



# San Geronio Pass Water Agency

## Investment Performance Review For the Quarter Ended June 30, 2025

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## Market Update

## Current Market Themes



- ▶ U.S. economy is resilient but showing signs of cooling
  - ▶ Headline employment data belies underlying weakening
  - ▶ Inflation remained rangebound but does not yet reflect the full impact of tariffs
  - ▶ Fiscal policy uncertainty and volatile tariff rollouts weigh on consumer sentiment



- ▶ Fed remains on hold but may cut rates later this year
  - ▶ The Fed's June "dot plot" implies 50 bps of cuts in the back half of 2025 but members are split between 0 and 2 cuts this year
  - ▶ Fed Chair Powell stated the effect, size, and duration of tariffs are all highly uncertain making staying on hold the appropriate thing to do as they wait to learn more



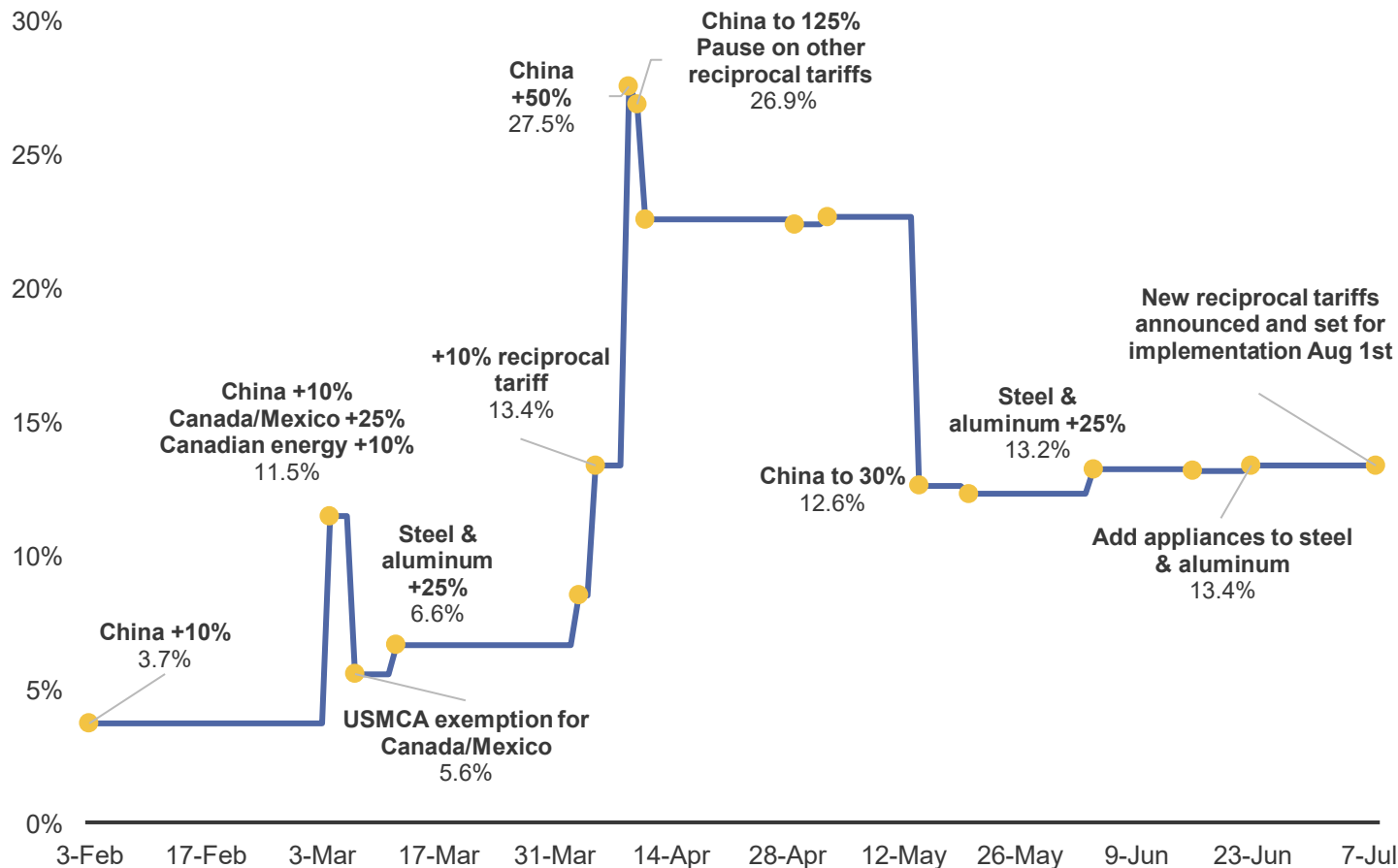
- ▶ Treasury yields whipsawed by tariff announcements in Q2
  - ▶ Concerns over the budget bill, debt ceiling, and monetary policy added to volatility
  - ▶ The yield curve continued to steepen between 2 years and 10 years
  - ▶ Credit spreads widened sharply following tariff fears but tightened to levels near historic tights by quarter end

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of June 30, 2025.

## Uncertainty Remains Exceptionally High

### Effective Tariff Rate

Select Activity from February 3, 2025 to July 8, 2025



Source: Bloomberg Finance L.P. as of July 8, 2025. Yellow dots represent activity impacting effective tariff rate.

### Fiscal Policy Adds to Uncertainty



Budget/Spending



Tax Reform



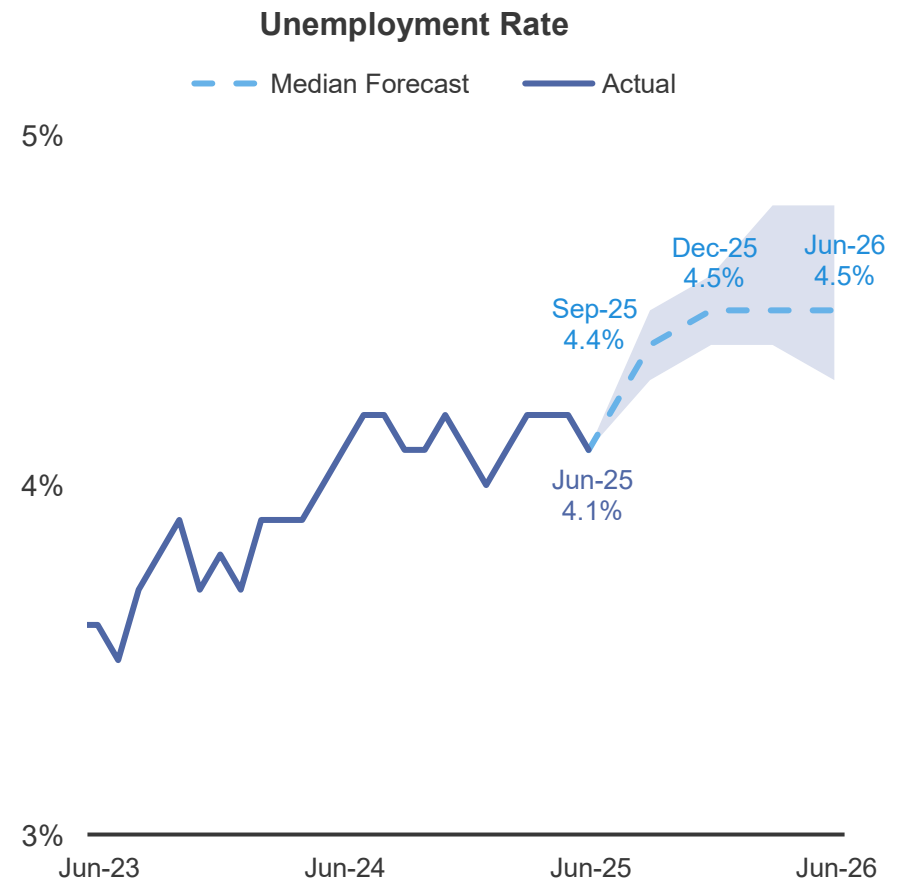
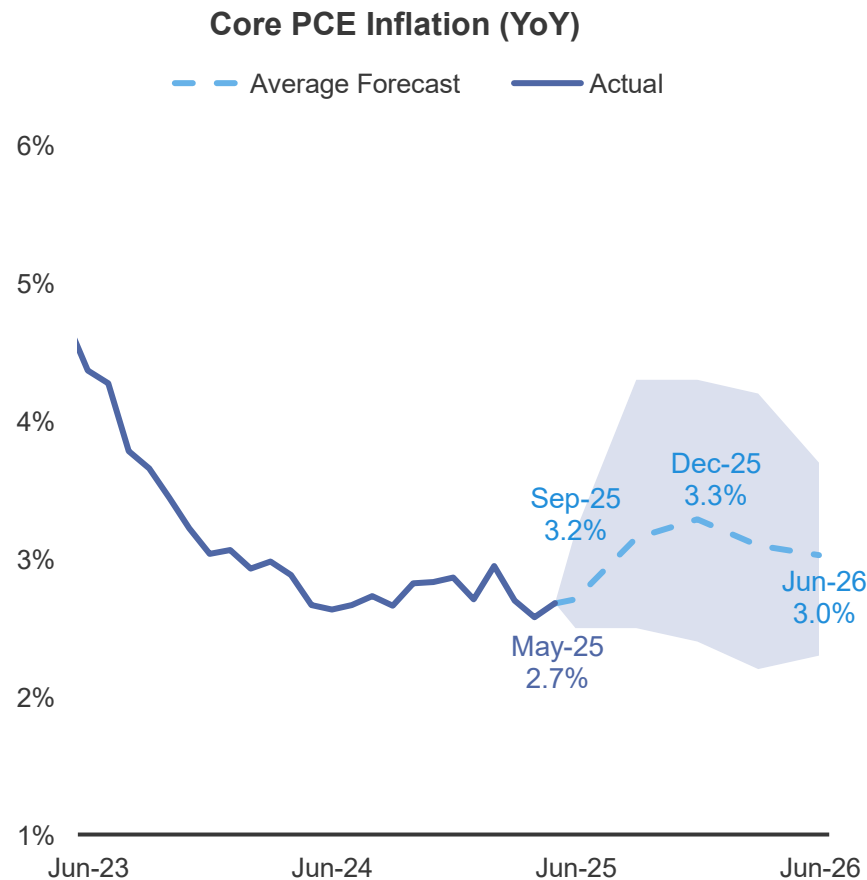
Funding Freezes



Debt Ceiling

## The Fed's Dual Mandate Gets More Complicated

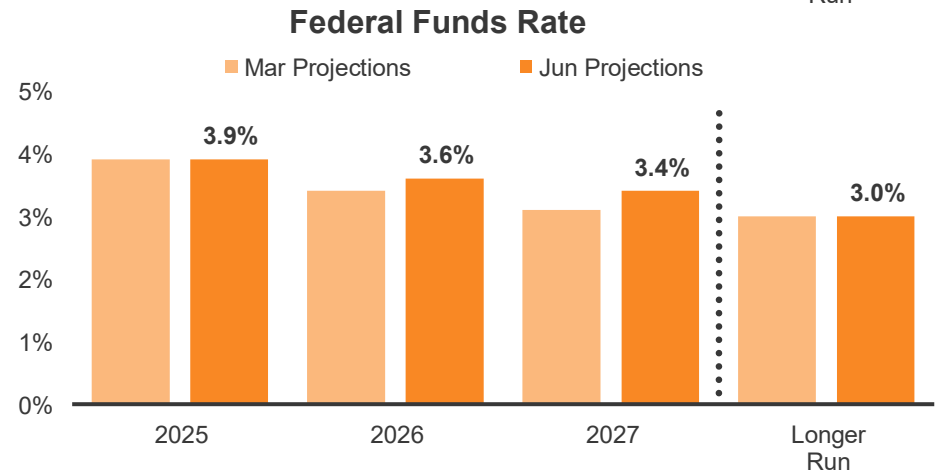
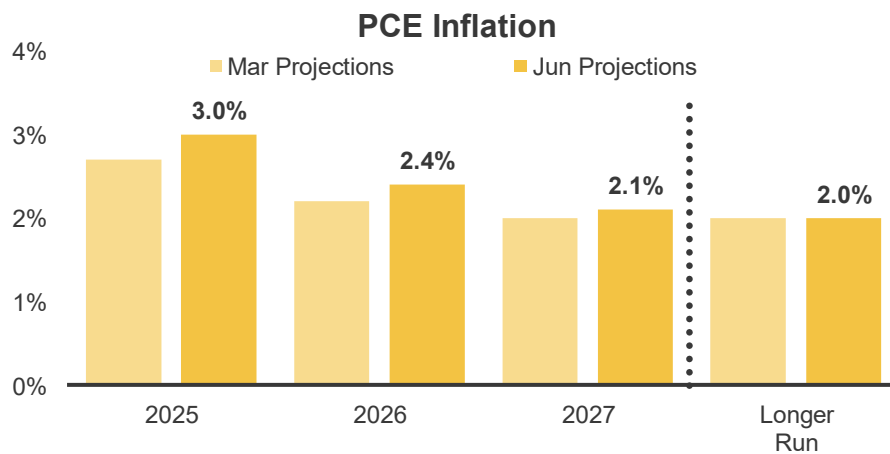
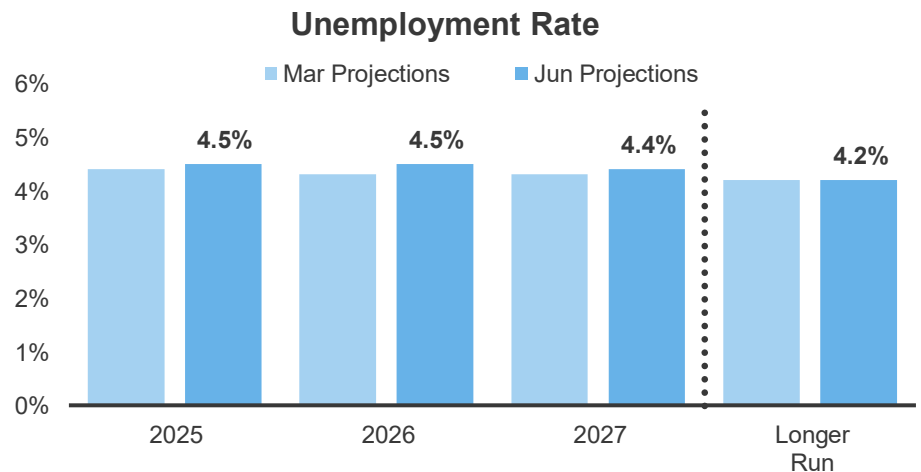
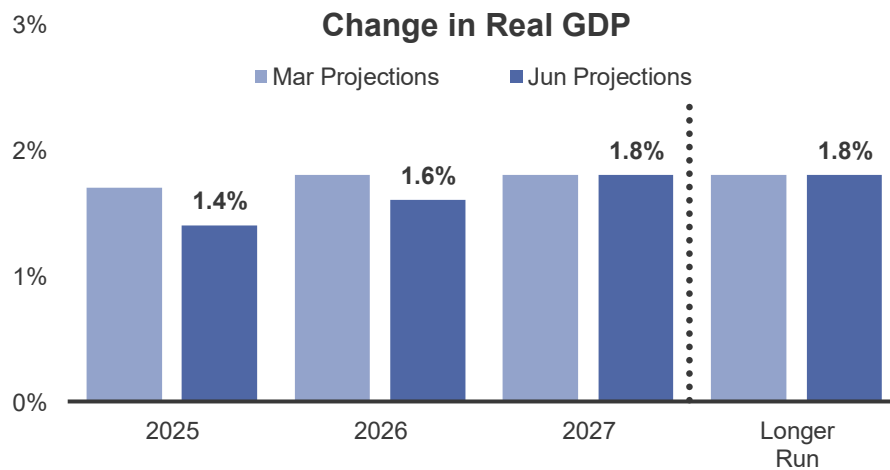
*Fed Chair Powell : "We may find ourselves in the challenging scenario in which our dual mandate goals are in tension. If that were to occur, we would consider how far the economy is from each goal and the potentially different time horizons over which those respective gaps would be anticipated to close."*



Source: FOMC Chair Jerome Powell Press Conference, June 18, 2025. Bureau of Economic Analysis, and Bloomberg Finance L.P., as of May 2025 (left). Bureau of Labor Statistics, and Bloomberg Finance L.P., as of June 2025 (right). Data is seasonally adjusted. Survey responses after June 27, 2025, included in median and forecast range. Forecast range shown is the 75th and 25th percentile of responses.

## Fed's Updated Summary of Economic Projections

*Fed Chair Powell : “[T]hink of it as the least unlikely path in a situation like this where uncertainty is very high.”*



Source: FOMC Chair Jerome Powell Press Conference, June 18, 2025. Federal Reserve, latest median economic projections as of June 2025.

## Factors to Consider for 6-12 Months

### Monetary Policy (Global):



- The Fed held rates steady in Q2 amid healthy labor markets and tariff-driven inflation concerns.
- The “dot plot” still signals 50 bps in cuts for 2025 but views have diverged as seven members are calling for no cuts in 2025.
- Other major central banks (except Japan) continued cutting rates as global inflation cools, though tariffs pose inflation risks and cloud the outlook.

### Economic Growth (Global):



- U.S. growth turned negative in early 2025, driven by a historically high trade deficit and weaker consumer spending. Strong inventory build and fixed investment helped offset this weakness.
- The drag to GDP from net exports is expected to reverse, but declining consumer confidence may dampen spending and investment.
- Escalating trade and geopolitical tensions create the potential for slower global growth.

### Inflation (U.S.):



- Inflation has moved closer to the Fed's 2% target, but tariff-driven price pressures may emerge as businesses deplete pre-tariff inventories.
- Fed Chair Powell said that he does expect tariffs to impact inflation but that the size, duration, and time of tariff effects are highly uncertain.

### Financial Conditions (U.S.):



- Financial conditions swung sharply during the quarter as the tariff rollout caused equities to sell off, credit spreads to widen, and heightened Treasury volatility.
- The announcement of tariff pauses sparked a risk-on trade resulting in equities near record highs and credit spreads tightening beyond long-run averages.
- The evolving fiscal landscape and persistent uncertainty may lead to tightening financial conditions over the next 6-12 months.

### Consumer Spending (U.S.):



- Consumer sentiment remains subdued due to expectations of higher prices, weaker labor markets, and tepid growth. Sentiment has improved slightly since April amid tariff negotiation progress but remains low.
- A sharp labor market downturn remains the biggest threat to consumer spending.
- Tariff-driven inflation increases present additional risks such as slower real wage growth and reduced spending.

### Labor Markets (U.S.):



- The labor market remains healthy, though early signs of cooling are emerging, particularly in rising jobless claims.
- Monthly job gains have slowed but still match labor force growth. Slower population growth may lower the job creation rate needed to maintain stable unemployment.
- With hiring and quits rates low, any acceleration in layoffs may result in job seekers remaining unemployed for longer.

● Current outlook

○ Outlook one quarter ago

Stance Unfavorable to  
Risk Assets

Negative

Slightly  
Negative

Neutral

Slightly  
Positive

Positive

Stance Favorable to  
Risk Assets

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg Finance L.P. and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (6/30/2025) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

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## Portfolio Review

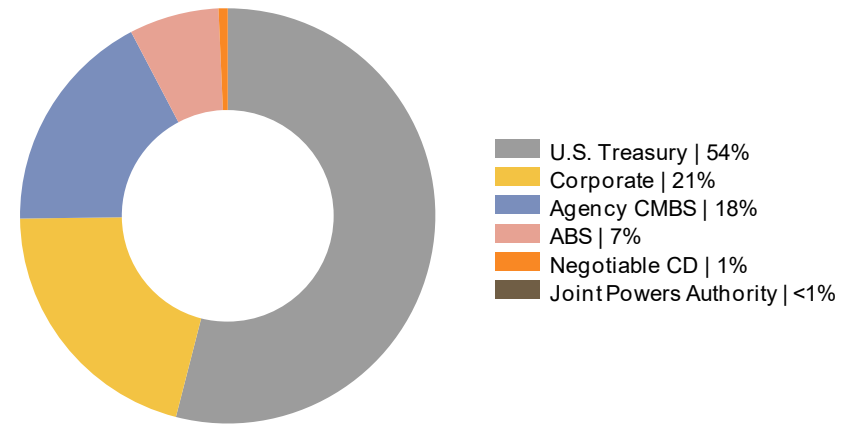


## Portfolio Snapshot - CA-SAN GORGONIO PASS WATER AGENCY<sup>1</sup>

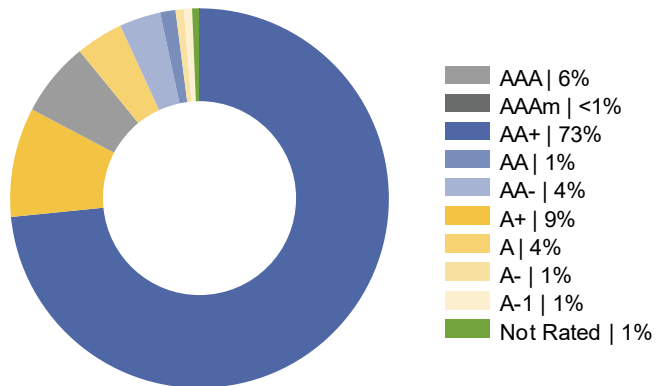
### Portfolio Statistics

<b>Total Market Value</b>	\$87,288,879.44
Managed Account Sub-Total	\$86,595,436.11
Accrued Interest	\$678,315.32
Pool	\$15,128.01
<b>Portfolio Effective Duration</b>	2.51 years
<b>Benchmark Effective Duration</b>	2.48 years
<b>Yield At Cost</b>	4.03%
<b>Yield At Market</b>	4.00%
<b>Portfolio Credit Quality</b>	AA

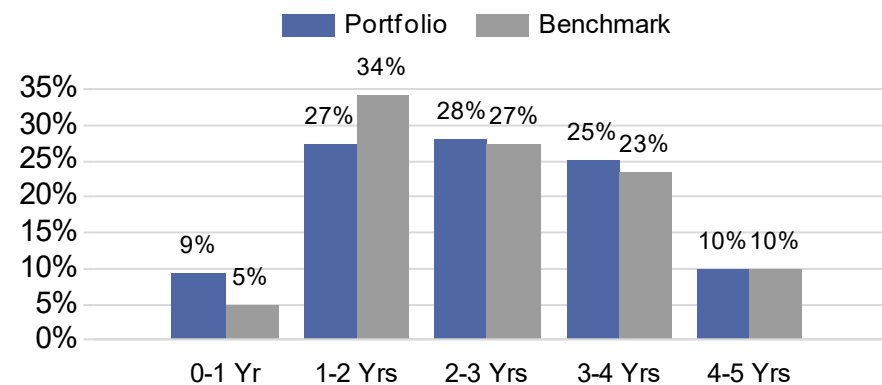
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



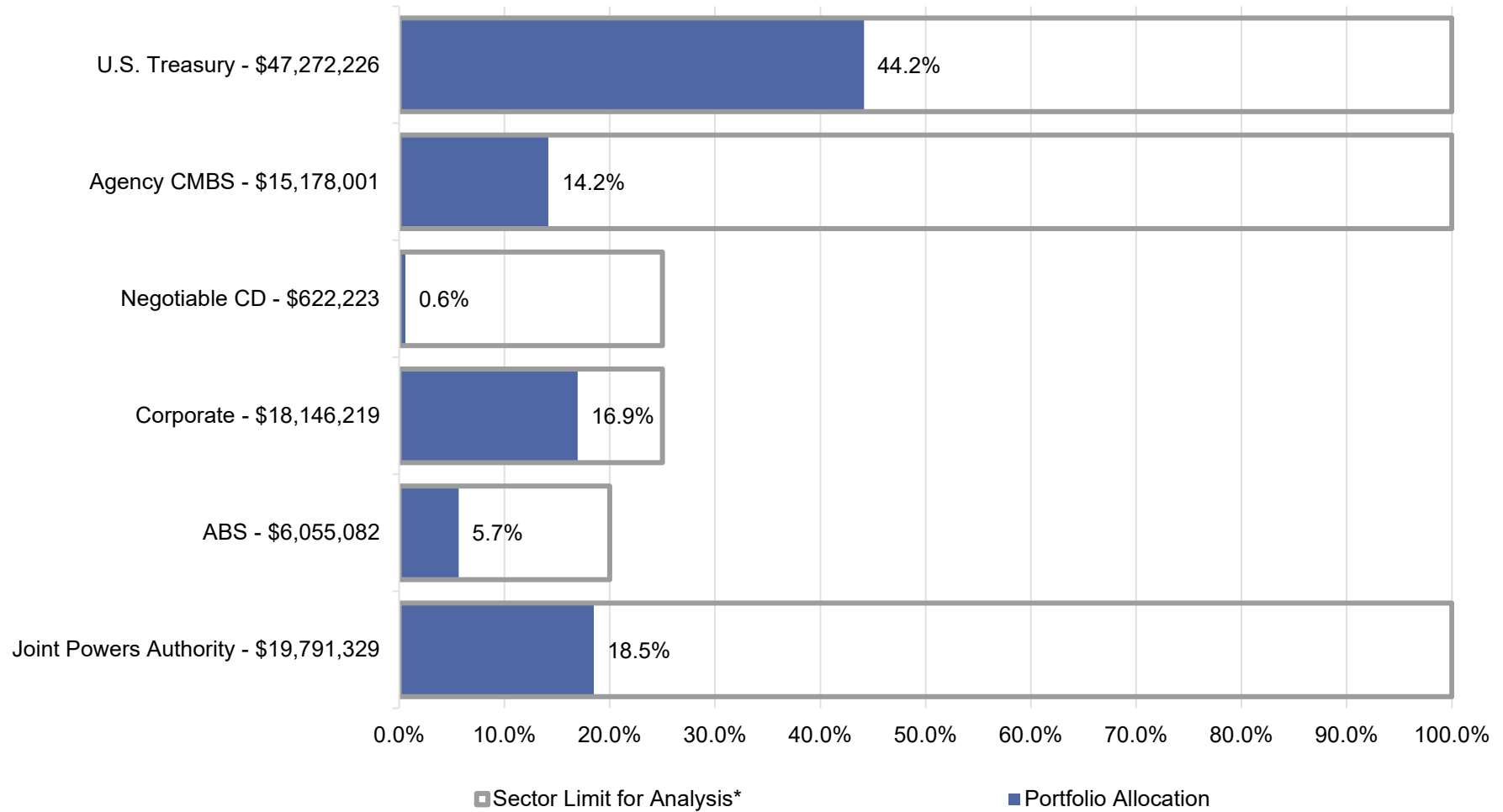
1. Total market value includes accrued interest and balances invested in CAMP, as of June 30, 2025.

Yield and duration calculations exclude balances invested in CAMP.

The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP.

An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

## Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

\*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

## Certificate of Compliance

During the reporting period for the quarter ended June 30, 2025, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

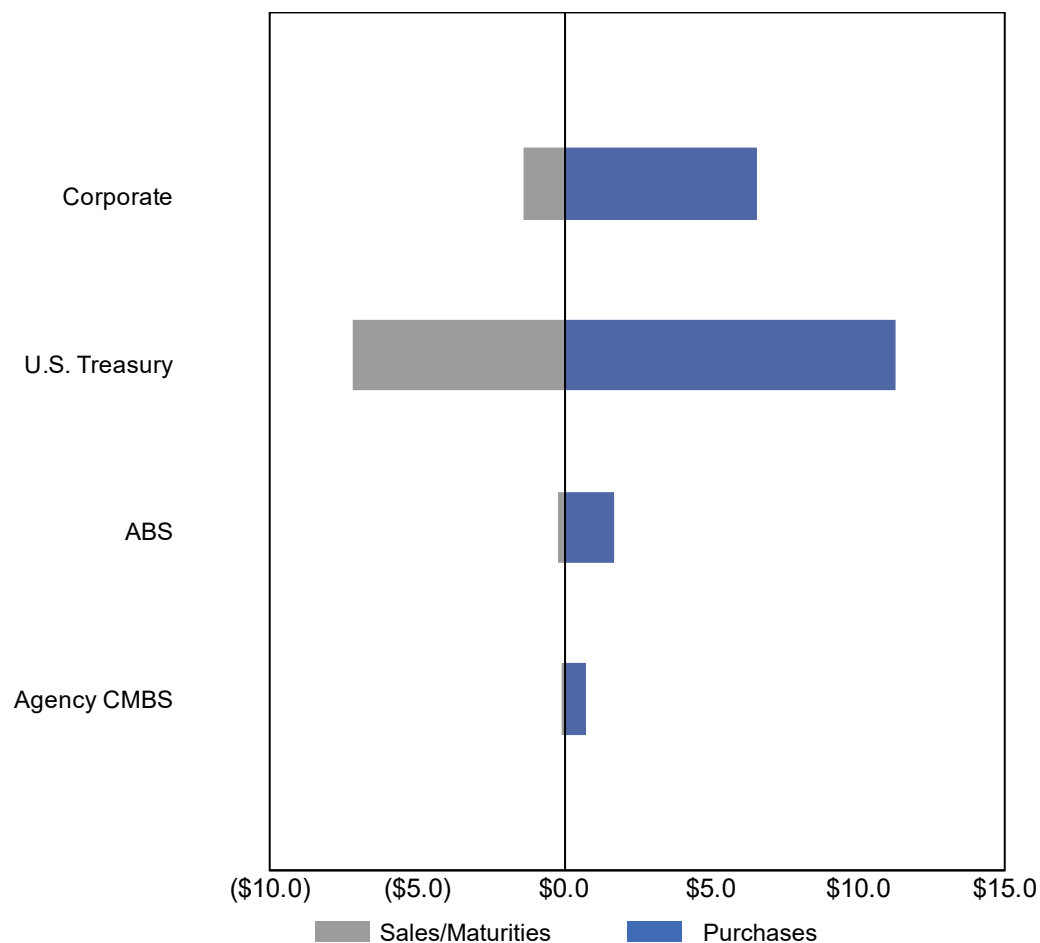
Acknowledged : *PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.*

*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").*

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## Portfolio Activity - CA-SAN GORGONIO PASS WATER AGENCY

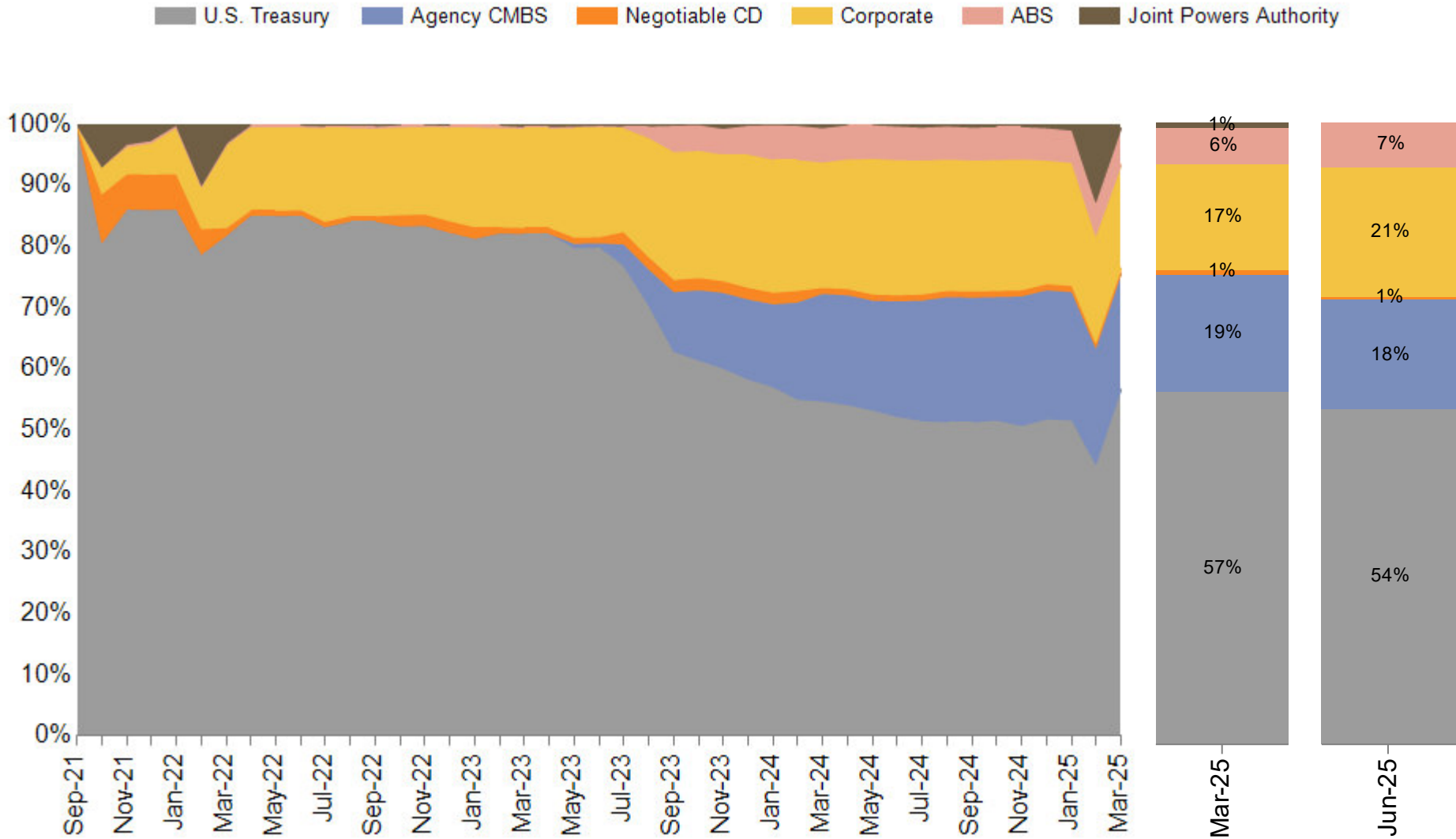
**Net Activity by Sector**  
(\$ millions)



Sector	Net Activity
Corporate	\$5,170,572
U.S. Treasury	\$4,047,667
ABS	\$1,486,444
Agency CMBS	\$726,125
<b>Total Net Activity</b>	<b>\$11,430,808</b>

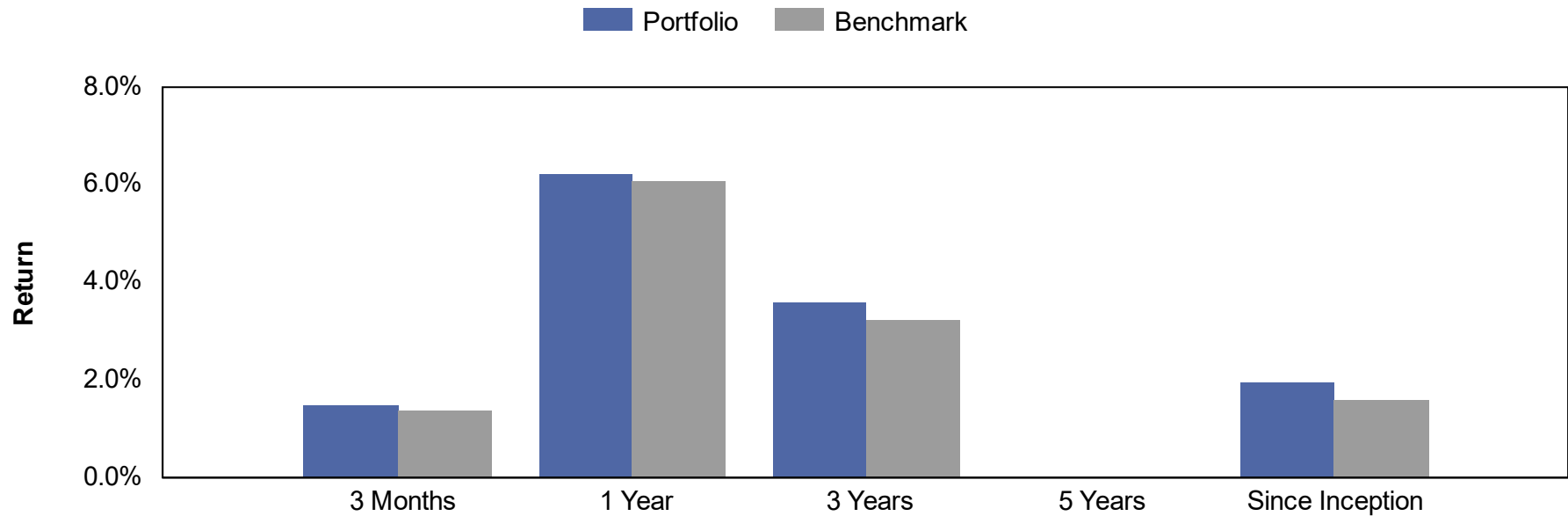
Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Historical Sector Allocation - CA-SAN GORGONIO PASS WATER AGENCY



Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM.

## Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$698,103	\$2,245,569	\$4,312,607	-	\$4,526,795
Change in Market Value	\$527,597	\$2,040,904	\$2,756,577	-	\$294,548
<b>Total Dollar Return</b>	<b>\$1,225,700</b>	<b>\$4,286,473</b>	<b>\$7,069,184</b>	<b>-</b>	<b>\$4,821,343</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	1.49%	6.25%	3.60%	-	1.96%
Benchmark <sup>4</sup>	1.36%	6.07%	3.23%	-	1.59%
<b>Difference</b>	<b>0.13%</b>	<b>0.18%</b>	<b>0.37%</b>	<b>-</b>	<b>0.38%</b>

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2021.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP.

## Fixed – Income Sector Outlook – 3Q 2025

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	

● Current outlook

○ Outlook one quarter ago

Negative

Slightly  
Negative

Neutral

Slightly  
Positive

Positive

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## Issuer Distribution



## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>54.3%</b>	
United States Treasury	54.3%	AA / Aa / AA
<b>Agency CMBS</b>	<b>17.4%</b>	
Federal Home Loan Mortgage Corp	15.9%	AA / Aa / AA
Federal National Mortgage Association	0.7%	AA / Aa / AA
FREMF Mortgage Trust	0.9%	AA / Aa / AA
<b>Negotiable CD</b>	<b>0.7%</b>	
Cooperatieve Rabobank UA	0.7%	A / Aa / AA
<b>Corporate</b>	<b>20.8%</b>	
Adobe Inc	0.5%	A / A / NR
Alphabet Inc	0.7%	AA / Aa / NR
Apple Inc	1.2%	AA / Aaa / NR
Bank of America Corp	0.2%	A / Aa / AA
Bank of New York Mellon Corp	2.0%	A / Aa / AA
BlackRock Inc	1.5%	AA / Aa / NR
Bristol-Myers Squibb Co	0.6%	A / A / NR
Citigroup Inc	2.0%	A / Aa / A
Deere & Co	0.5%	A / A / A
Eli Lilly & Co	0.8%	A / Aa / NR
Goldman Sachs Group Inc	0.6%	A / A / A
Home Depot Inc	0.7%	A / A / A
HSBC Holdings PLC	0.7%	A / A / A
JPMorgan Chase & Co	1.3%	A / Aa / AA
Kenvue Inc	0.5%	A / A / NR
Mastercard Inc	1.1%	A / Aa / NR
Morgan Stanley	0.7%	A / Aa / AA
PACCAR Inc	0.5%	A / A / NR

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>20.8%</b>	
PepsiCo Inc	0.5%	A / A / NR
Target Corp	0.5%	A / A / A
Texas Instruments Inc	0.7%	A / Aa / NR
Toyota Motor Corp	0.6%	A / A / A
Walmart Inc	1.3%	AA / Aa / AA
Wells Fargo & Co	1.1%	A / Aa / AA
<b>ABS</b>	<b>6.7%</b>	
American Express Co	0.6%	AAA / NR / AAA
BA Credit Card Trust	0.6%	AAA / Aaa / AAA
Citigroup Inc	1.0%	AAA / Aaa / AAA
Fifth Third Auto Trust	0.4%	AAA / Aaa / NR
GM Financial Consumer Automobile Receiv	0.2%	AAA / Aaa / AAA
Honda Auto Receivables Owner Trust	0.9%	AAA / NR / AAA
Hyundai Auto Receivables Trust	0.5%	AAA / NR / AAA
JPMorgan Chase & Co	1.2%	AAA / NR / AAA
Kubota Credit Owner Trust	0.3%	NR / Aaa / AAA
Toyota Auto Receivables Owner Trust	0.5%	AAA / NR / AAA
USAA Auto Owner Trust	0.4%	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.

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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- Generally, PFMAM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services. There may be differences in the values shown for investments due to accrued but uncollected income and the use of differing valuation sources and methods. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFMAM believes the prices to be reliable, the values of the securities may not represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for a registered investment company or local government investment program is contained in the appropriate fund offering documentation or information statement.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. **Past performance is not indicative of future returns.**
- ICE Bank of America Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## 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.

## Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.