BCM
FIXED INCOME

Washoe County Total Portfolio
Quarter ended June 30, 2026

Matt Boden, CFA
404-720-8786
mboden@buckheadcapital.com

Rick Nelson
404-720-8789
rnelson@buckheadcapital.com

Kathy Stratton, CFA
404-720-0863
kstratton@buckheadcapital.com

Brett Snavely, CPA
404-720-8787
bsnavely@buckheadcapital.com

Tara Hagan
775-230-3717
thagan@buckheadcapital.com

Chad Stephens
404-720-0851
cstephens@buckheadcapital.com

BCM Fixed Income | Atlanta, GA | Reno, NV

Competing Forces Keep the Rate Outlook Unsettled

The outlook for interest rates remains unsettled as the Federal Reserve weighs persistent inflation risks against signs of softer growth. Higher energy and commodity prices, pipeline inflation, AI-related investment, fiscal deficits, and potential changes to the Fed's balance sheet argue for caution on near-term rate cuts. At the same time, moderating labor demand, housing and affordability pressures, weaker consumer and small business activity, and slower foreign growth could ultimately support additional easing. The transition to the Warsh Fed adds another source of uncertainty, with less forward guidance and a still-developing policy framework reinforcing a "wait and see" approach. The T-ledger below highlights the competing forces shaping the rate outlook.

Higher Rates / Faster Growth	Lower Rates / Slower Growth
Geopolitical Friction	Geopolitical Friction
The New Fed Regime	The New Fed Regime
Pipeline Inflation / PPI	Moderating Labor Demand
AI Capex and Productivity Gains	Productivity-Driven Disinflation
Constraints in Labor Supply	Foreign Growth Concerns
Pro-Growth Tax and Regulatory Policy	Housing Market Stagnation
Smaller / Shorter-Duration Fed Balance Sheet	Consumer and Small Business Weakness
Fiscal Deficits / Higher Term Premium	Economic Data Timeliness and Reliability

KEVIN WARSH

New Federal Reserve Chair

- **2006–2011**
  Fed Governor
- **2011–2017**
  Morgan Stanley / Hoover Institution
- **2017**
  Passed over for Chair; Trump chose Powell
- **Jan 2026**
  Nominated by Trump
- **Apr 21**
  Senate Banking hearing
- **May 2026**
  May 13 – Confirmed 54-45
  May 22– Sworn in by President Trump

BACKGROUND

Who Is Kevin Warsh?

Kevin Warsh, 56, served on the Federal Reserve's Board of Governors from 2006–2011, becoming the youngest Fed Governor in history at age 35. He studied public policy at Stanford and law at Harvard, then worked in M&A at Morgan Stanley before joining the National Economic Council under President George W. Bush. Bush nominated him to the Fed Board of Governors in 2006.

Inflation Hawk (Historically)

Criticized later rounds of QE. Known for warning that prolonged low rates and large balance sheets distort markets and fuel future inflation.

Senate Testimony — Apr 21, 2026

"Inflation is a choice, and the Fed must take responsibility for it." Pledged independence: "The president never asked me to commit to interest rate cuts."

"Regime Change" at the Fed

Called for restructuring the Fed's communications, eliminating the dot plot, reducing QE reliance, and shrinking the $6.7T balance sheet over time. Also expected to revisit how inflation is measured and reported, potentially shifting away from the current PCE-based framework.

Sources: Senate Banking Committee testimony (Apr 21, 2026) · Stifel Economic Daily (Apr 21, 2026) · Washington Post (May 11, 2026) · Marquette Associates (May 2026)

Warsh’s Opening Moves

Kevin Warsh’s first FOMC meeting on June 17th included several notable takeaways.

Policy Statement & Rate Decision

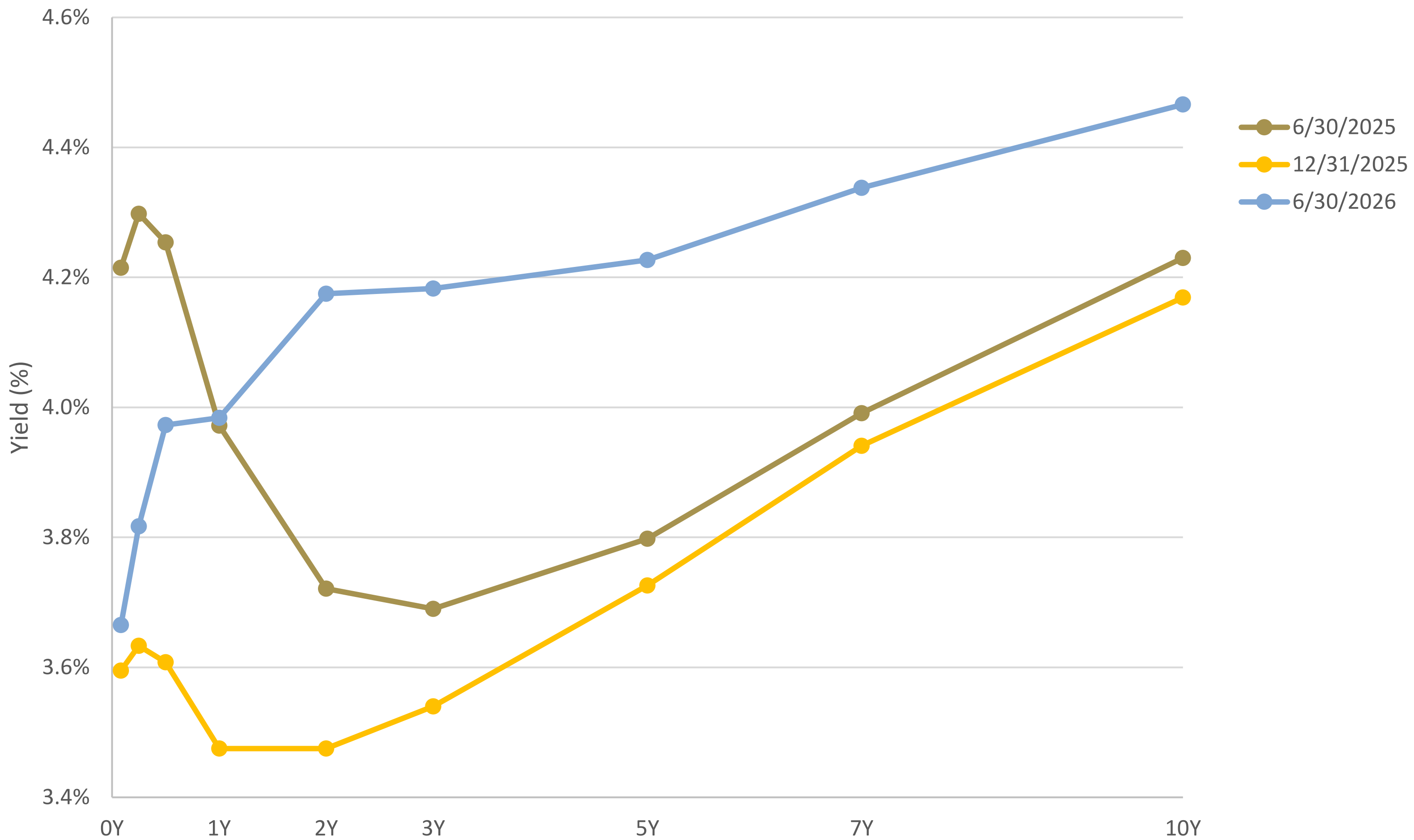
- Rates held unanimously at 3.50–3.75%.
- First policy statement was 130 words — less than half of April's 341 words, and the lowest since Greenspan's 128 words in January 2002 (vs. a peak of 895 words in September 2014).
- Statement dropped older boilerplate language; closing message was blunt: “The Committee will deliver price stability”.
- Warsh abstained from the dot plot; 9 of 18 officials projected a 2026 rate increase; markets priced a 60.7% chance of a hike by October.

Five New Task Forces

- Warsh announced five task forces covering the Fed's communication strategy, balance sheet management, data sourcing, inflation framework, and how productivity and employment are impacting the broader economy.
- “These subjects are timely, consequential, and in my view, worthy of a fresh look”.

Yield Curve Changes

Treasury yields declined across most of the curve during the second half of 2025, with the largest decreases occurring in short- and intermediate-term maturities. During the first half of 2026, yields rose broadly, particularly from two to ten years, as inflation concerns and reduced expectations for near-term Fed easing pushed rates higher. By June 30, 2026, the yield curve had shifted above year-end levels at every maturity, with longer-term yields also exceeding their June 2025 levels.



Source: Bloomberg

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 slightly above neutral in duration. Slowing growth, moderating labor demand, and weakness in rate-sensitive sectors could ultimately support additional easing, while persistent inflation and uncertainty around the new Fed regime argue against a more aggressive position. We continue to maintain a measured stance that preserves flexibility as incoming data and policy developments shape the rate outlook.

Curve Position

Barbell	Ladder	Bullet

Bullet: The front end of the curve remains relatively flat, while the outlook for rates is being shaped by competing inflation and growth risks. Persistent inflation or a more hawkish Fed could keep shorter-term yields elevated, while slower growth and eventual easing could produce a steeper curve over time. We continue to favor a bulleted position, which provides balanced exposure across maturities and preserves flexibility as the rate path becomes clearer

Sector Rotation

- **Overweight:** Governments, Municipals, ABS, Agency CMBS
- **Increasing Selectively:** Corporates and Agency RMBS
- **Remain Underweight:** Corporates relative to historical levels, Class B and C Office, Callables

Security Selection

We continue to favor higher-quality securities with stable, predictable cash flows and limited optionality. With credit spreads near historically tight levels, corporate exposure remains selective, with an emphasis on issuers where fundamentals and relative value justify the additional spread. Recent additions to agency RMBS have also been targeted, rather than reflecting a broad sector overweight.

Portfolio Characteristics

Washoe County Total Portfolio

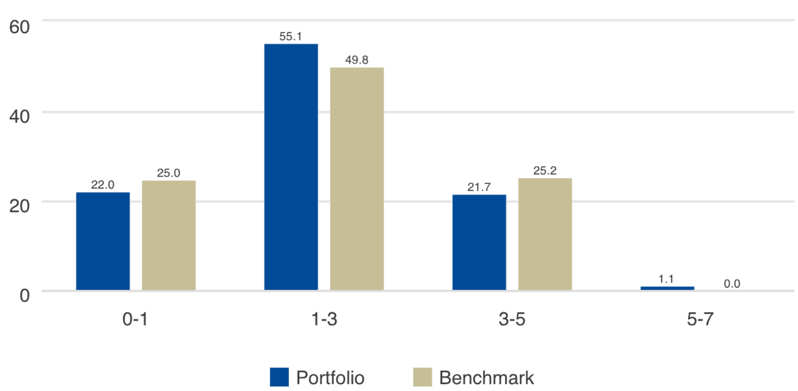
Portfolio Characteristics*

	Portfolio	Benchmark
Market Value	$947,901,468	
Accrued Interest	$4,286,266	
Total Market Value	$952,187,733	
Average Coupon	3.97	3.05
Est Annual Income	$35,356,287	
# of Securities	134	205
Years to Effective Maturity	2.79	2.23
Effective Duration	2.11	2.08
Market Yield	4.392	4.124
Average Rating	AA+	AA+

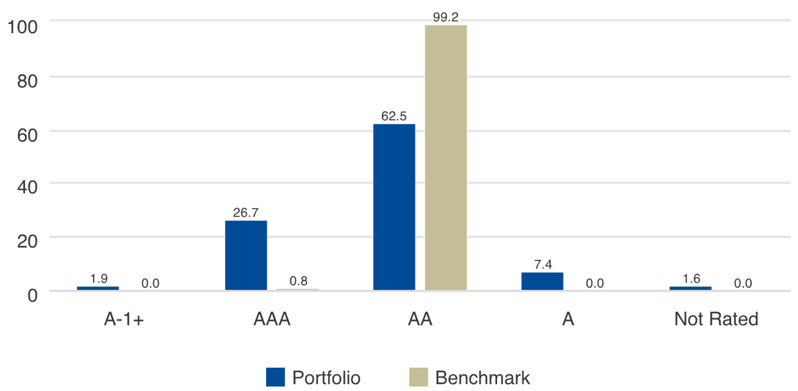
Distribution by Market Sector

	Portfolio	Benchmark
Cash Equivalents	4.27%	-
U.S. Treasuries	12.04%	100.00%
Agencies	39.51%	-
Corporates	16.39%	-
Commercial Paper	1.87%	-
Asset Backed Securities	23.41%	-
Municipals	2.51%	-

Distribution by Effective Duration



Distribution by Quality



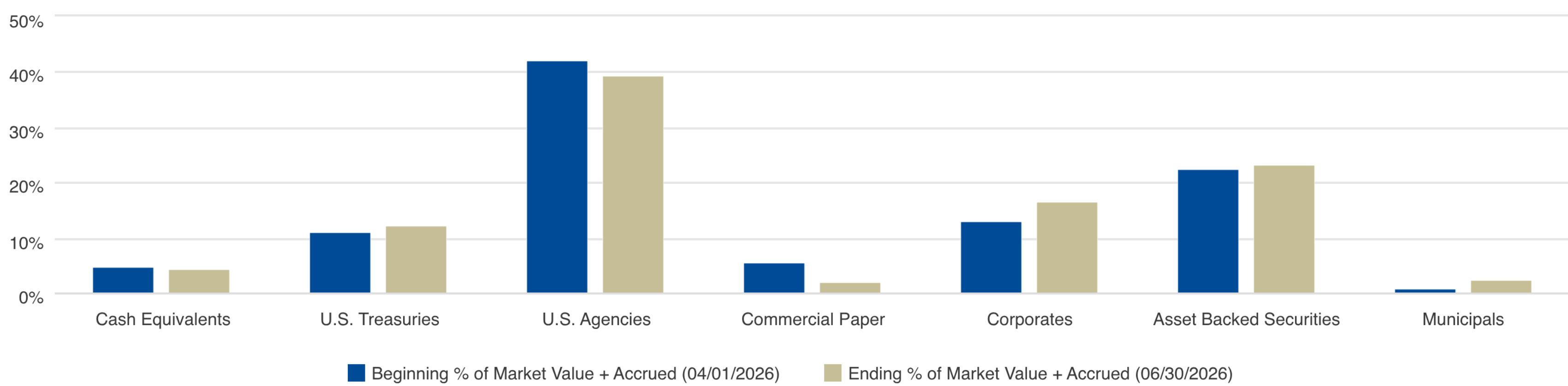
* The portfolio is benchmarked against the ICE BofA 0-5 Year US Treasury Index.

Distribution by Market Sector

Washoe County Total Portfolio

Asset Allocation

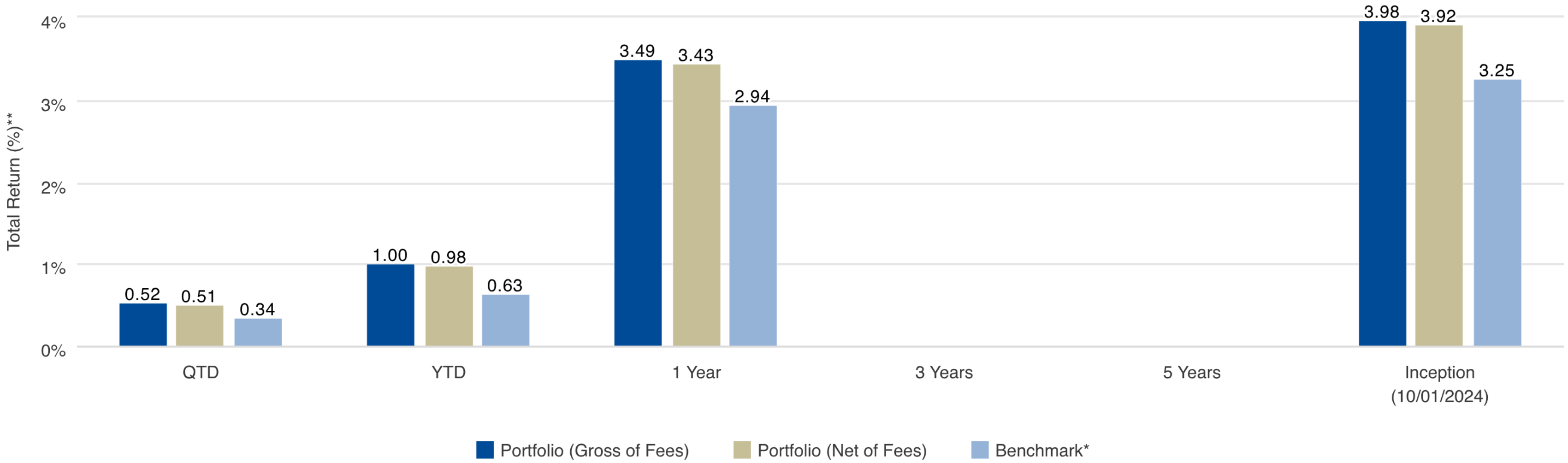
Buckhead Sectors	Ending Market Value + Accrued	Ending % of Market Value + Accrued	Duration	Contribution to Duration	Yield	Contribution to Yield
Cash Equivalents	40,668,942	4.27%	0.00	0.00	3.55	0.15
U.S. Treasuries	114,624,327	12.04%	2.10	0.25	4.04	0.49
U.S. Agencies	376,164,929	39.51%	2.32	0.92	4.46	1.76
Commercial Paper	17,839,748	1.87%	0.05	0.00	3.74	0.07
Corporates	156,047,839	16.39%	2.69	0.44	4.59	0.75
Asset Backed Securities	222,918,087	23.41%	1.68	0.39	4.41	1.03
Municipals	23,923,862	2.51%	2.89	0.07	4.87	0.12
Total	**952,187,733**	**100.00%**	**2.11**	**2.11**	**4.39**	**4.39**



Performance Summary

Washoe County Total Portfolio

Portfolio Performance by Period



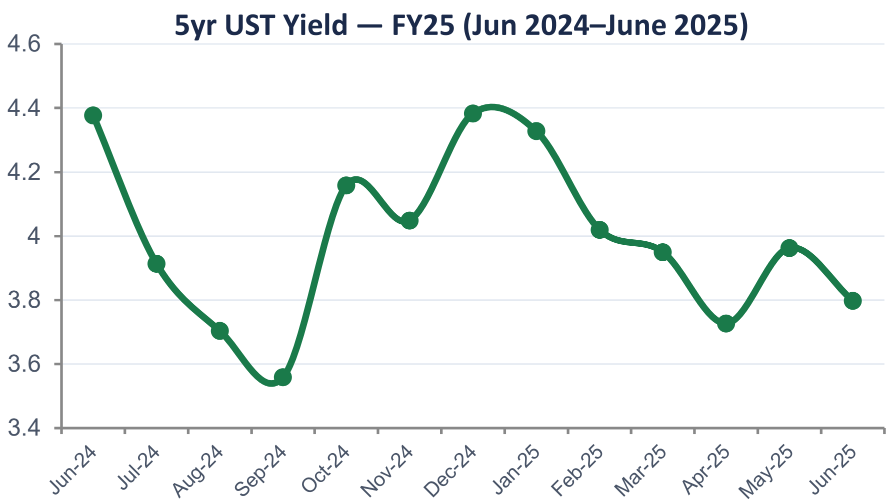
Calendar Year Performance

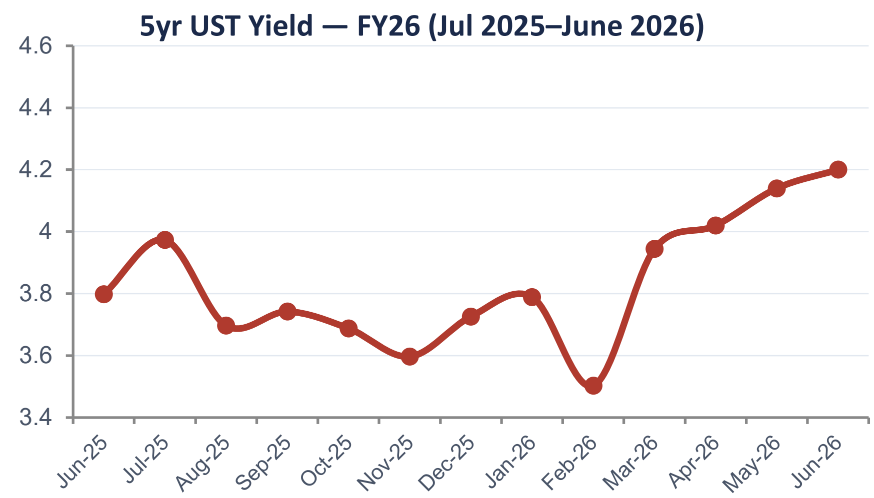
Year	Q1	Q2	Q3	Q4	Annual - Gross of Fees	Annual - Net of Fees
2026	0.48%	0.52%			1.00%	0.98%
2025	1.89%	1.47%	1.28%	1.16%	5.94%	5.88%
2024				0.06%	0.06%	0.04%

*The portfolio is benchmarked against the ICE BofA 0-5 Year US Treasury Index as of May 1, 2026. All prior periods are benchmarked against the 90% ICE BofA 0-5 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.

Interest Rate Environment: FY25 vs. FY26





FY25 (July 2024 – June 2025)

5yr UST: 4.38% → 3.79% **(rates fell net)**

- **↓ Rates fell over the fiscal year**
- **↑ Bond prices rose**
- **↑ Unrealized gains built up in the portfolio**

Benchmark Return: **+5.89%**

FY26 (July 2025 – June 2026)

5yr UST: 3.79% → 4.23% **(rates rose net)**

- **↑ Rates rose over the fiscal year**
- **↓ Bond prices fell**
- **↓ Unrealized losses emerged**

Benchmark Return: **+2.94%**

Income & Earnings Overview

Despite a decline in short-term rates over the fiscal year, the portfolio continued to generate strong income. For fiscal year 2026, the portfolio produced $35.9 million of total income before expenses, driven by $35.9 million of earned interest and $4.6 million of realized gains, partially offset by $4.6 million of unrealized mark-to-market losses. Earned interest rose approximately $4.9 million compared to fiscal year 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.

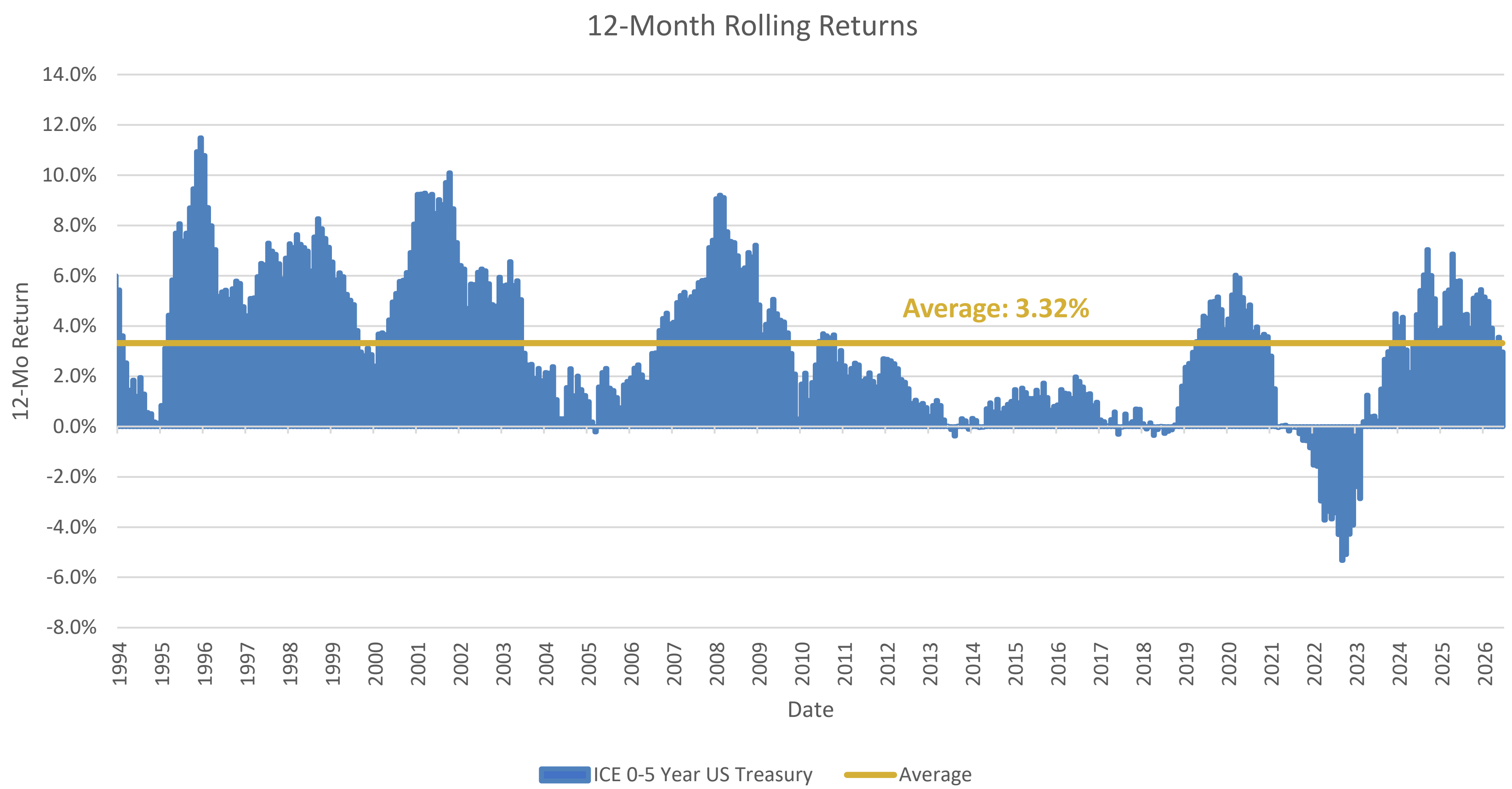
Fiscal year-to-date results exceeded expectations, with total income ahead of budget by approximately $16.5 million, driven by stronger-than-expected interest income and realized gains. Overall, performance continues to be driven by durable income generation rather than market price appreciation.

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	$ 3,020,150	$ 358,704	(926,828)	$ 2,452,026	$ 7,583,443
May	$ 2,853,719	$ 283,202	(2,054,627)	$ 1,082,294	$ (238,699)
June	$ 3,435,132	$ 127,765	(1,560,863)	$ 2,002,034	$ 6,677,958
Total Earnings to date	$ 35,942,426	$ 4,576,056	$ (4,644,388)	$ 35,874,094	$ 56,645,551
FY 2025	$ 31,082,543	$ 3,956,247	$ 21,606,761	$ 56,645,551	

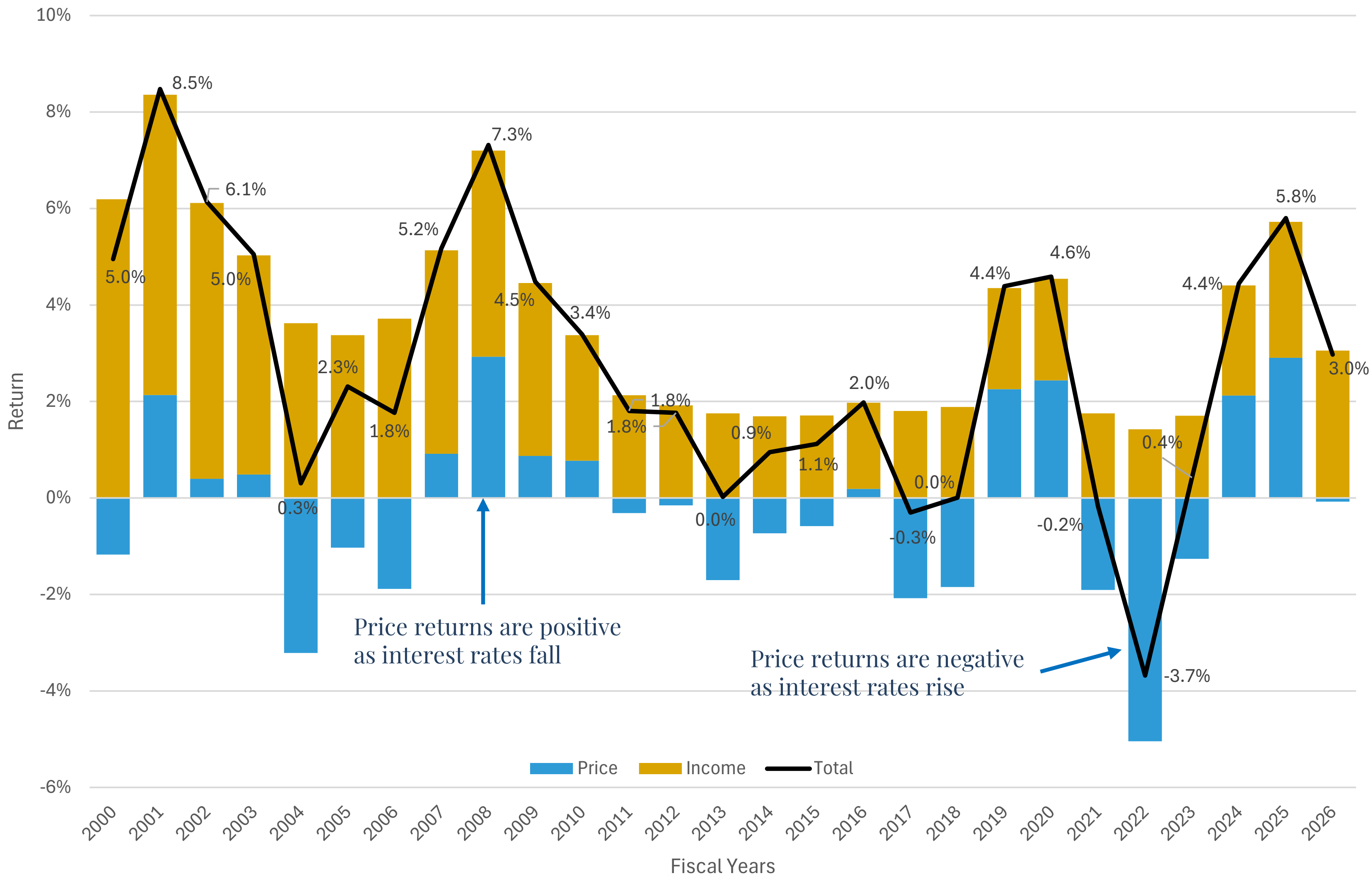
The Long View on Short Duration

Even short-duration government bonds are not immune to volatility. Looking at rolling 12-month returns for the ICE 0-5 Year U.S. Treasury Index from January 1993 through June 2026, returns have ranged from a low of -5.3% to a high of +11.5%, averaging 3.3% per period. That volatility means losses do happen — roughly 9% of rolling 12-month periods ended in negative territory — but the great majority, nearly 91% of all periods, produced a positive return. The takeaway: short-duration securities can and will have rough stretches, but history shows those stretches are the exception, not the rule.



Sources: Bloomberg; Intercontinental Exchange

Components of Total Return



Source: Bloomberg, ICE BofAML 0-5 Year U.S. Treasury Index through June 30,2026.

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	0.9	Compliant
Max Issuer Concentration of Foreign Corporate Bonds	5.0		Compliant
Max Total Concentration - Commercial Paper	25.0	1.9	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	1.6	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	15.7	Compliant
Agency MBS - Maximum Total Concentration (as a % of market value)	40.0	27.8	Compliant
Combination CP, Corp Bonds, and CD - Maximum Issuer Concentration (as a % of market value)	5.0	1.2	Compliant
Corporate Securities - Maximum Total Concentration (as a % of total market value)	25.0	16.4	Compliant
ABS - Maximum Issuer Concentration (as a % of total market value)	5.0	1.8	Compliant
ABS - Maximum Total Concentration (as a % of market value)	25.0	23.4	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		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	4.2	Compliant
Maximum Maturity per Security - Repurchase Agreement (in days)	90.0		Compliant
Commercial Paper - Maximum Maturity per Security (in days)	270.0	23.0	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	2.8	Compliant
Corporates - Maximum Maturity per Security (in years)	5.0	5.0	Compliant
Minimum % of Portfolio Maturing Within 90 Days	5.0	9.2	Compliant
Maximum Effective Maturity Per Security (in years)	10.0	9.9	Compliant
Prohibited Investments			
Permissible Supranational ISIN/Tickers	0.0		Compliant
144a securities from foreign issuers	0.0		Compliant

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