

APPROVED

**INVESTMENT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
7th Floor Conference Room
Monday, May 13, 2019, 2:00 PM**

<u>Board Member</u>	<u>Attendance</u>	Cumulative Attendance	
		10/1/18 – 9/30/19	
		<u>Present</u>	<u>Absent</u>
Pamela Winston, Chair	P	3	0
June D. Page	P	3	0
Indraneel Chakraborty - (via telephone conference)	P	3	0

Staff Present

Kirk Buffington, Director, Finance
Laura Garcia, Acting Deputy Director, Finance
Dawn Johnson, Chief Accountant, Treasury
Linda Picciolo, Accounts Payable Supervisor, Finance
Debra Conyers, Board Liaison

Other Attendees

Richard Pengelly, PFM Asset Management, LLC
Khalid Yasin, PFM Asset Management, LLC (via telephone conference)
Kyle Jones, PFM Asset Management, LLC

Call to Order

Chair Pamela Winston called the meeting to order at 2:06 PM.

Roll Call

At the time of roll call, all three appointed members to the Board were present, allowing for a quorum.

Review of Meeting Minutes for Approval

June Page motioned the approval of the March 4, 2019 minutes. Chair Winston seconded the motion.

Floor Open for Public Input

No members of the general public were in attendance.

Review of Proposed Updates to City's Investment Policy- PFM Asset Management LLC

Richard Pengelly, (PFM Asset Management, LLC) began his presentation by asking for questions or comments referencing the handouts presented.

June Page stated that she was okay with A-rated corporate securities, but not on board with the asset back securities. Dr. Indraneel Chakaborty expressed his concerns regarding the City's Investment Policy. Kyle Jones, (PFM Asset Management, LLC) addressed both of their concerns.

Further conversation regarding the updates to the City's Investment Policy ensued between PFM Asset Management, LLC representatives and Board members.

For detailed information, see attached presentation.

OPEB Fund

Sector Allocation- Richard Pengelly (PFM Asset Management, LLC) spoke about the updates to OPEB fund. He also spoke about combining the City's funds and replacing them with a single fund.

Khalid Yasin (PFM Asset Management, LLC), discussed additional details into the update of the OPEB fund. He also stated that all of the City's funds would be passively invested.

For detailed information, see attached presentation.

Rate of Return Adjustment- Chair Pam Winston deferred this discussion until next meeting.

Chair Winston stated the City's OPEB Policy will be addressed at the next meeting.

Other Business

N/A

Communication to the City Commission

N/A

Adjournment

The next regular meeting of the Investment Advisory Board is June 5, 2019 at 2:00 PM.

The meeting adjourned at 3:27 PM.

[Minutes prepared by Debra Conyers, Board Liaison]



City of Fort Lauderdale

Update on OPEB Program

May 2019

PFM Asset
Management LLC

300 S. Orange Ave.
Suite 1170
Orlando, FL 32801

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Asset Allocation & Performance

	Allocation		Performance(%)					
	Market Value (\$)	%	Current Quarter	Year To Date	Trailing 12-months	Fiscal Year To Date	Since Inception	Inception Date
Total Fund	26,618,705	100.00	8.06	8.06	4.25	-0.22	5.20	10/01/2017
Blended Benchmark			8.99	8.99	7.18	1.09	6.58	10/01/2017
55 MSCI ACWI / 45 Barclays Agg			7.99	7.99	3.70	1.08	3.92	10/01/2017
Domestic Equity	11,840,035	44.48	14.17	14.17	N/A	-1.88	4.90	06/01/2018
Fidelity 500 Index Fund	4,862,630	18.27	13.65	13.65	N/A	-1.72	5.85	06/01/2018
Vanguard 500 Index Fund	4,861,967	18.27	13.65	13.65	N/A	-1.73	5.83	06/01/2018
S&P 500			13.65	13.65	9.50	-1.72	6.51	06/01/2018
Vanguard Mid-Cap Value Index Fund	660,873	2.48	13.81	13.81	N/A	-3.33	-0.32	06/01/2018
Russell Midcap Value Index			14.37	14.37	2.89	-2.73	1.28	06/01/2018
Vanguard Mid-Cap Growth Index Fund	755,970	2.84	19.58	19.58	N/A	0.66	6.92	06/01/2018
Russell Midcap Growth Index			19.62	19.62	11.51	0.49	8.52	06/01/2018
Vanguard Small Cap Index Fund	698,595	2.62	16.18	16.18	N/A	-5.12	-0.59	06/01/2018
Russell 2000 Index			14.58	14.58	2.05	-8.56	-4.61	06/01/2018
International Equity	2,876,524	10.81	10.36	10.36	N/A	-4.21	-4.25	06/01/2018
Vanguard Developed Markets Index Fund	1,219,524	4.58	10.16	10.16	N/A	-4.22	-3.18	06/01/2018
MSCI EAFE (net)			9.98	9.98	-3.71	-3.81	-3.70	06/01/2018
iShares MSCI EAFE Small-Cap ETF	1,148,800	4.32	10.85	10.85	N/A	-6.56	-7.24	06/01/2018
MSCI EAFE Small Cap (net)			10.65	10.65	-9.36	-7.10	-9.71	06/01/2018
Fidelity Emerging Markets Index Fund	508,199	1.91	9.75	9.75	N/A	1.70	0.55	06/01/2018
MSCI EM (net)			9.93	9.93	-7.41	1.71	-3.58	06/01/2018
Real Estate	681,435	2.56	17.28	17.28	N/A	9.73	10.30	06/01/2018
Vanguard Real Estate Index Fund	681,435	2.56	17.28	17.28	N/A	9.73	10.30	06/01/2018
FTSE NAREIT Equity REIT Index			16.33	16.33	20.86	8.50	14.63	06/01/2018
Fixed Income	3,864,788	14.52	2.31	2.31	N/A	3.33	4.36	06/01/2018
U.S. Government Securities	2,061,204	7.74	1.38	1.38	N/A	3.17	4.18	06/01/2018
Blmbg. Barc. U.S. Treasury: 1-3 Year			0.99	0.99	2.73	2.32	2.53	06/01/2018
Vanguard Short-Term Corporate Bond Index Fund	1,292,768	4.86	2.65	2.65	N/A	3.42	4.12	06/01/2018
Blmbg. Barc. U.S. Corporate 1-5 Year Index			2.61	2.61	4.42	3.39	4.03	06/01/2018
Vanguard High-Yield Corporate Fund	510,816	1.92	7.59	7.59	N/A	2.90	5.65	06/01/2018
Blmbg. Barc. U.S. Corp: High Yield			7.26	7.26	5.93	2.39	5.28	06/01/2018
Cash Equivalent	7,355,924	27.63	0.64	0.64	N/A	1.28	1.68	06/01/2018
U.S. Treasury Bill	5,465,727	20.53	0.65	0.65	N/A	1.29	1.62	07/01/2018
Wells Fargo 100% Treasury Money Market	1,890,196	7.10	0.82	0.82	N/A	1.37	1.43	09/01/2018

Returns are net of fees. □

Segment data excludes cash position(s) and is gross of fees. □

Returns are expressed as percentages. □

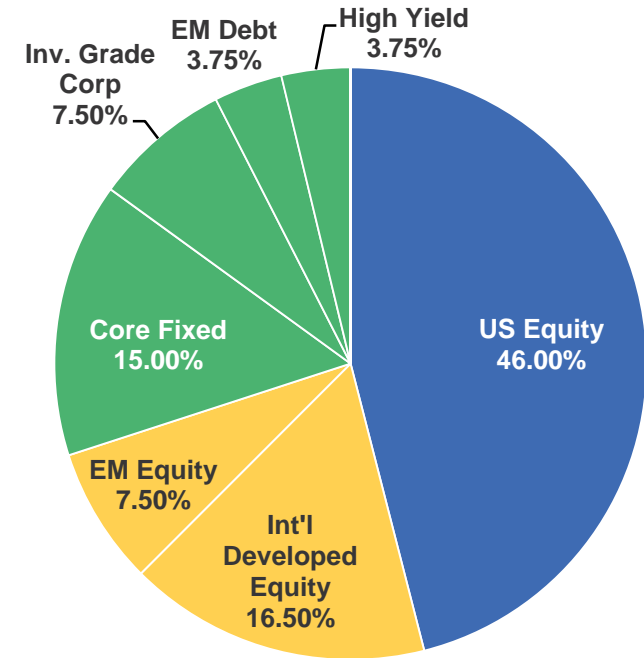




Expected Returns – PFM 70/30 Model

	Intermediate-Term Projections	Long-Term Projections
Standard Deviation	11.7%	11.7%
Return Variance	5 Year	30 Year
95th Percentile	14.6%	10.9%
75th Percentile	9.4%	8.8%
50th Percentile	5.8%	7.4%
25th Percentile	2.3%	5.9%
5th Percentile	-2.8%	3.8%

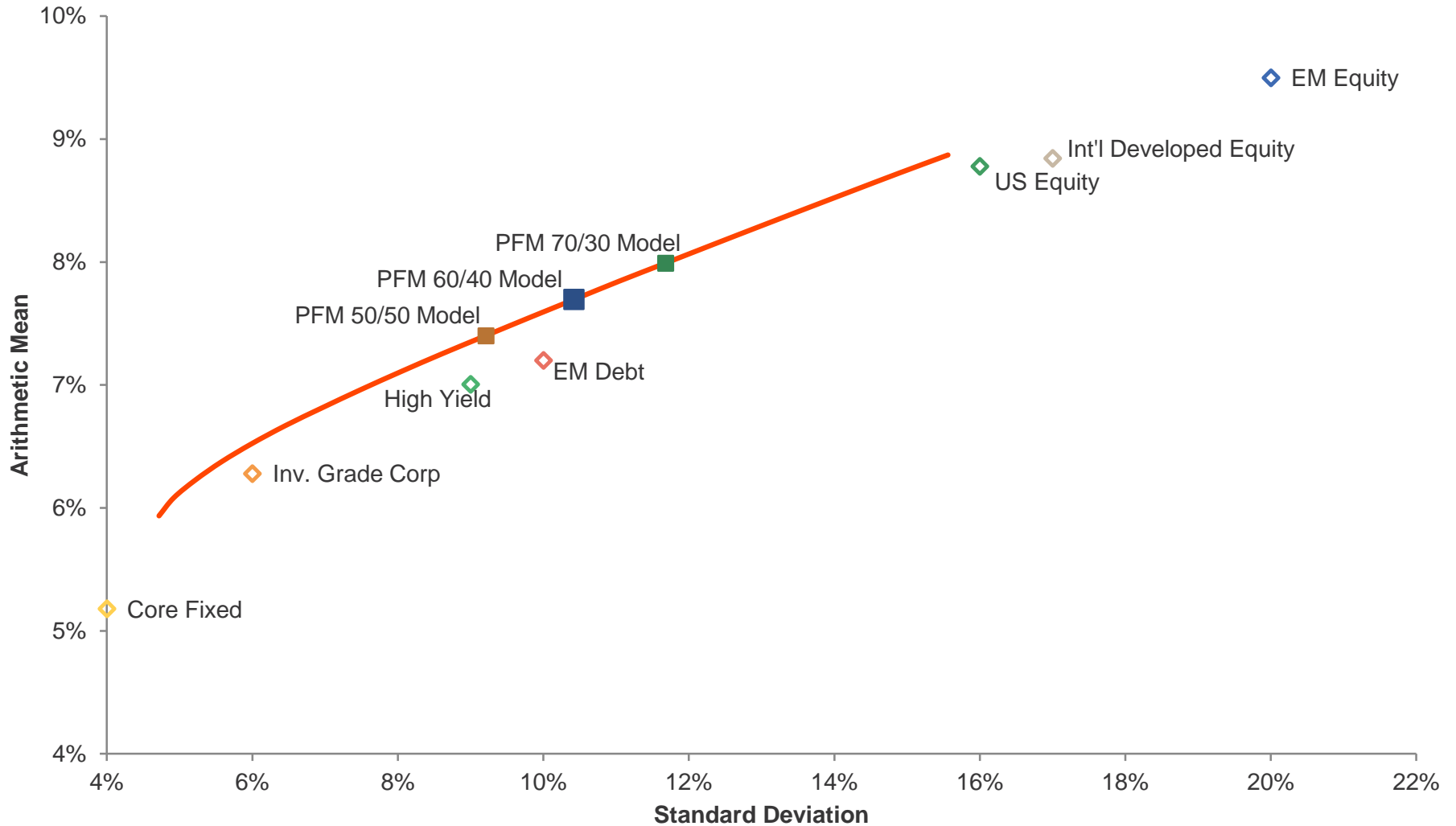
All returns are annualized.



The information provided reflects standard risk and return metrics for the portfolio depicted and are derived by running Monte Carlo simulations using PFM's Capital Market Assumptions and the target asset class allocations shown in the pie chart above. Please refer to PFM's Capital Market Assumptions presentation for key assumptions and the methodology utilized. The return data is hypothetical in nature and should not be relied upon as independently verifiable information. There is no guarantee that the projected returns can or will be achieved. Results may vary with each use and over time. This material does not purport to contain all of the information that a prospective investor may wish to consider and is not to be relied upon or used in substitution for the exercise of independent judgment. Past performance is not a guarantee of future results. Prior to investing, you should consult your accounting, tax, and legal advisors to understand the implications of such investment.



Efficient Frontier – Long-Term Assumptions





2019 Capital Market Assumptions

	Intermediate: Next 5 Years		Long Term Projections	
	Expected Return	Expected Risk	Expected Return	Expected Risk
US Equity	6.0%	16%	7.5%	16%
International Developed Equity	6.6%	17%	7.4%	17%
Emerging Markets Equity	6.1%	20%	7.5%	20%
Core Fixed Income	3.0%	4%	5.1%	4%
Intermediate Investment Grade	3.7%	6%	6.1%	6%
Emerging Markets Debt	4.0%	10%	6.7%	10%
High Yield	4.3%	9%	6.6%	9%
Bank Loans	4.4%	6%	5.4%	6%
REITs	5.7%	12%	6.5%	12%
Private Equity Real Estate	6.5%	15%	7.8%	15%
Commodities	5.2%	16%	5.5%	16%
Hedge Funds	5.5%	15%	7.2%	15%
Private Equity	7.1%	25%	9.5%	25%
Cash	3.2%	1%	3.5%	1%

For the intermediate term (up to 5 years), our capital market assumptions derive from our assessment of current economic conditions, including corporate profits, balance sheets, etc., and current valuations for various asset classes. Our long-term assumptions are derived using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, our expectation for inflation, productivity and labor force growth.



2019 Capital Market Assumptions, Correlations

Correlations														
	US Equity	International Developed Equity	Emerging Markets Equity	Core Bonds	Intermediate Investment Grade Corp	Emerging Markets Debt	High Yield	Bank Loans	REITs	Private Equity Real Estate	Commodities	Hedge Funds	Private Equity	Cash
US Equity	1													
International Developed Equity	0.8	1												
Emerging Markets Equity	0.7	0.7	1											
Core Bonds	0.3	0.2	0.2	1										
Intermediate Investment Grade Corp	0.3	0.2	0.2	0.9	1									
Emerging Markets Debt	0.5	0.5	0.5	0.4	0.4	1								
High Yield	0.7	0.5	0.5	0.4	0.4	0.4	1							
Bank Loans	0.4	0.3	0.3	0.3	0.3	0.7	0.7	1						
REITs	0.5	0.4	0.4	0.3	0.3	0.3	0.4	0.4	1					
Private Equity Real Estate	0.4	0.3	0.3	0.3	0.3	0.2	0.4	0.2	0.8	1				
Commodities	0.1	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.1	0.1	1			
Hedge Funds	0.6	0.5	0.5	0.4	0.4	0.3	0.4	0.4	0.4	0.3	0.2	1		
Private Equity	0.7	0.6	0.6	0.3	0.3	0.3	0.5	0.2	0.4	0.4	0.1	0.5	1	
Cash	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	1

Please refer to PFM's 2019 Capital Market Assumptions for a complete description of the methodology used to develop these assumptions and important disclosures.



Additional Disclosures

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation.

Financial advisory services are provided by PFM Financial Advisors LLC and Public Financial Management, Inc. Both are registered municipal advisors with the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB") under the Dodd-Frank Act of 2010. Investment advisory services are provided by PFM Asset Management LLC which is registered with the SEC under the Investment Advisers Act of 1940. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

Consulting services are provided through PFM Group Consulting LLC. Institutional purchasing card services are provided through PFM Financial Services LLC. PFM's financial modeling platform for strategic forecasting is provided through PFM Solutions LLC.

For more information regarding PFM's services or entities, please visit www.pfm.com.

Thank You



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City of Fort Lauderdale

Investment Policy Recommendations Analysis of Modifications

May 13, 2019

PFM Asset
Management LLC

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Overview

- The City is looking to increase the earnings on its long term reserves within the guidelines of industry best practices for local governments.
- Under the set of policy recommendations from PFM, the City would increase the limits associated with credit sectors in the current policy as well as adding two new sectors: supranationals and asset-backed securities (ABS).
- As requested by the Advisory Board, PFM has analyzed the impact of specific modifications to the recommendation including the restriction of both A-rated corporate securities and ABS to 5%.
- The City currently has no ABS and a 16% allocation to A-rated corporate securities.
- Based on the analysis, the additional modifications produced the following results:
 - *A portfolio with somewhat higher standard deviation due to higher sector correlations*
 - *Approximately \$1.3 million lower portfolio return over the past 5 years*
 - *\$6.5 million lower return over the past 10 years if the City's current A-rated allocation was restricted to AA*
- PFM's credit review process may accomplish the risk management goals of the Advisory Board without requiring a further allocation restriction for A-rated corporates.

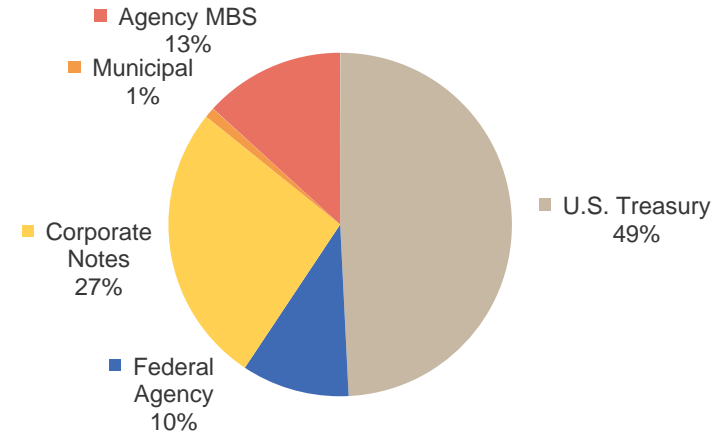


Portfolio Snapshot: City of Fort Lauderdale

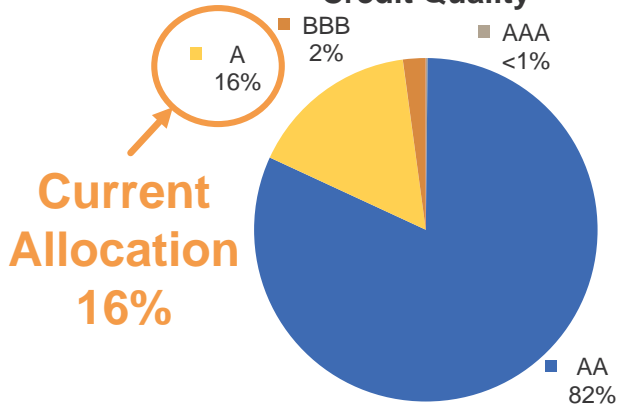
Portfolio Statistics

Market Value	\$290,738,894
Average Duration	2.55 years
Average Yield at Cost	2.64%
Average Yield at Market	2.50%

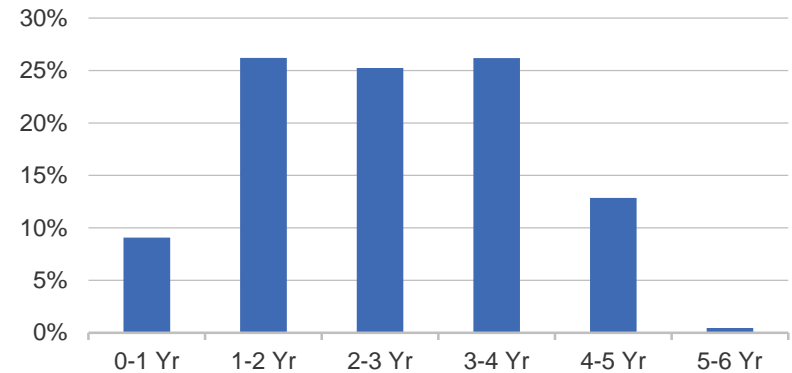
Sector Allocation



Credit Quality



Duration Distribution



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. Holdings as 4/30/19.



Long-Term Sector Performance and Correlations

Sector	Annualized Return	Standard Deviation	Sharpe Ratio	Duration (yrs) as of March 31, 2019
Treasury	1.46%	1.28%	0.80	2.56
Agency	1.58%	1.09%	1.06	1.91
Corporate AAA-A	3.92%	4.19%	0.83	2.52
MBS	2.72%	1.89%	1.21	3.49
Municipal	1.91%	1.22%	1.21	2.42
ABS	2.24%	2.24%	0.81	1.35

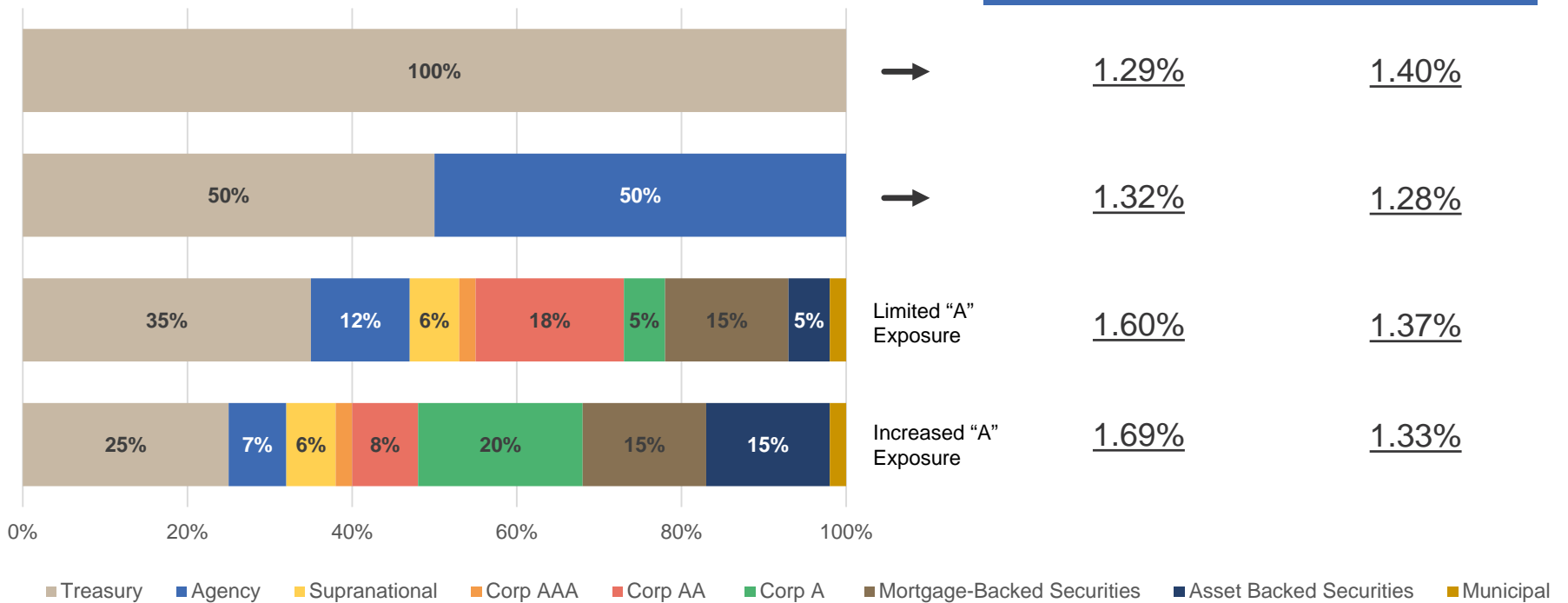
Correlation Matrix						
	Treasury	Agency	Corp AAA-A	MBS	Municipal	ABS
Treasury	1.00	0.88	0.22	0.77	0.71	0.21
Agency		1.00	0.64	0.91	0.92	0.65
Corp AAA-A			1.00	0.70	0.77	0.98
MBS				1.00	0.87	0.66
Municipal					1.00	0.77
ABS						1.00

Return represents the annualized 10 year return for each sector index and Std. Dev represents the average Std. Dev from each sector index, from March, 2009 – March, 2019. Durations as of 3/31/2019 for each sector index. The annualized 3-month T-bill yield equaling 0.43% was used to calculate the Sharpe ratios. Source: Bloomberg



Risk/Return of Various Investment Strategies

Example 1-5 Year Portfolio Sector Allocation



Yields as of March 31, 2019. Example portfolio yields are based on the ICE BofAML 1-5 Year indices for all sectors except for the mortgage-backed and asset-backed securities which use the ICE of BofAML 0-5 Indices. Source: Bloomberg.



A Rated Representative Issuer List

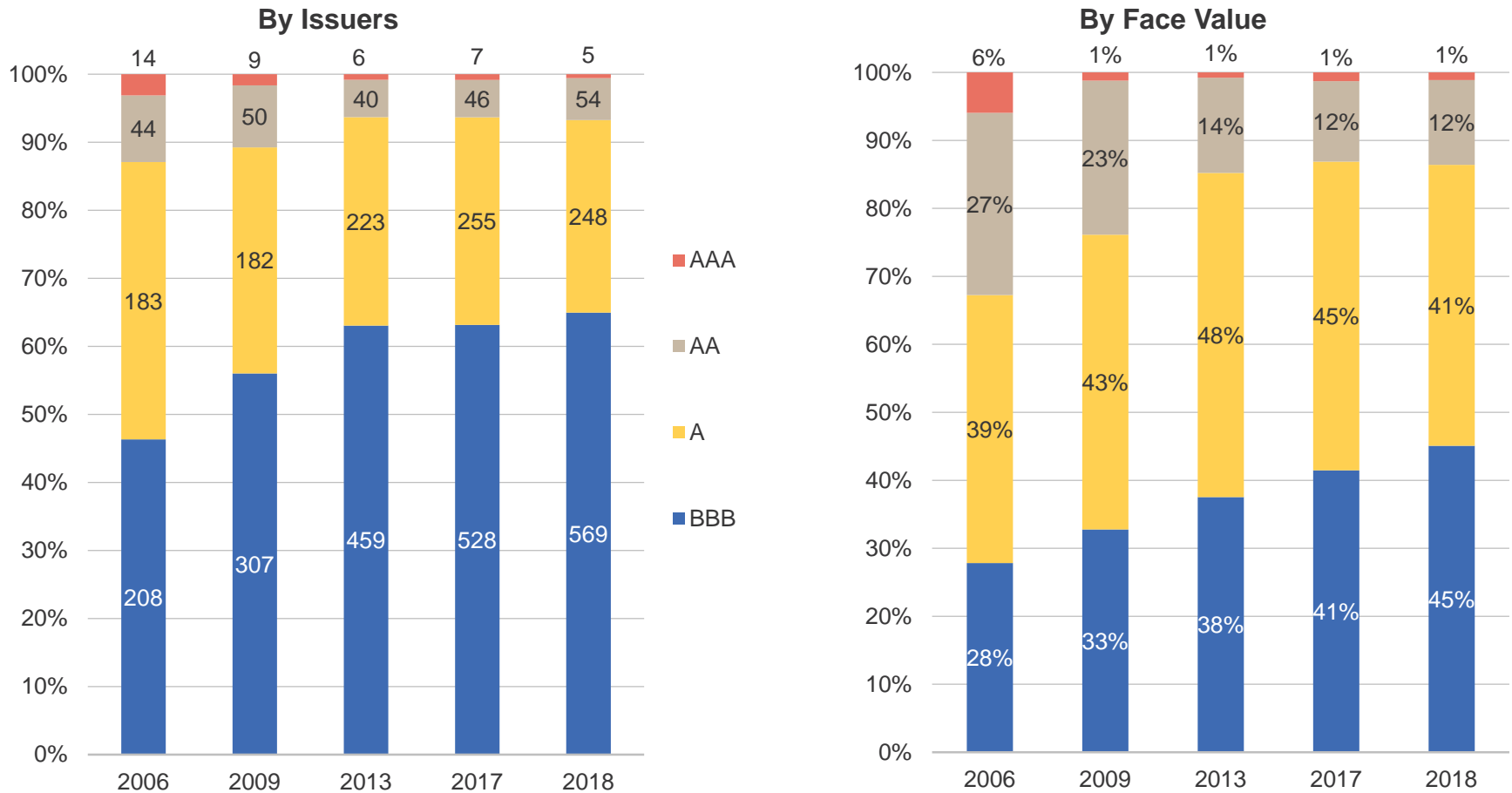
Top 10 Issuers	# of Issues	Amount Outstanding (millions)	% of Corp Index	Moody's	S&P	Fitch
J.P. Morgan Chase	22	\$50,900	1.99%	A2	A-	AA-
Bank of America	21	\$43,569	1.69%	A2	A-	A+
Goldman Sachs	17	\$38,350	1.50%	A3	BBB+	A
Morgan Stanley	13	\$31,082	1.22%	A3	BBB+	A
Wells Fargo	12	\$30,100	1.16%	A2	A-	A+
Citigroup	15	\$27,582	1.07%	A3	BBB+	A
HSBC	10	\$20,900	0.82%	A2	A	AA-
Oracle	8	\$16,494	0.63%	A1	AA-	A
Daimler Finance	17	\$15,575	0.60%	A2	A	A-
BNY Mellon	14	\$13,900	0.54%	A1	A	AA-

Representative list for informational purposes only; not an investment recommendation.
 Source: BofA Merrill Lynch 1-5 Year U.S. Corporate Index, as of January 2019 universe.



Corporate Ratings Landscape Continues to Evolve

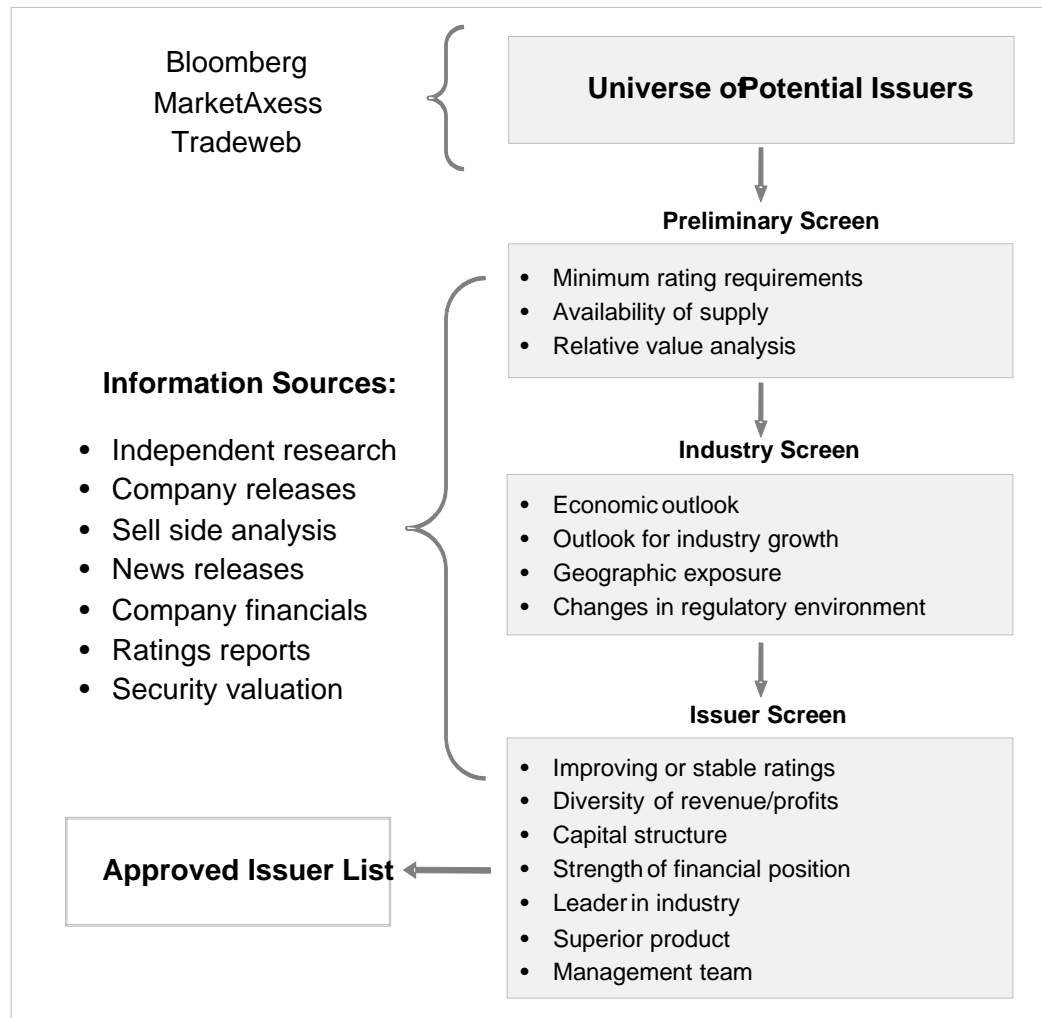
Composition of Merrill Lynch 1-5 Year Corporate Index



Source: BofA Merrill Lynch Indices composite ratings.



Credit Analysis and Monitoring Process





Credit Analysis and Monitoring Process

ML 1-5 Year Corporate Universe (as of May 9, 2019)

Rating	% of Issuers
AAA	1.1%
AA	11.8%
A	41.4%
BBB	45.6%

Exclude BBB-rated credits

Assess/screen sovereign & currency risk

Detailed credit review process

Approved Issuer List
175 Approved Issuers



Letter Rating Migration Rates

2018 One-Year Letter Rating Migration Rates										
From\To:	Aaa	Aa	A	Baa	Ba	B	Caa	Ca-C	Default	WR
Aaa	92.5%	3.8%	-	-	-	-	-	-	-	3.8%
Aa	-	93.8%	3.5%	-	-	-	-	-	-	2.7%
A	-	3.3%	89.4%	3.7%	0.1%	-	-	-	-	3.5%
Baa	-	-	3.4%	90.9%	1.3%	-	0.1%	-	-	4.4%
Ba	-	-	-	6.6%	79.0%	5.2%	0.3%	-	-	8.8%
B	-	-	-	-	5.3%	77.7%	4.3%	0.1%	0.5%	12.2%
Caa	-	-	-	-	0.2%	4.8%	74.3%	1.6%	3.0%	16.2%
Ca-C	-	-	-	-	-	-	15.3%	41.2%	29.4%	14.1%

Average One-Year Letter Rating Migration Rates, 1970-2018										
From\To:	Aaa	Aa	A	Baa	Ba	B	Caa	Ca-C	Default	WR
Aaa	87.8%	7.9%	0.6%	0.1%	0.0%	-	-	-	-	3.7%
Aa	0.8%	85.2%	8.5%	0.4%	0.1%	0.0%	0.0%	-	0.0%	4.9%
A	0.1%	2.5%	86.9%	5.3%	0.5%	0.1%	0.0%	-	0.1%	4.7%
Baa	0.0%	0.1%	4.1%	85.9%	3.7%	0.7%	0.2%	0.0%	0.2%	5.2%
Ba	0.0%	0.0%	0.4%	6.2%	76.5%	7.0%	0.7%	0.1%	0.9%	8.1%
B	0.0%	0.0%	0.1%	0.4%	4.8%	73.6%	6.5%	0.5%	3.1%	10.8%
Caa	-	0.0%	0.0%	0.1%	0.3%	6.5%	68.2%	2.8%	7.5%	14.6%
Ca-C	-	-	0.0%	-	0.6%	2.2%	9.9%	38.8%	26.9%	21.5%

Legend:

- Upgrades
- Downgrades to Investment Grade
- Downgrades to Non-Investment Grade
- Defaults

Source: Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2018



Diversification by Industry

Composition of the Corporate Universe				
	Financial	Industrial	Utilities	Total
AAA	0.2%	0.9%	0.0%	1.1%
AA	7.1%	5.2%	0.2%	12.5%
A	22.3%	17.1%	2.0%	41.4%
BBB	8.6%	33.6%	2.8%	45.0%
Total	38.2%	56.8%	4.9%	100%

Source: BofA Merrill Lynch 1-5 Year U.S. Corporate Index by face value, as of January 2019 universe.



Annual Issuer-Weighted Corporate Default Rates, 1983-2018

- Since 1983, corporate obligations rated A or better have experienced a very low default rate

Moody's Rating	Highest Annual Default Rate	Lowest Annual Default Rate	Average Annual Default Rate
Aaa	0.00%	0.00%	0.00%
Aa1	0.00%	0.00%	0.00%
Aa2	0.00%	0.00%	0.00%
Aa3	1.49%	0.00%	0.09%
A1	1.05%	0.00%	0.05%
A2	0.41%	0.00%	0.02%
A3	0.69%	0.00%	0.04%

Source: Moody's Default Report, February 2019.



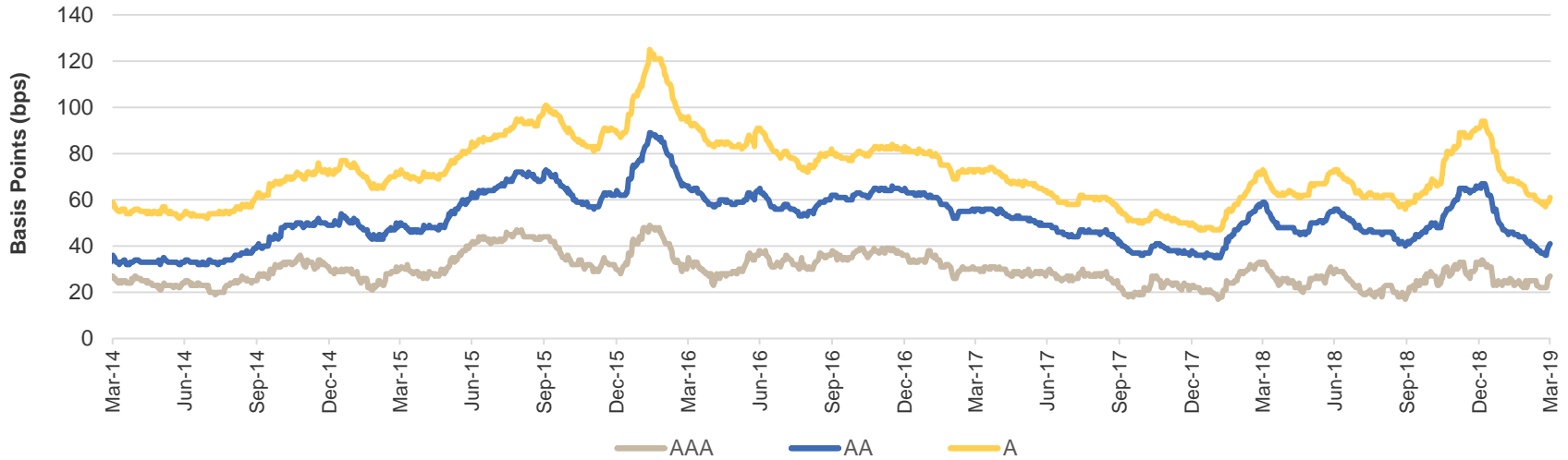
Corporate Sector Considerations: Historical Performance

- While spreads in the corporate sector are dependent on market conditions, investors are compensated in the form of additional yield based on perceived credit quality
- This additional yield provides additional return, and helps to support portfolio growth

Annualized Performance

	YTD	1 Year	3 Year	5 Year	10 Year
AAA	1.71%	3.91%	1.44%	1.80%	2.94%
AA	1.98%	4.14%	1.83%	2.00%	3.28%
A	2.37%	4.34%	2.14%	2.20%	4.22%

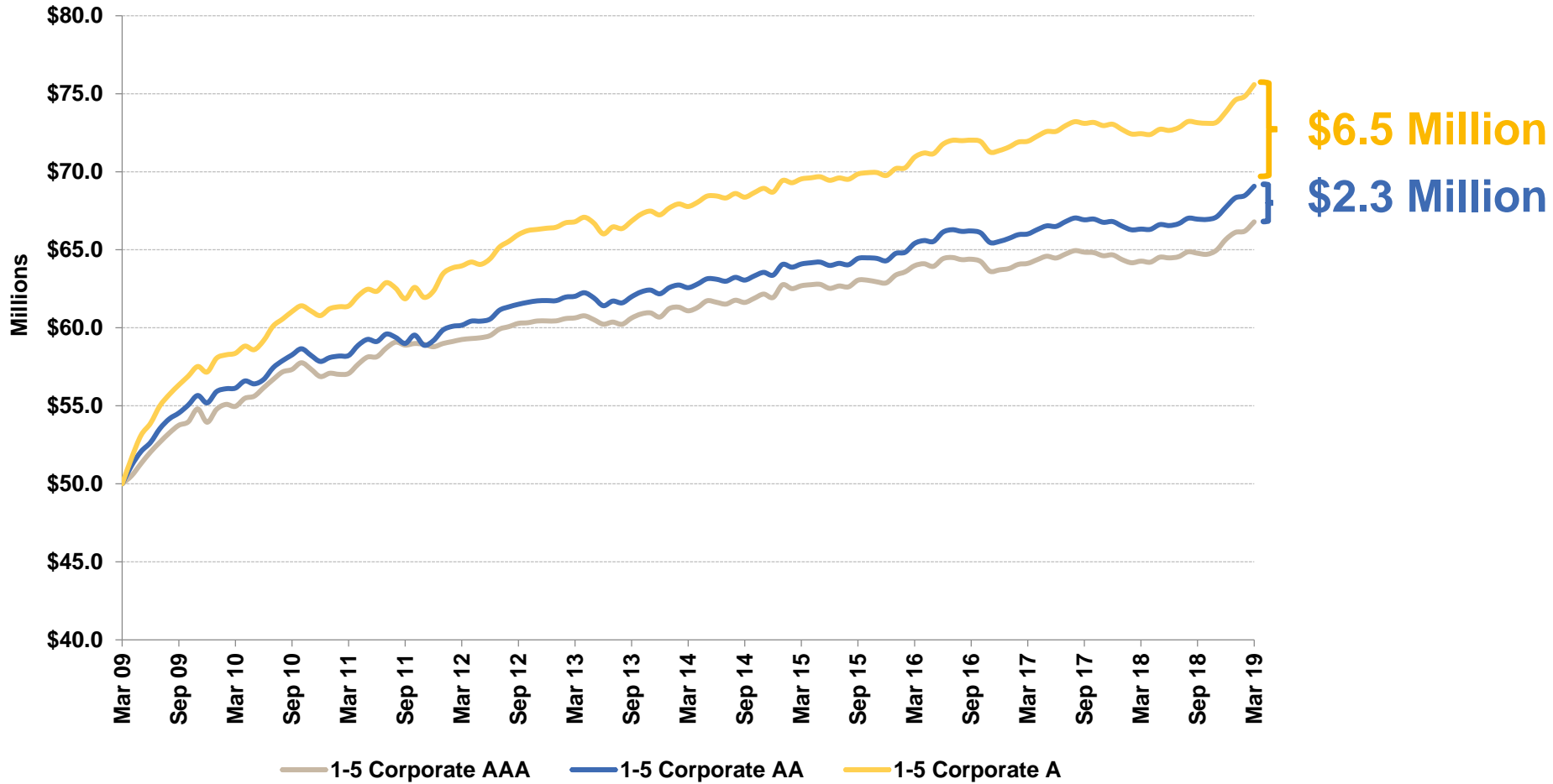
US Investment Grade Corporate OAS Spread



Performance for AAA, AA, and A derived from ICE BofAML 1-5 Year Indices as of 3/31/2019. Source: Bloomberg



Growth of \$50 million in AAA, AA, & A Corporate Indexes



Performance for AAA, AA, and A derived from ICE BofAML 1-5 Year Indices as of 3/31/2019. Source: Bloomberg



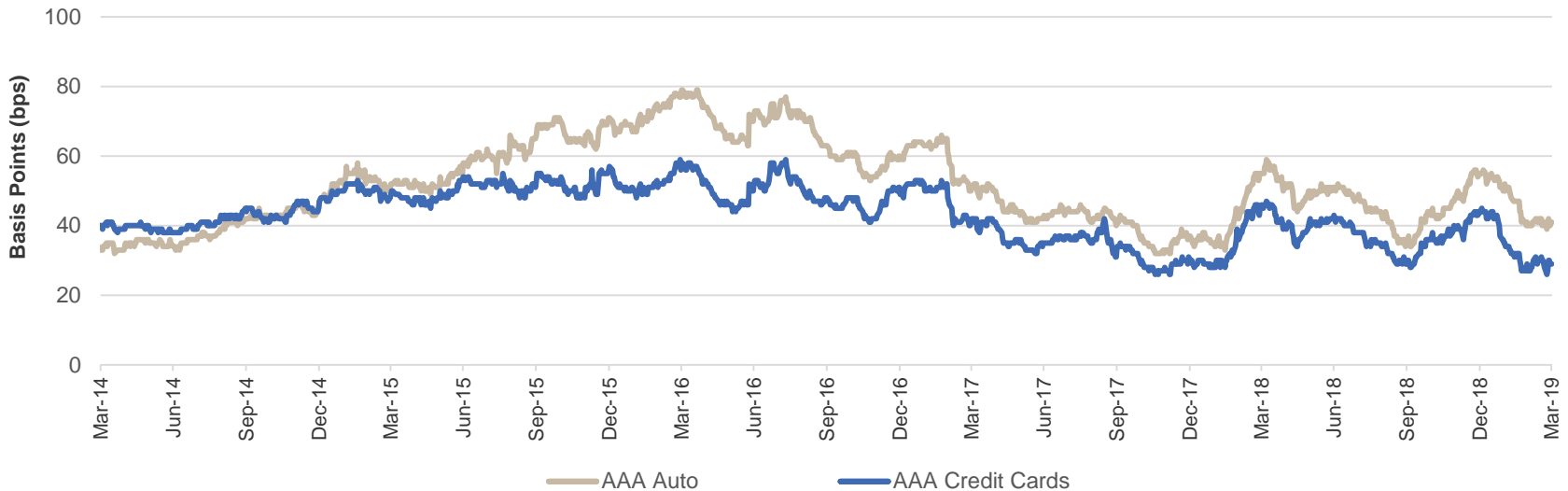
ABS Sector Considerations: Historical Performance

- Prime quality asset-backed securities provide important diversification to a fixed-income portfolio
- The sector is considered a high quality alternative to corporate obligations; often time offering comparable yield spreads for higher rated securities
- PFM only recommends AAA-rated, prime, ABS

Annualized Performance

	YTD	1 Year	3 Year	5 Year	10 Year
AAA Auto	1.12%	3.06%	1.82%	1.49%	1.99%
AAA Credit Cards	1.26%	3.32%	1.64%	1.76%	3.25%
1-5 Year US Treasury	1.22%	3.14%	0.97%	1.29%	1.46%

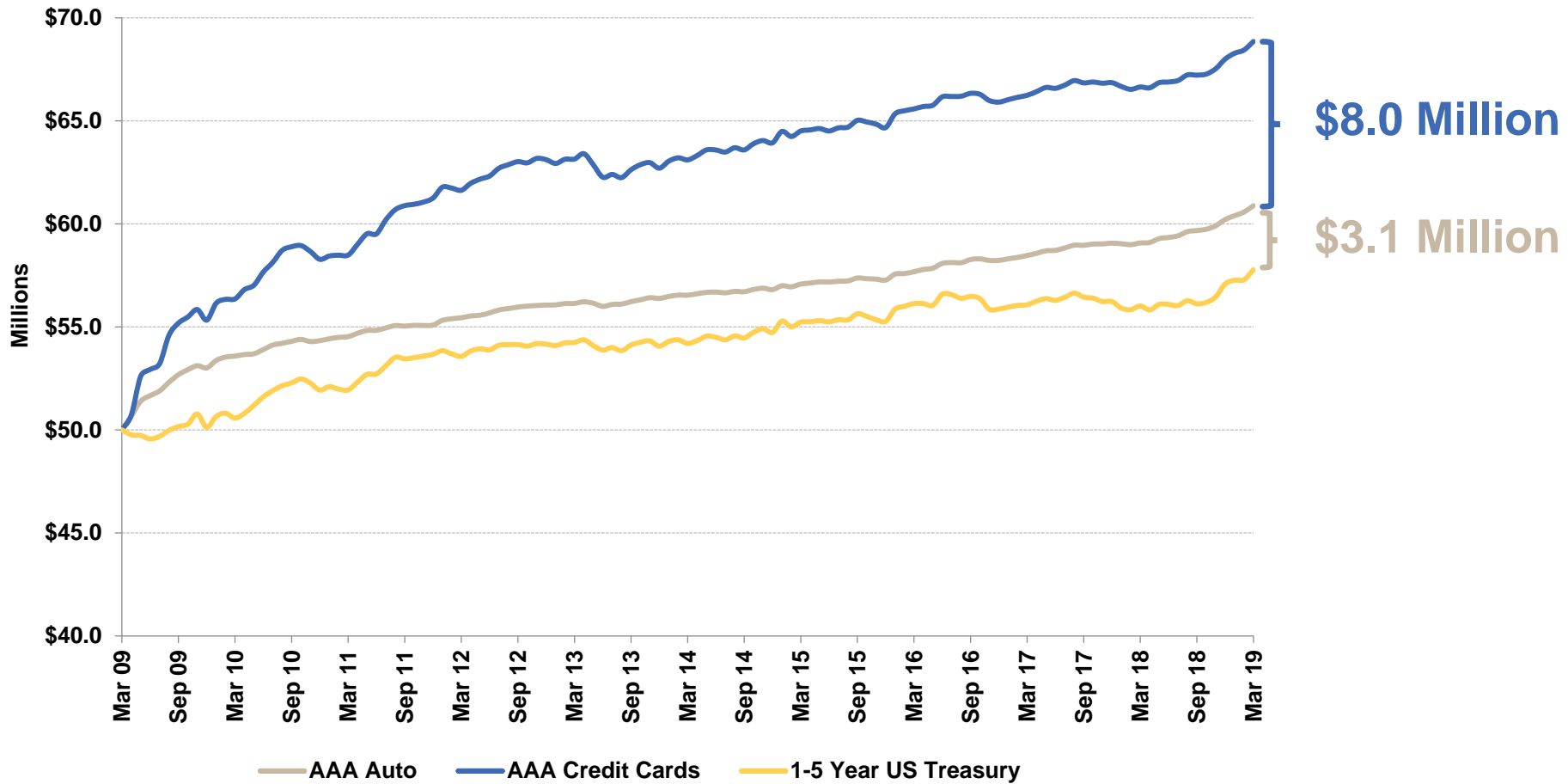
Yield Spread (OAS) on Asset Backed Securities



Performance for AAA Auto, AAA Credit Cards, & 1-5 Year US Treasury from ICE BofAML 1-5 Year Indices as of 3/31/2019. Source: Bloomberg.



Growth of \$50 million in ABS vs Treasuries

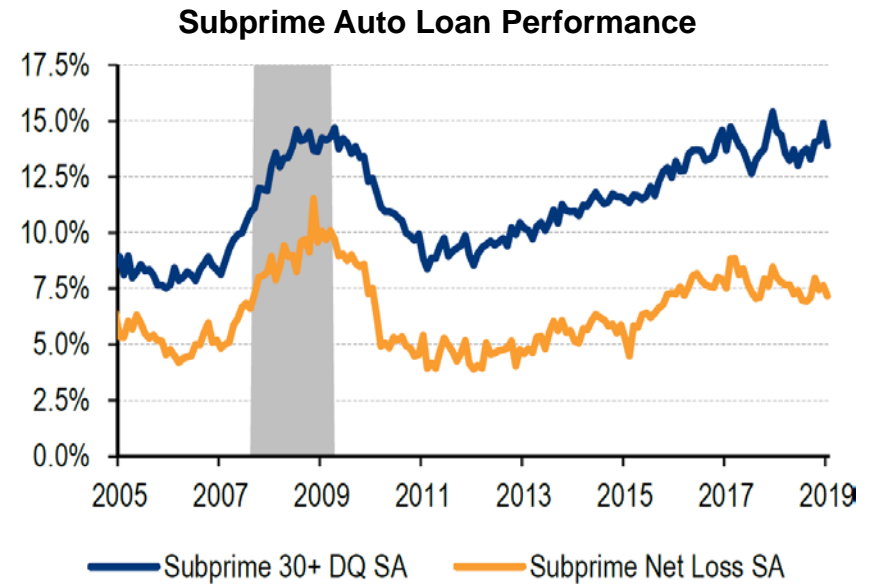
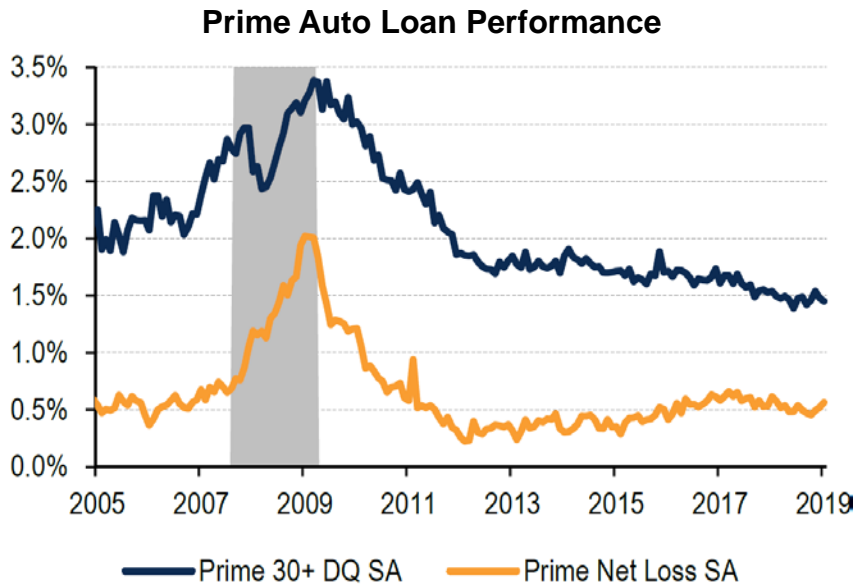


Performance for AAA Auto, AAA Credit Cards, & 1-5 Year US Treasury from ICE BofAML 1-5 Year Indices as of 3/31/2019. Source: Bloomberg.



ABS Sector Considerations: Collateral Performance

- There is an important distinction to be made between the credit quality and performance of “prime” vs “subprime” ABS and expectations for the performance of the associated collateral
- In addition to analyzing the securities credit enhancements prior to purchase, ongoing monitoring is an important aspect of the credit review process



Source: BofA Merrill Lynch



Appendix



PFM's Credit Committee *(as of January 29, 2019)*

- ◆ Formal meetings every month, and as necessary based on market events
- ◆ **Function and Responsibilities**
 - Manage credit risk
 - Formal monthly meetings
 - Intra-month meetings as needed
 - Review macro events
 - Review written credit reports, supporting material
 - Monitor credit rating actions
- ◆ **Approved Credit List**
 - Primary credit risk management tool
 - Both short-term and long-term views
 - Portfolio managers and traders restricted by approved list
 - Restrictions integrated into trading and compliance systems
 - Limits based on internal credit assessment melded with client needs and policies
- ◆ Keeps written minutes of meetings

Credit Committee	Role at PFM
Robert Cheddar, CFA* Committee Chair	Chief Credit Officer / Head Portfolio Manager
Marty Margolis*	Chief Investment Officer
Ken Schiebel, CFA*	Co-head of Portfolio Strategies Group
Kyle Jones*	Co-head of Portfolio Strategies Group
James Sims, CFA	Sr. Portfolio Manager
Michael Varano*	Head Portfolio Manager, LGIPs
Joseph Creason, CFA	Sr. Portfolio Manager
Michael Downs, CFA	Portfolio Manager
Brain Raubenstine	Sr. Portfolio Manager
Jeffrey Rowe, CFA*	Sr. Portfolio Manager
Kerri Staub	Sr. Portfolio Manager
Leo Karwejna (ex-officio)*	Chief Compliance Officer

*Denotes Managing Director



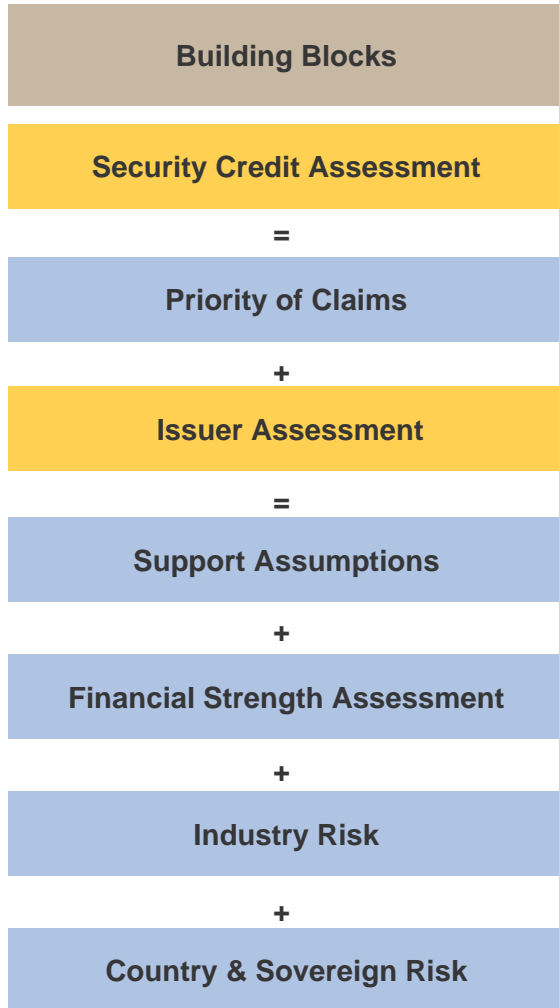
Credit Review Philosophy

- ◆ Utilize credit in seeking to generate above benchmark returns with minimum volatility
- ◆ Integrated into broader investment process
- ◆ Research conducted “on the desk” by portfolio managers and traders
- ◆ Emphasize emerging industry and macro trends
- ◆ Build in a “margin of safety”

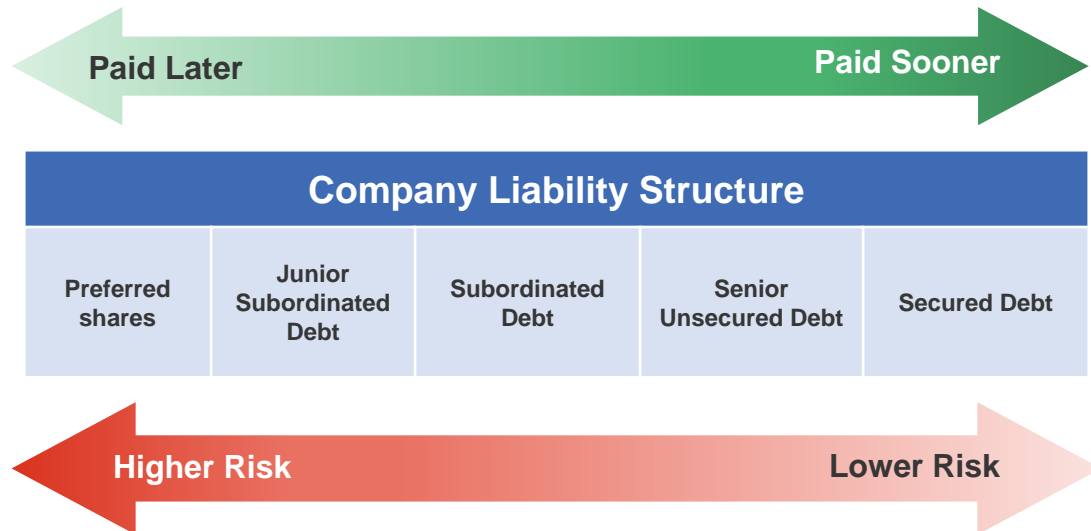
Issuer Analysis	Macro / Industry Analysis
<ul style="list-style-type: none">✓ Balance sheet: ratios and analysis✓ Earnings: actual and projections✓ Asset quality and impairments✓ Debt and liquidity levels✓ Corporate governance✓ Prices of bonds, equity, and credit default swaps✓ Supply and trading volume✓ Analysts' recommendations	<ul style="list-style-type: none">✓ Macro-economic conditions✓ Industry trends✓ Competitive environment✓ Business cycle✓ Regulatory environment✓ Rating agency actions✓ Sovereign credit developments✓ Geopolitical risks



Credit Assessment Process: How We Assess Credit Risk



- Analysis of both the issuer **and** the security is integral to our credit process
- Risk/return characteristics are related to an issuer's creditworthiness as well as an investor's rights and priority of claim at the security level.
- Each issuer is analyzed to identify the full investment opportunities set



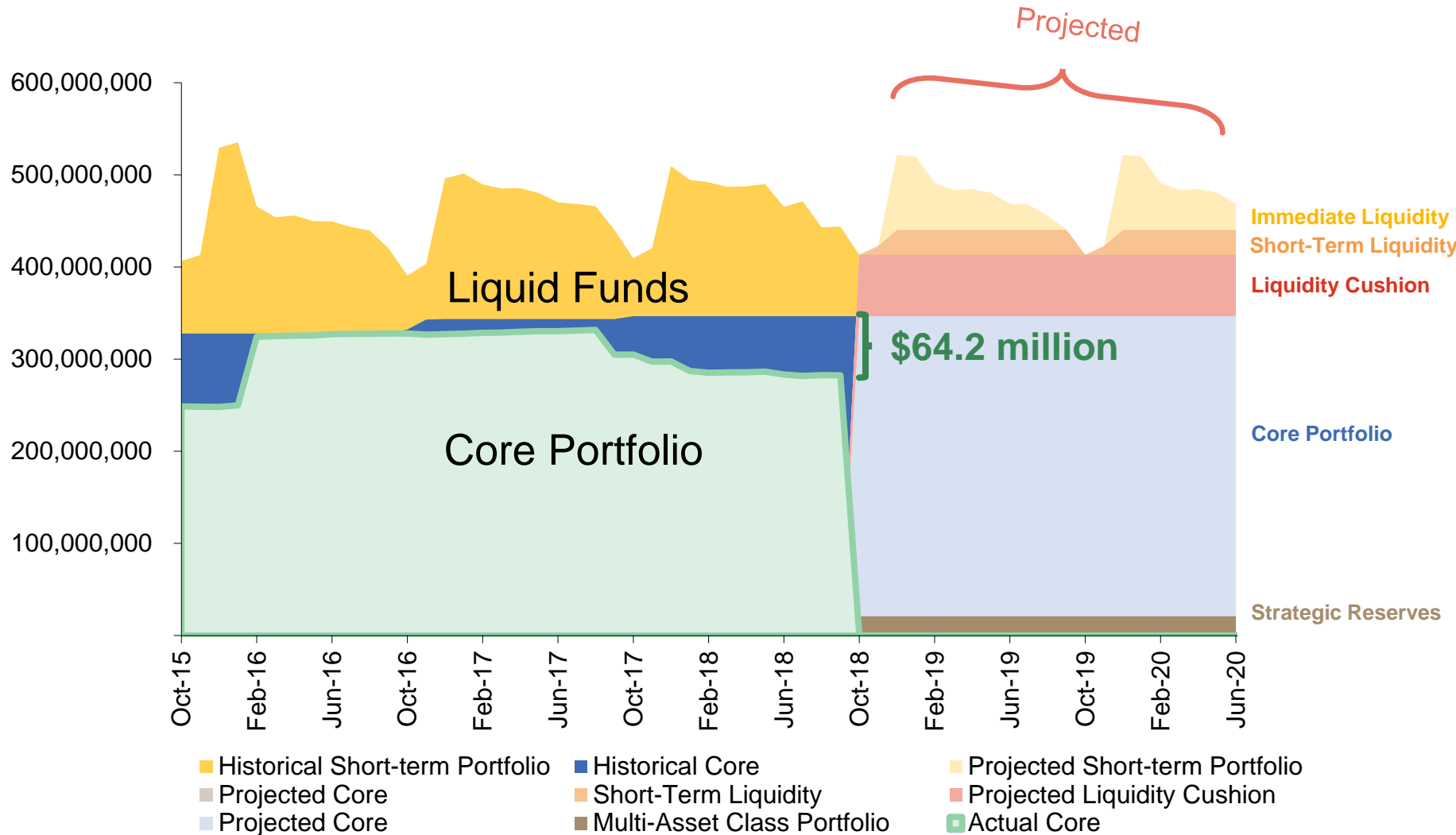


Current Projects

Project	Goal	Next Steps
Internal Control Manual Update	City's internal controls policy is in the process of being updated	Finalize manual
Investment Policy Update	Update the City's investment policy to bring in line with GFOA best practices, Florida Statutes, and the APT of US & C, add additional allowable investments, and remove fuel hedge policy.	Approve the policy
Short Term Investments	Increase diversification and projected earnings among short term securities.	Review the short term options available to the City.
Cash Flow Analysis	Determine the appropriate allocation between long-term and short-term portfolios	Update annual cash flow analysis
Strategic Reserves Portfolio	Allocate up to 5% of the City's investment reserves into a multi-asset class portfolio to increase overall investment program performance.	Evaluate funding amount and appropriate strategy



Historical Analysis of Aggregate Portfolio Balances



Disclosure

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