



City of St. Louis

Quarterly Investment Review

As of: Second Quarter 2023

pfmam.com

PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

Agenda

- ▶ **Market Update**
- ▶ **Portfolio Review**
- ▶ **MOSIP Accounts**
- ▶ **Relationship Overview**
- ▶ **Appendix: Portfolio Summaries**

Market Update



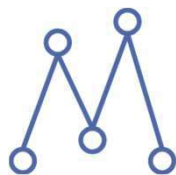
Current Market Themes



- ▶ 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 Federal Reserve's rate trajectory shifting higher, the economy remaining stronger than expected, persistent inflation, and the market's "higher-for-longer" mindset

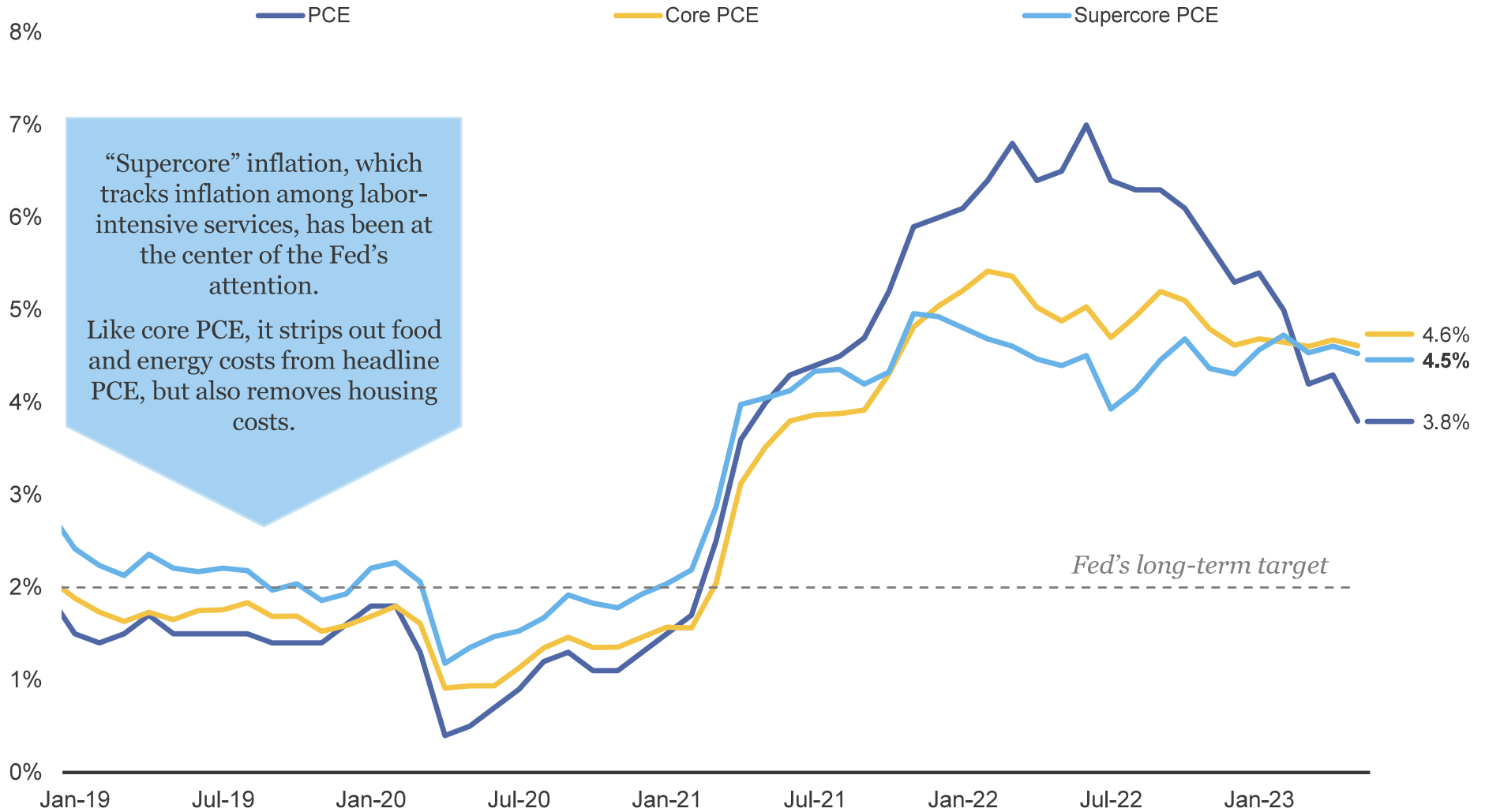


- ▶ Bond markets see continued volatility
 - ▶ The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default
 - ▶ After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points
 - ▶ The yield curve inversion fell dramatically at the start of Q2, but moved toward historic levels in June

Inflation Measures Remain Above Fed's Target

The Fed's Key Inflation Rate

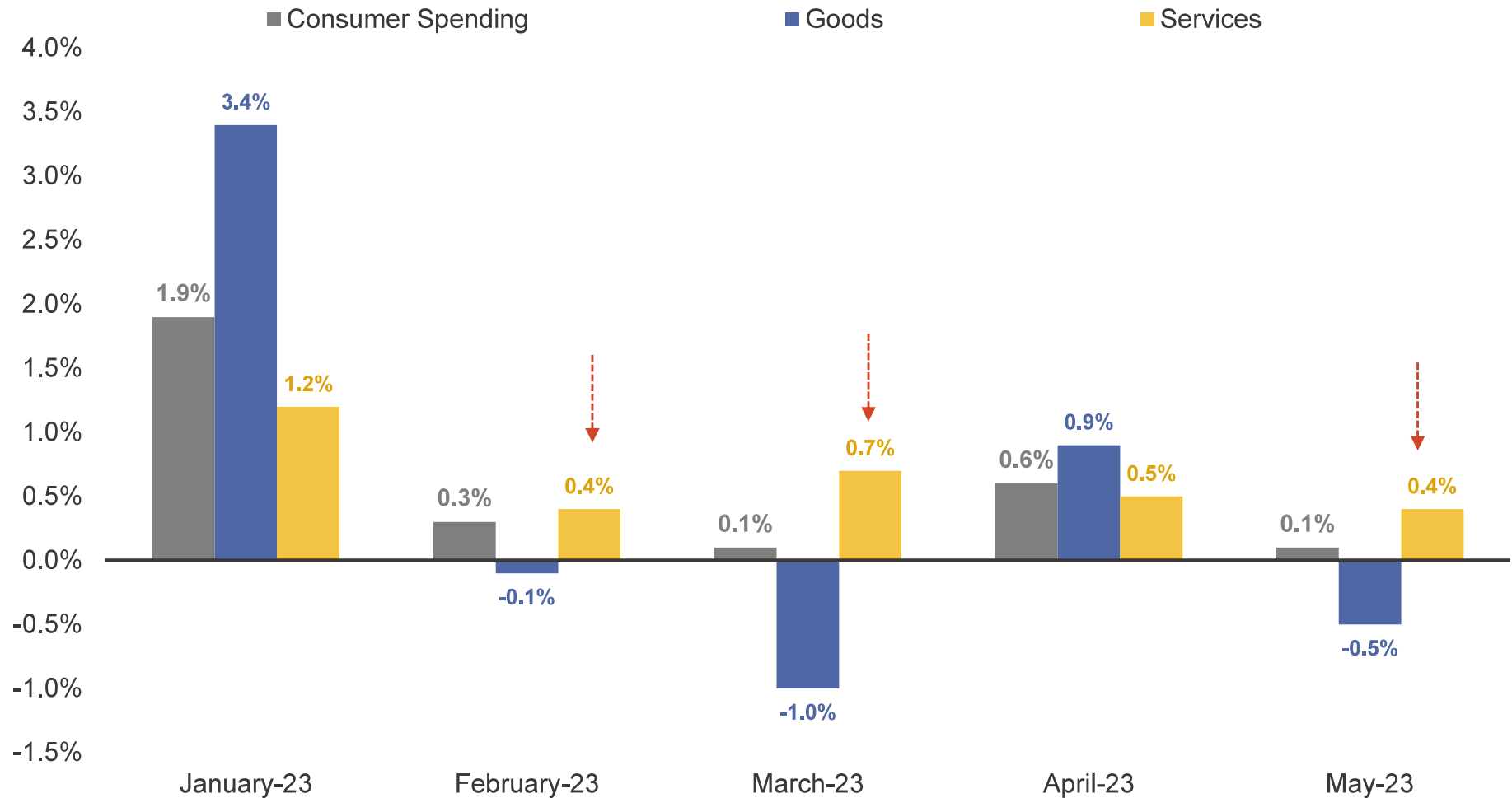
Personal Consumption Expenditure Price Index, Year-over-year



Source: Federal Reserve, Bloomberg, Bureau of Economic Analysis as of May 2023.

Consumers Have Been Spending More on Services

Change in Consumer Spending Month-over-month



Source: Bloomberg, Bureau of Economic Analysis as of May 2023.

Treasury Issuance Expected to Surge Following Debt Ceiling Deal

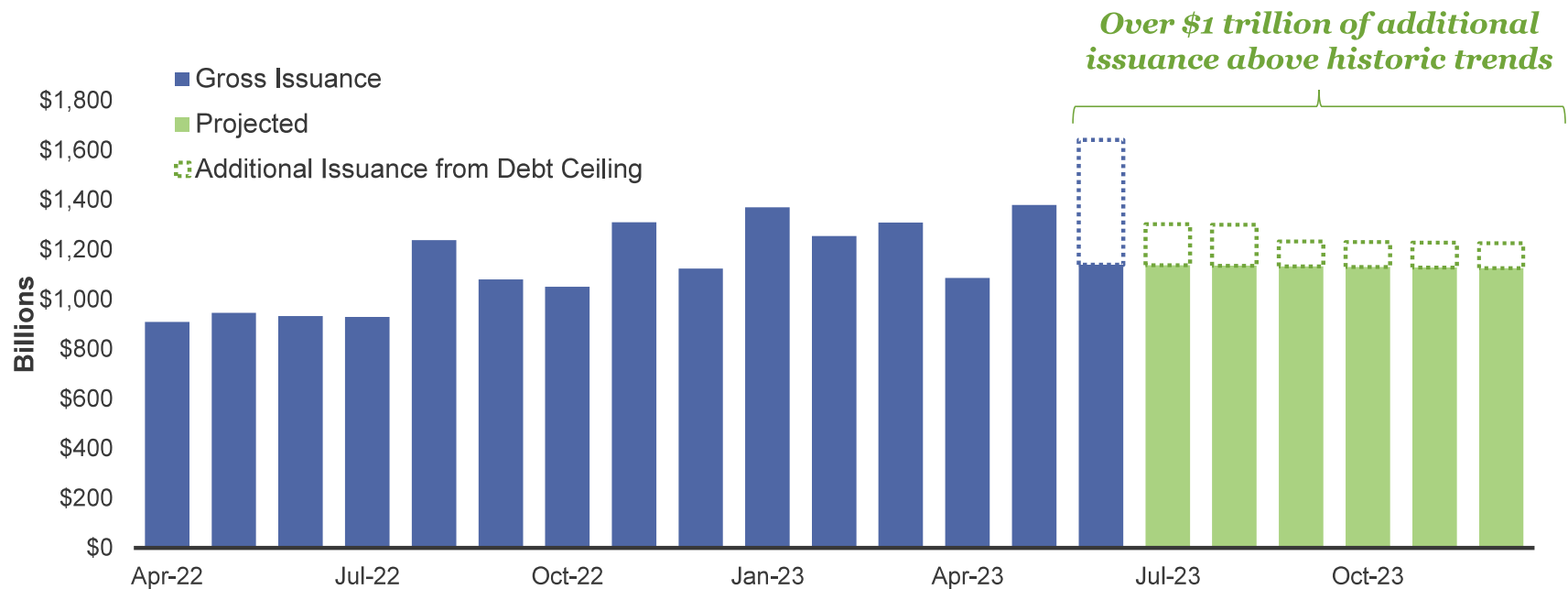
The Reason

The U.S. Treasury needs to refill its depleted general fund while also covering higher outflows and lower tax receipts

The Impact

The net new issuance is expected to pull liquidity out of other markets and place upward pressure on short-term Treasury yields and on other sectors

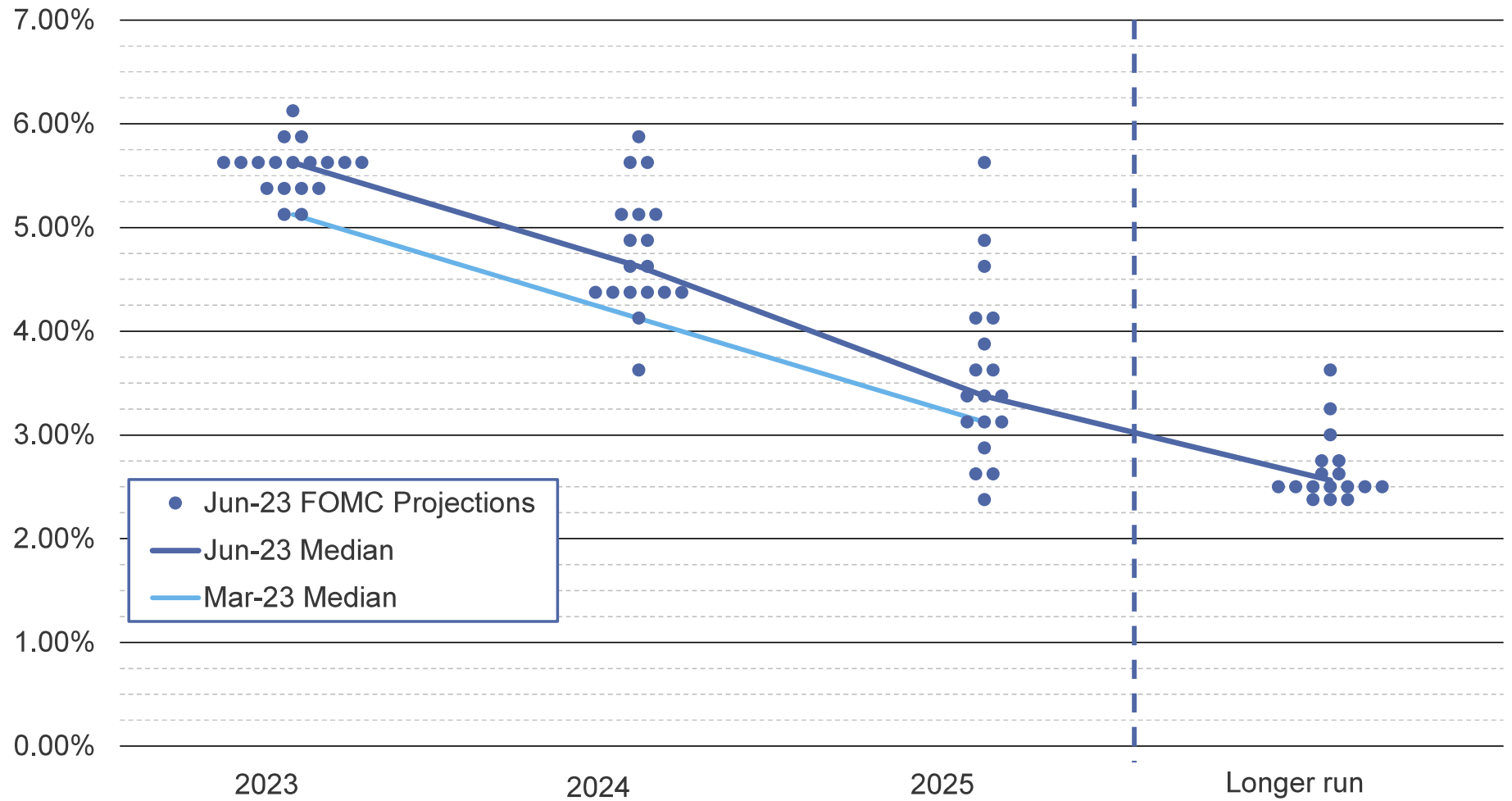
U.S. Treasury Bills Issuance



Source: Bloomberg, SIFMA, U.S. Treasury, Bank of America Global Strategy for U.S. Treasury issuance projections as of June 2023.

Fed's "Dot Plot" Shows We Are Nearing Sufficiently Restrictive Territory

Fed Participants' Assessments of 'Appropriate' Monetary Policy



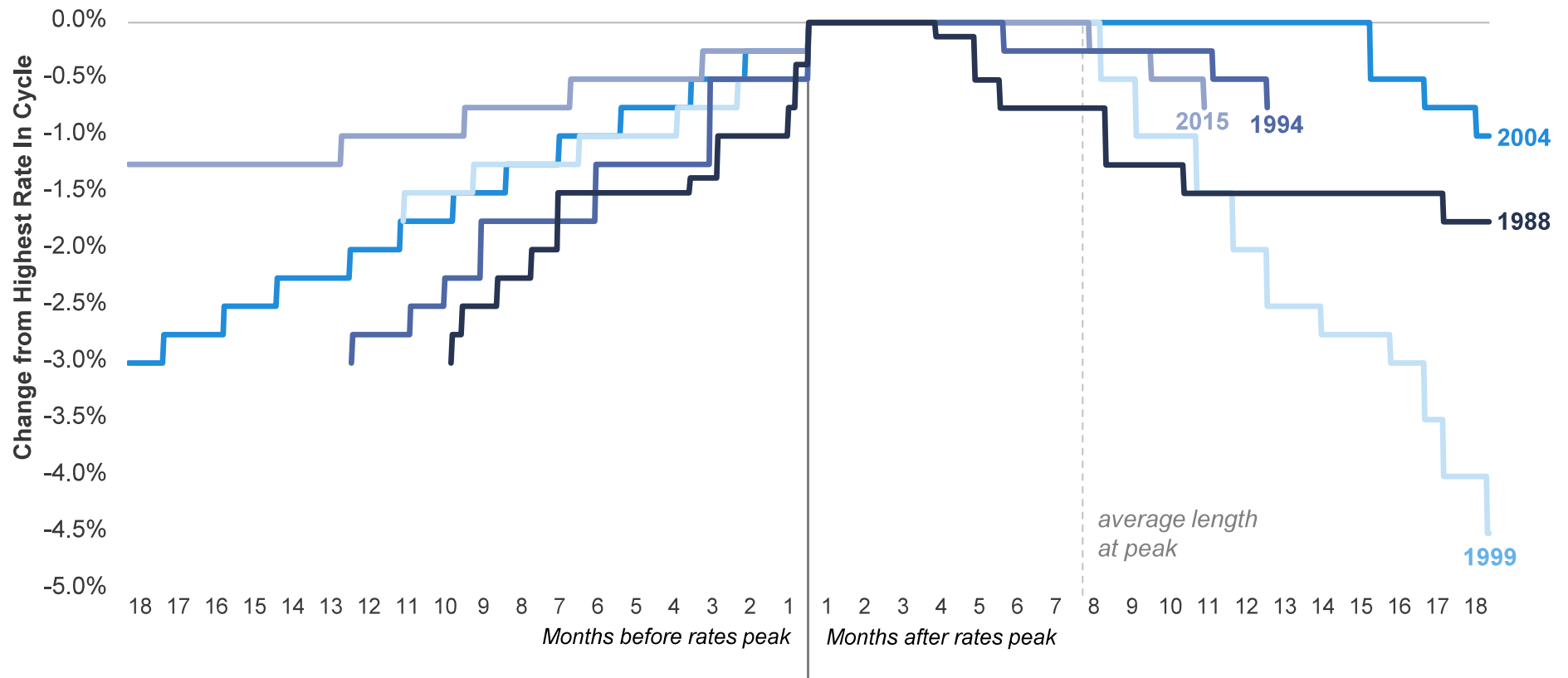
Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the Federal Funds rate at each year-end.

How Long Have Rates Stayed at the Peak?

Federal Funds Rate Cycles

Peaks of previous Fed rate cycles, indexed to 0%

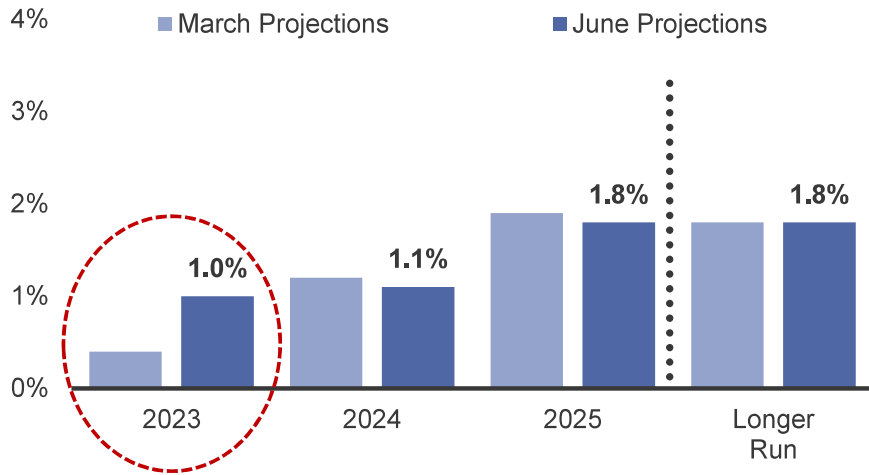
Once the Fed reaches their peak Fed Funds rate, they have historically held rates at that level for around **8 months**



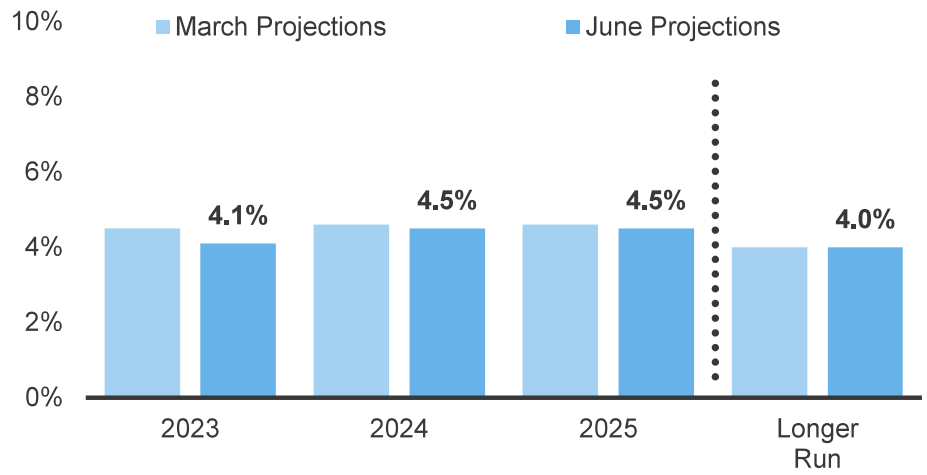
Source: Federal Reserve, Bloomberg.

Fed's Updated June Projections Reflect Stronger Economic Expectations for 2023

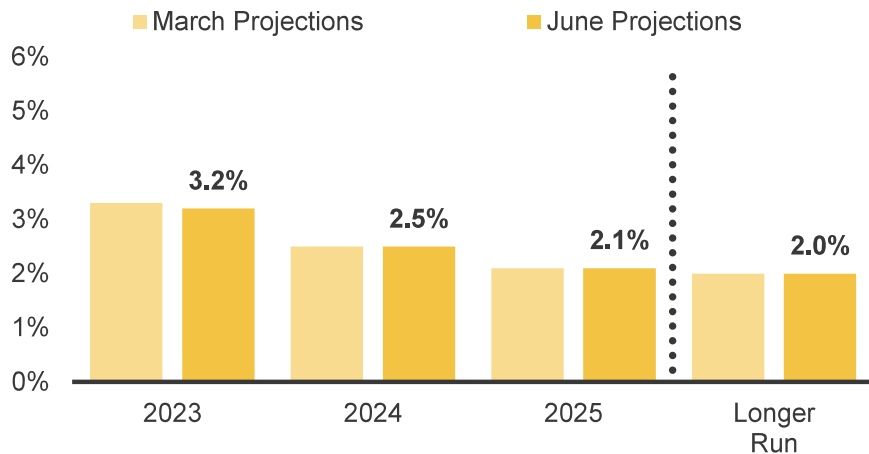
Change in Real GDP



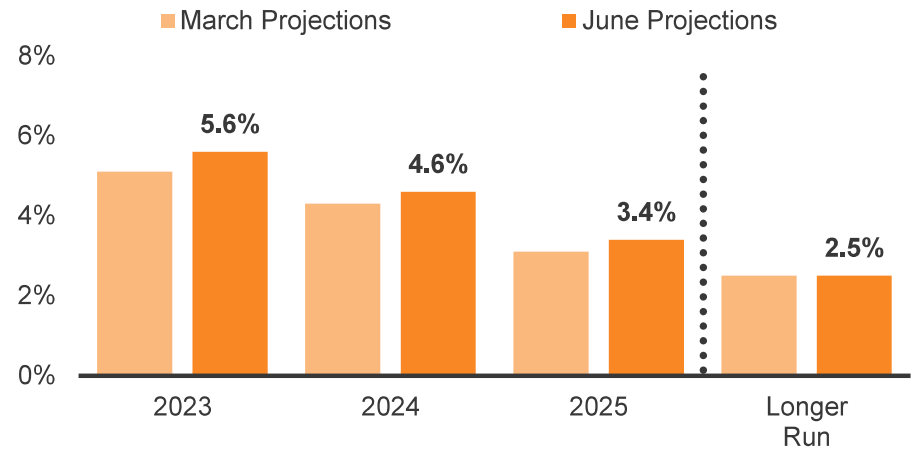
Unemployment Rate



PCE Inflation



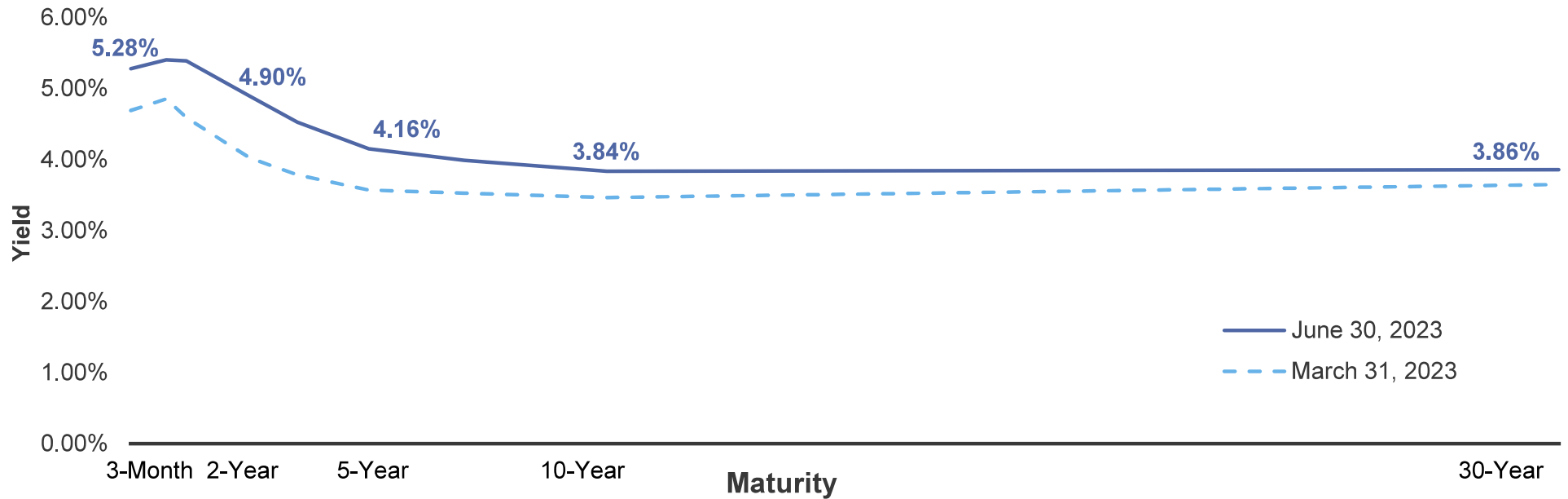
Federal Funds Rate



Source: Federal Reserve, latest economic projections as of June 2023.

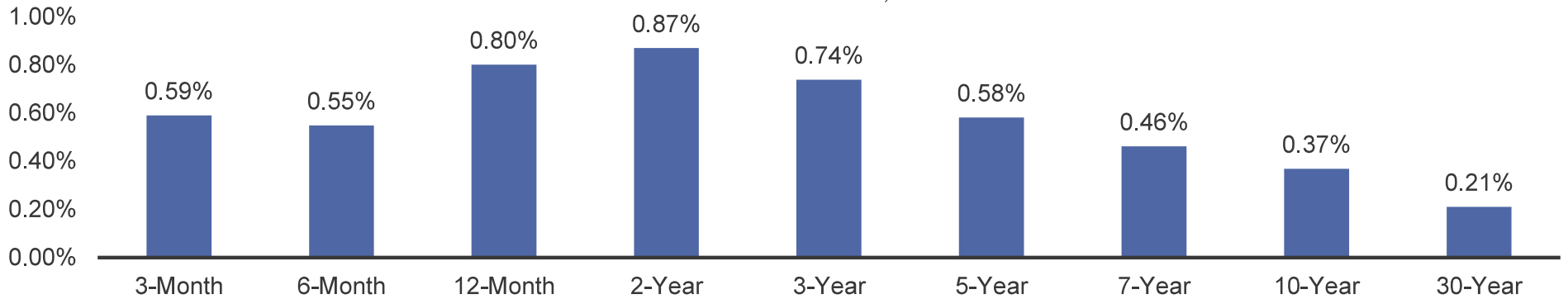
Interest Rates Rise as “Higher-for-Longer” Mantra Sets In

U.S. Treasury Yield Curve



Yield Changes by Maturity

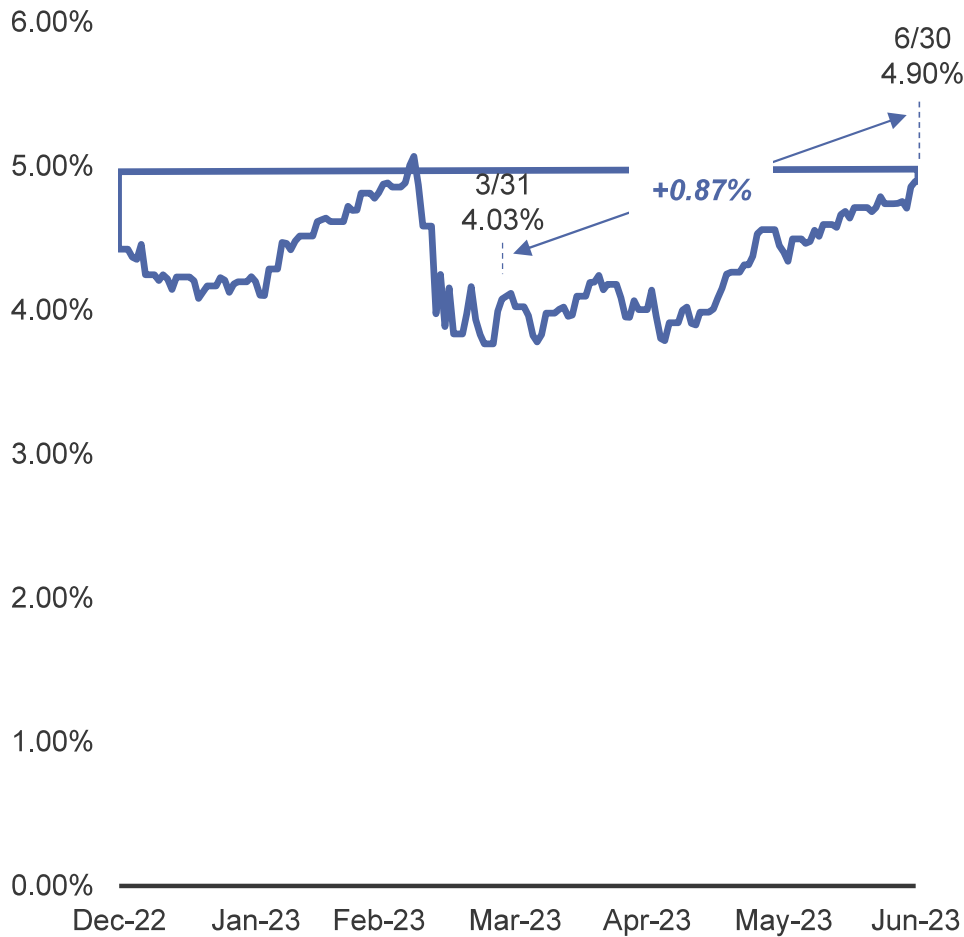
from March 31 – June 30, 2023



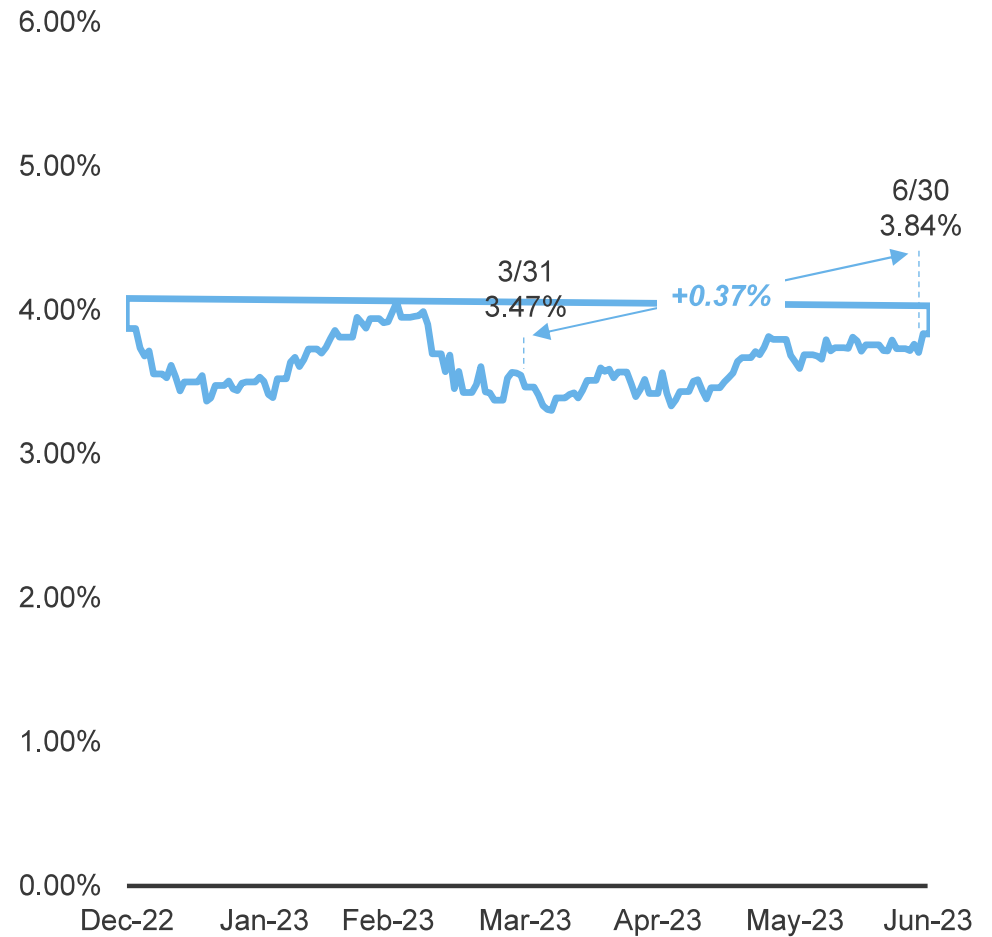
Source: Bloomberg, as of 6/30/2023.

Treasury Yields Move Upward on Expectation for Future Rate Increases

2-Year Treasury Yield



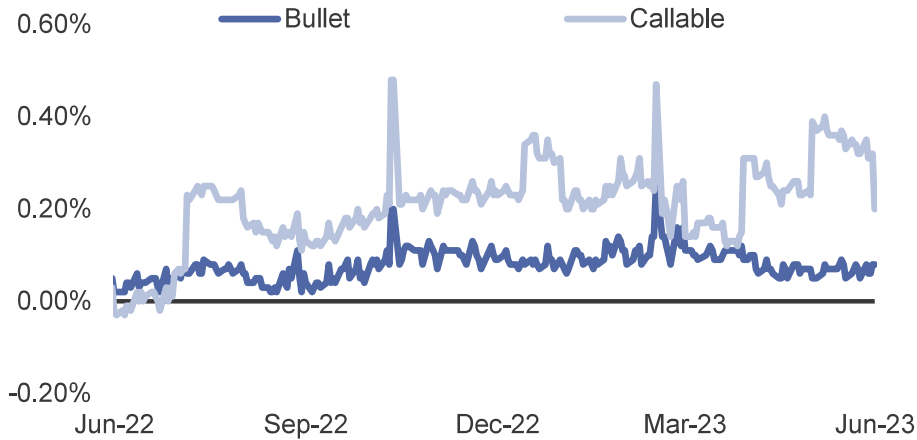
10-Year Treasury Yield



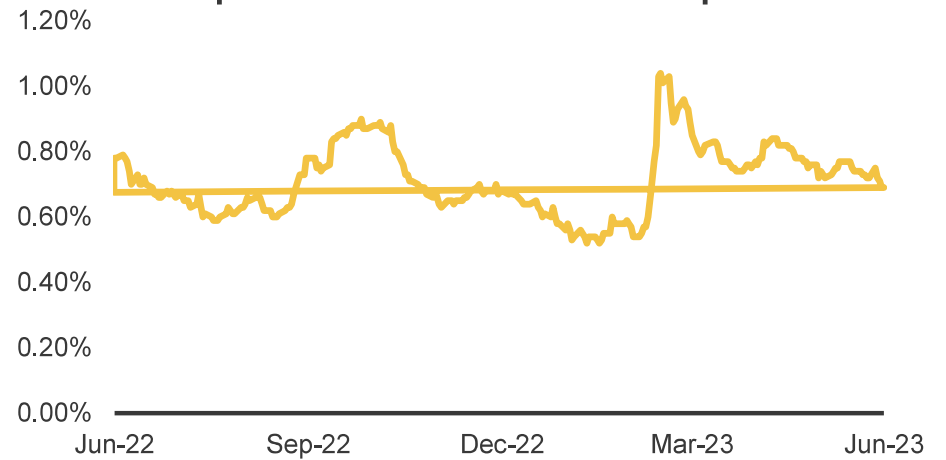
Source: Bloomberg, as of 6/30/2023.

Sector Yield Spreads

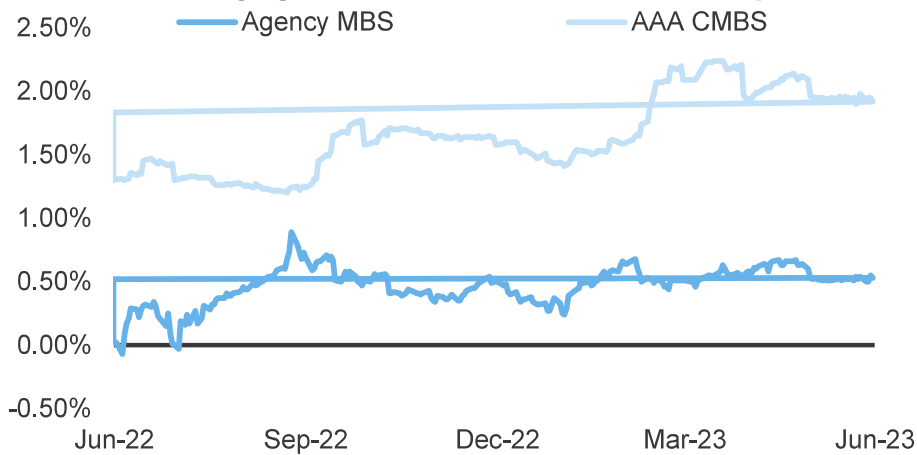
Federal Agency Yield Spreads



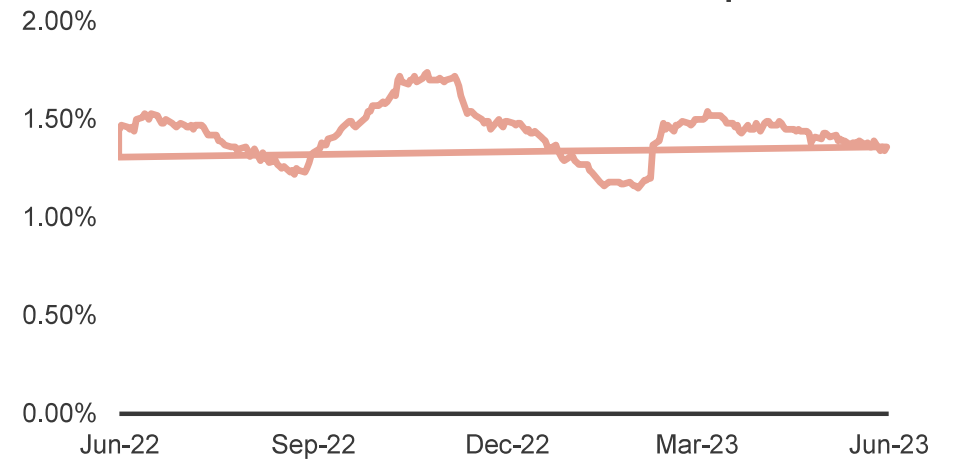
Corporate Notes A – AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads



Asset-Backed Securities AAA Yield Spreads

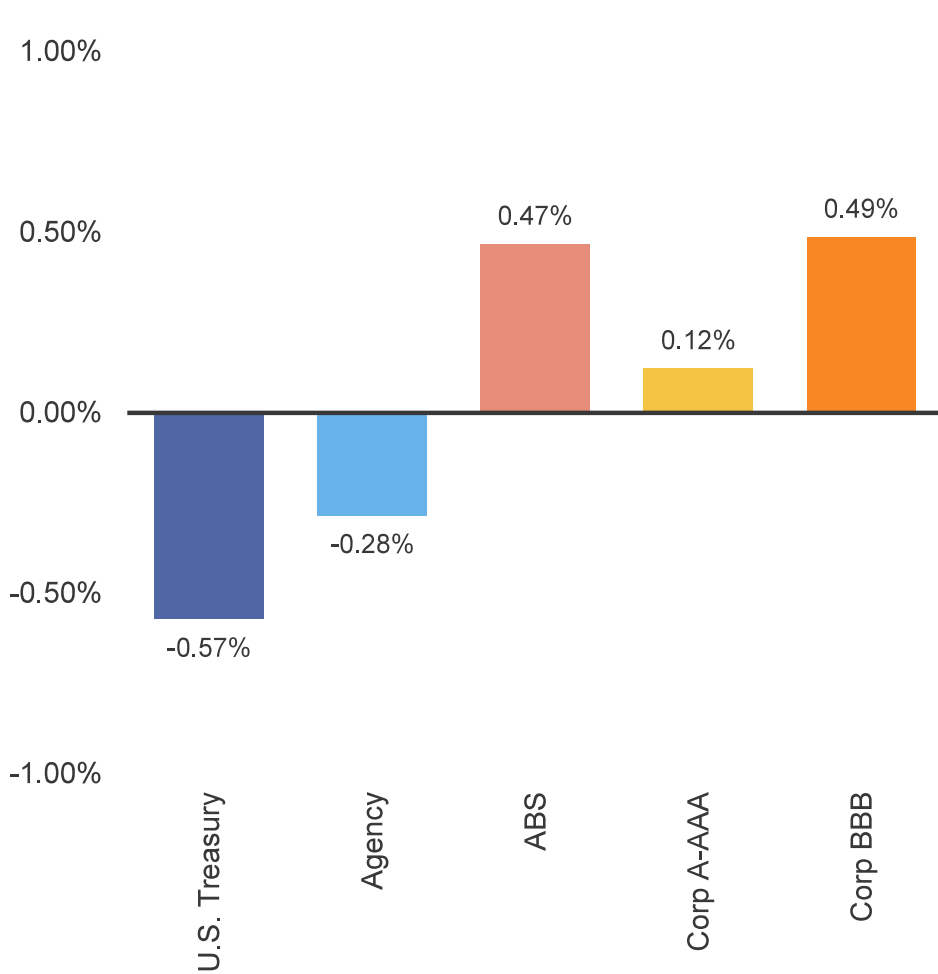


Source: ICE BofA 1 – 3-year Indices via Bloomberg, MarketAxess and PFMAM as of 6/30/2023. Spreads on ABS and MBS are option-adjusted spreads of 0 – 3-year indices based on weighted average life; spreads on Agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

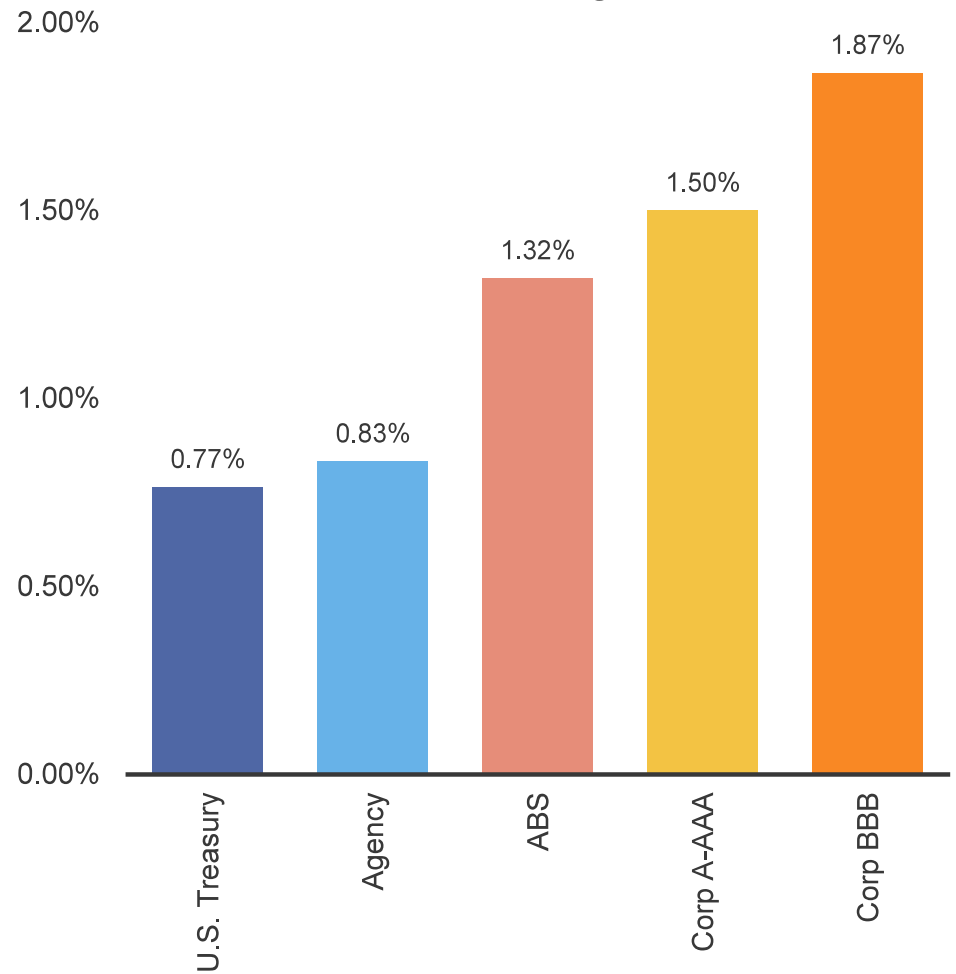
Fixed-Income Market Returns in 2Q 2023

1 – 3 Year Indices

1 – 3 Year Indices Quarterly Returns



10-Year Average



Source: ICE BofA Indices. ABS indices are 0-3 year, based on weighted average life. As of 6/30/2023.

Portfolio Review



Current Assets Under Management

Accounts	PFMAM-Managed Assets (as of 3/31/2023)*	PFMAM-Managed Assets (as of 6/30/2023)*
STL Airport Portfolio	\$112,774,078	\$112,760,103
STL Airport PFC Portfolio	\$15,187,989	\$15,183,361
STL City General Pool Portfolio	\$34,847,925	\$34,841,538
Total Assets	\$162,809,992	\$162,785,001

Accounts	Assets Under Management (as of 3/31/2023)*	Assets Under Management (as of 6/30/2023)*
MOSIP	\$605,948,745	\$549,721,879

Accounts	Assets as of 3/31/2023*	Assets as of 6/30/2023*
Total Overall Assets	\$768,758,737	\$712,506,880

* Fair Market Valuation. Includes cash but excludes accrued interest. As of June 30, 2023, the City's investments carried an unrealized loss on original cost of -\$4,142,526 (unrealized loss on amortized cost of -\$4,467,353).

Summary of PFMAM Managed Accounts

Manager	<u>Asset Size</u>	<u>Average Yield at Cost</u>	<u>Average Yield at Market</u>	<u>Average Duration</u>
PFM Asset Management LLC	\$162,785,001	2.27%	5.13%	1.26 Years
TOTAL	\$162,785,001	2.27%	5.13%	1.26 Years

Portfolio data as of June 30, 2023 and includes cash but excludes accrued interest. PFMAM currently manages 3 different operating accounts.

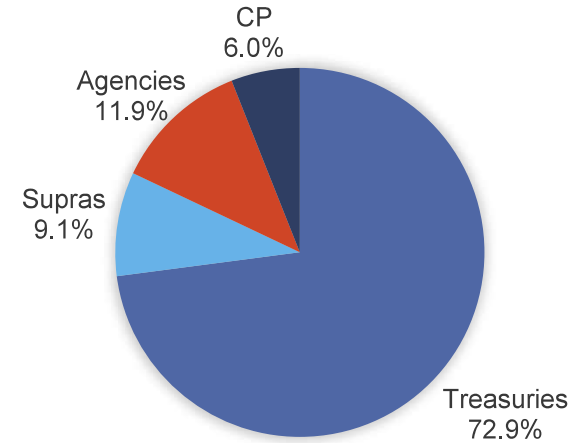
PFM Asset Management LLC: Total Return Performance	<u>Q2 2023</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>Since Inception*</u>
Airport General	0.08%	1.36%	-0.24%	1.28%	0.90%
Airport PFC	0.09%	1.31%	-0.26%	1.27%	0.89%
City General	0.09%	1.34%	-0.26%	1.27%	0.89%
<i>Custom Benchmark Index</i>	<i>-0.04%</i>	<i>1.15%</i>	<i>-0.39%</i>	<i>1.15%</i>	<i>0.74%</i>

* Performance calculations on trade date basis, gross (i.e., before fees) as of June 30, 2023, in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Performance inception date is June 30, 2013. On July 1, 2016, the benchmark for all the portfolios transitioned from the ICE BofA 1-Year U.S. Treasury Index benchmark to the current benchmark, which is the ICE BofA 0 – 3 Year U.S. Treasury benchmark.

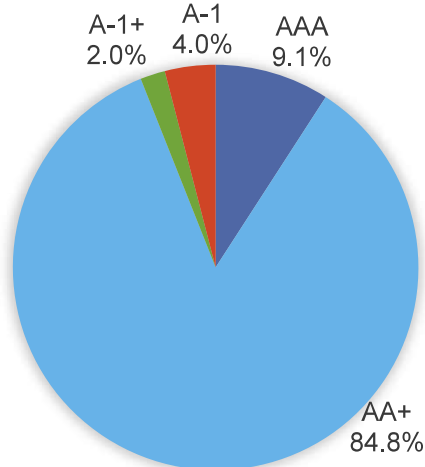
Portfolio Statistics

Invested Amount	\$112.760 million
Effective Duration	1.26 Years
Yield at Cost	2.28%
Yield at Market	5.13%

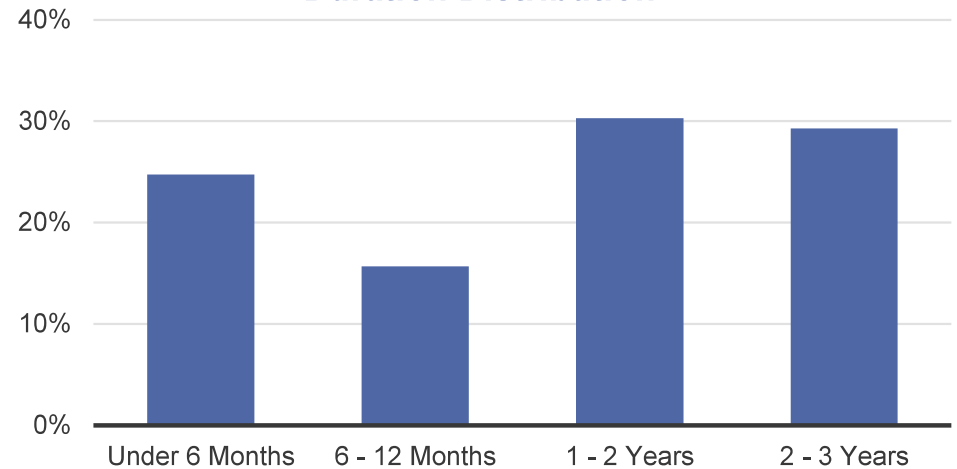
Sector Allocation



Credit Quality



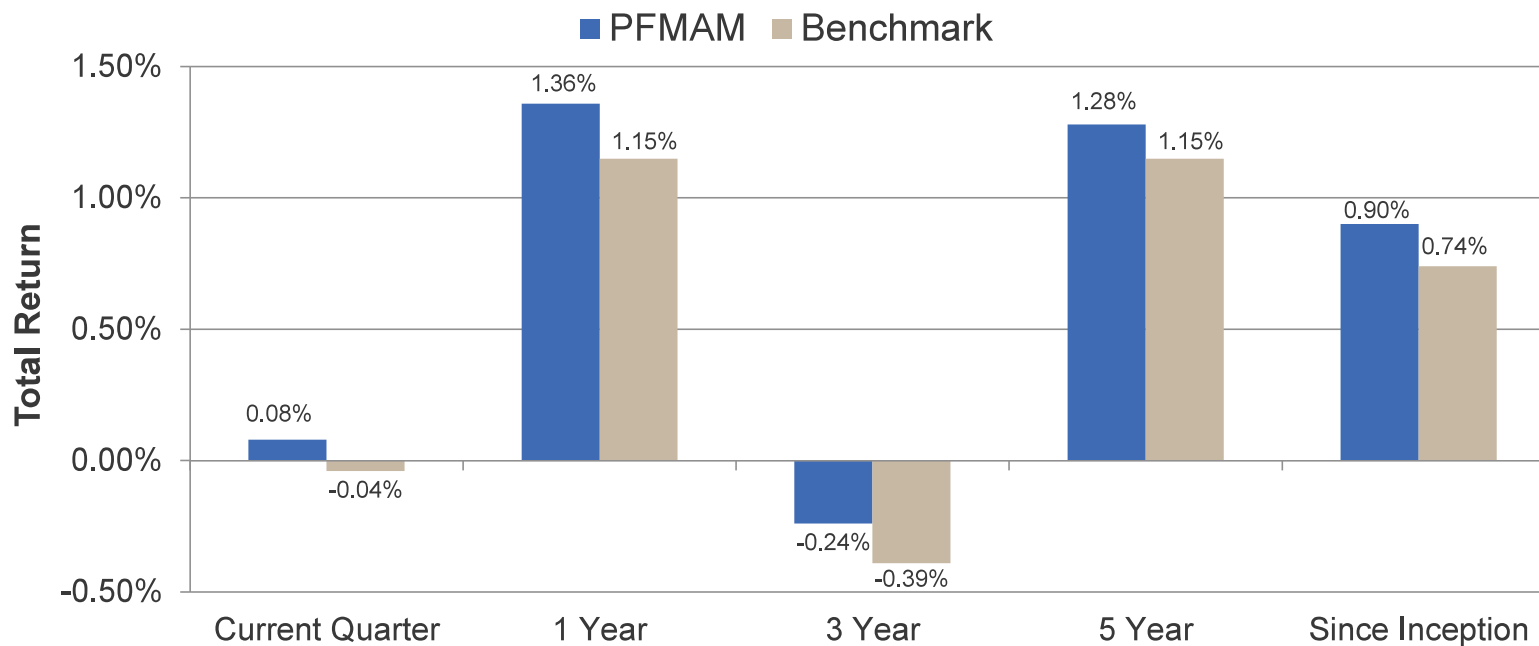
Duration Distribution



Information as of June 30, 2023. Sector allocation excludes cash balances. Credit quality uses S&P rating, or Moody's equivalent if not rated by S&P. Please see important disclosures.

Airport Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended 6/30/2023	1 Year	Annualized Return		
				3 Year	5 Year	Since Inception (6/30/2013)
Airport Portfolio	1.26	0.08%	1.36%	-0.24%	1.28%	0.90%
<i>Custom Benchmark Index</i>	1.28	-0.04%	1.15%	-0.39%	1.15%	0.74%
Excess Return		0.12%	0.20%	0.14%	0.13%	0.16%

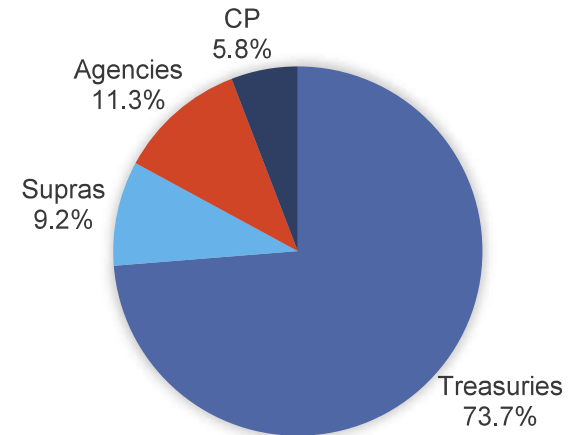


Performance calculations on trade date basis, gross (i.e., before fees) as of June 30, 2023.

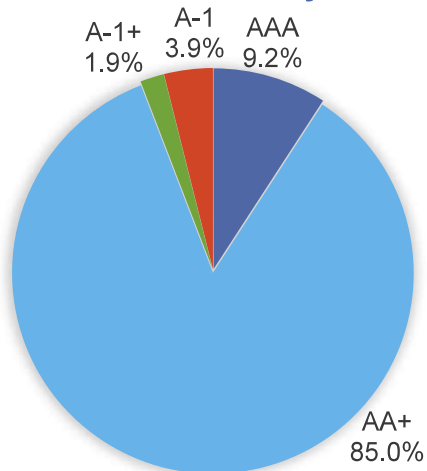
Portfolio Statistics

Invested Amount	\$15.183 million
Effective Duration	1.25 Years
Yield at Cost	2.23%
Yield at Market	5.13%

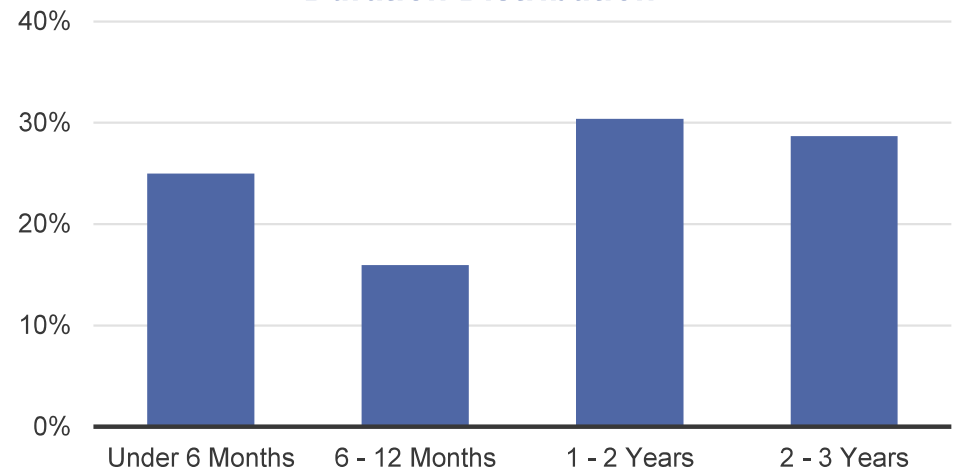
Sector Allocation



Credit Quality



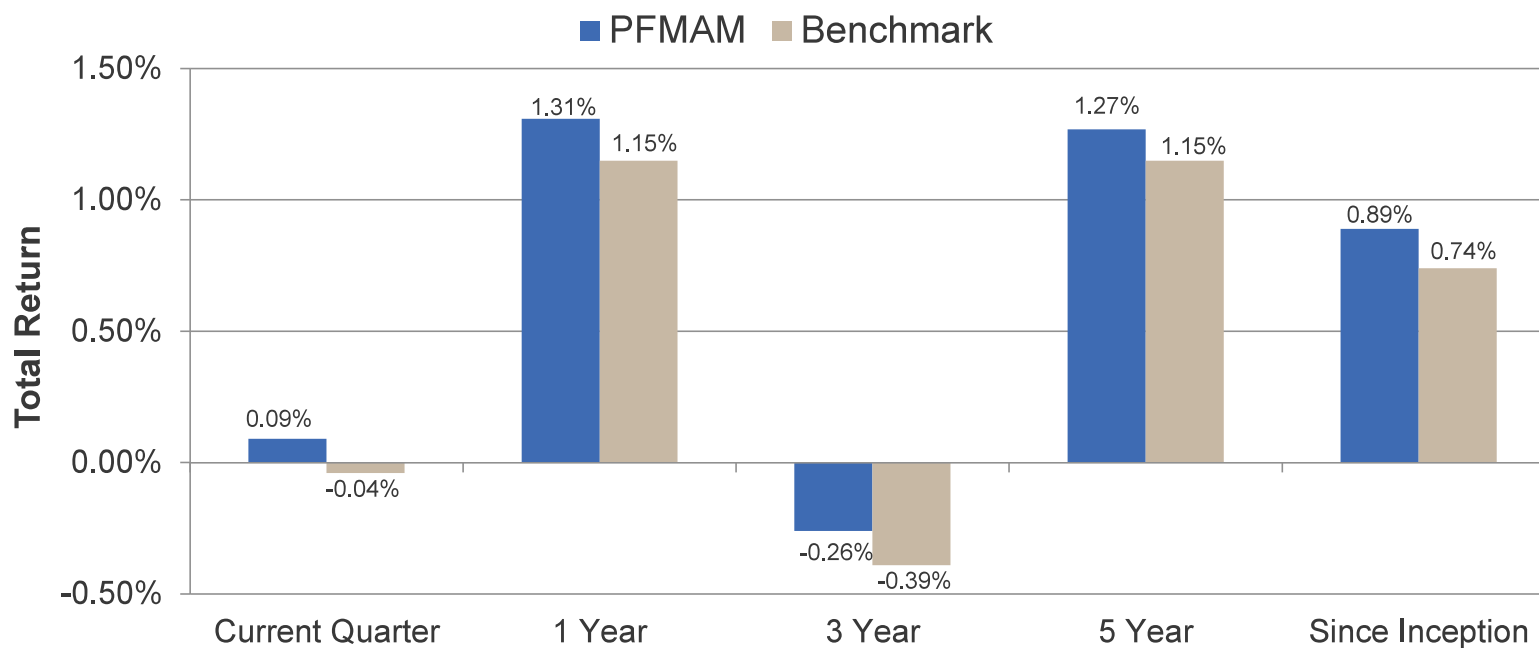
Duration Distribution



Information as of June 30, 2023. Sector allocation excludes cash balances. Credit quality uses S&P rating, or Moody's equivalent if not rated by S&P. Please see important disclosures.

Airport PFC Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended 6/30/2023	1 Year	Annualized Return		
				3 Year	5 Year	Since Inception (6/30/2013)
Airport PFC Portfolio	1.25	0.09%	1.31%	-0.26%	1.27%	0.89%
<i>Custom Benchmark Index</i>	1.28	-0.04%	1.15%	-0.39%	1.15%	0.74%
Excess Return		0.13%	0.16%	0.12%	0.11%	0.15%



Performance calculations on trade date basis, gross (i.e., before fees) as of June 30, 2023.

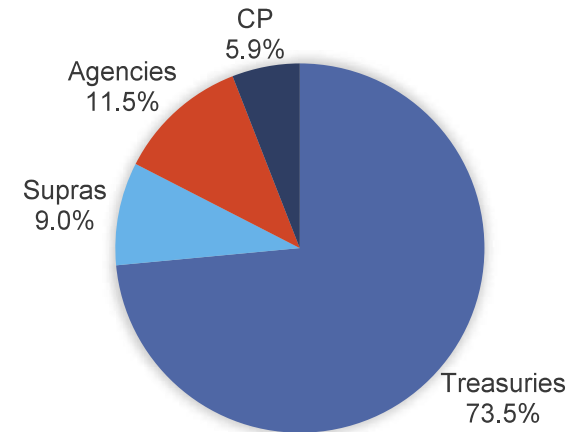
City of St. Louis General Pool Portfolio Characteristics

June 30, 2023

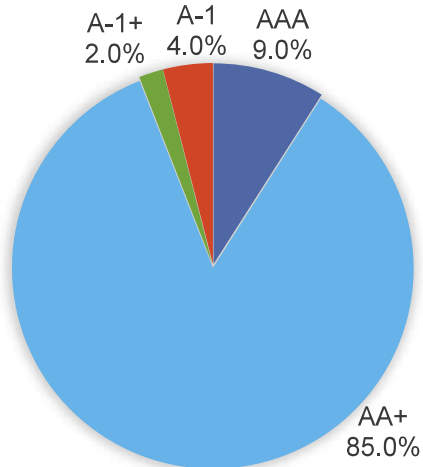
Portfolio Statistics

Invested Amount	\$34.842 million
Effective Duration	1.25 Years
Yield at Cost	2.24%
Yield at Market	5.13%

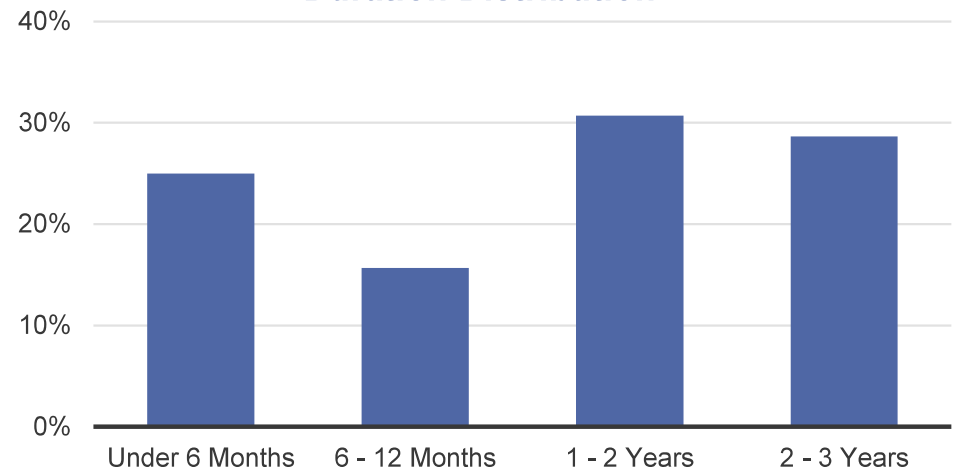
Sector Allocation



Credit Quality



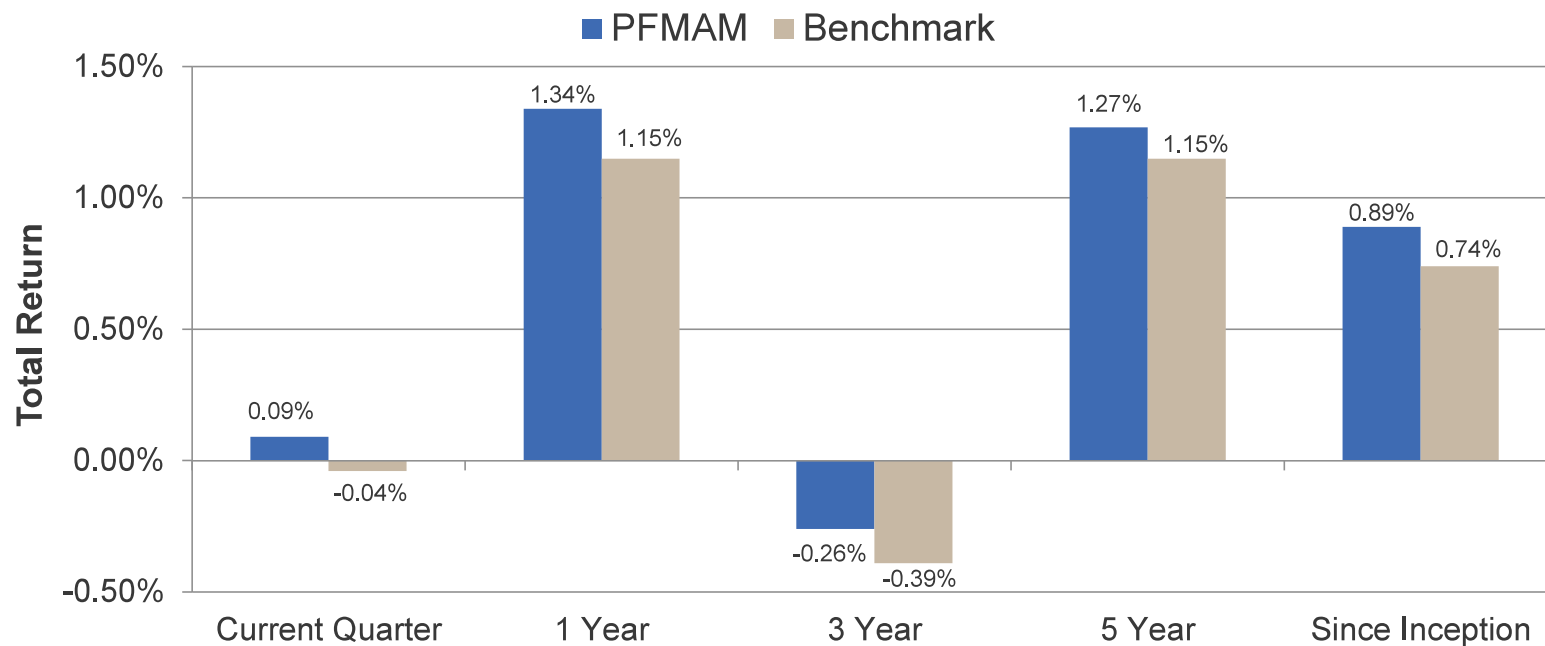
Duration Distribution



Information as of June 30, 2023. Sector allocation excludes cash balances. Credit quality uses S&P rating, or Moody's equivalent if not rated by S&P. Please see important disclosures.

General Pool Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended 6/30/2023	1 Year	Annualized Return		
				3 Year	5 Year	Since Inception (6/30/2013)
General Pool Portfolio	1.25	0.09%	1.34%	-0.26%	1.27%	0.89%
<i>Custom Benchmark Index</i>	1.28	-0.04%	1.15%	-0.39%	1.15%	0.74%
Excess Return		0.13%	0.19%	0.13%	0.12%	0.14%



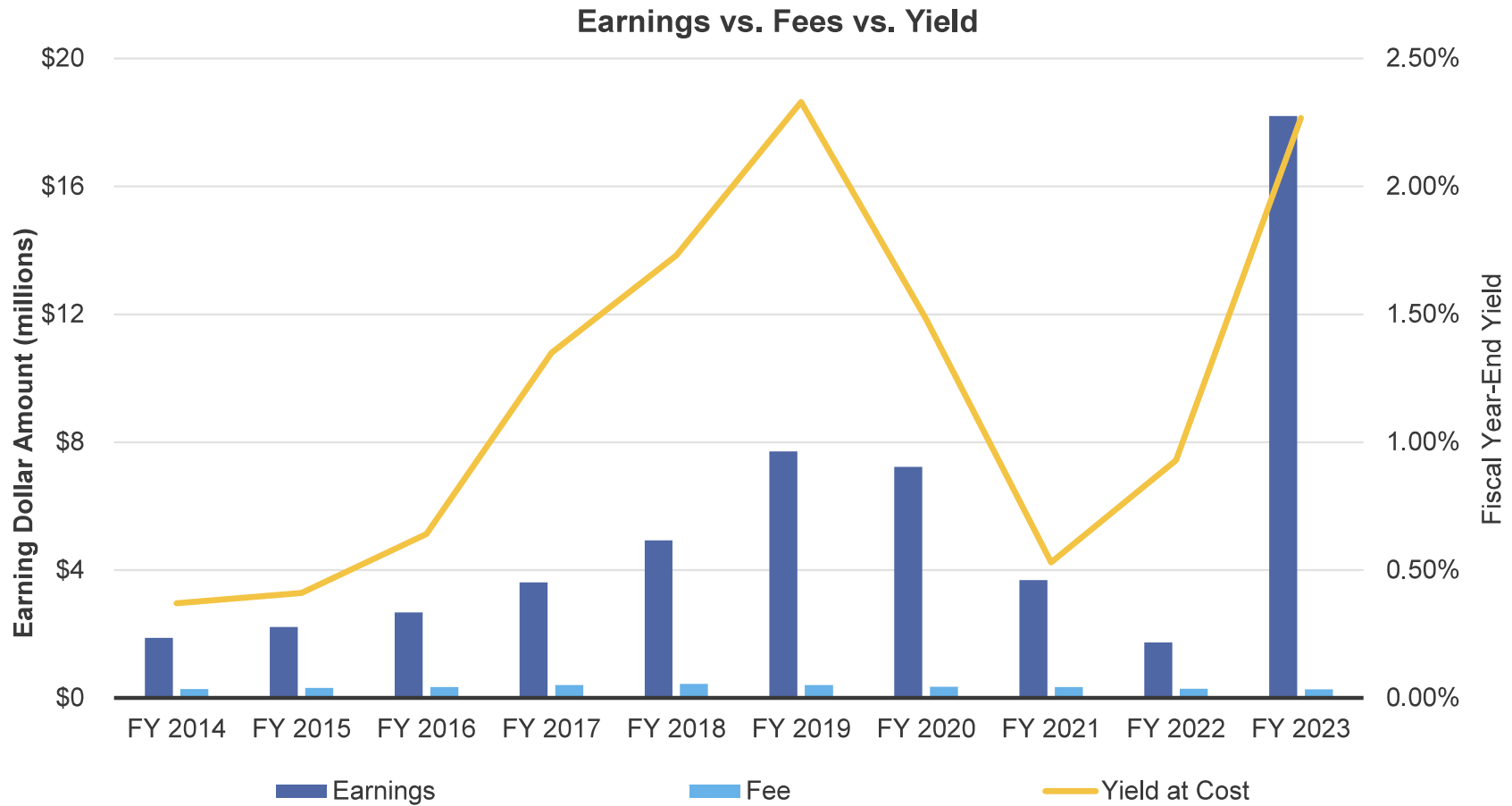
Performance calculations on trade date basis, gross (i.e., before fees) as of June 30, 2023.

City of St. Louis Gross Earnings Summary (Accrual Basis)

PFMAM Managed Accounts	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
STL Airport Portfolio	\$210,670	\$470,332	\$797,851	\$1,357,557	\$1,641,528	\$2,308,063	\$3,015,053	\$1,798,374	\$786,549	\$1,584,343
STL Airport PFC Portfolio	\$32,759	\$72,414	\$111,548	\$150,468	\$183,171	\$282,110	\$382,128	\$228,603	\$108,358	\$209,753
STL City General Portfolio	\$22,309	\$29,934	\$72,215	\$299,218	\$433,147	\$658,018	\$878,846	\$522,225	\$250,639	\$483,347
STL Non-Discretionary General Pool Portfolio	\$0	\$32,948	\$46,879	\$28,889	\$0	\$0	\$0	\$0	\$0	\$0
STL Water Revenue Portfolio	\$0	\$4,807	\$84,681	\$156,996	\$253,367	\$256,111	\$28,562	\$2,899	\$0	\$0
<u>TOTAL</u>	<u>\$265,739</u>	<u>\$610,435</u>	<u>\$1,113,174</u>	<u>\$1,993,127</u>	<u>\$2,511,212</u>	<u>\$3,504,302</u>	<u>\$4,304,589</u>	<u>\$2,552,101</u>	<u>\$1,145,545</u>	<u>\$2,277,443</u>
MOSIP Accounts	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
MOSIP	\$0	\$9,064	\$57,130	\$160,246	\$187,139	\$1,114,852	\$871,098	\$235,547	\$294,735	\$15,270,118
Aggregate Portfolios	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total Accounts	\$265,739	\$619,499	\$1,170,304	\$2,153,374	\$2,698,351	\$4,619,153	\$5,175,687	\$2,787,648	\$1,440,279	\$17,547,561

Inception: April 2013; only includes the City's operating funds and MOSIP accounts

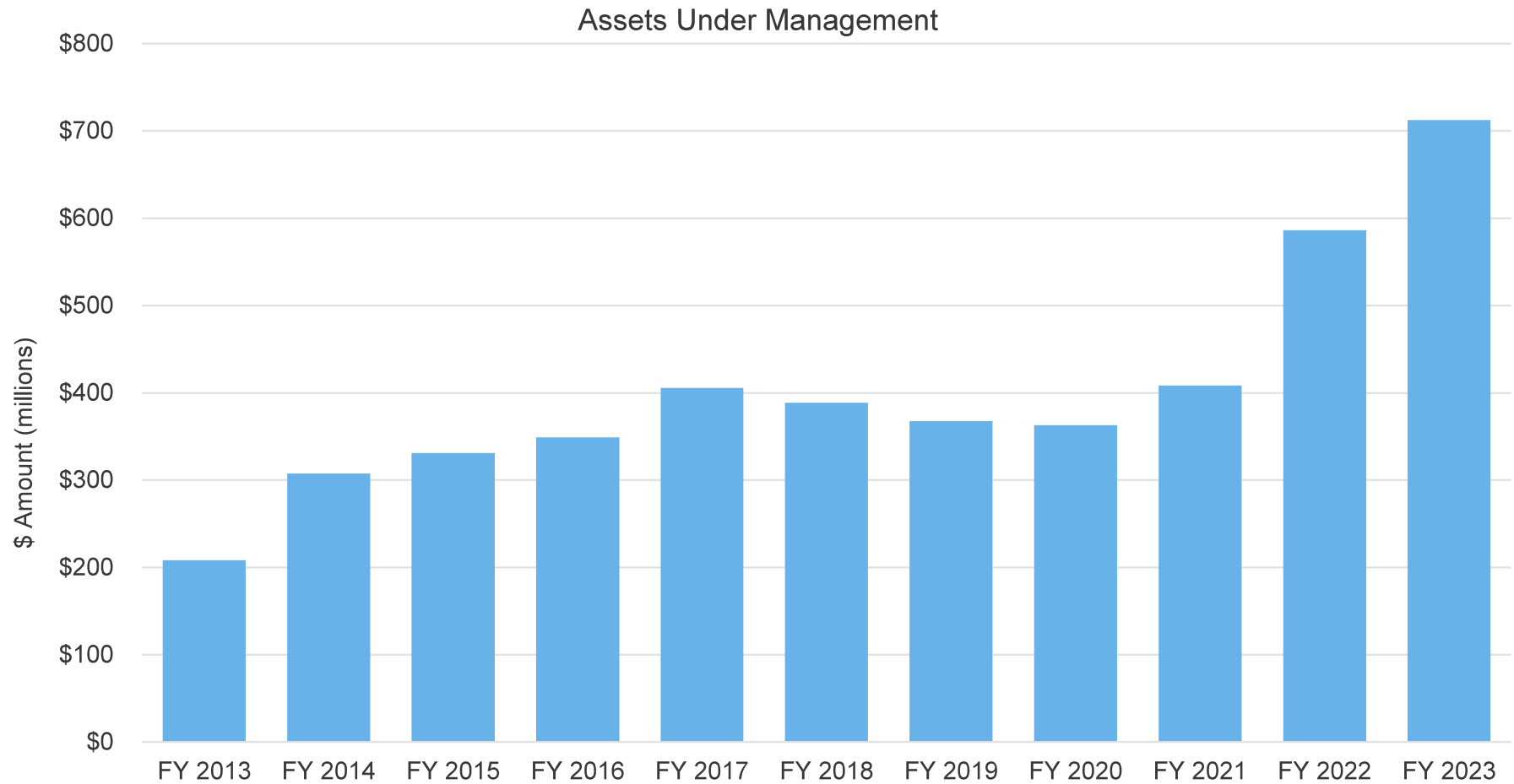
City of St. Louis Earnings Summary



Inception: April 2013; includes the City's operating funds, bond proceeds portfolios, and MOSIP accounts

Relationship Overview

➤ Over nine years of managing assets for the City of St. Louis



MOSIP Accounts



City of St. Louis MOSIP Account Summary

June 30, 2023

MOSIP Account	MOSIP Liquid Series	MOSIP TERM Series	MOSIP CD Program	Total
General Fund	\$60,856,003	\$137,000,000	\$0	\$197,856,003
Water ORD #1	\$995,372	\$0	\$0	\$995,372
Water ORD #2	\$995,281	\$0	\$0	\$995,281
Parking Division	\$4,090,874	\$1,157,952	\$0	\$5,248,826
Water – General	\$10,667,924	\$0	\$0	\$10,667,924
ARP Funds	\$57,383,971	\$12,000,000	\$0	\$69,383,971
Airport – General	\$3,881,817	\$17,500,000	\$0	\$21,381,817
Fire Debt	\$6,242,162	\$0	\$0	\$6,242,162
Tilles Fund	\$51,590	\$0	\$0	\$51,590
Water Project 1	\$1,348,955	\$0	\$0	\$1,348,955
Water Project 2	\$782,171	\$0	\$0	\$782,171
Settlement Proceeds	\$59,767,808	\$175,000,000	\$0	\$234,767,808
<u>Total</u>	<u>\$207,063,927</u>	<u>\$342,657,952</u>	<u>\$0</u>	<u>\$549,721,879</u>

Account	Investment Type	How to Liquidate	Comments
MOSIP Liquid Series	Daily liquidity	For liquidation requests, call the MOSIP program at 1-800-891-7910 or call our Client Services Group at 1-877-MY-MOSIP (1-877-696-6747)	All requests must be reported to the MOSIP program by 1:00pm central time for same day initiation
MOSIP TERM Series	Fixed-rate term investment that should be held to maturity with a penalty for breaking prior to maturity	For liquidation and/or also to transfer funds upon maturity, call the MOSIP program at 1-800-891-7910 or our Client Services Group at 1-877-MY-MOSIP (1-877-696-6747)	All requests must be reported to the MOSIP program by 1:00pm central time for same day initiation



MOSIP TERM & CD Rate Sheet

MOSIP



Missouri Securities Investment Program (MOSIP) Rates

July 18, 2023

MOSIP Term Rates⁽¹⁾ (Fixed Rate/Fixed Term)

<u>Maturity</u>	<u>Date</u>	<u>Net Rate</u>
60 Days	September	5.26%
90 Days	October	5.43%
120 Days	November	5.46%
150 Days	December	5.56%
180 Days	January	5.58%
210 Days	February	5.28%
240 Days	March	5.18%
270 Days	April	5.19%
300 Days	May	5.21%
330 Days	June	5.23%
365 Days	July	5.22%

PFM Asset Management LLC Direct Purchase of Certificates of Deposit MOSIP Fixed Income Investment Program⁽¹⁾ (FDIC-Insured CDs)**

<u>Maturity</u>	<u>Date</u>	<u>Net Rate</u>
180 Days	January	5.60%
270 Days	April	5.60%
365 Days	July	5.60%
730 Days	July	5.35%

**Subject to availability. Best rate for one CD in an amount such that the total value of the CD (including interest) would not exceed applicable FDIC insurance limits, assuming no pre-existing deposits with that financial institution. Other maturities available.

CURRENT 7-Day YIELD⁽²⁾

MOSIP Liquid Series 5.03%

* We request you contact our Client Services Group for the most current fixed-rate investment options.

Call Toll-Free 1-877-MY-MOSIP (1-877-886-8747)

Press 3 for MOSIP Term and MOSIP Fixed Income Investments

www.mosip.org

- MOSIP TERM Series and MOSIP Fixed Income Investment Program rates are market rates, subject to change and the rates shown exempt of applicable advisory fees and other expenses. They are quoted on an actual day basis, interest is simple and payable at maturity. Actual rates, availability, and minimum investment amounts may vary at the time of purchase and are subject to change. Once you place an investment, the rate is fixed for the full term of your investment and there may be a penalty for early redemption. The minimum investment for MOSIP TERM Series is \$1,000,000. The minimum investment for purchasing Certificates of Deposit in the MOSIP Fixed Income Investment Program is \$25,000; the maximum investment is an amount such that the total value of the CD (including interest) will not exceed the applicable FDIC insurance limits per institution. Certificates of Deposit can be purchased through the MOSIP Fixed Income Investment Program only by executing a separate investment advisory agreement with PFM Asset Management LLC, the Investment Adviser for MOSIP (the "Fund"). Certificates of Deposit purchased through the MOSIP Fixed Income Investment Program are not issued, guaranteed or insured by the Fund or the Investment Adviser or any of its affiliates. A description of MOSIP TERM Series and the MOSIP Fixed Income Investment Program are contained in the MOSIP Information Statement. The Information Statement contains important information and should be read carefully before investing. Past performance is not indicative of future results.
- The MOSIP Liquid Series rate represents the current seven-day SEC yield as of the date indicated. The current seven-day yield, also referred to as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary. The yield shown above may reflect fee waivers by service providers that subsidize and reduce the total operating expenses of the Fund. Fund yields would be lower if there were no such waivers.

Relationship Overview



Meeting the City's Needs

➤ **Strong Record of Investment Returns**

- Outperformed benchmarks since taking over investment responsibility for the City's operating accounts in 2013
- The City earned over \$18.4 million in gross interest earnings in FY 2023 in its operating and MOSIP accounts while only paying PFMAM \$267K in investment advisory fees

➤ **Education and Training**

- Provided the City's staff with in-person investment accounting training seminars led by the head of our accounting department
- Our full-time, in-house accounting department has been a support resource in helping to answer all of the City's accounting-related questions

➤ **Customized Holistic Approach to Managing Funds**

- Updated the investment policy, diversified and extended the duration of the core reserve portfolios
 - City has taken advantage of the opportunity to further diversify its bank balances and transferred money to MOSIP – currently a more attractive, higher-yielding investment option
- Assisted the City with its bank custodial services RFP which has so far resulted in over \$100K in annual savings
- Recently set up new MOSIP accounts for ARPA funds and the Rams settlement proceeds



Client Service Team Contact Information

PFMAM Personnel	Role	Contact Regarding	Contact Information
Leslie Spencer	Primary Contact/ Relationship Manager	<ul style="list-style-type: none"> • General communication • Invoicing • Monthly reporting • Special situations • Meetings 	Phone: (213) 415-1626 Email: spencerl@pfmam.com Los Angeles, CA
Gray Lepley	Investment Strategy	<ul style="list-style-type: none"> • Investment strategy • Economic outlook • General communication • Trade tickets • Special situations 	Phone: (717) 329-9862 Email: lepleyg@pfmam.com Address: 213 Market Street Harrisburg, PA 17101
Danny Nelson	Secondary Contact	<ul style="list-style-type: none"> • General communication • Invoicing • Monthly reporting • Special situations • Meetings 	Phone: (612) 371-3747 Email: nelsond@pfmam.com Address: 800 Nicollet Mall, 4 th Floor Minneapolis, MN 55402
Amber Cannegieter	MOSIP Contact	<ul style="list-style-type: none"> • MOSIP Liquid Series • MOSIP TERM • FDIC-insured CDs • MOSIP Fixed Income Investment Program 	Phone: (717) 213-3871 Email: cannegietera@pfmam.com Address: 213 Market Street Harrisburg, PA 17101



Appendix: Portfolio Summaries



Summary of Managed Accounts

Account Summary Report for: CITY OF ST LOUIS

As of 6/30/2023

Portfolio Number	Portfolio Description	Par Value	Market Value	Accrued Interest	Total Value	Yield at Cost	Yield to Maturity	Duration to Worst
81670100	CITY OF ST. LOUIS-AIRPORT PORTFOLIO	116,365,000.00	112,728,785.65	509,145.28	113,237,930.93	2.28	5.13	1.37
81670200	CITY OF ST. LOUIS-AIRPORT PFC PORTFOLIO	15,667,000.00	15,172,807.66	69,837.49	15,242,645.15	2.23	5.13	1.36
81670300	CITY OF ST. LOUIS-GENERAL POOL PORTFOLIO	35,944,000.00	34,816,114.61	159,104.18	34,975,218.79	2.24	5.13	1.35
Total		167,976,000.00	162,717,707.92	738,086.95	163,455,794.87			



Disclaimer

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