C/CAG Investment Portfolio Performance and Composition 1Q 2025
Report Created for Finance Committee May 27, 2025

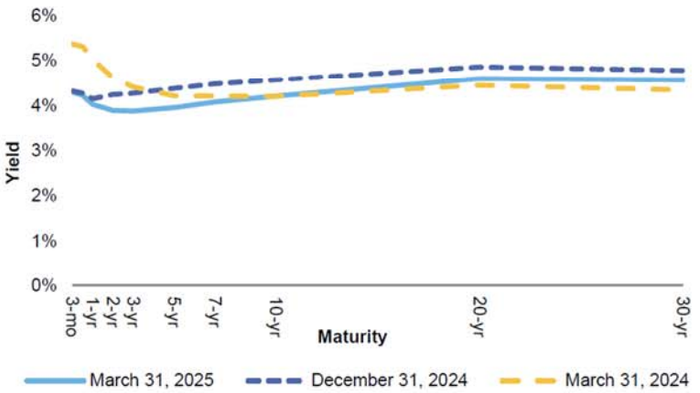
Capital Markets Summary 1Q 2025

In the first quarter of 2025, the U.S. economy demonstrated continued resilience amid a complex macroeconomic environment. GDP growth moderated but remained positive, supported by strong labor market fundamentals, with unemployment steady at 3.9% and over 800,000 jobs added. Inflation pressures persisted, though decelerating slightly, with Core CPI at 3.2% and Headline CPI at 2.6%. The Federal Reserve held rates steady at a target range of 4.25%–4.50%, emphasizing a data-dependent approach while maintaining a restrictive policy stance. Treasury yields declined during the quarter, with the 10-year yield falling to 4.21%, contributing to a rebound in fixed income returns. Equities rallied sharply—particularly growth stocks—driven by expectations of eventual rate cuts and optimism around AI-driven productivity gains.

US Treasury Yield Curve & US Treasury Yields Over Time

Throughout Q1 2025, U.S. Treasury yields fell across the curve amid softening inflation data and a shift in investor sentiment toward a more accommodative Fed outlook. The 2-, 5-, and 10-year yields ended the quarter at 4.19%, 4.10%, and 4.21%, respectively, resulting in a flatter curve. Although still inverted, the curve's shape reflects easing recession concerns and improved clarity on rate trajectories. The decline in yields supported strong performance in duration-sensitive assets, with the Bloomberg U.S. Aggregate Index posting a positive return. The backdrop of stable economic data and firm policy communication provided a constructive environment for fixed income investors, particularly in high-quality and long-duration segments.

U.S. Treasury Yield Curve



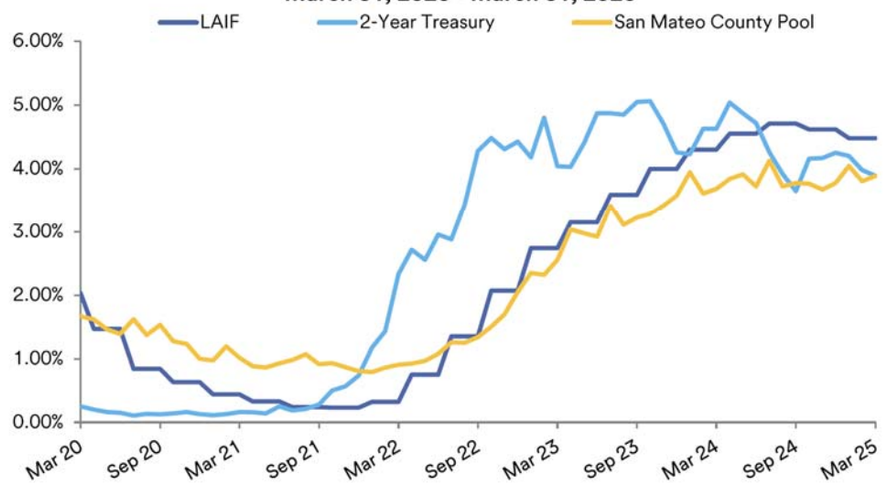
Source: PFM (Public Financial Management)

U.S. Treasury Yields

Maturity	Mar '25	Dec '24	Change over Quarter	Mar '24	Change over Year
3-Month	4.30%	4.32%	(0.02%)	5.37%	(1.07%)
1-Year	4.03%	4.15%	(0.12%)	5.03%	(1.00%)
2-Year	3.89%	4.24%	(0.35%)	4.62%	(0.73%)
5-Year	3.95%	4.38%	(0.43%)	4.21%	(0.26%)
10-Year	4.21%	4.57%	(0.36%)	4.20%	0.01%
30-Year	4.57%	4.78%	(0.21%)	4.34%	0.23%

Source: Bloomberg.

Yield History
March 31, 2020 - March 31, 2025



Source: PFM (Public Financial Management)

Portfolio Performance 1Q 2025

The C/CAG investment portfolio returns for the first quarter of 2025 were stable, with a 4.48% return for LAIF and a 3.99 % return for the County Pool Fund. LAIF's effective yield decreased slightly from 4.48% to 4.34% since the fourth quarter of the fiscal year, and the County Pool Fund's increased slightly from 3.74% to 3.99% during that same time period. The total C/CAG portfolio asset allocation at the end of the third quarter was 60% to LAIF and 40% to the County Pool Fund, which is within the stated investment policy allocation ranges.

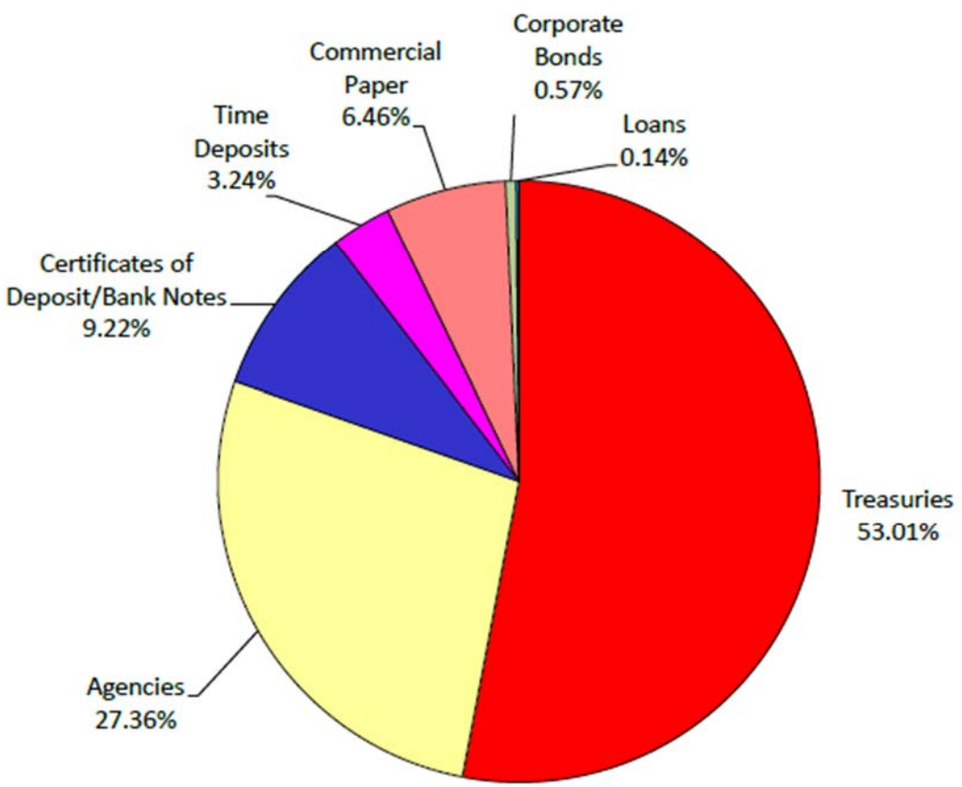
LAIF

PMIA Average Monthly Effective Yields:

January 2025	4.366
February 2025	4.333
March 2025	4.313

PMIA Quarter to Date: 4.34% PMIA Average Life: 252 days or 0.69 years

Portfolio Composition Pie Chart:



Source: PMIA/LAIF Performance Report as of 4/9/2025

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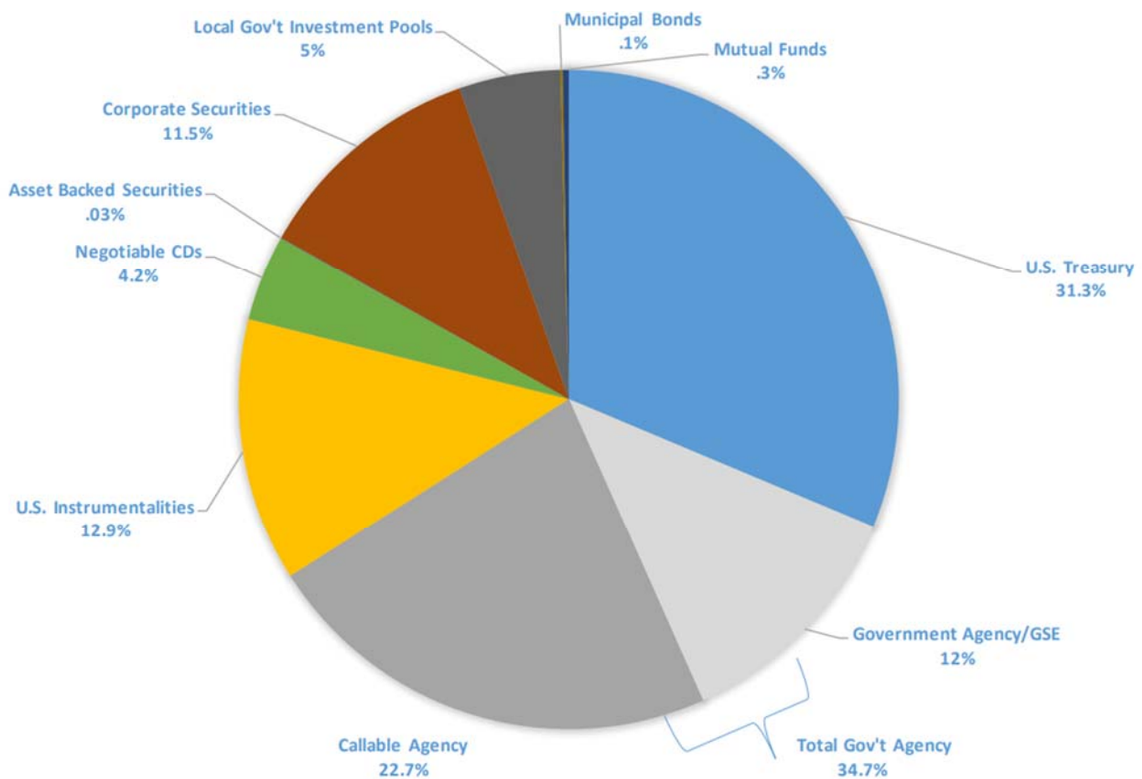
PMIA Average Monthly Effective Yields:

January 2025	4.044
February 2025	3.805
March 2025	3.888

PMIA Quarter to Date: 3.99% PMIA Average Duration: 2.08 years

Portfolio Composition Pie Chart:



Source: San Mateo County Investment Portfolio Compliance Report March 2025