

# Liquidity Management Strategies

We understand our clients expect their cash to be accessible when they are ready to deploy funds toward other opportunities, which is why our philosophy is to invest clients' liquidity management portfolios in what we believe to be the highest quality securities and never assume undue duration or credit risk.

	<b>Government Cash Management</b>	<b>Government Enhanced Liquidity</b>	<b>National Municipal Ladder - Ultra Short</b>	<b>Government or Muni / Gov't Tax Liability</b>
Investor Suitability	<ul style="list-style-type: none"> <li>For investors with daily liquidity needs</li> <li>Same-day liquidity</li> </ul>	<ul style="list-style-type: none"> <li>For investors seeking liquidity with an enhanced yield over cash</li> <li>Same-day liquidity</li> </ul>	<ul style="list-style-type: none"> <li>For investors seeking a consistent tax-exempt income stream</li> <li>Same-day liquidity</li> </ul>	<ul style="list-style-type: none"> <li>For investors with specific, short-term liabilities</li> <li>Same-day liquidity</li> </ul>
Underlying Investments	US Treasury & Agency Securities rated AAA	US Treasury & Agency Securities rated AAA	Municipal Securities rated A- or higher	US Treasury & Agency Securities rated AAA (and Municipal Securities rated A- or higher if desired)
Composite Effective Duration	0.11	0.56	0.62	Yield to worst, effective duration, and sensitivity analysis dependent upon customized tax liability dates.
Composite Yield to Worst (At Market)	1.96%	2.28%	1.62% <sup>1</sup>	
Composite Yield to Worst Taxable Equivalent (At Market)	N/A	N/A	2.74% <sup>1</sup>	
Hypothetical 1-year total composite return given a parallel rate shift of +100 basis points <sup>2</sup>	2.80%	2.24%	1.38%	
Hypothetical 1-year total composite return given a parallel rate shift of +200 basis points <sup>2</sup>	3.20%	2.03%	1.17%	

## Management Fee Schedule

Strategy	Account Minimum	Fee Type	Up to \$5M	\$5 to \$10MM	\$10 to \$50MM	\$50 to \$100MM	\$100 to \$500MM	\$500MM to \$1B	Over \$1B
Gov't Cash Management	\$250K	Blended	10 bps	10 bps	8 bps	6 bps	6 bps	6 bps	6 bps
Gov't Enhanced Liquidity	\$1MM	Blended	15 bps	12 bps	11 bps	10 bps	10 bps	10 bps	10 bps
Gov't Tax Liability	\$1MM	Flat	4 bps	4 bps	4 bps	4 bps	4 bps	4 bps	4 bps
Muni / Gov't Tax Liability	\$1MM	Flat	6 bps	6 bps	6 bps	6 bps	6 bps	6 bps	6 bps
Muni Ladder – Ultra Short	\$1MM	Flat	14 bps	14 bps	14 bps	12 bps	10 bps	9 bps	5-8 bps <sup>3</sup>

Note: Strategy statistics are as of 3/31/2019. Taxable equivalent yields assume a 37% federal tax rate and a 3.8% Medicare tax. Assumes 98.56% of assets in the National Municipal Ladder – Ultra Short composite are exempt from federal income tax and Medicare tax. Sensitivity analysis as of 3/31/2019. The sensitivity analysis is based on internal calculations. Performance figures do not reflect the deduction of investment advisory fees. Client's return will be reduced by the advisory fees and any other expenses it may incur in the management of its investment advisory account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, (d) 1% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over 10 years. For additional information please see the disclosures at the end of this document. Management fees for the National Municipal Ladder – Ultra Short strategy are aggregated across all Municipal Ladder SMA's within a client family. Composite statistics do not assure the results and performance of individual accounts. <sup>1</sup>National Municipal Ladder – Ultra Short composite yields may not be representative of yields for new accounts opened under our management. We are happy to provide yields for representative Municipal Ladder – Ultra Short accounts upon request. <sup>2</sup>These numbers are hypothetical: there is no assurance that the strategy will achieve any level of returns. <sup>3</sup>The fee for Municipal Ladder – Ultra Short accounts above \$1B is as follows: 8bps for \$1B-\$2B; 7bps for \$2B-\$3B; 6bps for \$3B-\$4B; and 5bps for \$4B and above.

# Liquidity Management

Unlike our liquidity management portfolios, traditional bank deposits and money market funds may suffer from the following vulnerabilities that make them less efficient liquidity vehicles:



## Bank Deposits

- The FDIC insurance limit on bank deposits is \$250,000. Above that limit, investors are unsecured creditors and are subject to bank balance sheet risk.
- Interest is fully taxable at the state and federal levels.



## Money Market Funds

- Money market funds can place a “liquidity fee” up to 2% on investors who withdraw funds during periods of market stress.
- As interest rates increase, providers are more likely to increase fund fees, reversing the discounts they have offered since the Federal Reserve enacted its zero interest rate policy.
- Interest is fully taxable at the state and federal levels.

## Important Disclosures

Recipient of this presentation acknowledges and agrees that the contents hereof constitute proprietary and confidential information that Gurtin Fixed Income Management, LLC dba Gurtin Municipal Bond Management, a PIMCO Company (the “Adviser”) derives independent economic value from not being generally known and are the subject of reasonable efforts to maintain their secrecy. The recipient further agrees that the contents of this presentation has been prepared solely for prospective investors considering services from Adviser and are a trade secret, any reproduction or distribution of this presentation, in whole or in part, or the disclosure of its contents, without the prior written consent of the Adviser, is prohibited, and the disclosure of this presentation or its contents is likely to cause substantial and irreparable competitive harm to the Adviser. This presentation will be returned to the Adviser upon request.

By accepting this presentation, the recipient agrees to the foregoing. Adviser is a registered investment adviser with the U.S. Securities and Exchange Commission (the “SEC”). Each prospective investor will be required to execute an Investment Management Agreement and related Account opening documents (collectively, “Agreements”). If any of the descriptions or terms in this presentation are inconsistent with the terms of the Agreements, such Agreements shall control. Each prospective investor should make his or her own investigation and evaluation of the investments and investment strategies described herein, including the merits and risks thereof. Prior to any investment, each prospective investor will have the opportunity to ask questions of and receive answers and additional information from the Adviser regarding the terms and conditions of Adviser’s advisory services and other relevant matters. Each prospective investor should inform himself or herself as to the tax consequences of the investments and services described herein. Prospective investors should have the financial ability and willingness to accept the risks associated with the investments made by the Adviser. The Adviser reserves the right to modify any of the terms described herein. The contents of the presentation should not be construed as investment, tax, financial, accounting or legal advice.

Investors should seek such professional advice for their particular circumstances. For yield curves, in an instantaneous simulation, the change in the yield curve happens instantly, the portfolio is perfectly rebalanced at the end of the simulation, and both coupon and principal payments are reinvested at the beginning portfolio yield adjusted according to changes in the yield curve. In an aged simulation, changes in the yield curve occur gradually during the simulation, securities naturally age over time, coupon payments are reinvested at the beginning portfolio yield adjusted according to changes in the yield curve, and principal payments are re-invested into new securities based upon the portfolio’s strategy and changes in the yield curve. Parallel simulations feature ending yield curves derived by applying the specified shift in basis points to the entirety of the underlying spot curve, with the restriction that the spot curve is not allowed to become negative which is achieved by only applying the full shift to those rates which remain positive and then taking an appropriate fraction of the remaining rates. Nonparallel simulations feature ending yield curves which are derived by first calculating the historical average of the respective yield curve over the 20 year period from 1991-2010, and then applying a mean reversion factor to the current underlying spot curve. In situations where cost basis is not available, yield at cost cannot be calculated and is excluded from composite yield at cost calculations. In situations where the yield is negative for reasons including, but not limited to, inaccurate or misleading pricing from our third party pricing source due to unaccounted for pre-refundings or calls, lack of pricing precision for bonds very close to maturity, and pricing based almost entirely on maturity date for bonds with imminent next call dates, we have replaced the negative yield with a zero percent yield in this report. The sensitivity analysis is based on an internal calculation which simulates the effect that the specified change in interest rates will have on total return over a one year period. Interest rate changes are applied to either the Treasury yield curve or an internally derived option-free version of the MMD yield curve obtained from Thomson-Reuters, as appropriate. For benchmarks, an instantaneous simulation is used, meaning that the change in the yield curve happens instantly, the portfolio is perfectly rebalanced at the end of the simulation, and both coupon and principal payments are reinvested at the beginning portfolio yield adjusted according to changes in the yield curve. For accounts, an aged simulation is used, meaning that changes in the yield curve occur gradually during the simulation, securities naturally age over time, coupon payments are reinvested at the beginning portfolio yield adjusted according to changes in the yield curve, and principal payments are re-invested into new securities based upon the portfolio’s strategy and changes in the yield curve.