

Investing Bond Proceeds

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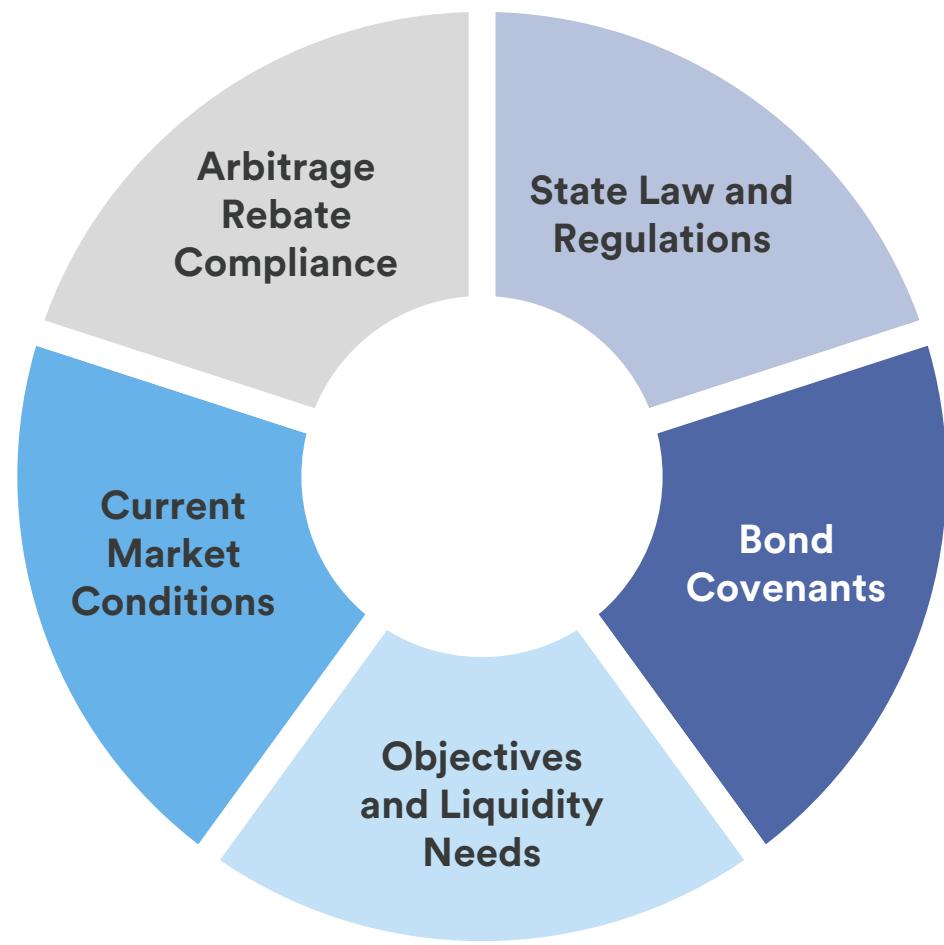
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Strategy Development



An Optimal Bond Proceeds Investment Strategy Should Seek to...

- Ensure safety of principal while providing adequate liquidity
- Consider current and future interest rate expectations
- Take into account any applicable arbitrage rebate regulations
- Provide a reasonable risk-adjusted return



- ? What is my credit risk, and how can I manage it?
- ? How does this instrument or investment strategy provide liquidity for both expected and unforeseen draws?
- ? What are the rebate implications of my reinvestment strategy?
- ? What is the yield of the instrument or investment strategy, and how can my return change through time? Does this reflect my view of market conditions?
- ? How does this instrument or investment strategy manage market and reinvestment risk?

Questions to Consider When Investing Bond Proceeds

Typical Permitted Investments for Bond Proceeds

Money market/short-term investments

- Money market funds
- Local Government Investment Pools (LGIPs)

Open-market and Custom securities

- U.S. Treasuries and direct obligations (examples: Treasury Bills, Treasury Notes)
- Federal Agency securities (examples: Fannie Mae, Freddie Mac) (includes both open-market and reverse-inquiry securities)
- Commercial paper (examples: JPMorgan, Toyota)

Structured investments

- Guaranteed investment contracts (GICs)
- Flexible repurchase agreements (Flex Repos)
- Forward delivery agreements (FDAs)

Portfolio Management – Active Management and Passive Strategies

Active Management		Passive Strategies	
<p>May be beneficial for funds with expansive permitted investments and/or uncertain liquidity needs</p> <p>Advisor goal: generate incremental earnings via swapping amongst individual CUSIPs, sectors, and duration buckets to attempt to offset advisory fees</p>	Real-time monitoring of holdings through time	Periodic/ad-hoc monitoring	<p>May be beneficial for funds with conservative, straightforward permitted investments and predictable liquidity needs</p> <p>One-time engagements with subsequent opportunities to restructure in the future</p>
	More frequent trades to manage duration and/or liquidity	Wholesale restructurings to rebalance to target	
	Greater ability to take advantage of short-term securities' mispricings	Reduced ability to take advantage of short-term opportunities	
	Enhanced ability to add incremental net value	May require substantial changes in market conditions to add value	
	Advisor has fiduciary responsibility	No fiduciary responsibility once portfolio is structured	

Types of Risk to Manage in Bond Proceeds Investments

Credit Risk

- Is there a government guarantee?
- Who is the ultimate obligor?
- What type of credit?

Liquidity Risk

- How quickly and easily can I access the proceeds?
- Are there redemption fees or gates?
- Is there a secondary market that I can access in the event of emergency?

Reinvestment Risk

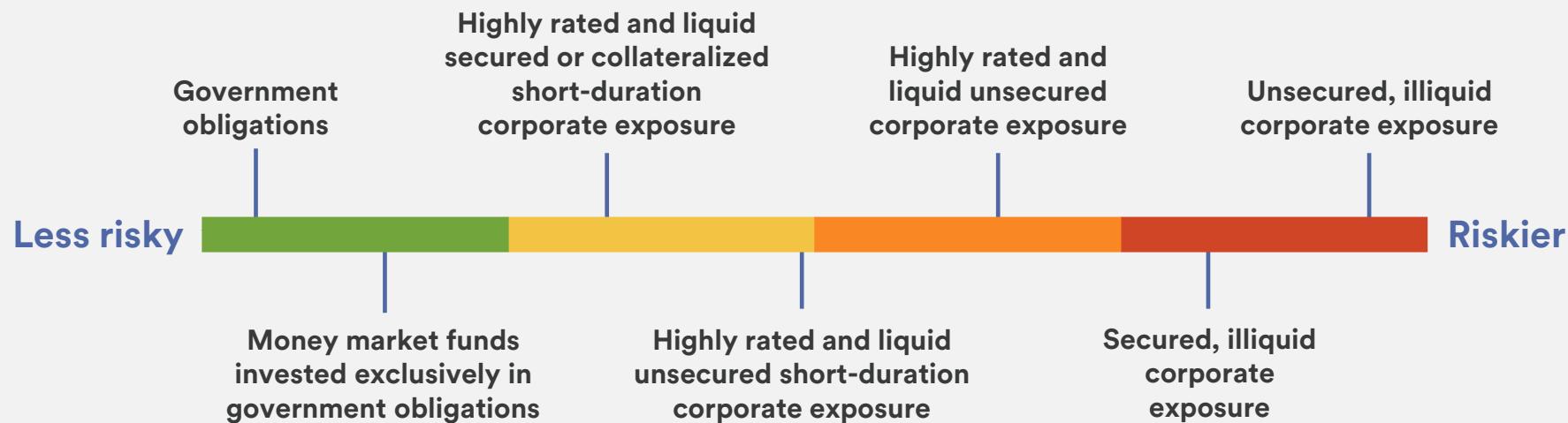
- What might happen to my return if interest rates go up or down?
- Does the strategy give me any ability to take advantage of changes in interest rates?

Credit Risk: Risk Aversion and Yield

For any yield or return, a rational investor will choose the least risky investment.

For example: A rational investor would choose the less-risky 30-day Treasury Bill at 3.55% over a 30-day commercial paper at 3.60%.

By extension, investors require more yield or return for riskier investments.



Liquidity Considerations of Various Investment Alternatives

Strategy	Liquidity Considerations	Additional Points of Consideration
Money Market Fund	Typically offer same-day liquidity which is a function of cut-off times	Are there redemption fees or gates?
Passively Structured Portfolio	Underlying investments offer same-day liquidity, but logistical considerations may cause delays	Requires trustee to sell investments or advisor to be engaged which may take time to put into place
Managed Portfolio	Underlying investments offer same-day liquidity; function of advisors to access capital markets	How are liquidity needs communicated to advisor?
Structured Investment	Typically have a notice period; official notice may need to come from trustee	Typically, no secondary market

Reinvestment Risk: Impact of Interest Rate Movements on Return/Yield of Instrument

Does the strategy give me any ability to take advantage of changes in interest rates or am I “locked in”?

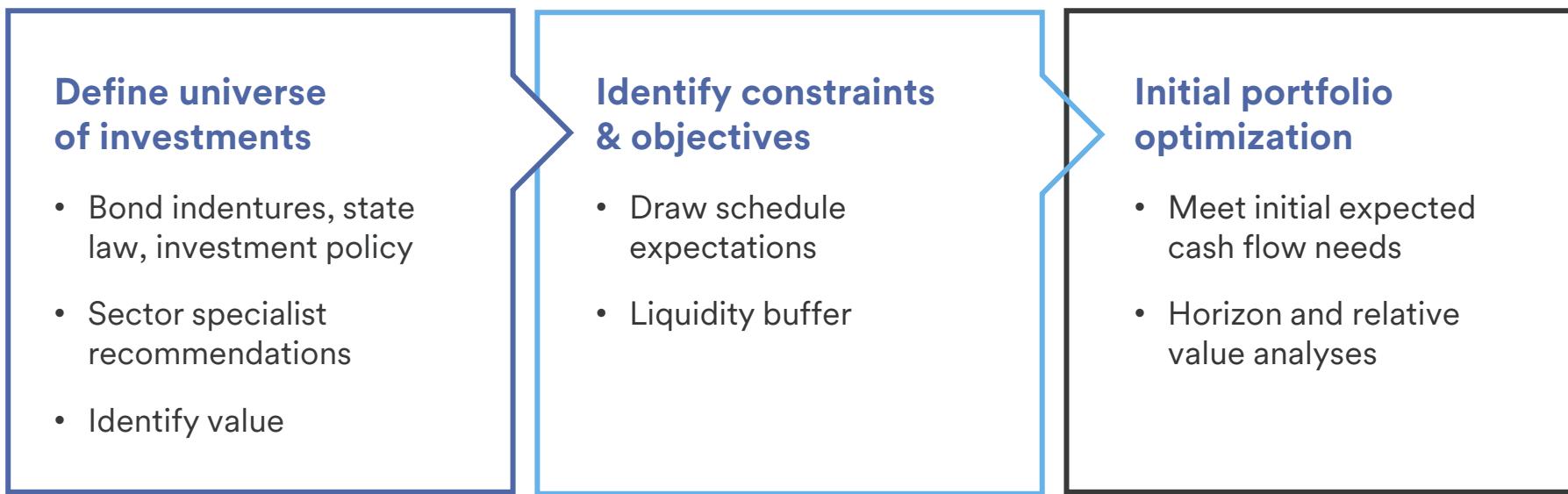
Strategy	Interest Rate Scenario		
	Rising Rates	Falling Rates	Stable Rates
Money Market Fund	Yield of fund tends to follow short-term rates (with lag)	Yield of fund tends to follow short-term rates (with lag)	Yield of fund will tend to remain stable
Passively Structured Portfolio	Yields locked in; reinvestments will occur at higher rates	Yields locked in; reinvestments will occur at lower rates	Yields locked in
Managed Portfolio	Yields locked in; manager has ability to alter portfolio to take advantage of opportunities	Yields locked in; reinvestment at lower rates	Yields locked in
Structured Investment	Yields locked in	Yields locked in	Yields locked in

Strategy Implementation

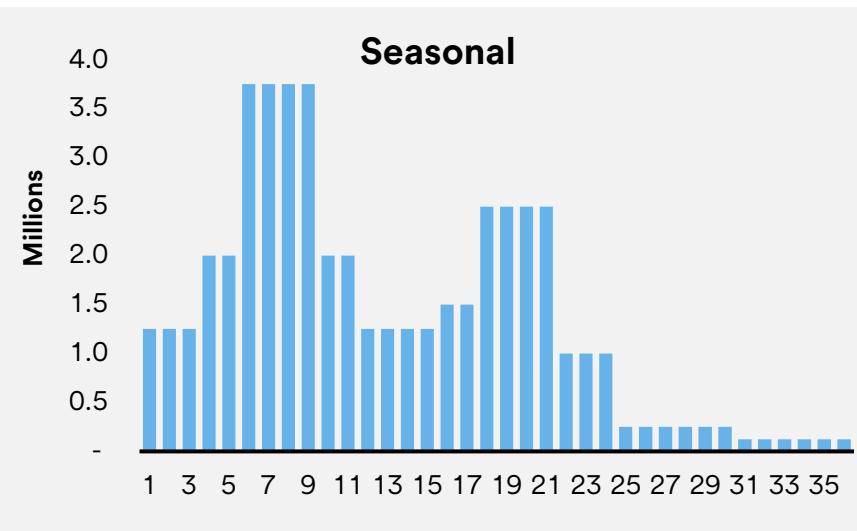
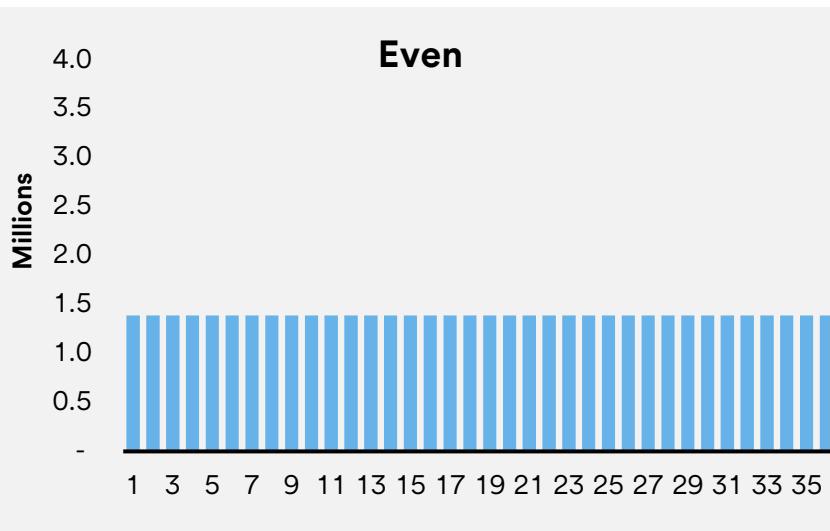
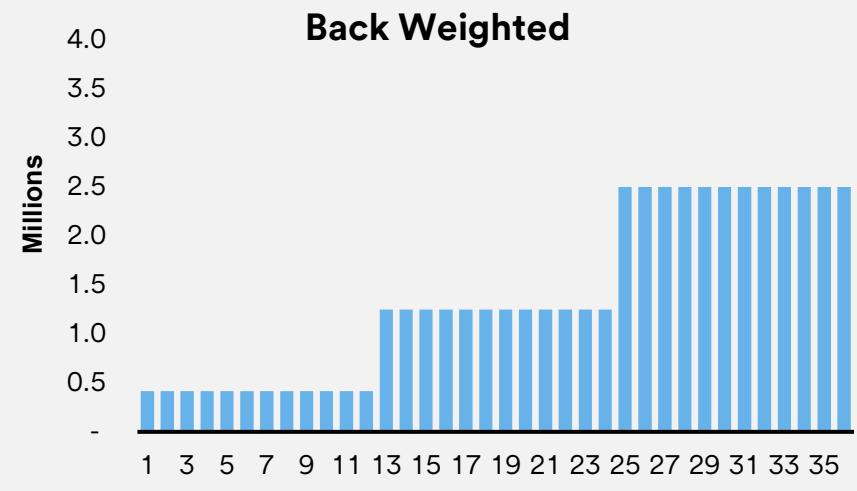
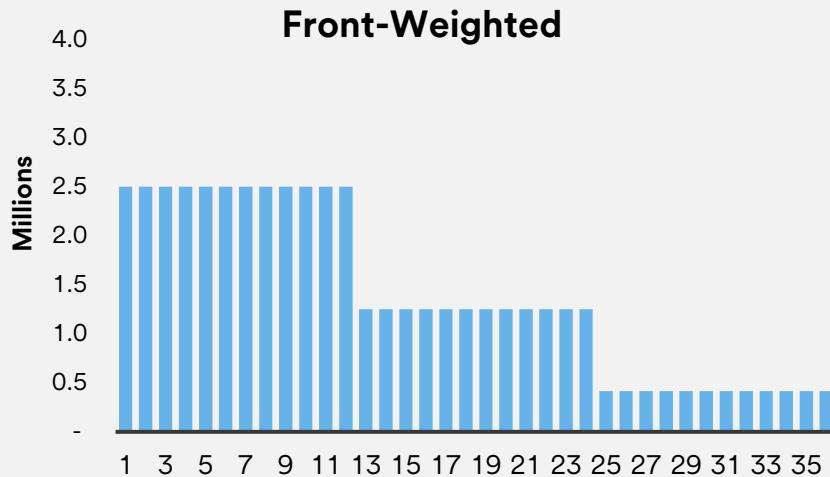


Project Funds Example

Project Fund Investment Process



Variations in Draw Schedules



For illustrative purposes only.

Sample Treasury and Credit Portfolio

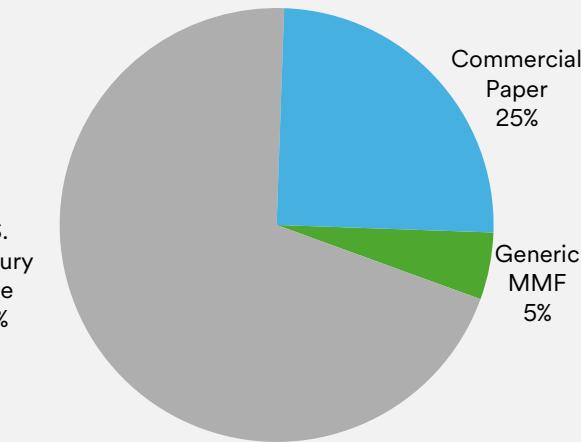
Portfolio Statistics Summary

Approximate Cash Balance (Total)	\$15,000,000
Approximate Par Amount (Investments)	\$285,000,000
Weighted Average Maturity	544 days
Average Life of Draw Schedule	564 days
Average Gross Initial Yield	3.70%
Estimated Gross Initial Earnings	\$16,634,000

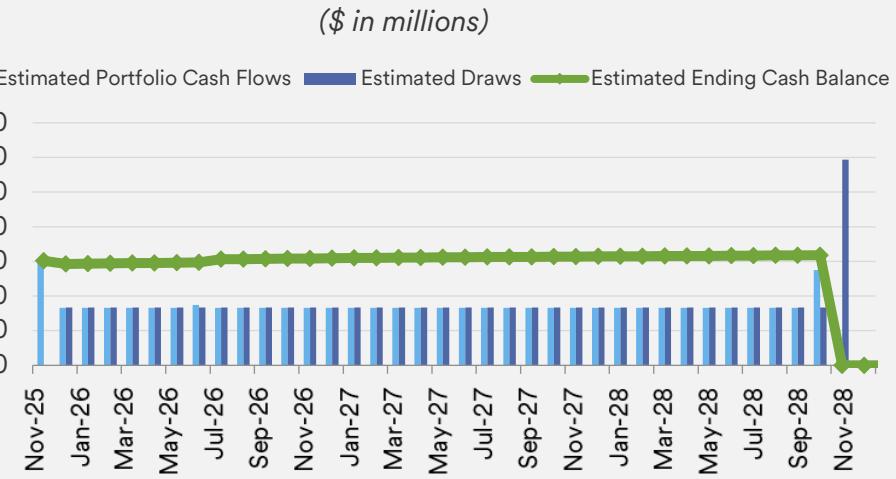
Strategy Overview

- Approximately 70% allocation to Treasuries, 25% to commercial paper, with the balance in a money market fund
- Commercial paper structured to meet draws inside of nine months
- Treasury maturities laddered to closely match the remaining draws
- Treasuries can be swapped into higher-yielding commercial paper as securities near maturity

Sector Allocation



Portfolio Cash Flows vs Estimated Draws



[1] For illustrative purposes.

[2] Rates as of November 3, 2025.

[3] Please see important disclosures at the end of this presentation.

Disclosures

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