

Marion County Board of County Commissioners

Investment Performance Review

Fiscal Year Ended September 30, 2021

407.723.5900

pfmam.com

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PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

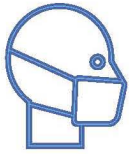
Agenda

- ▶ **Market Update**
- ▶ **Annual Investment Report Summary**
- ▶ **Asset Allocation**
- ▶ **PFM-Managed Pooled Operating Fund**
- ▶ **Important Disclosures**

Market Update



Current Market Themes



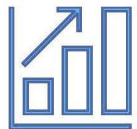
- ▶ COVID-19 caseloads reach record highs as the Omicron variant emerges as the dominant strain



- ▶ The U.S. economy is characterized by:
 - ▶ Rapidly increasing inflation
 - ▶ Improved labor market conditions
 - ▶ Depressed consumer confidence

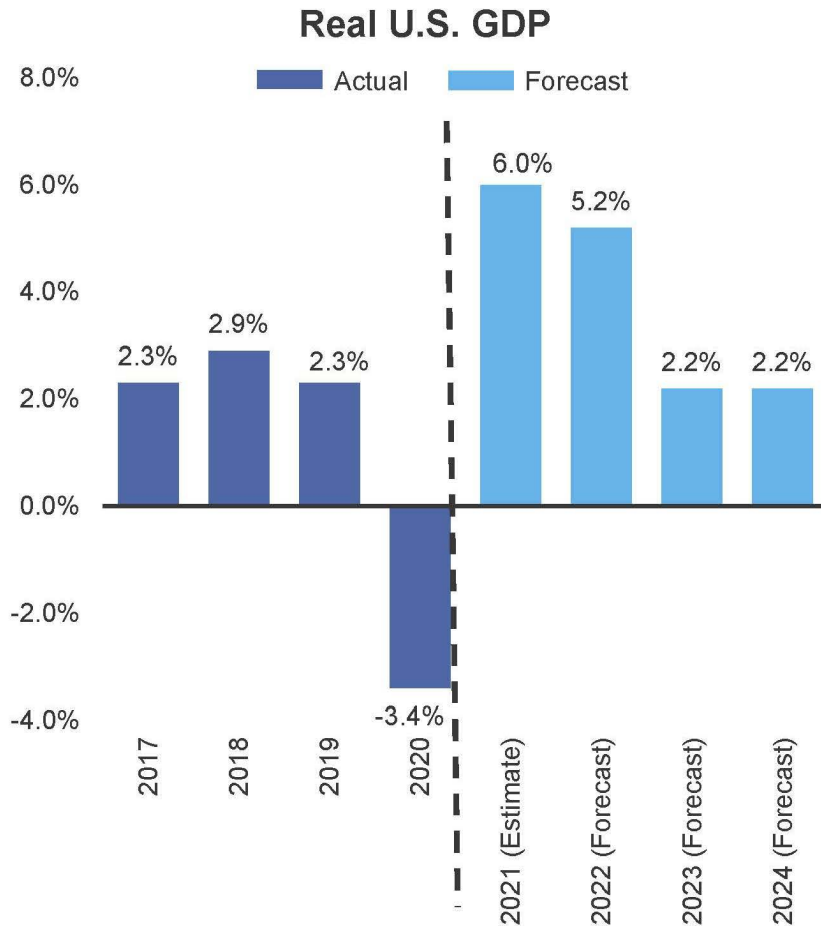


- ▶ The Federal Reserve is reducing monetary policy accommodation
 - ▶ Accelerated pace of asset purchase tapering
 - ▶ Fed expects three rate hikes in 2022
 - ▶ Changing composition of FOMC leadership



- ▶ The U.S. Treasury yield curve is experiencing “bear-flattening”
 - ▶ Short-term yields shift higher amid rate hike expectations
 - ▶ Longer-term yields adjust to evolving inflation and economic growth uncertainties

U.S. GDP Rebounds from Pandemic



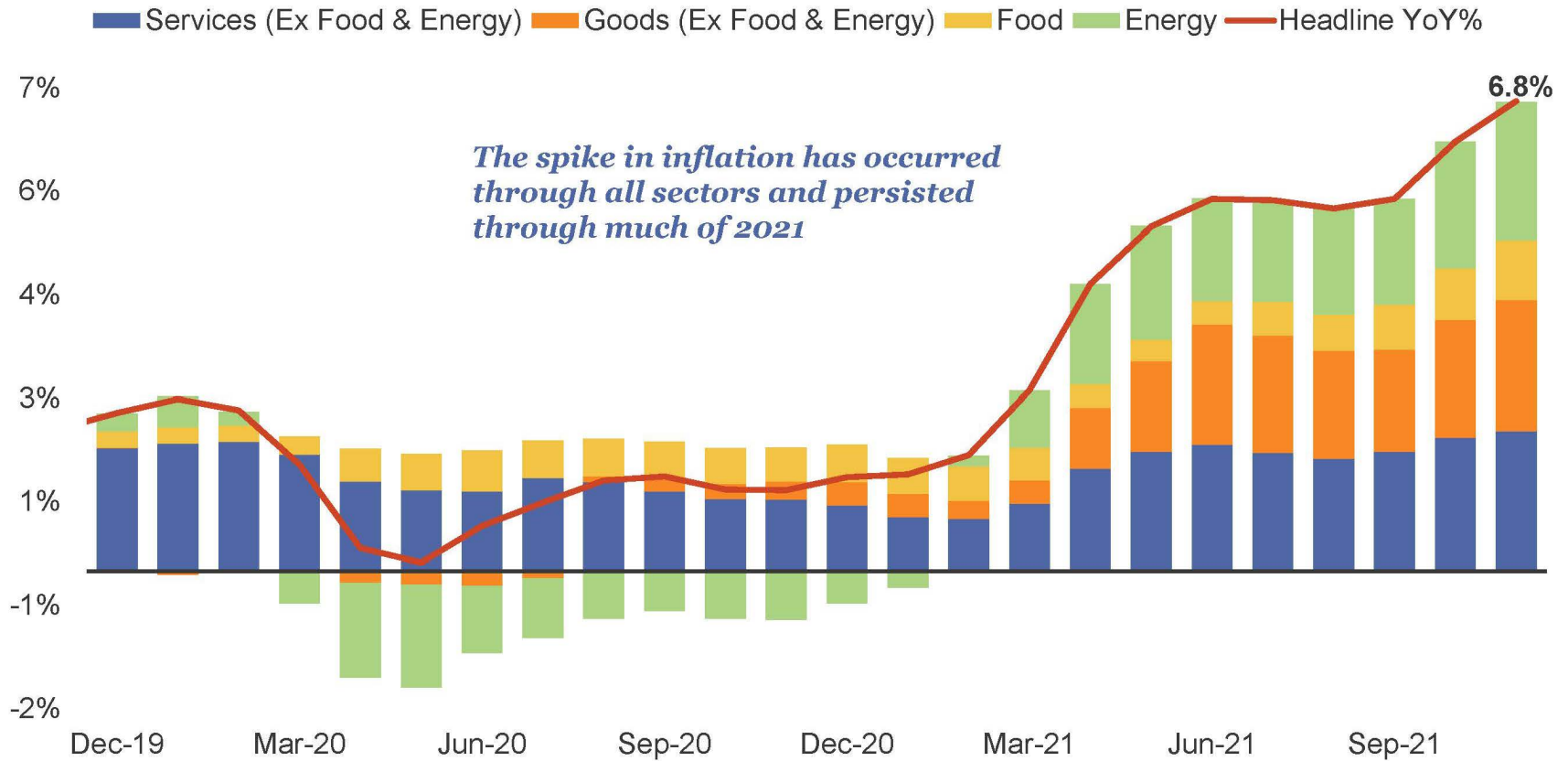
Factors Driving Growth...

- ▶ Better-than-expected corporate profit margins fueling equity markets
- ▶ Unprecedented accommodative monetary policy and fiscal stimulus
- ▶ Access to COVID-19 vaccines and reduction of pandemic-era lockdowns
- ▶ Continued adaptation of all sectors of the economy to the challenging health situation

Growth is Expected to Moderate...

Consumer Prices Rise to Four Decade High

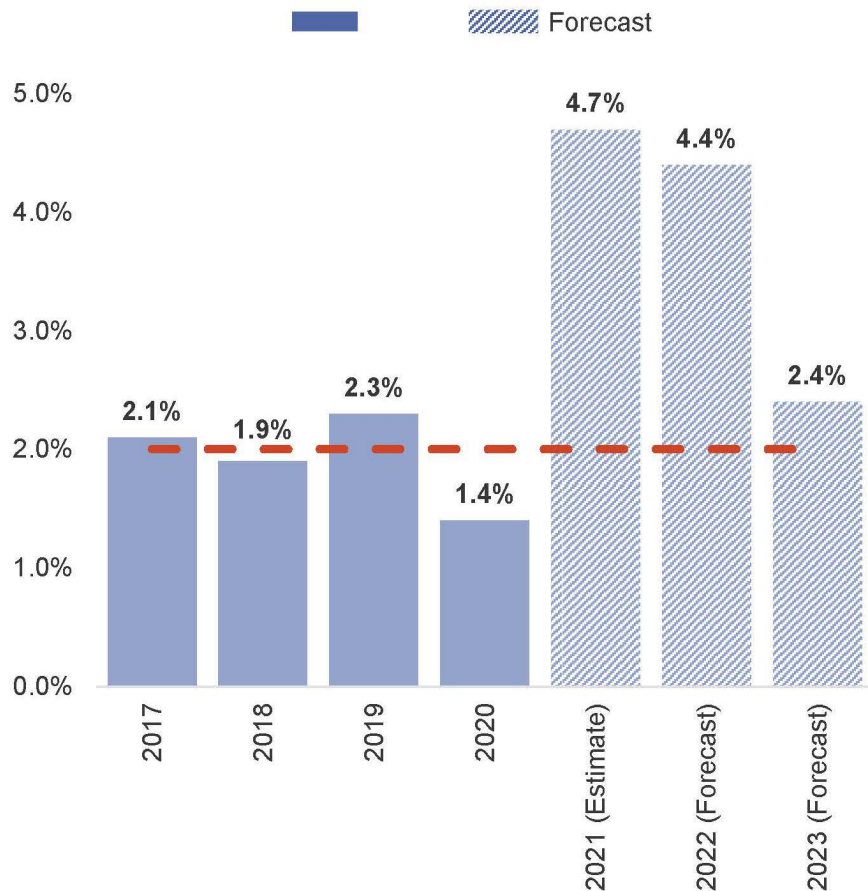
Top-Line Contributions and CPI YoY



Source: Bloomberg, as of November 2021.

Inflation Expected to Moderate over the Long Run

Annual Change in CPI



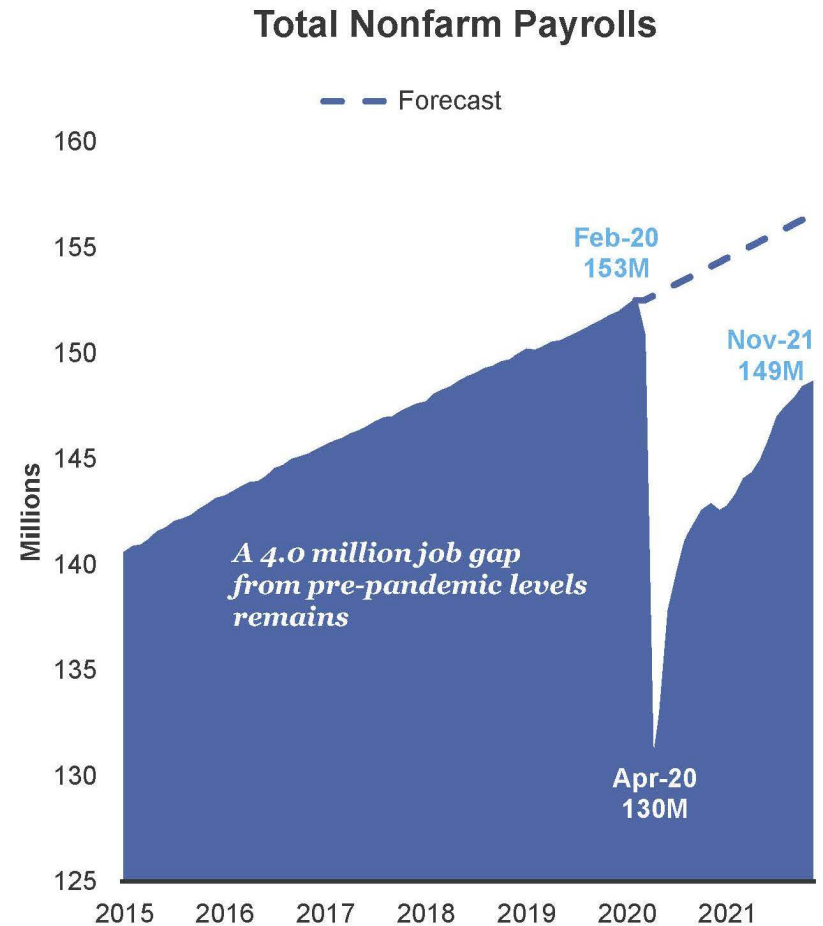
Breakeven Inflation Rates



Source: Bureau of Labor Statistics as of 12/31/2021. Forecasts are represented by the median Bloomberg forecast from 71 contributors (Left). Bloomberg, as of 12/31/2021 (Right).

Uneven Labor Market Recovery Post-Pandemic

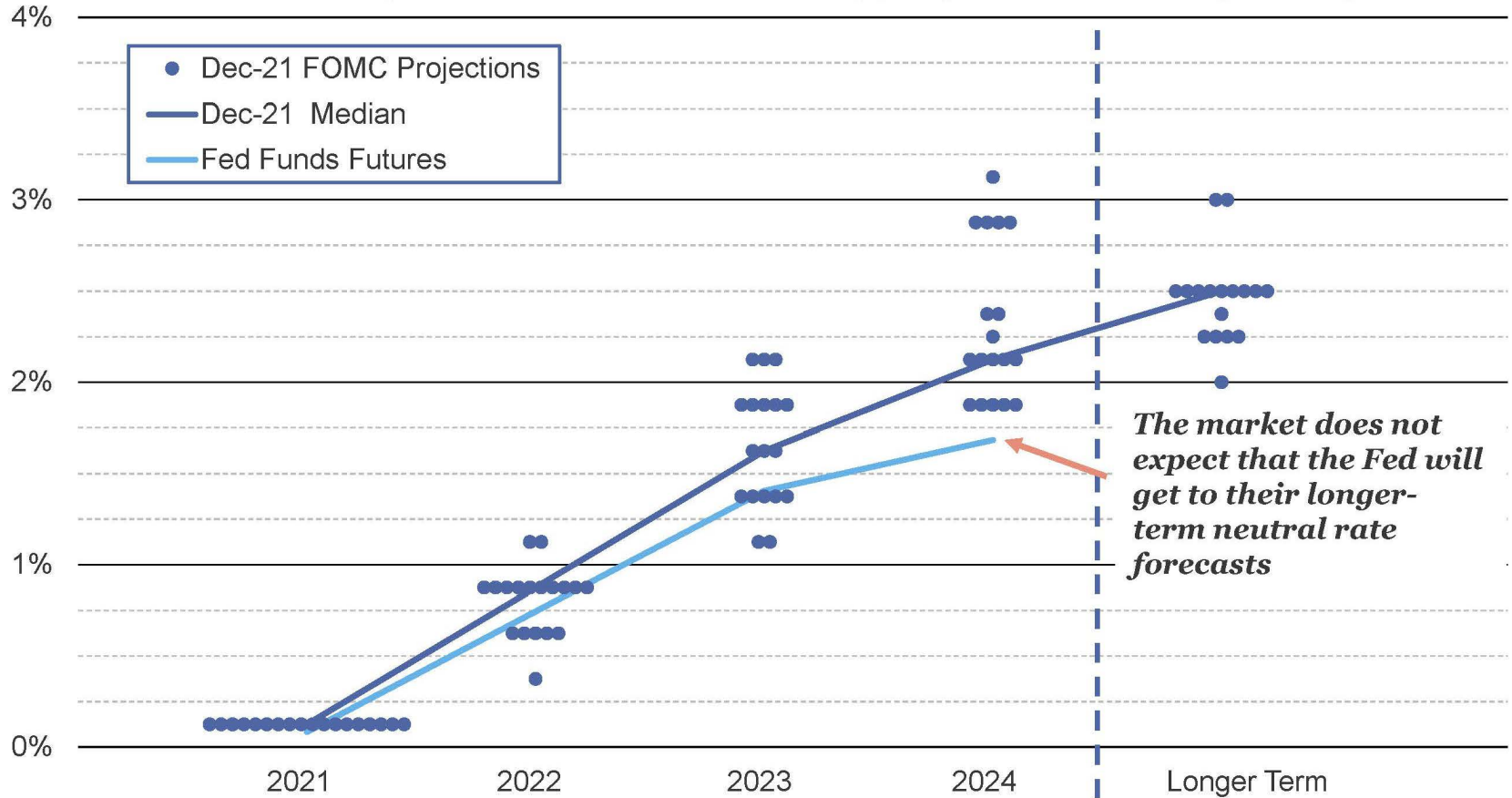
Economic Indicator	Pre-Pandemic	Pandemic Peak/Trough	Current
Unemployment Rate	3.6%	14.7%	3.9%
Labor Force Participation Rate (Total)	63.3%	60.2%	61.9%
Labor Force Participation Rate (Prime Age)	82.9%	79.9%	81.9%
Average Hourly Earnings Growth	2.9%	0.3%	4.7%
Job Opening Level	6.8 MM	4.6 MM	10.6 MM
Turnover Rate	3.7%	10.8%	4.2%
Quits Rate	2.3%	1.6%	3.0%
Initial Jobless Claims	218 K	6.1 MM	207 K
Continuing Claims	1.8 MM	23.1 MM	1.8 MM



Source: Bureau of Labor Statistics; latest available data as of December 2021; calculation from Bloomberg, pre-pandemic data as of December 2019.

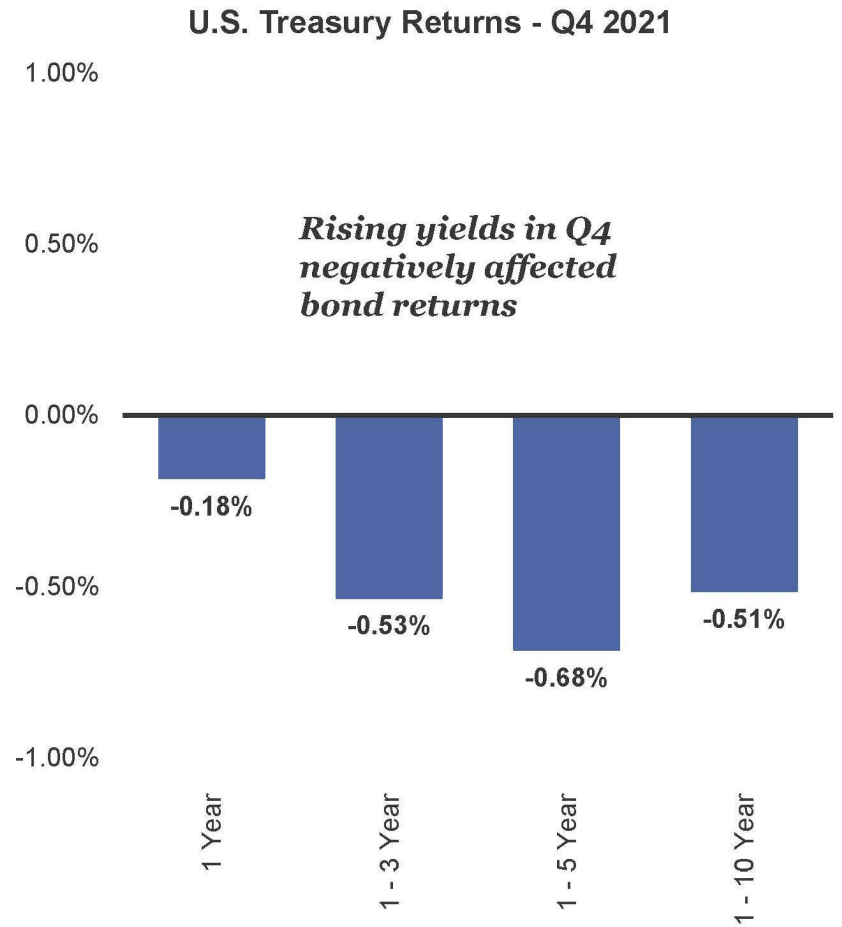
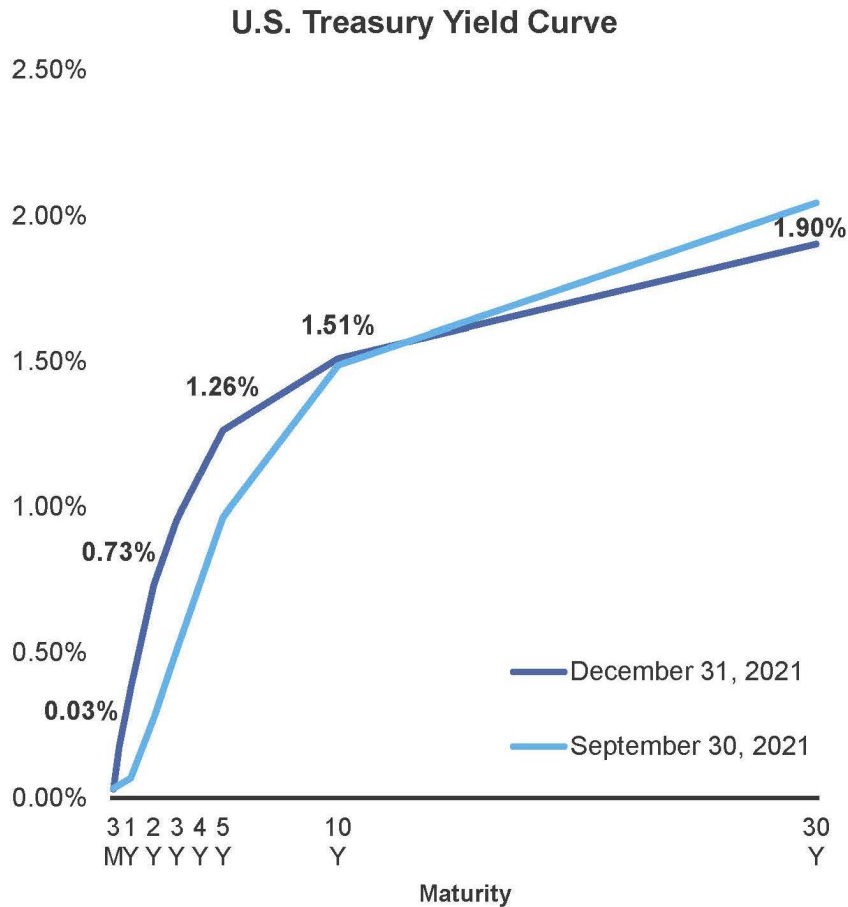
FOMC Accelerates Asset Purchase Tapering and Prepares for Rate Lift-off

Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: Federal Reserve and Bloomberg, as of 12/31/2021. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

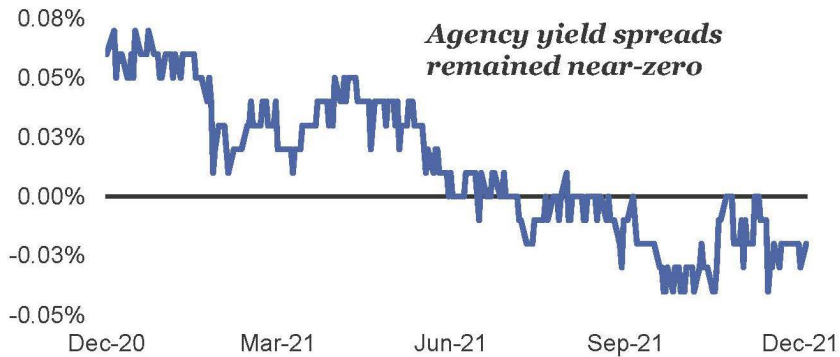
Impact of Curve Flattening on Performance



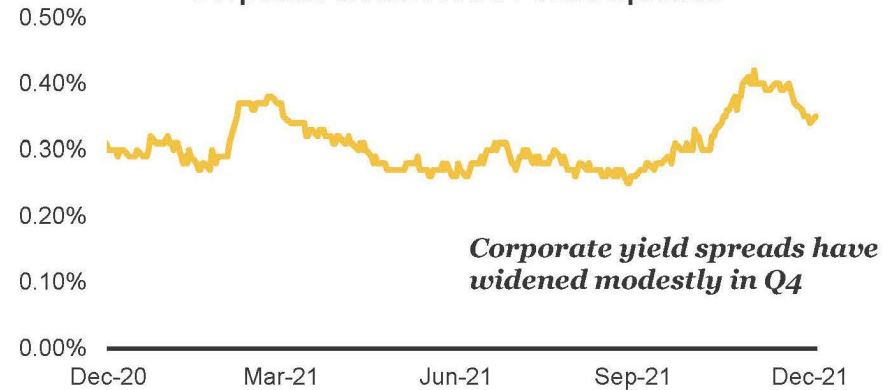
Source: Bloomberg, as of 12/31/2021.

Sector Yield Spreads Widened in Q4

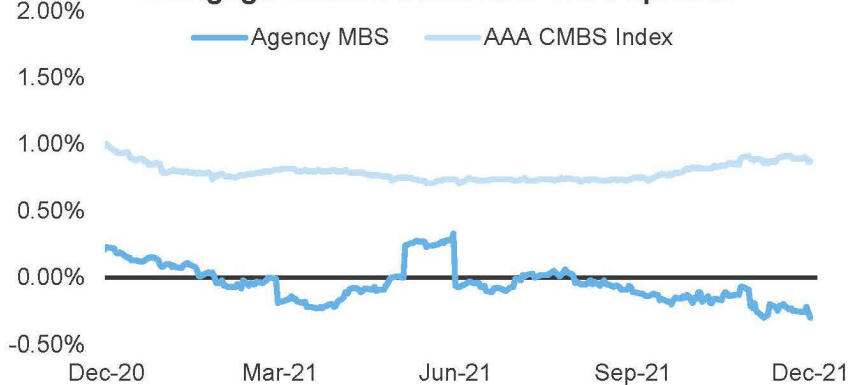
Federal Agency Yield Spreads



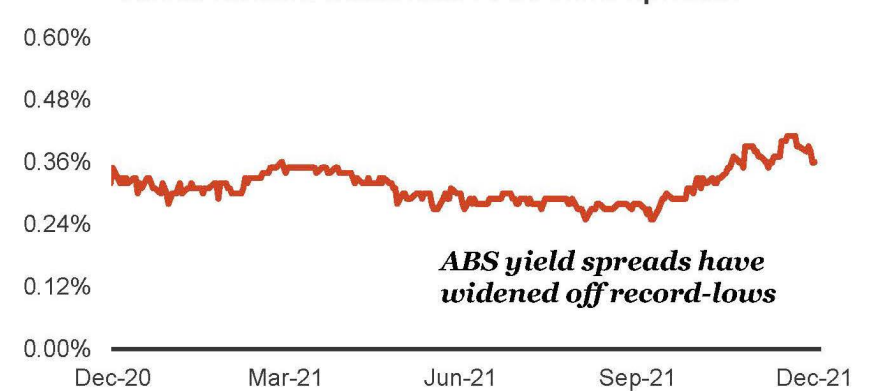
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads



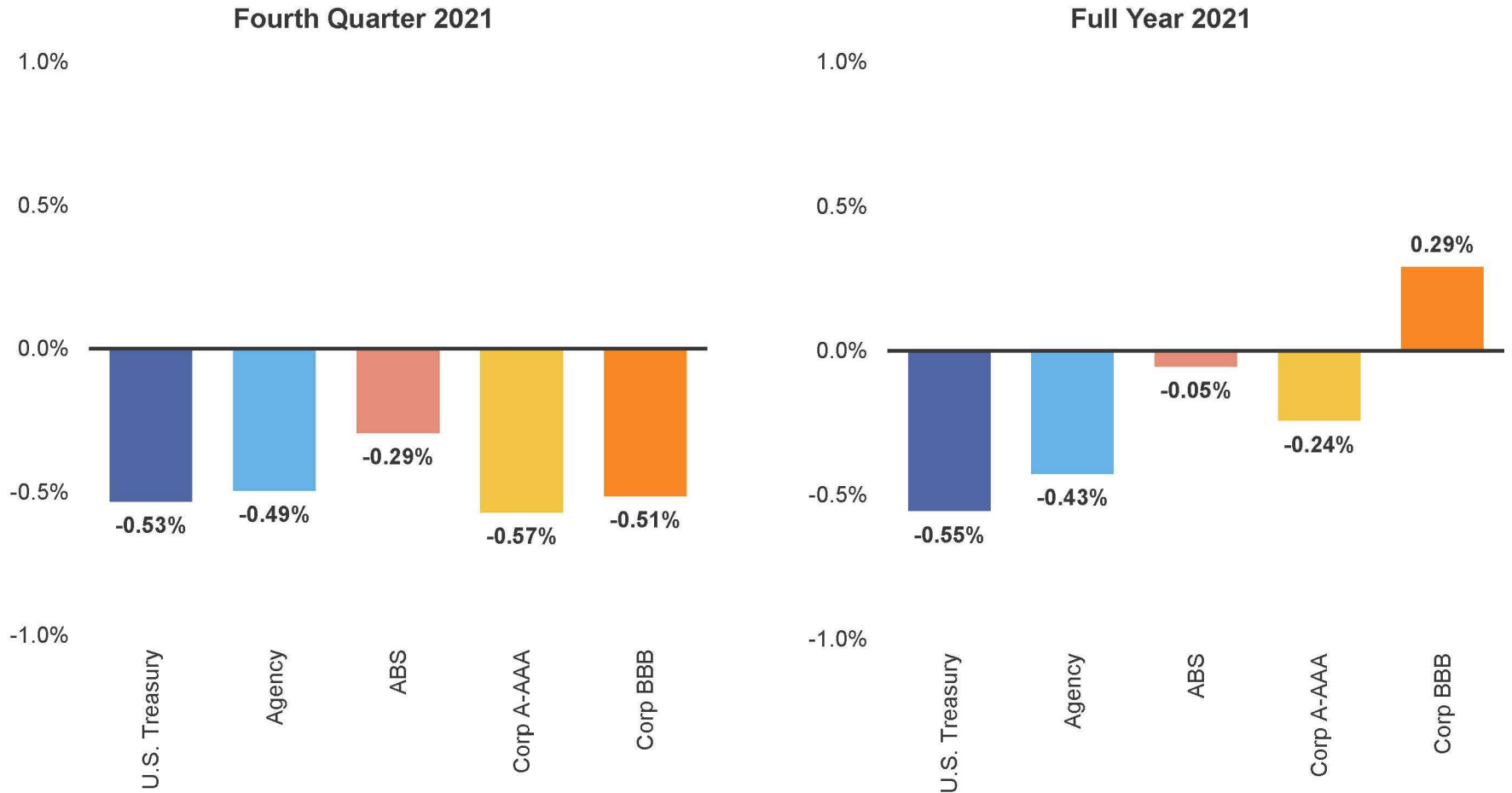
Asset-Backed Securities AAA Yield Spreads



Source: ICE BofAML 1-3 year Indices via Bloomberg, MarketAxess and PFM as of 12/31/2021. Spreads on ABS and MBS are option-adjusted spreads of 0-3 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities

Rising Rates and Wider Spreads Hampered Fixed-Income Returns in Q4

1-3 Year Indices



Source: ICE BofAML Indices. ABS indices are 0-3 year, based on weighted average life. As of 12/31/2021.

Fixed-Income Sector Outlook – 4Q 2021

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	

● Current outlook

○ Outlook one quarter ago



Fixed-Income Sector Commentary – 4Q 2021

- ▶ **U.S. Treasury** securities generated negative performance as yields rose across maturities. The higher absolute level of yields support duration extensions and roll-down where the curve is steep.
- ▶ **Federal agency** spreads widened modestly, generating slightly negative excess returns. Spreads remain tight by historical standards and opportunities to add will be limited.
- ▶ **Supranational** securities performed in line with their federal agency counterparts – supply from seasonal issuance should provide opportunities to add sector exposure.
- ▶ **Corporates** underperformed after consistently being one of the top performing sectors in prior quarters. Modestly wider spreads are likely to provide opportunities to increase exposure on an issuer-specific basis.
- ▶ **Asset-Backed Securities** issuance remains robust and wider spreads enhance the sector's relative value as collateral performance remains strong.
- ▶ **Mortgage-Backed Securities** performance was generally negative across collateral and coupon types with 15-yr MBS pools being the exception. FOMC asset purchase tapering and potential balance sheet reduction will continue to weigh negatively on the sector.
- ▶ **Taxable Municipal** securities were one of the best performing sectors in Q4. Limited supply is likely to keep downward pressure on spreads and limit opportunities to increase allocations.
- ▶ **Commercial Paper and CD** rates gravitated higher throughout the quarter as market expectations for rate hikes sent short maturities higher, creating opportunities to add.



Annual Investment Report Summary



Pooled Operating Portfolio Fact Sheet

Ending Balance as of September 30, 2021	Balances		Average Duration (in Years)	Last 12 Months	March 31, 2004
Market Value	\$134,961,855		Pooled Operating Portfolio	1.87	1.68
Amortized Cost	\$134,427,000		Merrill Lynch 1-3 Year U.S. Treasury Benchmark	1.84	1.77
Total Return	Portfolio	Benchmark	Realized Gains/(Loss) on Sells	Fiscal Year 2021	Fiscal Year 2020
Quarterly Return	0.08%	0.06%	Pooled Operating Portfolio	\$915,312	\$977,189
Annual Return	0.35%	0.03%	Interest Earnings	Fiscal Year 2021	Since Inception²
Since Inception - March 31, 2004	2.38%	2.01%	Pooled Operating Portfolio	\$1,707,409	\$46,938,577
Return in Dollars over the Benchmark¹	Last 12 Months	Since Inception²	Standard & Poor's Credit Ratings	Fiscal Year 2021	Since Inception²
Pooled Operating Fund	\$431,878	\$8,697,167	Pooled Operating Portfolio	AA	AA+

1. Based on Market Value as of September 30, 2021.

2. Pooled Operating Portfolio inception date March 31, 2004.

Investment Balances & Interest Income as of September 30, 2021

Marion County Board of County Commissioners								
Summary of Investment Balances and Interest Income as of September 30, 2021								
Investments ¹					Enterprise Funds			Total
	General Fund	Special Revenue	Debt Service	Capital Project	Solid Waste	Utility	Internal Service	
Corporate Obligations	10,602,478	12,385,811	-	5,612,431	14,624,751	9,762,051	5,320,616	58,308,138
Federal National Mtg Assoc.	1,807,198	2,111,168	-	956,642	2,492,796	1,663,946	906,902	9,938,651
Federal Home Loan Bank	84,408	98,606	-	44,682	116,430	77,718	42,358	464,202
Federal Home Loan Mtg Corp.	5,081,111	5,935,751	-	2,689,690	7,008,737	4,678,346	2,549,841	27,943,477
Unites States Treasury	6,304,353	7,364,743	-	3,337,215	8,696,043	5,804,626	3,163,699	34,670,679
Municipal Bonds	672,388	785,483	-	355,929	927,472	619,090	337,423	3,697,784
Total Securities	\$ 24,551,935	\$ 28,681,562	\$ -	\$ 12,996,588	\$ 33,866,229	\$ 22,605,777	\$ 12,320,839	\$ 135,022,930
Suntrust Money Market Fund	5,931	6,928	-	3,139	8,181	5,461	2,976	32,616
Florida Prime (SBA)	34,593,425	124,466,505	3,593,179	74,868,378	39,215,170	16,843,970	11,313,598	304,894,225
Total Money Market Funds	34,599,355	124,473,433	3,593,179	74,871,518	39,223,351	16,849,431	11,316,574	304,926,842
Total Investments	59,151,291	153,154,995	3,593,179	87,868,106	73,089,580	39,455,208	23,637,413	439,949,772
Interest Income²	275,468	359,100	1,882	118,419	153,677	75,440	46,295	1,030,282

1. Investment balances are reported on market value, not including accrued interest.

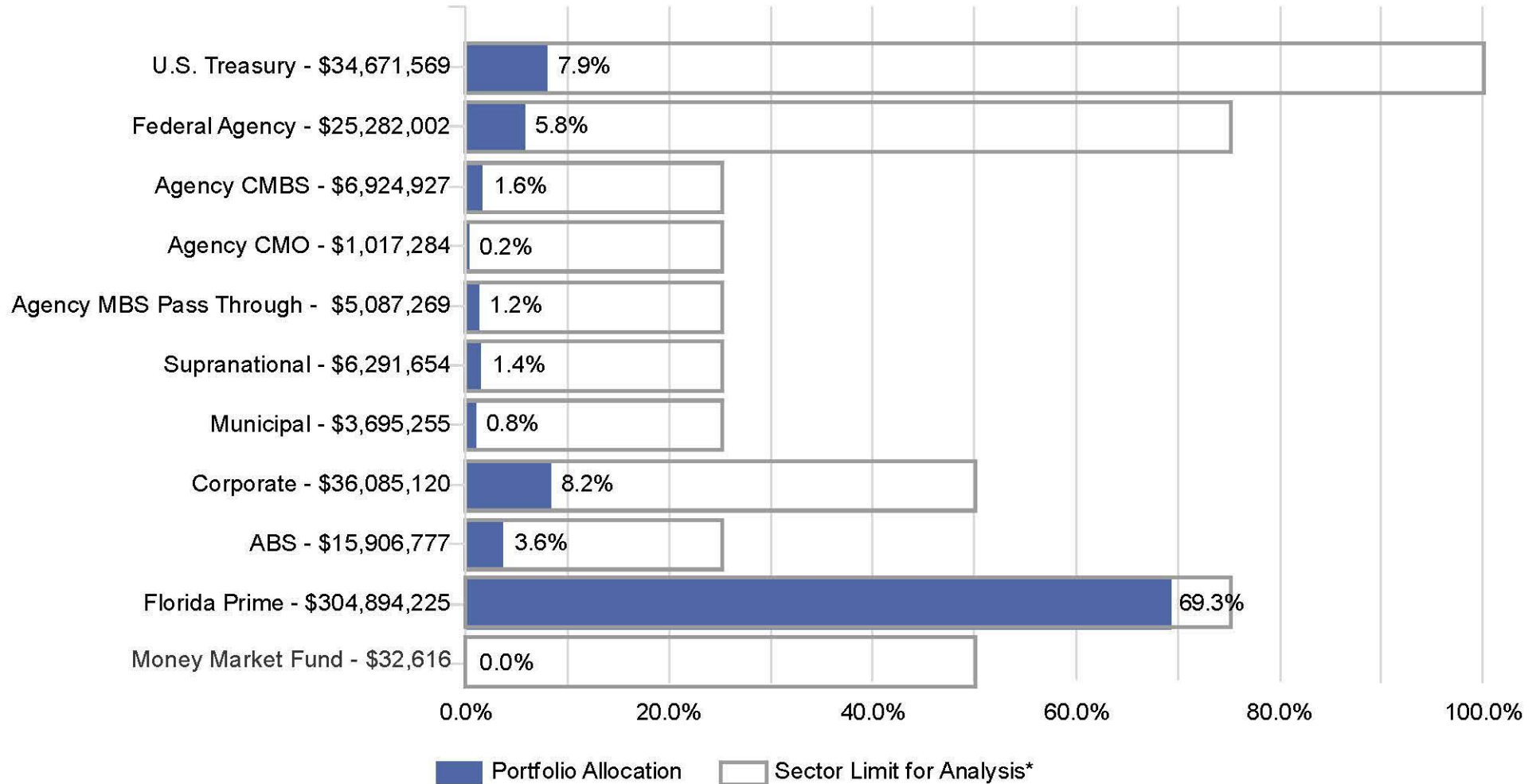
2. The balances shown on this page are based on trade settlement date. The balances shown on other pages of this report include forward settling trades (trades that have not settled as of month end but will in the following month(s)); this is to comply with GASB accrual accounting reporting requirements. 17 of 30

3. Investment earnings are reported on total return basis with accrued interest.

Asset Allocation



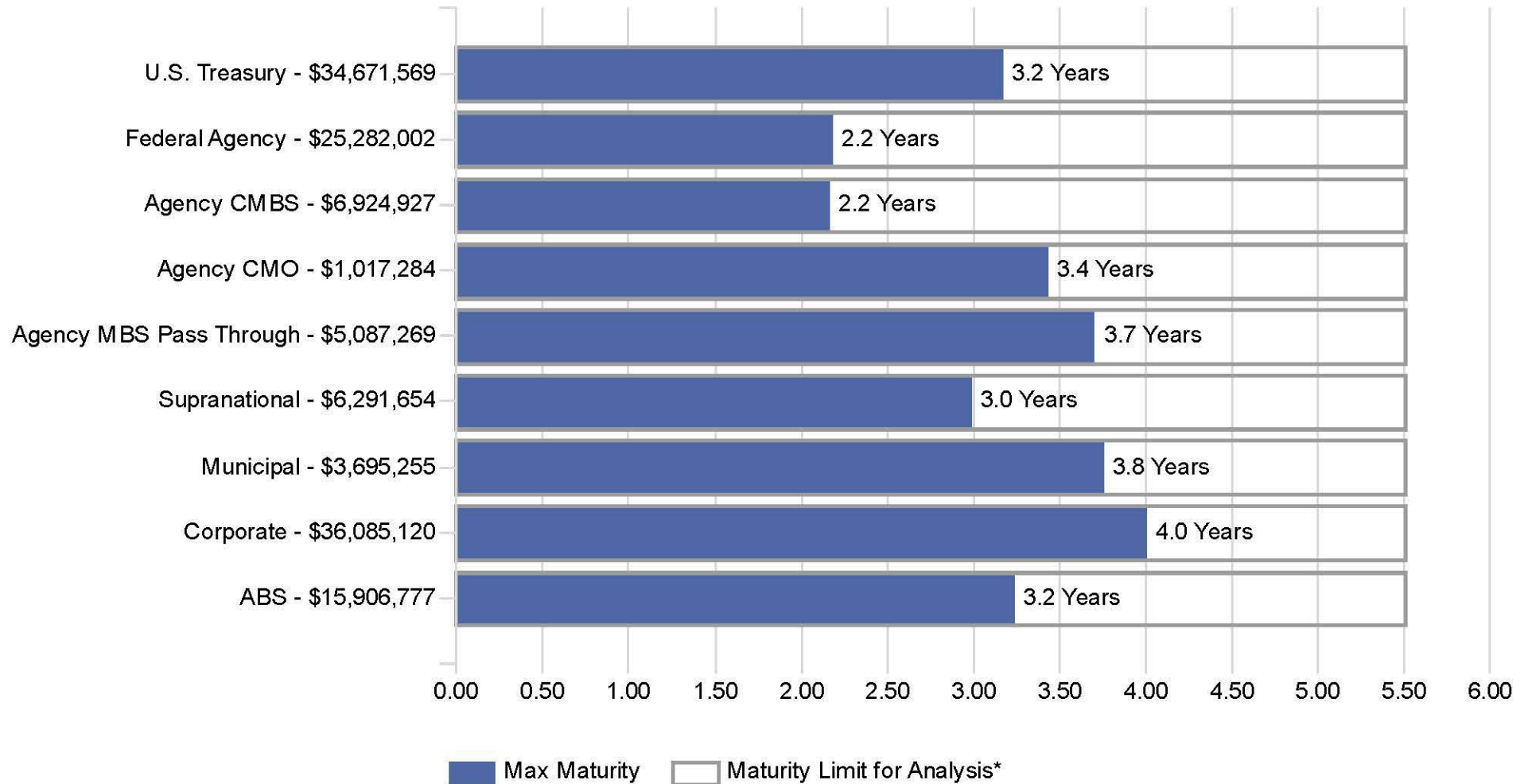
Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance.

*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

Max Maturity Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Excludes balances invested in overnight funds.

*Maturity Limit for Analysis is derived from our interpretation of your most recent Investment Policy as provided.

Mortgage-backed securities and asset-backed securities, if any, limit is based on weighted average life, if applicable. Callable securities, if any, limit is based on maturity date.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	25.7%	
UNITED STATES TREASURY	25.7%	AA / Aaa / AAA
Federal Agency	18.7%	
FANNIE MAE	3.8%	AA / Aaa / AAA
FEDERAL HOME LOAN BANKS	0.3%	AA / Aaa / NR
FREDDIE MAC	14.5%	AA / Aaa / AAA
Agency CMBS	5.1%	
FANNIE MAE	0.5%	AA / Aaa / AAA
FREDDIE MAC	4.7%	AA / Aaa / AAA
Agency CMO	0.8%	
FANNIE MAE	0.1%	AA / Aaa / AAA
FREDDIE MAC	0.6%	AA / Aaa / AAA
Agency MBS Pass Through	3.8%	
FANNIE MAE	2.8%	AA / Aaa / AAA
FREDDIE MAC	0.9%	AA / Aaa / AAA
Supranational	4.7%	
ASIAN DEVELOPMENT BANK	3.0%	AAA / Aaa / AAA
INTER-AMERICAN DEVELOPMENT BANK	1.0%	AAA / Aaa / AAA
INTL BANK OF RECONSTRUCTION AND DEV	0.7%	AAA / Aaa / AAA
Municipal	2.7%	
CALIFORNIA EARTHQUAKE AUTHORITY	0.2%	NR / NR / A
DORMITORY AUTHORITY OF NEW YORK	0.8%	AA / Aa / AA
FLORIDA STATE BOARD OF ADMIN FIN CORP	0.3%	AA / Aa / AA
NEW JERSEY TURNPIKE AUTHORITY	0.2%	A / A / A
NEW YORK ST URBAN DEVELOPMENT CORP	1.1%	AA / Aa / AA
STATE OF CONNECTICUT	0.1%	A / Aa / AA

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	26.7%	
3M COMPANY	0.3%	A / A / NR
ADOBE INC	0.1%	A / A / NR
AMAZON.COM INC	1.2%	AA / A / AA
AMERICAN HONDA FINANCE	0.3%	A / A / A
APPLE INC	0.5%	AA / Aaa / NR
ASTRAZENECA PLC	0.5%	A / A / NR
BANK OF AMERICA CO	0.7%	A / A / AA
BANK OF MONTREAL	1.1%	A / A / AA
BANK OF NOVA SCOTIA	1.2%	A / A / AA
BMW FINANCIAL SERVICES NA LLC	0.2%	A / A / NR
BRISTOL-MYERS SQUIBB CO	0.5%	A / A / NR
CANADIAN IMPERIAL BANK OF COMMERCE	0.8%	BBB / A / AA
CATERPILLAR INC	0.2%	A / A / A
CHARLES SCHWAB	0.3%	A / A / A
CHEVRON CORPORATION	0.2%	AA / Aa / NR
CITIGROUP INC	1.0%	BBB / A / A
CREDIT SUISSE GROUP RK	0.4%	A / A / A
DNB ASA	0.3%	AA / Aa / NR
GLAXOSMITHKLINE PLC TAL	0.3%	A / A / A
GOLDMAN SACHS GROUP INC	0.6%	BBB / A / A
HSBC HOLDINGS PLC	0.6%	A / A / A
IBM CORP	0.2%	A / A / NR
JP MORGAN CHASE & CO	1.2%	A / A / AA
METLIFE INC	0.2%	AA / Aa / AA
mitsubishi UFJ FINANCIAL GROUP INC	1.0%	A / A / A
MORGAN STANLEY	0.6%	BBB / A / A

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	26.7%	
NATIONAL BANK OF CANADA	0.7%	BBB / A / A
NATIONAL RURAL UTILITIES CO FINANCE CORP	0.1%	A / A / A
NESTLE SA	0.4%	AA / Aa / A
NORDEA BANK ABP	0.7%	AA / Aa / AA
PACCAR FINANCIAL CORP	0.2%	A / A / NR
PEPSICO INC	0.2%	A / A / NR
PRINCIPAL FINANCIAL GROUP INC	0.5%	A / A / NR
RABOBANK NEDERLAND	0.7%	A / Aa / AA
ROYAL BANK OF CANADA	1.2%	A / A / AA
ROYAL DUTCH SHELL PLC	0.7%	A / Aa / AA
SIEMENS AG	0.3%	A / A / A
SKANDINAVISKA ENSKILDA BANKEN AB	0.4%	A / Aa / AA
SUMITOMO MITSUI FINANCIAL GROUP INC	0.5%	A / A / NR
SUMITOMO MITSUI TRUST HOLDINGS INC	0.7%	A / A / NR
SVENSKA HANDELSBANKEN AB	0.4%	AA / Aa / AA
SWEDBANK AB	0.5%	A / Aa / AA
THE BANK OF NEW YORK MELLON CORPORATION	0.5%	A / A / AA
TORONTO-DOMINION BANK	1.5%	A / A / AA
UBS AG	0.7%	A / Aa / AA
UNILEVER PLC	0.2%	A / A / A
UNITEDHEALTH GROUP INC	0.3%	A / A / A
WELLS FARGO & COMPANY	0.4%	BBB / A / A
WESTPAC BANKING CORP	0.4%	AA / Aa / A

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
ABS	11.8%	
ALLY AUTO RECEIVABLES TRUST	0.1%	NR / Aaa / AAA
AMERICAN EXPRESS CO	0.6%	NR / Aaa / AAA
BANK OF AMERICA CO	0.1%	AAA / NR / AAA
BMW FINANCIAL SERVICES NA LLC	0.2%	AAA / Aaa / NR
BMW VEHICLE OWNER TRUST	0.3%	AAA / NR / AAA
CAPITAL ONE FINANCIAL CORP	0.1%	AAA / Aaa / AAA
CARMAX AUTO OWNER TRUST	1.9%	AAA / Aaa / AAA
CNH EQUIPMENT TRUST	0.7%	AAA / Aaa / AAA
DISCOVER FINANCIAL SERVICES	0.3%	NR / Aaa / AAA
FIFTH THIRD AUTO TRUST	0.1%	AAA / Aaa / NR
FORD CREDIT AUTO OWNER TRUST	0.2%	AAA / Aaa / NR
GM FINANCIAL CONSUMER AUTOMOBILE TRUST	1.1%	AAA / Aaa / AAA
GM FINANCIAL LEASINGTRUST	0.5%	AAA / Aaa / AAA
HARLEY-DAVIDSON MOTORCYCLE TRUST	0.5%	AAA / Aaa / NR
HONDA AUTO RECEIVABLES	0.3%	AAA / NR / AAA
HYUNDAI AUTO RECEIVABLES	0.5%	AAA / NR / AAA
JOHN DEERE OWNER TRUST	0.8%	NR / Aaa / AAA
KUBOTA CREDIT OWNER TRUST	0.6%	NR / Aaa / AAA
MERCEDES-BENZ AUTO LEASE TRUST	0.1%	AAA / NR / AAA
MERCEDES-BENZ AUTO RECEIVABLES	0.0%	NR / Aaa / NR
NISSAN AUTO LEASE TRUST	0.2%	AAA / Aaa / NR
NISSAN AUTO RECEIVABLES	0.6%	AAA / Aaa / AAA
Toyota Lease Owner Trust	0.3%	AAA / Aaa / NR
TOYOTA MOTOR CORP	0.2%	AAA / Aaa / NR
VERIZON MASTER TRUST	0.3%	AAA / Aaa / AAA
VERIZON OWNER TRUST	1.0%	AAA / Aaa / AAA

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
ABS	11.8%	
VOLKSWAGEN AUTO LEASE TURST	0.1%	AAA / NR / AAA
WORLD OMNI AUTO REC TRUST	0.1%	AAA / NR / AAA
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

PFM-Managed Pooled Operating Fund

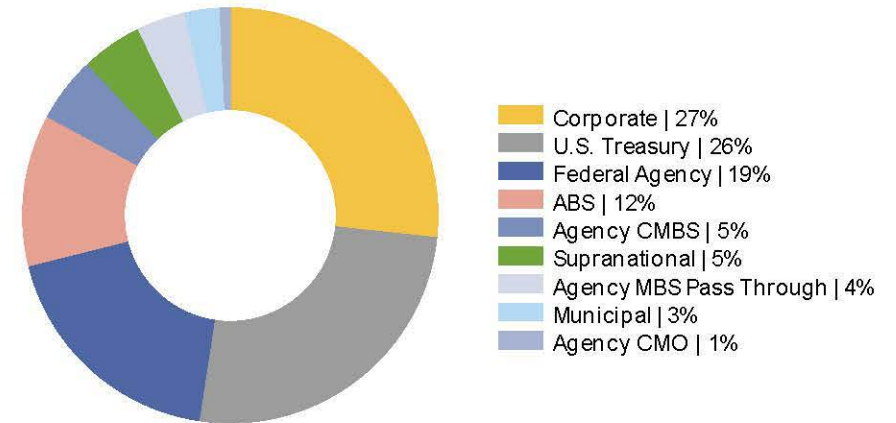


Portfolio Snapshot - MARION COUNTY POOLED OPERATING FUND¹

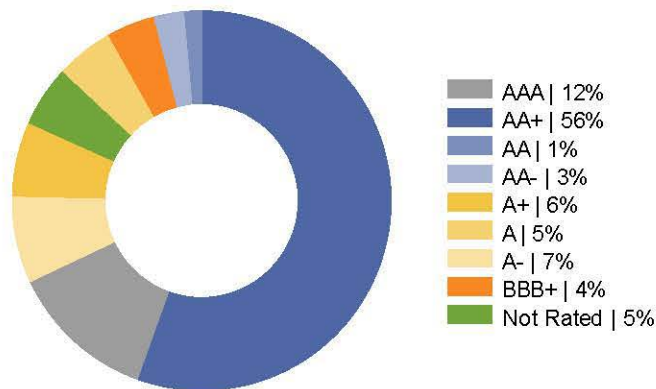
Portfolio Statistics

Total Market Value	\$135,204,816.15
Portfolio Effective Duration	1.84 years
Benchmark Effective Duration	1.83 years
Yield At Cost	0.86%
Yield At Market	0.61%
Portfolio Credit Quality	AA

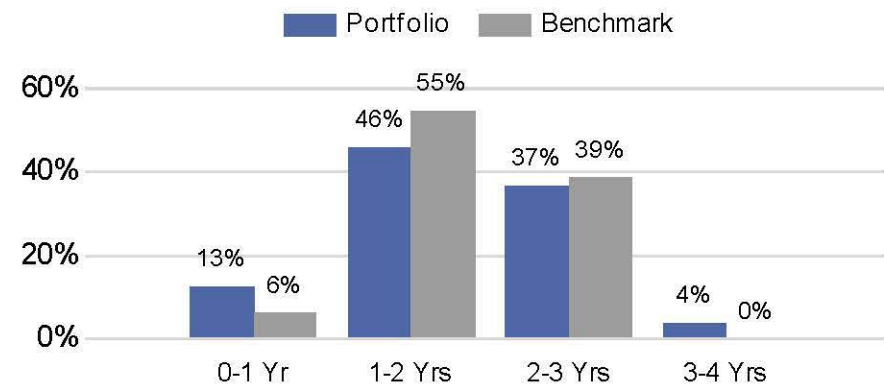
Sector Allocation



Credit Quality - S&P

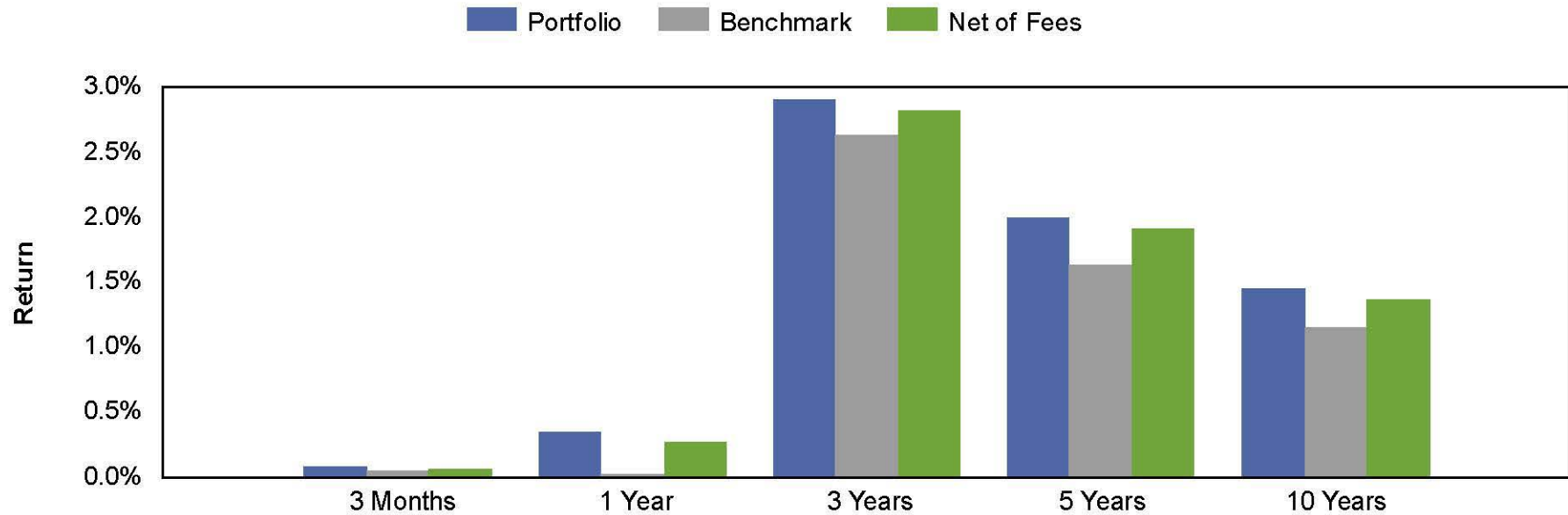


Duration Distribution



¹ The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.
An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

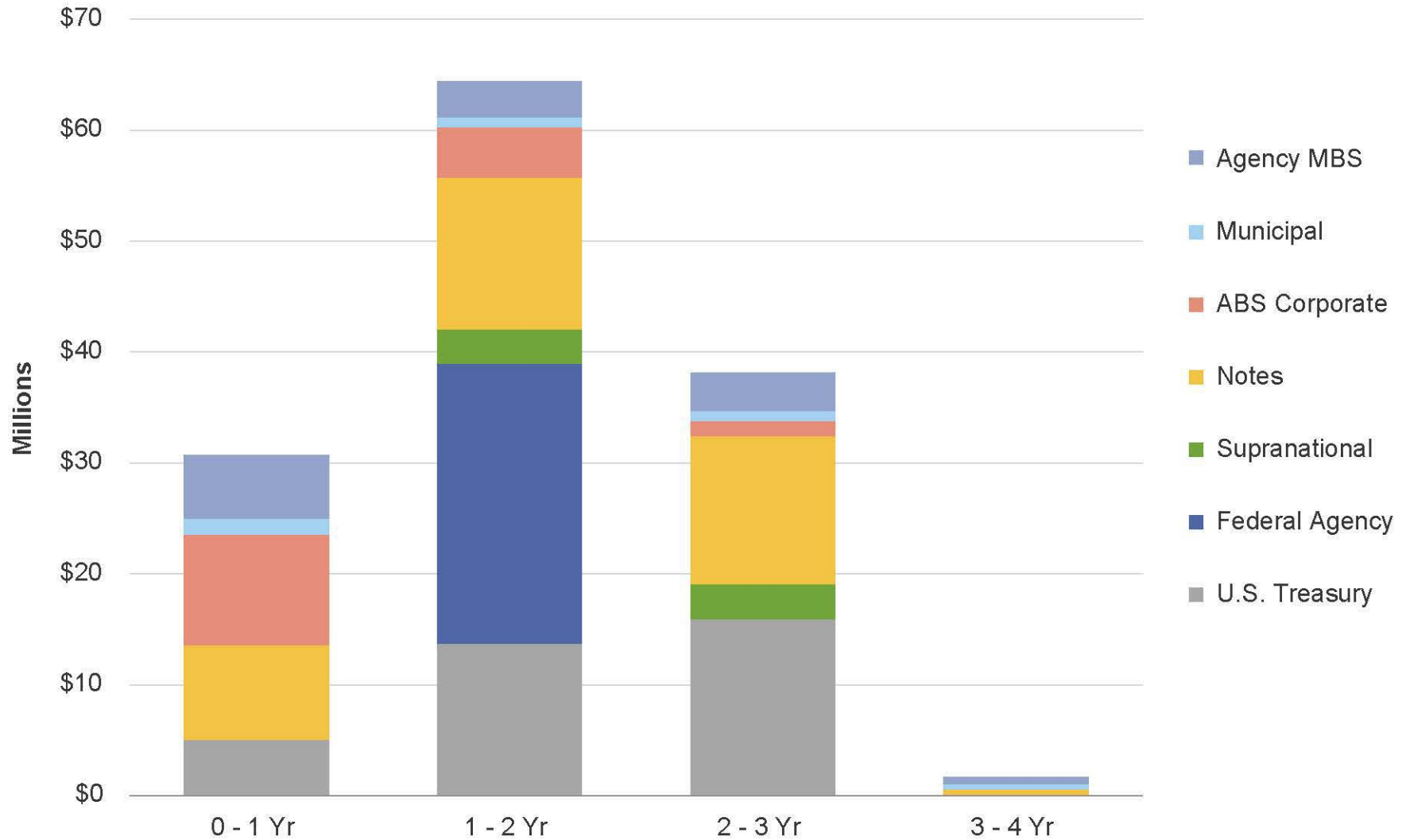
Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	10 Years
Interest Earned ²	\$334,737	\$1,707,409	\$7,543,619	\$11,596,222	\$20,255,122
Change in Market Value	(\$224,960)	(\$1,230,894)	\$3,580,228	\$1,134,156	\$168,770,593
Total Dollar Return	\$109,777	\$476,515	\$11,123,847	\$12,730,378	\$189,025,715
Total Return³					
Portfolio	0.08%	0.35%	2.90%	2.00%	1.45%
Benchmark ⁴	0.06%	0.03%	2.64%	1.63%	1.16%
Basis Point Fee	0.02%	0.08%	0.08%	0.08%	0.08%
Net of Fee Return	0.06%	0.27%	2.82%	1.91%	1.37%

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is March 31, 2004.
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.
 4. The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.

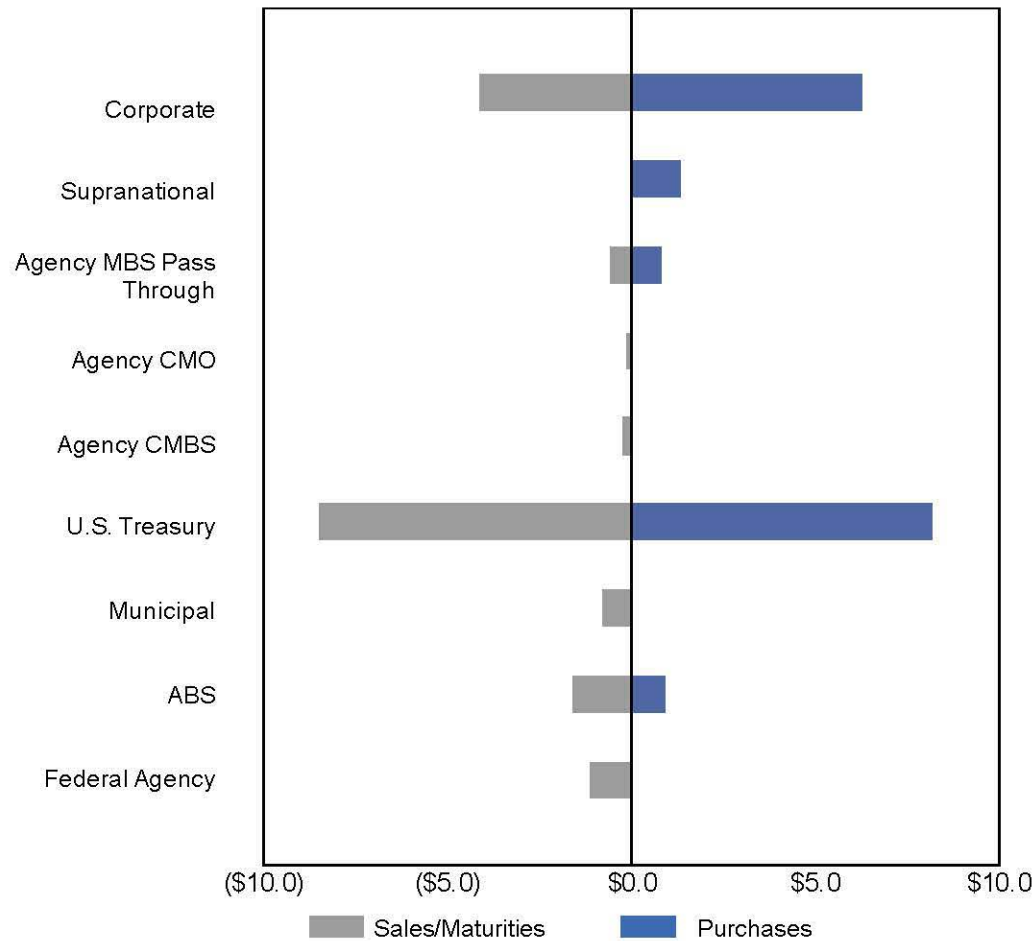
Duration by Sector - MARION COUNTY POOLED OPERATING FUND



Only includes investments held within the separately managed account(s).

Portfolio Activity - MARION COUNTY POOLED OPERATING FUND

Net Activity by Sector
(\$ millions)

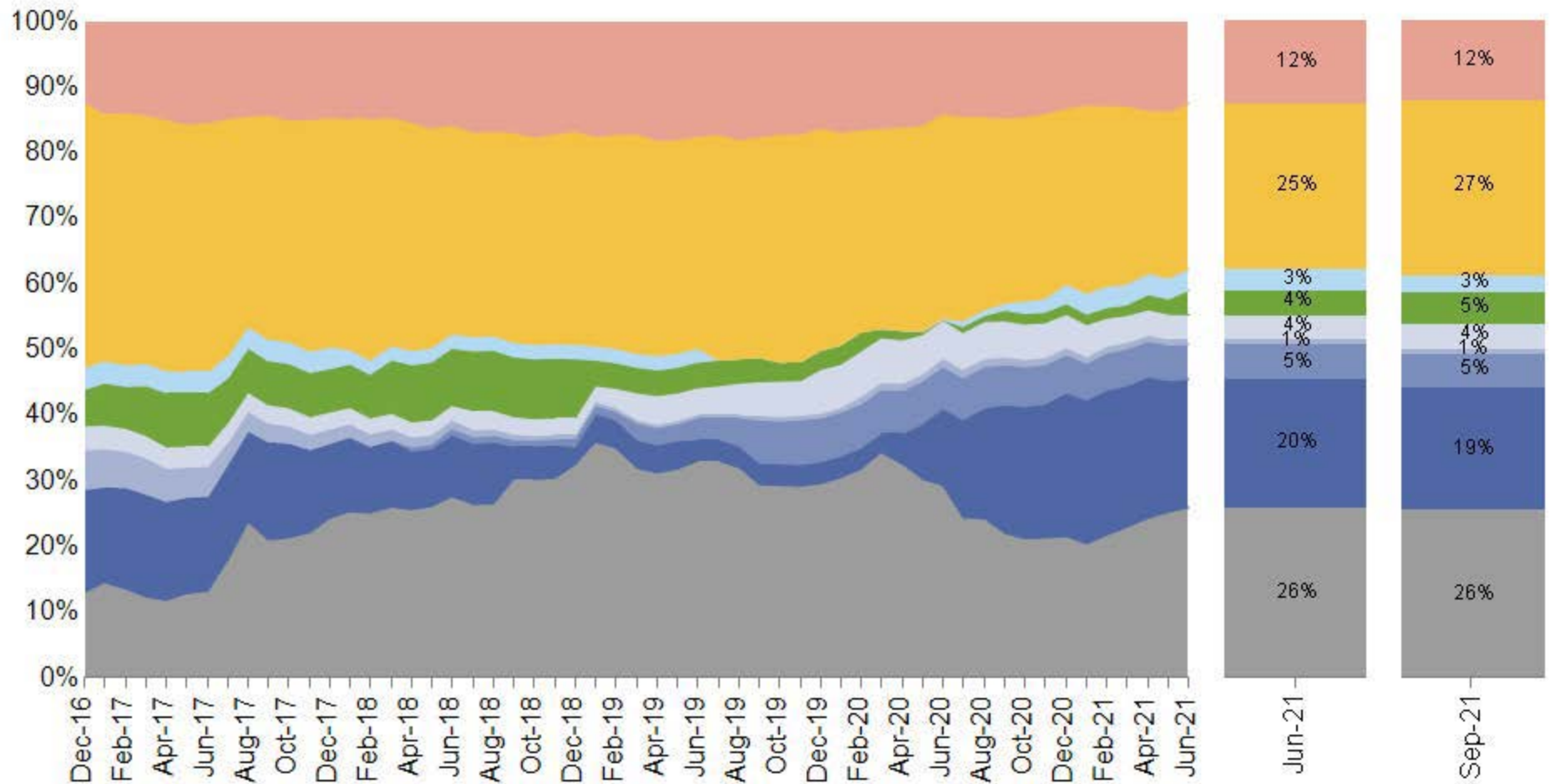


Sector	Net Activity
Corporate	\$2,154,360
Supranational	\$1,309,031
Agency MBS Pass Through	\$169,948
Agency CMO	(\$107,990)
Agency CMBS	(\$207,908)
U.S. Treasury	(\$333,510)
Municipal	(\$751,697)
ABS	(\$752,498)
Federal Agency	(\$1,100,891)
Total Net Activity	\$378,845

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Historical Sector Allocation - MARION COUNTY POOLED OPERATING FUND

- U.S. Treasury
- Agency CMBS
- Agency MBS Pass Through
- Supranational
- Municipal
- Corporate
- ABS
- Federal Agency
- Agency CMO



Only includes investments held within the separately managed account(s).

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