

City of Hayward

Investment Update

November 20, 2024

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Market Themes



- The U.S. economy is characterized by:
 - A labor market that is in better balance and supports consumer activity
 - Inflation that has made meaningful progress towards the Federal Reserve's (Fed) 2% target
 - Resilient economic growth and consumer spending that support the 'soft landing' scenario



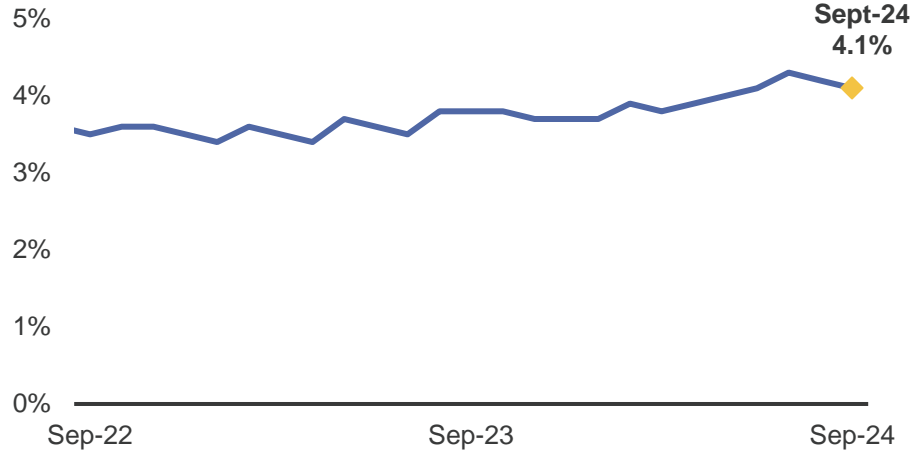
- The Federal Reserve began their easing cycle
 - The Fed cut the federal funds target rate by 50 basis points (bps) to 4.75% - 5.00% at its September FOMC meeting
 - Fed officials noted they have gained greater confidence the risks to their dual mandate are "roughly" in balance



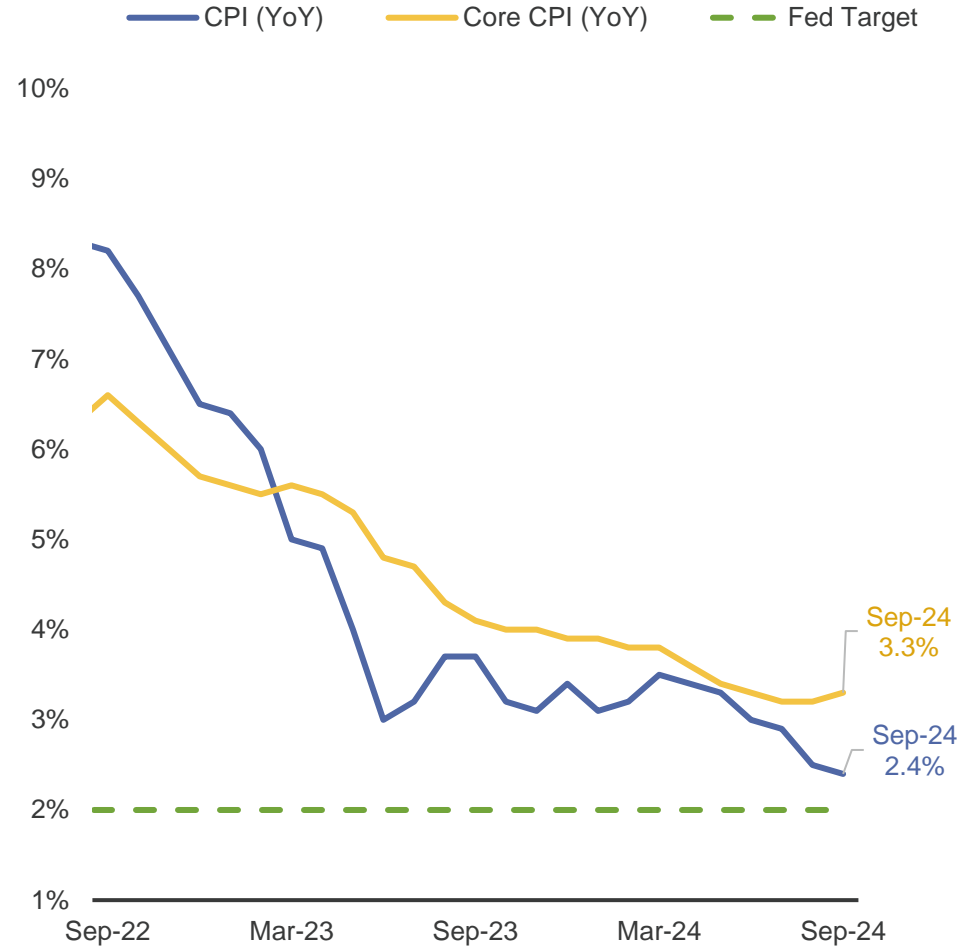
- Treasury yields peaked in October 2023
 - After peaking in October 2023, yields have trended lower
 - The yield curve began to disinvert in the most recent quarter as the spread between the 2-year and 10-year Treasury reached positive territory for the first time in over 2 years

Labor Market Moves Into Better Balance and Inflation Trends Lower

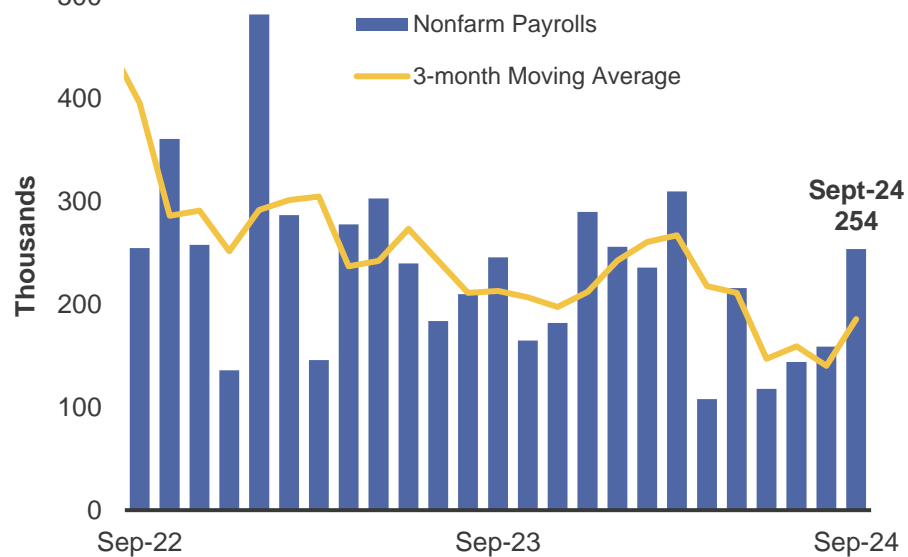
Unemployment Rate



Consumer Price Index (CPI) Year-Over-Year Changes



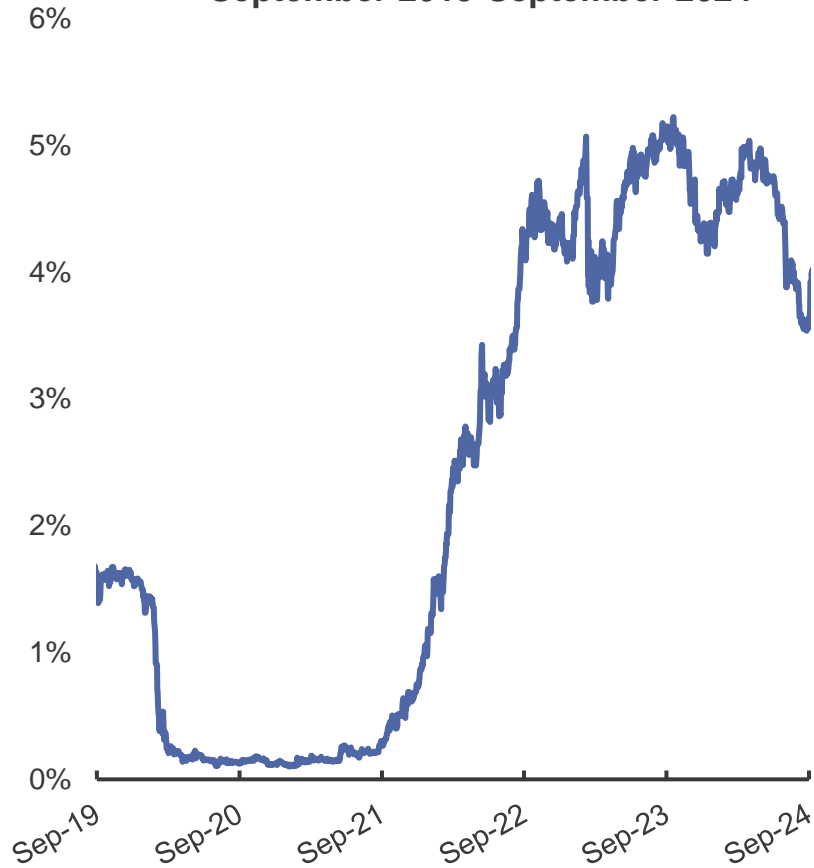
Monthly Change In Nonfarm Payrolls



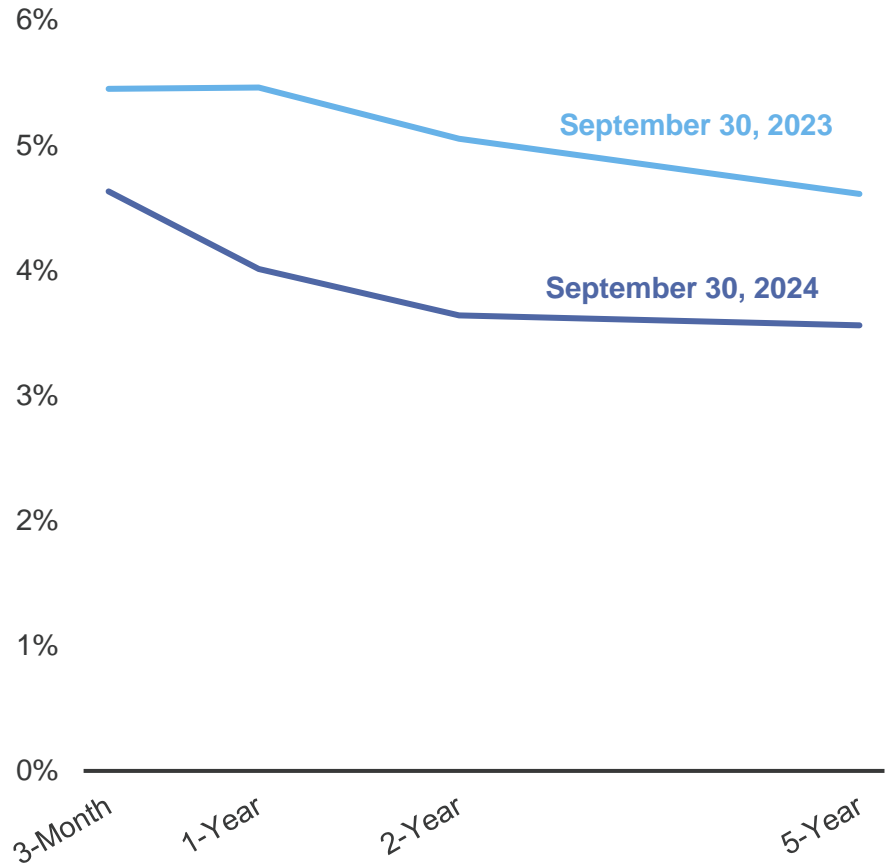
Source: Bureau of Labor Statistics and Bloomberg Finance L.P., as of September 2024. Data is seasonally adjusted.

Interest Rate Update

**2-Year Treasury Yield
September 2019-September 2024**



U.S. Treasury Yield Curve



Source: Bloomberg Finance L.P., as of September 30, 2024.

Hayward's Investment Objectives

Safety

- High quality investments
- Management of credit and market risk

Liquidity

- Cash flow coordination with the staff
- Allocation to overnight funds

Yield

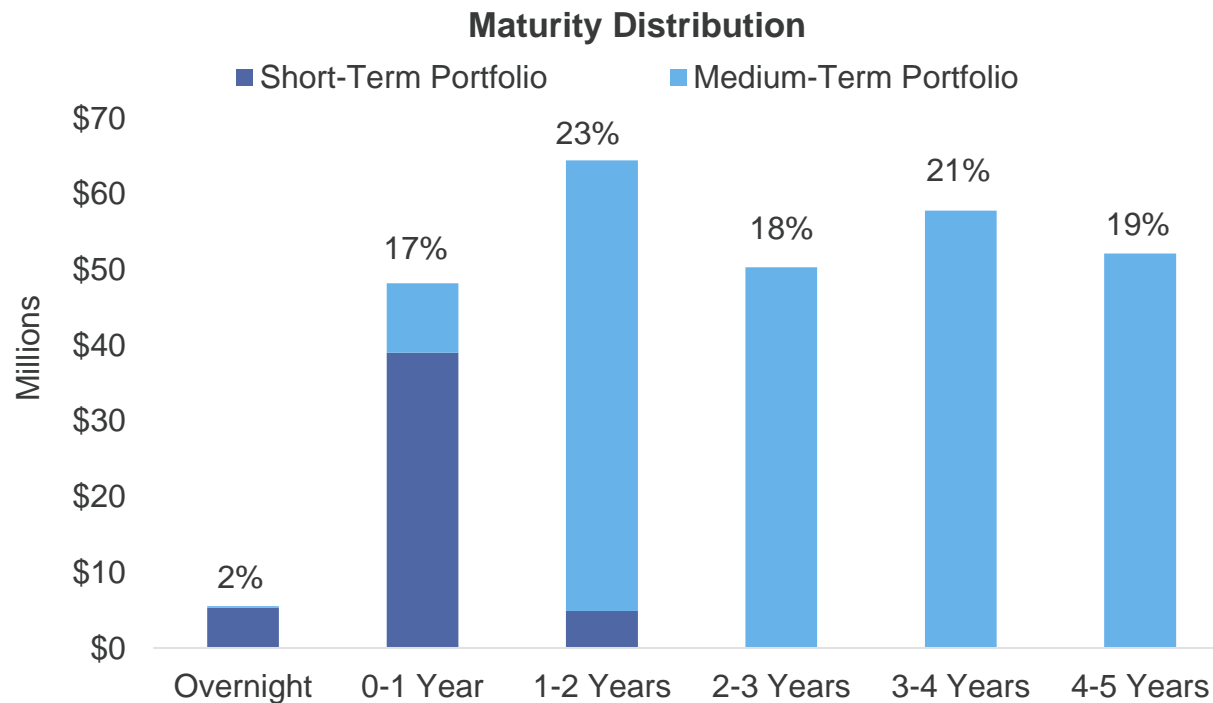
- Duration management
- Active trading and continual evaluation of relative value among allowable sectors

Diversification

- Diversification by sector, issuer, and maturity

Overview of The City's PFMAM-Managed Funds

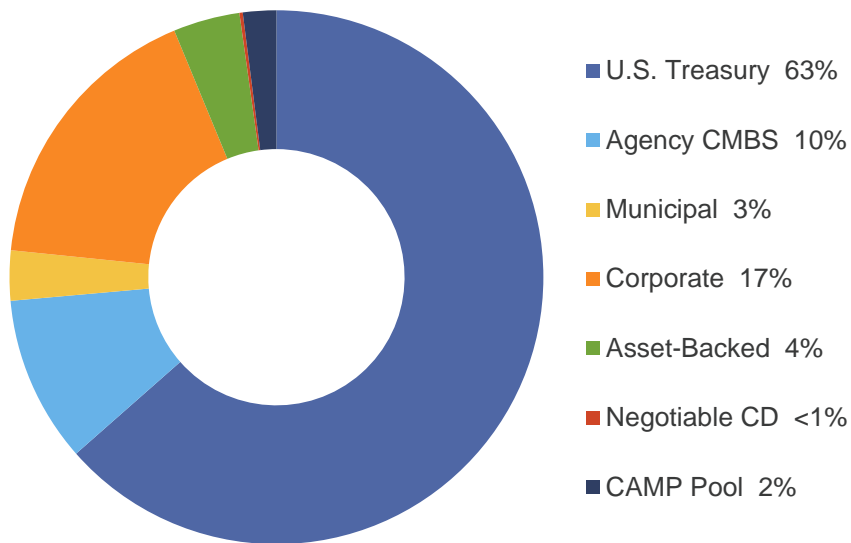
	Market Value	Average Duration	Yield at Cost	Yield at Market
City of Hayward Portfolio	\$230,657,909	2.54 years	3.57%	3.83%
Short-Term Portfolio	\$49,613,614	0.53 years	4.95%	4.57%
Combined	\$280,271,523	2.22 years	3.79%	3.95%



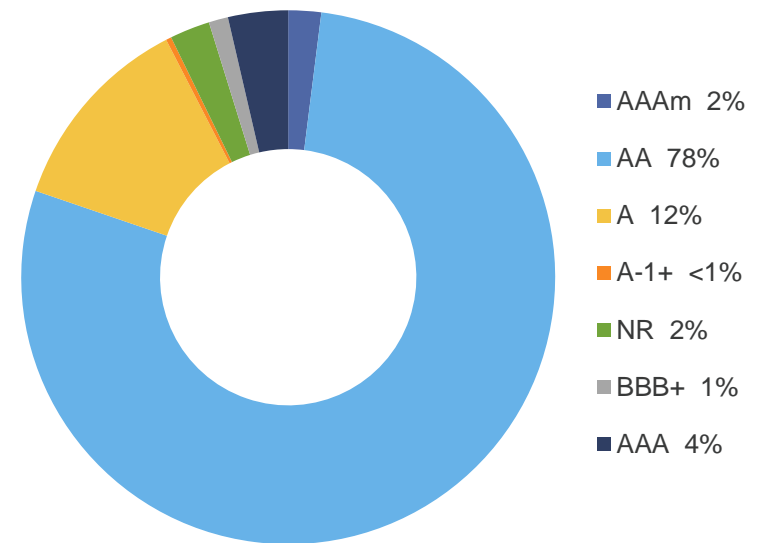
Overview of The City's PFMAM-Managed Funds

- The portfolio is well diversified and comprises securities of high credit quality.

Sector Allocation



Credit Quality



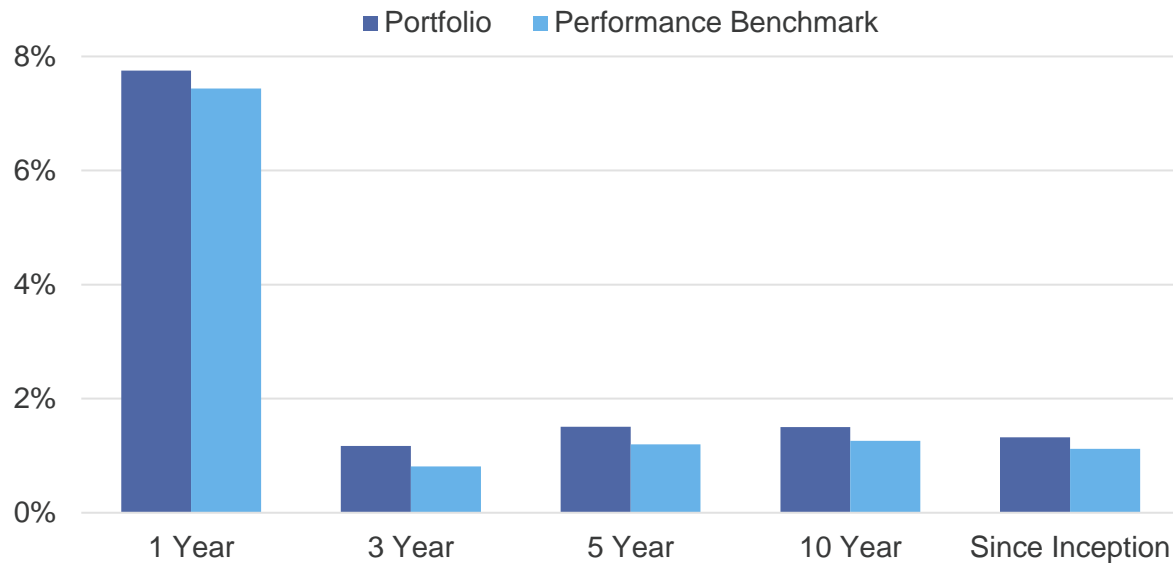
Ratings by Standard & Poor's as of September 30, 2024. Securities in the City's portfolio are in compliance with California Government Code and the City's investment policy.

Total Return Performance

As of September 30, 2024

City of Hayward Portfolio Performance	
3Q24	3.39%
Past 1 Year	7.75%
Since Inception	1.32%

Historical Performance



- Performance on a trade-date basis, gross (i.e., before fees).
- LGIP and cash excluded from performance calculations.
- Past performance is not indicative of future returns. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis.
- Since inception date September 30, 2012. The portfolio's benchmark is currently the ICE BofAML 1-5 Year U.S. Treasury Index. Prior to 12/31/21 it was the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.

OUTLOOK

- ▶ The Fed's path is less certain, but further easing is expected in the coming year.
- ▶ Inflation continues to make progress toward the Fed's 2% target although shelter costs remain a headwind.
- ▶ Labor market reached better balance and supports consumer activity.
- ▶ U.S. consumer spending continues to support the "soft landing" scenario.

RISKS TO OUTLOOK

- ▶ Risks to achieving the Fed's employment and inflation goals are now "roughly in balance."
- ▶ Continued elevated geopolitical risks, including Ukraine, Israel, China.

PORTFOLIO STRATEGY

- ▶ Increasing the portfolio's diversification has aided portfolio performance and we will maintain broad diversification by sector, industry, and issuer.
- ▶ Continue to evaluate all opportunities as we seek to safely add value to the City's portfolios.
- ▶ Maintain a strong sense of safety and risk management.

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