City Colleges of Chicago

Annual Investment Portfolio Review to the Finance and Administrative Services Committee

March 3rd, 2022

Jeffrey Schroeder, Managing Director
Danny Nelson, Director

312.523.2423 | pfmam.com

PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE
Agenda

- Overview of PFM Asset Management
- Current Market Conditions
- Portfolio & Investment Strategy Review
- Appendix: Relationship Team
Overview of PFM
Asset Management
Specialist in customized, investment-grade fixed income and multi-asset investment portfolios

Fixed income strategies include:
- Liquidity management
- Enhanced cash
- 1 – 3, 1 – 5, and 1 – 10-year mandates

PFM Asset Management currently engages with an MBE partner firm, Siebert Williams Shank, as a subadvisor to the CCC

41 years of experience
235 professionals

As of December 31, 2021.
<table>
<thead>
<tr>
<th><strong>CCC’s Investment Objectives</strong></th>
<th><strong>Achieved Through...</strong></th>
</tr>
</thead>
</table>
| **Safety of Principal** | • High-quality investments  
Preservation of principal is the foremost objective.  
• Continuous monitoring of the creditworthiness of all investment securities |
| **Liquidity** | • Cash flow coordination with the CCC  
The City Colleges of Chicago’s portfolio shall remain sufficiently liquid to enable the CCC to meet its cash flow requirements, including both current and anticipated operating requirements.  
• Appropriate allocation among short-term liquidity vehicles and the longer-term managed portfolios |
| **Return** | • Active trading and continual evaluation of relative value among allowable sectors, maturities, and issuers  
The CCC’s overall portfolio is designed to attain a market rate of return through economic cycles consistent with the constraints imposed by its safety and liquidity objectives.  
• Duration management |
| **Diversification** | • Diversification by sector, issuer, and maturity  
The CCC’s aggregate portfolio is designed to attain a market rate of return through economic cycles consistent with the constraints imposed by its safety and liquidity objectives.  
• Manage concentration risk to ensure no disproportionate impact on portfolio |
Current Market Conditions
Treasury Yield Curve Shifts Higher

U.S. Treasury Yield Curve

Source: Bloomberg, as of 2/22/2022.
Current Fed Benchmark Rate and Inflation Markedly Different Than in Prior Cycle

Federal Reserve Benchmark Rate and Inflation

- Change in consumer price index (YoY)
- Fed funds rate (upper bound)

Source: Bloomberg, as of 2/10/2022.

Prior Tightening Cycle

Jan 2022 7.5%

Source: Bloomberg, as of 2/10/2022.
Market Is Pricing in 6 Rate Hikes in 2022

Source: Bloomberg, WIRP as of 2/18/2022. Rate hikes are based on an assumed rate move of 25 basis points (0.25%).
Portfolio and Investment Strategy Review
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.
Summary Characteristics of Overall Portfolio

December 31, 2021

PORTFOLIO STATISTICS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested Amount</td>
<td>$111.870 million</td>
</tr>
<tr>
<td>Duration</td>
<td>0.77 Years</td>
</tr>
<tr>
<td>Yield at Cost</td>
<td>0.36%</td>
</tr>
<tr>
<td>Yield at Market</td>
<td>0.48%</td>
</tr>
</tbody>
</table>

CREDIT QUALITY

- AAA | 4%
- AA+ | 23%
- AA  | 1%
- AA- | 1%
- A+  | 1%
- A   | 1%
- A-  | 6%
- A-1+| 5%
- A-1 | 13%
- NR  | %
- AAAm| 46%

SECTOR ALLOCATION

- Treasuries | 16%
- Agencies  | 5%
- Munis     | 2%
- CP        | 17%
- CDs       | %
- Supras    | 3%
- Corporates| 9%
- MMF / Cash| 47%

DURATION DISTRIBUTION

- Under 6 Months
- 6 - 12 Months
- 1 - 2 Years
- 2 - 3 Years
- 3 - 4 Years
- 4 - 5 Years
- Over 5 Years

Information as of December 31, 2021. Sector allocation excludes cash balances. Credit quality uses S&P rating, or Moody’s equivalent if not rated by S&P. Please see important disclosures.
Interest Rate Risk

- Market values and interest rate movements are inversely related
- As interest rates rise or fall market values fluctuate; longer maturity = greater price volatility
- Market value fluctuations will impact total return, which includes *unrealized* price depreciation
The portfolio returned -0.58% for the quarter, underperforming the benchmark’s total return by approximately -0.03%.

Portfolio performance has so far exceeded the return of the benchmark since its re-inception of December 31, 2019.

Total Return Comparison*

<table>
<thead>
<tr>
<th></th>
<th>Duration</th>
<th>2Q FY 2022(^4)</th>
<th>Past Year</th>
<th>Past 2 Years</th>
<th>Since Inception (12/31/2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCC Working Cash Reserve Portfolio</td>
<td>2.18</td>
<td>-0.58%</td>
<td>-0.64%</td>
<td>1.14%</td>
<td>1.14%</td>
</tr>
<tr>
<td>BoA / ML 0 – 5 Year U.S. Treasury Index</td>
<td>2.12</td>
<td>-0.55%</td>
<td>-0.57%</td>
<td>0.94%</td>
<td>0.94%</td>
</tr>
</tbody>
</table>

1. Performance on a trade date basis, gross (i.e., before fees), in accordance with the CFA Institute’s Global Investment Performance Standards (GIPS).
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. Information as of December 31, 2021.
The portfolio has returned 0.94% since its inception, exceeding the benchmark by 0.31%.

Portfolio performance has exceeded the return of the benchmark for the past 1, 3, 5, and 10-year time periods as well as since its inception of December 31, 2007.

<table>
<thead>
<tr>
<th>CCC Short-Term Operating Portfolio</th>
<th>Duration</th>
<th>2Q FY 2022</th>
<th>Past Year</th>
<th>Past 3 Years</th>
<th>Past 5 Years</th>
<th>Past 10 Years</th>
<th>Since Inception (12/31/2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BoA / ML 3-Month Treasury Bill Index</td>
<td>0.19</td>
<td>0.00%</td>
<td>0.15%</td>
<td>1.37%</td>
<td>1.43%</td>
<td>0.87%</td>
<td>0.94%</td>
</tr>
</tbody>
</table>
Investments Currently Utilized

- PFM Asset Management monitors all regulatory and statutory changes and immediately discusses with the CCC.

- Public Act 102-0285 was signed into law by the Illinois governor in August of 2021 and increases the corporate obligation capacity (including commercial paper and corporate notes) for Illinois public entities to up to 66%.

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

- The CCC updated its investment guidelines in October 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.
Appendix: Relationship Team
<table>
<thead>
<tr>
<th>Team Member</th>
<th>Brief Resume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeffrey Schroeder</td>
<td>31 Years of Experience / 16 Years with PFMAM</td>
</tr>
<tr>
<td>Managing Director</td>
<td>Jeffrey Schroeder is a managing director for PFM Asset Management, where he leads the Asset Management teams in Illinois and Wisconsin. Jeff also directly serves key governmental clients in the Midwest practice. In this role, he helps school districts, colleges and universities, municipalities, counties and other public authorities with their investment needs. Jeff ensures that the client’s investment objectives and cash flow needs are integrated into the investment strategy developed by the portfolio manager and the Portfolio Strategies Group. Additionally, Jeff is active and has been successful in expanding state investment statutes for the benefit of governmental investors. Jeff is a member of GFOA, ILGFOA, IASBO, ICCF, IMTA, WGFOA and is an active presenter and moderator at various industry conferences and events. Furthermore, Jeff is on the board of directors of the Intercultural Montessori School of Chicago and serves on its executive and finance committees.</td>
</tr>
<tr>
<td>Danny Nelson</td>
<td>18 Years of Experience / 18 Years with PFMAM</td>
</tr>
<tr>
<td>Director</td>
<td>Danny Nelson joined PFM Asset Management after graduating from Yale University and is currently a director in the Midwest region. He manages relationships for various clients in Illinois, Michigan and Minnesota. He helps municipal governments, school districts and other public authorities with cash flow analysis and overall investment needs. He provides investment advisory and consulting services, develops investment policies and monitors guidelines and strategy implementation. Danny provides clients with training and technical and analytical support with respect to their investment portfolios.</td>
</tr>
</tbody>
</table>
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