

Investment Review Second Quarter 2025

Investment Review Advisory Committee Report

Mark Thompson, Director Treasury

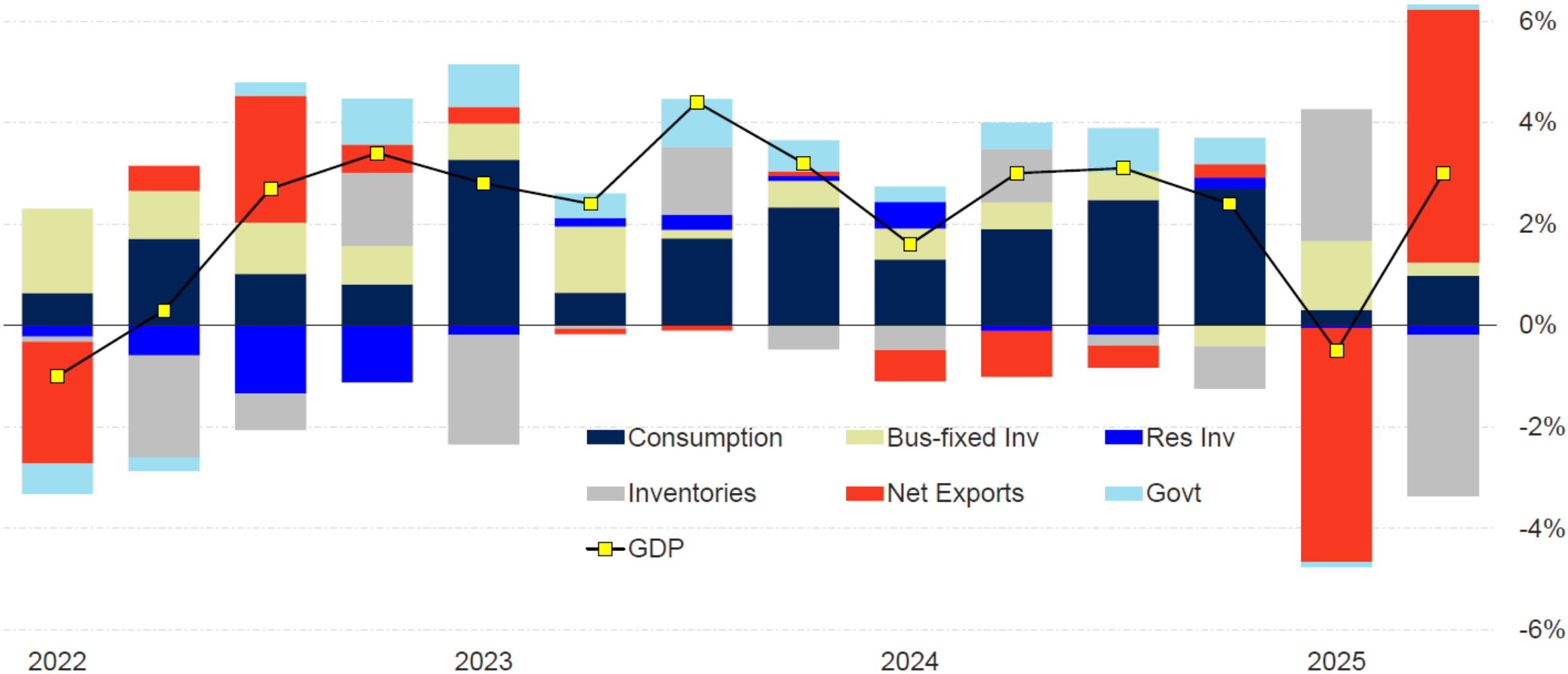


Management Committee August 13, 2025

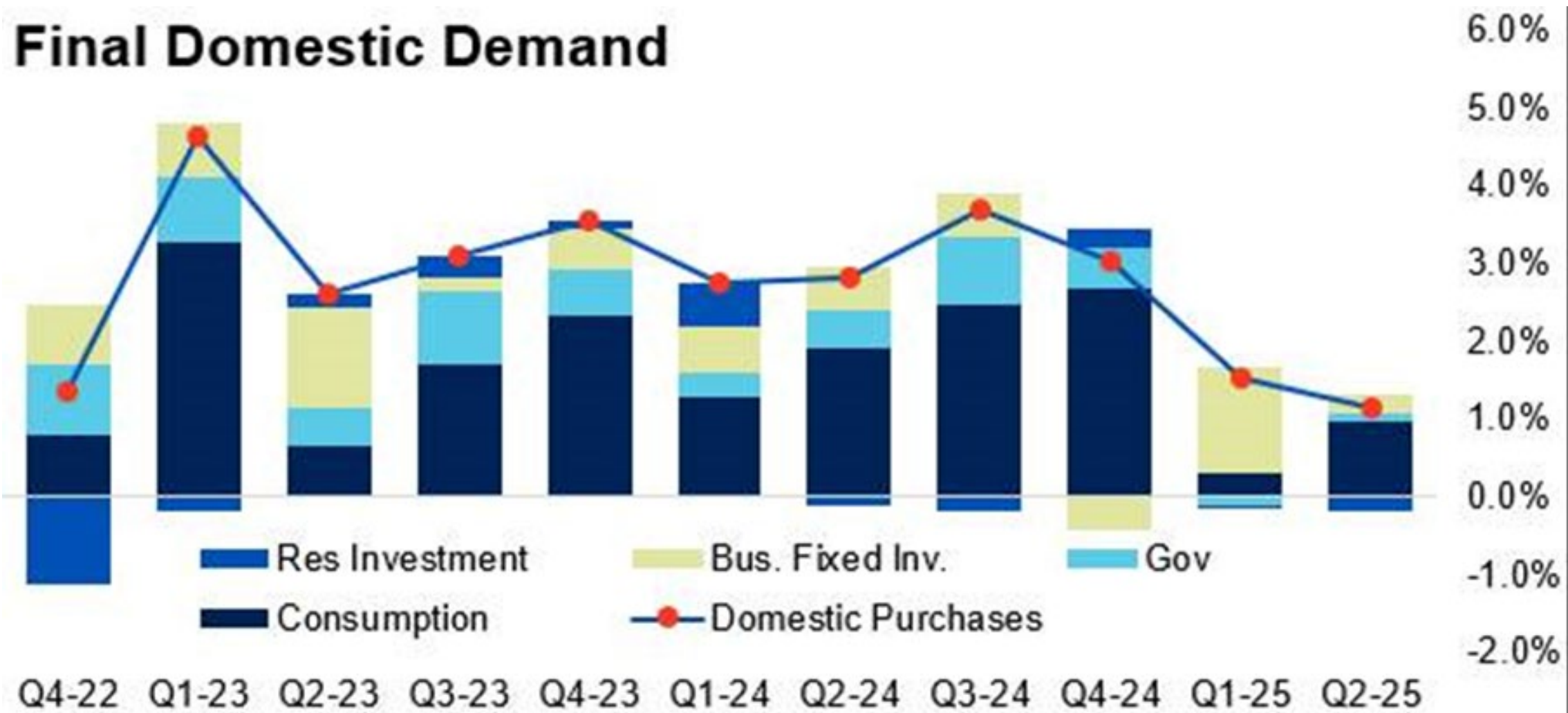
GDP slowed in first half Q1, Q2 avg = 1.25%

Imports and government account for the decline

GDP and contributions



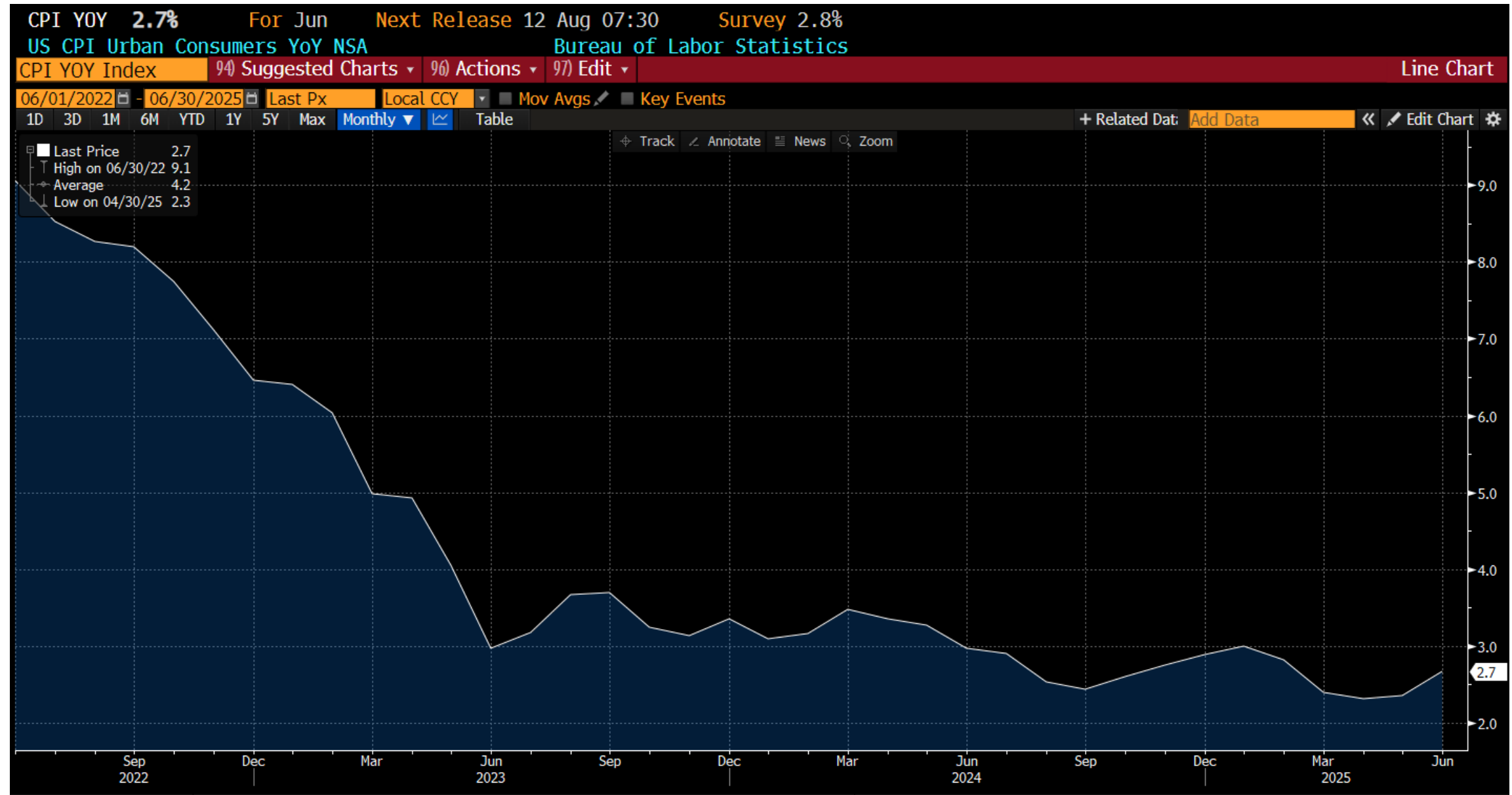
Final Domestic Demand



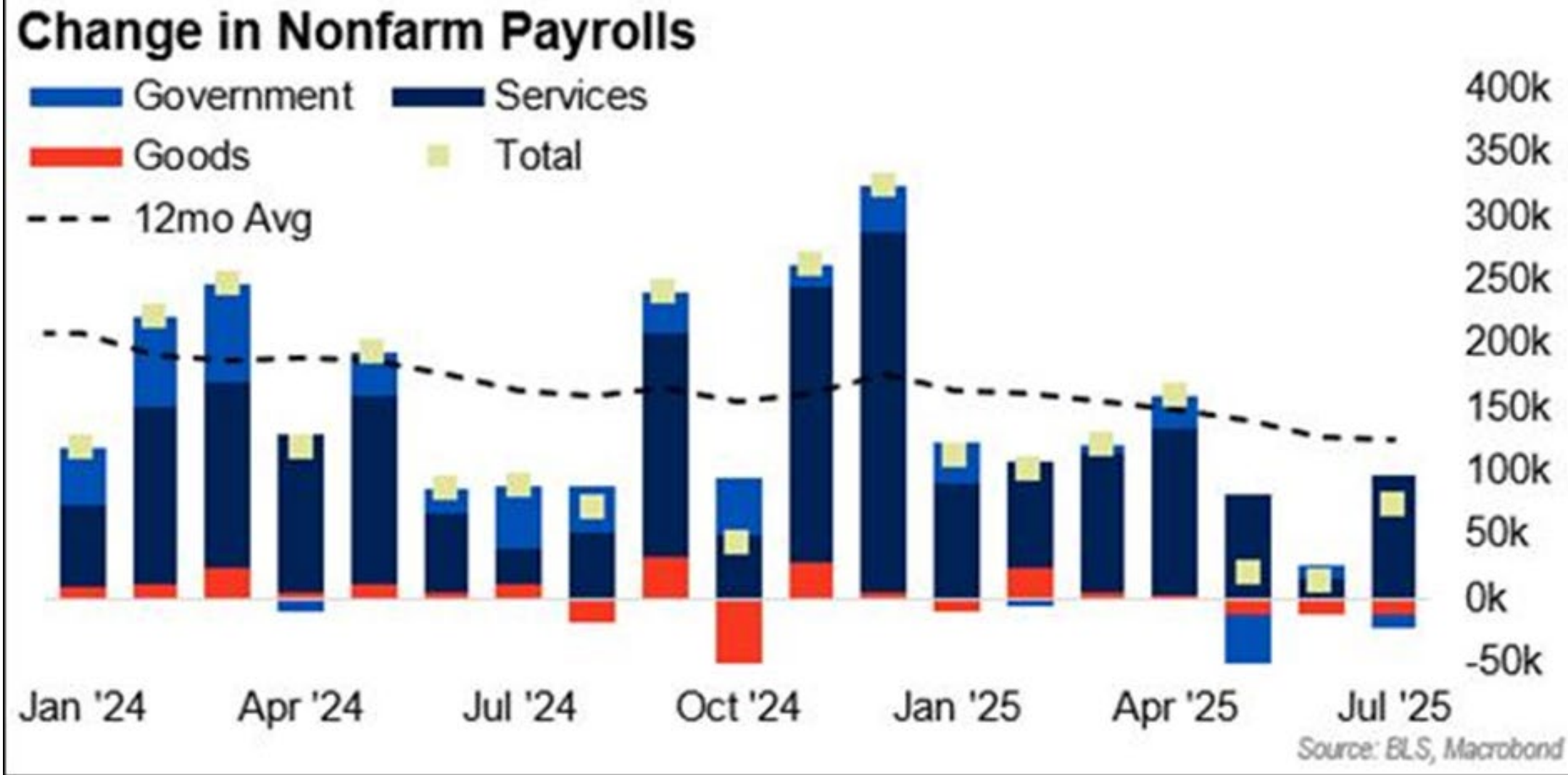
Source: BEA, Macrobond

Inflation

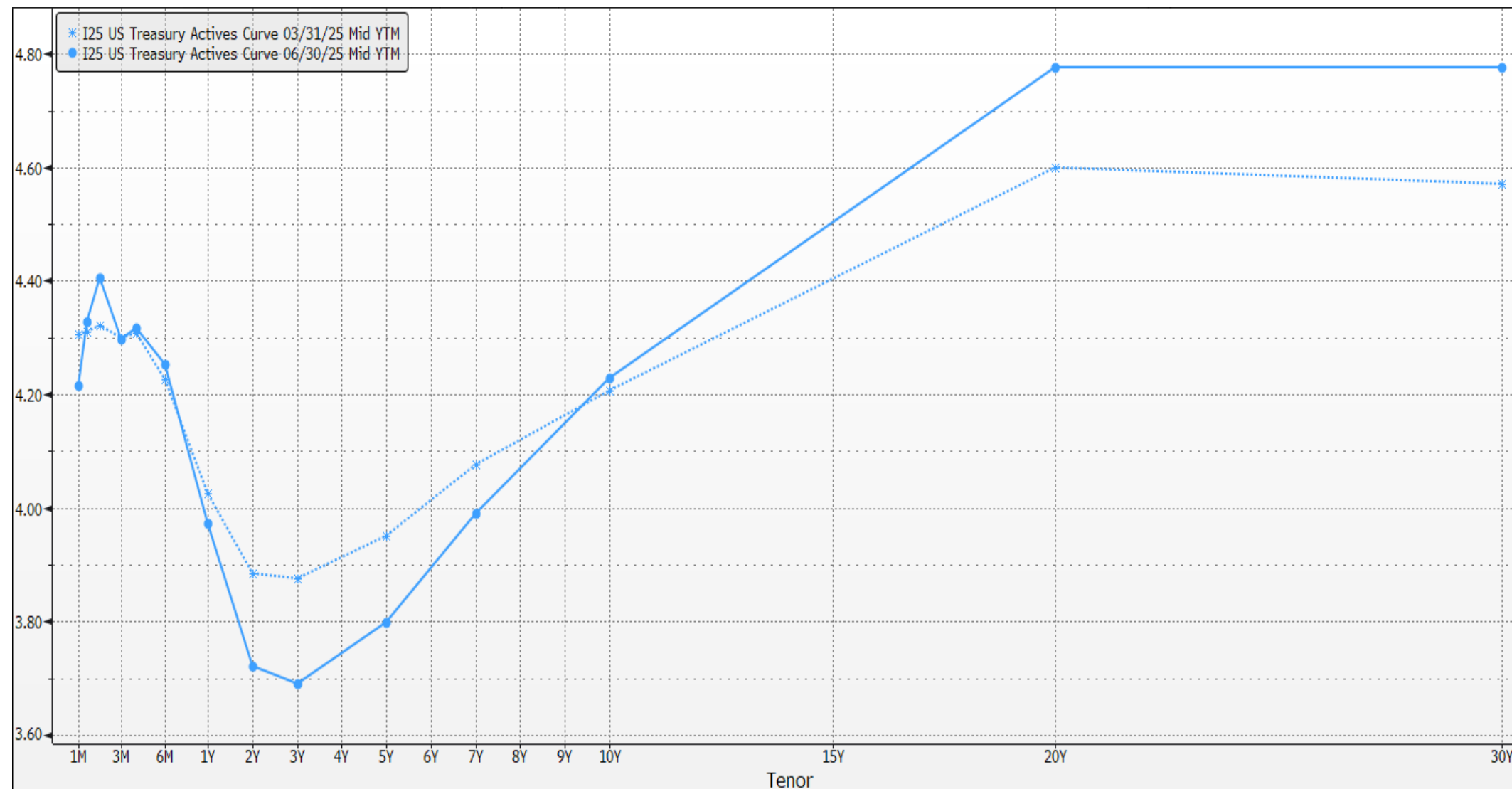
- Fed's Goal 2.00%
- June CPI 2.70%
- Core PCE 2.80%



Labor Market



Treasury Yield Curve



S&P 500 Index

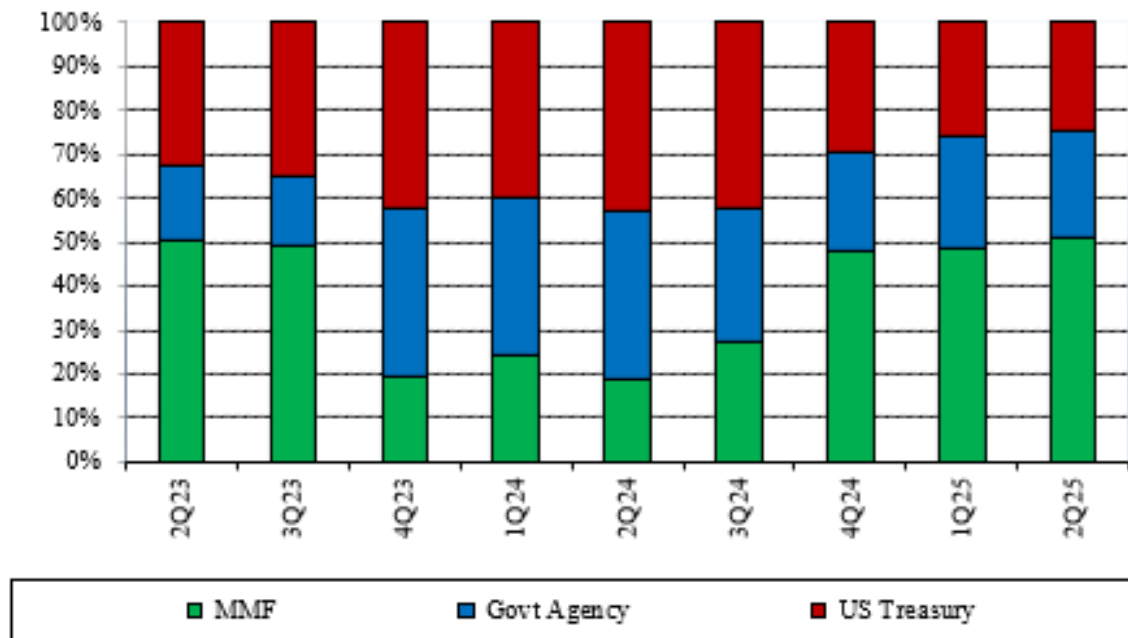
- 10.94% 2Q return
- 6.19% YTD
- Start 5612 – End 6204
- Low – 4982 on 4/8
- Exposure 64% OPEB Trust



Monthly S&P 500 Total Return											
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1.2%	2.4%	2.1%	-0.9%	5.9%	-2.4%	2.8%	-1.3%	-5.6%	-0.7%	6.3%	5.1%

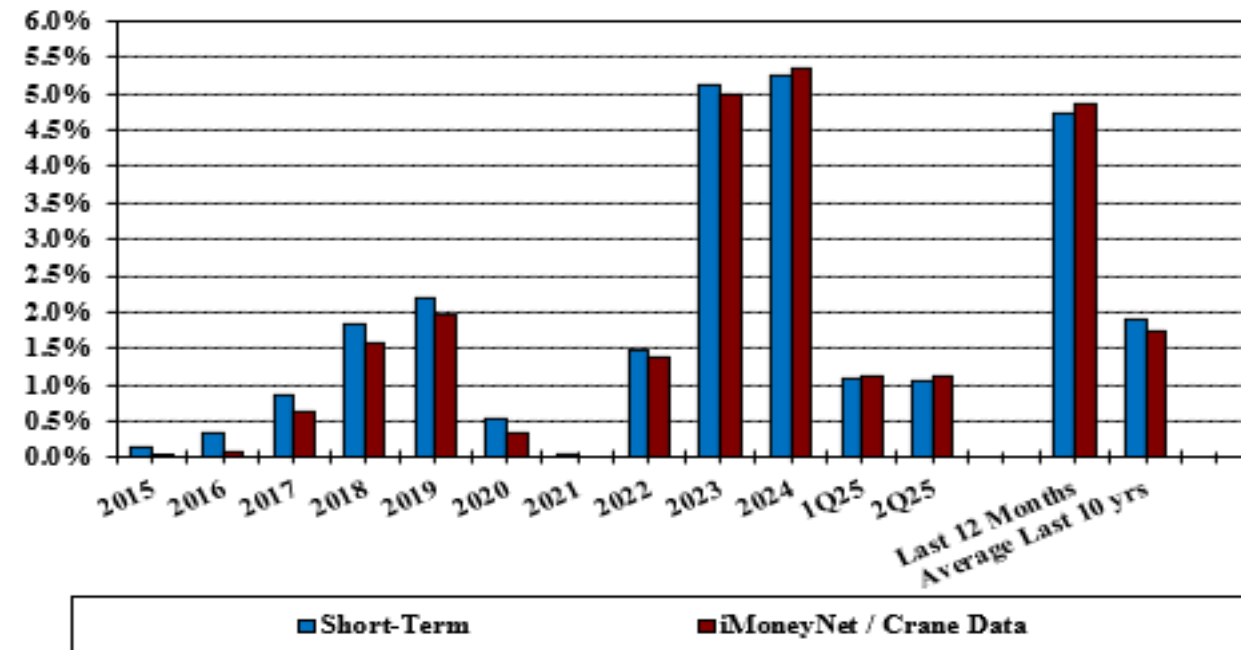
Short-term Portfolio

Sector Allocation



- \$1.6 billion
- U.S. Treasury Bills - \$407m, 29%
- Government Discount Notes - \$396m, 23%
- Money Market Funds - \$846m, 48%

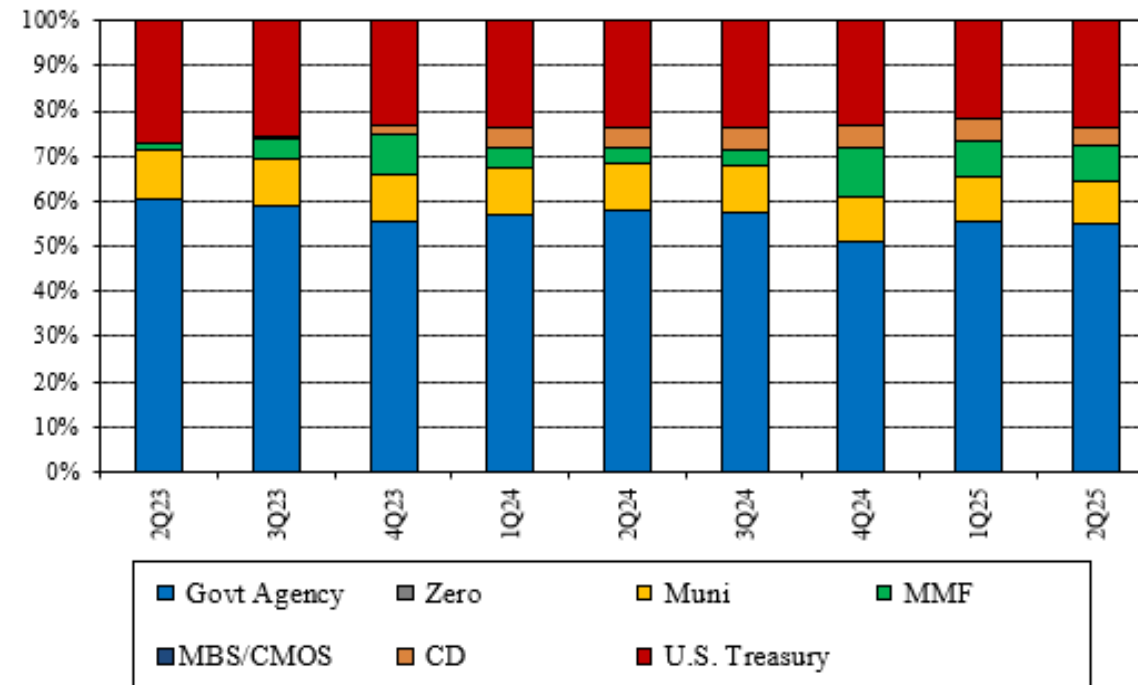
Total Return



- 2Q total return 1.06% vs. benchmark 1.10%
- Average yield 4.30% 2Q vs. 4.29% 1Q
- Interest income \$16.6m 2Q vs. \$15.3m 1Q

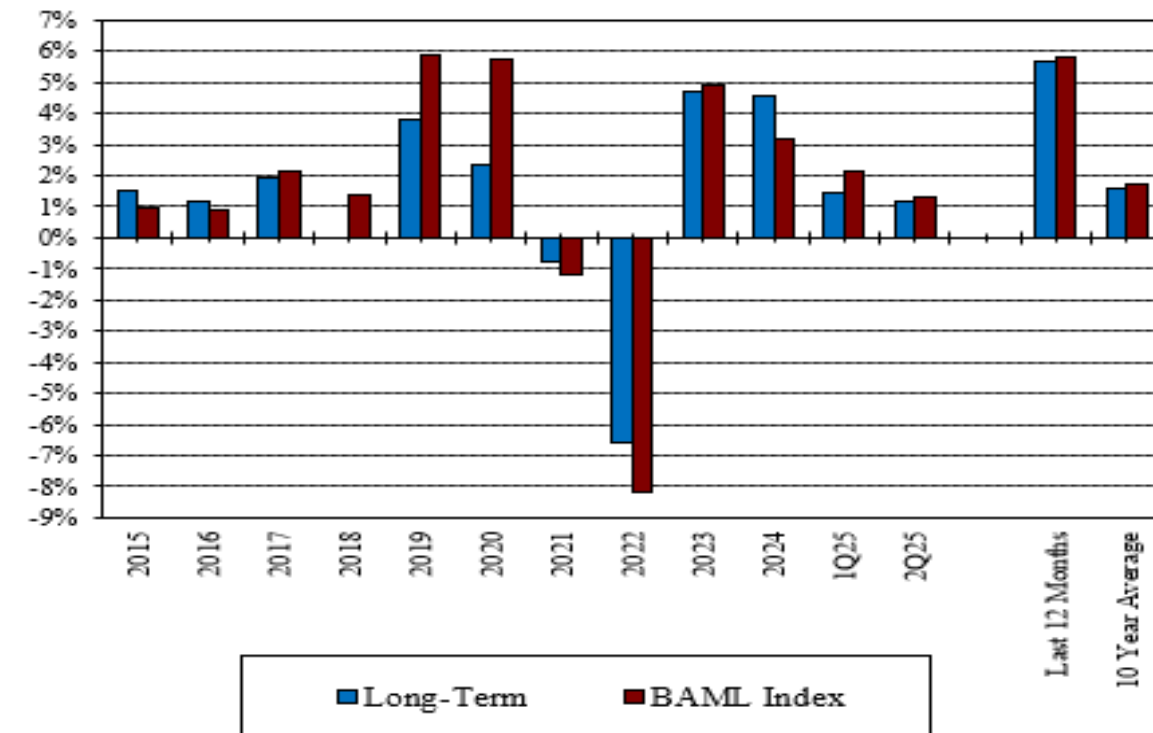
Long-term Portfolio

Sector Allocation



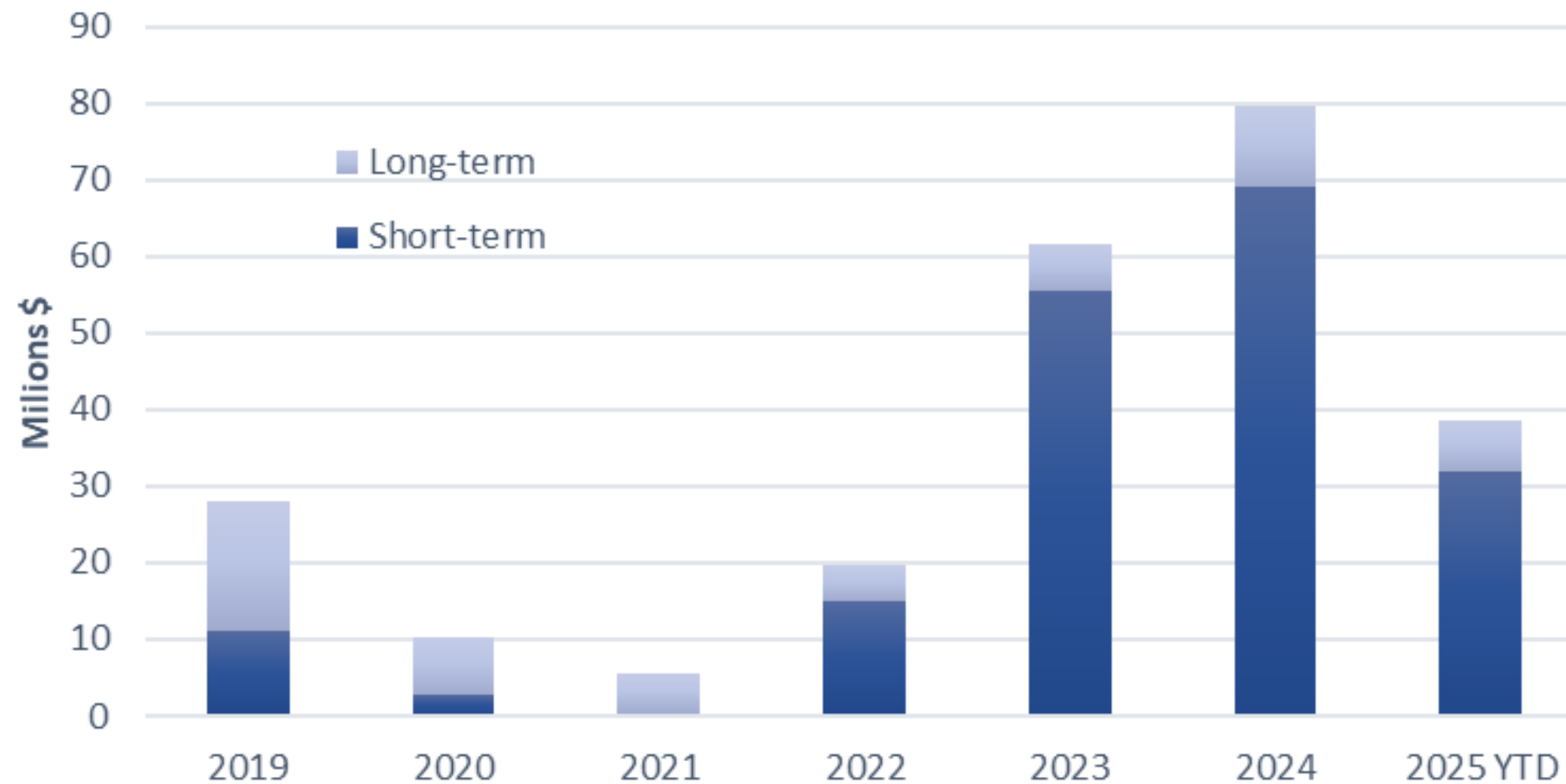
- \$495 million
- U.S. Government Agency - \$274m, 51%
- U.S. Treasury Notes - \$117m, 23%
- Municipal Bonds - \$46m, 10%
- Certificates of Deposit - \$20m, 5%
- Money Market Funds - \$38m, 11%

Total Return



- Quarterly total return 1.21% vs benchmark 1.30%
- Average book yield 2.75% 2Q vs 2.62% in 1Q
- Interest income \$3.3 2Q vs. \$3.1m 1Q
- Duration 1.31 years vs benchmark 3.34 years

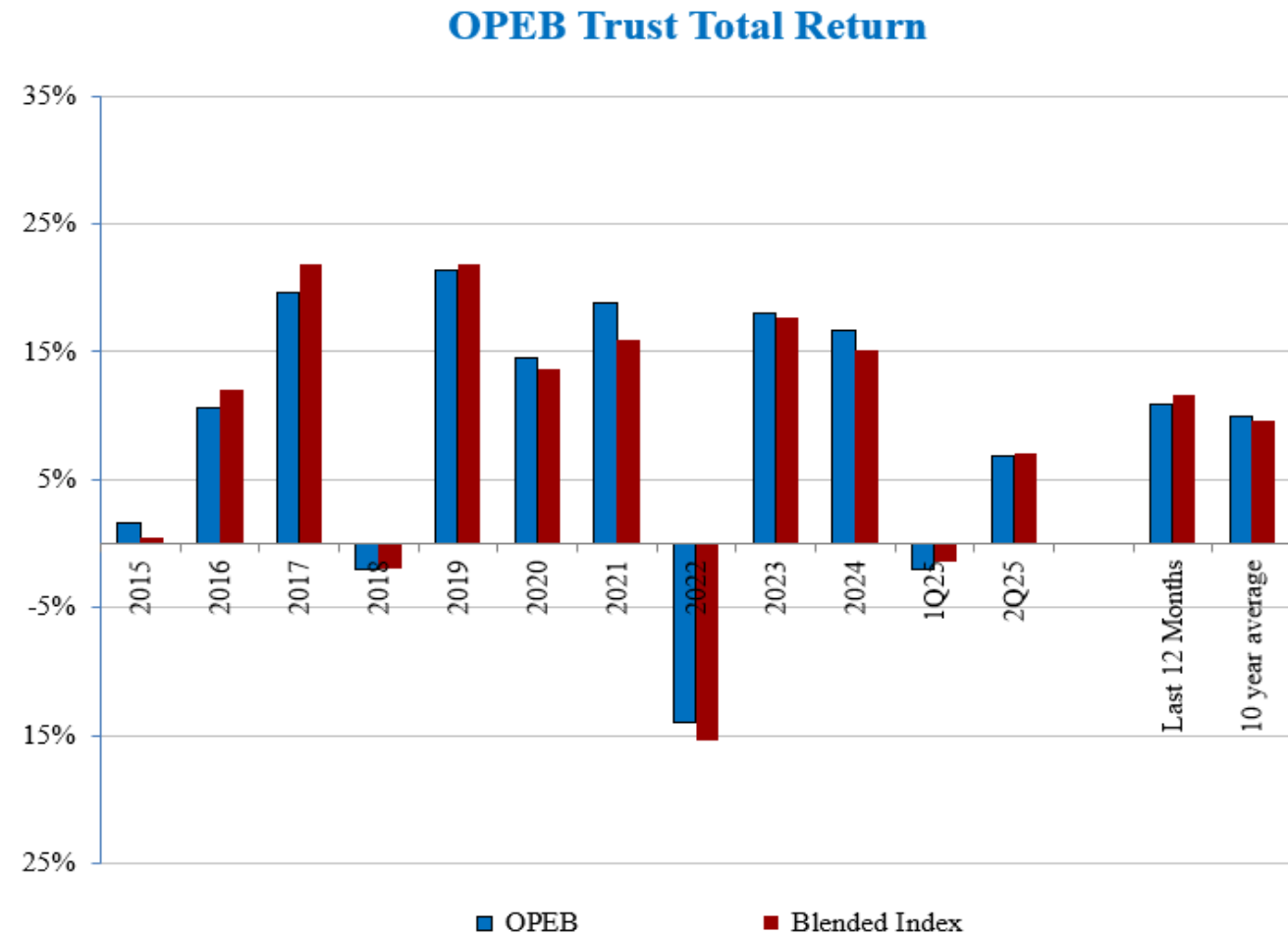
Investment Earnings



OPEB Trust

- 2Q Total Return 6.92%
- Historical average returns: 11.33% 5 years
9.91% 10 years
- Trust Value:

2Q 2024	\$364.3 million
3Q 2024	380.9
4Q 2024	373.4
1Q 2025	365.7
2Q 2025	392.5
- Equity - \$253 million, 64%
Fixed Income - \$128 million, 33%
Cash Pool - \$11 million, 3%
- Projected OPEB Liabilities Remain Fully Funded





Thank you



Mark Thompson, Director Treasury

651-602-1629

mark.thompson@metc.state.mn.us