

# City Colleges of Chicago

Annual Investment Portfolio Review to the  
Finance and Administrative Services Committee

March 3<sup>rd</sup>, 2022

Jeffrey Schroeder, *Managing Director*  
Danny Nelson, *Director*

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*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



# PFM Asset Management LLC

**41 years of experience**

**235 professionals**

- ▶ 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

**\$177.3b**

**Total assets nationwide**

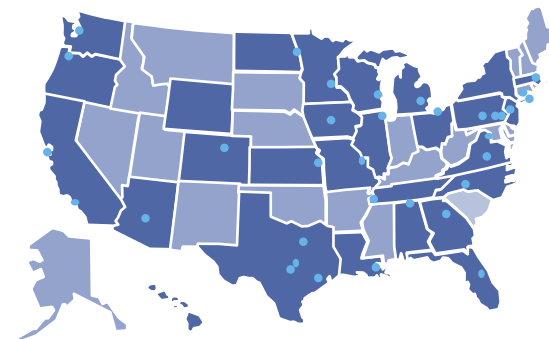
**\$130.2b**

**Discretionary assets under management**

**\$47.1b**

**Assets under advisement**

**National Reach:  
PFMAM Offices**



As of December 31, 2021.

### *Safety of Principal*

**Preservation of principal** is the foremost objective.

- **High-quality** investments
- **Continuous monitoring** of the creditworthiness of all investment securities

### *Liquidity*

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.

- Cash flow **coordination** with the CCC
- **Appropriate allocation** among short-term liquidity vehicles and the longer-term managed portfolios

### *Return*

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.

- **Active trading and continual evaluation** of relative value among allowable sectors, maturities, and issuers
- **Duration** management

### *Diversification*

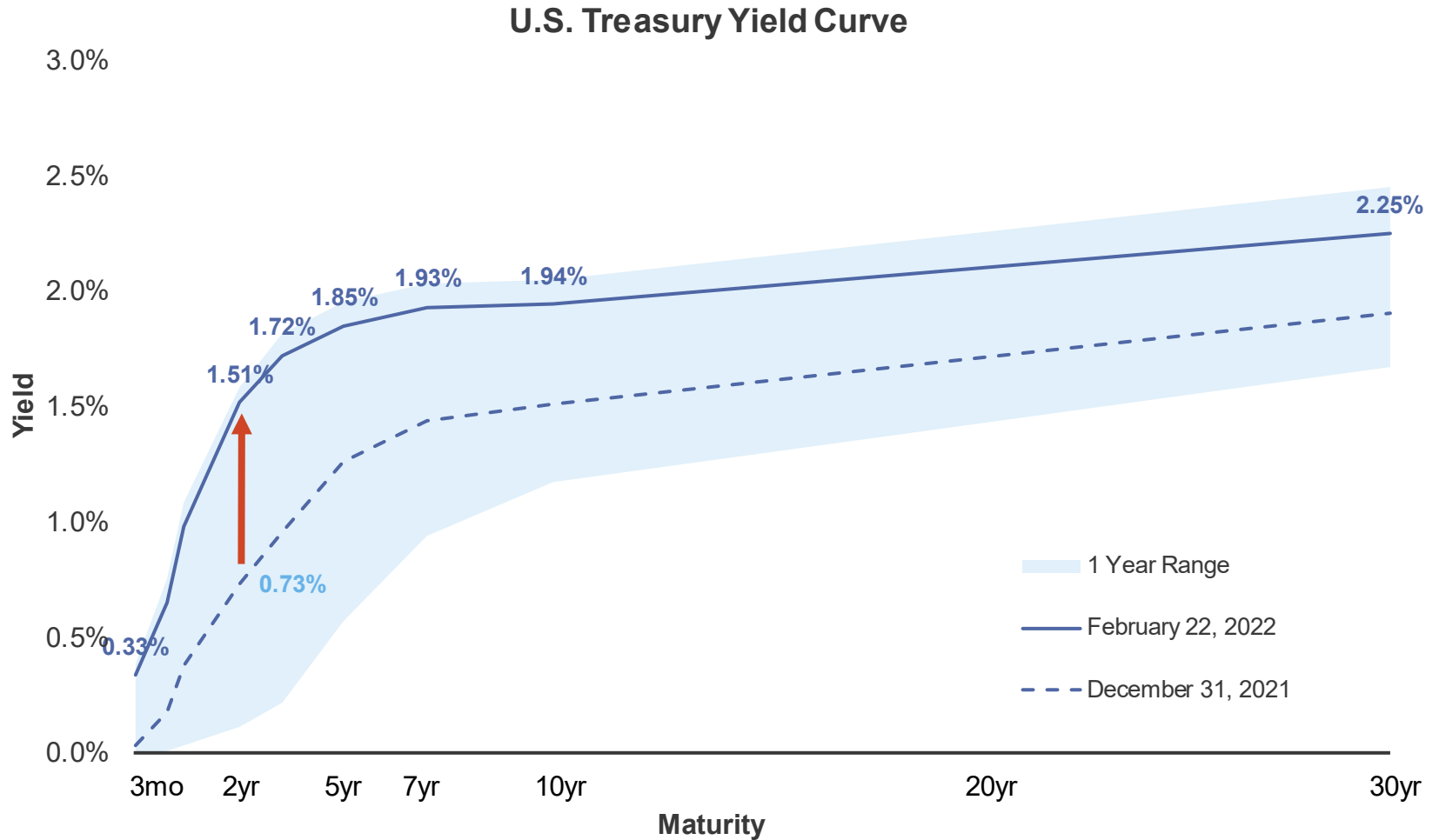
The CCC's aggregate portfolio is designed to attain a **market rate of return through economic cycles** consistent with the constraints imposed by its safety and liquidity objectives.

- Diversification by **sector, issuer, and maturity**
- Manage **concentration risk** to ensure no disproportionate impact on portfolio

# Current Market Conditions



# Treasury Yield Curve Shifts Higher

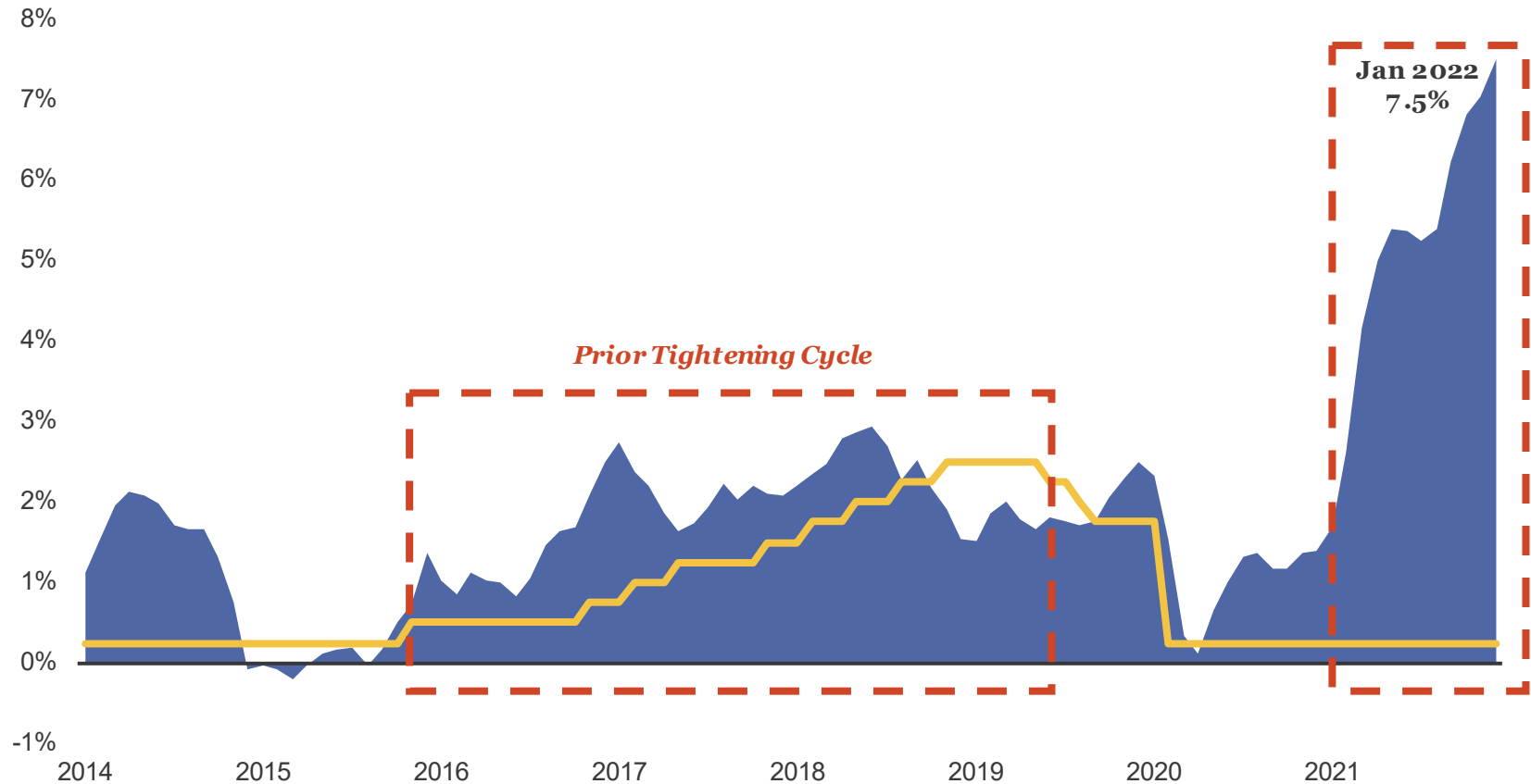


Source: Bloomberg, as of 2/22/2022.

# 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)

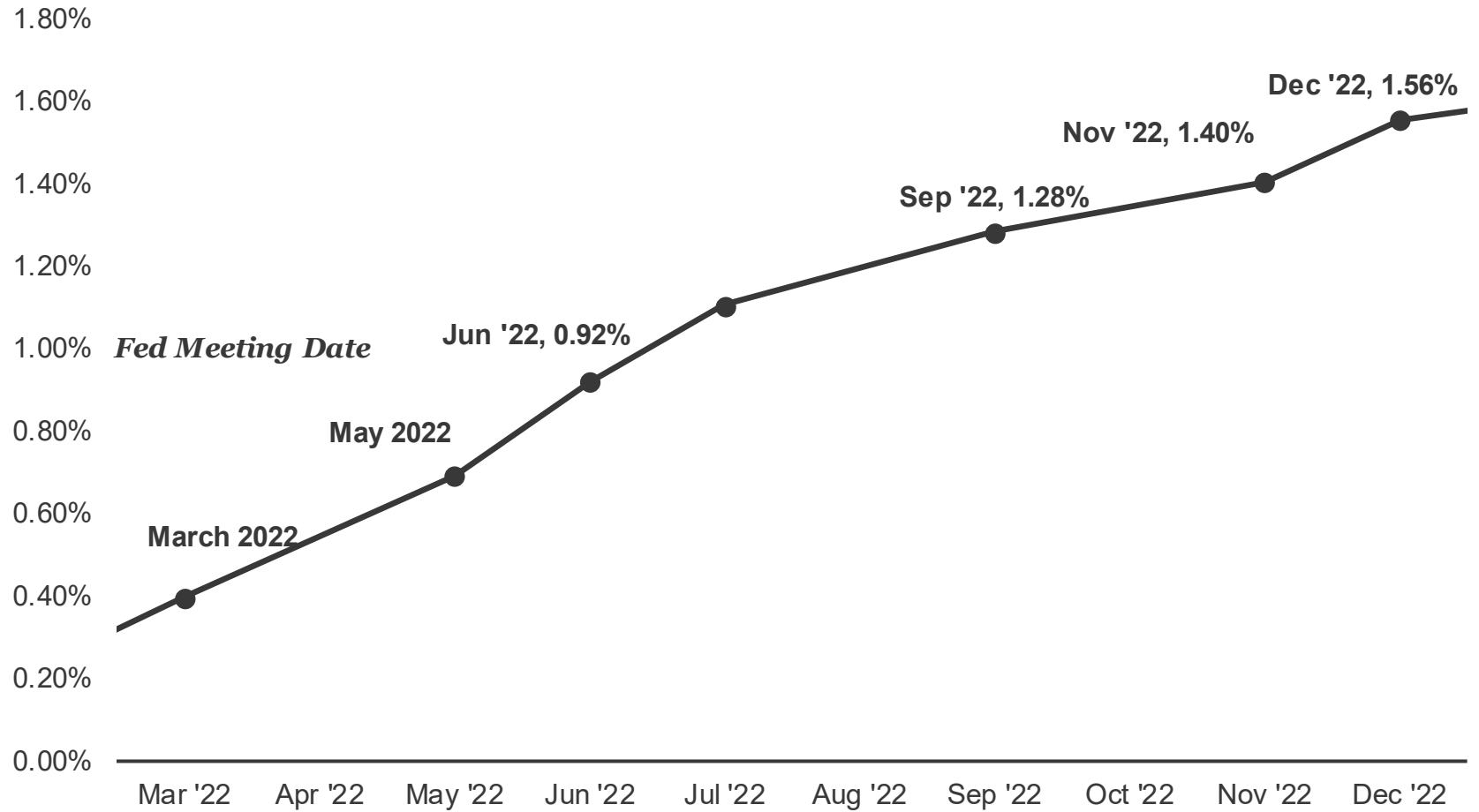


Source: Bloomberg, as of 2/10/2022.



# Market Is Pricing in 6 Rate Hikes in 2022

## Implied Fed Funds Rate

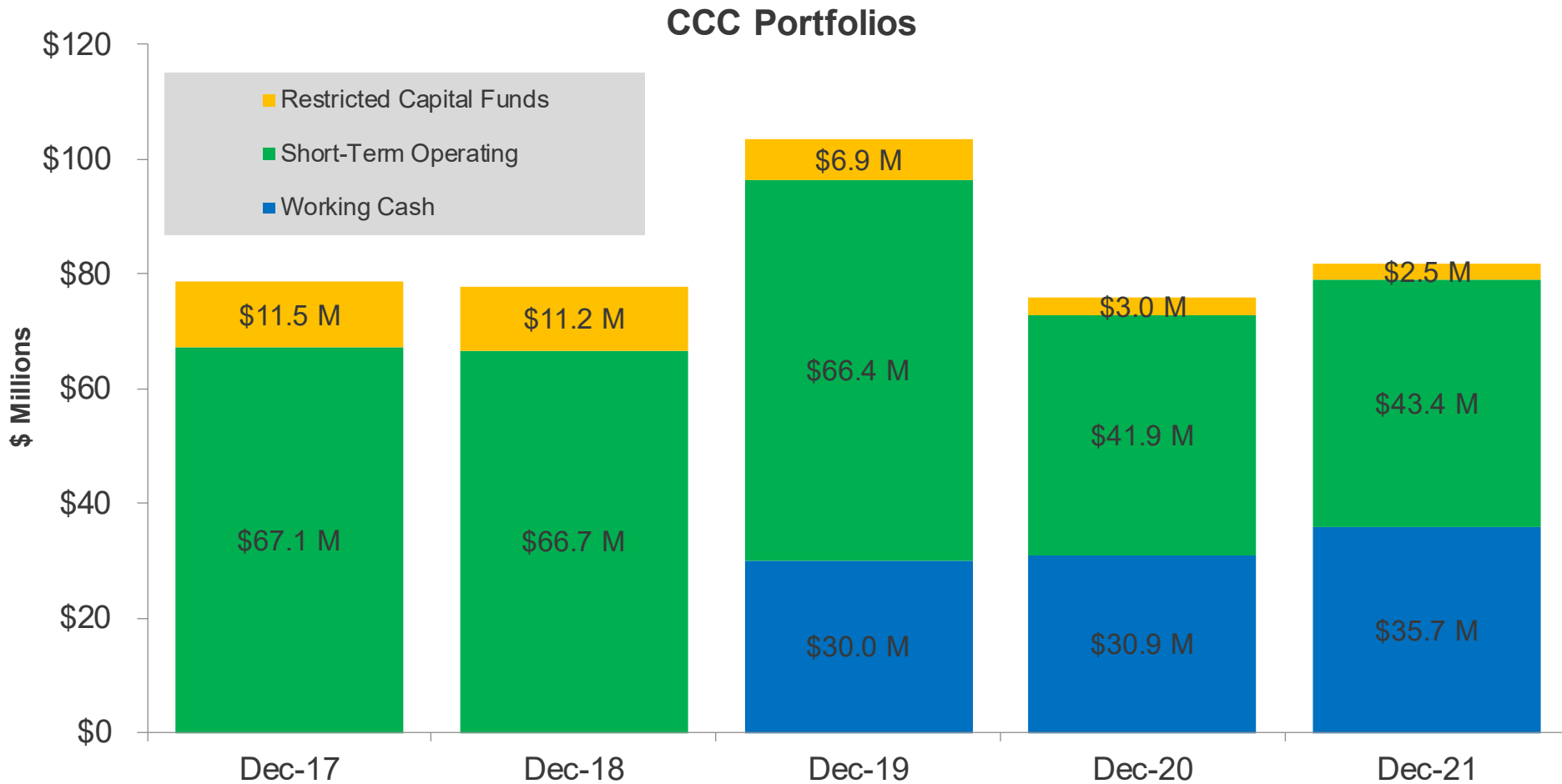


Source: Bloomberg, WIRP as of 2/18/2022. Rate hikes are based on an assumed rate move of 25 basis points (0.25%).

# Portfolio and Investment Strategy Review



# Segmenting the Overall Portfolio Added Value Over Time

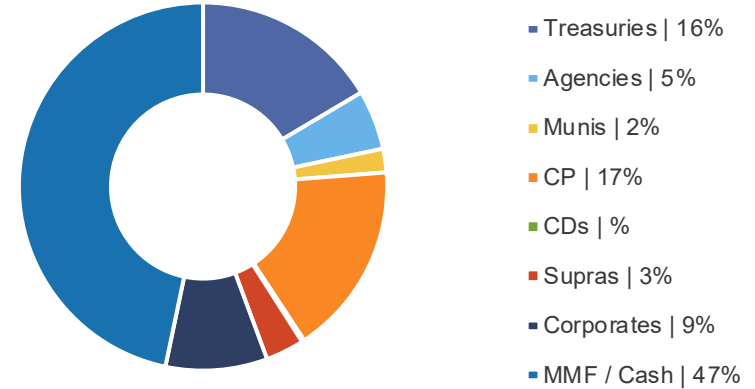


The chart above does not include assets at Chase Bank or at the Illinois Public Treasurers' Investment Pool and only includes assets managed by PFM Asset Management LLC.

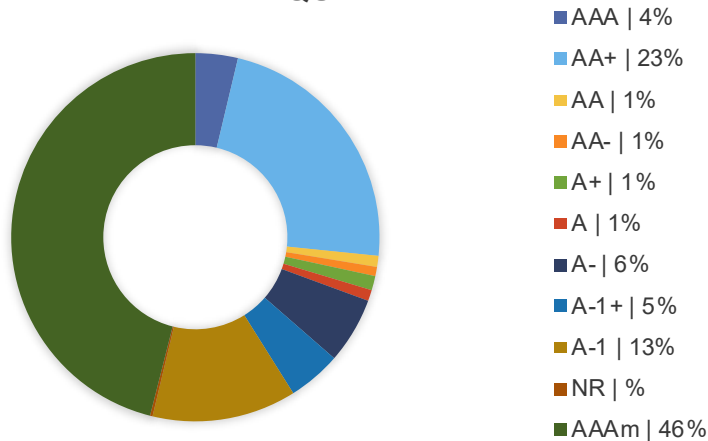
## PORTFOLIO STATISTICS

Invested Amount	\$111.870 million
Duration	0.77 Years
Yield at Cost	0.36%
Yield at Market	0.48%

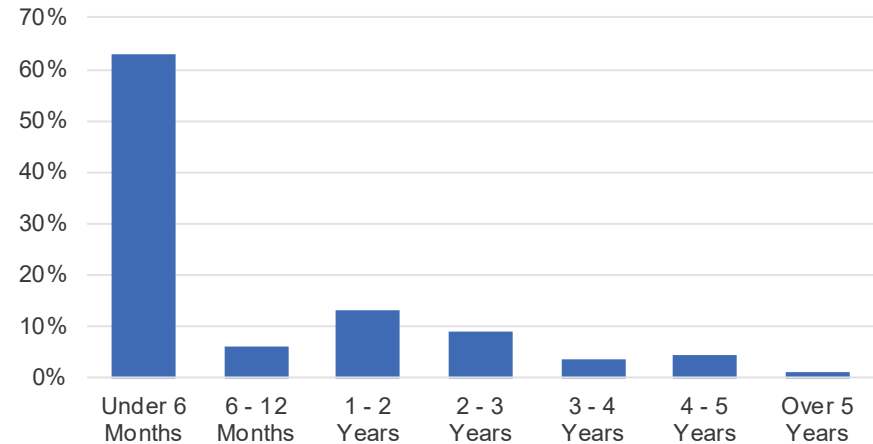
## SECTOR ALLOCATION



## CREDIT QUALITY

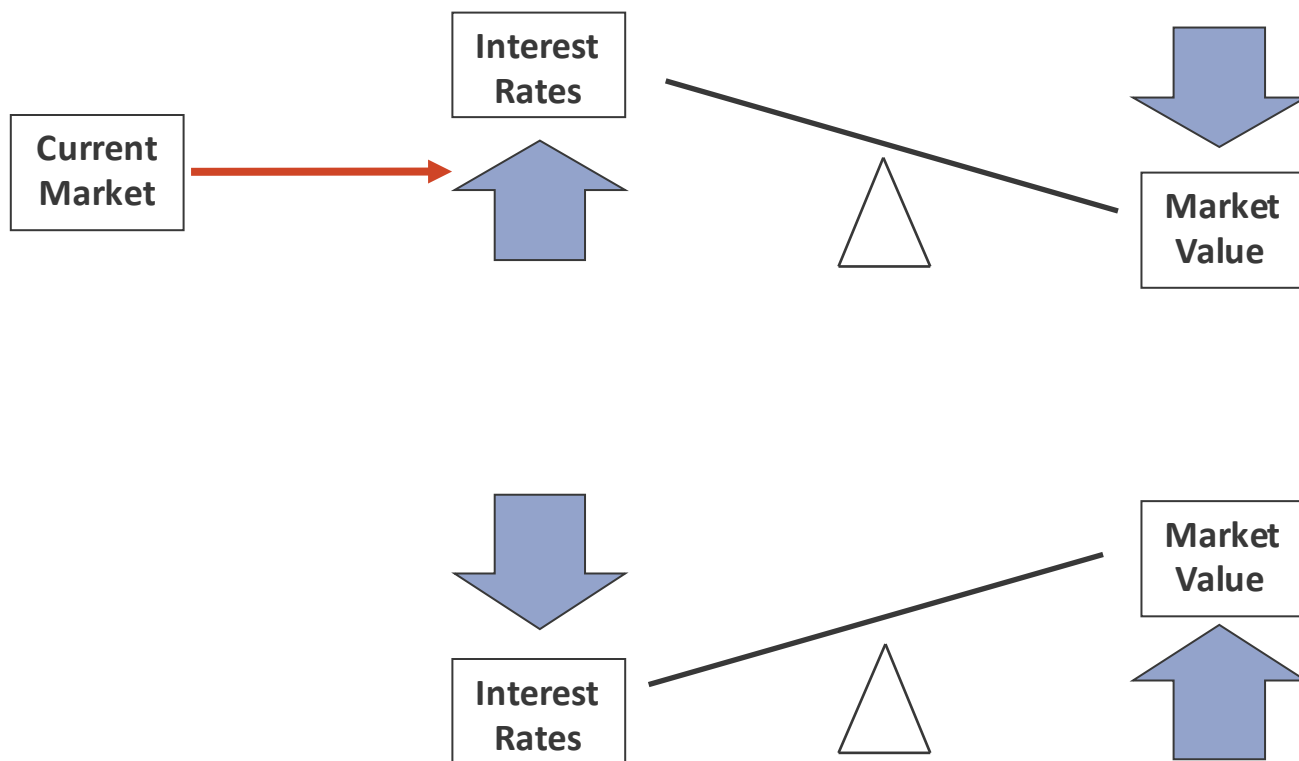


## DURATION DISTRIBUTION



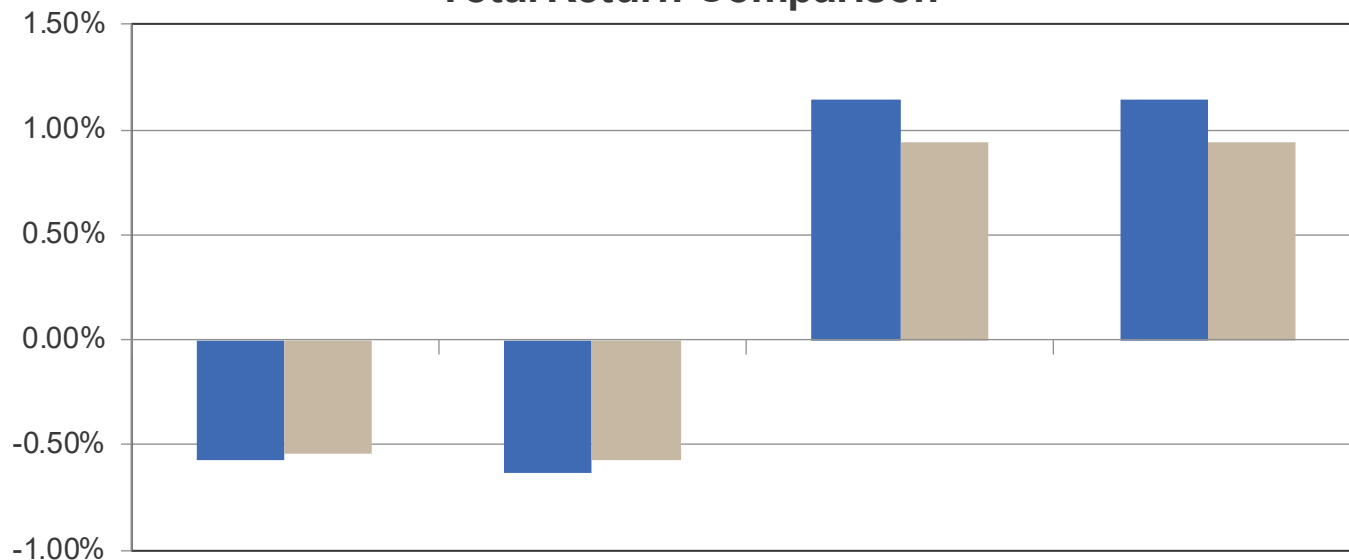
# Interest Rate Risk

- ▶ 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\*



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

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

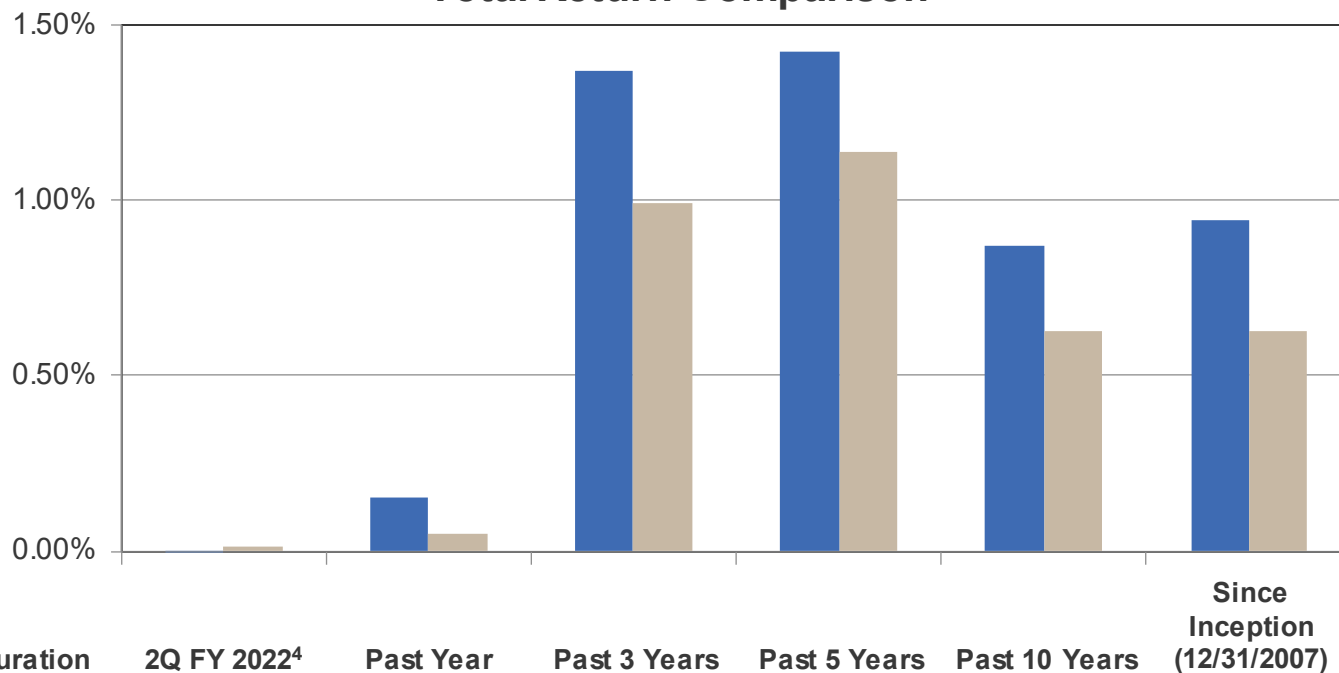
2. Bank of America / Merrill Lynch Indices provided by Bloomberg Financial Markets.

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

### Total Return Comparison\*



Duration	2Q FY 2022 <sup>4</sup>	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception (12/31/2007)	
<b>CCC Short-Term Operating Portfolio</b>	<b>0.19</b>	<b>0.00%</b>	<b>0.15%</b>	<b>1.37%</b>	<b>1.43%</b>	<b>0.87%</b>	<b>0.94%</b>
<b>BoA / ML 3-Month Treasury Bill Index</b>	<b>0.15</b>	<b>0.01%</b>	<b>0.05%</b>	<b>0.99%</b>	<b>1.14%</b>	<b>0.63%</b>	<b>0.63%</b>

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

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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.

# 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%

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	✓
Commercial Paper	Yes	✓
Municipal Bonds	Yes	✓
Money Market Funds / LGIP's	Yes	✓
Corporate Notes*	Yes*	Included in updated guidelines*
Repurchase Agreements	Yes	✓
Suprationals	Yes	✓
Corporate Bond Funds	Yes	✓


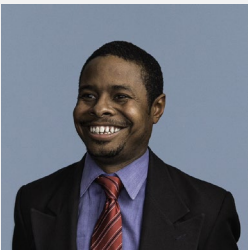
- ▶ The CCC updated its investment guidelines in October to include all investments allowed by the Illinois Public Funds Investment Act to enhance the overall yield while maintaining the objectives of safety and liquidity



# Appendix: Relationship Team



# Brief Resumes: Key Professionals

Team Member	Brief Resume
 <p data-bbox="369 565 606 629"><b>Jeffrey Schroeder</b> <i>Managing Director</i></p>	<p data-bbox="703 376 1238 401"><b>31 Years of Experience / 16 Years with PFMAM</b></p> <p data-bbox="703 439 1837 715">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, ICCCF, IMTA, WGFOA and is an active presenter and moderator at various industry conferences and events.</p> <p data-bbox="703 758 1837 811">Furthermore, Jeff is on the board of directors of the Intercultural Montessori School of Chicago and serves on its executive and finance committees..</p>
 <p data-bbox="369 972 556 1036"><b>Danny Nelson</b> <i>Director</i></p>	<p data-bbox="703 876 1238 901"><b>18 Years of Experience / 18 Years with PFMAM</b></p> <p data-bbox="703 939 1837 1125">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..</p>

# Disclaimer

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