



DENVER
THE MILE HIGH CITY

Prepared By:

Cash & Capital
Funding Division

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I. Economic Commentary

Capital markets continued to rally through the end of the 4th quarter. The S&P 500 and Dow Industrial Average both reached all-time highs at the end of 2021. Equity investors shrugged off most negative market headlines. Yields ended higher at the end of the quarter with the mid-range of the treasury curve increasing the most. The 3-year treasury increased 55 basis points and the 5-year treasury increased 49 basis points by the end of the quarter. The long end of the curve flattened. The 20-year yield ended higher than the 30-year by 3 basis points.

The Federal Open Market Committee (FOMC) held short term rates near zero, remaining in the range of 0.00% to 0.25%; however, the Federal Reserve (the Fed) turned surprisingly hawkish at its December meeting. The Fed announced its monetary policy would begin to tighten and removed the use of the word “transitory” to describe inflation. The Federal Reserve pivoted its view on inflation from temporary to more persistent. The Fed signaled it would increase rates in 2022 and end its bond purchasing program. The Fed also noted the labor market saw noticeable improvement.

The Consumer Price Index (CPI) was up 6.8% year-over-year in November, up slightly from 6.2% in October. Core CPI (CPI less food and energy) was also up 4.9% year-over-year in November, higher than the 4.6% in October, suggesting pricing pressures were widespread. Core PCE, the Federal Reserve’s preferred

measure of inflation, was up 4.7% year-over-year in November, up from 4.2% in October.

Nonfarm payrolls increased 199,000 in June, which was weaker than expected but over the past year the labor market has progressed significantly. The monthly unemployment rate dropped to 3.9% in December, the lowest level since February 2020. The U-6, a broader measure of unemployment remained high but eased slightly to 7.3% in December down from 7.8% in November.

Manufacturing data declined with the ISM Index decreasing to a value of 58.7 by quarter end, down from 61.1 in November. The index remaining above 50 suggests the manufacturing sector continues to expand albeit at a slower pace. The housing sector saw home prices increase 18.4% year over year in October. Total housing starts jumped 11.8% in November driven by multi-family starts which rose 12.9% month over month. Single-family starts improved to 11.3% for the same period. Low inventory and strong demand continue to be a tailwind for home prices.

Exposure to credit securities in the portfolios increased in the fourth quarter. Credit spreads slightly widened but remain near historic lows. Treasury yields increased during the quarter. Portfolio performance improved for the period. The City’s investment portfolio outperformed the stated benchmark indices by 0.06% for the year on a total return basis.

Portfolios	Market Value
Managed Portfolios	\$5,404,195,589
Special Purpose Portfolios	\$4,075,180
Denver CRRSAA Escrow Account	\$48,641,123
Finance Administrated	\$5,456,911,892



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Investment Portfolio Performance Report

Quarter Ended

12/31/2021

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II. Consolidated Portfolio

\$4,965,250,009

Total Return			
	1-Month	3-Month	YTD
Total Return	-0.14%	-0.48%	-0.88%
Blended Benchmark (TR)	-0.20%	-0.52%	-0.94%
Excess Return	0.06%	0.04%	0.06%

Current Return			
	1-Month	3-Month	YTD
Current Return	1.93%	1.81%	1.92%
Blended Benchmark (CR)	0.76%	0.71%	0.51%
Excess Return	1.17%	1.10%	1.41%

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were \$80,952,291.

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 increased as a percentage of total composition due asset purchases outpaced maturities. Purchases in the voter approved asset classes increased during the quarter due to increased issuance by approved credit issuers.
- 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		Credit Quality (S&P)
Average Duration	2.15	
Average Coupon	1.59	
Average Yield to Maturity	0.74%	
Average Rating (S&P)	AA+	
Average Life	2.32yrs	

Asset Allocation	Maturity Distribution

- The Consolidated Portfolio's net assets increased by approximately \$436 million during the fourth quarter of 2021. On December 31st, 2021, net assets were \$4.97 billion, compared to \$4.52 billion on September 30th, 2021, as inflows exceeded outflows. The increase in net assets was primarily from proceeds of a debt issuance by Denver International Airport.
- The weighted average maturity (WAM), an aggregate portfolio measure of total years remaining until the maturity of all underlying holdings, ended lower in the fourth 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 modestly short of benchmark duration.



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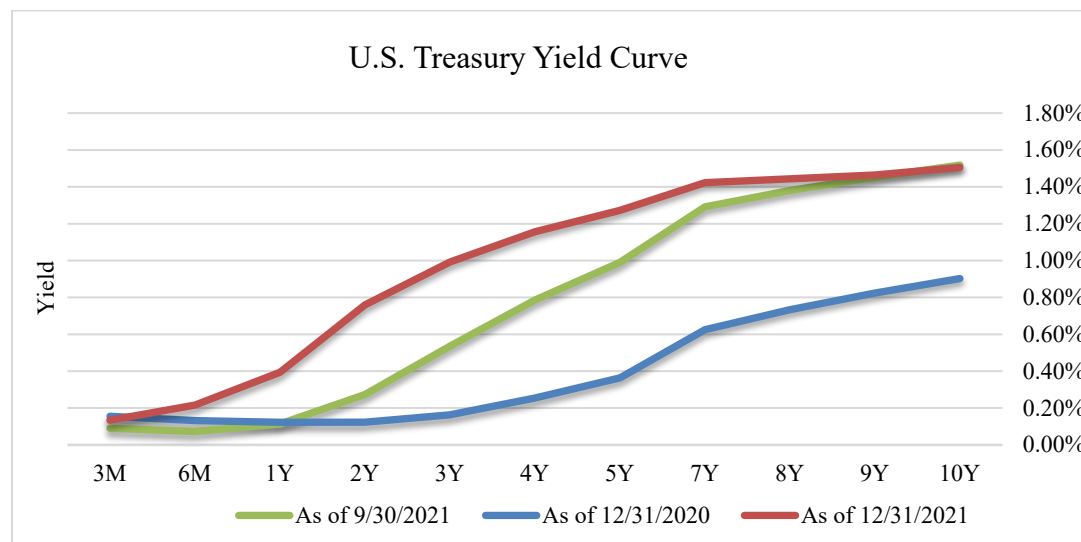
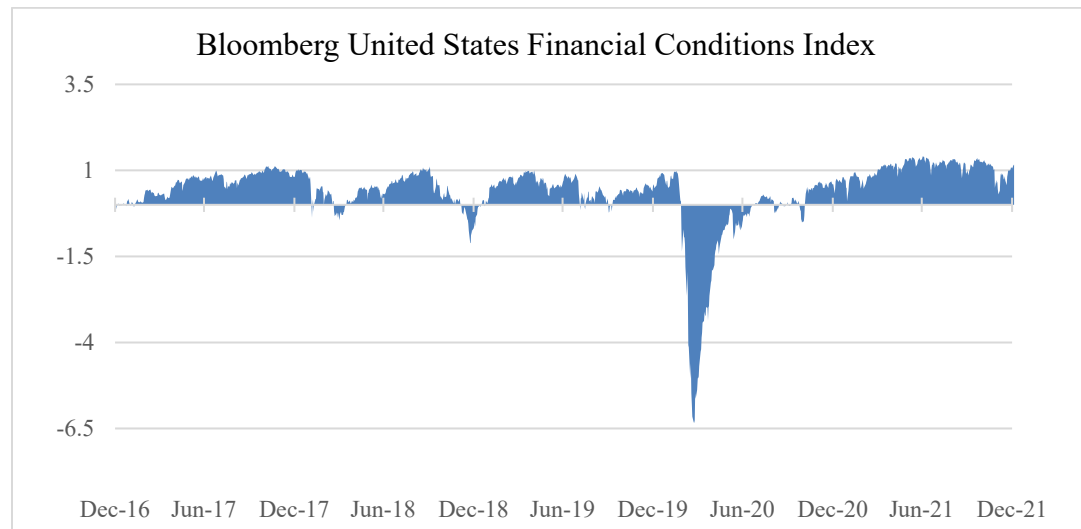
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Portfolio Management Environment



- The Federal Reserve maintained the Fed funds rate to a range of 0.00%-0.25% during the fourth quarter of 2021. The Fed signaled rates will increase in 2022.
- The one-month LIBOR rate was 0.10% as of December 31st, 2021; an increase of two basis points from September 30th, 2021.
- As of December 31st, 2021, the yield of the two-year Treasury index was 0.73%, and the five-year Treasury index was yielding 1.26%. A year earlier, 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%.
- The median of economists' forecast is for a 2.15 % ten-year Treasury yield at the end of the year 2022.
- Volatility in rates of the yield curve increased for both short-term and long-term yields. At the end of the fourth quarter, the two-year, five-year, and ten-year were at 0.73%, 1.26%, and 1.92%, respectively.

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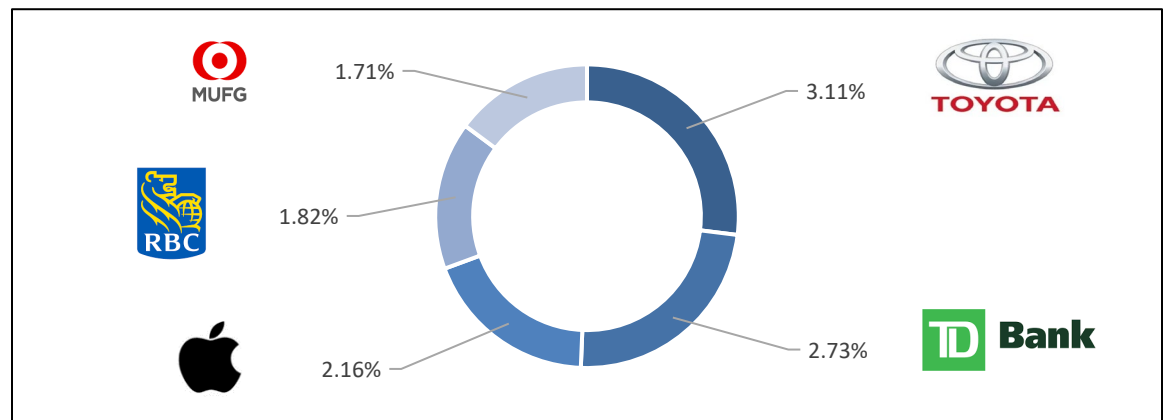
Special Purpose Investments 9

Escrows 9

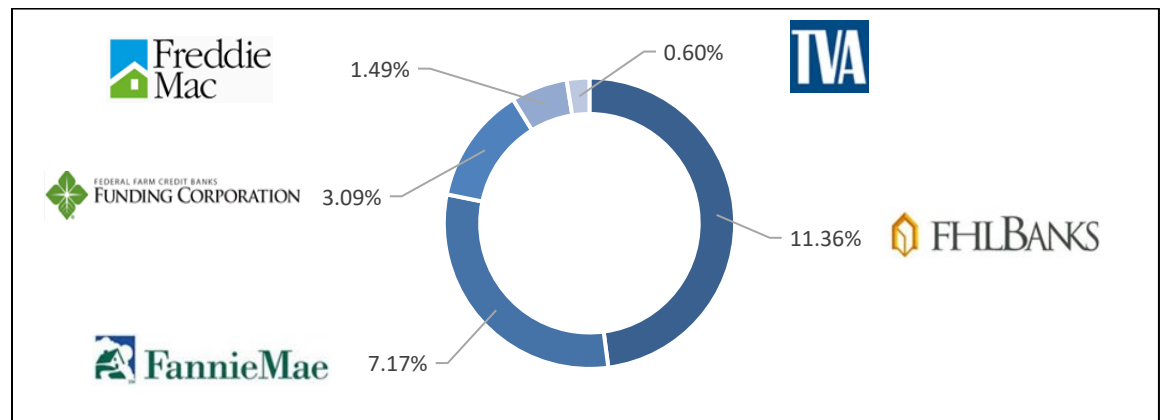
Consolidated Top Holdings

Top 5 Credit Holdings			
Issuer	Market Value	% of Portfolio	Industry
Toyota Motor Credit Corp.	170,977,591	3.11%	Automobiles
Toronto-Dominion Bank	149,908,819	2.73%	Financial
Apple, Inc.	118,891,223	2.16%	Technology
Royal Bank of Canada	99,952,132	1.82%	Financial
MUFG Bank Ltd.	93,748,056	1.71%	Financial
Total	\$633,477,821	11.53%	

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



Top 5 Agency Holdings		
Issuer	Market Value	% of Portfolio
FHLB	624,607,850	11.36%
FNMA	394,326,852	7.17%
FFCB	169,634,897	3.09%
FHLMC	81,893,908	1.49%
TVA	32,743,096	0.60%
Total	\$1,303,206,603	23.71%





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III. Airport Reserve Portfolio

\$401,866,256

Total Return			
	1-Month	3-Month	YTD
Total Return	-0.16%	-0.49%	-1.24%
Blended Benchmark (TR)	-0.23%	-0.55%	-1.35%
Excess Return	0.07%	0.06%	0.11%

Current Return			
	1-Month	3-Month	YTD
Current Return	2.38%	2.14%	2.26%
Blended Benchmark (CR)	1.06%	0.99%	0.76%
Excess Return	1.32%	1.15%	1.50%

Year-to-Date earnings on a current return basis for the Reserve Portfolio were \$9,936,410.

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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Airport Reserve Portfolio Composition

Characteristics		Credit Quality (S&P)
Average Duration	3.62	
Average Coupon	1.95	
Average Yield to Maturity	1.09%	
Average Rating (S&P)	AA+	
Average Life	3.81yrs	

Asset Allocation	Maturity Distribution



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IV. Workers Compensation Portfolio Composition

\$37,079,324

Characteristics		Credit Quality (S&P)
Average Duration	3.44	
Average Coupon	2.78%	
Average Yield to Maturity	1.54%	
Average Rating (S&P)	AA+	
Average Life	4.63yrs	

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 fourth quarter of 2021 was 2.58%.
- Year-to-Date earnings on a current return basis for the Worker's Compensation were \$976,901



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V. Special Purpose Portfolios

\$4,075,180

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

The FAA Escrow Defeasance portfolio was liquidated during the third quarter and is no longer an actively managed portfolio.

	Market Value	2021 Current Return	2021 Earnings
FAA Escrow Account	\$0.00	31.47%	\$792,846
Denver Cableland Trust	\$4,075,180	3.44%	\$129,520

Escrows

Cash & 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, 2021, there was an outstanding balance of \$48,641,123.

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

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, 2021, 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, 2021, appears to be accurately reflected.

Signed this 8th day of February 2022



Joseph Kolinsky
Chief Compliance Officer