



Finance and Asset Management Committee

Quarterly Investment Activities Report

Item 6a

February 11, 2025

Presented By:

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PFM Asset Management

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Quarterly Investment Activities Report

Subject

Quarterly Investment Activities Report

Purpose

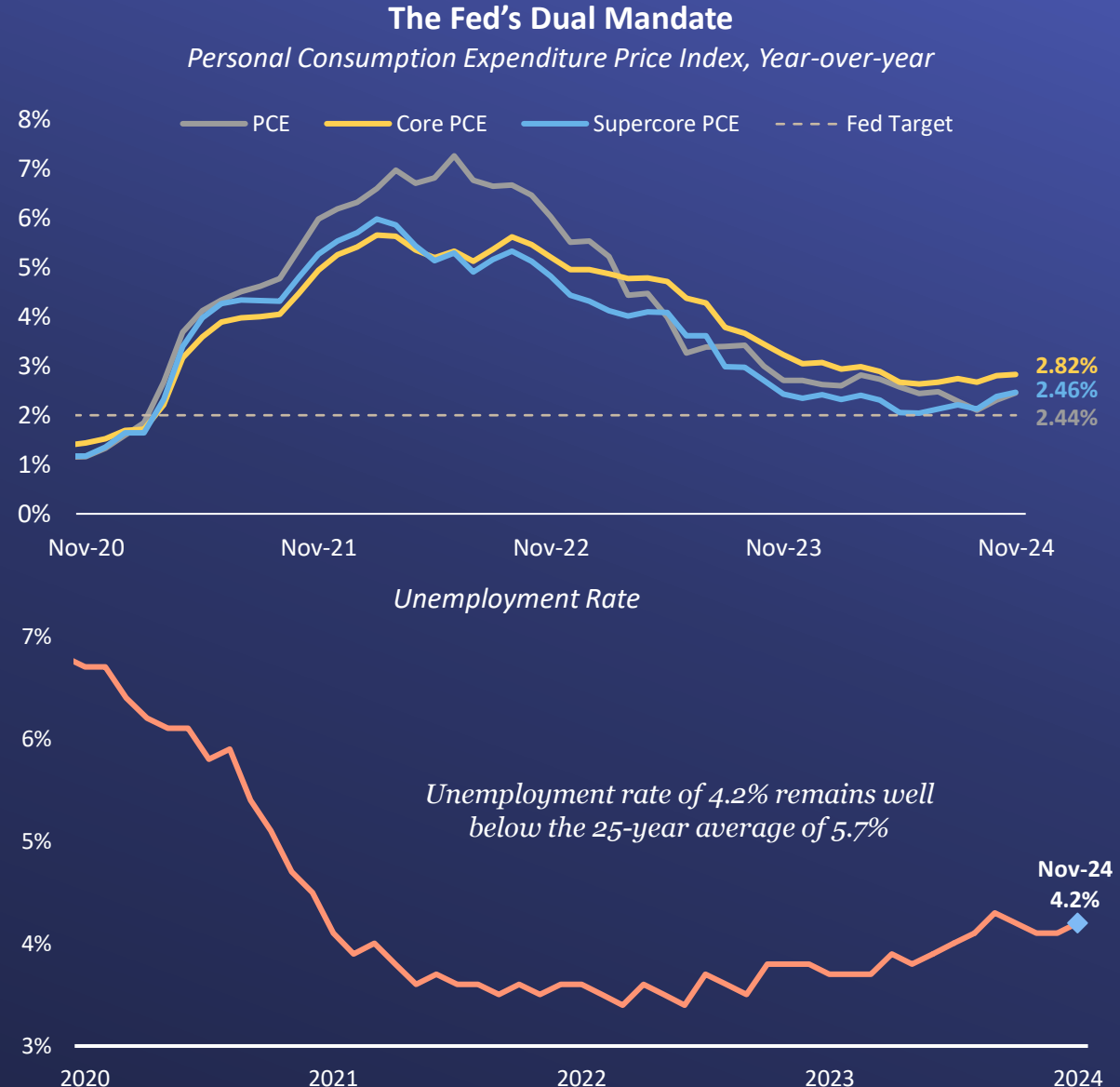
Provide the Board with a summary of key market and investment activities that impact portfolio performance over the most recent quarter-end period.

Next Steps

Manage compliance with Metropolitan's Investment Policy and report out further activities in 3 months.

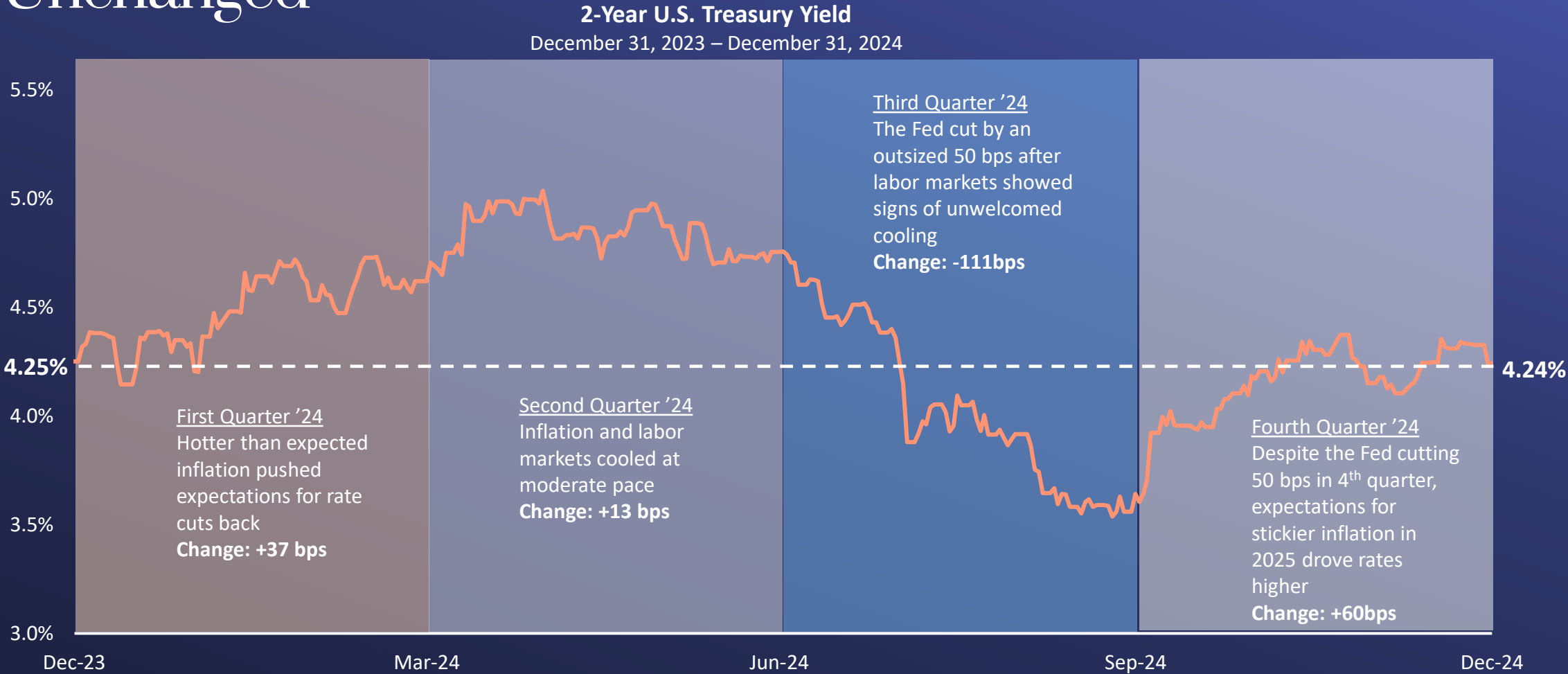
Market Environment

- U.S. economic soft landing remains on track
 - Inflation and labor markets are in line with Fed expectations despite slower recent progress
 - Strong economic growth prospects remain intact, aided by a resilient consumer
 - Changes to fiscal policy may impact growth and inflation trajectory
- Fed easing cycle moves forward as expected, but looks to slow in 2025
 - The Fed cut the federal funds target rate by an additional 50 basis points (bps) during the fourth quarter to 4.25% - 4.50%
 - The Fed's December "dot plot" implies another 50 bps of cuts in 2025, less than the 100 bps of cuts previously projected in September
 - Fed Chair Powell noted the slower pace of cuts reflect "stickier" inflation heading into 2025
- Treasury yields responded to expected monetary and fiscal policy
 - Yields on maturities between 2 years and 10 years rose 60-83 bps during the 4th quarter
 - The yield curve disinversion continued and was flatter at the front end and positively sloped beyond 1-year
 - Yield spreads remained near historically tight levels across most sectors aided by robust demand and strength in the economy



Source: Bloomberg Finance L.P., as of December 31, 2024.

2-Year U.S. Treasury Yield Finishes the Year Nearly Unchanged



Source: Bloomberg Finance L.P., as of December 31, 2024.

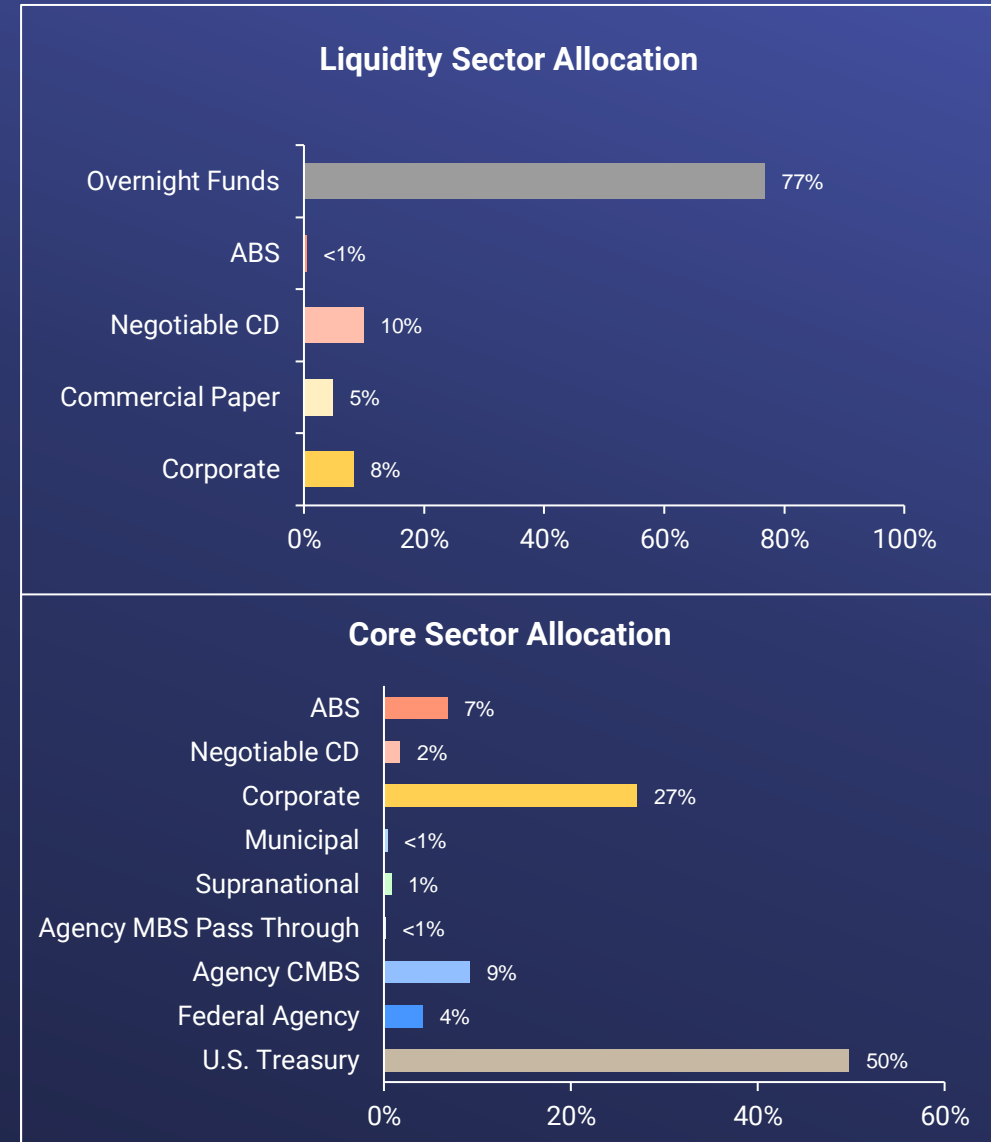
Overview of Portfolio as of December 31, 2024

Portfolio Statistics		
Portfolio	Liquidity ^{1,2}	Core ³
Market Value	\$603,107,343	\$615,869,583
Duration	0.12 years	2.07 years
Average Yield at Cost	4.77%	3.97%
Average Yield at Market	4.74%	4.50%

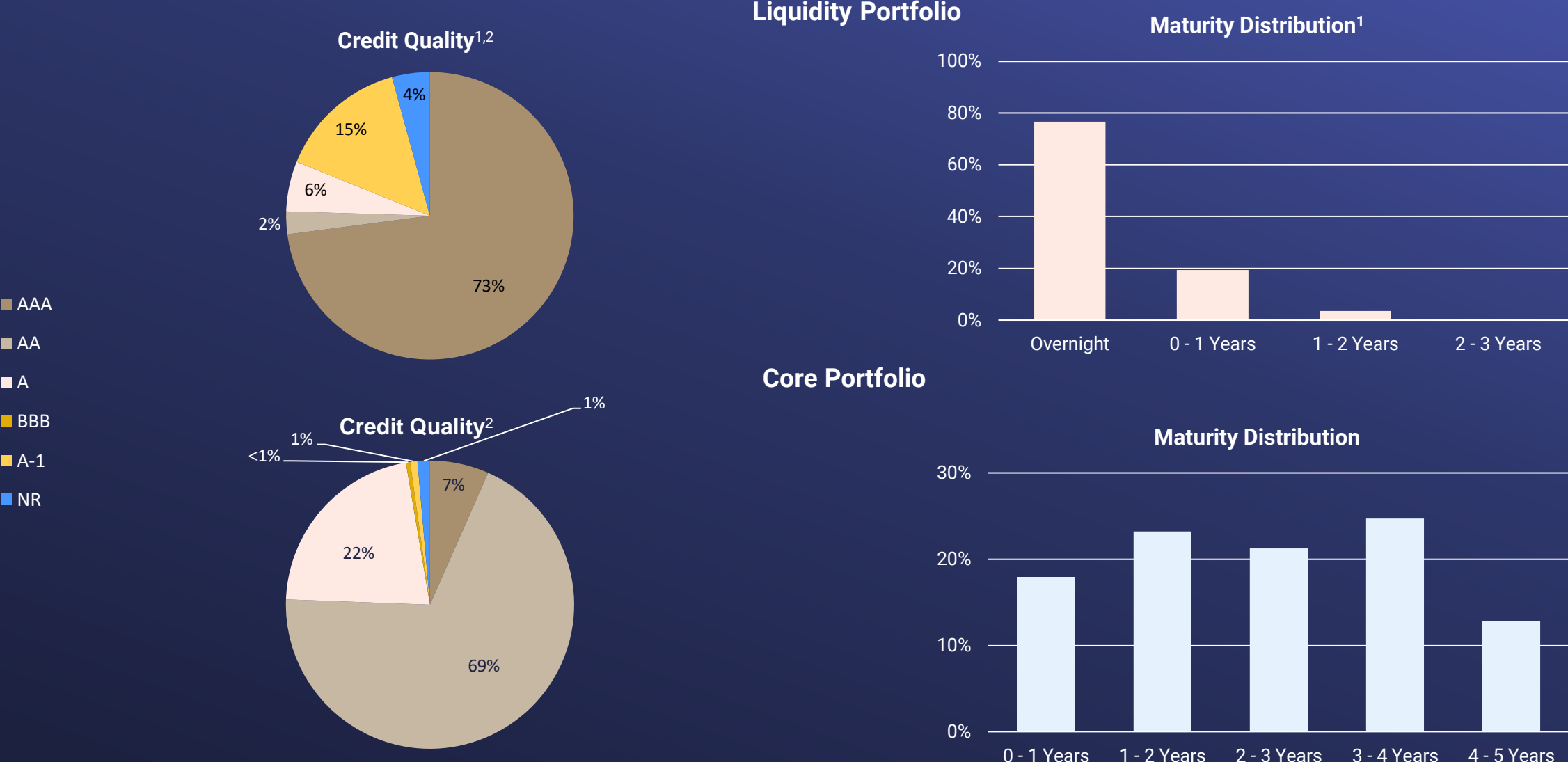
1. Includes CAMP, LAIF, and Dreyfus money market fund balances (Overnight Funds) as of 12/31/24. Excludes accrued interest.

2. Yields are a weighted average of the CAMP monthly distribution yield, LAIF quarterly apportionment rate, and MWDSC's portfolio yield for December 2024.

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



Overview of Portfolios as of December 31, 2024

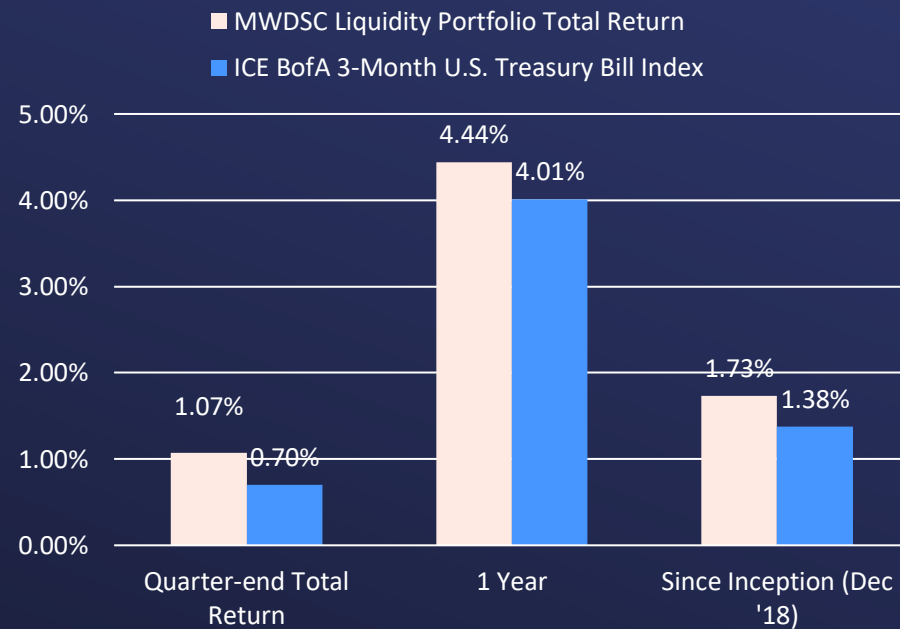


1. Includes CAMP, LAIF, and money market fund balances (Overnight).
2. Credit Ratings are S&P Global.

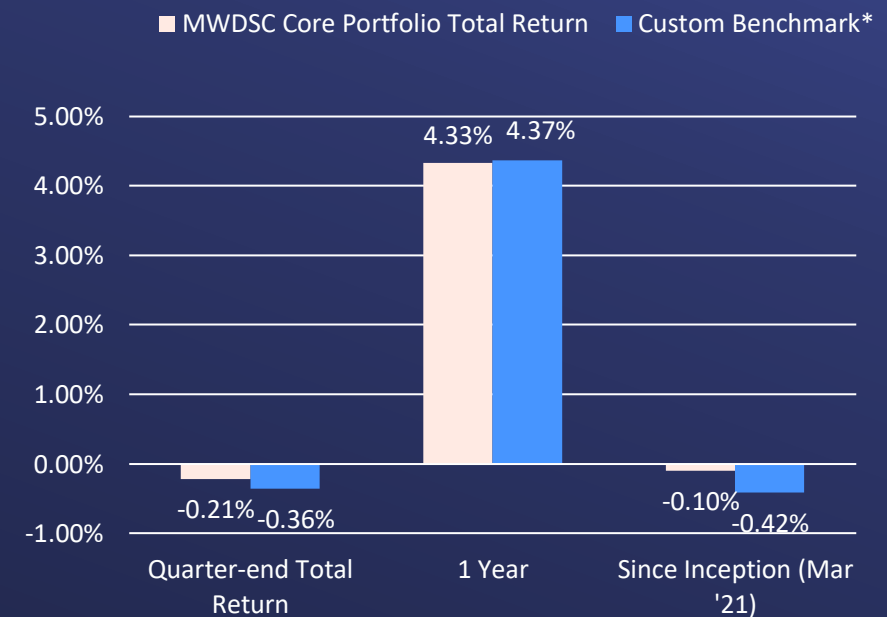
Investment Strategy and Returns

- 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

Liquidity Portfolio Returns as of 12/31/24^{1,3}



Core Portfolio Returns as of 12/31/24^{2,3}



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.

Earnings Projection: FY 2024-2025 & FY 2025-2026

	Liquidity Portfolio ^{1,2}	Average Liquidity Reinvestment Rate ³	Core Portfolio ^{1,2}	Average Core Reinvestment Rate ³
FY 2024-2025	\$6,416,523	4.17%	\$22,442,801	4.07%
FY 2025-2026	\$5,854,202	4.02%	\$21,540,568	4.06%

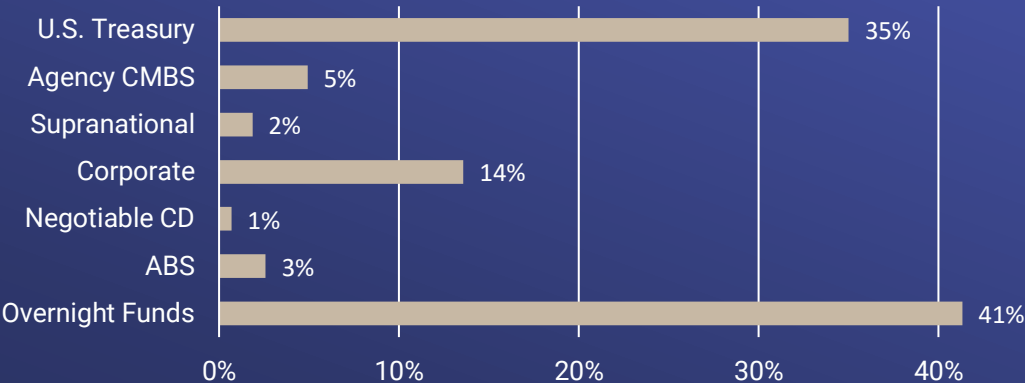
See the Assumptions and Important Disclosures pages for the footnotes and additional detail regarding the analysis.

Endowment Portfolio Update

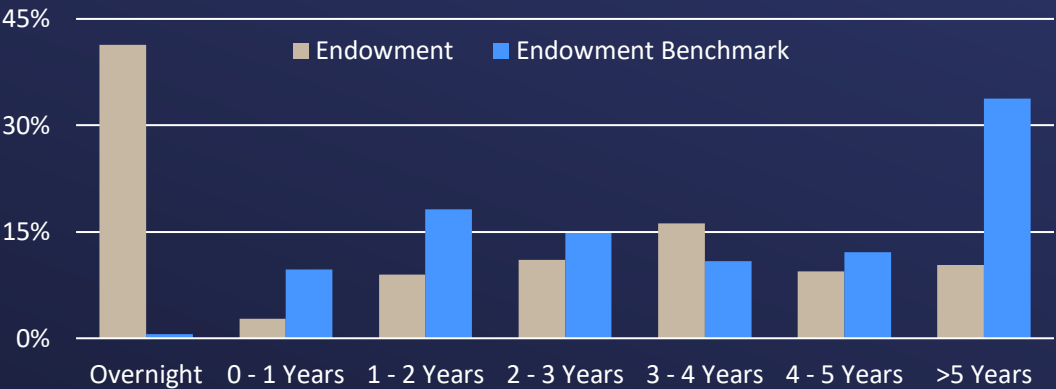
Portfolio Statistics as of December 31, 2024

Market Value	\$42,886,614
Duration	1.81 years
Average Yield at Cost*	4.41%
Average Yield at Market*	4.50%

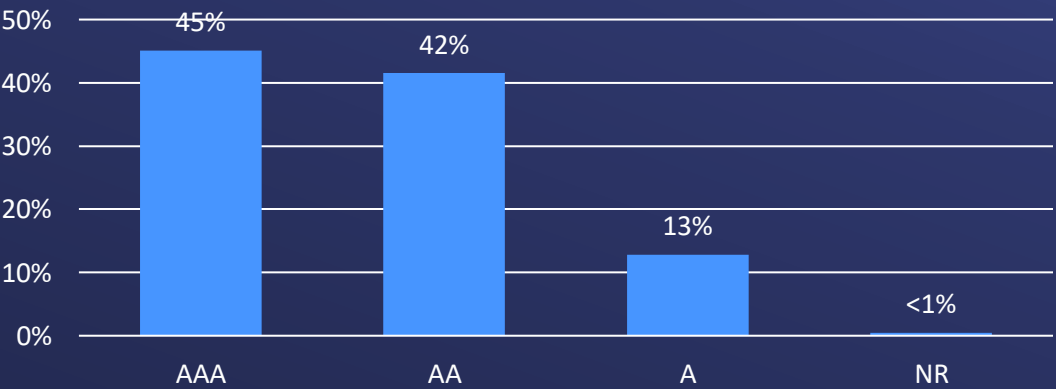
Sector Allocation



Maturity Distribution



Credit Quality**



Portfolio characteristics represented by MWDSC's Endowment portfolio and CAMP balances. CAMP balances are provided by the District as of 12/31/24. 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.
**Ratings are S&P Global, and the portfolio is in compliance with California Government Code and the District's current investment policy.

Assumptions and Important Disclosures

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Notes to Earnings Estimates

1. Earnings for the period July 2024 to December 2024 are actual earnings and include realized gains/losses; periods thereafter are projected.
2. Estimated Earnings based on the amortized cost of the portfolio as of December 31, 2024. 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.
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 January 23, 2025. The Reinvestment Rate Assumption for the Core portfolio is based on the 2-year U.S. Treasury Forward Rate Curve as of January 23, 2025. Yield curve source: Bloomberg Finance L.P. Investments have not been executed. Actual rates and security availability will vary at time of placement.

Disclosure

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Questions

