CHANDLER ASSET MANAGEMENT

INVESTMENT REPORT

City of South San Francisco | As of September 30, 2024

CHANDLER ASSET MANAGEMENT | chandlerasset.com

Chandler Team:

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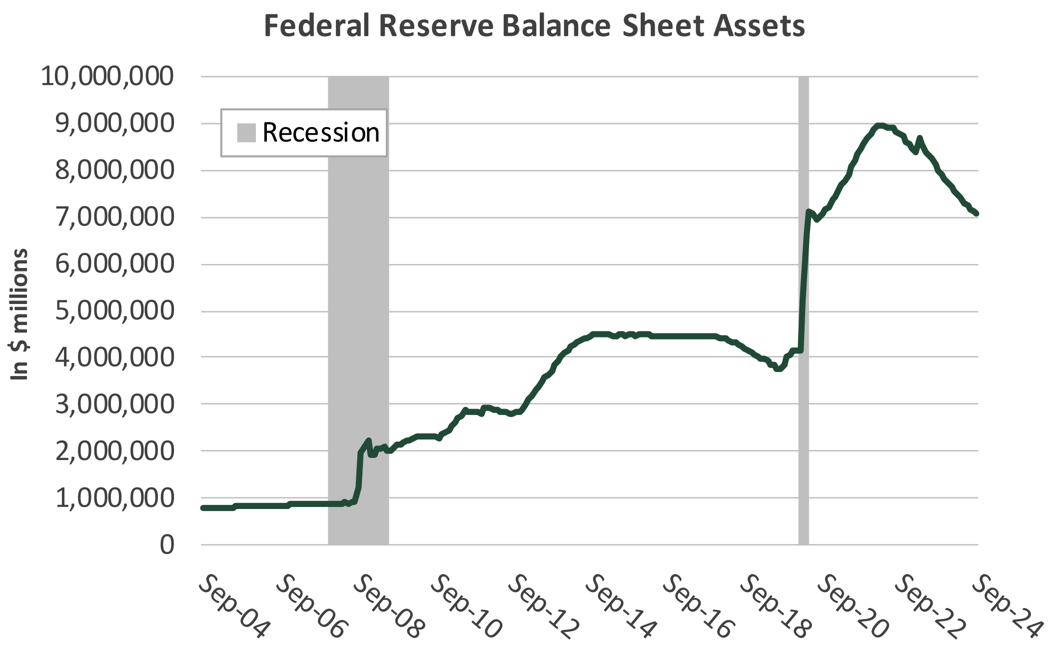
or contact clientservice@chandlerasset.com

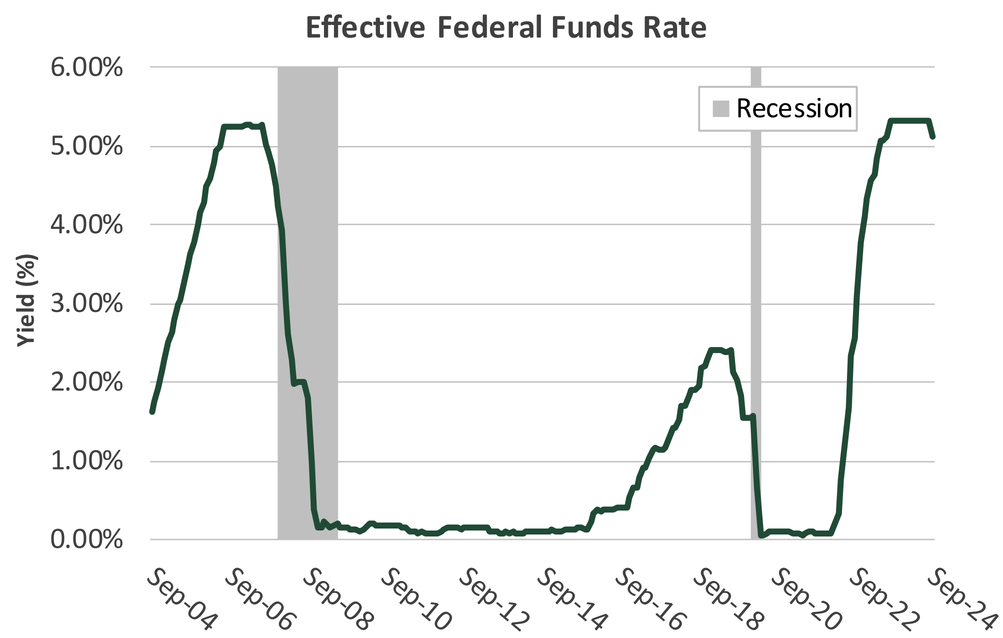
- Recent economic data suggests positive but slower growth this year fueled by consumer spending. While the consumer has been resilient, declining savings rates, growing credit card debt, higher delinquencies, and a moderating labor market pose potential headwinds to future economic growth. Inflationary trends are subsiding, but core levels remain above the Fed's target. The labor market is showing signs of cooling, reflecting an improved balance between supply and demand for workers. Given the cumulative effects of restrictive monetary policy and tighter financial conditions, we believe the economy will gradually soften and the Fed will continue to lower rates at a measured pace through this year with the ability to move more aggressively should the employment data warrant.

- The Federal Open Market Committee (FOMC) delivered the first rate cut of the easing cycle with a 50 basis point cut at the September meeting. Although a reduction in the Fed Funds Rate was widely anticipated, the magnitude was somewhat of a surprise, as market participants were split between whether the FOMC would cut by 25 basis points or 50 basis points. Chair Jerome Powell reiterated previous statements acknowledging that monetary policy has shifted into a more balanced approach addressing price stability and full employment in tandem. The Fed released the quarterly Summary of Economic Projections (SEP) which now forecasts a substantially lower median Fed Funds Rate expectation among Fed Governors in 2025 due to lower inflation expectations and a higher projected unemployment rate. We believe the Fed will continue to lower rates at a measured pace through this year with the ability to move more aggressively should the employment data warrant.

- The US Treasury yield curve shifted lower in September following the 50 basis points rate cut by the FOMC mid-month. The 2-year Treasury yield fell 28 basis points to 3.64%, the 5-year Treasury dropped 15 basis points to 3.56%, and the 10-year Treasury yield declined 12 basis points to 3.78%. The 2-year and 10-year Treasury yield points on the curve began to normalize to +14 basis points at September month-end versus -2 basis points at August month-end. The spread between the 2-year Treasury and 10-year Treasury yield one year ago was -47 basis points. The inversion between 3-month and 10-year Treasuries ended the month of September at -85 basis points.

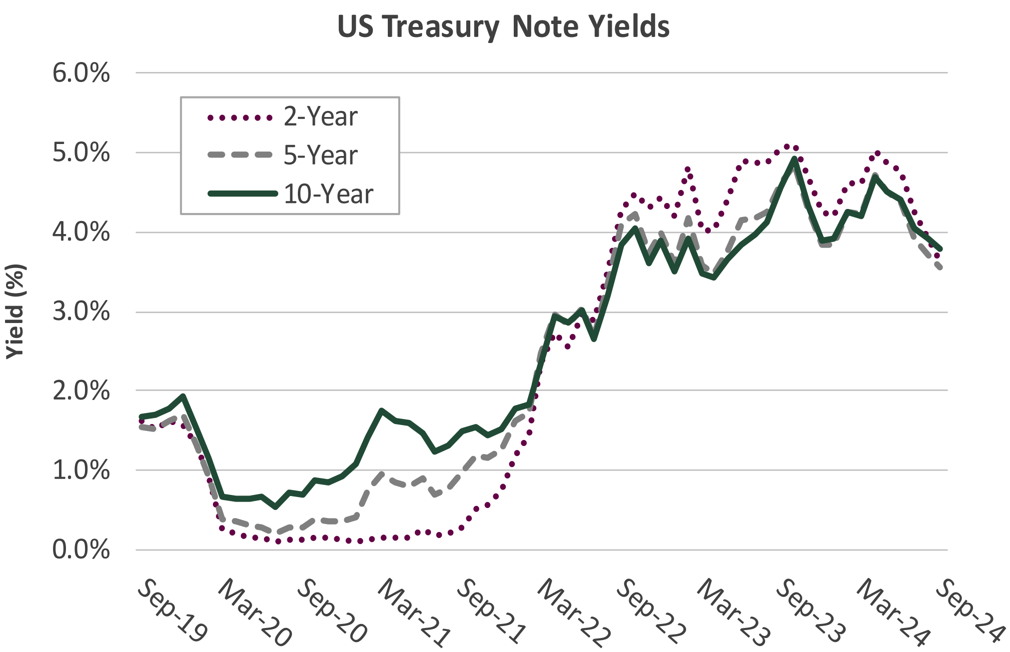


Source: Federal Reserve

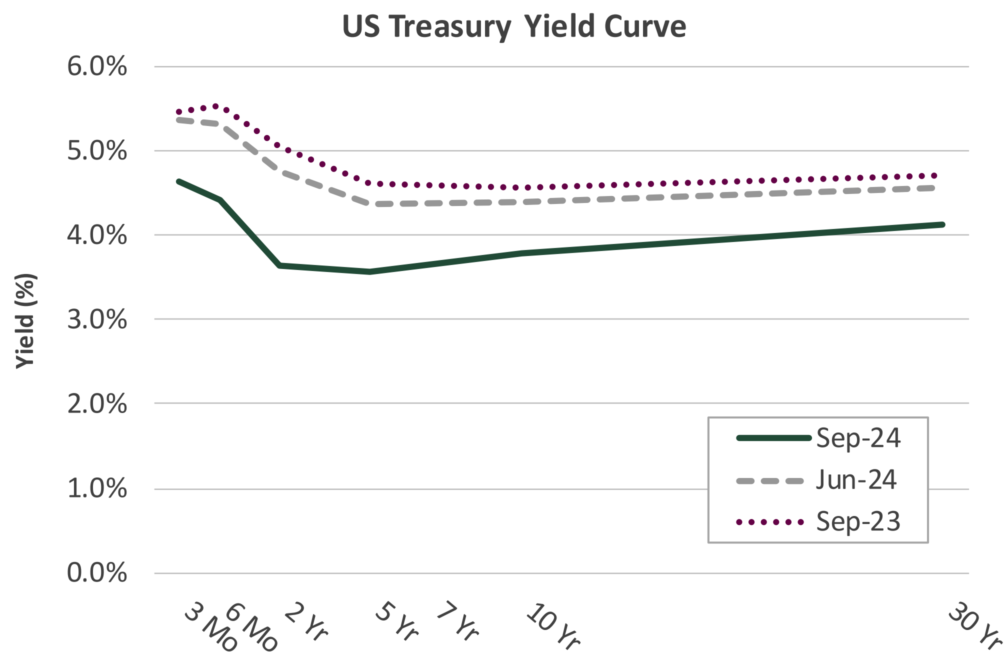


Source: Bloomberg

The Federal Open Market Committee (FOMC) delivered the first rate cut of the easing cycle at the September meeting. Although a reduction in the Fed Funds Rate was widely anticipated, the magnitude was somewhat of a surprise, as market participants were split between whether the FOMC would cut by 25 basis points or 50 basis points. Chair Jerome Powell reiterated previous statements acknowledging that monetary policy has shifted into a more balanced approach addressing price stability and full employment in tandem. The Fed released the quarterly Summary of Economic Projections (SEP) which now forecasts a substantially lower median Fed Funds Rate expectation among Fed Governors in 2025 to 3.1 – 3.6%. The Fed continues to reduce its holdings of U.S. Treasury securities and agency mortgage-backed securities as per its predefined schedule of $25 billion and $35 billion per month. Since the Fed began its Quantitative Tightening campaign in June 2022, securities holdings have declined by approximately $1.8T to approximately $7.1T.



Source: Bloomberg



Source: Bloomberg

At the end of September, the 2-year Treasury yield was 140 basis points lower, and the 10-Year Treasury yield was 79 basis points lower, year-over-year. The 2-year and 10-year Treasury yield points on the curve began to normalize to +14 basis points at September month-end versus -2 basis points at August month-end. The yield curve inversion which began in July 2022 was historically long. The average historical spread (since 2003) is about +110 basis points. The inversion between 3-month and 10-year Treasuries tightened to -85 basis points in September from -121 basis points in August.

CHANDLER ASSET MANAGEMENT

ACCOUNT PROFILE

Investment Objectives

The City of South San Francisco's investment objectives, in order of priority, are to provide safety to ensure the preservation of capital in the overall portfolio, provide sufficient liquidity for cash needs and a market rate of return consistent with the investment program.

Chandler Asset Management Performance Objective

The performance objective for the portfolio is to earn a total rate of return through a market cycle that is equal to or above the return on the benchmark index.

Strategy

In order to achieve these objectives, the portfolio invests in high quality fixed income securities consistent with the investment policy and California Government Code.

	Inception	Market Value as of September 30, 2024
Mid-Term Portfolio	March 31, 2009	$207,645,629
Limited Maturity Portfolio	January 31, 2023	$66,705,773
Pension Reserve Portfolio	December 31, 2022	$6,052,977
Liquidity (Investment Pools and Cash)	N/A	$54,636,637
Total Investment Program		**335,041,016**

Source: Chandler Asset Management.

CHANDLER ASSET MANAGEMENT

	FY 2023-24 Interest Income	FY 2022-23 Interest Income
Mid-Term Portfolio	$3,989,531	$3,386,338
Limited Maturity Portfolio	$2,979,563	$1,229,567
Pension Reserve Portfolio	$245,255	$153,259
Total Investment Program Managed by Chandler	**$7,214,349**	**$4,769,164**

Source: Chandler Asset Management. Does not include changes in fair value.

	First Three Months FY 2024-25 Interest Income	First Three Months FY 2023-24 Interest Income
Mid-Term Portfolio	$1,463,427	$ 798,313
Limited Maturity Portfolio	$ 845,259	$ 850,498
Pension Reserve Portfolio	$ 70,669	$ 62,402
Total Investment Program Managed by Chandler	**$ 2,379,355**	**$ 1,711,213**

Source: Chandler Asset Management. Does not include changes in fair value.

PORTFOLIO CHARACTERISTICS

CHANDLER ASSET MANAGEMENT

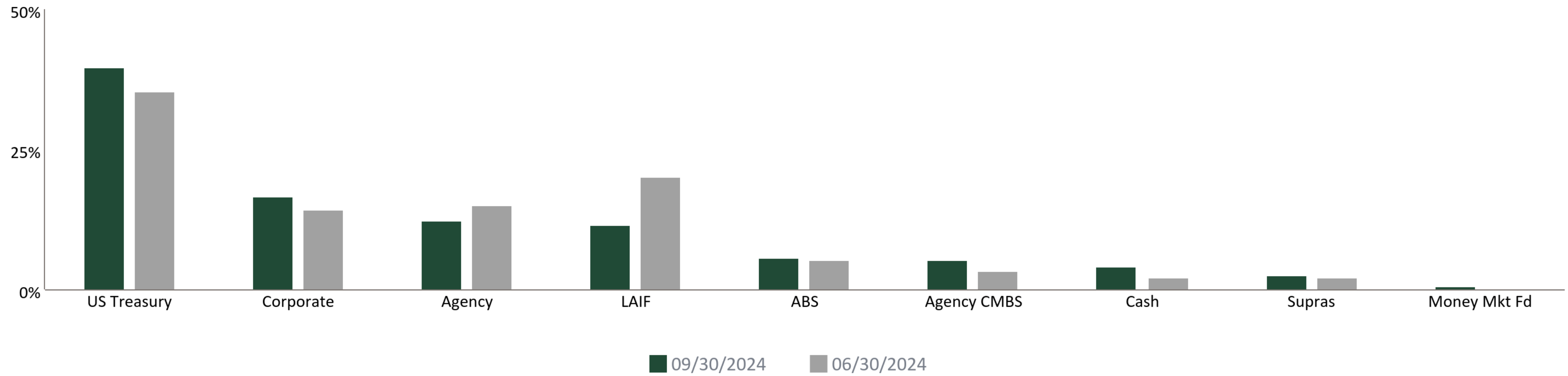
So San Francisco Cons Portfolio | Account #10061 | As of September 30, 2024

	9/30/2024 Portfolio	6/30/2024 Portfolio
Average Maturity (yrs)	1.96	1.77
Average Modified Duration	1.71	1.54
Average Purchase Yield	3.71%	3.83%
Average Market Yield	3.96%	4.75%
Average Quality**	AA+	AA+
Total Market Value	335,041,016	351,695,482

*Benchmark: NO BENCHMARK REQUIRED

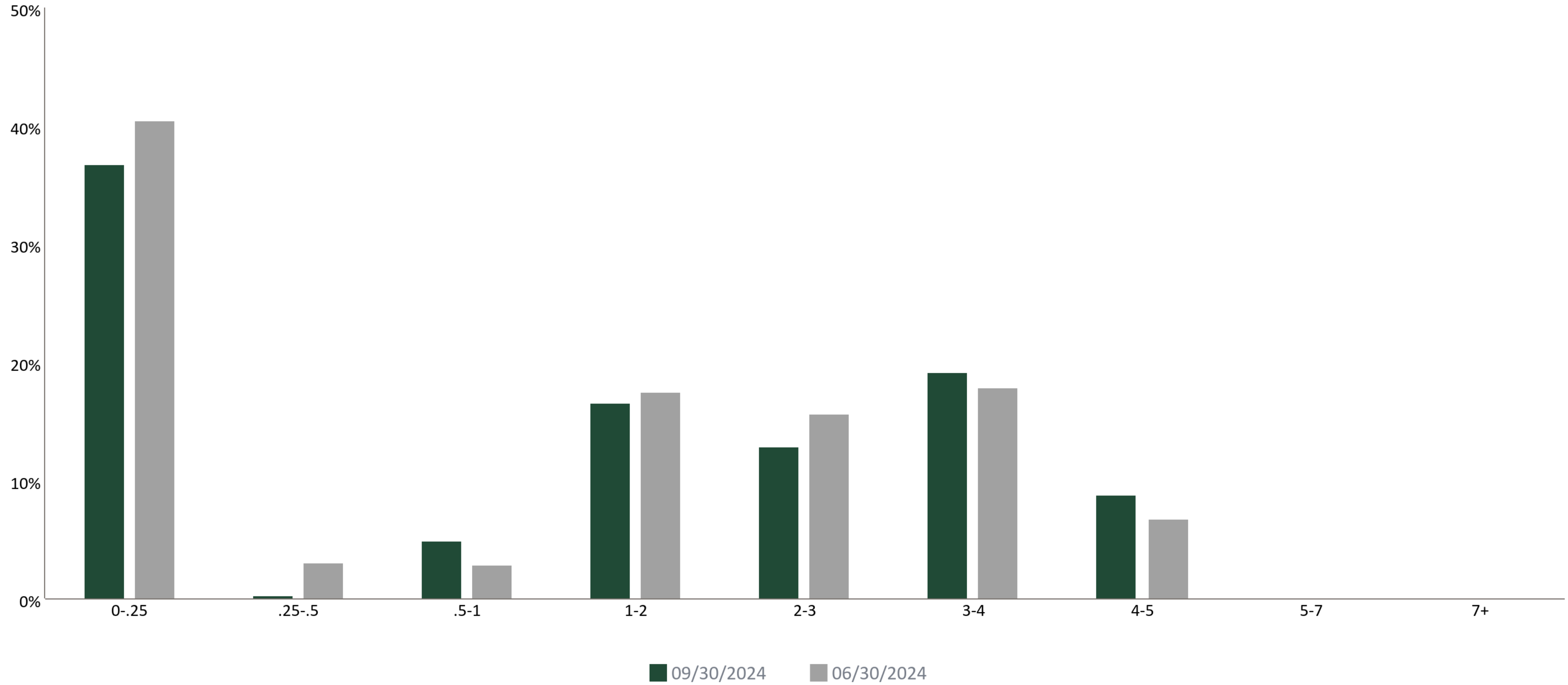
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

So San Francisco Cons Portfolio | Account #10061 | As of September 30, 2024



Sector as a Percentage of Market Value

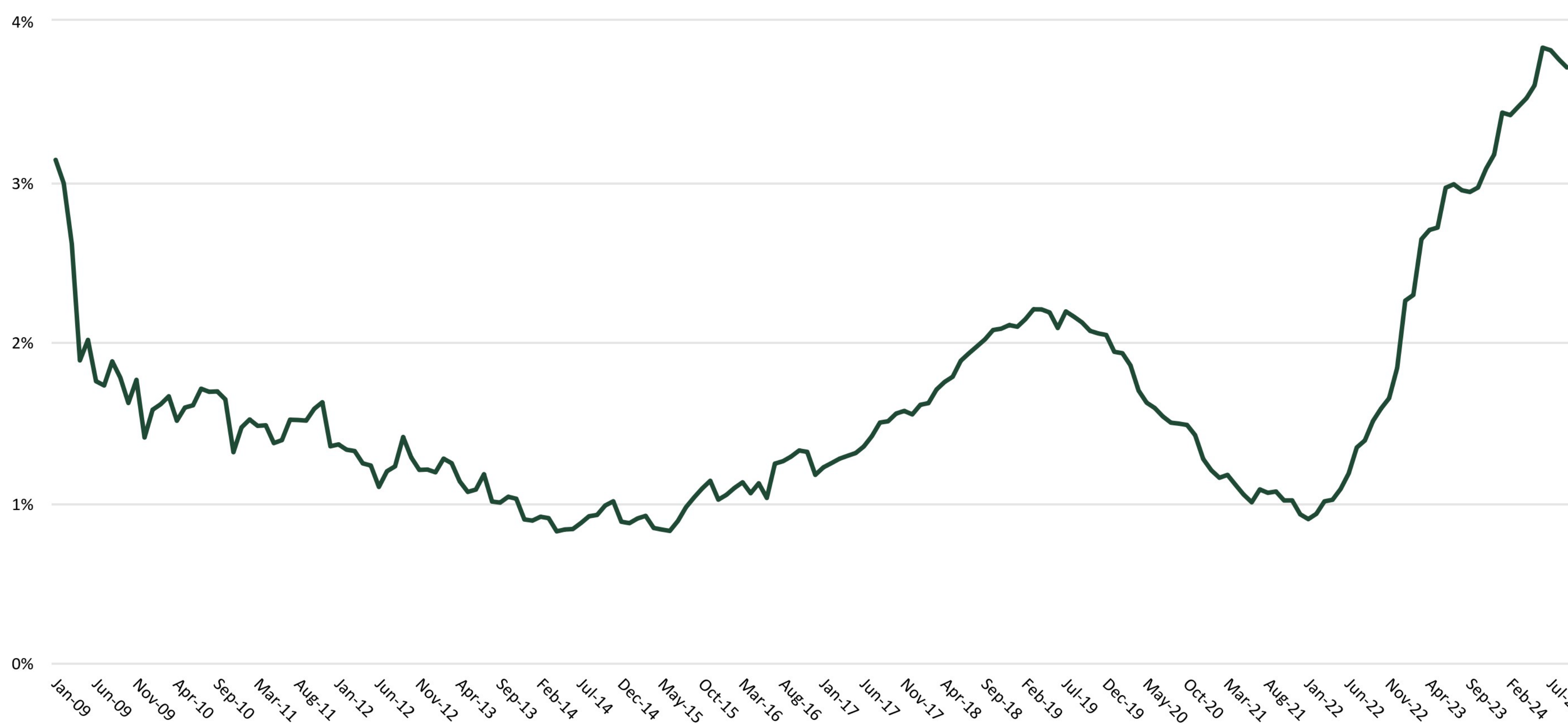
Sector	09/30/2024	06/30/2024
US Treasury	39.90%	35.73%
Corporate	16.60%	14.47%
Agency	12.37%	15.38%
LAIF	11.83%	20.46%
ABS	5.92%	5.43%
Agency CMBS	5.62%	3.68%
Cash	4.37%	2.23%
Supras	2.72%	2.52%
Money Mkt Fd	0.66%	0.10%



Date	0-.25	.25-.5	.5-1	1-2	2-3	3-4	4-5	5-7	7+
09/30/2024	36.8%	0.3%	5.0%	16.7%	13.0%	19.3%	9.0%	0.0%	0.0%
06/30/2024	40.6%	3.1%	2.9%	17.6%	15.8%	17.9%	6.9%	0.0%	0.0%

HISTORICAL AVERAGE PURCHASE YIELD

Purchase Yield as of 09/30/24 = 3.71%



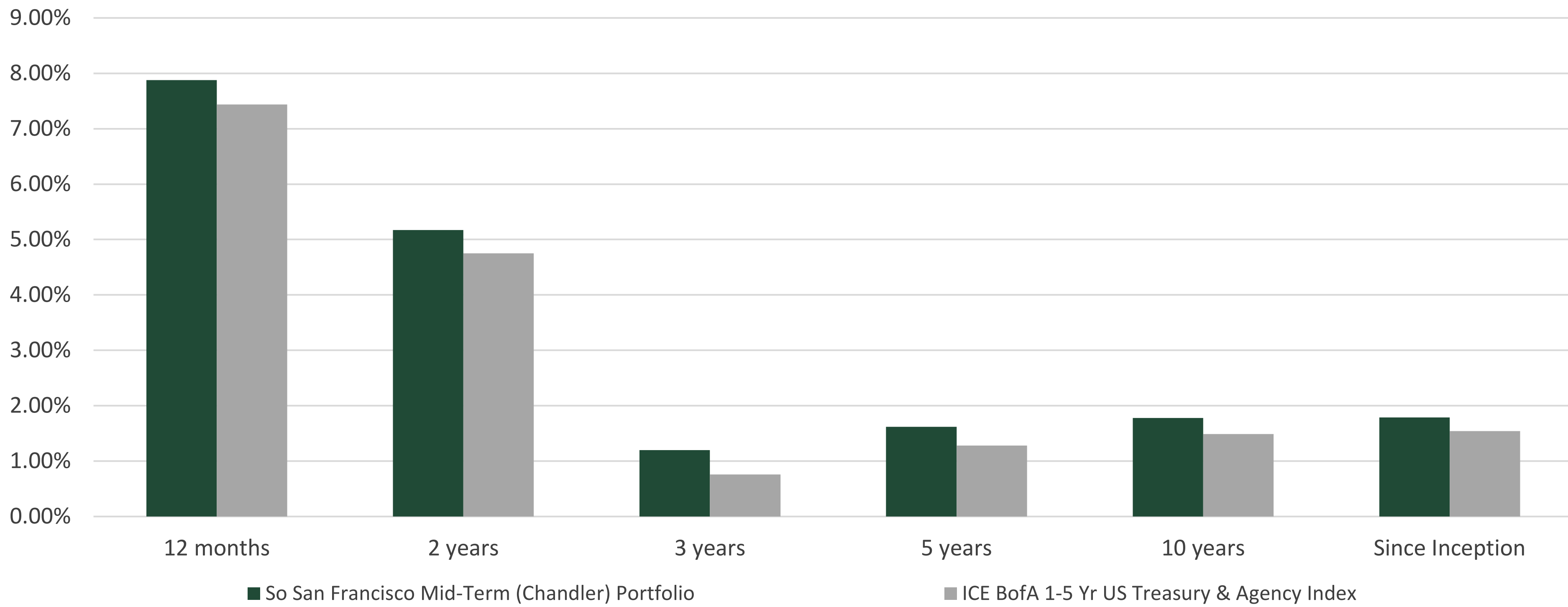
So San Francisco Mid-Term (Chandler) | Account #10059 | As of September 30, 2024

	Benchmark*	9/30/2024 Portfolio	6/30/2024 Portfolio
Average Maturity (yrs)	2.76	3.05	2.97
Average Modified Duration	2.58	2.64	2.58
Average Purchase Yield		3.40%	3.19%
Average Market Yield	3.65%	3.89%	4.84%
Average Quality**	AA+	AA+	AA+
Total Market Value		207,645,629	200,593,548

*Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

So San Francisco Mid-Term (Chandler) | Account #10059 | As of September 30, 2024

Total Rate of Return : Inception | 04/01/2009



	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
TOTAL RATE OF RETURN							
So San Francisco MidTerm (CAM)	3.52%	7.88%	5.17%	1.20%	1.62%	1.78%	1.79%
Benchmark	*3.37%*	*7.44%*	*4.75%*	*0.76%*	*1.28%*	*1.49%*	*1.54%*

*Periods over 1 year are annualized.
Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index
Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

So San Francisco Limited Maturity | Account #10590 | As of September 30, 2024

	Benchmark*	9/30/2024 Portfolio	6/30/2024 Portfolio
Average Maturity (yrs)	1.92	0.13	0.18
Average Modified Duration	1.82	0.12	0.18
Average Purchase Yield		4.93%	5.39%
Average Market Yield	3.71%	4.72%	5.23%
Average Quality**	AA+	AAA	AAA
Total Market Value		66,705,773	65,818,779

*Benchmark: ICE BofA 1-3 Year US Treasury & Agency Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

So San Francisco Limited Maturity | Account #10590 | As of September 30, 2024

Total Rate of Return : Inception | 05/01/2018

	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
TOTAL RATE OF RETURN							
So San Francisco Limited Mat	1.35%	5.37%	4.35%	2.89%	2.25%		2.33%

*Periods over 1 year are annualized.
Benchmark: ICE BofA 1-3 Year US Treasury & Agency Index
Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

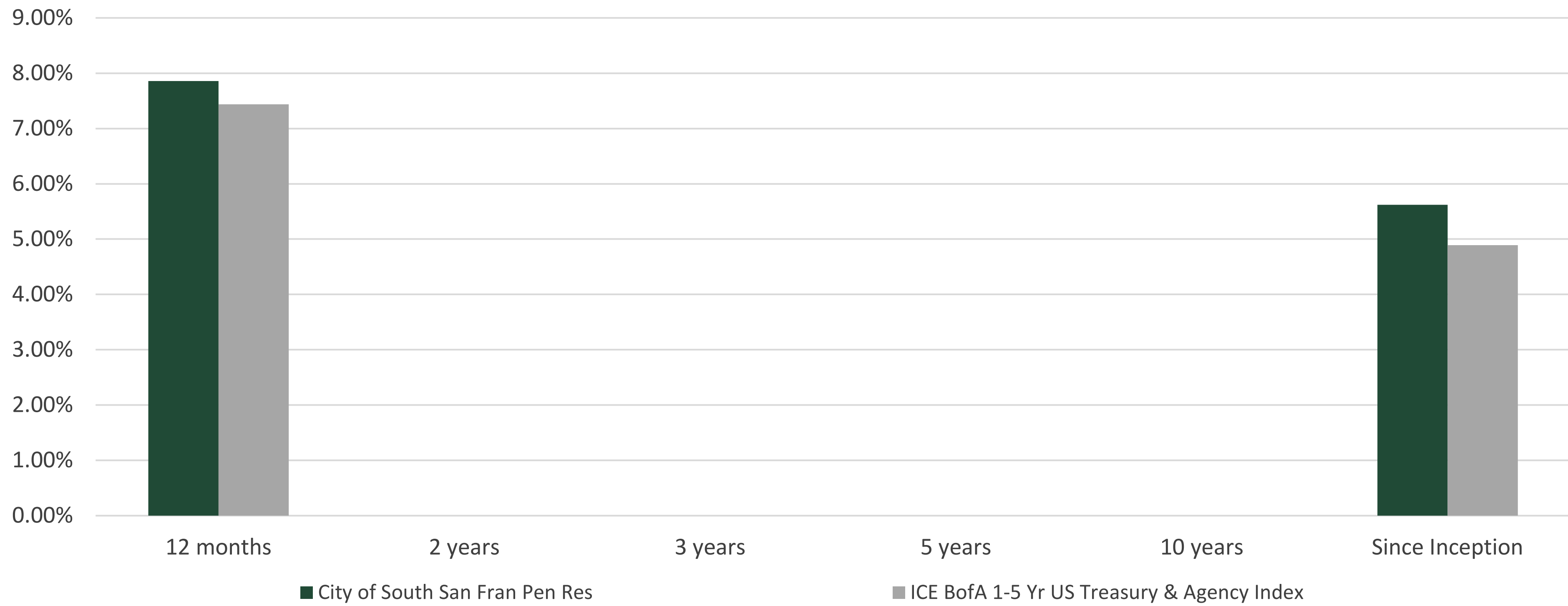
City of South San Fran Pen Res | Account #11042 | As of September 30, 2024

	Benchmark*	9/30/2024 Portfolio	6/30/2024 Portfolio
Average Maturity (yrs)	2.76	2.99	2.95
Average Modified Duration	2.58	2.63	2.59
Average Purchase Yield		4.37%	4.41%
Average Market Yield	3.65%	3.86%	4.83%
Average Quality**	AA+	AA	AA
Total Market Value		6,052,977	5,847,635

*Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

City of South San Fran Pen Res | Account #11042 | As of September 30, 2024

Total Rate of Return : Inception | 01/01/2023



	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
TOTAL RATE OF RETURN							
City of South San Fran Pen Res	3.51%	7.86%					5.62%
Benchmark	*3.37%*	*7.44%*					*4.89%*

*Periods over 1 year are annualized.
Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index
Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

So San Francisco Liquidity Portfolio | Account #10060 | As of September 30, 2024

	Benchmark*	9/30/2024 Portfolio	6/30/2024 Portfolio
Average Maturity (yrs)	0.49	0.00	0.00
Average Modified Duration	0.47	0.00	0.00
Average Purchase Yield		3.31%	4.12%
Average Market Yield	4.41%	3.31%	4.12%
Average Quality**	AA+	AAA	AAA
Total Market Value		54,636,637	79,435,520

*Benchmark: ICE BofA US 6-Month Treasury Bill Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

Information contained herein is confidential. Prices are provided by ICE Data Services Inc (“IDS”), an independent pricing source. In the event IDS does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client’s Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody’s, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities (“MBS”) reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody’s and Fitch respectively.

BENCHMARK DISCLOSURES

So San Francisco | As of September 30, 2024

Benchmark	Disclosure
ICE BofA 1-5 Yr US Treasury & Agency Index	The ICE BofA 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of $1 billion for sovereigns and $250 million for agencies.
ICE BofA 1-3 Yr US Treasury & Agency Index	The ICE BofA 1-3 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of $1 billion for sovereigns and $250 million for agencies.