



Southern Illinois University

Quarterly Investment Report
September 30, 2020

Market Update

SUMMARY

- In Q3, U.S. economic conditions were characterized by: (1) economic indicators improving at a faster-than-expected pace, yet still trailing pre-virus levels; (2) equity markets surpassing their February all-time highs before selling off marginally in September; (3) investment-grade (IG) sector spreads continuing to grind tighter as the Fed reaffirmed its accommodative monetary policy and unconditional support of financial markets; and (4) daily COVID-19 cases remaining stubbornly high despite continued containment efforts, reminding all of its lingering presence.
- The Fed spent Q3 refining its messaging after deploying a wide variety of tools in Q1 and Q2. At its two meetings over the quarter, the central bank voted to leave the target range for the federal funds rate unchanged at 0% to 0.25%. At the Fed's annual Economic Symposium hosted in Jackson Hole, the central bank announced a major policy shift on inflation and will now seek to achieve inflation that "averages 2% over time," moving away from the prior point-in-time target approach. Interestingly, the FOMC's updated economic projections released at its September policy meeting show inflation only reaching 2% in 2023. The new average inflation goal implies that the federal funds target rate may stay at near 0% beyond 2023 as the Fed can allow faster growth and higher inflation. Given the better-than-expected economic recovery pace so far, the Fed's updated forward projections for growth and unemployment improved but still portrayed a drawn-out recovery.
- Although economic activity trails pre-pandemic levels, the strong recovery thus far has propelled stock market performance and equity indices, both in the U.S. and around the globe. The S&P returned 8.5% in Q3, following Q2's impressive 20% rebound.

SUMMARY

- Shorter-term Treasury yields remained low and range-bound, anchored by the Fed's zero interest-rate policy. Longer-term Treasury yields edged higher due to positive economic news, the Fed's shifting stance, on inflation, and optimism about another potential round of fiscal stimulus. As a result, Treasury index returns were muted. Meanwhile, IG sector spreads continued to compress, although at a slower rate than the preceding quarter, leading to positive excess returns. Diversification, once again, played an important role in portfolio performance in Q3.

ECONOMIC SNAPSHOT

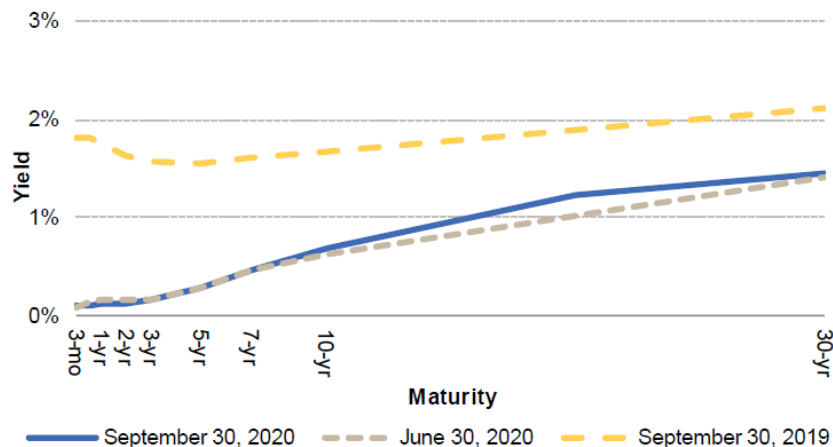
- The U.S. economy contracted at an annual rate of 31.4% in Q2, following Q1's 5.0% decline, due to the pandemic-induced economic shutdown. The American consumer, who accounts for about two-thirds of GDP, was the largest detractor in Q2.
- The labor market continued to improve in Q3 but still has an uphill battle to reach prepandemic levels. The unemployment rate declined to 7.9% in September, from 11.1% in June and 14.7% in April, as an additional 3.9 million people became employed over the quarter. However, total employment remains about 11.2 million less than in February. Furthermore, the number of permanent job losses rose in Q3 and weekly initial jobless claims remained stubbornly high, evidence of the headwinds facing future jobs reports.
- After cratering in Q1, U.S. manufacturing and services activity continued to rebound, with both ISM surveys moving firmly back into expansionary territory. Meanwhile, most housing market measures, including new home sales, existing home sales, building permits and mortgage applications, all surged above pre-pandemic levels due to record-low mortgage rates.

Market Update

INTEREST RATES

- The U.S. Treasury yield curve remained relatively unchanged over the quarter. Shorter-dated yields on maturities less than 6 months decreased four bps as they continued to reset closer to the Fed's zero-interest-rate policy amid less Treasury Bill issuance compared to Q2. Long-term yields on maturities 10-years and longer inched only slightly higher by five bps, largely on the Fed's renewed inflation outlook.
- At quarter-end, the yield on a 3-month Treasury Bill stood at 0.10%, the 2-year note was 0.13%, 5- and 10-year notes were 0.28% and 0.69%, respectively, while the 30-year Treasury ended the quarter at 1.46%.
- The combination of lower rates on maturities out to seven years and modest curve steepening on only the longest maturities resulted in intermediate-term Treasuries providing the most attractive performance amongst Treasury indices. For example, the 3-month and 2-year Constant Maturity U.S. Treasury Indices returned 0.04% and 0.05%, respectively. Meanwhile, the 5- and 7-year indices returned 0.18% and 0.40%, and the 10- and 30-year benchmark notes returned 0.04% and -0.78%, respectively.

U.S. Treasury Yield Curve



Source: Bloomberg, as of 9/30/2020.

SECTOR PERFORMANCE

- Diversification away from Treasuries was again additive to performance in Q3. Momentum from the retracement of wider spreads at the onset of the pandemic continued in Q3, albeit at a reduced pace, and led to most IG fixed income sectors generating strongly positive excess returns relative to similar duration Treasuries.
- Federal agency yield spreads remained wide from a historical perspective, most notably on maturities three years and longer. Shorter-dated agency yield spreads, on the other hand, snapped back to pre-pandemic levels. Because of higher yields and immediate spread tightening after issuance, agency indices generated excess returns, with longer-dated agencies outperforming shorter maturities.
- The IG corporate sector was a top performer in Q3 as spreads retraced nearly all the widening experienced earlier in the year. Continued support from the Fed helped to anchor spreads, as did better-than-expected corporate earnings and robust demand as investors continued to search for yield in the ultra-low rate environment. Like Q2, longer duration and lower-quality issuers outperformed shorter- and higher-quality issuers.
- The federal agency mortgage-backed security sector (MBS) continued to experience elevated prepayments as homeowners took advantage of today's low mortgage rates to refinance. As a result, the overall sector underperformed similar-duration Treasuries, although a few structures and coupons generated positive excess returns. Within the entire agency-backed mortgage security sector, commercial MBS (CMBS) was the top performer, generating positive excess returns largely due to increased prepayment protection.

Summary of Operating Investments

Summary of Operating Investments

Market Value (\$ in millions)*

	9/30/2020
Illinois Funds	\$ 106.5
US Bank Commercial Paper Sweep	24.9
Subtotal Cash & Cash Equivalents	<u>\$ 131.5</u>
Short Term Portfolio	10.1
Intermediate Term Portfolio	154.5
Total Portfolio	<u><u>\$ 296.0</u></u>
	<u><u>\$ 288.7</u></u>

Book Value (\$ in millions)

Current Yields (Annualized)

Illinois Funds	0.13%
US Bank Commercial Paper Sweep	0.01%
Benchmark: S&P Rated Government Investment Pool Index	0.09%

Performance Summary (Total Return)**

Short Term Portfolio	
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	
Intermediate Term Portfolio	
Benchmark: Barclays Intermediate U.S. Govt. Securities	

Asset Allocation (\$ in millions)*

Sector	9/30/2020	
Money Market Mutual Funds / LGIP	\$ 109.0	36.8%
U.S. Treasury Bonds/Notes	42.7	14.4%
Federal Agency Bonds/Notes	29.0	9.8%
Federal Agency MBS	25.4	8.6%
Federal Agency CMO	30.6	10.3%
Supra-National Agency Bonds/Notes	4.0	1.3%
Corporate Notes	19.9	6.7%
Commercial Paper	10.0	3.4%
Commercial Paper Sweep (US Bank)	24.9	8.4%
Subtotal	295.4	99.8%
Accrued Interest	0.6	0.2%
Total	\$ 296.0	100.0%

9/30/2020

0.13%
0.01%
0.09%

Current Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
0.03%	1.66%	2.03%	-	-	1.77%
0.04%	1.10%	1.69%	-	-	1.43%
0.39%	5.86%	4.03%	2.93%	-	2.90%
0.20%	5.98%	4.04%	2.76%	-	2.80%

*Detail may not add to total due to rounding

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

SIU - Intermediate Term Portfolio

Investment Approach

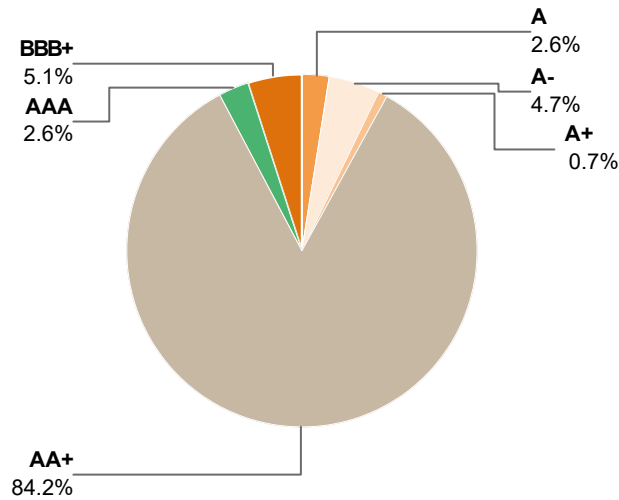
- The University's Intermediate Term portfolio is actively managed by PFM Asset Management, LLC. PFM seeks to add value by strategically buying or selling high-quality, fixed-income securities. Funds in the core portfolio are typically not needed over an intermediate- or long- term horizon and are therefore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

Portfolio Statistics

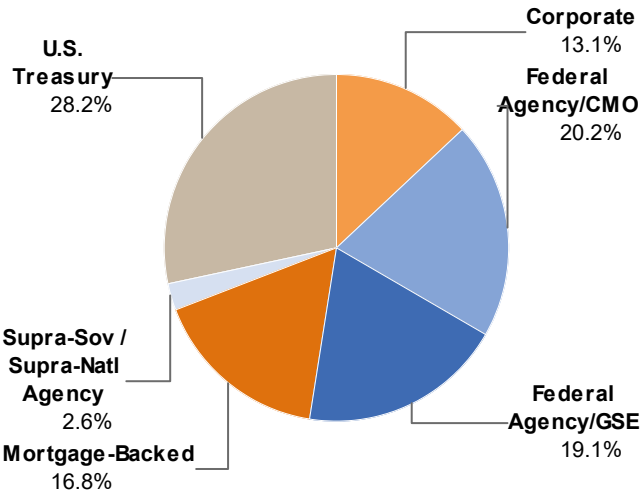
As of September 30, 2020

Par Value:	\$141,064,549
Total Market Value:	\$154,478,697
Security Market Value:	\$151,579,049
Accrued Interest:	\$596,194
Cash:	\$2,303,454
Amortized Cost:	\$144,238,576
Yield at Market:	1.23%
Yield at Cost:	2.33%
Effective Duration:	3.81 Years
Average Maturity:	8.00 Years
Average Credit: *	AA

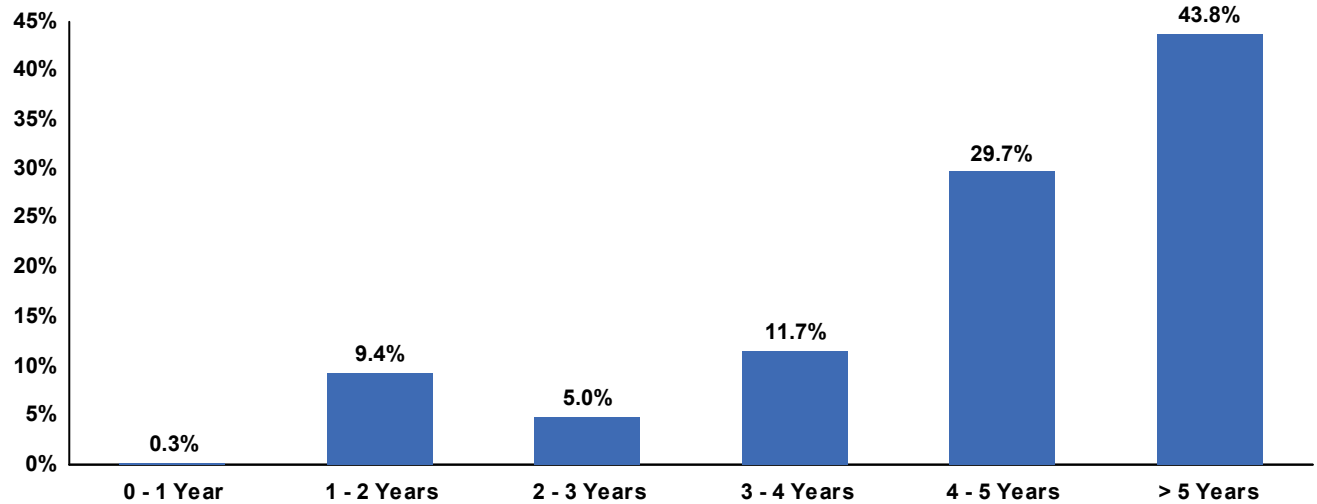
Credit Quality (S&P Ratings)



Sector Allocation



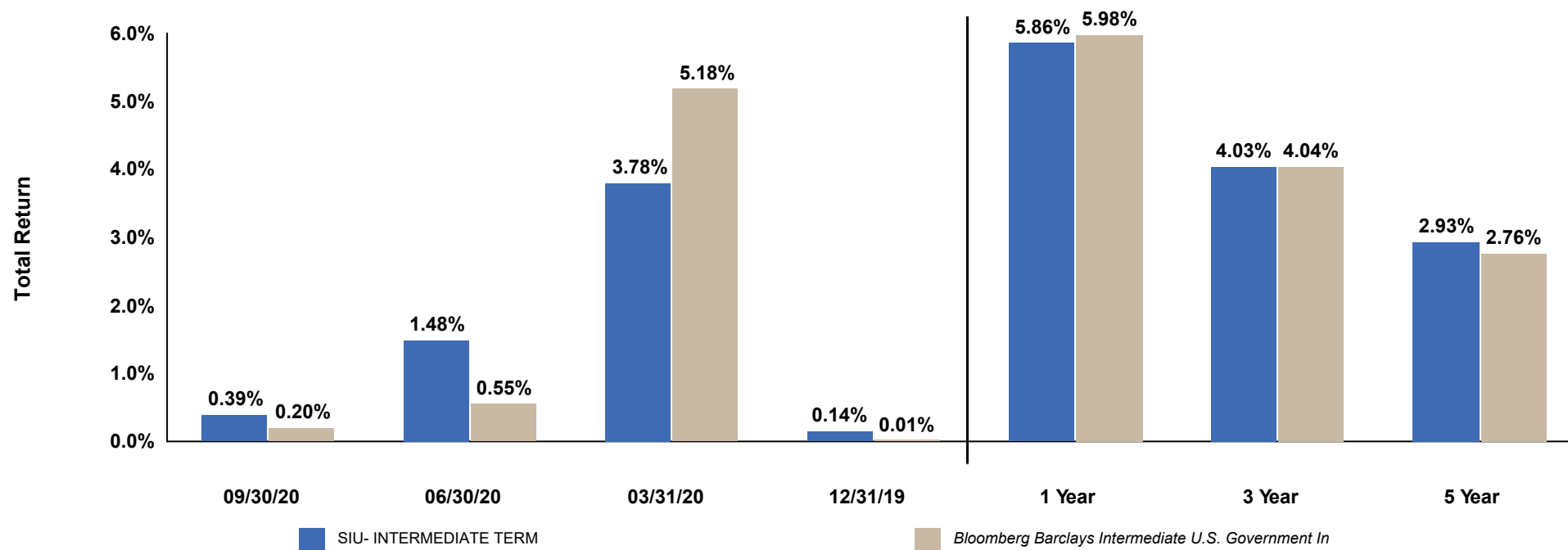
Maturity Distribution



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

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		09/30/20	06/30/20	03/31/20	12/31/19	1 Year	3 Year	5 Year
SIU- INTERMEDIATE TERM	3.81	0.39%	1.48%	3.78%	0.14%	5.86%	4.03%	2.93%
Net of Fees **	-	0.37%	1.46%	3.76%	0.12%	5.79%	3.96%	2.86%
Bloomberg Barclays Intermediate U.S. Government Index	3.86	0.20%	0.55%	5.18%	0.01%	5.98%	4.04%	2.76%
Difference (Gross)		0.19%	0.93%	-1.40%	0.13%	-0.12%	-0.01%	0.17%
Difference (Net)		0.17%	0.91%	-1.42%	0.11%	-0.19%	-0.08%	0.10%



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, 2020

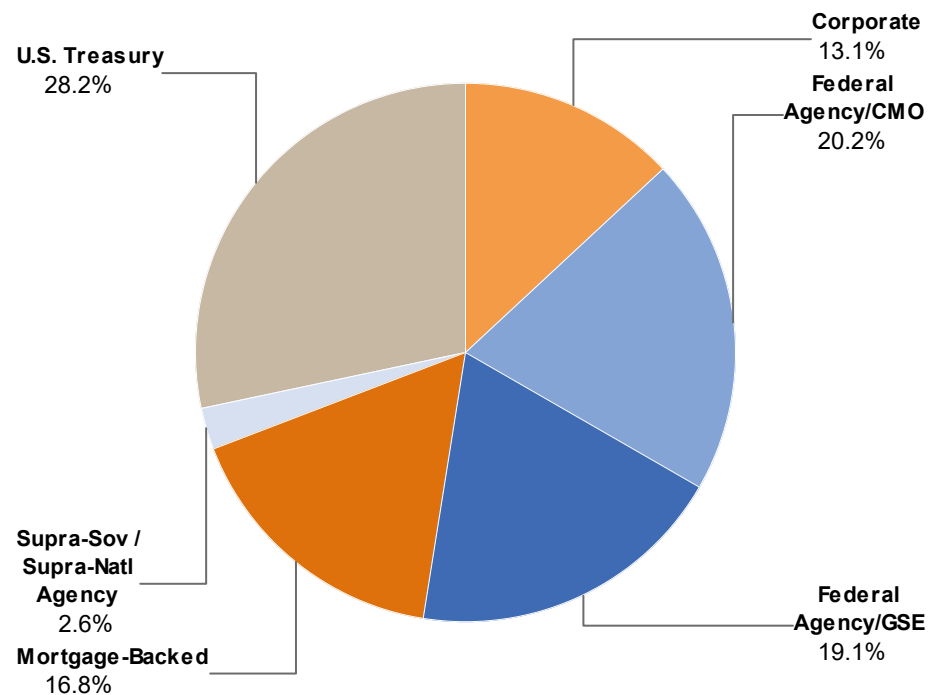
	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2020)	\$142,235,929.84	\$134,290,434.34
Net Purchases/Sales	\$9,746,038.14	\$9,746,038.14
Change in Value	(\$402,919.01)	\$202,103.88
Ending Value (09/30/2020)*	\$151,579,048.97	\$144,238,576.36
Interest Earned	\$964,050.61	\$964,050.61
Portfolio Earnings	\$561,131.60	\$1,166,154.49

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

Sector Allocation

As of September 30, 2020

Sector	Market Value (\$)	% of Portfolio
U.S. Treasury	42,735,811	28.2%
Federal Agency/CMO	30,569,271	20.2%
Federal Agency/GSE	28,971,845	19.1%
Mortgage-Backed	25,387,539	16.8%
Corporate	19,923,856	13.1%
Supra-Sov / Supra-Natl Agency	3,990,727	2.6%
Total*	\$151,579,049	100.0%

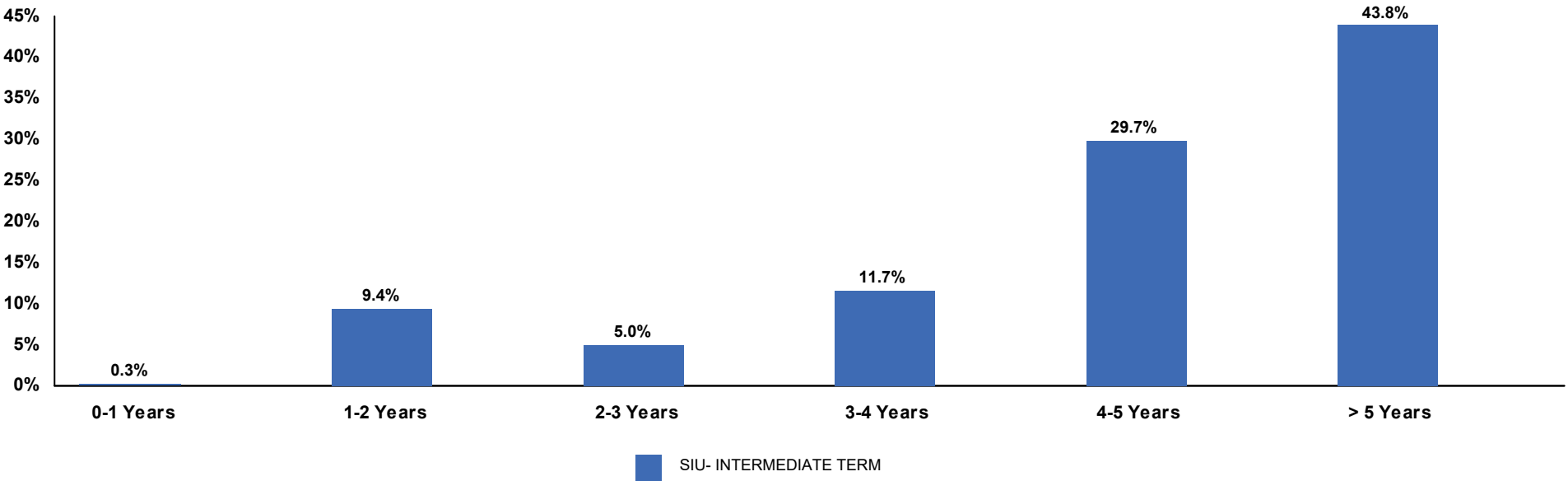


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Maturity Distribution

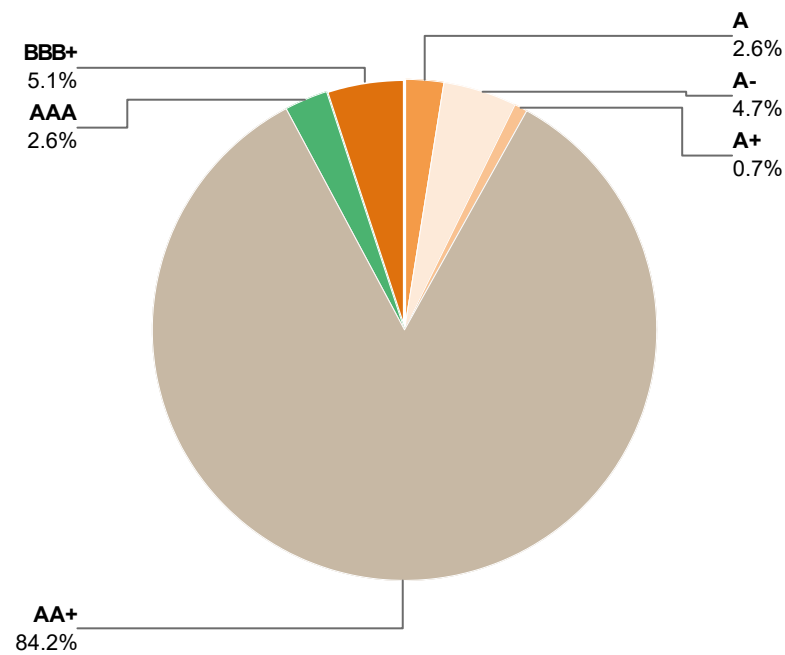
As of September 30, 2020

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
SIU- INTERMEDIATE TERM	1.23%	8.00 yrs	0.3%	9.4%	5.0%	11.7%	29.7%	43.8%



Credit Quality*As of September 30, 2020*

S&P Rating	Market Value (\$)	% of Portfolio
AA+	\$127,664,466	84.2%
BBB+	\$7,742,328	5.1%
A-	\$7,072,666	4.7%
AAA	\$3,990,727	2.6%
A	\$3,980,314	2.6%
A+	\$1,128,548	0.7%
Totals*	\$151,579,049	100.0%



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

Sector/Issuer Distribution

As of September 30, 2020

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Corporate			
AMERICAN EXPRESS CO	1,551,362	7.8%	1.0%
AMERICAN HONDA FINANCE	1,544,439	7.8%	1.0%
BANK OF AMERICA CO	1,649,589	8.3%	1.1%
CATERPILLAR INC	1,099,786	5.5%	0.7%
CITIGROUP INC	1,550,639	7.8%	1.0%
GOLDMAN SACHS GROUP INC	1,520,492	7.6%	1.0%
JP MORGAN CHASE & CO	2,317,392	11.6%	1.5%
MORGAN STANLEY	1,554,261	7.8%	1.0%
THE BANK OF NEW YORK MELLON CORPORATION	2,880,528	14.5%	1.9%
TOYOTA MOTOR CORP	1,128,548	5.7%	0.7%
TRUIST FIN CORP	1,561,247	7.8%	1.0%
WELLS FARGO & COMPANY	1,565,576	7.9%	1.0%
Sector Total	19,923,856	100.0%	13.1%
Federal Agency/CMO			
FANNIE MAE	4,649,786	15.2%	3.1%
FREDDIE MAC	24,324,030	79.6%	16.0%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	1,595,456	5.2%	1.1%
Sector Total	30,569,271	100.0%	20.2%

SIU- INTERMEDIATE TERM

Portfolio Composition

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Federal Agency/GSE			
AGENCY FOR INTERNATIONAL DEVELOPMENT	2,324,860	8.0%	1.5%
FANNIE MAE	13,968,020	48.2%	9.2%
FEDERAL HOME LOAN BANKS	2,094,491	7.2%	1.4%
FREDDIE MAC	4,627,185	16.0%	3.1%
TENNESSEE VALLEY AUTHORITY	5,957,289	20.6%	3.9%
Sector Total	28,971,845	100.0%	19.1%
Mortgage-Backed			
FANNIE MAE	16,508,631	65.0%	10.9%
FREDDIE MAC	8,398,806	33.1%	5.5%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	480,102	1.9%	0.3%
Sector Total	25,387,539	100.0%	16.7%
Supra-Sov / Supra-Natl Agency			
AFRICAN DEVELOPMENT BANK	755,632	18.9%	0.5%
INTER-AMERICAN DEVELOPMENT BANK	1,511,817	37.9%	1.0%
INTL BANK OF RECONSTRUCTION AND DEV	1,723,278	43.2%	1.1%
Sector Total	3,990,727	100.0%	2.6%
U.S. Treasury			
UNITED STATES TREASURY	42,735,811	100.0%	28.2%
Sector Total	42,735,811	100.0%	28.2%

SIU- INTERMEDIATE TERM

Portfolio Composition

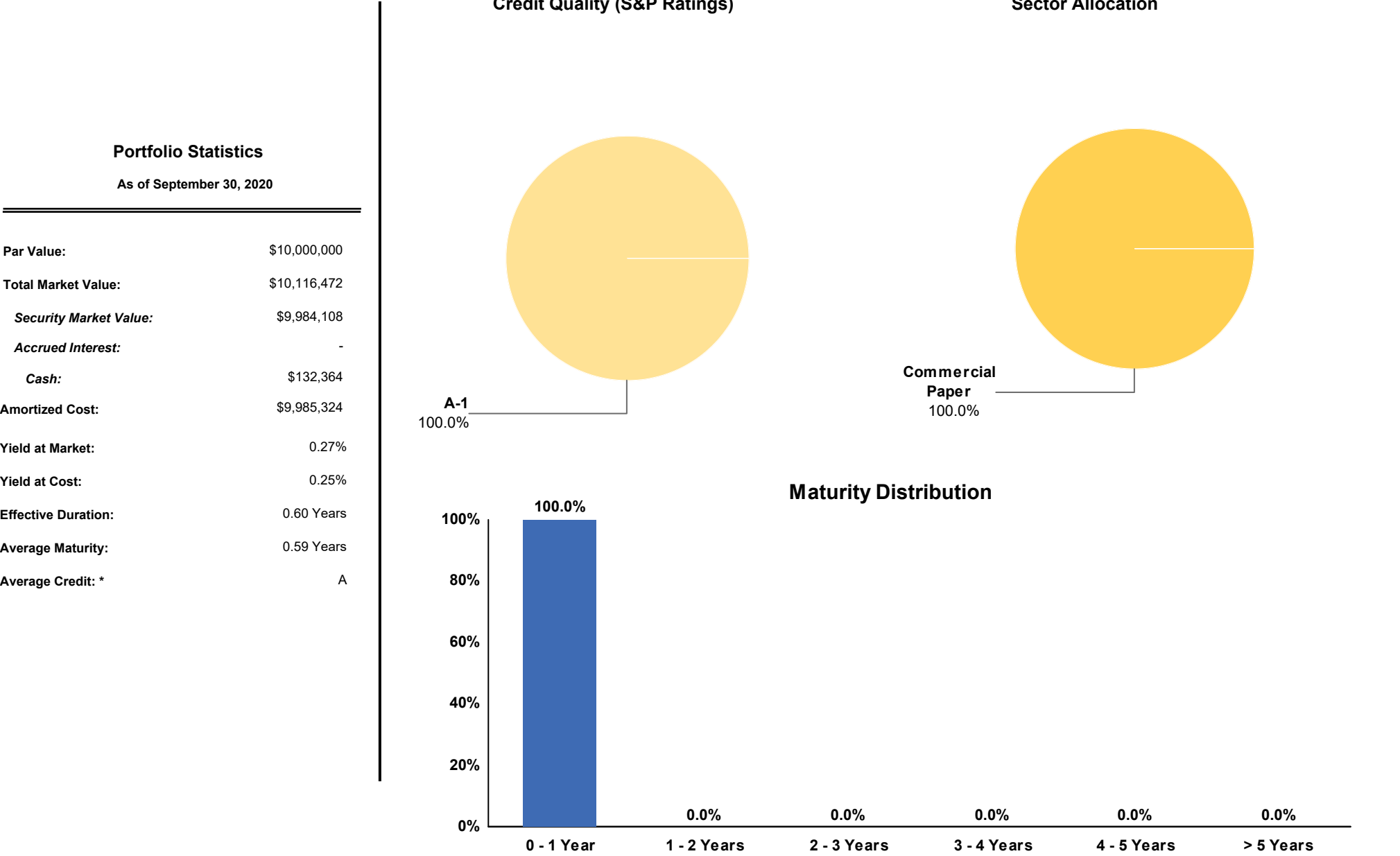
Portfolio Total*	151,579,049	100.0%	100.0%
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*Amount does not include cash/STIF balances and accrued interest.

SIU - Short Term Portfolio

Investment Approach

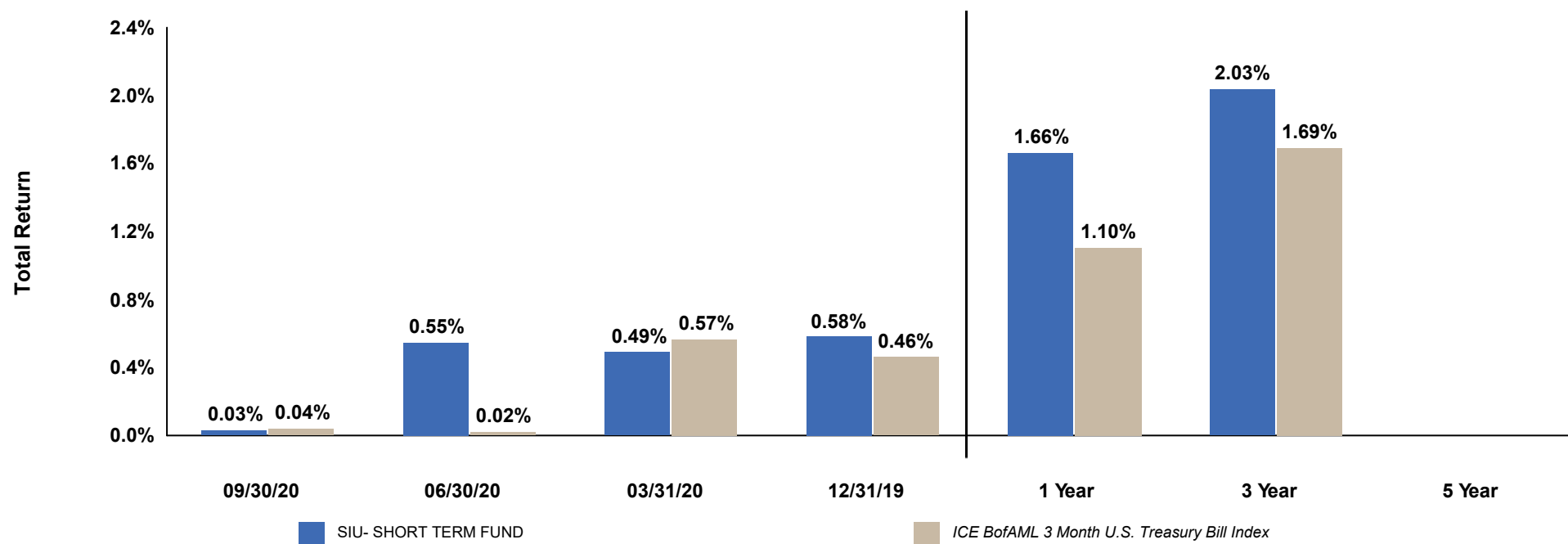
- The University's Short-Term portfolio is actively managed by PFM Asset Management, LLC. The short-term portfolio is structured to match the University's anticipated liquidity needs. The portfolio's duration typically ranges from 0 – 12 months, but is limited to a maximum maturity of 3 years. These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



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

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		09/30/20	06/30/20	03/31/20	12/31/19	1 Year	3 Year	5 Year
SIU- SHORT TERM FUND	0.60	0.03%	0.55%	0.49%	0.58%	1.66%	2.03%	-
Net of Fees **	-	0.01%	0.53%	0.47%	0.56%	1.59%	1.96%	-
ICE BofAML 3 Month U.S. Treasury Bill Index	0.16	0.04%	0.02%	0.57%	0.46%	1.10%	1.69%	-
Difference (Gross)		-0.01%	0.53%	-0.08%	0.12%	0.56%	0.34%	-
Difference (Net)		-0.03%	0.51%	-0.10%	0.10%	0.49%	0.27%	-



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

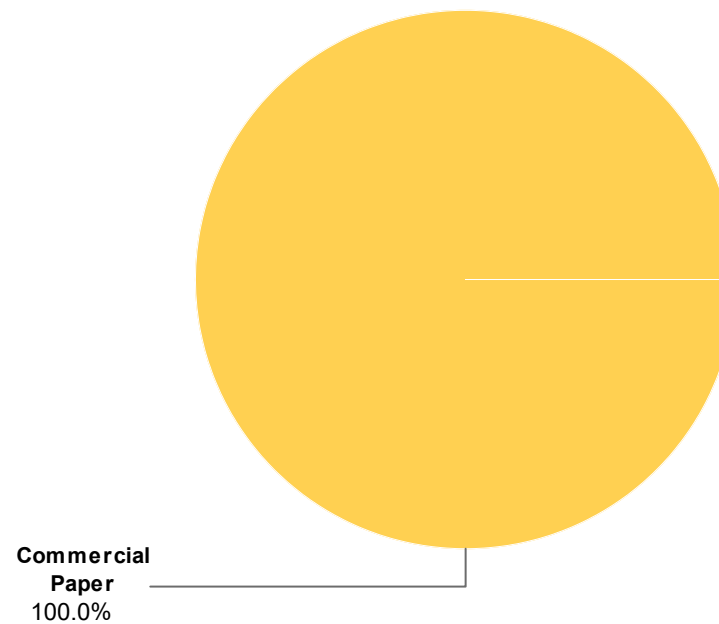
Portfolio Earnings**Quarter-Ended September 30, 2020**

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2020)	\$0.00	\$0.00
Net Purchases/Sales	\$9,984,234.73	\$9,984,234.73
Change in Value	(\$127.23)	\$1,088.90
Ending Value (09/30/2020)*	\$9,984,107.50	\$9,985,323.63
Interest Earned	\$42.05	\$42.05
Portfolio Earnings	(\$85.18)	\$1,130.95

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

Sector Allocation*As of September 30, 2020*

Sector	Market Value (\$)	% of Portfolio
Commercial Paper	9,984,108	100.0%
Total*	\$9,984,108	100.0%

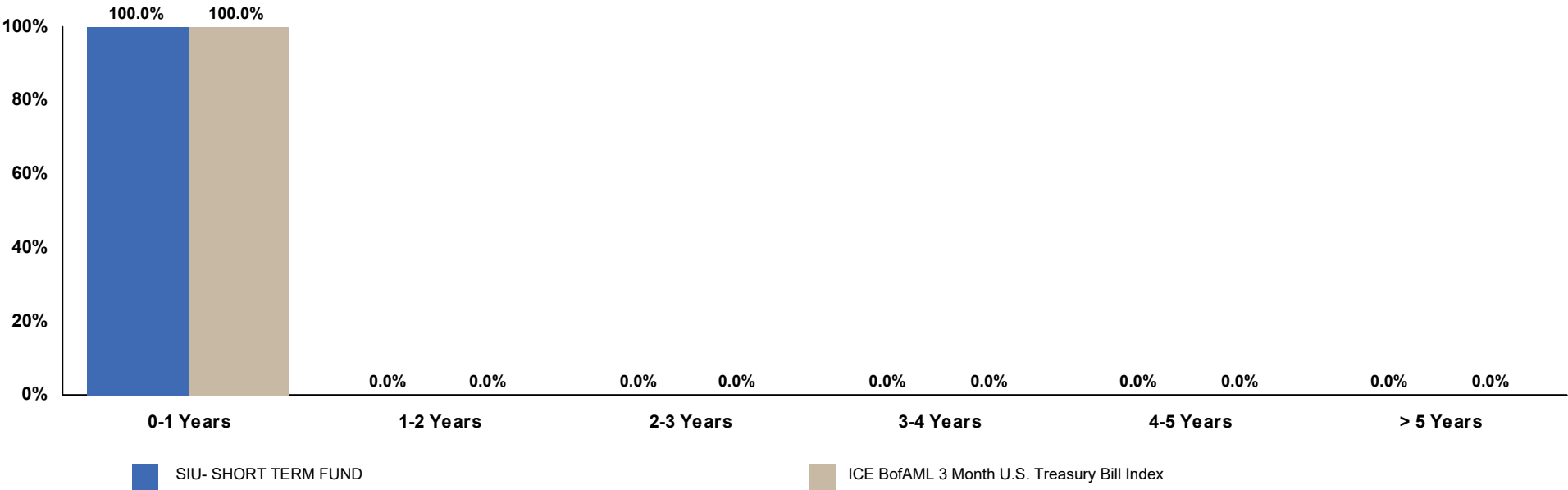


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Maturity Distribution

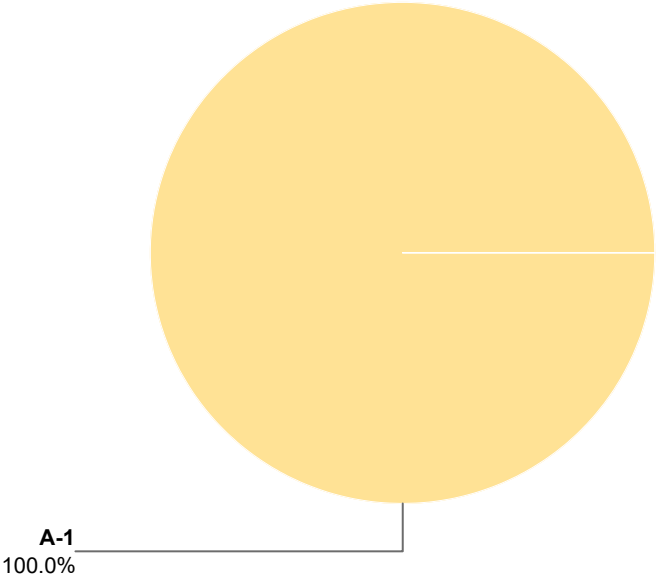
As of September 30, 2020

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	0.27%	0.59 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ICE BofAML 3 Month U.S. Treasury Bill Index	0.10%	0.23 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%



Credit Quality
As of September 30, 2020

S&P Rating	Market Value (\$)	% of Portfolio
A-1	\$9,984,108	100.0%
Totals*	\$9,984,108	100.0%



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

Sector/Issuer Distribution

As of September 30, 2020

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Commercial Paper			
BNP PARIBAS	2,496,623	25.0%	25.0%
COLLAT COMM PAPER V CO	2,496,243	25.0%	25.0%
CROWN POINT CAPITAL CO	2,495,000	25.0%	25.0%
MITSUBISHI UFJ FINANCIAL GROUP INC	2,496,243	25.0%	25.0%
Sector Total	9,984,108	100.0%	100.0%
Portfolio Total*	9,984,108	100.0%	100.0%

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

Illinois Funds

Investment Approach

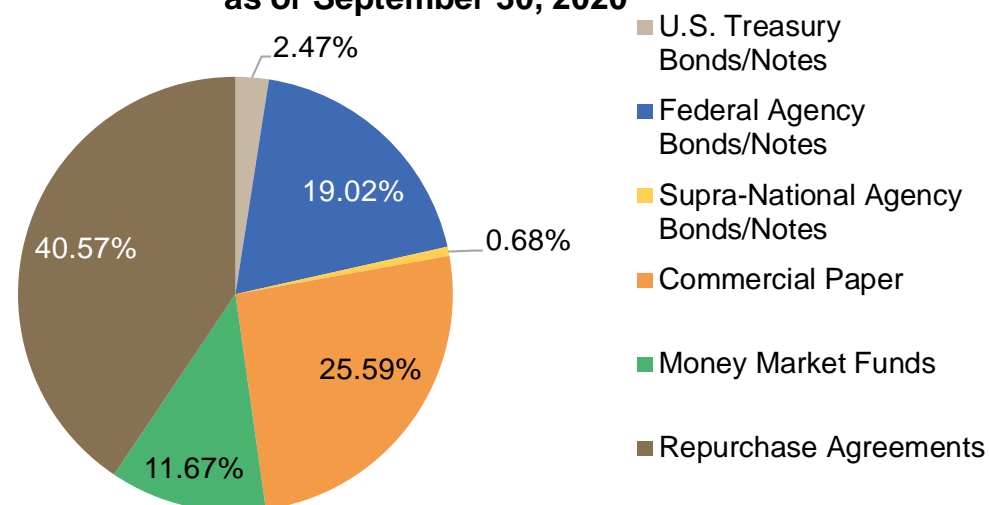
- The Illinois Funds is a Local Government Investment Pool (LGIP) operated by the Illinois State Treasurer's Office. The Illinois Funds strives to provide an inexpensive investment vehicle that features safety, daily liquidity and yield for Illinois public funds programs. The fund is managed by the Office of the State Treasurer in Springfield, Illinois, and contained a combined \$7.7 billion in total assets as of September 30, 2020. The fund is currently rated AAAm by Standard & Poor's.

Illinois Funds Account Overview

Illinois Funds	
Beginning Value (6/30/2020)	\$91,678,247.29
Net Deposits (Withdrawals)	\$14,814,671.06
Interest Earned	\$49,541.15
Ending Value (9/30/20)	\$106,542,459.50

	Current Yield as of 9/30/20
Illinois Funds	0.13%
Benchmark: S&P Rated Government Investment Pool Index	0.09%

**Illinois Funds
Sector Allocation
as of September 30, 2020**



Weighted Average Maturity

58 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 (6/30/2020)	\$31,253,674.72
Net Deposits (Withdrawals)	(\$6,346,029.18)
Interest Earned	\$792.96
Ending Value (9/30/20)	\$24,908,438.50

	Current Yield as of 9/30/20
U.S. Bank Commercial Paper Sweep	0.01%
Benchmark: S&P Rated Government Investment Pool Index	0.09%

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)

	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Housing & Auxiliary Facilities System					
Construction Proceeds	2.2	0.7	0.4	0.4	0.1
Interest Sinking Fund	13.7	16.1	22.5	7.2	13.1
Debt Service Reserve	6.2	6.1	6.2	6.2	6.2
Total HAFS	22.1	22.9	29.2	13.8	19.4
Medical Facilities System					
Construction Proceeds	-	-	-	-	-
Interest Sinking Fund	0.9	1.3	1.8	0.5	0.9
Debt Service Reserve	-	-	-	-	-
Total MFS	0.9	1.3	1.8	0.5	0.9
Certificates of Participation					
Construction Proceeds	-	-	-	4.3	3.6
Interest Sinking Fund	-	-	-	-	-
Debt Service Reserve	-	-	-	-	-
Total COPS	-	-	-	4.3	3.6
Total Market Value of Portfolio	\$ 23.1	\$ 24.2	\$ 31.0	\$ 18.6	\$ 23.9

Investment Balance

Book Value (\$ in millions)

	\$ 23.0	\$ 24.2	\$ 30.9	\$ 18.5	\$ 23.8
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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.*

IMPORTANT DISCLOSURES

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

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by 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, and the Capital Investments Position were sourced from their respective month end statements. Information for the Intermediate and Short-Term Portfolios was sourced from their respective quarter-end statements provided by PFM.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **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.
- **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.