SAWGRASS
ASSET MANAGEMENT LLC

Investment Review

August 4th, 2026

City of Ocala Treasury Reserve Fund

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Bond Market Review: Risk On – US TSY Bear Flattener

Market Review: Rates bear flattened given the elevated geopolitical risks, new fed chair & monetary policy pivot; credit outperformed

- The volatility that began towards the end of the first quarter only continued throughout the second quarter, mainly driven by the ongoing war with Iran and concerns about the potential for long-term inflation. Hopes for de-escalation, including the signing of a 60-day memorandum of understanding on June 17th, helped to ease some of these concerns and resulted in a bit of retracing in interest rates. Despite the volatility, the Bloomberg Aggregate was able to generate a positive return of 0.67% for the quarter. Throughout the quarter, the pricing of rate movements went from close to no change up to pricing in approximately 1.5 rate hikes.
- A new chair of the Federal Reserve was named, with Kevin Warsh officially taking over for Jerome Powell on May 22nd for a four-year term. The market has not had a significant reaction to the appointment of Fed Chair Warsh, with his main policy differences expected to be the elimination of forward guidance, a reduction in the Fed's balance sheet, and reviewing the Fed's measurement of inflation.
- Although an MOU was signed between the United States and Iran, it remains unclear what the eventual resolution will be between the countries and what the impact, both short-term and long-term, will be to the global economy. Further escalation could again upend the global energy supply and lead to more uncertainty..
- US TSY curve/change: 2y 4.17%/+38bp, 5y 4.23%/+28bp, 10y 4.47%/+15bp, 30y 4.95%/+4bp.
    - Credit IG spreads outperformed -14bp, Leaders – financials, materials, healthcare; Laggards – Media.
    - S&P 500 +15.2%

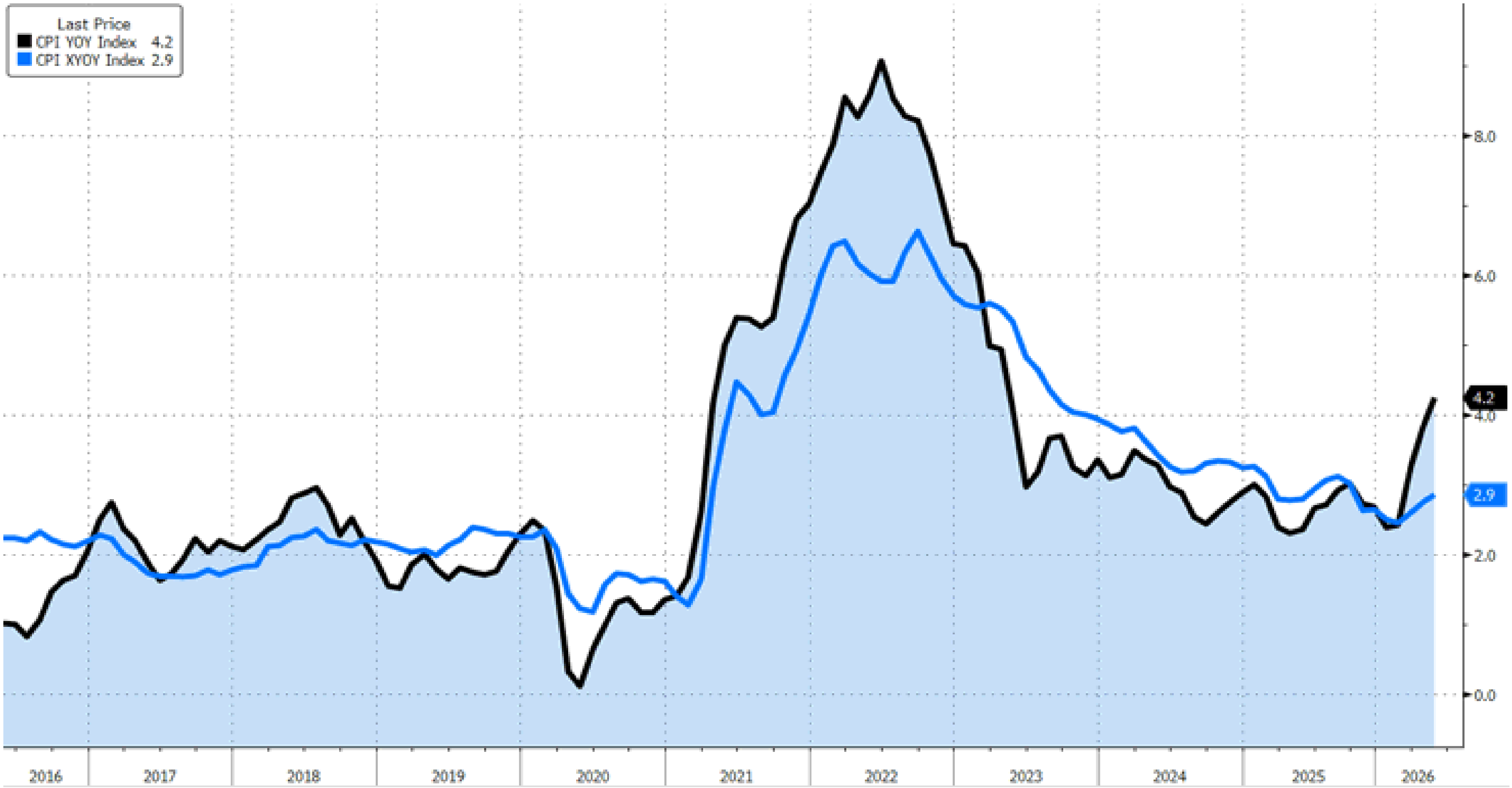
Core Portfolio Review: Slight Underperformance

- Duration/Term Structure Neutral.
- Sector allocation helped: Overweight spreads.
- Security selection hurt: Underweight high beta/low quality.

Outlook: Extreme Uncertainty

- The market pricing 1.5 rate hikes for 2026. Fiscal policy is expected to be less accommodative going forward, but a lot of Treasury supply will be coming to market. We remain neutral duration.
- We turn tactically neutral corporate bonds following the rally in spreads and overweight MBS given the elevated volatility.
- Biggest risks 2026: Current administration policy uncertainty - Geo-political events & inflation, Tariffs, Deficits, Recession.

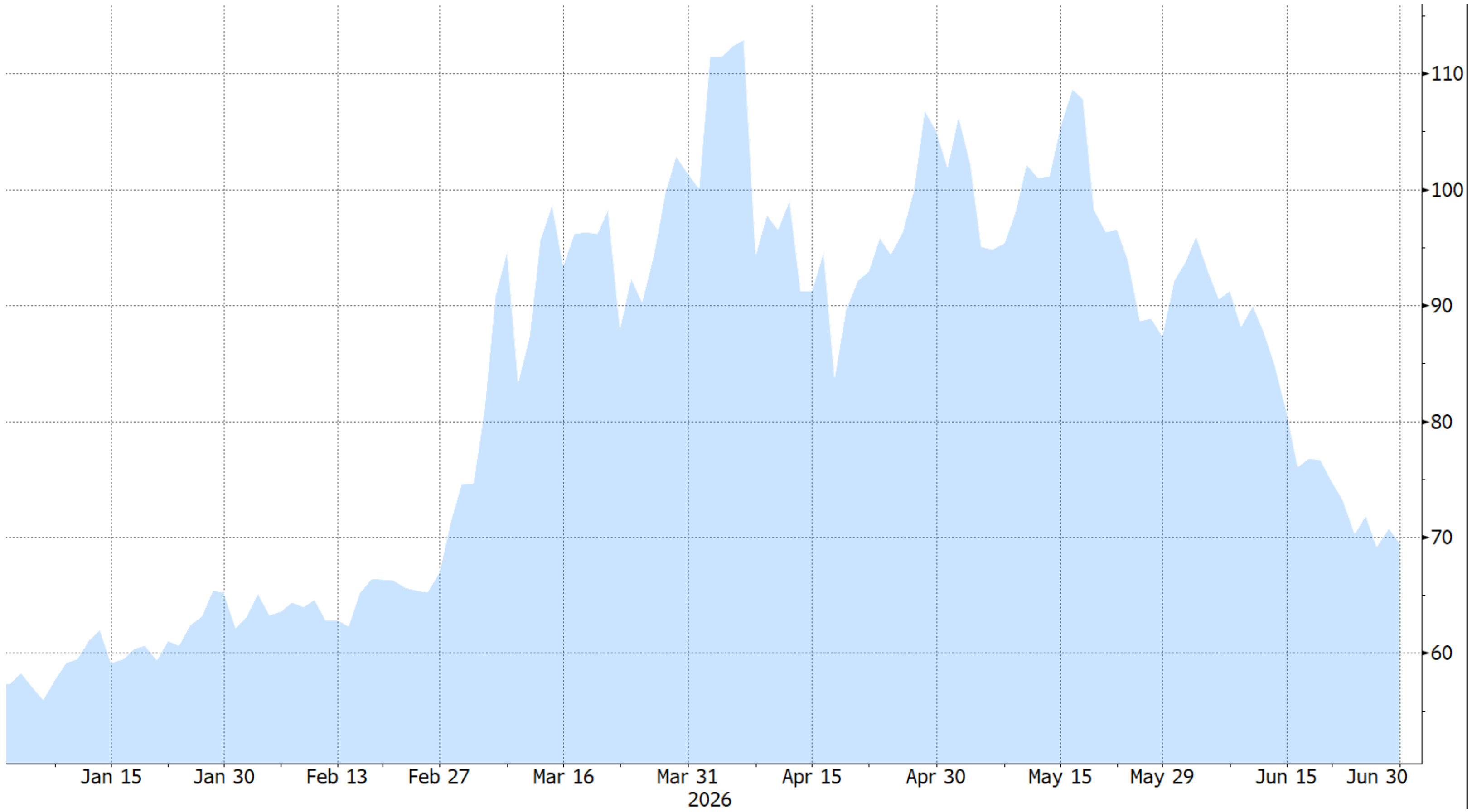
Inflation Uncertainty: CPI 4.2%, CPI CORE 2.9%



Inflation trending higher amid Iran war supply disruptions and AI Components

Source: Bloomberg

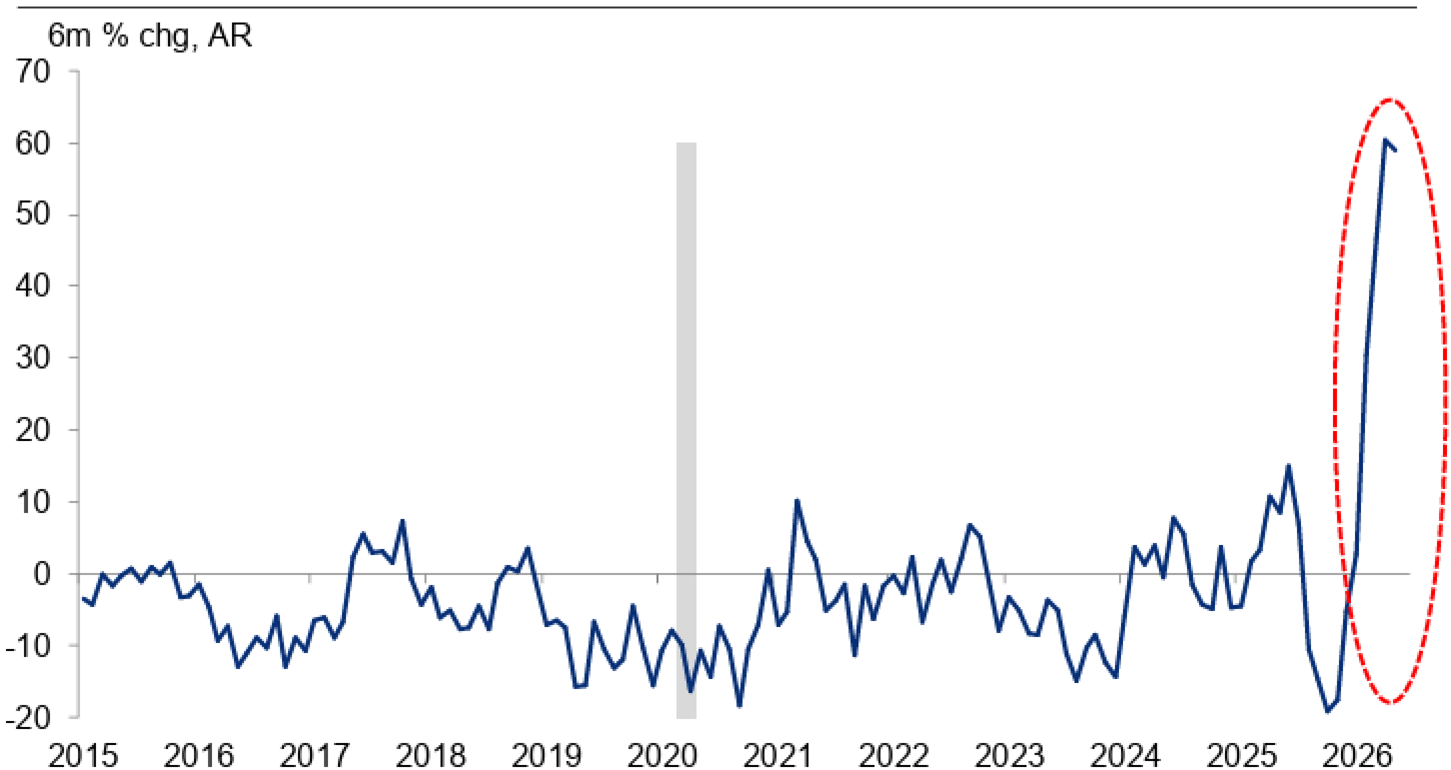
Price of Oil



Source: Bloomberg

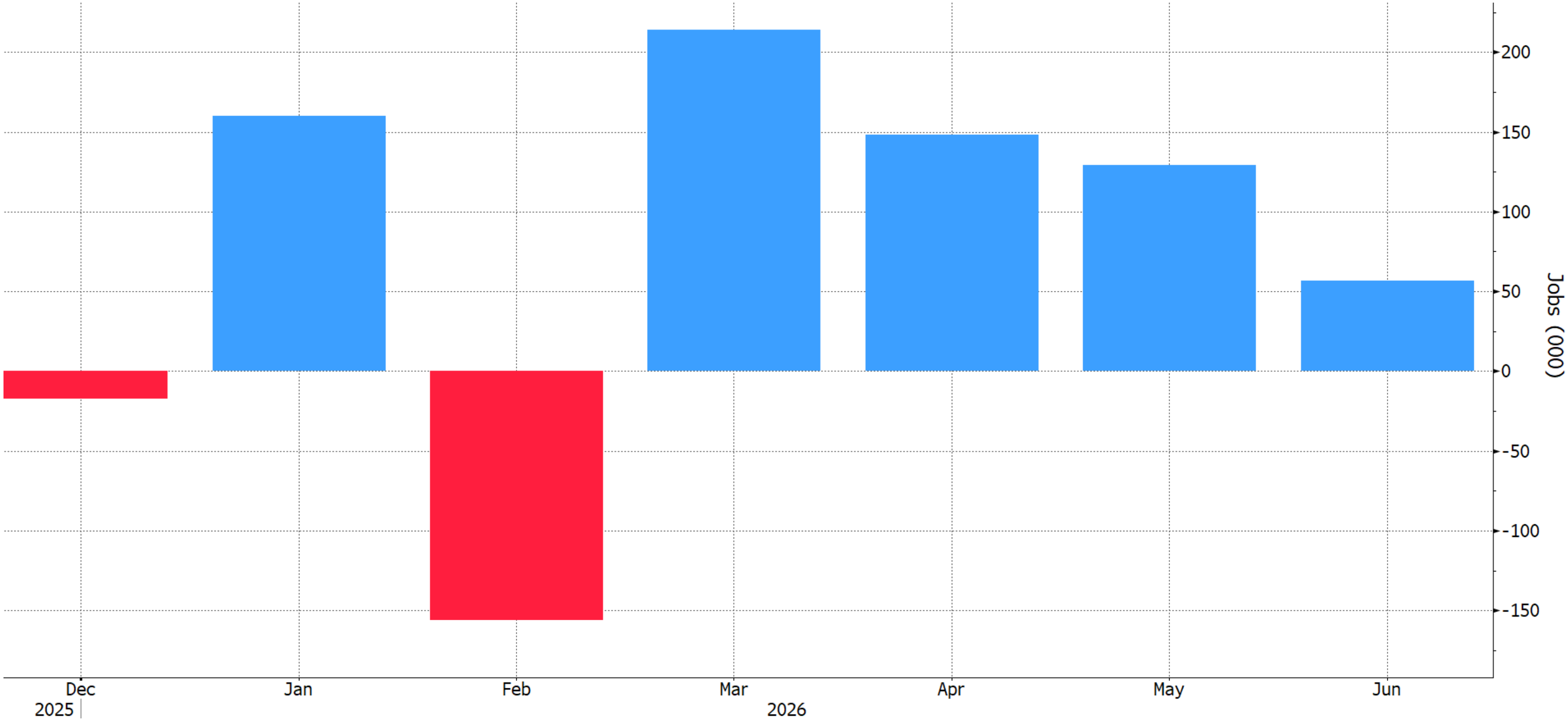
AI Is an Inflationary Force Today

IT Software and Accessories Inflation



Source: Deutsche Bank Research

Resilient Labor Market



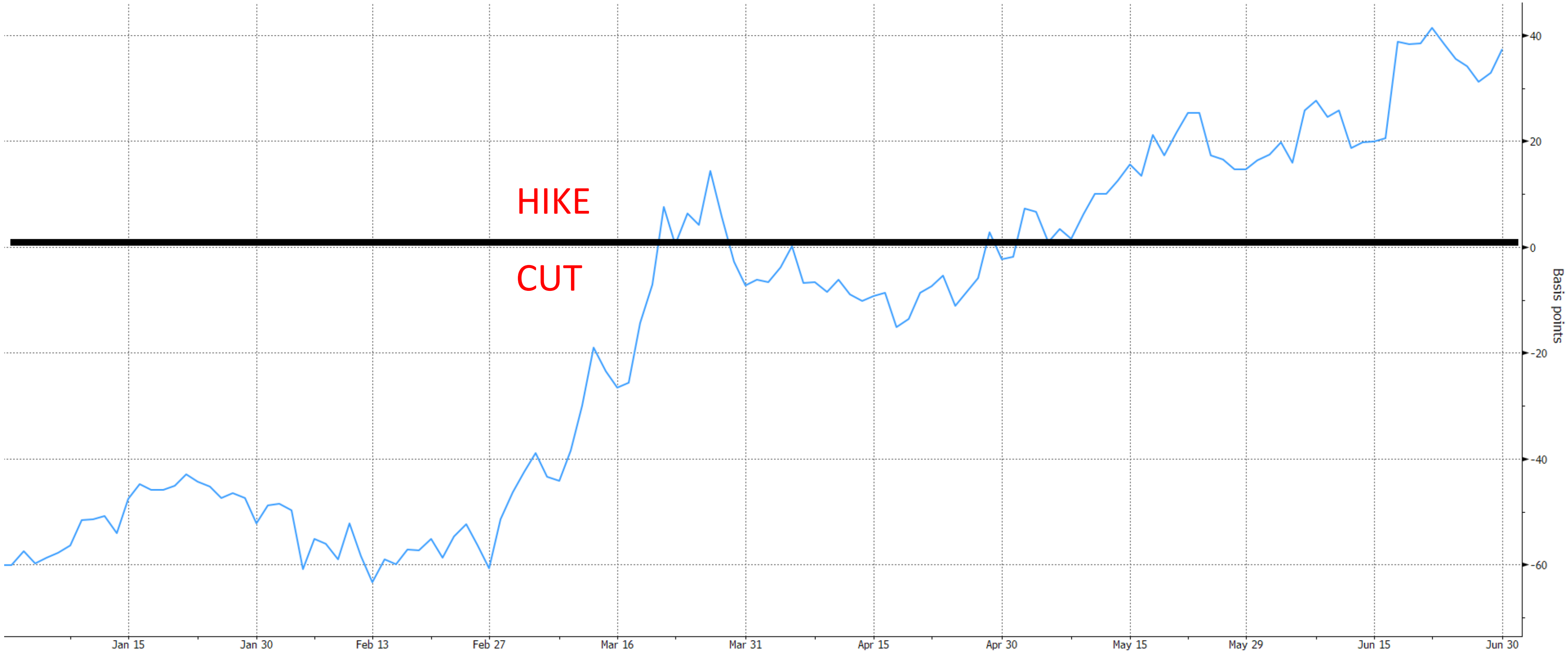
Source: Bloomberg

Soft Data vs. Hard Data

"Soft Data" (consumer confidence, small business sentiment) has been trending downward, but "Hard Data" (Labor Market, GDP) has been resilient

Source: Bloomberg

Fed Pricing



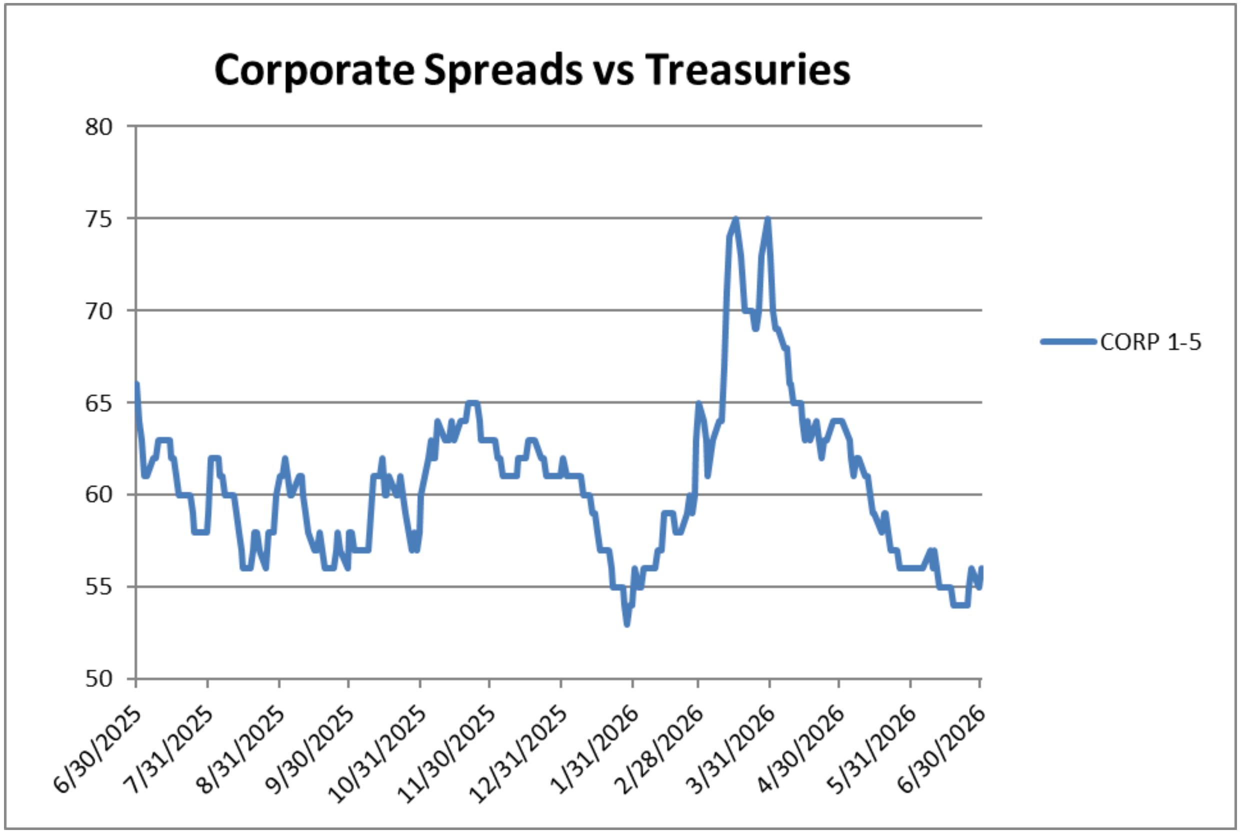
Driven by inflation concerns and resilient economic numbers,
the market is now pricing in fed hikes in 2026

Source: Bloomberg

2-Year Treasury

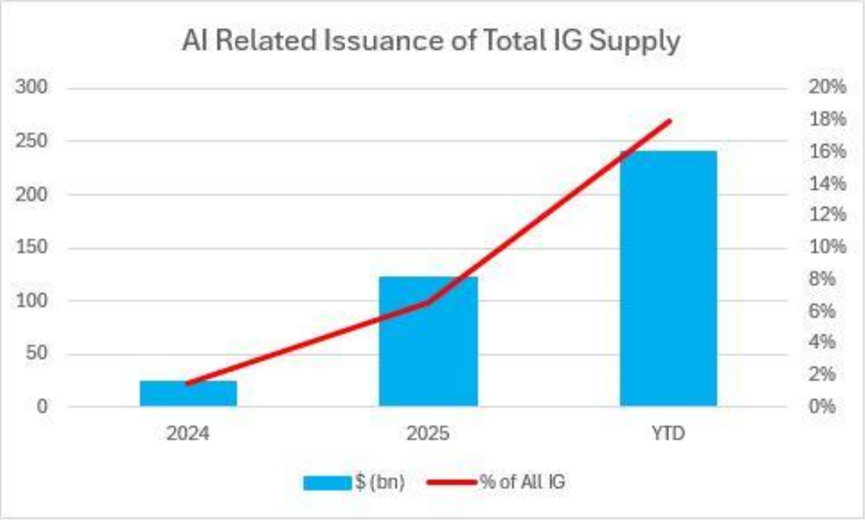
Source: Bloomberg

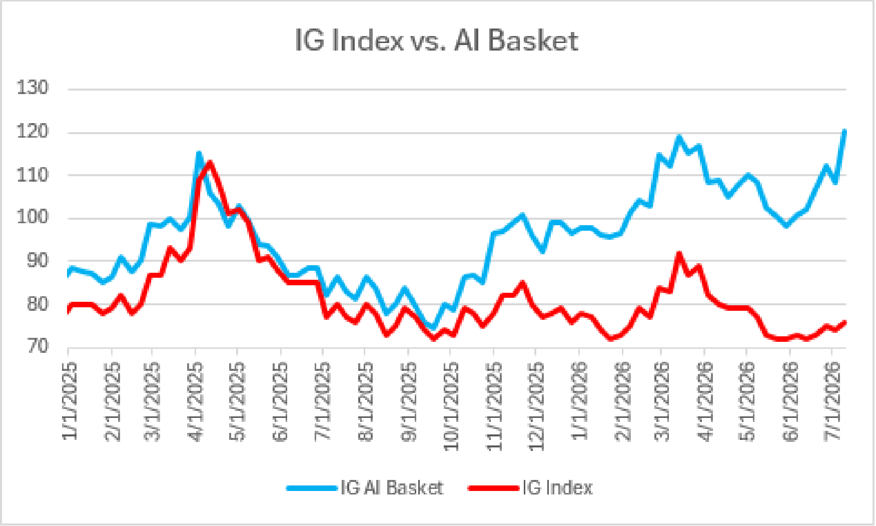
Corporate Spreads Tightened



Source: Bloomberg

AI Supply Driving Spreads Wider





AI related supply has gone from 1% of IG total supply in 2024 to 18% so far in 2026

Source: Goldman Sachs Research

Portfolio Summary

Portfolio Market Values

Quarter

Beginning Market Value on 4/1/2026	**$75,323,380**
Net Cash Flows	0
Investment Gain/Loss	$312,420
Ending Market Value on 6/30/2026	**$75,635,799**

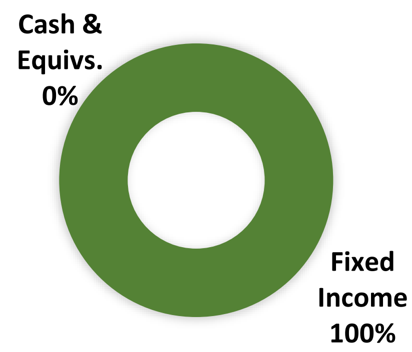
1 Year

Beginning Market Value on 07/01/2025	**$73,302,151**
Net Cash Flows	0
Investment Gain/Loss	$2,333,648
Ending Market Value on 06/30/2026	**$75,635,799**

Portfolio Summary

Asset Class	Market Value	Percent of Assets
Fixed Income	$75,283,935	100%
Cash & Equivs.	$351,864	0%
TOTAL	**$75,635,799**	**100.0%**

Asset Allocation

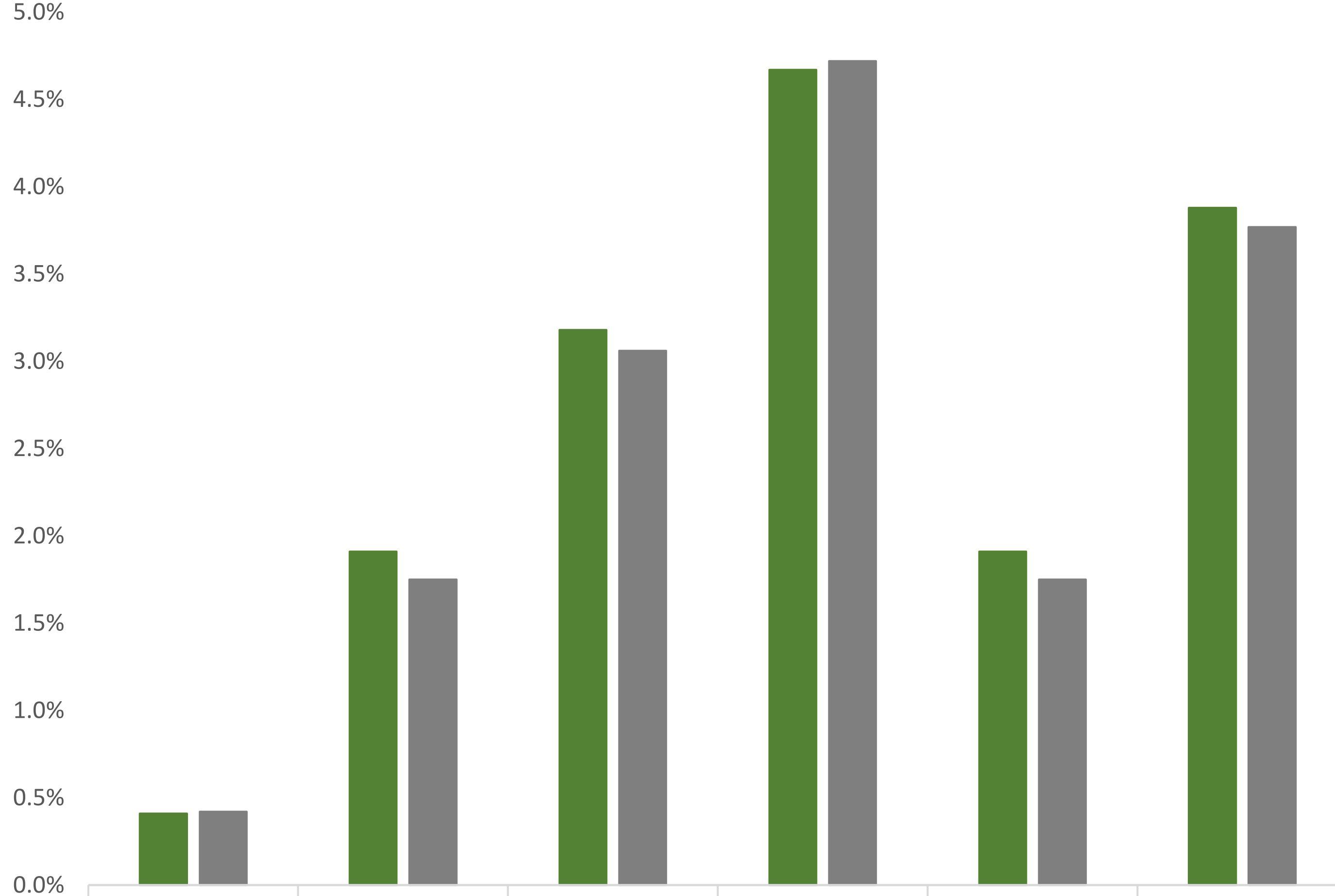


Portfolio Performance

Returns as of 06/30/2026

TOTAL RETURNS GROSS FOR SELECT PERIODS

City of Ocala Treasury Reserve Fund

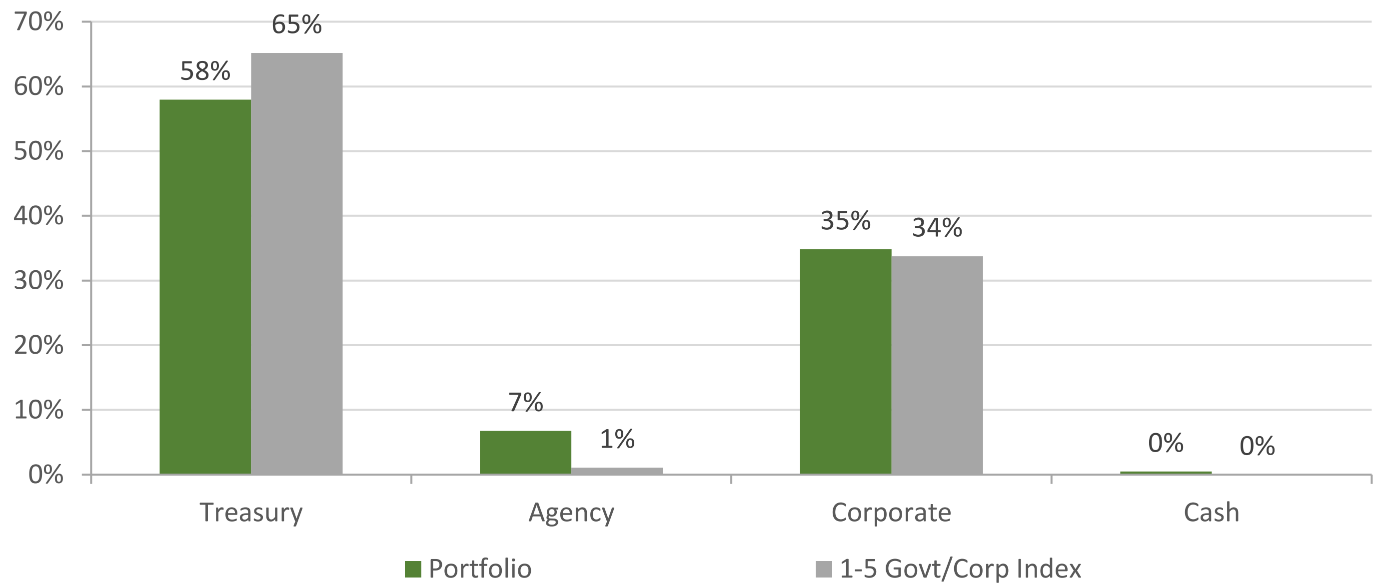


	QTD	Fiscal YTD	1 Year	3 Year	5 Year	Since Inception
Portfolio	0.41%	1.91%	3.18%	4.67%	1.91%	3.88%
BofA 1-5 Year Corp/Gov	0.42%	1.75%	3.06%	4.72%	1.75%	3.77%

Returns for periods of one year or longer are annualized **Since Inception 04/30/98*

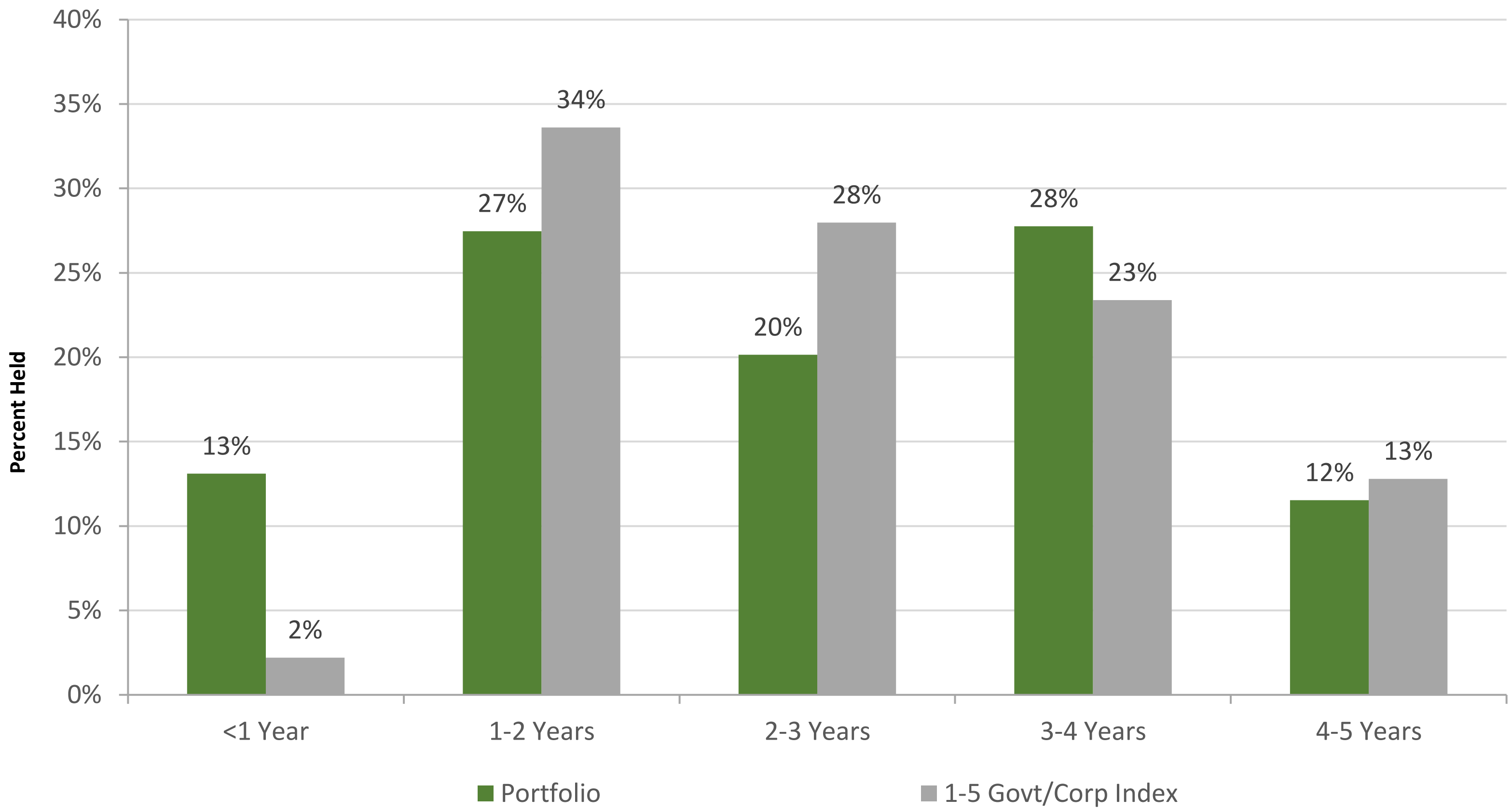
Current Attributes and Sectors

	Portfolio	1-5 Govt/Corp Index
Yield to Maturity (%)	4.25	4.35
Effective Duration (Yrs)	2.49	2.59
Effective Maturity (Yrs)	2.76	2.82
Quality Rating	Aa2	Aa2
Coupon Rate	2.73	3.50
Convexity	0.00	0.04



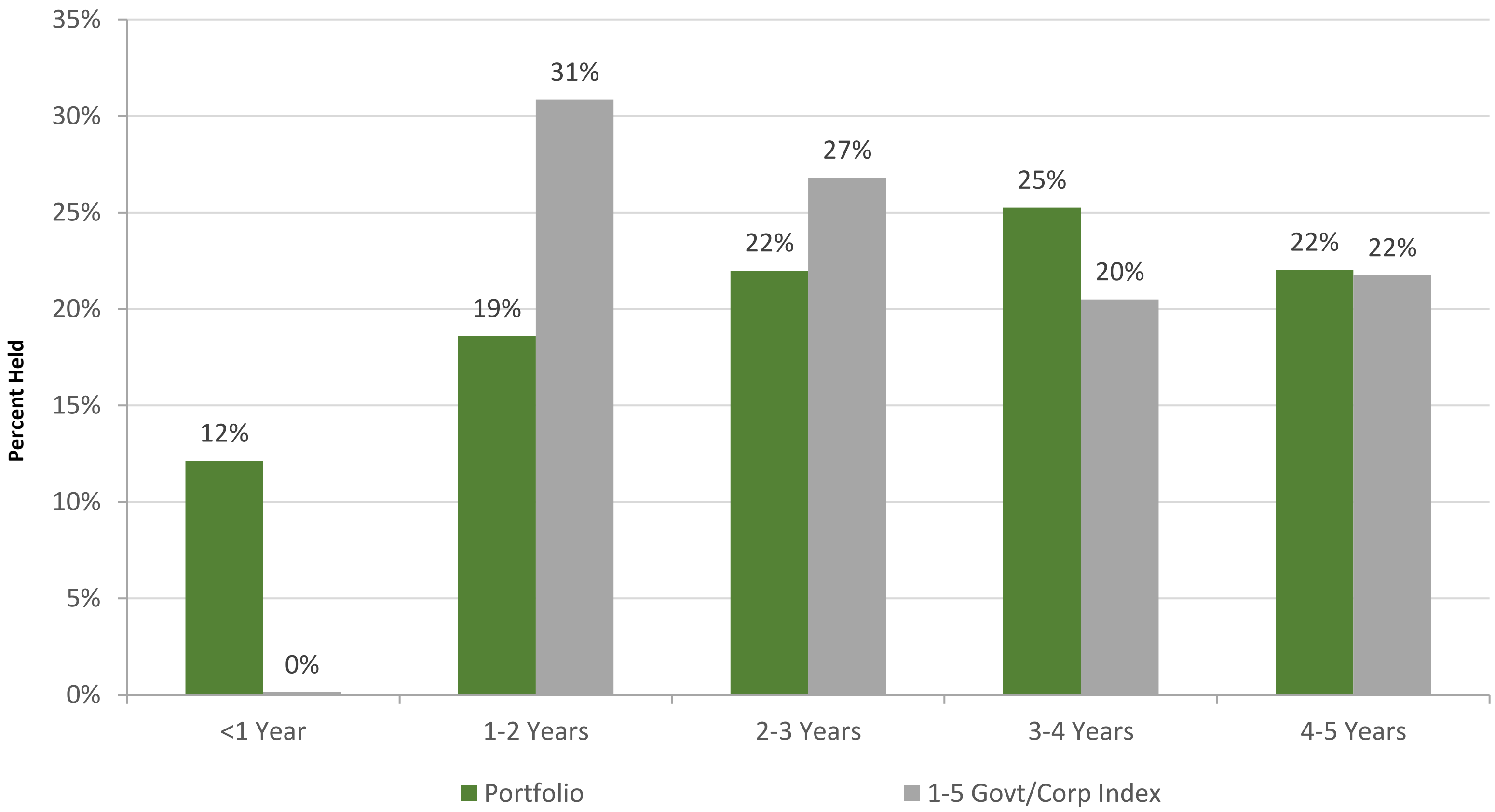
Source: BondEdge

Current Duration Distribution



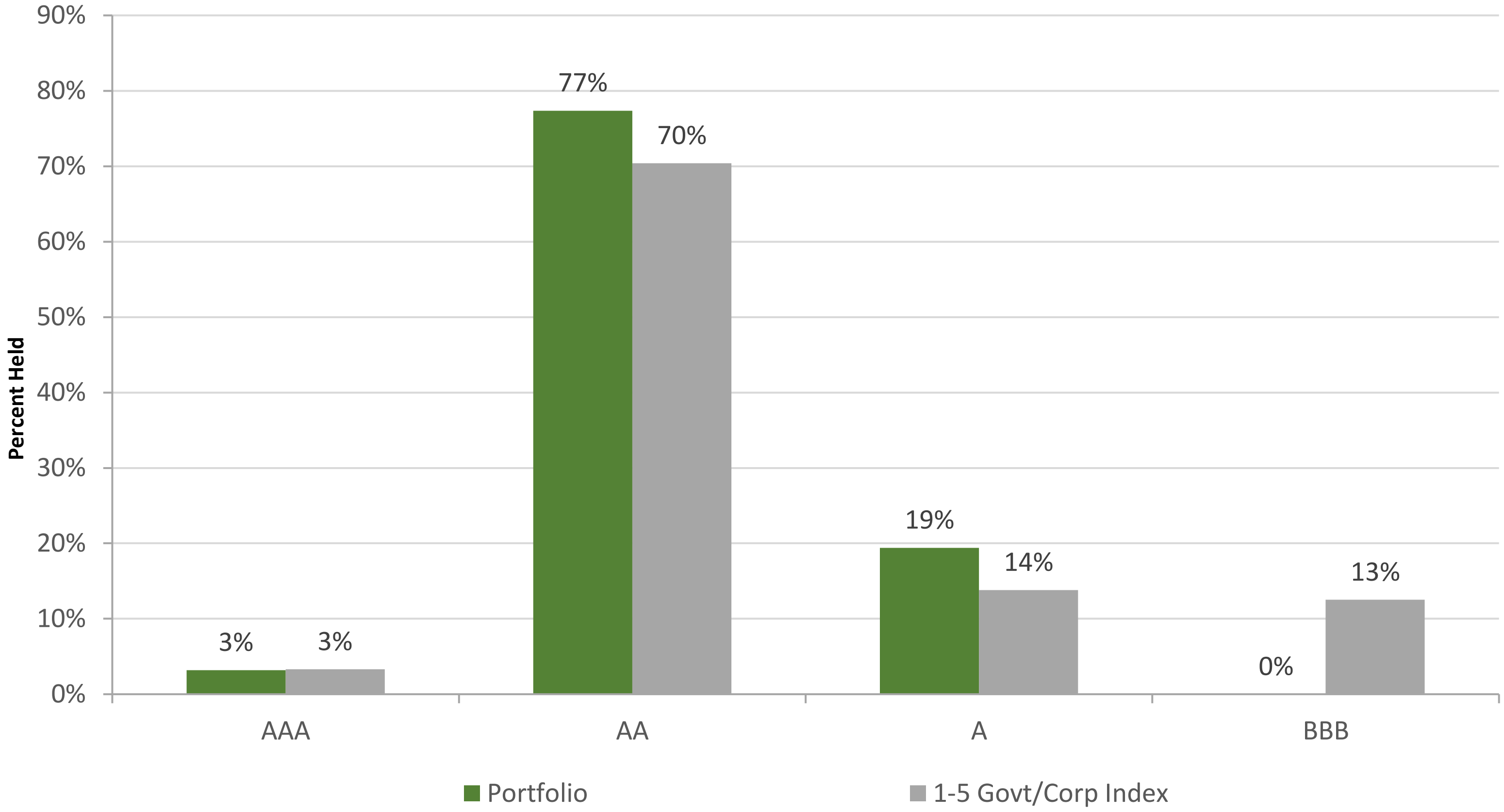
Source: BondEdge

Current Maturity Distribution



Source: BondEdge

Current Quality Distribution



Source: BondEdge

Portfolio Holdings

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
Corporate Bonds						
VIRGINIA ELEC n PWR CO SR GLBL -B NT 20270515 3.750%	675,000.00	99.69	672,894.00	99.53	671,854.50	0.9
INTERNATIONAL BUSINESS MACHS SR GLBL NT. 20270209 2.200%	500,000.00	99.99	499,930.00	98.71	493,545.00	0.7
CATERPILLAR FINL SVCS MTNS BE FR 4.3%051529 4.3 20290515	910,000.00	99.88	908,908.00	99.63	906,669.40	1.2
META PLATFORMS INC SR GLBL NT. 20301115 4.200%	1,325,000.00	100.31	1,329,159.00	98.43	1,304,210.75	1.7
ALPHABET INC SR NT 4.1%31 4.1 20310215	1,390,000.00	100.05	1,390,741.30	98.26	1,365,786.20	1.8
DISNEY WALT CO SR NT 3.75%29 3.75 20290314	900,000.00	98.80	889,164.00	98.42	885,771.00	1.2
THERMO FISHER SCIENTIFIC INC SR NT 31 4.215 20310212	1,400,000.00	99.09	1,387,211.00	98.20	1,374,842.00	1.8
JOHNSON n JOHNSON SR GLBL NT. 20300301 4.700%	420,000.00	99.80	419,155.80	101.24	425,224.80	0.6
WELLS FARGO n CO SR NT 20261023 3.000%	550,000.00	97.52	536,354.50	99.60	547,772.50	0.7
PNC BK N A PITTSBURGH PA DISC FR . 20291022 2.700%	90,000.00	92.06	82,849.50	93.96	84,564.00	0.1
CHEVRON USA INC SR GLBL NT. 20301015 4.300%	780,000.00	99.85	778,806.60	99.42	775,468.20	1.0
ELI LILLY n CO GLBL NT 20281015 4.000%	580,000.00	100.57	583,306.00	99.34	576,195.20	0.8
FLORIDA PWR n LT CO M GLBL BD 20290615 5.150%	1,170,000.00	100.54	1,176,353.10	101.87	1,191,925.80	1.6
JOHNSON n JOHNSON SR GLBL NT. 20290601 4.800%	800,000.00	99.88	799,032.00	101.75	814,008.00	1.1
PNC FINL SVCS GROUP INC SR GLBL NT 20300514 5.492%	1,310,000.00	100.19	1,312,476.80	102.11	1,337,654.10	1.8
DISNEY WALT CO SR GLBL NT 20290901 2.000%	125,000.00	90.02	112,522.50	92.91	116,135.00	0.2
STATE STR CORP SR GLBL NT 20271022 4.330%	520,000.00	100.00	520,000.00	100.03	520,130.00	0.7

Portfolio Holdings

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
DUKE ENERGY CAROLINAS LLC M GLBL BD 20300315 4.850%	500,000.00	99.86	499,290.00	100.91	504,555.00	0.7
HOME DEPOT INC SR GLBL NT. 20290415 4.900%	1,010,000.00	100.61	1,016,190.50	101.32	1,023,332.00	1.4
MORGAN STANLEY FR . 20270120 3.625%	1,200,000.00	96.78	1,161,390.00	99.61	1,195,284.00	1.6
TEXAS INSTRS INC SR GLBL NT. 20290208 4.600%	1,100,000.00	100.15	1,101,694.00	100.69	1,107,623.00	1.5
ABBVIE INC GLBL NT . 20270315 4.800%	1,300,000.00	99.86	1,298,167.00	100.34	1,304,394.00	1.7
CATERPILLAR FINL SVCS MTNS BE FR . 20290227 4.850%	355,000.00	101.67	360,942.70	101.21	359,309.70	0.5
JOHN DEERE CAPITAL CORPORATION FR . 20280714 4.950%	910,000.00	99.85	908,644.10	101.24	921,274.90	1.2
FLORIDA PWR n LT CO M GLBL BD 20280401 5.050%	470,000.00	99.87	469,389.00	101.14	475,339.20	0.6
US BANCORP FR . 20260722 2.375%	1,300,000.00	94.00	1,221,987.00	99.89	1,298,570.00	1.7
MASTERCARD INCORPORATED SR GLBL NT 20280309 4.875%	420,000.00	99.90	419,592.60	100.76	423,171.00	0.6
APPLE INC SR GLBL NT 20280510 4.000%	820,000.00	99.81	818,417.40	99.60	816,711.80	1.1
LAUDER ESTEE COS INC SR GLBL NT 20280515 4.375%	1,325,000.00	100.46	1,331,075.25	99.75	1,321,687.50	1.8
AMAZON COM INC SR GLBL NT. 20270413 3.300%	1,250,000.00	97.46	1,218,287.50	99.32	1,241,437.50	1.7
UNITEDHEALTH GROUP INC SR GLBL NT 20280215 5.250%	670,000.00	99.96	669,718.60	101.34	678,951.20	0.9
Cash Currency						
US DOLLARS	351,864.28	1.00	351,864.28	1.00	351,864.28	0.5
Government Bonds (US)						
FEDERAL FARM CR BKS CONS BD . 20300219 4.820%	890,000.00	100.00	890,000.00	99.71	887,392.30	1.2
FEDERAL FARM CR BKS CONS BD . 20300520 4.550%	355,000.00	100.00	355,000.00	99.41	352,887.75	0.5

Portfolio Holdings

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
FEDERAL FARM CR BKS CONS BD . 20300514 4.520%	1,100,000.00	99.63	1,095,875.00	99.73	1,097,019.00	1.5
FEDERAL FARM CR BKS CONS BD . 20290723 4.420%	1,100,000.00	99.99	1,099,835.00	99.52	1,094,709.00	1.5
FEDERAL HOME LN MTG CORP CALL . 20261028 0.800%	1,640,000.00	89.77	1,472,244.40	98.99	1,623,468.80	2.2
UNITED STATES TREAS NTS . 20300630 3.750%	5,950,000.00	99.94	5,946,613.29	98.38	5,853,312.50	7.8
UNITED STATES TREAS NTS . 20290731 2.625%	2,540,000.00	93.44	2,373,351.56	95.58	2,427,681.20	3.2
UNITED STATES TREAS NTS . 20310515 1.625%	3,250,000.00	88.51	2,876,503.91	88.72	2,883,237.50	3.8
UNITED STATES TREAS NTS . 20280630 1.250%	3,200,000.00	87.00	2,784,156.25	94.47	3,023,008.00	4.0
Treasury Note						
UNITED STATES TREAS NTS . 20270930 0.375%	5,000,000.00	85.14	4,256,835.94	95.46	4,772,850.00	6.3
UNITED STATES TREAS NTS . 20270630 0.500%	755,000.00	89.70	677,261.12	96.51	728,627.85	1.0
UNITED STATES TREAS NTS . 20291130 3.875%	2,650,000.00	99.70	2,642,173.83	99.04	2,624,427.50	3.5
UNITED STATES TREAS NTS . 20300215 1.500%	10,240,000.00	89.43	9,157,295.30	91.10	9,328,844.80	12.4
UNITED STATES TREAS NTS . 20290515 2.375%	4,600,000.00	89.39	4,112,164.06	95.22	4,379,890.00	5.8
UNITED STATES TREAS NTS . 20260831 1.375%	375,000.00	99.40	372,735.16	99.60	373,492.50	0.5
UNITED STATES TREAS NTS . 20280131 0.750%	4,500,000.00	87.09	3,918,964.85	94.80	4,266,045.00	5.7
UNITED STATES TREAS NTS . 20301115 0.875%	3,500,000.00	87.09	3,048,281.25	86.84	3,039,260.00	4.0
Accrued Income					464,383.55	0.6
TOTAL PORTFOLIO			$73,324,804.95		$75,635,798.78	

Sensitivity Analysis – 12 Months Horizon

Scenario #		1	2	3	4	5	6	7	8	9	10	11	12	13
Scenario Description		**TSY -100**	**TSY -50**	**TSY No Change**	**TSY + 50**	**TSY + 100**	**TSY Forward Curve**	**TSY Bull Flattener**	**TSY Bull Steepener**	**TSY Bear Steepener**	**TSY Bear Flattener**	**Corp 50 Tighter Parallel**	**Corp 50 Wider Parallel**	**Consensus Forecast**
Credit Chg OAS		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-50**	**+50**	**0**
6/30/2026	BEGIN	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)
U.S. TREASURY CURVE:														
6 Month	3.97	-100	-50	0	50	100	16	-5	-140	5	100	0	0	-53
1 Year	4.10	-100	-50	0	50	100	14	-5	-130	5	100	0	0	-45
2 Year	4.17	-100	-50	0	50	100	7	-10	-120	10	100	0	0	-45
3 Year	4.16	-100	-50	0	50	100	12	-10	-110	15	85	0	0	-37
5 Year	4.22	-100	-50	0	50	100	15	-25	-100	25	75	0	0	-32
7 Year	4.32	-100	-50	0	50	100	14	-35	-90	35	65	0	0	-24
10 Year	4.42	-100	-50	0	50	100	20	-45	-55	45	50	0	0	-18
20 Year	4.95	-100	-50	0	50	100	6	-50	-45	50	35	0	0	-22
30 Year	4.92	-100	-50	0	50	100	7	-65	-25	65	25	0	0	-22
Short		6.84	5.62	4.40	3.19	1.98	4.12	4.72	7.10	4.03	2.30	4.69	4.12	5.32
ICE ML 1-5 G/C		6.94	5.65	4.39	3.14	1.92	4.09	4.74	7.22	4.01	2.20	4.86	3.92	5.36
Difference		-0.10	-0.04	0.01	0.04	0.06	0.03	-0.01	-0.11	0.02	0.10	-0.17	0.20	-0.05

Source: BondEdge

Compliance Monitor

Ratings Guidelines		**Policy**	**Current**	**Within Policy?**
Corporate Bonds		BBB/Baa2	BBB/Baa2	Yes
CMO, Mortgage and ABS		AAA	AAA	Yes
Eurodollar Securities		BBB	N/A	Yes
Yankee Securities		BBB	N/A	Yes
Maturity Limitations		**Policy**	**Current**	**Within Policy?**
Effective Maturity Per Security		<10 years	4.92	Yes
Portfolio Duration		-50%/120%	99%	Yes
Portfolio Effective Maturity		<5 years	2.78	yes
Sector Allocations	**Minimum**	**Maximum**	**Current %**	**Within Policy?**
US Treasury and Federal Agencies	35%	None	64.7%	Yes
Corporate Debt Obligations	None	50%	34.8%	Yes
Mortgage/Asset Backed Securities	None	10%	0.0%	Yes
Municipal Securities	None	20%	0.0%	Yes
Certificates of Deposit	None	20%	0.0%	Yes
Repurchase Agreements	None	25%	0.0%	Yes
Local Government Surplus Funds/Trust Fund	None	25%	0.0%	Yes
Money Market/Trust	None	30%	0.5%	Yes