



QUARTERLY INVESTMENT REPORT

Fort Bend County

DECEMBER 31, 2023

Presented by:

David McElwain – Director, Advisory Services

March 12, 2024



MEEDER

PUBLIC FUNDS

Economic Update

Year In Review

US Bank Failures

Signature Bank, Silicon Valley Bank, First Republic Bank

US Tracks shoots down alleged **Chinese spy balloon**.

UBS acquires Credit Suisse.

Titan Submersible Implodes

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%.

The 2yr Treasury note yielded **4.43%** in Dec 2022 and ended the year at **4.25%**
The 5yr Treasury note yielded **4.00%** in Dec 2022 and ended 2023 at **3.85%**

Fitch Downgrades United States Credit Rating to AA on August 1.

OPEC cuts oil supply 4 times in 2023

Israel & Hamas conflict begins October 7th.

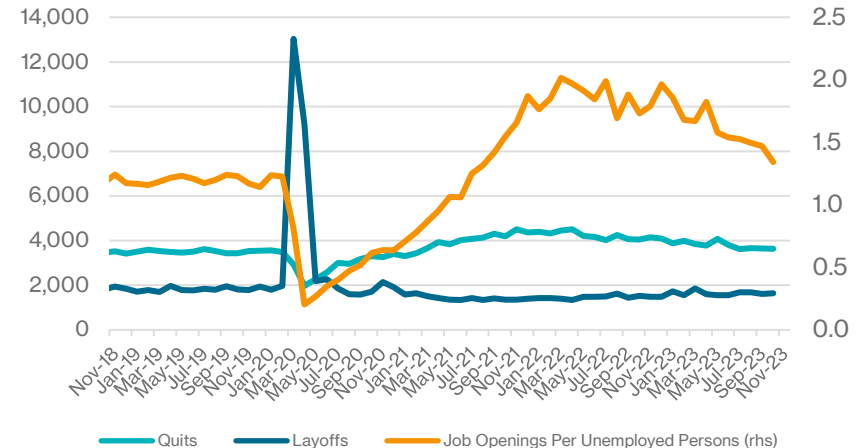
Labor Market and Inflation Continue Moderating

The last month of the year saw the bond market continue to rally as the Federal Reserve made its most dovish statement to date. For the third meeting in a row, the FOMC unanimously voted to leave rates unchanged. More importantly, the median dot from the updated Summary of Economic Projections showed the Federal Reserve was expecting more rate cuts in 2024. The median dot now reflects three 0.25% cuts compared to two 0.25% cuts reflected at the September meeting. After Jerome Powell's press conference, where he confirmed the committee discussed the timing of rate cuts, market participants priced in a more aggressive path for rate cuts. By the end of December, market participants were expecting six 0.25% cuts in 2024. With both the Federal Reserve and markets expecting some level of policy easing in 2024, the actual path will be determined by the next several months of economic data.

The labor market's resilience in the face of a historic rate hiking cycle has surprised many investors and has kept a soft landing in play. The labor market has softened substantially since 2022 and is now expanding at a more manageable pace. The labor force has been adding on average 185,000 employees in the last six months, down from 400,000 in 2022 and in line with historic averages. Today, there are 1.3 job openings for each unemployed person, down from a peak of 2 in March 2022. Workers are quitting at a lower rate as well, as they are less optimistic about the opportunity to switch jobs. Fewer job openings and job switching should keep a lid on wage growth.

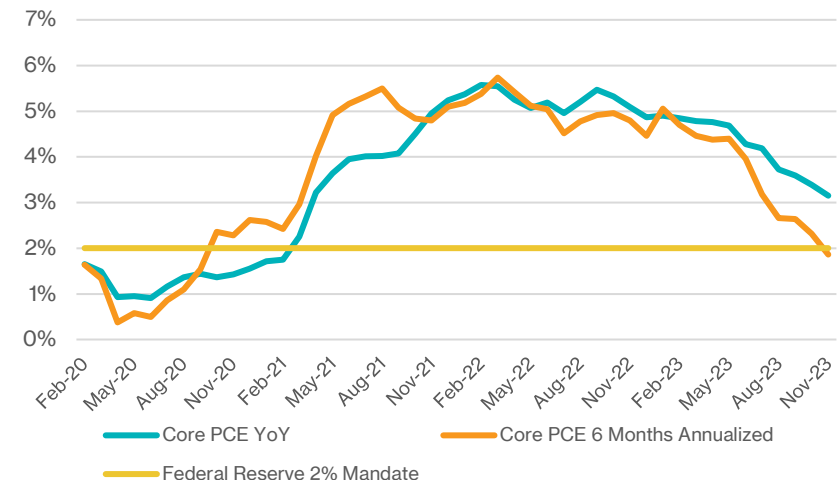
The most recent inflation data showed that peak inflation is likely behind us and that inflation is tracking much closer to 2 percent. Over the last six months, the Personal Consumption Expenditures (PCE) index increased at a rate of 2.0%. Likewise, core PCE has increased at a rate of 1.9%. This is the first time since the fall of 2020 that inflation readings have been at or below the Federal Reserve's mandate of 2%. Shelter inflation has proven to be sticky, but recent trends in rent inflation and housing prices show that those are also returning to more normal levels.

Job Openings Decreasing



SOURCE: BLOOMBERG

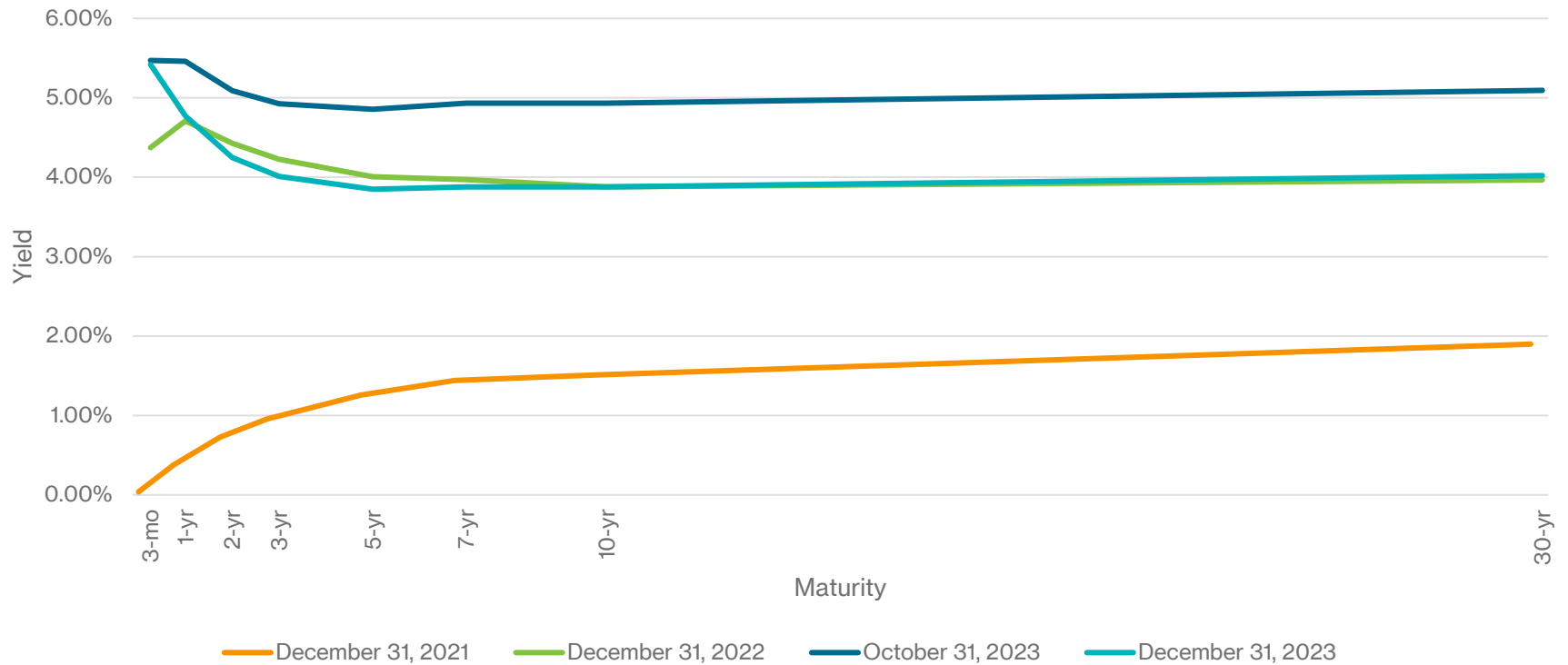
Inflation Moderating



SOURCE: BLOOMBERG

US Treasury Yields

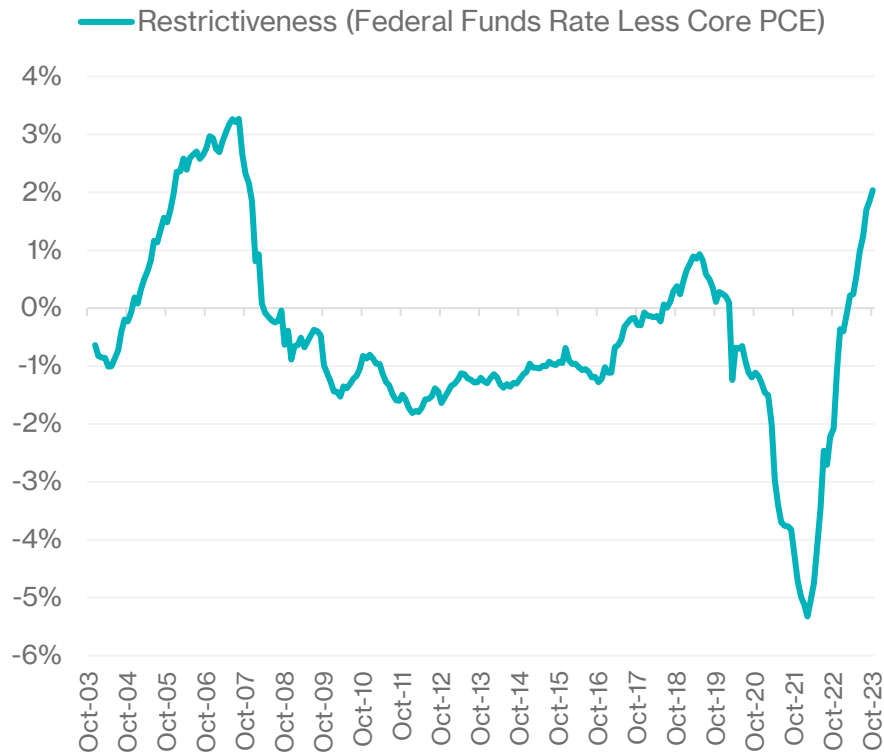
U.S. Treasury Yield Curve



SOURCE: BLOOMBERG

Central Banking 101

Keeping Rates Unchanged Will Increase Restrictiveness

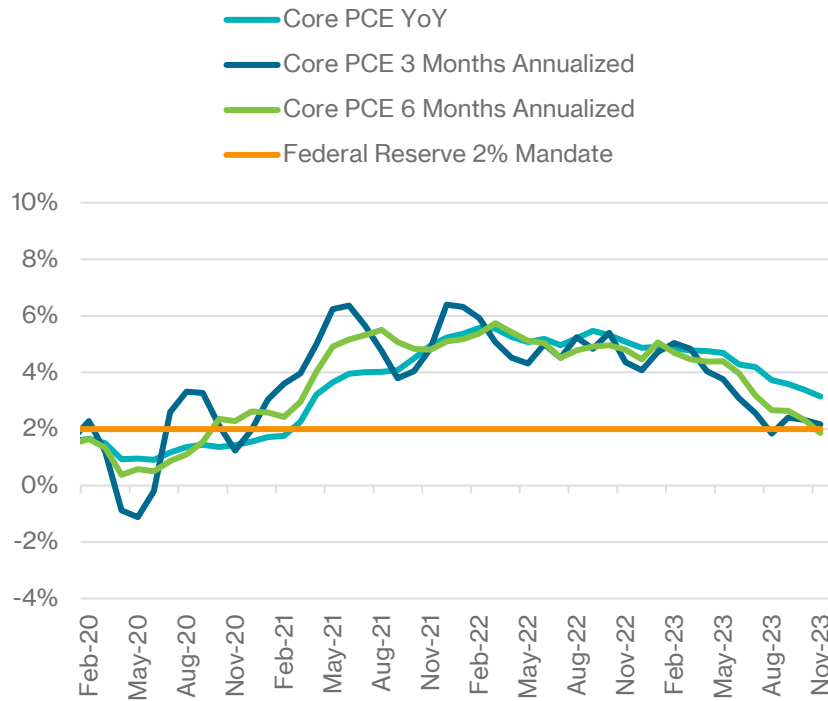


	2023	2024	2025
Federal Funds Rate	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%
Federal Reserve Core PCE Expectations	3.2%	2.4%	2.2%
Implied Restrictiveness	2.15%	2.95%	3.15%

SOURCE: BLOOMBERG, FOMC MEMBER CHRISTOPHER WALLER

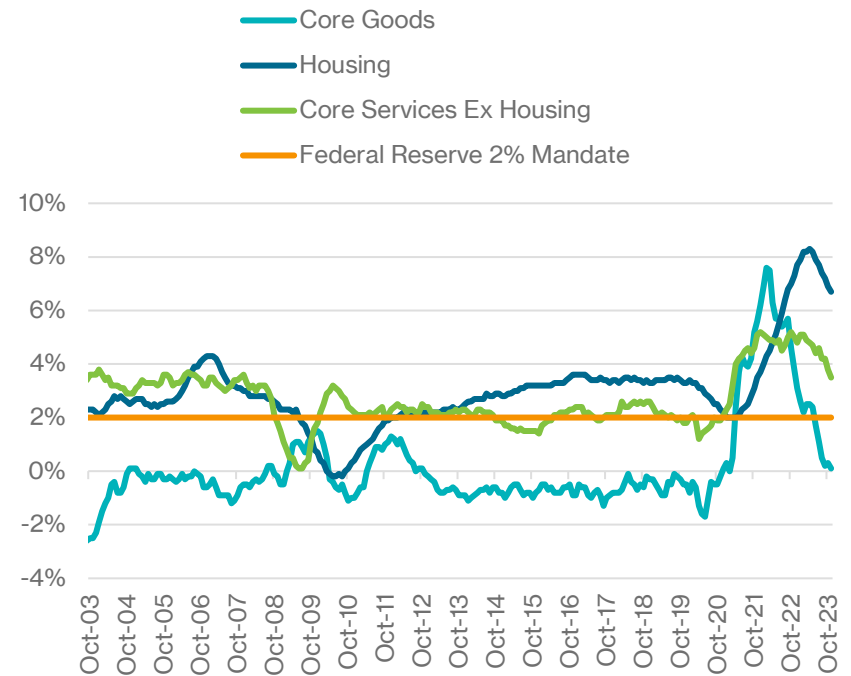
What's Ahead For Inflation

Recent Data Points To Continued Disinflation



SOURCE: BLS, BLOOMBERG

Core PCE Inflation



Leading Economic Indicators

Leading Economic Indicators Have Declined for a Record 20 Months

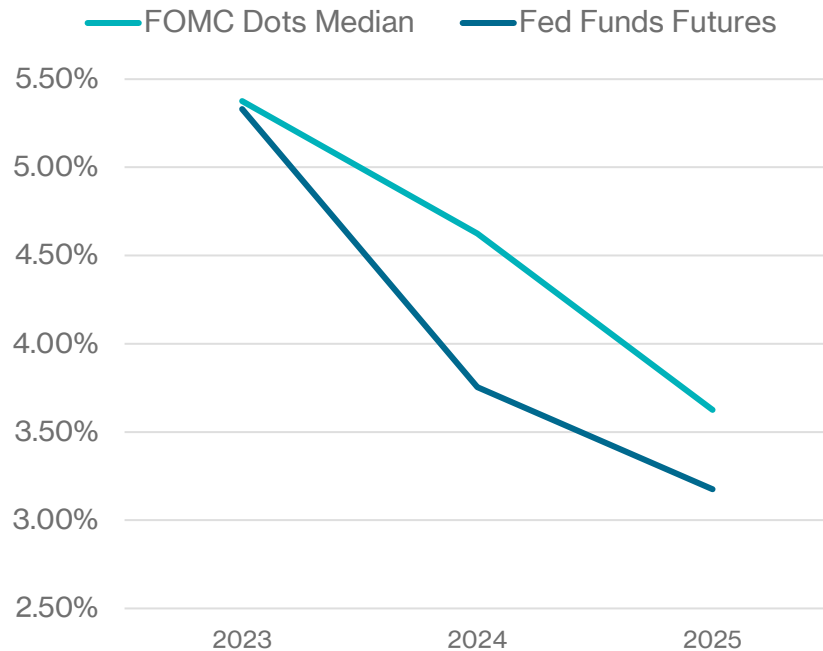


SOURCE: THE CONFERENCE BOARD

FOR INFORMATIONAL PURPOSES ONLY. SEE IMPORTANT DISCLOSURES AT THE END OF THE PRESENTATION.

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

SOURCE: BLOOMBERG, FOMC

FOR INFORMATIONAL PURPOSES ONLY. SEE IMPORTANT DISCLOSURES AT THE END OF THE PRESENTATION.

Portfolio Review

Quarterly Portfolio Summary



This quarterly report is prepared in compliance with the Investment Policy and Strategy of the County 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	\$682,922,842	Ending Book Value	\$704,521,886
Beginning Market Value	\$682,642,912	Ending Market Value	\$705,474,824
		Investment Income for the period	\$8,495,737
Unrealized Gain/(Loss)	(\$279,930)	Unrealized Gain/(Loss)	\$952,937
		Change in Unrealized Gain/(Loss)	\$1,232,867
Weighted Average Maturity	24 days	Weighted Average Maturity	202 days
Weighted Average Yield	5.27%	Weighted Average Yield	4.92%

Portfolio Summary – All Funds

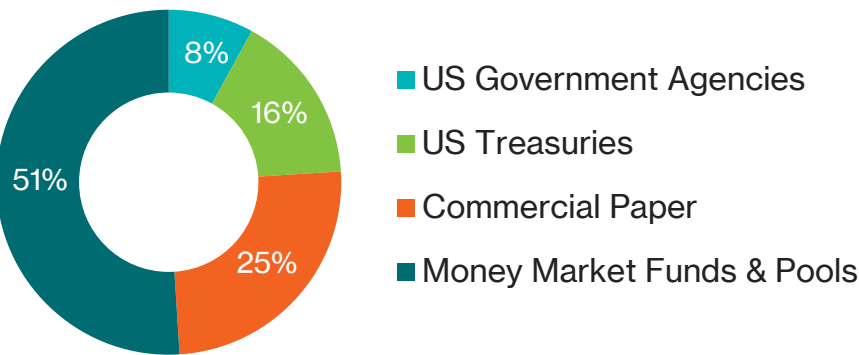
Your Portfolio Statistics

Total Portfolio Book Value \$704,521,886

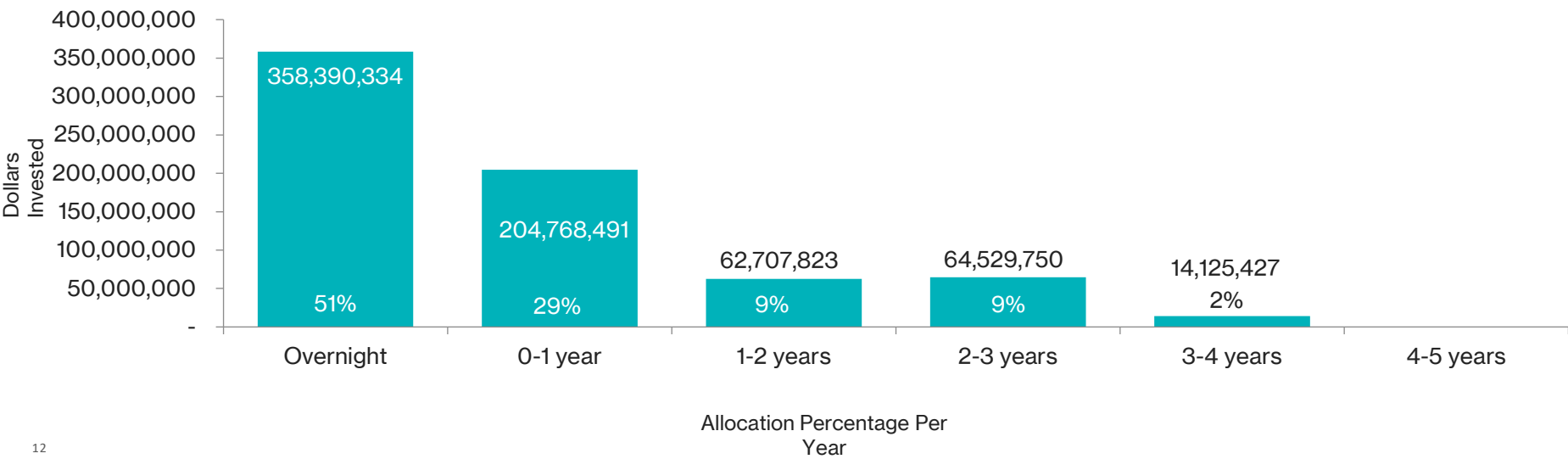
Weighted Average Maturity 202 days

Weighted Average Yield (All Funds) 4.92%

Your Asset Allocation



Your Maturity Distribution



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.
- During the past quarter, we continued to build out the short-term ladder in the Pooled Funds with commercial paper maturities inside of 1 year, and we invested additional funds in the 1-4-year maturity range to increase the predictability of your future income stream while rates remain near 20 year highs.
- The County should expect three main areas of focus: continued cash flow analysis to work with the Investment Committee on the amount to be invested in the Operating Core Reserve Funds; and continue building balances in the 3- 5-year maturity range where we are finding value due to the expectations that rates are expected to begin moving lower. The market shows increased probability that the FED will begin cutting rates in 2024. The Fed Funds Futures anticipate at least 3 rate cuts (or more) by the end of this year. Investing funds in longer maturity ranges to lock in favorable yields will also give the County more visibility and confidence to better forecast earnings for future budgeting purposes.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Opinions and forecasts regarding markets, securities, products, portfolios or holdings are given as of the date provided and are subject to change at any time. No offer to sell, solicitation, or recommendation of any security or investment product is intended. Certain information and data has been supplied by unaffiliated third-parties as indicated. Although Meeder believes the information is reliable, it cannot warrant the accuracy, timeliness or suitability of the information or materials offered by third-parties.

Estimates and illustrations of expected yield for illustrated portfolios is hypothetical in nature, does not reflect actual investment results, and does not guarantee future returns. Hypothetical illustrations are offered to illustrate the yield expected from classes of securities and do not reflect actual securities available for investment. Estimates of current yield are generated from indexes and other information deemed by the adviser to provide a reliable estimate of the current yield available from investments in that asset class. Securities indices are unmanaged and investments cannot be made directly in an index. Yield assumptions were developed with the benefit of hindsight and the securities purchased for such an account may generate more or less than the illustrated yield.

Investment advisory services provided by Meeder Public Funds, Inc.

Meeder Public Funds Patterson Group

Barton Oaks Plaza II
901 S. MoPac Expy
Suite 195
Austin, Texas
78746

800.817.2442