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COMMUNITY COLLEGE DISTRICT NO. 508
FEBRUARY 7, 2019



City Colleges of Chicago

Annual Investment Portfolio Review to the Finance Committee

February 2019

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Agenda

- ◆ Overview of PFM
- ◆ Portfolio Review
- ◆ Investment Strategy

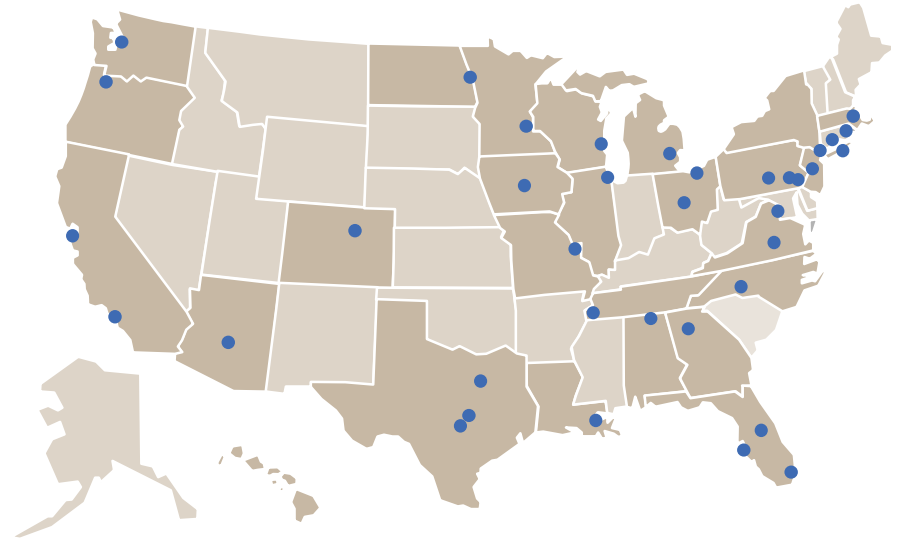


Overview of PFM

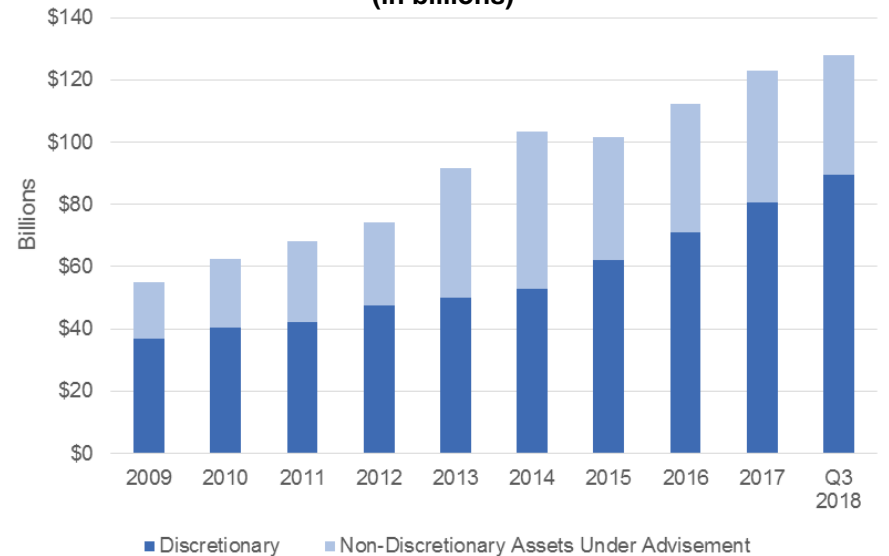


PFM's Asset Management Business

- Our asset management business has more than 37 years' experience in managing high-quality investment portfolios
- \$128.1 billion in total assets, including \$89.4 billion in discretionary assets under management and \$38.7 billion in assets under advisement as of September 30, 2018
- Relative value investment manager with a focus on downside protection
- Specialist in high-quality, short and intermediate duration **fixed-income portfolios**
- PFM currently engages with an MBE partner firm, Williams Capital Management LLC, as a subadvisor for 25% of the CCC engagement



PFM's Assets Under Management and Advisement (in billions)





PFM's Investment Philosophy



Safety

- Investment policy compliance
- Preserve capital
- High quality investments
- PFM's Credit Committee

Liquidity

- Cash flow analysis
- Client communication
- Portfolio construction

Maximize Yield

- Duration management
- Sector allocation
- Market research tailored to public funds

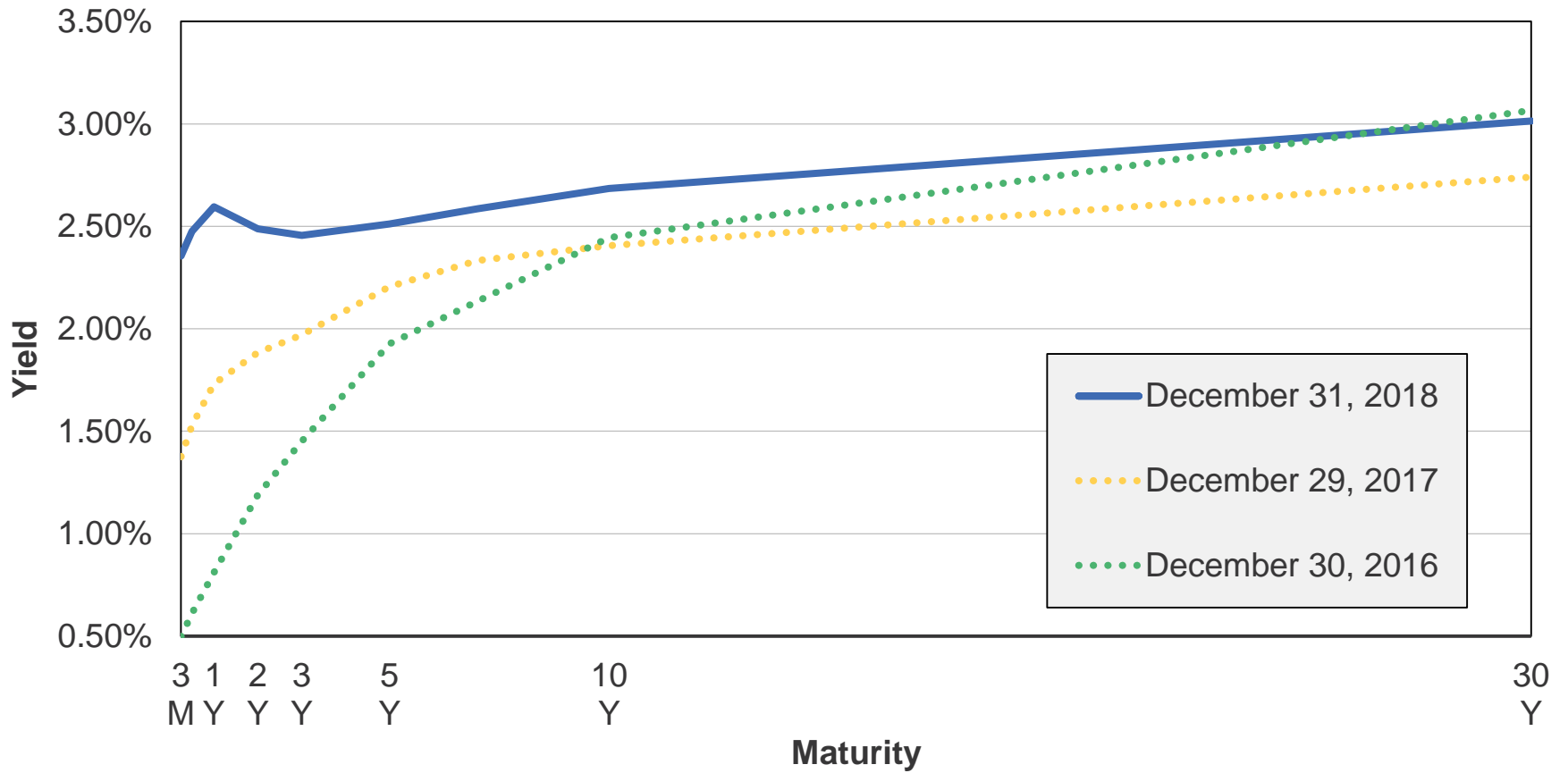


Portfolio Review



Yield Curve Continues Its Two Years of Flattening

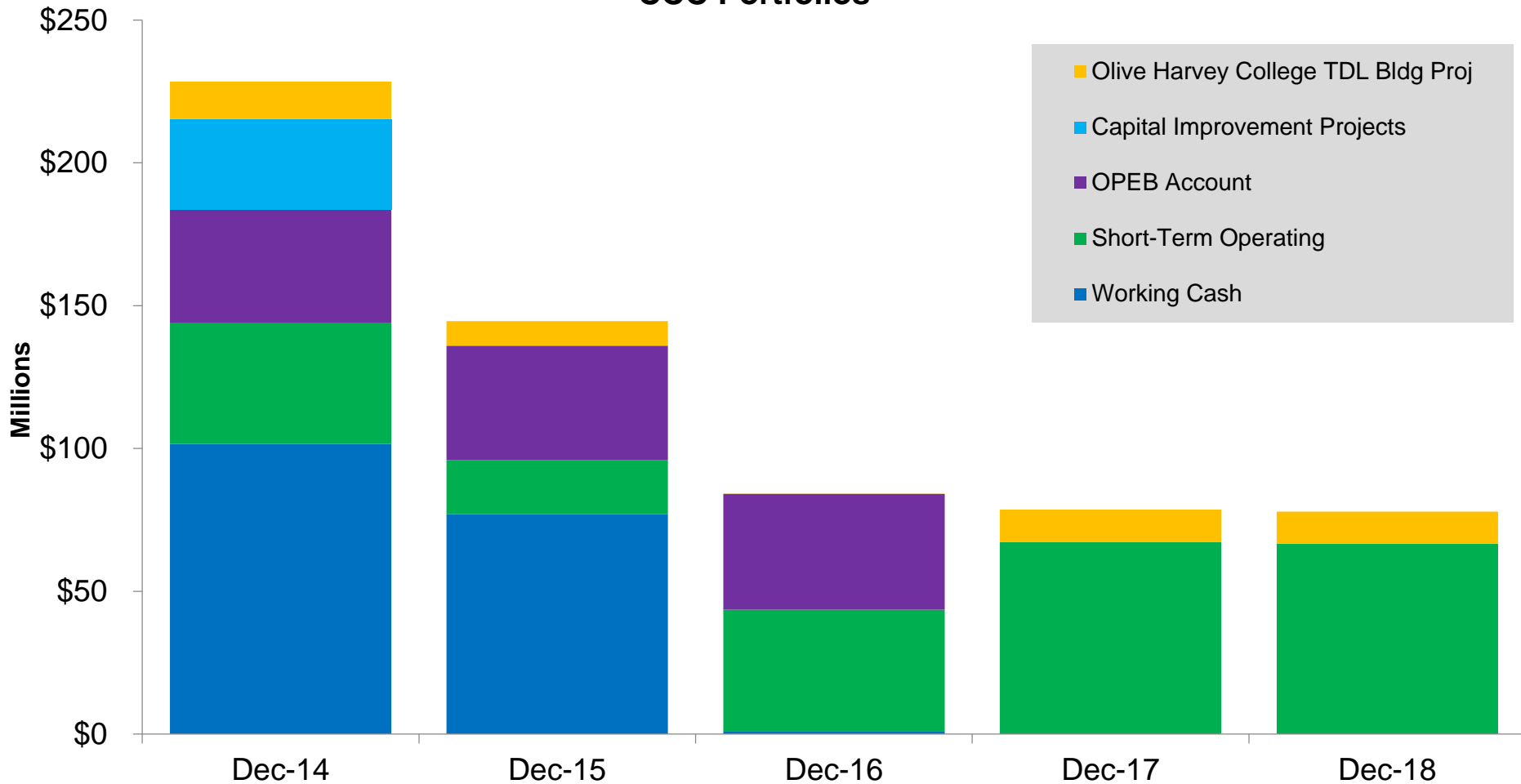
U.S. Treasury Yield Curve History





Segmenting the Overall Portfolio Added Value Over Time

CCC Portfolios*

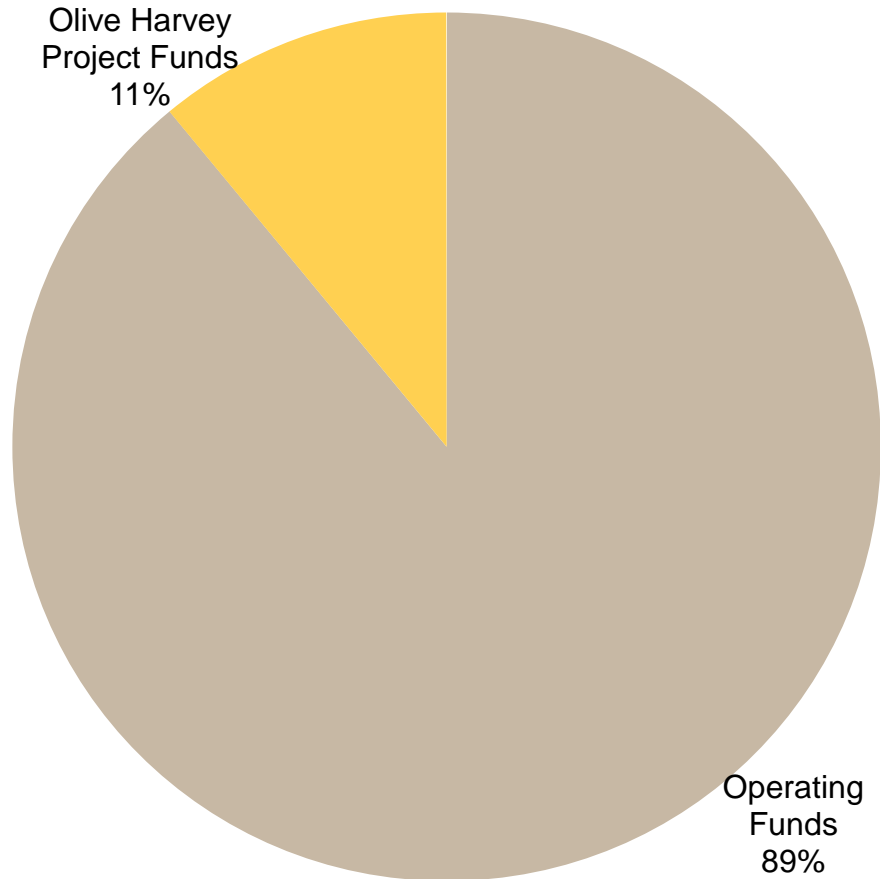


* The chart above does not include assets at Chase Bank or at the Illinois Public Treasurers' Investment Pool and only includes assets managed by PFM Asset Management LLC.



Total Fund Breakout

Total as of 12/31/2018: \$101,820,054



- **Operating Funds**: includes funds in the Short-Term Operating portfolio, Illinois Trust LGIP, and Chase Bank
- **Capital Project Funds**: includes funds that are in the Olive Harvey College TDL Building Project portfolio (bond proceeds type account)

* The graphic above includes assets at Chase Bank and at the Illinois State Treasurers' Investment Pool.

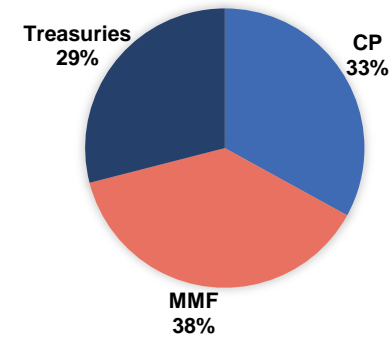


Summary Characteristics of CCC's Overall Portfolio as of December 31, 2018

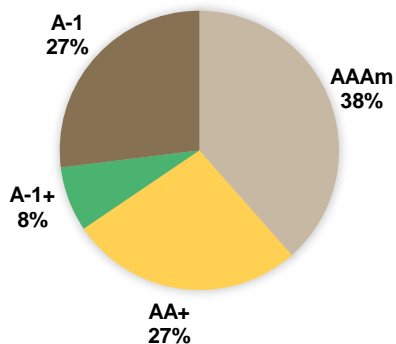
Portfolio Statistics

| | |
|-----------------|-------------------|
| Invested Amount | \$101.820 million |
| Duration | 0.25 Years |
| Yield at Cost | 2.54% |
| Yield at Market | 2.56% |

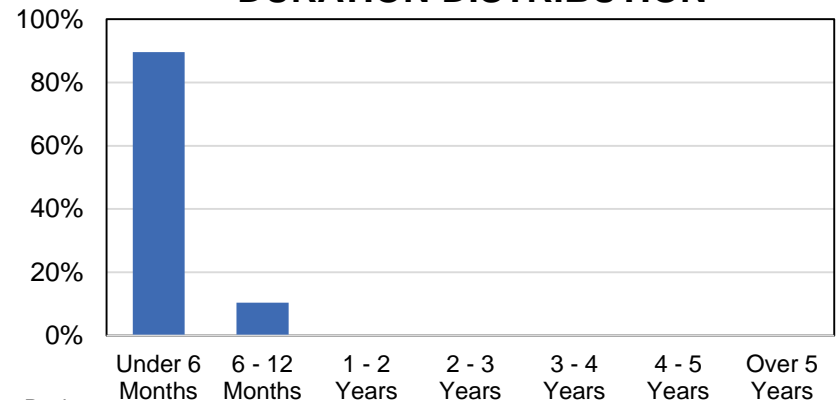
SECTOR ALLOCATION



CREDIT QUALITY



DURATION DISTRIBUTION



* The graphics above include assets at Chase Bank and at the Illinois State Treasurers' Investment Pool.



CCC Portfolio Information

| <i>CCC December Portfolio Information</i> | | | | | | |
|---|---|----------------------------------|-----------------------|---------------------------------|----------------------------------|-----------------------------------|
| | PFM-Managed Investment Portfolios | Market Value as of 12/31/2018 | Effective Duration | December 2018 Gross Periodic | Market Yield as of 12/31/2018 | Yield at Cost as of 12/31/2018 |
| A. | Short-Term Operating Portfolio* | \$66,654,201.27 | 0.21 | 0.21% | 2.55% | 2.53% |
| | - BoA/ML 3-Month U.S. Treasury Index | | 0.16 | 0.18% | 2.39% | |
| | <i>Managed Account (Treasuries, Agencies, & CP)</i> | <i>\$54,961,080.59</i> | <i>0.260</i> | <i>0.19%</i> | <i>2.58%</i> | <i>2.56%</i> |
| | <i>Illinois Trust / IIIT Class</i> | <i>\$11,693,120.68</i> | <i>0.003</i> | <i>0.20%</i> | <i>2.39%</i> | <i>2.39%</i> |
| B. | Olive Harvey College TDL Bldg. Proj. Portfolio | \$11,193,187.58 | 0.49 | 0.22% | 2.63% | 2.60% |
| | - BoA/ML 3-Month U.S. Treasury Index | | 0.16 | 0.18% | 2.39% | |
| | Total PFM-Managed Investment Portfolios | \$77,847,388.85 | | | | |

*Notes:

1. The Short-Term Operating portfolio includes a portion of the cash invested in the Illinois Trust / IIIT Class local government investment pool. The table above does not include funds at Chase Bank or at the Illinois Funds.
2. The December 2018 gross periodic return is for a 31-day period only – it is not annualized.

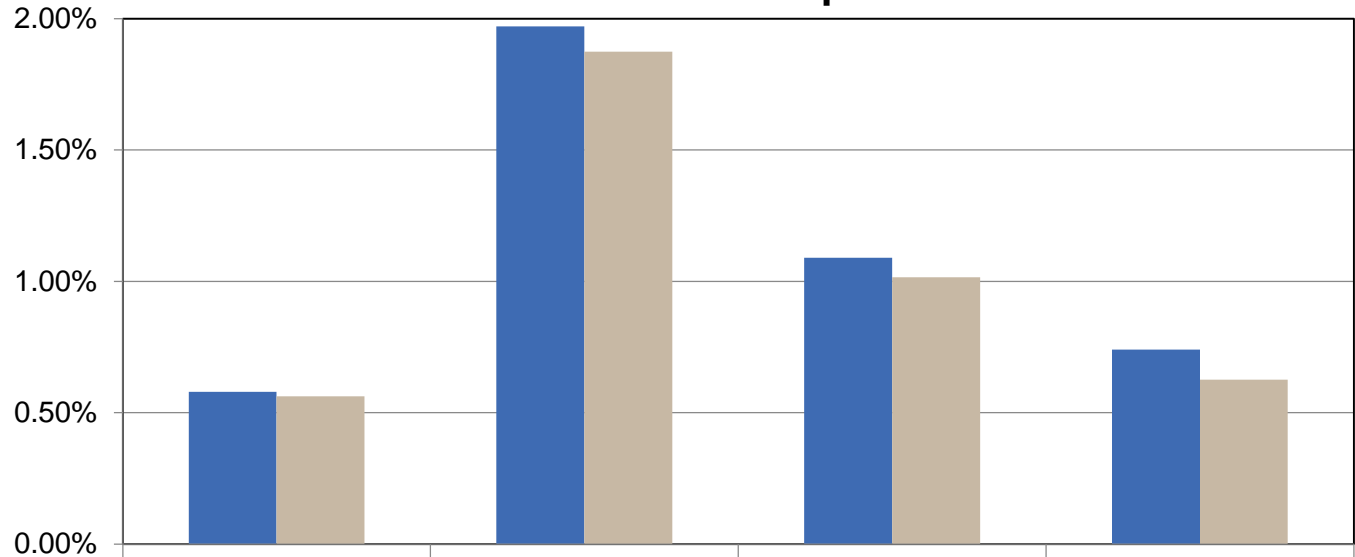
* The table above does not include assets at Chase Bank or at the Illinois Public Treasurers' Investment Pool and only includes assets managed by PFM Asset Management LLC.



Short-Term Portfolio Performance

- The portfolio has returned 0.74% over the past five years, exceeding the benchmark by 0.11%
- Portfolio performance has exceeded the return of the benchmark for the past 1, 3, and 5-year time periods

Total Net Return Comparison*



| | 2Q 2019 ⁴ | Past Year | Past 3 Years | Past 5 Years |
|---|----------------------|--------------|--------------|--------------|
| CCC Short-Term Operating Portfolio | 0.58% | 1.97% | 1.09% | 0.74% |
| BoA / ML 3-Month Treasury Bill Index | 0.56% | 1.87% | 1.02% | 0.63% |

*Notes:

1. Performance on trade date basis, net (i.e., after fees). Information as of December 31, 2018.

2. Bank of America / Merrill Lynch Indices provided by Bloomberg Financial Markets.

3. Includes money market fund/cash balances in performance and duration calculations.

4. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than 1 year are presented on an annualized basis.



Investment Strategy



Investments Currently Utilized

- PFM and Williams Capital Management LLC monitor all regulatory and statutory changes and immediately discuss with the CCC
- Public Act 100-0752 (House Bill 4573) was signed into law by the Illinois governor on August 10, 2018 and allows Illinois public entities to invest in corporate notes out to 3 years

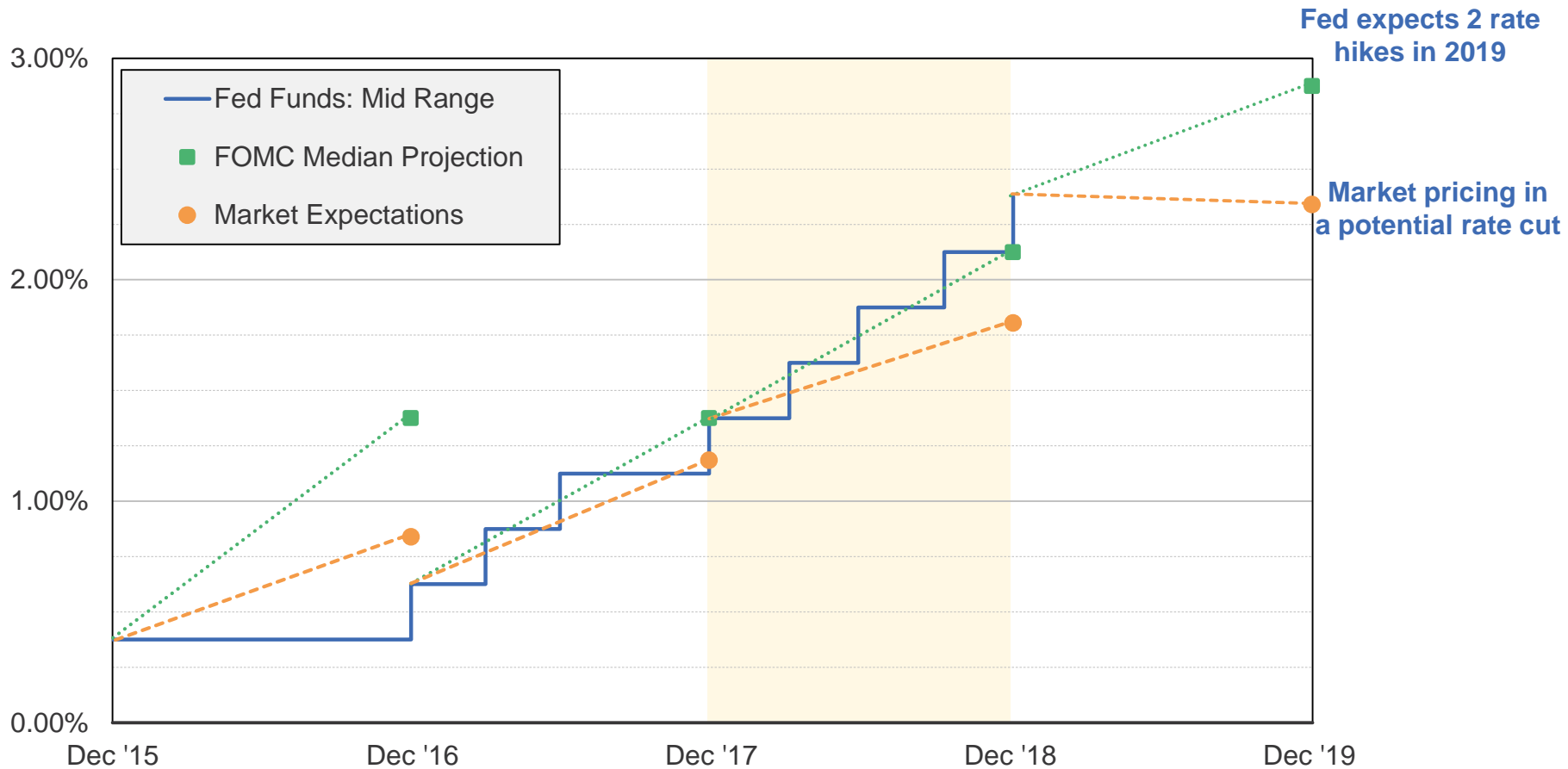
| Investment Type | Allowed By The Illinois Public Funds Investment Act | Allowed by the CCC's Investment Guidelines? |
|---|---|---|
| U.S. Treasury Obligations | Yes | ✓ |
| Federal Agency Obligations | Yes | ✓ |
| FDIC-Insured Certificates of Deposit | Yes | ✓ |
| Negotiable Certificates of Deposit | Yes | Included in updated guidelines |
| Commercial Paper | Yes | ✓ |
| Municipal Bonds | Yes | Included in updated guidelines |
| Money Market Funds / LGIP's | Yes | ✓ |
| Corporate Notes* | Yes* | Included in updated guidelines* |
| Repurchase Agreements | Yes | ✓ |
| Supranationals | Yes | Included in updated guidelines |
| Corporate Bond Funds | Yes | Included in updated guidelines |

- In anticipation of larger cash balances, the CCC plans on updating its investment guidelines in February to include all investments allowed by the Illinois Public Funds Investment Act to enhance the overall yield while maintaining the objectives of safety and liquidity

* Permitted as of 8/10/2018.



Fed Action Less Certain in 2019



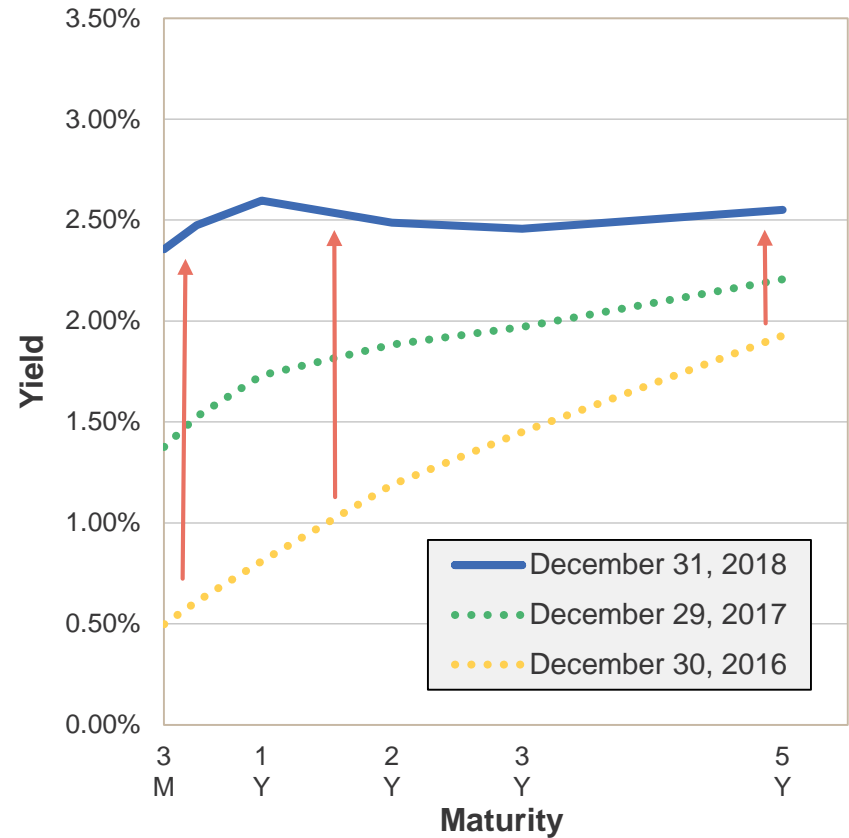
Source: Fed expectations from Federal Reserve dot plot as of December 19, 2018. Market expectations as measured by Fed Funds futures as of January 4, 2019.



U.S. Yield Curve Inverts At The Belly Of The Curve

| Tenor | Year-End 12/31/18 | Year-End 12/29/2017 | Year-End 12/30/16 |
|---------|-------------------|---------------------|-------------------|
| 3 month | 2.35% | 1.38% | 0.50% |
| 6 month | 2.48% | 1.53% | 0.61% |
| 1 year | 2.60% | 1.73% | 0.81% |
| 2 year | 2.49% | 1.88% | 1.19% |
| 3 year | 2.46% | 1.97% | 1.45% |
| 5 year | 2.51% | 2.21% | 1.93% |
| 10 year | 2.68% | 2.41% | 2.44% |

U.S. Treasury Yield Curve



Source: Bloomberg, as of 12/31/18.



Important Disclosures

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