



DENVER
THE MILE HIGH CITY

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended

03/31/2022

Prepared By:

Cash & Capital
Funding Division

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I. Economic Commentary

Volatility returned to capital markets during the first quarter of 2022. The S&P 500 and Dow Industrial Average finished below their January peaks. The Russian invasion into Ukraine and persistent inflationary pressures fueled volatility and tightening conditions in financial markets. Consumer spending and economic growth remained strong in the quarter. In March, yields increased dramatically, and the treasury yield curve continued to flatten. The spread between the 2-year and 10-year Treasury yield declined to zero at the end of March versus 40 basis points in February and 158 basis points one year ago.

The Federal Open Market Committee (FOMC) increased short term rates to the target range of 0.25% to 0.50%. The Federal Reserve also ended their bond-buying program in March, which included the purchase of treasury and agency mortgage-backed securities. Fed Chair Powell suggested that balance sheet runoff could begin as early as their next meeting in May, sooner than anticipated. The Fed signaled six more rate hikes in 2022. This implies a minimum 25 basis point rate hike at each remaining meeting this year, but didn't rule out including one or more 50 basis point hikes to address inflation.

Inflation hit a 40-year high. The Consumer Price Index (CPI) was up 7.9% year-over-year in February, up from 6.0% in January. Core CPI (CPI less food and energy) was also up 6.4% year-over-year in February. Food, rent, and gas price were primary contributors. Core PCE was up 5.4% year-

over-year in February, up from 5.2% in January.

Nonfarm payrolls increased 431,000 in March. Trends in employment remain strong, with the three-month moving average payroll increase at 561,000. The monthly unemployment rate dropped to 3.6% in March, the lowest level since February 2020. The U-6, a broader measure of unemployment fell to 6.9% in March declining below its pre-pandemic level of 7.0% in February 2020. Wage growth accelerated in March, with average hourly earnings rising 5.6% from 5.2% year-over-year.

Manufacturing data declined with the ISM Index decreasing to 57.1 by quarter end, an 18-month low. The index remaining above 50 suggests the manufacturing sector continues to expand albeit at a slower pace. The housing sector saw home prices increase 18.4% year over year in October. Total housing starts jumped 11.8% in November driven by multi-family starts which rose 12.9% month over month. Single-family starts improved to 11.3% for the same period. Low inventory and strong demand continue to be a tailwind for home prices.

Exposure to credit securities in the portfolios increased in the first quarter. Credit spreads slightly widened but remain near historic lows. Treasury yields increased during the quarter. The City's investment portfolio outperformed the stated benchmark indices by 0.14% for the quarter on a total return basis.

Portfolios	Market Value
Managed Portfolios	\$5,419,376,096
Special Purpose Portfolios	\$3,891,244
Denver CRRSAA Escrow Account	\$48,642,015
Finance Administrated	\$5,471,909,355



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II. Consolidated Portfolio

\$4,953,508,777

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Total Return			
	1-Month	3-Month	YTD
Total Return	-1.21%	-2.22%	-2.22%
Blended Benchmark (TR)	-1.35%	-2.45%	-2.45%
Excess Return	0.14%	0.23%	0.23%

Current Return			
	1-Month	3-Month	YTD
Current Return	1.51%	1.53%	1.53%
Blended Benchmark (CR)	1.27%	1.06%	1.06%
Excess Return	0.24%	0.47%	0.47%

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were \$18,841,598.

The 1-5 Year Strategy Blended Benchmark consists of 67.50% Intercontinental Exchange (ICE) BofAML 1-5 Year US Treasury & Agency Index, 17.50 % ICE BofAML 1-5 Year AAA-A US Corporate Index, 7.50% ICE BofAML AAA US Asset Backed Securities, 5.00% ICE BofAML 0-3 Year US Agency CMOs and 2.50% ICE BofAML 3-5 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-5 Year US Treasury & Agency Index.

The 1-10 Year Strategy Blended Benchmark consists of 65.00% ICE BofAML 1-10 Year US Treasury & Agency Index, 15.00 % ICE BofAML 1-5 Year AAA-A US Corporate Index, 5.00% ICE BofAML AAA US Asset Backed Securities, 7.50% ICE BofAML 0-10 Year US Agency CMOs and 7.50% ICE BofAML 0-10 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-10 Year US Treasury & Agency Index.

Factors Affecting Performance & Management Strategies

- Chandler's proprietary Horizon Model that the City uses with the intent to meet or outperform the benchmarks over time (the Intercontinental Exchange (ICE) BofAML Treasury/Agency 1-5 year index and the ICE BofAML Treasury/Agency 1-10 year index) are revised on a regular basis, reflecting the volatility of both bond market interest rates and interest rate curve movements. The City evaluates the portfolios each time a new Horizon Model is received. The key variables subject to potential revision as a result of Horizon Model changes include duration, composition, and structure.
- The portfolios were modestly short benchmark duration in both the 1-5 year strategy and the 1-10 year strategy. We expect duration to move closer to the benchmark as additional allocation of longer duration securities are added to the portfolio. Safety of principal is paramount in investing the City's funds.
- Corporate Bonds, Collateralized Mortgage Obligations, Mortgage-Backed Securities, and Asset-Backed Securities are asset classes approved by voters for implementation in 2014 by an amendment to the City Charter. Purchases of the new asset classes increased as a percentage of total composition due asset purchases outpaced maturities. Purchases in the voter approved asset classes increased during the quarter due to increased issuance by approved credit issuers.
- The Consolidated Portfolio benchmarking indices are comprised of five ICE BofAML indices, creating a static weighted blended benchmark. A total of two blended benchmarks are used for the 1-5 year and 1-10 year strategies to closely reflect the portfolio duration and asset allocation constraints.



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Consolidated Portfolio Composition

Characteristics		Credit Quality (S&P)
Average Duration	2.08	
Average Coupon	1.65	
Average Yield to Maturity	1.80%	
Average Rating (S&P)	AA+	
Average Life	2.15yrs	

Asset Allocation	Maturity Distribution

- The Consolidated Portfolio's net assets increased by approximately \$18.3 million during the first quarter of 2022. On March 31st, 2022, net assets were \$4.98 billion, compared to \$4.97 billion on December 31st, 2021, as outflows exceeded inflows and rising treasury yields negatively impacted the market value of the portfolio. The increase in net assets was primarily from cyclical inflows into the portfolio.
- The weighted average maturity (WAM), an aggregate portfolio measure of total years remaining until the maturity of all underlying holdings, ended lower in the first quarter. The WAM decreased due to increased exposure to short term assets. While modestly short to benchmark duration, rebalancing and securities purchase activity in the intermediate strategies extended duration more closely with the model and benchmark. The model continues to remain modestly short of benchmark duration.



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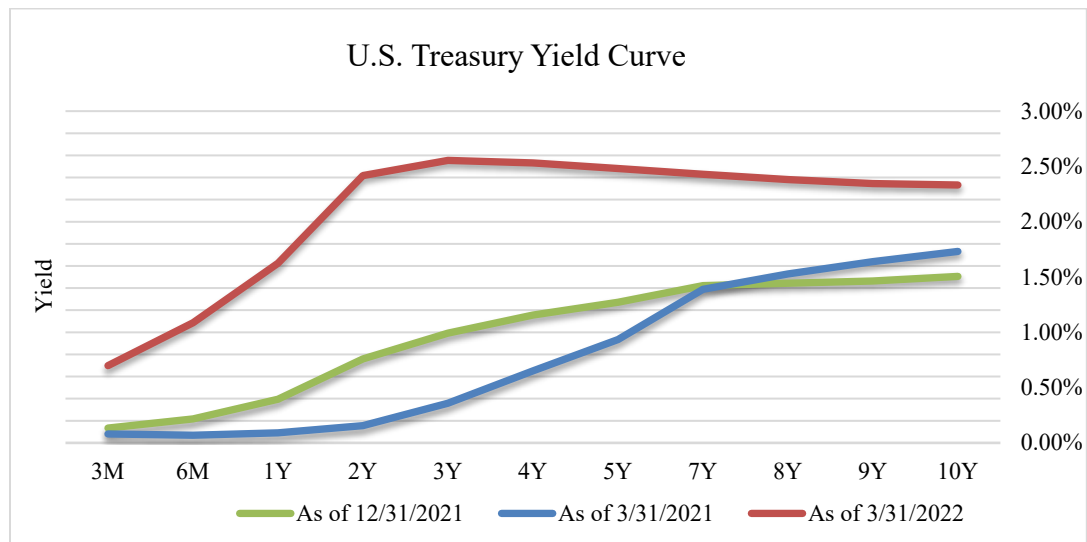
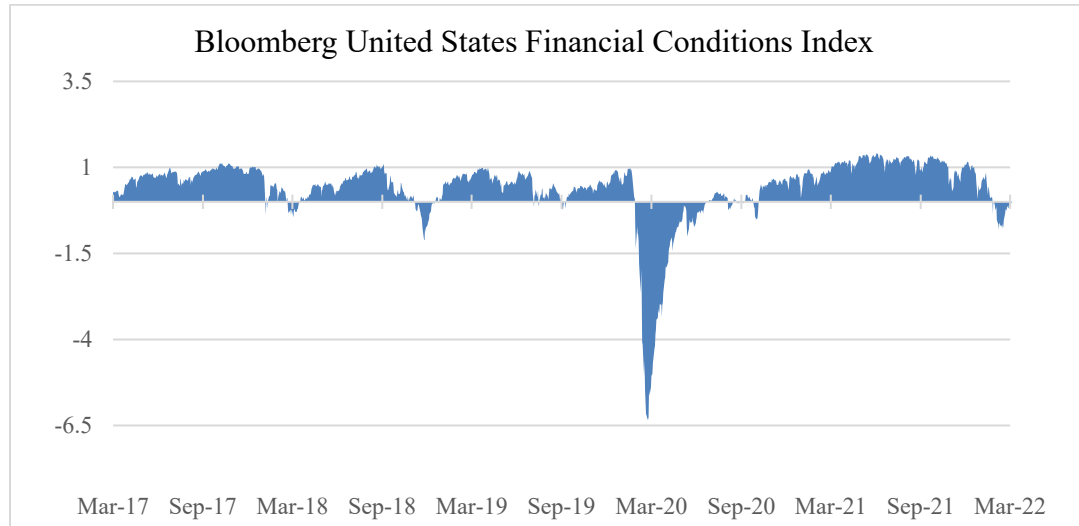
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Portfolio Management Environment



- The Federal Reserve maintained the Fed funds rate to a range of 0.25%-0.50% during the first quarter of 2022. The Fed signaled rates will increase in 2022.
- The one-month LIBOR rate was 0.45% as of March 31st, 2022; an increase of 35 basis points from December 31st, 2021.
- As of March 31st, 2022, the yield of the two-year Treasury index was 2.33%, and the five-year Treasury index was yielding 2.46%. A year earlier, as of March 31st, 2021, the yield of the two-year Treasury index was 0.16%, and the five-year Treasury index was yielding 0.94%.
- The median of economists' forecast is for a 3.59% ten-year Treasury yield at the end of the year 2022.
- Volatility in rates of the yield curve increased for both short-term and long-term yields. At the end of the first quarter, the two-year, five-year, and ten-year were at 2.51%, 2.46%, and 2.34%, respectively.



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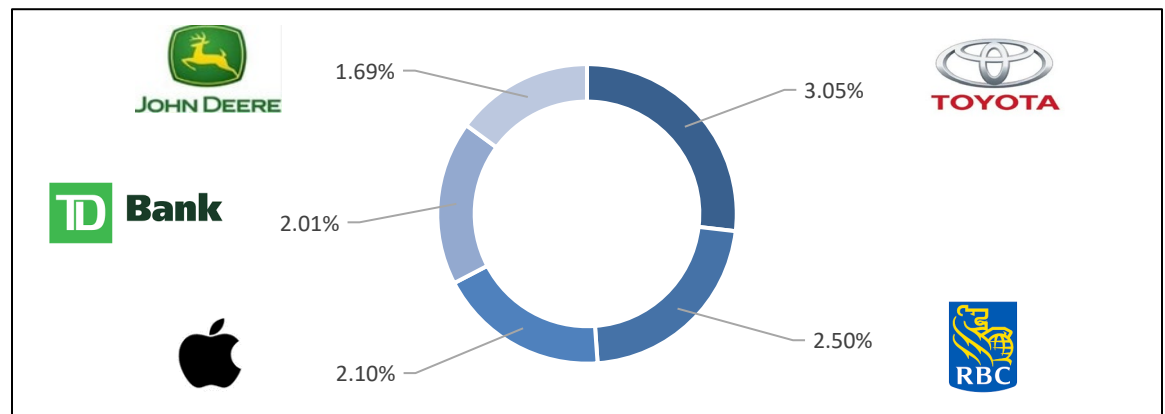
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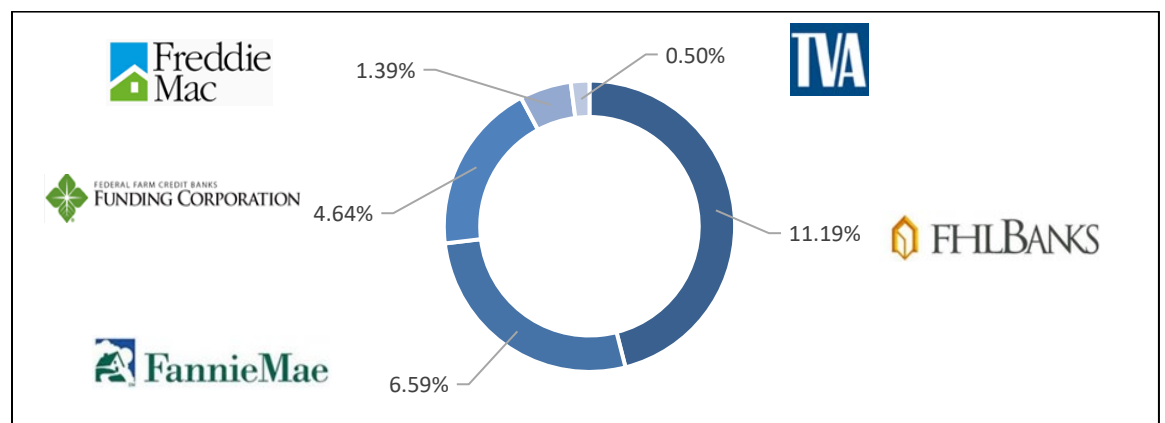
Consolidated Top Holdings

Top 5 Credit Holdings			
Issuer	Market Value	% of Portfolio	Industry
Toyota Motor Credit Corp.	151,395,818	3.05%	Automobiles
Royal Bank of Canada NY	124,181,958	2.50%	Financial
Apple, Inc.	104,248,282	2.10%	Technology
Toronto-Dominion Bank	99,986,007	2.01%	Financial
John Deere Capital Corp	84,107,735	1.69%	Industrial
Total	\$563,919,800	11.35%	

*Credit holdings include commercial paper, asset-backed securities, and corporate bonds.



Top 5 Agency Holdings		
Issuer	Market Value	% of Portfolio
FHLB	555,448,536	11.19%
FNMA	327,052,140	6.59%
FFCB	230,383,939	4.64%
FHLMC	69,236,288	1.39%
TVA	24,887,472	0.50%
	\$1,207,008,375	24.31%





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III. Airport Reserve Portfolio

\$400,856,789

Total Return			
	1-Month	3-Month	YTD
Total Return	-2.12%	-3.77%	-3.77%
Blended Benchmark (TR)	-2.31%	-3.98%	-3.98%
Excess Return	0.19%	0.21%	0.21%

Current Return			
	1-Month	3-Month	YTD
Current Return	1.96%	1.97%	1.97%
Blended Benchmark (CR)	1.81%	1.53%	1.53%
Excess Return	0.15%	0.44%	0.44%

Year-to-Date earnings on a current return basis for the Reserve Portfolio were \$1,922,231.

The 1-5 Year Strategy Blended Benchmark consists of 67.50% ICE BofAML 1-5 Year US Treasury & Agency Index, 17.50 % ICE BofAML 1-5 Year AAA-A US Corporate Index, 7.50% ICE BofAML AAA US Asset Backed Securities, 5.00% ICE BofAML 0-3 Year US Agency CMOs and 2.50% ICE BofAML 3-5 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-5 Year US Treasury & Agency Index.

The 1-10 Year Strategy Blended Benchmark consists of 65.00% ICE BofAML 1-10 Year US Treasury & Agency Index, 15.00 % ICE BofAML 1-5 Year AAA-A US Corporate Index, 5.00% ICE BofAML AAA US Asset Backed Securities, 7.50% ICE BofAML 0-10 Year US Agency CMOs and 7.50% ICE BofAML 0-10 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-10 Year US Treasury & Agency Index.

- The Airport Bond Reserve portfolio has a maximum maturity constraint of 10 years. On an ongoing basis, liquidity is generated from income received from the portfolio holdings, as well as from periodic bond calls of Agency securities. All income received during the year is transferred out of this portfolio into the Airport Operating funds contained in the Consolidated Portfolio (subject to ongoing adjustments to the required portfolio balance stated in the bond indenture).
- The Airport Reserve Portfolio benchmarking indices are comprised of five ICE BofAML indices, creating a static weighted blended benchmark. A total of one blended benchmark is utilized for the 1-10 year strategy to closely reflect the portfolio duration and asset allocation constraints.



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Airport Reserve Portfolio Composition

Characteristics		Credit Quality (S&P)
Average Duration	3.44	
Average Coupon	1.95	
Average Yield to Maturity	2.39%	
Average Rating (S&P)	AA+	
Average Life	3.65yrs	

Asset Allocation	Maturity Distribution



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IV. Workers Compensation Portfolio Composition

\$35,010,530

Characteristics		Credit Quality (S&P)
Average Duration	3.29	
Average Coupon	2.79%	
Average Yield to Maturity	2.70%	
Average Rating (S&P)	AA+	
Average Life	4.44yrs	

Asset Allocation	Maturity Distribution

- WC liabilities have a much longer term expected average duration than most other funds managed by the City. For this reason, management has determined that it is prudent to extend the duration of the invested assets associated with these obligations.
- A combination of cash and securities were transferred from the Consolidated Portfolio to the newly established WC portfolio in August 2009. An allocation to cash equivalents appropriate to fund the liquidity needs of the unit was set aside (and is monitored and adjusted monthly), and the balance of the funds were invested in treasury, corporate, agency, municipal, and structured fixed income securities. The annualized current return for the first quarter of 2022 was 2.56%.
- Year-to-Date earnings on a current return basis for the Worker's Compensation were \$220,019



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V. Special Purpose Portfolios

\$3,891,244

In addition to the actively managed investments, the Cash & Capital Funding Division manages one additional portfolio. The Denver Cableland Trust portfolio was established to fund the annual maintenance expenses for Cableland, a facility donated to the City. The portfolio is authorized by the Investment Policy to contain longer term securities and higher per issuer constraints within the Consolidated and Reserve portfolios. Most of the investments in these portfolios were purchased in market environments that featured much higher interest rates than those currently available. The investment income and principal of the portfolio is pledged for specific purposes.

	Market Value	2022 Current Return	2022 Earnings
Denver Cableland Trust	\$3,891,244	3.35%	\$32,498

Escrows

Cash & Capital Funding Division also manages certain investments held in escrow accounts at external financial institutions on behalf of Denver International Airport. As of March 31st, 2022, there was an outstanding balance of \$48,642,015.

Investment Policy

The City operates under a written Investment Policy, a copy of which can be obtained on the City's website (www.denvergov.org) or by contacting the Cash & Capital Funding Division at 720-913-3091.

Caroline Hendrickson
Director of Cash & Investments

Gregory T. King
Portfolio Administrator

STATEMENT OF REVIEW OF PORTFOLIO PERFORMANCE

Chandler Asset Management, a Registered Investment Advisor with the Securities and Exchange Commission and noticed filed in the State of Colorado, as Independent Consultant to the City and County of Denver, periodically reviews the City's Investment portfolio and represents the following:

1. The investments, as of March 31, 2022, are authorized by the Denver City Charter and are in compliance with the City's Investment Policy;
2. Upon review of the City's Investment Portfolio Performance Report and relying on the independent market pricing provided by Interactive Data Corporation, the City's securities appear to be priced accurately. Chandler Asset Management has performed no independent verification of the securities pricing provided herein; and
3. Investment performance as reported in the City's attached Investment Portfolio Performance Report, for the period ending March 31, 2022, appears to be accurately reflected.

Signed this 11th day of May 2022



Joseph Kolinsky
Chief Compliance Officer