



Southern Illinois University

Quarterly Investment Report
September 30, 2019

Market Update

SUMMARY

- In the third quarter, U.S. economic conditions were characterized by: (1) slowing projected growth; (2) a low unemployment rate with moderating wage gains; (3) two Fed rate cuts; (4) growing risks to the economic outlook, including escalating trade conflicts, further weakening in manufacturing, and deteriorating business confidence and investment; (5) worsening conditions abroad, including a messy Brexit and geopolitical conflicts with Iran/Saudi Arabia, Syria/Turkey and Ukraine/Russia, and; (6) U.S. presidential impeachment proceedings that created a new political wildcard.
- Bond yields fell modestly during the quarter, continuing the year-long trend. For the year, yields are down nearly 1% across the intermediate and longer-term portions of the yield curve, while shorter-term yields generally tracked the Fed's two rate cuts. Somewhat counterintuitively, despite growing uncertainty on a number of fronts, U.S. equity markets continued to rally. The S&P 500 index returned 1.7% for Q3.
- While a recession in the U.S. does not appear imminent, forecasts for economic growth continue to be pared. The global growth forecast for 2019 from the Organisation for Economic Co-operation and Development was revised down from 3.2% to 2.9%, which would mark the slowest pace in over 10 years.
- The Federal Open Market Committee cut the overnight fed funds target rate twice during the quarter – in July and again in September – to the new range of 1.75% to 2.00%. The July rate cut marked the first rate reduction since December 2008. While both cuts were well-telegraphed and characterized as “mid-cycle policy adjustments,” the committee is divided on future policy action.

ECONOMIC SNAPSHOT

- U.S. GDP grew 2.0% in Q2, a moderate figure expected by economist estimates, but well short of the 3.1% growth in Q1. Growth in Q2 was driven by consumer spending, accounting for 3% of the quarterly growth figure, the strongest consumption growth since 2017. Fixed investment, private inventories, and lower exports all detracted from the headline GDP. Forecasts for Q3 are generally in the 1.5% to 2.0% range.
- The U.S. labor market remained positive, although it may be showing signs of losing momentum. For example, average monthly job growth for Q3 was 157,000, well short of the 223,000 average of monthly gains in 2018. Nevertheless, the unemployment rate ticked lower to 3.5%, marking the lowest jobless figure in over 50 years.
- Inflation remains tame, but core measures have gradually drifted higher as of late. Year-over-year growth in the core Consumer Price Index (CPI) reached 2.4%, while the Fed's preferred inflation gauge, the core Personal Consumption Expenditure price index, rose to 1.8%, just a bit below the Fed's 2% target.

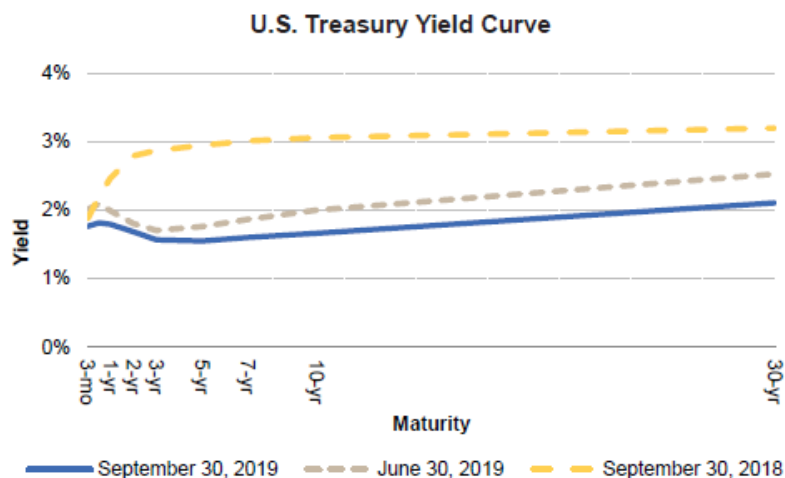
OUTLOOK

- Over the past few quarters, economic risks in the U.S. have risen; however, domestic economic data remains supportive of moderate, sustained growth over the near-term. While PFM's view remains that a recession is not imminent, trade disputes and politics are significant wildcards.
- After two well-telegraphed Fed rate cuts, the future path of short-term rates is less certain. One more cut before year-end is the consensus view, but recent inflation readings have improved and the Fed may prefer to save its monetary policy ammunition for an actual slowdown.

Market Update

INTEREST RATES

- U.S. Treasury yields across the curve continued their descent, falling for the fourth consecutive quarter. The yields on the majority of U.S. Treasury maturities ended the quarter near two-year lows. At quarter-end, the yield on a 3-month Treasury bill was 1.81%, the 2-year note was 1.62%, the 10-year note was 1.67%, and the 30-year Treasury ended Q3 at 2.11% after briefly falling below 2% for the first time ever.
- The yield curve neared the greatest level of inversion over the past 15 years in late August, as the spread between the 3-month and 10-year Treasuries reached -50 basis points (-0.50%), although it finished the quarter at -14 basis points. In response to back-to-back rate cuts at the July and September FOMC meetings, short-term yields fell, which decreased the severity of the inversion by the end of September.
- As the long-end of the yield curve declined more significantly than any other key rates during the quarter, longer-duration portfolios benefited the most. For example, the 3-month Treasury bill index generated 0.56% of total return for the quarter, while 10-year and 30-year Treasuries returned 3.18% and 9.20%, respectively. As a result of the significant decline in rates, 12-month trailing Treasury benchmarks have posted their strongest total returns in nearly twenty years.



Source: Bloomberg, as of 9/30/2019.

SECTOR PERFORMANCE

- Absolute fixed income returns were strong across the board. Diversification was a mixed bag for performance. Credit sectors boosted portfolio returns as credit markets shrugged off weaker growth prospects, resulting in tighter spreads. On the flip side, municipal debt generally underperformed as lower yields inspired a flurry of new issuance and refinancing activity that caused spreads to widen in the sector.
- Federal agency and supranational allocations generated slightly positive excess returns for the quarter even though spreads remained near all-time tightness across the curve. Continuing the trend over the past several quarters, callable securities underperformed as declining yields drove increased redemption activity.
- The investment-grade corporate sector continued to be one of the best performing fixed income sectors for Q3 and YTD. Positive earnings, stable fundamentals, and easier monetary policy outweighed trade tensions and geopolitical risks during Q3. Despite one of the highest issuance months on record in September, investor demand remained strong, absorbing the new deals and resulting in spreads grinding back near YTD lows.
- Mortgage-Backed Securities (MBS) generated modest positive excess returns, although relative performance belied the volatility during Q3 and was dependent on collateral term and coupon structure. The decline in longer-term Treasury yields – which translates to increased refinancings and shorter MBS durations – weighed on the sector. Higher coupon 30-year MBS were great performers, but 15-year collateral pools posted negative excess returns. Agency-backed commercial mortgage-backed securities have been a top-of-class performer for much of 2019, as these structures are generally less sensitive to interest rate volatility and ultimately, prepayment risks.

Summary of Operating Investments

Summary of Operating Investments

Market Value (\$ in millions)*

	9/30/2019
Illinois Funds	\$ 95.7
US Bank Commercial Paper Sweep	23.1
Subtotal Cash & Cash Equivalents	\$ 118.8
Short Term Portfolio	23.9
Intermediate Term Portfolio	165.1
Total Portfolio	\$ 307.8
<u>Book Value (\$ in millions)</u>	\$ 303.7

Asset Allocation (\$ in millions)*

Sector	9/30/2019	
Money Market Mutual Funds / LGIP	\$ 96.1	31.2%
U.S. Treasury Bonds/Notes	52.2	17.0%
Federal Agency Bonds/Notes	18.7	6.1%
Federal Agency MBS	24.7	8.0%
Federal Agency CMO	31.9	10.4%
Supra-National Agency Bonds/Notes	20.3	6.6%
Corporate Notes	16.4	5.3%
Commercial Paper	23.7	7.7%
Commercial Paper Sweep (US Bank)	23.1	7.5%
Subtotal	307.1	99.8%
Accrued Interest	0.7	0.2%
Total	\$ 307.8	100.0%

Current Yields (Annualized)

	9/30/2019
Illinois Funds	2.12%
US Bank Commercial Paper Sweep	1.50%
Benchmark: S&P Rated Government Investment Pool Index	2.05%

Performance Summary (Total Return)**

	Current Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
Short Term Portfolio	0.54%	2.62%	1.81%	-	-	1.81%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	0.56%	2.39%	1.54%	-	-	1.54%
Intermediate Term Portfolio	1.21%	7.19%	2.01%	2.32%	-	2.32%
Benchmark: Barclays Intermediate U.S. Govt. Securities	1.18%	7.52%	1.82%	2.18%	-	2.17%

*Detail may not add to total due to rounding

**Returns are gross of fees. Current Quarter total return is presented on a periodic basis. Trailing returns are presented, on an annualized basis.

SIU - Intermediate Term Portfolio

Investment Approach

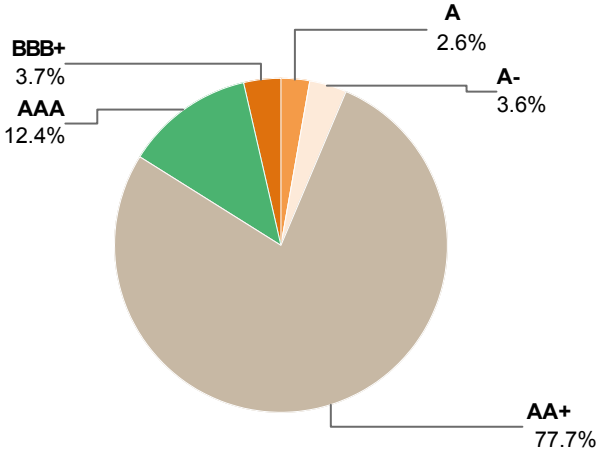
- The University's Intermediate Term portfolio is actively managed by PFM Asset Management, LLC. PFM seeks to add value by strategically buying or selling high-quality, fixed-income securities. Funds in the core portfolio are typically not needed over an intermediate- or long- term horizon and are therefore invested in fixed-income securities with maturity dates up to 10 years. This actively managed portfolio generally consists of all securities types available to the University in accordance with the permitted investments as described in the Illinois Public Funds Investment Act and the University's Investment Policy and Guidelines.

Portfolio Statistics

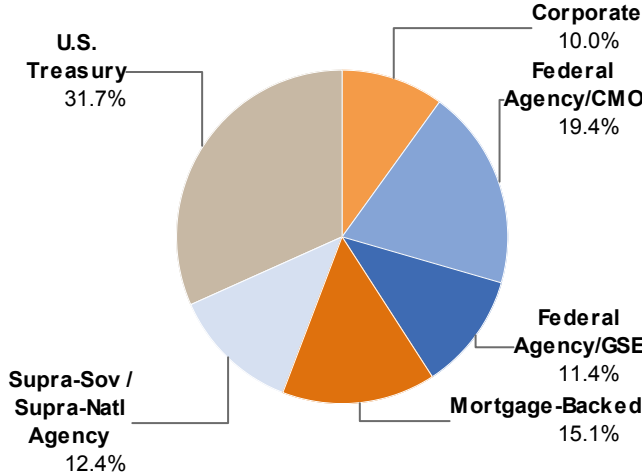
As of September 30, 2019

Par Value:	\$158,942,239
Total Market Value:	\$165,070,832
Security Market Value:	\$164,241,895
Accrued Interest:	\$658,493
Cash:	\$170,444
Amortized Cost:	\$160,176,097
Yield at Market:	1.90%
Yield at Cost:	2.56%
Effective Duration:	3.58 Years
Duration to Worst:	3.88 Years
Average Maturity:	7.30 Years
Average Credit: *	AA

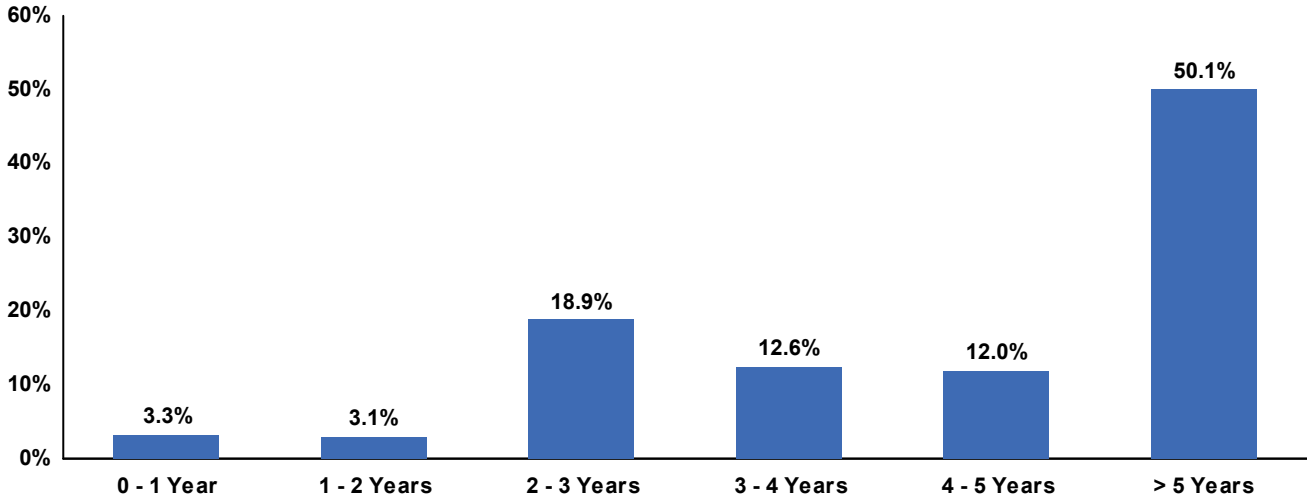
Credit Quality (S&P Ratings)



Sector Allocation



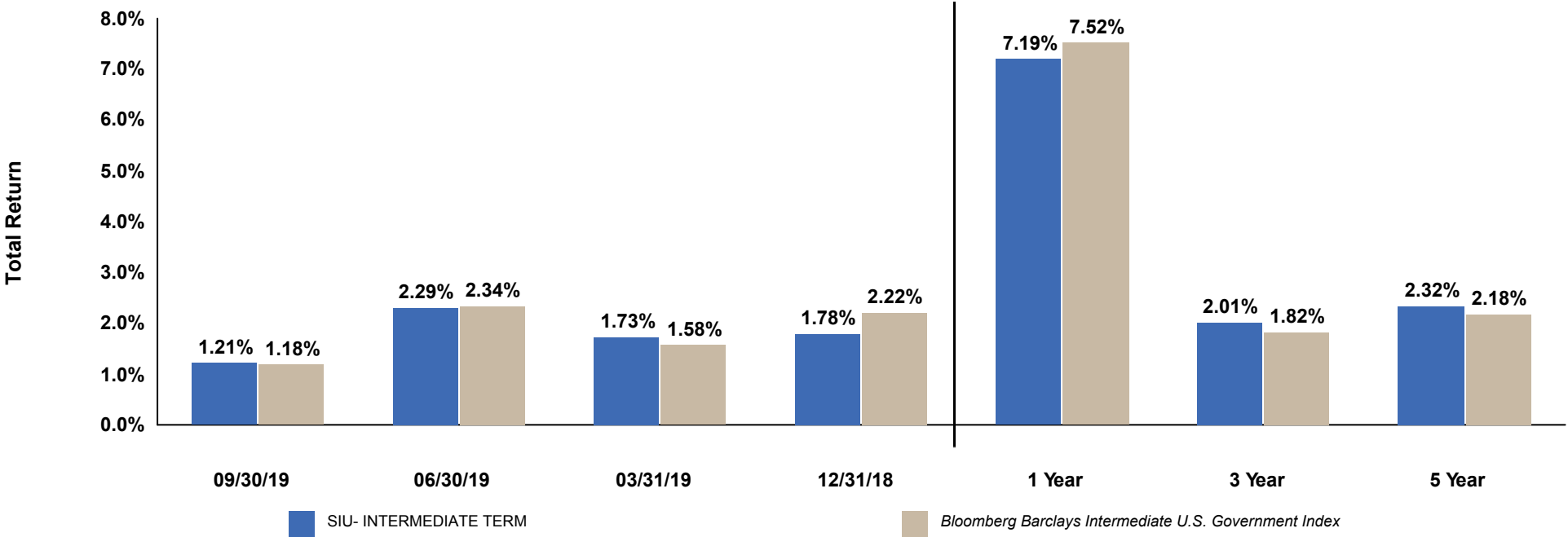
Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		09/30/19	06/30/19	03/31/19	12/31/18	1 Year	3 Year	5 Year
SIU- INTERMEDIATE TERM	3.58	1.21%	2.29%	1.73%	1.78%	7.19%	2.01%	2.32%
<i>Net of Fees **</i>	-	1.19%	2.27%	1.71%	1.76%	7.12%	1.94%	2.25%
Bloomberg Barclays Intermediate U.S. Government Index	3.78	1.18%	2.34%	1.58%	2.22%	7.52%	1.82%	2.18%
Difference (Gross)		0.03%	-0.05%	0.15%	-0.44%	-0.33%	0.19%	0.14%
Difference (Net)		0.01%	-0.07%	0.13%	-0.46%	-0.40%	0.12%	0.07%



Portfolio performance is gross of fees unless otherwise indicated. ** Fees were calculated based on average assets during the period at the contractual rate.

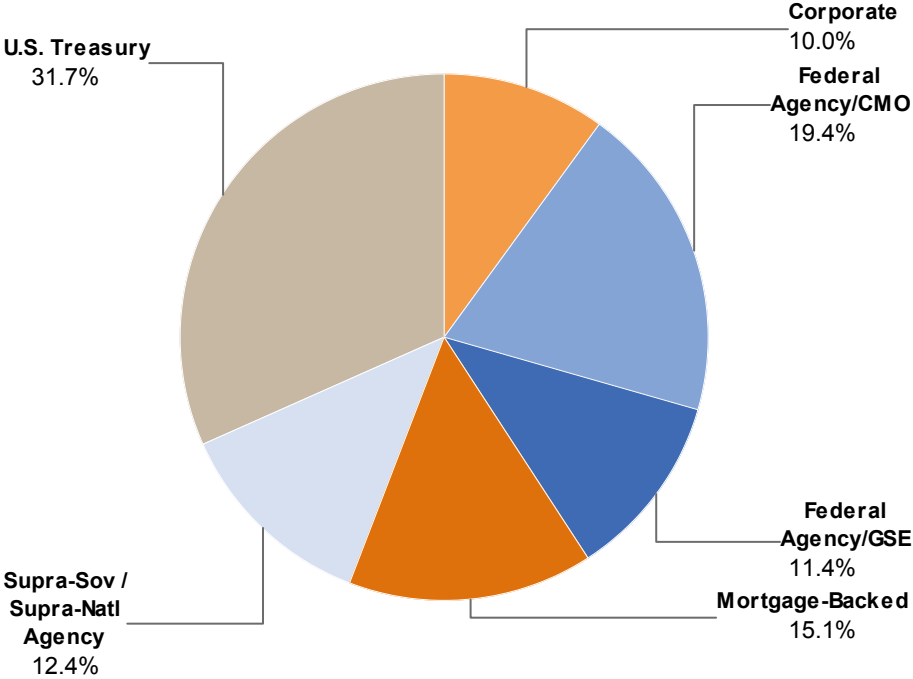
Portfolio Earnings
Quarter-Ended September 30, 2019

	<u>Market Value Basis</u>	<u>Accrual (Amortized Cost) Basis</u>
Beginning Value (06/30/2019)	\$161,564,512.88	\$158,211,942.57
Net Purchases/Sales	\$1,800,608.01	\$1,800,608.01
Change in Value	\$876,774.02	\$163,546.13
Ending Value (09/30/2019)*	\$164,241,894.91	\$160,176,096.71
Interest Earned	\$1,092,649.14	\$1,092,649.14
Portfolio Earnings	\$1,969,423.16	\$1,256,195.27

*Amount does not include cash/STIF balances and accrued interest.

Sector Allocation
As of September 30, 2019

Sector	Market Value (\$)	% of Portfolio
U.S. Treasury	52,244,703	31.7%
Federal Agency/CMO	31,927,571	19.4%
Mortgage-Backed	24,720,456	15.1%
Supra-Sov / Supra-Natl Agency	20,318,942	12.4%
Federal Agency/GSE	18,653,207	11.4%
Corporate	16,377,017	10.0%
Total	\$164,241,895*	100.0%

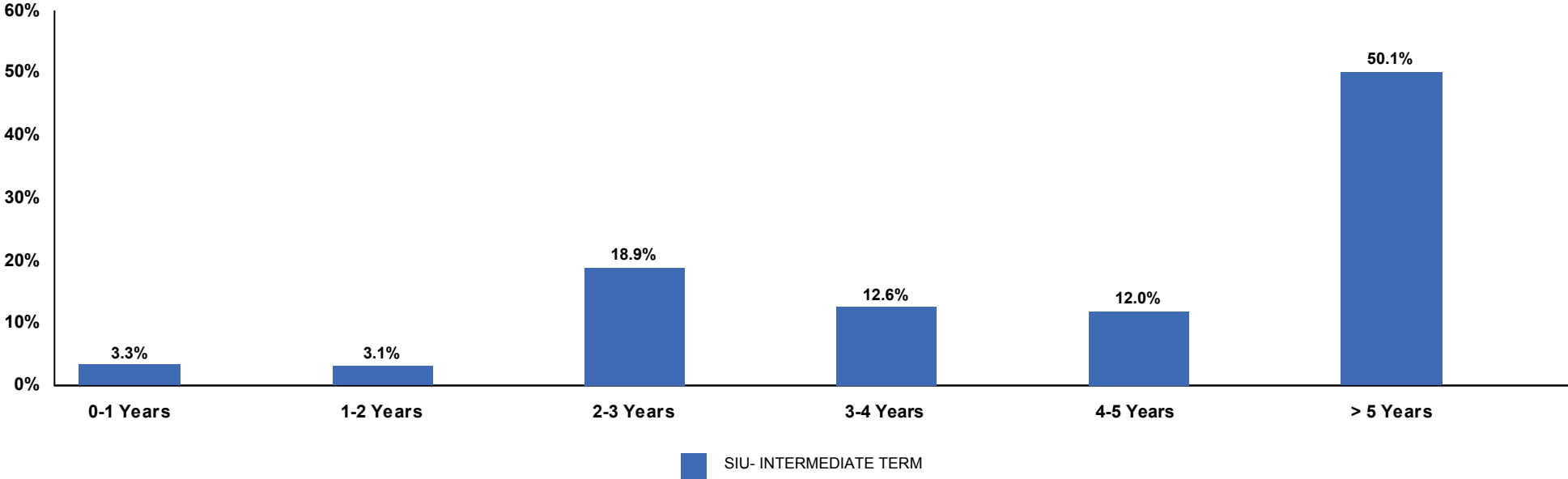


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Maturity Distribution

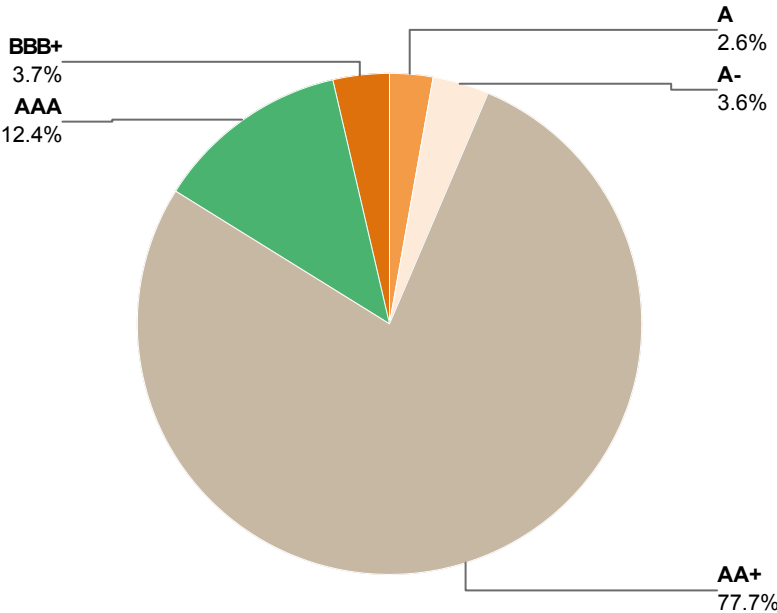
As of September 30, 2019

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
SIU- INTERMEDIATE TERM	1.90%	7.30 yrs	3.3%	3.1%	18.9%	12.6%	12.0%	50.1%



Credit Quality
As of September 30, 2019

S&P Rating	Market Value (\$)	% of Portfolio
AA+	\$127,545,936	77.7%
AAA	\$20,318,942	12.4%
BBB+	\$6,084,318	3.7%
A-	\$5,947,693	3.6%
A	\$4,345,007	2.7%
Totals	\$164,241,895*	100.0%



*Amount does not include cash/STIF balances and accrued interest. Detail may not add to total due to rounding.

Sector/Issuer Distribution

As of September 30, 2019

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Corporate			
AMERICAN EXPRESS CO	1,523,906	9.3%	0.9%
AMERICAN HONDA FINANCE	1,505,535	9.2%	0.9%
BB&T CORPORATION	1,536,713	9.4%	0.9%
CITIGROUP INC	1,522,328	9.3%	0.9%
GOLDMAN SACHS GROUP INC	1,516,305	9.3%	0.9%
JP MORGAN CHASE & CO	2,863,174	17.5%	1.7%
MORGAN STANLEY	1,521,780	9.3%	0.9%
THE BANK OF NEW YORK MELLON CORPORATION	2,839,472	17.3%	1.7%
WELLS FARGO & COMPANY	1,547,807	9.5%	0.9%
Sector Total	16,377,017	100.0%	10.0%
Federal Agency/CMO			
FANNIE MAE	6,743,403	21.1%	4.1%
FREDDIE MAC	22,888,049	71.7%	13.9%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	2,296,119	7.2%	1.4%
Sector Total	31,927,571	100.0%	19.4%
Federal Agency/GSE			
AGENCY FOR INTERNATIONAL DEVELOPMENT	2,302,838	12.3%	1.4%
FANNIE MAE	4,490,127	24.1%	2.7%

SIU- INTERMEDIATE TERM

Portfolio Composition

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
FEDERAL HOME LOAN BANKS	2,023,884	10.9%	1.2%
FREDDIE MAC	4,061,592	21.8%	2.5%
TENNESSEE VALLEY AUTHORITY	5,774,766	31.0%	3.5%
Sector Total	18,653,207	100.0%	11.4%
Mortgage-Backed			
FANNIE MAE	12,859,152	52.0%	7.8%
FREDDIE MAC	11,162,394	45.2%	6.8%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	698,910	2.8%	0.4%
Sector Total	24,720,456	100.0%	15.1%
Supra-Sov / Supra-Natl Agency			
AFRICAN DEVELOPMENT BANK	6,591,116	32.4%	4.0%
ASIAN DEVELOPMENT BANK	7,315,170	36.0%	4.5%
INTER-AMERICAN DEVELOPMENT BANK	4,562,149	22.5%	2.8%
INTERNATIONAL FINANCE CORPORATION	1,850,506	9.1%	1.1%
Sector Total	20,318,942	100.0%	12.4%
U.S. Treasury			
UNITED STATES TREASURY	52,244,703	100.0%	31.8%
Sector Total	52,244,703	100.0%	31.8%
Portfolio Total	164,241,895*	100.0%	100.0%

*Amount does not include cash/STIF balances and accrued interest.

SIU - Short Term Portfolio

Investment Approach

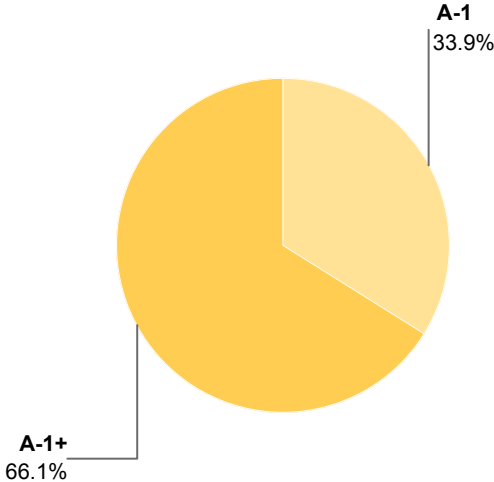
- The University's Short-Term portfolio is actively managed by PFM Asset Management, LLC. The short-term portfolio is structured to match the University's anticipated liquidity needs. The portfolio's duration typically ranges from 0 – 12 months, but is limited to a maximum maturity of 3 years. These funds are designed to be used for specific, predictable cash flows (i.e. payroll, debt service) as well as a liquidity cushion of cash available for any unforeseen expenses. Typical investments include, short-term U.S. Treasuries, short-term Federal Agencies, and commercial paper. Permitted investments are limited to those as described in the Illinois Public Funds Investment Act and the University's Investment Policy and Guidelines.

Portfolio Statistics

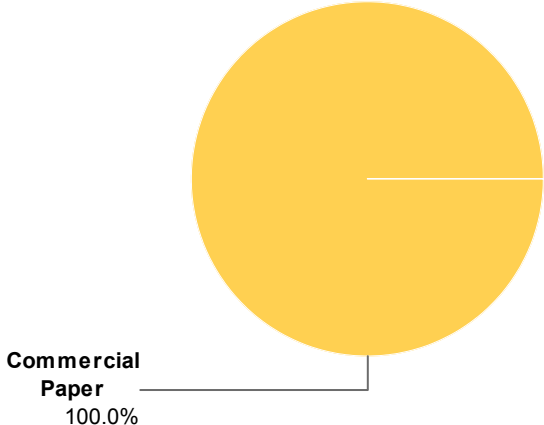
As of September 30, 2019

Par Value:	\$23,900,000
Total Market Value:	\$23,892,752
Security Market Value:	\$23,682,336
Accrued Interest:	-
Cash:	\$210,416
Amortized Cost:	\$23,685,679
Yield at Market:	2.05%
Yield at Cost:	2.27%
Effective Duration:	0.44 Years
Duration to Worst:	0.44 Years
Average Maturity:	0.44 Years
Average Credit: *	AA

Credit Quality (S&P Ratings)



Sector Allocation



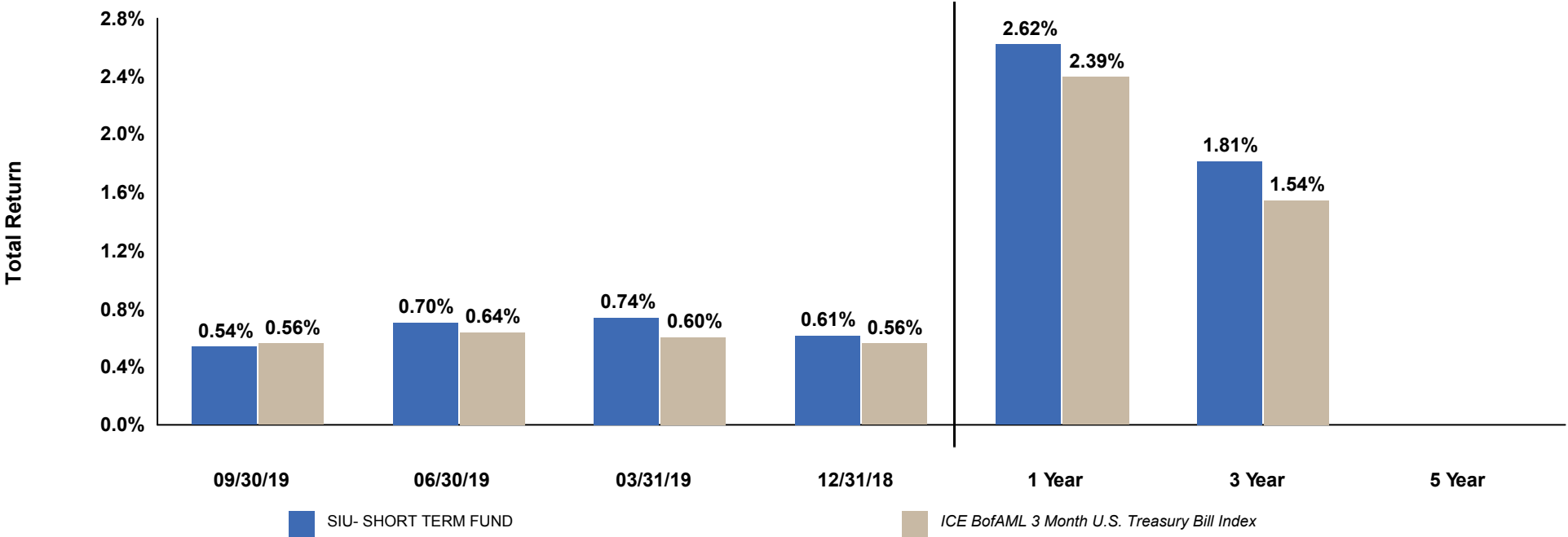
Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		09/30/19	06/30/19	03/31/19	12/31/18	1 Year	3 Year	5 Year
SIU- SHORT TERM FUND	0.44	0.54%	0.70%	0.74%	0.61%	2.62%	1.81%	-
Net of Fees **	-	0.52%	0.68%	0.72%	0.59%	2.55%	1.74%	-
ICE BofAML 3 Month U.S. Treasury Bill Index	0.16	0.56%	0.64%	0.60%	0.56%	2.39%	1.54%	-
Difference (Gross)		-0.02%	0.06%	0.14%	0.05%	0.23%	0.27%	-
Difference (Net)		-0.04%	0.04%	0.12%	0.03%	0.16%	0.20%	-



Portfolio performance is gross of fees unless otherwise indicated. ** Fees were calculated based on average assets during the period at the contractual rate.

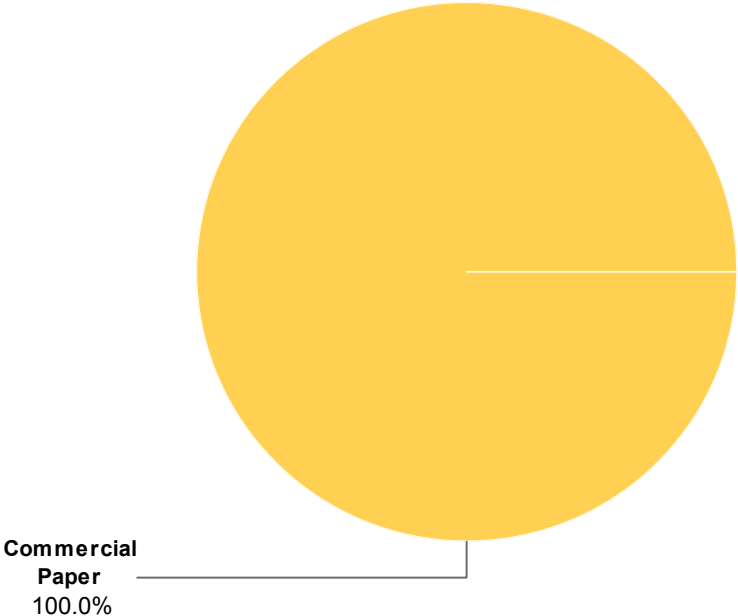
Portfolio Earnings
Quarter-Ended September 30, 2019

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2019)	\$40,510,999.53	\$40,489,488.07
Net Purchases/Sales	(\$16,982,900.00)	(\$16,982,900.00)
Change in Value	\$154,236.37	\$179,090.61
Ending Value (09/30/2019)*	\$23,682,335.90	\$23,685,678.68
Interest Earned	\$28,371.31	\$28,371.31
Portfolio Earnings	\$182,607.68	\$207,461.92

*Amount does not include cash/STIF balances and accrued interest.

Sector Allocation
As of September 30, 2019

Sector	Market Value (\$)	% of Portfolio
Commercial Paper	23,682,336	100.0%
Total	\$23,682,336*	100.0%

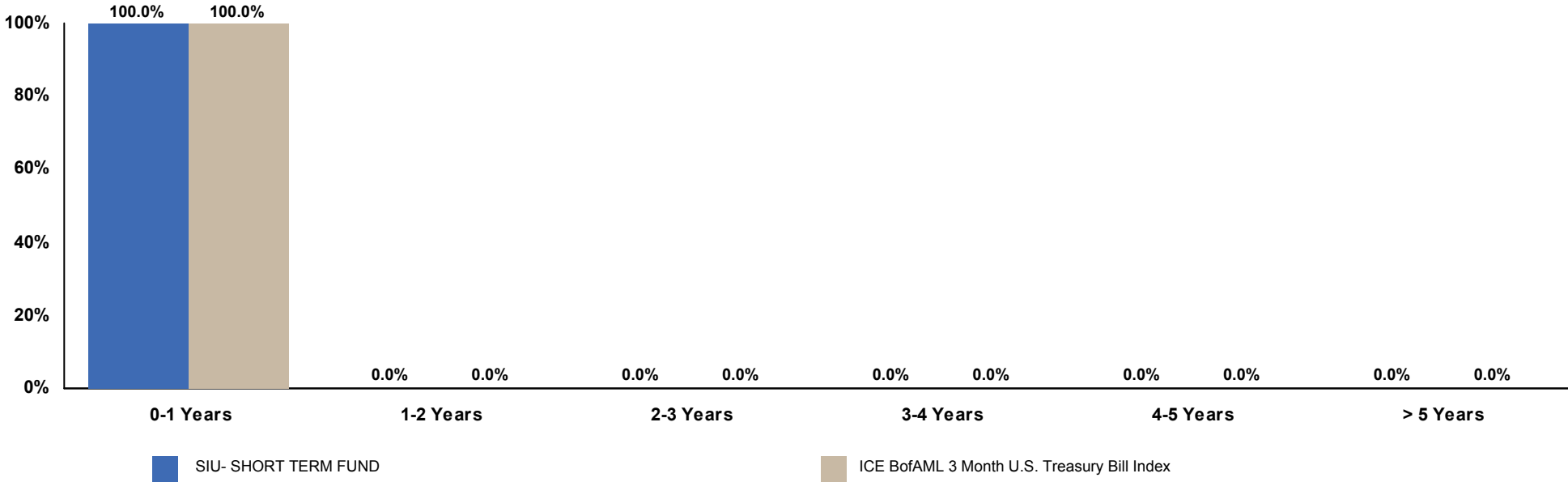


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Maturity Distribution

As of September 30, 2019

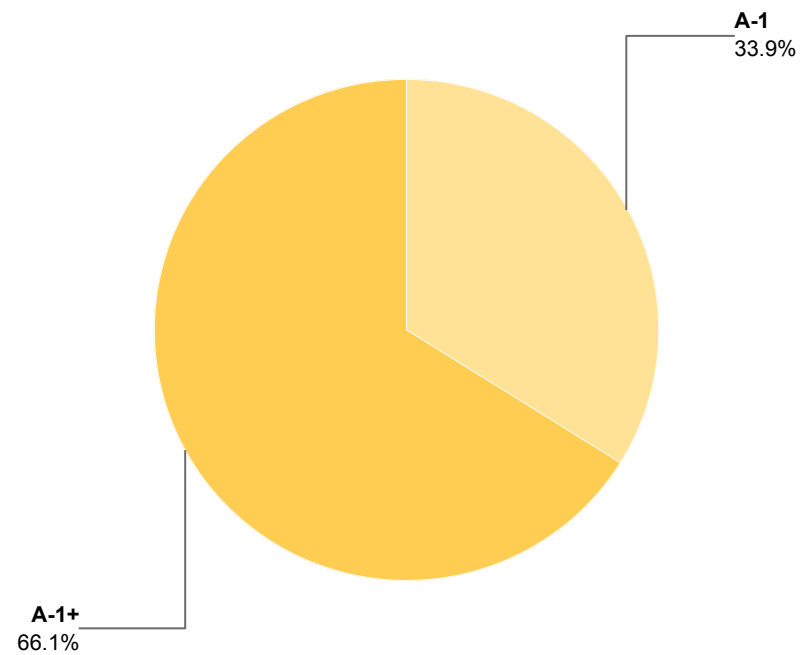
Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
SIU- SHORT TERM FUND	2.05%	0.44 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ICE BofAML 3 Month U.S. Treasury Bill Index	1.82%	0.24 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%



Credit Quality

As of September 30, 2019

S&P Rating	Market Value (\$)	% of Portfolio
A-1+	\$15,644,837	66.1%
A-1	\$8,037,499	33.9%
Totals	\$23,682,336*	100.0%



*Amount does not include cash/STIF balances and accrued interest. Detail may not add to total due to rounding.

Sector/Issuer Distribution

As of September 30, 2019

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Commercial Paper			
APPLE INC	2,397,919	10.1%	10.1%
BNP PARIBAS	999,175	4.2%	4.2%
COCA-COLA COMPANY	1,049,437	4.4%	4.4%
CREDIT SUISSE GROUP	4,989,710	21.1%	21.1%
mitsubishi UFJ FINANCIAL GROUP INC	999,177	4.2%	4.2%
OLD LINE FUNDING LLC	4,924,685	20.8%	20.8%
TORONTO-DOMINION BANK	5,924,263	25.0%	25.0%
TOYOTA MOTOR CORP	2,397,970	10.1%	10.1%
Sector Total	23,682,336	100.0%	100.0%
Portfolio Total	23,682,336*	100.0%	100.0%

*Amount does not include cash/STIF balances and accrued interest.

Illinois Funds

Investment Approach

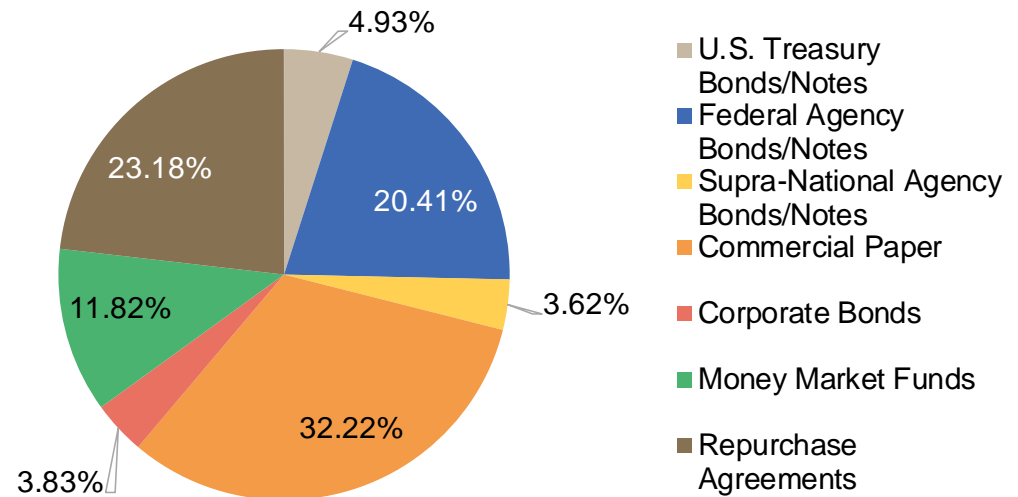
- The Illinois Funds is a Local Government Investment Pool (LGIP) operated by the Illinois State Treasurer's Office. The Illinois Funds strives to provide an inexpensive investment vehicle that features safety, daily liquidity and yield for Illinois public funds programs. The fund is managed by the Office of the State Treasurer in Springfield, Illinois, and contained a combined \$6.8 billion in total assets as of September 30, 2019. The fund is currently rated AAAM by Standard & Poor's.

Illinois Funds Account Overview

Illinois Funds	
Beginning Value (6/30/2019)	\$81,926,475.62
Net Deposits (Withdrawals)	\$13,251,015.69
Interest Earned	\$504,067.39
Ending Value (9/30/19)	\$95,681,558.70

	Current Yield as of 9/30/19
Illinois Funds	2.12%
Benchmark: S&P Rated Government Investment Pool Index	2.05%

**Illinois Funds
Sector Allocation
as of September 30, 2019**



Weighted Average Maturity	53 Days
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U.S. Bank Commercial Paper Sweep

Investment Approach

- In lieu of providing collateral on daily operating liquidity balances, US Bank provides a daily commercial paper investment sweep option. Deposits are automatically moved to the sweep account at the end of each business day and invested overnight in US Bank National Association commercial paper, an unsecured, short-term promissory note. Funds from the maturing commercial paper are available on the next business day. US Bank commercial paper carries a credit rating of A-1+ by Standard & Poor's and P-1 by Moody's.

U.S. Bank Commercial Paper Sweep Account Overview

U.S. Bank Commercial Paper Sweep	
Beginning Value (6/30/2019)	\$21,284,703.43
Net Deposits (Withdrawals)	\$1,737,048.03
Interest Earned	\$103,138.49
Ending Value (9/30/19)	\$23,124,889.95

	Current Yield as of 9/30/19
U.S. Bank Commercial Paper Sweep	1.50%
Benchmark: S&P Rated Government Investment Pool Index	2.05%

Capital Investments

Investment Approach

- PFM Asset Management LLC actively manages the Interest Sinking Fund accounts. The Interest Sinking Fund accounts are managed to follow a cash flow driven strategy that is based on the University's debt service collection schedule and bondholder payment dates.
- PFM Asset Management LLC actively manages the Debt Service Reserve Fund. The Debt Service Reserve Fund is generally managed to a duration of between 1 and 3 years depending on prevailing market conditions. Breakeven and sensitivity analyses are used to determine duration targets in an attempt to minimize downside and replenishment risk.
- Construction proceeds are invested in accordance with the anticipated drawdown schedule of the project(s) being financed and in accordance with debt financing documents.

Capital Investments Position

Investment Balance Market Value (\$ in millions)	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019
Housing & Auxiliary Facilities System					
Construction Proceeds	-	-	-	4.7	2.2
Interest Sinking Fund	13.3	15.4	21.7	7.1	13.7
Debt Service Reserve	6.1	6.2	6.2	6.2	6.2
Total HAFS	19.4	21.5	28.0	18.1	22.1
Medical Facilities System					
Construction Proceeds	-	-	-	-	-
Interest Sinking Fund	0.9	1.3	1.7	0.5	0.9
Debt Service Reserve	-	-	-	-	-
Total MFS	0.9	1.3	1.7	0.5	0.9
Certificates of Participation					
Construction Proceeds	1.1	0.7	0.2	0.1	-
Interest Sinking Fund	-	-	-	-	-
Debt Service Reserve	-	-	-	-	-
Total COPS	1.1	0.7	0.2	0.1	-
Total Market Value of Portfolio	\$ 21.5	\$ 23.6	\$ 29.9	\$ 18.6	\$ 23.1
Investment Balance Book Value (\$ in millions)	\$ 21.6	\$ 23.6	\$ 29.9	\$ 18.6	\$ 23.0

**Capital Investments are managed internally and are invested in high quality, low risk government securities. The investment maturity, rate of return and type are limited by covenants in the debt financing documents.*

IMPORTANT DISCLOSURES

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.
- Any information contained in this report pertaining to Illinois Funds, US Bank Commercial Paper Sweep, and the Capital Investments Position were sourced from their respective month end statements. Information for the Intermediate and Short-Term Portfolios was sourced from their respective quarter-end statements provided by PFM.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

GLOSSARY

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.