

End-of-Term Earnings Call

*Fiduciary Duty in an
Evolving World*

May 14, 2019

City Treasurer Kurt Summers



AGENDA

01 12:00 - 12:05 PM
Welcome

02 12:05 - 12:10 PM
Local Economy

03 12:10 - 12:25 PM
CTO Investment Portfolio Update

04 12:25 - 12:35 PM
Fiduciary Duty in an Evolving World

05 12:35 - 12:55 PM
"On the Table" Conversation

06 12:55 - 1:00 PM
Debrief and Closing



WELCOME



Audio and Webcast

If you are registered for the call, then you can listen to the call on a computer or a phone—but you can only watch the webcast on a computer.



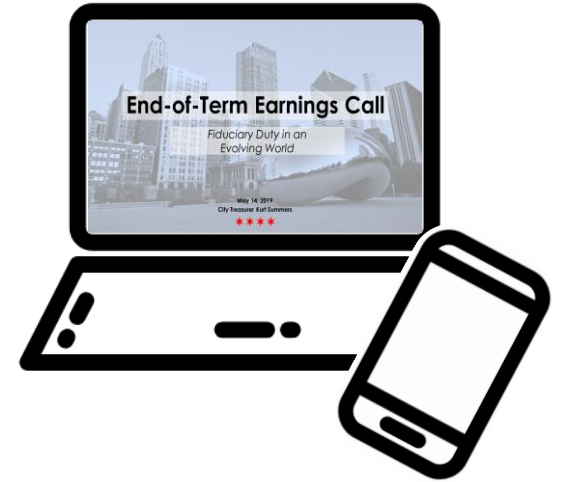
Need Help?

If you need assistance at any time during the webcast, please call (312) 742-1852 or email Asher.Mayerson@cityofchicago.org.



Have a Comment?

If you have a comment at any time during the webcast, email Asher.Mayerson@cityofchicago.org.



WELCOME



Transparency

This is the 17th Quarterly Earnings Call hosted since Treasurer Summers took office. These first-in-the-nation calls are open to the public, the City Council, and anyone interested in Chicago's investment portfolio performance.



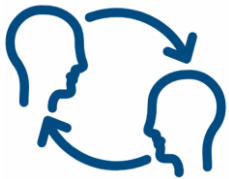
Outreach & Advocacy

During the Treasurer's 77 visits to Chicago's 77 neighborhoods in late 2014 and early 2015, residents voiced their need to be regularly engaged in our outreach and advocacy efforts. These calls are opportunities to learn about those efforts, and about how Chicagoans get involved.



Best Practices

As the primary investment manager for the City of Chicago, the Treasurer seeks to be held as accountable as any other investment management firm is to their investors. These calls have been shaped by established best practices from other investment managers.



Information & Action

These calls provide an overview of the national and local economies, the office's investment portfolio, and more, keeping Chicagoans informed about the economic and fiscal issues that affect them—and empowering them to take action.



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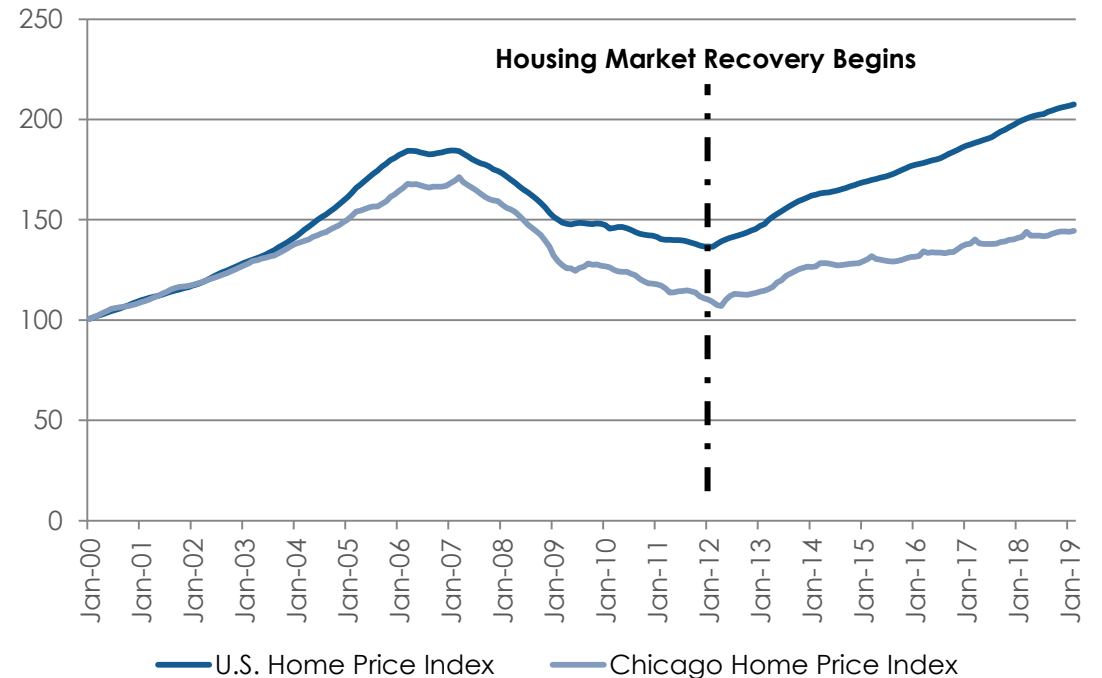
LOCAL ECONOMY

Unemployment Rate (Not Seasonally Adjusted)

	Jan. 2019	Feb. 2019	Mar. 2019
Chicago MSA	4.4%	4.0%	3.6%
United States	4.4%	4.1%	3.9%

- Chicago's local labor market continues to strengthen, with the unemployment rate dipping below the national rate
- Yet, Chicago's local housing market tells an entirely different story, with home prices still lagging behind national indices in the wake of the Great Recession

S&P/Case-Shiller Home Price Index (Monthly, Seasonally Adjusted)



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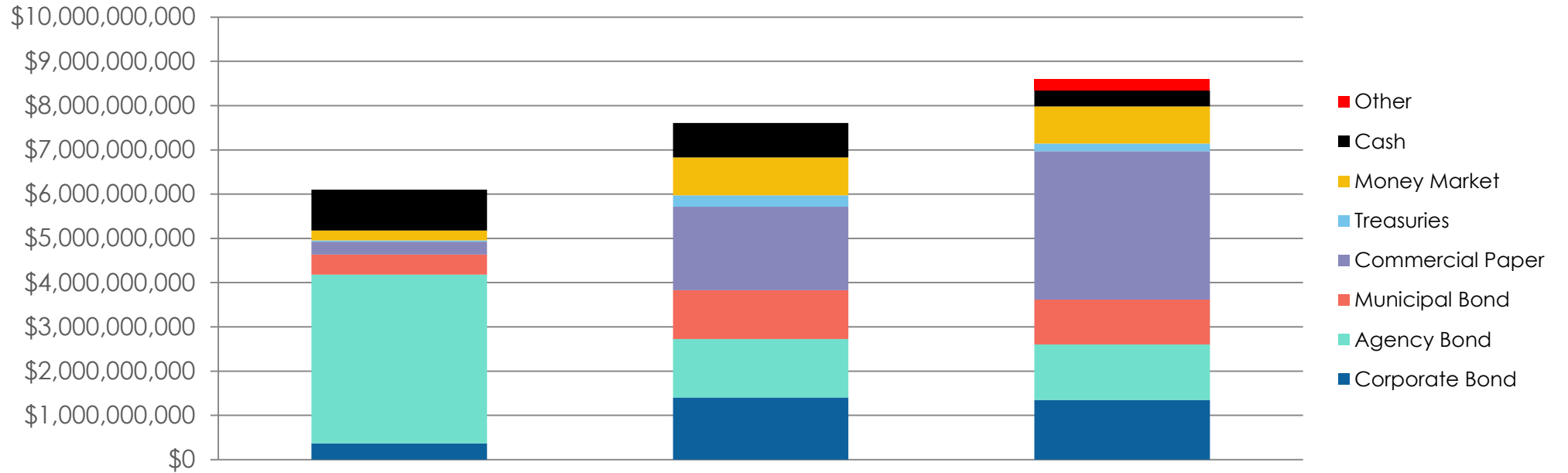
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CTO INVESTMENT PORTFOLIO UPDATE



	2015(Q1)		2018(Q1)		2019(Q1)	
Corporate Bond	\$ 371,863,841	6.09%	\$ 1,402,723,000	18.44%	\$ 1,348,244,000	15.68%
Agency Bond	\$ 3,808,142,794	62.40%	\$ 1,326,115,000	17.43%	\$ 1,252,325,000	14.56%
Municipal Bond	\$ 457,502,504	7.50%	\$ 1,099,446,337	14.45%	\$ 1,016,518,435	11.82%
Commercial Paper	\$ 291,085,001	4.77%	\$ 1,886,533,000	24.80%	\$ 3,352,423,000	38.99%
Treasuries	\$ 26,000,000	0.43%	\$ 259,500,000	3.41%	\$ 174,500,000	2.03%
Money Market	\$ 221,847,488	3.64%	\$ 852,806,146	11.21%	\$ 839,512,893	9.76%
Cash	\$ 926,401,528	15.18%	\$ 781,138,906	10.27%	\$ 360,046,764	4.19%
Other	\$ -	0.00%	\$ -	0.00%	\$ 254,710,642	2.96%



CTO INVESTMENT PORTFOLIO UPDATE

Overall Rating	
AA+	
Average Modified Duration (years)	2.03
Average Effective Duration (years)	1.92

Portfolio Statistics (Market Value Weighted)						
Values	Operating	Bond Proceeds	Operating Reserves	Long-Term Reserves	Whole Portfolio (Q1 2019)	Whole Portfolio (Apr. 2019)
Unique Position Count	125	352	103	52	598	597
Avg. Coupon	0.85	1.31	2.42	2.75	1.44	1.56
Avg. Current Yield	2.48	2.54	2.88	3.20	2.59	2.72
Avg. Yield To Maturity	2.61	2.45	2.39	3.11	2.50	2.58
Portfolio Holdings	\$2,706,649,646.73	\$3,740,525,229.25	\$1,419,327,584.09	\$688,371,403.84	\$8,554,873,863.91*	\$8,672,554,761.27*
Total Earnings	\$16,466,318.94	\$22,151,703.43	\$8,407,369.65	\$5,582,200.37	\$52,607,592.39	\$72,358,750.77



*These numbers are not inclusive of money in depository institutions.

CTO INVESTMENT PORTFOLIO UPDATE

Overall ESG Portfolio Score

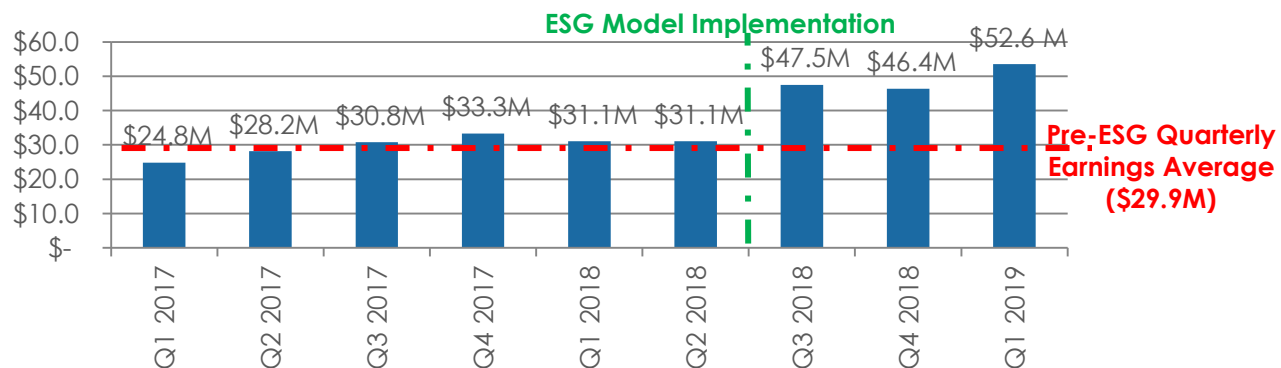
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Recent Highlights



- \$30M in European Investment Bank and \$8.8M in Bank of America Green Bond, both of which are financing renewable energy projects
- Continued generating higher earnings after ESG implementation



Top 5 Corporates

Cisco Systems	7.50
Colgate-Palmolive Company	7.04
Google	7.02
IBM	7.00
Honeywell International *	6.86

Bottom 5 Corporates

Exxon Mobil Corp*	5.77
Johnson & Johnson*	5.70
Walmart*	5.45
Pfizer	5.42
NRUCFC	5.34

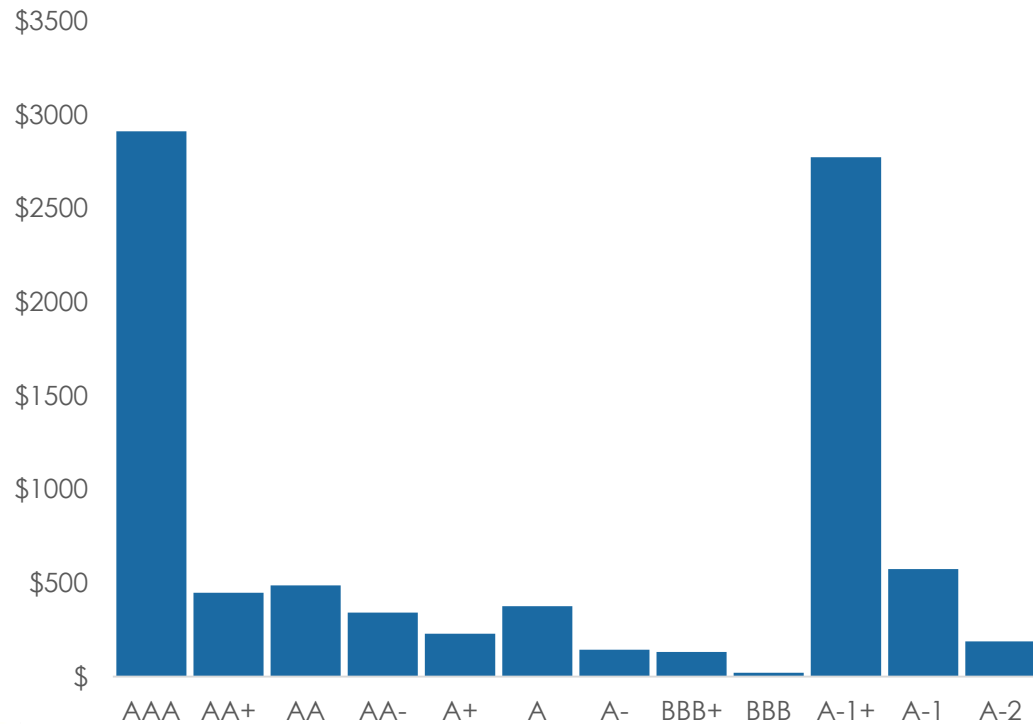
* Denotes purchase of security before ESG model implementation (July 1, 2018).



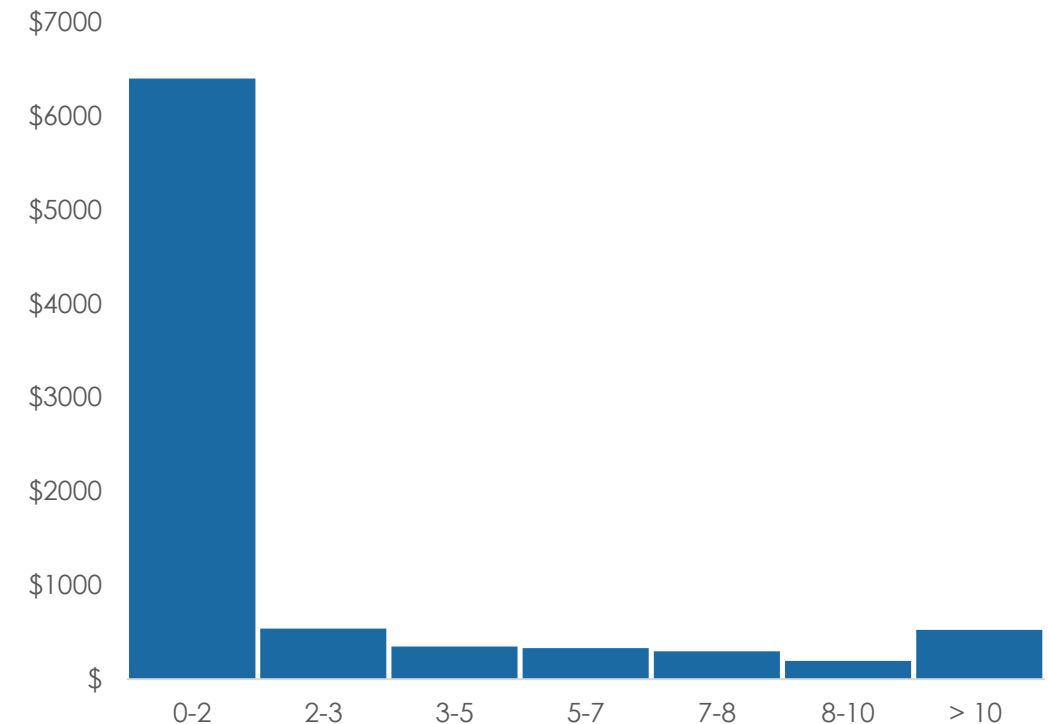
CTO INVESTMENT PORTFOLIO UPDATE

Q1 2019 CTO Portfolio Composition

Credit Breakdown

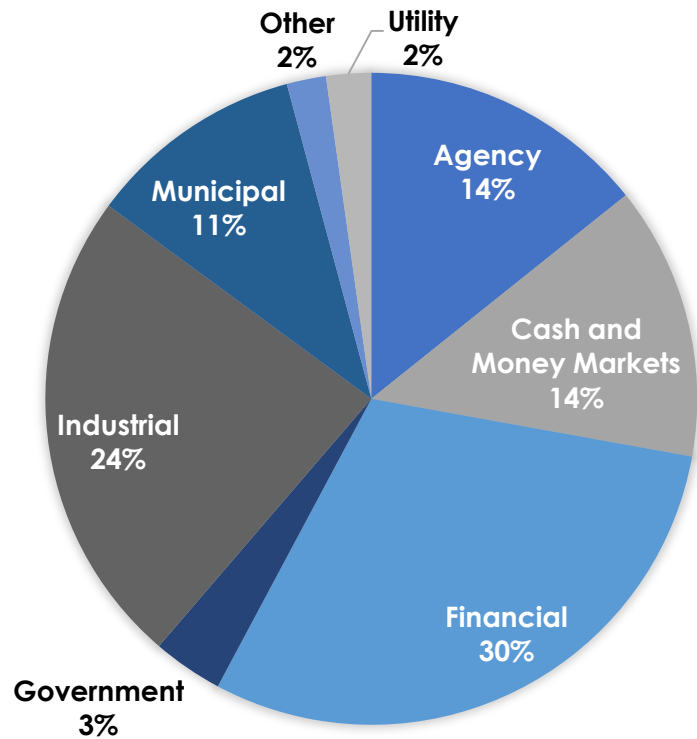


Years to Maturity



CTO INVESTMENT PORTFOLIO UPDATE

Sector Allocation



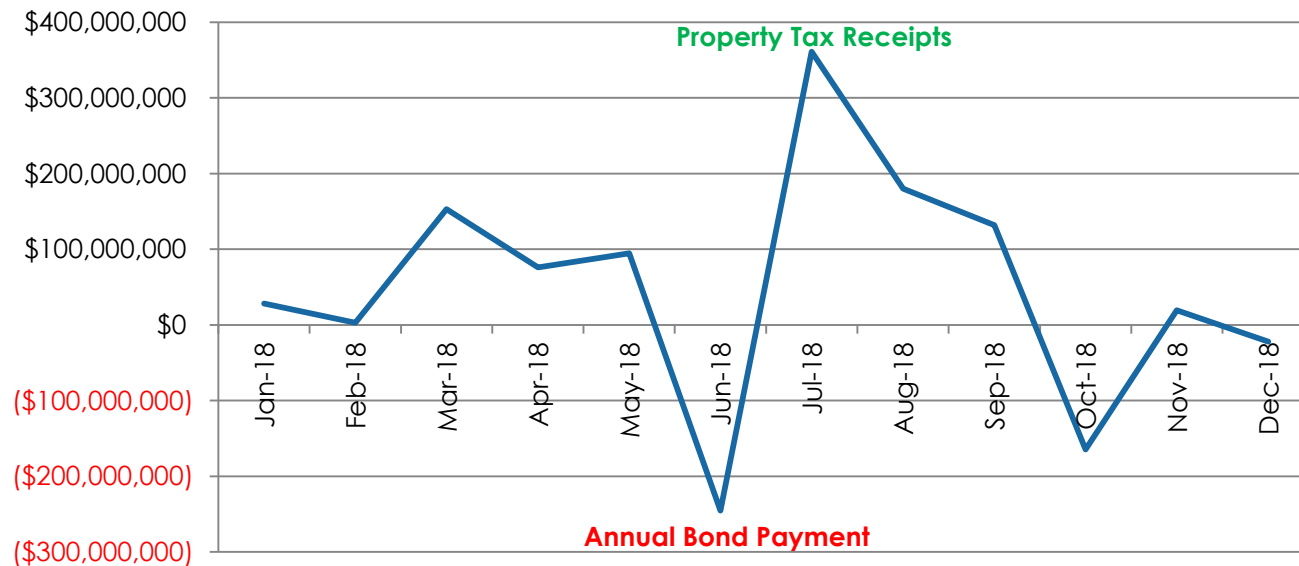
Issuer	Contribution
General Electric Co	0.062%
New York General Obligations	0.023%
Illinois Tools Works Inc.	0.019%
University of California Revenues	0.018%
Apple Inc.	0.017%
Lowe's Companies Inc.	0.016%
Rice University	0.015%
University of Southern California	0.014%
New York City Transitional Finance Authority	0.014%
Commonwealth of Massachusetts State	0.014%
New York St Dorm Authority Revenues	0.014%
CSX Corporation	0.012%
Trustees of Dartmouth College	0.012%
Union Pacific Corporation	0.012%
Intel Corporation	0.011%



CTO INVESTMENT PORTFOLIO UPDATE

Cash Flow Analysis

Monthly Cash Flows
(Revenues Less Expenses)



- Throughout the fiscal year, we experience extraordinary monthly variances between revenue collection and expenses, leading to uncertain cash flows
- This dynamic requires a high level of sophistication and diligence to ensure liquidity matches



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FIDUCIARY DUTY IN AN EVOLVING WORLD

In a changing world, the City Treasurer's Office has sought to redefine outdated notions of fiduciary duty by focusing on three core principles:

- Representing Our "Shareholders"
- Generating Financial Returns
- Driving Real-World Impact



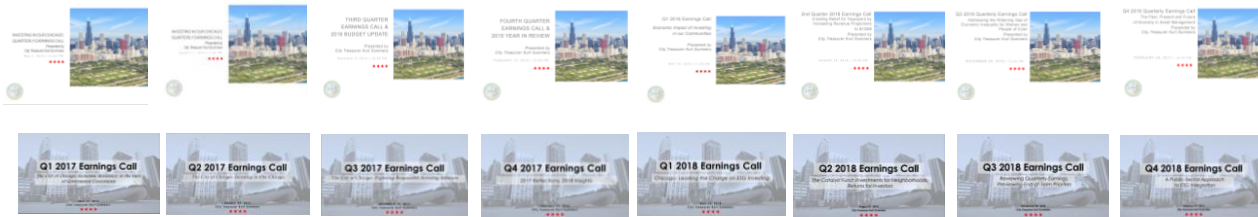
FIDUCIARY DUTY IN AN EVOLVING WORLD

REPRESENTING OUR "SHAREHOLDERS"

From day one, the City Treasurer's Office sought to create a two-way conversation with the people of Chicago.

2014: Embarked on a listening tour of Chicago's 77 neighborhoods in 77 days after taking oath of office, incorporating findings into the 90-Day Action Plan Impact Report

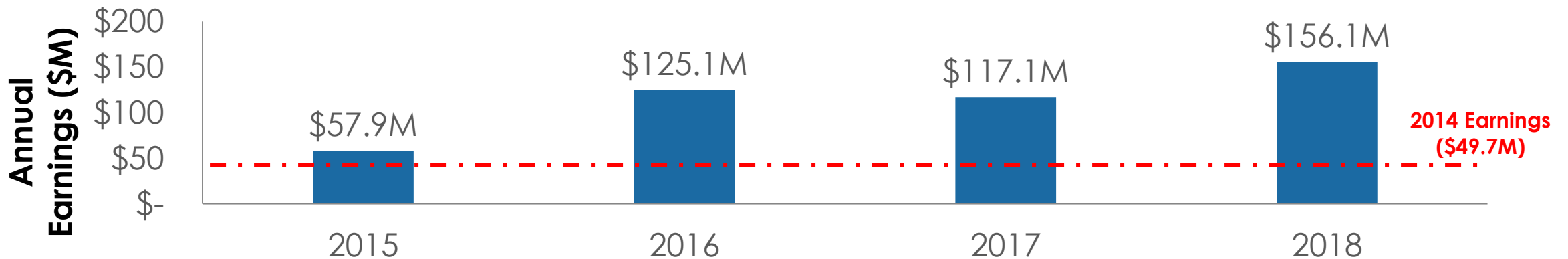
2015-Present: Continued engaging constituents through quarterly earnings calls, which are publicly available on the office's website



FIDUCIARY DUTY IN AN EVOLVING WORLD

GENERATING FINANCIAL RETURNS

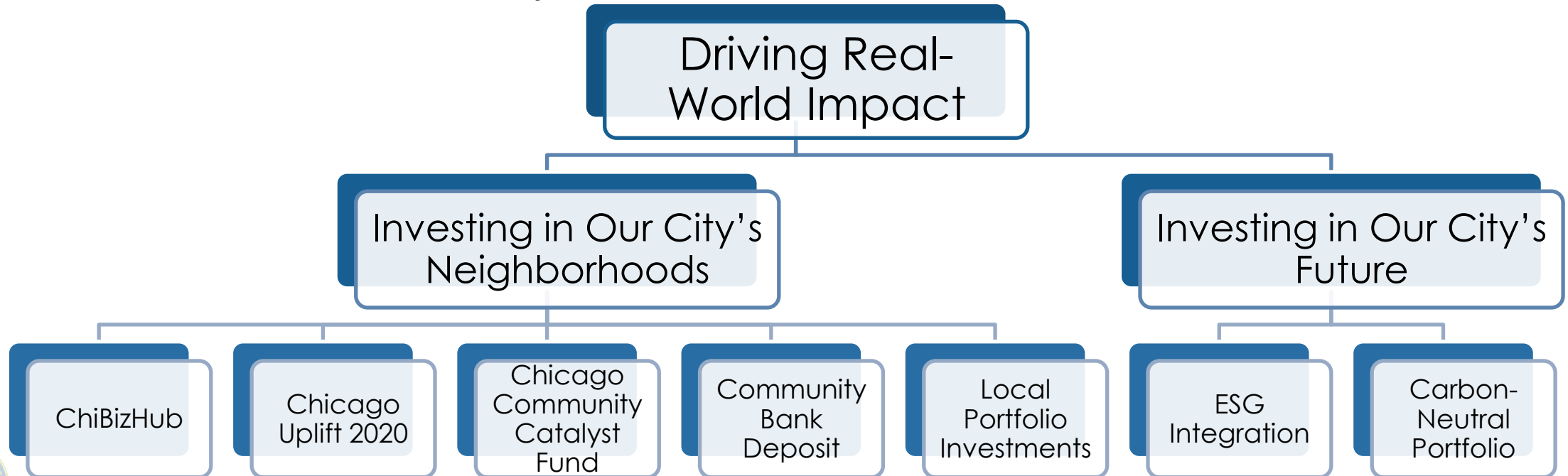
From day one, the City Treasurer's Office recognized a need to modernize the office's operations and investment strategy, taking advantage of new opportunities to generate returns.



FIDUCIARY DUTY IN AN EVOLVING WORLD

DRIVING REAL-WORLD IMPACT

From day one, the City Treasurer's Office recognized its unique mandate to not only generate financial returns but also make an impact on the lives of its "shareholders."



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“ON THE TABLE” CONVERSATION

As part of the Chicago Community Trust’s “On the Table” initiative, we have invited some of the city’s leading thinkers to discuss Chicago’s fiscal future.



Michael Belsky

Executive Director of the Center for Municipal Finance
University of Chicago Harris School of Public Policy



Dorri McWhorter

Chief Executive Officer
YWCA Metropolitan Chicago



Kurt A. Summers, Jr.

Treasurer
City of Chicago



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FEEDBACK

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DEBRIEF AND CLOSING

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With respect to any bonds, notes, or other debt issued by the City of Chicago, please refer for information only to the City's disclosure documents and continuing disclosure filings for such bonds, notes, or other debt obligations.





THANK YOU FOR JOINING

