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City of Aurora

Investment management quarterly report

December 2020



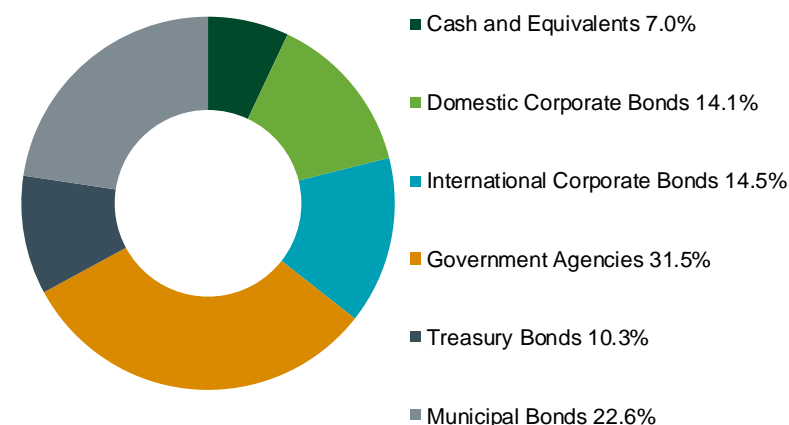
Q4 2020 summary

- **Markets became significantly more optimistic in Q4:** Hope returned to markets in Q4, with announcements from several major pharmaceutical companies that effective vaccines for the coronavirus were available for widespread distribution. Against this backdrop the S&P 500 Index rose to all-time highs, and this supported risk assets generally.
- **New president means new policies:** We expect an additional stimulus package in the \$500bn to \$1 trillion range, a normalization of relations with the EU, and a focus on climate change. Pressure on China should remain, though the approach is likely to be more multilateral.
- **The yield curve steepened as sentiment improved:** The Treasury yield curve steepened over the quarter as shorter maturities remained anchored by Fed policy, but longer-maturity yields rose as risk sentiment improved. The 2-year maturity Treasury was unchanged at 12bp, the 10-year maturity Treasury yield rose by 23bp to 0.92% and the 30-year maturity Treasury yield rose by 19bp to 1.65%.
- **Credit spreads rallied towards pre-crisis levels:** Credit spreads tightened in Q4, with aggregate US corporate spreads ending the quarter 40bp tighter. The long area of the credit curve outperformed, tightening by 48bp. BBB-rated issues and high yield generally outperformed given the more positive outlook. Cumulative investment grade credit gross issuance reached \$2.1 trillion over 2020, breaking above the previous annual high of \$1.47 trillion set in 2017.
- **The S&P 500 Index broke to record highs:** US equity markets experienced a strong quarter, driven by a rotation from tech to value as vaccines boosted hopes for a “return to normal.”
- **Risks include:**
 - Pressure to increase corporate leverage in a world of ultra low yields could lead to credit downgrades
 - Virus mutations that impair vaccine efficacy
 - Valuations may have already priced in much of the good news

Market environment and strategies

Asset allocation

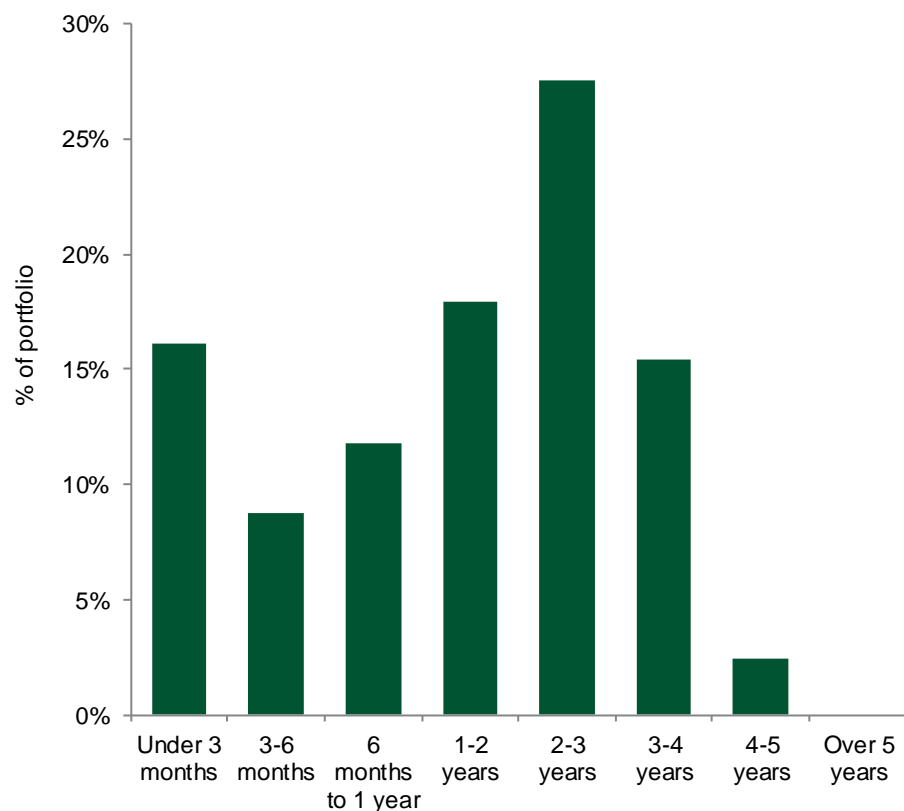
Investment Type	Par Value	Final Maturity	Allocation
Cash and Equivalents	41,590,865	1	7%
Domestic Corporate Bonds	83,654,000	752	14%
International Corporate Bonds	86,109,000	421	15%
Government Agencies	186,984,000	992	31%
Treasury Bonds	61,000,000	368	10%
Municipal Bonds	134,370,000	693	23%
Total	593,707,865	674	100%



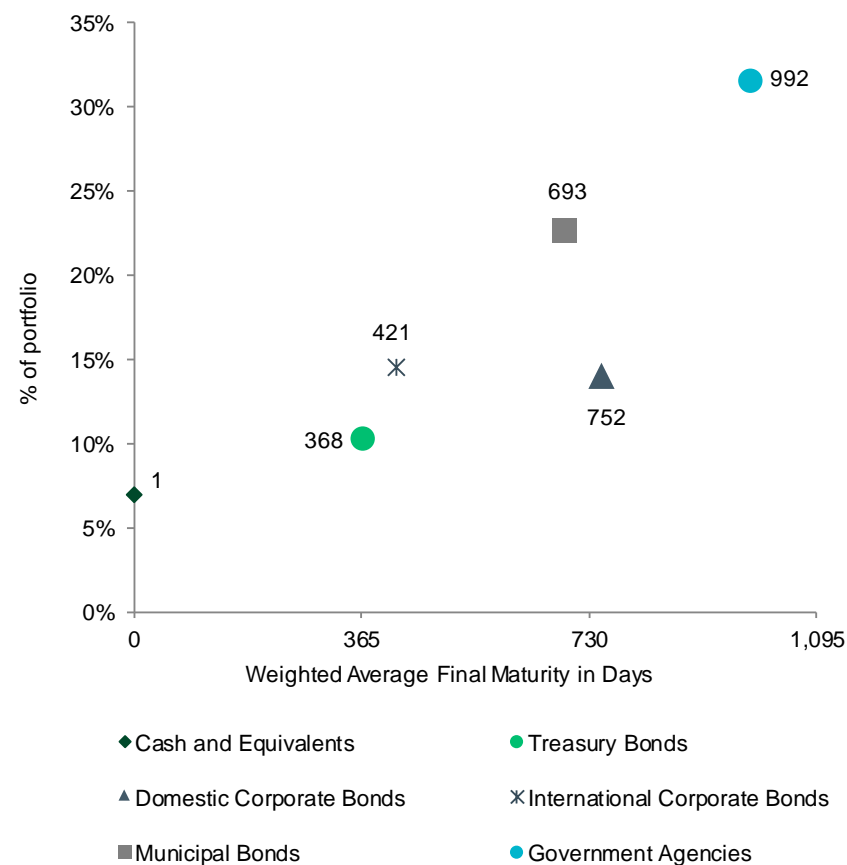
As of December 31, 2020. Asset allocations are subject to change without notice, may not represent current or future decisions and should not be construed as investment recommendations. Please refer to the important disclosures at the back of this presentation.

Market environment and strategies

Maturity distribution



Maturity allocation map



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