



DENVER
THE MILE HIGH CITY

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
Cashand.InvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
Cashand.InvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
Cashand.InvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siyi Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

I. Economic Commentary

Equity markets had another consecutive quarter of reaching record highs in June. Investors were optimistic for strong economic growth due to increased consumer spending, fiscal plans for an infrastructure bill, and continued accommodative monetary policy. The S&P 500 and Dow Industrial Average achieved their peaks near the end of the quarter. Fixed income investors were not as optimistic due to concerns over economic growth and the COVID-19 delta variant. Yields along the long end of the treasury curve declined dramatically in June. The 10-year treasury declined 27 basis points and the year 30-year treasury declined 32 basis points before quarter end. Yields along the short end of the treasury curve saw a modest gain over the same period.

At its June meeting, the Federal Open Market Committee (FOMC) held short term rates near zero, remaining in the range of 0.00% to 0.25%. The Federal Reserve (the Fed) continued its purchasing of Treasuries, mortgage backed securities, and other agency securities during the quarter; however, the Fed did begin discussing the idea of ending its asset purchases at some point. The timing of tapering is not clear. The growing consensus among analysts and investors is that the Fed will need to taper its asset purchases sooner than anticipated. Currently, the Fed's monetary policy remains accommodative.

Payrolls increased 850,000 in June, well above the analysts' expectations of

720,000 jobs. The leisure and hospitality sector showed the strongest gains compared to other sectors. The monthly unemployment rate ticked up to 5.9% in June up from 5.8% in May. Employment improved over the quarter, but payrolls remain well below pre-pandemic levels. U-6, a broader measure of unemployment remained high but eased slightly to 9.8% in June down from 10.2% in May.

Manufacturing data ticked down with the ISM Index easing to a value of 60.6 by quarter end, down from 64.7 last quarter. The index remaining above 50 suggests the manufacturing sector continues to expand albeit at a slower pace. The housing sector saw home prices increase 14.9% year over year in April. Total housing starts rose 3.6% in May. A breakdown of that figure shows single-family starts were up 4.2% in May and multi-family starts increased 2.4% for the same period. The trend suggests low inventory and strong demand were a tailwind for home prices.

Exposure to credit securities in the portfolios increased in the second quarter. Credit spreads tightened due to high demand and low inventories. Treasury yields remained near historically low levels during the quarter. Portfolio performance improved for the period. The City's investment portfolio outperformed the stated benchmark indices by 0.07% for the quarter on a total return basis.

Portfolios	Market Value
Managed Portfolios	\$5,194,618,421
Special Purpose Portfolios	\$12,627,221
Denver CARES Escrow Account	\$84,420,348
Finance Administrated	\$5,291,665,990



DENVER
THE MILE HIGH CITY

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended

06/30/2021

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
Cashand.InvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
Cashand.InvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
Cashand.InvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

II. Consolidated Portfolio

\$4,627,870,056

Total Return			
	1-Month	3-Month	YTD
Total Return	-0.08%	0.30%	-0.36%
Blended Benchmark (TR)	-0.11%	0.28%	-0.43%
Excess Return	0.03%	0.02%	0.07%

Current Return			
	1-Month	3-Month	YTD
Current Return	1.86%	1.93%	2.03%
Blended Benchmark (CR)	0.44%	0.47%	0.43%
Excess Return	1.42%	1.46%	1.60%

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were \$41,788,934.

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 decreased as a percentage of total composition due to asset maturities outpaced asset purchases. Purchases in the voter approved asset classes remained slow during the quarter due to lower inventories and lower issuance.
- 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.



DENVER
THE MILE HIGH CITY

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended

06/30/2021

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
CashandInvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
CashandInvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
CashandInvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
CashandInvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

Consolidated Portfolio Composition

Characteristics		Credit Quality (S&P)
Average Duration	2.30	
Average Coupon	1.84	
Average Yield to Maturity	0.44%	
Average Rating (S&P)	AA+	
Average Life	2.37yrs	

Asset Allocation	Maturity Distribution

- The Consolidated Portfolio's net assets increased by approximately \$399 million during the second quarter of 2021. On June 30th, 2021, net assets were \$4.63 billion, compared to \$4.23 billion on March 31st, 2021, as inflows exceeded outflows. Historical cyclical inflows are beginning to improve but have yet recover to pre-pandemic levels. Intra-portfolio transfers also increased the Consolidated Portfolio's net assets.
- 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 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 short of benchmark duration.



DENVER
THE MILE HIGH CITY

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
CashandInvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
CashandInvestmentAdministration@denvergov.org

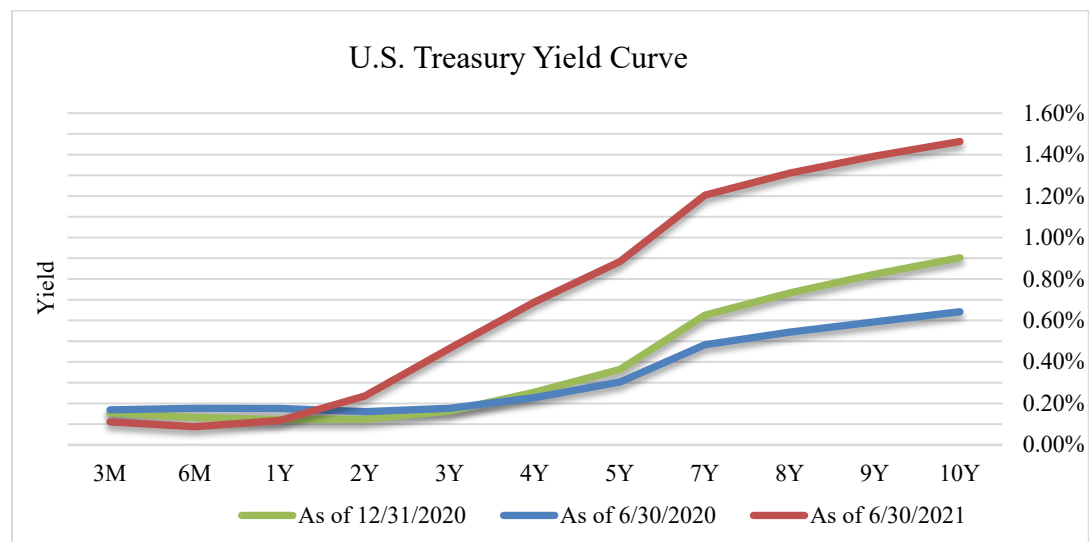
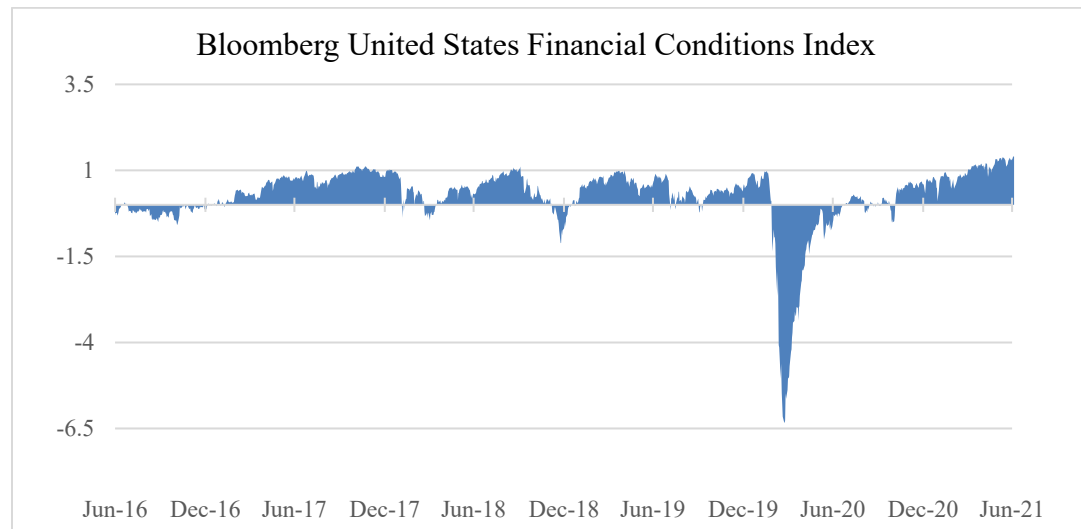
Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
CashandInvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
CashandInvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

Portfolio Management Environment



- The Federal Reserve maintained the Fed funds rate to a range of 0.00%-0.25% during the second quarter of 2021. The Fed signaled rates will stay near zero for the foreseeable future.
- The one-month LIBOR rate was 0.10% as of June 30th, 2021; a decrease of about one basis point from March 31st, 2021.
- As of June 30th, 2021, the yield of the two-year Treasury index was 0.29%, and the five-year Treasury index was yielding 0.89%. A year earlier, 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%.
- The median of economists' forecast is for a 1.64 % ten-year Treasury yield at the end of the year 2021.
- Volatility in rates of the yield curve increased on long-term yields while short term yields declined modestly in the second quarter. At the end of the second quarter, the two-year, five-year, and ten-year were at 0.29%, 0.89%, and 1.47%, respectively.

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
Cashand.InvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
Cashand.InvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
Cashand.InvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance 1

Consolidated Portfolio 2

Airport Reserve Portfolio 6

Worker's Comp Portfolio 8

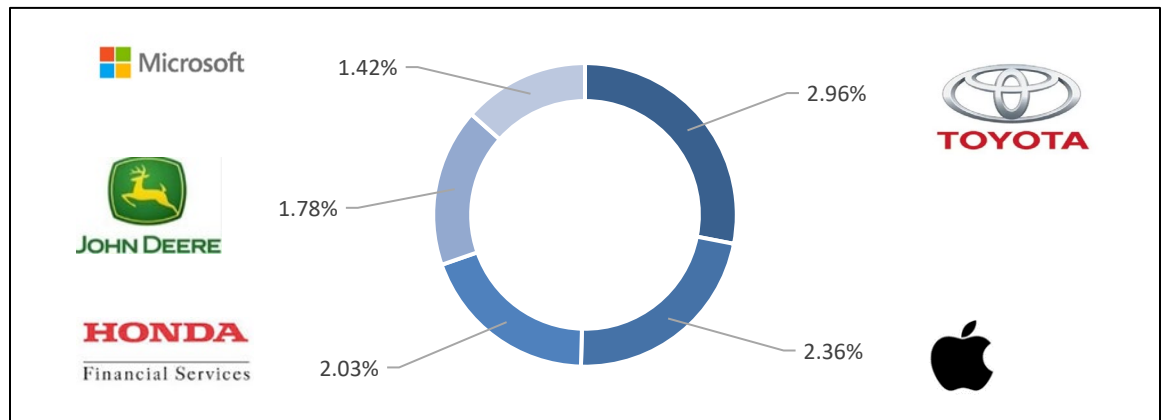
Special Purpose Investments 9

Escrows 9

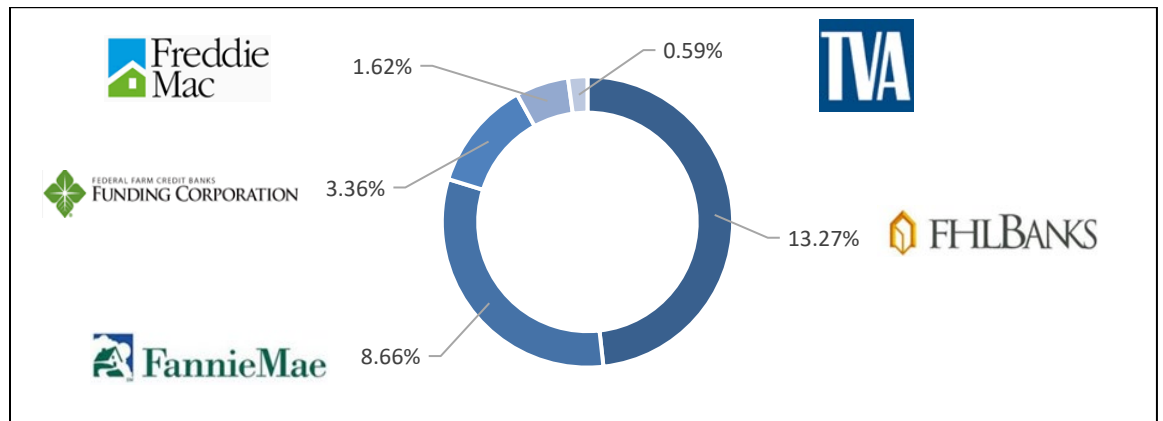
Consolidated Top Holdings

Top 5 Credit Holdings			
Issuer	Market Value	% of Portfolio	Industry
Toyota Motor Credit Corp	140,946,487	2.96%	Automobiles
Apple, Inc.	112,688,777	2.36%	Technology
American Honda Finance	96,875,561	2.03%	Automobiles
Deere & Co.	84,966,216	1.78%	Industrial
Microsoft Corp	67,860,074	1.42%	Technology
Total	\$503,337,115	10.55%	

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



Top 5 Agency Holdings		
Issuer	Market Value	% of Portfolio
FHLB	632,606,752	13.27%
FNMA	413,032,398	8.66%
FFCB	160,297,243	3.36%
FHLMC	77,148,611	1.62%
TVA	28,057,030	0.59%
Total	\$1,311,142,034	27.50%





DENVER
THE MILE HIGH CITY

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
CashandInvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
CashandInvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
CashandInvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
CashandInvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

III. Airport Reserve Portfolio

\$525,606,744

Total Return			
	1-Month	3-Month	YTD
Total Return	-0.01%	0.60%	-0.70%
Blended Benchmark (TR)	-0.04%	0.59%	-0.77%
Excess Return	0.03%	0.01%	0.07%

Current Return			
	1-Month	3-Month	YTD
Current Return	2.50%	2.32%	2.35%
Blended Benchmark (CR)	0.70%	0.75%	0.65%
Excess Return	1.80%	1.57%	1.70%

Year-to-Date earnings on a current return basis for the Reserve Portfolio were \$5,578,444.

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.



DENVER
THE MILE HIGH CITY

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
Cashand.InvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
Cashand.InvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
Cashand.InvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

Airport Reserve Portfolio Composition

Characteristics		Credit Quality (S&P)
Average Duration	3.51	
Average Coupon	2.16%	
Average Yield to Maturity	0.67%	
Average Rating (S&P)	AA+	
Average Life	3.73yrs	

Asset Allocation	Maturity Distribution



DENVER
THE MILE HIGH CITY

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended

06/30/2021

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
CashandInvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
CashandInvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
CashandInvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
CashandInvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

IV. Workers Compensation Portfolio Composition

\$41,141,621

Characteristics		Credit Quality (S&P)
Average Duration	3.55	
Average Coupon	2.75%	
Average Yield to Maturity	1.16%	
Average Rating (S&P)	AA+	
Average Life	4.68 yrs	

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 2021 was 2.35%.
- Year-to-Date earnings on a current return basis for the Worker's Compensation were \$502,051.



DENVER
THE MILE HIGH CITY

Prepared By:

Cash & Capital
Funding Division

Director of Cash &
Investments:
Caroline Hendrickson
1.720.913.9335
Cashand.InvestmentAdministration@denvergov.org

Portfolio
Administrator:
Gregory T. King
1.720.913.9348
Cashand.InvestmentAdministration@denvergov.org

Sr. Portfolio
Analyst:
Mario Dominguez
1.720.913.3091
Cashand.InvestmentAdministration@denvergov.org

Assoc. Portfolio
Analyst:
Siye Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

Discussion of Investment Performance	1
Consolidated Portfolio	2
Airport Reserve Portfolio	6
Worker's Comp Portfolio	8
Special Purpose Investments	9
Escrows	9

V. Special Purpose Portfolios

\$12,627,221

In addition to the actively managed investments, the Cash & Capital Funding Division manages 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. 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 three portfolios are pledged for specific purposes.

	Market Value	2021 YTD Current Return	2021 YTD Earnings
FAA Escrow Account	\$8,581,501	51.08%	\$792,645
Denver Cableland Trust	\$4,045,720	3.47%	\$64,994

Escrows

Cash, Risk & Capital Funding Division also manages certain investments held in escrow accounts at external financial institutions on behalf of Denver International Airport. As of June 30th, 2021, there was an outstanding balance of \$84,420,348.

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