INVESTMENT REPORT

Orange County Sanitation District

Period Ending December 31, 2021

CHANDLER ASSET MANAGEMENT, INC. | 800.317.4747 | www.chandlerasset.com

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As of December 31, 2021

Section 1 | Firm Overview

Specializing in Investment Management for Public Agencies

"We believe if we do what is right for our clients, our own success will follow."

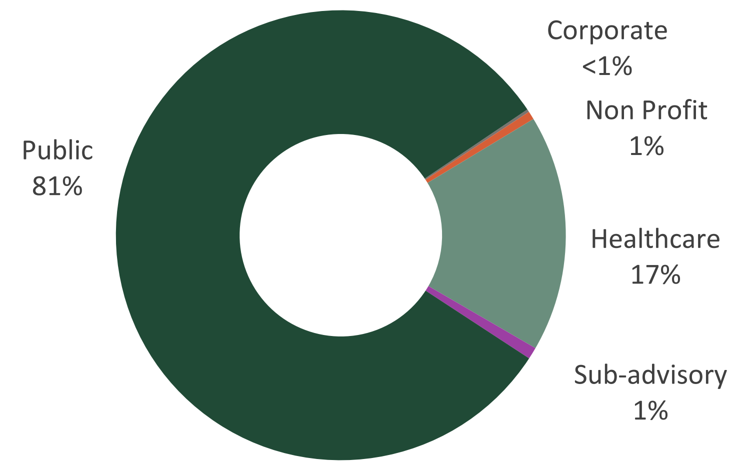
- *Independent & Employee-Owned*
  - Fixed income specialist since 1988
  - Founded by public investment professionals
  - Serve institutions with public sector focus
  - Headquartered in San Diego, CA

- *Custom Investment Programs*
  - Investment solutions based on your risk profile and return goals
  - Strategies for operating, short-, and long-term reserves
  - Direct contact with investment management team

- *Stable Team of Investment Professionals*
  - Team of investment professionals average over two decades portfolio management experience
  - Disciplined, repeatable investment philosophy and process
  - Proprietary investment analysis

Assets Under Management

$25.8 Billion



Chandler Asset Management Assets as of December 31, 2021.

Lasting Partnerships with Neighbors and Peers

Local Water District, Sanitation District, and Utilities Clients

Client Name	AUM
Orange County Sanitation District	**$973 M**
Coachella Valley Water District	$372 M
Rancho California Water District	$330 M
Western Municipal Water District	$241 M
Elsinore Valley Muni. Water District	$205 M
Alameda County Water District	$170 M
San Diego County Water Authority	$146 M
Moulton Niguel Water District	$91 M
Vallecitos Water District	$53 M
West Basin Municipal Water District	$50 M
San Bernardino Municipal Water Department	$42 M
East Orange County Water District	$36 M
Walnut Valley Water District	$34 M

Neighboring Public Agency Clients

Client Name	AUM
Transportation Corridor Agencies	$1.4 B
Orange County Sanitation District	**$973 M**
Orange County Transportation Authority	$490 M
City of Newport Beach	$284 M
City of Brea	$94 M
Moulton Niguel Water District	$91 M
City of San Clemente	$81 M
City of Buena Park	$73 M
City of Costa Mesa	$63 M
City of Tustin	$46 M
City of Fountain Valley	$43 M
City of San Juan Capistrano	$40 M
East Orange County Water District	$36 M

Chandler's water agency clients and sample Inland Empire area clients as of December 31, 2021. Both lists only include clients that have given permission to be listed. It is not known whether the clients listed approve or disapprove of Chandler Asset Management and the advisory services provided. Includes discretionary and non-discretionary relationships.

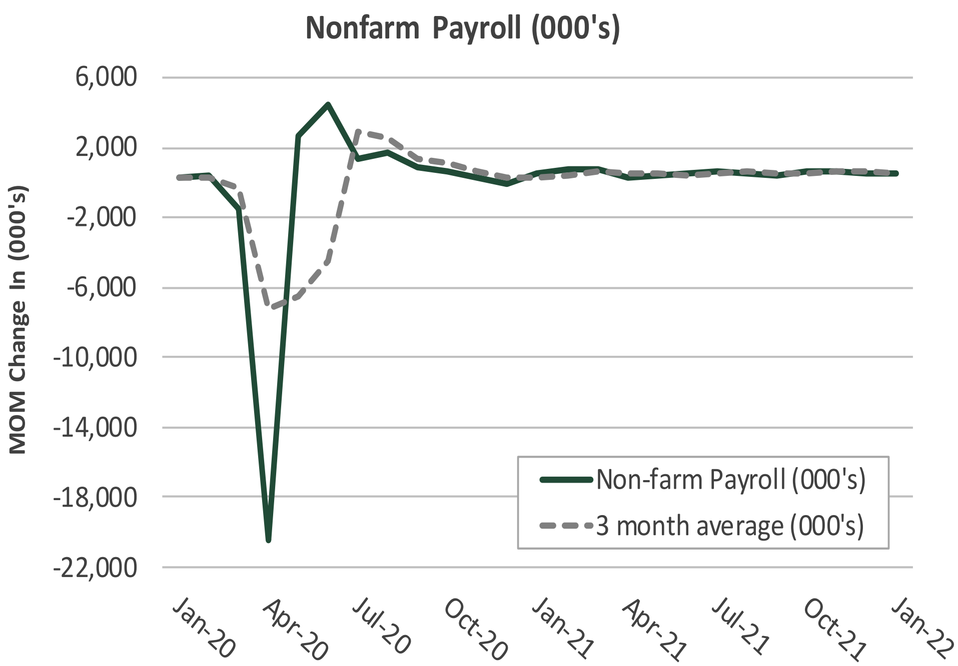
Our Experienced Team is a Resource for the District

Investment Professionals	Responsibility	Industry Experience	Firm Tenure
Martin Cassell, CFA *CEO*	Leads the investment team, firm oversight and strategy	1987	1991
William Dennehy II, CFA *Co-Chief Investment Officer*	Implements portfolio strategies, performs credit analysis; Co-Chair of Credit Committee and Economic and Market Analysis Committee	1992	2011
Scott Prickett, CTP *Co-Chief Investment Officer*	Implements portfolio strategies, monitors alignment with client objectives; Co-Chair of Economic and Market Analysis Committee	1987	2014
Jayson Schmitt, CFA *Co-Chief Investment Officer*	Implements portfolio strategies, performs credit analysis; Co-Chair of Quantitative Analysis Committee, Sector Committee and Multi-Asset Class Committee	1994	1995
Dan Delaney, CFA *Senior Portfolio Manager*	Implements portfolio strategies, performs credit analysis	2006	2021
Genny Lynkiewicz, CFA *Senior Portfolio Manager*	Implements portfolio strategies, performs credit analysis; Co-Chair of Sector Committee	2000	2015
Ted Piorkowski, CFA *Senior Portfolio Manager*	Implements portfolio strategies, performs credit analysis	1987	1999
Julie Hughes *Senior Portfolio Strategist*	Implements portfolio strategies and monitors alignment with client objectives and policies	1993	2014
Christopher McCarry, AIF *Senior Portfolio Strategist*	Implements portfolio strategies and monitors alignment with client objectives and policies	2001	2013
Carlos Oblites *Senior Portfolio Strategist*	Implements portfolio strategies and monitors alignment with client objectives and policies; Co-Chair of Multi-Asset Class Committee	1995	2017
Shelly Henbest, CFA *Senior Credit Analyst*	Research and credit analysis; Co-Chair of Credit Committee	2000	2009
Charlotte Powell *Associate Portfolio Manager*	Assists with implementation of portfolio strategies	2020	2021

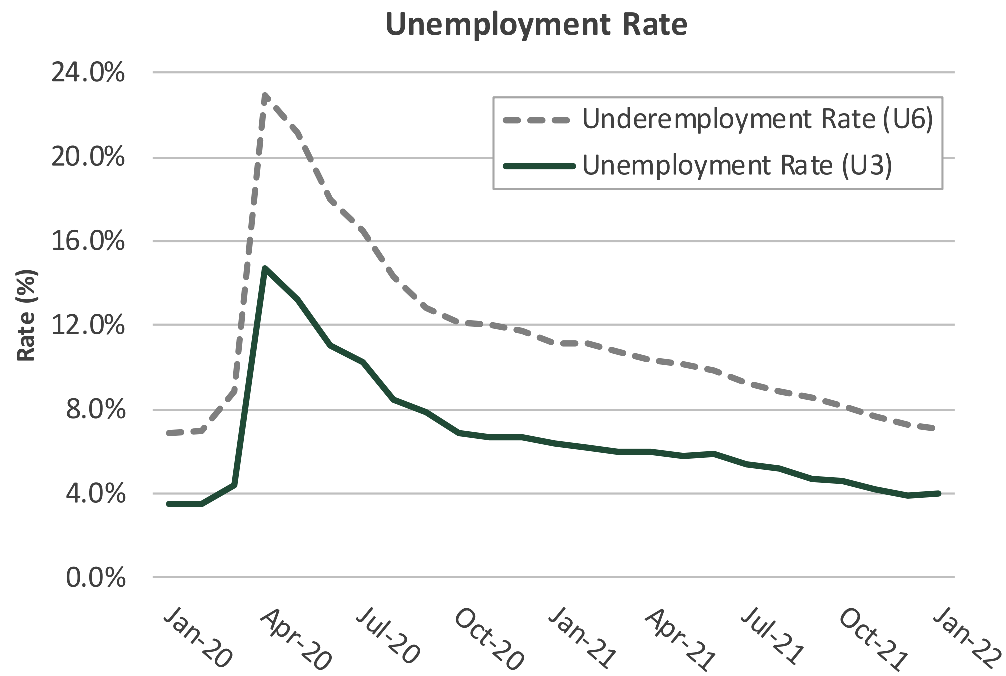
Client Service and Operations	Responsibility	Industry Experience	Firm Tenure
Nicole Dragoo, JD, IACCP *President*	Leads the firm's administration, compliance, operations, and human resources.	2000	2001
Don Penner *Director of National Accounts*	Client Service and Relationship Management	2001	2010
Ryan Tauber Managing Director, Business Development	Leads the marketing and relationship management team	1999	2020
Mia Corral Brown *Senior Relationship Manager*	Client Service and Relationship Management	1997	2004
Kara Raynor-Sanchez *Client Service Director*	Leads Client Service Team, reporting, onboarding	2012	2012

Section 2 | Economic Update

Employment



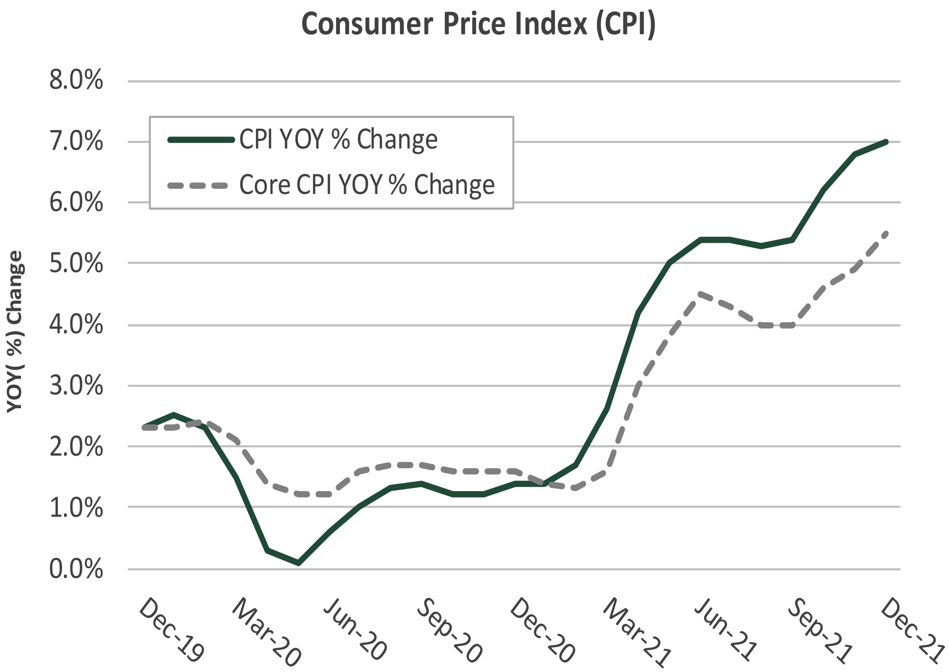
Source: US Department of Labor



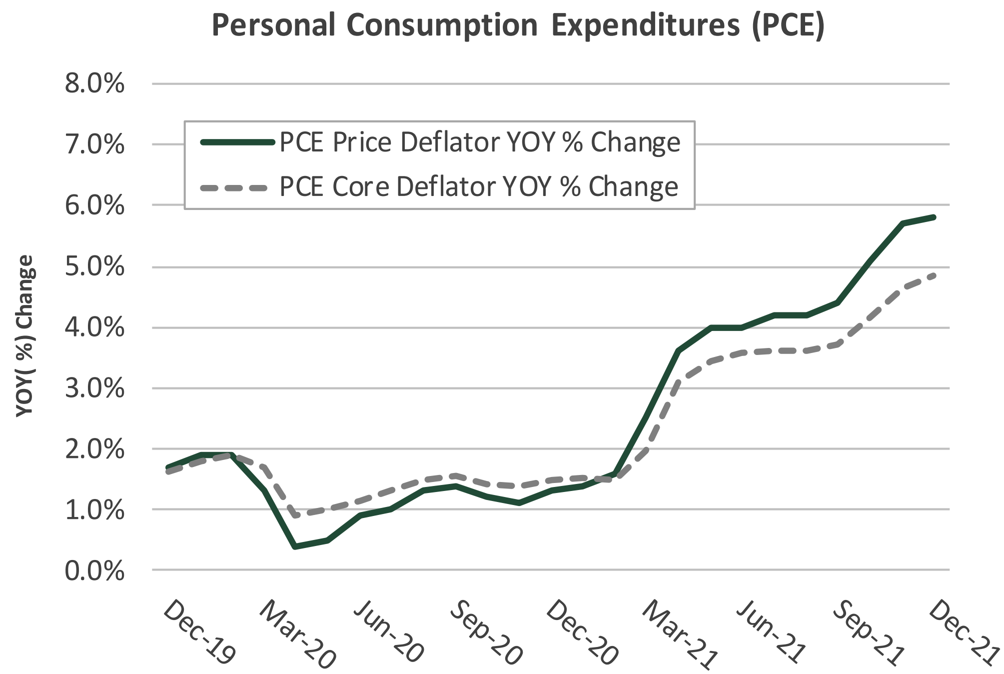
Source: US Department of Labor

The January employment report was remarkably strong. US nonfarm payrolls grew by 467,000 in January, well above the consensus forecast of 125,000. Payrolls in the prior two months were revised significantly higher and on a trailing 3-month and 6-month basis, payrolls have increased an average of 541,000 and 540,000 per month, respectively. The unemployment rate edged slightly higher to 4.0% in January from 3.9% in December as more workers entered the labor force. The labor participation rate increased to 62.2% in January from 61.9% in December but remains lower than the pre-pandemic level of 63.4%. The employment-population ratio increased to 59.7% in January from 59.5% in December, but also remains below the pre-pandemic level of 61.2%. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, declined to 7.1% in January from 7.3% in December, and is very close to its pre-pandemic level (7.0% in February 2020). Average hourly earnings rose 0.7% month-over-month and were up 5.7% year-over-year in January versus 4.9% in December.

Inflation



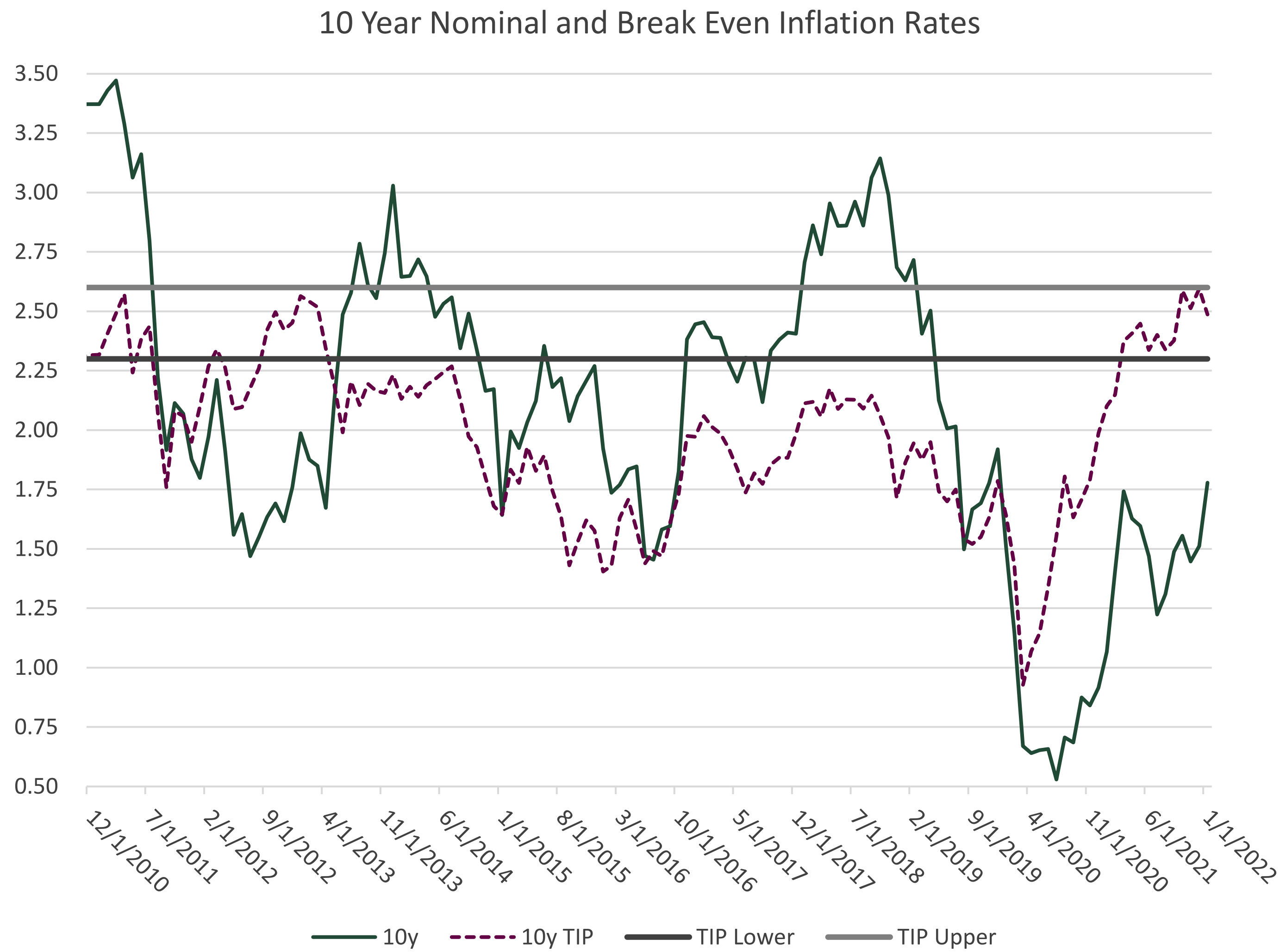
Source: US Department of Labor



Source: US Department of Commerce

The Consumer Price Index (CPI) was up 7.0% year-over-year in December, versus up 6.8% year-over-year in November. Core CPI (CPI less food and energy) was up 5.5% year-over-year in December, versus up 4.9% in November. Pricing pressures were widespread in December, with notable gains for used cars and trucks, new vehicles, food, and rent. The Personal Consumption Expenditures (PCE) index was up 5.8% year-over-year in December, up from 5.7% in November. Core PCE was up 4.9% year-over-year in December, versus up 4.7% in November. Current inflation readings continue to run well above the Fed's longer-run target of around 2.0%. While we believe year-over-year inflation may be at or near a peak, and pricing pressures are likely to abate as we move through the year, we expect inflationary pressures will remain elevated over the near-term.

Market Based Measure of Longer-Term Inflation

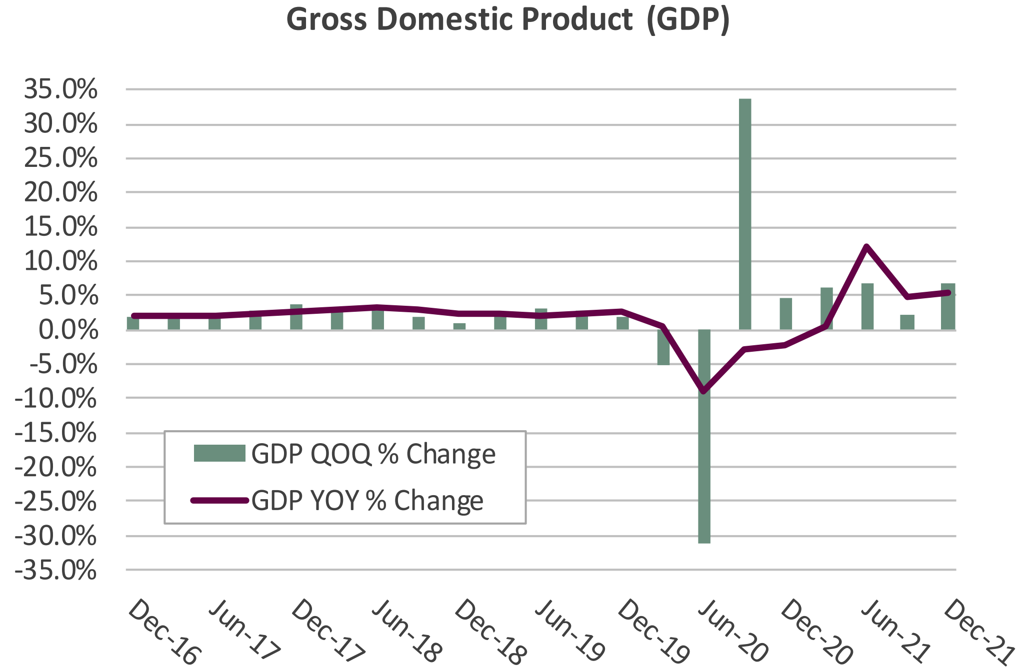


Source: Bloomberg

Gross Domestic Product (GDP)

Components of GDP	3/21	6/21	9/21	12/21
Personal Consumption Expenditures	7.4%	7.9%	1.4%	2.3%
Gross Private Domestic Investment	-0.4%	-0.7%	2.1%	5.2%
Net Exports and Imports	-1.6%	-0.2%	-1.3%	0.0%
Federal Government Expenditures	0.8%	-0.4%	-0.4%	-0.3%
State and Local (Consumption and Gross Investment)	0.0%	0.0%	0.5%	-0.2%
Total	**6.3%**	**6.7%**	**2.3%**	**6.9%**

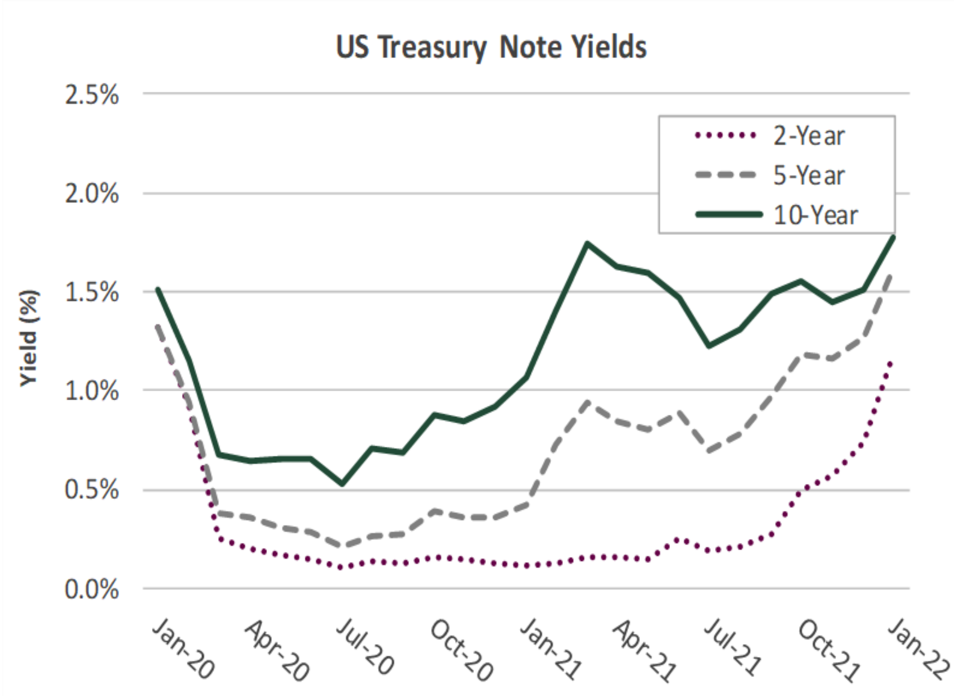
Source: US Department of Commerce



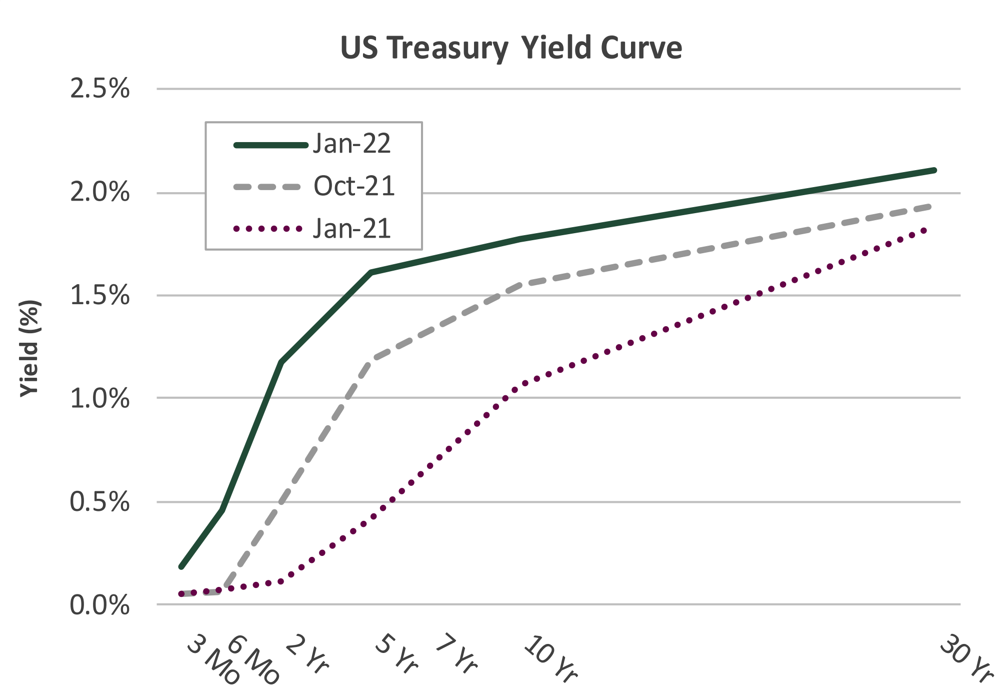
Source: US Department of Commerce

According to the advance estimate, fourth quarter GDP grew at an annualized rate of 6.9%, versus the consensus forecast of 5.7%. Economic growth reaccelerated in the fourth quarter after slowing to a pace of 2.3% growth in the third quarter. While third quarter growth was held back by the outbreak of the Delta variant in the US, we anticipate the recent surge of omicron cases in the US will hamper current quarter economic growth. The consensus estimate calls for 2.8% GDP growth in the current quarter.

Bond Yields



Source: Bloomberg



Source: Bloomberg

At the end of January, the 2-year Treasury yield was about 107 basis points higher, and the 10-Year Treasury yield was about 71 basis points higher, year-over-year. The spread between the 2-year Treasury yield and 10-year Treasury yield was 60 basis points at January month-end compared to the average historical spread (since 2003) of about 130 basis points.

Rising Interest Rates Impact on Total Return

Total Returns as of 12/31/21

OC San Liquidity	3 mo	12 mo	2 yrs	3 yrs	5 yrs
Portfolio	0.00%	0.08%	0.47%	1.12%	1.23%
Benchmark*	0.01%	0.05%	0.36%	0.99%	1.14%
+/-	-0.01%	0.03%	0.11%	0.13%	0.09%

**ICE BofA 3-Month US Treasury Bill Index*

OC San Long Term	3 mo	12 mo	2 yrs	3 yrs	5 yrs
Portfolio	-0.63%	-0.92%	1.70%	2.67%	2.14%
Benchmark*	-0.69%	-1.00%	1.68%	2.65%	2.09%
+/-	0.06%	0.08%	0.02%	0.02%	0.05%

**ICE BofA 1-5 Yr AAA-A US Corp & Govt Index*

Benchmark Yields	12/31/19	12/31/20	03/31/21	06/30/21	09/30/21	12/31/21	01/31/22
Fed IOER	1.55	0.10	0.10	0.15	0.15	0.15	0.15
2 year	1.57	0.12	0.16	0.25	0.28	0.73	1.18
3 year	1.61	0.17	0.35	0.46	0.51	0.96	1.38
5 year	1.69	0.36	0.94	0.89	0.97	1.26	1.61

Source: Bloomberg

Section 3 | Account Profile

Portfolio Characteristics

As of December 31, 2021

Orange County Sanitation District Liquid

	12/31/2021		9/30/2021
	Benchmark*	**Portfolio**	**Portfolio**
Average Maturity (yrs)	0.16	0.27	0.45
Average Modified Duration	0.15	0.27	0.45
Average Purchase Yield	n/a	0.11%	0.08%
Average Market Yield	0.03%	0.18%	0.09%
Average Quality**	AAA	AA+/Aaa	AA+/Aaa
Total Market Value		230,856,942	129,858,408

**ICE BofA 3-Month US Treasury Bill Index*

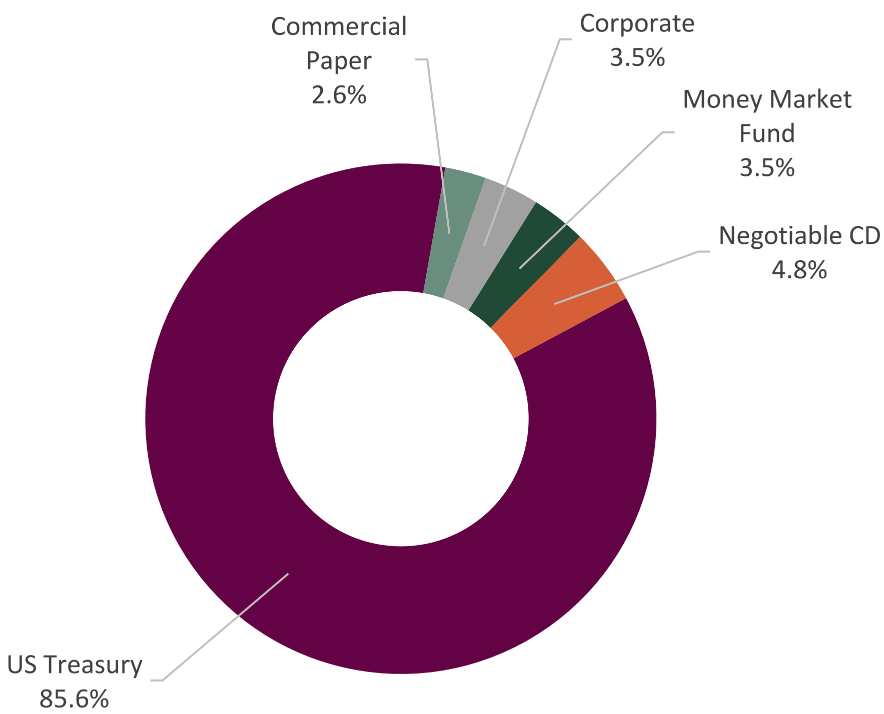
***Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.*

Sector Distribution

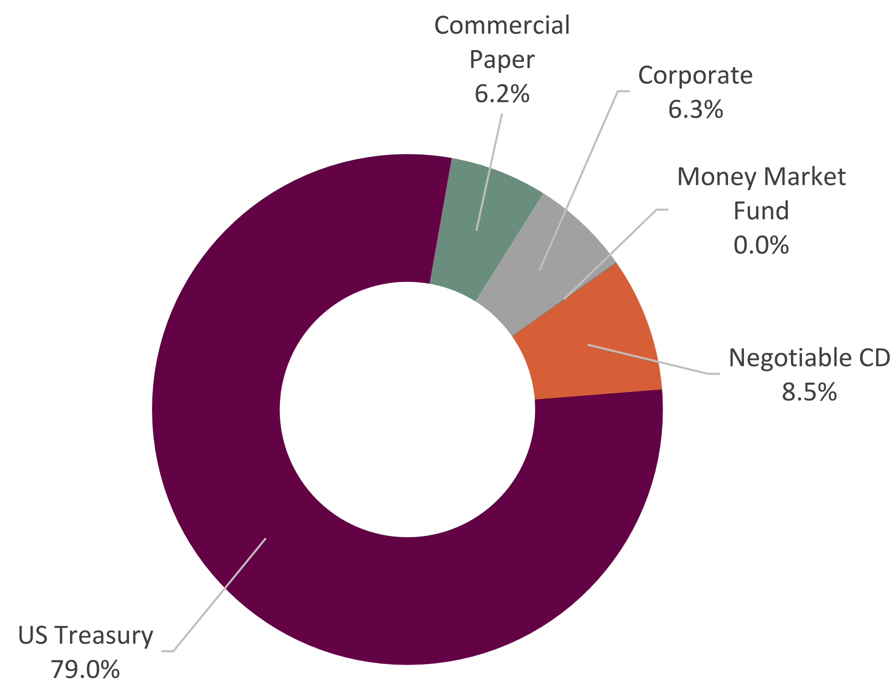
As of December 31, 2021

Orange County Sanitation District Liquid

December 31, 2021

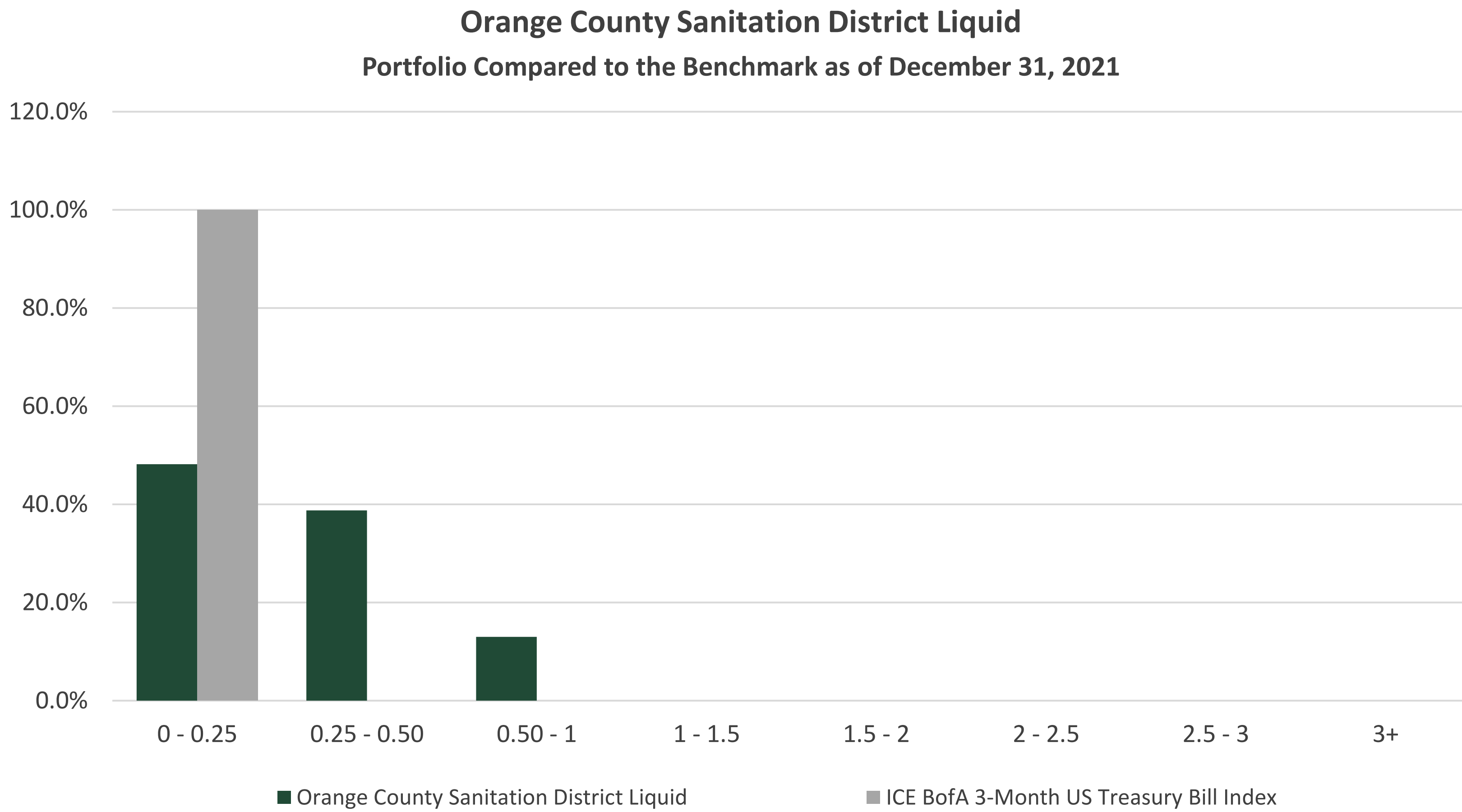


September 30, 2021



Duration Distribution

As of December 31, 2021



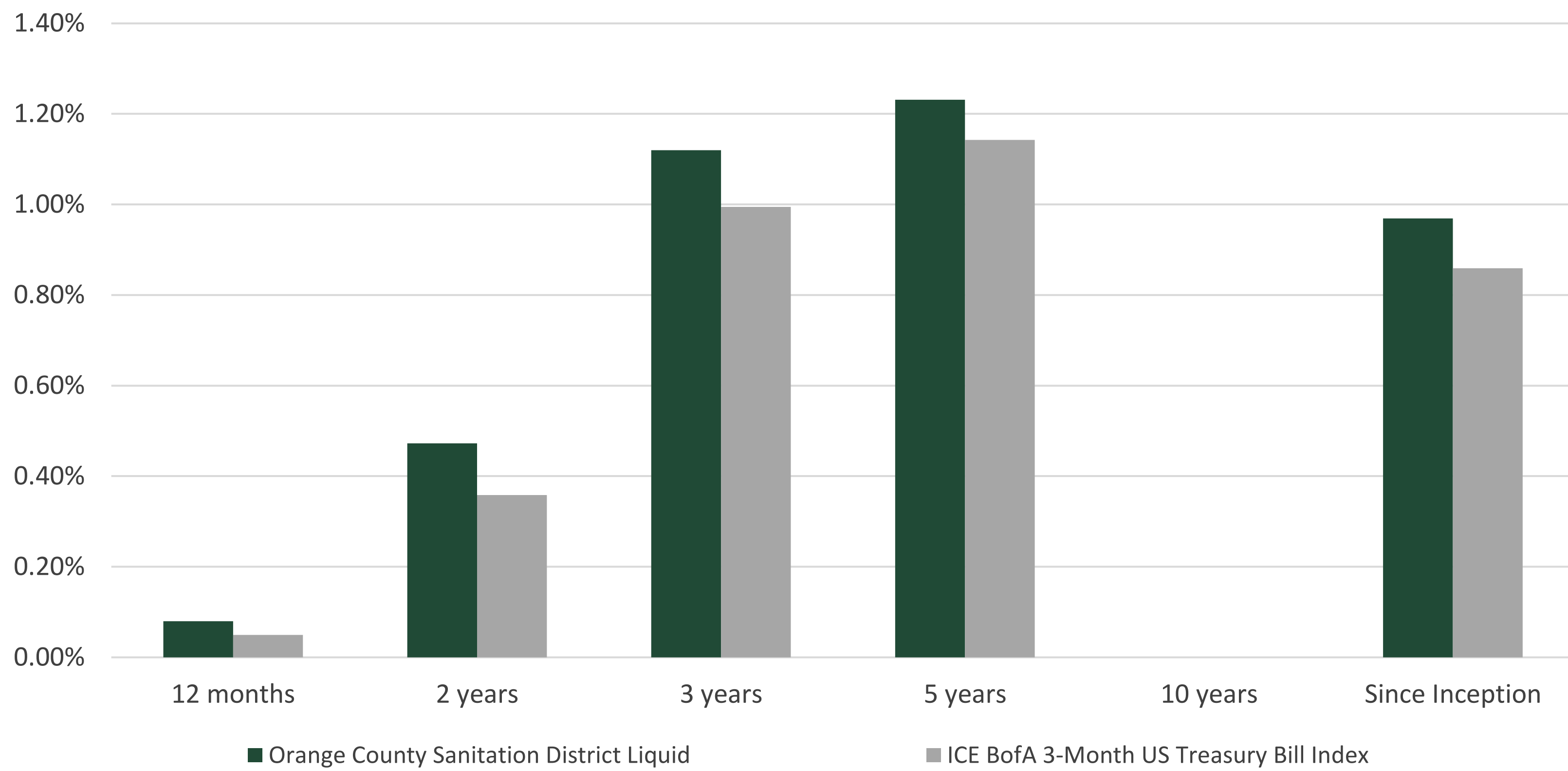
	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3+
Portfolio	48.2%	38.8%	13.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Benchmark*	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**ICE BofA 3-Month US Treasury Bill Index*

As of December 31, 2021

Orange County Sanitation District Liquid

Total Rate of Return Annualized Since Inception 11/30/2014



			Annualized				
TOTAL RATE OF RETURN	**3 months**	**12 months**	**2 years**	**3 years**	**5 years**	**10 years**	**Since Inception**
Orange County Sanitation District Liquid	0.00%	0.08%	0.47%	1.12%	1.23%	N/A	0.97%
ICE BofA 3-Month US Treasury Bill Index	0.01%	0.05%	0.36%	0.99%	1.14%	N/A	0.86%

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

Portfolio Characteristics

As of December 31, 2021

Orange County Sanitation District Long Term

	12/31/2021		9/30/2021
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	2.69	2.58	2.78
Average Modified Duration	2.59	2.37	2.54
Average Purchase Yield	n/a	1.38%	1.45%
Average Market Yield	0.93%	0.82%	0.50%
Average Quality**	AAA	AA+/Aa1	AA/Aa1
Total Market Value		742,225,778	686,382,940

**ICE BofA 1-5 Yr AAA-A US Corp & Govt Index*

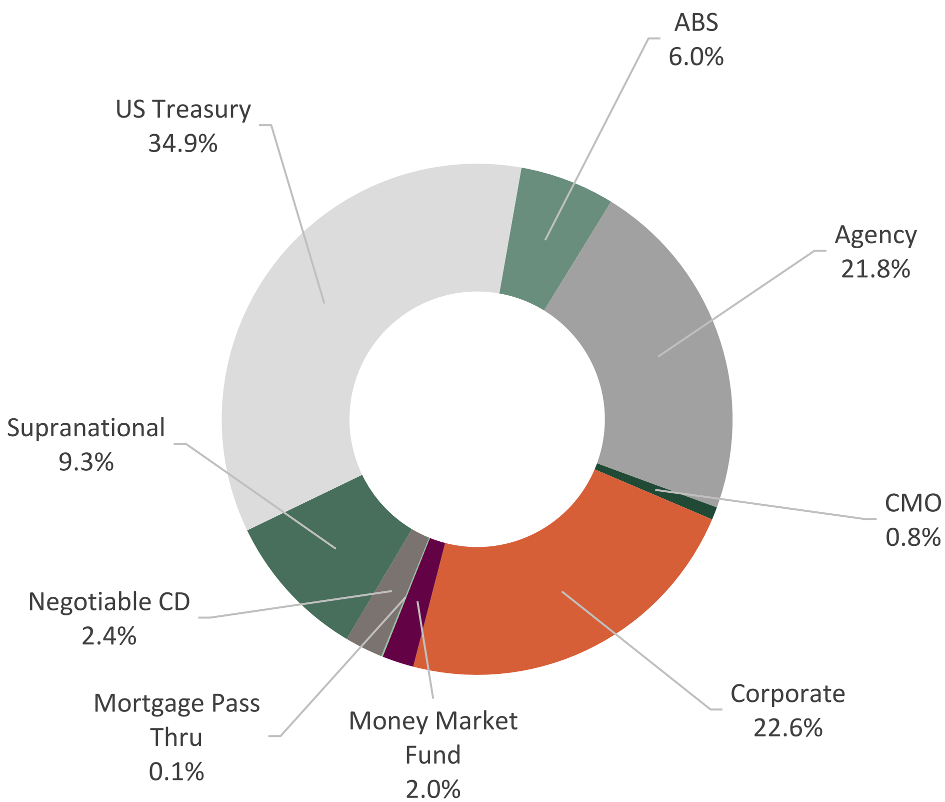
***Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.*

Sector Distribution

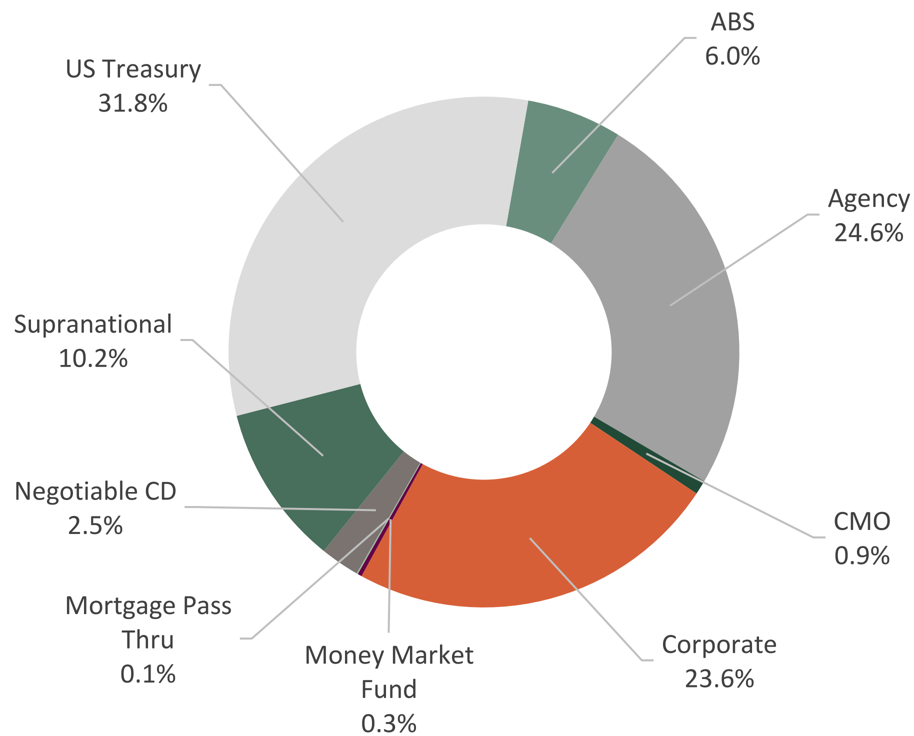
As of December 31, 2021

Orange County Sanitation District Long Term

December 31, 2021

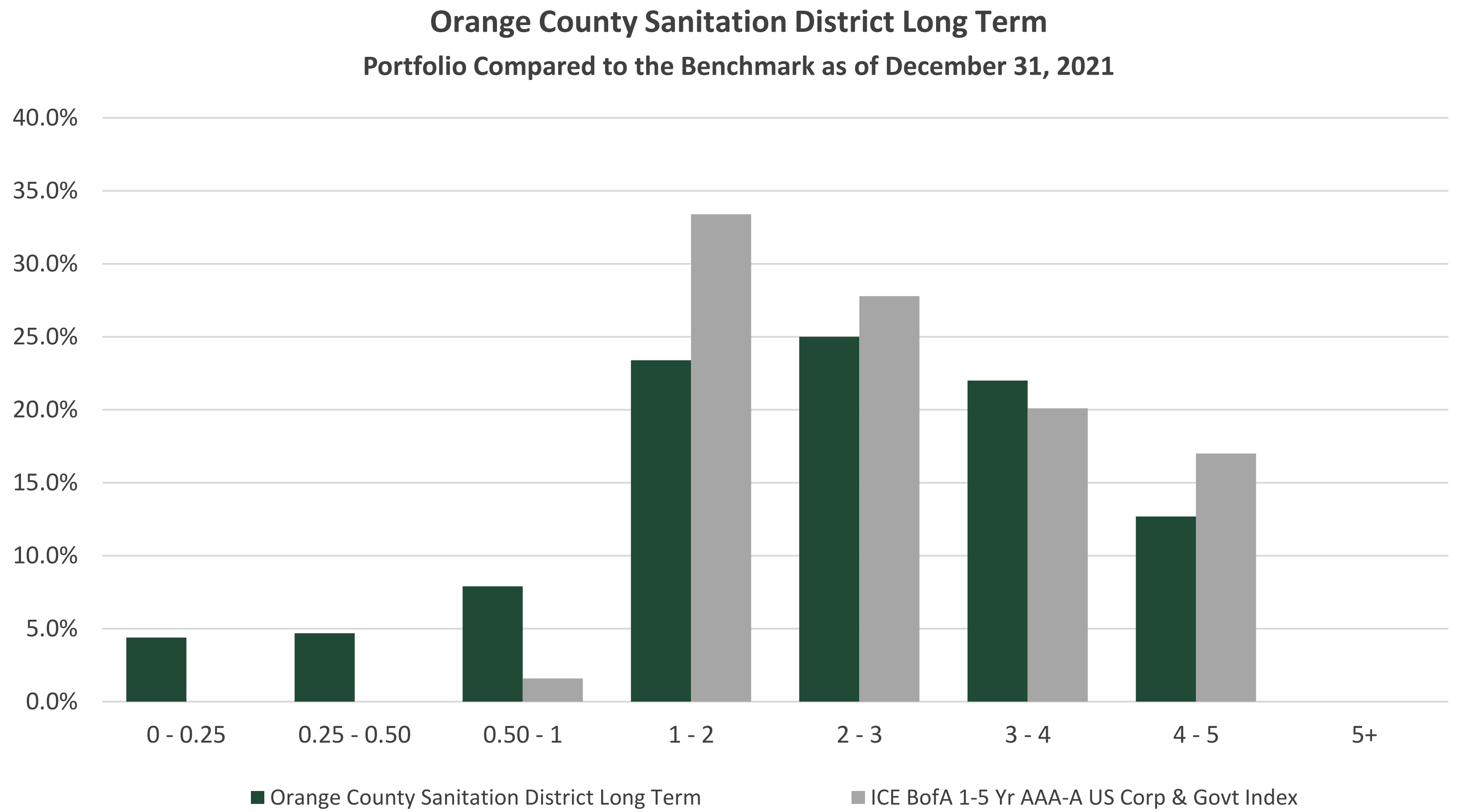


September 30, 2021



Duration Distribution

As of December 31, 2021

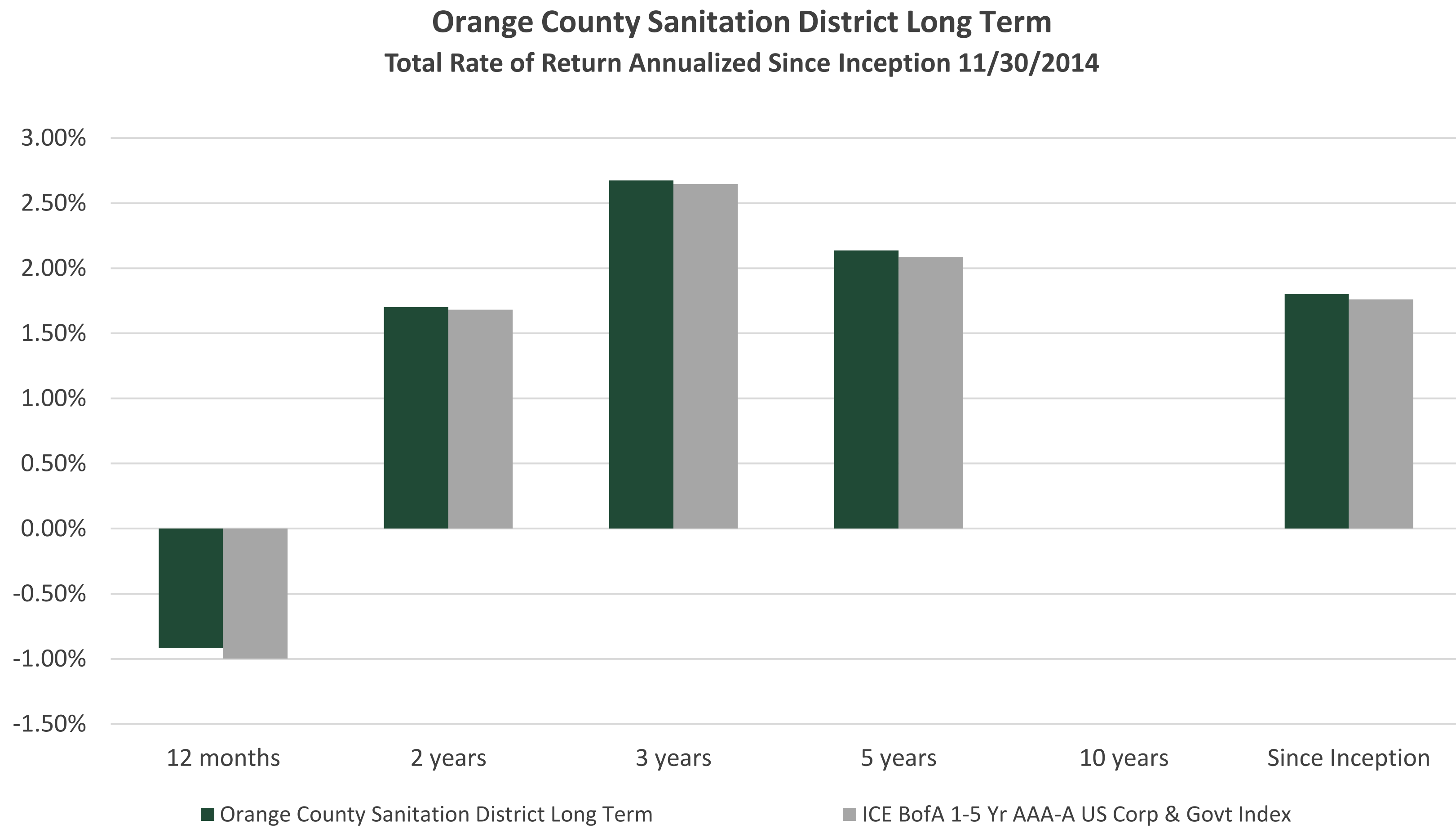


	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	4.4%	4.7%	7.9%	23.4%	25.0%	22.0%	12.7%	0.0%
Benchmark*	0.0%	0.0%	1.6%	33.4%	27.8%	20.1%	17.0%	0.0%

**ICE BofA 1-5 Yr AAA-A US Corp & Govt Index*

Investment Performance

As of December 31, 2021



			Annualized				
TOTAL RATE OF RETURN	**3 months**	**12 months**	**2 years**	**3 years**	**5 years**	**10 years**	**Since Inception**
Orange County Sanitation District Long Term	-0.63%	-0.92%	1.70%	2.67%	2.14%	N/A	1.80%
ICE BofA 1-5 Yr AAA-A US Corp & Govt Index	-0.69%	-1.00%	1.68%	2.65%	2.09%	N/A	1.76%

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

Important Disclosures

Information contained herein is confidential. Prices are provided by IDC, an independent pricing source. In the event IDC does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody's and Fitch respectively.

Benchmark Disclosures

As of December 31, 2021

ICE BofA 3-Month US Treasury Bill Index

The ICE BofA US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date.

ICE BofA 1-5 Yr AAA-A US Corp & Govt Index

The ICE BofA 1-5 Year AAA-A US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational, and corporate securities. Qualifying securities must be rated AAA through A3 (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to final maturity at point of issuance, a fixed coupon schedule, and a minimum amount outstanding of $1 billion for US Treasuries and $250 million for all other securities.

ICE BofA 1-5 Yr US Corp & Govt Index

The ICE BofA 1-5 Year US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational, and corporate securities. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to final maturity at point of issuance, a fixed coupon schedule, and a minimum amount outstanding of $1 billion for US Treasuries and $250 million for all other securities.