CalTRUST – Monthly Update

Markets Summary

BlackRock

June 30, 2022

Market / Macro Summary

The month of June saw a resurgence in volatility after a brief reprieve, as the market's focus toggled between persistently high inflation prints and growing fears around a potential recession. Bond markets witnessed substantial volatility – the US 10Y yield moved higher by 57 bps in the middle of the month, and then fell by 61 bps over the final 2 weeks to close June relatively flat at 3.01%. Equities continued to sell off with the S&P down over 8% on the month and ~20% YTD, making it the worst first half decline since 1970.

With respect to monetary policy, Fed speakers at the beginning of June suggested 50 bp hikes in June and July would create sufficient near-term tightening under the assumption that monthly inflation prints would decelerate. However, a surprisingly strong CPI print released the week prior to the June 15th FOMC meeting forced the Fed to accelerate its hiking path, raising rates by 75 bps. While the committee "does not expect moves of this size to be common," they have raised guidance for the path of hikes for the rest of the year – potentially into restrictive territory in 2022 – and will be looking for compelling evidence that inflation pressures are abating before considering a pause. Importantly, the Summary of Economic Projections revealed an acknowledgment that restoring price stability will require some economic pain, likely in the form of higher unemployment.

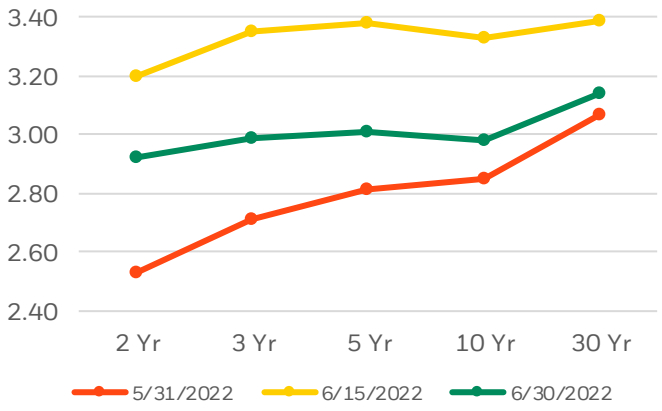
Elsewhere on the economic data front, we received a solid jobs report in the form of 390,000 jobs gained in May, albeit a slowdown from the 516,000 gained in April. Unemployment remained little changed at 3.62% for the third month in a row as the pace of recovery continues to slow since the start of the year. Other parts of the economy also showed moderation, namely weak retail sales figures, a decline in housing starts, and weaker PMI data. Additionally, consumer confidence has fallen precipitously over the course of the month as inflation takes its toll on household spending and sentiment.

In the second half of the year, we anticipate additional uncertainty and a challenging investment environment. The Fed has become a single mandate institution aimed at fighting entrenched inflation, even if it's against slower growth with markets highly sensitive to data prints, particularly inflation, and the forward evolution of monetary policy.

US Treasuries Yields

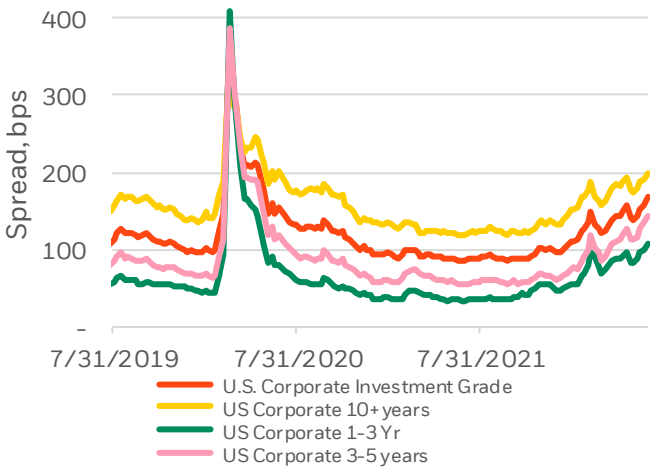
Maturity	Yield (%)	MoM Change	YTD Change
3 Mos	1.72	0.56	1.64
6 Mos	2.51	0.87	2.29
1 Yr	2.80	0.72	2.40
2 Yr	2.92	0.39	2.14
5 Yr	3.01	0.20	1.64
10 Yr	2.98	0.13	1.35
30 Yr	3.14	0.07	1.13

The US Treasury yield curve saw dramatic swings as recession fears returned



Source. The US Treasury. Data as of June 30, 2022. UST refers to US Treasury.

This risk-off tone caused credit spreads to reach their highest levels since 2020



Source: Bloomberg. Data as of 5/31/2022. It is not possible to invest directly in an index. Based on Bloomberg Indices of the names listed above.

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Key Statistics

June 30, 2022

BlackRock

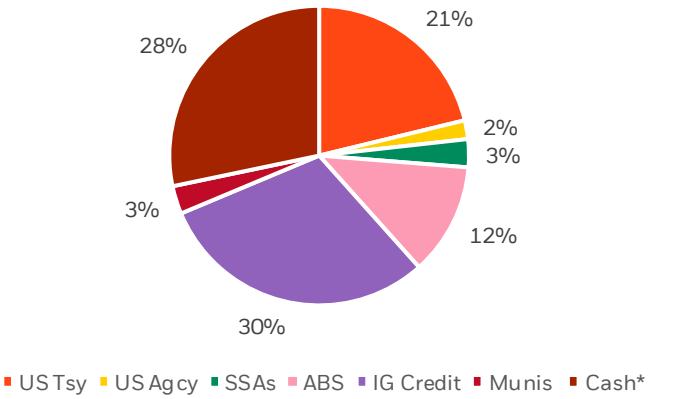
CalTRUST Short Term Fund

	Portfolio	Benchmark**	Difference
Duration (yrs.)	0.52	0.55	-0.03
Nominal Yield (%)	2.81	2.62	0.19
Spread Duration	0.65	0.16	0.49
OAS (bps)	49	22	27
Wal to Worst (yrs.)	0.82	0.60	0.22
Avg Credit Qual (Mdy/S&P)	Aa2/AA-	Aa1/AA	-
Floating Rate Bonds (%)	27	3	24

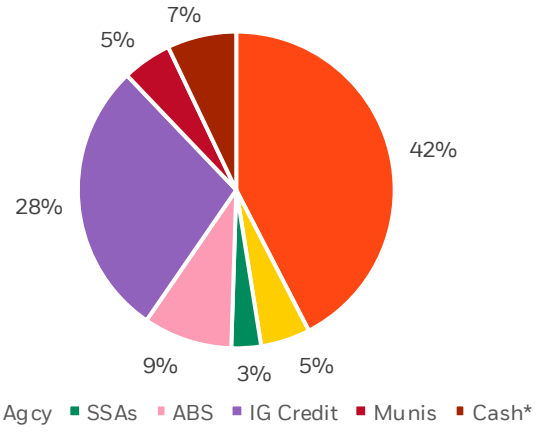
CalTRUST Medium Term Fund

	Portfolio	Benchmark+	Difference
Duration (yrs.)	1.85	1.87	-0.02
Nominal Yield (%)	3.18	3.11	0.07
Spread Duration	0.98	0.49	0.49
OAS (bps)	33	12	21
Wal to Worst (yrs.)	2.04	1.97	0.07
Avg Credit Qual (Mdy/S&P)	Aa2/AA	Aa1/AA	-
Floating Rate Bonds (%)	13	3	10

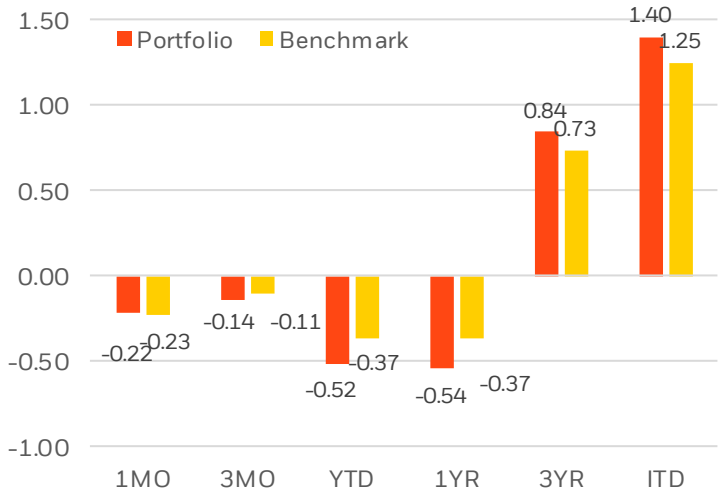
CalTRUST Short Term Fund – Sector Allocation



CalTRUST Medium Term Fund – Sector Allocation



CalTRUST Short Term Fund – Historical Performance (Gross %)

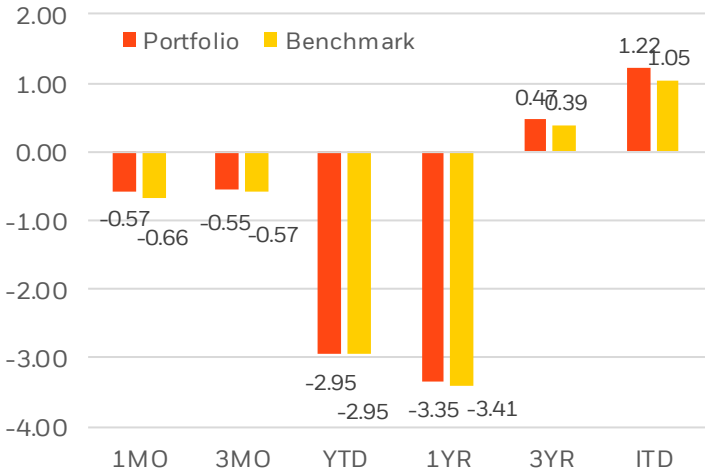


*Includes cash-equivalent securities, such as: CD/CPs and agency discount notes

**Benchmark for the CalTRUST Short Term Fund is the BBG Barc Short Term Gov/Corp Index.

Inception Date is 7/3/2017. Following 1Yr, returns are annualized.

CalTRUST Medium Term Fund – Historical Performance (Gross %)



*Includes cash-equivalent securities, such as: CD/CPs and agency discount notes

+Benchmark for the CalTRUST Medium Term Fund is the ICE BofA Gov/Corp 1-3 Yr Ex. BBB Index

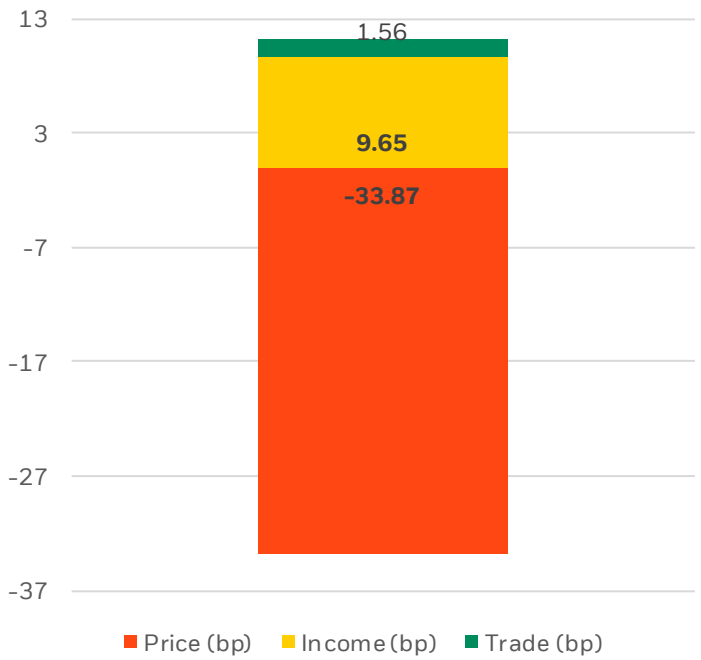
Inception Date is 7/3/2017. Following 1Yr, returns are annualized.

CalTRUST – Monthly Update

Performance Attribution & Commentary

June 30, 2022

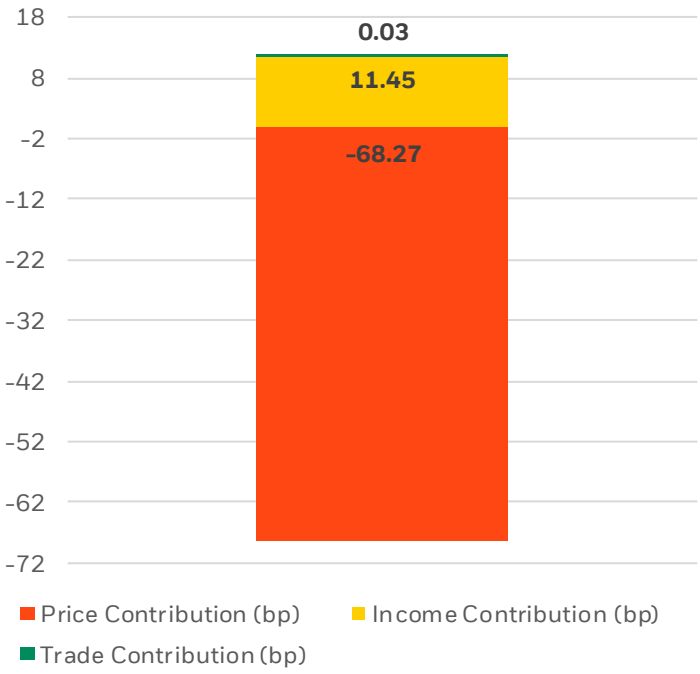
CalTRUST Short Term Fund – Monthly Total Return Contribution (Gross bps)



Performance Commentary

- The Short Term Fund posted in June 2022 a total return of -0.22% with income return contributing 0.10% and price return detracting -0.34%
- The majority, or around -22bps of the negative price contribution can be attributed to IG Credit which suffered from a selloff in rates across the curve over the course of the month. Additionally, 1-3yr credit spreads widened out to their highest levels since March of 2020, closing the month at around 110bps, which is around 25bps wider on the month.
- Treasuries also detracted around -10bps of price return, due to related factors of rates selling off across the curve.
- These moves come on the back of heightened volatility in the market on the back of heightened inflation and recessionary fears and the impact that these outcomes would have on the broader credit fundamental landscape.

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



Performance Commentary

- The Medium Term Fund posted in June 2022 a total return of -0.57% with income return contributing 0.11% and price return detracting -0.68%.
- The majority, or around -26bps of negative price return contribution can be attributed to US Treasuries, and -26bps are attributed to IG Credit.
- Similarly, this comes amidst a backdrop of rates selling off across the curve, and increased fears of a weakening economy on the back of sustained heated inflation.
- Compared to the Short Term Fund, the Medium Term Fund maintains a higher allocation to Treasuries which partially explains the higher detraction of Treasuries compared to IG Credit in the Medium Term Fund.
- Additionally, with a longer duration profile than the Short Term Fund and more duration risk, the effects of rates selling off over the course of the month is more acutely sustained in the Medium Term Fund.

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Glossary of Terms

BlackRock

Term	Definition
Credit Risk	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).
Credit Spread	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.
Duration	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%.
Duration Risk	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.
Final Maturity Date	The date on which the principal must be paid to investors, which is later than the expected maturity date. Also called legal maturity date.
Floating Rate Bond	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.
Income Return	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.
Investment Grade Bond	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.
Non-Investment Grade	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.
Nominal Yield	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.
Option-Adjusted Spread (OAS)	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.
Price Return	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.
Spread Duration	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.
Total Return	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.
WAL	The Weighted Average Life, or WAL, of a security denotes the weighted average time to receipt of principal.
Yield Curve	A line tracing relative yields on a type of bond over a spectrum of maturities ranging from three months to 30 years.
Yield to Maturity	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.