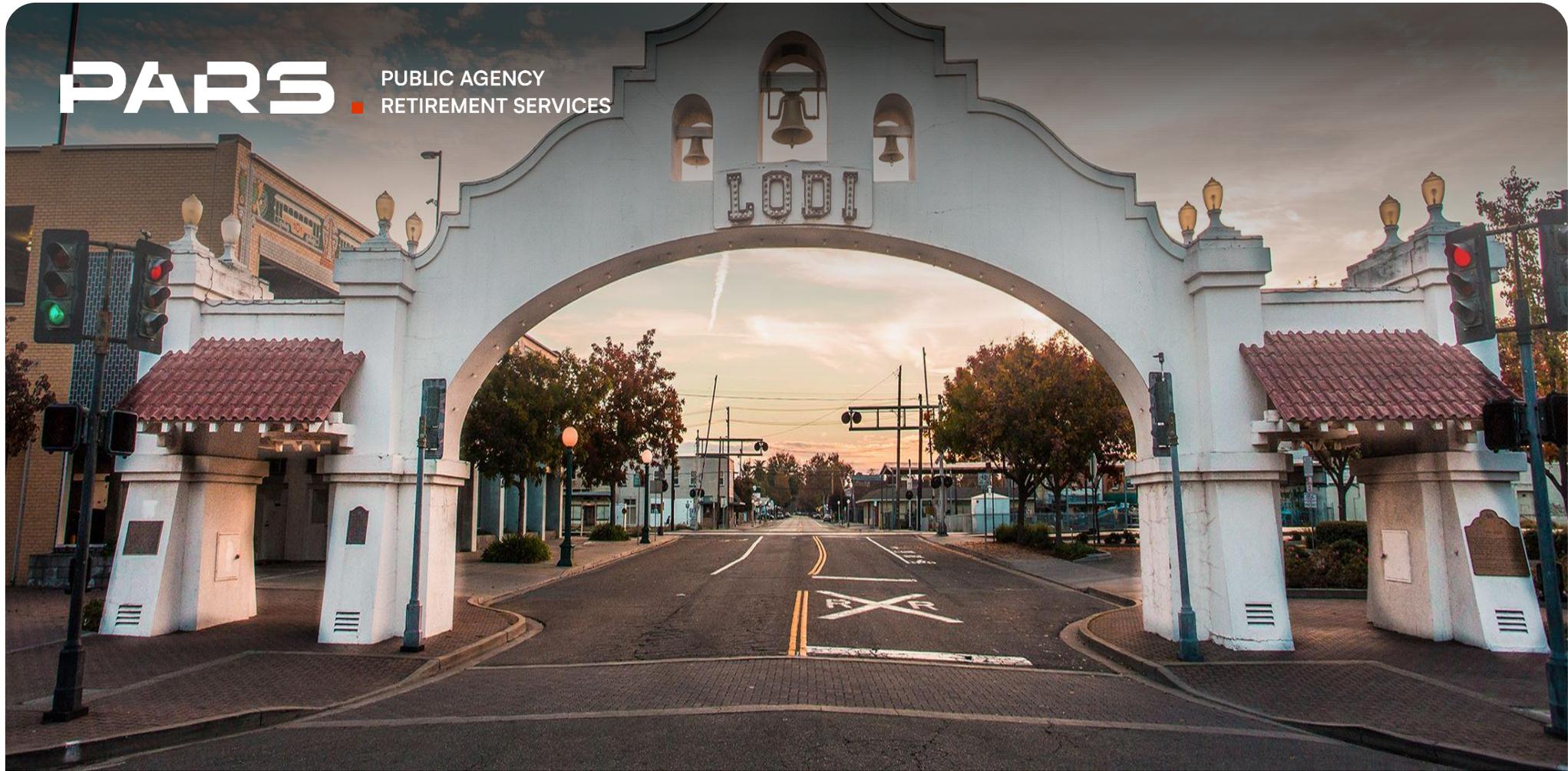


PARS

PUBLIC AGENCY
RETIREMENT SERVICES



CITY OF LODI

Presentation for Finance Committee Meeting

February 4, 2026



AGENDA

- PARS 115 Combo Trust Overview
- Projected Funded Ratio Models

CONTACTS



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PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc. See additional disclosures at the end of this presentation

PARS 115 TRUST TEAM

As of September 30, 2025

Trust Administrator & Consultant*



- Serves as record-keeper, consultant, and central point of contact
- Monitors plan compliance (IRS/GASB/State Government Code)
- Sub-trust accounting
- Processes contributions/disbursements
- Coordinates all agency services
- Hands-on, dedicated support teams

40+ Years of Experience (1984-2026)	2,300+ Plans under Administration	1,100+ Public Agency Clients	550+ 115 Trust Clients	750K+ Plan Participants	\$10.8 B+ Assets under Administration
--	--	---	----------------------------------	-----------------------------------	--

* See important information regarding PARS in the Disclaimer page at the end of the presentation.

Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- **Safeguard plan assets**
- Oversight protection as plan fiduciary
- Custodian of assets

163 Years of Experience (1863-2026)	\$11.0T Assets under Administration
--	--

Investment Manager

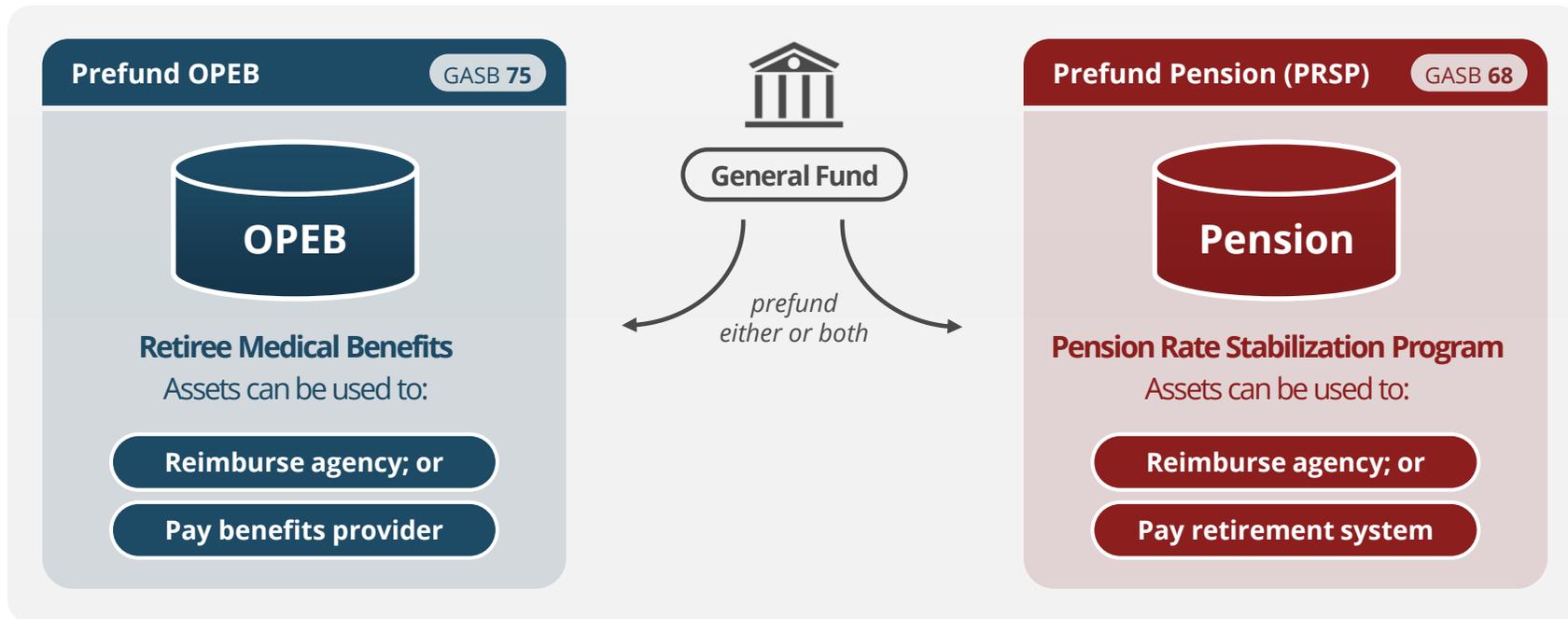


- A division of U.S. Bancorp Asset Management, Inc.
- Fixed income and multi asset portfolios
- **Strategic Blend and Index platform options**
- Customized portfolios (with minimum asset level)

41 Years of Investment Experience (As of 9/30/2025)	\$247.5B* Assets under Management & Advisement
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*Please see disclosures at the end of this presentation

PARS IRS-APPROVED SECTION 115 TRUST



Subaccounts

OPEB and pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center.



Financial Stability

Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.



Flexible Investing

Allows separate investment strategies for OPEB and pension subaccounts.



Anytime Access

Trust funds are available anytime; OPEB for OPEB and pension for pension.



Economies-of-Scale

OPEB and pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!



No Set Up Cost or Minimums

No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

The

PARS

115 COMBO TRUST

*for prefunding post-retirement healthcare and
pension obligations*

SUMMARY OF AGENCY'S OPEB PLAN

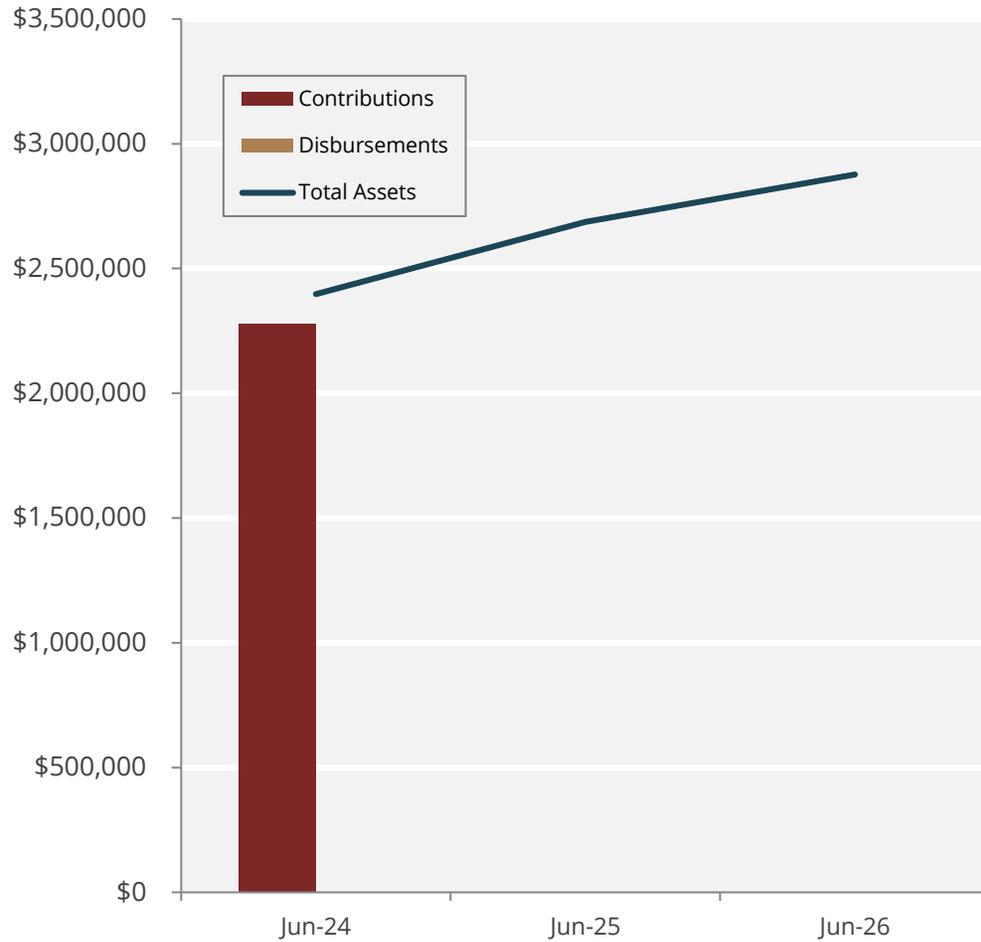
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	October 19, 2016
Plan Administrator:	City Manager
Current Investment Strategy:	Balanced – Index Strategy; Individual Account

AS OF DECEMBER 31, 2025:

Initial Contribution:	February 2024: \$2,279,620
Additional Contributions:	\$0
Total Contributions:	\$2,279,620
Reimbursements:	\$0
Net Investment Earnings:	\$597,157
Account Balance:	\$2,876,777

SUMMARY OF AGENCY'S OPEB PLAN

HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF DECEMBER 31, 2025:



Year	Contributions	Disbursements	Total Assets
Jun-24*	\$2,279,620	\$0	\$2,397,344
Jun-25	\$0	\$0	\$2,686,383
Jun-26**	\$0	\$0	\$2,876,777

Plan Year Ending

*Plan Year Ending June 2024 is based on 5 months of activity.
 **Plan Year Ending June 2026 is based on 6 months of activity.

OPEB ACTUARIAL RESULTS

- We have reviewed the actuarial results in the City’s 2024 Annual Comprehensive Financial Report. In the table below, we have summarized the results.

Demographic Study	Measurement Date: June 30, 2023
Actives electing medical coverage	312
Inactive plan members entitled to, but not yet receiving benefits	107
Retirees electing coverage	200
Retirees	9
Total	628

OPEB ACTUARIAL RESULTS

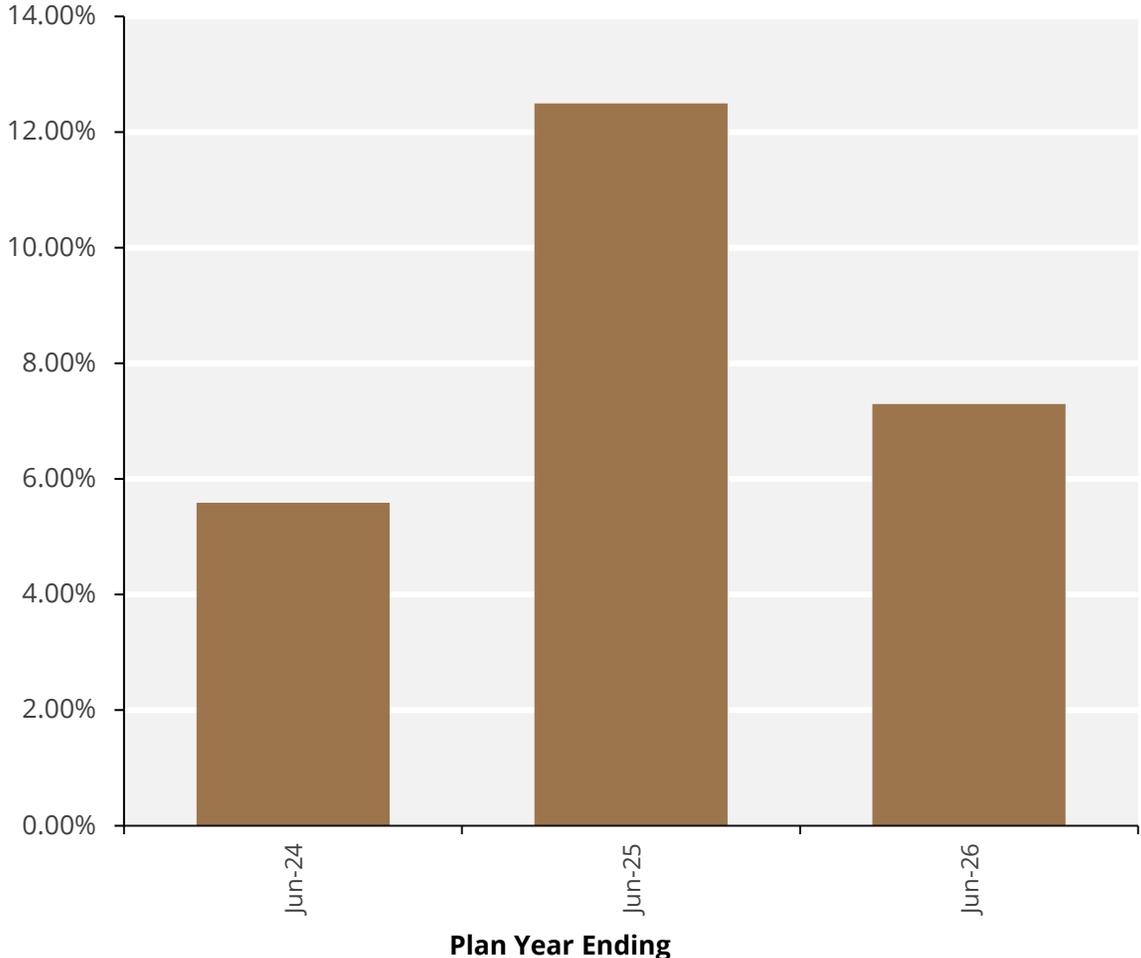
	Measurement Date: June 30, 2023 Discount Rate: 4.54%
Total OPEB Liability (TOL) <i>Actuarial Accrued Liability (AAL)</i>	\$20,350,897
Fiduciary Net Position <i>Actuarial Value of Assets</i>	\$2,168,237*
Net OPEB Liability (NOL) <i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$18,182,660
Funded Ratio (%)	10.65%
Service Cost + Interest	\$1,401,442 <i>for FY 2022-23</i>
Annual Benefit Payments	\$1,724,619 <i>for FY 2022-23</i>

*As of December 31, 2025, assets at \$2,876,777 (approx. ~14.13% funded assuming no change in TOL).

Rule of thumb: For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

OPEB PLAN TOTAL RETURNS

AS OF JUNE 30, 2026:



Year	Returns
Jun-24*	5.59%
Jun-25	12.49%
Jun-26**	7.29%
Inception to Date (Annualized)	
13.49%	

*Plan Year Ending June 2024 is based on 4 months of activity.

**Plan Year Ending June 2026 is based on 6 months of activity.

Returns are net of the embedded fund fees and gross of trustee and trust administrator fees

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value. Past performance does not guarantee future results. Performance returns are impacted by agency plan activity and may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

The advisor to the PARS portfolios is U.S. Bank, and PFM Asset Management serves as sub-advisor to U.S. Bank to manage these portfolios. Please see important additional disclosures to the PARS portfolios included in the individual strategy information at the end of this presentation.

SUMMARY OF AGENCY'S PENSION PLAN

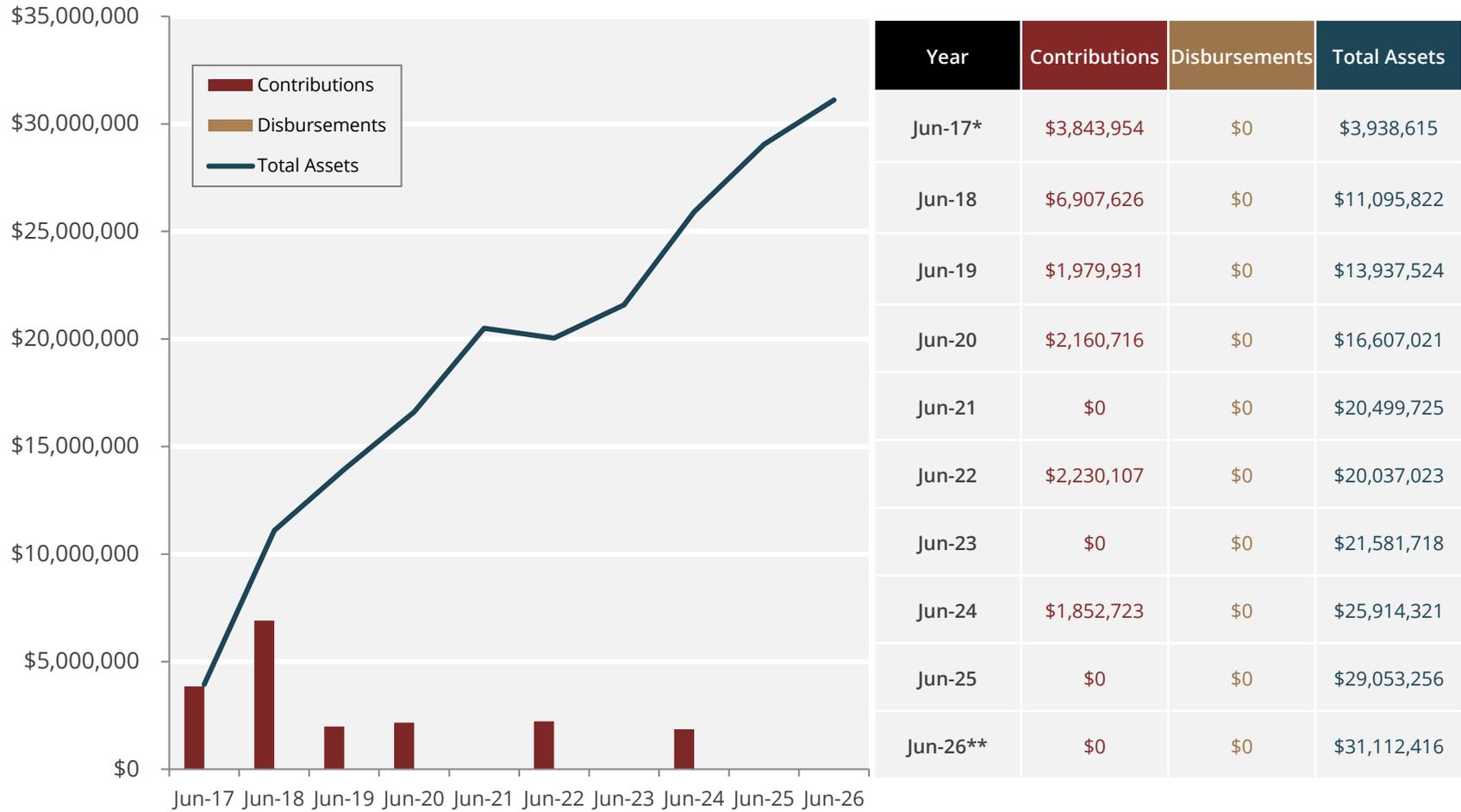
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	October 19, 2016
Plan Administrator:	City Manager
Current Investment Strategy:	Balanced – Index Strategy; Individual Account

AS OF DECEMBER 31, 2025:

Initial Contribution:	March 2017: \$3,843,954
Additional Contributions:	\$15,131,104
Total Contributions:	\$18,975,058
Disbursements:	\$0
Net Investment Earnings:	\$12,137,359
Account Balance:	\$31,112,416

SUMMARY OF AGENCY'S PENSION PLAN

HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF DECEMBER 31, 2025:



Plan Year Ending

*Plan Year Ending June 2017 is based on 4 months of activity.
 **Plan Year Ending June 2026 is based on 6 months of activity.



PENSION FUNDING STATUS

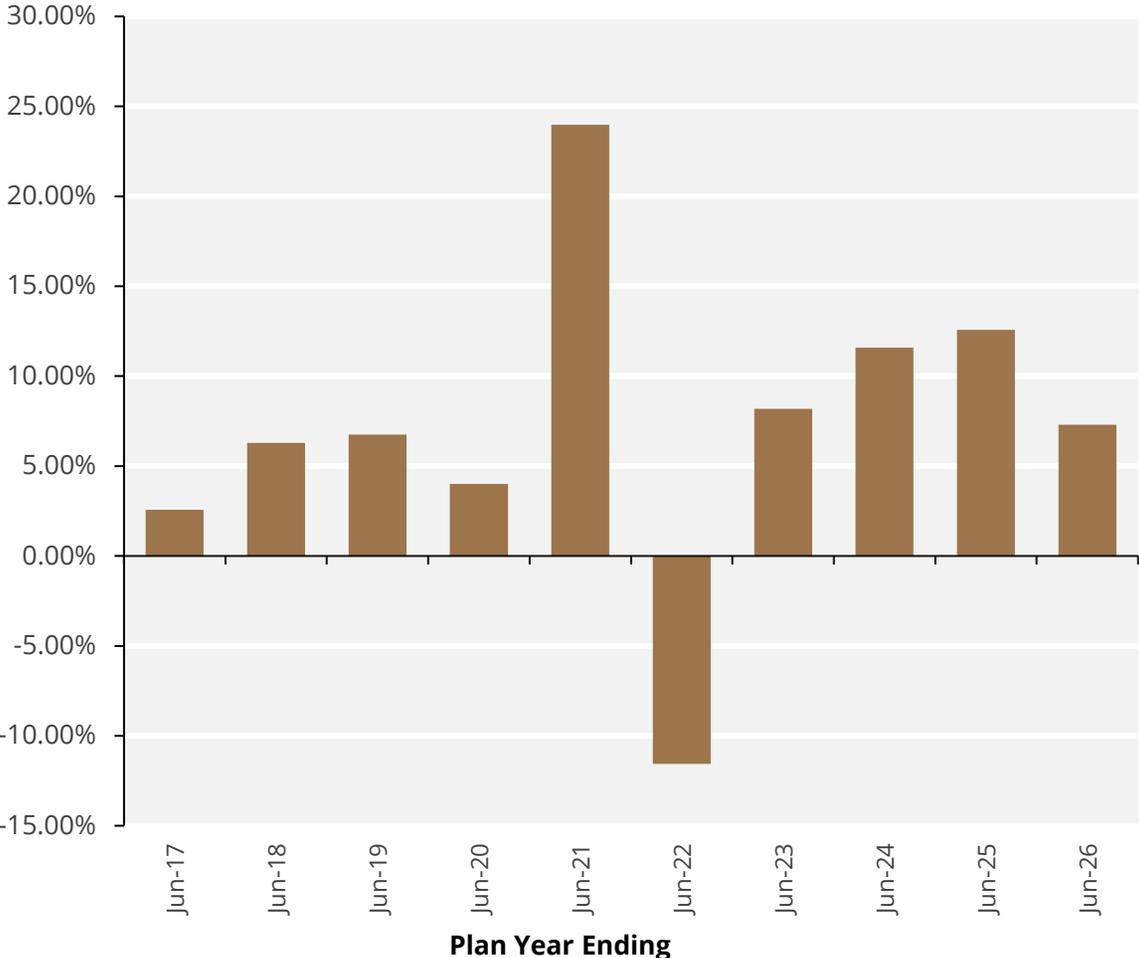
As of June 30, 2024, City of Lodi’s CalPERS pension plan is funded as follows*:

Combined Miscellaneous & Safety Groups *	Valuation as of June 30, 2023	Valuation as of June 30, 2024	Change
Actuarial Liability	\$502.6 M	\$524.7 M	4.4% ↑
Assets	\$317.4 M	\$343.2 M	8.1% ↑
Unfunded Liability	\$185.2 M	\$181.6 M	2.0% ↓
Funded Ratio	63.1%	65.4%	3.6% ↑
Employer Contribution Amount	\$19.5 M (FY 24-25)	\$20.9 M (FY 25-26)	7.2% ↑
Employer Contribution Amount – Projected *	---	\$24.6 M (FY 31-32)	17.7% ↑

* Data through 2030-31 from Agency’s latest CalPERS actuarial valuation.

PENSION PLAN TOTAL RETURNS

AS OF JUNE 30, 2026:



Year	Returns
Jun-17*	2.57%
Jun-18	6.30%
Jun-19	6.75%
Jun-20	4.01%
Jun-21	23.98%
Jun-22	-11.56%
Jun-23	8.18%
Jun-24	11.58%
Jun-25	12.57%
Jun-26**	7.29%

Inception to Date (Annualized)
7.76%

*Plan Year Ending June 2017 is based on 4 months of activity.

**Plan Year Ending June 2024 is based on 6 months of activity.

Returns are net of the embedded fund fees and gross of trustee and trust administrator fees

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PARS/City of Lodi

Investment Performance Review For the Quarter Ended December 31, 2025

Client Management Team

Dennis S. Mullins, CFA, Sr. Institutional Client Portfolio Manager

PFM Asset Management
A division of U.S. Bancorp Asset Management, Inc.

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Suite 1000
San Francisco, CA 94111

1735 Market Street
43rd Floor
Philadelphia, PA 19103

About PFM Asset Management*

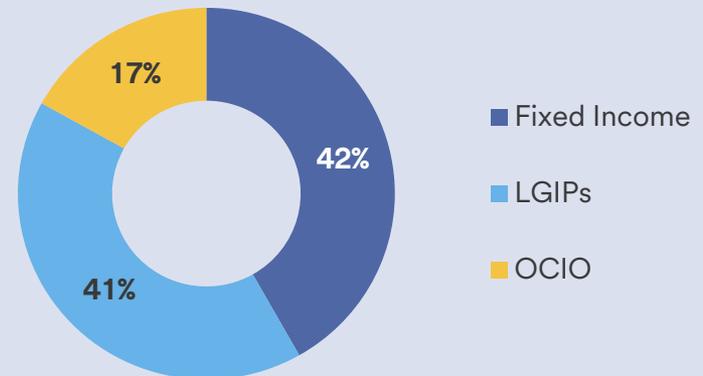
Our Investment Solutions

- **Outsourced Chief Investment Officer (OCIO):** Multi-asset class portfolios for institutional investors
- **Fixed Income:** High-quality, short- and intermediate-term portfolios for operating funds, reserves, working capital, self-insurance funds and bond proceeds
- **Local Government Investment Pools (LGIPs):** services for programs with options ranging from fully liquid cash management to a fixed-rate, fixed-term investment
- **Specialized Solutions:** Arbitrage rebate, escrow restructuring, bond proceeds investments, structured investments

40+ years of experience in the public sector**

\$171.5b in public sector assets under management**

Assets by Investment Solution¹



¹Illustrates public sector assets under management by investment solution as of September 30, 2025. Total may not add up to 100% due to rounding.

*A division of U.S. Bancorp Asset Management, Inc.

**As of September 30, 2025. Public sector includes government, pool, and TERM. Total assets under management for U.S. Bancorp Asset Management, Inc. were \$402.1 billion.

Financial Markets & Investment Strategy Review

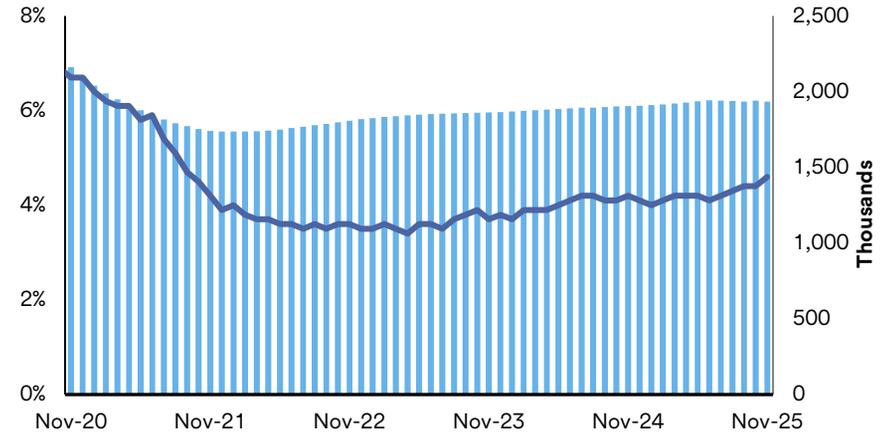
Index or Average Name	QTD	YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
DOMESTIC EQUITY							
S&P 500 (TR)	2.66%	17.88%	17.88%	22.98%	14.42%	17.28%	14.81%
Russell 3000	2.40%	17.15%	17.15%	22.22%	13.14%	16.63%	14.27%
Russell 1000 Growth	1.12%	18.56%	18.56%	31.12%	15.31%	21.23%	18.11%
Russell 1000	2.41%	17.37%	17.37%	22.72%	13.58%	17.01%	14.58%
Russell 1000 Value	3.81%	15.91%	15.91%	13.88%	11.32%	12.09%	10.52%
Russell Midcap	0.16%	10.60%	10.60%	14.34%	8.67%	12.74%	11.00%
Russell Midcap Growth	-3.70%	8.66%	8.66%	18.62%	6.64%	14.19%	12.48%
Russell Midcap Value	1.42%	11.05%	11.05%	12.26%	9.82%	11.40%	9.77%
Russell 2000 Growth	1.22%	13.01%	13.01%	15.57%	3.18%	10.58%	9.57%
Russell 2000	2.19%	12.81%	12.81%	13.72%	6.09%	10.59%	9.61%
Russell 2000 Value	3.26%	12.59%	12.59%	11.72%	8.87%	10.08%	9.26%
INTERNATIONAL EQUITY							
MSCI EAFE	4.86%	31.22%	31.22%	17.21%	8.92%	10.53%	8.18%
MSCI AC World	3.29%	22.34%	22.34%	20.63%	11.19%	13.98%	11.71%
MSCI AC World ex USA	5.05%	32.39%	32.39%	17.32%	7.90%	10.14%	8.41%
MSCI AC World ex USA Small Cap	2.96%	29.26%	29.26%	15.59%	6.90%	10.03%	8.12%
MSCI EM (Emerging Markets)	4.73%	33.57%	33.57%	16.38%	4.19%	8.05%	8.41%
ALTERNATIVES							
FTSE Nareit/Equity REITs - INV	-1.56%	2.88%	2.88%	8.35%	6.62%	6.92%	5.69%
MSCI U.S. REIT INDEX	-1.69%	2.95%	2.95%	8.38%	6.58%	6.93%	5.70%
MSCI World Core Infrastructure	0.32%	15.85%	15.85%	8.40%	6.56%	8.10%	8.31%
FIXED INCOME							
Bloomberg U.S. Aggregate	1.10%	7.30%	7.30%	4.66%	-0.36%	1.99%	2.01%
Bloomberg U.S. Government/Credit	0.90%	6.88%	6.88%	4.56%	-0.59%	2.14%	2.16%
Bloomberg U.S. Intermediate Government/Credit	1.20%	6.97%	6.97%	5.05%	0.96%	2.54%	2.29%
Bloomberg U.S. Treasury (1-3 Y)	1.14%	5.17%	5.17%	4.49%	1.75%	2.21%	1.83%
ICE BofA U.S. High Yield	1.35%	8.50%	8.50%	10.02%	4.49%	6.09%	6.44%
Bloomberg Global Aggregate	0.24%	8.17%	8.17%	3.98%	-2.14%	0.65%	1.26%
CASH EQUIVALENT							
Bloomberg 3 Month T-Bill	0.99%	4.23%	4.23%	4.89%	3.22%	2.72%	2.21%

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

THE ECONOMY

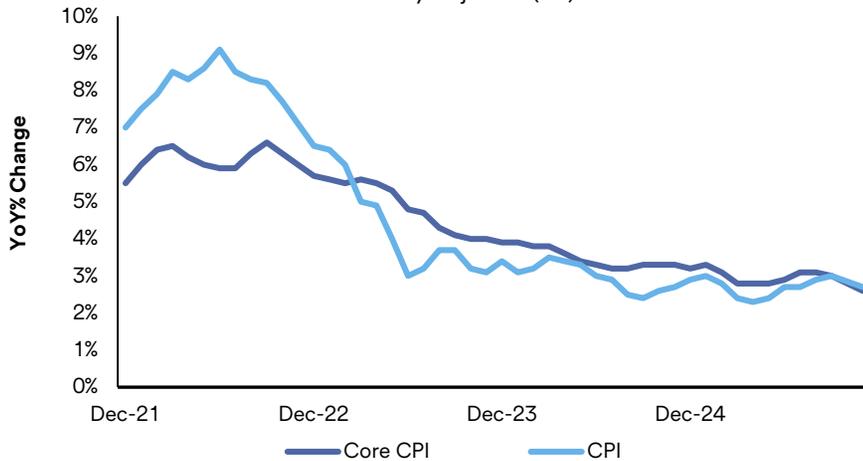
- In the third quarter, U.S. real gross domestic product (GDP) accelerated sharply at a seasonally adjusted annualized rate of 4.3%, marking the strongest growth in more than two years. This rebound in growth was driven by strong consumer spending and an increase in net exports. The continued growth points to the persistent resilience of the economy.
- The U.S. unemployment rate ticked up over the quarter, rising to 4.6% in November. The latest initial jobless claims ended the quarter at 199,000 (for the week ending December 27), the lowest level since January, with the continuing jobless claims also falling to approximately 1.9 million as we continue to see no meaningful increase in layoffs through 2025. The other side of the “low-hire, low-fire” environment can be seen as the pace of hiring, which slowed to 64,000 new jobs created in November after a decline of 105,000 in October, led by a drop in payrolls due to resignation offers across the federal government.
- Inflation appears to be cooling in the fourth quarter. Headline inflation (CPI) grew at a year-over-year rate of 2.7% in November, the lowest rate since July. This reading comes with a caveat however, as the government shutdown at the start of the quarter has led to a missed October reading as well as no monthly data released for November.

U.S. Unemployment and Monthly Average Continued Claims



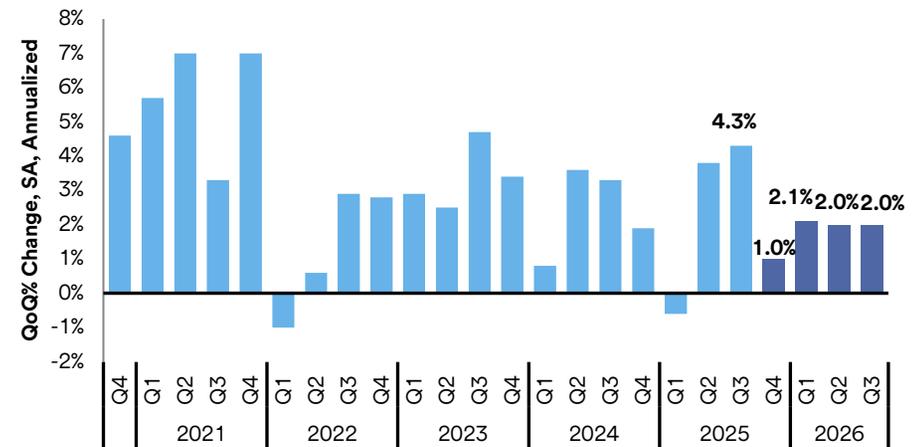
Source: Bloomberg.

U.S. Inflation Rate
Seasonally Adjusted (SA)



Source: Bureau of Labor Statistics.

U.S. GDP Growth

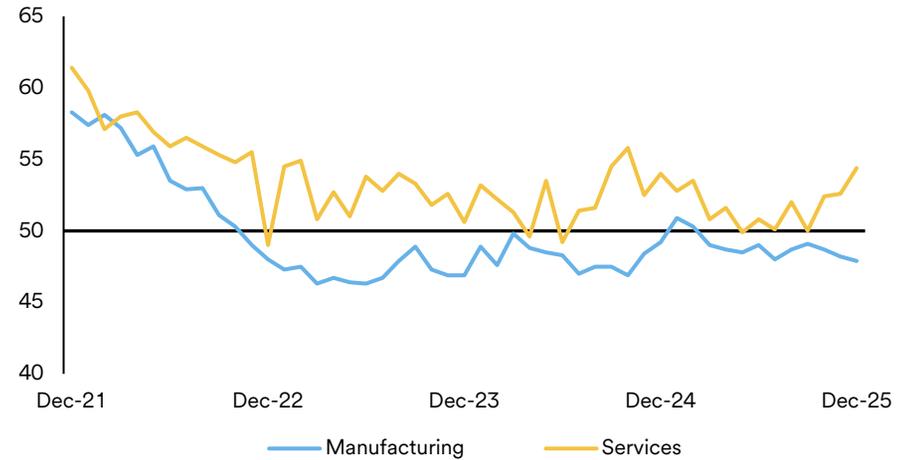


Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate forecasted estimates.

WHAT WE'RE WATCHING

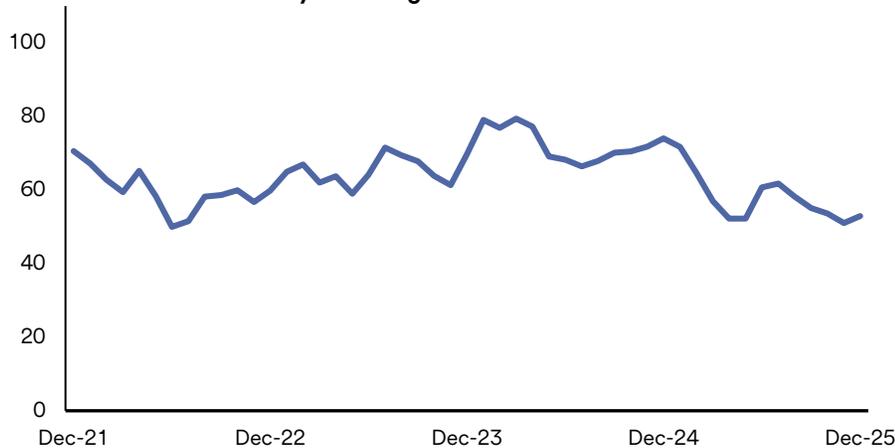
- The Federal Reserve (Fed) cut rates twice in the fourth quarter, bringing the new range to 3.50%-3.75% as labor data continued to soften. Looking forward, the summary of economic growth projections point to growing optimism, with an increase in projected economic growth along with a decrease in projected inflation for 2026. The dot plot for 2026 reflects an expectation of one cut in 2026, though the timing of such a move is uncertain. Outside of the U.S., the European Central Bank (ECB), which preceded the U.S. with cuts earlier in the year, held rates flat in the fourth quarter.
- U.S. consumer sentiment, as measured by the University of Michigan survey of consumers, continued to fall during the fourth quarter, and the reading was down nearly 30% year over year as affordability concerns remain. This consumer fatigue translated into a slower than expected gain in retail sales as consumers were more selective about purchases.
- U.S. military action in Venezuela adds to the ongoing geopolitical risks, prompting increased uncertainty as the possible implications for the market are weighed. Venezuela's oil reserves, and their relationship to China, its primary oil buyer, are of particular interest. In the short term the impact on energy prices is expected to be relatively minimal, while the longer-term impacts depend on the future of Venezuela's energy infrastructure and who controls it.

U.S. ISM Manufacturing & Services PMI



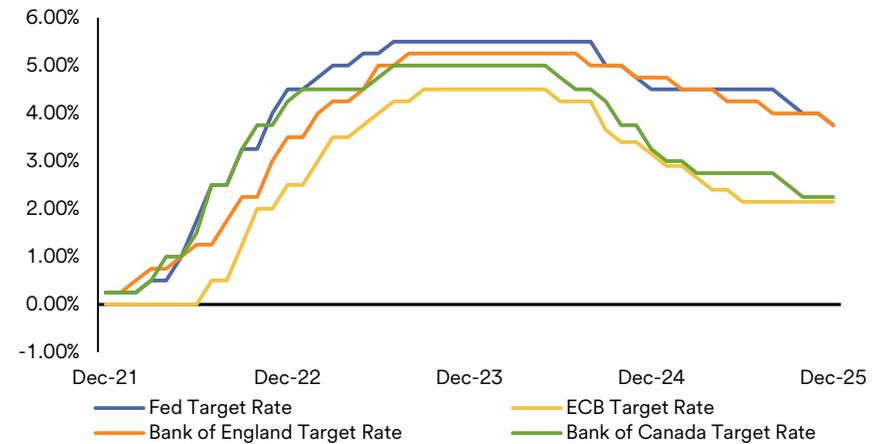
Source: Bloomberg.

University of Michigan Consumer Sentiment



Source: Bloomberg.

Global Central Bank Rates



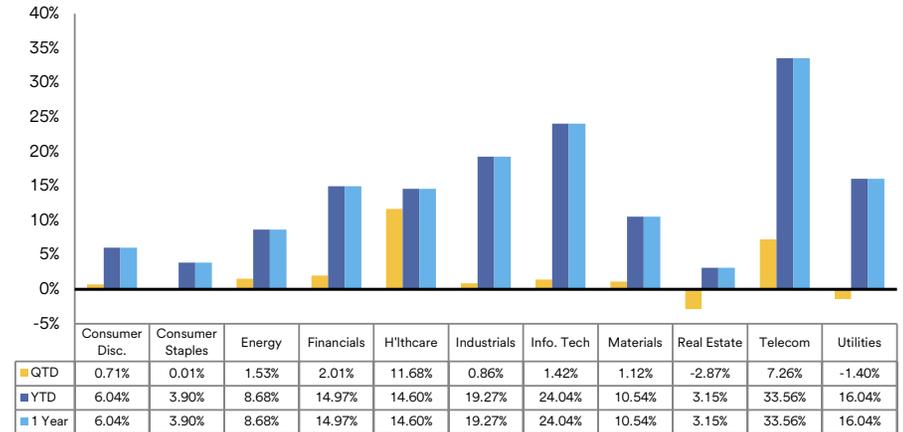
Source: Bloomberg.

DOMESTIC EQUITY

- The S&P 500 Index (S&P) posted a 2.7% return in the fourth quarter (of 2025). That equates to a return of 17.9% for the year.
- Within the S&P 500, the performance varied greatly across sectors, with nine of the 11 seeing positive returns. The best performing sectors were Healthcare (11.7%), Communication Services (7.3%), and Financials (2.0%). Utilities saw a loss of (-1.4%) while Real Estate performed the worst, with a negative return (-2.9%).
- Positive returns were seen across all capitalizations with large caps, as represented by the Russell 1000 Index, returning 2.4% during the quarter while mid and small caps, as represented by the Russell Midcap and Russell 2000 indices returned 0.2% and 2.2% respectively. Value stocks outperformed growth stocks across all capitalizations.
- According to FactSet Earnings Insight as of December 22, 2025, analysts are projecting earnings growth of 8.3% in Q4 2025, up from an initial estimate of 7.2% in September. This is below the five- and 10-year average earnings growth rates, but remains relatively strong, and would mark the tenth consecutive quarter of year-over-year earnings growth for the index. The index has once again been supported by the technology space. For calendar year 2025, analysts are projecting year-over-year earnings growth of 12.3%.
- At quarter end, the 12-month adjusted positive forward price-to-earnings (P/E) ratio (includes only positive earnings results for consistency) for the S&P 500 is 27.5, which is above the five year average of 23.3. The Russell 2000 Index, which represents small cap stocks, had an adjusted positive forward P/E ratio of 21.4, also above its five year average of 17.7.

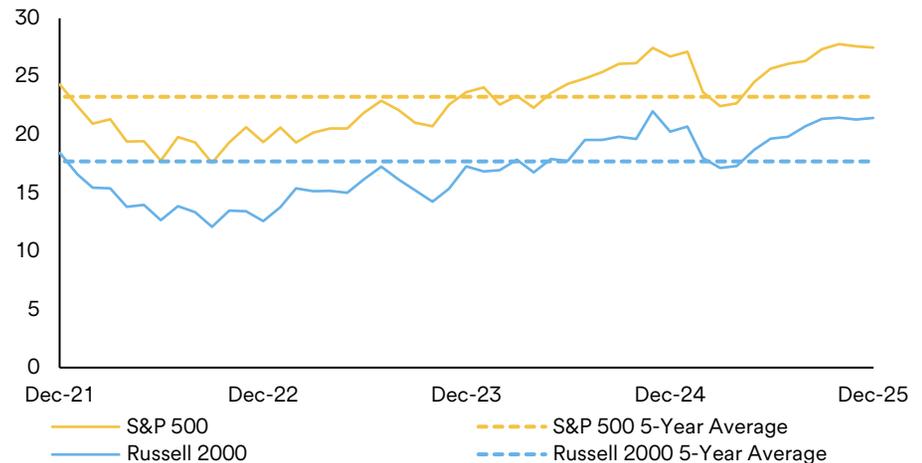
S&P 500 Index Performance by Sector

Periods Ended December 31, 2025



Source: Bloomberg.

P/E Ratios of Major Stock Indices*



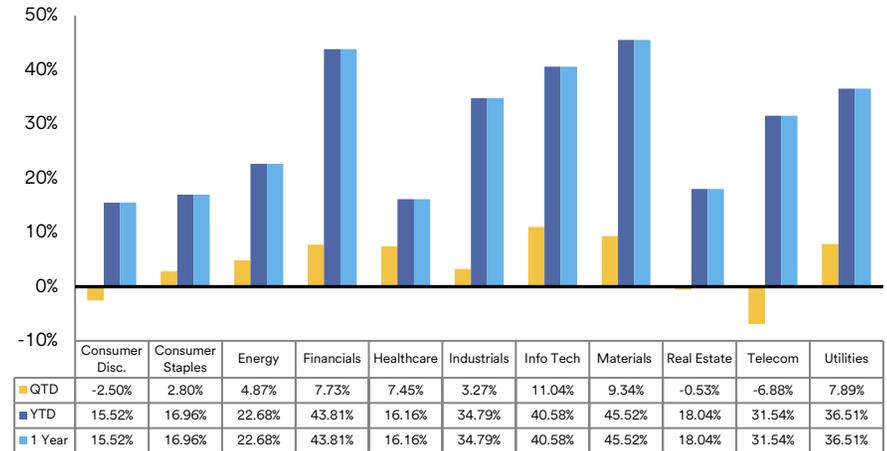
Source: Bloomberg.

*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

INTERNATIONAL EQUITY

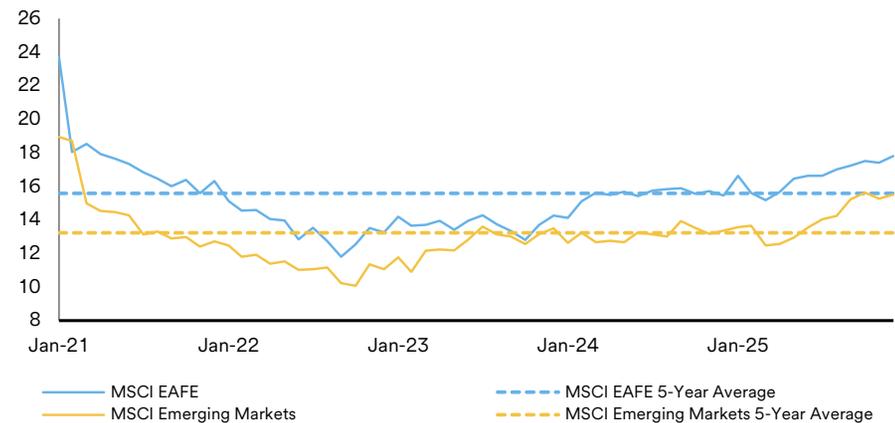
- Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, outperformed domestic equities in the fourth quarter returning 5.1% for the quarter, with a year-to-date return of 32.4%, its highest return since 2009.
- Seven of the 11 sectors posted positive returns for the quarter. The top performing sectors were Information Technology (11.0%), Materials (9.3%), and Utilities (7.9%). The worst performers for the quarter were Real Estate (-0.5%), Consumer Discretionary (-2.5%), and Communication Services (-6.9%).
- Developed ex-U.S. markets, as represented by the MSCI EAFE Index, outperformed emerging markets (EM), as represented by the MSCI Emerging Market Index, returning 4.9% versus 4.7% for the quarter. While the U.S. Dollar (USD) strengthened somewhat during the quarter, the continued softness positively impacted returns from all international indices, as they are stated in USD.
- Of the five largest-weighted countries in the MSCI EAFE Index, the MSCI Switzerland (9.8%) and MSCI United Kingdom (7.0%) indices outperformed the overall EAFE index. The MSCI France (3.4%), MSCI Japan (3.2%), and MSCI Germany (2.6%) indices underperformed.
- Of the five largest-weighted countries in EM, MSCI Korea (27.3%), MSCI Taiwan (10.4%), and MSCI Brazil (8.3%) outperformed the MSCI Emerging Markets index, while MSCI India (4.8%) performed in line and MSCI China (-7.4%) underperformed with notable negative returns. Both Korea and Taiwan continued their streak of double-digit returns supported by semiconductor names positively impacted by the artificial intelligence (AI) theme.
- Value stocks outperformed growth stocks for the quarter as represented by the broad benchmarks. The MSCI AC World ex-USA Growth Index returned 2.6%, while the MSCI AC World ex-USA Value Index returned 7.6%. Within EM, value stocks (MSCI EM Value) returned 5.8% versus 3.1% for growth. Small caps, as represented by the MSCI ACWI ex-U.S. Small Cap Index posted a return of 3.0%.
- Non-U.S. equity valuations increased in both emerging and developed markets. Both sit slightly above long-term averages. As of quarter-end, the MSCI EAFE's Adjusted Positive Forward P/E stood at 17.8 versus a five year average of 15.6. MSCI EM ended the quarter with an Adjusted Positive Forward P/E ratio of 15.5, above its five year average of 13.2.

MSCI ACWI ex-U.S. Sectors
Periods Ended December 31, 2025



Source: Bloomberg.

P/E Ratios of MSCI Equity Indices*



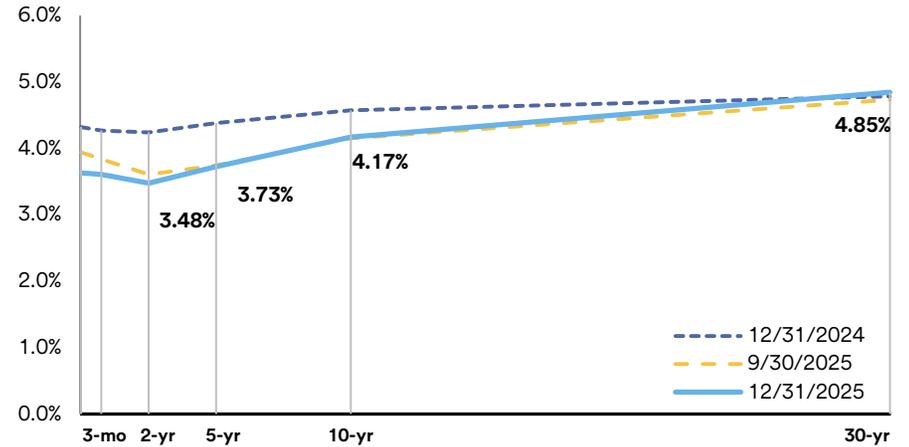
Source: Bloomberg.

*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

FIXED INCOME

- The U.S. bond market, represented by the Bloomberg U.S. Aggregate Index, returned 1.1% during the fourth quarter.
- The Bloomberg U.S. Treasury Index closed the quarter returning 0.9%. As the Fed cut rates first in October and then again in December, the yield curve steepened slightly with rates falling in the short to intermediate spectrum while long term yields rose. 30-year Treasury yields rose to 4.8%, while the 2-year ended at 3.5%. Cash markets continued to provide higher yields than the 2-year Treasuries.
- Corporate credit saw positive returns across the quality spectrum for the quarter. The Investment-Grade Bloomberg U.S. Corporate (IG Corp) Index returned 0.9% while High Yield bonds, as represented by the ICE BofA High Yield (HY) Index, returned 1.4%. Spreads remained relatively flat for High Yield corporates while they widened slightly for investment-grade corporates over the quarter. Both remain below their respective 10-year averages. Tailwinds of high profit margins, continued debt issuance, and ongoing mergers and acquisitions (M&A) activity points to positive corporate sentiment.

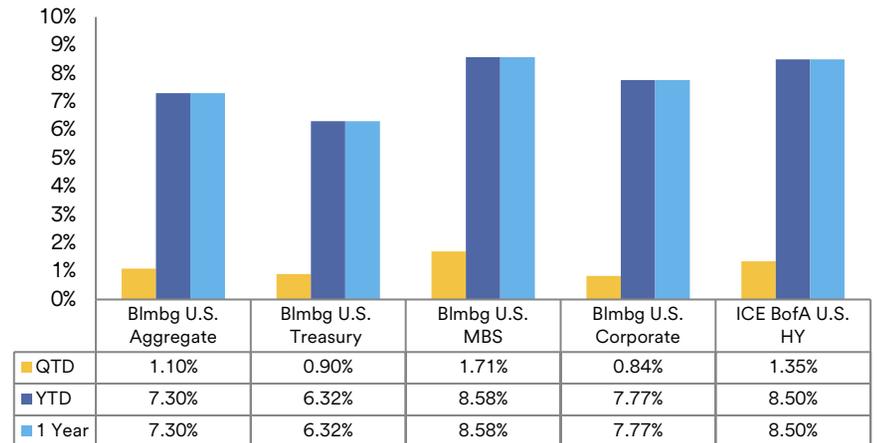
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended December 31, 2025

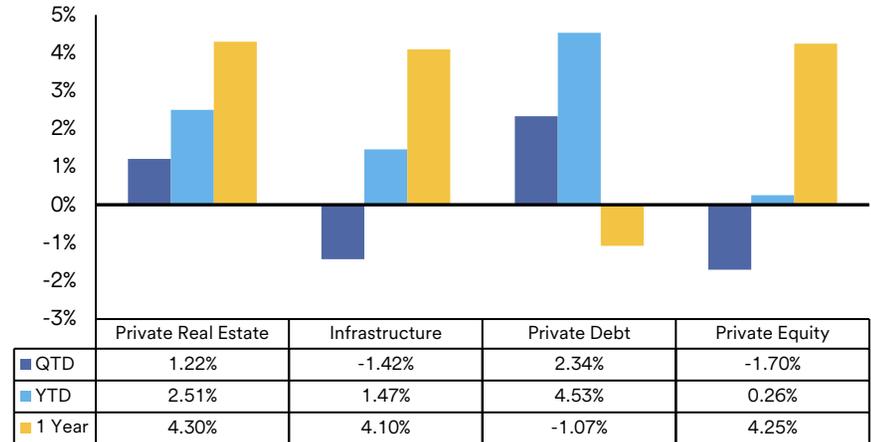


Source: Bloomberg.

ALTERNATIVES

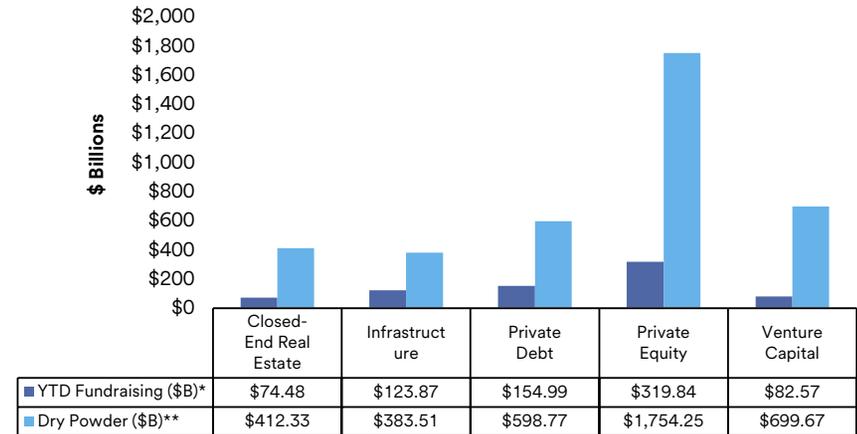
- Real estate investment trusts (REITs), as measured by the MSCI U.S. REITs Index, returned -1.7% in the fourth quarter leading to a year-to-date return of 3.0%. Private real estate, as measured by the NCREIF Property Index, gained 1.2% in the second quarter of 2025, marking the third consecutive quarter of positive total returns as property value declines leveled off across most sectors. The “Other” category, which includes a wide variety of non-categorized property types including data centers was the top performer, returning 2.3%, while Hotels returned a marginally positive 0.1%.
- Listed infrastructure, as measured by the MSCI World Core Infrastructure Index, returned 0.3% in the fourth quarter, down from a 4.9% return in the prior quarter. According to PitchBook, Private infrastructure funds posted a return of -1.4% in Q2 2025. Over the longer term, they generated an annualized return of 9.9% for the five years ended Q2 2025. By the end of Q3 2025, 57 private infrastructure funds raised \$123.9 billion, beating the funds raised during all of 2024 with one quarter remaining. Most of the capital went to funds larger than \$5 billion which seek to capitalize on rising AI demand. Infrastructure dry powder has fallen from the previous year and stands at \$383.5 billion as of March 31, 2025.
- By the end of Q3 2025, 125 private debt funds raised \$155.0 billion, with fundraising now on pace for another strong year by historical standards. Private debt dry powder remains above the long-term average at \$598.8 billion as of March 31, 2025. According to Cliffwater, the performance of private debt funds continues to be strong but is softening, posting a return of 2.3% in Q2 2025. The asset class has generated an annualized return of 11.1% for the five years ended Q2 2025.
- As of Q3 2025, 411 private equity funds raised \$319.8 billion –as the slower pace of fundraising continues due to constrained distributions hindering fundraising efforts. The bulk of the capital raised continues to flow to experienced managers raising capital for funds larger than \$1 billion. Global private equity dry powder, which accounts for the bulk of private capital dry powder, remains high at \$1.8 trillion as of March 31, 2025. Exit tailwinds of lower borrowing costs and greater market clarity should aid fundraising efforts into 2026. PitchBook, private equity funds posted a return of -1.7% in Q2 2025. The asset class has generated an annualized return of 17.6% for the five years ended Q2 2025.

Returns for Private Capital Assets



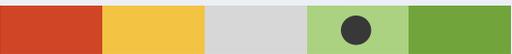
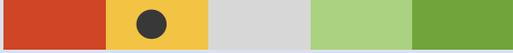
Source: NCREIF, PitchBook, Cliffwater, Cambridge Associate.
As of June 30, 2025, the most recent period for which all index data is available.

Private Capital Fundraising & Dry Powder



Sources: Pitchbook.
* Total capital raised in 2025 as of September 30, 2025 - most recent period for which ALL fundraising data is available.
** Cumulative dry powder and total AUM as of March 31, 2025.
*** Excluding open-end, evergreen fund vehicles.

Factors to Consider Over the Next 6-12 Months

<p>Monetary Policy (Global):</p>  <ul style="list-style-type: none"> • The Fed cut rates by 50 bps in Q4 but noted continuing challenges in achieving its dual mandate. • Markets view policy risks as skewed towards additional easing, assuming a more dovish Chair takes office in mid-2026 as expected. • Major central banks have an accommodative policy in place with the BOJ being the notable exception. 	<p>Economic Growth (Global):</p>  <ul style="list-style-type: none"> • Benefits from the tax and reconciliation bill and increases in anticipated AI capex are expected to support U.S. growth in 2026. • The effects of U.S. government shutdown expected to be temporary and fully recouped in Q1 2026. • Strong consumer spending and steadier trade dynamics continue to support global growth. 	<p>Inflation (U.S.):</p>  <ul style="list-style-type: none"> • While headline inflation moved lower in Q4, significant gaps in data collection due to the U.S. government shutdown likely biased the data lower and warrants attention. • Lower shelter inflation continues to support disinflation going forward although goods prices continue to experience tariff passthroughs.
<p>Financial Conditions (U.S.):</p>  <ul style="list-style-type: none"> • Financial conditions eased as corporate earnings exceeded expectations and tariff concerns abated resulting in equities reaching new all-time highs and credit spreads tightening to historical lows. • Financial conditions expected to remain tailwind as monetary policy eases, but any fiscal uncertainty and geopolitical risks could reintroduce tighter financial conditions over the next 6-12 months. 	<p>Consumer Spending (U.S.):</p>  <ul style="list-style-type: none"> • Consumer activity remained resilient through the holiday shopping season, highlighting the disconnect between slowing sentiment and activity. • Consumer spending is dominated by higher-income cohorts pointing to K-shaped economy. • A significant correction in the equity market or a material slowdown in the labor market are the largest threats to consumer spending. 	<p>Labor Markets (U.S.):</p>  <ul style="list-style-type: none"> • Labor market conditions continued to cool with net new job creation close to zero. Initial jobless claims and layoff rates remain low, easing some concerns over labor weakness. • The unemployment rate continued to tick higher, while job openings declined and the quits rate remains subdued, signaling reduced worker leverage even as real wage growth remains positive.
<p>Corporate Fundamentals:</p>  <ul style="list-style-type: none"> • Earnings growth expectations are positive across global equities with double digit growth expected across U.S. and international equity benchmarks. • In the U.S., M&A and capital spending pickup, tax changes and rate cuts are positives while any tariff related cost pressures need to be monitored. 	<p>Valuations:</p>  <ul style="list-style-type: none"> • U.S. equities and credit markets trade at valuations that are expensive relative to their history. • Resilient growth, strong earnings growth and higher profit margins are supportive of the current valuations while inflation and AI related exuberance are not fully reflected in the current valuations. 	<p>Political/Policy Risks:</p>  <ul style="list-style-type: none"> • Some of the policy and trade related uncertainty was resolved in 2025. • The possibility of another U.S. government shutdown, legal challenges to tariffs and ongoing geopolitical uncertainty are negatives.



Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (December 31, 2025) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness, or suitability.

Investment Strategy Overview

Asset Class	Our Q1 2026 Investment Outlook	Comments
U.S. Equities		<ul style="list-style-type: none"> US large caps returned double-digit returns in 2025 supported by supportive fiscal and monetary policy, strong earnings growth and continued support for AI related stocks. Looking ahead, resilient economic growth is expected to broaden market performance away from the top technology names (Mag-7) and towards smaller and mid cap names. Value stocks have been outperforming growth stocks recently led by economic growth tailwinds and capex expensing rules that provides favorable outlook for cyclical industries. Small caps have recovered in the latter half of 2025 as Fed rate cuts, higher liquidity and improving earnings became tailwinds. While we hold a positive view on small caps, we expect to remain neutral until we see some recovery across employment and manufacturing indicators.
Large-Caps		
Small-Caps		
Non-U.S. Equities		<ul style="list-style-type: none"> International equities posted strong returns in 2025. Valuations are attractive relative to US equities but multiples look expensive relative to recent history. Earnings growth of ~13% expected in 2026. Across Europe and China, we believe that there are structural/geopolitical issues that need to be addressed for long-term sustained outperformance. Accommodative monetary policy, fiscal stimulus in certain regions and weaker USD are tailwinds but tariff driven uncertainty remains.
Developed Markets		
Emerging Markets		
Fixed Income		<ul style="list-style-type: none"> Fed cut rates by 75bps in 2025 and has provided guidance for one more rate cut in 2026. Yield curve has steepened over 2025 while 10 year yields have stayed above 4.0%. We expect long term rates to be range-bound due to inflation expectations but are watching for any meaningful increase in yields that could lead to a risk-off sentiment. We remain duration neutral at this time. Absolute yield levels look attractive even as credit spreads are closer to historical lows. We are neutral to credit sectors at this time given the tighter spreads even as corporate fundamentals remain strong.
Core Bonds		
Investment Grade Credit		
High Yield Credit		
Diversifying Assets		<ul style="list-style-type: none"> REIT performance has been sensitive to the long-term yields and have underperformed broader equities in 2025. Looking ahead, continued economic growth and the recent rate cuts are expected to be tailwinds. Along with diversified source of return, improving AI sentiment bodes well for data center buildout and utilities are long-term drivers for listed infrastructure.
Listed Real Estate		
Listed Global Infrastructure		

● Current outlook ○ Outlook one quarter ago



The view expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (December 31, 2025) and are subject to change.

SOURCES

Factset

<https://www.bea.gov/sites/default/files/2024-12/gdp3q24-3rd-fax.pdf>

<https://www.bls.gov/news.release/pdf/empisit.pdf>

<https://www.bls.gov/news.release/pdf/cpi.pdf>

<http://www.sca.isr.umich.edu/>

NCREIF

PitchBook

Cliffwater

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Plan Performance Summary - 115

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value (\$)	%	1 Quarter	2025	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Portfolio	31,112,417	100.00	2.05	14.14	14.14	13.31	6.94	N/A	N/A	8.27	09/01/2020
<i>Blended Benchmark</i>			2.17	13.46	13.46	13.41	7.00	N/A	N/A	8.09	
Domestic Equity	11,425,293	36.72	2.35	17.05	17.05	20.71	12.50	N/A	N/A	14.92	10/01/2020
<i>Russell 3000 Index</i>			2.40	17.15	17.15	22.25	13.15	16.64	14.29	15.46	
Fidelity Total Market Index	11,425,293	36.72	2.35	17.05	17.05	22.29	13.09	16.57	14.23	17.82	11/01/2024
<i>Russell 3000 Index</i>			2.40	17.15	17.15	22.25	13.15	16.64	14.29	17.85	
International Equity	5,742,485	18.46	4.44	32.63	32.63	17.19	7.82	N/A	N/A	10.46	10/01/2020
<i>MSCI AC World ex USA (Net)</i>			5.05	32.39	32.39	17.33	7.91	10.15	8.41	10.78	
iShares Core MSCI Total Intl Stock ETF	5,742,485	18.46	4.44	32.63	32.63	17.26	7.92	10.27	8.55	24.30	11/01/2024
<i>MSCI AC World ex USA (Net)</i>			5.05	32.39	32.39	17.33	7.91	10.15	8.41	24.09	
Other Growth	1,728,176	5.55	0.01	12.87	12.87	9.92	6.66	N/A	N/A	7.90	10/01/2020
Vanguard Real Estate ETF	787,649	2.53	-2.41	3.18	3.18	6.56	4.62	6.36	5.13	7.03	02/01/2024
<i>MSCI US REIT Index</i>			-1.69	2.95	2.95	8.39	6.58	6.94	5.71	8.44	
iShares Global Infrastructure ETF	940,526	3.02	2.12	21.86	21.86	13.94	10.26	9.80	8.68	18.08	06/01/2024
<i>S&P Global Infrastructure (Net)</i>			2.20	21.54	21.54	13.61	10.02	9.57	8.47	17.96	
Fixed Income	11,302,437	36.33	1.03	7.38	7.38	4.97	0.18	N/A	N/A	0.31	10/01/2020
<i>Bloomberg U.S. Aggregate</i>			1.10	7.30	7.30	4.66	-0.36	1.99	2.01	-0.22	
iShares Core US Aggregate Bond ETF	10,526,653	33.83	1.00	7.19	7.19	4.69	-0.38	1.96	1.97	4.53	02/01/2024
<i>Bloomberg U.S. Aggregate</i>			1.10	7.30	7.30	4.66	-0.36	1.99	2.01	4.57	
SPDR Portfolio High Yield Bond	775,784	2.49	1.33	8.52	8.52	10.09	4.73	6.15	5.68	9.03	03/01/2024
<i>ICE BofA US High Yield Index</i>			1.35	8.50	8.50	10.03	4.50	6.10	6.45	8.96	
Cash Equivalent	914,026	2.94	0.98	4.23	4.23	4.64	3.07	N/A	N/A	2.87	09/01/2020
<i>ICE BofA 3 Month U.S. T-Bill</i>			0.97	4.18	4.18	4.81	3.17	2.68	2.18	2.98	
First American Government Obligation - X	914,026	2.94	0.98	4.23	4.23	4.81	3.18	2.62	N/A	4.68	02/01/2024
<i>ICE BofA 3 Month U.S. T-Bill</i>			0.97	4.18	4.18	4.81	3.17	2.68	2.18	4.69	

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

Calendar Year Comparative Performance

	Performance(%)				
	2024	2023	2022	2021	2020
Total Portfolio	11.59	14.22	-14.62	12.62	N/A
<i>Blended Benchmark</i>	<i>11.61</i>	<i>15.19</i>	<i>-14.58</i>	<i>12.54</i>	<i>N/A</i>
Domestic Equity	21.82	23.34	-18.16	25.22	N/A
<i>Russell 3000 Index</i>	<i>23.81</i>	<i>25.96</i>	<i>-19.21</i>	<i>25.66</i>	<i>20.89</i>
<i>Fidelity Total Market Index</i>	<i>23.88</i>	<i>26.12</i>	<i>-19.51</i>	<i>25.65</i>	<i>20.78</i>
<i>Russell 3000 Index</i>	<i>23.81</i>	<i>25.96</i>	<i>-19.21</i>	<i>25.66</i>	<i>20.89</i>
International Equity	5.87	14.61	-15.83	7.57	N/A
<i>MSCI AC World ex USA (Net)</i>	<i>5.53</i>	<i>15.62</i>	<i>-16.00</i>	<i>7.82</i>	<i>10.65</i>
<i>iShares Core MSCI Total Intl Stock ETF</i>	<i>5.15</i>	<i>15.62</i>	<i>-16.35</i>	<i>8.52</i>	<i>11.14</i>
<i>MSCI AC World ex USA (Net)</i>	<i>5.53</i>	<i>15.62</i>	<i>-16.00</i>	<i>7.82</i>	<i>10.65</i>
Other Growth	4.78	12.30	-26.00	40.45	N/A
<i>Vanguard Real Estate ETF</i>	<i>4.92</i>	<i>11.75</i>	<i>-26.20</i>	<i>40.38</i>	<i>-4.72</i>
<i>MSCI US REIT Index</i>	<i>8.75</i>	<i>13.74</i>	<i>-24.51</i>	<i>43.06</i>	<i>-7.57</i>
<i>iShares Global Infrastructure ETF</i>	<i>14.34</i>	<i>6.16</i>	<i>-0.95</i>	<i>11.21</i>	<i>-6.28</i>
<i>S&P Global Infrastructure (Net)</i>	<i>14.05</i>	<i>5.78</i>	<i>-0.99</i>	<i>11.04</i>	<i>-6.49</i>
Fixed Income	1.99	5.61	-11.57	-1.37	N/A
<i>Blmbg. U.S. Aggregate</i>	<i>1.25</i>	<i>5.53</i>	<i>-13.01</i>	<i>-1.55</i>	<i>7.51</i>
<i>iShares Core US Aggregate Bond ETF</i>	<i>1.37</i>	<i>5.59</i>	<i>-13.06</i>	<i>-1.67</i>	<i>7.42</i>
<i>Blmbg. U.S. Aggregate</i>	<i>1.25</i>	<i>5.53</i>	<i>-13.01</i>	<i>-1.55</i>	<i>7.51</i>
<i>SPDR Portfolio High Yield Bond</i>	<i>8.27</i>	<i>13.56</i>	<i>-10.76</i>	<i>5.84</i>	<i>6.57</i>
<i>ICE BofA US High Yield Index</i>	<i>8.20</i>	<i>13.46</i>	<i>-11.22</i>	<i>5.36</i>	<i>6.17</i>
Cash Equivalent	4.73	4.98	1.48	0.02	N/A
<i>ICE BofA 3 Month U.S. T-Bill</i>	<i>5.25</i>	<i>5.02</i>	<i>1.46</i>	<i>0.05</i>	<i>0.67</i>
<i>First American Government Obligation - X</i>	<i>5.19</i>	<i>5.02</i>	<i>1.52</i>	<i>0.03</i>	<i>0.40</i>
<i>ICE BofA 3 Month U.S. T-Bill</i>	<i>5.25</i>	<i>5.02</i>	<i>1.46</i>	<i>0.05</i>	<i>0.67</i>

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

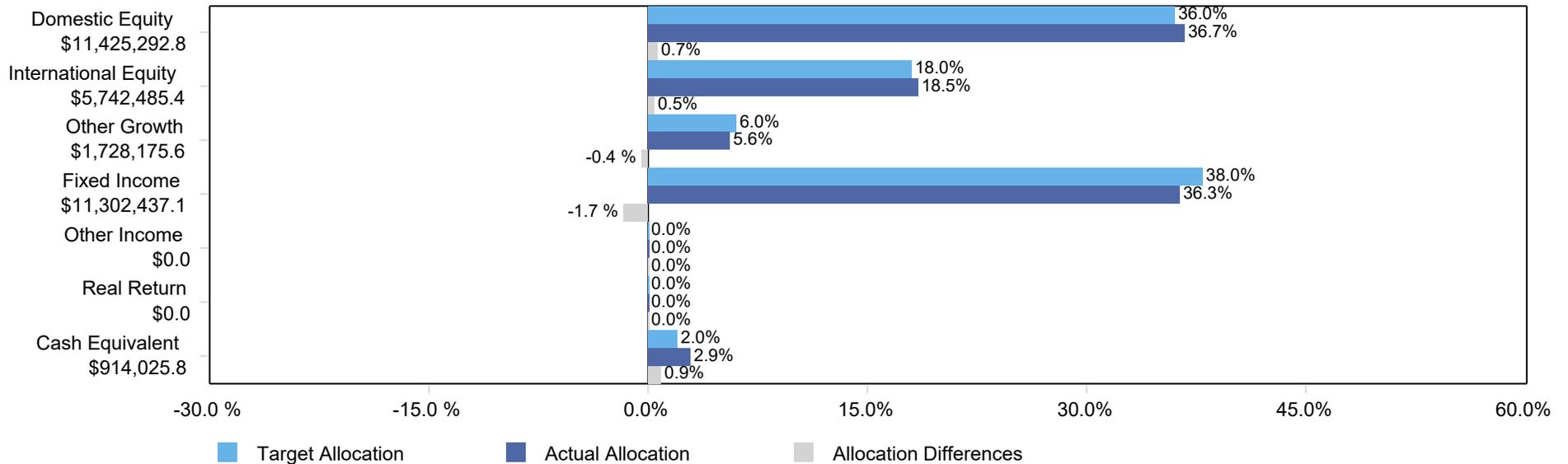
Account Reconciliation

QTR				
	Market Value As of 10/01/2025	Net Flows	Return On Investment	Market Value As of 12/31/2025
Total Portfolio	30,516,975	(29,722)	625,163	31,112,417

YTD				
	Market Value As of 01/01/2025	Net Flows	Return On Investment	Market Value As of 12/31/2025
Total Portfolio	27,365,023	(112,992)	3,860,386	31,112,417

Asset Allocation Compliance - Total Portfolio

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
Total Portfolio	100.0	100.0	N/A	N/A	0.0
Domestic Equity	36.7	36.0	20.0	50.0	0.7
International Equity	18.5	18.0	10.0	36.0	0.5
Other Growth	5.6	6.0	0.0	20.0	-0.4
Fixed Income	36.3	38.0	25.0	50.0	-1.7
Other Income	0.0	0.0	0.0	20.0	0.0
Real Return	0.0	0.0	0.0	20.0	0.0
Cash Equivalent	2.9	2.0	0.0	20.0	0.9



Historical Hybrid Composition - Blended Benchmark

Allocation Mandate	Weight (%)
Sep-2020	
PARS Balanced/Moderately Aggressive	100.0
Sep-2025	
Russell 3000 Index	36.0
MSCI AC World ex USA (Net)	18.0
50% MSCI US REIT / 50% MSCI World Core Infrastructure (net)	6.0
Blmbg. U.S. Aggregate	38.0
90 Day U.S. Treasury Bill	2.0

Plan Performance Summary - 115-OPEB

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value (\$)	%	1 Quarter	2025	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Portfolio	2,876,777	100.00	2.05	14.12	14.12	N/A	N/A	N/A	N/A	12.87	03/01/2024
<i>Blended Benchmark</i>			2.17	13.46	13.46	13.41	7.00	N/A	N/A	12.29	
Domestic Equity	1,056,310	36.72	2.35	17.05	17.05	N/A	N/A	N/A	N/A	17.79	03/01/2024
<i>Russell 3000 Index</i>			2.40	17.15	17.15	22.25	13.15	16.64	14.29	18.30	
Fidelity Total Market Index	1,056,310	36.72	2.35	17.05	17.05	22.29	13.09	16.57	14.23	17.82	11/01/2024
<i>Russell 3000 Index</i>			2.40	17.15	17.15	22.25	13.15	16.64	14.29	17.85	
International Equity	530,947	18.46	4.44	32.63	32.63	N/A	N/A	N/A	N/A	19.46	03/01/2024
<i>MSCI AC World ex USA (Net)</i>			5.05	32.39	32.39	17.33	7.91	10.15	8.41	19.03	
iShares Core MSCI Total Intl Stock ETF	530,947	18.46	4.44	32.63	32.63	17.26	7.92	10.27	8.55	24.30	11/01/2024
<i>MSCI AC World ex USA (Net)</i>			5.05	32.39	32.39	17.33	7.91	10.15	8.41	24.09	
Other Growth	159,774	5.55	0.01	12.87	12.87	N/A	N/A	N/A	N/A	11.48	03/01/2024
Vanguard Real Estate ETF	72,827	2.53	-2.41	3.18	3.18	6.56	4.62	6.36	5.13	6.21	03/01/2024
<i>MSCI US REIT Index</i>			-1.69	2.95	2.95	8.39	6.58	6.94	5.71	7.67	
iShares Global Infrastructure ETF	86,947	3.02	2.12	21.86	21.86	13.94	10.26	9.80	8.68	18.08	06/01/2024
<i>S&P Global Infrastructure (Net)</i>			2.20	21.54	21.54	13.61	10.02	9.57	8.47	17.96	
Fixed Income	1,045,074	36.33	1.03	7.39	7.39	N/A	N/A	N/A	N/A	6.00	03/01/2024
<i>Blmbg. U.S. Aggregate</i>			1.10	7.30	7.30	4.66	-0.36	1.99	2.01	5.60	
iShares Core US Aggregate Bond ETF	973,331	33.83	1.00	7.19	7.19	4.69	-0.38	1.96	1.97	5.55	03/01/2024
<i>Blmbg. U.S. Aggregate</i>			1.10	7.30	7.30	4.66	-0.36	1.99	2.01	5.60	
SPDR Portfolio High Yield Bond	71,744	2.49	1.33	8.52	8.52	10.09	4.73	6.15	5.68	9.03	03/01/2024
<i>ICE BofA US High Yield Index</i>			1.35	8.50	8.50	10.03	4.50	6.10	6.45	8.96	
Cash Equivalent	84,671	2.94	0.98	4.23	4.23	N/A	N/A	N/A	N/A	4.66	03/01/2024
<i>ICE BofA 3 Month U.S. T-Bill</i>			0.97	4.18	4.18	4.81	3.17	2.68	2.18	4.67	
First American Government Obligation - X	84,671	2.94	0.98	4.23	4.23	4.81	3.18	2.62	N/A	4.66	03/01/2024
<i>ICE BofA 3 Month U.S. T-Bill</i>			0.97	4.18	4.18	4.81	3.17	2.68	2.18	4.67	

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

Calendar Year Comparative Performance

	Performance(%)				
	2024	2023	2022	2021	2020
Total Portfolio	N/A	N/A	N/A	N/A	N/A
<i>Blended Benchmark</i>	11.61	15.19	-14.58	12.54	N/A
Domestic Equity	N/A	N/A	N/A	N/A	N/A
<i>Russell 3000 Index</i>	23.81	25.96	-19.21	25.66	20.89
Fidelity Total Market Index	23.88	26.12	-19.51	25.65	20.78
<i>Russell 3000 Index</i>	23.81	25.96	-19.21	25.66	20.89
International Equity	N/A	N/A	N/A	N/A	N/A
<i>MSCI AC World ex USA (Net)</i>	5.53	15.62	-16.00	7.82	10.65
iShares Core MSCI Total Intl Stock ETF	5.15	15.62	-16.35	8.52	11.14
<i>MSCI AC World ex USA (Net)</i>	5.53	15.62	-16.00	7.82	10.65
Other Growth	N/A	N/A	N/A	N/A	N/A
Vanguard Real Estate ETF	4.92	11.75	-26.20	40.38	-4.72
<i>MSCI US REIT Index</i>	8.75	13.74	-24.51	43.06	-7.57
iShares Global Infrastructure ETF	14.34	6.16	-0.95	11.21	-6.28
<i>S&P Global Infrastructure (Net)</i>	14.05	5.78	-0.99	11.04	-6.49
Fixed Income	N/A	N/A	N/A	N/A	N/A
<i>Blmbg. U.S. Aggregate</i>	1.25	5.53	-13.01	-1.55	7.51
iShares Core US Aggregate Bond ETF	1.37	5.59	-13.06	-1.67	7.42
<i>Blmbg. U.S. Aggregate</i>	1.25	5.53	-13.01	-1.55	7.51
SPDR Portfolio High Yield Bond	8.27	13.56	-10.76	5.84	6.57
<i>ICE BofA US High Yield Index</i>	8.20	13.46	-11.22	5.36	6.17
Cash Equivalent	4.73	N/A	N/A	N/A	N/A
<i>ICE BofA 3 Month U.S. T-Bill</i>	5.25	5.02	1.46	0.05	0.67
First American Government Obligation - X	5.19	5.02	1.52	0.03	0.40
<i>ICE BofA 3 Month U.S. T-Bill</i>	5.25	5.02	1.46	0.05	0.67

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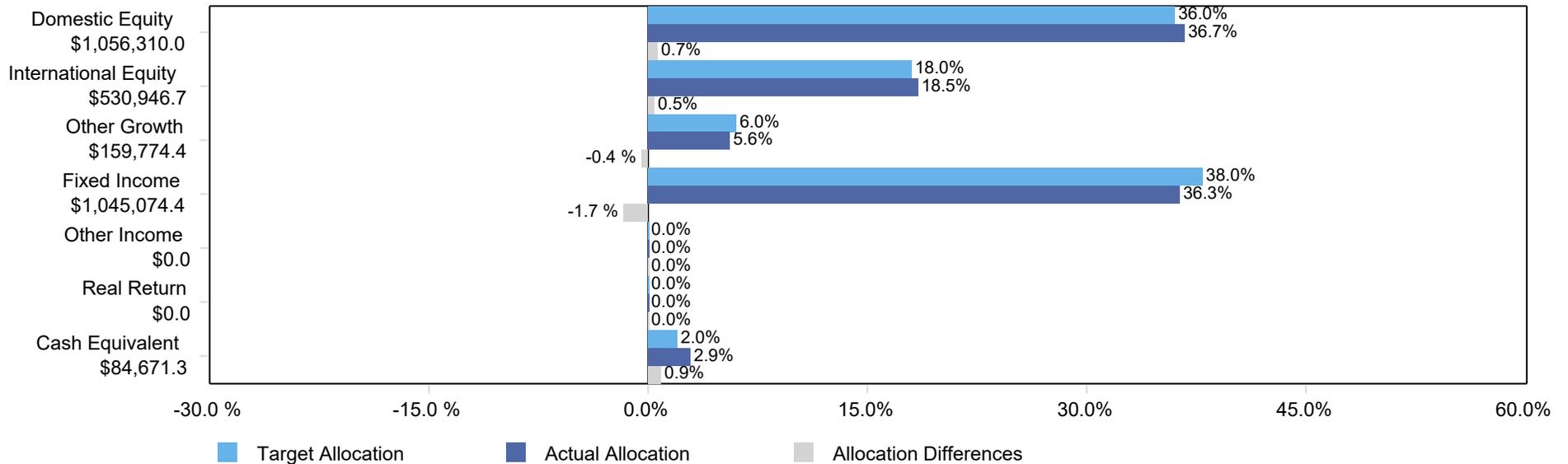
Account Reconciliation

QTR				
	Market Value As of 10/01/2025	Net Flows	Return On Investment	Market Value As of 12/31/2025
Total Portfolio	2,821,722	(2,748)	57,803	2,876,777

YTD				
	Market Value As of 01/01/2025	Net Flows	Return On Investment	Market Value As of 12/31/2025
Total Portfolio	2,530,654	(10,443)	356,566	2,876,777

Asset Allocation Compliance - Total Portfolio

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
Total Portfolio	100.0	100.0	N/A	N/A	0.0
Domestic Equity	36.7	36.0	20.0	50.0	0.7
International Equity	18.5	18.0	10.0	36.0	0.5
Other Growth	5.6	6.0	0.0	20.0	-0.4
Fixed Income	36.3	38.0	25.0	50.0	-1.7
Other Income	0.0	0.0	0.0	20.0	0.0
Real Return	0.0	0.0	0.0	20.0	0.0
Cash Equivalent	2.9	2.0	0.0	20.0	0.9



Historical Hybrid Composition - Blended Benchmark

Allocation Mandate	Weight (%)
Sep-2020	
PARS Balanced/Moderately Aggressive	100.0
Sep-2025	
Russell 3000 Index	36.0
MSCI AC World ex USA (Net)	18.0
50% MSCI US REIT / 50% MSCI World Core Infrastructure (net)	6.0
Blmbg. U.S. Aggregate	38.0
90 Day U.S. Treasury Bill	2.0

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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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Monthly Market Review

Multi-Asset Class | January 2026

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000 Index, returned 0.06% and -0.02% respectively in December.¹
- Five of the 11 sectors saw positive returns for the month. The Financials sector was the best performing sector, returning 3.07% for the month, followed by Materials at 2.22%. The Utilities sector was the worst performing sector, returning -5.12% in December.
- Mid-caps (Russell Mid Cap Index) and small-caps (Russell 2000 Index) saw marginally negative returns in December returning -0.28% and -0.58% respectively, while large caps (Russell 1000 Index) were flat, returning 0.00%. Value outperformed growth across all capitalizations during the month.
- According to FactSet Earnings Insight as of December 22, 2025, the estimated earnings growth rate for the S&P 500 for Q4 2025 is 8.3%, which would mark the tenth consecutive quarter of earnings growth and contribute to an estimated growth rate of 12.3% for calendar year 2025. For calendar year 2026, analysts currently expect a third consecutive year of double-digit earnings growth, at 15.0%.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index returned 3.0% in December. Developed markets, represented by the MSCI EAFE Index returned 3.0% as Europe (MSCI Europe) returned 3.90% and Japan (MSCI Japan) returned 0.54%. Emerging markets (EM), as represented by the MSCI Emerging Markets Index, returned 2.99% as negative returns in Chinese equities (MSCI China Index) of -1.24% were counterbalanced by strongly positive returns from Korea and Taiwan, at 12.70% and 5.81% respectively.
- Within the ACWI ex-U.S. Index, eight of the 11 sectors posted positive returns. Materials was the best performing sector for the month, returning 5.71%, while the Information Technology sector was the second-best performer, returning 5.62%. Communications Services was the worst performing sector, posting a return of -1.72%.

Fixed Income

- In December, the Treasury yield curve steepened as the Federal Reserve (Fed) cut rates, prompting short term rates to fall while longer term yields rose. The 2-year yield fell 1 basis point (bp) while the 5-year rose 13 bps. The yield on the 10-year and 30-year rose 15 bps and 19 bps respectively.

- The Bloomberg U.S. Aggregate Index returned -0.15% in December. Investment-grade (IG) credit returned -0.19%, AAA-rated bonds returned -0.14%, AA-rated bonds returned -0.50%, A-rated bonds returned -0.23% and BBB-rated bonds returned -0.09%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index returned 0.65% during the month, while the Broad Treasury Index returned -0.51%. Spreads narrowed slightly across the corporate credit spectrum.

Listed Real Assets

- During December, real estate investment trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index returned -2.54% and -2.31% respectively. The Lodging/Resorts sector saw the strongest performance for the month while the Healthcare sector stood as the most challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned -1.18% for the month.

Items to Watch

- The Fed cut rates as expected in December, bringing the new federal funds target range to 3.50%-3.75%, as labor data continued to soften. The December meeting also produced an updated summary of economic growth projections. Compared to the September projections, this estimate included an increase in projected economic growth, no change to unemployment rate expectations, and a decrease in projected inflation for 2026, pointing to increased optimism for the economy. The dot plot for 2026 reflects an expectation of one cut in 2026, though the timing of such a move is uncertain. The composition of the Fed is also about to change, with four new regional presidents rotating into voting roles in 2026.
- U.S. military action in Venezuela adds to the ongoing geopolitical risks, prompting increased uncertainty as the possible implications for the market are weighed. Venezuela's oil reserves, and their relationship to China, its primary oil buyer, are of particular interest. In the short term the impact on energy prices is expected to be relatively minimal, while the longer-term impacts depend on the future of Venezuela's energy infrastructure and who controls it.

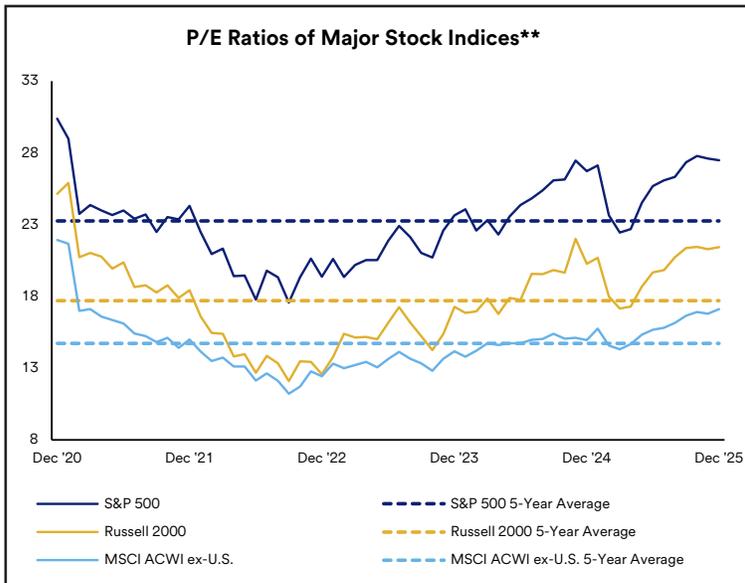
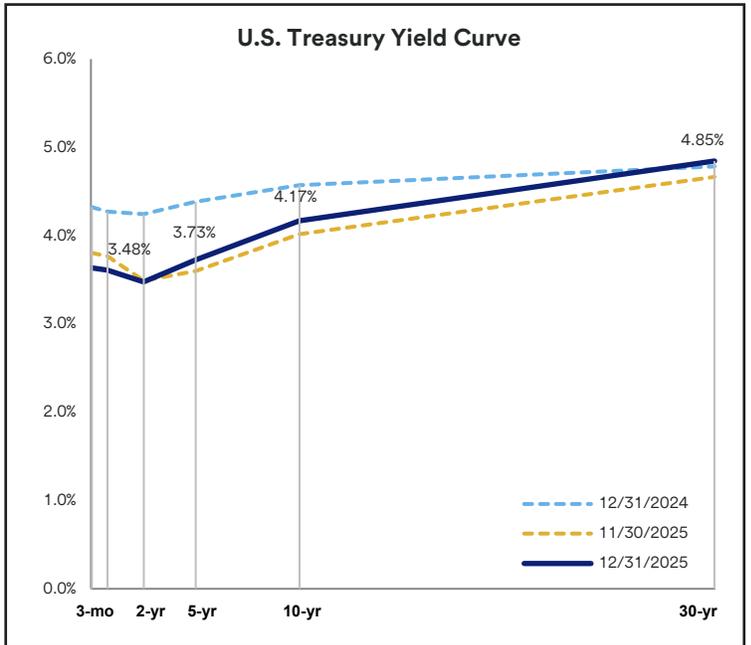
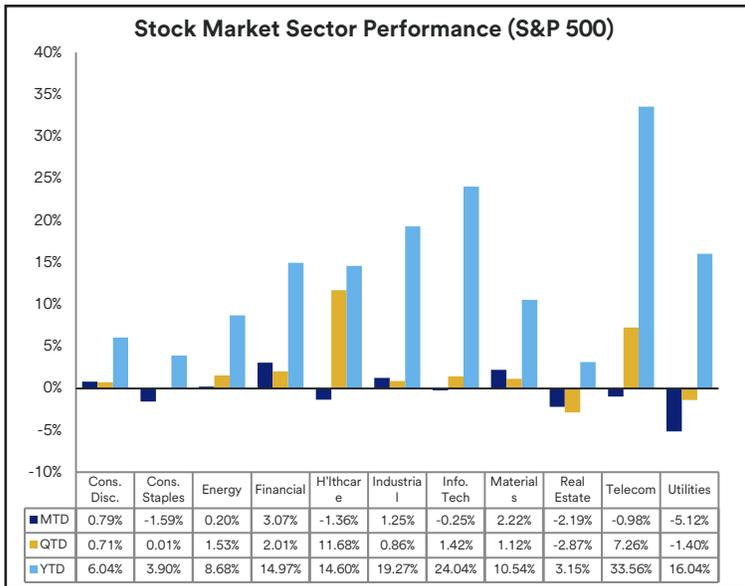
Sources

- Bloomberg
- FactSet

1 - All returns are expressed as total returns (price returns net of dividends).

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	0.06%	2.65%	17.86%	17.86%
Russell 3000	-0.02%	2.40%	17.13%	17.13%
Russell 2000	-0.58%	2.19%	12.79%	12.79%
Russell 1000	0.00%	2.41%	17.35%	17.35%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	3.00%	5.05%	32.39%	32.39%
MSCI EAFE	3.00%	4.86%	31.22%	31.22%
MSCI Emerging Markets	2.99%	4.73%	33.57%	33.57%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-0.15%	1.10%	7.30%	7.30%
Bloomberg Barclays Global Agg	0.26%	0.24%	8.17%	8.17%
Bloomberg Barclays U.S. HY	0.65%	1.35%	8.50%	8.50%
Listed Real Assets	MTD	QTD	YTD	1 YR
MSCI U.S. REIT	-2.54%	-1.99%	1.68%	1.68%
FTSE NAREIT Index	-2.31%	-1.56%	2.88%	2.88%
MSCI World Core Infrastructure	-1.18%	0.32%	15.85%	15.85%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	4.6%	4.4%
Initial Jobless Claims (4 week avg)	218.8 K	217 K
CB Leading Economic Indicators	-0.3	-0.3
Capacity Utilization	75.9%	76.0%
GDP (annual growth rate)	4.3%	3.8%
University of Michigan Consumer Confidence	52.9	51.0
New Home Starts	800 K	664 K
Existing Home Sales	4.1 MM	4.1 MM
Retail Sales (YoY)	3.5%	4.2%
U.S. Durable Goods (MoM)	-2.2%	0.7%
Consumer Price Index (YoY)	2.7%	3.0%
Producer Price Index (MoM)	1.2%	0.1%
Developed International*	9/30/2025	6/30/2025
Market GDP (ann'l rate)	1.3%	1.6%
Market Unemployment	5.0%	4.8%



Source: Bloomberg. Data as of December 31, 2025, unless otherwise noted.

*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2025 due to release dates of numerous countries.

**P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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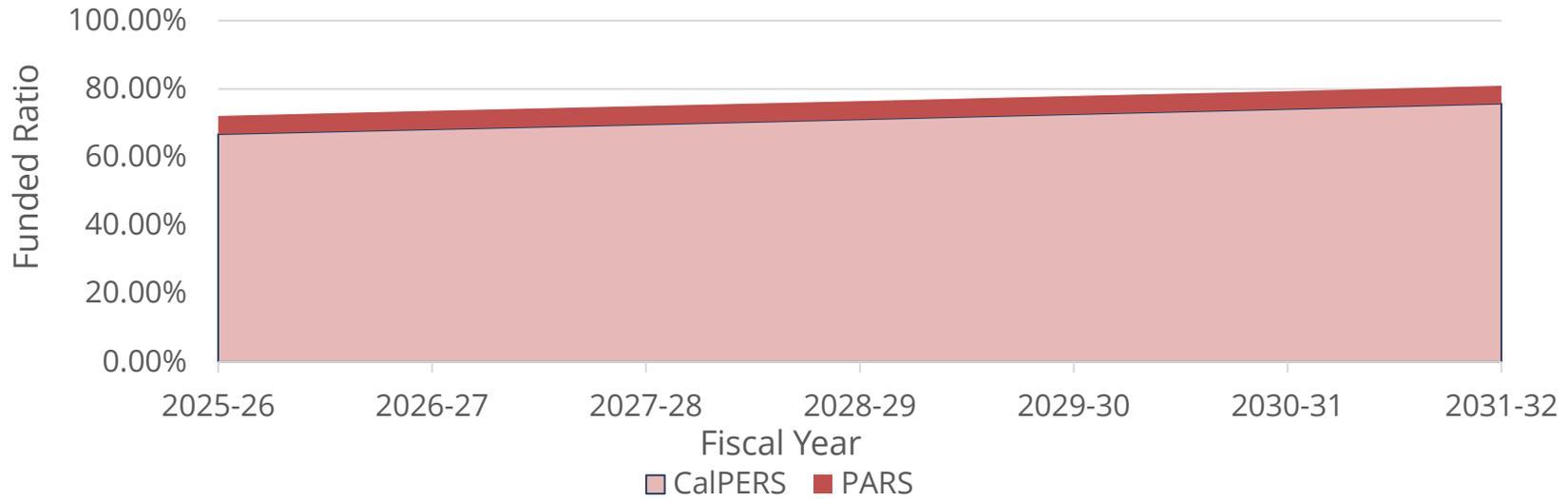
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PROJECTED FUNDED RATIO MODELS

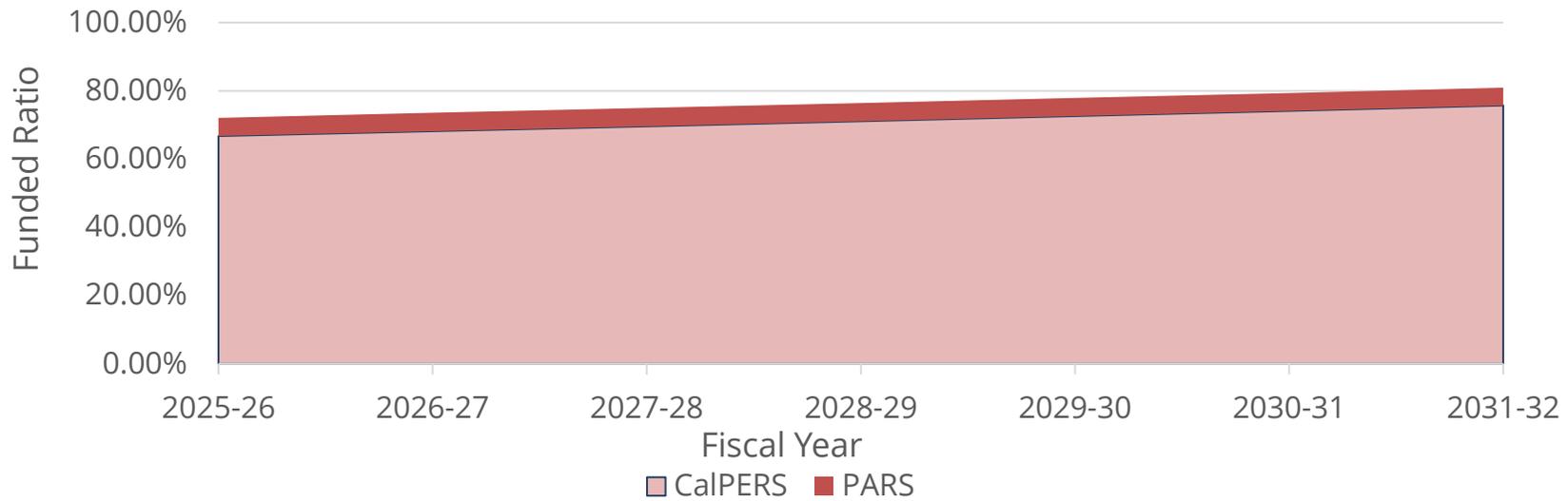
PROJECTED FUNDED RATIO



	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Actuarial Liability (Miscellaneous & Safety)	\$548,823,015	\$574,002,104	\$600,336,367	\$627,878,803	\$656,684,839	\$686,812,449	\$718,322,264
Subtotal CalPERS Assets (Miscellaneous & Safety)	\$366,504,535	\$391,426,843	\$418,043,868	\$446,470,851	\$476,830,869	\$509,255,368	\$543,884,734
PARS Assets	\$29,053,256	\$30,818,179	\$32,689,062	\$34,012,107	\$35,375,727	\$36,779,883	\$38,224,375
Distributions (1/3 of Projected Annual Net Earnings before disbursements)	\$0	\$0	(\$624,671)	(\$663,281)	(\$704,278)	(\$747,809)	(\$794,031)
Subtotal Net PARS Assets	\$29,053,256	\$30,818,179	\$32,064,391	\$33,348,826	\$34,671,449	\$36,032,073	\$37,430,344
Total Assets (CalPERS and PARS)	\$395,557,791	\$422,245,022	\$450,108,259	\$479,819,678	\$511,502,318	\$545,287,442	\$581,315,078
Funded Ratio (CalPERS)	66.78%	68.19%	69.63%	71.11%	72.61%	74.15%	75.72%
Funded Ratio (PARS)	5.29%	5.37%	5.34%	5.31%	5.28%	5.25%	5.21%
Funded Ratio (All)	72.07%	73.56%	74.98%	76.42%	77.89%	79.39%	80.93%

**The figures represent PARS estimates. PARS is not licensed to provide and does not offer actuarial advice. It is recommended that the City consult with their own actuary prior to making any policy decisions. Any actuarial advice provided by a licensed actuary shall take precedence over all calculations contained herein. Actuarial Liability is assumed to grow at an annual compound growth rate of 4.59% based on historical actuarial liability figures obtained from the City's CalPERS actuarial valuations <https://www.calpers.ca.gov/employers/actuarial-resources/public-agency-actuarial-valuation-reports>. CalPERS assets are assumed to grow at an annual rate of 6.8% based on the City's current discount rate. The calculation assumes zero net cashflow for CalPERS assets. PARS assets are assumed to grow at an annual rate of 6.5% based on PFAM 5-year expected return. PARS assets are net of PARS administrative and investment expenses.*

PROJECTED FUNDED RATIO (NO DISTRIBUTIONS)



	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Actuarial Liability (Miscellaneous & Safety)	\$548,823,015	\$574,002,104	\$600,336,367	\$627,878,803	\$656,684,839	\$686,812,449	\$718,322,264
Subtotal CalPERS Assets (Miscellaneous & Safety)	\$366,504,535	\$391,426,843	\$418,043,868	\$446,470,851	\$476,830,869	\$509,255,368	\$543,884,734
PARS Assets	\$29,053,256	\$30,818,179	\$32,692,192	\$34,682,035	\$36,794,870	\$39,038,298	\$41,420,390
Distributions (1/3 of Projected Annual Net Earnings before disbursements)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Net PARS Assets	\$29,053,256	\$30,818,179	\$32,692,192	\$34,682,035	\$36,794,870	\$39,038,298	\$41,420,390
Total Assets (CalPERS and PARS)	\$395,557,791	\$422,245,022	\$450,736,060	\$481,152,887	\$513,625,739	\$548,293,666	\$585,305,124
Funded Ratio (CalPERS)	66.78%	68.19%	69.63%	71.11%	72.61%	74.15%	75.72%
Funded Ratio (PARS)	5.29%	5.37%	5.45%	5.52%	5.60%	5.68%	5.77%
Funded Ratio (All)	72.07%	73.56%	75.08%	76.63%	78.21%	79.83%	81.48%

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