

Proposal to the City of Manitowoc Investment Committee**7/7/20**

Subject: The current City of Manitowoc Investment Policy

Purpose: To revise the current City of Manitowoc Investment Policy to better accommodate current fixed income market risks. Specifically, the revision would pertain only to language contained in: Section 8. Investment Parameters, Part 1. Diversification.

Current Language Includes:

The following diversification limitations shall be imposed on the portfolio:

- No more than 20% in corporate bonds
- No more than 20% in commercial paper
- In no case should the combined corporate bond/commercial paper holdings exceed 30% of the overall portfolio

Proposed Change to Current Language:

- **No more than 30% in corporate bonds**
- No more than 20% in commercial paper
- In no case should the combined corporate bonds/commercial paper holdings exceed 30% of the overall portfolio

Results of Implementing the Proposed Change to Current Language:

The flexibility to increase corporate securities holdings in lieu of commercial paper will reduce the interest rate risk profile of the portfolio with negligible effect on credit risk.

The flexibility to increase corporate securities holdings in lieu of commercial paper will allow the timely purchase of floating rate securities unavailable in other asset categories.

Floating Rate Corporate Securities – Floor / No Cap:

- Floor – a limit below which coupon interest cannot fall
- No Cap – no limit to which coupon interest can rise

Yield Comparison:

5-Year Treasury	0.30%
5-Year Agency	0.48%
5-Year / 6-Month Callable Agency	0.74% *
5-Year Floored Floater	0.75% Floor/No Cap