



Southern Illinois University

Quarterly Investment Report
June 30, 2019

Market Update

SUMMARY

- The second quarter saw plunging interest rates, surging equity prices, mixed economic data and increasing global growth concerns. While few economists expect the decade-long U.S. expansion to end soon, the Federal Reserve's (Fed) cautionary tone set the stage for rate cuts in the second half of the year.
- U.S. economic conditions are characterized by: (1) solid gross domestic product (GDP) growth in Q1, but more tempered expectations for Q2; (2) strong job growth, with a low unemployment rate of 3.7%; (3) softening inflation pressures; and (4) increased downside risks, including a slowdown in manufacturing, weaker business investments and protracted trade wars.
- At its June meeting, the Federal Open Market Committee (FOMC) maintained the overnight fed funds rate at a target range of 2.25%-2.50%, but acknowledged soft business investment, declining market-based inflation measures and increased uncertainty to the outlook. In their latest assessment of monetary policy, nearly half of respondents viewed two rate cuts as appropriate by year-end. In subsequent communications, Fed chair Jerome Powell all but assured a first preemptive rate cut will occur at the Fed's next meeting on July 30-31.
- Equity investors seemed to rejoice in the Fed's more dovish stance. By quarter-end, domestic equity markets had reversed losses from May and reached new record highs. The S&P 500 returned 4.3% for the quarter and is now up 17.3% for the year – the best first half of a year since 1997.

ECONOMIC SNAPSHOT

- U.S. GDP grew 3.1% in Q1, up from 2.2% in Q4. Growth was driven by an unexpected improvement in net exports and outsized growth in inventories, factors that are not likely to be sustained. But consumer spending, which makes up more than two thirds of total economic output, increased at a slower pace relative to prior quarters. Forecasts for Q2 are substantially lower – generally in the 1.5% to 2.0% range.
- The U.S. labor market remained strong, with average job growth of 172,000 per month in 2019, compared with average gains of 223,000 in 2018. The unemployment rate stood at 3.7% in June, near a 49-year low, as the economy remains at what is considered “full employment.” Wages also rose, but at a modest 3.1% growth rate over the past year.
- Inflation continued to be tame. The Consumer Price Index (CPI) rose 1.6% over the past year, while the Fed's preferred inflation gauge, the Core Personal Consumption Expenditure (PCE) Price Index, excluding food and energy prices, also rose 1.6% over the past year, below the Fed's target of 2%.

OUTLOOK

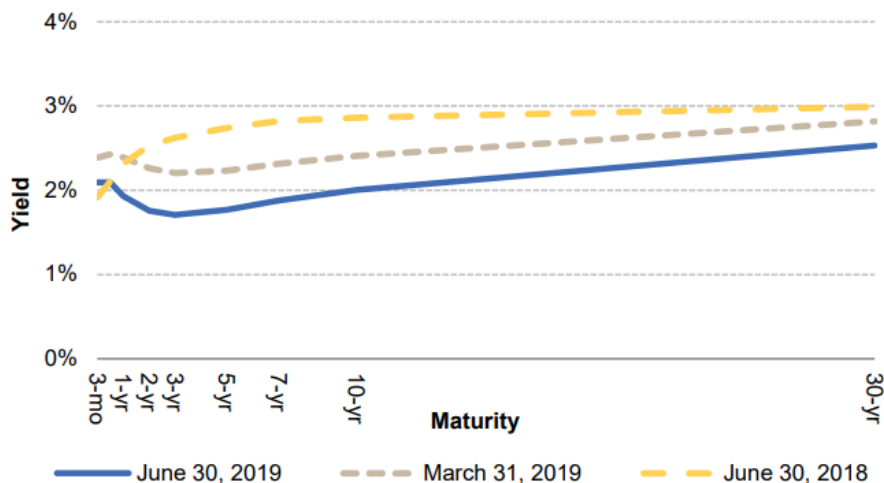
- While there are now more risks to the economy than a few months ago, and U.S. and global economic growth is expected to moderate in the second half of the year, a recession is not believed to be imminent.
- The Fed's pivot from monetary tightening to easing appears in full effect, and rates continue to move lower. While market-implied probabilities and economist surveys strongly suggest that the Fed will cut rates as early as July, the key questions of “when” and “how much” will play out over the balance of the year.

Market Update

INTEREST RATES

- U.S. Treasury yields fell for a third consecutive quarter, with maturities beyond one year falling 40 to 50 basis points (bps). The yield on most longer Treasury maturities are now near 18-month lows. At quarter-end, the yield on a 3-month Treasury bill stood at 2.09%, the 2-year note was 1.76%, the 5-year was 1.77% and the 10-year yielded 2.01%.
- The yield curve reached its greatest level of inversion since 2007, as the spread between the 10-year and 3-month Treasuries reached -28 bps, although it finished the quarter narrower as short-term rates trended lower in expectation of rate cuts.
- Money market yield curves for Treasury bills and commercial paper are also now inverted, reflecting the market's expectation for lower Fed policy rates in the term. However, yields on short-term commercial paper and bank certificates of deposit remain attractive versus short-term government securities, despite the inverted curve.

U.S. Treasury Yield Curve



Source: Bloomberg, as of 6/30/2019.

SECTOR PERFORMANCE

- Absolute returns were very strong in Q2 as lower yields pushed prices higher. Treasury benchmarks posted some of their strongest quarterly returns in three years. The increasing yield curve inversion further boosted the returns of longer duration instruments, outperforming shorter-maturity counterparts. For example, the 3-month Treasury bill index returned 0.64% for the quarter, while 5-year and 10-year Treasury indices returned 2.81% and 4.23%, respectively.
- Federal agency returns underperformed similar-duration Treasury securities for the quarter, as agency yield spreads continued to trade at very narrow levels. Callable agencies underperformed non-callable structures by a wider margin as the large downward move in yields increased the likelihood of call, limiting price appreciation.
- Modest incremental income on supranational debt compared to federal agencies helped buoy modest positive relative performance over the quarter. Despite the historically tight level of yield spreads, the sector served as a portfolio diversifier and performance enhancer relative to Treasuries and agencies over the past year.
- Following superb performance in Q1, investment-grade corporates continued to be one of the best performing sectors in Q2. Despite intra-quarter spread volatility, the incremental income from the sector-supported positive excess returns – returns in excess of Treasuries adjusted to similar duration. For the second consecutive quarter, lower-quality credits outperformed higher-quality issues as risk appetite held firm.
- The continued drop in rates pressured mortgage-backed securities (MBS) in Q2, resulting in underperformance and strongly negative excess returns. The decline in mortgage rates triggered expected increases in principal prepayments, generally a negative for the sector. On the flip side, agency-backed commercial mortgage-backed securities (CMBS) generated positive excess returns in back-to-back quarters, as these structures have less prepayment variability and interest rate sensitivity.

Summary of Operating Investments

Summary of Operating Investments

Market Value (\$ in millions)*

	6/30/2019
Illinois Funds	\$ 81.9
US Bank Commercial Paper Sweep	21.3
Subtotal Cash & Cash Equivalents	\$ 103.2
Short Term Portfolio	41.0
Intermediate Term Portfolio	163.1
Total Portfolio	\$ 307.3
<u>Book Value (\$ in millions)</u>	\$ 303.9

Asset Allocation (\$ in millions)*

Sector	6/30/2019	
Money Market Mutual Funds / LGIP	\$ 83.1	27.1%
U.S. Treasury Bonds/Notes	61.1	19.9%
Federal Agency Bonds/Notes	18.5	6.0%
Federal Agency MBS	22.7	7.4%
Federal Agency CMO	31.1	10.1%
Supra-National Agency Bonds/Notes	23.4	7.6%
Corporate Notes	13.3	4.3%
Commercial Paper	32.1	10.4%
Commercial Paper Sweep (US Bank)	21.3	6.9%
Subtotal	306.5	99.7%
Accrued Interest	0.8	0.3%
Total	\$ 307.3	100.0%

Current Yields (Annualized)

	6/30/2019
Illinois Funds	2.44%
US Bank Commercial Paper Sweep	1.85%
Benchmark: S&P Rated Government Investment Pool Index	2.28%

Performance Summary (Total Return)**

	Current Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception
Short Term Portfolio	0.70%	2.65%	-	-	-	1.78%
Benchmark: BofA Merrill Lynch 3-Month Treasury Bill Index	0.64%	2.31%	-	-	-	1.48%
Intermediate Term Portfolio	2.29%	6.00%	1.57%	-	-	2.19%
Benchmark: Barclays Intermediate U.S. Govt. Securities	2.34%	6.15%	1.34%	-	-	2.04%

*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

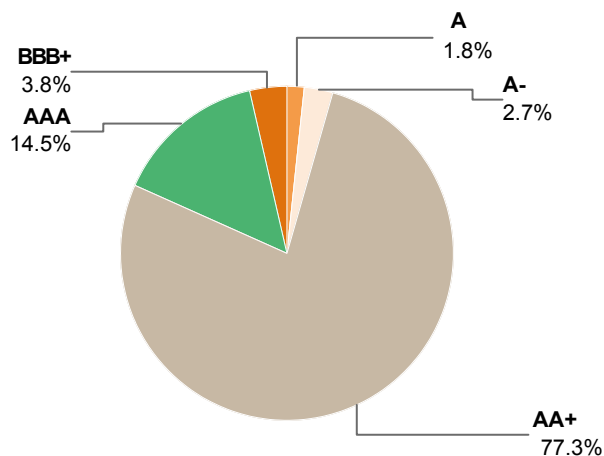
- The University's Intermediate Term portfolio is actively managed by PFM Asset Management, LLC. PFM seeks to add value by strategically buying or selling high-quality, fixed-income securities. Funds in the core portfolio are typically not needed over an intermediate- or long- term horizon and are therefore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

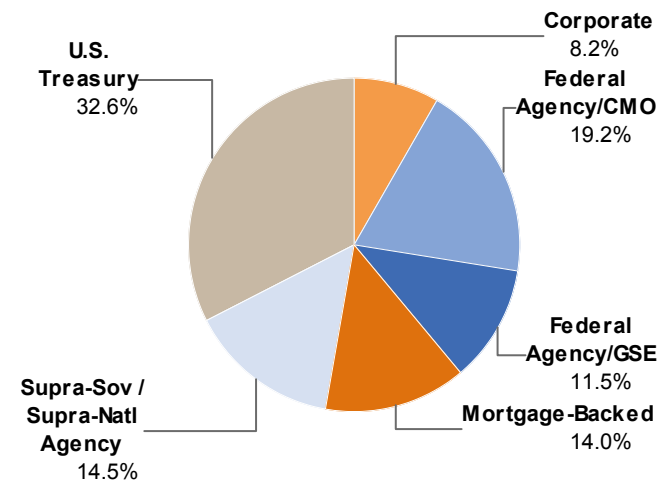
As of June 30, 2019

Par Value:	\$157,477,505
Total Market Value:	\$163,124,984
Security Market Value:	\$161,569,941
Accrued Interest:	\$776,574
Cash:	\$778,469
Amortized Cost:	\$158,217,113
Yield at Market:	2.08%
Yield at Cost:	2.61%
Effective Duration:	3.52 Years
Duration to Worst:	3.78 Years
Average Maturity:	6.80 Years
Average Credit: *	AA

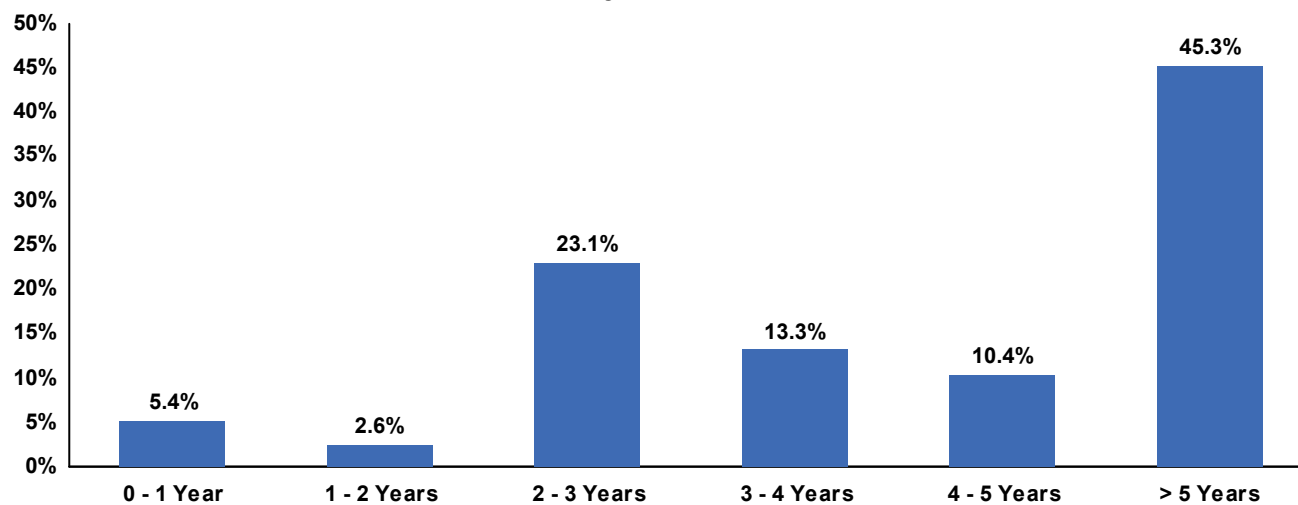
Credit Quality (S&P Ratings)



Sector Allocation



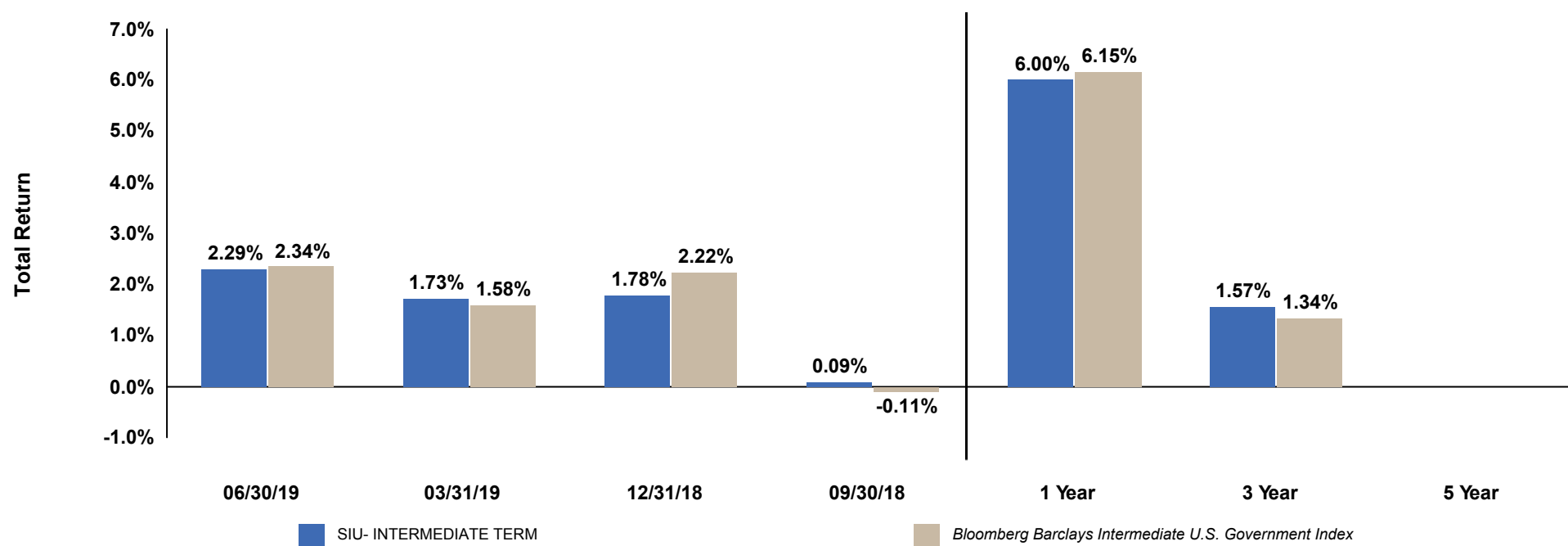
Maturity Distribution



* 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		
		06/30/19	03/31/19	12/31/18	09/30/18	1 Year	3 Year	5 Year
SIU- INTERMEDIATE TERM	3.52	2.29%	1.73%	1.78%	0.09%	6.00%	1.57%	-
<i>Net of Fees **</i>	-	2.27%	1.71%	1.76%	0.07%	5.93%	1.50%	-
Bloomberg Barclays Intermediate U.S. Government Index	3.24	2.34%	1.58%	2.22%	-0.11%	6.15%	1.34%	-
Difference (Gross)		-0.05%	0.15%	-0.44%	0.20%	-0.15%	0.23%	-
Difference (Net)		-0.07%	0.13%	-0.46%	0.18%	-0.22%	0.16%	-



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 June 30, 2019*

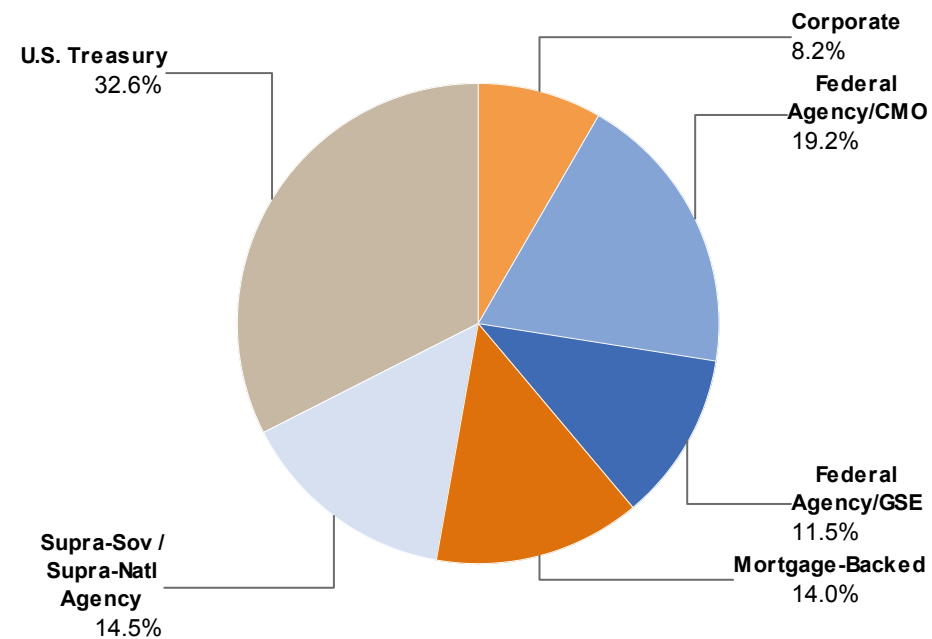
	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (03/31/2019)	\$158,765,916.96	\$157,949,075.69
Net Purchases/Sales	\$192,436.80	\$192,436.80
Change in Value	\$2,611,587.12	\$75,600.55
Ending Value (06/30/2019)*	\$161,569,940.88	\$158,217,113.04
Interest Earned	\$1,036,854.40	\$1,036,854.40
Portfolio Earnings	\$3,648,441.52	\$1,112,454.95

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

Sector Allocation

As of June 30, 2019

Sector	Market Value (\$)	% of Portfolio
U.S. Treasury	52,648,615	32.6%
Federal Agency/CMO	31,083,734	19.2%
Supra-Sov / Supra-Natl Agency	23,356,815	14.5%
Mortgage-Backed	22,676,118	14.0%
Federal Agency/GSE	18,509,409	11.5%
Corporate	13,295,251	8.2%
Total	\$161,569,941*	100.0%

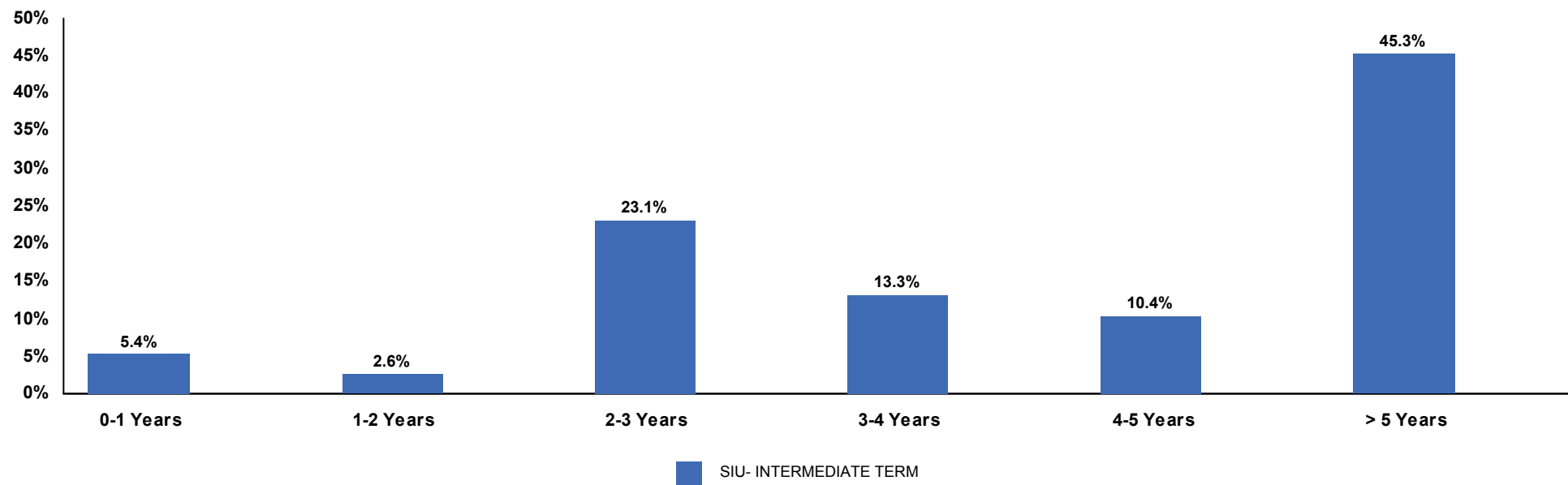


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Maturity Distribution

As of June 30, 2019

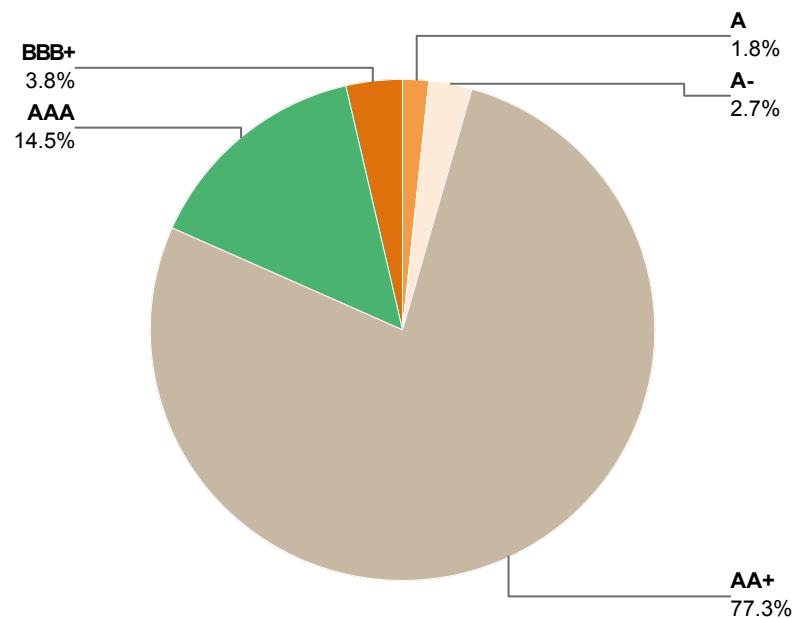
Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
SIU- INTERMEDIATE TERM	2.08%	6.80 yrs	5.4%	2.6%	23.1%	13.3%	10.4%	45.3%



Credit Quality

As of June 30, 2019

S&P Rating	Market Value (\$)	% of Portfolio
AA+	\$124,917,875	77.3%
AAA	\$23,356,815	14.5%
BBB+	\$6,062,148	3.8%
A-	\$4,404,853	2.7%
A	\$2,828,249	1.8%
Totals	\$161,569,941*	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 June 30, 2019

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Corporate			
AMERICAN EXPRESS CO	1,518,317	11.4%	0.9%
CITIGROUP INC	1,513,752	11.4%	0.9%
GOLDMAN SACHS GROUP INC	1,514,343	11.4%	0.9%
JP MORGAN CHASE & CO	2,861,505	21.5%	1.8%
MORGAN STANLEY	1,515,737	11.4%	0.9%
THE BANK OF NEW YORK MELLON CORPORATION	2,828,249	21.3%	1.8%
WELLS FARGO & COMPANY	1,543,349	11.6%	1.0%
Sector Total	13,295,251	100.0%	8.2%
Federal Agency/CMO			
FANNIE MAE	5,672,749	18.2%	3.5%
FREDDIE MAC	23,016,688	74.0%	14.2%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	2,394,297	7.7%	1.5%
Sector Total	31,083,734	100.0%	19.2%
Federal Agency/GSE			
AGENCY FOR INTERNATIONAL DEVELOPMENT	2,300,096	12.4%	1.4%
FANNIE MAE	4,450,698	24.0%	2.8%
FEDERAL HOME LOAN BANKS	2,010,072	10.9%	1.2%
FREDDIE MAC	4,059,096	21.9%	2.5%

SIU- INTERMEDIATE TERM

Portfolio Composition

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
TENNESSEE VALLEY AUTHORITY	5,689,447	30.7%	3.5%
Sector Total	18,509,409	100.0%	11.5%
Mortgage-Backed			
FANNIE MAE	13,541,988	59.7%	8.4%
FREDDIE MAC	8,372,756	36.9%	5.2%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	761,373	3.4%	0.5%
Sector Total	22,676,118	100.0%	14.0%
Supra-Sov / Supra-Natl Agency			
AFRICAN DEVELOPMENT BANK	6,574,707	28.1%	4.1%
ASIAN DEVELOPMENT BANK	10,281,657	44.0%	6.4%
INTER-AMERICAN DEVELOPMENT BANK	4,650,718	19.9%	2.9%
INTERNATIONAL FINANCE CORPORATION	1,849,734	7.9%	1.1%
Sector Total	23,356,815	100.0%	14.5%
U.S. Treasury			
UNITED STATES TREASURY	52,648,615	100.0%	32.6%
Sector Total	52,648,615	100.0%	32.6%
Portfolio Total	161,569,941*	100.0%	100.0%

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

SIU - Short Term Portfolio

Investment Approach

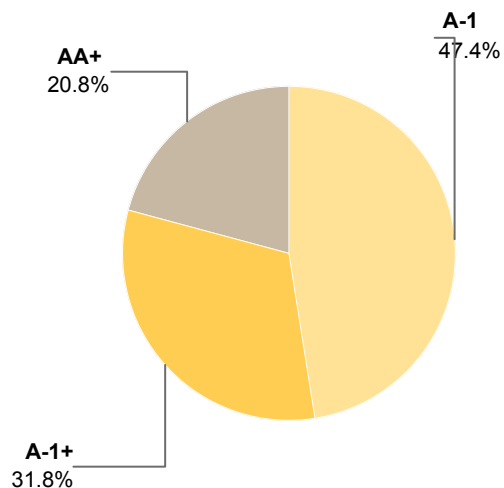
- The University's Short-Term portfolio is actively managed by PFM Asset Management, LLC. The short-term portfolio is structured to match the University's anticipated liquidity needs. The portfolio's duration typically ranges from 0 – 12 months, but is limited to a maximum maturity of 3 years. These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

Portfolio Statistics

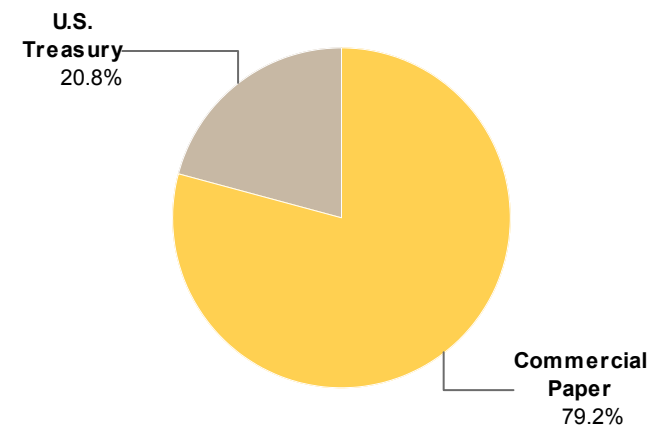
As of June 30, 2019

Par Value:	\$40,675,000
Total Market Value:	\$40,968,354
Security Market Value:	\$40,511,000
Accrued Interest:	\$32,841
Cash:	\$424,513
Amortized Cost:	\$40,489,488
Yield at Market:	2.39%
Yield at Cost:	2.73%
Effective Duration:	0.19 Years
Duration to Worst:	0.19 Years
Average Maturity:	0.19 Years
Average Credit: *	AA

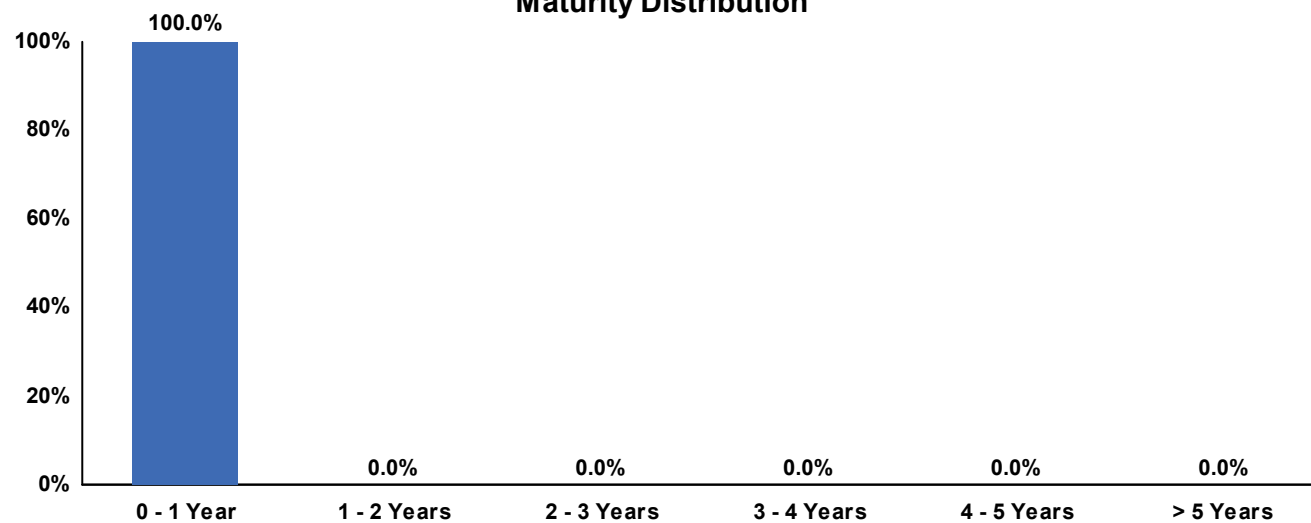
Credit Quality (S&P Ratings)



Sector Allocation



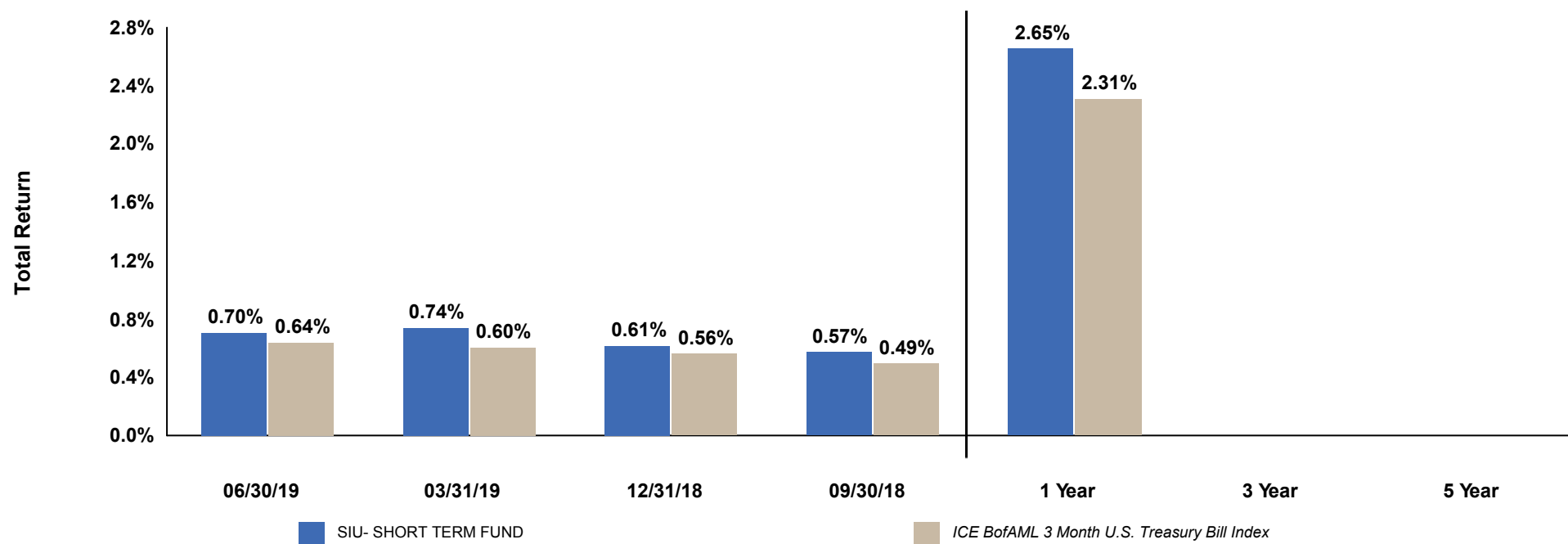
Maturity Distribution



* 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		
		06/30/19	03/31/19	12/31/18	09/30/18	1 Year	3 Year	5 Year
SIU- SHORT TERM FUND	0.19	0.70%	0.74%	0.61%	0.57%	2.65%	-	-
<i>Net of Fees **</i>	-	0.68%	0.72%	0.59%	0.55%	2.58%	-	-
ICE BofAML 3 Month U.S. Treasury Bill Index	0.16	0.64%	0.60%	0.56%	0.49%	2.31%	-	-
Difference (Gross)		0.06%	0.14%	0.05%	0.08%	0.34%	-	-
Difference (Net)		0.04%	0.12%	0.03%	0.06%	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 June 30, 2019*

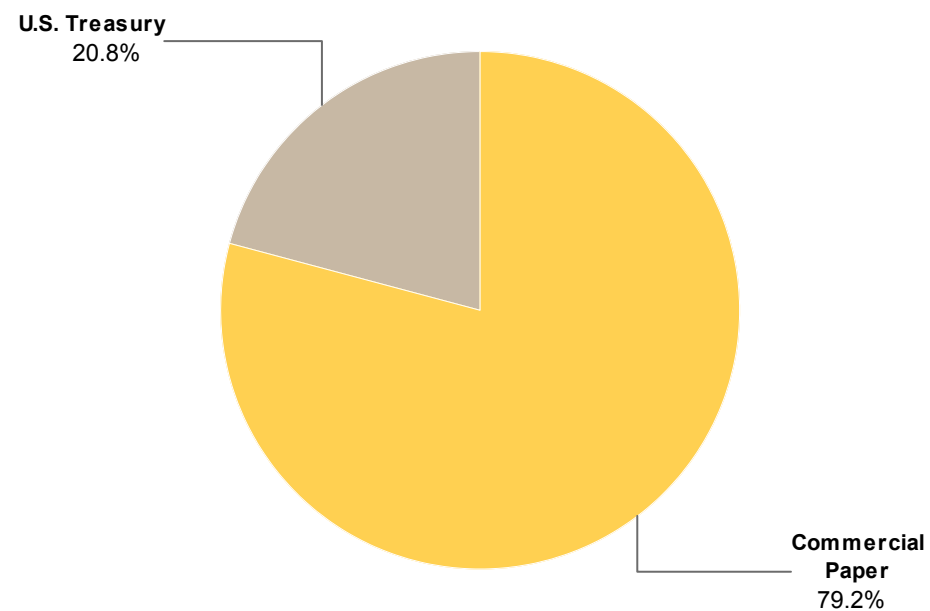
	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (03/31/2019)	\$45,928,660.58	\$45,914,862.48
Net Purchases/Sales	(\$5,700,000.00)	(\$5,700,000.00)
Change in Value	\$282,338.95	\$274,625.59
Ending Value (06/30/2019)*	\$40,510,999.53	\$40,489,488.07
Interest Earned	\$30,811.13	\$30,811.13
Portfolio Earnings	\$313,150.08	\$305,436.72

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

Sector Allocation

As of June 30, 2019

Sector	Market Value (\$)	% of Portfolio
Commercial Paper	32,088,463	79.2%
U.S. Treasury	8,422,536	20.8%
Total	\$40,511,000*	100.0%

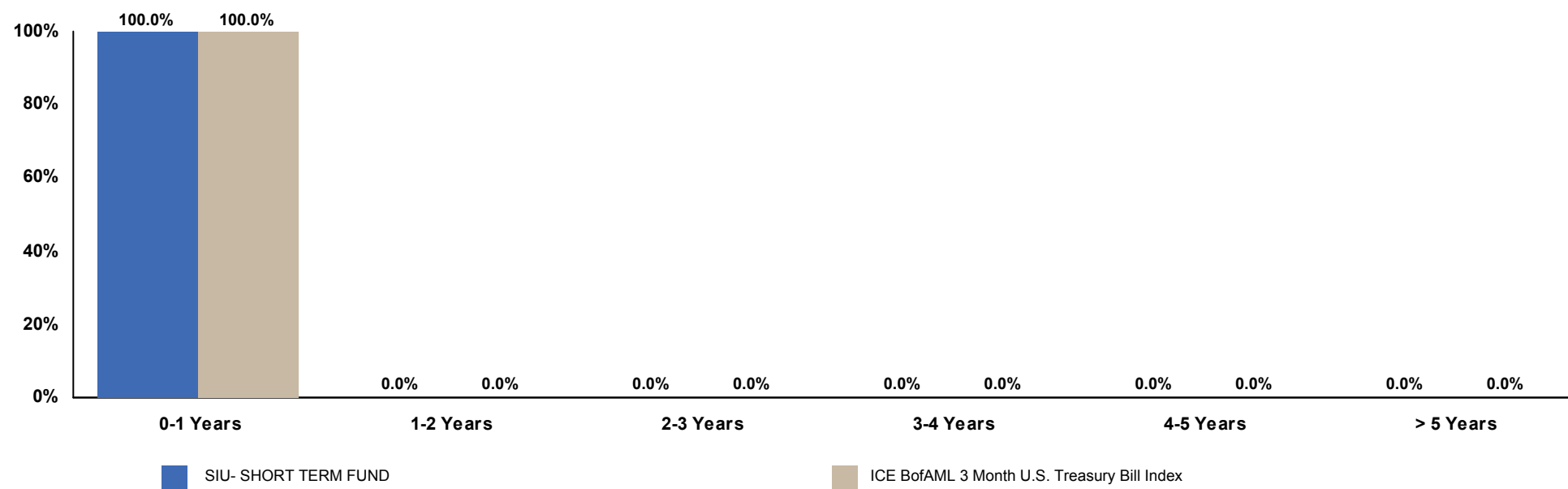


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Maturity Distribution

As of June 30, 2019

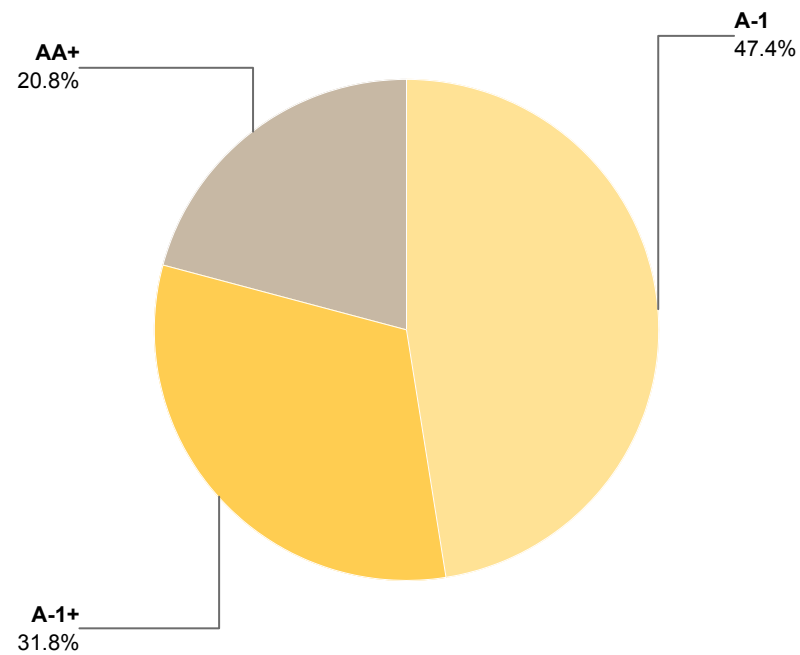
Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
SIU- SHORT TERM FUND	2.39%	0.19 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ICE BofAML 3 Month U.S. Treasury Bill Index	2.10%	0.24 yrs	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%



Credit Quality

As of June 30, 2019

S&P Rating**	Market Value (\$)	% of Portfolio
A-1	\$19,208,050	47.4%
A-1+	\$12,880,413	31.8%
AA+	\$8,422,536	20.8%
Totals	\$40,511,000*	100.0%



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

** Includes short-term and long-term ratings.

Sector/Issuer Distribution

As of June 30, 2019

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Commercial Paper			
APPLE INC	2,383,781	7.4%	5.9%
BEDFORD ROW FUNDING CORP	1,344,569	4.2%	3.3%
BNP PARIBAS	2,341,031	7.3%	5.8%
CANADIAN IMPERIAL BANK OF COMMERCE	283,495	0.9%	0.7%
COCA-COLA COMPANY	2,390,927	7.5%	5.9%
CREDIT SUISSE GROUP	1,841,266	5.7%	4.5%
FAIRWAY FINANCE COMPANY LLC	1,046,311	3.3%	2.6%
HSBC HOLDINGS PLC	1,344,620	4.2%	3.3%
ING BANK NV	1,492,077	4.6%	3.7%
JP MORGAN CHASE & CO	1,343,504	4.2%	3.3%
MITSUBISHI UFJ FINANCIAL GROUP INC	2,340,581	7.3%	5.8%
NATIXIS NY BRANCH	2,391,674	7.5%	5.9%
NESTLE SA	2,386,841	7.4%	5.9%
OLD LINE FUNDING LLC	1,044,107	3.3%	2.6%
PRUDENTIAL FINANCIAL INC	996,853	3.1%	2.5%
RABOBANK NEDERLAND	2,392,563	7.5%	5.9%
TORONTO-DOMINION BANK	2,340,911	7.3%	5.8%
TOYOTA MOTOR CORP	2,383,351	7.4%	5.9%
Sector Total	32,088,463	100.0%	79.2%

SIU- SHORT TERM FUND

Portfolio Composition

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
U.S. Treasury			
UNITED STATES TREASURY	8,422,536	100.0%	20.8%
Sector Total	8,422,536	100.0%	20.8%
Portfolio Total	40,511,000*	100.0%	100.0%

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

Illinois Funds

Investment Approach

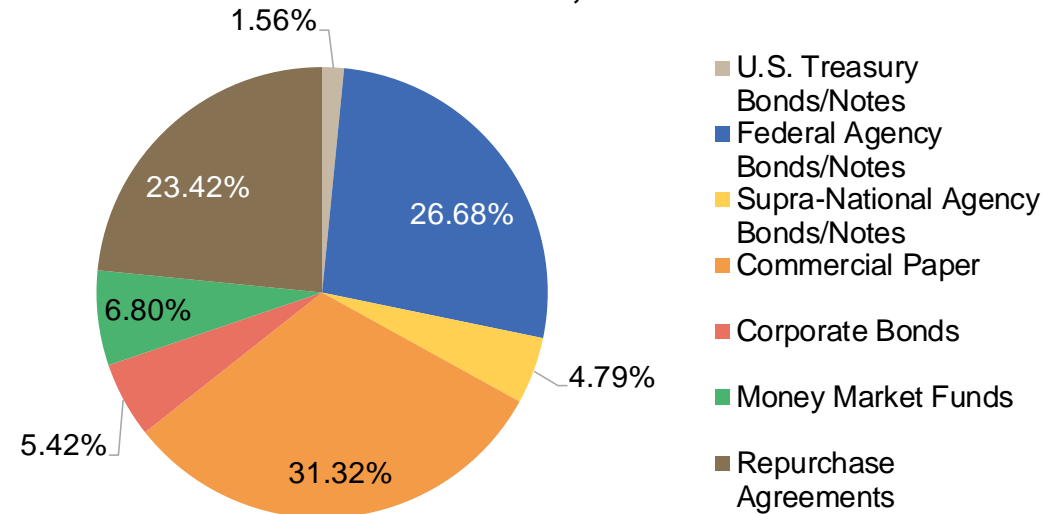
- The Illinois Funds is a Local Government Investment Pool (LGIP) operated by the Illinois State Treasurer's Office. The Illinois Funds strives to provide an inexpensive investment vehicle that features safety, daily liquidity and yield for Illinois public funds programs. The fund is managed by the Office of the State Treasurer in Springfield, Illinois, and contained a combined \$5.6 billion in total assets as of June 30, 2019. The fund is currently rated AAAm by Standard & Poor's.

Illinois Funds Account Overview

Illinois Funds	
Beginning Value (3/31/2019)	\$73,972,836.77
Net Deposits (Withdrawals)	\$7,437,109.68
Interest Earned	\$516,529.17
Ending Value (6/30/19)	\$81,926,475.62

	Current Yield as of 6/30/19
Illinois Funds	2.44%
Benchmark: S&P Rated Government Investment Pool Index	2.28%

**Illinois Funds
Sector Allocation
as of June 30, 2019**



Weighted Average Maturity	44 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

U.S. Bank Commercial Paper Sweep	
Beginning Value (3/31/2019)	\$25,776,301.19
Net Deposits (Withdrawals)	(\$4,592,491.51)
Interest Earned	\$100,893.75
Ending Value (6/30/19)	\$21,284,703.43

	Current Yield as of 6/30/19
U.S. Bank Commercial Paper Sweep	1.85%
Benchmark: S&P Rated Government Investment Pool Index	2.28%

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)	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019
Housing & Auxiliary Facilities System					
Construction Proceeds	-	-	-	-	4.7
Interest Sinking Fund	7.1	13.3	15.4	21.7	7.1
Debt Service Reserve	6.1	6.1	6.2	6.2	6.2
Total HAFS	13.2	19.4	21.5	28.0	18.1
Medical Facilities System					
Construction Proceeds	-	-	-	-	-
Interest Sinking Fund	0.5	0.9	1.3	1.7	0.5
Debt Service Reserve	-	-	-	-	-
Total MFS	0.5	0.9	1.3	1.7	0.5
Certificates of Participation					
Construction Proceeds	1.5	1.1	0.7	0.2	0.1
Interest Sinking Fund	-	-	-	-	-
Debt Service Reserve	-	-	-	-	-
Total COPS	1.5	1.1	0.7	0.2	0.1
Total Market Value of Portfolio	\$ 15.1	\$ 21.5	\$ 23.6	\$ 29.9	\$ 18.6
Investment Balance Book Value (\$ in millions)	\$ 15.1	\$ 21.6	\$ 23.6	\$ 29.9	\$ 18.6

**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 Interactive Data, 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.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **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.

GLOSSARY

- **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.
- **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.