



# Southern Illinois University

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Quarterly Investment Report  
September 30, 2022

# Market Update

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## SUMMARY

- In Q3, U.S. economic conditions were characterized by: (1) persistently high inflation despite recent energy price declines; (2) aggressive interest rate hikes by the Fed; (3) rising Treasury yields and two-decade-high mortgage rates; (4) further weakening of credit and equity markets; and (5) increasing recession probability.
- Interest rates surged and equity markets fell in reaction to the Fed's aggressive rate hikes designed to combat inflation. Over the first three quarters of 2022, the S&P 500 cemented its third worst performance of all time, the U.S. Dollar Index (DXY) had its second strongest year on record, and the 10-year U.S. Treasury experienced its largest net yield gain in 35 years.
- Inflation remains the headline issue as both key measures – CPI and PPI – came in hotter than expected. The consumer price index (CPI) rose 8.2% year-over-year (YoY), with key contributions from food, energy, transportation and shelter costs. Despite the ongoing war in Ukraine, oil prices have fallen from above \$120/barrel earlier in the year to about \$80/barrel, leading to lower gasoline prices at the pump. After peaking at over \$5 per gallon in June, the national average price fell to around \$3.80 by quarter end. Stripping out the volatile food and energy sectors, core CPI rose 6.6% YoY, a new 40-year high for this cycle. Although inflation remains elevated, in a sign of confidence in the Fed's inflation fighting commitment, the University of Michigan survey of consumers shows the expected average inflation rate over the medium term (5-10 years) to be reasonably well behaved under 3%.

## ECONOMIC SNAPSHOT

- U.S. economic growth declined at an annual pace of 0.6% in the second quarter of 2022, the second consecutive quarter of negative real growth. Recently updated Fed projections for GDP reflect expectations for weaker economic growth over the coming years, with projections for the full calendar year of 2022 at just 0.2%, 2023 at 1.2%, and 2024 at 1.7%, all of which reflect sizable reductions from their June projections.
- The U.S. labor market remained strong in the third quarter, adding 1.1 million new jobs, or an average of 372,000 per month. The unemployment rate ticked down to 3.5%, while the labor force participation rate improved marginally. Wage growth remained elevated, as average hourly earnings increased 5% over the past year.
- Consumer spending seems to have held up reasonably well, with spending on services such as rent, utilities, transportation and healthcare rising, while spending on goods has begun to decline. Households have maintained spending despite the pinch from higher inflation, but that consumption has come at the expense of declining household savings and increasing consumer credit balances.
- With mortgage rates nearing 7%, home sales have cooled significantly and home prices have begun to soften. Existing home sales decreased for the seventh straight month in August, while new building permits for future residential construction fell to the lowest level in two years. And, no surprise to new home buyers, the most recent U.S. Home Affordability Report shows that median-priced single-family homes and condos remain less affordable in the third quarter of 2022 compared to historical averages in 99% of counties nationwide.

# Market Update

## INTEREST RATES

- The third quarter saw two more aggressive Fed interest rate hikes of 0.75% each – one in July and the other in September. The federal funds rate now stands at a target range of 3.00%-3.25%, the highest level since 2008. Prior to this cycle, the Fed had not raised its flagship policy rate by 0.75% in any single move since 1994, underscoring its steadfast resolve to fight persistent inflation. By quarter end, the futures market implied that the fed funds rate would reach a peak terminal rate of around 4.5% by February or March of 2023.
- On the heels of the Fed rate hikes, yields on U.S. Treasuries continued their relentless ascent higher. The yield on the 10-year U.S. Treasury rose to 3.83% by quarter-end, an increase of 81 basis points (0.81%) from June 30. The two-year Treasury yield ended the quarter even higher at 4.28%, up 132 basis points (1.32%) from 2.96% at the start of the quarter. The U.S. Treasury yield curve inverted early in the quarter, with the inversion reaching the deepest level since 1982 in September.
- As a result of sharply higher Treasury yields, fixed income indices posted sizable negative returns for the fourth quarter in a row. The ICE BofA 2-, 5-, and 10-year U.S. Treasury indices returned -1.70%, -4.09% and -6.19%, respectively.

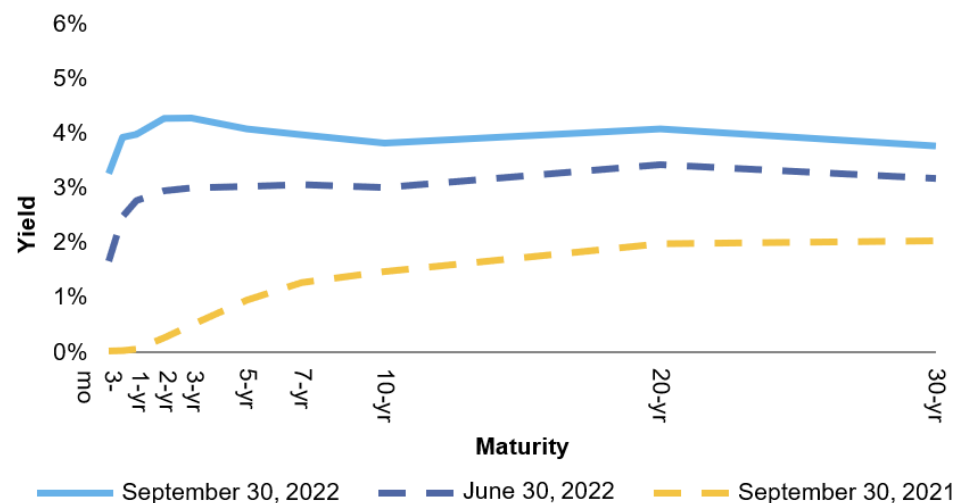
## SECTOR PERFORMANCE

- Diversification away from U.S. Treasury securities was a mixed benefit for performance in the third quarter. Corporates and asset-backed securities (ABS) helped buoy portfolio performance relative to benchmarks, while mortgage-backed securities (MBS), supranationals and federal agencies all detracted.

## SECTOR PERFORMANCE

- Investment-grade (IG) corporates were one of the stronger fixed income sectors during the third quarter, as spreads were largely unchanged over the quarter, but additional income from higher yields during the period boosted performance vs. Treasuries. Lower-quality corporate notes (BBB-rated) performed better than higher-rated issues as lower-quality credit spreads narrowed more.
- The federal agency sector generated negative excess returns largely on the heels of noticeably wider spreads in callable structures, the result of heightened market volatility throughout the third quarter.
- Agency MBS have been a staggering underperformer this year as the sector faced pressure from multiple angles. Soaring mortgage rates caused refinancing activity to grind to a halt, pushing durations longer. Adding further pressure, the Fed's increased pace of its balance sheet reduction of MBS holdings compounded the gloomy outlook.

U.S. Treasury Yield Curve



Source: Bloomberg, as of 9/30/2022.

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## **Summary of Operating Investments**

## Summary of Operating Investments

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

	9/30/2022
Illinois Funds	\$ 101.4
US Bank Commercial Paper Sweep	28.0
IntraFi Network Deposits	5.0
Subtotal Cash & Cash Equivalents	\$ 134.5
Short Term Portfolio	64.3
Intermediate Term Portfolio	166.5
Total Portfolio	\$ 365.2

### Book Value (\$ in millions)

\$ 382.1

### Current Yields (Annualized)

Illinois Funds	2.88%
US Bank Commercial Paper Sweep	1.50%
IntraFi Network Deposits	2.43%
Benchmark: S&P Rated Government Investment Pool Index	2.26%

### Asset Allocation (\$ in millions)\*

Sector	9/30/2022	
Money Market Mutual Funds	\$ 144.2	39.5%
U.S. Treasury Bonds/Notes	65.3	17.9%
Federal Agency Bonds/Notes	22.4	6.1%
Federal Agency Mortgage Backed Securities	26.1	7.1%
Federal Agency Commercial Mortgage Backed Securities	16.8	4.6%
Federal Agency Collateralized Mortgage Obligations	5.0	1.4%
Supra-National Agency Bonds/Notes	15.1	4.1%
Corporate Notes	13.9	3.8%
Commercial Paper	22.8	6.2%
Commercial Paper Sweep (US Bank)	28.0	7.7%
IntraFi Network Deposits	5.0	1.4%
Subtotal	364.7	99.8%
Accrued Interest	0.6	0.2%
Total	\$ 365.2	100.0%

### Performance Summary (Total Return)\*\*

	Current Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
Short Term Portfolio	0.52%	0.51%	0.79%	1.35%	-	1.30%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	0.46%	0.62%	0.59%	1.15%	-	1.07%
Intermediate Term Portfolio	-3.13%	-9.33%	-1.53%	0.31%	-	0.86%
Benchmark: Barclays Intermediate U.S. Govt. Securities	-3.05%	-9.18%	-1.71%	0.18%	-	0.70%

\*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.

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# SIU - Intermediate Term Portfolio

## Investment Approach

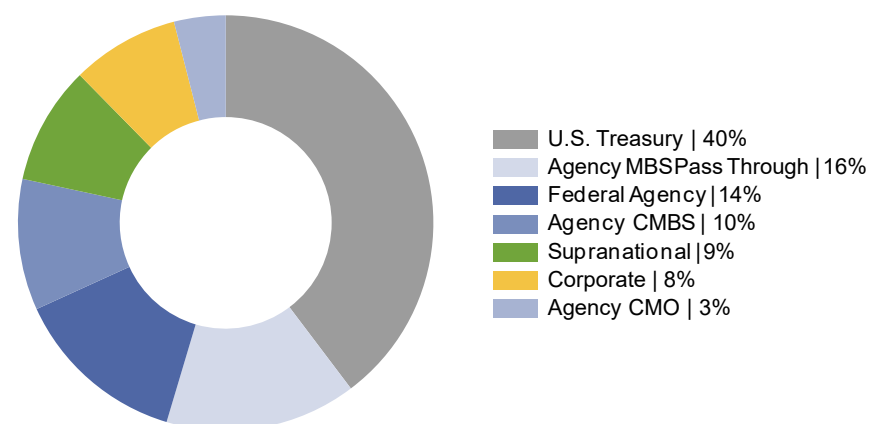
- The University's Intermediate Term portfolio is actively managed by PFM Asset Management, LLC. PFM seeks to add value by strategically buying or selling high-quality, fixed-income securities. Funds in the core portfolio are typically not needed over an intermediate- or long- term horizon and are therefore 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 Snapshot - SIU- INTERMEDIATE TERM<sup>1</sup>

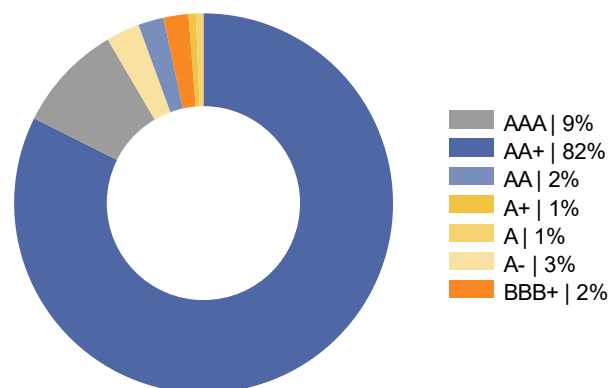
### Portfolio Statistics

<b>Total Market Value</b>	\$166,525,111.47
Securities Sub-Total	\$164,652,247.19
Accrued Interest	\$574,852.75
Cash	\$1,298,011.53
<b>Portfolio Effective Duration</b>	3.69 years
<b>Benchmark Effective Duration</b>	3.74 years
<b>Yield At Cost</b>	1.95%
<b>Yield At Market</b>	4.20%
<b>Portfolio Credit Quality</b>	AA

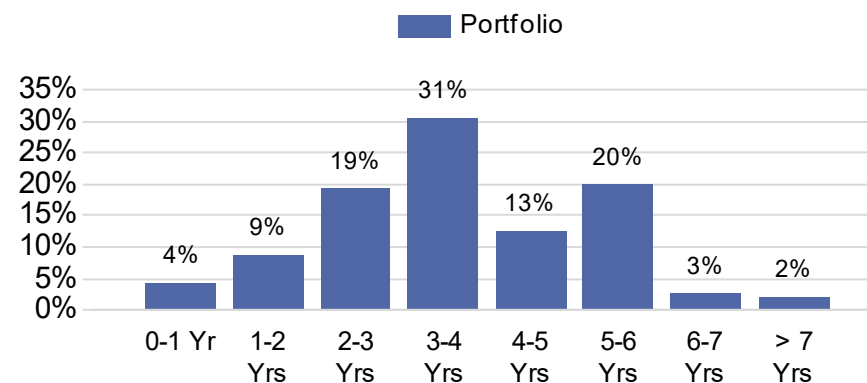
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>39.7%</b>	
UNITED STATES TREASURY	39. %	AA / Aaa / AAA
<b>Federal Agency</b>	<b>13.6%</b>	
AGENCY FOR INTERNATIONAL DEVELOPMENT	1.2%	AA / Aaa / NR
FANNIE MAE	6.9%	AA / Aaa / AAA
FREDDIE MAC	2.3%	AA / Aaa / AAA
TENNESSEE VALLEY AUTHORITY	3.1%	AA / Aaa / AAA
<b>Agency CMBS</b>	<b>10.2%</b>	
FREDDIE MAC	10.2%	AA / Aaa / AAA
<b>Agency CMO</b>	<b>3.1</b>	
FANNIE MAE	0.9%	AA / Aaa / AAA
FREDDIE MAC	2.7%	AA / Aaa / AAA
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	0.4%	AA / Aaa / AAA
<b>Agency MBS Pass Through</b>	<b>15.8%</b>	
FANNIE MAE	11.5%	AA / Aaa / AAA
FREDDIE MAC	3.2%	AA / Aaa / AAA
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	0.1%	AA / Aaa / AAA
<b>Supranational</b>	<b>9.2%</b>	
AFRICAN DEVELOPMENT BANK	2.0%	AAA / Aaa / AAA
ASIAN DEVELOPMENT BANK	0.4%	AAA / Aaa / AAA
INTER-AMERICAN DEVELOPMENT BANK	3.4%	AAA / Aaa / AAA
INTERNATIONAL FINANCE CORPORATION	0.8%	AAA / Aaa / NR
INTL BANK OF RECONSTRUCTION AND DEV	2.6%	AAA / Aaa / AAA

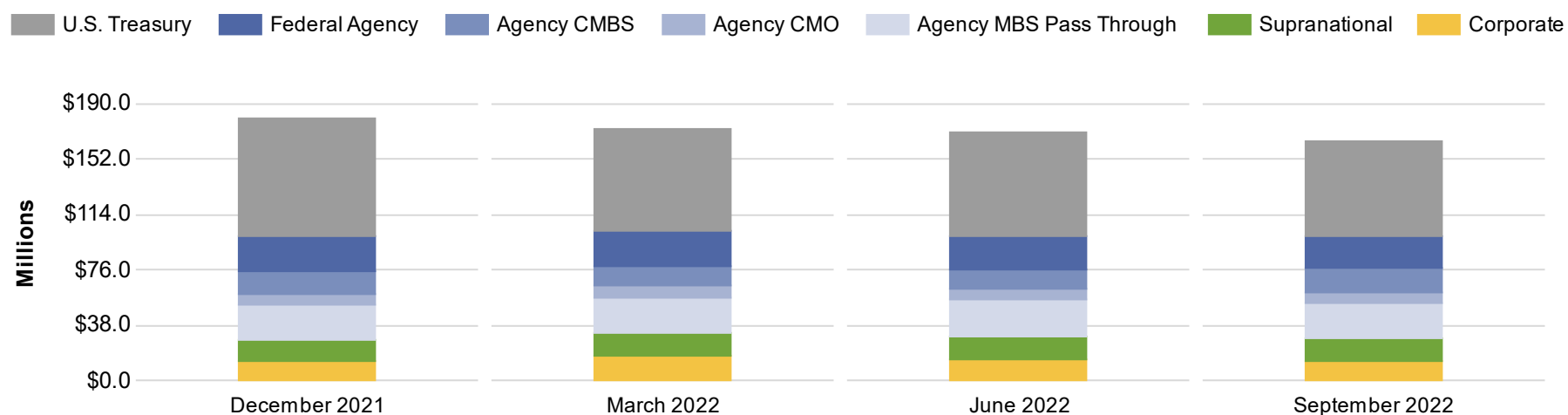
Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>8.4%</b>	
CATERPILLAR INC	0.6%	A / A / A
CITIGROUP INC	0.8%	BBB / A / A
GOLDMAN SACHS GROUP INC	0.8%	BBB / A / A
HSBC HOLDINGS PLC	0.8%	A / A / A
JP MORGAN CHASE & CO	1.3%	A / A / AA
MORGAN STANLEY	0.8%	A / A / A
Roche Holding AG	1.4%	AA / Aa / AA
TOYOTA MOTOR CORP	0.6%	A / A / A
USAA CAPITAL CORP	0.7%	AA / Aa / NR
WELLS FARGO & COMPANY	0.6%	BBB / A / A
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.



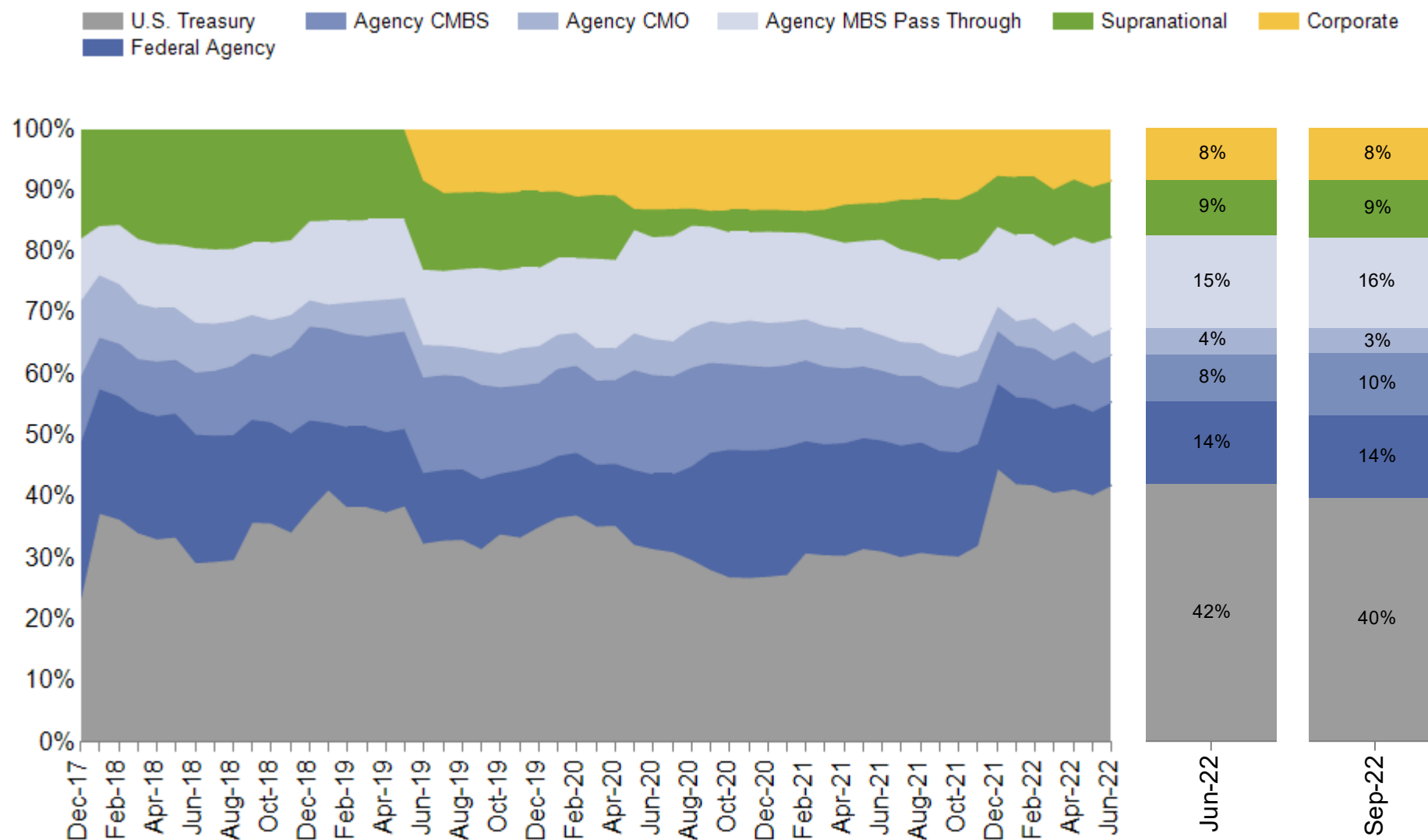
## Sector Allocation Review - SIU- INTERMEDIATE TERM

Security Type	Dec-21	% of Total	Mar-22	% of Total	Jun-22	% of Total	Sep-22	% of Total
U.S. Treasury	\$81.0	44.8%	\$70.7	40.9%	\$71.4	42.0%	\$65.3	39.7%
Federal Agency	\$25.1	13.9%	\$23.8	13.7%	\$23.2	13.6%	\$22.4	13.6%
Agency CMBS	\$15.5	8.6%	\$13.7	7.9%	\$13.2	7.7%	\$16.8	10.2%
Agency CMO	\$7.3	4.0%	\$8.2	4.7%	\$7.3	4.3%	\$6.6	3.1%
Agency MBS Pass Through	\$23.5	13.0%	\$24.3	14.0%	\$25.4	14.9%	\$24.5	15.8%
Supranational	\$15.0	8.3%	\$16.0	9.2%	\$15.7	9.2%	\$15.1	9.2%
Corporate	\$13.3	7.4%	\$16.6	9.6%	\$14.1	8.3%	\$13.9	8.4%
<b>Total</b>	<b>\$180.7</b>	<b>100.0%</b>	<b>\$173.3</b>	<b>100.0%</b>	<b>\$170.3</b>	<b>100.0%</b>	<b>\$164.7</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

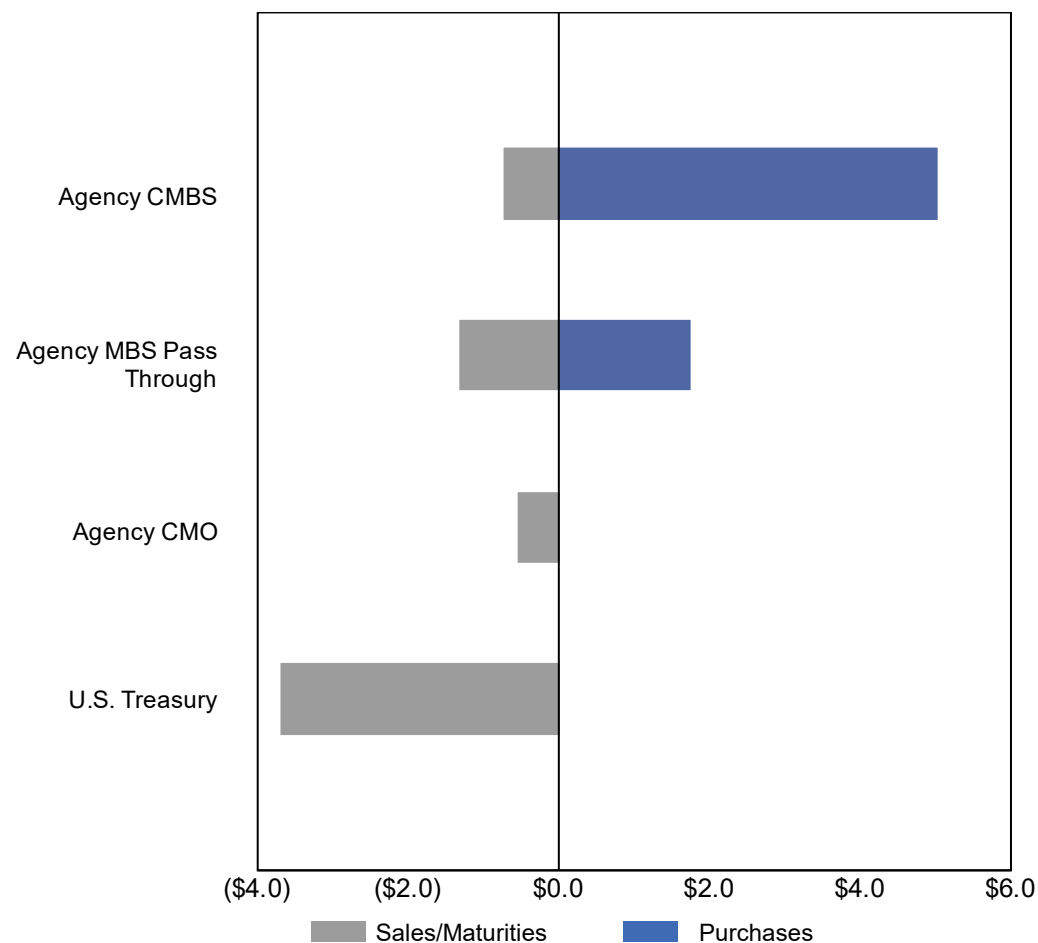
## Historical Sector Allocation - SIU- INTERMEDIATE TERM



Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFAM.

## Portfolio Activity - SIU- INTERMEDIATE TERM

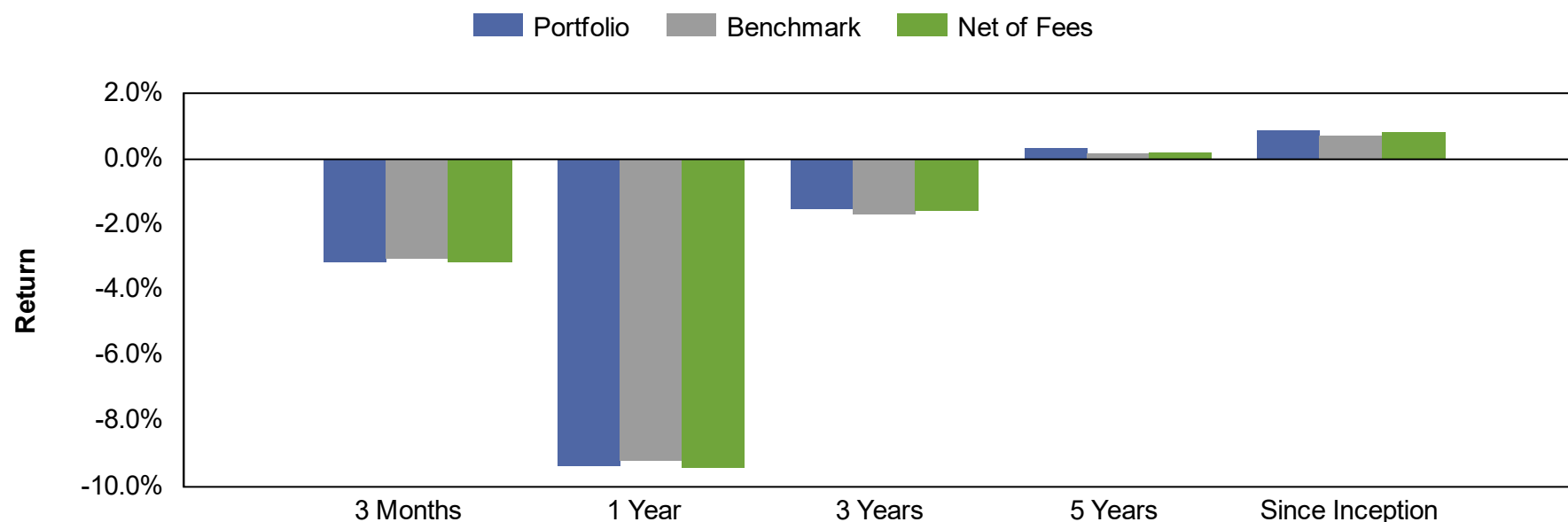
**Net Activity by Sector**  
(\$ millions)



Sector	Net Activity
Agency CMBS	\$4,319,370
Agency MBS Pass Through	\$445,140
Agency CMO	(\$521,267)
U.S. Treasury	(\$3,674,948)
<b>Total Net Activity</b>	<b>\$568,296</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

## Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$888,616	\$3,458,006	\$11,339,651	\$17,798,365	\$24,124,601
Change in Market Value	(\$6,268,947)	(\$20,340,687)	(\$19,517,455)	(\$15,596,106)	(\$15,986,370)
<b>Total Dollar Return</b>	<b>(\$5,380,331)</b>	<b>(\$16,882,681)</b>	<b>(\$8,177,804)</b>	<b>\$2,202,259</b>	<b>\$8,138,231</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	-3.13%	-9.33%	-1.53%	0.31%	0.86%
Benchmark <sup>4</sup>	-3.05%	-9.18%	-1.71%	0.18%	0.70%
<b>Basis Point Fee</b>	<b>0.02%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>
<b>Net of Fee Return</b>	<b>-3.15%</b>	<b>-9.40%</b>	<b>-1.60%</b>	<b>0.24%</b>	<b>0.79%</b>

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2014.

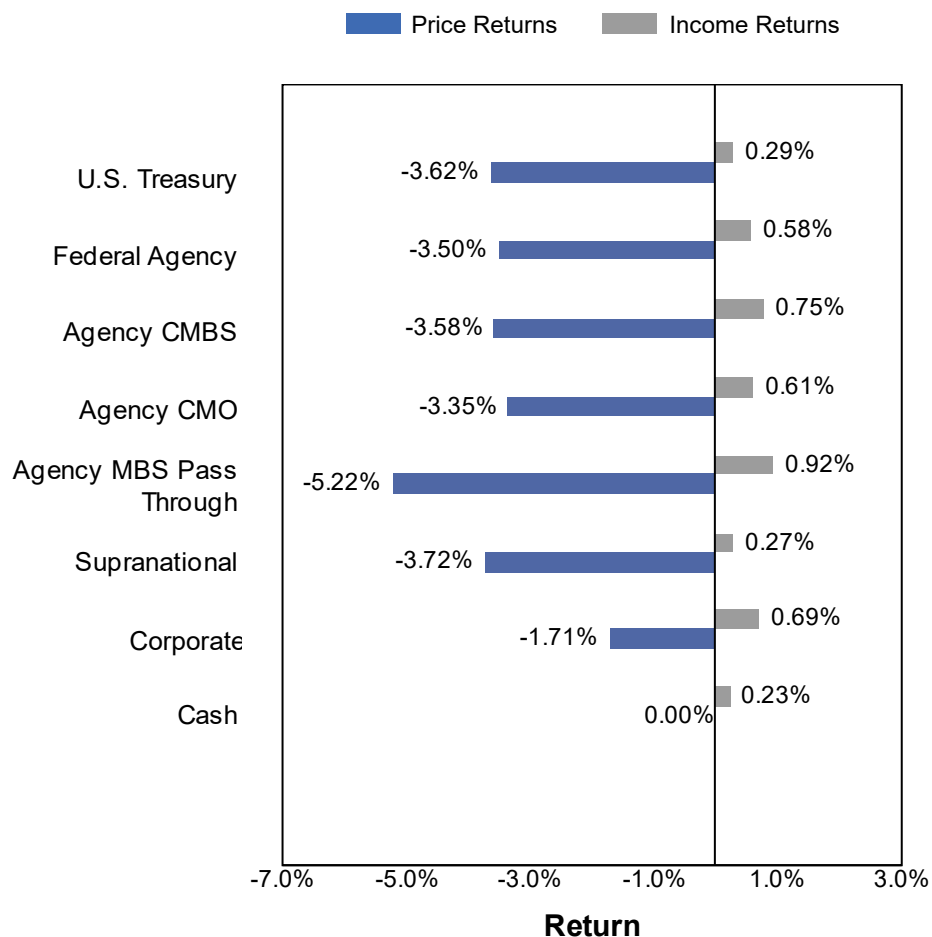
2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

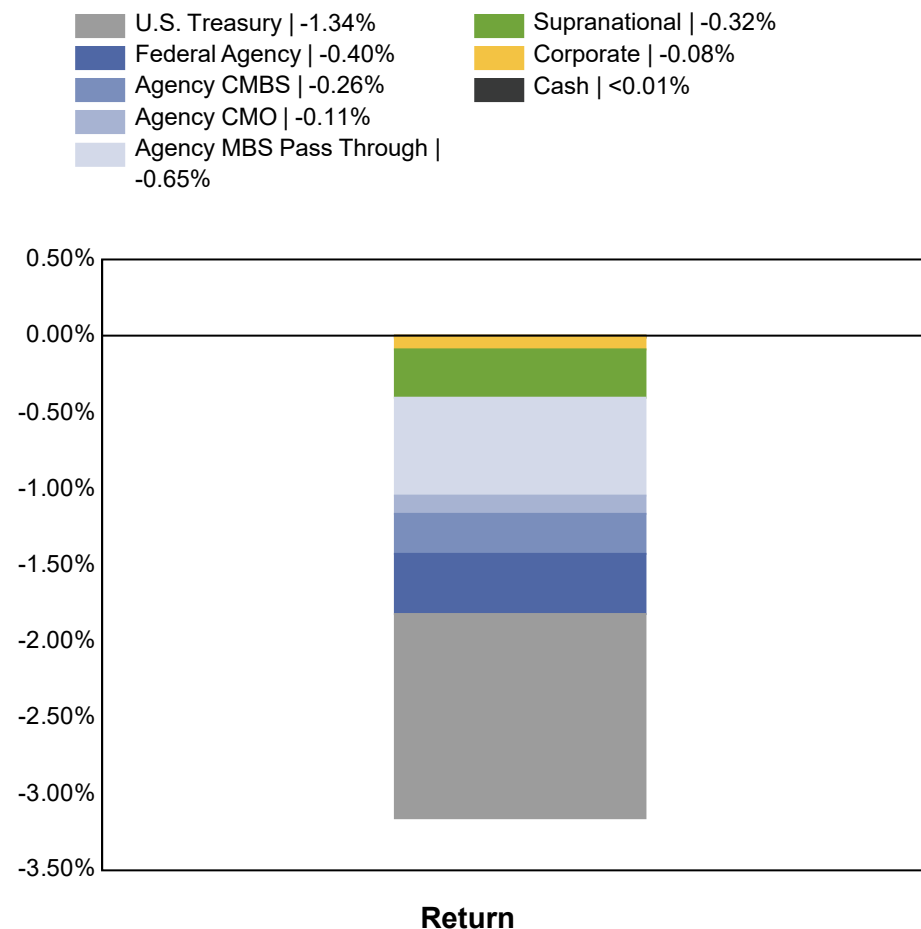
4. The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg.

## Quarterly Sector Performance

### Total Return by Sector

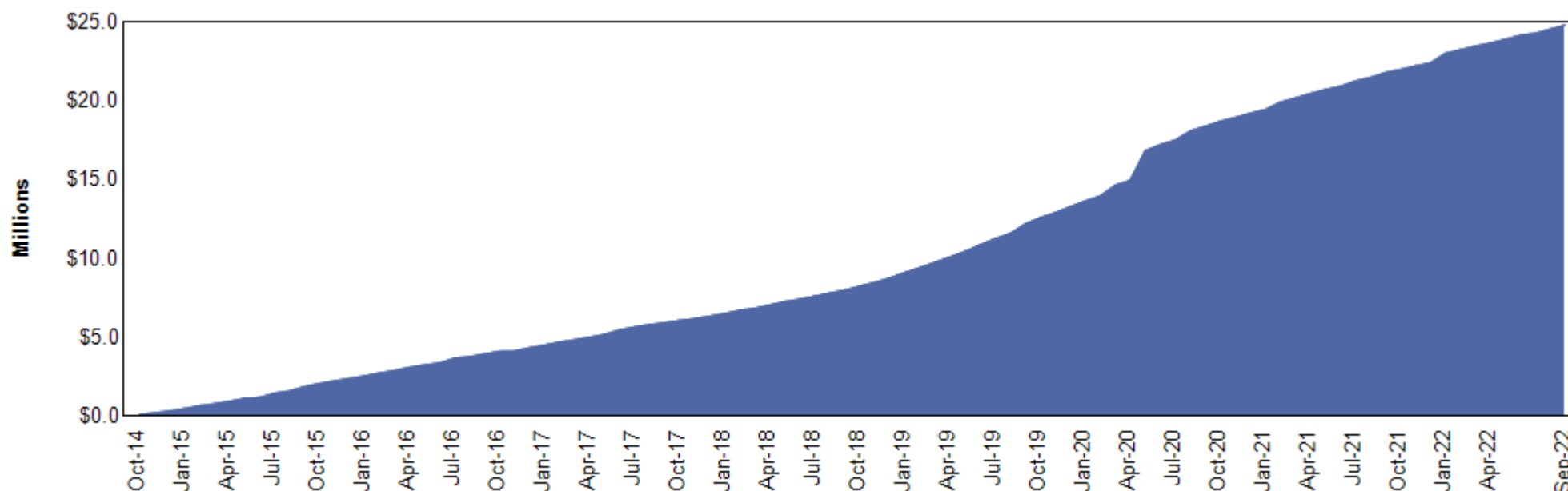


### Contribution to Total Return



1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Income returns calculated as interest earned on investments during the period.
3. Price returns calculated as the change in market value of each security for the period.
4. Returns are presented on a periodic basis.

## Accrual Basis Earnings - SIU- INTERMEDIATE TERM



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$888,616	\$3,458,006	\$11,339,651	\$17,798,365	\$24,124,601
Realized Gains / (Losses) <sup>3</sup>	(\$133,849)	\$242,683	\$3,529,254	\$3,539,178	\$3,989,232
Change in Amortized Cost	(\$100,969)	(\$677,090)	(\$2,260,750)	(\$2,455,980)	(\$3,298,872)
<b>Total Earnings</b>	<b>\$653,799</b>	<b>\$3,023,600</b>	<b>\$12,608,155</b>	<b>\$18,881,563</b>	<b>\$24,814,962</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is September 30, 2014.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

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# SIU - Short Term Portfolio

## Investment Approach

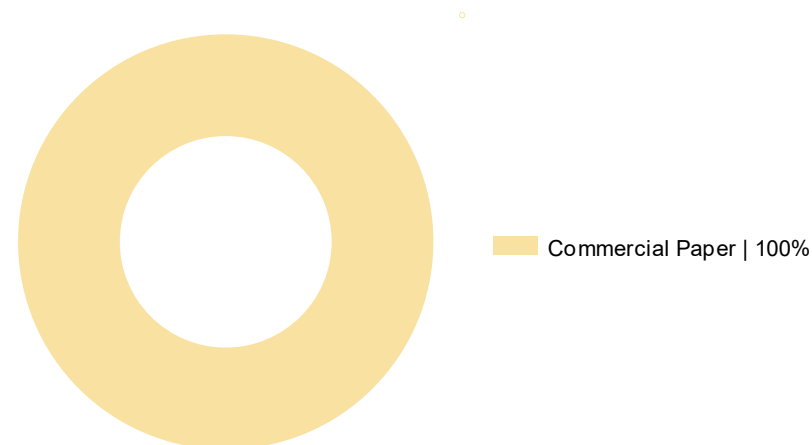
- The University's Short-Term portfolio is actively managed by PFM Asset Management, LLC. The short-term portfolio is structured to match the University's anticipated liquidity needs. The portfolio's duration typically ranges from 0 – 12 months, but is limited to a maximum maturity of 3 years. These 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 Snapshot - SIU- SHORT TERM FUND<sup>1</sup>

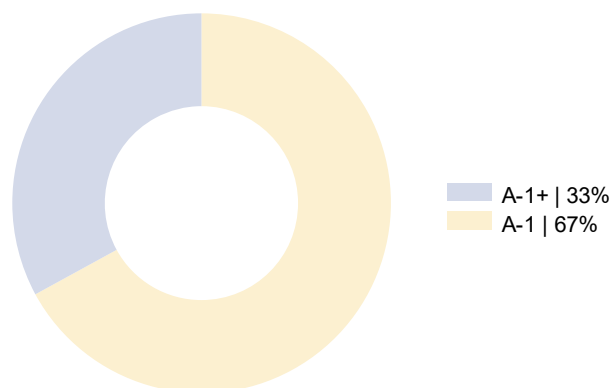
### Portfolio Statistics

<b>Total Market Value</b>	\$64,256,902.29
Securities Sub-Total	\$22,781,425.32
Accrued Interest	\$0.00
Cash	\$41,475,476.97
<b>Portfolio Effective Duration</b>	0.74 years
<b>Benchmark Effective Duration</b>	0.15 years
<b>Yield At Cost</b>	4.53%
<b>Yield At Market</b>	4.58%
<b>Portfolio Credit Quality</b>	A

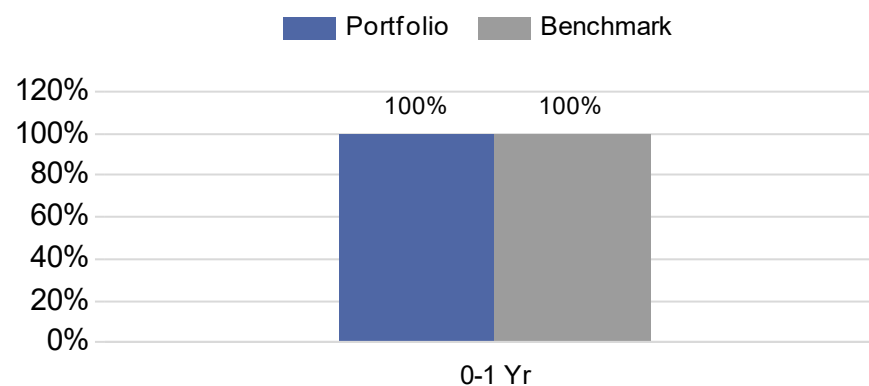
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofAML 3 Month U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.



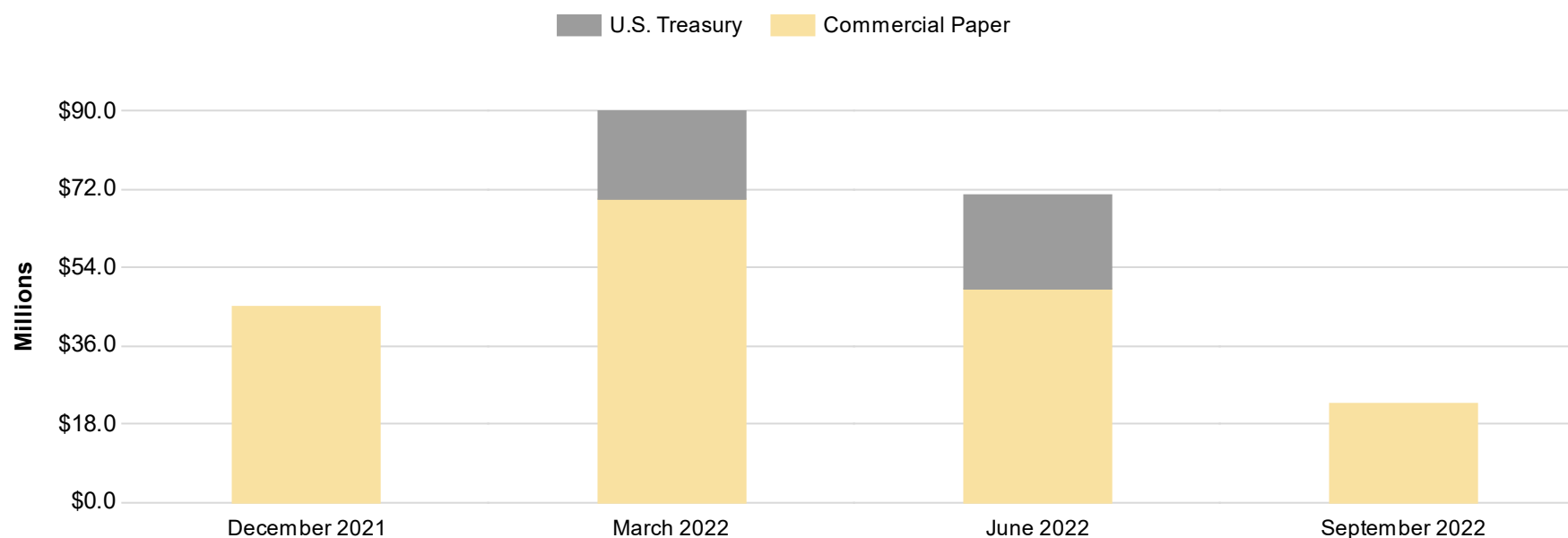
## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Commercial Paper</b>	<b>100.0%</b>	
CITIGROUP INC	8.5%	A / Aa / A
JP MORGAN CHASE & CO	41.3%	A / Aa / AA
MITSUBISHI UFJ FINANCIAL GROUP INC	17.3%	A / Aa / A
TORONTO-DOMINION BANK	33.0%	AA / Aa / NR
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

## Sector Allocation Review - SIU- SHORT TERM FUND

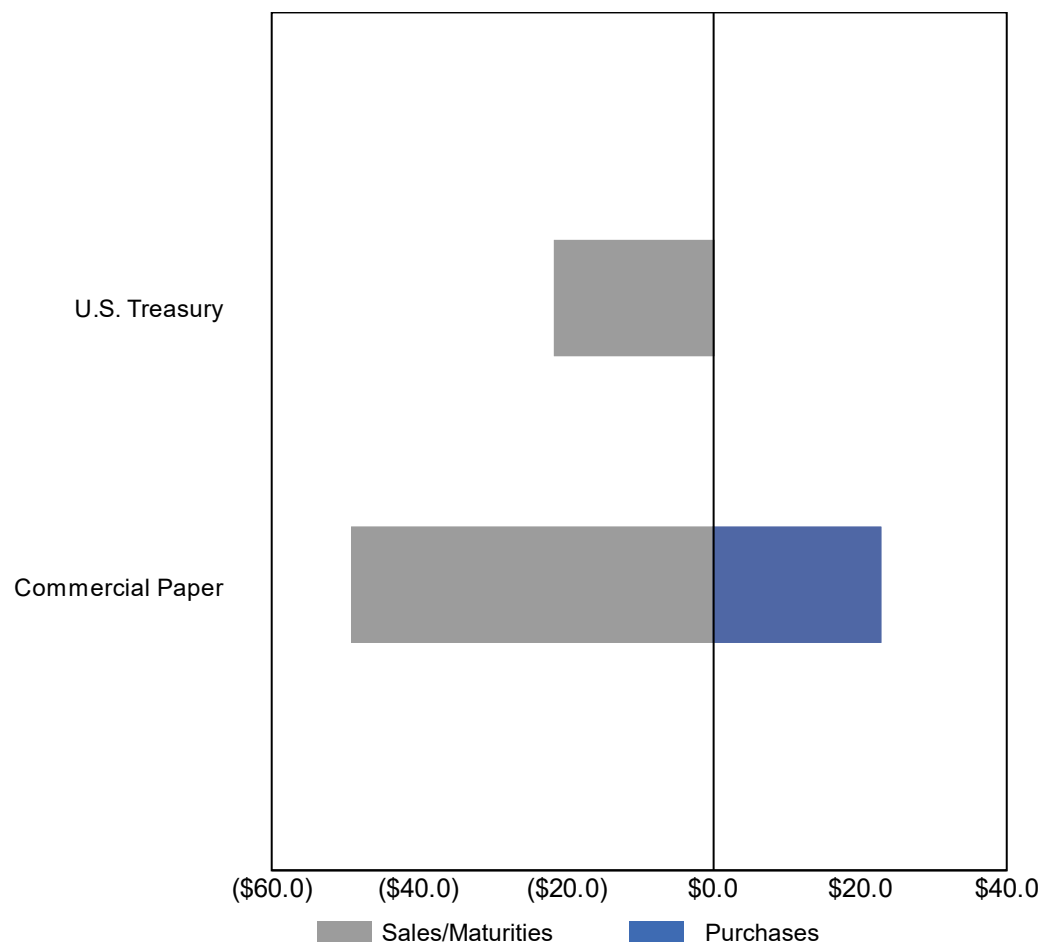
Security Type	Dec-21	% of Total	Mar-22	% of Total	Jun-22	% of Total	Sep-22	% of Total
U.S. Treasury	\$0.0	0.0%	\$20.0	22.3%	\$21.5	30.5%	\$0.0	0.0%
Commercial Paper	\$44.8	100.0%	\$69.8	77.7%	\$49.1	69.5%	\$22.8	100.0%
<b>Total</b>	<b>\$44.8</b>	<b>100.0%</b>	<b>\$89.9</b>	<b>100.0%</b>	<b>\$70.5</b>	<b>100.0%</b>	<b>\$22.8</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

## Portfolio Activity - SIU- SHORT TERM FUND

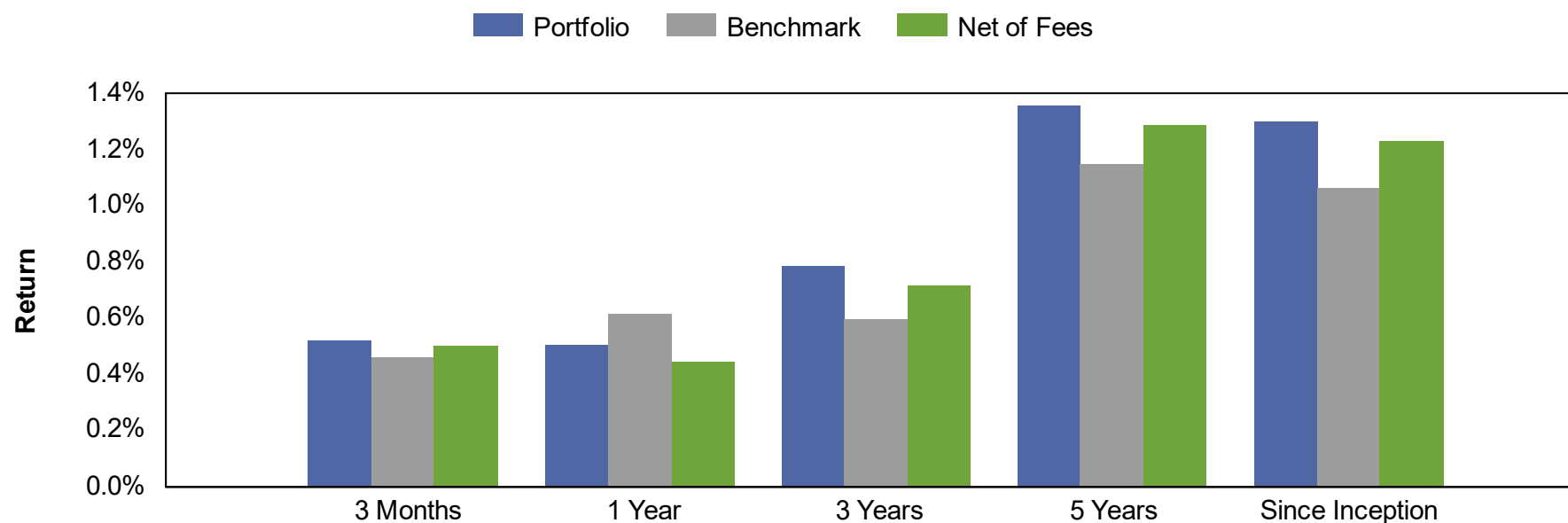
**Net Activity by Sector**  
(\$ millions)



Sector	Net Activity
U.S. Treasury	(\$21,630,016)
Commercial Paper	(\$26,455,160)
<b>Total Net Activity</b>	<b>(\$48,085,175)</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

## Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$55,733	\$132,065	\$145,685	\$546,824	\$547,756
Change in Market Value	\$222,867	\$137,209	\$515,026	\$2,608,040	\$2,871,566
<b>Total Dollar Return</b>	<b>\$278,600</b>	<b>\$269,274</b>	<b>\$660,711</b>	<b>\$3,154,864</b>	<b>\$3,419,322</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	0.52%	0.51%	0.79%	1.35%	1.30%
Benchmark <sup>4</sup>	0.46%	0.62%	0.59%	1.15%	1.07%
<b>Basis Point Fee</b>	<b>0.02%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>
<b>Net of Fee Return</b>	<b>0.50%</b>	<b>0.44%</b>	<b>0.72%</b>	<b>1.28%</b>	<b>1.23%</b>

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2016.

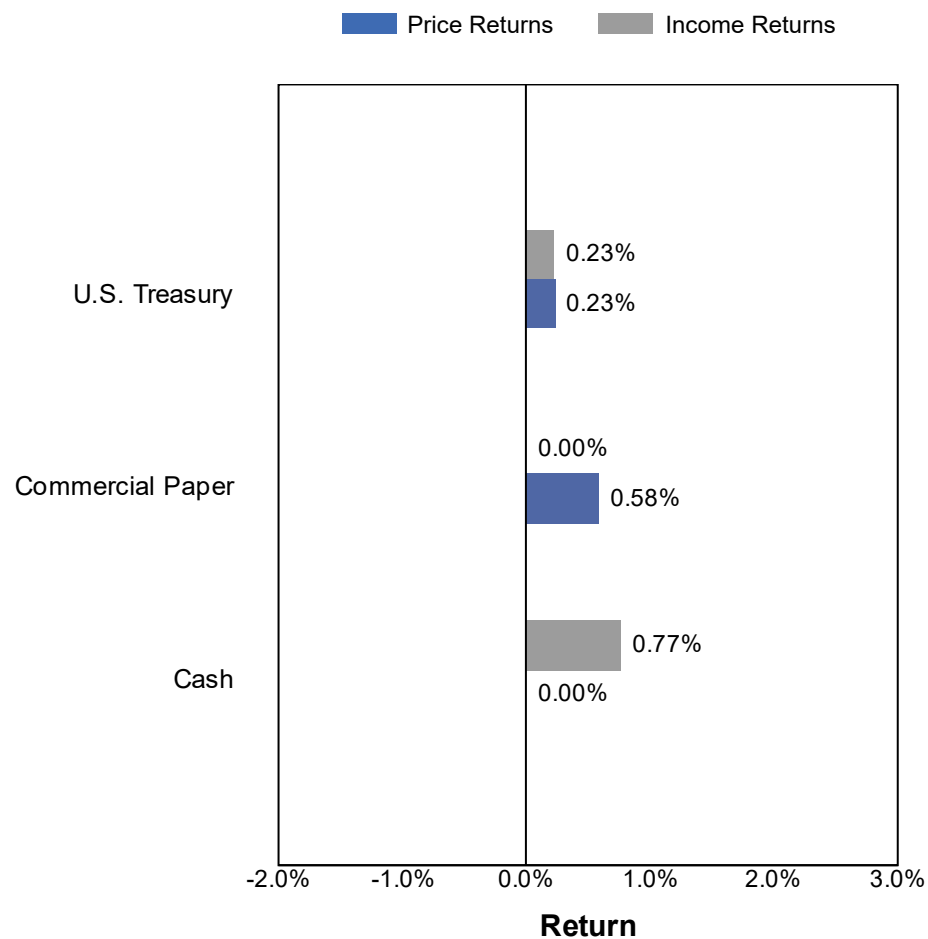
2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

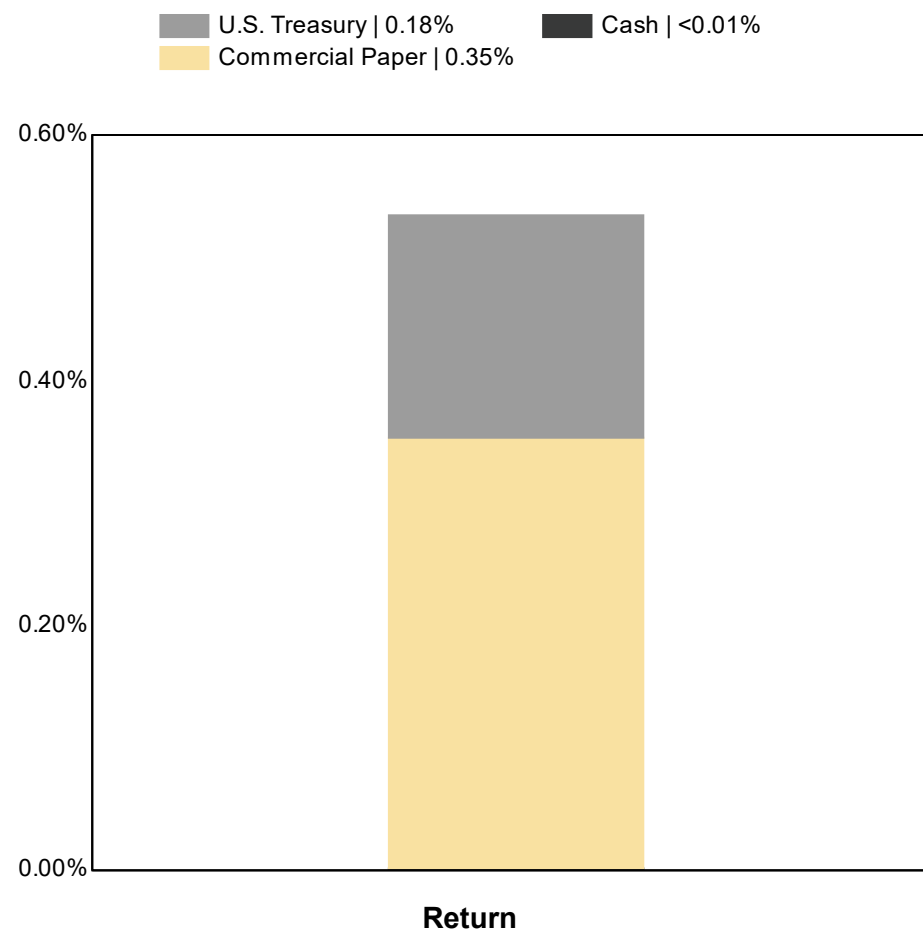
4. The portfolio's benchmark is the ICE BofAML 3 Month U.S. Treasury Index. Source: Bloomberg.

## Quarterly Sector Performance

### Total Return by Sector

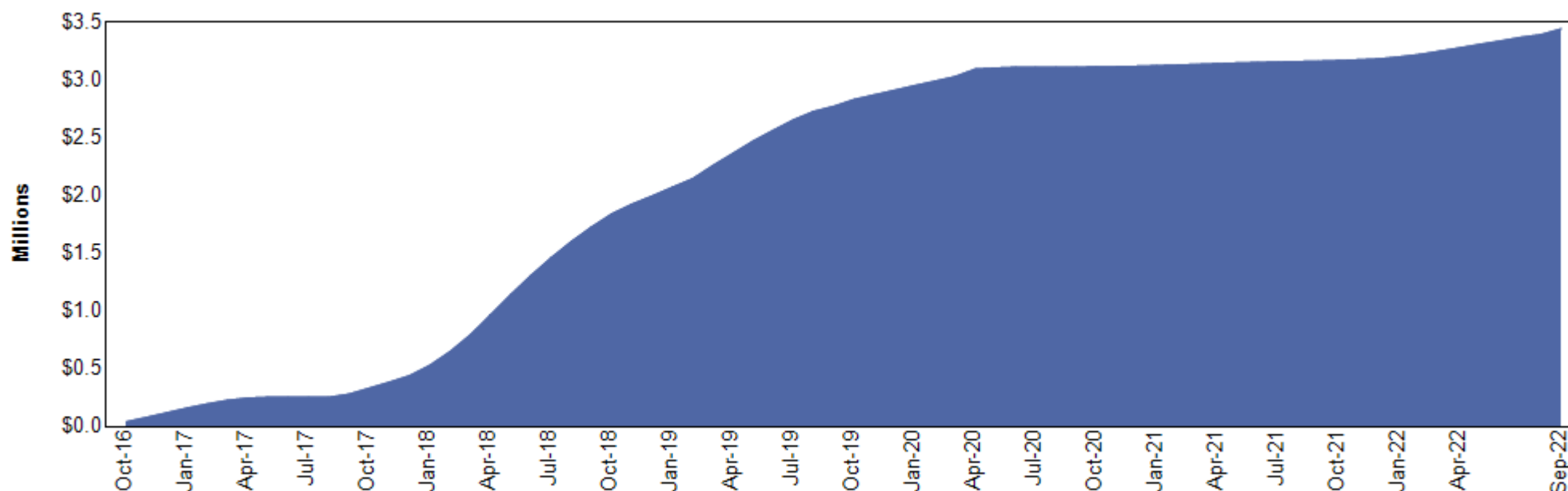


### Contribution to Total Return



1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Income returns calculated as interest earned on investments during the period.
3. Price returns calculated as the change in market value of each security for the period.
4. Returns are presented on a periodic basis.

### Accrual Basis Earnings - SIU- SHORT TERM FUND



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$55,733	\$132,065	\$145,685	\$546,824	\$547,756
Realized Gains / (Losses) <sup>3</sup>	-	-	\$36,577	\$36,577	\$36,637
Change in Amortized Cost	\$48,682	\$147,633	\$488,080	\$2,579,139	\$2,856,242
<b>Total Earnings</b>	<b>\$104,414</b>	<b>\$279,698</b>	<b>\$670,341</b>	<b>\$3,162,540</b>	<b>\$3,440,634</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is September 30, 2016.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

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# Illinois Funds

## Investment Approach

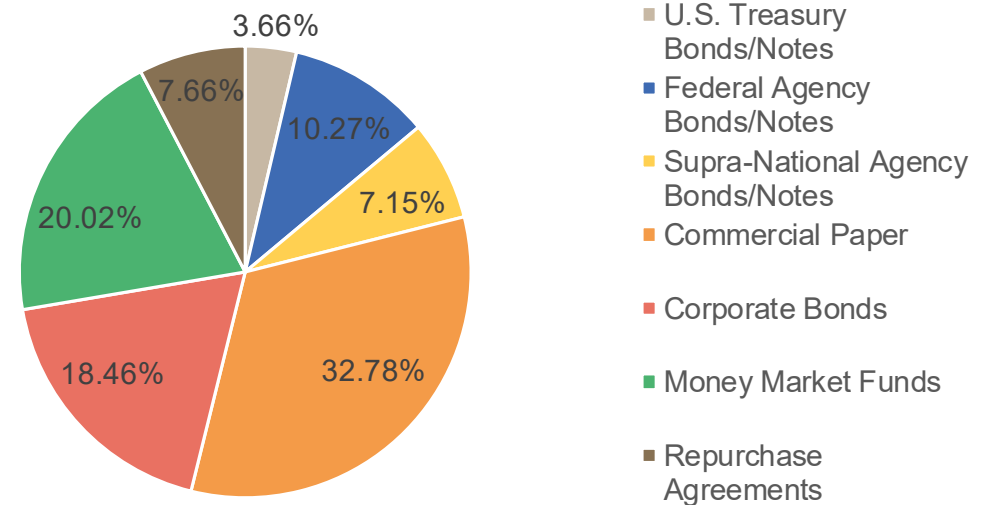
- The Illinois Funds is a Local Government Investment Pool (LGIP) operated by the Illinois State Treasurer's Office. The Illinois Funds strives to provide an inexpensive investment vehicle that features safety, daily liquidity and yield for Illinois public funds programs. The fund is managed by the Office of the State Treasurer in Springfield, Illinois, and contained a combined \$17.0 billion in total assets as of September 30, 2022. The fund is currently rated AAAm by Standard & Poor's.

## Illinois Funds Account Overview

Illinois Funds	
Beginning Value (6/30/2022)	\$61,908,582.35
Net Deposits (Withdrawals)	\$38,961,435.47
Interest Earned	\$524,266.66
Ending Value (9/30/22)	\$101,394,284.48

	Current Yield as of 9/30/22
Illinois Funds	2.88%
Benchmark: S&P Rated Government Investment Pool Index	2.26%

**Illinois Funds  
Sector Allocation  
as of September 30, 2022**



**Weighted Average Maturity**

**57 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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U.S. Bank Commercial Paper Sweep	
Beginning Value (6/30/2022)	\$25,722,533.07
Net Deposits (Withdrawals)	\$2,253,515.31
Interest Earned	\$52,952.31
Ending Value (9/30/22)	\$28,029,000.69

	Current Yield as of 9/30/22
U.S. Bank Commercial Paper Sweep	1.50%
Benchmark: S&P Rated Government Investment Pool Index	2.26%

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# IntraFi Network Deposits

## Investment Approach

- IntraFi Network Deposits allows for the placement of funds in deposit accounts at multiple financial institutions, in increments below the \$250,000 FDIC insurance limit. The process is facilitated by utilizing one bank that is an ICS provider.
- SIU utilizes Banterra Bank as the provider for placement of funds. The interest rate provided is an indexed rate and is reset monthly.

## IntraFi Network Deposits Account Overview

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IntraFi Network Deposits	
Beginning Value (6/30/2022)	\$5,019,070.03
Net Deposits (Withdrawals)	\$0.00
Interest Earned	\$24,304.83
Ending Value (9/30/22)	\$5,043,374.86

	Current Yield as of 9/30/22
IntraFi Network Deposits	2.43%
Benchmark: S&P Rated Government Investment Pool Index	2.26%

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# 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)

	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
<b>Housing &amp; Auxiliary Facilities System</b>					
Construction Proceeds	-	-	-	-	17.8
Interest Sinking Fund	11.4	9.6	18.0	9.5	11.1
Debt Service Reserve	6.1	6.1	6.0	6.0	5.9
Total HAFS	17.5	15.7	24.0	15.5	34.8
<b>Medical Facilities System</b>					
Construction Proceeds	-	-	-	-	-
Interest Sinking Fund	0.9	0.9	1.9	-	-
Debt Service Reserve	-	-	-	-	-
Total MFS	0.9	0.9	1.9	-	-
<b>Certificates of Participation</b>					
Construction Proceeds	-	-	-	-	-
Interest Sinking Fund	-	-	-	-	-
Debt Service Reserve	-	-	-	-	-
Total COPS	-	-	-	-	-
Total Market Value of Portfolio	\$ 18.5	\$ 16.6	\$ 25.9	\$ 15.5	\$ 34.8

### Investment Balance

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

	\$ 18.4	\$ 16.6	\$ 26.0	\$ 15.7	\$ 35.2
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*\*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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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, 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, IntraFi Network Deposits 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 PFMAM.



## 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.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **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 Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **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.
- **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.

## Glossary

- 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.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- 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.