OAK PARK RIVER FOREST H.S.D. #200
COMMUNITY FINANCE ADVISORY COMMITTEE
INVESTMENT PROPOSAL

BRIAN HEXTELL
Institutional Portfolio Manager
Prudent Man Advisors, LLC

May 15, 2019
EXPERIENCED LEADERSHIP TEAM WITH A RELATIONSHIP BASED APPROACH

John Huber, CFA | Chief Investment Officer
Prudent Man Advisors, LLC

Brian Hextell | Institutional Portfolio Manager
Prudent Man Advisors, LLC

Audra Braski | VP, Senior Relationship Officer
PMA Financial Network, LLC
• Serving the Public Sector for over 35 Years
  o PMA Financial Network, LLC has been a leading provider of financial services to public entities since 1984

• The PMA companies (operate under common ownership)
  o The PMA companies collectively have 130+ employees to meet the ongoing needs of our clients
  o More than $25.2 billion of Assets Under Administration as of 3/31/2019*
    ▪ PMA Financial Network, LLC
    ▪ Prudent Man Advisors, LLC (SEC registered investment advisor)
    ▪ PMA Securities, LLC (Registered broker-dealer and municipal advisor member (FINRA and SIPC))

*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.
• Investment Advisor focused on public clients
• Portfolio managers average over 20 years of institutional investment management experience
• Fifteen dedicated individuals with extensive experience in investment grade research, trading and portfolio management
• Customized Account Management solutions
• Over $7.1 billion in investment advisory assets under management (as of 3/31/19)
PORTFOLIO & RISK ANALYTICS

- Portfolio Analytics
  - Duration / Curve
  - Sector / Credit Quality
  - Performance Attribution
  - Active Risk (VAR - T/E)
  - Trade Simulation / Scenario
- Full Systems Integration
- Compliance Testing

ORDER MANAGEMENT

- Historical Database
- Full Audit Trail
- Decision Support
- Cash Management / Projections
- Pre / Post Trade Compliance
- Integrated Trading Platform
- Credit Research
- Post-Trade Processing
- Middle Office Management
- Feeds to Operation Platforms

OPERATIONS PLATFORM

- Reconciliation
- Standard Template-based reporting
- Corporate Actions
- Accounting Books & Records
- Performance
- Compliance
PRUDENT MAN ADVISORS | PHILOSOPHY

Investment Process

Informed by In Depth Research

Guided by Risk Management

Leads to a Diversified Portfolio Solution

Generating Value Added Investment Returns
PRUDENT MAN ADVISORS | INVESTMENT PROCESS

SERVICES PROVIDED
- Independent Research and Portfolio Management
- Local Government Investment Pool Management
- Separate Account Management
- Investment Policy Development

CLIENT BENEFITS
- Fiduciary Accountability: Best ideas and best execution
- Strong Risk Controls: Monitoring market and credit risk
- Integrated Client Service: PMA Companies work as a team for clients
- Solution Oriented: Customizing portfolio to fit client’s unique needs
- Mission Driven: Working for the client and focusing on public sector

INVESTMENT PROCESS
- Research: Economic, rates and credit
- Expected Returns: Frame the opportunity
- Portfolio Strategy: Client focused solutions
- Implement: Market opportunity meets strategy
- Measure: Value added performance reporting
INVESTMENT ADVISOR | CUSTOMIZED TO CLIENT

CLIENT GOALS
Partnership built from a holistic understanding of client needs, including;
- Objectives – Return and principal preservation
- Investment time horizon
- Cash flow needs
- Fit with overall portfolio structure
- Sensitivity to client fiscal concerns

TAILORED SOLUTION
Perform analysis to develop a solution that will meet client goals:
- Expected Returns
- Scenario Analysis
- Liability Benchmarking
- Risk Analysis
- Sample Portfolio

REGULAR MEETINGS:
- Client Feedback
- Review goals and policies
- Is this solution still meeting client needs?
**Strategically Diversify into High Quality Income Producing Sectors Allowable by IL State Statute**

**Portfolio Duration Aligned with Benchmark**

**Portfolio Yield of 2.66% with a 31 Basis Point Advantage Versus the Benchmark**

**High-quality Portfolio with AA+ Average Quality**

**Actively Manage Portfolio to Meet Investment Goals and the District’s Evolving Needs**

<table>
<thead>
<tr>
<th>Portfolio Characteristics</th>
<th>Portfolio</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield</td>
<td>2.66</td>
<td>2.35</td>
</tr>
<tr>
<td>Duration</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Quality</td>
<td>AA+</td>
<td>AAA</td>
</tr>
</tbody>
</table>

Benchmark: ICE BAML 1-5 Year Treasury & Agency Index
Source: Clearwater Analytics; As of 5/3/19

<table>
<thead>
<tr>
<th>Stress Test Returns (%)</th>
<th>1yr Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instantaneous Parallel Shift (basis points)</td>
<td>Proposed Portfolio</td>
</tr>
<tr>
<td>-200</td>
<td>8.12</td>
</tr>
<tr>
<td>-100</td>
<td>5.39</td>
</tr>
<tr>
<td>0</td>
<td>2.66</td>
</tr>
<tr>
<td>100</td>
<td>0.15</td>
</tr>
<tr>
<td>200</td>
<td>(2.36)</td>
</tr>
</tbody>
</table>

Source: Prudent Man Advisors

The analysis or 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 guaranty of future results.
• Strategically Diversify into High Quality Income Producing Sectors Allowable by IL State Statute
• Portfolio Duration Aligned with Benchmark
• Portfolio Yield of 2.86% with a 49 Basis Point Advantage Versus the Benchmark
• High-quality Portfolio with AA+ Average Quality
• Actively Manage Portfolio to Meet Investment Goals and the District’s Evolving Needs

Portfolio Characteristics | Portfolio | Benchmark
--- | --- | ---
Yield | 2.86 | 2.37
Duration | 3.5 | 3.6
Quality | AA+ | AAA

Benchmark: ICE BAML 1-5 Year Treasury & Agency Index
Source: Clearwater Analytics; As of 5/3/19

<table>
<thead>
<tr>
<th>Stress Test Returns (%)</th>
<th>Portfolio Stress Test Results</th>
<th>1yr Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instantaneous Parallel Shift (basis points)</td>
<td>Proposed Portfolio</td>
<td></td>
</tr>
<tr>
<td>-200</td>
<td>10.26</td>
<td></td>
</tr>
<tr>
<td>-100</td>
<td>6.56</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>2.86</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>(0.48)</td>
<td></td>
</tr>
<tr>
<td>200</td>
<td>(3.82)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Prudent Man Advisors

The analysis or 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 guaranty of future results.
**Custom Duration: Accounts included are comprised of actively managed fixed income accounts with the objective of total investment return from income generation and principal protection. Account trading activity will vary by mandate. Due to their customized nature, accounts are managed against a variety of market or custom indices that range in average duration. Client accounts can invest across various fixed income sectors including U.S. Government, U.S. Agency, Credit and Securitized product. Composite BM: BAML 1-5 Year US Treasury Index.**

**Prudent Man Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®).**

All returns greater than one year are annualized. Past performance is not necessarily indicative of future results. Actual performance results may differ from Composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. As with any investment, there is the possibility for gains and possibility for losses. Composite (gross-of-fees) returns are presented before all fees including management and custodial fees, but after all trading expenses. Net (net-of-fees) returns are calculated using actual management fees paid. The returns are not audited.

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**Performance Summary**

<table>
<thead>
<tr>
<th>Composite:</th>
<th>Custom Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmark 1:</td>
<td>BofA Merrill Lynch 1-5 Year U.S. Treasury Index</td>
</tr>
<tr>
<td>Inception Date:</td>
<td>12/01/13</td>
</tr>
<tr>
<td>AUM:</td>
<td>658,749,798</td>
</tr>
<tr>
<td>Accounts:</td>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>YTD</th>
<th>3-Mo</th>
<th>1-Yr</th>
<th>3-Yr</th>
<th>5-Yr</th>
<th>ITD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Composite Gross</strong></td>
<td>1.36%</td>
<td>1.36%</td>
<td>3.31%</td>
<td>1.47%</td>
<td>1.90%</td>
<td>1.81%</td>
</tr>
<tr>
<td><strong>Composite Net</strong></td>
<td>1.33%</td>
<td>1.33%</td>
<td>3.19%</td>
<td>1.35%</td>
<td>1.76%</td>
<td>1.66%</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>1.22%</td>
<td>1.22%</td>
<td>3.14%</td>
<td>0.97%</td>
<td>1.29%</td>
<td>1.16%</td>
</tr>
<tr>
<td><strong>Excess Returns</strong></td>
<td>0.14%</td>
<td>0.14%</td>
<td>0.17%</td>
<td>0.50%</td>
<td>0.61%</td>
<td>0.64%</td>
</tr>
</tbody>
</table>

* Composite Gross returns less Benchmark returns
**Custom Duration Composite**

**Annual Disclosure Presentation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Composite Gross Return (%)</th>
<th>Composite Net Return (%)</th>
<th>Benchmark Return (%)</th>
<th>Number of Portfolios</th>
<th>Internal Dispersion (%)</th>
<th>3-Yr Benchmark Std Dev (%)</th>
<th>3-Yr Composite Std Dev (%)</th>
<th>Composite Assets ($Mil)</th>
<th>Percent of Firm Assets (%)</th>
<th>Firm Assets ($Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.68</td>
<td>1.56</td>
<td>1.52</td>
<td>26</td>
<td>0.60</td>
<td>1.43</td>
<td>1.19</td>
<td>677</td>
<td>11.1</td>
<td>6,107</td>
</tr>
<tr>
<td>2017</td>
<td>1.52</td>
<td>1.40</td>
<td>0.65</td>
<td>25</td>
<td>1.29</td>
<td>1.37</td>
<td>1.53</td>
<td>623</td>
<td>9.9</td>
<td>6,272</td>
</tr>
<tr>
<td>2016</td>
<td>1.15</td>
<td>1.03</td>
<td>1.09</td>
<td>19</td>
<td>1.34</td>
<td>1.43</td>
<td>1.58</td>
<td>413</td>
<td>7.9</td>
<td>5,243</td>
</tr>
<tr>
<td>2015</td>
<td>1.40</td>
<td>1.22</td>
<td>0.97</td>
<td>14</td>
<td>0.68</td>
<td>N.A.²</td>
<td>N.A.²</td>
<td>351</td>
<td>8.0</td>
<td>4,405</td>
</tr>
<tr>
<td>2014</td>
<td>2.88</td>
<td>2.69</td>
<td>1.24</td>
<td>4</td>
<td>N.A.¹</td>
<td>N.A.²</td>
<td>N.A.²</td>
<td>157</td>
<td>4.5</td>
<td>3,464</td>
</tr>
<tr>
<td>2013*</td>
<td>-0.34</td>
<td>-0.36</td>
<td>-0.48</td>
<td>2</td>
<td>N.A.¹</td>
<td>N.A.²</td>
<td>N.A.²</td>
<td>59</td>
<td>1.5</td>
<td>3,808</td>
</tr>
</tbody>
</table>

N.A.¹ - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

N.A.² - The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for 2013 through 2015 due to less than 36 months of composite and benchmark data.

*Partial year from December 1, 2013, (inception) through December 31, 2013.

Custom Duration Composite: Accounts included are comprised of actively managed fixed income accounts with the objective of total investment return from income generation and principal protection. Account trading activity will vary by mandate. Due to their customized nature, accounts are managed against a variety of market or custom indices that range in average duration. Client accounts can invest across various fixed income sectors including U.S. Government, U.S. Agency, Credit and Securitized product. Composite BM: BAML 1-5 Year US Treasury Index

Prudent Man Advisors, LLC (“Prudent Man Advisors”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Prudent Man Advisors has been independently verified for the periods January 1, 2007 through December 31, 2017. The verification report is available upon request.
Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Prudent Man Advisors is an independent registered investment adviser. The firm’s list of composite descriptions is available upon request.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion presented is an equal-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance does not guarantee future results.

The investment management fee schedule for the composite is up to 0.25 of 1% (25 basis points). Actual investment advisory fees incurred by clients may be lower than the fees reflected above, with the fee potentially declining for those assets over certain asset levels.
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Investment in securities involves risks, including the possible loss of the amount invested. In addition, past performance is no indication of future performance and the price or value of investments may fluctuate. Asset allocation does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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