



**PMA**<sup>®</sup>  
ASSET MANAGEMENT

# IAMMA Virtual Conference

Investments & Fund Management

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# PMA Overview

## Serving the Public Sector for over 35 Years

- PMA Financial Network has been a leading provider of financial services to public entities since 1984

## The PMA Companies (under common ownership)

- PMA Financial Network
- PMA Asset Management (SEC registered investment advisor)
- PMA Securities (Registered broker-dealer and municipal advisor member (FINRA and SIPC))

## PMA Statistics

- Work almost exclusively with public funds
- The PMA companies collectively have 160+ employees to meet the ongoing needs of our clients

## Over \$29.2 Billion in Assets Under Administration as of 12/31/2020\*

- PMA Asset Management has over \$13.6 billion in investment advisory assets under management (as of 12/31/20)

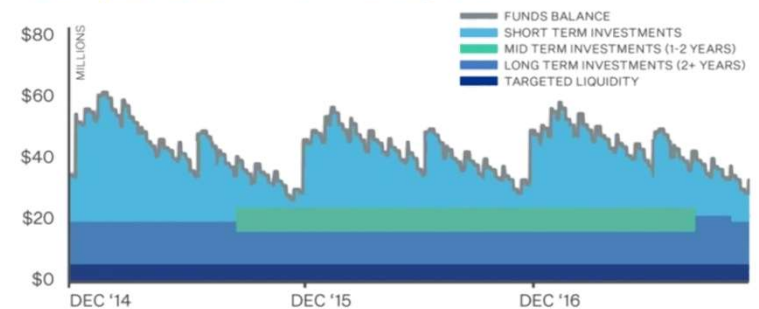
\*Total assets under administration include both money market pool assets for which the PMA Companies serve as fund administrator/accountant, marketer/distributor, fixed income program provider (brokerage services), and/or investment advisory, or separate institutional accounts.



# Cash Flow Forecasting

- ▶ Maximize Efficiency & Income Potential
- ▶ Liability Matching
  - ▶ Revenue and expense projections
  - ▶ Avoid excess liquidity
- ▶ Maintains Liquidity Levels
  - ▶ Money market balances
  - ▶ Other liquid investments
- ▶ Identifies Balance Low Points
  - ▶ Timing and amount
  - ▶ Define short-term borrowings
  - ▶ Establish reserve amounts

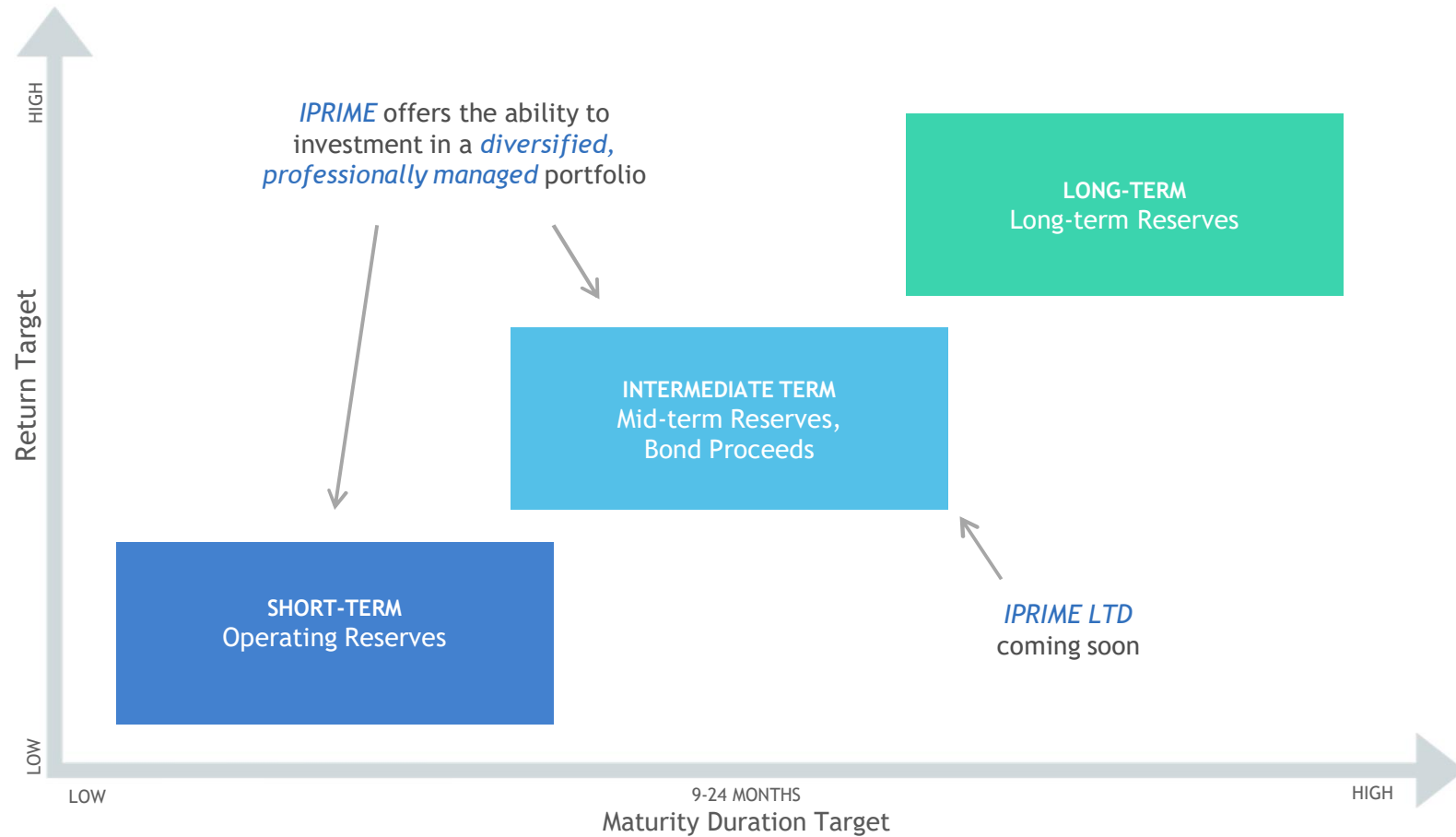
Sample Cash Flow Analysis



\*This analysis presented here is based on hypothetical projections and/or past performance that have certain limitations. No representation is made that it is accurate or complete or that any results will be achieved.



# Align Investments with Strategy





# Allowable Investments by Term

## Operating Funds (0-12 Months)

- Treasury Bills
- Agency Discount Notes
- CDs
- Commercial Paper
- Term Series
- LGIPS (IPRIME)

## Intermediate-Term Reserves (1-3 Years)

- CDs
- Treasury Notes
- Agency Notes
- Taxable Municipal Bonds
- Agency Mortgage-Backed Securities
- Corporate Notes
- LGIPs (IPRIME LTD)

## Long-Term Reserves (>3 Years)

- Treasury Notes
- Agency Notes
- Taxable Municipal Bonds
- Agency Mortgage-Backed Securities
- Corporate Notes



## Illinois Public Reserves Investment Management Trust (IPRIME)



- ▶ Established as an Intergovernmental Agreement in 2019
- ▶ Governing board consists of representatives from participating Illinois public entities
  - ▶ Village of Libertyville, City of O’Fallon, Joliet Public Library, Lake County
- ▶ Local government investment pool available only to public entities in Illinois
  - ▶ PMA Financial Network serves as Fund Administrator and PMA Securities serves as Marketer and Distributor
  - ▶ PMA Asset Management serves as Fund Investment Adviser responsible for the day to day management of the Fund
  - ▶ BMO Harris, NA serves as Fund Custodian
- ▶ Investment relationships with over 140 IL public entities



# U.S Treasury Yields Trends – Since Inception



Source: Bloomberg as of 03/05/21



# Federal Reserve & Rate Expectations

## FOMC March 2021 Forecasts

	2021	2022	2023	Long Run*
Change in real GDP, 4Q to 4Q	6.5%	3.3%	2.2%	1.8%
Unemployment rate, 4Q	4.5%	3.9%	3.5%	4.0%
PCE inflation, 4Q to 4Q	2.4%	2.0%	2.1%	2.0%

\*Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy.

## Eurodollar Futures

3-Month Rates	3/12/21	2/1/21	Δ
6/16/21	0.17%	0.16%	0.01%
12/15/21	0.25%	0.21%	0.04%
6/15/22	0.26%	0.19%	0.07%
12/21/22	<b>0.45%</b>	0.27%	0.18%
6/21/23	<b>0.71%</b>	0.35%	0.36%
12/20/23	<b>1.10%</b>	0.61%	0.49%

Source: Bloomberg, As of 3/17/21





## Limited Term Duration (LTD) Overview

- ▶ Objective
  - ▶ LTD seeks to maintain safety of principal and limited price volatility while maximizing income through a diversified portfolio of high quality assets
- ▶ Is the LTD Series an allowable investment?
  - ▶ Yes. All underlying investments for the LTD Fund are in compliance with Illinois Public Funds Investment Act (30 ILCS 235)
- ▶ How is LTD Series similar/different than IPRIME Investment Shares Series?
  - ▶ LTD Series and IPRIME Shares Series are investment pools, with participants purchasing individual shares of the pool/series
  - ▶ LTD Series has a longer maturity (1 year average) and has a floating Net Asset Value (NAV) or share price
  - ▶ IPRIME Investment Shares Series has a Weighted Average Maturity (WAM) less than 60 days and a stable \$1.00 share price



## Investment Approach and Features

- ▶ Diversified, short-term, investment-grade fixed income securities
- ▶ Average maturity of 0-2 years targeting one-year Series duration
- ▶ Structured to protect capital and enhance income
- ▶ Minimum credit quality of portfolio holdings: short term A1/P1 or long term A or better
- ▶ The portfolio is designed with limited duration to control price volatility
- ▶ Can meet a need for certain participants who want a professionally managed portfolio for longer term reserves
- ▶ Diversified portfolios outperform over the long-term

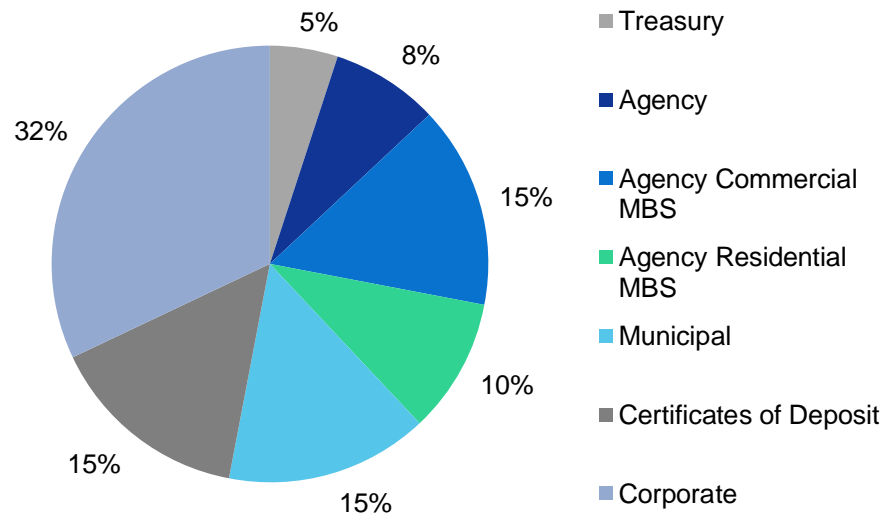


# Proposed Portfolio and Investor Considerations

Characteristics	Proposed
Net Yield	0.20%
Duration	0.9
Average Credit Quality	AA-

## Key Features

- ▶ Increased Income
- ▶ High Quality
- ▶ Aligned With Illinois Statute
- ▶ Diversified Portfolio



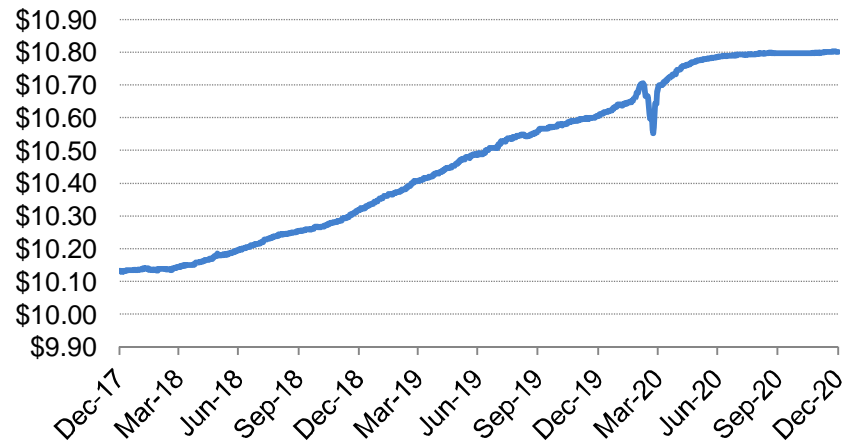
Sample portfolio as of 2/10/21. The information presented here is based on hypothetical projections and/or past performance that have certain limitations. No representation is made that it is accurate or complete or that any results will be achieved. Past performance is no guarantee of future results.



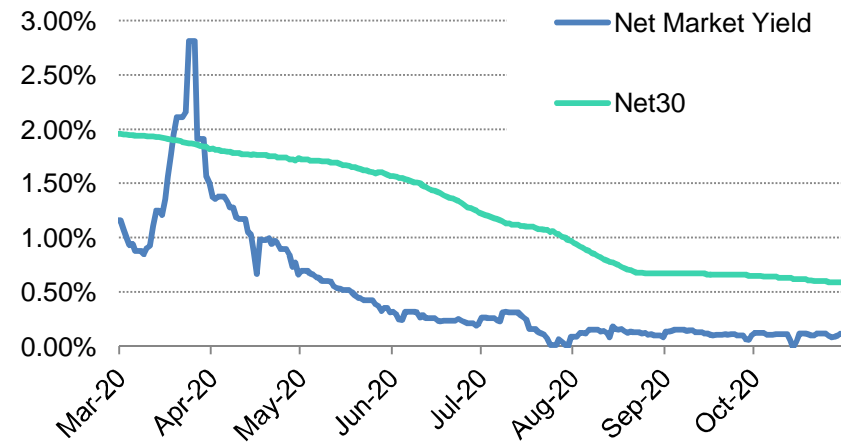
## Limited Volatility

- ▶ Limited price volatility based on short duration and reinvestment of income into NAV
- ▶ Designed for rising NAV
- ▶ Intended for funds not needed for at least 6-9 months

Sample Fund NAV



Sample Fund Net Yields



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## IPRIME LTD in the Current Market

- ▶ PMA has strong a strong history of performance managing LTD funds
  - ▶ We expect to continue to **perform well for our clients**
- ▶ Dynamic interest rates in the market
  - ▶ Fed not likely to raise rates in the next 12 months
  - ▶ 1-3 year rates may continue to slowly rise
- ▶ Expect variability in monthly returns
  - ▶ All short-term investments are experiencing low returns in this low interest rate environment
  - ▶ **Income will come through returns** over time



## Risks and Restrictions

- ▶ Must be an IPRIME Participant
- ▶ Minimum investment of at least \$100,000 in LTD Series
- ▶ Limited withdrawal dates
  - ▶ Funds available on third Wednesday of the quarter-end month
  - ▶ Two week advanced notice for withdrawals
- ▶ Floating NAV – Market fluctuations will occur daily and it is possible the market value of the shares could decline below the amount originally invested



## Which funds are appropriate for IPRIME LTD?

- ▶ Long-term Operating Reserves
- ▶ Bond Proceeds
- ▶ Capital/Equipment Improvement Reserves
- ▶ **American Recovery Plan Act** Stimulus
- ▶ Other Funds Not Needed For At Least 6-9 Months



## Public Entity Investment Planning

- ▶ How does LTD fit into an entity's investment strategy?
  - ▶ Not all governments are the same
  - ▶ Strategies will vary based on each entity's goals and objectives
  - ▶ LTD fits into a cash flow plan
  - ▶ Portfolio Advisors work with clients to develop customized solutions using all available products
  - ▶ Participants utilize the LTD Fund for Operating Reserves not needed for immediate liquidity and generally not needed for at least 6 - 9 months





## Contact Us



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