



Finance, Affordability, Asset Management,
and Efficiency Committee

Quarterly Investment Activities Report

Item 6b

Presented By:

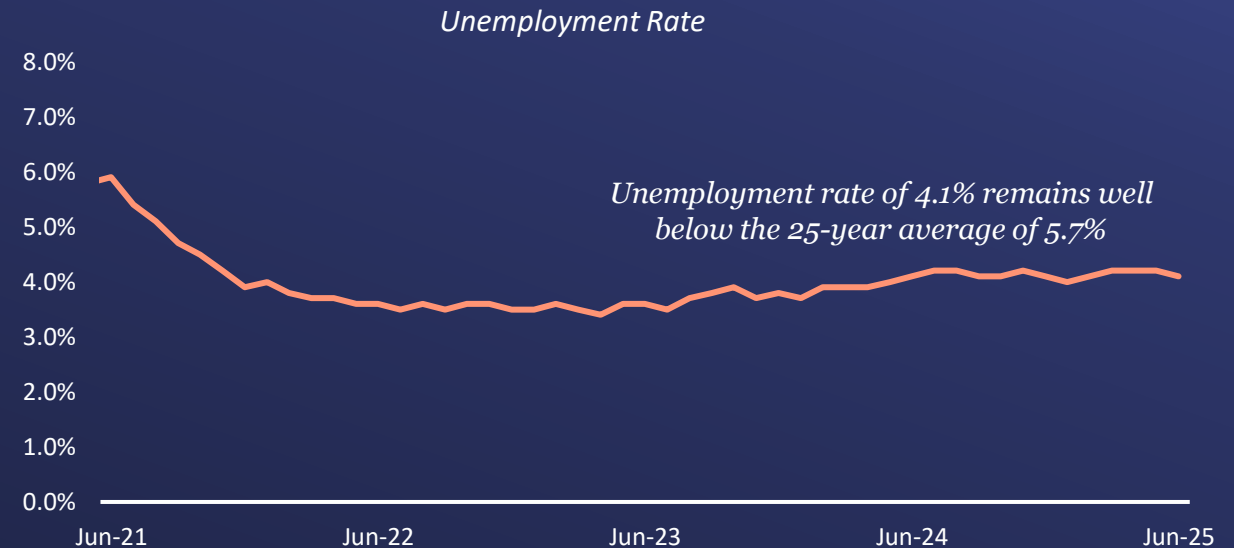
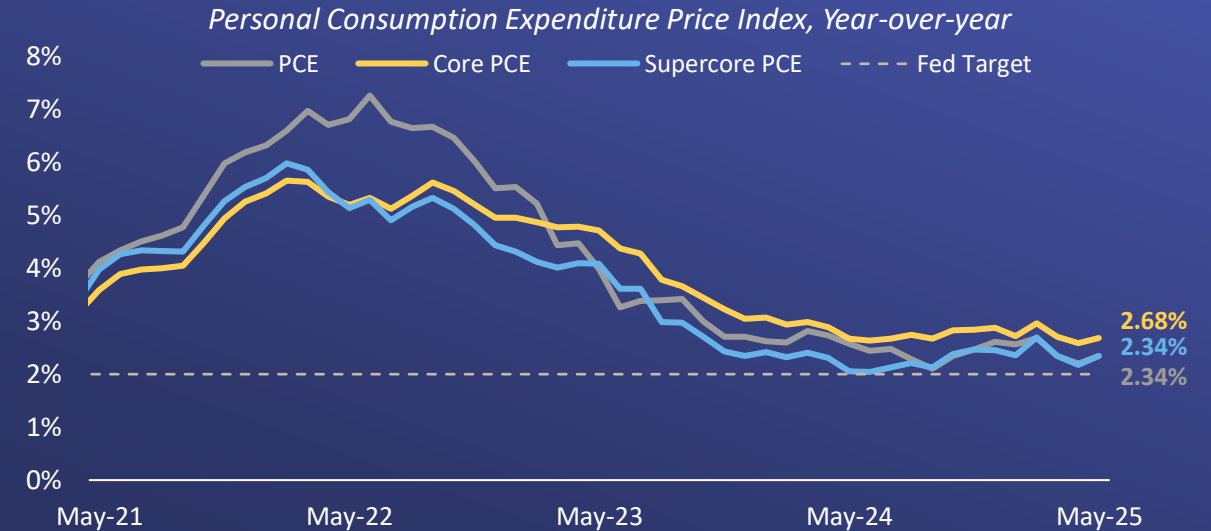
Christopher Harris, CFA, CAIA, Director

PFM Asset Management

Market Environment

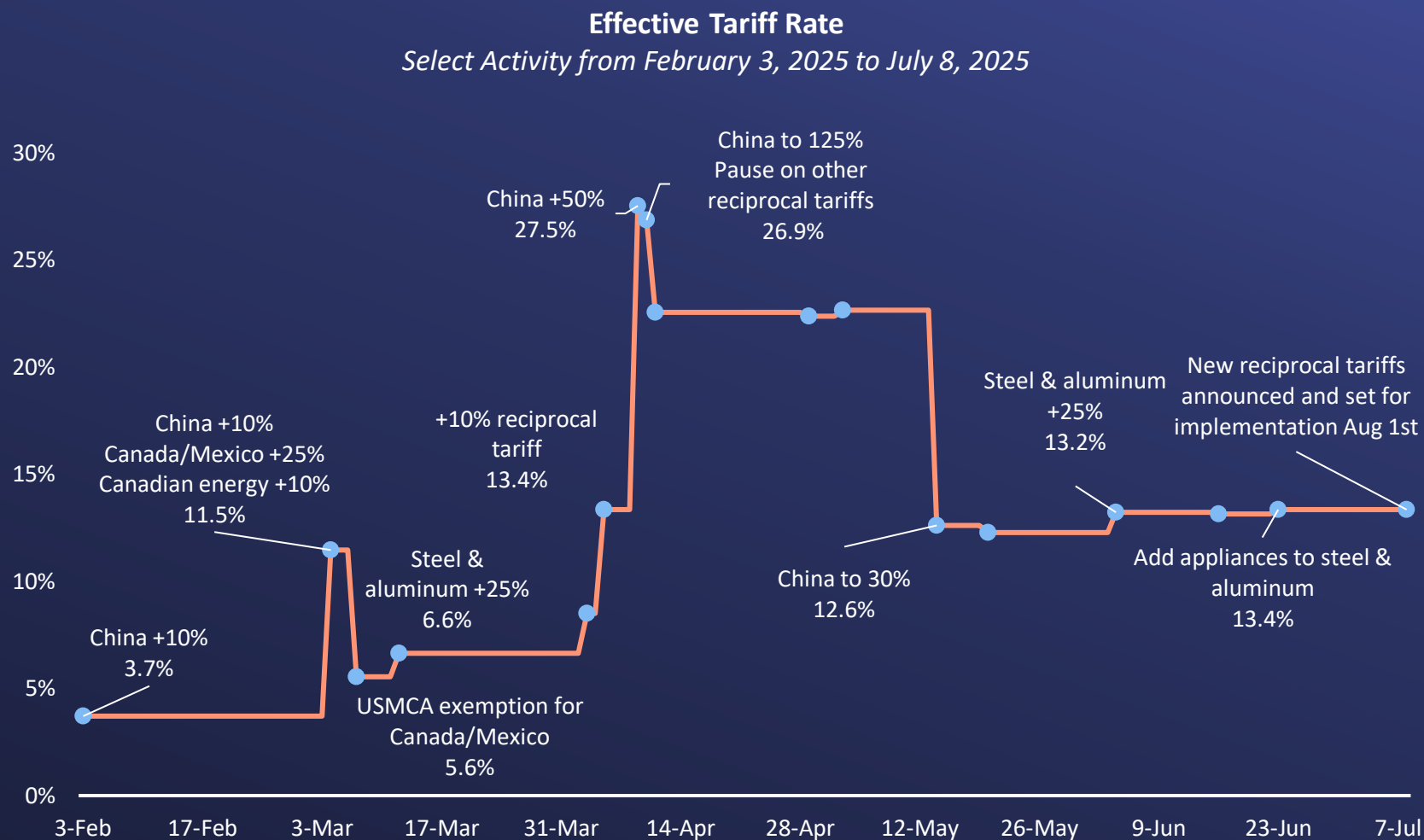
- U.S. economy is resilient but showing signs of cooling
 - Headline employment data belies underlying weakening
 - Inflation remains rangebound but does not yet reflect the full impact of tariffs
 - Fiscal policy uncertainty and volatile tariff rollouts weigh on consumer sentiment
- Fed remains on hold but may cut rates later this year
 - The Fed's June "dot plot" implies 50 bps of cuts in the back half of 2025 but members are split between 0 and 2 cuts this year
 - Fed Chair Powell stated the effect, size, and duration of tariffs are all highly uncertain making staying on hold the appropriate thing to do as they wait to learn more
- Treasury yields whipsawed by tariff announcements in Q2
 - Concerns over the budget bill, debt ceiling, and monetary policy added to volatility
 - The yield curve continued to steepen between 2 years and 10 years
 - Credit spreads widened sharply following tariff fears but tightened to levels near historic tights by quarter end

The Fed's Dual Mandate



Source: Bloomberg Finance L.P., as of June 30, 2025.

Uncertainty Remains Exceptionally High



Source: Bloomberg Finance L.P. as of July 8, 2025. Blue dots represent activity impacting effective tariff rate.

Fiscal Policy Adds to Uncertainty



Budget/Spending



Tax Reform



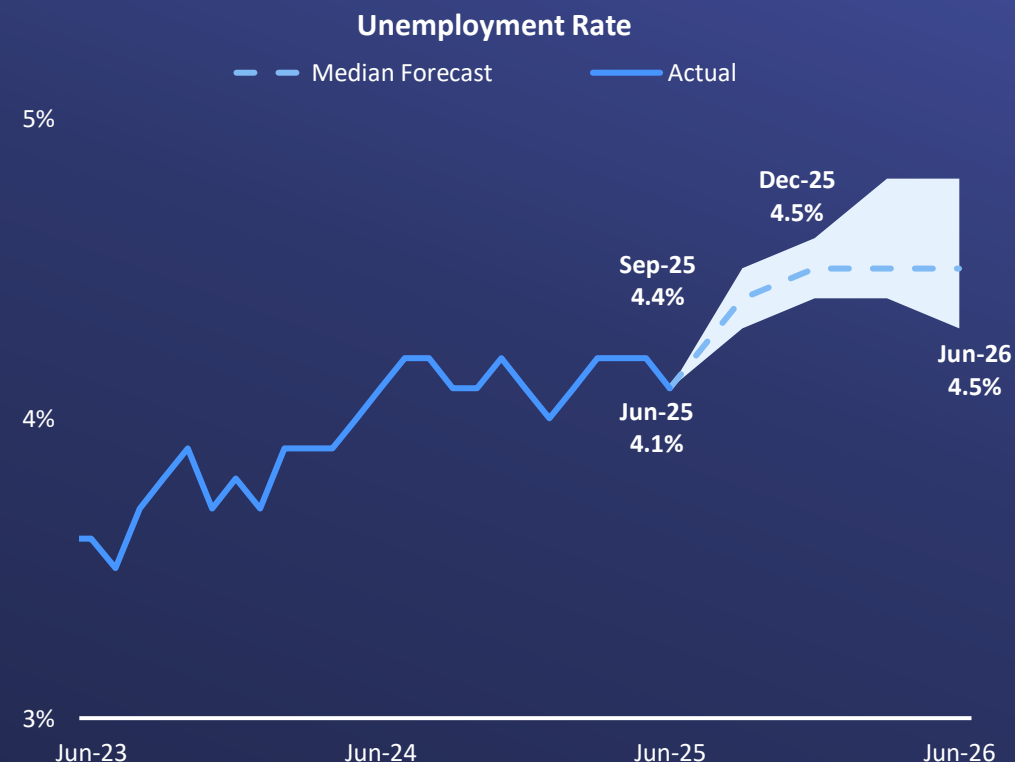
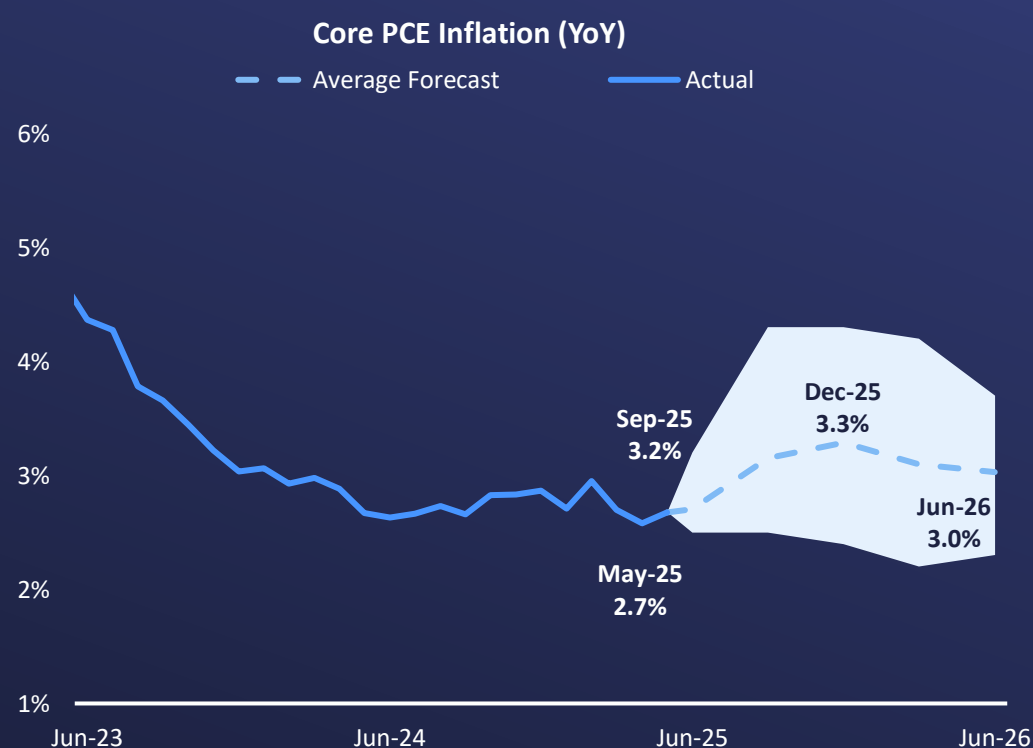
Funding Freezes



Debt Ceiling

The Fed's Dual Mandate Gets More Complicated

Fed Chair Powell: “We may find ourselves in the challenging scenario in which our dual mandate goals are in tension. If that were to occur, we would consider how far the economy is from each goal and the potentially different time horizons over which those respective gaps would be anticipated to close.”



Source: FOMC Chair Jerome Powell Press Conference, June 18, 2025. Bureau of Economic Analysis, and Bloomberg Finance L.P., as of May 2025 (left). Bureau of Labor Statistics, and Bloomberg Finance L.P., as of June 2025 (right). Data is seasonally adjusted. Survey responses after June 27, 2025, included in median and forecast range. Forecast range shown is the 75th and 25th percentile of responses.

Overview of Portfolio as of June 30, 2025

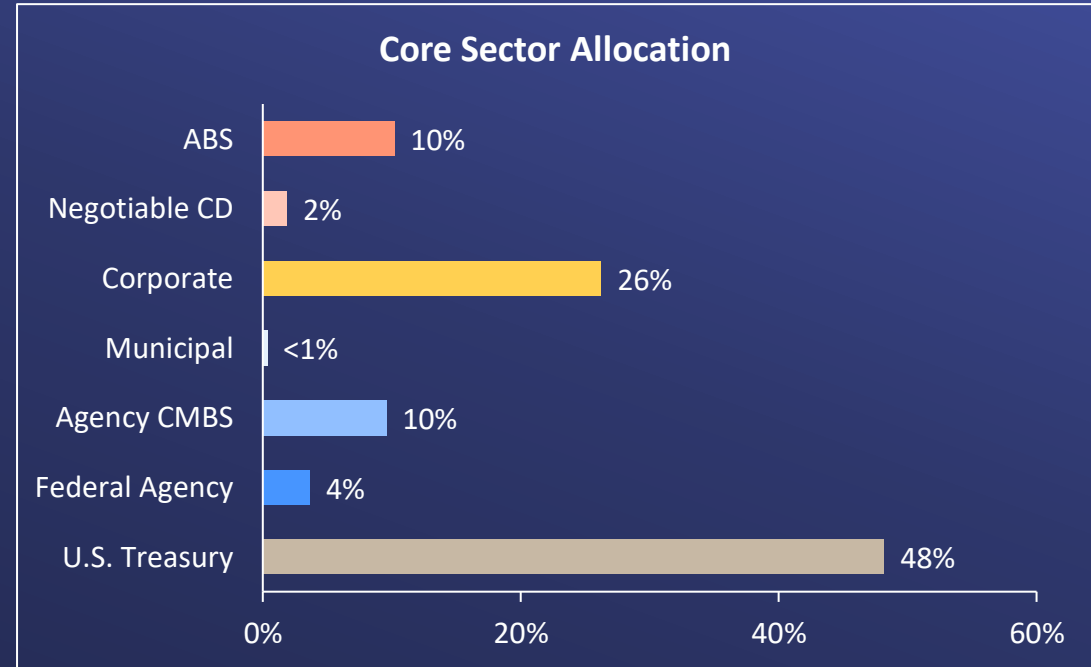
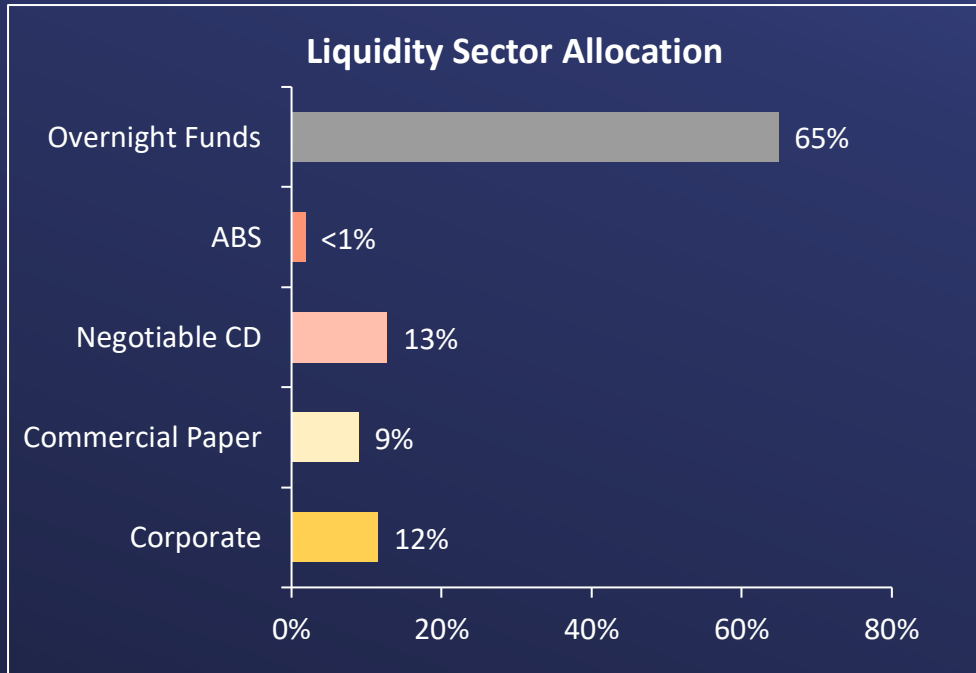
Portfolio Statistics		
Portfolio	Liquidity ^{1,2}	Core ³
Market Value	\$935,124,398	\$637,813,185
Duration	0.15 years	2.03 years
Average Yield at Cost	4.46%	4.06%
Average Yield at Market	4.42%	4.07%

1. Includes CAMP, LAIF, and Dreyfus money market fund balances (Overnight Funds) as of 6/30/25. Excludes accrued interest.

2. Yields are a weighted average of the CAMP monthly distribution yield, LAIF quarterly apportionment rate, and MWDSC's portfolio yield for June 2025.

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

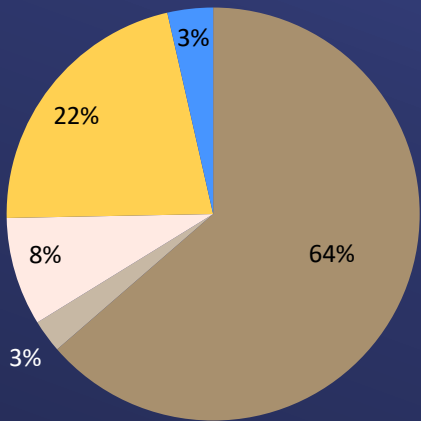
Overview of Portfolios as of June 30, 2025



Overview of Portfolios as of June 30, 2025

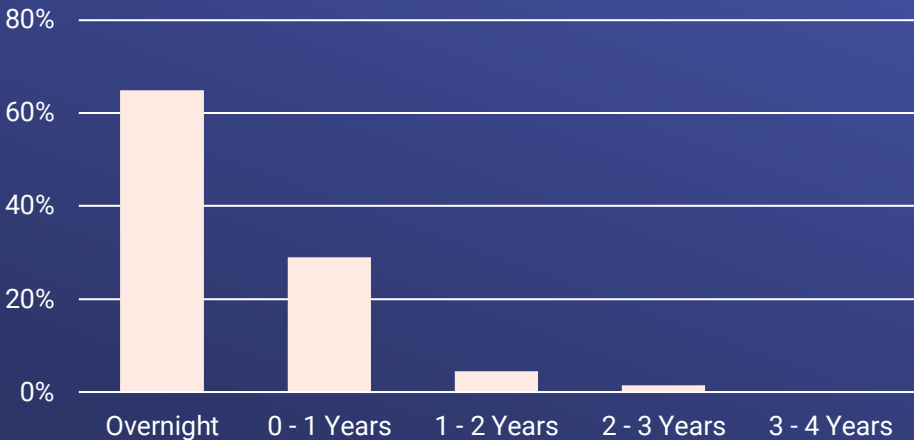
Liquidity Portfolio

Credit Quality^{1,2}



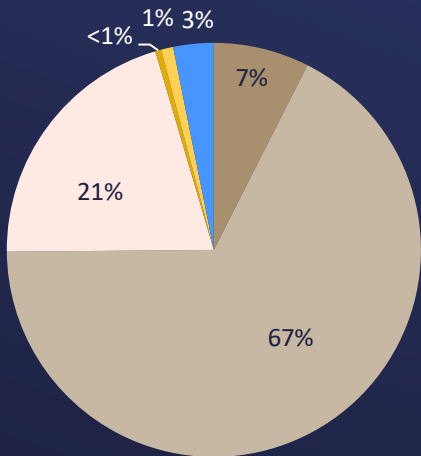
■ AAA
■ AA
■ A
■ BBB
■ A-1
■ NR

Maturity Distribution¹

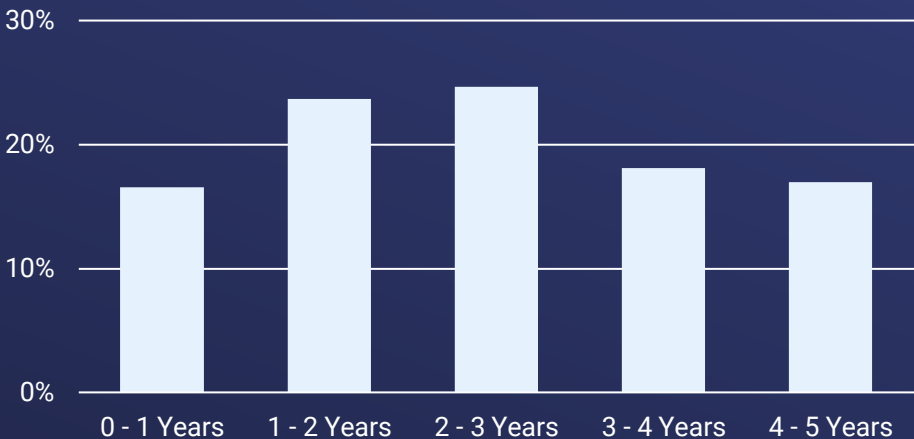


Core Portfolio

Credit Quality²



Maturity Distribution



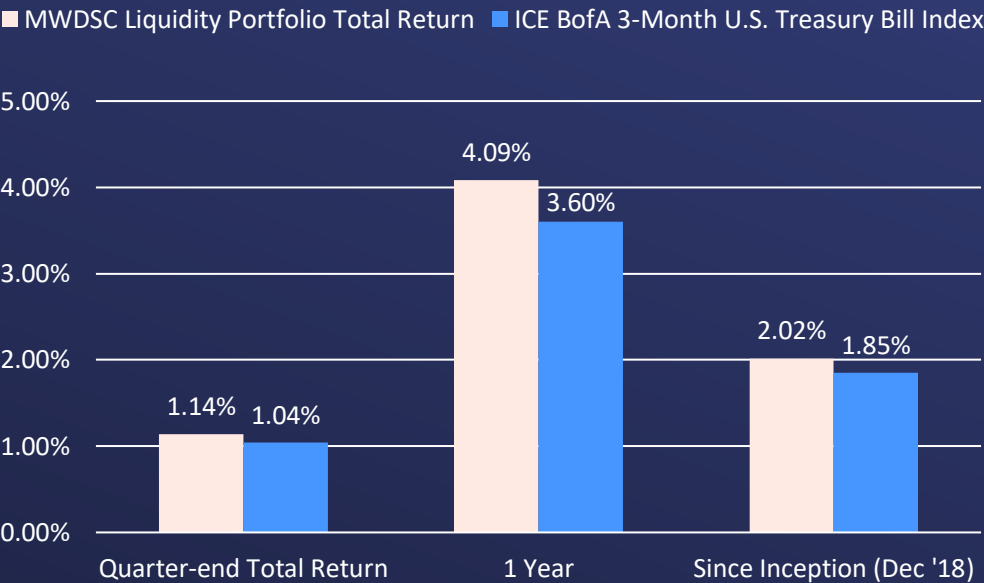
1. Includes CAMP, LAIF, and money market fund balances (Overnight).
2. Credit Ratings are S&P Global.

Investment Strategy and Returns

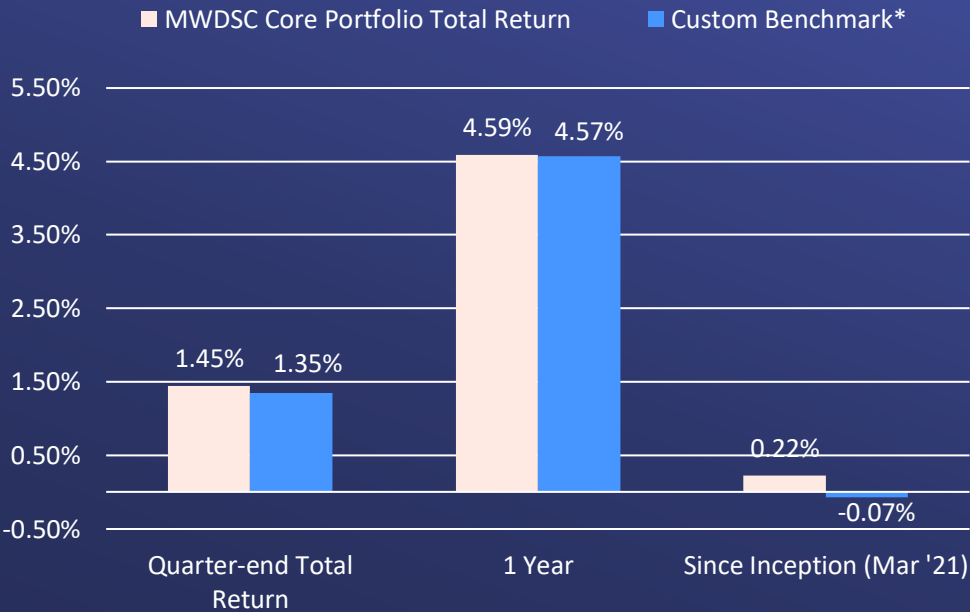
- Maintain ample liquidity through continued communication with District
- Manage duration modestly defensive relative to each portfolio's benchmark duration
- Diversify broadly to safely generate incremental earnings
- Seek opportunities to prudently enhance earnings while maintaining safety and liquidity

Investment Strategy and Returns

Liquidity Portfolio Returns as of 6/30/25^{1,3}



Core Portfolio Returns as of 6/30/25^{2,3}



**Core portfolio's custom benchmark is 80% ICE BofAML 1-5 Year U.S. Government/Corp A-AAA Index and 20% ICE BofAML 0-1 year US Treasury Index. Prior to June 30, 2023, the portfolio benchmark was the ICE BofAML 1-5 Year U.S. Government/Corp A-AAA Index*

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.

Actual and Projected Earnings: FY 2024-2025 & FY 2025-2026

	Liquidity Portfolio ^{1,2,3}	Average Liquidity Reinvestment Rate ⁴	Core Portfolio ^{2,3}	Average Core Reinvestment Rate ⁴
FY 2024-2025 Actual Earnings	\$8,808,541	4.91%*	\$24,810,609	3.98%*
FY 2025-2026 Earnings Projection	\$13,695,448	3.92%	\$21,621,492	3.78%

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

*Rates shown for FY 2024-2025 are the average monthly yield to maturity at costs of the portfolios.

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 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.

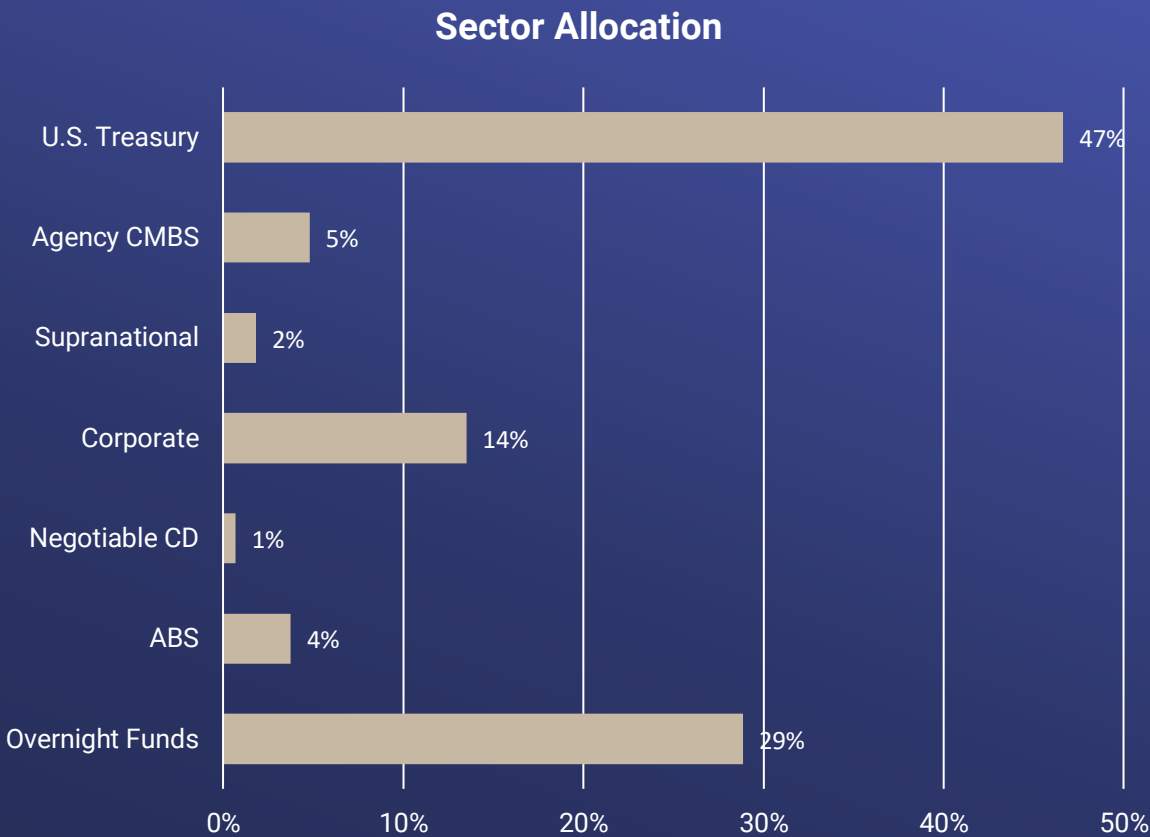
Notes to Earnings Estimates

1. Liquidity Portfolio is excluding CAMP and other overnight balances from this analysis.
2. Earnings for the period July 2024 to June 2025 are actual earnings and include realized gains/losses; periods thereafter are projected.
3. Estimated Earnings based on the amortized cost of the portfolio as of June 30, 2025. 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.
4. 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 24, 2025. The Reinvestment Rate Assumption for the Core portfolio is based on the 2-year U.S. Treasury Forward Rate Curve as of July 24, 2025. Yield curve source: Bloomberg Finance L.P. Investments have not been executed. Actual rates and security availability will vary at time of placement.

Endowment Portfolio Update

Portfolio Statistics as of June 30, 2025

Market Value	\$44,766,286
Duration	2.61 years
Average Yield at Cost*	4.33%
Average Yield at Market*	4.14%

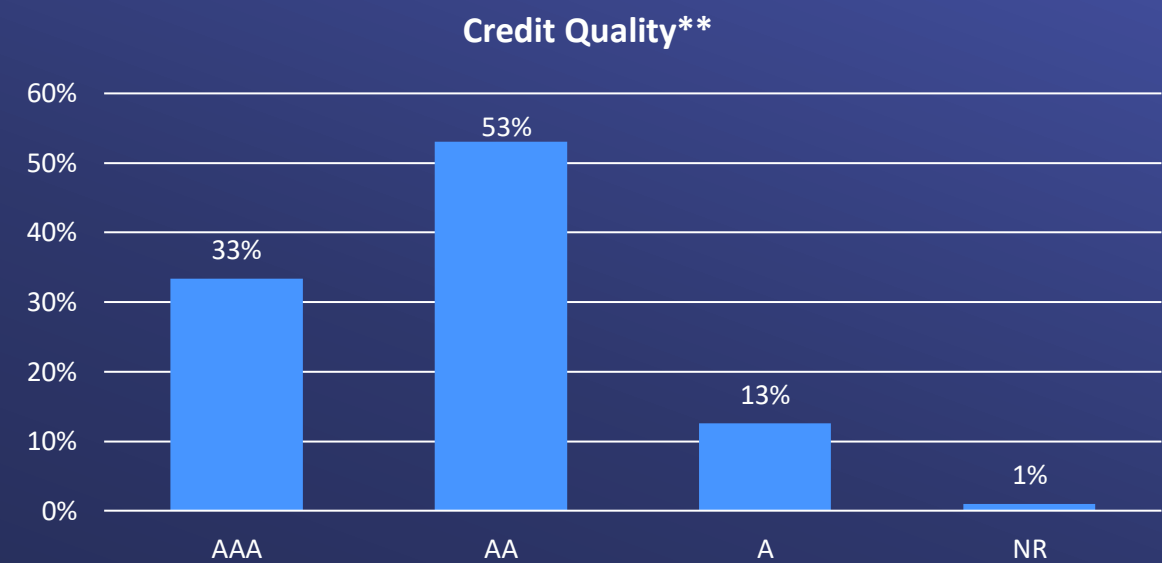
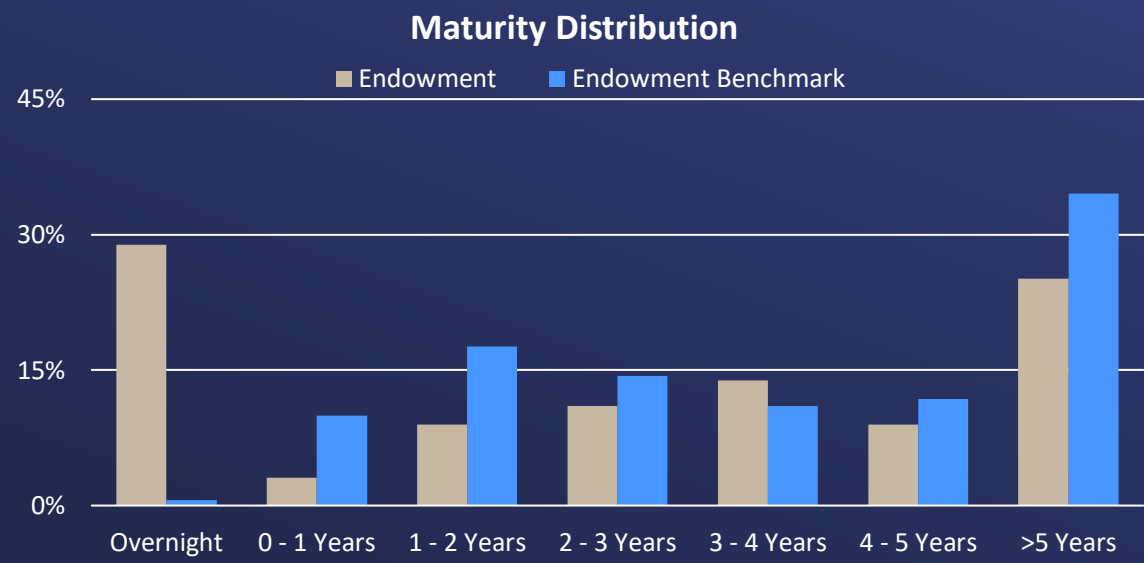


Portfolio characteristics represented by MWDSC’s Endowment portfolio and CAMP balances. CAMP balances are provided by the District as of 6/30/25. Excludes mmf balances.

The Endowment Portfolio’s benchmark consists of 40% ICE BofA 0-5 Year US Treasury Index, 35% ICE BofA 5-10 Year US Treasury Index and 25% ICE BofA 1-5 Year AAA-A Corporate Index.

*Yields are a weighted average of the CAMP monthly distribution yield and MWDSC’s portfolio yield for December 2024.

Endowment Portfolio Update



***Ratings are S&P Global, and the portfolio is in compliance with California Government Code and the District's current investment policy.*

Disclosure

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Questions

