



# Ann Arbor DDA Investment Account

July 9, 2025

**Portfolio Manager**

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# Bank of Ann Arbor Market Outlook

## U.S. Economy:

- The Fed's survey of professional forecasters projects Q2 GDP growth of 1.5%.
- For the full year the projection is GDP growth of 1.4%.
- The job market remained resilient in June, with 147,000 jobs added and the unemployment rate ticking down to 4.1%.
- The forecasters predict the unemployment rate will increase from 4.1% this quarter to 4.5% in the first quarter of 2026.
- Tariffs continue to weigh on the U.S. economy.
- The average tariff rate for goods imported into the U.S. is now 14.7% (up from 2.4% in 2024).
- New federal tax legislation includes incentives for capital expenditures, with the goal of increasing growth.

## Interest Rates & Inflation:

- The Fed held rates steady at its June meeting.
- The Fed Funds target rate is at 4.25% to 4.50%.
- Markets are pricing in 1-3 rate cuts in 2025.
- May Core PCE inflation was 2.7%.
- There is a divergence between market expectations for inflation and consumer expectations.
- *Market* expectations for inflation remain relatively well anchored. The 10-Year TIPS breakeven inflation rate is 2.29%.
- *Consumer* expectations for inflation are more pessimistic (but improving).
- The University of Michigan Consumer Survey indicates year ahead inflation expectations of 5.1% in June, down from 6.6% in May.
- Long-run inflation expectations were 4.1% in June, down from 4.2% in May.

## Global Themes:

- The ECB cut its key interest rate by 25 basis points at its June 5 meeting. This brought the rate to 2.00%.
- The European Central Bank has cut interest rates to boost growth, with the region's stalled economy facing twin shocks from tariff threats and a sudden need to radically increase military spending.
- We now expect a summer pause from the ECB, with some analysts predicting one more cut after June, while others believe June may be the last.
- Germany has decided to spend as much as \$1.1 trillion or more on defense and infrastructure, altering the outlook for economic growth and inflation across the European continent.
- China's economy had been showing signs of improvement prior to the new tariffs. Future growth is highly dependent on the outcome of tariff negotiations.

## Our View:

- For Q2 2025, the estimated earnings growth rate for the S&P 500 is 4.9%.
- Analysts expect earnings growth of 9.0% in 2025 and 13.7% in 2026.
- The forward 12-month P/E ratio of the S&P 500 stands at 21.6. This is above the 5-year average of 19.9 and above the 10-year average of 18.4.
- International stocks are priced more reasonably and have outperformed U.S. stocks in 2025.
- Investment grade bonds have served as ballast during the recent drawdown, providing an attractive yield.
- We continue to believe a broadly diversified, actively managed portfolio that includes allocations across asset classes, geographies, and market cap is the best way for investors to position for the current geopolitical and economic uncertainty.

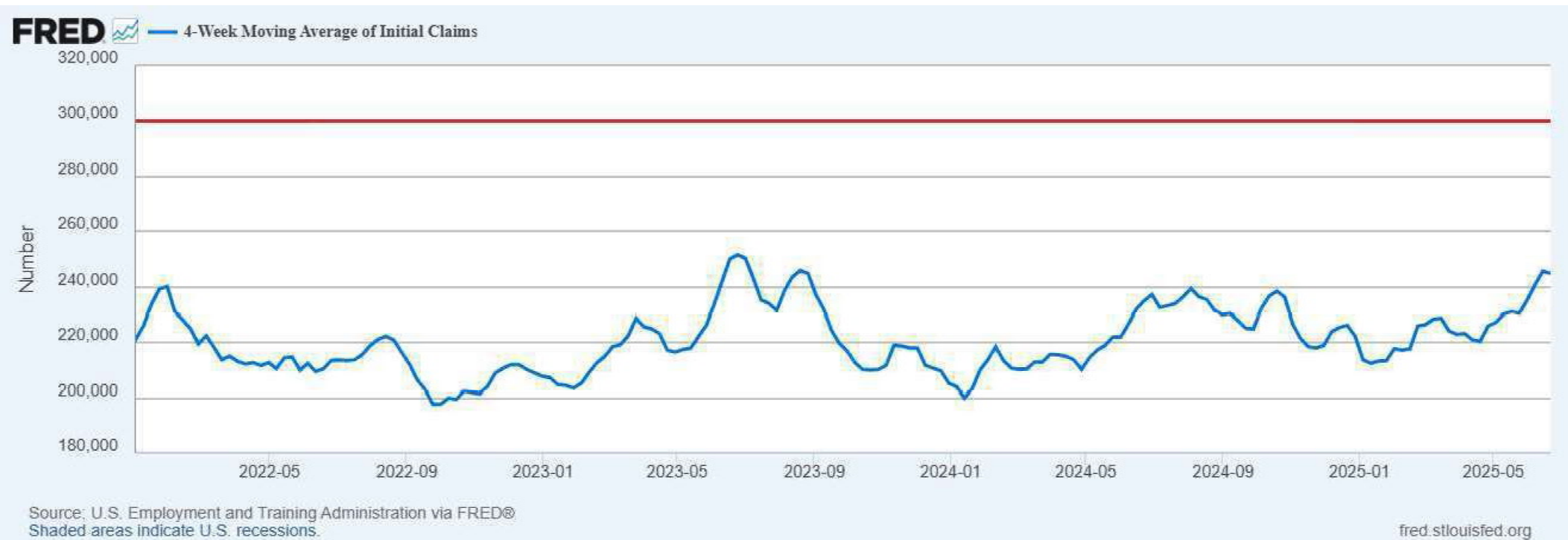
## Weekly Rail Data

		Autos	yr/yr%	Intermodal Trailers	yr/yr%	Intermodal + Carloads	yr/yr%
Week 14	2025	16,467	+0.93%	273,794	+13.61%	500,584	+11.21%
Week 15	2025	32,718	+0.35%	548,136	+9.83%	992,492	+8.28%
Week 16	2025	49,177	-0.61%	819,753	+8.34%	1,488,545	+7.00%
Week 17	2025	64,795	-2.63%	1,088,447	+6.86%	1,990,650	+6.60%
Week 18	2025	81,800	-1.46%	1,361,499	+7.35%	2,489,343	+6.81%
Week 19	2025	98,754	-0.33%	1,634,813	+7.01%	2,984,895	+6.63%
Week 20	2025	115,423	+0.43%	1,896,362	+6.03%	3,475,670	+6.15%
Week 21	2025	131,911	+0.88%	2,158,980	+5.01%	3,964,379	+5.45%
Week 22	2025	145,798	+0.18%	2,399,265	+4.32%	4,424,263	+5.10%
Week 23	2025	161,756	-0.27%	2,657,771	+3.35%	4,908,070	+4.44%
Week 24	2025	179,216	-0.05%	2,918,730	+2.70%	5,393,880	+3.88%
Week 25	2025	195,481	+0.52%	3,176,403	+2.22%	5,881,208	+3.58%

Qrt 1	2025	186,082	+5.39%	3,540,729	+8.32%	6,316,264	+4.44%
Qrt 4	2024	176,557	-2.52%	3,336,176	+6.67%	5,975,826	+0.56%
Qrt 3	2024	194,332	-3.30%	3,568,495	+9.95%	6,471,161	+3.07%
Qrt 2	2024	210,351	-3.14%	3,374,463	+9.18%	6,170,010	+1.71%
Qrt 1	2024	176,557	-12.93%	3,268,647	+9.87%	6,047,544	+2.24%
Qrt 4	2023	176,300	+14.53%	3,413,448	-3.74%	6,394,469	-1.78%
Qrt 3	2023	201,610	+13.19%	3,202,762	-6.43%	6,120,779	-2.99%
Qrt 2	2023	196,674	+11.96%	3,109,462	-6.97%	6,096,633	-2.20%
Qrt 1	2023	202,783	+9.65%	2,975,107	-1.73%	5,915,178	+2.60%

Source: AAR Weekly Rail Traffic- Association of American Railroads







## Yield curve

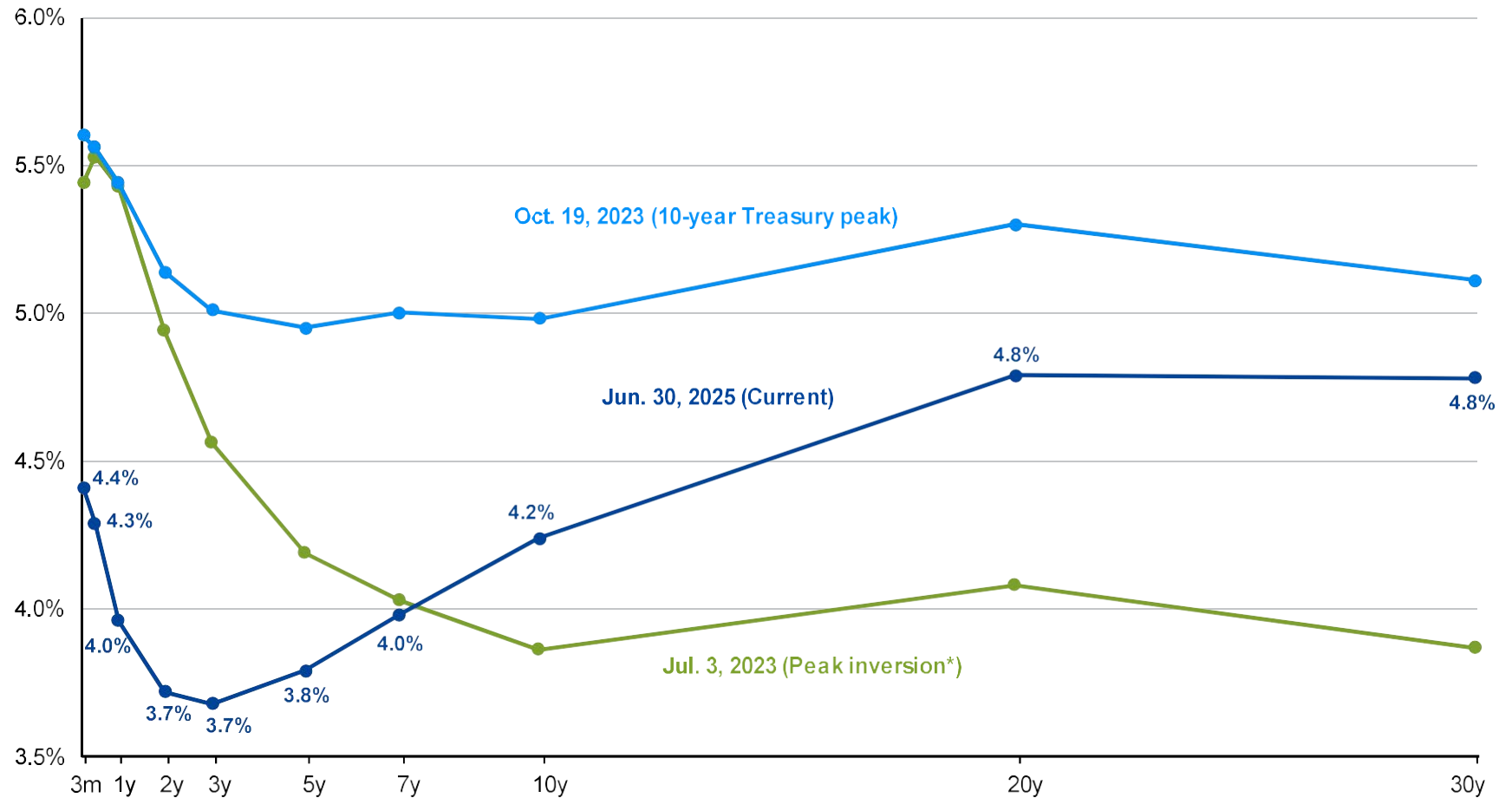
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Fixed Income

### U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. \*Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.  
Guide to the Markets – U.S. Data are as of June 30, 2025.

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## Yield Estimates

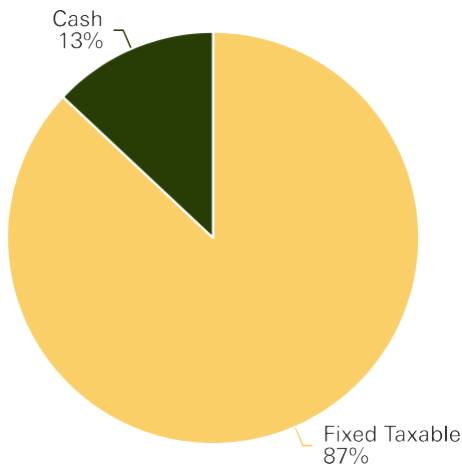
as of July 7, 2025

	3 months	6 Months	12 months	24 months	36 Months	60 months
Treasuries	4.32%	4.26%	4.05%	3.87%	3.84%	3.95%
Agencies	4.39%	4.32%	3.99%	3.91%	3.88%	4.21%
Corporates (A rated or higher)	4.20%	4.43%	4.18%	4.26%	3.96%	4.42%
Michigan Municipals (A rated or higher)	2.25%	2.68%	2.58%	2.59%	2.53%	2.56%

\*For discussion purposes only.

Portfolio Overview

Asset Allocation



Activity

ACTIVITY	CURRENT PERIOD	FISCAL YEAR TO DATE
Starting Value	\$32,395,859	\$33,539,071
Adjusted Deposits (USD)	\$1,918,928	\$32,882,003
Withdrawals (USD)	(\$1,000,000)	(\$34,650,000)
All Income (USD)	\$131,895	\$1,183,776
Change In Accrued Income (...)	(\$27,944)	\$101,560
Net Gain/Loss	\$121,626	\$598,650
Ending Value	\$33,504,055	\$33,504,055

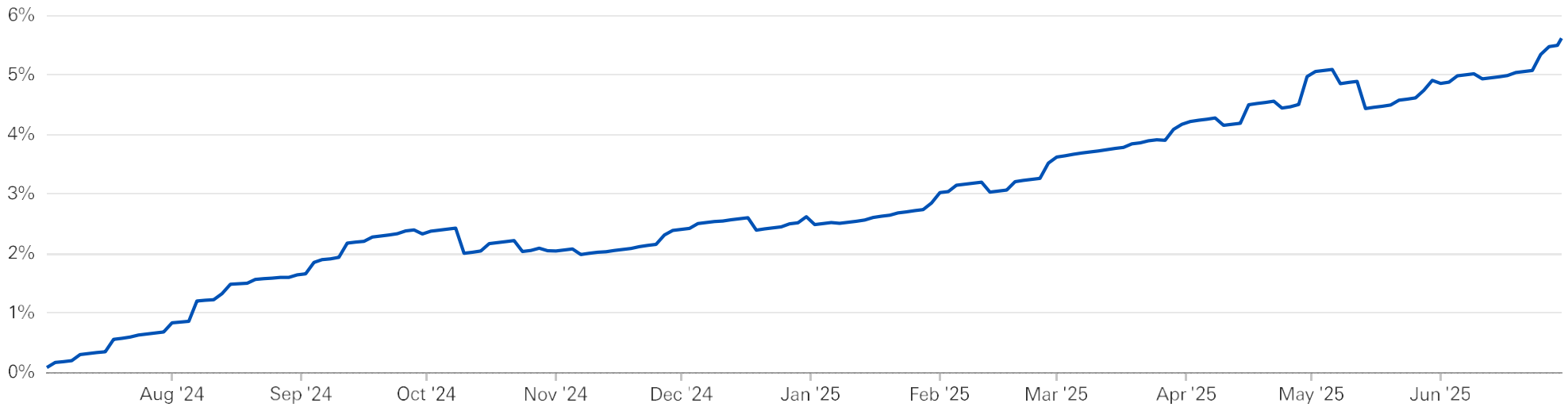
Trailing Performance Returns

HOLDING ACCOUNT	INCEPTION DATE	CURRENT PERIOD	FISCAL YEAR TO DATE	1 YR	3 YR	5 YR
Ann Arbor DDA Investment Account (19-1022)	02-28-2017	0.66%	5.63%	5.63%	4.13%	2.03%
<b>Total</b>	<b>02-28-2017</b>	<b>0.66%</b>	<b>5.63%</b>	<b>5.63%</b>	<b>4.13%</b>	<b>2.03%</b>
<i>Fixed Income</i>		<i>0.61%</i>	<i>5.69%</i>	<i>5.69%</i>	<i>3.41%</i>	<i>1.37%</i>

Benchmark Composition: ICE BofAML US Treasury 1-3 Years (Total Return)

Performance Overview

Overall Return



Performance by Asset Class

MAJOR ASSET TYPE	% OF PORTFOLIO	VALUE	CURRENT PERIOD	FISCAL YEAR TO DATE	1 YEAR
Cash Equivalent	13.00%	\$4,355,335	0.02%	4.72%	4.72%
Fixed Income	87.00%	\$29,148,720	0.80%	5.89%	5.89%
Total	100.00%	\$33,504,055	0.66%	5.63%	5.63%



# Portfolio Holdings

As Of Date : 06/30/2025

Processing Date : 07/07/2025

Price Date : 06/30/2025

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												
U.S. Government Notes & Bonds												
91282CHM6	United States Treasury Notes	4.500%	07/15/2026	100.52	1,000,000	992,267.81	1,005,214.84	12,947.03	45,000.00	4.48	3.02	3.47
912828Z78	United States Treasury Notes	1.500%	01/31/2027	96.45	500,000	461,645.04	482,265.63	20,620.59	7,500.00	1.56	1.45	1.67
91282CKE0	United States Treasury Notes	4.250%	03/15/2027	100.75	1,000,000	991,546.64	1,007,539.06	15,992.42	42,500.00	4.22	3.03	3.48
91282CEW7	United States Treasury Notes	3.250%	06/30/2027	99.10	500,000	485,498.18	495,488.28	9,990.10	16,250.00	3.28	1.49	1.71
91282CFH9	United States Treasury Notes	3.125%	08/31/2027	98.76	1,000,000	958,878.77	987,578.12	28,699.35	31,250.00	3.16	2.97	3.41
91282CFM8	United States Treasury Notes	4.125%	09/30/2027	100.90	1,000,000	1,003,985.42	1,008,984.38	4,998.96	41,250.00	4.09	3.03	3.49
91282CGC9	United States Treasury Notes	3.875%	12/31/2027	100.42	500,000	495,525.15	502,089.85	6,564.70	19,375.00	3.86	1.51	1.74
91282CGH8	United States Treasury Notes	3.500%	01/31/2028	99.48	1,000,000	988,290.63	994,804.69	6,514.06	35,000.00	3.52	2.99	3.44
91282CHE4	United States Treasury Notes	3.625%	05/31/2028	99.77	1,000,000	1,002,421.56	997,734.38	-4,687.18	36,250.00	3.63	3.00	3.45
91282CCV1	United States Treasury Notes	1.125%	08/31/2028	92.32	1,000,000	910,585.71	923,203.12	12,617.41	11,250.00	1.22	2.78	3.19
91282CJA0	United States Treasury Notes	4.625%	09/30/2028	102.76	1,000,000	1,020,618.05	1,027,578.12	6,960.07	46,250.00	4.50	3.09	3.55
91282CJR3	United States Treasury Notes	3.750%	12/31/2028	100.06	1,000,000	1,008,297.37	1,000,625.00	-7,672.37	37,500.00	3.75	3.01	3.46
91282CKD2	United States Treasury Notes	4.250%	02/28/2029	101.75	1,500,000	1,513,207.11	1,526,191.41	12,984.30	63,750.00	4.18	4.59	5.28
91282CKP5	United States Treasury Notes	4.625%	04/30/2029	103.11	1,000,000	1,030,103.36	1,031,132.81	1,029.45	46,250.00	4.49	3.10	3.56
91282CLC3	United States Treasury Notes	4.000%	07/31/2029	100.92	1,500,000	1,498,810.49	1,513,828.13	15,017.64	60,000.00	3.96	4.55	5.23
91282CFT3	United States Treasury Notes	4.000%	10/31/2029	100.94	1,000,000	1,008,120.45	1,009,414.06	1,293.61	40,000.00	3.96	3.03	3.49
91282CGB1	United States Treasury Notes	3.875%	12/31/2029	100.41	1,500,000	1,489,260.28	1,506,152.34	16,892.06	58,125.00	3.86	4.53	5.21
91282CMG3	United States Treasury Notes	4.250%	01/31/2030	101.96	1,250,000	1,273,011.09	1,274,462.89	1,451.80	53,125.00	4.17	3.83	4.41
Total U.S. Government Notes & Bonds						18,132,073.11	18,294,287.11	162,214.00	690,625.00	3.78	55.00	63.24
U.S. Government Agency Bonds												
3133ENCD0	Federal Farm Credit Banks	1.040%	10/27/2025	98.91	1,000,000	1,000,003.55	989,131.52	-10,872.03	10,400.00	1.05	2.97	3.42
3130APKR5	Fed Home Loan Bank Step-up	2.250%	10/28/2025	99.35	750,000	750,000.00	745,098.46	-4,901.54	16,875.00	2.26	2.24	2.58
3130AQUQ4	Fed Home Loan Bank Step-up	2.125%	11/28/2025	99.18	1,000,000	996,600.00	991,822.26	-4,777.74	21,250.00	2.14	2.98	3.43
3133ENKD1	Federal Farm Credit Banks	1.400%	01/13/2026	98.53	775,000	773,837.50	763,611.08	-10,226.42	10,850.00	1.42	2.30	2.64
3130AMKN1	Fed Home Loan Bank Step-up	2.250%	05/27/2026	98.43	300,000	299,850.00	295,303.12	-4,546.88	6,750.00	2.29	0.89	1.02
3130ANVD9	Fed Home Loan Bank Step-up	1.500%	09/23/2026	97.77	2,000,000	2,000,000.00	1,955,364.38	-44,635.62	30,000.00	1.53	5.88	6.76
3130APFR1	Federal Home Loan Banks	1.120%	10/28/2026	96.28	1,000,000	995,479.16	962,805.25	-32,673.91	11,200.00	1.16	2.89	3.33
3130APGM1	Federal Home Loan Banks	1.750%	10/28/2026	97.23	550,000	548,900.00	534,741.06	-14,158.94	9,625.00	1.80	1.61	1.85
3130ATHW0	Federal Home Loan Banks	4.125%	09/10/2027	100.59	950,000	955,374.44	955,642.69	268.25	39,187.50	4.10	2.87	3.30
3130ALC93	Federal Home Loan Banks	1.125%	02/25/2028	93.17	1,000,000	906,938.12	931,709.51	24,771.39	11,250.00	1.21	2.80	3.22
Total U.S. Government Agency Bonds						9,226,982.77	9,125,229.33	-101,753.44	167,387.50	1.83	27.43	31.55
Municipal Bonds - Fed Taxable												

# Portfolio Holdings

As Of Date : 06/30/2025

Processing Date : 07/07/2025

Price Date : 06/30/2025

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%
59447TQ89	MI Fin Auth Rev - Ypsi Sch	1.060%	08/01/2025	99.71	500,000	485,740.00	498,530.00	12,790.00	5,300.00	1.06	1.50	1.72
594698SX1	MI State Strategic Fund Ltd	2.346%	10/15/2025	99.47	150,000	144,426.00	149,205.00	4,779.00	3,519.00	2.36	0.45	0.52
554885M75	Macomb County MI Material	0.829%	11/01/2025	98.92	200,000	200,640.00	197,830.00	-2,810.00	1,658.00	0.84	0.59	0.68
279196CX5	Ecorse MI Public School Dist	2.192%	05/01/2026	98.45	200,000	193,140.00	196,896.00	3,756.00	4,384.00	2.23	0.59	0.68
490580ES2	Kent Hosp Fin Auth MI Rev	2.921%	07/15/2030	93.36	500,000	497,090.00	466,800.00	-30,290.00	14,605.00	3.13	1.40	1.61
Total Municipal Bonds - Fed Taxable						1,521,036.00	1,509,261.00	-11,775.00	29,466.00	1.95	4.53	5.21
Total Fixed Income						28,880,091.88	28,928,777.44	48,685.56	887,478.50	3.07	86.96	100.00
Cash Equivalent												
Money Market Funds												
BGSXX	Northern Institutional US Government Select			1.00	4,332,478.8	4,332,478.80	4,332,478.80	0.00	184,939.22	4.27	13.03	100.00
Total Money Market Funds						4,332,478.80	4,332,478.80	0.00	184,939.22	4.27	13.03	100.00
Total Cash Equivalent						4,332,478.80	4,332,478.80	0.00	184,939.22	4.27	13.03	100.00
Total Portfolio						33,212,570.68	33,261,256.24	48,685.56	1,072,417.72	3.22	99.99	
Principal Cash						-506,044.92						
Income Cash						506,044.92						
Trade Cash						0.00						
Due to rounding, percentage may not equal 100.												

# Fixed Income Fundamentals

Processing Date : 07/07/2025

As of Date : 06/30/2025

Price Date : 06/30/2025

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
<b><u>Maturity Year : 2025</u></b>									
Macomb County MI Material	0.83%	11/01/2025	200,000	197,830.00	4.02	0.34	0.84	AA1	NA
Fed Home Loan Bank Step-up	2.25%	10/28/2025	750,000	745,098.46	4.22	0.33	2.26	AA1	AA+
Federal Farm Credit Banks	1.04%	10/27/2025	1,000,000	989,131.52	4.37	0.32	1.05	AA1	AA+
Fed Home Loan Bank Step-up	2.13%	11/28/2025	1,000,000	991,822.26	4.10	0.41	2.14	AA1	AA+
MI Fin Auth Rev - Ypsi Sch	1.06%	08/01/2025	500,000	498,530.00	4.36	0.09	1.06	*NA	NA
MI State Strategic Fund Ltd	2.35%	10/15/2025	150,000	149,205.00	4.13	0.29	2.36	AA2	NA
<b>Total For Maturity Year : 2025</b>			<b>3,600,000</b>	<b>3,571,617.24</b>	<b>4.23</b>	<b>0.32</b>	<b>1.65</b>		
<b><u>Maturity Year : 2026</u></b>									
Fed Home Loan Bank Step-up	1.50%	09/23/2026	2,000,000	1,955,364.38	3.34	1.22	1.53	AA1	AA+
Federal Home Loan Banks	1.75%	10/28/2026	550,000	534,741.06	3.88	1.31	1.80	AA1	AA+
Federal Home Loan Banks	1.12%	10/28/2026	1,000,000	962,805.25	3.98	1.31	1.16	AA1	AA+
Fed Home Loan Bank Step-up	2.25%	05/27/2026	300,000	295,303.12	4.00	0.90	2.29	AA1	AA+
Federal Farm Credit Banks	1.40%	01/13/2026	775,000	763,611.08	4.14	0.54	1.42	AA1	AA+
Ecorse MI Public School Dist	2.19%	05/01/2026	200,000	196,896.00	4.07	0.83	2.23	AA1	NA
United States Treasury Notes	4.50%	07/15/2026	1,000,000	1,005,214.84	3.98	1.01	4.48	AAA	NR
<b>Total For Maturity Year : 2026</b>			<b>5,825,000</b>	<b>5,713,935.73</b>	<b>3.78</b>	<b>1.09</b>	<b>2.06</b>		
<b><u>Maturity Year : 2027</u></b>									
United States Treasury Notes	4.13%	09/30/2027	1,000,000	1,008,984.38	3.71	2.13	4.09	AAA	NR
United States Treasury Notes	1.50%	01/31/2027	500,000	482,265.63	3.82	1.55	1.56	AAA	NR
United States Treasury Notes	3.25%	06/30/2027	500,000	495,488.28	3.72	1.92	3.28	AAA	NR
United States Treasury Notes	3.88%	12/31/2027	500,000	502,089.85	3.70	2.37	3.86	AAA	NR
United States Treasury Notes	4.25%	03/15/2027	1,000,000	1,007,539.06	3.79	1.63	4.22	AAA	NR
United States Treasury Notes	3.13%	08/31/2027	1,000,000	987,578.12	3.73	2.08	3.16	AAA	NR
Federal Home Loan Banks	4.13%	09/10/2027	950,000	955,642.69	3.84	2.11	4.10	AA1	AA+
<b>Total For Maturity Year : 2027</b>			<b>5,450,000</b>	<b>5,439,588.01</b>	<b>3.76</b>	<b>1.98</b>	<b>3.63</b>		
<b><u>Maturity Year : 2028</u></b>									
United States Treasury Notes	3.50%	01/31/2028	1,000,000	994,804.69	3.71	2.45	3.52	AAA	NR
Federal Home Loan Banks	1.13%	02/25/2028	1,000,000	931,709.51	3.82	2.61	1.21	AA1	AA+
United States Treasury Notes	3.63%	05/31/2028	1,000,000	997,734.38	3.71	2.75	3.63	AAA	NR
United States Treasury Notes	1.13%	08/31/2028	1,000,000	923,203.12	3.71	3.07	1.22	AAA	NR
United States Treasury Notes	3.75%	12/31/2028	1,000,000	1,000,625.00	3.73	3.26	3.75	AAA	NR
United States Treasury Notes	4.63%	09/30/2028	1,000,000	1,027,578.12	3.72	3.01	4.50	AAA	NR
<b>Total For Maturity Year : 2028</b>			<b>6,000,000</b>	<b>5,875,654.82</b>	<b>3.73</b>	<b>2.86</b>	<b>3.02</b>		
<b><u>Maturity Year : 2029</u></b>									
United States Treasury Notes	4.00%	10/31/2029	1,000,000	1,009,414.06	3.76	3.95	3.96	AAA	NR
United States Treasury Notes	4.25%	02/28/2029	1,500,000	1,526,191.41	3.74	3.37	4.18	AAA	NR
United States Treasury Notes	3.88%	12/31/2029	1,500,000	1,506,152.34	3.78	4.10	3.86	AAA	NR
United States Treasury Notes	4.00%	07/31/2029	1,500,000	1,513,828.13	3.75	3.74	3.96	AAA	NR
United States Treasury Notes	4.63%	04/30/2029	1,000,000	1,031,132.81	3.75	3.50	4.49	AA1	NR
<b>Total For Maturity Year : 2029</b>			<b>6,500,000</b>	<b>6,586,718.75</b>	<b>3.75</b>	<b>3.73</b>	<b>4.07</b>		
<b><u>Maturity Year : 2030</u></b>									
Kent Hosp Fin Auth MI Rev	2.92%	07/15/2030	500,000	466,800.00	4.38	4.67	3.13	AA3	AA

# Fixed Income Fundamentals

Processing Date : 07/07/2025

As of Date : 06/30/2025

Price Date : 06/30/2025

Description			Par Value	Market Value	YTM %	Duration To	Current	Rating	
						Maturity	Yield %	Moody	SP
United States Treasury Notes	4.25%	01/31/2030	1,250,000	1,274,462.89	3.78	4.15	4.17	AA1	NR
Total For Maturity Year : 2030			1,750,000	1,741,262.89	3.94	4.29	3.89		
Total Fixed Income Portfolio			29,125,000	28,928,777.44	3.83	2.31	3.07		