



# CITY OF WOODBURN

## Investment Performance Review For the Quarter Ended December 31, 2025

### Client Management Team

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## Summary

- The U.S. government shutdown halted the collection of key economic indicators, requiring the Federal Reserve (Fed) and the market to rely on survey-based anecdotal evidence and private data reports.
- The labor market continued to soften and the unemployment rate edged higher. Core inflation moved lower but remained above the Fed's 2% target. Gaps in data collection due to the government shutdown likely distorted the official data, though other available private sector data pointed to a slowdown in economic momentum.
- The Fed delivered two additional 25 basis point (bps) rate cuts in the quarter, lowering the federal funds target range to 3.50% to 3.75%. The median forecast from the Fed's December "dot plot" showed an additional 25 bps rate cut in both 2026 and 2027, but the wide dispersion in underlying projections underscores growing differences of opinion. Policymakers have acknowledged ongoing challenges to achieving their dual mandate of maximum employment and stable prices.

## Economic Snapshot

- U.S. inflation decelerated modestly during the fourth quarter, though data collection issues and technical adjustments caused by the government shutdown may have biased the data lower. Headline CPI fell to 2.7% year-over-year and core CPI (ex food and energy) fell to 2.6% year-over-year. Fed Chair Powell noted inflation excluding tariffs is near 2%, suggesting the Fed is looking through these effects.
- Labor markets continued to cool as net new job creation neared zero and the unemployment rate reached 4.5% in November before falling to 4.4% in December. However, layoffs remained low, suggesting employers are maintaining their "no hire, no fire" approach.
- The first estimate of third quarter real gross domestic product (GDP) showed the economy grew at an annualized pace of 4.3%, the fastest in two years. Growth was driven by strong consumer and business spending and steadier trade dynamics. While the data was from the third quarter, it showed the economy was on solid footing heading into the government shutdown.

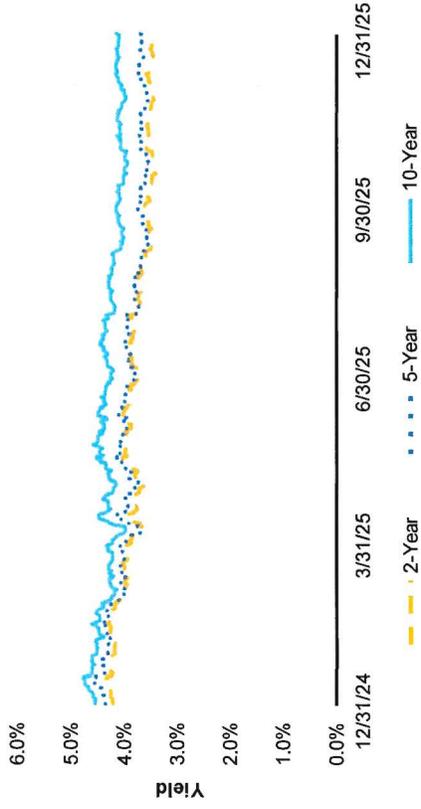
## Interest Rates

- The U.S. Treasury yield curve steepened further in Q4, led by a decline in short-term yields. Maturities less than six months fell 30-50 basis points as a result of Fed policy.

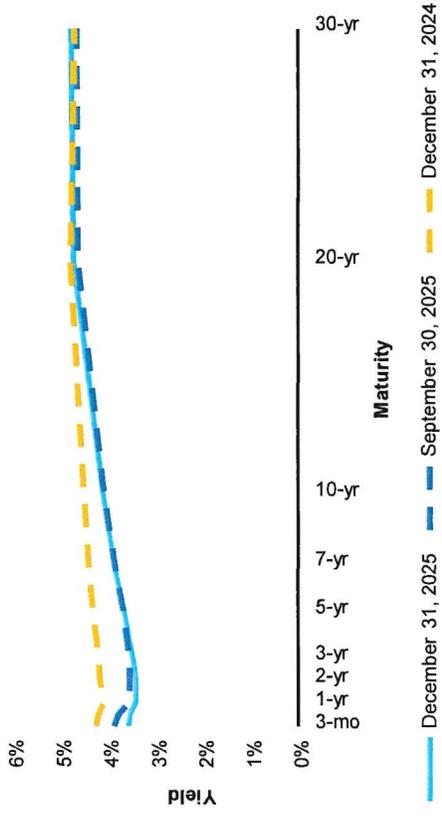
- The 3-month U.S. Treasury ended the quarter at 3.63%, 31 bps lower. The 2-year Treasuries fell by 14 bps to 3.47%, and the 5-year fell by 2 bps to 3.73%. The 10- and 30-year U.S. Treasury increased by 2 and 11bps to 4.17% and 4.84%, respectively. Bond volatility has continued to fall significantly from April highs and has now reached the lowest levels in four years.
  - Bond indexes generated positive total returns for the quarter. The ICE BofA 3-month, 2-year, 5-year, and 10-year U.S. Treasury indexes returned 0.97%, 1.09%, 0.93%, and 0.83% for the quarter, respectively.
  - Calendar-year returns for longer-duration indices, except for the 30-year, outperformed shorter-duration indices in 2025. This marks the first time since 2020 that longer maturities have led annual performance. The ICE BofA 3-month, 2-year, 5-year and 10-year U.S. Treasury indexes returned +4.18%, +4.85%, +6.85% and +7.82%, respectively.
- ## Sector Performance
- Excess returns were strong across investment-grade sectors as investor demand and strong fundamentals kept spreads near multi-year lows.
  - Federal agency and supranational issuance remained limited, keeping spreads narrow and excess returns muted.
  - Investment-grade (IG) corporate bonds generated modest positive excess returns as spreads were relatively stable over the quarter. Lower-quality led performance, supported by strong investor demand. Positive carry remained the primary driver of returns.
  - Spreads on asset-backed securities widened marginally, keeping excess returns modest. Auto loan collateral marginally outperformed credit card receivables.
  - Agency-backed mortgage-backed securities (MBS) generated solid excess returns in Q4 as lower volatility continues to serve as a tailwind to the sector. Longer-duration collateral (30-year) outperformed shorter-duration (15-year) mortgages. Agency-backed commercial MBS (CMBS) also generated positive excess returns for the quarter but continued to lag residential MBS.
  - Short-term credit (commercial paper and negotiable bank CDs) yield spreads remained attractive over the quarter. Month-end funding pressures pushed repo rates above the upper bound of the federal funds rate, which created opportunities in overnight repo and floating rate securities.

## Interest Rate Overview

U.S. Treasury Note Yields



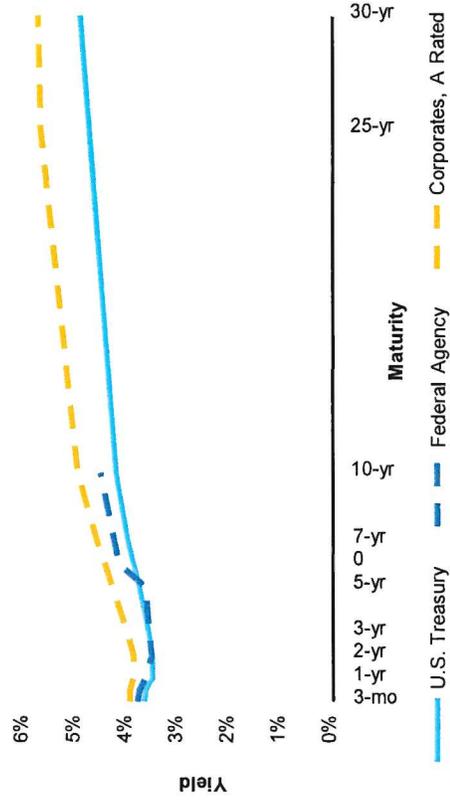
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Dec-25	Sep-25	Change over Quarter	Dec '24	Change over Year
3-Month	3.63%	3.94%	(0.31%)	4.32%	(0.69%)
1-Year	3.48%	3.62%	(0.14%)	4.15%	(0.67%)
2-Year	3.47%	3.61%	(0.14%)	4.24%	(0.77%)
5-Year	3.73%	3.74%	(0.01%)	4.38%	(0.65%)
10-Year	4.17%	4.15%	0.02%	4.57%	(0.40%)
30-Year	4.84%	4.73%	0.11%	4.78%	0.06%

Yield Curves as of December 31, 2025



Source: Bloomberg Finance L.P.

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## Certificate of Compliance

During the reporting period for the quarter ended December 31, 2025, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.*

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*Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Financial LP Asset and Investment Management ("AIM").*

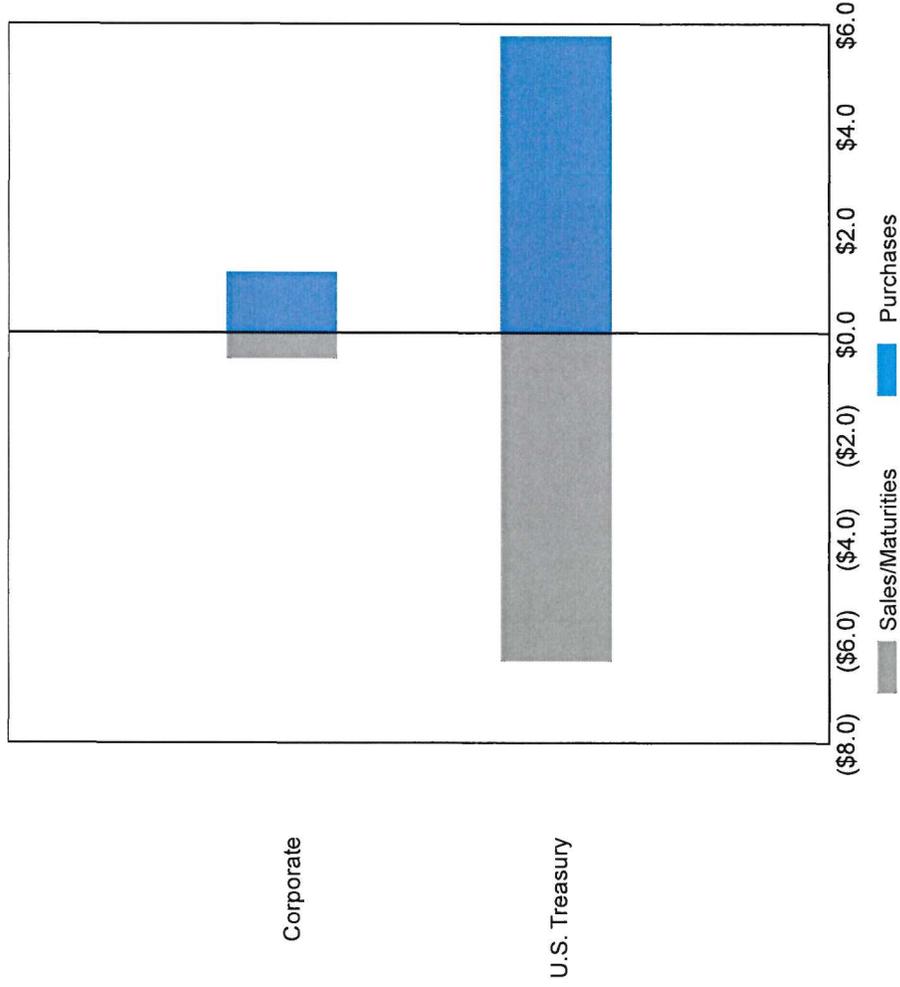
## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>91.8%</b>	
United States Treasury	91.8%	AA / Aa / AA
<b>Federal Agency</b>	<b>3.4%</b>	
Federal Home Loan Banks	3.4%	AA / Aa / NR
<b>Commercial Paper</b>	<b>1.3%</b>	
Mitsubishi UFJ Financial Group Inc	1.3%	A / Aa / A
<b>Corporate</b>	<b>3.5%</b>	
Alphabet Inc	0.8%	AA / Aa / NR
Apple Inc	1.4%	AA / Aaa / NR
Johnson & Johnson	1.2%	AAA / Aaa / NR
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

### Portfolio Activity - CITY OF WOODBURN

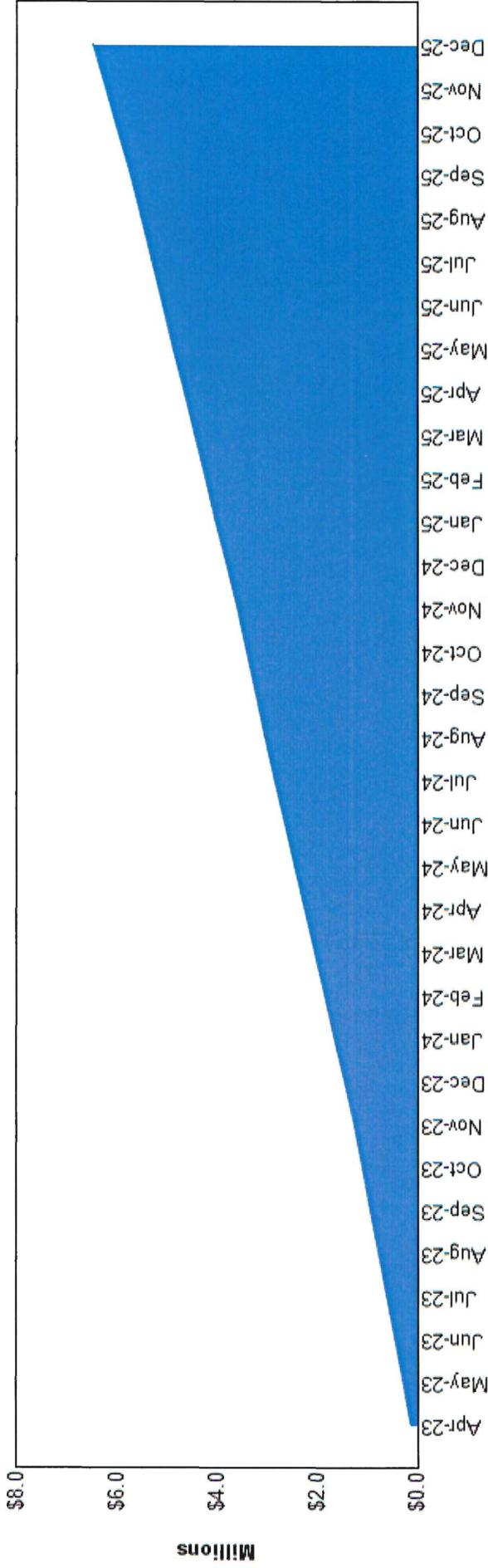
Net Activity by Sector  
 (\$ millions)



Sector	Net Activity
Corporate	\$675,395
U.S. Treasury	(\$638,626)
<b>Total Net Activity</b>	<b>\$36,769</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

### Accrual Basis Earnings - CITY OF WOODBURN



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$727,509	\$2,457,007	-	-	\$5,357,130
Realized Gains / (Losses) <sup>3</sup>	-	\$8,816	-	-	\$2,378
Change in Amortized Cost	\$25,839	\$208,917	-	-	\$1,128,843
<b>Total Earnings</b>	<b>\$753,348</b>	<b>\$2,674,740</b>	<b>-</b>	<b>-</b>	<b>\$6,488,352</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is March 31, 2023.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Realized gains / (losses) are shown on an amortized cost basis.

### Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY N/B DTD 01/17/2023 3.875% 01/15/2026	91282CGE5	1,500,000.00	AA+	Aa1	3/6/2023	3/7/2023	1,470,234.38	4.62	26,851.22	1,499,601.23	1,500,061.50
US TREASURY N/B DTD 01/17/2023 3.875% 01/15/2026	91282CGE5	1,500,000.00	AA+	Aa1	2/3/2025	2/4/2025	1,495,195.31	4.22	26,851.22	1,499,804.63	1,500,061.50
US TREASURY N/B DTD 02/15/2023 4.000% 02/15/2026	91282CGL9	2,000,000.00	AA+	Aa1	12/12/2024	12/13/2024	1,994,453.13	4.24	30,217.39	1,999,413.51	2,000,582.00
US TREASURY N/B DTD 02/15/2023 4.000% 02/15/2026	91282CGL9	1,500,000.00	AA+	Aa1	3/6/2023	3/7/2023	1,475,039.06	4.61	22,663.04	1,498,956.09	1,500,436.50
US TREASURY N/B DTD 04/17/2023 3.750% 04/15/2026	91282CGV7	3,000,000.00	AA+	Aa1	12/6/2024	12/10/2024	2,983,593.75	4.17	24,107.14	2,996,454.26	3,001,416.00
US TREASURY N/B DTD 04/17/2023 3.750% 04/15/2026	91282CGV7	1,000,000.00	AA+	Aa1	5/10/2023	5/12/2023	1,003,437.50	3.62	8,035.71	1,000,334.42	1,000,472.00
US TREASURY N/B DTD 05/15/2023 3.625% 05/15/2026	91282CHB0	1,000,000.00	AA+	Aa1	6/26/2023	6/29/2023	980,703.13	4.34	4,706.49	997,539.69	1,000,271.00
US TREASURY N/B DTD 05/15/2023 3.625% 05/15/2026	91282CHB0	2,000,000.00	AA+	Aa1	12/7/2023	12/11/2023	1,964,453.13	4.40	9,412.98	1,994,623.84	2,000,542.00
US TREASURY N/B DTD 09/03/2024 3.750% 08/31/2026	91282CLH2	2,000,000.00	AA+	Aa1	9/13/2024	9/16/2024	2,006,093.75	3.59	25,483.43	2,002,102.77	2,002,152.00
US TREASURY N/B DTD 09/15/2023 4.625% 09/15/2026	91282CHY0	2,500,000.00	AA+	Aa1	10/10/2023	10/11/2023	2,491,113.28	4.76	34,495.86	2,497,763.63	2,518,257.50
US TREASURY N/B DTD 11/15/2023 4.625% 11/15/2026	91282CJK8	2,000,000.00	AA+	Aa1	12/7/2023	12/11/2023	2,016,171.88	4.33	12,009.67	2,005,015.41	2,017,870.00
US TREASURY N/B DTD 12/15/2023 4.375% 12/15/2026	91282CJP7	980,000.00	AA+	Aa1	1/5/2024	1/8/2024	985,933.59	4.15	2,002.40	982,006.70	987,687.12
US TREASURY N/B DTD 01/16/2024 4.000% 01/15/2027	91282CJT9	2,050,000.00	AA+	Aa1	2/2/2024	2/5/2024	2,043,113.28	4.12	37,880.43	2,047,476.51	2,059,829.75
US TREASURY N/B DTD 02/15/2024 4.125% 02/15/2027	91282CKA8	1,000,000.00	AA+	Aa1	3/4/2024	3/5/2024	992,812.50	4.39	15,580.84	997,157.08	1,006,563.00
US TREASURY N/B DTD 02/15/2024 4.125% 02/15/2027	91282CKA8	600,000.00	AA+	Aa1	2/28/2025	3/3/2025	601,406.25	4.00	9,348.51	600,820.38	603,937.80

**For the Quarter Ended December 31, 2025**  
Portfolio Holdings

**CITY OF WOODBURN**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY N/B DTD 06/16/2025 3.875% 06/15/2028	91282CNH0	1,000,000.00	AA+	Aa1	7/11/2025	7/18/2025	1,000,546.88	3.85	1,809.75	1,000,466.17	1,008,594.00
US TREASURY N/B DTD 08/15/2025 3.625% 08/15/2028	91282CNU1	3,600,000.00	AA+	Aa1	9/22/2025	9/23/2025	3,604,218.75	3.58	49,292.12	3,603,840.62	3,609,140.40
US TREASURY N/B DTD 08/15/2025 3.625% 08/15/2028	91282CNU1	500,000.00	AA+	Aa1	9/9/2025	9/10/2025	501,562.50	3.51	6,846.13	501,407.00	501,269.50
US TREASURY N/B DTD 09/15/2025 3.375% 09/15/2028	91282CNY3	2,000,000.00	AA+	Aa1	10/15/2025	10/16/2025	1,993,750.00	3.49	20,138.12	1,994,187.43	1,991,796.00
US TREASURY N/B DTD 10/15/2025 3.500% 10/15/2028	91282CPC9	750,000.00	AA+	Aa1	11/13/2025	11/17/2025	747,978.52	3.60	5,625.00	748,061.09	749,238.00
US TREASURY N/B DTD 10/15/2025 3.500% 10/15/2028	91282CPC9	500,000.00	AA+	Aa1	11/10/2025	11/12/2025	498,886.72	3.58	3,750.00	498,936.98	499,492.00
US TREASURY N/B DTD 11/17/2025 3.500% 11/15/2028	91282CPK1	1,750,000.00	AA+	Aa1	12/10/2025	12/15/2025	1,743,300.78	3.64	7,952.35	1,743,405.42	1,748,085.50
<b>Security Type Sub-Total</b>		<b>67,510,000.00</b>					<b>67,433,854.75</b>	<b>3.99</b>	<b>752,331.05</b>	<b>67,551,736.16</b>	<b>67,871,444.90</b>
<b>Federal Agency</b>											
FEDERAL HOME LOAN BANK DTD 11/17/2023 4.625% 11/17/2026	3130AXU63	2,500,000.00	AA+	Aa1	11/20/2023	11/24/2023	2,493,725.00	4.72	14,131.94	2,498,064.16	2,521,352.50
<b>Security Type Sub-Total</b>		<b>2,500,000.00</b>					<b>2,493,725.00</b>	<b>4.72</b>	<b>14,131.94</b>	<b>2,498,064.16</b>	<b>2,521,352.50</b>
<b>Corporate</b>											
APPLE INC (CALLABLE) DTD 02/23/2016 3.250% 02/23/2026	037833BY5	500,000.00	AA+	Aaa	3/6/2023	3/8/2023	478,135.00	4.85	5,777.78	498,932.41	499,495.50
JOHNSON & JOHNSON (CALLABLE) DTD 03/01/2016 2.450% 03/01/2026	478160BY9	500,000.00	AAA	Aaa	6/1/2023	6/5/2023	477,715.00	4.19	4,083.33	498,643.91	498,848.50
APPLE INC (CALLABLE) DTD 02/08/2021 1.200% 02/08/2028	037833EC0	600,000.00	AA+	Aaa	12/10/2025	12/15/2025	568,410.00	3.78	2,860.00	569,036.55	570,670.20
JOHNSON & JOHNSON (CALLABLE) DTD 02/20/2025 4.550% 03/01/2028	478160DH4	400,000.00	AAA	Aaa	3/3/2025	3/4/2025	402,948.00	4.28	6,066.67	402,147.87	407,556.40

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
10/15/2025	10/16/2025	2,000,000.00	91282CNY3	US TREASURY N/B	3.37%	9/15/2028	1,999,530.39	3.49%	
11/10/2025	11/12/2025	500,000.00	91282CPC9	US TREASURY N/B	3.50%	10/15/2028	500,232.87	3.58%	
11/13/2025	11/17/2025	750,000.00	91282CPC9	US TREASURY N/B	3.50%	10/15/2028	750,358.33	3.60%	
11/13/2025	11/17/2025	750,000.00	91282CLX7	US TREASURY N/B	4.12%	11/15/2027	757,876.01	3.59%	
12/10/2025	12/15/2025	1,750,000.00	91282CPK1	US TREASURY N/B	3.50%	11/15/2028	1,748,376.75	3.64%	
12/10/2025	12/15/2025	600,000.00	02079KAV9	ALPHABET INC (CALLABLE)	3.87%	11/15/2028	604,444.75	3.76%	
12/10/2025	12/15/2025	600,000.00	037833EC0	APPLE INC (CALLABLE)	1.20%	2/8/2028	570,950.00	3.78%	
<b>Total BUY</b>		<b>6,950,000.00</b>					<b>6,931,769.10</b>		<b>0.00</b>
<b>INTEREST</b>									
10/15/2025	10/15/2025		91282CMMW8	US TREASURY N/B	3.75%	4/15/2028	57,187.50		
10/15/2025	10/15/2025		91282CGV7	US TREASURY N/B	3.75%	4/15/2026	75,000.00		
10/15/2025	10/15/2025		91282CFP1	US TREASURY N/B	4.25%	10/15/2025	42,500.00		
10/15/2025	10/15/2025		91282CLQ2	US TREASURY N/B	3.87%	10/15/2027	96,875.00		
11/3/2025	11/3/2025		594918BJ2	MICROSOFT CORP (CALLABLE)	3.12%	11/3/2025	7,812.50		
11/15/2025	11/15/2025		91282CND9	US TREASURY N/B	3.75%	5/15/2028	24,375.00		
11/15/2025	11/15/2025		91282CHB0	US TREASURY N/B	3.62%	5/15/2026	54,375.00		
11/15/2025	11/15/2025		91282CKR1	US TREASURY N/B	4.50%	5/15/2027	45,000.00		

## Important Disclosures

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## Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.