



**Investment Advisory Board
Meeting
City of Rio Rancho
AGENDA
November 29, 2023
6:00 PM
City Council Chambers**

Investment Advisory Board Members

Van Billops, District 1	Vacant, District 2
Christopher Daniel, District 3	Ron Baker, District 4
Chandra McCray, District 5	Kelly Wainright, District 6
David Jablonski, At-Large	

Meeting Information

This meeting will be conducted in-person. A live stream of the meeting can be viewed on the City of Rio Rancho website at <https://rrnm.gov/2303/Watch-and-Download-City-Meetings>

Call to Order

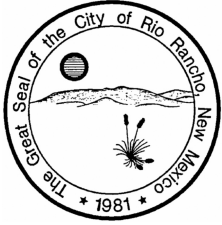
Discussion and Deliberation

- 1.** [Approval of the August 23, 2023 Meeting Minutes](#)
[IAB Minutes 082323](#)
- 2.** [Review and Input on the Permanent Fund and Core and Liquidity Portfolios](#)
[City of Rio Rancho Permanent Fund 3Q23.pdf](#)
[Quarterly Investment Report - CITY OF RIO RANCHO - 20230930.PDF](#)
- 3.** [Review and Input on the Investment Policies and Investment Policy Statement](#)
[Signed and Final Updated Investment Policy September 2022.pdf](#)
[City of Rio Rancho IPS.pdf](#)

Public Comment

Public comment will be taken in person only.

Adjournment



**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:

November 29, 2023

DEPARTMENT:

City Clerk

SUBJECT:

Approval of the August 23, 2023 Meeting Minutes

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:

ATTACHMENT: [IAB Minutes 082323](#)



*Investment Advisory Board
Meeting*

MINUTES
AUGUST 23, 2023
6:00 PM
Council Chambers

MEMBERS PRESENT:

Van Billops, District 1
Christopher Daniel, District 3 (arrived 6:09pm)
Chandra McCray, District 5
Kelly Wainwright, District 6
David Jablonski, At-Large (arrived 6:09pm)

STAFF PRESENT:

Rebecca Martinez, City Clerk
Carole Jaramillo, Director of Financial Services

MEMBERS ABSENT:

Ron Baker, District 4

SPECIAL GUEST:

Luke Schneider, PFM Asset Management (virtual)
Charles Wollmann, Dir. Comm., Leg. & Client
Services. (virtual)

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Kelly Wainwright called the meeting to order at 6:01 p.m.

DISCUSSION AND DELIBERATION

1. Overview of State Investment Council and Government Client Investment Polls

Charles Wollmann, Director Communications, Legislative & Client Services gave a brief overview. The State Investment Council (SIC) is the NM State Investment Council oversees and invests New Mexico's permanent, endowment and reserve funds & allows 25 governmental clients to invest in SIC "pools". The office includes 26 investment professionals, accountants, legal & support staff. He went over the assets SIC is managing, fund performance, and permanent fund distributions. The market concerns are bouncing back from 2022, and there is hope for a soft landing, as the Fed's had hoped to avoid a recession. The near-term investment strategy is to invest toward/maintain long-term investments targets. The SIC can provide access to high quality investment managers via pools, achieve institutional-level low pricing, and management fees due to economies of scale, and provide exposure to private market strategies often hard to access for smaller investors. However, we cannot tell clients how we think they should invest or provide asset-allocation studies.

2. Approval of May 24, 2023 Minutes

Van Billops moved to approve the minutes of May 24, 2023. Seconded by David Jablonski.

The minutes of May 24, 2023 were approved by consent of the Board.

3. Review and Discussion of Permanent Fund, Core Portfolio and Liquidity Portfolio

Luke Schneider, PFM Asset Management stated the U.S. economy is characterized by:

- 1 • Headline inflation numbers trending lower, but the Fed’s current focus,
2 “supercore inflation,” is showing little sign of slowing
- 3 • A labor market that has proven to be exceptionally strong
- 4 • A more optimistic sentiment around economic growth due to resilient consumer
5 spending

6 The Fed temporarily paused the rate hikes and the bond markets see continued
7 volatility. The inflation measures remain above Fed’s target and consumers have been
8 spending more on services. We are nearing sufficiently restrictive territory. The interest
9 rates rise as “Higher for Longer” mantra sets in. Mr. Schneider went over the portfolio
10 statistics for Rio Rancho. There is a very high credit quality of the portfolio. He went into
11 detail on the Permanent Fund asset allocations and performance and at this time they
12 are not recommending any allocation changes. As part of their scope in working with the
13 City, is to adjust weightings within the State Investment Council and make
14 recommendations

15
16 **PUBLIC COMMENT**

17
18 **ADJOURNMENT**

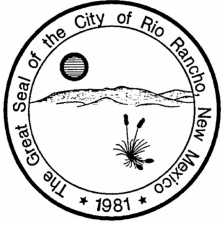
19
20 The meeting adjourned at 6:59 p.m.

21
22 APPROVED THIS 29th DAY OF NOVEMBER, 2023

23
24
25 _____
26 Kelly Wainwright, Chair

27 _____
28 Rebecca A. Martinez, City Clerk

29 SEAL



**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
November 29, 2023

DEPARTMENT:
City Clerk

SUBJECT:
Review and Input on the Permanent Fund and Core and Liquidity Portfolios

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:

ATTACHMENT: [City of Rio Rancho Permanent Fund 3Q23.pdf](#)

ATTACHMENT: [Quarterly Investment Report - CITY OF RIO RANCHO - 20230930.PDF](#)



City of Rio Rancho Permanent Fund

Investment Performance Review For the Quarter Ended September 30, 2023

Client Management Team

PFM Asset Management LLC

Luke Schneider, CFA, Managing Director
Matt Smith, CFA, Senior Managing Consultant
Chrystal Thomas, Analyst

1201 S Alma School Rd
Suite 3000
Mesa, AZ 85210

1735 Market Street
43rd Floor
Philadelphia, PA 19103

Markets and Economy

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
DOMESTIC EQUITY							
S&P 500	-3.27%	13.07%	21.62%	10.15%	9.92%	12.24%	11.91%
Russell 3000 Index	-3.25%	12.39%	20.46%	9.38%	9.14%	11.64%	11.28%
Russell 1000 Value Index	-3.16%	1.79%	14.44%	11.05%	6.23%	7.92%	8.45%
Russell 1000 Growth Index	-3.13%	24.98%	27.72%	7.97%	12.42%	15.64%	14.48%
Russell Midcap Index	-4.68%	3.91%	13.45%	8.09%	6.38%	8.68%	8.98%
Russell 2500 Index	-4.78%	3.59%	11.28%	8.39%	4.55%	7.96%	7.90%
Russell 2000 Index	-5.13%	2.54%	8.93%	7.16%	2.40%	6.62%	6.65%
Russell 2000 Value Index	-2.96%	-0.53%	7.84%	13.32%	2.59%	5.94%	6.19%
Russell 2000 Growth Index	-7.32%	5.24%	9.59%	1.09%	1.55%	6.77%	6.72%
INTERNATIONAL EQUITY							
MSCI EAFE (Net)	-4.11%	7.08%	25.65%	5.75%	3.24%	5.29%	3.82%
MSCI AC World Index (Net)	-3.40%	10.06%	20.80%	6.89%	6.46%	8.60%	7.56%
MSCI AC World ex USA (Net)	-3.77%	5.34%	20.39%	3.74%	2.58%	4.73%	3.35%
MSCI AC World ex USA Small Cap (Net)	-1.70%	5.03%	19.01%	4.01%	2.58%	4.70%	4.35%
MSCI EM (Net)	-2.93%	1.82%	11.70%	-1.73%	0.55%	3.22%	2.07%
ALTERNATIVES							
FTSE NAREIT Equity REIT Index	-7.13%	-2.14%	2.99%	5.76%	2.77%	2.61%	5.96%
FTSE EPRA/NAREIT Developed Index	-5.59%	-4.10%	2.72%	1.54%	-0.29%	0.65%	2.97%
Bloomberg Commodity Index Total Return	4.71%	-3.44%	-1.30%	16.23%	6.13%	4.68%	-0.75%
FIXED INCOME							
Blmbg. U.S. Aggregate	-3.23%	-1.21%	0.64%	-5.21%	0.10%	-0.09%	1.13%
Blmbg. U.S. Government/Credit	-3.00%	-0.86%	0.93%	-5.32%	0.41%	0.09%	1.31%
Blmbg. Intermed. U.S. Government/Credit	-0.83%	0.65%	2.20%	-2.93%	1.02%	0.62%	1.27%
Blmbg. U.S. Treasury: 1-3 Year	0.71%	1.69%	2.44%	-0.92%	1.03%	0.77%	0.79%
Blmbg. U.S. Corp: High Yield	0.46%	5.86%	10.28%	1.76%	2.96%	3.80%	4.24%
Credit Suisse Leveraged Loan index	3.37%	9.91%	12.47%	5.91%	4.31%	4.64%	4.33%
ICE BofAML Global High Yield Constrained (USD)	0.08%	5.37%	12.71%	-0.14%	1.81%	2.84%	3.29%
Blmbg. Global Aggregate Ex USD	-4.00%	-3.20%	3.39%	-8.39%	-3.10%	-2.77%	-1.73%
JPM EMBI Global Diversified	-2.23%	1.76%	10.01%	-4.56%	-0.35%	0.11%	2.47%
CASH EQUIVALENT							
90 Day U.S. Treasury Bill	1.31%	3.60%	4.47%	1.70%	1.72%	1.54%	1.10%

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

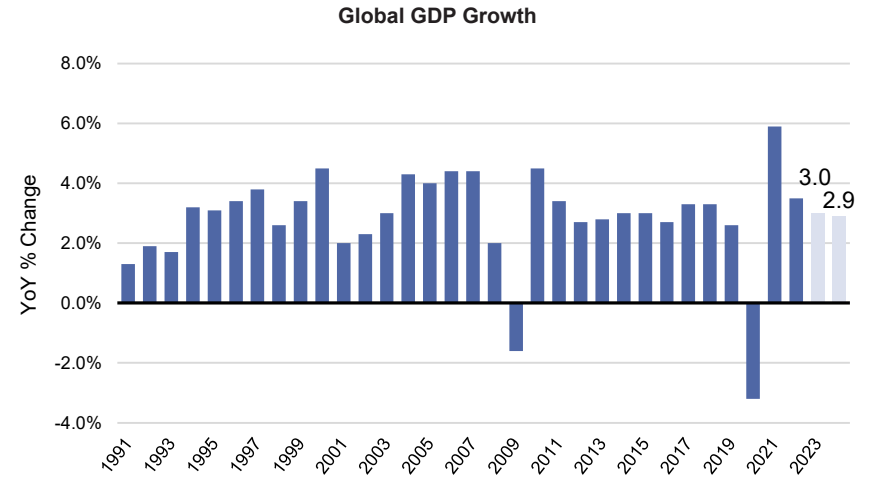
THE ECONOMY

► In the second quarter, U.S. gross domestic product (GDP) grew at an annualized rate of 2.1%, in line with 2023 growth estimates by the Federal Reserve (Fed) despite persistent inflation and continued rate hikes. This GDP growth rate is below global GDP growth estimates of 3.0%, which have been buoyed by emerging markets (EM) and developing economies.

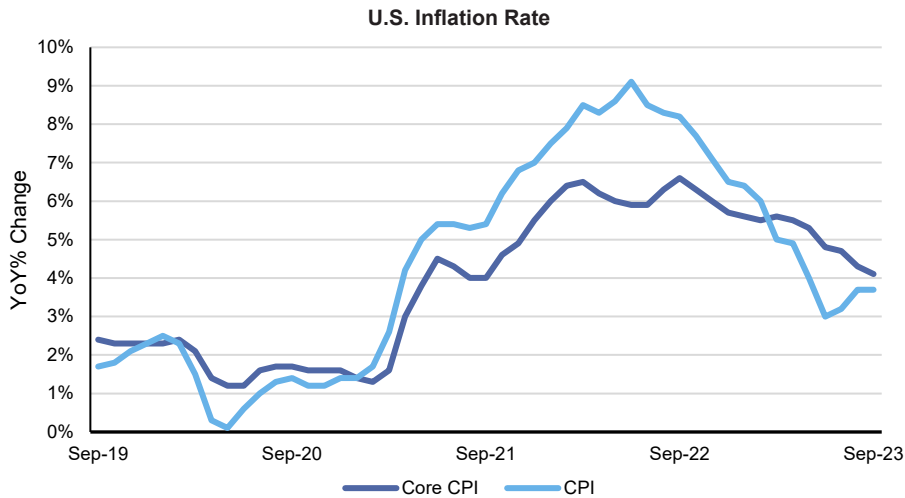
► The U.S. labor market continues to cool as the unemployment rate has risen to 3.8% in September. The number of job openings to unemployed ratio fell to 1.51, down from its high of 2.0 in 2022 but not yet closing in on the goal of 1.00.

► Inflation pressures remained visible in the third quarter, with headline inflation (CPI) increasing 3.7% year-over-year (YoY) in September, up from 3.0% at the end of the second quarter. However, the less volatile core reading (which excludes food and energy) shows continued cooling at 4.1% YoY in September, its slowest pace since 2021.

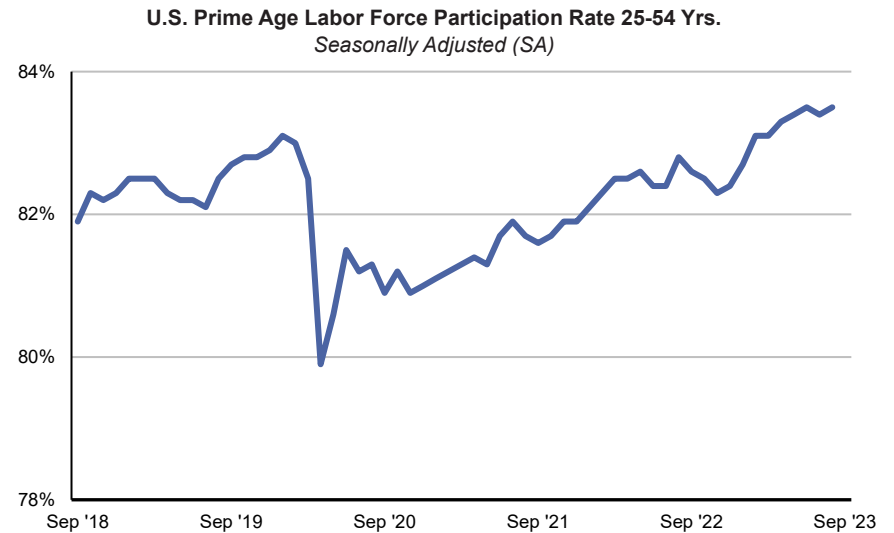
► Through the strong labor market and continued growth, consumer confidence saw relative improvement. The Michigan Consumer Sentiment survey ended the quarter at 68.1, up 8.4 year-to-date, though below the long-term average of 85. Consumers savings and incomes remain strong, but debt levels and defaults are increasing.



Source: IMF. Dark blue bars indicate actual numbers; light blue bars indicate forecasted estimates.



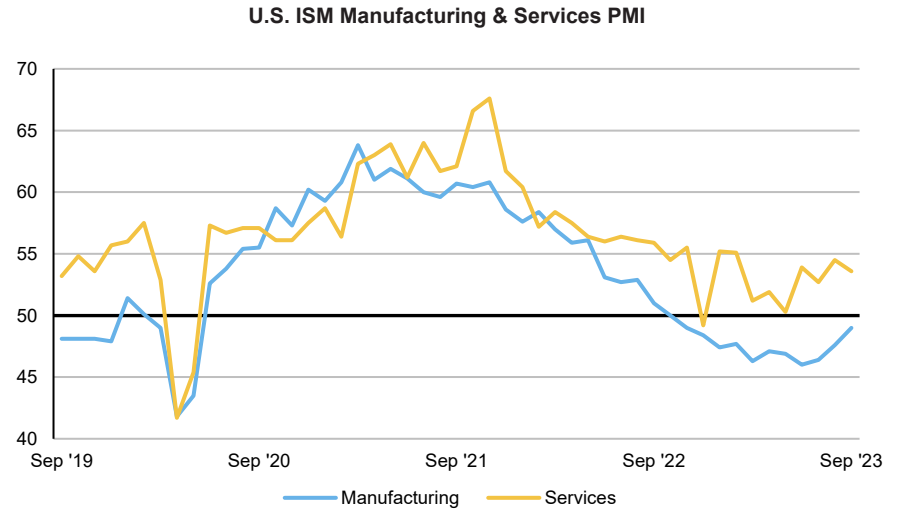
Source: Bureau of Labor Statistics.



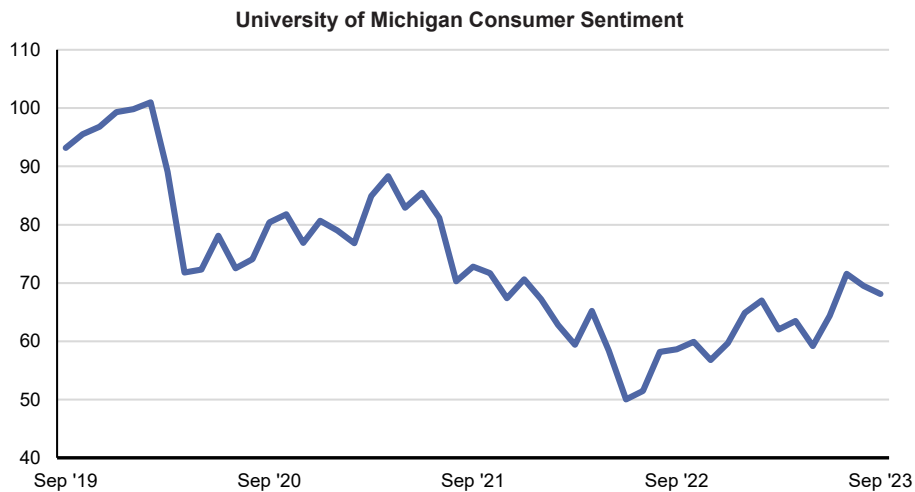
Source: Bureau of Labor Statistics.

WHAT WE'RE WATCHING

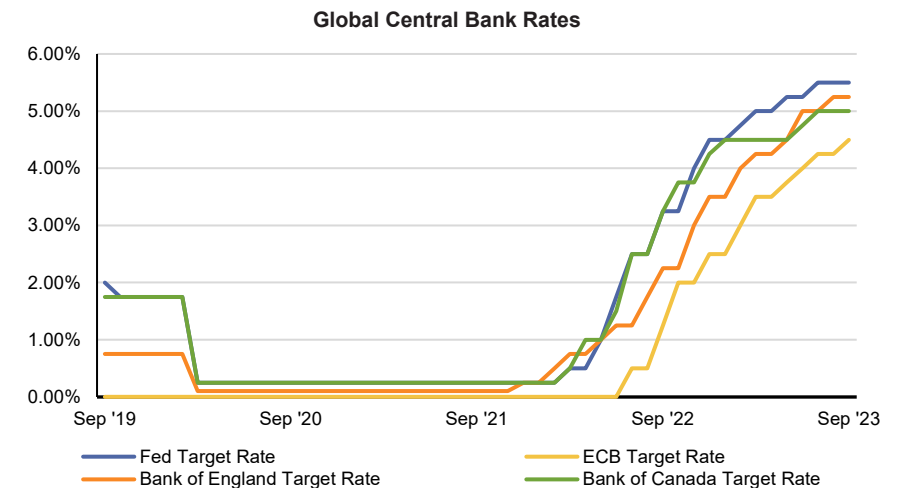
- ▶ After a pause in June, the third quarter brought one more rate hike as the resiliency of economic activity in the U.S. prompted the Fed to raise the target for the federal funds rate by 25 basis points (bps). Looking forward, the median dot for 2024 and 2025 were raised to 5.125% and 3.875%, with increased expectations of a 'higher-for-longer' policy. The European Central Bank (ECB) diverged from Fed policy slightly with two hikes during the quarter, marking a full year of consecutive rate hikes, as they continue to rein in inflation.
- ▶ The U.S. saw some recovery in manufacturing during the quarter as S&P Global U.S. Manufacturing rose to 49.8, just fractionally contractionary, as supply conditions improved and employment rose. Services weakened over the quarter, but remain expansionary at 50.1. The HCOB Eurozone manufacturing PMI, by comparison, ended the quarter in sharply contractionary territory for the fifteenth consecutive month, at 43.4. The services PMI also turned contractionary ending at 48.7.
- ▶ China's manufacturing and services sectors saw continued growth but with slowing momentum through the quarter as the S&P Global China Manufacturing and Services readings dipped to 50.9 and 50.2, respectively. Looking forward, the expected increased domestic tourism for "golden week" may provide a short-term boost to demand, though whether that can be sustained remains to be seen.



Source: Bloomberg.



Source: Bloomberg.



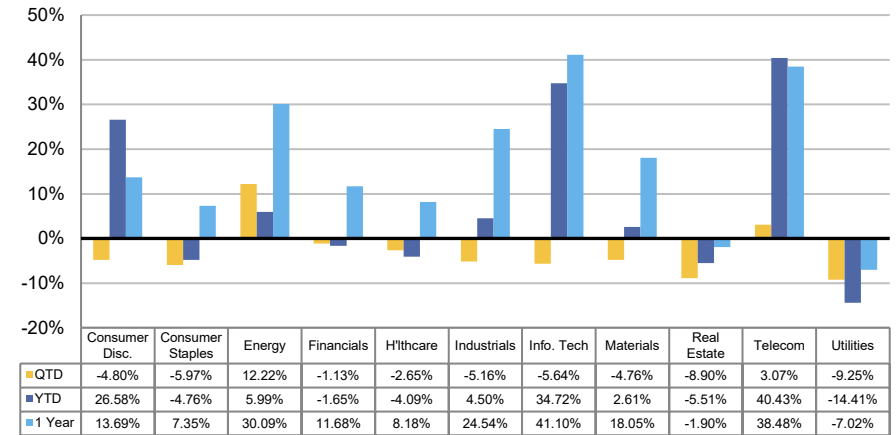
Source: Bloomberg.

DOMESTIC EQUITY

- ▶ The S&P 500 Index (S&P) posted a return of -3.27% for the third quarter of 2023. As of September 30, 2023, the trailing 1-year return for the index was 21.59%.
- ▶ Over the quarter, extreme market concentration continued to play a factor for large-cap stocks, as evidenced by the underperformance of the S&P 500 Equal Weight Index versus the S&P 500 Market Cap-Weighted Index.
- ▶ Within the S&P, only two of the 11 Global Industry Classification Standard (GICS) sectors posted positive gains for the quarter: Energy (12.22%) and Communication Services (3.07%). The worst-performing sectors over the quarter were Utilities (-9.25%), Real Estate (-8.90%), and Consumer Staples (-5.97%).
- ▶ Small-caps, as represented by the Russell 2000 Index, returned -5.13% during the quarter, lagging mid- and large-caps. The Russell Mid Cap Index returned -4.68% for the quarter, while the Russell 1000 Index returned -3.16%.
- ▶ According to FactSet Earnings Insight (as of September 29, 2023), the expected YoY earnings growth rate for the S&P for the third quarter is -0.1%. If expectations become a reality, it will be the fourth consecutive quarterly decline for the index.
- ▶ As of the end of the quarter, the S&P 500 P/E ratio was 20.96, below its 5-year average of 21.74. By comparison, the S&P 600, which represents small-cap stocks, had a P/E ratio of 14.52, well below its 5-year average of 17.22.

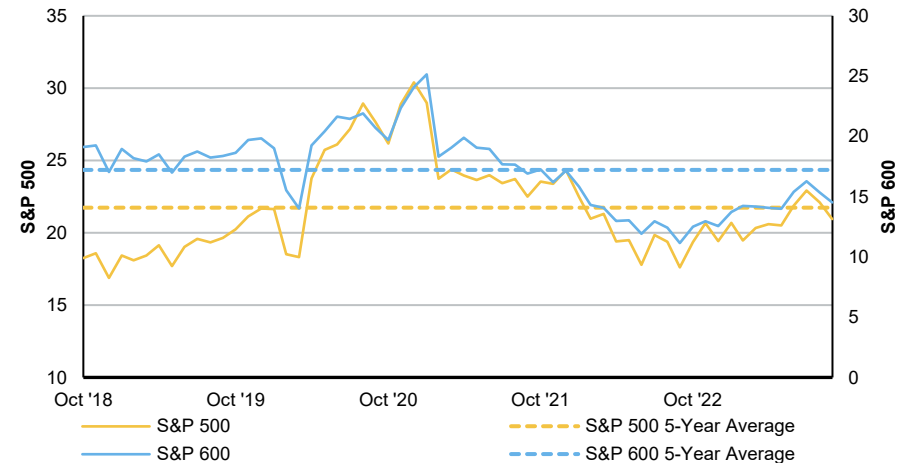
S&P 500 Index Performance by Sector

Periods Ended September 30, 2023



Source: Bloomberg.

P/E Ratios of Major Stock Indices*



Source: Bloomberg.

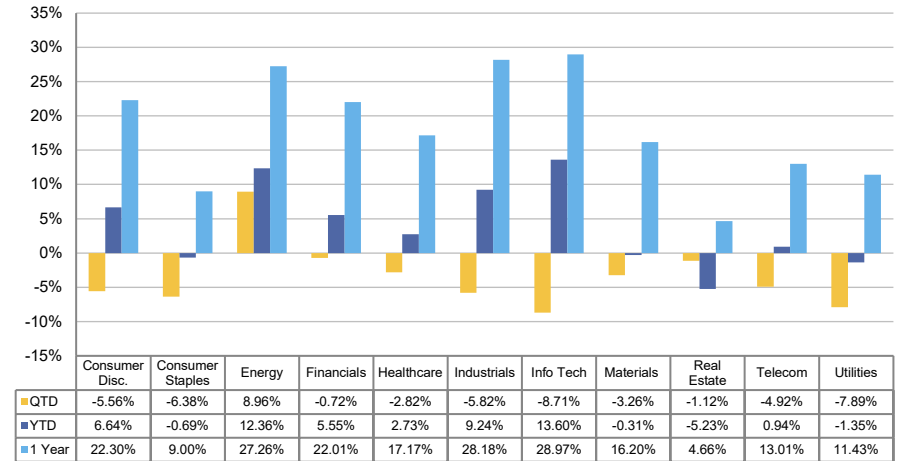
*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

NON-U.S. EQUITY

- ▶ Markets outside of the U.S., as measured by the MSCI ACWI ex-U.S. Index, slightly underperformed their U.S. counterparts, returning -3.77% for the quarter.
- ▶ There were 10 out of the 11 sectors that posted negative returns for the quarter, with Information Technology (-8.71%), Utilities (-7.89%), and Consumer Staples (-6.38%) being the worst-performing sectors. Energy (+8.96%) was the best and only sector with a positive return for the quarter. The sector benefited from oil prices soaring on tighter supplies.
- ▶ Emerging markets (EM), as represented by MSCI Emerging Market Index, outperformed Developed ex-U.S. Markets, represented by the MSCI EAFE Index, returning -2.93% versus -4.11% for the quarter.
- ▶ MSCI Japan (-1.55%) outperformed the MSCI EAFE Index. Japanese equities continue to benefit from positive investor sentiment as better corporate governance practices and attractive valuation brighten earnings outlook. Of the five largest-weighted countries in the index, Germany (-7.62%) was the worst performer due to gloomy economic data and unfavorable demographics.
- ▶ Within EM, MSCI India (1.84%) was a strong performer. The country's economic growth remains strong despite higher rates. MSCI China (-2.41%) outperformed the index as the government reaffirmed stimulative policies, which fueled a sharp rebound in Chinese equities during the month of July.
- ▶ Small-caps, as represented by MSCI ACWI ex-U.S. Small Cap Index, outperformed within the international equity markets, returning -1.70% for the quarter.
- ▶ Non-U.S. equities remain undervalued relative to their long-term average across international equity markets. As of September 30, 2023, MSCI EAFE ended the quarter with a P/E ratio of 13.39, much lower than its 5-year average of 15.98. Similarly, MSCI EM's P/E stood at 12.99 versus a 5-year average of 13.12.

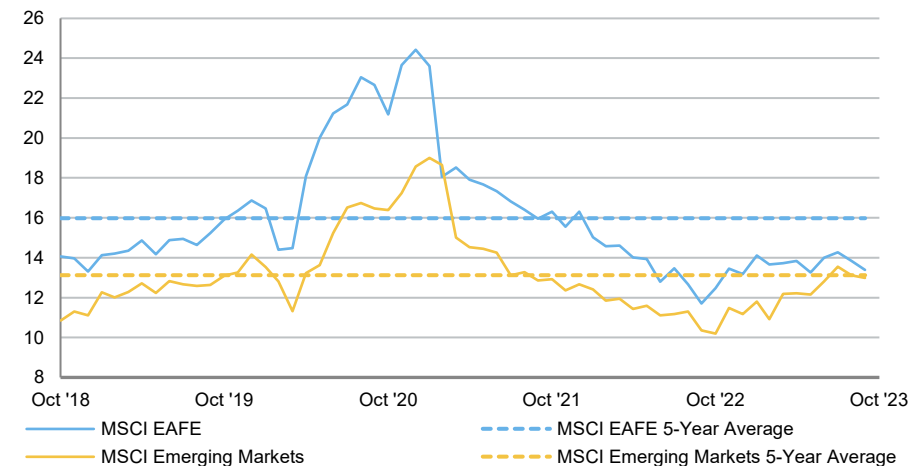
MSCI ACWI ex-U.S. Sectors

Periods Ended September 30, 2023



Source: Bloomberg.

P/E Ratios of MSCI Equity Indices*



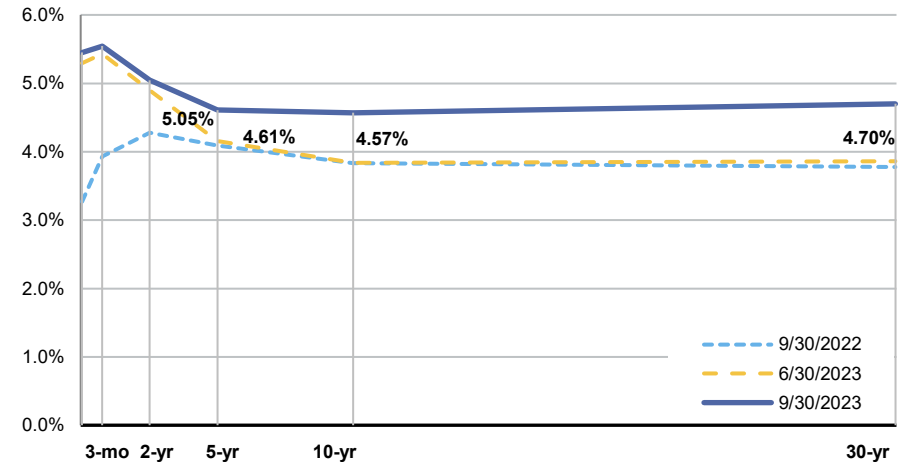
Source: Bloomberg.

*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

FIXED INCOME

- ▶ The U.S. bond market represented by the Bloomberg U.S. Aggregate (Aggregate) Index fell sharply during the third quarter to -3.23% as rates continued rising. The trailing 1-year period return is 0.64%.
- ▶ The Bloomberg U.S. Treasury Index closed the quarter with a loss of -3.06%. During the period, the Federal Open Market Committee (FOMC) raised interest rates by a quarter point in July, but paused at the September meeting. Long rates rose on several factors, including higher overall treasury issuance, less foreign demand, stickier energy-related inflation, and Federal debt and deficit size. The latter led to Fitch downgrading the U.S. Government rating. The curve remains inverted as the fed funds rate is now targeted at 5.5%. The 10-year climbed 78 bps in the quarter, ending at 4.59%.
- ▶ Corporate credit had mixed results for the quarter. The investment-grade Bloomberg U.S. Corporate (IG Corp) Index declined 3.09%, while high-yield bonds, as represented by the Bloomberg U.S. Corporate High-Yield (HY) Index, posted a gain of 0.46%. Although spreads didn't widen, IG Corp sold off from duration. HY saw very mild spread widening but was again led by the lowest quality Caa/CCC-rated cushioned by double-digit yields.
- ▶ The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index, lost 4.05%, hurt by continued duration extension on higher rates. On the commercial side, the Bloomberg U.S. Agency CMBS Index declined by 1.91%.
- ▶ EM USD sovereign bonds, as represented by the JP Morgan EMBI Global Diversified Index, lost 2.23%.

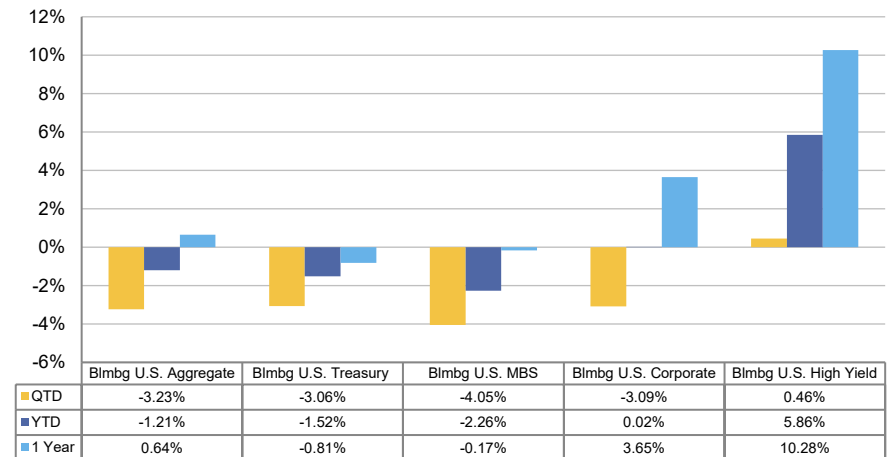
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended September 30, 2023



Source: Bloomberg.

ALTERNATIVES

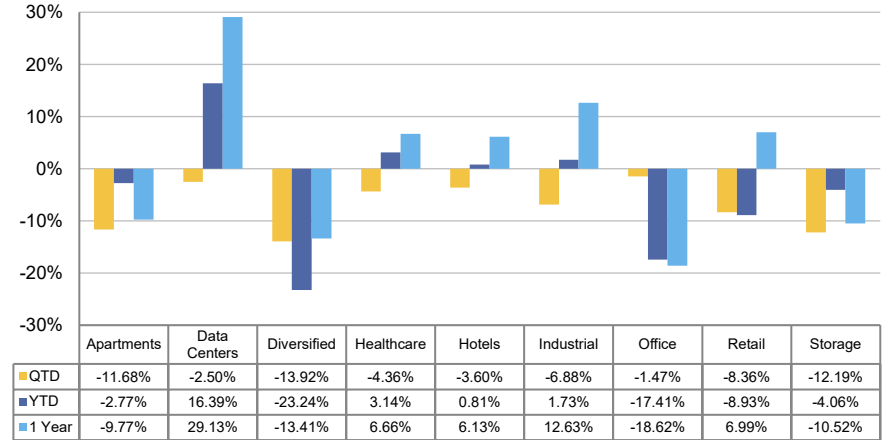
▶ REITs, as measured by the FTSE NAREIT Equity REITs Index, fell 7.13% in the third quarter of 2023, compared to a 2.62% increase in the prior quarter. All major sectors posted losses during the quarter as higher interest rates and broader economic concerns have spooked investors. The best performers were the Office and Data Center sectors, which posted returns of -1.47% and -2.50%, respectively. The worst performers during the quarter were the Diversified and Self-Storage sectors, which posted returns of -13.92% and -12.19%, respectively.

▶ Commodity futures, represented by the Bloomberg Commodity Total Return Index, gained 4.71% in the third quarter of 2023, compared to a 2.56% decline in the prior quarter. The U.S. Dollar Index (DXY) gained 3.17% during the same period. The price of gold fell 3.69% in Q3, marking the second consecutive quarter of declines for the precious metal. Gold finished the quarter at \$1,848.63 per ounce, down from \$1,919.35 at the end of the previous quarter. The West Texas Intermediate (WTI) Crude Oil spot price gained 28.53% from \$70.64 to \$90.79 per barrel as news of OPEC cuts and tighter supplies outweighed headwinds posed by a strengthening U.S. dollar and softening economic data.

▶ Private real estate, as measured by the NCREIF Property Index, fell -1.98% in the second quarter of 2023, resulting in a -6.60% return over the twelve-month period ended June 2023. This was the third consecutive quarter of negative returns for the index, underscoring the weakness in private property values. Hotel properties were again the top performers, with a total return of 4.00% in the second quarter, comprised of 1.94% in income return and 2.06% in appreciation return. Office properties were again the worst performers with a total return of -5.79%, comprised of 1.21% in income return and -7.00% in appreciation return.

FTSE NAREIT Sectors

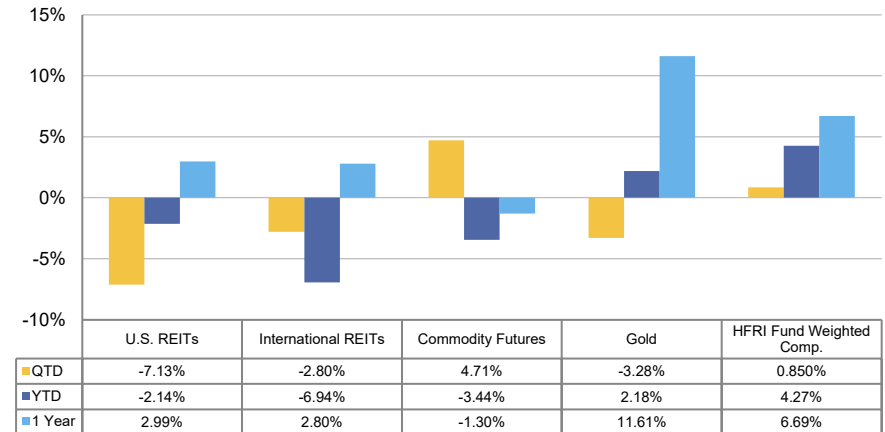
Periods Ended September 30, 2023



Source: Bloomberg.

Returns for Liquid and Semi-Liquid Alternative Assets

Periods Ended September 30, 2023



Sources: Bloomberg and Hedge Fund Research, Inc.

ALTERNATIVES (continued)

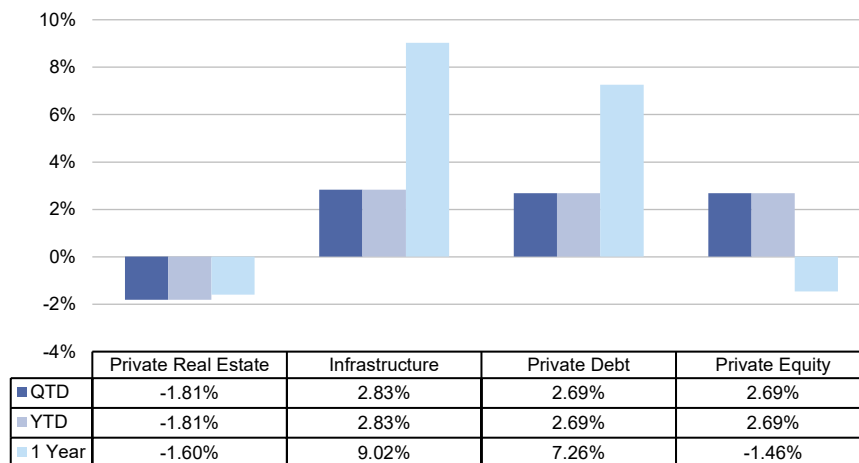
► In the second quarter of 2023, infrastructure funds raised only \$3.72 billion, although this is higher than the amount raised during the prior quarter. Almost all of this capital was raised by opportunistic infrastructure funds. Real assets dry powder has also fallen from previous years and stands at \$254.85 billion as of Q4 2022. Despite macroeconomic headwinds, the asset class continues to remain attractive due to its ability to provide moderate but consistent returns during periods of volatility, inflation and recession. According to PitchBook, infrastructure funds posted a return of 2.83% in Q1 2023. The asset class has generated an annualized return of 10.49% for the five years ended Q1 2023.

► In the second quarter of 2023, private debt fundraising amounted to \$56.38 billion, up from the prior quarter. Private debt dry powder has fallen to \$434.39 billion, although it remains above the long-term average. The asset class has performed well relative to public fixed income and may see more opportunities emerge in the near term as tightening lending standards push banks out of the private lending space. According to the Cliffwater Direct Lending Index, U.S. middle market loans, a proxy for private debt, posted a return of 2.81% in Q2 2023. The asset class has also generated an annualized return of 8.47% for the five years ended Q2 2023.

► In the second quarter of 2023, private capital fundraising was led by private equity funds, which closed on \$114.01 billion. Global private equity dry powder, which accounts for the bulk of private capital dry powder, remains high at \$1.32 trillion as of December 2022. Recent private equity performance has weakened as a result of high interest rates and a slowing economy; however, longer-term performance relative to public equities remains strong. According to Cambridge Associates, U.S. private equity posted a return of 2.69% in Q1 2023. The asset class has generated an annualized return of 18.47% for the five years ended Q1 2023.

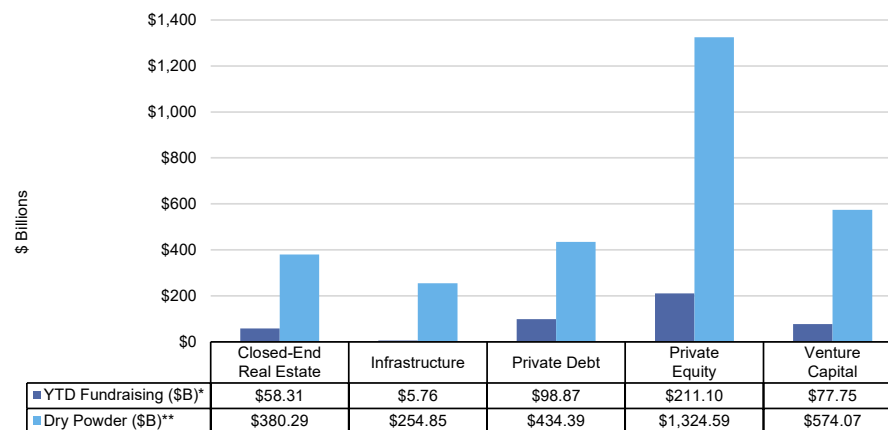
► Hedge fund returns were positive quarter-to-date through August 2023, with the HFRI Fund Weighted Composite Index returning 1.05%. During the same period, the HFRI Macro (Total) Index returned 0.11%. The HFRI Equity Hedge (Total) Index and the HFRI Fund of Funds Index returned 0.85% and 0.95%, respectively.

Returns for Private Capital Assets



Source: NCREIF, PitchBook, Cliffwater, Cambridge Associates, manual inputs.
As of March 31, 2023 - most recent period for which all performance data is available.

Private Capital Fundraising & Dry Powder



Sources: Pitchbook.

* Total capital raised in 2023 as of June 30, 2023 - most recent period for which ALL fundraising data is available.

** Cumulative dry powder as of most recent - December 31, 2022.

Investment Strategy Overview










Asset Class	Our Q4 2023 Investment Outlook	Comments
U.S. Equities		<ul style="list-style-type: none"> Continuing hawkish Fed stance gave rise to higher for longer rate narrative which led to a rapid increase in 10-year yields and a sell-off across equities. Moderating inflation and improving earnings growth expectations are positives but offset by higher rates. Mid cap and small cap valuations are attractive, but outperformance is unlikely until monetary policy becomes less hawkish and investor sentiment/earnings growth improves.
Large-Caps		
Mid-Caps		
Small-Caps		
Non-U.S. Equities		<ul style="list-style-type: none"> International equities continue to trade at a discount to U.S. equities, but sustained tightening in global financial conditions is a headwind. A strong US dollar and slowing growth in China are also headwinds to international equity returns. EM equities trade at attractive valuations despite the fact that relative economic growth outside of China is expected to improve. Chinese equities are expected to be negatively impacted by investor sentiment. Currently, we remain equal weight to EM due to near-term risk factors and continue to monitor for attractive points to add to the position. International small caps provide exposure to local revenue streams and are trading at attractive valuations.
Developed Markets		
Emerging Markets		
International Small-Caps		
Fixed Income		<ul style="list-style-type: none"> The Fed's recent guidance points towards soft landing scenario with another hike possible before the year-end. Yields at short end of the curve look attractive while rising long-term yields have weighed on recent returns. We expect the yields to come down from the recent highs as inflation continues to moderate. Credit markets remain attractive due to strong corporate fundamentals. We continue to seek diversified credit exposure and are closely watching signs for any distress in the corporate credit space.
Long-Duration, Interest Rate-Sensitive Sectors		
Credit-Sensitive Sectors		
Alternatives		<ul style="list-style-type: none"> Higher interest rates and rising foreclosure for office buildings are headwinds for real estate returns. We remain cautious in the near term Private equity is facing headwinds from higher leverage costs and falling valuations. Debt strategies may benefit from banks' tighter lending standards, but risk is elevated as the economy continues to slow, which will likely lead to higher default rates. Commodities are being impacted by supply shocks in the near-term. Over the next year, we expect slowing global demand to offset price increases from supply shocks.
Real Estate		
Private Equity		
Private Debt		
Commodities		

● Current outlook ○ Outlook one quarter ago



The view expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (9/30/2023) and are subject to change.

Factors to Consider Over the Next 6-12 Months

<p>Monetary Policy:</p>  <ul style="list-style-type: none"> • The Fed's recent guidance points towards soft landing scenario with another hike possible before the year-end. Markets have adjusted to higher rates for longer; restrictive monetary policy for longer could hamper economic growth. • Globally, most major central banks have maintained hawkish stance leading to growth concerns. 	<p>Economic Growth:</p>  <ul style="list-style-type: none"> • U.S. economy is expected to avoid recession near-term amidst continued strength within services activity, consumer spending, corporate balance sheets and labor markets. • Eurozone economic growth is slowly. 	<p>Inflation:</p>  <ul style="list-style-type: none"> • Inflation is moderating and we expect inflation to continue to slow. • Upside surprise driven by services inflation or due to rising crude oil prices on goods inflation will be negative and could lead to renewed aggressive monetary policy.
<p>Financial Conditions:</p>  <ul style="list-style-type: none"> • Hawkish monetary policy and higher rates for longer can lead to pockets of stress within financial markets. • Banks' lending standards remain a concern for continuing economic growth. 	<p>Consumer Spending (U.S.):</p>  <ul style="list-style-type: none"> • With inflation moderating, consumer confidence has been steadily recovering from recent lows. • Moderating inflation, low unemployment rate and rising real personal income may keep consumer spending while student loan repayments is a headwind. 	<p>Labor Markets:</p>  <ul style="list-style-type: none"> • Labor markets remain relatively strong but showing signs of softening as economy continues to slow. • Improving labor force participation bodes well for lower wage growth and inflation.
<p>Corporate Fundamentals:</p>  <ul style="list-style-type: none"> • Earnings growth expectations are improving, especially when energy companies are excluded. • Profit margins have declined and are stabilizing at pre-pandemic levels. The impact of rising US dollar, rising borrowing costs, slowing Eurozone growth, lackluster recovery in China and rising commodity prices need to be monitored. 	<p>Valuations:</p>  <ul style="list-style-type: none"> • International equities look attractive relative to historical valuations but continued economic uncertainty is leading to increased volatility. • Credit markets look attractive on the back of strong corporate fundamentals, but pockets of vulnerabilities will appear as financial conditions tighten further. 	<p>Political Risks:</p>  <ul style="list-style-type: none"> • Geopolitical risks continue to remain elevated. US/China tensions, Russia/Ukraine war, China's moves in South China Sea and Taiwan Strait further add to risks.



Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (09/30/2023) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.

Plan Performance Review

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value (\$)	%	1 Quarter	Fiscal YTD	Year To Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Total Fund	10,583,509	100.00	-2.80	-2.80	5.82	N/A	N/A	N/A	N/A	5.82	01/01/2023
<i>Blended Benchmark</i>			-3.32	-3.32	5.42	N/A	N/A	N/A	N/A	5.42	01/01/2023
Domestic Equity	4,314,491	40.77	-3.47	-3.47	10.63	N/A	N/A	N/A	N/A	10.63	01/01/2023
<i>Russell 3000 Index</i>			-3.25	-3.25	12.39	20.46	9.38	9.14	11.64	12.39	01/01/2023
US Large Cap Index Pool	3,528,420	33.34	-3.14	-3.14	13.09	N/A	N/A	N/A	N/A	13.09	01/01/2023
<i>Russell 1000 Index</i>			-3.15	-3.15	13.01	21.19	9.53	9.63	12.00	13.01	01/01/2023
US SMID Cap Alternative Weighted Index Pool	786,071	7.43	-4.93	-4.93	0.78	N/A	N/A	N/A	N/A	0.78	01/01/2023
<i>S&P SmallCap 600</i>			-4.93	-4.93	0.81	10.08	12.10	3.21	7.77	0.81	01/01/2023
International Equity	2,222,293	21.00	-3.50	-3.50	5.82	N/A	N/A	N/A	N/A	5.82	01/01/2023
<i>MSCI AC World ex USA (Net)</i>			-3.77	-3.77	5.34	20.39	3.74	2.58	4.73	5.34	01/01/2023
Non-US Developed Markets Active Pool	1,681,708	15.89	-3.58	-3.58	6.78	N/A	N/A	N/A	N/A	6.78	01/01/2023
<i>MSCI AC World ex USA (Net)</i>			-3.77	-3.77	5.34	20.39	3.74	2.58	4.73	5.34	01/01/2023
Non-US Emerging Markets Index Pool	540,586	5.11	-3.22	-3.22	2.97	N/A	N/A	N/A	N/A	2.97	01/01/2023
<i>MSCI EM (net)</i>			-2.93	-2.93	1.82	11.70	-1.73	0.55	3.22	1.82	01/01/2023
Fixed Income	4,046,724	38.24	-1.69	-1.69	1.12	N/A	N/A	N/A	N/A	1.12	01/01/2023
<i>Blmbg. U.S. Aggregate</i>			-3.23	-3.23	-1.21	0.64	-5.21	0.10	-0.09	-1.21	01/01/2023
Credit Plus Pool	4,046,724	38.24	-1.69	-1.69	1.12	N/A	N/A	N/A	N/A	1.12	01/01/2023
<i>Blmbg. U.S. Universal Index</i>			-2.88	-2.88	-0.62	1.61	-4.68	0.34	0.24	-0.62	01/01/2023

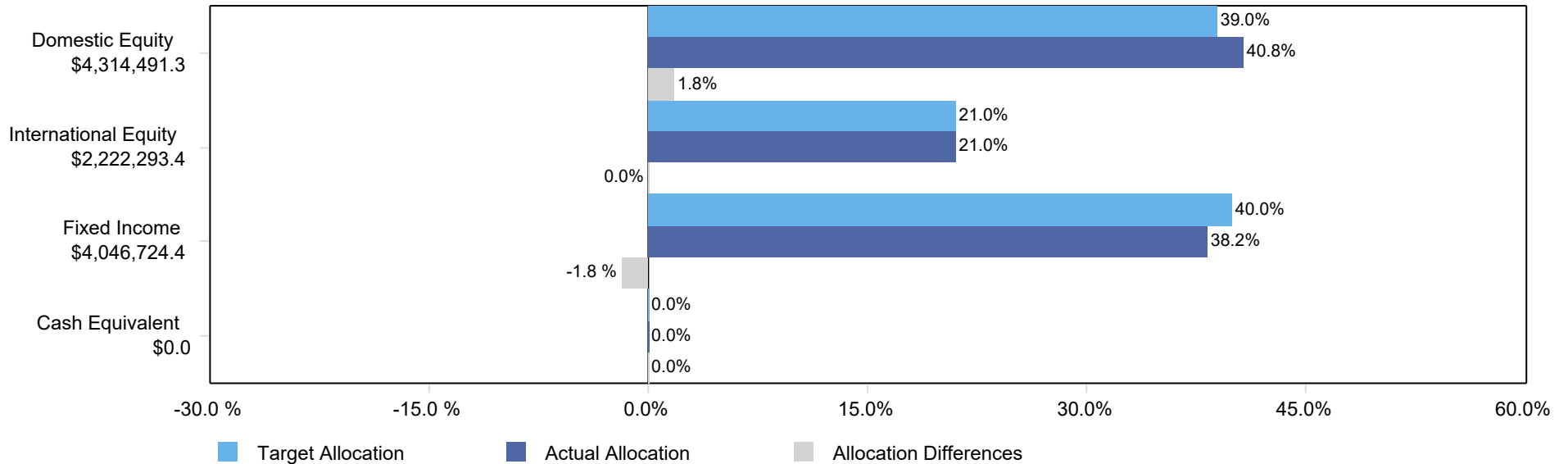
Returns are net of fees.
Returns are expressed as percentages.

Financial Reconciliation

QTR	Market Value As of 07/01/2023	Net Flows	Return On Investment	Market Value As of 09/30/2023
Total Fund	10,888,935	-	(305,426)	10,583,509
US Large Cap Index Pool	3,642,836	-	(114,416)	3,528,420
US SMID Cap Alternative Weighted Index Pool	826,816	-	(40,745)	786,071
Non-US Developed Markets Active Pool	1,744,203	-	(62,495)	1,681,708
Non-US Emerging Markets Index Pool	558,588	-	(18,002)	540,586
Credit Plus Pool	4,116,492	-	(69,768)	4,046,724

Asset Allocation Compliance - Total Fund

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
Total Fund	100.0	100.0	N/A	N/A	0.0
Domestic Equity	40.8	39.0	24.0	54.0	1.8
International Equity	21.0	21.0	6.0	36.0	0.0
Fixed Income	38.2	40.0	25.0	55.0	-1.8
Cash Equivalent	0.0	0.0	0.0	15.0	0.0



Historical Hybrid Composition - Blended Benchmark

Allocation Mandate	Weight (%)
Jan-2023	
Russell 3000 Index	39.0
MSCI AC World ex USA (Net)	21.0
Blmbg. U.S. Aggregate	40.0

IMPORTANT DISCLOSURES

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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CITY OF RIO RANCHO

Investment Performance Review For the Quarter Ended September 30, 2023

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Meredith LaBuda Sullivan, Senior Portfolio Trader
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Agenda

- Market Update
- Account Summary
- Portfolio Review

Market Update

Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ Stronger than expected growth, supported by a resilient consumer
 - ▶ Inflation that remains stubbornly above the Federal Reserve's ("Fed") target range
 - ▶ Continued creation of new jobs by the labor market, albeit at a moderating pace



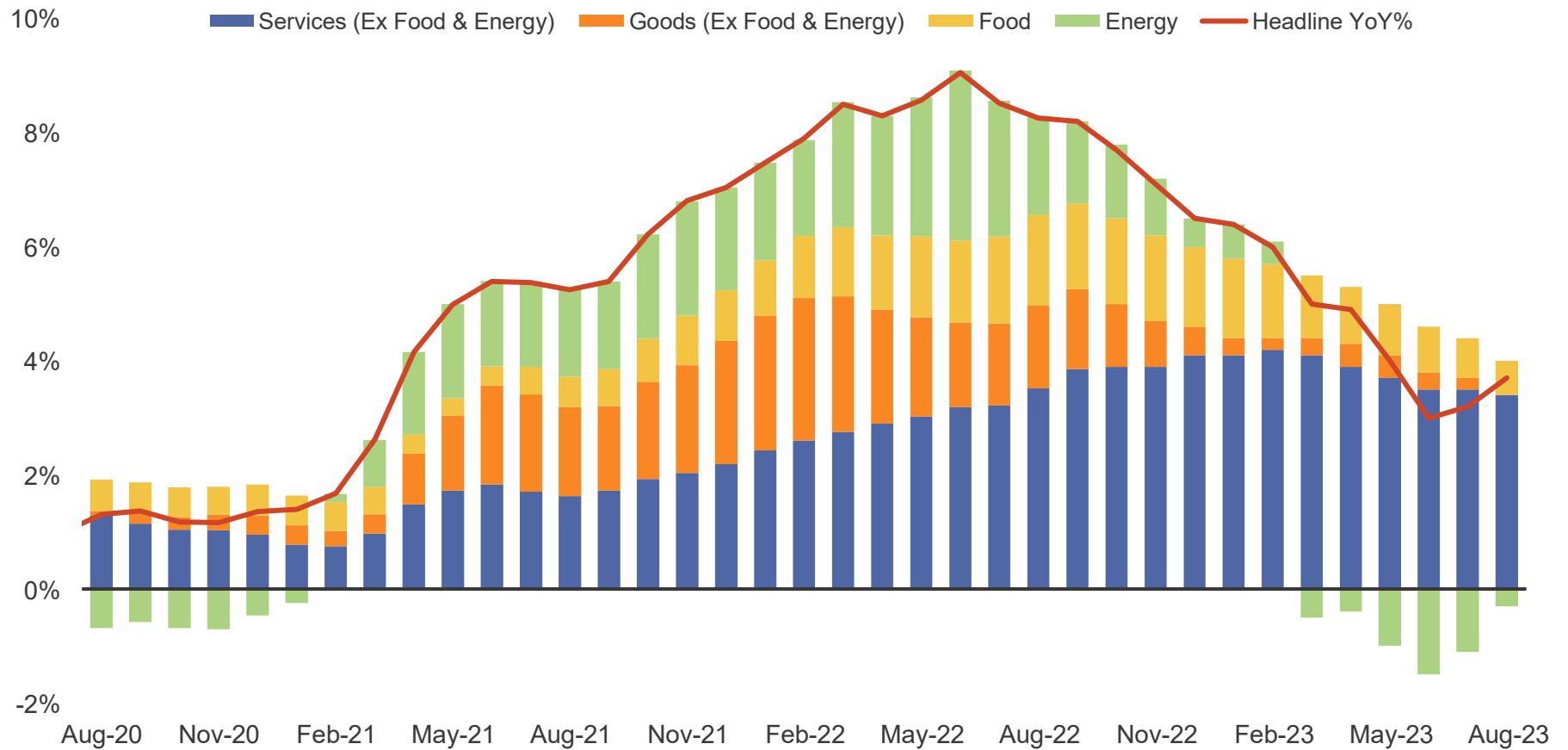
- ▶ Fed pauses again in rate hike campaign
 - ▶ After hiking in July, the Federal Reserve held rates steady at the September FOMC meeting as expected
 - ▶ The Fed's most recent "dot plot" indicated one more rate hike for 2023 and set the stage for interest rates to remain "higher-for-longer"
 - ▶ Updated FOMC economic projections point to stronger GDP growth expectations, higher inflation, and slightly lower unemployment for the remainder of 2023 and into 2024



- ▶ Interest rates reached their highest levels since 2006-7
 - ▶ The U.S. government rating downgrade by Fitch had little impact, although it highlighted growing worry about the erosion of governance standards and fiscal irresponsibility
 - ▶ Treasury yields across the curve rose during Q3. Sticky inflation, a "higher for longer" market consensus, increased Treasury borrowing, and reduced Treasury holdings by China and Japan weighed especially on the long end of the curve
 - ▶ The next concern is the annual federal budget process and potential for a government shutdown

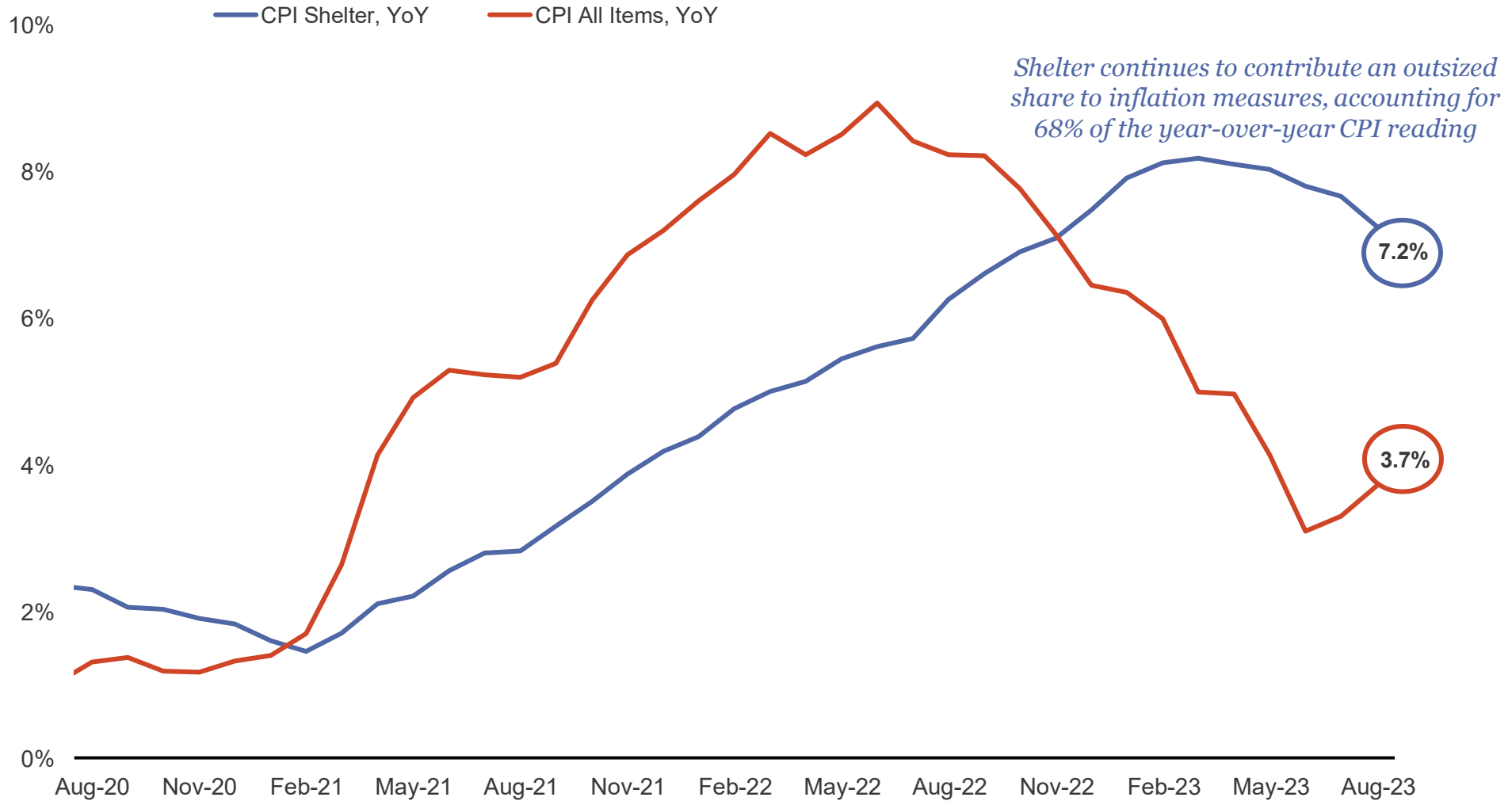
Inflation Gradually Falling, But Sensitive to Recently Rising Energy Prices

Factors Contributing to the Consumer Price Index (CPI YoY)



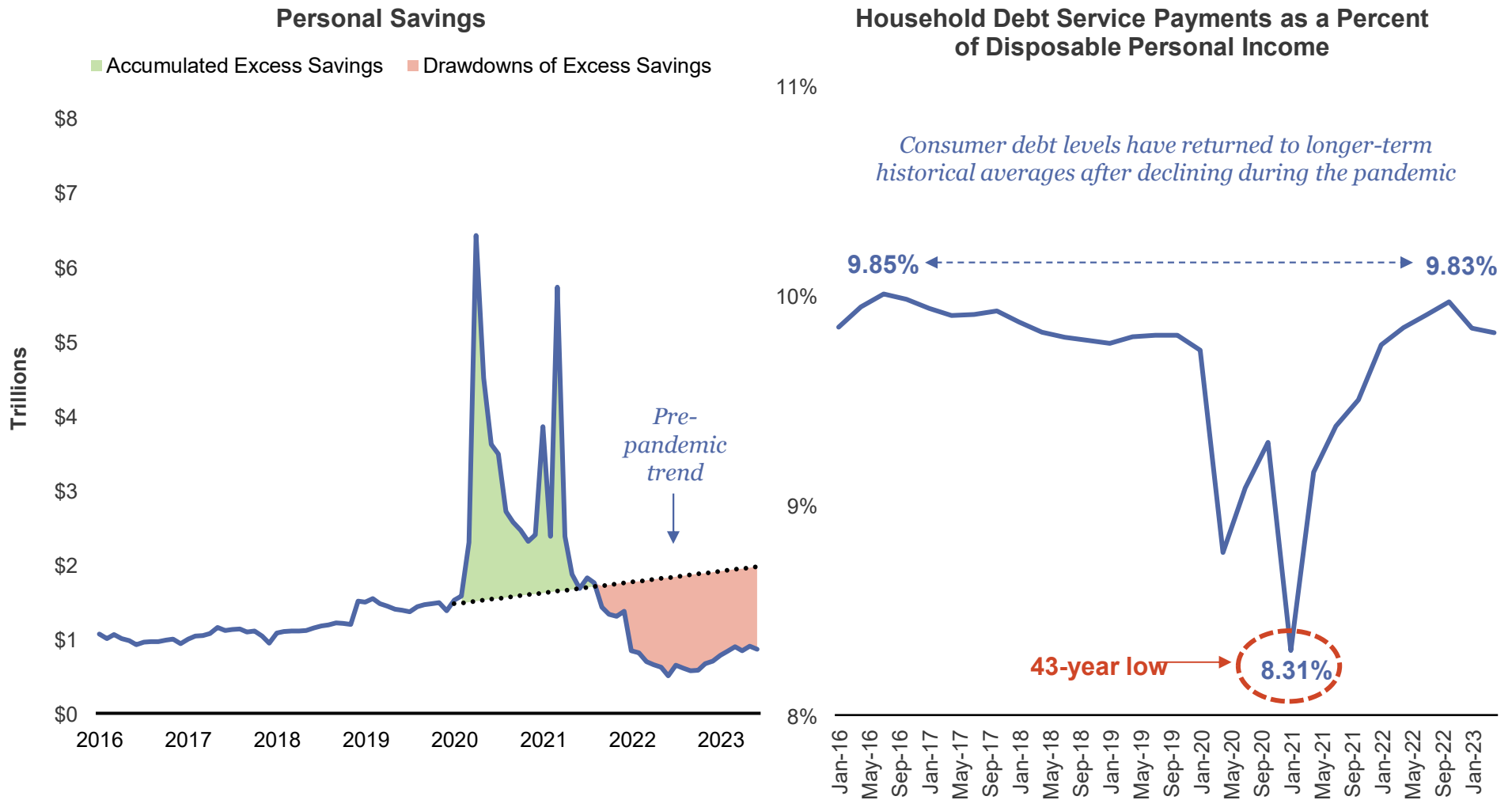
Source: Bloomberg, as of August 2023.

Shelter Component of CPI Remains Elevated



Source: Federal Reserve Bank of St. Louis and Bureau of Labor Statistics, as of August 2023.

Personal Savings and Consumer Debt Have Returned to Pre-Pandemic Levels



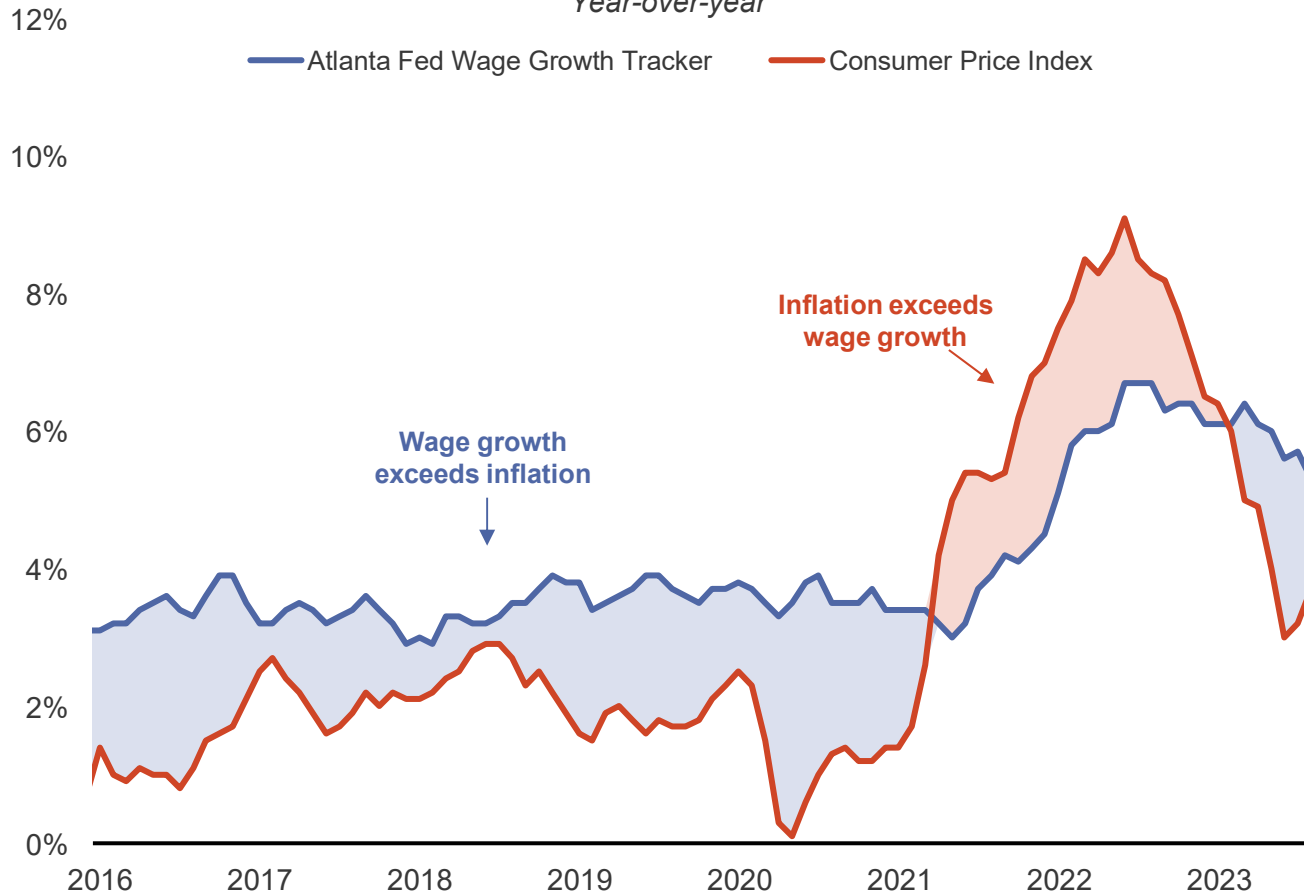
Source: Bloomberg and New York Fed Household Debt and Credit Report. Data as of June 30, 2023. (Left chart)

Source: Federal Reserve Bank of St. Louis. Data as of April 1, 2023. (Right chart)

Wages Have Caught Up to Inflation Once Again

Wage Growth vs. Inflation

Year-over-year



Labor Market Stats

Unemployment Rate (Sept.) 3.8%

Peaked during COVID at 14.7%

Excess Job Openings (Sept.) 3 mil.

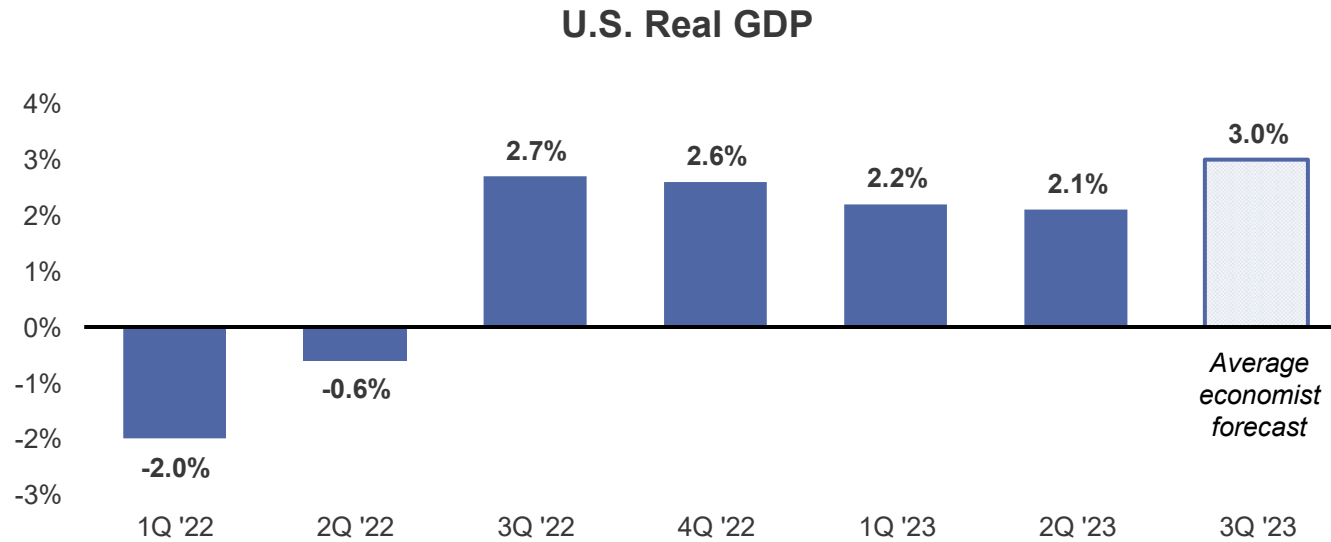
For each unemployed worker, there are approximately 1.5 job openings

Nonfarm Payrolls (Sept.) 336,000

Although the pace has declined, the economy continues to create jobs at a healthy pace

Source: As of September 2023. St. Louis Federal Reserve Economic Data. Excess job openings refers to the difference in job openings, as reported by JOLTS, and the total number of unemployed workers as reported by the Bureau of Labor Statistics.

GDP Remains Surprisingly Robust



GDP Contributors

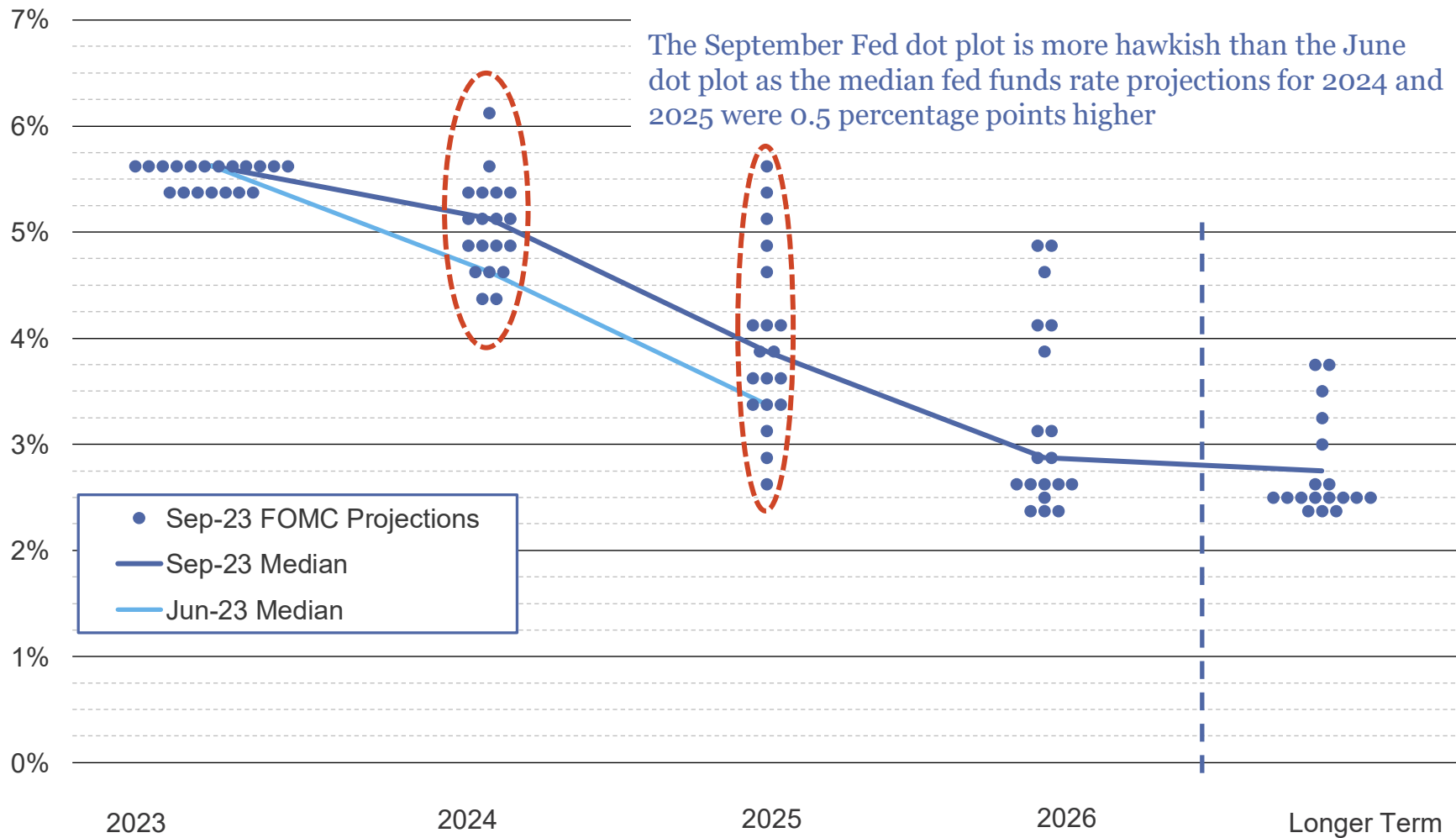
	1Q '22	2Q '22	3Q '22	4Q '22	1Q '23	2Q '23
Real GDP	-2.0%	-0.6%	2.7%	2.6%	2.2%	2.1%
Personal Consumption	0.0%	1.3%	1.1%	0.8%	2.5%	0.6%
Private Investment	1.2%	-2.1%	-1.5%	0.6%	-1.7%	0.9%
Net Exports	-2.6%	0.6%	2.6%	0.3%	0.6%	0.0%
Gov't Expenditures	-0.5%	-0.3%	0.6%	0.9%	0.8%	0.6%

The U.S. Consumer has been the backbone of economic growth; historically being the largest contributor

Source: St. Louis Federal Reserve Economic Data, Bureau of Economic Analysis. Average economist forecast sourced from Bloomberg.

Fed's Updated "Dot Plot" Projects Rates To Be "Higher for Longer"

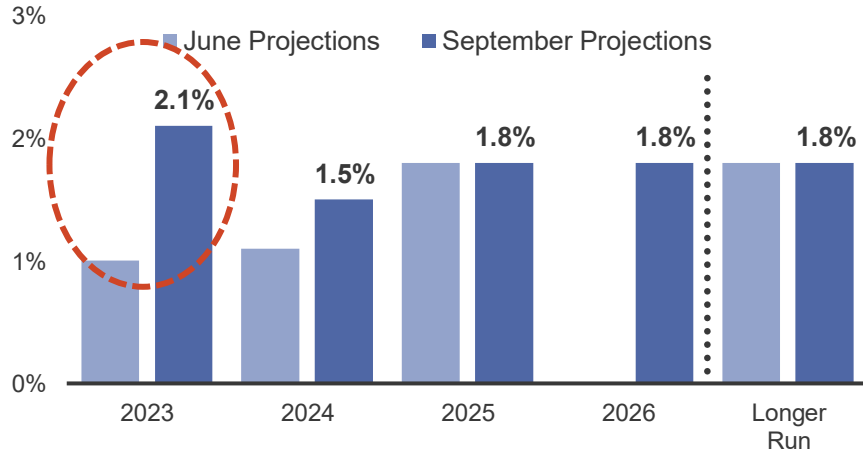
Fed Participants' Assessments of 'Appropriate' Monetary Policy



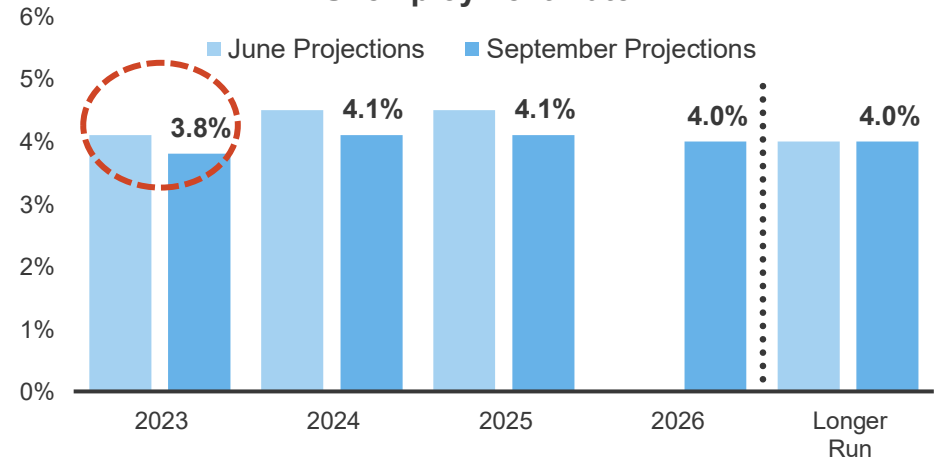
Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

The Fed's Projections for Growth and Employment Were More Upbeat

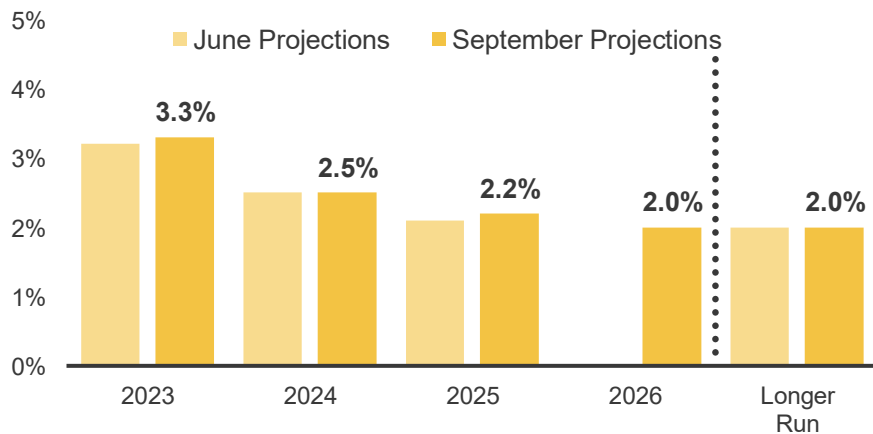
Change in Real GDP



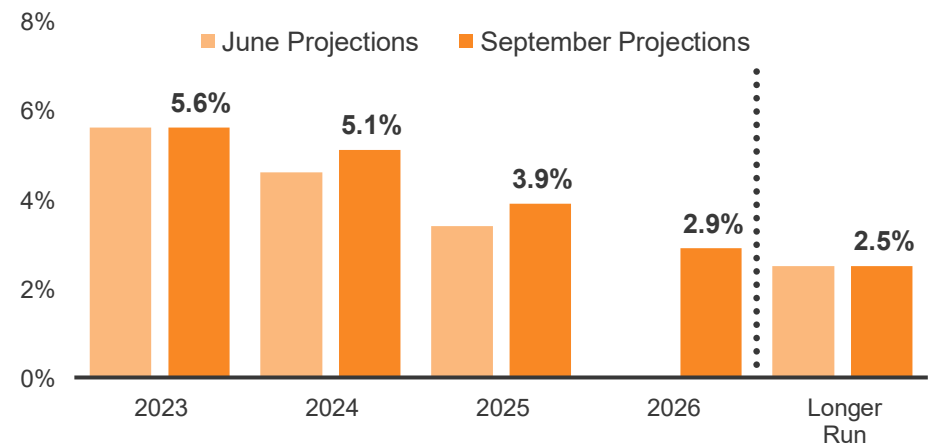
Unemployment Rate



PCE Inflation



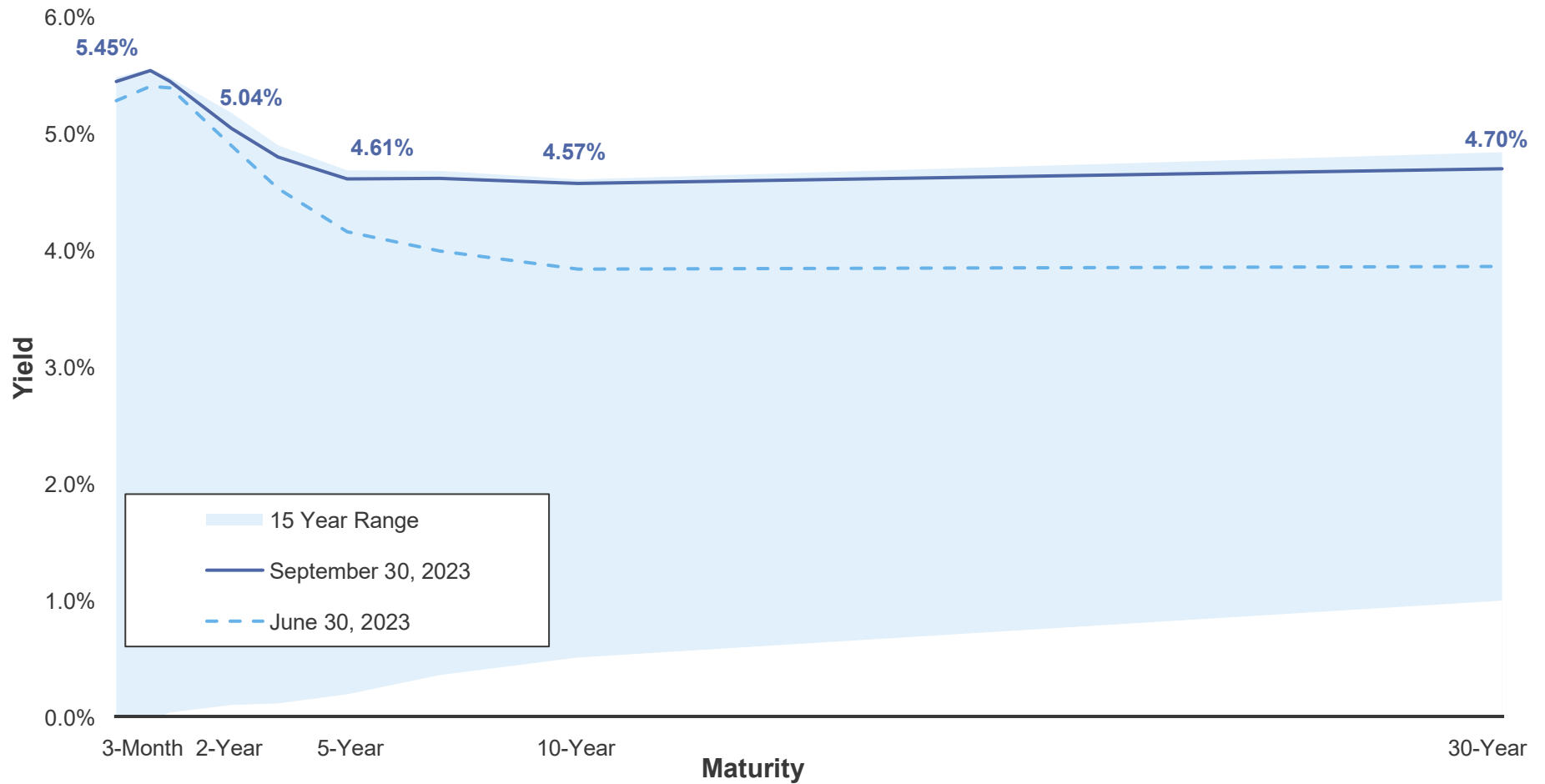
Federal Funds Rate



Source: Federal Reserve, latest economic projections as of September 2023.

Interest Rates Are At Their Highest Levels Since 2006-07

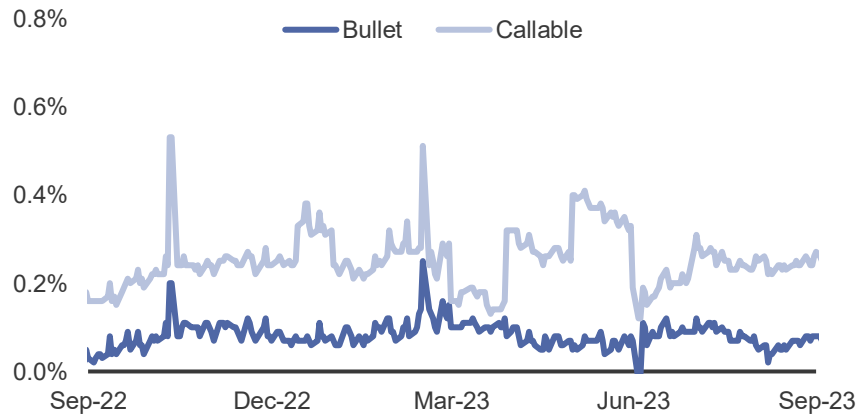
U.S. Treasury Yield Curve



Source: Bloomberg, as of September 30, 2023.

Sector Yield Spreads

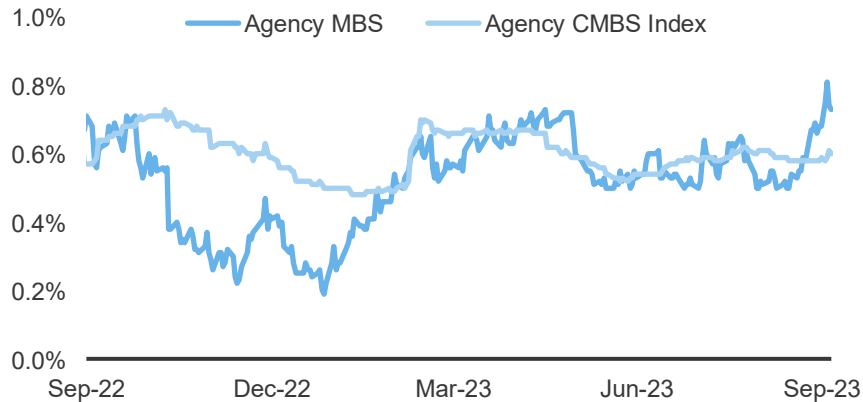
Federal Agency Yield Spreads



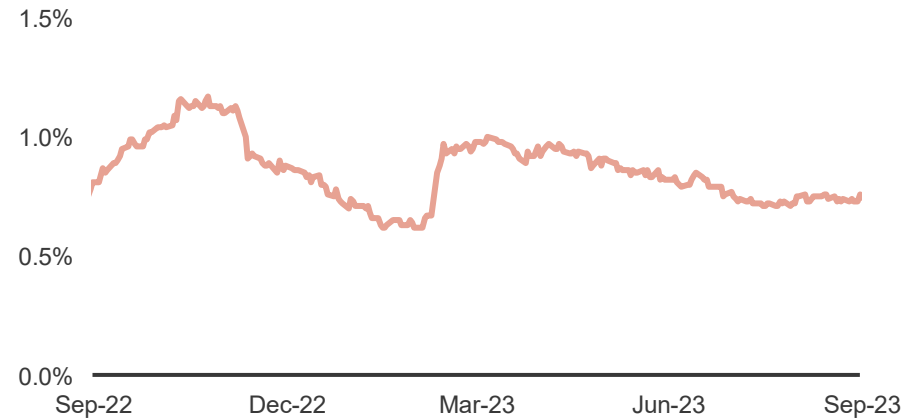
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads



Asset-Backed Securities AAA Yield Spreads

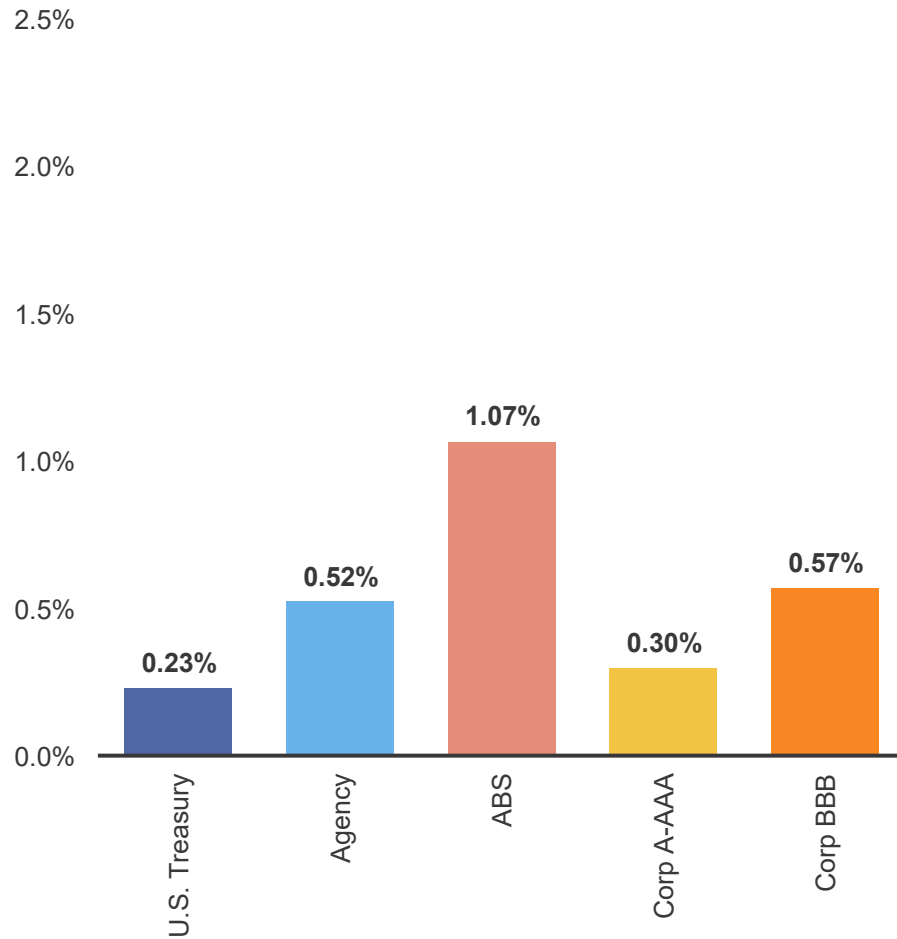


Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of September 30, 2023. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

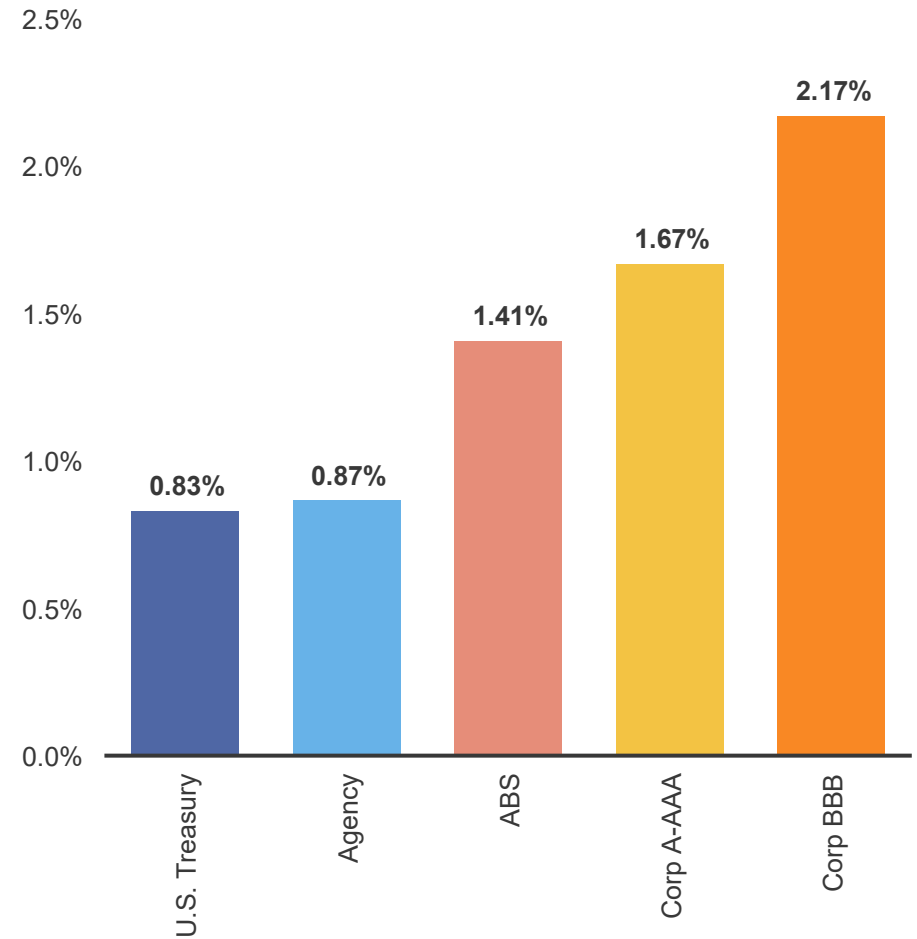
Fixed-Income Markets in Q3 2023

1-5 Year Indices

1-5 Year Indices Quarterly Returns



10-Year Average



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of September 30, 2023.

Fixed-Income Sector Commentary – 3Q 2023

- ▶ **U.S. Treasuries:** Fitch rating agency downgraded the U.S. Government from AAA to AA- citing erosion of governance standards, repeated debt-limit standoffs, and rising general government deficits. Yields hit their highest level since 2006-07, but the Treasury yield curve remains inverted despite the notable increase in the 10-year yield over the 3rd quarter.
- ▶ **Federal agency** yield spreads remained narrow, favoring opportunities in other sectors. Fitch followed their U.S. Government ratings action with downgrades to Fannie Mae and Freddie Mac, although the impact to spreads was muted.
- ▶ **Supranational** spreads, similar to agencies, remained low and range bound in the single digits for much of the quarter. Value was limited and the spread curve on supras is generally flat.
- ▶ **Investment-Grade Corporates:** Financial issuers outperformed industrials and lower-rated issues outperformed higher-rated issues as higher incremental yields offset a few basis points of spread widening during the 3rd quarter. Good fundamentals, modestly attractive spreads and a positive economic outlook make credit attractive, but higher yields are a headwind for financials and the economy as a whole.
- ▶ **Asset-Backed Securities** performed exceedingly well in Q3 as spreads tightened marginally over the quarter on strong consumer sentiment and robust investor appetite for the sector. Incremental income from the sector is quite attractive from a historical perspective and offers value.
- ▶ **Mortgage-Backed Securities** were one of the worst performing sectors during the quarter, regardless of structure. Spreads widened, approaching multi-year highs, while volatility remained historically high and bank balance sheet sales weighed on valuations.
- ▶ **Taxable Municipals** issuance remained heavily oversubscribed due to a lack of new issuance. The secondary market had sporadic but limited opportunities that offered an attractive pickup versus corporates industrials.
- ▶ **Short-term credit** (commercial paper and CDs) yields increased over the quarter steepening the short-term credit curve. Similarly, Treasury Bill yields rose to reflect the Fed rate hike in July and the significant increase in T-Bill issuance since the resolution of the debt ceiling. 6- to 12-month CP/CDs continued to offer notable incremental spread income for enhanced cash and other short-duration portfolios, and in some instances carried yields close to 6%.

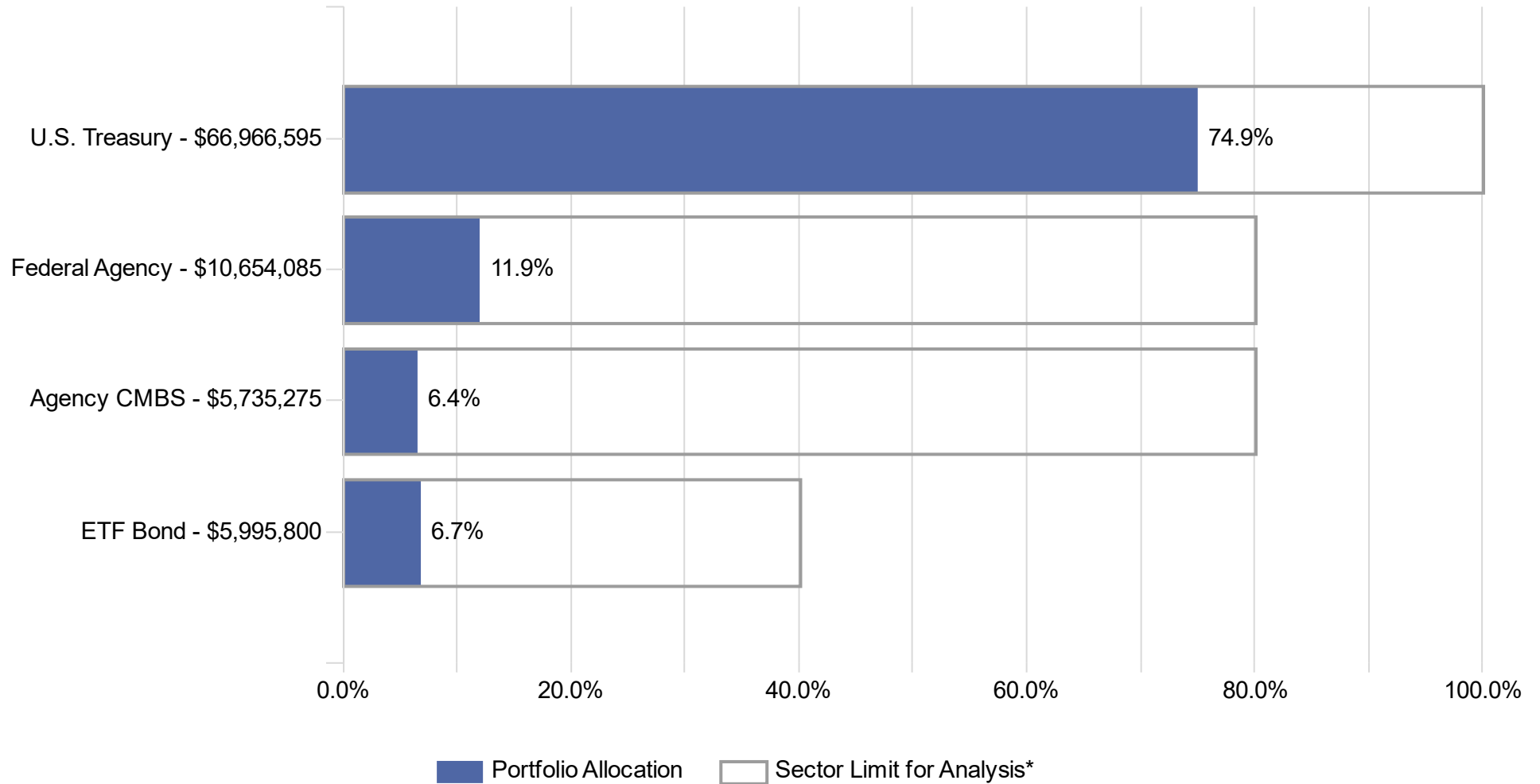
Fixed-Income Sector Outlook – 4Q 2023

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	



Account Summary

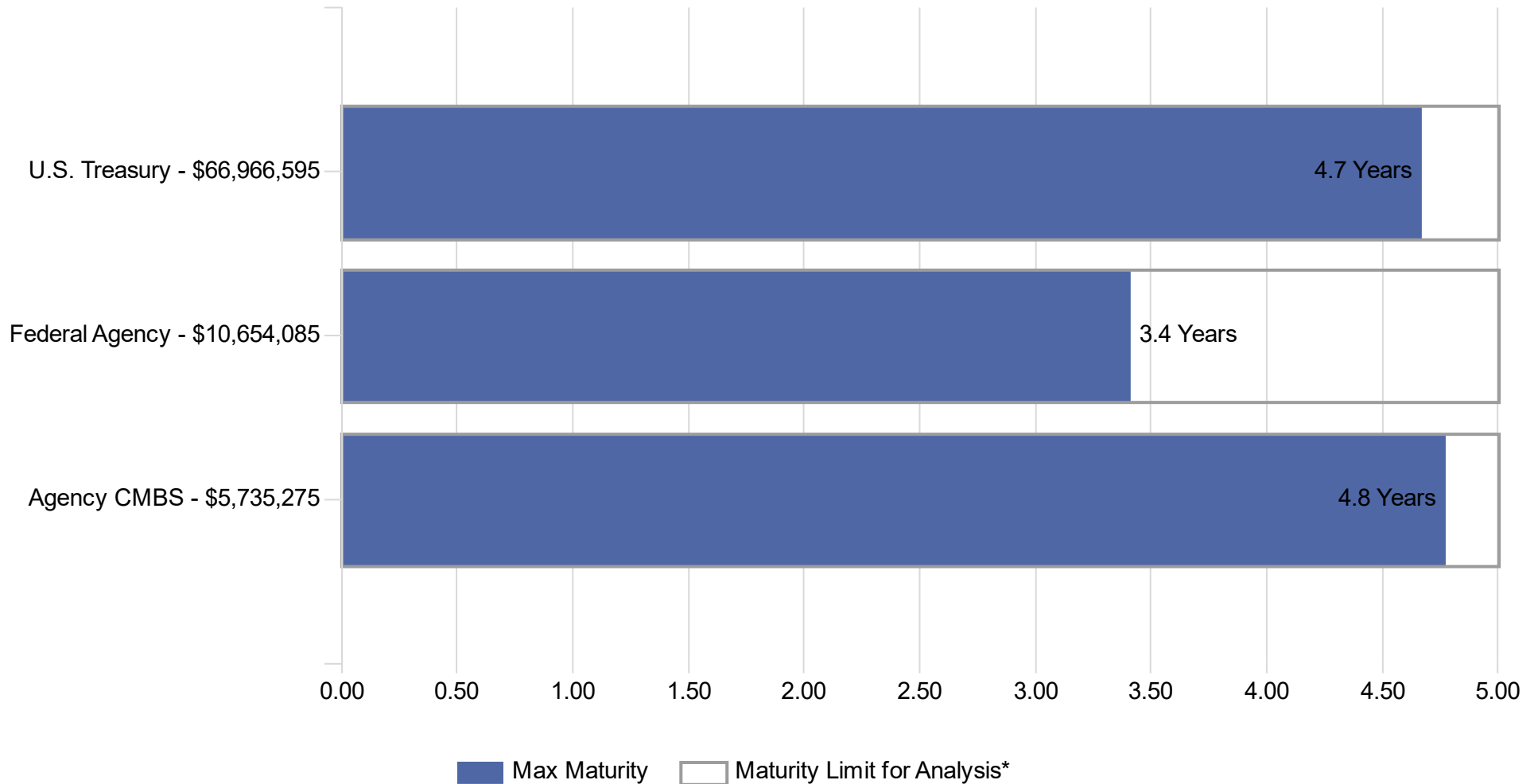
Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

Max Maturity Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest and excludes balances invested in overnight funds.

*Maturity Limit for Analysis is derived from our interpretation of your most recent Investment Policy as provided.

Mortgage-backed securities and asset-backed securities, if any, limit is based on weighted average life, if applicable. Callable securities, if any, limit is based on maturity date.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	74.9%	
UNITED STATES TREASURY	74.9%	AA / Aaa / AA
Federal Agency	11.9%	
FANNIE MAE	2.5%	AA / Aaa / AA
FEDERAL FARM CREDIT BANKS	0.7%	AA / Aaa / AA
FEDERAL HOME LOAN BANKS	7.3%	AA / Aaa / NR
FREDDIE MAC	1.5%	AA / Aaa / AA
Agency CMBS	6.4%	
FANNIE MAE	2.5%	AA / Aaa / AA
FREDDIE MAC	3.9%	AA / Aaa / AA
ETF Bond	6.7%	
IGSB	3.3%	NR / NR / NR
Vanguard Group Inc/The	3.4%	NR / NR / NR
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

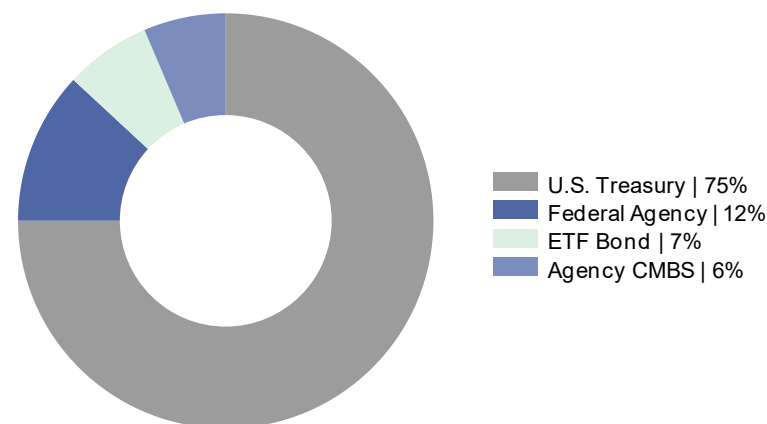
Portfolio Review: CITY OF RIO RANCHO

Portfolio Snapshot - CITY OF RIO RANCHO¹

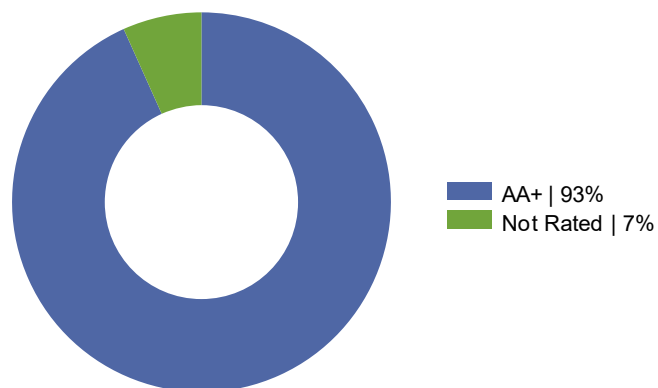
Portfolio Statistics

Total Market Value	\$89,654,419.12
<i>Securities Sub-Total</i>	\$88,958,869.42
<i>Accrued Interest</i>	\$392,886.21
<i>Cash</i>	\$302,663.49
Portfolio Effective Duration	2.31 years
Benchmark Effective Duration	2.50 years
Yield At Cost	2.89%
Yield At Market	5.06%
Portfolio Credit Quality	AA

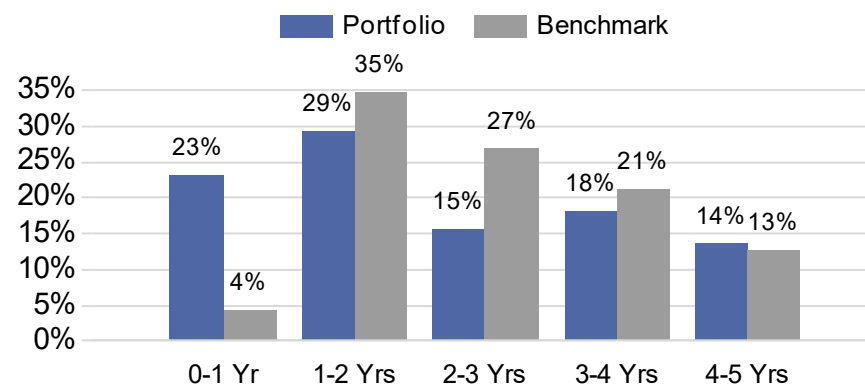
Sector Allocation



Credit Quality - S&P



Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

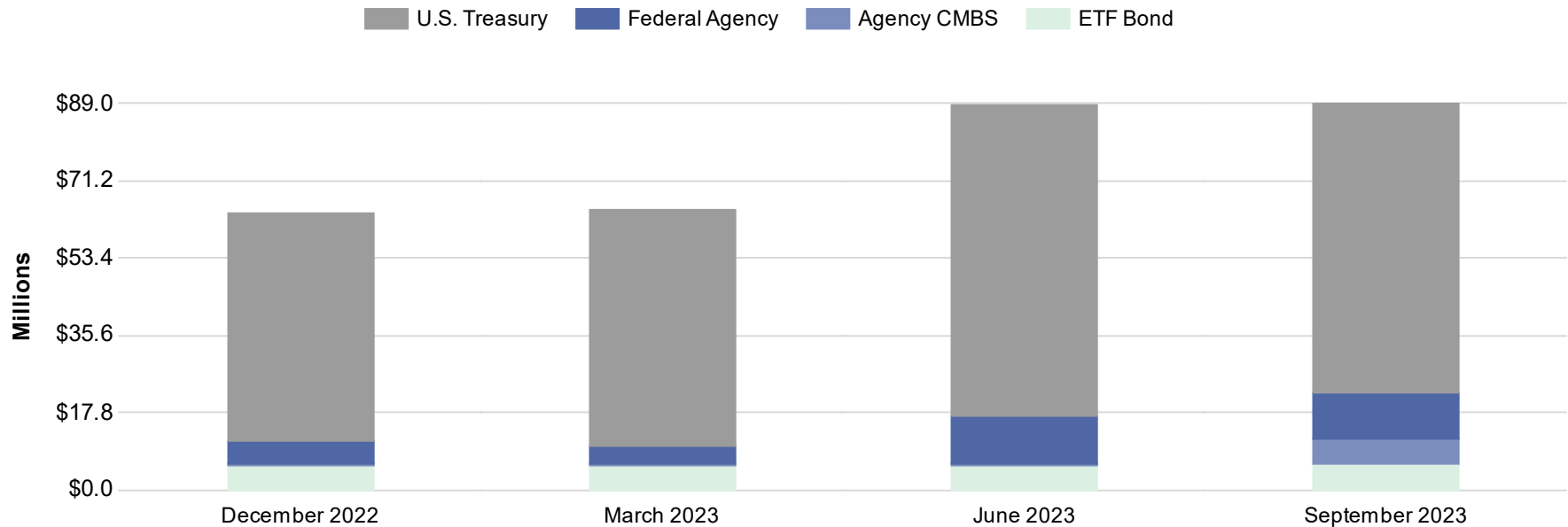
Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	74.9%	
UNITED STATES TREASURY	74.9%	AA / Aaa / AA
Federal Agency	11.9%	
FANNIE MAE	2.5%	AA / Aaa / AA
FEDERAL FARM CREDIT BANKS	0.7%	AA / Aaa / AA
FEDERAL HOME LOAN BANKS	7.3%	AA / Aaa / NR
FREDDIE MAC	1.5%	AA / Aaa / AA
Agency CMBS	6.4%	
FANNIE MAE	2.5%	AA / Aaa / AA
FREDDIE MAC	3.9%	AA / Aaa / AA
ETF Bond	6.7%	
IGSB	3.3%	NR / NR / NR
Vanguard Group Inc/The	3.4%	NR / NR / NR
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

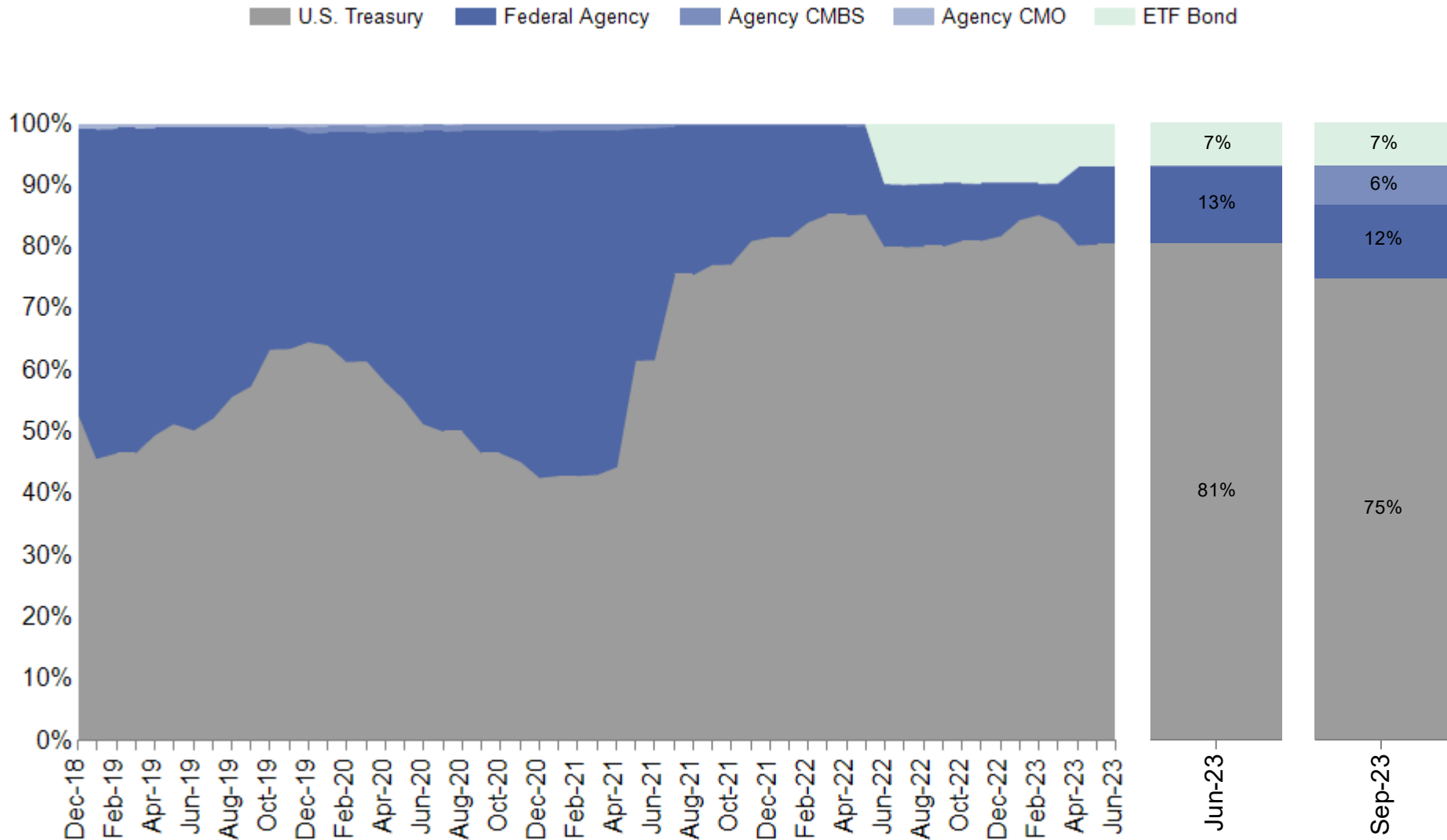
Sector Allocation Review - CITY OF RIO RANCHO

Security Type	Dec-22	% of Total	Mar-23	% of Total	Jun-23	% of Total	Sep-23	% of Total
U.S. Treasury	\$52.1	82.0%	\$54.5	84.2%	\$71.4	80.6%	\$66.7	75.0%
Federal Agency	\$5.3	8.3%	\$4.0	6.2%	\$11.1	12.5%	\$10.6	11.9%
Agency CMBS	\$0.1	0.2%	\$0.1	0.2%	\$0.1	0.1%	\$5.7	6.4%
ETF Bond	\$6.0	9.5%	\$6.1	9.4%	\$6.0	6.8%	\$6.0	6.7%
Total	\$63.5	100.0%	\$64.7	100.0%	\$88.6	100.0%	\$89.0	100.0%



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

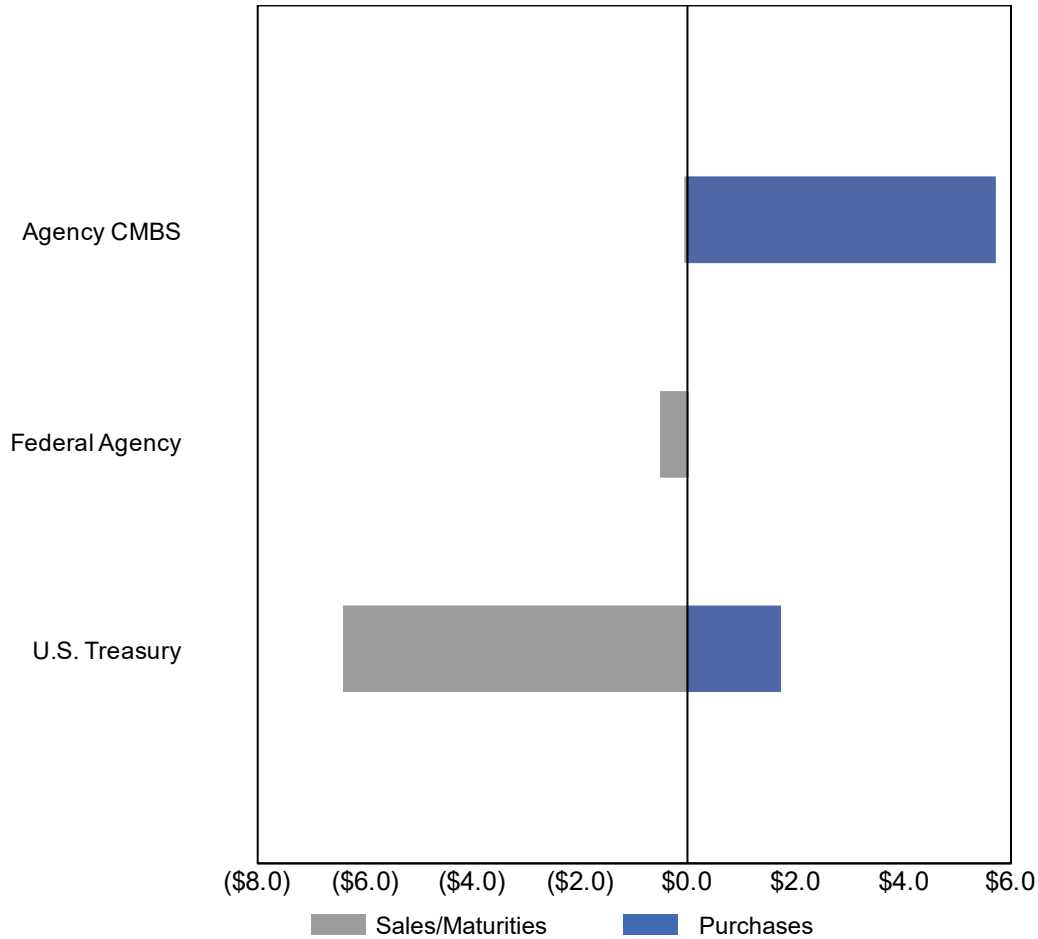
Historical Sector Allocation - CITY OF RIO RANCHO



Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM.

Portfolio Activity - CITY OF RIO RANCHO

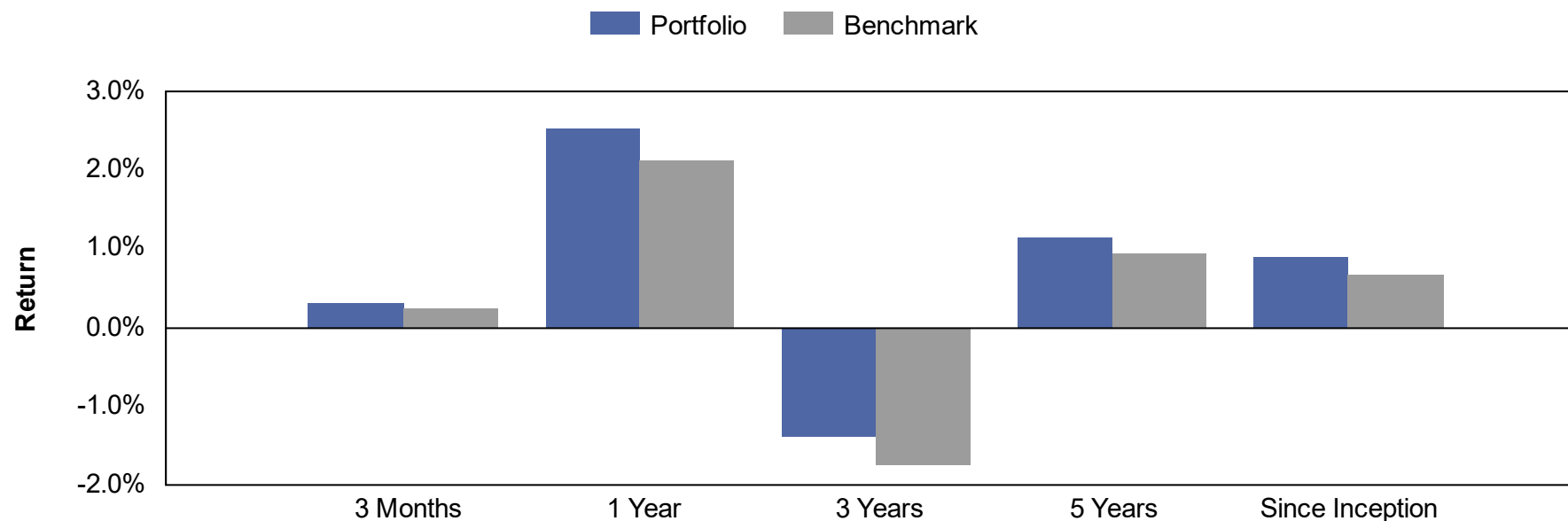
Net Activity by Sector
(\$ millions)



Sector	Net Activity
Agency CMBS	\$5,704,973
Federal Agency	(\$502,187)
U.S. Treasury	(\$4,651,507)
Total Net Activity	\$551,279

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception ¹
Interest Earned ²	\$458,012	\$1,445,835	\$2,739,098	\$3,729,900	\$4,119,704
Change in Market Value	(\$177,386)	\$3,530	(\$5,533,046)	(\$3,933,954)	(\$4,423,968)
Total Dollar Return	\$280,626	\$1,449,365	(\$2,793,948)	(\$204,054)	(\$304,264)
Total Return³					
Portfolio	0.31%	2.53%	-1.38%	1.15%	0.89%
Benchmark ⁴	0.23%	2.12%	-1.76%	0.93%	0.68%
Difference	0.08%	0.40%	0.37%	0.22%	0.21%

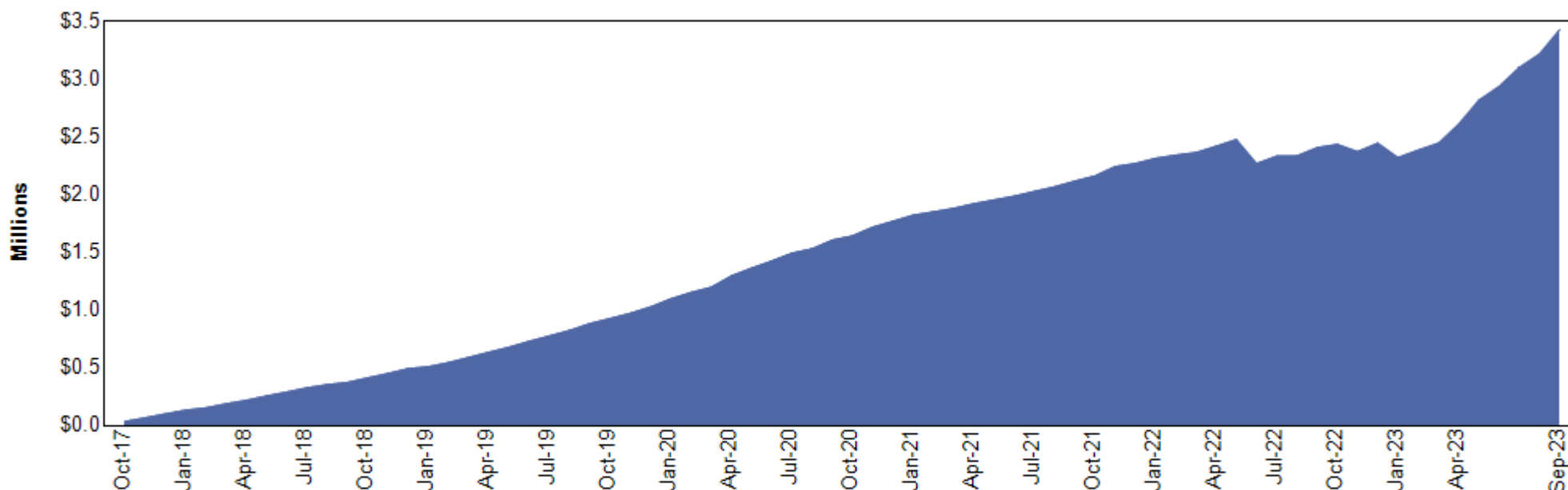
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is September 30, 2017.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg.

Accrual Basis Earnings - CITY OF RIO RANCHO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception ¹
Interest Earned ²	\$458,012	\$1,445,835	\$2,739,098	\$3,729,900	\$4,119,704
Realized Gains / (Losses) ³	(\$151,186)	(\$770,094)	(\$969,335)	(\$794,016)	(\$870,193)
Change in Amortized Cost	\$184,448	\$345,658	\$52,177	\$118,773	\$176,433
Total Earnings	\$491,273	\$1,021,400	\$1,821,939	\$3,054,657	\$3,425,944

1. The lesser of 10 years or since inception is shown. Performance inception date is September 30, 2017.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	475,000.00	AA+	Aaa	5/1/2019	5/3/2019	471,975.59	2.26	27.58	474,693.18	467,207.06
US TREASURY NOTES DTD 05/01/2017 2.000% 04/30/2024	912828X70	600,000.00	AA+	Aaa	4/2/2021	4/6/2021	629,601.56	0.38	5,021.74	605,603.15	588,093.72
US TREASURY NOTES DTD 05/01/2017 2.000% 04/30/2024	912828X70	320,000.00	AA+	Aaa	6/3/2019	6/4/2019	322,237.50	1.85	2,678.26	320,264.70	313,649.98
US TREASURY N/B NOTES DTD 05/31/2022 2.500% 05/31/2024	91282CER8	900,000.00	AA+	Aaa	6/3/2022	6/6/2022	896,941.41	2.68	7,561.48	898,974.85	882,421.92
US TREASURY NOTES DTD 05/31/2017 2.000% 05/31/2024	912828XT2	2,000,000.00	AA+	Aaa	7/26/2021	7/27/2021	2,093,671.88	0.34	13,442.62	2,021,907.86	1,954,375.00
US TREASURY NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	1,975,000.00	AA+	Aaa	5/4/2021	5/6/2021	2,076,604.49	0.36	9,982.34	1,999,099.07	1,924,699.12
US TREASURY NOTES DTD 07/31/2019 1.750% 07/31/2024	912828Y87	300,000.00	AA+	Aaa	12/2/2019	12/4/2019	301,042.97	1.67	884.51	300,186.40	290,906.25
US TREASURY NOTES DTD 07/31/2017 2.125% 07/31/2024	9128282N9	650,000.00	AA+	Aaa	3/30/2022	3/31/2022	645,455.08	2.43	2,327.11	648,380.24	632,226.53
US TREASURY NOTES DTD 08/15/2014 2.375% 08/15/2024	912828D56	575,000.00	AA+	Aaa	9/3/2019	9/4/2019	602,963.87	1.35	1,744.14	579,936.62	559,726.56
US TREASURY N/B NOTES DTD 09/15/2021 0.375% 09/15/2024	91282CCX7	500,000.00	AA+	Aaa	10/4/2021	10/6/2021	498,183.59	0.50	82.42	499,408.61	476,484.40
US TREASURY NOTES DTD 10/02/2017 2.125% 09/30/2024	9128282Y5	250,000.00	AA+	Aaa	10/1/2019	10/3/2019	257,548.83	1.50	14.52	251,510.59	241,992.20
US TREASURY NOTES DTD 10/31/2019 1.500% 10/31/2024	912828YM6	750,000.00	AA+	Aaa	2/3/2020	2/4/2020	755,039.06	1.35	4,707.88	751,152.78	719,179.65
US TREASURY NOTES DTD 11/30/2017 2.125% 11/30/2024	9128283J7	540,000.00	AA+	Aaa	1/2/2020	1/6/2020	551,707.03	1.66	3,856.35	542,786.14	520,087.50
US TREASURY NOTES DTD 12/31/2019 1.750% 12/31/2024	912828YY0	2,000,000.00	AA+	Aaa	1/3/2022	1/5/2022	2,042,578.13	1.02	8,845.11	2,017,835.20	1,913,125.00
US TREASURY NOTES DTD 12/31/2019 1.750% 12/31/2024	912828YY0	2,500,000.00	AA+	Aaa	7/26/2021	7/27/2021	2,609,667.97	0.46	11,056.38	2,539,998.61	2,391,406.25

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY N/B NOTES DTD 01/15/2022 1.125% 01/15/2025	91282CDS7	1,500,000.00	AA+	Aaa	4/10/2023	4/12/2023	1,423,769.53	4.15	3,576.77	1,444,129.22	1,421,718.75
US TREASURY NOTES DTD 01/31/2020 1.375% 01/31/2025	912828Z52	400,000.00	AA+	Aaa	9/1/2020	9/3/2020	420,171.88	0.22	926.63	406,110.41	379,750.00
US TREASURY N/B NOTES DTD 02/15/2022 1.500% 02/15/2025	91282CDZ1	1,000,000.00	AA+	Aaa	11/3/2022	11/7/2022	931,250.00	4.73	1,915.76	958,385.98	949,687.50
US TREASURY N/B NOTES DTD 03/15/2022 1.750% 03/15/2025	91282CED9	2,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	1,915,625.00	4.05	1,538.46	1,936,268.67	1,901,562.40
US TREASURY N/B NOTES DTD 04/15/2022 2.625% 04/15/2025	91282CEH0	650,000.00	AA+	Aaa	5/11/2023	5/12/2023	634,537.11	3.92	7,878.59	637,656.05	625,015.63
US TREASURY N/B NOTES DTD 05/15/2022 2.750% 05/15/2025	91282CEQ0	1,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	975,195.31	4.00	10,387.23	980,779.61	961,875.00
US TREASURY N/B NOTES DTD 05/15/2022 2.750% 05/15/2025	91282CEQ0	700,000.00	AA+	Aaa	10/7/2022	10/11/2022	672,437.50	4.37	7,271.06	682,769.80	673,312.50
US TREASURY NOTES DTD 06/30/2020 0.250% 06/30/2025	912828ZW3	2,000,000.00	AA+	Aaa	7/26/2021	7/27/2021	1,975,937.50	0.56	1,263.59	1,989,294.37	1,837,812.40
US TREASURY N/B NOTES DTD 07/15/2022 3.000% 07/15/2025	91282CEY3	1,500,000.00	AA+	Aaa	8/24/2022	8/25/2022	1,483,945.31	3.39	9,538.04	1,490,062.83	1,445,156.25
US TREASURY NOTES DTD 07/31/2020 0.250% 07/31/2025	91282CAB7	350,000.00	AA+	Aaa	1/6/2021	1/8/2021	347,812.50	0.39	147.42	349,121.06	320,414.08
US TREASURY N/B NOTES DTD 08/15/2022 3.125% 08/15/2025	91282CFE6	3,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	2,947,500.00	3.91	11,973.51	2,958,049.07	2,894,062.50
US TREASURY NOTES DTD 09/30/2020 0.250% 09/30/2025	91282CAM3	1,250,000.00	AA+	Aaa	3/30/2022	3/31/2022	1,154,736.33	2.54	8.54	1,195,627.46	1,137,304.75
US TREASURY N/B NOTES DTD 10/15/2022 4.250% 10/15/2025	91282CFP1	2,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	2,017,734.38	3.88	39,248.63	2,014,407.98	1,968,437.60
US TREASURY NOTES DTD 10/31/2020 0.250% 10/31/2025	91282CAT8	2,000,000.00	AA+	Aaa	7/26/2021	7/27/2021	1,968,593.75	0.62	2,092.39	1,984,649.87	1,812,812.40
US TREASURY NOTES DTD 12/31/2020 0.375% 12/31/2025	91282CBC4	600,000.00	AA+	Aaa	7/6/2021	7/8/2021	590,812.50	0.72	568.61	595,386.61	542,250.00
US TREASURY NOTES DTD 12/31/2020 0.375% 12/31/2025	91282CBC4	2,000,000.00	AA+	Aaa	5/4/2021	5/6/2021	1,965,312.50	0.76	1,895.38	1,983,227.57	1,807,500.00
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	1,000,000.00	AA+	Aaa	9/1/2021	9/3/2021	985,781.25	0.70	631.79	992,471.39	900,000.00

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	400,000.00	AA+	Aaa	11/1/2021	11/3/2021	387,578.13	1.13	252.72	393,163.96	360,000.00
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	575,000.00	AA+	Aaa	3/1/2021	3/2/2021	565,746.09	0.71	363.28	570,604.91	517,500.00
US TREASURY N/B NOTES DTD 03/31/2021 0.750% 03/31/2026	91282CBT7	300,000.00	AA+	Aaa	4/2/2021	4/6/2021	297,609.38	0.91	6.15	298,802.06	271,218.75
US TREASURY N/B NOTES DTD 04/30/2021 0.750% 04/30/2026	91282CBW0	1,000,000.00	AA+	Aaa	3/30/2022	3/31/2022	931,406.25	2.53	3,138.59	956,663.10	900,781.20
US TREASURY N/B NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	1,750,000.00	AA+	Aaa	2/15/2022	2/16/2022	1,664,345.70	1.95	4,410.86	1,696,746.56	1,571,171.88
US TREASURY N/B NOTES DTD 06/30/2021 0.875% 06/30/2026	91282CCJ8	2,500,000.00	AA+	Aaa	7/26/2021	7/27/2021	2,518,261.72	0.72	5,528.19	2,510,181.49	2,249,218.75
US TREASURY N/B NOTES DTD 07/31/2021 0.625% 07/31/2026	91282CCP4	650,000.00	AA+	Aaa	1/3/2022	1/5/2022	629,585.94	1.34	684.44	637,345.24	578,500.00
US TREASURY NOTES DTD 08/15/2016 1.500% 08/15/2026	9128282A7	730,000.00	AA+	Aaa	5/4/2022	5/5/2022	684,831.25	3.05	1,398.51	699,685.21	665,440.63
US TREASURY N/B NOTES DTD 09/30/2021 0.875% 09/30/2026	91282CCZ2	445,000.00	AA+	Aaa	10/4/2021	10/6/2021	443,313.87	0.95	10.64	443,985.54	397,092.99
US TREASURY N/B NOTES DTD 09/30/2021 0.875% 09/30/2026	91282CCZ2	750,000.00	AA+	Aaa	5/4/2022	5/5/2022	683,320.31	3.05	17.93	704,621.34	669,257.85
US TREASURY N/B NOTES DTD 10/31/2021 1.125% 10/31/2026	91282CDG3	600,000.00	AA+	Aaa	11/1/2021	11/3/2021	597,281.25	1.22	2,824.73	598,320.73	537,562.50
US TREASURY N/B NOTES DTD 11/30/2021 1.250% 11/30/2026	91282CDK4	1,075,000.00	AA+	Aaa	12/1/2021	12/3/2021	1,078,065.43	1.19	4,515.88	1,076,943.85	964,476.56
US TREASURY N/B NOTES DTD 12/31/2021 1.250% 12/31/2026	91282CDQ1	1,000,000.00	AA+	Aaa	1/4/2023	1/6/2023	900,000.00	3.99	3,158.97	918,419.24	895,781.20
US TREASURY NOTES DTD 02/15/2017 2.250% 02/15/2027	912828V98	1,500,000.00	AA+	Aaa	10/7/2022	10/11/2022	1,383,222.66	4.23	4,310.46	1,409,328.43	1,384,218.75
US TREASURY NOTES DTD 05/15/2017 2.375% 05/15/2027	912828X88	2,350,000.00	AA+	Aaa	8/24/2022	8/25/2022	2,259,304.69	3.26	21,081.35	2,280,452.90	2,167,140.63
US TREASURY N/B NOTES DTD 06/30/2022 3.250% 06/30/2027	91282CEW7	2,500,000.00	AA+	Aaa	4/10/2023	4/12/2023	2,464,843.75	3.61	20,533.29	2,468,770.29	2,375,000.00
US TREASURY NOTES DTD 06/30/2020 0.500% 06/30/2027	912828ZV5	300,000.00	AA+	Aaa	12/7/2022	12/7/2022	260,039.06	3.70	379.08	267,186.94	256,968.75

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury											
US TREASURY N/B NOTES DTD 07/31/2022 2.750% 07/31/2027	91282CFB2	1,000,000.00	AA+	Aaa	1/4/2023	1/6/2023	951,328.13	3.92	4,633.15	959,153.00	931,562.50
US TREASURY NOTES DTD 08/15/2017 2.250% 08/15/2027	9128282R0	700,000.00	AA+	Aaa	11/3/2022	11/7/2022	635,496.09	4.41	2,011.55	647,641.49	639,734.34
US TREASURY NOTES DTD 08/31/2020 0.500% 08/31/2027	91282CAH4	600,000.00	AA+	Aaa	12/7/2022	12/7/2022	517,804.69	3.68	255.50	531,979.58	510,562.50
US TREASURY NOTES DTD 08/31/2020 0.500% 08/31/2027	91282CAH4	1,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	875,429.69	3.60	425.83	888,804.28	850,937.50
US TREASURY NOTES DTD 10/31/2020 0.500% 10/31/2027	91282CAU5	1,000,000.00	AA+	Aaa	1/4/2023	1/6/2023	851,796.88	3.91	2,092.39	874,377.00	845,781.20
US TREASURY NOTES DTD 11/15/2017 2.250% 11/15/2027	9128283F5	1,500,000.00	AA+	Aaa	4/10/2023	4/12/2023	1,416,738.28	3.57	12,747.96	1,425,272.85	1,364,062.50
US TREASURY NOTES DTD 11/15/2017 2.250% 11/15/2027	9128283F5	825,000.00	AA+	Aaa	2/1/2023	2/3/2023	775,467.77	3.63	7,011.38	782,276.32	750,234.38
US TREASURY NOTES DTD 12/31/2020 0.625% 12/31/2027	91282CBB6	2,500,000.00	AA+	Aaa	4/10/2023	4/12/2023	2,183,984.38	3.56	3,948.71	2,215,512.62	2,114,062.50
US TREASURY NOTES DTD 01/31/2021 0.750% 01/31/2028	91282CBJ9	1,000,000.00	AA+	Aaa	7/5/2023	7/7/2023	854,804.69	4.28	1,263.59	862,286.29	847,812.50
US TREASURY NOTES DTD 02/15/2018 2.750% 02/15/2028	9128283W8	1,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	964,296.88	3.56	3,512.23	967,766.34	924,687.50
US TREASURY NOTES DTD 02/15/2018 2.750% 02/15/2028	9128283W8	1,000,000.00	AA+	Aaa	3/2/2023	3/3/2023	929,570.31	4.34	3,512.23	937,819.53	924,687.50
US TREASURY N/B NOTES DTD 03/31/2021 1.250% 03/31/2028	91282CBS9	1,000,000.00	AA+	Aaa	7/5/2023	7/7/2023	872,031.25	4.26	34.15	878,396.38	863,125.00
US TREASURY N/B NOTES DTD 04/30/2021 1.250% 04/30/2028	91282CBZ3	1,850,000.00	AA+	Aaa	6/1/2023	6/5/2023	1,642,958.98	3.77	9,677.31	1,656,599.87	1,592,734.38
US TREASURY N/B NOTES DTD 05/31/2021 1.250% 05/31/2028	91282CCE9	1,500,000.00	AA+	Aaa	6/1/2023	6/5/2023	1,330,312.50	3.76	6,301.23	1,341,302.14	1,287,890.70
Security Type Sub-Total		72,185,000.00					69,717,147.31	2.54	303,137.12	69,950,545.43	66,663,458.34
Federal Agency											
FEDERAL HOME LOAN BANK NOTES DTD 11/07/2022 4.875% 06/14/2024	3130ATVC8	1,500,000.00	AA+	Aaa	4/10/2023	4/12/2023	1,504,575.00	4.60	21,734.38	1,502,740.73	1,492,819.50

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency											
FEDERAL HOME LOAN BANKS NOTES DTD 08/16/2019 1.500% 08/15/2024	3130AGWK7	190,000.00	AA+	Aaa	8/15/2019	8/16/2019	189,553.50	1.55	364.17	189,922.00	183,520.81
FEDERAL HOME LOAN BANK NOTES DTD 11/07/2022 4.875% 09/13/2024	3130ATVD6	1,000,000.00	AA+	Aaa	2/1/2023	2/3/2023	1,004,530.00	4.58	2,437.50	1,002,681.02	993,552.00
FEDERAL FARM CREDIT BANK NOTES DTD 12/05/2022 4.625% 12/05/2024	3133EN3M0	600,000.00	AA+	Aaa	12/7/2022	12/8/2022	602,196.00	4.43	8,941.67	601,300.10	594,196.80
FEDERAL HOME LOAN BANK NOTES DTD 11/04/2022 4.625% 12/13/2024	3130ATUR6	1,940,000.00	AA+	Aaa	4/10/2023	4/12/2023	1,949,215.00	4.32	26,917.50	1,946,620.92	1,920,667.90
FEDERAL HOME LOAN BANKS NOTES DTD 03/03/2023 5.000% 02/28/2025	3130AV7L0	860,000.00	AA+	Aaa	3/2/2023	3/3/2023	858,864.80	5.07	3,941.67	859,195.38	855,705.16
FREDDIE MAC NOTES (CALLABLE) DTD 03/25/2022 2.250% 03/25/2025	3134GXMT8	1,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	961,060.00	4.35	375.00	970,453.66	955,271.00
FANNIE MAE NOTES DTD 04/24/2020 0.625% 04/22/2025	3135G03U5	150,000.00	AA+	Aaa	6/3/2020	6/4/2020	150,664.50	0.53	414.06	150,212.06	139,680.90
FANNIE MAE NOTES DTD 06/19/2020 0.500% 06/17/2025	3135G04Z3	250,000.00	AA+	Aaa	6/17/2020	6/19/2020	249,482.50	0.54	361.11	249,822.68	230,834.75
FREDDIE MAC NOTES DTD 07/23/2020 0.375% 07/21/2025	3137EAEU9	160,000.00	AA+	Aaa	7/21/2020	7/23/2020	159,203.20	0.48	116.67	159,712.12	146,850.88
FEDERAL HOME LOAN BANK NOTES DTD 09/11/2020 0.375% 09/04/2025	3130AK5E2	35,000.00	AA+	Aaa	9/10/2020	9/11/2020	34,895.00	0.44	9.84	34,959.36	31,996.16
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	275,000.00	AA+	Aaa	9/23/2020	9/25/2020	274,172.25	0.44	22.92	274,671.90	250,782.68
FANNIE MAE NOTES DTD 11/12/2020 0.500% 11/07/2025	3135G06G3	80,000.00	AA+	Aaa	12/2/2020	12/4/2020	79,887.20	0.53	160.00	79,951.85	72,770.56
FANNIE MAE NOTES (CALLABLE) DTD 12/18/2020 0.875% 12/18/2026	3135G06L2	2,000,000.00	AA+	Aaa	4/10/2023	4/12/2023	1,785,780.00	4.03	5,006.94	1,813,154.32	1,756,606.00
FEDERAL HOME LOAN BANK NOTES (CALLABLE) DTD 02/26/2021 0.900% 02/26/2027	3130AL5A8	1,100,000.00	AA+	Aaa	4/10/2023	4/12/2023	976,019.00	4.08	962.50	991,078.84	957,063.80
Security Type Sub-Total		11,140,000.00					10,780,097.95	4.02	71,765.93	10,826,476.94	10,582,318.90

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
ETF Bond											
VANGUARD SHORT-TERM CORPORATE BOND ETF	92206C409	40,000.00	NR	NR	6/7/2022	6/9/2022	3,079,200.00		0.00	3,079,200.00	3,006,000.00
ISHARES SHORT TERM CORPORATE	464288646	60,000.00	NR	NR	6/7/2022	6/9/2022	3,060,000.00		0.00	3,060,000.00	2,989,800.00
Security Type Sub-Total		100,000.00					6,139,200.00	0.00	0.00	6,139,200.00	5,995,800.00
Agency CMBS											
FANNIEMAE-ACES DTD 04/01/2014 3.346% 03/01/2024	3136AJB54	58,307.16	AA+	Aaa	12/13/2019	12/18/2019	61,140.51	2.14	162.58	58,587.73	57,646.53
FHMS K062 A2 DTD 02/01/2017 3.413% 12/01/2026	3137BUX60	460,000.00	AA+	Aaa	8/17/2023	8/22/2023	437,000.00	5.07	1,308.32	437,768.59	435,274.63
FNA 2017-M12 A2 DTD 10/30/2017 3.164% 06/01/2027	3136AX7E9	672,880.08	AA+	Aaa	8/24/2023	8/29/2023	629,116.59	5.07	1,774.41	630,169.21	626,677.40
FHMS K067 A2 DTD 09/28/2017 3.194% 07/01/2027	3137FAWS3	535,000.00	AA+	Aaa	8/17/2023	8/22/2023	501,081.84	5.00	1,423.99	502,044.74	498,016.97
FNA 2017-M15 A2 DTD 12/29/2017 2.960% 09/01/2027	3136AY6X6	744,493.70	AA+	AAA	8/24/2023	8/29/2023	693,280.68	4.96	1,898.19	694,435.07	690,454.66
FHMS K740 A2 DTD 11/01/2020 1.470% 09/01/2027	3137F72B0	885,000.00	AA+	Aaa	8/21/2023	8/24/2023	769,500.59	5.07	1,084.13	772,488.32	767,556.50
FHMS K505 A2 DTD 07/01/2023 4.819% 06/01/2028	3137HACX2	900,000.00	AA+	Aaa	7/27/2023	8/1/2023	899,226.56	4.84	3,614.25	899,253.28	883,444.03
FNA 2023-M6 A2 DTD 07/01/2023 4.190% 07/01/2028	3136BQDE6	925,000.00	AA+	Aaa	8/17/2023	8/22/2023	890,529.30	5.06	3,229.79	891,306.10	883,808.09
FHMS K506 A2 DTD 09/01/2023 4.650% 08/01/2028	3137HAMH6	900,000.00	AA+	Aaa	9/7/2023	9/14/2023	886,686.30	4.99	3,487.50	886,801.99	874,413.37
Security Type Sub-Total		6,080,680.94					5,767,562.37	4.97	17,983.16	5,772,855.03	5,717,292.18
Managed Account Sub Total		89,505,680.94					92,404,007.63	2.89	392,886.21	92,689,077.40	88,958,869.42
Securities Sub Total		\$89,505,680.94					\$92,404,007.63	2.89%	\$392,886.21	\$92,689,077.40	\$88,958,869.42
Accrued Interest											\$392,886.21
Total Investments											\$89,351,755.63

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
BUY									
7/5/2023	7/7/2023	1,000,000.00	91282CBJ9	US TREASURY NOTES	0.75%	1/31/2028	858,057.45	4.28%	
7/5/2023	7/7/2023	1,000,000.00	91282CBS9	US TREASURY N/B NOTES	1.25%	3/31/2028	875,378.24	4.26%	
7/27/2023	8/1/2023	900,000.00	3137HACX2	FHMS K505 A2	4.81%	6/1/2028	899,226.56	4.84%	
8/17/2023	8/22/2023	535,000.00	3137FAWS3	FHMS K067 A2	3.19%	7/1/2027	502,078.63	5.00%	
8/17/2023	8/22/2023	925,000.00	3136BQDE6	FNA 2023-M6 A2	4.19%	7/1/2028	892,790.15	5.06%	
8/17/2023	8/22/2023	460,000.00	3137BUX60	FHMS K062 A2	3.41%	12/1/2026	437,915.82	5.07%	
8/21/2023	8/24/2023	885,000.00	3137F72B0	FHMS K740 A2	1.47%	9/1/2027	770,331.75	5.07%	
8/24/2023	8/29/2023	762,151.58	3136AY6X6	FNA 2017-M15 A2	2.96%	9/1/2027	711,537.56	3.29%	
8/24/2023	8/29/2023	673,505.90	3136AX7E9	FNA 2017-M12 A2	3.16%	6/1/2027	631,359.36	5.07%	
9/7/2023	9/14/2023	900,000.00	3137HAMH6	FHMS K506 A2	4.65%	8/1/2028	888,197.55	4.99%	
Total BUY		8,040,657.48					7,466,873.07		0.00
INTEREST									
7/1/2023	7/25/2023	68,488.27	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	190.97		
7/3/2023	7/3/2023		MONEY0002	MONEY MARKET FUND			946.75		
7/15/2023	7/15/2023	1,500,000.00	91282CEY3	US TREASURY N/B NOTES	3.00%	7/15/2025	22,500.00		
7/15/2023	7/15/2023	1,500,000.00	91282CDS7	US TREASURY N/B NOTES	1.12%	1/15/2025	8,437.50		
7/21/2023	7/21/2023	160,000.00	3137EAEU9	FREDDIE MAC NOTES	0.37%	7/21/2025	300.00		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
7/31/2023	7/31/2023	650,000.00	9128282N9	US TREASURY NOTES	2.12%	7/31/2024	6,906.25		
7/31/2023	7/31/2023	300,000.00	912828Y87	US TREASURY NOTES	1.75%	7/31/2024	2,625.00		
7/31/2023	7/31/2023	1,975,000.00	91282CBH3	US TREASURY NOTES	0.37%	1/31/2026	3,703.13		
7/31/2023	7/31/2023	400,000.00	912828Z52	US TREASURY NOTES	1.37%	1/31/2025	2,750.00		
7/31/2023	7/31/2023	650,000.00	91282CCP4	US TREASURY N/B NOTES	0.62%	7/31/2026	2,031.25		
7/31/2023	7/31/2023	1,500,000.00	912828V80	US TREASURY NOTES	2.25%	1/31/2024	16,875.00		
7/31/2023	7/31/2023	1,000,000.00	91282CFB2	US TREASURY N/B NOTES	2.75%	7/31/2027	13,750.00		
7/31/2023	7/31/2023	1,000,000.00	91282CBJ9	US TREASURY NOTES	0.75%	1/31/2028	3,750.00		
7/31/2023	7/31/2023	350,000.00	91282CAB7	US TREASURY NOTES	0.25%	7/31/2025	437.50		
8/1/2023	8/1/2023		MONEY0002	MONEY MARKET FUND			1,190.61		
8/1/2023	8/25/2023	68,320.56	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	190.50		
8/4/2023	8/4/2023		92206C409	VANGUARD SHORT-TERM CORPORATE BOND ETF			7,932.00		
8/7/2023	8/7/2023		464288646	ISHARES SHORT TERM CORPORATE			8,303.70		
8/15/2023	8/15/2023	575,000.00	912828D56	US TREASURY NOTES	2.37%	8/15/2024	6,828.13		
8/15/2023	8/15/2023	3,000,000.00	912828V98	US TREASURY NOTES	2.25%	2/15/2027	33,750.00		
8/15/2023	8/15/2023	2,000,000.00	9128283W8	US TREASURY NOTES	2.75%	2/15/2028	27,500.00		
8/15/2023	8/15/2023	1,500,000.00	9128282R0	US TREASURY NOTES	2.25%	8/15/2027	16,875.00		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
8/15/2023	8/15/2023	1,000,000.00	91282CDZ1	US TREASURY N/B NOTES	1.50%	2/15/2025	7,500.00		
8/15/2023	8/15/2023	190,000.00	3130AGWK7	FEDERAL HOME LOAN BANKS NOTES	1.50%	8/15/2024	1,425.00		
8/15/2023	8/15/2023	730,000.00	9128282A7	US TREASURY NOTES	1.50%	8/15/2026	5,475.00		
8/15/2023	8/15/2023	3,000,000.00	91282CFE6	US TREASURY N/B NOTES	3.12%	8/15/2025	46,875.00		
8/26/2023	8/26/2023	1,100,000.00	3130AL5A8	FEDERAL HOME LOAN BANK NOTES (CALLABLE)	0.90%	2/26/2027	4,950.00		
8/28/2023	8/28/2023	860,000.00	3130AV7L0	FEDERAL HOME LOAN BANKS NOTES	5.00%	2/28/2025	20,902.78		
8/31/2023	8/31/2023	1,600,000.00	91282CAH4	US TREASURY NOTES	0.50%	8/31/2027	4,000.00		
9/1/2023	9/1/2023		MONEY0002	MONEY MARKET FUND			1,050.07		
9/1/2023	9/25/2023	885,000.00	3137F72B0	FHMS K740 A2	1.47%	9/1/2027	1,084.13		
9/1/2023	9/25/2023	535,000.00	3137FAWS3	FHMS K067 A2	3.19%	7/1/2027	1,423.99		
9/1/2023	9/25/2023	900,000.00	3137HACX2	FHMS K505 A2	4.81%	6/1/2028	3,614.25		
9/1/2023	9/25/2023	762,151.58	3136AY6X6	FNA 2017-M15 A2	2.96%	9/1/2027	1,943.21		
9/1/2023	9/25/2023	58,446.01	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	162.97		
9/1/2023	9/25/2023	925,000.00	3136BQDE6	FNA 2023-M6 A2	4.19%	7/1/2028	3,229.79		
9/1/2023	9/25/2023	673,505.90	3136AX7E9	FNA 2017-M12 A2	3.16%	6/1/2027	1,776.06		
9/1/2023	9/25/2023	460,000.00	3137BUX60	FHMS K062 A2	3.41%	12/1/2026	1,308.32		
9/4/2023	9/4/2023	35,000.00	3130AK5E2	FEDERAL HOME LOAN BANK NOTES	0.37%	9/4/2025	65.63		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
INTEREST									
9/7/2023	9/7/2023		92206C409	VANGUARD SHORT-TERM CORPORATE BOND ETF			8,380.00		
9/8/2023	9/8/2023		464288646	ISHARES SHORT TERM CORPORATE			8,844.72		
9/13/2023	9/13/2023	1,000,000.00	3130ATVD6	FEDERAL HOME LOAN BANK NOTES	4.87%	9/13/2024	24,375.00		
9/15/2023	9/15/2023	500,000.00	91282CCX7	US TREASURY N/B NOTES	0.37%	9/15/2024	937.50		
9/15/2023	9/15/2023	2,000,000.00	91282CED9	US TREASURY N/B NOTES	1.75%	3/15/2025	17,500.00		
9/23/2023	9/23/2023	275,000.00	3137EAEX3	FREDDIE MAC NOTES	0.37%	9/23/2025	515.63		
9/25/2023	9/25/2023	1,000,000.00	3134GXMT8	FREDDIE MAC NOTES (CALLABLE)	2.25%	3/25/2025	11,250.00		
9/30/2023	9/30/2023	1,195,000.00	91282CCZ2	US TREASURY N/B NOTES	0.87%	9/30/2026	5,228.13		
9/30/2023	9/30/2023	475,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	5,046.88		
9/30/2023	9/30/2023	300,000.00	91282CBT7	US TREASURY N/B NOTES	0.75%	3/31/2026	1,125.00		
9/30/2023	9/30/2023	1,000,000.00	91282CBS9	US TREASURY N/B NOTES	1.25%	3/31/2028	6,250.00		
9/30/2023	9/30/2023	1,250,000.00	91282CAM3	US TREASURY NOTES	0.25%	9/30/2025	1,562.50		
9/30/2023	9/30/2023	250,000.00	9128282Y5	US TREASURY NOTES	2.12%	9/30/2024	2,656.25		
Total INTEREST		41,155,912.32					388,231.10		0.00
PAYDOWNS									
7/1/2023	7/25/2023	167.71	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	167.71		
8/1/2023	8/25/2023	9,874.55	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	9,874.55		

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
PAYDOWNS									
9/1/2023	9/25/2023	625.82	3136AX7E9	FNA 2017-M12 A2	3.16%	6/1/2027	625.82		
9/1/2023	9/25/2023	17,657.88	3136AY6X6	FNA 2017-M15 A2	2.96%	9/1/2027	17,657.88		
9/1/2023	9/25/2023	138.85	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	138.85		
Total PAYDOWNS		28,464.81					28,464.81		0.00
SELL									
7/5/2023	7/7/2023	500,000.00	3135G0U43	FANNIE MAE NOTES	2.87%	9/12/2023	502,187.01		-2,329.70
7/5/2023	7/7/2023	1,000,000.00	91282CDM0	US TREASURY N/B NOTES	0.50%	11/30/2023	981,521.09		-18,615.67
7/27/2023	8/1/2023	520,000.00	91282CEG2	US TREASURY N/B NOTES	2.25%	3/31/2024	513,471.03		-8,588.69
7/27/2023	8/1/2023	200,000.00	91282CDM0	US TREASURY N/B NOTES	0.50%	11/30/2023	196,981.90		-3,126.39
7/27/2023	8/1/2023	95,000.00	91282CBA8	US TREASURY NOTES	0.12%	12/15/2023	93,241.42		-1,730.70
8/17/2023	8/22/2023	150,000.00	912828V23	US TREASURY NOTES	2.25%	12/31/2023	148,798.57		-2,754.51
8/17/2023	8/22/2023	1,500,000.00	912828V80	US TREASURY NOTES	2.25%	1/31/2024	1,481,978.60		-19,713.69
8/21/2023	8/24/2023	800,000.00	9128282R0	US TREASURY NOTES	2.25%	8/15/2027	733,908.97		-5,084.85
8/24/2023	8/29/2023	1,500,000.00	912828V98	US TREASURY NOTES	2.25%	2/15/2027	1,389,604.28		-75,779.32
9/6/2023	9/8/2023	850,000.00	912828V23	US TREASURY NOTES	2.25%	12/31/2023	845,436.74		-13,462.89
Total SELL		7,115,000.00					6,887,129.61		-151,186.41

Important Disclosures

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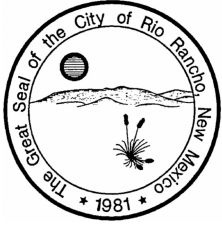
- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.



**CITY OF RIO RANCHO
COVER PAGE**

Legislation Item:

AGENDA DATE:
November 29, 2023

DEPARTMENT:
City Clerk

SUBJECT:
Review and Input on the Investment Policies and Investment Policy Statement

BACKGROUND AND ANALYSIS:

IMPACT:

ALTERNATIVES:

DEPARTMENT RECOMMENDATION:

ATTACHMENT: [Signed and Final Updated Investment Policy September 2022.pdf](#)

ATTACHMENT: [City of Rio Rancho IPS.pdf](#)



CITY OF RIO RANCHO

ADMINISTRATIVE POLICIES AND PROCEDURES

Investment Policy

Chapter: 2
Article: 17
Revised: 09/22/2022
Revised: 06/10/2020
Effective: 04/03/2017

Section

- 2-17-1 Purpose
- 2-17-2 Scope
- 2-17-3 Objectives
- 2-17-4 Investment Policy
- 2-17-5 Delegation of Authority and Responsibilities
- 2-17-6 Standard of Care: Prudence
- 2-17-7 Authorized Security Broker/Dealers and Financial Institutions
- 2-17-8 Internal Controls
- 2-17-9 Delivery versus Payment
- 2-17-10 Authorized Investments
- 2-17-11 Competitive Section of Investment Instruments
- 2-17-12 Collateralization
- 2-17-13 Safekeeping
- 2-17-14 Investment Parameters
- 2-17-15 Investment Reporting
- 2-17-16 Policy Approval

2-17-1 Purpose

The purpose of this Policy is to set specific policy requirements and guidelines for the investment of City funds within the parameters established by the Charter and City Code Sections 36.55 through 36.62 ("the City Code") of the City of Rio Rancho ("the City") and the laws of New Mexico.

2-17-2 Scope

This Policy applies to all financial assets over which the City has direct control as well as those funds the City is responsible for as custodian or trustee. These funds are reported in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund;
- Special Revenue Funds;
- Debt Service and Debt Reserve Funds;
- Capital Projects Funds;
- Internal Service Funds;
- Agency Funds; and
- Enterprise Funds

Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, bond proceeds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this policy, the percentage or dollar portfolio limitations listed elsewhere in this policy do not apply to bond proceeds

2-17-3 Objectives

The City shall manage and invest its cash and assets with three major objectives, listed in order of priority: safety, liquidity, and return. All investments shall be managed in a manner responsive to the public trust and consistent with state and local law.

The City shall maintain a comprehensive cash management program which includes the timely collection of accounts receivable and timely vendor payments made in accordance with invoice terms and prudent investment of assets.

A. Safety

The primary objective of the City's investment activity is the preservation of principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

B. Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

C. Return

Return should become a consideration only after the basic requirements of safety, and liquidity have been met. The City seeks to attain a market-average rate of return on its investments throughout economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and State and Local laws, and ordinances or resolutions that restrict investments.

2-17-4 Investment Strategy

The City seeks to pool fund groups for investment purposes. The City may allocate investments among separate portfolios based upon specific investment strategy considerations.

The City shall pursue a proactive portfolio management strategy. Securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade and opportunities will be constantly evaluated for investments to maintain a reasonable market return. The Treasurer and Investment Advisor will continuously monitor the contents of the portfolio, the available markets, and the relative value of competing instruments to adjust the portfolio in response to market conditions.

2-17-5 Delegation of Authority and Responsibilities

A. Treasurer/Finance Director

Authority to manage the investment program is granted to the Treasurer by City Code Section 36.57. Section 6.01 of the City Charter states that the Director of the Department of Finance shall function as the City Treasurer unless another person is designated by resolution.

1. Authority to manage the investment program is granted to the Finance Director pursuant to City Code Section 36.57. The Finance Director, or designee, shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of authorized subordinate officials (Investment Officers).
2. The City may further contract with an SEC-registered Investment Advisor to advise on the management of and conduct trades on behalf of the City's investment portfolio, in accordance with this Policy, and such other written instructions as are provided.
3. No person may engage in an investment transaction except as provided under this Policy and the procedures established by the Finance Director.
4. Any authority granted in State statute shall be secondary to the lawfully adopted Policy of the City to the extent that this Policy is more restrictive than State statute.

B. Governing Body

1. The Governing Body has ultimate fiduciary responsibility for the investment of City funds.
2. The Governing Body shall review and adopt the Investment Policy at least every three

years.

C. Investment Advisory Board

The Governing Body has determined that formal citizen input regarding the management of local government investment portfolios and associated policy is appropriate and advantageous. An Investment Advisory Board is established in Chapter 33 Boards, Commissions, and Committees that outlines Board membership and duties and responsibilities.

D. Ethics and Conflicts of Interest

The Finance Director, Investment Officers, and members of the Investment Advisory Board shall:

1. Refrain from personal and business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions;
2. Receive from the Finance Director an annual listing of all portfolio positions in order to determine if personal disclosure is required for any personal financial or investment positions that could be related to the performance of the investment portfolio. The Investment Officers and Investment Advisory Board shall disclose any contracts (mortgages or loans) from City authorized institutions and disclose personal portfolios managed by or through a City authorized broker/dealer. The size of the US Treasury and Agency markets negates any need to disclose holding in these authorized investments types;
3. Refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.
4. Nothing herein shall be construed to bar any individual from using a financial institution for normal customer transactions, including but not limited to, checking accounts, savings accounts, consumer credit cards, certificates of deposit, and money market funds, all on the same terms as such institution offers to the general public.

2-17-6 Standard of Care: Prudence

The standard of prudence to be used by the City for managing its investments is the Uniform Prudent Investor Act (UPIA), notwithstanding state statutory constraints.

Investment officers acting within the parameters of the City Code and this Investment Policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion so that appropriate actions can be taken to reduce risk in accordance with the terms of this Policy.

2-17-7 Authorized Security Broker/Dealers and Financial Institutions

Security Broker/Dealers

The Finance Director shall maintain information on all financial institutions authorized to provide investment services to the City. The security broker/dealers are to be approved by the Investment Advisory Board on the basis of creditworthiness (minimum capital requirements of \$10,000,000 and at least five years of operation) and the firm's ability to offer competitive prices on securities transactions. All financial institutions and broker/dealers who desire to become authorized broker dealers for investment transactions must supply the following:

1. Annual audited financial statements;
2. Proof of Financial Industry Regulatory Authority (FINRA) certification and the FINRA CRD number;
3. Proof of New Mexico state registration;
4. Completed City broker/dealer questionnaire; and
5. Certification of having read this Investment Policy.

Each broker/dealer must obtain a copy of the current Investment Policy and certify to a review stating understanding of the Policy. Material changes to this Policy will require re-certification.

The performance of all authorized broker/dealers will be reviewed at least annually by the Investment Advisory Board.

If an external Investment Advisor is authorized to conduct investment transactions on the City's behalf, the Investment Advisor may use her/his own list of approved issuers/broker/dealers and financial institutions for investment purposes.

2-17-8 Internal Controls

The Finance Director shall establish and maintain procedures and internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address issues including the following:

- A. Control of collusion;
- B. Separation of transaction authority;
- C. Delivery versus payment;
- D. Custodial safekeeping;
- E. Investment accounting;
- F. Repurchase agreements;

- G. Wire transfer agreements;
- H. Collateral/depository agreements;
- I. Banking services contracts;
- J. Clear delegation of authority to subordinate staff members;
- K. Written confirmation of all transactions; and
- L. Review, maintenance and monitoring of security procedures both manual and automated.

2-17-9 Delivery versus Payment

All trades involving deliverable securities will be executed by delivery versus payment (DVP). This ensures that securities are deposited in the City's eligible financial institution prior to the release of City funds. Securities shall be held by a City-approved, independent third party custodian as evidenced by safekeeping receipts.

2-17-10 Authorized Investments

Assets of the City may only be invested in the instruments listed below, as authorized by New Mexico State Statute 6-10-10. If changes are made to State Statute authorizing additional investments, they will not be authorized until this Policy is modified and adopted by the Governing Body.

The following types of investments are authorized:

- A. **Demand Deposits:** Deposits (liquid deposits, such as DDAs, savings accounts and market rate accounts) are allowed in certified and designated New Mexico financial institutions, in accordance with the New Mexico State law, whose deposits are insured by an agency of the United States. All deposits will comply with state statute and Section XII of this Policy regarding collateral requirements.
- B. **Certificates of Deposit:** Certificates of Deposit are allowed in certified and designated New Mexico financial institutions, in accordance with New Mexico State law, whose deposits are insured by an agency of the United States. All deposits will comply with state statute and Section XII of this Policy regarding interest rates and collateral requirements not to exceed one (1) year to stated maturity.
- C. **United States Treasury Obligations:** Securities that are issued by the United States government that are either direct obligations of the United States or that are backed by the full faith and credit of the United States government. Investments shall be limited to a maximum maturity of five (5) years at time of purchase.
- D. **United States Agency and Instrumentality Obligations:** Securities issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. Investments in U.S. Government Agency and Instrumentality Obligations shall be limited to a maximum stated maturity of five (5) years at time of purchase.

- E. Obligations of State and Local Governments and Public Authorities:** These include bonds or negotiable securities of the State of New Mexico or a county, municipality or school district located in New Mexico that has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and that has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. If rated, such obligations shall be rated at least A (long-term) or A1 (short-term) or their equivalents by at least one nationally recognized rating agency and not to exceed three (3) years to stated maturity.
- F. The New Mexico State Treasurer's Local Government Investment Pool.**
- G. SEC Registered, AAA-rated Government Money Market Mutual Funds:** A qualified money market mutual fund must:
1. be registered with the United States Securities and Exchange Commission;
 2. comply with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States Securities and Exchange Commission applicable to money market mutual funds;
 3. assess no fees pursuant to Rule 12b-1, or any successor rule, of the United States Securities and Exchange Commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated, provided that the City shall not, at any time, own more than five (5) percent of a money market mutual fund's assets;
 4. be invested only in United States Government and Agency Obligations and repurchase agreements secured by such obligations; and
 5. be rated AAAM or equivalent by a nationally recognized rating agency.
- H. Repurchase Agreements (Repo):** Contracts for the simultaneous purchase and resale, at a specified time in the future, of specific securities at specified prices at a price differential representing the interest income to be earned by the City. The contract at the time of purchase shall be fully secured by the Authorized Collateral described in Section XII having a market value of at least one hundred two percent (102%) of the amount of the contract. The Repurchase Agreement must have a stated maturity date not to exceed one (1) year to maturity. Flexible repurchase agreements may only be used for bond proceeds with a maturity not to exceed the expenditure plan of the funds.
- I. Shares of a Diversified Investment Company and Individual or Collective Trust Funds of Banks or Trust Companies:** These include shares of a company or trust pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under

management of at least \$100,000,000 and provided that the Investment Policy of the City may allow reasonable administrative and investment expenses associated with the investment company to be paid directly from the income or assets of these investments. In addition, the City may invest in Fixed Income mutual funds or exchange traded funds (ETF's) that are passively managed to track the performance of a nationally-recognized fixed income index. The City may gain exposure to the following investment types through these vehicles:

U.S. Treasuries

U.S. Treasury Inflation Protection Securities (TIPS)

U.S. Agencies, including GSE's identified above (fund or ETF may hold Agencies other than those permissible for direct City investment)

U.S. municipal issues (BBB-AAA)

U.S. investment grade corporate issues (BBB-AAA)

U.S. high yield corporate issues

Foreign fixed income issues

Any investment pool offered by the New Mexico State Investment Council (SIC) that is available for investment by the City.

The City may not invest directly in any mutual fund or ETF that contains non-fixed income assets such as equities or alternative assets. Aside from the SIC Investment Pools, these investment types are excluded from permissibility per NMSA Chapter 6, Article 10.

The City will utilize the weighted average fund duration to control the interest rate risk of each fund holding.

Investment types, asset classes and sectors not explicitly permitted under Section 6-10-10 (NMSA 1978 annotated) are not permissible by the City.

Any investment held by the City that does not meet the guidelines of this Policy shall be liquidated as soon as possible. Proceeds shall be reinvested only as provided by this Policy.

Securities which do not meet Policy requirements because of an adopted change in the Policy shall be reviewed by the Investment Advisory Board to decide on appropriate action to be taken to hold to maturity or liquidate. Liquidation is not mandatory.

Securities which do not meet Policy rating requirements because of a change in credit rating shall be reviewed by the Investment Advisory Board to decide on appropriate action to be taken to hold to maturity or liquidate. Liquidation is not mandatory.

2-17-11 Competitive Selection of Investment Instruments

- A. It will be the policy of the City to use a competitive trading process, whenever practical, that obtains at least three offers or bids. The City will accept the bid/offer which provides (a) the best competitive price within the maturity required and considering the credit quality of the investment; and (b) optimizes the investment objectives of the overall portfolio.

- B. Offers or bids for securities may be received from authorized broker/dealers or issuers of qualified securities as defined in Section X.
- C. The City shall produce and retain written records of each transaction including the name of the financial institutions offering or bidding on securities, rate or price quoted, description of the security, bid/offer selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase or the highest bid was not selected for sale, an explanation describing the investment objective prompting the investment/sale will be included in this record.
- D. New issue offerings may be purchased from an approved broker/dealer or directly from the issuer without competitive solicitation if it is determined that a new issue will best meet the City's investment objectives. It will be the responsibility of the Finance Director/Investment Advisor involved with each purchase to produce and retain written records of each transaction when competitive solicitation is not followed.
- E. The Finance Director shall authorize all investment transactions in writing or via email. Executed trade documents shall be reviewed for compliance and signed by the Finance Director after the trade.
- F. All trade fails or compliance violations are to be documented in an error report on the day that they are discovered and the Finance Director shall document the reason for each error. Errors shall be summarized in a report to the Investment Advisory Board even if corrected.

2-17-12 Collateralization

A. Time and Demand Deposits

All City time and demand deposits, (DDAs, certificates of deposit and interest bearing accounts), shall be secured above the FDIC insurance coverage by collateral pledged to the City pursuant to the requirements of this section. In order to anticipate market changes and provide a level of security for all funds, collateral will be maintained and monitored daily by the depository at 102% of market value of principal and accrued interest on the deposits.

Collateral pledged to secure deposits shall be held by an independent financial institution outside the holding company of the depository in accordance with a safekeeping agreement signed by authorized representatives of the City, the Depository, and the custodian. (If the custodian is the Federal Reserve, a Circular 7 Pledge Agreement will be executed.) The collateral agreement shall be approved by resolution of the Bank Board or Bank Loan Committee in accordance with FIRREA¹. The custodian shall provide a monthly list of collateral directly to the City.

¹Financial Institutions Resource and Recovery Act is used as the control for FDIC when closing a bank and requires an executed agreement approved by one of these bank boards.

All collateral shall be subject to inspection and audit by the City or the City's independent auditors.

B. Authorized Collateral

The City shall accept only the following securities as collateral for time and demand deposits:

1. Obligations of the United States, its agencies or instrumentalities, or other securities that are guaranteed by the United States.
2. Obligations, the principal and interest on which, are guaranteed or insured by the State of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions.
3. Letters of credit issued by a federal home loan bank.

2-17-13 Safe Keeping

The laws of the State and prudent treasury management require that all deliverable securities be bought on a delivery versus payment basis and be held in safekeeping by an independent third party financial institution or the City's designated banking services depository.

All safekeeping arrangements shall be approved by the Finance Director and an agreement of the terms executed in writing. The safekeeping institution shall be required to issue original safekeeping receipts listing each security by rate, description, maturity, par amount, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City.

2-17-14 Investment Parameters

A. Portfolio Components.

While the City accounts for its financial assets in various governmental Fund and general ledger accounts and investment income and market value changes are apportioned accordingly, the assets are managed as two sub-portfolios:

- the Liquidity Component
- the Core Component

The primary purpose of the Liquidity Component is to provide daily liquidity to the City while controlling the risk factors. The City strives to minimize the Liquidity Component level so that more cash may be deployed as earning assets in the Core Investment Component.

The purpose of the Core Investment Component is to convert excess cash, over and above the required Liquidity Component level, to earning assets. Performance is measured on a total return basis and an accrual earnings basis. As this portfolio consists of operating

reserves and bond proceeds awaiting eventual expenditure, a longer-term focus is appropriate. Principal preservation remains a primary objective, as the Core Investment Component's funds may be utilized to meet debt service, capital project, and operational requirements. As such, strict duration management is in order to manage acceptable principal value change.

B. Diversification.

Investments shall be diversified to reduce the risk of loss resulting from an over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following diversification limitations at the time of purchase shall apply to each portfolio:

U.S. Treasury Obligations	100%
U.S. Agencies/Instrumentalities	80%
Per issuer	30%
Per Issuer Other than Fannie Mae, Freddie Mac, Federal Home Loan Bank, Federal Farm Credit Bank	10%
Repurchase Agreements	50%
Certificates of Deposit	40%
In any one bank	15%
Demand Deposits	100%
State/Local/Public Authority Obligations	25%
Local Government Investment Pool	75%
Government Money Market Funds	50%
In any one fund	20%
Ownership of the fund	5%
Shares of a diversified investment company or trust	40%
In any one fund	20%

C. Maximum Maturity and Maximum Effective Duration.

1. The City recognizes that all portfolios with marketable investment securities are subject to interest rate risk. Therefore, to limit the City's exposure to the possibility of loss due to interest rate fluctuations, the City will not commit any funds to maturities longer than seven years to the stated maturity from date of purchase.
2. The stated maturity date on investments made for legal reserves will not exceed the next call date of the designated bond but in no event shall exceed 7 years.
3. In debt service funds, each subsequent debt service payment should be funded before any extension is made in maturities.
4. Because of inherent difficulties in accurately forecasting cash flow requirements, a

portion of the portfolio should be continuously invested in readily available funds such as overnight repurchase agreements, Local Government Investment Pool, demand deposit accounts, or money market mutual funds to ensure that appropriate liquidity is maintained to meet operating obligations.

5. To control overextension of the portfolio, the city will use an effective duration ceiling of one and a half (1.5) – three and a half (3.5) years. The effective duration will be reported on the quarterly reports.

2-17-15 Investment Reporting

A. Quarterly Reporting

The Finance Director shall submit an investment report to the City Manager, the Advisory Board and the Governing Body at least quarterly.

The report will include the following at a minimum:

- A full description of individual securities including amortized book and market value;
- Unrealized gains or losses;
- Summary change in market value during the period as a measure of volatility (market prices for the calculation of market value will be obtained from independent sources);
- Effective duration;
- Weighted average yield of the portfolio;
- Return of the portfolio(s) and the City's selected benchmark(s);
- Earnings for the period (accrued and net amortization); and
- Statement of compliance of the investment portfolio with Investment Policy.

If the City uses an Independent Investment Advisor, the Investment Advisor shall report quarterly, in writing, to the Investment Advisory Board. The report shall review recommended investments, portfolio strategies, and quarterly performance against the benchmark(s).

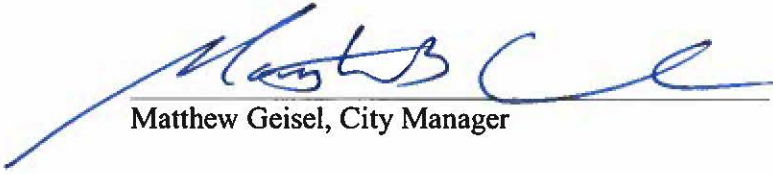
B. Performance Standards and Benchmarks

The City's portfolio shall be evaluated and compared to appropriate indices in order to assess the relative performance of the City's investment program. The comparable benchmarks should be consistent with the City's portfolio in terms of maturity and composition, which includes credit quality and security type.

2-17-16 Policy Approval

The Investment Policy shall be reviewed by the Investment Advisory Board once annually and reviewed and approved at least every three years by the Governing Body. The resolution approving the Policy shall detail any and all changes made to the Policy as a result of the review.

APPROVED THIS 28 DAY OF September 2022



Matthew Geisel, City Manager

Definitions

Agency – A debt security issued by a government-sponsored enterprise (GSE). While not explicitly guaranteed by the government, GSEs are generally traded with an “implied” guarantee. An example of a GSE is the Federal National Mortgage Association (FNMA).

Credit Quality – The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Ratings Scales –

Credit quality comparison of short term and long term ratings are as follows:

Rating Standard & Poor’s Moody’s Fitch

Short Term A-1+ A-1 P-1 F-1+ F-1

Long Term AAA -A- A+-A- Aaa-A3 AAA-A- A+-A

Current Yield Current Return – A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered to the purchaser or the custodian.

Discount – The amount by which the par value of a security exceeds the price paid for the security.

Diversification – A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration – A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security.

Fair Value – The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Government Securities – An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See “Treasury Bills, Notes, and Bonds”.

Investment Policy – A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Local Government Investment Pool (LGIP) – An investment by local governments in which their money is pooled as a method for managing local funds.

Par – Face value or principal value of a bond, typically \$1,000 per bond.

Premium – The amount by which the price paid for a security exceeds the security’s par value.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Total Return – The sum of the portfolio interest earnings plus amortization/accretion plus realized gains plus unrealized gains minus fees divided by the average portfolio value during the period.

Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000.

Treasury Notes – Intermediate U.S. government debt securities with maturities of one to ten years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000.

Yield – The current rate of return on an investment security generally expressed as a percentage of the security's current price.

INVESTMENT POLICY STATEMENT
FOR
CITY OF RIO RANCHO VISION FUND

Adopted September 22, 2022

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The City of Rio Rancho has established a Permanent Fund, known as the City of Rio Rancho Vision Fund (the “Fund”). This Fund will be used to invest monies to support the City’s general operations. The Fund consists of General Fund reserves resulting from positive revenue variances (revenue in excess of budget) and positive expense variances (expenses less than budget) accumulated in excess of policy targets. The City of Rio Rancho Governing Body hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

Purpose

The main investment objective of the Fund is to achieve long-term growth of Fund assets by maximizing long-term rate of return on investments and minimizing risk of loss, especially as the monies are initially invested, and to provide funding for general government purposes as determined by the Governing Body.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations, and investment guidelines for Fund assets.
2. Establish an appropriate investment strategy for managing all Fund assets, including an investment time horizon, risk tolerance ranges, and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Fund.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence, and legal requirements for Fund assets.

Investment Authority

The City of Rio Rancho Governing Body will oversee certain policies and procedures related to the operation and administration of the Fund. The Governing Body will have authority to implement the investment policy and guidelines in the best interest of the Fund to best satisfy the purposes of the Fund. In implementing this Policy Statement, the Governing Body believes it may delegate certain functions to:

1. The City Treasurer, as defined in Section 6.01 of the City Charter as the Director of the

Department of Financial Services. The Treasurer shall be responsible for all transactions undertaken and shall establish an investment policy statement to set the specific policy requirements and guidelines for the investment of the City's Permanent Fund and a system of controls to regulate the activities of subordinate officials.

2. The Investment Advisory Board established pursuant to Chapter 33 of the City Code of Ordinances. The Investment Advisory Board shall review the investment policy statement annually and provide input to the Governing Body regarding proposed changes, provide input on the use of distributions from the Fund, and review and provide input on administration and management of the Fund.
3. The New Mexico State Investment Council ("NMSIC"), as investment advisor.
4. A consultant to assist with periodic review of a) the investment policy statement, b) the performance of the investment portfolio, and c) the asset allocation guidelines including recommendations to rebalance the portfolio as referenced in the "Periodic Re-balancing" section.
5. A trustee appointed by the Fund, such as a bank trust department, if the Fund does not have its own Trustees, to assume fiduciary responsibility for the administration of Fund assets; provided, however, that if the Governing Body shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
6. Specialists such as attorneys, auditors, and other consultants to assist the Governing Body in meeting its responsibilities and obligations to administer Fund assets prudently.

Statement of Investment Objectives

The investment objectives of the Fund are as follows:

1. To invest assets of the Fund in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Fund beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for distribution to the City's General Fund and reasonable expenses of operation of the Fund.
3. To enhance the value of Fund assets in real terms over the long term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long term, to minimize principal fluctuations over the Time Horizon (defined under the section labeled "Time Horizon").
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, and certain real estate investments.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, unconstrained bond strategies, structured credit securities, high yield corporate bonds, and opportunistic credit funds.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include infrastructure, timber, agriculture, energy, inflation-linked securities, commodities, and other similar assets.

Time Horizon

The Fund's investment objectives are based on a long-term investment horizon ("Time Horizon") of 20 years or longer. Interim fluctuations should be viewed with appropriate perspective. The Governing Body has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Fund may hold some cash, cash equivalent, and/or money market funds for near-term Fund benefits and expenses (the "Fund Distributions"). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments, or industries.

Asset Allocation

The Governing Body believes that to achieve the greatest likelihood of meeting the Fund’s investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Fund’s target rate of return over the long term, as described in the section titled “Performance Expectations.”

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	24% - 54%	39%
International Equity	6% - 36%	21%
Income Assets		
Fixed Income	25% - 55%	40%
Cash Equivalents	0% - 15%	0%

The NMSIC and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Consultant will recommend rebalancing the assets within the specified ranges. The Consultant may also recommend rebalancing based on market conditions. Limitations on the timing and frequency of rebalancing due to the operational procedures permitted by NMSIC are anticipated, and will be taken into account by the Consultant before each rebalance recommendation.

Risk Tolerance

Subject to investment objectives and performance expectations, the Fund will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Fund will be to achieve an average total annual rate of return that is equal to or greater than the Fund's actuarial discount rate. Additionally, it is expected that the annual rate of return on Fund assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Fund investments, and blended benchmark comparisons for the Fund in its entirety.

Selection of Investment Managers

The Consultant shall prudently recommend appropriate Managers offered by NMSIC to invest the assets of the Fund.

Guidelines for Portfolio Holdings

Recommended Investments by Consultant

Every effort shall be made, to the extent practical, prudent, and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the "Guidelines for Portfolio Holdings"). However, given the nature of the investments available through the NMSIC, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers' Portfolios

EQUITIES

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry, or individual security diversification. However, prudent diversification standards should be developed and maintained by each NMSIC Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions, and sectors.

FIXED INCOME

The overall rating of the fixed income assets shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas, or timber and the purchase of collectibles is also prohibited.

Control Procedures

Review of Investment Objectives

The Consultant shall review annually and report to the Investment Advisory Board and Governing Body the appropriateness of this Policy Statement for achieving the Fund's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Consultant shall report on a quarterly basis to the Investment Advisory Board to review the investment performance of the Fund.

The Consultant shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies, S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies, MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Bloomberg U.S. Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; and the Bloomberg U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Governing Body recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or

pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the NMSIC.

Other Requirements

The Governing Body will establish additional controls and requirements as necessary for any investments outside of the management of the State Investment Council. These requirements will include permissible investments, safekeeping requirements, requirements for delivery versus payment of investment trades, and collateralization.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Governing Body via resolution. This Investment Policy Statement was adopted on September 22, 2022 via Resolution 2022-_____.