



JANUARY 14, 2025

Town of Paradise Investment Strategy Update

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ECONOMIC UPDATE

2024 Year In Review

Federal Reserve Cuts Rates

Fed funds rate dropped
from 5.5% to 4.5%

U.S. Economic Growth

Was better than
economists expected

U.S. Treasury yield curve
Uninverts

U.S. Federal debt tops
\$36 trillion

U.S. Unemployment Rate

Climbs from 3.7%
(Dec 2023)
to 4.2%
(Nov 2024)

The 3-mo Treasury Bill

Yielded **5.33%** in Dec 2023
and ended the year at **4.31%**

The 2-yr Treasury Note

Yielded **4.25%** in Dec 2023
and ended the year at **4.24%**






The 5-yr Treasury Note

Yielded **3.85%** in Dec 2023
and ended the year at **4.38%**

Republican election sweep
in November

YOY CPI drops from
3.4% (Dec 2023) to
2.7% (Nov 2024)

S&P 500 closes
near an all-time high,
up **23%** for the year

	METRIC	ANALYSIS
	Fed Funds Rate	The Federal Reserve is expecting to lower the Fed Funds rate 50 basis points (0.50%) in 2025. The Fed Funds futures market is pricing in approximately 44 basis points of cuts for 2025 and end the year at 3.95%.
	Inflation	The Consumer Price Index (CPI) has been rising the past few months and is currently at 2.7% on a YoY basis. Economists surveyed by Bloomberg expect CPI YoY to average 2.5% for 2025.
	Growth	Gross Domestic Product (GDP) grew faster in 2024 than most economists expected (currently estimated at 2.7%). The Federal Reserve is expecting GDP to slow in 2025 and average 2.1% for the full year.
	Employment	Weekly initial unemployment (jobless) claims remain near historically low levels but continuing jobless claims (those receiving ongoing unemployment benefits) continue to climb.
	Yields	The 2-year Treasury yield has risen about 75 basis points from last September's low of 3.54%, but is still approximately 95 basis points from the 5.22% cycle high of October 2023.

Dec 2025 Expected Fed Funds Rate

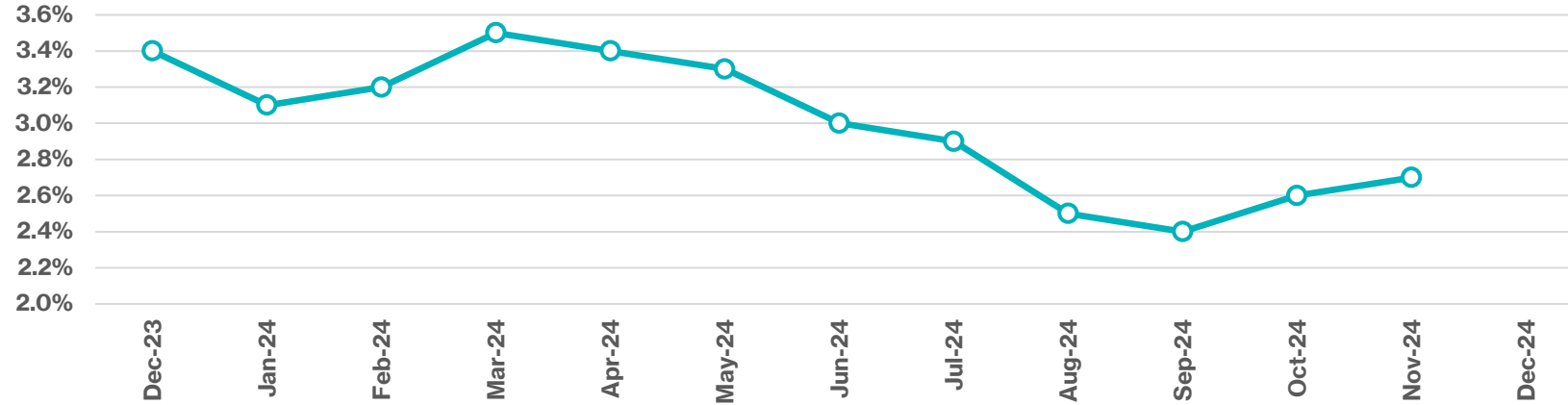


- The Federal Reserve executed the first lowering of the Fed Funds rate since 2020 at the September 18th meeting by .50%, followed by .25% cuts at both the November 7th and December 18th meetings.
- The Fed expects to cut the Fed Funds rate by .50% or 50 basis points by the end of 2025.
- The Fed Funds futures market rate for December 2025 dipped to a low near 2.75% last September.
- Futures market participants for the December 2025 rate are not pricing in as many cuts as the Federal Reserve.

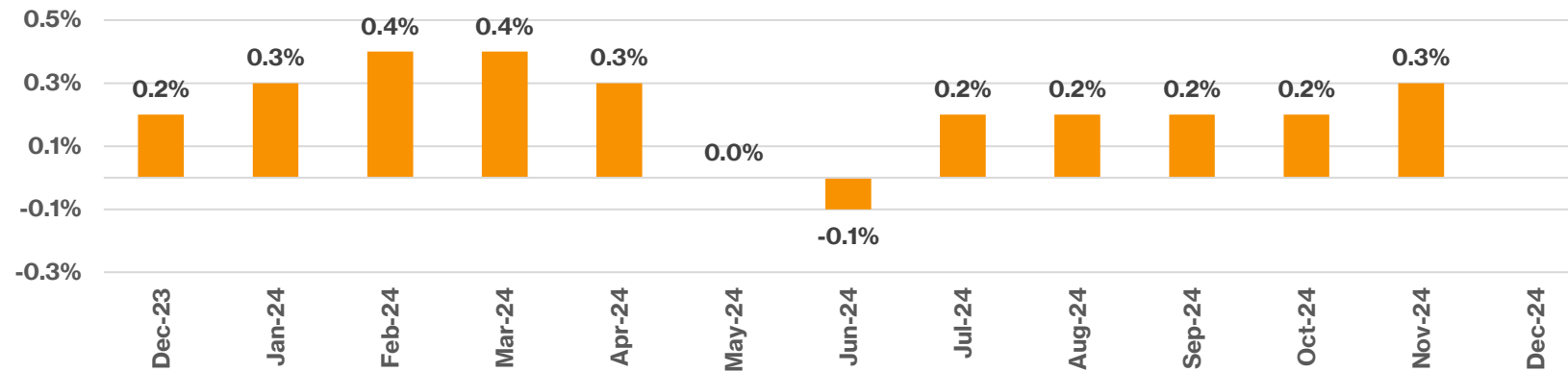
SOURCE: BLOOMBERG AS OF 1/6/2025

Inflation

CPI YoY



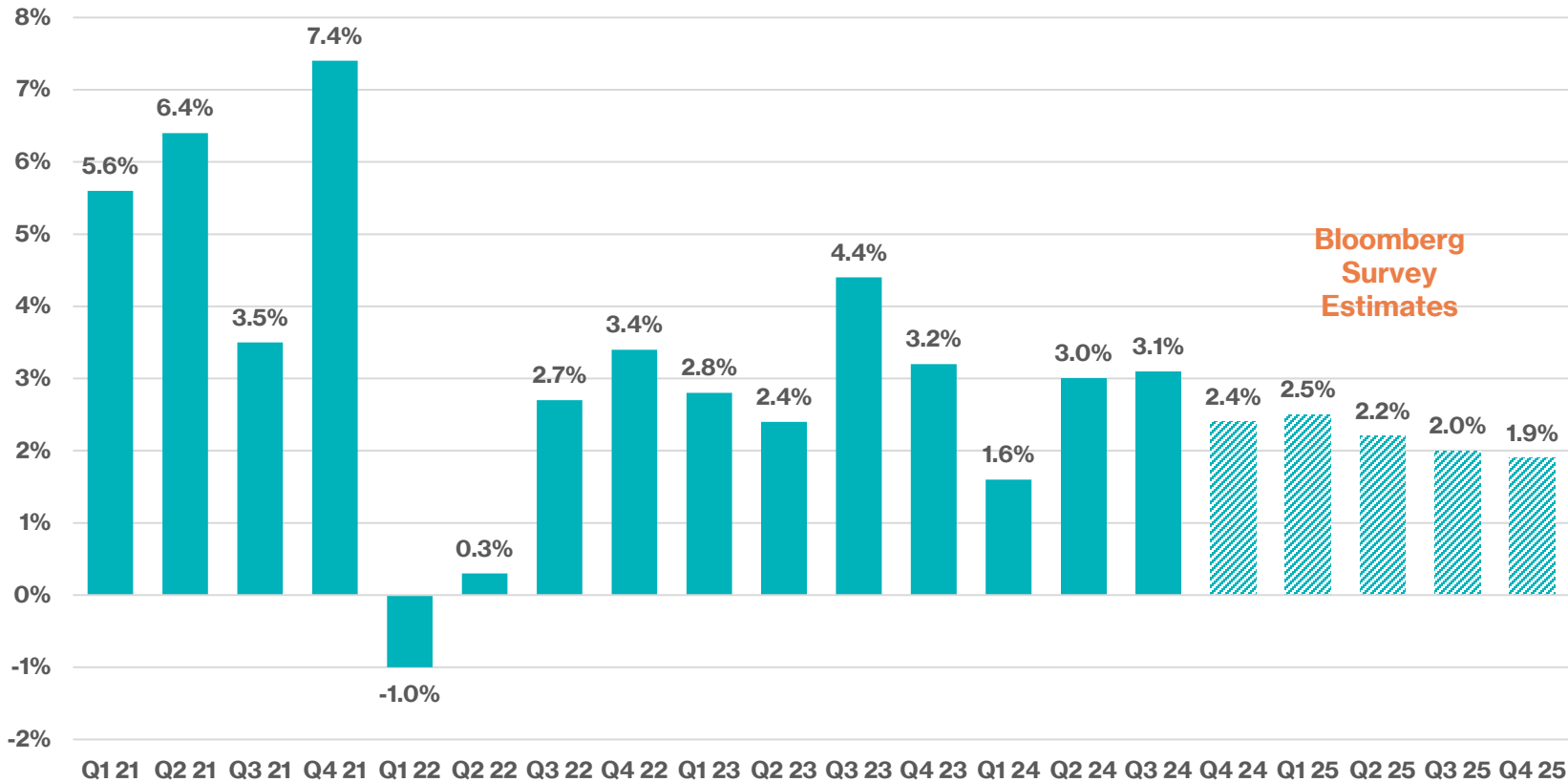
CPI MoM



- Inflation has remained sticky the past few months with consumer prices trending slightly higher.
- The year-over-year Consumer Price Index may see declines during the first quarter of 2025 as higher month-over-month rates from early 2024 drop out.
- Housing and auto insurance prices have pushed inflation higher recently.

SOURCE: BLOOMBERG, BUREAU OF LABOR STATISTICS

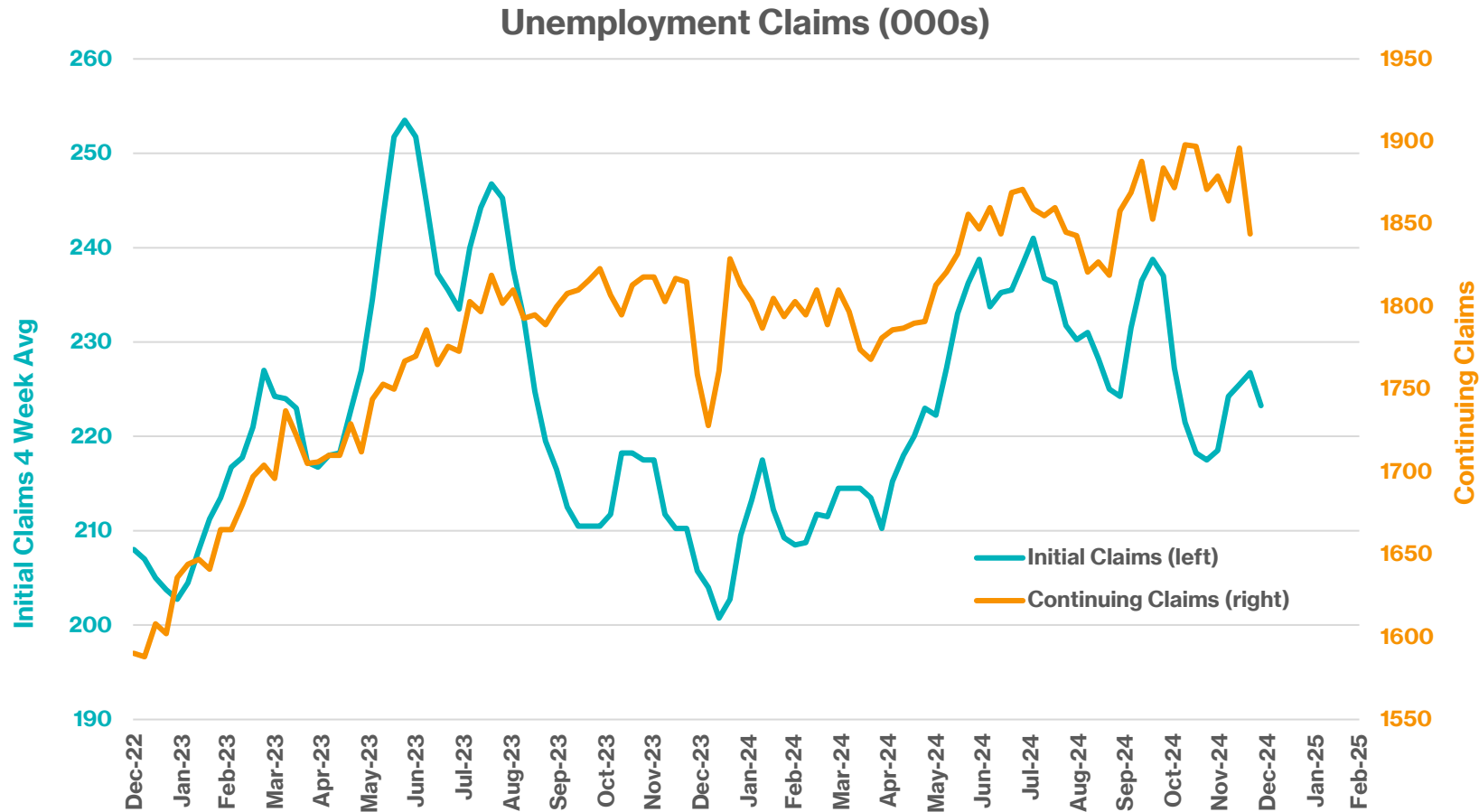
Real GDP QoQ



- U.S. economic growth for 2024 was substantially better than economists expected at the start of the year.
- Economists surveyed by Bloomberg are expecting GDP growth to slow during 2025.
- The uncertainty of what changes the Trump administration will enact has clouded economic forecasts.

SOURCE: BLOOMBERG, BUREAU OF ECONOMIC ANALYSIS

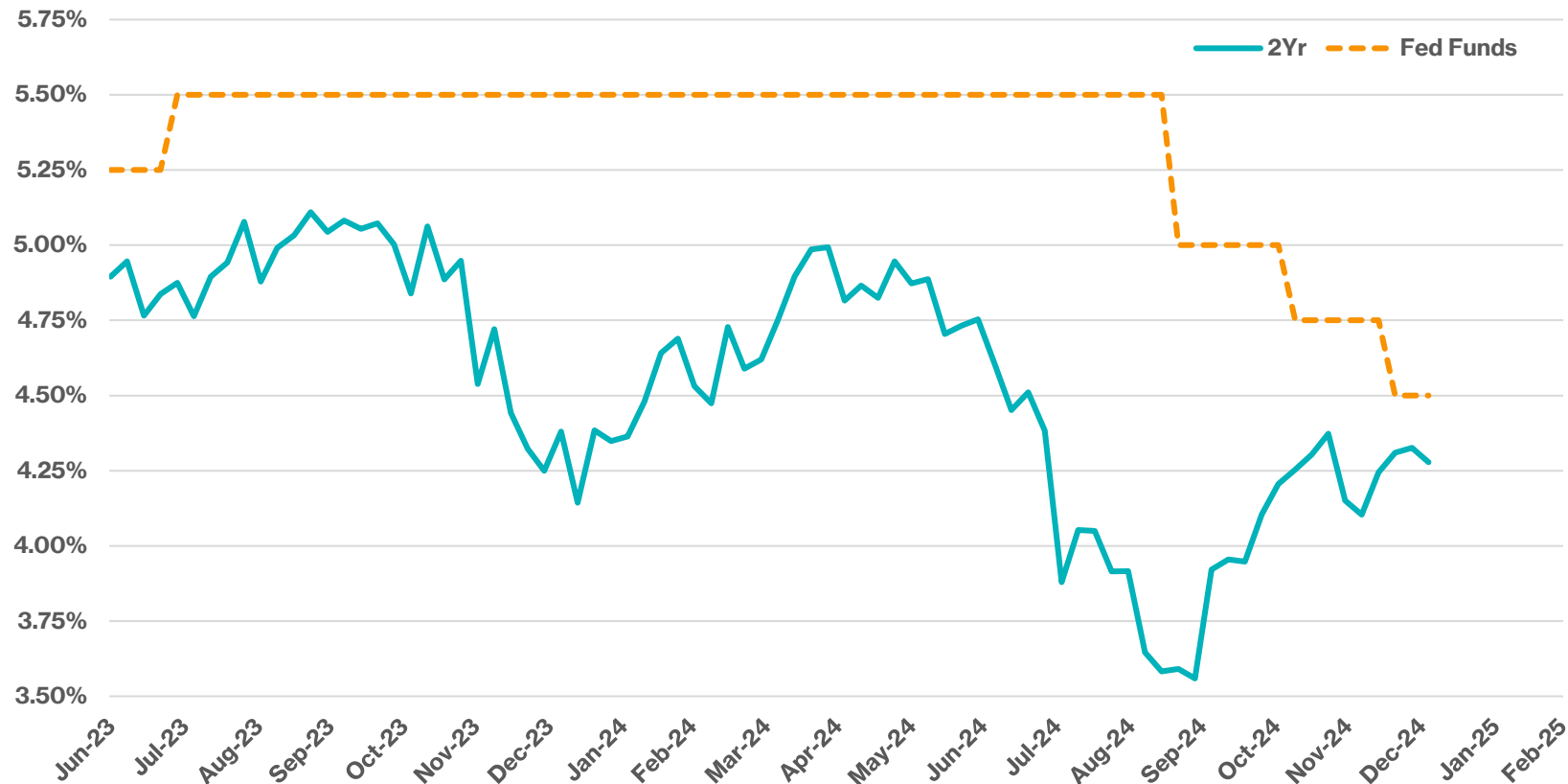
Employment



- Weekly Initial Jobless (unemployment) Claims remain at historically low levels. This is typically a sign of a balanced labor market.
- However, continuing unemployment claims have generally been climbing since 2022.
- The Federal Reserve members and economists will be keeping a keen eye on the labor market for clues of weakening.

SOURCE: BLOOMBERG, DEPARTMENT OF LABOR

Yields: U.S. 2 Yr T-Note vs. Fed Funds Upper Limit



- The 2-year Treasury note's yield peaked in October 2023 when the Fed Funds rate was at the top of its cycle.
- Intermediate-term and longer-term rates have increased since September of last year with sticky inflation, election results, and an improving job market.
- Even though intermediate-term interest rates have declined from cycle highs, they are still materially higher than the average the past 20 years.

SOURCE: BLOOMBERG AS OF 1/6/25



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PORTFOLIO REVIEW

Current Portfolio

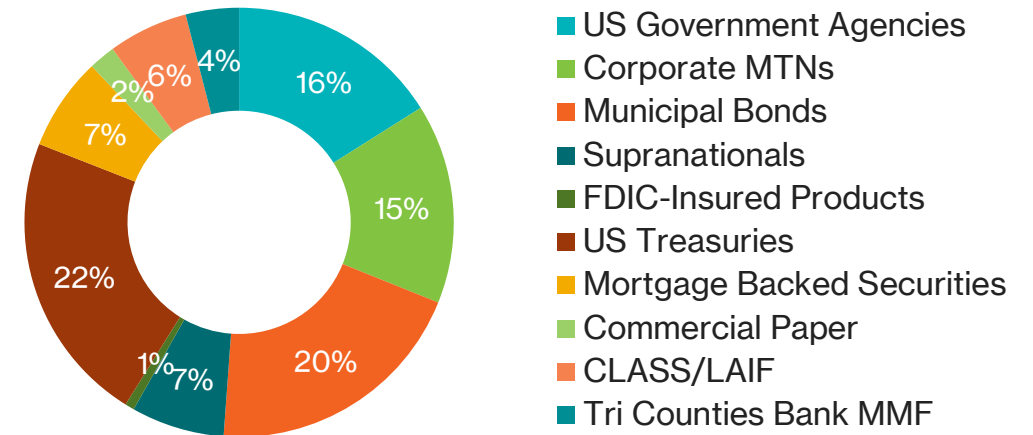
Town of Paradise portfolio as of 12/31/2024

Your Portfolio

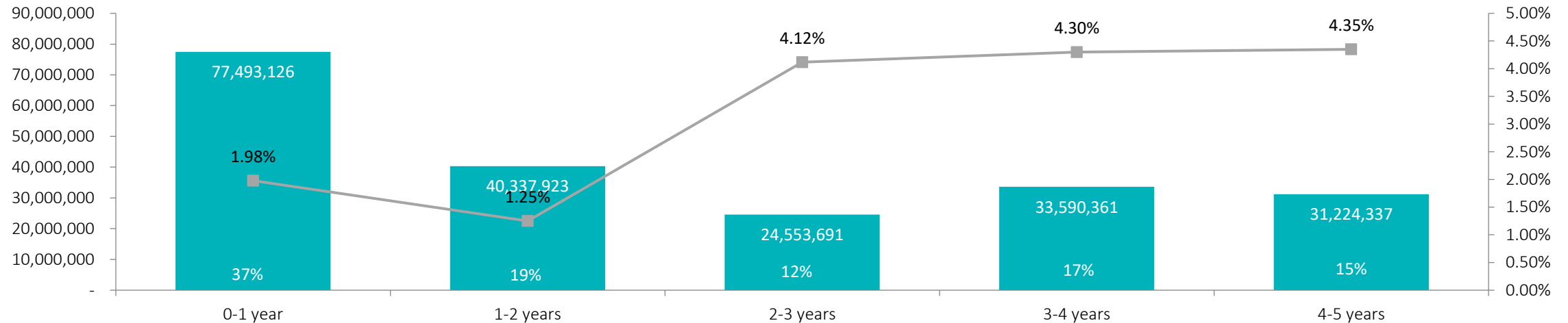
Securities Book Value	\$186,572,564
CLASS/LAIF	\$12,857,154
Tri Counties Bank	\$7,769,720
Total Portfolio Book Value	\$207,199,438

Weighted Average Maturity	1.98 years
Weighted Average Yield	2.87%

Your Asset Allocation



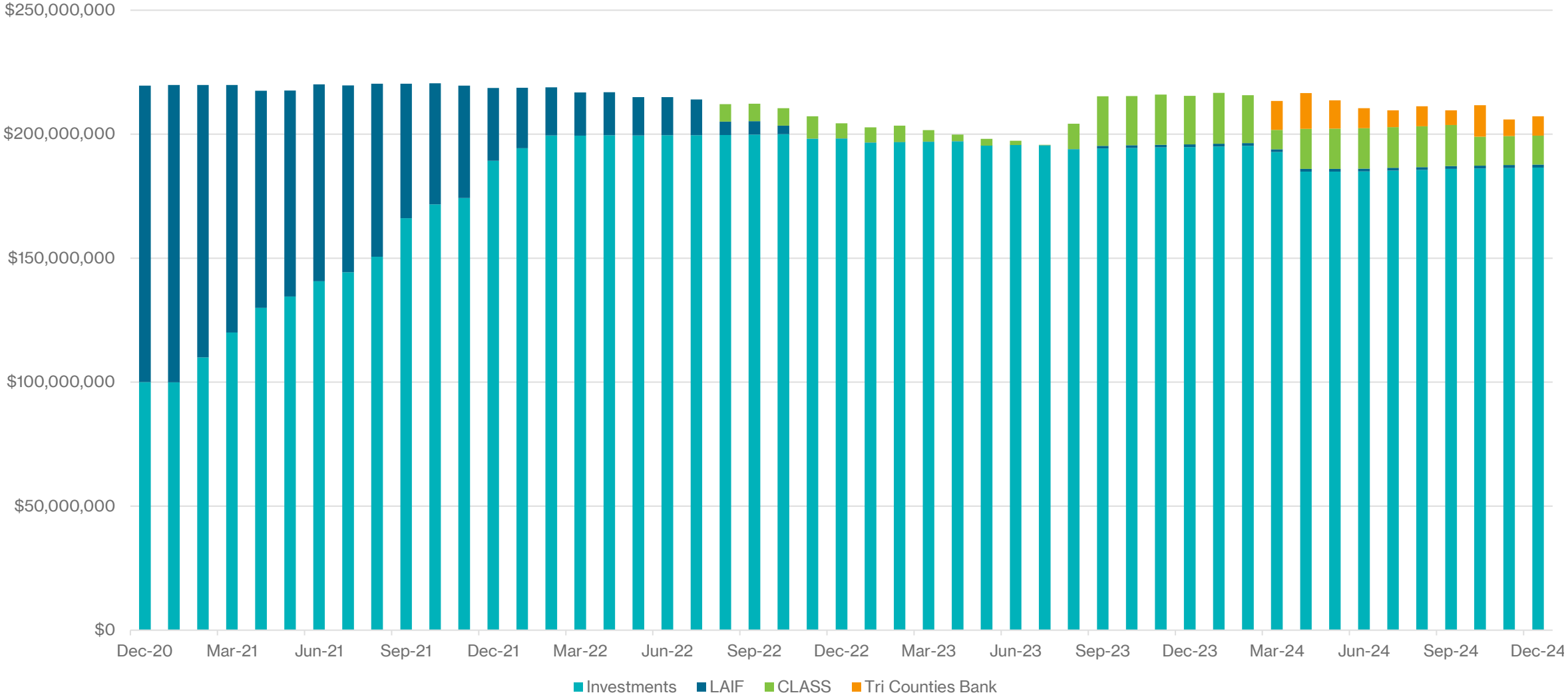
Your Maturity Distribution



YIELD AND INTEREST INCOME INFORMATION IS ANNUALIZED. ALL YIELD INFORMATION IS SHOWN GROSS OF ANY ADVISORY AND CUSTODY FEES AND IS BASED ON YIELD TO MATURITY AT COST. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

Portfolio Review

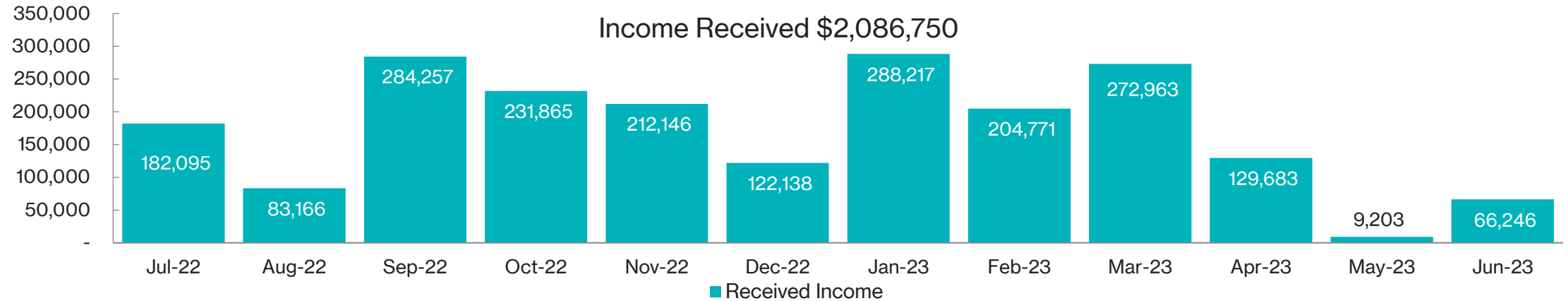
Town of Paradise Historical Portfolio Balances



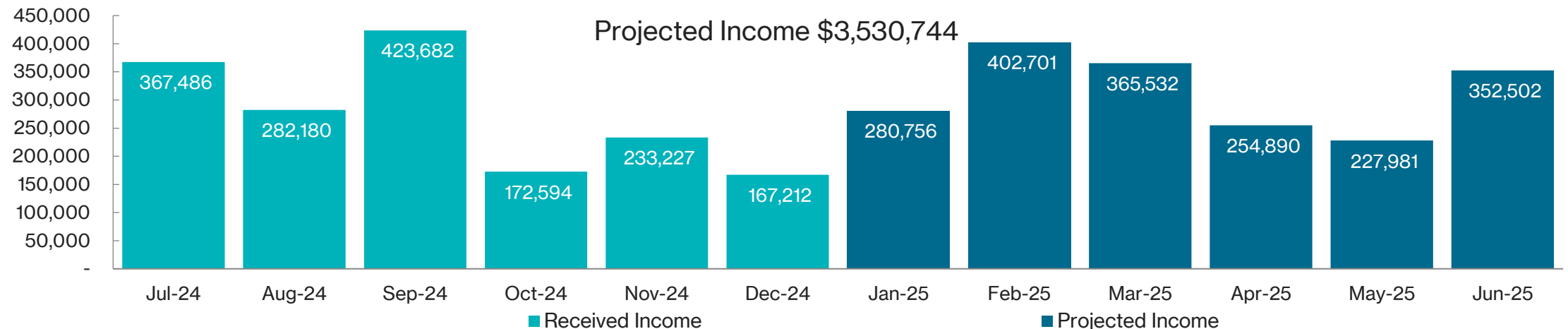
Investment Income

Town of Paradise portfolio as of 12/31/2024

2023-2024 FISCAL YEAR INVESTMENT INCOME



2024-2025 FISCAL YEAR INVESTMENT INCOME



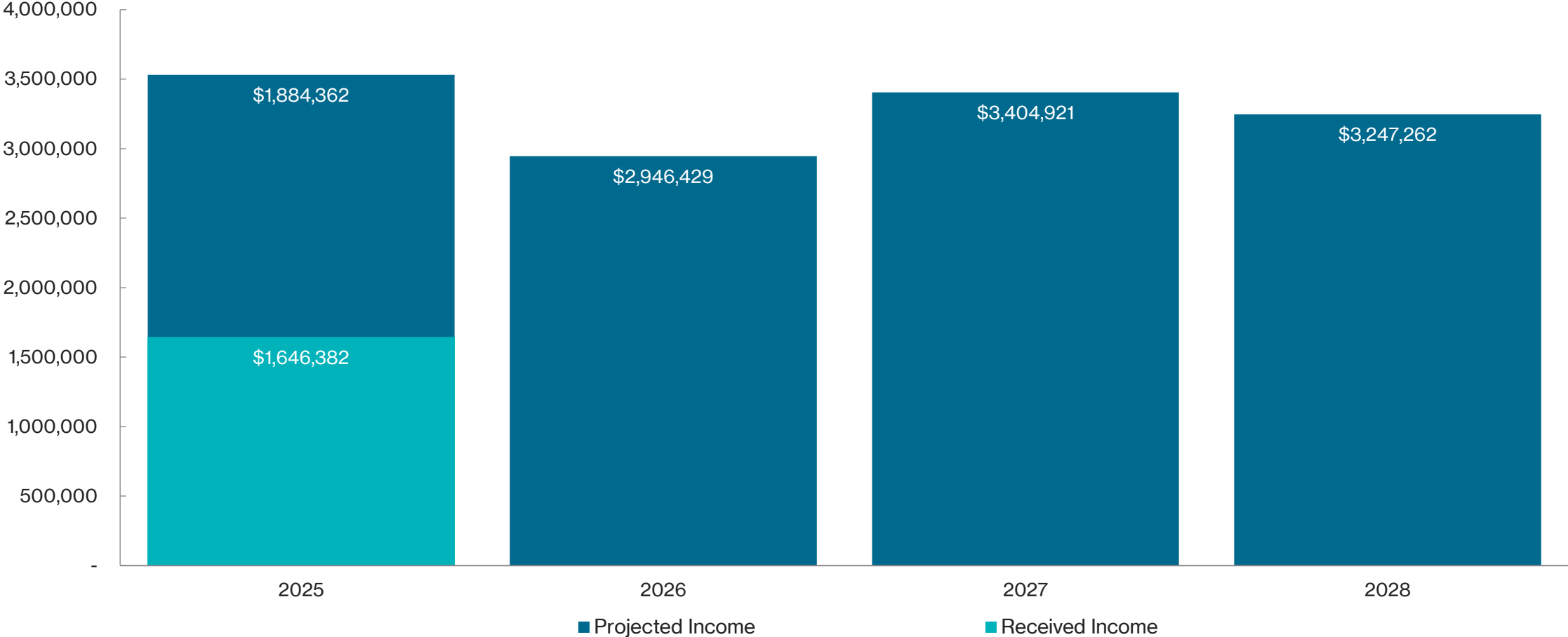
INTEREST INCOME REFLECTS INCOME RECEIVED ON SECURITIES HELD IN THE CUSTODY ACCOUNT AND DOES NOT INCLUDE INCOME RECEIVED ON CLIENT MANAGED ASSETS.

Portfolio Review

Town of Paradise portfolio as of 12/31/2024



INVESTMENT INCOME PROJECTIONS



INTEREST INCOME REFLECTS INCOME RECEIVED ON SECURITIES HELD IN THE CUSTODY ACCOUNT AND DOES NOT INCLUDE INCOME RECEIVED ON CLIENT MANAGED ASSETS.

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