

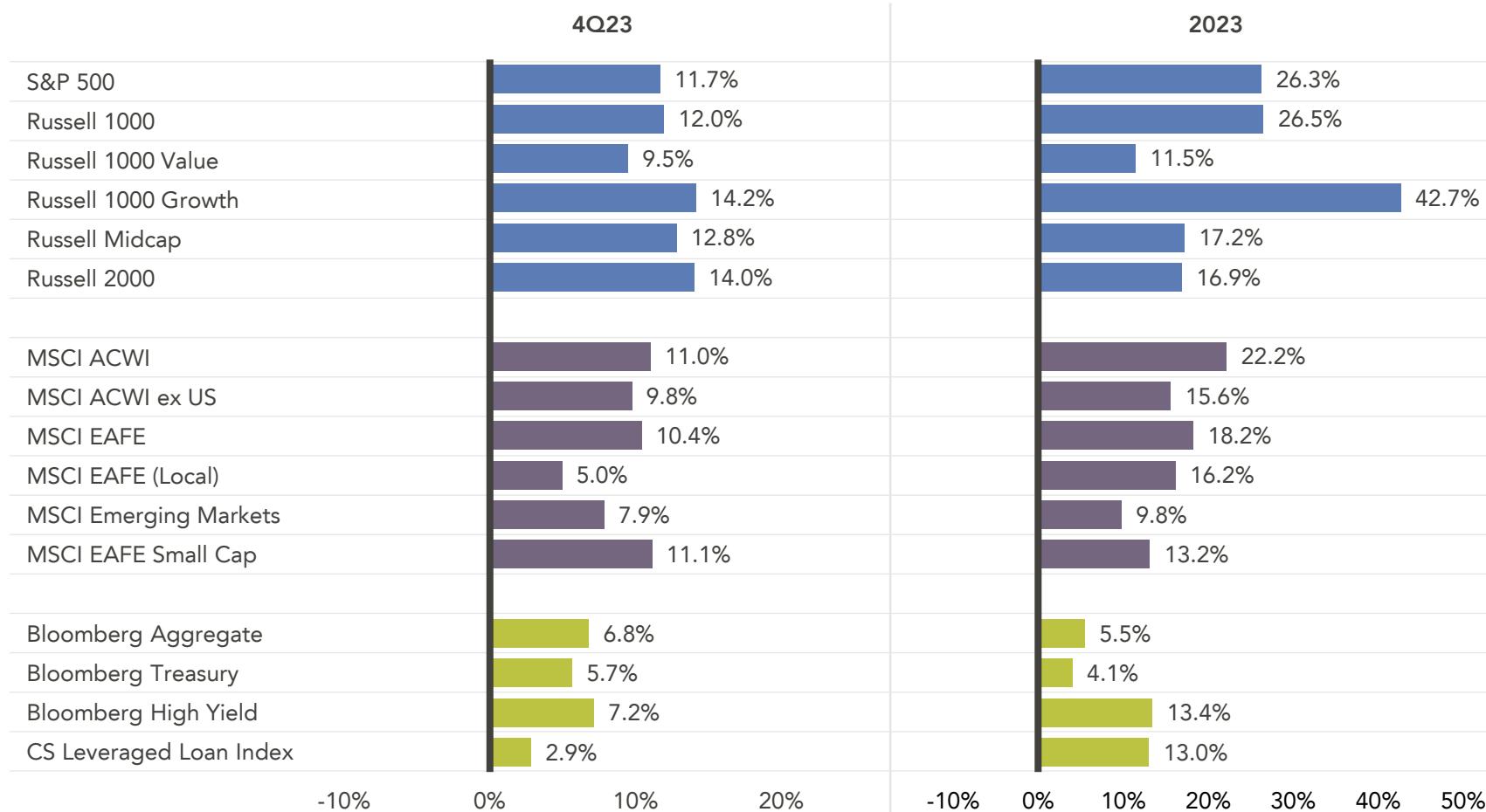
City of Naperville

Supplemental Meeting Materials



Market Environment

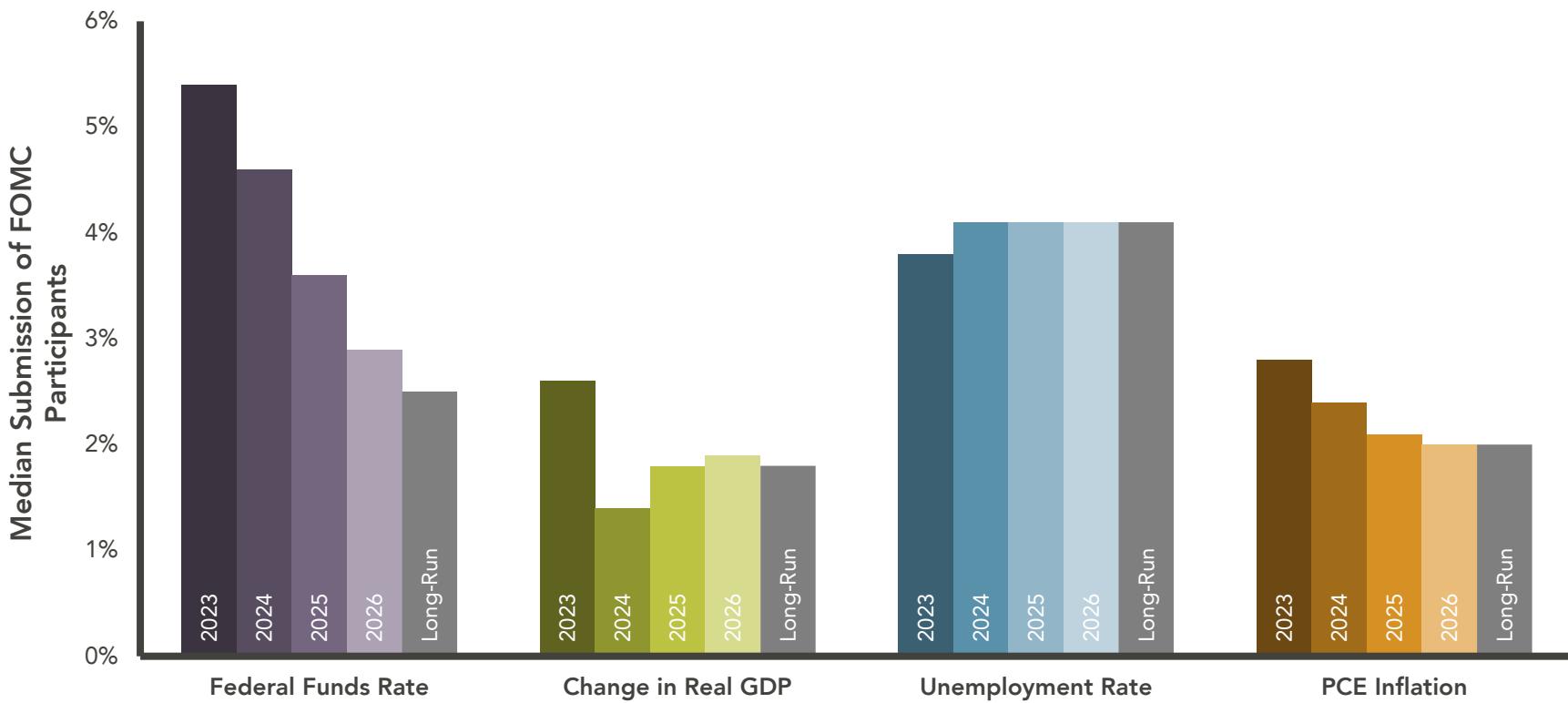
Index summary



Source: Bloomberg as of December 31, 2023

Summary of economic projections

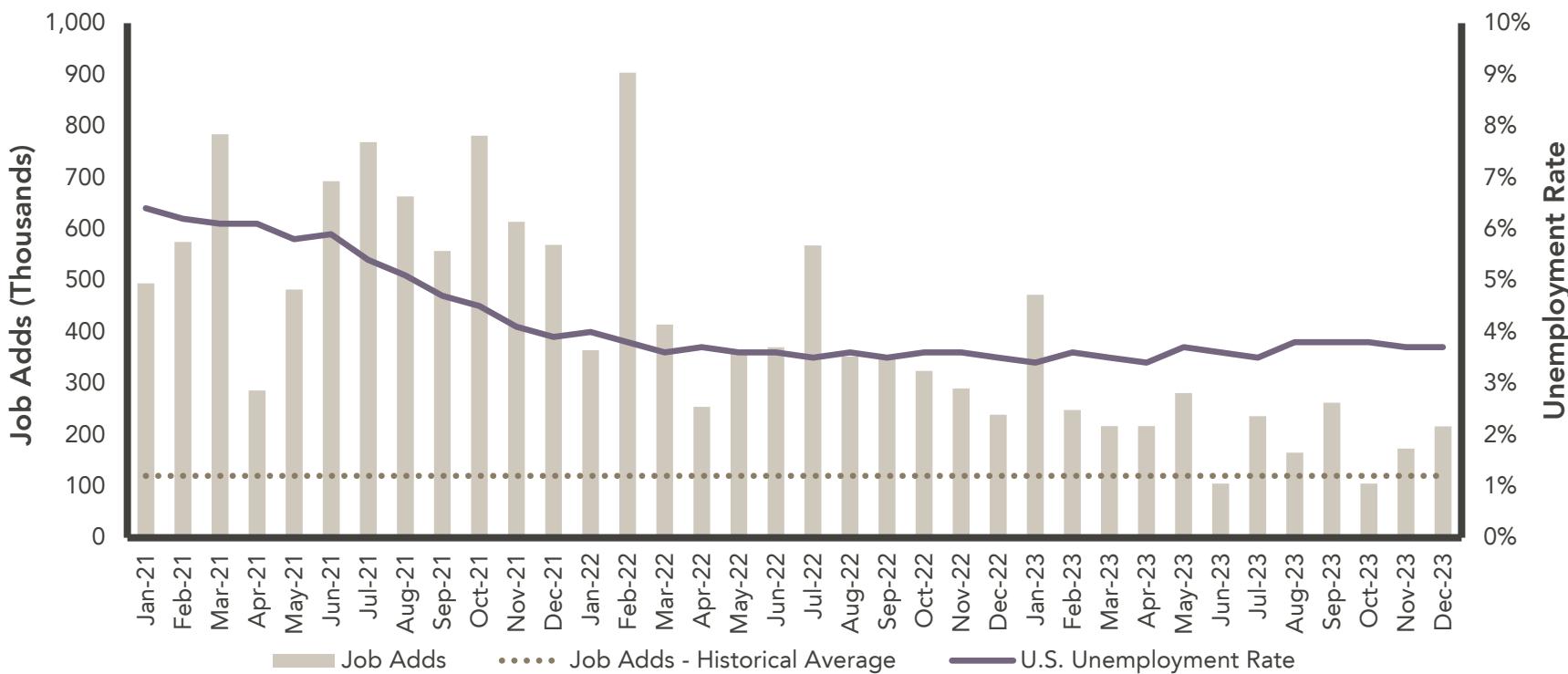
Fed officials expect GDP growth and PCE inflation to slow, along with a slight increase in the unemployment rate



Source: Federal Reserve as of December 13, 2023

Hiring and unemployment

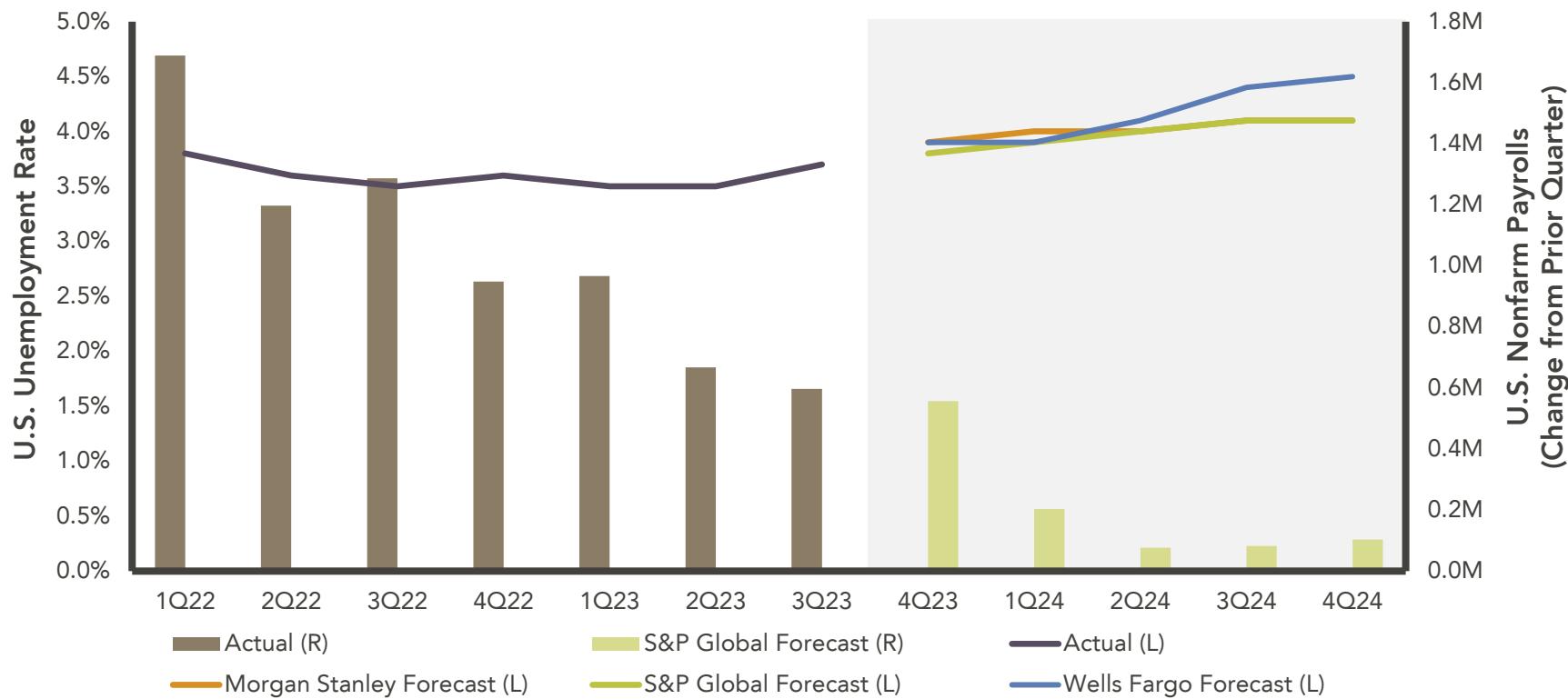
The December jobs report showed that employers added 216,000 jobs for the month while the unemployment rate held steady at 3.7%



Source: Bloomberg, Bureau of Labor Statistics as of December 31, 2023. Job Adds – Historical Average represents the 30-year average prior to the onset of COVID-19 (March 1990 – February 2020).

Hiring expected to slow in 2024

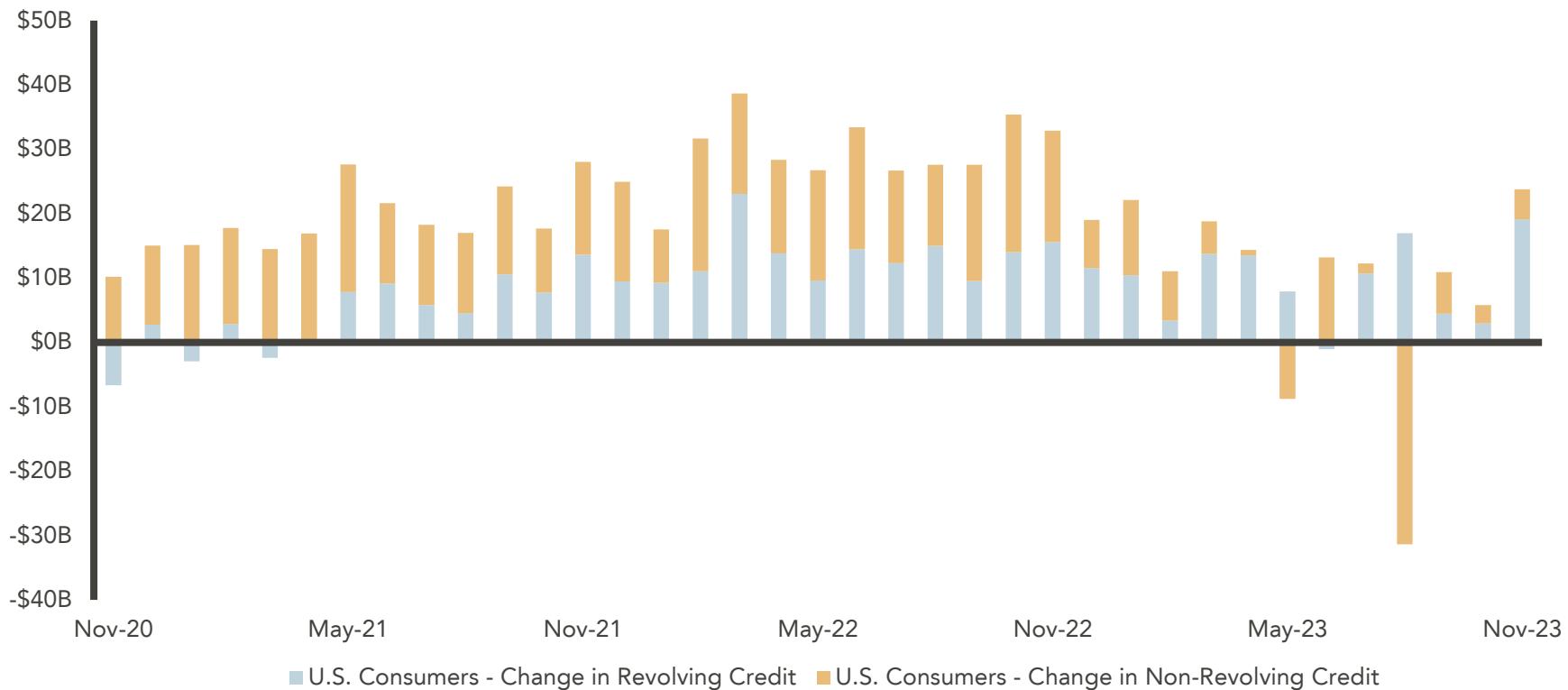
The U.S. labor market was robust in 2023, however many economists forecast a slowdown in hiring over the coming quarters



Source: The Wall Street Journal, S&P Global Market Intelligence, Wells Fargo, Morgan Stanley as of December 31, 2023

U.S. consumers borrowing at elevated levels

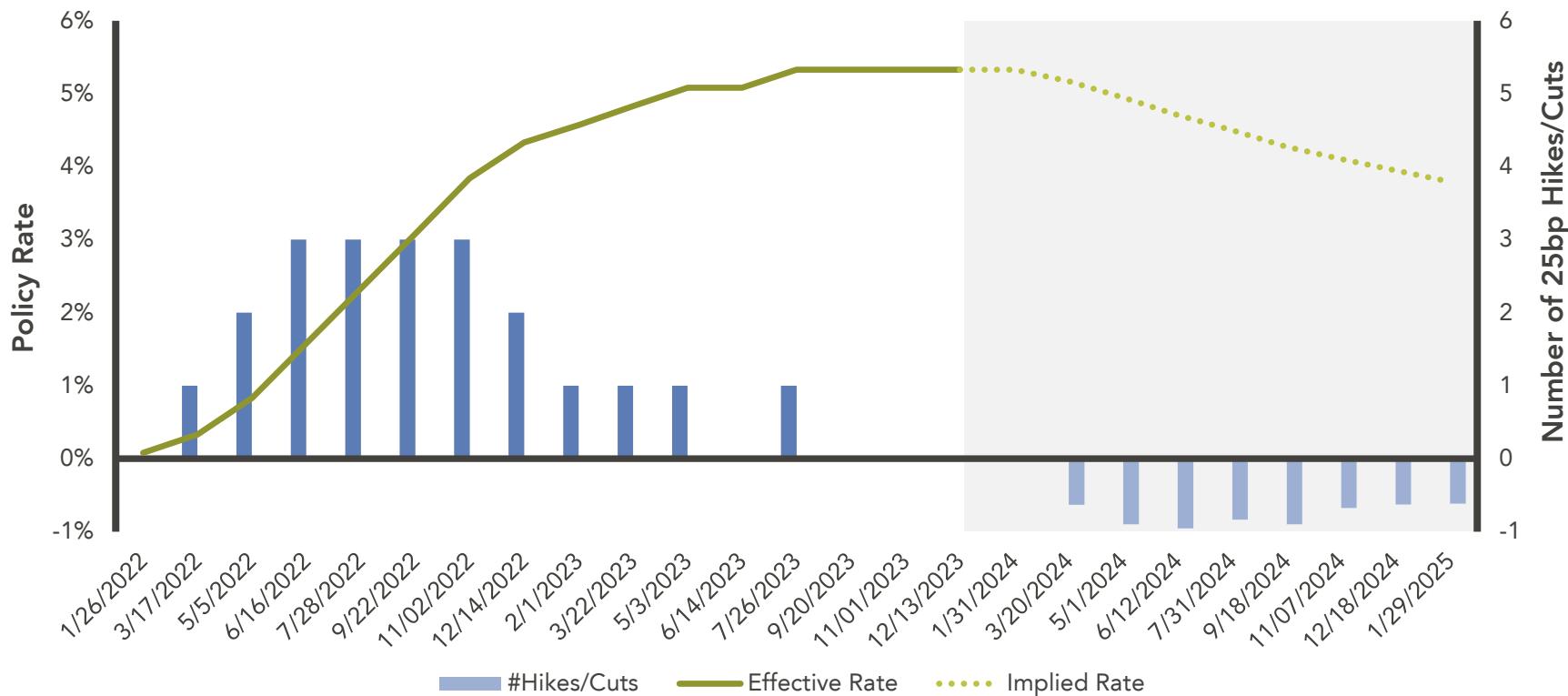
Outstanding U.S. consumer revolving debt has recently increased



Source: Bloomberg, Federal Reserve Bank of New York as of November 30, 2023

Rate expectations

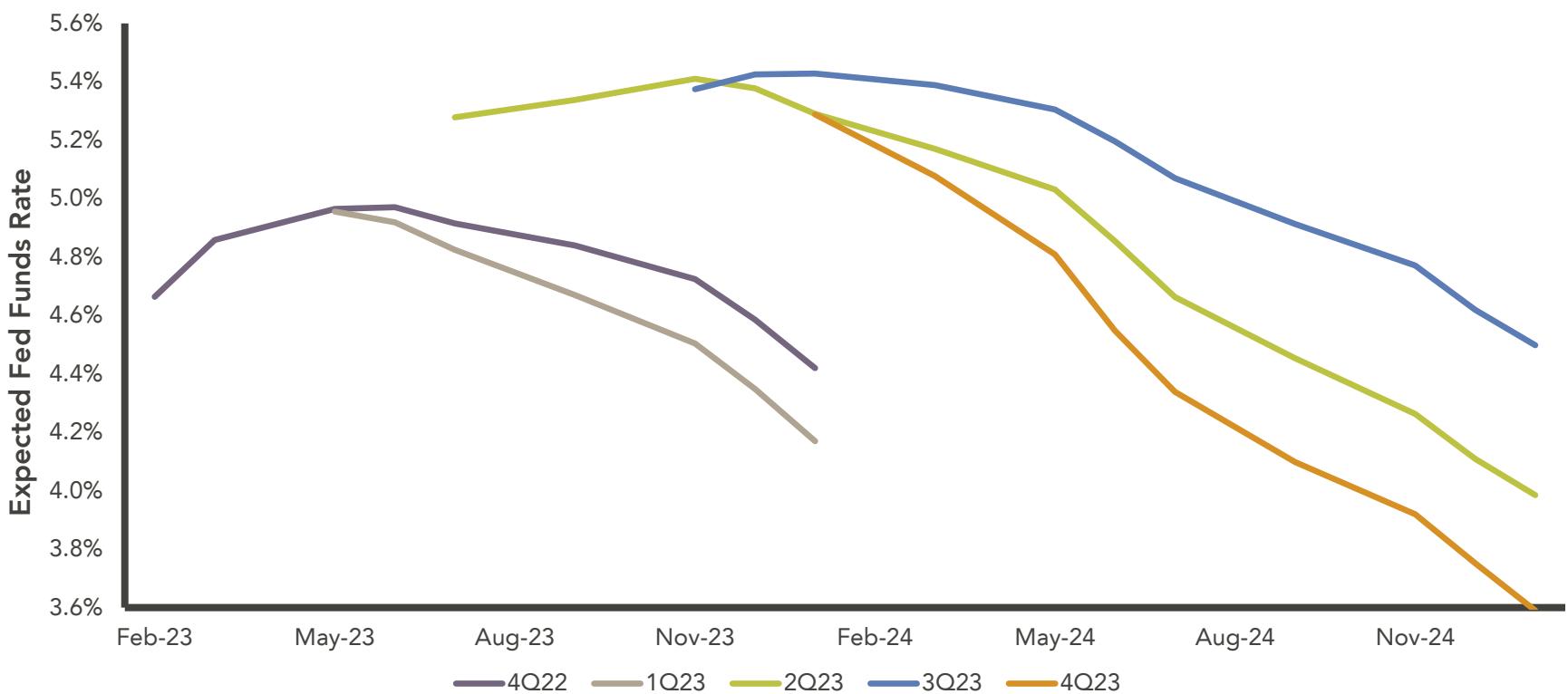
The market is expecting the Fed to cut earlier and more aggressively than communicated



Source: Bloomberg as of January 11, 2023

Fed funds rate projections

The market has continually priced in rate cuts, will these predictions may finally come to fruition



Source: Bloomberg as of December 31, 2023

Global equity valuations

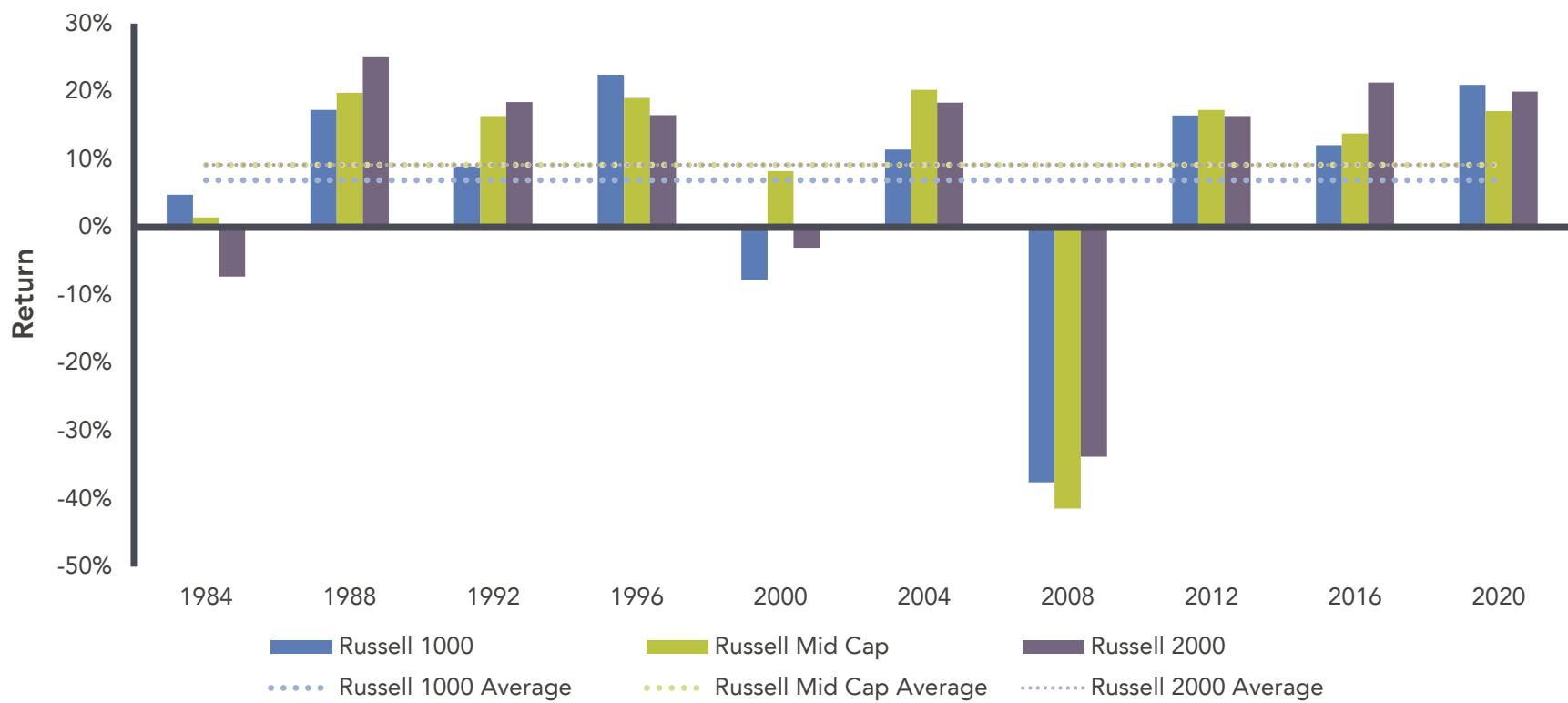
Valuations of non-U.S. equities are in line with their historical averages and remain attractive relative to U.S. equities

Valuation Metrics	S&P 500		MSCI EAFE		MSCI EM		MSCI EAFE SC	
	Current	Historical Percentile (%)	Current	Historical Percentile (%)	Current	Historical Percentile (%)	Current	Historical Percentile (%)
P/E	23.4	91	14.0	30	12.7	63	14.5	34
Forward P/E	19.6	91	13.7	64	11.8	75	12.4	35
P/B	4.5	96	1.8	64	1.6	43	1.3	44
P/S	2.6	94	1.4	94	1.3	67	0.9	67
P/CF	16.1	91	9.4	58	8.3	57	10.6	58
EV/EBITDA	13.4	85	8.9	8	9.0	87	9.6	30
Average		91		53		65		45

Source: Bloomberg as of December 31, 2023, data pulled January 2, 2024. P/E is adjusted for negative earnings; percentiles are based on data going back to 1999 except for P/E which goes back to 2005.

Presidential election years

Presidential election years have historically been positive for equity markets, with double-digit returns in 6 of the last 10 instances



Source: Bloomberg as of December 31, 2023

Benchmark Review

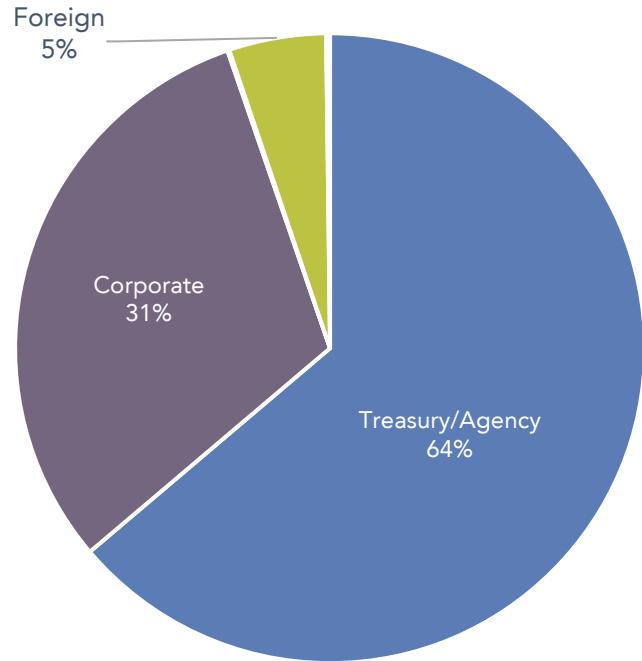
Benchmark background

- Historically the benchmark for both investment managers has been a government only benchmark (Bloomberg Intermediate Government Index)
 - Permissible investments complied with the Public Funds Investment Act 30 ILCS 235
- Naperville's Investment Policy Statement was revised in 2018 to expand the investment manager investment authority
 - Allowance of investment grade corporate bonds (up to 30%)
 - Allowance of CMBS, ABS, and CLO (up to 10%)
- Additional Investment Policy Statement updates pertaining to asset allocation
 - Allowance of open-end fixed income mutual funds (up to 10%)
- Both investment managers (PFM and Loop) have made significant allocations to corporate bonds
- Should the investment managers benchmarks be updated/modified at this time to align with the new contracts?

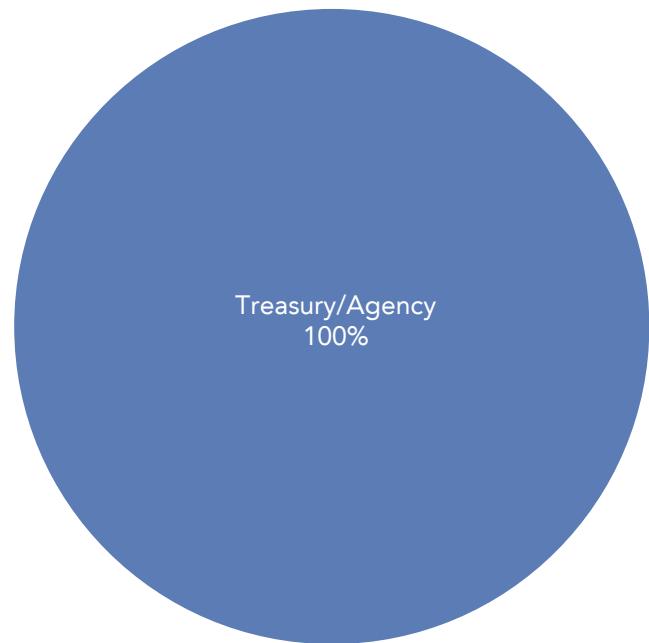
Benchmark sector allocations

Sector allocations as of December 31, 2023

Bloomberg Intermediate US Government/Credit Index



Bloomberg Intermediate US Government Index



Benchmark performance

Performance as of December 31, 2023

	Qtr	1 Yr.	2 Yr.	3 Yr.	4 Yr.	5 Yr.	7 Yr.	10 Yr.
Bloomberg Int. US Govt	4.0%	4.3%	-1.9%	-1.8%	0.0%	1.0%	1.1%	1.2%
Bloomberg Int. US Govt/Credit	4.6%	5.2%	-1.7%	-1.6%	0.3%	1.6%	1.6%	1.7%

	2023	2022	2021	2020	2019	2018	2017	2016
Bloomberg Int. US Govt	4.3%	-7.7%	-1.7%	5.7%	5.2%	1.4%	1.1%	1.1%
Bloomberg Int. US Govt/Credit	5.2%	-8.2%	-1.4%	6.4%	6.8%	0.9%	2.1%	2.1%

Benchmark considerations

- Move both investment managers (PFM and Mesirow) primary benchmark to the Bloomberg Intermediate Government/Credit Index
- Move one investment manager (Mesirow) primary benchmark to the Bloomberg Intermediate Government/Credit Index and keep the other investment manager (PFM) primary benchmark to Bloomberg Intermediate Government Index
- Update the total portfolio blended policy benchmark to reflect the underlying investment manager benchmarks
- Update Naperville's Investment Policy Statement to allow for additional exposure to investment grade corporate bonds
 - Absolute amount (e.g. 50%)
 - Relative amount (e.g. +/- 20% the benchmark)

Purpose:

**Empower our
clients to meet their
investment
objectives**

Vision

Be a trusted partner to our clients
through effective investment programs

Mission

Provide independent and thoughtful
investment guidance

Why Marquette?

- ✓ Our people
- ✓ Independent expertise
- ✓ Focused client service
- ✓ Careful research