



LAKE WORTH DRAINAGE DISTRICT

Investment Performance Review For the Quarter Ended December 31, 2023

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- ▶ The U.S. economy is characterized by:
 - ▶ Economic resilience but expectations for a slowdown
 - ▶ Cooling inflation that still remains above the Federal Reserve's ("Fed") target
 - ▶ The labor market coming into better balance
 - ▶ Consumers that continue to support growth through spending

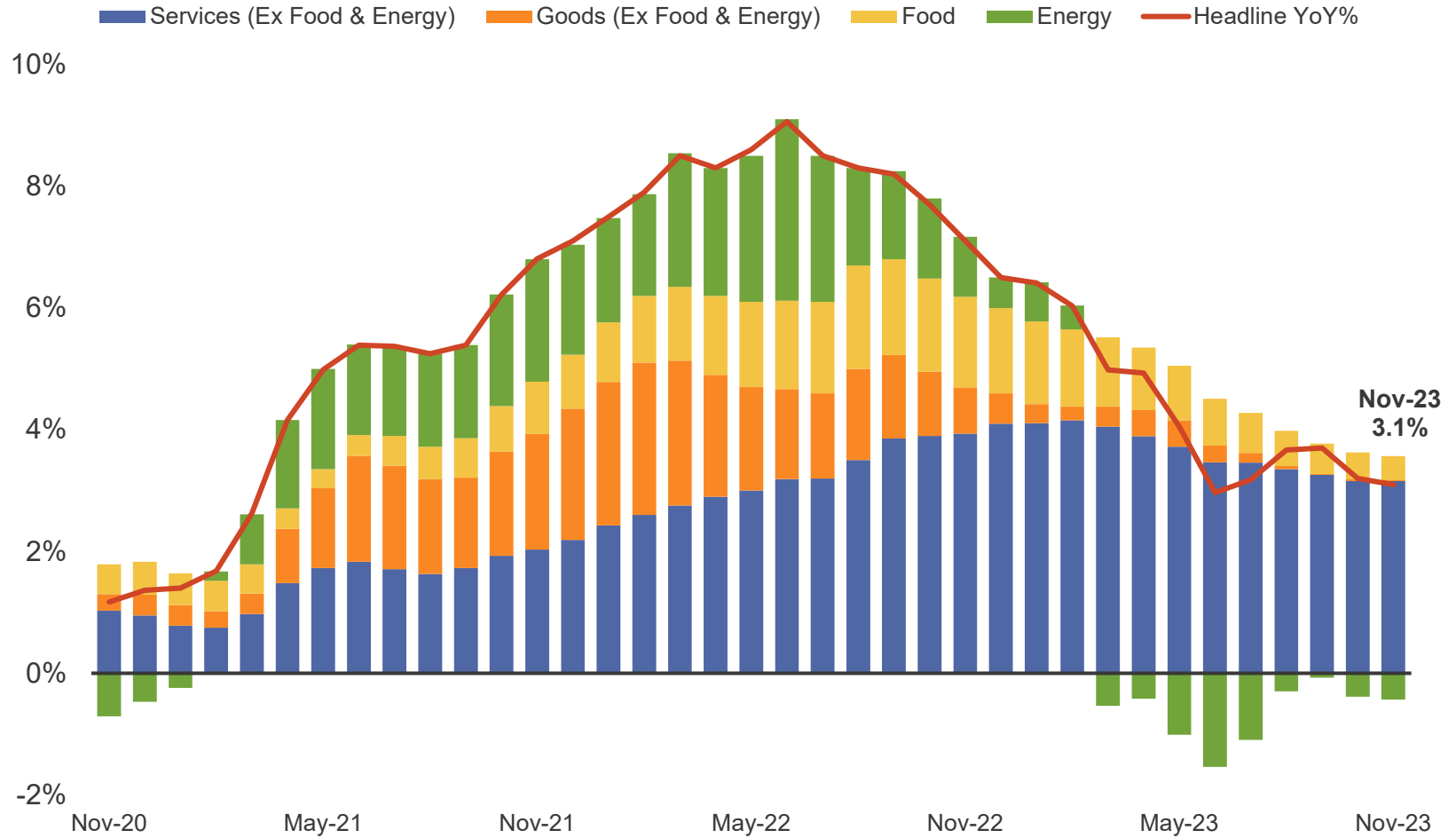


- ▶ Federal Reserve signals end to rate hiking cycle
 - ▶ Fed projected to cut the short-term Fed funds rate by 75 basis points by December 2024, with the overnight rate falling to 4.50% to 4.75%
 - ▶ Markets are pricing a more aggressive 6 rate cuts by year end
 - ▶ Fed officials reaffirm that restoring price stability is the priority



- ▶ Treasury yields ended the quarter materially lower
 - ▶ After peaking in October, yields reversed course on dovish Fed pivot
 - ▶ Yield curve inversion persisted throughout the rally
 - ▶ Credit spreads narrowed sharply on increased expectations for a soft landing

Consumer Prices (CPI) Year-over-Year Change in Top-Line Contributions



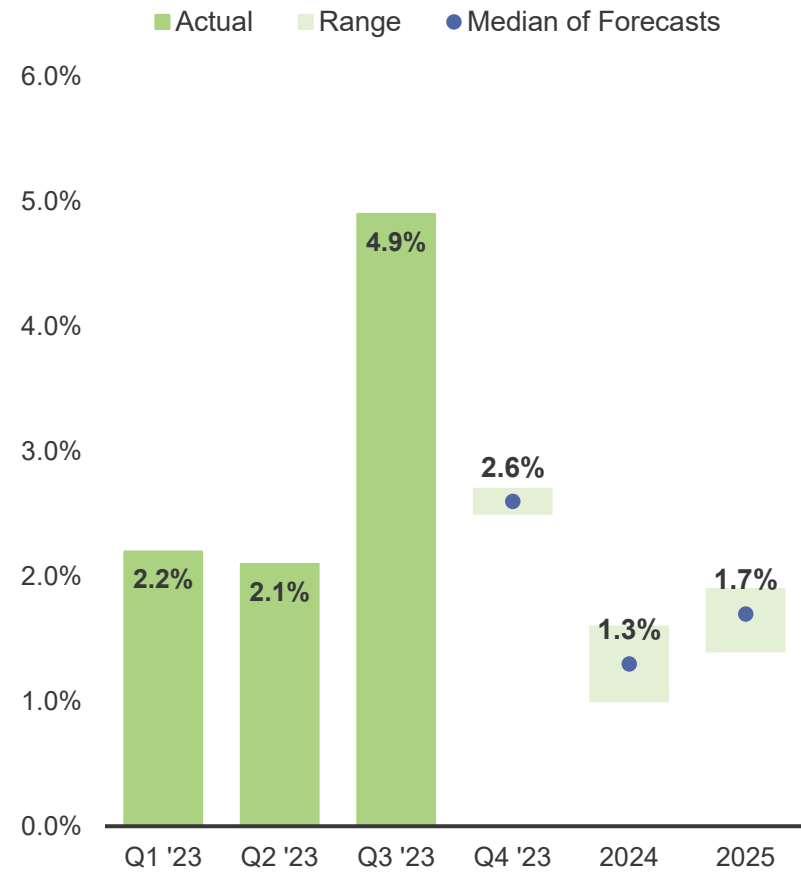
Lower energy and goods prices help to offset increases in wage-driven services costs

Source: Bloomberg, as of November 2023.

Consumer	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Wages	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Credit spreads	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Employment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Inflation	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Housing	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Manufacturing	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inverted yield curve	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Rate hike cycle	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

U.S. GDP Forecasts

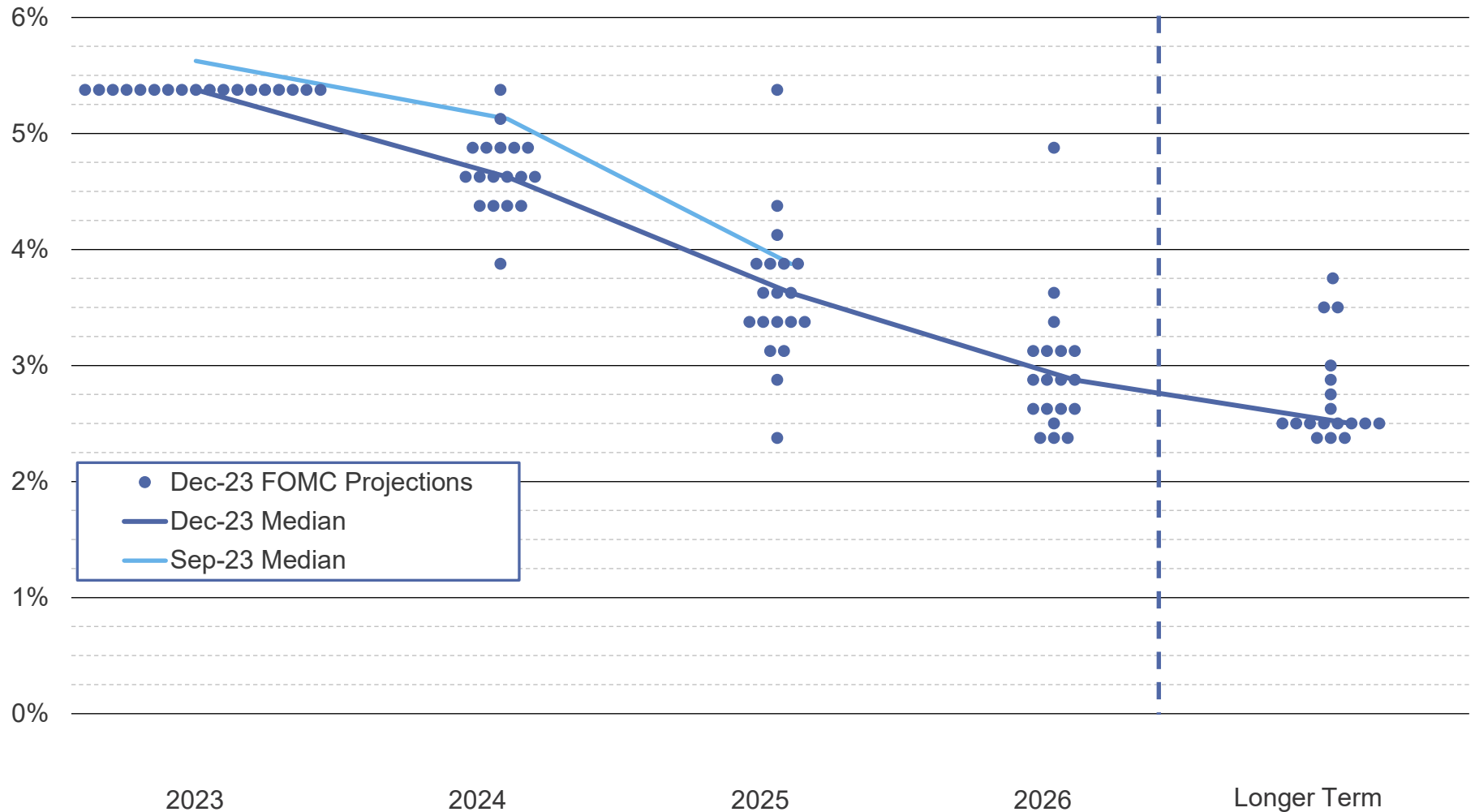
Annualized Rate



Source: Bloomberg, Economist Forecasts.

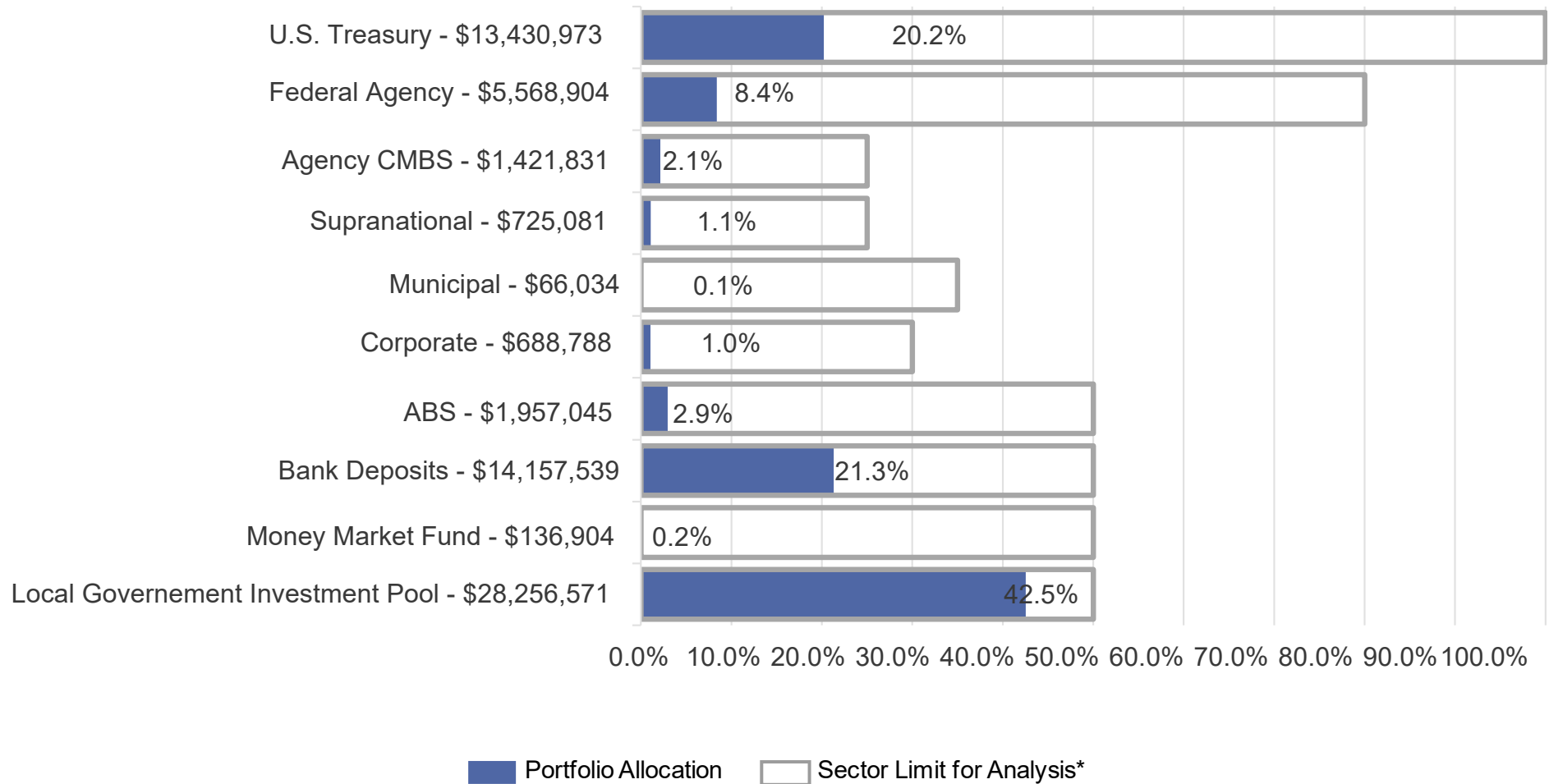
Fed's Updated "Dot Plot" Also Shows Lower Rate Trajectory

Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: Federal Reserve. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

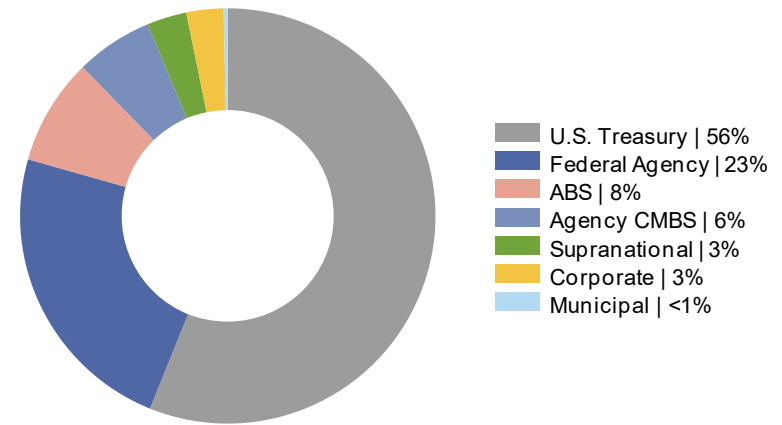
**Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

Portfolio Snapshot - LWDD CORE PORTFOLIO¹

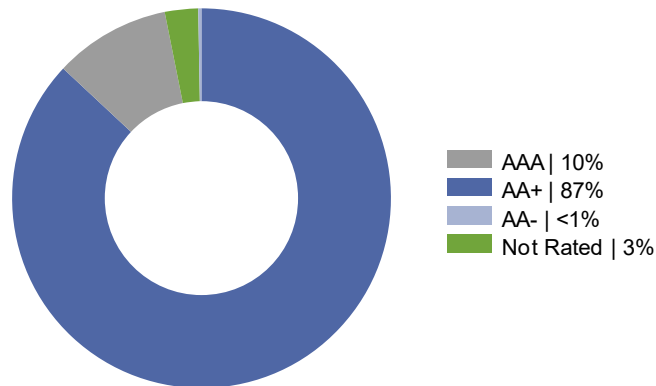
Portfolio Statistics

Total Market Value	\$23,995,560.03
<i>Securities Sub-Total</i>	\$23,647,081.50
<i>Accrued Interest</i>	\$211,574.88
<i>Cash</i>	\$136,903.65
Portfolio Effective Duration	1.78 years
Benchmark Effective Duration	1.76 years
Yield At Cost	4.69%
Yield At Market	4.46%
Portfolio Credit Quality	AA

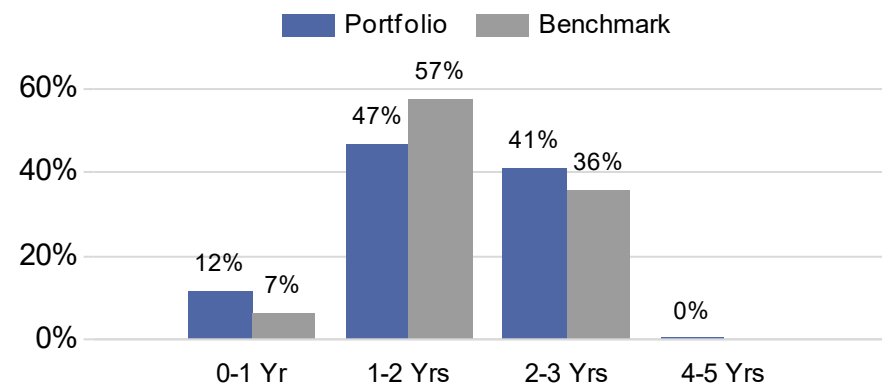
Sector Allocation



Credit Quality - S&P

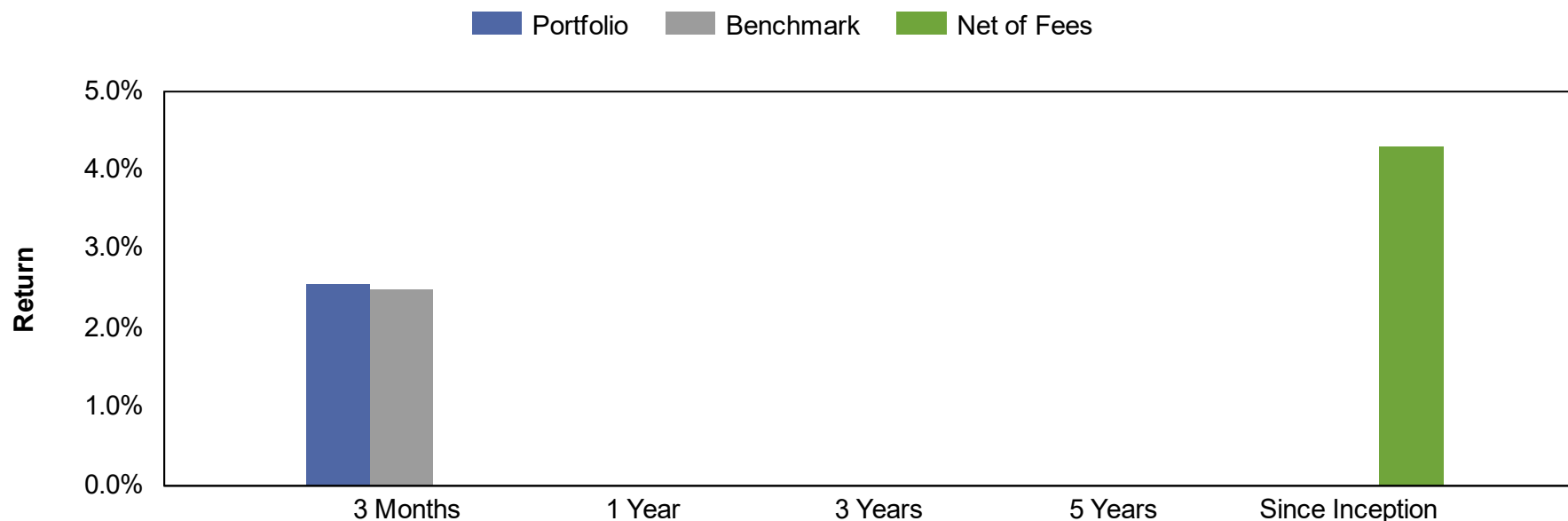


Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 1-3 Year U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

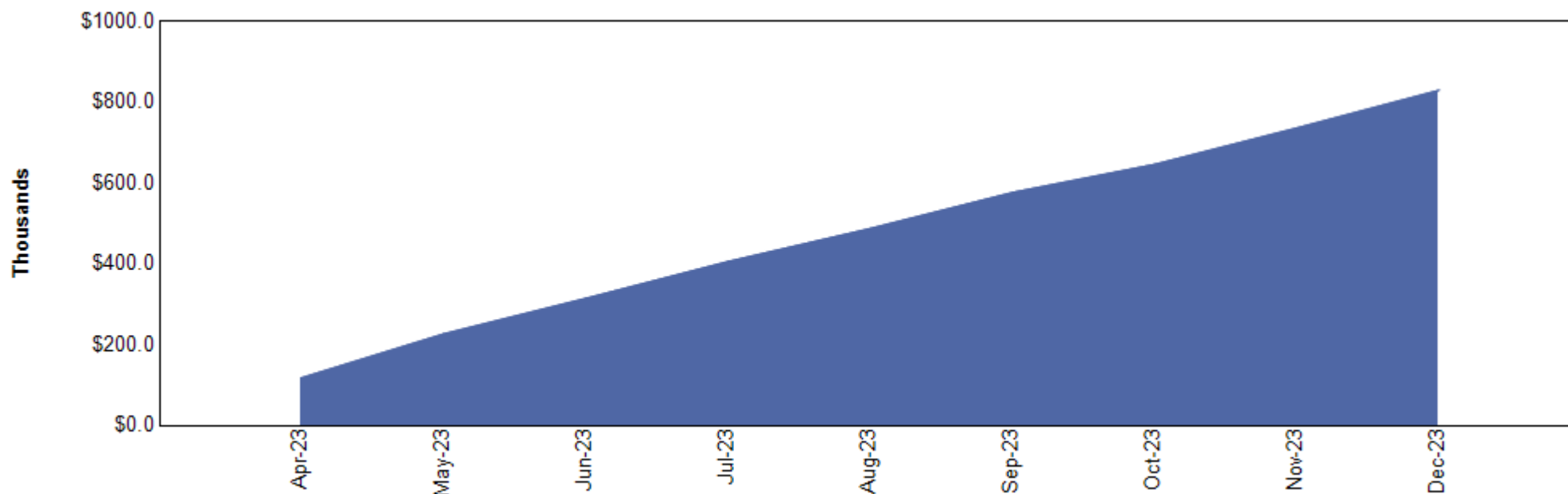
Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception ¹
Interest Earned ²	\$249,318	-	-	-	-
Change in Market Value	\$351,349	-	-	-	-
Total Dollar Return	\$600,667	-	-	-	-
Total Return³					
Portfolio	2.57%	-	-	-	-
Benchmark ⁴	2.49%	-	-	-	-
Basis Point Fee	-	-	-	-	0.10%
Net of Fee Return	2.55%	-	-	-	-0.10%

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is March 31, 2023.
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.
 4. The portfolio's benchmark is the ICE BofA 1-3 Year U.S. Treasury Index. Source: Bloomberg.

Accrual Basis Earnings - LWDD CORE PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception ¹
Interest Earned ²	\$249,318	-	-	-	\$757,381
Realized Gains / (Losses) ³	(\$25,454)	-	-	-	(\$40,979)
Change in Amortized Cost	\$29,165	-	-	-	\$113,034
Total Earnings	\$253,029	-	-	-	\$829,436

1. The lesser of 10 years or since inception is shown. Performance inception date is March 31, 2023.
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
 3. Realized gains / (losses) are shown on an amortized cost basis.

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.



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Background

- At the December 14, 2022, the Board agreed to invest the available committed funds of ~\$46 million as follows:
 - 50% or ~\$23M in FL PALM at 4.71% for up to 12 months -- *earning ~ \$1,083,300*
 - 50% or ~\$23M in PFMAM 1-3 year Fixed Income Composite at 4.65% for 12 months, less management fees of \$25,000 – *earning ~ \$1,044,500*
 - Total potential earnings - \$2,127,800

LWDD
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Balance and Performance

FL PALM

Initial Investment	\$23,000,000
Earnings thru December 31	<u>1,089,718</u>
Balance at December 31, 2023	<u>\$24,089,718</u>

- Rate of 4.97%, maturing on January 19th



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Investment Strategy – FL PALM Options

- Within the FL PALM framework, there are two options available as follows:

- a) Liquid Fund– rate is adjusted daily based on the market
 - Current rate – 5.52%
 - 12 month Forecast – 4.95%

Potential earnings investing ~ \$25 million \$1,237,500


- b) Term Fund – fixed rate up to 12 months
 - Current rates - 5.05% between 5.42%
 - 12 month 5.05%

Potential earnings investing ~ \$25 million \$1,262,500




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Available Funds	
Total Committed Funds	\$49,049,903
Add: Funds from PB Aggregates	380,161
Less: 1-3 Yr Fixed Income Composite	<u>(23,994,373)</u>
 Available funds	 \$25,435,691



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Committed Funds
Balance per Designation:
▪ Hazard Mitigation - \$18 million
▪ Capital Projects - \$27.8 million
▪ Self Insurance - \$2.2 million
▪ Canal Revetment - \$1 million



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Staff Recommendation

Approval to invest the available committed funds of ~ \$25 million in FL PALM at 5.05% for 12 months earning \$1,262,500

