

Investing College Operating Funds in Today's Uncertain Market

ICCCFO Fall Conference

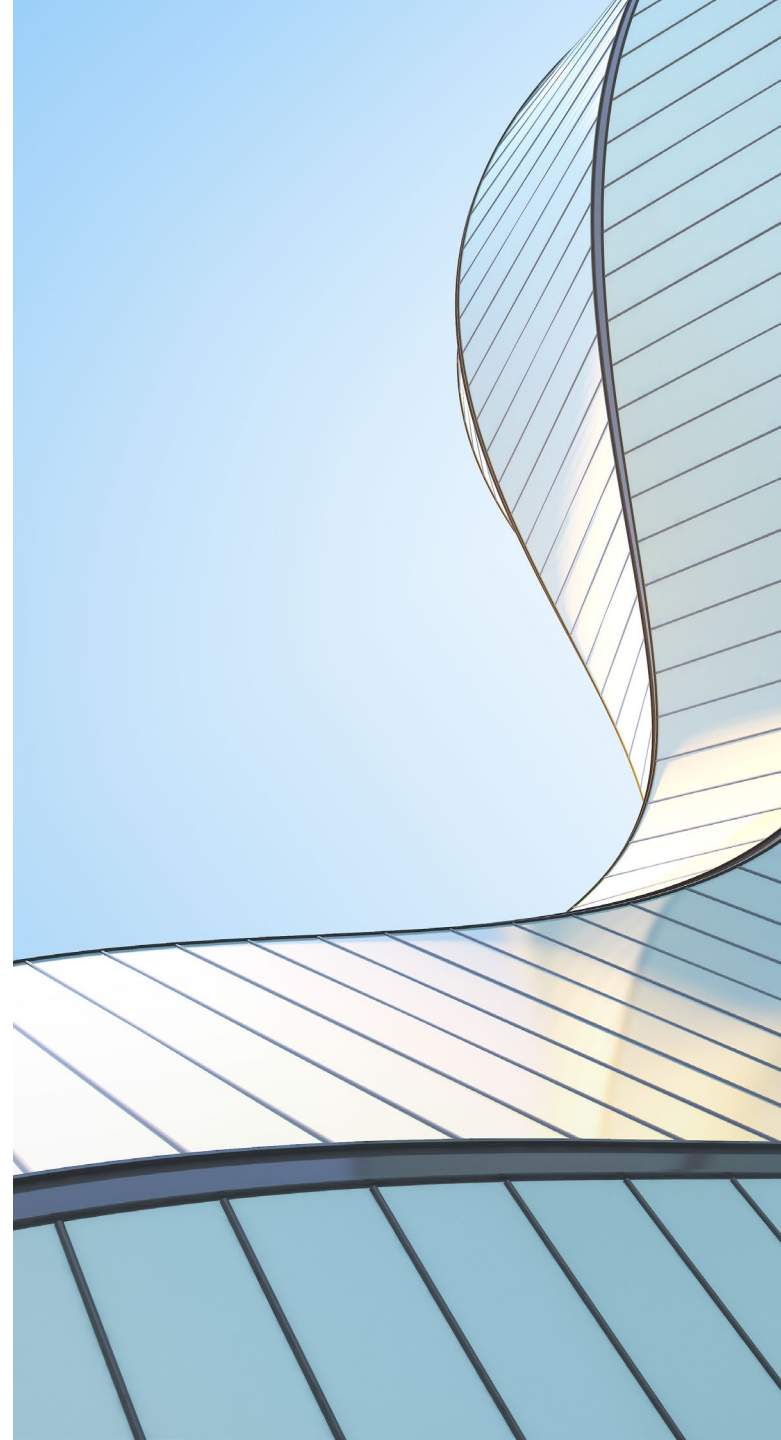
October 1, 2025

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Market Update



Potential Areas of Policy Uncertainty



Taxes

Lower generally taxes viewed as positive for growth but negative for the deficit



Tariffs

Uncertainty surrounding the scope and scale of tariff policy



Immigration

Tighter border policy may have adverse impacts on the labor market



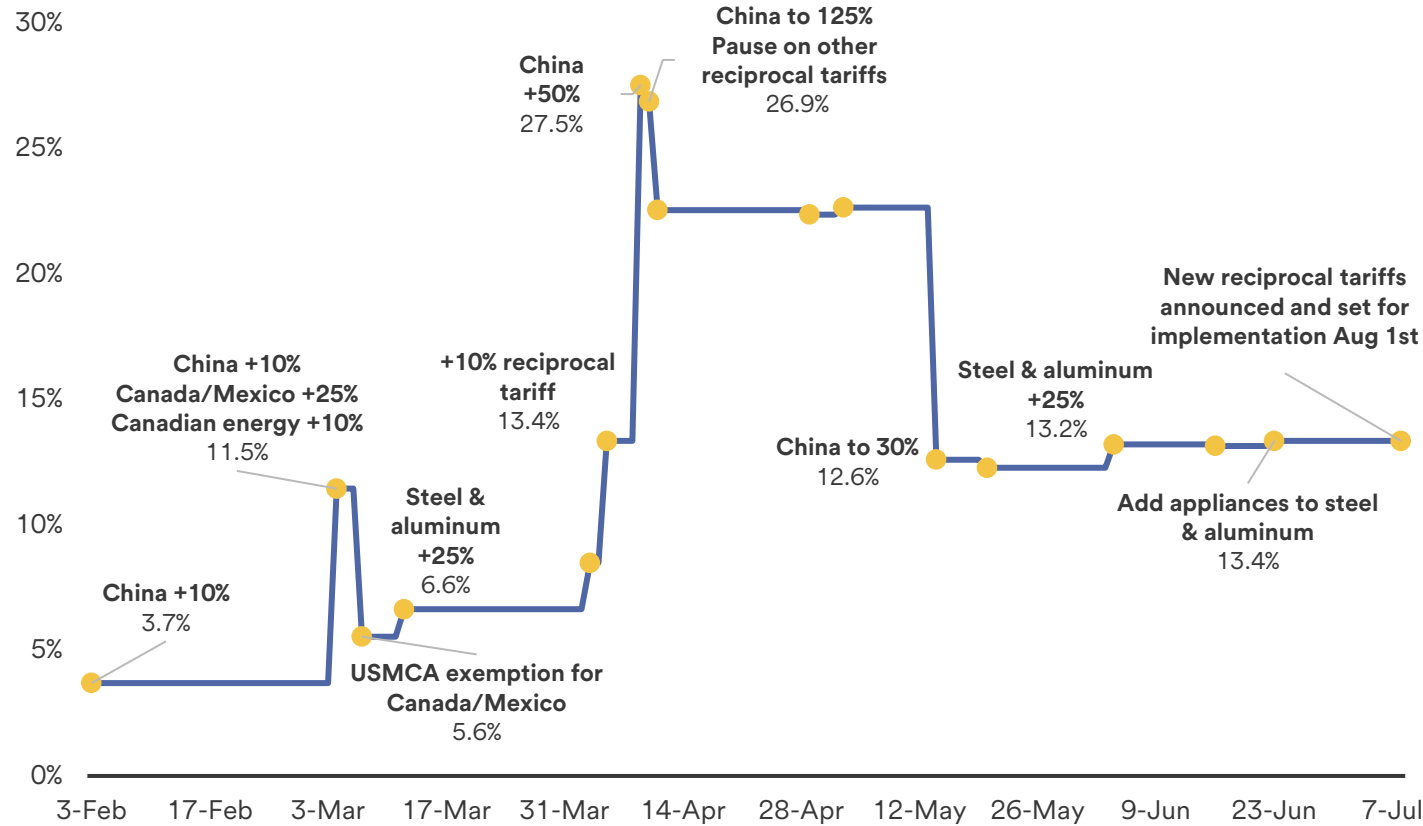
Regulation

Easing regulation is generally viewed as positive for growth

Uncertainty Remains Exceptionally High

Effective Tariff Rate

Select Activity from February 3, 2025 to July 8, 2025



Fiscal Policy Adds to Uncertainty



Budget/Spending



Tax Reform



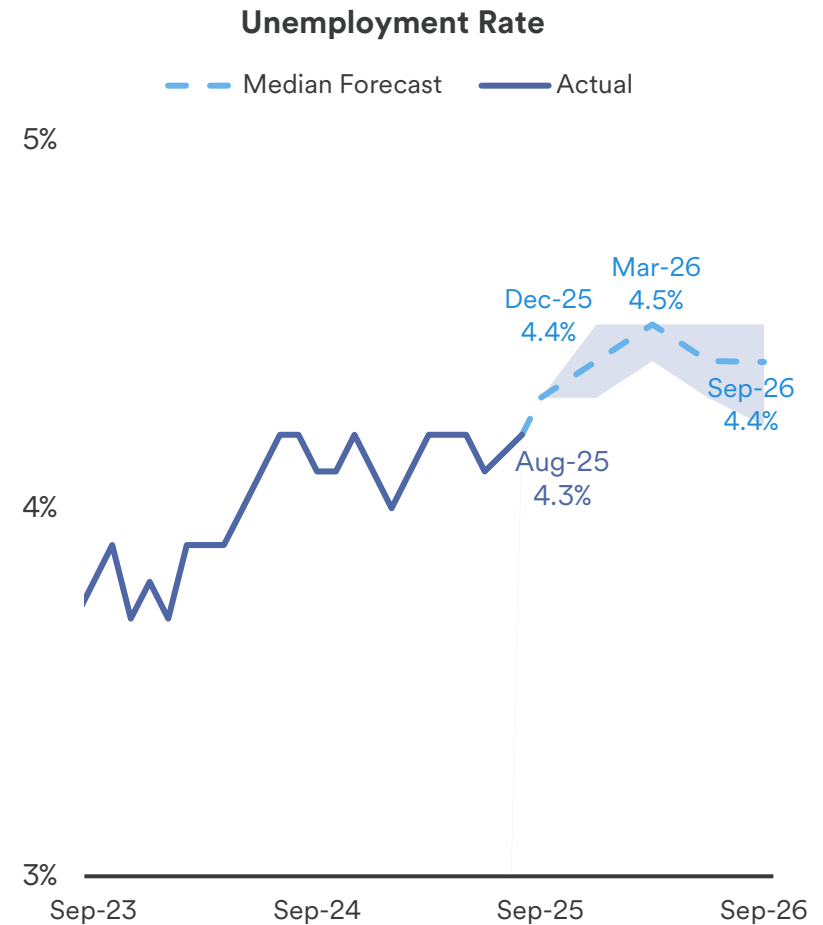
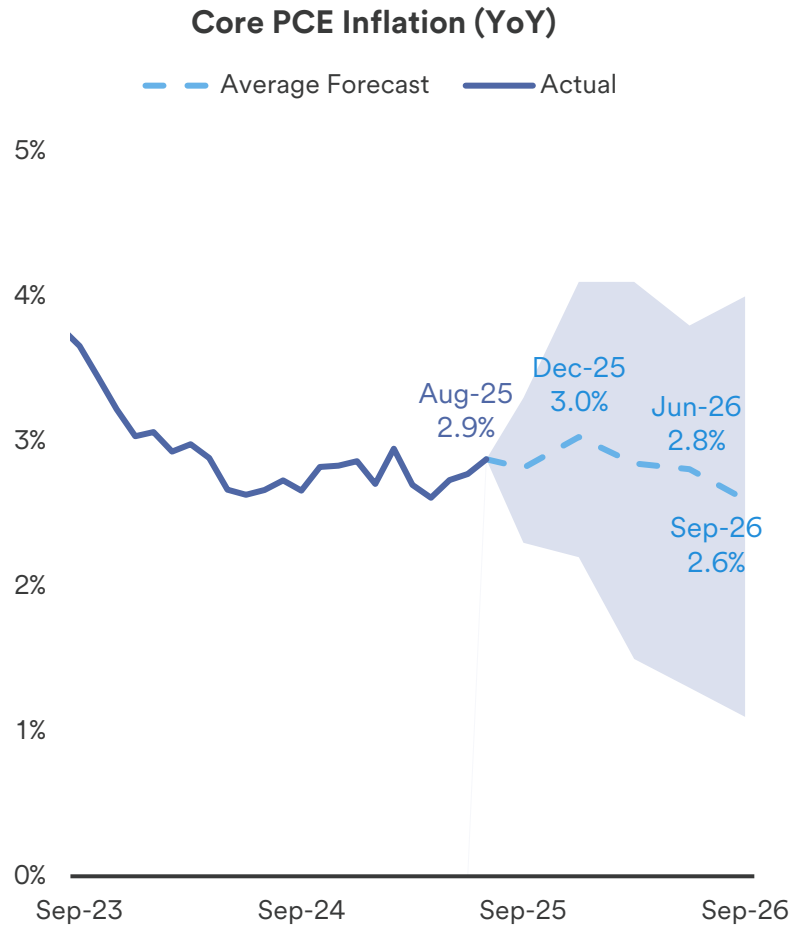
Funding Freezes



Debt Ceiling

Source: Bloomberg Finance L.P. as of July 8, 2025. Yellow dots represent activity impacting effective tariff rate.

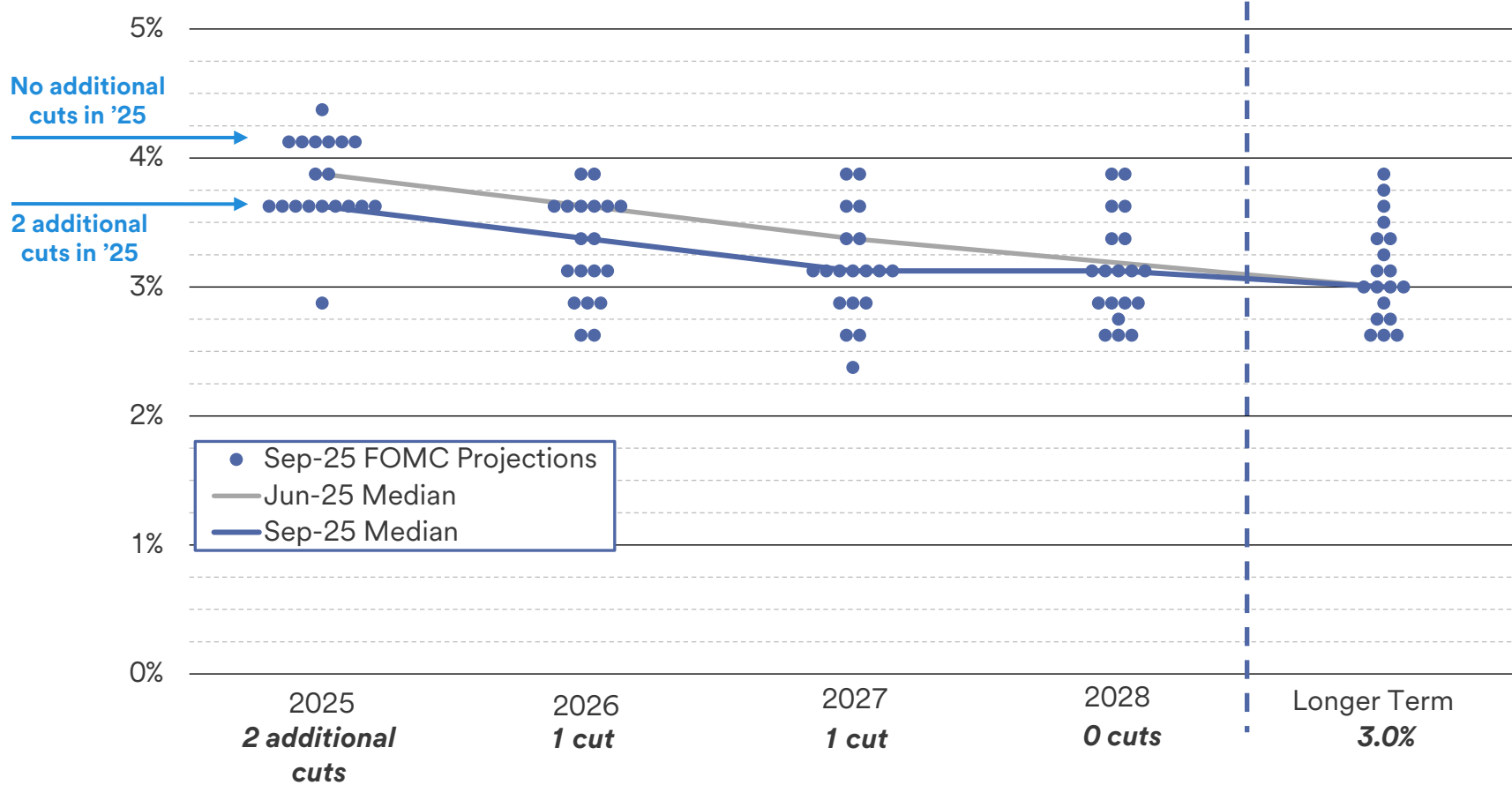
The Fed's Dual Mandate Gets More Complicated



Source: Bureau of Economic Analysis, and Bloomberg Finance L.P., as of August 2025 (left). Bureau of Labor Statistics, and Bloomberg Finance L.P., as of August 2025 (right). Data is seasonally adjusted. Survey responses after August 29, 2025, included in median and forecast range. Forecast range shown is the 75th and 25th percentile of responses.

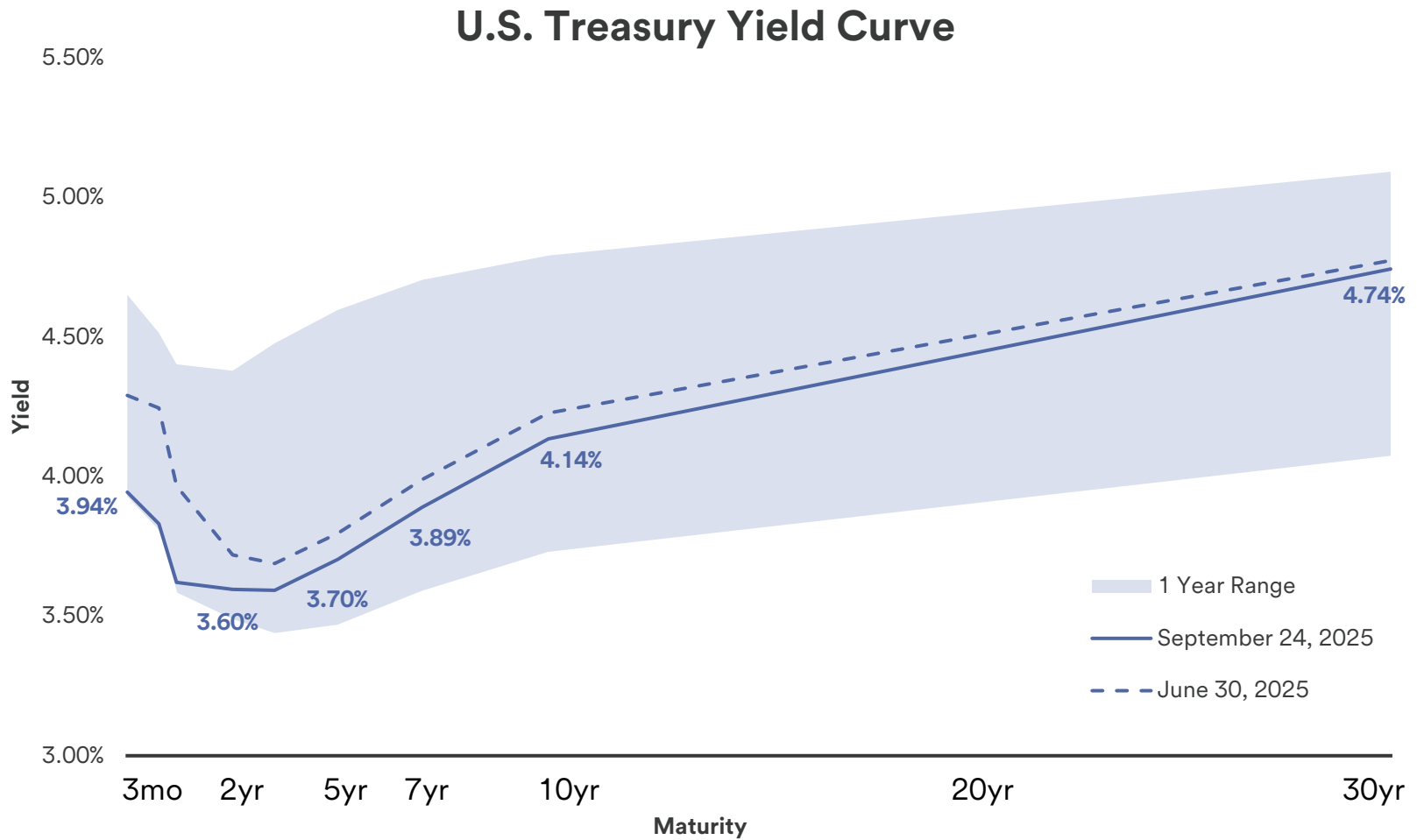
The Latest Fed “Dot Plot”

Fed Participants' Assessments of 'Appropriate' Monetary Policy



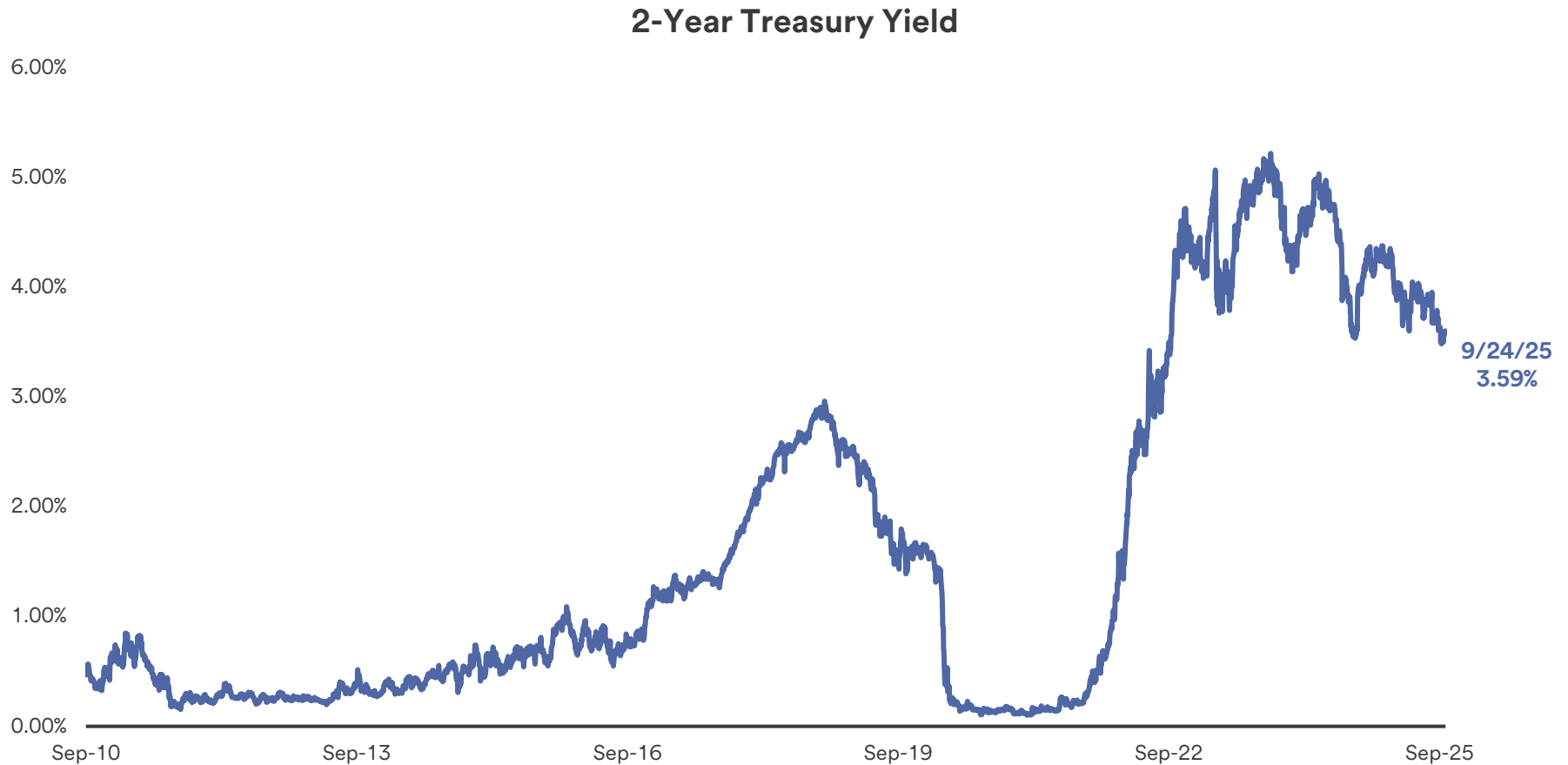
Source: Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of September 2025.

Treasury Curve



Source: Bloomberg Finance L.P., as of September 24, 2025.

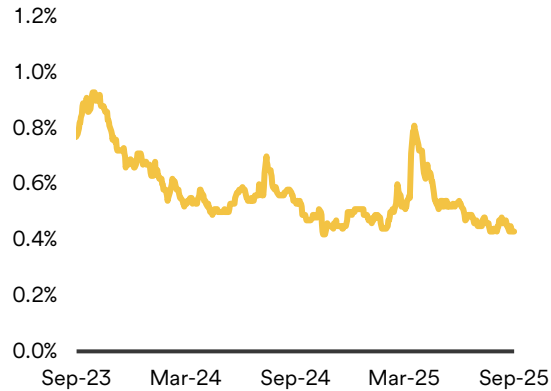
2-Year Treasury Yield Over Last 15 Years



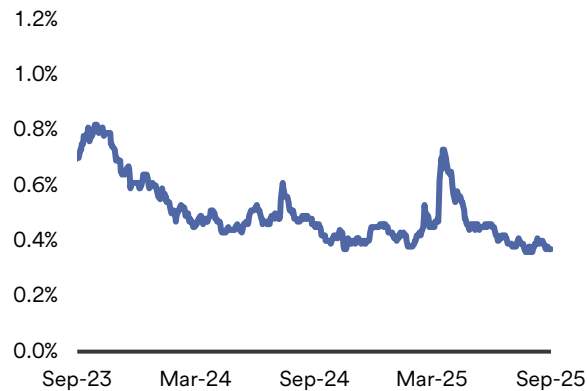
Source: Bloomberg Finance L.P. as of September 24, 2025.

Sector Yield Spreads

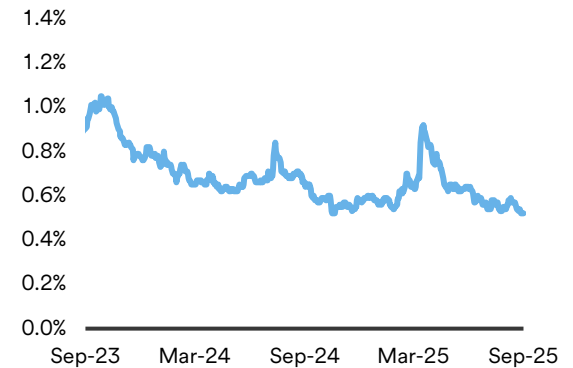
1-5 Yr. AAA-A Corp



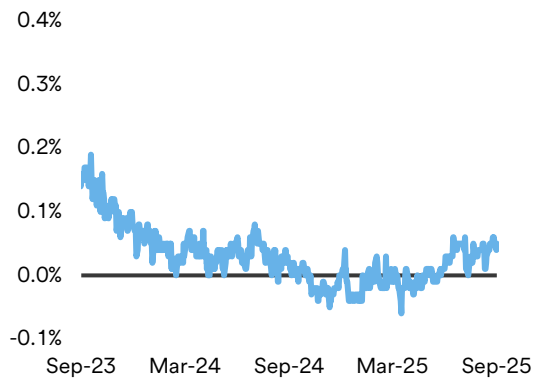
1-3 Yr. AAA-A Corp



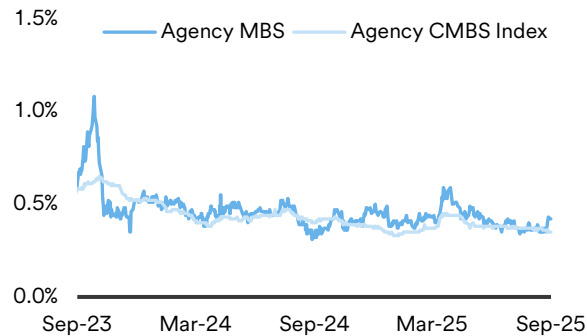
1-10 Yr. AAA-A Corporate



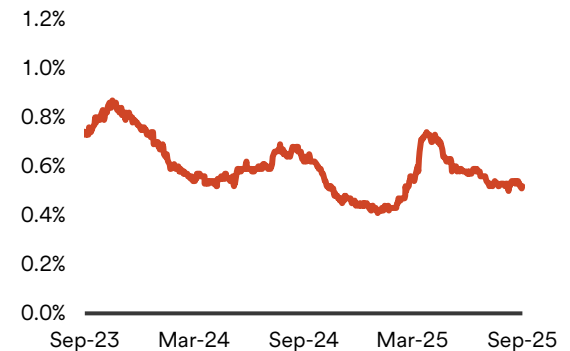
Federal Agency Yield Spread



Mortgage-Backed Securities Yield Spreads



Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA Indices via Bloomberg Finance L.P., MarketAxess and PFMAM as of 9/23/2025. Spreads on Agency, ABS, and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

Investment Strategy Considerations



Key Investment Objectives



Safety
of principal



Liquidity
to provide for
upcoming needs

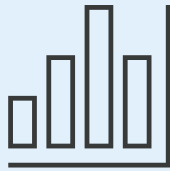


Yield
for competitive
returns

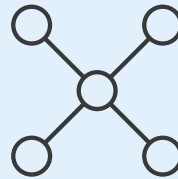
But how do you design an investment strategy to meet these objectives in varying market conditions?



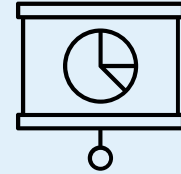
Key Pillars of Investment Strategy Development



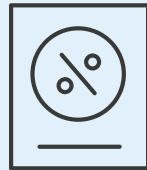
**Cash Flow
Analysis**



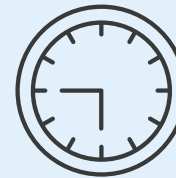
**Portfolio
Segmentation**



Diversification



**Reporting
Total Return**



**Disciplined
Long-Term Strategy**

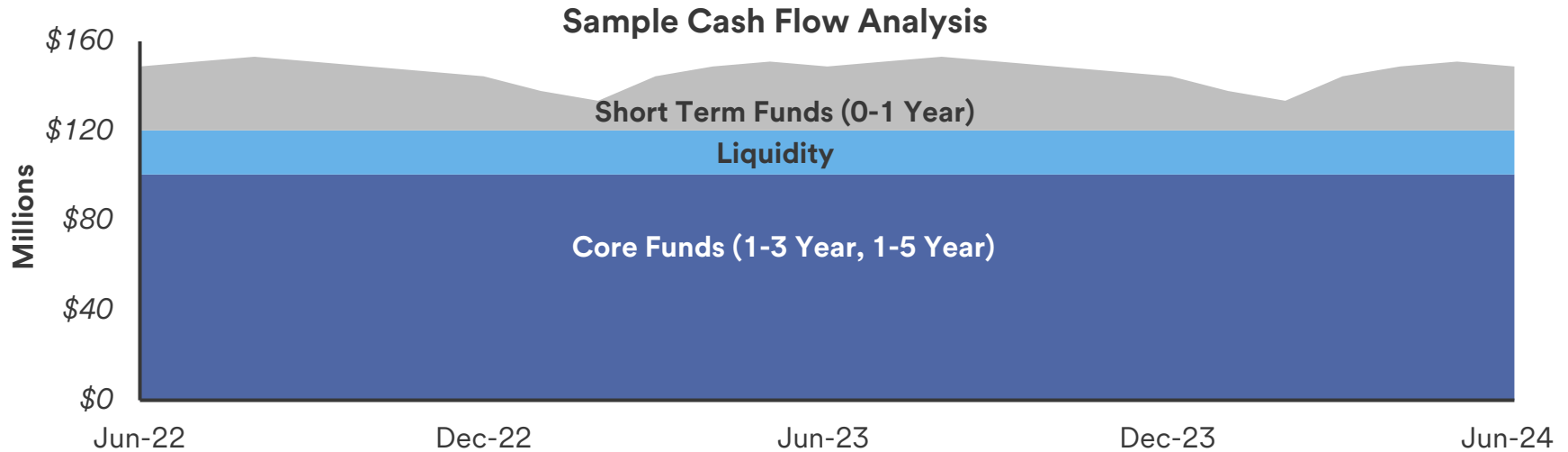
Permitted Investments

- Define in Investment Policy
- Complies with the Illinois Public Funds Investment Act (30 ILCS 235)
 - Recently Amended, Effective 1/1/2025
- Can set diversification limits
 - Term
 - Sector
 - Credit Quality

| Sector | Allowed |
|-----------------------------------|---------|
| Bank Accounts | Yes |
| Local Government Investment Pools | Yes |
| Certificates of Deposit | Yes |
| U.S. Treasuries | Yes |
| U.S. Agencies | Yes |
| Instrumentalities (Supras) | Yes |
| Agency Mortgage-Backed | Yes |
| Municipal Bonds | Yes |
| Commercial Paper | Yes |
| Corporate Notes | Yes |
| Corporate Bond Fund | Yes |
| Equities | NO |



Conduct Cash Flow Analysis to Optimize Portfolio Segmentation



Short-Term Funds

- Laddered investments to known and expected cash flows
- High-quality fixed income

Liquidity

- Cash and cash equivalents, providing immediate access
- Highly liquid for daily needs and unforeseen expenditures

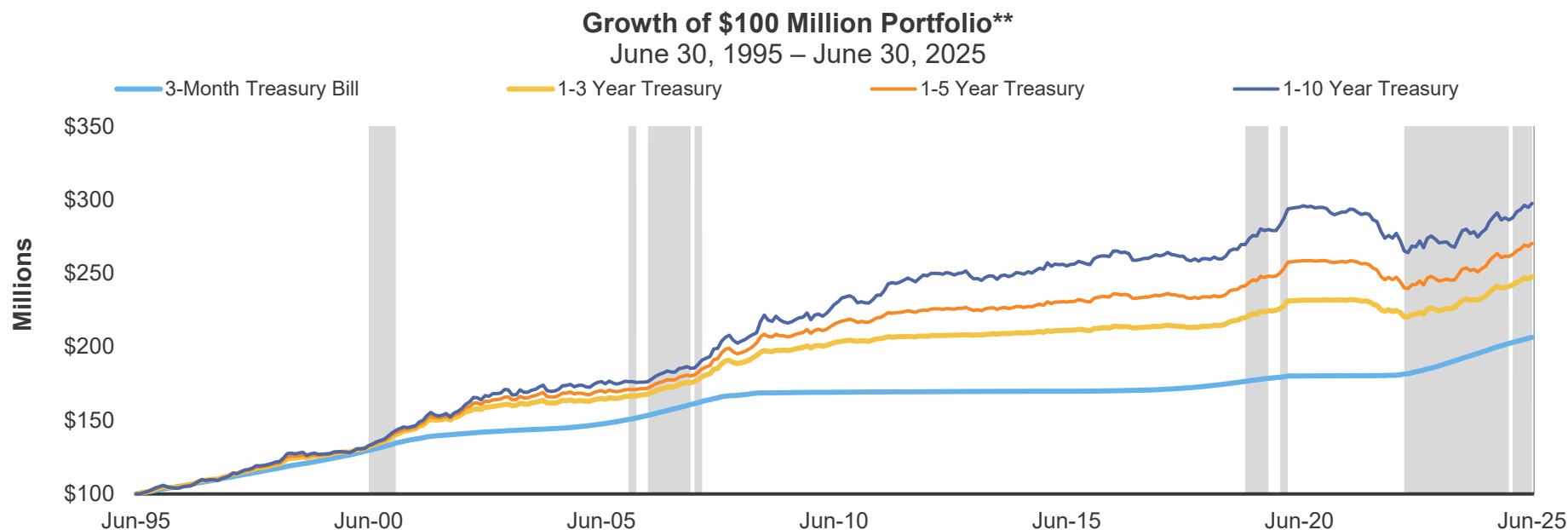
Core

- Reserve funds not expected to be spent for the foreseeable future
- Intermediate- and longer-term investments



For illustrative purposes only.

Longer Duration Portfolios Have Historically Outperformed



| 30 Years Ended June 30, 2025 | | | | |
|------------------------------|------------------|-------------------------|-----------------------------------|-------------------------------|
| Indexes | Duration (years) | Annualized Total Return | Cumulative Value of \$100 Million | Quarters with Negative Return |
| 3-Month Treasury | 0.23 | 2.44% | \$206,513,758 | 1 out of 120 |
| 1-3 Year Treasury | 1.84 | 3.07% | \$247,829,983 | 20 out of 120 |
| 1-5 Year Treasury | 2.55 | 3.37% | \$270,361,779 | 30 out of 120 |
| 1-10 Year Treasury | 3.57 | 3.70% | \$297,552,640 | 39 out of 120 |

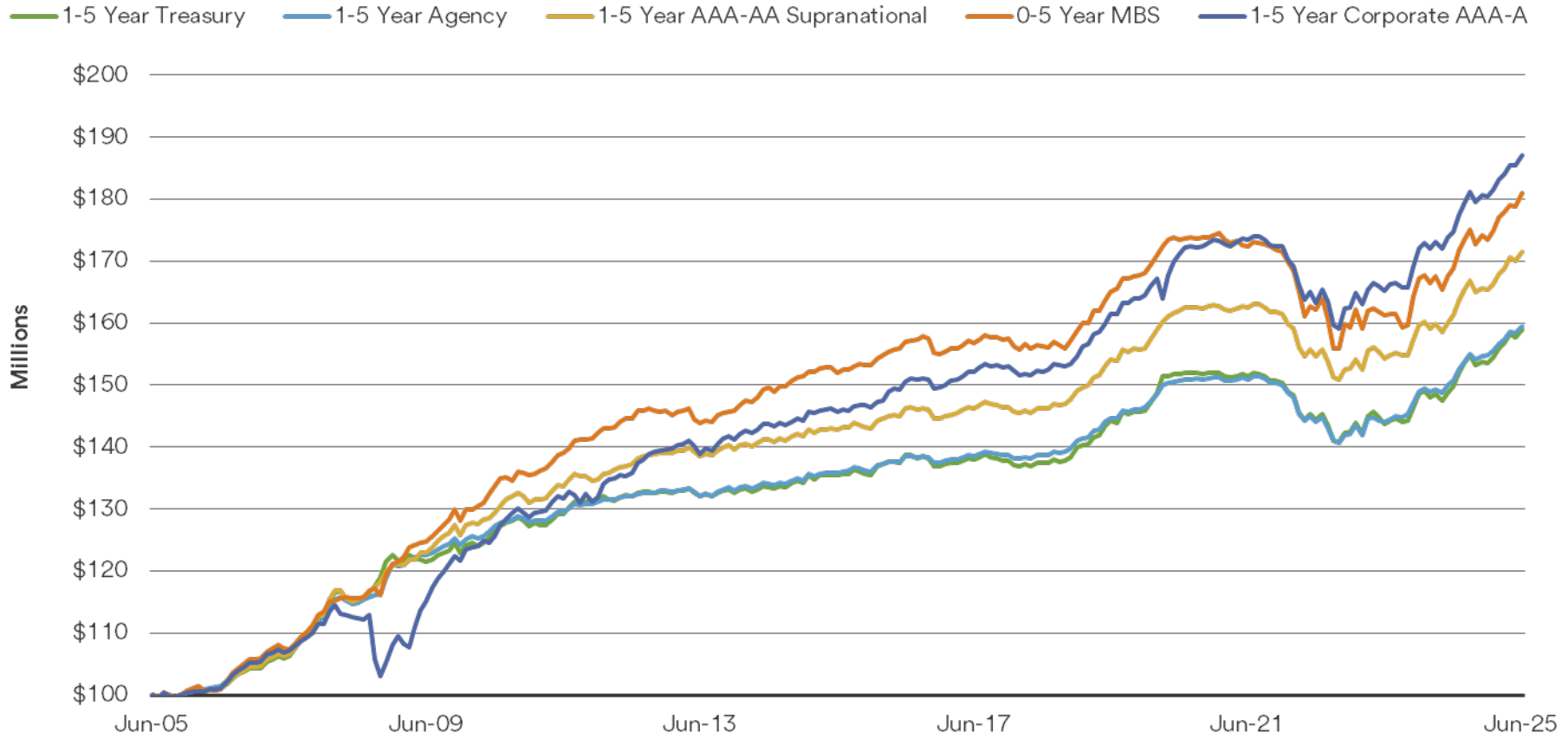
Sources: Bloomberg; ICE BofA Indexes; S&P LGIP 30-Day Government Net Yield.

¹Shaded regions in the growth chart refer to time periods in which the yield curve, between the 3-Month and the 10-Year Treasury, was inverted – defined by short-term interest rates being higher than long-term interest rates of the same or similar securities.

It is not possible to invest directly in such an index. Please see additional notes and disclosures at the end of this presentation.

Non-Government Securities Historically Outperform

Growth of \$100 Million Portfolio
June 30, 2005 - June 30, 2025



Sources: Bloomberg; ICE BofA Indexes. Growth rates are annualized.
It is not possible to invest directly in an index. Please see disclosures at the end of this presentation.

Sample Credit Screening Process

Credit Research Process

Idea Generation

- Trading Desk
- Credit Research Team
- Portfolio Managers

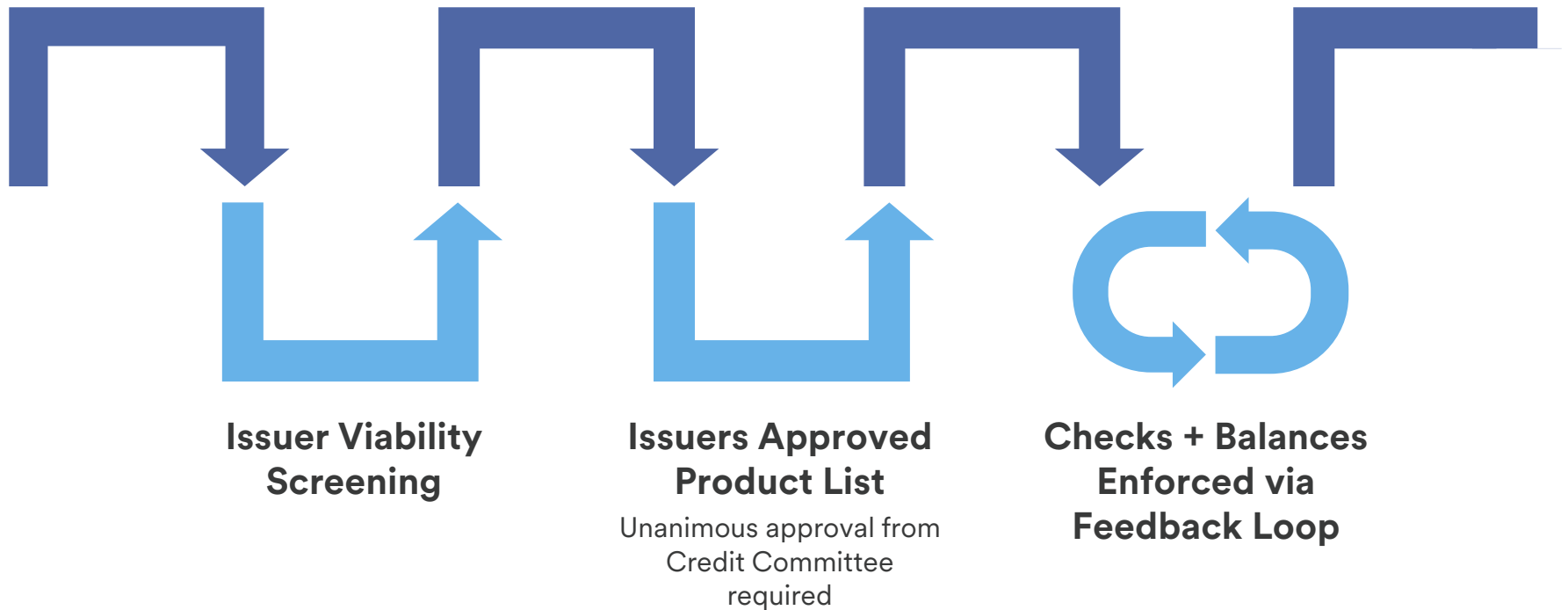
Detailed Analysis by Credit Analyst

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



Case Study – College of DuPage



| Portfolio Characteristics |
|--|
| <ul style="list-style-type: none">• 1-3 Yr. U.S. Treasury Index |
| Eligible Investments |
| <ul style="list-style-type: none">• U.S. Treasuries• U.S. Government Agencies including mortgage-backed securities and commercial mortgage-backed securities• Supranationals• Municipal obligations• Corporate obligations including bonds, notes, and commercial paper• Money market funds• Local government investment pools |
| Minimum Ratings Requirements |
| <ul style="list-style-type: none">• A+ / A1 (by at least two NRSROs) minimum long-term rating (corporates)• A1 / P1 (by at least two NRSROs) minimum short-term rating (corporates)• BBB / Baa minimum long-term rating (municipals) |

Investments for this representative portfolio are managed to the portfolio guidelines and eligible investment requirements may differ from those of the benchmark. 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.

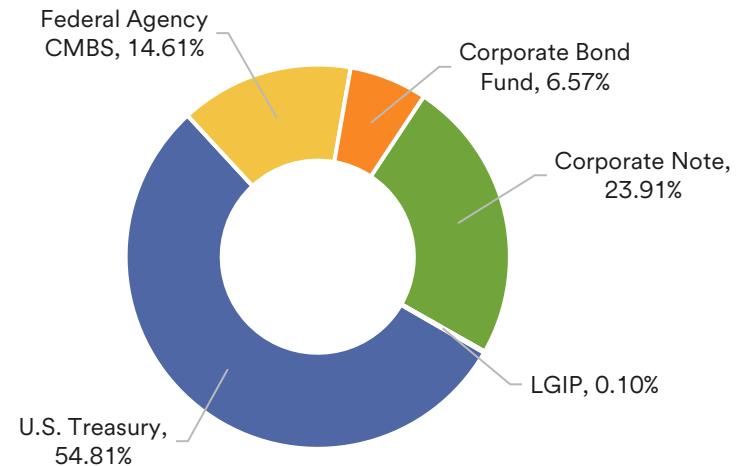
The broad investment guidelines portrayed are a distillation of a comprehensive investment policy and are not meant to represent the investment guidelines in entirety. Investment decisions may be made based on the listed criteria and/or other criteria that are not expressly identified in this presentation. A representative portfolio's actual guidelines contain additional directives regarding portfolio characteristics, eligible investments, minimum ratings and concentration limits that may or may not have an impact on portfolio performance. Representative portfolios are selected based on criteria such as: size of the portfolio and length of its track record, asset allocation, portfolio structuring, risk parameters, liquidity constraints and time horizon that are typical to the composite's investment approach.



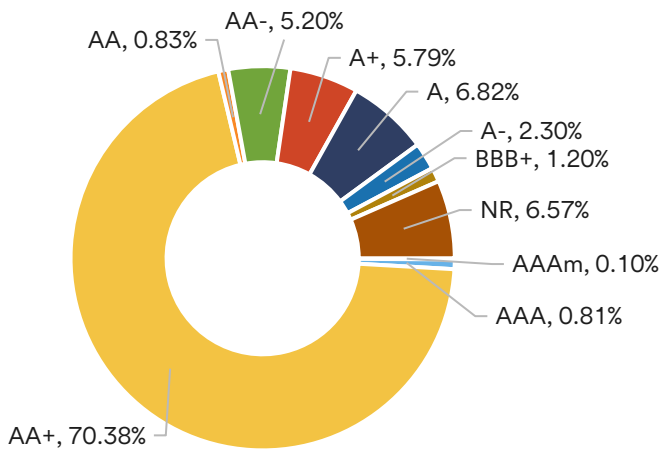
Portfolio Snapshot (1-3 Year Strategy)

| Portfolio Statistics | |
|------------------------------|-----------------------------|
| Total Market Value* | \$213,103,861 |
| Portfolio Effective Duration | 1.74 years |
| Benchmark Effective Duration | 1.76 years |
| Yield to Maturity at Cost | 4.33% |
| Yield to Maturity at Market | 3.96% |
| Benchmark | 1-3 Yr. U.S. Treasury Index |

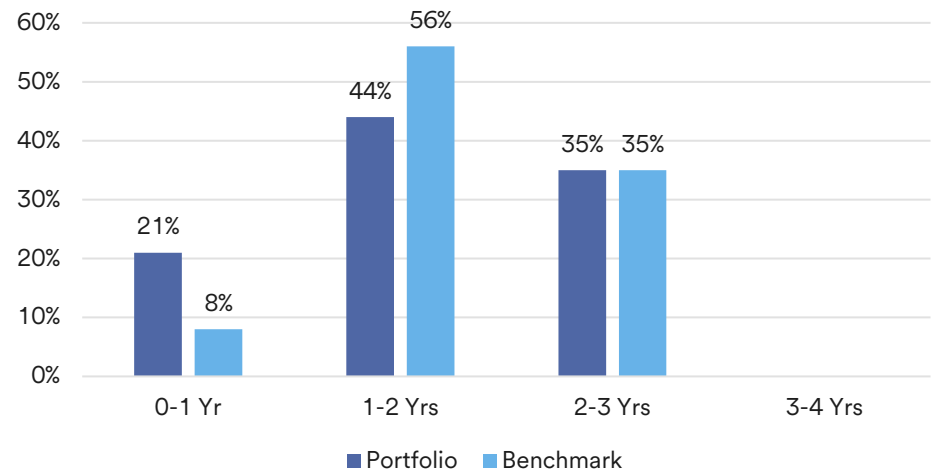
Sector Allocation



Credit Quality



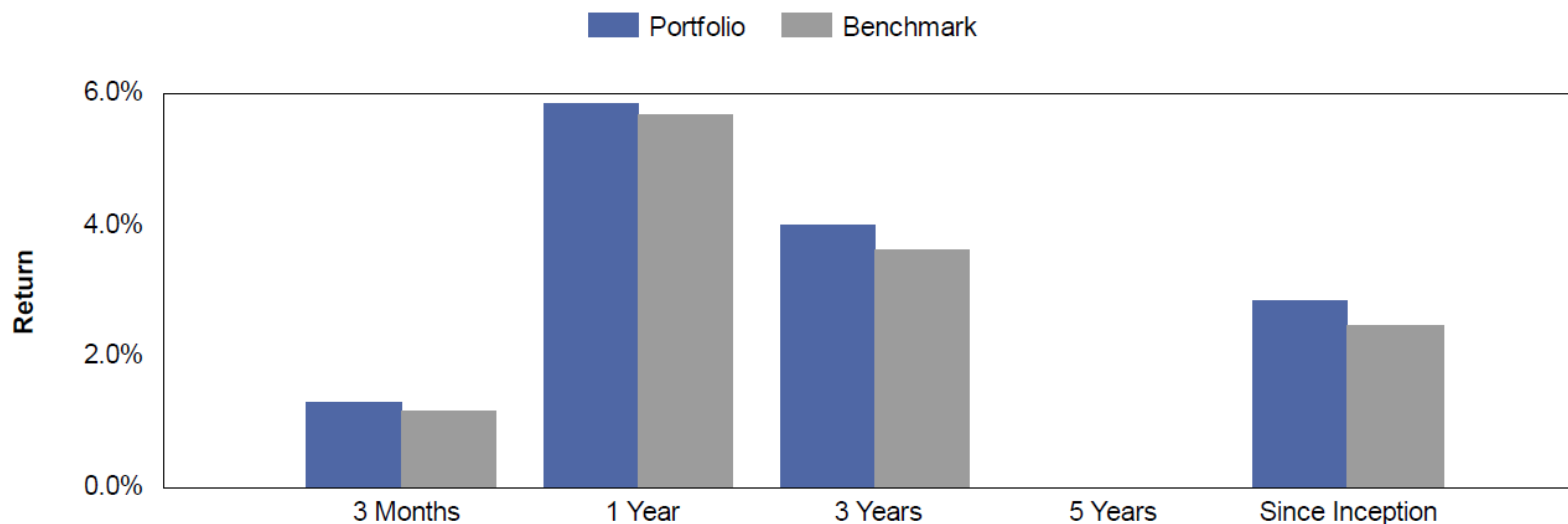
Duration Distribution



*As of June 30, 2025. Includes accrued interest.

Performance Summary (1-3 Year Strategy)

Portfolio Performance



| Market Value Basis Earnings | 3 Months | 1 Year | 3 Years | 5 Years | Since Inception ¹ |
|---------------------------------|--------------------|---------------------|---------------------|----------|------------------------------|
| Interest Earned ² | \$2,127,108 | \$8,590,508 | \$19,072,978 | - | \$19,992,018 |
| Change in Market Value | \$673,066 | \$4,228,398 | \$7,384,246 | - | \$793,668 |
| Total Dollar Return | \$2,800,174 | \$12,818,906 | \$26,457,224 | - | \$20,785,686 |
| Total Return³ | | | | | |
| Portfolio | 1.31% | 5.84% | 3.99% | - | 2.85% |
| Benchmark ⁴ | 1.18% | 5.68% | 3.62% | - | 2.48% |
| Difference | 0.13% | 0.16% | 0.37% | - | 0.37% |

As of June 30, 2025. The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.
Performance inception date is December 31, 2021.

| Portfolio Characteristics |
|--|
| <ul style="list-style-type: none">• 1-5 Yr. U.S. Treasury Index |
| Eligible Investments |
| <ul style="list-style-type: none">• U.S. Treasuries• U.S. Government Agencies including mortgage-backed securities and commercial mortgage-backed securities• Supranationals• Municipal obligations• Corporate obligations including bonds, notes, and commercial paper• Money market funds• Local government investment pools |
| Minimum Ratings Requirements |
| <ul style="list-style-type: none">• A+ / A1 (by at least two NRSROs) minimum long-term rating (corporates)• A1 / P1 (by at least two NRSROs) minimum short-term rating (corporates)• BBB / Baa minimum long-term rating (municipals) |

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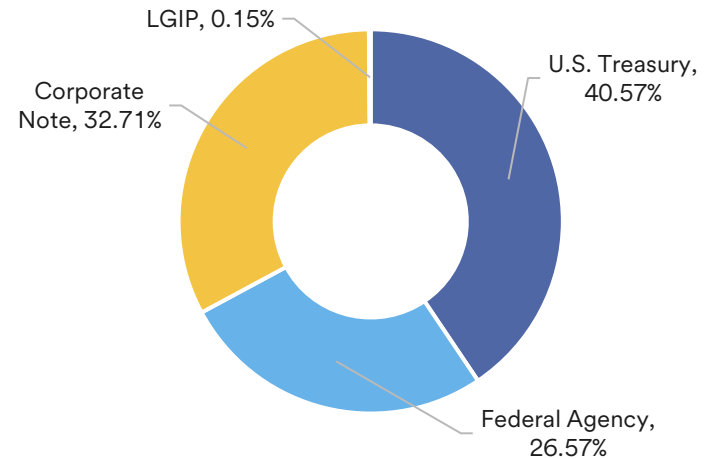
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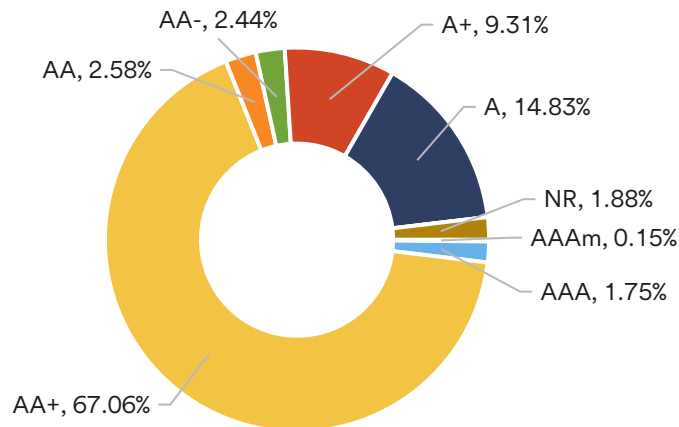
Portfolio Snapshot (1-5 Year Strategy)

| Portfolio Statistics | |
|------------------------------|-----------------------------|
| Total Market Value* | \$55,526,258 |
| Portfolio Effective Duration | 2.41 years |
| Benchmark Effective Duration | 2.48 years |
| Yield to Maturity at Cost | 4.33% |
| Yield to Maturity at Market | 4.02% |
| Benchmark | 1-5 Yr. U.S. Treasury Index |

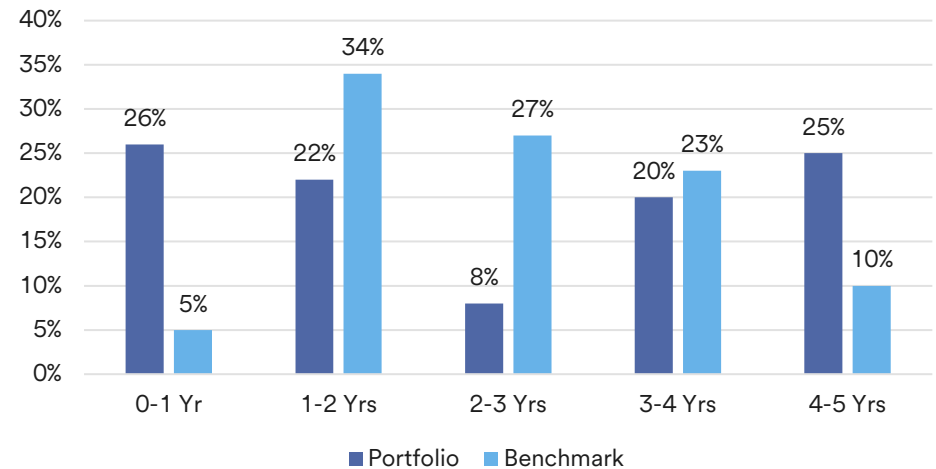
Sector Allocation



Credit Quality

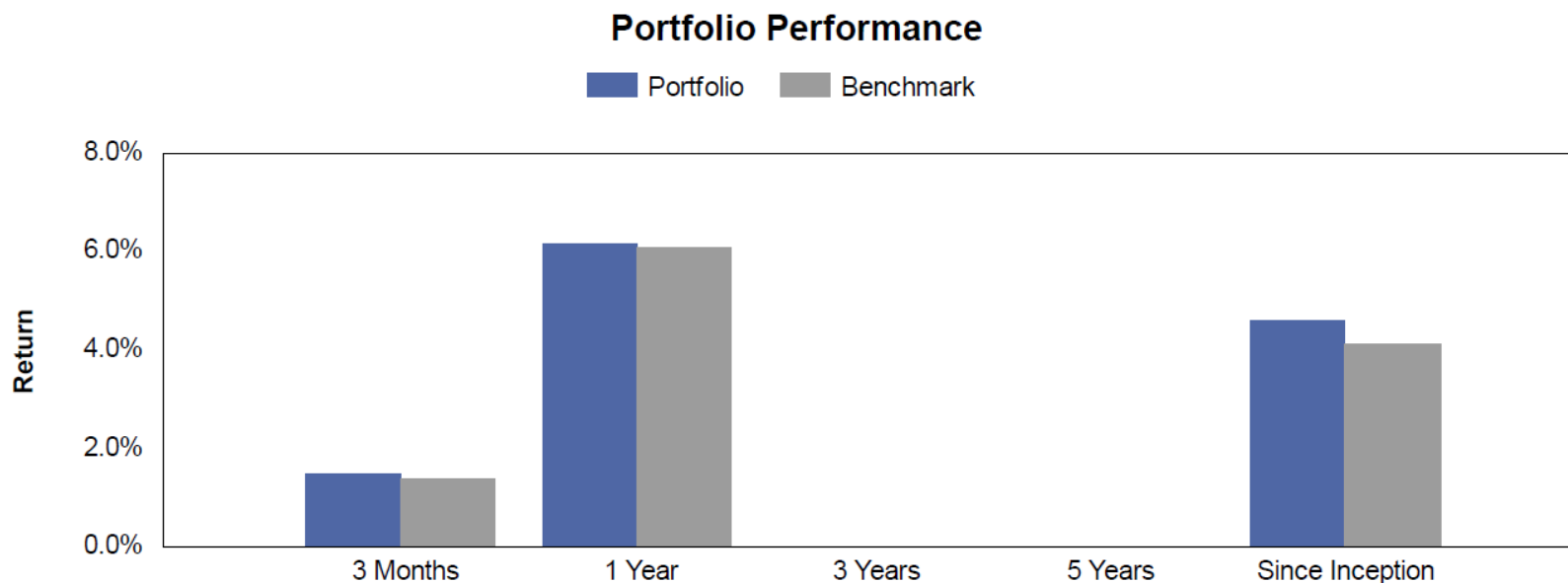


Duration Distribution



*As of June 30, 2025. Includes accrued interest.

Performance Summary (1-5 Year Strategy)



| Market Value Basis Earnings | 3 Months | 1 Year | 3 Years | 5 Years | Since Inception ¹ |
|---------------------------------|------------------|--------------------|---------|---------|------------------------------|
| Interest Earned ² | \$495,341 | \$1,920,503 | - | - | \$3,868,287 |
| Change in Market Value | \$312,342 | \$1,300,436 | - | - | \$1,484,018 |
| Total Dollar Return | \$807,683 | \$3,220,939 | - | - | \$5,352,305 |
| Total Return³ | | | | | |
| Portfolio | 1.47% | 6.16% | - | - | 4.61% |
| Benchmark ⁴ | 1.36% | 6.07% | - | - | 4.13% |
| Difference | 0.11% | 0.09% | - | - | 0.48% |

1. As of June 30, 2025. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg.

2. Performance inception date is March 31, 2023

Looking Forward

MARKET RECAP

- Average tariff rate at historically high levels
- Negotiations with trading partners remain a focus
- Inflation remains above Fed's long-term target of 2%
- Survey-based “soft” data has shown improvement
- Limited tariff passthroughs thus far
- Resilient but cooling labor market
- Fed remains data dependent, but current expectation is for more rate cuts in 2025 and 2026

STRATEGY CONSIDERATIONS

- Cash flow and investment policy are the foundation
- Ensure investment policy is updated and aligns with your investment objectives
- Use cash flow analysis to identify balances available for longer term investing
- Funds not intended for spend should be invested in a longer term, diversified reserve portfolio
- Report total return performance vs. appropriate benchmark



Questions?



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