



## 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, July 17, 2025  
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, and April 17, 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 June 30, 2025.
5. Review of portfolio strategy and provide direction.

#### **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:** JULY 17, 2025

**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.

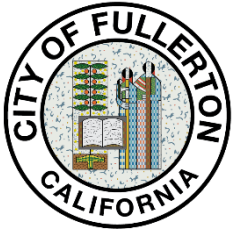




# Investment Advisory Committee Orientation

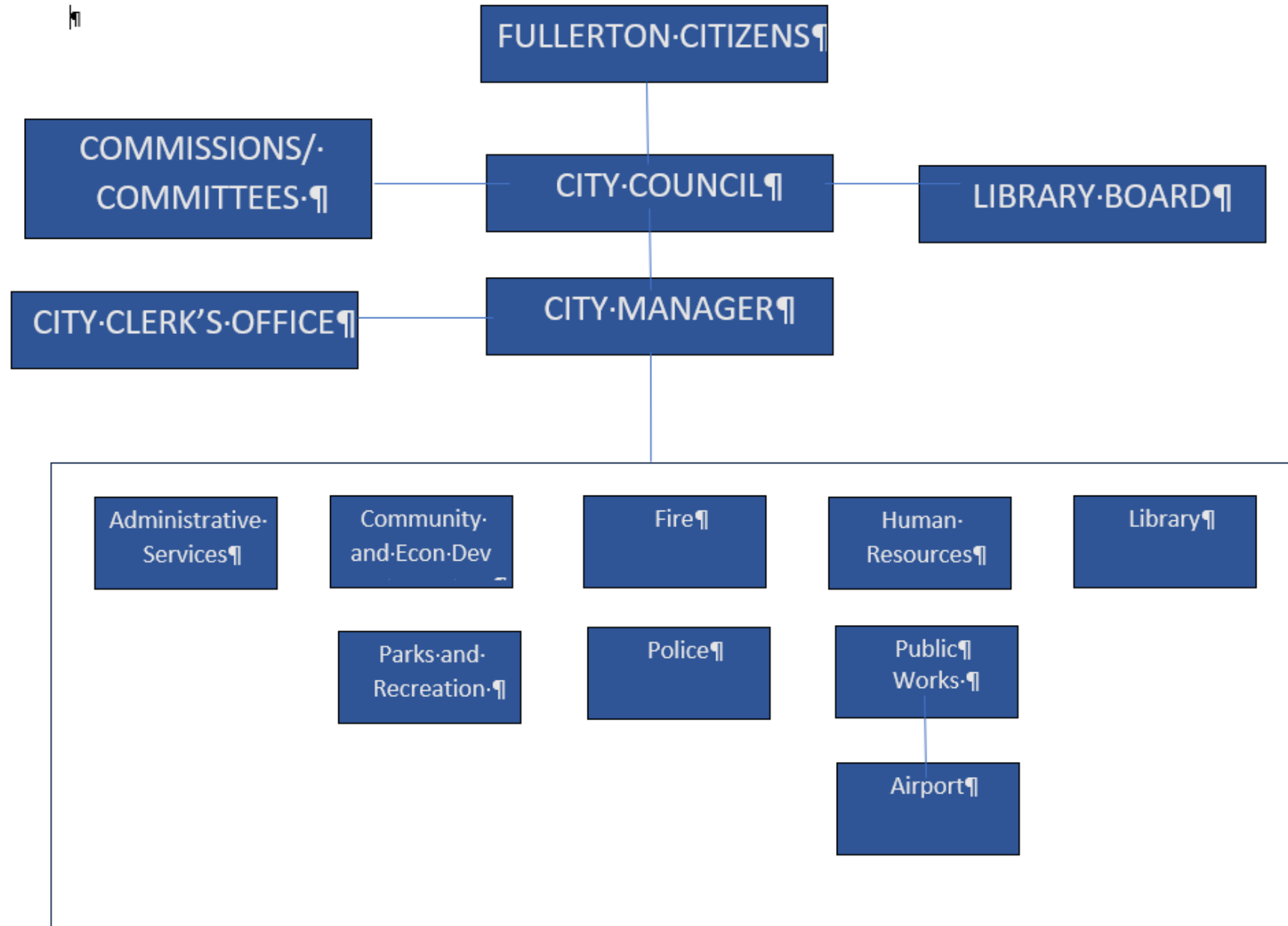
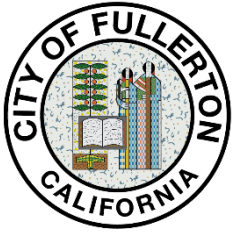
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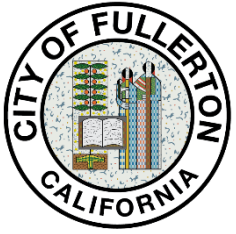
July 2025



# 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





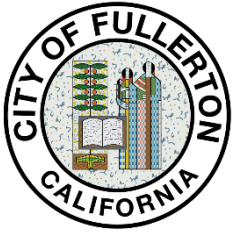
# Committee Appointments

- Five direct City Council appointments



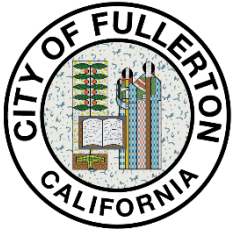
# Attendance

- 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)

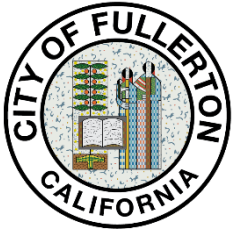
<b>Parliamentary Procedure</b>	<b>Decorum / Signs</b>
<b>Quorum 50% + 1</b>	<b>AV Equipment</b>
<b>Agenda Packet</b>	<b>Broadcasts</b>
<b>Motions and Voting</b>	<b>Business Cards</b>
<b>Action Minutes</b>	<b>City Seal</b>
<b>Presentations</b>	<b>Addressing Other Legislative Bodies</b>
<b>Subcommittees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





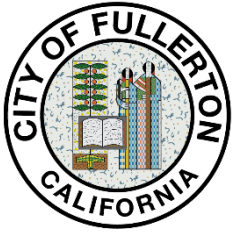
# California Brown Act

- 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



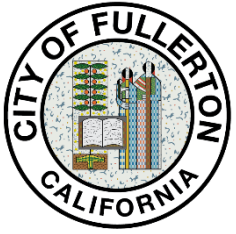
# California Brown Act

- **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

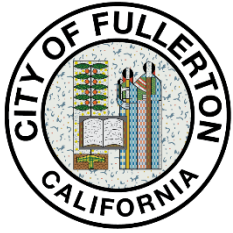
- Thank you for your service to Fullerton!
- Questions?

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 July 17, 2025



# 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.

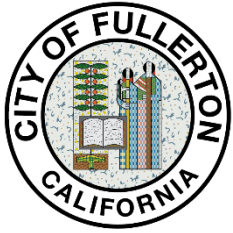


# Key Elements of the Investment Policy

- 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)



# City of Fullerton Investment Program Review

July 17, 2025

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# Disclosures

This is not intended for a broader audience and should not be distributed. 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.

Data unaudited. The information contained herein has been obtained from sources that we believe to be reliable, but its accuracy and completeness are not guaranteed. The materials in the attached are opinions of Public Trust Advisors, LLC and should not be construed as investment advice. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Performance comparisons will be affected by changes in interest rates. Investing involves risk including the possible loss of principal. The presentation is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. All comments and discussion presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. All calculations and results presented are for discussion purposes only and should not be used for making and calculations and/or decisions. Past performance is not an indication of future performance. **Any financial and/or investment decision may incur losses.**

Public Trust Advisors, LLC, a registered investment advisor with the U.S. Securities and Exchange Commission, provides investment advisory services to the client. PMA Securities, LLC, an affiliate of Public Trust Advisors, is a broker-dealer and municipal advisor registered with the SEC and MSRB and is a member of FINRA and SIPC and provides marketing, and securities and other institutional brokerage services to the client. 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.

There is no guarantee that investment strategies will achieve the desired results under all market conditions, and each investor should evaluate its ability to invest long-term, especially during periods of a market downturn. This information may contain statements, estimates, or projections that constitute “forward-looking statements” as defined under U.S. federal and other jurisdictions’ securities laws. Any such forward looking statements are inherently speculative and are based on currently available information, operating plans, and projections about future events and trends. As such, they are subject to numerous risks and uncertainties.

Public Trust Advisors  
717 17th Street, Suite 1850  
Denver, Colorado 80202

# Role of the IAC and Investment Program Review

- Section 19 of the City's Investment Policy defines the structure and role of the IAC
  - Structure of the IAC
    - One City Council member
    - Five Fullerton Citizens
    - City Treasurer (unless duties assigned to Director of Administrative Services)
- The Investment Policy States The City of Fullerton Investment Advisory Committee (IAC) meets quarterly to:
  - Review the City's investment program
  - Make recommendations to modify the Investment Policy
  - Develop and carry out the ongoing investment strategy in accordance with the Investment Policy



# Introduction to Public Trust Advisors®

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# Introduction to Public Trust Advisors

- Public Trust Advisors, LLC (Public Trust) is an SEC registered independent investment advisor headquartered in Denver, Colorado, with offices in California, Florida, New York, Texas, and Georgia. Public Trust was founded on the fundamental principle of maintaining a single business focus of providing investment management and advisory services to government and institutional investors.
- Public Trust provides customized investment advisory solutions based on the clients' unique cash flows, risk tolerances, and investment policies.
- **Safety-first investment philosophy** that seeks to deliver superior risk adjusted returns consistently
- Senior Portfolio Managers with 25+ years of portfolio management experience
- Investment Advisor and Administrator for public entity portfolios representing approximately \$94.2 billion in assets under management as of December 31, 2024.

# Our Partnership with the City of Fullerton

Our commitment to the success of the City's investment program

- Provide a full suite of investment and advisory services
- Serve as an extension of staff
- A dynamic investment strategy tailored to the City's unique risk tolerances and objectives
- Deeply experienced portfolio management team
- Robust in house, independent credit research and risk management platform
- Public Trust provides monthly and quarterly reports for all externally managed assets.
- Public Trust meets with the Director of Administrative Services prior to each quarterly meeting to discuss portfolio strategy.
- Public Trust provides a quarterly market update and investment review to the Investment Advisory Committee (IAC).
- The City's externally managed investment portfolios are managed with a Safety of Principal primary investment objective and diversification designed to minimize risk.
- The portfolio strategies are structured based on the risk preferences of the IAC and Finance Team with a longer term investment horizon discipline.

# Key Professionals



## Investment Advisory

Bob Shull  
Senior Director  
Industry Experience  
39 Years

Sarah Meacham  
Senior Director  
Industry Experience  
20 Years

Crystal Lynn  
Director  
Industry Experience  
29 Years

John Grady  
Managing Director  
Industry Experience  
27 Years



## Portfolio Management

Mark Creger  
Director  
Industry Experience  
28 Years

Manuel San Luis  
Vice President  
Industry Experience  
18 Years

Neil Waud, CFA  
Chief Investment Officer  
Industry Experience  
30 Years

John Lynn  
Portfolio Analyst  
Industry Experience  
7 Years



## Credit Research

Kevin Berents  
Head of Credit Research  
Industry Experience  
18 Years

Patrick Edler, CFA  
Senior Credit Analyst  
Industry Experience  
8 Years

Taylor Budrow, CFA  
Senior Credit Analyst  
Industry Experience  
11 Years

Johnny Combs  
Credit Research Analyst  
Industry Experience  
8 Years



## Compliance, Reporting, & Operations

Jen Welsh  
General Counsel, CCO  
Industry Experience  
23 Years

Steve Dixon  
Director, Sr. Project Manager  
of Business Operations  
Industry Experience  
24 Years

Christa Kronquist  
Director of Operations  
Industry Experience  
29 Years



# Public Trust Resources



# Investment Program Overview

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# Historical Perspective

- In 2014 the City implemented an investment program that included internally managed assets within investments that provide daily liquidity for short term and ongoing operational expenses and selected Public Trust Advisors to implement investment strategies and manage for assets identified for longer term capital projects and reserves.
- Daily liquidity in a Local Government Investment Pool (LGIP) and the Local Agency Investment Fund (LAIF)
- Enhanced Cash Strategy – 0.75 – 1.25 year duration (average maturity)
- 1-3 Year Strategy – 1.80 year target duration
- 1-5 Year Strategy – 2.60 year target duration
- Balances within each investment strategy are based on historic and anticipated cash flow needs.
- The shorter strategies typically have lower market volatility (changes in unrealized gains/losses) and historically lower returns and the 1-3 year and 1-5 year portfolios have experienced higher volatility although they have also historically provided higher annual returns over longer investment horizons.
- The longer term portfolio asset allocation and duration strategies were implemented based on the parameters defined within the investment policy statement and the risk tolerance of the City's Finance Staff and Investment Advisory Committee (IAC).
- This multiple duration approach has provided a balanced approach throughout multiple interest rate cycles.

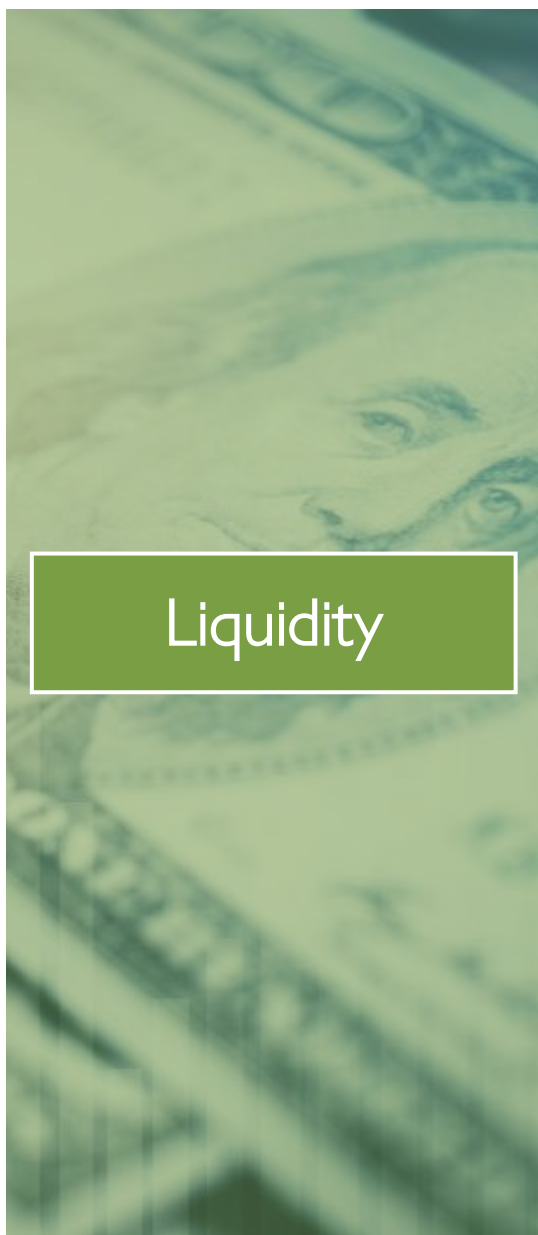
# Operating Funds Investment Program Characteristics

- The City's Operating Funds and Successor Agency Funds (The City) investment programs are governed by the City's Investment Policy.
- The City's Investment Policy is based on the City's cash flow needs, risk tolerances and is in accordance with California State Law, specifically, Government Code Section 53600.3 and 53600.5.
- The primary investment objectives are Safety, Liquidity, Yield, and Diversification.
- The City's Operating Funds are invested in bank deposits, and AAA rated local government investment pools for daily liquidity.
- Funds invested in the 1-3 year and 1-5 year portfolios are designated for longer term use and reserves and are limited to fixed income securities including U.S. Treasuries, Government Sponsored Enterprise (GSE), A-AAA rated Corporate Notes, A-AAA rated Municipal Bonds with a maximum 5 year maturity limitation.
- Balances within the City's investment strategies change based on source and use of funds, historical cash flows and anticipated future expenditures.
- All Operating Funds assets are held in third party custody accounts.
- Monthly and quarterly reports are provided for each investment strategy.
- All investments made by Public Trust have pre-and post trade compliance checks.





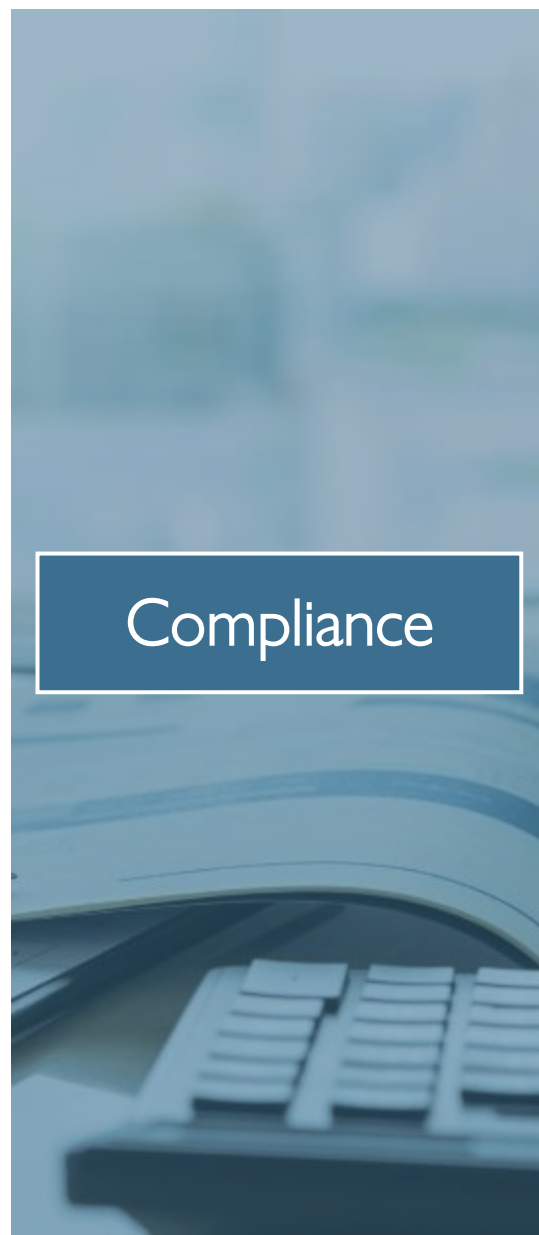
Safety



Liquidity



Yield



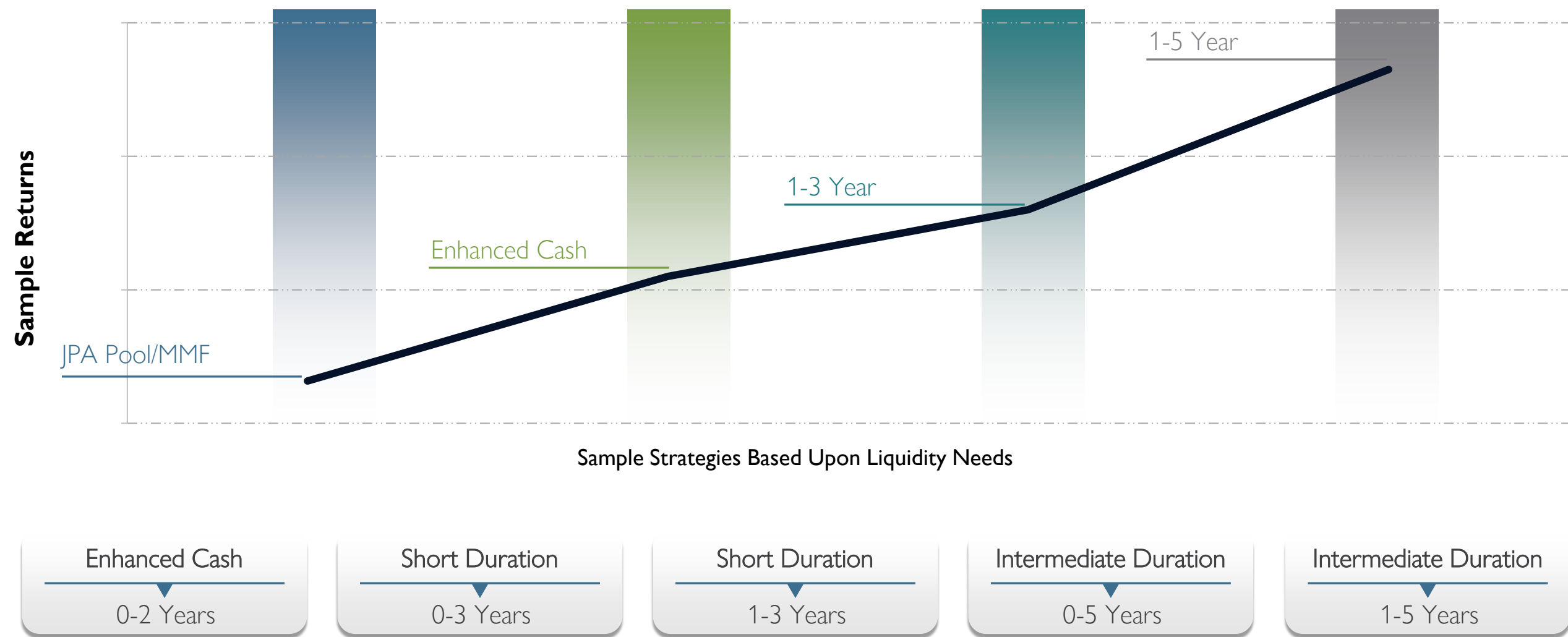
Compliance



Transparency

# Multiple Duration Investment Program

Based upon your specific goals and cash needs





## Decision Factors for Active Management

### Duration

- Domestic and global economic data
- Federal reserve policy
- Client guidelines
- Risk management policies

### Yield Curve

- Utilize bullet, ladder, barbell, or combination strategy
- Develop yield curve outlook
- Optimize security selection

### Sector Rotation

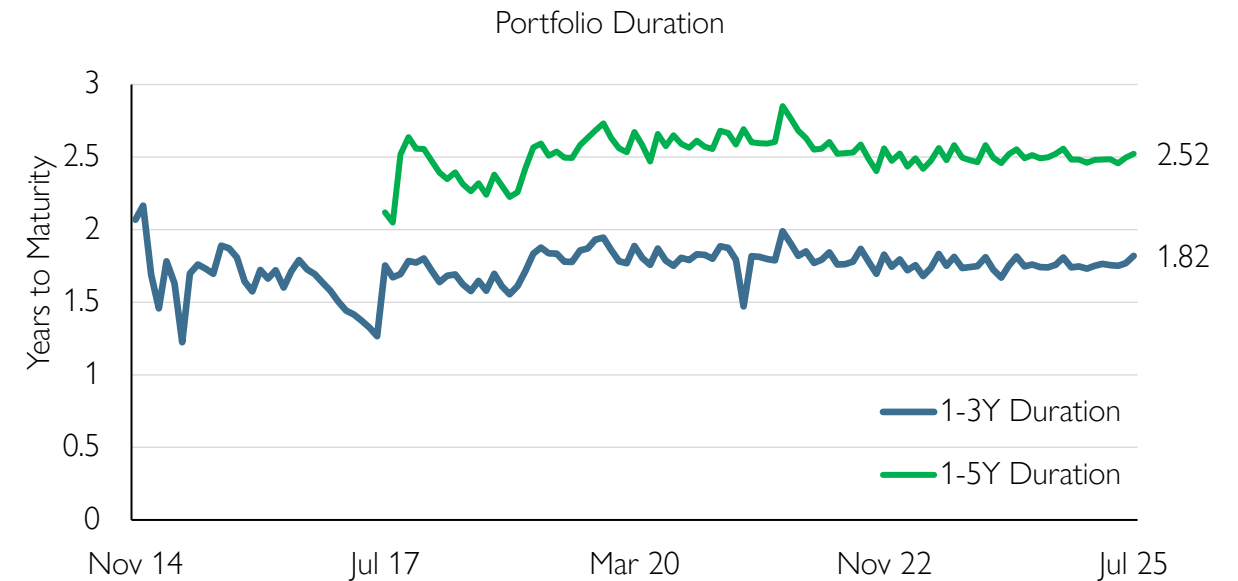
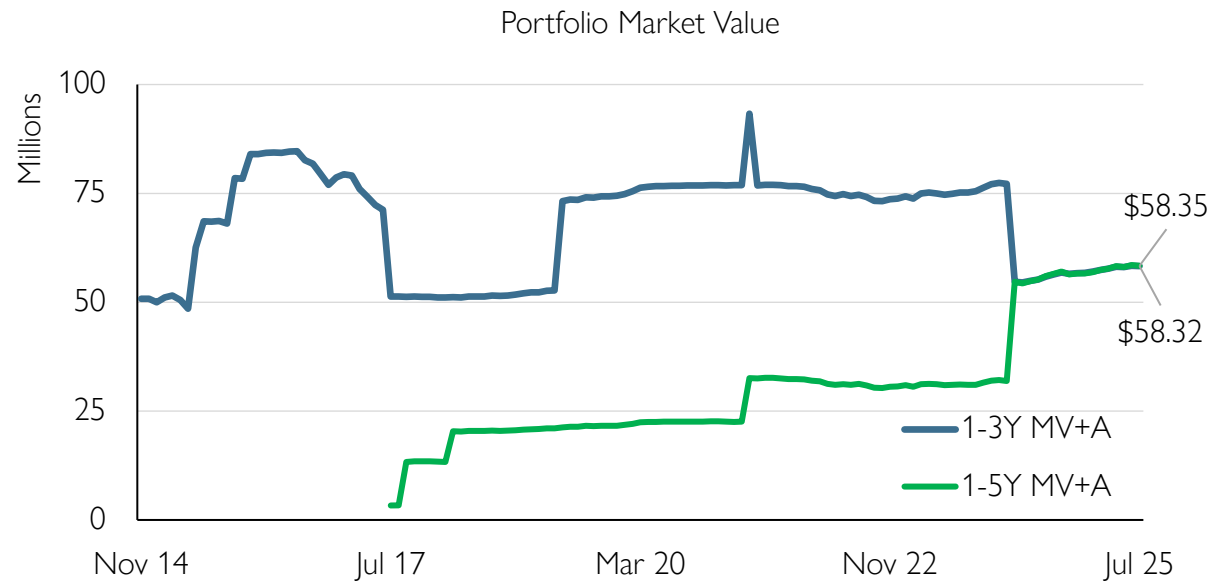
- Analyze spread relationships
- Gauge risk premiums
- Select undervalued sectors
- Deselect overvalued sectors

### Sector Selection

- Issuers vetted by team
- Quantitative analysis
- Qualitative assessment
- Review credit, security structure, and price volatility

# Portfolio Characteristics for the 1-3 Year and 1-5 Year Portfolios

- The City initially implemented a 1-3 year investment strategy in November 2014.
- The 1-5 year investment strategy was implemented in July 2017.
- Balances within each portfolio have been determined by total funds and cash flow needs.
- Currently the portfolios are balanced 50/50 with long term and reserve funds.
- These investment strategies complement the City's liquidity funds.





# 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.

# CITY OF FULLERTON INVESTMENT ADVISORY COMMITTEE

## MINUTES

Regular Meeting  
City Council Chambers  
303 West Commonwealth Avenue  
**Thursday, April 17, 2025 at 5:30 p.m.**

### **CALL TO ORDER**

Committee Chair Atwong called the meeting to order at 5:37 pm.

### **ROLL CALL**

Members Present: James Cho, Vice Chair  
Manny Walker, Committee Member  
Matthew Atwong, Committee Chair

Absent: Shana Charles, Mayor Pro Tem  
Ted Kim, Committee Member  
Yoon Jae Park, Committee Member

Consultants: John Grady with Public Trust Advisors  
Mark Creger with Public Trust Advisors

Staff Present: Kingsley Okereke, Interim Director of Administrative Services / City Treasurer  
Toni Smart, Deputy Director of Administrative Services  
Noah Hyun, Administrative Assistant

### **PUBLIC COMMENTS**

Maureen Milton asked about Unfunded Liabilities and Corporate Notes.

### **ACTION OR DISCUSSION ITEMS**

Item 1 Approval of Minutes from the Regular Meeting of January 16, 2025.  
Approval of Minutes was moved to the Meeting of July 17, 2025 because a quorum was not present.

Item 2      Review of Economic Update and Market Update for the quarter ending March 31, 2025.

Mark Creger with Public Trust Advisors presented the Economic and Market Update for the quarter ending March 31, 2025.

Item 3      Review of current portfolio strategy and provide direction.

John Grady with Public Trust Advisors presented the current Investment Portfolio and Portfolio Strategy.

No recommendations from the IAC.

### **ADJOURNMENT**

The meeting was adjourned at 7:15 p.m. The next regular meeting is scheduled for 5:30 p.m. Thursday, July 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 Program Plan Client Review

July 17, 2025

# CONTACTS

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**Jennifer Meza, CEBS**  
**Senior Manager, Consulting**  
(800) 540-6369 x141  
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**Client Services Coordinator**  
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**J. Keith Stribling, CFA**  
**Senior Portfolio Manager**  
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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 March 31, 2025

## Trust Administrator & Consultant\*

**PARS**

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

41

Years of Experience  
(1984-2025)

2,000+

Plans under  
Administration

1,000+

Public Agency  
Clients

500+

115 Trust Clients

500K+

Plan Participants

\$9.2B+

Assets under  
Administration

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

## Trustee

**usbank**

- 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

**pfm** asset  
management

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

40+

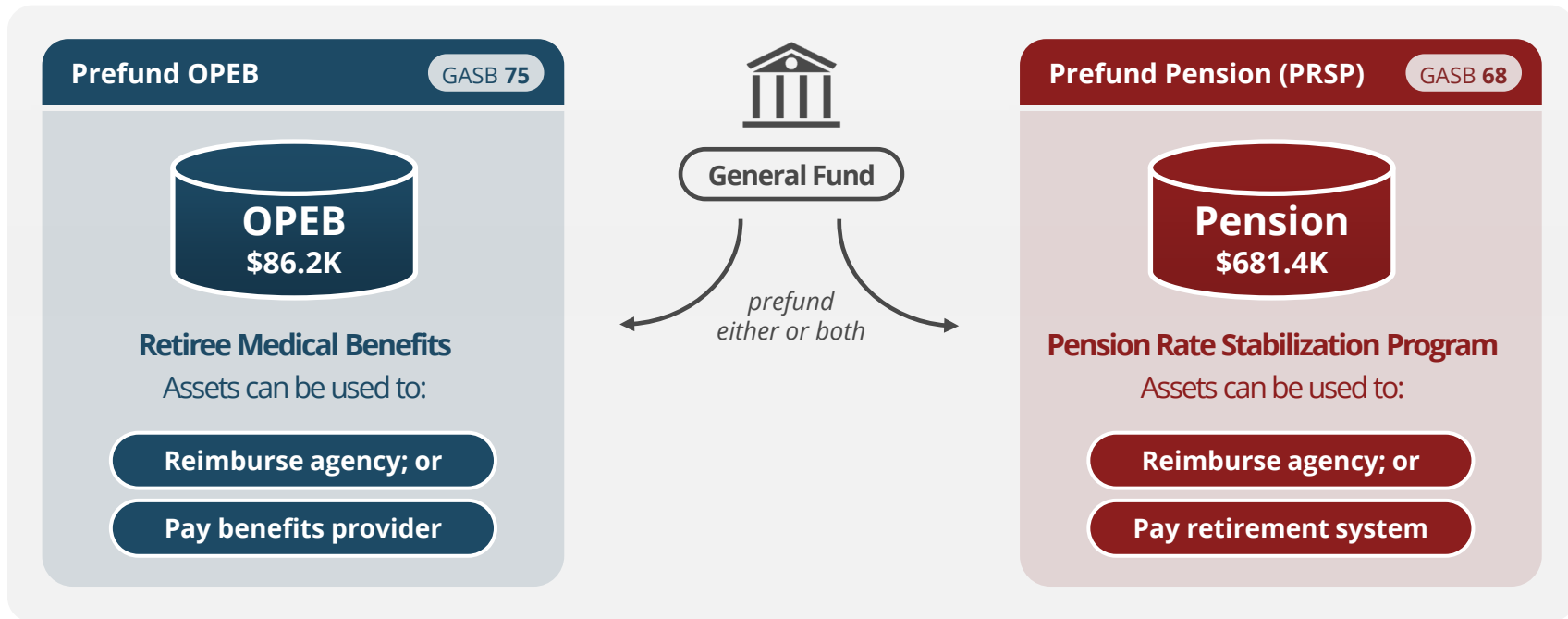
Years of Investment  
Experience  
(As of 12/31/2024)

\$256.5B+ \*

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?

---

## 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 Stabilization

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

---

<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 (Active)
	*Prior to October 2024, was in Capital Appreciation Strategic Blend
	*Prior to February 2020, was in Capital Appreciation Index

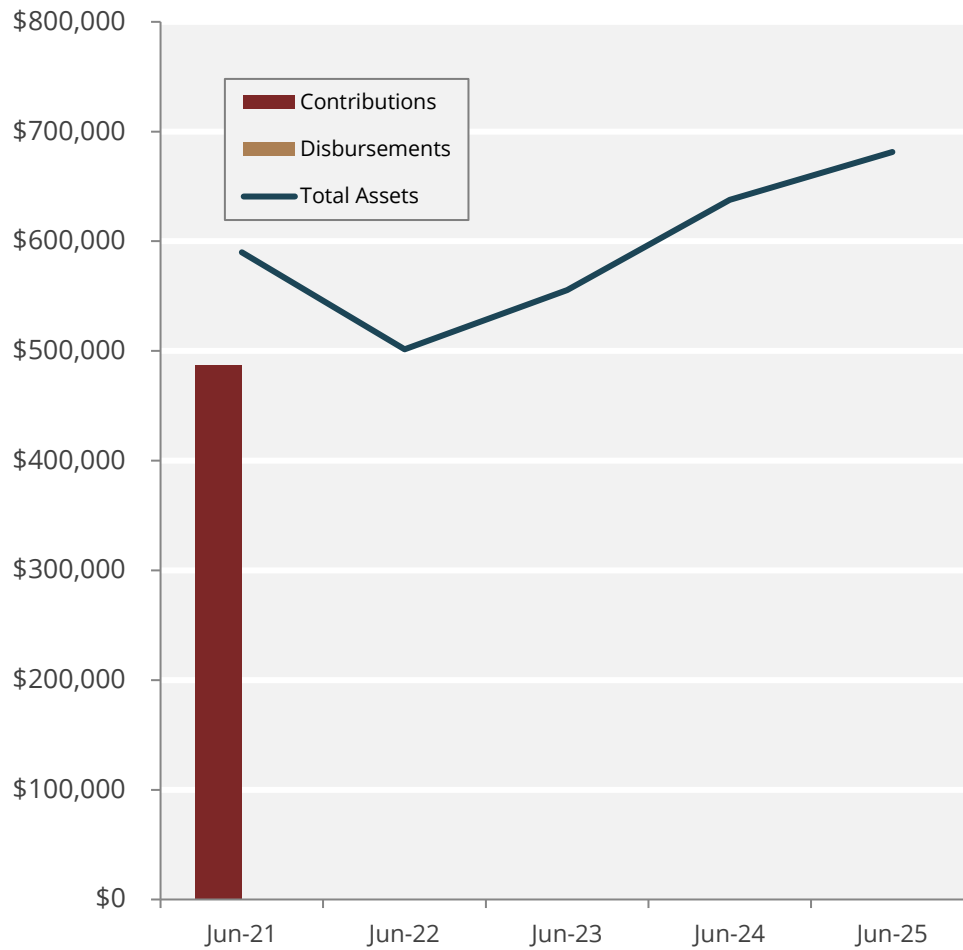
## AS OF MAY 31, 2025:

---

<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>	\$194,367
<b>Account Balance:</b>	\$681,367

# SUMMARY OF AGENCY'S PENSION PLAN

## HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF MAY 31, 2025 :



Year	Contributions	Disbursements	Total Assets
Jun-21*	\$487,000	\$0	\$589,967
Jun-22	\$0	\$0	\$501,509
Jun-23	\$0	\$0	\$555,438
Jun-24	\$0	\$0	\$637,739
Jun-25**	\$0	\$0	\$681,367

Plan Year Ending

\*Plan Year Ending June 2021 is based on 11 months of activity.  
 \*\*Plan Year Ending June 2025 is based on 11 months of activity.



# PENSION FUNDING STATUS

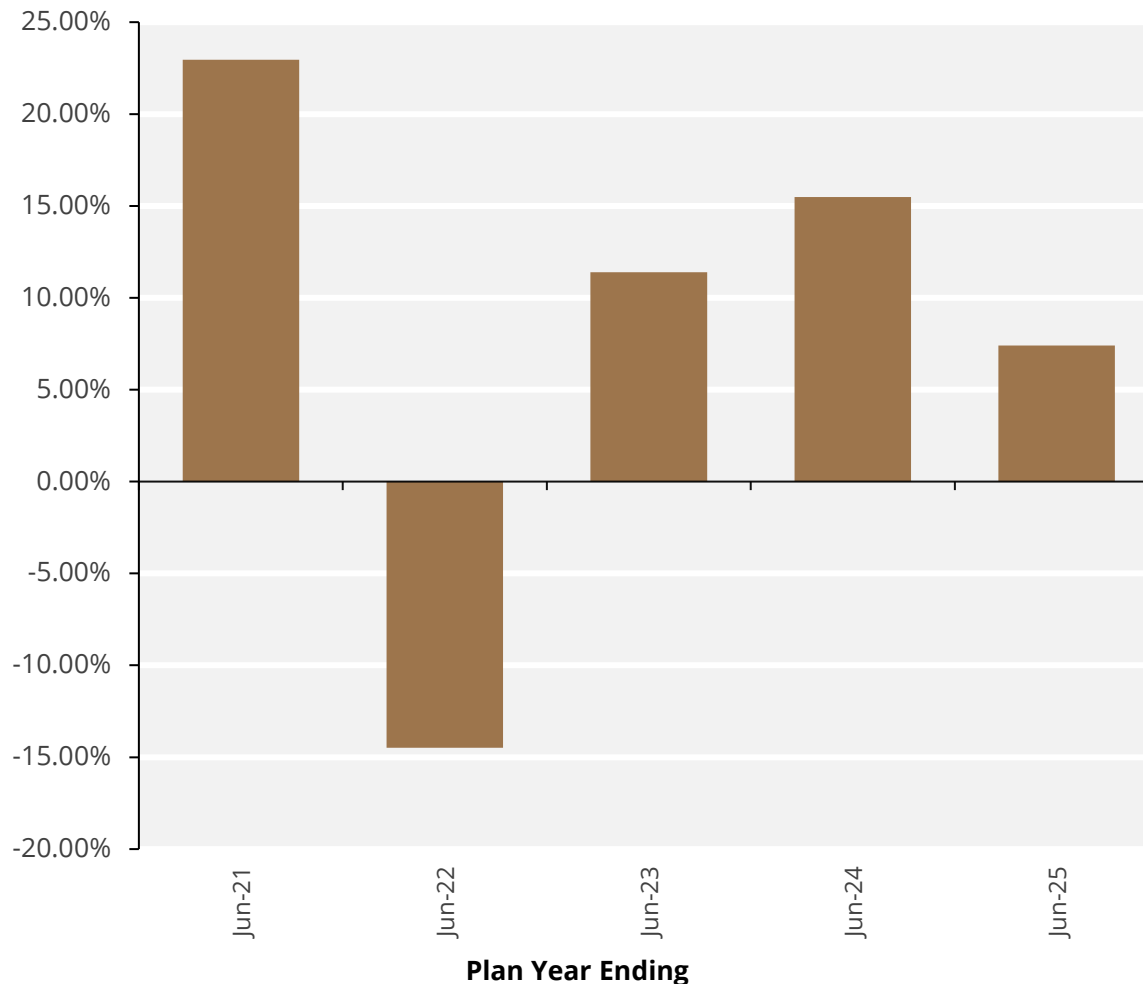
As of June 30, 2023, City of Fullerton's CalPERS pension plan is funded as follows\*:

Combined Miscellaneous & Safety Groups *	Valuation as of June 30, 2022	Valuation as of June 30, 2023	Change
Actuarial Liability	\$909.5 M	\$933.9 M	2.7% ↑
Assets	\$598.1 M	\$612.7 M	2.4% ↑
Unfunded Liability	\$311.4 M	\$321.2 M	3.2% ↑
Funded Ratio	65.8%	65.6%	0.2% ↓
Employer Contribution Amount	\$28.4 M (FY 23-24)	\$31.3 M (FY 24-25)	10.2% ↑
Employer Contribution Amount – Projected *	---	\$42.5 M (FY 30-31)	35.7% ↑

\* Data through 2030-31 from Agency's latest CalPERS actuarial valuation.

# PENSION PLAN TOTAL RETURNS

AS OF MAY 31, 2025



Year	Returns
Jun-21*	22.96%
Jun-22	-14.49%
Jun-23	11.39%
Jun-24	15.48%
Jun-25**	7.41%

Inception to Date (Annualized)

8.03%

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

\*\*Plan Year Ending June 2025 is based on 11 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?

---

## **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 May 31, 2025, assets at \$86,180 (approx. 0.33% 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

---

<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 (Active) *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

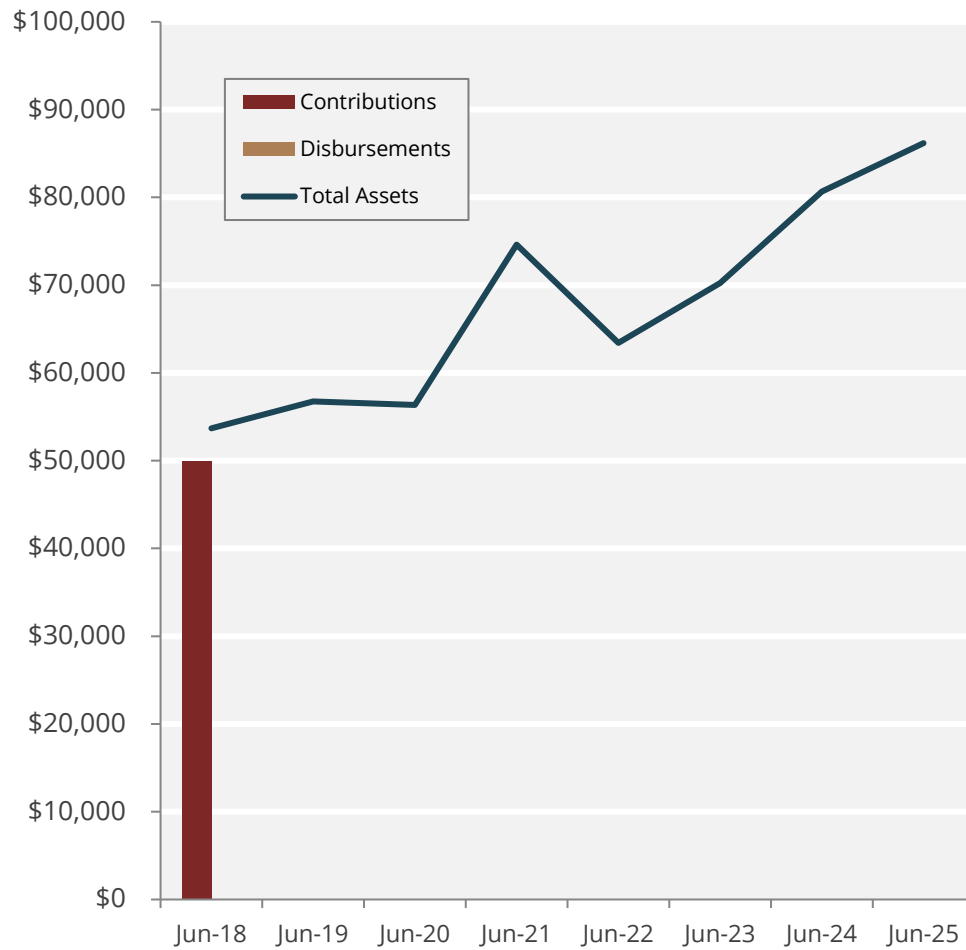
## AS OF MAY 31, 2025:

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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>	\$36,180
<b>Account Balance:</b>	\$86,180

# SUMMARY OF AGENCY'S OPEB PLAN

## HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF MAY 31, 2025 :



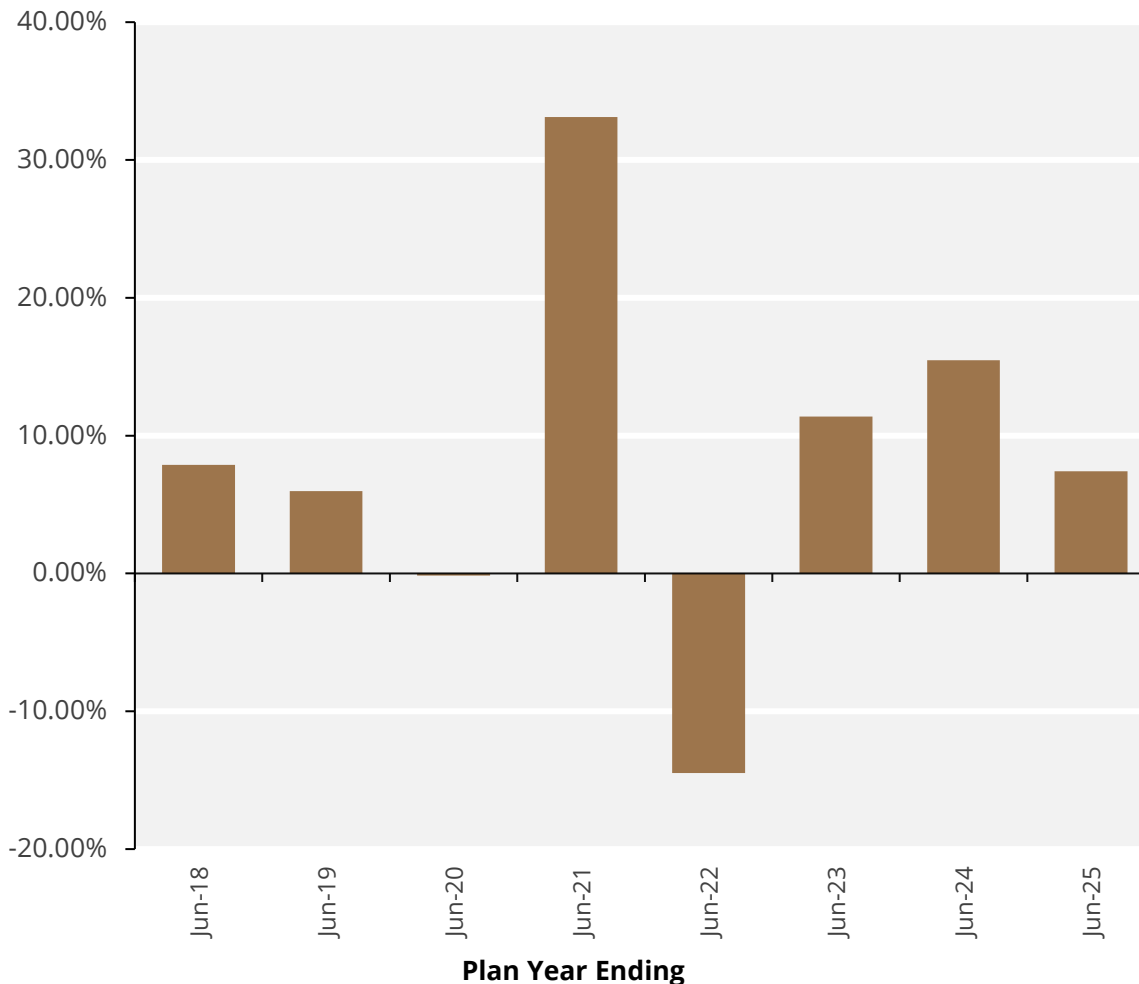
Year	Contributions	Disbursements	Total Assets
Jun-18	\$50,000	\$0	\$53,686
Jun-19	\$0	\$0	\$56,754
Jun-20	\$0	\$0	\$56,360
Jun-21	\$0	\$0	\$74,620
Jun-22	\$0	\$0	\$63,432
Jun-23	\$0	\$0	\$70,253
Jun-24	\$0	\$0	\$80,662
Jun-25*	\$0	\$0	\$86,180

Plan Year Ending

*\*Plan Year Ending June 2025 is based on 11 months of activity.*

# OPEB PLAN TOTAL RETURNS

AS OF MAY 31, 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*	7.41%

Inception to Date (Annualized)

7.67%

\*Plan Year Ending June 2025 is based on 11 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 March 31, 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\*

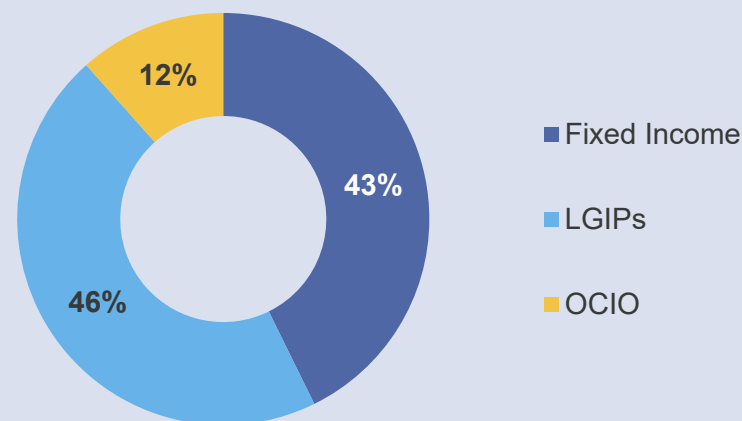
## Our Investment Solutions

- **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
- **Outsourced Chief Investment Officer (OCIO):** Multi-asset class portfolios for institutional investors
- **Specialized Solutions:** Arbitrage rebate, escrow restructuring, bond proceeds investments, structured investments

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

**\$174b 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 12/31/2024. Total may not add up to 100% due to rounding.

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

\*\*As of 12/31/2024. Public sector includes Government, Pool and TERM. Total assets under management for U.S. Bancorp Asset Management, Inc. was \$393.9 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)	-4.27%	-4.27%	8.25%	9.06%	18.58%	13.24%	12.49%
Russell 3000	-4.72%	-4.72%	7.22%	8.21%	18.17%	12.48%	11.79%
Russell 1000 Growth	-9.97%	-9.97%	7.76%	10.09%	20.07%	16.07%	15.11%
Russell 1000	-4.49%	-4.49%	7.82%	8.65%	18.45%	12.94%	12.17%
Russell 1000 Value	2.14%	2.14%	7.18%	6.64%	16.14%	9.18%	8.79%
Russell Midcap	-3.40%	-3.40%	2.59%	4.61%	16.27%	9.17%	8.82%
Russell Midcap Growth	-7.12%	-7.12%	3.57%	6.16%	14.86%	10.55%	10.13%
Russell Midcap Value	-2.11%	-2.11%	2.27%	3.78%	16.69%	7.78%	7.61%
Russell 2000 Growth	-11.12%	-11.12%	-4.86%	0.78%	10.77%	5.03%	6.14%
Russell 2000	-9.48%	-9.48%	-4.01%	0.52%	13.26%	5.41%	6.29%
Russell 2000 Value	-7.74%	-7.74%	-3.12%	0.05%	15.30%	5.31%	6.07%
<b>INTERNATIONAL EQUITY</b>							
MSCI EAFE	6.86%	6.86%	4.88%	6.05%	11.76%	5.32%	5.39%
MSCI AC World	-1.32%	-1.32%	7.15%	6.91%	15.17%	9.14%	8.83%
MSCI AC World ex USA	5.23%	5.23%	6.09%	4.48%	10.91%	4.46%	4.97%
MSCI AC World ex USA Small Cap	0.64%	0.64%	1.87%	0.99%	11.83%	3.22%	5.32%
MSCI EM (Emerging Markets)	2.93%	2.93%	8.09%	1.44%	7.94%	1.59%	3.70%
<b>ALTERNATIVES</b>							
FTSE Nareit/Equity REITs - INV	0.91%	0.91%	9.94%	-0.61%	11.33%	7.21%	5.33%
MSCI U.S. REIT Index (Net)	0.76%	0.76%	8.98%	-1.77%	10.04%	5.97%	4.01%
S&P Global Infrastructure Index	4.60%	4.60%	18.80%	6.09%	13.81%	7.37%	6.48%
Bloomberg Commodity Index	8.88%	8.88%	12.28%	-0.77%	14.51%	5.44%	2.77%
<b>FIXED INCOME</b>							
Bloomberg U.S. Aggregate	2.78%	2.78%	4.88%	0.52%	-0.40%	1.58%	1.46%
Bloomberg U.S. Government/Credit	2.70%	2.70%	4.66%	0.45%	-0.34%	1.73%	1.58%
Bloomberg U.S. Intermediate Government/Credit	2.42%	2.42%	5.65%	2.18%	0.86%	2.18%	1.81%
Bloomberg U.S. Treasury (1-3 Y)	1.62%	1.62%	5.42%	2.84%	1.14%	1.96%	1.49%
ICE BofA U.S. High Yield	0.94%	0.94%	7.60%	4.83%	7.21%	4.80%	4.91%
Bloomberg Global Aggregate ex-USD	2.53%	2.53%	1.46%	-3.47%	-2.35%	-2.17%	-0.18%
<b>CASH EQUIVALENT</b>							
Bloomberg 3 Month T-Bill	1.04%	1.04%	5.02%	4.31%	2.60%	2.49%	1.90%

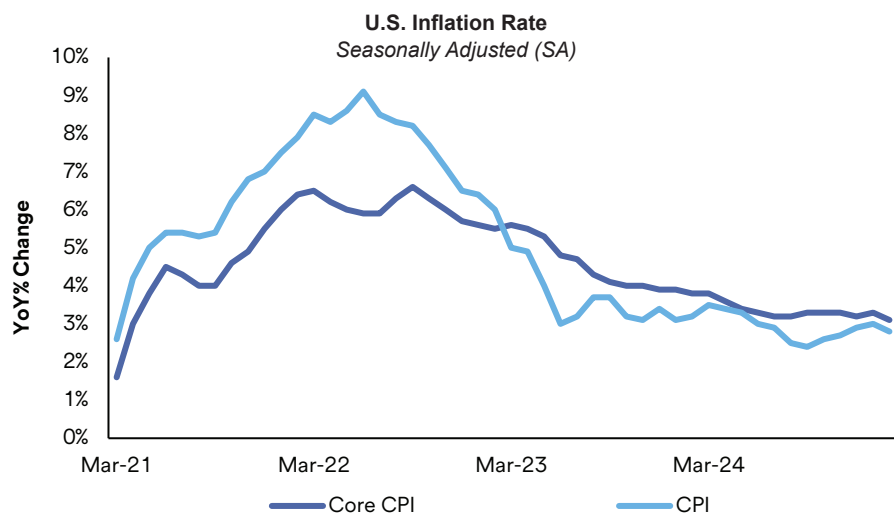
Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

## THE ECONOMY

► In the fourth quarter, U.S. real gross domestic product (GDP) grew at seasonally adjusted annualized rate of 2.4%, a deceleration from the 3.1% growth in Q3. While the headline figure came in below expectations due to weak gross private domestic investment, consumer spending continued to be robust. Outside the U.S., some developed countries saw similar strength in growth such as Japan, which grew 2.2%; while Europe continued to struggle with the Eurozone, growing 0.9% in the fourth quarter.

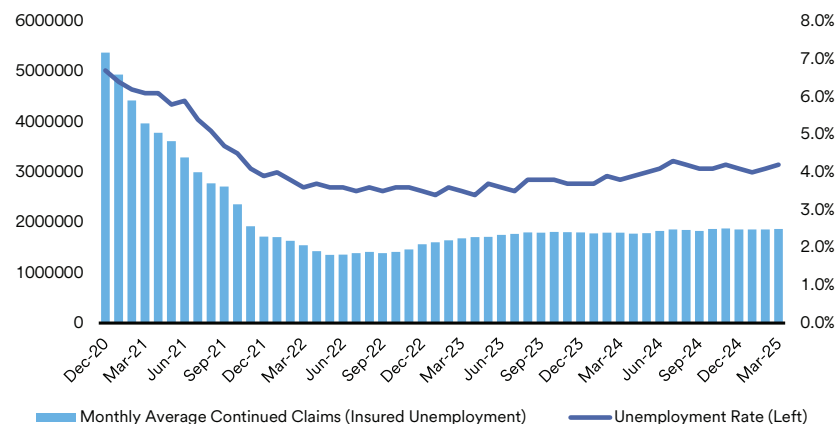
► The U.S. unemployment rate rose to 4.2% in March remaining in the remarkably stable range between 4.0% and 4.2% that we have seen for in the last six months. The latest initial jobless claims ticked higher to 2.2k in March as layoffs generally remain low, pointing to a relatively stable labor market despite a cooling outlook. The number of job openings slipped to 7.6M in February, while the number of unemployed persons per job opening remained at 0.9.

► Inflation remained sticky in the first quarter. Headline inflation (CPI) grew at a year-over-year (YoY) rate of 2.8% in February, down slightly from the 2.9% reading in December. Core CPI, which excludes volatile food and energy, slowed to 3.1% on an annual basis, the lowest rate since April 2021. This cooling rate does not capture the full impact of the new tariffs, which are expected to drive up prices in a transitory manner.



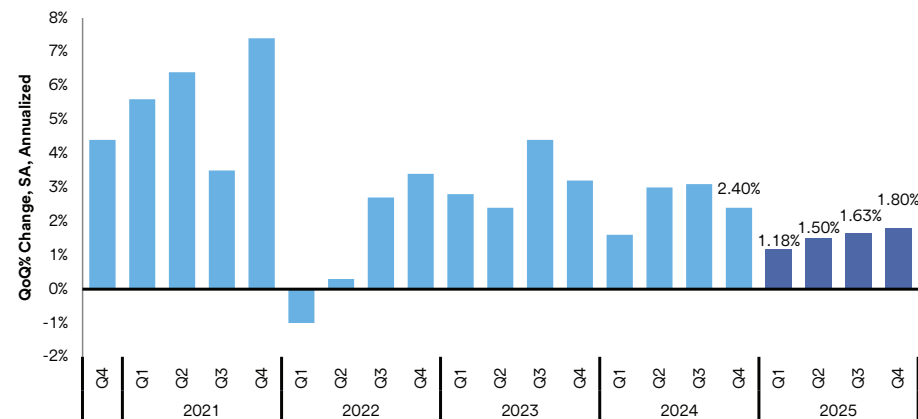
Source: Bureau of Labor Statistics.

**U.S. Unemployment and Monthly Average Continued Claims**



Source: Bloomberg.

**U.S. GDP Growth**

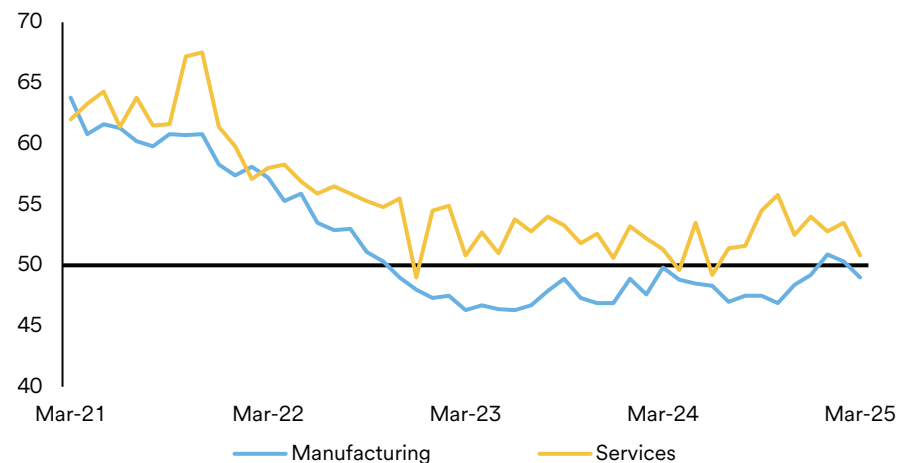


Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate forecasted estimates.

## WHAT WE'RE WATCHING

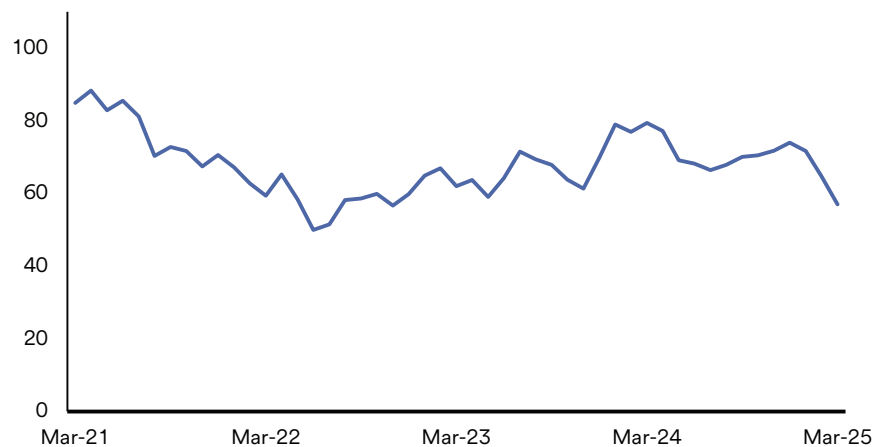
- ▶ The Federal Reserve (Fed) held rates flat in the first quarter. The latest Fed projections continue to forecast two quarter-percentage-point rate reductions by the end of 2025. Outside of the U.S., the European Central Bank (ECB) cut rates twice in the first quarter and signaled further easing ahead, emphasizing it will be data dependent as the US trade policy and increased defense spending adds to uncertainty on the path of inflation. The Bank of Japan (BOJ) raised rates by 50 basis points at its January meeting as inflation continued to heat up. The BOJ also signaled that interest rates will continue to rise, with the goal of normalizing the country's monetary policy after years of ultra-low rates.
- ▶ U.S. consumer sentiment, as measured by the University of Michigan survey of consumers, fell sharply in the first quarter, down to 57.0 in March, the lowest level since November 2022 as consumers worries over the potential impacts of tariffs weighed on outlook.
- ▶ On April 2, 2025, President Trump announced a 10% tariff on all imports into the United States effective April 5 and steeper tariffs on over 60 countries, effective April 9, in addition to the already announced tariffs. While these levies could be removed or lowered substantially as the administration negotiates with its trading partners, they could adversely impact economic growth prospects should they remain in place for an extended period.

U.S. ISM Manufacturing & Services PMI



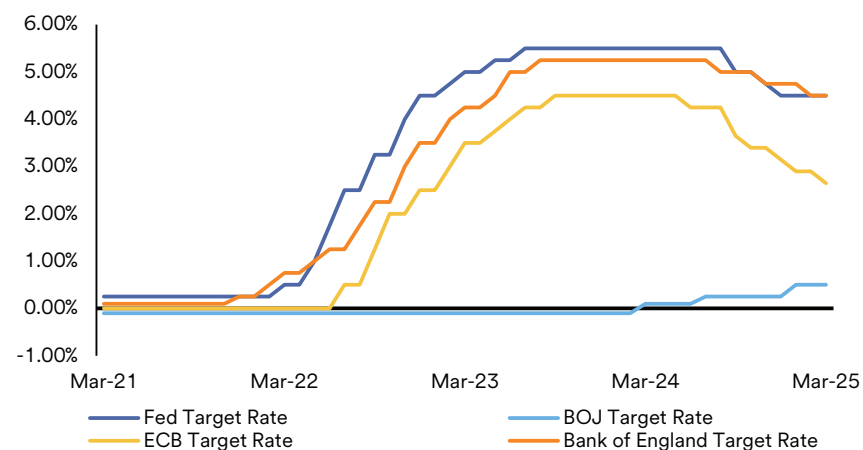
Source: Bloomberg.

University of Michigan Consumer Sentiment



Source: Bloomberg.

Global Central Bank Rates



Source: Bloomberg.

## DOMESTIC EQUITY

► The S&P 500 Index (S&P) posted a -4.3% return for the first quarter of 2025. During the quarter, S&P performance was negative for two out of three months, posting a quarter high of 2.9% in January, and a low of -5.6% in March.

► Within the S&P, performance was mixed across the 11 GICS sectors. In a reversal from the previous quarter the worst performing sector was Consumer Discretionary (-13.8%), followed by IT (-12.7%), and Communication Services (-6.2%). The best performing sectors were Energy (10.2%), Healthcare (6.5%), and Consumer Staples (5.2%).

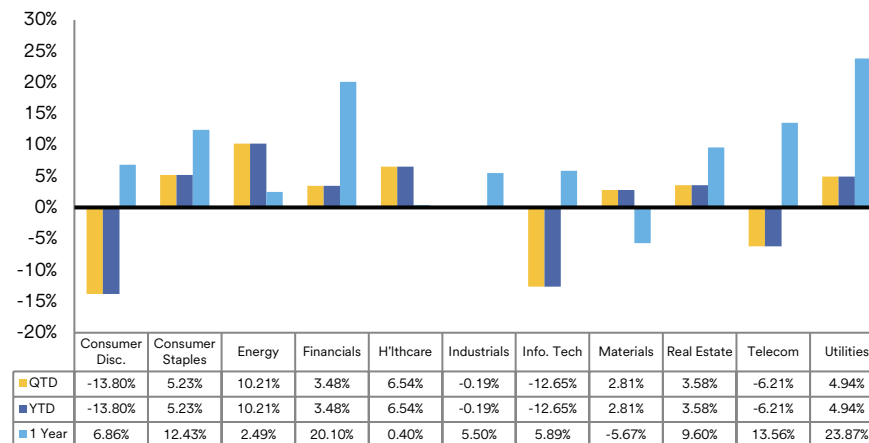
► Negative returns were seen across all capitalizations with large-caps, as represented by the Russell 1000 Index, returning -4.5% during the quarter while the Russell Midcap and Russell 2000 indices returned -3.4% and -9.5%, respectively.

► According to FactSet Earnings Insight as of March 28, 2025, the expected YoY earnings growth rate for S&P 500 for Q1 2025 was 7.3%, after downward revisions from the beginning of the year. At the sector level, Materials (7.1% to -9.8%) and Consumer Discretionary (11.5% to 1.6%) saw the biggest downward revisions in YoY earnings growth estimates from December 31 to March 28th. There were no sectors that saw upward revisions during this period though Utilities remained near flat with a downward revision of just -0.4%.

► As of the end of the quarter, forward 12-month P/E ratio for the S&P 500 is 22.4, which is below the 5-year average of 23.2. By comparison, the Russell 2000, which represents small-cap stocks, had a forward P/E ratio of 17.1, just slightly below its 5-year average of 17.8.

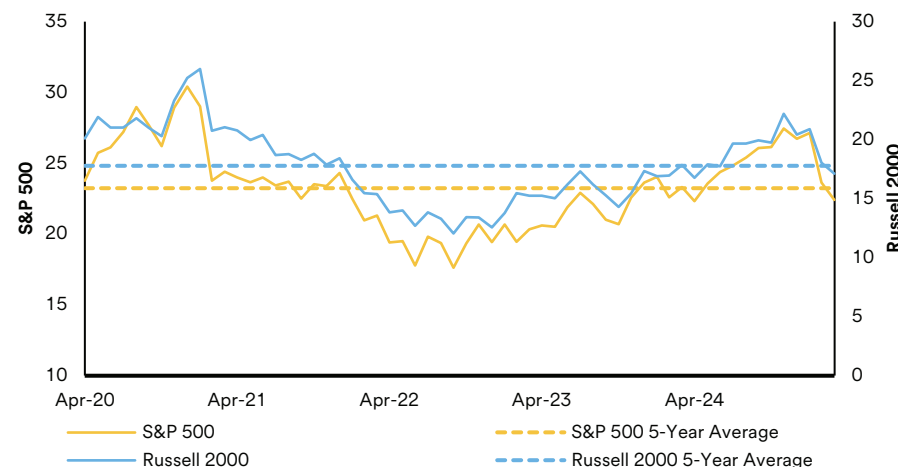
### S&P 500 Index Performance by Sector

Periods Ended March 31, 2025



Source: Bloomberg.

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



Source: Bloomberg.

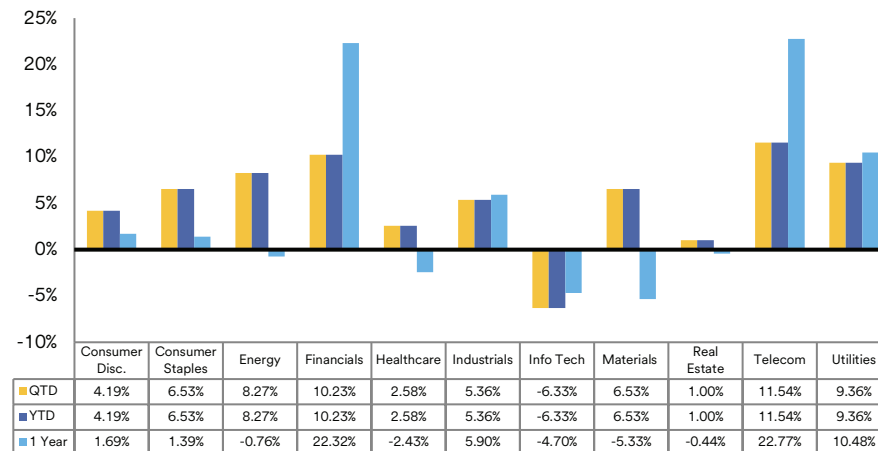
\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

## INTERNATIONAL EQUITY

- ▶ Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, outperformed their U.S. counterparts, returning 5.2% for the quarter.
- ▶ Ten of the 11 sectors posted positive returns for the quarter. The top performing sectors were Communication Services (11.5%) and Financials (10.2%) and Utilities (9.4%). The worst performers for the quarter were Healthcare (2.6%), Real Estate (1.0%), and IT (-6.3%), the only sector that saw negative returns.
- ▶ Developed ex-U.S. Markets, as represented by the MSCI EAFE Index, outperformed emerging markets (EM), represented by the MSCI Emerging Market Index, returning 6.9% versus 2.9% for the quarter.
- ▶ Of the five largest-weighted countries in the MSCI EAFE index MSCI France (10.3%), MSCI Germany (15.6%), MSCI Switzerland (11.4%), all saw double digit returns. The MSCI United Kingdom (9.7%) also outperformed the MSCI EAFE index while MSCI Japan (0.3%) was the only notable underperformer.
- ▶ Of the five largest-weighted countries in emerging markets, MSCI Taiwan (-12.6%) and MSCI India (-3.0%) dragged on performance, underperforming the MSCI Emerging Markets Index, while MSCI China (15.0%), MSCI Korea (4.9%), and MSCI Brazil (14.1%) all outperformed.
- ▶ Growth stocks underperformed value stocks for the quarter as represented by the broad benchmark. MSCI AC World ex-USA Growth returned 2.0% while MSCI AC World ex-USA Value returned 8.6%. Within EM, growth underperformed value as well, returning 1.7% versus 4.4%.
- ▶ Small-caps, as represented by MSCI ACWI ex-U.S. Small Cap Index, also saw positive returns during the quarter, posting a return of 0.6%.
- ▶ Non-U.S. equities valuations fell slightly but remain close to their long-term average across international equity markets. As of March 31, 2025, MSCI EAFE's forward P/E stood at 15.1 versus a 5-year average of 16.1. MSCI EM ended the quarter with a forward P/E ratio of 12.4, which is slightly below its 5-year average of 13.3.

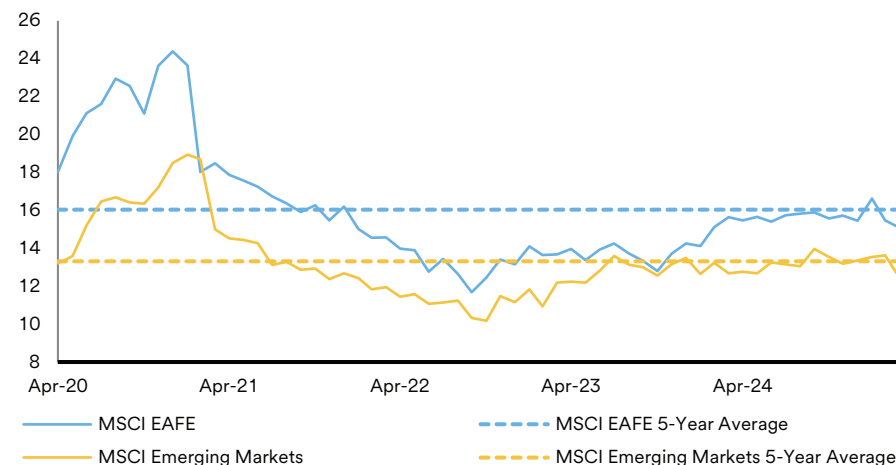
### MSCI ACWI ex-U.S. Sectors

Periods Ended March 31, 2025



Source: Bloomberg.

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



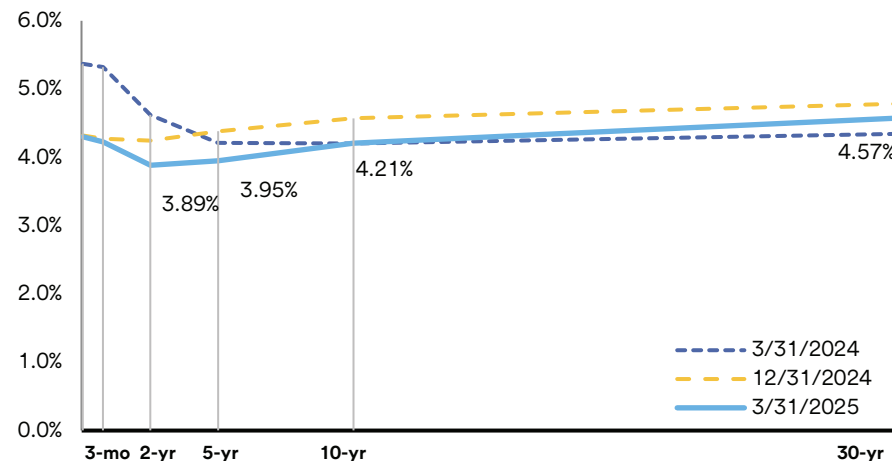
Source: Bloomberg.

\*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 (Aggregate) Index saw positive returns in the first quarter, returning 2.8%.
- ▶ The Bloomberg U.S. Treasury Index closed the quarter returning 2.9%. During the period, the FOMC held rates steady, continuing to project two cuts for 2025. Rates fell across the curve in the first quarter. The 10-year fell to 4.2%, while the 2-year ended at 3.9%.
- ▶ Corporate credit had mixed results for the quarter on the rising rates. The investment-grade (IG) Bloomberg U.S. Corporate (IG Corp) Index returned a 2.4% while High Yield bonds, as represented by the Bloomberg U.S. Corporate High Yield (HY) Index, returned 1.0%. Spreads widened slightly across quality spectrum.
- ▶ The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index returned 3.1%. On the commercial side, the Bloomberg U.S. Agency CMBS Index returned 2.9% while the non-agency CMBS index posted a return of 2.3%.

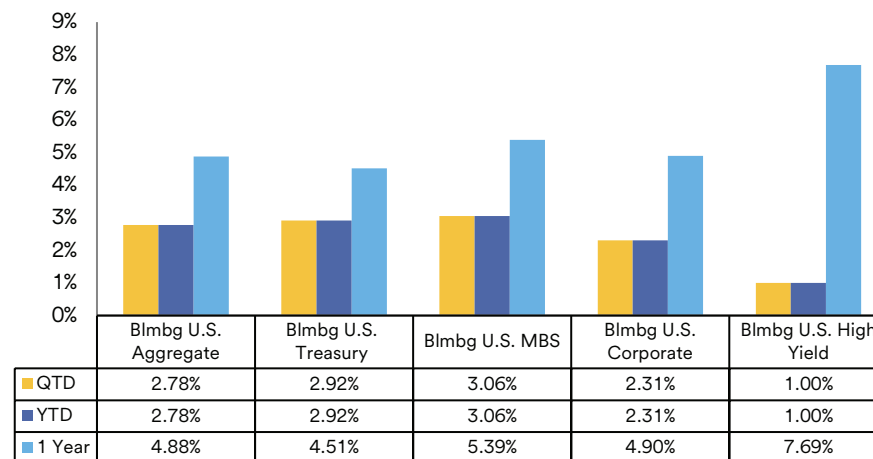
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended March 31, 2025



Source: Bloomberg.



## ALTERNATIVES

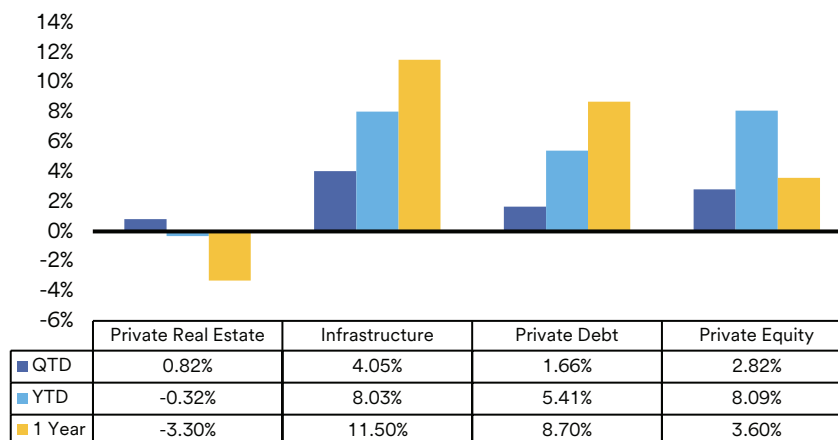
► REITs, as measured by the FTSE NAREIT Equity REITs Index, returned 0.9% in the quarter, compared to a -6.2% return in the prior quarter. Three of the nine major sectors saw negative returns. This performance comes as the Fed continued its a more cautious approach to monetary policy easing through the first quarter. Private real estate, as measured by the NCREIF Property Index, gained 0.9% in the fourth quarter of 2024, resulting in a 0.6% return for the year. Q4 marked the second quarter of positive total return in two years as property value declines leveled off across most sectors. Seniors Housing was the top performer, returning 2.1% while office properties continued to fare poorly, returned -0.6%.

► Listed infrastructure, as measured by the S&P Global Infrastructure Index, returned 4.6% in the quarter, compared to a -2.5% decrease in the prior quarter. Performance was mostly positive across the major sectors as interest rates fell. In 2024, 50 private infrastructure funds raised \$77.8 billion, a subdued pace against the backdrop of high inflation, elevated interest rates, and uncertain economic and geopolitical environment. Most of the capital went to funds larger than \$1 billion seeking to capitalize on secular trends around digitalization, decarbonization, and deglobalization. Infrastructure dry powder has fallen from the previous year and stands at \$366.5 billion as of Q2 2024. According to PitchBook, infrastructure funds posted a return of 4.1% in Q3 2024. The asset class has generated an annualized return of 10.8% for the five years ended Q3 2024.

► In 2024, 153 private debt funds raised \$196.1 billion. Short of the previous year's total after a slow start to the year and disappointing fourth quarter. Private debt dry powder remains above the long-term average at \$566.8 billion as of Q2 2024; although over 50% has been outstanding for more than three years. According to PitchBook, private debt funds posted a return of 1.7% in Q3 2024. The asset class has generated an annualized return of 8.4% for the five years ended Q3 2024.

► In 2024, 551 private equity funds raised \$492.3 billion – while slower than 2023 this is a solid pace considering a challenging environment. The bulk of the capital raised went 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 \$1.7 trillion as of Q2 2024. Recent private equity performance has been muted due to higher borrowing costs and a slowdown in deal activity. According to PitchBook, private equity funds posted a return of 2.8% in Q3 2024. The asset class has generated an annualized return of 17.0% for the five years ended Q3 2024.

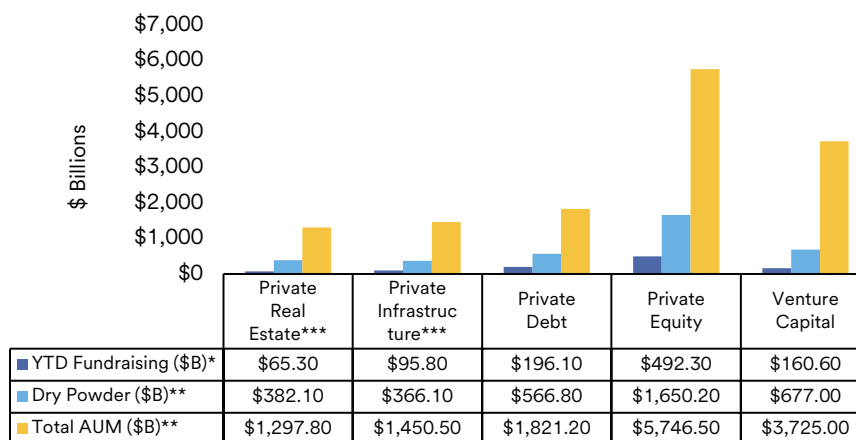
### Returns for Private Capital Assets



Source: NCREIF, PitchBook.

As of September 30, 2024, the most recent period for which all index data is available.

### Private Capital Fundraising & Dry Powder



Sources: Pitchbook.

\* Total capital raised in 2024 as of December 31, 2024 - most recent period for which ALL fundraising data is available.

\*\* Cumulative dry powder and total AUM as of June 30, 2024.

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



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

**Monetary Policy (Global):**



- Recent uncertainty had led Fed to continue to pause on rate cuts so far this year. Market expects first rate cut in June. Path and magnitude of rate cuts for 2025 remains uncertain.
- European Central Bank has continued to ease this year while the Bank of Japan has delivered rate hikes – both diverging from the Fed.

**Economic Growth (Global):**



- U.S. GDP is expected to grow slower than in 2024. Recession probability is rising, and we are closely watching economic activity indicators.
- Economic growth outside the U.S. remains modest with some improvement in Eurozone expected due to increased fiscal spending. Tariffs pose growth and inflation risks.

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



- While inflation has fallen since its peak in 2022, progress towards 2% target remains slow.
- The Fed has acknowledged higher inflation and slower growth in their recent projections. Proposed tariff policies may put pressure on input costs and goods while demand side pullback could ease some pressure.

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



- Even after the recent bout of volatility, risk, and credit conditions still point to the stability of financial conditions.
- While our base case is not for a dramatic shift in conditions, the uncertainty associated with tariff policies could lead to pullback in financial conditions in the near-term.

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



- Broad consumer metrics are supportive of economic strength. A growing divergence among consumers exists as lower-income cohorts continue to feel more strain due to the higher overall level of prices.
- An unexpected material deterioration of labor market conditions is the biggest risk to consumer spending.

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



- The labor market remains well-positioned, but continued tariff uncertainty could lead to an increase in unemployment rate. Federal layoffs make up a smaller proportion of overall labor force but sustained slowdown in pace of hiring as negative impact on economic growth expectations.

**Corporate Fundamentals:**



- Earnings growth expectations are positive across global equities, but tariff impact need to closely monitored for any impact on profit margins.
- In the U.S., any tax cuts/deregulation initiatives are positives while near term headwinds from tariff uncertainty could impact both earnings growth expectations and profit margins negatively.

**Valuations:**



- U.S. equity experienced increased volatility in Q1, and credit markets widened from historical lows – both still remain expensive relative to history and are susceptible to increased economic uncertainty.
- International equities look attractive but continued economic and geopolitical uncertainty is leading to increased volatility.

**Political/Policy Risks:**



- Geopolitical risks continue to remain elevated. Prospects of peace deal in Middle East and Russia/Ukraine are positives, while reciprocity in global tariffs and strained relationships with major trading partners for the U.S. due to ongoing tariffs cause economic and political uncertainty.

● Current outlook    ○ Outlook one quarter ago

Stance Unfavorable  
to Risk Assets

Negative

Slightly  
Negative

Neutral














Slightly  
Positive

Positive

Stance Favorable  
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 (March 31, 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 Q2 2025 Investment Outlook	Comments
<b>U.S. Equities</b>		<ul style="list-style-type: none"> <li>Risks to growth narrative has unnerved the markets leading to pick up to volatility. Tariffs and their possible impact on business and consumer confidence, corporate profit margins, inflation and economic growth has led to increased uncertainty leading us to remain neutral across U.S. equities. We also expect rate cut related volatility to remain as Fed remains data dependent amidst this increased uncertainty.</li> <li>Market performance has broadened beyond the Mag-7 names in Q1. Earnings growth for large caps are also expected to broaden outside of Mag-7, but current macro environment leads to increased uncertainty.</li> <li>Small-caps continued to lag large-caps during the recent sell-off reversing the gains since election. Macro uncertainty and high level of rates are headwinds while attractive valuations and improving earnings expectations are tailwinds.</li> </ul>
Large-Caps		
Small-Caps		
<b>Non-U.S. Equities</b>		<ul style="list-style-type: none"> <li>International equities have outperformed U.S. equities in Q1 and continue to trade at a discount to U.S. equities. Improved sentiment is driven by increased fiscal spending efforts in Europe and continued stimulus in China, but tariff overhang remains for these export-oriented economies.</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> </ul>
Developed Markets		
Emerging Markets		
<b>Fixed Income</b>		<ul style="list-style-type: none"> <li>The Fed continues to be in pause mode as they assess uncertainty amidst widened range of outcomes combined with lower growth and higher unemployment rate as seen in the recent Fed projections. Yields look attractive across the fixed income sectors which leads us to closer to neutral. We maintain duration close to the benchmark duration across the portfolios.</li> <li>Credit markets remain attractive due to strong corporate fundamentals. We remain positive on investment grade but are staying closer to targets on high yield given tighter spreads and rising uncertainty. We continue to closely watch for signs for any distress in the corporate credit space.</li> </ul>
Core Bonds		
Investment Grade Credit		
High Yield Credit		
<b>Diversifying Assets</b>		<ul style="list-style-type: none"> <li>During the recent risk-asset sell-off in Q1 in the U.S., listed REITs and listed infrastructure held up well pointing to their characteristics of lower correlation. While the underlying fundamentals within listed real estate and listed infrastructure are healthy, we remain neutral due to ongoing uncertainty regarding economic growth.</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 (March 31, 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/empisit.pdf>

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

<https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/>

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

NCREIF

PitchBook

## 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.*

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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>-0.26</b>	<b>-0.26</b>	<b>5.54</b>	<b>4.52</b>	<b>10.01</b>	<b>6.53</b>	<b>N/A</b>	<b>7.38</b>	<b>10/01/2015</b>
<i>Blended Benchmark</i>		-0.90	-0.90	5.61	4.65	9.84	6.97	N/A	7.67	
<b>Domestic Equity</b>	<b>42.87</b>	<b>-4.72</b>	<b>-4.72</b>	<b>5.59</b>	<b>7.10</b>	<b>17.56</b>	<b>11.09</b>	<b>N/A</b>	<b>12.15</b>	<b>10/01/2015</b>
<i>Russell 3000 Index</i>		-4.72	-4.72	7.22	8.22	18.18	12.49	11.80	13.34	
Columbia Contrarian Core Inst3	9.02	-4.71	-4.71	6.50	9.35	18.77	13.36	12.24	13.21	02/01/2024
<i>S&amp;P 500</i>		-4.27	-4.27	8.25	9.06	18.59	13.25	12.50	14.99	
Putnam Core Equity Fund Y	3.90	-4.79	-4.79	7.96	10.32	20.91	13.67	12.59	-2.47	10/01/2024
Schwab US Large-Cap ETF	28.00	-4.54	-4.54	7.90	8.73	18.43	13.03	12.26	-1.86	10/01/2024
<i>S&amp;P 500</i>		-4.27	-4.27	8.25	9.06	18.59	13.25	12.50	-1.97	
Undisc Managers Behavioral Val R6	1.27	-3.81	-3.81	-0.23	5.12	23.15	8.85	9.15	7.19	02/01/2024
<i>Russell 2000 Value Index</i>		-7.74	-7.74	-3.12	0.05	15.31	5.32	6.07	3.79	
<i>Russell 2000 Index</i>		-9.48	-9.48	-4.01	0.52	13.27	5.41	6.30	4.31	
Columbia Small Cap Growth Inst3	0.35	-12.29	-12.29	-3.85	2.09	12.35	10.09	10.96	-8.78	10/01/2024
<i>Russell 2000 Growth Index</i>		-11.12	-11.12	-4.86	0.78	10.78	5.04	6.14	-9.60	
<i>Russell 2000 Index</i>		-9.48	-9.48	-4.01	0.52	13.27	5.41	6.30	-9.18	
Emerald Growth Institutional	0.32	-12.38	-12.38	-1.13	1.84	12.38	6.73	7.42	7.07	02/01/2024
<i>Russell 2000 Growth Index</i>		-11.12	-11.12	-4.86	0.78	10.78	5.04	6.14	4.90	
<i>Russell 2000 Index</i>		-9.48	-9.48	-4.01	0.52	13.27	5.41	6.30	4.31	
<b>International Equity</b>	<b>10.58</b>	<b>6.36</b>	<b>6.36</b>	<b>6.12</b>	<b>4.21</b>	<b>10.92</b>	<b>4.20</b>	<b>N/A</b>	<b>6.58</b>	<b>10/01/2015</b>
<i>MSCI AC World ex USA (Net)</i>		5.23	5.23	6.09	4.48	10.92	4.47	4.98	6.64	
MFS International Growth R6	1.43	4.28	4.28	8.65	6.60	11.68	7.52	7.88	12.56	02/01/2024
<i>MSCI AC World ex USA (Net)</i>		5.23	5.23	6.09	4.48	10.92	4.47	4.98	10.35	
Fidelity International Index	4.27	7.95	7.95	5.83	6.78	12.21	5.54	5.63	6.12	07/01/2024
<i>MSCI EAFE (net)</i>		6.86	6.86	4.88	6.05	11.77	5.33	5.40	5.32	
Goldman Sachs GQG Ptnrs Intl Opportunities	1.63	8.23	8.23	0.82	8.64	13.27	9.68	N/A	-1.90	07/01/2024
<i>MSCI AC World ex USA (Net)</i>		5.23	5.23	6.09	4.48	10.92	4.47	4.98	5.08	
Hartford Schroders Emerging Mkts Eq	3.25	2.71	2.71	6.97	0.97	7.56	1.58	N/A	13.45	02/01/2024
<i>MSCI EM (net)</i>		2.93	2.93	8.09	1.44	7.94	1.59	3.71	13.60	

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

## Asset Allocation &amp; Performance

	Allocation	Performance(%)								
	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Other Growth</b>	<b>6.10</b>	<b>4.75</b>	<b>4.75</b>	<b>7.37</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>9.88</b>	<b>02/01/2024</b>
Cohen & Steers Inst Realty Shares	2.91	3.16	3.16	10.13	-0.38	10.83	8.45	6.50	11.99	06/01/2024
MSCI US REIT Index		1.07	1.07	10.26	-0.55	11.32	7.23	5.28	13.35	
Lazard Global Listed Infrastructure Inst	1.58	6.48	6.48	9.95	6.97	11.15	8.56	8.37	4.35	10/01/2024
MSCI World Core Infrastructure Index (Net)		7.58	7.58	13.92	1.96	9.32	7.12	6.55	0.80	
NYLI CBRE Global Infrastructure	1.60	6.08	6.08	14.20	2.70	9.63	7.41	6.95	10.10	06/01/2024
FTSE Global Core Infrastructure 50/50 Index (Net)		4.81	4.81	13.04	2.48	9.37	6.44	6.09	9.22	
<b>Fixed Income</b>	<b>36.96</b>	<b>2.73</b>	<b>2.73</b>	<b>5.45</b>	<b>1.41</b>	<b>1.22</b>	<b>1.96</b>	<b>N/A</b>	<b>2.13</b>	<b>10/01/2015</b>
Blmbg. U.S. Aggregate		2.78	2.78	4.88	0.52	-0.40	1.58	1.46	1.59	
Baird Aggregate Bond Inst	9.60	2.84	2.84	5.22	1.03	0.37	1.97	1.86	5.72	03/01/2024
iShares Core US Aggregate Bond ETF	7.16	2.76	2.76	4.96	0.53	-0.40	1.55	1.42	5.38	03/01/2024
Blmbg. U.S. Aggregate		2.78	2.78	4.88	0.52	-0.40	1.58	1.46	5.39	
Dodge & Cox Income	9.13	2.87	2.87	5.53	2.13	1.98	2.75	2.63	4.51	02/01/2024
PGIM Total Return Bond R6	9.20	2.78	2.78	5.75	1.29	1.34	2.17	2.31	4.81	02/01/2024
Blmbg. U.S. Aggregate		2.78	2.78	4.88	0.52	-0.40	1.58	1.46	3.72	
NYLI MacKay High Yield Corp Bond Fund	1.87	1.18	1.18	6.61	4.95	7.25	4.79	5.14	7.04	02/01/2024
ICE BofA US High Yield Index		0.94	0.94	7.60	4.84	7.21	4.80	4.92	7.84	
<b>Cash Equivalent</b>	<b>3.49</b>	<b>1.06</b>	<b>1.06</b>	<b>4.93</b>	<b>4.08</b>	<b>2.44</b>	<b>2.29</b>	<b>N/A</b>	<b>1.81</b>	<b>10/01/2015</b>
ICE BofA 3 Month U.S. T-Bill		1.02	1.02	4.97	4.23	2.56	2.45	1.87	1.97	
First American Government Obligation - X	3.49	1.06	1.06	4.93	4.26	2.56	2.38	N/A	4.98	02/01/2024
ICE BofA 3 Month U.S. T-Bill		1.02	1.02	4.97	4.23	2.56	2.45	1.87	5.02	

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

**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>
Hartford Schroders Emerging Mkts Eq	7.75	9.00	-22.14	-4.93	23.78	22.32	-15.42	N/A
<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>

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

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
Blmbg. U.S. Aggregate	1.25	5.53	-13.01	-1.55	7.51	8.72	0.01	3.54
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
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

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.



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

<b>Allocation Mandate</b>	<b>Weight (%)</b>
<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
<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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## Economic Update

July 2025

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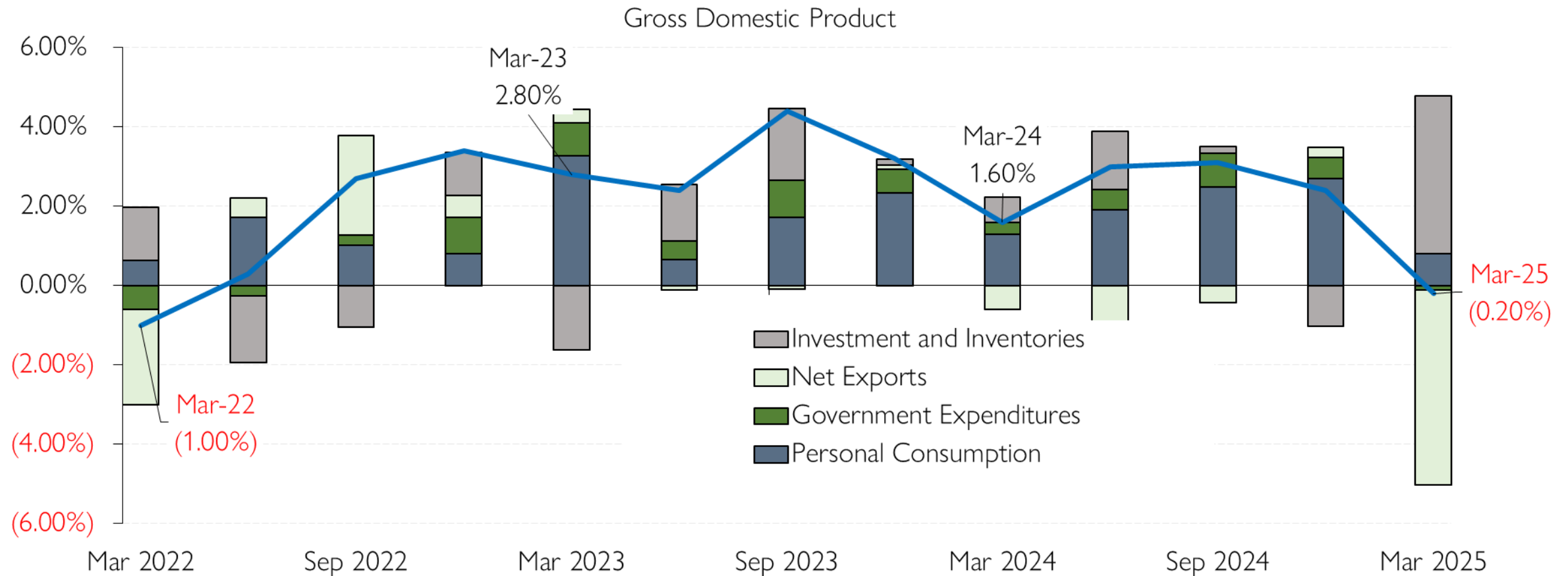
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# Gross Domestic Product

- The third reading of the first quarter 2025 GDP of -0.20%, indicated the first economic contraction in three years. The primary reason for the decline in economic growth was the surge in imports during the period, which subtracts from economic growth. The decline in net exports was partially offset by consumer spending and the largest contribution in business spending since 2021.





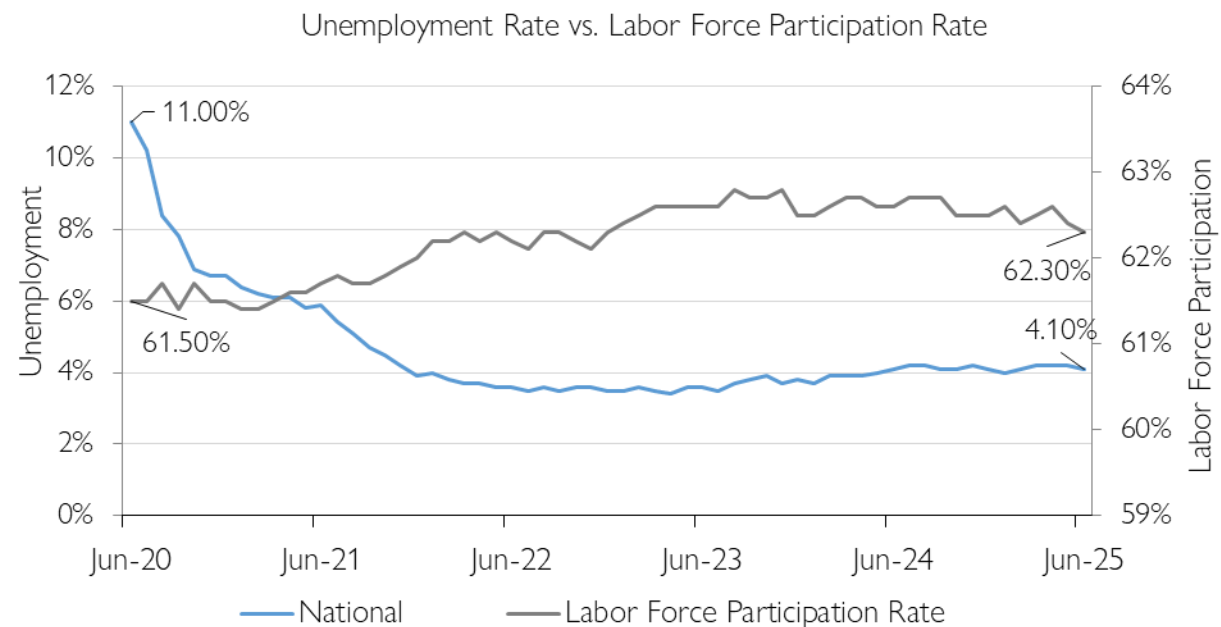
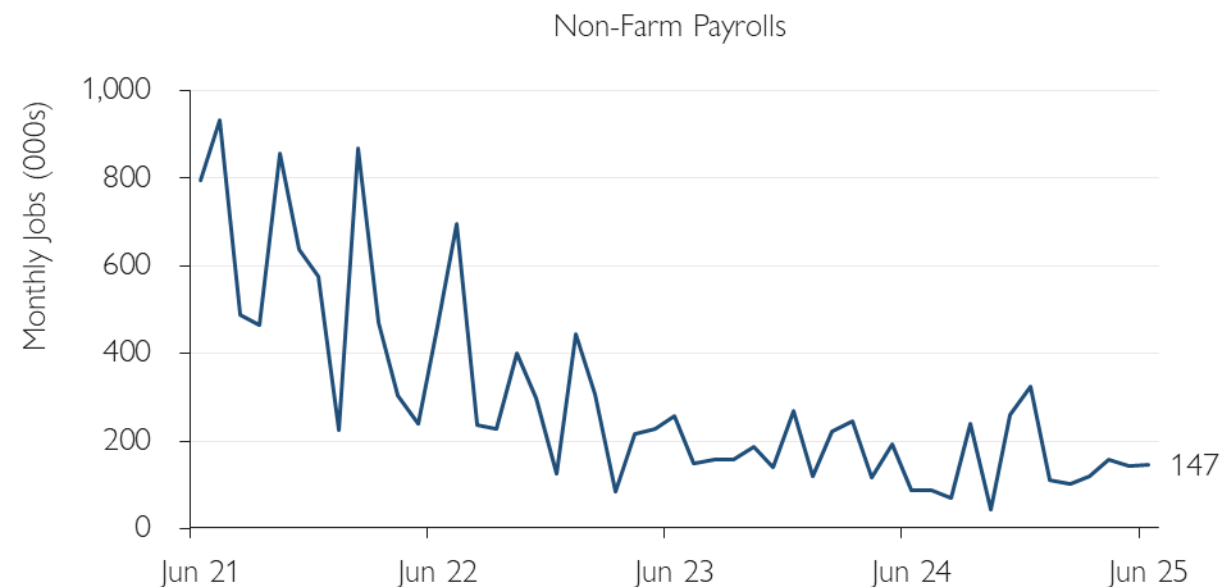
# Jobs

## Job Growth continues

- The June jobs report continued the positive growth trend with 147k new jobs created during the month, significantly above expectations of 106k.
- While job growth has been volatile over the last several months, job growth remains positive.
- June job growth was diverse lead by State and Local Government (+73k), and Health Care (+58k), and Construction (+15k).

## Unemployment Levels Remain Favorable

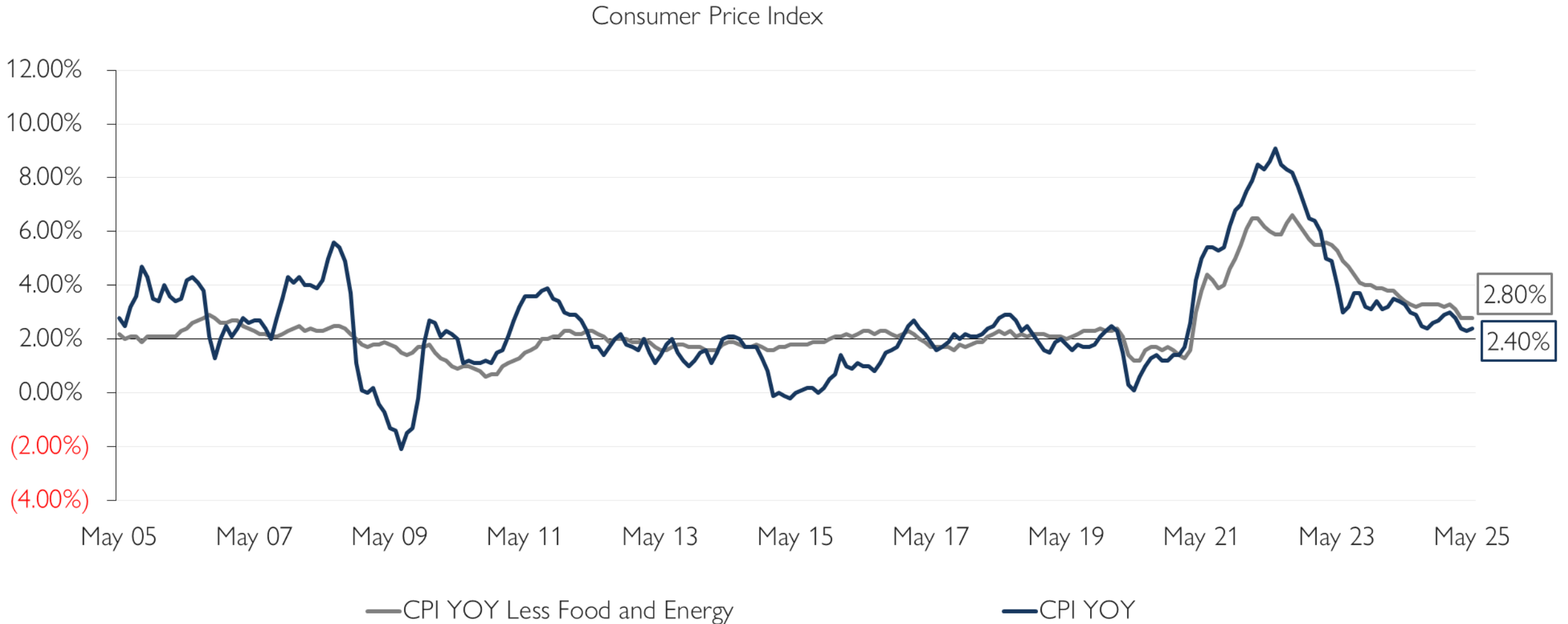
- The national unemployment rate decreased slightly to 4.1% in June, the lowest rate since February.
- The labor force participation rate decreased for the second consecutive month, to 62.3%, indicating fewer individuals are entering the workforce.





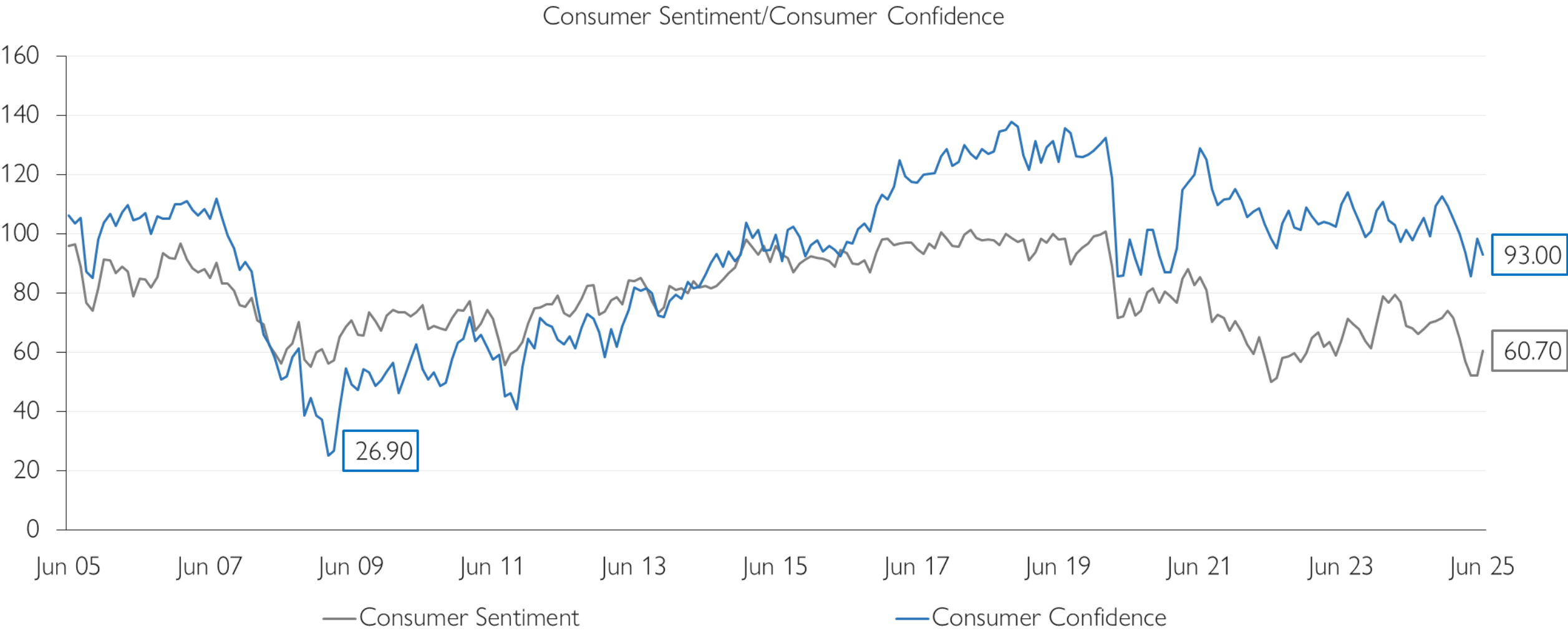
# Inflation - CPI

- Consumer prices were slightly higher year over year (+0.1%) compared to April, with a 2.4% reading. Core CPI, which excludes Food and Energy inflation, also increased +.1% to 2.8% during May. Food and transportation costs increased 2.9% and 2.8%, respectively. Shelter costs increased 3.9%, the lowest annual increase since 2021.

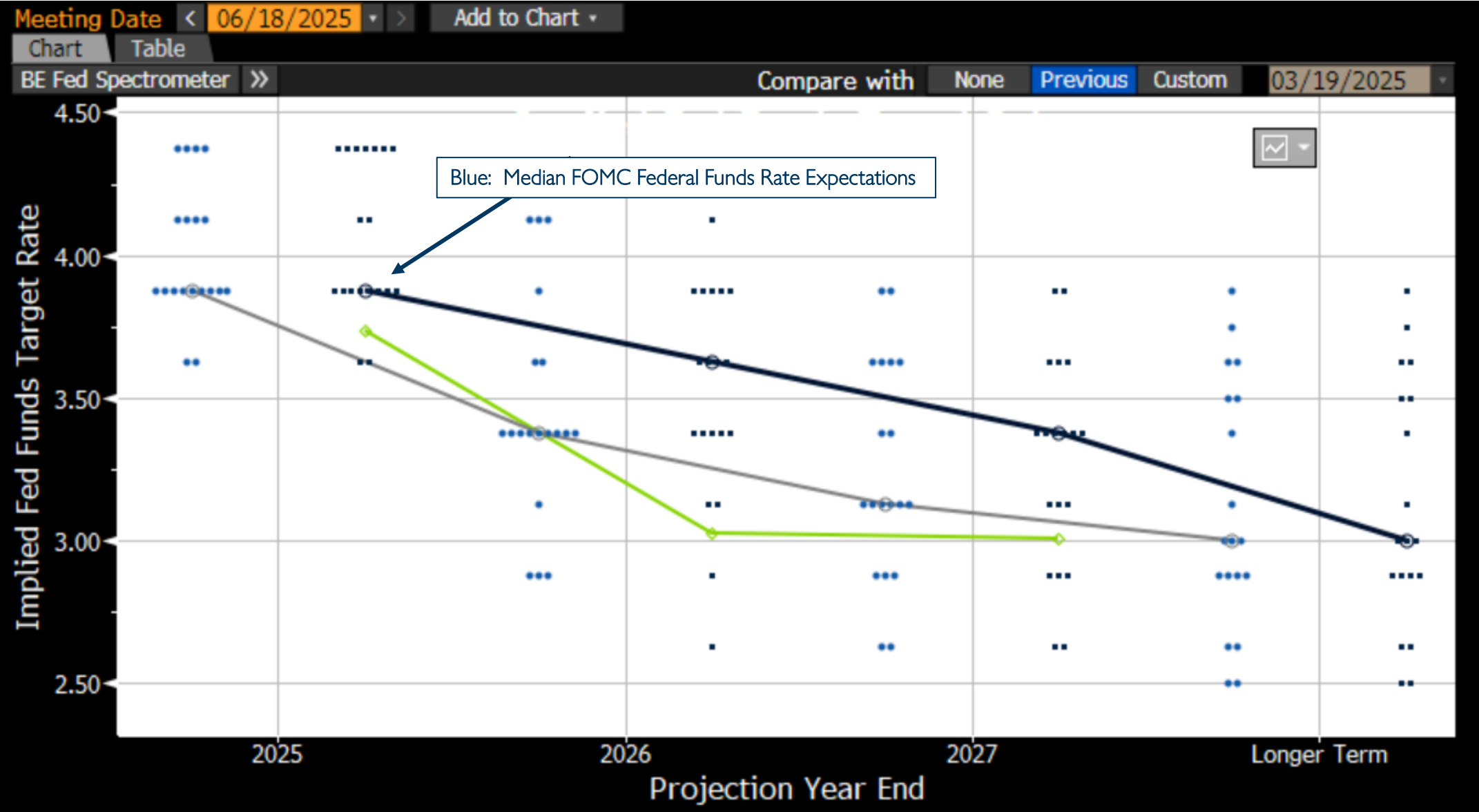


# Consumer Confidence

- Consumer confidence and sentiment have declined since the beginning of 2025, primarily due to the uncertainty of the overall economy. Surprisingly, consumer sentiment rebounded in June to the highest level since February, while consumer confidence declined during the month.



# FOMC Dot Plot – June 2025 Meeting

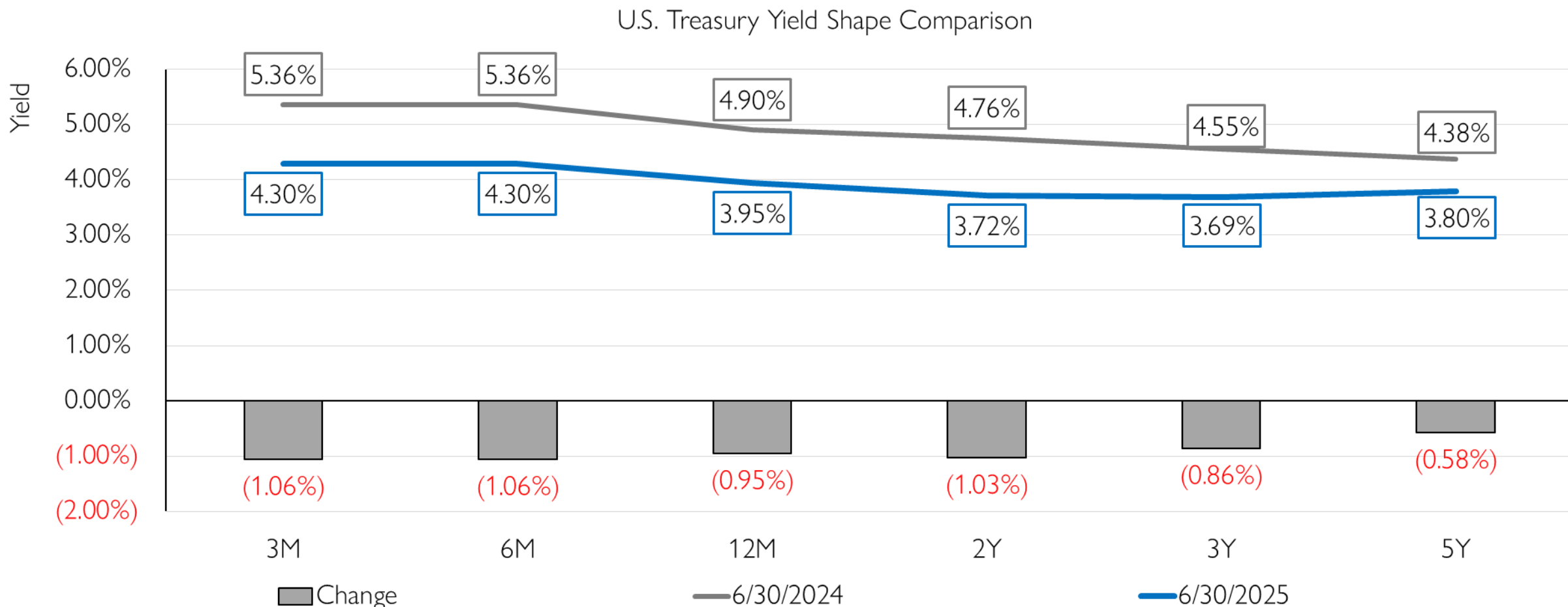


# Federal Funds Rate Expectations

Region: United States »			Instrument: Fed Funds Futures »		
Target Rate	4.50		Pricing Date	07/10/2025	
Effective Rate	4.33		Cur. Imp. O/N Rate	4.329	
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M. ▲
07/30/2025	-0.067	-6.7%	-0.017	4.313	0.250
09/17/2025	-0.796	-72.9%	-0.199	4.130	0.250
10/29/2025	-1.417	-62.1%	-0.354	3.975	0.250
12/10/2025	-2.167	-74.9%	-0.542	3.788	0.250
01/28/2026	-2.617	-45.1%	-0.654	3.675	0.250
03/18/2026	-3.176	-55.9%	-0.794	3.535	0.250
04/29/2026	-3.507	-33.1%	-0.877	3.453	0.250
06/17/2026	-4.021	-51.4%	-1.005	3.324	0.250
07/29/2026	-4.347	-32.6%	-1.087	3.243	0.250

# U.S. Treasury Yield Curve

- U.S. Treasury yields with maturities between three months and five years have declined year over year with short term rates lower as a result of Federal Funds rate cuts during the second half of 2024, and longer term rates declining primarily based on economic growth uncertainty.



# Interest Rates Rebound from Recent Lows

- U.S. Treasury rates continue the volatile trend as fears of persistent inflation returns along with uncertainty over tariffs impact longer term growth expectations.

U.S. Treasury Yield Comparison  
FF/3M/2YR/5YR







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

04/01/2025 to 06/30/2025



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### Disclaimers

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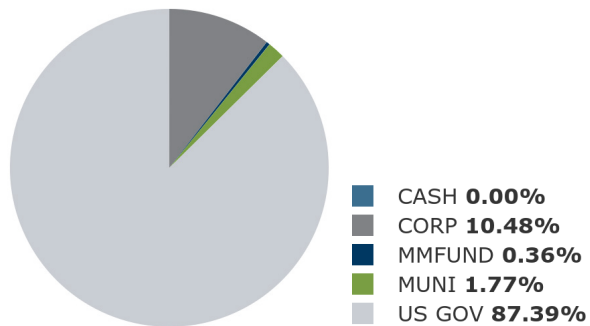
## Portfolio Characteristics

	03/31/25	06/30/25
Duration	1.764	1.769
Years to Effective Maturity	1.873	1.875
Years to Final Maturity	1.875	1.878
Coupon Rate	4.115	4.034
Book Yield	4.340	4.296
Market Yield	3.975	3.827
Benchmark Yield	3.959	3.807

## Portfolio Summary

Summary	03/31/25	06/30/25
Historical Cost	\$56,676,516.85	\$57,230,655.18
Book Value	56,789,897.34	57,402,233.61
Accrued Interest	554,378.84	567,643.77
Net Pending Transactions	856.62	714.97
<b>Book Value Plus Accrued</b>	<b>\$57,345,132.80</b>	<b>\$57,970,592.35</b>
Net Unrealized Gain/Loss	351,415.61	424,631.93
<b>Market Value Plus Accrued</b>	<b>\$57,696,548.41</b>	<b>\$58,395,224.28</b>

## Asset Allocation

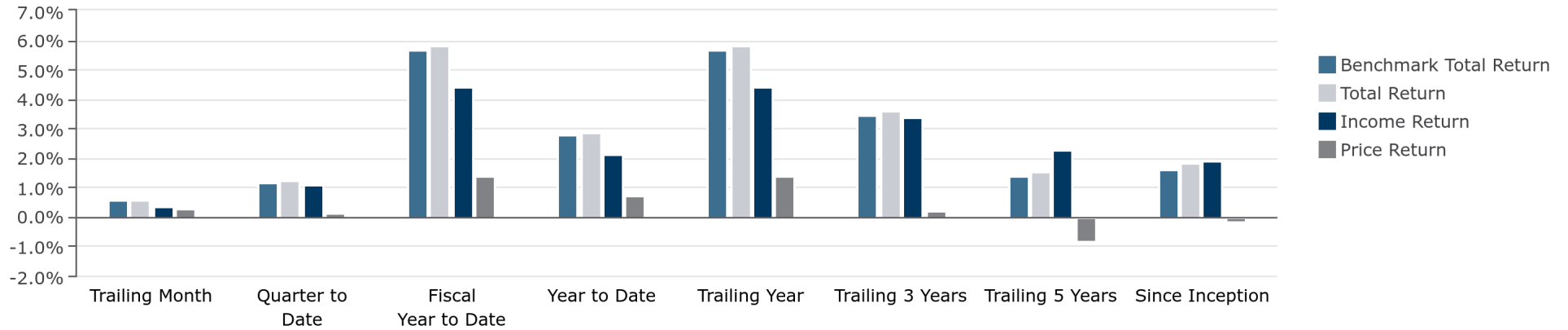


## Income Summary

Period Income	Income
Interest Income	\$580,020.92
Net Amortization/ Accretion Income	36,023.31
Net Realized Gain/Loss	9,415.32
<b>Net Income</b>	<b>\$625,459.55</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	06/01/2025	06/30/2025	0.602%	0.604%	0.349%	0.255%
Quarter to Date	04/01/2025	06/30/2025	1.186%	1.211%	1.068%	0.143%
Fiscal Year to Date	07/01/2024	06/30/2025	5.700%	5.784%	4.411%	1.373%
Year to Date	01/01/2025	06/30/2025	2.800%	2.849%	2.156%	0.693%
Trailing Year	07/01/2024	06/30/2025	5.700%	5.784%	4.411%	1.373%
Trailing 3 Years	07/01/2022	06/30/2025	3.449%	3.580%	3.362%	0.233%
Trailing 5 Years	07/01/2020	06/30/2025	1.400%	1.517%	2.253%	-0.805%
Since Inception	01/01/2015	06/30/2025	1.641%	1.821%	1.927%	-0.127%

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	--	--

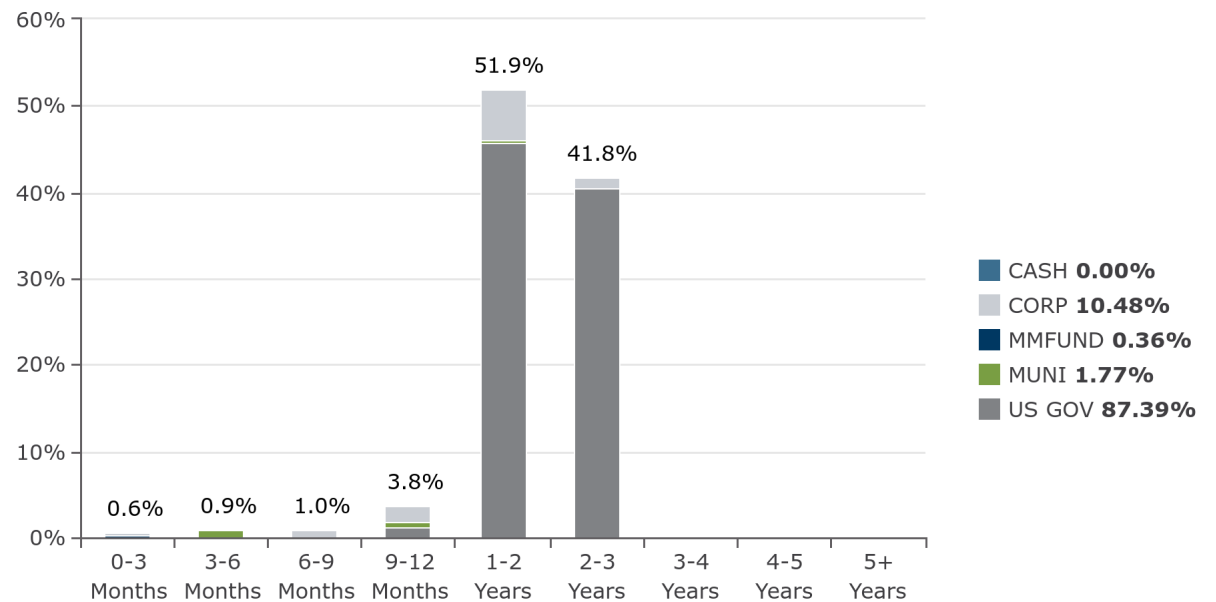
## Maturity Distribution by Security Type

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	\$714.97	--	--	--	--	--	--	--	--	<b>\$714.97</b>
CORP	146,557.10		609,153.99	1,194,694.75	3,401,439.71	765,142.67				<b>6,116,988.22</b>
MMFUND	208,253.93									<b>208,253.93</b>
MUNI		526,897.56		294,121.71	213,811.50					<b>1,034,830.77</b>
US GOV				702,123.62	26,662,783.47	23,669,529.29				<b>51,034,436.39</b>
<b>TOTAL</b>	<b>\$355,526.00</b>	<b>\$526,897.56</b>	<b>\$609,153.99</b>	<b>\$2,190,940.08</b>	<b>\$30,278,034.68</b>	<b>\$24,434,671.97</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>\$58,395,224.28</b>

## Top Ten Holdings

Issuer	Value
Government of The United States	87.39%
Deere & Company	1.60%
Eli Lilly and Company	1.43%
The Depository Trust & Clearing Corporation	1.07%
New York Life Insurance Company	1.07%
Toyota Motor Corporation	0.97%
PACCAR Inc	0.92%
The Home Depot, Inc.	0.86%
PepsiCo, Inc.	0.81%
State of Hawaii	0.79%

## Maturity Distribution by Type



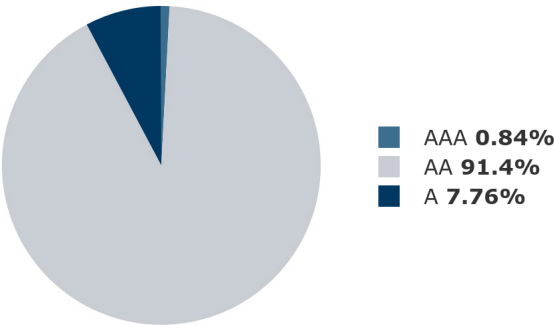
S&P Rating Distribution

S&P Rating Distribution	Jun 30, 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	\$487,653.90	0.84%
AA	\$53,373,758.98	91.40%
A	\$4,533,811.40	7.76%
Below A		
Not Rated		
Total Long Term Ratings	\$58,395,224.28	100.00%
Portfolio Total	\$58,395,224.28	100.00%

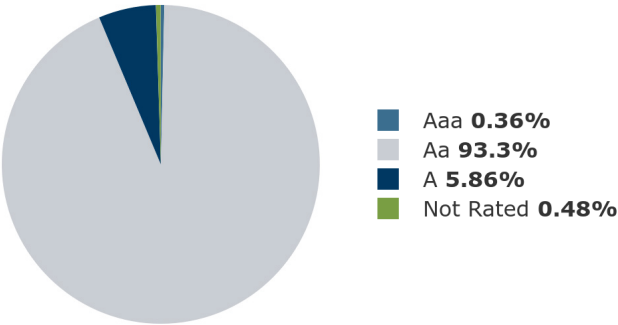
Moody's Rating Distribution

Moody's Rating Distribution	Jun 30, 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	\$208,968.90	0.36%
Aa	\$54,485,193.23	93.30%
A	\$3,422,377.15	5.86%
Below A		
Not Rated	\$278,685.00	0.48%
Total Long Term Ratings	\$58,395,224.28	100.00%
Portfolio Total	\$58,395,224.28	100.00%

Allocation by Standard and Poor's Rating



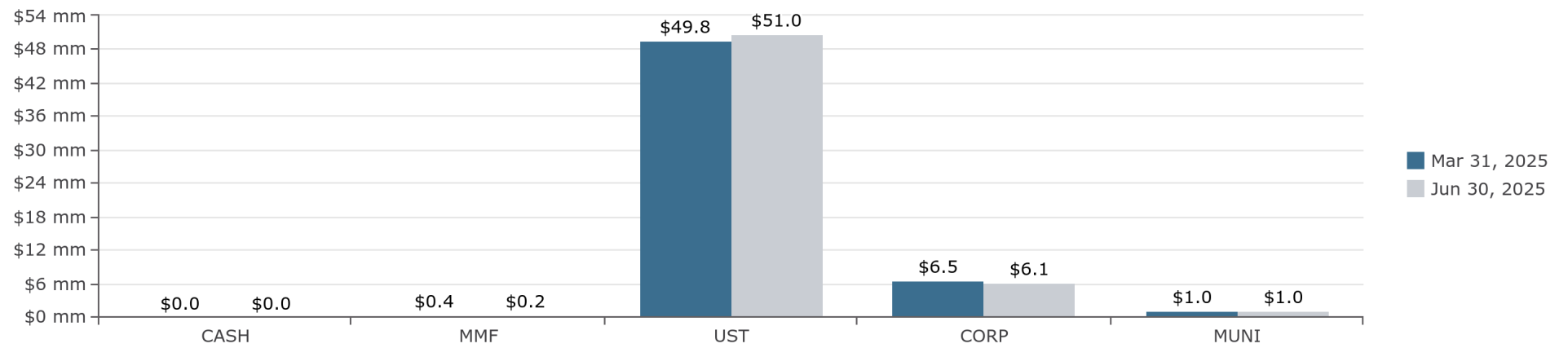
Allocation by Moody's Rating



Market Value Basis Security Distribution

Security Distribution	Mar 31, 2025 Ending Balance	Mar 31, 2025 Portfolio Allocation	Jun 30, 2025 Ending Balance	Jun 30, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$856.62	0.00%	\$714.97	0.00%	(0.00%)	0.00%
U.S. Treasury Notes	\$49,760,187.14	86.24%	\$51,034,436.39	87.39%	1.15%	4.21%
Money Market Funds	\$366,637.16	0.64%	\$208,253.93	0.36%	(0.28%)	3.96%
Corporate Notes	6,520,483.21	11.30%	6,116,988.22	10.48%	(0.83%)	4.95%
Municipal Bonds	1,048,384.28	1.82%	1,034,830.77	1.77%	(0.04%)	4.71%
Portfolio Total	\$57,696,548.41	100.00%	\$58,395,224.28	100.00%		4.30%

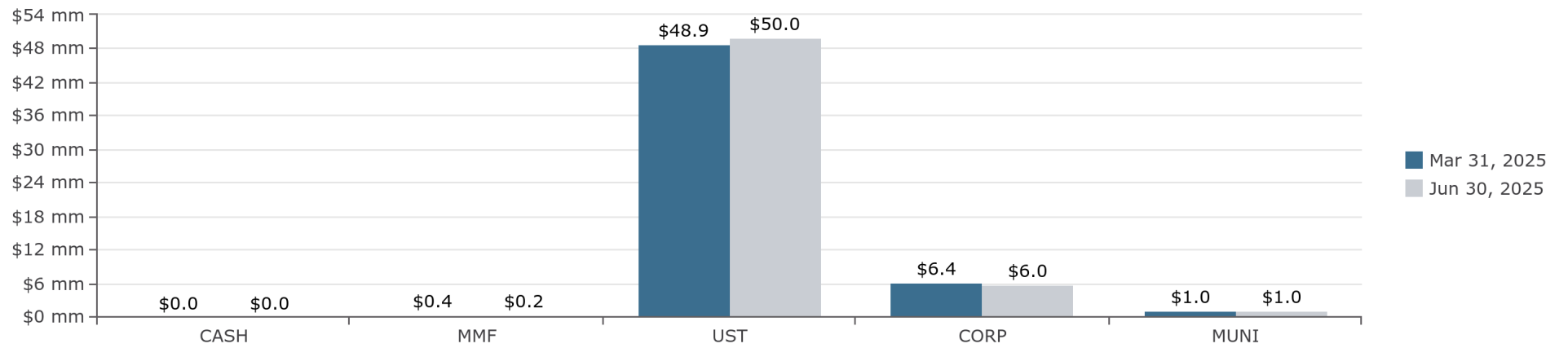
Asset Balance by Security Type



Historic Cost Basis Security Distribution

Security Distribution	Mar 31, 2025 Ending Balance	Mar 31, 2025 Portfolio Allocation	Jun 30, 2025 Ending Balance	Jun 30, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$856.62	0.00%	\$714.97	0.00%	(0.00%)	0.00%
U.S. Treasury Notes	\$48,895,188.89	86.27%	\$50,021,984.20	87.40%	1.13%	4.21%
Money Market Funds	\$366,637.16	0.65%	\$208,253.93	0.36%	(0.28%)	3.96%
Corporate Notes	6,390,801.90	11.28%	5,976,528.15	10.44%	(0.83%)	4.95%
Municipal Bonds	1,023,888.90	1.81%	1,023,888.90	1.79%	(0.02%)	4.71%
Portfolio Total	\$56,677,373.47	100.00%	\$57,231,370.15	100.00%		4.30%

Asset Balance by Security Type





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

04/01/2025 to 06/30/2025



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### Disclaimers

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## Relationship Management Team

### Relationship Managers

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

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

### Portfolio Manager

**Mark Creger | Director, Portfolio Management**  
mark.creger@publictrustadvisors.com

**Manuel N. San Luis | Vice President, Portfolio Management**  
manuel.sanluis@publictrustadvisors.com





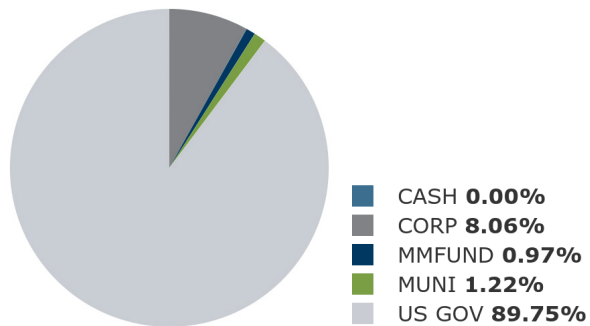
## Portfolio Characteristics

	03/31/25	06/30/25
Duration	2.484	2.496
Years to Effective Maturity	2.662	2.673
Years to Final Maturity	2.664	2.675
Coupon Rate	3.313	3.360
Book Yield	3.924	4.036
Market Yield	3.959	3.800
Benchmark Yield	3.954	3.792

## Portfolio Summary

Summary	03/31/25	06/30/25
Historical Cost	\$56,680,318.60	\$57,055,848.09
Book Value	57,182,872.51	57,654,922.30
Accrued Interest	413,106.93	452,797.37
Net Pending Transactions	973.95	1,651.36
<b>Book Value Plus Accrued</b>	<b>\$57,596,953.39</b>	<b>\$58,109,371.03</b>
Net Unrealized Gain/Loss	138,263.14	431,953.26
<b>Market Value Plus Accrued</b>	<b>\$57,735,216.53</b>	<b>\$58,541,324.29</b>

## Asset Allocation

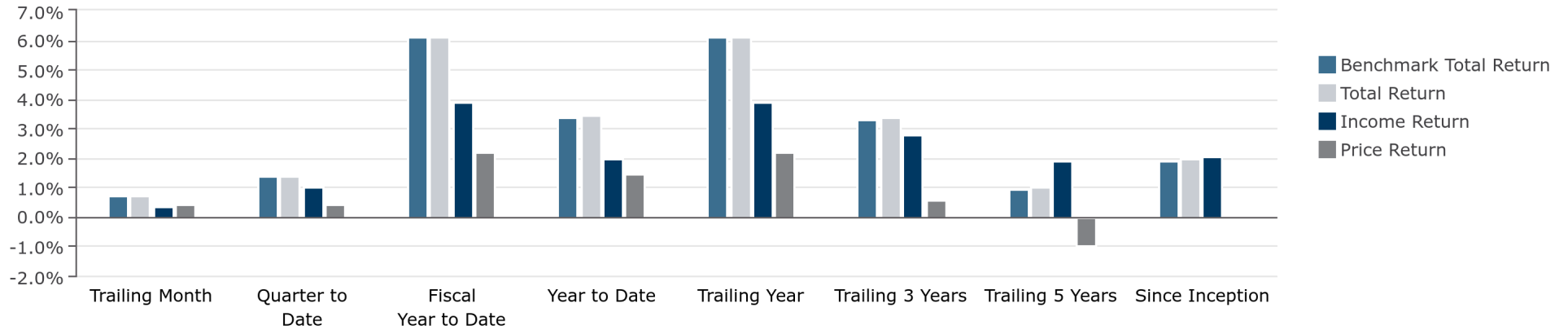


## Income Summary

Period Income	Income
Interest Income	\$485,866.70
Net Amortization/ Accretion Income	87,195.08
Net Realized Gain/Loss	(60,644.14)
<b>Net Income</b>	<b>\$512,417.64</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	06/01/2025	06/30/2025	0.744%	0.747%	0.328%	0.419%
Quarter to Date	04/01/2025	06/30/2025	1.379%	1.396%	0.993%	0.404%
Fiscal Year to Date	07/01/2024	06/30/2025	6.101%	6.102%	3.899%	2.203%
Year to Date	01/01/2025	06/30/2025	3.407%	3.445%	1.971%	1.473%
Trailing Year	07/01/2024	06/30/2025	6.101%	6.102%	3.899%	2.203%
Trailing 3 Years	07/01/2022	06/30/2025	3.280%	3.352%	2.779%	0.605%
Trailing 5 Years	07/01/2020	06/30/2025	0.957%	1.023%	1.944%	-0.998%
Since Inception	01/01/2018	06/30/2025	1.946%	1.996%	2.044%	-0.055%

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

04/01/2025 to 06/30/2025

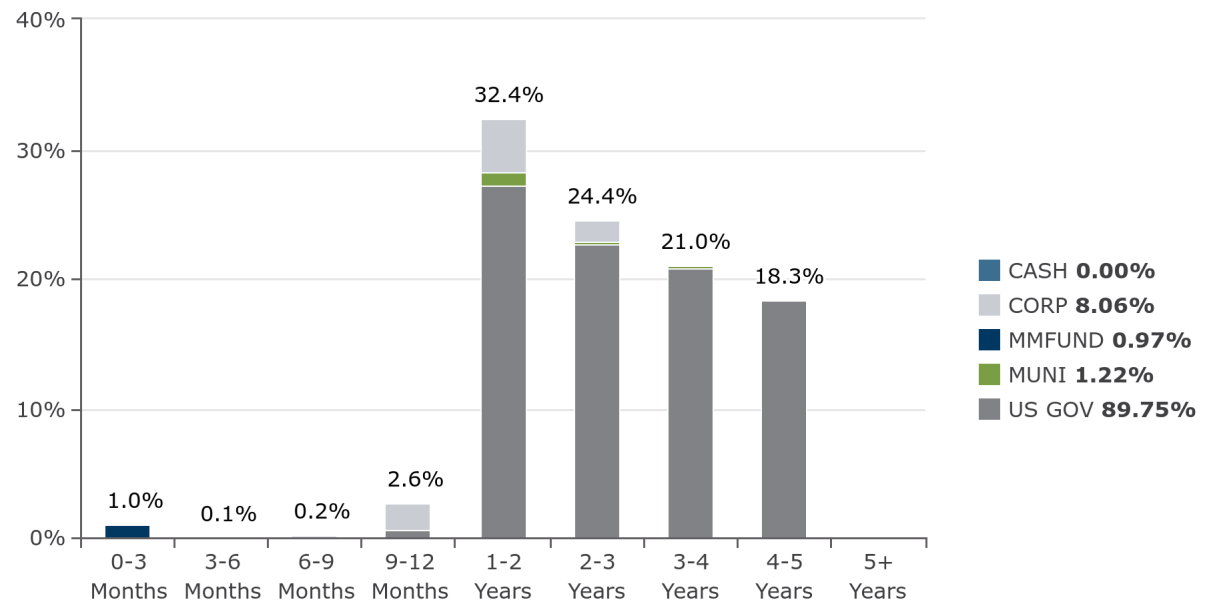
## Maturity Distribution by Security Type

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	\$1,651.36	--	--	--	--	--	--	--	--	<b>\$1,651.36</b>
CORP			138,639.85	1,199,771.23	2,416,916.31	962,597.91				<b>4,717,925.30</b>
MMFUND	565,101.72									<b>565,101.72</b>
MUNI		45,590.06			559,661.74	25,885.75	83,503.20			<b>714,640.75</b>
US GOV				349,625.57	15,980,354.40	13,321,587.69	12,205,160.35	10,685,277.17		<b>52,542,005.17</b>
<b>TOTAL</b>	<b>\$566,753.08</b>	<b>\$45,590.06</b>	<b>\$138,639.85</b>	<b>\$1,549,396.80</b>	<b>\$18,956,932.45</b>	<b>\$14,310,071.35</b>	<b>\$12,288,663.55</b>	<b>\$10,685,277.17</b>	<b>--</b>	<b>\$58,541,324.29</b>

## Top Ten Holdings

Issuer	Value
Government of The United States	89.75%
Deere & Company	1.53%
Eli Lilly and Company	1.43%
The Depository Trust & Clearing Corporation	1.07%
PACCAR Inc	1.07%
Toyota Motor Corporation	0.98%
U.S. Bancorp	0.97%
Caterpillar Inc.	0.70%
State of California	0.59%
New York Life Insurance Company	0.44%

## Maturity Distribution by Type



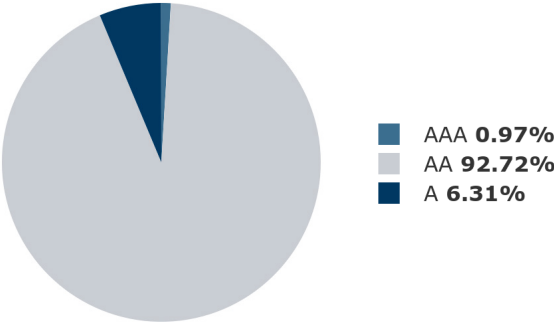
S&P Rating Distribution

S&P Rating Distribution	Jun 30, 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	\$566,753.08	0.97%
AA	\$54,278,970.78	92.72%
A	\$3,695,600.44	6.31%
Below A		
Not Rated		
Total Long Term Ratings	\$58,541,324.29	100.00%
Portfolio Total	\$58,541,324.29	100.00%

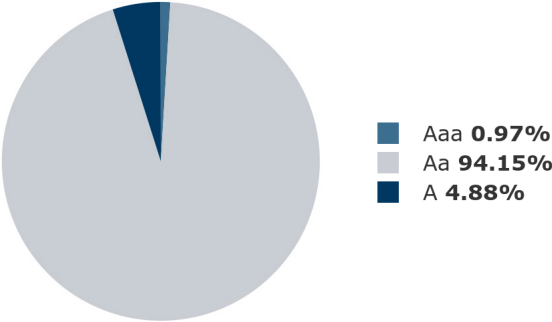
Moody's Rating Distribution

Moody's Rating Distribution	Jun 30, 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	\$566,753.08	0.97%
Aa	\$55,115,013.64	94.15%
A	\$2,859,557.58	4.88%
Below A		
Not Rated		
Total Long Term Ratings	\$58,541,324.29	100.00%
Portfolio Total	\$58,541,324.29	100.00%

Allocation by Standard and Poor's Rating



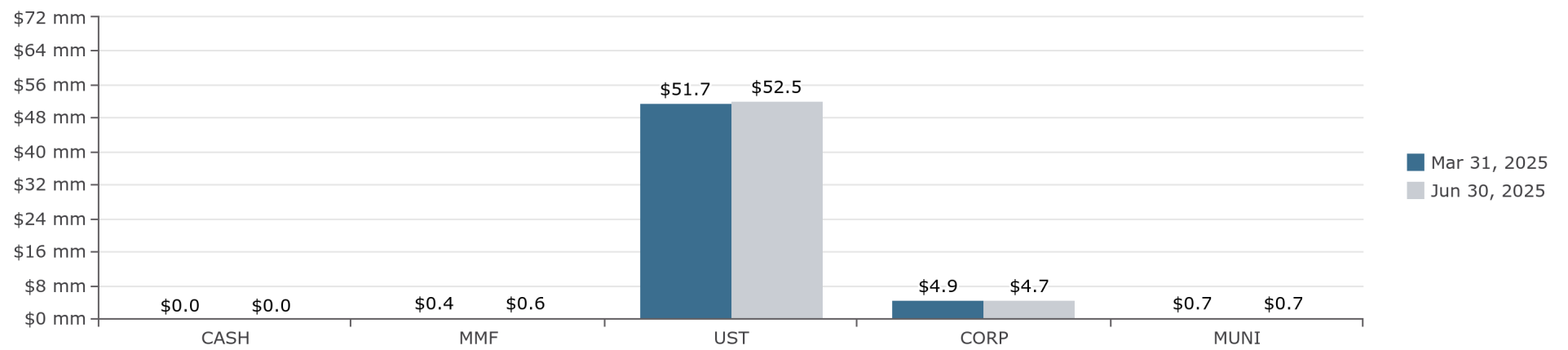
Allocation by Moody's Rating



Market Value Basis Security Distribution

Security Distribution	Mar 31, 2025 Ending Balance	Mar 31, 2025 Portfolio Allocation	Jun 30, 2025 Ending Balance	Jun 30, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$973.95	0.00%	\$1,651.36	0.00%	0.00%	0.00%
U.S. Treasury Notes	\$51,731,651.74	89.60%	\$52,542,005.17	89.75%	0.15%	3.95%
Money Market Funds	\$398,367.13	0.69%	\$565,101.72	0.97%	0.28%	3.96%
Corporate Notes	4,889,481.42	8.47%	4,717,925.30	8.06%	(0.41%)	4.92%
Municipal Bonds	714,742.29	1.24%	714,640.75	1.22%	(0.02%)	4.70%
Portfolio Total	\$57,735,216.53	100.00%	\$58,541,324.29	100.00%		4.04%

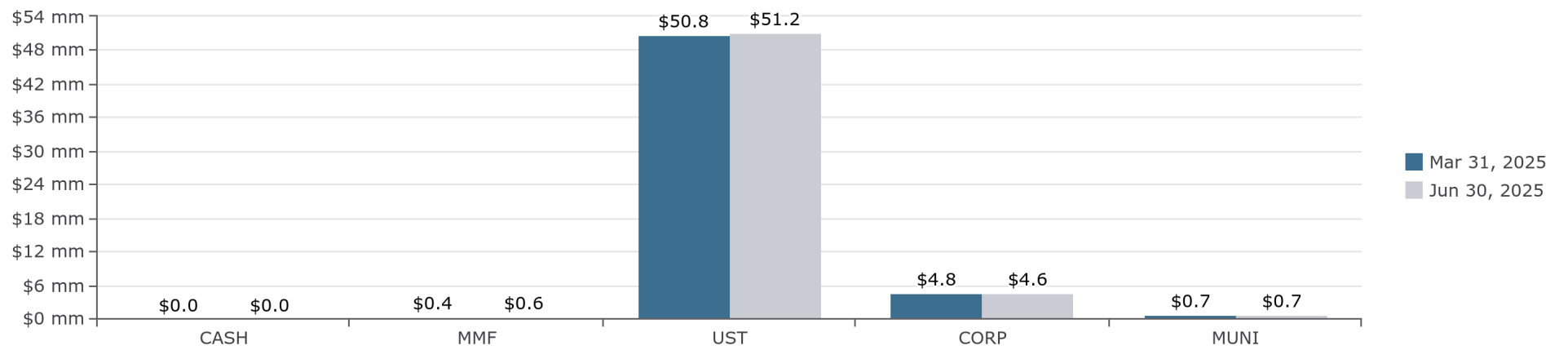
Asset Balance by Security Type



Historic Cost Basis Security Distribution

Security Distribution	Mar 31, 2025 Ending Balance	Mar 31, 2025 Portfolio Allocation	Jun 30, 2025 Ending Balance	Jun 30, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$973.95	0.00%	\$1,651.36	0.00%	0.00%	0.00%
U.S. Treasury Notes	\$50,799,448.12	89.62%	\$51,182,936.77	89.70%	0.08%	3.95%
Money Market Funds	\$398,367.13	0.70%	\$565,101.72	0.99%	0.29%	3.96%
Corporate Notes	4,782,185.80	8.44%	4,607,492.05	8.08%	(0.36%)	4.92%
Municipal Bonds	700,317.55	1.24%	700,317.55	1.23%	(0.01%)	4.70%
Portfolio Total	\$56,681,292.55	100.00%	\$57,057,499.45	100.00%		4.04%

Asset Balance by Security Type





**City of Fullerton - Aggregate**  
Investment Report

04/01/2025 to 06/30/2025



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### Disclaimers

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## Relationship Management Team

### Relationship Managers

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

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

### Portfolio Manager

**Mark Creger | Director, Portfolio Management**  
mark.creger@publictrustadvisors.com

**Manuel N. San Luis | Vice President, Portfolio Management**  
manuel.sanluis@publictrustadvisors.com





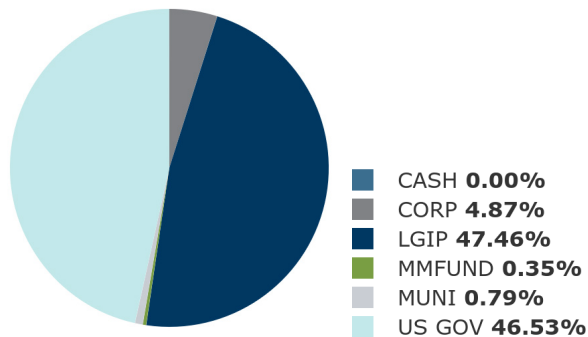
## Portfolio Characteristics

	03/31/25	06/30/25
Duration	2.124	1.575
Years to Effective Maturity	1.363	1.195
Years to Final Maturity	1.364	1.196
Coupon Rate	3.527	4.357
Book Yield	3.401	4.614
Market Yield	4.302	4.427
Benchmark Yield	3.956	3.799

## Portfolio Summary

Summary	03/31/25	06/30/25
Historical Cost	\$189,973,114.37	\$219,943,915.06
Book Value	190,589,048.77	220,714,567.69
Accrued Interest	967,485.76	1,020,441.14
Net Pending Transactions	1,863.16	2,397.80
<b>Book Value Plus Accrued</b>	<b>\$191,558,397.70</b>	<b>\$221,737,406.64</b>
Net Unrealized Gain/Loss	489,678.75	856,585.19
<b>Market Value Plus Accrued</b>	<b>\$192,048,076.45</b>	<b>\$222,593,991.83</b>

## Asset Allocation



## Income Summary

Period Income	Income
Interest Income	\$2,107,019.37
Net Amortization/ Accretion Income	123,218.39
Net Realized Gain/Loss	(51,228.82)
<b>Net Income</b>	<b>\$2,179,008.94</b>

Detail may not add to total due to rounding.

# Portfolio Overview

04/01/2025 to 06/30/2025

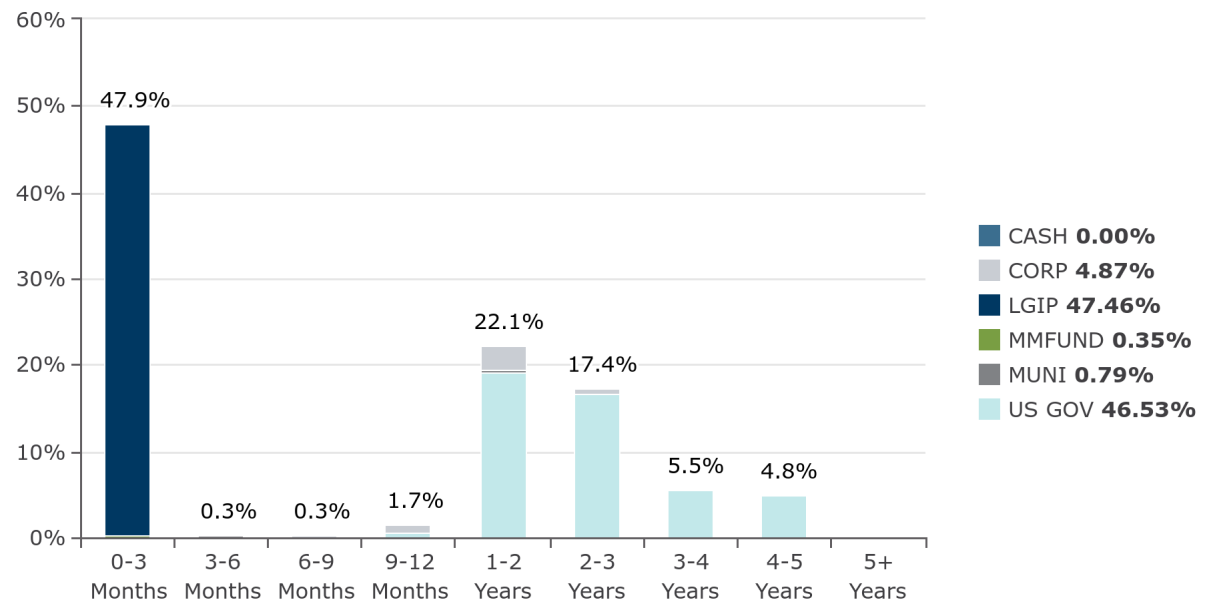
## Maturity Distribution by Security Type

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	\$2,397.80	--	--	--	--	--	--	--	--	<b>\$2,397.80</b>
CORP	146,557.10		747,793.84	2,394,465.98	5,818,356.02	1,727,740.58				<b>10,834,913.52</b>
LGIP	105,647,614.28									<b>105,647,614.28</b>
MMFUND	783,153.15									<b>783,153.15</b>
MUNI		572,487.63		294,121.71	773,473.24	25,885.75	83,503.20			<b>1,749,471.52</b>
US GOV				1,051,749.19	42,643,137.87	36,991,116.99	12,205,160.35	10,685,277.17		<b>103,576,441.56</b>
<b>TOTAL</b>	<b>\$106,579,722.33</b>	<b>\$572,487.63</b>	<b>\$747,793.84</b>	<b>\$3,740,336.88</b>	<b>\$49,234,967.13</b>	<b>\$38,744,743.32</b>	<b>\$12,288,663.55</b>	<b>\$10,685,277.17</b>	<b>--</b>	<b>\$222,593,991.83</b>

## Top Ten Holdings

Issuer	Value
Government of The United States	46.53%
(CACCLASS) California CLASS	28.87%
(LAIFUND) State of California City	14.27%
(LAIFCRE) State of California Covid Relief Emergency	3.52%
Deere & Company	0.82%
(LAIFRDA) State of California Successor Agency	0.81%
Eli Lilly and Company	0.75%
The Depository Trust & Clearing Corporation	0.56%
PACCAR Inc	0.52%
Toyota Motor Corporation	0.51%

## Maturity Distribution by Type



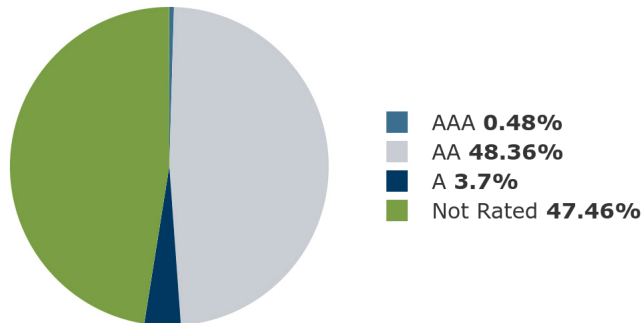
## S&P Rating Distribution

S&P Rating Distribution	Jun 30, 2025 Ending Balance	Portfolio Allocation
<b>Short Term Rating Distribution</b>		
A-1+	\$0.00	0.00%
A-1		
A-2		
<b>Total Short Term Ratings</b>	<b>\$0.00</b>	<b>0.00%</b>
<b>Long Term Rating Distribution</b>		
AAA	\$1,064,235.95	0.48%
AA	\$107,652,729.76	48.36%
A	\$8,229,411.84	3.70%
Below A		
Not Rated	\$105,647,614.28	47.46%
<b>Total Long Term Ratings</b>	<b>\$222,593,991.83</b>	<b>100.00%</b>
<b>Portfolio Total</b>	<b>\$222,593,991.83</b>	<b>100.00%</b>

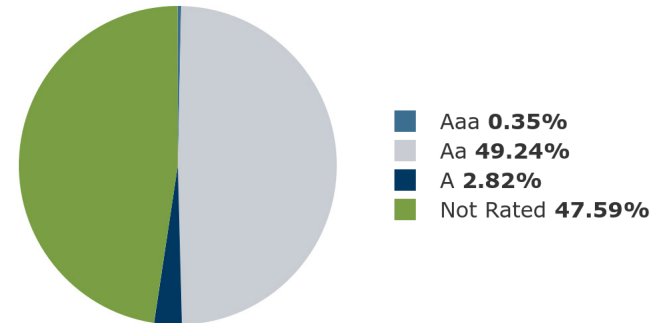
## Moody's Rating Distribution

Moody's Rating Distribution	Jun 30, 2025 Ending Balance	Portfolio Allocation
<b>Short Term Rating Distribution</b>		
P-1	\$0.00	0.00%
P-2		
<b>Total Short Term Ratings</b>	<b>\$0.00</b>	<b>0.00%</b>
<b>Long Term Rating Distribution</b>		
Aaa	\$785,550.95	0.35%
Aa	\$109,600,206.87	49.24%
A	\$6,281,934.73	2.82%
Below A		
Not Rated	\$105,926,299.28	47.59%
<b>Total Long Term Ratings</b>	<b>\$222,593,991.83</b>	<b>100.00%</b>
<b>Portfolio Total</b>	<b>\$222,593,991.83</b>	<b>100.00%</b>

## Allocation by Standard and Poor's Rating



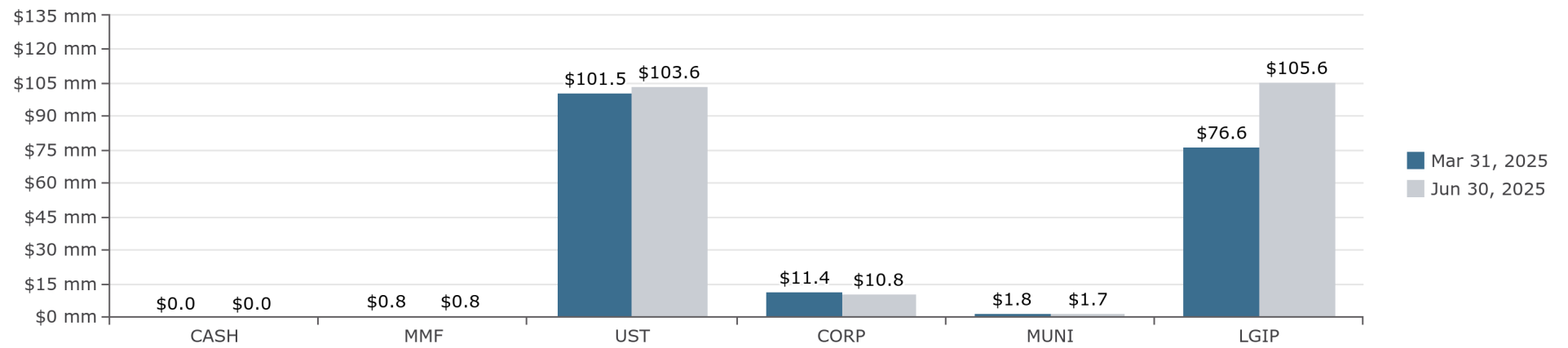
## Allocation by Moody's Rating



Market Value Basis Security Distribution

Security Distribution	Mar 31, 2025 Ending Balance	Mar 31, 2025 Portfolio Allocation	Jun 30, 2025 Ending Balance	Jun 30, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$1,863.16	0.00%	\$2,397.80	0.00%	0.00%	0.00%
U.S. Treasury Notes	\$101,491,838.88	52.85%	\$103,576,441.56	46.53%	(6.32%)	4.08%
Money Market Funds	\$774,705.12	0.40%	\$783,153.15	0.35%	(0.05%)	3.96%
Corporate Notes	11,409,964.63	5.94%	10,834,913.52	4.87%	(1.07%)	4.94%
Local Government Investment Pool	76,606,578.09	39.89%	105,647,614.28	47.46%	7.57%	5.11%
Municipal Bonds	1,763,126.57	0.92%	1,749,471.52	0.79%	(0.13%)	4.71%
Portfolio Total	\$192,048,076.45	100.00%	\$222,593,991.83	100.00%		4.61%

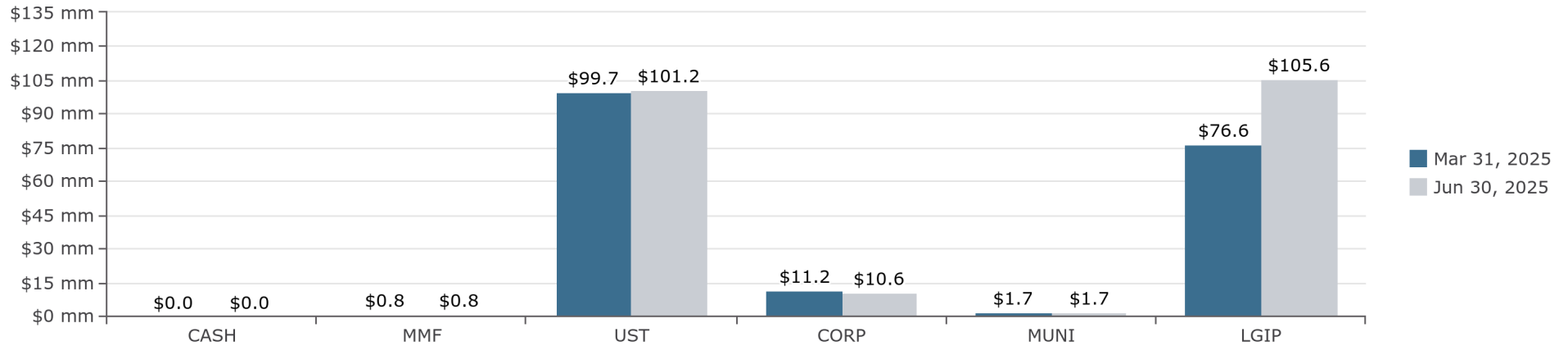
Asset Balance by Security Type



## Historic Cost Basis Security Distribution

Security Distribution	Mar 31, 2025 Ending Balance	Mar 31, 2025 Portfolio Allocation	Jun 30, 2025 Ending Balance	Jun 30, 2025 Portfolio Allocation	Change in Allocation	Book Yield
Cash	\$1,863.16	0.00%	\$2,397.80	0.00%	0.00%	0.00%
U.S. Treasury Notes	\$99,694,637.01	52.48%	\$101,204,920.98	46.01%	(6.46%)	4.08%
Money Market Funds	\$774,705.12	0.41%	\$783,153.15	0.36%	(0.05%)	3.96%
Corporate Notes	11,172,987.70	5.88%	10,584,020.20	4.81%	(1.07%)	4.94%
Local Government Investment Pool	76,606,578.09	40.32%	105,647,614.28	48.03%	7.71%	5.11%
Municipal Bonds	1,724,206.45	0.91%	1,724,206.45	0.78%	(0.12%)	4.71%
<b>Portfolio Total</b>	<b>\$189,974,977.53</b>	<b>100.00%</b>	<b>\$219,946,312.86</b>	<b>100.00%</b>		<b>4.61%</b>

## Asset Balance by Security Type



# Portfolio Holdings

04/01/2025 to 06/30/2025

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	06/30/25	--								0.00%	
CCYUSD	06/30/25	--	2,397.80	\$2,397.80	\$2,397.80	\$2,397.80	\$0.00	0.00%	N	0.00%	AAA
0.00%	0.00	--		\$2,397.80	1.00	\$0.00			--	0.00%	Aaa
<b>CASH TOTAL</b>	<b>06/30/25</b>	<b>--</b>	<b>2,397.80</b>	<b>\$2,397.80</b>	<b>\$2,397.80</b>	<b>\$2,397.80</b>	<b>\$0.00</b>	<b>0.00%</b>	<b>N</b>	<b>0.00%</b>	<b>AAA</b>
	<b>06/30/25</b>	<b>--</b>		<b>\$2,397.80</b>	<b>1.00</b>	<b>\$0.00</b>			<b>--</b>	<b>0.00%</b>	<b>Aaa</b>
<b>MMFUND</b>								<b>0.00%</b>			
FIRST AMER:GVT OBLG Y	06/30/25	--								3.96%	
31846V203	06/30/25	--	783,153.15	\$783,153.15	\$783,153.15	\$783,153.15	\$0.00	0.35%	N	--	AAAm
3.96%	0.00	--		\$783,153.15	1.00	\$0.00			--	--	Aaa
<b>MMFUND TOTAL</b>	<b>06/30/25</b>	<b>--</b>	<b>783,153.15</b>	<b>\$783,153.15</b>	<b>\$783,153.15</b>	<b>\$783,153.15</b>	<b>\$0.00</b>	<b>0.35%</b>	<b>N</b>	<b>3.96%</b>	<b>AAAm</b>
	<b>06/30/25</b>	<b>--</b>		<b>\$783,153.15</b>	<b>1.00</b>	<b>\$0.00</b>			<b>--</b>	<b>--</b>	<b>Aaa</b>
<b>US GOV</b>								<b>0.00%</b>			
UNITED STATES TREASURY	05/31/26	08/05/21								0.70%	
91282CCF6	05/31/26	08/09/21	360,000.00	\$360,829.69	\$349,396.88	\$349,625.57	(\$10,763.29)	0.16%	N	4.05%	AA+
0.75%	0.90			\$360,160.17	97.05	\$228.69			--	--	Aa1
UNITED STATES TREASURY	06/15/26	06/22/23								4.37%	
91282CHH7	06/15/26	06/26/23	700,000.00	695,214.84	700,861.33	702,123.62	2,466.01	0.32%	N	3.99%	AA+
4.13%	0.93			698,395.32	100.12	1,262.30			--	--	Aa1
UNITED STATES TREASURY	07/15/26	08/02/23								4.55%	
91282CHM6	07/15/26	08/04/23	2,275,000.00	2,271,534.18	2,286,974.85	2,334,203.10	13,179.31	1.05%	N	3.98%	AA+
4.50%	0.99			2,273,795.54	100.53	47,228.25			--	--	Aa1
UNITED STATES TREASURY	07/31/26	01/08/25								4.27%	
91282CLB5	07/31/26	01/09/25	900,000.00	901,441.41	903,585.94	920,010.32	2,560.51	0.41%	N	3.99%	AA+
4.38%	1.03			901,025.43	100.40	16,424.38			--	--	Aa1
UNITED STATES TREASURY	07/31/26	09/01/21								0.78%	
91282CCP4	07/31/26	09/03/21	700,000.00	694,941.41	675,308.59	677,133.52	(23,558.93)	0.30%	N	3.98%	AA+
0.63%	1.06			698,867.52	96.47	1,824.93			--	--	Aa1
UNITED STATES TREASURY	08/15/26	08/29/23								4.58%	
91282CHU8	08/15/26	08/30/23	3,005,000.00	2,987,979.49	3,018,029.50	3,067,421.07	19,738.09	1.38%	N	3.97%	AA+
4.38%	1.07			2,998,291.41	100.43	49,391.57			--	--	Aa1
UNITED STATES TREASURY	09/15/26	10/03/23								4.95%	
91282CHY0	09/15/26	10/05/23	2,400,000.00	2,378,718.75	2,419,312.51	2,451,888.60	28,347.13	1.10%	N	3.93%	AA+
4.63%	1.15			2,390,965.39	100.80	32,576.09			--	--	Aa1
UNITED STATES TREASURY	09/30/26	10/28/21								1.18%	
91282CCZ2	09/30/26	10/29/21	1,200,000.00	1,182,796.88	1,155,937.50	1,158,576.84	(39,604.30)	0.52%	N	3.91%	AA+
0.88%	1.22			1,195,541.80	96.33	2,639.34			--	--	Aa1

## Portfolio Holdings

04/01/2025 to 06/30/2025

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 91282CJC6 4.63%	10/15/26 10/15/26 1.23	11/02/23 11/03/23	3,000,000.00	2,987,343.75 2,994,286.99	3,026,718.75 100.89	3,055,909.32 29,190.57	32,431.76	1.37%	N --	4.78% 3.91% --	AA+ Aa1
UNITED STATES TREASURY 91282CLS8 4.13%	10/31/26 10/31/26 1.28	05/01/25 05/05/25	1,000,000.00	1,004,570.31 1,004,104.12	1,002,773.44 100.28	1,009,723.17 6,949.73	(1,330.68)	0.45%	N --	3.81% 3.91% --	AA+ Aa1
UNITED STATES TREASURY 91282CJK8 4.63%	11/15/26 11/15/26 1.32	12/06/23 12/08/23	2,625,000.00	2,645,712.89 2,635,030.88	2,650,429.69 100.97	2,665,935.38 15,505.69	15,398.81	1.20%	N --	4.33% 3.89% --	AA+ Aa1
UNITED STATES TREASURY 912828U24 2.00%	11/15/26 11/15/26 1.33	12/06/23 12/08/23	2,625,000.00	2,458,886.72 2,544,857.06	2,559,477.53 97.50	2,566,182.70 6,705.16	14,620.47	1.15%	N --	4.32% 3.88% --	AA+ Aa1
UNITED STATES TREASURY 91282CJP7 4.38%	12/15/26 12/15/26 1.40	01/08/25 01/09/25	675,000.00	676,107.42 675,857.22	680,036.13 100.75	681,327.12 1,290.98	4,178.91	0.31%	N --	4.28% 3.84% --	AA+ Aa1
UNITED STATES TREASURY 912828YX2 1.75%	12/31/26 12/31/26 1.46	04/27/22 04/28/22	680,000.00	649,267.19 669,722.15	659,493.75 96.98	659,526.09 32.34	(10,228.40)	0.30%	N --	2.79% 3.84% --	AA+ Aa1
UNITED STATES TREASURY 91282CJT9 4.00%	01/15/27 01/15/27 1.46	04/04/24 04/05/24	1,000,000.00	986,210.94 992,183.04	1,002,382.81 100.24	1,020,835.85 18,453.04	10,199.77	0.46%	N --	4.53% 3.84% --	AA+ Aa1
UNITED STATES TREASURY 91282CMH1 4.13%	01/31/27 01/31/27 1.50	04/02/25 04/03/25	350,000.00	351,052.73 350,925.13	351,599.61 100.46	357,621.88 6,022.27	674.48	0.16%	N --	3.95% 3.82% --	AA+ Aa1
UNITED STATES TREASURY 91282CKA8 4.13%	02/15/27 02/15/27 1.54	03/14/24 03/18/24	3,000,000.00	2,970,820.31 2,983,327.81	3,014,414.07 100.48	3,060,905.78 46,491.71	31,086.26	1.38%	N --	4.48% 3.82% --	AA+ Aa1
UNITED STATES TREASURY 912828V98 2.25%	02/15/27 02/15/27 1.56	-- --	1,875,000.00	1,757,622.06 1,813,298.07	1,829,296.88 97.56	1,845,146.32 15,849.45	15,998.81	0.83%	N --	4.37% 3.81% --	AA+ Aa1
UNITED STATES TREASURY 91282CEC1 1.88%	02/28/27 02/28/27 1.61	03/09/22 03/11/22	875,000.00	875,410.16 875,142.40	848,100.58 96.93	853,584.19 5,483.61	(27,041.82)	0.38%	N --	1.87% 3.79% --	AA+ Aa1
UNITED STATES TREASURY 91282CKE0 4.25%	03/15/27 03/15/27 1.62	03/14/24 03/18/24	2,600,000.00	2,584,562.50 2,590,958.16	2,619,703.11 100.76	2,652,132.46 32,429.35	28,744.96	1.19%	N --	4.46% 3.79% --	AA+ Aa1
UNITED STATES TREASURY 91282CEF4 2.50%	03/31/27 03/31/27 1.68	04/27/22 04/28/22	210,000.00	207,301.17 209,000.55	205,512.89 97.86	206,832.56 1,319.67	(3,487.66)	0.09%	N --	2.78% 3.77% --	AA+ Aa1

## Portfolio Holdings

04/01/2025 to 06/30/2025

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 1.70	04/29/24 04/30/24	2,100,000.00	2,082,691.41 2,089,277.31	2,126,167.97 101.25	2,146,049.12 19,881.15	36,890.67	0.96%	N --	4.80% 3.77% --	AA+ Aa1
UNITED STATES TREASURY 91282CEN7 2.75%	04/30/27 04/30/27 1.76	-- --	1,875,000.00	1,814,414.06 1,832,332.30	1,841,748.04 98.23	1,850,435.20 8,687.16	9,415.74	0.83%	N --	4.05% 3.76% --	AA+ Aa1
UNITED STATES TREASURY 91282CKR1 4.50%	05/15/27 05/15/27 1.78	06/06/24 06/07/24	3,350,000.00	3,349,607.42 3,349,803.70	3,394,099.60 101.32	3,413,353.00 19,253.40	44,295.90	1.53%	N --	4.50% 3.76% --	AA+ Aa1
UNITED STATES TREASURY 91282CET4 2.63%	05/31/27 05/31/27 1.84	06/09/22 06/10/22	710,000.00	696,105.08 704,402.02	695,328.52 97.93	696,907.10 1,578.59	(9,073.50)	0.31%	N --	3.05% 3.75% --	AA+ Aa1
UNITED STATES TREASURY 91282CKV2 4.63%	06/15/27 06/15/27 1.86	08/01/24 08/02/24	2,200,000.00	2,238,242.19 2,226,604.68	2,236,437.50 101.66	2,240,885.59 4,448.09	9,832.82	1.01%	N --	3.98% 3.74% --	AA+ Aa1
UNITED STATES TREASURY 91282CEW7 3.25%	06/30/27 06/30/27 1.92	-- --	1,060,000.00	1,057,991.60 1,057,636.10	1,050,517.97 99.11	1,050,611.59 93.61	(7,118.13)	0.47%	N --	3.37% 3.72% --	AA+ Aa1
UNITED STATES TREASURY 91282CKZ3 4.38%	07/15/27 07/15/27 1.90	01/08/25 01/09/25	875,000.00	876,333.01 876,095.95	885,903.32 101.25	903,563.46 17,660.13	9,807.37	0.41%	N --	4.31% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CFB2 2.75%	07/31/27 07/31/27 1.98	09/04/24 09/05/24	1,475,000.00	1,438,009.77 1,448,089.00	1,446,249.02 98.05	1,463,168.74 16,919.72	(1,839.98)	0.66%	N --	3.67% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CLG4 3.75%	08/15/27 08/15/27 2.00	09/04/24 09/05/24	1,475,000.00	1,478,860.35 1,477,844.92	1,475,691.41 100.05	1,496,471.79 20,780.39	(2,153.51)	0.67%	N --	3.65% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 9128282R0 2.25%	08/15/27 08/15/27 2.03	08/29/22 08/30/22	1,275,000.00	1,214,288.09 1,247,797.12	1,236,750.00 97.00	1,247,527.62 10,777.62	(11,047.12)	0.56%	N --	3.30% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CFH9 3.13%	08/31/27 08/31/27 2.05	10/01/24 10/02/24	1,150,000.00	1,137,960.94 1,140,954.15	1,135,849.61 98.77	1,147,861.33 12,011.72	(5,104.54)	0.52%	N --	3.51% 3.72% --	AA+ Aa1
UNITED STATES TREASURY 91282CLL3 3.38%	09/15/27 09/15/27 2.09	10/01/24 10/02/24	1,150,000.00	1,146,226.56 1,147,156.44	1,142,048.83 99.31	1,153,439.46 11,390.63	(5,107.61)	0.52%	N --	3.49% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CFM8 4.13%	09/30/27 09/30/27 2.11	-- --	1,650,000.00	1,638,044.93 1,641,721.24	1,665,017.57 100.91	1,682,126.18 17,108.61	23,296.33	0.76%	N --	4.36% 3.70% --	AA+ Aa1



## Portfolio Holdings

04/01/2025 to 06/30/2025

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 2.20	11/28/22 11/29/22	1,250,000.00	1,056,347.66 1,155,459.32	1,160,644.53 92.85	1,161,822.80 1,178.28	5,185.20	0.52%	N --	3.92% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CFU0 4.13%	10/31/27 10/31/27 2.20	-- --	2,850,000.00	2,841,023.45 2,844,192.37	2,876,050.77 100.91	2,895,857.49 19,806.73	31,858.40	1.30%	N --	4.22% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CLX7 4.13%	11/15/27 11/15/27 2.24	12/05/24 12/06/24	1,350,000.00	1,350,527.34 1,350,453.54	1,362,498.04 100.93	1,369,610.31 7,112.26	12,044.50	0.62%	N --	4.11% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CFZ9 3.88%	11/30/27 11/30/27 2.28	01/26/23 01/30/23	1,125,000.00	1,139,414.06 1,132,533.92	1,129,306.64 100.38	1,132,999.00 3,692.37	(3,227.29)	0.51%	N --	3.58% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CMB4 4.00%	12/15/27 12/15/27 2.32	01/08/25 01/09/25	1,300,000.00	1,288,117.19 1,289,972.44	1,309,242.19 100.71	1,311,515.42 2,273.22	19,269.75	0.59%	N --	4.33% 3.69% --	AA+ Aa1
UNITED STATES TREASURY 91282CBB6 0.63%	12/31/27 12/31/27 2.44	03/09/23 03/13/23	900,000.00	760,464.84 823,936.58	834,398.44 92.71	834,413.73 15.29	10,461.86	0.37%	N --	4.23% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CMF5 4.25%	01/15/28 01/15/28 2.35	03/04/25 03/05/25	1,500,000.00	1,512,773.44 1,511,437.74	1,519,394.54 101.29	1,548,804.07 29,409.53	7,956.79	0.70%	N --	3.93% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CGH8 3.50%	01/31/28 01/31/28 2.41	04/02/25 04/03/25	2,100,000.00	2,076,949.22 2,078,910.27	2,089,335.95 99.49	2,119,994.79 30,658.84	10,425.68	0.95%	N --	3.91% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CMN8 4.25%	02/15/28 02/15/28 2.43	03/04/25 03/05/25	1,500,000.00	1,513,593.75 1,512,180.85	1,520,273.43 101.35	1,544,223.71 23,950.28	8,092.58	0.69%	N --	3.92% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CGP0 4.00%	02/29/28 02/29/28 2.48	02/04/25 02/05/25	2,185,000.00	2,168,953.91 2,170,972.95	2,201,558.19 100.76	2,230,770.69 29,212.50	30,585.24	1.00%	N --	4.26% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CBS9 1.25%	03/31/28 03/31/28 2.65	05/01/23 05/03/23	725,000.00	646,722.66 679,483.76	678,866.21 93.64	681,144.22 2,278.01	(617.54)	0.31%	N --	3.67% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CGT2 3.63%	03/31/28 03/31/28 2.57	03/14/24 03/18/24	1,875,000.00	1,823,437.50 1,838,941.36	1,871,777.34 99.83	1,888,862.38 17,085.04	32,835.99	0.85%	N --	4.38% 3.69% --	AA+ Aa1
UNITED STATES TREASURY 91282CMV8 3.75%	04/15/28 04/15/28 2.61	05/01/25 05/05/25	2,300,000.00	2,303,503.91 2,303,338.48	2,302,875.00 100.13	2,321,020.49 18,145.49	(463.48)	1.04%	N --	3.69% 3.70% --	AA+ Aa1

## Portfolio Holdings

04/01/2025 to 06/30/2025

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 91282CHA2 3.50%	04/30/28 04/30/28 2.66	-- --	2,225,000.00	2,151,853.52 2,174,330.06	2,212,918.94 99.46	2,226,039.18 13,120.24	38,588.88	1.00%	N --	4.36% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CND9 3.75%	05/15/28 05/15/28 2.69	06/04/25 06/05/25	1,450,000.00	1,446,884.77 1,446,959.61	1,452,152.35 100.15	1,459,096.98 6,944.63	5,192.74	0.66%	N --	3.83% 3.69% --	AA+ Aa1
UNITED STATES TREASURY 91282CHE4 3.63%	05/31/28 05/31/28 2.74	-- --	2,300,000.00	2,276,201.17 2,282,359.26	2,295,148.43 99.79	2,302,210.24 7,061.82	12,789.16	1.03%	N --	3.91% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CCE9 1.25%	05/31/28 05/31/28 2.82	-- --	930,000.00	809,348.24 854,428.19	867,588.28 93.29	868,572.91 984.63	13,160.08	0.39%	N --	4.24% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CCH2 1.25%	06/30/28 06/30/28 2.90	08/29/23 08/30/23	650,000.00	563,722.66 594,432.20	605,134.76 93.10	605,156.84 22.08	10,702.56	0.27%	N --	4.32% 3.70% --	AA+ Aa1
UNITED STATES TREASURY 91282CHQ7 4.13%	07/31/28 07/31/28 2.83	06/06/24 06/07/24	570,000.00	564,789.84 566,061.32	576,880.08 101.21	586,687.78 9,807.70	10,818.76	0.26%	N --	4.37% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CCV1 1.13%	08/31/28 08/31/28 3.05	-- --	825,000.00	695,806.64 737,699.96	761,771.49 92.34	764,873.65 3,102.16	24,071.53	0.34%	N --	4.77% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CCY5 1.25%	09/30/28 09/30/28 3.13	12/06/23 12/08/23	575,000.00	502,473.63 524,496.27	531,987.30 92.52	533,794.00 1,806.69	7,491.03	0.24%	N --	4.17% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91281OFF0 5.25%	11/15/28 11/15/28 3.07	12/06/23 12/08/23	900,000.00	944,718.75 931,520.43	942,960.94 104.77	948,995.59 6,034.65	11,440.51	0.43%	N --	4.13% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CJN2 4.38%	11/30/28 11/30/28 3.15	03/14/24 03/18/24	1,325,000.00	1,328,105.47 1,327,371.76	1,352,586.91 102.08	1,357,496.83 4,909.92	25,215.15	0.61%	N --	4.32% 3.72% --	AA+ Aa1
UNITED STATES TREASURY 91282CJR3 3.75%	12/31/28 12/31/28 3.25	10/30/24 10/31/24	825,000.00	813,172.85 814,967.73	825,741.21 100.09	825,825.28 84.07	10,773.49	0.37%	N --	4.13% 3.72% --	AA+ Aa1
UNITED STATES TREASURY 91282CDW8 1.75%	01/31/29 01/31/29 3.40	-- --	1,750,000.00	1,554,146.48 1,601,732.17	1,634,882.81 93.42	1,647,657.33 12,774.52	33,150.64	0.74%	N --	4.33% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CJW2 4.00%	01/31/29 01/31/29 3.26	-- --	1,575,000.00	1,550,750.97 1,556,621.14	1,589,211.92 100.90	1,615,490.92 26,279.01	32,590.78	0.73%	N --	4.36% 3.73% --	AA+ Aa1

## Portfolio Holdings

04/01/2025 to 06/30/2025

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 91282CKD2 4.25%	02/28/29 02/28/29 3.33	04/04/24 04/05/24	450,000.00	448,435.55 448,812.40	457,927.74 101.76	464,320.06 6,392.32	9,115.33	0.21%	N --	4.33% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CEE7 2.38%	03/31/29 03/31/29 3.52	04/29/24 04/30/24	775,000.00	697,560.55 714,445.55	738,429.69 95.28	743,056.40 4,626.71	23,984.14	0.33%	N --	4.67% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CEM9 2.88%	04/30/29 04/30/29 3.57	09/04/24 09/05/24	800,000.00	774,781.25 778,953.39	775,593.75 96.95	779,468.75 3,875.00	(3,359.64)	0.35%	N --	3.62% 3.74% --	AA+ Aa1
UNITED STATES TREASURY 91282CES6 2.75%	05/31/29 05/31/29 3.66	-- --	925,000.00	860,963.87 873,230.12	891,974.61 96.43	894,129.16 2,154.54	18,744.50	0.40%	N --	4.32% 3.74% --	AA+ Aa1
UNITED STATES TREASURY 91282CKT7 4.50%	05/31/29 05/31/29 3.56	07/03/24 07/05/24	425,000.00	428,668.95 428,001.63	436,587.89 102.73	438,207.77 1,619.88	8,586.25	0.20%	N --	4.30% 3.74% --	AA+ Aa1
UNITED STATES TREASURY 91282CKX8 4.25%	06/30/29 06/30/29 3.66	08/01/24 08/02/24	1,325,000.00	1,347,618.16 1,343,760.37	1,349,636.72 101.86	1,349,789.74 153.02	5,876.35	0.61%	N --	3.86% 3.75% --	AA+ Aa1
UNITED STATES TREASURY 912828YB0 1.63%	08/15/29 08/15/29 3.90	09/04/24 09/05/24	850,000.00	775,193.36 786,710.14	782,730.47 92.09	787,919.70 5,189.23	(3,979.67)	0.35%	N --	3.58% 3.71% --	AA+ Aa1
UNITED STATES TREASURY 91282CLK5 3.63%	08/31/29 08/31/29 3.79	10/01/24 10/02/24	645,000.00	649,434.38 648,820.05	641,800.19 99.50	649,615.12 7,814.93	(7,019.85)	0.29%	N --	3.47% 3.75% --	AA+ Aa1
UNITED STATES TREASURY 91282CFL0 3.88%	09/30/29 09/30/29 3.85	10/30/24 10/31/24	340,000.00	336,135.16 336,623.89	341,567.19 100.46	344,878.94 3,311.75	4,943.29	0.15%	N --	4.13% 3.76% --	AA+ Aa1
UNITED STATES TREASURY 91282CLR0 4.13%	10/31/29 10/31/29 3.92	12/05/24 12/06/24	600,000.00	600,867.20 600,792.73	608,578.13 101.43	612,747.97 4,169.84	7,785.40	0.28%	N --	4.09% 3.76% --	AA+ Aa1
UNITED STATES TREASURY 912828YS3 1.75%	11/15/29 11/15/29 4.14	12/05/24 12/06/24	675,000.00	605,917.97 613,218.40	621,580.08 92.09	623,088.74 1,508.66	8,361.69	0.28%	N --	4.06% 3.73% --	AA+ Aa1
UNITED STATES TREASURY 91282CMA6 4.13%	11/30/29 11/30/29 4.00	02/04/25 02/05/25	1,175,000.00	1,165,269.53 1,166,061.86	1,192,257.81 101.47	1,196,363.09 4,105.28	26,195.96	0.54%	N --	4.32% 3.76% --	AA+ Aa1
UNITED STATES TREASURY 91282CFY2 3.88%	11/30/29 11/30/29 4.02	03/04/25 03/05/25	900,000.00	895,605.47 895,921.05	903,972.65 100.44	906,926.55 2,953.89	8,051.60	0.41%	N --	3.99% 3.77% --	AA+ Aa1

## Portfolio Holdings

04/01/2025 to 06/30/2025

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 91282CMG3 4.25%	01/31/30 01/31/30 4.07	04/02/25 04/03/25	1,150,000.00	1,164,285.16 1,163,658.13	1,172,685.54 101.97	1,193,072.63 20,387.09	9,027.41	0.54%	N --	3.96% 3.78% --	AA+ Aa1
UNITED STATES TREASURY 91282CGJ4 3.50%	01/31/30 01/31/30 4.13	05/01/25 05/05/25	875,000.00	863,994.14 864,352.08	864,814.46 98.84	877,588.97 12,774.52	462.38	0.39%	N --	3.79% 3.78% --	AA+ Aa1
UNITED STATES TREASURY 912828Z94 1.50%	02/15/30 02/15/30 4.37	03/04/25 03/05/25	525,000.00	466,532.23 470,050.54	475,083.99 90.49	478,042.55 2,958.56	5,033.44	0.21%	N --	4.00% 3.76% --	AA+ Aa1
UNITED STATES TREASURY 91282CMU2 4.00%	03/31/30 03/31/30 4.25	06/04/25 06/05/25	1,000,000.00	1,003,203.13 1,003,169.28	1,009,296.88 100.93	1,019,351.52 10,054.64	6,127.60	0.46%	N --	3.93% 3.78% --	AA+ Aa1
UNITED STATES TREASURY 912828ZQ6 0.63%	05/15/30 05/15/30 4.71	06/04/25 06/05/25	750,000.00	639,550.78 640,995.18	645,292.97 86.04	645,891.64 598.68	4,297.78	0.29%	N --	3.93% 3.79% --	AA+ Aa1
<b>US GOV TOTAL</b>	<b>11/23/27 11/23/27 2.25</b>	<b>-- --</b>	<b>103,445,000.00</b>	<b>\$101,204,920.98 \$101,977,821.56</b>	<b>\$102,706,153.16 99.37</b>	<b>\$103,576,441.56 \$870,288.40</b>	<b>\$728,331.60</b>	<b>46.53%</b>	<b>N --</b>	<b>4.08% 3.78% --</b>	<b>AA+ Aa1</b>
<b>MUNI</b>								<b>0.00%</b>			
HAWAII ST 419792L87 4.80%	10/01/25 10/01/25 0.25	12/07/23 12/19/23	290,000.00	\$290,000.00 \$290,000.00	\$290,321.90 100.11	\$293,802.63 \$3,480.73	\$321.90	0.13%	N --	4.81% 4.31% --	AA+ Aa2
TEXAS ST 882724T49 4.90%	10/01/25 10/01/25 0.25	08/10/23 08/29/23	275,000.00	275,000.00 275,000.00	275,316.25 100.12	278,685.00 3,368.75	316.25	0.13%	N --	4.90% 4.39% --	AAA NA
CONNECTICUT ST 20772KTH2 5.05%	05/15/26 05/15/26 0.85	06/01/23 06/22/23	290,000.00	293,888.90 291,219.01	292,250.40 100.78	294,121.71 1,871.31	1,031.39	0.13%	N --	4.55% 4.13% --	AA- Aa3
HAWAII ST 419792L95 4.59%	10/01/26 10/01/26 1.20	12/07/23 12/19/23	250,000.00	250,000.00 250,000.00	251,670.00 100.67	254,537.50 2,867.50	1,670.00	0.11%	N --	4.59% 4.03% --	AA+ Aa2
CALIFORNIA ST 13063D3N6 4.85%	03/01/27 03/01/27 1.57	03/09/23 03/15/23	335,000.00	335,000.00 335,000.00	339,093.70 101.22	344,505.07 5,411.37	4,093.70	0.15%	N --	4.85% 4.08% --	AA- Aa2
CONNECTICUT ST 20772KTJ8 5.05%	05/15/27 05/15/27 1.77	06/01/23 06/22/23	170,000.00	173,264.00 171,634.14	173,333.70 101.96	174,430.67 1,096.97	1,699.56	0.08%	N --	4.51% 3.95% --	AA- Aa3
HAWAII ST 419792M29 5.00%	10/01/27 10/01/27 2.09	12/07/23 12/19/23	25,000.00	25,420.75 25,257.69	25,573.25 102.29	25,885.75 312.50	315.56	0.01%	N --	4.51% 3.92% --	AA+ Aa2

## Portfolio Holdings

04/01/2025 to 06/30/2025

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
HAWAII ST 419792M37 5.00%	10/01/28 10/01/28 2.95	12/07/23 12/19/23	80,000.00	81,632.80 81,143.09	82,503.20 103.13	83,503.20 1,000.00	1,360.11	0.04%	N --	4.52% 3.96% --	AA+ Aa2
<b>MUNI TOTAL</b>	<b>08/12/26 08/12/26 1.05</b>	<b>-- --</b>	<b>1,715,000.00</b>	<b>\$1,724,206.45 \$1,719,253.94</b>	<b>\$1,730,062.40 100.88</b>	<b>\$1,749,471.52 \$19,409.12</b>	<b>\$10,808.46</b>	<b>0.79%</b>	<b>N --</b>	<b>4.71% 4.15% --</b>	<b>AA Aa2</b>
<b>CORP</b>								<b>0.00%</b>			
HOME DEPOT INC 437076CR1 4.00%	09/15/25 09/15/25 0.20	09/12/22 09/19/22	145,000.00	\$144,947.80 \$144,996.17	\$144,849.32 99.90	\$146,557.10 \$1,707.78	(\$146.84)	0.07%	Y 08/15/25	4.01% 4.45% 4.78%	A A2
METROPOLITAN LIFE GLOBAL FUNDING I 592179KD6 5.00%	01/06/26 01/06/26 0.49	01/03/23 01/06/23	460,000.00	460,000.00 460,000.00	461,221.89 100.27	472,402.44 11,180.56	1,221.89	0.21%	N --	5.00% 4.47% --	AA- Aa3
COLGATE-PALMOLIVE CO 194162AQ6 4.80%	03/02/26 03/02/26 0.65	02/27/23 03/01/23	270,000.00	269,686.80 269,926.28	271,107.39 100.41	275,391.39 4,284.00	1,181.11	0.12%	N --	4.84% 4.17% --	A+ Aa3
TOYOTA MOTOR CREDIT CORP 89236TMD4 5.20%	05/15/26 05/15/26 0.84	05/13/24 05/16/24	1,125,000.00	1,124,268.75 1,124,670.86	1,134,732.53 100.87	1,142,207.53 7,475.00	10,061.67	0.51%	N --	5.23% 4.18% --	A+ A1
NATIONAL SECURITIES CLEARING CORP 637639AL9 5.15%	06/26/26 06/26/26 0.96	06/17/24 06/26/24	1,240,000.00	1,239,925.60 1,239,962.37	1,251,371.51 100.92	1,252,258.45 886.94	11,409.14	0.56%	N --	5.15% 4.19% --	AA+ Aa1
JOHN DEERE CAPITAL CORP 24422EXD6 5.15%	09/08/26 09/08/26 1.13	09/05/23 09/08/23	665,000.00	664,527.85 664,804.65	672,987.65 101.20	683,737.56 10,749.91	8,183.01	0.31%	N --	5.18% 4.10% --	A A1
NEW YORK LIFE GLOBAL FUNDING 64953BBF4 5.45%	09/18/26 09/18/26 1.15	09/12/23 09/19/23	855,000.00	854,837.55 854,930.36	867,508.72 101.46	880,840.78 13,332.06	12,578.36	0.40%	N --	5.46% 4.20% --	AA+ Aa1
HOME DEPOT INC 437076CV2 4.95%	08/30/26 09/30/26 1.12	11/27/23 12/04/23	505,000.00	503,894.05 504,476.55	509,988.43 100.99	516,307.24 6,318.81	5,511.88	0.23%	Y 08/30/26	5.04% 4.13% 4.07%	A A2
PEPSICO INC 713448FW3 5.13%	10/10/26 11/10/26 1.22	11/08/23 11/10/23	655,000.00	654,823.15 654,916.64	663,252.54 101.26	668,008.11 4,755.57	8,335.90	0.30%	Y 10/10/26	5.13% 4.16% 4.10%	A+ A1

## Portfolio Holdings

04/01/2025 to 06/30/2025

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
PACCAR FINANCIAL CORP 69371RT55 4.50%	11/25/26 11/25/26 1.34	11/18/24 11/25/24	405,000.00	404,655.75 404,756.04	407,758.50 100.68	409,581.00 1,822.50	3,002.45	0.18%	N --	4.54% 3.99% --	A+ AI
ELI LILLY AND CO 532457CJ5 4.50%	01/09/27 02/09/27 1.45	02/07/24 02/09/24	1,630,000.00	1,629,136.10 1,629,522.92	1,643,153.22 100.81	1,672,085.72 28,932.50	13,630.30	0.75%	Y 01/09/27	4.52% 3.97% 3.95%	A+ Aa3
PACCAR FINANCIAL CORP 69371RT22 5.00%	05/13/27 05/13/27 1.76	05/06/24 05/13/24	165,000.00	164,872.95 164,918.78	167,854.00 101.73	168,954.00 1,100.00	2,935.22	0.08%	N --	5.03% 4.03% --	A+ AI
CATERPILLAR FINANCIAL SERVICES CORP 14913UAL4 5.00%	05/14/27 05/14/27 1.77	05/07/24 05/14/24	800,000.00	799,120.00 799,436.61	813,619.38 101.70	818,841.60 5,222.22	14,182.76	0.37%	N --	5.04% 4.04% --	A A2
JOHN DEERE CAPITAL CORP 24422EXZ7 4.65%	01/07/28 01/07/28 2.31	01/06/25 01/09/25	1,105,000.00	1,104,668.50 1,104,715.80	1,121,686.96 101.51	1,146,236.38 24,549.42	16,971.16	0.51%	N --	4.66% 4.01% --	A AI
PACCAR FINANCIAL CORP 69371RT63 4.55%	03/03/28 03/03/28 2.47	02/20/25 03/03/25	565,000.00	564,655.35 564,690.73	573,077.86 101.43	581,504.20 8,426.35	8,387.13	0.26%	N --	4.57% 3.98% --	A+ AI
<b>CORP TOTAL</b>	<b>12/03/26 12/11/26 1.35</b>	<b>-- --</b>	<b>10,590,000.00</b>	<b>\$10,584,020.20 \$10,586,724.77</b>	<b>\$10,704,169.90 101.08</b>	<b>\$10,834,913.52 \$130,743.62</b>	<b>\$117,445.13</b>	<b>4.87%</b>	<b>--</b>	<b>4.94% 4.11% 4.04%</b>	<b>A+ AI</b>
<b>LGIP</b>								<b>0.00%</b>			
POOLED MONEY INVESTMENT ACCOUNT LAIFRDA 4.48%	06/30/25 06/30/25 0.00	-- --	1,800,258.55	\$1,800,258.55 \$1,800,258.55	\$1,800,258.55 1.00	\$1,800,258.55 \$0.00	\$0.00	0.81%	N --	4.48% -- --	NA NA
POOLED MONEY INVESTMENT ACCOUNT LAIFUND 4.48%	06/30/25 06/30/25 0.00	-- --	31,753,203.35	31,753,203.35 31,753,203.35	31,753,203.35 1.00	31,753,203.35 0.00	0.00	14.27%	N --	4.48% -- --	NA NA
POOLED MONEY INVESTMENT ACCOUNT LAIFCRE 4.48%	06/30/25 06/30/25 0.00	-- --	7,826,619.92	7,826,619.92 7,826,619.92	7,826,619.92 1.00	7,826,619.92 0.00	0.00	3.52%	N --	4.48% -- --	NA NA
CALIFORNIA CLASS CACCLASS 5.48%	06/30/25 06/30/25 --	-- --	64,267,532.46	64,267,532.46 64,267,532.46	64,267,532.46 1.00	64,267,532.46 0.00	(0.00)	28.87%	N --	5.51% -- --	NA NA

Portfolio Holdings

04/01/2025 to 06/30/2025

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	06/30/25	--	105,647,614.28	\$105,647,614.28	\$105,647,614.28	\$105,647,614.28	\$0.00	47.46%	N	5.11%	NA
	06/30/25 0.00	--		\$105,647,614.28	1.00	\$0.00			--	--	NA
PORTFOLIO TOTAL	09/09/26	--	222,183,165.23	\$219,946,312.86	\$221,573,550.68	\$222,593,991.83	\$856,585.19	100.00%		4.61%	AA
	09/10/26 1.58	--		\$220,716,965.49	52.43	\$1,020,441.14				3.81% 4.04%	Aa1



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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."