City and County of Denver

Investment Portfolio Performance Report

Quarter Ended 03/31/2021

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:

I. Economic Commentary

Capital markets started 2021 strong by reaching record highs at the end of the first quarter. Investors were optimistic after strong economic growth due to a robust vaccine rollout, additional fiscal support, and an accommodative monetary policy. 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 trended closer to zero while the longer end of the curve moved higher in the first quarter of 2021. Yields remain at historically low levels across the curve. COVID-19 cases, hospitalizations, and deaths in the U.S. decreased from their peak reached earlier in the quarter.

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 continued to signal that the target Fed funds rate will remain unchanged until at least 2023, as policy makers expect see any spike in inflation to be transitory. The Federal Reserve continued its purchasing of Treasuries, mortgage backed securities, and other agency securities. The Fed's balance sheet increased to $7.7 trillion at the end of the first quarter in March.

Payrolls increased 916,000 in March well above the analysts' expectations of a gain of 660,000 jobs. The leisure and hospitality sector showed the strongest gains over other sectors. The monthly unemployment rate declined to 6.0% in March down from 6.2% in February. Employment improved over the quarter, but payrolls remain below pre-pandemic levels. The economy needs to recover an additional 8.4 million jobs to match the 152.5 million jobs prior to the pandemic. U-6, a broader measure of unemployment remained high but eased slightly to 10.7% in March down from 11.1% in February.

Manufacturing data improved with the ISM Index rising to a value of 64.7 by quarter end. An index level above 50 suggests the manufacturing sector is expanding again. The housing sector saw home prices increase 11.1% year over year in January. Total housing starts declined 10.3% in February. A breakdown of that figure shows single-family starts fell 8.5% in February and multi-family starts fell 15% for the same period. The trend suggests rising interest rates may start to become a headwind for housing.

Exposure to credit securities in the portfolios increased in the first 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 0.04% for the quarter on a total return basis.

Portfolios	Market Value
Managed Portfolios	$4,785,400,211
Special Purpose Portfolios	$53,963,755
Denver CARES Escrow Account	$139,079,212
Finance Administrated	**$4,978,443,178**

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:

II. Consolidated Portfolio $4,229,063,017

Total Return	1-Month	3-Month	YTD
Total Return	-0.17%	-0.67%	-0.67%
Blended Benchmark (TR)	-0.20%	-0.71%	-0.71%
Excess Return	**0.03%**	**0.04%**	**0.04%**

Current Return	1-Month	3-Month	YTD
Current Return	2.21%	2.14%	2.14%
Blended Benchmark (CR)	0.48%	0.40%	0.40%
Excess Return	**1.73%**	**1.74%**	**1.74%**

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were $10,126,346.

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.

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended
03/31/2021

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

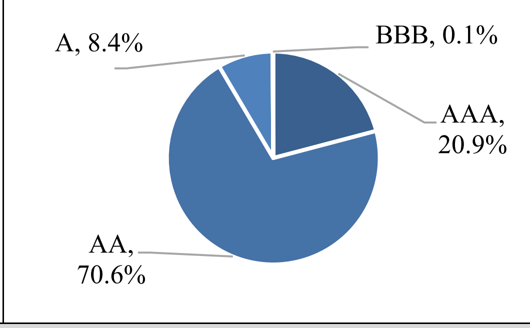
Assoc. Portfolio Analyst:
Siye Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

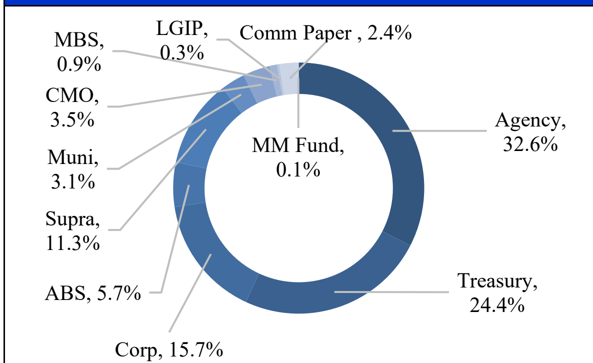
Consolidated Portfolio Composition

Characteristics	
Average Duration	2.49
Average Coupon	2.07
Average Yield to Maturity	0.48%
Average Rating (S&P)	AA+
Average Life	2.60yrs

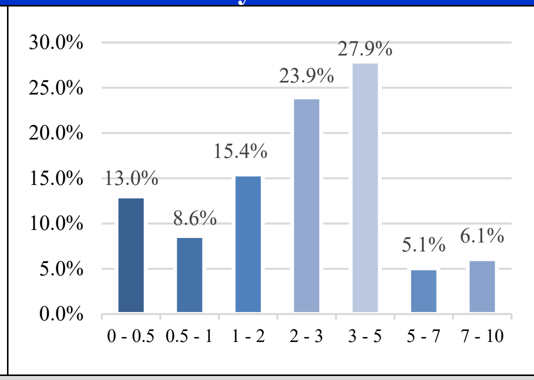
Credit Quality (S&P)



Asset Allocation



Maturity Distribution



- The Consolidated Portfolio's net assets decreased by approximately $57 million during the first quarter of 2021. On March 31st, 2021, net assets were $4.23 billion, compared to $4.29 billion on December 31st, 2020, as expenditures slightly exceeded inflows. Historical cyclical inflows are beginning to improve but have yet recover to pre-pandemic levels. As a result, inflows still remain below expenditures 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 first quarter. The WAM increased due to increased exposure to longer term assets. While modestly short to benchmark duration, rebalancing and securities purchase activity in the intermediate strategies during the first quarter extended duration more closely with the model and benchmark. The model continues to remain short of benchmark duration.

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended 03/31/2021

Prepared By:

Cash & Capital Funding Division

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

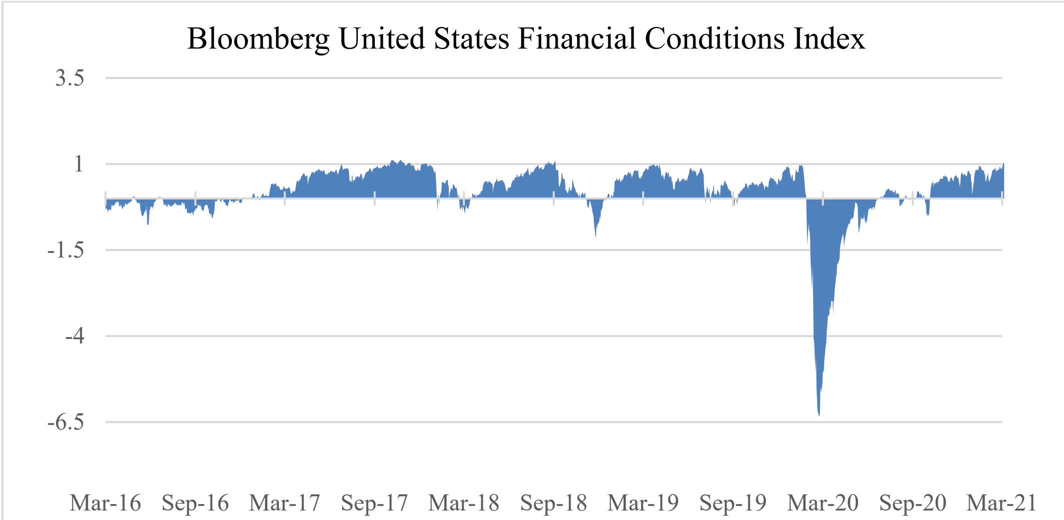
Portfolio Administrator:
Gregory T. King
1.720.913.9348
Cashand.InvestmentAdministration@denvergov.org

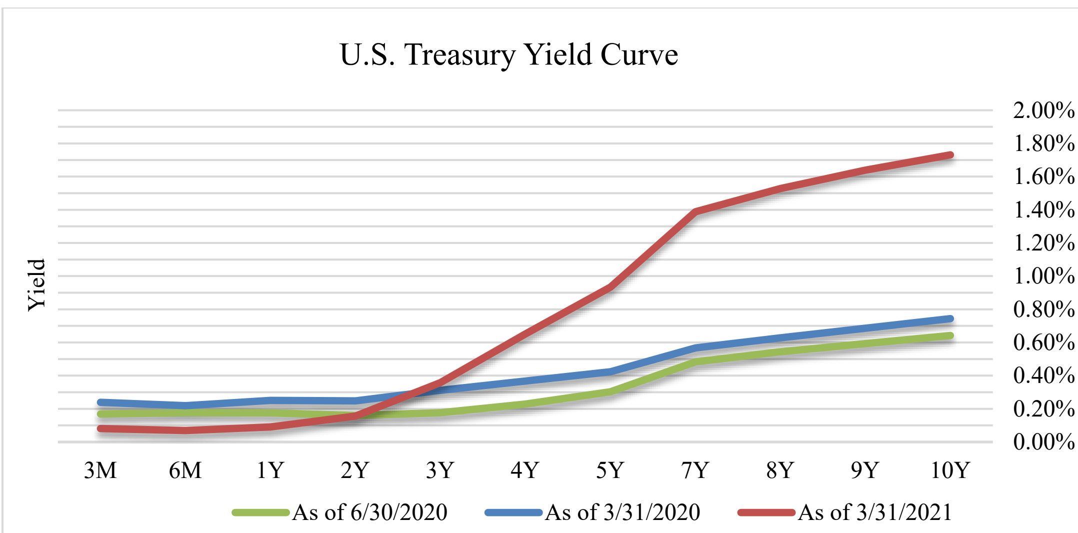
Sr. Portfolio Analyst:
Mario Dominguez
1.720.913.3091
Cashand.InvestmentAdministration@denvergov.org

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

Report Content:

Portfolio Management Environment





- The Federal Reserve maintained the Fed funds rate to a range of 0.00%-0.25% during the first quarter of 2021. The Fed signaled rates will stay near zero for the foreseeable future.
- The one-month LIBOR rate was 0.11% as of March 31st, 2021; a decrease of about 3 basis points from December 31st, 2020.
- 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%. A year earlier, as of March 31st, 2020, the yield of the two-year Treasury index was 0.25%, and the five-year Treasury index was yielding 0.38%.
- 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 accelerated at a quick pace on long-term yields while short term yields declined modestly in the first quarter. At the end of the first quarter, the two-year, five-year, and ten-year were at 0.16%, 0.94%, and 1.74%, 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

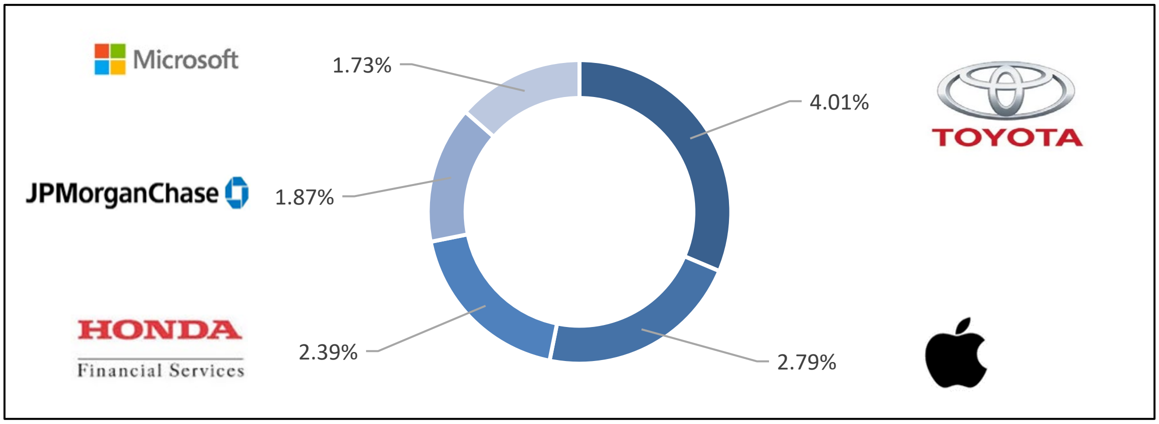
Assoc. Portfolio Analyst:
Siye Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

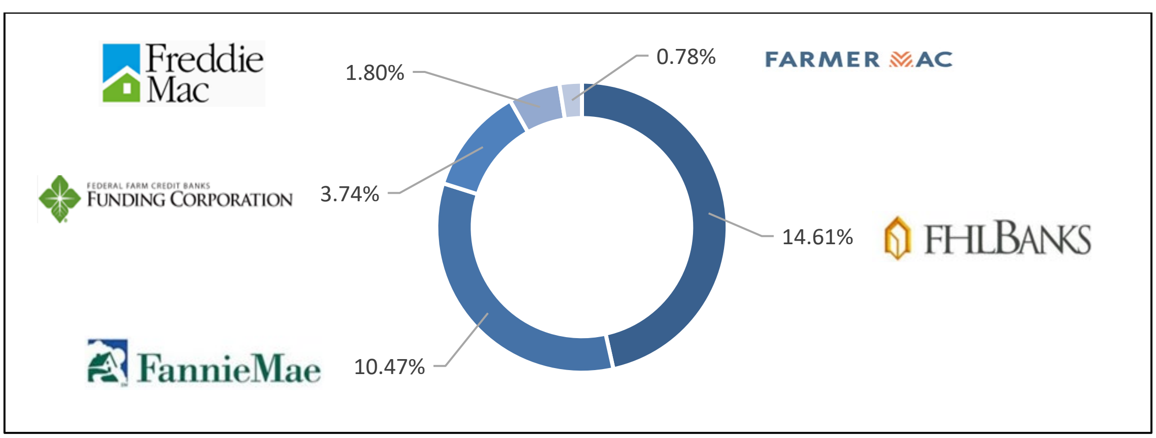
Consolidated Top Holdings

Top 5 Credit Holdings			
Issuer	**Market Value**	**% of Portfolio**	**Industry**
Toyota Motor Credit Corp	170,225,115	4.01%	Automobiles
Apple, Inc.	118,234,733	2.79%	Technology
American Honda Finance	101,390,860	2.39%	Automobiles
JP Morgan Chase & Co	79,288,592	1.87%	Financials
Microsoft Corp	73,481,664	1.73%	Technology
Total	**$542,620,964**	**12.79%**	

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



Top 5 Agency Holdings		
Issuer	**Market Value**	**% of Portfolio**
FHLB	620,198,637	14.61%
FNMA	444,496,565	10.47%
FFCB	158,676,214	3.74%
FHLMC	76,326,243	1.80%
FAMCA	33,207,766	0.78%
	$1,332,905,425	**31.40%**



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:

III. Airport Reserve Portfolio $512,556,313

Total Return	1-Month	3-Month	YTD
Total Return	-0.33%	-1.29%	-1.29%
Blended Benchmark (TR)	-0.43%	-1.36%	-1.36%
Excess Return	**0.10%**	**0.07%**	**0.07%**

Current Return	1-Month	3-Month	YTD
Current Return	2.43%	2.38%	2.38%
Blended Benchmark (CR)	0.69%	0.55%	0.55%
Excess Return	**1.74%**	**1.83%**	**1.83%**

Year-to-Date earnings on a current return basis for the Reserve Portfolio were $2,840,456.

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.

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

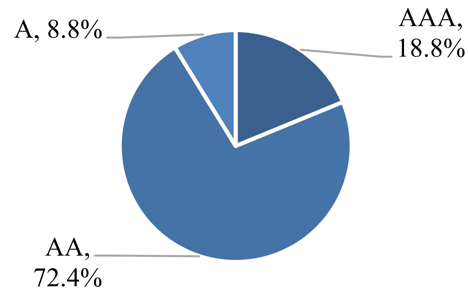
Report Content:

Airport Reserve Portfolio Composition

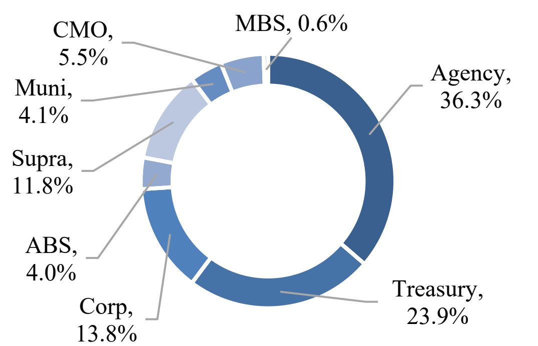
Characteristics

Characteristics	
Average Duration	3.42
Average Coupon	2.25%
Average Yield to Maturity	0.68%
Average Rating (S&P)	AA+
Average Life	3.64 yrs

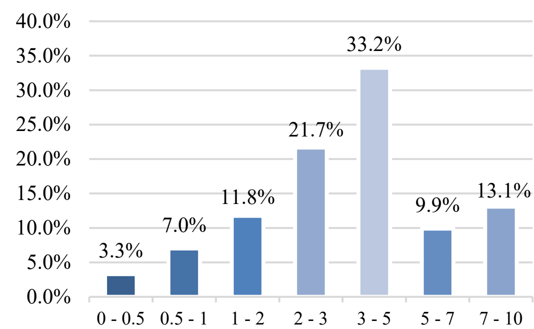
Credit Quality (S&P)



Asset Allocation



Maturity Distribution



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

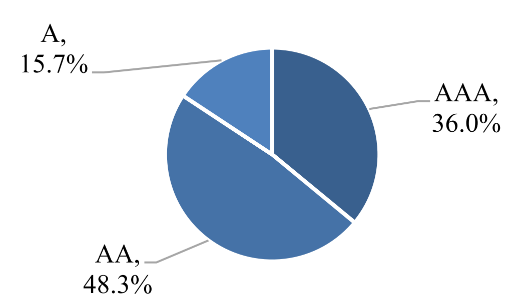
Assoc. Portfolio Analyst:
Siye Desta
1.720.913.9510
Cashand.InvestmentAdministration@denvergov.org

Report Content:

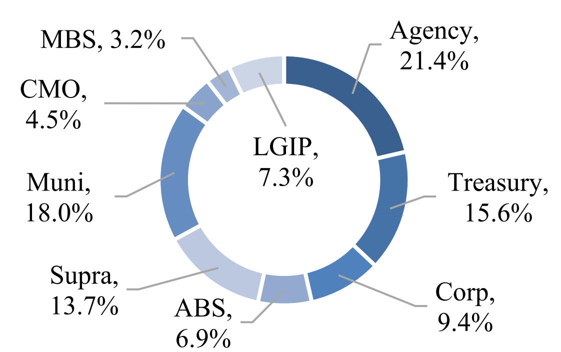
IV. Workers Compensation Portfolio Composition **$43,780,881**

Characteristics	
Average Duration	3.93
Average Coupon	2.58%
Average Yield to Maturity	1.16%
Average Rating (S&P)	AA+
Average Life	4.50 yrs

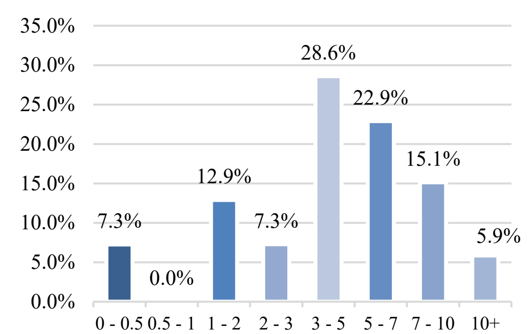
Credit Quality (S&P)



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 first quarter of 2021 was 2.79%.
- Year-to-Date earnings on a current return basis for the Worker's Compensation were $254,215.

City and County of Denver

Investment Portfolio Performance Report

Quarter Ended 03/31/2021

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:

V. Special Purpose Portfolios **$53,963,755**

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	$49,912,858	6.62%	$647,811
Denver Cableland Trust	$4,050,897	3.49%	$32,580

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 March 31st, 2021, there was an outstanding balance of $139,079,212.

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