

Chairman BRIAN MURPHY Welcome Speech to Twenty-Seventh Annual Meeting of IMET Participants

Good morning. Thank you for joining us today for a Zoom call of our 27th annual participants' meeting. This is our fourth annual participants' meeting held remotely. Let me thank you again for joining us.

I would like to give you an overview of our many accomplishments of 2022 and share the Board's outlook moving forward.

Despite the changes COVID-19 has brought, AND the unprecedented interest rate gyrations of 2022, IMET continues solidly. IMET staff is working remotely. Last year, we moved our offices to One Westbrook Corporate Center, in Westchester, a Regus virtual location. Our hours of operation continue as normal. Our funds operate as usual, and you continue to have three ways to transact purchases or redemptions (online, by phone, by email).

In 2022, Ethan Lord, joined us as Associate Director. He is based in Edwardsville, downstate. He and Sofia cover the entire state together. We are very pleased to welcome Ethan on board. Meeder has provided fund accounting and transfer agency for several years now. We are confident that this partnership has elevated the level of participant satisfaction. Meeder 'gets' our services and seems to anticipate and meet participant needs.

IMET continues to provide Illinois municipalities with attractive investment options. As you all know, IMET is not a bank. Nor are we an investment manager or an investment adviser. We are a governmental trust and a not-for-profit.

We offer two investment strategies or funds – the original IMET Fund operates as the IMET Core Fund – it was formerly known as the IMET 1-3 Year Series. As you know, this Fund is geared for intermediate funds or those

not needed for daily liquidity. This Fund is unique in Illinois – there are no other pools available to Illinois governmental entities that invest in maturities such as those contained in this Fund. Over periods of time, longer-term maturities such as those in the Core Fund can be expected to outperform shorter maturity investments.

While this Fund is comprised of longer-term securities, it, however, is liquid. This means that participants or investors have next day liquidity as long as IMET is notified by the daily cut-off of 3:00 PM. Other funds available in the state that invest in similar maturities require one-plus week advance notice and/or have terms to which you must commit to staying in the Fund. In contrast to such restrictions, the IMET Core Fund is liquid, does not have minimum or maximum investment requirements, nor does it have minimum or maximum investments terms or time horizons. Participants have the choice to Wire or ACH their funds into and out of IMET.

2022 proved challenging for the Core Fund given the degree and speed that interest rates increased during the year. Our investment manager, Meeder, will address these challenges in detail shortly. However, allow me to say we share your dissatisfaction with the Fund's absolute performance; however, we recognize it, like all other asset classes during 2022 except for high yield or junk bonds, was impacted by the unprecedented rate hikes by the Federal Reserve.

We remain confident that, over time, this Fund and funds like it, outperform shorter term or liquidity funds, and that the Core Fund strategy has its place as a component of a diversified portfolio.

The second IMET fund, the Convenience Fund, was created by IMET as a companion, an alternative to the Core Fund. It is geared to provide liquidity for participants. In creating the Convenience Fund, the IMET liquidity fund, the IMET board chose to create the Fund as an alternative to bank deposits. It is comprised primarily of bank deposits, unlike

competitive liquidity pools which are comprised of diversified portfolios of money market instruments (agencies, treasuries, repos, commercial paper). The Board is committed to this profile for the Convenience Fund.

I would like to stress the difference in asset classes between the composition of the IMET Convenience Fund and the typical liquidity fund available in Illinois. I am doing this to highlight that it behaves differently from competitive alternatives.

Let's go back to last year. At the end of IMET's 2021 fiscal year, the Convenience Fund had a 12-month total return of 23 basis points and a 30 day yield of 16 basis points. At September 30, 2021, the target Federal Funds range was 0.00% – 0.25%, the same range from a year earlier. Competitive options in the state had yields of between 2 and 13 basis points. The Convenience Fund yielded 16 bps. The Convenience Fund outperformance lasted about 18 months.

We have seen a reversal over the past year or so.

Importantly, as we have mentioned again and again, the Convenience Fund is not managed money market fund-like. Funds managed money market fund-like must adhere strictly to SEC Rule 2A-7 in terms of liquidity and diversification. The Convenience Fund is an alternative to bank deposits. It is comprised primarily of FDIC insured, collateralized, and Federal Home Loan Bank Letter of Credit backed bank deposits. Bank deposits respond differently to market conditions than open market money market instruments that comprise money market fund-like pools. **There is not much asset overlap between IMET and many competitive alternative pools in the state.**

There is never a good reason to have all your funds in one pool – even if that is an IMET fund. However, there is very good reason to have

some of your funds in various pools, including IMET funds. Diversification is a very effective way to manage risk and attain a market yield.

Let me finish off by talking a little bit about our value-added services. As many of you may know, IMET offers Arbitrage Rebate Calculation Services through Ice Miller, a well-respected and distinguished firm with which many of you are familiar. After an extended period of low interest rates, with rates increasing as meaningfully as they have, there is an increased likelihood of positive arbitrage and/or yield restriction liabilities. More IMET participants are taking advantage of this tool. IMET offers ARCS services for free to participants, picking up the tab, as long as bond funds are invested in the IMET Funds pending their usage.

During 2022, IMET partnered with DebtBook to offer its web-based debt and lease management software solution to IMET participants at a discounted basis. DebtBook addresses and simplifies implementation of GASB 87 and GASB 96. A number of IMET participants enjoy DebtBook and IMET participants continue to become DebtBook users. The IMET New Product Committee reviewed numerous solutions for debt management and found DebtBook head-and-shoulders above the rest. I want to encourage you to take a look at this tool.

We also have a cash flow forecast model available to all on the IMET website and an online encyclopedia for public sector investing.

Our goals continue to be to provide Illinois local governments with safe, liquid and attractive investment options. By pooling funds together, IMET participants can enjoy:

- expanded investment options (especially for smaller investors)
- portfolio diversification
- enhanced safety and liquidity
- improved convenience, and

- add-on services such as arbitrage rebate calculation services, debt and lease management software and cash flow modeling offered at very attractive pricing.

On behalf of the IMET Board and staff, we look forward to continuing to work with participants for your long-term success.

IMET is committed to being your steward – earning your trust and deserving your confidence!

Thank you.

March 21, 2023