

City of Peoria

Quarterly Investment Report

March 31, 2023

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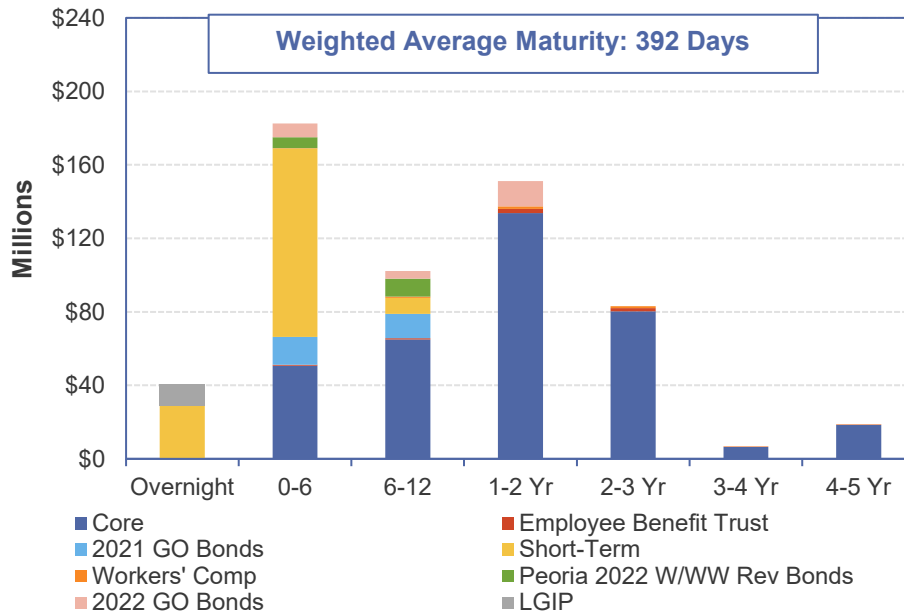
PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

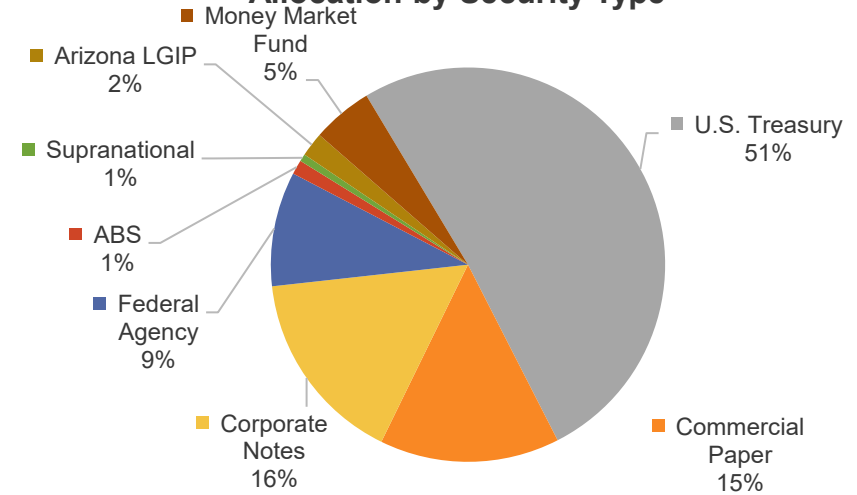
Executive Summary^{1,2,3}

Account Summary	Ending Values as of 12/31/22	Ending Values as of 3/31/23
Market Value	\$541,462,782	\$574,242,245
Book Value	\$556,335,827	\$584,901,630
Unrealized Gain/(Loss)	(\$14,873,045)	(\$10,659,385)
Weighted Avg. YTM	4.67%	4.62%
Weighted Avg. YTC	1.83%	2.19%

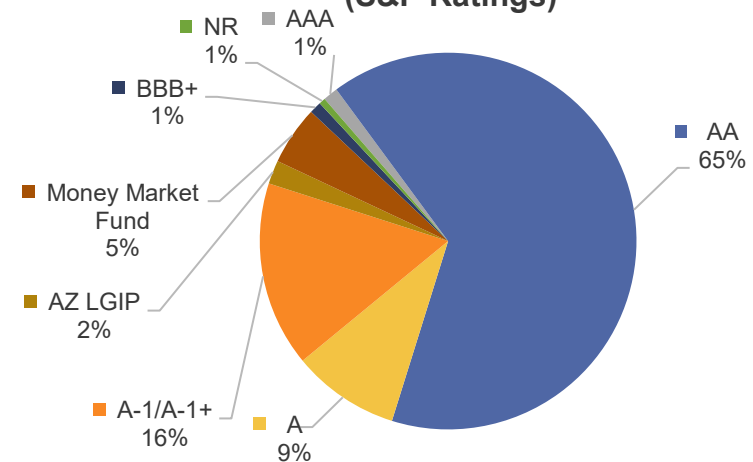
Maturity Distribution



Allocation by Security Type



Credit Quality (S&P Ratings)



1. These balances include \$11,641,482 invested with the State Local Government Investment Pool 7 as of 3/31/2023.
2. Weighted average maturity includes all liquid and LGIP balances and uses book values for weighting.
3. Bank Notes are included with Corporate Note figures, and Discount Notes are included with Federal Agency figures.

Security Type and Issuer Distribution^{1,2,3}

Security Type	Book Value	% of Portfolio	Policy Limit
U.S. Treasury	\$298,868,949	51%	80%
Federal Agency	\$54,973,450	9%	80%
Corporate Note	\$93,638,177	16%	35%
Commercial Paper	\$86,282,234	15%	35%
Supranationals	\$3,547,441	1%	80%
ABS	\$6,909,260	1%	10%
AZ LGIP	\$11,641,482	2%	35%
Money Market Fund	\$29,040,638	5%	35%
Total Book Value	\$584,901,630	100%	

Accrual Basis Earnings	1/1/23 through 3/31/23
Estimated Earnings	\$2,784,231
Total Estimated Earnings	\$2,784,231

Other Investment Policy Requirements
Policy Limit - At least 20% of portfolio to mature in less than one year.
Current portfolio maturing is less than one year = 56%

Maturity	Book Value	% of Portfolio	Policy Limit
Overnight	\$40,682,120	7%	No Limit
0-6 Months	\$182,604,443	31%	No Limit
6-12 Months	\$102,183,594	17%	No Limit
1-2 Years	\$151,169,298	26%	No Limit
2-3 Years	\$83,114,964	14%	No Limit
3-4 Years	\$6,488,427	1%	No Limit
4-5 Years	\$18,658,784	3%	No Limit
Total Book Value	\$584,901,630	100%	

1. These balances include \$11,641,482 invested with the State Local Government Investment Pool 7 as of 3/31/2023.
2. Weighted average maturity includes all liquid and LGIP balances.
3. Investment policy dated November 2022.

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
United States Treasury	\$298,868,949	50%	80%
FHLMC	\$33,139,513	6%	40%
Money Market Fund	\$29,040,638	5%	35%
FNMA	\$20,736,564	4%	40%
JPMorgan Chase & Co	\$19,163,522	3%	10%
Mitsubishi Ufj Financial Group Inc	\$16,922,013	3%	10%
Credit Agricole SA	\$16,323,631	3%	10%
Royal Bank Of Canada	\$14,223,127	1%	10%
Natixis NY Branch	\$11,887,422	2%	10%
AZ LGIP	\$11,641,482	2%	35%
BNP Paribas	\$9,995,306	2%	10%
Toronto-Dominion Bank	\$8,222,109	0%	10%
Toyota Motor Corp	\$7,788,940	1%	10%
Roche Holdings	\$5,490,825	1%	5%
National Australia Bank Ltd	\$4,438,142	1%	5%
Bank Of Montreal	\$4,393,594	1%	5%
Bank Of America Co	\$4,210,497	1%	5%
Westpac Banking Corp	\$3,997,056	1%	5%
The Bank Of New York Mellon Corporation	\$3,869,408	1%	5%
Rabobank Nederland	\$3,851,332	1%	5%
Asian Development Bank	\$3,547,441	1%	80%
Metlife Inc	\$3,489,374	1%	5%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
Goldman Sachs Group Inc	\$2,685,556	<1%	5%
Linde Inc.	\$2,422,661	<1%	5%
Nestle	\$2,220,194	<1%	5%
Apple Inc	\$2,150,862	<1%	5%
Exxon Mobil Corp	\$1,983,284	<1%	5%
Amazon.Com Inc	\$1,844,999	<1%	5%
Wells Fargo & Company	\$1,810,838	<1%	5%
ANZ Banking Group Ltd	\$1,745,874	<1%	5%
Swedbank AB	\$1,695,500	<1%	5%
Gm Financial Securitized Term	\$1,689,798	<1%	10%
Nordea Bank Ab	\$1,679,293	<1%	5%
Svenska Handelsbanken AB	\$1,654,408	<1%	5%
UBS AG	\$1,629,854	<1%	5%
Morgan Stanley	\$1,549,971	<1%	5%
Mastercard Inc	\$1,536,334	<1%	5%
Citigroup Inc	\$1,395,360	<1%	5%
Hershey Company	\$1,311,532	<1%	5%
Kubota Credit	\$1,264,802	<1%	10%
Harley-Davidson Motorcycle Trust	\$1,174,884	<1%	10%
Unitedhealth Group Inc	\$1,160,949	<1%	5%
Home Depot Inc	\$1,160,414	<1%	5%
Comcast Corp	\$1,136,203	<1%	5%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
IBM Corp	\$1,101,037	<1%	5%
FHLB	\$1,097,373	<1%	40%
USAA Capital Corp	\$1,077,491	<1%	5%
Deere & Company	\$1,027,400	<1%	5%
MassMutual Global	\$999,078	<1%	5%
Ford Credit Auto Owner Trust	\$934,903	<1%	10%
State Street Corporation	\$914,550	<1%	5%
Caterpillar Inc	\$896,217	<1%	5%
John Deere Owner Trust	\$704,874	<1%	10%
Skandinaviska Enskilda Banken Ab	\$678,331	<1%	5%
Thunder Bay Funding LLC	\$672,075	<1%	10%
ASB Bank Limited	\$663,518	<1%	5%
Protective Life Global	\$560,000	<1%	5%
Paccar Financial Corp	\$507,840	<1%	5%
PNC Financial Services Group	\$230,000	<1%	5%
Canadian Imperial Bank Of Commerce	\$188,848	<1%	5%
Bristol-Myers Squibb Co	\$185,623	<1%	5%
BB&T Corporation	\$184,237	<1%	5%
Pepsico Inc	\$64,964	<1%	5%
Intel Corporation	\$58,824	<1%	5%
National Rural Utilities Co Finance Corp	\$9,993	<1%	5%
Total Book Value	\$584,901,630	100.00%	

Current Market Themes

- ▶ Bond markets witnessed unprecedented levels of volatility in March stemming from the failures of Silicon Valley Bank and Signature Bank.
 - ▶ PFMAM put many financial issuers on hold following the fast-paced sentiment shift in the banking sector in a risk mitigation effort.
- ▶ U.S. Treasuries experienced a classic “flight-to-quality” in March which caused 2-Year U.S. Treasury yields to plummet by more than 100 basis points in the biggest 3-day slide since 1987. Yields across the curve followed suit and shifted lower.
- ▶ Further, a broad-based risk off sentiment gripped fixed income markets sending spreads in most non-Treasury sectors wider and pushing excess returns into negative territory.
- ▶ Portfolio durations remained positioned with a modest short bias relative to benchmarks as our overall view remained that yields may gravitate higher and be more representative of Fed rate policy projections.

Investment Strategy Outlook

- ▶ Inflation has shown itself to be more entrenched than previously thought as the Federal Reserve’s preferred price tracker inches lower but still remains far higher than the long-term average inflation target.
- ▶ Meanwhile, the broader outlook has grown less optimistic following the announcement of two large bank failures and the takeover of a third. The Fed has acknowledged the negative shock from issues in the banking sector but remain committed to fighting inflation as they near the end of this rate hike cycle.
- ▶ The Fed’s updated March Summary of Economic Projections were little changed from December, still projecting for the federal funds rate to end 2023 just above 5%. While the current rate is only a 25-basis point hike away from that target, market expectations based on fed funds futures point to no further rate hikes with a target rate of 4.25% by the end of the year, implying multiple cuts from here.
- ▶ Although the Fed has maintained that they will keep rates elevated for some time, the market appears to be pricing in a harder landing than expected.

The 2-Year Treasury Yield Curve Fell Slightly over the 1st Quarter

- ▶ The 2-year Treasury fell 40 basis points during the fourth quarter—a result of the bank failures towards the end of the quarter

**2-Year Treasury Yields
March 2021 – March 2023**



Source: Bloomberg, as of 3/31/2023.

Disclaimer

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