



PUBLIC FUNDS ADVISORY

City of Killeen

Quarterly Investment Report

PRESENTED BY:

SCOTT GRUBER, CMT - DIRECTOR, ADVISORY SERVICES

DECEMBER 31, 2023



MEEDER
PUBLIC FUNDS

Compliance Certification



The undersigned have acknowledged that they have reviewed this quarterly investment report for the period ending December 31, 2023. The City officials designated as investment officers by the City’s Investment Policy attest that all investments are in compliance with the Texas Public Funds Investment Act and the City’s Investment Policy.

Executive Director of Finance

Assistant Director of Executive Finance

Controller

Executive Summary

- In closing out the calendar year, interest rates moved lower as markets began anticipating more rate cuts in 2024. Following an updated dot plot from the Federal Reserve that showed the committee expected three rate cuts in 2024, as well as an acknowledgment from Chairman Jerome Powell that the Federal Reserve had discussed rate cuts, markets quickly priced in six total cuts for 2024. With both the Federal Reserve and market participants expecting rate cuts in the new year, the actual path of rates will be determined by the resilience or lack thereof of economic data.
- Over the course of the past quarter, we continued to find opportunities to reinvest maturities and lengthen the overall portfolio to capture higher yields while balancing front end needs for up coming debt payments. We continue to favor investments beyond 3 years as the outlook for rate cuts increases.
- In the coming quarter, the City should expect the following areas of focus: continued cash flow analysis to identify the amount to be invested in the City's core portfolio versus overnight investments, evaluating opportunities to rebalance positions in the 0–1 year maturity range with security swaps to take advantage of the higher-yielding bonds, and extending the portfolio to our targets while matching known future debt payments.

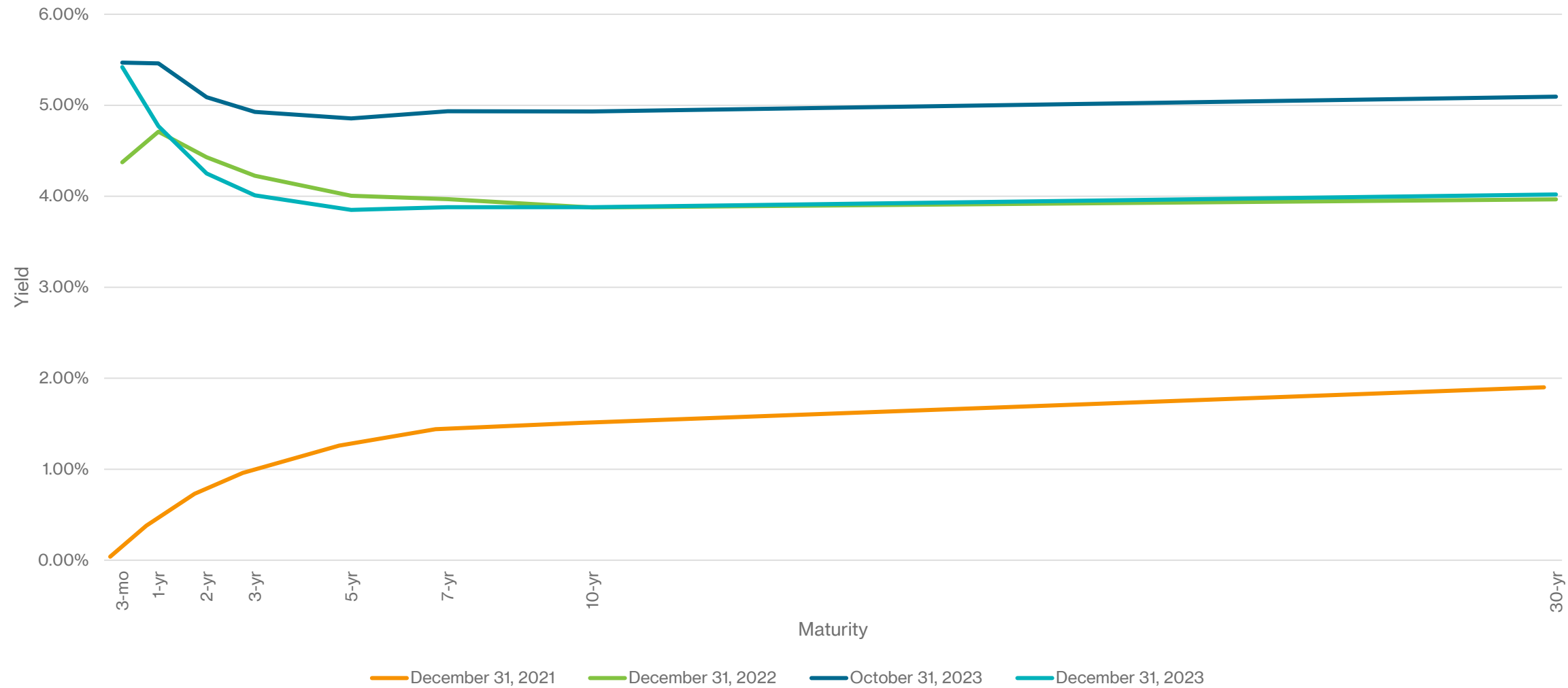


ECONOMIC UPDATE

| | | | | |
|---|--|--|---|---|
| <h1>US Bank Failures</h1> <p>Signature Bank, Silicon Valley Bank, First Republic Bank</p> | | Chat GPT and AI take the world by storm. | Federal Reserve Raised the Fed Funds rate 4 times in 2023, bringing the Federal Funds rate to 5.375%. | Fitch Downgrades United States Credit Rating to AA on August 1. |
| US Tracks shoots down alleged Chinese spy balloon. | | | The 2yr Treasury note yielded 4.43% in Dec 2022 and ended the year at 4.25% | OPEC cuts oil supply 4 times in 2023 |
| UBS acquires Credit Suisse. | | | The 5yr Treasury note yielded 4.00% in Dec 2022 and ended 2023 at 3.85% | |
| Titan Submersible Implodes | | | | Israel & Hamas conflict begins October 7 th . |
| | | | | |

US Treasury Yields

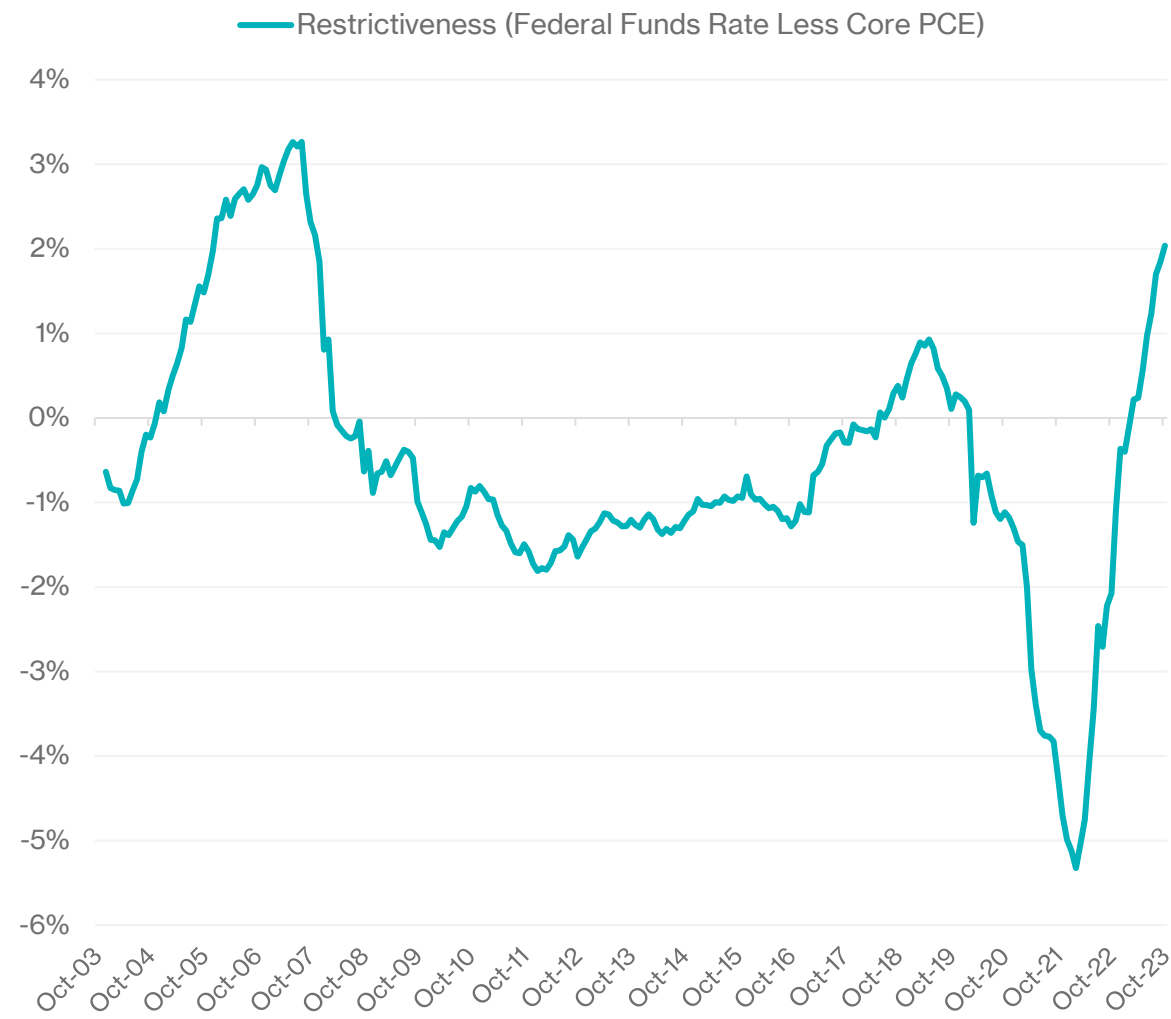
U.S. Treasury Yield Curve



SOURCE: BLOOMBERG

Central Banking 101

Keeping Rates Unchanged Will Increase Restrictiveness

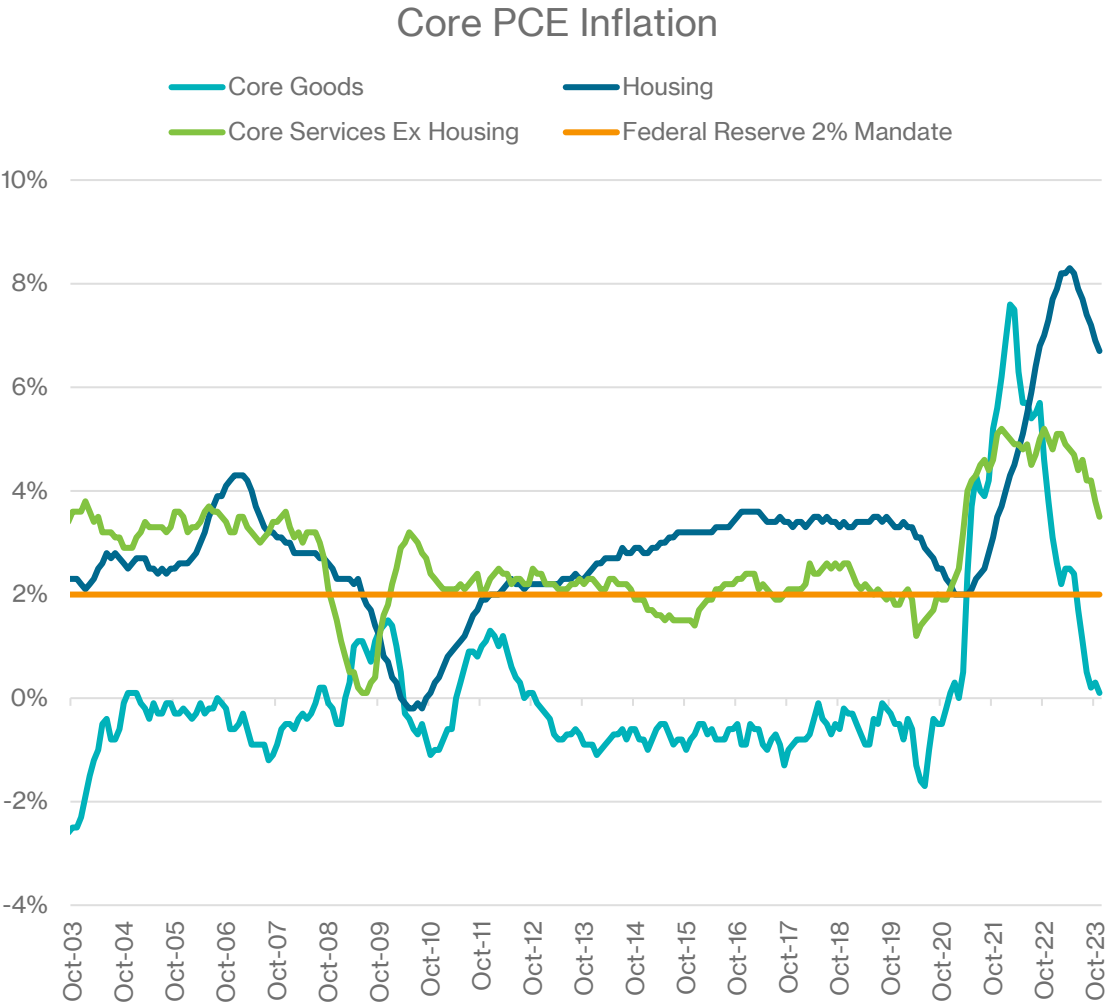
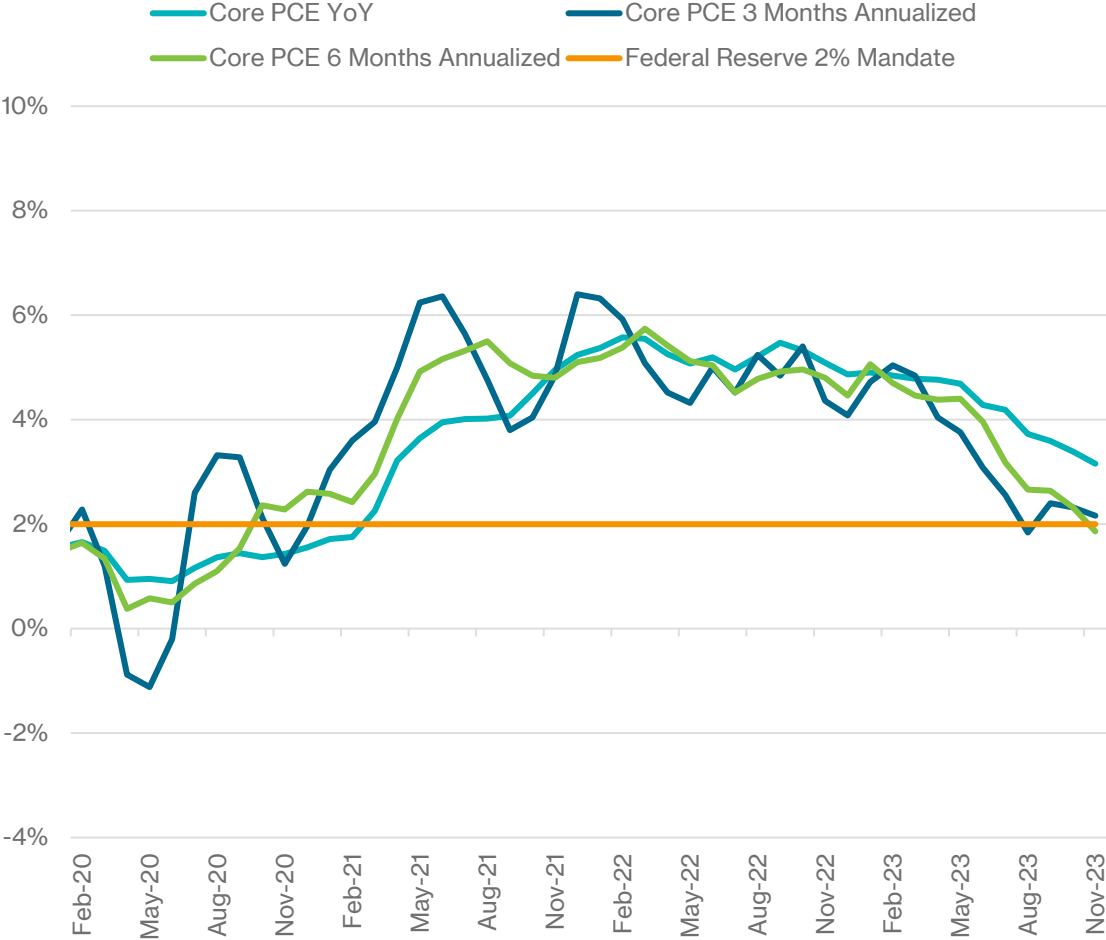


| | 2023 | 2024 | 2025 |
|---------------------------------------|---------------|---------------|---------------|
| Federal Funds Rate | 5.25% - 5.50% | 5.25% - 5.50% | 5.25% - 5.50% |
| Federal Reserve Core PCE Expectations | 3.2% | 2.4% | 2.2% |
| Implied Restrictiveness | 2.15% | 2.95% | 3.15% |

SOURCE: BLOOMBERG, FOMC MEMBER CHRISTOPHER WALLER

What's Ahead For Inflation

Recent Data Points To Continued Disinflation



Leading Economic Indicators

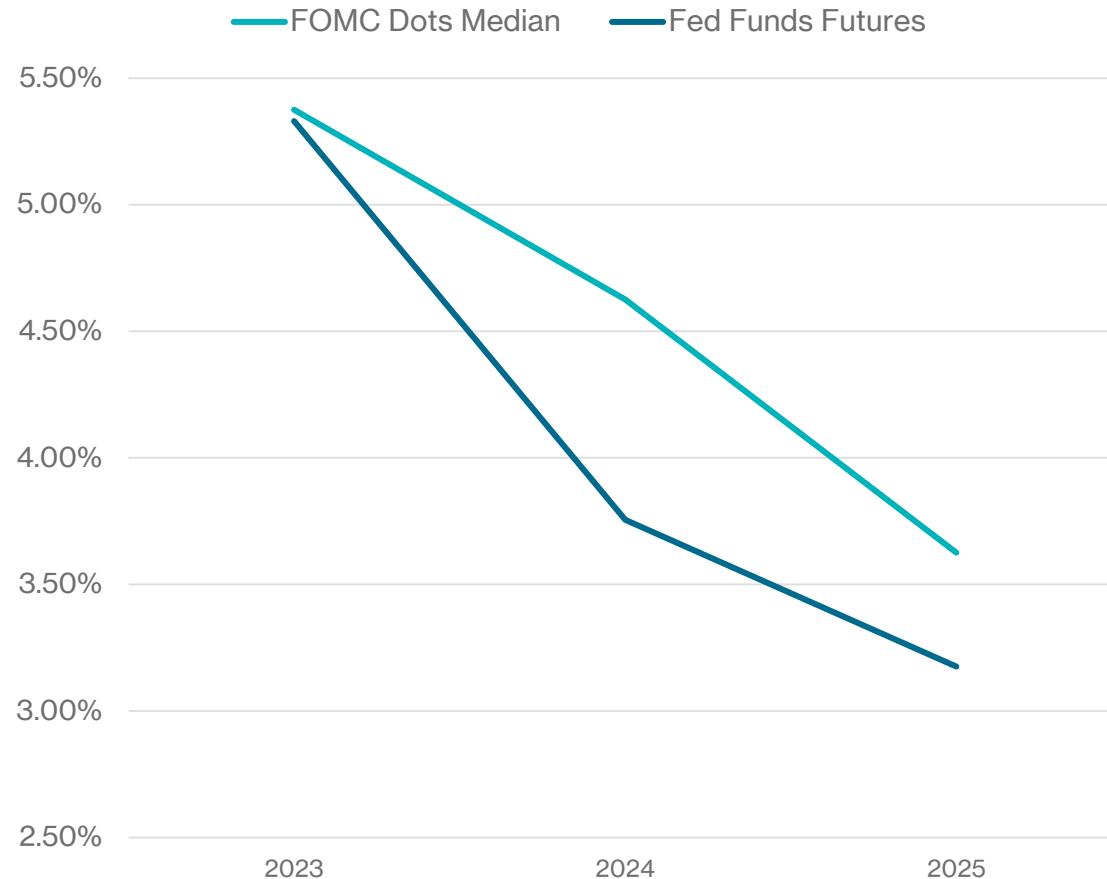
Leading Economic Indicators Have Declined for a Record 20 Months



SOURCE: THE CONFERENCE BOARD

Market Expectations

The Most Recent FOMC Meeting Saw A Dovish Pivot



- Chairman Jerome Powell took every opportunity at the December FOMC meeting to signal rate cuts in 2024
- Since the meeting, several FOMC members have stated they expect rate cuts in 2024



PORTFOLIO REVIEW

Quarterly Portfolio Summary – All Funds



This quarterly report is prepared in compliance with the Investment Policy and Strategy of the City of Killeen and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

| Portfolio as of September 30, 2023 | | Portfolio as of December 31, 2023 | |
|------------------------------------|---------------|-----------------------------------|---------------|
| Beginning Book Value | \$232,630,345 | Ending Book Value | \$254,302,763 |
| Beginning Market Value | \$230,914,909 | Ending Market Value | \$255,120,294 |
| Unrealized Gain/(Loss) | (\$1,715,436) | Unrealized Gain/(Loss) | \$817,531 |
| | | Change in Unrealized Gain/(Loss) | \$2,532,967 |
| Weighted Average Maturity | 582 days | Weighted Average Maturity | 523 days |
| Weighted Average Yield | 4.24% | Weighted Average Yield | 4.33% |

| Portfolio Market Value by Fund | 9/30/2023 | 12/31/2023 | Change |
|--------------------------------|-------------------------|-------------------------|------------------------|
| Pooled Investments | \$230,076,100.30 | \$254,269,249.59 | \$24,193,149.29 |
| Internal Services Fund | \$209,516.37 | \$159,000.00 | (\$50,516.37) |
| Employee Benefits Trust Fund | \$154,445.62 | \$107,936.86 | (\$46,508.76) |
| Enterprise Funds | \$48.07 | \$4,040.07 | \$3,992.00 |
| General Fund | \$95,290.10 | \$200,558.83 | \$105,268.73 |
| Special Revenue Fund | \$379,508.31 | \$379,508.31 | \$0.00 |
| Total | \$230,914,908.77 | \$255,120,293.66 | \$24,205,384.89 |

Portfolio Summary – Investment Pool

As of 12/31/2023



Your Portfolio

| | |
|----------------------------|---------------|
| Cash/LGIPs | \$72,618,422 |
| Securities Book Value | \$180,833,297 |
| Total Portfolio Book Value | \$253,451,719 |

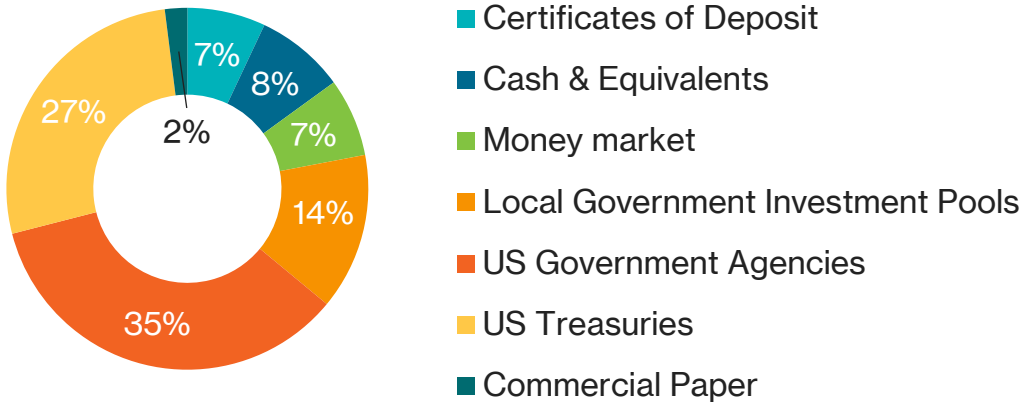
Your Securities

| | |
|---------------------------|------------|
| Weighted Average Maturity | 1.44 years |
| Weighted Average Yield | 4.35% |

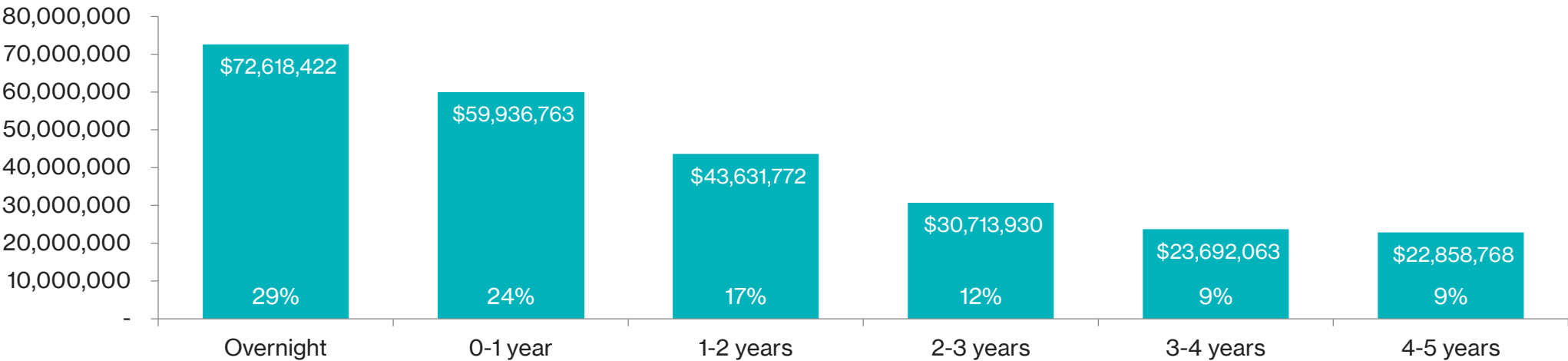
Interest Earnings:

| | |
|------------------------------|-------------|
| Quarterly Interest Earned | \$2,660,623 |
| Year-to-date Interest Earned | \$2,660,623 |

Your Asset Allocation

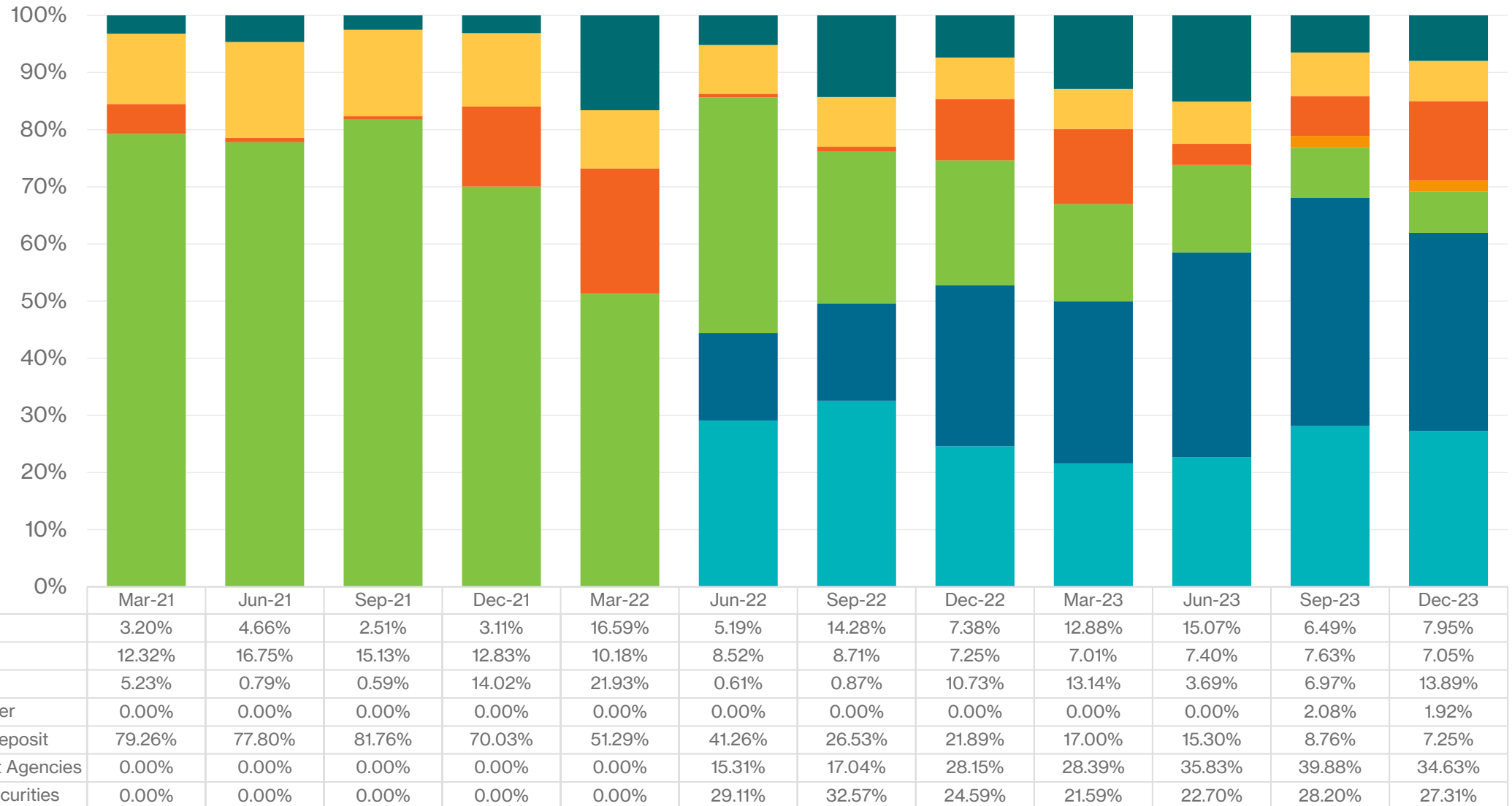


Your Maturity Distribution



YIELD AND INTEREST INCOME INFORMATION IS ANNUALIZED. ALL YIELD INFORMATION IS SHOWN GROSS OF ANY ADVISORY AND CUSTODY FEES AND IS BASED ON YIELD TO MATURITY AT COST. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

Asset Composition



Meeder Public Funds, Inc. is a registered investment adviser with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. Registration with the SEC does not imply a certain level of skill or training. The opinions expressed in this presentation are those of Meeder Public Funds, Inc. The material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed.

Past performance does not guarantee future results. Opinions and forecasts are all subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security. Investing in securities involves inherent risks, including the risk that you can lose the value of your investment. Any forecast, projection, or prediction of the market, the economy, economic trends, and fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Meeder Public Funds, Inc. cannot and does not claim to be able to accurately predict the future investment performance of any individual security or of any asset class. There is no assurance that the investment process will consistently lead to successful results. The investment return and principal value of an investment will fluctuate, thus an investor's shares, or units, when redeemed, may be worth more or less than their original cost.

Meeder Public Funds
901 Mopac Expressway South
Building 1, Suite 300
Austin, TX 78746

866.633.3371



M E E D E R

PUBLIC FUNDS

MeederPublicFunds.com