

Working Session Review Investment Portfolio Los Alamos County

June 30, 2024

Total Aggregate Portfolio

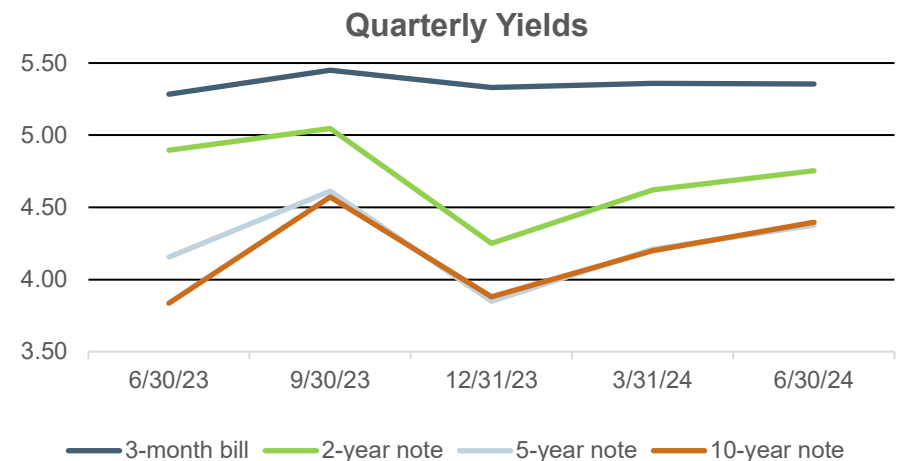
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Market Yields

Market yields in Q2 rose early in the quarter on April’s strong jobs data and March’s CPI print before partially retreating as the data evolved into slowing inflation and softer employment, leading fixed-income investors to adjust their expectations of the Fed funds market over the near future. Entering Q2, market participants expected the Fed to lower rates at their June meeting, and if not, certainly at their July meeting. The meetings in June and July passed without the Fed acting to lower rates. Inflation proved just sticky enough to reduce expectations of the extent and the timing of lower rates. The economic environment continued to show more resilience to higher rates than expected, which added to the uncertainty of when the Fed would move to lower rates and how long the action to lower rates would last. The bellwether two-year Treasury note increased 13 basis points in yield from Q1 to Q2, closing Q2 with a yield of 4.75%.

Quarterly Yields

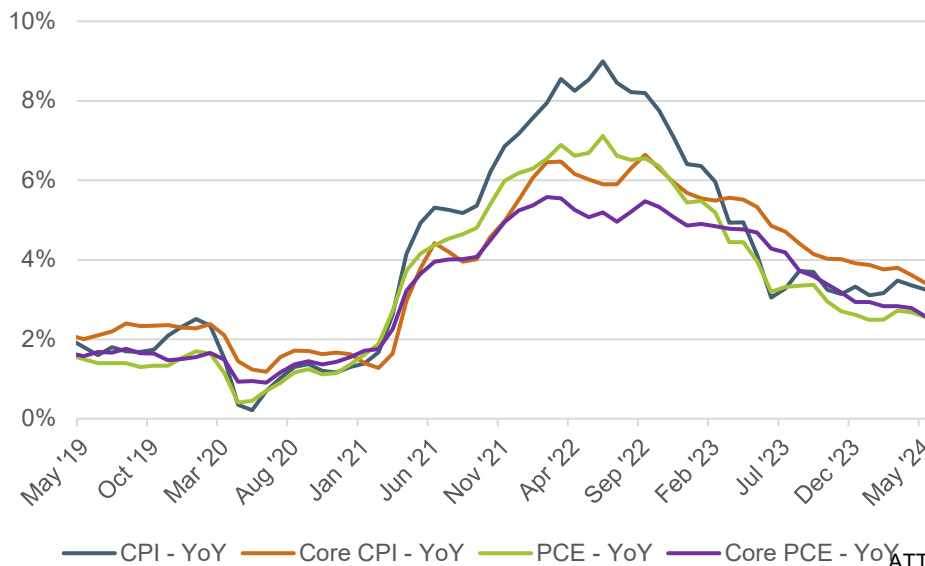
	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24
3-month bill	5.28	5.45	5.33	5.36	5.36
2-year note	4.90	5.05	4.25	4.62	4.75
5-year note	4.16	4.61	3.85	4.21	4.38
10-year note	3.84	4.57	3.88	4.20	4.40



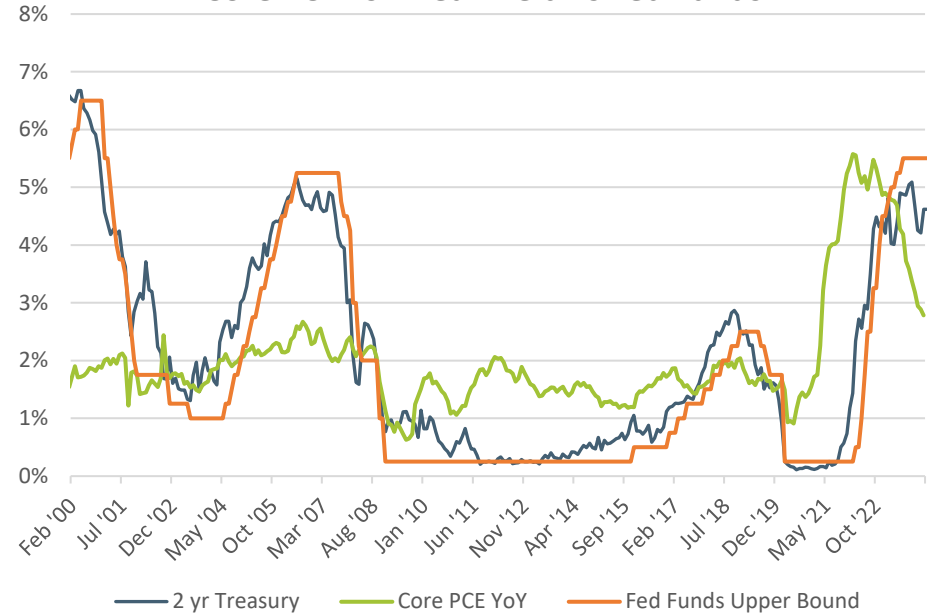
Inflation

The Fed's preferred inflation metric, Core PCE, slowed during Q2 from a year-ending annual growth rate of 2.9% to 2.6%. The lag effects of higher interest rates are complex to time but are constantly working to increase the cost of capital, which should eventually slow final demand and, consequently, inflation. The Fed funds rate is still trading higher than the inflation rate, which is slightly restrictive but will not deter the Fed from lowering rates as inflation moves closer to its 2% long-term target.

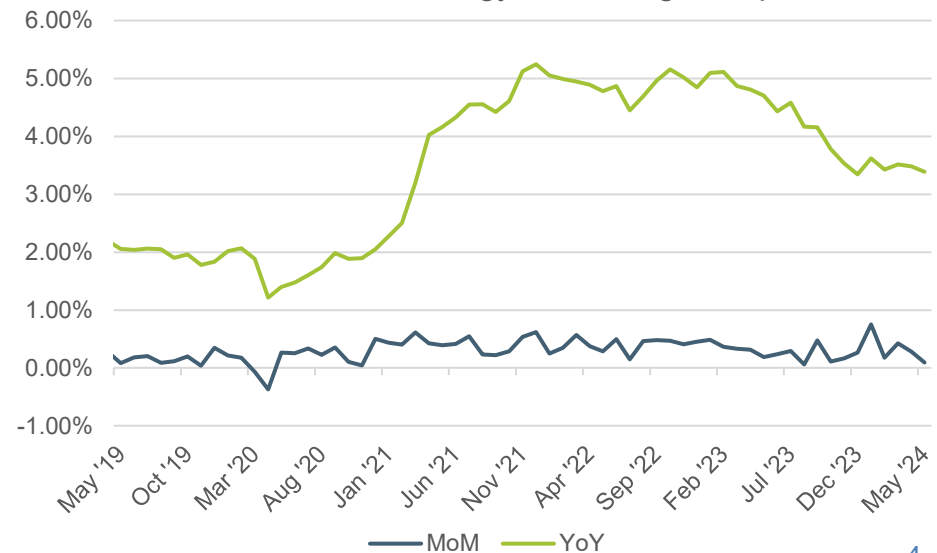
Inflation YoY



Core PCE vs 2 Year Yield vs Fed Funds



PCE Services Ex Energy & Housing - "Supercore"



Economists' Survey Projections - Rates

	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25
Fed Funds	5.35	5.05	4.75	4.40	4.15
2 Year	4.53	4.24	4.03	3.85	3.68
10 year	4.25	4.13	4.06	4.01	3.91

Rate Expectations

During Q2, Two-year Treasury yields increased by 13 basis points from 4.62% to 4.75%. Two-year yields are expected to decline with the Fed funds rate as market participants are forecasting two-year notes to trade at 4.50% in Q3 and 4.25% in Q4. Meanwhile, Ten-Year Treasury yields are expected to overtake Two-Year yields once again starting in Q1 2025.

Data Expectations

Market participants are projecting the Fed to successfully navigate a soft landing tied to expectations for 1-2 rates cuts before year end. GDP is projected to rebound from its downward trend and Core PCE is expected to continue its trend lower towards the Fed's target 2% level, all while unemployment remains steady around 4.1%

Economists' Survey Projections - Data

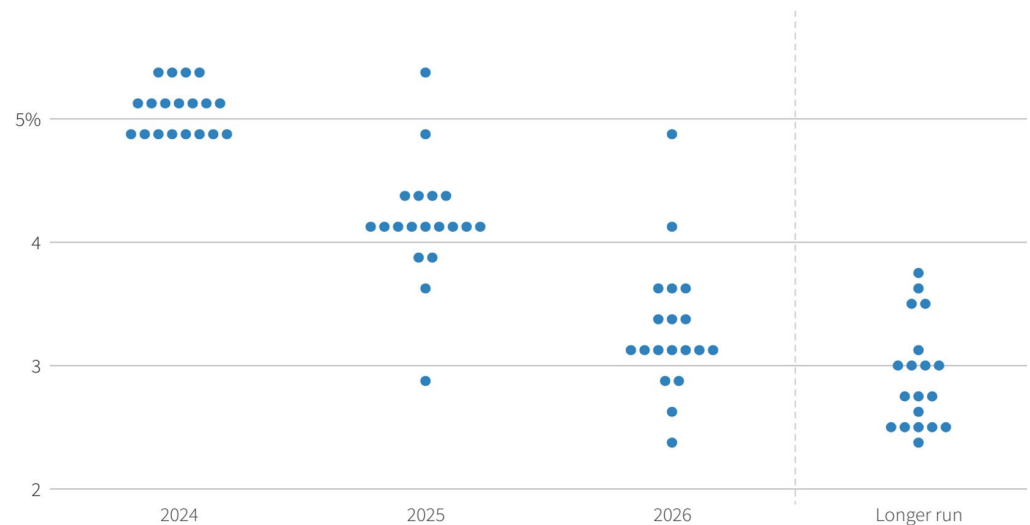
	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25
Real GDP	1.60	1.60	1.80	1.90	2.00
Core PCE (YoY%)	2.70	2.70	2.40	2.30	2.20
Unemployment	4.00	4.10	4.10	4.20	4.10

Federal Open Market Committee

The FOMC was cautious about lowering rates in Q2 2024. Despite the Fed's progress in lowering inflation closer to its 2% target, the FOMC communicated its intention to hold off on rate cuts until it is confident that inflation will continue to decrease. This cautious approach will help prevent a premature easing that could reverse the Fed's progress in lowering inflation. The continuation of the disinflationary trend, along with a slightly weaker labor market, should allow the Fed an opportunity to start its easing phase of this cycle. We expect the Fed will lower rates by 25 basis points at their September 18th meeting and then another 25 basis points at their December 18th meeting. By year-end, Fed funds are expected to be trading at 4.75% to 5.00%.

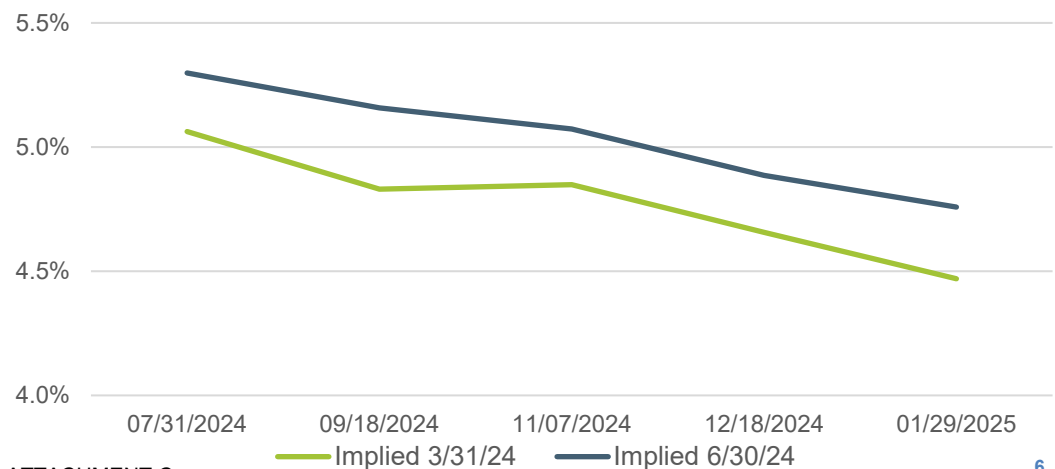
The Fed's dot plot

Interest rate projections by officials at the Federal Open Market Committee



Each dot represents a year-end projection from June 2024. Published June 12, 2024 at 6:02 PM GMT
Sources: The Federal Reserve

Fed Funds Rate Futures



Duration

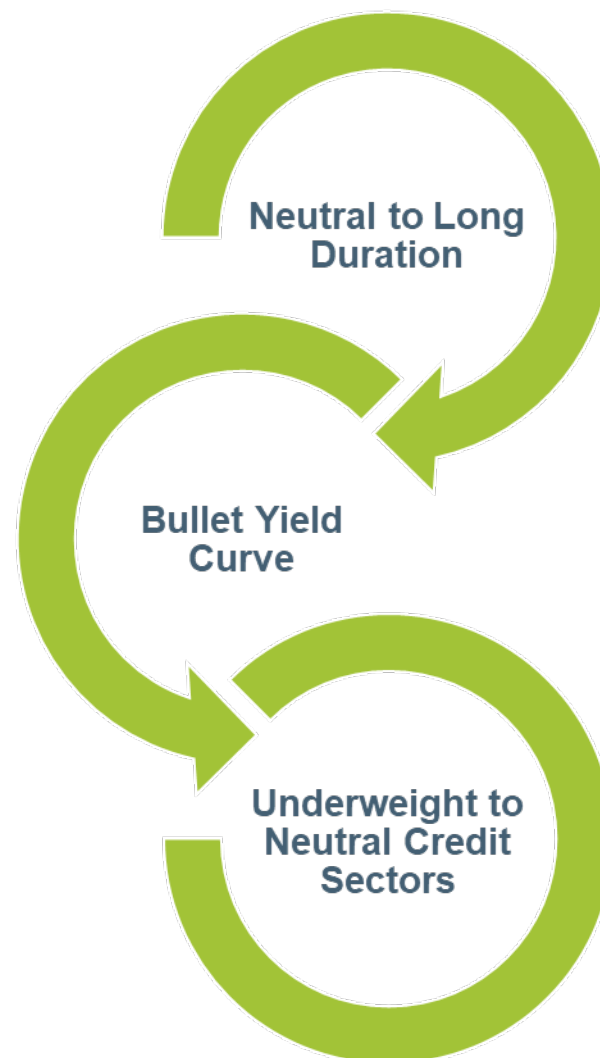
Given our outlook for lower rates into next year, we are focused on moving core portfolio durations neutral to long relative to the benchmark effectively locking in higher rates for longer.

Yield Curve

The inversion of the yield curve supports slightly overweighting the middle of the maturity buckets relative to the index. We will seek to add to the 2-3 year sector if portfolio duration is aligned.

Asset Classes

When yield spreads for Corporate and Municipal debt securities are tight relative to US Treasuries, as they have been recently, credit risk is considered to be rich, or expensive. We are starting to see spreads inching back towards historical averages, and will work to increase portfolio weightings to better align with benchmarks as opportunities arise.



Short-Term Portfolio

	Current Par as of 6/30/2024		Recommended Range	
	Recommendation		Min	Max
Core	141,276,875	140,000,000	90MM	150MM
Liquidity	40,781,280	30,000,000	20MM	40MM
Total	182,058,155	170,000,000		
Liquidity %	22%	18%		

Long-Term Components

GENERAL FUND	% ALLOCATION TARGET
US Core Plus Bonds Pool- Credit Plus Pool	40%
Non-US Developed Markets Index Pool	10%
Non-US Emerging Markets Index Pool	5%
US Large Cap Active Pool	20%
US Large Cap Index Pool	15%
US Small/Mid Cap Pool	10%
	100%
PERMANENT FUND AND CEMETARY	% ALLOCATION TARGET
US Core Plus Bonds Pool- Credit Plus Pool	25%
Non-US Developed Markets Index Pool	12%
Non-US Emerging Markets Index Pool	3%
US Large Cap Active Pool	20%
US Large Cap Index Pool	25%
US Small/Mid Cap Pool	15%
	100%

1) Actual values are based on market value.

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.

XIII. REPORTING

- a. **Methods.** The Investment Officer shall prepare an investment report at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the reporting period. The management summary shall be prepared in a manner to allow the County to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the County Manager and the County Council. The report shall include the following:
- i. Listing of individual securities held at the end of the reporting period, and
 - ii. Changes from the previous report, and
 - iii. Schedule of collateral, and
 - iv. The cost and market value of individual securities, and
 - v. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks, and
 - vi. Listing of investment by maturity date, and
 - vii. Percentage of the total portfolio of which each type of investment represents.
- Same comment as before regarding "at least"

See Annual Report for above details.

Compliance Report

Los Alamos County | Total Aggregate Portfolio

Category

Policy Diversification Constraint	Policy Limit	Actual Value*	Status
US Treasury Obligations Maximum % of Holdings	100.000	34.412	Compliant
US Agency Callable Securities Maximum % of Total Portfolio	25.000	0.000	Compliant
US Agency Obligations - FHLB, FNMA, FHLMC, FFCB, FAMA, GNMA - NM Only	0.000	0.000	Compliant
US Agency Obligations Issuer Concentration	35.000	13.211	Compliant
US Agency Obligations Maximum % of Holdings	100.000	20.980	Compliant
Municipal Bonds Issuer Concentration	5.000	0.000	Compliant
Municipal Bonds Maximum % of Holdings	25.000	0.000	Compliant
Municipal Bonds NM Only Issuer	0.000	0.000	Compliant
Commercial Paper Issuer Concentration	5.000	0.000	Compliant
Commercial Paper Maximum % of Holdings	20.000	0.000	Compliant
Certificates of Deposit Issuer Concentration	5.000	0.000	Compliant
Certificates of Deposit Maximum % of Holdings	20.000	0.000	Compliant
Money Market Maximum % of Holdings	20.000	6.762	Compliant
LGIP Maximum % of Holdings	100.000	10.175	Compliant
Bank Time Deposits/Savings Accounts Maximum % of Holdings - NM	100.000	0.000	Compliant
Repurchase Agreements Issuer Concentration	5.000	0.000	Compliant
Repurchase Agreements Maximum % of Holdings	10.000	0.000	Compliant
SIC New Mexico Funds (% portfolio)	50.000	26.166	Compliant
Federally Insured Obligations or Deposits	25.000	0.000	Compliant
Federally Insured Obligations or Deposits Issuer Concentration	10.000	0.000	Compliant

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Compliance Report

Los Alamos County | Total Aggregate Portfolio

Category

Policy Maturity Structure Constraint	Policy Limit	Actual %	Status
Maturity Constraints Under 30 days Minimum % of Total Portfolio	10.000	44.603	Compliant
Maturity Constraints Under 1 year Minimum % of Total Portfolio	25.000	57.179	Compliant
Maturity Constraints Under 10 years Minimum % of Total Portfolio	100.000	100.000	Compliant
Policy Maturity Constraint	Policy Limit	Actual Term	Status
US Treasury Maximum Maturity At Time of Purchase (years)	10.000	4.959	Compliant
US Agency Maximum Maturity At Time of Purchase (years)	10.000	5.000	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	10.000	0.000	Compliant
Commercial Paper Days to Final Maturity (days)	180.00	0.000	Compliant
Certificates of Deposit Maximum Maturity At Time of Purchase (years)	5.00	0.00	Compliant
Repurchase Agreements Maximum Maturity At Time of Purchase (days)	1095.00	0.00	Compliant
Weighted Average Maturity (years)	3.00	1.22	Compliant
Policy Credit Constraint			Status
Municipal Bonds Ratings Minimum AA-/Aa3/AA- (Rated by 1 NRSRO)			Compliant
Commercial Paper Ratings Minimum A1/P1/F1 (Rated by 1 NRSRO)			Compliant
Money Market Ratings Minimum AAA/Aaa/AAA (Rated by 1 NRSRO)			Compliant

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Strategic Annual Update

Los Alamos County | Total Aggregate Portfolio



June 30, 2024

Metric	Previous	Current
Strategy	06/30/2023	06/30/2024
Effective Duration		
General Investment Core	1.94	2.00
Benchmark Duration	2.05	2.10
Total Effective Duration	1.35	1.55
Total Return (Net of Fees %)*		
General Investment Core	.54	4.46
Benchmark Return	.42	4.45
*Changes in Market Value include net unrealized and realized gains/ losses.		
Maturity Total Portfolio		
Average Maturity Total Holdings	1.02	1.23

Metric	Previous	Current
Book Yield	06/30/2023	06/30/2024
Ending Book Yield		
General Investment Core	2.18%	3.18%
General Liquidity	2.99%	3.43%
Total Book Yield	2.43%	3.24%
Metric	Previous	Current
Book Yield	06/30/2023	06/30/2024
Ending Book Yield		
Cemetery SIC	0.00%	0.00%
General SIC	0.00%	0.00%
Permanent SIC	0.00%	0.00%
Market Value + Accrued		
General Investment Core	103,911,504	137,725,098
General Liquidity	45,322,202	40,781,281
General SIC	23,559,683	19,610,330
Permanent SIC	35,895,454	41,883,546
Cemetery SIC	1,294,803	1,510,802
Total MV + Accrued	209,983,646	241,511,057
Total Net Unrealized Gain/Loss	(9,619,919)	127,268

Return Management-Income Detail

Los Alamos County | Total Aggregate Portfolio



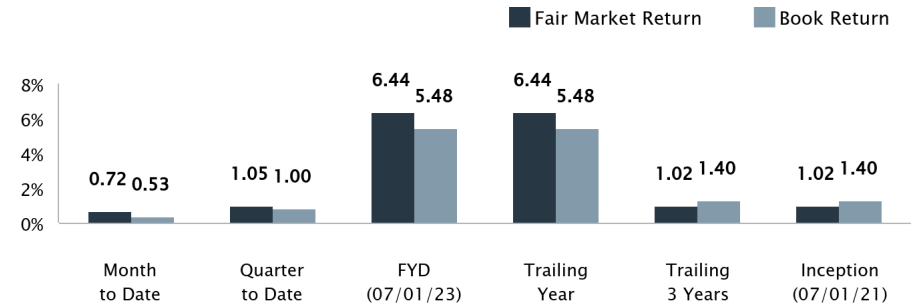
June 30, 2024

Accrued Book Return

	Fiscal Year Ending 06/30/2023	Fiscal Year Ending 06/30/2024
Amortization/Accretion	238,336.69	714,555.47
Interest Earned	3,575,950.53	6,158,981.65
Realized Gain (Loss)	0.00	0.00
Book Income	3,814,287.23	6,873,537.12
Average Portfolio Balance	210,012,142.27	226,520,085.87
Book Return for Period	4.82%	5.48%

Return Comparisons

Periodic for performance less than one year. Annualized for performance greater than one year.



Fair Market Return

	Fiscal Year Ending 06/30/2023	Fiscal Year Ending 06/30/2024
Market Value Change	4,899,811.91	9,747,187.84
Amortization/Accretion	238,336.69	714,555.47
Interest Earned	3,575,950.53	6,158,981.65
Fair Market Earned Income	8,714,099.14	15,906,169.49
Average Portfolio Balance	193,458,971.43	226,520,085.87
Fair Market Return for Period	4.74%	6.44%

Interest Income

	Fiscal Year Ending 06/30/2023	Fiscal Year Ending 06/30/2024
Beginning Accrued Interest	239,919.49	424,459.35
Coupons Paid	3,578,333.08	6,167,914.63
Purchased Accrued Interest	186,922.40	304,360.41
Sold Accrued Interest	0.00	0.00
Ending Accrued Interest	424,459.35	719,886.77
Interest Earned	3,575,950.53	6,158,981.65

Notation: Book and Fair Market Returns are not annualized

Asset Allocation Change over Year

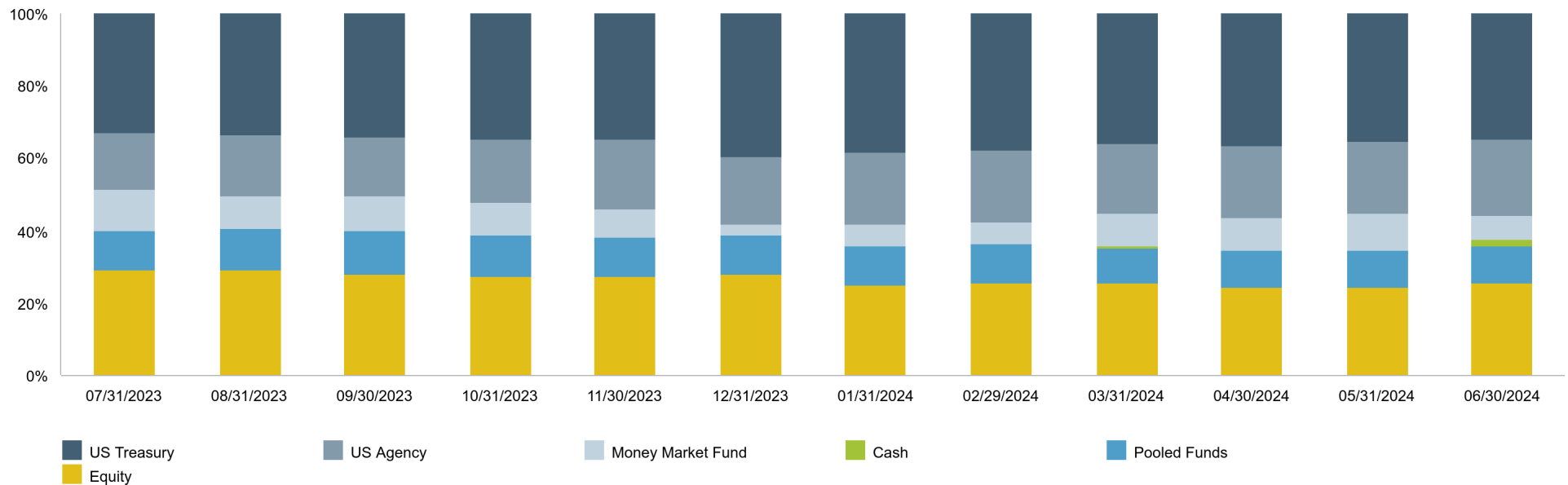
Los Alamos County | Total Aggregate Portfolio



June 30, 2024

Asset Allocation Changes

Security Type	06/30/2023		06/30/2024		Change	
	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio
US Treasury	69,723,630.32	33.20%	83,202,236.94	34.45%	13,478,606.62	1.25%
US Agency	34,187,874.03	16.28%	50,895,985.83	21.07%	16,708,111.81	4.79%
Money Market Fund	20,822,201.55	9.92%	16,281,280.59	6.74%	(4,540,920.96)	(3.17%)
Cash	0.00	0.00%	3,626,875.00	1.50%	3,626,875.00	1.50%
Pooled Funds	24,500,000.00	11.67%	24,500,000.00	10.14%	0.00	(1.52%)
Equity- SIC Funds	60,749,940.37	28.93%	63,004,678.75	26.09%	2,254,738.39	(2.84%)
Total	209,983,646.27	100.00%	241,511,057.12	100.00%	31,527,410.85	



If negative cash balance is showing, it is due to a pending trade payable at the end of period.

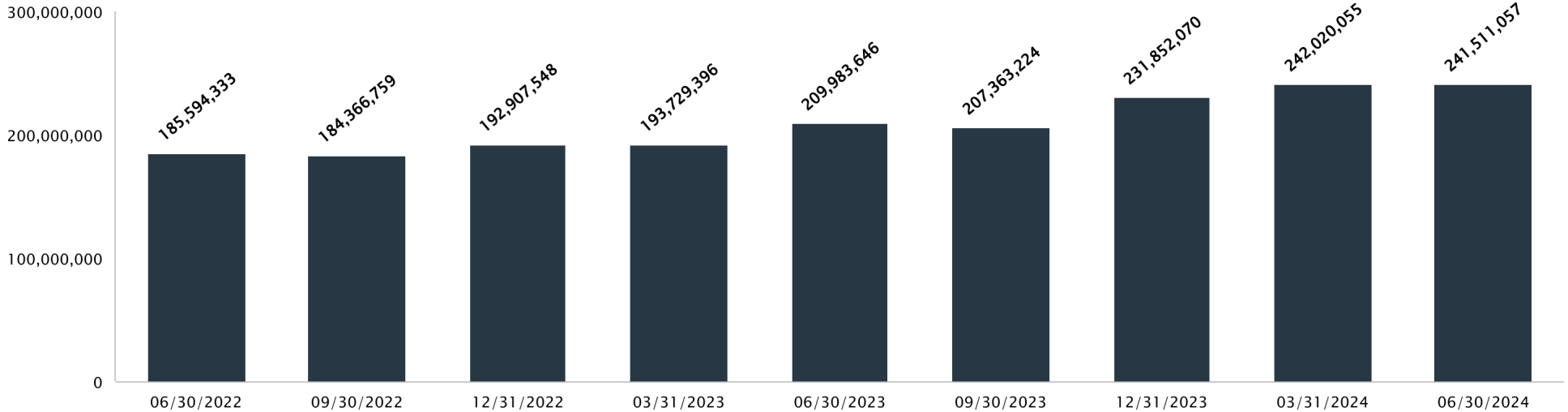
Historical Balances

Los Alamos County | Total Aggregate Portfolio



June 30, 2024

Market Value



Market Value and Return

Period Begin	Period End	Market Value + Accrued	Earned Income	Book Yield	Effective Duration	Maturity in Years
07/01/2022	09/30/2022	184,366,759	694,385	1.08%	1.54	1.17
10/01/2022	12/31/2022	192,907,548	912,585	1.39%	1.43	1.08
01/01/2023	03/31/2023	193,729,396	1,023,048	2.15%	1.35	1.41
04/01/2023	06/30/2023	209,983,646	1,184,270	1.73%	1.35	1.02
07/01/2023	09/30/2023	207,363,224	1,321,288	1.90%	1.29	0.97
10/01/2023	12/31/2023	231,852,070	1,537,513	2.31%	1.69	1.30
01/01/2024	03/31/2024	242,020,055	1,865,088	2.28%	1.55	1.24
04/01/2024	06/30/2024	241,511,057	2,149,648	2.39%	1.55	1.23

HIGHLIGHTS COMPONENTS OF PORTFOLIO

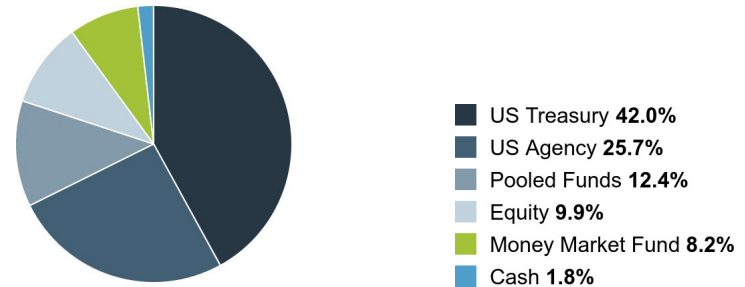
Summary Overview

Los Alamos County | LACO_General Fund Portfolio

Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	64,018,485.77
Investments	134,098,222.77
Book Yield	2.92%
Market Yield	4.37%
Effective Duration	1.55
Years to Maturity	1.50
Avg Credit Rating	AAA

Allocation by Asset Class



Strategic Structure

Account	Par Amount	Book Value	Market Value	Net Unrealized Gain (Loss)	Yield at Cost	Effective Duration	Benchmark Duration	Benchmark
LACO-General Investment Core	141,276,875.00	139,568,582.75	137,005,211.00	(2,563,371.75)	3.18%	2.00	2.10	ICE BofA 0-5 Year US Treasury Index
LACO-General Liquidity	40,781,280.59	40,781,280.59	40,781,280.59	0.00	3.43%	0.01	0.08	ICE BofA US 1 Month Treasury
LACO-General SIC	19,019,761.14	19,019,761.14	19,610,330.18	590,569.04			0.49	ICE BofA 0-1 Year Treasury
Total	201,077,916.73	199,369,624.48	197,396,821.77	(1,972,802.71)	3.25	1.55		

Return Management-Income Detail

Los Alamos County | LACO_General Fund Portfolio



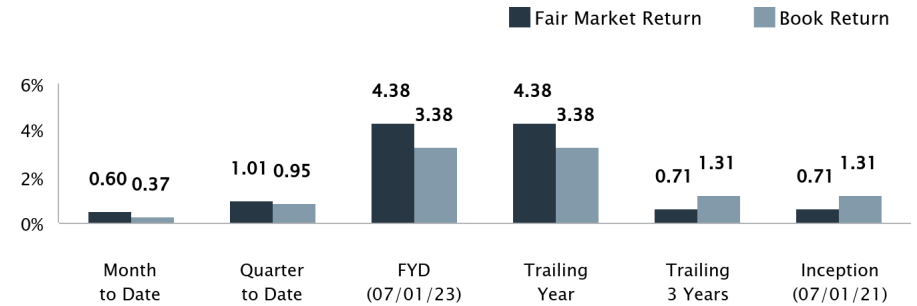
June 30, 2024

Accrued Book Return

	Fiscal Year Ending 06/30/2023	Fiscal Year Ending 06/30/2024
Amortization/Accretion	238,336.69	714,555.47
Interest Earned	2,813,127.57	5,201,794.23
Realized Gain (Loss)	0.00	0.00
Book Income	3,051,464.27	5,916,349.70
Average Portfolio Balance	172,897,115.46	186,770,460.57
Book Return for Period	3.27%	3.38%

Return Comparisons

Periodic for performance less than one year. Annualized for performance greater than one year.



Fair Market Return

	Fiscal Year Ending 06/30/2023	Fiscal Year Ending 06/30/2024
Market Value Change	1,118,131.84	4,500,283.70
Amortization/Accretion	238,336.69	714,555.47
Interest Earned	2,813,127.57	5,201,794.23
Fair Market Earned Income	4,169,596.11	9,702,077.92
Average Portfolio Balance	158,985,761.18	186,770,460.57
Fair Market Return for Period	2.84%	4.38%

Interest Income

	Fiscal Year Ending 06/30/2023	Fiscal Year Ending 06/30/2024
Beginning Accrued Interest	239,919.49	424,459.35
Coupons Paid	2,815,510.12	5,210,727.21
Purchased Accrued Interest	186,922.40	304,360.41
Sold Accrued Interest	0.00	0.00
Ending Accrued Interest	424,459.35	719,886.77
Interest Earned	2,813,127.57	5,201,794.23

Notation: Book and Fair Market Returns are not annualized

Risk Management-Maturity/Duration

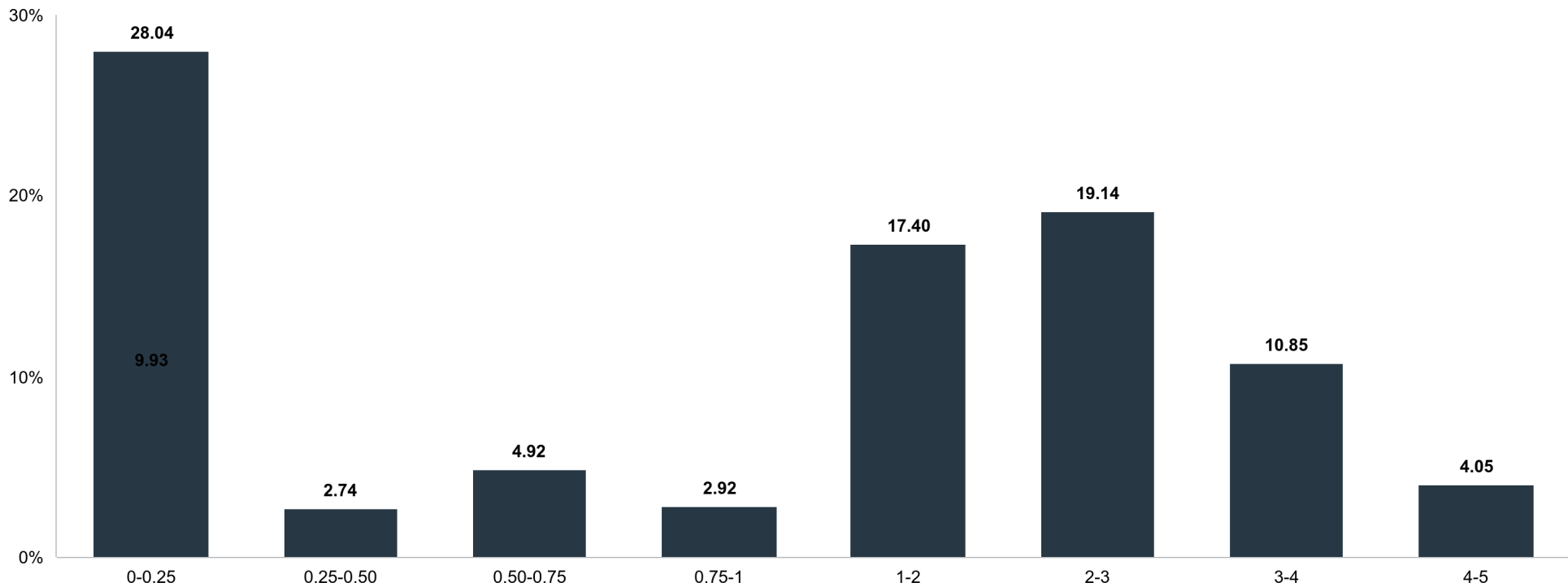
Los Alamos County | LACO_General Fund Portfolio



June 30, 2024

1.55 Yrs	Effective Duration	1.50 Yrs	Years to Maturity	546	Days to Maturity
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Distribution by Effective Duration

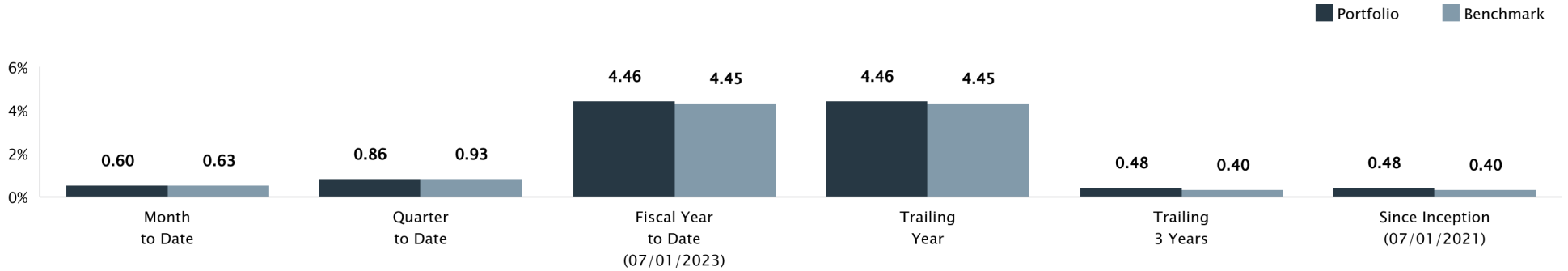


Return Management-Performance

Los Alamos County | General Investment Core

Performance Returns Net of Fees

Periodic for performance less than one year. Annualized for performance greater than one year.



Historical Returns

Period	Month to Date	Quarter to Date	Fiscal Year to Date (07/01/2023)	Since Inception (07/01/2021)
Return (Net of Fees)	0.604%	0.861%	4.458%	0.477%
Return (Gross of Fees)	0.605%	0.864%	4.469%	0.490%
ICE BofA 0-5 Year US Treasury Index	0.634%	0.930%	4.448%	0.396%

Summary Overview

Los Alamos County | LACO_SIC Portfolio



June 30, 2024

Strategic Structure

Account	Par Amount	Book Value	Market Value	Net Unrealized Gain (Loss)
LACO-Cemetery SIC	1,437,690.33	1,437,690.33	1,510,802.23	73,111.90
LACO-Permanent SIC	39,856,587.19	39,856,587.19	41,883,546.34	2,026,959.15
LACO-General SIC	19,019,761.14	19,019,761.14	19,610,330.18	590,569.04
Total	60,314,038.66	60,314,038.66	63,004,678.75	2,690,640.10

GENERAL FUND		% ALLOCATION TARGET	Account	Performance Inception Date	Base Market Value + Accrued	Trailing Year Total Return, FY 2024
US Core Plus Bonds Pool- Credit Plus Pool	40%	LACO-General SIC	07/01/2021	19,610,330.18	5.573%	
Non-US Developed Markets Index Pool	10%	LACO-Cemetery SIC	07/01/2021	1,510,802.23	16.682%	
Non-US Emerging Markets Index Pool	5%	LACO-Permanent SIC	07/01/2021	41,883,546.34	16.682%	
US Large Cap Active Pool	20%	---	07/01/2021	63,004,678.76		
US Large Cap Index Pool	15%					
US Small/Mid Cap Pool	10%					
	100%					

PERMANENT FUND AND CEMETARY		% ALLOCATION TARGET
US Core Plus Bonds Pool- Credit Plus Pool	25%	
Non-US Developed Markets Index Pool	12%	
Non-US Emerging Markets Index Pool	3%	
US Large Cap Active Pool	20%	
US Large Cap Index Pool	25%	
US Small/Mid Cap Pool	15%	
	100%	

Summary Overview

Los Alamos County | LACO_UTILITY Portfolio



June 30, 2024

Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	18,253,294.96
Investments	39,665,022.60
Book Yield	4.83%
Market Yield	4.89%
Effective Duration	1.92
Years to Maturity	2.14
Avg Credit Rating	AAA

Allocation by Asset Class



Strategic Structure

Account	Par Amount	Book Value	Market Value	Net Unrealized Gain (Loss)	Yield at Cost	Effective Duration	Benchmark Duration	Benchmark
LACO-Utility Core Investments	40,000,000.00	39,207,591.32	39,075,913.63	(131,677.69)	4.61%	2.81	2.92	80% ICE 0-5 Year Treasury, 20% ICE 5-10
LACO-Utility Liquidity	18,253,294.96	18,253,294.96	18,253,294.96	0.00	5.33%	0.01	0.08	ICE BofA US 1-Month Treasury
Total	58,253,294.96	57,460,886.28	57,329,208.59	(131,677.69)	4.83%	1.92		

Risk Management-Maturity/Duration

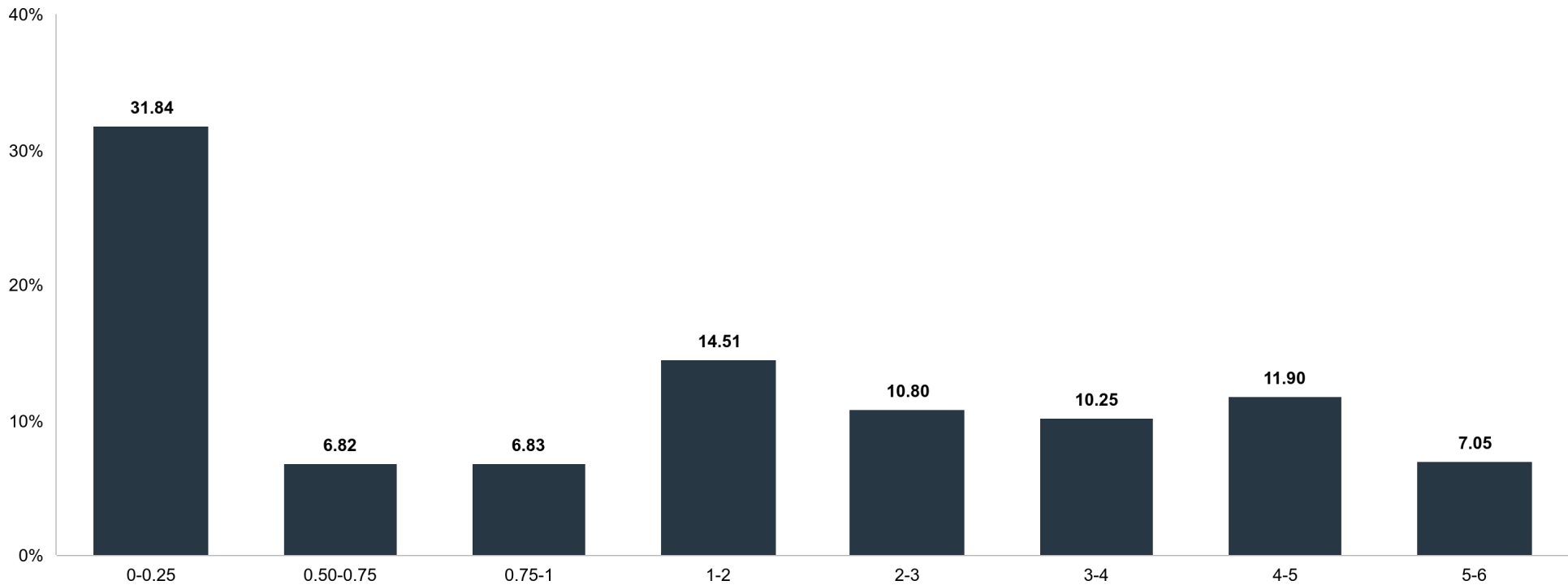
Los Alamos County | LACO_Utility Portfolio



June 30, 2024

1.92 Yrs	Effective Duration	2.14 Yrs	Years to Maturity	780	Days to Maturity
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Distribution by Effective Duration



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