



PMA[®]

Risk Management in Local Government Investments

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Today's Agenda

- ▶ Introductions
- ▶ Investment policy best practices and allowable investments
- ▶ Review asset/liability matching strategies for public funds
- ▶ Discuss how investment planning can help reduce risk
- ▶ Market Update





Today's Presenters: The PMA Team



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Investment Policy Development and Investing Under FL State Statutes





FL Statute 218.415 – Investment Policy Statement

- ▶ Not required to have a policy, but allows you to take control of how you invest
- ▶ Must be adopted by a governing body or respective principal officer
- ▶ Meant to put parameters on your investment activities
- ▶ Revise periodically to reflect current conditions
- ▶ Look at Florida peers





Florida Statute 218.415 Requires a Policy to address the following:

- ▶ Scope
- ▶ Investment Objectives
- ▶ Performance Measures
- ▶ Prudence & Ethical Standards
- ▶ Authorized Investments
- ▶ Maturity & Liquidity Requirements
- ▶ Portfolio Composition
- ▶ Risk & Diversification
- ▶ Authorized Broker/Dealers
- ▶ Third-Party Custodial Arrangements
- ▶ Master Repurchase Agreement
- ▶ Bid Requirements
- ▶ Internal Controls
- ▶ Continuing Education
- ▶ Reporting Requirements



Polling Question #1

- **When did you last update your investment policy?**
 1. Within 1 year
 2. 1 to 3 years
 3. Over 3 years
 4. I don't know





Investment Policy Requirements

▶ Scope

- ▶ Applies to funds in excess of those required to meet current expenses
- ▶ The investment policy shall not apply to pension funds, including those funds in Chapters 175 and 185, or funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

▶ Investment Objectives

- ▶ Safety, Liquidity & Yield
- ▶ Utilize risk management
- ▶ Meet cash needs
- ▶ Yield is important, but secondary to safety & liquidity





Investment Policy Requirements

▶ Performance Measurement

- ▶ Choose appropriate benchmarks, examples include –
 - ▶ 30-Day Treasury Bill
 - ▶ 3-month Treasury Bill
 - ▶ ICE BofA 1-3 Year U.S. Treasury Index
 - ▶ Bloomberg 1-3 Year Government Index
 - ▶ Bloomberg 1-5 Year US Government / Credit Index

▶ Prudence

- ▶ Essentially means there is an expectation that those making investments display good judgement and take appropriate care when investing





Investment Policy Requirements

Maturity and Liquidity Requirements

- ▶ The investment policy shall require that the investment portfolio is structured in such manner as to provide sufficient liquidity to pay obligations as they come due.
 - ▶ Match investment maturities with known cash needs





Investment Policy Requirements

Portfolio Composition

- ▶ Establish guidelines and limits on security:
- ▶ Issues
- ▶ Issuers
- ▶ Maturities

Risk and Diversification

- ▶ Investments held should be diversified to the extent practicable to control the risk of loss **resulting** from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold





Investment Policy Requirements

Security Type	Type Limit	Issuer Limit
U.S. Treasury	100%	100%
U.S. Government Agencies and Instrumentalities	50%	25%
SEC Registered Money Market Funds	50%	25%
Florida Intergovernmental Investment Pools (LGIP)	75%	25%
QPD Certificates of Deposit	50%	25%
QPD Savings Deposits	75%	25%
State & Local Government Debt	25%	5%
Corporate Obligations and Commercial Paper	25%	5%





Investment Policy Requirements

▶ Authorized Dealers

- ▶ Specify the authorized securities dealers, issuers, and banks from whom local government may purchase securities.
- ▶ Review and update list periodically

▶ Custodial Agreements

- ▶ Lay out appropriate arrangements for the holding of assets
- ▶ No withdrawal of securities, except by an authorized staff member of the unit of local government.
- ▶ “Delivery vs. Payment” basis, if applicable





Investment Policy Requirements

▶ Master Repurchase Agreement

- ▶ IPS shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master repurchase agreement.

▶ Competitive Bidding

- ▶ Require that staff determines the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate.





Investment Policy Requirements

▶ Internal Controls

- ▶ Provide for a system of internal controls and operational procedures.
- ▶ Provide for review of such controls by independent auditors
- ▶ The internal controls should be designed to prevent losses

▶ Continuing Education

- ▶ Investment officials must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.





Investment Policy Requirements

▶ Reporting

- ▶ Provide for appropriate annual or more frequent reporting of investment activities.
- ▶ Officials responsible for making investment decisions shall prepare periodic reports
- ▶ Such reports shall be available to the public.

▶ Things to think about

- ▶ Are you able to invest in all the asset types you think are appropriate?
- ▶ Has the entity's risk profile changed since you started?
- ▶ Do you understand your cash flow needs? Are you investing a portion of your core funds further out the yield curve?
- ▶ Are you okay with some level of price volatility, especially if you intend to hold investments to maturity?





(17) Authorized Investments: No Written Investment Policy

Those units of local government electing not to adopt a written investment policy in accordance with investment policies developed as provided in subsections (1)-(15) may invest or reinvest any surplus public funds in their control or possession in:

- a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
- d) Direct obligations of the U.S. Treasury.

The securities listed in paragraphs (c) and (d) shall be invested to provide sufficient liquidity to pay obligations as they come due.



(16) Authorized Investments: Written Investment Policies

-Typical Investment Types





Deposit Accounts (QPD)

- ▶ Transactional Checking Accounts
 - ▶ Payroll, A/P
- ▶ Earnings Credit Rate
 - ▶ Rates applied to non-interest bearing balances to offset services charges
 - ▶ Used to calculate compensating balance
 - ▶ Typically settles monthly
- ▶ Savings/Money Market Accounts
 - ▶ Compounding, frequency varies
- ▶ Check in with banker regularly
 - ▶ Ask about structure of accounts
 - ▶ Ask about interest rates earned





Certificates of Deposit (QPD CD)

- ▶ Must be placed with Qualified Public Depositories (F.S. Chapter 280)
- ▶ Fixed term investment with specified maturity date
- ▶ Penalties for early withdrawal
- ▶ Negotiable certificates of deposit are prohibited under Chapter 280
- ▶ CDARS are allowable under Chapter 218.415(23)
 - ▶ Funds must initially be deposited in a qualified public depository





U.S. Treasury Securities

▶ Treasury Bills

- ▶ Issued by US. Treasury – maturities of 1-year or less
- ▶ Issued at a discount of face value (Zero Coupon)
- ▶ Same or next day settlement date

▶ Government Notes

- ▶ Maturities of 2 to 10 years – mature on 15th and Last Day of Month
- ▶ Issued in denominations of \$1k, \$5k, \$10k, \$100k & \$1.0mm
- ▶ Coupon Bonds – Purchase at par, premium or discount
- ▶ Interest (Coupons) paid semi-annually
- ▶ Same or next day settlement date

▶ Government Bonds

- ▶ Maturities of 10 to 30 years – Mature on 15th and Last Day of Month
- ▶ Coupon Bonds – Purchase at par, premium or discount
- ▶ Interest (Coupons) paid semi-annually
- ▶ Same or next day settlement date





Government Sponsored Enterprises

(U.S. Agency and Instrumentality Securities)

- ▶ Financing entities to fund loans to certain groups of borrowers
- ▶ Unsecured debt obligations with implied guarantee of the US Government
 - ▶ Federal National Mortgage Association (FNMA) (Fannie Mae)
 - ▶ Federal Home Loan Mortgage Corporation (FHLMC) (Freddie Mac)
 - ▶ Federal Home Loan Bank (FHLB)
 - ▶ Federal Farm Credit System (FFC)





Callable Agency Notes

- ▶ Issuer has right to redeem the security on a given date or dates - call date(s)
- ▶ The value of the “call option” varies depending on the following factors:
 - ▶ Current market rates relative to the security’s coupon rate
 - ▶ Time remaining to the call date
 - ▶ Call type





Registered Money Market Fund / Local Government Investment Pools (LGIPs)

- ▶ Investors own shares of the fund/pool
- ▶ Net Asset Value (NAV)
 - ▶ Stable NAV (Managed to dollar in/dollar out)
 - ▶ Floating NAV (bond funds/pools)
- ▶ Maximum WAM = 60 days (WAM to Reset for Stable NAV funds)
- ▶ Look for funds rated by S&P or other rating agencies (AAA)
- ▶ Not a bank deposit





Municipal Securities

- ▶ Obligation of a State, County, City, Village, School District or other special purpose district
- ▶ General Obligation
 - ▶ Not all GO bonds are the same
 - ▶ Limited versus Unlimited Tax
 - ▶ Some GO bonds have no separate tax levy
- ▶ Revenue
 - ▶ Essential service revenue bonds (water & sewer)
 - ▶ Other revenue generating entities including toll roads, airports, parking and many others





Commercial Paper (CP) & Corporates

Commercial Paper

- ▶ Short-term unsecured promissory note
- ▶ Default risk present
- ▶ Industrial & financial firms are issuers of CP
- ▶ Commercial paper usually offers a higher return compared to other short-term investments such as Treasury bills, compensating for the slightly higher risk.

Corporate Notes and Bonds

- ▶ Similar to commercial paper, but with maturities greater than 1 year
 - ▶ Can offer higher returns compared to government securities
 - ▶ Credit risk is generally higher
 - ▶ Risk and return can vary greatly depending on the specific security and the issuing corporation's financial health



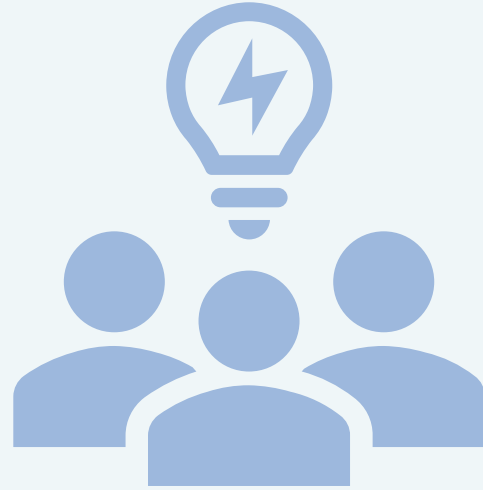
Polling Question #2

What's the maximum Weighted Average Maturity (to Reset) of a Stable Net Asset Value fund?

- 45 days
- 60 days
- 120 days
- 365 days



Investment Risks





Credit Risk

- ▶ Broad term that includes multiple factors that may impact an issuer's ability to meet its obligations:
 - ▶ Default risk
 - ▶ Downgrades in credit ratings
 - ▶ Shifts in economic conditions
 - ▶ Changes in an issuer's financial position





Credit Ratings

Investment Grade Ratings			
Moody's	S&P	Fitch	Credit Worthiness
Aaa	AAA	AAA	An obligor has EXTREMELY STRONG capacity to meet its financial commitments.
Aa1	AA+	AA+	An obligor has VERY STRONG capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	An obligor has STRONG capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	An obligor has ADEQUATE capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	





Default Risk

- ▶ Risk of an issuer failing to make timely payments of interest or principal on its outstanding obligations
- ▶ Happens occasionally but it is rare for investment grade securities
- ▶ Securities are more likely to be downgraded than to default
- ▶ Must monitor security credit quality and ratings on an ongoing basis to make sure they remain appropriate investments





Interest Rate Risk

- ▶ Potential for the value of an investment to decrease as a result of changes in the level of interest rates
- ▶ Affects fixed income investments such as bonds, where a rise in interest rates makes existing bonds less attractive, leading to a decrease in their prices
- ▶ Measured through duration
 - ▶ A measure of the sensitivity of a bond's or portfolio's price to a change in interest rates

Bond prices and interest rates generally move in opposite directions





Reinvestment Risk

- ▶ The risk that yields will be lower when reinvesting cash flows such as maturities, calls, paydowns or coupons
- ▶ Callable bonds may hold higher reinvestment risk because these bonds are typically called when interest rates decline
- ▶ Investing to a shorter maturity than needed increases reinvestment risk
 - ▶ Match investment maturities with expected cash needs
 - ▶ An inverted yield curve may inadvertently encourage shorter term investments and thereby increase reinvestment risk





Timing Risk

- ▶ Many investors try to “time the market”, meaning they attempt to predict when the market will rise or fall
- ▶ This extremely challenging even for the best and brightest in the industry
- ▶ “Time In” the market typically produces better results over time than trying to time the market
- ▶ It is important to invest to a plan and maintain commitment over time





Liquidity Risk

- ▶ Can you sell a security? At what price?
- ▶ Must understand the liquidity of each investment you make
- ▶ Factors that may contribute to liquidity risk include low trading volume, market disruptions, changes in investor sentiment or economic conditions
- ▶ Some investments such as CD's have penalties for early withdrawals





Liquidity

Liquid



▶ Money Market Accounts

▶ Treasury Instruments



▶ Commercial Paper / Corporate Notes

**Degree
of
Liquidity**



▶ Municipal Securities

Illiquid



▶ Certificates of Deposit





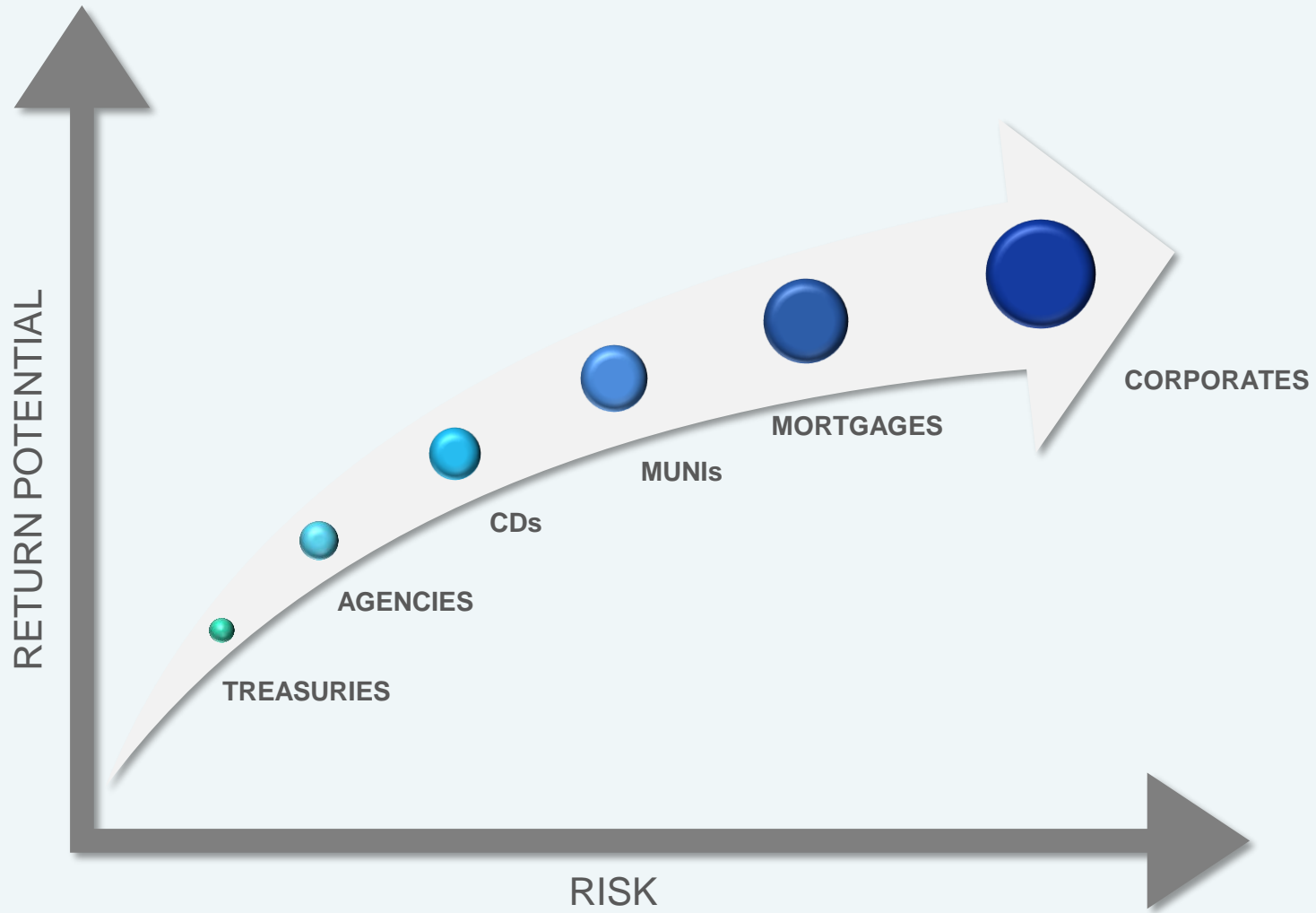
Headline Risk

- ▶ Risk that news can negatively affect investment performance or public perception
- ▶ Information can spread through various channels faster than ever
- ▶ Examples:
 - ▶ Volkswagen Dieselgate
 - ▶ Wells Fargo consumer product issues
 - ▶ Recent regional bank woes





Investment Types





Investments along with Corresponding Risks

- ▶ US Treasuries
 - ▶ Interest Rate, Reinvestment, Default Risk, Headline Risk
- ▶ Registered MMFs/Stable NAV LGIPs
 - ▶ Reinvestment, Credit, Default, Headline Risk
- ▶ Municipal Securities
 - ▶ Interest Rate, Reinvestment, Credit, Default, Liquidity, Headline Risk
- ▶ Commercial Paper
 - ▶ Interest Rate, Reinvestment, Credit, Default, Liquidity, Headline Risk
- ▶ Certificates of Deposit (QPD)
 - ▶ Reinvestment, Liquidity, Headline Risk





Managing Investment Risks

- ▶ Effective Investment Planning is the best way to manage investment risks
 - ▶ Match assets and liabilities
 - ▶ Reduces reinvestment risk
 - ▶ Reduces liquidity risk
 - ▶ Promotes diversification
 - ▶ Diversify investments by:
 - ▶ Security type
 - ▶ Issuer (bank or company)
 - ▶ Sector (financial, industrial, technology, municipal, etc.)
 - ▶ Limit investments to ones you thoroughly understand
 - ▶ Don't try to time the market
 - ▶ Monitor credit ratings or utilize a Registered Investment Advisor



Polling Question #2

Which investment type typically carries with it the most liquidity risk?

1. Corporate Obligations
2. Municipal Securities
3. Certificates of Deposit
4. Demand Deposit Accounts
5. Stable NAV Funds



Investment Planning





Investment Planning Process



Goals and Objectives

State Statute
Safety, Liquidity, Return



Cash Flow Forecast

Asset-Liability Alignment
Identify Reserves



Investment Strategy Development

Investment Ladder
Active Management



Diversification

Utilize Full Spectrum of Allowable Investments



Invest with a Purpose

Reduce Risk
Enhance Returns





When Should a Public Entity Invest?

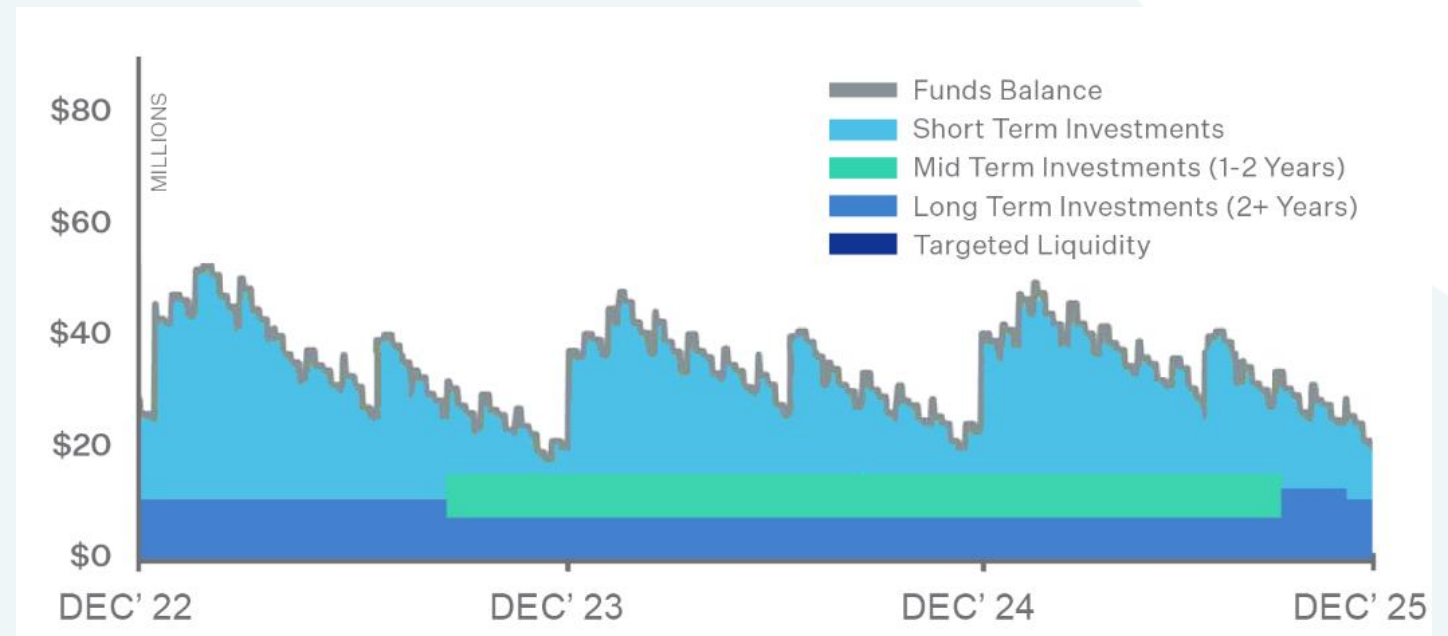
- ▶ Determined by an entity's cash flow
- ▶ A good Cash Flow plan will...
 - ▶ Ensure all liabilities are properly funded
 - ▶ Project / identify cash flow timing & amount
 - ▶ Avoid over-funding of liabilities
 - ▶ Use just-in-time funding
 - ▶ Establish / maintain adequate liquidity level
 - ▶ Allow immediate investment execution - maximize interest





Cash Flow Forecasting

- ▶ **Maximize Efficiency & Income Potential**
- ▶ **Liability Matching**
 - ▶ Revenue and Expense Projections
 - ▶ Avoid excess liquidity
- ▶ **Maintains Liquidity Levels**
 - ▶ Money market balances
 - ▶ Other liquid investments
- ▶ **Identifies Balance Low Points**
 - ▶ Timing and amount
 - ▶ Define short-term borrowings
 - ▶ Establish reserve amounts





Investments Should Align with Strategy





Allowable Investments by Term

Short Term Investments (0-12 Months)

- Treasury Bills
- Agency Discount Notes
- CDs
- Commercial Paper
- LGIPs
- Term Series
- Money Markets

Mid Term Investments (9 months – 2 years)

- CDs
- Treasury Notes
- Agency Notes
- Taxable Municipal Bonds
- Agency Mortgage-Backed Securities
- Corporate Notes
- Variable NAV LGIP's

Long-Term Investments (2+ Years)

- Treasury Notes
- Agency Notes
- Taxable Municipal Bonds
- Agency Mortgage-Backed Securities
- Corporate Notes
- Variable NAV LGIP's





Investment Approach: Buy and Hold versus Active Management

- ▶ Buy and Hold: Hold to maturity investments such as CD's.
- ▶ Active Management: Continuous review of best alternatives
 - ▶ Hold to maturity
 - ▶ Roll down the yield curve
 - ▶ Sell security as it ages and rolls to a lower yield (higher price)
- ▶ Credit Spreads
 - ▶ What has value today?
 - ▶ Determine if we are getting paid to take credit risk
 - ▶ Diversification
- ▶ Duration/Curve positioning
 - ▶ Evaluate best duration fit for client objectives
 - ▶ Continuously evaluate yield curve for best return potential





Laddering: A Proven Investment Strategy

- ▶ Power of a ladder
 - ▶ Reinvest over time
 - ▶ Similar to dollar cost averaging in stocks
 - ▶ Works in all rate environments
 - ▶ Rates Fall: Locked in higher yields in longer maturities
 - ▶ Rates Stable: Longer maturities will enhance yield
 - ▶ Rates Rise: Reinvest at higher yields as bonds mature





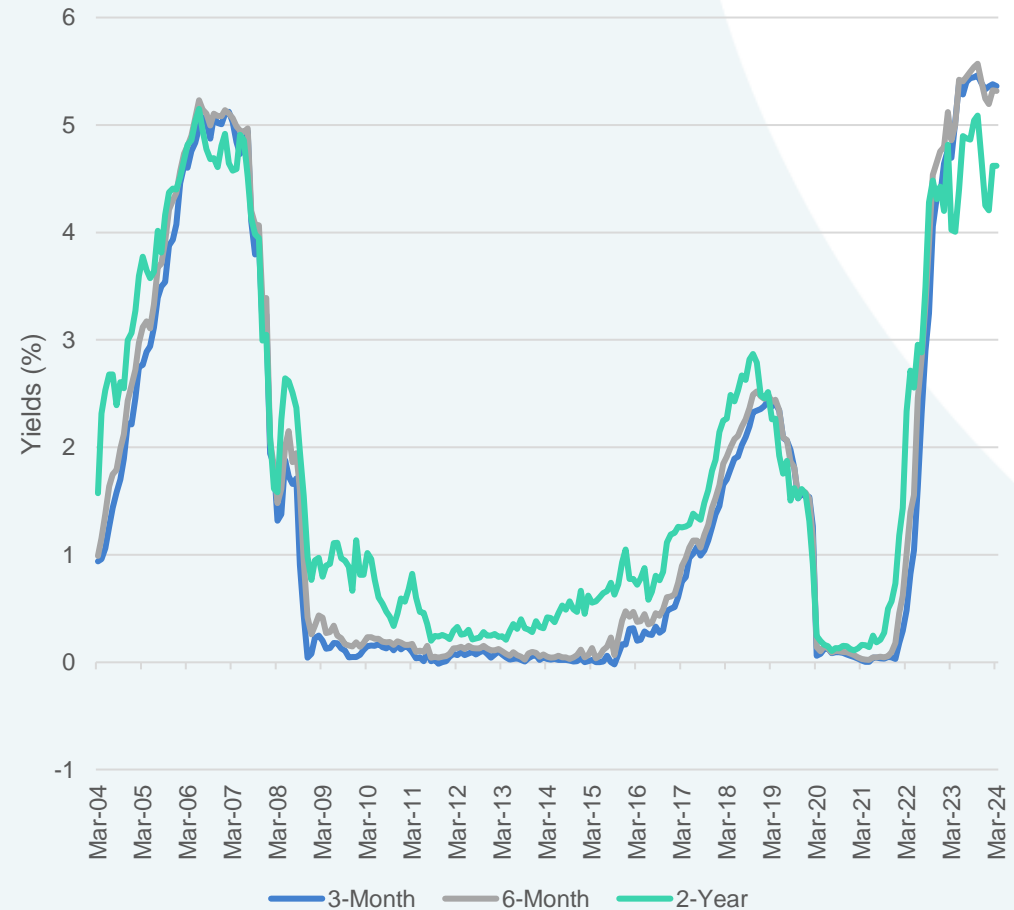
Disciplined Investment Approach

Average Treasury Yields Over Past 20 Years		
3-Month	6-Month	2-Year
1.49%	1.61%	1.83%

Why Invest Longer Today at a Lower Yield?

- ▶ Markets are efficient
- ▶ It is very difficult to time the market
- ▶ Through time, investing longer generates higher yields and income

Value of Extending





Investment Returns Extending and Diversifying



- Extending from 1-3 month T bills to 1-3 year Treasuries added 36 basis points of annualized returns over the past 20 years
- Diversifying with corporates added 20-40 basis points of returns to 1-3 year and 1-10 year index returns





Efficient Markets

- ▶ Stay Invested
 - ▶ Investing longer now “locks in” income
 - ▶ The market is efficient

Example:

Investment Amount		\$1,000,000
2-Year Rate	4.88%	\$97,600
1-Year Rate	5.18%	\$51,800
Breakeven Rate	4.58%	\$45,800
		\$97,600





Don't Leave Money on the Table



Consider this:

- ▶ Do my investments closely match my liabilities?
- ▶ Does my current investment strategy optimize results in different economic and market scenarios?
- ▶ Don't pay for liquidity you don't need





Key Takeaways

- ▶ Good investing begins with good planning
- ▶ Analyze cash flow needs to maximize investment horizon
- ▶ Compare yields and returns to a benchmark
- ▶ The market is efficient
- ▶ Invest with a Purpose



Polling Question #4

What does cash flow analysis allow you to do?

1. Identify liquidity needs
2. Identify reserve assets
3. Match investments with liabilities
4. All of the above



Case Study





Case Study Considerations

- ▶ First Time Utilizing an Investment Advisor
- ▶ Investment Policy Updates Needed
- ▶ Most Prior Investments in Banks and LGIPs
- ▶ Determine Amount of Long-term Reserves
- ▶ Add Cash Management Needs





Investing Long Term Reserves

- ▶ Maintain high quality portfolio aligned with State Statute, Investment Policy and portfolio goals & objectives
- ▶ Strategically diversify across allowable fixed income sectors





Investment Policy Updates

- ▶ Revised the Investment Policy format to align with Florida Statute 218.415 and GFOA Best Practices
- ▶ Updated authorized personnel such as City Manager, Director of Finance and their duties as to the IPS and deleted the Investment Advisory Committee
- ▶ Added an easy-to-read schedule of authorized investments that includes sector limits, ratings and maximum effective duration
- ▶ Created two benchmarks:
 - ▶ 3-month US Treasury Bills for the City's Short-term Operating portfolio.
 - ▶ The ICE BofA 1-5 Year U.S. Treasury and Agency Index for the City's Long-term Reserves





Investment Policy Updates

Additional Allowable Investments

- ▶ Corporate Debt Securities
- ▶ Municipal Obligations (State & Local)
- ▶ Asset Backed Securities

Deleted from Original IPS

- ▶ The Financial Services Director shall have five percent (5%) discretionary prudent expert authority to invest in unlisted vehicles which may, from time to time, become available.





Sector	Sector Maximum %	Per Issuer Maximum %	Minimum Issuer Ratings Requirement (at time of purchase)	Maximum EDUR* (at time of purchase)
U.S. Treasury	100	100	NRSRO long-term rating A- or A3 or short-term rating of A-1 or equivalent	5 years
U.S. Government Agencies	75 (inclusive of all security types)	25		
Federal Instrumentalities				
Repurchase Agreements	25	10	Counterparty NRSRO long-term rating A- or A3 (or if not rated by an NRSRO, then the counterparty's parent). If the counterparty is a Federal Reserve Bank, no rating is required	31 days
Commercial Paper	40	5	NRSRO long-term rating A- or A3 or short-term rating of A-1 or equivalent	270 days
Corporates				5 years
Banker Acceptance Notes	25	5	NRSRO long-term rating A- or A3 or short-term rating of A-1 or equivalent	180 days
SEC Registered Money Market Funds	50	10	AAAm or equivalent	N/A
SEC Registered Bond Funds	25	10	AAAf or equivalent	2 years
Florida Interlocal Investment Pools	75	50	AAAm or AAAf or equivalent	2 years
State & Local Government Debt	25	5	NRSRO rating category A; source of payment limited to taxes or essential service utility revenue	5 years
Asset Backed securities including ABCP	25	5	NRSRO long-term rating AAA or Aaa or short-term rating of A-1 or equivalent	5 years
QPD CD	75	20	N/A	5 years
QPD Money Market				1 day
Supranational Bonds	10	5	NRSRO >or= to U.S. GSEs; U.S. must be largest capital contributor	5 years

*EDUR – Effective Duration





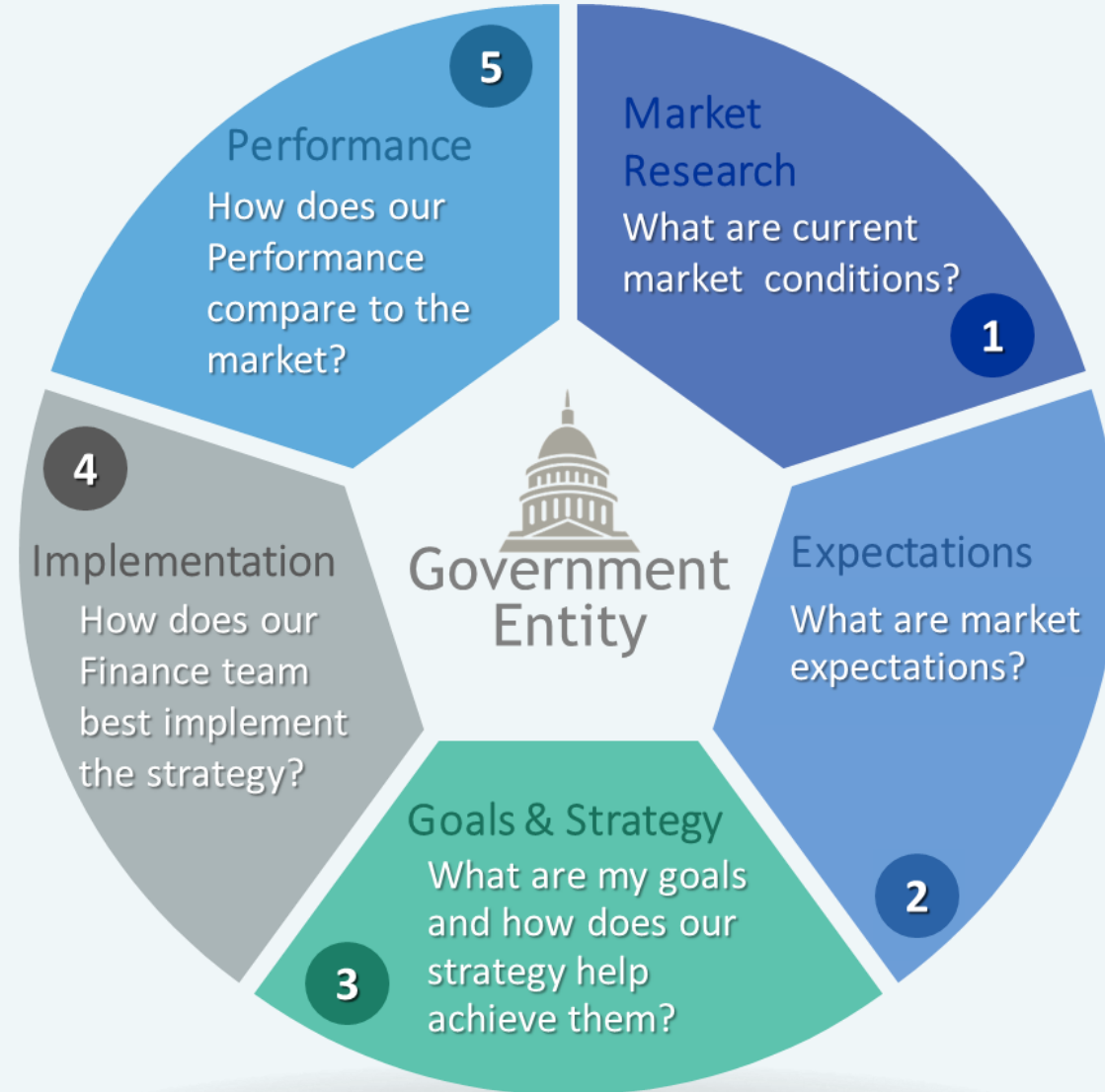
Cash Flow Forecasting

- ▶ Next Steps
- ▶ Maximize Investment Policy
- ▶ Generate efficiency in process





Investment Process

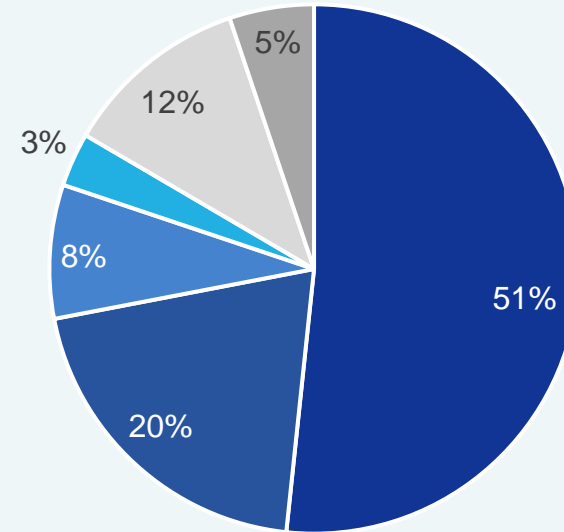




Long-Term Portfolio Investment Goals and Allocation

INITIAL GOALS / OBJECTIVES

- ▶ Establish benchmark of ICE BofA 1-5 Year US Treasury Index
- ▶ Invest in high-quality, highly liquid market sectors
- ▶ Maintain strong diversification by issue, issuer, sector and maturity
- ▶ Align duration with benchmark
- ▶ Increase yield and potential returns
- ▶ Actively manage portfolio to meet City needs

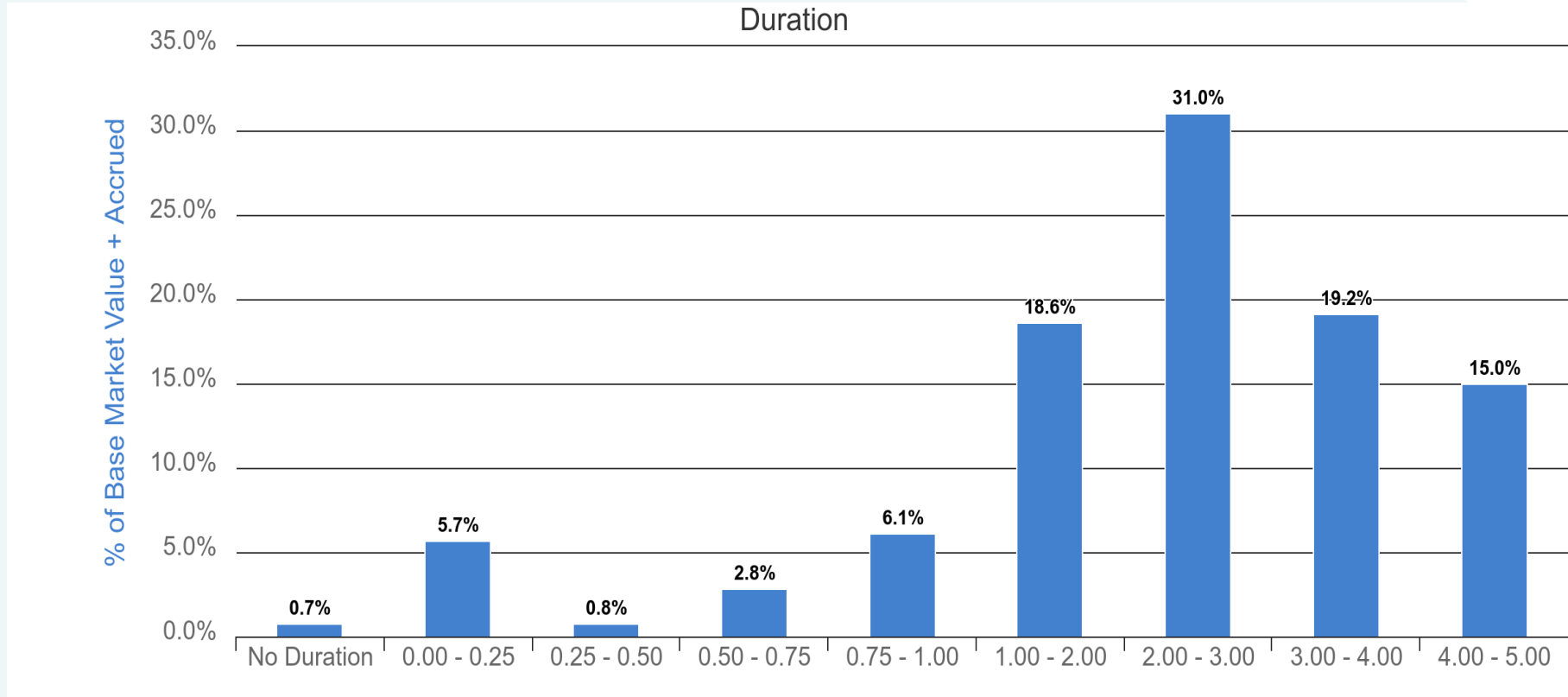


- US Treasury
- US Agency Notes
- Agency MBS
- Municipal
- Corporate
- Asset-Backed Securities





Long-Term Portfolio Diversification by Maturity / Duration



Polling Question #5

What risk does duration measure?

1. Credit risk
2. Headline risk
3. Liquidity risk
4. Interest rate risk

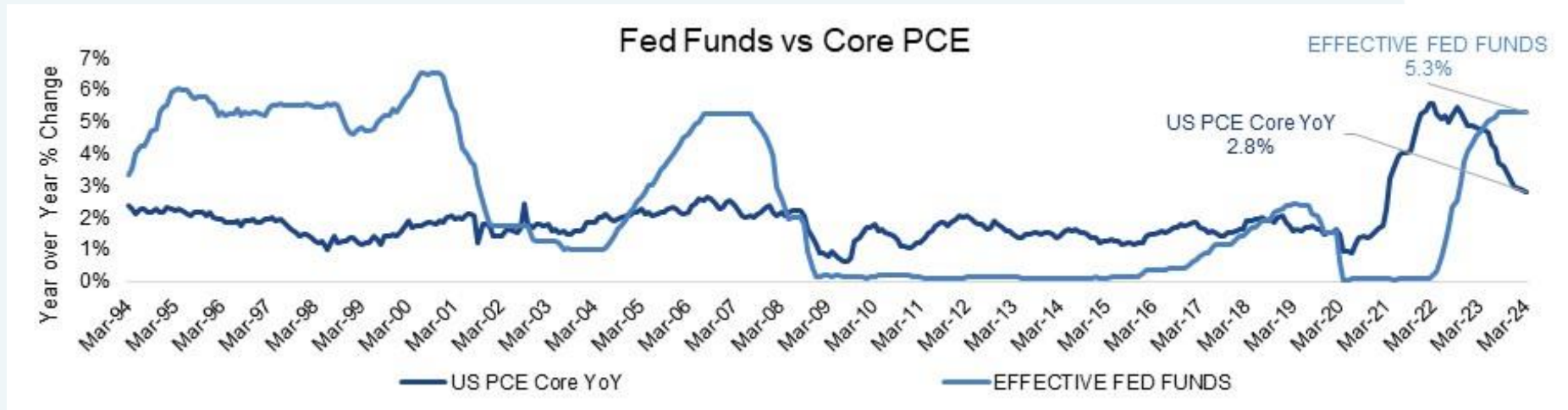


Market Update





Inflation Continues Decline but Moderates

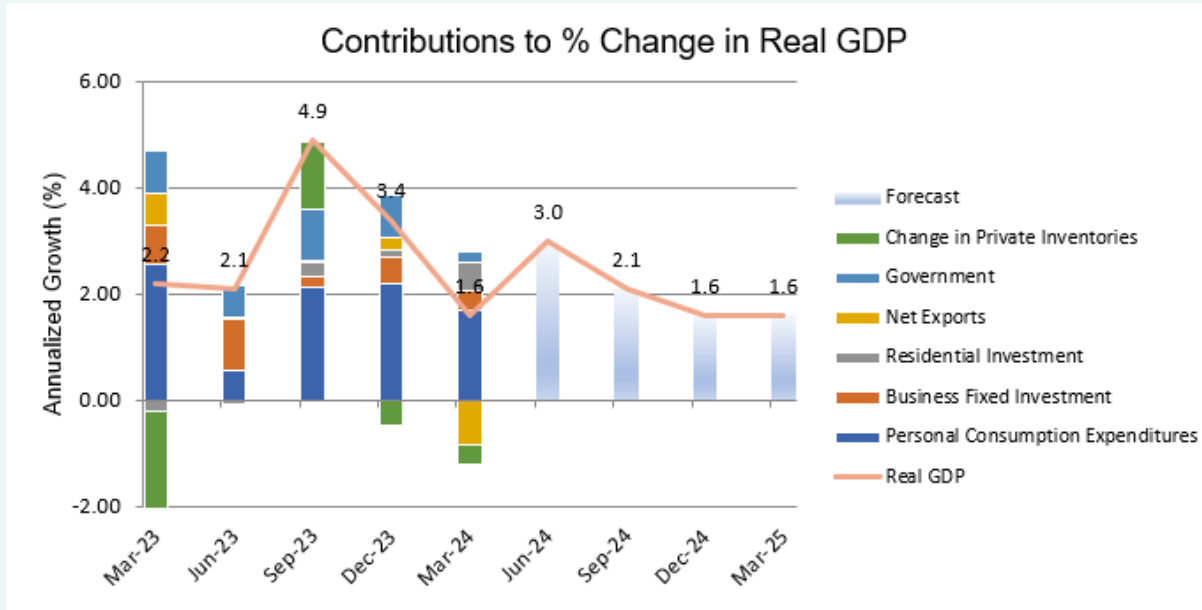


- Current Fed Funds rate increasingly above inflation levels
- Core CPI continuing to slowly decline, aided by a decline in wage growth

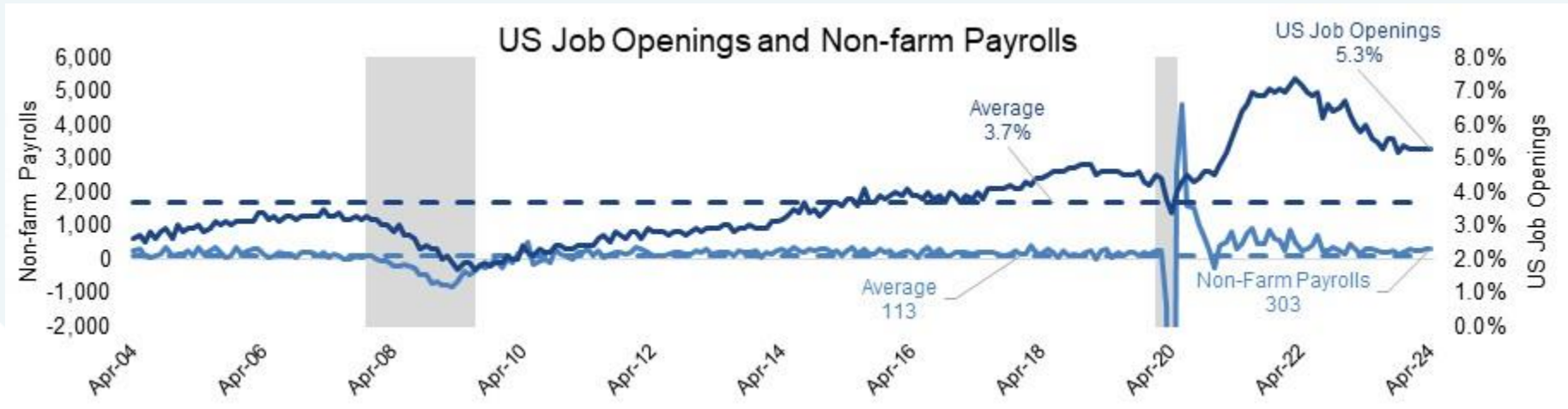




Growth and Employment

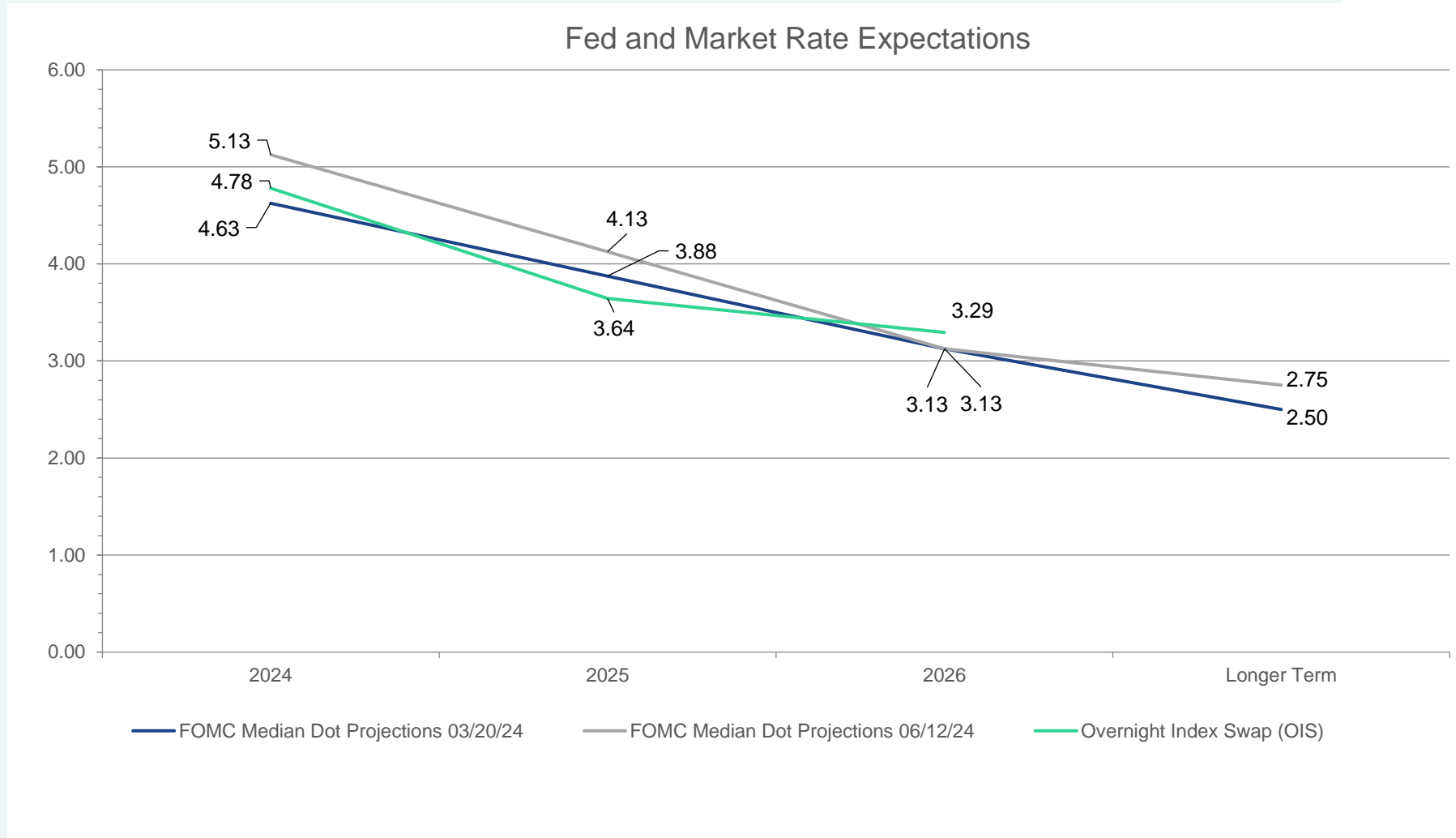


- Higher than expected growth in 2023 with positive future forecasts
- Employment picture moves from hot to simply strong



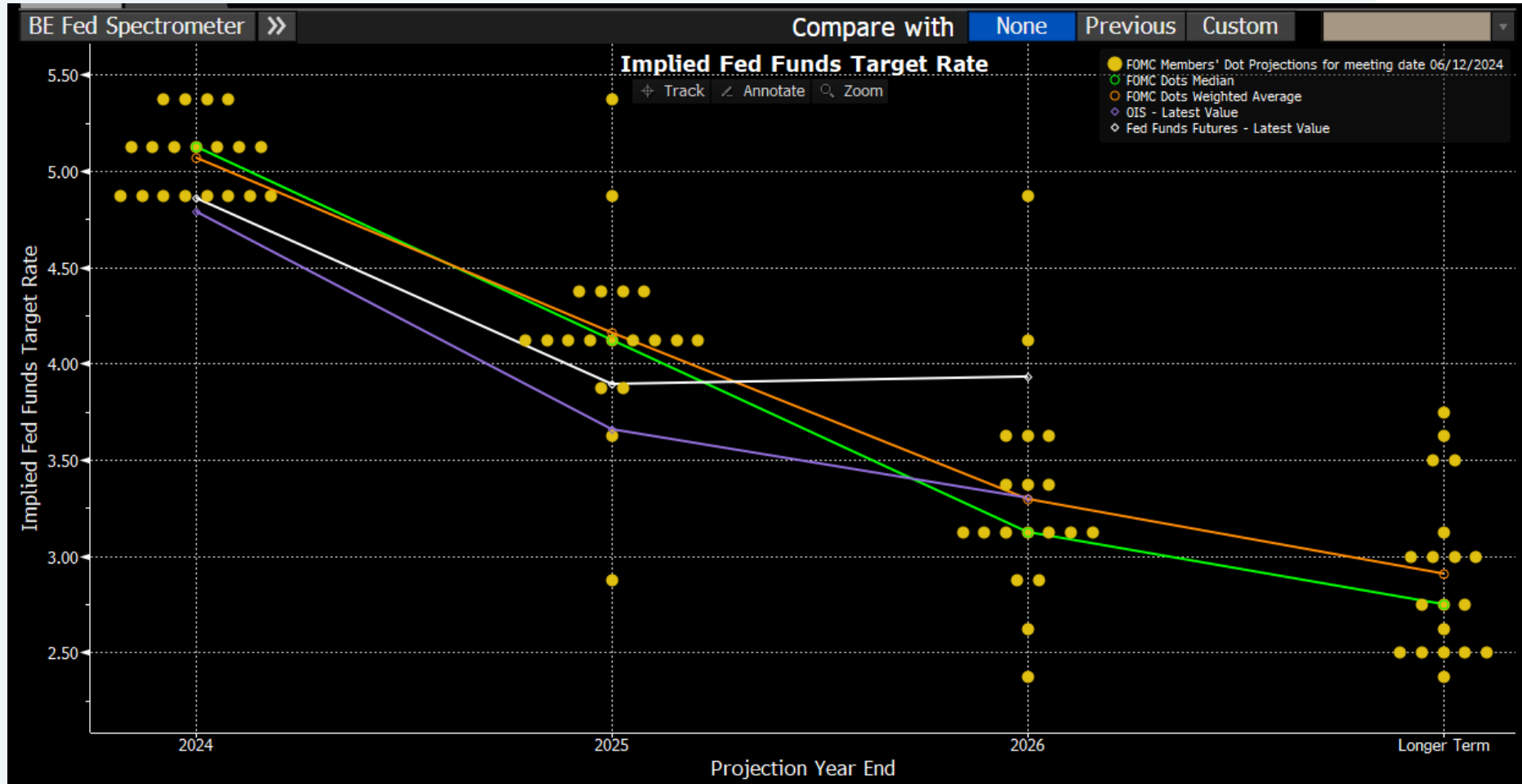


Rate Cuts and Higher for Longer





Fed Funds Rate Projections



Source: Bloomberg





Fed Funds Rate Projections

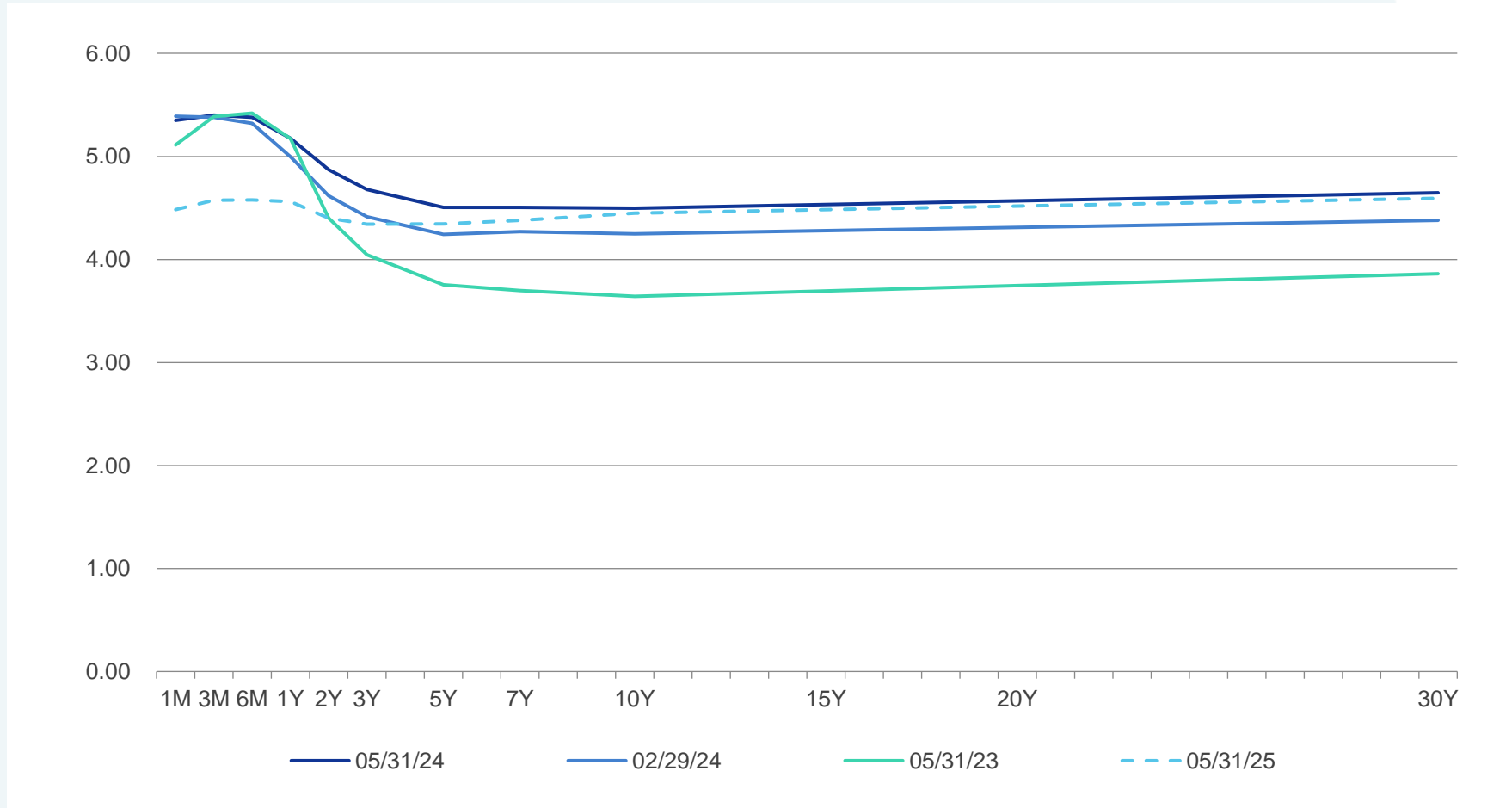
Region: United States »			Instrument: Fed Funds Futures		
Target Rate	5.50		Pricing Date		06
Effective Rate	5.33		Cur. Imp. O/N Rate		
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	
07/31/2024	-0.100	-10.0%	-0.025	5.302	
09/18/2024	-0.700	-60.0%	-0.175	5.153	
11/07/2024	-1.065	-36.5%	-0.266	5.061	
12/18/2024	-1.865	-80.0%	-0.466	4.861	
01/29/2025	-2.420	-55.5%	-0.605	4.722	

Source: Bloomberg





U.S. Treasury Yield Curve Remains Inverted





PMA Market Outlook

- ▶ The Fed's Next Move is Expected to be a Rate Cut
- ▶ Lagging Impacts of Tighter Monetary Policy Create Growth Headwinds
- ▶ Market Volatility Continues on Economic and Policy Uncertainty
- ▶ Domestic and International Geopolitical Risks in Focus
- ▶ Corporate Balance Sheets Supportive, Signs of Consumer Stress
- ▶ Outlook for Solid Returns Across Asset Classes in 2024



Polling Question #6

How many rate cuts will there be by the end of the year?

1. 1 cut
2. 2 cuts
3. 3 cuts
4. No cuts





Disclaimer

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