

City of Peoria

Quarterly Investment Report

June 30, 2023

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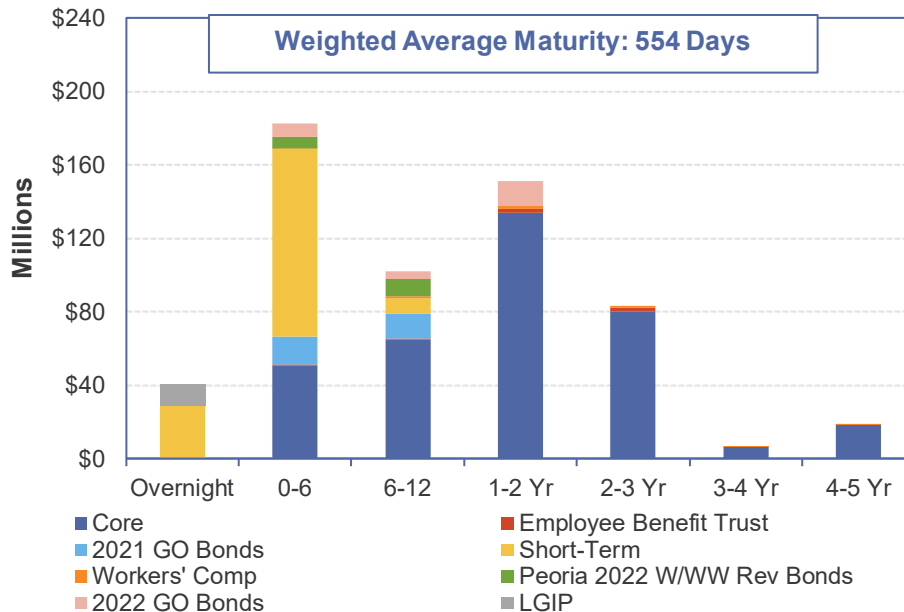
PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

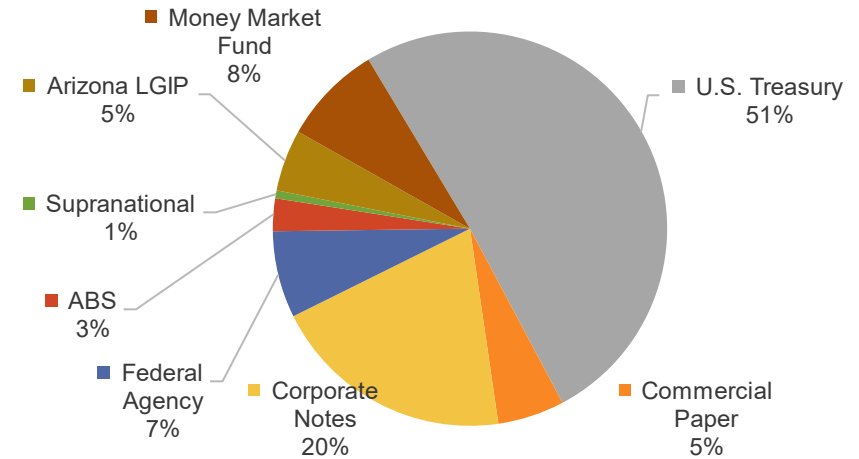
Executive Summary^{1,2,3}

Account Summary	Ending Values as of 3/31/23	Ending Values as of 6/30/23
Market Value	\$574,242,245	\$538,693,599
Book Value	\$584,901,630	\$551,021,263
Unrealized Gain/(Loss)	(\$10,659,385)	(\$10,537,620)
Weighted Avg. YTM	4.62%	5.10%
Weighted Avg. YTC	2.19%	2.54%

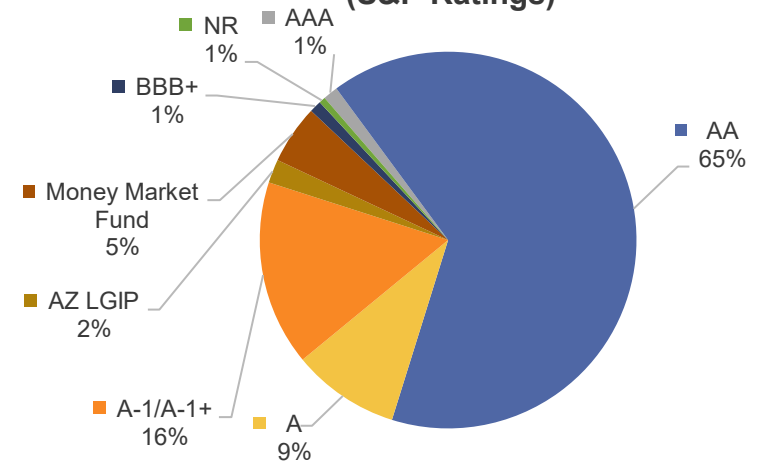
Maturity Distribution



Allocation by Security Type



Credit Quality (S&P Ratings)



1. These balances include \$27,911,543 invested with the State Local Government Investment Pool as of 6/30/2023.
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	\$280,088,716	51%	80%
Federal Agency	\$39,203,509	7%	80%
Corporate Note	\$110,079,443	20%	35%
Commercial Paper	\$30,179,591	5%	35%
Supranationals	\$3,580,701	1%	80%
ABS	\$14,756,613	3%	80%
AZ LGIP	\$27,911,543	5%	35%
Money Market Fund	\$45,221,147	8%	35%
Total Book Value	\$551,021,263	100%	

Accrual Basis Earnings	4/1/23 through 6/30/23
Estimated Earnings	\$3,294,841
Total Estimated Earnings	\$3,294,841

Other Investment Policy Requirements
Policy Limit - At least 20% of portfolio to mature in less than one year.
Current portfolio maturing in less than one year = 49%

Maturity	Book Value	% of Portfolio	Policy Limit
Overnight	\$73,132,691	13%	No Limit
0-6 Months	\$95,094,960	17%	No Limit
6-12 Months	\$97,380,955	18%	No Limit
1-2 Years	\$151,642,395	28%	No Limit
2-3 Years	\$42,170,929	8%	No Limit
3-4 Years	\$12,375,405	2%	No Limit
4-5 Years	\$79,223,928	14%	No Limit
Total Book Value	\$551,021,263	100%	

1. These balances include \$27,911,543 invested with the State Local Government Investment Pool as of 6/30/2023.
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.

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
United States Treasury	\$280,088,715.59	51%	80%
Money Market Fund	\$45,221,147.35	8%	35%
AZ LGIP	\$27,911,543.23	5%	35%
FHLMC	\$24,253,616.76	4%	40%
Mitsubishi Ufj Financial Group Inc	\$15,425,314.73	3%	10%
FNMA	\$13,839,234.70	3%	40%
Toyota Motor Corp	\$7,352,223.45	1%	10%
The Bank Of New York Mellon Corporation	\$5,809,813.04	1%	5%
Credit Agricole SA	\$5,656,201.50	1%	10%
Roche Holdings	\$5,493,286.17	1%	5%
Royal Bank Of Canada	\$5,202,483.39	1%	10%
Amazon.Com Inc	\$4,445,283.00	1%	5%
Bank Of Montreal	\$4,344,082.17	1%	5%
JPMorgan Chase & Co	\$4,321,885.77	1%	5%
Bank Of America Co	\$4,211,826.13	1%	5%
Hershey Company	\$4,001,908.85	1%	5%
Rabobank Nederland	\$3,861,490.64	1%	5%
National Australia Bank Ltd	\$3,786,326.03	1%	5%
Toronto-Dominion Bank	\$3,730,554.77	1%	10%
Asian Development Bank	\$3,580,701.14	1%	40%
Apple Inc	\$3,515,422.29	1%	5%
Metlife Inc	\$3,490,576.73	1%	5%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
Automatic Data Processing Corp	\$2,918,187.12	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%	5%
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%	5%
Harley-Davidson Motorcycle Trust	\$1,174,884	<1%	5%
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%	5%
State Street Corporation	\$914,550	<1%	5%
Caterpillar Inc	\$896,217	<1%	5%
John Deere Owner Trust	\$704,874	<1%	5%
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	\$551,021,263	100.00%	

Current Market Themes

- ▶ The U.S. economy is characterized by:
 - ▶ Headline inflation numbers trending lower, but the Fed's current focus, "supercore inflation," is showing little sign of slowing
 - ▶ A labor market that has proven to be exceptionally strong
 - ▶ A more optimistic sentiment around economic growth due to resilient consumer spending
- ▶ Fed temporarily pauses rate hikes
 - ▶ The most aggressive series of interest rate hikes in recent history has come to a temporary pause in June
 - ▶ The Fed's most recent dot plot shows the potential for two additional rate hikes by the end of the year
 - ▶ Rates have moved up due to the Fed's rate trajectory shifting higher, the economy remaining stronger than expected, persistent inflation, and the market's "higher-for-longer" mindset
- ▶ Bond markets see continued volatility
 - ▶ The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default
 - ▶ After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points
 - ▶ The curve inversion fell dramatically at the start of Q2 but moved toward historic levels in June

Investment Strategy Outlook

- ▶ Headline inflation numbers continued trending lower, but the Fed's preferred measure of "supercore inflation" has shown little sign of slowing. The labor market continues to appear as strong as ever. In addition, the Fed's June updated Summary of Economic Projections pointed to stronger growth, as they increased their 2023 GDP projection to 1.0%, up from 0.4%.
- ▶ The Fed reached a pausing point in their rate hike cycle after the most aggressive series of rate hikes in recent history. There is potential for two additional rate hikes by the end of the year according to the Fed's most recent dot plot. As a result, both the U.S. Treasury yield curve and fed funds futures have indicated that investors have become more accepting of a "higher for longer" overnight rate environment.
 - ▶ We will likely continue to maintain a defensive duration bias as the curve remains near historically extreme levels of inversion, while remaining nimble to extend as yields reach opportunistic levels.
- ▶ The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default. The bi-partisan debt deal brought relief to the markets, and a deluge of bill supply came in its wake as the U.S. Treasury began to replenish its general fund balance. 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.

Treasury Yields Move Upward on Expectation for Future Rate Increases

- ▶ The 2-year Treasury moved up 87 basis points since the first quarter.

2-Year Treasury Yields June 2021– June 2023



Source: Bloomberg, as of 6/30/2023.

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