



Prepared By:

Cash & Capital  
Funding Division

Director of Cash &  
Investments:  
Caroline Hendrickson  
1.720.913.9335  
[Cashand.InvestmentAdministration@denvergov.org](mailto:Cashand.InvestmentAdministration@denvergov.org)

Portfolio  
Administrator:  
Gregory T. King  
1.720.913.9348  
[Cashand.InvestmentAdministration@denvergov.org](mailto:Cashand.InvestmentAdministration@denvergov.org)

Sr. Portfolio  
Manager:  
Mario Dominguez  
1.720.913.3091  
[Cashand.InvestmentAdministration@denvergov.org](mailto: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

Financial markets experienced heightened volatility in the 2<sup>nd</sup> quarter of 2022 as central banks enacted more restrictive monetary policy to combat persistent inflation. The Russia and Ukraine conflict increased inflationary pressures, particularly in energy and commodities. Inflation had an impact on consumer sentiment and discretionary spending. In June, yields increased dramatically and the treasury yield curve continued to flatten. The spread between the 2-year and 10-year Treasury yield declined to 6 basis points at the end of June versus 29 basis points in February and 122 basis points one year ago.

The Federal Open Market Committee (FOMC) increased short term rates to the target range of 1.50% to 1.75%. The Federal Reserve also began to unwind its \$9 trillion balance sheet. Fed Chair Powell indicated that the Committee would continue its rate hiking path and do what is needed to combat inflation. The Fed signaled more rate hikes in 2022 and is committed to its 2% long-term inflation target. Monetary policy remains data dependent as the economy responds to tighter economic conditions.

Inflation hit a 40-year high with the Consumer Price Index (CPI) up 8.6% year-over-year in May, up from 8.3% in April. Core CPI (CPI less food and energy) was also up 6.0% year-over-year in May. Shelter, food, and gas price were primary contributors. Core PCE was up 4.7% year

over-year in May, slightly down from 4.7% in April.

Nonfarm payrolls increased 372,000 in June. Trends in employment remain strong, with the three-month moving average payroll at 375,000. The monthly unemployment rate remained unchanged to 3.6% for the fourth month. The U-6, a broader measure of unemployment fell to 6.7%. Wage growth eased in June, with average hourly earnings rising 5.1% down from 5.3% in a year-over-year gain in May.

Manufacturing data declined with the ISM Index decreasing to 53.0 in June, a two-year low. The index remaining above 50 suggests the manufacturing sector continues to expand, albeit at a slower pace. The housing sector saw home prices increase 21.2% year over year in April. Total housing starts declined 14.4% in May driven by multi-family starts which decreased 23.7% month over month. Single-family starts fell by 9.2% for the same period. Rising mortgage rates and affordability remain a headwind for further growth.

Exposure to credit securities in the portfolios increased in the second quarter. Credit spreads widened in the period. Treasury yields increased during the quarter. The City's investment portfolio outperformed the stated benchmark indices by 0.10% for the quarter on a total return basis.

Portfolios	Market Value
Managed Portfolios	\$5,706,635,033
Special Purpose Portfolios	\$3,874,225
Denver CRRSAA Escrow Account	\$48,654,478
Denver ARPA Escrow Account	\$204,309,235
<b>Finance Administrated</b>	<b>\$5,963,472,971</b>



**DENVER**  
THE MILE HIGH CITY

# City and County of Denver

## Investment Portfolio Performance Report

Quarter Ended

06/30/2022

Prepared By:

Cash & Capital  
Funding Division

Director of Cash &  
Investments:

Caroline Hendrickson  
1.720.913.9335

[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Portfolio

Administrator:

Gregory T. King  
1.720.913.9348

[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Sr. Portfolio

Manager:

Mario Dominguez  
1.720.913.3091

[CashandInvestmentAdministration@denvergov.org](mailto: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

## II. Consolidated Portfolio

**\$5,263,479,727**

Total Return			
	1-Month	3-Month	YTD
Total Return	-0.36%	-0.76%	-2.96%
Blended Benchmark (TR)	-0.48%	-0.89%	-3.32%
<b>Excess Return</b>	<b>0.12%</b>	<b>0.13%</b>	<b>0.36%</b>

Current Return			
	1-Month	3-Month	YTD
Current Return	1.84%	1.66%	1.60%
Blended Benchmark (CR)	2.08%	2.03%	1.54%
<b>Excess Return</b>	<b>-0.24%</b>	<b>-0.37%</b>	<b>0.06%</b>

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were \$41,885,754.

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.



**DENVER**  
THE MILE HIGH CITY

Prepared By:

Cash & Capital  
Funding Division

Director of Cash &  
Investments:  
Caroline Hendrickson  
1.720.913.9335  
[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Portfolio  
Administrator:  
Gregory T. King  
1.720.913.9348  
[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Sr. Portfolio  
Manager:  
Mario Dominguez  
1.720.913.3091  
[CashandInvestmentAdministration@denvergov.org](mailto: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	2.11	
Average Coupon	1.94%	
Average Yield to Maturity	2.68%	
Average Rating (S&P)	AA+	
Average Life	2.20yrs	

Asset Allocation	Maturity Distribution

- The Consolidated Portfolio's net assets increased by approximately \$310 million during the second quarter of 2022. On June 30th, 2022, net assets were \$5.26 billion, compared to \$4.95 billion on March 31st, 2022, as inflows exceeded outflows and Denver International Airport had a debt issuance and bond refunding.
- The weighted average maturity (WAM), an aggregate portfolio measure of total years remaining until the maturity of all underlying holdings, ended higher in the second 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 extended duration more closely with the model and benchmark. The model continues to remain modestly 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](mailto:CashandInvestmentAdministration@denvergov.org)

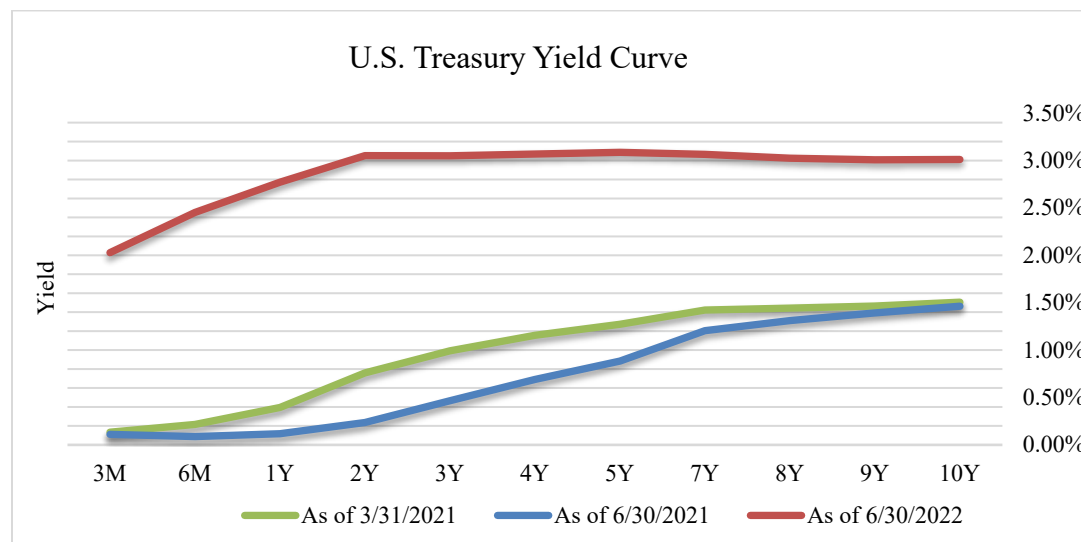
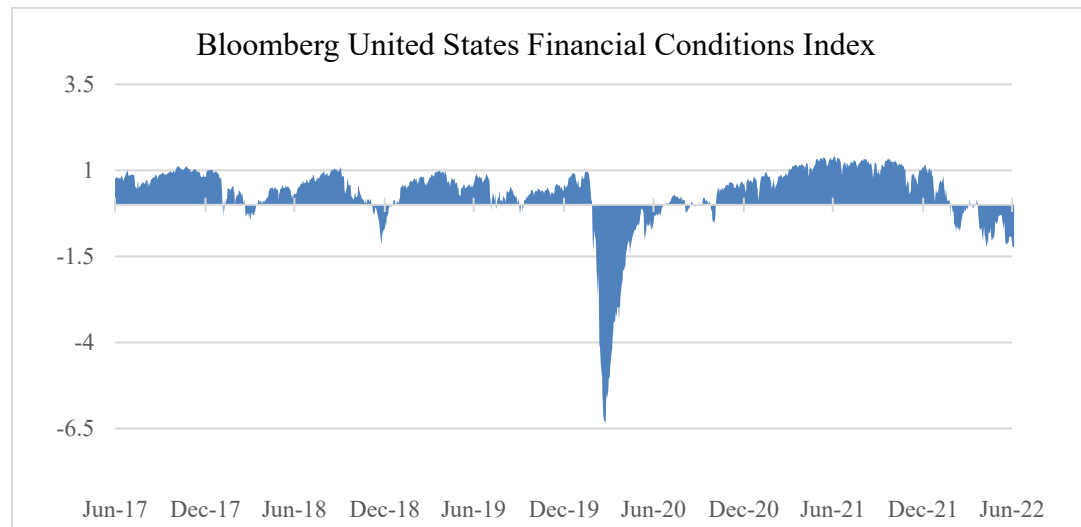
Portfolio  
Administrator:  
Gregory T. King  
1.720.913.9348  
[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Sr. Portfolio  
Manager:  
Mario Dominguez  
1.720.913.3091  
[CashandInvestmentAdministration@denvergov.org](mailto: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 1.50%-1.75% during the second quarter of 2022. The Fed signaled rates will continue to increase in 2022.
- The United States SOFR rate was 1.50% as of June 30th, 2022; an increase of 121 basis points from March 31st, 2022.
- As of June 30th, 2022, the yield of the two-year Treasury index was 2.95%, and the five-year Treasury index was yielding 3.04%. A year earlier, as of June 30th 2021, the yield of the two-year Treasury index was 0.25%, and the five-year Treasury index was yielding 0.89%.
- The median of economists' forecast is for a 3.30% 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 second quarter, the two-year, five-year, and ten-year were at 2.95%, 3.04%, and 3.01%, respectively.

Prepared By:

Cash & Capital  
Funding Division

Director of Cash &  
Investments:  
Caroline Hendrickson  
1.720.913.9335  
[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Portfolio  
Administrator:  
Gregory T. King  
1.720.913.9348  
[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Sr. Portfolio  
Manager:  
Mario Dominguez  
1.720.913.3091  
[CashandInvestmentAdministration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

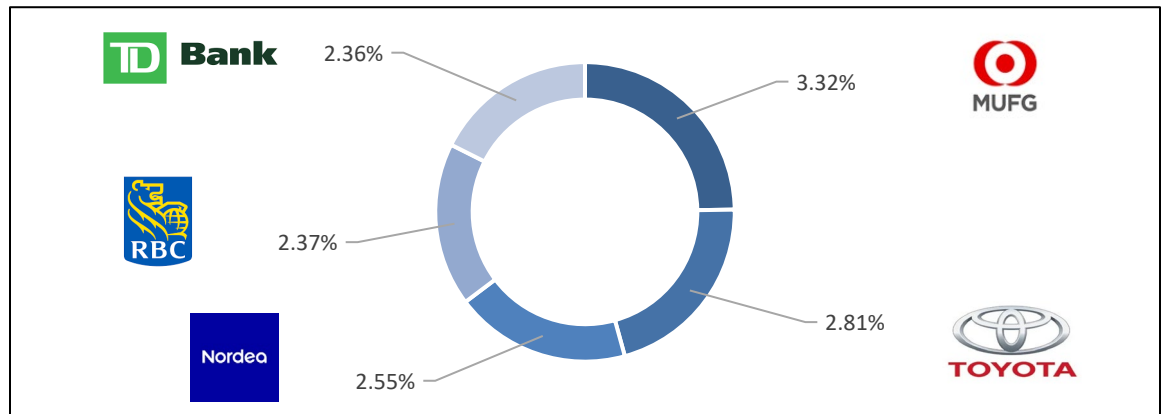
Report Content:

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

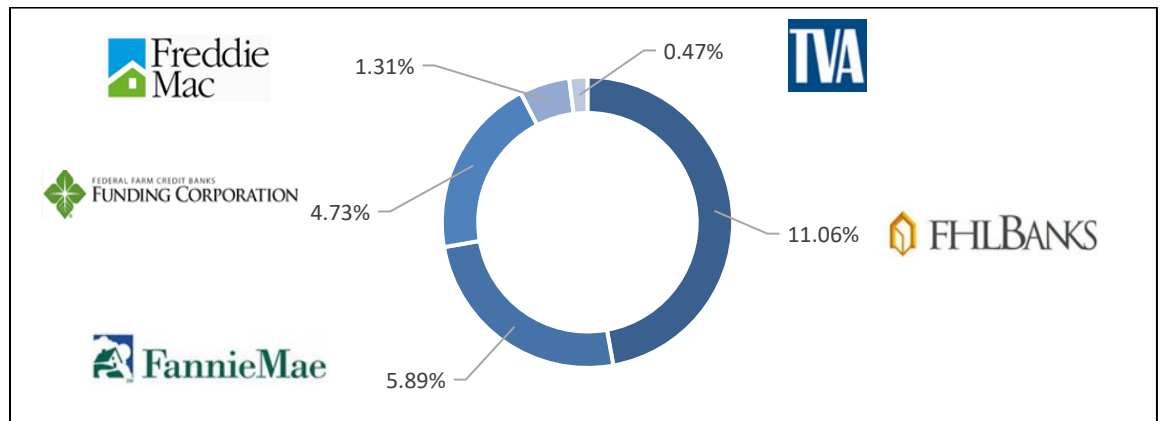
### Consolidated Top Holdings

Top 5 Credit Holdings			
Issuer	Market Value	% of Portfolio	Industry
MUFG Bank Ltd./NY	174,101,333	3.32%	Financial
Toyota Motor Corp	147,609,365	2.81%	Automobiles
Nordea Bank	133,929,844	2.55%	Financial
Royal Bank of Canada NY	124,353,986	2.37%	Financial
Toronto Dominion	123,995,771	2.36%	Financial
<b>Total</b>	<b>\$703,990,299</b>	<b>13.41%</b>	

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



Top 5 Agency Holdings		
Issuer	Market Value	% of Portfolio
FHLB	580,354,683	11.06%
FNMA	309,104,277	5.89%
FFCB	247,949,211	4.73%
FHLMC	68,639,810	1.31%
TVA	24,751,252	0.47%
<b>Total</b>	<b>\$1,230,799,233</b>	<b>23.46%</b>





**DENVER**  
THE MILE HIGH CITY

# City and County of Denver

## Investment Portfolio Performance Report

Quarter Ended

06/30/2022

Prepared By:

Cash & Capital  
Funding Division

Director of Cash &  
Investments:  
Caroline Hendrickson  
1.720.913.9335  
[CashandInvestmentAdmi  
nistration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Portfolio  
Administrator:  
Gregory T. King  
1.720.913.9348  
[CashandInvestmentAdmi  
nistration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Sr. Portfolio  
Manager:  
Mario Dominguez  
1.720.913.3091  
[CashandInvestmentAdmi  
nistration@denvergov.org](mailto: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

**\$403,064,811**

Total Return			
	1-Month	3-Month	YTD
Total Return	-0.62%	-1.52%	-5.23%
Blended Benchmark (TR)	-0.72%	-1.82%	-5.73%
<b>Excess Return</b>	<b>0.10%</b>	<b>0.30%</b>	<b>0.50%</b>

Current Return			
	1-Month	3-Month	YTD
Current Return	1.97%	1.93%	1.95%
Blended Benchmark (CR)	2.91%	2.82%	2.17%
<b>Excess Return</b>	<b>-0.94%</b>	<b>-0.89%</b>	<b>-0.22%</b>

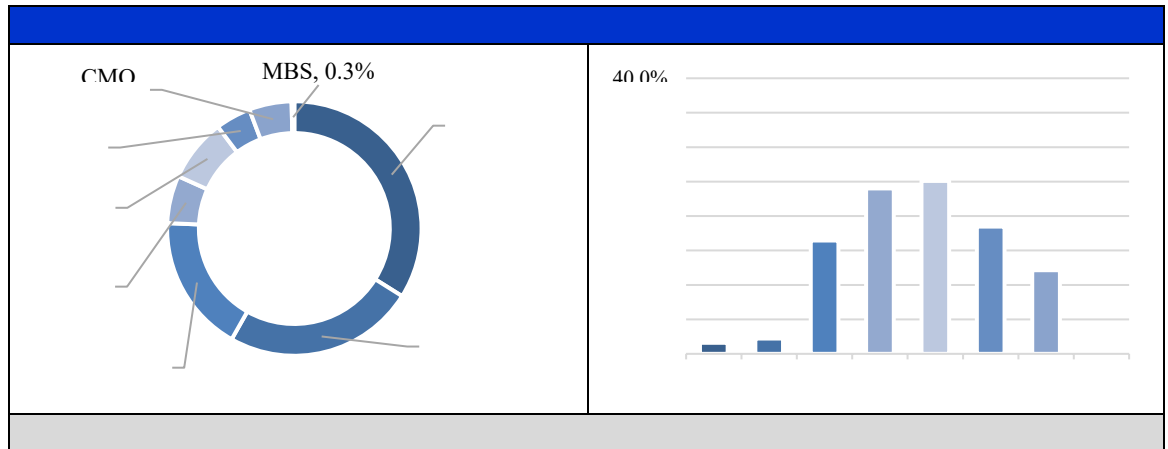
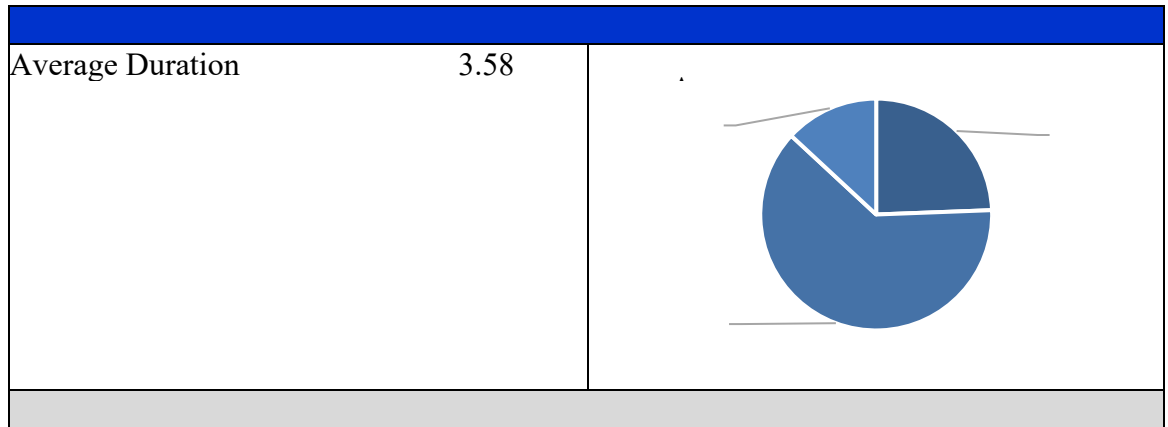
Year-to-Date earnings on a current return basis for the Reserve Portfolio were \$3,935,943.

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.

### Airport Reserve Portfolio Composition







**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](mailto:Cashand.InvestmentAdministration@denvergov.org)

Portfolio  
Administrator:  
Gregory T. King  
1.720.913.9348  
[Cashand.InvestmentAdministration@denvergov.org](mailto:Cashand.InvestmentAdministration@denvergov.org)

Sr. Portfolio  
Manager:  
Mario Dominguez  
1.720.913.3091  
[Cashand.InvestmentAdministration@denvergov.org](mailto:Cashand.InvestmentAdministration@denvergov.org)

### IV. Workers Compensation Portfolio Composition

**\$40,090,495**

Characteristics		Credit Quality (S&P)
Average Duration	3.29	
Average Coupon	2.79%	
Average Yield to Maturity	2.70%	
Average Rating (S&P)	AA+	
Average Life	4.44yrs	

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 2022 was 2.56%.
- Year-to-Date earnings on a current return basis for the Worker’s Compensation were \$457,086.





**DENVER**  
THE MILE HIGH CITY

Prepared By:

Cash & Capital  
Funding Division

Director of Cash &  
Investments:  
Caroline Hendrickson  
1.720.913.9335  
[CashandInvestmentAdmi  
nistration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Portfolio  
Administrator:  
Gregory T. King  
1.720.913.9348  
[CashandInvestmentAdmi  
nistration@denvergov.org](mailto:CashandInvestmentAdministration@denvergov.org)

Sr. Portfolio  
Manager:  
Mario Dominguez  
1.720.913.3091  
[CashandInvestmentAdmi  
nistration@denvergov.org](mailto: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

### V. Special Purpose Portfolios

**\$3,874,225**

In addition to the actively managed investments, the Cash & Capital Funding Division manages one additional portfolio. The Denver Cableland Trust portfolio was established to fund the annual maintenance expenses for Cableland, a facility donated to the City. The portfolio is 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 portfolio is pledged for specific purposes.

	Market Value	2022 Current Return	2022 Earnings
Denver Cableland Trust	\$3,874,225	3.48%	\$64,960

### 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 June 30th, 2022, there was an outstanding balance of \$252,963,713 between two escrow accounts.

### 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](http://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 June 30, 2022, 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, 2022, appears to be accurately reflected.

Signed this 14<sup>th</sup> day of July 2022



Joseph Kolinsky  
Chief Compliance Officer