



APRIL 8, 2025

Enhancing Your Investment Program & Portfolio Strategies

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MEEDER
PUBLIC FUNDS

Today's Discussion Leaders



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Agenda

- **Investment Plan**
- **Cash Flow Planning**
- **Cost of Liquidity**
- **Investment Strategies**
- **Economic Update**





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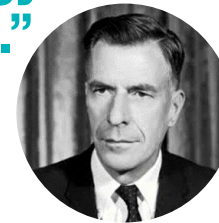
Investment Plan

Can Anyone Time the Market Accurately Over the Long Run?



“The only function of economic (and interest rate) forecasting is to make astrology look respectable.”

JOHN KENNETH GALBRAITH
Economist



“The Federal Reserve is currently not forecasting a recession.”

BEN BERNANKE
Former Fed Chair
January 10, 2008



“Our ability to forecast is limited.”

ALAN GREENSPAN
Former Fed Chair
November 2019



“It’s tough to make predictions, especially about the future.”

YOGI BERRA
New York Yankees



How Good are You at Predicting Future Events?

CASH FLOW TIMING

- 01 While I don't know the exact amount, I generally know my big ticketed cash outflow items and approximately when they will go out
 - 02 I generally know when I receive big cash inflows
 - 03 My investment policy's primary objective in order of importance is safety of principal, sufficient liquidity, and yield
 - 04 My investment policy does not state anywhere that my duties are to time the market
-



Creating an investment plan

SOURCE: FDIC

Primary Objectives of Investment Programs

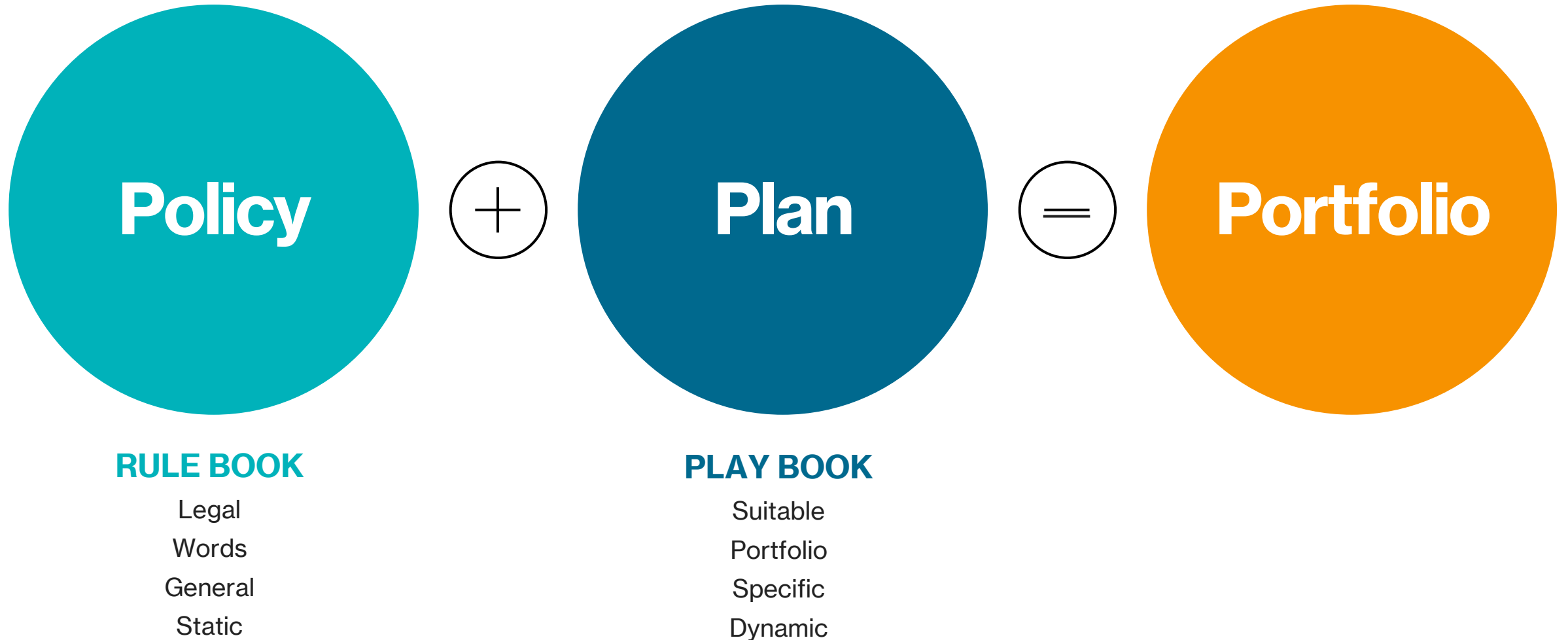
1 Safety of principal

2 Sufficient liquidity

3 Market rate of investment income

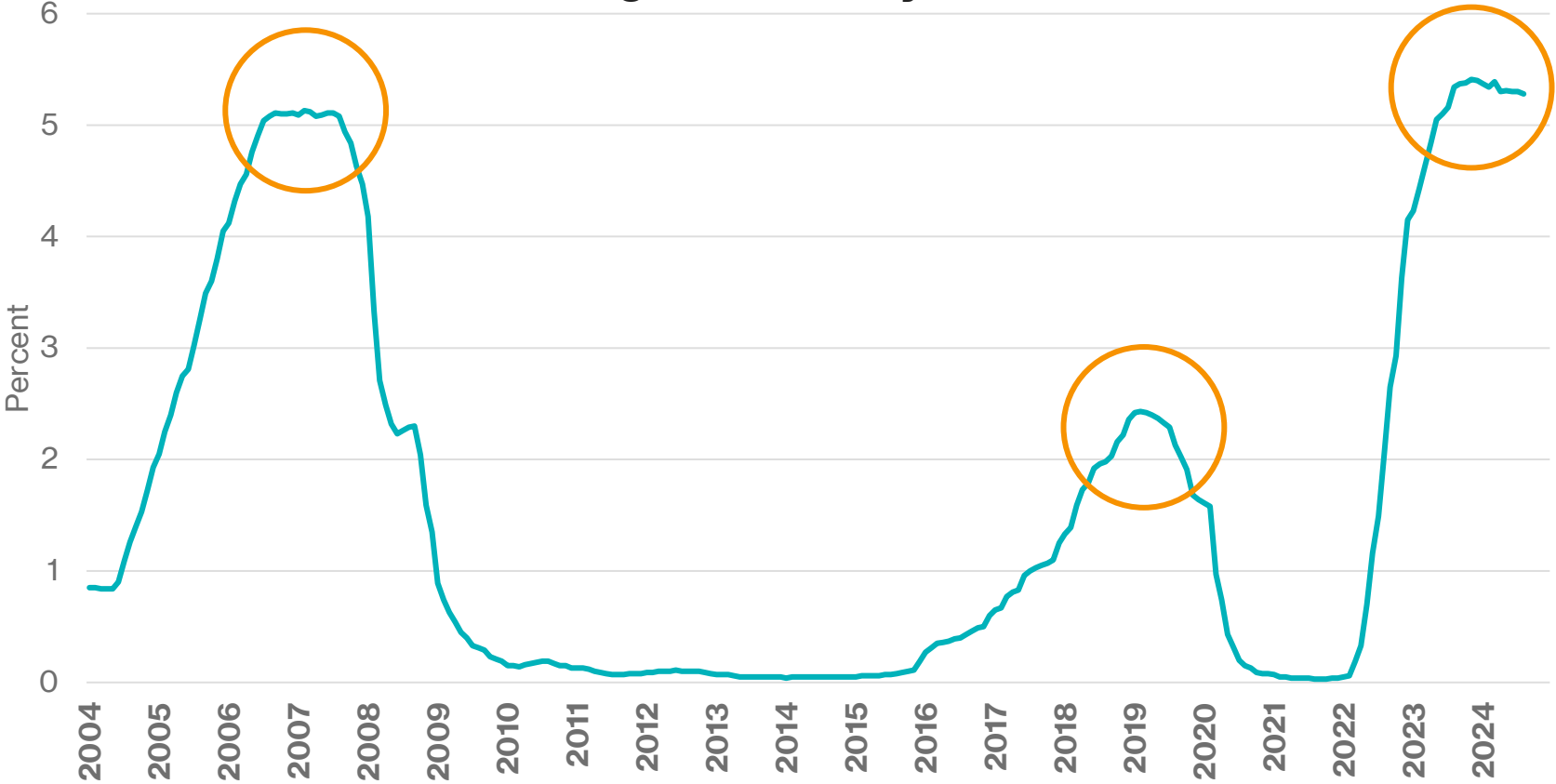


Investment Policy versus Investment Plan



Opportunity to Create Longer-term Certainty

Average LGIP 7-Day Yield

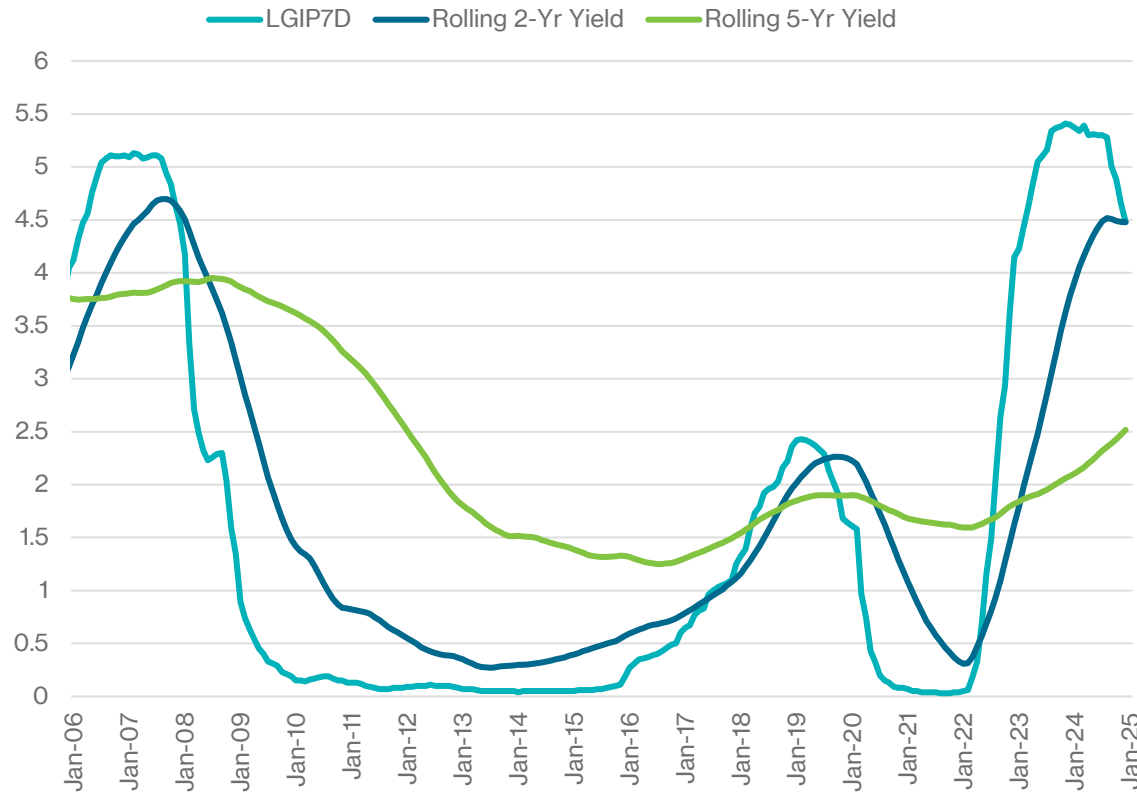


- Short-term interest rates topping out?
- Opportunity to lock in high interest rates for the long-term
- Creates budgetary certainty for the long-term

AS OF 7/31/2024 SOURCE BLOOMBERG. AVERAGE LGIP REPRESENTED BY LGIP7D NET INDEX.

Hypothetical Illustration: Value of a Long-term Plan

Monthly Yield Comparison (%)



Growth of \$50 million (\$)

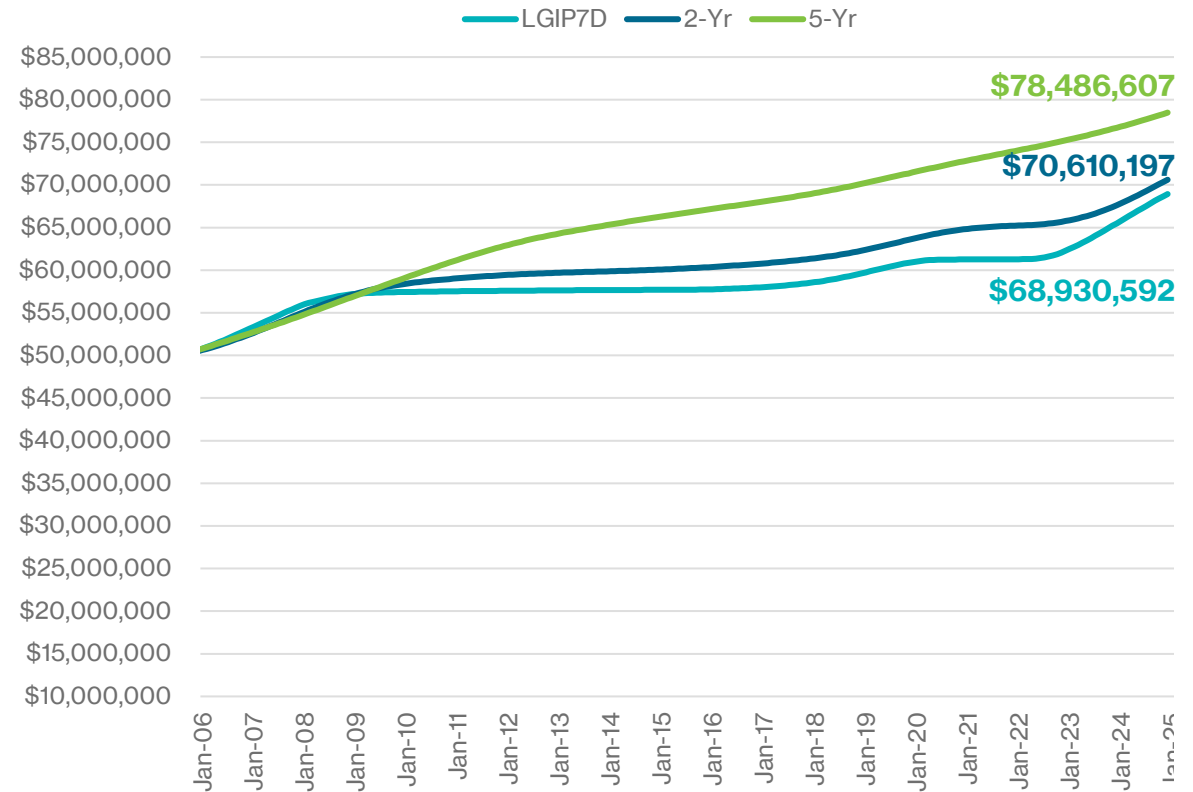


ILLUSTRATION IS HYPOTHETICAL IN NATURE, DOES NOT REFLECT ACTUAL INVESTMENT RESULTS, AND DOES NOT GUARANTEE FUTURE RETURNS. Charts illustrate the yield and related performance of three sample yield curves over time. Growth of \$50 million chart assumes reinvestment of monthly income. LGIP 7D Yield represents the S&P LGIP Index of rated LGIP programs that maintain a stable net asset value of \$1 per share. The 2 Yr and 5 Yr Rolling Yield figures represent the constant maturity yield on Treasury securities at the indicated maturity derived from the daily yield curve for non-inflation indexed Treasury securities

The hypothetical chart does not project investment income from any investment or portfolio and is intended solely to illustrate that portfolios comprised of longer duration securities will produce more income over time than portfolios utilizing shorter durations over the selected period. 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. Clients cannot invest directly in these indexes and the actual yield for any portfolio invested consistently with the illustration will vary from the hypothetical data shown here. Unmanaged Index returns do not reflect any advisory fees or expenses

What Can You Do?

A teal-tinted background image showing a person's profile on the right, looking towards a whiteboard on the left. The person is holding a pen and appears to be writing or pointing at the whiteboard. The whiteboard has some faint, illegible text on it.

Have a Plan.

SOURCE: FDIC



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Cash Flow Planning



Budget Stability of Investment Income



Sleep Adjusted Returns

The Investment Portfolio

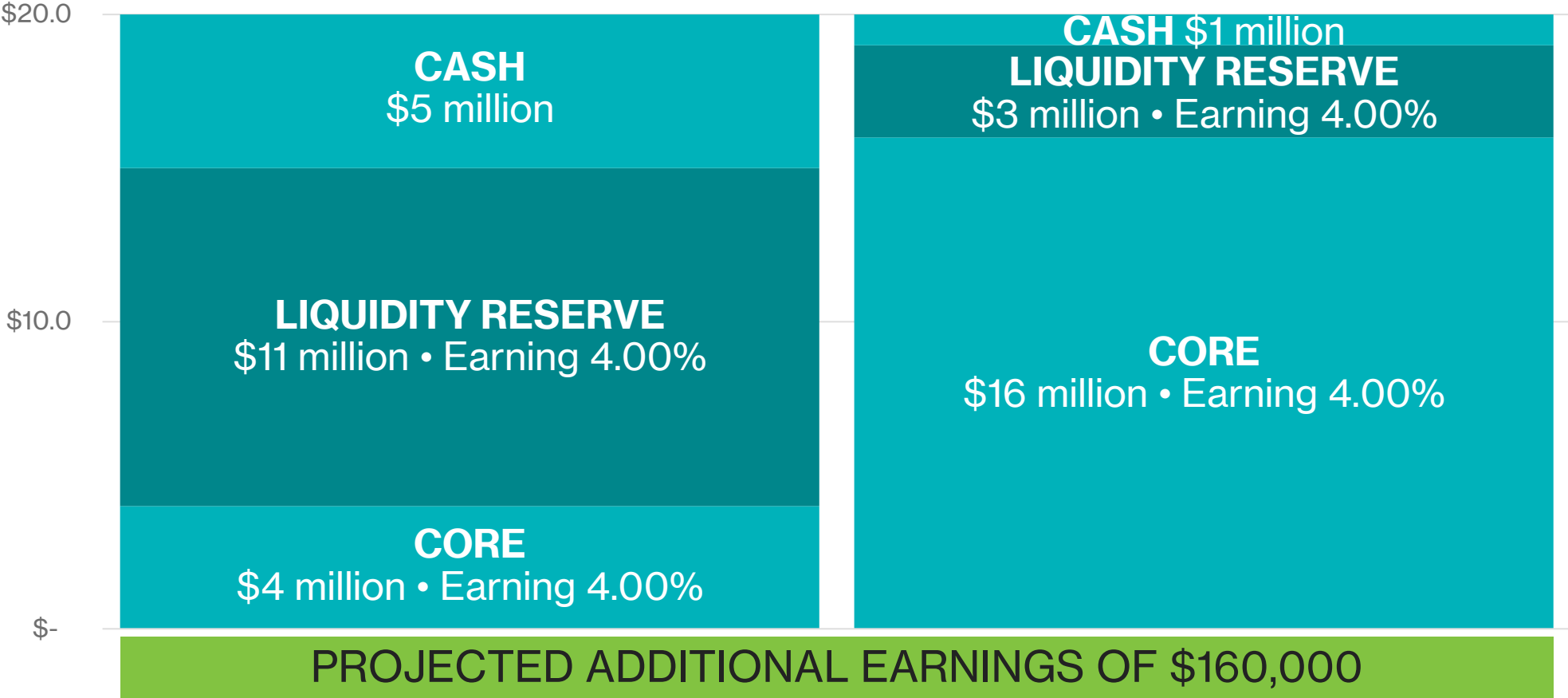
The only place in local government where revenue can be generated without assessing taxes or fees

Cash Allocation



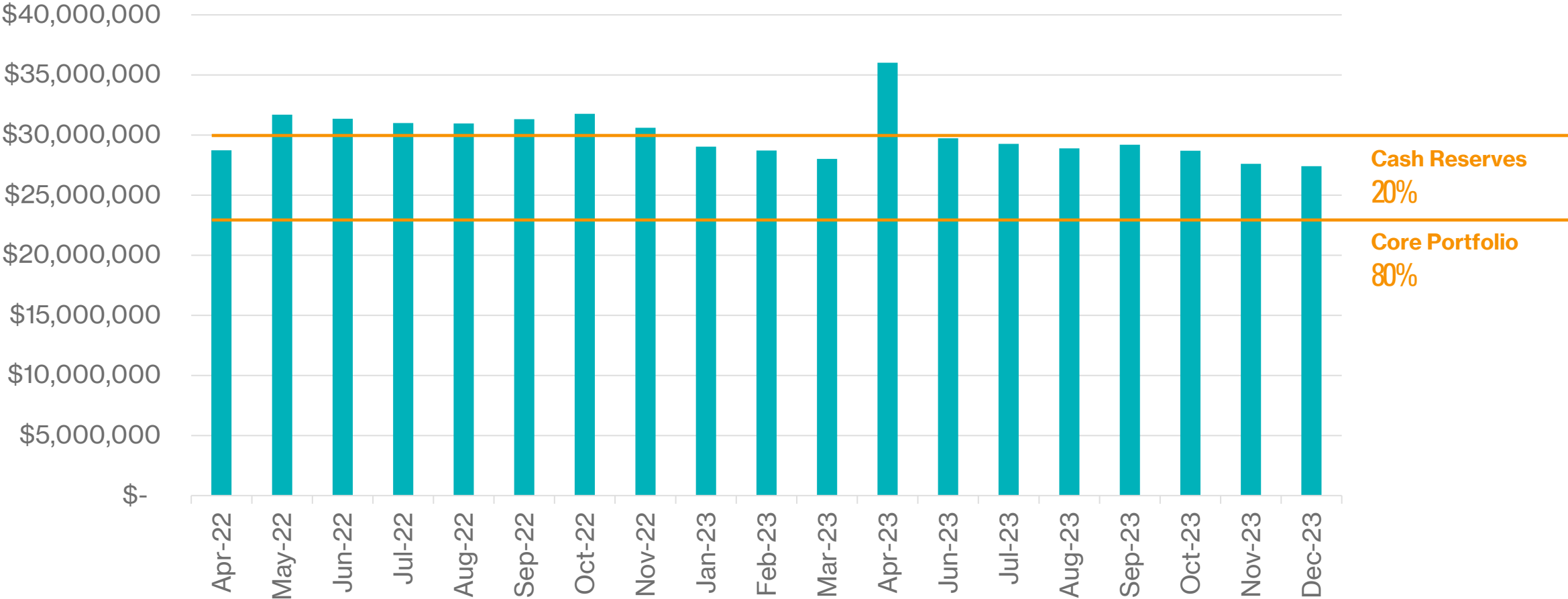
CURRENT

RIGHT-SIZED



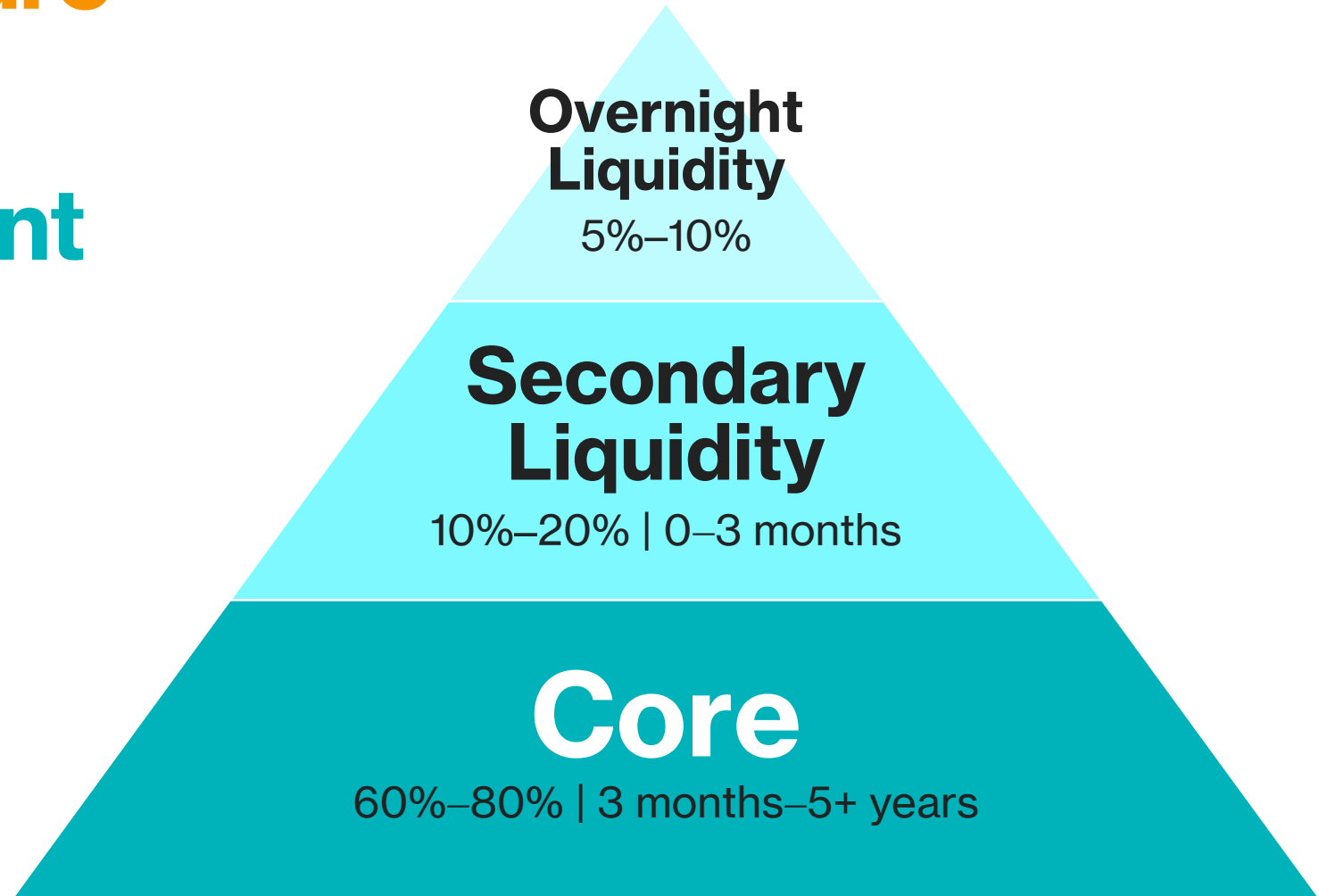
Cash Flow Analysis

Historical Data



Operating Fund Portfolio Maturity Structure

A more
stable investment
income budget



SOURCE: MEEDER PUBLIC FUNDS

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



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The Cost of Liquidity

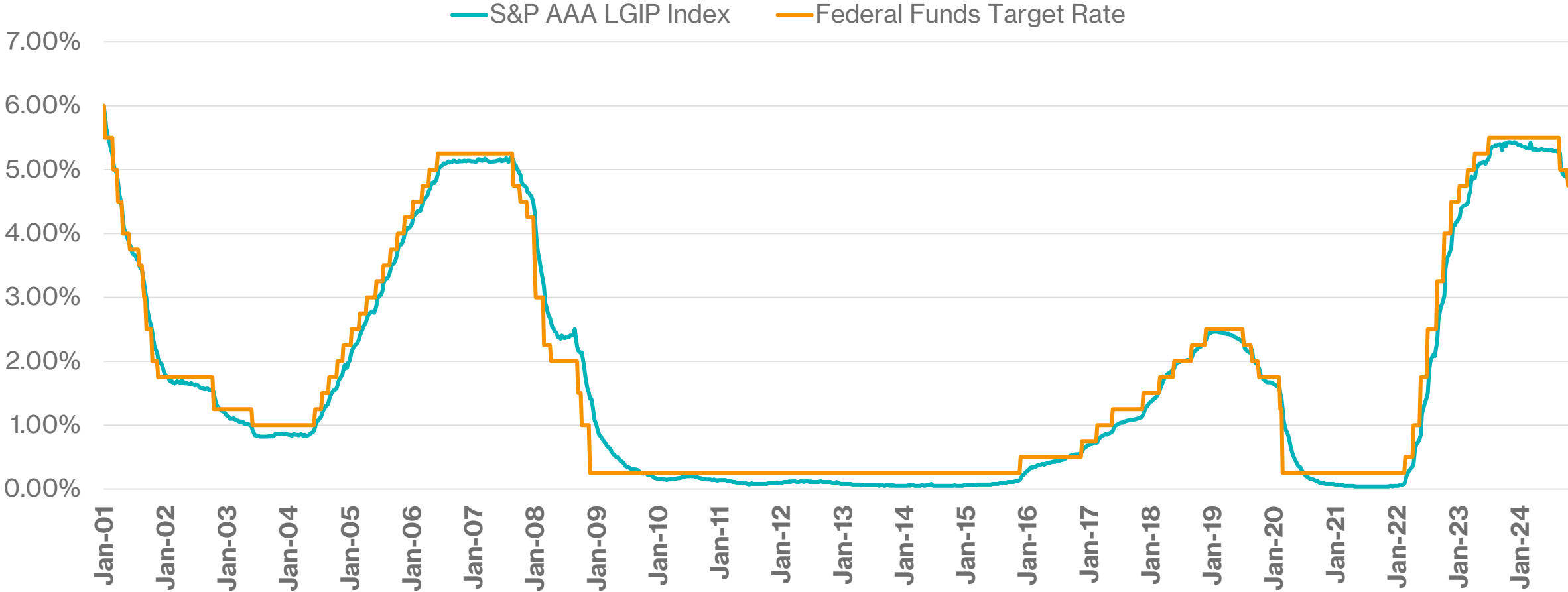
“They don’t charge me anything.”

“It’s free as long as I keep some money there.”

“I’ve never seen a bill.”

“I don’t think I get charged for that.”

How Local Government Investment Pools Respond to Falling Rates



SOURCE: BLOOMBERG, S&P GLOBAL RATINGS

Incidental Costs

How Rate Cuts Effect Earnings Credit Rates

Today

- 3.5% earnings credit rate
- \$100,000 annual banking fees

Required balance
to offset fees

- $\$100,000 / 3.5\% =$
\$2,857,143

2% Rate Cut

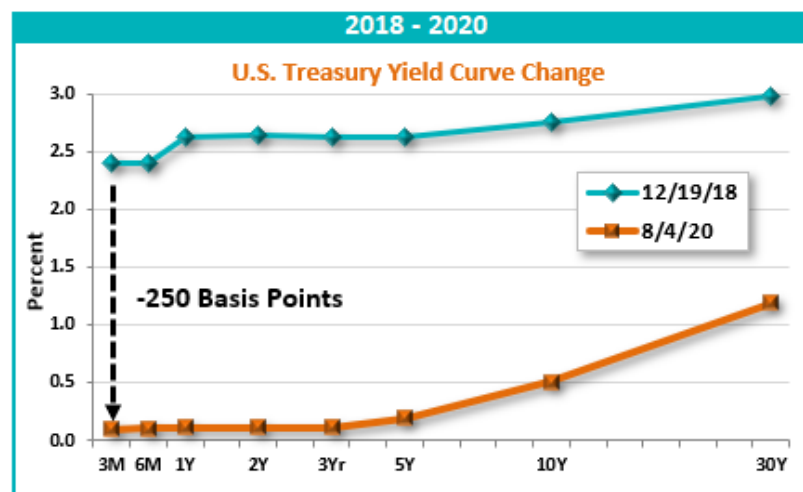
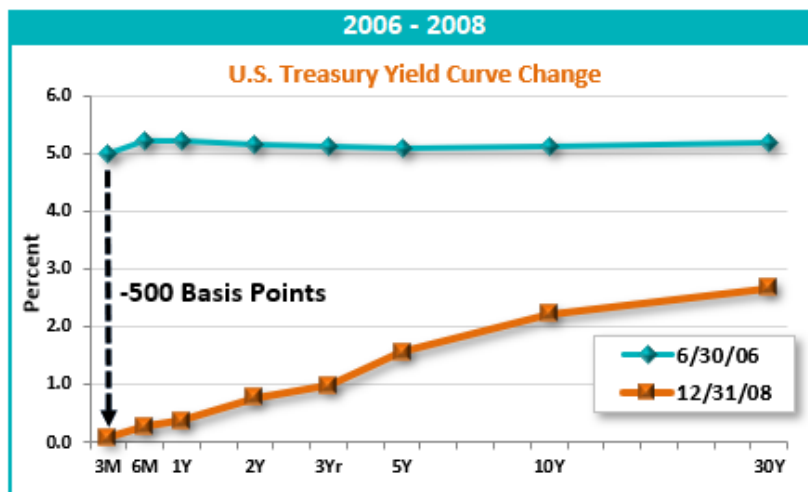
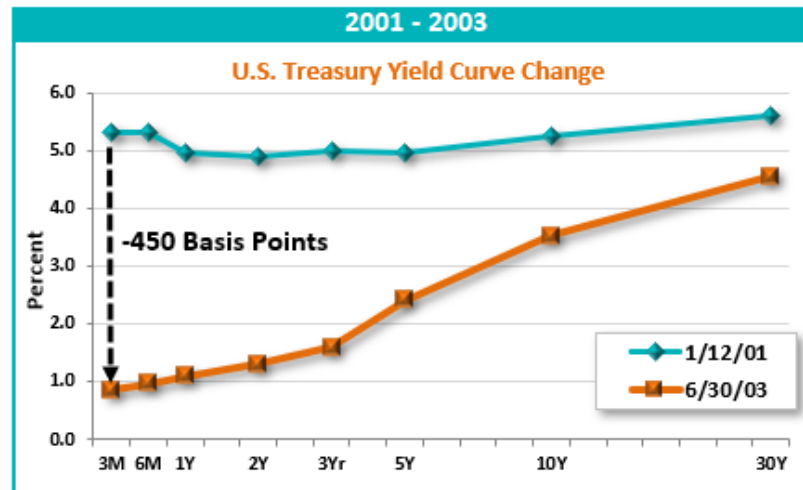
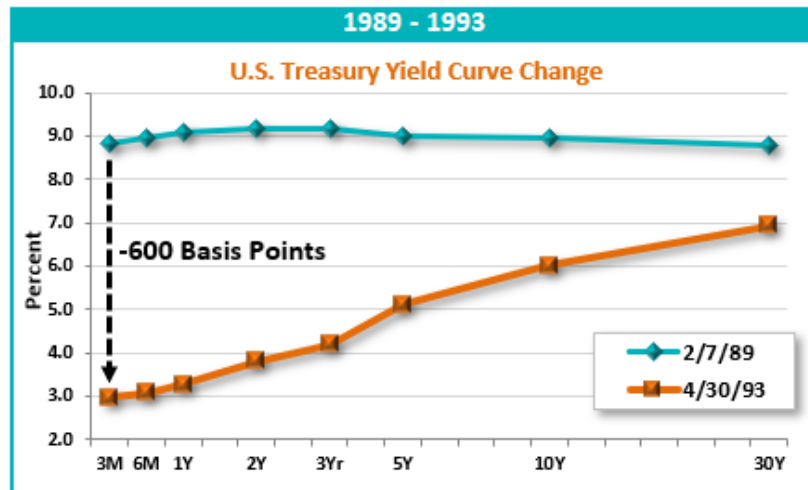
- 1.5% earnings credit rate
- \$100,000 annual banking fees

Required balance
to offset fees

- $\$100,000 / 1.5\% =$
\$6,666,667

Opportunity Costs

How Interest Rates React to Fed Rate Cuts





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Investment Strategies

Who Will Help You Invest?

Know the types of service providers and perform due diligence before investing

Investment Pools

- Know the underlying investments in the program
- Look over the annual report
- Understand how program works

Banks

- Make sure they understand nuances of public entities
- Work with banks you know and trust and with strong financials

Investment Advisors

- Acts as a fiduciary in the client's best interest
- Who do they work with?
- What are their credentials?
- Check them out: www.investor.gov

Brokers

- Recommends suitable investments
- Who do they work with?
- What do they do and how much do they charge?
- Check them out: www.finra.org

Interest Rate Outlook

As markets change, so should your investment strategy

Uncertain

- Maintain average maturity
- Diversification across security types



Rising Rates

- Reduce average maturity
- Frequent short-term maturities

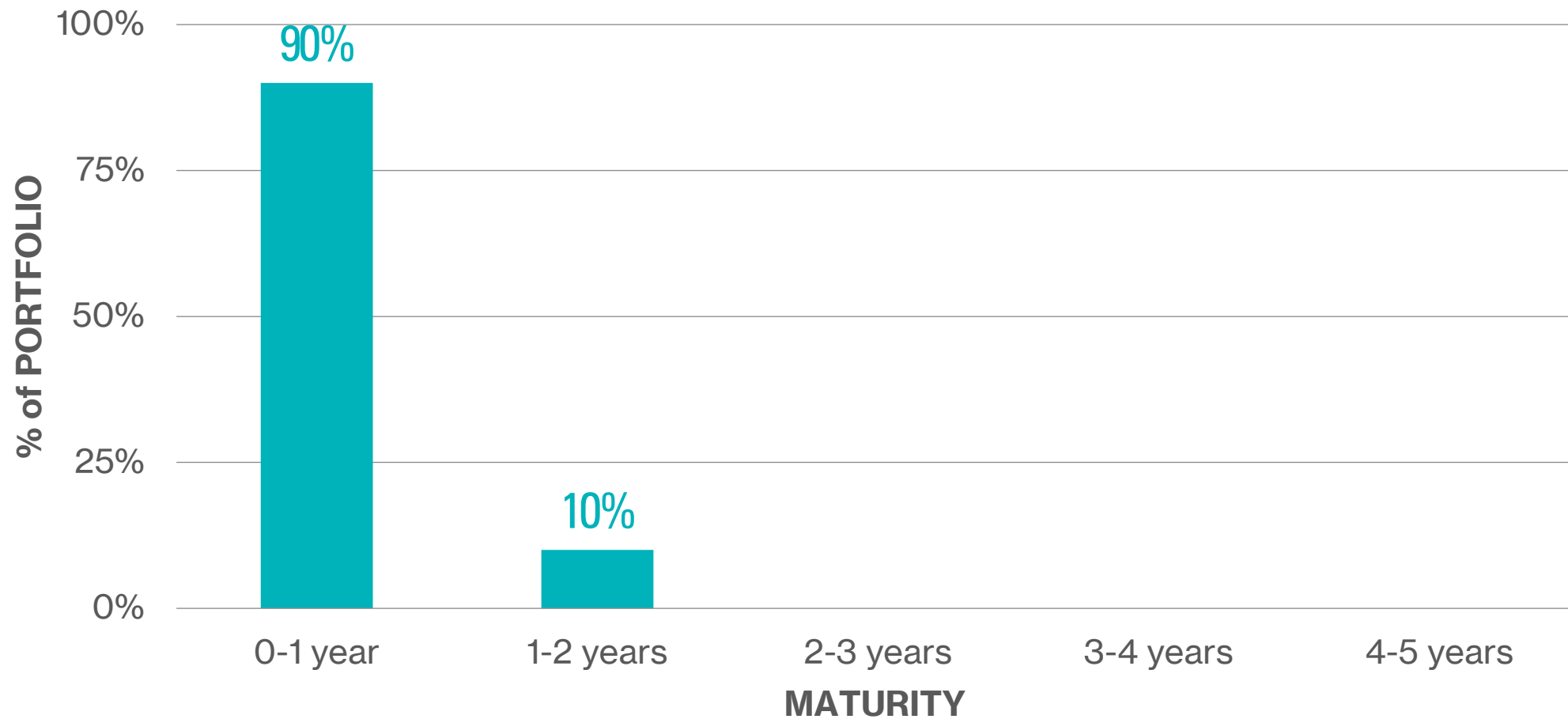


Falling Rates

- Increase average maturity
- Favorable to longer dated maturities



Short-term Portfolio



SOURCE: MEEDER PUBLIC FUNDS. FOR ILLUSTRATIVE PURPOSES ONLY.

Breakeven Analysis: 5-Year versus 1-Year Investment



5-year: US Treasury at 3.9%

Maturity	Amount	Interest Earned
Year 1	\$0	\$39,000
Year 2	\$0	\$39,000
Year 3	\$0	\$39,000
Year 4	\$0	\$39,000
Year 5	\$1,000,000	\$39,000
TOTAL	\$1,000,000	\$195,000

1-year: US Treasury at 4.2%

Maturity	Amount	Interest Earned
Year 1	\$1,000,000	\$42,000
Year 2	\$0	?
Year 3	\$0	?
Year 4	\$0	?
Year 5	\$0	?
	\$1,000,000	\$42,000

$$\text{\$195,000} - \text{\$42,000} = \text{\$153,000}$$

$$\text{\$153,000} / 4 = \text{\$38,250 Per Year}$$

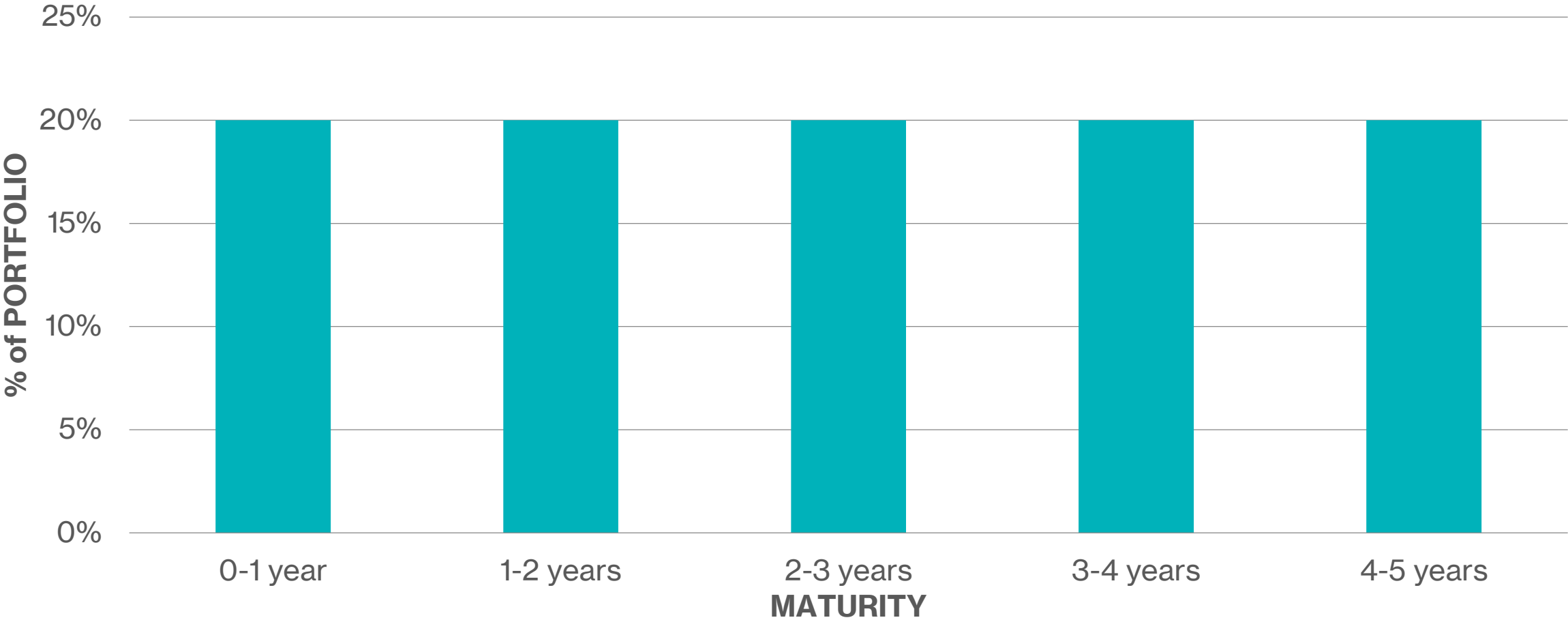
$$\text{\$38,250} / \text{\$1,000,000} = 3.825\%$$

What's my
breakeven rate?

SOURCE: MEEDER PUBLIC FUNDS. FOR ILLUSTRATIVE PURPOSES ONLY.

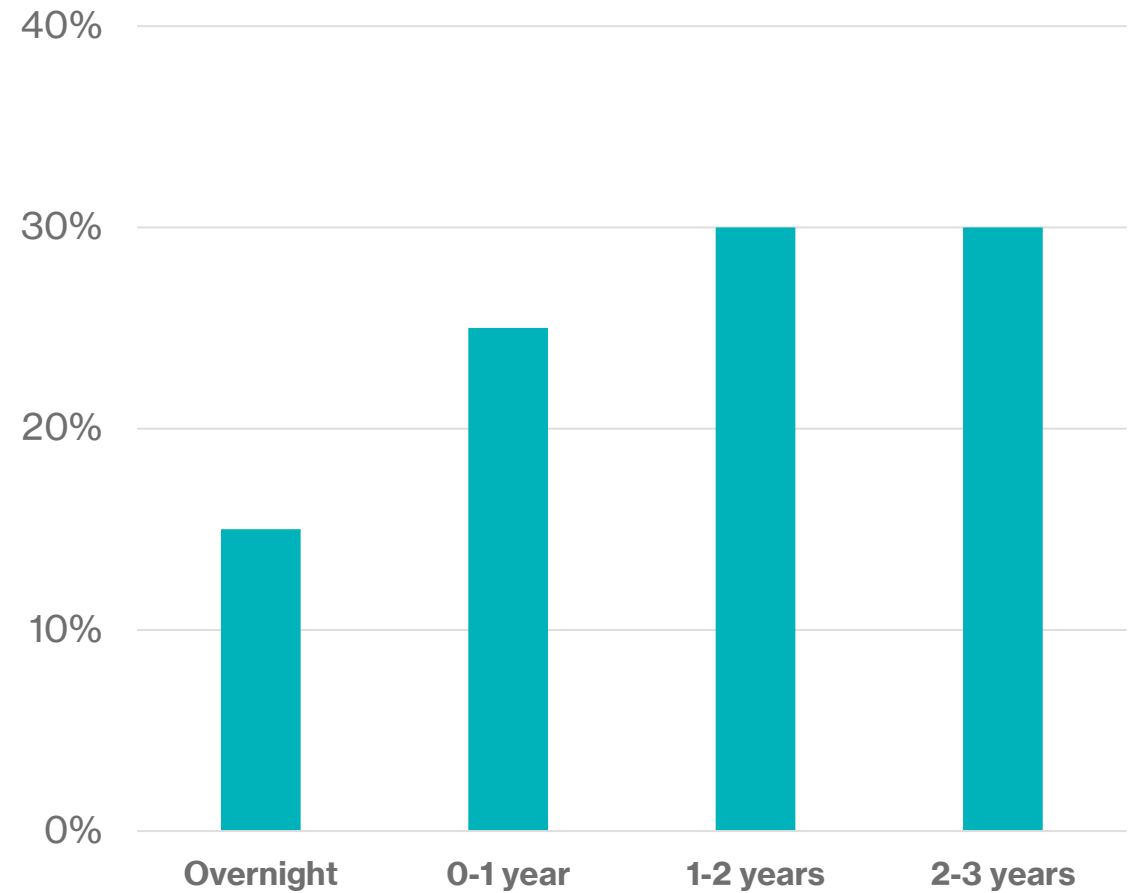
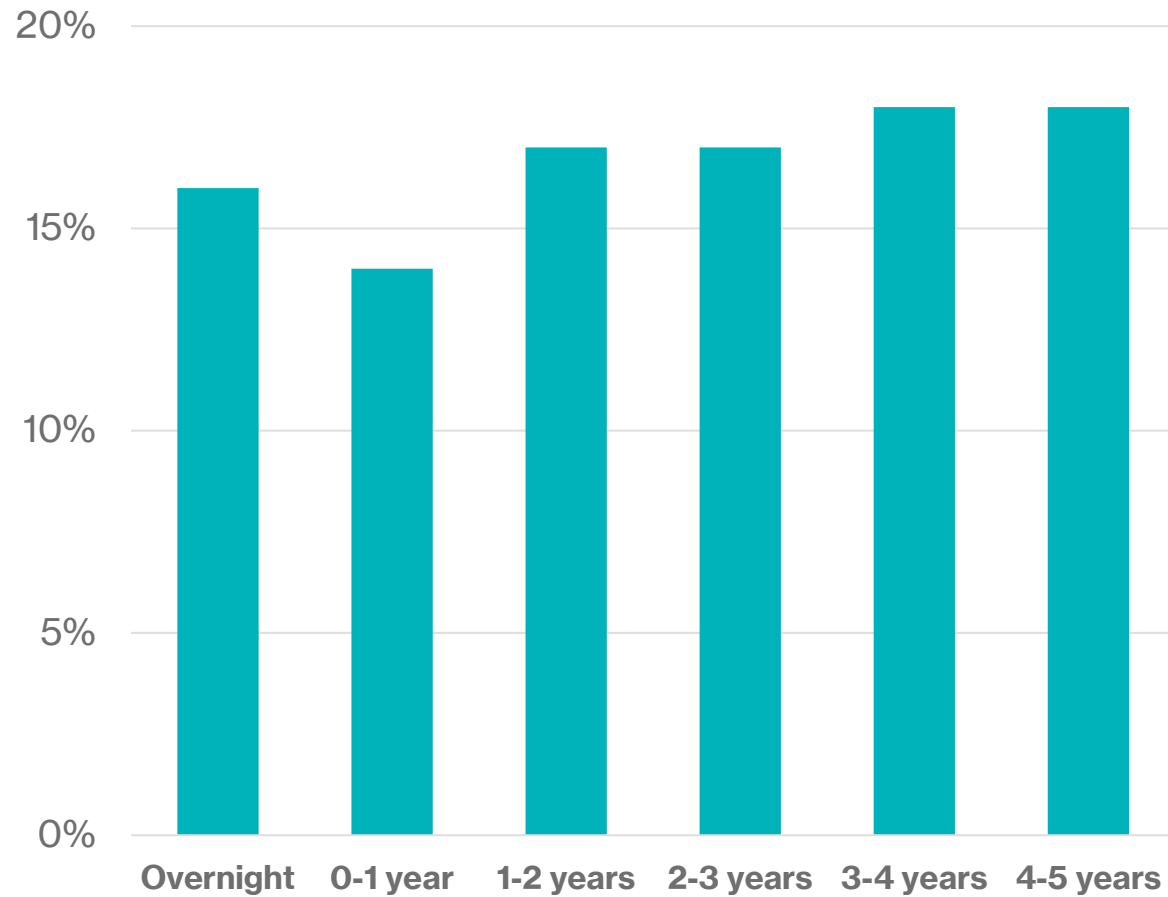
FOR INFORMATIONAL PURPOSES ONLY. SEE IMPORTANT DISCLOSURES AT THE END OF THE PRESENTATION.

Laddered Portfolio



SOURCE: MEEDER PUBLIC FUNDS. FOR ILLUSTRATIVE PURPOSES ONLY.

Strategic Portfolios



SOURCE: MEEDER PUBLIC FUNDS. FOR ILLUSTRATIVE PURPOSES ONLY.

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Hypothetical Portfolio Illustration

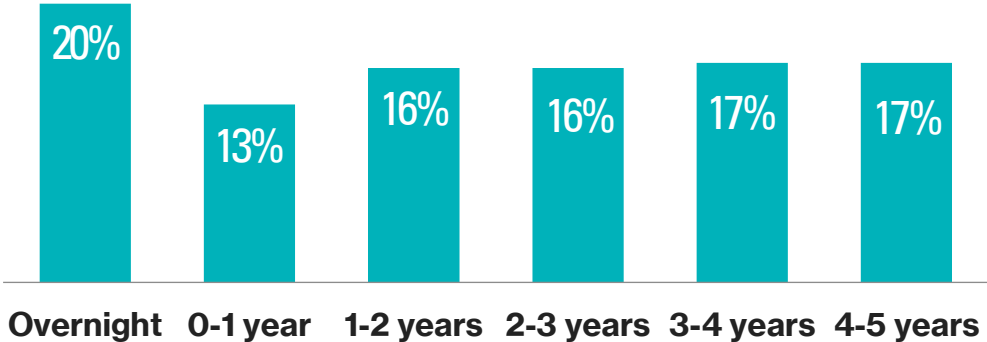
Sample Portfolio

Cash	20%
Securities	80%

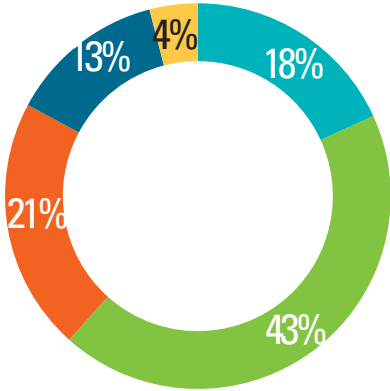
Sample Securities

Weighted Average maturity	2.07 Years
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Sample Maturity Distribution



Sample Asset Allocation

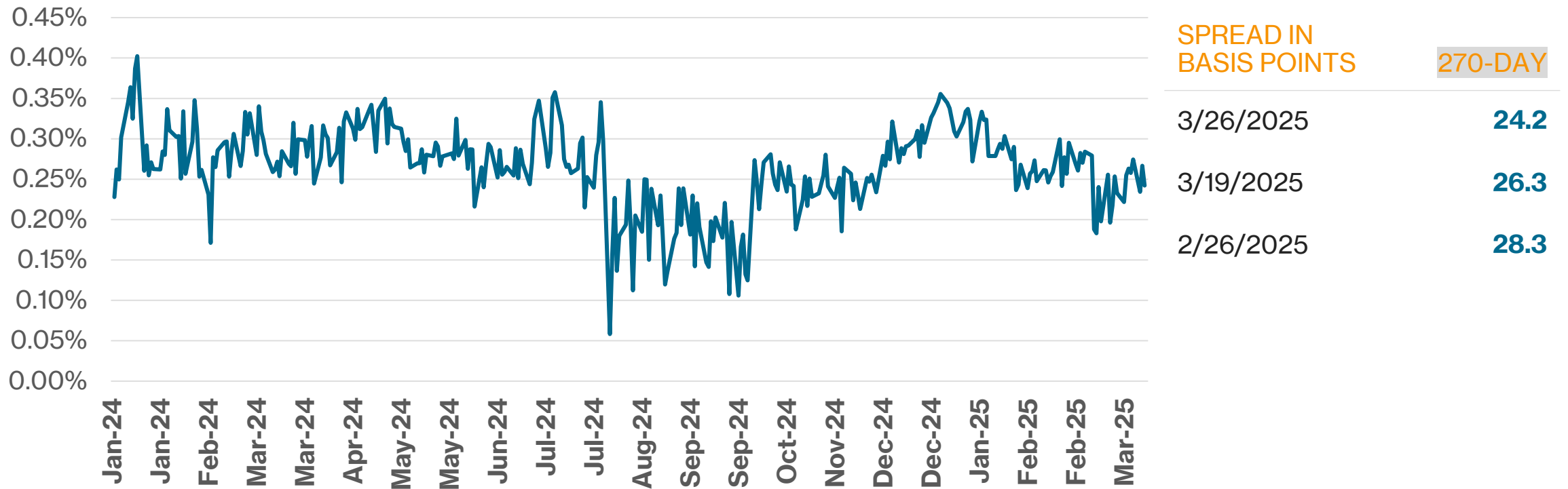


- US Treasuries
- US Government Agencies
- Cash
- Commercial Paper
- Municipal Securities

PORTFOLIO ILLUSTRATION IS HYPOTHETICAL IN NATURE, DOES NOT REFLECT ACTUAL INVESTMENT RESULTS, AND DOES NOT GUARANTEE FUTURE RETURNS. THE PORTFOLIO ILLUSTRATION PROJECTS THE WEIGHTED AVERAGE YIELD OF A HYPOTHETICAL PORTFOLIO INVESTED ON THE DATE SHOWN AND ALLOCATED ACROSS THE INDICATED ASSET CLASSES AND MATURITIES.

Value in Commercial Paper

270-Day Commercial Paper Spreads (365-Day Basis)

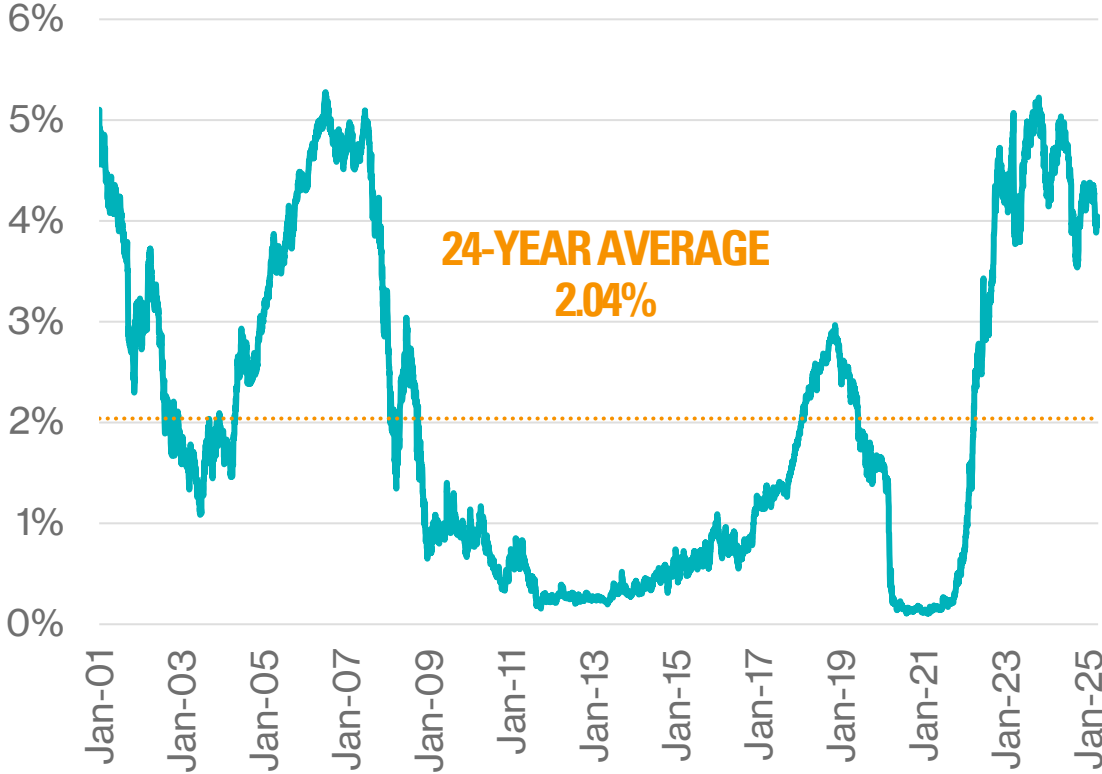


SOURCE: BLOOMBERG AS OF MM/DD/YYYY.
NOTE: COMMERCIAL PAPER YIELDS ARE ANNUALIZED BY MULTIPLYING BY 365 AND DIVIDING BY 360 TO COMPARE WITH T-BILLS USING THE SAME DAY COUNT BASIS

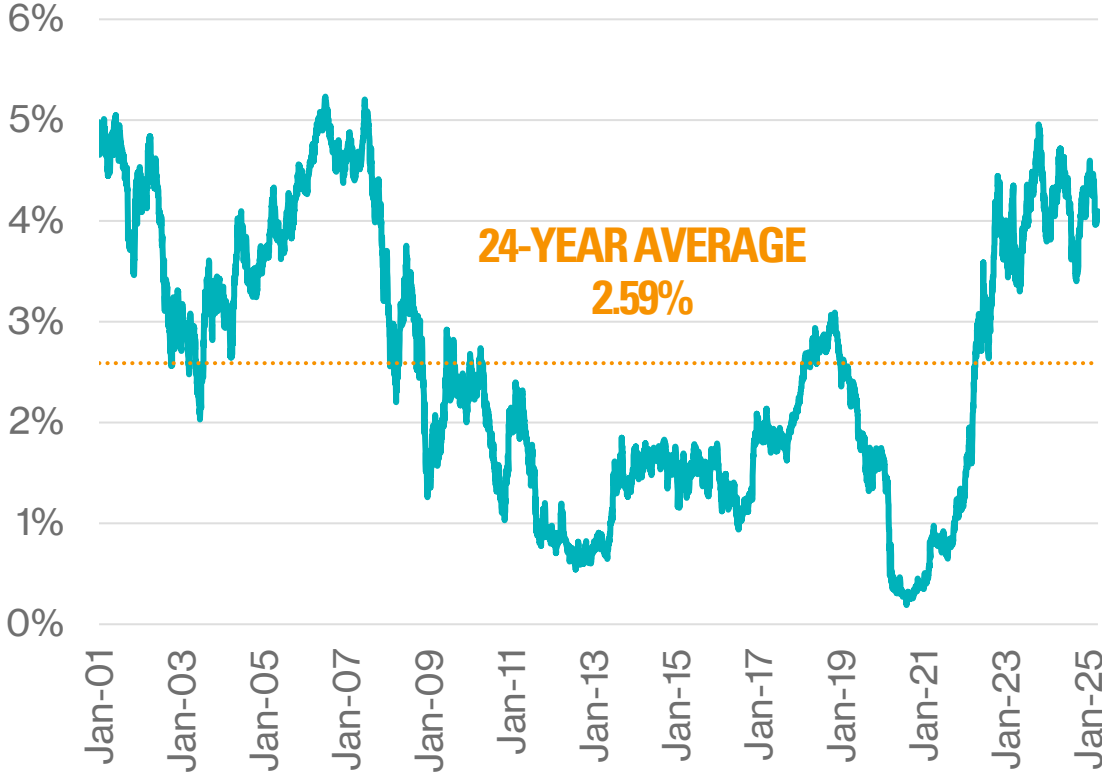
Is Now a Good Time to Implement?



2-Year Treasury Yield



5-Year Treasury Yield



SOURCE: BLOOMBERG



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Market Update

“FIGEY” Model of Interest Rates

Fed, Inflation, Growth, Employment, Yields

Fed Policy



Inflation



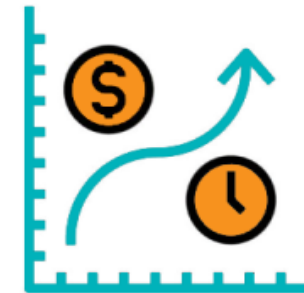
Growth (GDP)



Employment



Yields



U.S. Treasury Yields/Rates

- Primarily a function of Federal Reserve policy, inflation, economic growth, and employment.



Shorter-Term Yields

- Highly correlated with the Fed Funds rate set by the Fed’s Federal Open Market Committee (FOMC).

Intermediate-Term and Longer-Term Yields

- More correlated to the expected future rates of inflation, economic growth, and the unemployment rate.

FIGEY Outlook and Commentary

	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 70 basis points of cuts for 2025 and end the year at 3.65%.
	Inflation	The Consumer Price Index (CPI) has been rising the past few months and is currently at 3.0% on a YoY basis. Economists surveyed by Bloomberg expect CPI YoY to average 2.7% for 2025.
	Growth	Gross Domestic Product (GDP) grew faster in 2024 than most economists expected, although it slowed in Q4 2024 to 2.3% from 3.1% in Q3 2024. The Federal Reserve is expecting GDP to average 2.1% for 2025.
	Employment	Weekly initial unemployment (jobless) claims remain near historically low levels but continuing jobless claims (those receiving ongoing unemployment benefits) continue to climb. The unemployment rate remains low at 4.0%.
	Yields	The 2-year Treasury yield has risen about 45 basis points from last September's low of 3.54%, but is still approximately 120 basis points from the 5.22% cycle high of October 2023.

SOURCE: BLOOMBERG, MEEDER PUBLIC FUNDS AS OF 2/28/25

Texas by the numbers

TEXAS BY THE NUMBERS



8 LARGEST ECONOMY
TH IN THE **WORLD**

*IF TEXAS WERE A NATION

26 COMMERCIAL AIRPORTS

23 SEA PORTS

NO PERSONAL OR CORPORATE INCOME TAX



TEXAS IS THE LARGEST ENERGY-PRODUCING STATE IN THE NATION

#1 U.S. EXPORTER
FOR 23 YEARS IN A ROW
IN 2024



22 INTERSTATE HIGHWAYS

35 FOREIGN TRADE ZONES



58 FREIGHT RAILROADS

367 MILES OF COASTLINE

TEXAS IS THE LEADING DESTINATION FOR CORPORATE RELOCATION & EXPANSION PROJECTS



NUMBER 1 
JOBS CREATOR
IN 2024, TEXAS ADDED
284,200 JOBS

MORE THAN
15.5 MILLION 
PEOPLE IN THE CIVILIAN LABOR FORCE

TEXAS IS HOME TO
3.3 MILLION 
SMALL BUSINESSES

 AND HUNDREDS OF PUBLICLY TRADED FIRMS

TEXAS IS HOME TO
MORE THAN **50**
 **FORTUNE 500** COMPANY HQS

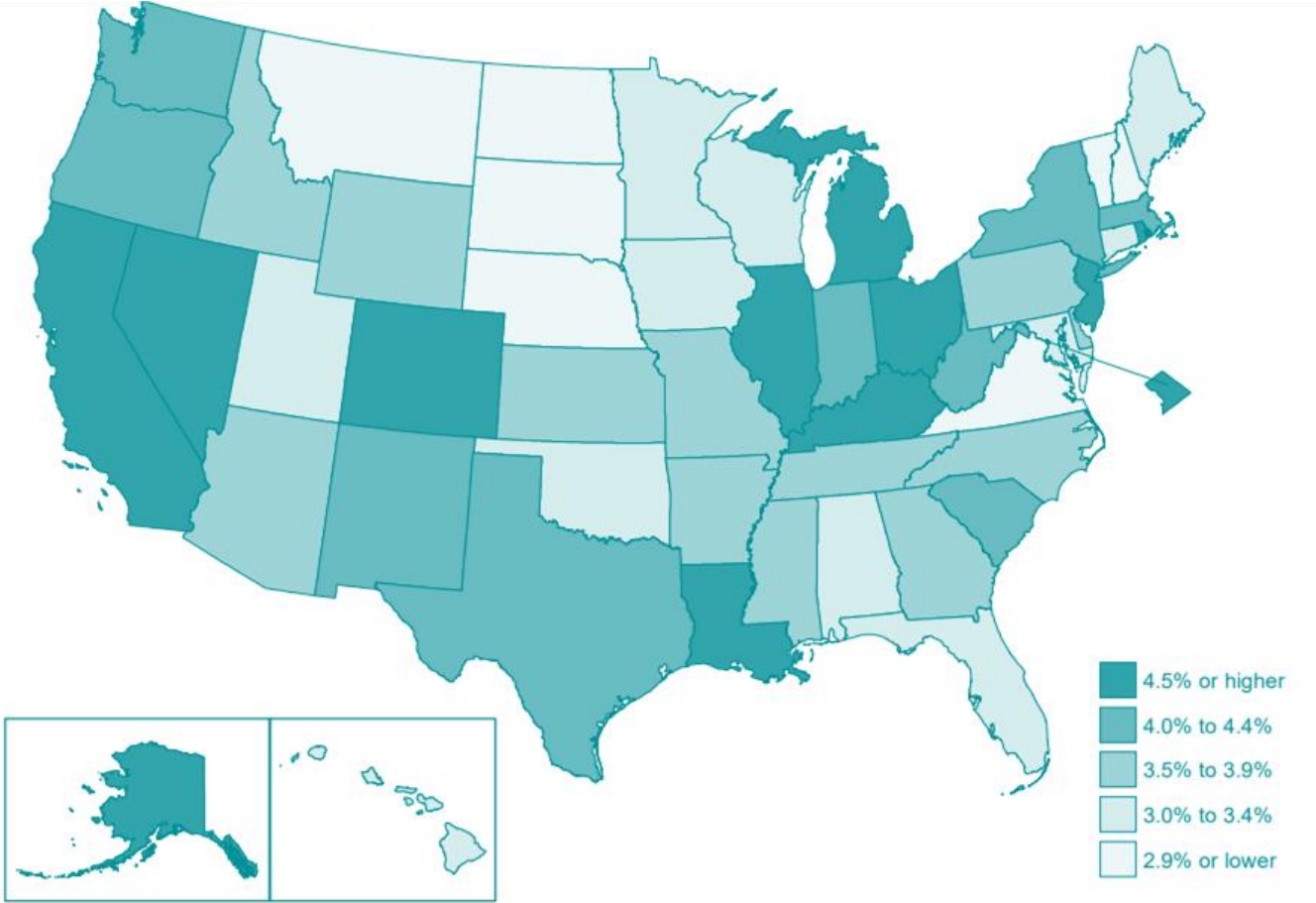
TEXAS LED THE NATION IN HIGH TECH EXPORTS FOR THE 12TH YEAR IN A ROW IN 2024 



Texas Economic Development & Tourism Office | Office of the Governor
512.936.0100 | gov.texas.gov/business |  @TexasEconDev

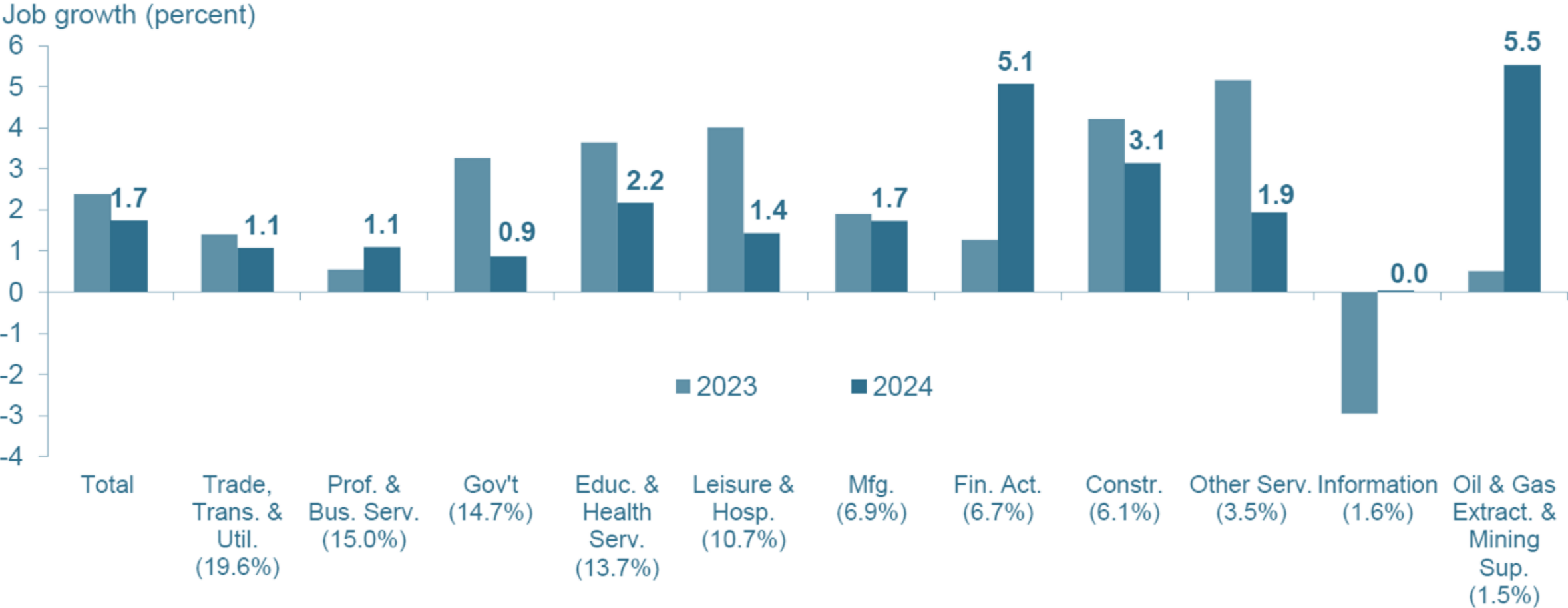
Unemployment Rate by State

Unemployment Rates by State | Seasonally Adjusted, December 2025 (U.S. Rate = 4.1 percent)



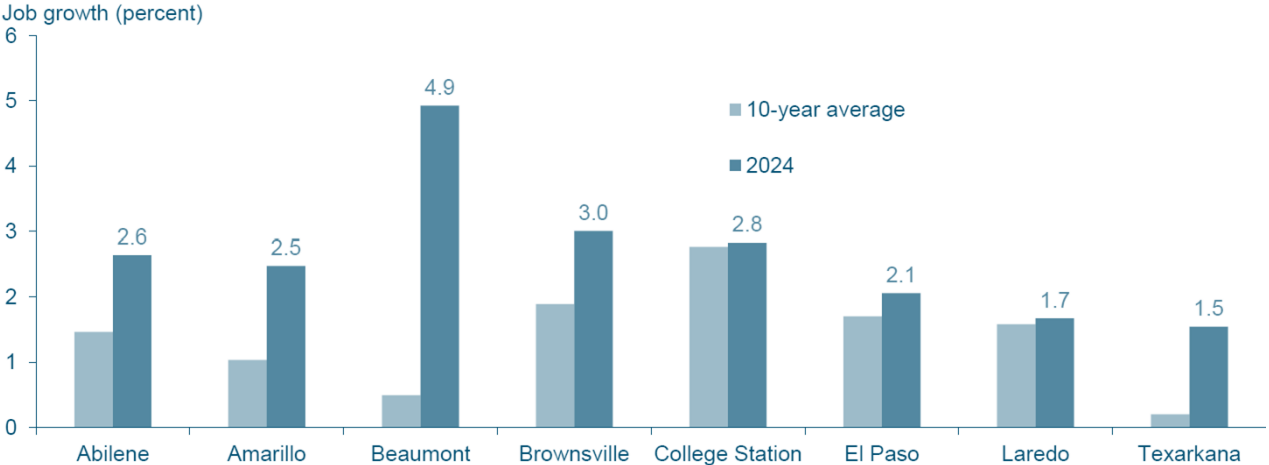
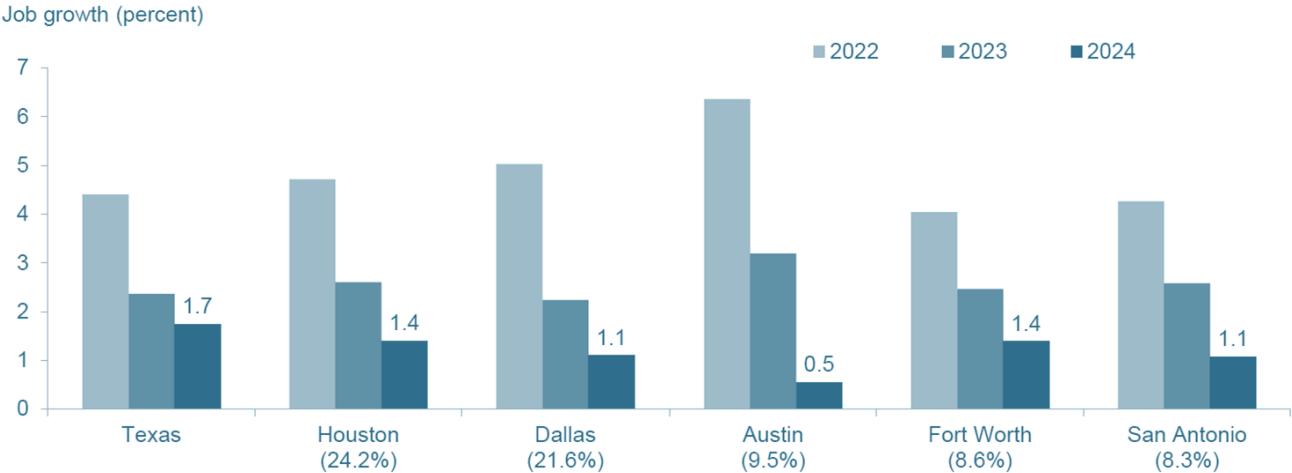
SOURCE: U.S. BUREAU OF LABOR STATISTICS

Growth Sectors in Texas 2024



SOURCE: FEDERAL RESERVE BANK OF DALLAS
 NOTE: SHOWN ARE THE JANUARY THROUGH DECEMBER 2024 SINGLE FAMILY HOUSING PERMITS PER THOUSAND RESIDENTS. PER THE CENSUS BUREAU

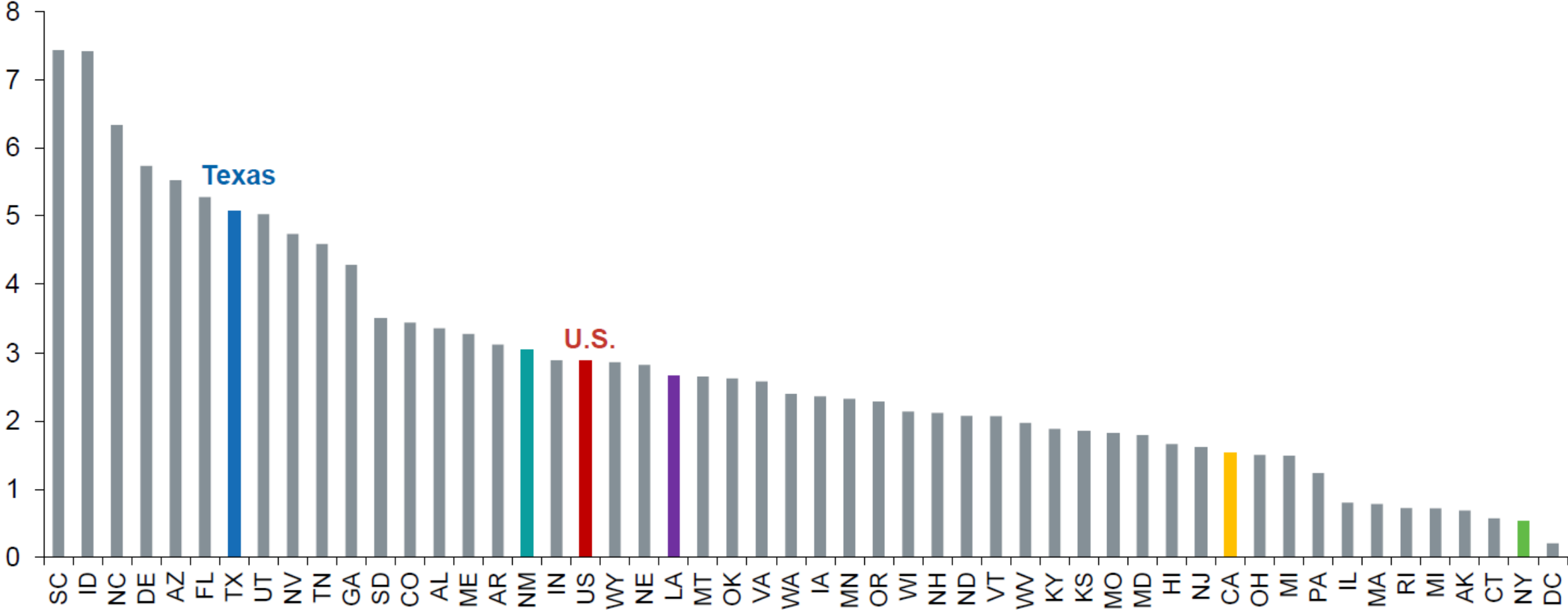
Texas Job Growth



SOURCE: FEDERAL RESERVE BANK OF DALLAS
 NOTE: SHOWN ARE THE JANUARY THROUGH DECEMBER 2024 SINGLE FAMILY HOUSING PERMITS PER THOUSAND RESIDENTS. PER THE CENSUS BUREAU

Texas Builds A Lot Of Houses!

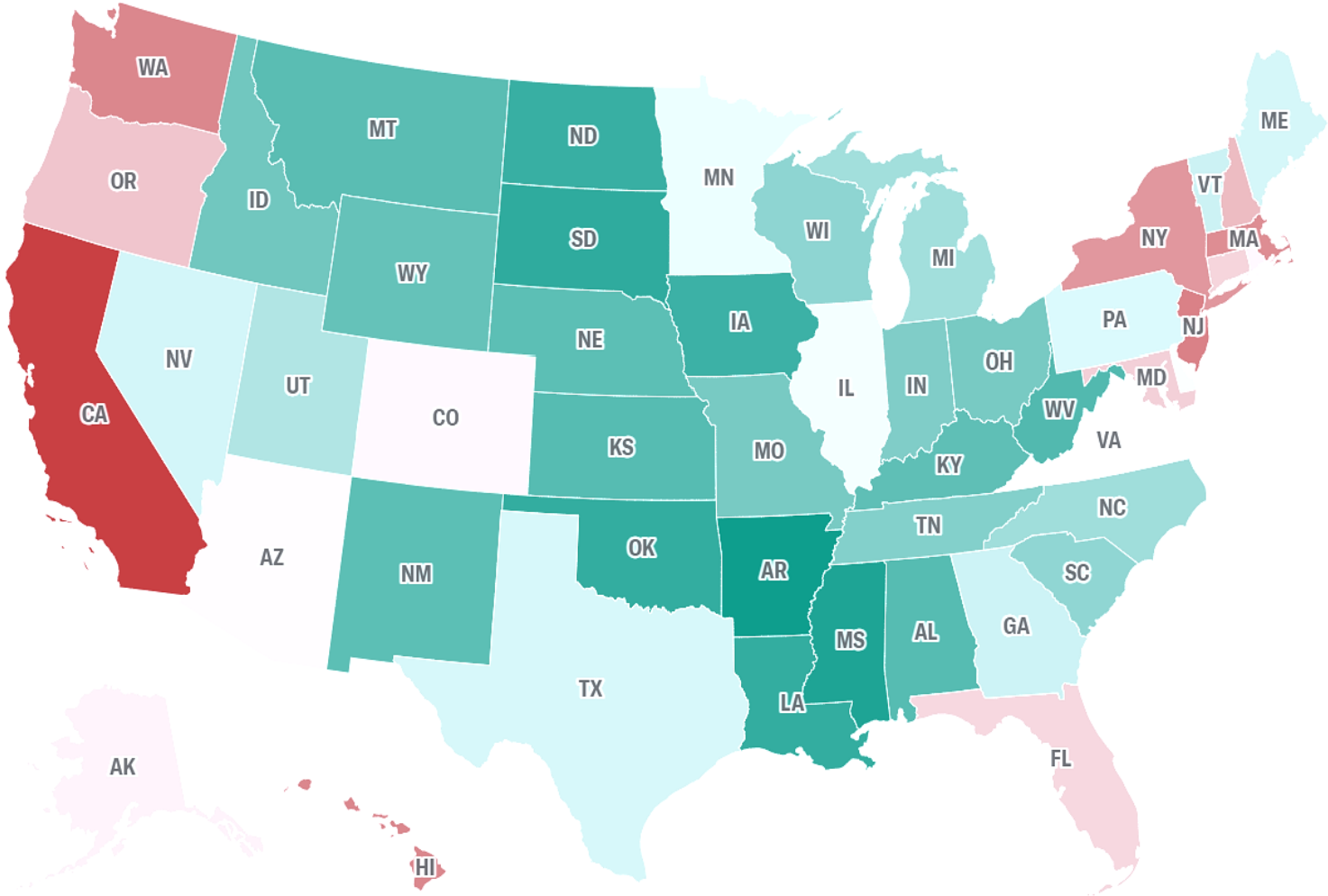
Permits per thousand residents



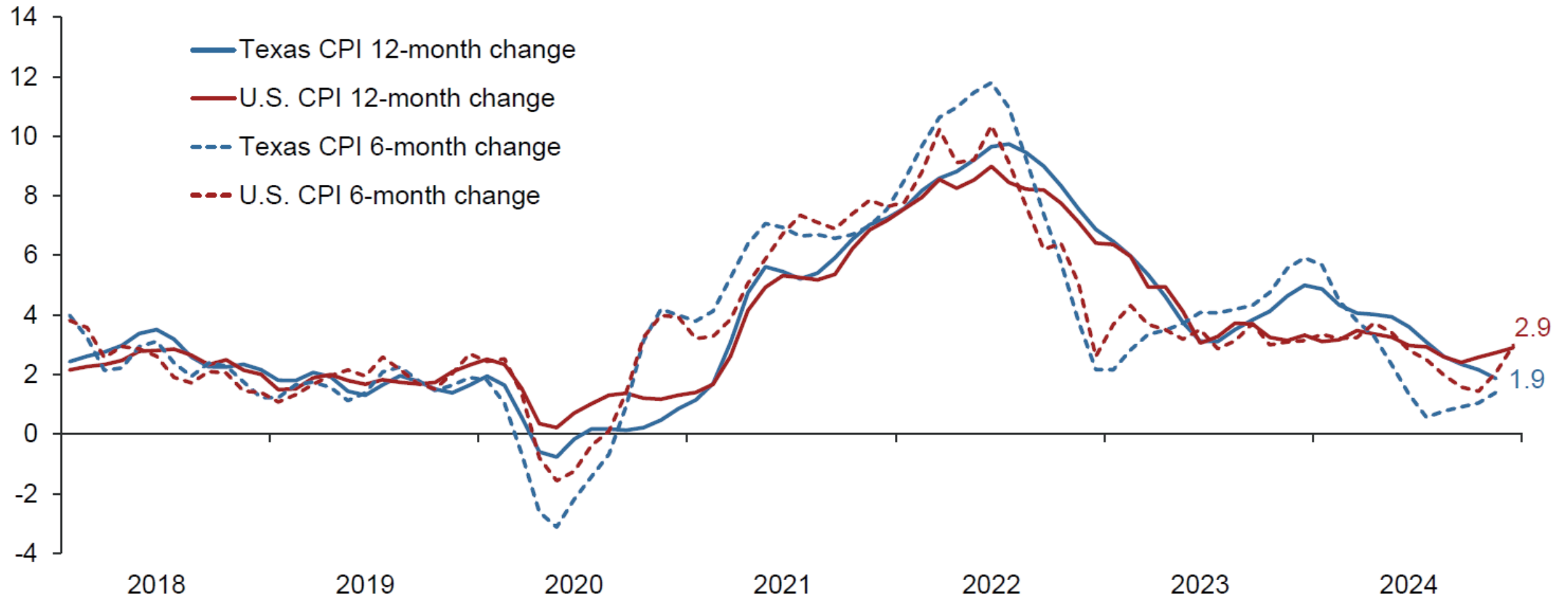
SOURCE: FEDERAL RESERVE BANK OF DALLAS
NOTE: SHOWN ARE THE JANUARY THROUGH DECEMBER 2024 SINGLE FAMILY HOUSING PERMITS PER THOUSAND RESIDENTS. PER THE CENSUS BUREAU

Cost of Living Index by State

U.S. NATIONAL AVG COST OF LIVING INDEX = 100



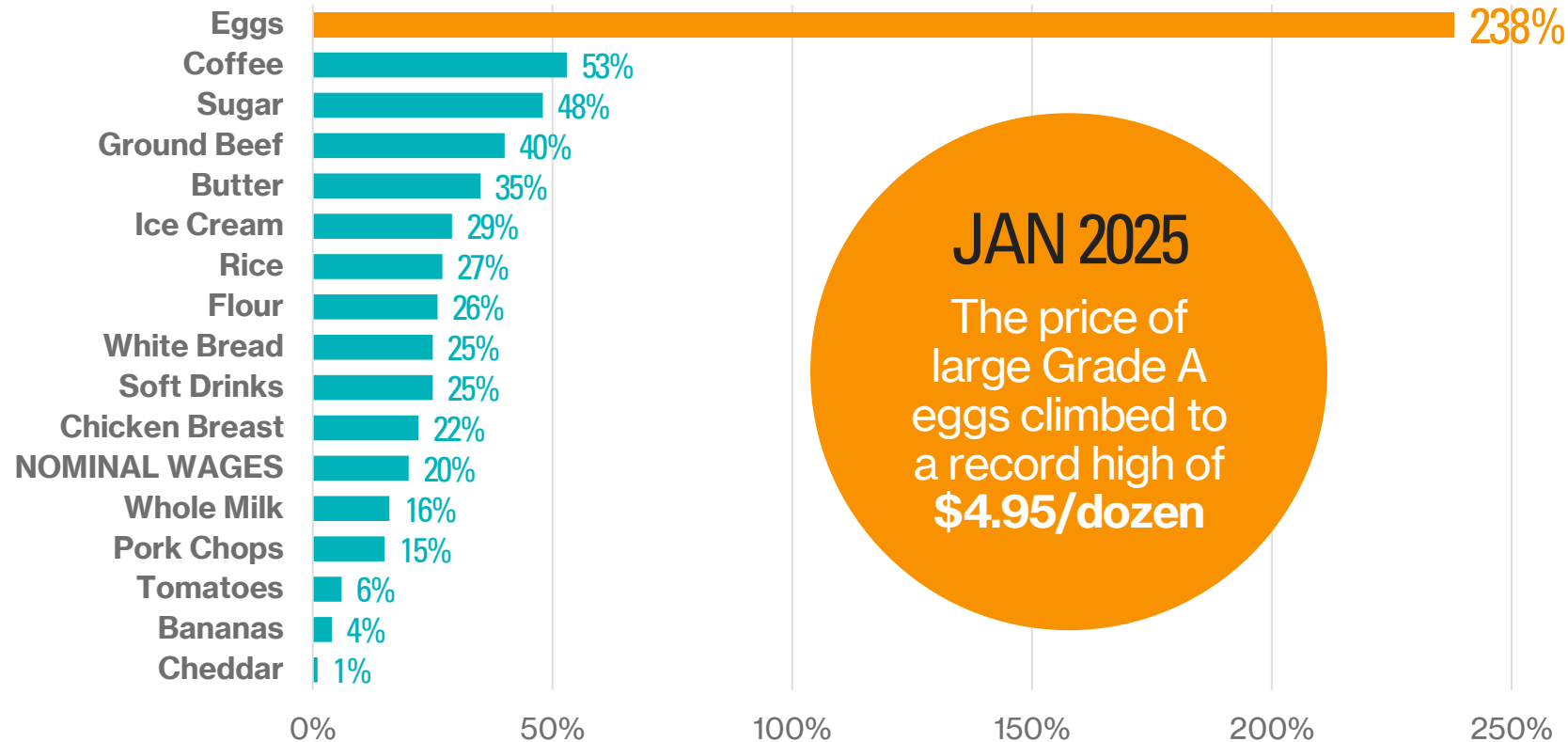
Texas Inflation Slips Below U.S. as National CPI Turns Up



SOURCE: FEDERAL RESERVE BANK OF DALLAS
NOTE: DATA ARE SEASONALLY ADJUSTED AND MONTHLY THROUGH NOVEMBER 2024 FOR TEXAS AND DECEMBER 2024 FOR THE U.S. 6-MONTH PERCENT CHANGES ARE ANNUALIZED RATES. PER BUREAU OF LABOR STATISTICS; ADJUSTED BY THE FEDERAL RESERVE BANK OF DALLAS

Egg-Flation!

"Eggstortion!" U.S. Food Prices Jan 2021 to Jan 2025



Since January 2021

- The overall Consumer Price Index is up approximately 22%
- Nominal wages are up 20%
- However, the **price increase of eggs has been a different story...up 238%!**
- **Waffle House announced that it will add a 50-cent surcharge to all egg items sold because of soaring egg prices caused by the bird flu.**

CHART SOURCE: BLOOMBERG, BUREAU OF LABOR STATISTICS
COPY SOURCE: NBC NEWS

Key Takeaways

- **Have a plan!**
- **Cash flows are key**
- **Liquidity is costing you**
- **Customize your strategy**
- **The market will do what the market does...be prepared**





Q & A

Disclosures



Past performance does not guarantee future results.

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