# Southern Illinois University

## Quarterly Investment Report
## September 30, 2018

# Market Update

## SUMMARY

- U.S. growth remained healthy in the third quarter as the unemployment rate hit historical lows, confidence rose further and stocks surged. This occurred despite ongoing concerns about a trade war with China, a disorderly Brexit, Italian budget concerns, Iran sanctions, a Turkish debt crisis and other geopolitical risks.
- Positive domestic economic data included strong readings on the labor market, auto sales, industrial production, manufacturing and service sector purchasing manager surveys and consumer sentiment. On the weaker side, residential housing has slowed due to escalating prices and higher mortgage rates. Broad measures of inflation also moderated a bit during the quarter. Lastly, the twin deficits – the federal budget deficit and trade deficit – both portend long-term imbalances that could be problematic for sustainable long-term growth of the U.S. economy.
- Amid strong economic fundamentals, the Federal Reserve (Fed) stayed the course, raising the federal funds rate by 0.25% to a new target range of 2.00% to 2.25%. Despite the removal of longstanding language from the Federal Open Market Committee (FOMC) statement that previously characterized the stance of monetary policy as “accommodative,” updated FOMC forecasts indicated an additional 0.25% hike is expected in December, followed by two to four more hikes in 2019.
- The S&P 500 Index (S&P) soared by 7.7% during the quarter, lifting the year-to date (YTD) return to 10.6%. But, prices may have gotten ahead of themselves, increasing the risk of a near-term pullback. International indices also posted healthy gains, despite a few struggling emerging market (EM) economies.

## ECONOMIC SNAPSHOT

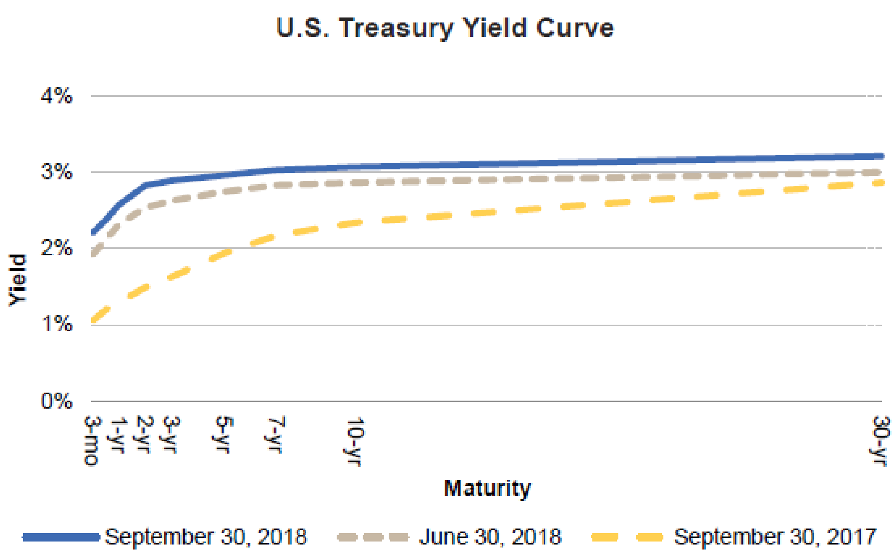
- Real gross domestic product (GDP) in the U.S. grew at an annualized rate of 4.2% in the second quarter, the fastest pace since 2014. Growth in the third quarter is expected to slow a bit, but remains healthy.
- U.S. labor market conditions remained strong during the quarter. The U.S. economy has added an average of more than 200,000 jobs per month this year, and the unemployment rate dropped to a 48-year low of 3.7%. Although there are a record number of job openings in the U.S., strong employment reports continue to suggest that the job market remains tight.
- On the inflation front, many gauges are now at or near the Fed’s 2% target. While job growth is solid, wage growth has been slower than in previous expansionary cycles, as companies continue to resist raising wages. Tariffs could, however, push prices higher as a result of the increased cost of raw materials and growing supply bottlenecks. Rising oil prices may nudge overall prices higher in coming quarters.

## OUTLOOK

- While the Fed’s policy actions will depend on future economic data, market consensus believes the current strength of the U.S. economy, coupled with a strong labor market and rising inflation, will cause the Fed to continue raising rates at a pace of about one ¼ percent hike per quarter well into 2019..

## INTEREST RATES

- U.S. Treasury yields rose by 20-30 basis points (bps) (0.20% to 0.30%) in the quarter, with short-term yields outpacing longer-term yields. For example, the yield on the two-year Treasury note rose 29 bps to 2.82%, while the yield on the 10-year note rose 20 bps to end the quarter at 3.06%. The result was a flatter yield curve over the quarter, but the pace of flattening moderated near quarter-end.
- As a result of rising yields, shorter Treasury indices outperformed longer-maturity ones. Although longer maturities provided higher yields, the small incremental benefit due to a flat yield curve was not sufficient to offset the adverse impact on market values due to increasing yields. For example, the three-month Treasury bill index generated a return of 0.49% for the quarter, while the five- and 10-year Treasury returned -0.26% and -1.1% respectively.




Source: Bloomberg, as of 9/30/2018.

## SECTOR PERFORMANCE

- Although Treasury returns were muted by rising rates during the quarter, diversification into other sectors added value as most other investment-grade (IG), fixed-income asset classes outperformed Treasuries. Corporates and asset-backed securities (ABS) performed well, generating strong, positive excess returns.
- Despite very narrow spreads available in the federal agency sector, returns in the sector generated excess returns near double digits for the third quarter. Because of their incremental yield and shorter durations, callable agencies accounted for the majority of the excess returns from the sector.
- Supranational securities performed well, as the combination of tighter spreads and incremental income led to the sector posting attractive returns relative to both Treasuries and agencies.
- Mortgage-backed securities (MBS) generated positive excess returns for the second consecutive quarter, despite still being in the red YTD. Longer was better for the third quarter, as 30-year collateral pools outperformed their 15-year counterparts. Meanwhile, agency-backed commercial MBS (CMBS) was the best segment of the securitized asset class, as these structures are less sensitive to increasing interest rates.
- Commercial paper and certificate of deposit yield spreads grinded to one-year lows over the quarter. As a result, short-term credit instruments now look more expensive relative to U.S. Treasuries. Still, they offer incrementally higher yields relative to similar-maturity government alternatives.

# Summary of
# Operating Investments

# Summary of Operating Investments

## Market Value ($ in millions)*

| | | 9/30/2018 |
|---|---|---|
| Illinois Funds | $ | 78.4 |
| US Bank Commercial Paper Sweep | | 17.6 |
| Subtotal Cash & Cash Equivalents | $ | 96.0 |
| | | |
| Short Term Portfolio | | 70.5 |
| Intermediate Term Portfolio | | 125.3 |
| Total Portfolio | $ | 291.7 |

| | | |
|---|---|---|
| **Book Value ($ in millions)** | $ | 294.5 |

## Asset Allocation ($ in millions)*

| Sector | | 9/30/2018 | |
|---|---|---|---|
| Money Market Mutual Funds / LGIP | $ | 79.7 | 29.9% |
| U.S. Treasury Bonds/Notes | | 70.0 | 16.7% |
| Federal Agency Bonds/Notes | | 20.8 | 7.8% |
| Federal Agency MBS | | 15.3 | 5.7% |
| Federal Agency CMO | | 20.6 | 7.7% |
| Supra-National Agency Bonds/Notes | | 22.7 | 8.5% |
| Commercial Paper | | 44.5 | 16.7% |
| Commercial Paper Sweep (US Bank) | | 17.6 | 6.6% |
| **Subtotal** | | **291.1** | **99.7%** |
| Accrued Interest | | 0.7 | 0.3% |
| **Total** | **$** | **291.7** | **100.0%** |

## Current Yields (Annualized)

| | 9/30/2018 |
|---|---|
| **Illinois Funds** | 2.17% |
| **US Bank Commercial Paper Sweep** | 1.80% |
| Benchmark: S&P Rated Government Investment Pool Index | 1.90% |

| Performance Summary (Total Return)** | Current Quarter | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception |
|---|---|---|---|---|---|---|
| **Short Term Portfolio** | 0.57% | 1.81% | - | - | - | 1.41% |
| Benchmark: BofA Merril Lynch 3-Month Treasury Bill Index | 0.49% | 1.59% | - | - | - | 1.12% |
| | | | | | | |
| **Intermediate Term Portfolio** | 0.09% | -0.78% | 0.61% | - | - | 1.14% |
| Benchmark: Barclays Intermediate U.S. Govt. Securities | -0.11% | -1.18% | 0.19% | - | - | 0.88% |

**Detail may not add to total due to rounding*

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

# SIU - Intermediate Term Portfolio

**Investment Approach**

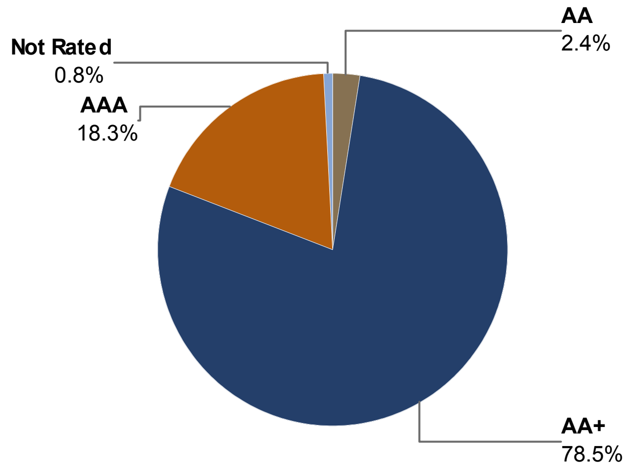
- The University's Intermediate Term portfolio is actively managed by PFM Asset Management, LLC. PFM seeks to add value by strategically buying or selling high-quality, fixed-income securities. Funds in the core portfolio are typically not needed over an intermediate- or long- term horizon and are therefore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

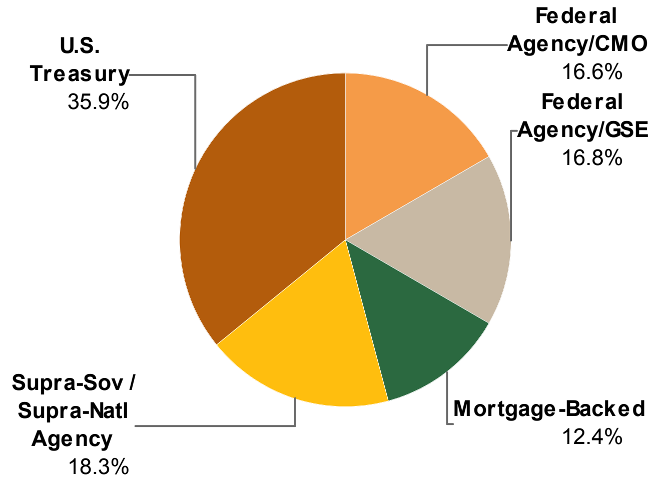
**As of September 30, 2018**

| | |
|---|---|
| **Par Value:** | $126,499,695 |
| **Total Market Value:** | $125,251,818 |
| ***Security Market Value:*** | $123,798,223 |
| ***Accrued Interest:*** | $549,627 |
| ***Cash:*** | $903,968 |
| **Amortized Cost:** | $126,516,633 |
| **Yield at Market:** | 3.03% |
| **Yield at Cost:** | 2.40% |
| **Effective Duration:** | 3.46 Years |
| **Duration to Worst:** | 3.76 Years |
| **Average Maturity:** | 6.17 Years |
| **Average Credit: *** | AA |

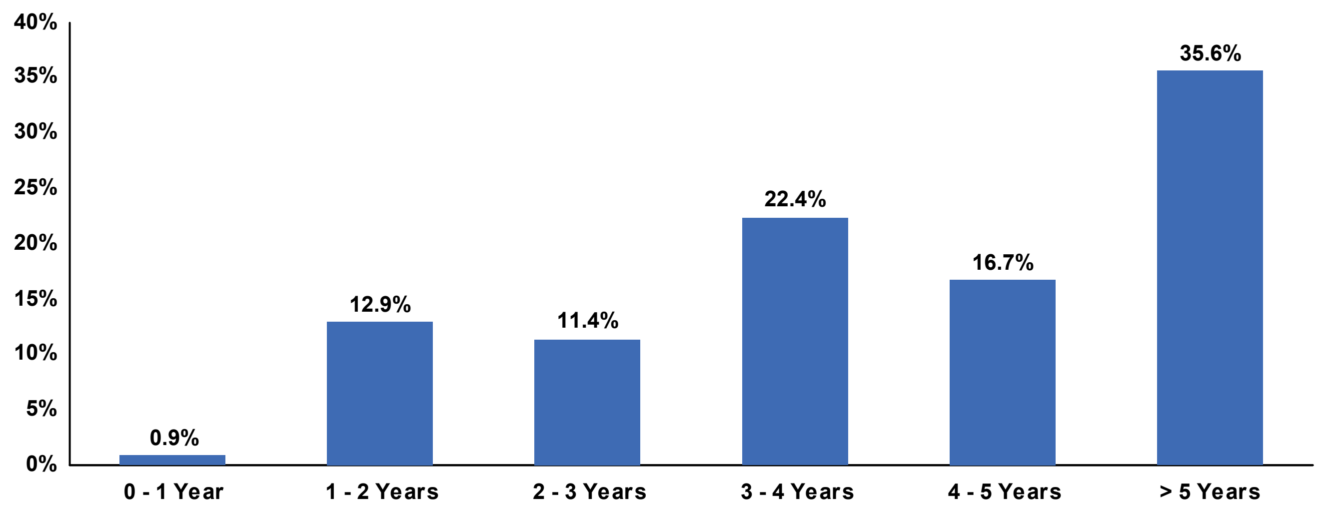
### Credit Quality (S&P Ratings)




### Sector Allocation



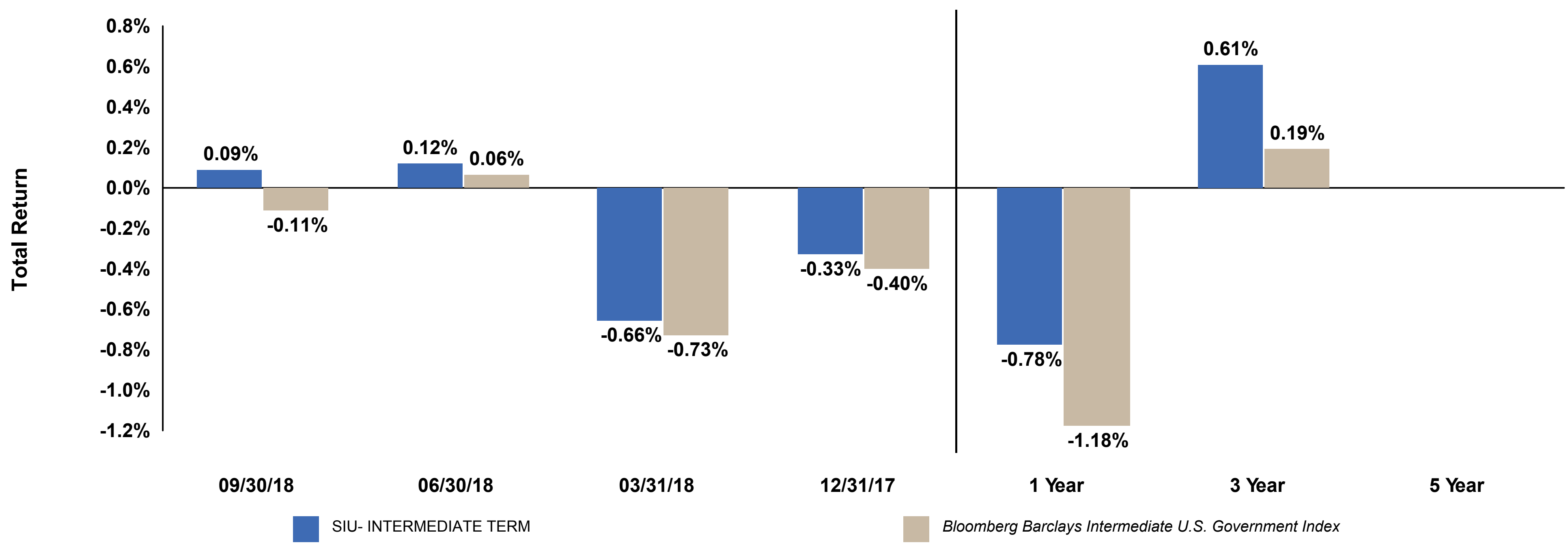

### Maturity Distribution




** 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 09/30/18 | 06/30/18 | 03/31/18 | 12/31/17 | 1 Year | Annualized Return 3 Year | 5 Year |
|---|---|---|---|---|---|---|---|---|
| **SIU- INTERMEDIATE TERM** | 3.46 | 0.09% | 0.12% | -0.66% | -0.33% | -0.78% | 0.61% | - |
| ***Net of Fees ***** | - | 0.07% | 0.10% | -0.68% | -0.35% | -0.85% | 0.54% | - |
| ***Bloomberg Barclays Intermediate U.S. Government I*** | 3.67 | -0.11% | *0.06%* | *-0.73%* | *-0.40%* | *-1.18%* | *0.19%* | - |
| **Difference (Gross)** | | 0.20% | 0.06% | 0.07% | 0.07% | 0.40% | 0.42% | - |
| **Difference (Net)** | | 0.18% | 0.04% | 0.05% | 0.05% | 0.33% | 0.35% | - |




*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, 2018***

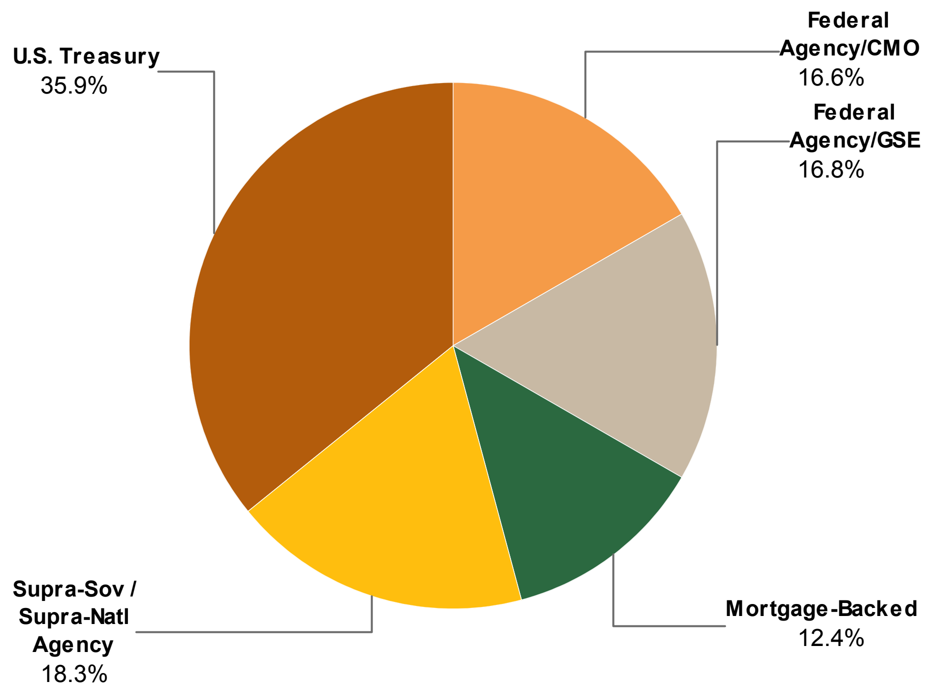
| | Market Value Basis | Accrual (Amortized Cost) Basis |
|---|---|---|
| **Beginning Value (06/30/2018)** | $114,534,997.43 | $116,769,627.07 |
| **Net Purchases/Sales** | $9,856,317.87 | $9,856,317.87 |
| **Change in Value** | ($593,092.70) | ($109,312.23) |
| **Ending Value (09/30/2018)*** | $123,798,222.60 | $126,516,632.71 |
| **Interest Earned** | $682,489.01 | $682,489.01 |
| **Portfolio Earnings** | $89,396.31 | $573,176.78 |

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

## Sector Allocation

***As of September 30, 2018***

| Sector | Market Value ($) | % of Portfolio |
|---|---|---|
| **U.S. Treasury** | 44,521,690 | 35.9% |
| **Supra-Sov / Supra-Natl Agency** | 22,652,995 | 18.3% |
| **Federal Agency/GSE** | 20,756,570 | 16.8% |
| **Federal Agency/CMO** | 20,579,648 | 16.6% |
| **Mortgage-Backed** | 15,287,320 | 12.4% |
| **Total** | **$123,798,223*** | **100.0%** |

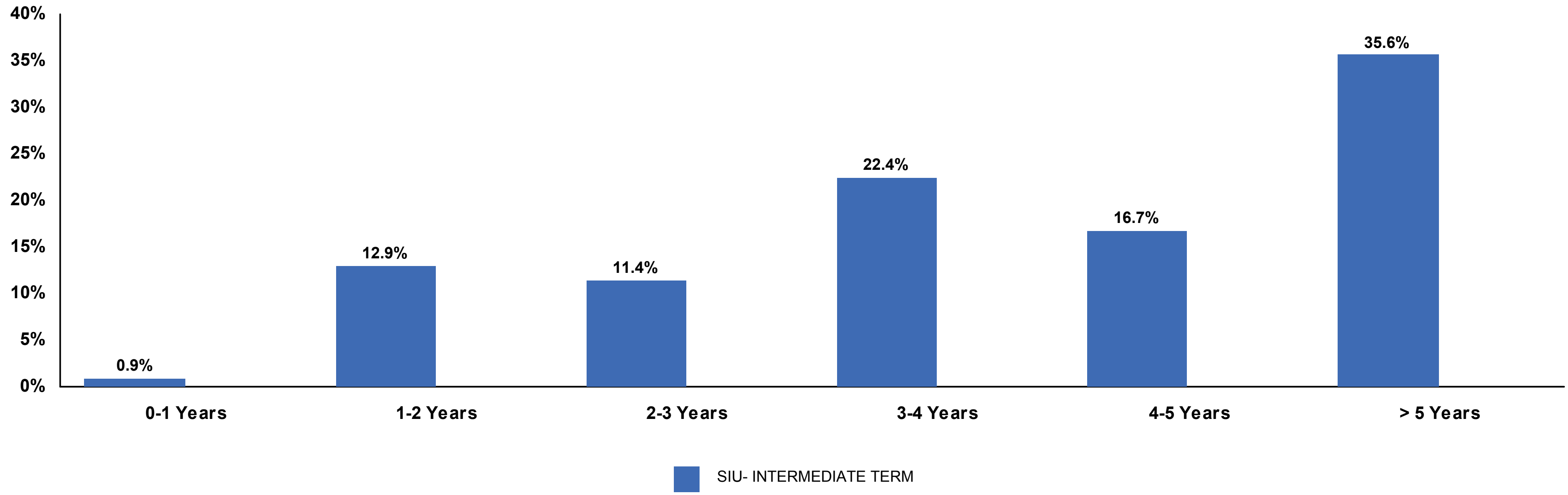



**Amount does not include cash/STIF balances and accrued interest. Detail may not add to total due to rounding.*

## Maturity Distribution

***As of September 30, 2018***

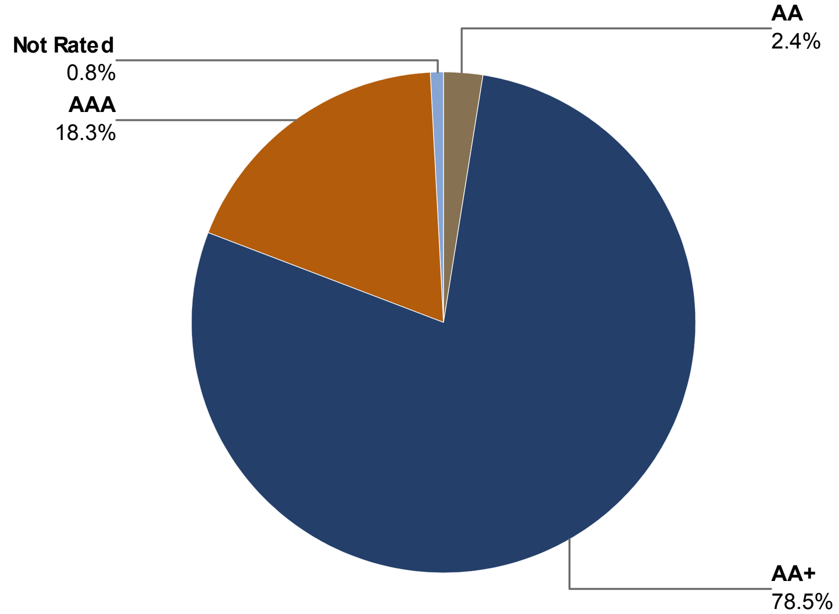
| Portfolio | Yield at Market | Average Maturity | 0-1 Years | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | >5 Years |
|---|---|---|---|---|---|---|---|---|
| **SIU- INTERMEDIATE TERM** | 3.03% | 6.17 yrs | 0.9% | 12.9% | 11.4% | 22.4% | 16.7% | 35.6% |



## Credit Quality

***As of September 30, 2018***

| S&P Rating | Market Value ($) | % of Portfolio |
|---|---|---|
| AA+ | $97,143,626 | 78.5% |
| AAA | $22,652,995 | 18.3% |
| AA | $3,007,292 | 2.4% |
| Not Rated | $994,310 | 0.8% |
| **Totals** | **$123,798,223*** | **100.0%** |

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## Sector/Issuer Distribution

***As of September 30, 2018***

| Sector / Issuer | Market Value ($) | % of Sector | % of Total Portfolio |
|---|---|---|---|
| **Federal Agency/CMO** | | | |
| FANNIE MAE | 8,491,208 | 41.3% | 6.9% |
| FREDDIE MAC | 11,165,778 | 54.3% | 9.0% |
| GOVERNMENT NATIONAL MORTGAGE ASSOCIATION | 922,662 | 4.5% | 0.7% |
| **Sector Total** | **20,579,648** | **100.0%** | **16.6%** |
| **Federal Agency/GSE** | | | |
| AGENCY FOR INTERNATIONAL DEVELOPMENT | 3,217,454 | 15.5% | 2.6% |
| FANNIE MAE | 5,840,858 | 28.1% | 4.7% |
| FEDERAL HOME LOAN BANKS | 815,058 | 3.9% | 0.7% |
| FREDDIE MAC | 7,339,630 | 35.4% | 5.9% |
| TENNESSEE VALLEY AUTHORITY | 3,543,570 | 17.1% | 2.9% |
| **Sector Total** | **20,756,570** | **100.0%** | **16.8%** |
| **Mortgage-Backed** | | | |
| FANNIE MAE | 8,491,818 | 55.5% | 6.9% |
| FREDDIE MAC | 5,671,905 | 37.1% | 4.6% |
| GOVERNMENT NATIONAL MORTGAGE ASSOCIATION | 1,123,597 | 7.3% | 0.9% |
| **Sector Total** | **15,287,320** | **100.0%** | **12.3%** |
| **Supra-Sov / Supra-Natl Agency** | | | |

| Sector / Issuer | Market Value ($) | % of Sector | % of Total Portfolio |
|---|---|---|---|
| AFRICAN DEVELOPMENT BANK | 6,382,668 | 28.2% | 5.2% |
| ASIAN DEVELOPMENT BANK | 9,943,036 | 43.9% | 8.0% |
| INTER-AMERICAN DEVELOPMENT BANK | 4,516,452 | 19.9% | 3.6% |
| INTERNATIONAL FINANCE CORPORATION | 1,810,838 | 8.0% | 1.5% |
| **Sector Total** | **22,652,995** | **100.0%** | **18.3%** |
| **U.S. Treasury** | | | |
| UNITED STATES TREASURY | 44,521,690 | 100.0% | 36.0% |
| **Sector Total** | **44,521,690** | **100.0%** | **36.0%** |
| **Portfolio Total** | **123,798,223*** | **100.0%** | **100.0%** |

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

# SIU - Short Term Portfolio

**Investment Approach**

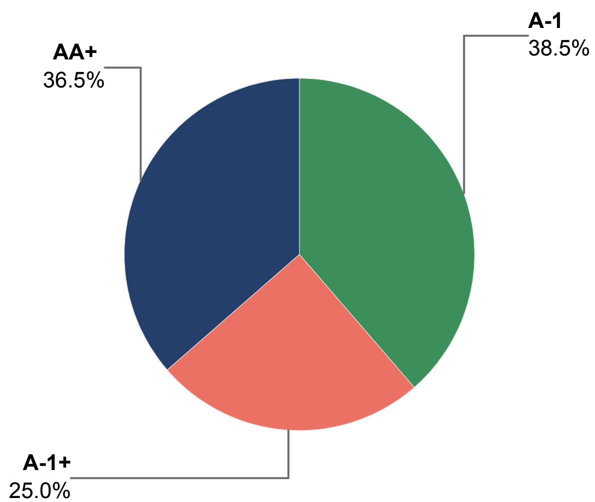
- The University's Short-Term portfolio is actively managed by PFM Asset Management, LLC. The short-term portfolio is structured to match the University’s anticipated liquidity needs. The portfolio’s duration typically ranges from 0 – 12 months, but is limited to a maximum maturity of 3 years. These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

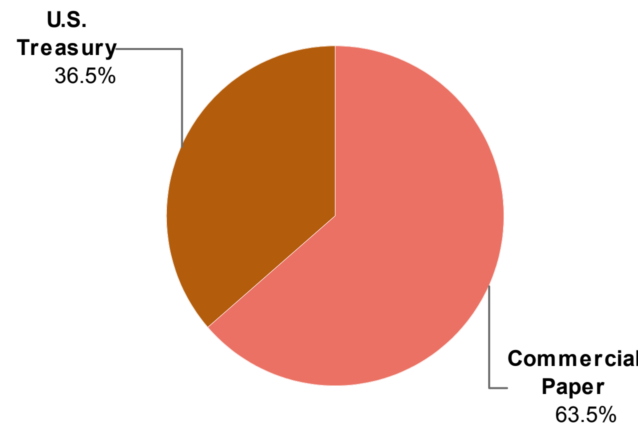
**As of September 30, 2018**

| | |
|---|---|
| **Par Value:** | $70,150,000 |
| **Total Market Value:** | $70,475,108 |
| ***Security Market Value:*** | $69,971,791 |
| ***Accrued Interest:*** | $119,076 |
| ***Cash:*** | $384,241 |
| **Amortized Cost:** | $69,986,113 |
| **Yield at Market:** | 2.30% |
| **Yield at Cost:** | 2.17% |
| **Effective Duration:** | 0.14 Years |
| **Duration to Worst:** | 0.14 Years |
| **Average Maturity:** | 0.14 Years |
| **Average Credit: *** | AA |

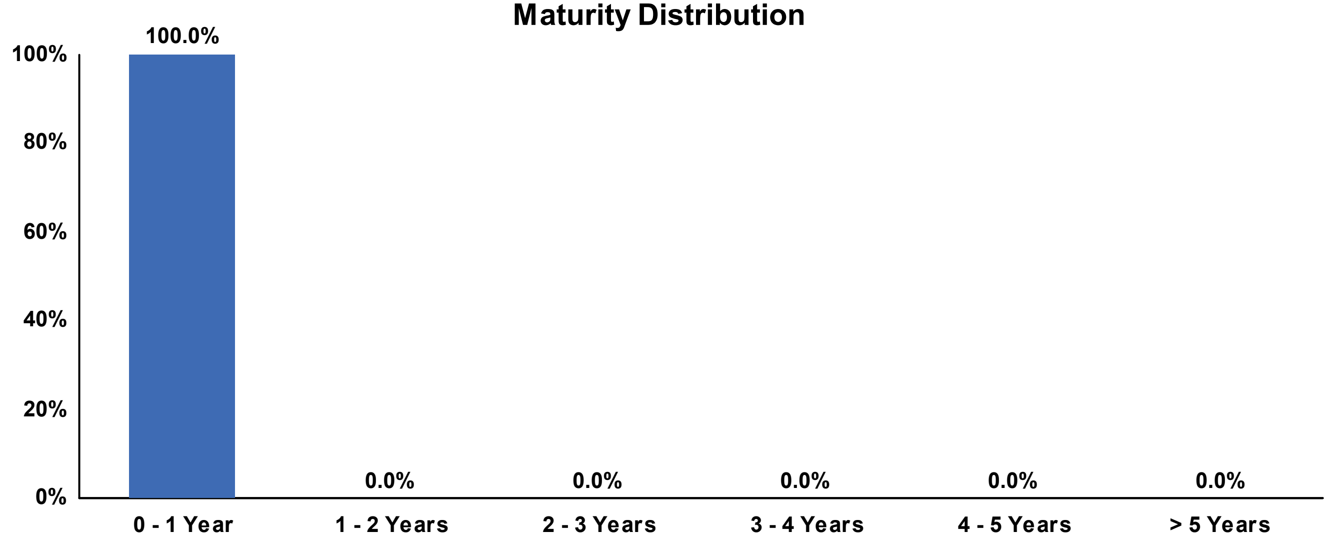
## Credit Quality (S&P Ratings)




## Sector Allocation



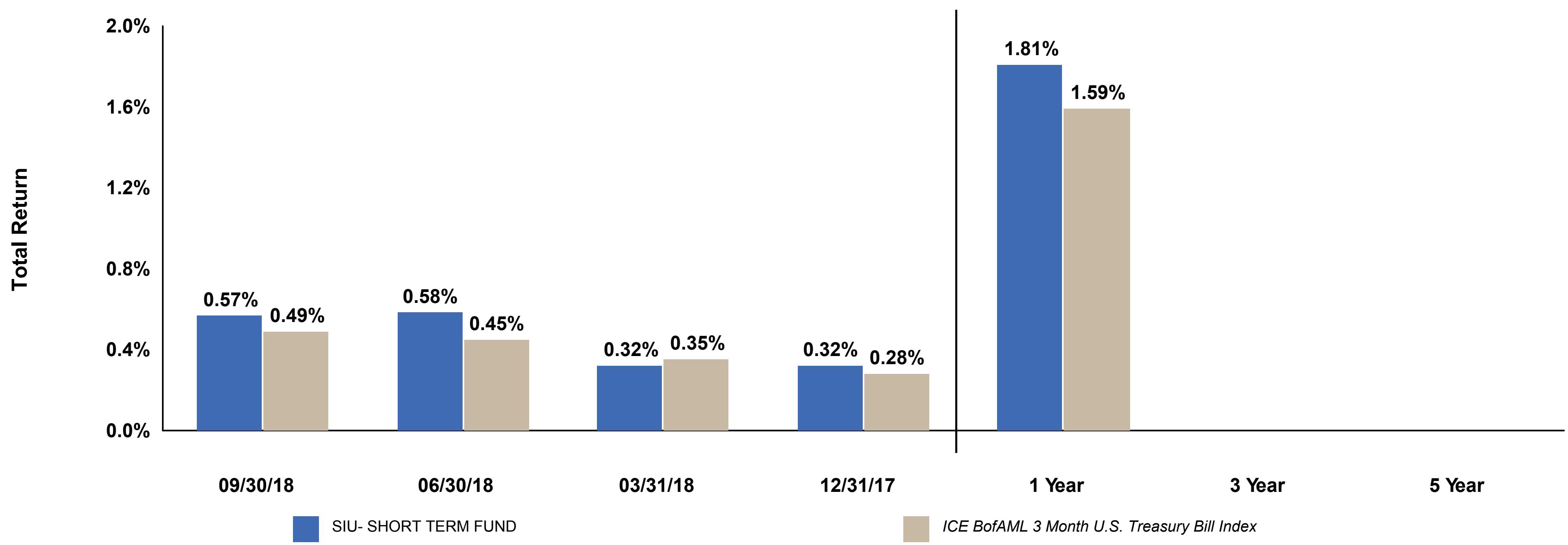

## Maturity Distribution




** 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 09/30/18 | 06/30/18 | 03/31/18 | 12/31/17 | 1 Year | Annualized Return 3 Year | 5 Year |
|---|---|---|---|---|---|---|---|---|
| **SIU- SHORT TERM FUND** | 0.14 | 0.57% | 0.58% | 0.32% | 0.32% | 1.81% | - | - |
| ***Net of Fees ***** | - | 0.55% | 0.56% | 0.30% | 0.30% | 1.74% | - | - |
| ***ICE BofAML 3 Month U.S. Treasury Bill Index*** | 0.16 | 0.49% | *0.45%* | *0.35%* | *0.28%* | *1.59%* | - | - |
| **Difference (Gross)** | | 0.08% | 0.13% | -0.03% | 0.04% | 0.22% | - | - |
| **Difference (Net)** | | 0.06% | 0.11% | -0.05% | 0.02% | 0.15% | - | - |




*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, 2018***

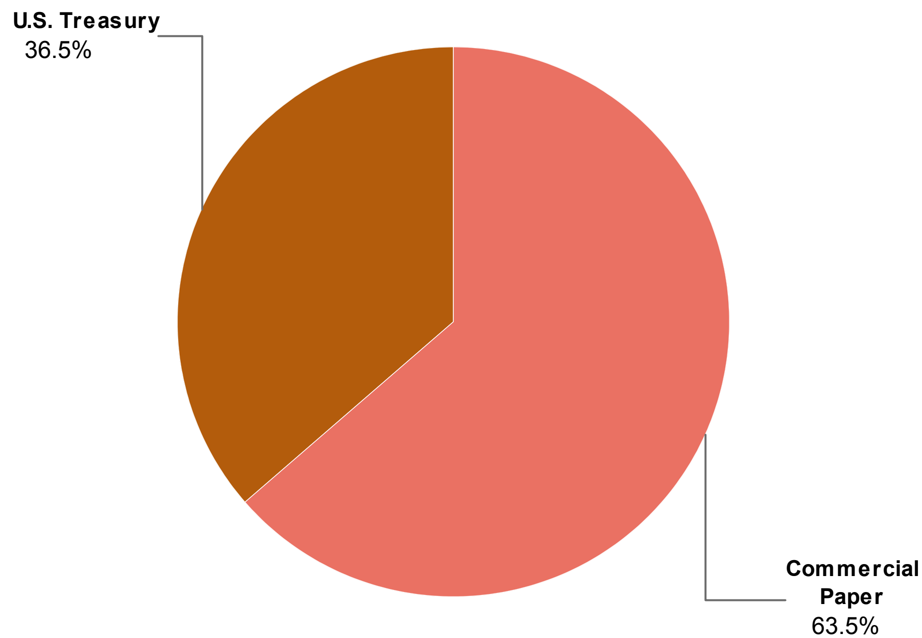
| | Market Value Basis | Accrual (Amortized Cost) Basis |
|---|---|---|
| **Beginning Value (06/30/2018)** | $93,156,667.50 | $93,196,697.19 |
| **Net Purchases/Sales** | ($23,541,485.89) | ($23,541,485.89) |
| **Change in Value** | $356,609.04 | $330,902.05 |
| **Ending Value (09/30/2018)*** | $69,971,790.65 | $69,986,113.35 |
| **Interest Earned** | $88,729.01 | $88,729.01 |
| **Portfolio Earnings** | $445,338.05 | $419,631.06 |

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

## Sector Allocation

***As of September 30, 2018***

| Sector | Market Value ($) | % of Portfolio |
|---|---|---|
| **Commercial Paper** | 44,453,341 | 63.5% |
| **U.S. Treasury** | 25,518,450 | 36.5% |
| **Total** | **$69,971,791*** | **100.0%** |

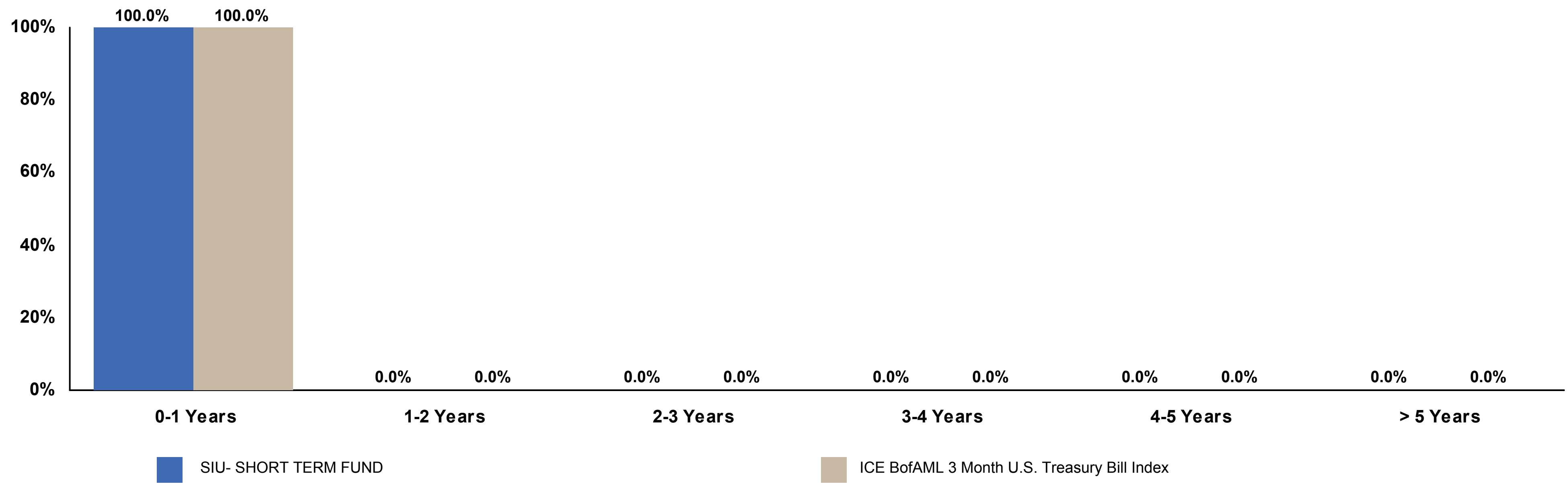



**Amount does not include cash/STIF balances and accrued interest. Detail may not add to total due to rounding.*

## Maturity Distribution

***As of September 30, 2018***

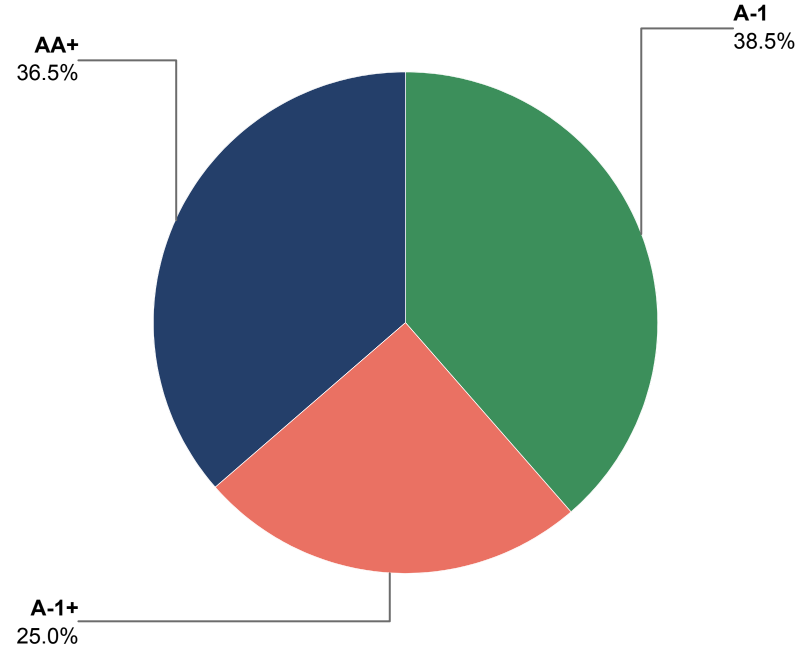
| Portfolio/Benchmark | Yield at Market | Average Maturity | 0-1 Years | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | >5 Years |
|---|---|---|---|---|---|---|---|---|
| **SIU- SHORT TERM FUND** | 2.30% | 0.14 yrs | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **ICE BofAML 3 Month U.S. Treasury Bill Index** | *2.17%* | *0.24 yrs* | *100.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |



## Credit Quality

***As of September 30, 2018***

| S&P Rating** | Market Value ($) | % of Portfolio |
|---|---|---|
| A-1 | $26,968,932 | 38.5% |
| AA+ | $25,518,450 | 36.5% |
| A-1+ | $17,484,409 | 25.0% |
| **Totals** | **$69,971,791*** | **100.0%** |




**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 September 30, 2018***

| Sector / Issuer | Market Value ($) | % of Sector | % of Total Portfolio |
|---|---|---|---|
| **Commercial Paper** | | | |
| BNP PARIBAS | 998,552 | 2.2% | 1.4% |
| CREDIT AGRICOLE SA | 4,983,075 | 11.2% | 7.1% |
| CREDIT SUISSE GROUP | 1,998,318 | 4.5% | 2.9% |
| DEXIA GROUP | 6,992,881 | 15.7% | 10.0% |
| ING BANK NV | 1,990,554 | 4.5% | 2.8% |
| JP MORGAN CHASE & CO | 6,485,034 | 14.6% | 9.3% |
| MITSUBISHI UFJ FINANCIAL GROUP INC | 5,292,248 | 11.9% | 7.6% |
| NATIXIS NY BRANCH | 1,738,242 | 3.9% | 2.5% |
| THUNDER BAY FUNDING LLC | 3,482,910 | 7.8% | 5.0% |
| TORONTO-DOMINION BANK | 5,472,495 | 12.3% | 7.8% |
| TOYOTA MOTOR CORP | 5,019,033 | 11.3% | 7.2% |
| **Sector Total** | **44,453,341** | **100.0%** | **63.5%** |
| **U.S. Treasury** | | | |
| UNITED STATES TREASURY | 25,518,450 | 100.0% | 36.5% |
| **Sector Total** | **25,518,450** | **100.0%** | **36.5%** |
| **Portfolio Total** | **69,971,791*** | **100.0%** | **100.0%** |

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

# Illinois Funds

**Investment Approach**

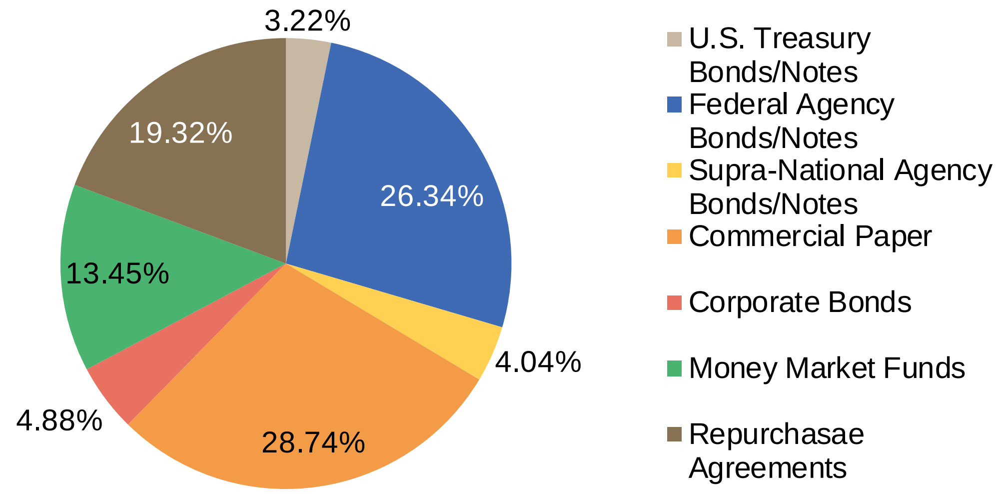
- The Illinois Funds is a Local Government Investment Pool (LGIP) operated by the Illinois State Treasurer's Office. The Illinois Funds strives to provide an inexpensive investment vehicle that features safety, daily liquidity and yield for Illinois public funds programs. The fund is managed by the Office of the State Treasurer in Springfield, Illinois, and contained a combined $6.2 billion in total assets as of September 30, 2018. The fund is currently rated AAAm by Standard & Poor's.

# Illinois Funds Account Overview

| Illinois Funds | |
|---|---|
| Beginning Value (6/30/2018) | $63,622,214.25 |
| Net Deposits (Withdrawals) | $14,416,225.54 |
| Interest Earned | $396,228.38 |
| Ending Value (9/30/18) | $78,434,668.17 |

| | Current Yield as of 9/30/18 |
|---|---|
| Illinois Funds | 2.17% |
| Benchmark: S&P Rated Government Investment Pool Index | 1.90% |

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




| Weighted Average Maturity | 51 Days |
|---|---|

# 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 (6/30/2018) | $19,872,503.20 |
| Net Deposits (Withdrawals) | ($2,335,567.42) |
| Interest Earned | $49,651.14 |
| Ending Value (9/30/18) | $17,586,586.92 |

| | Current Yield as of 9/30/18 |
|---|---|
| U.S. Bank Commercial Paper Sweep | 1.80% |
| Benchmark: S&P Rated Government Investment Pool Index | 1.90% |

# Capital Investments

# Capital Investments Position

| Investment Balance Market Value ($ in millions) | 9/30/2017 | 12/31/2017 | 3/31/2018 | 6/30/2018 | 9/30/2018 |
|---|---|---|---|---|---|
| **Housing & Auxiliary Facilities System** | | | | | |
| Construction Proceeds | - | - | - | - | - |
| Interest Sinking Fund | 15.2 | 18.0 | 25.1 | 7.1 | 13.3 |
| Debt Service Reserve | 8.3 | 8.3 | 8.3 | 6.1 | 6.1 |
| Total HAFS | 23.5 | 26.3 | 33.4 | 13.2 | 19.4 |
| **Medical Facilities System** | | | | | |
| Construction Proceeds | - | - | - | - | - |
| Interest Sinking Fund | 0.9 | 1.2 | 1.7 | 0.5 | 0.9 |
| Debt Service Reserve | - | - | - | - | - |
| Total MFS | 0.9 | 1.2 | 1.7 | 0.5 | 0.9 |
| **Certificates of Participation** | | | | | |
| Construction Proceeds | 3.1 | 2.6 | 2.2 | 1.5 | 1.1 |
| Interest Sinking Fund | - | - | - | - | - |
| Debt Service Reserve | - | - | - | - | - |
| Total COPS | 3.1 | 2.6 | 2.2 | 1.5 | 1.1 |
| Total Market Value of Portfolio | $ 27.5 | $ 30.1 | $ 37.3 | $ 15.1 | $ 21.5 |
| **Investment Balance Book Value ($ in millions)** | $ 27.5 | $ 30.2 | $ 37.3 | $ 15.1 | $ 21.6 |

**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, 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 Commecial 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 or 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 ominal 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.