2005	2006	2007	2008	2009	2010
3.90%	5.18%	9.84%	12.15%	3.16%	5.70%
3.62%	5.07%	8.86%	11.33%	2.76%	5.22%
3.07%	4.85%	8.24%	9.01%	2.17%	4.87%
1.77%	4.56%	7.32%	7.05%	1.38%	2.82%
1.75%	4.56%	6.98%	6.61%	1.04%	2.35%
1.67%	4.22%	6.74%	5.17%	0.79%	2.32%
1.58%	3.96%	5.14%	4.33%	0.21%	0.77%
1.14%	3.57%	5.00%	2.79%	(0.67%)	0.36%
0.86%	3.55%	4.99%	2.06%	(1.41%)	0.13%

PFM®

The PFM Group

Financial & Investment Advisors

COLORADO SPRINGS

OLYMPIC CITY USA

City of Colorado Springs

Investment Performance Review

Quarter Ended December 31, 2016

PFM Asset Management LLC

Chris Blackwood, Managing Director

Marc McClure, CFA, Senior Managing Consultant

Emily Ferguson, Client Manager

PFM Asset Management LLC

633 17th Street, Suite 2250 • Denver, CO 80202

303-467-1114

Economic and Market Update

CURRENT MARKET THEMES

- Treasury yields are much higher and the yield curve is steeper as long-term rates soared with higher inflation expectations post-election
- Market participants expect the Federal Reserve (the "Fed") to raise rates twice in 2017 under moderate economic conditions:
  - GDP growth accelerating after weak first half of 2016
  - Labor market continues to strengthen
  - Inflation picking up slowly
- Fed officials forecast three interest rate hikes, according to the "dot plot"
- President-elect Trump's proposed spending policies are expected to drive inflation higher and may benefit corporations through tax cuts and deregulation
- Upcoming 2017 elections in Europe could add political uncertainty and generate market volatility

U.S. ECONOMIC & MARKET HIGHLIGHTS

Over the Last 12 Months

Economy Grew
$534 billion

Jobs Created
2.2 million

New Vehicles Sold
17.5 million

New Homes Sold
561 thousand

Economic Highlights

Consumer Confidence
Highest since 2001

Jobless Claims
Lowest since 1974

Consumer Prices
Highest since 2014

Housing Prices
Record high

Market Highlights

Equities
Record high

2-Yr Treasury Yield
Highest since 2011

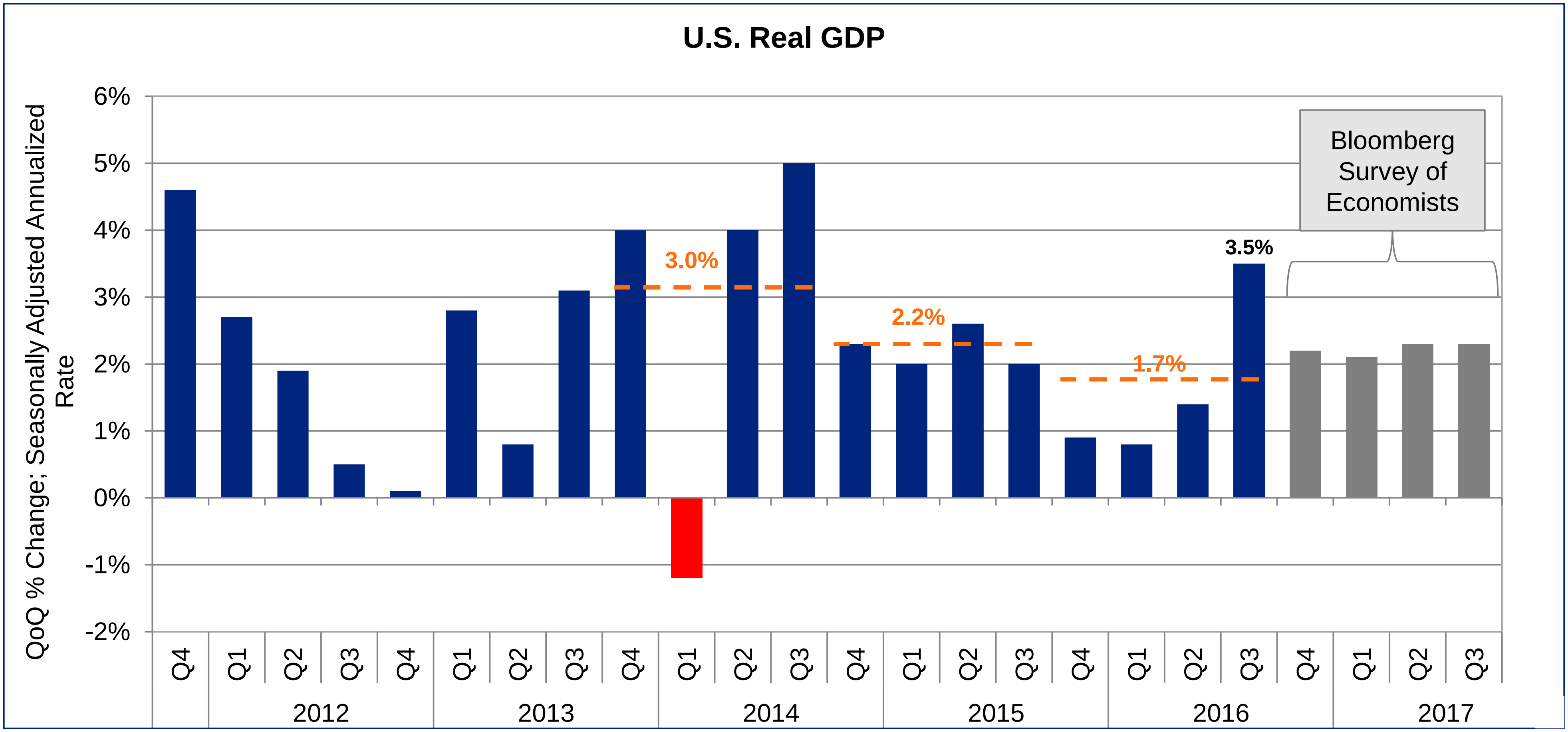
US Dollar
Highest since 2003

Oil
Highest since 2015

Source: Bloomberg. As of 12/31/16.

U.S. ECONOMY BOUNCES BACK IN THIRD QUARTER

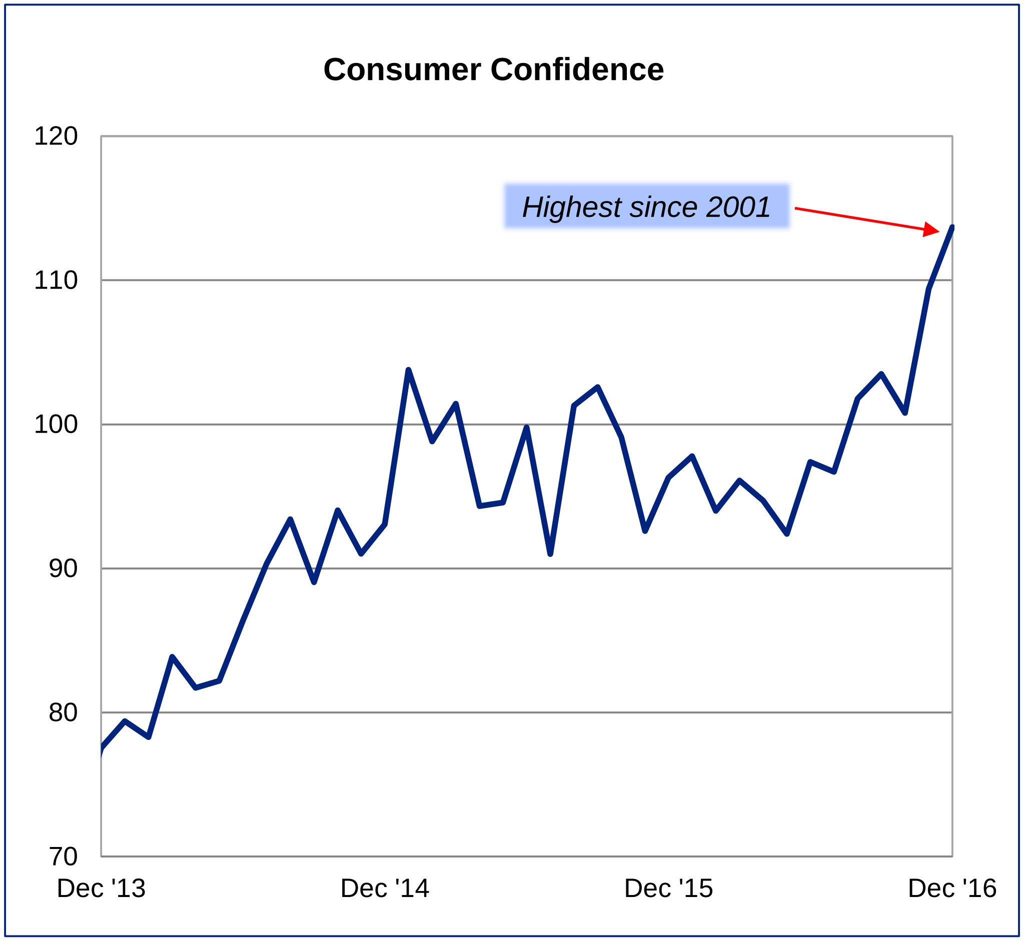
- U.S. GDP growth increased at an annual rate of 3.5% in the third quarter of 2016, the strongest reading in two years.
- Third quarter GDP reflected positive contributions from personal consumption, gross private investment, government spending, and net exports. Gross private investment has returned to positive territory, driven entirely by a large increase in private inventories, after three straight quarters of negative contributions to GDP.

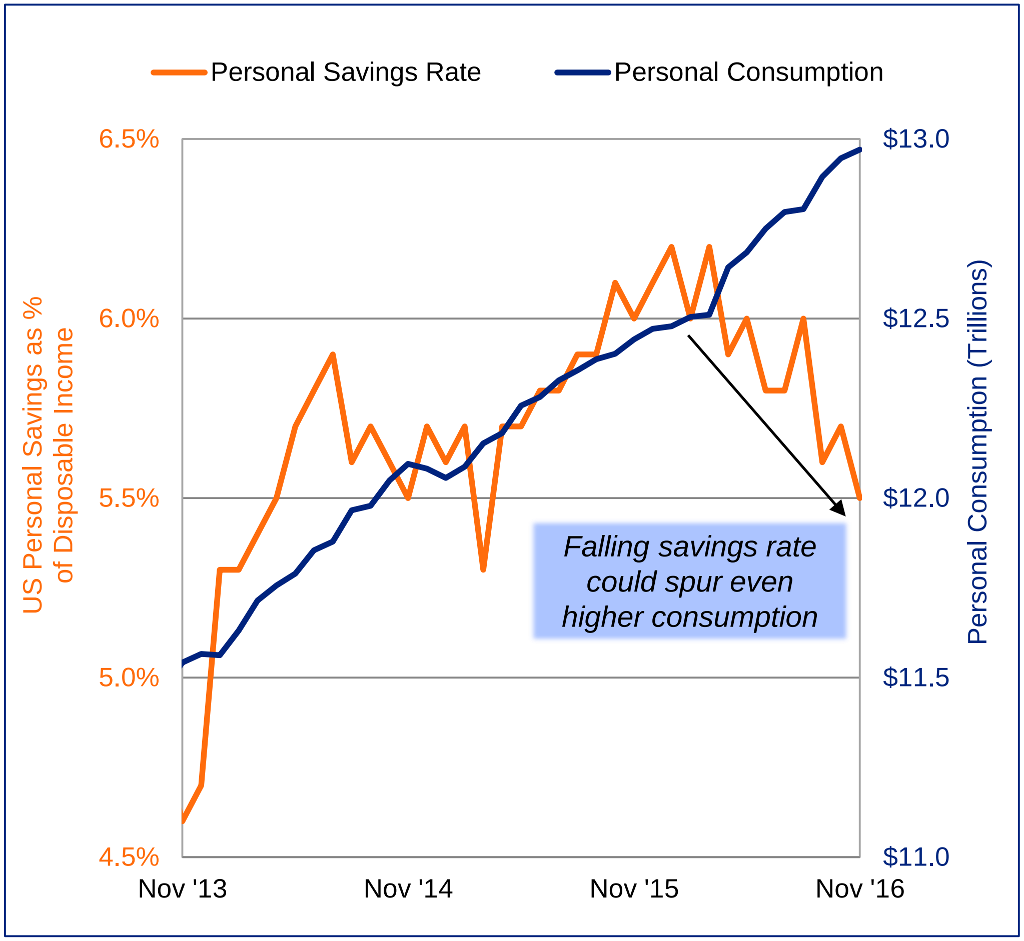


Source: Bureau of Economic Analysis; Bloomberg survey results as of 12/31/16.

CONSUMER CONFIDENCE

- Consumer confidence surged to the highest level since 2001 following the U.S. presidential election.
- Stronger consumer sentiment should encourage more spending. The recent trend of declining savings rate could also result in even higher personal consumption in 2017.

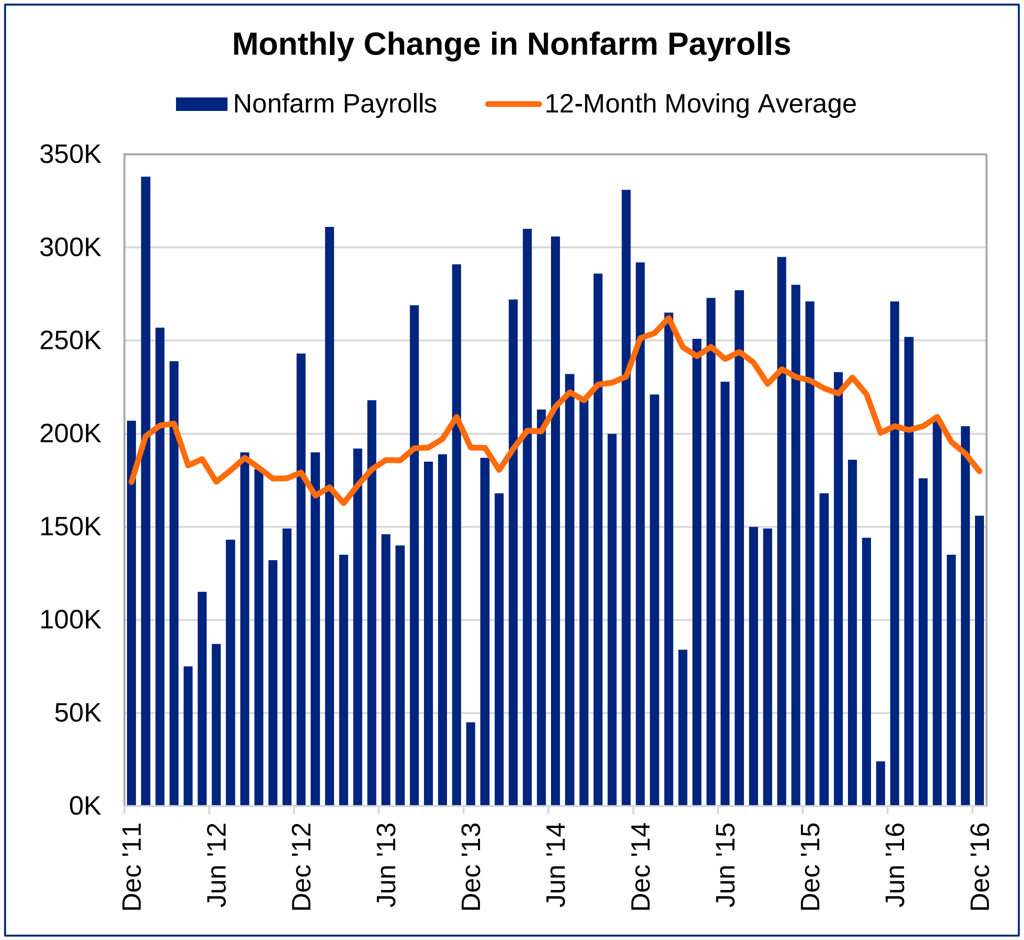


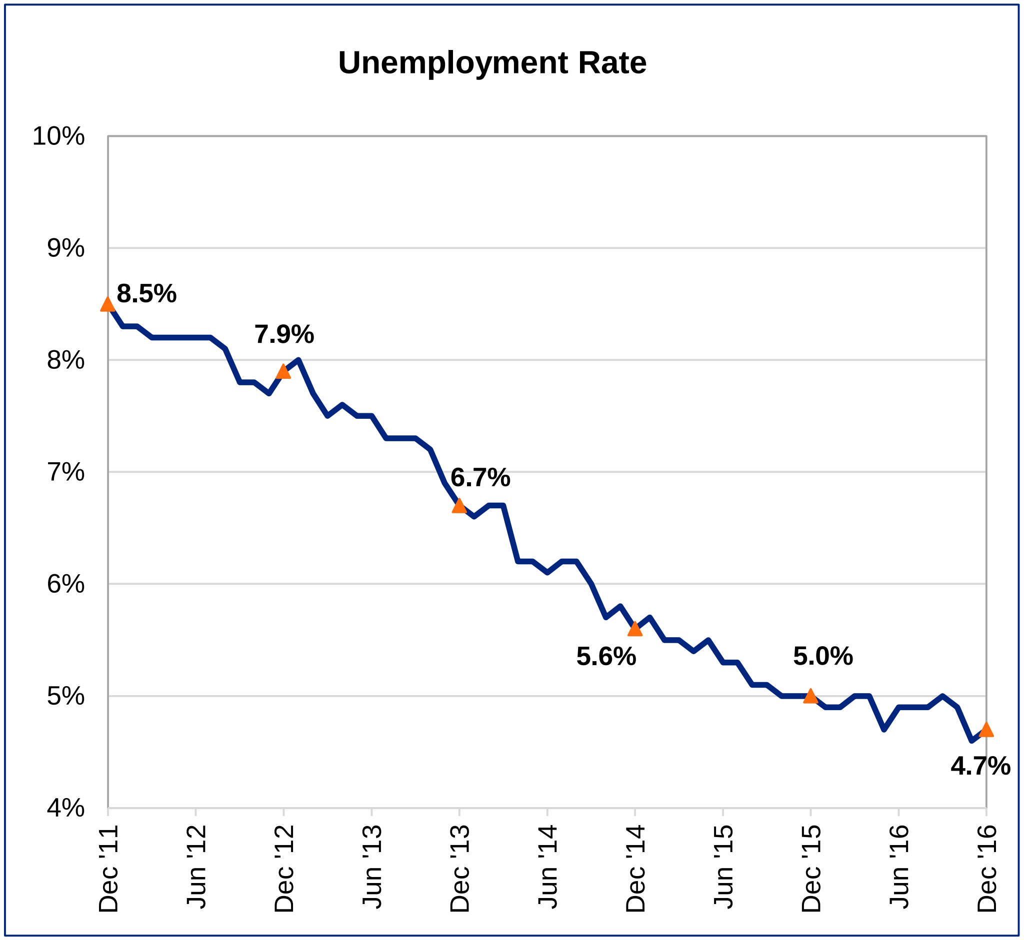


Source: Bloomberg. As of 12/31/16.

LABOR MARKET STRENGTH CONTINUES

- The U.S. labor market added 156,000 jobs in December, and averaged 180,000 per month in 2016.
- The unemployment rate ticked up to 4.7% while the U6 unemployment rate, which includes part-time and discouraged workers for economic reasons, ticked down to 9.2%, the lowest since 2008.
- Average hourly earnings grew at 2.9% for the year, the strongest since 2009.

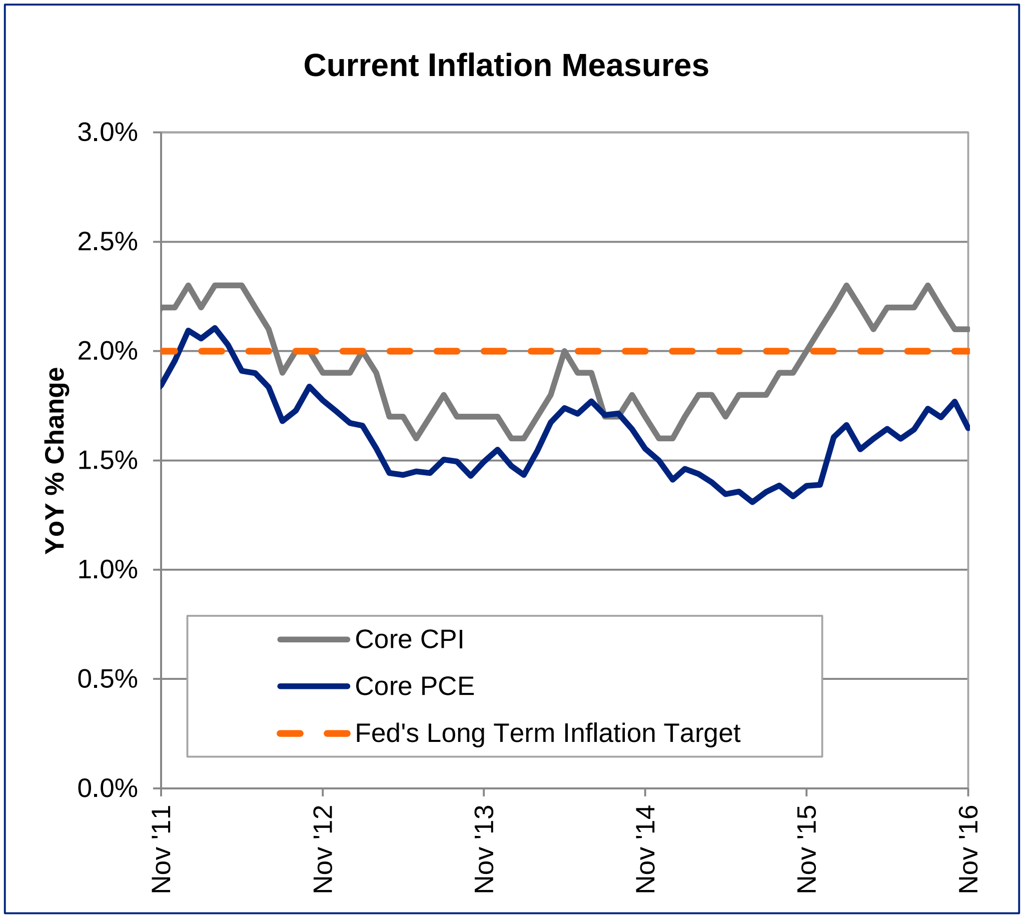


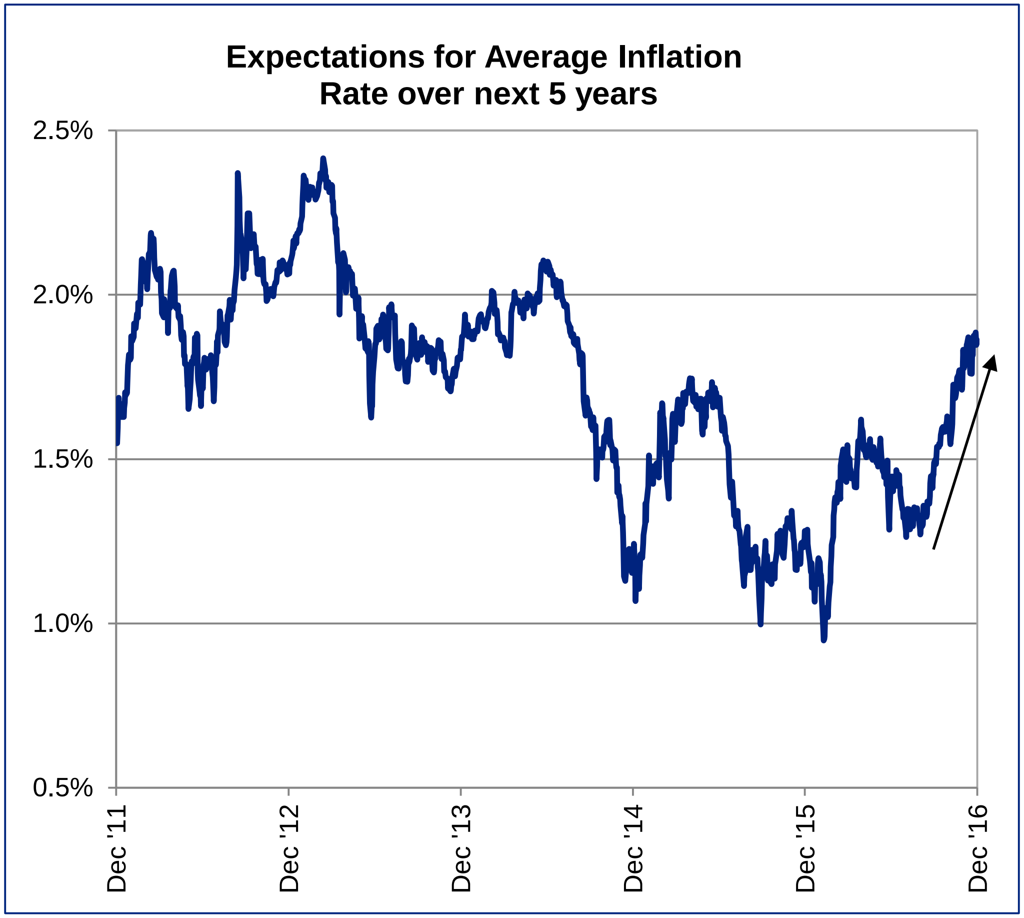


Source: Bureau of Labor Statistics, as of 01/06/17.

INFLATION RISING, BUT SLOWLY

- The core personal consumption expenditures ("PCE") price index, the Fed's preferred gauge of core inflation, stayed around 1.7% year-over-year through November, continuing to modestly undershoot the Fed's 2% target.
- However, investors are expecting inflation to pick up, with market expectations for inflation over the next five years recovering back to levels last seen in 2014; a tightening labor market together with President-elect Trump's proposed spending policies could add to price pressures and prompt the Fed to raise rates faster.





Source: Bloomberg as of 12/31/2016. Five year breakeven rate measures market expectations for inflation over next 5 years, as indicated by difference between yields on 5 year TIPS and 5 year Treasury notes.

FOMC STATEMENT HIGHLIGHTS

December

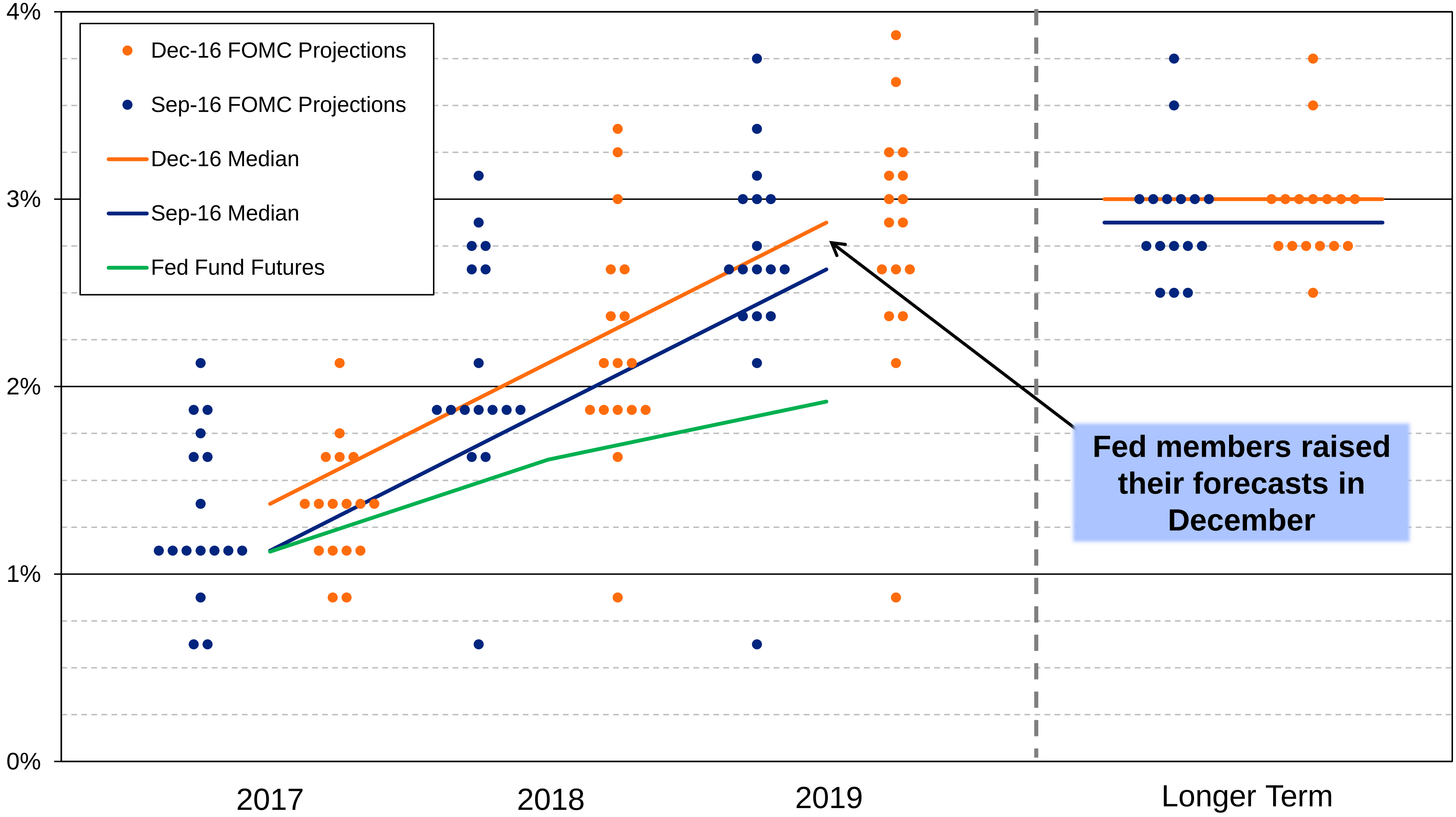
14

- Information received since the FOMC (the "Committee") met in November indicates that the **labor market has continued to strengthen** and that **economic activity has been expanding at a moderate pace** since mid-year.
- **Job gains have been solid** in recent months and the **unemployment rate has declined.**
- **Inflation has increased somewhat since earlier this year** but is still below the Committee's 2 percent longer-run objective**,** partly reflecting earlier declines in energy prices and in prices of non-energy imports.

- In view of realized and expected labor market conditions and inflation, **the Committee decided to raise the target range for the federal funds rate to 0.50 – 0.75%**.
- The stance of monetary policy **remains accommodative**, thereby supporting further strengthening in labor market conditions and a return to 2 percent inflation.
- **All 10 voting members of the FOMC supported the monetary policy action.**

Source: Federal Reserve.

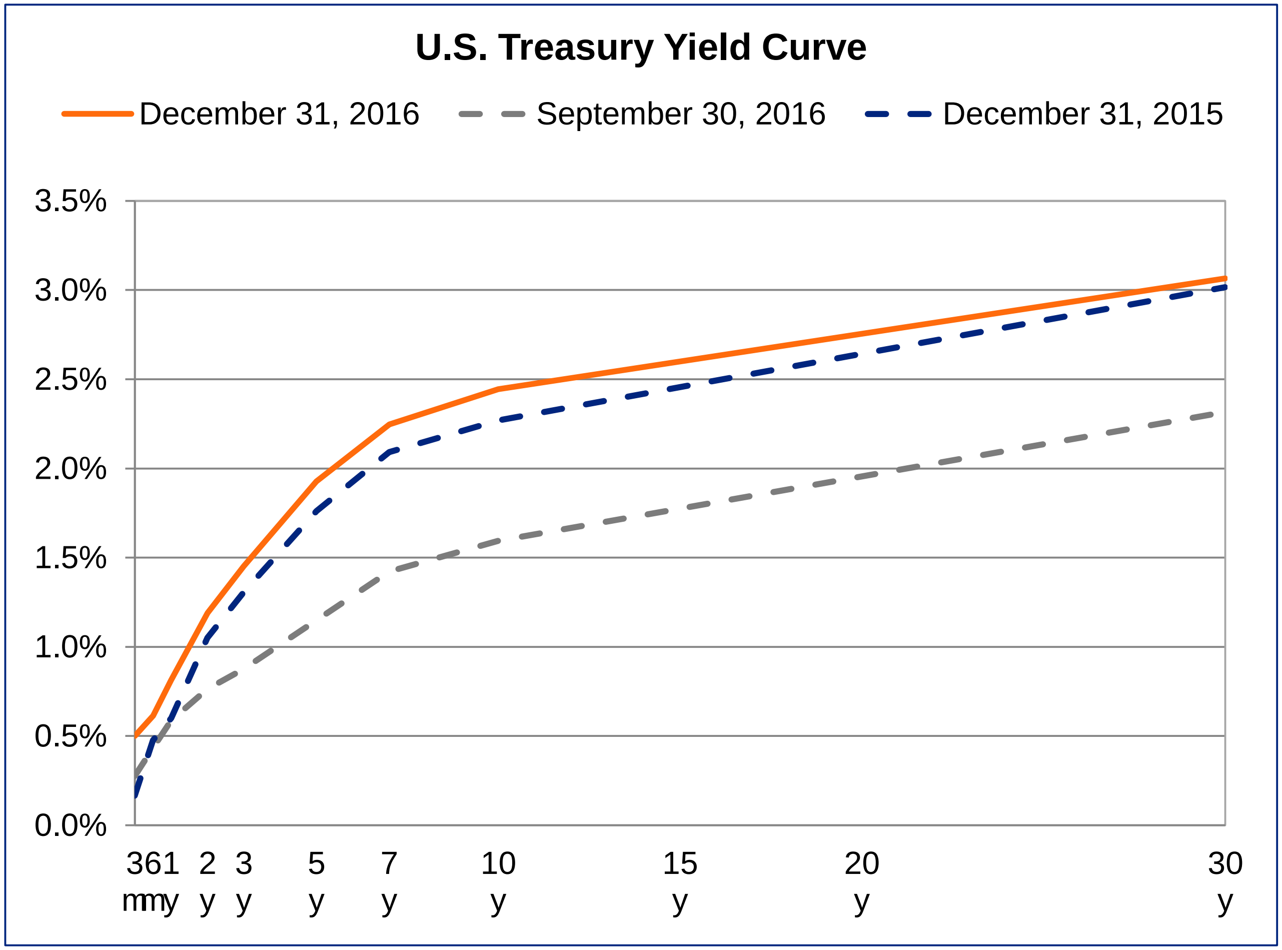
FOMC "DOT PLOT"



Source: Federal Reserve and Bloomberg; Fed Funds Futures as of 12/30/16. Individual dots represent each of the 17 FOMC members' judgment of the midpoint of the appropriate target range for the federal funds rate.

RATES RISING, TREASURY CURVE STEEPER

- Treasury rates have surged following the U.S. elections, with longer maturities rising substantially due to higher inflation expectations from the President-elect's proposed fiscal policies. The shorter end of the curve also moved higher as market participants priced in a December rate hike.
- As a result, the yield curve has steepened significantly, even compared to a year ago.

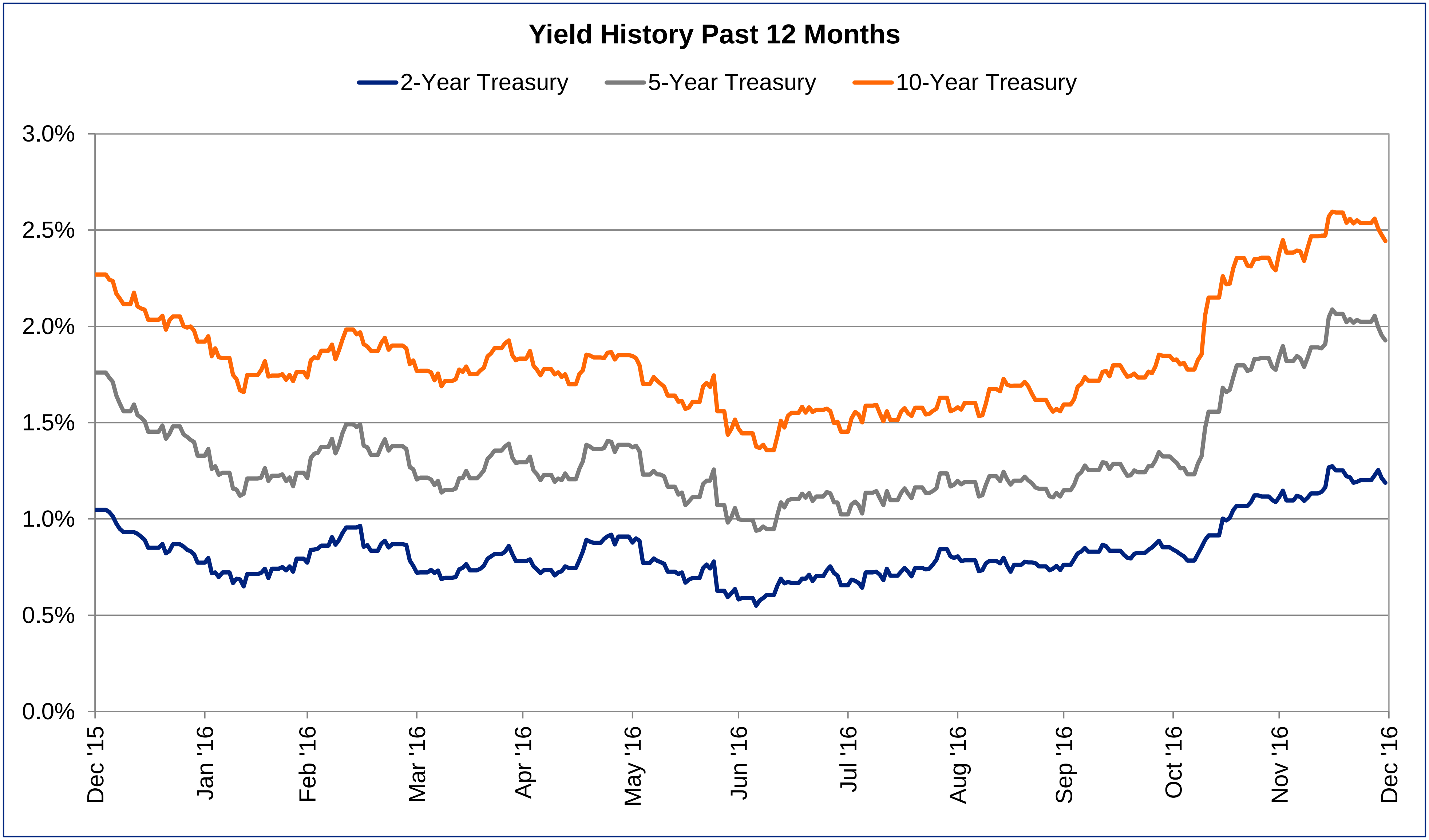


Yield Curve History

	12/31/16	09/30/16	12/31/15
1-Mo.	0.42	0.19	0.13
3-Mo.	0.50	0.28	0.17
6-Mo.	0.61	0.43	0.48
1-Yr.	0.81	0.59	0.60
2-Yr.	1.19	0.76	1.05
3-Yr.	1.45	0.88	1.31
5-Yr.	1.93	1.15	1.76
7-Yr.	2.25	1.42	2.09
10-Yr.	2.45	1.60	2.27
30-Yr.	3.07	2.32	3.02

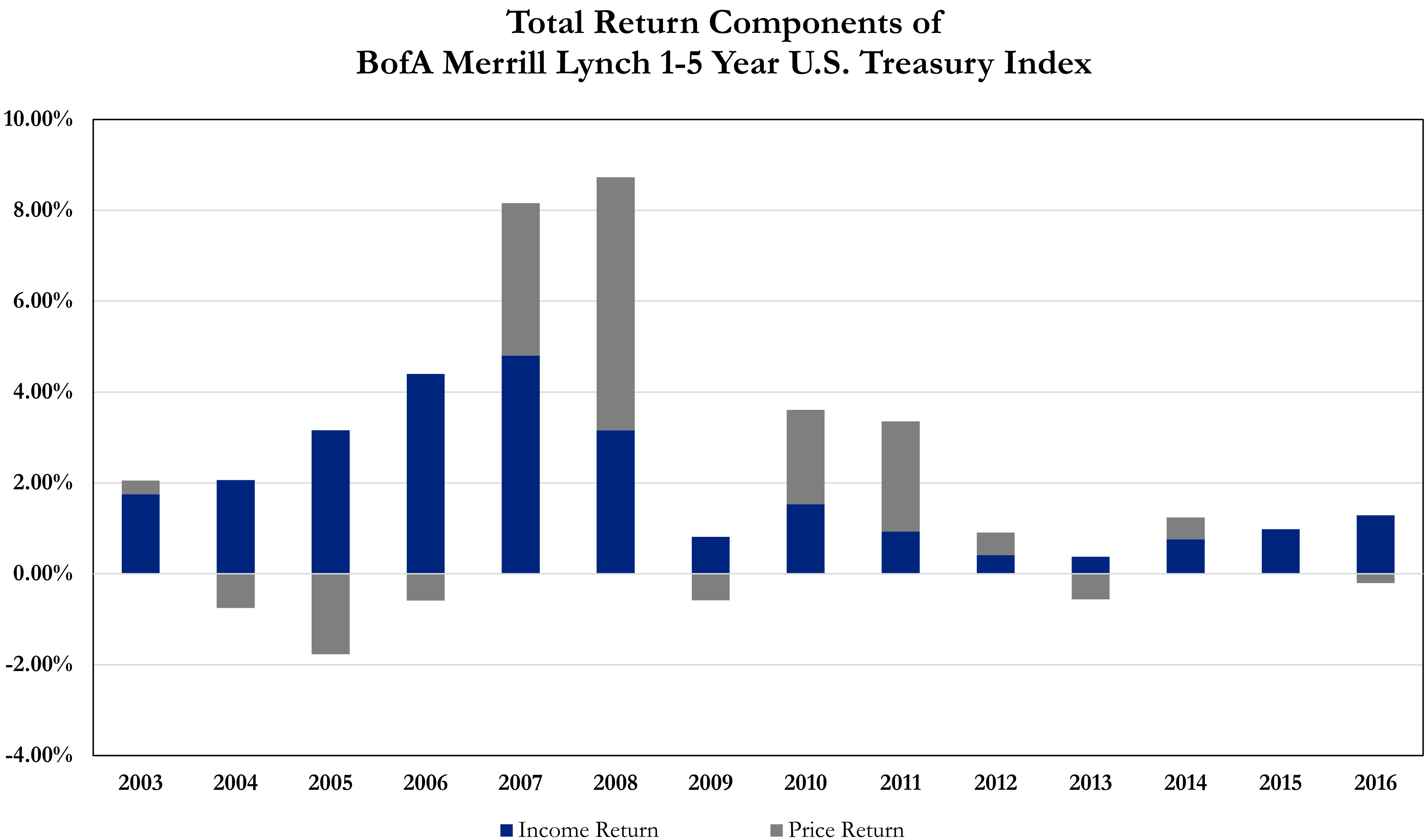
Source: Bloomberg.

U.S. TREASURY YIELDS



Source: Bloomberg. As of 12/31/16.

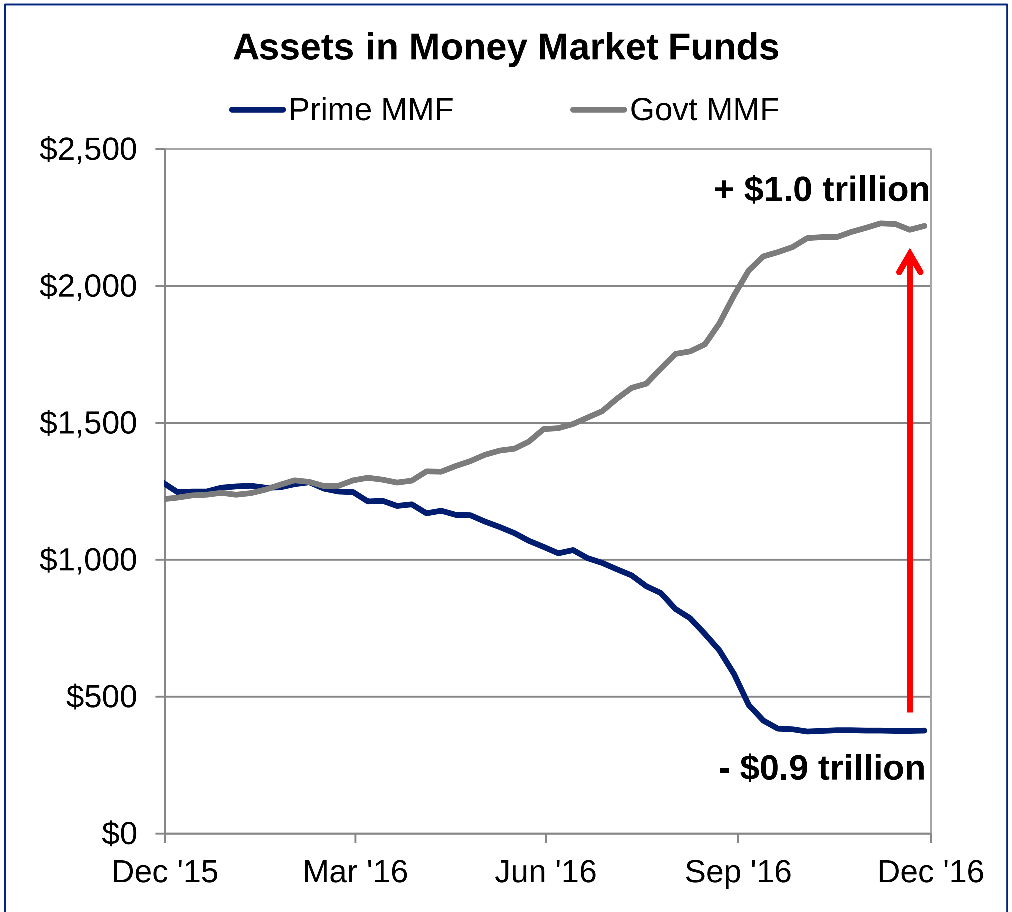
COMPONENTS OF TOTAL RETURN

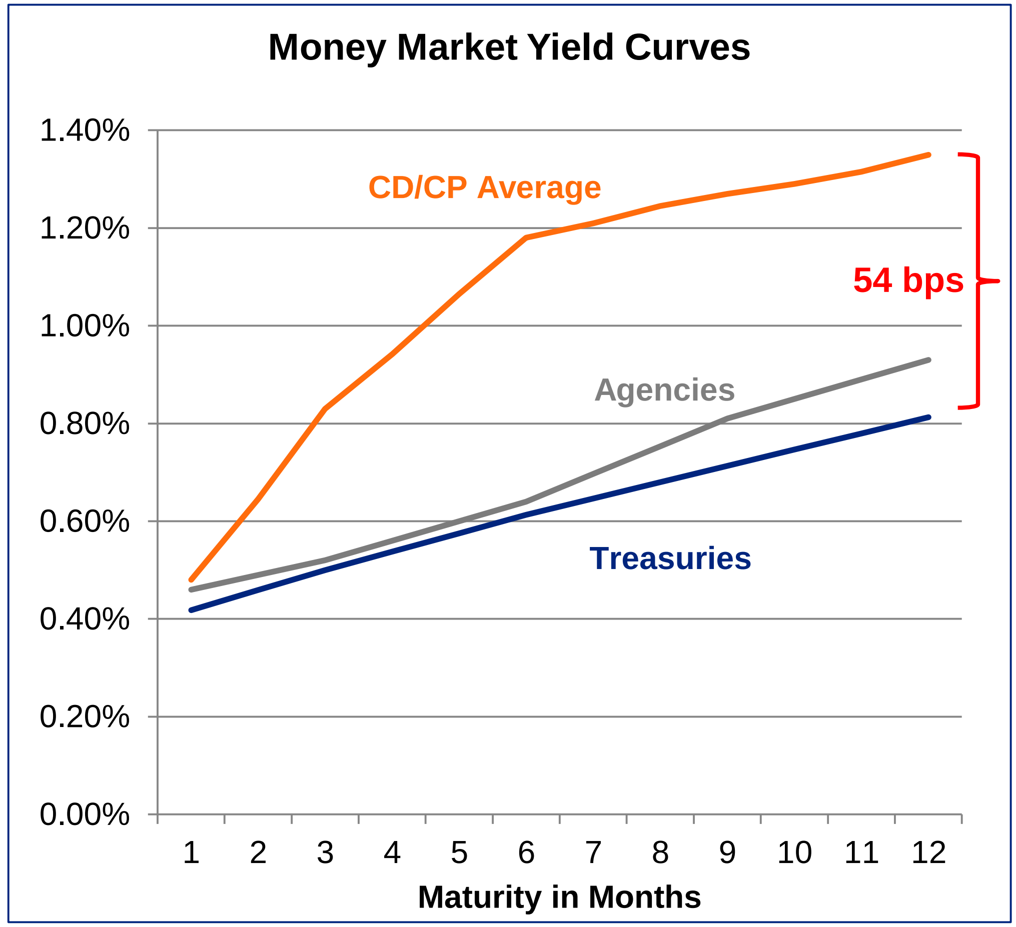


Source: Bloomberg, BofA Merrill Lynch Indices as of 12/31/16.

MONEY MARKET REFORM TAKES HOLD

- SEC-imposed money market reforms, which became effective in October 2016, caused a significant shift in assets from prime funds (which typically purchase short credit instruments) to government-only funds.
- As a result, yield spreads widened sharply, especially in the 6-12 month area of the curve, making commercial paper and negotiable bank certificates of deposit ("CDs") attractive alternatives to Treasury bills and short-term agencies.





Source: Bloomberg and PFMAM Trading Desk. As of 12/31/16.

YIELD ENVIRONMENT

As of December 31, 2016

Maturity	Treasury	Federal Agency	AA Corporate	A Corporate	AAA Taxable Municipal
3-Month	0.50%	0.54%	0.82%	0.96%	-
6-Month	0.61%	0.66%	1.07%	1.29%	-
1-Year	0.81%	0.95%	1.29%	1.42%	1.20%
2-Year	1.19%	1.25%	1.61%	1.80%	1.50%
3-Year	1.45%	1.50%	1.91%	2.13%	1.77%
5-Year	1.93%	2.03%	2.42%	2.62%	2.24%
10-Year	2.45%	2.83%	3.28%	3.37%	3.10%

Source: Bloomberg BVAL yield curves for Treasury, Corporate and Municipal yields, TradeWeb for Federal Agency yields. 3 and 6 month corporate yields from commercial paper; A-1+ for AA and A-1 for A.

POTENTIAL IMPACT OF A TRUMP ADMINISTRATION

Policy	Proposed Platform	Potential Impact
Fiscal	• Massive infrastructure spending • Increased military spending • Entitlement changes (but not social security)	• Boost economic growth over mid-term • Increase borrowing and Federal deficit • Higher inflation
Monetary	• Fill 2 vacancies on Federal Reserve Board • Increase Congressional oversight of Fed • Replace chair (Yellen) and vice chair (Fischer) when terms expire in February 2018	• Tighter monetary policy • Less regulation of banks • Higher bond yields
Regulatory	• Reduce corporate and personal income taxes • Simplify tax code • Repeal Dodd-Frank • Repeal Affordable Healthcare Act • Withdraw from Paris Climate Accord • Promote fossil fuel-based energy production	• Increase corporate earnings • Change the risk profile of the financial services industry • Disrupt the healthcare industry • Lower energy prices
Immigration	• Restrict immigration • Deport undocumented immigrants • "Force Mexico to pay"	• Labor shortages in some industries • Exacerbate trade tensions with Mexico • Push up U.S. consumer prices
Trade	• Challenge China's economic policy • Renegotiate NAFTA, abandon TPP • Impose taxes or tariffs to pressure nations to negotiate bi-lateral agreements	• Stronger U.S. dollar • Higher inflation • Possible trade wars

2017 OUTLOOK: SUMMING IT ALL UP

Key Takeaways:

- U.S. economy expected to show improving growth
- Interest rates are likely to continue rising at modest pace
- Inflation will rise from historic lows
- 35-year bull market in bonds likely over

Upside Opportunity:

- Faster economic growth creates a virtuous cycle of improving productivity and lower deficits, boosting equities and bonds

Downside Risks:

- Rising political uncertainty around the world
- Increasing trade frictions
- Business cycle is long in duration

Fixed Income Portfolio Strategy Implications

- Returns driven by Fed policy and economic landscape
- Increased volatility in the bond market due to political uncertainty
- Sector allocation remains broadly diversified
- Continued emphasis on use of credit and other spread products

Portfolio Characteristics and Investment Strategy

PORTFOLIO RECAP

- The U.S. presidential election dominated the 4th quarter—first by creating general uncertainty, then by triggering significant market reactions to the surprising Trump victory. Following the election, interest rates surged as expectations for stronger economic growth and higher inflation took hold.
- For much of the past year, we maintained a duration position close to the duration of the portfolio's performance benchmark. By late October, however, we recognized that the uncertainty related to the election, and the strong likelihood of a Fed rate increase, had created an environment less favorable to this duration position. We strategically shortened portfolio durations in late October, reducing the price sensitivity of portfolios to interest rate changes as shorter durations are better for portfolios in a rising rate environment. Then, in early December, following the dramatic rise in interest rates, we extended durations to be more closely aligned with benchmarks, capturing the higher yields available.
- The difference in yield between Federal agencies and U.S. Treasuries (the spread) continued to narrow, erasing much of the value that was seen off and on throughout the year. In some cases, we found it strategically advantageous to swap out of expensive Federal agency holdings into U.S. Treasuries at similar yields. When buying Federal agency securities, we focused on new issues that came to market with yield concessions that offered good value.
- We generally maintained allocations to the corporate sector as valuations remained fair-to-modestly-expensive amid tight yield spread levels. The corporate sector once again outperformed comparable-maturity Treasuries during the fourth quarter, and finished the year with the best performance compared to Treasuries since 2012.
- We continued to invest in new-issue asset-backed securities ("ABS"), where permitted, as AAA-rated tranches of high-quality structures continued to offer good value, adding to returns and further diversifying portfolios.
- We maintained existing holdings of mortgage-backed securities ("MBS"), where permitted, seeking incremental income and further portfolio diversification. The sharp rise in interest rates during the quarter led to slower MBS prepayments, which caused many pass-through structures to extend and underperform similar duration Treasuries. Our focus remained on structures that were less susceptible to extension risk.
- The well-publicized reforms to the money market fund industry took effect in the fourth quarter. The reforms caused significant changes in the supply/demand dynamic in short-term markets. Nearly $1 trillion in assets shifted from "prime" funds that invest in credit instruments, into government funds, that hold only government securities. The result was increased demand for—and thus lower yields on—short-term government securities and reduced demand for— and thus higher yields on—short-term credit instruments (e.g., commercial paper and bank certificates of deposit). This created excellent investment opportunities in short-term credit instruments.

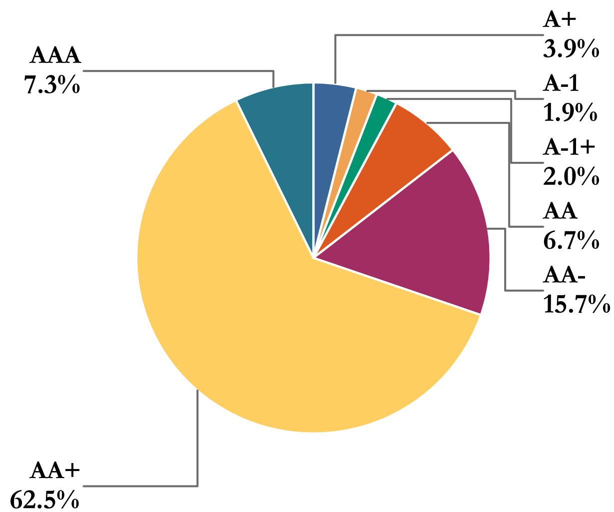
City of Colorado Springs
Reserve Portfolio

Portfolio Statistics

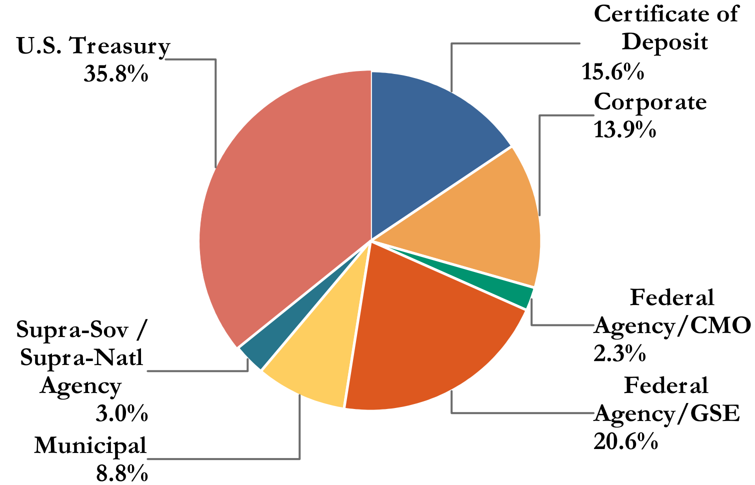
As of December 31, 2016

Par Value:	74,478,069
Total Market Value:	74,838,406
Security Market Value:	74,451,720
Accrued Interest:	330,159
Cash:	56,527
CSIP	-
Amortized Cost:	74,997,239
Yield at Market:	1.58%
Yield at Cost:	1.39%
Effective Duration:	2.61 Years
Duration to Worst:	2.62 Years
Average Maturity:	2.72 Years
Average Credit: **	AA

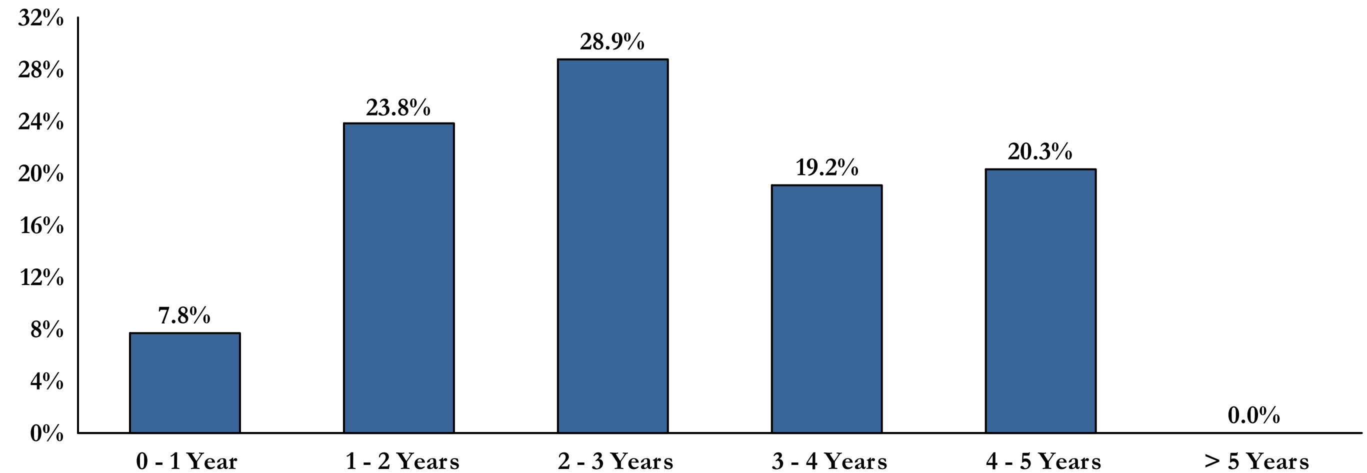
Credit Quality (S&P Ratings)



Sector Allocation



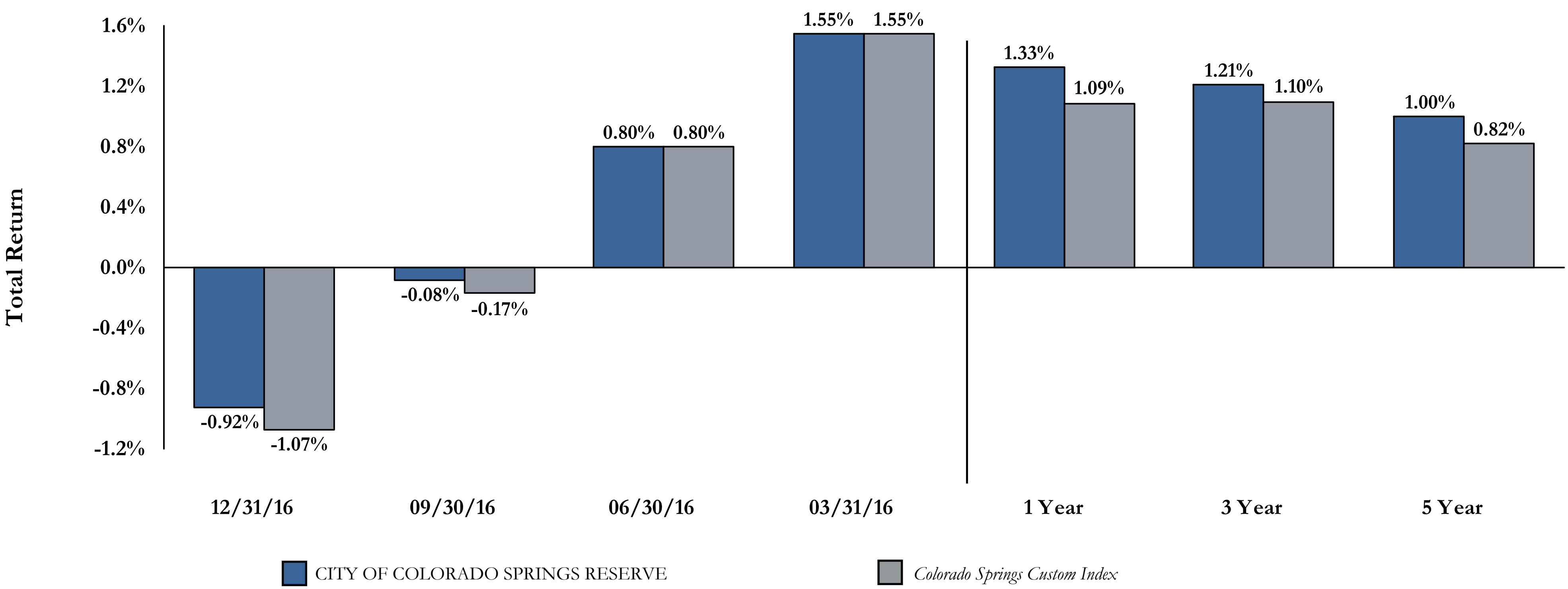
Maturity Distribution



** An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.*

Portfolio Performance (Total Return)

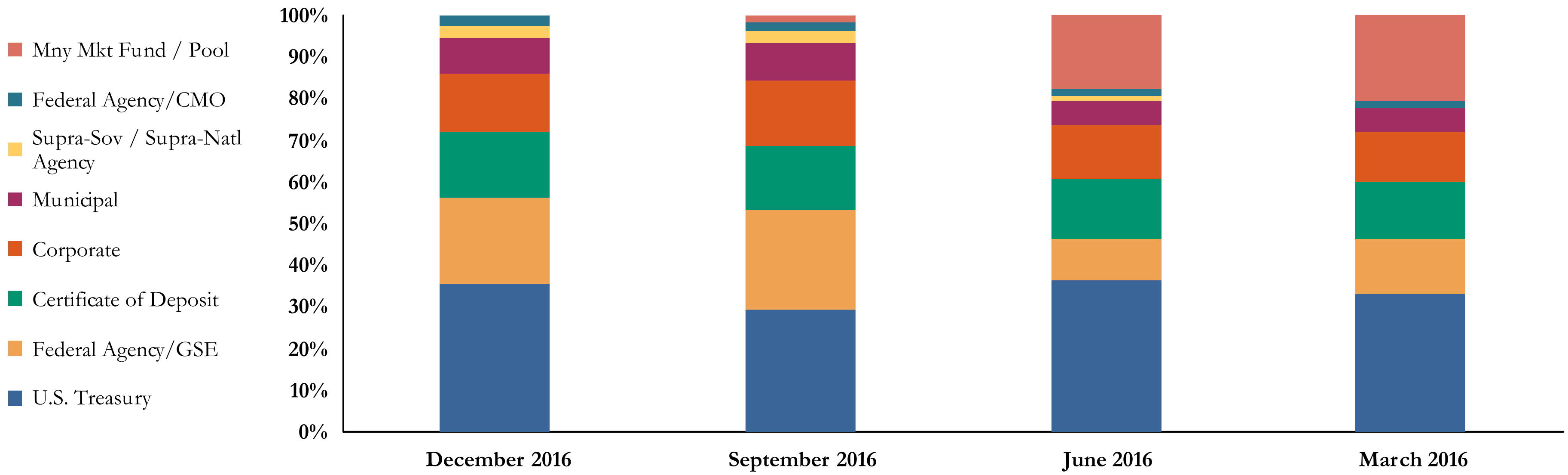
Portfolio/Benchmark	Effective Duration	Quarter Ended 12/31/16	09/30/16	06/30/16	03/31/16	1 Year	Annualized Return 3 Year	5 Year
CITY OF COLORADO SPRINGS RESERVE	2.61	-0.92%	-0.08%	0.80%	1.55%	1.33%	1.21%	1.00%
Colorado Springs Custom Index	*2.62*	*-1.07%*	*-0.17%*	*0.80%*	*1.55%*	*1.09%*	*1.10%*	*0.82%*
Difference		0.15%	0.09%	0.00%	0.00%	0.24%	0.11%	0.18%



Portfolio performance is gross of fees unless otherwise indicated.

Sector Allocation

Sector	December 31, 2016 MV ($MM)	December 31, 2016 % of Total	September 30, 2016 MV ($MM)	September 30, 2016 % of Total	June 30, 2016 MV ($MM)	June 30, 2016 % of Total	March 31, 2016 MV ($MM)	March 31, 2016 % of Total
U.S. Treasury	26.6	35.8%	22.6	29.6%	33.3	36.4%	31.1	33.1%
Federal Agency/GSE	15.3	20.6%	18.0	23.6%	9.0	9.9%	12.3	13.1%
Certificate of Deposit	11.6	15.6%	11.6	15.3%	13.1	14.3%	13.0	13.9%
Corporate	10.3	13.9%	12.2	16.0%	11.9	13.0%	11.1	11.8%
Municipal	6.6	8.8%	6.7	8.8%	5.2	5.7%	5.3	5.7%
Supra-Sov / Supra-Natl Agency	2.3	3.0%	2.3	3.0%	1.0	1.1%	0.0	0.0%
Federal Agency/CMO	1.7	2.3%	1.7	2.2%	1.7	1.9%	1.7	1.8%
Mny Mkt Fund / Pool	0.0	0.0%	1.1	1.5%	16.1	17.7%	19.4	20.6%
Total	**$74.5**	**100.0%**	**$76.2**	**100.0%**	**$91.2**	**100.0%**	**$94.0**	**100.0%**



Detail may not add to total due to rounding.

Sector/Issuer Distribution

As of December 31, 2016

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
Certificate of Deposit			
BANK OF NOVA SCOTIA	1,451,276	12.5%	1.9%
CANADIAN IMPERIAL BANK OF COMMERCE	1,461,702	12.6%	2.0%
HSBC HOLDINGS PLC	1,450,225	12.5%	1.9%
NORDEA BANK AB	1,461,702	12.6%	2.0%
ROYAL BANK OF CANADA	1,451,646	12.5%	1.9%
SKANDINAVISKA ENSKIDA BANKEN AB	1,447,542	12.4%	1.9%
TORONTO-DOMINION BANK	1,454,551	12.5%	2.0%
US BANCORP	1,452,282	12.5%	2.0%
Sector Total	**11,630,925**	**100.0%**	**15.6%**
Corporate			
3M COMPANY	974,668	9.4%	1.3%
APPLE INC	1,428,337	13.8%	1.9%
BERKSHIRE HATHAWAY INC	619,830	6.0%	0.8%
CHEVRON CORP	1,470,895	14.2%	2.0%
COCA-COLA COMPANY	769,850	7.4%	1.0%
EXXON MOBIL CORP	1,449,656	14.0%	1.9%
JOHNSON & JOHNSON	396,790	3.8%	0.5%
MICROSOFT CORP	1,343,925	13.0%	1.8%
TOYOTA MOTOR CORP	1,263,578	12.2%	1.7%

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
WAL-MART STORES INC	629,260	6.1%	0.8%
Sector Total	**10,346,790**	**100.0%**	**13.9%**
Federal Agency/CMO			
FANNIE MAE	1,679,395	100.0%	2.3%
Sector Total	**1,679,395**	**100.0%**	**2.3%**
Federal Agency/GSE			
FANNIE MAE	7,608,023	49.6%	10.2%
FEDERAL HOME LOAN BANKS	6,415,533	41.9%	8.6%
FREDDIE MAC	1,303,956	8.5%	1.8%
Sector Total	**15,327,512**	**100.0%**	**20.6%**
Mny Mkt Fund / Pool			
PFM FUNDS - GOVT SELECT, COLO INVST	0	- %	- %
Sector Total	**0**	**0.0%**	**0.0%**
Municipal			
CITY OF NEW YORK CITY, NY	1,419,275	21.6%	1.9%
FLORIDA ST HURRICAN CAT FUND	1,461,731	22.3%	2.0%
MISSISSIPPI STATE	884,410	13.5%	1.2%
NEW YORK CIYT NY TRANSITIONAL	1,435,239	21.9%	1.9%
STATE OF CONNECTICUT	1,367,633	20.8%	1.8%

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
Sector Total	**6,568,288**	**100.0%**	**8.8%**
Supra-Sov / Supra-Natl Agency			
AFRICAN DEVELOPMENT BANK	556,620	24.6%	0.7%
INTER-AMERICAN DEVELOPMENT BANK	1,000,795	44.1%	1.3%
INTL BANK OF RECONSTRUCTION AND DEV	709,610	31.3%	1.0%
Sector Total	**2,267,026**	**100.0%**	**3.0%**
U.S. Treasury			
UNITED STATES TREASURY	26,631,784	100.0%	35.8%
Sector Total	**26,631,784**	**100.0%**	**35.8%**
Portfolio Total	**74,451,720**	**100.0%**	**100.0%**

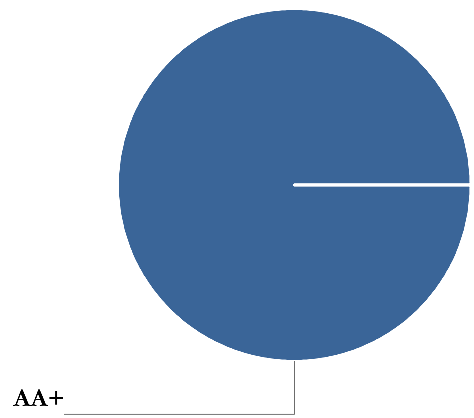
City of Colorado Springs
Airport Reserve Portfolio

Portfolio Statistics

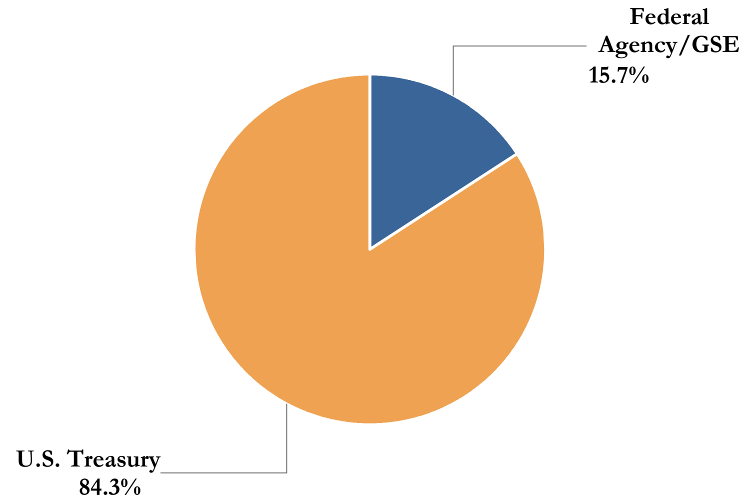
As of December 31, 2016

Par Value:	1,254,000
Total Market Value:	1,261,900
Security Market Value:	1,259,671
Accrued Interest:	2,229
Cash:	-
PFM	-
Amortized Cost:	1,267,498
Yield at Market:	1.60%
Yield at Cost:	1.41%
Effective Duration:	3.33 Years
Duration to Worst:	3.33 Years
Average Maturity:	3.46 Years
Average Credit: **	AA

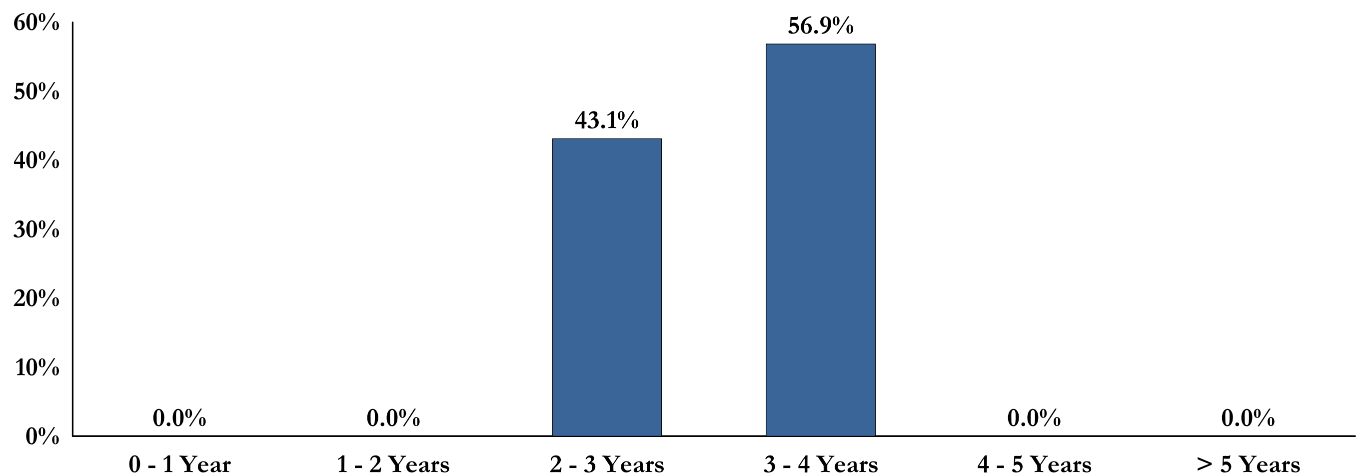
Credit Quality (S&P Ratings)



Sector Allocation

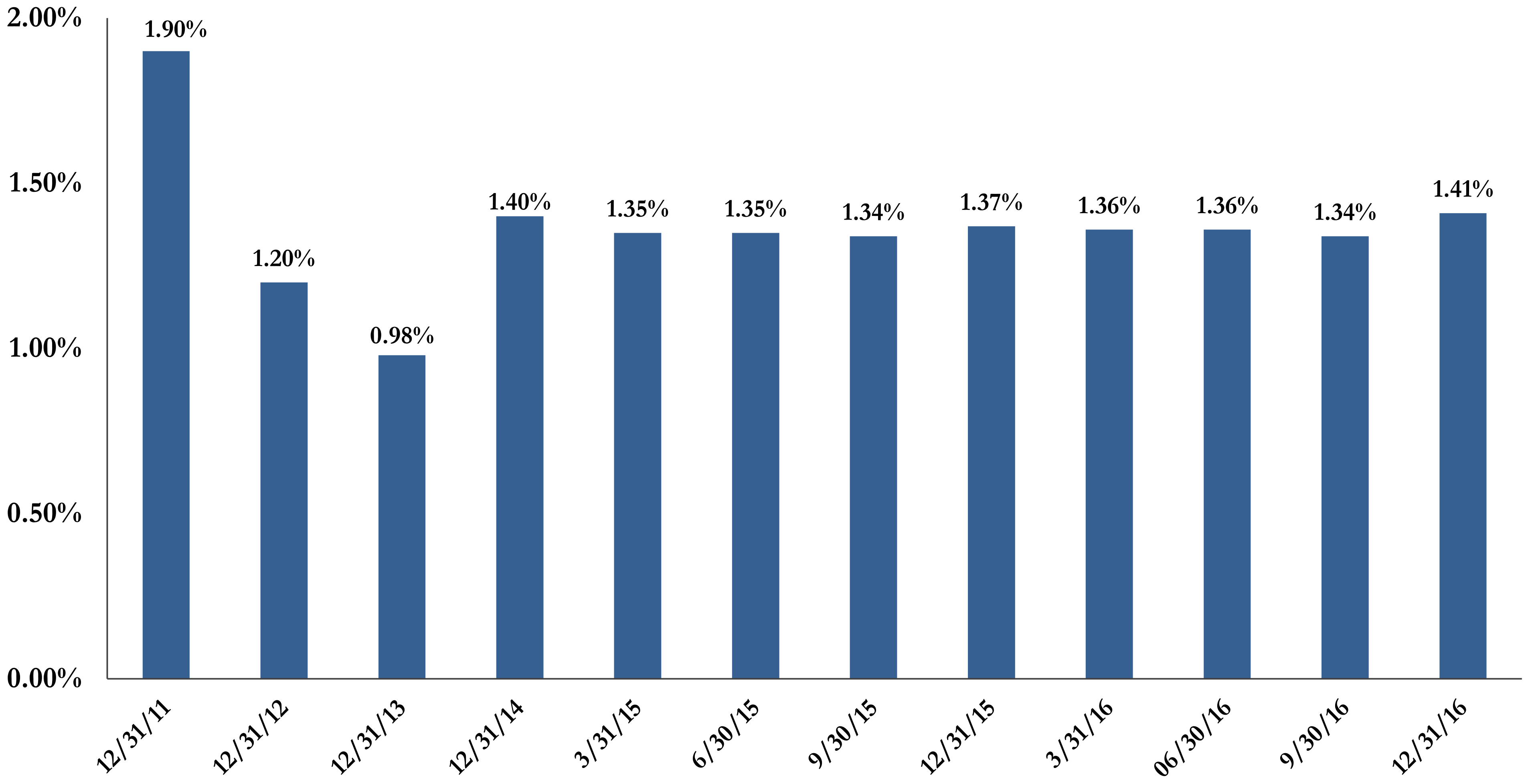


Maturity Distribution



** An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.*

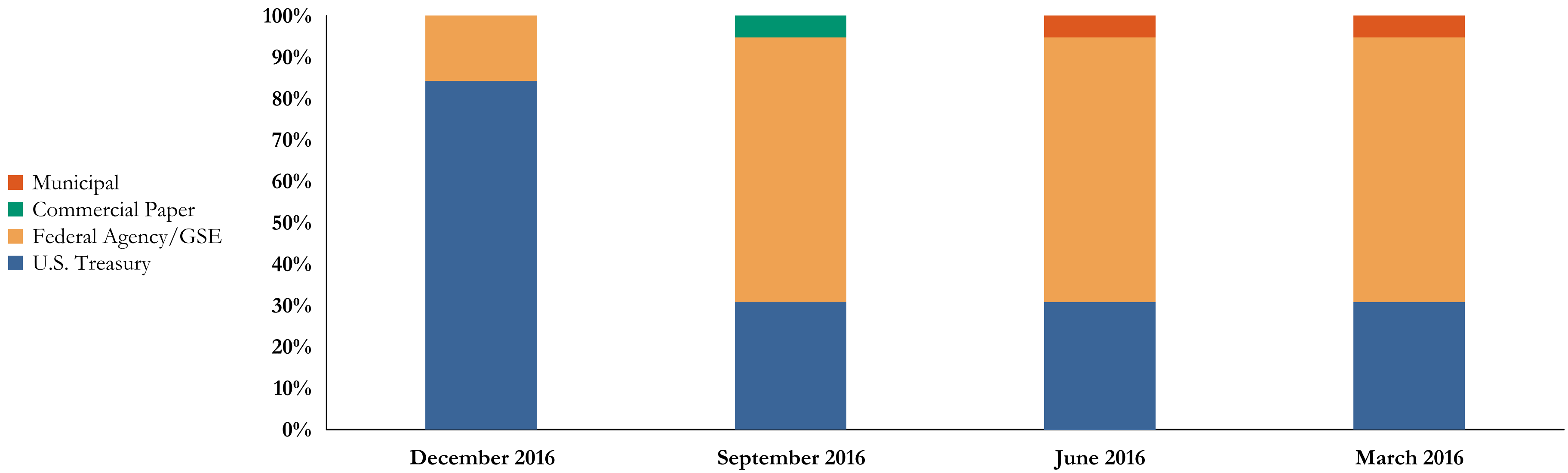
Airport Reserve Portfolio Performance
Yield at Cost



Source: City of Colorado Springs monthly statements.

Sector Allocation

	December 31, 2016		September 30, 2016		June 30, 2016		March 31, 2016	
Sector	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**
U.S. Treasury	1.1	84.3%	0.7	31.0%	0.7	30.9%	0.7	30.9%
Federal Agency/GSE	0.2	15.7%	1.5	63.8%	1.5	63.9%	1.5	63.9%
Commercial Paper	0.0	0.0%	0.1	5.2%	0.0	0.0%	0.0	0.0%
Municipal	0.0	0.0%	0.0	0.0%	0.1	5.2%	0.1	5.2%
Total	**$1.3**	**100.0%**	**$2.4**	**100.0%**	**$2.4**	**100.0%**	**$2.4**	**100.0%**



Detail may not add to total due to rounding.

Sector/Issuer Distribution

As of December 31, 2016

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
Federal Agency/GSE			
FEDERAL HOME LOAN BANKS	197,617	100.0%	15.7%
Sector Total	**197,617**	**100.0%**	**15.7%**
U.S. Treasury			
UNITED STATES TREASURY	1,062,054	100.0%	84.3%
Sector Total	**1,062,054**	**100.0%**	**84.3%**
Portfolio Total	**1,259,671**	**100.0%**	**100.0%**

INVESTMENT STRATEGY OUTLOOK

- Although we enter 2017 with a high degree of political uncertainty, we expect a modest uptick in economic growth in the U.S., a trend toward higher inflation, and a continued, but gradual, upward trajectory of interest rates.
- The most recent Federal Open Market Committee projections indicate three Fed rate hikes in 2017 and another three hikes in 2018. The market is more conservative, expecting only two hikes in 2017.
- Since 2017 began with the highest yields in several years, we plan to initially align portfolio durations with the durations of performance benchmarks.
- Rising interest rates ultimately result in higher earning potential for fixed-income investors but negatively affect the market value of current holdings. During periods of rising rates, our active management approach, which seeks to maximize long-term returns, may result in the realization of short-term losses. This is in contrast to the gains realized over the past several years, which resulted in generally declining rates.
- The difference in yields between U.S. Treasury and Federal agency securities remains narrow. As a result, our strategy will generally favor U.S. Treasuries when selecting securities in the government sector unless specific Federal agency issues offer sufficient incremental value.
- Yield spreads on corporate securities also remain narrow. As a result, identifying incremental return potential in the corporate bond sector requires careful relative value analysis. Improving corporate profits, as well as anticipated pro-business tax reform from the incoming Trump administration—lower taxes and less regulation—should be good for corporate profits, and therefore positive for corporate credit fundamentals.
- We will continue to evaluate opportunities in the MBS and ABS sectors, purchasing those issues we believe are well structured, offer adequate yield spreads, and which have limited duration variability.
- Our strategy continues to favor broad allocation to various credit sectors, including corporate notes, commercial paper, negotiable bank CDs, and asset-backed securities.
- Yields on commercial paper and negotiable CDs continue to offer significant yield pickup relative to short-term government securities.
- We will continue to monitor incoming economic data, Fed policy, and market relationships, adjusting portfolio positioning as needed. This will include monitoring and assessing the policies of the incoming Trump administration for its impact on economic and market conditions.

Important Disclosures

This material is based on information 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. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values which include accrued interest, are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, 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 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.
- **BANKERS' ACCEPTANCE:** A draft or bill or 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 DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **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, 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.

Glossary

- **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.
- **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 occurs on a non-business day (i.e. coupon payments and maturity proceeds), the funds are exchanged on the next business day.
- **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.