	Day Count	Reset Calculation	Maturity	Day Count	Final Calculation	Security Price	Market Value
U.S. Treasury #1	\$100,000,000	10.0%	8/12/2025	120	12,000,000,000	8/12/2025	120	12,000,000,000	0.999876123	\$99,987,612
U.S. Treasury #2	\$75,000,000	7.5%	4/19/2025	5	375,000,000	4/19/2025	5	375,000,000	1.000001540	\$75,000,116
U.S. Treasury #3	\$128,000,000	12.8%	5/14/2025	30	3,840,000,000	5/14/2025	30	3,840,000,000	1.000022573	\$128,002,889
Commercial Paper #1	\$34,000,000	3.4%	4/28/2025	14	476,000,000	4/28/2025	14	476,000,000	1.000193968	\$34,006,595
Commercial Paper #2	\$42,000,000	4.2%	5/29/2025	60	2,520,000,000	5/29/2025	45	1,890,000,000	1.000259097	\$42,010,882
Commercial Paper #3	\$46,000,000	4.6%	7/18/2025	95	4,370,000,000	7/18/2025	95	4,370,000,000	1.000180280	\$46,008,293
Commercial Paper #4	\$38,000,000	3.8%	6/13/2025	60	2,280,000,000	6/13/2025	60	2,280,000,000	1.000162535	\$38,006,176
Commercial Paper #5	\$33,000,000	3.3%	10/19/2025	188	6,204,000,000	10/19/2025	188	6,204,000,000	0.999852474	\$32,995,132
Commercial Paper #6	\$47,000,000	4.7%	7/29/2025	106	4,982,000,000	7/29/2025	106	4,982,000,000	0.999001543	\$46,953,073
Repurchase agreement	200,000,000	20.0%	4/15/2025	1	200,000,000	4/15/2025	1	200,000,000	1.000000000	\$200,000,000
Negotiable CD #1	\$32,000,000	3.2%	7/8/2025	85	2,720,000,000	7/8/2025	85	2,720,000,000	1.000211363	\$32,006,764
Negotiable CD #2	\$36,000,000	3.6%	8/12/2025	120	4,320,000,000	8/12/2025	120	4,320,000,000	1.000194547	\$36,007,004
Negotiable CD #3	\$44,000,000	4.4%	10/9/2025	178	7,832,000,000	10/9/2025	178	7,832,000,000	1.000163980	\$44,007,215
Federal Agency #1	\$86,000,000	8.6%	4/21/2025	30	2,580,000,000	2/8/2026	300	25,800,000,000	0.999945898	\$85,995,347
Federal Agency #2	\$59,000,000	5.9%	5/14/2025	7	413,000,000	8/12/2025	120	7,080,000,000	1.000232814	\$59,013,736
<b>Totals</b>	<b>\$1,000,000,000</b>	<b>100.0%</b>		<b>55</b>	<b>55,112,000,000</b>		<b>84</b>	<b>84,369,000,000</b>	<b>1.000008833</b>	<b>\$1,000,000,833</b>

## Portfolio Metrics

Metric	Value	Threshold	Compliance
1-Day Allocation	20.0%	10%	<b>COMPLIANT</b>
7-Day Allocation	33.4%	30%	<b>COMPLIANT</b>
Issuer Credit		5%	<b>COMPLIANT</b>
WAM	55	60 Days	<b>COMPLIANT</b>
WAL	84	90 Days	<b>COMPLIANT</b>
NAV (Market Value)	1.0000088331	0.9975	<b>COMPLIANT</b>

## Stress Test Dashboard

Metric	Value
Large Redemption	-
Interest Rate Shift (bps)	0
Credit Loss (%)	0%
Credit Spread Widening (bps)	0
Credit % of Portfolio	35%
% Corp Floaters	0

# LGIP Stress Test: Scenario #1

Security	Amortized Cost	% Allocation	Maturity to Reset Date (WAM)			Final Maturity (WAL)			Net Asset Value Calculation	
			Reset Date	Day Count	Reset Calculation	Maturity	Day Count	Final Calculation	Security Price	Market Value
U.S. Treasury #1	\$100,000,000	11.1%	8/12/2025	120	12,000,000,000	8/12/2025	120	12,000,000,000	0.999876123	\$99,987,612
U.S. Treasury #2	\$75,000,000	8.3%	4/19/2025	5	375,000,000	4/19/2025	5	375,000,000	1.000001540	\$75,000,116
U.S. Treasury #3	\$128,000,000	14.2%	5/14/2025	30	3,840,000,000	5/14/2025	30	3,840,000,000	1.000022573	\$128,002,889
Commercial Paper #1	\$34,000,000	3.8%	4/28/2025	14	476,000,000	4/28/2025	14	476,000,000	1.000193968	\$34,006,595
Commercial Paper #2	\$42,000,000	4.7%	5/29/2025	60	2,520,000,000	5/29/2025	45	1,890,000,000	1.000259097	\$42,010,882
Commercial Paper #3	\$46,000,000	5.1%	7/18/2025	95	4,370,000,000	7/18/2025	95	4,370,000,000	1.000180280	\$46,008,293
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Repurchase agreement	100,000,000	11.1%	4/15/2025	1	100,000,000	4/15/2025	1	100,000,000	1.000000000	\$100,000,000
Negotiable CD #1	\$32,000,000	3.6%	7/8/2025	85	2,720,000,000	7/8/2025	85	2,720,000,000	1.000211363	\$32,006,764
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<b>Totals</b>	<b>\$900,000,000</b>	<b>100.0%</b>		<b>61</b>	<b>55,012,000,000</b>		<b>94</b>	<b>84,269,000,000</b>	<b>1.000000926</b>	<b>\$900,000,833</b>

## Portfolio Metrics

Metric	Value	Threshold	Compliance
1-Day Allocation	11.1%	10%	COMPLIANT
7-Day Allocation	26.0%	30%	VIOLATION
Issuer Credit		5%	VIOLATION
WAM	61	60 Days	VIOLATION
WAL	94	90 Days	VIOLATION
NAV (Market Value)	1.0000009257	0.9975	COMPLIANT

## Stress Test Dashboard

Metric	Value
Large Redemption	(100,000,000)
Interest Rate Shift (bps)	0
Credit Loss (%)	0%
Credit Spread Widening (bps)	0
Credit % of Portfolio	35%
% Corp Floaters	0

## Scenario

- \$100 million redemption

# LGIP Stress Test: Scenario #2

Security	Amortized Cost	% Allocation	Maturity to Reset Date (WAM)			Final Maturity (WAL)			Net Asset Value Calculation	
			Reset Date	Day Count	Reset Calculation	Maturity	Day Count	Final Calculation	Security Price	Market Value
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Commercial Paper #5	\$33,000,000	3.5%	10/19/2025	188	6,204,000,000	10/19/2025	188	6,204,000,000	0.999852474	\$32,995,132
Commercial Paper #6	\$47,000,000	4.9%	7/29/2025	106	4,982,000,000	7/29/2025	106	4,982,000,000	0.999001543	\$46,953,073
Repurchase agreement	150,000,000	15.8%	4/15/2025	1	150,000,000	4/15/2025	1	150,000,000	1.000000000	\$150,000,000
Negotiable CD #1	\$32,000,000	3.4%	7/8/2025	85	2,720,000,000	7/8/2025	85	2,720,000,000	1.000211363	\$32,006,764
Negotiable CD #2	\$36,000,000	3.8%	8/12/2025	120	4,320,000,000	8/12/2025	120	4,320,000,000	1.000194547	\$36,007,004
Negotiable CD #3	\$44,000,000	4.6%	10/9/2025	178	7,832,000,000	10/9/2025	178	7,832,000,000	0.980160700	\$43,127,071
Federal Agency #1	\$86,000,000	9.1%	4/21/2025	30	2,580,000,000	2/8/2026	300	25,800,000,000	0.999945898	\$85,995,347
Federal Agency #2	\$59,000,000	6.2%	5/14/2025	7	413,000,000	8/12/2025	120	7,080,000,000	1.000232814	\$59,013,736
<b>Totals</b>	<b>\$950,000,000</b>	<b>100.0%</b>		<b>58</b>	<b>55,062,000,000</b>		<b>89</b>	<b>84,319,000,000</b>	<b>0.998105814</b>	<b>\$948,200,523</b>

## Portfolio Metrics

Metric	Value	Threshold	Compliance
1-Day Allocation	15.8%	10%	COMPLIANT
7-Day Allocation	29.9%	30%	VIOLATION
Issuer Credit		5%	COMPLIANT
WAM	58	60 Days	COMPLIANT
WAL	89	90 Days	COMPLIANT
NAV (Market Value)	0.9945130876	0.9975	BROKE THE BUCK

## Stress Test Dashboard

Metric	Value
Large Redemption	(50,000,000)
Interest Rate Shift (bps)	200
Credit Loss (%)	-2%
Credit Spread Widening (bps)	75
Credit % of Portfolio	35%
% Corp Floaters	0

## Scenario

\$50 million redemption

Interest rates increase 200 basis points

2% market value decline in two issues

Credit spreads widen 75 basis points

# Low Stress Test Scenario

## Principal Stability Fund Rating Sensitivity Matrix

WAM (R)	45
WAM (F)	84
Shares Outstanding:	1,000,000,000.00
Total Fund Assets:	1,000,158,000.00
Market Value (NAV):	1.000158
Credit Spread Movement (bps):	20
% Total Credit (Non Gov't) Securities (of portfolio)	75%
% Corporate Floaters (of portfolio)	10%
Total \$ Loss:	\$0
Total \$ Gain:	\$158,000

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**S&P Global**  
Ratings

 S&P/Board Notification  
 Fund Freeze/Closure

Basis Point Shift	Stressed Redemption Scenario of 10%									Gain (Loss)
	Selected Shareholders									
300	0.993557	0.995837	0.995316	0.995837	0.996056	0.996253	0.996431	0.996878		(3,746,932)
250	0.994617	0.996522	0.996087	0.996522	0.996705	0.996870	0.997019	0.997391		(3,130,493)
200	0.995677	0.997207	0.996857	0.997207	0.997354	0.997486	0.997606	0.997905		(2,514,055)
175	0.996207	0.997549	0.997243	0.997549	0.997678	0.997794	0.997899	0.998162		(2,205,836)
150	0.996737	0.997892	0.997628	0.997892	0.998003	0.998102	0.998193	0.998419		(1,897,616)
125	0.997267	0.998234	0.998013	0.998234	0.998327	0.998411	0.998486	0.998676		(1,589,397)
100	0.997797	0.998576	0.998399	0.998576	0.998651	0.998719	0.998780	0.998932		(1,281,178)
75	0.998327	0.998919	0.998784	0.998919	0.998976	0.999027	0.999073	0.999189		(972,959)
50	0.998857	0.999261	0.999169	0.999261	0.999300	0.999335	0.999367	0.999446		(664,740)
25	0.999387	0.999604	0.999554	0.999604	0.999625	0.999643	0.999660	0.999703		(356,521)
0	0.999917	0.999946	0.999940	0.999946	0.999949	0.999952	0.999954	0.999960		(48,301)
-25	1.000447	1.000289	1.000325	1.000289	1.000274	1.000260	1.000248	1.000217		259,918
-50	1.000977	1.000631	1.000710	1.000631	1.000598	1.000568	1.000541	1.000473		568,137
-75	1.001507	1.000974	1.001095	1.000974	1.000922	1.000876	1.000835	1.000730		876,356
-100	1.002037	1.001316	1.001481	1.001316	1.001247	1.001185	1.001128	1.000987		1,184,575
-125	1.002567	1.001866	1.001659	1.001866	1.001571	1.001493	1.001422	1.001244		1,492,795
-150	1.003097	1.002001	1.002251	1.002001	1.001896	1.001801	1.001715	1.001501		1,801,014
-175	1.003627	1.002344	1.002637	1.002344	1.002220	1.002109	1.002009	1.001758		2,109,233
-200	1.004157	1.002686	1.003022	1.002686	1.002545	1.002417	1.002302	1.002015		2,417,452
-250	1.005217	1.003371	1.003792	1.003371	1.003194	1.003034	1.002889	1.002528		3,033,890
-300	1.006276	1.004056	1.004563	1.004056	1.003842	1.003650	1.003477	1.003042		3,650,329
Redemptions/Subscriptions	-42%	-10%	-20%	-10%	-5%	0%	5%	20%		
Shares Outstanding	581,591,625	900,000,000	800,000,000	900,000,000	950,000,000	1,000,000,000	1,050,000,000	1,200,000,000		

# High Stress Test Scenario

## Principal Stability Fund Rating Sensitivity Matrix

WAM (R)	55
WAM (F)	88
Shares Outstanding:	1,000,000,000.00
Total Fund Assets:	1,000,158,000.00
Market Value (NAV):	1.000158
Credit Spread Movement (bps):	100
% Total Credit (Non Gov't) Securities (of portfolio)	95%
% Corporate Floaters (of portfolio)	25%

Higher Stress Assumptions

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S&P Global Ratings

S&P/Board Notification  
 Fund Freeze/Closure

Total \$ Loss: \$0  
 Total \$ Gain: \$158,000

Basis Point Shift	Selected Shareholders	Stressed Redemption Scenario of 30%							Gain (Loss)
300	0.991962	0.991400	0.992475	0.993311	0.993663	0.993980	0.994267	0.994983	(6,020,082)
250	0.992968	0.992476	0.993417	0.994148	0.994456	0.994733	0.994984	0.995611	(5,266,658)
200	0.993974	0.993553	0.994358	0.994985	0.995249	0.995487	0.995702	0.996239	(4,513,233)
175	0.994477	0.994091	0.994829	0.995404	0.995646	0.995863	0.996060	0.996553	(4,136,521)
150	0.994980	0.994629	0.995300	0.995822	0.996042	0.996240	0.996419	0.996867	(3,759,808)
125	0.995483	0.995167	0.995771	0.996241	0.996439	0.996617	0.996778	0.997181	(3,383,096)
100	0.995986	0.995705	0.996242	0.996660	0.996835	0.996994	0.997137	0.997495	(3,006,384)
75	0.996489	0.996243	0.996713	0.997078	0.997232	0.997370	0.997496	0.997809	(2,629,671)
50	0.996992	0.996781	0.997184	0.997497	0.997628	0.997747	0.997854	0.998123	(2,252,959)
25	0.997495	0.997320	0.997655	0.997915	0.998025	0.998124	0.998213	0.998436	(1,876,247)
0	0.997998	0.997858	0.998126	0.998334	0.998422	0.998500	0.998572	0.998750	(1,499,534)
-25	0.998501	0.998396	0.998596	0.998752	0.998818	0.998877	0.998931	0.999064	(1,122,822)
-50	0.999004	0.998934	0.999067	0.999171	0.999215	0.999254	0.999289	0.999378	(746,110)
-75	0.999507	0.999472	0.999538	0.999590	0.999611	0.999631	0.999648	0.999692	(369,397)
-100	1.000010	1.000010	1.000009	1.000008	1.000008	1.000007	1.000007	1.000006	7,315
-125	1.000513	1.000549	1.000480	1.000427	1.000404	1.000384	1.000366	1.000320	384,027
-150	1.001016	1.001087	1.000951	1.000845	1.000801	1.000761	1.000725	1.000634	760,740
-175	1.001519	1.001625	1.001422	1.001264	1.001197	1.001137	1.001083	1.000948	1,137,452
-200	1.002022	1.002163	1.001893	1.001682	1.001594	1.001514	1.001442	1.001262	1,514,164
-250	1.003028	1.003239	1.002834	1.002520	1.002387	1.002268	1.002160	1.001890	2,267,589
-300	1.004034	1.004316	1.003776	1.003357	1.003180	1.003021	1.002877	1.002518	3,021,014
Redemptions/Subscriptions	-25%	-30%	-20%	-10%	-5%	0%	5%	20%	
Shares Outstanding	748,954,975	700,000,000	800,000,000	900,000,000	950,000,000	1,000,000,000	1,050,000,000	1,200,000,000	

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