SAWGRASS
ASSET MANAGEMENT LLC

Investment Review

August 5th, 2025

City of Ocala Treasury Reserve Fund

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Bond Market Review: Rates Slight Rally, Risk On

Market Review: Rates bull steepened given the elevated policy uncertainty; spreads rallied, risk on

- All eyes were on the Federal Reserve throughout the 3rd quarter, as questions abound about the potential for rate cuts and about the future composition of the Board. A lack of consensus amongst the existing Fed Governors was very symbolic of the currentenvironment, with dueling concerns about a weakening labor market and higher inflation. The thought of lower rates prevailed for the quarter and fixed income performance followed suit, as the Bloomberg Aggregate was up +2.0%.
- Concerns about rising inflation have mostly been led by escalating tariffs and what their eventual impact on prices could be. To this point, inflation has stabilized for the most part with companies willing to eat some of the higher costs. The uncertainty and shifting policies are keeping worries present and the risk remains that inflation can begin to shoot up over the next few quarters. The overall impact on the U.S. Treasury market was for rates to come down slightly. Rates were down by 11bps, 8bps and 4bps respectively across 2-year, 10-year and 30-year maturities.
- Lower rates and an economy that is holding up well led to a risk-on appetite during the quarter. Investment Grade corporate bond spreads tightened by 10bps. At a spread of 75bps over U.S. Treasuries, corporate bond spreads are at the tightest levels seen this century.
- The dual mandate of low inflation and high employment will continue to be tested as head into the end of the year. A government shutdown to begin the 4th quarter only serves to muddle upcoming data releases and implementation of policies. While volatility is expected, relatively high yields still present a lot of opportunities within the fixed income space. However, the ability to remain nimble and focus on high-quality issuers will be of extreme importance.
  - US TSY curve/change: 2y 3.61%/-11bp, 5y 3.74%/-6bp, 10y 4.15%/-8bp, 30y 4.73%/-4bp.
  - Credit IG spreads outperformed -10bp, Leaders – Materials, Utilities, Energy; Laggards – Media, Healthcare.
  - S&P 500 +8.11%, Risk On.

Core Portfolio Review: Outperformance

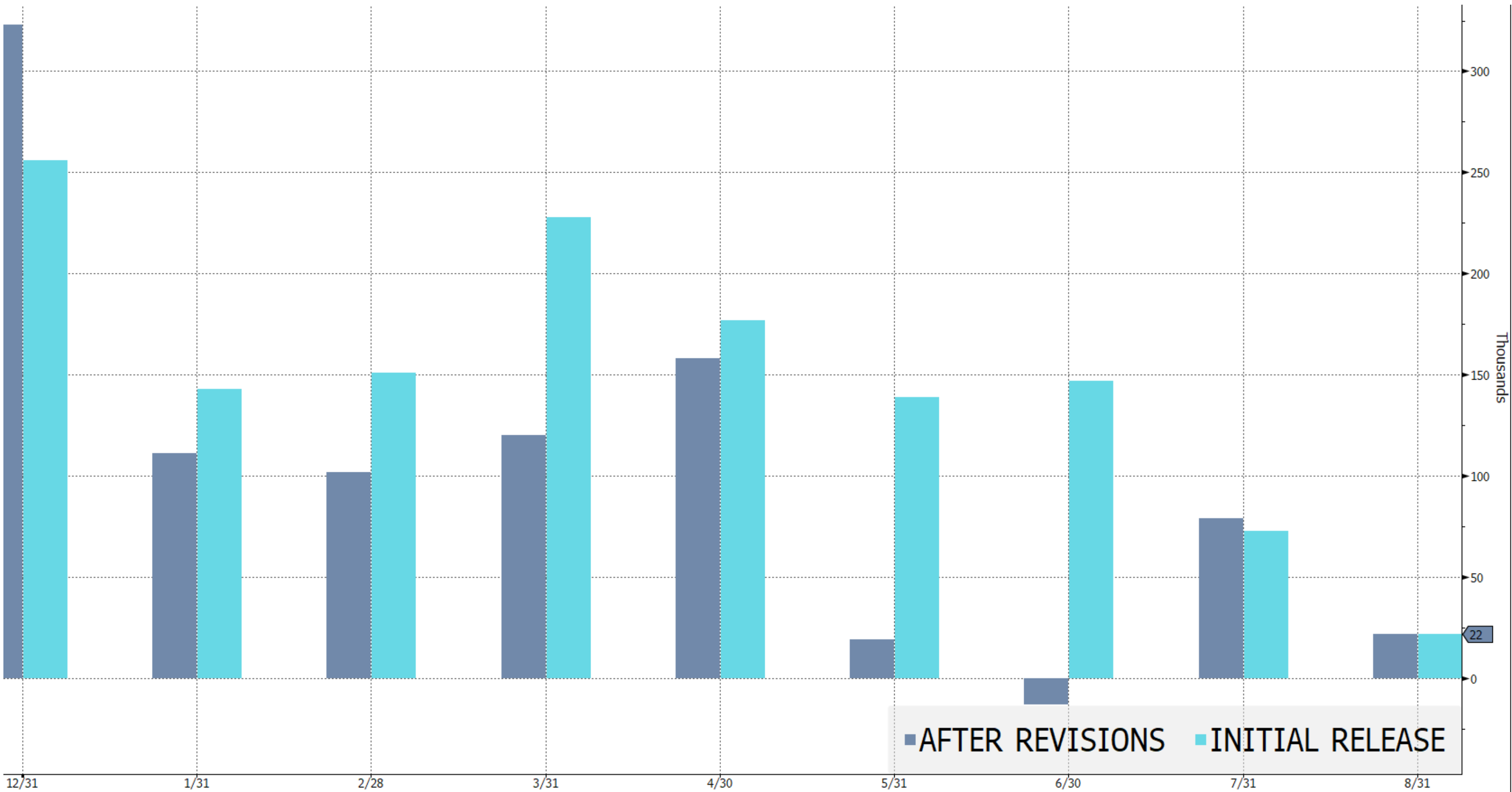
- Term Structure helped.
- Sector allocation helped: Overweight spreads.
- Security selection hurt: Overweight high quality.

Outlook: Extreme Uncertainty

- The market pricing two Fed rate cuts before the end of the year. Fiscal policy is expected to be less accommodative going forward, but a lot of Treasury supply will be coming to market. We remain slight long duration.
- We turn tactically UW corporate bonds and remain overweight MBS given better relative valuations.
- Biggest risks 2025: New administration policy uncertainty - Tariffs, geo-political events, Inflation stickiness, recession risks.

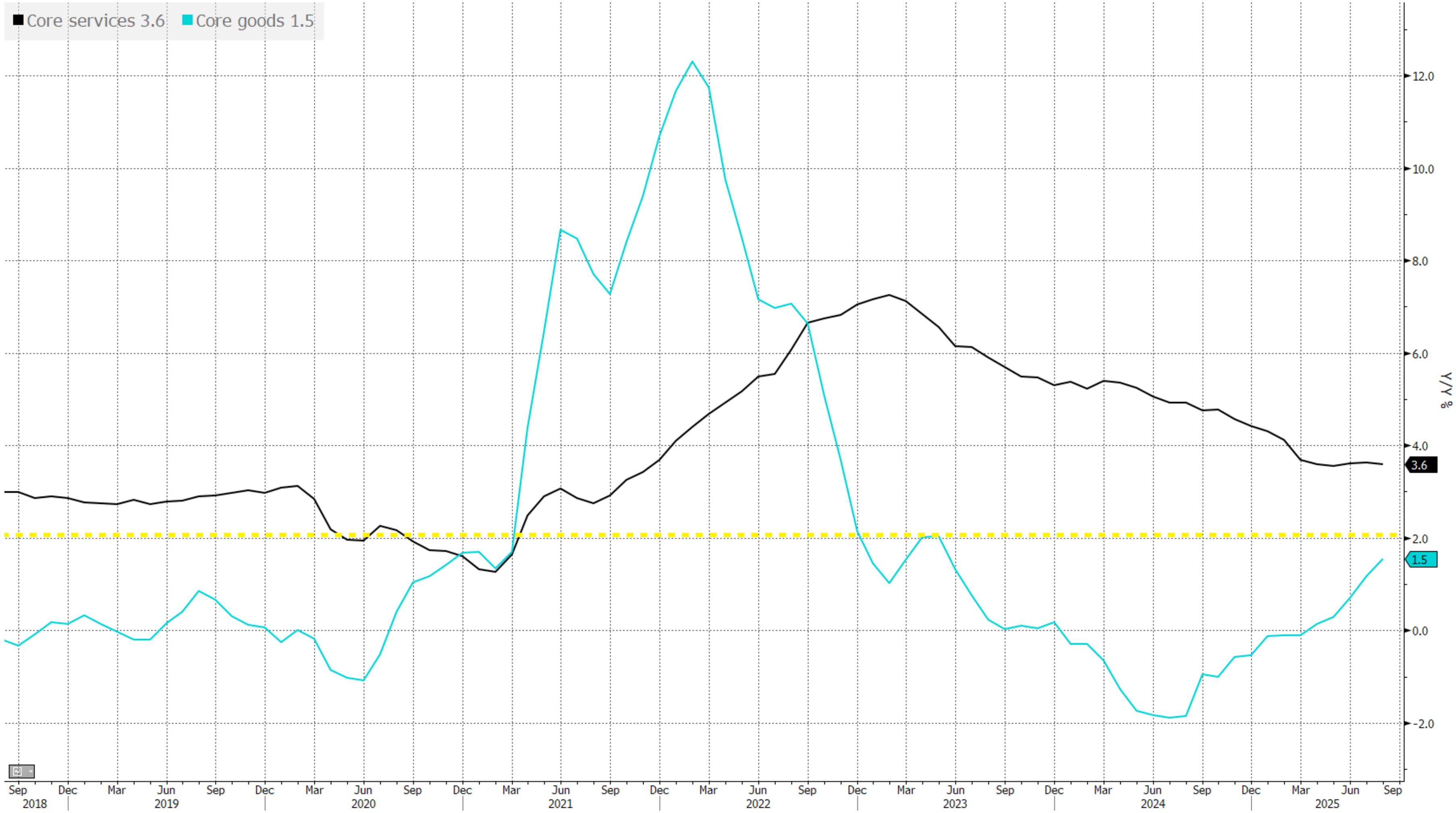
"Strength" of the Labor Market

As of 09/30/2025



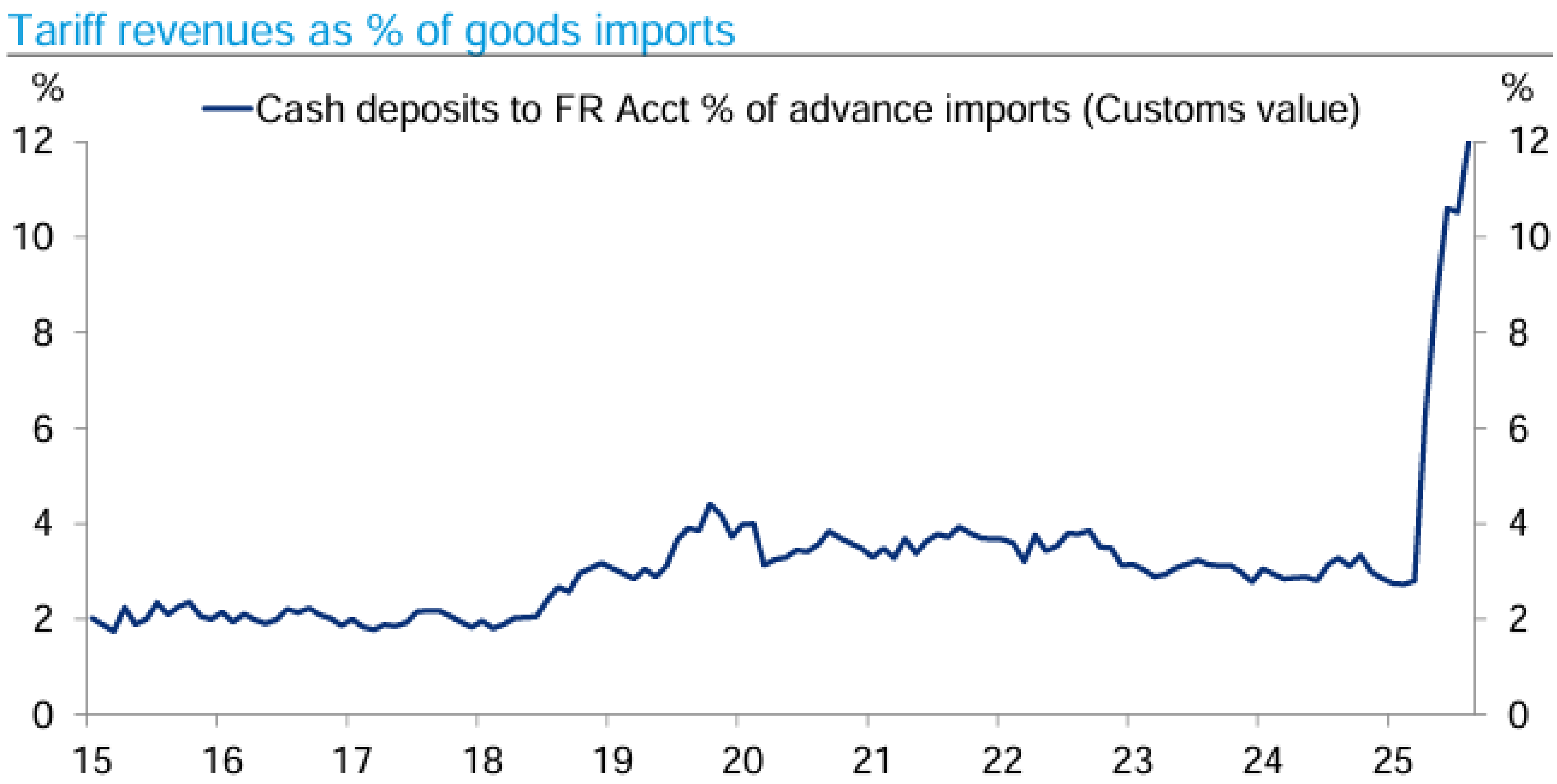
Source: Bloomberg

Inflation: Core Goods Moving Higher



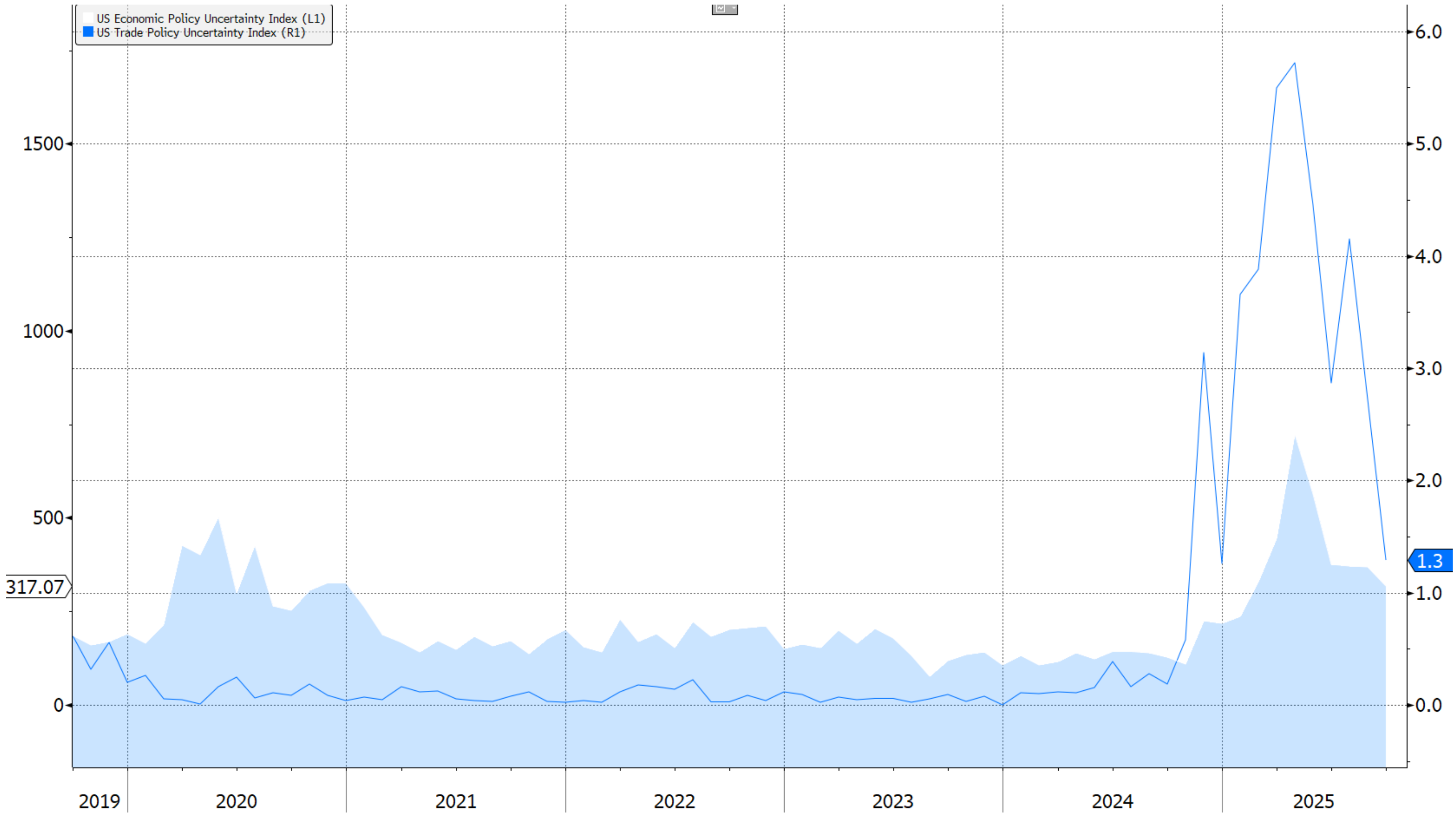
Source: Bloomberg

Tariff Revenues Have Risen, Closer to 15% Estimated Effective Rate



Source: Treasury, Census Bureau, Haver Analytics, Deutsche Bank

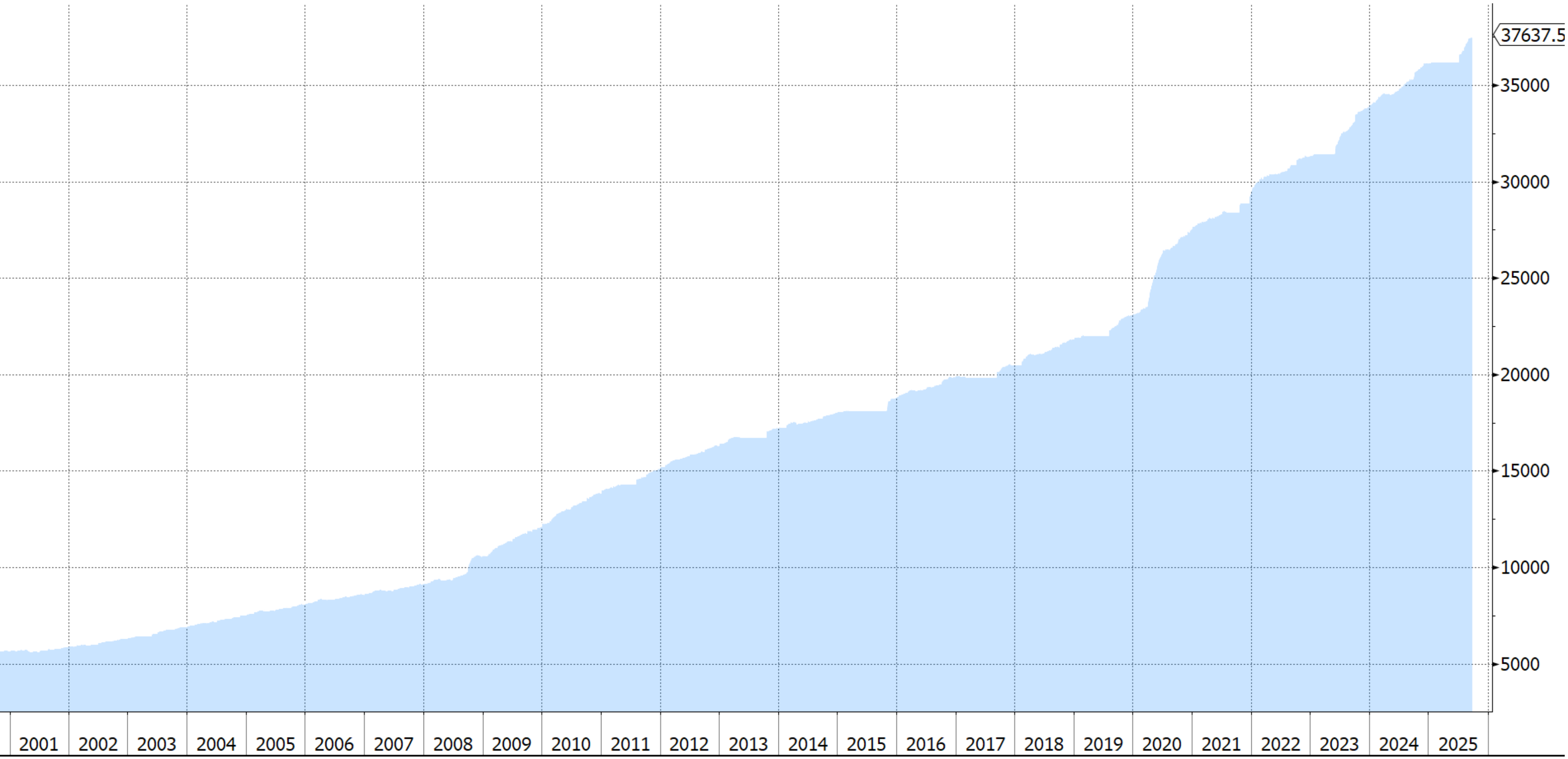
Trade & Economic Policy Remains High



Source: Bloomberg, Baker, Bloom and Davis

US Fiscal Deficit: Sustaining the Unsustainable

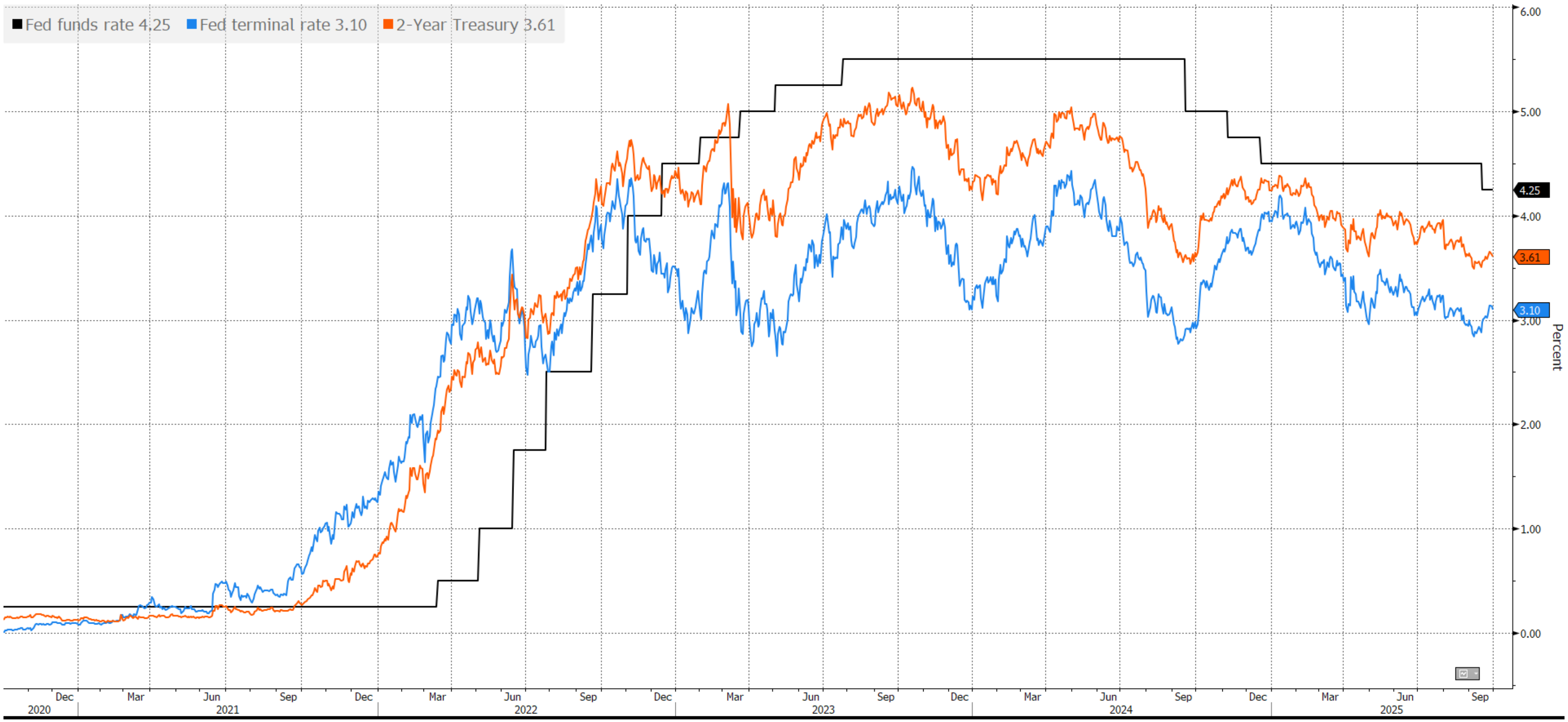
Federal Debt: $37 Trillion



Source: Bloomberg, 9/30/2024

Path of Interest Rates

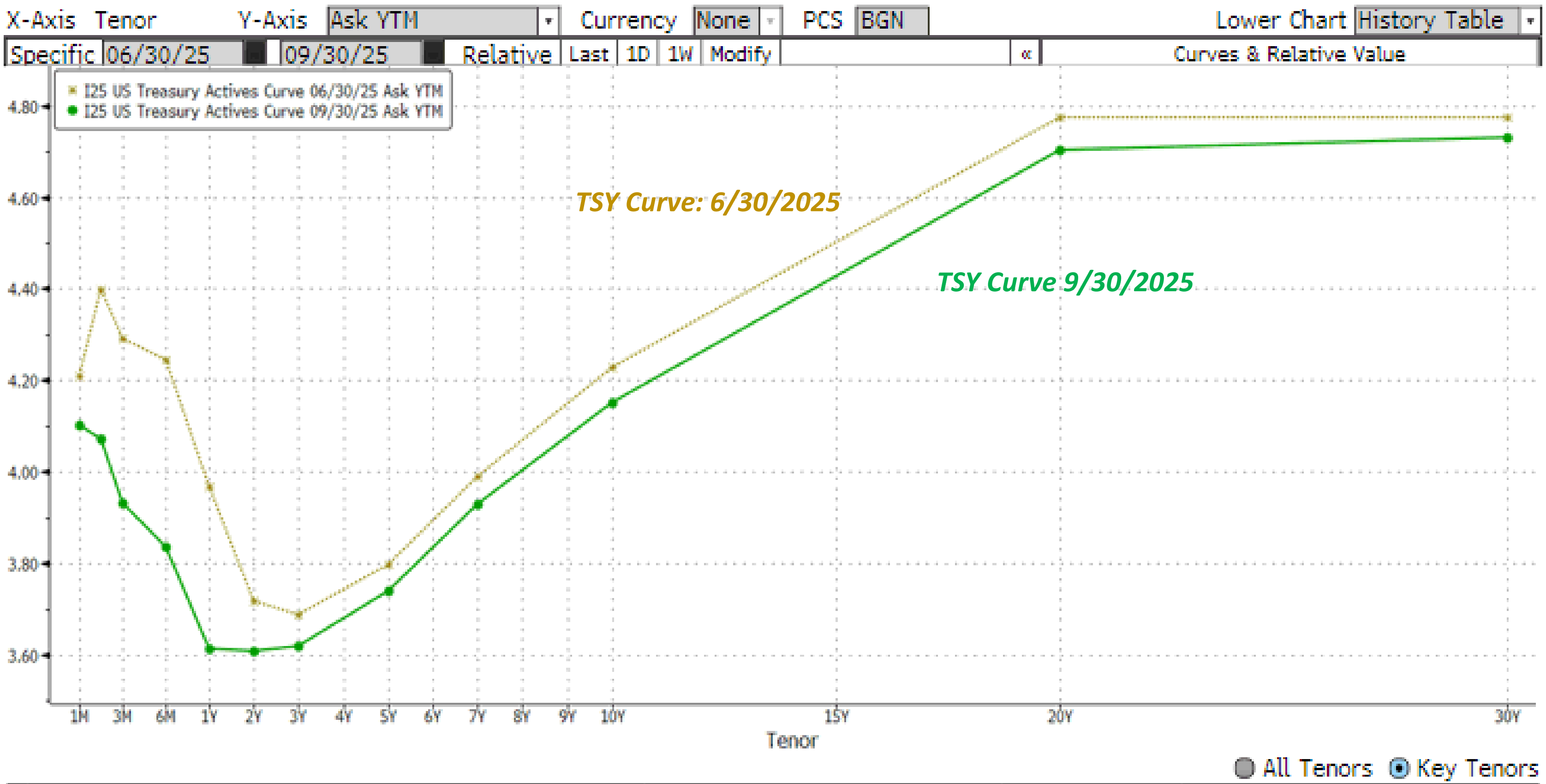
As of 09/30/2025



Source: Bloomberg

Treasury Curve Change: Q3 Treasury Curve Bull Steepened

Interest Rate | Sector Allocation | Security Selection



Curve Id	1M	3M	2Y	5Y	10Y	20Y	30Y
I25 09/30/25	4.101	3.932	3.608	3.741	4.150	4.703	4.731
I25 06/30/25	4.209	4.291	3.719	3.797	4.228	4.774	4.774
I25 (09/30/25-06/30/…	-10.8	-35.9	-11.1	-5.6	-7.8	-7.1	-4.3

Source: Bloomberg

Portfolio Summary

Portfolio Market Values

QTD

Beginning Market Value on 06/30/2025	**$73,302,151**
Net Cash Flows	$0
Investment Gain/Loss	$916,350
Ending Market Value on 9/30/2025	**$74,218,501**

1 Year

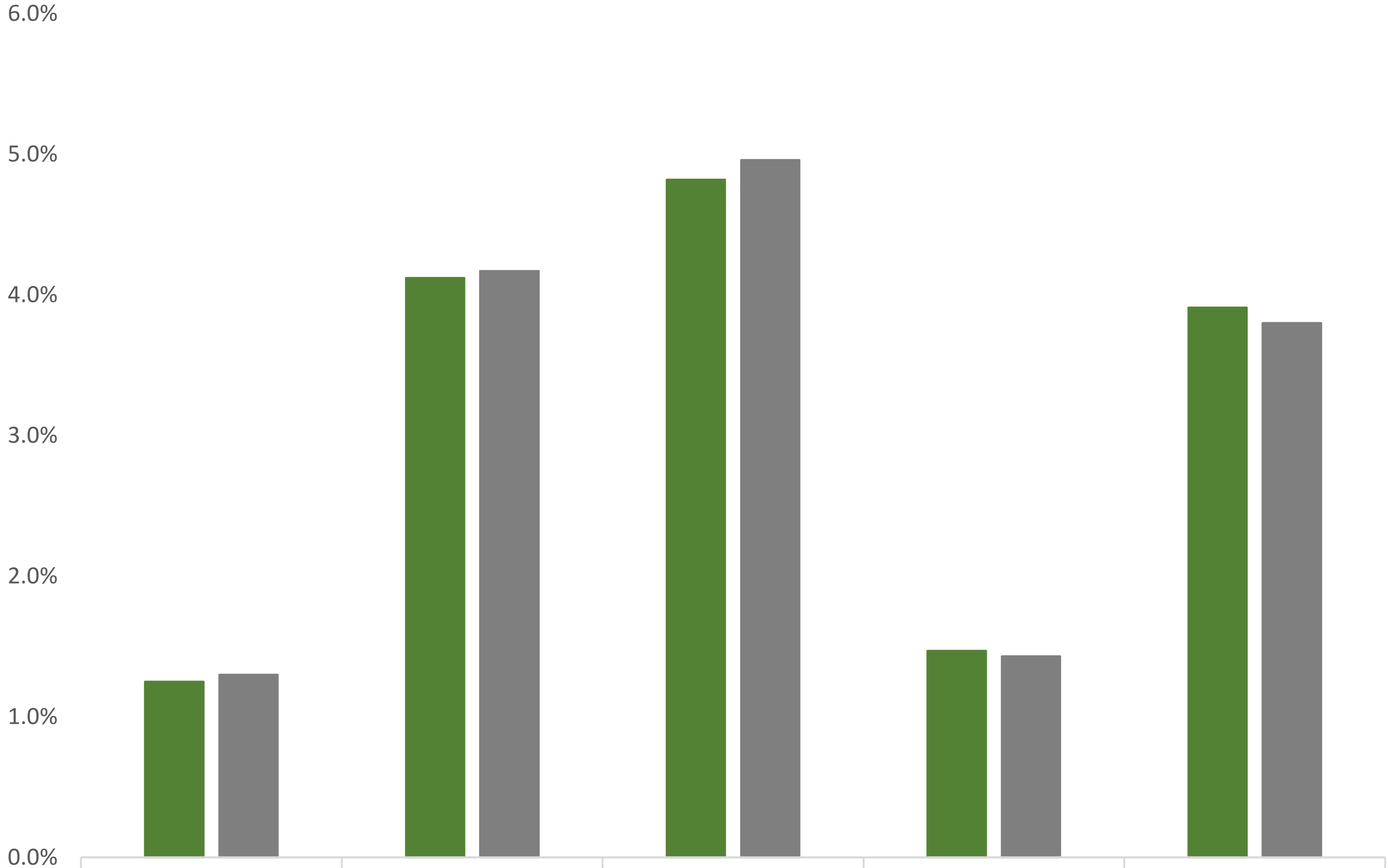
Beginning Market Value on 9/30/2024	**$71,284,785**
Net Cash Flows	$0
Investment Gain/Loss	$2,933,716
Ending Market Value on 9/30/2025	**$74,218,501**

Portfolio Performance

Returns as of 09/30/2025

TOTAL RETURNS GROSS FOR SELECT PERIODS

City of Ocala Treasury Reserve Fund



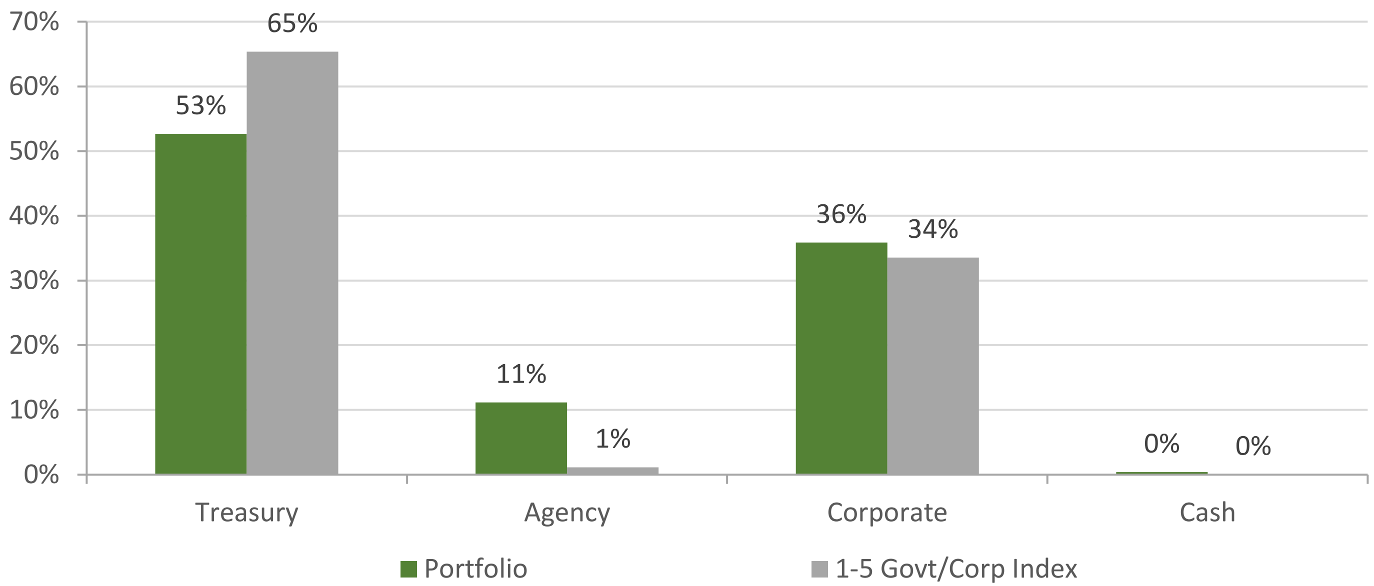
	QTD	1 Year	3 Year	5 Year	Since Inception
Portfolio	1.25%	4.12%	4.82%	1.47%	3.91%
ML 1-5 Gov/Corp	1.30%	4.17%	4.96%	1.43%	3.80%

Returns for periods of one year or longer are annualized

**Since Inception 04/30/98*

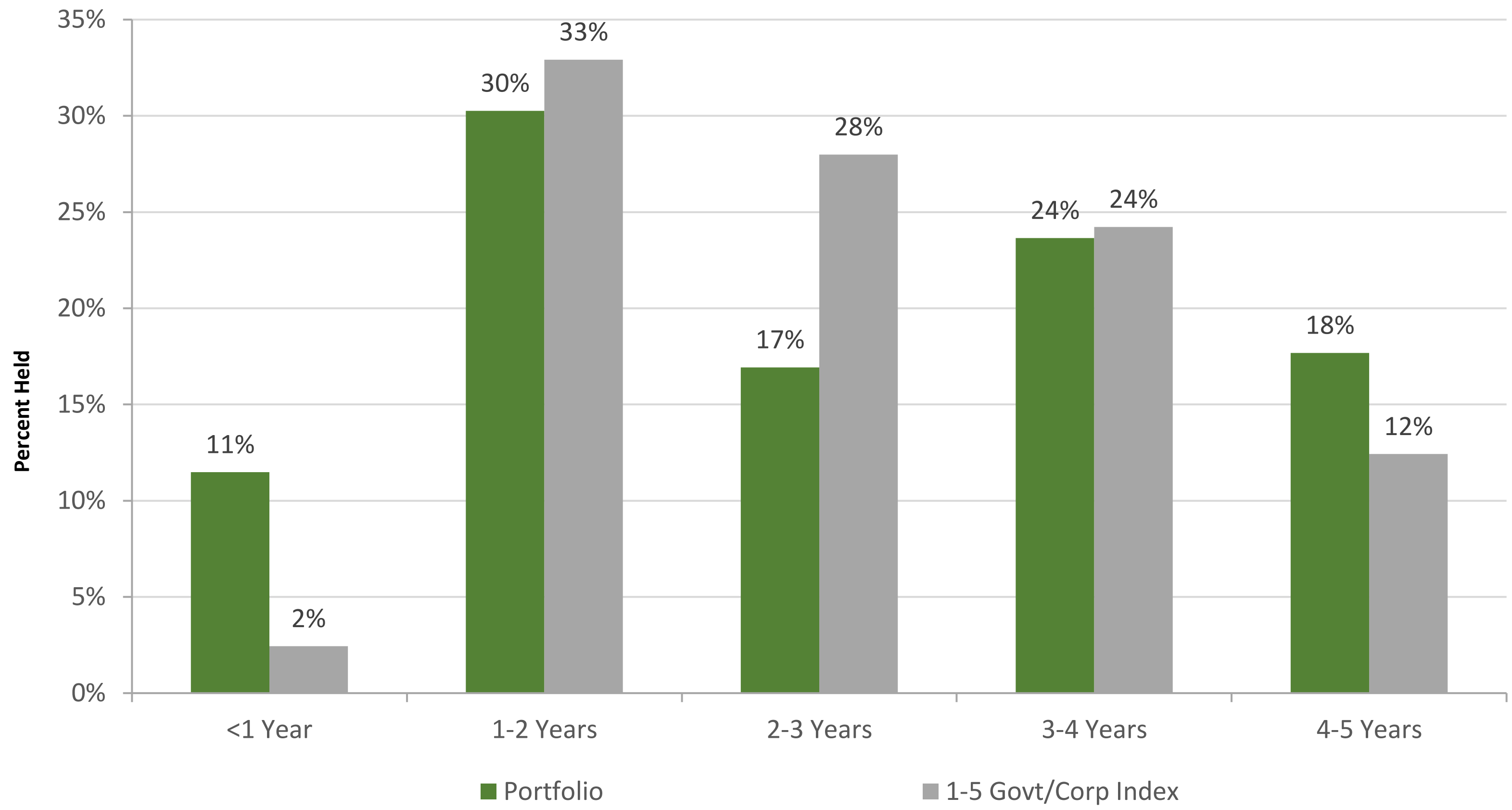
Current Attributes and Sectors

	Portfolio	1-5 Govt/Corp Index
Yield to Maturity (%)	3.83	3.85
Effective Duration (Yrs)	2.49	2.59
Effective Maturity (Yrs)	2.63	2.81
Quality Rating	Aa2	Aa2
Coupon Rate	2.49	3.41
Convexity	0.02	0.04



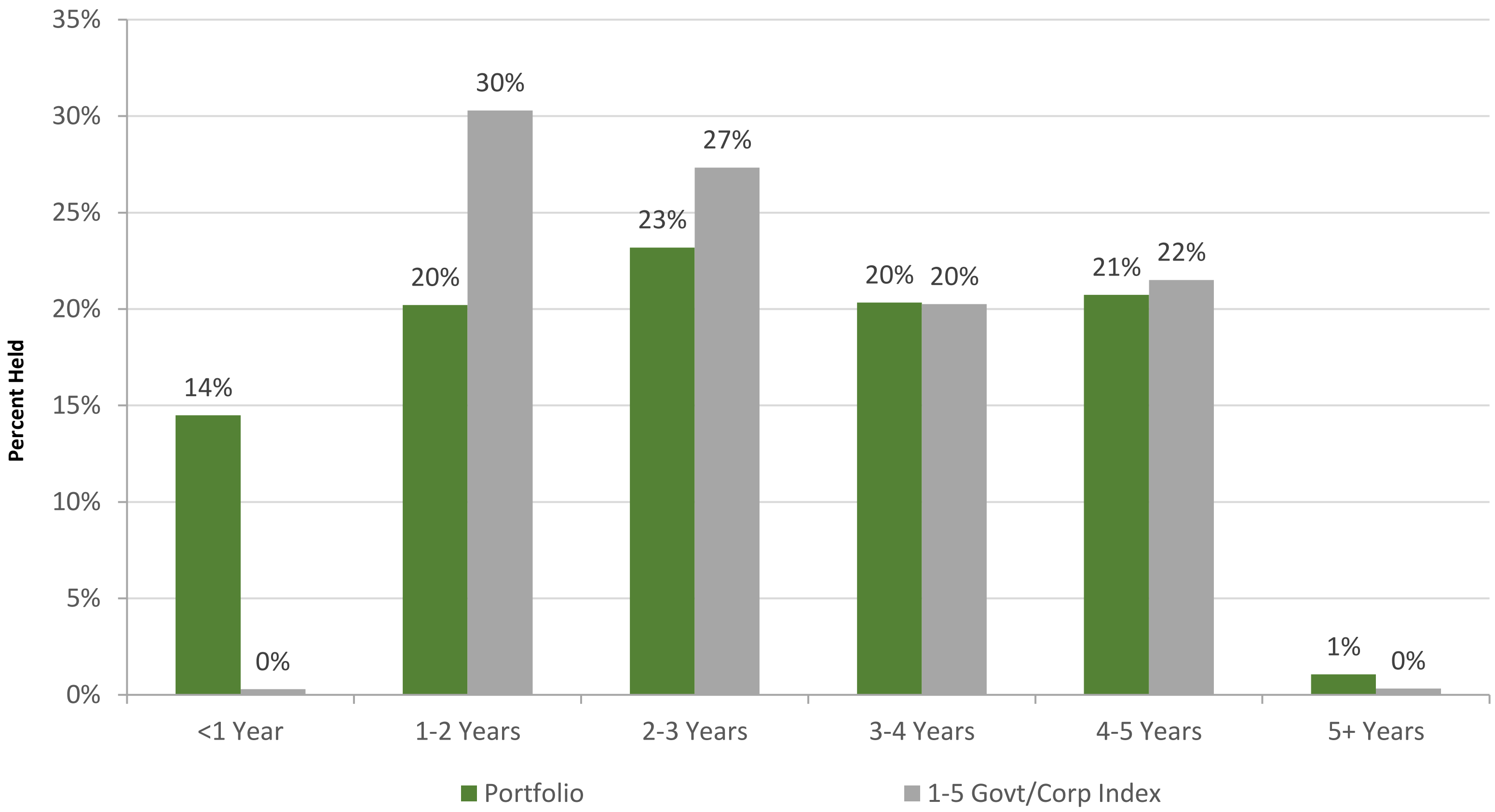
Source: BondEdge

Current Duration Distribution



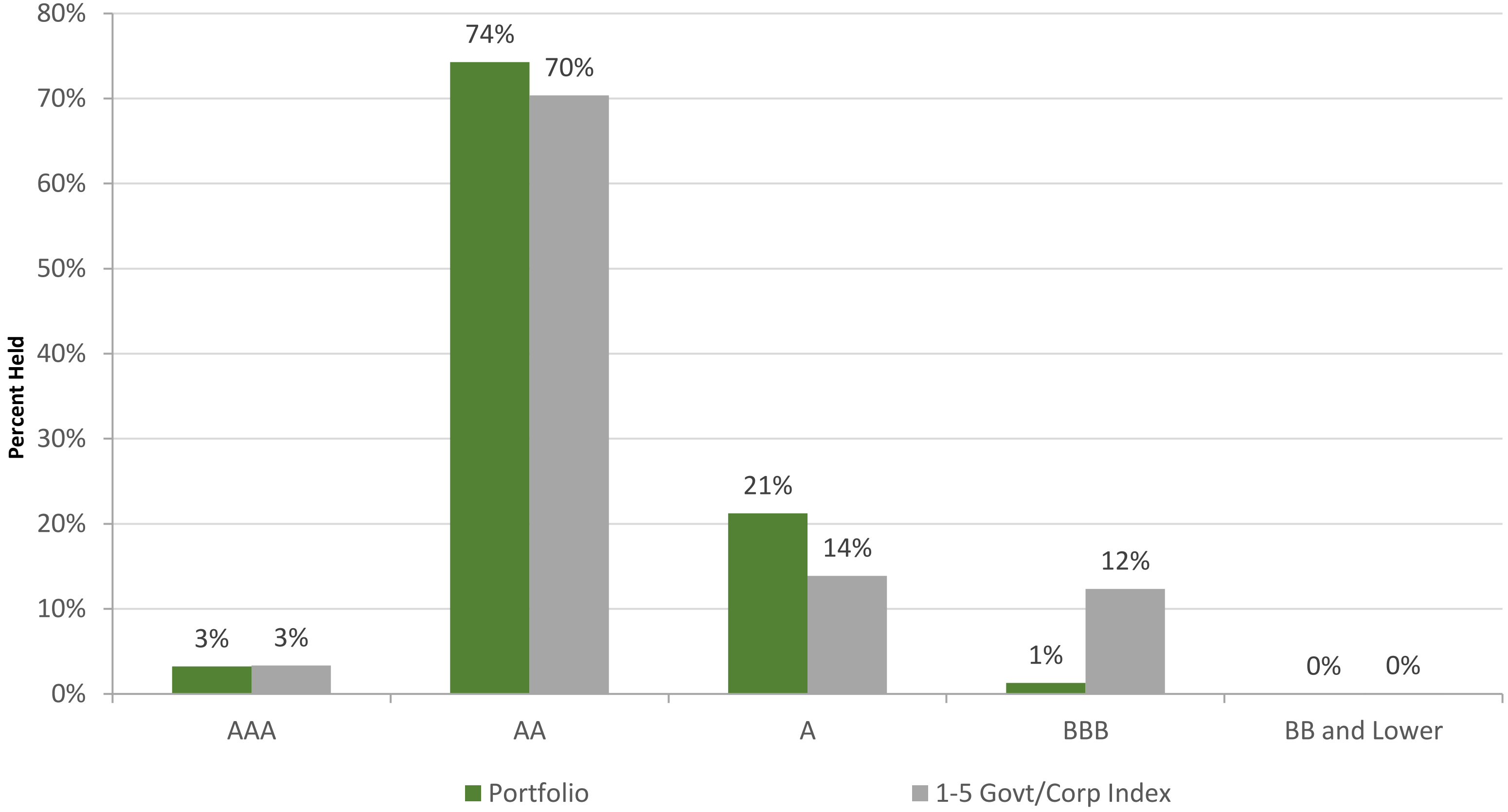
Source: BondEdge

Current Maturity Distribution



Source: BondEdge

Current Quality Distribution



Source: BondEdge

Scenario Analysis

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**
9/30/2025	BEGIN	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)
U.S. TREASURY CURVE:														
6 Month	3.82	-100	-50	0	50	100	-26	-5	-140	5	100	0	0	-47
1 Year	3.72	-100	-50	0	50	100	-13	-5	-130	5	100	0	0	-37
2 Year	3.63	-100	-50	0	50	100	-1	-10	-120	10	100	0	0	-27
3 Year	3.63	-100	-50	0	50	100	9	-10	-110	15	85	0	0	-20
5 Year	3.76	-100	-50	0	50	100	14	-25	-100	25	75	0	0	-12
7 Year	3.93	-100	-50	0	50	100	16	-35	-90	35	65	0	0	-8
10 Year	4.13	-100	-50	0	50	100	22	-45	-55	45	50	0	0	-5
20 Year	4.71	-100	-50	0	50	100	8	-50	-45	50	35	0	0	-8
30 Year	4.71	-100	-50	0	50	100	9	-65	-25	65	25	0	0	-8
Ocala Treasury		6.26	5.06	3.87	2.69	1.51	3.75	4.18	6.55	3.52	1.81	4.18	3.56	4.37
ICE ML 1-5 G/C		6.53	5.22	3.92	2.65	1.39	3.78	4.28	6.81	3.54	1.69	4.41	3.44	4.47
Difference		-0.27	-0.16	-0.05	0.04	0.12	-0.03	-0.10	-0.26	-0.01	0.12	-0.22	0.12	-0.11

Source: BondEdge

Compliance Monitor

Ratings Guidelines		**Policy**	**Current**	**Within Policy?**
Corporate Bonds		BBB/Baa2	BBB/Baa1	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	5	Yes
Portfolio Duration		-50%/120%	99%	Yes
Portfolio Effective Maturity		<5 years	2.63	yes
Sector Allocations	**Minimum**	**Maximum**	**Current %**	**Within Policy?**
US Treasury and Federal Agencies	35%	None	63.8%	Yes
Corporate Debt Obligations	None	50%	35.8%	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%	0.4%	Yes

Portfolio Holdings

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
Corporate Bonds						
INTERNATIONAL BUSINESS MACHS SR GLBL NT. 20270209 2.200%	500,000.00	99.99	499,930.00	97.60	488,020.00	0.7
UNITEDHEALTH GROUP INC SR GLBL NT 20280215 5.250%	670,000.00	99.96	669,718.60	102.68	687,962.70	0.9
AMAZON COM INC SR GLBL NT. 20270413 3.300%	1,250,000.00	97.46	1,218,287.50	99.27	1,240,837.50	1.7
PNC FINL SVCS GROUP INC SR GLBL NT 20270126 4.758%	150,000.00	100.00	150,000.00	100.11	150,162.00	0.2
LAUDER ESTEE COS INC SR GLBL NT 20280515 4.375%	1,325,000.00	100.46	1,331,075.25	100.73	1,334,699.00	1.8
APPLE INC SR GLBL NT 20280510 4.000%	820,000.00	99.81	818,417.40	100.58	824,747.80	1.1
MASTERCARD INCORPORATED SR GLBL NT 20280309 4.875%	420,000.00	99.90	419,592.60	102.31	429,685.20	0.6
US BANCORP FR . 20260722 2.375%	1,300,000.00	94.00	1,221,987.00	98.75	1,283,685.00	1.7
FLORIDA PWR n LT CO M GLBL BD 20280401 5.050%	470,000.00	99.87	469,389.00	102.61	482,285.80	0.7
ELI LILLY n CO SR GLBL NT 20260227 5.000%	510,000.00	99.84	509,158.50	100.02	510,076.50	0.7
INTEL CORP SR GLBL NT. 20260519 2.600%	950,000.00	94.07	893,684.00	98.97	940,196.00	1.3
JOHN DEERE CAPITAL CORPORATION FR . 20280714 4.950%	910,000.00	99.85	908,644.10	102.69	934,488.10	1.3
CATERPILLAR FINL SVCS MTNS BE FR . 20290227 4.850%	355,000.00	101.67	360,942.70	102.69	364,531.75	0.5
ABBVIE INC GLBL NT . 20270315 4.800%	1,300,000.00	99.86	1,298,167.00	101.14	1,314,768.00	1.8
TEXAS INSTRS INC SR GLBL NT. 20290208 4.600%	1,100,000.00	100.15	1,101,694.00	102.09	1,122,957.00	1.5
MORGAN STANLEY FR . 20270120 3.625%	1,200,000.00	96.78	1,161,390.00	99.65	1,195,764.00	1.6
HOME DEPOT INC SR GLBL NT. 20290415 4.900%	1,010,000.00	100.61	1,016,190.50	102.87	1,039,027.40	1.4

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	102.71	513,560.00	0.7
STATE STR CORP SR GLBL NT 20271022 4.330%	520,000.00	100.00	520,000.00	100.91	524,752.80	0.7
DISNEY WALT CO SR GLBL NT 20290901 2.000%	125,000.00	90.02	112,522.50	92.75	115,937.50	0.2
HONEYWELL INTL INC SR GLBL NT. 20300201 4.700%	1,070,000.00	99.91	1,069,079.80	101.94	1,090,747.30	1.5
BRISTOL-MYERS SQUIBB CO SR GLBL NT. 20290222 4.900%	1,430,000.00	100.03	1,430,386.10	102.68	1,468,324.00	2.0
PNC FINL SVCS GROUP INC SR GLBL NT 20300514 5.492%	1,310,000.00	100.19	1,312,476.80	104.08	1,363,448.00	1.8
JOHNSON n JOHNSON SR GLBL NT. 20290601 4.800%	800,000.00	99.88	799,032.00	103.10	824,816.00	1.1
FLORIDA PWR n LT CO M GLBL BD 20290615 5.150%	1,170,000.00	100.54	1,176,353.10	103.77	1,214,132.40	1.6
ELI LILLY n CO GLBL NT 20281015 4.000%	580,000.00	100.57	583,306.00	100.17	581,003.40	0.8
CHEVRON USA INC SR GLBL NT. 20301015 4.300%	780,000.00	99.85	778,806.60	100.55	784,251.00	1.1
PNC BK N A PITTSBURGH PA DISC FR . 20291022 2.700%	90,000.00	92.06	82,849.50	94.08	84,675.60	0.1
WELLS FARGO n CO SR NT 20261023 3.000%	550,000.00	97.52	536,354.50	98.98	544,412.00	0.7
SCHWAB CHARLES CORP SR GLBL NT. 20260311 0.900%	1,500,000.00	96.68	1,450,155.00	98.60	1,478,970.00	2.0
JOHNSON n JOHNSON SR GLBL NT. 20300301 4.700%	420,000.00	99.80	419,155.80	102.99	432,558.00	0.6
VIRGINIA ELEC n PWR CO SR GLBL -B NT 20270515 3.750%	675,000.00	99.69	672,894.00	99.54	671,908.50	0.9
AMAZON COM INC SR GLBL NT 20260512 1.000%	320,000.00	99.57	318,617.60	98.24	314,364.80	0.4
Cash Currency						
US DOLLARS	283,145.11	1.00	283,145.11	1.00	283,145.11	0.4

Portfolio Holdings

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
Government Bonds (US)						
FEDERAL HOME LN MTG CORP CALL . 20261028 0.800%	1,640,000.00	89.77	1,472,244.40	96.95	1,589,914.40	2.2
FEDERAL FARM CR BKS CONS BD . 20290723 4.420%	1,100,000.00	99.99	1,099,835.00	100.23	1,102,574.00	1.5
FEDERAL FARM CR BKS CONS BD . 20300514 4.520%	1,100,000.00	99.63	1,095,875.00	100.40	1,104,367.00	1.5
FEDERAL FARM CR BKS CONS BD . 20300520 4.550%	355,000.00	100.00	355,000.00	100.33	356,157.30	0.5
FEDERAL FARM CR BKS CONS BD . 20300219 4.820%	890,000.00	100.00	890,000.00	100.95	898,437.20	1.2
FEDERAL FARM CR BKS CONS BD . 20251124 0.600%	1,500,000.00	99.93	1,498,875.00	99.48	1,492,215.00	2.0
FEDERAL HOME LOAN BANKS CONS BD 20260429 3.000%	1,000,000.00	100.00	1,000,000.00	99.56	995,580.00	1.3
FEDERAL HOME LOAN BANKS CONS BD . 20260224 0.750%	675,000.00	100.00	675,000.00	98.73	666,447.75	0.9
UNITED STATES TREAS NTS . 20280630 1.250%	3,200,000.00	87.00	2,784,156.25	93.83	3,002,624.00	4.1
UNITED STATES TREAS NTS . 20290731 2.625%	2,540,000.00	93.44	2,373,351.56	96.24	2,444,546.80	3.3
UNITED STATES TREAS NTS . 20300630 3.750%	2,950,000.00	99.42	2,933,019.54	100.04	2,951,268.50	4.0
Treasury Note						
UNITED STATES TREAS NTS . 20291130 3.875%	900,000.00	99.59	896,343.75	100.65	905,805.00	1.2
UNITED STATES TREAS NTS . 20280131 0.750%	4,500,000.00	87.09	3,918,964.85	93.64	4,213,845.00	5.7
UNITED STATES TREAS NTS . 20260831 1.375%	375,000.00	99.40	372,735.16	97.89	367,068.75	0.5
UNITED STATES TREAS NTS . 20270430 0.500%	3,050,000.00	88.97	2,713,617.21	95.21	2,903,813.50	3.9
UNITED STATES TREAS NTS . 20290515 2.375%	4,600,000.00	89.39	4,112,164.06	95.64	4,399,486.00	6.0
UNITED STATES TREAS NTS . 20300215 1.500%	10,240,000.00	89.43	9,157,295.30	91.19	9,337,958.40	12.7

Portfolio Holdings

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
UNITED STATES TREAS NTS . 20270630 0.500%	3,930,000.00	89.70	3,525,345.98	94.73	3,722,928.30	5.0
UNITED STATES TREAS NTS . 20270930 0.375%	5,000,000.00	85.14	4,256,835.94	93.81	4,690,450.00	6.4
Accrued Income					438,113.98	0.6
TOTAL PORTFOLIO			$71,223,351.56		$74,218,501.04	