

QUARTERLY INVESTMENT REPORT

City Council Meeting

March 4, 2005

Agenda Item 15.2

City of Stockton

Portfolio Update Presentation to City Council

March 4, 2025

415.393.7225

pfmam.com

Monique Spyke, Managing Director

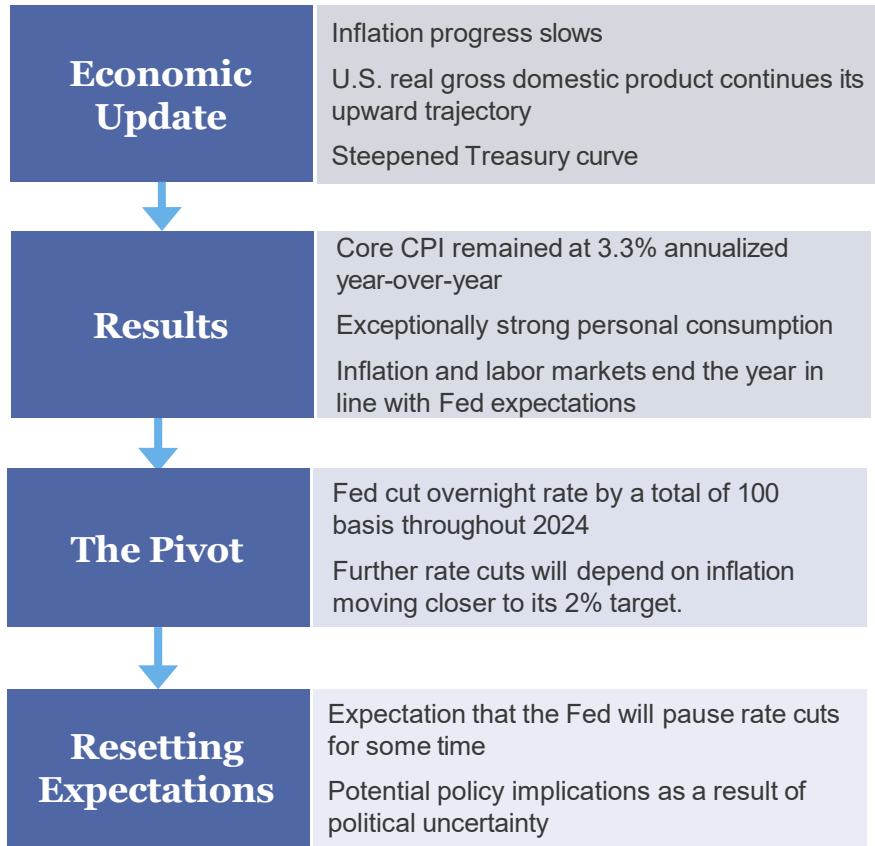
Justin Resuello, Institutional Sales and
Relationship Manager

A division of U.S. Bancorp Asset Management, Inc.

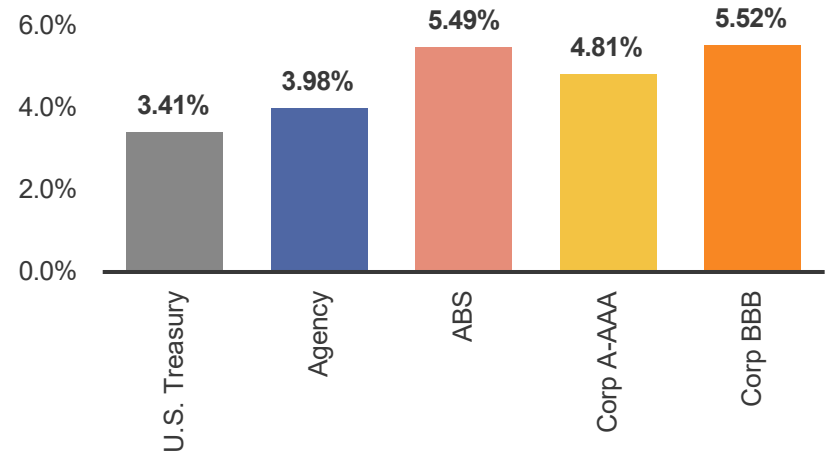
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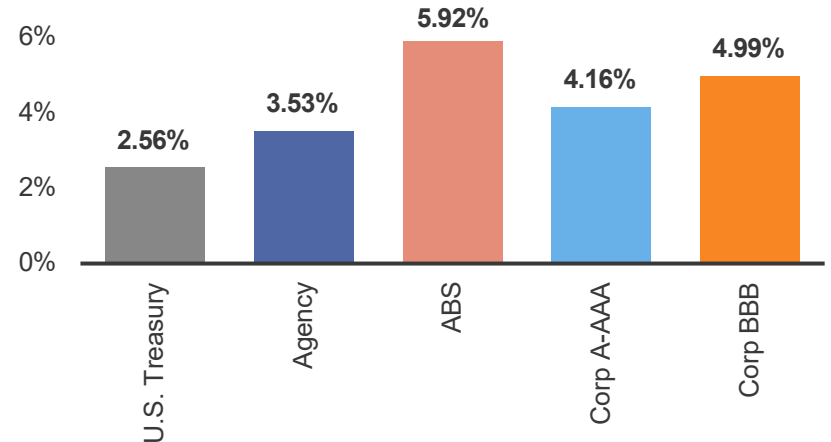
A Look Back



**1-5 Year Fixed-Income Index
1-Year Return**



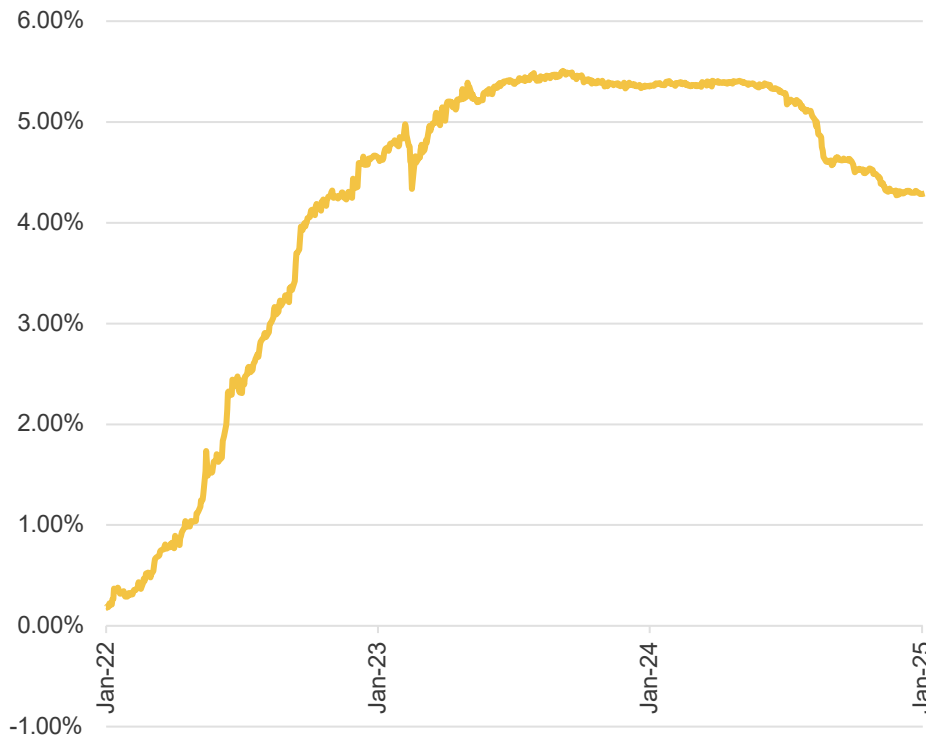
**1-10 Year Fixed-Income Index
1-Year Return**



Recent Interest Rate Trends

- Fed “dot plot” implies another 50 basis points of cuts in 2025, less than the 100 basis points previously projected in September

3-Month Treasury Yield January 1, 2022-January 31, 2025



10-Year Treasury Yield January 1, 2022 – January 31, 2025



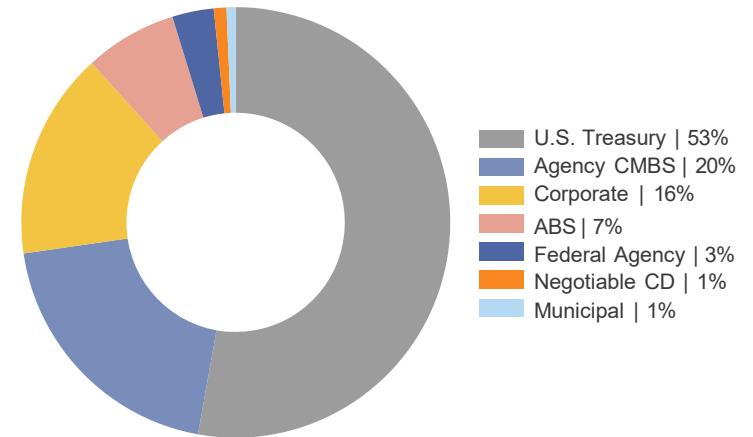
Source: Bloomberg, as of 2/7/2025.

Investment Program Snapshot

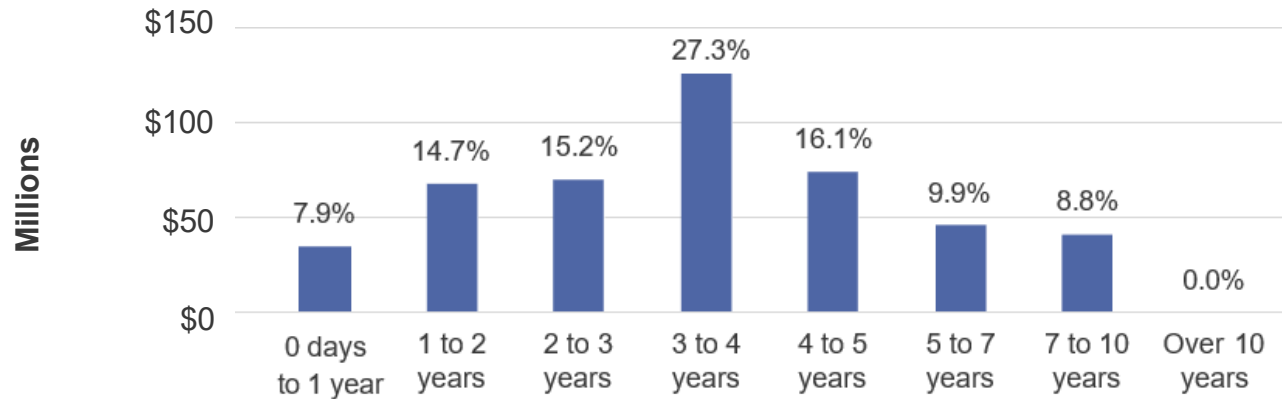
Program Summary

Reserve Portfolio	\$459,505,110
Yield at Cost	3.78%
Average Duration	3.07
Average Credit Quality	AA
Total¹	\$459,505,110

Sector Allocation



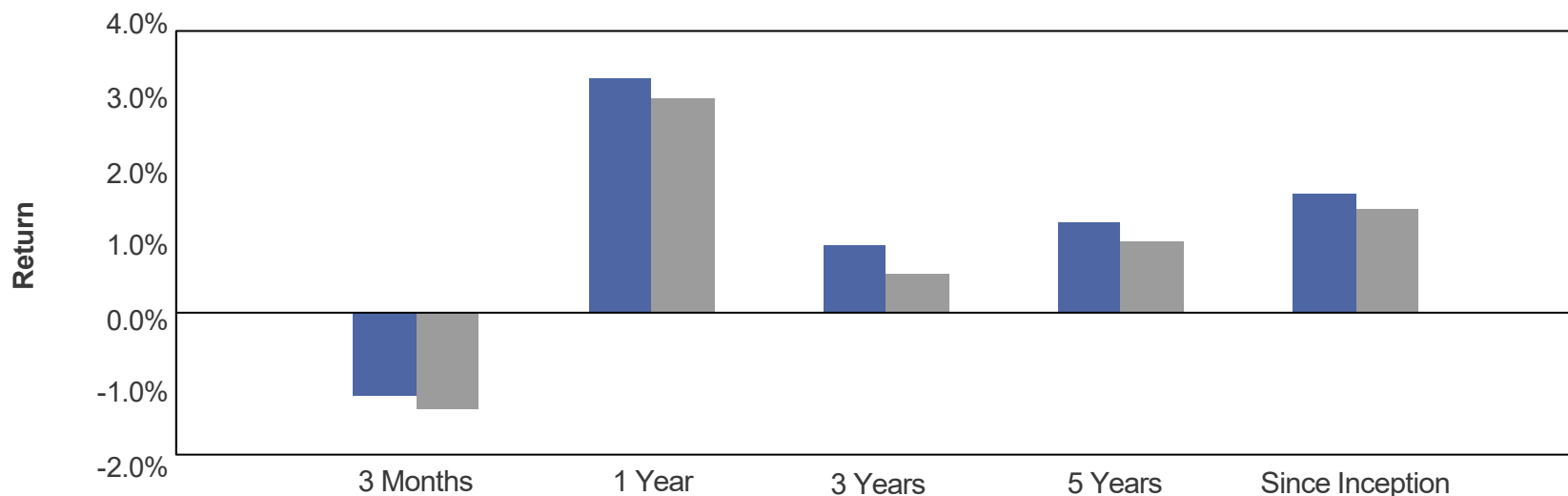
Maturity Distribution



1. Values of total portfolio holdings including accrued interest and cash.

Portfolio Performance

Portfolio Benchmark



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception ¹
Interest Earned ²	\$3,745,826	\$13,630,989	\$27,604,677	\$45,681,243	\$66,664,085
Change in Market Value	(\$9,115,430)	\$1,225,422	(\$20,505,891)	(\$21,787,881)	(\$15,134,609)
Total Dollar Return	(\$5,369,604)	\$14,856,411	\$7,098,786	\$23,893,362	\$51,529,476
Total Return³					
Portfolio	-1.15%	3.33%	0.96%	1.28%	1.69%
Benchmark ⁴	-1.34%	3.04%	0.55%	1.00%	1.48%

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is June 30, 2017.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is currently 80% ICE BofA 1-5 Year AAA-A US Corporate & Government Index and 20% ICE BofA 5-10 Year US Treasury Index. Prior to 3/31/23 it was the ICE BofA 1-5 Year AAA-A US Corporate & Government Index. Source: Bloomberg Financial LP.

Looking Forward

Market Conditions

- Inflation has fallen since its peak in 2022, progress has stalled in the past few months
- Fed began its easing cycle with 100 basis points of rate cuts in 2024
- Fed has acknowledged higher inflation expectations going into 2025 and potential rate cuts depending on inflation moving closer to its 2% target

Portfolio Strategy

- Continue to capture opportunities for enhanced return in the City's portfolios
- Target portfolio duration to a neutral position relative to the benchmark
- Regularly evaluate allocation between overnight funds and invested funds to maintain optimal allocation
- Maintain a strong sense of safety and risk management



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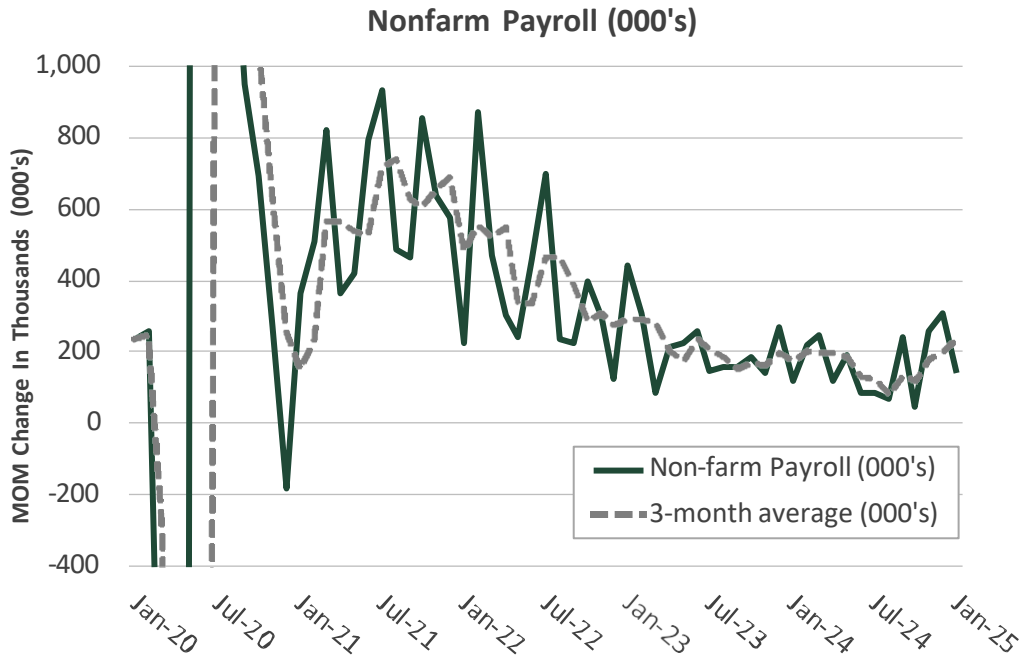
INVESTMENT REPORT

City of Stockton | As of December 31, 2024

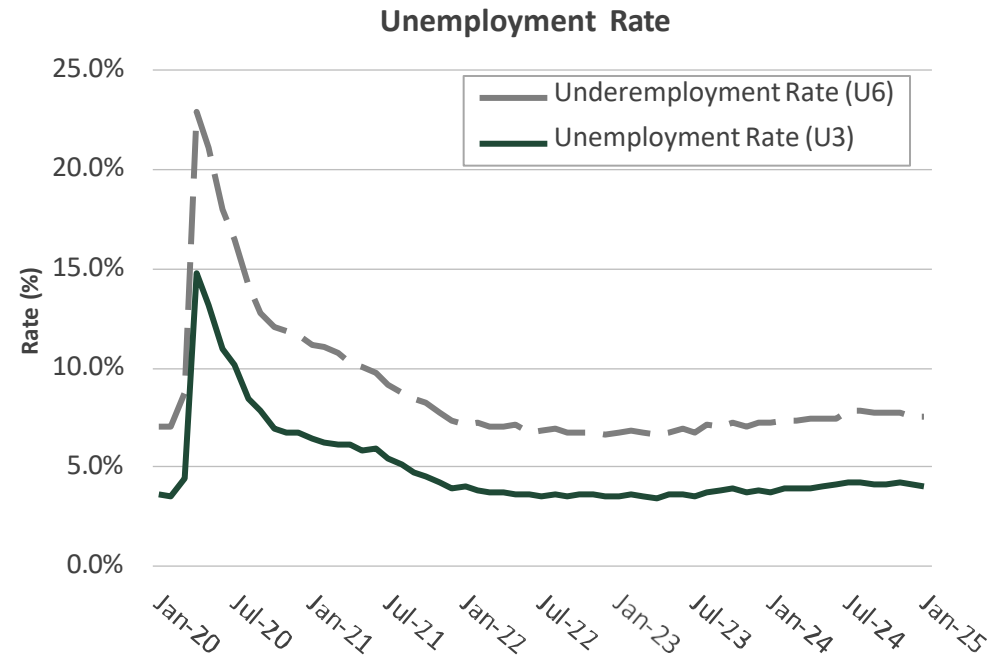
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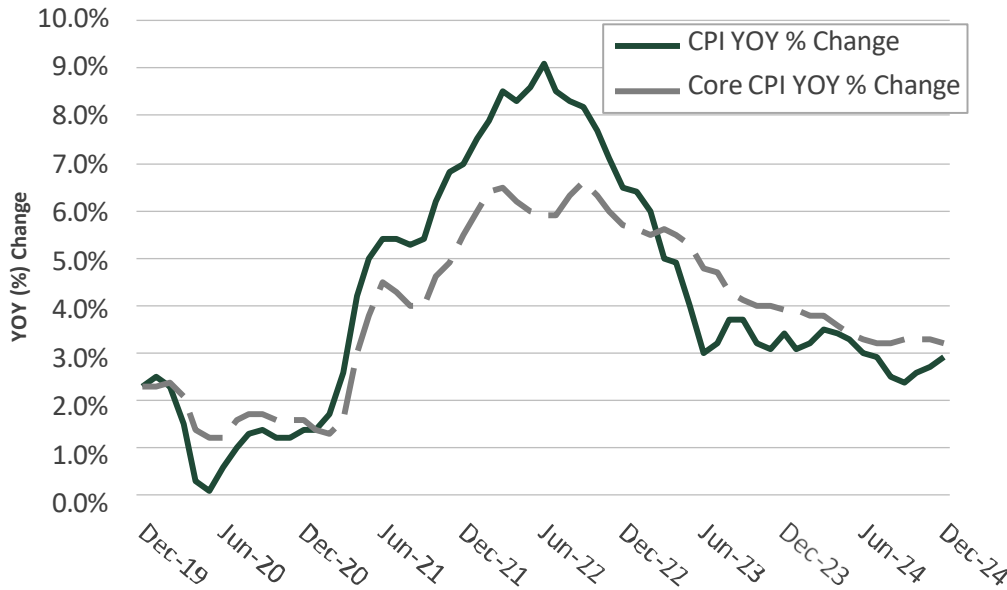
Source: US Department of Labor



Source: US Department of Labor

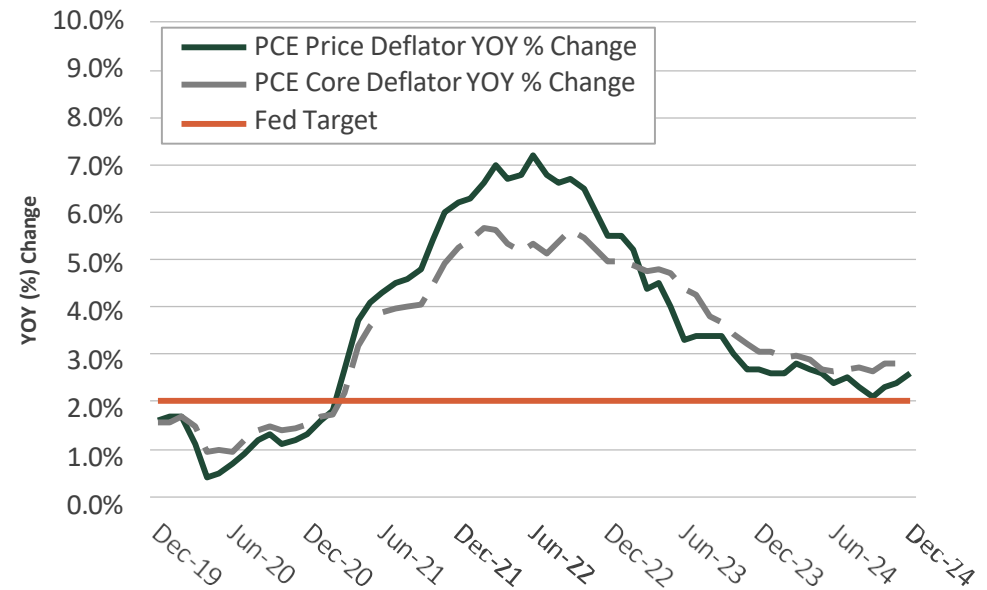
The U.S. economy added 143,000 jobs in January, below consensus expectations, and the last two months were revised up by 100,000. Gains were led by retail and health care. The three-month moving average and six-month moving average payrolls totaled 237,000 and 178,000 respectively. The unemployment rate declined to 4.0% in January, and the labor participation rate edged up to 62.6%, remaining below the pre-pandemic level of 63.3%. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons remained unchanged at 7.5%. Average hourly earnings ticked up to an increase of 4.1% year-over-year in January.

Consumer Price Index (CPI)



Source: US Department of Labor

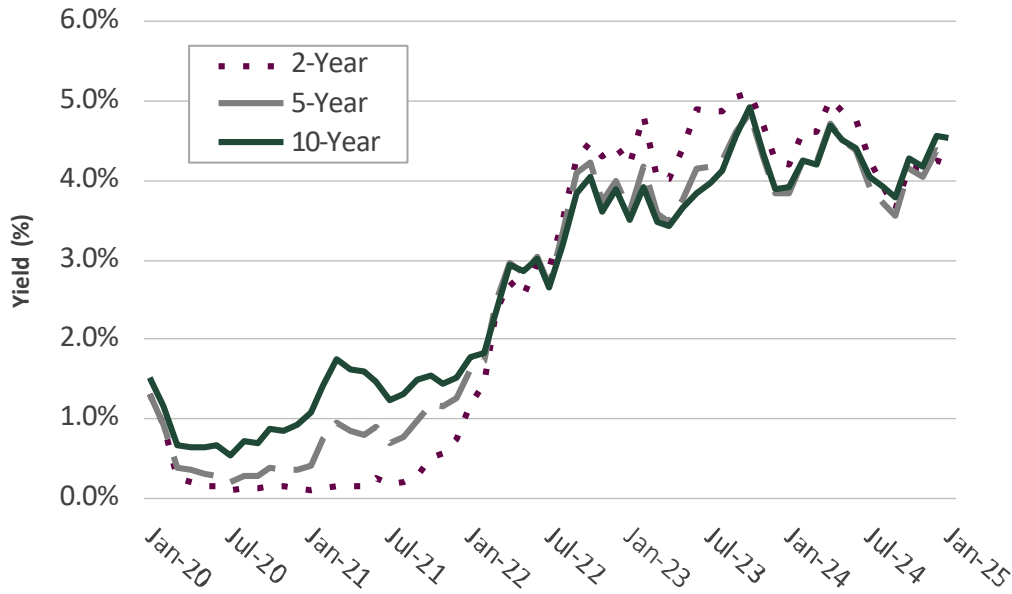
Personal Consumption Expenditures (PCE)



Source: US Department of Commerce

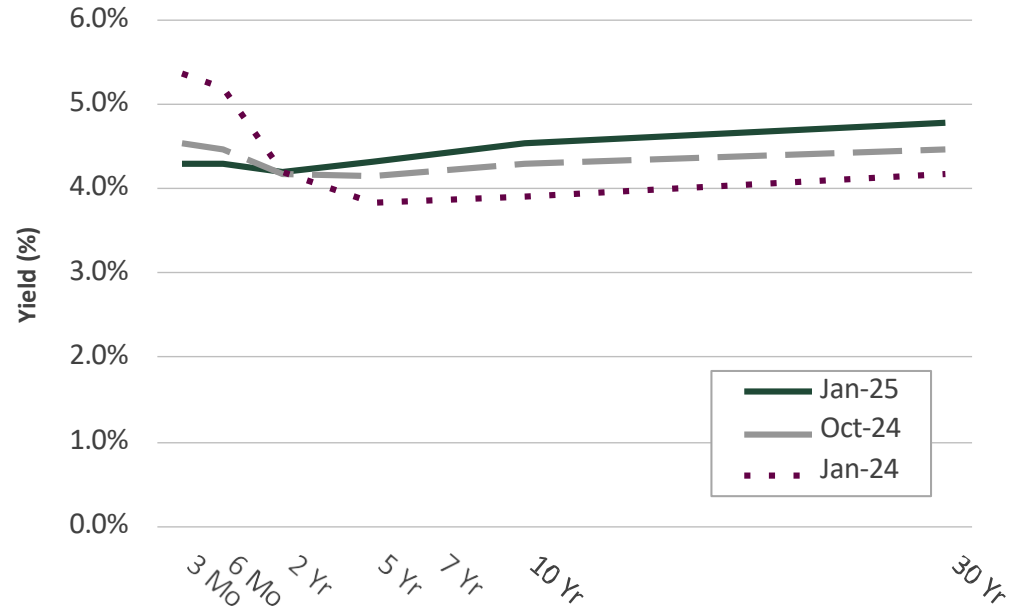
In December, the Consumer Price Index (CPI) rose 0.4% month-over-month and 2.9% year-over-year. The Core CPI, which excludes volatile food and energy components, rose 0.2% month-over-month and 3.2% year-over-year, slowing from last month and coming in lower than consensus expectations. The Personal Consumption Expenditures (PCE) Index rose 0.3% from the previous month and 2.6% year-over-year in December versus a 2.4% increase in November. The Core PCE deflator (the Fed’s preferred gauge) increased 0.2% month-over-month and 2.8% over the past year. Although inflation has moderated, price increases remain above the Fed’s 2% target.

US Treasury Note Yields



Source: Bloomberg

US Treasury Yield Curve



Source: Bloomberg

At the end of January, the 2-year Treasury yield was 1 basis point lower, and the 10-Year Treasury yield was 63 basis points higher, year-over-year. The spread between the 2-year and 10-year Treasury yield points on the curve increased slightly to +34 basis points at January month-end versus +33 basis points at December month-end. The yield curve inversion which began in July 2022 was historically long. The average historical spread (since 2005) is about +99 basis points. The spread between the 3-month and 10-year Treasury yield points on the curve was +25 basis points in January, unchanged from December.

PORTFOLIO CHARACTERISTICS



City of Stockton Reserve | Account #10020 | As of December 31, 2024

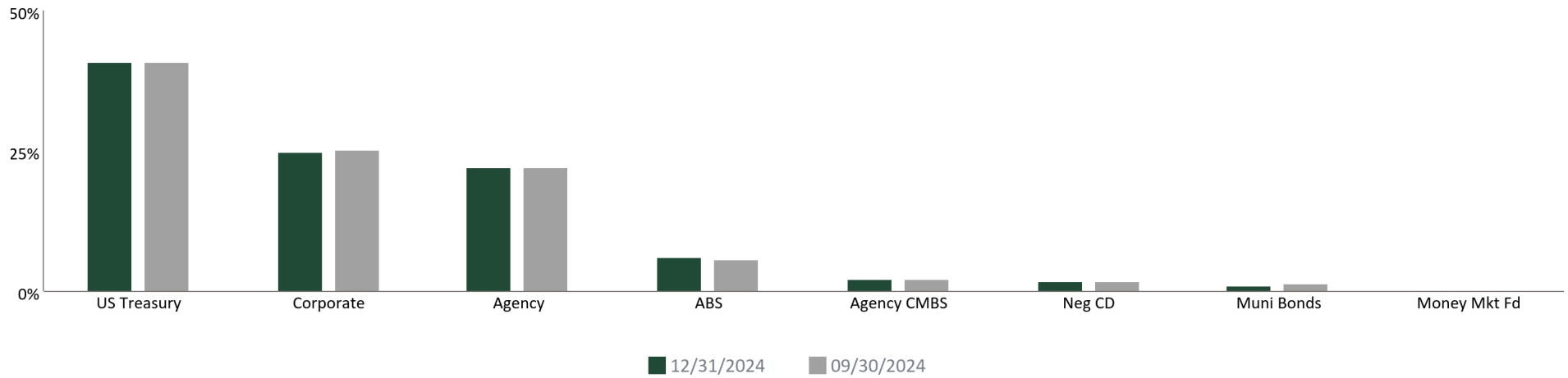
	Benchmark*	12/31/2024 Portfolio	9/30/2024 Portfolio
Average Maturity (yrs)	2.66	2.98	3.14
Average Modified Duration	2.48	2.51	2.68
Average Purchase Yield		3.01%	2.99%
Average Market Yield	4.35%	4.49%	4.01%
Average Quality**	AA+	AA+	AA+
Total Market Value		332,405,551	334,796,278

*Benchmark: ICE BofA 1-5 Year Gov/Corp A or better

**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

SECTOR DISTRIBUTION

City of Stockton Reserve | Account #10020 | As of December 31, 2024



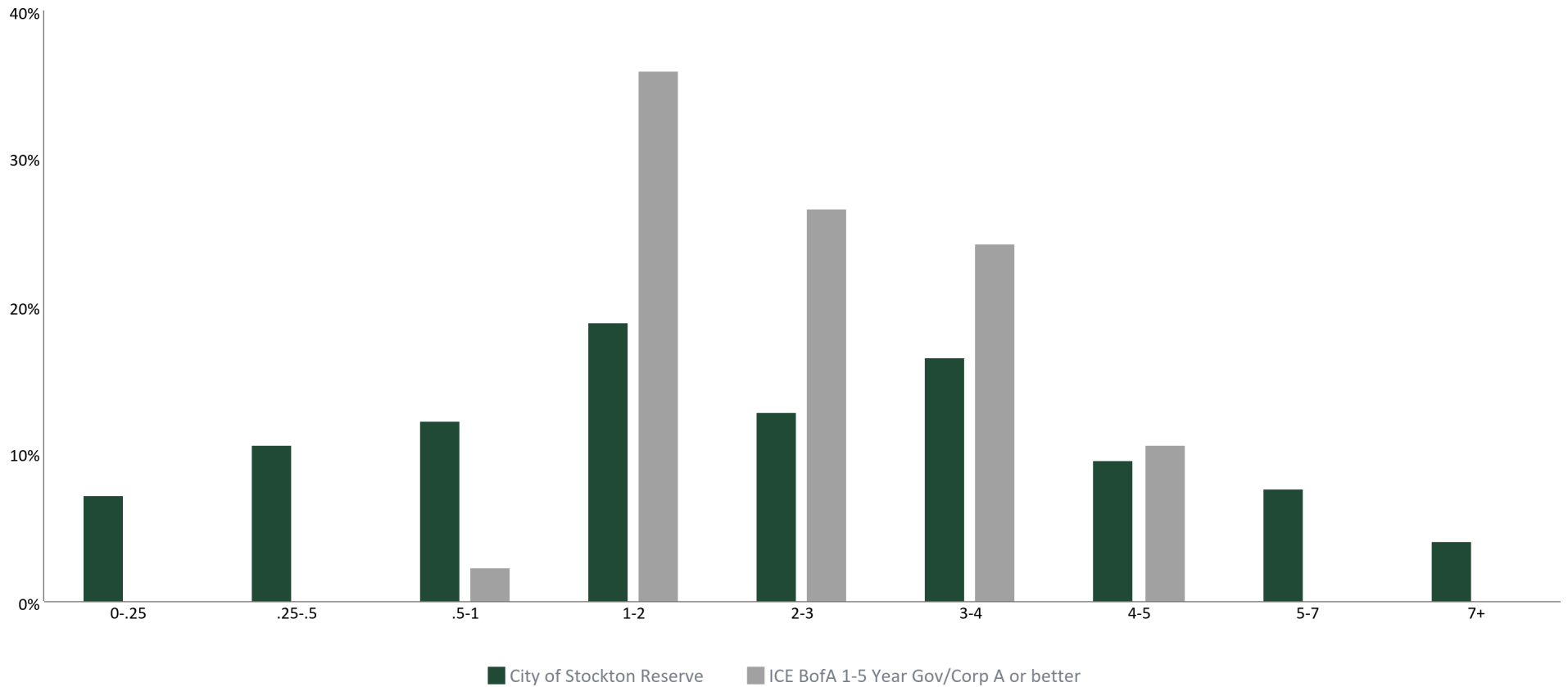
Sector as a Percentage of Market Value

Sector	12/31/2024	09/30/2024
US Treasury	41.19%	41.01%
Corporate	25.14%	25.26%
Agency	22.16%	22.32%
ABS	6.14%	5.70%
Agency CMBS	2.25%	2.27%
Neg CD	1.82%	1.81%
Muni Bonds	1.24%	1.43%
Money Mkt Fd	0.07%	0.20%

DURATION DISTRIBUTION

City of Stockton Reserve | Account #10020 | As of December 31, 2024

Portfolio Compared to the Benchmark



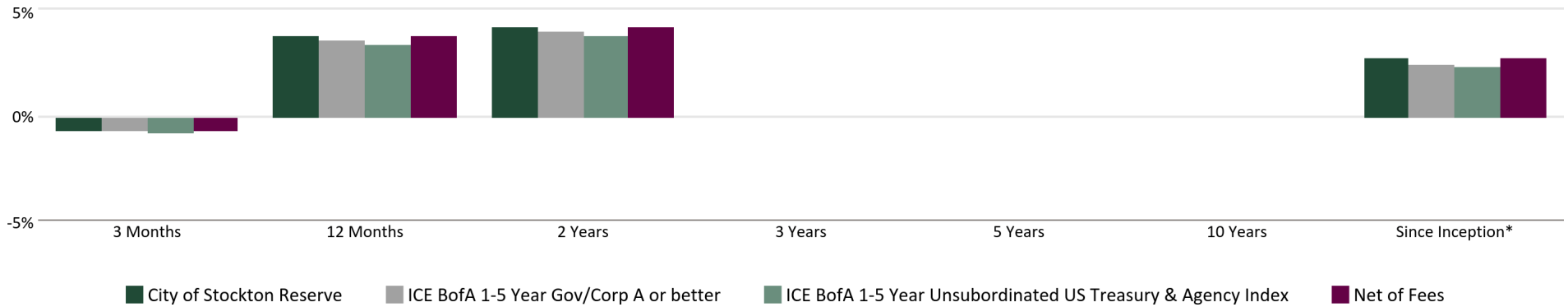
	0-0.25	.25-.5	.5-1	1-2	2-3	3-4	4-5	5-7	7+
Portfolio	7.3%	10.7%	12.3%	18.9%	12.8%	16.6%	9.6%	7.7%	4.2%
ICE BofA 1-5 Year Gov/Corp A or better	0.0%	0.0%	2.4%	36.0%	26.7%	24.3%	10.7%	0.0%	0.0%

INVESTMENT PERFORMANCE



City of Stockton Reserve | Account #10020 | As of December 31, 2024

Total and Realized Rate of Return : Inception | 08/01/2022



	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception*
MARKET VALUE BASIS EARNINGS							
Income Earned	8,965,960	8,965,960	14,738,437	16,568,875	16,568,875	26,731,540	29,341,692
Change in Market Value		11,453,835	50,271,393	45,843,336	45,843,336	205,396,108	271,905,208
TOTAL DOLLAR RETURN	(319,471)	20,410,518	345,647,167	345,647,167	345,647,167	345,647,167	345,647,167

	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
TOTAL RATE OF RETURN							
City of Stockton Reserve	(0.70%)	3.79%	4.19%				2.80%
ICE BofA 1-5 Year Gov/Corp A or better	(0.72%)	3.58%	4.03%				2.46%
ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index	(0.76%)	3.42%	3.86%				2.33%
Net of Fees	(0.71%)	3.76%	4.17%				2.77%

*Periods over 1 year are annualized.

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio. Realized rate of return: A measure of a portfolio's return over time. It is the internal rate which equates the beginning book value of the portfolio with the ending book value; it includes interest earnings, realized gains and losses in the portfolio.

PORTFOLIO CHARACTERISTICS



City of Stockton Enhanced Cash | Account #11194 | As of December 31, 2024

	Benchmark*	12/31/2024 Portfolio	9/30/2024 Portfolio
Average Maturity (yrs)	0.16	0.04	0.09
Average Modified Duration	0.15	0.04	0.08
Average Purchase Yield		4.27%	5.22%
Average Market Yield	4.26%	4.29%	4.84%
Average Quality**	AA+	AAA	AAA
Total Market Value		30,976,381	30,615,901

*Benchmark: ICE BofA 3-Month US Treasury Bill Index

**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

IMPORTANT DISCLOSURES



City of Stockton | As of December 31, 2024

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Ratings information have been provided by Moody’s, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

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BENCHMARK DISCLOSURES

City of Stockton | As of December 31, 2024

Benchmark	Disclosure
ICE BofA 3-Month US Treasury Bill Index	The ICE BofA US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date.
ICE BofA 1-5 Year Gov/Corp A or better	The ICE BofA US Issuers 1-5 Year AAA-A US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational, and corporate securities. Qualifying securities must be issued from US issuers and be rated AAA through A3 (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to final maturity at point of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for US Treasuries and \$250 million for all other securities.
ICE BofA 1-5 Yr US Treasury & Agency Index	The ICE BofA 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.