

City of Burlingame

Study Session: Investment Policy Statement and Modeled Portfolios Discussion

06/16/2025

Justin Resuello

Institutional Sales and Relationship
Manager

Your Team In San Francisco



Justin Resuello

Institutional Sales and Relationship Manager

As a relationship manager, Justin serves public finance and mission-driven organizations' cash and liquidity management, as well as investment policy and management strategies. He has presented at the Washington Financial Officers Association (WFOA) and Arizona Association of School Business Officials (AASBO) conferences. Justin earned a Bachelor of Arts degree in Business Management Economics from UC Santa Cruz, a Master of Public Administration from the Maxwell School of Syracuse University and a PPIA Fellowship from Heinz College of Carnegie Mellon University.



Monique Spyke

Managing Director

Monique is a senior leader who is responsible for overseeing the growth and operations of the firm's California practice. With over 20 years of experience, she excels in developing innovative investment strategies and building strong client relationships. Her work focuses on supporting municipalities, non-profits, hospitals, and educational institutions, managing billions of dollars in assets under advisement with precision and care. Monique's approachable leadership style and dedication to her clients have earned her recognition as a trusted advisor and mentor in the investment management field.



Agenda

Who We Are

Understanding Your Investment Policy

Modeled Portfolios Review

Conclusion

Who We Are



Structure of Organizational Support and Resources

U.S. Bancorp

- Parent company of U.S. Bank, N.A.
- 70k+ employees and \$676.5b in assets

U.S. Bank, N.A.

- Among the largest commercial banks in the U.S. by assets

U.S. Bancorp Asset Management, Inc.

- Institutionally focused Registered Investment Adviser
- Fixed income and multi-asset solutions for institutional investors
- \$399.7b in assets under management

PFM Asset Management

- A division of U.S. Bancorp Asset Management, Inc.
- 40+ years of providing public sector investment solutions

At a Glance

Built to Serve the Public Sector

We serve state and local governments, public pensions, higher education, other post employment benefit trusts (OPEB), and public insurance and captives

- Public sector investment and relationship management teams experienced in the specific investment codes & needs of public sector clients
- Strong performance track record, transparent reporting and commitment to client education

Our Solutions

- Local Government Investment Pools (LGIPs)
- Fixed Income Strategies
 - Cash & Enhanced Cash
 - Short & Intermediate Duration
 - Core Aggregate
- Outsourced Chief Investment Officer (OCIO)
- Specialized Solutions
 - Structured Products
 - Arbitrage Rebate

\$174.6b

in Public Sector Assets Under Management*

40+

Years Serving the Public Sector*

729+

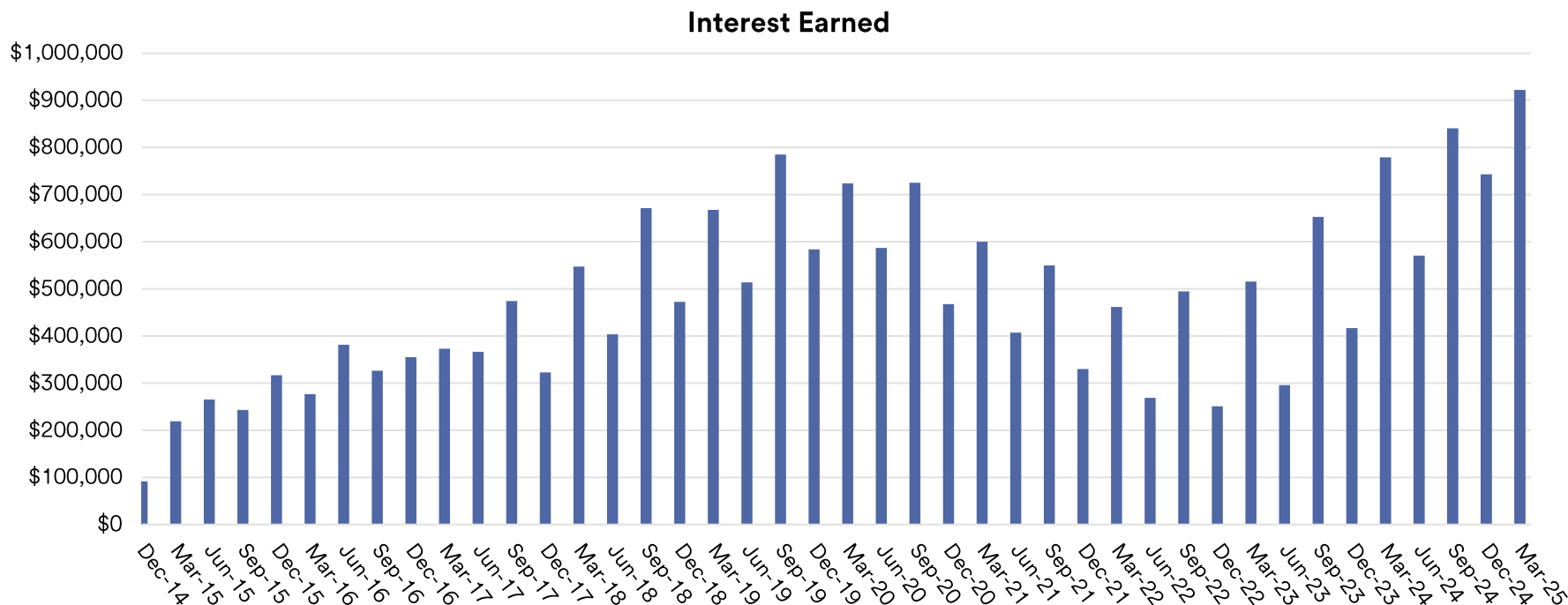
Public Sector Clients*

**As of 3/31/2025. Public sector includes government, pool, and TERM. Total assets under management for U.S. Bancorp Asset Management, Inc. were \$399.7 billion.*

Results for Burlingame

- ▶ The portfolio has generated **\$20,259,579.90** in earnings since the start of the PFMAM relationship*
- ▶ Portfolio yield at cost has increased by **over 200 basis points** since the start of the relationship
- ▶ Outperformed the benchmark since inception by **+27 basis points**
- ▶ Portfolio assets **remained safe** and diversified.

Total Return	1Q2025	Past 1 Year	Since Inception
Portfolio	1.89%	5.57%	1.81%
Benchmark	2.00%	5.50%	1.54%
Difference	-0.11%	+0.07%	+0.27%



*Earnings and performance data as of March 31, 2025. Performance inception date is September 30, 2014.

Returns for periods greater than one year are presented on an annualized basis.

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

Our Investment Approach

Seeks Excess Returns by Utilizing Three Key Strategies

1) Yield-Curve and Duration Positioning

- Portfolio structured (bullet, barbell, ladder) to rate outlook and specific client needs
- Adjust target duration vs. client benchmarks as market dynamics change

2) Sector/Industry Rotation/Migration

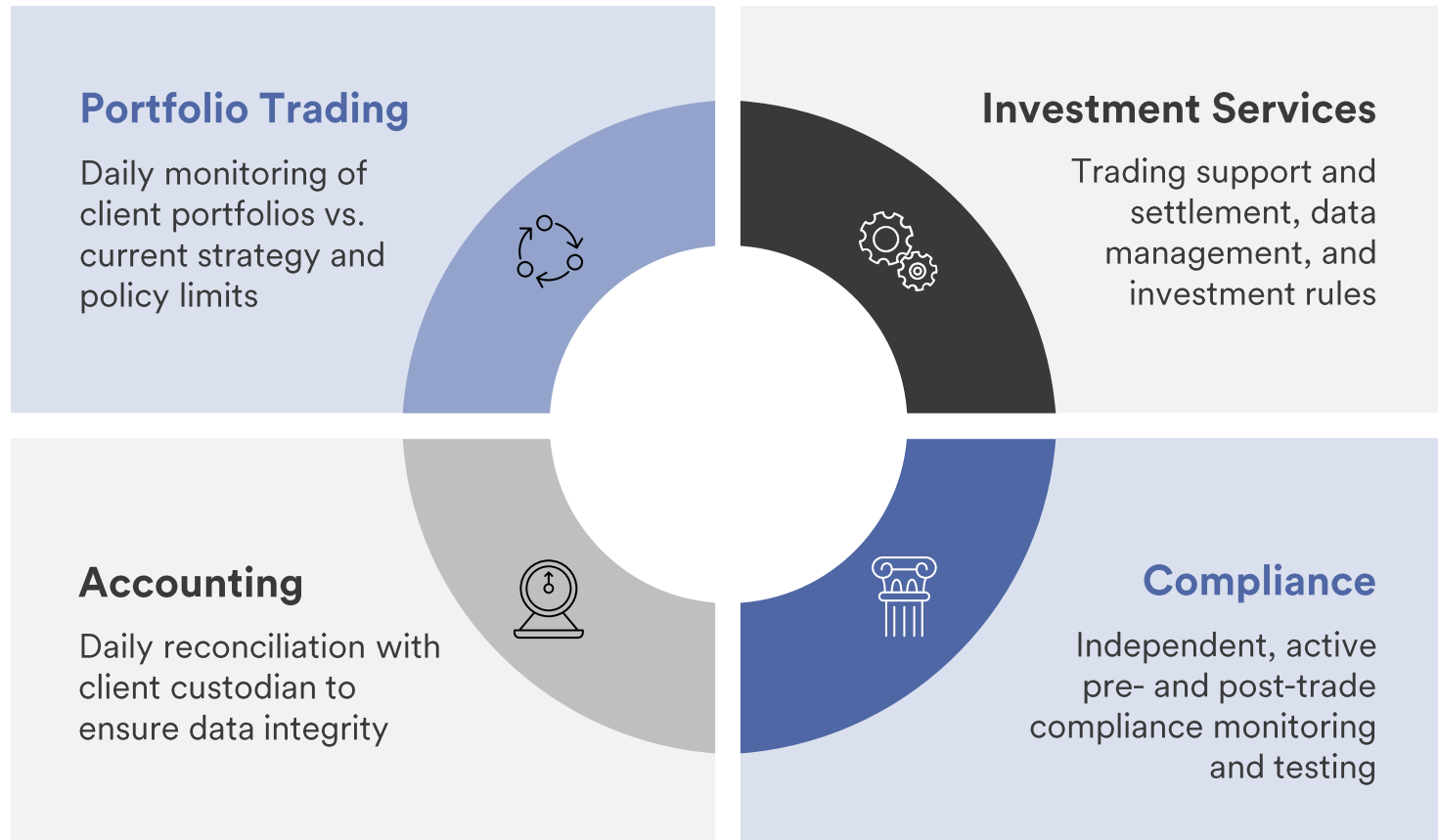
- Emphasize coupon income by prioritizing exposure to credit sectors
- Focused on relative value per sector / industry
- Ensure sector diversification

3) Security Selection

- Ensure issuer diversification (~ 2%)
- Incorporate rating / headline risk w/ fundamentals
- Emphasize primary market issuance
- Avoid illiquid / esoteric securities
- Manage portfolio call risk
- Utilize all tactical trading methods (electronic, direct, multiple dealers, market makers, etc.)



Control Structure of Checks & Balances



Our Perspectives Align with Your Goals

Philosophy

Safety Preserve capital with high-quality investments

Liquidity Plan for and provide liquidity as needed

Yield Seek to increase earnings through disciplined portfolio strategy

Approach

Portfolios are designed to match our clients' specific investment needs.

We seek to achieve strong results by:

- 1 Understanding our clients' investment objectives
- 2 Carefully matching maturities to the client's cash flow needs
- 3 Limiting investments to those of high quality
- 4 Selecting investments based on relative value
- 5 Utilizing low-risk portfolio management techniques to add value



Understanding Your Investment Policy Statement



State Code Guides Investment Policy

CA Government Code Section 53600

- CDIAC LAIG “California Debt and Investment Advisory Commission Local Agency Investment Guidelines” reflects state laws and supports public funds investing to aid investment policy, fund management, reporting requirements and treasury oversight
- Monique Spyke participates in the CDIAC LAIG working group

City Investment Policy Statement

- Framework for goals, risk management objectives, and best practices
- Prioritize goals including safety, liquidity, return, and diversification
- Maintain discipline to a tailored investment strategy that seeks to add value
- Annual review to update changes to state code

Investment Policy Review Process and Scope

Initially

Examine current policy in relation to:

- Industry standards and best practices
- Code requirements
- Diversification and maturity standards
- Risk tolerance and preferences
- Reporting standards and requirements

Annually

- Review and address changes to Code
- Re-evaluate authorized list of investments
- Re-evaluate maturity limits and benchmark
- Discuss strategy implementation

Ongoing

- Monitor and enforce compliance
- Monitor changes to Code and best practices
- Provide accurate and timely information



Investment Policy Development and Review

Foundation for a Strong Investment Policy

Policy Components

- Objectives
- Standard of Prudence
- Ethics and Conflicts
- Delegation of Authority
- Competitive Selection
- Performance & Reporting Standards
- Safekeeping & Custody
- Authorized Investments
- Diversification
- Maximum Maturity
- Security Downgrades

Considerations

- Language that meets current industry standards and practices
- Language that conforms to requirements set forth in the applicable Statutes
- Considers use of different investment sectors
- Considers maturity limits
- Incorporates diversification and maturity standards
- Includes strong controls

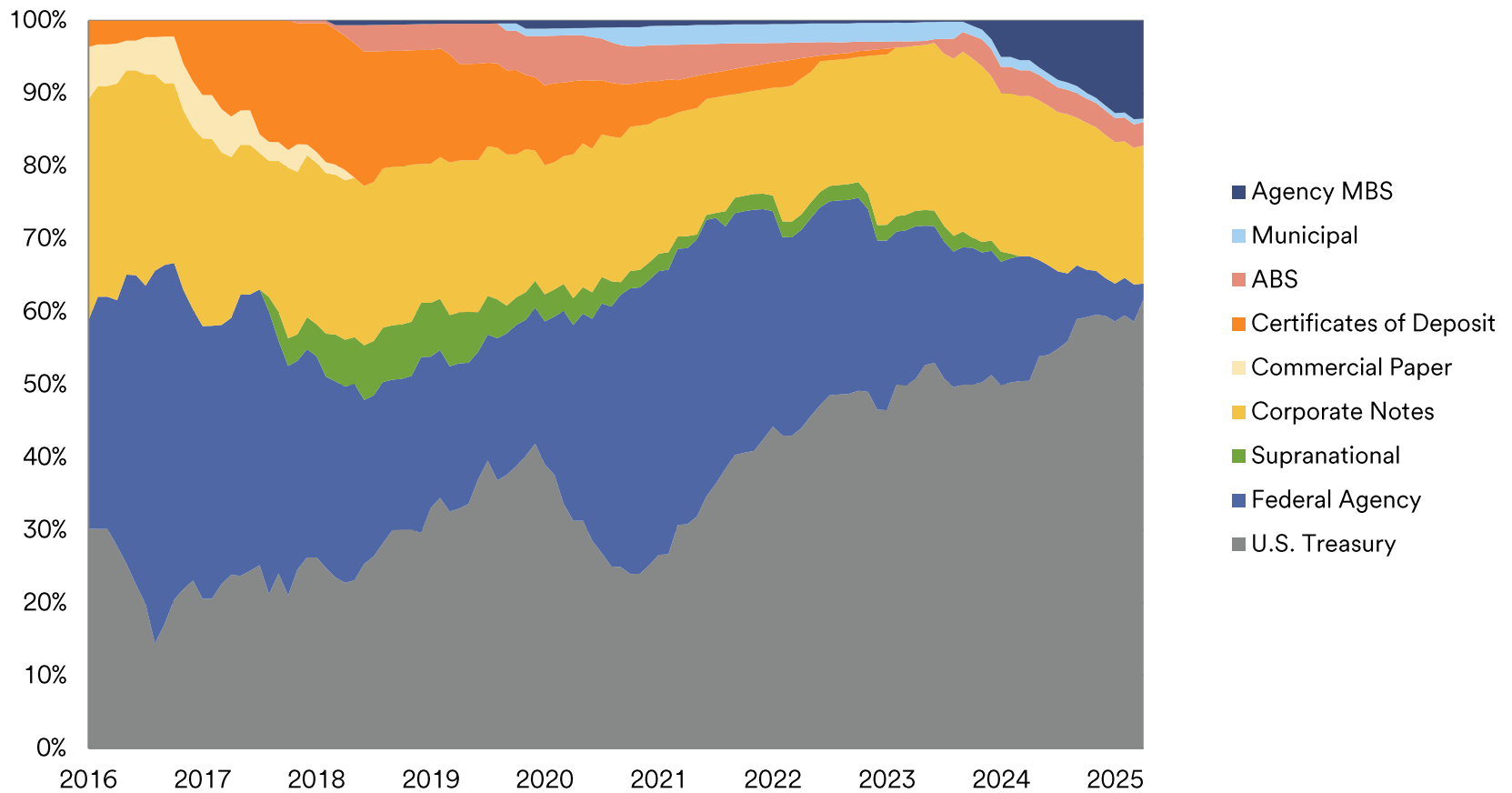


Modeled Portfolios Review



Securities Portfolio Historical Sector Allocation

Sector Allocations Fluctuate Throughout Time Dependent Upon Relative Value In The Market



Source: PFMAM Securities Portfolio data, as of 05/31/25.

Approved List

Driven by Fundamental Analysis and Monitoring Cycle

Fundamental Analysis

Proprietary Common Analytic Framework
Issuer Fundamentals, News, Filings
Top-Down Industry Fundamentals
Bottom-Up Analysis
3rd Party Research + Rating Agencies



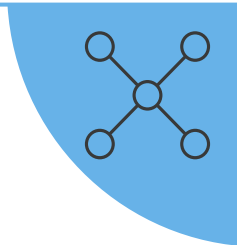
Base Case

Business Risk Profile
Financial Risk Profile
Ratings Outlook
Credit Structure
Fundamental Credit Outlook



Analysis Events

Financial Results
Operating, Regulatory,
Macro Environment
Corporate Events
External Factors
Business Cycle



Credit Committee

Consensus on
Credit Risks
Unanimous Approved List
Any Member May
Remove An Issuer



How Credits are Chosen and Monitored

Credit Research Process

Idea Generation

- Trading Desk
- Credit Research Team
- Portfolio Managers

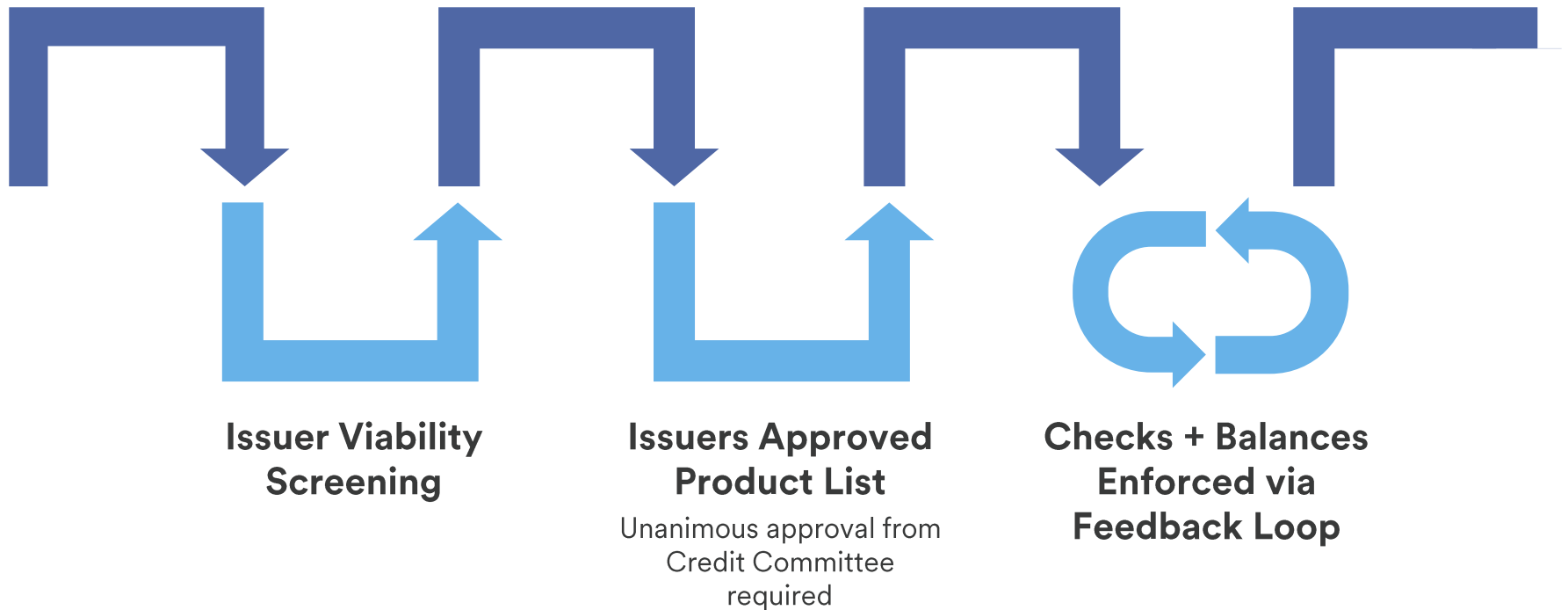
Detailed Analysis by Credit Analyst

Continuous Monitoring

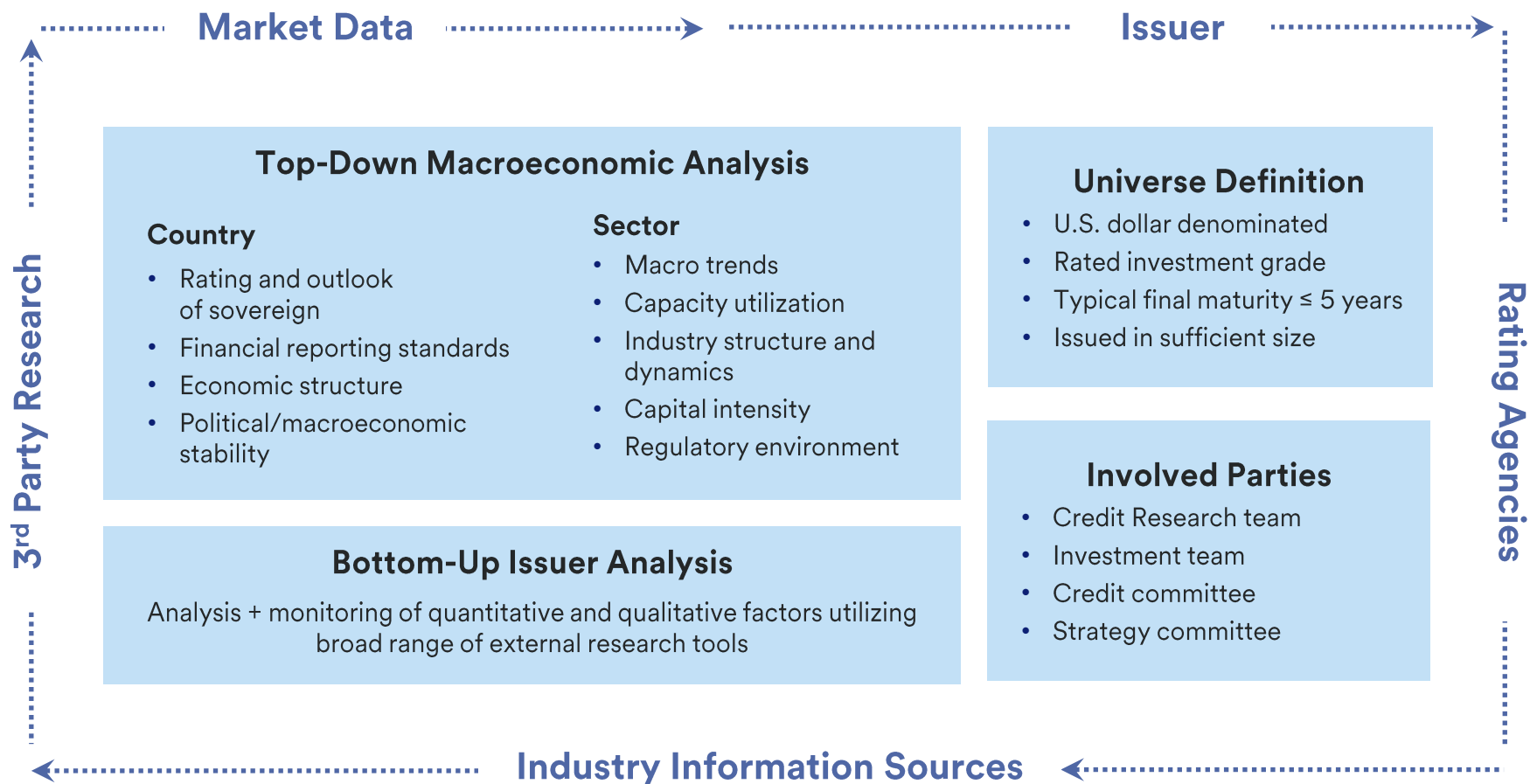
For changes that may impact stability and subsequent recommendations for modification

Approved List

Any Credit committee member can request issuer removal from List




A Closer Look at Constructing the Approved List



Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	61.7%	
United States Treasury	61.7%	AA / Aa / AA
Federal Agency	2.1%	
Federal National Mortgage Association	2.1%	AA / Aa / AA
Agency CMBS	13.4%	
Federal Home Loan Mortgage Corp	13.4%	AA / Aa / AA
Municipal	0.5%	
State Board of Administration Finance	0.5%	AA / Aa / AA
Corporate	19.1%	
Amazon.com Inc	1.4%	AA / A / AA
Apple Inc	1.7%	AA / Aaa / NR
Bank of America Corp	1.6%	A / Aa / AA
Bank of New York Mellon Corp	1.1%	A / Aa / AA
BlackRock Inc	0.1%	AA / Aa / NR
Citigroup Inc	1.5%	A / Aa / A
Deere & Co	0.3%	A / A / A
Goldman Sachs Group Inc	0.9%	A / A / A
JPMorgan Chase & Co	1.8%	A / A / AA
Microsoft Corp	1.4%	AAA / Aaa / NR
Novartis AG	1.4%	AA / Aa / AA
PACCAR Inc	0.7%	A / A / NR
PepsiCo Inc	0.5%	A / A / NR
PNC Financial Services Group Inc	1.1%	A / A / A
Target Corp	0.7%	A / A / A
Toyota Motor Corp	0.7%	A / A / A
Truist Financial Corp	0.7%	A / Baa / A

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	19.1%	
Walmart Inc	1.5%	AA / Aa / AA
ABS	3.2%	
BA Credit Card Trust	0.3%	NR / Aaa / AAA
Citigroup Inc	0.2%	AAA / Aaa / AAA
Fifth Third Auto Trust	0.6%	AAA / Aaa / NR
GM Financial Consumer Automobile Receiv	0.1%	NR / Aaa / AAA
Honda Auto Receivables Owner Trust	0.6%	AAA / NR / AAA
Hyundai Auto Receivables Trust	0.3%	AAA / NR / AAA
JPMorgan Chase & Co	0.7%	AAA / NR / AAA
Toyota Auto Receivables Owner Trust	0.4%	AAA / NR / AAA
Total	100.0%	

 Designates issuers whose future purchase will be limited in the future should a 0.8% issuer concentration limit be imposed.

Current PFMAM Issuer Concentration Limits As of Trade Date

Category 1: AAA & AA	1.50% limit
Category 2: A	0.75% limit
Category 3: BBB	0.50% limit

All securities in the portfolio aligned with this criteria as of trade date

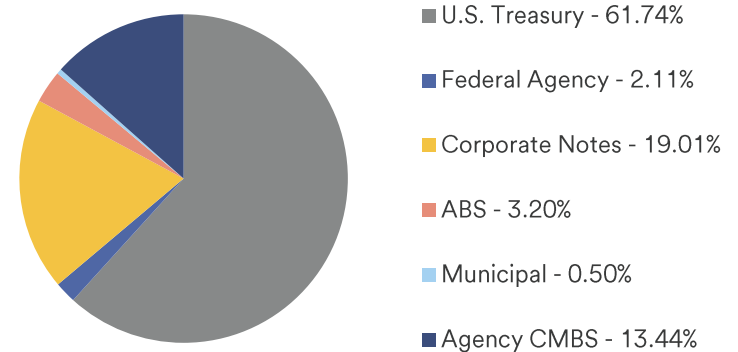
As of May 31, 2025. Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where 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.

Current Portfolio: 1-5 Year Strategy (Current Investment Policy)

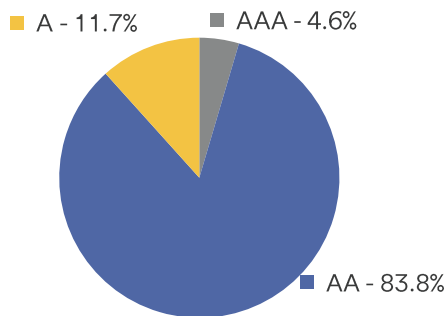
Portfolio Statistics

Portfolio Duration	2.19 years
Portfolio Gross Yield	4.23%
Average Rating	AA

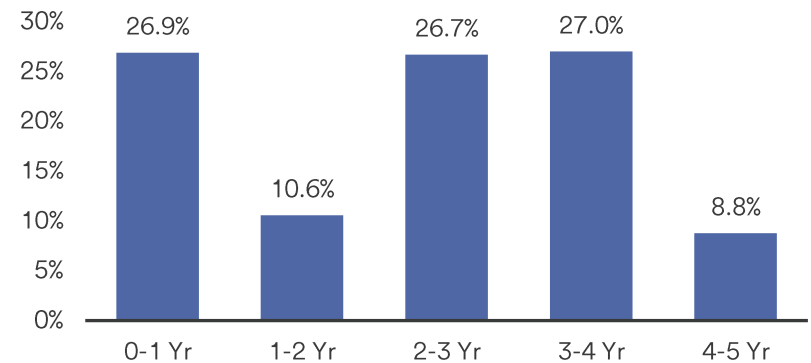
Sector Allocation



Credit Quality



Duration Distribution

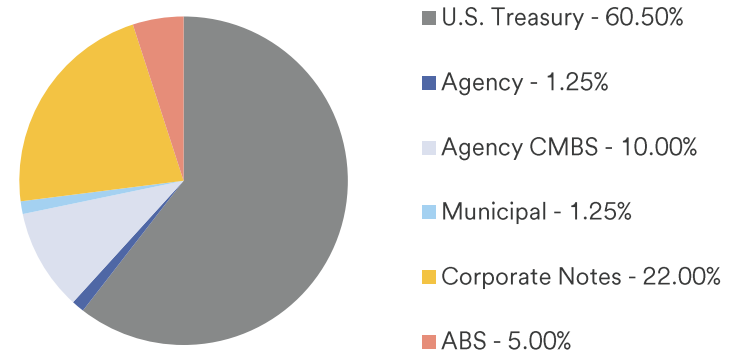


Sample Portfolio: 1-5 Year Strategy (Restrictive Investment Policy)

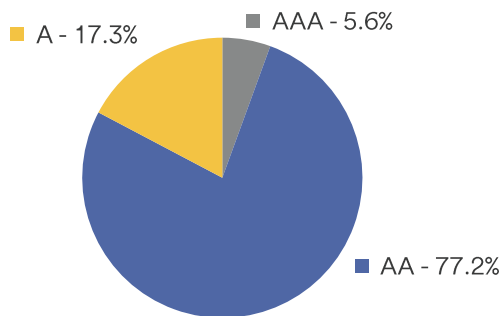
Portfolio Statistics

Portfolio Duration	2.46 years
Portfolio Gross Yield	4.20%
Average Rating	AA

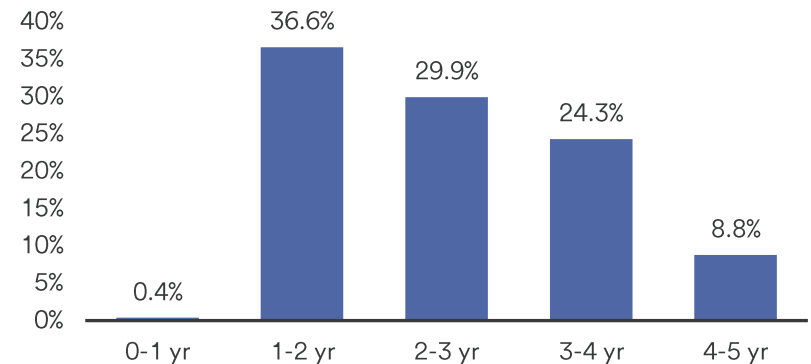
Sector Allocation



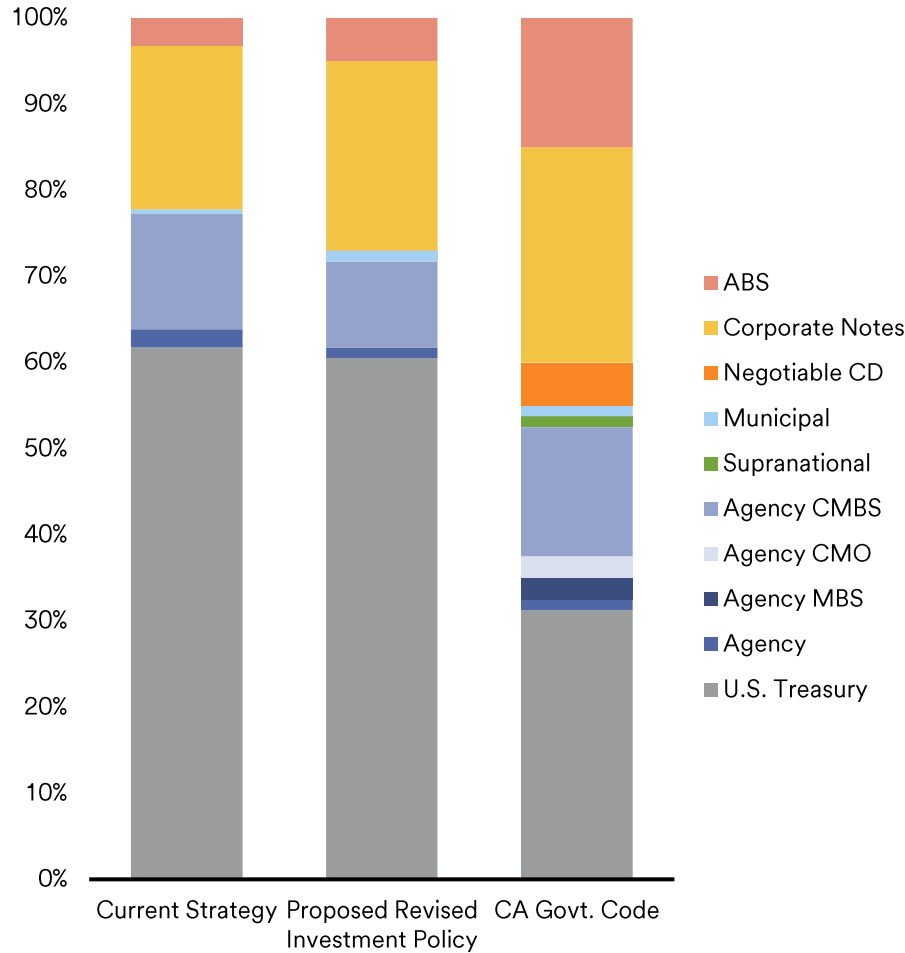
Credit Quality



Duration Distribution



Comparison of Sector Allocations Across Various Portfolio Strategies



Highlights

- ▶ The Current Strategy allocations are very closely aligned with the potential allocations utilizing the City's proposed revised investment policy which would be more restrictive than California Government Code
- ▶ Based on analyzing index returns and sector allocations across the three different strategies for the 20-year period ended May 31, 2025, the historical return of the Current Strategy and Proposed Revised Investment Policy portfolios would have been nearly identical – see *the following page for details*
- ▶ The California Government Code index-based portfolio may have generated an excess return of 16 basis points (0.16%) over the other two index-based portfolios for the 20-year period ended May 31, 2025, while having a lower duration and less monthly periods of negative return – see *the following page for details*

We Serve You



Working Together Toward Your Preferences

CA Government Code Section 53600

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Fiduciary Instruction Letter

- Agencies may direct their fiduciary with specific and immediate instructions regarding investment decisions
- Actions could include avoidance of certain asset classes or adherence to particular constraints
- Enables the client to maintain an investment policy statement aligned with the breadth of state code while directing the fiduciary to meet immediate directives

Our Investment Philosophy

Our investment philosophy is fundamentally an active, relative-value-based approach, with an emphasis on investment-grade securities and downside protection. We strive to achieve competitive returns for our clients over time while carefully managing risk and preserving principal.

The three fundamental objectives of our investment process are:



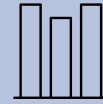
Safety

Seek to preserve capital with high-quality investments



Liquidity

Plan for and provide liquidity as needed



Yield

Strategy in line with your return objectives and risk tolerances



Disclosures

Indexes shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. 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.

The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE



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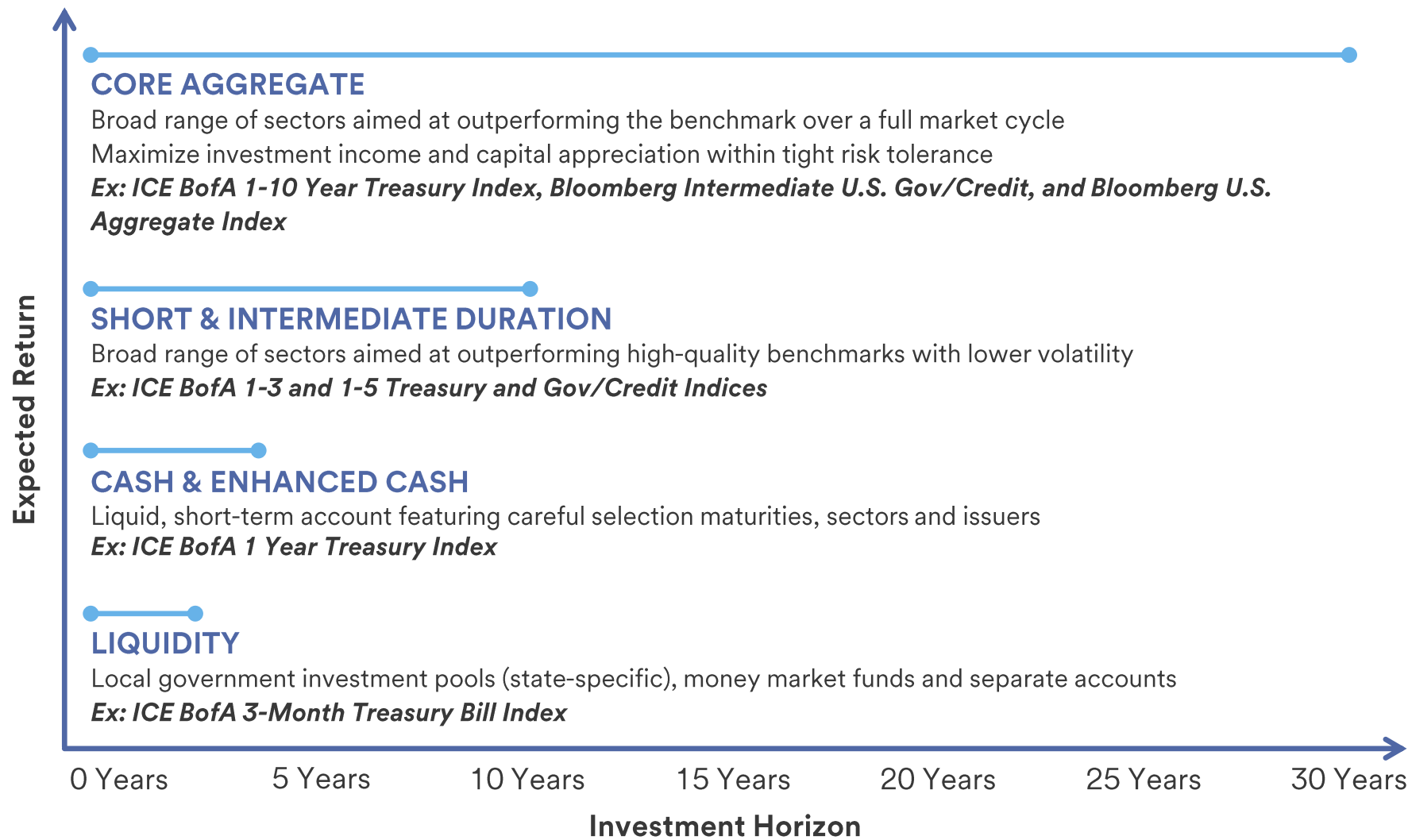
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Appendix



Our Fixed Income Strategy Offerings



Indexes shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. 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.

Fixed Income Investment Resources

Portfolio Management Leadership

Ken Schiebel, CFA

CIO – Public Sector Management
and OCIO Strategies

Greg Haendel, CFA

Head of Core Fixed Income

Jeff Rowe, CFA

Head of Liquidity Products
Portfolio Management

Robert Cheddar, CFA

Co-Head of Short & Intermediate
Fixed Income (Credit)

James Sims, CFA

Co-Head of Short & Intermediate
Fixed Income (Securitized)

Credit Research Group

- Preserve Principal
- Generate Alpha
- Manage Approved Lists

Investment Services Group

Trading Support | Trade Settlement | Data Management

Portfolio Strategies Group

Portfolio Construction | Investment Analytics & Attribution
Structured Products Group

45+

Investment professionals*

20+

Average Years Experience*

Sector Specialists & Investment Strategies

Sectors:

- Agencies
- Asset-Backed Securities
- Certificates of Deposits
- Commercial Paper
- Corporates
- Mortgage-Backed Securities
- Municipals
- Repurchase Agreements
- Supranationals
- Treasuries

Portfolio Types:

- Money Market Funds and Securities Lending
- Local Government Investment Pools
- Fixed Maturity TERM Investments
- Cash & Enhanced Cash
- Short & Intermediate Duration
- Core Aggregate Fixed Income
- Structured/Escrow
- Asset/Liability Matched

Investment Resources and Tools

Proprietary Models | Bloomberg AIM | TradeWeb | MarketAxess
S&P Global | CreditSights | Sustainability

As of 10/1/2024.

*Investment professionals include fixed income portfolio managers, traders, credit research, portfolio strategy teams of U.S. Bancorp Asset Management, Inc. including those serving public sector strategies as PFM Asset Management. Average years of industry experience.

Our Approach to Credit

Formal Groups for Research and Risk Management

Credit Research Group

- Responsible for all credit analysis on credit, municipal and asset-backed issuers
- Performs fundamental research on individual issuers and maintains Approved Issuers Lists
- Works with portfolio managers and trading desk for idea generation

**Taxable Credit
Committee**



**Public Finance
Credit Committee**

Credit Risk Management Committee

- Establishes and oversees credit management policies client portfolios
- Formulates risk management guidelines, such as issuer-specific diversification and maturity limits
- Utilizes information received from Credit Research Group to manage issuers to internal risk viewpoints.

Credit Research Team



Robert Hajduch

Managing Director, Taxable Credit Research
36 years experience



Tim Russell

Managing Director, Municipal Credit Research
28 years experience



Eric Espeseth

Principal Credit Analyst
20 years experience



Winnie Cheng, CFA

Principal Credit Analyst
38 years experience



Kim Troedsson

Principal Credit Analyst
34 years experience



Cynthia Ma, CFA

Principal Credit Analyst
17 years experience



Marin Komlan

Senior Credit Analyst
22 years experience



Kevin Xie

Credit Analyst
5 years experience



Joe Morrison

Credit Analyst
3 years experience