DENVER
THE MILE HIGH CITY

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended
12/31/2020

Prepared By:

Cash, Risk & Capital Funding Division

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Report Content:

I. Economic Commentary

Capital markets reached record highs as investors shrugged off any negative news or weak economic data. The S&P 500 and Dow Industrial Average achieved their peaks near the end of the quarter. Yields along the short end of the U.S. Treasury yield curve remained flat while the longer end finished higher for the fourth quarter. Yields remained at historically low levels across the curve. COVID-19 cases, hospitalizations, and deaths increased during the quarter as a second wave took hold across Europe and most of the United States. Markets remained resilient as optimism for more fiscal aid and a vaccine outweighed COVID-19 data.

The Federal Open Market Committee (FOMC) held short term rates near zero for an additional quarter. The Federal funds rate remained in the range of 0.00% to 0.25%. The Federal Reserve signaled that the target Fed funds rate will remain unchanged until at least 2023, as policy makers do not expect inflation to exceed 2.0% during that timeframe. In December U.S. Treasury Secretary, Steven Mnuchin, made the decision to end some emergency lending facilities implemented by the Federal Reserve. The Federal Reserve's balance sheet increased to $7.3 trillion during the fourth quarter.

Payrolls declined 140,000 in December well below the expectation of a positive gain of 50,000 jobs. This was the first monthly decline since April. The monthly unemployment rate in December remained unchanged at 6.7%. The leisure and hospitality sector remained the most challenged; however, government jobs, education, and health services saw modest declines. More than 10.7 million people remain unemployed. U-6, a broader measure of unemployment remained high but eased slightly to 11.7% in December down from 12.0% in November.

Manufacturing data improved with the ISM Index rising to a value of 60.7 by quarter end. An index level above 50 suggests the manufacturing sector is expanding again. The housing sector saw home prices increase 7.9% year over year in October. Housing starts rose with single-family starts inching up 0.4% in November, and multi-family starts rebounded from its decline from last quarter with an increase of 4.0% in the November. The trend suggests that low inventory, low mortgage rates, and a meaningful shift toward working from home are driving single-family housing activity.

Exposure to credit securities in the portfolios slightly declined in the fourth quarter. Credit spreads tightened ever closer to pre-pandemic levels partially due to Federal Reserve purchasing new credit asset classes, high demand, and stability in credit markets. Treasury yields remained at historically low levels during the quarter. Volatility in fixed income markets modestly affected portfolio performance for the quarter. The City's investment portfolio outperformed the stated benchmark indices by 0.01% for the year on a total return basis.

Portfolios	Market Value
Managed Portfolios	$4,841,765,219
Special Purpose Portfolios	$54,341,499
Denver CARES Escrow Account	$139,077,151
Finance Administrated	**$5,035,183,869**

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II. Consolidated Portfolio $4,286,487,751

Total Return			
	1-Month	**3-Month**	**YTD**
Total Return	0.12%	0.15%	4.28%
Blended Benchmark (TR)	0.10%	0.10%	4.28%
Excess Return	**0.02%**	**0.05%**	**0.00%**

Current Return			
	1-Month	**3-Month**	**YTD**
Current Return	2.65%	2.64%	2.44%
Blended Benchmark (CR)	0.38%	0.40%	0.73%
Excess Return	**2.27%**	**2.24%**	**1.71%**

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were $105,771,872.

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 allocated similar to benchmark duration, matching the benchmark in the 1-5 year strategy and slightly over the benchmark in the 1-10 year strategy. We expect duration will remain close to the benchmark as additional allocation of varied 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 sales outweighing asset purchases. Purchases in the voter approved asset classes remained slow during the quarter due to market uncertainty caused by the 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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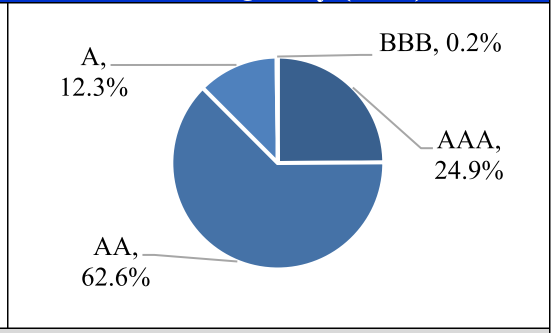
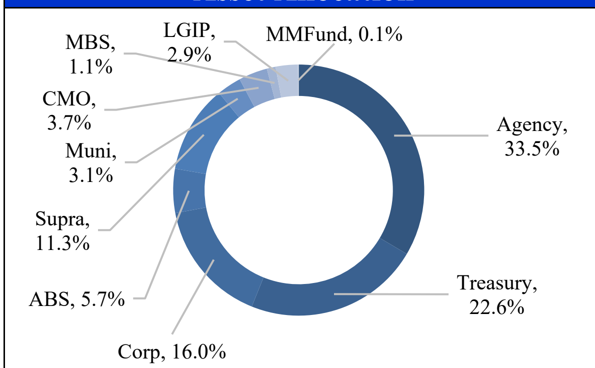
Consolidated Portfolio Composition

Characteristics	
Average Duration	2.58
Average Coupon	2.14
Average Yield to Maturity	0.31%
Average Rating (S&P)	AA+
Average Life	2.70yrs

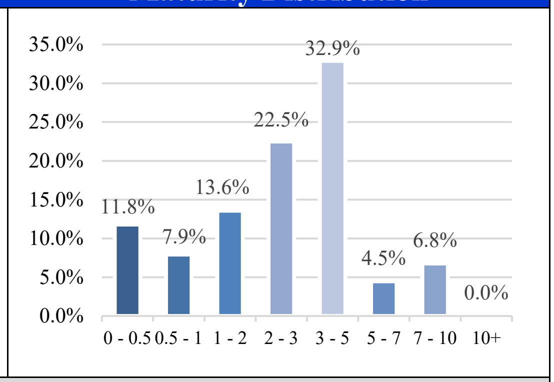
Credit Quality (S&P)



Asset Allocation



Maturity Distribution



- The Consolidated Portfolio's net assets decreased by approximately $184 million during the fourth quarter of 2020. On December 31st, 2020, net assets were $4.28 billion, compared to $4.47 billion on September 30 30th, 2020, as expenditures exceeded inflows. The increase in expenditures was due to historic cyclical outflows and increased expansion project expenses related to the Denver International Airport. A large portion of outflows for the City occur during the second half of the year; meanwhile, inflows were less than prior years due to the economic downturn caused by 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 higher during the fourth quarter. The WAM increased at end of the quarter, due to increased exposure to longer term assets. While modestly short to benchmark duration at the beginning of the quarter, rebalancing and securities purchase activity in the intermediate strategies during the fourth quarter extended duration more closely with the model and benchmark. The model duration is higher than benchmark duration.

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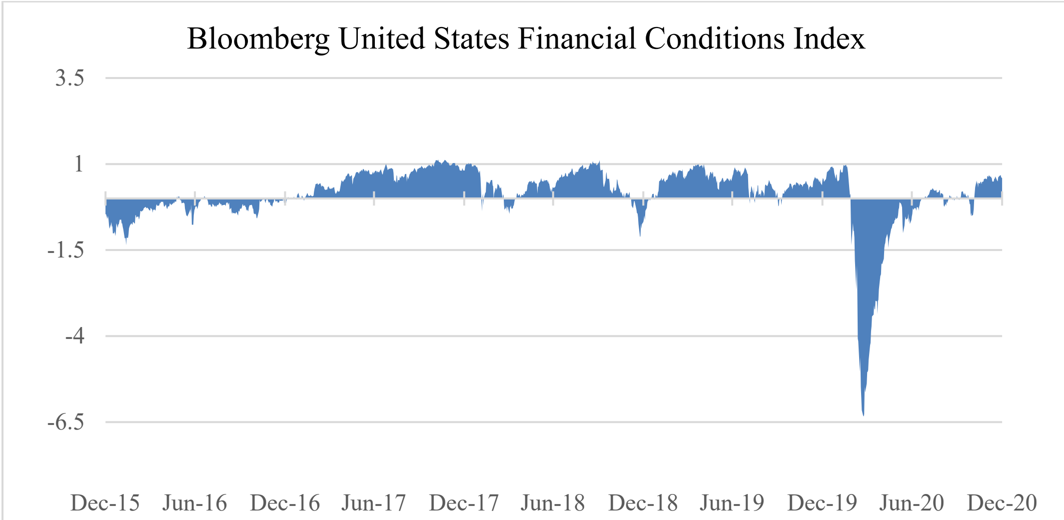
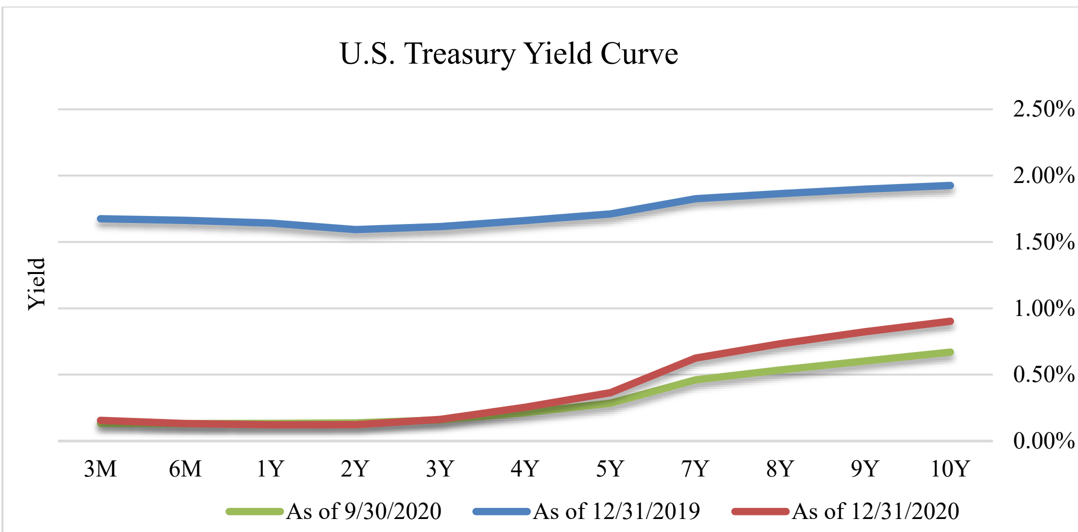
Portfolio Management Environment





- The Federal Reserve maintained the Fed funds rate to a range of 0.00%-0.25% during the fourth quarter of 2020. The Fed signaled rates will stay near zero for the foreseeable future.
- The one-month LIBOR rate was 0.13% as of December 31st, 2020; a decrease of about 2 basis points from September 30th, 2020.
- As of December 31st, 2020, the yield of the two-year Treasury index was 0.12%, and the five-year Treasury index was yielding 0.36%. A year earlier, as of December 31st, 2019, the yield of the two-year Treasury index was 1.57%, and the five-year Treasury index was yielding 1.69%.
- The median of economists' forecast is for a .31% two-year Treasury yield at the end of the of the year 2021.
- Movement in rates of the yield curve were modest in the fourth quarter with short-term yields flat and long-term yields increasing. At the end of the fourth quarter, the two-year, five-year, and ten-year were at 0.12%, 0.36%, and 0.91%, respectively.

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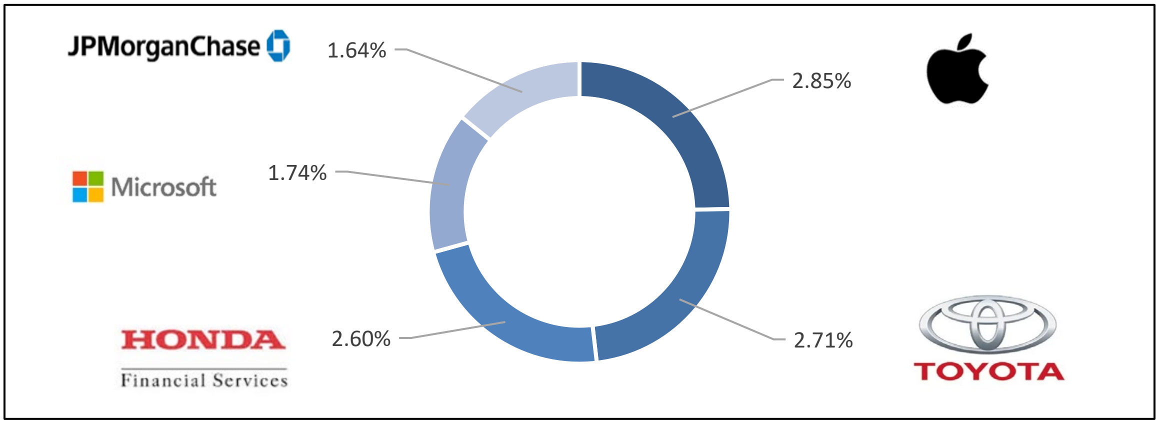
Report Content:

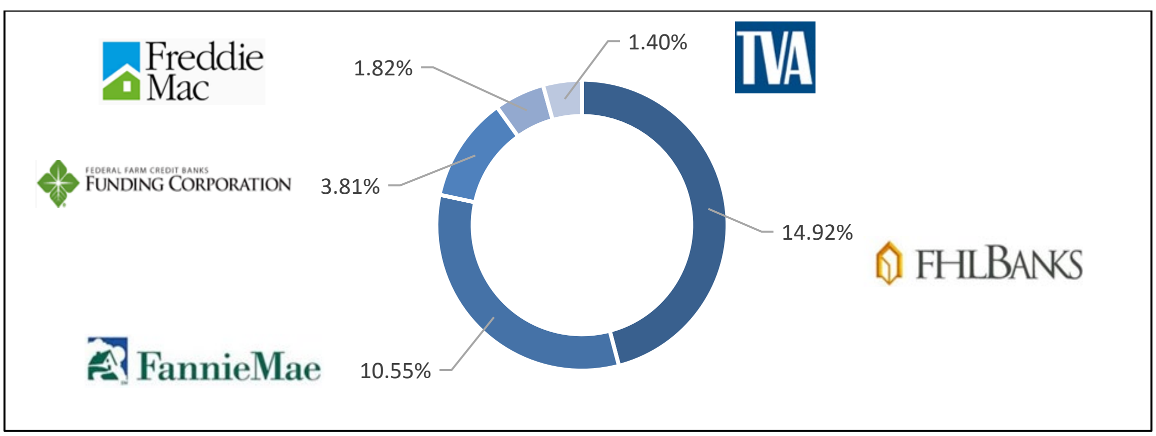
Consolidated Top Holdings

Top 5 Credit Holdings			
Issuer	**Market Value**	**% of Portfolio**	**Industry**
Apple, Inc.	120,893,877	2.85%	Technology
Toyota Motor Credit Corp	115,022,011	2.71%	Automobiles
American Honda Finance	110,224,009	2.60%	Automobiles
Microsoft Corp	73,768,520	1.74%	Technology
JP Morgan Chase & Co	69,519,384	1.64%	Financials
Total	**$489,427,801**	**11.54%**	

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



Top 5 Agency Holdings		
Issuer	**Market Value**	**% of Portfolio**
FHLB	633,052,627	14.92%
FNMA	447,479,841	10.55%
FFCB	161,663,457	3.81%
FHLMC	77,247,809	1.82%
TVA	59,504,771	1.40%
	$1,378,948,505	**32.50%**



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Report Content:

III. Airport Reserve Portfolio $515,627,623

Total Return	1-Month	3-Month	YTD
Total Return	0.15%	0.12%	5.55%
Blended Benchmark (TR)	0.09%	0.00%	5.45%
Excess Return	**0.06%**	**0.12%**	**0.10%**

Current Return	1-Month	3-Month	YTD
Current Return	2.87%	2.65%	2.62%
Blended Benchmark (CR)	0.48%	0.50%	0.82%
Excess Return	**2.39%**	**2.15%**	**1.80%**

Year-to-Date earnings on a current return basis for the Reserve Portfolio were $12,839,591.

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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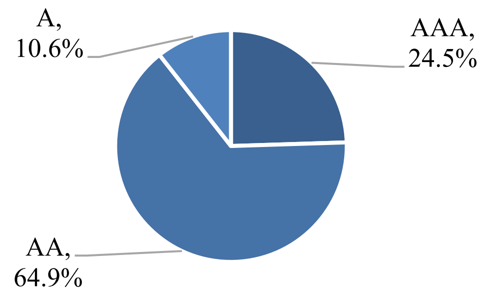
Report Content:

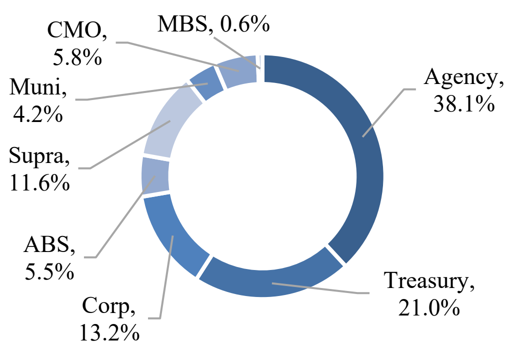
Airport Reserve Portfolio Composition

Characteristics	
Average Duration	3.39
Average Coupon	2.34%
Average Yield to Maturity	0.38%
Average Rating (S&P)	AA+
Average Life	3.59 yrs

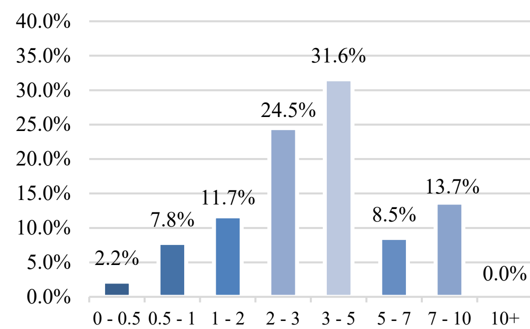
Credit Quality (S&P)



Asset Allocation



Maturity Distribution



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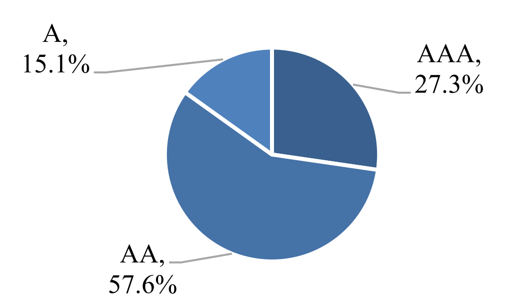
Report Content:

IV. Workers Compensation Portfolio Composition **$39,649,845**

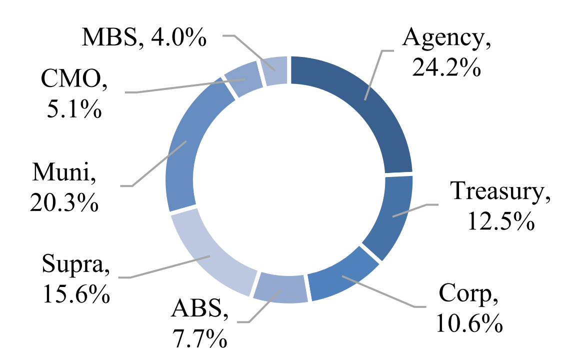
Characteristics

Average Duration	3.61
Average Coupon	2.93%
Average Yield to Maturity	0.94%
Average Rating (S&P)	AA+
Average Life	4.85 yrs

Credit Quality (S&P)



Asset Allocation



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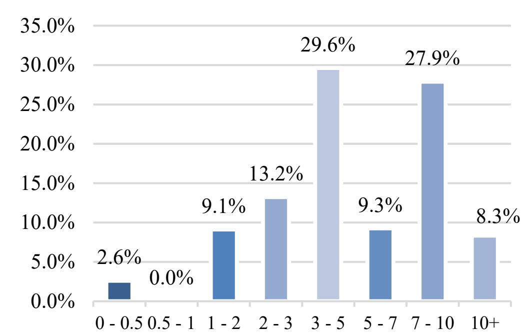

- WC liabilities have a much longer term expected average duration than most other funds managed by the City. For this reason, management has determined that it is prudent to extend the duration of the invested assets associated with these obligations.
- A combination of cash and securities were transferred 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 third quarter of 2020 was 2.74%.
- Year-to-Date earnings on a current return basis for the Worker's Compensation were $1,109.190.

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Report Content:

V. Special Purpose Portfolios **$54,341,499**

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	$50,204,819	6.52%	$2,593,514
Denver Cableland Trust	$4,136,680	3.38%	$129,323

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 December 31st, 2020, there was an outstanding balance of $139,077,151.

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.

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Director of Cash & Investments

Gregory T. King
Portfolio Administrator

CHANDLER
ASSET MANAGEMENT

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 December 31, 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 December 31, 2020, appears to be accurately reflected.

Signed this 9th day of February 2021

Nicole Dragoo
COO, Chief Compliance Officer