BCM
FIXED INCOME

Washoe County Total Portfolio
First Quarter 2026

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Balancing Forces Driving an Uncertain Rate Path

As we move further into 2026, the outlook for interest rates remains shaped by a mix of competing forces. Structural drivers such as fiscal deficits, productivity gains, and corporate investment continue to support higher rates, while moderating labor demand, policy uncertainty, and affordability constraints point toward slower growth and potential easing. Geopolitical tensions, including the conflict in the Middle East, have contributed to volatility in energy and commodity prices, creating uncertainty around the inflation outlook and contributing to a more cautious tone from Fed officials on near-term rate cuts, while the potential drag on global growth may ultimately support the case for additional easing over time. The T-ledger below highlights these competing influences and frames the current rate environment.

Higher Rates / Faster Growth	Lower Rates / Slower Growth
Geopolitical Friction	Geopolitical Friction
Pipeline Inflation / PPI	Moderating Labor Demand
Productivity Gains	Neutral Rate of Interest through Productivity Gains
Constraints in Labor Supply	Changing Makeup of the Fed
Consumer Wealth Effect	Policy Uncertainty
Fiscal Deficits	Housing Affordability
Corporate Capex	K shaped Economy
Deregulation	Economic Data Lags and Reliability
Tax Policy	Small Business Confidence

FOMC Economic Projections

"Even more than usual it's good to take this forecast with a grain of salt, because its subject to high levels of uncertainty"
– **Jerome Powell, FOMC speech, 3/18/26**

Given the current state of the labor market, the Fed's increase in projected long run GDP suggests a belief in the sustainability of productivity gains. The Fed's upward revision of its projections for inflation and its longer-run neutral rate from 3.0% to 3.13% reflects a growing recognition that the economy may be settling into a structurally-higher inflation and rate environment.

March 2026 FOMC Economic Projections

Percent

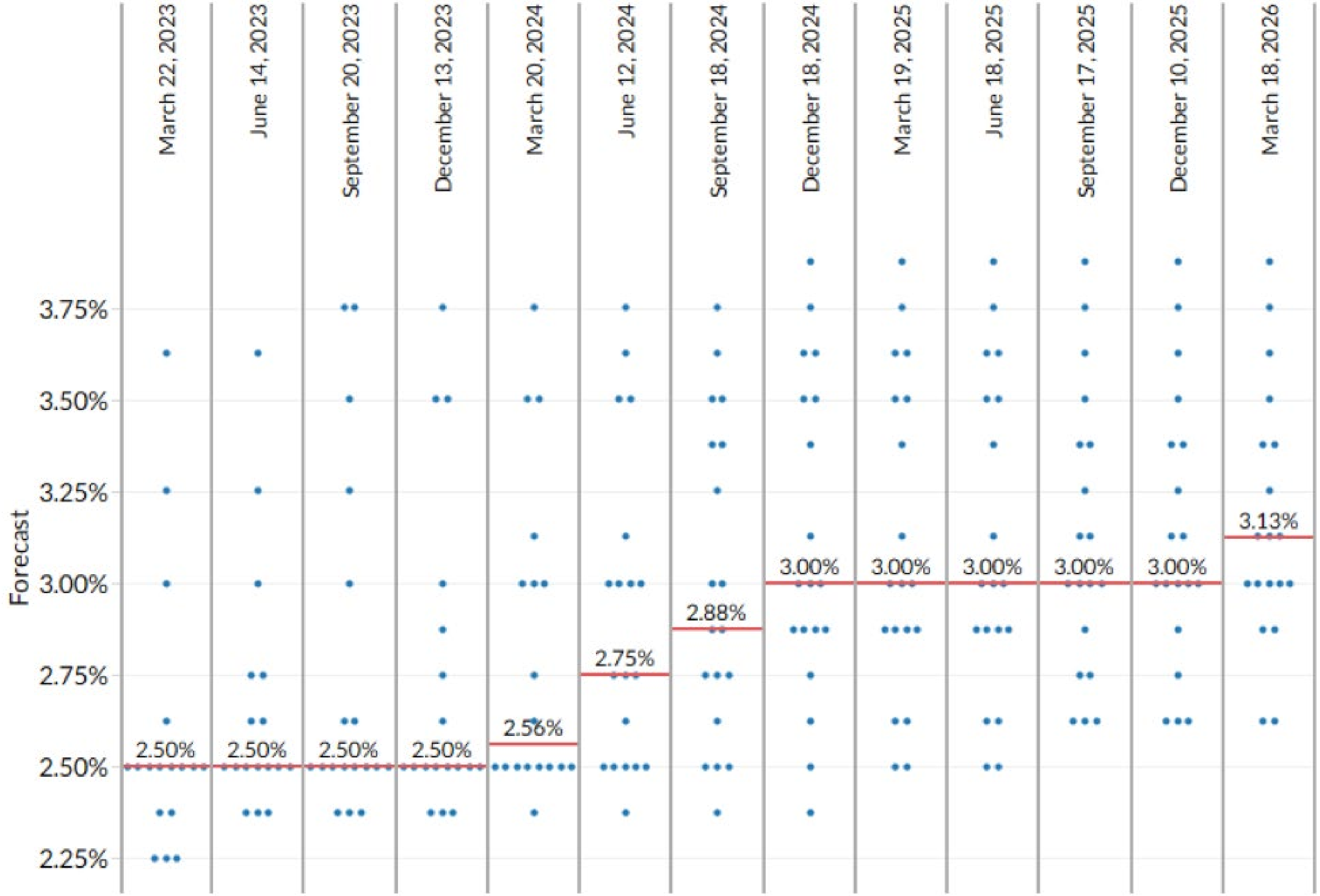
Variable	Median[1]				Central Tendency[2]				Range[3]			
	2026	2027	2028	Longer run	2026	2027	2028	Longer run	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0	2.2–2.5	2.0–2.4	2.0–2.3	1.8–2.0	2.1–2.7	2.0–2.7	1.8–2.7	1.7–2.5
December projection	2.3	2.0	1.9	1.8	2.1–2.5	1.9–2.3	1.8–2.1	1.8–2.0	2.0–2.6	1.8–2.6	1.7–2.6	1.7–2.5
Unemployment rate	4.4	4.3	4.2	4.2	4.3–4.5	4.2–4.4	4.0–4.4	4.0–4.3	4.3–4.6	4.0–4.5	4.0–4.5	3.8–4.5
December projection	4.4	4.2	4.2	4.2	4.3–4.4	4.2–4.3	4.0–4.3	4.0–4.3	4.2–4.6	4.0–4.5	4.0–4.5	3.8–4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6–3.1	2.0–2.3	2.0	2.0	2.3–3.3	1.8–2.4	1.9–2.2	2.0
December projection	2.4	2.1	2.0	2.0	2.3–2.5	2.0–2.2	2.0	2.0	2.2–2.7	2.0–2.3	2.0	2.0
Core PCE inflation[4]	2.7	2.2	2.0		2.5–2.8	2.0–2.4	2.0		2.2–3.0	2.0–2.5	2.0–2.2	
December projection	2.5	2.1	2.0		2.4–2.6	2.0–2.2	2.0		2.2–2.7	2.0–2.5	2.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.1	3.1	3.1	3.1–3.6	2.9–3.6	2.9–3.6	2.9–3.5	2.6–3.6	2.4–3.9	2.6–3.9	2.6–3.9
December projection	3.4	3.1	3.1	3.0	2.9–3.6	2.9–3.6	2.8–3.6	2.8–3.5	2.1–3.9	2.4–3.9	2.6–3.9	2.6–3.9

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The December projections were made in conjunction with the meeting of the Federal Open Market Committee on December 9–10, 2025.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

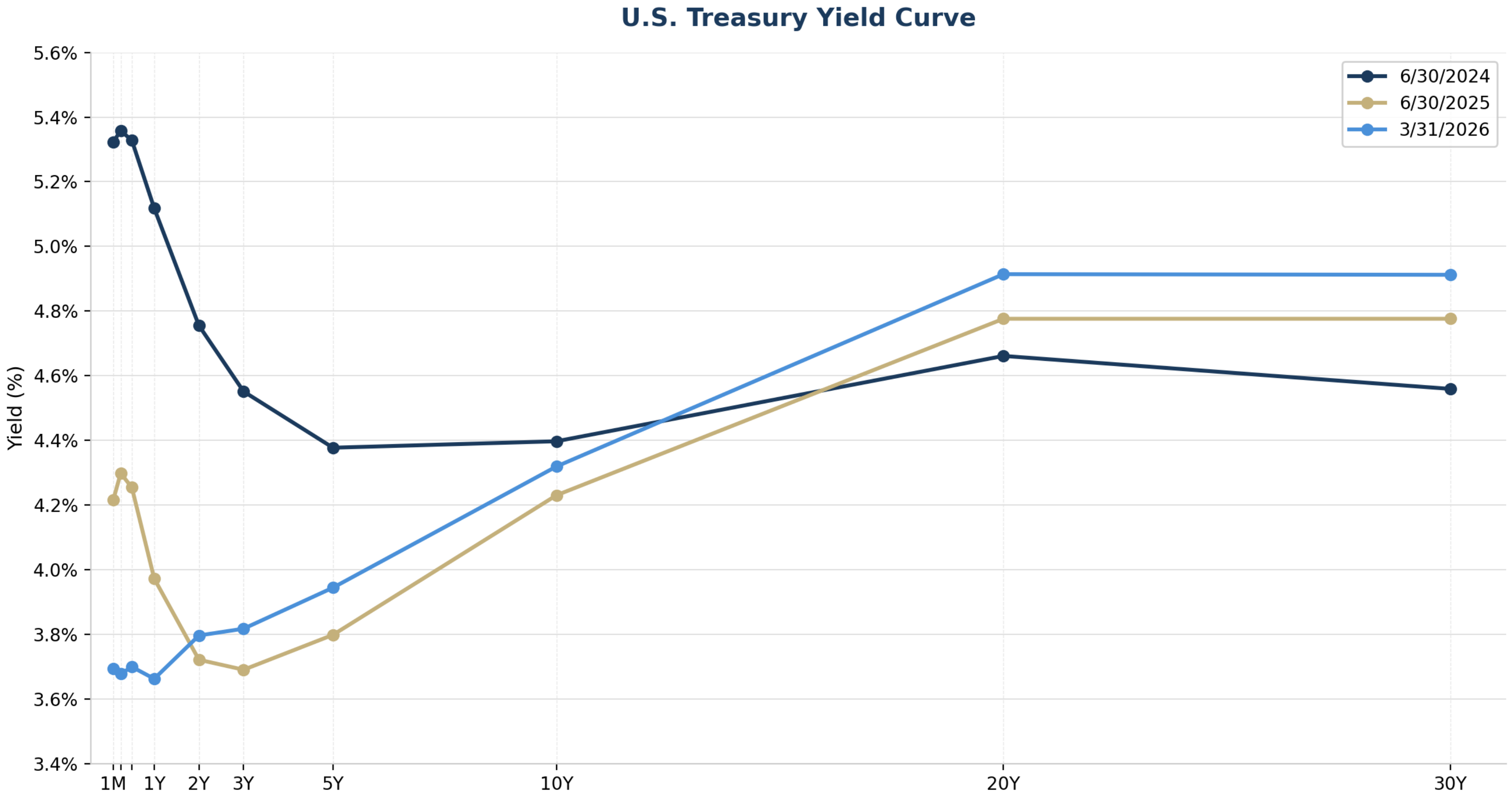
Source: www.federalreserve.gov

Changing Long Term Rate Projections



Source: The Federal Reserve

Yield Curve Changes



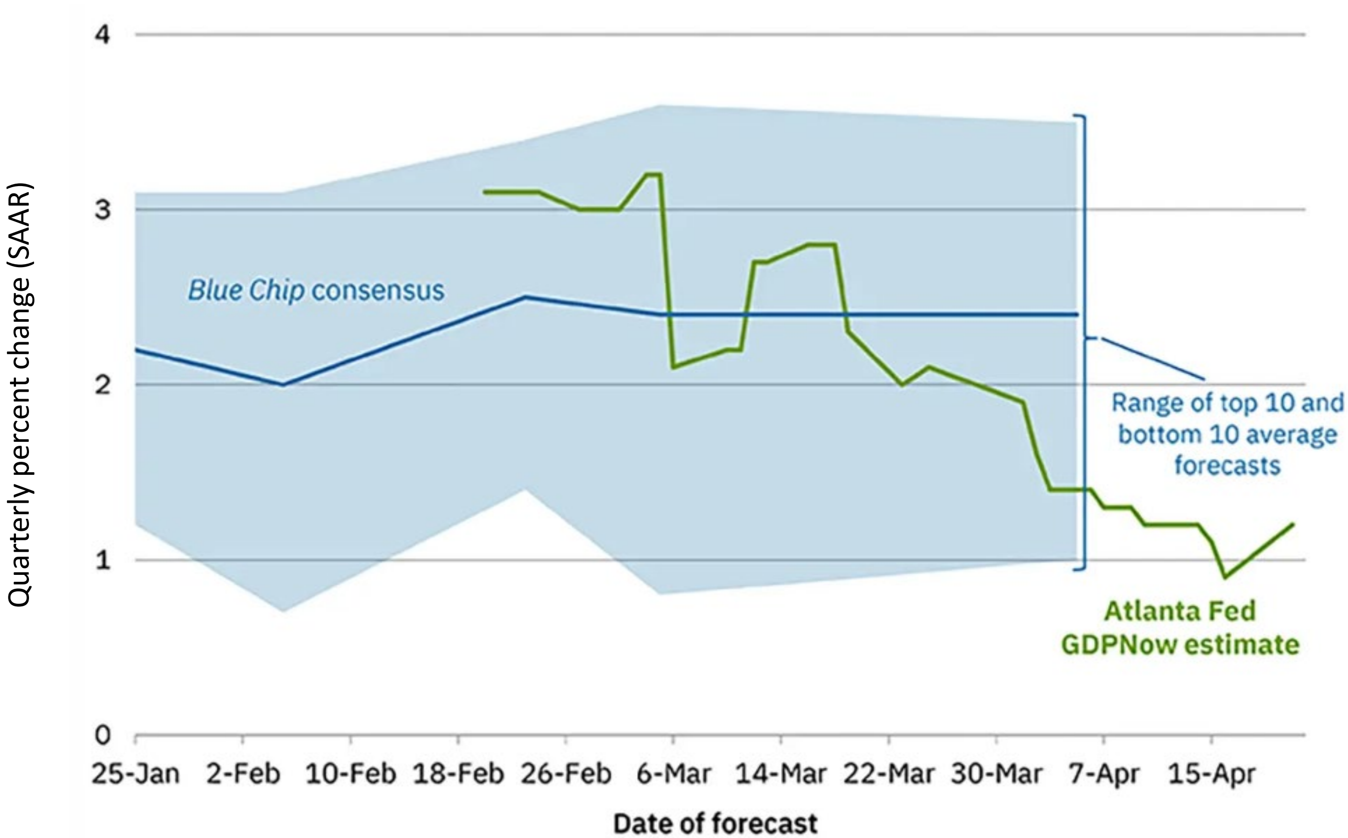
The decline in front-end yields between 6/30/24 and 6/30/25 was driven by the Fed's easing cycle, which began in September 2024. The rise in yields between 6/30/25 and 3/31/26 reflects a reversal in inflation expectations, driven largely by the oil price shock following the Iran conflict and closure of the Strait of Hormuz, which pushed the Fed to pause its cutting cycle and revise its 2026 inflation forecast higher.

Source: Bloomberg

Growth: Real-Time Data Signals a Slowing Economy

The Atlanta Fed's GDPNow model provides a real-time estimate of economic growth based on incoming data. While the estimate evolves throughout the quarter as new information is released, it clearly points to an economy that is running below expectations. Softer-than-expected readings on consumer spending, business investment, and a wider than expected trade deficit have all signaled an economy that is cooling.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2026:Q1

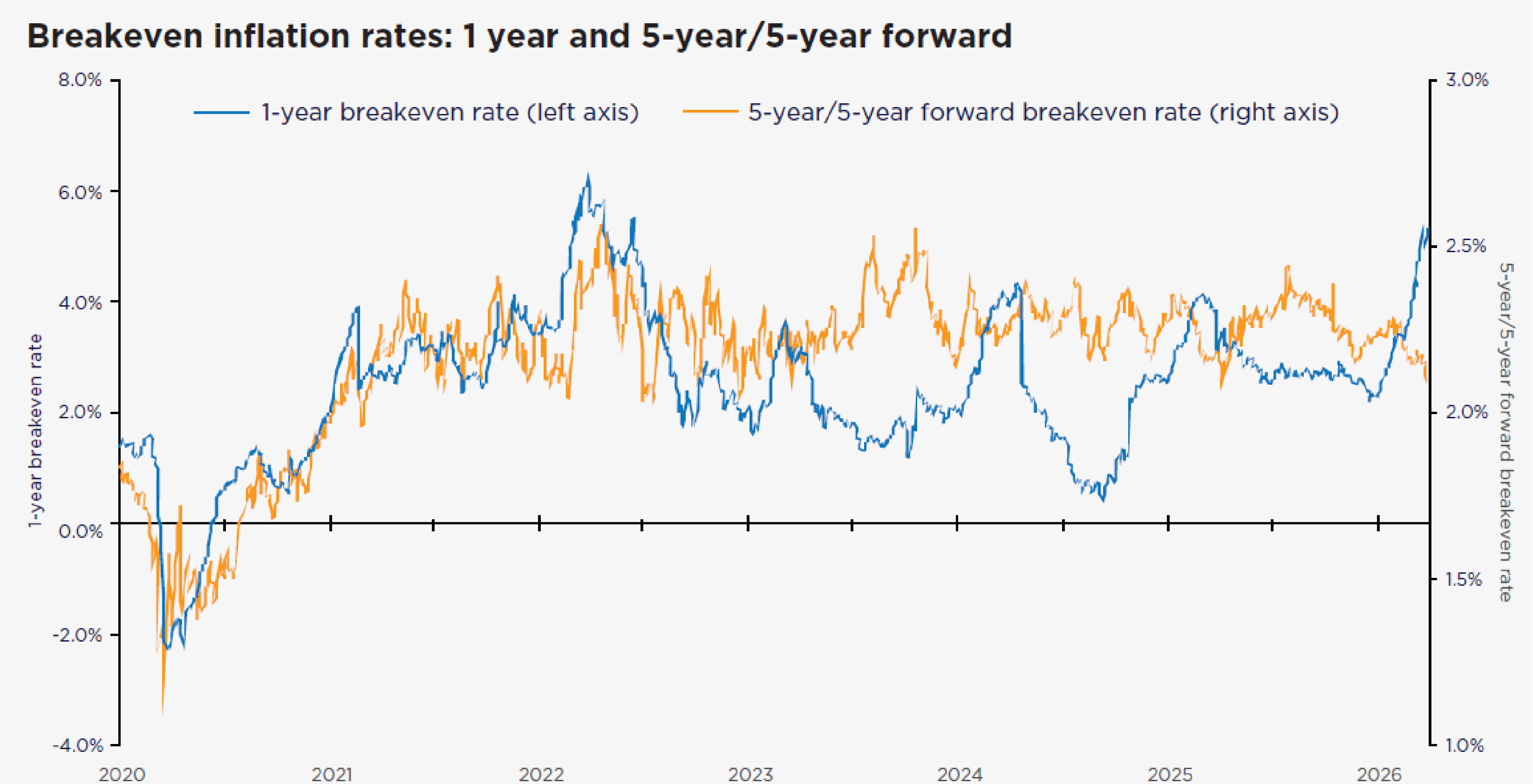


The Atlanta Fed's GDPNow estimate has fallen sharply from over 3.0% in late February to just 1.2% as of April 21, driven by weakening private investment, slowing consumer spending, and declining government expenditures.

Source: Federal Reserve Bank of Atlanta (GDPNow)

Geopolitical Shock Splits the Inflation Outlook

Near-term (1-year) breakeven rates have surged, driven by commodity and energy price shocks, while the 5-year/5-year forward rate has actually drifted lower, suggesting markets view the inflationary impulse as temporary and potentially self-correcting through demand destruction.



Source for chart data: Bloomberg, Nationwide Investment Research.

The Real Cost of Gas: Less Change Than You Think

While the price at the pump has risen 142% since 2004 (from $1.69 to $4.09), **after adjusting for inflation the real cost of gasoline has increased just 38%.** In today's dollars, gas cost $2.98 per gallon back in March 2004 — meaning only about $1.11 of the increase reflects a true rise in cost; the rest is simply the declining purchasing power of the dollar.

Source: U.S. Energy Information Administration (gas prices); Bureau of Labor Statistics (CPI month-over-month inflation). Adjusted to April 2026 dollars.

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 duration slightly above neutral, reflecting our view that near-term inflation pressures—driven in part by energy costs and tariff pass-through—may not prove durable, and that the cumulative weight of slowing growth, moderating consumer sentiment, and labor market softening could ultimately support additional easing over time. We maintain a measured stance positioned to benefit from potential further rate declines while preserving flexibility as these competing forces continue to shape the rate path.

Curve Position

Barbell	Ladder	Bullet

Bullet – The front end of the curve remains relatively flat, with normalization continuing from two years through thirty years following the Fed's policy shift. We continue to see two probable outcomes: (1) a bear steepening if inflation remains sticky, or (2) a bull steepening as rate cuts progress and growth slows. Maintaining a bulleted tilt allows portfolios 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

In the current rate environment, we continue to favor securities with stable, predictable cash flows while limiting exposure to optionality. With spreads near historical tights, we maintain an emphasis on higher-quality issuers to promote resilience and stability as competing forces continue to shape the cycle.

Portfolio Characteristics

Washoe County Total Portfolio

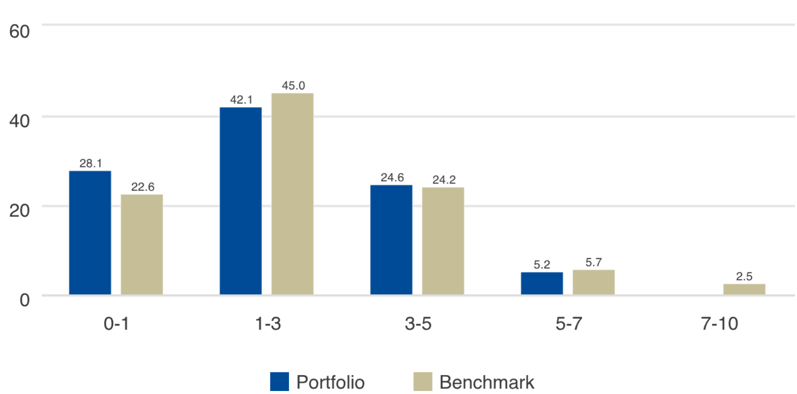
Portfolio Characteristics*

	Portfolio	Benchmark
Market Value	$1,050,963,305	
Accrued Interest	$4,076,097	
Total Market Value	$1,055,039,401	
Average Coupon	3.70	3.07
Est Annual Income	$35,500,258	
# of Securities	141	
Years to Effective Maturity	2.73	2.70
Effective Duration	2.16	2.48
Market Yield	4.119	3.861
Average Rating	AA+	AA+

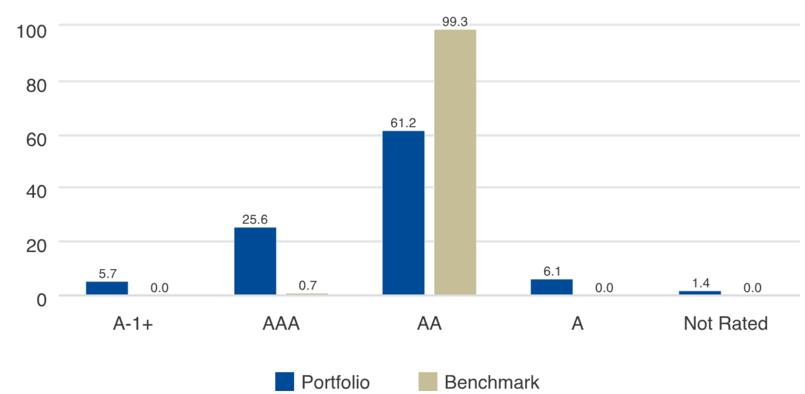
Distribution by Market Sector

	Portfolio	Benchmark
Cash Equivalents	4.67%	-
U.S. Treasuries	10.99%	100.00%
Agencies	42.31%	-
Corporates	13.12%	-
Commercial Paper	5.70%	-
Asset Backed Securities	22.34%	-
Municipals	0.88%	-

Distribution by Effective Duration



Distribution by Quality



* The portfolio is benchmarked against the 90% ICE BofA 0-5 Year Treasury/ 10% ICE BofA 5-10 Year Treasury Hybrid Index.

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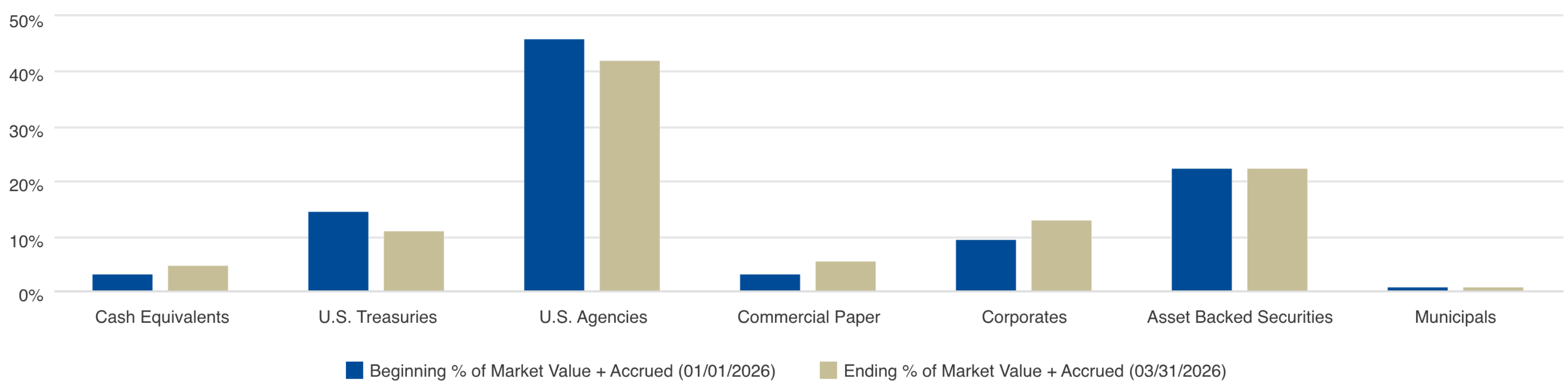
Distribution by Market Sector

Washoe County Total Portfolio

Asset Allocation

Buckhead Sectors	Ending Market Value + Accrued	Ending % of Market Value + Accrued	Duration	Contribution to Duration	Yield	Contribution to Yield
Cash Equivalents	49,245,801	4.67%	0.00	0.00	3.55	0.17
U.S. Treasuries	115,937,127	10.99%	3.00	0.33	3.88	0.43
U.S. Agencies	446,347,380	42.31%	2.48	1.05	4.15	1.76
Commercial Paper	60,150,798	5.70%	0.02	0.00	3.71	0.21
Corporates	138,440,918	13.12%	2.54	0.33	4.37	0.57
Asset Backed Securities	235,679,462	22.34%	1.78	0.40	4.20	0.94
Municipals	9,237,915	0.88%	2.35	0.02	4.21	0.04
Total	**1,055,039,401**	**100.00%**	**2.16**	**2.16**	**4.12**	**4.12**



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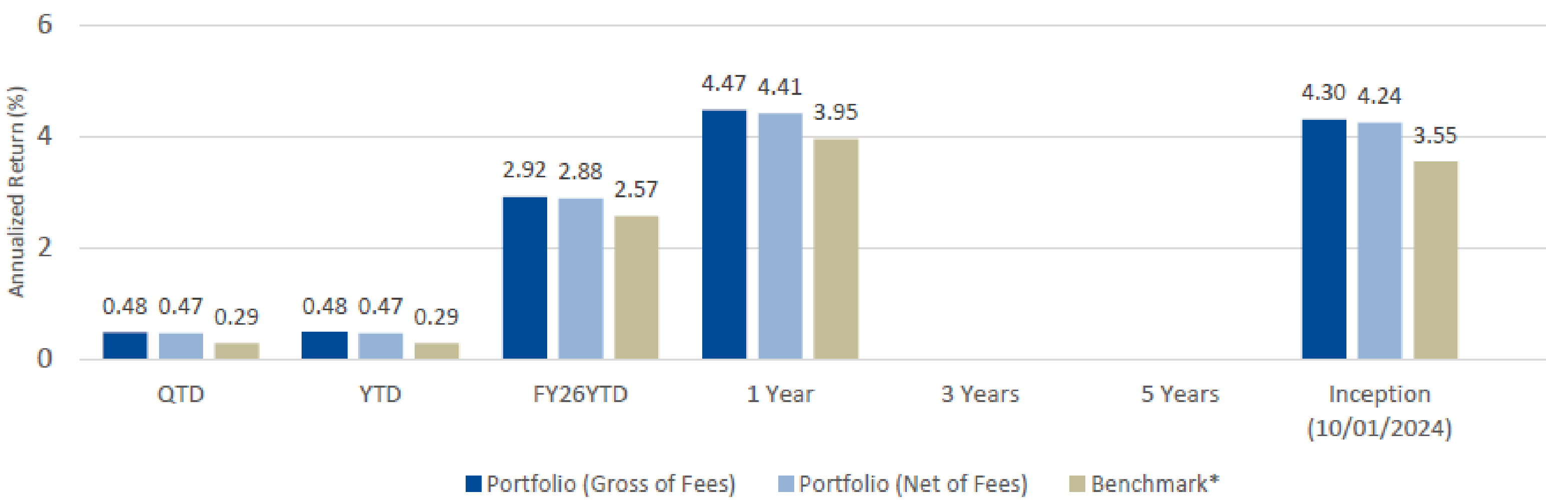
Performance Summary

Washoe County Total Portfolio

Portfolio Performance by Period



Calendar Year Performance

Year	Q1	Q2	Q3	Q4	Annual - Gross of Fees	Annual - Net of Fees
2026	0.48%				0.48%	0.47%
2025	1.89%	1.47%	1.28%	1.16%	5.94%	5.88%
2024				0.06%	0.06%	0.04%

* The portfolio is benchmarked against the 90% ICE BofA 0-5 Year Treasury/ 10% ICE BofA 5-10 Year Treasury Hybrid Index
Performance periods greater than one year are annualized. Performance is shown both gross and net of investment management fees and reflects time-weighted total rates of return, including interest income and realized and unrealized gains and losses; net-of-fees returns reflect the deduction of actual advisory fees charged.

Income & Earnings Overview

Despite a decline in short-term rates over the fiscal year, the portfolio has continued to generate strong income levels. Through the first nine months of fiscal 2026, the portfolio produced $30.3 million of total income before expenses, supported primarily by $26.6 million of earned interest, representing an increase of approximately $1.4 million compared to the same period in fiscal 2025.

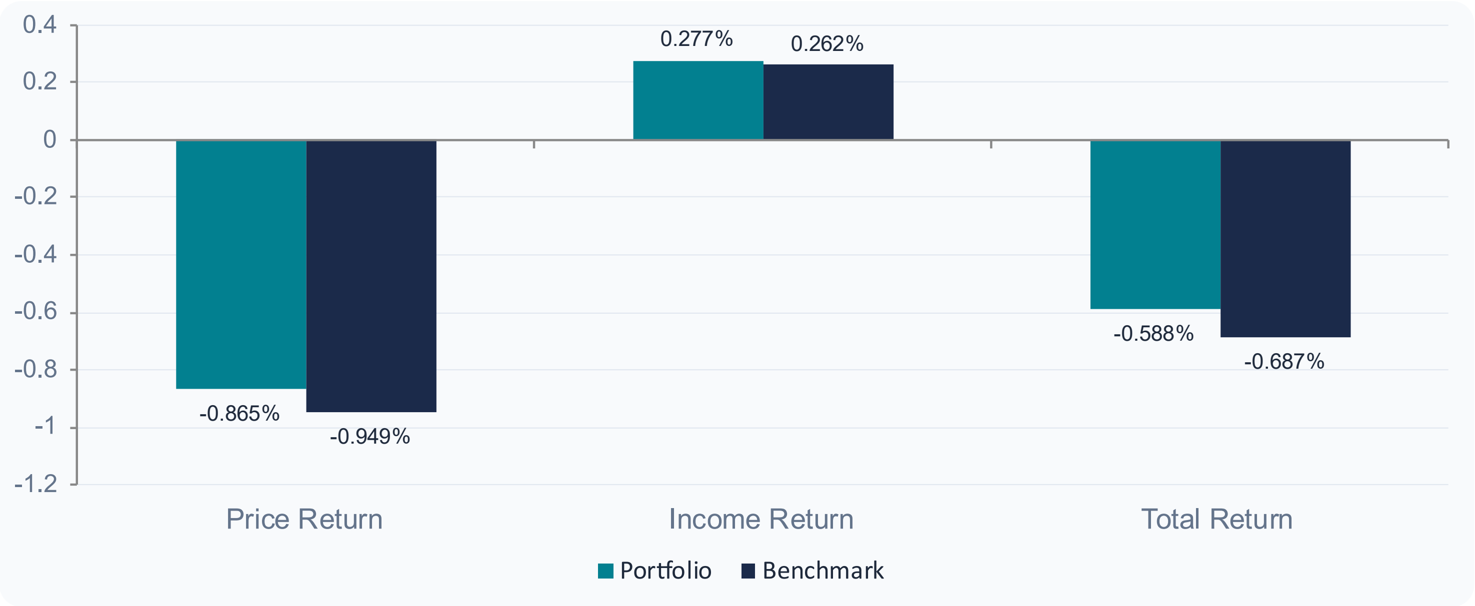
While total income is lower than the prior-year period, this is driven by the absence of unrealized market gains that benefited fiscal 2025 results, rather than a decline in underlying income generation. During the quarter, earned income remained consistent, with monthly interest income averaging approximately $3.0 million, though market volatility in March resulted in a temporary unrealized loss.

Fiscal year-to-date results continue to exceed expectations, with total income ahead of budget by approximately $15.2 million, driven by stronger-than-expected interest income and realized gains. Overall, performance continues to be driven by durable income generation rather than market price appreciation.

MONTHLY EARNINGS TREND

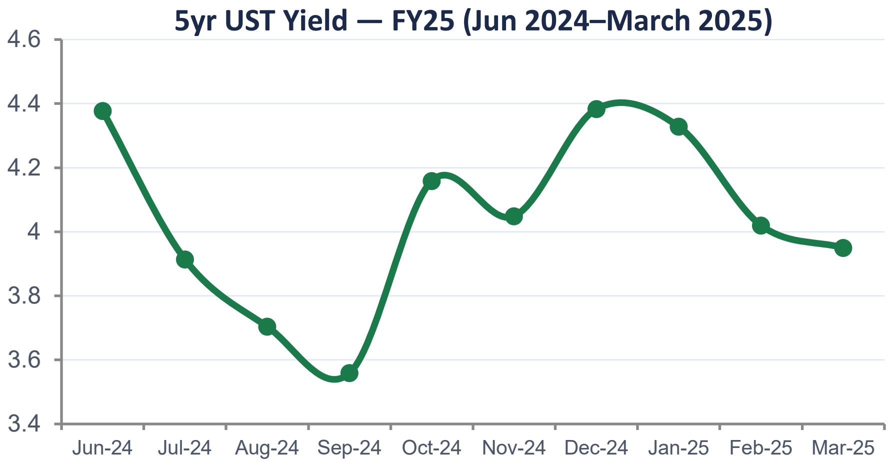
	Earned Interest	Realized Gain / (Loss)	Unrealized Gain / (Loss)	Total Income Before Expenses	Same Period FY 2025
July	$ 2,448,410	$ 528,746	$ (2,727,700)	$ 249,457	$ 9,231,679
August	$ 3,282,091	$ 333,237	6,197,928	$ 9,813,256	$ 6,885,124
September	$ 3,039,459	$ 593,612	(75,901)	$ 3,557,170	$ 7,036,504
October	$ 3,176,914	$ 301,785	701,251	$ 4,179,950	$ (3,766,315)
November	$ 2,841,885	$ 387,776	2,318,480	$ 5,548,140	$ 5,142,963
December	$ 2,731,019	$ 489,703	(1,249,724)	$ 1,970,998	$ 479,111
January	$ 3,148,329	$ 434,883	(35,858)	$ 3,547,354	$ 4,358,088
February	$ 2,961,094	$ 317,687	4,428,506	$ 7,707,287	$ 9,131,097
March	$ 3,004,224	$ 418,956	(9,659,052)	$ (6,235,872)	$ 4,124,598
April	$ -	$ -	-	$ -	$ -
May	$ -	$ -	-	$ -	$ -
June	$ -	$ -	-	$ -	$ -
Total Earnings to date	$ 26,633,425	$ 3,806,385	$ (102,070)	$ 30,337,740	$ 42,622,849

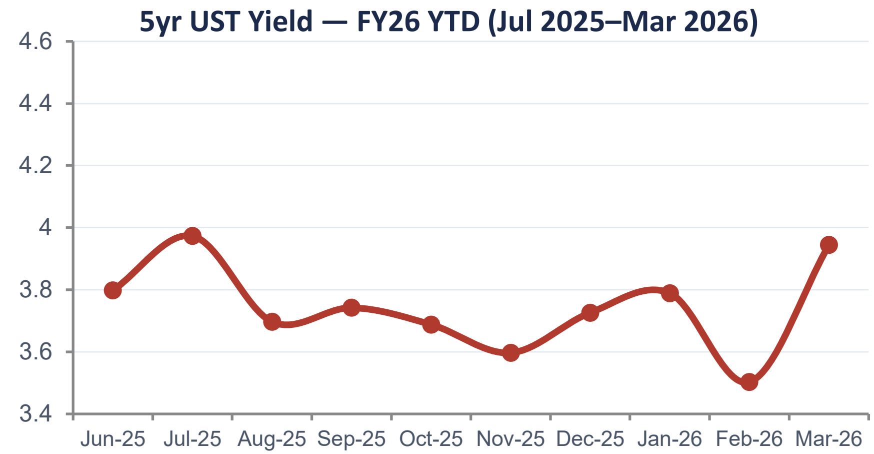
March 2026 – Performance Breakout vs. Benchmark



	Portfolio	Benchmark	Excess
Price Return	-0.865%	-0.949%	**+0.084%**
Income Return	+0.277%	+0.262%	**+0.015%**
Total Return	**-0.588%**	**-0.687%**	**+0.099%**

Interest Rate Environment Thru March : FY25 vs. FY26





FY25 (July 2024 – March 2025)

5yr UST: 4.38% → 3.95% **(rates fell net)**

↓ Rates fell over the fiscal year

↑ Bond prices rose

↑ Unrealized gains built up in the portfolio

Benchmark Return: **+4.51%**

FY26 (July 2025 – March 2026 YTD)

5yr UST: 3.80% → 3.94% **(rates rose net)**

↑ Rates rose over the fiscal year

↓ Bond prices fell

↓ Unrealized losses emerged (esp. March)

Benchmark Return: **+2.57%**

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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	0.5	Compliant
Max Issuer Concentration of Foreign Corporate Bonds	5.0		Compliant
Max Total Concentration - Commercial Paper	25.0	5.7	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	1.4	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	18.8	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	15.6	Compliant
Agency MBS - Maximum Total Concentration (as a % of market value)	40.0	26.2	Compliant
Combination CP, Corp Bonds, and CD - Maximum Issuer Concentration (as a % of market value)	5.0	1.4	Compliant
Corporate Securities - Maximum Total Concentration (as a % of total market value)	25.0	13.1	Compliant
ABS - Maximum Issuer Concentration (as a % of total market value)	5.0	1.6	Compliant
ABS - Maximum Total Concentration (as a % of market value)	25.0	22.3	Compliant
Credit Quality Rules			
ABS-Minimum Rating per Security AAA by one NRSRO	0.0		Compliant
Commercial Paper - Minimum Rating A-1/P-2	0.0		Compliant
Corporates - Minimum Rating per Security A-	0.0		Overridden
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.

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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	4.5	Compliant
Repurchase Agreement - Maximum Maturity per Security (in days)	90.0		Compliant
Commercial Paper - Maximum Maturity per Security (in days)	270.0	17.0	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	2.7	Compliant
Maximum Maturity Per Security - Municipals	5.0	3.2	Compliant
Corporates - Maximum Maturity per Security (in years)	5.0	5.0	Compliant
Maximum Final Maturity Per Security (in years)	10.0	9.4	Compliant
Minimum % of Portfolio Maturing Within 90 Days	5.0	16.1	Compliant
Prohibited Investments			
Permissible Supranational ISIN/Tickers	0.0		Compliant
144a securities from foreign issuers	0.0		Compliant

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