FINANCE WORKSHOP MINUTES
Wednesday, August 21, 2019

Directors:
J. Worley
V. Starkey
A. Dreher
R. Anderson
M. Dickerson
C. Schierholz
N. Smith

Absent*


Others: Chris Blackwood (PFMAM); Mark McClure (PFMAM)

- **PFM Asset Management Investment Presentation**
  Chris Blackwood Director of PFM Asset Management LLC (PFMAM) presented an economic update and a summary of the District’s portfolio and investment strategy as of June 30, 2019. *(See addendum: PFM HRMD Finance Workshop Presentation June 30, 2019)*

*After PFM’s presentation the finance workshop took a break for the Study Session and resumed the workshop at the end of the Study Session.*
Highlands Ranch Metro District
Review of Investment Performance
Quarter-Ended June 30, 2019

Market Indicators: Recessions

Index Leading Indicators

Corporate Profits

Housing Starts

When Is the Next Recession?

Economists' View of When the Next Recession Will Begin

60%
50%
40%
30%
20%
10%
0%

2016
2017
2018
2019
2020
2021
2022
2023
2024

Inflation Running Persistently Below Target

Market Projects Multiple Rate Cuts by Year End

Fed Participants' Assessments of 'Appropriate' Monetary Policy

Market Movers: Expect 2 Rate Cuts by Year End

Current Market Themes
- U.S. economic conditions are robustly expanding:
  - Increased Q4 growth, with stronger than expected Q4 GDP growth
  - healthy labor market with a 3.7% unemployment rate
  - solid inflation pressures and a still-low inflation target
  - rising capital goods orders, indicating a strong business outlook
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### Portfolio Holdings

<table>
<thead>
<tr>
<th>Security Details</th>
<th>Market Value</th>
<th>No. of Shares</th>
<th>Share Price</th>
<th>Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security 1</td>
<td>$123,456</td>
<td>1,000</td>
<td>$123.45</td>
<td>$123,456</td>
</tr>
<tr>
<td>Security 2</td>
<td>$345,678</td>
<td>500</td>
<td>$678.90</td>
<td>$345,678</td>
</tr>
<tr>
<td>Security 3</td>
<td>$789,012</td>
<td>200</td>
<td>$390.21</td>
<td>$789,012</td>
</tr>
<tr>
<td>Security 4</td>
<td>$456,789</td>
<td>300</td>
<td>$156.78</td>
<td>$456,789</td>
</tr>
<tr>
<td>Security 5</td>
<td>$1,234,567</td>
<td>150</td>
<td>$8,154.67</td>
<td>$1,234,567</td>
</tr>
</tbody>
</table>

**Note:** This is a sample representation of portfolio holdings. Actual data may vary.
Investment Strategy Outlook

The global economy and financial markets have been experiencing a period of relative stability in the second half of the year, although economic growth rates have been modest. The US Federal Reserve has indicated that it will continue to gradually reduce its bond purchases, which should help sustain the current level of economic activity. In Europe, the ECB has held its interest rates steady, and the European Union's economy is showing signs of recovery.

However, there are several factors that could lead to increased volatility in the coming months. First, there is the ongoing uncertainty surrounding the UK's exit from the EU, which could have a significant impact on trade and financial markets. Second, there is the potential for renewed trade tensions between the US and China, which could disrupt global supply chains. Third, the geopolitical situation in the Middle East remains tense, which could affect oil prices and global economic prospects.

Despite these risks, we believe that the current conditions are supportive of continued growth. The US economy is expected to grow at a pace of around 2.5% in 2017, and the global economy is expected to grow at a rate of around 3.5%. Inflation rates are expected to remain low, which should help keep interest rates stable.

We recommend maintaining a balanced allocation across equity, fixed income, and alternative assets. This approach should help diversify risk and provide opportunities for long-term capital growth. It is important to remain vigilant and be prepared to adjust strategies as market conditions evolve.

S Y S T E M A T I C C R I T I C A L S

1. The FOMC has indicated that it will continue to gradually reduce its bond purchases, which should help sustain the current level of economic activity.
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