



# Southern Illinois University

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Quarterly Investment Report  
June 30, 2018

# Market Update

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## SUMMARY

- Economic data continued to indicate strong growth worldwide, despite the myriad of geopolitical and global trade war events hitting the headlines. During the quarter, volatility waned, equity markets gained their footing, the U.S. Dollar (USD) continued its ascent and the Federal Open Market Committee's (FOMC) dual mandate came into clearer focus. But, with trade wars officially on, it's now a question of whether the strong fiscal stimulus that is fueling the U.S. economy will be enough to overcome the drag of trade uncertainty.
- Positive economic data released in the second quarter included job gains, housing starts, new home sales, factory orders, manufacturing survey indices and consumer sentiment.
- At its June FOMC meeting, the Federal Reserve (Fed) increased the overnight federal funds rate by 0.25 percent, to a new range of 1.75 to 2.00 percent. While widely anticipated, the June rate hike was consistent with the Fed's continuing resolve to gradually tighten monetary policy. Fed expectations – as measured by the FOMC's updated “dot plot” – indicated two more rate hikes in the second half of 2018 and three more in 2019. Market estimates – as measured by Fed funds futures contracts – similarly imply two more hikes in 2018, but are less optimistic for 2019.
- The S&P 500 Index (S&P) rebounded by 3.4 percent over the quarter, following the first quarterly decline (first quarter 2018) in nearly three years. Meanwhile, bond yields generally rose, while the yield curve flattened

## ECONOMIC SNAPSHOT

- Real gross domestic product (GDP) in the U.S. increased at an annual rate of 2 percent in the first quarter. The deceleration in growth was driven by weaker consumer spending, despite being boosted by a significant improvement in net exports. Looking forward, federal tax cuts and expanded spending point toward accelerated growth estimates for the second quarter.
- U.S. labor market conditions – part one of the Fed's dual mandate – remained strong during the quarter. Despite the quarter-end uptick in the headline unemployment rate to 4 percent (previously 3.8 percent), it remains near multi-decade lows. In addition, job growth remains robust (monthly average of 211,000 new jobs in the second quarter), weekly jobless claims reached a generational low and job openings reached a new record high. In fact, for the first time, there are more job openings than the number of unemployed persons.
- Inflation – the second part of the Fed's dual mandate – continued to march higher. As measured by the personal consumption expenditures (PCE) core price index, year-over-year (YoY) inflation reached the Fed's target of 2 percent for the first time since 2012.

## OUTLOOK

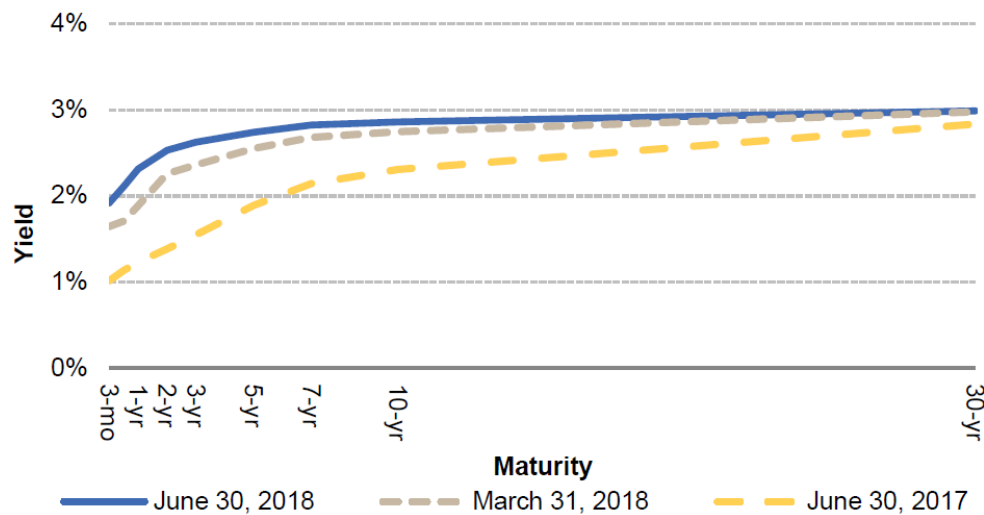
- In light of continued economic growth, inflation near the Fed's symmetric target of 2%, and strong labor market conditions, the Fed appears poised to raise rates further. As a result of the expectation for one or two additional hikes in 2018 and three to four more in 2019, the consensus view remains that the general trend of interest rates will be to increase gradually over the near-term.

# Market Update

## INTEREST RATES

- U.S. Treasury yields generally rose over the quarter, with maturities less than three years increasing 20 to 25 basis points (bps) (0.20 to 0.25 percent), while maturities greater than five years increased by a lesser amount and 30-year Treasury bonds were nearly unchanged. The result was a flatter yield curve; the difference between 10-year and two year Treasury yields narrowed to 33 bps (0.33 percent) by quarter-end, a level not hit since June 2007.
- Money market investments, like commercial paper and bank Certificates of Deposit (CDs), continued to offer attractive yields, reacting quickly to the periodic Fed rate hikes.
- After widening in the first quarter, credit spreads remained volatile in the second quarter, but ended the quarter only modestly wider. Healthy corporate fundamentals remained supportive.

U.S. Treasury Yield Curve



Source: Bloomberg, as of 6/30/2018.

## SECTOR PERFORMANCE

- Rising yields caused shorter-maturity to outperform longer-maturity Treasury indices; the exception was 30-year Treasury bonds, which were buoyed by incremental income amid relatively unchanged yields over the quarter. For example, the three-month Treasury bill index generated +0.45 percent of total return for the quarter, while the five-year Treasury returned -0.05 percent, and the 30-year Treasury returned +0.51 percent.
- Federal agency returns were in line with similar-duration U.S. Treasury securities for the quarter, as spreads across the majority of the curve continued to trade very narrowly. The incremental income benefit from the sector continues to be minimal
- Shorter-term corporates generated positive excess returns in the quarter as incremental income offset modestly wider yield spreads. But, longer-term corporates (five years and longer) underperformed Treasuries as the impact of wider yield spreads on longer-duration securities overwhelmed the benefit of higher yields.
- After a general underperformance of mortgage-backed securities (MBS) in the first quarter, the sector found its footing in the second quarter. Nevertheless, returns in the MBS sector continue to be very much structure-dependent as specific maturity and coupon characteristics drove relative performance.
- Short-term commercial paper and bank CDs continued to offer incremental value relative to both short- and intermediate-term government securities. The incremental yield advantage offered in these sectors continues to be a valuable return attribute in the face of rising rates.

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# Summary of Operating Investments

## Summary of Operating Investments

### Market Value (\$ in millions)

	<b>6/30/2018</b>
Illinois Funds	\$ 63.6
US Bank Commercial Paper Sweep	19.9
Subtotal Cash & Cash Equivalents	<u>\$ 83.5</u>
Short Term Portfolio	93.5
Intermediate Term Portfolio	115.2
Total Portfolio	<u><u>\$ 292.2</u></u>
<u>Book Value (\$ in millions)</u>	<u><u>\$ 293.5</u></u>

### Asset Allocation (\$ in millions)

<b>Sector</b>	<b>6/30/2018</b>	
Money Market Mutual Funds / LGIP	\$ 64.1	22.0%
U.S. Treasury Bonds/Notes	59.1	20.2%
Federal Agency Bonds/Notes	24.1	8.2%
Federal Agency MBS	14.6	5.0%
Federal Agency CMO	20.2	6.9%
Supra-National Agency Bonds/Notes	22.0	7.5%
Commercial Paper	67.7	23.2%
Commercial Paper Sweep (US Bank)	19.9	6.8%
<b>Subtotal</b>	<b>291.7</b>	<b>99.8%</b>
Accrued Interest	0.5	0.2%
<b>Total</b>	<b>\$ 292.2</b>	<b>100.0%</b>

### Current Yields (Annualized)

	<b>6/30/2018</b>
<b>Illinois Funds</b>	1.96%
<b>US Bank Commercial Paper Sweep</b>	0.30%
Benchmark: S&P Rated Government Investment Pool Index	1.84%

### Performance Summary (Total Return)\*

	<b>Current Quarter</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>Since Inception</b>
<b>Short Term Portfolio</b>	0.58%	1.45%	-	-	-	1.28%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	0.45%	1.36%	-	-	-	1.00%
<b>Intermediate Term Portfolio</b>	0.12%	-0.37%	1.00%	-	-	1.19%
Benchmark: Barclays Intermediate U.S. Govt. Securities	0.06%	-0.73%	0.63%	-	-	0.97%

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

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# SIU - Intermediate Term Portfolio

## Investment Approach

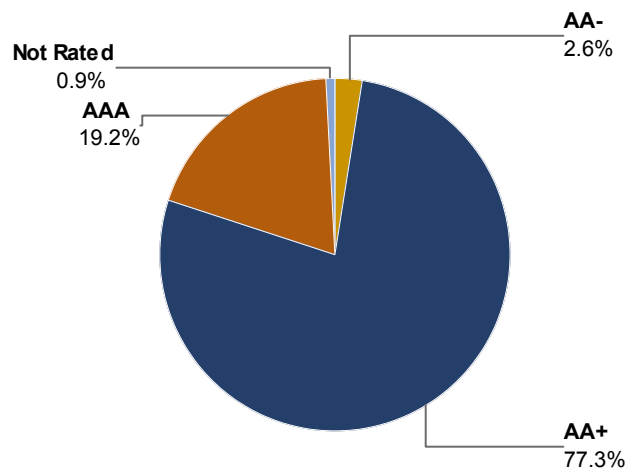
- The University's Intermediate Term portfolio is actively managed by PFM Asset Management, LLC. PFM seeks to add value by strategically buying or selling high-quality, fixed-income securities. Funds in the core portfolio are typically not needed over an intermediate- or long- term horizon and are therefore 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**

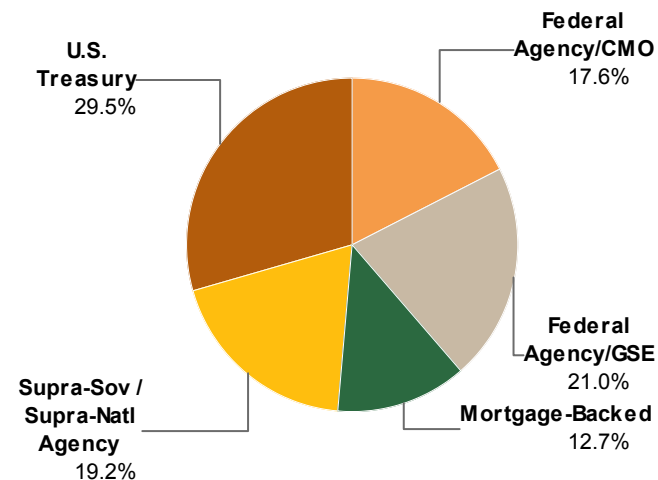
As of June 30, 2018

<b>Par Value:</b>	\$116,331,068
<b>Total Market Value:</b>	\$115,176,136
<b>Security Market Value:</b>	\$114,535,566
<b>Accrued Interest:</b>	\$471,899
<b>Cash:</b>	\$168,670
<b>Amortized Cost:</b>	\$116,770,169
<b>Yield at Market:</b>	2.82%
<b>Yield at Cost:</b>	2.27%
<b>Effective Duration:</b>	3.45 Years
<b>Duration to Worst:</b>	3.84 Years
<b>Average Maturity:</b>	6.15 Years
<b>Average Credit: *</b>	AA

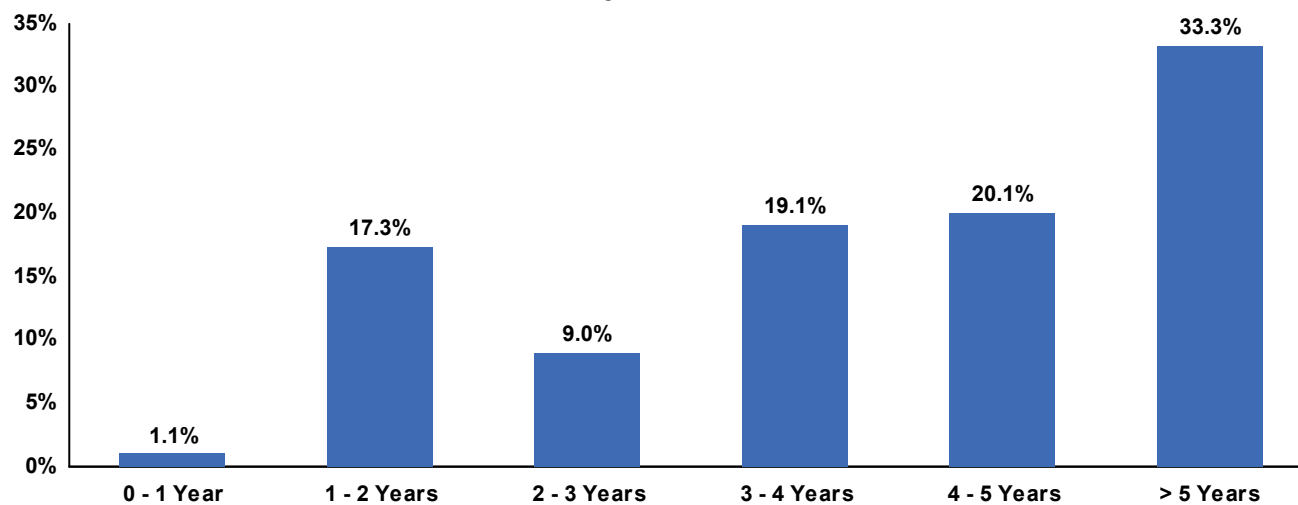
**Credit Quality (S&P Ratings)**



**Sector Allocation**



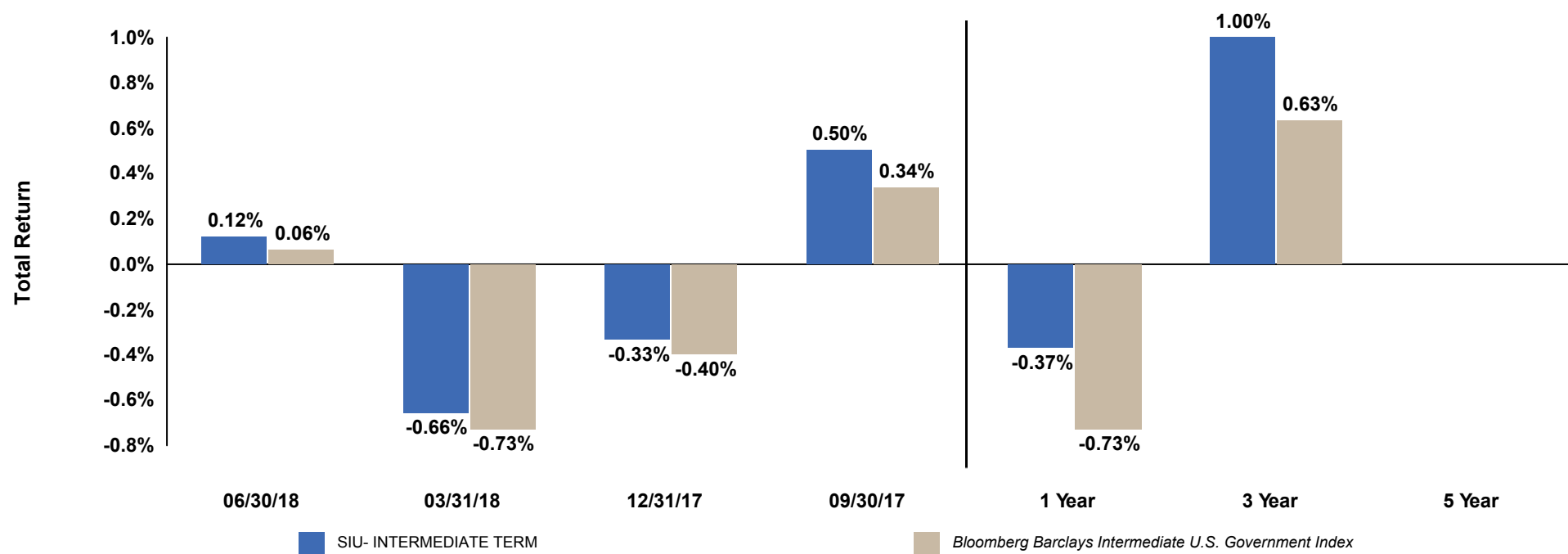
**Maturity Distribution**



\* 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		
		06/30/18	03/31/18	12/31/17	09/30/17	1 Year	3 Year	5 Year
<b>SIU- INTERMEDIATE TERM</b>	3.45	0.12%	-0.66%	-0.33%	0.50%	-0.37%	1.00%	-
<i>Net of Fees **</i>	-	0.10%	-0.68%	-0.35%	0.48%	-0.44%	0.92%	-
<b>Bloomberg Barclays Intermediate U.S. Government Ii</b>	3.69	0.06%	-0.73%	-0.40%	0.34%	-0.73%	0.63%	-
<b>Difference (Gross)</b>		0.06%	0.07%	0.07%	0.16%	0.36%	0.37%	-
<b>Difference (Net)</b>		0.04%	0.05%	0.05%	0.14%	0.29%	0.29%	-



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 June 30, 2018*

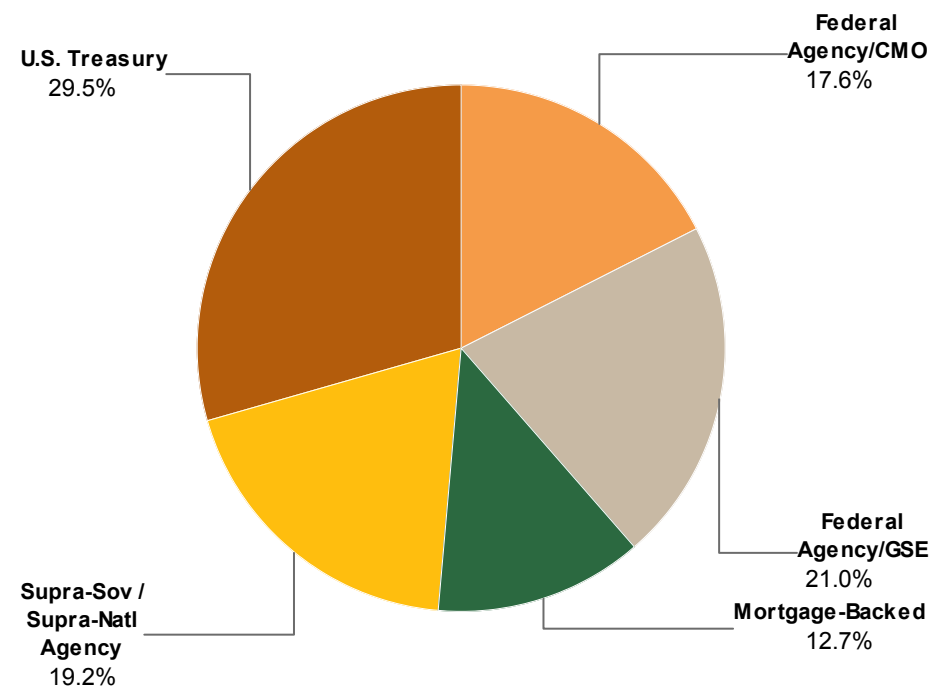
	<b>Market Value Basis</b>	<b>Accrual (Amortized Cost) Basis</b>
<b>Beginning Value (03/31/2018)</b>	\$114,172,455.70	\$115,979,868.05
<b>Net Purchases/Sales</b>	\$878,239.23	\$878,239.23
<b>Change in Value</b>	(\$515,128.83)	(\$87,938.41)
<b>Ending Value (06/30/2018)</b>	\$114,535,566.10*	\$116,770,168.87
<b>Interest Earned</b>	\$645,128.69	\$645,128.69
<b>Portfolio Earnings</b>	\$129,999.86	\$557,190.28

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

**Sector Allocation**

*As of June 30, 2018*

Sector	Market Value (\$)	% of Portfolio
U.S. Treasury	33,673,734	29.5%
Federal Agency/GSE	24,081,874	21.0%
Supra-Sov / Supra-Natl Agency	22,037,029	19.2%
Federal Agency/CMO	20,168,358	17.6%
Mortgage-Backed	14,574,572	12.7%
<b>Total</b>	<b>\$114,535,566*</b>	<b>100.0%</b>

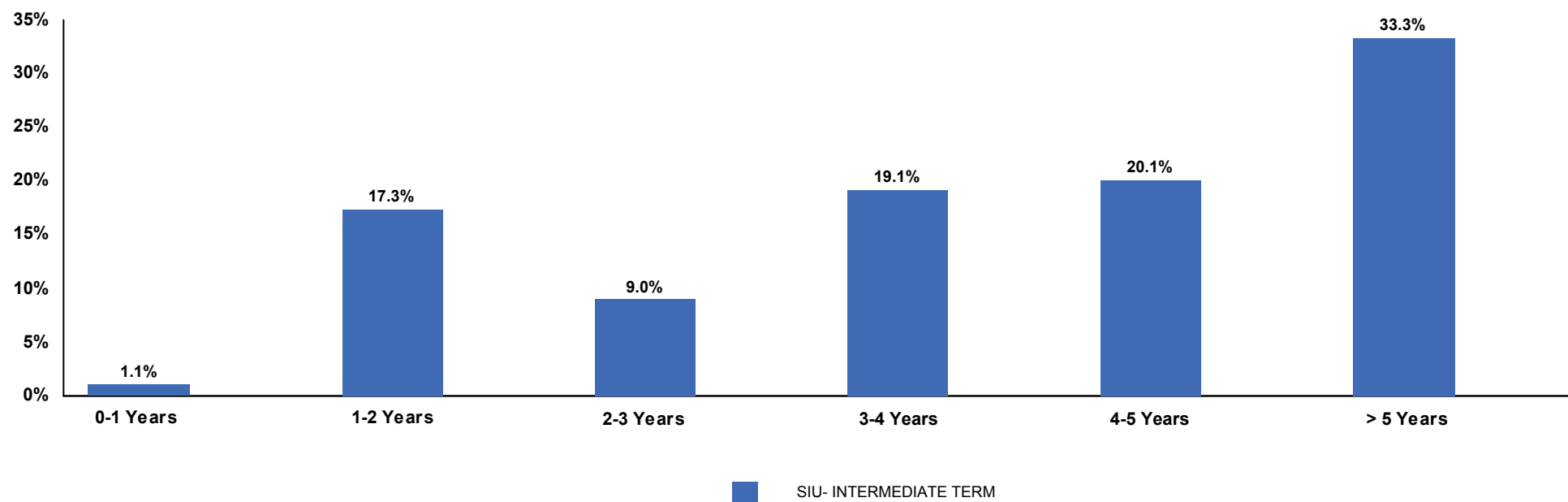


\*Amount does not include cash/STIF balances and accrued interest. Detail may not add to total due to rounding.

**Maturity Distribution**

*As of June 30, 2018*

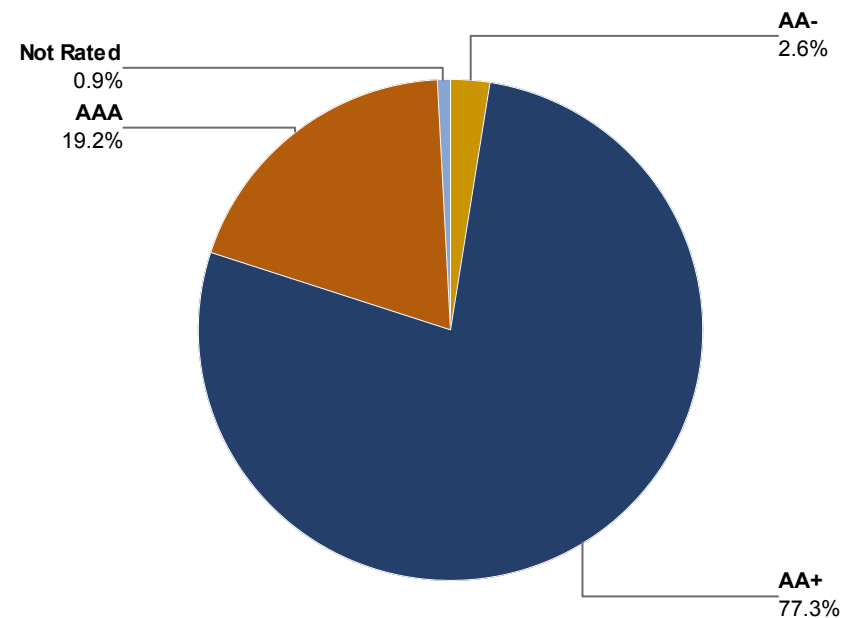
Portfolio	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
SIU- INTERMEDIATE TERM	2.82%	6.15 yrs	1.1%	17.3%	9.0%	19.1%	20.1%	33.3%



**Credit Quality**

**As of June 30, 2018**

S&P Rating	Market Value (\$)	% of Portfolio
AA+	\$88,511,104	77.3%
AAA	\$22,037,029	19.2%
AA-	\$2,992,949	2.6%
Not Rated	\$994,484	0.9%
<b>Totals</b>	<b>\$114,535,566*</b>	<b>100.0%</b>



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

## Sector/Issuer Distribution

As of June 30, 2018

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Federal Agency/CMO</b>			
FANNIE MAE	10,179,449	50.5%	8.9%
FREDDIE MAC	9,050,437	44.9%	7.9%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	938,472	4.7%	0.8%
<b>Sector Total</b>	<b>20,168,358</b>	<b>100.0%</b>	<b>17.6%</b>
<b>Federal Agency/GSE</b>			
AGENCY FOR INTERNATIONAL DEVELOPMENT	3,255,280	13.5%	2.8%
FANNIE MAE	8,321,541	34.6%	7.3%
FEDERAL HOME LOAN BANKS	1,579,798	6.6%	1.4%
FREDDIE MAC	7,349,835	30.5%	6.4%
TENNESSEE VALLEY AUTHORITY	3,575,419	14.8%	3.1%
<b>Sector Total</b>	<b>24,081,874</b>	<b>100.0%</b>	<b>21.0%</b>
<b>Mortgage-Backed</b>			
FANNIE MAE	9,036,249	62.0%	7.9%
FREDDIE MAC	4,364,302	29.9%	3.8%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	1,174,021	8.1%	1.0%
<b>Sector Total</b>	<b>14,574,572</b>	<b>100.0%</b>	<b>12.7%</b>
<b>Supra-Sov / Supra-Natl Agency</b>			

## SIU- INTERMEDIATE TERM

## Portfolio Composition

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
AFRICAN DEVELOPMENT BANK	5,699,687	25.9%	5.0%
ASIAN DEVELOPMENT BANK	9,983,308	45.3%	8.7%
INTER-AMERICAN DEVELOPMENT BANK	4,535,862	20.6%	4.0%
INTERNATIONAL FINANCE CORPORATION	1,818,172	8.3%	1.6%
<b>Sector Total</b>	<b>22,037,029</b>	<b>100.0%</b>	<b>19.2%</b>
<b>U.S. Treasury</b>			
UNITED STATES TREASURY	33,673,734	100.0%	29.4%
<b>Sector Total</b>	<b>33,673,734</b>	<b>100.0%</b>	<b>29.4%</b>
<b>Portfolio Total</b>	<b>114,535,566*</b>	<b>100.0%</b>	<b>100.0%</b>

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

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# SIU - Short Term Portfolio

## Investment Approach

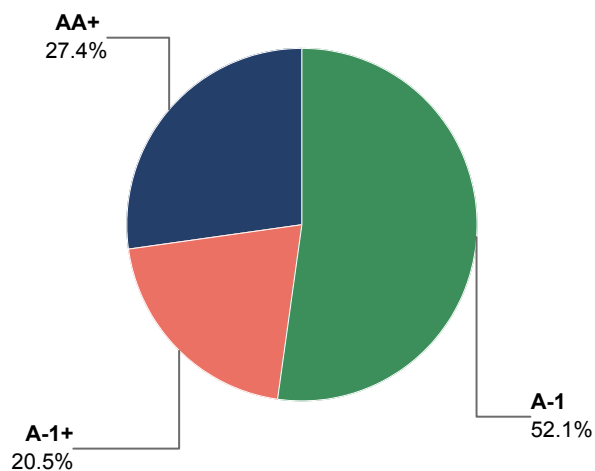
- The University's Short-Term portfolio is actively managed by PFM Asset Management, LLC. The short-term portfolio is structured to match the University's anticipated liquidity needs. The portfolio's duration typically ranges from 0 – 12 months, but is limited to a maximum maturity of 3 years. These 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**

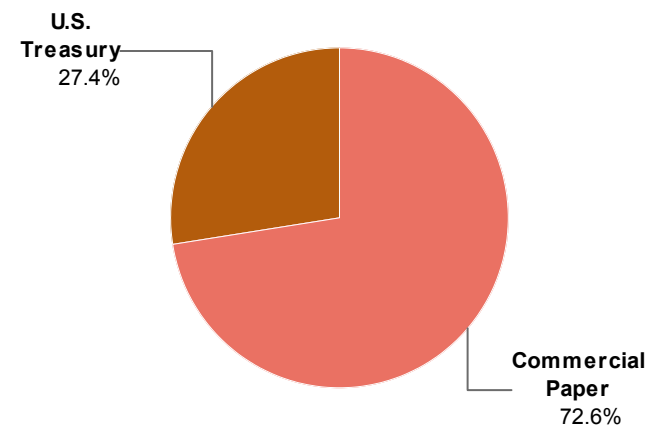
As of June 30, 2018

<b>Par Value:</b>	\$93,650,000
<b>Total Market Value:</b>	\$93,548,199
<b>Security Market Value:</b>	\$93,156,668
<b>Accrued Interest:</b>	\$32,425
<b>Cash:</b>	\$359,106
<b>Amortized Cost:</b>	\$93,196,697
<b>Yield at Market:</b>	2.24%
<b>Yield at Cost:</b>	2.11%
<b>Effective Duration:</b>	0.29 Years
<b>Duration to Worst:</b>	0.29 Years
<b>Average Maturity:</b>	0.30 Years
<b>Average Credit: *</b>	A

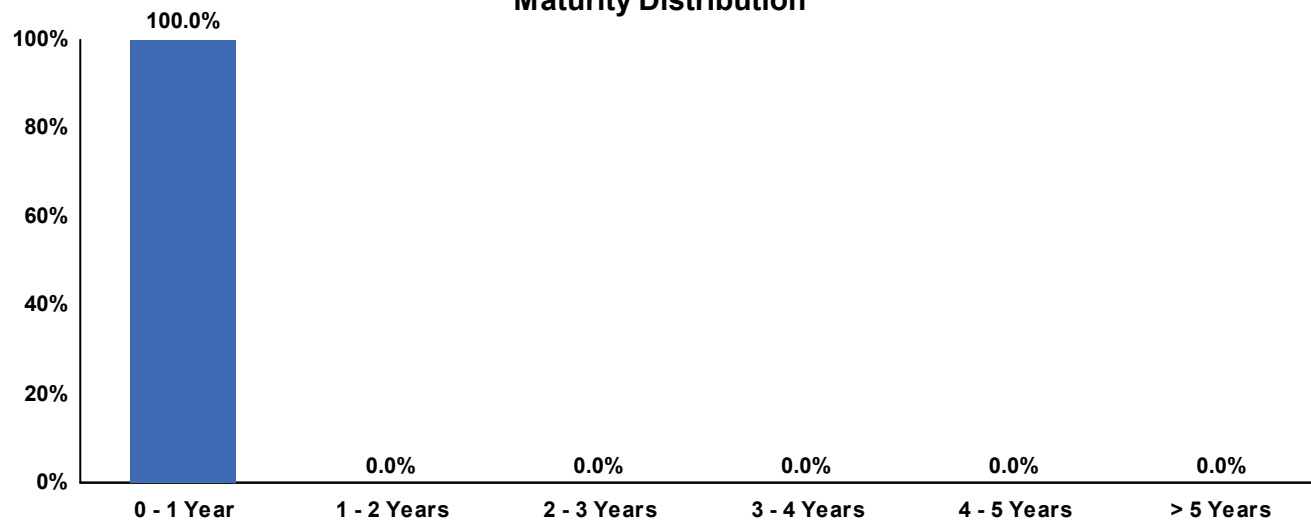
**Credit Quality (S&P Ratings)**



**Sector Allocation**



**Maturity Distribution**

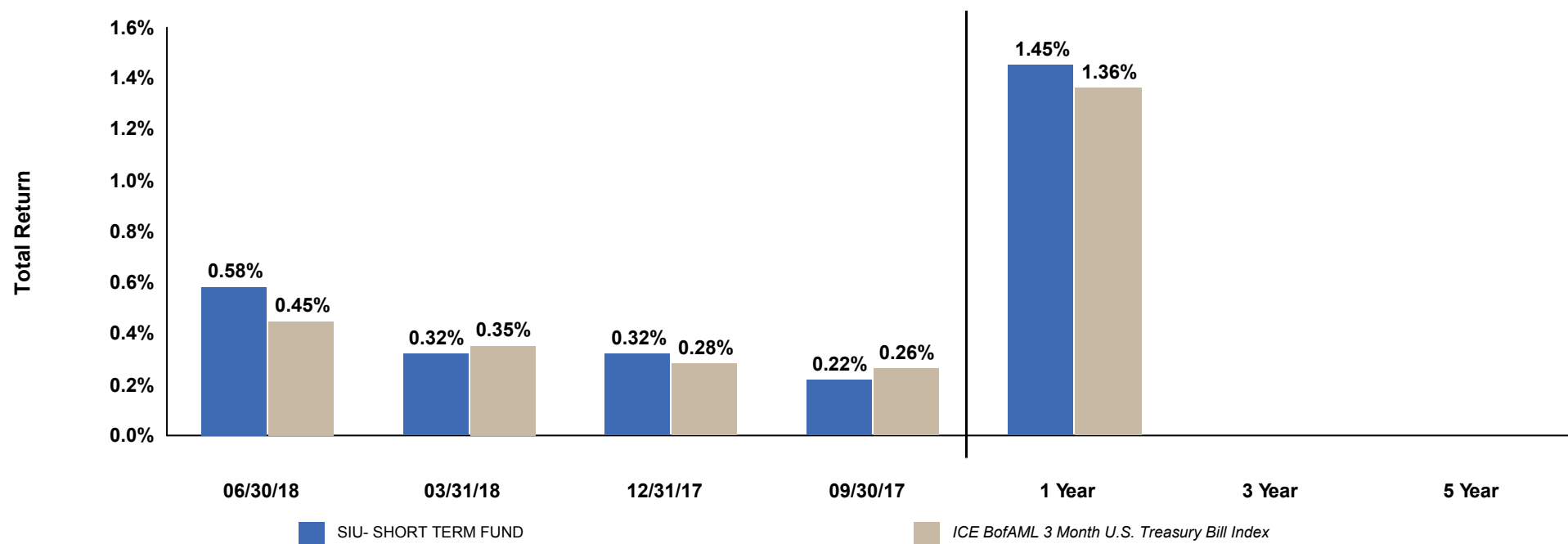


\* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.



Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		06/30/18	03/31/18	12/31/17	09/30/17	1 Year	3 Year	5 Year
SIU- SHORT TERM FUND	0.29	0.58%	0.32%	0.32%	0.22%	1.45%	-	-
<i>Net of Fees **</i>	-	0.56%	0.30%	0.30%	0.20%	1.38%	-	-
ICE BofAML 3 Month U.S. Treasury Bill Index	0.14	0.45%	0.35%	0.28%	0.26%	1.36%	-	-
Difference (Gross)		0.13%	-0.03%	0.04%	-0.04%	0.09%	-	-
Difference (Net)		0.11%	-0.05%	0.02%	-0.06%	0.02%	-	-



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 June 30, 2018

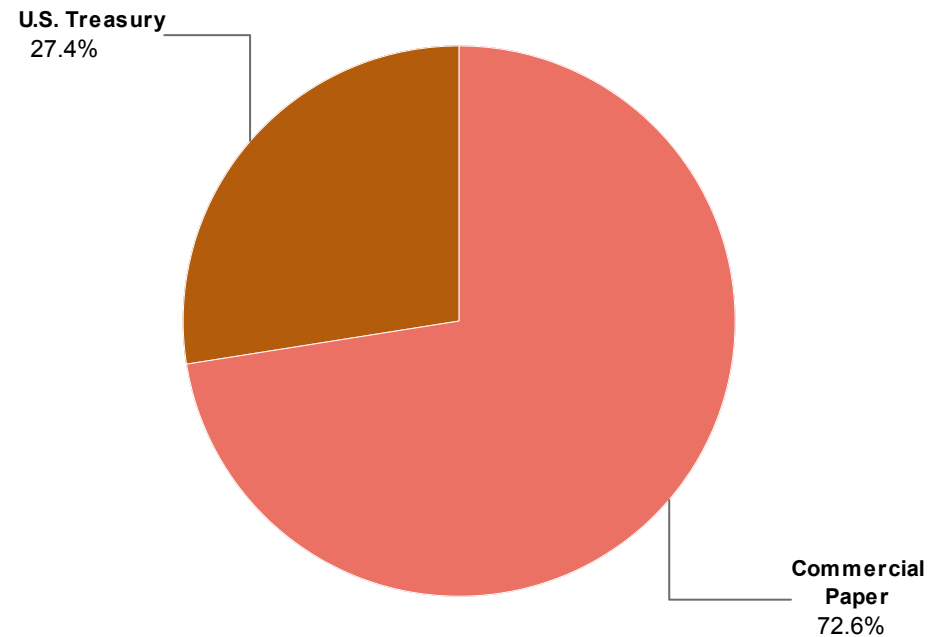
	Market Value Basis	Accrual (Amortized Cost) Basis
<b>Beginning Value (03/31/2018)</b>	\$103,315,242.85	\$103,431,988.11
<b>Net Purchases/Sales</b>	(\$10,660,191.56)	(\$10,660,191.56)
<b>Change in Value</b>	\$501,616.21	\$424,900.64
<b>Ending Value (06/30/2018)</b>	\$93,156,667.50*	\$93,196,697.19
<b>Interest Earned</b>	\$88,405.97	\$88,405.97
<b>Portfolio Earnings</b>	\$590,022.18	\$513,306.61

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

**Sector Allocation**

*As of June 30, 2018*

Sector	Market Value (\$)	% of Portfolio
Commercial Paper	67,682,290	72.6%
U.S. Treasury	25,474,377	27.4%
<b>Total</b>	<b>\$93,156,668*</b>	<b>100.0%</b>

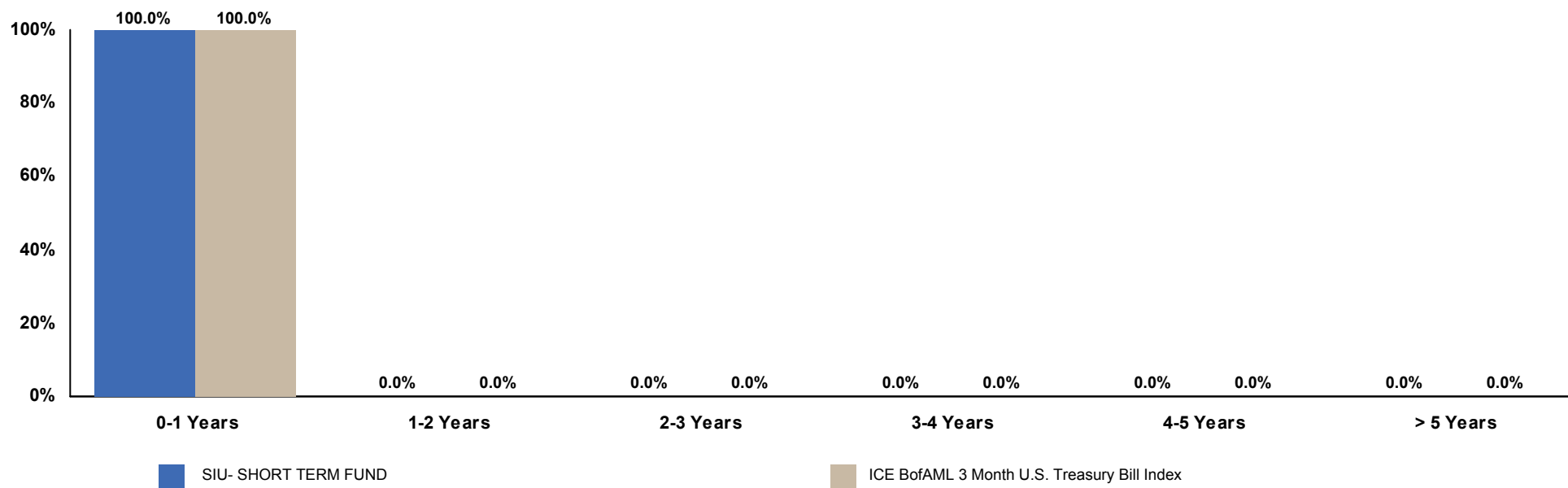


\*Amount does not include cash/STIF balances and accrued interest. Detail may not add to total due to rounding.

**Maturity Distribution**

*As of June 30, 2018*

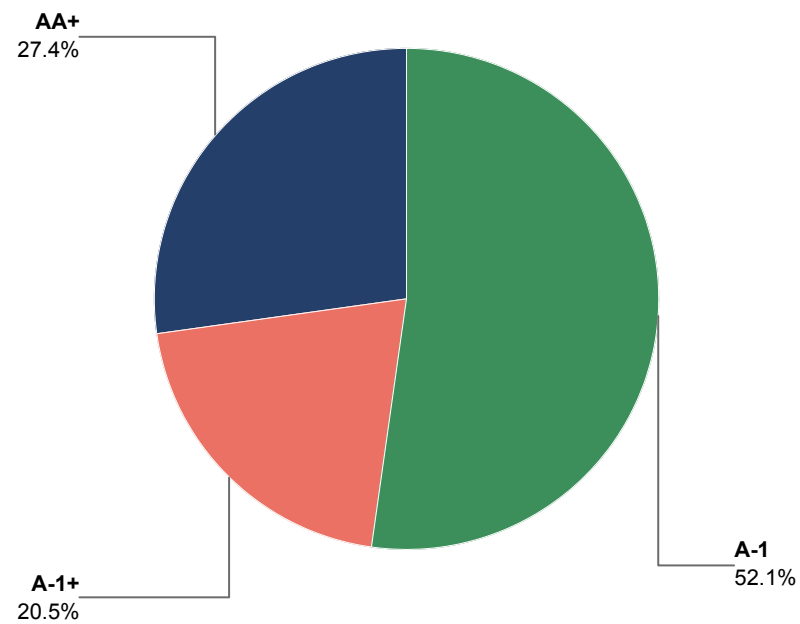
Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
SIU- SHORT TERM FUND	2.24%	0.30 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ICE BofAML 3 Month U.S. Treasury Bill Index	1.90%	0.24 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%



**Credit Quality**

**As of June 30, 2018**

<b>S&amp;P Rating**</b>	<b>Market Value (\$)</b>	<b>% of Portfolio</b>
<b>A-1</b>	\$48,586,171	52.2%
<b>AA+</b>	\$25,474,377	27.4%
<b>A-1+</b>	\$19,096,119	20.5%
<b>Totals</b>	<b>\$93,156,668*</b>	<b>100.0%</b>



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

\*\* Includes short-term and long-term ratings.

## Sector/Issuer Distribution

As of June 30, 2018

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Commercial Paper</b>			
BNP PARIBAS	992,621	1.5%	1.1%
CREDIT AGRICOLE SA	6,450,219	9.5%	6.9%
CREDIT SUISSE GROUP	1,986,262	2.9%	2.1%
DEXIA GROUP	6,951,826	10.3%	7.5%
GENERAL ELECTRIC CO	6,295,300	9.3%	6.8%
ING GROUP NV	1,977,368	2.9%	2.1%
JP MORGAN CHASE & CO	6,445,321	9.5%	6.9%
MITSUBISHI UFJ FINANCIAL GROUP INC	5,261,105	7.8%	5.6%
RABOBANK NEDERLAND	9,970,090	14.7%	10.7%
ROYAL BANK OF CANADA	2,996,430	4.4%	3.2%
SUMITOMO MITSUI FINANCIAL GROUP INC	5,747,642	8.5%	6.2%
THUNDER BAY FUNDING LLC	3,460,244	5.1%	3.7%
TORONTO-DOMINION BANK	5,438,862	8.0%	5.8%
TOYOTA MOTOR CORP	3,709,001	5.5%	4.0%
<b>Sector Total</b>	<b>67,682,290</b>	<b>100.0%</b>	<b>72.7%</b>
<b>U.S. Treasury</b>			
UNITED STATES TREASURY	25,474,377	100.0%	27.3%
<b>Sector Total</b>	<b>25,474,377</b>	<b>100.0%</b>	<b>27.3%</b>

## SIU- SHORT TERM FUND

## Portfolio Composition

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<b>Portfolio Total</b>	<b>93,156,668*</b>	<b>100.0%</b>	<b>100.0%</b>
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\*Amount does not include cash/STIF balances and accrued interest.

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# Illinois Funds

## Investment Approach

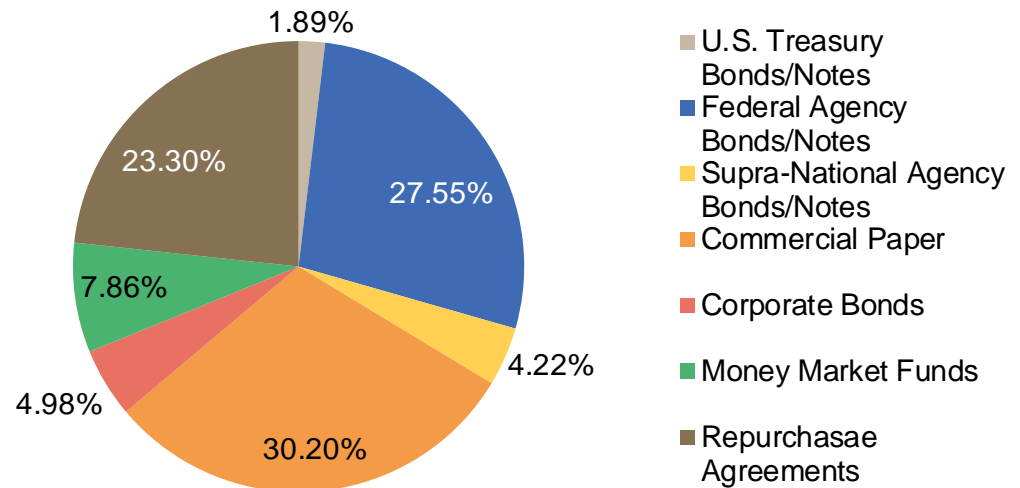
- The Illinois Funds is a Local Government Investment Pool (LGIP) operated by the Illinois State Treasurer's Office. The Illinois Funds strives to provide an inexpensive investment vehicle that features safety, daily liquidity and yield for Illinois public funds programs. The fund is managed by the Office of the State Treasurer in Springfield, Illinois, and contained a combined \$5.6 billion in total assets as of June 30, 2018. The fund is currently rated AAAm by Standard & Poor's.



## Illinois Funds Account Overview

Illinois Funds	
Beginning Value (3/31/2018)	\$62,212,433.01
Net Deposits (Withdrawals)	\$1,090,350.18
Interest Earned	\$319,431.06
Ending Value (6/30/18)	\$63,622,214.25

**Illinois Funds  
Sector Allocation  
as of June 30, 2018**



	Current Yield as of 6/30/18
Illinois Funds	1.96%
Benchmark: S&P Rated Government Investment Pool Index	1.84%

<b>Weighted Average Maturity</b>	54 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

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<b>U.S. Bank Commercial Paper Sweep</b>	
Beginning Value (3/31/2018)	\$20,619,973.15
Net Deposits (Withdrawals)	(\$761,847.29)
Interest Earned	\$14,377.34
Ending Value (6/30/18)	\$19,872,503.20

	<b>Current Yield as of 6/30/18</b>
U.S. Bank Commercial Paper Sweep	0.30%
Benchmark: S&P Rated Government Investment Pool Index	1.84%

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# Capital Investments

## Capital Investments Position

### Investment Balance

#### Market Value (\$ in millions)

	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
<b>Housing &amp; Auxiliary Facilities System</b>					
Construction Proceeds	-	-	-	-	-
Interest Sinking Fund	8.1	15.2	18.0	25.1	7.1
Debt Service Reserve	8.3	8.3	8.3	8.3	6.1
Total HAFS	<u>16.4</u>	<u>23.5</u>	<u>26.3</u>	<u>33.4</u>	<u>13.2</u>
<b>Medical Facilities System</b>					
Construction Proceeds	-	-	-	-	-
Interest Sinking Fund	0.4	0.9	1.2	1.7	0.5
Debt Service Reserve	-	-	-	-	-
Total MFS	<u>0.4</u>	<u>0.9</u>	<u>1.2</u>	<u>1.7</u>	<u>0.5</u>
<b>Certificates of Participation</b>					
Construction Proceeds	3.4	3.1	2.6	2.2	1.5
Interest Sinking Fund	-	-	-	-	-
Debt Service Reserve	-	-	-	-	-
Total COPS	<u>3.4</u>	<u>3.1</u>	<u>2.6</u>	<u>2.2</u>	<u>1.5</u>
Total Market Value of Portfolio	\$ 20.2	\$ 27.5	\$ 30.1	\$ 37.3	\$ 15.1
<u>Book Value (\$ in millions)</u>	\$ 20.2	\$ 27.5	\$ 30.2	\$ 37.3	\$ 15.1

*\*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.*

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**IMPORTANT DISCLOSURES**

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, there is no guarantee its of 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.

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**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.

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**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.