



Yolo County

Investment Review Second Quarter 2021

Sarah Meacham, Managing Director
Ken Schiebel, CFA, Managing Director

August 12, 2021

44 Montgomery Street
3rd Floor
San Francisco, CA 94104
415-982-5544

213 Market Street
Harrisburg, PA 17101
717-232-2723

PFM Asset
Management LLC
pfm.com

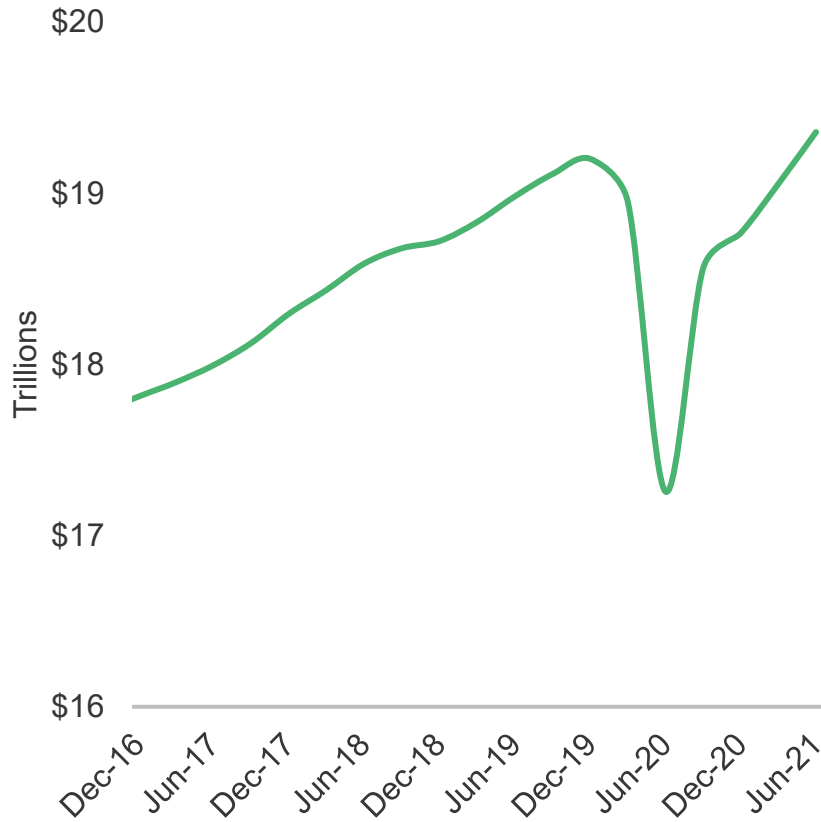


Economic and Interest Rate Update



Reopening Economy Drives GDP Growth

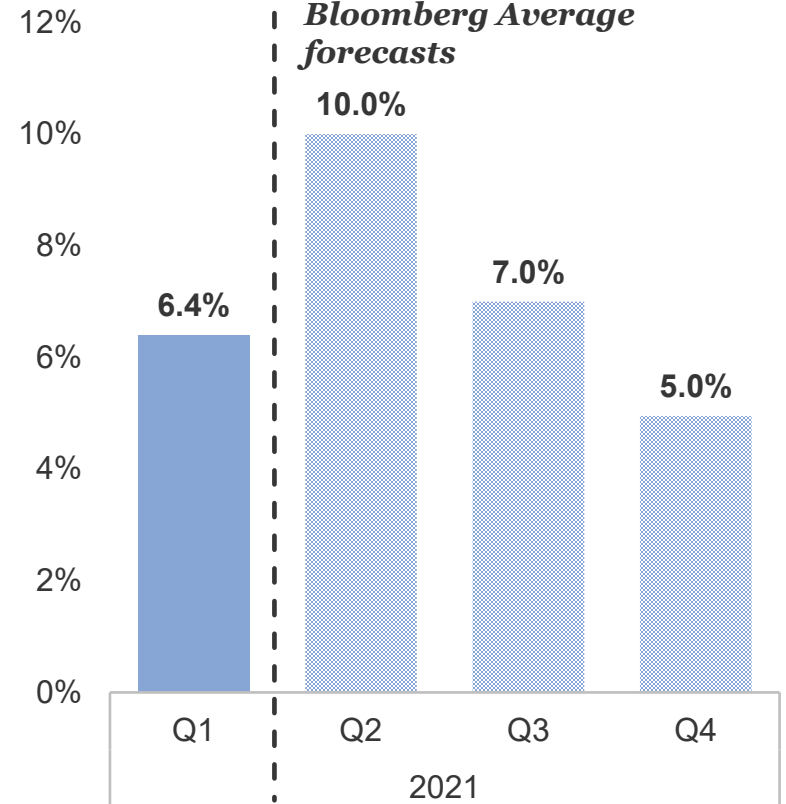
U.S. Real GDP



U.S. GDP Forecasts

Annualized Rate

Bloomberg Average forecasts

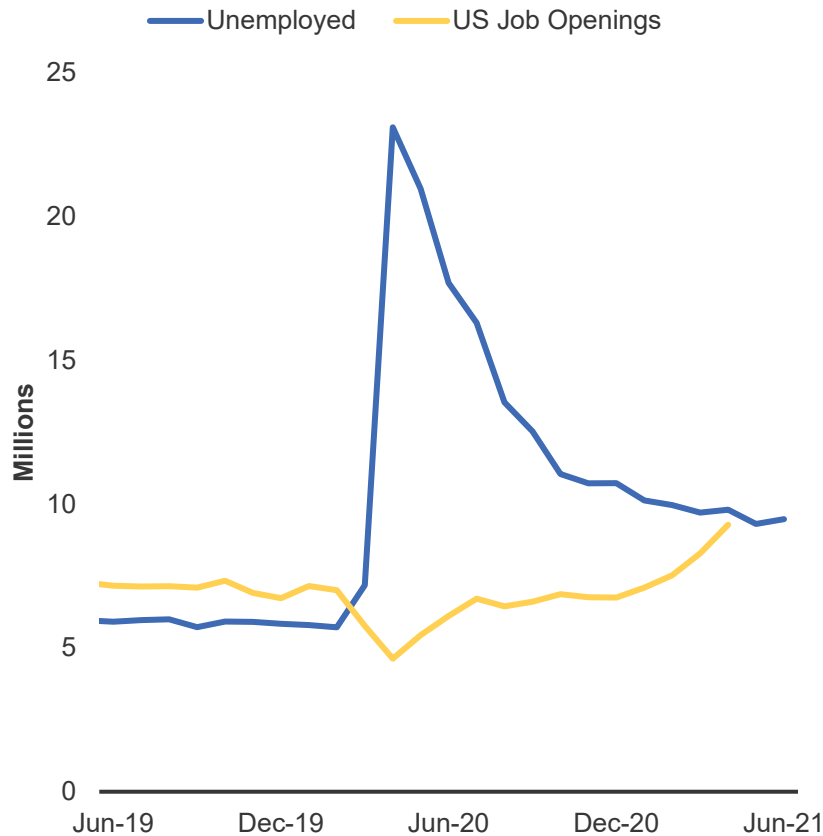


Source: Bloomberg (left), data is seasonally adjusted, as of June 30, 2021 and Bloomberg (right), Bureau of Economic Analysis, as of June 30, 2021.

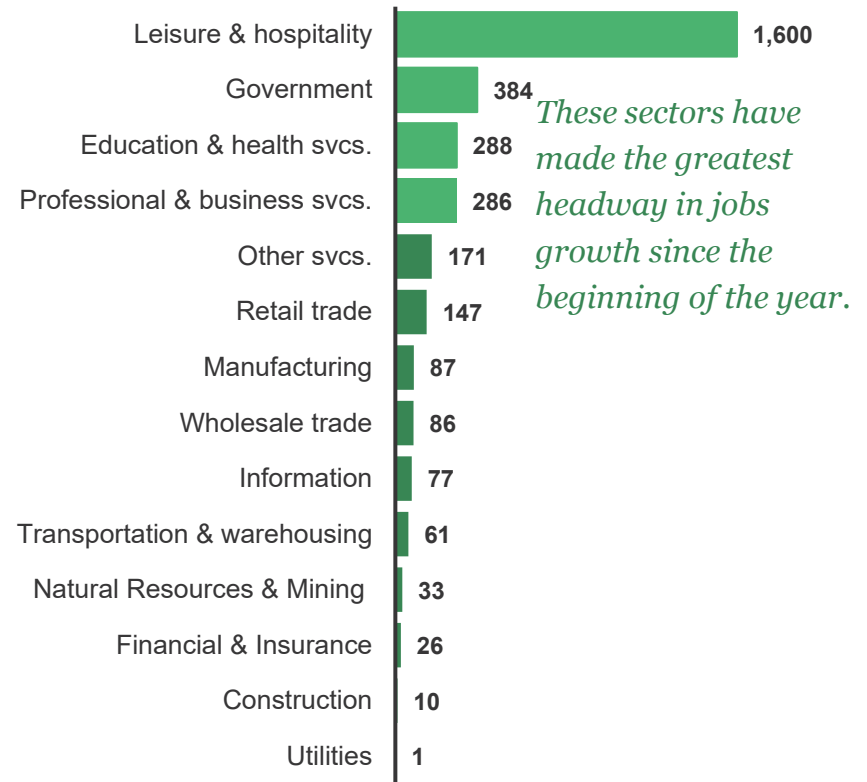


Job Openings Hit Record High; Service Sector Leads Jobs Recovery

Job Openings vs. Unemployed Workers



Change in Total Nonfarm Employment since December 2020 (thousands)

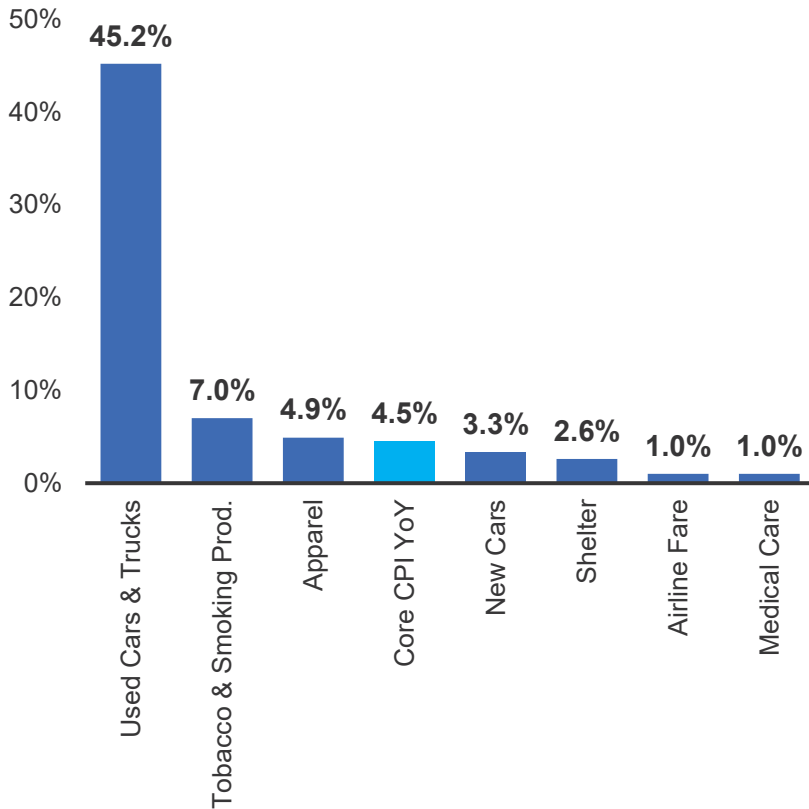


Source: Bloomberg, Bureau of Labor Statistics, as of June 30, 2021.

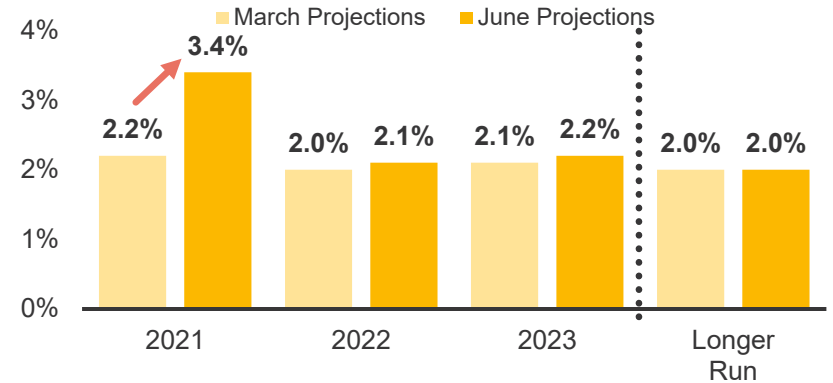


Inflation Strengthens, but Driven by a Few Key Sectors

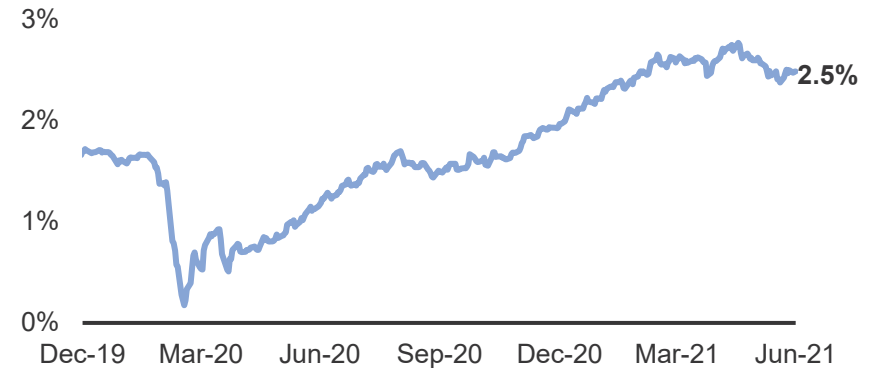
YOY Price Change in Key Consumer Price Index Components (June 2021)



Federal Reserve Projections Core PCE Inflation



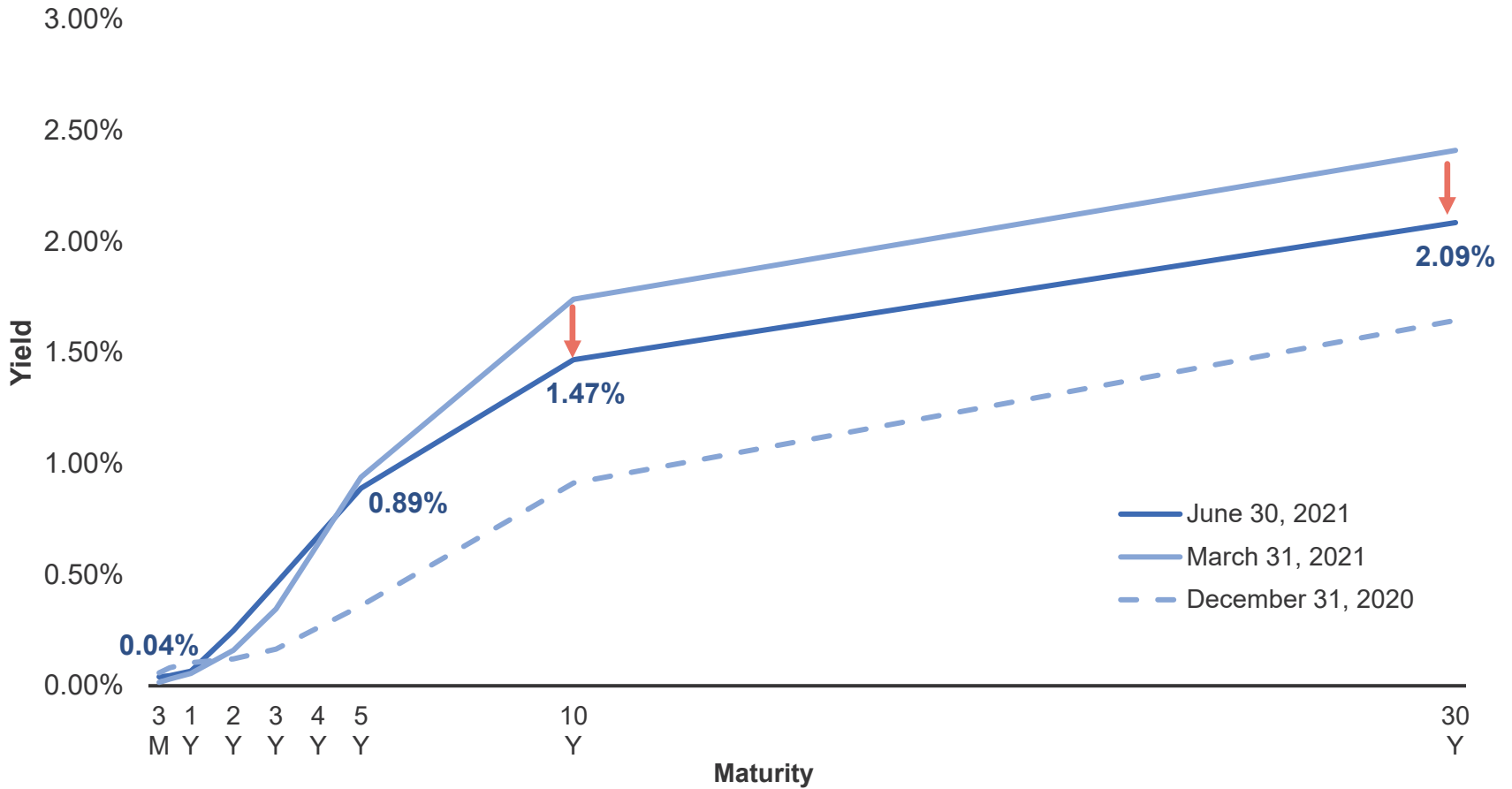
Breakeven Inflation Rates (5 year)



Source: Bloomberg, as of June 30, 2021.



Yield Curve Flattened in the Second Quarter as Long-Term Rates Fell

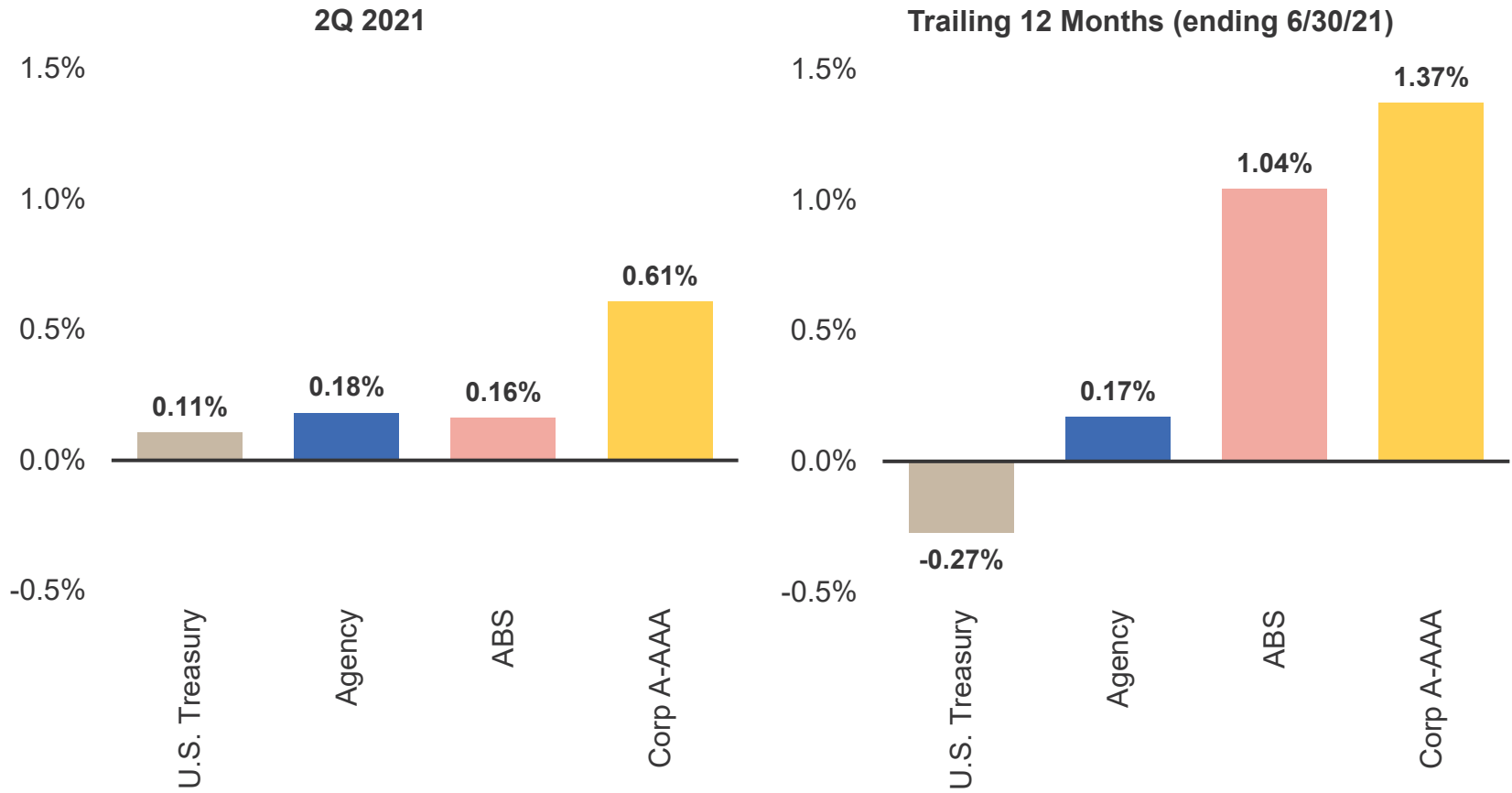


Source: Bloomberg as of June 30, 2021.



Credit Outperforms in 2Q 2021 and Trailing 12 Months

1-5 Year Indices

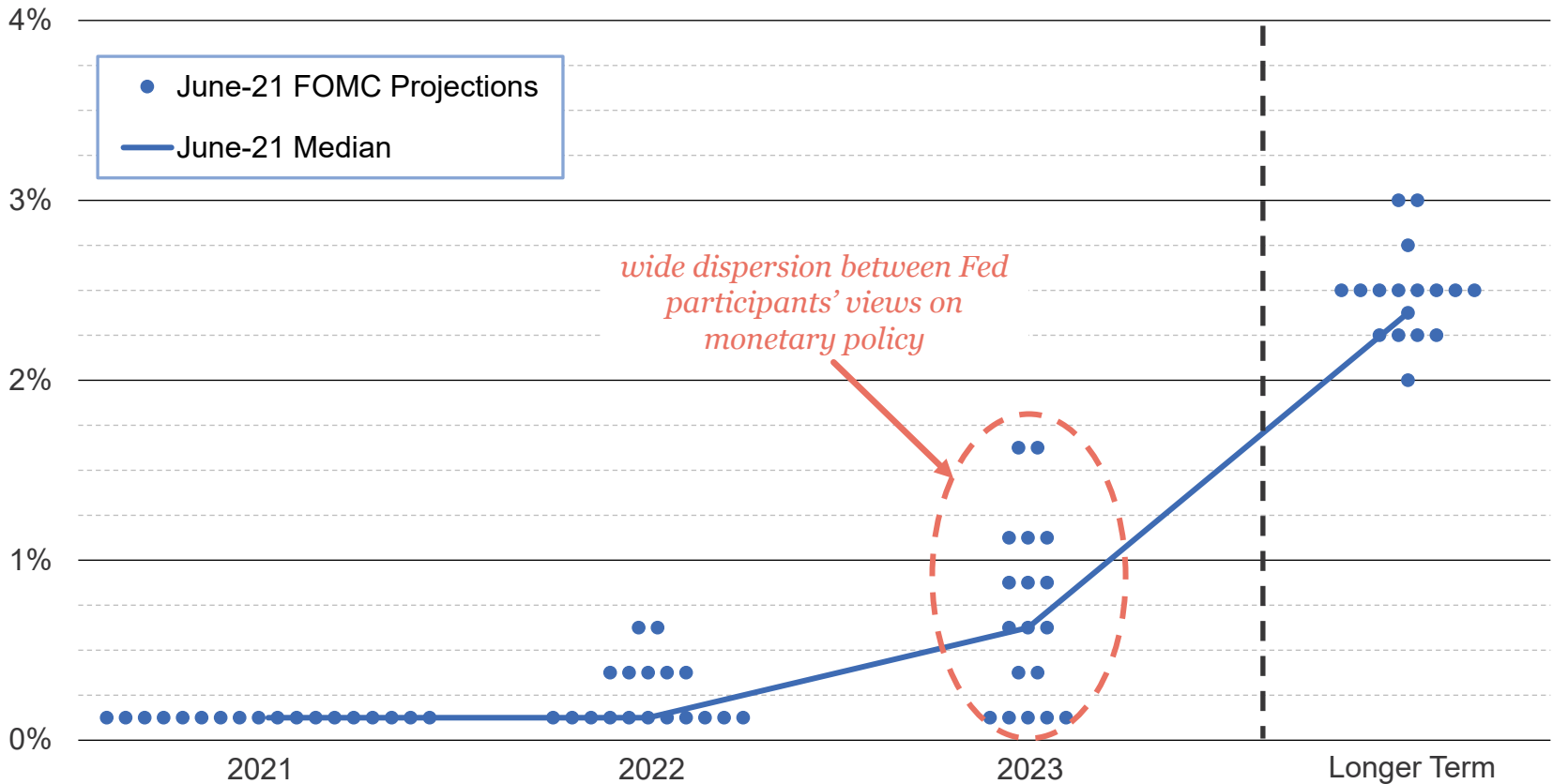


Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of 6/30/2021.



Fed's "Dot Plot" Reflects Evolving Monetary Policy Views

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.



Portfolio Update



Portfolio Composition

Security Type	Market Value as of 6/30/21	% of Portfolio	% Change vs. 3/31/21	Permitted by Policy	In Compliance
U.S. Treasury	\$68,883,532	9.6%	+0.3%	100%	✓
Federal Agency	\$115,283,086	16.0%	-3.3%	100%	✓
Federal Agency CMOs	\$11,582,721	1.6%	-0.3%	100%	✓
Supranationals	\$4,670,140	0.6%	-0.1%	30%	✓
Municipal Obligations	\$9,629,267	1.3%	-0.2%	30%	✓
Negotiable CDs	\$16,901,129	2.4%	-0.6%	30%	✓
Corporate Notes	\$52,313,793	7.3%	-1.0%	30%	✓
Asset-Backed Securities	\$10,417,243	1.4%	-0.2%	20%	✓
Securities Sub-Total	\$289,680,911	40.2%			
Accrued Interest	\$993,793				
Securities Total	\$290,674,704				
CAMP	\$334,038,704	46.4%	+6.8%	100%	✓
LAIF – Total	\$96,403,963	13.4%	-1.4%	\$75 million per account	✓
Total Investments	\$721,117,371	100.0%			

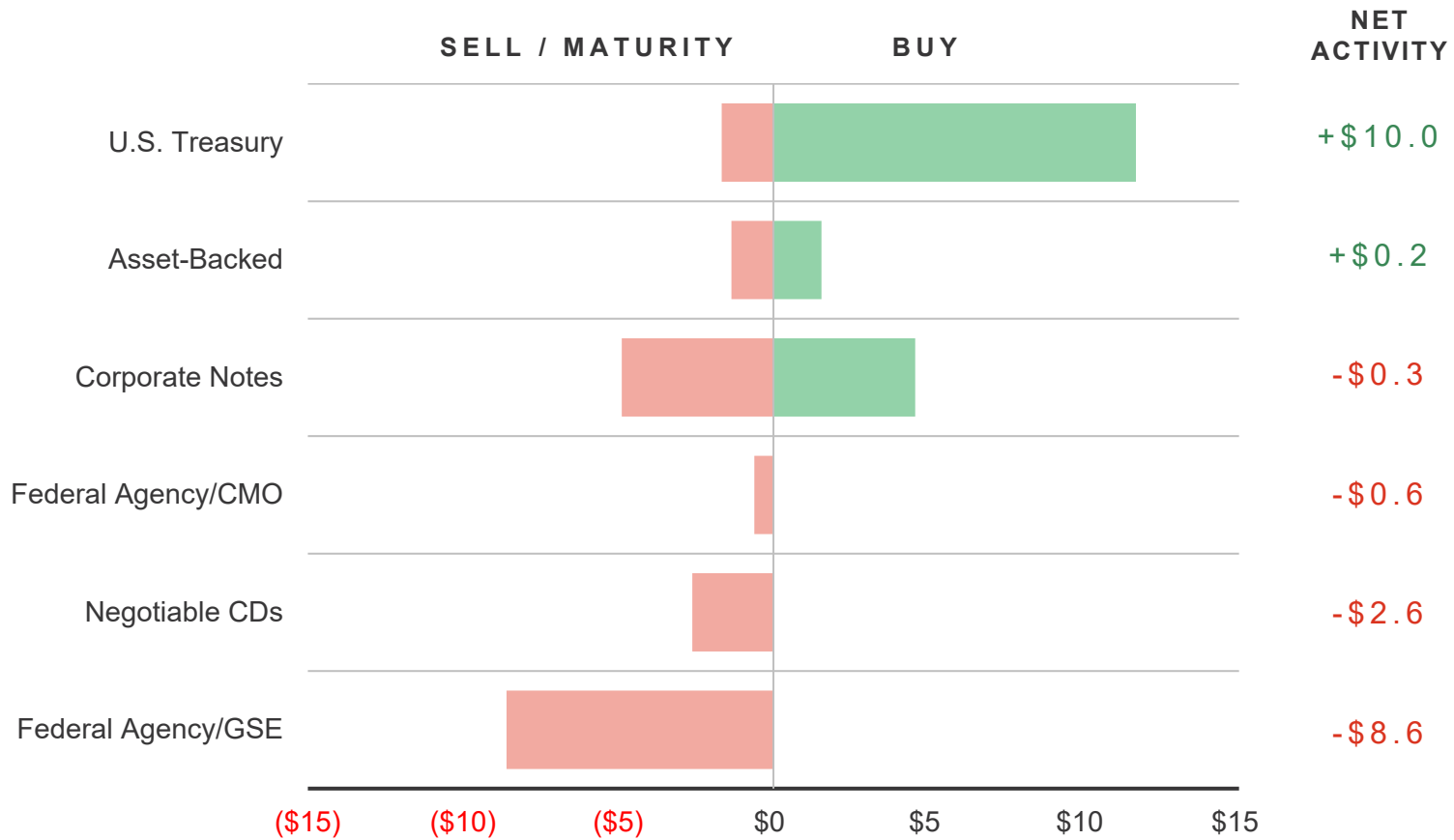


Second Quarter Strategy Recap

- ◆ We maintained core allocations in most sectors and carefully managed risk as we considered inflationary pressures and Fed policy uncertainty.
 - Continued to reduce allocations to federal agencies and bank CDs given low yields and narrow spread levels
 - Strategic selling of shorter-term corporates to extend into longer corporates
 - Narrow yield spreads across all sectors led to an increase in U.S. Treasury allocation
 - Modestly conservative duration posture relative to benchmark given low yields
 - Selective in seeking new additions in credit sectors (corporate notes and asset-backed securities)
 - Maintained high credit quality
 - Diversification was once again additive to performance with most non-Treasury sectors outperforming comparable Treasuries



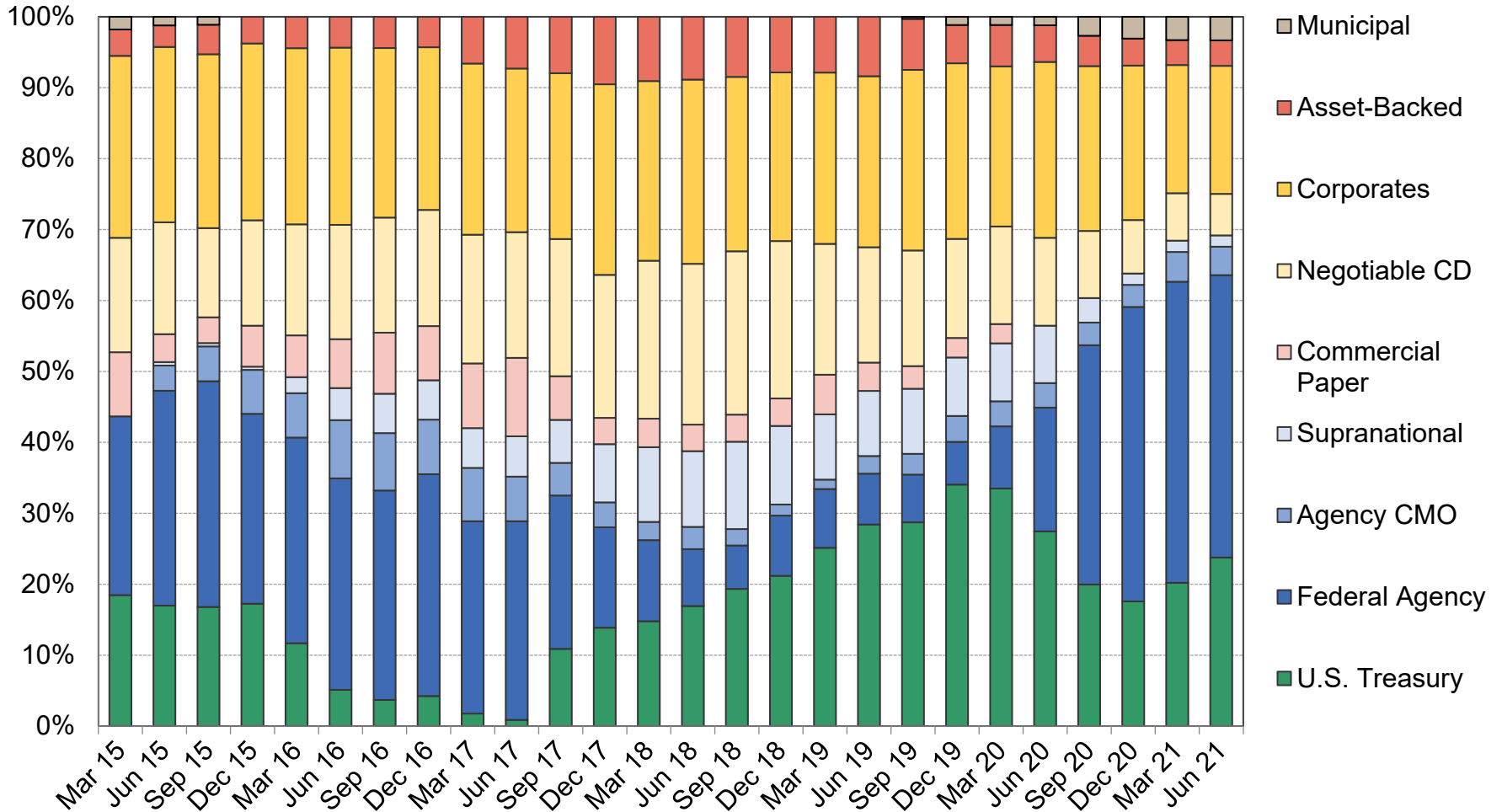
Second Quarter Trade Activity



Portfolio purchases, sells, maturities, and paydowns from 4/1/21 – 6/30/21.



Historical Sector Allocation—PFM-Managed Portfolio

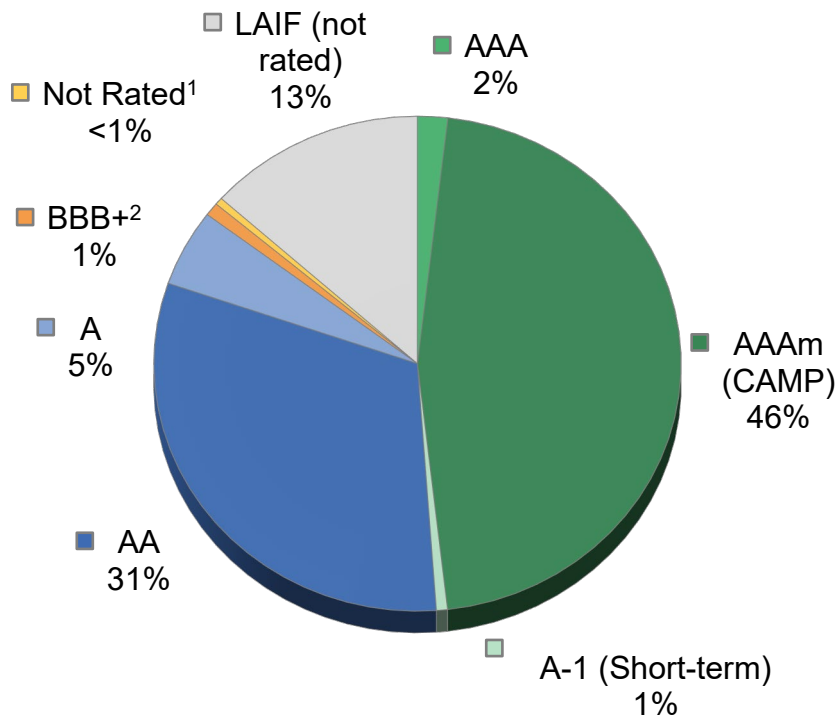




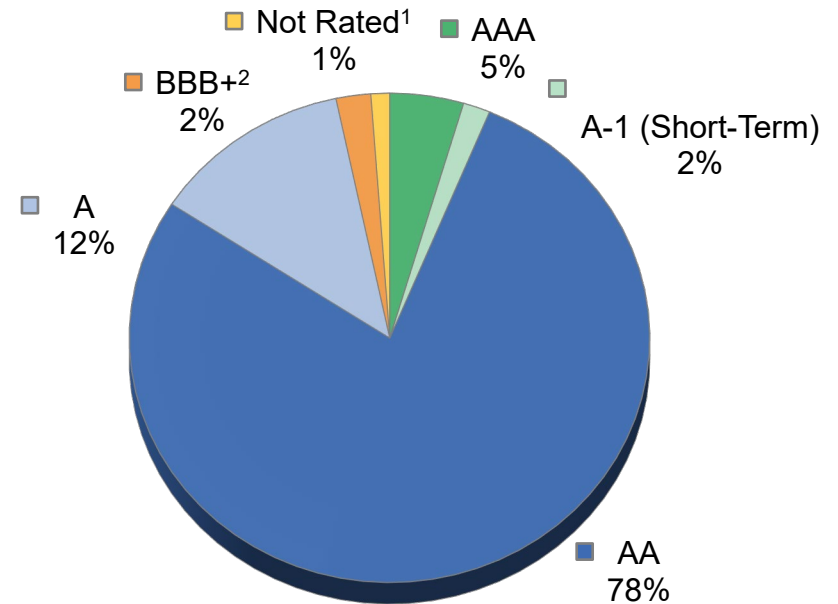
Portfolio Credit Quality

- The County's portfolio comprises high-quality securities.

Including Liquid Accounts



Excluding Liquid Accounts



As of June 30, 2021. Percentages may not sum to 100% due to rounding.

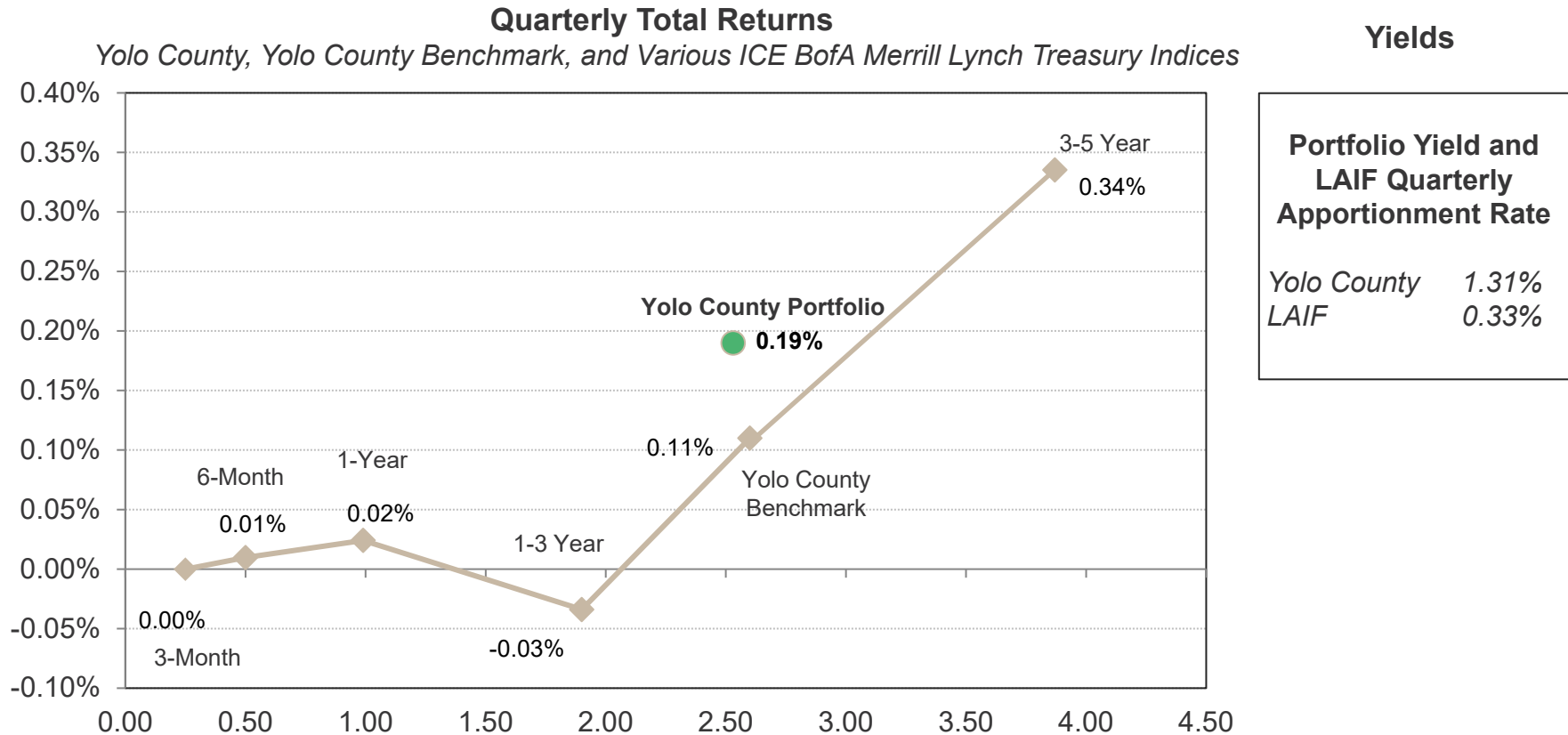
Ratings are based on Standard & Poor's.

1. The "Not Rated" category comprises asset-backed securities rated Aaa by Moody's.

2. The "BBB+" category comprises securities rated in a rating category of A or better by at least one NRSRO.



Strong Return vs. Market; In Contrast to Q1, Longer Duration Performed Better in Q2



- For periods ending June 30, 2021.
- Yolo County yield is the weighted average yield at cost.
- Source: Bloomberg, LAIF website.
- Effective December 31, 2020, the County's benchmark is the ICE Bank of America Merrill Lynch (BAML) 1-5 Year U.S. Treasury Index. From September 30, 2017, to December 31, 2020, the benchmark was the ICE BAML 0-5 Year U.S. Treasury Index. From March 31, 2015, to September 30, 2017, the benchmark was a blend of 30% ICE BAML 3-month Treasury index and 70% ICE BAML 1-3 year U.S. Treasury Index. From March 31, 2002, to March 31, 2015, the benchmark was a blend of 50% ICE BAML 1-3 Year U.S. Treasury index and 50% ICE BAML 3-month Treasury Bill index. Prior to March 31, 2002, the benchmark was the ICE BAML 1-3 Year U.S. Treasury index.



Portfolio Maintains Strong Outperformance

Total Return For periods ended June 30, 2021

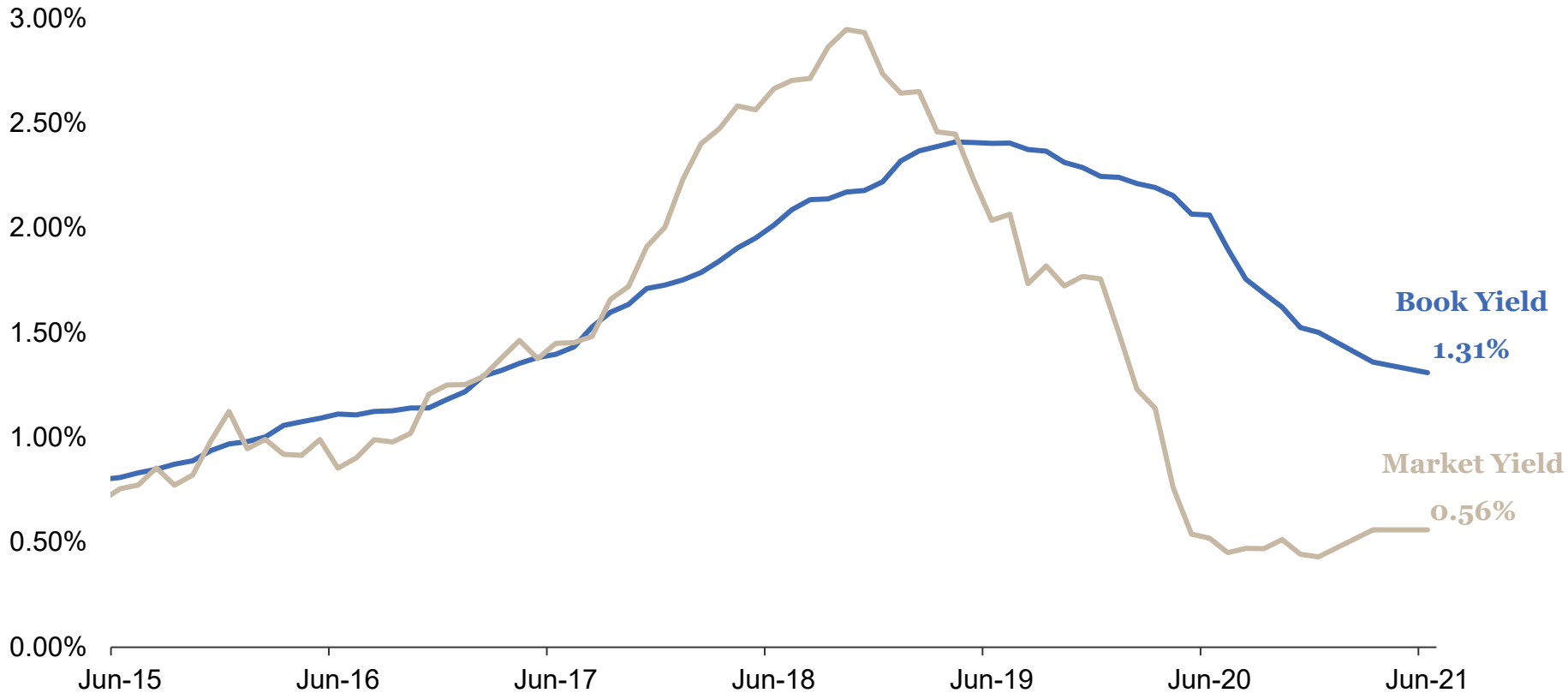
	Duration (years)	2Q 2021	Past Year	Past 5 Years	Past 10 Years	Since Inception
Yolo County	2.53	0.19%	0.23%	2.11%	1.54%	3.11%
Treasury Benchmark	2.60	0.11%	-0.28%	1.72%	1.11%	2.49%
Difference	-	+0.08%	+0.51%	+0.39%	+0.43%	+0.62%

- Performance on a trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
- Bank of America Merrill Lynch indices provided by Bloomberg Financial Markets.
- Inception date is June 30, 1998.
- Performance, yield, and duration calculations exclude holdings in CAMP, LAIF, and the money market fund.
- Effective December 31, 2020, the County's benchmark is the ICE Bank of America Merrill Lynch (BAML) 1-5 Year U.S. Treasury Index. From September 30, 2017, to December 31, 2020, the benchmark was the ICE Bank of America Merrill Lynch (BAML) 0-5 Year U.S. Treasury Index. From March 31, 2015, to September 30, 2017, the benchmark was a blend of 30% ICE BAML 3-month Treasury index and 70% ICE BAML 1-3 year U.S. Treasury Index. From March 31, 2002, to March 31, 2015, the benchmark was a blend of 50% ICE BAML 1-3 Year U.S. Treasury index and 50% ICE BAML 3-month Treasury Bill index. Prior to March 31, 2002, the benchmark was the ICE BAML 1-3 Year U.S. Treasury index.



Portfolio Maintains Higher Book Yield vs. Market Yield as Market Rates Remain Range-Bound

Yield to Maturity at Cost (Book Yield) vs. Yield to Maturity at Market



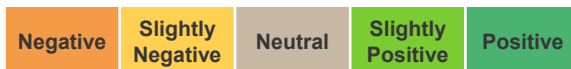
Portfolio data as of 3/31/21.



Fixed Income Sector Outlook – Third Quarter 2021

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	

● Current outlook ○ Outlook one quarter ago



Market Expectations for Balance of 2021

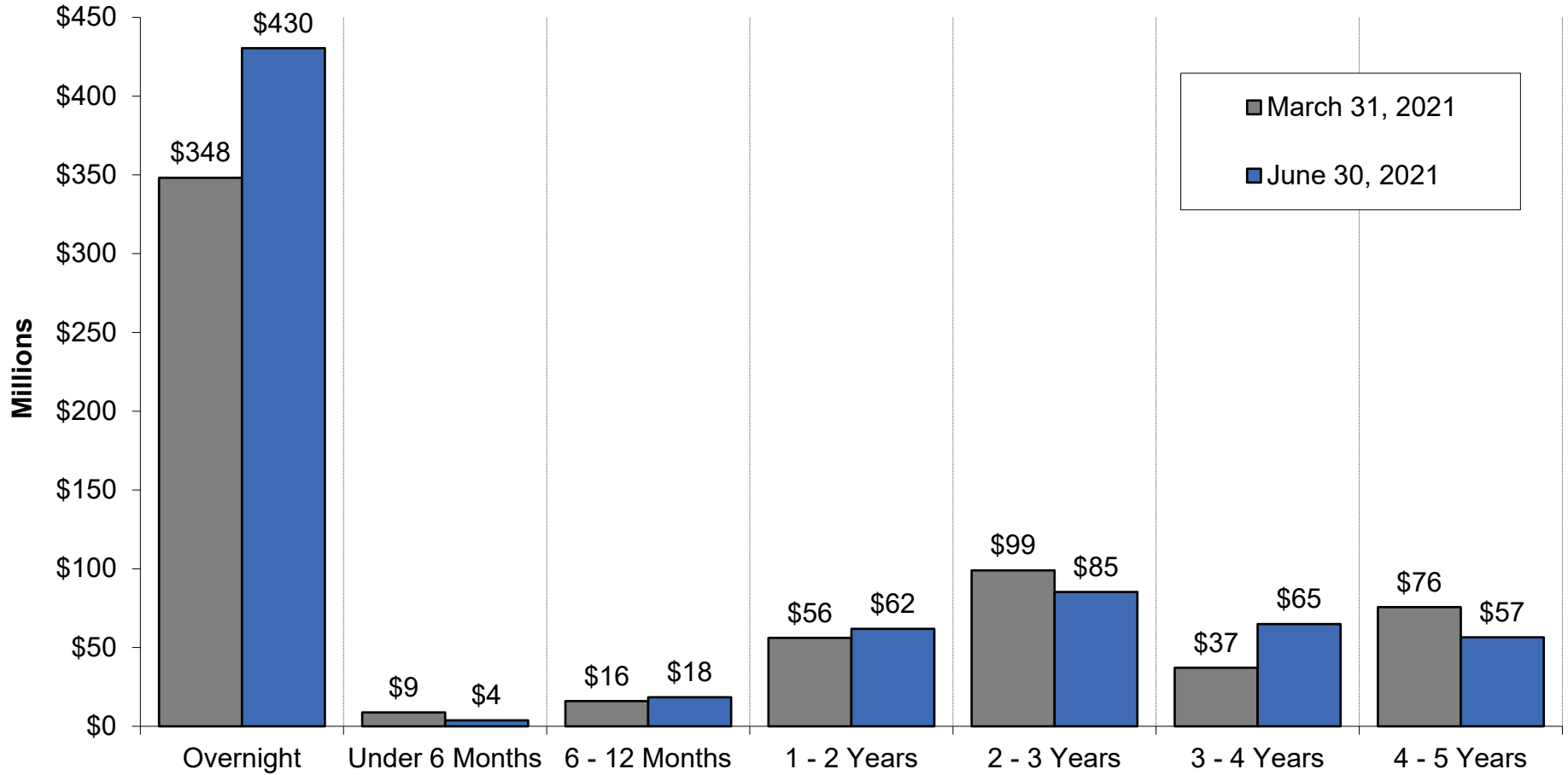
- Short-term interest rates are expected to remain near zero, anchored by Fed policy.
- Longer-term yields will respond to COVID-19 infection rates, U.S. economic growth prospects, and emerging inflation trends and could rise modestly.
- Credit fundamentals remain strong, supporting the corporate and asset-backed sectors.
- Yields spreads are narrow in all sectors, limiting attractive investment opportunities.
- Suspension of the U.S. debt ceiling expires on July 31; The Treasury Dept. can continue to fund the government by employing “extraordinary measures” to conserve borrowing capacity.



Additional Portfolio Information



Portfolio Maturity Distribution



Callable and floating-rate securities are included in the maturity distribution analysis to their stated maturity date.



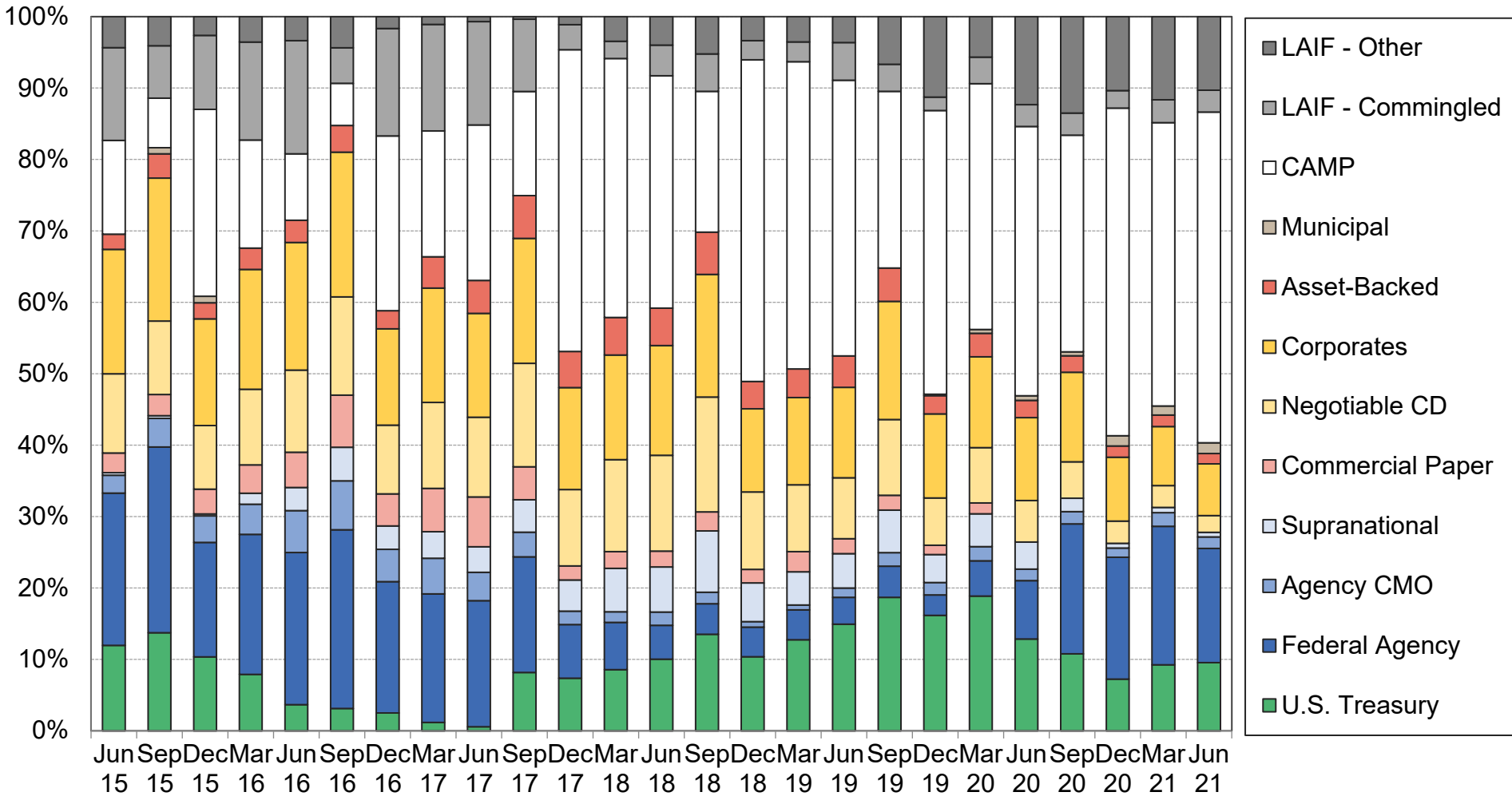
Portfolio Issuer Distribution

Federal National Mortgage Association	25.1%	Sumitomo Mitsui Financial Group Inc	0.7%
U.S. Treasury	23.8%	Intel Corporation	0.7%
Federal Home Loan Mortgage Corporation	14.9%	DNB ASA	0.7%
Federal Home Loan Bank	2.6%	Adobe Inc	0.7%
Toyota Motor Corp	1.9%	Nissan Auto Receivables	0.7%
Intl Bank of Reconstruction and Development	1.6%	Honda Auto Receivables	0.6%
Wal-Mart Stores Inc	1.5%	Chevron Corp.	0.6%
JP Morgan Chase & Co	1.4%	Amazon.Com Inc	0.6%
Nordea Bank Ab	1.4%	United Parcel Service Inc	0.5%
Skandinaviska Enskilda Banken Ab	1.3%	Morgan Stanley	0.5%
Federal Farm Credit Bank	1.3%	Mastercard Inc	0.5%
Apple Inc	1.2%	BB&T Corporation	0.4%
US Bancorp	1.1%	Hyundai Auto Receivables	0.4%
Carmax Auto Owner Trust	1.0%	Los Angeles Community College District	0.4%
Visa Inc	1.0%	National Rural Utilities Co Finance Corp	0.4%
Societe Generale	0.9%	University Of California	0.3%
Citigroup Inc	0.9%	State of Maryland	0.3%
State of California	0.9%	San Diego Community College District	0.3%
Cisco Systems	0.9%	California State University	0.3%
Unitedhealth Group Inc	0.8%	New Jersey Turnpike Authority	0.2%
3M Company	0.8%	Capital One Prime Auto Rec Trust	0.2%
Deere & Company	0.8%	Burlington Northern Santa Fe	0.0%
Credit Suisse Group	0.8%	California Department of Water Resources	0.0%
Florida State Board of Admin Fin Corp	0.8%		
Bank Of America Co	0.8%		
Goldman Sachs Group Inc	0.7%		

Percentages exclude the portfolio's CAMP and LAIF holdings.

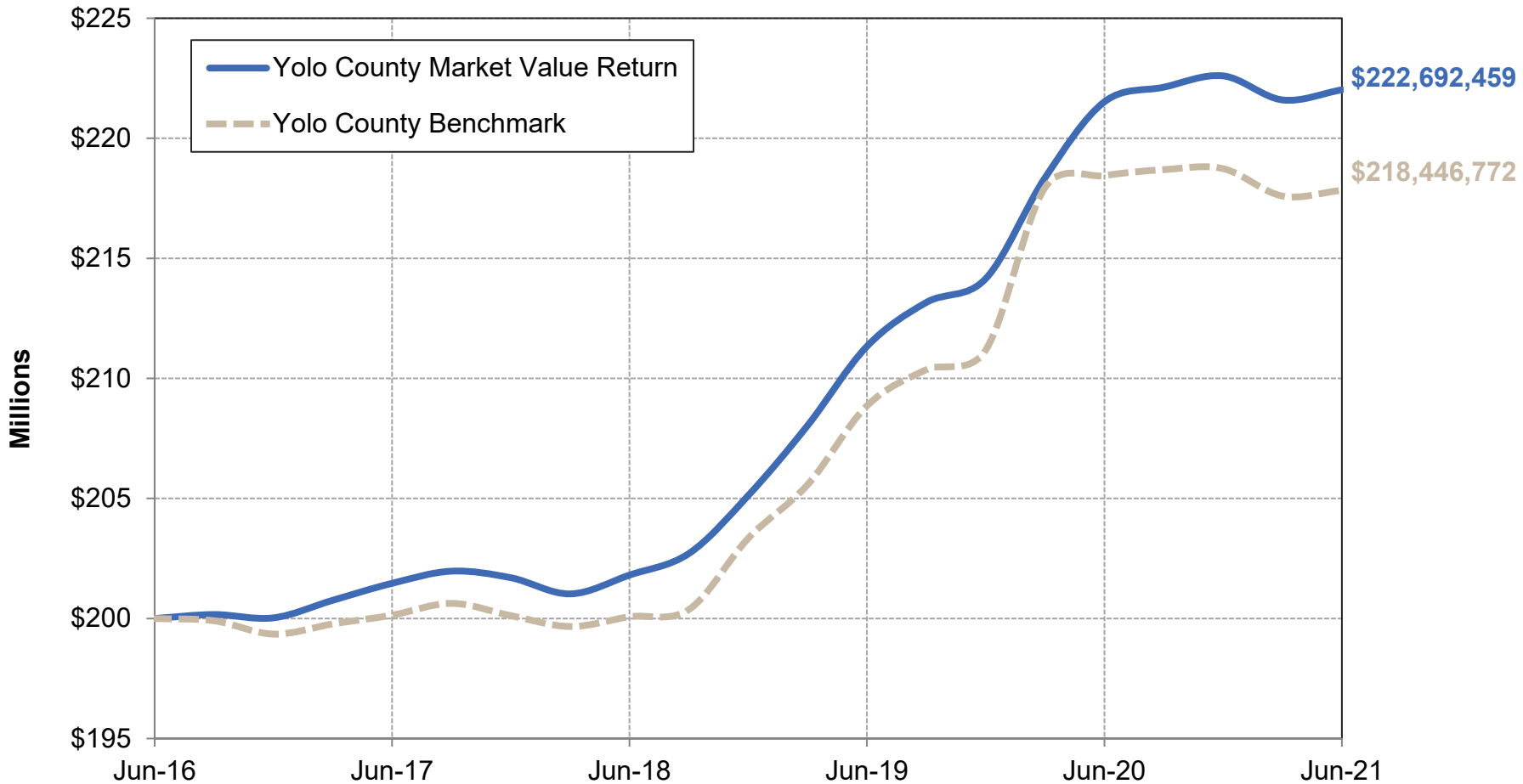


Historical Sector Allocation—All Funds





County's Strategy Continues to Be Effective



- Source: Bloomberg.
- Hypothetical growth of \$200 million.
- Past performance is not indicative of future performance.



Fiscal Year Accrual Basis Earnings

INVESTMENT PORTFOLIO				
Date	Month-End Amortized Cost Value	Portfolio YTM at Cost	Actual Accrual Basis Earnings ¹	Earnings Rate ²
Jul-20	\$288,310,119	1.90%	\$756,012	1.90%
Aug-20	\$288,868,694	1.76%	\$732,825	1.76%
Sep-20	\$288,596,518	1.69%	\$481,242	1.69%
Oct-20	\$289,505,462	1.62%	\$579,541	1.62%
Nov-20	\$288,682,877	1.53%	\$498,948	1.53%
Dec-20	\$288,329,936	1.50%	\$466,948	1.50%
Jan-21	\$293,305,452	1.41%	\$724,665	1.41%
Feb-21	\$288,686,785	1.36%	\$428,206	1.36%
Mar-21	\$288,178,985	1.36%	\$327,652	1.36%
Apr-21	\$287,685,219	1.32%	\$349,068	1.32%
May-21	\$287,118,376	1.30%	\$370,543	1.30%
Jun-21	\$286,376,442	1.31%	\$309,720	1.31%
Actual FY 20-21 Total			\$6,025,367	

1. Earnings for the period 7/01/2020 – 6/30/2021 are actual earnings and include realized gains/losses.

2. Earnings rates calculated based on the yield to maturity at cost through 6/30/2021.



Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

Thank You



pfm