



## CITY OF FULLERTON LEGISLATIVE BODY MEETING PARTICIPATION

**Zoom Meeting Details:** [www.zoom.us/join](https://www.zoom.us/join)

**Meeting ID:** 160 148 6945    **Telephone Option:** 1-669-254-5252

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**PUBLIC PARTICIPATION:** Members of the public can attend meetings in person or access meetings streamed live online at <https://fullerton.legistar.com>, on Spectrum Cable Channel 3 and AT&T U-Verse Channel 99.

The Council Chamber will have seating available on a first-come, first-served basis for members of the public to attend the meeting in person. All persons visiting City facilities shall observe decorum and health and safety protocols.

**PUBLIC COMMENTS:** The public may address the legislative body in person or provide public comments remotely by following the *Instructions for Public Comment Using Zoom*.

**CORRESPONDENCE:** The public can send correspondence to the legislative body regarding items on the agenda by emailing [Noah.Hyun@cityoffullerton.com](mailto:Noah.Hyun@cityoffullerton.com) with the subject line "Investment Advisory Committee MEETING CORRESPONDENCE - ITEM #" (insert the item number relevant to your comment), "Investment Advisory Committee MEETING CORRESPONDENCE NON-AGENDA ITEM" or by clicking on the eComment link accompanying the agenda posted online at <https://fullerton.legistar.com>. Staff will forward correspondence received to the legislative body. Correspondence is not read at the meeting; however, all correspondence becomes part of the official record of the meeting. Staff posts correspondence online with the meeting's supplemental materials. Contact [Noah.Hyun@cityoffullerton.com](mailto:Noah.Hyun@cityoffullerton.com) or call (714)-738-6537 with any questions.

**ACCESSIBILITY:** If requested, staff will make the agenda and backup materials available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132) and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation in order to observe and/or offer public comment may request such reasonable modification, accommodation, aid or service by contacting [Noah.Hyun@cityoffullerton.com](mailto:Noah.Hyun@cityoffullerton.com) or call (714)-738-6537 no later than 48 hours before the meeting.

# **INSTRUCTIONS FOR PUBLIC COMMENTS USING ZOOM**

The public may remotely participate in the meeting to make oral public comment via computer, smart device or telephone.

Please log on or call in as early as possible to address any technical issues that may occur and ensure you do not miss the time to speak on the desired item.

**Follow these steps to log into Zoom from your computer or smart device** (Your device must have audio capability to participate.):

**Go To:** [www.zoom.us/join](https://www.zoom.us/join)

**Enter Meeting ID:** 160 148 6945

**Follow these steps to call into Zoom from your telephone:**

**Dial** 1-669-254-5252 and press pound (#)

**Enter Meeting ID:** 160 148 6945 and press pound (#)

Optional: You may enter your name when prompted, but this is not required to participate. Staff will remove anyone entering names that violate community standards.

- 1. Use the “raise hand” function to join the queue to speak on the current agenda item** when the Chair calls the item for discussion.

Computer / Smart Device Users: You can find the raise hand option under your participant name.

Telephone Users: Press star-nine (\*9) on your phone to raise your hand. Press star-six (\*6) to unmute when it is your turn to address City Council.

Lower your hand if you choose not to speak or after you have made your comments by unchecking the raise hand option online.

- 2.** Staff will call your name or the last four digits of your phone number when it is your time to speak.
- 3.** You may state your name and city of residence at the beginning of your remarks for the minutes.
- 4.** Speakers will have up to three minutes to make their remarks.
- 5.** You may log off or hang up after making your comments.

**DISCLAIMER:** Participant names and/or phone numbers may be visible to all participants. The City records all public meetings.

# **CITY OF FULLERTON INVESTMENT ADVISORY COMMITTEE**

## **AGENDA**

### **Regular Meeting**

Fullerton City Hall - 303 West Commonwealth Avenue

**Thursday, January 15, 2026  
5:30 p.m.**

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Public comments are allowed on items on this agenda at the time each item is considered.

Persons addressing the Committee shall be limited to 3 minutes unless an extension of time is granted by the Chair subject to approval of the Committee. When any group of persons wishes to address the Committee, it shall be proper for the Chair to request that a spokesman be chosen to represent the group.

Public comments are allowed on items NOT on the agenda but within the subject matter jurisdiction of the Committee. However, NO action may be taken on off-agenda items except as provided by law.

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#### **CALL TO ORDER**

#### **ROLL CALL**

#### **OATH OF OFFICE**

#### **ORIENTATION**

#### **PUBLIC COMMENTS**

#### **ACTION OR DISCUSSION ITEMS**

1. Selection of Chair and Vice Chair for the Investment Advisory Committee.
2. Approval of minutes from the regular meeting of January 16, 2025.
3. Review of the City's Pension and OPEB Plan (115 Trust) Investment Portfolio.
4. Review of Market Update and Current Investment Portfolio for the quarter ending December 31, 2025.
5. Review of portfolio strategy and provide direction.
6. Update on SB 827 by City Clerk.

#### **ADJOURNMENT**

Any writings or documents provided to a majority of the Investment Advisory Committee regarding any item on this agenda will be made available for public inspection in the City Clerk's Office at the address shown above (first floor) during normal business hours.



# ***Agenda Report***

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## ***Investment Advisory Committee***

**MEETING DATE:** JANUARY 15, 2026

**TO:** INVESTMENT ADVISORY COMMITTEE

**SUBMITTED BY:** LUCINDA WILLIAMS, CITY CLERK

**PREPARED BY:** LUCINDA WILLIAMS, CITY CLERK

**SUBJECT:** INVESTMENT ADVISORY COMMITTEE MEMBER  
ORIENTATION

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### **SUMMARY**

Each new Fullerton legislative body member attends an orientation session.

### **RECOMMENDATION**

Receive and file.

### **FISCAL IMPACT**

None.

### **BACKGROUND AND DISCUSSION**

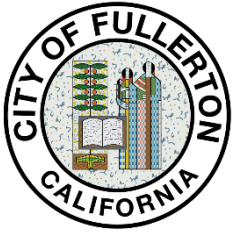
The City Clerk meets with new Fullerton legislative body members for an orientation session regarding the rules, regulations, procedures and duties of board, commission and committee members. The City Clerk will present orientation information to Investment Advisory Committee Members at this meeting.



# Investment Advisory Committee Orientation

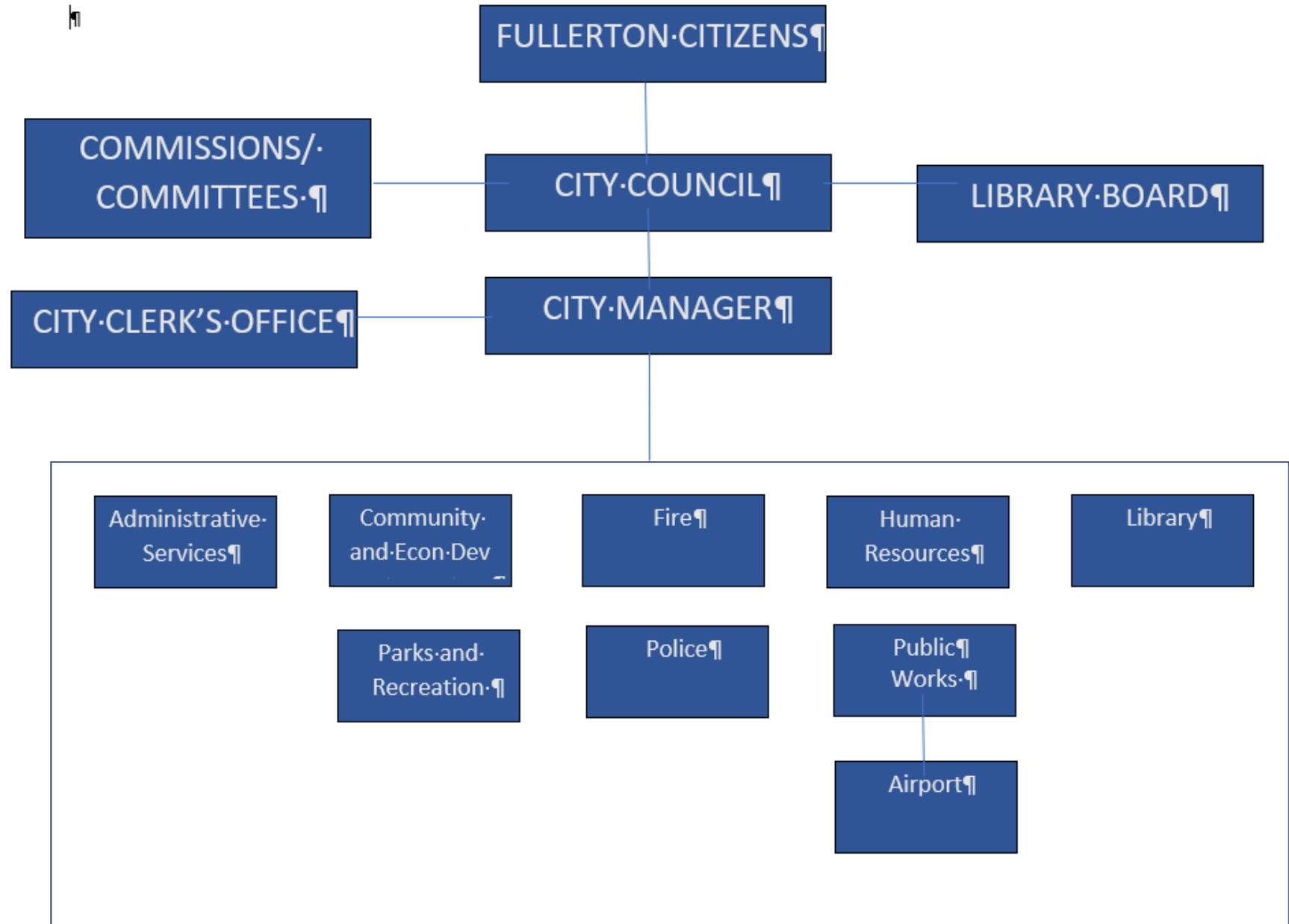
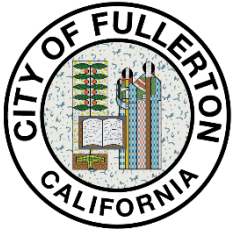
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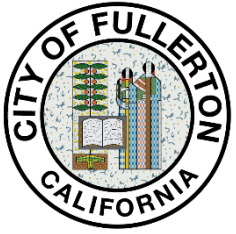
January 2026



# Handbook – City Government Structure

- City Council – Manager
- Committees advisory to City Council
  - Link between citizens and City Council
  - Communicate community values
  - Identify and study specific issues
- City Council makes ultimate decisions based on many factors including committee input





# Committee Appointments

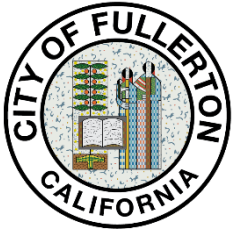
- Five direct City Council appointments





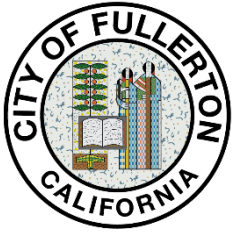
# Attendance

- FMC Section 2.11.050
  - Miss three consecutive meetings – must file request for excuse with City Manager within ten days for City Council consideration to continue.
  - Failure to file considered resignation
  - Absences exceeding 25% of regularly scheduled meetings as resigned.



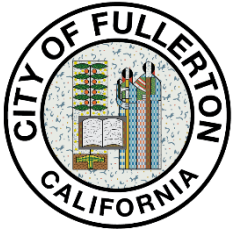
# Resignation

- Contact direct appointer, department contact and city clerk
- City Council Member can remove direct appointment at any time
- City Council can remove with 4/5 vote



# Conflict of Interest / Trainings

- All members file a Form 700 (Assuming, Annual, Leaving)
- Harassment Prevention training every two years
- Ethics training every two years
- Chair / Vice Chair training early each year



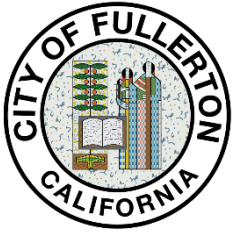
# Rules of Procedure (Reso 2025-028)

<b>Parliamentary Procedure</b>	<b>Decorum / Signs</b>
<b>Quorum 50% + 1</b>	<b>AV Equipment</b>
<b>Agenda Packet</b>	<b>Broadcasts</b>
<b>Motions and Voting</b>	<b>Business Cards</b>
<b>Action Minutes</b>	<b>City Seal</b>
<b>Presentations</b>	<b>Addressing Other Legislative Bodies</b>
<b>Subcommittees</b>	<b>Chair / Vice Chair Rotation</b>



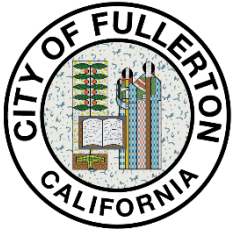
# California Brown Act

- California law ensuring the public's right to attend and participate in local legislative body meetings
- The Act promotes transparency and public participation in local government by mandating legislative bodies conduct open and public meetings
- Applies to City Council and any legislative body formed by another legislative body
- Meeting Requirements
  - Meetings must be open to the public
  - Agendas must be posted at least 72 hours in advance for regular meetings
  - Special meetings require 24-hour notice



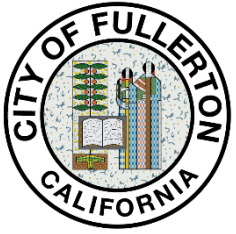
# California Brown Act

- **Public Participation:** The public has the right to attend and participate in meetings by commenting on individual agenda items as well as non-agenda items within the legislative body jurisdiction
- **Prohibited Actions:** The Act prohibits secret ballots, informal polling and discussion or action on items not on the agenda
- Illegal meetings
  - Lack of proper notice
  - Serial meetings
  - Discussing non agenda items
  - Failure to allow public participation
  - Secret ballot



# California Brown Act

- Six Exceptions
  1. Social or Ceremonial Events
  2. Community Meetings
  3. Other Legislative Bodies
  4. Individual Contacts (but avoid serial meeting)
  5. Conferences
  6. Standing Committees of the Legislative Body



# Public Records

- Personal Devices / Accounts
- BCC: emails
- AB 992 / Social Media
- Leave with City Clerk's Office When Leave Committee (or better yet, forward at creation and/or receipt)





# The End

- Thank you for your service to Fullerton!
- Questions?

# CITY OF FULLERTON INVESTMENT ADVISORY COMMITTEE

## MINUTES

Regular Meeting  
City Council Chambers  
303 West Commonwealth Avenue  
**Thursday, January 16, 2025 at 5:30 p.m.**

### **CALL TO ORDER**

Committee Chair Bernal called the meeting to order at 5:31 pm.

### **ROLL CALL**

Members Present: James Cho, Committee Member  
Manny Walker, Committee Member  
Manny Atwong, Committee Member  
Shana Charles, Mayor Pro Tem  
Luis Bernal, Committee Chair

Absent: James Ko, Vice Chair

Consultants: John Grady with Public Trust Advisors  
Ashley Baires and Jennifer Meza with PARS  
Keith Stribling with PFM Asset Management

Staff Present: Ellis Chang, Director of Administrative Services / City Treasurer  
Toni Smart, Deputy Director of Administrative Services  
Kathryn Berumen, Administrative Assistant

### **PUBLIC COMMENTS**

None.

### **ACTION OR DISCUSSION ITEMS**

Item 1 Approval of Minutes from the Regular Meeting of July 18, 2024, and October 17, 2024.

Item 2 Selection of Chair / Vice Chair for Investment Advisory Committee.

Matthew Atwong nominated himself for Committee Chair, and the nomination was unanimously approved by all members.

James Cho nominated himself for Vice Chair, and the nomination was unanimously approved by all members.

Item 3      Review of City's Pension and OPEB Plan (115 Trust) Investment Portfolio

Jennifer Meza with PARS provided an update on asset allocation and OPEB/Pension liabilities for the City. Keith Stribling provided an investment and economic update.

Item 4      Review of Market Update and Current Investment Portfolio for the quarter ending December 31, 2024.

John Grady with Public Trust Advisors presented the Economic and Market Update and Investment Portfolios.

Item 5      Review of portfolio strategy and provide direction.

No recommendations from the IAC.

**ADJOURNMENT**

The meeting was adjourned at 6:52 p.m. The next regular meeting is scheduled for 5:30 p.m. Thursday, April 17, 2025, at Fullerton City Hall, 303 W. Commonwealth Avenue, Fullerton, CA 92832.

**PARS**

PUBLIC AGENCY  
RETIREMENT SERVICES



# **FULLERTON CITY HALL**

**303 W. COMMONWEALTH AVENUE**

# **CITY OF FULLERTON**

PARS 115 Trust – OPEB Prefunding Program &  
Pension Rate Stabilization Plan Client Review

January 15, 2025

# CONTACTS

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**Jennifer Meza, CEBS**  
**Senior Manager, Consulting**  
(800) 540-6369 x141  
jmeza@pars.org

**Ashley Baires**  
**Client Services Coordinator**  
(800) 540-6369 x129  
abaires@pars.org



**J. Keith Stribling, CFA**  
**Senior Portfolio Manager**  
(949) 966-3373  
james.stribling@pfmam.com

*PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc. See additional disclosures at the end of this presentation*

# PARS 115 TRUST TEAM

As of September 30, 2025

## Trust Administrator & Consultant\*



PUBLIC AGENCY  
RETIREMENT SERVICES

- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

40+

Years of Experience  
(1984-2025)

2,300+

Plans under  
Administration

1,100+

Public Agency  
Clients

550+

115 Trust Clients

750K+

Plan Participants

\$10.5B+

Assets under  
Administration

*\* See important information regarding PARS in the Disclaimer page at the end of the presentation.*

## Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

162

Years of Experience  
(1863-2025)

\$11.0T

Assets under  
Administration

## Investment Manager



- A division of U.S. Bancorp Asset Management, Inc.
- Fixed income and multi asset portfolios
- Strategic Blend and Index platform options
- Customized portfolios (with minimum asset level)

41

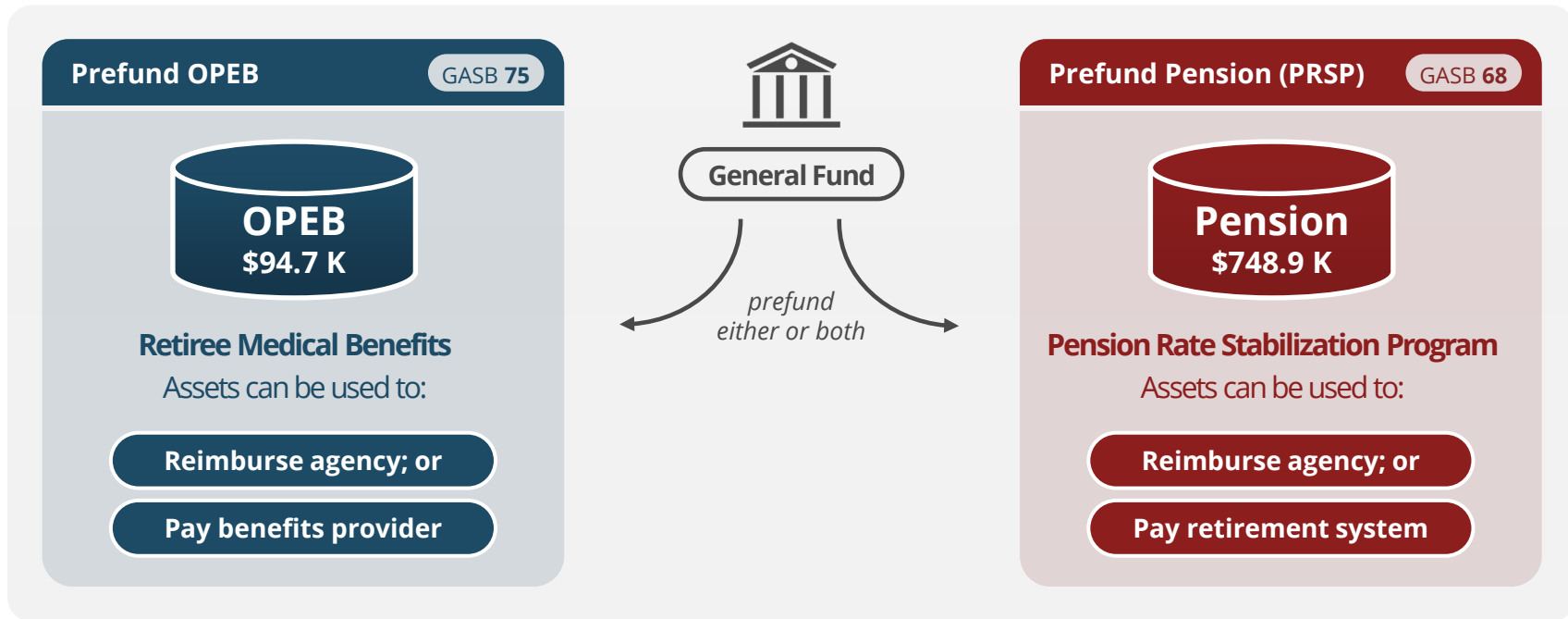
Years of Investment  
Experience  
(As of 9/30/2025)

\$247.5B\*

Assets under Management  
& Advisement

*\*Please see disclosures at the end of this presentation*

# PARS IRS-APPROVED SECTION 115 TRUST



## Subaccounts

OPEB and pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center.



## Financial Stability

Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.



## Flexible Investing

Allows separate investment strategies for OPEB and pension subaccounts.



## Anytime Access

Trust funds are available anytime; OPEB for OPEB and pension for pension.



## Economies-of-Scale

OPEB and pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!



## No Set Up Cost or Minimums

No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

*The*

# PARS PENSION RATE STABILIZATION PROGRAM

*for prefunding pension obligations*



# WHY PREFUND PENSION OBLIGATIONS?

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## 1. Complete Local Control over Assets

Agency has complete control over assets, including contributions, disbursements and the timing, amount, and risk tolerance level of investments

## 2. Pension Rate Smoothing Tool

Assets can be transferred to the retirement system at the Agency's direction, potentially reducing/eliminating large fluctuations in employer contribution amounts

## 3. Rainy Day Fund

Emergency source of funds when employer revenues are strained in difficult budgetary or economic times

## 4. Diversification

Allows for investment flexibility and offers the potential for assets to earn greater returns than the general fund; spread the risk vs. sending additional money to CalPERS

# SUMMARY OF AGENCY'S PENSION PLAN

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<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	October 20, 2015
<b>Plan Administrator:</b>	Director of Administrative Services
<b>Current Investment Strategy:</b>	Balanced Strategic Blend
	*Prior to October 2024, was in Capital Appreciation Strategic Blend
	*Prior to February 2020, was in Capital Appreciation Index

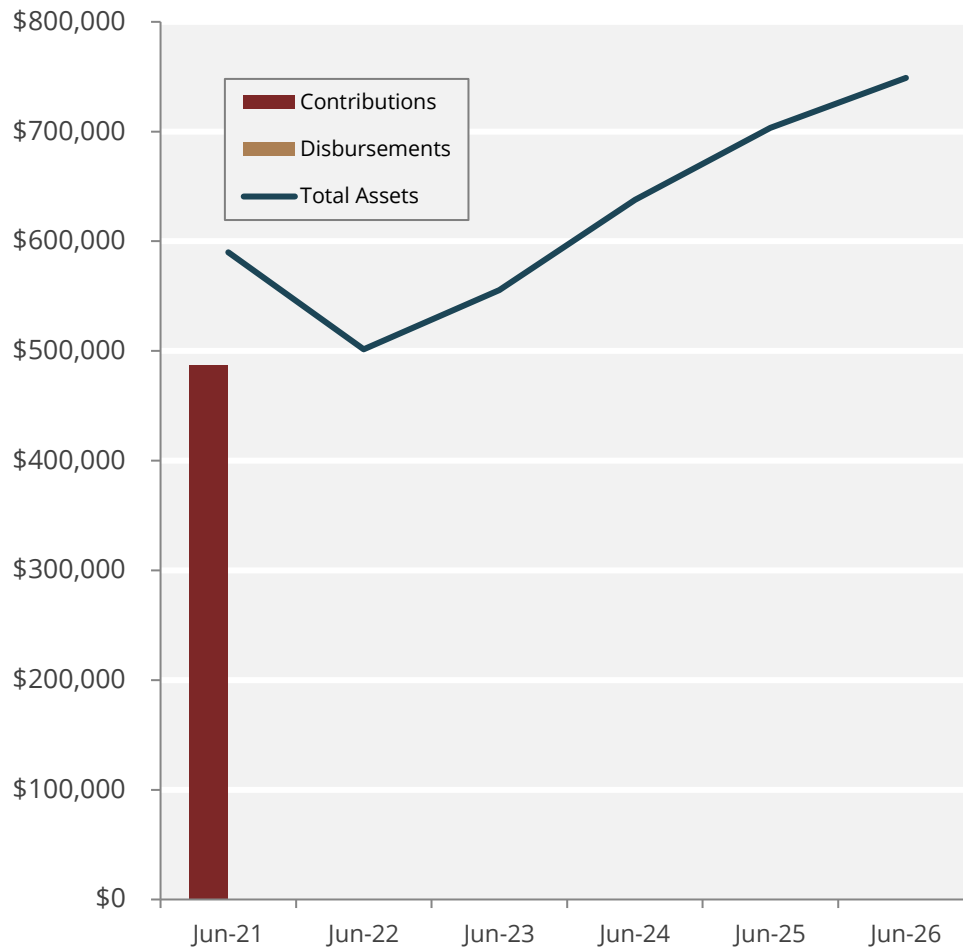
## AS OF NOVEMBER 30, 2025:

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<b>Initial Contribution:</b>	August 2020: \$100,000
<b>Additional Contributions:</b>	\$387,000
<b>Total Contributions:</b>	\$487,000
<b>Disbursements:</b>	\$0
<b>Net Investment Earnings:</b>	\$261,908
<b>Account Balance:</b>	\$748,908

# SUMMARY OF AGENCY'S PENSION PLAN

## HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF NOVEMBER 30, 2025 :



Plan Year Ending

\*Plan Year Ending June 2021 is based on 11 months of activity.

\*\*Plan Year Ending June 2026 is based on 5 months of activity.



# PENSION FUNDING STATUS

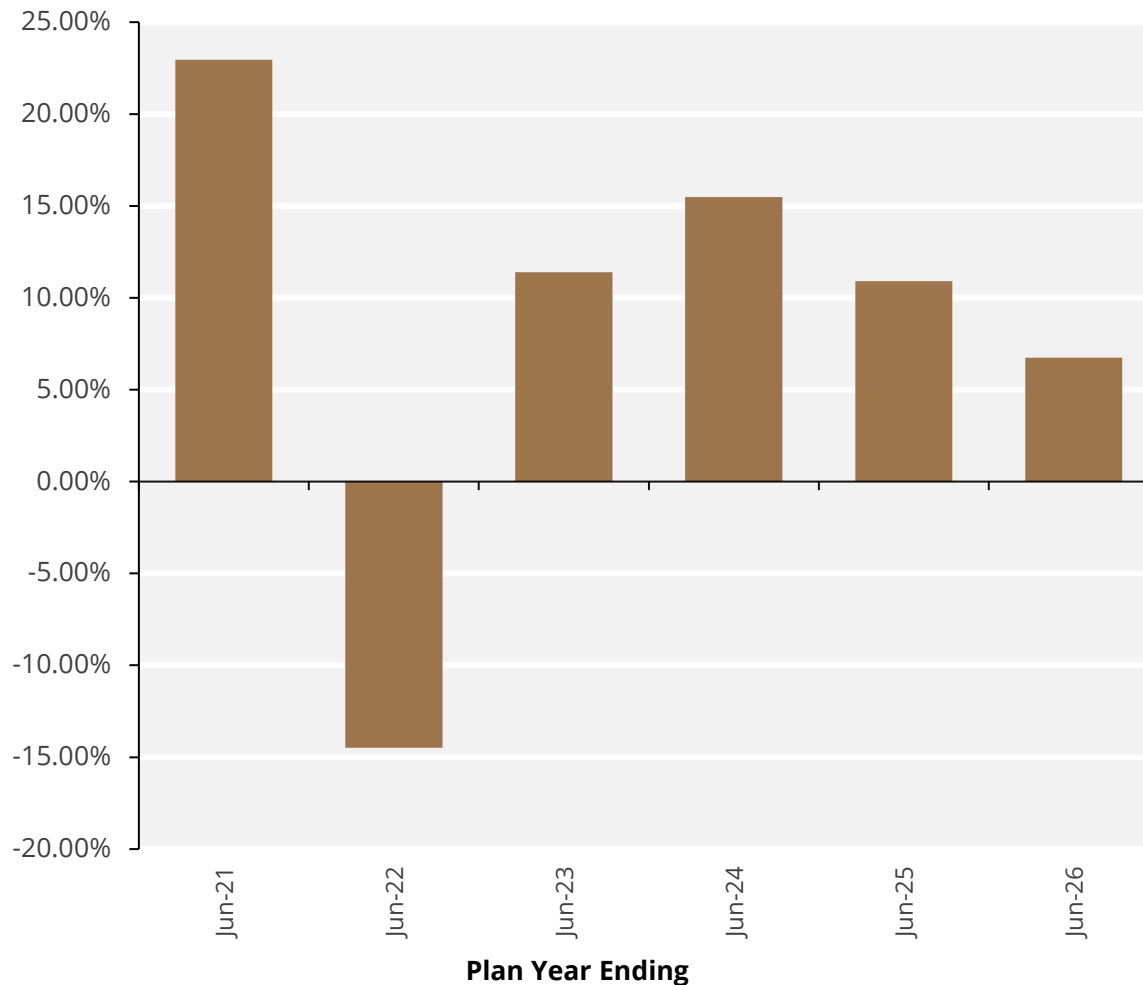
As of June 30, 2024, City of Fullerton’s CalPERS pension plan is funded as follows\*:

Combined Miscellaneous & Safety Groups *	Valuation as of June 30, 2023	Valuation as of June 30, 2024	Change
Actuarial Liability	\$933.9 M	\$967.5 M	3.6% ↑
Assets	\$612.7 M	\$648.7 M	5.9% ↑
Unfunded Liability	\$321.2 M	\$318.9 M	0.7% ↓
Funded Ratio	65.6%	67.0%	2.2% ↑
Employer Contribution Amount	\$31.3 M (FY 24-25)	\$34.1 M (FY 25-26)	8.8% ↑
Employer Contribution Amount – Projected *	---	\$40.9 M (FY 31-32)	20.0% ↑

\* Data through 2031-32 from Agency’s latest CalPERS actuarial valuation.

# PENSION PLAN TOTAL RETURNS

AS OF NOVEMBER 30, 2025



Year	Returns
Jun-21*	22.96%
Jun-22	-14.49%
Jun-23	11.39%
Jun-24	15.48%
Jun-25	10.91%
Jun-26**	6.74%

## Inception to Date (Annualized)

9.23%

\*Plan Year Ending June 2021 is based on 11 months of activity.

\*\*Plan Year Ending June 2026 is based on 5 months of activity.

Returns are net of the embedded fund fees and gross of trustee and trust administrator fees

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value. Past performance does not guarantee future results. Performance returns are impacted by agency plan activity and may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

The advisor to the PARS portfolios is U.S. Bank, and PFM Asset Management serves as sub-advisor to U.S. Bank to manage these portfolios. Please see important additional disclosures to the PARS portfolios included in the individual strategy information at the end of this presentation.

*The*

# PARS OPEB TRUST PROGRAM

*for prefunding Other Post-Employment Benefits*

# WHY PREFUND OPEB?

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## **1. Reduced Costs**

Diversification of trust assets can result in a greater rate of return, which can lower your eventual OPEB costs

## **2. Improve your Discount Rate**

Continuing with Pay-as-you-Go strategy requires future valuations to use 20 year municipal treasury rate as discount rate. Pre-funding allows for increase discount rate

## **3. GASB 75**

Effective 2017-18, GASB 75 will require OPEB liabilities to be placed directly on your balance sheet similar to pension liabilities under GASB 68. Assets in an OPEB Trust can address your OPEB liabilities

## **4. Improve Credit Ratings**

Agencies that pre-fund their employee benefit liabilities can have a positive impact on their credit ratings, which may lower long term borrowing costs

# OPEB ACTUARIAL RESULTS

- We have received the actuarial report by GovInvest dated October 29, 2024, with a Measurement Date as of June 30, 2023. In the table below, we have summarized the results.

Demographic Study	Measurement Date: June 30, 2022	Measurement Date: June 30, 2023
Actives	466	466
Retirees	187	187
Inactive employees entitled to but not yet receiving benefits	0	71
Total	653	724



# OPEB ACTUARIAL RESULTS

	Measurement Date: June 30, 2022 Discount Rate: 3.69%	Measurement Date: June 30, 2023 Discount Rate: 3.86%
<b>Total OPEB Liability (TOL)</b> <i>Actuarial Accrued Liability (AAL)</i>	\$26,488,642	\$26,176,682
<b>Fiduciary Net Position</b> <i>Actuarial Value of Assets</i>	\$63,432	\$70,253*
<b>Net OPEB Liability (NOL)</b> <i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$26,425,210	\$26,106,429
<b>Funded Ratio (%)</b>	0.24%	0.27%
<b>Actuarially Determined Contribution (ADC)</b>	\$1,771,061 <i>for FY 2022-23</i>	\$1,820,569 <i>for FY 2023-24</i>
<b>Annual Benefit Payments (Pay-as-you-Go)</b>	\$1,693,214 <i>for FY 2022-23</i>	\$971,873 <i>for FY 2023-24</i>

\*As of November 30, 2025, assets at \$94,723 (approx. 0.36% funded assuming no change in TOL).

**Rule of thumb:** For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

# SUMMARY OF AGENCY'S OPEB PLAN

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<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	October 20, 2015
<b>Plan Administrator:</b>	Director of Administrative Services
<b>Current Investment Strategy:</b>	Balanced Strategic Blend
	<small>*Prior to October 2024, was in Capital Appreciation Strategic Blend *Prior to February 2020, was in Capital Appreciation Index *Prior to November 2015, was in Balanced Active</small>

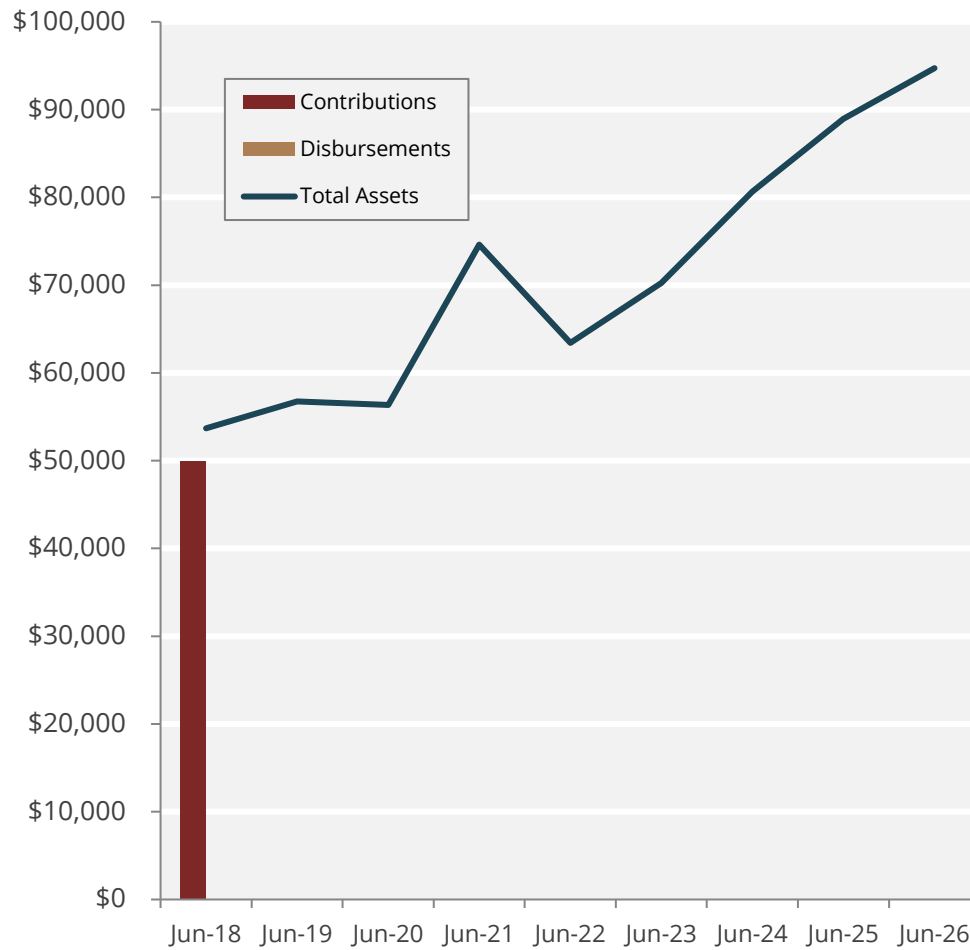
## AS OF NOVEMBER 30, 2025:

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<b>Initial Contribution:</b>	July 2017: \$50,000
<b>Additional Contributions:</b>	\$0
<b>Total Contributions:</b>	\$50,000
<b>Disbursements:</b>	\$0
<b>Net Investment Earnings:</b>	\$44,723
<b>Account Balance:</b>	\$94,723

# SUMMARY OF AGENCY'S OPEB PLAN

## HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF NOVEMBER 30, 2025 :



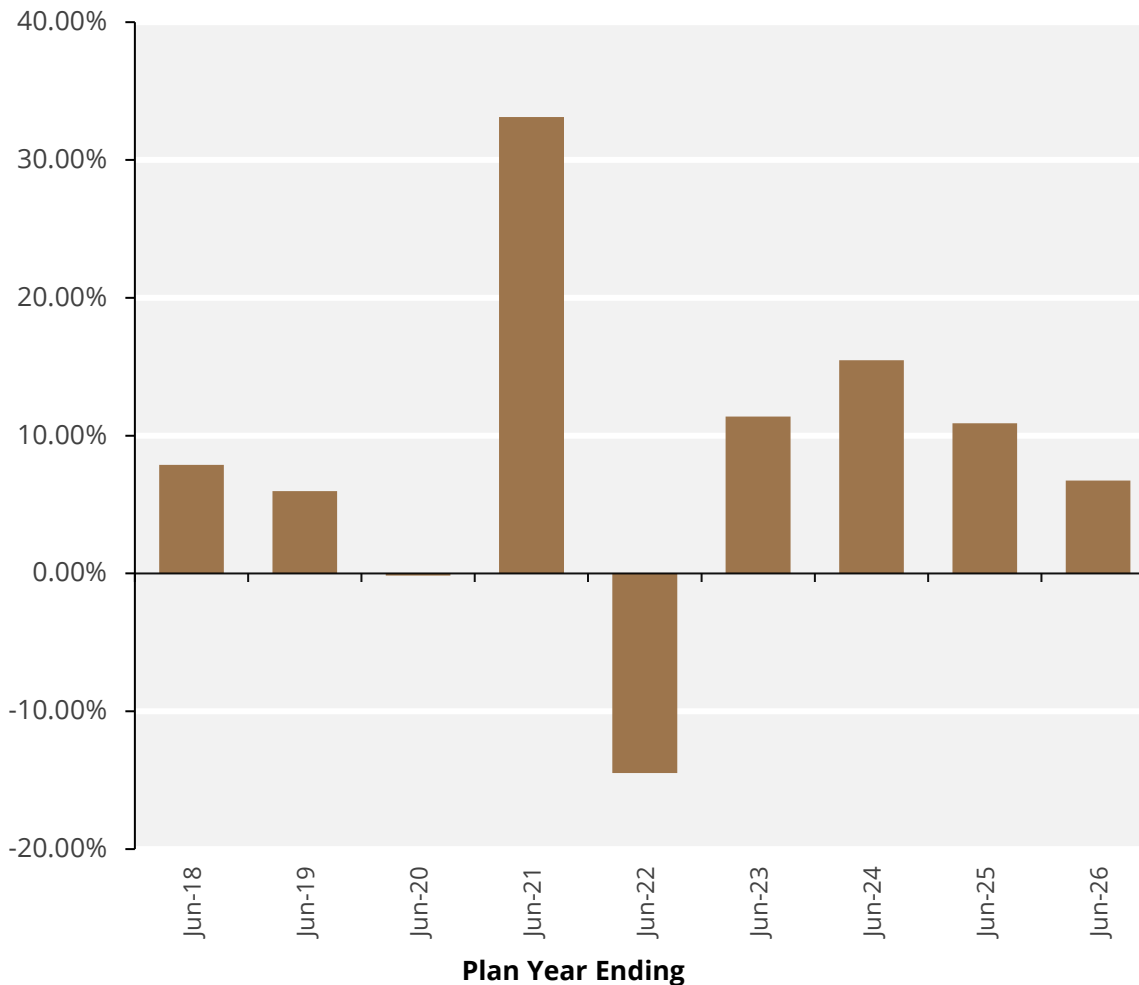
Plan Year Ending

Year	Contributions	Disbursements	Total Assets
Jun-18	\$50,000	\$0	\$53,686
Jun-19	\$0	\$0	\$56,754
Jun-20	\$0	\$0	\$56,360
Jun-21	\$0	\$0	\$74,620
Jun-22	\$0	\$0	\$63,432
Jun-23	\$0	\$0	\$70,253
Jun-24	\$0	\$0	\$80,662
Jun-25	\$0	\$0	\$88,952
Jun-26*	\$0	\$0	\$94,723

\*Plan Year Ending June 2026 is based on 5 months of activity.

# OPEB PLAN TOTAL RETURNS

AS OF NOVEMBER 30, 2025



Year	Returns
Jun-18	7.87%
Jun-19	5.96%
Jun-20	-0.15%
Jun-21	33.13%
Jun-22	-14.49%
Jun-23	11.39%
Jun-24	15.48%
Jun-25	10.91%
Jun-26*	6.74%

Inception to Date (Annualized)

8.44%

\*\*Plan Year Ending June 2026 is based on 5 months of activity.

Returns are net of the embedded fund fees and gross of trustee and trust administrator fees

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# INVESTMENT REVIEW



# PARS OPEB and Pension Trust Balanced Strategic Blend

## **Investment Performance Review For the Quarter Ended September 30, 2025**

Client Management Team

PFM Asset Management

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

1 California Street  
Suite 1000  
San Francisco, CA 94111

1735 Market Street  
43rd Floor  
Philadelphia, PA 19103

# About PFM Asset Management\*

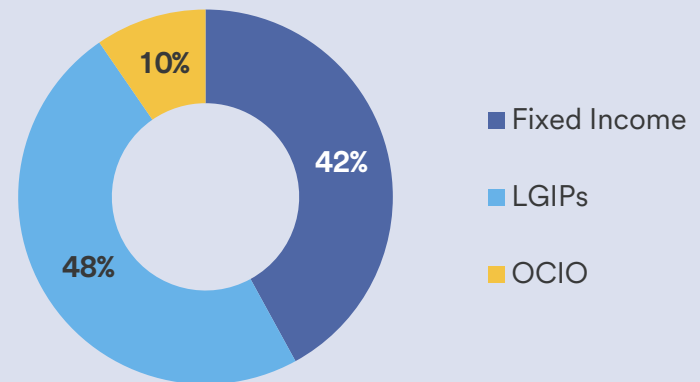
## Our Investment Solutions

- **Outsourced Chief Investment Officer (OCIO):** Multi-asset class portfolios for institutional investors
- **Fixed Income:** High-quality, short- and intermediate-term portfolios for operating funds, reserves, working capital, self-insurance funds and bond proceeds
- **Local Government Investment Pools (LGIPs):** services for programs with options ranging from fully liquid cash management to a fixed-rate, fixed-term investment
- **Specialized Solutions:** Arbitrage rebate, escrow restructuring, bond proceeds investments, structured investments

**40+ years of experience in the public sector\*\***

**\$177.5b in public sector assets under management\*\***

**Assets by Investment Solution<sup>1</sup>**



<sup>1</sup>Illustrates public sector assets under management by investment solution as of June 30, 2025. Total may not add up to 100% due to rounding.

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

\*\*As of June 30, 2025. Public sector includes government, pool, and TERM. Total assets under management for U.S. Bancorp Asset Management, Inc. were \$404.9 billion.

# **Financial Markets & Investment Strategy Review**



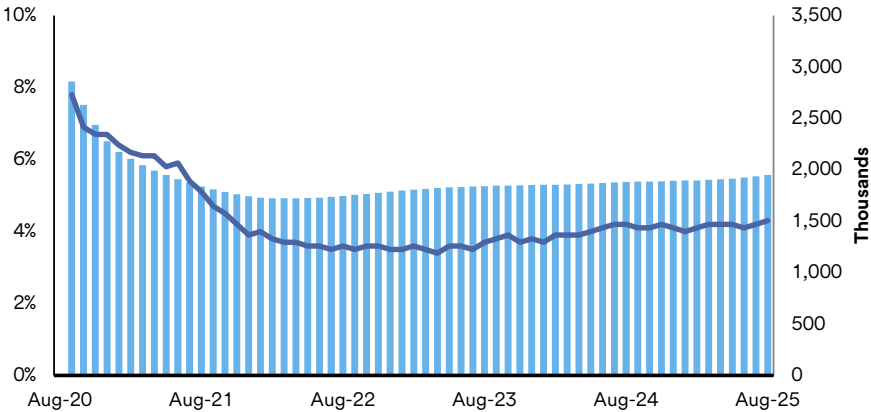
Index or Average Name	QTD	YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
<b>DOMESTIC EQUITY</b>							
S&P 500 (TR)	8.12%	14.83%	17.60%	24.91%	16.46%	14.44%	15.29%
Russell 3000	8.18%	14.40%	17.41%	24.09%	15.73%	13.70%	14.70%
Russell 1000 Growth	10.51%	17.24%	25.53%	31.58%	17.56%	18.09%	18.81%
Russell 1000	7.99%	14.60%	17.75%	24.61%	15.98%	14.17%	15.02%
Russell 1000 Value	5.33%	11.65%	9.44%	16.95%	13.87%	9.52%	10.71%
Russell Midcap	5.33%	10.42%	11.11%	17.67%	12.65%	10.06%	11.38%
Russell Midcap Growth	2.78%	12.84%	22.02%	22.82%	11.25%	11.99%	13.36%
Russell Midcap Value	6.18%	9.50%	7.58%	15.50%	13.66%	8.64%	9.95%
Russell 2000 Growth	12.19%	11.65%	13.56%	16.67%	8.41%	6.61%	9.90%
Russell 2000	12.39%	10.39%	10.76%	15.20%	11.55%	6.75%	9.76%
Russell 2000 Value	12.60%	9.04%	7.88%	13.55%	14.59%	6.39%	9.22%
<b>INTERNATIONAL EQUITY</b>							
MSCI EAFE	4.77%	25.14%	14.99%	21.68%	11.15%	7.71%	8.16%
MSCI AC World	7.62%	18.44%	17.27%	23.10%	13.54%	11.27%	11.90%
MSCI AC World ex USA	6.89%	26.02%	16.45%	20.65%	10.25%	7.48%	8.22%
MSCI AC World ex USA Small Cap	6.68%	25.54%	15.93%	19.34%	9.96%	7.16%	8.36%
MSCI EM (Emerging Markets)	10.64%	27.53%	17.32%	18.19%	7.01%	6.16%	7.98%
<b>LISTED REAL ASSETS</b>							
FTSE Nareit / Equity REITs - INV	4.77%	4.51%	-1.98%	10.79%	9.32%	6.10%	6.60%
MSCI US REIT INDEX	4.49%	3.75%	-2.88%	9.50%	8.03%	4.89%	5.31%
MSCI World Core Infrastructure	1.80%	15.48%	8.21%	11.33%	7.86%	7.46%	8.26%
<b>FIXED INCOME</b>							
Bloomberg U.S. Aggregate	2.03%	6.13%	2.88%	4.92%	-0.45%	2.06%	1.84%
Bloomberg U.S. Government/Credit	1.91%	5.93%	2.67%	4.87%	-0.61%	2.22%	1.99%
Bloomberg U.S. Intermediate Government/Credit	1.51%	5.70%	4.01%	5.17%	0.81%	2.61%	2.09%
Bloomberg U.S. Treasury (1-3 Y)	1.12%	3.99%	3.89%	4.35%	1.53%	2.24%	1.67%
ICE BofA U.S. High Yield	2.40%	7.06%	7.23%	10.96%	5.53%	5.17%	6.07%
Bloomberg Global Aggregate	0.60%	7.91%	2.40%	5.44%	-1.56%	0.79%	1.14%
<b>CASH EQUIVALENT</b>							
Bloomberg 3 Month T-Bill	1.08%	3.21%	4.43%	4.85%	3.03%	2.66%	2.11%

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

THE ECONOMY

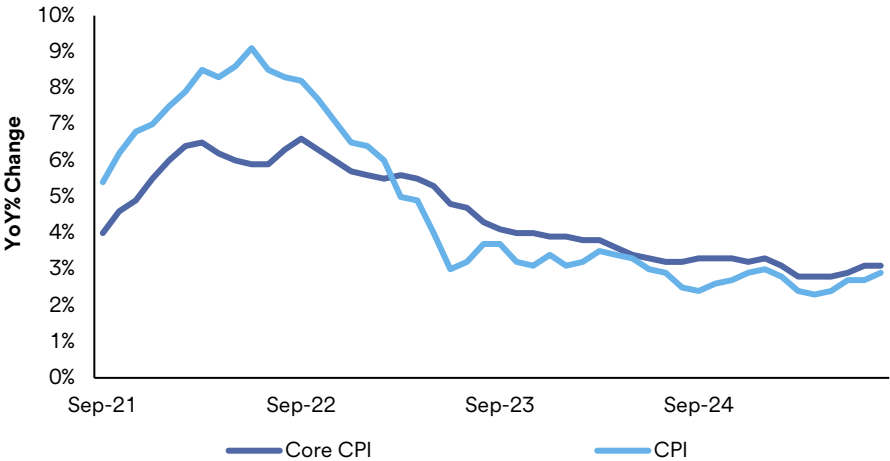
- In the second quarter, U.S. real gross domestic product (GDP) grew at a seasonally adjusted annualized rate of 3.8%, marking the strongest growth since Q3 2023. This rebound in growth was supported by an uptick in consumer spending and business investment. While the data still points to some moderation in activity compared to last year, the slowdown may not be as severe as originally feared.
- The U.S. unemployment rate ticked up over the quarter, rising to 4.3% in August. The latest initial jobless claims ended the quarter slightly lower at 218.0k (for the week ending September 20) after an early September spike, while the outstanding claims also fell to approximately 1,926.0k signaling layoffs remain subdued despite broader signs of labor market cooling. The other side of the “low-hire, low-fire” environment can be seen in the duration of unemployment, with 25.7% of the job seekers experiencing unemployment for more than six months, the highest share since February 2022.
- Inflation accelerated in the third quarter. Headline inflation (CPI) grew at a year-over-year (YoY) rate of 2.9% in August, the highest rate since January, as prices of food and energy rose while core CPI, which excludes volatile food and energy, grew at 3.10% on an annual basis.

U.S. Unemployment and Monthly Average Continued Claims



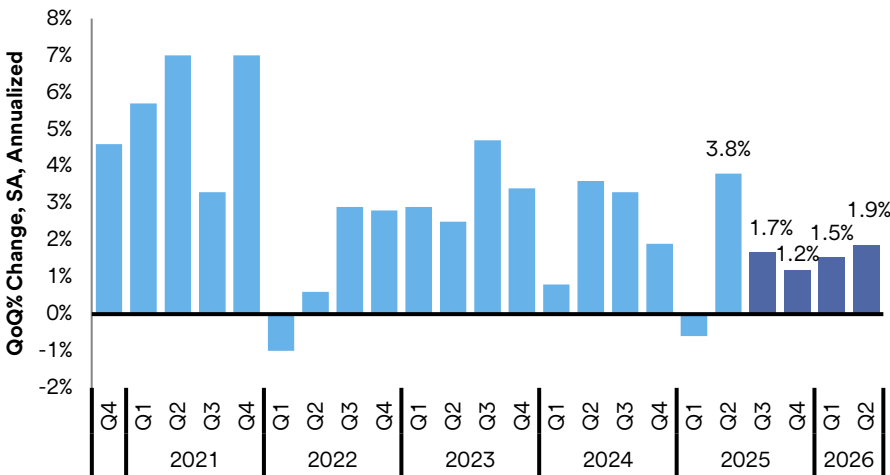
Source: Bloomberg.

U.S. Inflation Rate  
Seasonally Adjusted (SA)



Source: Bureau of Labor Statistics.

U.S. GDP Growth

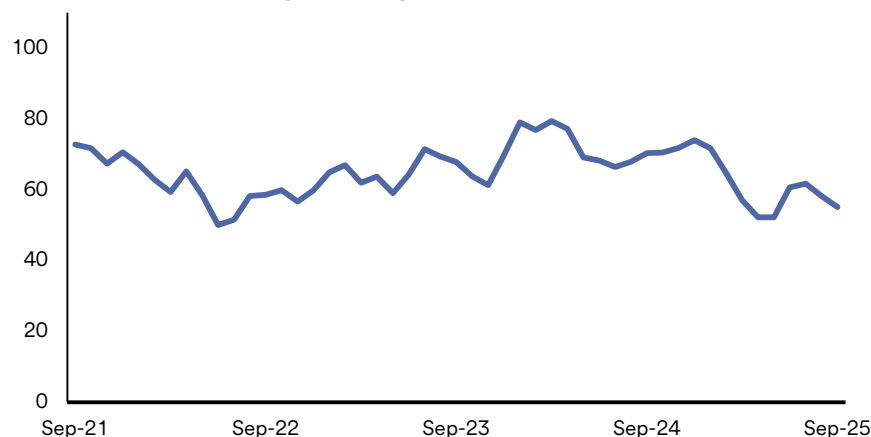


Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate forecasted estimates.

## WHAT WE'RE WATCHING

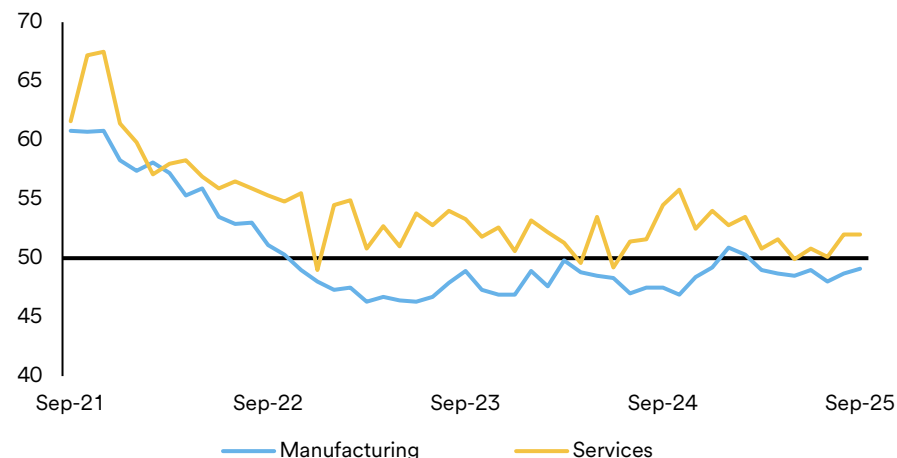
- The Federal Reserve (Fed) cut rates in the third quarter by a quarter percentage point, prompted by increasing weakness in the labor market. The Fed also signaled that two more quarter-percentage-point rate reductions are likely before the end of the year. However, with inflation above the 2% policy target, the Fed will be focused on balancing maximum employment and price stability. Outside of the U.S., the European Central Bank (ECB) which preceded the U.S. with cuts earlier in the year, held rates flat in the third quarter.
- U.S. consumer sentiment, as measured by the University of Michigan survey of consumers, fell during the third quarter as consumers continued to express concerns about the impact of high prices on personal finances. Consumer spending, which drives more than two-thirds of the economy, rose 0.6% month-over-month in August, supported by higher-income consumers benefiting from a strong wealth effect as equity markets continue to rise.
- Manufacturing in the U.S. remains challenged, with the ISM U.S. Manufacturing PMI reading coming in at 49.1 in September. This marked the seventh consecutive month of contraction as input prices remain elevated while demand is relatively weak. The threat of volatility stemming from trade and tariffs has mostly passed, though some trade agreement deadlines are set in Q4, which pose continued uncertainty for many countries and companies.

University of Michigan Consumer Sentiment



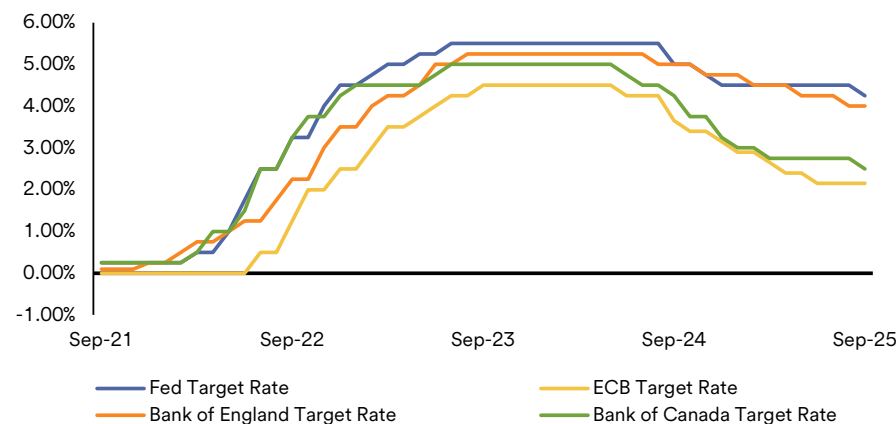
Source: Bloomberg.

U.S. ISM Manufacturing & Services PMI



Source: Bloomberg.

Global Central Bank Rates



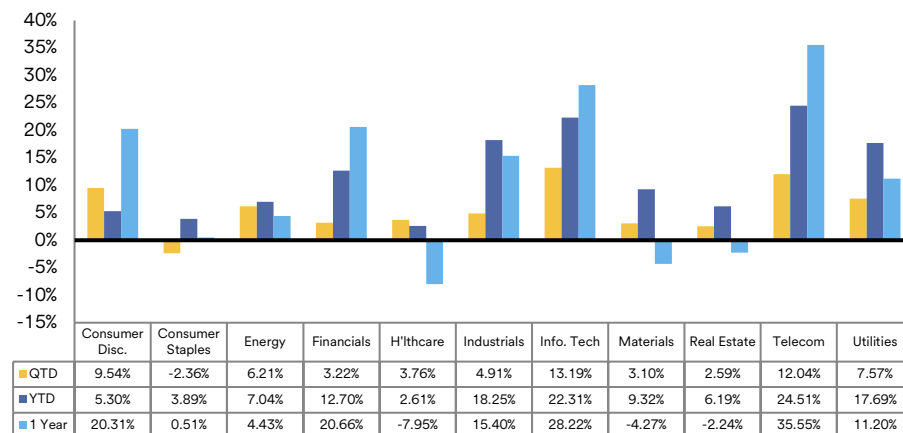
Source: Bloomberg.

## DOMESTIC EQUITY

- The S&P 500 Index (S&P) posted an 8.1% return in the third quarter (of 2025). The Index has hit 23 new all-time closing highs and the year-to-date (YTD) return stands at 14.8%.
- Within the S&P, the performance varied greatly across sectors, with 10 of the 11 seeing positive returns. The best performing sectors were Information Technology (13.2%), Communication Services (12.0%), and Consumer Discretionary (9.5%). Real Estate saw a relatively weak return (2.6%) while only Consumer Staples saw a negative return (-2.4%).
- Positive returns were seen across all capitalizations with large caps, as represented by the Russell 1000 Index, returning 8.0% during the quarter while mid and small caps, as represented by the Russell Midcap and Russell 2000 indices returned 5.3% and 12.4% respectively. Small caps outperformed large caps over the quarter, and the Russell 2000 ended the quarter at an all-time high.
- According to FactSet Earnings Insight as of September 26, 2025, analysts are projecting earnings growth of 7.9% in Q3 2025, up from a prior estimate of 7.3% at the start of the quarter. This unusual upward revision (over the past 10 years estimates fell an average of 3.2% during the quarter) was led by the Information Technology sector as companies benefiting from artificial intelligence (AI) continued to have an outsized impact on the market. For calendar year 2025, analysts are projecting YoY earnings growth of 10.9%. If the projected earnings growth in Q3 is correct and comes to fruition, this will mark the ninth consecutive quarter of earnings growth for the index.
- At quarter end, the forward 12-month adjusted positive price-to-earnings (P/E) ratio (including only positive earnings results for consistency) for the S&P 500 is 27.4, which is above the 5-year average of 23.3. The Russell 2000 Index, which represents small cap stocks, had an adjusted positive forward P/E ratio of 21.2, also above its 5-year average of 17.7.

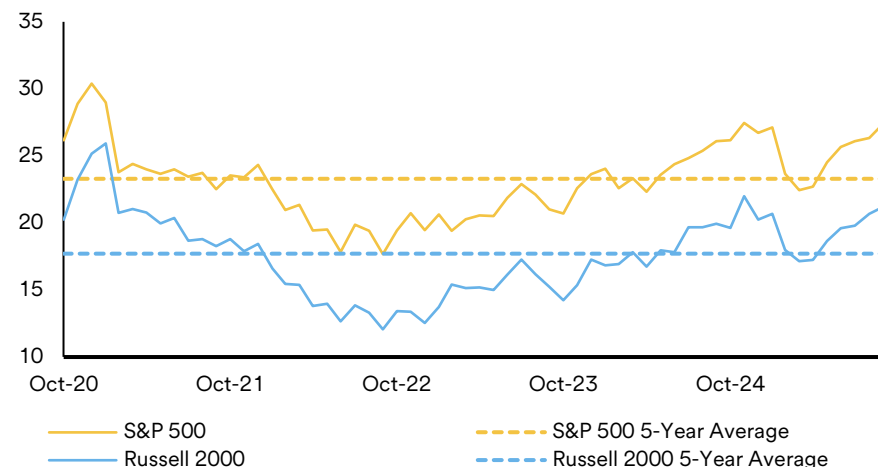
## S&P 500 Index Performance by Sector

Periods Ended September 30, 2025



Source: Bloomberg.

## P/E Ratios of Major Stock Indices\*



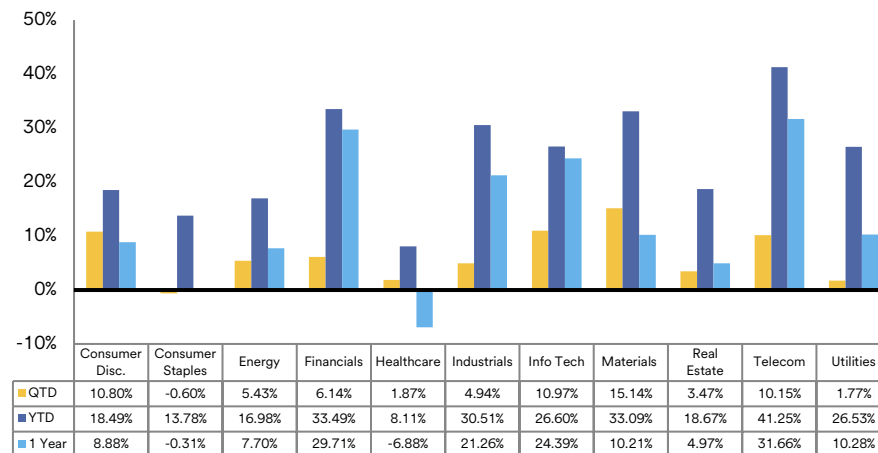
Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

## INTERNATIONAL EQUITY

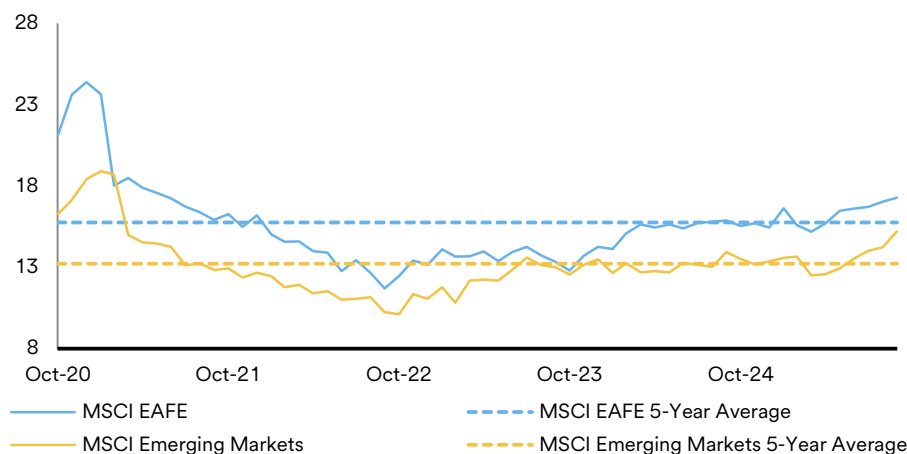
- Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, cooled somewhat in the third quarter returning 6.9%, just over half of the previous quarter's strong returns.
- 10 of the 11 sectors posted positive returns for the quarter. The top performing sectors were Materials (15.1%), Information Technology (11.0%) and Consumer Discretionary (10.8%). The worst performers for the quarter were Healthcare (1.9%), Utilities (1.8%), and Consumer Staples (-0.6%).
- Developed ex-U.S. Markets, as represented by the MSCI EAFE Index, underperformed emerging markets (EM), as represented by the MSCI Emerging Market Index, returning 4.8% versus 10.6% for the quarter. Returns from all international indices are in U.S. Dollars (USD) and were positively impacted by the continued softness of the U.S. dollar.
- Of the five largest-weighted countries in the MSCI EAFE Index, the MSCI Japan (8.0%) and MSCI United Kingdom (5.9%) indices outperformed the overall EAFE index. The MSCI France (3.2%) and MSCI Switzerland (1.4%) indices underperformed while the MSCI Germany Index (-1.1%) was the only of the top five that saw negative returns.
- Of the five largest-weighted countries in EM, MSCI China (20.7%), MSCI Taiwan (14.3%), and MSCI Korea (12.8%) outperformed the MSCI Emerging Markets index, while MSCI Brazil (8.3%) and MSCI India (-7.6%) underperformed. Taiwan and Korea continued their streak of double-digit returns supported by semiconductor names positively impacted by the AI theme.
- Value stocks outperformed growth stocks for the quarter as represented by the broad benchmarks. The MSCI AC World ex-USA Growth Index returned 5.7%, while the MSCI AC World ex-USA Value Index returned 8.1%. Within EM, growth outperformed value, returning 12.0% versus 7.9%. Small caps, as represented by the MSCI ACWI ex-U.S. Small Cap Index posted a return of 6.7%.
- Non-U.S. equity valuations rose over the third quarter. Both sit slightly above long-term averages. As of quarter-end, the MSCI EAFE's Adjusted Positive Forward P/E stood at 17.3 versus a 5-year average of 15.7. MSCI EM ended the quarter with an Adjusted Positive Forward P/E ratio of 15.2, above its 5-year average of 13.2.

**MSCI ACWI ex-U.S. Sectors**  
Periods Ended September 30, 2025



Source: Bloomberg.

**P/E Ratios of MSCI Equity Indices\***



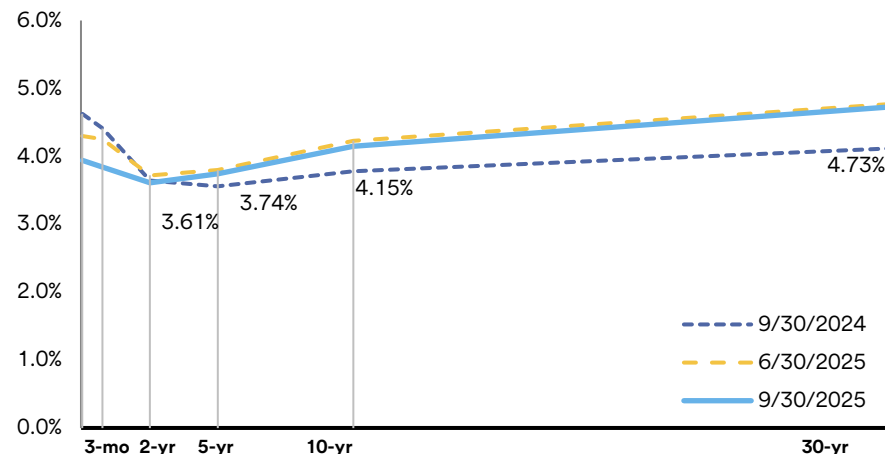
Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

## FIXED INCOME

- The U.S. bond market, represented by the Bloomberg U.S. Aggregate Index, returned 2.0% during the third quarter.
- The Bloomberg U.S. Treasury Index closed the quarter returning 1.5%. As the Fed cut rates for the first time in September 2025 and guided two more rate cuts for the year, the yield curve flattened slightly as rates fell across the duration spectrum. 30-year Treasury yields fell to 4.7%, while the 2-year ended at 3.6%. Cash markets continued to provide higher yields than the 2-year Treasuries.
- Corporate credit saw positive returns across the quality spectrum for the quarter. The Investment Grade Bloomberg U.S. Corporate (IG Corp) Index returned 2.6% while High Yield bonds, as represented by the ICE BofA High Yield (HY) Index, returned 2.4%. Spreads tightened slightly over the quarter and are now below the 10-year average for both investment-grade and high yield. High profit margins, continued issuance, continued buybacks and ongoing mergers and acquisitions (M&A) activity points to positive corporate sentiment.
- The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index returned 2.4%. On the commercial side, the Bloomberg U.S. Agency CMBS Index returned 1.6% while the non-agency CMBS Index posted a return of 1.9%.

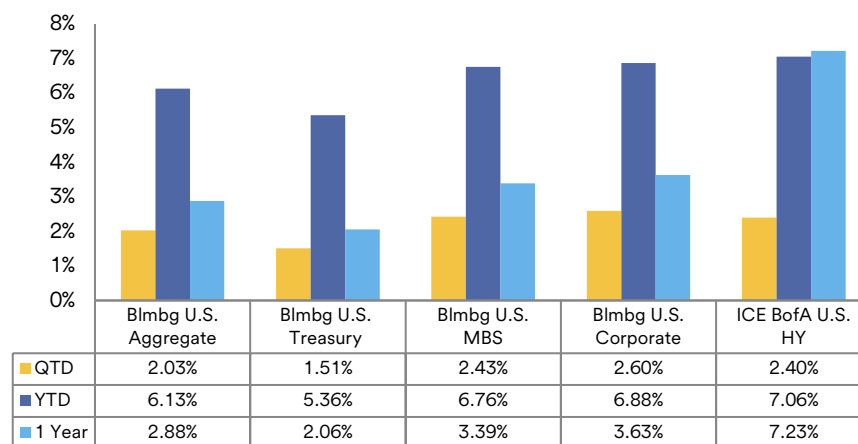
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended September 30, 2025

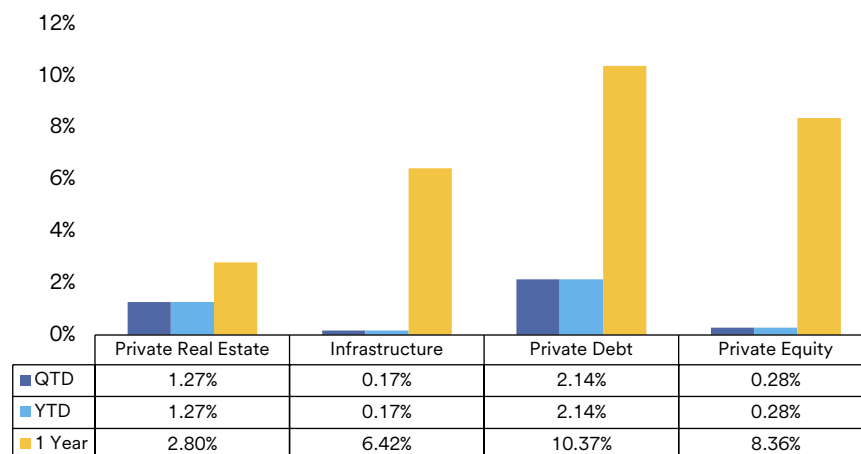


Source: Bloomberg.

## ALTERNATIVES

- Real estate investment trusts (REITs), as measured by the MSCI U.S. REITs Index, returned 4.8% in the third quarter (a reversal from negative returns in the second quarter) leading to a YTD return of 4.7%. Private real estate, as measured by the NCREIF Property Index, gained 1.27% in the first quarter of 2025. Q1 2025 marked the second quarter of positive total returns in two years as property value declines leveled off across most sectors. The Seniors Housing category was the top performer, returning 1.9%, while Hotels returned a marginally positive 0.5%.
- Listed infrastructure, as measured by the MSCI World Core Infrastructure Index, returned 1.8% in the third quarter, down from a 5.4% return in the prior quarter. By the end of Q2 2025, 39 private infrastructure funds raised \$104.0 billion, maintaining the brisk pace of Q1. Most of the capital went to funds larger than \$5 billion which seek to capitalize on rising AI demand. Infrastructure dry powder has fallen from the previous year and stands at \$377.8 billion as of the end of 2024. According to PitchBook, infrastructure funds posted a return of 0.2% in Q1 2025. The asset class has generated an annualized return of 11.1% for the five years ended Q1 2025.
- By the end of Q2 2025, 82 private debt funds raised \$114.2 billion, with fundraising now on pace for another strong year by historical standards. Private debt dry powder remains above the long-term average at \$542.7 billion as of the end of 2024; although over 50% has been outstanding for more than two years. According to PitchBook, private debt funds posted a return of 2.14% in Q1 2025. The asset class has generated an annualized return of 10.37% for the five years ended Q1 2025.
- As of Q2 2025, 252 private equity funds raised \$212.5 billion – continuing the slower pace compared to the historical norms as constrained distributions hindered fundraising efforts. The bulk of the capital raised continues to flow to experienced managers raising capital for funds larger than \$1 billion. Global private equity dry powder, which accounts for the bulk of private capital dry powder, remains high at \$1.6 trillion as of the end of 2024. Recent private equity performance continues to feel the effects of higher borrowing costs and a slowdown in deal activity. According to PitchBook, private equity funds posted a return of 0.3% in Q1 2025. The asset class has generated an annualized return of 18.29% for the five years ended Q1 2025.

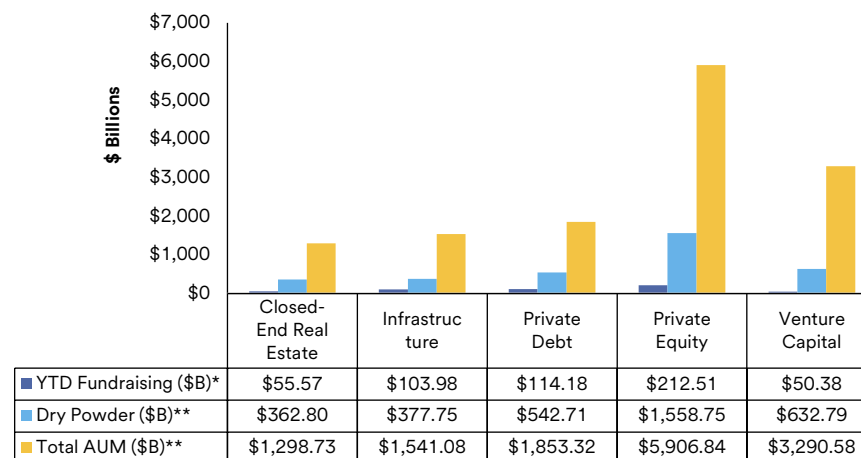
## Returns for Private Capital Assets



Source: NCREIF, PitchBook.

As of March 31, 2025, the most recent period for which all index data is available.

## Private Capital Fundraising & Dry Powder



Sources: Pitchbook.

\* Total capital raised in 2025 as of June 30, 2025 - most recent period for which ALL fundraising data is available.

\*\* Cumulative dry powder and total AUM as of December 31, 2024.

\*\*\* Excluding open-end, evergreen fund vehicles.



**Factors to Consider Over the Next 6-12 Months**

**Monetary Policy (Global):**



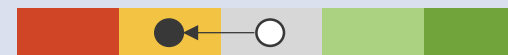
- The Fed cut rates by 25 bps in September citing rising downside risks to employment despite inflation remaining above its 2% target. Further rate cuts expected in 2025 and 2026.
- Major central banks have already eased (ECB and BOE) or are in the process of further easing (U.S. and Canada) except for the BOJ.

**Economic Growth (Global):**



- Resilient U.S. growth driven by robust consumer spending and elevated business investment despite growing softness in the labor market.
- Trade tensions, elevated tariffs and a prolonged U.S. government shutdown remain key downside risks, while AI driven investment and fiscal support in some regions provide partial offsets.

**Inflation (U.S.):**



- Inflation accelerated in Q3 led by rising goods prices and sticky services costs, keeping core inflation closer to 3%, well above the Fed's 2% target – a consideration for further rate cuts.
- Fed Chair Powell noted tariffs have begun to push up goods prices in some categories, but the base case is for these effects to be short-lived.

**Financial Conditions (U.S.):**



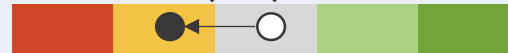
- Financial conditions eased as tariff announcements were digested, renewing market confidence which resulted in equities reaching new all-time highs and credit spreads tightening to historical lows.
- Financial conditions expected to remain tailwind as monetary policy eases.

**Consumer Spending (U.S.):**



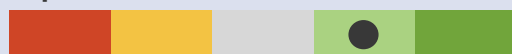
- Slower nominal wage growth combined with higher inflation has eroded real purchasing power. However, consumer activity remained resilient, driven by spending from higher income households.
- Further labor market softness, a significant correction in the equity market or higher pass-through of tariffs to goods prices remain the largest threats to consumer spending.

**Labor Markets (U.S.):**



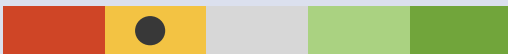
- Labor market conditions continued to cool with net new job creation nearing zero while being concentrated in just a few service sectors. Continued weakening can have impact on consumption.
- Despite some signs of cooling, the layoff rate remains low and points towards employers adopting a “no hire, no fire” approach.

**Corporate Fundamentals:**



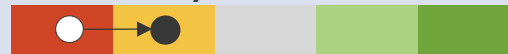
- Earnings growth expectations are positive across global equities, but expectations within U.S. positively impacted by AI spending tailwinds.
- In the U.S., capex deduction changes and rate cuts are positives while tariff/cost pressure impact on both earnings growth expectations and profit margins needs attention.

**Valuations:**



- U.S. equities and credit markets trade at valuations that are expensive relative to their history.
- Resilient growth, AI related spending tailwinds and higher profit margins are supportive of the current valuations while inflation and tariff risks are not fully reflected in the current valuations.

**Political/Policy Risks:**



- Reconciliation bill passage, ongoing trade deals, peace progress on Israel–Hamas conflict are positives on policy front.
- Prolonged U.S. government shutdown, legal challenges to tariffs and possibility of further tariffs, Russia-Ukraine conflict are negatives.

● Current outlook    ○ Outlook one quarter ago

Stance Unfavorable  
to Risk Assets



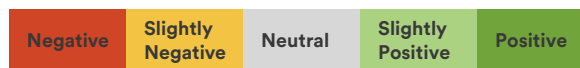
Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (September 30, 2025) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness, or suitability.



Investment Strategy Overview

Asset Class	Our Q4 2025 Investment Outlook	Comments
<b>U.S. Equities</b>		<ul style="list-style-type: none"> <li>Equity market rally on the back of trade deals led us to maintain neutral positioning through Q3 unwinding defensive stance taken in Q2.</li> <li>Looking ahead, we remain neutral at a time when easing monetary and fiscal policies and strong corporate earnings are positives while higher inflation, softening labor market, tariff/trade tensions (effective tariff rate currently at ~20%) and elevated valuations lead to some caution.</li> <li>Small-caps have been rallying recently in anticipation of Fed rate cuts, higher liquidity and improving sentiment, reaching their all time high at the end of Q3. We expect to remain neutral until we see some recovery across employment and manufacturing indicators.</li> </ul>
Large-Caps		
Small-Caps		
<b>Non-U.S. Equities</b>		<ul style="list-style-type: none"> <li>International equities have posted strong returns this year. Valuations are attractive relative to U.S. equities, but multiples have continued to creep higher this year as earnings growth has not kept the pace.</li> <li>Across Europe and China, we believe that there are structural/geopolitical issues that need to be addressed for long-term sustained outperformance.</li> <li>Fed rate cuts, weaker USD, improved sentiment and continued stimulus in China led to strong performance for EM equities but tariff driven uncertainty remains in place.</li> </ul>
Developed Markets		
Emerging Markets		
<b>Fixed Income</b>		<ul style="list-style-type: none"> <li>Fed cut rates by 25 bps in September for the first time in 2025 and provided guidance for two more rate cuts this year.</li> <li>Yield curve has steepened in anticipation of the rate cuts. We expect long term rates to be range-bound due to inflation expectations and fiscal debt concerns.</li> <li>We remain duration neutral at this time. Absolute yield levels look attractive even as credit spreads are closer to historical lows. We are neutral to credit sectors at this time given the tighter spreads even as corporate fundamentals remain strong.</li> </ul>
Core Bonds		
Investment Grade Credit		
High Yield Credit		
<b>Diversifying Assets</b>		<ul style="list-style-type: none"> <li>REIT performance has been sensitive to the long-term yields and have recently shown recovery in performance. Rate cuts and period of slow but continued growth are expected to be tailwinds.</li> <li>Improving AI sentiment bodes well for data center buildout and utilities are long-term tailwinds for listed infrastructure.</li> </ul>
Listed Real Estate		
Listed Global Infrastructure		

● Current outlook    ○ Outlook one quarter ago



The view expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (September 30, 2025) and are subject to change.

## Sources

Factset

<https://www.bea.gov/sites/default/files/2024-12/gdp3q24-3rd-fax.pdf>

<https://www.bls.gov/news.release/pdf/empsit.pdf>

<https://www.bls.gov/news.release/pdf/cpi.pdf>

<http://www.sca.isr.umich.edu/>

NCREIF

PitchBook

Cliffwater

## Disclosures

*Indices shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.*

*The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.*

*PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.*

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## **Plan Performance Summary**

Asset Allocation & Performance

	Allocation	Performance(%)								Inception Date
	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	
<b>Total Portfolio</b>	<b>100.00</b>	<b>4.80</b>	<b>11.24</b>	<b>9.86</b>	<b>14.38</b>	<b>8.39</b>	<b>7.52</b>	<b>8.17</b>	<b>8.17</b>	<b>10/01/2015</b>
<i>Blended Benchmark</i>		5.17	11.04	10.08	14.80	8.62	7.96	8.50	8.50	
<b>Domestic Equity</b>	<b>36.29</b>	<b>8.09</b>	<b>14.33</b>	<b>17.22</b>	<b>22.95</b>	<b>15.19</b>	<b>12.30</b>	<b>13.56</b>	<b>13.56</b>	<b>10/01/2015</b>
<i>Russell 3000 Index</i>		8.18	14.40	17.41	24.12	15.74	13.71	14.71	14.71	
Columbia Contrarian Core Inst3	7.61	7.71	14.52	17.26	25.78	16.73	14.85	14.97	21.80	02/01/2024
<i>S&amp;P 500</i>		8.12	14.83	17.60	24.94	16.47	14.45	15.30	22.99	
Putnam Core Equity Fund Y	3.27	8.26	13.22	15.98	25.92	18.24	15.00	15.64	15.98	10/01/2024
Schwab US Large-Cap ETF	23.55	8.04	14.73	17.95	24.89	16.04	14.28	15.13	17.95	10/01/2024
<i>S&amp;P 500</i>		8.12	14.83	17.60	24.94	16.47	14.45	15.30	17.60	
Undisc Managers Behavioral Val R6	1.01	5.31	2.60	2.27	13.85	19.84	8.37	10.47	9.12	02/01/2024
<i>Russell 2000 Value Index</i>		12.60	9.04	7.88	13.56	14.59	6.40	9.23	13.46	
<i>Russell 2000 Index</i>		12.39	10.39	10.76	15.21	11.56	6.76	9.77	16.02	
Columbia Small Cap Growth Inst3	0.39	14.20	16.75	21.42	23.81	7.80	11.96	14.87	21.42	10/01/2024
<i>Russell 2000 Growth Index</i>		12.19	11.65	13.56	16.68	8.41	6.62	9.90	13.56	
<i>Russell 2000 Index</i>		12.39	10.39	10.76	15.21	11.56	6.76	9.77	10.76	
Emerald Growth Institutional	0.46	17.99	24.36	27.59	23.39	11.99	9.81	11.80	29.42	02/01/2024
<i>Russell 2000 Growth Index</i>		12.19	11.65	13.56	16.68	8.41	6.62	9.90	18.57	
<i>Russell 2000 Index</i>		12.39	10.39	10.76	15.21	11.56	6.76	9.77	16.02	
<b>International Equity</b>	<b>18.01</b>	<b>5.60</b>	<b>24.44</b>	<b>14.53</b>	<b>19.15</b>	<b>9.18</b>	<b>7.26</b>	<b>7.93</b>	<b>7.93</b>	<b>10/01/2015</b>
<i>MSCI AC World ex USA (Net)</i>		6.89	26.02	16.45	20.67	10.26	7.49	8.23	8.23	
MFS International Growth R6	2.66	3.49	19.50	10.47	19.69	9.30	8.93	10.28	17.89	02/01/2024
<i>MSCI AC World ex USA (Net)</i>		6.89	26.02	16.45	20.67	10.26	7.49	8.23	19.37	
Fidelity International Index	7.22	4.62	26.17	15.60	22.34	11.38	7.97	8.34	18.80	07/01/2024
<i>MSCI EAFE (net)</i>		4.77	25.14	14.99	21.70	11.15	7.71	8.17	18.27	
Goldman Sachs GQG Ptnrs Intl Opportunities	2.58	0.35	16.26	5.19	19.33	9.40	10.47	N/A	4.28	07/01/2024
<i>MSCI AC World ex USA (Net)</i>		6.89	26.02	16.45	20.67	10.26	7.49	8.23	20.18	
Fidelity Emerging Markets Index Fund	5.55	10.65	28.11	18.64	18.05	6.64	5.94	7.72	9.21	08/01/2025
<i>MSCI EM (net)</i>		10.64	27.53	17.32	18.21	7.02	6.17	7.99	8.53	

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## Asset Allocation &amp; Performance

	Allocation	Performance(%)								Inception Date
	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	
<b>Other Growth</b>	<b>5.88</b>	<b>2.16</b>	<b>11.35</b>	<b>3.76</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>10.80</b>	<b>02/01/2024</b>
Cohen & Steers Inst Realty Shares	2.99	1.24	5.81	-3.28	9.54	8.10	7.36	7.57	10.95	06/01/2024
MSCI US REIT Index		4.81	4.72	-1.69	10.87	9.30	6.14	6.61	12.82	
Lazard Global Listed Infrastructure Inst	1.45	1.80	17.99	15.63	15.26	11.65	9.19	9.72	15.63	10/01/2024
MSCI World Core Infrastructure Index (Net)		1.80	15.48	8.21	11.34	7.86	7.47	8.27	8.21	
NYLI CBRE Global Infrastructure	1.44	4.33	15.37	9.13	12.54	8.95	8.06	8.69	14.46	06/01/2024
FTSE Global Core Infrastructure 50/50 Index (Net)		3.80	13.45	6.94	11.45	8.53	7.16	7.68	13.38	
<b>Fixed Income</b>	<b>37.28</b>	<b>2.19</b>	<b>6.39</b>	<b>3.35</b>	<b>5.77</b>	<b>0.58</b>	<b>2.50</b>	<b>2.38</b>	<b>2.38</b>	<b>10/01/2015</b>
Blmbg. U.S. Aggregate		2.03	6.13	2.88	4.93	-0.45	2.06	1.84	1.84	
Baird Aggregate Bond Inst	9.98	2.14	6.29	3.08	5.58	-0.12	2.47	2.26	6.07	03/01/2024
iShares Core US Aggregate Bond ETF	8.41	2.04	6.13	2.89	4.92	-0.45	2.04	1.81	5.78	03/01/2024
Blmbg. U.S. Aggregate		2.03	6.13	2.88	4.93	-0.45	2.06	1.84	5.78	
Dodge & Cox Income	6.24	2.51	6.94	3.39	6.57	1.29	3.27	3.23	5.57	02/01/2024
PGIM Total Return Bond R6	6.29	2.37	6.57	3.73	6.58	0.39	2.79	2.82	5.61	02/01/2024
Blmbg. U.S. Aggregate		2.03	6.13	2.88	4.93	-0.45	2.06	1.84	4.58	
Voya Intermediate Bond	3.59	2.11	6.48	3.52	6.05	0.31	2.66	2.59	3.27	05/01/2025
Blmbg. U.S. Aggregate		2.03	6.13	2.88	4.93	-0.45	2.06	1.84	2.86	
NYLI MacKay High Yield Corp Bond Fund	2.76	1.85	5.76	5.97	9.67	5.29	5.08	5.82	7.70	02/01/2024
ICE BofA US High Yield Index		2.40	7.06	7.23	10.97	5.53	5.18	6.07	9.21	
<b>Cash Equivalent</b>	<b>2.54</b>	<b>1.06</b>	<b>3.22</b>	<b>4.42</b>	<b>4.60</b>	<b>2.87</b>	<b>2.47</b>	<b>1.93</b>	<b>1.93</b>	<b>10/01/2015</b>
ICE BofA 3 Month U.S. T-Bill		1.08	3.17	4.38	4.77	2.98	2.62	2.08	2.08	
First American Government Obligation - X	2.54	1.06	3.22	4.42	4.78	2.98	2.56	N/A	4.78	02/01/2024
ICE BofA 3 Month U.S. T-Bill		1.08	3.17	4.38	4.77	2.98	2.62	2.08	4.80	

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## Calendar Year Comparative Performance

	Performance(%)							
	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total Portfolio</b>	<b>11.04</b>	<b>15.14</b>	<b>-14.89</b>	<b>11.36</b>	<b>13.46</b>	<b>18.61</b>	<b>-4.50</b>	<b>15.22</b>
<i>Blended Benchmark</i>	<i>11.61</i>	<i>15.19</i>	<i>-14.58</i>	<i>12.54</i>	<i>13.07</i>	<i>19.78</i>	<i>-4.18</i>	<i>13.54</i>
<b>Domestic Equity</b>	<b>21.65</b>	<b>24.79</b>	<b>-19.00</b>	<b>23.37</b>	<b>18.54</b>	<b>29.23</b>	<b>-6.15</b>	<b>21.58</b>
<i>Russell 3000 Index</i>	<i>23.81</i>	<i>25.96</i>	<i>-19.21</i>	<i>25.66</i>	<i>20.89</i>	<i>31.02</i>	<i>-5.24</i>	<i>21.13</i>
Columbia Contrarian Core Inst3	23.51	32.21	-18.45	24.45	22.44	33.08	-8.81	21.89
Putnam Core Equity Fund Y	26.47	27.99	-15.87	30.75	17.66	32.50	-7.91	24.01
Schwab US Large-Cap ETF	24.91	26.87	-19.45	26.75	20.90	31.40	-4.53	21.92
<i>S&amp;P 500</i>	<i>25.02</i>	<i>26.29</i>	<i>-18.11</i>	<i>28.71</i>	<i>18.40</i>	<i>31.49</i>	<i>-4.38</i>	<i>21.83</i>
Undisc Managers Behavioral Val R6	10.35	14.57	-1.10	34.50	3.62	23.34	-15.20	13.53
<i>Russell 2000 Value Index</i>	<i>8.05</i>	<i>14.65</i>	<i>-14.48</i>	<i>28.27</i>	<i>4.63</i>	<i>22.39</i>	<i>-12.86</i>	<i>7.84</i>
<i>Russell 2000 Index</i>	<i>11.54</i>	<i>16.93</i>	<i>-20.44</i>	<i>14.82</i>	<i>19.96</i>	<i>25.53</i>	<i>-11.01</i>	<i>14.65</i>
Columbia Small Cap Growth Inst3	24.45	26.39	-36.51	-2.54	70.41	41.18	-1.92	28.94
Emerald Growth Institutional	19.41	19.06	-24.50	4.04	38.85	28.70	-11.57	28.11
<i>Russell 2000 Growth Index</i>	<i>15.15</i>	<i>18.66</i>	<i>-26.36</i>	<i>2.83</i>	<i>34.63</i>	<i>28.48</i>	<i>-9.31</i>	<i>22.17</i>
<i>Russell 2000 Index</i>	<i>11.54</i>	<i>16.93</i>	<i>-20.44</i>	<i>14.82</i>	<i>19.96</i>	<i>25.53</i>	<i>-11.01</i>	<i>14.65</i>
<b>International Equity</b>	<b>4.22</b>	<b>13.98</b>	<b>-15.85</b>	<b>4.75</b>	<b>14.36</b>	<b>23.80</b>	<b>-15.41</b>	<b>30.23</b>
<i>MSCI AC World ex USA (Net)</i>	<i>5.53</i>	<i>15.62</i>	<i>-16.00</i>	<i>7.82</i>	<i>10.65</i>	<i>21.51</i>	<i>-14.20</i>	<i>27.19</i>
MFS International Growth R6	9.24	14.96	-15.02	9.65	15.82	27.31	-8.79	32.58
<i>MSCI AC World ex USA (Net)</i>	<i>5.53</i>	<i>15.62</i>	<i>-16.00</i>	<i>7.82</i>	<i>10.65</i>	<i>21.51</i>	<i>-14.20</i>	<i>27.19</i>
Fidelity International Index	3.71	18.31	-14.24	11.45	8.17	22.00	-13.52	25.38
<i>MSCI EAFE (net)</i>	<i>3.82</i>	<i>18.24</i>	<i>-14.45</i>	<i>11.26</i>	<i>7.82</i>	<i>22.01</i>	<i>-13.79</i>	<i>25.03</i>
Goldman Sachs GQG Ptnrs Intl Opportunities	5.99	21.25	-11.10	12.49	15.77	27.64	-6.04	31.76
<i>MSCI AC World ex USA (Net)</i>	<i>5.53</i>	<i>15.62</i>	<i>-16.00</i>	<i>7.82</i>	<i>10.65</i>	<i>21.51</i>	<i>-14.20</i>	<i>27.19</i>
Fidelity Emerging Markets Index Fund	6.80	9.50	-20.07	-3.04	17.82	18.26	-14.63	37.65
<i>MSCI EM (net)</i>	<i>7.50</i>	<i>9.83</i>	<i>-20.09</i>	<i>-2.54</i>	<i>18.31</i>	<i>18.42</i>	<i>-14.57</i>	<i>37.28</i>

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Calendar Year Comparative Performance

	Performance(%)							
	2024	2023	2022	2021	2020	2019	2018	2017
<b>Other Growth</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Cohen & Steers Inst Realty Shares	6.24	12.72	-24.73	42.47	-2.57	33.01	-3.99	7.45
MSCI US REIT Index	8.75	13.74	-24.51	43.06	-7.57	25.84	-4.57	5.07
Lazard Global Listed Infrastructure Inst	6.71	10.89	-1.30	19.87	-4.48	22.26	-3.73	20.80
MSCI World Core Infrastructure Index (Net)	5.73	4.01	-7.93	17.13	-0.80	26.64	-2.66	19.25
NYLI CBRE Global Infrastructure	7.68	3.96	-6.08	15.22	1.17	28.46	-6.56	20.48
FTSE Global Core Infrastructure 50/50 Index (Net)	9.53	2.21	-4.87	14.88	-4.06	25.13	-3.99	18.39
<b>Fixed Income</b>	<b>2.22</b>	<b>6.91</b>	<b>-12.23</b>	<b>-0.72</b>	<b>7.27</b>	<b>8.22</b>	<b>-0.42</b>	<b>5.05</b>
Blmbg. U.S. Aggregate	1.25	5.53	-13.01	-1.55	7.51	8.72	0.01	3.54
Baird Aggregate Bond Inst	1.85	6.43	-13.35	-1.46	8.63	9.48	-0.30	4.20
iShares Core US Aggregate Bond ETF	1.37	5.59	-13.06	-1.67	7.42	8.68	-0.05	3.53
Dodge & Cox Income	2.26	7.70	-10.87	-0.91	9.45	9.73	-0.31	4.36
PGIM Total Return Bond R6	3.03	7.78	-14.86	-1.15	8.10	11.14	-0.63	6.71
Voya Intermediate Bond	2.93	7.07	-14.16	-0.99	8.22	10.06	-0.25	4.84
Blmbg. U.S. Aggregate	1.25	5.53	-13.01	-1.55	7.51	8.72	0.01	3.54
NYLI MacKay High Yield Corp Bond Fund	7.14	11.97	-7.81	5.35	5.28	13.03	-1.34	6.79
ICE BofA US High Yield Index	8.20	13.46	-11.22	5.36	6.17	14.41	-2.27	7.48
<b>Cash Equivalent</b>	<b>4.73</b>	<b>4.98</b>	<b>1.48</b>	<b>0.02</b>	<b>0.36</b>	<b>2.10</b>	<b>1.72</b>	<b>0.57</b>
ICE BofA 3 Month U.S. T-Bill	5.25	5.02	1.46	0.05	0.67	2.28	1.87	0.86
First American Government Obligation - X	5.19	5.00	1.54	0.03	0.40	2.12	1.74	0.79
ICE BofA 3 Month U.S. T-Bill	5.25	5.02	1.46	0.05	0.67	2.28	1.87	0.86

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**Historical Hybrid Composition - PARS Balanced/Moderately Aggressive**

Allocation Mandate	Weight (%)
<b>Jul-2025</b>	
Russell 3000 Index	36.0
MSCI AC World ex USA (Net)	18.0
MSCI US REIT Index	3.0
MSCI World Core Infrastructure Index (Net)	3.0
Blmbg. U.S. Aggregate	35.0
ICE BofA US High Yield Index	3.0
ICE BofA 3 Month U.S. T-Bill	2.0
<b>Oct-2012</b>	
S&P 500	32.0
Blmbg. U.S. Aggregate	27.0
Russell 2000 Index	9.0
MSCI EAFE (net)	7.0
ICE BofA 1-3 Yr. Gov/Corp	6.8
Russell Midcap Index	6.0
FTSE 1 Month T-Bill	5.0
MSCI EM (net)	4.0
Wilshire US REIT Index	2.0
ICE BofA US High Yield Index	1.3
<b>Apr-2007</b>	
S&P 500	51.0
Blmbg. U.S. Aggregate	30.0
MSCI EAFE (net)	6.0
ICE BofA 1-3 Yr. Gov/Corp	5.0
FTSE 1 Month T-Bill	5.0
Russell 2000 Index	3.0

Allocation Mandate	Weight (%)
<b>Jul-1986</b>	
S&P 500	60.0
Blmbg. U.S. Aggregate	30.0
ICE BofA 1-3 Yr. Gov/Corp	5.0
FTSE 1 Month T-Bill	5.0

\*The benchmark for the PARS Balanced strategy defined above was assigned to the PARS OPEB and Pension Trust Balanced Strategic Blend upon its inception on October 2015



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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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# Additional Disclosures

*Assets under management as of 6/30/2024 represent the assets managed by PFM asset Management LLC (PFMAM). As of 10/1/2024 PFMAM and U.S. Bancorp Asset Management, Inc. (USBAM) formerly separately registered investment advisers consolidated into one legal entity and one registered investment adviser with the SEC, with USBAM as the continuing legal entity and registered investment adviser.*

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The background features a large, faint, circular seal of the State of California. The seal contains the text "STATE OF CALIFORNIA" around the perimeter and a central shield with various symbols including a grizzly bear, a miner, and a ship.

# Key Elements of the Investment Policy

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Investment Advisory Committee January 15, 2026



# Key Elements of the Investment Policy

- **Section 1. Purpose**

- This Investment Policy is intended to provide guidelines for the prudent investment of the City of Fullerton and the Fullerton Successor Agency's temporarily idle cash.

- **Section 4. Objective**

- **Primary Objectives:**

- Safety
- Liquidity
- Yield
- Diversification

- **Section 9. Prohibited Investments**

- It shall be the policy of the City to not invest any funds in inverse floaters, range notes, or mortgage-derived interest only strips, or any security that could result in zero interest accrual if held to maturity, and other similar derivative products.



# Key Elements of the Investment Policy

- Section 8. Authorized Investments

Security Type	Minimum Rating Requirement	Maturity Limits	Maximum Allocation Limit	Maximum Issuer Limit
A. United States Treasury Securities	None	5 years	100%	100%
B. U.S. Government Agencies	None	5 Years	100%	40%
B. U.S. Federal Instrumentalities	None	5 Years	100%	40%
C. Bankers Acceptances	Prime	180 Days	40%	5%
D. Commercial Paper	Prime	270 Days	25%*	5%
E. Asset-Backed Commercial Paper	Prime	270 Days	25%*	5%
F. Negotiable Certificates of Deposit	"A"	5 Years	30%	5%
F. Collateralized Certificates of Deposit	None	5 Years	25%	10%
G. Repurchase Agreements	None	1 Year	25%	20%
H. LAIF	None	None	Lesser of 50M or 60%	N/A
I. Orange County Investment Pool	None	None	0%	0%
J. Medium Term Notes	"A"	5 Years	30%	5%
K. Asset Backed Securities	"AA"	5 Years	20%	5%
L. Municipal Bonds	"A"	5 Years	20%	5%
M Supranational Debt	"AA"	5 Years	30%	5%
N. Money Market Funds	AAAm	N/A	20%	10%
O. Joint Power Authority Pools	AAA	N/A	40%	40%



# Key Elements of the Investment Policy

- **Section 13. Investment Maturity**

- State law (Government Code Section 53601) provides that city treasurers may not invest funds in securities which have a term remaining to maturity **in excess of five years** from the date of investment, unless the City Council "...grants express authority to make that investment

- **Section 19. Investment Advisory Committee**

- To strengthen sound investment strategies and provide control over the City's investments, an Investment Advisory Committee has been established to review and make recommendations on investment policy and strategy of the City of Fullerton and the Fullerton Successor Agency. The Committee is comprised of the following members:
  - One City Council Member
  - Four Fullerton Citizens
  - Director of Administrative Services
  - City Treasurer (if duties are not assigned to the Director of Administrative Services)



# ECONOMIC UPDATE

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January 2026

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# LEGAL DISCLOSURE

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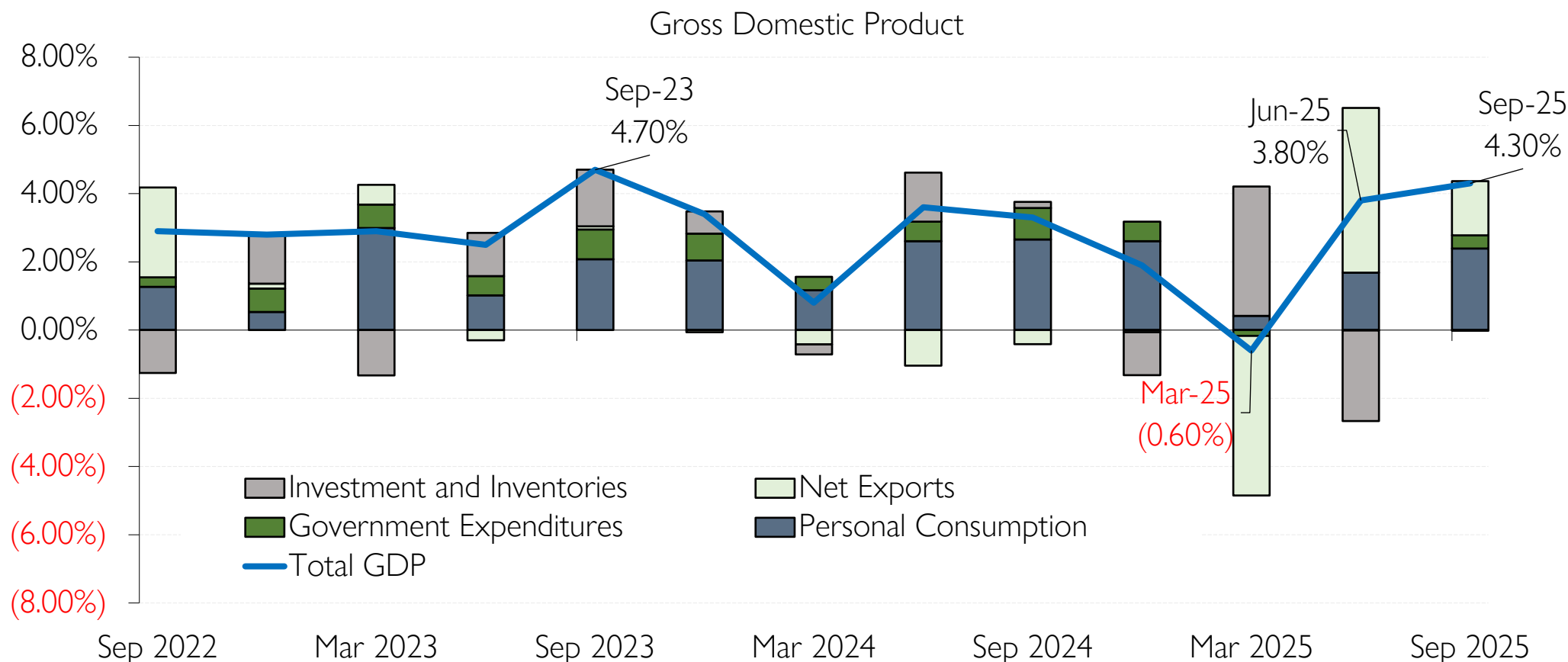
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# GROSS DOMESTIC PRODUCT

Third quarter 2025 GDP indicates the U.S. economy grew at an annualized rate of 4.3%, which was considerably stronger than the expected growth rate of 3.3%. Third quarter growth was primarily driven by consumer spending. In fact, consumer spending contributed 2.39% of the overall growth. Business investment was slower compared to the previous year, although the reading of (0.02%) was essentially neutral to the overall growth for the quarter.



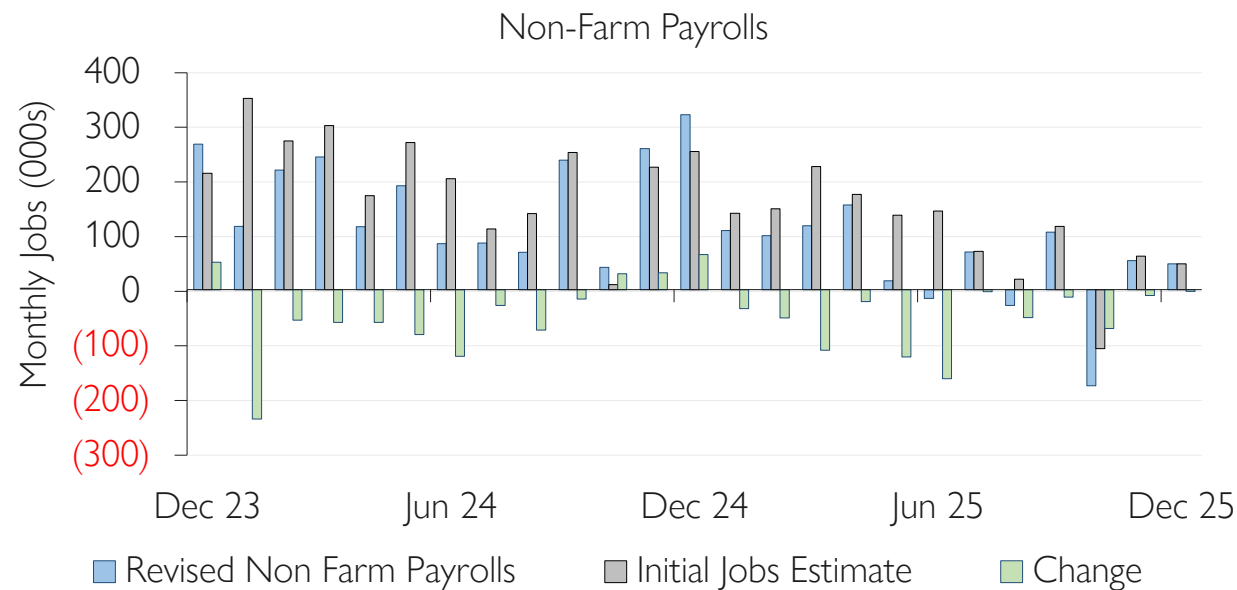


## Labor Markets Deteriorate

- December non-farm payrolls disappointed with 50k reported new jobs vs. an expected 70k.
- The fourth quarter experienced negative net jobs created (64k), compared to 628k thousand jobs created during the same period in the prior year.
- Job creation for 2025 was 584k, a 71% decline in new jobs created in 2024.

## Unemployment Rate Remains Favorable

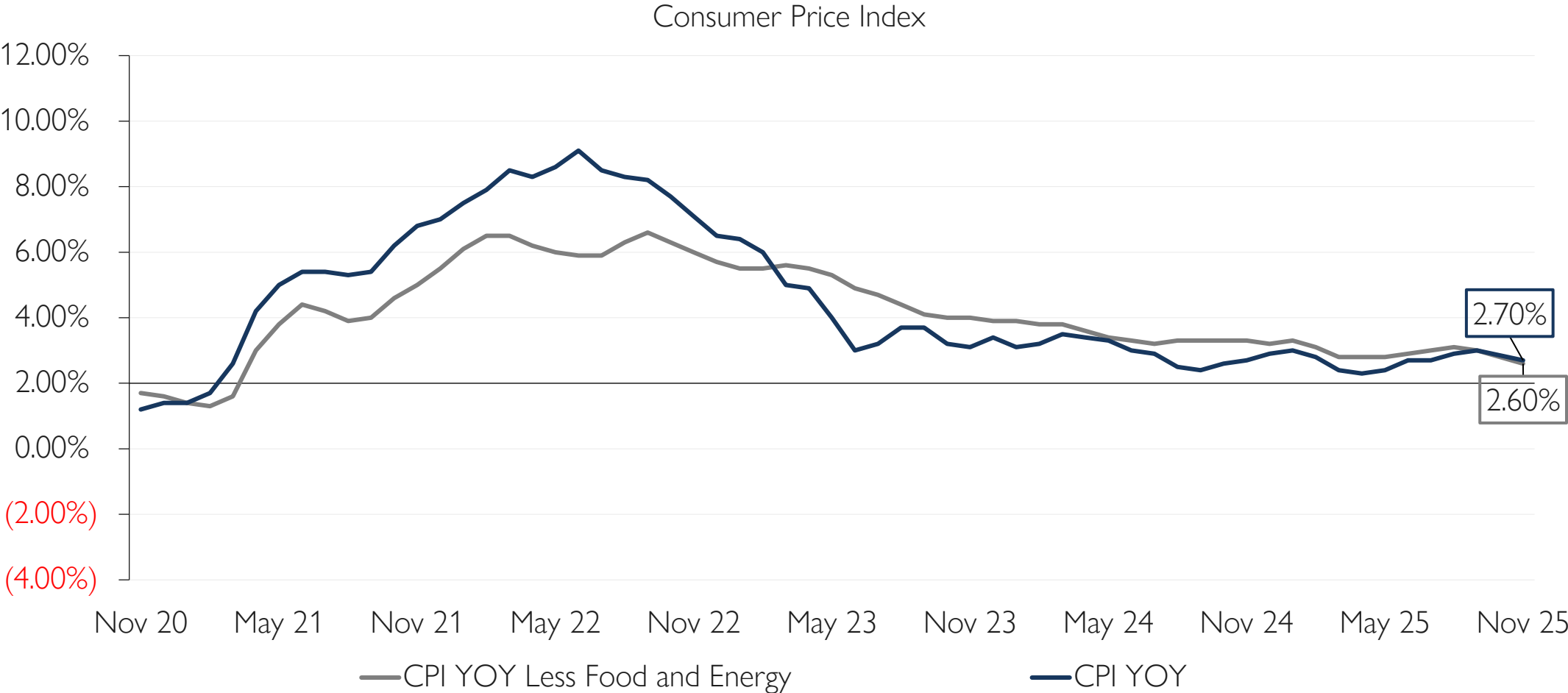
- The national unemployment rate declined (0.1%) in December to 4.4%.
- The current environment is being described as a hiring recession..
- The weaker job market complicates the FOMC decision process as inflation remains elevated.





# CONSUMER PRICE INDEX

Consumer prices, headline and core (less food and energy) increased 2.7% and 2.6%, respectively, year over year as of November, less than consensus expectations of 3.0% for both indicators. Food costs increased 2.6%, and Shelter costs increased 3.0% year over year, the lowest annual increase in more than four years.



Source: Bloomberg, <https://www.bls.gov/news.release>  
Data as December 18, 2025

Please refer to the disclosure slide of this presentation for more information.



# FEDERAL FUNDS RATE EXPECTATIONS

Target Rate	3.75	Pricing Date	01/12/2026		
Effective Rate	3.64	Cur. Imp. O/N Rate	3.640		
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M. ▲
01/28/2026	-0.050	-5.0%	-0.012	3.628	0.250
03/18/2026	-0.296	-24.6%	-0.074	3.566	0.250
04/29/2026	-0.490	-19.4%	-0.122	3.517	0.250
06/17/2026	-1.014	-52.4%	-0.253	3.387	0.250
07/29/2026	-1.340	-32.6%	-0.335	3.305	0.250
09/16/2026	-1.707	-36.8%	-0.427	3.213	0.250
10/28/2026	-1.910	-20.3%	-0.477	3.163	0.250
12/09/2026	-2.108	-19.8%	-0.527	3.113	0.250

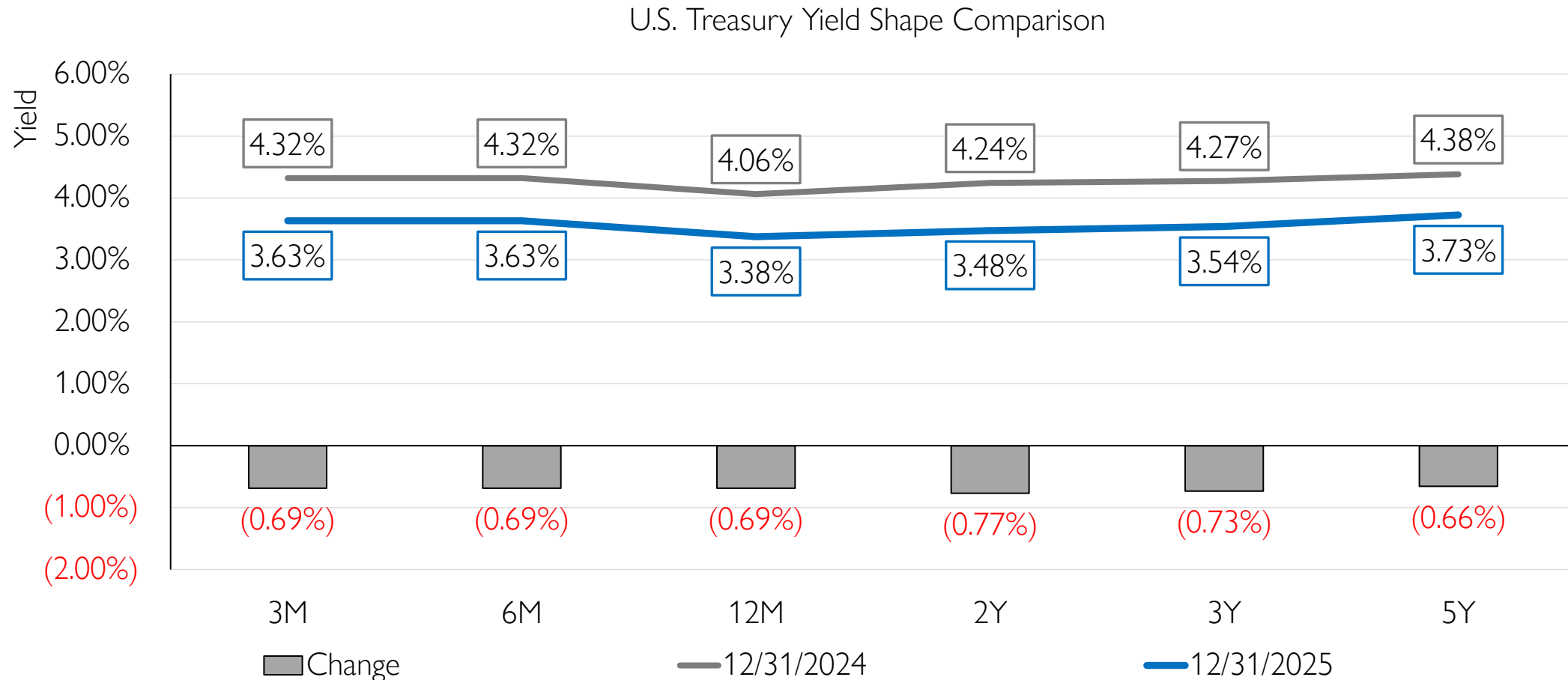
Source: Bloomberg. Data as of January 12, 2026.

Please refer to the disclosure slide of this presentation for more information.



# U.S. TREASURY YIELD CURVE

U.S. Treasury yields between from overnight to five years to maturity declined year over year through December. Short term rates were lower driven by continued Federal Funds rate cuts by the FOMC and longer term rates were lower as largely due to expectations of slower economic growths. The yield curve remains inverted between three months and one year, while the yield curve for maturities between one and five years was steeper compared to a year ago.



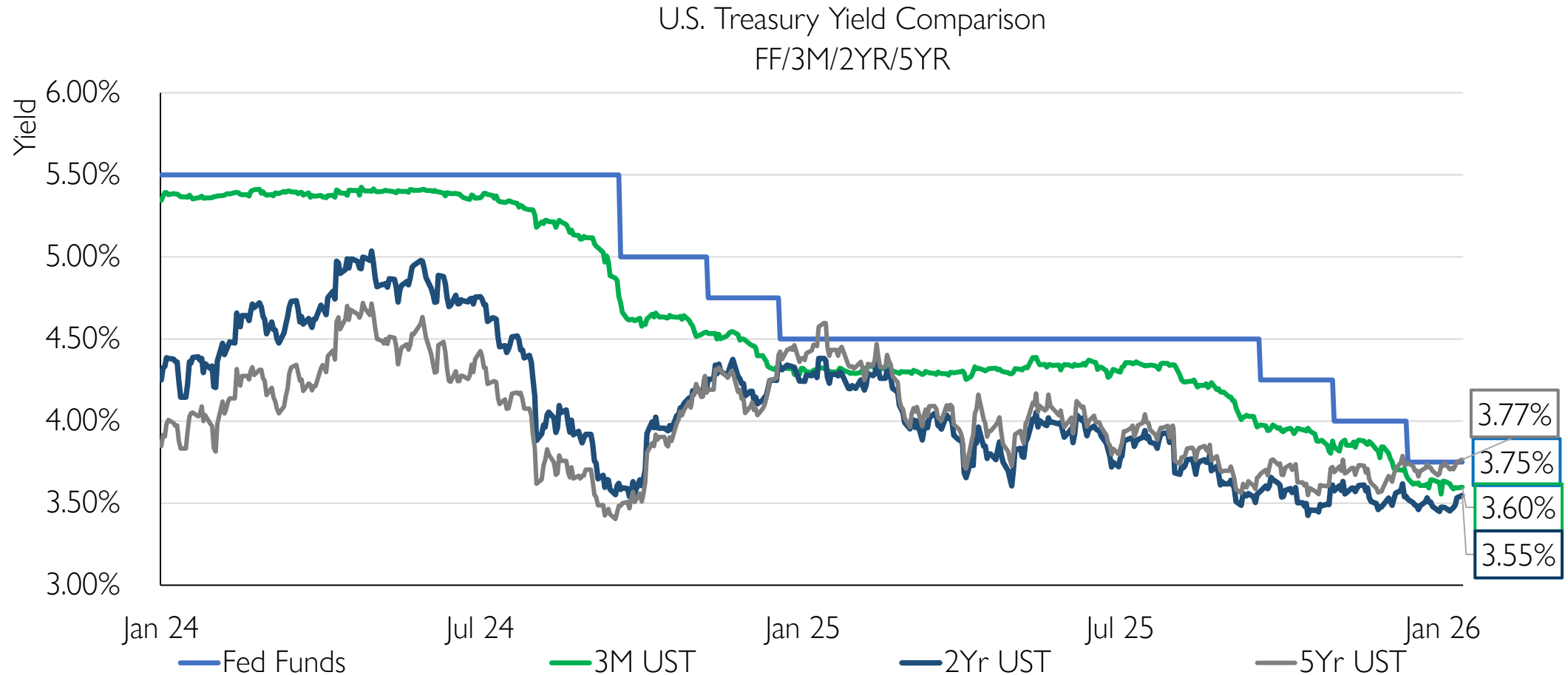
Source: Bloomberg. Data as of December 31, 2025

Please refer to the disclosure slide of this presentation for more information.



# U.S. TREASURIES AND FEDERAL FUNDS RATE

- While less volatile in recent months, U.S Treasury rates continue to fluctuate, and drifted lower through the fourth quarter of 2025. The FOMC voted to reduce the Federal Funds rate to 3.75% during the December meeting while US Treasuries continue to trade in a narrow range, resulting in a flat/slightly positive slope yield curve.



Source: Bloomberg. Data as of January 12, 2026

Please refer to the disclosure slide of this presentation for more information.





**City of Fullerton I-3**  
Investment Report

10/01/2025 to 12/31/2025



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### Disclaimers

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## Relationship Management Team

### Relationship Managers

**John Grady | Managing Director**  
john.grady@ptma.com

**Tom Tight | Managing Director**  
tom.tight@ptma.com

### Portfolio Manager

**Mark Creger | Director, Portfolio Manager**  
mark.creger@ptma.com

**Manuel N. San Luis | Vice President, Portfolio Manager**  
manuel.sanluis@ptma.com



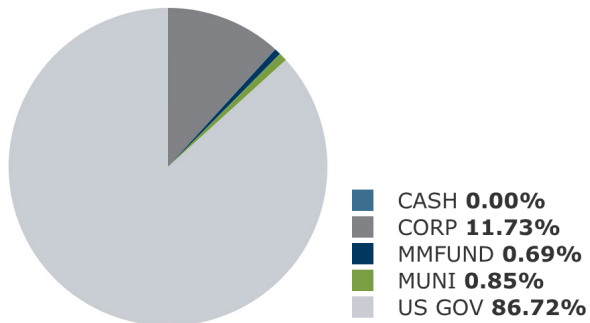
## Portfolio Characteristics

	09/30/25	12/31/25
Duration	1.759	1.760
Years to Effective Maturity	1.864	1.860
Years to Final Maturity	1.866	1.863
Coupon Rate	3.977	3.954
Book Yield	4.183	4.074
Market Yield	3.687	3.541
Benchmark Yield	3.665	3.523

## Portfolio Summary

Summary	09/30/25	12/31/25
Historical Cost	\$57,848,091.45	\$58,631,802.81
Book Value	58,029,792.60	58,739,776.52
Accrued Interest	599,476.88	538,996.45
Net Pending Transactions	995.73	906.91
<b>Book Value Plus Accrued</b>	<b>\$58,630,265.21</b>	<b>\$59,279,679.88</b>
Net Unrealized Gain/Loss	429,450.95	443,746.01
<b>Market Value Plus Accrued</b>	<b>\$59,059,716.16</b>	<b>\$59,723,425.89</b>

## Asset Allocation

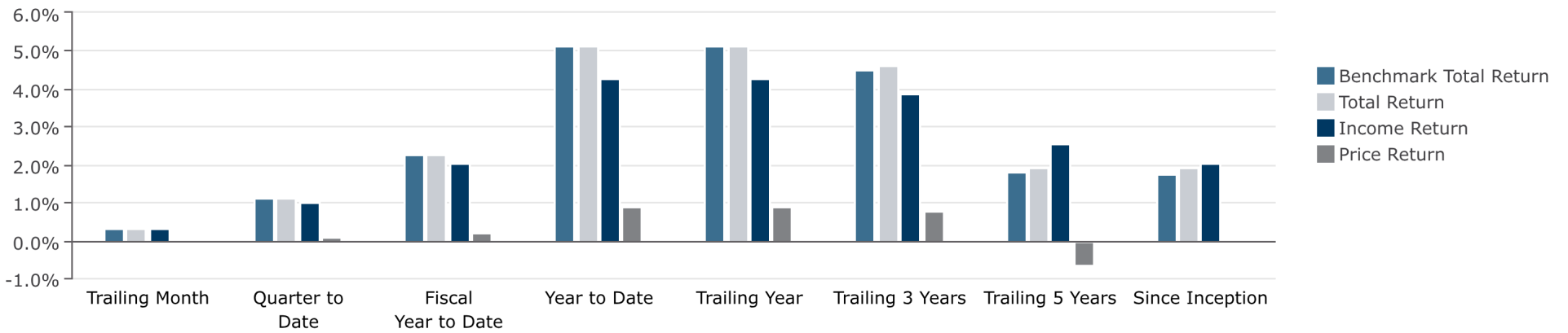


## Income Summary

Period Income	Income
Interest Income	\$577,522.97
Net Amortization/ Accretion Income	25,475.19
Net Realized Gain/Loss	46,416.52
<b>Net Income</b>	<b>\$649,414.68</b>

Detail may not add to total due to rounding.

Total Return vs Benchmark



Period	Period Begin	Period End	Benchmark Total Return	Total Return	Income Return	Price Return
Trailing Month	12/01/2025	12/31/2025	0.317%	0.316%	0.336%	-0.021%
Quarter to Date	10/01/2025	12/31/2025	1.115%	1.112%	1.009%	0.103%
Fiscal Year to Date	07/01/2025	12/31/2025	2.253%	2.251%	2.057%	0.194%
Year to Date	01/01/2025	12/31/2025	5.116%	5.164%	4.271%	0.893%
Trailing Year	01/01/2025	12/31/2025	5.116%	5.164%	4.271%	0.893%
Trailing 3 Years	01/01/2023	12/31/2025	4.511%	4.609%	3.871%	0.795%
Trailing 5 Years	01/01/2021	12/31/2025	1.813%	1.916%	2.532%	-0.682%
Since Inception	01/01/2015	12/31/2025	1.771%	1.943%	2.025%	-0.100%

Account	Index	Index Start Date	Index End Date
City of Fullerton I-3	Primary: ICE BofA 1-3 Year AAA-AA US Corporate & Government Index	2003-03-24	--
City of Fullerton I-3	Secondary: ICE BofA 3-Month US Treasury Bill Index	--	--

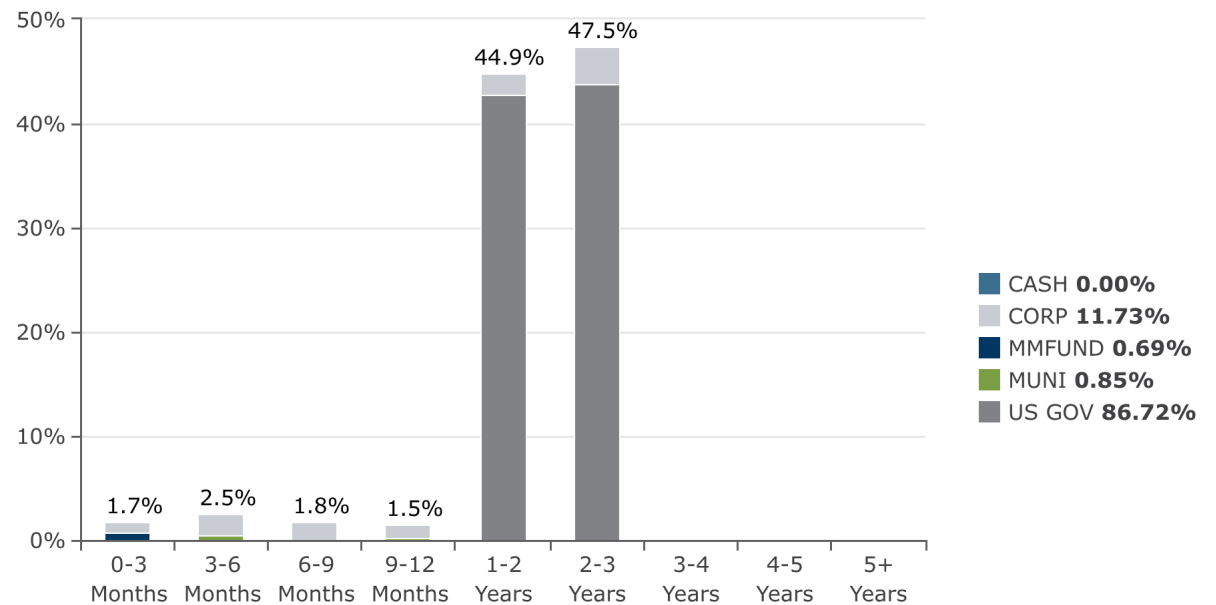
## Maturity Distribution by Security Type

Security Distribution	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Portfolio Total
CASH	\$906.91	--	--	--	--	--	--	--	--	<b>\$906.91</b>
CORP	607,638.49	1,190,701.34	1,102,803.61	695,768.90	1,245,532.30	2,165,764.67				<b>7,008,209.32</b>
MMFUND	412,452.46									<b>412,452.46</b>
MUNI		293,283.61		213,773.70						<b>507,057.31</b>
US GOV					25,581,180.86	26,213,619.04				<b>51,794,799.90</b>
<b>TOTAL</b>	<b>\$1,020,997.86</b>	<b>\$1,483,984.94</b>	<b>\$1,102,803.61</b>	<b>\$909,542.60</b>	<b>\$26,826,713.17</b>	<b>\$28,379,383.71</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$59,723,425.89</b>

## Top Ten Holdings

Issuer	Value
United States	86.72%
Deere & Company	1.56%
Eli Lilly and Company	1.40%
Caterpillar Inc.	1.37%
Metropolitan Life Global Funding I	1.12%
Amazon.com, Inc.	1.10%
The Depository Trust & Clearing Corporation	1.05%
New York Life Insurance Company	1.04%
Toyota Motor Corporation	0.95%
PACCAR Inc	0.90%

## Maturity Distribution by Type



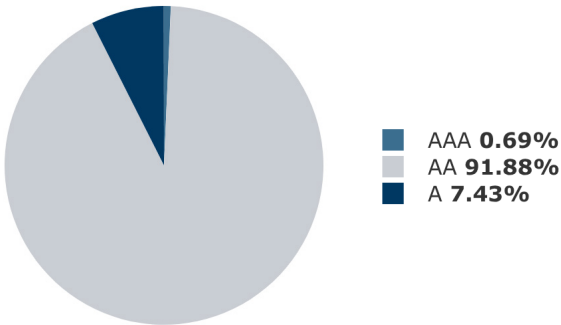
S&P Rating Distribution

S&P Rating Distribution	Dec 31, 2025 Ending Balance	Portfolio Allocation
Short Term Rating Distribution		
A-1+	\$0.00	0.00%
A-1		
A-2		
Total Short Term Ratings	\$0.00	0.00%
Long Term Rating Distribution		
AAA	\$413,359.37	0.69%
AA	\$54,870,932.59	91.88%
A	\$4,439,133.93	7.43%
Below A		
Not Rated		
Total Long Term Ratings	\$59,723,425.89	100.00%
Portfolio Total	\$59,723,425.89	100.00%

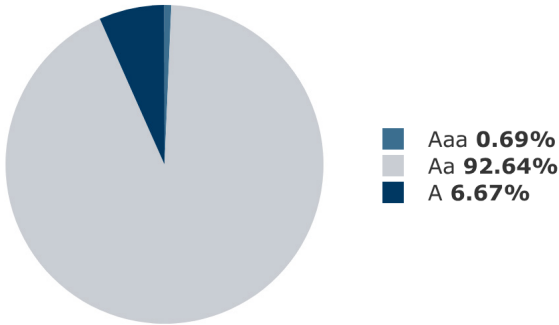
Moody's Rating Distribution

Moody's Rating Distribution	Dec 31, 2025 Ending Balance	Portfolio Allocation
Short Term Rating Distribution		
P-1	\$0.00	0.00%
P-2		
Total Short Term Ratings	\$0.00	0.00%
Long Term Rating Distribution		
Aaa	\$413,359.37	0.69%
Aa	\$55,327,051.92	92.64%
A	\$3,983,014.60	6.67%
Below A		
Not Rated		
Total Long Term Ratings	\$59,723,425.89	100.00%
Portfolio Total	\$59,723,425.89	100.00%

Allocation by Standard and Poor's Rating



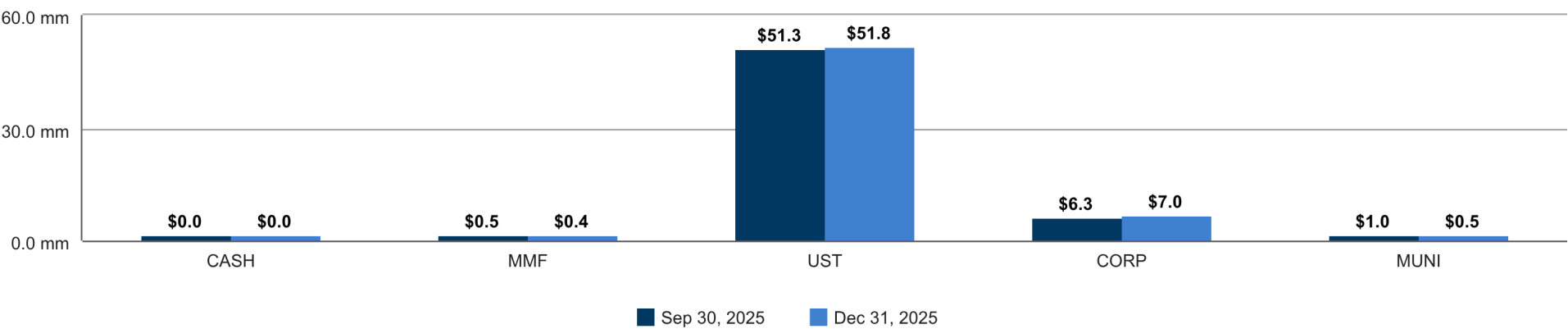
Allocation by Moody's Rating



Market Value Basis Security Distribution

Security Distribution	Sep 30, 2025 Ending Balance	Sep 30, 2025 Portfolio Allocation	Dec 31, 2025 Ending Balance	Dec 31, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$995.73	0.00%	\$906.91	0.00%	(0.00%)	0.00%
U.S. Treasury Notes	\$51,267,624.44	86.81%	\$51,794,799.90	86.72%	(0.08%)	3.98%
Money Market Funds	\$456,508.14	0.77%	\$412,452.46	0.69%	(0.08%)	3.38%
Corporate Notes	6,287,885.76	10.65%	7,008,209.32	11.73%	1.09%	4.77%
Municipal Bonds	1,046,702.08	1.77%	507,057.31	0.85%	(0.92%)	4.57%
Portfolio Total	\$59,059,716.16	100.00%	\$59,723,425.89	100.00%		4.07%

Asset Balance by Security Type







**City of Fullerton I-5**  
Investment Report

10/01/2025 to 12/31/2025



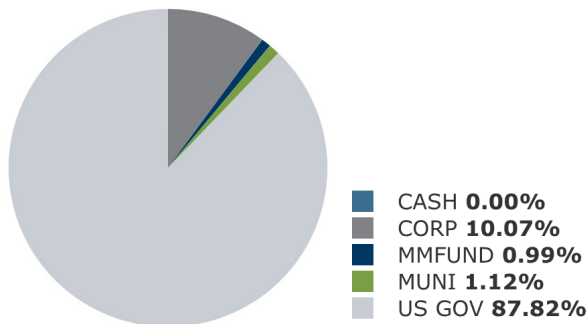
## Portfolio Characteristics

	09/30/25	12/31/25
Duration	2.500	2.488
Years to Effective Maturity	2.675	2.659
Years to Final Maturity	2.677	2.661
Coupon Rate	3.335	3.312
Book Yield	4.034	4.049
Market Yield	3.686	3.589
Benchmark Yield	3.683	3.580

## Portfolio Summary

Summary	09/30/25	12/31/25
Historical Cost	\$57,547,183.32	\$58,080,099.26
Book Value	58,227,851.97	58,857,660.76
Accrued Interest	460,098.31	426,824.83
Net Pending Transactions	538.22	1,419.75
<b>Book Value Plus Accrued</b>	<b>\$58,688,488.51</b>	<b>\$59,285,905.33</b>
Net Unrealized Gain/Loss	533,329.39	601,707.75
<b>Market Value Plus Accrued</b>	<b>\$59,221,817.89</b>	<b>\$59,887,613.08</b>

## Asset Allocation

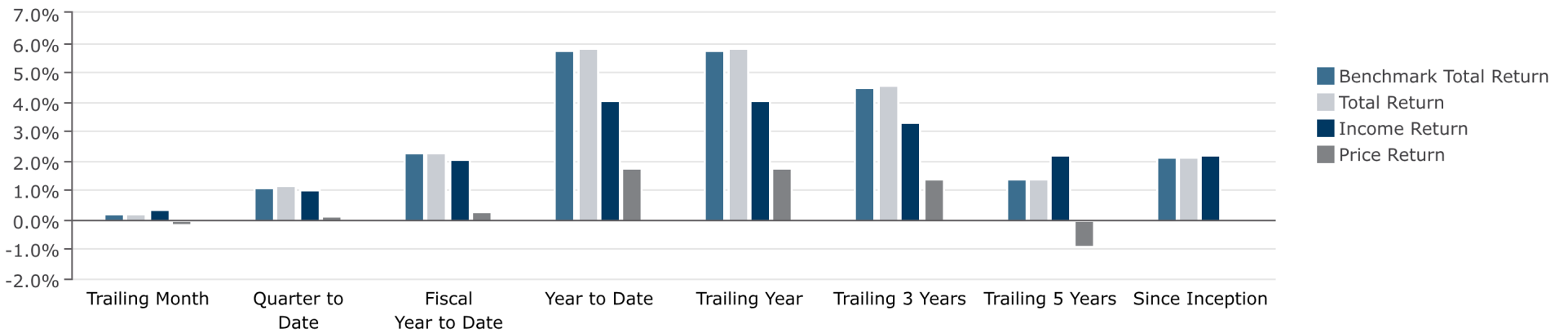


## Income Summary

Period Income	Income
Interest Income	\$493,609.38
Net Amortization/ Accretion Income	100,590.06
Net Realized Gain/Loss	3,217.39
Other Income/Expenses	(0.01)
<b>Net Income</b>	<b>\$597,416.82</b>

Detail may not add to total due to rounding.

Total Return vs Benchmark



Period	Period Begin	Period End	Benchmark Total Return	Total Return	Income Return	Price Return
Trailing Month	12/01/2025	12/31/2025	0.191%	0.192%	0.333%	-0.141%
Quarter to Date	10/01/2025	12/31/2025	1.113%	1.147%	1.027%	0.121%
Fiscal Year to Date	07/01/2025	12/31/2025	2.281%	2.311%	2.026%	0.285%
Year to Date	01/01/2025	12/31/2025	5.766%	5.836%	4.067%	1.769%
Trailing Year	01/01/2025	12/31/2025	5.766%	5.836%	4.067%	1.769%
Trailing 3 Years	01/01/2023	12/31/2025	4.527%	4.584%	3.307%	1.361%
Trailing 5 Years	01/01/2021	12/31/2025	1.371%	1.416%	2.207%	-0.864%
Since Inception	01/01/2018	12/31/2025	2.110%	2.160%	2.169%	-0.010%

Account	Index	Index Start Date	Index End Date
Fullerton, City of I-5	Primary: ICE BofA I-5 Year AAA-AA US Corporate & Government Index	2006-10-31	--
Fullerton, City of I-5	Secondary: ICE BofA 3-Month US Treasury Bill Index	--	--

# Portfolio Overview

10/01/2025 to 12/31/2025

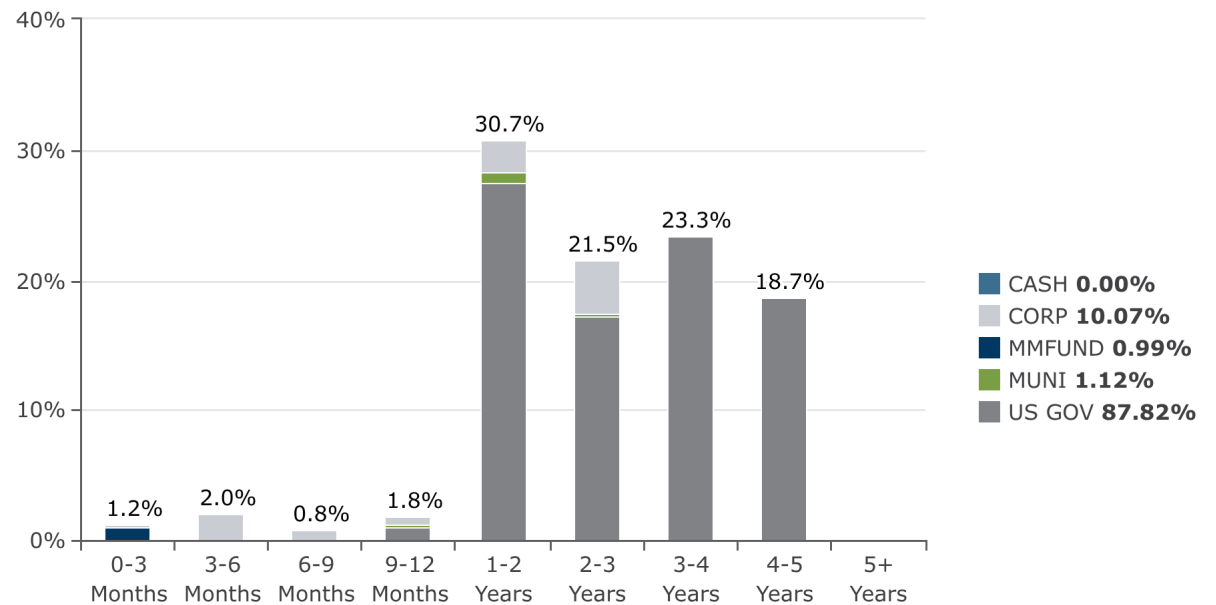
## Maturity Distribution by Security Type

Security Distribution	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Portfolio Total
CASH	\$1,419.75	--	--	--	--	--	--	--	--	<b>\$1,419.75</b>
CORP	138,294.38	1,195,759.09	456,508.82	380,494.70	1,414,378.03	2,445,088.79				<b>6,030,523.80</b>
MMFUND	592,112.76									<b>592,112.76</b>
MUNI				40,718.80	545,393.59	83,611.20				<b>669,723.59</b>
US GOV				668,361.22	16,414,002.40	10,355,350.46	13,974,201.30	11,181,917.81		<b>52,593,833.18</b>
<b>TOTAL</b>	<b>\$731,826.89</b>	<b>\$1,195,759.09</b>	<b>\$456,508.82</b>	<b>\$1,089,574.71</b>	<b>\$18,373,774.01</b>	<b>\$12,884,050.44</b>	<b>\$13,974,201.30</b>	<b>\$11,181,917.81</b>	<b>--</b>	<b>\$59,887,613.08</b>

## Top Ten Holdings

Issuer	Value
United States	87.82%
Deere & Company	1.50%
Eli Lilly and Company	1.40%
Caterpillar Inc.	1.37%
Amazon.com, Inc.	1.09%
The Depository Trust & Clearing Corporation	1.04%
PACCAR Inc	1.04%
U.S. Bancorp	0.99%
Toyota Motor Corporation	0.95%
Metropolitan Life Global Funding I	0.92%

## Maturity Distribution by Type



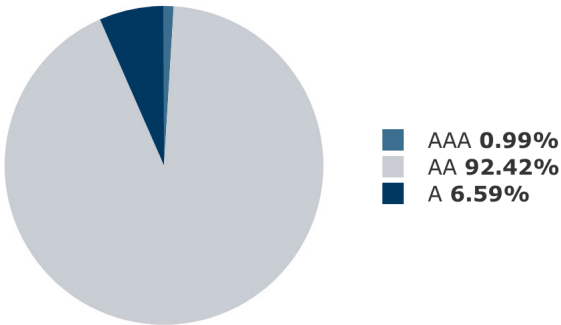
S&P Rating Distribution

S&P Rating Distribution	Dec 31, 2025 Ending Balance	Portfolio Allocation
Short Term Rating Distribution		
A-1+	\$0.00	0.00%
A-1		
A-2		
Total Short Term Ratings	\$0.00	0.00%
Long Term Rating Distribution		
AAA	\$593,532.51	0.99%
AA	\$55,349,979.88	92.42%
A	\$3,944,100.69	6.59%
Below A		
Not Rated		
Total Long Term Ratings	\$59,887,613.08	100.00%
Portfolio Total	\$59,887,613.08	100.00%

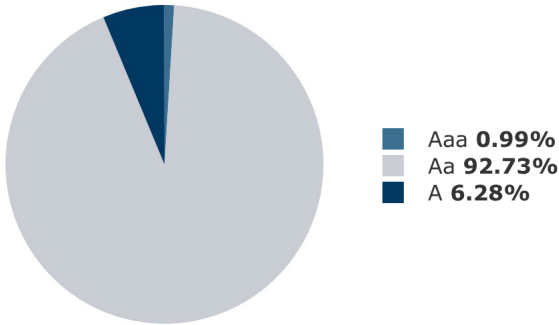
Moody's Rating Distribution

Moody's Rating Distribution	Dec 31, 2025 Ending Balance	Portfolio Allocation
Short Term Rating Distribution		
P-1	\$0.00	0.00%
P-2		
Total Short Term Ratings	\$0.00	0.00%
Long Term Rating Distribution		
Aaa	\$593,532.51	0.99%
Aa	\$55,531,391.64	92.73%
A	\$3,762,688.93	6.28%
Below A		
Not Rated		
Total Long Term Ratings	\$59,887,613.08	100.00%
Portfolio Total	\$59,887,613.08	100.00%

Allocation by Standard and Poor's Rating



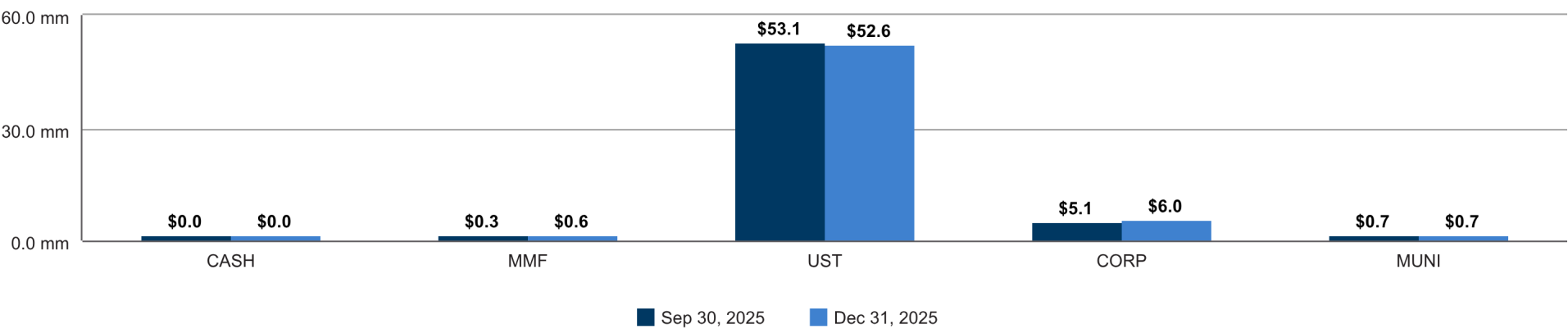
Allocation by Moody's Rating



Market Value Basis Security Distribution

Security Distribution	Sep 30, 2025 Ending Balance	Sep 30, 2025 Portfolio Allocation	Dec 31, 2025 Ending Balance	Dec 31, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$538.22	0.00%	\$1,419.75	0.00%	0.00%	0.00%
U.S. Treasury Notes	\$53,084,511.48	89.64%	\$52,593,833.18	87.82%	(1.82%)	3.98%
Money Market Funds	\$296,913.29	0.50%	\$592,112.76	0.99%	0.49%	3.38%
Corporate Notes	5,123,734.26	8.65%	6,030,523.80	10.07%	1.42%	4.68%
Municipal Bonds	716,120.64	1.21%	669,723.59	1.12%	(0.09%)	4.69%
Portfolio Total	\$59,221,817.89	100.00%	\$59,887,613.08	100.00%		4.05%

Asset Balance by Security Type





**City of Fullerton - Aggregate**  
Investment Report

10/01/2025 to 12/31/2025

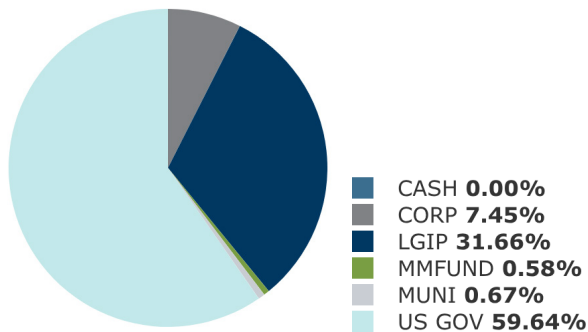
## Portfolio Characteristics

	09/30/25	12/31/25
Duration	2.128	2.124
Years to Effective Maturity	1.518	1.544
Years to Final Maturity	1.519	1.546
Coupon Rate	4.031	4.035
Book Yield	4.338	4.324
Market Yield	4.055	3.983
Benchmark Yield	3.674	3.552

## Portfolio Summary

Summary	09/30/25	12/31/25
Historical Cost	\$173,867,949.89	\$172,144,593.59
Book Value	174,730,319.71	173,030,128.80
Accrued Interest	1,059,575.19	965,821.28
Net Pending Transactions	134,806.12	2,355.61
<b>Book Value Plus Accrued</b>	<b>\$175,924,701.02</b>	<b>\$173,998,305.68</b>
Net Unrealized Gain/Loss	962,780.48	1,045,453.91
<b>Market Value Plus Accrued</b>	<b>\$176,887,481.49</b>	<b>\$175,043,759.59</b>

## Asset Allocation



## Income Summary

Period Income	Income
Interest Income	\$1,599,905.53
Net Amortization/ Accretion Income	126,065.24
Net Realized Gain/Loss	49,633.90
<b>Net Income</b>	<b>\$1,775,604.67</b>

Detail may not add to total due to rounding.

# Portfolio Overview

10/01/2025 to 12/31/2025

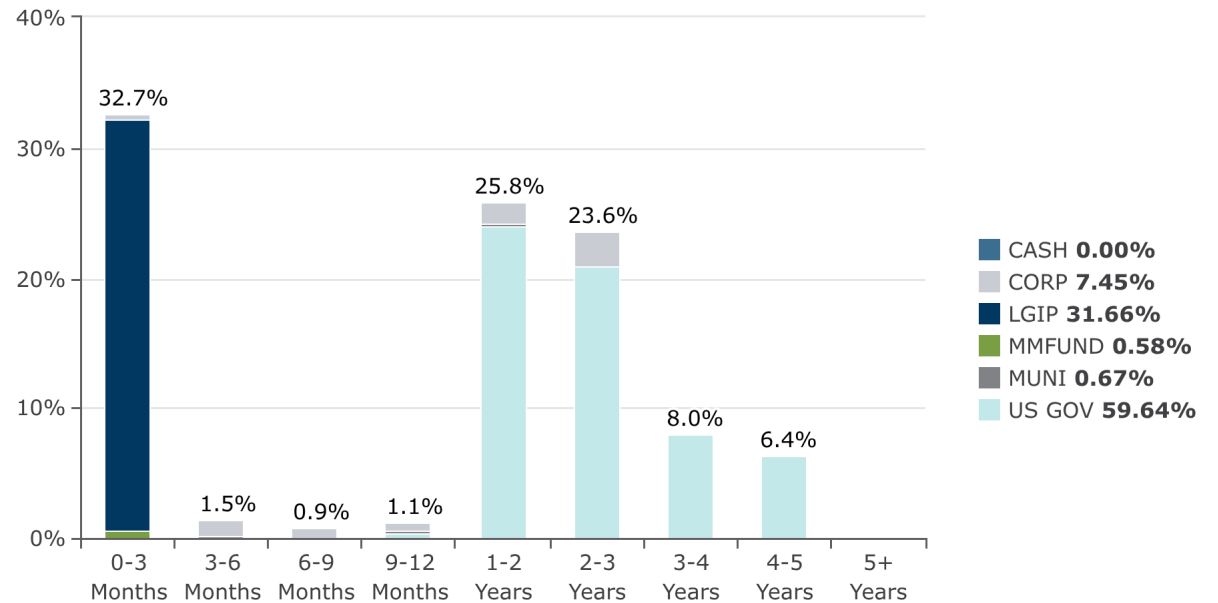
## Maturity Distribution by Security Type

Security Distribution	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Portfolio Total
CASH	\$2,355.61	--	--	--	--	--	--	--	--	<b>\$2,355.61</b>
CORP	745,932.87	2,386,460.43	1,559,312.43	1,076,263.60	2,659,910.33	4,610,853.46				<b>13,038,733.12</b>
LGIP	55,422,705.10									<b>55,422,705.10</b>
MMFUND	1,014,551.79									<b>1,014,551.79</b>
MUNI		293,283.61		254,492.50	545,393.59	83,611.20				<b>1,176,780.89</b>
US GOV				668,361.22	41,995,183.26	36,568,969.49	13,974,201.30	11,181,917.81		<b>104,388,633.08</b>
<b>TOTAL</b>	<b>\$57,185,545.37</b>	<b>\$2,679,744.03</b>	<b>\$1,559,312.43</b>	<b>\$1,999,117.31</b>	<b>\$45,200,487.18</b>	<b>\$41,263,434.16</b>	<b>\$13,974,201.30</b>	<b>\$11,181,917.81</b>	<b>--</b>	<b>\$175,043,759.59</b>

## Top Ten Holdings

Issuer	Value
United States	59.64%
(CACCLASS) California CLASS	14.77%
(LAIFUND) State of California City	13.38%
(LAIFCRE) State of California Covid Relief Emergency	2.46%
(LAIFRDA) State of California Successor Agency	1.05%
Deere & Company	1.05%
Eli Lilly and Company	0.96%
Caterpillar Inc.	0.94%
Amazon.com, Inc.	0.75%
The Depository Trust & Clearing Corporation	0.71%

## Maturity Distribution by Type

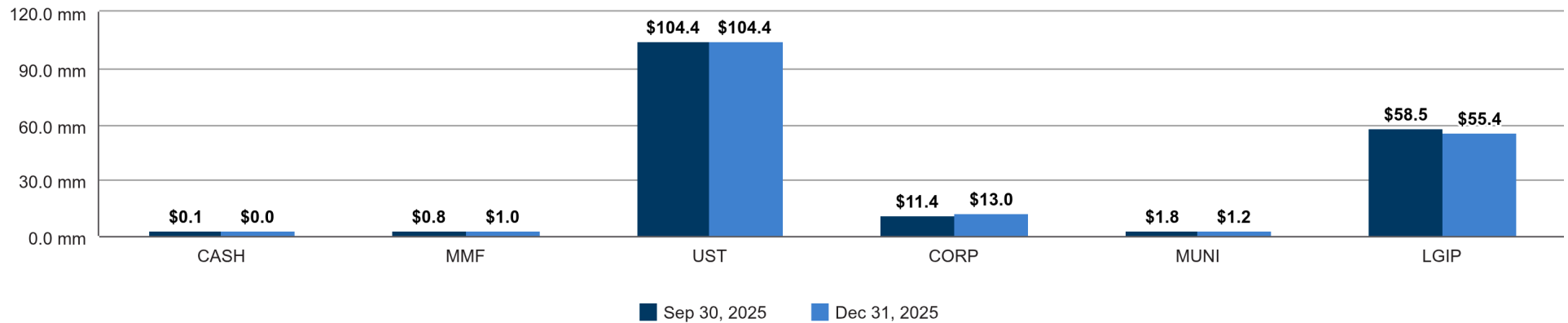




## Market Value Basis Security Distribution

Security Distribution	Sep 30, 2025 Ending Balance	Sep 30, 2025 Portfolio Allocation	Dec 31, 2025 Ending Balance	Dec 31, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$134,806.12	0.08%	\$2,355.61	0.00%	(0.07%)	0.00%
U.S. Treasury Notes	\$104,352,135.92	58.99%	\$104,388,633.08	59.64%	0.64%	3.98%
Money Market Funds	\$763,315.83	0.43%	\$1,014,551.79	0.58%	0.15%	3.38%
Corporate Notes	11,411,620.03	6.45%	13,038,733.12	7.45%	1.00%	4.73%
Local Government Investment Pool	58,462,780.87	33.05%	55,422,705.10	31.66%	(1.39%)	4.89%
Municipal Bonds	1,762,822.72	1.00%	1,176,780.89	0.67%	(0.32%)	4.64%
<b>Portfolio Total</b>	<b>\$176,887,481.49</b>	<b>100.00%</b>	<b>\$175,043,759.59</b>	<b>100.00%</b>		<b>4.32%</b>

## Asset Balance by Security Type



# Portfolio Holdings

10/01/2025 to 12/31/2025

Description Identifier Coupon	Effective Maturity Final Maturity Duration	Trade Date Settle Date	Par Value	Original Cost Book Value	Market Value Market Price	MV + Accrued Accrued Balance	Net Unrealized Gain/Loss	% of Market Value	Callable Next Call Date	Book Yield YTM YTC	S&P Moody's
<b>CASH</b>								<b>0.00%</b>			
Receivable CCYUSD 0.00%	12/31/25 12/31/25 0.00	-- --	2,355.61	\$2,355.61 \$2,355.61	\$2,355.61 1.00	\$2,355.61 \$0.00	\$0.00	0.00%	N --	0.00% 0.00% 0.00%	AAA Aaa
<b>CASH TOTAL</b>	<b>12/31/25 12/31/25 0.00</b>	<b>-- --</b>	<b>2,355.61</b>	<b>\$2,355.61 \$2,355.61</b>	<b>\$2,355.61 1.00</b>	<b>\$2,355.61 \$0.00</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>N --</b>	<b>0.00% 0.00% 0.00%</b>	<b>AAA Aaa</b>
<b>MMFUND</b>								<b>0.00%</b>			
FIRST AMER:GVT OBLG Y 31846V203 3.38%	12/31/25 12/31/25 0.00	-- --	1,014,551.79	\$1,014,551.79 \$1,014,551.79	\$1,014,551.79 1.00	\$1,014,551.79 \$0.00	\$0.00	0.58%	N --	3.38% -- --	AAAm Aaa
<b>MMFUND TOTAL</b>	<b>12/31/25 12/31/25 0.00</b>	<b>-- --</b>	<b>1,014,551.79</b>	<b>\$1,014,551.79 \$1,014,551.79</b>	<b>\$1,014,551.79 1.00</b>	<b>\$1,014,551.79 \$0.00</b>	<b>\$0.00</b>	<b>0.58%</b>	<b>N --</b>	<b>3.38% -- --</b>	<b>AAAm Aaa</b>
<b>US GOV</b>								<b>0.00%</b>			
UNITED STATES TREASURY 912828YX2 1.75%	12/31/26 12/31/26 0.98	04/27/22 04/28/22	680,000.00	\$649,267.19 \$673,107.40	\$668,328.34 98.28	\$668,361.22 \$32.87	(\$4,779.06)	0.38%	N --	2.79% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CJT9 4.00%	01/15/27 01/15/27 0.99	04/04/24 04/05/24	1,000,000.00	986,210.94 994,668.13	1,004,795.41 100.48	1,023,273.67 18,478.26	10,127.28	0.58%	N --	4.53% 3.53% --	AA+ Aa1
UNITED STATES TREASURY 91282CMH1 4.13%	01/31/27 01/31/27 1.04	04/02/25 04/03/25	350,000.00	351,052.73 350,640.81	352,173.83 100.62	358,215.61 6,041.78	1,533.02	0.20%	N --	3.95% 3.53% --	AA+ Aa1
UNITED STATES TREASURY 91282CKA8 4.13%	02/15/27 02/15/27 1.08	03/14/24 03/18/24	3,000,000.00	2,970,820.31 2,988,356.28	3,019,687.50 100.66	3,066,430.03 46,742.53	31,331.22	1.75%	N --	4.48% 3.52% --	AA+ Aa1
UNITED STATES TREASURY 912828V98 2.25%	02/15/27 02/15/27 1.09	-- --	1,875,000.00	1,757,622.06 1,831,916.87	1,849,072.28 98.62	1,865,007.23 15,934.95	17,155.41	1.07%	N --	4.37% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CEC1 1.88%	02/28/27 02/28/27 1.13	03/09/22 03/11/22	875,000.00	875,410.16 875,099.63	858,833.01 98.15	864,407.51 5,574.50	(16,266.62)	0.49%	N --	1.87% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CKE0 4.25%	03/15/27 03/15/27 1.15	03/14/24 03/18/24	2,600,000.00	2,584,562.50 2,593,564.61	2,622,039.06 100.85	2,655,005.91 32,966.85	28,474.44	1.52%	N --	4.46% 3.52% --	AA+ Aa1
UNITED STATES TREASURY 91282CEF4 2.50%	03/31/27 03/31/27 1.21	04/27/22 04/28/22	210,000.00	207,301.17 209,283.90	207,399.61 98.76	208,740.96 1,341.35	(1,884.29)	0.12%	N --	2.78% 3.52% --	AA+ Aa1

## Portfolio Holdings

10/01/2025 to 12/31/2025

Description Identifier Coupon	Effective Maturity Final Maturity Duration	Trade Date Settle Date	Par Value	Original Cost Book Value	Market Value Market Price	MV + Accrued Accrued Balance	Net Unrealized Gain/Loss	% of Market Value	Callable Next Call Date	Book Yield YTM YTC	S&P Moody's
UNITED STATES TREASURY 91282CKJ9 4.50%	04/15/27 04/15/27 1.23	04/29/24 04/30/24	2,100,000.00	2,082,691.41 2,092,207.50	2,125,839.85 101.23	2,146,089.85 20,250.00	33,632.35	1.23%	N --	4.80% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CEN7 2.75%	04/30/27 04/30/27 1.29	-- --	1,875,000.00	1,814,414.06 1,843,741.18	1,856,835.94 99.03	1,865,667.08 8,831.15	13,094.76	1.07%	N --	4.05% 3.50% --	AA+ Aa1
UNITED STATES TREASURY 91282CKR1 4.50%	05/15/27 05/15/27 1.32	06/06/24 06/07/24	3,350,000.00	3,349,607.42 3,349,854.78	3,394,492.19 101.33	3,414,064.70 19,572.51	44,637.41	1.95%	N --	4.50% 3.50% --	AA+ Aa1
UNITED STATES TREASURY 91282CET4 2.63%	05/31/27 05/31/27 1.37	06/09/22 06/10/22	710,000.00	696,105.08 705,841.95	701,513.28 98.80	703,151.75 1,638.46	(4,328.66)	0.40%	N --	3.05% 3.50% --	AA+ Aa1
UNITED STATES TREASURY 91282CKV2 4.63%	06/15/27 06/15/27 1.40	08/01/24 08/02/24	2,200,000.00	2,238,242.19 2,219,957.00	2,235,148.43 101.60	2,239,900.49 4,752.06	15,191.43	1.28%	N --	3.98% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CEW7 3.25%	06/30/27 06/30/27 1.45	-- --	1,060,000.00	1,057,991.60 1,058,211.68	1,056,356.25 99.66	1,056,451.42 95.17	(1,855.43)	0.60%	N --	3.37% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CKZ3 4.38%	07/15/27 07/15/27 1.45	01/08/25 01/09/25	875,000.00	876,333.01 875,835.53	886,621.09 101.33	904,305.37 17,684.27	10,785.56	0.52%	N --	4.31% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 91282CFB2 2.75%	07/31/27 07/31/27 1.52	09/04/24 09/05/24	1,475,000.00	1,438,009.77 1,454,383.43	1,458,348.64 98.87	1,475,323.16 16,974.52	3,965.20	0.84%	N --	3.67% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CLG4 3.75%	08/15/27 08/15/27 1.54	09/04/24 09/05/24	1,475,000.00	1,478,860.35 1,477,191.95	1,481,107.41 100.41	1,501,999.91 20,892.49	3,915.46	0.86%	N --	3.65% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 9128282R0 2.25%	08/15/27 08/15/27 1.56	08/29/22 08/30/22	1,275,000.00	1,214,288.09 1,254,058.50	1,250,197.27 98.05	1,261,033.04 10,835.77	(3,861.23)	0.72%	N --	3.30% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CFH9 3.13%	08/31/27 08/31/27 1.59	10/01/24 10/02/24	1,150,000.00	1,137,960.94 1,142,999.49	1,143,396.48 99.43	1,155,607.29 12,210.81	396.99	0.66%	N --	3.51% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 91282CLL3 3.38%	09/15/27 09/15/27 1.63	-- --	1,635,000.00	1,628,858.40 1,630,816.02	1,631,998.24 99.82	1,648,461.15 16,462.91	1,182.22	0.94%	N --	3.53% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 91282CFM8 4.13%	09/30/27 09/30/27 1.66	-- --	1,650,000.00	1,638,044.93 1,643,508.13	1,667,660.15 101.07	1,685,049.74 17,389.59	24,152.02	0.96%	N --	4.36% 3.49% --	AA+ Aa1

## Portfolio Holdings

10/01/2025 to 12/31/2025

Description Identifier Coupon	Effective Maturity Final Maturity Duration	Trade Date Settle Date	Par Value	Original Cost Book Value	Market Value Market Price	MV + Accrued Accrued Balance	Net Unrealized Gain/Loss	% of Market Value	Callable Next Call Date	Book Yield YTM YTC	S&P Moody's
UNITED STATES TREASURY 91282CAL5 0.38%	09/30/27 09/30/27 1.71	11/28/22 11/29/22	1,250,000.00	1,056,347.66 1,175,953.69	1,184,814.45 94.79	1,186,012.08 1,197.63	8,860.76	0.68%	N --	3.92% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 91282CLQ2 3.88%	10/15/27 10/15/27 1.70	10/01/25 10/02/25	700,000.00	704,347.66 703,835.46	704,675.78 100.67	710,488.28 5,812.50	840.33	0.41%	N --	3.56% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 91282CFU0 4.13%	10/31/27 10/31/27 1.74	-- --	2,850,000.00	2,841,023.45 2,845,395.13	2,881,617.19 101.11	2,901,752.20 20,135.01	36,222.06	1.66%	N --	4.22% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CLX7 4.13%	11/15/27 11/15/27 1.78	-- --	2,750,000.00	2,761,574.22 2,759,197.72	2,781,367.19 101.14	2,796,095.26 14,728.07	22,169.47	1.60%	N --	3.94% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CFZ9 3.88%	11/30/27 11/30/27 1.83	01/26/23 01/30/23	1,125,000.00	1,139,414.06 1,131,016.65	1,132,998.05 100.71	1,136,830.47 3,832.42	1,981.40	0.65%	N --	3.58% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CMB4 4.00%	12/15/27 12/15/27 1.87	01/08/25 01/09/25	1,300,000.00	1,288,117.19 1,291,941.22	1,312,593.75 100.97	1,315,022.32 2,428.57	20,652.53	0.75%	N --	4.33% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 91282CBB6 0.63%	12/31/27 12/31/27 1.96	03/09/23 03/13/23	900,000.00	760,464.84 838,537.95	850,781.25 94.53	850,796.79 15.54	12,243.30	0.49%	N --	4.23% 3.48% --	AA+ Aa1
UNITED STATES TREASURY 91282CMF5 4.25%	01/15/28 01/15/28 1.91	03/04/25 03/05/25	1,500,000.00	1,512,773.44 1,509,275.40	1,522,089.84 101.47	1,551,539.57 29,449.73	12,814.44	0.89%	N --	3.93% 3.50% --	AA+ Aa1
UNITED STATES TREASURY 91282CGH8 3.50%	01/31/28 01/31/28 1.97	04/02/25 04/03/25	2,100,000.00	2,076,949.22 2,082,859.69	2,100,410.15 100.02	2,131,168.30 30,758.15	17,550.46	1.22%	N --	3.91% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CMN8 4.25%	02/15/28 02/15/28 1.99	03/04/25 03/05/25	1,500,000.00	1,513,593.75 1,509,950.70	1,522,910.16 101.53	1,546,989.64 24,079.48	12,959.46	0.88%	N --	3.92% 3.50% --	AA+ Aa1
UNITED STATES TREASURY 91282CGP0 4.00%	02/29/28 02/29/28 2.03	02/04/25 02/05/25	2,185,000.00	2,168,953.91 2,173,514.52	2,207,788.87 101.04	2,237,485.56 29,696.69	34,274.35	1.28%	N --	4.26% 3.49% --	AA+ Aa1
UNITED STATES TREASURY 91282CBS9 1.25%	03/31/28 03/31/28 2.18	05/01/23 05/03/23	725,000.00	646,722.66 687,498.02	690,024.41 95.18	692,339.83 2,315.42	2,526.39	0.40%	N --	3.67% 3.50% --	AA+ Aa1
UNITED STATES TREASURY 91282CGT2 3.63%	03/31/28 03/31/28 2.12	03/14/24 03/18/24	1,875,000.00	1,823,437.50 1,845,245.02	1,879,980.47 100.27	1,897,346.11 17,365.64	34,735.44	1.08%	N --	4.38% 3.50% --	AA+ Aa1

## Portfolio Holdings

10/01/2025 to 12/31/2025

Description Identifier Coupon	Effective Maturity Final Maturity Duration	Trade Date Settle Date	Par Value	Original Cost Book Value	Market Value Market Price	MV + Accrued Accrued Balance	Net Unrealized Gain/Loss	% of Market Value	Callable Next Call Date	Book Yield YTM YTC	S&P Moody's
UNITED STATES TREASURY 91282CMW8 3.75%	04/15/28 04/15/28 2.16	05/01/25 05/05/25	2,300,000.00	2,303,503.91 2,302,780.46	2,311,949.21 100.52	2,330,431.36 18,482.14	9,168.75	1.33%	N --	3.69% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CHA2 3.50%	04/30/28 04/30/28 2.21	-- --	2,225,000.00	2,151,853.52 2,182,885.27	2,224,652.34 99.98	2,237,990.05 13,337.71	41,767.07	1.28%	N --	4.36% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CND9 3.75%	05/15/28 05/15/28 2.24	06/04/25 06/05/25	1,450,000.00	1,446,884.77 1,447,486.23	1,457,873.05 100.54	1,464,932.79 7,059.74	10,386.82	0.84%	N --	3.83% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CHE4 3.63%	05/31/28 05/31/28 2.29	-- --	2,300,000.00	2,276,201.17 2,285,265.76	2,306,019.54 100.26	2,313,349.21 7,329.67	20,753.78	1.32%	N --	3.91% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CCE9 1.25%	05/31/28 05/31/28 2.34	-- --	930,000.00	809,348.24 866,824.67	881,756.25 94.81	882,778.23 1,021.98	14,931.58	0.50%	N --	4.24% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CNH0 3.88%	06/15/28 06/15/28 2.32	07/31/25 08/01/25	2,275,000.00	2,275,000.00 2,275,000.00	2,294,550.78 100.86	2,298,667.97 4,117.19	19,550.78	1.31%	N --	3.87% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CHK0 4.00%	06/30/28 06/30/28 2.36	07/01/25 07/02/25	2,450,000.00	2,466,843.75 2,464,178.68	2,478,710.94 101.17	2,478,981.66 270.72	14,532.26	1.42%	N --	3.76% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CCH2 1.25%	06/30/28 06/30/28 2.43	08/29/23 08/30/23	650,000.00	563,722.66 603,215.05	615,189.45 94.64	615,211.90 22.44	11,974.40	0.35%	N --	4.32% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CHQ7 4.13%	07/31/28 07/31/28 2.40	-- --	3,220,000.00	3,252,780.08 3,250,448.20	3,268,048.45 101.49	3,323,632.83 55,584.38	17,600.25	1.90%	N --	3.74% 3.51% --	AA+ Aa1
UNITED STATES TREASURY 91282CCV1 1.13%	08/31/28 08/31/28 2.57	-- --	825,000.00	695,806.64 750,787.18	775,016.60 93.94	778,170.17 3,153.57	24,229.42	0.44%	N --	4.77% 3.53% --	AA+ Aa1
UNITED STATES TREASURY 91282CNY3 3.38%	09/15/28 09/15/28 2.54	10/01/25 10/02/25	1,300,000.00	1,293,093.75 1,293,663.79	1,294,667.97 99.59	1,307,757.75 13,089.78	1,004.18	0.75%	N --	3.57% 3.53% --	AA+ Aa1
UNITED STATES TREASURY 91282CCY5 1.25%	09/30/28 09/30/28 2.65	12/06/23 12/08/23	575,000.00	502,473.63 531,899.71	540,881.83 94.07	542,718.20 1,836.37	8,982.12	0.31%	N --	4.17% 3.53% --	AA+ Aa1
UNITED STATES TREASURY 91282CPC9 3.50%	10/15/28 10/15/28 2.62	10/30/25 10/31/25	1,950,000.00	1,944,210.94 1,944,537.55	1,948,019.54 99.90	1,962,644.54 14,625.00	3,481.99	1.12%	N --	3.61% 3.54% --	AA+ Aa1

## Portfolio Holdings

10/01/2025 to 12/31/2025

Description Identifier Coupon	Effective Maturity Final Maturity Duration	Trade Date Settle Date	Par Value	Original Cost Book Value	Market Value Market Price	MV + Accrued Accrued Balance	Net Unrealized Gain/Loss	% of Market Value	Callable Next Call Date	Book Yield YTM YTC	S&P Moody's
UNITED STATES TREASURY 91282CPK1 3.50%	11/15/28 11/15/28 2.70	12/01/25 12/02/25	2,700,000.00	2,696,519.53 2,696,618.47	2,697,046.88 99.89	2,709,316.21 12,269.34	428.41	1.55%	N --	3.55% 3.54% --	AA+ Aa1
UNITED STATES TREASURY 91281OFF0 5.25%	11/15/28 11/15/28 2.65	12/06/23 12/08/23	300,000.00	314,906.25 309,032.11	313,921.88 104.64	315,966.76 2,044.89	4,889.76	0.18%	N --	4.13% 3.54% --	AA+ Aa1
UNITED STATES TREASURY 91282CJN2 4.38%	11/30/28 11/30/28 2.71	03/14/24 03/18/24	925,000.00	927,167.97 926,426.65	945,993.16 102.27	949,550.85 3,557.69	19,566.52	0.54%	N --	4.32% 3.55% --	AA+ Aa1
UNITED STATES TREASURY 91282CJR3 3.75%	12/31/28 12/31/28 2.82	10/30/24 10/31/24	825,000.00	813,172.85 816,315.86	829,672.85 100.57	829,758.31 85.46	13,356.99	0.47%	N --	4.13% 3.55% --	AA+ Aa1
UNITED STATES TREASURY 91282CDW8 1.75%	01/31/29 01/31/29 2.94	-- --	1,750,000.00	1,554,146.48 1,621,139.72	1,658,125.00 94.75	1,670,940.90 12,815.90	36,985.28	0.95%	N --	4.33% 3.56% --	AA+ Aa1
UNITED STATES TREASURY 91282CJW2 4.00%	01/31/29 01/31/29 2.84	-- --	1,575,000.00	1,550,750.97 1,559,024.21	1,595,056.65 101.27	1,621,420.78 26,364.13	36,032.44	0.93%	N --	4.36% 3.56% --	AA+ Aa1
UNITED STATES TREASURY 91282CKD2 4.25%	02/28/29 02/28/29 2.90	04/04/24 04/05/24	450,000.00	448,435.55 448,965.36	459,105.47 102.02	465,603.74 6,498.27	10,140.11	0.27%	N --	4.33% 3.57% --	AA+ Aa1
UNITED STATES TREASURY 91282CEE7 2.38%	03/31/29 03/31/29 3.07	04/29/24 04/30/24	775,000.00	697,560.55 721,995.16	746,664.06 96.34	751,366.76 4,702.70	24,668.91	0.43%	N --	4.67% 3.58% --	AA+ Aa1
UNITED STATES TREASURY 91282CEM9 2.88%	04/30/29 04/30/29 3.13	09/04/24 09/05/24	800,000.00	774,781.25 781,554.06	782,312.50 97.79	786,251.72 3,939.23	758.44	0.45%	N --	3.62% 3.58% --	AA+ Aa1
UNITED STATES TREASURY 91282CES6 2.75%	05/31/29 05/31/29 3.22	-- --	925,000.00	860,963.87 879,410.47	900,212.89 97.32	902,449.15 2,236.26	20,802.41	0.52%	N --	4.32% 3.59% --	AA+ Aa1
UNITED STATES TREASURY 91282CKT7 4.50%	05/31/29 05/31/29 3.14	07/03/24 07/05/24	425,000.00	428,668.95 427,643.19	437,218.75 102.88	438,900.07 1,681.32	9,575.56	0.25%	N --	4.30% 3.60% --	AA+ Aa1
UNITED STATES TREASURY 91282CKX8 4.25%	06/30/29 06/30/29 3.23	08/01/24 08/02/24	1,325,000.00	1,347,618.16 1,341,567.53	1,353,000.97 102.11	1,353,156.53 155.56	11,433.44	0.77%	N --	3.86% 3.60% --	AA+ Aa1
UNITED STATES TREASURY 912828YB0 1.63%	08/15/29 08/15/29 3.45	09/04/24 09/05/24	850,000.00	775,193.36 793,929.12	793,455.08 93.35	798,672.30 5,217.22	(474.04)	0.46%	N --	3.58% 3.60% --	AA+ Aa1

## Portfolio Holdings

10/01/2025 to 12/31/2025

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UNITED STATES TREASURY 91282CLK5 3.63%	08/31/29 08/31/29 3.36	10/01/24 10/02/24	645,000.00	649,434.38 648,385.03	644,899.22 99.98	652,843.68 7,944.46	(3,485.81)	0.37%	N --	3.47% 3.63% --	AA+ Aa1
UNITED STATES TREASURY 91282CFL0 3.88%	09/30/29 09/30/29 3.43	10/30/24 10/31/24	340,000.00	336,135.16 336,994.62	342,935.16 100.86	346,301.30 3,366.14	5,940.53	0.20%	N --	4.13% 3.63% --	AA+ Aa1
UNITED STATES TREASURY 91282CLR0 4.13%	10/31/29 10/31/29 3.50	12/05/24 12/06/24	600,000.00	600,867.20 600,707.66	610,265.63 101.71	614,504.58 4,238.95	9,557.97	0.35%	N --	4.09% 3.64% --	AA+ Aa1
UNITED STATES TREASURY 912828YS3 1.75%	11/15/29 11/15/29 3.68	12/05/24 12/06/24	675,000.00	605,917.97 619,776.41	630,360.35 93.39	631,894.02 1,533.67	10,583.94	0.36%	N --	4.06% 3.59% --	AA+ Aa1
UNITED STATES TREASURY 91282CMA6 4.13%	11/30/29 11/30/29 3.58	02/04/25 02/05/25	1,175,000.00	1,165,269.53 1,166,997.76	1,195,287.10 101.73	1,199,548.09 4,260.99	28,289.35	0.69%	N --	4.32% 3.65% --	AA+ Aa1
UNITED STATES TREASURY 91282CFY2 3.88%	11/30/29 11/30/29 3.59	03/04/25 03/05/25	900,000.00	895,605.47 896,350.93	907,523.44 100.84	910,589.38 3,065.93	11,172.51	0.52%	N --	3.99% 3.64% --	AA+ Aa1
UNITED STATES TREASURY 91282CMG3 4.25%	01/31/30 01/31/30 3.67	04/02/25 04/03/25	1,150,000.00	1,164,285.16 1,162,292.18	1,175,560.54 102.22	1,196,013.67 20,453.13	13,268.37	0.68%	N --	3.96% 3.66% --	AA+ Aa1
UNITED STATES TREASURY 91282CGJ4 3.50%	01/31/30 01/31/30 3.72	05/01/25 05/05/25	875,000.00	863,994.14 865,441.70	869,975.58 99.43	882,791.48 12,815.90	4,533.88	0.50%	N --	3.79% 3.65% --	AA+ Aa1
UNITED STATES TREASURY 912828Z94 1.50%	02/15/30 02/15/30 3.91	03/04/25 03/05/25	525,000.00	466,532.23 475,543.68	482,220.70 91.85	485,195.23 2,974.52	6,677.02	0.28%	N --	4.00% 3.65% --	AA+ Aa1
UNITED STATES TREASURY 91282CMU2 4.00%	03/31/30 03/31/30 3.84	06/04/25 06/05/25	1,000,000.00	1,003,203.13 1,002,890.76	1,012,734.38 101.27	1,022,954.16 10,219.78	9,843.62	0.58%	N --	3.93% 3.67% --	AA+ Aa1
UNITED STATES TREASURY 91282CMZ1 3.88%	04/30/30 04/30/30 3.93	07/01/25 07/02/25	450,000.00	450,650.39 450,605.18	453,515.63 100.78	456,502.16 2,986.53	2,910.44	0.26%	N --	3.84% 3.68% --	AA+ Aa1
UNITED STATES TREASURY 91282CGZ8 3.50%	04/30/30 04/30/30 3.96	08/27/25 08/28/25	675,000.00	669,410.16 669,815.10	670,122.07 99.28	674,168.34 4,046.27	306.98	0.39%	N --	3.69% 3.68% --	AA+ Aa1
UNITED STATES TREASURY 912828ZQ6 0.63%	05/15/30 05/15/30 4.23	06/04/25 06/05/25	750,000.00	639,550.78 651,308.88	658,154.30 87.75	658,762.89 608.60	6,845.41	0.38%	N --	3.93% 3.68% --	AA+ Aa1

## Portfolio Holdings

10/01/2025 to 12/31/2025

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UNITED STATES TREASURY 91282CNK3 3.88%	06/30/30 06/30/30 4.10	07/31/25 08/01/25	1,250,000.00	1,246,289.06 1,246,607.58	1,259,423.83 100.75	1,259,557.63 133.81	12,816.25	0.72%	N --	3.94% 3.69% --	AA+ Aa1
UNITED STATES TREASURY 91282CNN7 3.88%	07/31/30 07/31/30 4.10	10/01/25 10/02/25	625,000.00	630,029.30 629,809.96	629,614.26 100.74	639,749.28 10,135.02	(195.70)	0.37%	N --	3.69% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CAE1 0.63%	08/15/30 08/15/30 4.47	-- --	1,075,000.00	926,672.85 935,032.99	935,417.97 87.02	937,955.76 2,537.79	384.98	0.54%	N --	3.72% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CNX5 3.63%	08/31/30 08/31/30 4.20	10/30/25 10/31/25	1,250,000.00	1,245,312.50 1,245,487.77	1,245,556.64 99.64	1,260,952.87 15,396.24	68.87	0.72%	N --	3.71% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CAV3 0.88%	11/15/30 11/15/30 4.68	12/01/25 12/02/25	700,000.00	612,171.88 613,524.57	611,925.78 87.42	612,721.02 795.23	(1,598.79)	0.35%	N --	3.67% 3.72% --	AA+ Aa1
UNITED STATES TREASURY 91282CJM4 4.38%	11/30/30 11/30/30 4.39	12/01/25 12/02/25	1,060,000.00	1,093,414.84 1,092,907.90	1,090,516.40 102.88	1,094,593.33 4,076.92	(2,391.49)	0.63%	N --	3.68% 3.73% --	AA+ Aa1
<b>US GOV TOTAL</b>	<b>05/28/28 05/28/28 2.26</b>	<b>-- --</b>	<b>103,975,000.00</b>	<b>\$101,763,728.80 \$102,652,541.04</b>	<b>\$103,579,026.89 99.71</b>	<b>\$104,388,633.08 \$809,606.19</b>	<b>\$926,485.85</b>	<b>59.64%</b>	<b>N --</b>	<b>3.98% 3.54% --</b>	<b>AA+ Aa1</b>
<b>MUNI</b>								<b>0.00%</b>			
CONNECTICUT ST 20772KTH2 5.05%	05/15/26 05/15/26 0.37	06/01/23 06/22/23	290,000.00	\$293,888.90 \$290,522.27	\$291,412.30 100.49	\$293,283.61 \$1,871.31	\$890.03	0.17%	N --	4.55% 3.67% --	AA- Aa2
HAWAII ST 419792L95 4.59%	10/01/26 10/01/26 0.73	12/07/23 12/19/23	250,000.00	250,000.00 250,000.00	251,625.00 100.65	254,492.50 2,867.50	1,625.00	0.15%	N --	4.59% 3.68% --	AA+ Aa2
CALIFORNIA ST 13063D3N6 4.85%	03/01/27 03/01/27 1.12	03/09/23 03/15/23	335,000.00	335,000.00 335,000.00	339,824.00 101.44	345,235.37 5,411.37	4,824.00	0.20%	N --	4.85% 3.56% --	AA- Aa2
CONNECTICUT ST 20772KTJ8 5.05%	05/15/27 05/15/27 1.32	06/01/23 06/22/23	170,000.00	173,264.00 171,208.93	173,179.00 101.87	174,275.97 1,096.97	1,970.07	0.10%	N --	4.51% 3.63% --	AA- Aa2
HAWAII ST 419792M29 5.00%	10/01/27 10/01/27 1.65	12/07/23 12/19/23	25,000.00	25,420.75 25,202.18	25,569.75 102.28	25,882.25 312.50	367.57	0.01%	N --	4.51% 3.64% --	AA+ Aa2
HAWAII ST 419792M37 5.00%	10/01/28 10/01/28 2.53	12/07/23 12/19/23	80,000.00	81,632.80 80,976.48	82,611.20 103.26	83,611.20 1,000.00	1,634.72	0.05%	N --	4.52% 3.73% --	AA+ Aa2



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<b>MUNI TOTAL</b>	<b>01/12/27 01/12/27 0.99</b>	<b>-- --</b>	<b>1,150,000.00</b>	<b>\$1,159,206.45 \$1,152,909.86</b>	<b>\$1,164,221.25 101.24</b>	<b>\$1,176,780.89 \$12,559.64</b>	<b>\$11,311.39</b>	<b>0.67%</b>	<b>N --</b>	<b>4.64% 3.64% --</b>	<b>AA- Aa2</b>
<b>CORP</b>								<b>0.00%</b>			
METROPOLITAN LIFE GLOBAL FUNDING I 592179KD6 5.00%	01/06/26 01/06/26 0.01	01/03/23 01/06/23	460,000.00	\$460,000.00 \$460,000.00	\$460,044.75 100.01	\$471,225.31 \$11,180.56	\$44.75	0.27%	N --	5.00% 4.20% --	AA- Aa3
COLGATE-PALMOLIVE CO 194162AQ6 4.80%	03/02/26 03/02/26 0.17	02/27/23 03/01/23	270,000.00	269,686.80 269,981.69	270,423.57 100.16	274,707.57 4,284.00	441.88	0.16%	N --	4.84% 3.81% --	A+ Aa3
TOYOTA MOTOR CREDIT CORP 89236TMD4 5.20%	05/15/26 05/15/26 0.37	05/13/24 05/16/24	1,125,000.00	1,124,268.75 1,124,858.79	1,130,519.09 100.49	1,137,994.09 7,475.00	5,660.30	0.65%	N --	5.23% 3.84% --	A+ A1
NATIONAL SECURITIES CLEARING CORP 637639AL9 5.15%	06/26/26 06/26/26 0.48	06/17/24 06/26/24	1,240,000.00	1,239,925.60 1,239,981.32	1,247,579.39 100.61	1,248,466.33 886.94	7,598.07	0.71%	N --	5.15% 3.87% --	AA+ Aa1
JOHN DEERE CAPITAL CORP 24422EXD6 5.15%	09/08/26 09/08/26 0.66	09/05/23 09/08/23	665,000.00	664,527.85 664,886.41	670,952.78 100.90	681,702.69 10,749.91	6,066.37	0.39%	N --	5.18% 3.81% --	A A1
NEW YORK LIFE GLOBAL FUNDING 64953BBF4 5.45%	09/18/26 09/18/26 0.69	09/12/23 09/19/23	855,000.00	854,837.55 854,958.79	864,277.67 101.09	877,609.74 13,332.06	9,318.89	0.50%	N --	5.46% 3.88% --	AA+ Aa1
PEPSICO INC 713448FW3 5.13%	10/10/26 11/10/26 0.75	11/08/23 11/10/23	655,000.00	654,823.15 654,946.83	661,847.27 101.05	666,602.84 4,755.57	6,900.45	0.38%	Y 10/10/26	5.13% 3.87% 3.74%	A+ A1
PACCAR FINANCIAL CORP 69371RT55 4.50%	11/25/26 11/25/26 0.87	11/18/24 11/25/24	405,000.00	404,655.75 404,841.79	407,838.25 100.70	409,660.75 1,822.50	2,996.46	0.23%	N --	4.54% 3.70% --	A+ A1
ELI LILLY AND CO 532457CJ5 4.50%	01/09/27 02/09/27 0.99	02/07/24 02/09/24	1,630,000.00	1,629,136.10 1,629,668.23	1,643,643.23 100.84	1,672,575.73 28,932.50	13,975.00	0.96%	Y 01/09/27	4.52% 3.72% 3.66%	A+ Aa3
PACCAR FINANCIAL CORP 69371RT22 5.00%	05/13/27 05/13/27 1.31	05/06/24 05/13/24	165,000.00	164,872.95 164,939.91	167,745.72 101.66	168,845.72 1,100.00	2,805.81	0.10%	N --	5.03% 3.74% --	A+ A1

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Description Identifier Coupon	Effective Maturity Final Maturity Duration	Trade Date Settle Date	Par Value	Original Cost Book Value	Market Value Market Price	MV + Accrued Accrued Balance	Net Unrealized Gain/Loss	% of Market Value	Callable Next Call Date	Book Yield YTM YTC	S&P Moody's
CATERPILLAR FINANCIAL SERVICES CORP 14913UAL4 5.00%	05/14/27 05/14/27 1.31	05/07/24 05/14/24	800,000.00	799,120.00 799,582.93	813,266.66 101.66	818,488.88 5,222.22	13,683.73	0.47%	N --	5.04% 3.74% --	A A2
JOHN DEERE CAPITAL CORP 24422EXZ7 4.65%	01/07/28 01/07/28 1.87	01/06/25 01/09/25	1,105,000.00	1,104,668.50 1,104,769.62	1,124,007.67 101.72	1,148,842.54 24,834.88	19,238.05	0.66%	N --	4.66% 3.76% --	A A1
PACCAR FINANCIAL CORP 69371RT63 4.55%	03/03/28 03/03/28 2.03	02/20/25 03/03/25	565,000.00	564,655.35 564,746.38	574,268.63 101.64	582,694.98 8,426.35	9,522.25	0.33%	N --	4.57% 3.75% --	A+ A1
METROPOLITAN LIFE GLOBAL FUNDING I 592179KR5 4.15%	08/25/28 08/25/28 2.45	08/19/25 08/25/25	735,000.00	734,941.20 734,947.72	737,769.04 100.38	748,444.91 10,675.88	2,821.32	0.43%	N --	4.15% 4.00% --	AA- Aa3
CATERPILLAR FINANCIAL SERVICES CORP 14913UBD1 3.95%	11/14/28 11/14/28 2.68	11/10/25 11/14/25	815,000.00	814,568.05 814,586.22	816,915.91 100.24	821,118.82 4,202.91	2,329.69	0.47%	N --	3.97% 3.86% --	A A2
AMAZON.COM INC 023135CS3 3.90%	10/20/28 11/20/28 2.66	11/17/25 11/20/25	1,300,000.00	1,299,714.00 1,299,724.53	1,303,978.04 100.31	1,309,752.21 5,774.17	4,253.51	0.75%	Y 10/20/28	3.91% 3.79% 3.78%	AA A1
<b>CORP TOTAL</b>	<b>05/11/27 05/20/27 1.29</b>	<b>-- --</b>	<b>12,790,000.00</b>	<b>\$12,784,401.60 \$12,787,421.16</b>	<b>\$12,895,077.68 100.83</b>	<b>\$13,038,733.12 \$143,655.44</b>	<b>\$107,656.52</b>	<b>7.45%</b>	<b>--</b>	<b>4.73% 3.82% 3.72%</b>	<b>A+ A1</b>
<b>LGIP</b>								<b>0.00%</b>			
POOLED MONEY INVESTMENT ACCOUNT LAIFRDA 4.40%	12/31/25 12/31/25	-- --	1,839,850.59	\$1,839,850.49 \$1,839,850.49	\$1,839,850.59 1.00	\$1,839,850.59 \$0.00	\$0.10	1.05%	N --	4.34% -- --	NA NA
POOLED MONEY INVESTMENT ACCOUNT LAIFUND 4.40%	12/31/25 12/31/25	-- --	23,426,844.52	23,426,844.43 23,426,844.43	23,426,844.52 1.00	23,426,844.52 0.00	0.09	13.38%	N --	4.34% -- --	NA NA
POOLED MONEY INVESTMENT ACCOUNT LAIFCRE 4.40%	12/31/25 12/31/25	-- --	4,306,526.61	4,306,526.64 4,306,526.64	4,306,526.61 1.00	4,306,526.61 0.00	(0.03)	2.46%	N --	4.34% -- --	NA NA
CALIFORNIA CLASS CACCLASS 5.48%	12/31/25 12/31/25	-- --	25,849,483.38	25,849,483.38 25,849,483.38	25,849,483.38 1.00	25,849,483.38 0.00	(0.00)	14.77%	N --	5.51% -- --	NA NA

Portfolio Holdings

10/01/2025 to 12/31/2025

Description Identifier Coupon	Effective Maturity Final Maturity Duration	Trade Date Settle Date	Par Value	Original Cost Book Value	Market Value Market Price	MV + Accrued Accrued Balance	Net Unrealized Gain/Loss	% of Market Value	Callable Next Call Date	Book Yield YTM YTC	S&P Moody's
LGIP TOTAL	12/31/25	--	55,422,705.10	\$55,422,704.95	\$55,422,705.10	\$55,422,705.10	\$0.15	31.66%	N	4.89%	NA
	12/31/25	--		\$55,422,704.95	1.00	\$0.00			--	--	NA
PORTFOLIO TOTAL	07/18/27	--	174,354,612.50	\$172,146,949.20	\$174,077,938.31	\$175,043,759.59	\$1,045,453.91	100.00%		4.32%	AA
	07/19/27 2.12	--		\$173,032,484.41	67.97	\$965,821.28				3.57% 3.72%	Aa2

This information is for the sole purposes of the client and is not intended to provide specific advice or recommendations. Please review the contents of this information carefully. Should you have any questions regarding the information presented, calculation methodology, investment portfolio, security detail, or any other facet of this information, please feel free to contact us.

Public Trust Advisors, LLC (Public Trust) statements and reports are intended to detail our investment advisory activity as well as the activity of any client accounts managed by Public Trust. The custodian bank maintains the control of assets and executes and settles all investment transactions. The custodian statement is the official record of security and cash holdings transactions. Public Trust recognizes that clients may use these reports to facilitate record keeping; therefore, it is recommended that the client reconcile this information with their custodian bank statement. Many custodians use a settlement date basis that may result in the need to reconcile due to a timing difference. The underlying market value, amortized cost, and accrued interest may differ between the custodian and this statement or report. This can be attributable to differences in calculation methodologies and pricing sources used. Please contact your relationship manager or call us at (855) 395-3954 with questions regarding your account.

Public Trust does not have the authority to withdraw funds from or deposit funds to the custodian. Our clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls, and generating ledger entries or otherwise recording transactions. The total market value represents prices obtained from various sources; it may be impacted by the frequency at which prices are reported, and such prices are not guaranteed. Prices received from pricing vendors are generally based on current market quotes but when such quotes are not available, the pricing vendors use a variety of techniques to estimate value. These estimates, particularly for fixed-income securities, may be based on certain minimum principal amounts (e.g. \$1 million) and may not reflect all the factors that affect the value of the security including liquidity risk. The prices provided are not firm bids or offers. Certain securities may reflect N/A or unavailable where the price for such security is generally not available from a pricing source. The market value of a security, including those priced at par value, may differ from its purchase price and may not closely reflect the value at which the security may be sold or purchased based on various market factors. The securities in this investment portfolio, including shares of mutual funds, are not guaranteed or otherwise protected by Public Trust, the FDIC (except for certain non-negotiable certificates of deposit), or any government agency unless specifically stated otherwise.

Clients may be permitted to establish one or more unmanaged accounts for the purposes of client reporting. Public Trust defines an unmanaged account as one where the investment direction remains the sole responsibility of the client rather than the Investment Manager. These accounts do not receive ongoing supervision and monitoring services. The Investment Manager does not make any investment recommendations and may not charge a fee for reporting on these accounts. The primary purpose for this service is to include unmanaged accounts owned by the client in the performance reports provided by the Investment Manager. The Investment Manager assumes no liability for the underlying performance of any unmanaged accounts or assets, and it is the client's sole responsibility for the accuracy or correctness of any such performance.

Beginning and ending balances are based on market value plus accrued interest on a trade date basis. Statements and reports made available to the end user either from Public Trust or through the online reporting platform may present information and portfolio analytics using various optional methods including, but not limited to, historical cost, amortized cost, and market value. All information is assumed to be correct, but the accuracy has not been confirmed and therefore is not guaranteed to be correct. Information is obtained from third party sources that may or may not be verified. The data in this report is unaudited and is only applicable for the date denoted on the report. Market values may change day-to-day based on numerous circumstances such as trading volume, news released about the underlying issuer, issuer performance, etc. Underlying market values may be priced via numerous aspects as certain securities are short term in nature and not readily traded. Performance results are shown net of all fees and expenses and reflect the reinvestment of dividends and other earnings.

Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. Past performance is no guarantee of future results. Any financial and/or investment decision may incur losses.

The investment advisor providing these services is Public Trust Advisors, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, as amended. Registration with the SEC does not imply a certain level of skill or training. Public Trust is required to maintain a written disclosure brochure of our background and business experience. If you would like to receive a copy of our current disclosure brochure, Privacy Policy, or Code of Ethics, please contact us.



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# **CITY OF FULLERTON**



## **STATEMENT OF INVESTMENT POLICY**

**November 2024**

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# STATEMENT OF INVESTMENT POLICY

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Attachment A. Glossary of Terms

# **STATEMENT OF INVESTMENT POLICY**

## **SECTION 1. PURPOSE**

This Investment Policy is intended to provide guidelines for the prudent investment of the City of Fullerton and the Fullerton Successor Agency's temporarily idle cash. Throughout this policy the term City or City of Fullerton shall refer to both the City of Fullerton and the Fullerton Successor Agency, unless otherwise indicated. Also outlined are the policies for maximizing the effectiveness of the City's cash management system. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in the bond documents. Bond proceeds and other funds or assets that are not part of the general pool shall not be subject to this Investment Policy. This Policy conforms to all existing requirements of State law governing the investment of public funds.

## **SECTION 2. POLICY**

The investment practices and policies of the City of Fullerton are based upon state law and prudent money management. The primary goals of these practices are:

- A. To assure compliance with all federal, state, and local laws governing the investment of public funds under the control of the City Treasurer.
- B. To protect the principal monies entrusted to this office.
- C. To achieve a reasonable rate of return within the parameters of prudent risk management while minimizing the potential for capital losses arising from market changes or issuer default.

## **SECTION 3. SCOPE**

This policy shall apply to all funds that are under the City Treasurer's control including but not limited to the governmental, fiduciary, enterprise, and internal service, and trust and successor agency funds. These funds are accounted for in the City's Annual Comprehensive Financial Report. The City's 115 Pension and OPEB Trust funds and Deferred Compensation Plan shall be excluded from the scope of this policy.

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

## **SECTION 4. OBJECTIVE**

The cash management system of the City is designed to monitor and forecast expenditures and revenues, thus enabling the investment of funds to the fullest extent possible. It shall be the policy of the City to obtain a market rate of interest without assuming undue risk to principal, in accordance with State law (Government Code Section 53600.3 and 53600.5).

- 1). The primary objectives of the City Treasurer, in priority order, shall be:

- A. **Safety** - To avoid potential loss of principal, interest, or combination thereof, safety shall be the highest priority for City investments. It shall be the responsibility of the City Treasurer to see that this Investment Policy is followed to ensure the safety of the City's portfolio. The City Treasurer shall certify in a quarterly report that all funds in the City's portfolio are being invested in accordance with this Investment Policy.
- B. **Liquidity** - Shall be the second priority for City investments to assure provision of cash for City operations as needed, with a negligible chance of any loss. Liquidity remains an essential investment consideration in view of the possible need for unexpected or emergency City expenditures.
- C. **Yield** - Only after safety and liquidity needs for investments are met will the yield be considered. Sometimes yield is described as the rate of return. The objective of Fullerton's portfolio shall be to attain a market-average rate of return through economic cycles. The market-average rate of return is defined as the average return on a six-month U.S. Treasury Bill.
- D. **Diversification** – The City's investment portfolio will be diversified to avoid concentrating investments in specific security types or in individual financial institutions.

## **SECTION 5. PRUDENCE**

Investments made by the City Treasurer in the name of the City of Fullerton shall be made with judgment and care which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by the City Treasurer shall be the prudent investor standard, as defined in Government Code Section 53600.3 and shall be applied in managing the overall investment portfolio. The City Treasurer, acting in accordance with this Investment Policy and exercising due diligence, shall have a duty to report in a timely manner to the City Manager and City Council in the event of adverse developments affecting the City's investments.

## **SECTION 6. INVESTMENT PROCEDURES**

The City Treasurer will prepare written investment procedures consistent with this policy. The procedures will include: safekeeping, wire transfer instructions and agreements, permitted and prohibited instrument features, banking service contracts, authorized dealers/brokers, collateral/depository agreements, internal controls and delegation of authority to persons responsible for investment transactions.

## **SECTION 7. ETHICS AND CONFLICTS OF INTEREST**

In addition to state and local statutes relating to conflicts of interest, all persons involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officers are required to file annual disclosure statements as required for "public officials who manage public investments" (as defined and required by the Political Reform Act and related regulations, being Government Code Sections 81000 and the Fair Political Practices Commission [FPPC]).

## **SECTION 8. AUTHORIZED INVESTMENTS**

A summary and description of authorized investment instruments is listed below:

<b>Security Type</b>	<b>Minimum Rating Requirement</b>	<b>Maturity Limits</b>	<b>Maximum Allocation Limit</b>	<b>Maximum Issuer Limit</b>
A. United States Treasury Securities	None	5 years	100%	100%
B. U.S. Government Agencies	None	5 Years	100%	40%
B. U.S. Federal Instrumentalities	None	5 Years	100%	40%
C. Bankers Acceptances	Prime	180 Days	40%	5%
D. Commercial Paper	Prime	270 Days	25%*	5%
E. Asset-Backed Commercial Paper	Prime	270 Days	25%*	5%
F. Negotiable Certificates of Deposit	"A"	5 Years	30%	5%
F. Collateralized Certificates of Deposit	None	5 Years	25%	10%
G. Repurchase Agreements	None	1 Year	25%	20%
H. LAIF	None	None	Lesser of 50M or 60%	N/A
I. Orange County Investment Pool	None	None	0%	0%
J. Medium Term Notes	"A"	5 Years	30%	5%
K. Asset Backed Securities	"AA"	5 Years	20%	5%
L. Municipal Bonds	"A"	5 Years	20%	5%
M Supranational Debt	"AA"	5 Years	30%	5%
N. Money Market Funds	AAAm	N/A	20%	10%
O. Joint Power Authority Pools	AAA	N/A	40%	40%

\* The 25% limitation applies in the aggregate to both commercial paper and asset-backed commercial paper such that no more than 25% of the City's total portfolio may be invested in any combination of securities authorized by Section 8.D and 8.E of this Policy.

The City's investments are governed by the California Government Code. Investments may be made in the following types of securities and permitted percentages within an investment type:

- A. **United States Treasury Securities:** Highly liquid and guaranteed as to principal and interest by the United States government with a final maturity not exceeding five years from the date of trade settlement. There is no percentage limit for this category.
- B. **Federal Agency or United States Government-Sponsored Enterprise (GSE) Obligations:** Obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or US government-sponsored enterprises with a final maturity not exceeding five years from the date of trade settlement. There is no limit to the amount of the City's portfolio that may be invested in Federal Agency or GSE securities, except that the aggregate investment in federal agency mortgage-backed securities shall not exceed 20% of the City's total portfolio. Furthermore, the aggregate investment in any one federal agency or GSE issuer shall not exceed 40% of the City's total portfolio.
- C. **Bankers Acceptances:** Negotiable time drafts which are drawn on foreign or domestic banks to finance the export, import, shipment, and storage of goods. The drafts are sold at a discount and redeemed by the accepting bank at maturity for full face value. Maturities range from 1 to 180 days. Bankers Acceptances can only be purchased if the issuing bank is rated P-1 (Moody's) or A-1 (Standard & Poor's). Purchases may not exceed forty percent (40%) of the City of Fullerton and Fullerton Successor Agency's combined

portfolio, and no more than five percent (5%) of the combined portfolio may be invested in the Bankers Acceptances of any one commercial bank.

- D. **Commercial Paper:** Issued by corporations and financial institutions. Commercial paper must be rated P-1 by Moody's Investors Service or A-1 by Standard and Poor's. Purchases of this category shall not exceed 270 days to maturity or twenty-five percent (25%) of the City of Fullerton and Fullerton Successor Agency's combined portfolio and no more than five percent (5%) of the combined portfolio may be invested in the outstanding commercial paper of any single issuer. The diversification requirements of this section shall be considered in combination with amounts held in Section 8.E (Asset-Backed Commercial Paper) of this Policy.
- E. **Asset-Backed Commercial Paper:** Issued by entities organized within the United States as a special purpose corporation, trust, or limited liability company and of "prime" credit quality. The entity that issues the asset-backed commercial paper must meet all of the following conditions: (a) is rated "A-1" (or the equivalent) or higher by at least one nationally recognized statistical rating organization; and (b) has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond. Purchases of this category shall not exceed 270 days to maturity or twenty-five percent (25%) of the City of Fullerton and Fullerton Successor Agency's combined portfolio and no more than five percent (5%) of the combined portfolio may be invested in the outstanding asset-backed commercial paper of any single issuer. The diversification requirements of this section shall be considered in combination with amounts held in Section 8.D (Commercial Paper) of this Policy.
- F. **Certificates of Deposit:**
1. Negotiable certificates of deposit (NCD's) are money market instruments issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The maturity of NCD's shall not exceed five years, and purchases of NCD's shall not exceed thirty percent (30%) of the portfolio. Securities in this category exceeding federal deposit insurance limits shall be issued by institutions with a long-term debt rating of at least "A" by a nationally recognized rating organization, as designated by the Security and Exchange Commission and shall be evaluated in terms of the credit worthiness of the issuer.
  2. Certificates of Deposit (CD's) are unsecured direct obligations of a U.S. bank or a savings and loan association. CD's are secured by collateral such as U.S. government securities or mortgages and allow selection of the exact amount and date of maturity, as well as the exact depository. Federal Deposit Insurance Corporation (FDIC) coverage is provided for government deposits, but limited to the first \$250,000 on deposit on behalf of a given entity at a single financial institution. However, California law requires that deposits of public funds shall be collateralized if not insured. Therefore, all City deposits in excess of FDIC insurance shall be collateralized. Purchases of this category shall not exceed five years and shall not exceed twenty five percent (25%) of the portfolio nor shall the City deposit more than 10% of its total portfolio in the collateralized certificates of deposit in any one bank.
  3. Notwithstanding Section 53601 or any other provision of California code, The City has the authority under law to invest funds, at its discretion, and may invest a

portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 do not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

- G. **Repurchase Agreements (Repo's):** A Repurchase Agreement consists of two simultaneous transactions. One is the purchase of securities by an investor from a bank, the other is the commitment by the bank to repurchase the securities at the same price at a mutually agreed upon future date. The investor receives an agreed upon rate of interest, generally at money market rates. Repo's shall be collateralized and written against U.S. Treasury, federal agency or government sponsored enterprises permitted by this statement of investment policy. The purchased securities (the "collateral") shall have a minimum market value of 102% of the dollar value of the funds invested. Purchases in this category shall not have a final termination date exceeding (360) from the date of trade settlement. No more than twenty five percent (25%) of the City's portfolio shall be invested in repurchase agreements.
- H. **State of California Local Agency Investment Fund (LAIF):** Provides high liquidity allowing deposits to be credited to the City's checking account within twenty-four (24) hours. State Pool funds are operated directly by the Office of the State Treasurer, who commingles state and local funds. No more than sixty percent (60%), or \$75 million, whichever is less, of each of the City's and Successor Agency's monies may be invested with the State of California Local Agency Investment Fund.
- I. **Orange County Investment Pool (OCIP):** The OCIP may be considered as a future investment option once the Pool is restructured and the Orange County Treasurer offers cities the opportunity to participate again. However, prior to such investment, that option shall be re-evaluated by the Treasurer and Investment Advisory Committee (see Section 15), and returned to Council for approval.
- J. **Medium-Term Corporate Notes:** Issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Such securities must be rated in a rating category of "A" or higher by a nationally recognized rating service at the time of purchase. In the event the corporation falls below an "A" credit rating, an evaluation shall be conducted to determine its credit risk. The decision to sell the investment or hold till maturity will be assessed depending upon its credit risk. The maturity of medium-term corporate notes shall not exceed five years, and purchases shall not exceed thirty percent (30%) of the portfolio. No more than five percent (5%) of the combined portfolio may be invested in the outstanding debt of any single corporate issuer.
- K. **Asset Backed Securities:** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities not issued or guaranteed by an agency or issuer identified in subdivision 53601(b) or 53601(f), the following limitations apply: eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO, these securities shall have a maximum remaining maturity of five years or less, and the purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section. No more

than five percent (5%) of the combined portfolio may be invested in any single asset backed issuer.

- L. **Municipal Bonds:** issued by the State of California and any local agency within the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by a State or by a department, board, agency or authority of any of the other 49 United States, in addition to California. Such securities must be rated in a rating category of "A" or higher by a nationally recognized rating service at the time of purchase. In the event the municipality falls below an "A" credit rating, an evaluation shall be conducted to determine its credit risk. The decision to sell the investment or hold till maturity will be assessed depending upon its credit risk. The maturity of municipal bonds shall not exceed five years, and purchases shall not exceed twenty percent (20%) of the portfolio. No more than five percent (5%) of the combined portfolio may be invested in the outstanding commercial paper of any single issuer.
- M. **Supranational Debt:** the debt of an international or multi-lateral financial agency used to finance economic and infrastructure development, environmental protection, poverty reduction and renewable energy around the world. The City may invest in U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank. Obligations eligible for investment under this subdivision shall be rated "AA" or its equivalent or better by a NRSRO and may not exceed thirty (30%) of the City's investment portfolio. No more than five percent (5%) of the combined portfolio may be invested in the outstanding debt of any single supranational issuer.
- N. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to this subdivision these companies shall either:
- (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest NRSRO's; or
  - (2) have an investment advisor registered or exempt from registration with the SEC with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$1 billion.
- Furthermore, no more than 10% of the City's total portfolio may be invested in any one money market fund.
- O. **Joint Power Authority Pools.** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Code 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

- (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive of California Code 53601.
- (3) (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000)

The purchase price of shares shall not exceed 40% of the City's total portfolio and shall not include any commission that the companies may charge.

## **SECTION 9. PROHIBITED INVESTMENTS**

It shall be the policy of the City to not invest any funds in inverse floaters, range notes, or mortgage-derived interest only strips, or any security that could result in zero interest accrual if held to maturity, and other similar derivative products. No investment prohibited by California Government Section 53601.6 shall be permitted herein.

Notwithstanding the prohibition noted above, the City may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. A local agency may hold these instruments until their maturity dates.

It shall be the policy of the City of Fullerton to not invest directly in Reverse Repurchase Agreements. Further, the City shall not be permitted to invest in any pool which has more than ten percent (10%) of its total portfolio in Reverse Repurchase Agreements.

In the event of a ratings downgrade of a security in the City's portfolio by any of the nationally recognized statistical rating organizations (NRSRO) to a rating category below the minimum required for purchase, the City Treasurer will document such downgrade in writing. The City Treasurer will also communicate to the Director of Administrative Services a recommended course of action for said security.

However, callable securities, which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are considered to be an acceptable investment.

## **SECTION 10. SAFEKEEPING AND CUSTODY**

All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held in third-party safekeeping of the City's bank or other designated third-party trust, in the City's name and evidenced by purchase confirmation and safekeeping receipts.

## **SECTION 11. DIVERSIFICATION**

The portfolio shall consist of a mix of securities purchased through various issuers, with varying maturities. The primary purpose for diversifying a portfolio is to reduce risk in terms of maturity, instrument types and issuer, while attaining an average market rate of return.

## **SECTION 12. AUTHORIZED FINANCIAL BROKERS AND INSTITUTIONS**

The City Treasurer shall maintain a listing of financial institutions and broker/dealers authorized to provide investment and depository services and who maintain an office in the State of California. All financial institutions and brokers/dealers who desire to become bidders for investment transactions must supply the City with the following: audited financial statements, proof of National Association of Security Dealers' certification, completed authorization to trade



agreement, proof of California registration, and shall acknowledge by written receipt of having read this Investment Policy. The City shall annually send a copy of the current investment policy to all financial institutions and broker/dealers approved to do business with the City.

Should the City contract with a third-party investment management firm to manage all or a portion of the City's investment portfolio, the investment management firm is herein authorized to utilize its own list of approved broker dealers and shall provide such list to the City annually or upon the City's request.

### **SECTION 13. DEPOSITORY SERVICES**

Public deposits shall only be made in qualified public depositories as established by California law. In selecting depositories pursuant to the Code, Section 53600, et seq., the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has been evaluated by a nationally recognized independent rating service as satisfactory or better.

Under the provisions of the California Government Code, banks and savings and loan associations must secure public funds deposits with eligible securities having a market value of 110% of the total amount of the deposits. State law also allows as an eligible security, first trust deeds having a value of one hundred fifty percent (150%) of the total amount of the deposits. A third class of collateral is letters of credit drawn on the Federal Home Loan Bank (FHLB).

Deposits of \$250,000 or less which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the independent rating service evaluation requirement.

The City Treasurer may waive, at his/her discretion, security for that portion of a deposit which is insured pursuant to federal law. Currently, the first two hundred, fifty thousand dollars (\$250,000) of a deposit is federally insured. It is to the City's advantage to waive this collateral requirement for the first \$250,000 to achieve a higher interest rate.

### **SECTION 14. INVESTMENT MATURITY**

State law (Government Code Section 53601) provides that city treasurers may not invest funds in securities which have a term remaining to maturity in excess of five years from the date of investment, unless the City Council "...grants express authority to make that investment either specifically or as a part of an investment program approved by the City Council no less than three months prior to the investment."

It shall be the duty of the City Treasurer, to the extent possible; to match the investments with anticipated cash flow requirements. The prescribed method of the City of Fullerton shall be referred to as "layering" the investments. Monies not needed to cover immediate operating costs may be invested up to a five-year maturity. The duration of the long-term portfolio(s) shall be managed in a range of +/- 25% of the benchmarks set forth in Section 16 (b) and (c), below. Portfolio duration may deviate from these ranges at the City's discretion based upon changes in the City's circumstances.

### **SECTION 15. PORTFOLIO ADJUSTMENTS**

The diversification requirements set forth in Section 8 relating to the maximum allowable percentage for a particular issuer or investment type shall apply at the time of purchase. Due to

fluctuations in the aggregate invested balance, these maximum percentages may be exceeded from time to time and shall not require liquidation to realign the portfolio. However, consideration should be given to this matter when future purchases are made and the Treasurer shall consider rebalancing the portfolio after evaluating the expected length of time that it will be imbalanced.

The credit rating requirements set forth in Section 8 shall apply at the time of purchase. Should the credit rating of a security owned by the City be downgraded to a level below that required by this Investment Policy, the City will review the credit situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain a downgraded security, it will be closely monitored by the City and reported on quarterly to the Investment Committee.

Should any investment fall out of compliance with any other guidelines of this policy after its purchase, the City will review the situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain such a security, it will be closely monitored by the City and reported on quarterly to the Investment Committee.

## **SECTION 16. PERFORMANCE STANDARD**

In order to assist in the evaluation of the Portfolio's performance, the City will use performance benchmarks for the short-term and long-term portfolios. The use of benchmarks will allow the City to measure its returns against other investors in the same markets. A benchmark should not be chosen which would induce the individual making the investment to take on undue risk in order to outperform the benchmark.

- (a) The 3 month Treasury bill or the average of the monthly LAIF rate will be used as a benchmark for comparison with the Portfolio's net book value rate of return for current operating funds (short-term portfolio). The duration of the index should be similar to that of the short-term portfolio for performance comparison.
- (b) Investment performance of funds designated as Core Funds and other non-operating funds that have a longer-term investment horizon (long-term portfolio) will be compared to the BofA Merrill Lynch 1-3 Year Government/Credit Index. The appropriate index will have a duration and asset mix that approximates that of the Investment Portfolio and will be utilized as a benchmark to be compared to the Investment Portfolio's total rate of return.
- (c) Investment performance of funds designated as Reserve Funds and other non-operating funds that have a longer-term investment horizon (reserve portfolio) will be compared to the BofA Merrill Lynch 1-5 Year Government/Credit Index. The appropriate index will have a duration and asset mix that approximates that of the Investment Portfolio and will be utilized as a benchmark to be compared to the Investment Portfolio's total rate of return.

## **SECTION 17. REPORTING**

The Treasurer shall submit on a quarterly basis a report to the City Council showing the type of investment, issuer, date of maturity, amount of deposit, current market value for all securities, rate of interest, interest earned, and such other information as may be required by the City Council.

## **SECTION 18. DELEGATION OF AUTHORITY**

The City Council, consistent with Section 53607 of the Government Code, delegates the authority to make investments on the City's behalf to the City Treasurer. The City Treasurer shall assume full responsibility for all investment transactions made under this delegation of authority, and report these transactions quarterly to the City Council.

## **SECTION 19. INVESTMENT ADVISORY COMMITTEE**

To strengthen sound investment strategies and provide control over the City's investments, an Investment Advisory Committee has been established to review and make recommendations on investment policy and strategy of the City of Fullerton and the Fullerton Successor Agency. The Committee is comprised of the following members:

1. One City Council member (appointed by Council).
2. Three Fullerton citizens, appointed by the City Council, with professional financial management experience in either financial planning, commercial banking, investment banking, or a related field. The citizens chosen by City Council to serve on the Investment Advisory Committee shall serve four-year terms, and shall be removable from the Committee at the will of the Council.
3. City Manager.
4. Director of Administrative Services.
5. City Treasurer (if duties are not assigned to the Director of Administrative Services).

The Committee shall meet quarterly to:

- a. Review the City's investments which are currently held.
- b. Recommend modifications of this Investment Policy to the City Council.
- c. Develop and carry out the ongoing investment strategy in accordance with this Investment Policy.

During the meetings, action minutes will be taken and available for public review.

The Committee shall not inhibit the daily operations performed by the City Treasurer, but rather provide guidelines for the investment of the City's portfolio. Individual trades need not be approved by the Committee provided they fall within the scope of this Investment Policy.

## **SECTION 20. INVESTMENT POLICY ADOPTION**

The City of Fullerton's Investment Policy shall be submitted to the City Council as needed for review and approval of any modifications. The basic premise underlying this Investment Policy is to ensure that idle funds are safe, available when needed, and invested at the highest yield possible after safety and liquidity standards are met.

## **SECTION 21. GLOSSARY**

Because this policy is to be available to the public as well as the governing body, it is important that a glossary of related terminology be part of the policy. Please refer to Attachment A for the terms.

**ATTACHMENT A**  
**GLOSSARY OF INVESTMENT TERMS**

**Accrued Interest.** Interest earned but which has not yet been paid or received.

**Agency.** See "Federal Agency Securities."

**Ask Price.** Price at which a broker/dealer offers to sell a security to an investor. Also known as "offered price."

**Asset Backed Securities (ABS).** A fixed-income security backed by notes or receivables against assets other than real estate. Generally issued by special purpose companies that "own" the assets and issue the ABS. Examples include securities backed by auto loans, credit card receivables, home equity loans, manufactured housing loans, farm equipment loans and aircraft leases.

**Average Life.** The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**B of A Merrill Lynch 1-3 Year U.S. Corporate/Government Bond Index AA or Better.** This index includes publicly issued U.S. Treasury debt, U.S. government agency debt, taxable debt issued by U.S. states and territories and their political subdivisions, debt issued by U.S. and non-U.S. corporations, non-U.S. government debt and supranational debt. This index will be utilized as a performance benchmark for the City's core portfolio.

**Bankers' Acceptance (BA's).** A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a money market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

**Basis Point.** One hundredth of one percent, or 0.01%. Thus 1% equals 100 basis points.

**Bearer Security.** A security whose ownership is determined by the holder of the physical security. Typically, there is no registration on the issuer's books. Title to bearer securities is transferred by delivery of the physical security or certificate. Also known as "physical securities."

**Benchmark Bills:** In November 1999, FNMA introduced its Benchmark Bills program, a short-term debt securities issuance program to supplement its existing discount note program. The program includes a schedule of larger, weekly issues in three- and six-month maturities and biweekly issues in one-year for Benchmark Bills. Each issue is brought to market via a Dutch (single price) auction. FNMA conducts a weekly auction for each Benchmark Bill maturity and accepts both competitive and non-competitive bids through a web based auction system. This program is in addition to the variety of other discount note maturities, with rates posted on a daily basis, which FNMA offers. FNMA's Benchmark Bills are unsecured general obligations that are issued in book-entry form through the Federal Reserve Banks. There are no periodic payments of interest on Benchmark Bills, which are sold at a discount from the principal amount and payable at par at maturity. Issues under the Benchmark program constitute the same credit standing as other FNMA discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

**Benchmark Notes/Bonds:** Benchmark Notes and Bonds are a series of FNMA "bullet" maturities (non-callable) issued according to a pre-announced calendar. Under its Benchmark Notes/Bonds

program, 2, 3, 5, 10 and 30- year maturities are issued each quarter. Each Benchmark Notes new issue has a minimum size of \$4 billion, 30- year new issues having a minimum size of \$1 billion, with re-openings based on investor demand to further enhance liquidity. The amount of non-callable issuance has allowed FNMA to build a yield curve in Benchmark Notes and Bonds in maturities ranging from 2 to 30 years. The liquidity emanating from these large size issues has facilitated favorable financing opportunities through the development of a liquid overnight and term repo market. Issues under the Benchmark program constitute the same credit standing as other FNMA issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Benchmark.** A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance and duration of the actual portfolio's investments.

**Bid Price.** Price at which a broker/dealer offers to purchase a security from an investor.

**Bond Market Association (BMA).** The bond market trade association representing the largest securities markets in the world. In addition to publishing a Master Repurchase Agreement, widely accepted as the industry standard document for Repurchase Agreements, the BMA also recommends bond market closures and early closes due to holidays.

**Bond.** Financial obligation for which the issuer promises to pay the bondholder (the purchaser or owner of the bond) a specified stream of future cash flows, including periodic interest payments and a principal repayment.

**Book Entry Securities.** Securities that are recorded in a customer's account electronically through one of the financial markets electronic delivery and custody systems, such as the Fed Securities wire, DTC and PTC (as opposed to bearer or physical securities). The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors' concerns about the certificates themselves. The vast majority of securities are now book entry securities.

**Book Value.** The value at which a debt security is reflected on the holder's records at any point in time. Book value is also called "amortized cost" as it represents the original cost of an investment adjusted for amortization of premium or accretion of discount. Also called "carrying value." Book value can vary over time as an investment approaches maturity and differs from "market value" in that it is not affected by changes in market interest rates.

**Broker/Dealer.** A person or firm transacting securities business with customers. A "broker" acts as an agent between buyers and sellers, and receives a commission for these services. A "dealer" buys and sells financial assets from its own portfolio. A dealer takes risk by owning inventory of securities, whereas a broker merely matches up buyers and sellers. See also "Primary Dealer."

**Bullet Notes/Bonds.** Notes or bonds that have a single maturity date and are non-callable.

**California Local Agency Bonds:** Bonds that are issued by a California county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

**Call Date.** Date at which a call option may be or is exercised.

**Call Option.** The right, but not the obligation, of an issuer of a security to redeem a security at a specified value and at a specified date or dates prior to its stated maturity date. Most fixed-income calls are at par, but can be at any previously established price. Securities issued with a call provision typically carry a higher yield than similar securities issued without a call feature. There are three primary types of call options (1) European - one-time calls, (2) Bermudan - periodically on a predetermined schedule (quarterly, semi-annual, annual), and (3) American - continuously callable at any time on or after the call date. There is usually a notice period of at least 5 business days prior to a call date.

**Callable Bonds/Notes.** Securities, which contain an imbedded call option giving the issuer, the right to redeem the securities prior to maturity at a predetermined price and time.

**Certificate of Deposit (CD).** Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity). Can be as long as 10 years to maturity, but most CDs purchased by public agencies are one year and under.

**Collateral.** Investment securities or other property that a borrower pledges to secure repayment of a loan, secure deposits of public monies, or provide security for a repurchase agreement.

**Collateralization.** Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

**Collateralized Mortgage Obligation (CMO).** A security that pools together mortgages and separates them into short, medium, and long-term positions (called tranches). Tranches are set up to pay different rates of interest depending upon their maturity. Interest payments are usually paid monthly. In "plain vanilla" CMOs, principal is not paid on a tranche until all shorter tranches have been paid off. This system provides interest and principal in a more predictable manner. A single pool of mortgages can be carved up into numerous tranches each with its own payment and risk characteristics.

**Commercial Paper.** Short term unsecured promissory note issued by a company or financial institution. Issued at a discount and matures for par or face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more NRSROs.

**Convexity.** A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**Corporate Note.** A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

**Counterparty.** The other party in a two party financial transaction. "Counterparty risk" refers to the risk that the other party, to a transaction, will fail in its related obligations. For example, the bank or broker/dealer in a repurchase agreement.

**Coupon Rate.** Annual rate of interest on a debt security, expressed as a percentage of the bond's face value.

**Current Yield.** Annual rate of return on a bond based on its price. Calculated as (coupon rate / price), but does not accurately reflect a bond's true yield level.

**Custody.** Safekeeping services offered by a bank, financial institution or trust company, referred to as the "custodian." Service normally includes the holding and reporting of the customer's securities, the collection and disbursement of income, securities settlement and market values.

**Dealer.** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**Delivery Versus Payment (DVP).** Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

**Depository Trust Company (DTC).** A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs and BAs clear through DTC.

**Derivatives.** For hedging purposes, common derivatives are options, futures, swaps and swaptions. All Collateralized Mortgage Obligations ("CMOs") are derivatives. (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**Derivative Security.** Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Designated Bond.** FFCB's regularly issued, liquid, non-callable securities that generally have a 2 or 3 year original maturity. New issues of Designated Bonds are \$1 billion or larger. Re-openings of existing Designated Bond issues are generally a minimum of \$100 million. Designated Bonds are offered through a syndicate of two to six dealers. Twice each month the Funding Corporation announces its intention to issue a new Designated Bond, reopen an existing issue, or to not issue or reopen a Designated Bond. Issues under the Designated Bond program constitute the same credit standing as other FFCB issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Discount Notes.** Unsecured general obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. Very large primary (new issue) and secondary markets.

**Discount Rate.** Rate charged by the system of Federal Reserve Banks on overnight loans to member banks. Changes to this rate are administered by the Federal Reserve and closely mirror changes to the "fed funds rate."

**Discount Securities.** Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value. Examples include: U.S. Treasury Bills, Federal Agency Discount Notes, Bankers' Acceptances and Commercial Paper.

**Discount.** The amount by which a bond or other financial instrument sells below its face value. See also "Premium."

**Diversification.** Dividing investment funds among a variety of security types, maturities, industries and issuers offering potentially independent returns.

**Dollar Price.** A bond's cost expressed as a percentage of its face value. For example, a bond quoted at a dollar price of 95 ½, would have a principal cost of \$955 per \$1,000 of face value.



**Duff & Phelps.** One of several NRSROs that provide credit ratings on corporate and bank debt issues.

**Duration.** The weighted average maturity of a security's or portfolio's cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security/portfolio, the greater its percentage price volatility with respect to changes in interest rates. Used as a measure of risk and a key tool for managing a portfolio versus a benchmark and for hedging risk. There are also different kinds of duration used for different purposes (e.g. MacAuley Duration, Modified Duration).

**Fannie Mae.** See "Federal National Mortgage Association."

**Fed Money Wire.** A computerized communications system that connects the Federal Reserve System with its member banks, certain U. S. Treasury offices, and the Washington D.C. office of the Commodity Credit Corporation. The Fed Money Wire is the book entry system used to transfer cash balances between banks for themselves and for customer accounts.

**Fed Securities Wire.** A computerized communications system that facilitates book entry transfer of securities between banks, brokers and customer accounts, used primarily for settlement of U.S. Treasury and Federal Agency securities.

**Fed.** See "Federal Reserve System."

**Federal Agency Security.** A debt instrument issued by one of the Federal Agencies. Federal Agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

**Federal Agency.** Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, SLMA, and TVA.

**Federal Deposit Insurance Corporation (FDIC).** Federal agency that insures deposits at commercial banks, currently to a limit of \$250,000 per depositor per bank.

**Federal Farm Credit Bank (FFCB).** One of the large Federal Agencies. A government sponsored enterprise (GSE) system that is a network of cooperatively-owned lending institutions that provides credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. Consists of the consolidated operations of the Banks for Cooperatives, Federal Intermediate Credit Banks, and Federal Land Banks. Frequent issuer of discount notes, agency notes and callable agency securities. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and agricultural industry. Also issues notes under its "designated note" program.

**Federal Funds (Fed Funds).** Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

**Federal Funds Rate (Fed Funds Rate).** The interest rate charged by a depository institution lending Federal Funds to another depository institution. The Federal Reserve influences this rate

by establishing a "target" Fed Funds rate associated with the Fed's management of monetary policy.

**Federal Home Loan Bank System (FHLB).** One of the large Federal Agencies. A government sponsored enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also issues notes under its "global note" and "TAP" programs.

**Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac").** One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its "reference note" program.

**Federal National Mortgage Association (FNMA or "Fannie Mae").** One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its "benchmark note" program.

**Federal Reserve Bank.** One of the 12 distinct banks of the Federal Reserve System.

**Federal Reserve System (the Fed).** The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven-member Board of Governors known as the "Federal Reserve Board" and headed by its Chairman.

**Financial Industry Regulatory Authority, Inc (FINRA).** A private corporation that acts as a self-regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD). Though sometimes mistaken for a government agency, it is a non-governmental organization that performs financial regulation of member brokerage firms and exchange markets. The government also has a regulatory arm for investments, the Securities and Exchange Commission.

**Fiscal Agent/Paying Agent.** A bank or trust company that acts, under a trust agreement with a corporation or municipality, in the capacity of general treasurer. The agent performs such duties

as making coupon payments, paying rents, redeeming bonds, and handling taxes relating to the issuance of bonds.

**Fitch Investors Service, Inc.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Floating Rate Security (FRN or “floater”).** A bond with an interest rate that is adjusted according to changes in an interest rate or index. Differs from variable-rate debt in that the changes to the rate take place immediately when the index changes, rather than on a predetermined schedule. See also “Variable Rate Security.”

**Freddie Mac.** See “Federal Home Loan Mortgage Corporation”.

**Ginnie Mae.** See “Government National Mortgage Association”.

**Global Notes:** Notes designed to qualify for immediate trading in both the domestic U.S. capital market and in foreign markets around the globe. Usually large issues that are sold to investors worldwide and therefore have excellent liquidity. Despite their global sales, global notes sold in the U.S. are typically denominated in U.S. dollars.

**Government National Mortgage Association (GNMA or “Ginnie Mae”).** One of the large Federal Agencies. Government-owned Federal Agency that acquires, packages, and resells mortgages and mortgage purchase commitments in the form of mortgage-backed securities. Largest issuer of mortgage pass-through securities. GNMA debt is guaranteed by the full faith and credit of the U.S. government (one of the few agencies that is actually full faith and credit of the U.S.).

**Government Securities.** An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See “Treasury Bills, Notes, Bonds, and SLGS.”

**Government Sponsored Enterprise (GSE).** Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over U.S. Treasuries. Some consider GSEs to be stealth recipients of corporate welfare. Examples of GSEs include: FHLB, FHLMC, FNMA and SLMA.

**Government Sponsored Enterprise Security.** A security issued by a Government Sponsored Enterprise. Considered Federal Agency Securities.

**Index.** A compilation of statistical data that tracks changes in the economy or in financial markets.

**Interest-Only (IO) STRIP.** A security based solely on the interest payments from the bond. After the principal has been repaid, interest payments stop and the value of the security falls to nothing. Therefore, IOs are considered risky investments. Usually associated with mortgage-backed securities.

**Internal Controls.** An internal control structure ensures that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of

costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Inverse Floater.** A floating rate security structured in such a way that it reacts inversely to the direction of interest rates. Considered risky as their value moves in the opposite direction of normal fixed-income investments and whose interest rate can fall to zero.

**Investment Advisor.** A company that provides professional advice managing portfolios, investment recommendations and/or research in exchange for a management fee.

**Investment Adviser Act of 1940.** Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Grade.** Bonds considered suitable for preservation of invested capital; bonds rated a minimum of Baa3 by Moody's, BBB- by Standard & Poor's, or BBB- by Fitch. Although "BBB" rated bonds are considered investment grade, most public agencies cannot invest in securities rated below "A."

**Liquidity.** Relative ease of converting an asset into cash without significant loss of value. Also, a relative measure of cash and near-cash items in a portfolio of assets. Also, a term describing

the marketability of money market security correlating to the narrowness of the spread between the bid and ask prices.

**Local Agency Investment Fund (LAIF):** A voluntary investment fund open to state and local government entities and certain non-profit organizations in California in which organization pools their funds for investment. LAIF is managed by the State Treasurer's Office.

**Long-Term Core Investment Program.** Funds that are not needed within a one year period.

**Market Value.** The fair market value of a security or commodity. The price at which a willing buyer and seller would pay for a security.

**Mark-to-market.** Adjusting the value of an asset to its market value, reflecting in the process unrealized gains or losses.

**Master Repurchase Agreement.** A widely accepted standard agreement form published by the Bond Market Association (BMA) that is used to govern and document Repurchase Agreements and protects the interest of parties in a repo transaction.

**Maturity Date.** Date on which principal payment of a financial obligation is to be paid.

**Medium Term Notes (MTN's).** Used frequently to refer to corporate notes of medium maturity (5-years and under). Technically, any debt security issued by a corporate or depository institution with a maturity from 1 to 10 years and issued under an MTN shelf registration. Usually issued in smaller issues with varying coupons and maturities, and underwritten by a variety of broker/dealers (as opposed to large corporate deals issued and underwritten all at once in large size and with a fixed coupon and maturity).

**Money Market.** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

**Money Market Mutual Fund (MMF).** A type of mutual fund that invests solely in money market instruments, such as: U.S. Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject "rule 2a-7" which significantly limits average maturity and credit quality of holdings. MMF's are managed to maintain a stable net asset value (NAV) of \$1.00. Many MMFs carry ratings by a NRSRO.

**Moody's Investors Service.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**Mortgage Backed Securities (MBS).** Mortgage-backed securities represent an ownership interest in a pool of mortgage loans made by financial institutions, such as savings and loans, commercial banks, or mortgage companies, to finance the borrower's purchase of a home or other real estate. The majority of MBS are issued and/or guaranteed by GNMA, FNMA and FHLMC. There are a variety of MBS structures, some of which can be very risky and complicated. All MBS have reinvestment risk as actual principal and interest payments are dependent on the payment of the underlying mortgages which can be prepaid by mortgage holders to refinance and lower rates or simply because the underlying property was sold.

**Mortgage Pass-Through Securities.** A pool of residential mortgage loans with the monthly interest and principal distributed to investors on a pro-rata basis. Largest issuer is GNMA.

**Municipal Note/Bond.** A debt instrument issued by a state or local government unit or public agency. The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

**Mutual Fund.** Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (bond, equity, money fund); all except money market funds operate on a variable net asset value (NAV).

**Negotiable Certificate of Deposit (Negotiable CD).** Large denomination CDs (\$100,000 and larger) that are issued in bearer form and can be traded in the secondary market.

**Net Asset Value.** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$$

**NRSRO.** A "Nationally Recognized Statistical Rating Organization." A designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating. Includes Moody's, S&P, Fitch and Duff & Phelps.

**Offered Price.** See also "Ask Price."

**Open Market Operations.** Federal Reserve monetary policy tactic entailing the purchase or sale of government securities in the open market by the Federal Reserve System from and to primary dealers in order to influence the money supply, credit conditions, and interest rates.

**Par Value.** Face value, stated value or maturity value of a security.

**Physical Delivery.** Delivery of readily available underlying assets at contract maturity.

**Portfolio.** Collection of securities and investments held by an investor.

**Premium.** The amount by which a bond or other financial instrument sells above its face value. See also "Discount."

**Primary Dealer.** Any of a group of designated government securities dealers designated by to the Federal Reserve Bank of New York. Primary dealers can buy and sell government securities directly with the Fed. Primary dealers also submit daily reports of market activity and security positions held to the Fed and are subject to its informal oversight. Primary dealers are considered the largest players in the U.S. Treasury securities market.

**Prime Paper.** Commercial paper of high quality. Highest rated paper is A-1+/A-1 by S&P and P-1 by Moody's.

**Principal.** Face value of a financial instrument on which interest accrues. May be less than par value if some principal has been repaid or retired. For a transaction, principal is par value multiplied by price and includes any premium or discount.

**Prudent Investor Standard.** Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill,

prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. More stringent than the “prudent person” standard as it implies a level of knowledge commensurate with the responsibility at hand.

**Range Note.** A type of structured note that accrues interest daily at a set coupon rate that is tied to an index. Most range notes have two coupon levels; a higher accrual rate for the period the index is within a designated range, the lower accrual rate for the period that the index falls outside the designated range. This lower rate may be zero and may result in zero earnings.

**Rate of Return.** Amount of income received from an investment, expressed as a percentage of the amount invested.

**Realized Gains (Losses).** The difference between the sale price of an investment and its book value. Gains/losses are “realized” when the security is actually sold, as compared to “unrealized” gains/losses which are based on current market value. See “Unrealized Gains (Losses).”

**Reference Bills:** FHLMC’s short-term debt program created to supplement its existing discount note program by offering issues from one month through one year, auctioned on a weekly or on an alternating four-week basis (depending upon maturity) offered in sizeable volumes (\$1 billion and up) on a cycle of regular, standardized issuance. Globally sponsored and distributed, Reference Bill issues are intended to encourage active trading and market-making and facilitate the development of a term repo market. The program was designed to offer predictable supply, pricing transparency and liquidity, thereby providing alternatives to U.S. Treasury bills. FHLMC’s Reference Bills are unsecured general corporate obligations. This program supplements the corporation’s existing discount note program. Issues under the Reference program constitute the same credit standing as other FHLMC discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

**Reference Notes:** FHLMC’s intermediate-term debt program with issuances of 2, 3, 5, 10 and 30-year maturities. Initial issuances range from \$2 - \$6 billion with re-openings ranging \$1 - \$4 billion. The notes are high-quality bullet structures securities that pay interest semiannually. Issues under the Reference program constitute the same credit standing as other FHLMC notes; they simply add organization and liquidity to the intermediate- and long-term Agency market.

**Repurchase Agreement (Repo).** A short-term investment vehicle where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor’s custodial bank, or “tri-party” where the securities are delivered to a third party intermediary. Any type of security can be used as “collateral,” but only some types provide the investor with special bankruptcy protection under the law. Repos should be undertaken only when an appropriate BMA approved master repurchase agreement is in place.

**Reverse Repurchase Agreement (Reverse Repo).** A repo from the point of view of the original seller of securities. Used by dealers to finance their inventory of securities by essentially borrowing at short-term rates. Can also be used to leverage a portfolio and in this sense, can be considered risky if used improperly.

**Safekeeping.** Service offered for a fee, usually by financial institutions, for the holding of securities and other valuables. Safekeeping is a component of custody services.

**Secondary Market.** Markets for the purchase and sale of any previously issued financial instrument.

**Securities Lending.** An arrangement between an investor and a custody bank that allows the custody bank to "loan" the investor's investment holdings, reinvest the proceeds in permitted investments, and share any profits with the investor. Should be governed by a securities lending agreement. Can increase the risk of a portfolio in that the investor takes on the default risk on the reinvestment at the discretion of the custodian.

**Sinking Fund.** A separate accumulation of cash or investments (including earnings on investments) in a fund in accordance with the terms of a trust agreement or indenture, funded by periodic deposits by the issuer (or other entity responsible for debt service), for the purpose of assuring timely availability of monies for payment of debt service. Usually used in connection with term bonds.

**Spread.** The difference between the price of a security and similar maturity U.S. Treasury investments, expressed in percentage terms or basis points. A spread can also be the absolute difference in yield between two securities. The securities can be in different markets or within the same securities market between different credits, sectors, or other relevant factors.

**Standard & Poor's.** One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

**STRIPS (Separate Trading of Registered Interest and Principal of Securities).** Acronym applied to U.S. Treasury securities that have had their coupons and principal repayments separated into individual zero-coupon Treasury securities. The same technique and "strips" description can be applied to non-Treasury securities (e.g. FNMA strips).

**Structured Notes.** Notes that have imbedded into their structure options such as step-up coupons or derivative-based returns.

**Supranational Debt.** The debt of an international or multi-lateral financial agency used to finance economic and infrastructure development, environmental protection, poverty reduction and renewable energy around the world. Supranational debt is typically rated AAA by most NRSRO's as these entities are well-capitalized, have significant capital commitments from a diverse capital base, conservative lending and risk management practices and strong supervision.

**Swap.** Trading one asset for another.

**TAP Notes:** Federal Agency notes issued under the FHLB TAP program. Launched in 6/99 as a refinement to the FHLB bullet bond auction process. In a break from the FHLB's traditional practice of bringing numerous small issues to market with similar maturities, the TAP Issue Program uses the four most common maturities and reopens them up regularly through a competitive auction. These maturities (2, 3, 5 and 10 year) will remain open for the calendar quarter, after which they will be closed and a new series of TAP issues will be opened to replace them. This reduces the number of separate bullet bonds issued, but generates enhanced awareness and liquidity in the marketplace through increased issue size and secondary market volume.



**Tennessee Valley Authority (TVA).** One of the large Federal Agencies. A wholly owned corporation of the United States government that was established in 1933 to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and the national defense. Power operations are separated from non-power operations. TVA securities represent obligations of TVA, payable solely from TVA's net power proceeds, and are neither obligations of nor guaranteed by the United States. TVA is currently authorized to issue debt up to \$30 billion. Under this authorization, TVA may also obtain advances from the U.S. Treasury of up to \$150 million. Frequent issuer of discount notes, agency notes and callable agency securities.

**Total Return.** Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

**Treasuries.** Collective term used to describe debt instruments backed by the U.S. Government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, and Treasury bonds. Also a benchmark term used as a basis by which the yields of non-Treasury securities are compared (e.g., "trading at 50 basis points over Treasuries").

**Treasury Bills (T-Bills).** Short-term direct obligations of the United States Government issued with an original term of one year or less. Treasury bills are sold at a discount from face value and do not pay interest before maturity. The difference between the purchase price of the bill and the maturity value is the interest earned on the bill. Currently, the U.S. Treasury issues 4-week, 13-week and 26-week T-Bills

**Treasury Bonds.** Long-term interest-bearing debt securities backed by the U.S. Government and issued with maturities of ten years and longer by the U.S. Department of the Treasury. The Treasury stopped issuing Treasury Bonds in August 2001.

**Treasury Notes.** Intermediate interest-bearing debt securities backed by the U.S. Government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury. The Treasury currently issues 2-year, 5-year and 10-year Treasury Notes.

**Trustee.** A bank designated by an issuer of securities as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the bond documents and to represent bondholders in enforcing their contract with the issuer.

**Uniform Net Capital Rule.** SEC regulation 15C3-1 that outlines the minimum net capital ratio (ratio of indebtedness to net liquid capital) of member firms and non-member broker/dealers.

**Unrealized Gains (Losses).** The difference between the market value of an investment and its book value. Gains/losses are "realized" when the security is actually sold, as compared to "unrealized" gains/losses which are based on current market value. See also "Realized Gains (Losses)."

**Variable-Rate Security.** A bond that bears interest at a rate that varies over time based on a specified schedule of adjustment (e.g., daily, weekly, monthly, semi-annually or annually). See also "Floating Rate Note."

**Weighted Average Maturity (or just "Average Maturity").** The average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing

the sum by the total principal value of the portfolio. A simple measure of risk of a fixed-income portfolio.

**Weighted Average Maturity to Call.** The average maturity of all securities and investments of a portfolio, adjusted to substitute the first call date per security for maturity date for those securities with call provisions.

**Yield Curve.** A graphic depiction of yields on like securities in relation to remaining maturities spread over a time line. The traditional yield curve depicts yields on U.S. Treasuries, although yield curves exist for Federal Agencies and various credit quality corporates as well. Yield curves can be positively sloped (normal) where longer-term investments have higher yields, or "inverted" (uncommon) where longer-term investments have lower yields than shorter ones.

**Yield to Call (YTC).** Same as "Yield to Maturity," except the return is measured to the first call date rather than the maturity date. Yield to call can be significantly higher or lower than a security's yield to maturity.

**Yield to Maturity (YTM).** Calculated return on an investment, assuming all cash flows from the security are reinvested at the same original yield. Can be higher or lower than the coupon rate depending on market rates and whether the security was purchased at a premium or discount. There are different conventions for calculating YTM for various types of securities.

**Yield.** There are numerous methods of yield determination. In this glossary, see also "Current Yield," "Yield Curve," "Yield to Call" and "Yield to Maturity."