

# Marion County Board of County Commissioners

**Investment Performance Review**

**Fiscal Year Ended September 30, 2024**

# Agenda

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

# Market Update





- ▶ 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



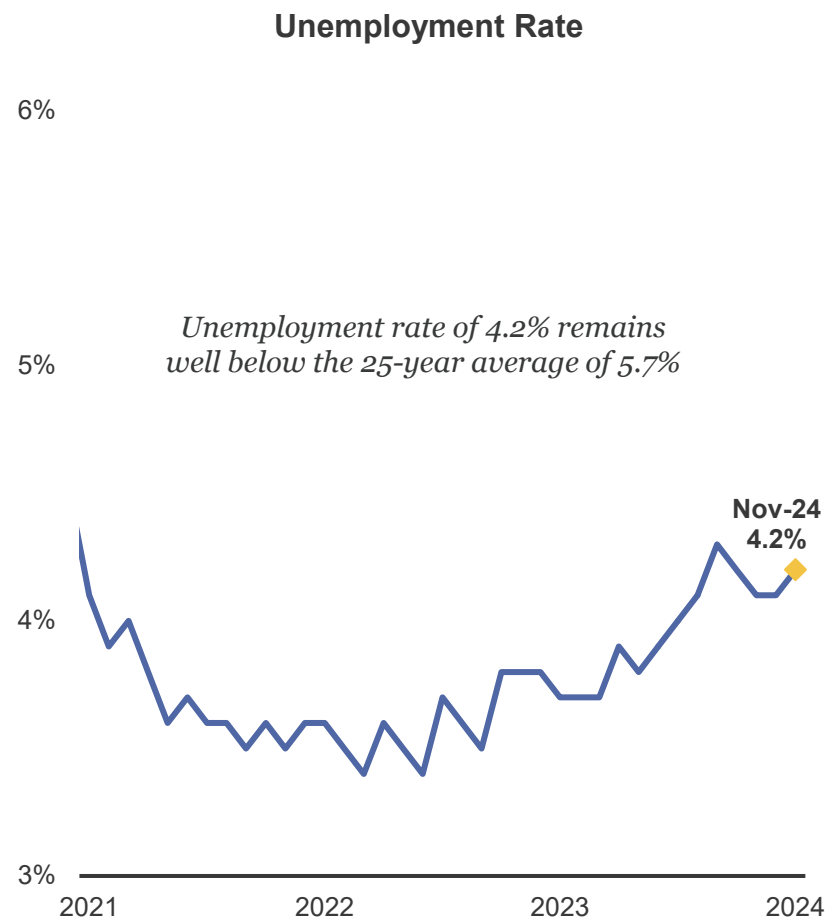
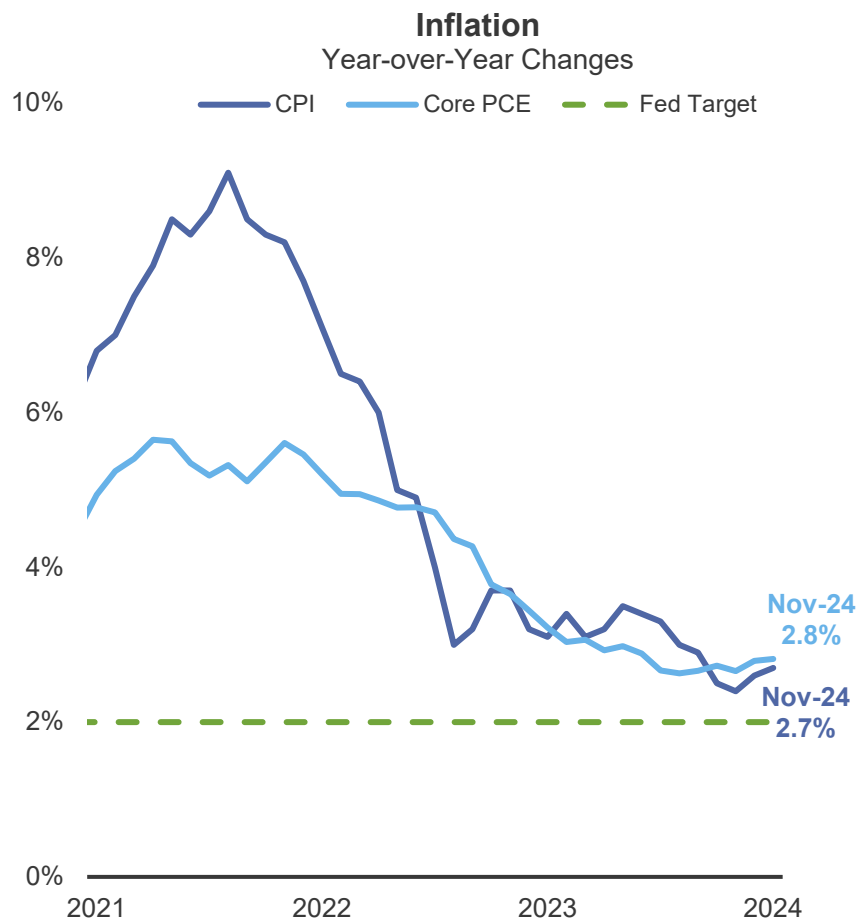
- ▶ Fed easing cycle moves forward as expected, but looks to slow in 2025
  - ▶ The Fed cut the federal funds target rate by an additional 50 basis points (bps) during the fourth quarter to 4.25% - 4.50%
  - ▶ The Fed's December "dot plot" implies another 50 bps of cuts in 2025, less than the 100 bps 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 4<sup>th</sup> 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

# The Fed's Dual Mandate

*Fed Chair Powell: "Downside risks to the labor market do appear to have diminished ... Inflation, we see that story as still broadly on track."*



Source: FOMC Chair Jerome Powell Press Conference, December 18, 2024. Bureau of Labor Statistics, Bureau of Economic Analysis, and Bloomberg Finance L.P., as of November 2024. Data is seasonally adjusted. Historical average unemployment rate calculated from January 1990-November 2024.

# Election & Potential Policy Implications on the Fed



## Taxes

*Lower taxes viewed as positive for growth but negative for the deficit*



## Tariffs

*Uncertainty surrounding the scope and scale of tariff policy and viewed as inflationary*



## Immigration

*Tighter border policy may have adverse impacts on the labor market*

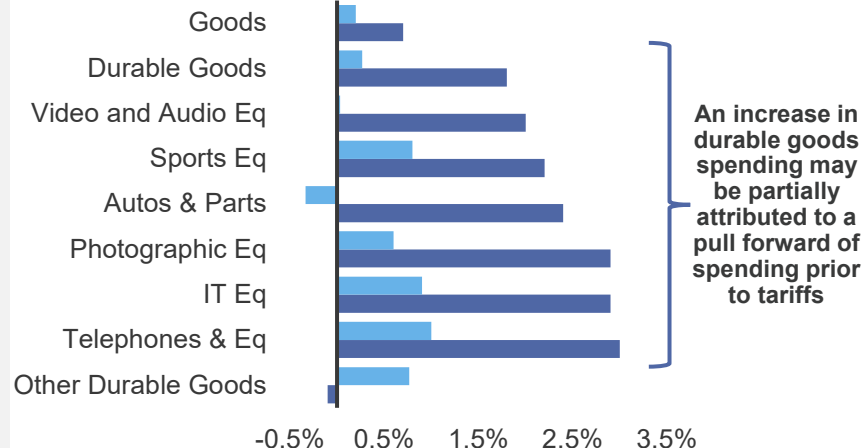


## Regulation

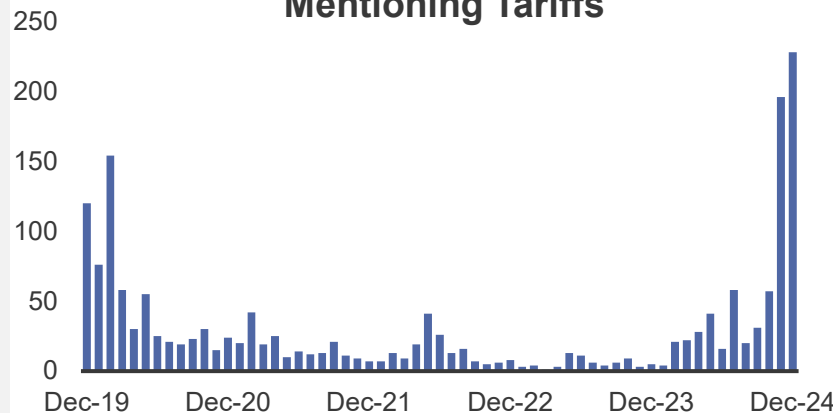
*Easing regulation is generally viewed as positive for growth*

## MoM % Change In Real Consumption

■ Average August to October

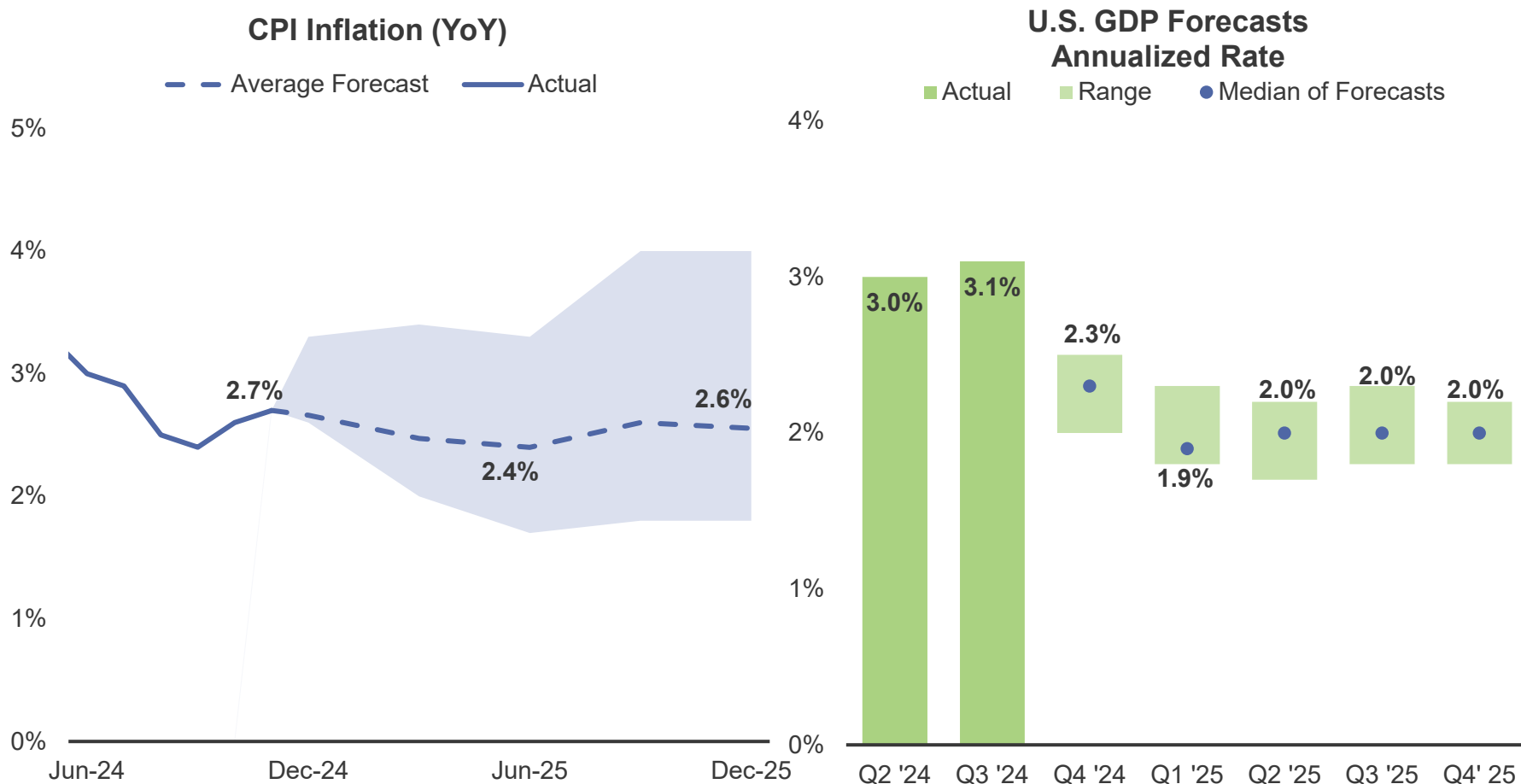


## Word Count of S&P500 Companies Mentioning Tariffs



# Inflation and Growth Forecasted To Remain Stable

*Fed Chair Powell: "I think it's pretty clear we've avoided a recession. I think growth this year has been solid, it really has...Again the U.S. economy has just been remarkable."*

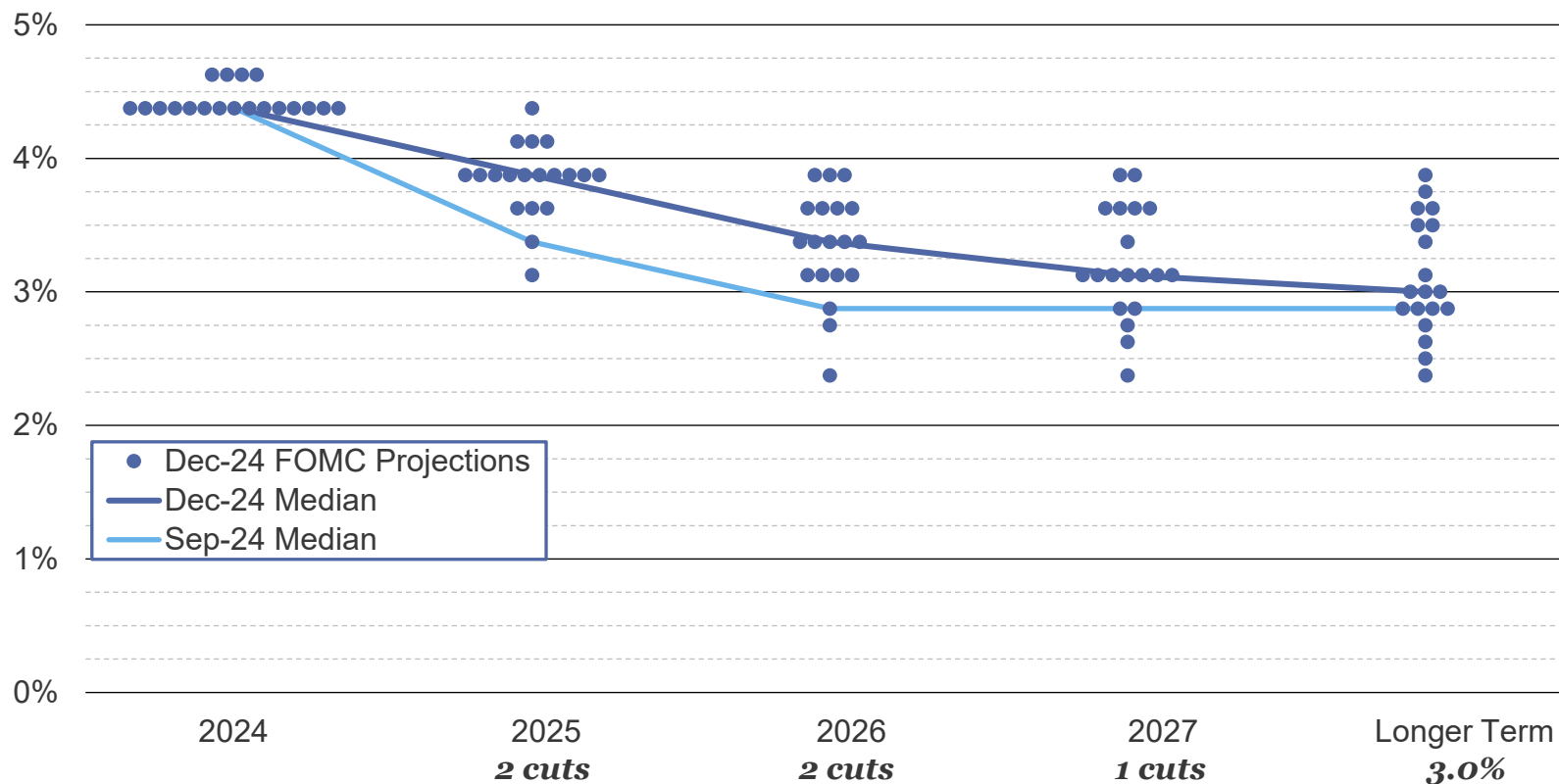


Source: Federal Reserve Chair Jerome Powell Press Conference as of December 18, 2024; Bureau of Labor Statistics and Bloomberg Finance L.P. as of December 2024 (left). Bureau of Economic Analysis and Bloomberg Finance L.P., as of December 2024 (right).

# The Fed's Latest "Dot Plot"

*Fed Chair Powell: "You see a slower path ... meaningful progress to get inflation down to [2.5%] ... we have the labor market forecast as being in good shape, we are also mindful that it is ... very gradually cooling"*

## Fed Participants' Assessments of 'Appropriate' Monetary Policy

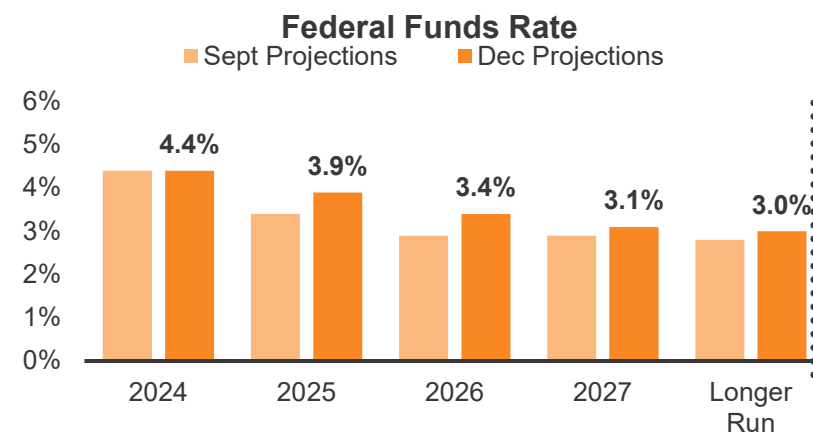
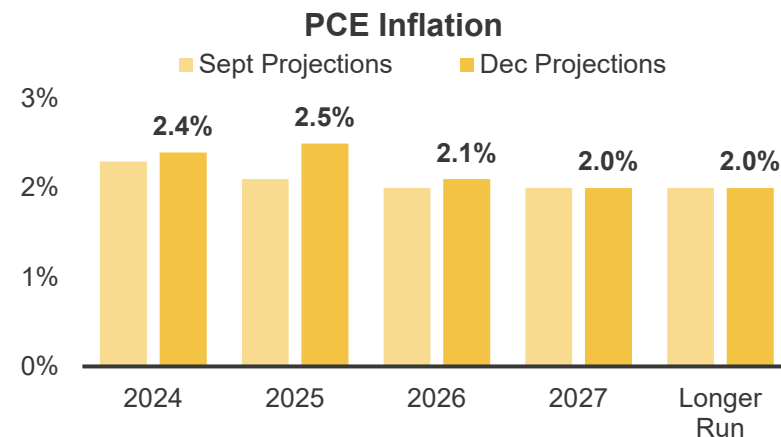
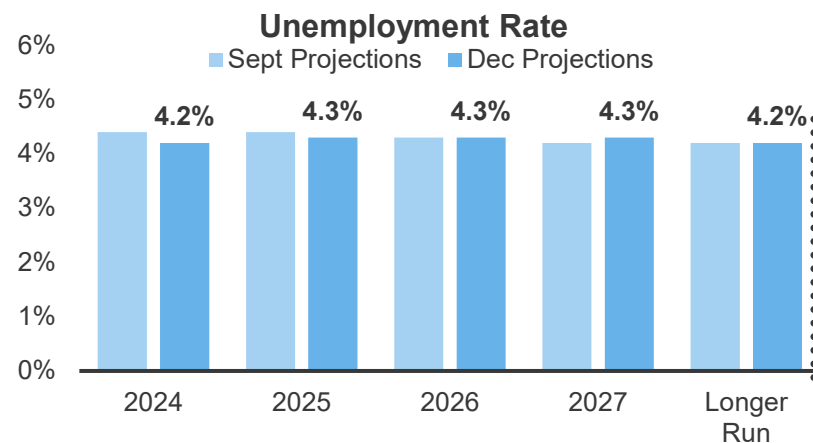
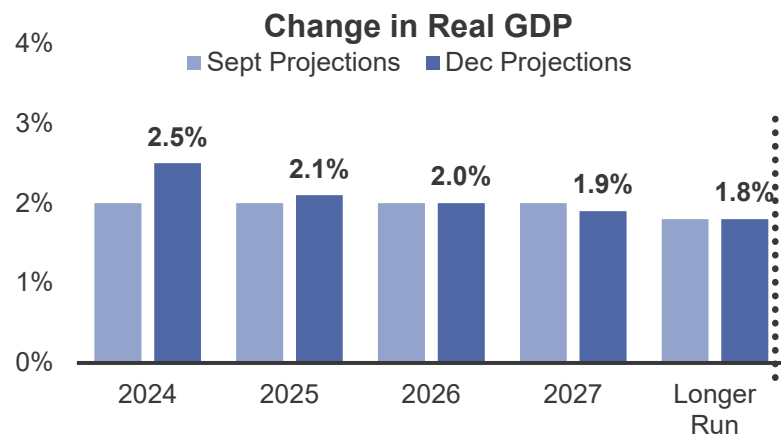


The longer-term neutral rate has drifted up from 2.5% in Dec '23 to 3% currently

Source: Federal Reserve Chair Jerome Powell Press Conference as of December 18, 2024; Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of December 2024.

# Fed's Updated Summary of Economic Projections

*Fed Chair Powell: "These median projections are somewhat higher than in September, consistent with the firmer inflation projection."*



Source: Federal Reserve Chair Jerome Powell Press Conference as of December 18, 2024; Federal Reserve. As of December 2024.

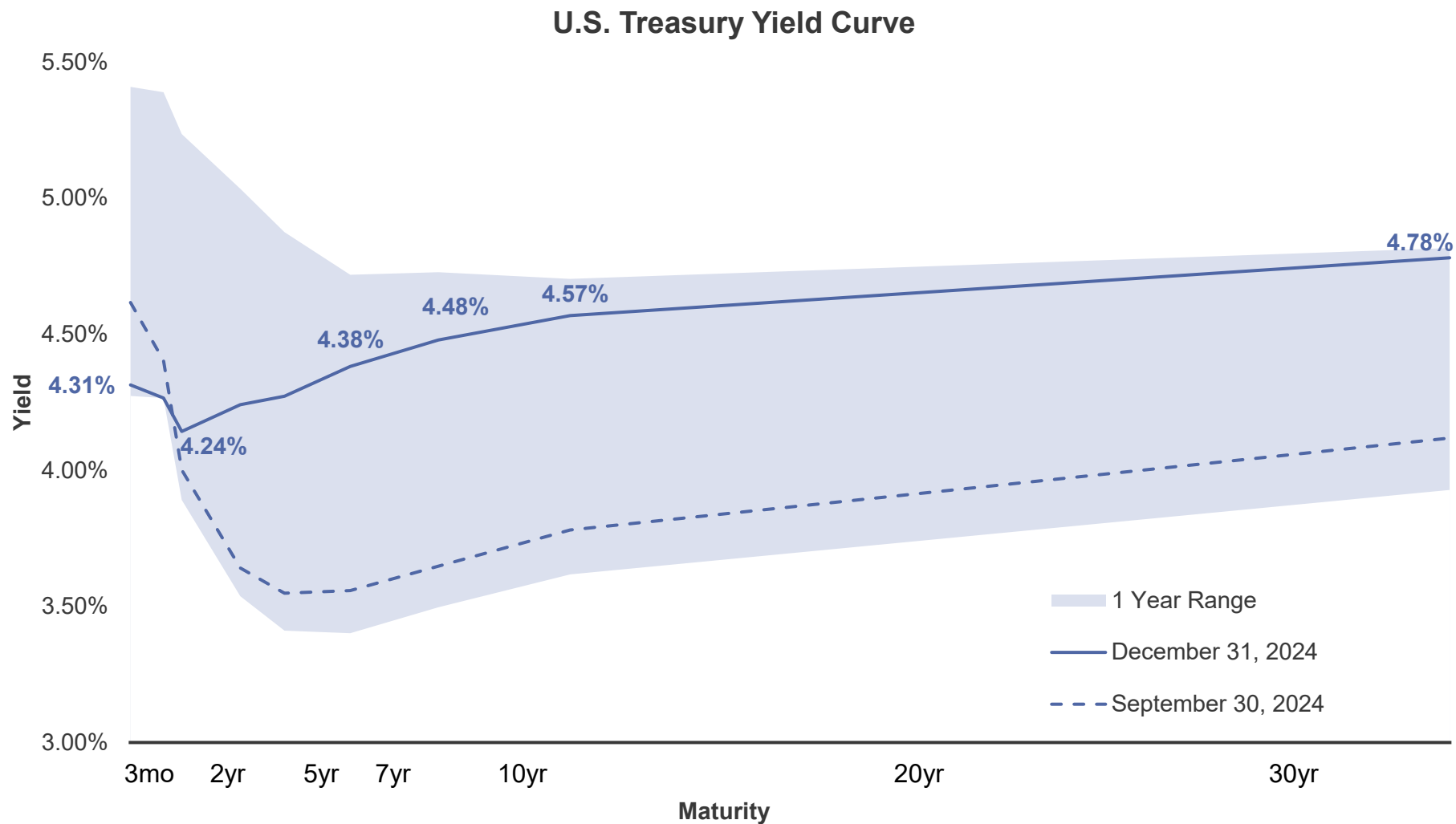
# Despite 100 Bps of Rate Cuts, 2-Year Finishes Year Nearly Unchanged

## 2-Year U.S. Treasury Yield December 31, 2023 – December 31, 2024



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

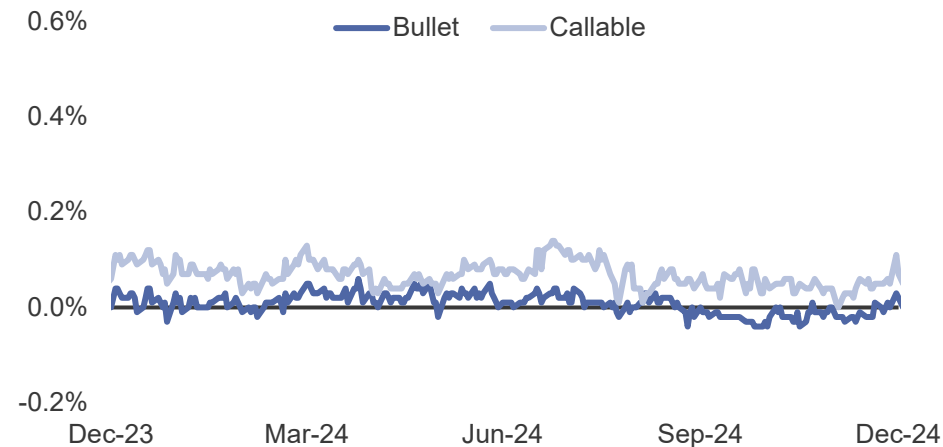
# U.S. Treasury Yield Curve Steepens



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

# Sector Yield Spreads

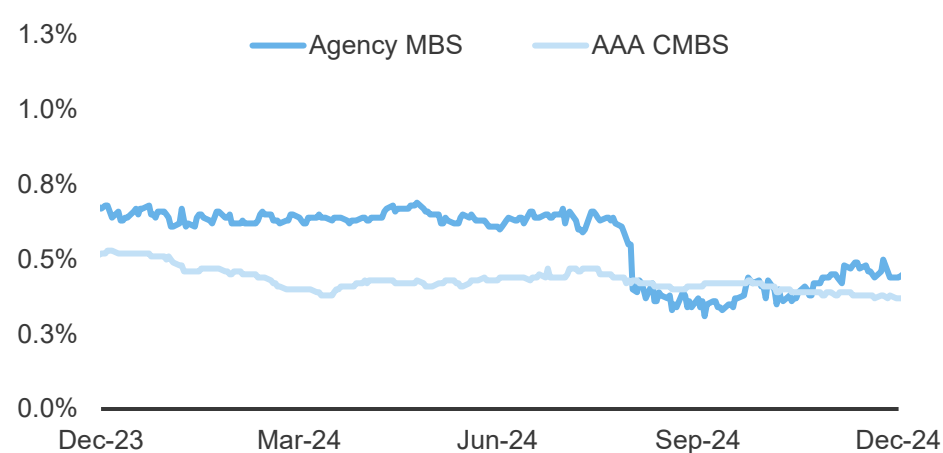
## Federal Agency Yield Spreads



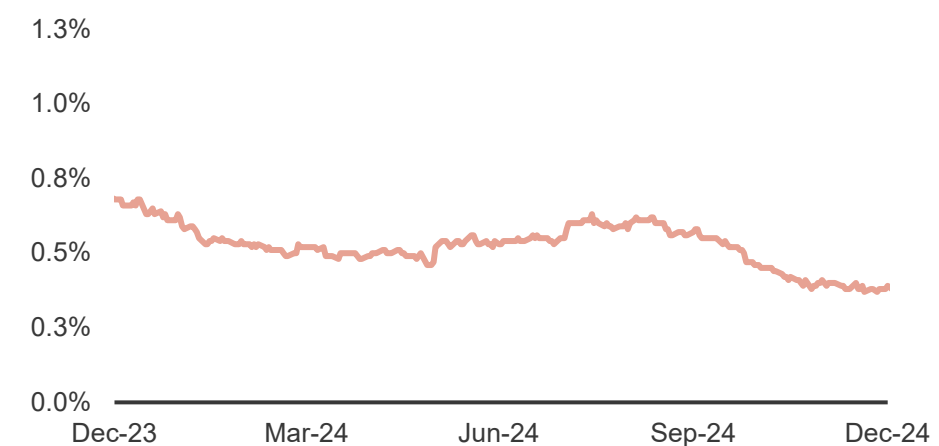
## Corporate Notes A-AAA Yield Spreads



## Mortgage-Backed Securities Yield Spreads



## Asset-Backed Securities AAA Yield Spreads

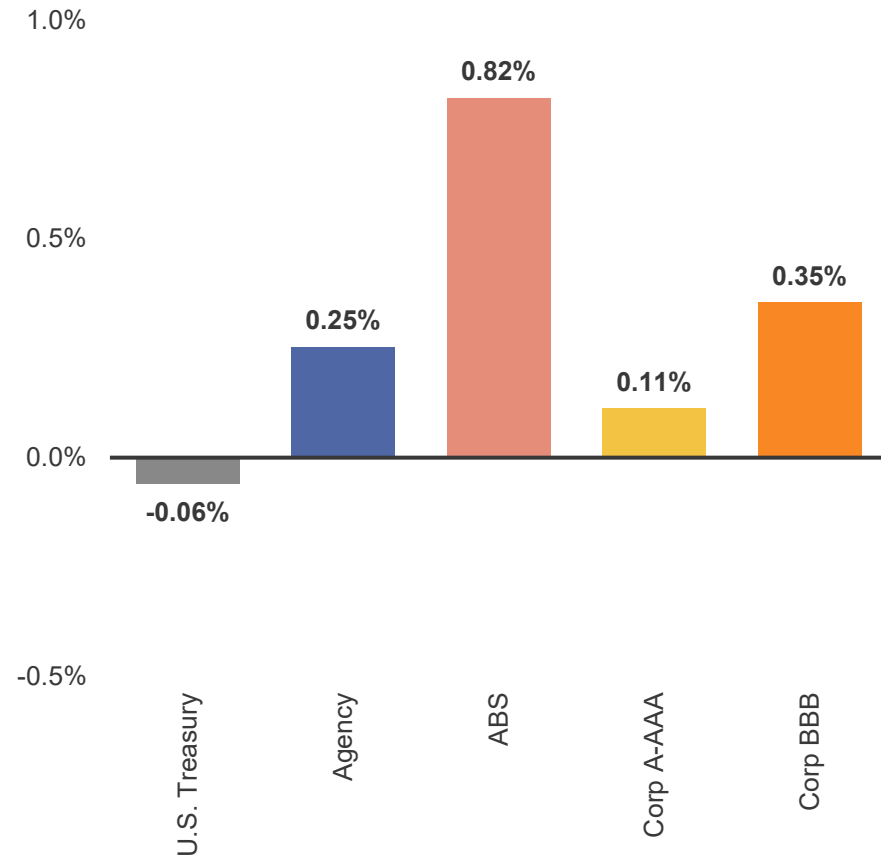


Source: ICE BofA 1-3 year Indices via Bloomberg, MarketAxess and PFMAM as of December 31, 2024. Spreads on ABS and MBS are option-adjusted spreads of 0-3 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index

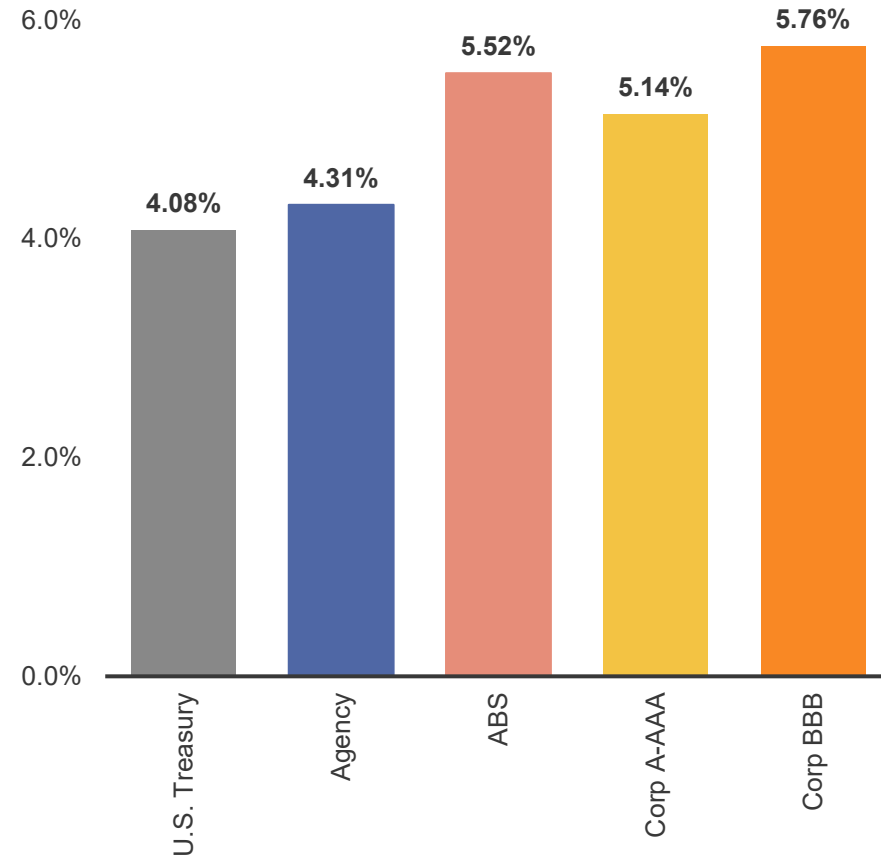
# Fixed-Income Market Returns in 4Q 2024

## 1-3 Year Indices

Fourth Quarter 2024 Returns



1-Year Return















Source: ICE BofA Indices. ABS indices are 0-3 year, based on weighted average life. As of December 31, 2024.

# Fixed-Income Sector Commentary – 4Q 2024

- ▶ **U.S. Treasury** yields reacted to the market attempting to digest the potential impacts of the new administration's policy proposals. Areas of focus include taxes, tariffs, immigration, and deregulation, which the market generally expects will result in more growth but larger budget deficits and higher inflation. Additionally, the Federal Open Market Committee (FOMC) continued with rate cuts, as expected, cutting a total of 100 bps (basis points) in 2024. While the Fed cut rates at both FOMC meetings in the 4th quarter, guidance on future rate cuts point toward a much slower pace of cuts than previously anticipated. The culmination of both fiscal and monetary impulses led the Treasury curve steeper with the 2-year Treasury yield rising 60 bps in the quarter while longer 10-year Treasuries rose 79 bps. As a result of the Treasury sell-off, total returns were negative for the period.
- ▶ **Federal Agency & Supranational** spreads remained low and range bound throughout Q4. These sectors produced muted excess returns relative to other investment grade fixed income sectors as issuance has remained quite light and the incremental income from the sectors is minimal.
- ▶ **Investment-Grade (IG) Corporates** posted another strong relative quarter as robust investor demand remained intact while issuance slowed into year end. Yield spreads tightened further toward multi-year tights. From an excess return perspective, lower-quality and longer-duration issuers outperformed in Q4. Excess returns of financial and banking issuers once again led most other industries across much of the yield curve during the quarter.
- ▶ **Asset-Backed Securities** spreads are tighter than their historical average while their underlying technicals remain strong. Cross-sector spread comparisons relative to corporates have shifted notably, as ABS spreads tightened substantially through year-end and now trade through corporates. As a result, ABS was a top of class performer for Q4.
- ▶ **Mortgage-Backed Securities** were adversely affected by heightened rate volatility and headwinds in the housing market. After an exceptionally strong Q3, agency-backed mortgages underperformed Treasuries in the fourth quarter. On the other hand, well-structured Agency-backed commercial MBS (CMBS) performed better for the quarter and saw positive excess returns.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) yields on the front end fell in response to the Fed rate cuts, but the money market yield curve steepened on prospects for "higher for longer." Yield spreads also widened modestly across the money market curve, most notably towards the back end.



# Fixed-Income Sector Outlook – 1Q 2025

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

● Current outlook

○ Outlook one quarter ago

Negative

Slightly  
Negative

Neutral

Slightly  
Positive

Positive

# **Annual Investment Report Summary**



# Pooled Operating Portfolio Fact Sheet

Ending Balance as of September 30, 2024		Balances	Average Duration (in Years)	Last 12 Months	March 31, 2004
Market Value		\$141,697,180	Pooled Operating Portfolio	1.74	1.76
Amortized Cost		\$140,095,929	Merrill Lynch 1-3 Year U.S. Treasury Benchmark	1.83	1.84
Total Return	Portfolio	Benchmark	Realized Gains/(Loss) on Sells	Fiscal Year 2024	Fiscal Year 2023
Quarterly Return	2.92%	2.87%	Pooled Operating Portfolio	\$(1,143,951)	\$(1,794,187)
Annual Return	7.37%	6.74%	Interest Earnings	Last 12 Months	Since Inception <sup>2</sup>
Since Inception - March 31, 2004	1.82%	1.42%	Pooled Operating Portfolio	\$5,481,514	\$31,808,808
Return in Dollars over the Benchmark <sup>1</sup>	Last 12 Months	Since Inception <sup>2</sup>	Standard & Poor's Credit Ratings	Last 12 Months	Since Inception <sup>2</sup>
Pooled Operating Fund	\$9,807,384	\$66,446,716	Pooled Operating Portfolio	AA	AA+

1. Based on Market Value as of September 30, 2024.

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

# Investment Balances & Interest Income as of September 30, 2024

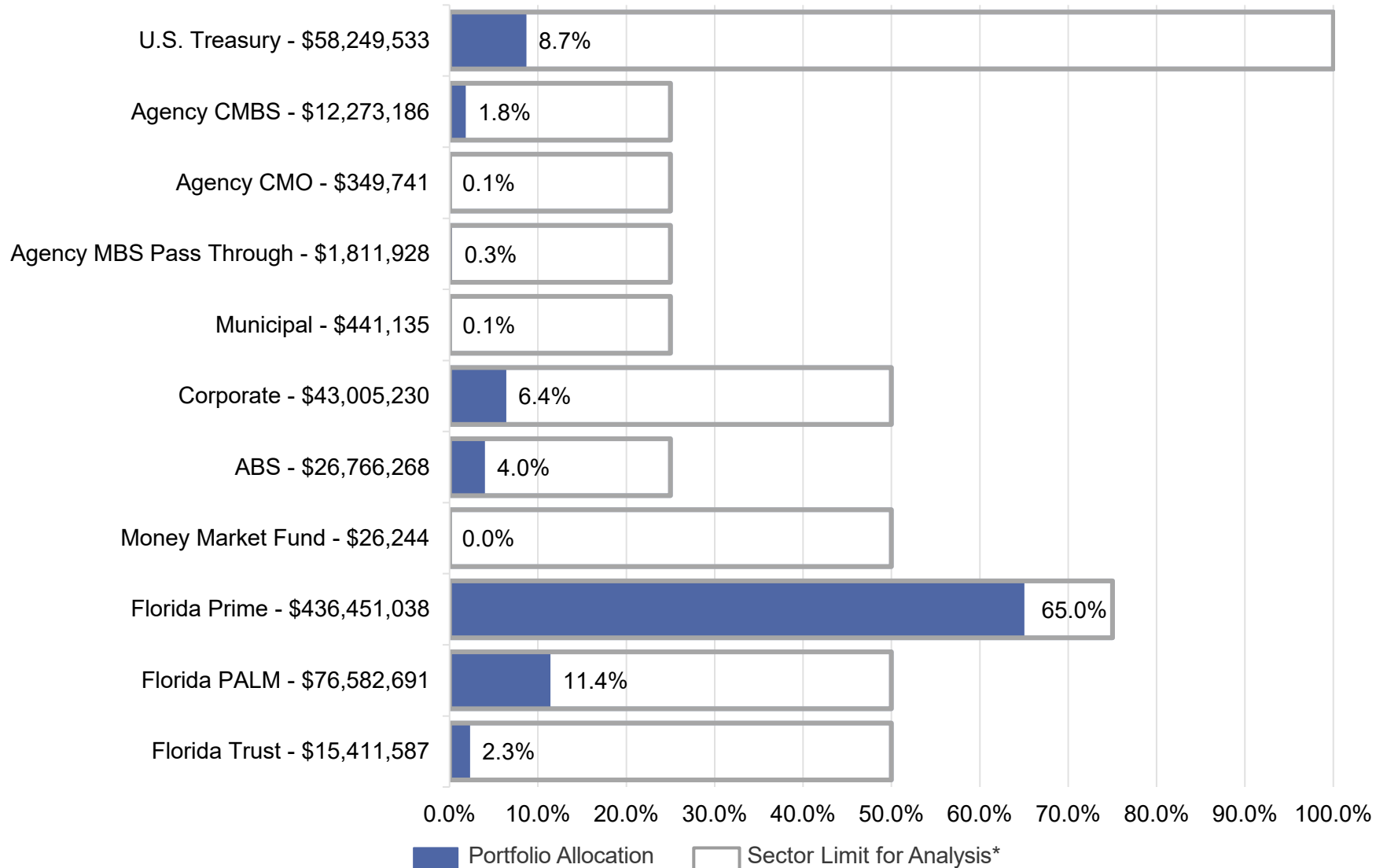
Marion County Board of County Commissioners								
Summary of Investment Balances and Interest Income as of September 30, 2024								
Investments <sup>1</sup>	General Fund	Special Revenue	Debt Service	Capital Project	Enterprise Funds		Internal Service	Total
					Solid Waste	Utility		
Corporate Obligations	12,731,184	14,675,077	-	6,649,774	17,327,837	11,566,367	6,304,024	69,254,262.74
Federal National Mtg Assc.	415,342	478,760	-	216,942	565,303	377,341	205,662	2,259,350.18
Federal Home Loan Mtg Corp.	2,231,646	2,572,390	-	1,165,637	3,037,392	2,027,465	1,105,031	12,139,561.18
United States Treasury	10,593,178	12,210,623	-	5,533,047	14,417,893	9,623,973	5,245,360	57,624,073.85
Municipal Bonds	80,893	93,244	-	42,252	110,100	73,492	40,055	440,036.00
Total Securities	\$ 26,052,243	\$ 30,030,094	\$ -	\$ 13,607,652	\$ 35,458,525	\$ 23,668,639	\$ 12,900,132	141,717,283.95
Truist Money Market Fund	4,825	5,561	-	2,520	6,567	4,383	2,389	26,244.48
Florida Prime (SBA)	48,344,409	202,074,961	3,166,992	76,406,697	37,895,048	48,535,055	20,027,877	436,451,037.83
Florida PALM	11,053,748	32,991,753	-	32,537,190	-	-	-	76,582,691.05
Florida TRUST	-	-	-	15,411,587	-	-	-	15,411,586.55
Total Investments	74,401,476	232,110,616	3,166,992	105,428,455	73,360,139	72,208,077	32,930,398	670,188,843.86
Interest Income <sup>2</sup>	6,497,684	17,028,759	35,692	7,529,575	3,573,160	3,656,071	1,471,820	39,792,762.08

1. This page was prepared by Marion County and included in the report at the request of Marion County.
2. Investment balances are reported on market value, not including accrued interest.
3. Interest income is reported on total return basis with accrued interest.

# Asset Allocation



# Sector Allocation Analytics

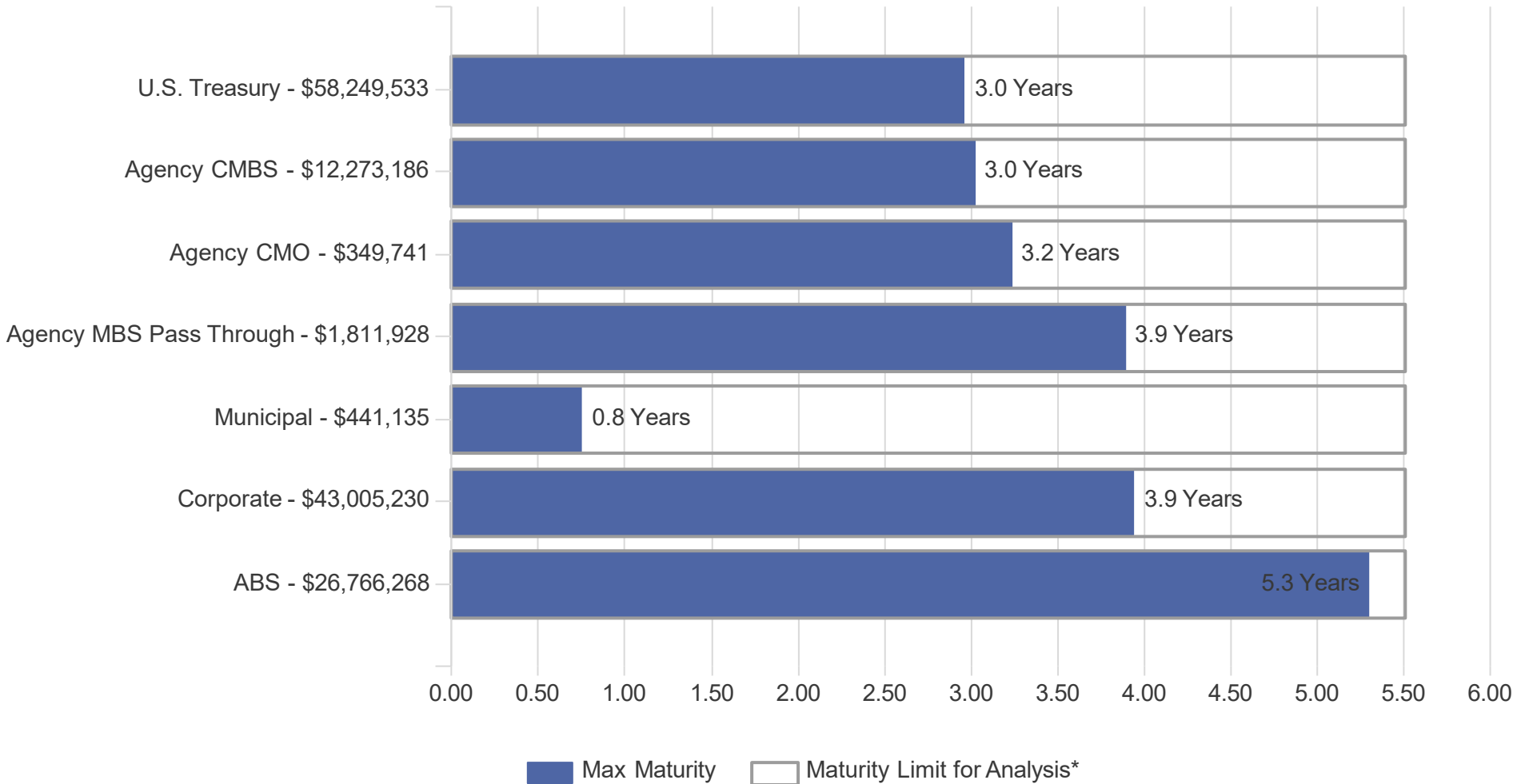


For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

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

# Max Maturity Analytics

## Max Maturity Analytics



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

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

# Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>40.8%</b>	
United States Treasury	40.8%	AA / Aaa / AA
<b>Agency CMBS</b>	<b>8.6%</b>	
Federal Home Loan Mortgage Corp	8.2%	AA / Aaa / AA
Federal National Mortgage Association	0.4%	AA / Aaa / AA
<b>Agency CMO</b>	<b>0.2%</b>	
Federal Home Loan Mortgage Corp	0.2%	AA / Aaa / AA
Federal National Mortgage Association	0.0%	AA / Aaa / AA
<b>Agency MBS Pass Through</b>	<b>1.3%</b>	
Federal Home Loan Mortgage Corp	0.3%	AA / Aaa / AA
Federal National Mortgage Association	1.0%	AA / Aaa / AA
<b>Municipal</b>	<b>0.3%</b>	
New York State Dormitory Authority	0.1%	AA / NR / AA
State Board of Administration Finance C	0.2%	AA / Aa / AA
<b>Corporate</b>	<b>30.1%</b>	
Adobe Inc	0.3%	A / A / NR
American Express Co	0.1%	BBB / A / A
ANZ Group Holdings Ltd	0.9%	AA / Aa / AA
AstraZeneca PLC	0.4%	A / A / A
Bank of America Corp	0.5%	A / Aa / AA
Bank of Montreal	0.7%	A / A / AA
Bank of Nova Scotia	0.6%	A / A / AA
Bayerische Motoren Werke AG	0.5%	A / A / NR
BlackRock Inc	0.3%	AA / Aa / NR
BP PLC	0.2%	A / A / A
Brighthouse Financial Global Funding	0.5%	A / A / NR
Bristol-Myers Squibb Co	0.1%	A / A / NR

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>30.1%</b>	
Canadian Imperial Bank of Commerce	1.0%	A / A / AA
Caterpillar Inc	0.4%	A / A / A
Cisco Systems Inc	0.6%	AA / A / NR
Citigroup Inc	0.4%	A / Aa / A
Comcast Corp	0.1%	A / A / NR
Commonwealth Bank of Australia	0.4%	AA / Aa / AA
Confederation Nationale du Credit Mutue	0.7%	A / Aa / AA
Credit Agricole Group	0.7%	A / Aa / AA
Dai-ichi Life Holdings Inc	1.2%	AA / A / AA
Diageo PLC	0.4%	A / A / NR
Eli Lilly & Co	0.5%	A / A / NR
Exxon Mobil Corp	0.7%	AA / Aa / NR
Groupe BPCE	0.4%	A / A / A
Home Depot Inc	0.2%	A / A / A
Honda Motor Co Ltd	0.5%	A / A / NR
Hormel Foods Corp	0.2%	A / A / NR
JPMorgan Chase & Co	0.9%	A / Aa / AA
Macquarie Group Ltd	0.4%	A / Aa / A
Massachusetts Mutual Life Insurance Co	0.9%	AA / Aa / AA
Mastercard Inc	0.2%	A / Aa / NR
Mercedes-Benz Group AG	0.5%	A / A / NR
MetLife Inc	0.4%	AA / Aa / AA
Mitsubishi UFJ Financial Group Inc	0.2%	A / A / A
Morgan Stanley	0.6%	A / A / A
National Australia Bank Ltd	0.8%	AA / Aa / AA
National Rural Utilities Cooperative Fi	0.4%	A / 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. Includes accrued interest and excludes balances invested in overnight funds.

# Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>30.1%</b>	
New York Life Insurance Co	0.4%	AA / Aaa / AAA
Nordea Bank Abp	0.3%	AA / Aa / AA
Northwestern Mutual Life Insurance Co	0.8%	AA / Aaa / AAA
Pacific Mutual Holding Co	0.1%	AA / Aa / AA
PepsiCo Inc	0.5%	A / A / NR
PNC Financial Services Group Inc	0.1%	A / A / A
Pricoa Global Funding I	0.4%	AA / Aa / AA
Principal Financial Group Inc	0.2%	A / A / NR
Roche Holding AG	0.5%	AA / Aa / AA
Royal Bank of Canada	0.7%	A / A / AA
State Street Corp	0.6%	A / Aa / AA
Sumitomo Mitsui Financial Group Inc	0.6%	A / A / NR
Sumitomo Mitsui Trust Holdings Inc	0.5%	A / A / NR
Svenska Handelsbanken AB	0.7%	AA / Aa / AA
Swedbank AB	0.9%	A / Aa / AA
Texas Instruments Inc	0.4%	A / Aa / NR
Toronto-Dominion Bank	0.8%	A / A / AA
Truist Financial Corp	0.4%	A / Baa / A
United Services Automobile Association	0.4%	AA / Aa / NR
UnitedHealth Group Inc	0.1%	A / A / A
Wells Fargo & Co	1.3%	A / Aa / AA
Westpac Banking Corp	0.2%	AA / A / NR
<b>ABS</b>	<b>18.7%</b>	
Ally Auto Receivables Trust	0.8%	AAA / Aaa / AAA
BA Credit Card Trust	0.2%	NR / Aaa / AAA
Bank of America Corp	0.9%	NR / Aaa / AAA

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>ABS</b>	<b>18.7%</b>	
BMW Vehicle Lease Trust	0.6%	AAA / Aaa / AAA
Capital One Financial Corp	0.7%	AAA / Aaa / AAA
CarMax Inc	1.0%	AAA / Aaa / AAA
Chase Auto Owner Trust	0.6%	AAA / Aaa / AAA
CNH Equipment Trust	1.0%	AAA / Aaa / AAA
Daimler Trucks Retail Trust	0.4%	NR / Aaa / AAA
Discover Card Execution Note Trust	0.9%	AAA / Aaa / AAA
Fifth Third Auto Trust	0.7%	AAA / Aaa / NR
Ford Credit Auto Owner Trust	0.2%	AAA / NR / AAA
GM Financial Consumer Automobile Receiv	1.4%	AAA / Aaa / AAA
Harley-Davidson Inc	0.5%	AAA / Aaa / AAA
Honda Auto Receivables Owner Trust	0.2%	AAA / Aaa / NR
Hyundai Auto Receivables Trust	0.6%	AAA / NR / AAA
John Deere Owner Trust	1.6%	NR / Aaa / AAA
JPMorgan Chase & Co	0.8%	AAA / NR / AAA
Kubota Credit Owner Trust	1.6%	NR / Aaa / AAA
Mercedes-Benz Auto Receivables Trust	0.7%	AAA / Aaa / AAA
Nissan Auto Receivables Owner Trust	0.8%	AAA / Aaa / AAA
Porsche Financial Auto Securitization T	0.4%	AAA / Aaa / AAA
Toyota Auto Receivables Owner Trust	0.4%	AAA / Aaa / AAA
USAA Auto Owner Trust	0.2%	AAA / Aaa / NR
Volkswagen Auto Loan Enhanced Trust	0.2%	AAA / Aaa / AAA
World Omni Auto Trust	1.2%	AAA / NR / AAA
<b>Total</b>	<b>100.0%</b>	

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. Includes accrued interest and excludes balances invested in overnight funds.

# **PFMAM-Managed Pooled Operating Fund**

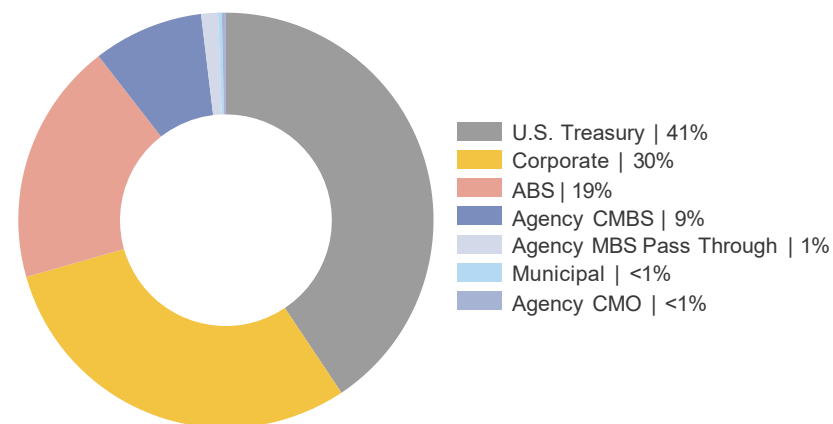


# Portfolio Snapshot

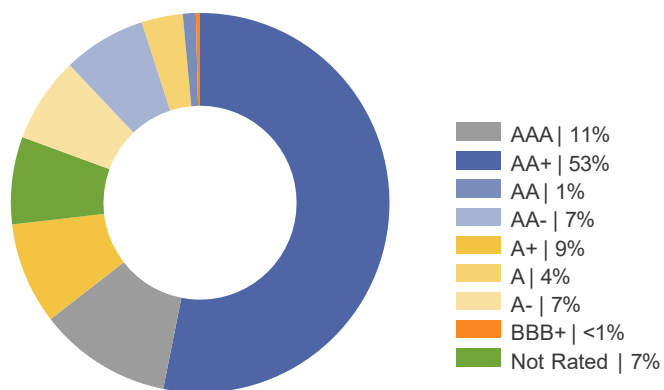
## Portfolio Statistics

<b>Total Market Value</b>	\$142,923,265.18
Securities Sub-Total	\$141,697,179.90
Accrued Interest	\$1,199,840.80
Cash	\$26,244.48
<b>Portfolio Effective Duration</b>	1.73 years
<b>Benchmark Effective Duration</b>	1.76 years
<b>Yield At Cost</b>	4.51%
<b>Yield At Market</b>	3.97%
<b>Portfolio Credit Quality</b>	AA

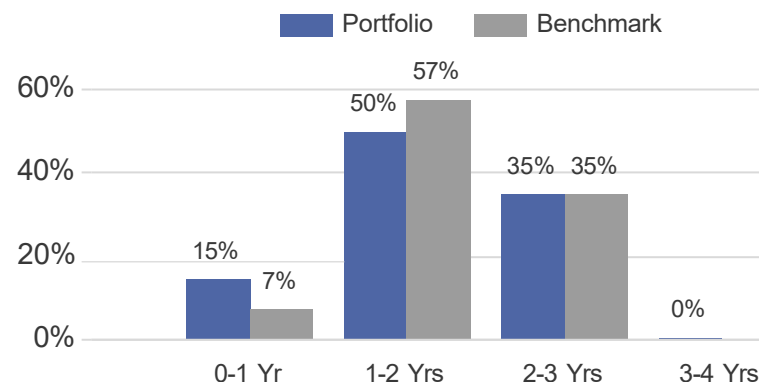
## Sector Allocation



## Credit Quality - S&P

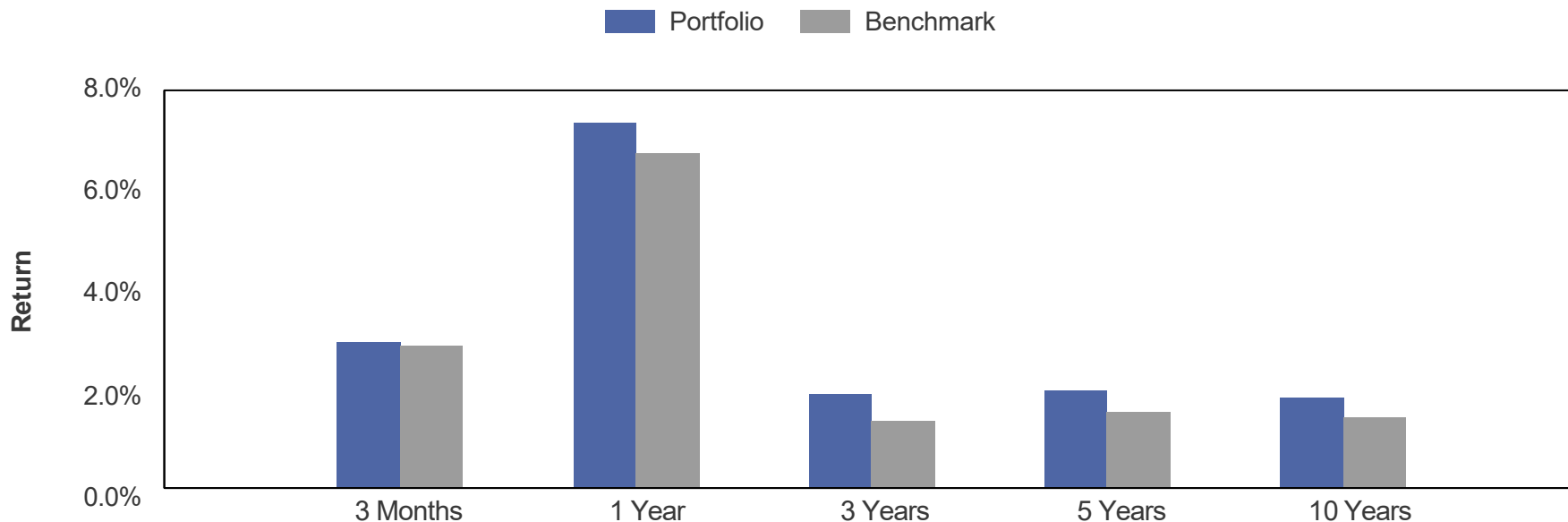


## Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 1-3 Year U.S. Treasury Index. Source: Bloomberg Financial LP.  
An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

# Portfolio Performance



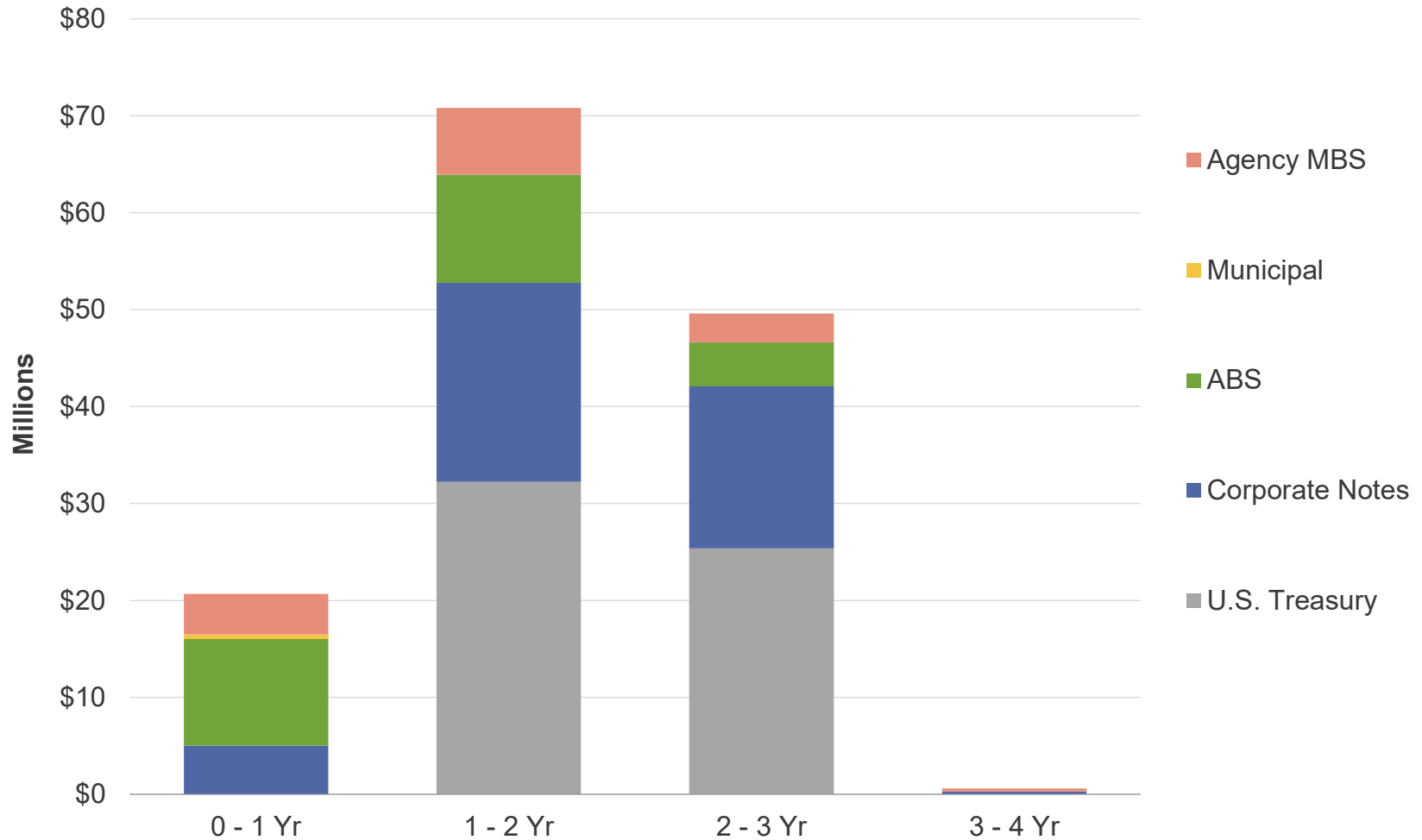
Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	10 Years
Interest Earned <sup>2</sup>	\$1,508,048	\$5,481,514	\$9,878,773	\$14,516,569	\$25,015,245
Change in Market Value	\$2,548,698	\$4,325,870	(\$2,166,734)	(\$1,347,024)	(\$941,801)
<b>Total Dollar Return</b>	<b>\$4,056,746</b>	<b>\$9,807,384</b>	<b>\$7,712,039</b>	<b>\$13,169,545</b>	<b>\$24,073,444</b>

**Total Return<sup>3</sup>**

1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 1-3 Year U.S. Treasury Index. Source: Bloomberg Financial LP.  
An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

# Duration by Sector

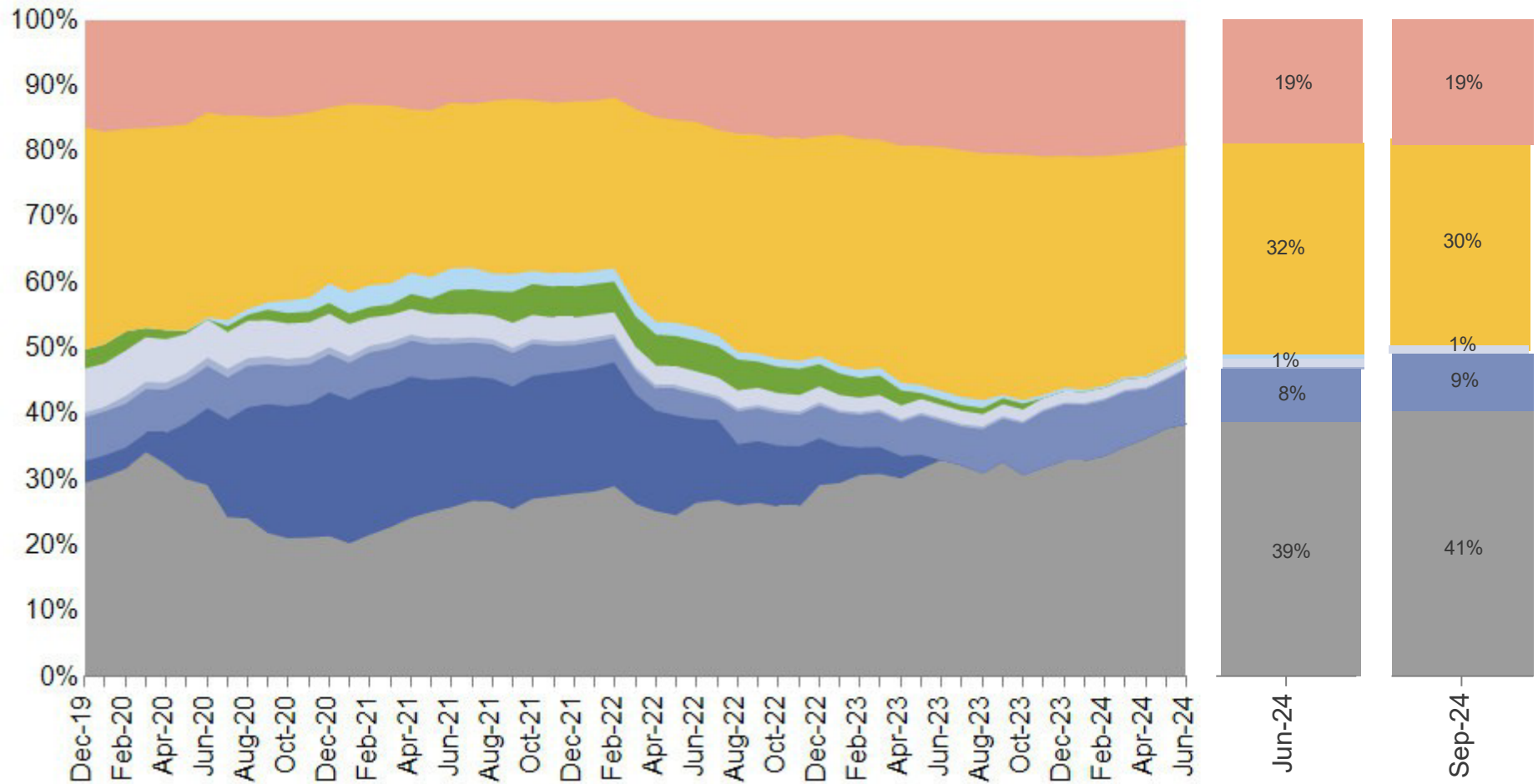
Pooled Operating Fund



As of September 30, 2024.

# Historical Sector Allocation

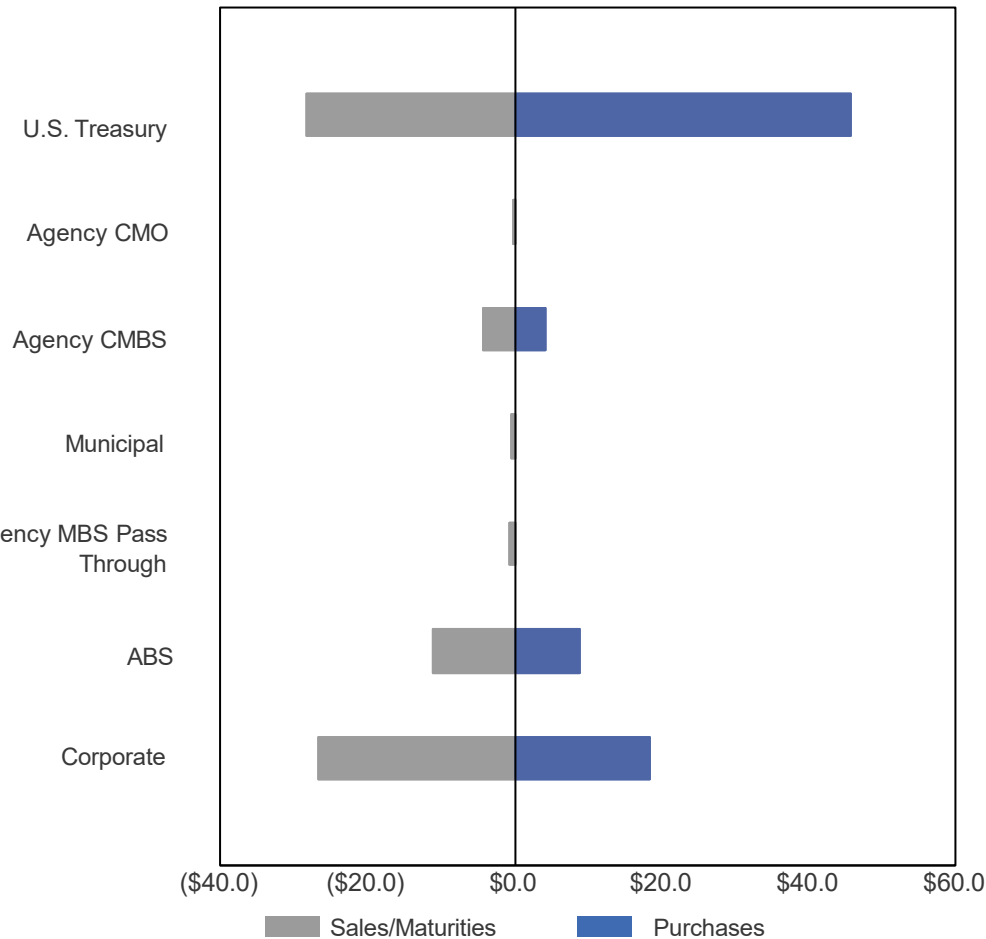
U.S. Treasury    Federal Agency    Agency CMBS    Agency MBS Pass Through    Agency CMO    Supranational    Municipal    Corporate    ABS



Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM.

# Portfolio Activity (12-months)

**Net Activity by Sector**  
(\$ millions)



Sector	Net Activity
U.S. Treasury	\$17,623,547
Agency CMO	(\$132,722)
Agency CMBS	(\$136,386)
Municipal	(\$399,922)
Agency MBS Pass Through	(\$708,459)
ABS	(\$2,287,999)
Corporate	(\$8,288,089)
<b>Total Net Activity</b>	<b>\$5,669,971</b>

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

# Disclaimer

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