

Investment Strategy Update

August 22, 2022 Finance and Operations Committee



Current Investment Environment

- Investment environment has improved significantly since our last update earlier this year.
- Short-term treasury rates have improved significantly going from .06% one year ago to 2.61% currently for a 90 day T-bill.
- Similarly, rates available on money market funds and local government investment pool liquid accounts have increased and offer significantly better returns than our deposit and UMB money market accounts for our liquid cash needs.
- Currently we have invested \$7 million in 30 day T-bills, \$500k in a money market account and the remainder (\$5 million) in our PDPA deposit account with UMB.

Outline of Updated Investment Strategy

- Maintain sufficient funds in PDPA depository accounts to address expected near term disbursements (funds will provide .20% earnings credit)
- Maintain a liquid cash balance in money market funds and/or local government investment pool (LGIP) liquid accounts
 - Currently liquid (LGIP) accounts offer the best returns (currently 2.27%) compared to money market funds (currently 2 %). Both types of liquid accounts used will have the highest ratings (AAAm)
- Based on cash flow projections recommend investing excess funds (beyond liquid cash needs) in treasuries or LGIP fixed term portfolios. Maturities of treasuries/LGIP will depend upon forecasted future cash needs and interest rate differentials between the different maturities.
- At this time Certificates of Deposit returns are below treasury rates for shorter term maturities. Will reevaluate strategy in 6 months due to dynamically changing interest rate environment or sooner if warranted

Local Government Investment Pool Recommendation

- Local government investment pools are established pursuant to the provisions of Article 75, Title 24, Part 7 of the Colorado Revised Statutes entitled “Investment Funds – Local Government Pooling” whereby any Local Government is authorized to pool any moneys with other Local Government entities in order to take advantage of short-term investment seeking to maximize net interest earnings.
- Recommend LGIP - Colorado Statewide Investment Program (CSIP)
- About CSIP:
 - Members include (among others) Denver Public Schools, Cherry Creek Schools, City and County of Broomfield, Denver Urban Renewal Authority, Summit County
 - Offer both a liquid portfolio and a term portfolio, term portfolio currently offers higher earnings than corresponding treasury yields for same maturity
 - Highest Ratings for both portfolios (AAAm/AAAf)
 - Managed by PFM Asset Management LLC, Overseen by Board of Trustees
 - Appendix includes more detailed information

Resolution to Join CSIP Local Government Investment Pool

Recommendation for Board approval to join pool:

The Board of Directors of Connect for Health Colorado approves, adopts, and joins as a Participant with other Local Governments pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, the Indenture of Trust entitled the “Colorado Statewide Investment Pool” as may be amended from time-to-time, the terms of which are incorporated herein and a copy of which shall be filed with the minutes of the meeting at which this Resolution was adopted.

See full resolution in Appendix.

Appendix

**Resolution of the Board of Directors Regarding:
Colorado Statewide Investment Pool**

- The Colorado Health Benefit Exchange, dba Connect for Health Colorado (“Participant”) desires to join with other Local Governments to pool funds for investment; and
- Pursuant to Article 24, Part 7, (C.R.S.), it is lawful for any Local Government to pool any moneys in its treasury, which are not immediately required to be disbursed, with the same such moneys in the treasury of any other Local Government to take advantage of short-term investments and maximize net interest earnings; and
- The Trust is a statutory trust formed under the laws of the State of Colorado in accordance with the provisions of Parts 6 and 7, Article 24 and Articles 10.5 and 47 of Title 11 of the Colorado Revised Statutes regarding the investing, pooling for investment and protection of public funds.

RESOLVED as follows:

The Board of Directors of Connect for Health Colorado approves, adopts, and joins as a Participant with other Local Governments pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, the Indenture of Trust entitled the “Colorado Statewide Investment Pool” as may be amended from time-to-time, the terms of which are incorporated herein and a copy of which shall be filed with the minutes of the meeting at which this Resolution was adopted.

The undersigned hereby certifies that: Connect for Health Colorado has enacted:

- This Resolution, or
- Another form of Resolution, a copy of which is enclosed and that such Resolution is a true and correct copy of the original which is in my possession.

By: _____
Lorez Meinhold, Board Chair
Connect for Health Colorado

Dated: _____

Attest: _____
Kevin Patterson, CEO
Connect for Health Colorado

Dated: _____

Pool Fact Sheet



INVESTMENT OBJECTIVE

To earn the highest income consistent with preserving principal and maintaining liquidity. The Liquid Portfolio seeks to maintain a stable net asset value of \$1.00 per share and the TERM Portfolio seeks to achieve a net asset value of \$1.00 per share at the stated maturity.

LIQUID PORTFOLIO

A short-term liquid portfolio and cash management vehicle rated AAAm¹ by Standard and Poor's and AAAMmf by Fitch Ratings¹ and permitted as an investment for all local governments under 24-75-701 et seq. of the Colorado Revised Statutes.

TERM PORTFOLIO

A fixed-rate, fixed term portfolio rated AAAf by Fitch Ratings² and permitted as an investment for all local governments under 24-75-701 et. seq. of the Colorado Revised Statutes.

LIQUID PORTFOLIO FACTS

As of June 30, 2022

7-Day Net Yield ³	1.4782%
Monthly Distribution Yield ⁴	1.1754%
Weighted Average Maturity ⁵	29 Days

SERVICE PROVIDERS

Investment Adviser, Administrator and Transfer Agent:
PFM Asset Management LLC

Distributor: PFM Fund Distributors, Inc.

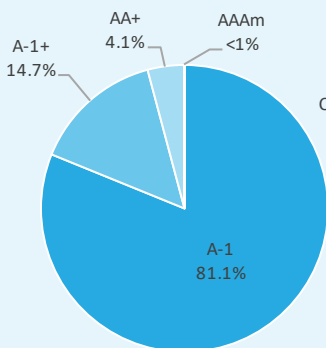
Depository and Custodian: U.S. Bank, N.A.

Independent Registered Public Accounting Firm:
Ernst & Young LLC

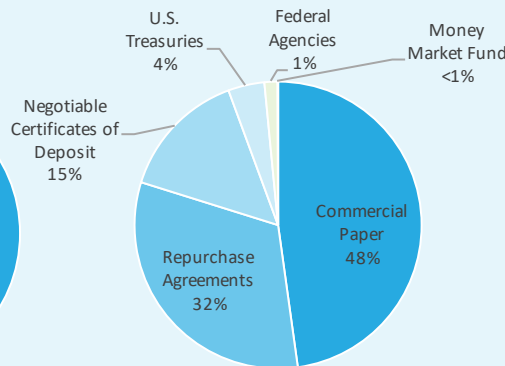
Legal Counsel:
Kutak Rock LLC

Liquid Portfolio Diversification as of June 30, 2022

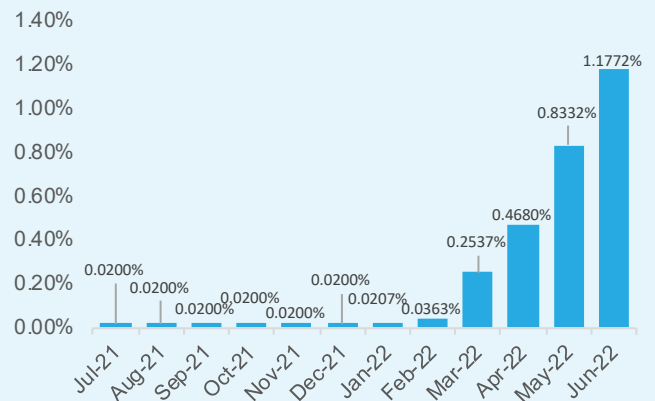
Credit Quality Distribution (Standard & Poor's Fund Ratings)



Sector Composition



Liquid Portfolio Performance (30-Day Net Yield⁶ %)



¹Standard & Poor's fund ratings are based on analysis of credit quality, market price exposure, and management. According to Standard & Poor's rating criteria, the AAA rating signifies excellent safety of investment principal and a superior capacity to maintain a \$1.00 per share net asset value. However, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology, visit Standard & Poor's website (http://www.standardandpoors.com/ratings/en_US/web/quest/home). The AAAMmf rating reflects Fitch Ratings ("Fitch") review of the pool's investment and credit guidelines, credit quality, diversification, and liquidity profile, as well as the capabilities of PFM Asset Management LLC to manage the assets of the pool. The AAAMmf rating assigned to the portfolio indicates an extremely strong capacity to achieve the investment objectives of preserving principal and providing liquidity through limiting credit, market, and liquidity risk. For a full description of rating methodology, visit www.fitchratings.com.

²The AAAf rating reflects Fitch Ratings' ("Fitch") review of the Term program's investment and credit guidelines, the portfolio's credit quality and diversification, as well as the capabilities of PFM Asset Management LLC as investment adviser. It indicates the highest underlying credit quality (or lowest vulnerability to default). However, it should be understood that this rating is not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology visit www.fitchratings.com.

³7-day net yield, also known as the current annualized yield, represents the net change, exclusive of capital charges and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7.

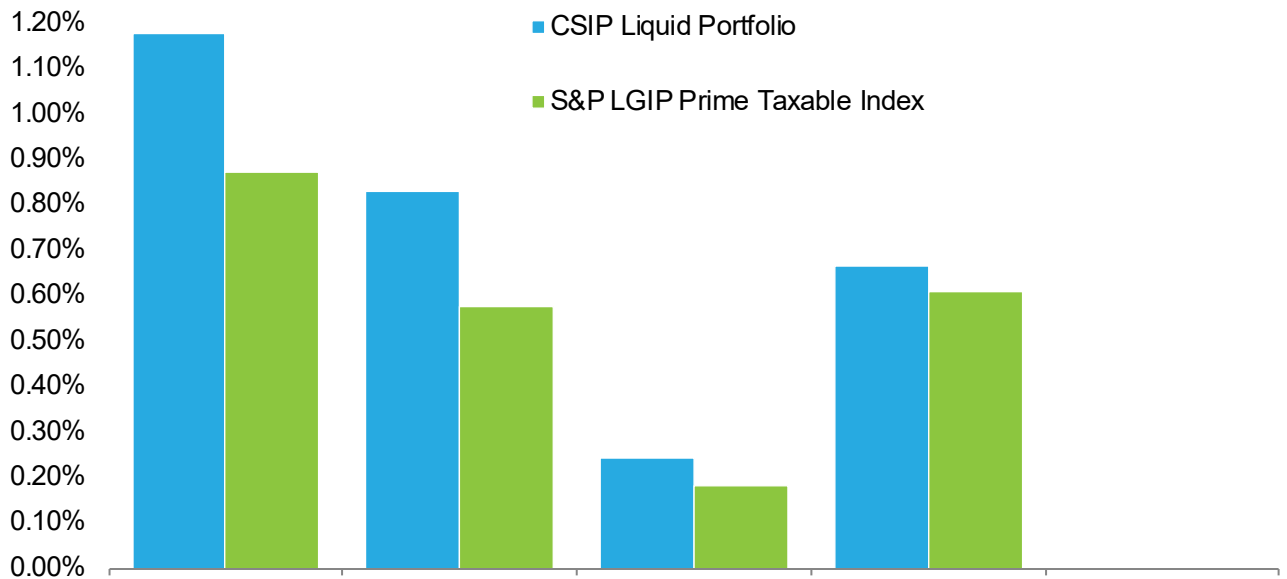
⁴The monthly distribution yield represents the net change in the value of a hypothetical account with a value of one share (normally \$1.00 per share) resulting from all dividends declared during a month by the Pool expressed as a percentage of the value of one share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month.

⁵Weighted Average Maturity: Calculated by the final maturity for a security held in the portfolio and the interest rate reset date. This is a way to measure a fund's sensitivity to potential interest rate changes.

⁶As of the last day of the month. The 30-day net yield represents the net change, exclusive of capital charges and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a thirty-day base period expressed as a percentage of the value of one share at the beginning of the thirty-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 30.



Average Annual Return as of June 30, 2022



	Month	3-Month	1-Year	3-Year	5-Year
CSIP Liquid Portfolio	1.1772%	0.8293%	0.2424%	0.6648%	-
S&P LGIP Prime Taxable Index ¹	0.8700%	0.5748%	0.1814%	0.6076%	-

This material must be preceded or accompanied by an information statement. For a current information statement, which contains more complete information, please visit <http://www.csipinvest.com/> or call 855.274.7468.

¹The S&P LGIP Prime Taxable Index comprises 54 'AAAm' and 'AAm' Rated Government Investment Pools. The S&P LGIP Prime Taxable Index is reported as a seven-day yield on a weekly basis net of fees. The S&P LGIP Prime Taxable Index is not a security in which investors can purchase shares.

Source: https://www.spratings.com/en_US/products/-/product-detail/local-government-investment-pools

Past performance is no guarantee of future results. Yields will fluctuate as market conditions change. The current fund performance may be higher or lower than that cited. The yields shown may reflect fee waivers by service providers that subsidize and reduce the total operating expenses of the Pool. Pool yields would be lower if there were no such waivers.

This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the investment objectives, risks, charges and expenses before investing in any of the Colorado Statewide Investment Pool ("CSIP") portfolios. This and other information about the CSIP's portfolios is available in the current Information Statement, which should be read carefully before investing. A copy of the Information Statement may be obtained by calling 1-855-274-7468 or is available on the CSIP's website at www.csipinvest.com. While the CSIP Liquid Portfolio seeks to maintain a stable net asset value of \$1.00 per share and the CSIP Term Portfolio seeks to achieve a net asset value of \$1.00 per share at the stated maturity, it is possible to lose money investing in the CSIP. An investment in the CSIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the CSIP's portfolios are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is an affiliate of PFM Asset Management LLC.



Investment Program Rates

August 17, 2022

Please Call CSIP Client Services Group with Questions or to Invest at 1.855.274.7468

More Information and Account Access at www.csipinvest.com

Current 7-Day Yield⁽¹⁾

CSIP Liquid Portfolio **2.27%**

CSIP Term Portfolio Rates⁽²⁾

<i>Maturity</i>	<i>Date</i>	<i>Net Rate</i>
90 Days	November	2.93%
120 Days	December	3.18%
150 Days	January	3.13%
180 Days	February	3.33%
210 Days	March	3.40%
240 Days	April	3.43%
270 Days	May	3.48%
300 Days	June	3.43%
330 Days	July	3.43%
365 Days	August	3.48%

CSIP Investment Program Attributes

Liquid Portfolio

- Daily liquidity
- 12:00 noon, Mountain Time, same-day wire transaction deadline
- No account minimum

Term Portfolio

- A variety of investment dates available to meet your specific cash flow needs
- 12:00 noon, Mountain Time, same-day investment deadline
- \$500,000 minimum initial investment, \$100,000 subsequent minimum investment and \$100,000 account minimum
- Automatic sweep of principal and interest into the CSIP Liquid Portfolio

Both portfolios are designed for the investment of:

- Operating Funds
- Construction/Project Funds
- Capital Reserves
- Debt Service and Debt Service Reserve Funds

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1. The current seven-day yield, also referred to as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary. The yields shown above may reflect fee waivers by the Pool's current or prior service providers. When such waivers occur, they reduce the total operating expenses of the Pool, and the Pool's yield would have been lower if there were no such waivers.
2. CSIP Term Portfolio rates are market rates, subject to change and the rates shown are net of applicable advisory fees and other expenses. They are quoted on an actual day basis, interest is simple and payable at maturity. Actual rates, availability, and minimum investment amounts may vary at the time of purchase and are subject to change. Once you place an investment, the rate is fixed for the full term of your investment and there may be a penalty for early redemption. The minimum investment for CSIP Term is \$500,000. A description of the CSIP Term Portfolio is contained in the CSIP Information Statement. The Information Statement contains important information and should be read carefully before investing. Past performance is not indicative of future results.

This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the investment objectives, risks, charges and expenses before investing in any of the Colorado Statewide Investment Pool ("CSIP") portfolios. This and other information about the CSIP's portfolios is available in the current Information Statement, which should be read carefully before investing. A copy of the Information Statement may be obtained by calling 1-855-274-7468 or is available on the CSIP's website at www.csipinvest.com. While the CSIP Liquid Portfolio seeks to maintain a stable net asset value of \$1.00 per share and the CSIP Term Portfolio seeks to achieve a net asset value of \$1.00 per share at the stated maturity, it is possible to lose money investing in the CSIP. An investment in the CSIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the CSIP's portfolios are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is an affiliate of PFM Asset Management LLC.

Colorado Statewide Investment Pool - CSIP Liquid

Portfolio

Principal Stability Fund Ratings Definitions

AAAm A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings

AAm A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Am A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories

BBBm A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

BBm A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

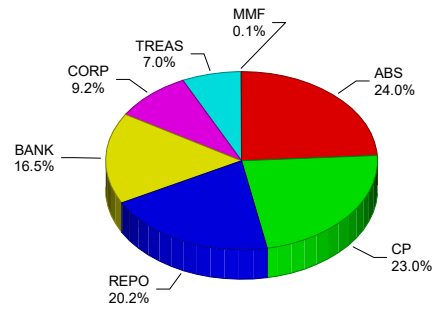
Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

Plus (+) or Minus (-)
The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

About the Pool

Pool Rating **AAAm**
Pool Type Stable NAV Government Investment Pool
Investment Adviser PFM Asset Management LLC
Phone 1-855-274-7468
Website www.csipinvest.com
Portfolio Manager Jeffrey Rowe, CFA
Pool Rated Since May 2017
Custodian U.S. Bank, N.A.
Distributor PFM Fund Distributors, Inc.

Portfolio Composition as of March 31, 2022



ABS - Asset-backed security; CP - Commercial Paper; REPO - Repurchase Agreement; BANK - Bank Deposits; CORP - Corporate; TREAS - Treasury; MMF - Money Market Fund

Rationale

Colorado Statewide Investment Pool – CSIP Liquid Portfolio is rated 'AAAm' by S&P Global Ratings. The rating is based on S&P Global Ratings' analysis of the portfolio's credit quality, investment policies, market price exposure, and management. The rating signifies our forward-looking opinion about a fixed-income fund's ability to maintain principal value (i.e., stable net asset value, or 'NAV').

Overview

The Colorado Statewide Investment Pool (CSIP) is a statutory trust organized pursuant to the provisions of Article 75, Title 24, Part 7 of Colorado Statutes. CSIP provides professional investment services designed specifically to meet the cash management needs of Colorado governments, including counties, municipalities, school districts and special districts. CSIP's goal is to help local governments achieve their objectives of safety, liquidity, and competitive returns.

Management

The Colorado Statewide Investment Pool - CSIP Liquid Portfolio is managed by PFM Asset Management LLC (PFMAM), a subsidiary of U.S. Bancorp Asset Management, Inc. through acquisition as of December 7, 2021. As the fund's investment adviser and administrator, PFMAM is responsible for the purchase and sale of all portfolio assets. PFMAM is registered with the SEC under the Investment Advisers Act of 1940 and specializes in creating investment strategies and managing funds for public sector, not-for-profit and other institutional clients.

Portfolio Assets

CSIP Liquid Portfolio seeks to provide participants with as high a level of current income as is consistent with preserving principal and maintaining liquidity. Fund management expects the fund to maintain a maximum dollar-weighted average maturity of 60 days or less, and all investments will have a maximum maturity of 397 days or less, except for certain adjustable-rate government securities. Eligible investments include securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities; corporations; commercial paper; municipal bonds; certificates of deposits; time deposits; 'AAAm' rated open-end mutual funds; and repurchase agreements.

S&P Global Ratings Analyst: Wendy Immerman - 1 (212) 438 5052

www.spratings.com

Participants should consider the investment objectives, risks and charges and expenses of the pool before investing. The investment guidelines which can be obtained from your broker-dealer, contain this and other information about the pool and should be read carefully before investing.

Colorado Statewide Investment Pool — CSIP TERM Portfolio

Full Rating Report

Pool Characteristics

Fitch Rating	AAAf
Investment Advisor	PFM Asset Management LLC (PFMAM)
Objective	To provide an investment subject to pre-set redemptions occurring from 60 days to one year from the time of investment and that will produce the highest earnings consistent with maintaining principal at maturity and meeting the redemption schedule.

Key Rating Drivers

High-Quality Credit Portfolio: The Colorado Statewide Investment Pool (CSIP, or the pool) TERM Series invests in highly rated securities including U.S. Treasury and U.S. government agency securities, CDs and CP. Other securities permitted by the term portfolio's investment policy include municipal obligations, repurchase agreements and government money market funds. Securities are rated at least 'A'/F1 by Fitch Ratings or equivalent. Investments in the term portfolio are designed to comply with Section 24-75-601 et. seq. of Colorado Revised Statutes as well as additional standards set by PFMAM.

Stable Investor Base: The portfolio is managed by PFMAM on behalf of the portfolio's participants. The term portfolio consists of moneys deposited by Colorado local governments and agencies, instrumentalities and political subdivisions thereof.

Matched Cash Flows: The term portfolio is a fixed-rate, fixed-term portfolio with a maximum term of one year. The term program is designed to meet the cash flow requirements of investors with the cash flows from the portfolio. The program consists of multiple series with staggered termination dates. Individual series typically terminate within two years of inception.

The maturity profile of each term portfolio is managed to meet pre-set redemptions of the portfolio's participants. Upon investing in the program, a participant selects a planned maturity date on which the portfolio seeks to produce a share price of at least \$1.00 for the participant that redeems on said date. Participants may request premature redemption, but the portfolio may charge significant penalties for any redemption prior to the agreed-upon redemption date, and net asset value may be more or less than \$1.00 per share.

Capable Investment Advisor: The portfolio is managed by PFMAM, a member of the PFM Group of companies. PFMAM is registered with the SEC under the Investment Advisers Act of 1940 and specializes in creating investment strategies and managing funds for public sector, not-for-profit and other institutional clients. The firm is based in Harrisburg, PA, and, when including affiliates, has more than 35 years' experience in managing high-quality portfolios.

Oversight Decreases Operational Risk: Portfolio oversight and operational controls are consistent with the assigned rating. The investment policy of the portfolio is reviewed and approved at least annually by the pool's board of trustees. A majority of board members are elected by the pool's investors. PFMAM's internal compliance department provides review and independent oversight of the portfolio. The chief compliance officer reports directly to the PFM group board. Each term portfolio is also subject to annual financial statement audits by an independent certified public accounting firm.

Industry Standard Administration and Systems: PFMAM uses appropriate systems for investment, administration, portfolio management and trading. Processes provide decisionmaking tools for risk analysis and investment allocation tools.

Rating Rationale: CSIP TERM Series is rated 'AAAf' by Fitch. The 'AAAf' Fund Credit Quality Rating reflects the investment portfolio's vulnerability to losses as a result of defaults in its bond holdings and is based on the actual and expected average credit quality of the portfolio's investments. Fitch's evaluation of the term portfolios also considered the management and operational capabilities of PFMAM and the legal and regulatory framework under which the portfolio operates.

Analysts

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Related Criteria

[Global Bond Fund Rating Criteria \(August 2016\)](#)

Operational Assessment

✓ Pass

● Attention Required

X Fail

Service Providers

Investment Manager	✓	PFM Asset Management LLC.
Auditor	✓	The portfolio is subject to an annual external financial audit performed by an independent certified public accounting firm. Ernst & Young LLP currently serves as the independent auditor of the portfolio.

Investments

Composition	✓	The portfolio invests in highly rated securities including U.S. treasury securities, U.S. government agency securities, CDs and CP. Other securities permitted by the program's investment policy may include municipal obligations, repurchase agreements and government money market funds. Securities are rated at least 'A'/F1 by Fitch or equivalent.
Maturity	✓	The maturity profile is managed to meet pre-set redemptions of the portfolio's participants. Upon investing in the program, a participant selects a planned maturity date on which the portfolio seeks to produce a share price of at least \$1.00 for the participant that redeems on said date.

Regulation and Governance

Governance	✓	CSIP is governed by the pool's board of trustees. The trustees oversee the actions of all service providers, professional advisers and consultants to the portfolio and decides on general policies. A majority of members of the board of trustees are elected by the pool's investors. Regular reports are provided to the board.
Control Framework	✓	Compliance controls are in place to ensure adherence with investment guidelines.

Disclosure and Transparency

Level of Disclosure	✓	Good level of transparency: the program's website contains financial reports, investment policy and information on other policies pertinent to portfolio management.
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Operations

Pricing Responsibility	✓	U.S. Bank National Association serves as the custodian and depository bank for the portfolio. PFAM uses Bloomberg AIM for pre-trade checks.
Technology	✓	Appropriate and integrated portfolio management system.

Managing public/nonprofit funds since 1980

- SEC-registered investment advisor
- 237 investment professionals in 35 offices and locations nationwide¹

Company culture based on:

- High ethical standards
- Fiduciary duty to our clients
- Compliance and transparency
- Stewardship of public resources

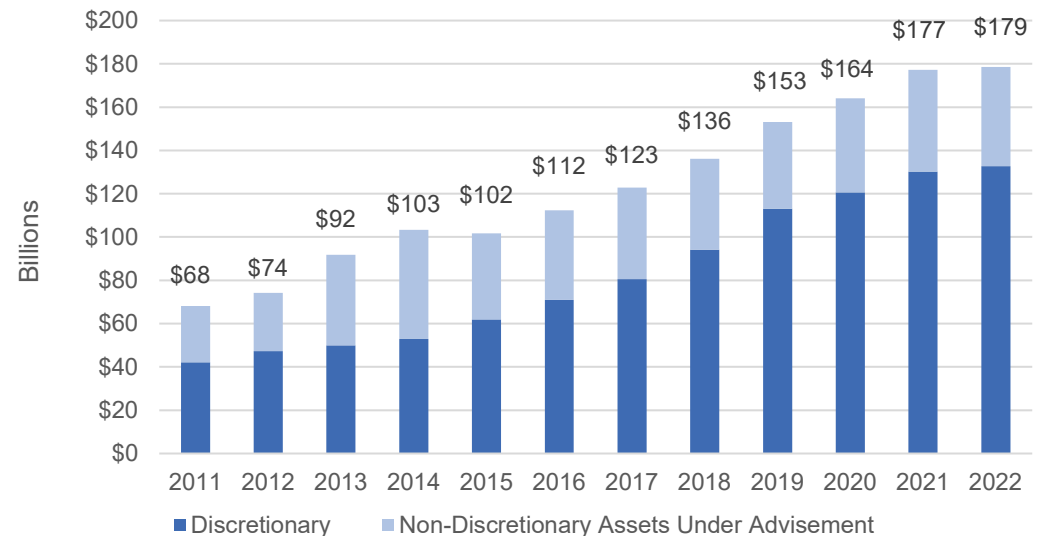
Specialties

- High-grade short and intermediate fixed income
- Operating funds, bond redemption funds, and bond proceeds

Culture of risk management

- Extensive focus on credit research
- Avoided defaulted credits, SIVs, subprime mortgages, CDOs, auction-rate securities during credit crisis

Total Assets



1. Assets and employee counts as of 3/31/22

National Experience with Investment Programs

