

City of Peoria

Quarterly Investment Report

September 30, 2023

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PFM Asset Management LLC

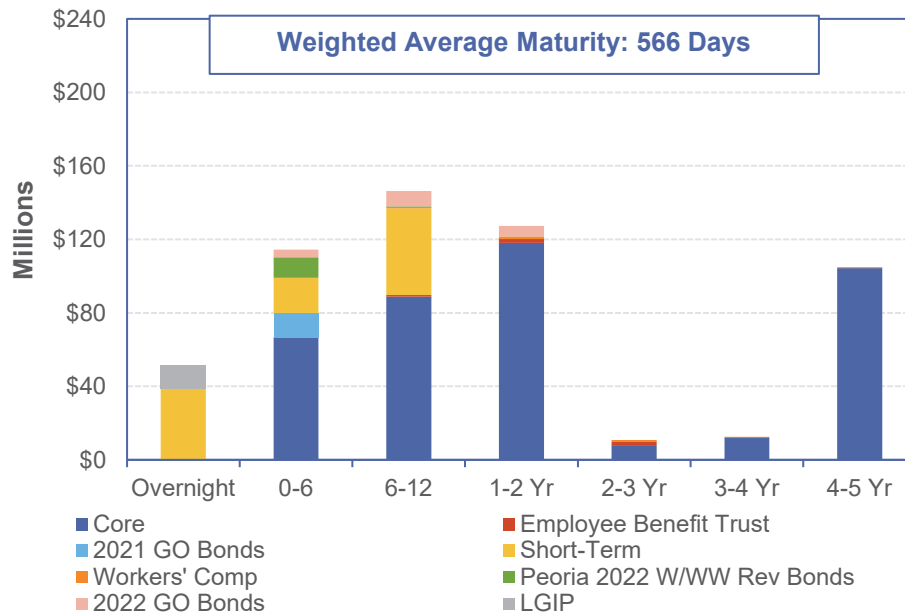
NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE



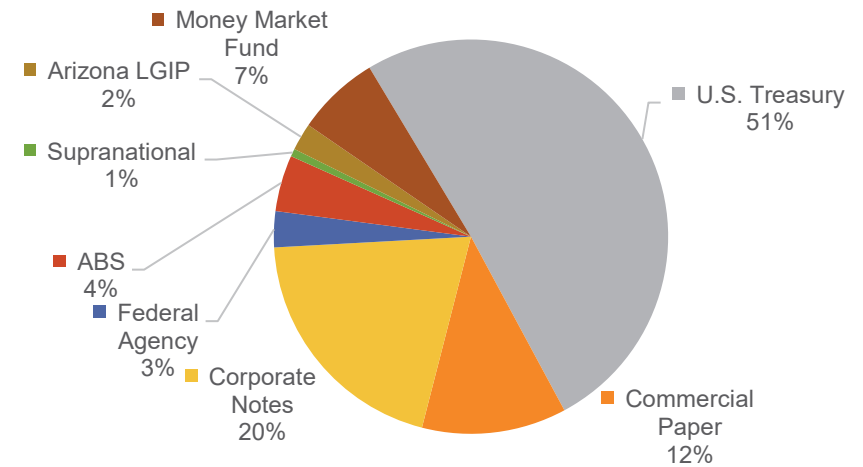
Executive Summary^{1,2,3}

Account Summary	Ending Values as of 6/30/23	Ending Values as of 9/30/23
Market Value	\$538,693,599	\$555,744,551
Book Value	\$551,021,263	\$567,564,063
Unrealized Gain/(Loss)	(\$10,537,620)	(\$11,819,512)
Weighted Avg. YTM	5.10%	5.41%
Weighted Avg. YTC	2.54%	3.04%

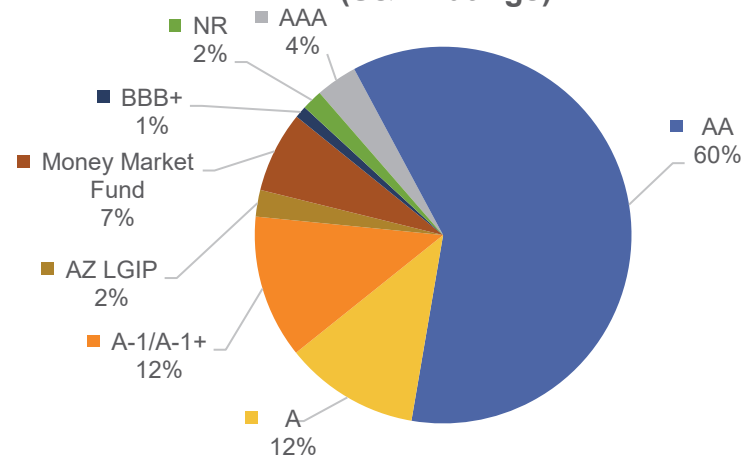
Maturity Distribution



Allocation by Security Type



Credit Quality (S&P Ratings)



1. These balances include \$12,738,311 invested with the State Local Government Investment Pool as of 9/30/2023.
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	\$288,051,995	51%	80%
Federal Agency	\$16,726,111	3%	80%
Corporate Note	\$114,247,829	20%	35%
Commercial Paper	\$67,306,876	12%	35%
Supranational	\$3,614,327	1%	80%
ABS	\$26,208,538	5%	80%
AZ LGIP	\$12,738,311	2%	35%
Money Market Fund	\$38,670,077	7%	35%
Total Book Value	\$567,564,063	100%	

Maturity	Book Value	% of Portfolio	Policy Limit
Overnight	\$51,408,387	9%	No Limit
0-6 Months	\$114,497,599	20%	No Limit
6-12 Months	\$146,264,783	26%	No Limit
1-2 Years	\$127,238,198	22%	No Limit
2-3 Years	\$10,879,762	2%	No Limit
3-4 Years	\$12,482,589	2%	No Limit
4-5 Years	\$104,792,745	18%	No Limit
Total Book Value	\$567,564,063	100%	

Accrual Basis Earnings	7/1/23 through 9/30/23
Estimated Earnings	\$3,780,355
Total Estimated Earnings	\$3,780,355

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 = 55%

1. These balances include \$12,738,311 invested with the State Local Government Investment Pool as of 9/30/2023.
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	\$288,051,995	51%	80%
Money Market Fund	\$38,670,077	7%	35%
Royal Bank Of Canada	\$19,790,145	3%	5%
Mitsubishi Ufj Financial Group Inc	\$14,391,231	3%	10%
FHLMC	\$12,827,188	2%	40%
AZ LGIP	\$12,738,311	2%	35%
Credit Agricole SA	\$12,686,609	2%	10%
BNP Paribas	\$12,617,118	2%	10%
Natixis NY Branch	\$11,814,481	2%	10%
Roche Holdings	\$5,495,774	1%	5%
Amazon.Com Inc	\$4,462,094	1%	5%
Bank Of Montreal	\$4,331,628	1%	5%
Bank Of America Co	\$4,213,170	1%	5%
Hershey Company	\$4,008,046	1%	5%
Rabobank Nederland	\$3,871,760	1%	5%
The Bank Of New York Mellon Corporation	\$3,814,098	1%	5%
National Australia Bank Ltd	\$3,788,240	1%	5%
Toronto-Dominion Bank	\$3,733,924	1%	5%
Asian Development Bank	\$3,614,327	1%	40%
Apple Inc	\$3,514,609	1%	5%
Metlife Inc	\$3,491,793	1%	5%
ANZ Banking Group Ltd	\$3,483,800	1%	5%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
USAA Owners Trust	\$3,094,455	1%	10%
American Express Co	\$3,089,856	1%	10%
Automatic Data Processing Corp	\$2,935,337	1%	5%
JPMorgan Chase & Co	\$2,824,891	<1%	5%
Deere & Company	\$2,780,504	<1%	5%
FNMA	\$2,774,836	<1%	40%
Goldman Sachs Group Inc	\$2,707,813	<1%	5%
Gm Financial Securitized Term	\$2,706,191	<1%	10%
Westpac Banking Corp	\$2,493,349	<1%	5%
Linde Inc.	\$2,423,098	<1%	5%
Caterpillar Inc	\$2,350,675	<1%	5%
Kubota Credit	\$2,259,585	<1%	10%
Nissan Auto Receivables	\$2,239,642	<1%	10%
Nestle	\$2,226,289	<1%	5%
Fifth Third Auto Trust	\$2,179,868	<1%	10%
Discover Financial Services	\$2,119,889	<1%	10%
Bmw Financial Services Na Llc	\$2,049,175	<1%	5%
Exxon Mobil Corp	\$1,987,623	<1%	5%
General Dynamics Corp	\$1,957,781	<1%	5%
Wells Fargo & Company	\$1,822,323	<1%	5%
Pacific Life GF	\$1,806,894	<1%	5%
Honeywell International	\$1,787,371	<1%	5%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
Sumitomo Mitsui Financial Group Inc	\$1,755,714	<1%	5%
Northern Trust	\$1,753,940	<1%	5%
Svenska Handelsbanken AB	\$1,646,421	<1%	5%
Morgan Stanley	\$1,549,974	<1%	5%
Mastercard Inc	\$1,532,588	<1%	5%
UBS AG	\$1,493,494	<1%	5%
Bank Of Nova Scotia	\$1,492,111	<1%	5%
Meta Platforms Inc	\$1,448,268	<1%	5%
Ally Auto Receivables Trust	\$1,414,769	<1%	10%
Citigroup Inc	\$1,405,900	<1%	5%
Toyota Motor Corp	\$1,389,134	<1%	5%
Honda Auto Receivables	\$1,329,801	<1%	10%
Kenvue Inc.	\$1,283,857	<1%	5%
Medtronic Global Holdings	\$1,245,422	<1%	5%
Harley-Davidson Motorcycle Trust	\$1,174,897	<1%	10%
Unitedhealth Group Inc	\$1,168,019	<1%	5%
Home Depot Inc	\$1,167,678	<1%	5%
Hyundai Auto Receivables	\$1,149,901	<1%	10%
Comcast Corp	\$1,132,207	<1%	5%
FHLB	\$1,124,088	<1%	40%
IBM Corp	\$1,113,881	<1%	5%
USAA Capital Corp	\$1,078,094	<1%	5%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
State Street Corporation	\$1,003,240	<1%	5%
Swedbank AB	\$1,000,516	<1%	5%
Nordea Bank Ab	\$999,641	<1%	5%
MassMutual Global	\$999,454	<1%	5%
Ford Credit Auto Owner Trust	\$934,913	<1%	10%
John Deere Owner Trust	\$704,887	<1%	10%
Bmw Vehicle Owner Trust	\$669,887	<1%	10%
Texas Instruments Inc	\$654,157	<1%	5%
Paccar Financial Corp	\$606,982	<1%	5%
Ing Bank NV	\$572,233	<1%	10%
Protective Life Global	\$560,000	<1%	5%
PNC Financial Services Group	\$230,000	<1%	5%
Canadian Imperial Bank Of Commerce	\$192,454	<1%	5%
Bristol-Myers Squibb Co	\$187,285	<1%	5%
BB&T Corporation	\$186,398	<1%	5%
Pepsico Inc	\$64,970	<1%	5%
Intel Corporation	\$59,077	<1%	5%
American Honda Finance	\$34,960	<1%	5%
Wal-Mart Stores Inc	\$14,994	<1%	5%
National Rural Utilities Co Finance Corp	\$9,994	<1%	5%
Total Book Value	\$567,564,063	100.00%	

Economic Update

Current Market Themes

- ▶ The U.S. economy is characterized by:
 - ▶ Stronger than expected growth, supported by a resilient consumer
 - ▶ Inflation that remains stubbornly above the Federal Reserve's ("Fed") target range
 - ▶ Continued creation of new jobs by the labor market, albeit at a moderating pace
- ▶ Fed pauses again in rate hike campaign
 - ▶ After hiking in July, the Federal Reserve held rates steady at the September FOMC meeting as expected
 - ▶ The Fed's most recent "dot plot" indicated one more rate hike for 2023 and set the stage for interest rates to remain "higher-for-longer"
 - ▶ Updated FOMC economic projections point to stronger GDP growth expectations, higher inflation, and slightly lower unemployment for the remainder of 2023 and into 2024
- ▶ Interest rates reached their highest levels since 2006-7
 - ▶ The U.S. government rating downgrade by Fitch had little impact, although it highlighted growing worry about the erosion of governance standards and fiscal irresponsibility
 - ▶ Treasury yields across the curve rose during Q3. Sticky inflation, a "higher for longer" market consensus, increased Treasury borrowing, and reduced Treasury holdings by China and Japan weighed especially on the long end of the curve
 - ▶ The next concern is the annual federal budget process and potential for a government shutdown

Investment Strategy Outlook

- ▶ Interest rates continued to climb as "higher-for-longer" transformed into "higher for much longer." Federal Reserve (Fed) expectations for calendar year-end 2024 and 2025 policy rate targets were adjusted upwards by 50 basis points following the September FOMC meeting.
 - ▶ Yields are approaching the highest levels seen in nearly 20 years, setting the tone for an extended period of elevated interest rates. The Fed has indicated there may be one more rate hike before the end of the year.
- ▶ The Fed left the overnight target rate unchanged in its current range of 5.25% to 5.50% following the September FOMC meeting. While the hike pause was widely expected, the dot plot was a focus, as year-end 2024 and 2025 median expectations indicated a target rate 50 basis points higher than where it was in June. The updated September summary of economic projections also pointed to stronger GDP growth expectations in 2024, higher inflation, and slightly lower unemployment.
- ▶ Recognizing that we are nearing the end of the Fed's rate hike cycle, we will likely continue to maintain a slightly defensive duration bias as investors recalibrate to higher for much longer rate expectations, while utilizing periods of oversold markets to extend durations closer to benchmarks.



The 2-Year Treasury Yield Curve Rose during the 3rd Quarter

- ▶ The 2-year Treasury rose 15 basis points during the past quarter—a result of the expectation for future rate increases.

**2-Year Treasury Yields
September 2021 - September 2023**



Source: Bloomberg, as 9/30/2023.

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