



City of Manteca

Presentation to the City Council

Investment Program Update

October 20, 2020

Presented By:

Monique Spyke, Managing Director

PFM Asset
Management LLC

50 California Street
Suite 2300
San Francisco, CA 94111

pfm.com



PFM Is a National Leader in Managing Public Funds

40 years

public sector experience

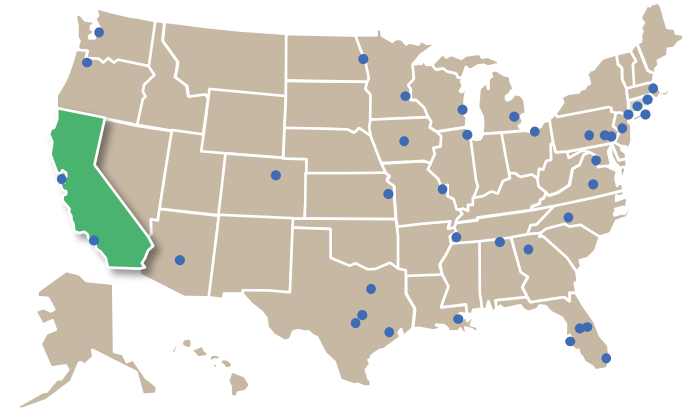
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investment professionals

- Philosophy and mission consistent with public sector objectives
- Strong record of success meeting individual client objectives
- Responsive, experienced team

\$160b

TOTAL ASSETS NATIONWIDE



CALIFORNIA

\$50b

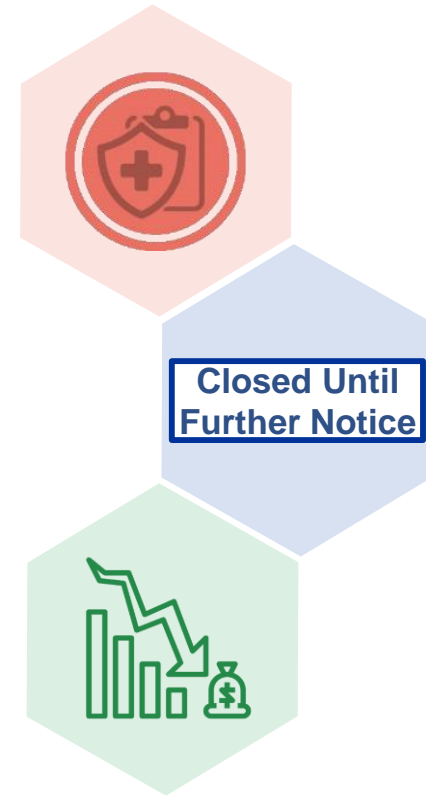
TOTAL ASSETS

As of June 30, 2020. Please see Important Disclosures at the end of this presentation.



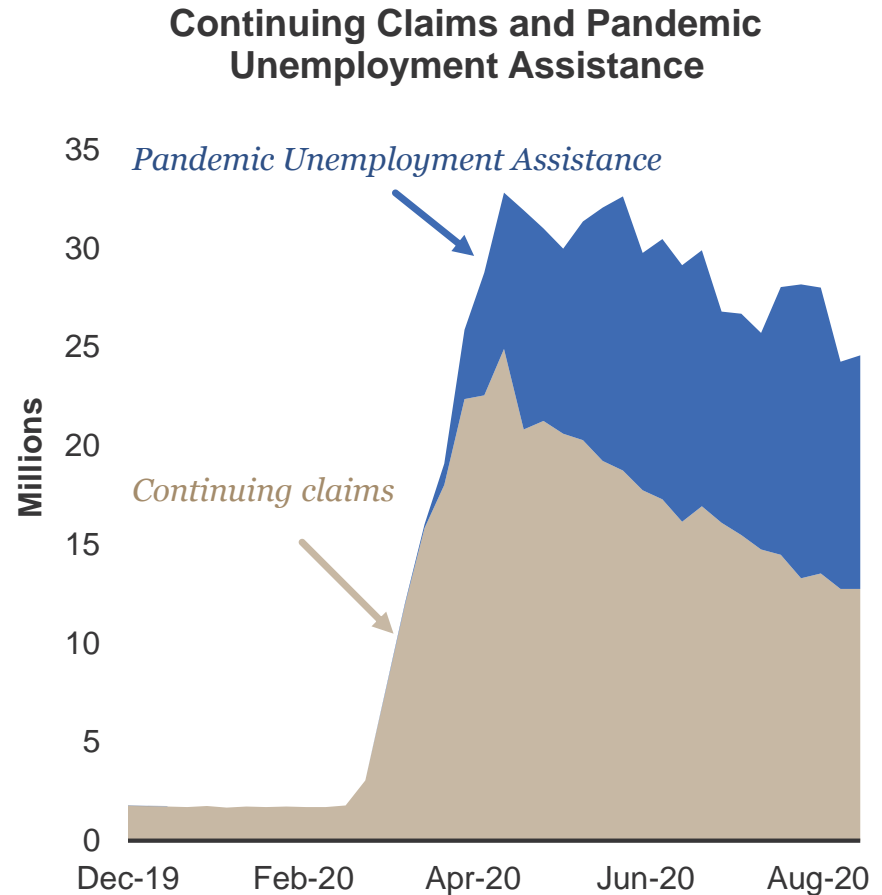
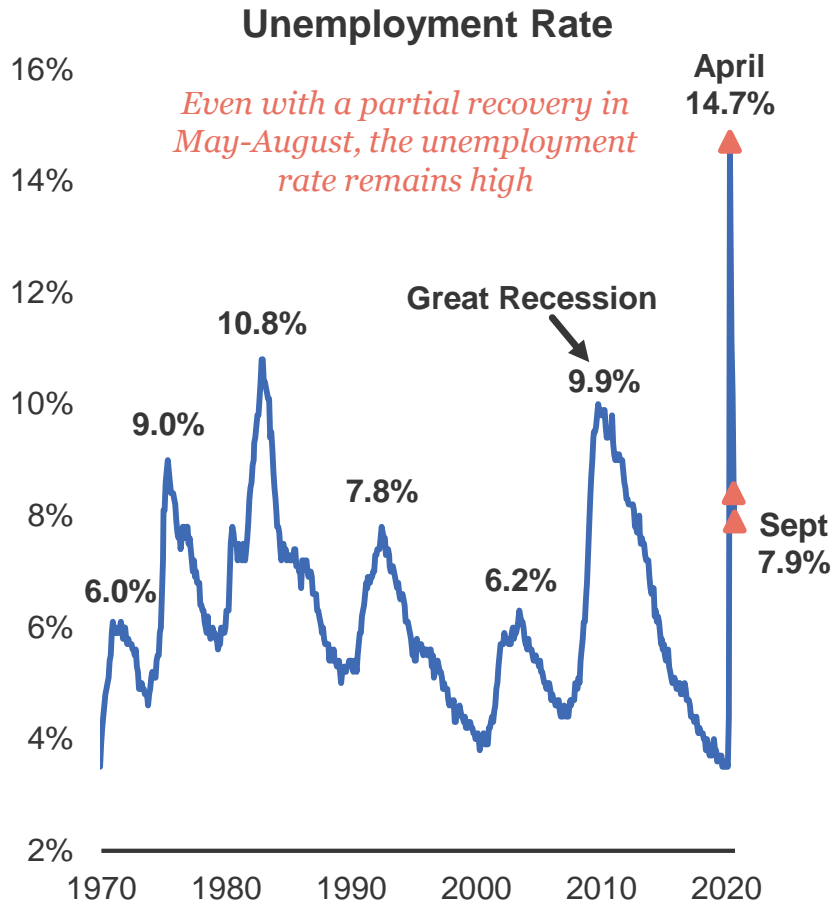
Current Market Themes

- ◆ As the COVID-19 pandemic took hold across the globe, it created a threefold crisis:
 - Health crisis pandemic
 - Effects on the economy
 - Effects on the financial markets
- ◆ The Fed acted quickly and strongly
 - Cut the target federal funds rate by 150 basis points (1.50%) to 0-0.25%
 - Implemented major programs to support liquidity and overall financial markets
- ◆ U.S. Treasury yields plunged during March
 - Short-term yields have settled near 0%
 - Long-term rates remain near record lows
- ◆ Yield spreads between non-government securities and U.S. Treasuries widened sharply, temporarily





Achieving Pre-Pandemic Employment Levels May Be Challenging

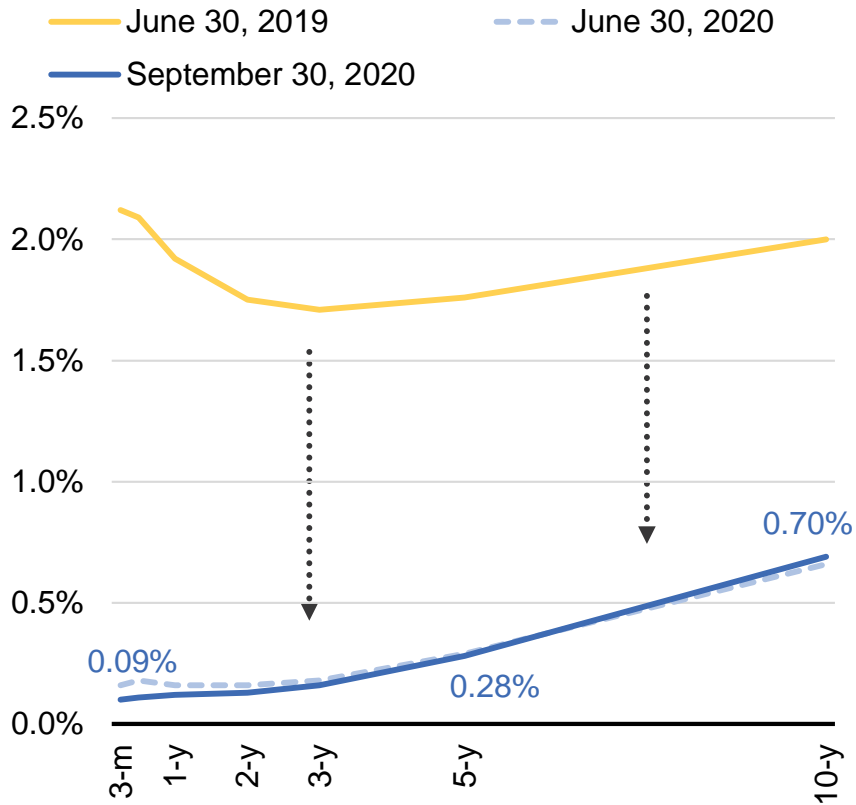


Source: Bloomberg as of 9/30/2020. Data is seasonally adjusted.

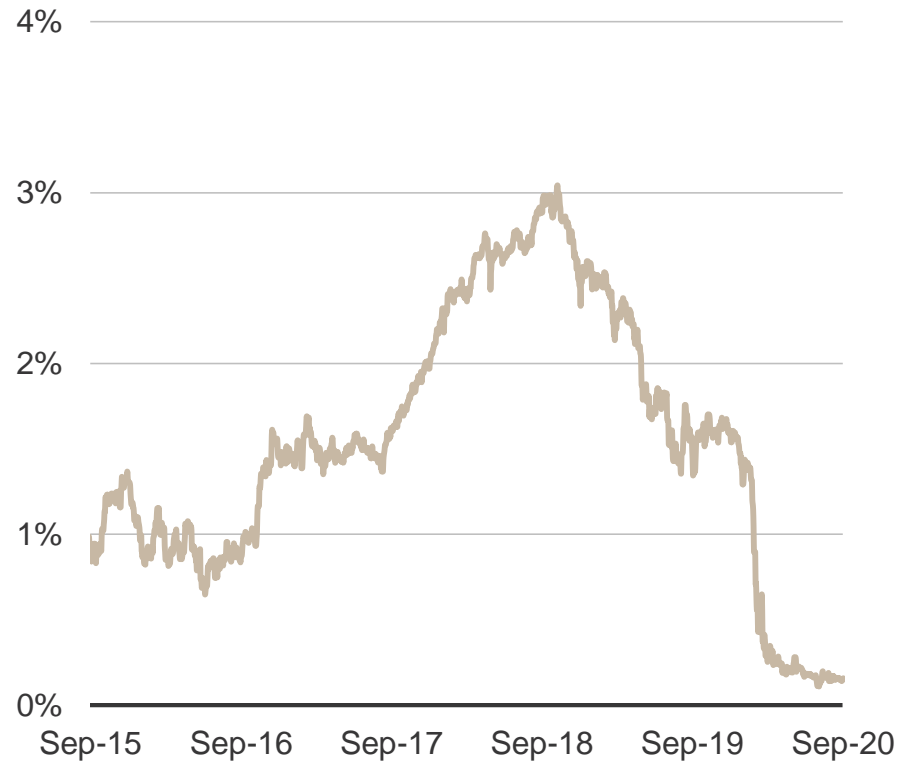


Interest Rates Are Stable Near Historic Lows

U.S. Treasury Yield Curves



3-Year Treasury Yield



Source: Bloomberg as of 9/30/2020.



City of Manteca's Investment Objectives

Safety

- High Quality investments
- Diversification by sector, issuer, and maturity

Liquidity

- Ensure liquidity profile of portfolio remains high
- City communicates any liquidity needs

Return on Investment

- Duration management
- Active trading and continual evaluation of relative value among allowable sectors

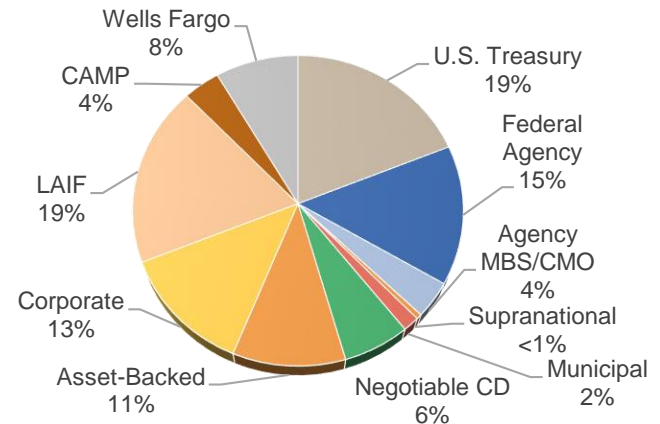


Portfolio Snapshot as of September 30, 2020

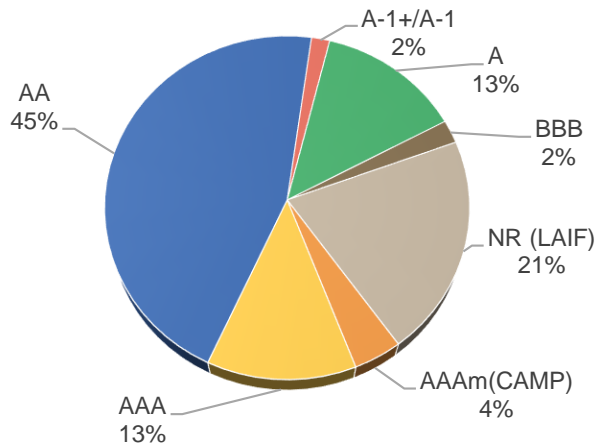
Portfolio Statistics

Par Value	\$213,018,789
Market Value	\$215,900,030
Yield at cost	1.29%
Yield at market	0.54%
WAM (years)	1.52
Average Credit	AA

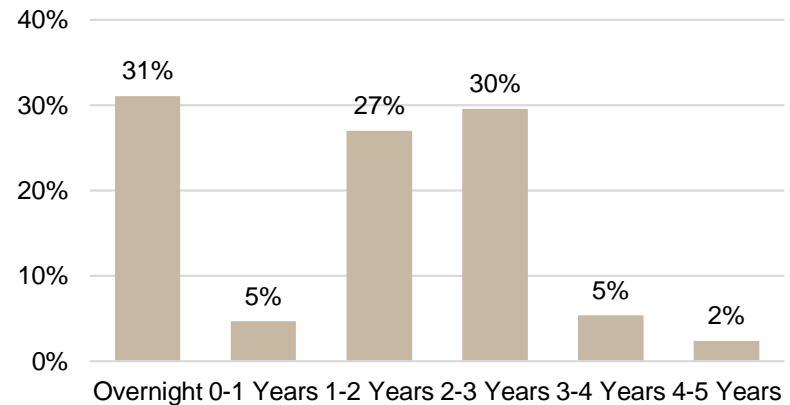
Sector Allocation



Credit Quality (S&P Ratings)



Maturity Distribution



- Portfolio statistics calculations include funds managed by PFM and balances in LAIF, CAMP, and Wells Fargo checking. Excludes accrued interest.
- Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO or were rated A- or the equivalent or better by at least one NRSRO at time of purchase. If not rated by S&P, Moody's ratings used. Wells Fargo checking account excluded.



Portfolio Total Return Performance

Total Return
For Period Ending September 30, 2020

	Annualized Total Return			
	Past Year	Past 5 Years	Past 10 Years	Since Inception
City of Manteca	3.79%	2.16%	1.58%	2.72%
Performance Benchmark <i>1-3 Year U.S. Treasury Index</i>	3.58%	1.80%	1.28%	2.37%
Difference	+0.21%	+0.36%	+0.30%	+0.35%

- Performance calculation excludes funds in LAIF, CAMP, and Wells Fargo checking account.
- Performance on trade-date basis, net of PFM fees.
- Market Benchmark is the ICE Bank of America Merrill Lynch (BofAML) 1-3 Year Treasury Index. Provided by Bloomberg Financial Markets.
- Inception date is March 31, 2002.



Outlook

KEY TAKEAWAYS

- The U.S. and global economic recoveries have been stronger than expected.
- In the U.S., however, the pace of recovery appears to be slowing. Getting back to pre-pandemic growth and employment levels will likely be challenging.
- Intervention by the Federal Reserve and lawmakers to bolster the markets and provide support to business and individuals will likely continue to take center stage.
- Rates expected to remain very low until at least 2023.

PORTFOLIO STRATEGY IMPLICATIONS

- Continue to increase surveillance of all corporate and asset-backed securities.
- Increase allocation to federal agencies, a safe haven asset class offering increased value.
- Maintain diversification.
- Renewed emphases on safety and liquidity.



Important Disclosures

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Total assets: \$160 billion in total assets includes \$118.1 billion in discretionary assets under management and \$41.8 billion in non-discretionary assets under advisement. \$49.7 billion in California assets includes \$28.7 billion in discretionary assets under management and \$21.1 billion in non-discretionary assets under advisement. All data as of June 30, 2020, unless otherwise noted.