



Finance, Affordability, Asset Management &
Efficiency Committee

Quarterly Investment Activities Report

Item 5a

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

Item 5a
Quarterly
Investment
Activities
Report

Subject

Quarterly Investment Activities Report

Purpose

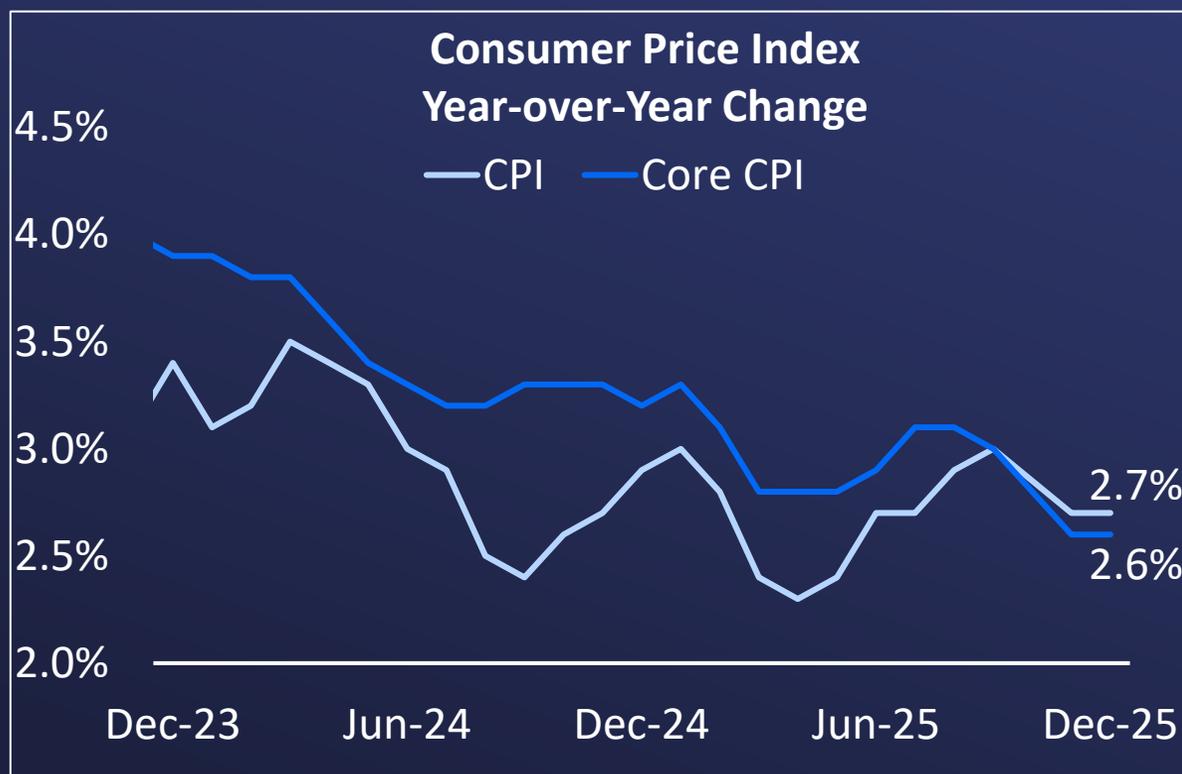
Provide the Board with a summary of investment activities that impact portfolio performance over the most recent quarter-end period.

Next Steps

Manage compliance with Metropolitan's Investment Policy and report out further activities in 3 months. The next Quarterly Investment Activities Report will be provided by Metropolitan Treasury staff.

Market Environment

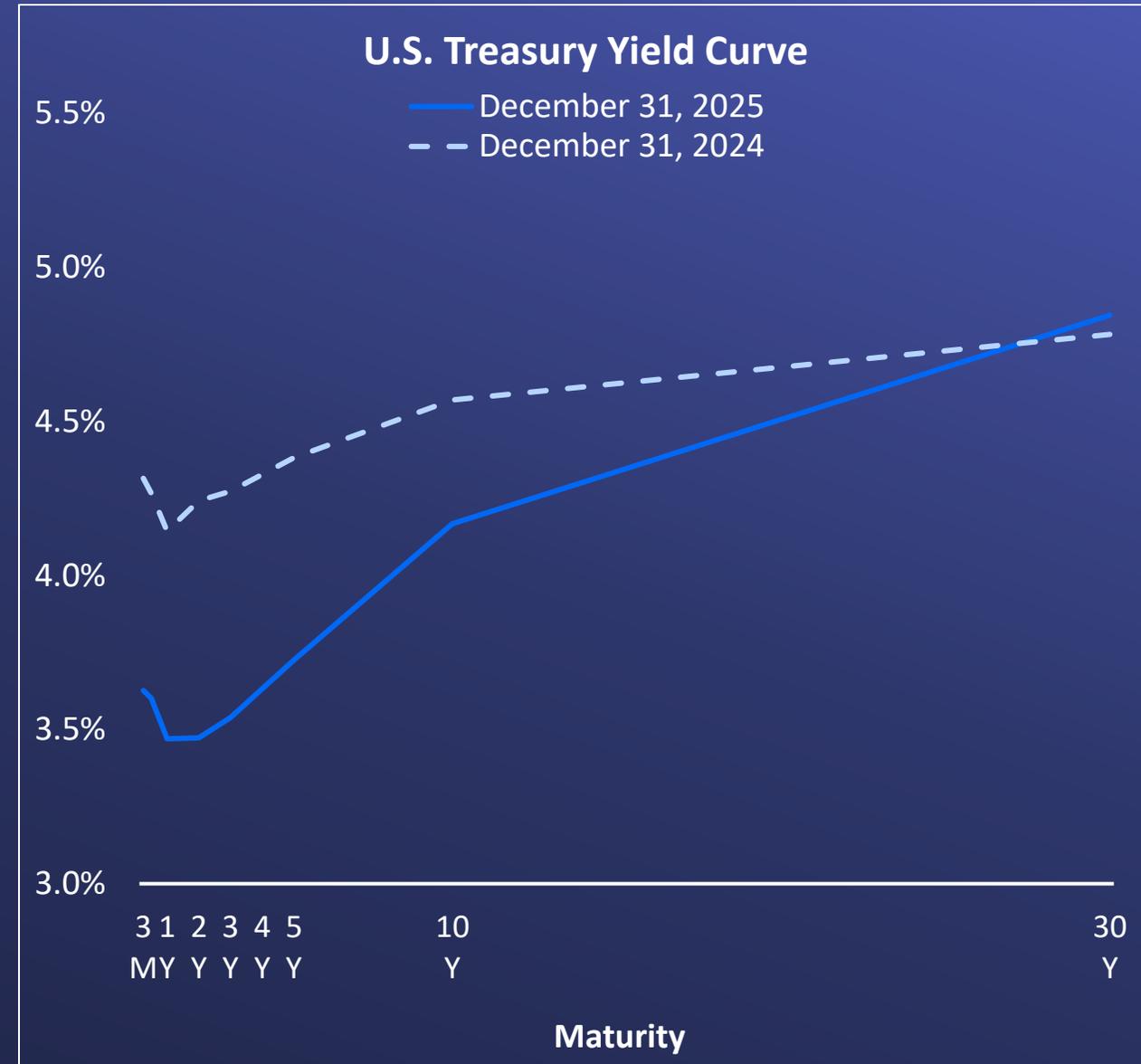
- U.S. economy remains resilient but government shutdown obscures data
 - Inflation print likely biased lower due to data collection gaps and technical adjustments
 - Unemployment rate trends higher with net new job creation near zero
 - Strong consumer and business spending, along with steadier trade dynamics, support growth



Source: Bloomberg Finance L.P., as of December 31, 2025.

U.S. Treasury Yield Curve

- The Fed lowered the target rate by 50 basis points at December meeting to 3.50-3.75%
 - Fed Chair Powell acknowledged ongoing challenges in achieving the Fed’s dual mandate of maximum employment and price stability
 - The Fed’s December “dot plot” indicates 25 bps of cuts in both 2026 and 2027, with wide dispersion in underlying projections highlighting differing views on path forward
- Treasury yield curve continues to steepen but remains inverted inside 2 years
 - Front end Treasury yields moved lower during the fourth quarter on Fed rate cut expectations
 - Yields were range bound as volatility waned into year end
 - Credit spreads widened marginally but remain near historically narrow levels



Source: Bloomberg Finance L.P., as of December 31, 2025.

Overview of All Funds as of December 31, 2025

Fiscal Year to Date

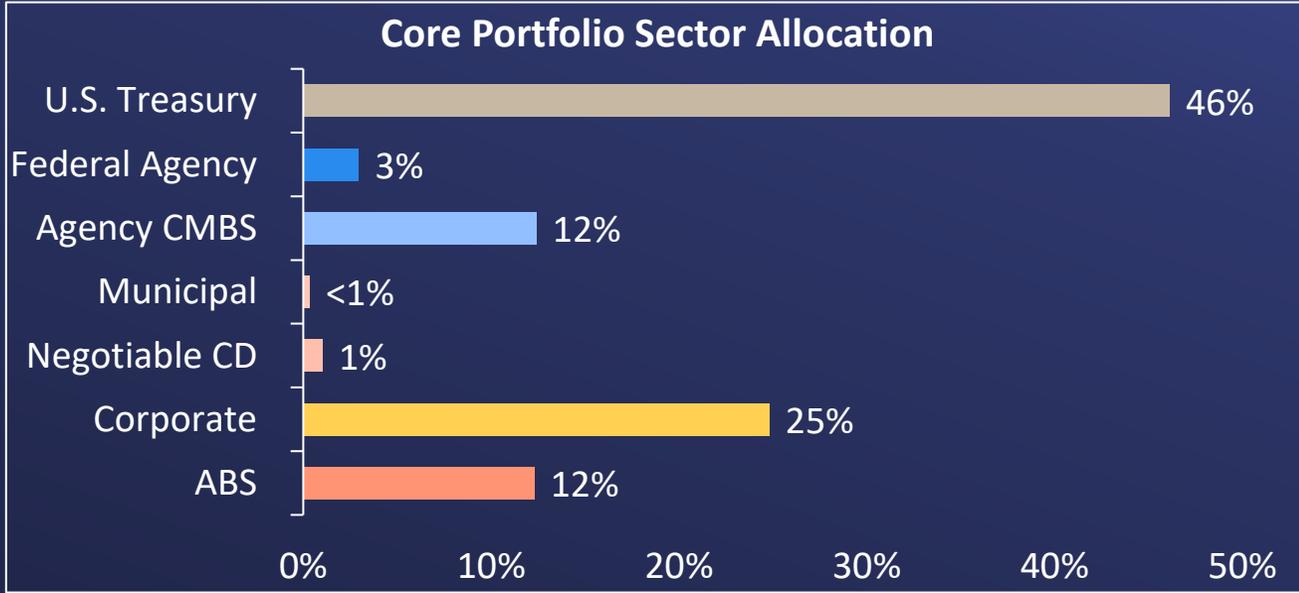
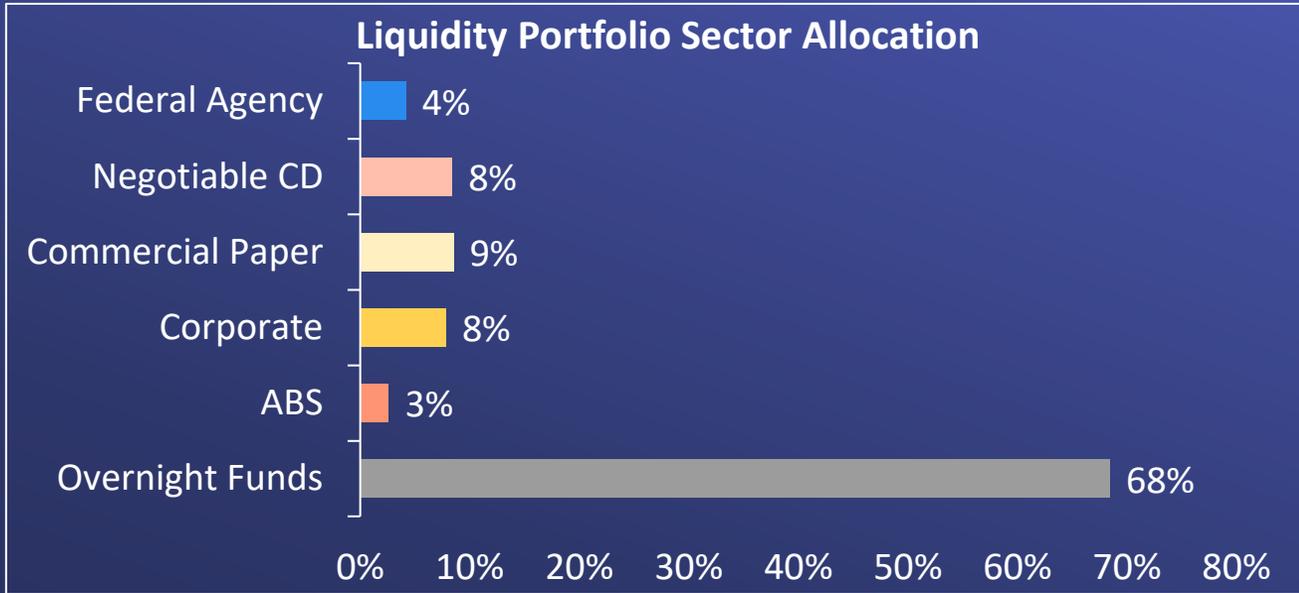
Average Daily Balance	\$1,301,789,180
Total Earnings	\$27,562,151
Effective Rate of Return	4.20%

1. Information as of December 31, 2025, and provided by the District.

Overview of Core and Liquidity Portfolios

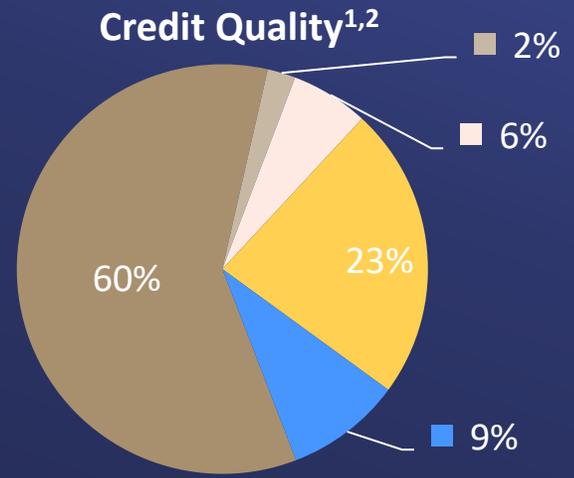
Portfolio Statistics		
Portfolio	Liquidity ^{1,2}	Core ³
Market Value	\$959,794,364	\$655,473,776
Duration	0.12 years	2.09 years
Return Metrics		
Average Yield at Cost	4.03%	4.12%
Average Yield at Market	3.98%	3.76%

As of December 31, 2025.
 1. Includes CAMP, LAIF, and Dreyfus money market fund balances (Overnight Funds). Excludes accrued interest.
 2. Yields are a weighted average of the CAMP monthly distribution yield, LAIF quarterly apportionment rate, and MWDC's portfolio yield for December 2025.
 3. Core portfolio excludes funds invested in the Endowment portfolio, accrued interest, and cash.

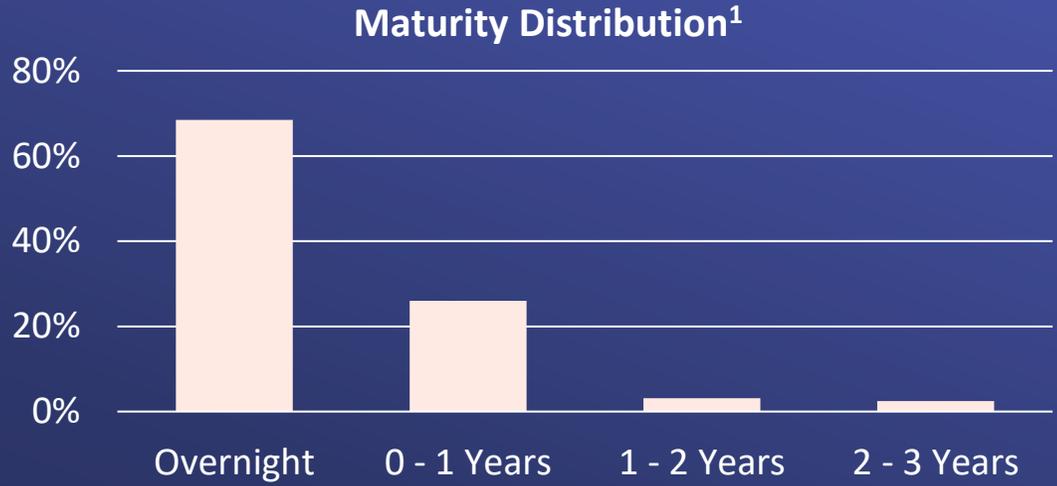


Overview of Core and Liquidity Portfolios

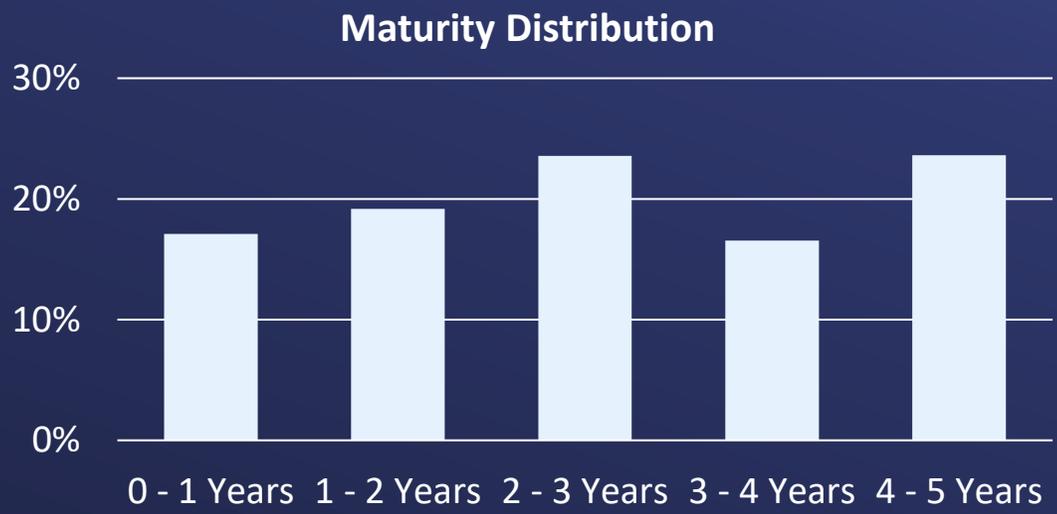
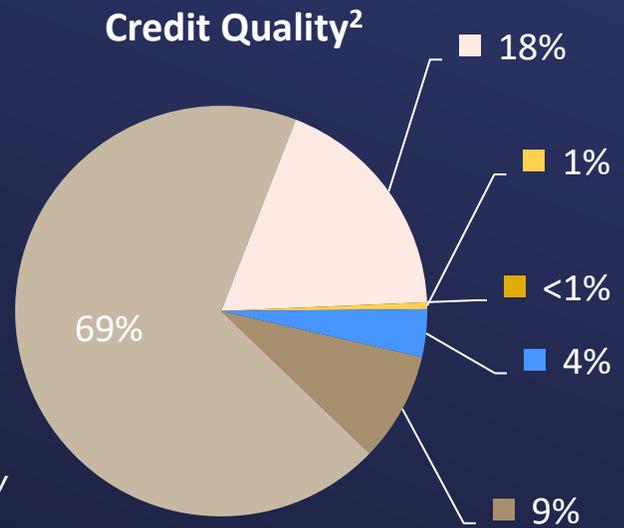
Liquidity Portfolio



- AAA
- AA
- A
- BBB
- A-1
- NR



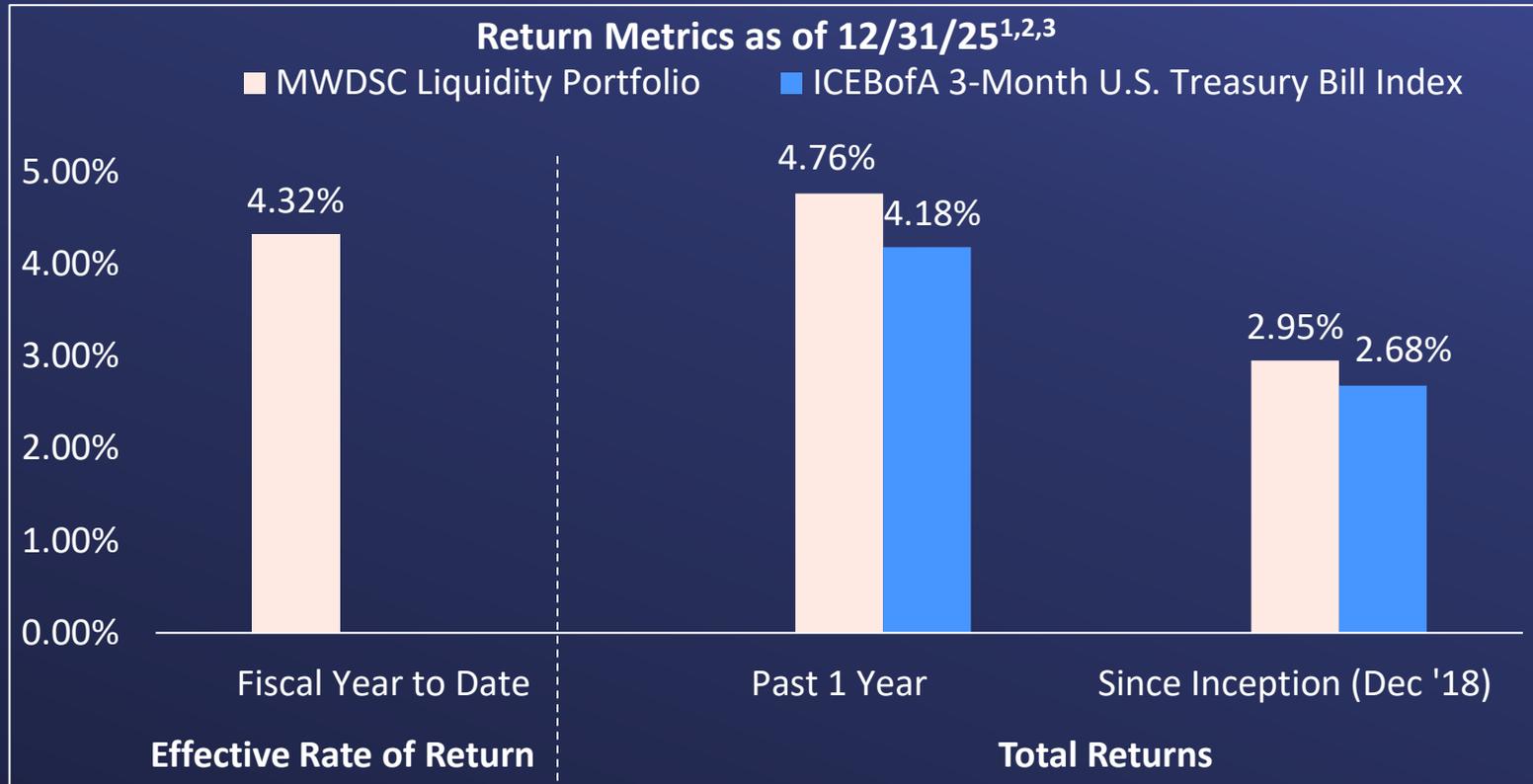
Core Portfolio



As of December 31, 2025.
 1. Includes CAMP, LAIF, and money market fund balances (overnight).
 2. Credit Ratings are S&P Global.

Investment Strategy and Return Metrics – Liquidity Portfolio

- Maintain ample liquidity through continued communication with District
- Diversify broadly to safely generate incremental earnings
- Seek opportunities to prudently enhance earnings while maintaining safety and liquidity



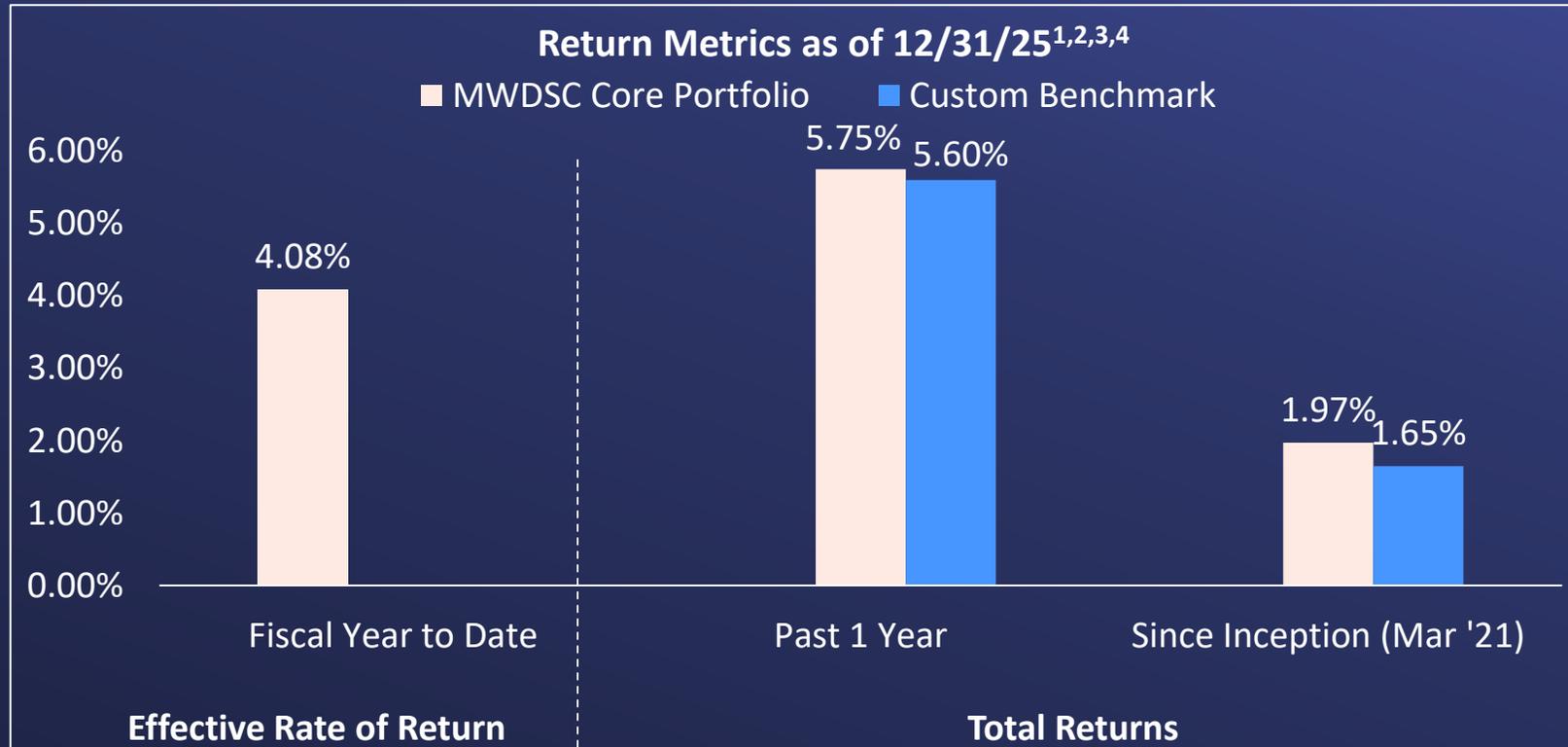
1. Effective rate of return provided by the District.

2. Total returns represent only the PFMAM-managed Liquidity Portfolio and excludes funds in overnight accounts such as CAMP and LAIF. 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 Return Metrics – Core Portfolio

- Manage duration neutral to portfolio’s benchmark duration
- Diversify broadly to safely generate incremental earnings
- Seek opportunities to prudently enhance earnings while maintaining safety and liquidity



1. Effective rate of return provided by the District

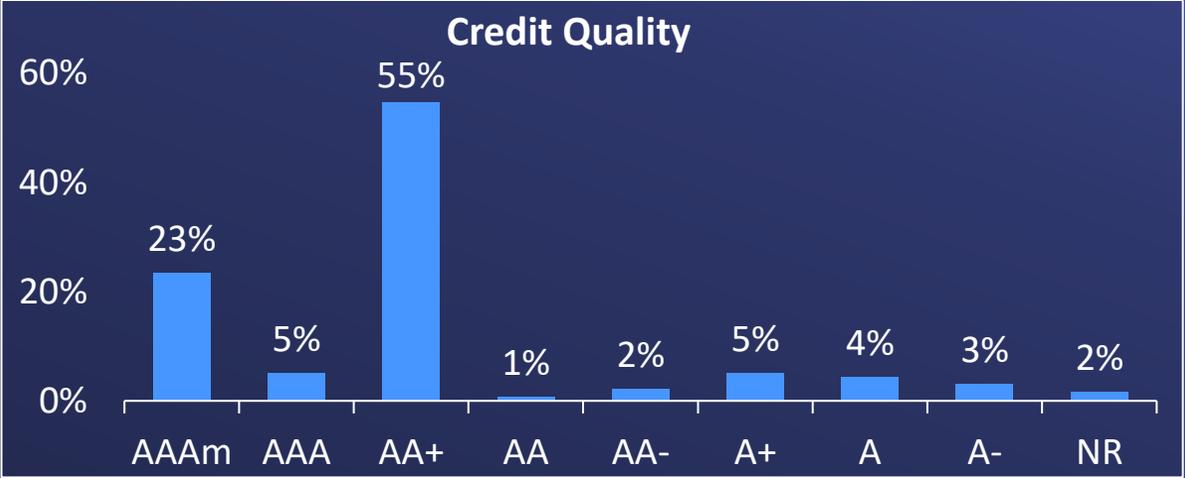
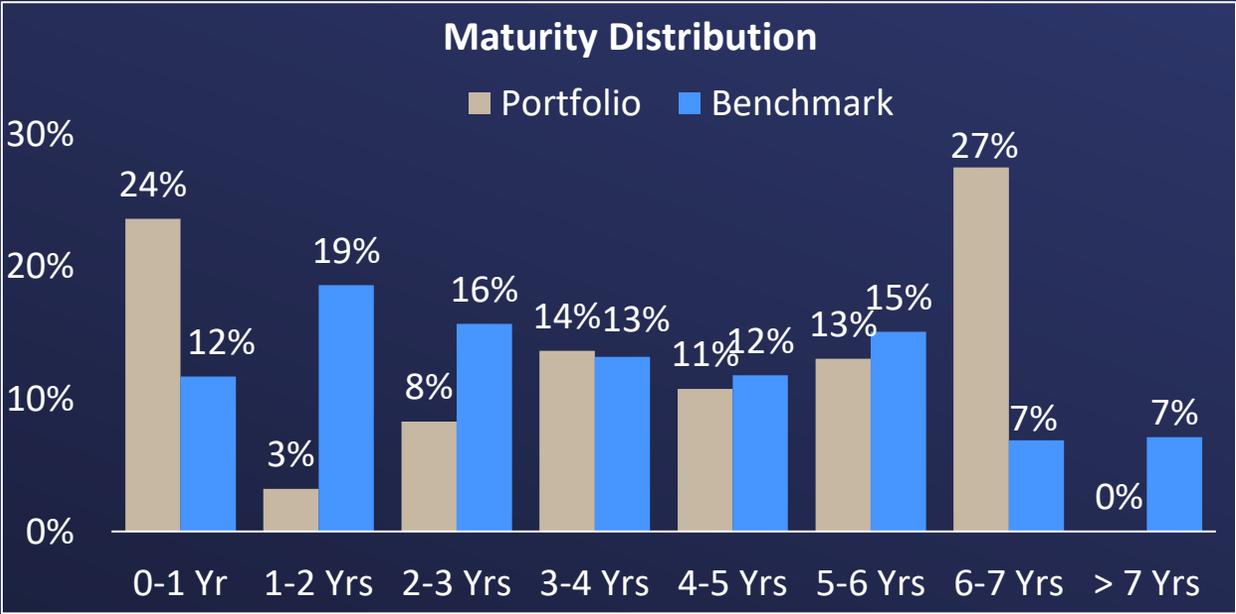
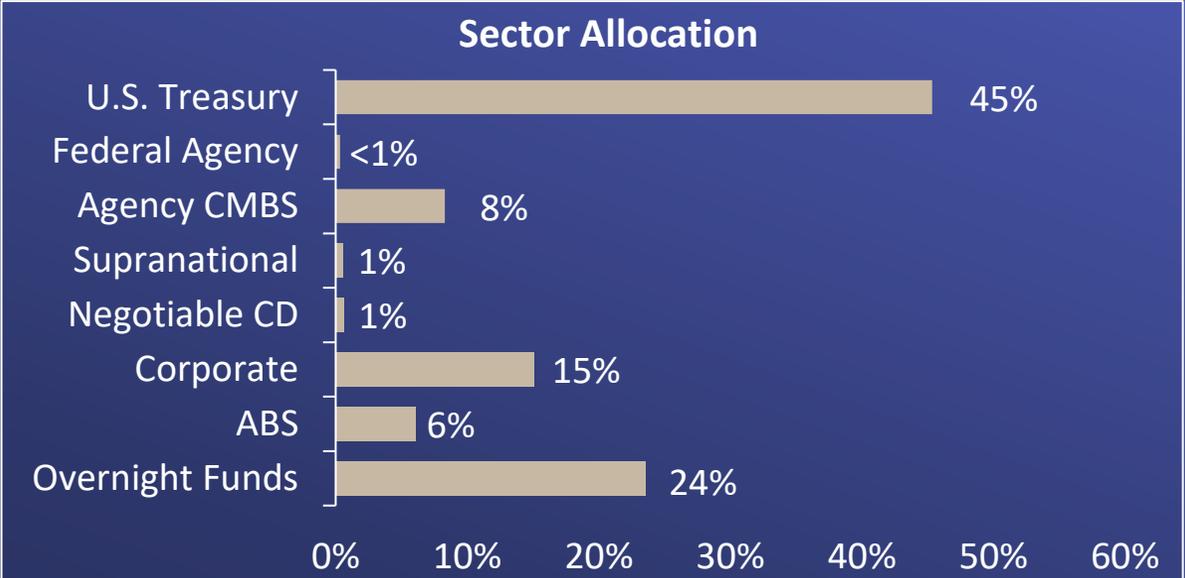
2. Core portfolio’s custom benchmark is 80% ICE BofA 1-5 Year U.S. Government/Corp A-AAA Index and 20% ICE BofA 0-1 year US Treasury Index. Prior to June 30, 2023, the portfolio benchmark was the ICE BofA 1-5 Year U.S. Government/Corp A-AAA Index

3. Total returns represent only the PFMAM-managed Core Portfolio. Returns are gross of investment advisor fee.

4. Total 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.

Overview of Endowment Portfolio

Portfolio Statistics	
Market Value	\$45,975,057
Duration	2.78 years
Return Metrics	
Average Yield at Cost	4.14%
Average Yield at Market	3.83%

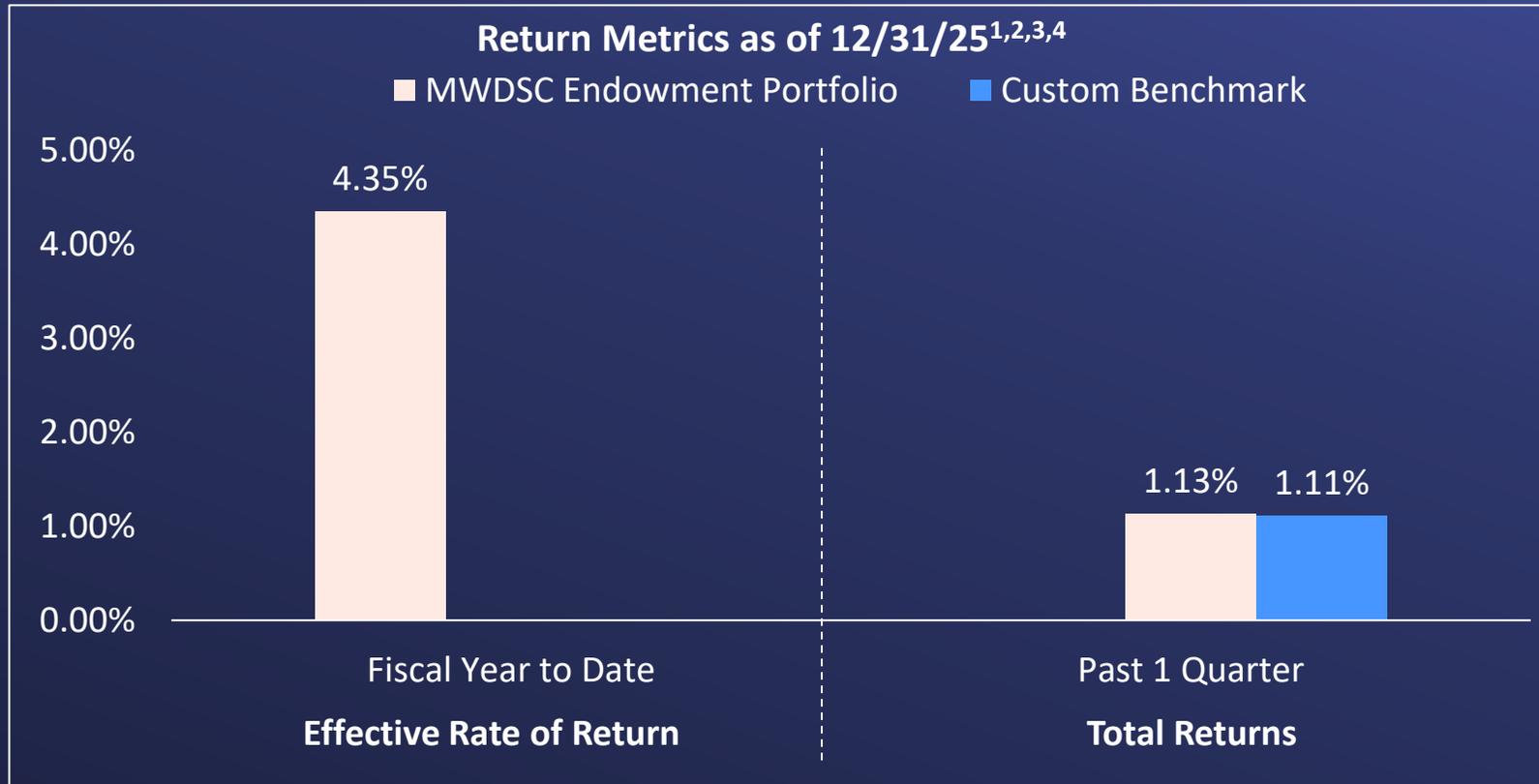


As of December 31, 2025. Portfolio characteristics represented by MWDSC's Endowment portfolio and CAMP balances. Excludes accrued interest and mmf balances. The Endowment Portfolio's benchmark consists of 40% ICE BofA 0-5 Year UST Index, 35% ICE BofA 5-10 Year UST Index and 25% ICE BofA 1-5 Year AAA-A Corp. Index. Yields are a weighted average of the CAMP monthly distribution yield and MWDSC's portfolio yield for December 2025.

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

Investment Strategy and Return Metrics – Endowment Portfolio

- Manage duration neutral to the benchmark, with a curve steepening bias
- Focus on broad diversification to enhance earnings while maintaining safety and liquidity



1. Effective rate of return provided by the District

2. *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.

3. Total returns represent only the PFAM-managed Endowment Portfolio and excludes funds in overnight accounts including CAMP. Returns are gross of investment advisor fee.

4. Total returns for periods one year or less are represented on a periodic basis. Performance inception date is September 30, 2025.

Disclosure

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Questions

