

County of Monterey Treasurer-Tax Collector

Portfolio and Investment Update

Transportation Agency of Monterey County
September 25, 2024

Jake Stroud – Assistant Treasurer-Tax Collector



Market and Economic Update





▶ US Economy

- ▶ Moderating economic growth
- ▶ Inflation resuming path towards the 2% target
- ▶ Unemployment ticked up slightly while job market remains strong
- ▶ Resilient consumer spending supported by wage growth



▶ Federal Reserve

- ▶ Rate cut expectations down from 3 to 1 for 2024
 - Market continues expecting 1 to 2
- ▶ Better balance to “dual mandate” of stable inflation and maximum employment



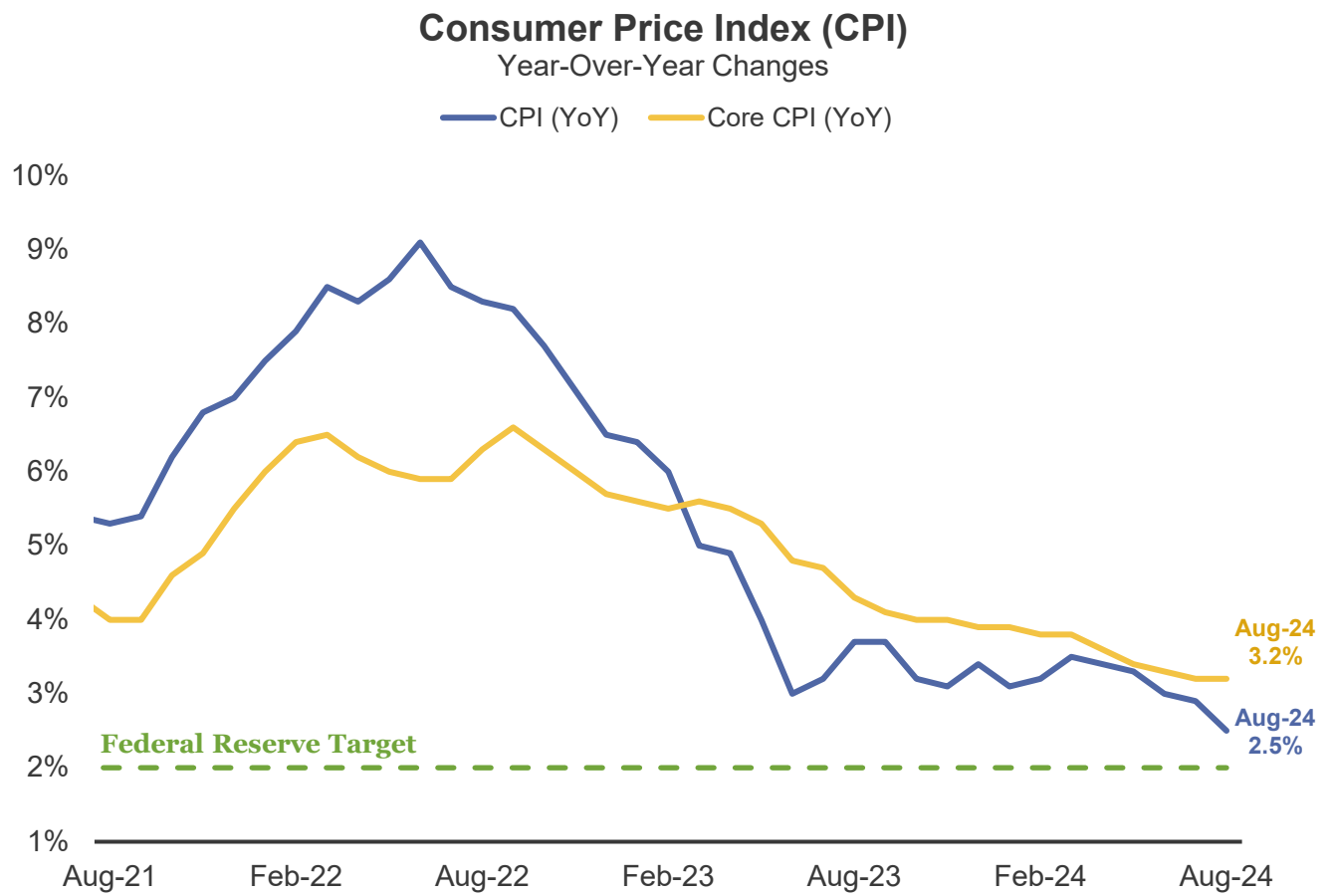
▶ Bond Market

- ▶ Treasury yields increase in response to economic data
 - Yields on maturities between 2 and 10 years rose 13-20 basis points
- ▶ Spreads across most sectors remain near multi-year tights

Inflation Maintains Trend to Fed's 2% Target

The Consumer Price Index (“CPI”), commonly referred to as the “headline inflation number”, measures the change in the cost of a representative basket of goods paid by consumers.

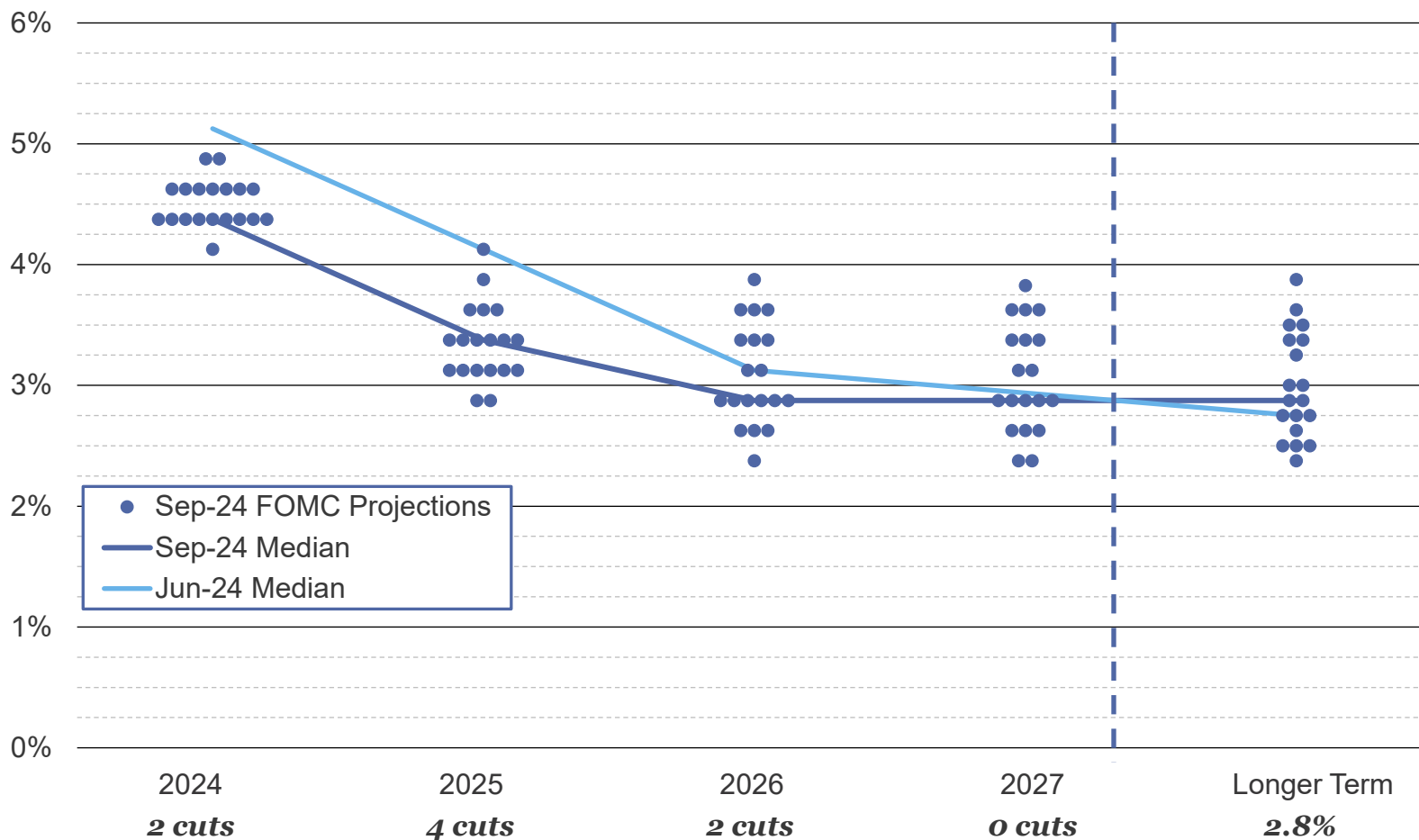
Core CPI strips out volatile food and energy components.



Source: Bureau of Labor Statistics, Federal Reserve, and Bloomberg Finance L.P., as of August 2024.

The Latest Fed “Dot Plot”

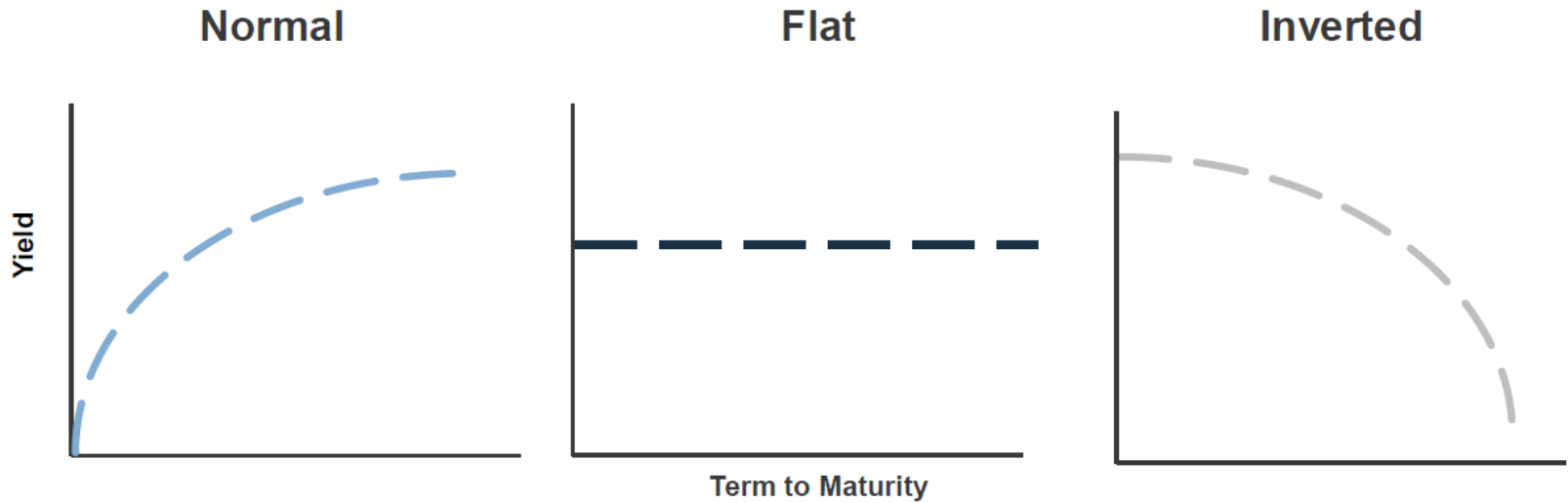
Fed Participants’ Assessments of ‘Appropriate’ Monetary Policy



Source: Federal Reserve and 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.

Yield Curves

- ▶ Shows the relationship between yield and maturity.
- ▶ Rates at the short end of the curve (under 1 year) are directly correlated to the **federal funds rate** established by the Federal Open Market Committee.
- ▶ The longer end of the curve typically reflects **investor expectations**.
- ▶ There are several types of curves:

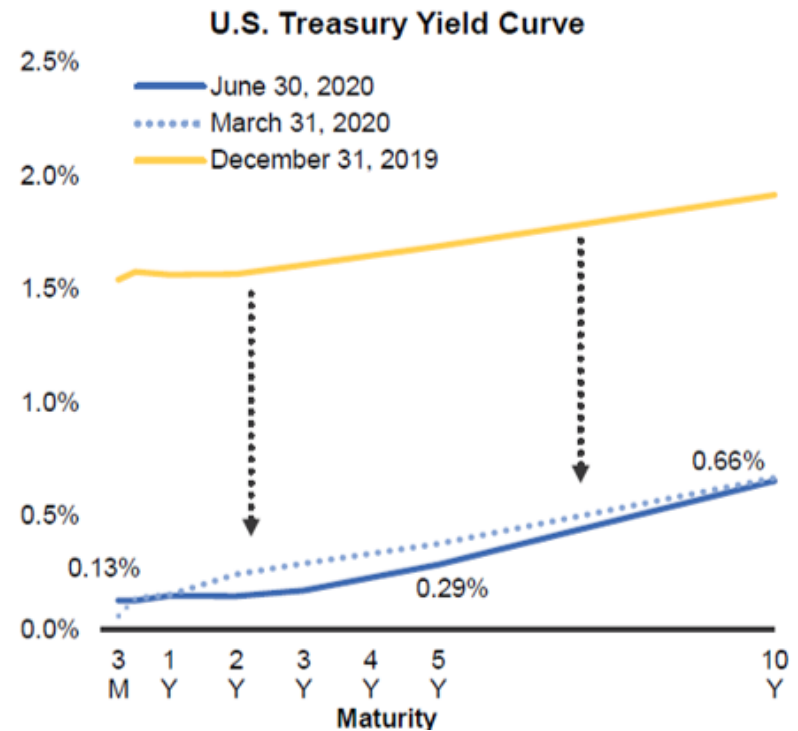


For illustrative purposes only.

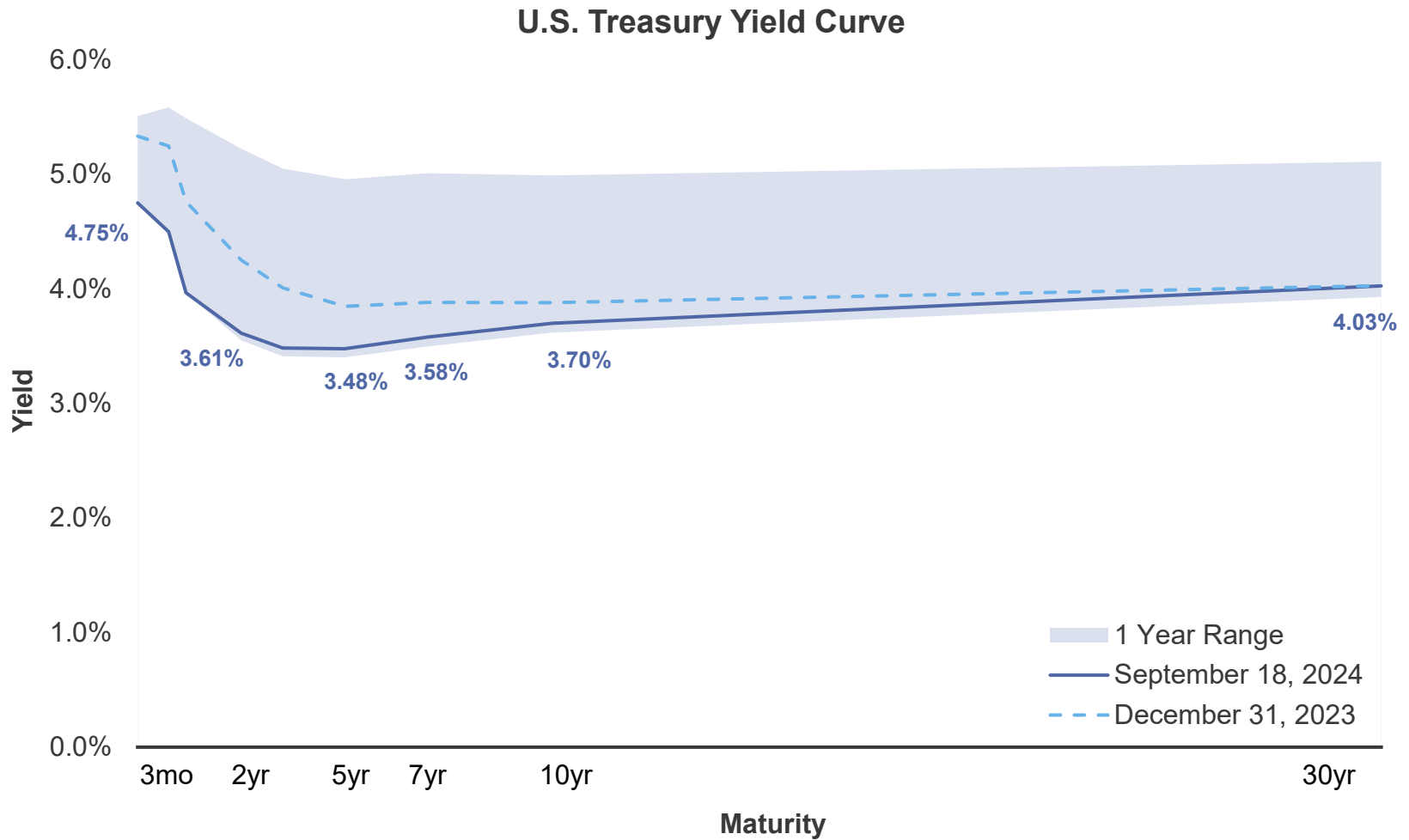
Historical Yield Curve

- ▶ Previous example of positively sloping yield curve

	6/30/20	3/31/20	Change
3 month	0.13%	0.09%	+0.04%
1 year	0.15%	0.15%	0.0%
2 year	0.15%	0.25%	-0.10%
3 year	0.18%	0.29%	-0.11%
5 year	0.29%	0.38%	-0.09%
10 year	0.66%	0.67%	-0.01%
30 year	1.41%	1.32%	+0.09%



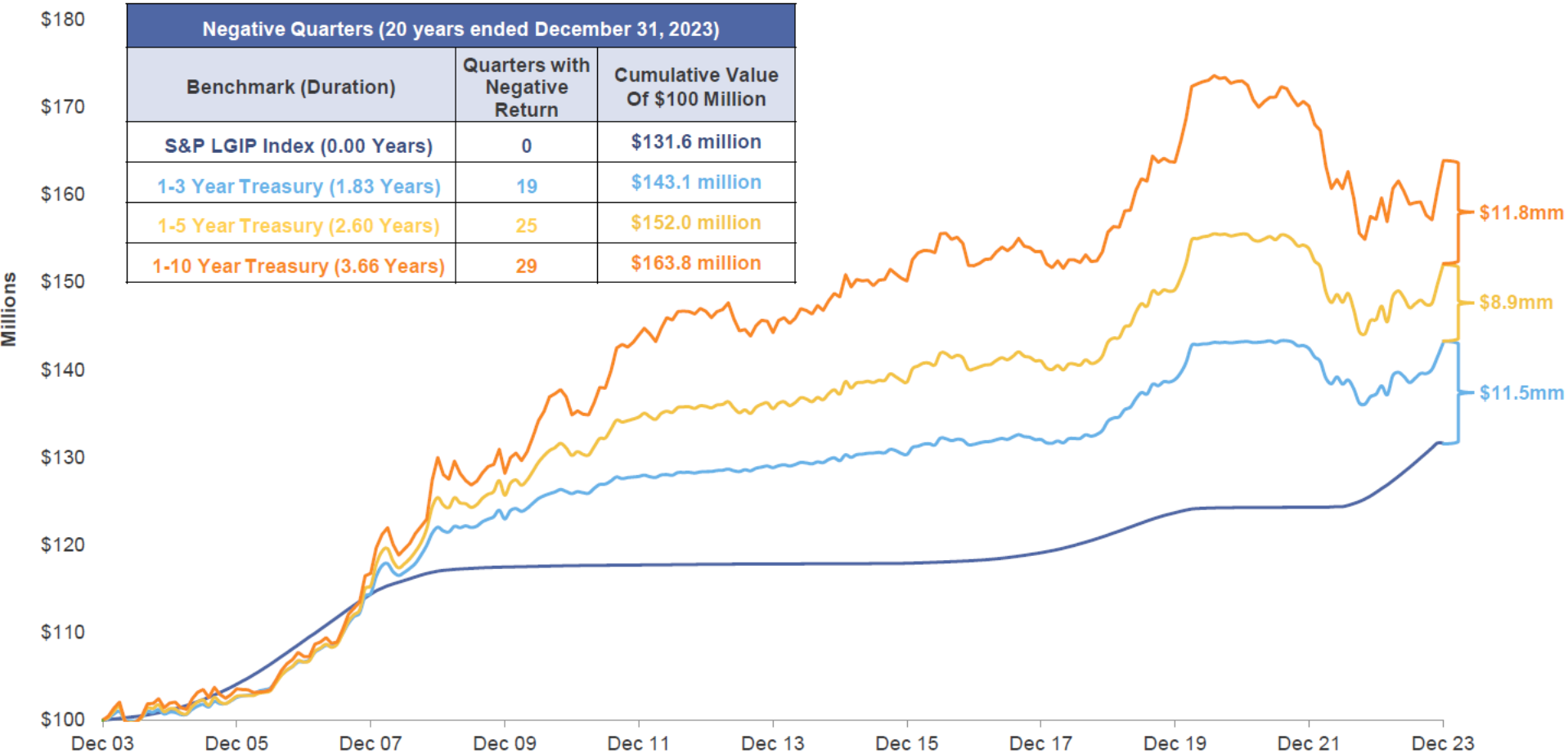
Treasury Yields Near the Bottom of Their One-Year Range



Source: Bloomberg Finance L.P., as of September 18, 2024.

Historical Benefit of Increased Duration

Growth of \$100,000,000 Invested 20 Years Prior



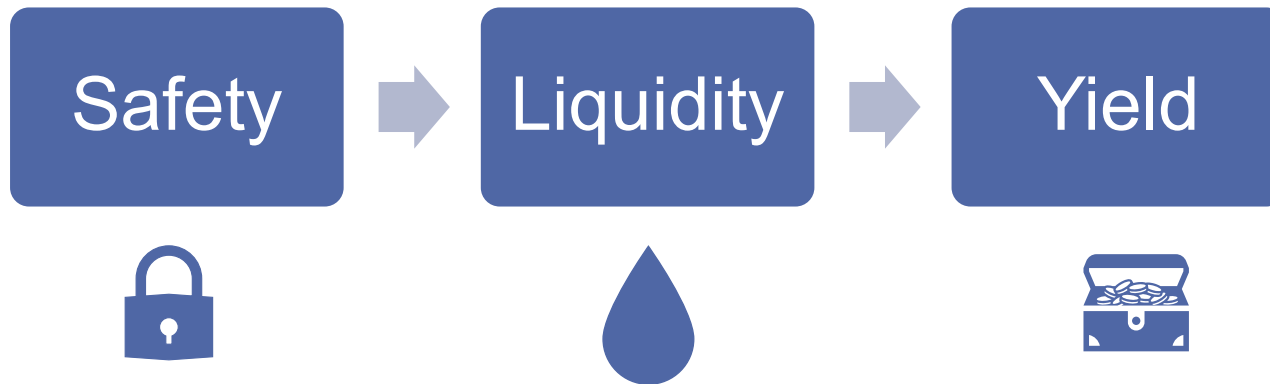
Source: Bloomberg; as of 12/31/2023.

County of Monterey Portfolio Review



Safety, Liquidity, Yield

- ▶ California Code, Government Code - GOV § 53600.5
 - ▶ When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.

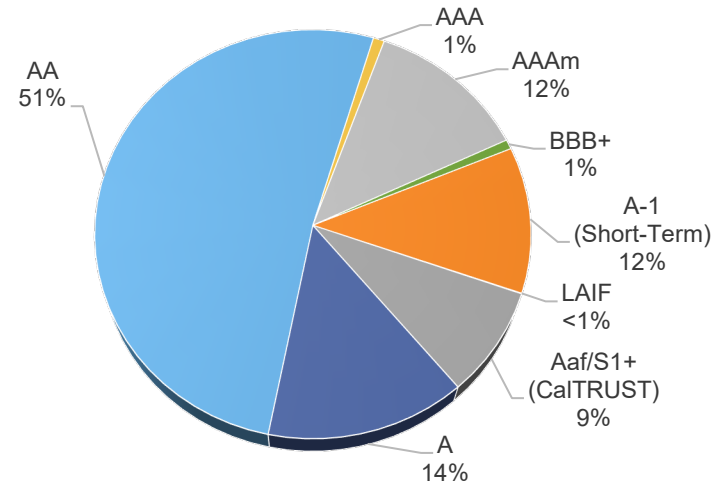


Summary Page

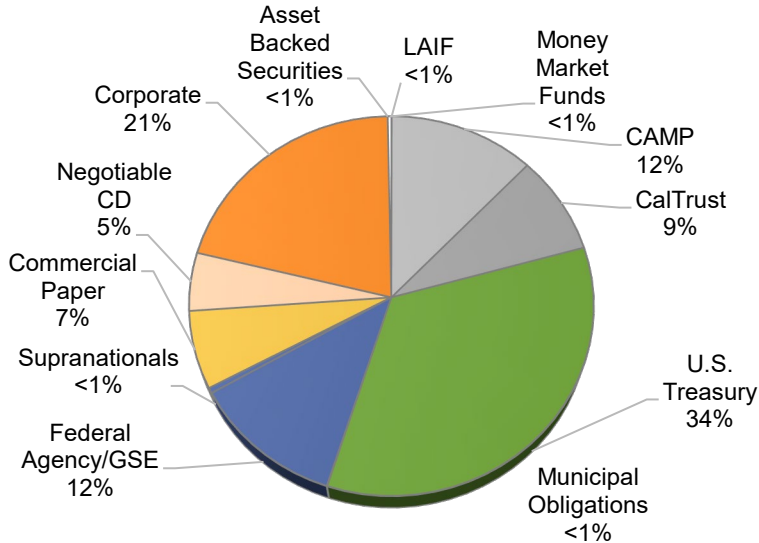
Portfolio Statistics

Market Value	\$3,336,530,534
Book Value	\$3,357,906,886
Weighted Average Maturity	408 Days
Yield to Maturity	4.13%

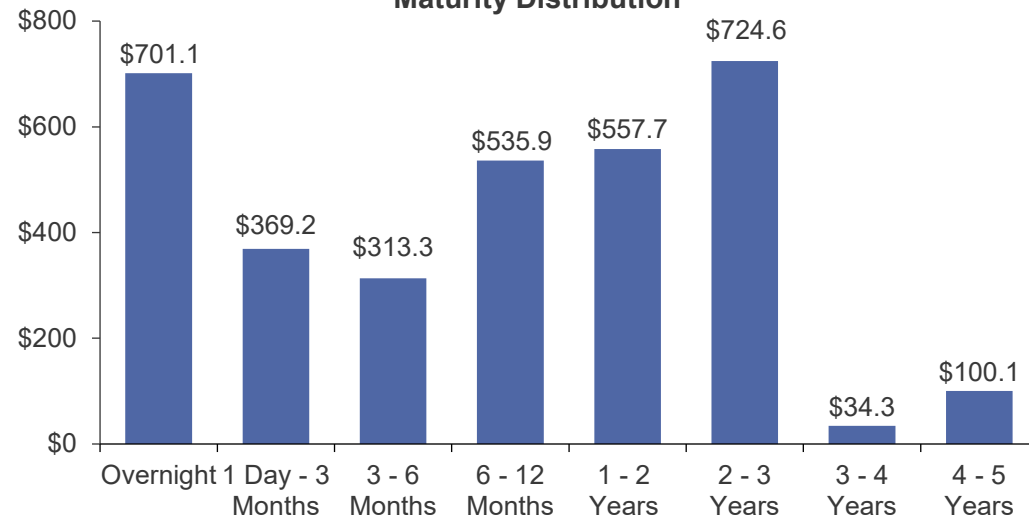
Credit Quality



Sector Distribution



Maturity Distribution



As of 6/30/24. Data includes Monterey County's Securities Portfolio, the Monterey Education Risk Management Authority Portfolio, and overnight funds. Market values for PFMAM-managed funds are provided by PFMAM and may differ from the market values provided by the County's custodian, U.S. Bank, due to various reasons including the source of market prices and the timing of trade activity. Values for CAMP, CalTrust, LAIF, and money market funds provided by the County. Portfolio yield to maturity provided by the County. Detail may not add to total due to rounding.

Portfolio Sector Allocation

Sector	Market Value	Sector Limit	Current Allocation
LAIF	\$1,000,930	\$75 million	0.0%
CAMP	\$406,000,001	20%	12.2%
CalTrust	\$284,012,369	20%	8.5%
U.S. Treasury	\$1,141,297,577	100%	34.2%
Municipal Obligations	\$805,031	100%	0.0%
Federal Agency/GSE	\$395,148,316	100%	11.8%
Supranationals	\$15,164,991	30%	0.5%
Commercial Paper	\$220,871,690	40%	6.6%
Negotiable CD	\$165,290,267	30%	5.0%
Corporate	\$696,473,992	30%	20.9%
Asset Backed Securities	\$191,657	20%	0.0%
Money Market Funds	\$9,994,735	20%	0.3%

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Portfolio Issuer Distribution

Issuer	Total	Current Issuer Allocation	Issuer	Total	Current Issuer Allocation
U.S. Treasury	\$1,141,297,577	34.2%	Goldman Sachs	\$19,785,811	0.6%
FHLB	\$264,271,722	7.9%	Hershey Company	\$9,747,561	0.3%
FNMA	\$16,115,621	0.5%	Home Depot Inc	\$19,533,270	0.6%
FHLMC	\$90,269,937	2.7%	Honeywell International Inc.	\$16,885,719	0.5%
FFCB	\$24,491,035	0.7%	Hormel Foods	\$9,940,690	0.3%
3M	\$126,998	< 0.1%	IBM Corp	\$179,844	< 0.1%
Adobe Inc	\$10,193,533	0.3%	ING U.S.	\$24,445,500	0.7%
Alphabet Inc	\$9,416,960	0.3%	Intel	\$9,803,664	0.3%
Amazon.com, Inc.	\$33,874,924	1.0%	Inter-American Development Bank	\$262,011	< 0.1%
American Express	\$192,955	< 0.1%	Int'l Bank of Reconstruction and Dev.	\$14,902,980	0.4%
American Honda Finance	\$8,640,269	0.3%	JP Morgan Chase	\$14,698,747	0.4%
Apple	\$28,194,604	0.8%	Lockheed Martin Corp	\$56,600	< 0.1%
Astrazeneca PLC	\$10,098,700	0.3%	Los Angeles Unified School District	\$74,827	< 0.1%
Automatic Data Processing	\$9,783,700	0.3%	Mastercard Inc	\$9,749,546	0.3%
Bank of America Corp	\$10,300,763	0.3%	Merck	\$14,687,634	0.4%
Bank of Montreal Chicago	\$24,992,222	0.7%	Metlife Short Term Funding LLC	\$34,868,191	1.0%
Bank of New York Mellon Corp	\$23,481,986	0.7%	Microsoft Corp Notes	\$13,123,796	0.4%
Bank of Tokyo Mitsubishi	\$35,376,426	1.1%	Morgan Stanley	\$4,924,965	0.1%
Blackrock	\$9,904,380	0.3%	National Rural UTIL Coop	\$39,106	< 0.1%
BMW US Capital LLC	\$19,939,980	0.6%	Natixis NY	\$39,267,845	1.2%
BNP Paribas NY	\$47,707,075	1.4%	Nestle SA	\$192,943	< 0.1%
Bristol-Myers Squibb Co	\$24,148,155	0.7%	New Jersey Turnpike Authority	\$53,767	< 0.1%
Capital One Financial Corp	\$191,657	< 0.1%	New York State Urban Dev Corporation	\$261,517	< 0.1%
Caterpillar Inc	\$20,081,140	0.6%	Nike Inc	\$14,678,310	0.4%
Charles Schwab	\$9,252,990	0.3%	Northern Trust Corp	\$10,745,152	0.3%
Cisco Systems	\$29,793,433	0.9%	Novartis Capital Corp	\$122,187	< 0.1%
Citigroup	\$35,170,690	1.1%	Paccar Financial Corp	\$12,032,493	0.4%
Coca-Cola	\$14,096,380	0.4%	PepsiCo	\$11,824,324	0.4%
Colgate-Palmolive Co	\$173,480	< 0.1%	Pfizer	\$5,850,649	0.2%
Commonwealth Bank of Australia	\$12,005,621	0.4%	PNC Bank	\$14,012,103	0.4%
Credit Agricole CIB NY	\$39,382,630	1.2%	Rabobank Nederland NY	\$25,409,679	0.8%
Deere and Company	\$28,787,014	0.9%	Royal Bank of Canada NY	\$25,001,254	0.7%
Emerson Electric Co	\$78,411	< 0.1%	San Juan USD	\$112,295	< 0.1%
General Dynamics Corporation	\$14,210,170	0.4%			

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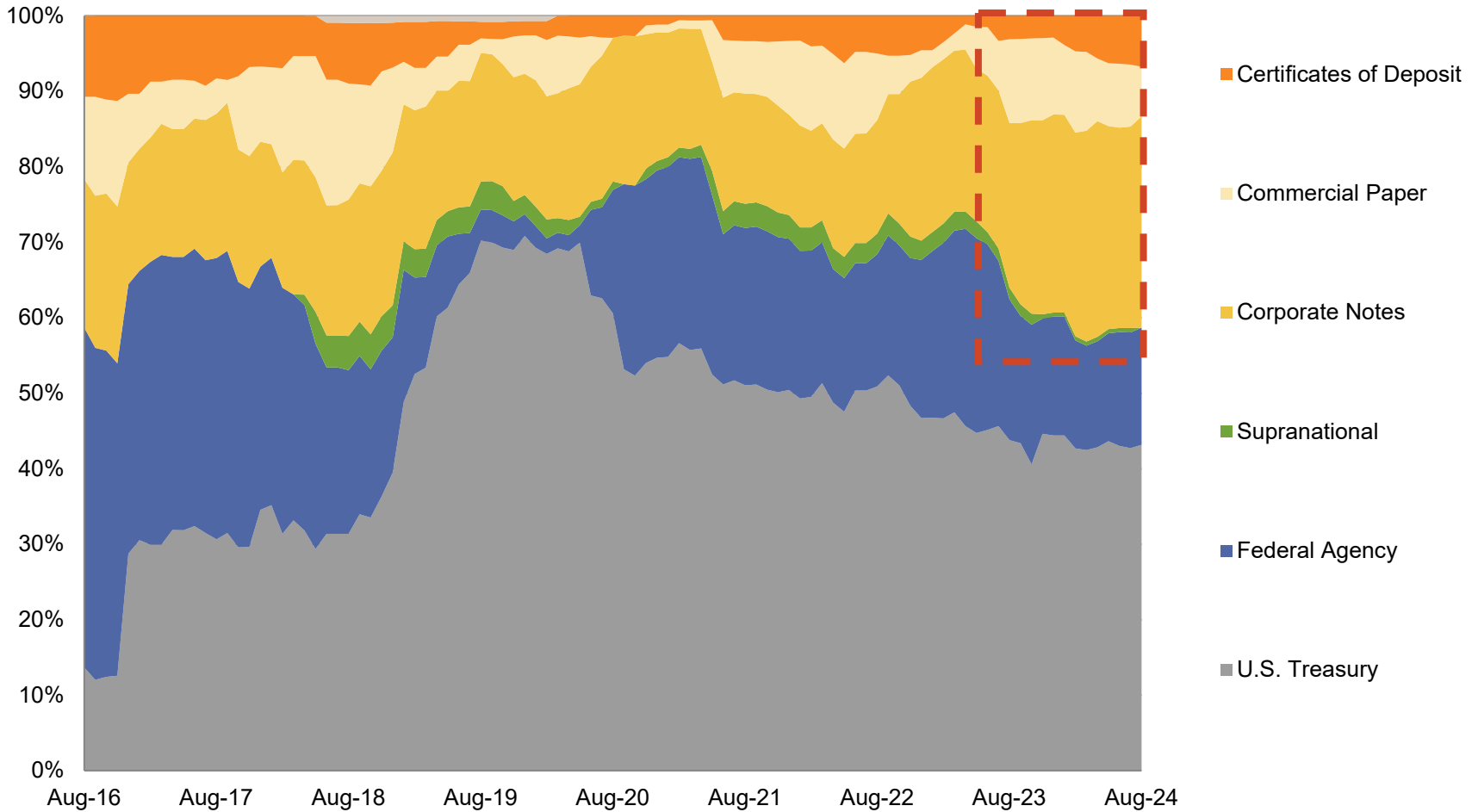
Portfolio Issuer Distribution Continued

Issuer	Total	Current Issuer Allocation
State of Maryland	\$109,553	< 0.1%
State of Wisconsin	\$140,000	< 0.1%
State Street	\$33,807,006	1.0%
Target Corp	\$14,278,772	0.4%
Texas Instruments Inc.	\$9,927,140	0.3%
Toronto Dominion Bank NY	\$39,947,198	1.2%
Toyota Motor Credit	\$19,947,149	0.6%
Truist Financial Corp	\$83,655	< 0.1%
UnitedHealth Group Inc	\$19,295,630	0.6%
University of California	\$53,071	< 0.1%
US Bank NA	\$5,180,640	0.2%
Visa Inc	\$9,723,990	0.3%
Walmart Stores	\$25,417,964	0.8%
Walt Disney Company	\$238,446	< 0.1%
Wells Fargo	\$8,803,749	0.3%
West Pharmaceutical Services Inc	\$24,971,437	0.7%
Dreyfus	\$9,754,173	0.3%
CAMP	\$406,000,000	12.2%
LAIF	\$1,000,930	< 0.1%
CalTrust	\$284,012,369	8.5%
Morgan Stanley	\$240,563	< 0.1%

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Securities Portfolio Historical Sector Allocation

- ▶ Portfolio purchases in spread sectors over the past year has positioned the portfolio for strong income generation moving forward.



Portfolio data as of August 31, 2024.

Portfolio Characteristics and Earnings

- ▶ Total gross earnings for Monterey County's Securities Portfolio and the Monterey Education Risk Management Authority (MERMA) Portfolio for the quarter ended June 30, 2024, was \$34,986,456.

MONTEREY COUNTY	Duration (days)	Assets	Market Value	Yield	Earnings
June 30, 2024	408	\$3,397,732,035	\$3,336,530,534	4.13%	\$34,986,456
March 31, 2024	392	\$3,260,434,400	\$3,195,541,575	3.83%	\$29,954,216
December 31, 2023	398	\$3,275,888,842	\$3,210,378,916	3.54%	\$26,882,589
September 30, 2023	362	\$2,961,795,633	\$2,870,992,187	3.10%	\$22,568,162

Gross earnings for the last four quarters:
\$114,391,423

Certificate of Compliance

During the reporting period for the period ended June 30, 2024, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*



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