



Finance, Audit, Insurance, and Real Property
Committee

Quarterly Investment Activities Report

Item 8b

August 15, 2023

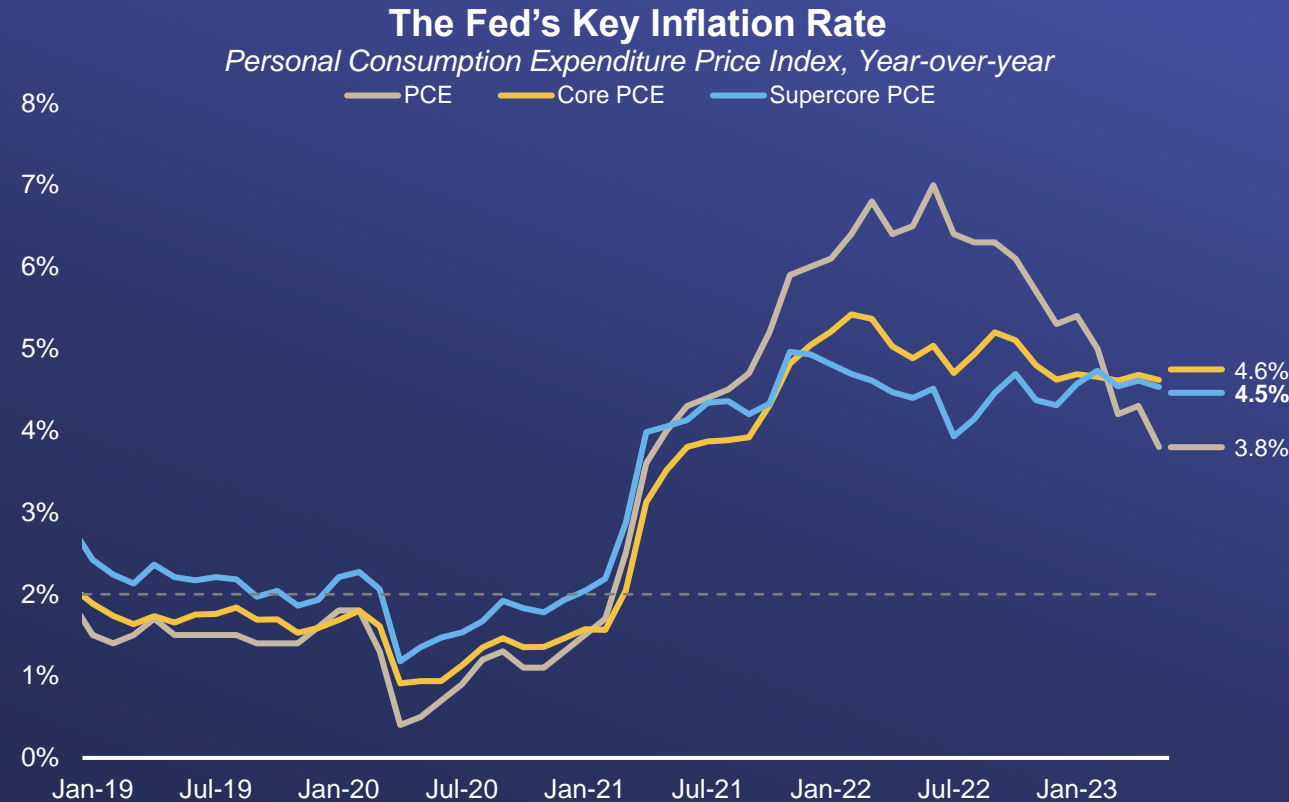
Presented By:

Christopher Harris, CFA, CAIA, Director

PFM Asset Management LLC

Market Environment

- U.S. economy is characterized by
 - Headline inflation numbers trending lower, but the Fed's current focus, "supercore inflation," is showing little sign of slowing
 - A labor market that has proven to be exceptionally strong
 - A more optimistic sentiment around economic growth due to resilient consumer spending
- Fed temporarily pauses rate hikes
 - The most aggressive series of interest rate hikes in recent history has come to a temporary pause in June
 - The Fed's most recent dot plot shows the potential for two additional rate hikes by the end of the year
- Bond markets see continued volatility
 - The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default
 - After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points
 - The curve inversion fell dramatically at the start of Q2, but moved toward historic levels in June



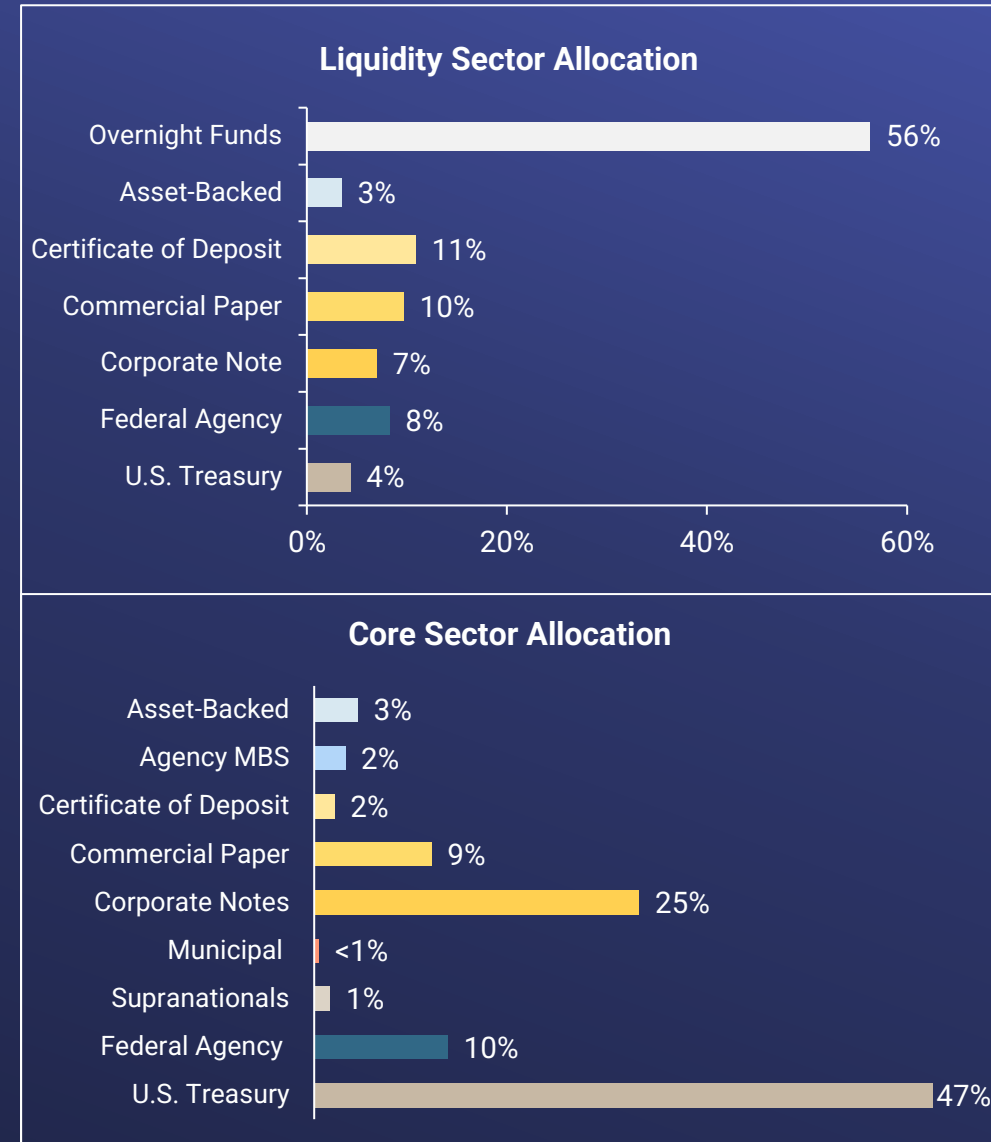
Overview of Portfolio as of June 30, 2023

Portfolio Statistics		
Portfolio	Liquidity ^{1,2}	Core
Market Value	\$1,040,790,270	\$547,649,562
Duration	0.13 Years	2.01 Years
Average Yield at Cost	4.70%	3.56%
Average Yield at Market	5.13%	5.00%

1. Includes CAMP, LAIF, and Dreyfus money market fund balances (Overnight Funds) as of 6/30/23. Excludes accrued interest.

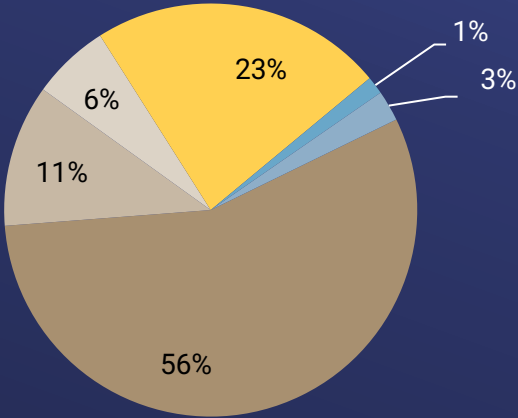
2. Yields are a weighted average of the CAMP 7-day yield, LAIF quarterly apportionment rate, and MWDSC's Liquidity portfolio yield for June 2023.

3. Core portfolio excludes funds invested in the Endowment and Segregated portfolios.

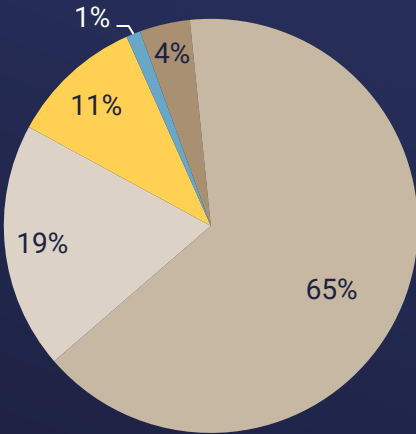


Overview of Portfolios as of June 30, 2023

Credit Quality^{1,2}

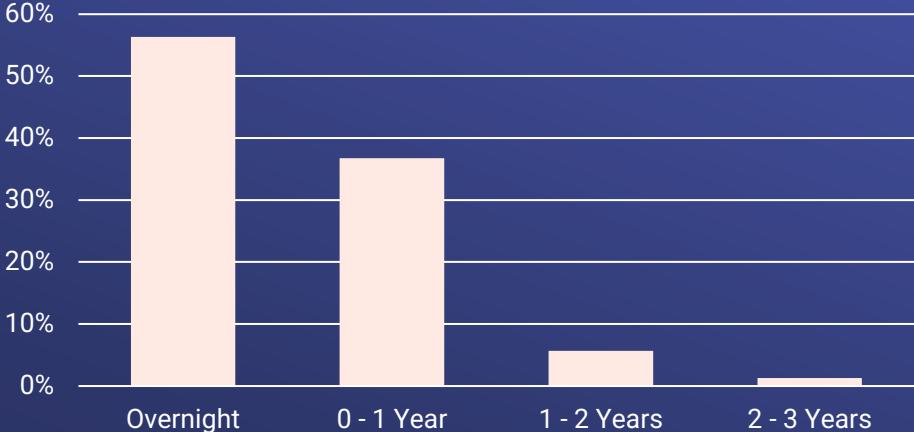


Credit Quality²



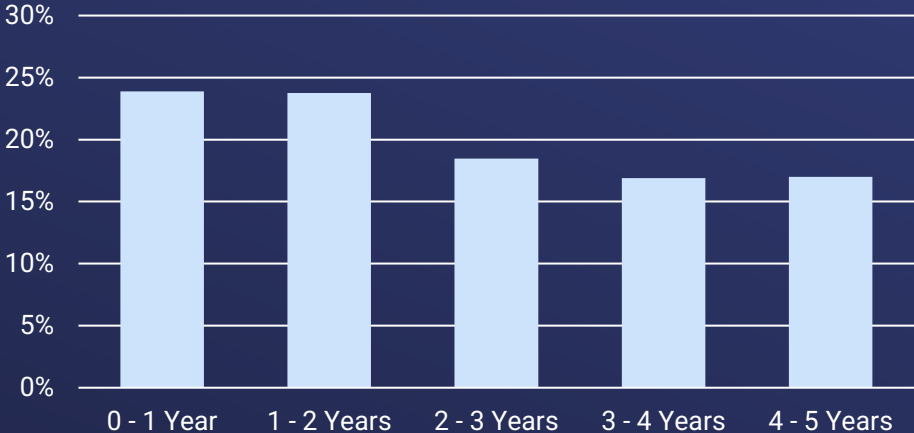
Liquidity Portfolio

Maturity Distribution¹



Core Portfolio

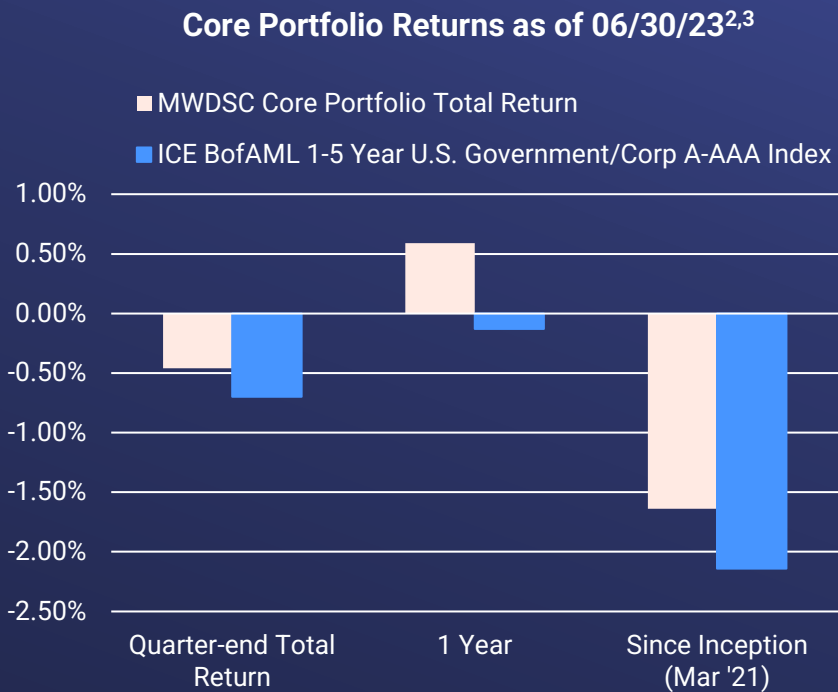
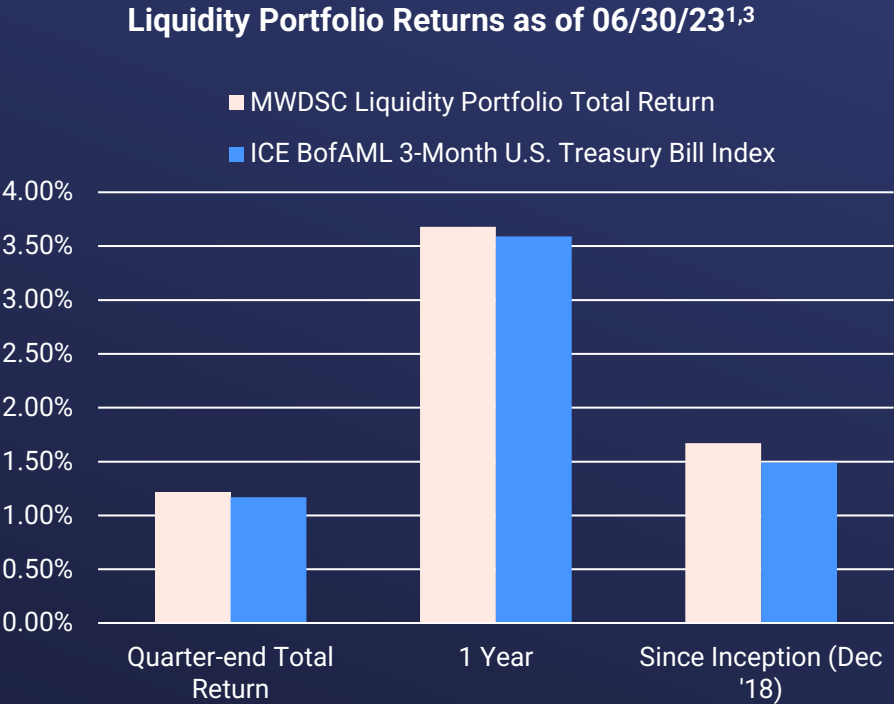
Maturity Distribution



1. Includes CAMP, LAIF, and money market fund balances (Overnight).
2. Credit Ratings are Standard and Poor's .

Investment Strategy and Returns

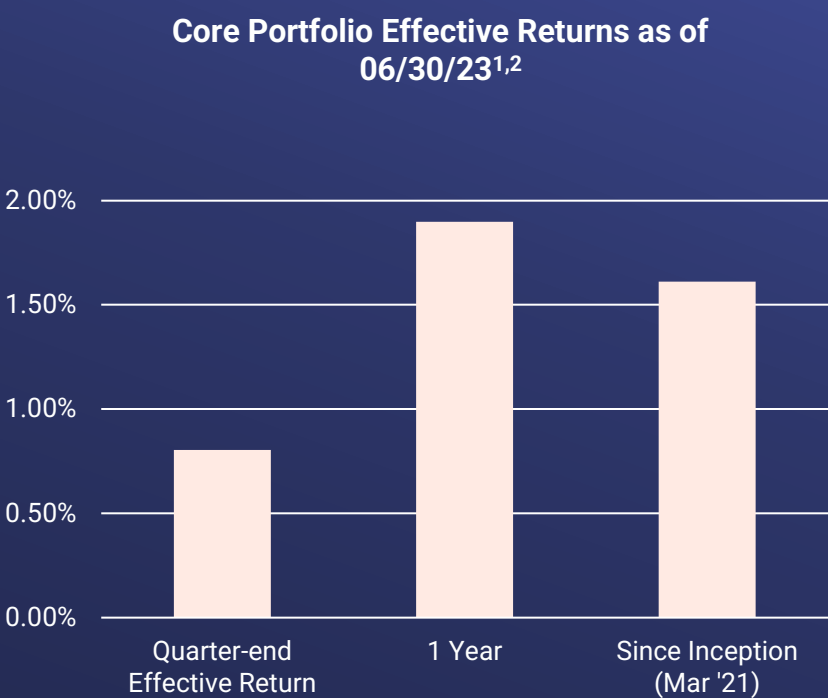
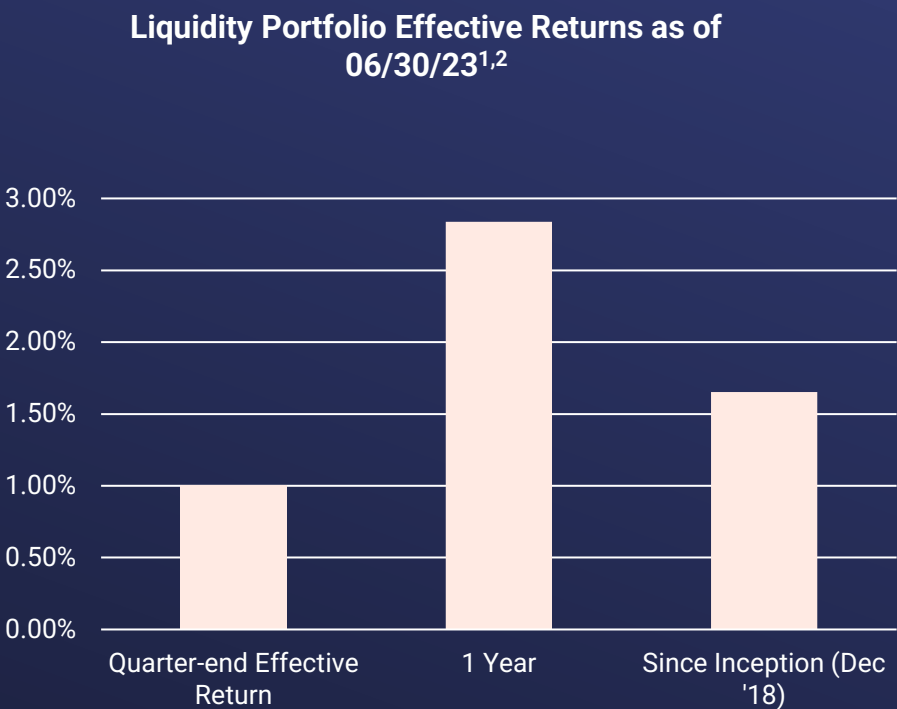
- Maintain ample liquidity through continued communication with District
- Manage duration modestly defensive relative to each portfolio’s benchmark duration
- Diversify broadly to safely generate incremental earnings
- Seek opportunities to prudently enhance earnings while maintaining safety and liquidity



1. Returns represent only the PFMAM-managed Liquidity Portfolio. Returns are gross of investment advisor fee.
2. Returns represent only the PFMAM-managed Core Portfolio. Returns are gross of investment advisor fee.
3. Returns for periods one year or less are represented on a periodic basis. Returns for periods greater than one year are represented on an annualized basis.

Investment Strategy and Returns Continued

- Effective Return reflects realized gains and losses incurred
- Effective Return for the last quarter was 1.00% for the liquidity portfolio and 0.80% for the core portfolio



1. These returns are not a representation of actual portfolio performance. The performance calculation does not incorporate changes in cash balances and historic forward settling trades.

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

Earnings Projection: FY 2023-2024 & FY 2024-2025

	Liquidity Portfolio ¹	Core Portfolio ¹
FY 2023-2024	\$20,684,184	\$21,161,600
FY 2024-2025	\$18,647,947	\$21,243,679

See the Assumptions and Important Disclosures page for the footnotes and additional detail regarding the analysis.

Assumptions and Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. Past performance does not necessarily reflect and is not a guarantee of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

Notes to Earnings Estimates

1. Estimated Earnings based on the initial par value of the portfolio as of June 30, 2023. Source: PFMAM account statements. Estimated Earnings assume no sales, realized gains/losses, withdrawals/deposits, or changes to the initial portfolio cash flows. The Estimated Earnings assume the initial portfolio is invested at the yield to maturity at cost with all maturities reinvested at the assumed reinvestment rate as described below. Yields on investments are presented based on corresponding basis (actual/actual, actual/360, 30/360) depending on security type. Actual reinvestment rates will vary based on events outside of your or our control, including the prevailing level of interest rates in the future. Assumptions may or may not be proven correct as actual events occur. Any changes in assumptions will have an effect on our analysis. In particular, reinvestment at lower rates will result in reduced earnings, which may be materially different than those shown in the analysis.
2. The Portfolio Earnings Rate is based on the portfolio's yield to maturity at cost as of June 30, 2023 and assume no sales, realized gains/losses, or changes to the portfolio cash flows.
3. The Reinvestment Rate Assumption for the Liquidity Portfolio and the Aggregate Portfolio are based on the 6-month U.S. Treasury Forward Rate Curve as of July 14, 2023. The Reinvestment Rate Assumption for the Core portfolio is based on the 2-year U.S. Treasury Forward Rate Curve as of July 14, 2023. Yield curve source: Bloomberg. Investments have not been executed. Actual rates and security availability will vary at time of placement.

Disclosure

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Questions

