pfm asset management

City of Peoria

Quarterly Investment Report

December 31, 2023

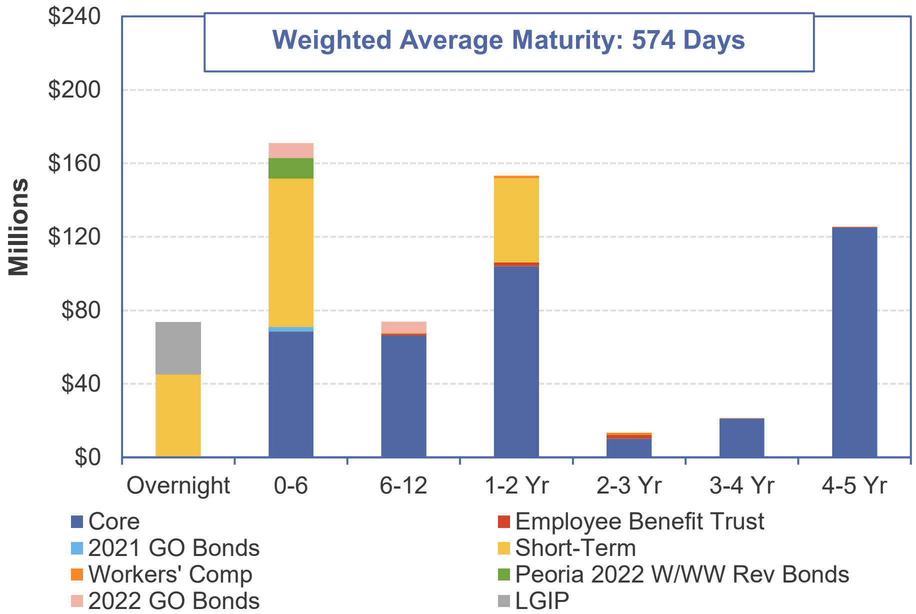
480.271.0432 | pfmam.com

PFM Asset Management LLC

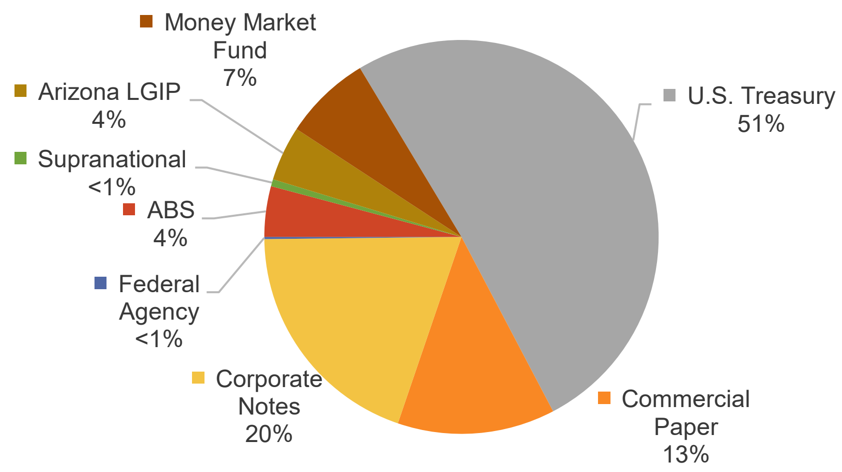
Executive Summary[1,2,3]

Account Summary	Ending Values as of 9/30/23	Ending Values as of 12/31/23
Market Value	$555,744,551	$628,429,918
Book Value	$567,564,063	$632,027,718
Unrealized Gain/(Loss)	($11,819,512)	($3,597,799)
Weighted Avg. YTM	5.41%	4.80%
Weighted Avg. YTC	3.04%	3.58%

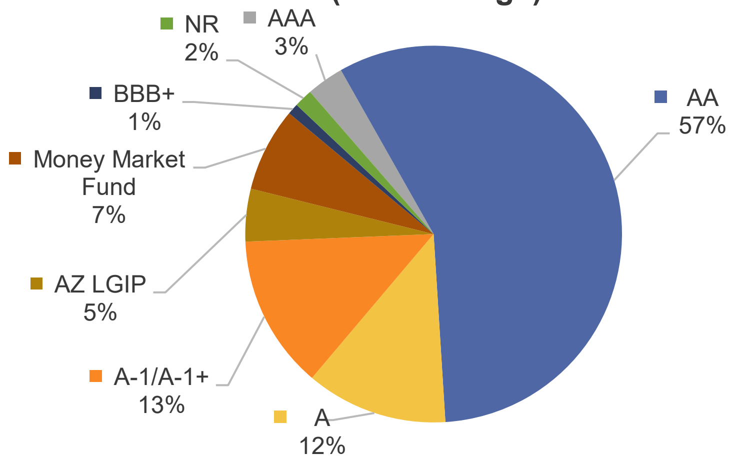
Maturity Distribution



Allocation by Security Type



Credit Quality (S&P Ratings)



1. *These balances include $28,430,096 invested with the AZ State Local Government Investment Pool as of 12/31/2023.*
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	$321,812,579	51%	80%
Federal Agency	$1,137,518	<1%	80%
Corporate Note	$123,842,161	20%	35%
Commercial Paper	$81,684,076	13%	35%
Supranational	$3,647,953	<1%	80%
ABS	$26,216,958	4%	80%
AZ LGIP	$28,430,096	4%	35%
Money Market Fund	$45,256,377	7%	35%
Total Book Value	**$632,027,718**	**100%**	

Maturity	Book Value	% of Portfolio	Policy Limit
Overnight	$73,686,472	12%	No Limit
0-6 Months	$171,032,702	27%	No Limit
6-12 Months	$73,786,130	12%	No Limit
1-2 Years	$153,270,616	24%	No Limit
2-3 Years	$13,414,154	2%	No Limit
3-4 Years	$21,378,914	3%	No Limit
4-5 Years	$125,458,730	20%	No Limit
Total Book Value	**$632,027,718**	**100%**	

Accrual Basis Earnings	9/1/23 through 12/31/23
Estimated Earnings	$4,521,716
Total Estimated Earnings	**$4,521,716**

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 = **51%**

1. *These balances include $28,430,096 invested with the AZ State Local Government Investment Pool as of 12/31/2023.*
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.*

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
United States Treasury	$321,812,579	51%	80%
Money Market Fund	$45,256,377	7%	35%
LGIP	$28,430,096	4%	100%
Royal Bank Of Canada	$15,449,470	2%	5%
Mitsubishi Ufj Financial Group Inc	$13,631,511	2%	10%
Credit Agricole SA	$13,185,910	2%	10%
BNP Paribas	$12,805,488	2%	10%
Natixis NY Branch	$11,991,370	2%	10%
Bofa Securities Inc	$9,754,583	2%	10%
Bank Of Montreal	$6,069,174	1%	5%
Roche Holdings	$5,498,262	1%	5%
Toronto-Dominion Bank	$5,447,418	1%	5%
Toyota Motor Corp	$4,865,744	1%	5%
JPMorgan Chase & Co	$4,824,993	1%	5%
Royal Bank Of Canada	$4,581,662	1%	5%
Amazon.Com Inc	$4,478,906	1%	5%
Hershey Company	$4,014,184	1%	5%
Rabobank Nederland	$3,882,030	1%	5%
The Bank Of New York Mellon Corporation	$3,818,384	1%	5%
National Australia Bank Ltd	$3,790,153	1%	5%
Asian Development Bank	$3,647,953	1%	40%
Apple Inc	$3,513,796	1%	5%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
Metlife Inc	$3,493,009	1%	5%
ANZ Banking Group Ltd	$3,485,032	1%	5%
USAA Owners Trust	$3,094,489	<1%	10%
American Express Co	$3,089,869	<1%	10%
Automatic Data Processing Corp	$2,952,487	<1%	5%
Deere & Company	$2,778,792	<1%	5%
Bank Of America Co	$2,767,043	<1%	5%
Goldman Sachs Group Inc	$2,719,057	<1%	5%
Gm Financial Securitized Term	$2,714,446	<1%	10%
Citigroup Inc	$2,648,192	<1%	5%
Westpac Banking Corp	$2,494,426	<1%	5%
Linde Inc.	$2,423,318	<1%	5%
Caterpillar Inc	$2,358,298	<1%	5%
Kubota Credit	$2,259,611	<1%	10%
Nissan Auto Receivables	$2,239,664	<1%	10%
Nestle	$2,229,352	<1%	5%
Fifth Third Auto Trust	$2,179,875	<1%	10%
Discover Financial Services	$2,119,895	<1%	10%
Bmw Financial Services Na Llc	$2,049,995	<1%	5%
Exxon Mobil Corp	$1,989,804	<1%	5%
General Dynamics Corp	$1,960,083	<1%	5%
Wells Fargo & Company	$1,828,097	<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
Pacific Life GF	$1,806,509	<1%	5%
Honeywell International	$1,785,177	<1%	5%
Northern Trust	$1,757,157	<1%	5%
Sumitomo Mitsui Financial Group Inc	$1,755,498	<1%	5%
American Honda Finance	$1,744,607	<1%	5%
Paccar Financial Corp	$1,590,013	<1%	5%
Morgan Stanley	$1,549,976	<1%	5%
Mastercard Inc	$1,530,705	<1%	5%
UBS AG	$1,493,813	<1%	5%
Bank Of Nova Scotia	$1,492,534	<1%	5%
Mercedes-Benz Fin	$1,457,410	<1%	5%
Meta Platforms Inc	$1,448,363	<1%	5%
Ally Auto Receivables Trust	$1,414,781	<1%	10%
Honda Auto Receivables	$1,329,813	<1%	10%
Kenvue Inc.	$1,281,914	<1%	5%
Medtronic Global Holdings	$1,245,679	<1%	5%
Home Depot Inc	$1,191,287	<1%	5%
Harley-Davidson Motorcycle Trust	$1,174,903	<1%	10%
Unitedhealth Group Inc	$1,171,573	<1%	5%
Hyundai Auto Receivables	$1,149,908	<1%	10%
Toyota Motor Corp	$1,140,000	<1%	5%
FHLB	$1,137,518	<1%	40%

Holdings by Issuer

Issuer	Book Value	% of Portfolio	Policy Limit
Comcast Corp	$1,130,198	<1%	5%
IBM Corp	$1,120,338	<1%	5%
USAA Capital Corp	$1,078,397	<1%	5%
State Street Corporation	$1,007,681	<1%	5%
Swedbank AB	$1,000,235	<1%	5%
Nordea Bank Ab	$999,781	<1%	5%
MassMutual Global	$999,644	<1%	5%
Svenska Handelsbanken AB	$999,395	<1%	5%
Ford Credit Auto Owner Trust	$934,918	<1%	10%
John Deere Owner Trust	$704,894	<1%	10%
National Rural Utilities Co Finance Corp	$704,764	<1%	5%
Bmw Vehicle Owner Trust	$669,893	<1%	10%
Texas Instruments Inc	$653,326	<1%	5%
Protective Life Global	$560,000	<1%	5%
Toyota Motor Corp	$251,195	<1%	5%
PNC Financial Services Group	$230,000	<1%	5%
Canadian Imperial Bank Of Commerce	$194,266	<1%	5%
Bristol-Myers Squibb Co	$188,120	<1%	5%
BB&T Corporation	$187,485	<1%	5%
Pepsico Inc	$64,973	<1%	5%
Intel Corporation	$59,204	<1%	5%
Wal-Mart Stores Inc	$14,995	<1%	5%
Total Book Value	**$632,027,717**	**100.00%**	

Economic Update

Current Market Themes

- The U.S. economy is characterized by:
  - Economic resilience but expectations for a slowdown
  - Cooling inflation that remains above the Federal Reserve's ("Fed") target
  - The labor market beginning to soften and come into better balance
  - Consumers continuing to support growth through spending
- Federal Reserve signals end to historic rate hike cycle
  - Fed projected to cut the short-term Fed funds rate by 75 basis points by December 2024, with the overnight rate falling to 4.50% to 4.75%
  - Markets are pricing in 6 rate cuts by year end—a much more aggressive outlook
  - Fed officials reaffirm that restoring price stability is the priority
- Treasury yields ended the quarter materially lower
  - After peaking in October, yields reversed course on a dovish Fed pivot
  - Yield curve inversion persisted throughout the rally
  - Credit spreads narrowed sharply on increased expectations for a soft landing

Investment Strategy Outlook

- The Fed left the overnight target rate unchanged at its current range of 5.25% to 5.50% following the December FOMC meeting. While the pause was widely expected, the updated dot plot showed a lower rate trajectory.
- The updated December summary of economic projections also pointed to lower GDP growth expectations in 2024, moderating inflation, and slightly higher unemployment.
- Recognizing that we have neared the end of the Fed's rate hike cycle, we will likely continue to maintain a neutral duration bias as investors recalibrate to higher for longer rate expectations, while utilizing bouts of oversold markets to extend durations closer to benchmarks.

Treasury Yields Move Lower on Expectation for Future Rate Cuts

- The 2-year Treasury fell 80 basis points during the past quarter, a result of the expected rate cuts in 2024.

2-Year Treasury Yields
December 2021 – December 2023

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

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