

Levy County

Fiscal Year End Report

September 30, 2025

Economic Update

December 31, 2025





- U.S. economy remains resilient but government shutdown obscures data
 - Inflation print likely biased lower due to data collection gaps and technical adjustments
 - Unemployment rate trends higher with net new job creation near zero
 - Strong consumer and business spending, along with steadier trade dynamics, support growth



- The Fed lowered the target rate by 50 basis points in the fourth quarter to 3.50-3.75%
 - Fed Chair Powell acknowledged ongoing challenges in achieving the Fed's dual mandate of maximum employment and price stability
 - The Fed's December "dot plot" indicates 25 bps of cuts in both 2026 and 2027, but the wide dispersion in underlying projections highlights differing views on path forward
 - Markets view policy is skewed towards additional easing assuming a more dovish Chair takes office in mid-2026



- Treasury yield curve continues to steepen but remains inverted inside 2 years
 - Front end Treasury yields moved lower during the fourth quarter on Fed rate cut expectations
 - Yields were range bound as volatility waned into year end
 - Credit spreads widened marginally but remain near historically narrow levels

Factors Shaping the Economic Outlook

For the Quarter-Ended
December 31, 2025

Negative

- Net new job creation nears zero
- Increasing retail credit card balances
- Rising student loan delinquencies
- Planned federal spending cuts

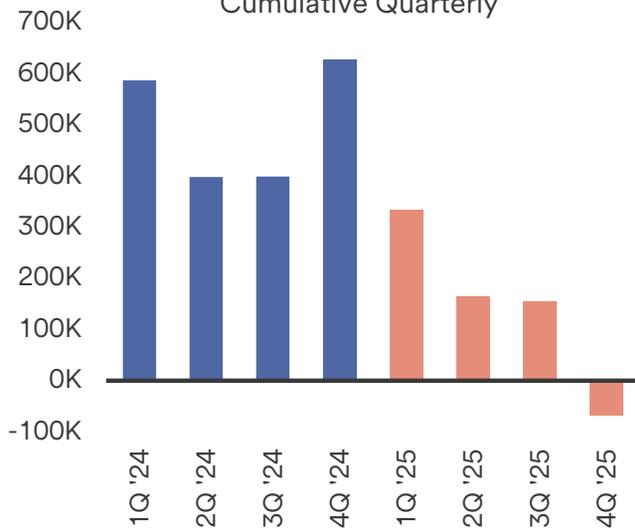
Neutral

- Services disinflation
- Slower tariff-based inflation passthrough
- Stabilizing credit card delinquencies

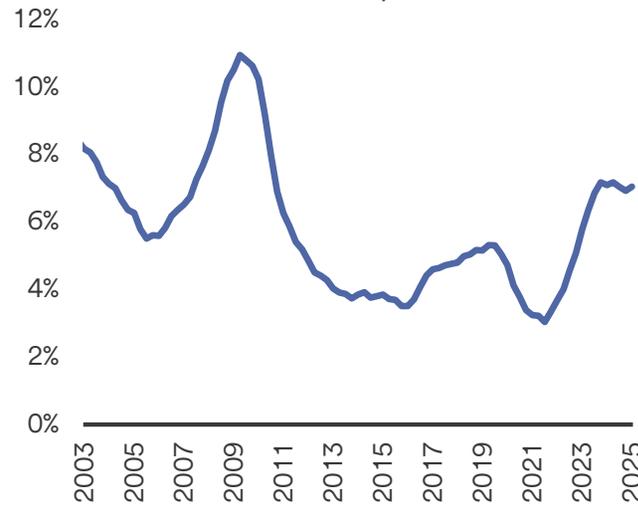
Positive

- Easing Fed Policy
- Fiscal tailwinds from tax and reconciliation bill
- Resilient consumer spending
- Positive real disposable personal income growth
- Corporate fundamentals

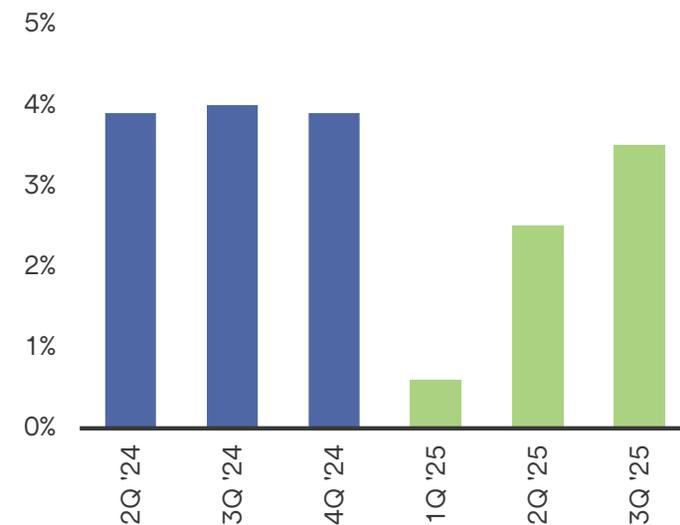
Nonfarm Payrolls
Cumulative Quarterly



Credit Card Delinquencies
90+ Days



Personal Consumption
Quarter-Over-Quarter Change



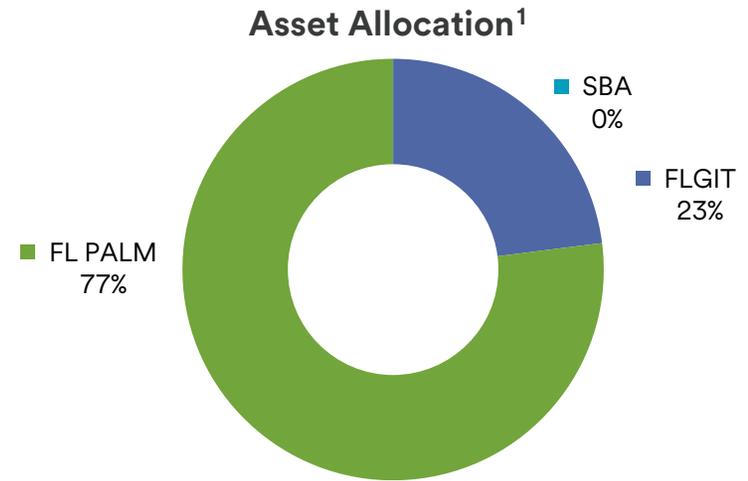
Sources: Bloomberg Finance L.P., Bureau of Labor Statistics as of December 2025, Federal Reserve Bank of New York as of September 2025, and Bureau of Economic Analysis as of September 2025.

Investments Review

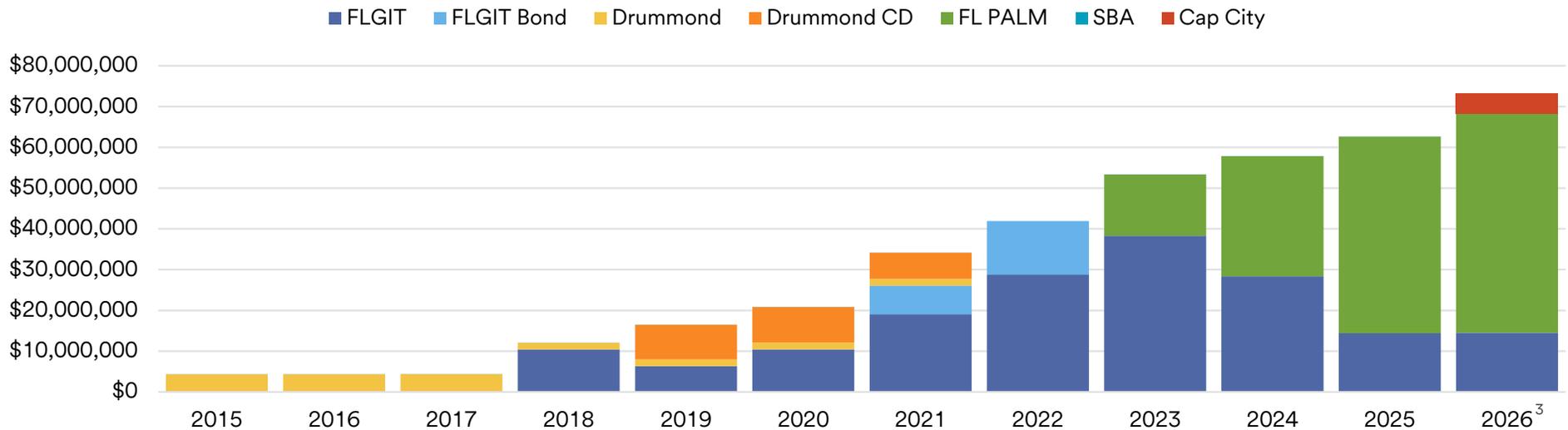


Fiscal Year End 2025 Investment Snapshot

Balances ¹	
FLGIT	\$14,397,691
FL PALM	\$48,230,672
SBA	\$3,788
Total	62,632,151



Historical Asset Allocation²

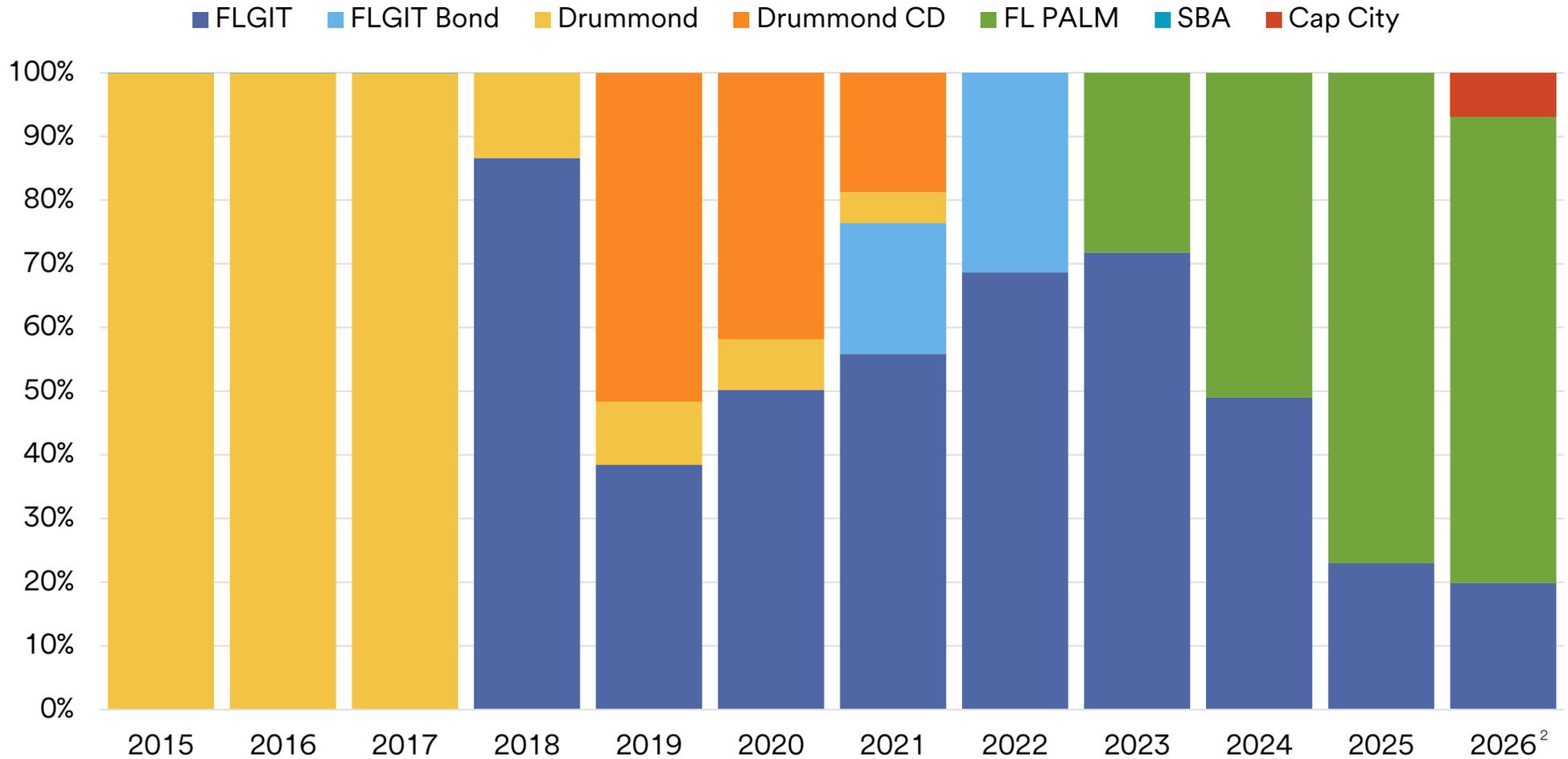


1. Data as of September 30, 2025, as provided by the County. As per the County, the operating fund may have had some "extra" funds that could have been invested, but that may not have been for various reasons.
2. Data as of September 30 for noted year, as provided by the County.
3. 2026 is as of December 31, 2025, as provided by the County. New investments with Seacoast Wealth were made after calendar year-end.



Historical Asset Allocation

Historical Asset Allocation¹

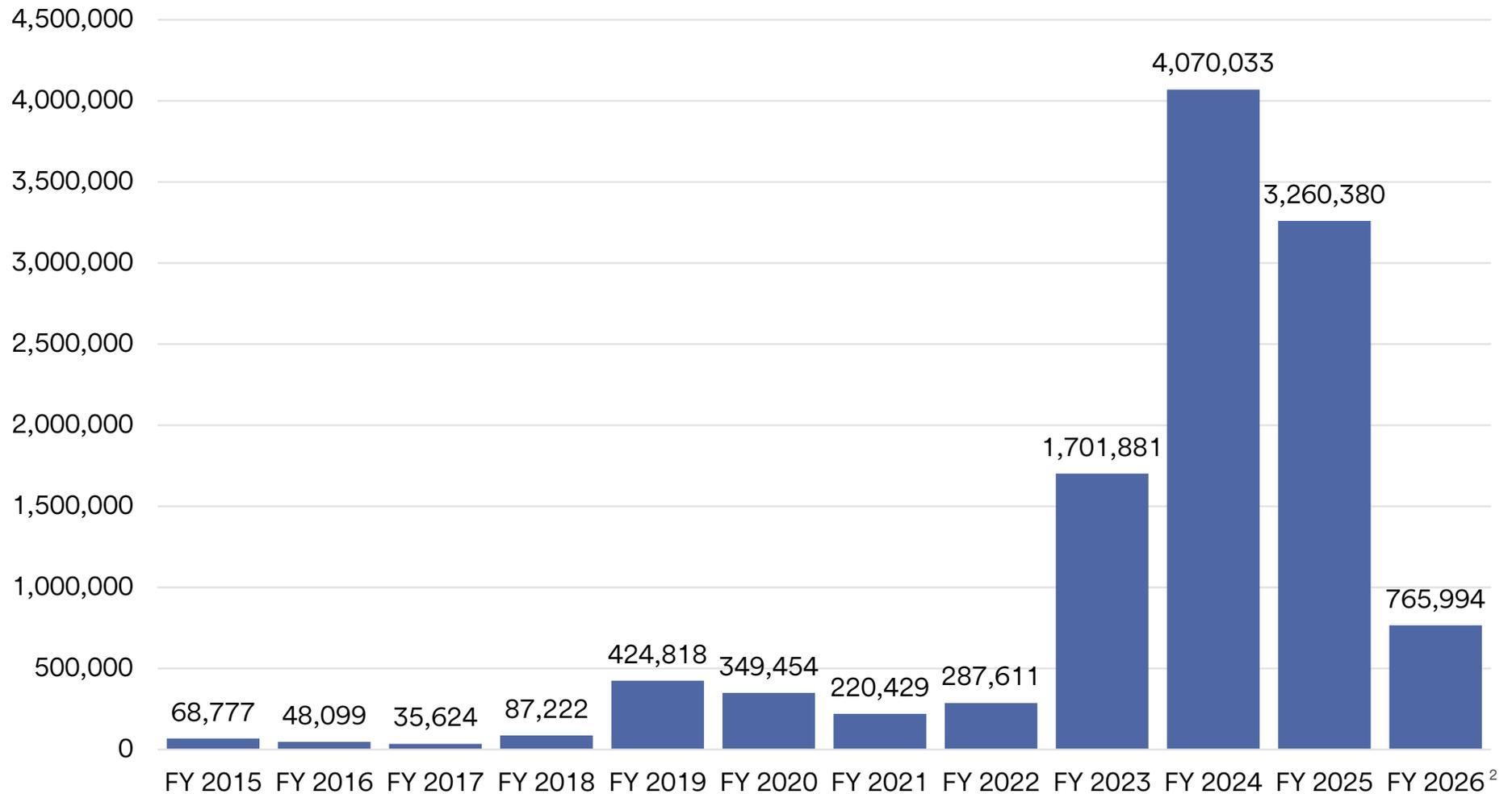


1. Data as of September 30 for noted year, as provided by the County.

2. 2026 is as of December 31, 2025, as provided by the County. New investments with Seacoast Wealth were made after calendar year-end.

Fiscal Year Earnings

Historical Realized Earnings¹



1. Historic Realized Earnings provided by the County for Fiscal Years ending September 30.
2. FY 2026 is through January 27, 2026, as provided by the County.

Market Summary

December 31, 2025



Summary

- The U.S. government shutdown halted the collection of key economic indicators, requiring the Federal Reserve (Fed) and the market to rely on survey-based anecdotal evidence and private data reports.
- The labor market continued to soften and the unemployment rate edged higher. Core inflation moved lower but remained above the Fed's 2% target. Gaps in data collection due to the government shutdown likely distorted the official data, though other available private sector data pointed to a slowdown in economic momentum.
- The Fed delivered two additional 25 basis point (bps) rate cuts in the quarter, lowering the federal funds target range to 3.50% to 3.75%. The median forecast from the Fed's December "dot plot" showed an additional 25 bps rate cut in both 2026 and 2027, but the wide dispersion in underlying projections underscores growing differences of opinion. Policymakers have acknowledged ongoing challenges to achieving their dual mandate of maximum employment and stable prices.

Economic Snapshot

- U.S. inflation decelerated modestly during the fourth quarter, though data collection issues and technical adjustments caused by the government shutdown may have biased the data lower. Headline CPI fell to 2.7% year-over-year and core CPI (ex food and energy) fell to 2.6% year-over-year. Fed Chair Powell noted inflation excluding tariffs is near 2%, suggesting the Fed is looking through these effects.
- Labor markets continued to cool as net new job creation neared zero and the unemployment rate reached 4.5% in November before falling to 4.4% in December. However, layoffs remained low, suggesting employers are maintaining their "no hire, no fire" approach.
- The first estimate of third quarter real gross domestic product (GDP) showed the economy grew at an annualized pace of 4.3%, the fastest in two years. Growth was driven by strong consumer and business spending and steadier trade dynamics. While the data was from the third quarter, it showed the economy was on solid footing heading into the government shutdown.

Interest Rates

- The U.S. Treasury yield curve steepened further in Q4, led by a decline in short-term yields. Maturities less than six months fell 30-50 basis points as a result of Fed policy.

- The 3-month U.S. Treasury ended the quarter at 3.63%, 31 bps lower. The 2-year Treasuries fell by 14 bps to 3.47%, and the 5-year fell by 2 bps to 3.73%. The 10- and 30-year U.S. Treasury increased by 2 and 11bps to 4.17% and 4.84%, respectively. Bond volatility has continued to fall significantly from April highs and has now reached the lowest levels in four years.
- Bond indexes generated positive total returns for the quarter. The ICE BofA 3-month, 2-year, 5-year, and 10-year U.S. Treasury indexes returned 0.97%, 1.09%, 0.93%, and 0.83% for the quarter, respectively.
- Calendar-year returns for longer-duration indices, except for the 30-year, outperformed shorter-duration indices in 2025. This marks the first time since 2020 that longer maturities have led annual performance. The ICE BofA 3-month, 2-year, 5-year and 10-year U.S. Treasury indexes returned +4.18%, +4.85%, +6.85% and +7.82%, respectively.

Sector Performance

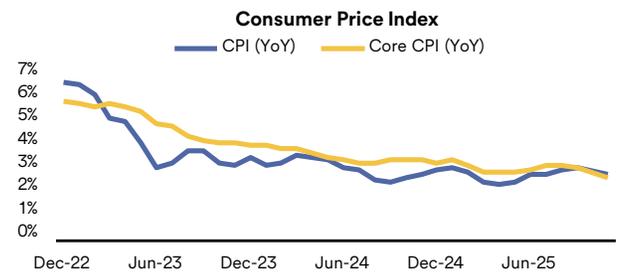
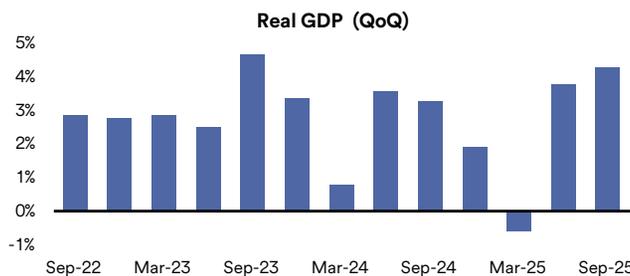
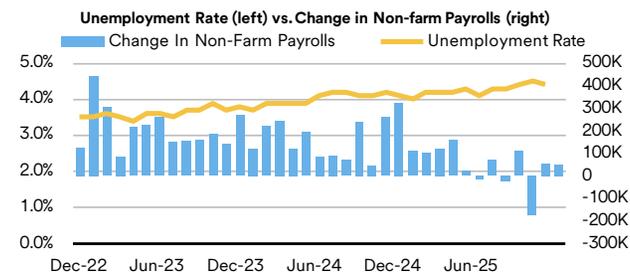
- Excess returns were strong across investment-grade sectors as investor demand and strong fundamentals kept spreads near multi-year lows.
- Federal agency and supranational issuance remained limited, keeping spreads narrow and excess returns muted.
- Investment-grade (IG) corporate bonds generated modest positive excess returns as spreads were relatively stable over the quarter. Lower-quality led performance, supported by strong investor demand. Positive carry remained the primary driver of returns.
- Spreads on asset-backed securities widened marginally, keeping excess returns modest. Auto loan collateral marginally outperformed credit card receivables.
- Agency-backed mortgage-backed securities (MBS) generated solid excess returns in Q4 as lower volatility continues to serve as a tailwind to the sector. Longer-duration collateral (30-year) outperformed shorter-duration (15-year) mortgages. Agency-backed commercial MBS (CMBS) also generated positive excess returns for the quarter but continued to lag residential MBS.
- Short-term credit (commercial paper and negotiable bank CDs) yield spreads remained attractive over the quarter. Month-end funding pressures pushed repo rates above the upper bound of the federal funds rate, which created opportunities in overnight repo and floating rate securities.

Economic Snapshot

Labor Market		Latest		
Unemployment Rate	Dec-25	4.4%	4.4%	4.1%
Change In Non-Farm Payrolls	Dec-25	50,000	108,000	323,000
Average Hourly Earnings (YoY)	Dec-25	3.8%	3.7%	4.0%
Personal Income (YoY)	Sep-25	4.8%	4.8%	5.3%
Initial Jobless Claims (week)	1/3/26	208,000	224,000	209,000

Growth		Latest		
Real GDP (QoQ SAAR)	2025Q3	4.3%	3.8% ¹	3.3% ²
GDP Personal Consumption (QoQ SAAR)	2025Q3	3.5%	2.5% ¹	4.0% ²
Retail Sales (YoY)	Oct-25	3.5%	4.2%	4.6%
ISM Manufacturing Survey (month)	Dec-25	47.9	49.1	49.2
Existing Home Sales SAAR (month)	Nov-25	4.13 mil.	4.05 mil.	4.29 mil.

Inflation / Prices		Latest		
Personal Consumption Expenditures (Yo)	Sep-25	2.8%	2.8%	2.7%
Consumer Price Index (YoY)	Nov-25	2.7%	3.0%	2.9%
Consumer Price Index Core (YoY)	Nov-25	2.6%	3.0%	3.2%
Crude Oil Futures (WTI, per barrel)	Dec-31	\$57.42	\$62.37	\$71.72
Gold Futures (oz.)	Dec-31	\$4,341	\$3,841	\$2,641



1. Data as of Second Quarter 2025.

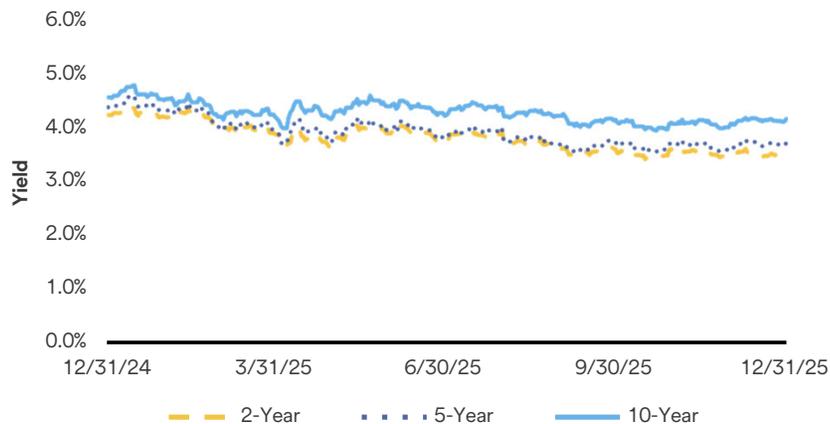
2. Data as of Third Quarter 2024.

Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

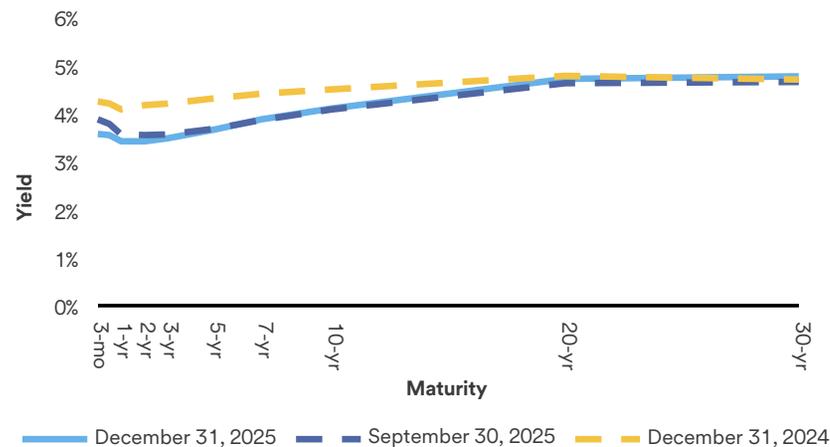
Source: Bloomberg Finance L.P.

Interest Rate Overview

U.S. Treasury Note Yields



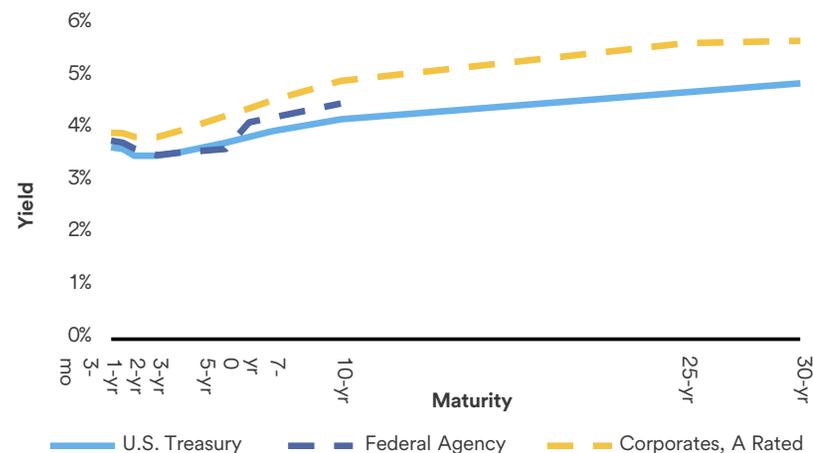
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Dec-25	Sep-25	Change over Quarter	Dec '24	Change over Year
3-Month	3.63%	3.94%	(0.31%)	4.32%	(0.69%)
1-Year	3.48%	3.62%	(0.14%)	4.15%	(0.67%)
2-Year	3.47%	3.61%	(0.14%)	4.24%	(0.77%)
5-Year	3.73%	3.74%	(0.01%)	4.38%	(0.65%)
10-Year	4.17%	4.15%	0.02%	4.57%	(0.40%)
30-Year	4.84%	4.73%	0.11%	4.78%	0.06%

Yield Curves as of December 31, 2025



Source: Bloomberg Finance L.P.

ICE BofA Index Returns

December 31, 2025	As of 12/31/2025		Returns for Periods ended 12/31/2025		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.83	3.51%	1.12%	5.09%	4.47%
Federal Agency	1.54	3.54%	1.07%	4.89%	4.63%
U.S. Corporates, A-AAA rated	1.76	4.00%	1.19%	5.77%	5.41%
Agency MBS (0 to 3 years)	1.69	4.65%	1.31%	5.68%	4.94%
Taxable Municipals	1.53	3.78%	1.07%	5.72%	5.12%
1-5 Year Indices					
U.S. Treasury	2.53	3.56%	1.12%	5.74%	4.48%
Federal Agency	2.24	3.62%	1.08%	5.37%	4.67%
U.S. Corporates, A-AAA rated	2.58	4.11%	1.19%	6.61%	5.76%
Agency MBS (0 to 5 years)	2.44	4.59%	1.46%	7.28%	5.32%
Taxable Municipals	2.45	3.90%	1.08%	6.22%	5.19%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.09	3.94%	0.74%	6.19%	3.49%
Federal Agency	3.37	3.78%	1.08%	6.08%	4.71%
U.S. Corporates, A-AAA rated	6.69	4.68%	0.75%	7.53%	5.64%
Agency MBS (0 to 30 years)	5.43	4.72%	1.58%	8.33%	4.84%
Taxable Municipals	8.75	5.06%	0.81%	7.60%	5.34%

Returns for periods greater than one year are annualized.

Source: ICE BofA Indices.

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