May 8, 2024

Agenda Item: 8.a: March 31, 2024, Quarterly 4M Dashboard Report and Highlights

Attachments: None

Action Recommended: Discussion Item Only

Discussion:

The attached dashboard report provides key information about the Fund. The following is an overview:

1. Quarterly Participant Balances: This chart reflects balances for each of the past twelve quarters. The Fund’s average daily balance for the first quarter of 2024 was approximately $1.79 billion, which is a slight decrease from the $1.82 billion average daily balance for the fourth quarter of 2023. The number of fund participants increased to 450 compared to 443 participants in the previous quarter.

At the end of March, there were thirteen active Term Series pools in which participants had invested a combined $102 million. The interest rate on the thirteen active pools fluctuated between 4.50% and 5.45%, and the term for each pool range from 4 months to 13 months. The number of active Term Series pools decreased from fourteen during the fourth quarter and combined investments decreased by $9 million.

2. 4M Fund Performance Comparison (Net Rates): The middle chart shows that the Fund’s performance (rate of return) in the 4M program came in .10% below rates reported by S&P LGIP while exceeding Crane AAA performance by .12%. The 4M Plus program trailed the rates reported S&P LGIP by .05% but exceeded Crane AAA by .22% in the first quarter.

The Federal Reserve rate continues to have a positive impact on the Fund. For the first quarter of 2024, average net rates for money markets were 5.25% for 4M and 5.30% for 4M Plus. Although rates have leveled off over the past year, the first quarter of 2024 represents a significant increase over the first quarter of 2023 when rates for 4M were 4.43% and 4M Plus were 4.47%.
3. **Statement of Assets and Liabilities:** The last chart is an abbreviated financial statement showing the 4M Multiclass and LTD programs both individually and in total as of March 31, along with prior year comparison to provide additional perspective. As a reminder, the 4M and 4M Plus Funds are now combined and reported as the 4M Multi-Class Fund. In total, assets increased by $319 million over the same time last year.

4. **Statement of Operations:**
   a. Investment income increased $7.8 million over 2023. The increase is attributed to increased earnings on investments.
   
   b. Realized and unrealized gains and losses result from changing market conditions, and we expect over time this amount will fluctuate both positively and negatively. The LTD Fund is intended for monies that can be held for 12 months or more, and over time the value of the holdings should gain value. During the first quarter, the LTD Fund had realized and unrealized losses totaling $174,000. The loss is the net amount from **unrealized gains of $303,000** due to market changes from changing interest rates, offset by a **realized loss of $477,000** which came from 2 things:
      1. The sale of securities to reposition the portfolio.
      2. The need to sell securities due to a large withdrawal in March out of the LTD Fund from City of St. Paul ($11M withdrawal).
   
   c. The “Other expenses” category includes the administration and investment advisory fees which are, in part, based on the daily balances invested in the Fund by participants. This expense increased by nearly a $250,000 during the first quarter. The increase is due to two main factors. First, increases to the administration, investment advisory, and sponsorship fees are based on a percentage of fund balance. The Liquid and Plus money markets were up roughly 26% over 2023 levels, resulting in a proportionate percentage increase in these various fees. Second, the LTD Fund was still in partial fee waiver in the first quarter of 2023, so coming out of fee waiver results in higher overall fees in the first quarter of 2024 versus 2023.
5. **Fourth Quarter Highlights**:
   a. The 4M Fund welcomed seven new participants in the first quarter of 2024. The cities of Ostrander, Chisholm, Hadley, Chatfield, East Gull Lake and Walker along with South-East Minnesota Emergency Management Services joined the fund. Hennepin South Service Collaborative ceased operations and closed its account during the first quarter.

   b. American Rescue Plan Act funds deposits by 17 participants total approximately $49.6 million. This balance is down $12 million from last quarter.

   c. As of the end of March, there were 27 participants in the 4M LTD Fund with balances of $78 million.

   d. During the first quarter there were 7 new bond issues settled in the 4M Fund for a total of $14 million and two Term Series pools offered.

   e. The Federal Reserve held rates during the first quarter. As a reminder, the last rate hike, .25% increase, was added to the fed fund rate on July 26, 2023, and marked the eleventh-rate hike since March 2022.

   f. As of January 1, 2024, the 4M Multi-Class Fund S&P rating of AAAm became official.

   g. In February, the 4M Fund won the City of Baxter banking services RFP.

   h. The 4M Board of Trustees met on February 15, 2024, to hear an update on 4M Fund activities. The 4M Board of Trustees met again on April 18, 2024, to issue additional Term Series Certificates and approve the 2023 4M audit.

   i. Overall, the Fund continues to be stable and provides the participants with a safe, reliable, short-term investment option.
## Statement of Assets and Liabilities

<table>
<thead>
<tr>
<th></th>
<th>As of 3/31/24</th>
<th>3/31/2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4M Multi-Class</strong></td>
<td>LTD</td>
<td>Combined</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$1,554,957,593</td>
<td>$1,632,984,047</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>471,852</td>
<td>496,072</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>$1,554,485,741</td>
<td>$1,632,487,975</td>
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</tbody>
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## Statement of Operations

<table>
<thead>
<tr>
<th></th>
<th>For the 3 Months Ended 3/31/24</th>
<th>3/31/2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4M Multi-Class</strong></td>
<td>LTD</td>
<td>Combined</td>
</tr>
<tr>
<td>Investment Income</td>
<td>$22,998,412</td>
<td>$24,018,107</td>
</tr>
<tr>
<td>Realized &amp; Unrealized Gains/Losses</td>
<td>$-</td>
<td>$(173,742)</td>
</tr>
<tr>
<td>Banking/Custodial Expenses</td>
<td>$(152,410)</td>
<td>$(154,204)</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>$(1,017,369)</td>
<td>$(1,082,796)</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td>$21,828,633</td>
<td>$22,607,365</td>
</tr>
<tr>
<td>Distributions to Participants</td>
<td>$21,828,633</td>
<td>$21,828,633</td>
</tr>
<tr>
<td>Net Inflow / (Outflow)</td>
<td>$(321,426,219)</td>
<td>$(320,926,219)</td>
</tr>
<tr>
<td>Beginning Net Assets</td>
<td>$1,854,083,327</td>
<td>$1,930,806,829</td>
</tr>
<tr>
<td>Ending Net Assets</td>
<td>$1,554,485,741</td>
<td>$1,632,487,975</td>
</tr>
</tbody>
</table>
COMMITTEE REPORT
MINNESOTA MUNICIPAL MONEY MARKET FUND

PRESENTED TO:
4M ADVISORY COMMITTEE

May 8, 2024
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Market Overview

2024 began as a continuation from the fourth quarter of 2023 with consistent economic outlook themes prevailing. The Federal Reserve kept Fed Funds rates stable at 5.25%-5.50% in the beginning of 2024, significantly higher than current core inflation levels with Core PCE coming in at 2.8% in February. Inflation, growth and employment remain in focus for the Federal Reserve in determining monetary policy in 2024.

Headline CPI increased to 3.5% on a year-over-year basis in March, up from 3.2% in February. Core CPI, excluding food and energy, came in at 3.8% in March, holding steady with the February print and stalling the downward trend seen throughout 2023. CPI and Core CPI were both above expectations for the third consecutive month. Higher energy prices helped to drive headline CPI higher in March while service components, influenced by a continued strong labor market, contributed to the higher-than-expected rise in Core CPI.

Wage growth remains strong but declining coming in at 4.1% on a year over year basis in March after getting as high as 4.7% in 2023. March unemployment declined slightly to 3.8% from the prior month but higher than 2023 levels as prior job gains were revised down. On the other hand, initial unemployment claims remain very low. The job market has found some balance moving from a white-hot job market to simply strong.

Markets are pricing in a soft landing with lower growth anticipated in 2024. A Bloomberg group of economists’ project 2024 GDP to come in at 2.2% on a year over year basis. 2023 GDP remained strong into the 4th quarter at 3.4% on a quarter over quarter basis. Strong consumer growth, volatile inventories and government spending contributed to the strength. Business growth showed weakness throughout the year. Despite this, markets remain positive showing signs of strength in the equity and corporate credit markets.

For the Federal Reserve, higher for longer and cuts coming soon can both be true. Markets have priced in multiple rate cuts in 2024 with both implied market rates and the most recent dot plot illustration showing Federal Funds rates above 4% throughout 2024. The Fed remains data dependent when determining monetary policy. Data is evolving so it is important to have an investment plan. We encourage our clients to invest with a purpose; invest with a plan and stay invested.
Inflation Continues Decline but Moderates

- Current Fed Funds rate increasingly above inflation levels
- Core CPI continuing to slowly decline, aided by a decline in wage growth
Growth and Employment

• Higher than expected growth in 2023 with positive future forecasts

• Employment picture moves from hot to simply strong

Contributions to % Change in Real GDP

Source: Bloomberg, Bureau of Labor Statistics, PMA Asset Management as of 03/31/2024

Contributions to % Change in Real GDP

- Forecast
- Change in Private Inventories
- Government
- Net Exports
- Residential Investment
- Business Fixed Investment
- Personal Consumption Expenditures
- Real GDP

US Job Openings and Non-farm Payrolls

US Job Openings 5.3%
US Payrolls 3.0%
Average 3.7%
Average 113
Non-Farm Payrolls 303

Source: Bloomberg, Bureau of Labor Statistics, PMA Asset Management as of 03/31/2024
Markets Remain Positive

Credit spreads remain inside 10-year average
More companies with higher than index returns demonstrates healthy market dynamics

Source: Bloomberg, PMA Asset Management as of 04/10/2024
Fed and Market Rate Expectations

Rate Cuts and Higher for Longer

FOMC Median Dot Projections 03/20/24
FOMC Median Dot Projections 12/13/23
Overnight Index Swap (OIS)

Source: Bloomberg, PMA Asset Management as of 04/10/2024
PMA Market Outlook

- Multiple Federal Reserve Rate Cuts in 2024
- Lagging Impacts of Tighter Monetary Policy Create Growth Headwinds
- Market Volatility Continues on Economic and Policy Uncertainty
- Domestic and International Geopolitical Risks in Focus
- Corporate Balance Sheets Supportive, Signs of Consumer Stress
- Outlook for Solid Returns Across Asset Classes in 2024
Short-Term Market Yields

Source: Bloomberg as of 4/08/2024

*Repurchase Agreement yield is an overnight rate.

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Financial strategies for stronger communities
4M Liquid Class Gross and Net Yields

4M Plus Class Gross and Net Yields

Source: PMA Asset Management
Peer Group Yield Comparison

Graph showing yield comparison for various funds from March 23 to March 24.

- Crane Inst. Money Fund - Gross
- S&P AAA Rated GIP Govt – Gross
- S&P AAA Rated GIP All – Gross
- 4M Multi Class Gross
- S&P AAA Rated GIP All – Net
- Crane Inst. Money Fund - Net
- 4M Liquid Class Net
- 4M Plus Class Net
4M Liquid Class Portfolio Composition

Maturity Distribution March 31, 2024
WAM (R): 45 Days
WAM (F): 62 Days

Maturity Distribution December 31, 2023
WAM (R): 39 Days
WAM (F): 48 Days

Investment Allocation March 31, 2024
- Commercial Paper: 1%
- Repurchase Agreements: 13%
- Govt. Securities: 33%
- Municipal Securities: 18%
- Money Market Fund: 12%
- Collateralized Deposits: 8%
- FDIC Insured Deposits: 4%
- LOC Backed Deposits: 1%
- Uncollateralized Deposits: 0.1%
- Certificates of Deposit: 1%
- Funding Agreements: 1%

Investment Allocation December 31, 2023
- Commercial Paper: 12%
- Repurchase Agreements: 16%
- Govt. Securities: 41%
- Municipal Securities: 22%
- Money Market Fund: 12%
- Collateralized Deposits: 12%
- FDIC Insured Deposits: 7%
- LOC Backed Deposits: 2%
- Uncollateralized Deposits: 1%
- Certificates of Deposit: 1%
- Funding Agreements: 1%

Sources: PMA Financial Network, PMA Asset Management
4M Plus Class Portfolio Composition

Maturity Distribution March 31, 2024
WAM (R) 45 Days
WAM (F) 62 Days

Maturity Distribution December 31, 2023
WAM (R) 42 Days
WAM (F) 53 Days

Investment Allocation March 31, 2024
- Commercial Paper
- Repurchase Agreements
- Govt. Securities
- Municipal Securities
- Money Market Fund
- Uncollateralized Deposits
- FDIC Insured Deposits
- LOC Backed Deposits
- Certificates of Deposit
- Funding Agreements

Investment Allocation December 31, 2023
- Commercial Paper
- Repurchase Agreements
- Govt. Securities
- Municipal Securities
- Money Market Fund
- Collateralized Deposits
- FDIC Insured Deposits
- LOC Backed Deposits
- Certificates of Deposit
- Funding Agreements

Sources: PMA Financial Network, PMA Asset Management