



Ann Arbor DDA Investment Account

June 5th, 2024

Portfolio Manager

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Trust Officer

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Bank of Ann Arbor Market Outlook

U.S. Economy:

- The U.S. economy grew 1.6% in the first quarter of 2024, below the 2.4% estimate.
- The economy's main growth engine – consumer spending- rose at a 2.5% rate in Q1, down from a 3.3% gain the fourth quarter and below the 3% Wall Street estimate.
- The U.S. economy will decelerate further in the following quarters as consumers are likely near the end of their spending splurge.
- Excess savings peaked at \$2.1 trillion in August 2021 and is down to \$250 billion.
- At a rundown rate of \$60-70 billion per month, excess savings will be mostly exhausted by Q3 2024.
- Strains are emerging in consumer credit, potentially limiting the ability of consumers to borrow for spending.
- While unemployment is low at 3.8%, other measures of the employment market are softening.

Interest Rates & Inflation:

- March Core PCE came in at 2.80%, unchanged from February and slightly higher than expected.
- Inflation appears to have plateaued at a level above the Fed's 2.0% target.
- Market pricing now suggests a 54% chance of a rate cut at the Fed's September meeting and a 50-50 chance of a second rate cut by the end of the year.
- Sticky inflation and a higher real rate have driven long rates higher in 2024.
- The 10-year nominal Treasury rate has increased from 3.88% to 4.36% this year.
- The real rate on 10-year treasuries (the nominal rate adjusted for inflation) is 2.16%, up from 1.72% at the beginning of the year.
- Higher public debt levels are causing investors to demand extra compensation to hold U.S. Treasuries.

Global Themes:

- Inflation is cooling in the EU, with April inflation coming in at 2.4%.
- The Eurozone Composite PMI was 51.7 in April, up from 50.3 in March.
- The latest reading signals the second consecutive month of rising output, with the service sector output increasing the most in 11 months.
- On the other hand, manufacturing production continued to contract, although at the slowest rate in one year.
- By country, Germany returned to growth, ending a nine-month period of contraction and France recorded the weakest pace of output in nine months.
- Japan Composite PMI was 52.3 in April, compared to 51.7 in March.
- The latest result pointed to the fourth consecutive month of growth in private sector activity and the strong pace since last August.

Our View:

- For Q1 the blended earnings growth rate for the S&P 500 is 5.4%.
- This represents the highest growth rate since Q2 2022 (5.8%).
- Analysts expect full year S&P 500 earnings of \$247 in 2024 (11.1% growth) and \$282 in 2025 (14.0% growth).
- The forward valuation of the S&P 500 is 20.4. This is above the 5-year average of 19.1 and above the 10-year average of 17.8.
- A risk to 2024 and 2025 earnings growth is pressure on margins. Labor costs continue to rise, interest expense has increased, and pricing power is diminishing as consumers get squeezed.
- We like U.S. mid cap and small cap stocks. They are trading at a significant discount to large cap stocks and present a compelling opportunity for selective, patient investors.

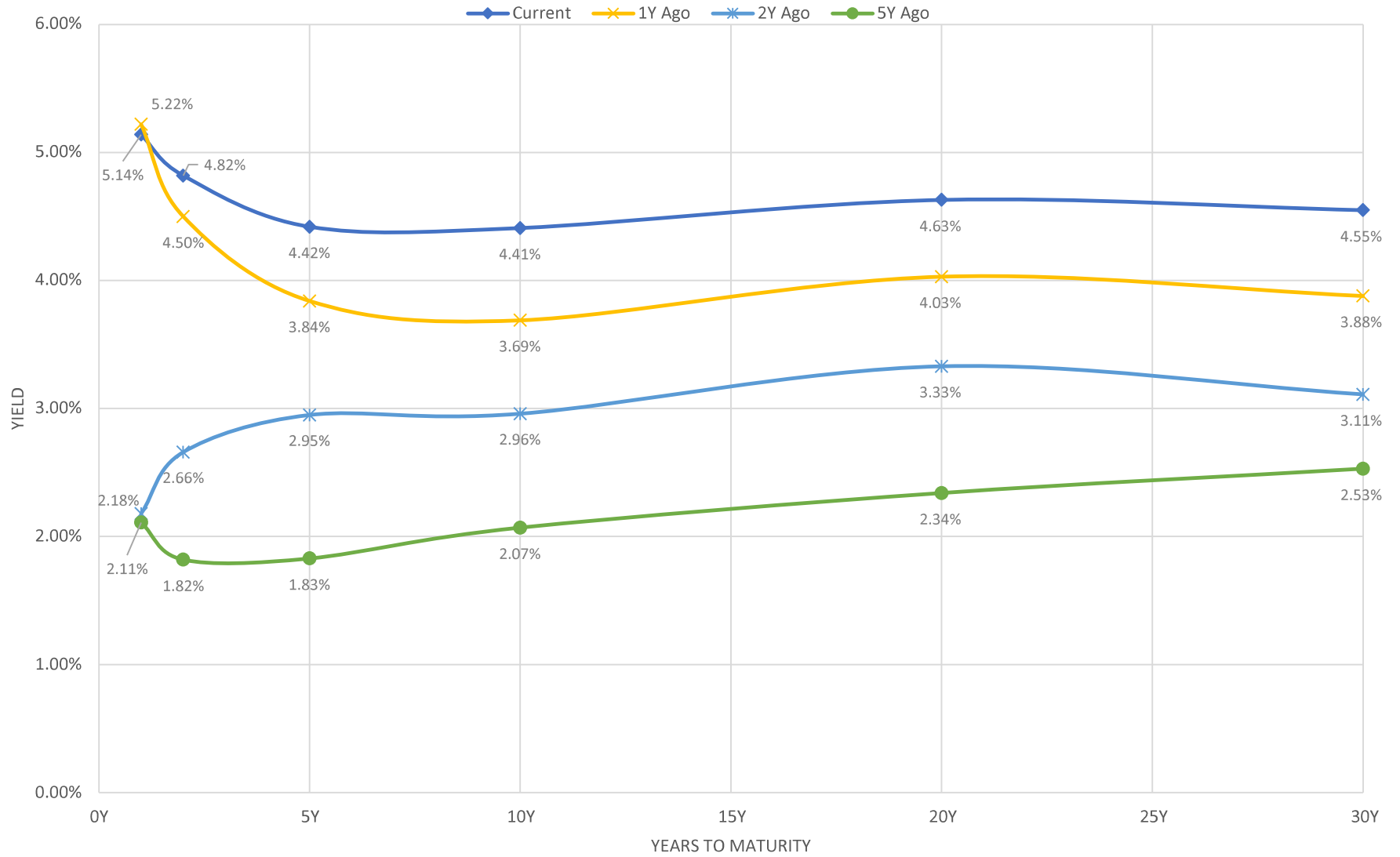
Yield Estimates

as of June 4th, 2024

	3 months	6 Months	12 months	18 months	24 months	36 Months	60 months
Treasuries	5.37%	5.32%	5.12%	4.94%	4.78%	4.56%	4.37%
Agencies	5.37%	5.46%	5.10%	5.06%	4.89%	4.60%	4.58%
CD's	5.40%	5.34%	5.24%	5.19%	5.10%	4.99%	4.85%
Corporates (A rated or higher, i.e. Toyota, Home Depot, Merck)	+0.02%	+0.12%	+0.22%	+0.15%	+0.26%	+0.45%	+0.45%
Michigan Municipals (A rated or higher)	3.58%	3.57%	3.56%	3.51%	3.52%	3.46%	3.31%

*For discussion purposes only.

U.S. TREASURY YIELD CURVE



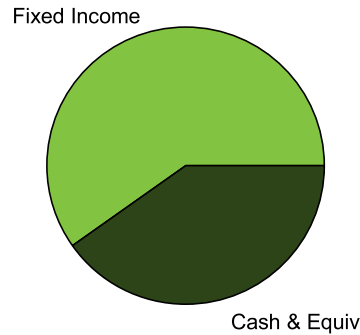
*'Current' data as of 6/3/2024

Ann Arbor DDA Investment Account



Fund ID: **19-1022**
 Report Period: **02/28/2017 to 04/30/2024**
 Fiscal Year Ends: **June**

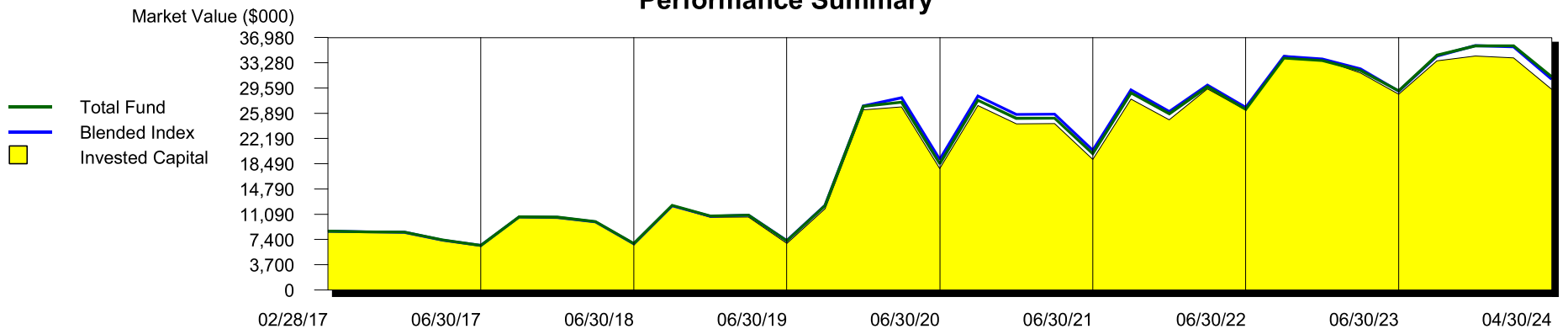
Portfolio Composition



Account Activity Summary

	Fiscal Yr to Date	Latest 1 Year
Beginning Market Value	29,172,868	33,867,435
Contributions	25,206,779	28,448,528
Withdrawals	(24,500,000)	(32,500,000)
Net Flows	706,779	(4,051,472)
Earned Income	912,384	1,015,626
Gains/Losses	436,612	397,054
Total Earnings	1,348,996	1,412,680
Ending Market Value	31,228,643	31,228,643

Performance Summary



	Market Value	% of Total	Latest Month	Latest Quarter	Fiscal Yr to Date	Latest 1 Year	Latest 3 Years	Latest 5 Years	From 02/28/17
Total Fund	31,228,643	100.00	0.18	0.62	4.07	4.30	0.95	1.16	1.25
Blended Index			-0.32	-0.41	3.22	2.37	-0.04	1.05	1.15
Cash & Equiv	12,561,620	40.22	0.49	1.25	4.40	5.26	2.67	1.95	1.80
Fixed Income	18,667,023	59.78	-0.12	0.02	3.81	3.80	0.36	1.10	1.22

Fixed Income Fundamentals

Processing Date : 06/04/2024

As of Date : 06/04/2024

Price Date : 06/04/2024

Account Name : Ann Arbor DDA Investment Account

Account Number : 19-1022

Description			Par Value	Market Value	YTM %	Duration To Maturity	Current Yield %	Rating Moody	Rating SP
Maturity Year : 2024									
Sallie Mae Bank Murray UT	0.70%	08/12/2024	500,000	495,369.58	5.64	0.18	0.71		
Goldman Sachs Bank USA	0.65%	09/09/2024	650,000	641,551.31	5.61	0.26	0.66		
Federal Home Loan Banks	0.63%	10/28/2024	1,000,000	980,804.64	5.46	0.39	0.64	AAA	AA+
Federal Home Loan Banks	0.50%	10/29/2024	1,000,000	980,793.34	5.30	0.40	0.51	AAA	AA+
Federal National Mtg Assn	1.75%	07/02/2024	1,000,000	997,111.47	5.44	0.08	1.76	AAA	AA+
Total For Maturity Year : 2024			4,150,000	4,095,630.34	5.46	0.27	0.89		
Maturity Year : 2025									
Macomb County MI Material	0.83%	11/01/2025	200,000	188,466.00	5.06	1.39	0.88	AA1	NA
Fed Home Loan Bank Step-up	1.38%	10/28/2025	750,000	717,691.27	4.54	1.38	1.44	AAA	AA+
Federal Farm Credit Banks	1.04%	10/27/2025	1,000,000	946,265.17	5.02	1.38	1.10	AAA	AA+
Fed Home Loan Bank Step-up	3.00%	02/28/2025	500,000	492,819.92	4.98	0.73	3.04	AAA	AA+
Fed Home Loan Bank Step-up	2.13%	11/28/2025	1,000,000	959,482.06	4.95	1.45	2.21	AAA	AA+
MI Fin Auth Rev - Ypsi Sch	1.06%	08/01/2025	500,000	476,030.00	5.32	1.14	1.11	*NA	NR
University MI Univ Revs	1.00%	04/01/2025	250,000	241,552.50	5.19	0.81	1.04	AAA	AAA
MI St Strategic Fd Ltd	2.35%	10/15/2025	150,000	144,081.00	5.34	1.33	2.44	AA2	NA
United States Treasury Notes	4.63%	06/30/2025	1,000,000	994,414.06	5.17	1.03	4.65	AAA	NR
Total For Maturity Year : 2025			5,350,000	5,160,801.98	5.01	1.21	2.25		
Maturity Year : 2026									
Fed Home Loan Bank Step-up	1.00%	09/23/2026	2,000,000	1,858,445.36	4.21	2.27	1.08	AAA	AA+
Federal Home Loan Banks	1.75%	10/28/2026	550,000	510,887.87	4.89	2.33	1.88	AAA	AA+
Federal Home Loan Banks	1.12%	10/28/2026	1,000,000	914,119.25	4.91	2.35	1.23	AAA	AA+
Fed Home Loan Bank Step-up	1.50%	05/27/2026	300,000	281,807.55	4.70	1.94	1.60	AAA	AA+
Federal Farm Credit Banks	1.40%	01/13/2026	775,000	731,724.64	5.00	1.58	1.48	AAA	AA+
Ecourse MI Pub Sch Dist	2.19%	05/01/2026	200,000	189,714.00	5.02	1.86	2.31	AA1	NA
United States Treasury Notes	4.50%	07/15/2026	1,000,000	992,617.19	4.87	1.99	4.53	AAA	NR
Total For Maturity Year : 2026			5,825,000	5,479,315.86	4.67	2.11	1.93		
Maturity Year : 2027									
United States Treasury Notes	1.50%	01/31/2027	500,000	459,726.56	4.76	2.55	1.63	AAA	NR
United States Treasury Notes	3.25%	06/30/2027	500,000	479,667.97	4.69	2.88	3.39	AAA	NR
United States Treasury Notes	3.88%	12/31/2027	500,000	487,519.53	4.64	3.29	3.97	AAA	NR
Total For Maturity Year : 2027			1,500,000	1,426,914.06	4.69	2.92	3.02		
Maturity Year : 2030									
Kent Hosp Fin Auth MI Rev	2.92%	07/15/2030	500,000	443,070.00	5.09	5.54	3.30	AA3	AA
Total For Maturity Year : 2030			500,000	443,070.00	5.09	5.54	3.30		
Total Fixed Income Portfolio			17,325,000	16,605,732.24	4.98	1.54	1.90		

Portfolio Holdings

As Of Date : 06/04/2024

Processing Date : 06/04/2024

Price Date : 06/04/2024

Account Name : Ann Arbor DDA Investment Account

Account No : 19-1022

Investment Objective : Government Bond

Cusip/Ticker	Description			Price	Quantity	Cost	Market Value	Gain/Loss	Income	Yield (%)	TMV (%)	Asset Class%
Fixed Income												
Certificate Of Deposit - Other												
795451AL7	Sallie Mae Bank Murray UT	0.700%	08/12/2024	99.07	500,000	500,000.00	495,369.58	-4,630.42	3,500.00	0.71	1.57	2.98
38149MZG1	Goldman Sachs Bank USA	0.650%	09/09/2024	98.70	650,000	649,805.00	641,551.31	-8,253.69	4,225.00	0.66	2.03	3.86
Total Certificate Of Deposit - Other						1,149,805.00	1,136,920.89	-12,884.11	7,725.00	0.68	3.60	6.84
U.S. Government Notes & Bonds												
91282CHL8	United States Treasury Notes	4.625%	06/30/2025	99.44	1,000,000	991,524.72	994,414.06	2,889.34	46,250.00	4.65	3.15	5.99
91282CHM6	United States Treasury Notes	4.500%	07/15/2026	99.26	1,000,000	992,267.81	992,617.19	349.38	45,000.00	4.53	3.15	5.98
912828Z78	United States Treasury Notes	1.500%	01/31/2027	91.95	500,000	461,645.04	459,726.56	-1,918.48	7,500.00	1.63	1.46	2.77
91282CEW7	United States Treasury Notes	3.250%	06/30/2027	95.93	500,000	485,498.18	479,667.97	-5,830.21	16,250.00	3.39	1.52	2.89
91282CGC9	United States Treasury Notes	3.875%	12/31/2027	97.50	500,000	495,525.15	487,519.53	-8,005.62	19,375.00	3.97	1.55	2.94
Total U.S. Government Notes & Bonds						3,426,460.90	3,413,945.31	-12,515.59	134,375.00	3.94	10.83	20.57
U.S. Government Agency Bonds												
3135G0V75	Federal National Mtg Assn	1.750%	07/02/2024	99.71	1,000,000	985,577.55	997,111.47	11,533.92	17,500.00	1.76	3.16	6.00
3130ALZS6	Federal Home Loan Banks	0.625%	10/28/2024	98.08	1,000,000	996,394.18	980,804.64	-15,589.54	6,250.00	0.64	3.11	5.91
3130ANHG8	Federal Home Loan Banks	0.500%	10/29/2024	98.08	1,000,000	987,000.00	980,793.34	-6,206.66	5,000.00	0.51	3.11	5.91
3130AQW74	Fed Home Loan Bank Step-up	3.000%	02/28/2025	98.56	500,000	500,000.00	492,819.92	-7,180.08	15,000.00	3.04	1.56	2.97
3133ENCD0	Federal Farm Credit Banks	1.040%	10/27/2025	94.63	1,000,000	1,000,003.55	946,265.17	-53,738.38	10,400.00	1.10	3.00	5.70
3130APKR5	Fed Home Loan Bank Step-up	1.375%	10/28/2025	95.69	750,000	750,000.00	717,691.27	-32,308.73	10,312.50	1.44	2.28	4.32
3130AQUQ4	Fed Home Loan Bank Step-up	2.125%	11/28/2025	95.95	1,000,000	996,600.00	959,482.06	-37,117.94	21,250.00	2.21	3.04	5.78
3133ENKD1	Federal Farm Credit Banks	1.400%	01/13/2026	94.42	775,000	773,837.50	731,724.64	-42,112.86	10,850.00	1.48	2.32	4.41
3130AMKN1	Fed Home Loan Bank Step-up	1.500%	05/27/2026	93.94	300,000	299,850.00	281,807.55	-18,042.45	4,500.00	1.60	0.89	1.70
3130ANVD9	Fed Home Loan Bank Step-up	1.000%	09/23/2026	92.92	2,000,000	2,000,000.00	1,858,445.36	-141,554.64	20,000.00	1.08	5.89	11.19
3130APFR1	Federal Home Loan Banks	1.120%	10/28/2026	91.41	1,000,000	995,479.16	914,119.25	-81,359.91	11,200.00	1.23	2.90	5.50
3130APGM1	Federal Home Loan Banks	1.750%	10/28/2026	92.89	550,000	548,900.00	510,887.87	-38,012.13	9,625.00	1.88	1.62	3.08
Total U.S. Government Agency Bonds						10,833,641.94	10,371,952.54	-461,689.40	141,887.50	1.37	32.88	62.47
Municipal Bonds - Fed Taxable												
914455UC2	University MI Univ Revs	1.004%	04/01/2025	96.62	250,000	238,500.00	241,552.50	3,052.50	2,510.00	1.04	0.77	1.45
59447TQ89	MI Fin Auth Rev - Ypsi Sch	1.060%	08/01/2025	95.21	500,000	485,740.00	476,030.00	-9,710.00	5,300.00	1.11	1.51	2.87
594698SX1	MI St Strategic Fd Ltd	2.346%	10/15/2025	96.05	150,000	144,426.00	144,081.00	-345.00	3,519.00	2.44	0.46	0.87
554885M75	Macomb County MI Material	0.829%	11/01/2025	94.23	200,000	200,640.00	188,466.00	-12,174.00	1,658.00	0.88	0.60	1.13
279196CX5	Ecorse MI Pub Sch Dist	2.192%	05/01/2026	94.86	200,000	193,140.00	189,714.00	-3,426.00	4,384.00	2.31	0.60	1.14
490580ES2	Kent Hosp Fin Auth MI Rev	2.921%	07/15/2030	88.61	500,000	497,090.00	443,070.00	-54,020.00	14,605.00	3.30	1.40	2.67

Portfolio Holdings

As Of Date : 06/04/2024

Processing Date : 06/04/2024

Price Date : 06/04/2024

Account Name : Ann Arbor DDA Investment Account

Account No : 19-1022

Investment Objective : Government Bond

Cusip/Ticker	Description	Price	Quantity	Cost	Market Value	Gain/Loss	Income	Yield (%)	TMV (%)	Asset Class%
Total Municipal Bonds - Fed Taxable				1,759,536.00	1,682,913.50	-76,622.50	31,976.00	1.90	5.34	10.13
Total Fixed Income				17,169,443.84	16,605,732.24	-563,711.60	315,963.50	1.90	52.65	100.01
Cash Equivalent										
Money Market Funds										
BGSXX	Northern Institutional US Government Select	1.00	14,935,934.26	14,935,934.26	14,935,934.26	0.00	776,453.95	5.20	47.35	100.00
Total Money Market Funds				14,935,934.26	14,935,934.26	0.00	776,453.95	5.20	47.35	100.00
Total Cash Equivalent				14,935,934.26	14,935,934.26	0.00	776,453.95	5.20	47.35	100.00
Total Portfolio				32,105,378.10	31,541,666.50	-563,711.60	1,092,417.45	3.46	100.00	
Principal Cash				-171,312.40						
Income Cash				591,972.40						
Trade Cash				0.00						
Due to rounding, percentage may not equal 100.										