

July 31, 2022

Market / Macro Summary

In July, investors primarily focused on the Federal Reserve’s (Fed) hiking path amidst slowing economic data. Over the month, 10-year on-the-run (OTR) nominal rates moved ~31 bps lower, while 10-year OTR real rates rallied ~57 bps. Whether it was speculation of peaking-inflation, the turning of economic data, or the late-month FOMC meeting that was interpreted as gently dovish, 10yr notes were able to rally from highs near 3.10% to close the month at 2.67%. As rates rallied in July, the broader curve steepened, with 5s30s bouncing out of negative territory and ramping all the way up to +33bps by the months end. Pressure on the 2s10s curve persisted, pushing deeply into negative territory.

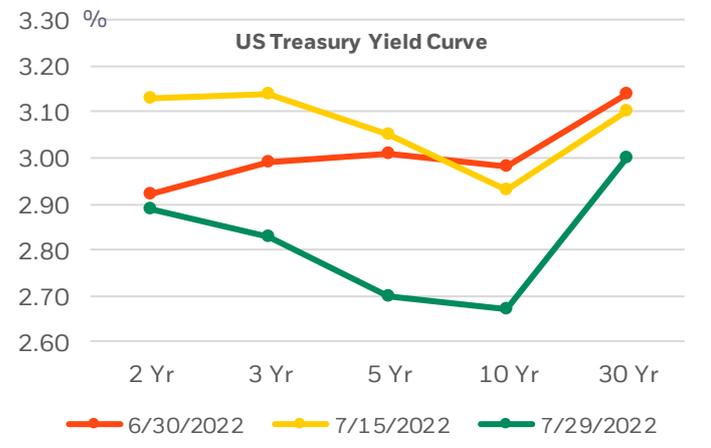
The Federal Open Market Committee (FOMC), on Wednesday, July 27th, raised its policy interest rate by 75bps for the second time in a row to continue the path of normalization. In addition, Chair Powell stated that we should not expect the same clear meeting-ahead forward guidance that we saw in past meetings, but “it likely will become appropriate to slow the pace of increases while we assess how our cumulative policy adjustments are affecting the economy and inflation.” They’re going to be data-dependent and make decisions meeting-by-meeting. 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.

In data, the June nonfarm payroll report added 372k jobs, another solid monthly gain, indicating the labor market remains strong. Details showed private employment led the gains with a 381k increase across most sectors over the month. Elsewhere in the report, labor force participation edged lower to 62.2% MoM, remaining well below the pre-pandemic level of 63.4% in February 2020. Taken together, the unemployment rate remained at 3.6% for the fourth month in a row. Average hourly earnings increased in 0.31% in June, moving the YoY rate down to 5.11%. In other data, the ISM manufacturing index moved lower to 53.0 points in June from 56.1 points in May, pointing to the slowest growth in factory activity since June 2020. The advanced estimate of Q2 GDP released on July 28th, 2022, showed a second consecutive decline at a 0.9% annualized rate. The print highlighted the increasing possibility of a recession as decades high inflation cooled the growth trajectory. The June CPI report showed another robust gain in core and headline series. Core CPI increased by ~0.7% MoM or ~5.92 % YoY. Details showed used cars and shelter prices contributed to the strong monthly gain. Taken together with the strong core print, energy and food prices continued to move higher, pushing headline CPI to increase 1.3% in June, moving the YoY rate to 9.1%.

US Treasuries Yields

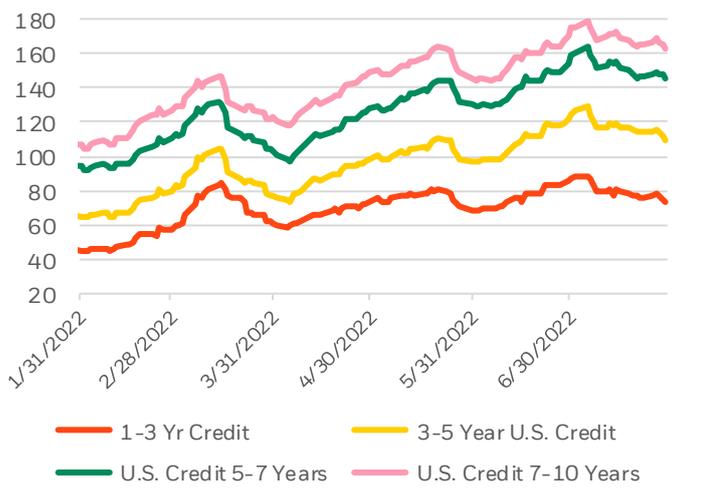
Maturity	Yield(%)	MoM Change	YTD Change
3 Mos	2.41	0.69	2.33
6 Mos	2.91	0.40	2.69
1 Yr	2.98	0.18	2.58
2 Yr	2.89	-0.03	2.11
5 Yr	2.70	-0.31	1.33
10 Yr	2.67	-0.31	1.04
30 Yr	3.00	-0.14	0.99

July saw reprieve to nominal bonds as the yield curve rallied and the broader curve steepened



Source: The US Treasury. Data as of July 29, 2022.

Credit spreads partially retraced supported by a continuation of resilient earnings



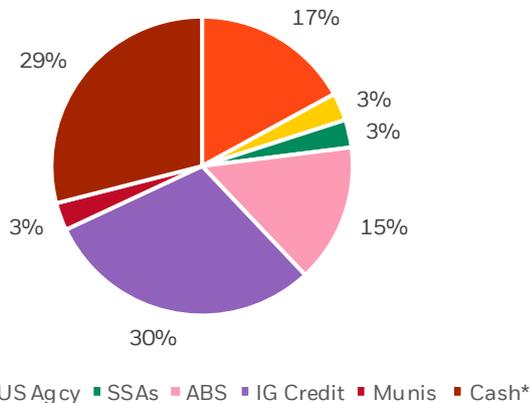
Source: Barclays, Data as of July 29, 2022. Based on Bloomberg Credit Aggregate.

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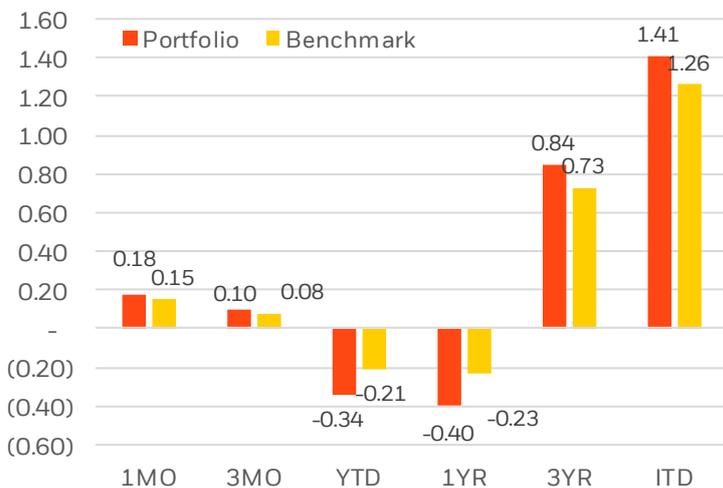
CaISTRUST Short Term Fund

	Portfolio	Benchmark**	Difference
Duration (yrs.)	0.55	0.55	-0.01
Nominal Yield (%)	3.19	2.91	0.28
Spread Duration	0.68	0.15	0.52
OAS (bps)	47	12	35
Wal to Worst (yrs.)	0.82	0.59	0.23
Avg Credit Qual (Mdy/S&P)	Aa2/AA-	Aa1/AA	-
Floating Rate Bonds (%)	27	3	24

CaISTRUST Short Term Fund – Sector Allocation



CaISTRUST Short Term Fund – Historical Performance (Gross %)

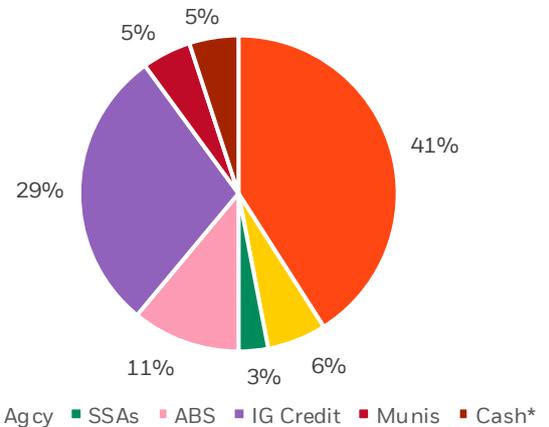


*Includes cash-equivalent securities, such as: CD/CPs and agency discount notes
 **Benchmark for the CaISTRUST Short Term Fund is the BBG Barc Short Term Gov/Corp Index.
 Inception Date is 7/3/2017. Following 1Yr, returns are annualized.

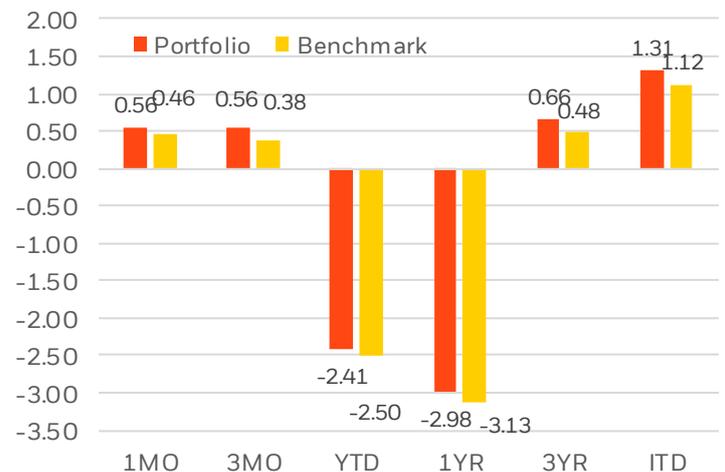
CaISTRUST Medium Term Fund

	Portfolio	Benchmark*	Difference
Duration (yrs.)	1.84	1.87	-0.03
Nominal Yield (%)	3.19	3.02	0.17
Spread Duration	1.02	0.50	0.52
OAS (bps)	31	9	21
Wal to Worst (yrs.)	2.01	1.96	0.05
Avg Credit Qual (Mdy/S&P)	Aa2/AA	Aa1/AA	-
Floating Rate Bonds (%)	13	3	10

CaISTRUST Medium Term Fund – Sector Allocation



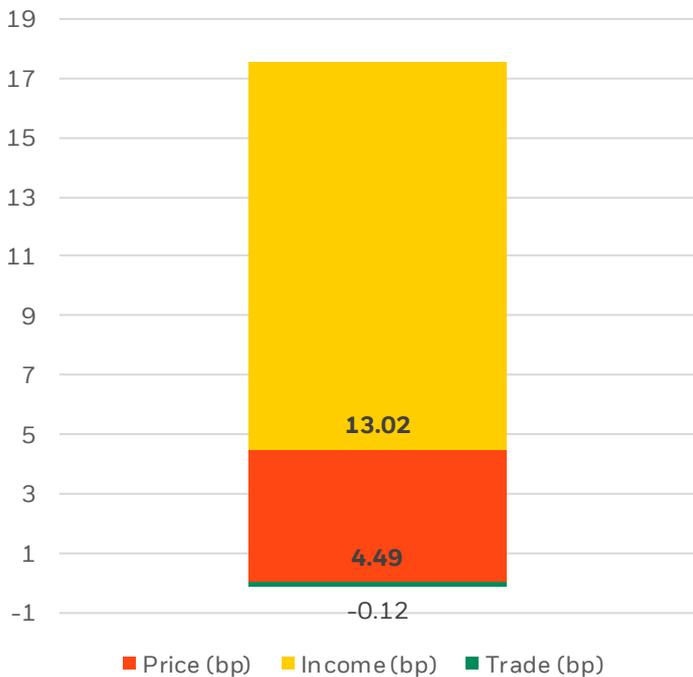
CaISTRUST Medium Term Fund – Historical Performance (Gross %)



*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.

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



Performance Commentary

- The Short Term Fund posted in July 2022 a total return of 0.18% with income return contributing 0.13% and price return contributing 0.05%
- The majority, or around 11bps of positive total return can be attributed to IG Credit which witnessed a tightening of spreads as a continuation of solid corporate earnings provided a strong backdrop and resiliency for credit spreads. Generally speaking, 1-3 year US IG Credit tightened by around 15bps to close the month at around 72bps.
- Treasuries also detracted around 2bps of total return and Asset-Backed Securities contributed around 3bps of total return.
- Overall, July brought a reprieve to bonds, as the Treasury Curve staged a rally. The cause for the rally could possibly be attributed to speculation of peaking-inflation, the turning of economic data, or the late-month FOMC meeting that was interpreted as gently dovish.

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



Performance Commentary

- The Medium Term Fund posted in July 2022 a total return of 0.56% with income return contributing 0.13% and price return contributing 0.42%.
- The majority, or around 24bps of total return can be attributed to US Treasuries.
- IG Credit also contributed around 20bps of total return for similar reasons as stated prior.
- Sovereigns, Supranationals, & Agencies, including US Agencies, contributed around 6bps, along with Asset-Backed Securities (ABS), which also contributed around 6bps to total return.
- There were no detractors for the month.
- Compared to the Short Term Fund, the Medium Term Fund maintains a higher allocation to Treasuries which partially explains the higher contribution 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 rallying over the course of the month is more beneficial in the Medium Term Fund.

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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.