City and County of Denver

Investment Portfolio Performance Report

Quarter Ended 6/30/2020

Prepared By:

Cash, Risk & Capital Funding Division

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Report Content:

I. Economic Commentary

Capital markets regained most of their losses in the second quarter as fiscal and monetary intervention provided a backstop to markets and the economy. The S&P 500 and Dow Industrial Average nearly reached pre-pandemic levels. Yields along the entire U.S. Treasury yield curve stabilized and spreads in credit sectors narrowed close to pre-pandemic levels. Local economies across the United States began to reopen; however, COVID-19 cases and hospitalizations surged in many states, signaling the pandemic is far from over.

The Federal Open Market Committee (FOMC) held rates near zero, with the Federal funds rate remaining in the range of 0.00% to 0.25%. The Federal Reserve implemented its full range of tools to support households, businesses, and the U.S. economy outlined during the first quarter. The Federal Reserve's Secondary Market Corporate Credit Facility began buying credit ETFs and corporate bonds across all sectors. The total amount purchased surpassed $10 billion at the end of the second quarter. Several other programs were also initiated over the past months. The Federal Reserves balance sheet grew from $4.2 trillion during the first quarter to $7.1 trillion at the end of the second quarter as these programs took effect. Federal Reserve messaging indicated rates will likely continue near zero for the foreseeable future and the central bank's policy will remain accommodative.

Payrolls increased 4.8 million in June; however, employment is a long way off due to the number of jobs lost during the pandemic. The monthly unemployment rate improved to 11.1% in June from 13.3% in May. However, a mis-classification error understated the un-employment rate by 1% in June. The U-6, a broader measure of unemployment, eased slightly to 18.0% in June down from 21.2% in May.

Manufacturing data improved with the ISM Index rising to a value of 52.6 by quarter end. The above 50.0 rating suggests the manufacturing sector is expanding again. The housing sector saw home prices increase 4.0% year over year in April. Housing starts rose with single-family starts up 4.3% in May, and multi-family starts increased 15% in the same month. The trend suggests that low inventory and low mortgage rates are driving single-family housing activity.

Exposure to credit securities in the portfolios increased slightly in the second quarter. Credit spreads tightened significantly near the end of June as the Federal Reserve began purchasing credit asset classes. Treasury yields remained static during the quarter. Volatility in fixed income markets affected portfolio performance for the quarter. The City's investment portfolio modestly underperformed the stated benchmark indices by 0.09% year to date on a total return basis.

Portfolios	Market Value
Managed Portfolios	$5,878,120,955
Special Purpose Portfolios	$55,283,971
Finance Administrated	**$5,933,384,926**

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II. Consolidated Portfolio $5,292,782,654

Total Return	1-Month	3-Month	YTD
Total Return	0.21%	1.11%	3.83%
Blended Benchmark (TR)	0.21%	1.06%	3.92%
Excess Return	**0.00%**	**0.05%**	**-0.09%**

Current Return	1-Month	3-Month	YTD
Current Return	2.11%	2.32%	2.31%
Blended Benchmark (CR)	0.50%	0.64%	1.07%
Excess Return	**1.61%**	**1.68%**	**1.24%**

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were $57,148,107.

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 have been allocated towards a modestly shorter benchmark duration within the 1-5 and 1-10 year strategies. We believe investment in shorter duration securities into the strategies is most prudent during times of elevated interest rate volatility. Safety of principal is paramount in investing the City's funds.
- Corporate Bonds, Collateralized Mortgage Obligations, Mortgage-Backed Securities, and Asset-Backed Securities are new 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 at the beginning of the second quarter of 2020; but purchases slowed during the quarter due to market volatility caused by COVID-19 pandemic.
- 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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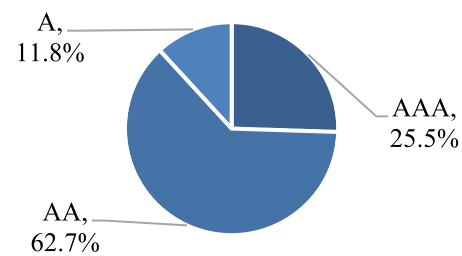
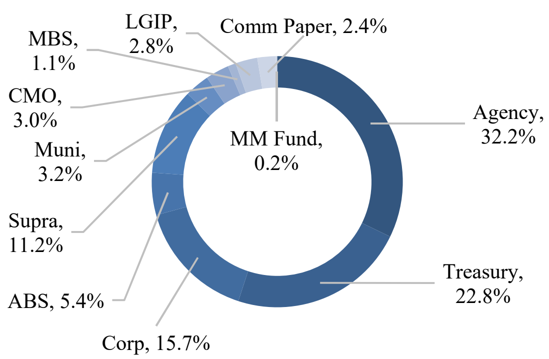
Consolidated Portfolio Composition

Characteristics	
Average Duration	2.43
Average Coupon	2.15%
Average Yield to Maturity	0.44%
Average Rating (S&P)	AA+
Average Life	2.54yrs

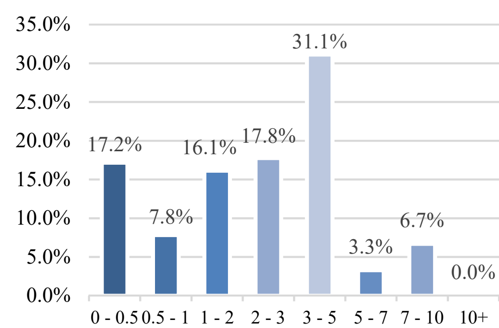
Credit Quality (S&P)



Asset Allocation



Maturity Distribution



- The Consolidated Portfolio's net assets increased by approximately $46 million during the second quarter of 2020. On June 30th, 2020, net assets were $5.29 billion, compared to $5.25 billion on March 31st, 2020, as inflows exceeded expenditures. The increase in net assets was primarily due to cyclical inflows, consistent with historical second quarter activity. A large portion of inflows for the City occur during the first half of the year; however, inflows were less than prior years due to economic factors related to the COVID-19 pandemic.

- The weighted average maturity (WAM), an aggregate portfolio measure of total years remaining until the maturity of all underlying holdings, ended lower during the second quarter. The WAM decreased at end of the quarter, due to increased exposure to short term assets. While modestly short benchmark duration, rebalancing and securities purchase activity in the intermediate strategies during the second quarter extended duration more closely with the model and benchmark. The model continues to remain short of benchmark duration.

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6/30/2020

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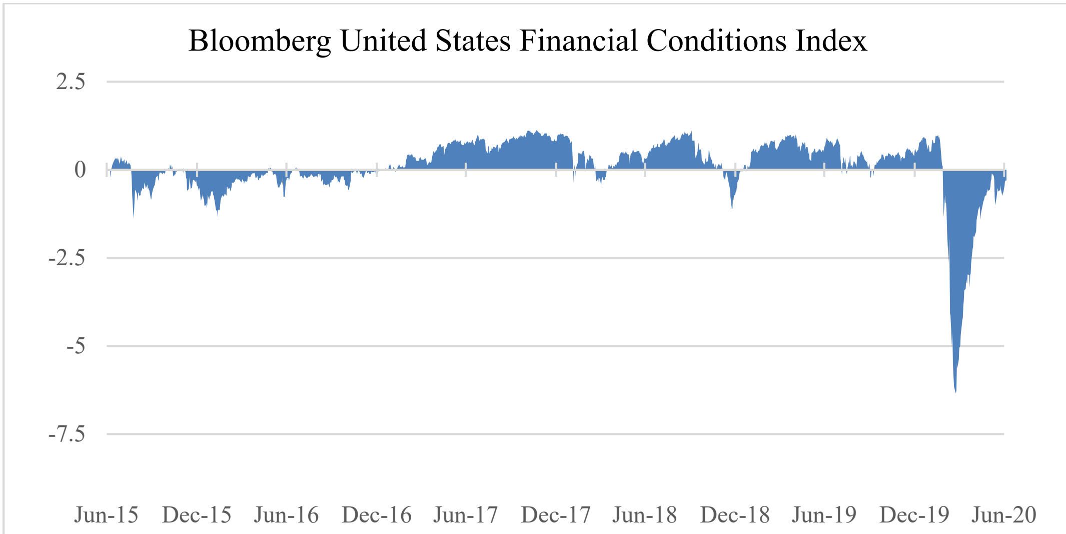
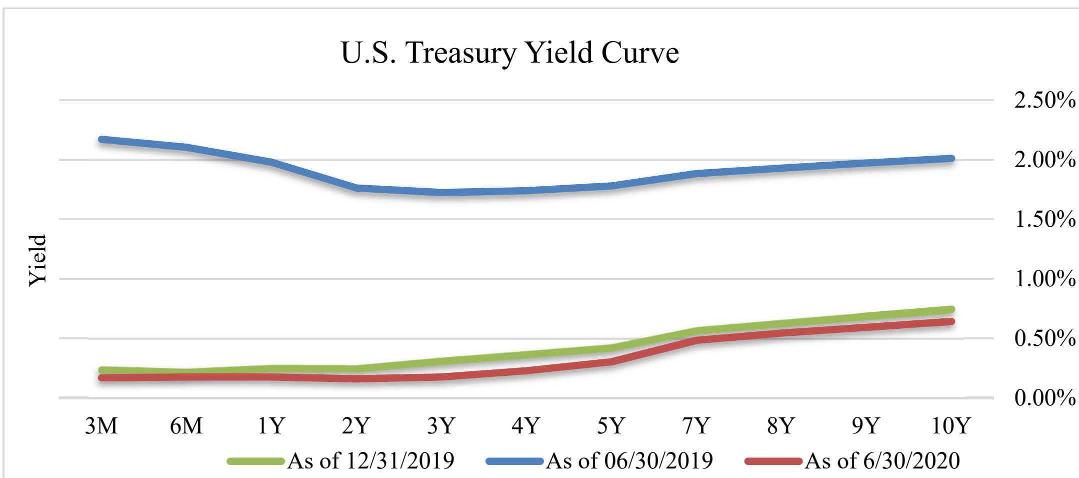
Portfolio Management Environment





- The Federal Reserve maintained the Fed funds rate to a range of 0.00%-0.25% during the second quarter of 2020. The Fed signaled rates will stay near zero for the foreseeable future
- The one-month LIBOR rate was 0.16% as of June 30th, 2020; a decrease of 83 basis points from March 31st, 2020.
- As of June 30th, 2020, the yield of the two-year Treasury index was 0.15%, and the five-year Treasury index was yielding 0.29%. A year earlier, as of June 30th, 2019, the yield of the two-year Treasury index was 1.75%, and the five-year Treasury index was yielding 1.77%.
- The median of economists' forecast is for a .20% two-year Treasury yield at the end of the of the year 2020.
- Movement in rates of the yield curve were mixed in the second quarter with yields improving on the long end and declining on the short end. At the end of the second quarter, the two-year, five-year, and ten-year were at 0.15%, 0.29%, and 1.41%, respectively.

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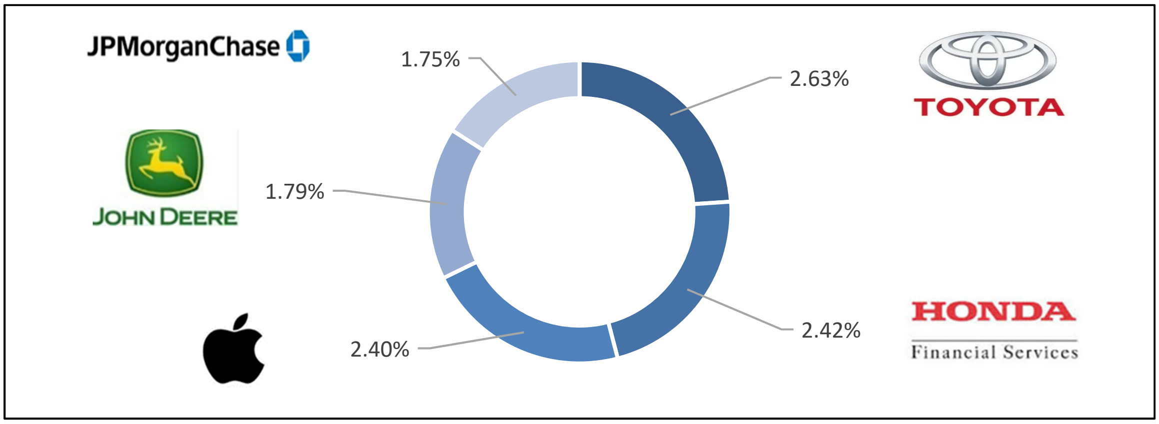
Report Content:

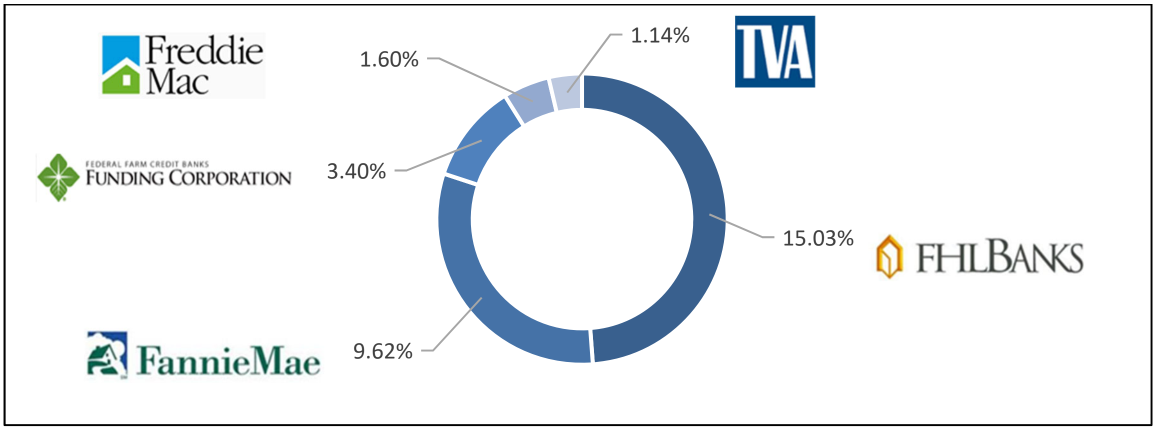
Consolidated Top Holdings

Top 5 Credit Holdings			
Issuer	**Market Value**	**% of Portfolio**	**Industry**
Toyota Motor Credit Corp.	138,409,177	2.63%	Automobiles
American Honda Finance	127,667,090	2.42%	Automobiles
Apple, Inc.	126,534,179	2.40%	Technology
Deere & Co.	94,524,264	1.79%	Machinery
JP Morgan Chase & Co	92,127,278	1.75%	Financials
Total	**$579,261,988**	**10.99%**	

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



Top 5 Agency Holdings		
Issuer	**Market Value**	**% of Portfolio**
FHLB	791,763,362	15.03%
FNMA	506,964,941	9.62%
FFCB	179,408,821	3.40%
FHLMC	84,248,516	1.60%
TVA	60,080,032	1.14%
	$1,622,465,672	**30.79%**



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Report Content:

III. Airport Reserve Portfolio $541,808,165

Total Return			
	1-Month	**3-Month**	**YTD**
Total Return	0.29%	1.19%	5.03%
Blended Benchmark (TR)	0.21%	1.15%	5.14%
Excess Return	**0.08%**	**0.04%**	**-0.11%**
Current Return			
	1-Month	**3-Month**	**YTD**
Current Return	2.80%	2.65%	2.65%
Blended Benchmark (CR)	0.60%	0.75 %	1.15%
Excess Return	**2.20%**	**1.90%**	**1.50%**

Year-to-Date earnings on a current return basis for the Reserve Portfolio were $6,564,246.

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.

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- 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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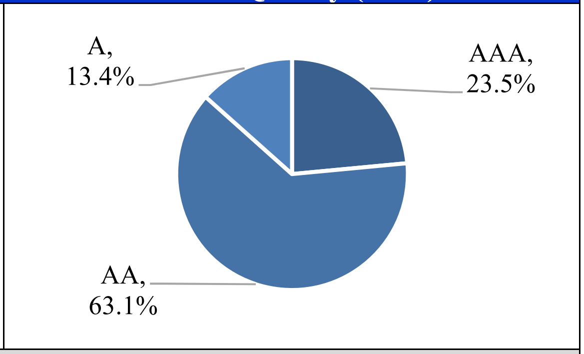
Report Content:

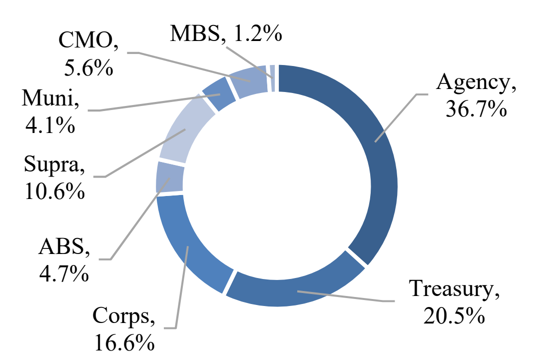
Airport Reserve Portfolio Composition

Characteristics	
Average Duration	3.34
Average Coupon	2.55%
Average Yield to Maturity	0.48%
Average Rating (S&P)	AA+
Average Life	3.56 yrs

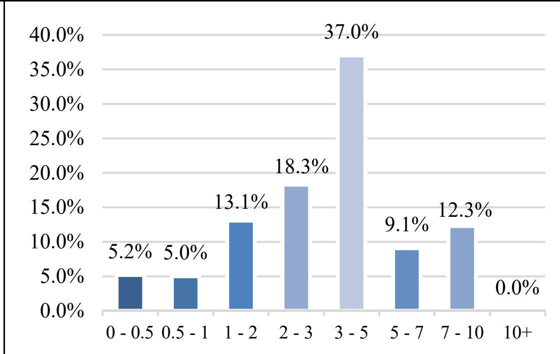
Credit Quality (S&P)



Asset Allocation



Maturity Distribution



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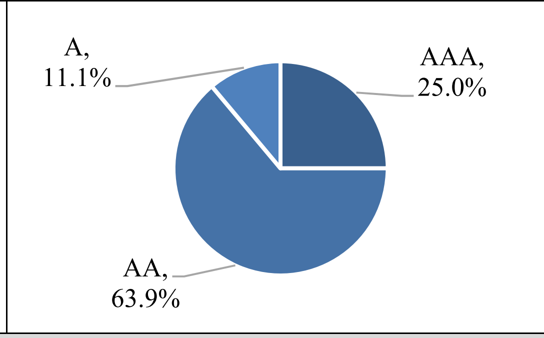
Report Content:

IV. Workers Compensation Portfolio Composition **$43,530,136**

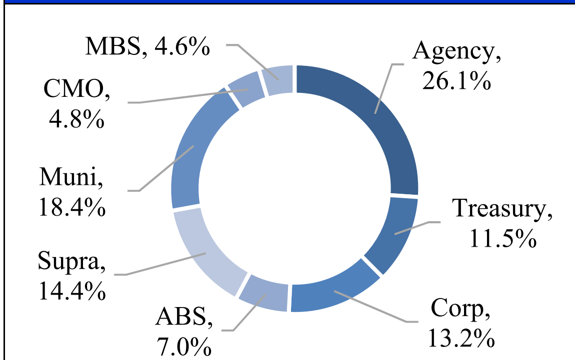
Characteristics

Average Duration	3.97
Average Coupon	2.89%
Average Yield to Maturity	1.02%
Average Rating (S&P)	AA+
Average Life	5.13 yrs

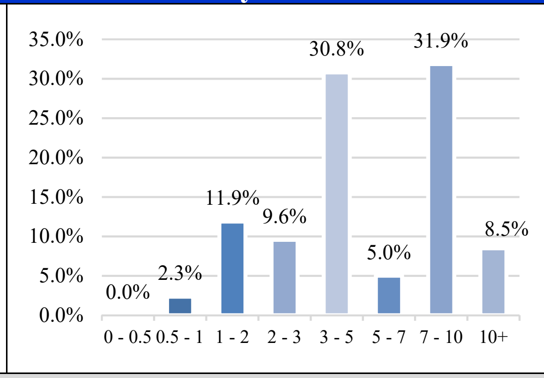
Credit Quality (S&P)



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 second quarter of 2020 was 2.66%.
- Year-to-Date earnings on a current return basis for the Worker's Compensation were $579,909.

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V. Special Purpose Portfolios $55,263,971

In addition to the actively managed investments, the Cash, Risk & Capital Funding Division manage three additional portfolios. The FAA (Federal Aviation Administration) Escrow Defeasance portfolio was established to economically defease outstanding airport bonds. The Denver Cableland Trust portfolio was established to fund the annual maintenance expenses for Cableland, a facility donated to the City. These portfolios are authorized by the Investment Policy to contain longer term securities and higher per issuer constraints within the Consolidated and Reserve portfolios. The majority 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 three portfolios are pledged for specific purposes.

	Market Value	2020 YTD Current Return	2020 YTD Earnings
FAA Escrow Account	$51,061,414	6.57%	$1,296,378
Denver Cableland Trust	$4,202,557	3.39%	$64,827

Escrows

Cash, Risk & Capital Funding Division also manages certain investments held in escrow accounts at external financial institutions on behalf of Denver International Airport (primarily representing equipment leases). As of June 30th, 2020, there was an outstanding balance of $0.

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, Risk & Capital Funding Division at 720-913-3091.

Caroline A Hendrickson

Caroline Hendrickson
Director of Cash & Investments

Gregory T. King

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 June 30, 2020, 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 June 30, 2020, appears to be accurately reflected.

Signed this 5th day of August 2020

Nicole Dragoo
COO, Chief Compliance Officer