

# Investing in Today's Interest Rate Environment

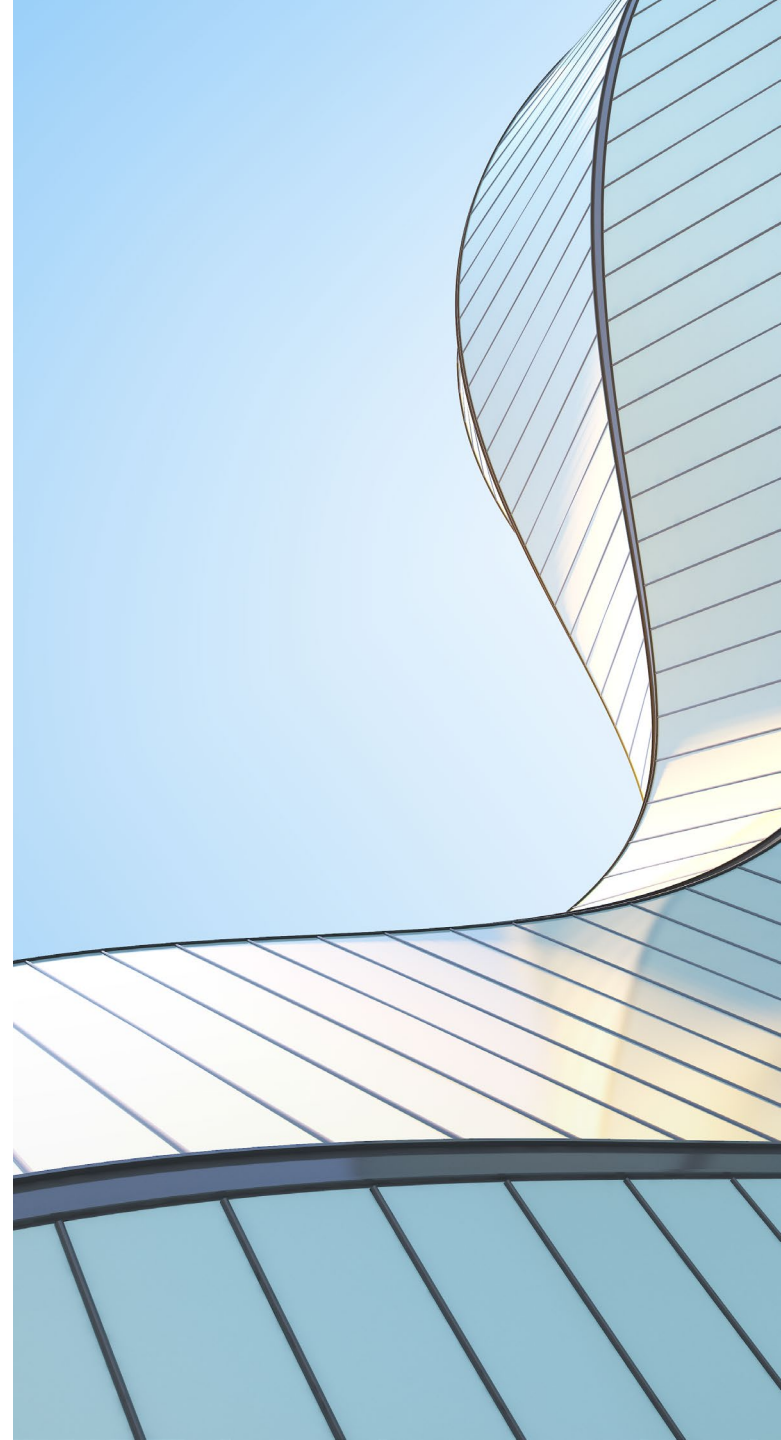
ICCCFO Spring Conference

April 15, 2026

**Jeff Schroeder**  
Managing Director  
PFM Asset Management

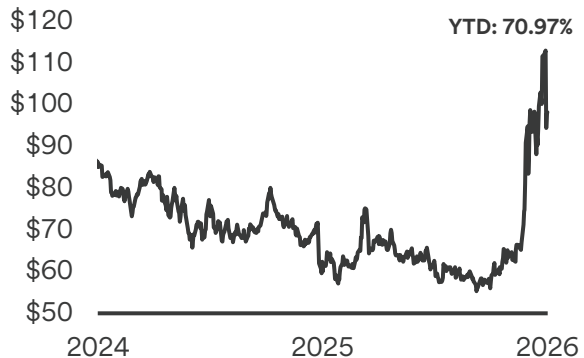
**Matthew Hanigan**  
Institutional Sales & Relationship Manager  
PFM Asset Management

# Market Update

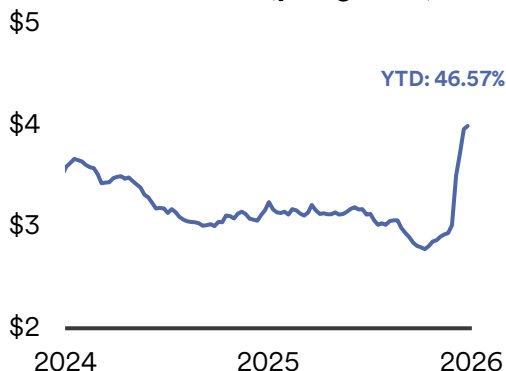


# Energy Prices

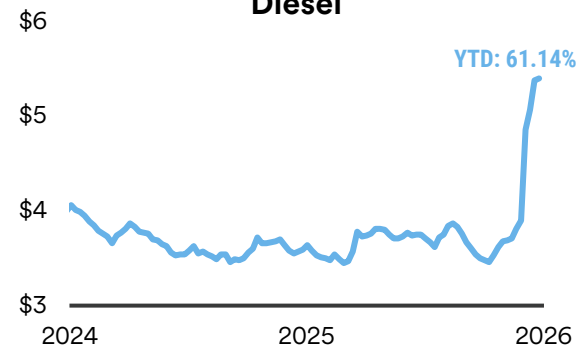
### WTI Crude Oil (per barrel)



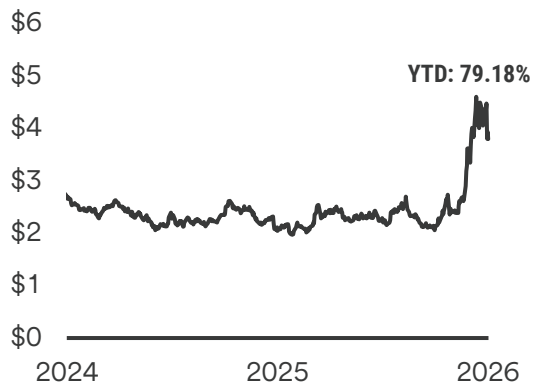
### Retail Gasoline (per gallon)



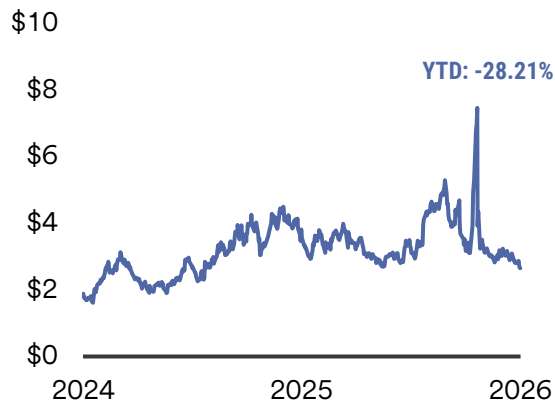
### Average Retail Price US Diesel



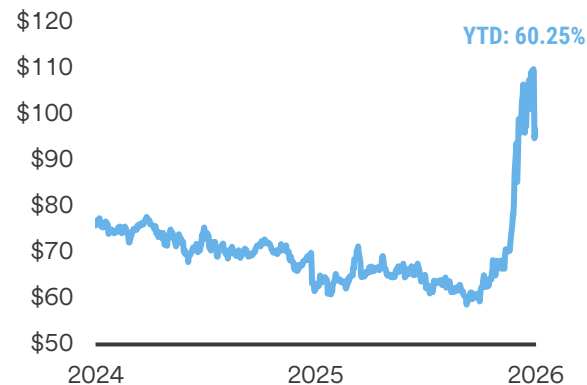
### Heating Oil (per gallon)



### Natural Gas (per MMBtu)



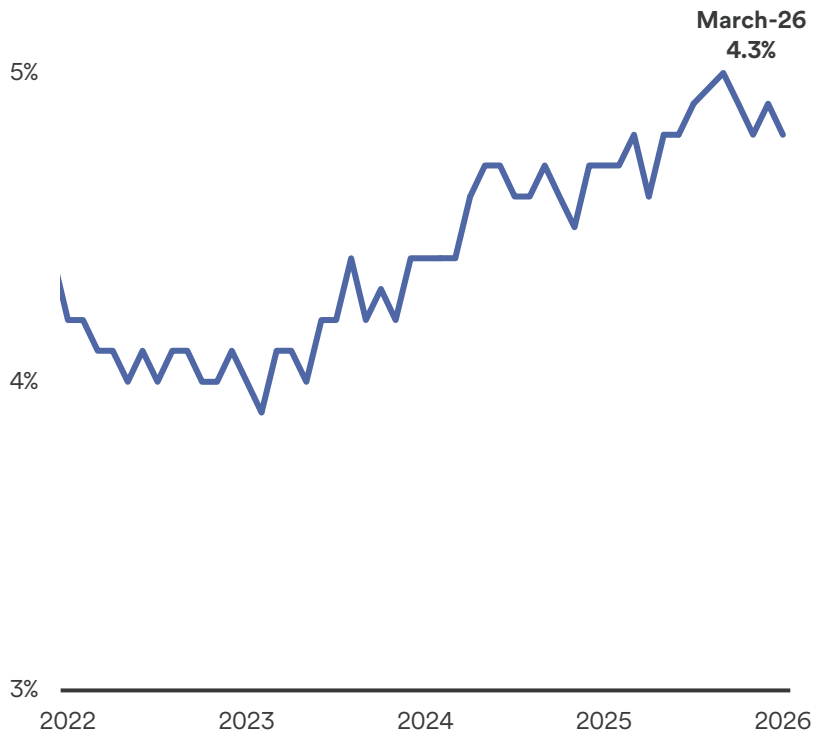
### BRENT Crude Oil (per barrel)



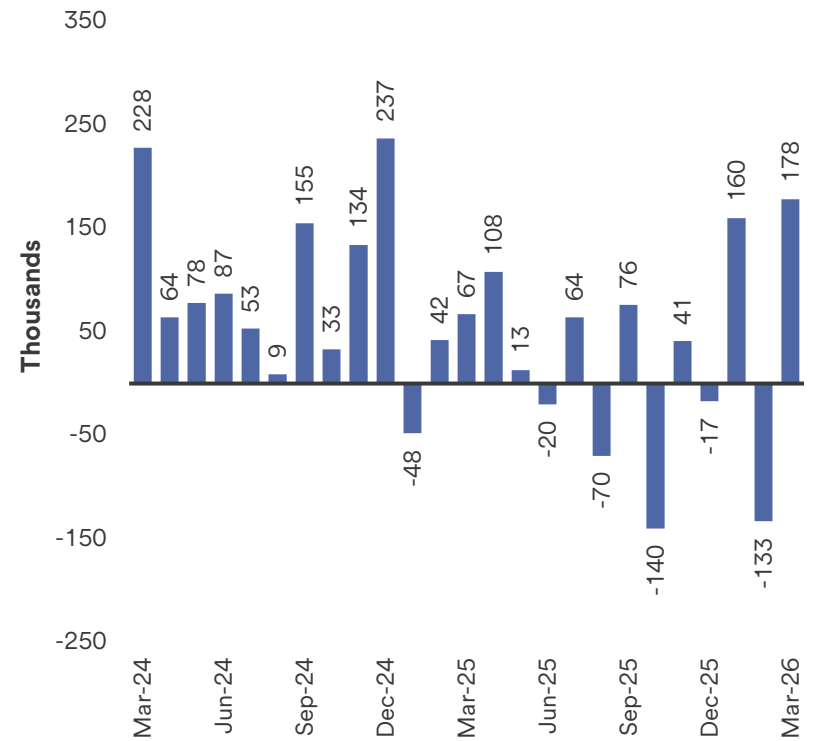
Source: Bloomberg Finance L.P.. Retail Gasoline and Diesel, as of April 6, 2026. All others as of April 10, 2026.  
 Note: MMBtu: Metric Million British Thermal Unit

# Labor Market: Unemployment and Changes to Nonfarm Payrolls

## Unemployment Rate



## Monthly Change In Nonfarm Payrolls



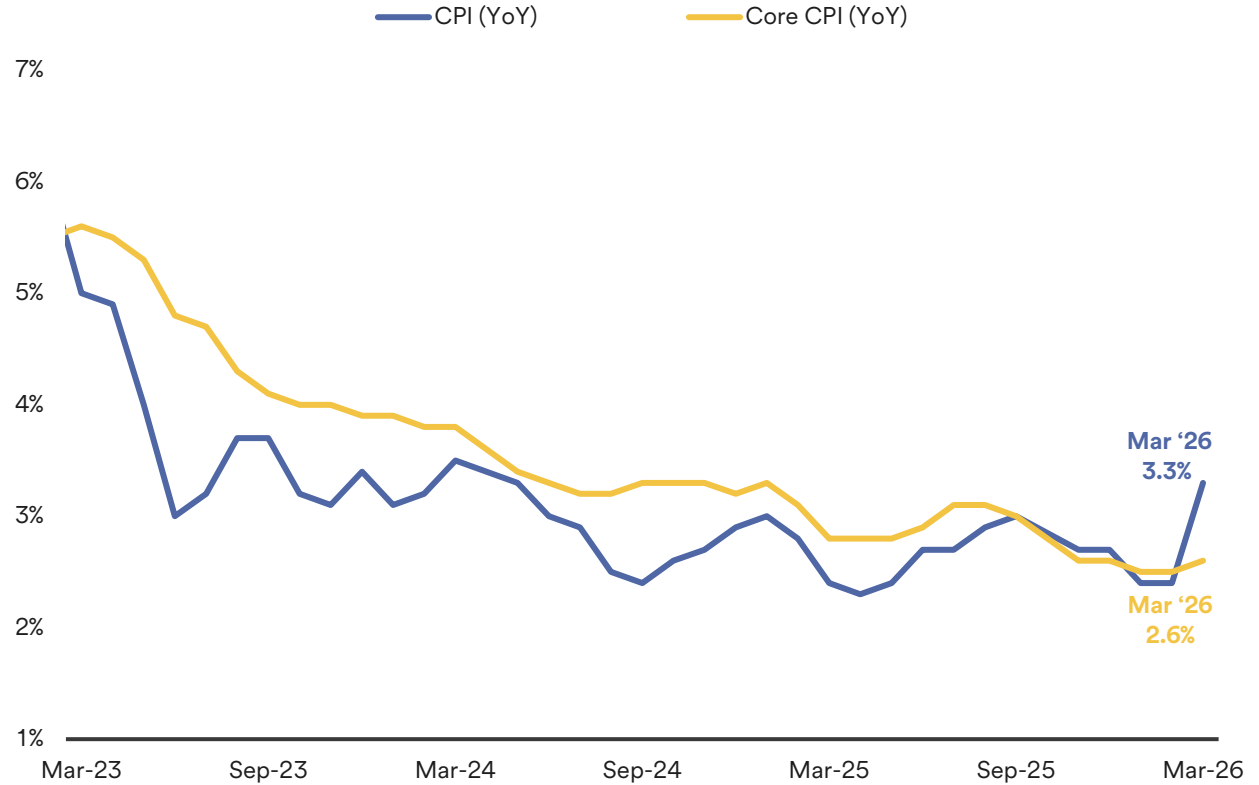
Source: Congressional Budget Office January 2026 economic projections, Bureau of Labor Statistics. Bloomberg Finance L.P., as of March 2026. Data is seasonally adjusted. Bureau of Labor Statistics and Bloomberg Finance L.P. Monthly change in nonfarm payrolls and unemployed workers as of March 2026

# Inflation: Consumer Price Index

The Consumer Price Index (“CPI”), commonly referred to as the “headline inflation number”, measures the change in the cost of a representative basket of goods paid by consumers.

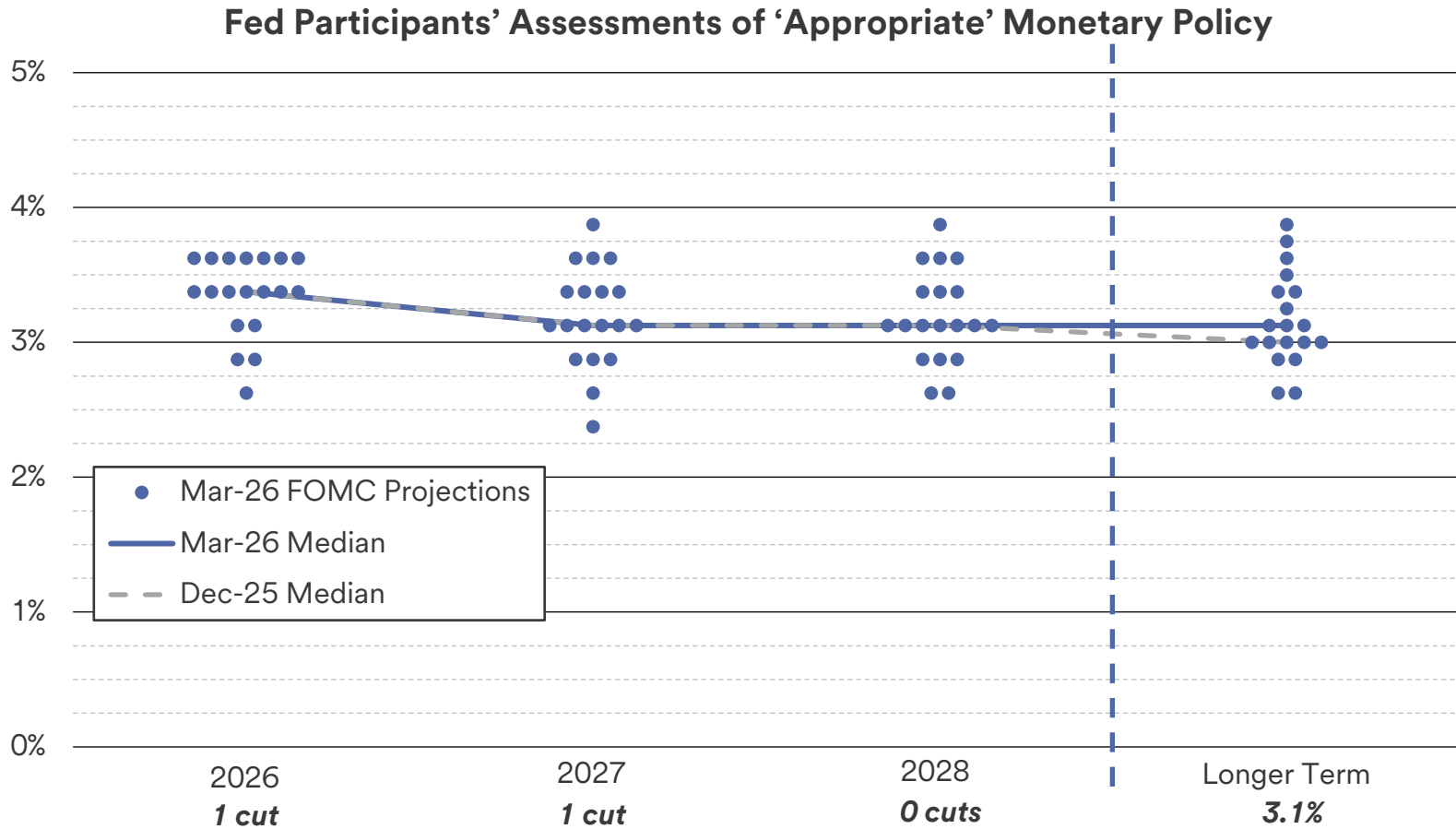
Core CPI strips out volatile food and energy components.

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



Source: Bureau of Labor Statistics and Bloomberg Finance L.P., as of March 2026.

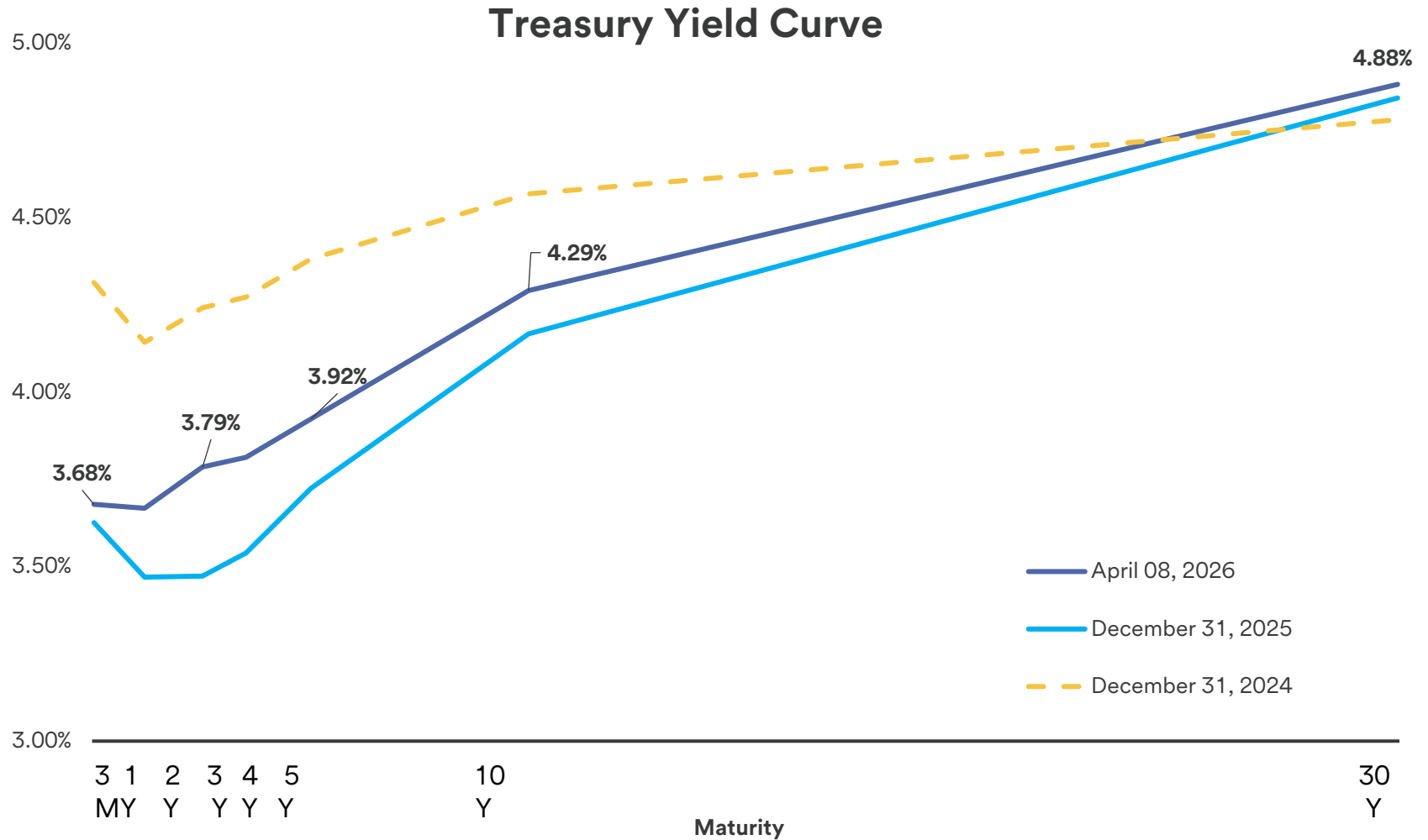
# The Latest Fed “Dot Plot”



Source: Federal Reserve; Bloomberg Finance L.P. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of March 2026.



# Treasury Yield Curve



Source: Bloomberg Finance L.P., as of 4/13/2026.

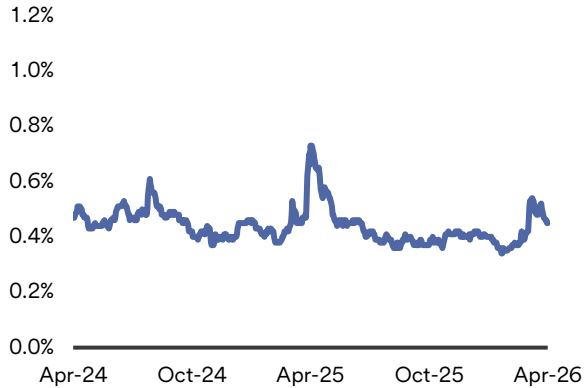
# Treasury Yields Remain Above Historical Averages



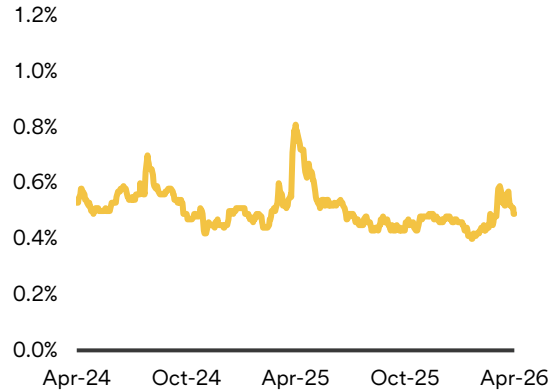
Source: Bloomberg Finance L.P., as of April 9, 2026.

# Sector Yield Spreads

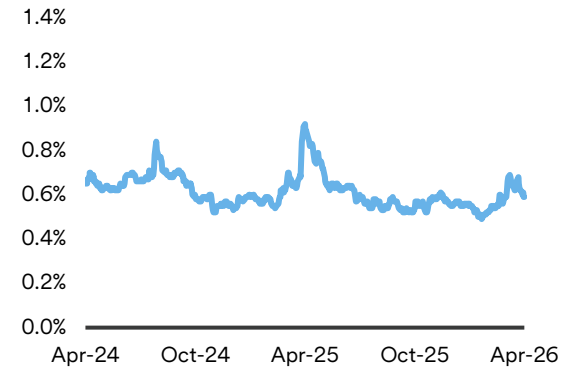
### 1-3 Yr. AAA-A Corp



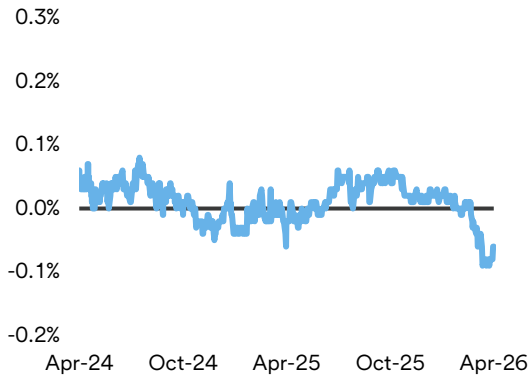
### 1-5 Yr. AAA-A Corp



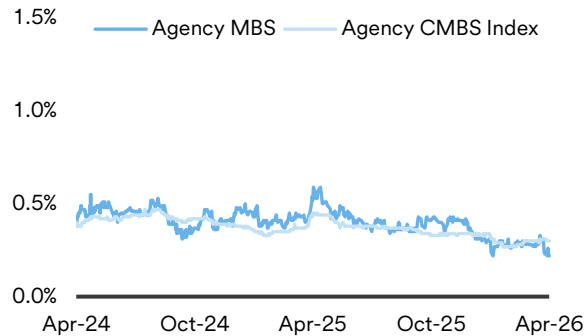
### 1-10 Yr. AAA-A Corporate



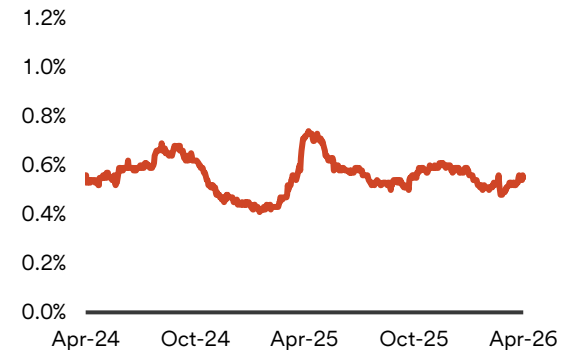
### Federal Agency Yield Spread



### Mortgage-Backed Securities Yield Spreads

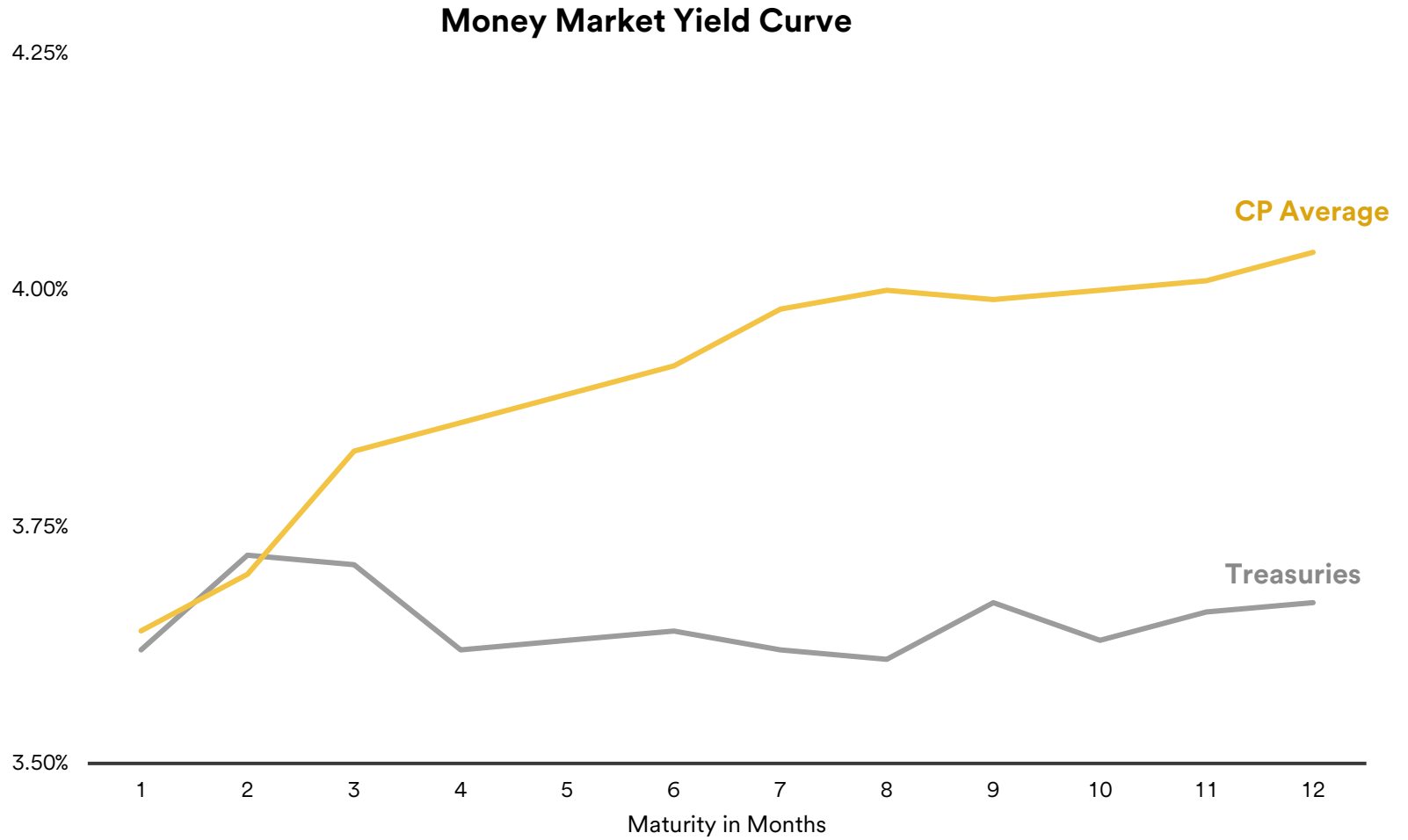


### Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA Indices via Bloomberg Finance L.P., MarketAxess and PFMAM as of 4/9/2026. Spreads on Agency, ABS, and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

# Money Market Yield Curve



Source: Bloomberg Finance L.P., as of 4/10/2026.

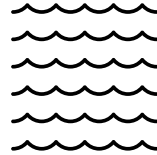
# Investment Strategy Considerations



# Key Investment Objectives



**Safety**  
of principal



**Liquidity**  
to provide for  
upcoming needs

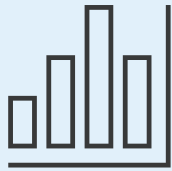


**Yield**  
for competitive  
returns

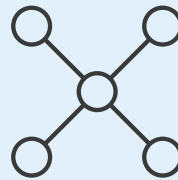
**But how do you design an investment strategy to meet these objectives in varying market conditions?**



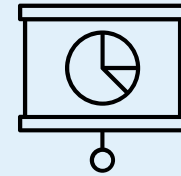
# Key Pillars of Investment Strategy Development



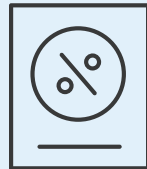
**Cash Flow  
Analysis**



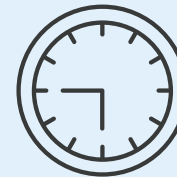
**Portfolio  
Segmentation**



**Diversification**



**Reporting  
Total Return**



**Disciplined  
Long-Term Strategy**



# Building Blocks of Portfolio Management

**Interest rates are the headline, but they are not the foundation.**

## **Duration**

Manage interest rate risk | Disciplined approach to maintaining target duration

## **Issuer & Industry Selection**

Analyze applicable security structures | Thorough review of issuer-specific trends and credit profile | Macroeconomic factors unique to the industry

## **Yield Curve**

“Roll down the curve” for enhanced earnings | Take advantage of steepness | Identify attractive portions of the curve

## **Sector Allocation**

Increased income potential | Relative sector value analysis | Focused sector allocation

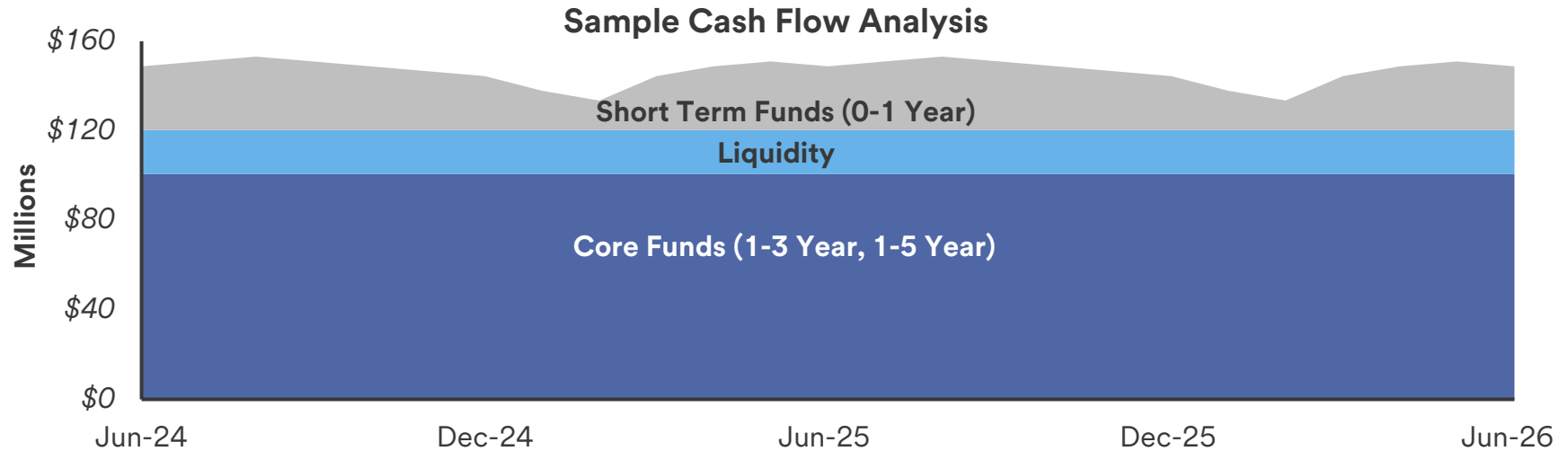


# Review Permitted Investments

- Define in Investment Policy
- Complies with the Illinois Public Funds Investment Act (30 ILCS 235)
- Can set diversification limits
  - Term
  - Sector
  - Credit Quality

Sector	Allowed
Bank Accounts	Yes
Local Government Investment Pools	Yes
Certificates of Deposit	Yes
U.S. Treasuries	Yes
U.S. Agencies	Yes
Instrumentalities (Supras)	Yes
Agency Mortgage-Backed	Yes
Municipal Bonds	Yes
Commercial Paper	Yes
Corporate Notes	Yes
Corporate Bond Fund	Yes
Equities	NO

# Conduct Cash Flow Analysis to Optimize Portfolio Segmentation



## Short-Term Funds

- Laddered investments to known and expected cash flows
- High-quality fixed income

## Liquidity

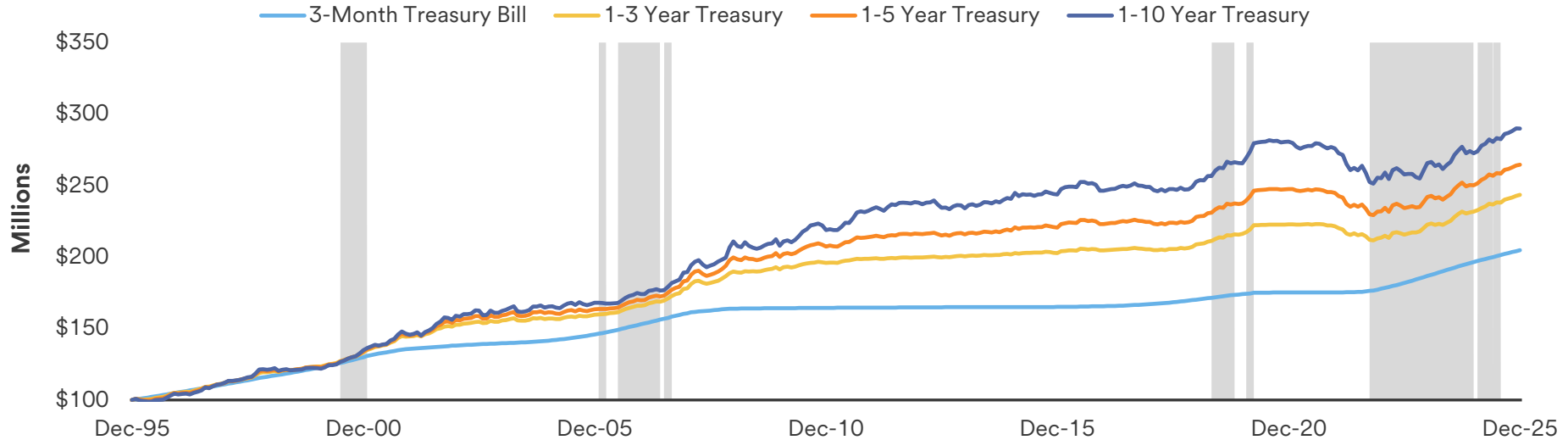
- Cash and cash equivalents, providing immediate access
- Highly liquid for daily needs and unforeseen expenditures

## Core

- Reserve funds not expected to be spent for the foreseeable future
- Intermediate- and longer-term investments

# Longer Duration Portfolios Have Historically Outperformed

**Growth of \$100 Million Portfolio\*\***  
December 31, 1995 – December 31, 2025



30 Years Ended December 31, 2025				
Indexes	Duration (years)	Annualized Total Return	Cumulative Value of \$100 Million	Quarters with Negative Return
3-Month Treasury	0.22	2.42%	\$204,795,099	1 out of 120
1-3 Year Treasury	1.83	3.01%	\$243,515,539	20 out of 120
1-5 Year Treasury	2.54	3.29%	\$264,600,226	30 out of 120
1-10 Year Treasury	3.55	3.61%	\$289,951,165	39 out of 120

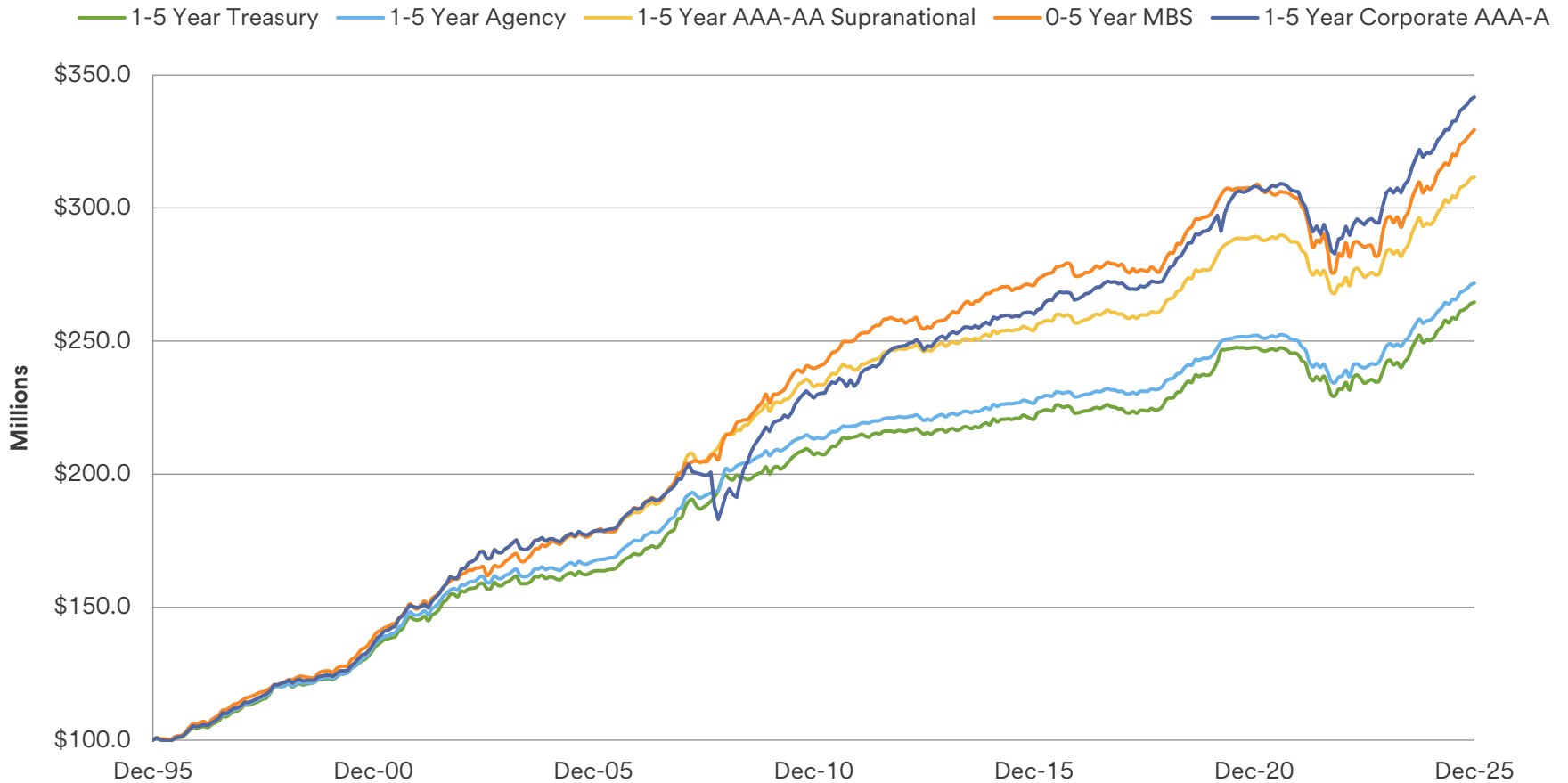
Sources: Bloomberg; ICE BofA Indexes.

<sup>1</sup>Shaded regions in the growth chart refer to time periods in which the yield curve, between the 3-Month and the 10-Year Treasury, was inverted – defined by short-term interest rates being higher than long-term interest rates of the same or similar securities.

It is not possible to invest directly in such an index. Please see additional notes and disclosures at the end of this presentation.

# Corporates & Agency Mortgage Backed Historically Outperform

**Growth of \$100 Million Portfolio**  
December 31, 1995 – December 31, 2025



Sources: Bloomberg; ICE BofA Indexes. Growth rates are annualized.  
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# Sample Credit Screening Process

## Credit Research Process

### Idea Generation

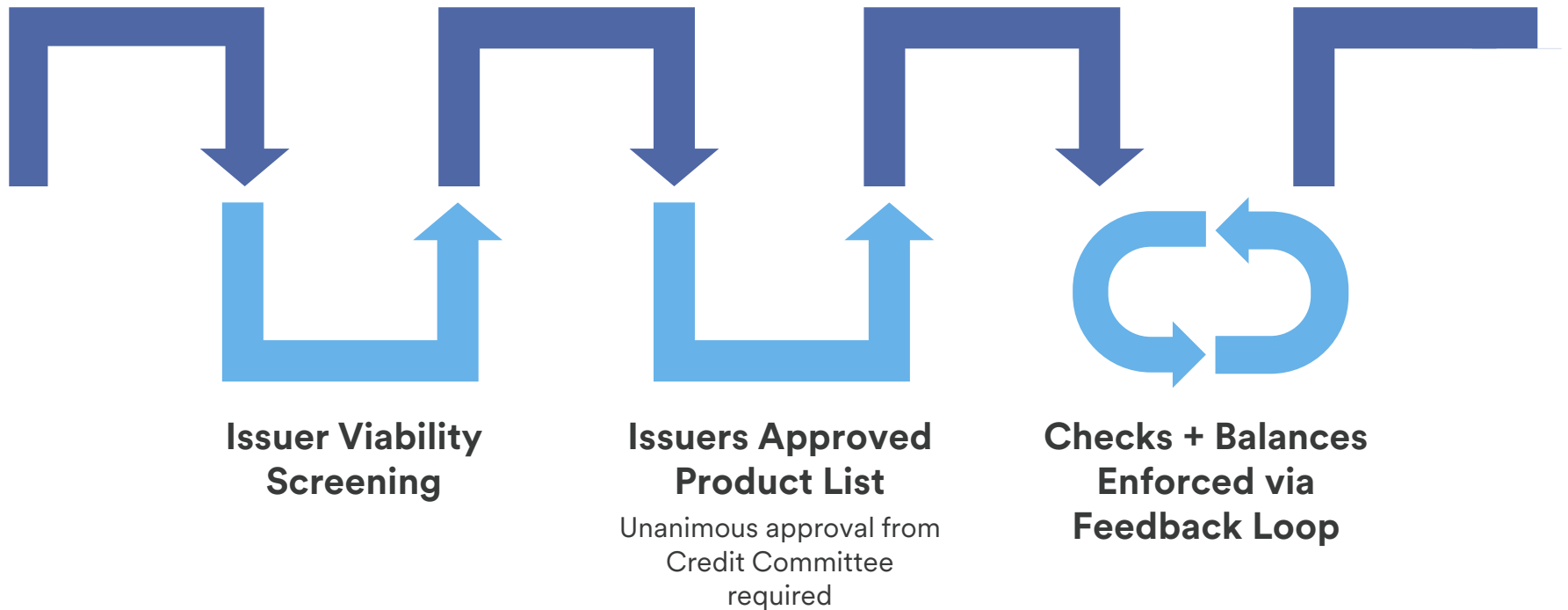
- Trading Desk
- Credit Research Team
- Portfolio Managers

### Detailed Analysis by Credit Analyst

**Continuous Monitoring**  
For changes that may impact stability and subsequent recommendations for modification

### Approved List

Any Credit Committee member can request issuer removal from list



# Strategy Considerations Review

- Use cash flow analysis to segment & optimize the portfolio into Core & Short-Term
- Extend Duration of Overall Portfolio, by establishing Core portfolio and maintaining a disciplined, long-term investment strategy.
- Incorporate Corporate Notes & Agency Mortgage-Backed Securities in Core Portfolio
- Actively Manage / Benchmark Core Portfolio
- Utilize Commercial Paper in Short Term Portfolio
- Competitive Bidding – Minimum 3 bids on every trade
- Fiduciary Responsibility – SEC Registered Investment Adviser
- Formal Quarterly Performance Reporting vs. Benchmark.



# Stock Market



Source: Bloomberg Finance L.P., as of 2/20/2026.

# Questions?



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