Washoe County Total Portfolio
Second Quarter 2025

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Competing Forces Shaping the Interest Rate Outlook

The second quarter of 2025 was marked by persistent macro uncertainty, with fixed income markets caught between inflationary policy risks and signs of economic fatigue. The T-ledger below highlights the competing forces influencing the direction of interest rates—those that may push rates higher amid growth and inflation pressures, versus those that point to slower growth and potential policy easing. Understanding this dynamic helps frame expectations as we look ahead to the second half of the year.

Higher Rates / Faster Growth	Lower Rates / Slower Growth
Tariffs (inflationary pressures)	Global Trade Frictions
GSE Reform	Geopolitical Tensions
US Dollar Decline	Housing
Deregulation	Business and Consumer Confidence
Immigration (higher wage inflation)	Immigration (lower GDP growth)
Budget Deficit	“Shadow Fed”
Demand for Government Debt	Energy Prices
Tax Cuts	Consumer Credit Fundamentals
Resilient Equity Prices	Data Reliability
Artificial Intelligence	Easing of Bank Capital Requirements

The FOMC

U.S. Treasury Secretary Scott Bessent on the FOMC –

"The Fed chair does not cut interest rates. The committee does," and reinforcing, "As I reiterate to people all the time, it's not just the Fed chair. It's a committee." (July 7, 2025, interview)

Name	Role	Appointment / Term	Status
Board of Governors			
Jerome Powell	Chair, Board of Governors	May 2022 – May 2026 (Chair)Board term ends Jan 31, 2028	Voting Member
Philip Jefferson	Vice Chair, Board of Governors	June 2023 – Jan 31, 2036	Voting Member
Michelle Bowman	Governor; Vice Chair for Supervision	Nov 2018; reappointed Jan 2020 – Jan 31, 2034	Voting Member
Christopher Waller	Governor	Dec 2020 – Jan 31, 2030	Voting Member
Lisa Cook	Governor	May 2022; reappointed Sept 2023 – Jan 31, 2038	Voting Member
Adriana Kugler	Governor	Sept 2023 – Jan 31, 2026	Voting Member
Michael Barr	Governor	July 2022 – Term likely ends Jan 2036	Voting Member
Regional Bank Presidents (2025 FOMC Voting Member)			
John C. Williams	President, NY Fed		Voting Member (Permanent)
Susan M. Collins	President, Boston Fed		Voting Member (2025 Rotation)
Austan Goolsbee	President, Chicago Fed		Voting Member (2025 Rotation)
Alberto Musalem	President, St. Louis Fed		Voting Member (2025 Rotation)
Jeffrey Schmid	President, Kansas City Fed		Voting Member (2025 Rotation)
Non-Voting Members			
Lorie Logan	President, Dallas Fed		Non-voting Participant
Mary Daly	President, San Francisco Fed		Non-voting Participant
Tom Barkin	President, Richmond Fed		Non-voting Participant
Patrick Harker	President, Philadelphia Fed		Non-voting Participant
Neel Kashkari	President, Minneapolis Fed		Non-voting Participant

FOMC Composition: *The FOMC includes 7 Board Governors and 12 Reserve Bank Presidents. While only 5 presidents vote at a time, all participate in policy discussions.*

Board of Governors (7): *Appointed by President for a 14-year term – Staggered to expire every two years.*

Chair: *Jerome Powell's term as Fed Chair runs through May 2026, but he has the option to remain a voting Governor until January 2028.*

Regional Presidents: *Serve five-year term. Appointment must be approved by the Board of Governors.*

Fed Funds and the 10-Year Treasury Yield

Source: Bloomberg, United States Department of Treasury, Federal Reserve

Month Over Month CPI Changes

Jun-25 w eight	Component	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24
100.0	Headline CPI	0.29%	0.08%	0.22%	-0.05%	0.22%	0.47%	0.36%	0.28%	0.23%	0.23%	0.18%	0.14%
13.6	Food	0.33%	0.29%	-0.08%	0.44%	0.16%	0.36%	0.29%	0.32%	0.21%	0.32%	0.15%	0.15%
6.4	Energy	0.95%	-0.98%	0.67%	-2.39%	0.20%	1.08%	2.42%	0.09%	-0.22%	-0.95%	-0.99%	-0.43%
80.0	Core CPI	0.23%	0.13%	0.24%	0.06%	0.23%	0.45%	0.21%	0.29%	0.27%	0.31%	0.28%	0.19%
19.3	Core Goods	0.20%	-0.04%	0.06%	-0.09%	0.22%	0.28%	-0.04%	0.21%	0.02%	0.17%	-0.12%	-0.23%
16.9	Core Goods ex Used Cars	0.32%	0.03%	0.15%	-0.01%	0.12%	0.02%	-0.13%	0.09%	-0.11%	0.13%	-0.11%	-0.10%
3.4	Household Furnishings and Supplies	0.98%	0.34%	0.22%	0.02%	0.19%	-0.18%	-0.22%	0.61%	-0.02%	0.04%	-0.26%	0.00%
2.5	Apparel	0.43%	-0.42%	-0.20%	0.37%	0.60%	-1.38%	0.13%	0.08%	-0.89%	0.99%	0.10%	-0.27%
7.2	Motor Vehicles & parts	-0.38%	-0.30%	-0.18%	-0.18%	0.22%	0.80%	0.46%	0.64%	0.37%	0.30%	-0.03%	-0.51%
4.3	New Vehicles	-0.34%	-0.29%	-0.01%	0.10%	-0.07%	0.04%	0.36%	0.47%	-0.02%	0.13%	0.03%	-0.14%
2.4	Used Cars and Trucks	-0.67%	-0.54%	-0.53%	-0.69%	0.88%	2.19%	0.76%	1.29%	1.21%	0.50%	-0.16%	-1.44%
1.5	Medical Care Commodities	0.10%	0.59%	0.42%	-1.13%	0.12%	1.17%	-0.01%	-0.12%	-0.19%	-0.68%	-0.22%	0.16%
1.8	Recreation Commodities	0.77%	0.41%	0.41%	-0.32%	-0.69%	0.32%	-0.45%	-0.40%	-0.04%	-0.35%	-0.16%	-0.32%
0.7	Education and Communication Commodities	-0.01%	0.06%	0.30%	0.45%	-0.15%	0.07%	-1.33%	-0.86%	-0.27%	-0.61%	-0.73%	-0.23%
0.8	Alcoholic Beverages	0.14%	-0.14%	0.01%	0.22%	0.49%	0.32%	-0.34%	-0.01%	0.41%	0.09%	0.12%	0.09%
1.3	Other Goods	0.33%	0.16%	0.33%	0.26%	0.84%	0.22%	-0.43%	0.25%	0.37%	0.23%	0.24%	0.21%
60.7	**Core Services**	0.25%	0.17%	0.29%	0.11%	0.25%	0.51%	0.26%	0.29%	0.34%	0.36%	0.38%	0.32%
35.5	Shelter	0.18%	0.25%	0.33%	0.22%	0.28%	0.37%	0.27%	0.34%	0.39%	0.27%	0.48%	0.36%
26.2	Ow ners' Equivalent Rent of Residences	0.30%	0.27%	0.36%	0.40%	0.28%	0.31%	0.31%	0.25%	0.41%	0.34%	0.47%	0.36%
7.5	Rent of Primary Residence	0.23%	0.21%	0.34%	0.33%	0.28%	0.35%	0.30%	0.25%	0.30%	0.29%	0.35%	0.47%
1.4	Lodging Aw ay From Home	-2.89%	-0.07%	-0.10%	-3.54%	0.18%	1.43%	-0.51%	2.60%	0.37%	-1.08%	1.31%	0.01%
1.1	Water & Sew er & Trash Collection Services	0.40%	0.24%	0.29%	0.19%	1.00%	0.65%	0.07%	0.55%	0.40%	0.60%	0.40%	0.48%
6.7	Medical Care Services	0.56%	0.18%	0.51%	0.51%	0.31%	0.02%	0.16%	0.31%	0.33%	0.62%	-0.07%	-0.12%
6.3	Transportation Services	0.16%	-0.20%	0.14%	-1.41%	-0.81%	1.84%	0.46%	0.12%	0.36%	1.21%	0.83%	0.41%
0.9	Airline Fares	-0.11%	-2.74%	-2.83%	-5.27%	-3.99%	1.24%	3.03%	-0.01%	1.85%	2.80%	3.19%	-0.24%
3.5	Recreation Services	0.23%	-0.10%	-0.29%	0.05%	0.81%	1.37%	0.26%	0.72%	0.65%	-0.34%	0.07%	0.33%
4.9	Education and Communication Services	0.12%	0.09%	-0.20%	0.24%	0.31%	0.34%	0.20%	-0.22%	-0.14%	0.04%	0.17%	0.16%
1.6	Other Personal Services	0.60%	0.39%	0.24%	1.62%	0.91%	-0.50%	-0.30%	0.38%	0.27%	0.13%	0.20%	0.26%

Source: Bank of America Corporation, as of June 2025

Fixed Income Process: Strategy Overview

Duration

Short (-25% to -10%)	Short to Neutral (-10% to 0%)	Neutral	Neutral to Long (0% to +10%)	Long (+10% to +25%)

Neutral to Long: We remain modestly long in duration relative to neutral, as the balance of risks continues to tilt toward slower growth. While inflation data have proven sticky, signs of labor market cooling and weaker consumer activity may ultimately drive the Federal Reserve to shift its focus toward supporting the economy. We believe the Fed will be more responsive to deteriorating employment conditions than to residual inflation pressures, especially with real yields already restrictive.

Curve Position

Barbell	Ladder	Bullet

Bullet – The front end of the yield curve remains modestly inverted, but the curve normalizes from one year through thirty years. We see two plausible outcomes: (1) a bear steepening, with longer yields rising amid persistent inflation, or (2) a bull steepening if the Fed cuts rates in response to weaker growth. By maintaining a bulleted structure, our portfolios are positioned to benefit from either scenario while preserving balance and flexibility across the curve.

Sector Rotation

- **Overweight:** Governments, Municipals, ABS, Agency-CMBS
- **Underweight:** Class B and C Office, Corporates, Callables

Security Selection

Amid the current volatile rate environment, we prioritize securities with robust and predictable cash flows while minimizing exposure to optionality. Given tight credit spreads, we are emphasizing a move up in quality to ensure resilience and stability in portfolios.

Portfolio Characteristics

Washoe County Total Portfolio

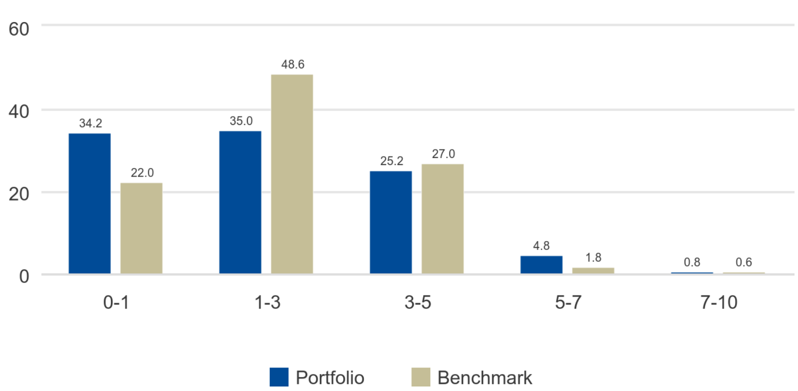
Portfolio Characteristics*

	Portfolio	Benchmark
Market Value	$900,623,329	
Accrued Interest	$3,469,190	
Total Market Value	$904,092,520	
Average Coupon	3.53	3.37
Est Annual Income	$28,034,961	
# of Securities	127	46
Years to Effective Maturity	2.52	2.43
Effective Duration	2.19	2.26
Market Yield	4.198	3.867
Average Rating	AA	AA+

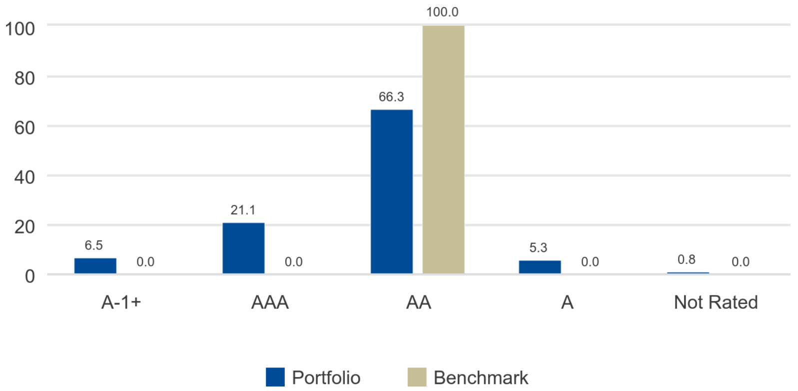
Distribution by Market Sector

	Portfolio	Benchmark
Cash Equivalents	3.38%	-
U.S. Treasuries	14.92%	100%
Agencies	45.56%	-
Corporates	11.06%	-
Commercial Paper	6.18%	-
Asset Backed Securities	18.32%	-
Municipals	0.58%	-

Distribution by Effective Duration



Distribution by Quality



* The portfolio is benchmarked against the ICE BofA Treasury Index , 0-5Yr (90%), 5-10Yr (10%).

Performance Summary

Washoe County Total Portfolio

Annualized Performance

Calendar Year Performance

Year	Q1	Q2	Q3	Q4	Annual
2025	1.89%	1.47%			3.39%
2024				0.06%	0.06%

* The portfolio is benchmarked against the ICE BofA Treasury Index , 0-5Yr (90%), 5-10Yr (10%).

Income Growth and Budget Impact

Since assuming management on October 1, 2024, our active approach has delivered strong results. As of June 30, 2025, total income before expenses reached $56.6 million—well above last year's total and this year's budget projections—resulting in a meaningful surplus for the County.

Washoe County - Pooled Investments - Fiscal Year 2025 (July 1, 2024 - June 30, 2025)
For the twelve months ending June 30, 2025

BUDGET COMPARISON OF INVESTMENT EARNINGS

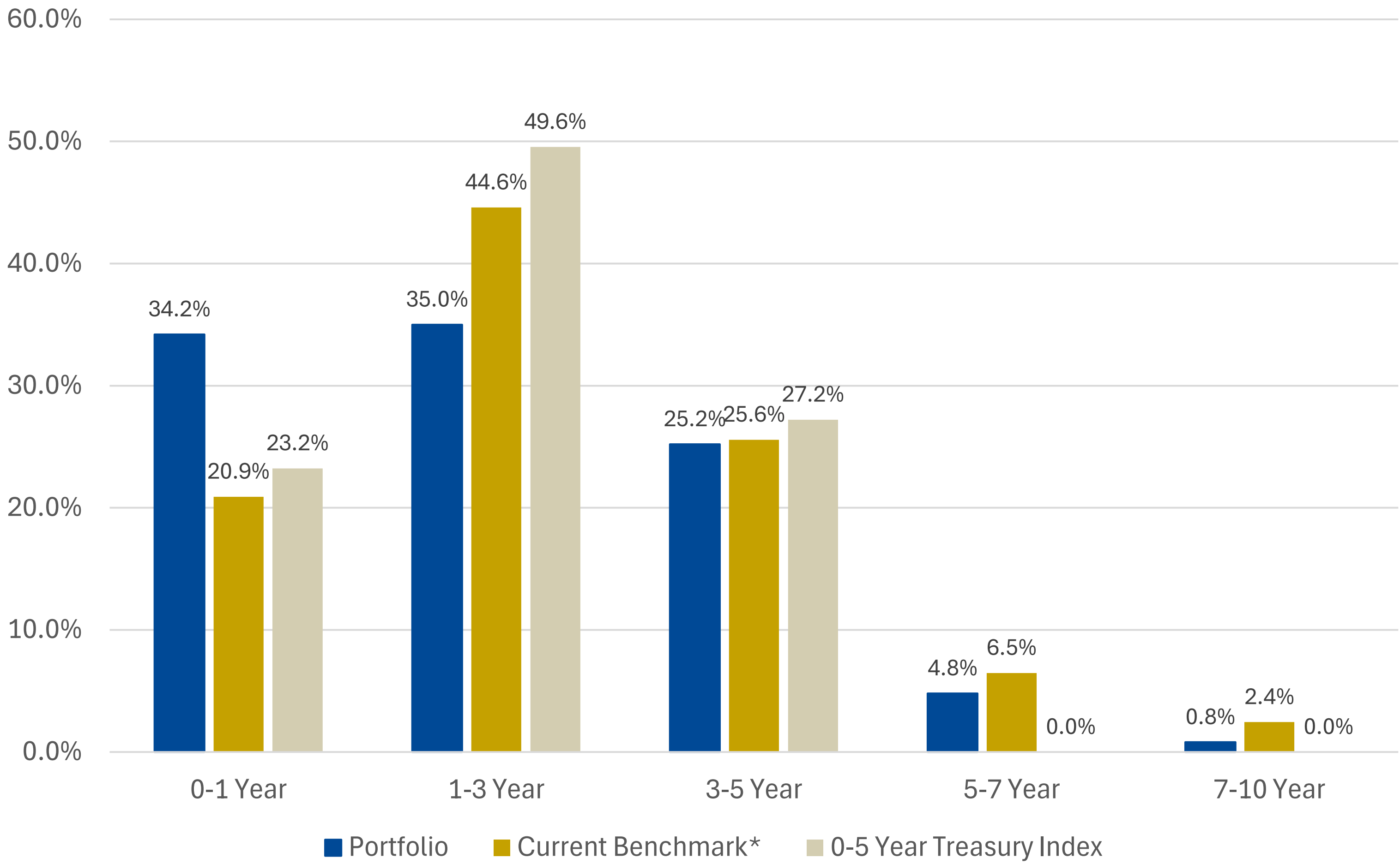
	Full Yr Budget	Budget Trend **	YTD	Var to Budget
Washoe County				
Interest	$ 5,368,269	$ 5,368,269	$ 23,595,345	$ 18,227,076
Realized/Unrealized G/(L)	-	-	19,112,986	19,112,986
Total	$ 5,368,269	$ 5,368,269	$ 42,708,331	$ 37,340,062
General Fund				
Interest	$ 1,600,000	$ 1,600,000	$ 10,575,328	$ 8,975,328
Realized/Unrealized G/(L)	-	-	8,195,368	8,195,368
Total	$ 1,600,000	$ 1,600,000	$ 18,770,696	$ 17,170,696

** Budget trend is based on average monthly budget.

MONTHLY EARNINGS TREND

	Earned Interest	Realized Gain / (Loss)	Unrealized Gain / (Loss)	Total Income Before Expenses	Same Period FY 2024
July	$ 1,811,455	$ (59,078)	$ 7,479,302	$ 9,231,679	$ (7,829,535)
August	$ 1,826,599	260,010	4,798,515	6,885,124	$ 3,093,671
September	$ 2,244,150	715,370	4,076,984	7,036,504	$ (1,748,914)
October	$ 4,687,153	253,040	(8,706,508)	(3,766,315)	$ 1,856,891
November	$ 2,688,839	587,696	1,866,428	5,142,963	$ 11,649,643
December	$ 2,761,930	118,617	(2,401,436)	479,111	$ 10,589,870
January	$ 1,845,545	24,005	2,488,538	4,358,088	$ 4,427,258
February	$ 2,838,745	(175,479)	6,467,831	9,131,097	$ (1,695,363)
March	$ 2,719,261	635,093	770,244	4,124,598	$ 3,997,115
April	$ 2,839,896	608,760	4,134,787	7,583,443	$ (2,523,035)
May	$ 2,262,307	621,593	(3,122,599)	(238,699)	$ 6,744,461
June	$ 2,556,663	366,620	3,754,675	6,677,958	$ 5,051,142
Total Earnings to date	$ 31,082,543	$ 3,956,247	$ 21,606,761	$ 56,645,551	$ 33,613,204

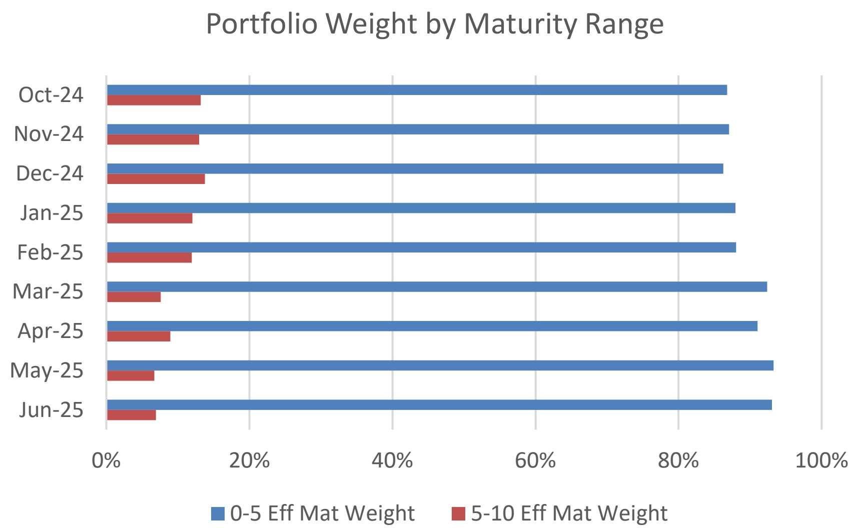
Portfolio and Benchmark Duration

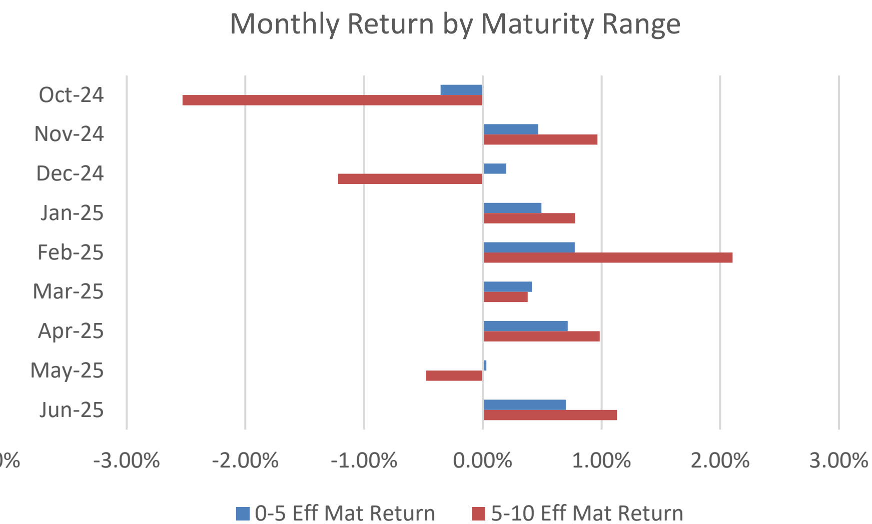


Portfolio duration as of 6/30/2025.

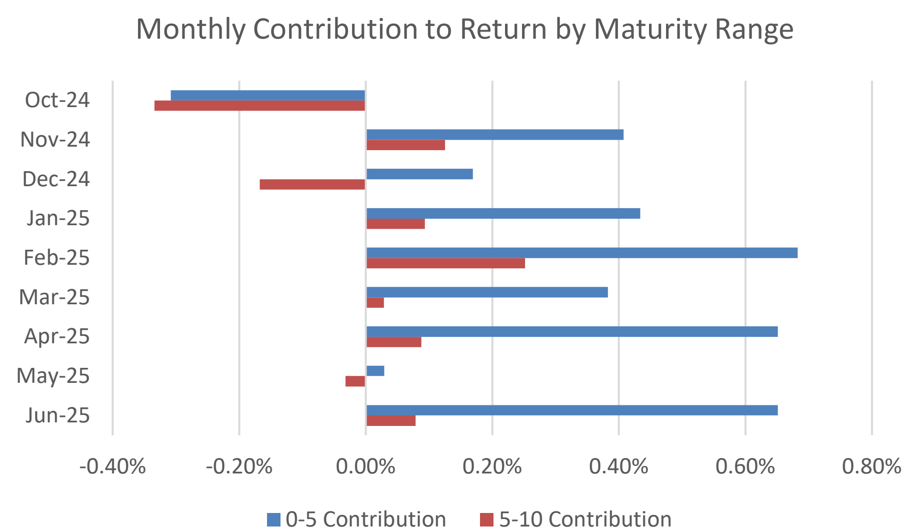
*The current benchmark is 90% 0-5yr ICE BofA Treasury Index and 10% 5-10yr ICE BofA Treasury Index.

Minor Weight, Major Impact





Despite comprising a relatively small portion of the portfolio, securities in the 5–10 year maturity range (in red) had an outsized impact on monthly performance over several periods. This is especially evident in months like October 2024 and February 2025, when longer-dated bonds drove returns sharply negative or positive. In contrast, the bulk of the portfolio—allocated to the 0–5 year range (in blue)—delivered more stable but less dramatic contributions. This highlights how even modest allocations to longer maturities can significantly influence overall results in volatile markets.



Compliance Report

Washoe County Total Portfolio

Category	Limit	Value	Status
Concentration			
Tax-Exempt Municipal Securities - Maximum Total Concentration	20.0		Compliant
Max Total Concentration - Non-Negotiable CDs	10.0		Compliant
Max Total Concentration - Repurchase Agreements	50.0		Compliant
Max Total Concentration - Supranationals	15.0		Compliant
Municipals - Maximum Issuer Concentration (as a % of total market value)	10.0	0.6	Compliant
Max Issuer Concentration of Foreign Corporate Bonds	5.0		Compliant
Max Total Concentration - Commercial Paper	25.0	6.2	Compliant
Max Total Concentration - Foreign Corporate Securities	10.0		Compliant
Max Total Concentration - Negotiable CDs	20.0		Compliant
Maximum Total Concentration - Nevada LGIP	20.0	0.8	Compliant
Max Issuer Concentration - Negotiable Certificates of Deposit	5.0		Compliant
Max Issuer Concentration - Non-negotiable Certificates of Deposit	5.0		Compliant
Max Issuer Concentration - Supranationals	15.0		Compliant
Max Issuer Concentration - US Agencies and Instrumentalities	35.0	15.4	Compliant
Maximum Total Dollar Amount Per Bank - Non-Negotiable Certificates of Deposit	250,000.0		Compliant
Agency MBS - Maximum Issuer Concentration (as a % of market value)	25.0	15.4	Compliant
Agency MBS - Maximum Total Concentration (as a % of market value)	40.0	29.5	Compliant
Combination CP, Corp Bonds, and CD - Maximum Issuer Concentration (as a % of market value)	5.0	2.2	Compliant
Corporate Securities - Maximum Total Concentration (as a % of total market value)	25.0	11.1	Compliant
ABS - Maximum Issuer Concentration (as a % of total market value)	5.0	1.7	Compliant
ABS - Maximum Total Concentration (as a % of market value)	25.0	18.3	Compliant
Credit Quality Rules			
ABS - Minimum Rating per Security AAA	0.0		Compliant
Commercial Paper - Minimum Rating A-1/P-2	0.0		Compliant
Corporates - Minimum Rating per Security A-	0.0		Compliant
If Repurchase Agreement - Minimum Collateralized Amount (as % of security)	0.0		Compliant
Min Credit Rating for CDs (A1/P1)	0.0	0.0	Compliant
Minimum Credit Rating for Municipals (A)	0.0		Compliant
Minimum Credit Rating for Supranationals (AA)	0.0		Compliant
Minimum Credit Rating for Foreign Coporate Bonds (AA)	0.0		Compliant
Maturity Rules			
Maximum Maturity Per Security - Supranationals	5.0		Compliant

1. Certain compliance rules such as ratings minimums and prohibited securities constraints show policy limits as zero, indicating that zero securities are permitted to violate the constraint. For these rules, an actual value of zero indicates that the portfolio is in compliance, and that zero securities are violating the constraint.
2. The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

Compliance Report

Washoe County Total Portfolio

Category	Limit	Value	Status
Maximum Maturity Per Security - Foreign Corporate Bonds	5.0		Compliant
Maximum Weighted Average Life for ABS	5.0	4.7	Compliant
Repurchase Agreement - Maximum Maturity per Security (in days)	90.0		Compliant
Commercial Paper - Maximum Maturity per Security (in days)	270.0	21.0	Compliant
Negotiable Certificates of Deposit - Maximum Maturity per Security	5.0		Compliant
Non-Negotiable Certificates of Deposit - Maximum Maturity per Security	5.0		Compliant
Maximum Average Maturity of Portfolio	3.5	2.5	Compliant
Maximum Maturity Per Security - Municipals	5.0	3.9	Compliant
Corporates - Maximum Maturity per Security (in years)	5.0	4.9	Compliant
Maximum Final Maturity Per Security (in years)	10.0	8.9	Compliant
Minimum % of Portfolio Maturing Within 90 Days	5.0	14.5	Compliant
Prohibited Investments			
Permissible Supranational ISIN/Tickers	0.0		Compliant
144a securities from foreign issuers	0.0		Compliant

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Washoe County - Pooled Investments - Fiscal Year 2025
For the Quarter Ending June 30, 2025

CURRENT YEAR - STATUS BY INVESTMENT GROUP

COMPONENTS OF FUNDS INVESTED

	Cash	Investments at Cost	Invest. Market Value Adjust.	Purchased Interest	Total Investment	Balance - Prior Year
LGIP	$ -	$ 6,787,980	$ -	$ -	$ 6,787,980	$ 59,546,472
Group A - Liquidity	-	31,531,985	-	-	31,531,985	39,411,688
Group B - County Core	23,630,690	873,201,430	(2,996,772)	3,469,190	897,304,538	794,196,000
Total Investment Pool	$ 23,630,690	$ 911,521,396	$ (2,996,772)	$ 3,469,190	$ 935,624,504	$ 893,154,160

All Formulas:

INVESTMENT EARNINGS

	FOR THE QUARTER				YTD	Same Qtr - Prior Year
	Earned Interest	Realized Gain / (Loss)	Unrealized Gain / (Loss)	Total Income	Total Income	Total Income
LGIP	$ 74,314	$ -	$ -	$ 74,314	$ 3,433,594	$ 1,411,718
Group A - Liquidity	347,074	-	-	347,074	1,957,856	1,279,930
Group B - County Core	7,237,478	1,596,973	4,766,863	13,601,314	51,254,101	30,921,556
Total Investment Pool	$ 7,658,866	$ 1,596,973	$ 4,766,863	$ 14,022,702	$ 56,645,551	$ 33,613,204

Washoe County - Pooled Investments - Fiscal Year 2025
For the Quarter Ending June 30, 2025

	FOR THE QUARTER				YTD	Same Qtr - Prior Year
	Earned Interest	Realized Gain / (Loss)	Unrealized Gain / (Loss)	Total Income	Total Income	Total Income
Washoe County						
General Fund	$ 2,332,016	$ 487,429	$ 1,480,485	$ 4,299,930	$ 18,770,696	$ 12,238,511
Special Revenue Funds	809,363	168,824	496,964	1,475,151	5,543,041	2,904,087
Debt Service Funds	16,944	3,519	10,903	31,366	118,707	65,038
Capital Projects Funds	1,010,540	209,993	637,299	1,857,832	7,057,405	3,744,268
Enterprise Funds	1,054,925	219,383	653,356	1,927,664	7,888,704	4,631,798
Internal Service Funds	458,364	95,658	268,736	822,758	3,329,778	2,005,667
Total Washoe County	5,682,152	1,184,806	3,547,743	10,414,701	42,708,331	25,589,369
Component Funds						
Truckee Meadow Fire	163,870	34,879	98,378	297,127	1,177,922	743,591
Fiduciary Funds						
Reg. Transport. Comm.	1,276,859	266,038	785,056	2,327,953	8,813,201	4,923,424
All Other	535,985	111,250	335,686	982,921	3,946,097	2,356,820
Total Investment Pool	$ 7,658,866	$ 1,596,973	$ 4,766,863	$ 14,022,702	$ 56,645,551	$ 33,613,204

2 YEAR - QUARTERLY INCOME TREND

	Earned Interest	Realized Gain / (Loss)	Unrealized Gain / (Loss)	Total Income	Total Investment
2024-Q1	4,690,460	647,611	(11,822,849)	(6,484,778)	945,646,629
2024-Q2	4,906,709	924,072	18,265,624	24,096,404	969,806,640
2024-Q3	5,436,172	3,044,738	(1,751,900)	6,729,010	983,281,971
2024-Q4	5,736,320	1,260,663	2,275,585	9,272,568	893,154,160
Total	$ 20,769,661	$ 5,877,084	$ 6,966,460	$ 33,613,204	
2025-Q1	5,882,204	916,302	16,354,801	23,153,307	980,999,398
2025-Q2	10,137,922	959,353	(9,241,516)	1,855,759	974,538,208
2025-Q3	7,403,551	483,619	9,726,613	17,613,783	1,026,941,296
2025-Q4	7,658,866	1,596,973	4,766,863	14,022,702	935,624,504
Total	$ 31,082,543	$ 3,956,247	$ 21,606,761	$ 56,645,551	