

May 31, 2022

### Market / Macro Summary

Over the month of May, the market focused on the Federal Reserve’s projected hiking path and the continuing tensions between Russia and Ukraine. Equity risk assets saw some reprieve as the S&P 500 managed to bounce by almost 6% in the final week of the month after 7 consecutive weeks of declines. Bond markets also managed to stage a moderate pullback in yields, with 10-year and 2-year nominal rates declining about 9bps and 16 bps respectively.

At the beginning of the month, The Federal Open Market Committee (FOMC) raised its policy interest rate by 50bps to start the path of normalization. In addition, the committee anticipates “ongoing increases in the target range will be appropriate” and announced the start of balance sheet runoff. As previously suggested by the March minutes, the pace of runoff was confirmed today as \$95 billion/month (\$60 billion in U.S. Treasuries and \$35 billion in Agency mortgage-backed securities), with a three-month phase-in period. The committee will continue to remain focused on fighting inflation and preventing higher inflation from getting entrenched as the labor market is now extremely tight.

On the economic data front, we received blockbuster jobs report with 428,000 jobs gained, above market expectations for a 380,000 gain. This solid report suggests continued tightness in the US labor force, particularly given wages that continue to increase. Details showed private employment led the gains with a 406k increase across most sectors over the month. The households survey was less rosy in April, with the unemployment rate staying at 3.6% MoM. Average hourly earnings increased in 0.31% in April, moving the YoY rate down to 5.46%.

Inflation continued to remain sticky over the month. April’s Core CPI increased by ~0.6% MoM or ~6.2% YoY. Details showed new vehicles and reopening components contributed to the strong monthly gain. Headline CPI decelerated from its March pace, increasing 0.3% MoM or 8.2% YoY, as energy prices declined, and food price gains moderated slightly.

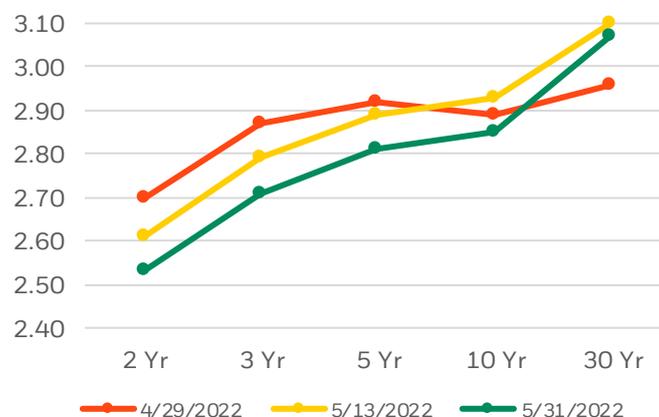
The current macro-backdrop remains challenging and uncertain. The committee remains highly attentive to inflation risks that are still skewed to the upside as supply constraints have only been exacerbated further. The labor market remains tight, and they expect wage pressures to stay elevated for some time. Inflation data in the coming months is likely to play a large role in shaping bond market expectations of where inflation will settle, and the Fed’s behavior in the second half of the year will be highly sensitive to those dynamics.

The S&P 500 fell to its lowest level of the year only to finish the month broadly flat. The credit markets saw a similar trend with spreads on the BBG Credit Index moving to its widest levels of the year before rallying back to lower than where it started. By month end the Index tightened by 4bps to 121bps, resulting in a monthly excess return of 72bps.

### US Treasuries Yields

Maturity	Yield (%)	MoM Change	YTD Change
3 Mos	1.16	0.31	1.08
6 Mos	1.64	0.23	1.42
1 Yr	2.08	-0.02	1.68
2 Yr	2.53	-0.17	1.75
5 Yr	2.81	-0.11	1.44
10 Yr	2.85	-0.04	1.22
30 Yr	3.07	0.11	1.06

The UST yield curve bull steepened and rallied in the latter half of the month



Source: The US Treasury. Data as of May 31, 2022. UST refers to US Treasury.

As optimism returned, IG Credit spreads retraced from their YTD wides



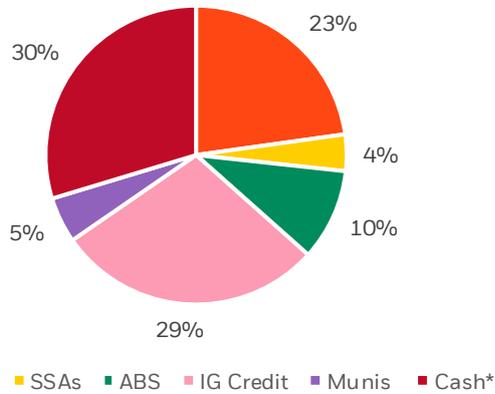
Source: Barclays. Data as of May 31, 2022. Bloomberg indices used as proxy.

May 31, 2022

### CaISTRUST Short Term Fund

	Portfolio	Benchmark**	Difference
Duration (yrs.)	0.44	0.57	-0.13
Nominal Yield (%)	1.82	1.82	0.00
Spread Duration	0.60	0.16	0.44
OAS (bps)	43	19	24
Wal to Worst (yrs.)	0.75	0.62	0.14
Avg Credit Qual (Mdy/S&P)	Aa2/AA-	Aa1/AA	-
Floating Rate Bonds (%)	27	3	24

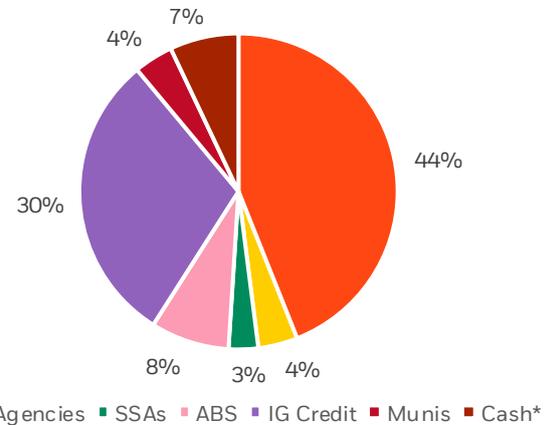
### CaISTRUST Short Term Fund – Sector Allocation



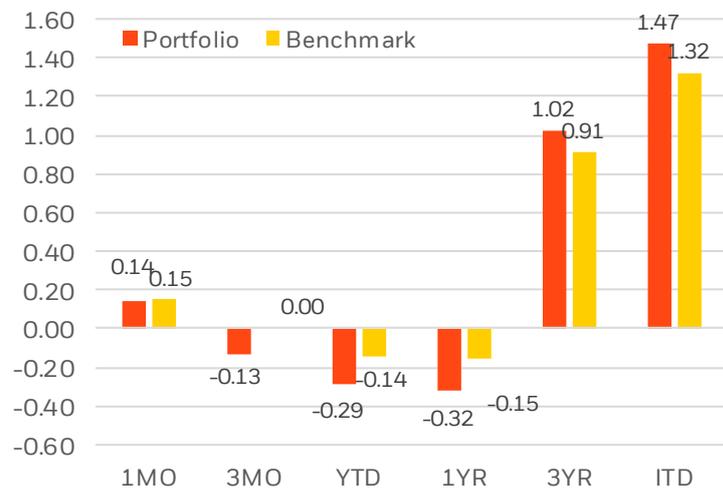
### CaISTRUST Medium Term Fund

	Portfolio	Benchmark*	Difference
Duration (yrs.)	1.89	1.89	0.00
Nominal Yield (%)	2.68	2.58	0.10
Spread Duration	0.98	0.49	0.50
OAS (bps)	32	10	22
Wal to Worst (yrs.)	2.07	1.97	0.09
Avg Credit Qual (Mdy/S&P)	Aa2/AA	Aa1/AA	-
Floating Rate Bonds (%)	13	3	10

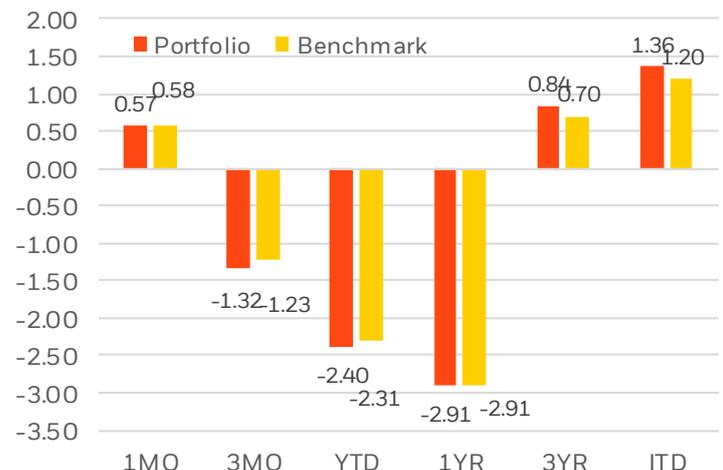
### CaISTRUST Medium Term Fund – Sector Allocation



### CaISTRUST Short Term Fund – Historical Performance (Gross %)



### CaISTRUST Medium Term Fund – Historical Performance (Gross %)



\*Includes cash-equivalent securities, such as: CD/CPs and agency discount notes  
 \*\*Benchmark for the CaISTRUST Short Term Fund is the BBG Barc Short Term Gov/Corp Index.  
 Inception Date is 7/3/2017. Following 1Yr, returns are annualized.

\*Includes cash-equivalent securities, such as: CD/CPs and agency discount notes  
 +Benchmark for the CaISTRUST Medium Term Fund is the ICE BofA Gov/Corp 1-3 Yr Ex. BBB Index  
 Inception Date is 7/3/2017. Following 1Yr, returns are annualized.

May 31, 2022

### CaTRUST Short Term Fund – Monthly Total Return Contribution (Gross bps)



#### Performance Commentary

- The Short Term posted in April 2022 a total return of 0.14% with income return contributing 0.08% and price return detracting 0.06%
- Around 6 bps of the positive price contribution can be attributed to IG Credit as IG credit cash securities benefited from a rally in rates over the course of the month. Additionally, spreads retraced from their year-to-date wides. Namely, 1-3 year IG Credit tightened by 13bps from 86bps to 73bps.
- Treasuries also contributed around 2bps of price return, due to related factors of rates rallying across the curve as markets became somewhat more optimistic about economic growth, and pulled back their expectations for financial conditions tightening.

### CaTRUST Medium Term Fund – Monthly Total Return Contribution (Gross bps)



#### Performance Commentary

- The Medium Term Fund posted in March 2022 a total return to 0.57% with income return contributing 0.11% and price return contributing by 0.46%.
- Around 25 bps of positive price return contribution can be attributed to US Treasuries, and 15 bps to IG Credit. SSAs also contributed around 4bps of price return.
- Similarly, this comes amidst a backdrop of rates rallying at various points of the curve, but particularly at the 2yr point as the market moved to price out the terminal rate for financial condition tightening from the Federal Reserve.
- With a longer duration profile than the Short Term Fund and more duration risk, the effects of Treasury bonds rallying over the course of the month is more beneficial for the Medium Term Fund.

May 31, 2022

Term	Definition
<b>Credit Risk</b>	The risk for bond investors that the issuer will default on its obligation (default risk) or that the bond value will decline and/or that the bond price performance will compare unfavorably to other bonds against which the investment is compared due either to perceived increase in the risk that an issuer will default (credit spread risk) or that a company's credit rating will be lowered (downgrade risk).
<b>Credit Spread</b>	A yield difference, typically in relation to a comparable US Treasury security, that reflects the issuer's credit quality. Credit spread also refers to the difference between the value of two securities with similar interest rates and maturities when one is sold at a higher price than the other is purchased.
<b>Duration</b>	The effect that each 1% change in interest rates has on a bond's market value. Duration takes into account a bond's interest payments in measuring bond price volatility and is stated in years. As an example, a 5-year duration means that a bond will decrease in value by 5% if interest rates rise 1% and increase in value by 5% if interest rates fall 1%.
<b>Duration Risk</b>	Bond duration measurements help quantify and measure exposure to interest rate risks. Bond portfolio managers increase average duration when they expect rates to decline, to get the most benefit, and decrease average duration when they expect rates to rise, to minimize the negative impact. The most commonly used measure of interest rate risk is duration.
<b>Final Maturity Date</b>	The date on which the principal must be paid to investors, which is later than the expected maturity date. Also called legal maturity date.
<b>Floating Rate Bond</b>	A bond whose interest rate is adjusted periodically according to a predetermined formula; it is usually linked to an interest rate index such as LIBOR or SOFR.
<b>Income Return</b>	Income return is that portion of a fund's total returns that was derived from income distributions, such as coupon payments. Income return can be higher than price return for bond funds during less volatile market condition. Adding the income return and the price return together will produce the fund's total return.
<b>Investment Grade Bond</b>	Bonds rated Baa (by Moody's) or BBB (by S&P and Fitch) or above, whose higher credit ratings indicate a lower risk of default. These bonds tend to issue at lower yields than less creditworthy bonds.
<b>Non-Investment Grade</b>	Bonds not considered suitable for preservation of invested capital; ordinarily, those rated Baa3 or below by Moody's Investors Service, or BBB- or below by Standard & Poor's Corporation. Bonds that are non-investment grade are also called high-yield bonds.
<b>Nominal Yield</b>	The Nominal Yield is the internal rate of return of the security based on the given market price. It is the single discount rate that equates a security price (inclusive of accrued interest) with its projected cash flows. For callable bonds, the yield represents the "yield to worst". For a mortgage product, it represents the yield given base prepayments for a given yield curve environment.
<b>Option-Adjusted Spread (OAS)</b>	The average spread over the AAA spot curve, based on potential paths that can be realized in the future for interest rates. The potential paths of the cash flows are adjusted to reflect the options (puts/calls) embedded in the bond.
<b>Price Return</b>	The price return is the rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, while the income generated by the assets in the portfolio, in the form of interest and dividends, is ignored.
<b>Spread Duration</b>	The Spread Duration measures the sensitivity of a security's price to a 100-basis point movement in its Option Adjusted Spread (OAS) relative to the portfolio's discount curve. To calculate Spread Duration shift the OAS up and down 5 bps and reprice the security accordingly. Similar to duration, positive spread duration means that as spreads tighten prices increase, and vice versa. The formula for spread duration is also the same as duration, where we take the shifted full prices and use those to calculate spread duration.
<b>Total Return</b>	Total return take into account the income generated from the securities invested in the portfolio and the price return achieved from the changes in the securities market pricing.
<b>WAL</b>	The Weighted Average Life, or WAL, of a security denotes the weighted average time to receipt of principal.
<b>Yield Curve</b>	A line tracing relative yields on a type of bond over a spectrum of maturities ranging from three months to 30 years.
<b>Yield to Maturity</b>	The yield on a bond calculated by dividing the value of all the interest payments that will be paid until the maturity date, plus interest on interest, by the principal amount received at the maturity date, taking in to consideration whatever gain or loss is realized from the bond at the maturity date. Example: You pay \$900 for a five year bond at a face value of \$1000. The bond pays an annual coupon of ten percent. Here the yield to maturity is 12.8 percent. This reflects the coupon payments and the difference between the price and the face value of the bond.