



McHenry County College Review of Investment Portfolios

April 2017

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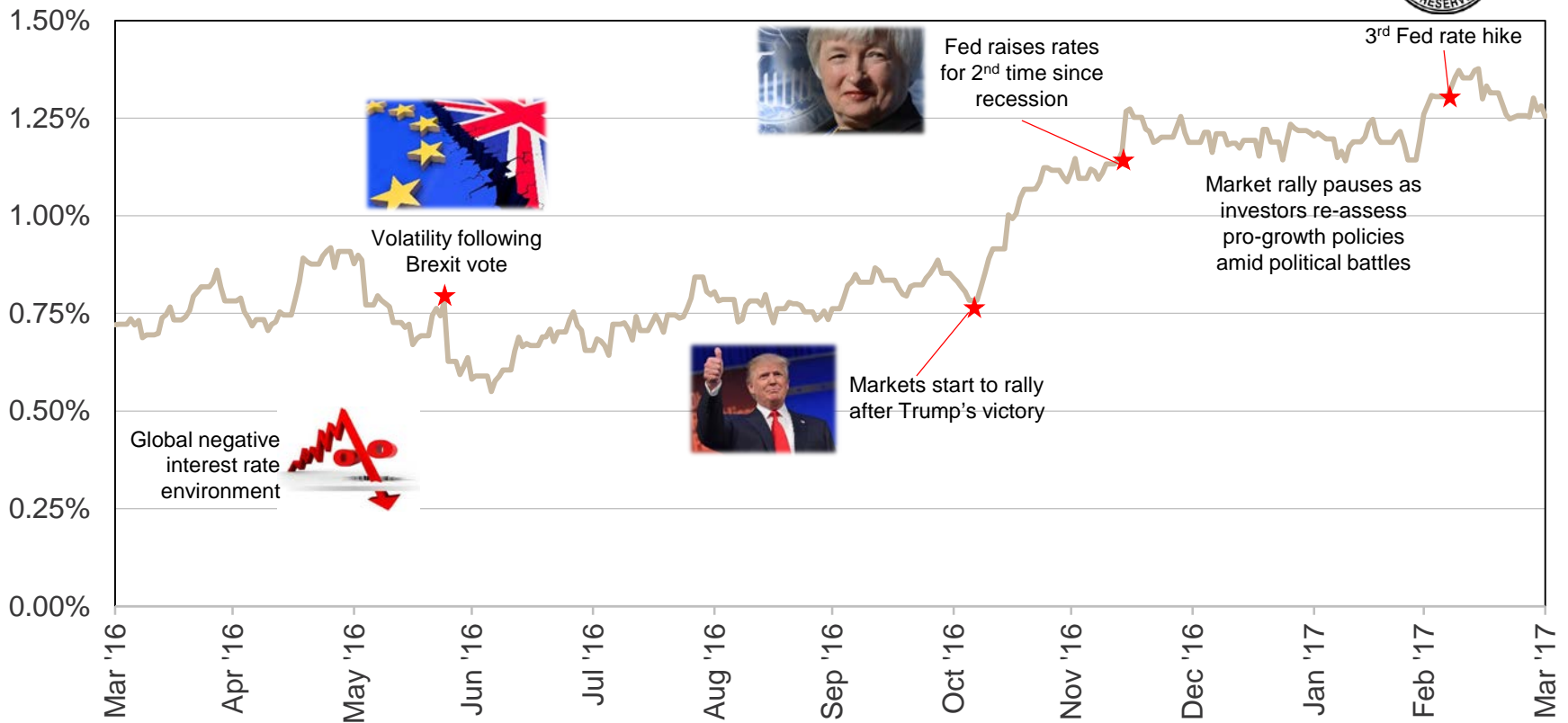
Market Update



U.S. Treasury Yields

Yield History Past 12 Months

— 2-Year Treasury



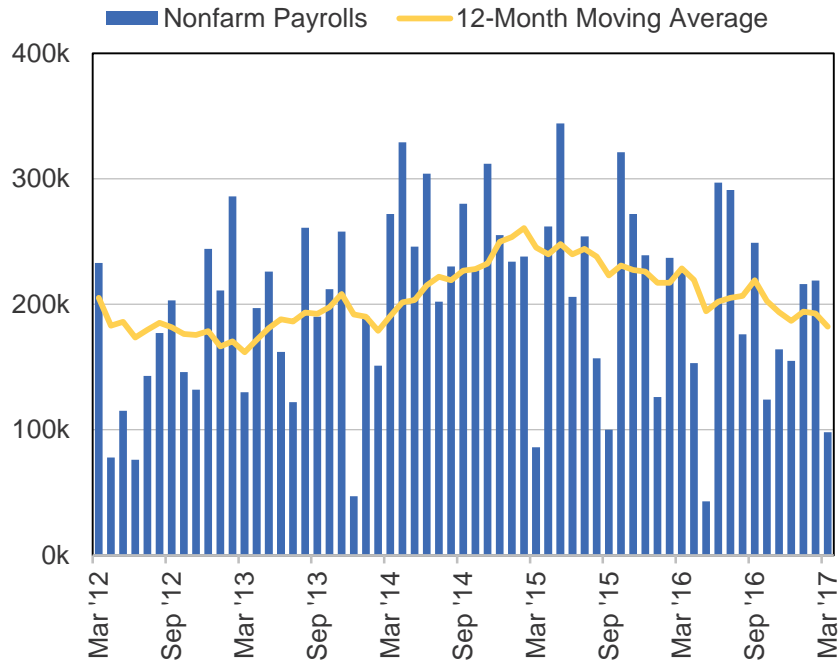
Source: Bloomberg, as of 03/31/17.



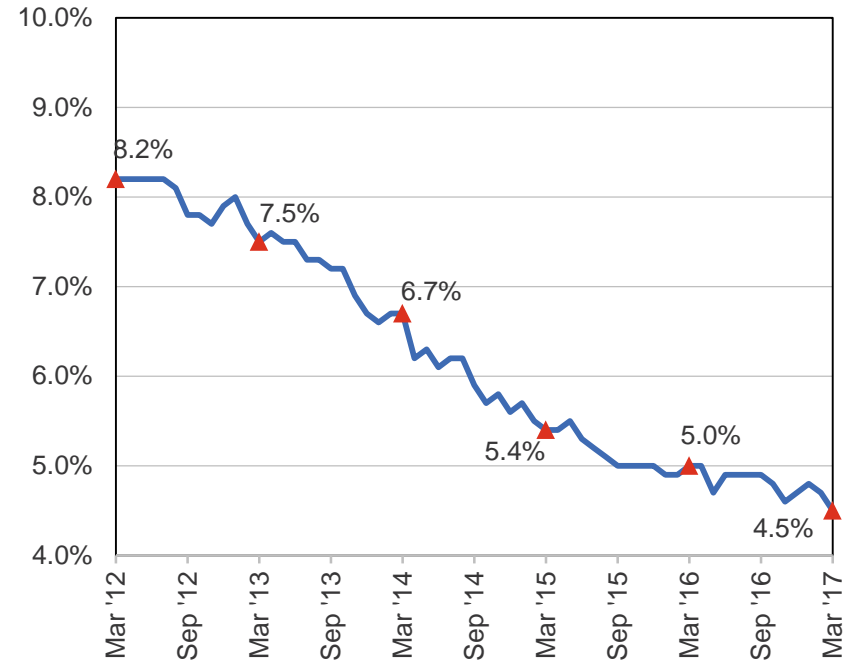
Labor Market Strength Continues

- The U.S. labor market continues to tighten, adding an average of 182,000 jobs per month over the past year
- The headline unemployment rate fell to 4.5% while the U-6 rate, which includes part-time and discouraged workers for economic reasons, dropped to 8.9%, the lowest since 2007
- The annual growth rate of average hourly earnings – an important gauge of wage growth – averaged 2.7% over the past 12 months

Monthly Change in Nonfarm Payrolls



Unemployment Rate



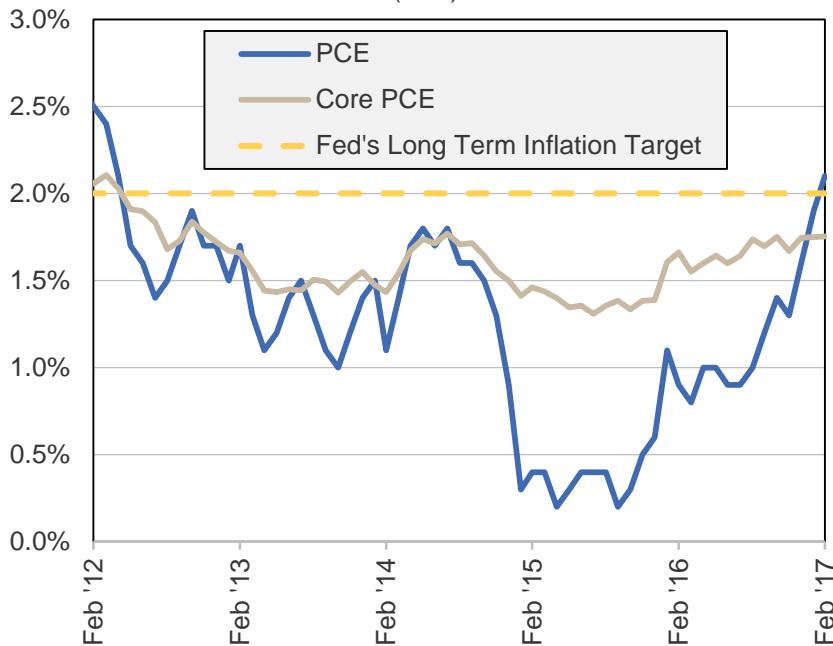
Source: Bloomberg, as of March 2017.



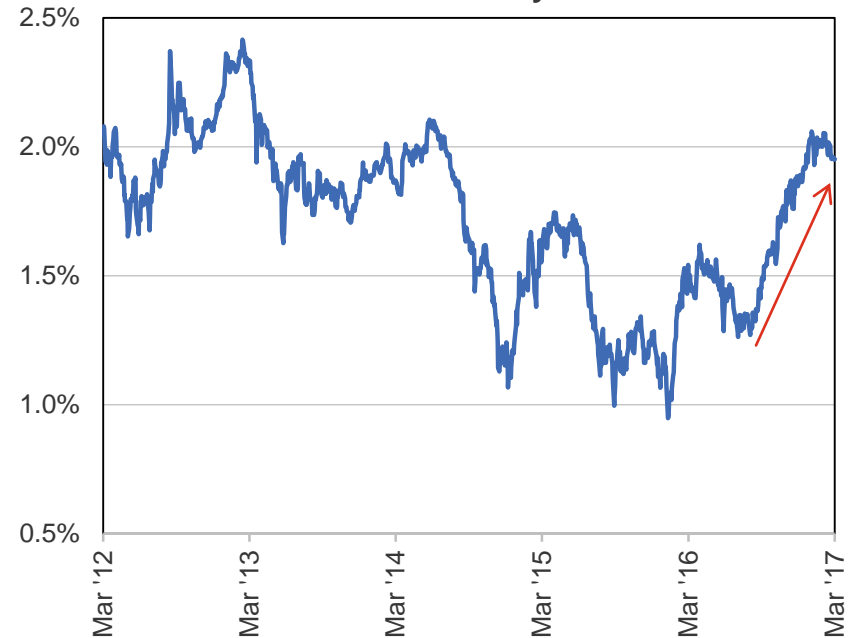
Inflation Rising, but Slowly

- The core personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, ticked up to 1.8% year-over-year through February, continuing to modestly undershoot the Fed's 2.0% target
- However, investors are expecting inflation to pick up, with market expectations for inflation over the next five years recovering to levels last seen in 2014; should President Trump realize his proposed spending policies, price pressures could increase and prompt the Fed to raise rates faster

Inflation Measures
(YoY)



Expectations for Average Inflation Rate over next 5 years



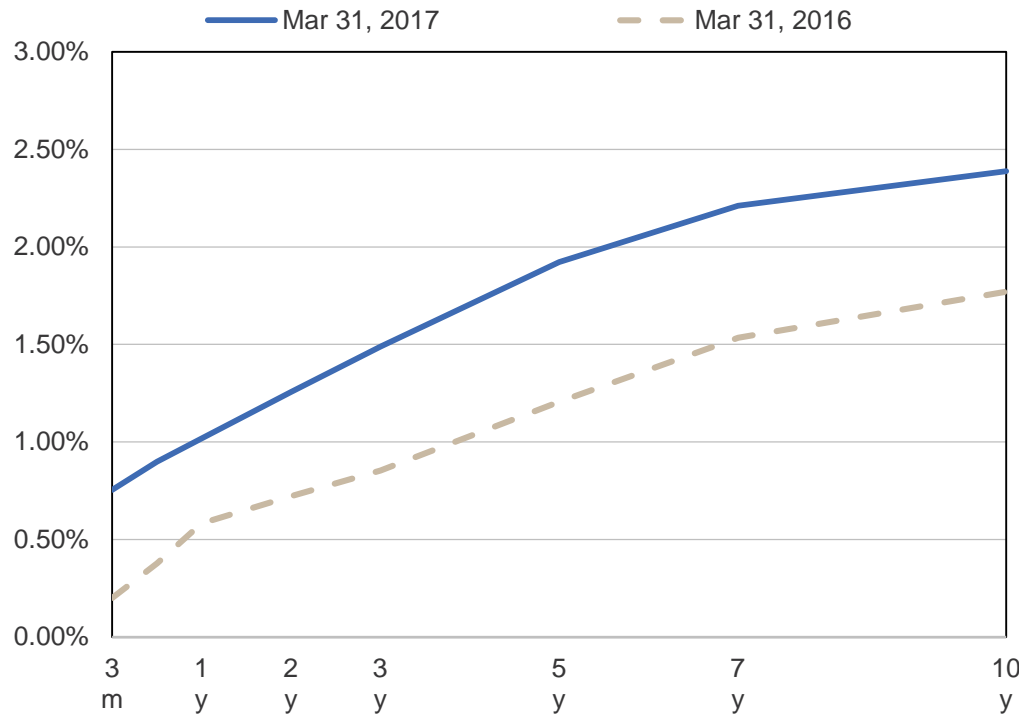
Source: Bloomberg, as of 03/31/17. Inflation expectations based on yield difference between 5-year Treasury note and 5-year Treasury Inflation Protected Securities (TIPS).



Interest Rates Move Up

- Treasury rates surged following the U.S. elections, with longer maturities rising substantially due to higher inflation expectations from the President's proposed fiscal policies; the shorter end of the curve also moved higher as market participants priced in rate hikes in December 2016 and March 2017

U.S. Treasury Yield Curve



Yield Curve History

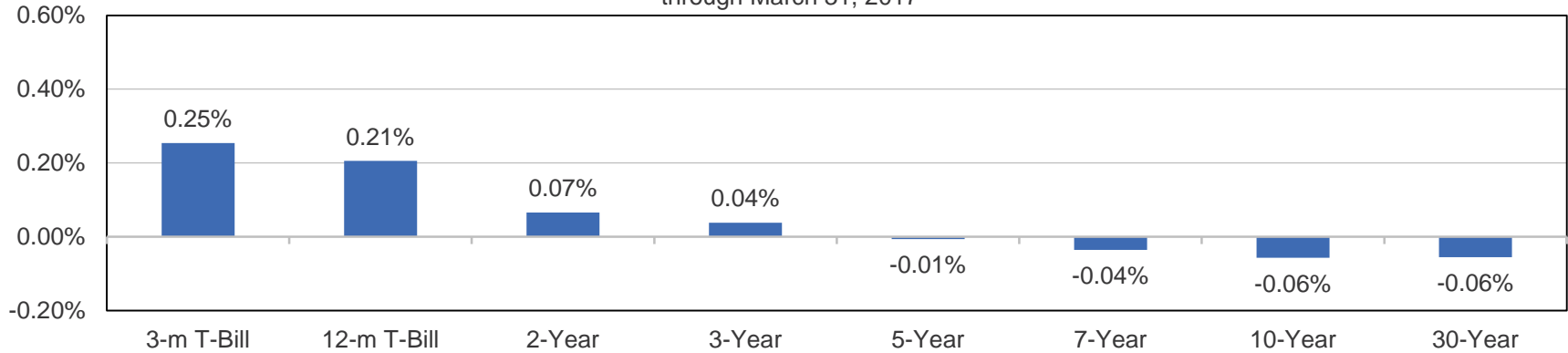
Maturity	03/31/17	03/31/16
1-Mo.	0.73%	0.17%
3-Mo.	0.75%	0.20%
6-Mo.	0.90%	0.38%
1-Yr.	1.02%	0.58%
2-Yr.	1.26%	0.72%
3-Yr.	1.49%	0.85%
5-Yr.	1.92%	1.21%
7-Yr.	2.21%	1.53%
10-Yr.	2.39%	1.77%
30-Yr.	3.01%	2.61%

Source: Bloomberg, as of 03/31/17.

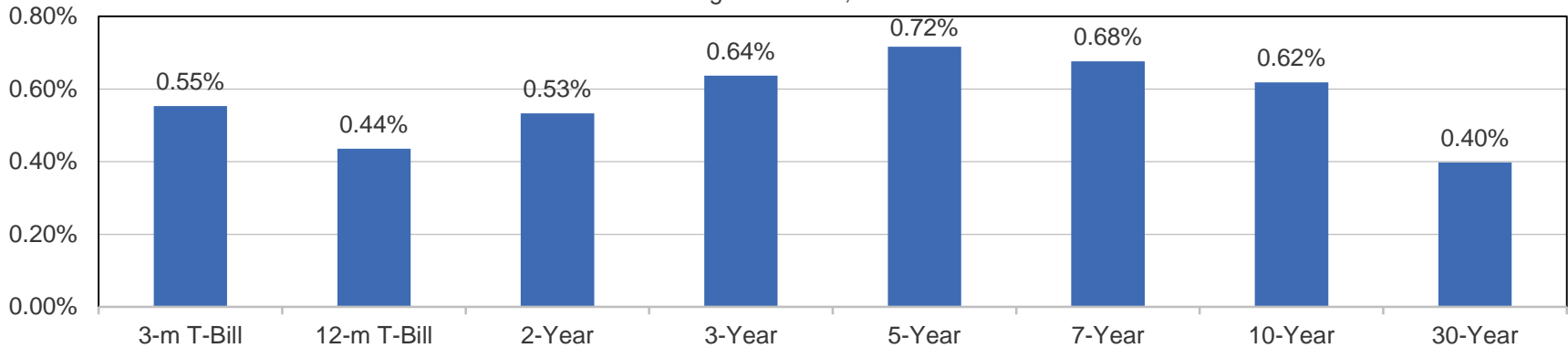


Long-Term U.S. Treasury Yields Little Changed in the First Quarter

3-Months Change in Yield
through March 31, 2017



1-Year Change in Yield
through March 31, 2017



Source: Bloomberg, as of 03/31/17.

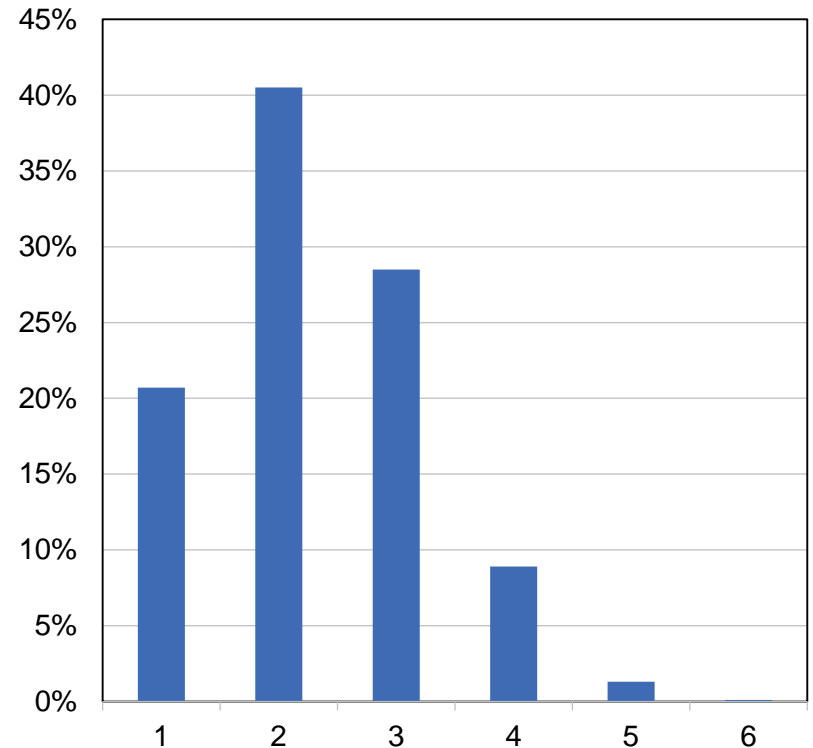


Fed Rate Hikes Expected in 2017

Probability of Fed Rate Hike

Meeting	4/17/2017
5/3/2017	11%
6/14/2017	49%
7/26/2017	54%
9/20/2017	72%
11/1/2017	73%
12/13/2017	79%
1/31/2018	80%

Number of Rate Hikes Expected in 2017



Source: Bloomberg, as of 04/17/17. Rate hike assumed to be 25bps increase from 0.50%-0.75%. Current fed funds rate at 0.75%-1.00%.



Portfolio Review

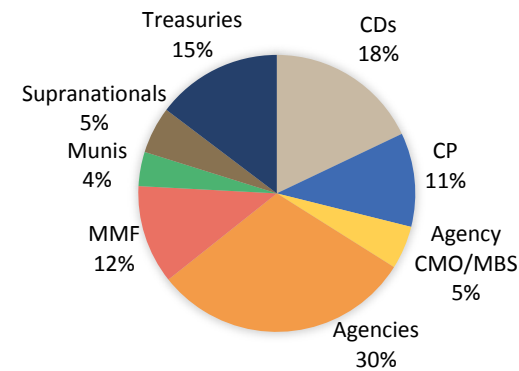


Combined Portfolio Overview as of March 31, 2017

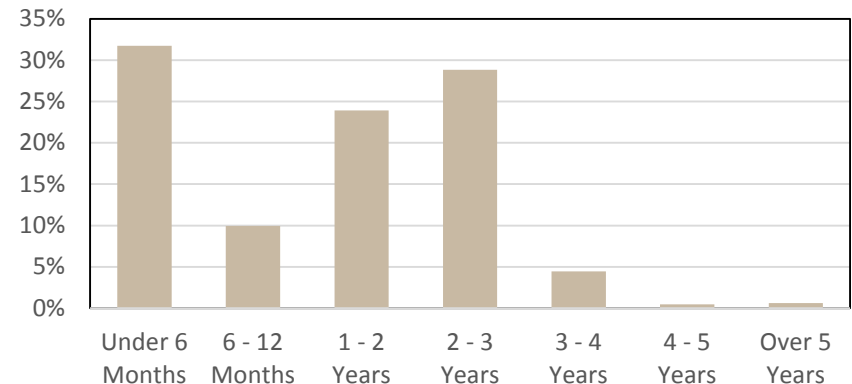
Investment Allocation

<i>Investment Type</i>	<i>Market Value</i>
Certificates of Deposit	\$1,500,989
Commercial Paper	\$3,892,006
Agency CMOs	\$1,659,015
Federal Agencies	\$10,793,166
Agency MBS	\$136,201
Money Market Fund	\$4,094,332
Municipal Bonds	\$1,419,692
Supranational Bonds	\$1,941,323
U.S. Treasuries	\$5,219,784
FDIC-Insured CDs	\$4,866,000
<i>Total</i>	<i>\$35,522,509</i>

SECTOR ALLOCATION



DURATION DISTRIBUTION



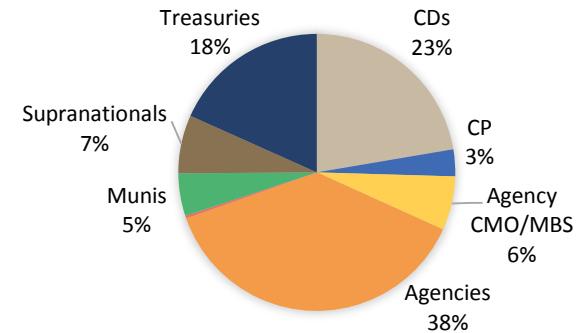


Long-Term Portfolio Characteristics as of March 31, 2017

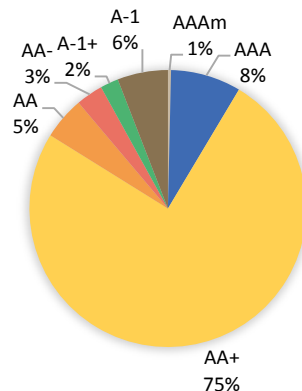
Portfolio Statistics

Invested Amount	\$28.517 million
Duration	1.90 Years
Yield at Cost	1.22%
Yield at Market	1.41%
12-Month MCC Total Return	0.57%
12-Month Benchmark Return (1-3 Yr.)	0.25%
Since Inception MCC Total Return	0.92%
Since Inception Benchmark Return (1-3 Yr.)	0.74%

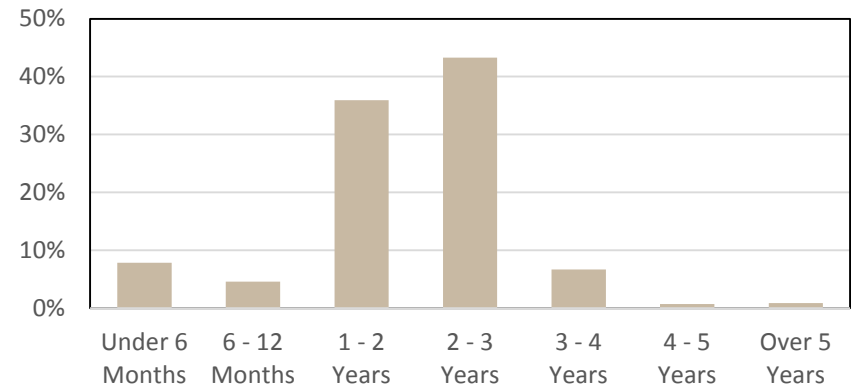
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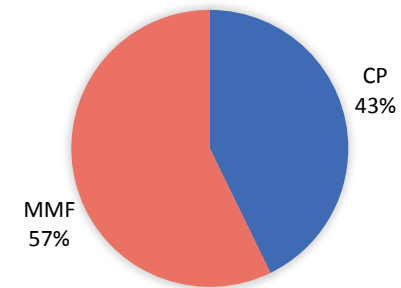


Short-Term Portfolio Characteristics as of March 31, 2017

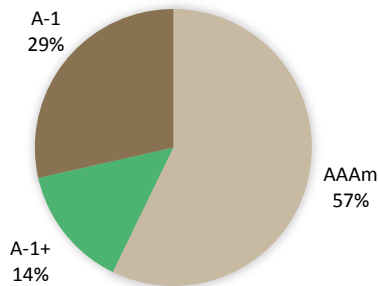
Portfolio Statistics

Invested Amount	\$7.006 million
Duration	0.10 Years
Yield at Cost	1.07%
Yield at Market	0.92%
12-Month MCC Total Return	0.73%
12-Month Benchmark Return (3-mo.)	0.36%
Since Inception MCC Total Return	0.46%
Since Inception Benchmark Return (3-mo.)	0.19%

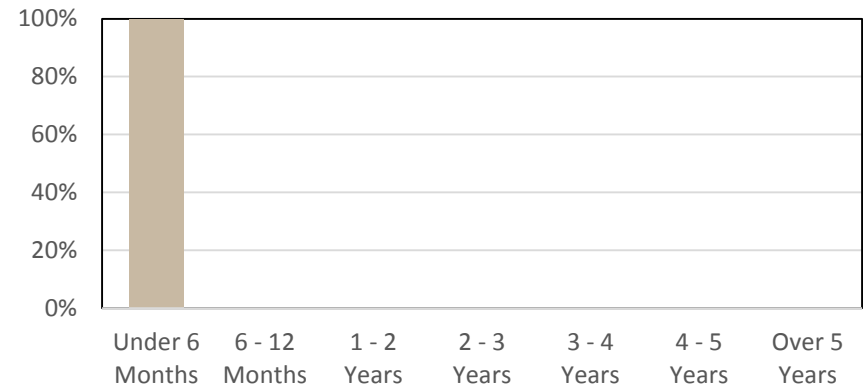
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