



Investment Review

May 5th, 2026

City of Ocala Treasury Reserve Fund

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A wide-angle landscape photograph showing a body of water in the foreground, with a line of trees and vegetation in the middle ground, and a clear sky in the background. In the bottom right corner, there are several palm trees in the foreground.

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Bond Market Review: Elevated Geopolitical Risks – Bear Flattener

Market Review: Rates bear flattened given the elevated geopolitical risks; leaky credit, mortgage spreads outperformed

- The US aggregate bond market posted a slight negative total return of -0.05% in Q1 2026, navigating a complex environment shaped by geopolitical shocks and shifting Federal Reserve policy expectations. The quarter was dominated by the escalating Iran conflict, which drove oil prices above \$100 per barrel in early March and created significant volatility across fixed income markets. Treasury yields experienced substantial swings, with the 10-year yield starting the quarter at 4.17% and ending at 4.32%, after reaching a low of 3.95% in late February before spiking to 4.43% in late March amid energy market disruptions. The Federal Reserve maintained its benchmark rate in a target range of 3.5%-3.75% throughout the quarter, with policymakers signaling a cautious stance as they balanced inflation concerns against potential economic headwinds from the Middle East crisis. Fed officials increasingly characterized policy as "neutral" or "well-positioned," with several regional presidents indicating rates could remain on hold "for quite some time" as they assessed the impact of prior rate cuts.
- From a factor attribution perspective, duration proved to be a headwind as Treasury yields rose across the curve, with the 30-year yield climbing from around 4.39% in early January to 4.70% by mid-February before moderating. Credit spreads underperformed. March proved challenging, with the month generating the worst monthly performance since late 2024, down 2.01%, as geopolitical risk and private credit negative headlines expanded and rate volatility surged to the highest levels since early 2025.
- US TSY curve/change: 2y 3.79%/+32bp, 5y 3.94%/+22bp, 10y 4.32%/+15bp, 30y 4.91%/+7bp.
 - Credit IG spreads underperformed +11bp, Leaders – Media, Energy; Laggards – Tech, Financials.
 - S&P 500 -4.35%

Core Portfolio Review: Outperformance

- Duration/Term Structure hurt.
- Sector allocation helped: Overweight mortgage spreads, underweight credit spreads.
- Security selection helped: Overweight high quality.

Outlook: Extreme Uncertainty

- The market pricing zero Fed rate cuts 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 slight long duration.
- We turn tactically neutral corporate bonds and neutral MBS given the elevated volatility.
- Biggest risks 2026: Current administration policy uncertainty - Geo-political events & inflation, Tariffs, Deficits, Recession.

Oil Price Shock



After being range bound for much of the last year, oil prices spiked by 80% in the 1st quarter

Source: Bloomberg

2-Year Yield and Federal Funds Rate



2-Year U.S. Treasury Yield Exceeds the current Federal Funds Rate, indicating the possibility of rate hikes

Source: Bloomberg

2-Year Inflation Breakeven

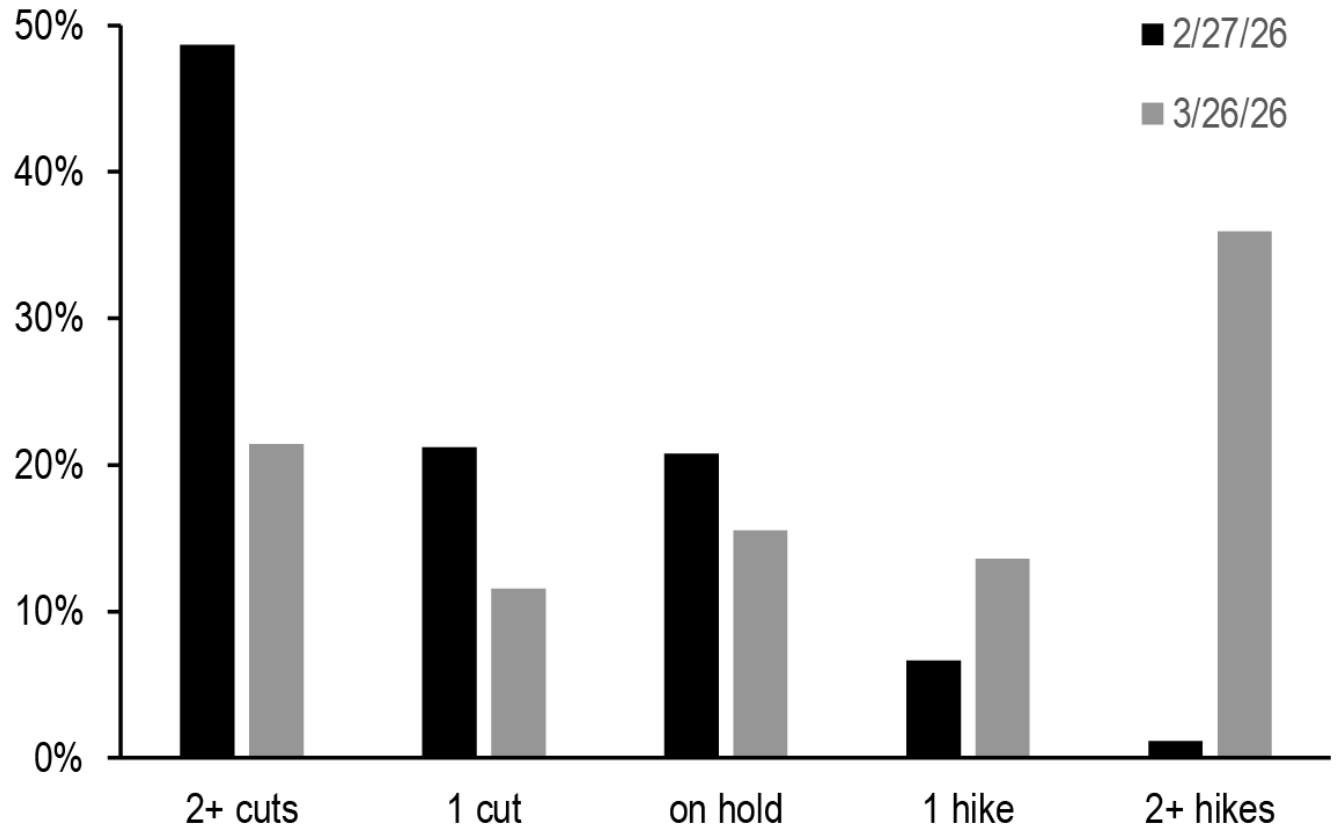


2-Year breakeven rate indicates increasing inflation expectations

Source: Bloomberg

Geopolitical Risks Caused Hawkish Repricing of the Monetary Policy

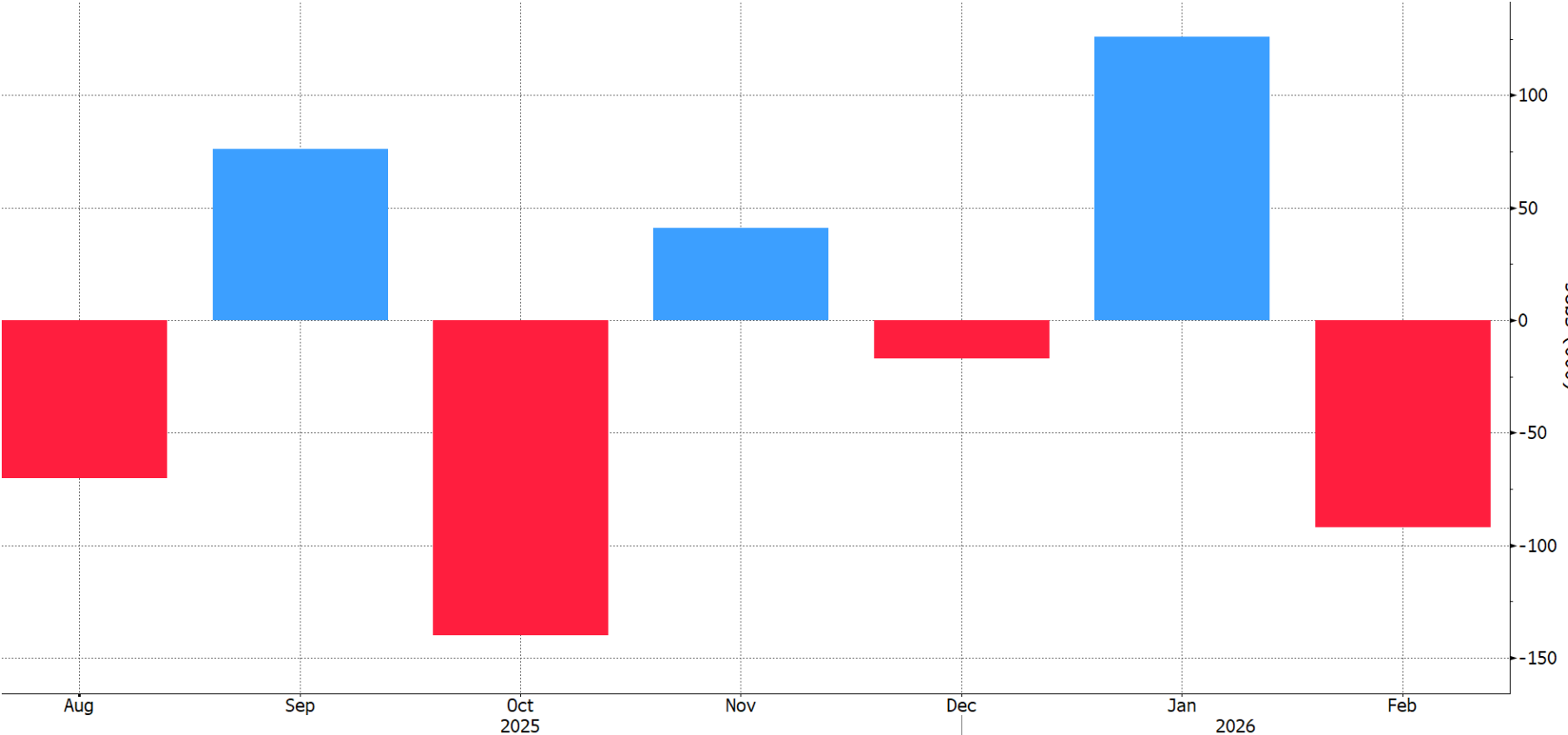
- The implied distribution has shifted very hawkish since the start of the Iran conflict and now indicates a probability of ~50% that the Fed will hike at least once by year end



Source: JP Morgan Chase Research

Slowdown in Labor Market

As of 03/31/2026



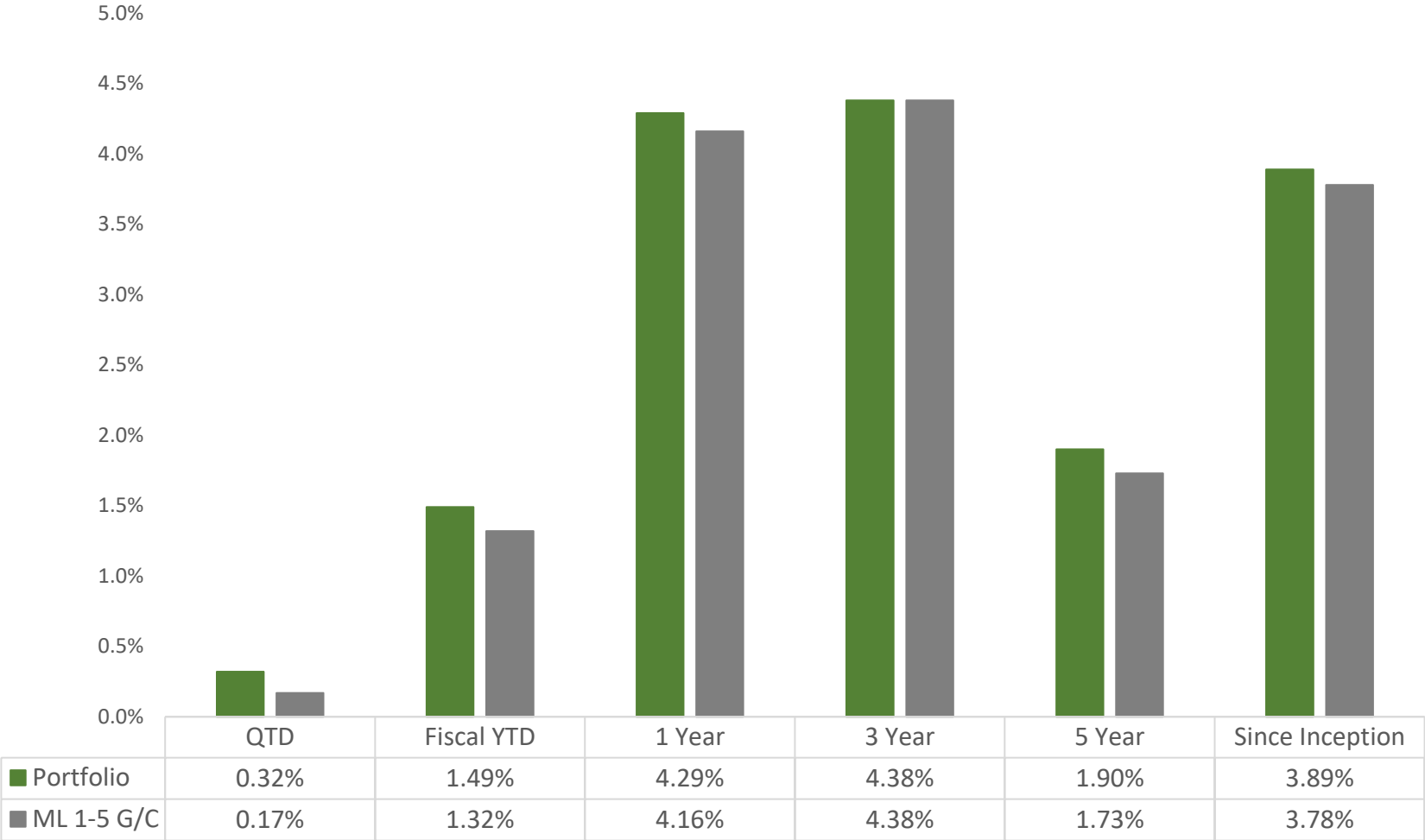
Recent revisions in non-farm payroll numbers indicate that the labor market is on shaky footing

Source: Bloomberg

Portfolio Performance

Returns as of 03/31/2026

TOTAL RETURNS GROSS FOR SELECT PERIODS City of Ocala Treasury Reserve Fund



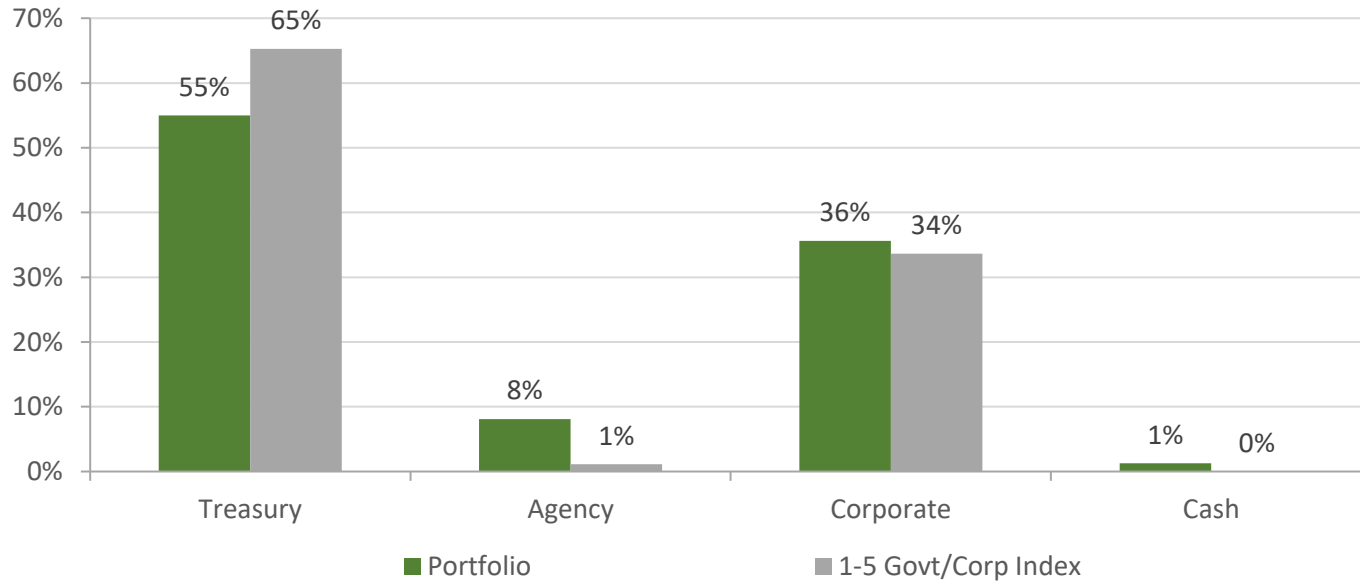
Returns for periods of one year or longer are annualized

*Since Inception 04/30/98

Current Attributes and Sectors

City of Ocala Treasury Reserve Fund
Attributes as of 03/31/26

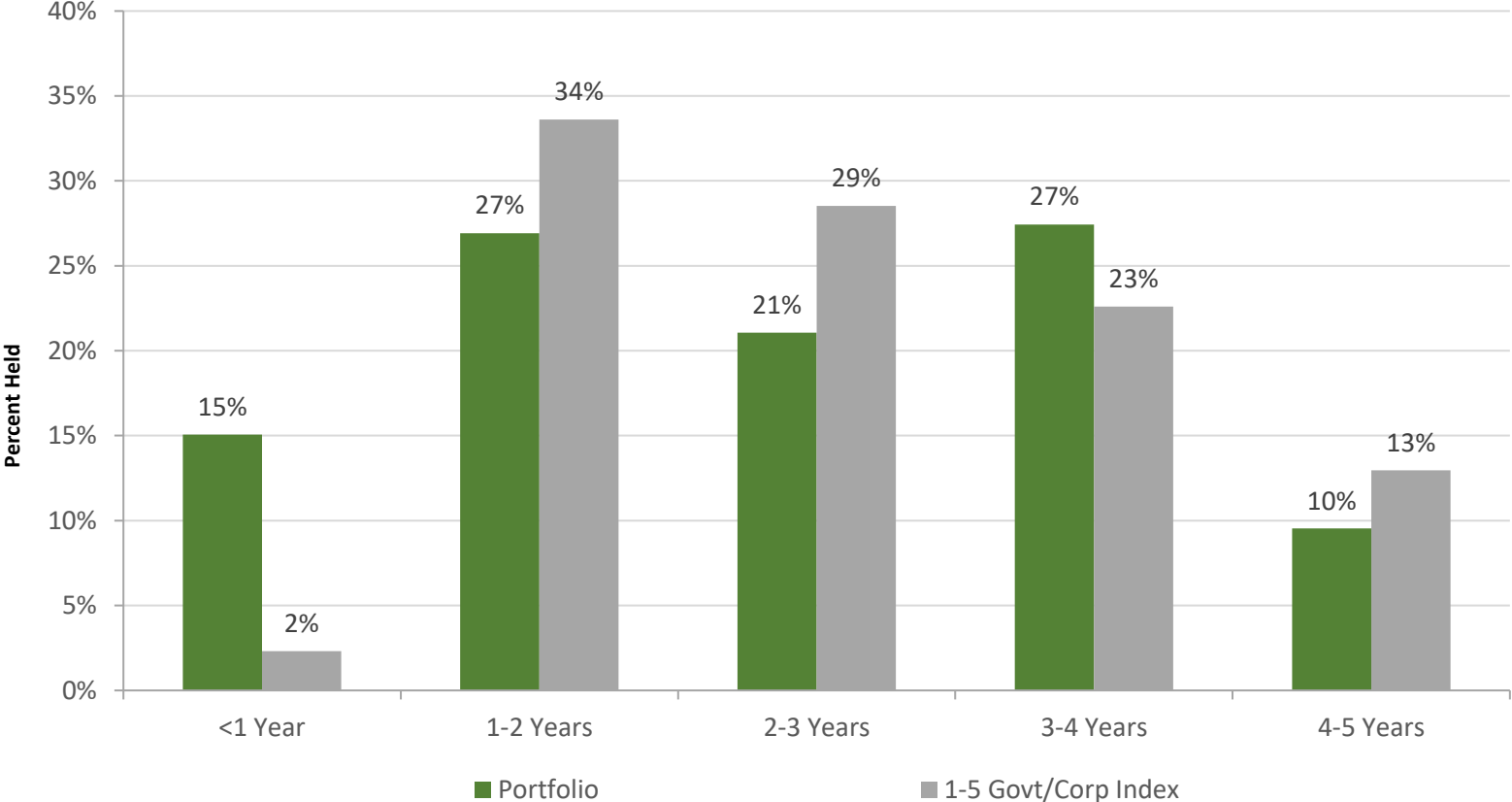
	<u>Portfolio</u>	<u>1-5 Govt/Corp Index</u>
Yield to Maturity (%)	4.01	4.08
Effective Duration (Yrs)	2.47	2.60
Effective Maturity (Yrs)	2.72	2.82
Quality Rating	Aa2	Aa2
Coupon Rate	2.67	3.46
Convexity	0.01	0.04



Source: BondEdge

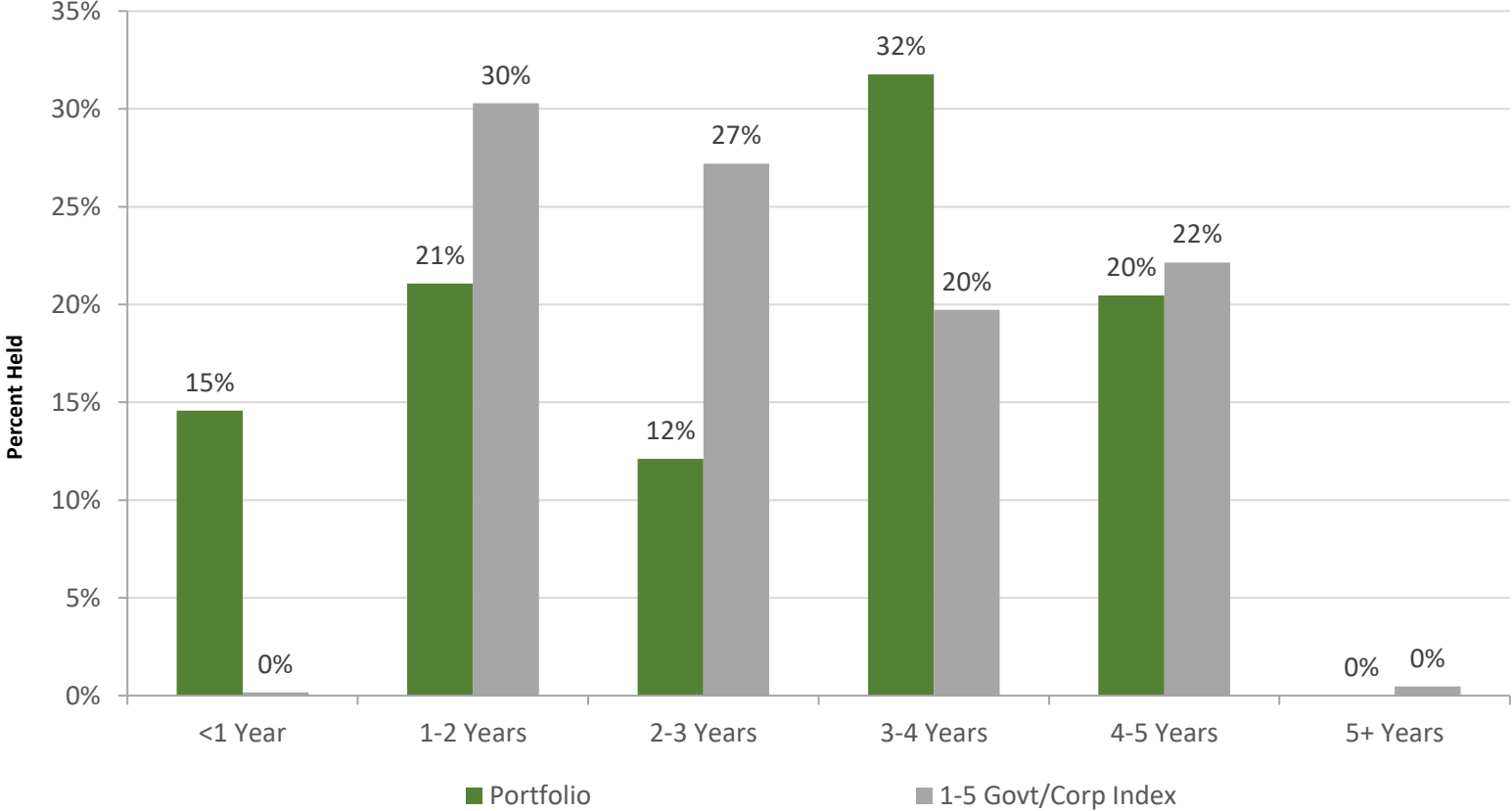
Current Duration Distribution

City of Ocala Treasury Reserve Fund
Attributes as of 03/31/26



Source: BondEdge

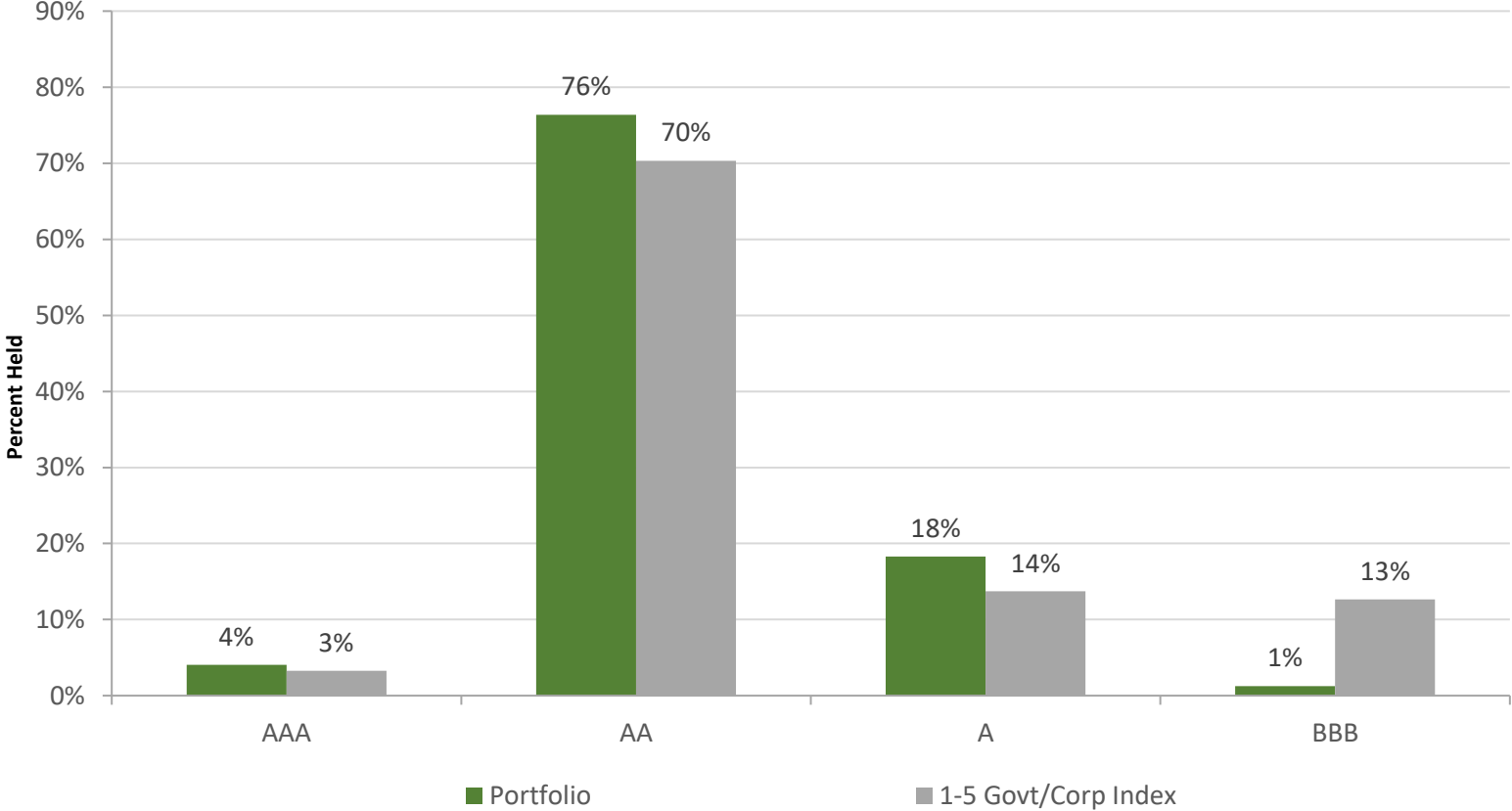
Current Maturity Distribution



Source: BondEdge

Current Quality Distribution

City of Ocala Treasury Reserve Fund
Attributes as of 03/31/26



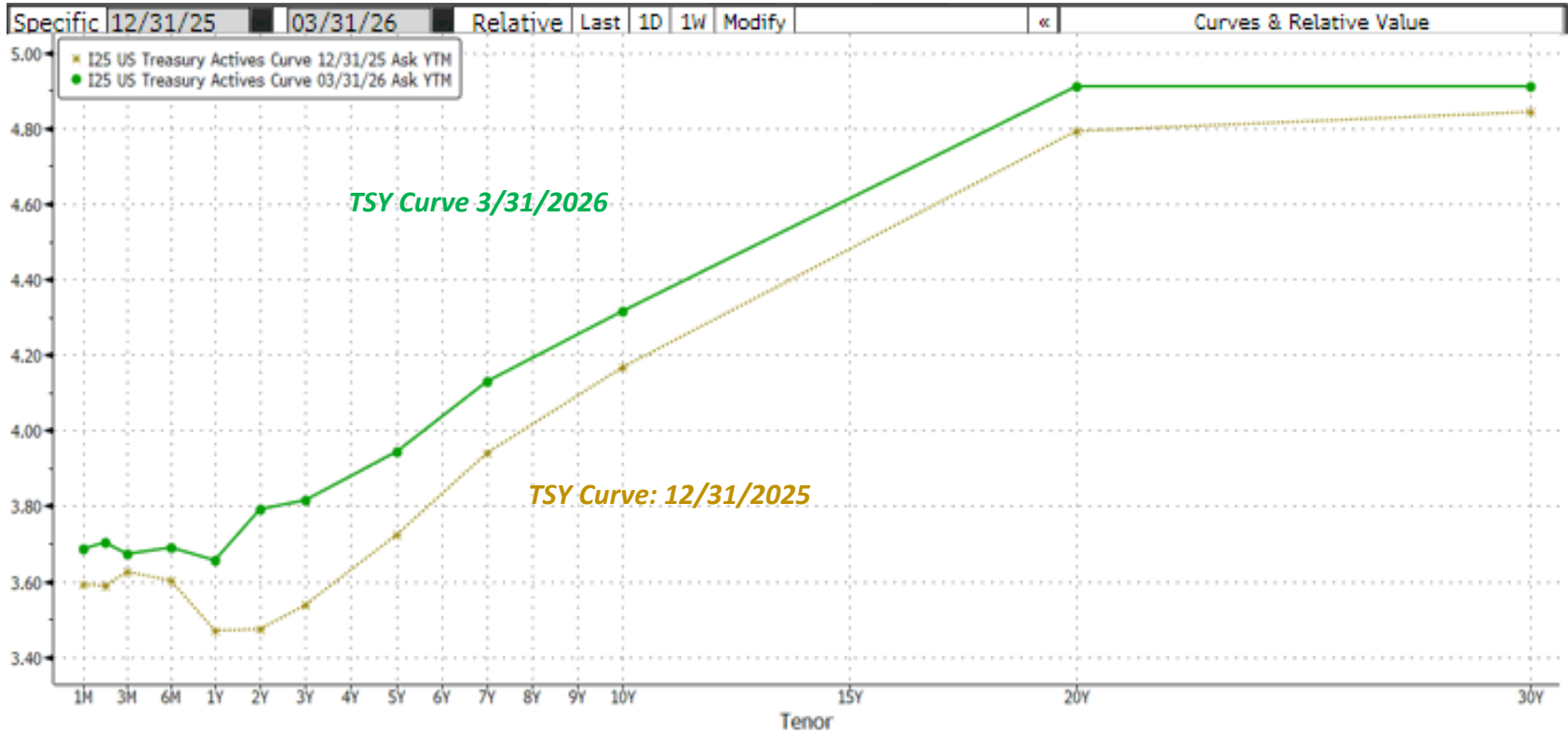
Source: BondEdge

Treasury Curve Change: Q1-26 Treasury Curve Bear Flattened

Interest Rate

Sector Allocation

Security Selection



Curve Id	1M	3M	2Y	5Y	10Y	20Y	30Y
11) I25 03/31/26	3.687	3.672	3.793	3.943	4.317	4.911	4.910
12) I25 12/31/25	3.590	3.626	3.473	3.725	4.167	4.793	4.844
13) I25 (03/31/26-12/31/...	9.6	4.5	32.0	21.8	15.0	11.8	6.6

Source: Bloomberg

Interest Rate Risk Exposure: Slight Short Duration

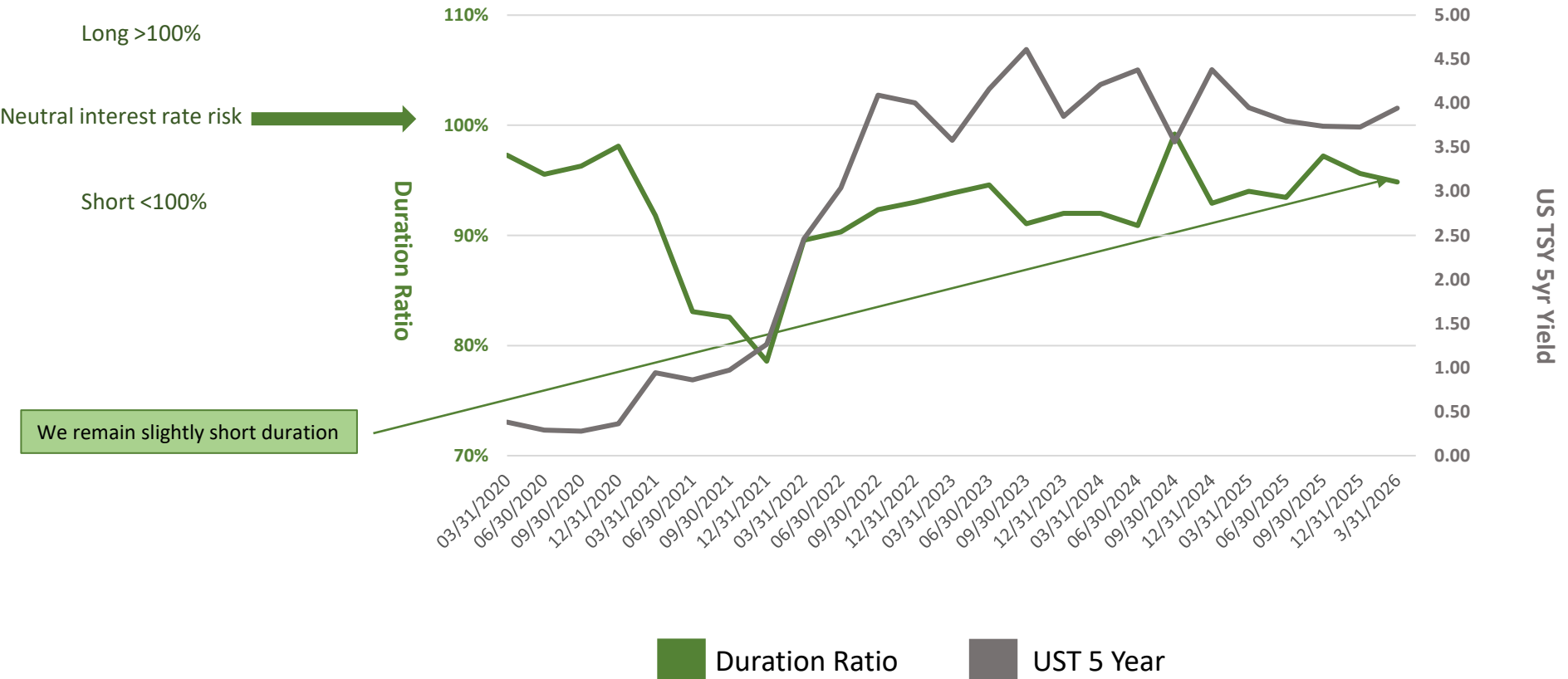
Interest Rate

Sector Allocation

Security Selection

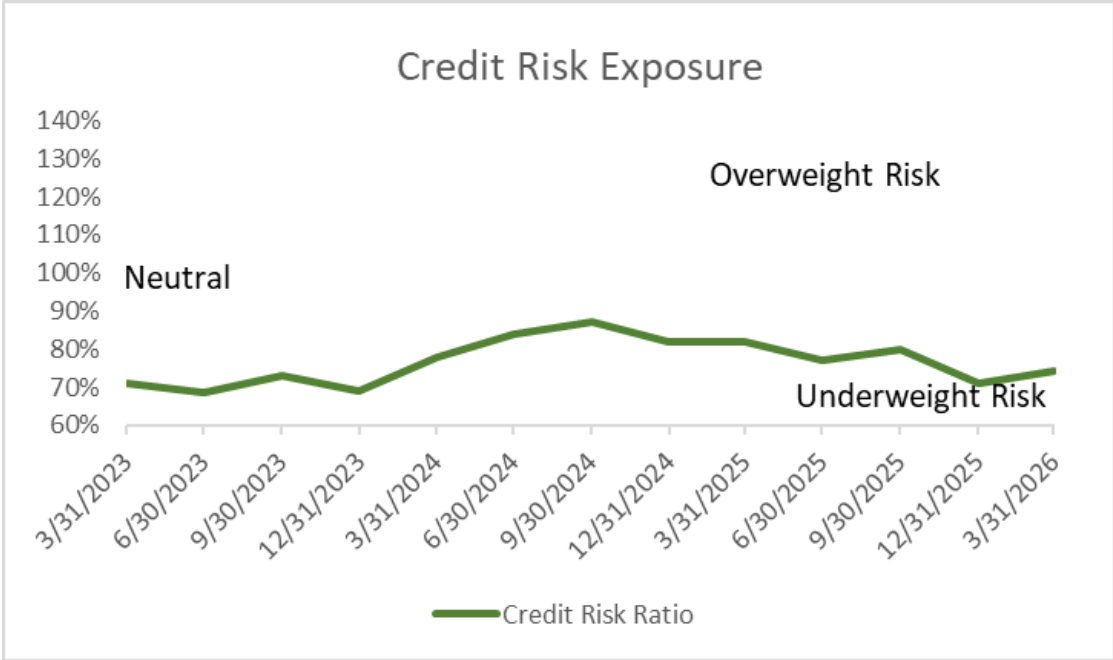


Duration Ratio v UST 5yr



Source: BondEdge, Bloomberg

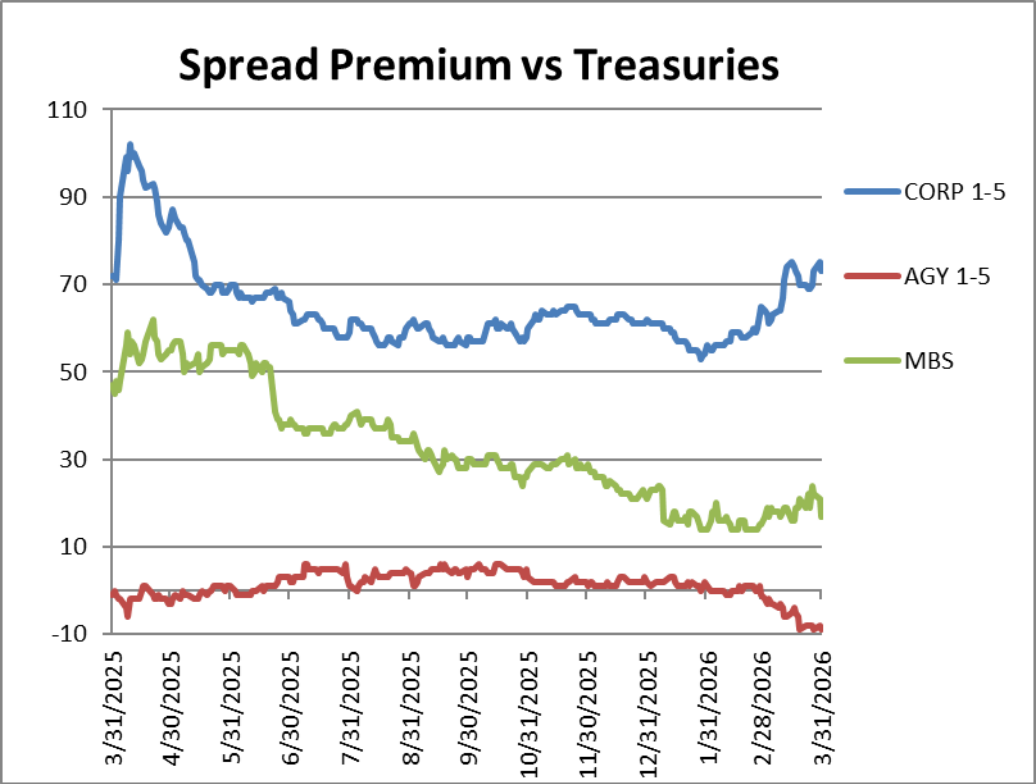
Credit Risk Exposure - Actively Managing



- We turn tactically underweight Investment Grade (IG), slightly increasing and being opportunistic

Source: BondEdge

Sector Performance: Credit Spreads Underperformed



Spread Performance (OAS in bp)					
	3/31/2026	12/31/2025	QoQ chg	3/31/2025	YoY Chg
CORP 1-5	73	62	11	72	1
AGY 1-5	-9	2	-11	-1	-8
MBS	17	21	-4	47	-30

Source: Bloomberg

Performance Attribution

Interest Rate

Sector Allocation

Security Selection

12/31/25-3/31/26	Total Return	Income Effects			Term Structure Effects			Spread Effects		Residual
		Income	Paydown	Amort	Roll	Para Total	Non-Para	Sector/Quality	Selection	
SHORT COMPOSITE	0.32	0.65	0.00	0.28	0.07	-0.35	-0.29	-0.03	0.01	0.00
BAML G/C 1-5	0.20	0.86	0.00	0.06	0.03	-0.37	-0.33	-0.05	-0.01	-0.01
Difference	0.12	-0.21	0.00	0.22	0.03	0.02	0.04	0.03	0.01	0.01

Portfolio Characteristics	Effective Duration Years					
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3/31/2026	YTW	Eff Dur	Non-Para Dur	Qual Sprd Dur	Mtge Sprd Dur	Conv
SHORT COMPOSITE	4.00	2.46	1.17	0.53	0.00	0.01
BAML G/C 1-5	4.08	2.60	1.25	0.71	0.00	0.04
Difference	-0.08	-0.13	-0.08	-0.18	0.00	-0.03

12/31/2025	YTW	Eff Dur	Non-Para Dur	Qual Sprd Dur	Mtge Sprd Dur	Conv
SHORT COMPOSITE	3.70	2.41	1.16	0.48	0.00	0.02
BAML G/C 1-5	3.76	2.57	1.25	0.68	0.00	0.04
Difference	-0.06	-0.16	-0.09	-0.20	0.00	-0.02

SAM Comments:

What Helped:
 Security Selection
 Sector Allocation
 Duration

What Hurt:
 Carry

Source: BondEdge

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 Flatteners	TSY Bull Steepener	TSY Bear Steepener	TSY Bear Flatteners	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
3/31/2026	BEGIN	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)
U.S. TREASURY CURVE:														
6 Month	3.75	-100	-50	0	50	100	16	-5	-140	5	100	0	0	-53
1 Year	3.77	-100	-50	0	50	100	14	-5	-130	5	100	0	0	-45
2 Year	3.82	-100	-50	0	50	100	7	-10	-120	10	100	0	0	-45
3 Year	3.84	-100	-50	0	50	100	12	-10	-110	15	85	0	0	-37
5 Year	3.97	-100	-50	0	50	100	15	-25	-100	25	75	0	0	-32
7 Year	4.14	-100	-50	0	50	100	14	-35	-90	35	65	0	0	-24
10 Year	4.31	-100	-50	0	50	100	20	-45	-55	45	50	0	0	-18
20 Year	4.91	-100	-50	0	50	100	6	-50	-45	50	35	0	0	-22
30 Year	4.89	-100	-50	0	50	100	7	-65	-25	65	25	0	0	-22
Portfolio		6.57	5.37	4.18	2.98	1.80	3.89	4.49	6.85	3.82	2.11	4.48	3.88	5.08

Source: BondEdge

Portfolio Holdings

City of Ocala Treasury Reserve Fund
Holdings As Of 03/31/2026

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
Corporate Bonds						
AMAZON COM INC SR GBL NT 20260512 1.000%	320,000.00	99.57	318,617.60	99.65	318,864.00	0.4
VIRGINIA ELEC n PWR CO SR GBL -B NT 20270515 3.750%	675,000.00	99.69	672,894.00	99.38	670,835.25	0.9
INTERNATIONAL BUSINESS MACHS SR GBL NT. 20270209 2.200%	500,000.00	99.99	499,930.00	98.39	491,930.00	0.7
META PLATFORMS INC SR GBL NT. 20301115 4.200%	1,325,000.00	100.31	1,329,159.00	99.03	1,312,147.50	1.8
ALPHABET INC SR NT 4.1%31 4.1 20310215	1,390,000.00	100.05	1,390,741.30	99.31	1,380,339.50	1.8
DISNEY WALT CO SR NT 3.75%29 3.75 20290314	900,000.00	98.80	889,164.00	98.86	889,740.00	1.2
THERMO FISHER SCIENTIFIC INC SR NT 31 4.215 20310212	1,400,000.00	99.09	1,387,211.00	98.95	1,385,286.00	1.9
JOHNSON n JOHNSON SR GBL NT. 20300301 4.700%	420,000.00	99.80	419,155.80	102.21	429,261.00	0.6
WELLS FARGO n CO SR NT 20261023 3.000%	550,000.00	97.52	536,354.50	99.31	546,221.50	0.7
PNC BK N A PITTSBURGH PA DISC FR . 20291022 2.700%	90,000.00	92.06	82,849.50	94.10	84,692.70	0.1
CHEVRON USA INC SR GBL NT. 20301015 4.300%	780,000.00	99.85	778,806.60	100.25	781,957.80	1.0
ELI LILLY n CO GBL NT 20281015 4.000%	580,000.00	100.57	583,306.00	99.89	579,356.20	0.8
FLORIDA PWR n LT CO M GBL BD 20290615 5.150%	1,170,000.00	100.54	1,176,353.10	102.59	1,200,256.20	1.6
JOHNSON n JOHNSON SR GBL NT. 20290601 4.800%	800,000.00	99.88	799,032.00	102.50	820,016.00	1.1
PNC FINL SVCS GROUP INC SR GBL NT 20300514 5.492%	1,310,000.00	100.19	1,312,476.80	102.84	1,347,243.30	1.8
DISNEY WALT CO SR GBL NT 20290901 2.000%	125,000.00	90.02	112,522.50	93.17	116,460.00	0.2
STATE STR CORP SR GBL NT 20271022 4.330%	520,000.00	100.00	520,000.00	100.19	520,967.20	0.7

Portfolio Holdings

City of Ocala Treasury Reserve Fund
Holdings As Of 03/31/2026

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	101.82	509,105.00	0.7
HOME DEPOT INC SR GLBL NT. 20290415 4.900%	1,010,000.00	100.61	1,016,190.50	101.90	1,029,159.70	1.4
MORGAN STANLEY FR . 20270120 3.625%	1,200,000.00	96.78	1,161,390.00	99.58	1,194,984.00	1.6
TEXAS INSTRS INC SR GLBL NT. 20290208 4.600%	1,100,000.00	100.15	1,101,694.00	101.30	1,114,311.00	1.5
ABBVIE INC GLBL NT . 20270315 4.800%	1,300,000.00	99.86	1,298,167.00	100.51	1,306,565.00	1.7
CATERPILLAR FINL SVCS MTNS BE FR . 20290227 4.850%	355,000.00	101.67	360,942.70	101.76	361,237.35	0.5
JOHN DEERE CAPITAL CORPORATION FR . 20280714 4.950%	910,000.00	99.85	908,644.10	101.94	927,635.80	1.2
INTEL CORP SR GLBL NT. 20260519 2.600%	950,000.00	94.07	893,684.00	99.75	947,596.50	1.3
FLORIDA PWR n LT CO M GLBL BD 20280401 5.050%	470,000.00	99.87	469,389.00	101.67	477,844.30	0.6
US BANCORP FR . 20260722 2.375%	1,300,000.00	94.00	1,221,987.00	99.50	1,293,435.00	1.7
MASTERCARD INCORPORATED SR GLBL NT 20280309 4.875%	420,000.00	99.90	419,592.60	101.48	426,228.60	0.6
APPLE INC SR GLBL NT 20280510 4.000%	820,000.00	99.81	818,417.40	100.12	820,975.80	1.1
LAUDER ESTEE COS INC SR GLBL NT 20280515 4.375%	1,325,000.00	100.46	1,331,075.25	100.10	1,326,364.75	1.8
AMAZON COM INC SR GLBL NT. 20270413 3.300%	1,250,000.00	97.46	1,218,287.50	99.25	1,240,587.50	1.7
UNITEDHEALTH GROUP INC SR GLBL NT 20280215 5.250%	670,000.00	99.96	669,718.60	101.76	681,765.20	0.9
Cash Currency						
US DOLLARS	950,711.30	1.00	950,711.30	1.00	950,711.30	1.3
Government Bonds (US)						
FEDERAL HOME LOAN BANKS CONS BD 20260429 3.000%	1,000,000.00	100.00	1,000,000.00	99.94	999,360.00	1.3

Portfolio Holdings

City of Ocala Treasury Reserve Fund
Holdings As Of 03/31/2026

Security	Quantity	Unit Cost	Total Cost	Price	Market Value	Pct of Assets
FEDERAL FARM CR BKS CONS BD . 20300219 4.820%	890,000.00	100.00	890,000.00	100.25	892,251.70	1.2
FEDERAL FARM CR BKS CONS BD . 20300520 4.550%	355,000.00	100.00	355,000.00	99.68	353,856.90	0.5
FEDERAL FARM CR BKS CONS BD . 20300514 4.520%	1,100,000.00	99.63	1,095,875.00	99.82	1,098,020.00	1.5
FEDERAL FARM CR BKS CONS BD . 20290723 4.420%	1,100,000.00	99.99	1,099,835.00	99.92	1,099,153.00	1.5
FEDERAL HOME LN MTG CORP CALL . 20261028 0.800%	1,640,000.00	89.77	1,472,244.40	98.33	1,612,530.00	2.2
UNITED STATES TREAS NTS . 20300630 3.750%	5,950,000.00	99.94	5,946,613.29	99.35	5,911,444.00	7.9
UNITED STATES TREAS NTS . 20290731 2.625%	2,540,000.00	93.44	2,373,351.56	96.18	2,442,972.00	3.3
UNITED STATES TREAS NTS . 20280630 1.250%	3,200,000.00	87.00	2,784,156.25	94.52	3,024,512.00	4.0
Treasury Note						
UNITED STATES TREAS NTS . 20270930 0.375%	5,000,000.00	85.14	4,256,835.94	95.00	4,749,800.00	6.3
UNITED STATES TREAS NTS . 20270630 0.500%	2,905,000.00	89.70	2,605,885.51	95.99	2,788,567.60	3.7
UNITED STATES TREAS NTS . 20300215 1.500%	10,240,000.00	89.43	9,157,295.30	91.51	9,370,419.20	12.5
UNITED STATES TREAS NTS . 20290515 2.375%	4,600,000.00	89.39	4,112,164.06	95.74	4,404,132.00	5.9
UNITED STATES TREAS NTS . 20260831 1.375%	375,000.00	99.40	372,735.16	99.03	371,351.25	0.5
UNITED STATES TREAS NTS . 20280131 0.750%	4,500,000.00	87.09	3,918,964.85	94.59	4,256,550.00	5.7
UNITED STATES TREAS NTS . 20301115 0.875%	3,500,000.00	87.09	3,048,281.25	87.16	3,050,460.00	4.1
UNITED STATES TREAS NTS . 20291130 3.875%	900,000.00	99.59	896,343.75	99.98	899,793.00	1.2
Accrued Income					514,126.84	0.7
TOTAL PORTFOLIO			\$72,533,335.97		\$75,323,380.44	

Compliance Monitor

City of Ocala Treasury Reserve Fund
Attributes as of 03/31/2026

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%	98%	Yes	
Portfolio Effective Maturity		<5 years	2.72	yes	
Sector Allocations		Minimum	Maximum	Current %	Within Policy?
US Treasury and Federal Agencies		35%	None	63.1%	Yes
Corporate Debt Obligations		None	50%	35.6%	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%	1.3%	Yes