

INVESTMENT REPORT

South Metro Fire Rescue Fire Protection District | As of December 31, 2025

CHANDLER ASSET MANAGEMENT | chandlerasset.com

Chandler Team:

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ECONOMIC UPDATE

■ Economic Growth

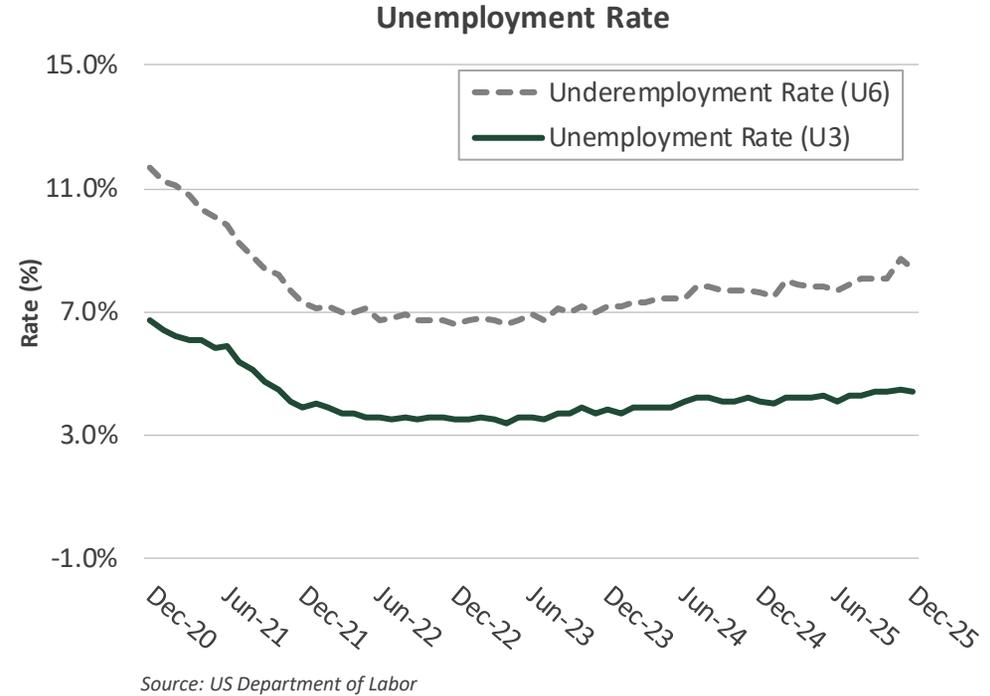
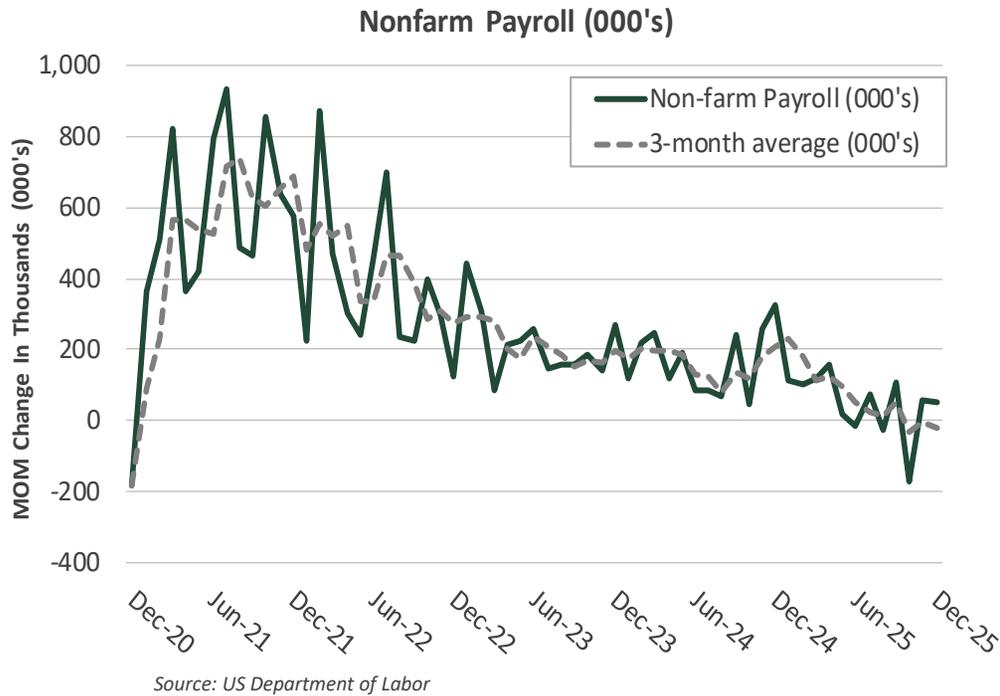
- Recent economic data highlights strong economic growth supported by resilient consumer spending. Gross Domestic Product (GDP) growth is expected to remain robust in 2026, supported by tax cuts and easier monetary policy.

■ Federal Reserve

- The Federal Reserve kept the federal funds rate on hold at a target range of 3.50%–3.75% at the January meeting, following three 25-basis-point rate cuts in 2025. Fed Chair Powell cited stronger economic growth and some signs of stabilization in the labor market, while emphasizing data dependence for future policy decisions.

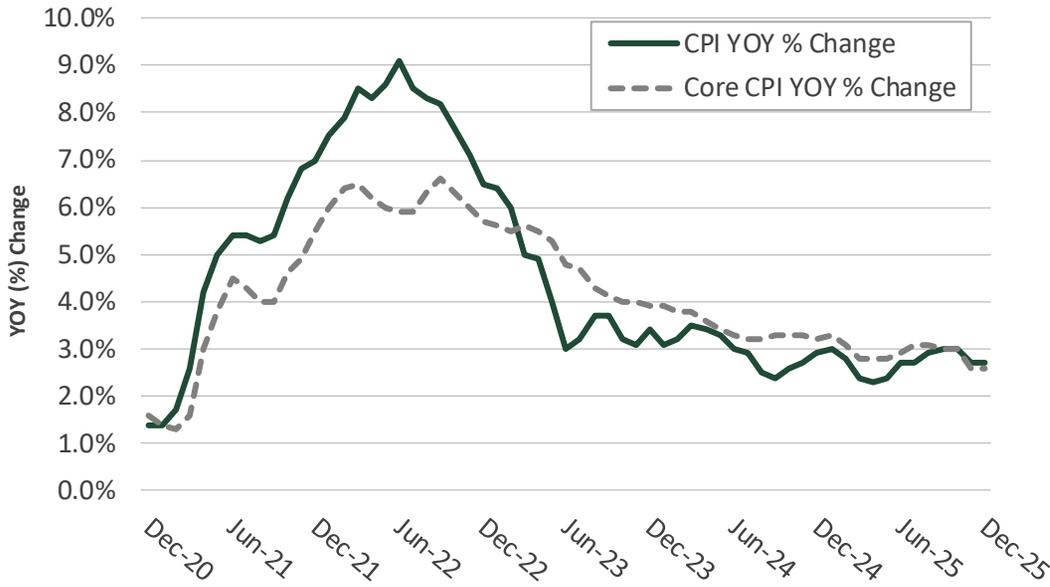
■ Bond Yields

- Short bond yields declined and the yield curve steepened in the last three months of 2025, with the 2-year Treasury falling to 3.47% and the 10-year near 4.17%, as markets priced in additional Federal Reserve rate cuts in 2026.



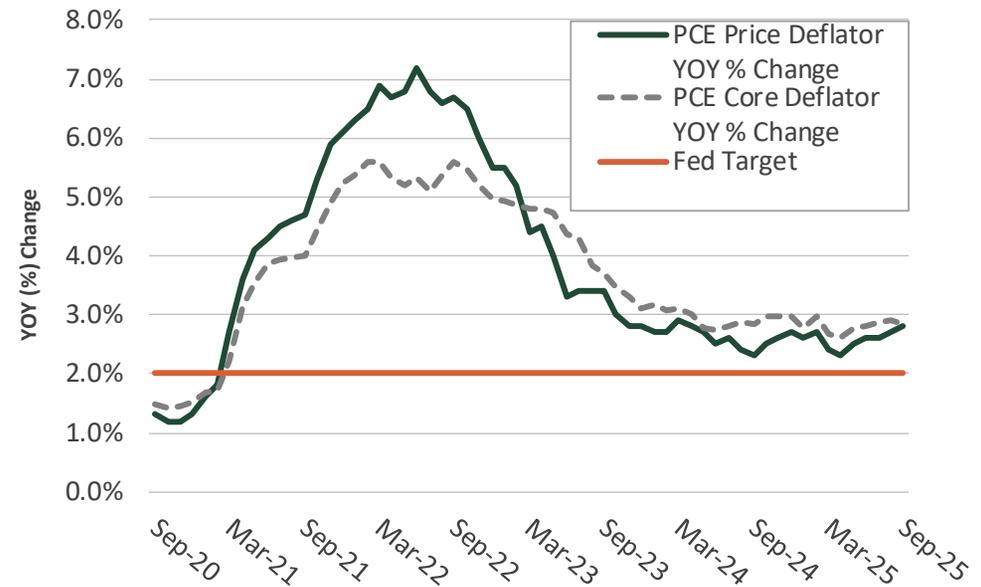
- The U.S. added approximately 50,000 jobs in December 2025, reflecting weaker-than-expected job growth.
- The unemployment rate edged down to 4.4% in December after increasing to 4.6% in November.

Consumer Price Index (CPI)



Source: US Department of Labor

Personal Consumption Expenditures (PCE)



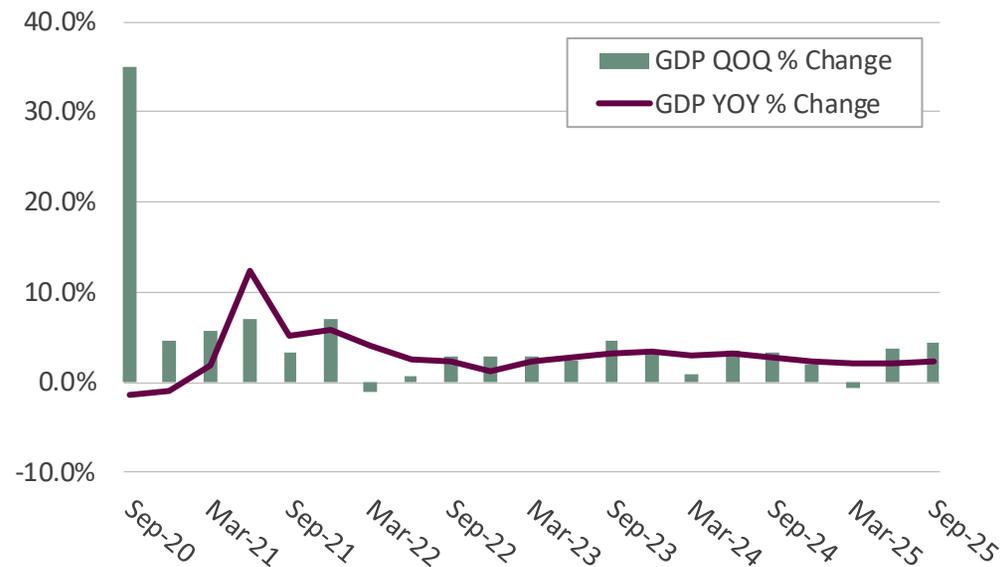
Source: US Department of Commerce

- In December, the Consumer Price Index (CPI) rose 2.7% year-over-year, and core CPI (ex-food and energy) increased 2.6%.
- The Personal Consumption Expenditures (PCE) Index, the Federal Reserve’s preferred gauge, rose 2.8% year-over-year in November, while Core PCE rose 2.8%.
- Although inflation has moderated, price pressures remain persistently above the Fed’s 2% target.

Components of GDP	12/24	3/25	6/25	9/25
Personal Consumption Expenditures	2.6%	0.4%	1.7%	2.4%
Gross Private Domestic Investment	-1.3%	3.8%	-2.7%	0.0%
Net Exports and Imports	-0.1%	-4.7%	4.8%	1.6%
Federal Government Expenditures	0.3%	-0.4%	-0.4%	0.2%
State and Local (Consumption and Gross Investment)	0.3%	0.2%	0.3%	0.2%
Total	1.9%	-0.6%	3.8%	4.3%

Source: US Department of Commerce

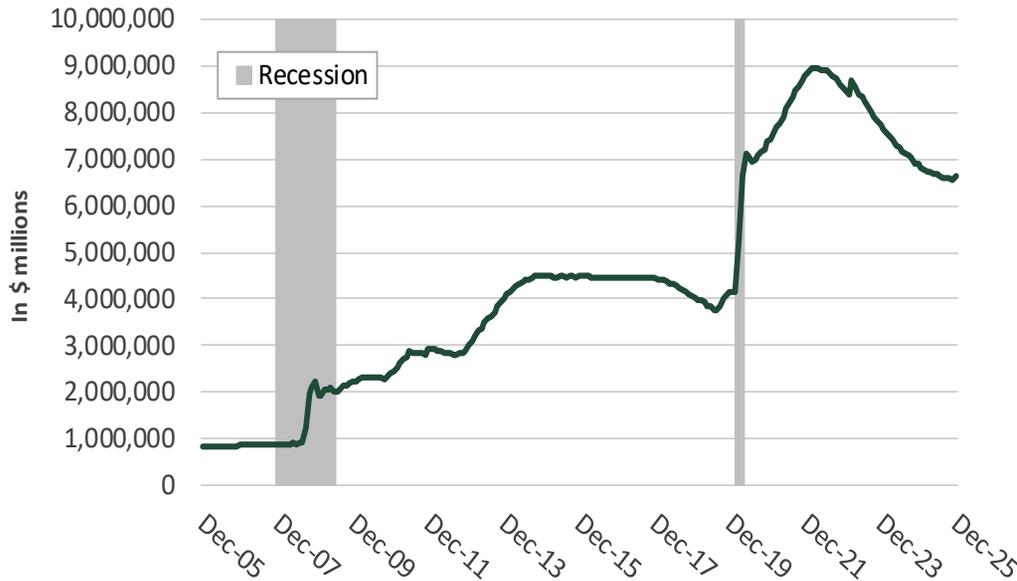
Gross Domestic Product (GDP)



Source: US Department of Commerce

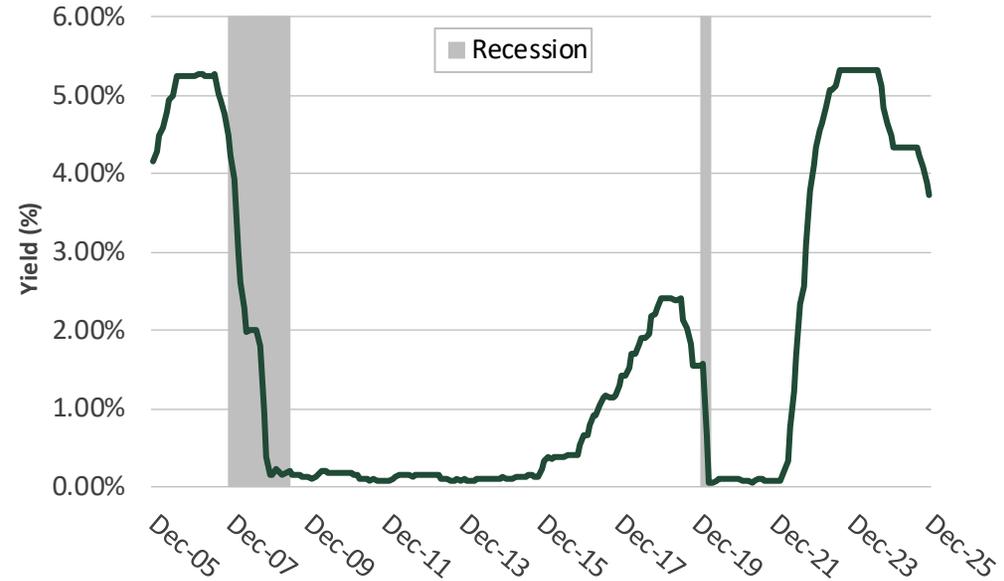
- Real U.S. GDP expanded at a *revised* annualized 4.4% in Q3 2025, following 3.8% growth in Q2, primarily driven by resilient consumer spending.
- Consensus GDP growth for 2025 is estimated at 2.2%, with expected improvement to 2.4% in 2026.

Federal Reserve Balance Sheet Assets



Source: Federal Reserve

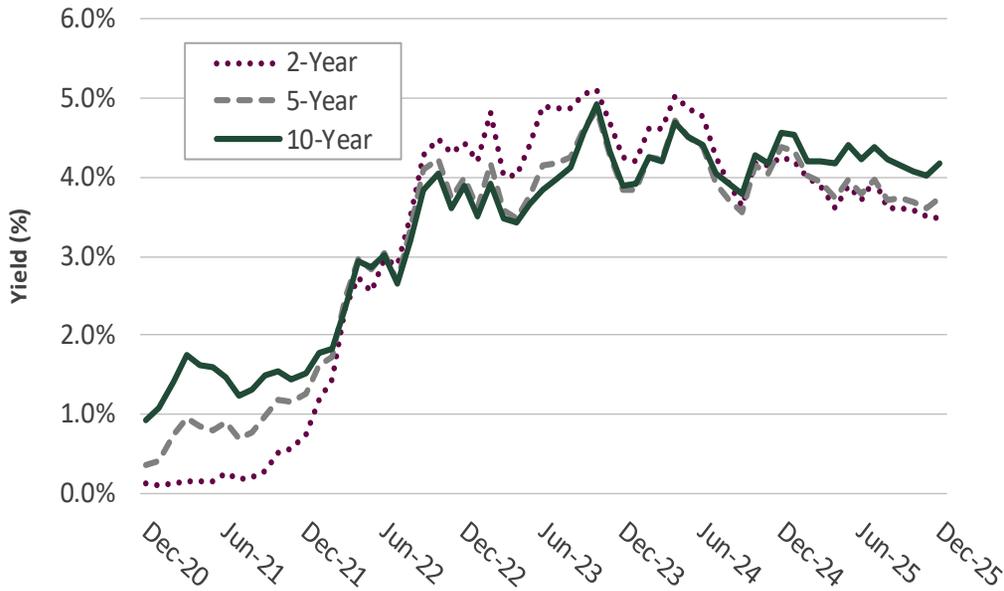
Effective Federal Funds Rate



Source: Bloomberg

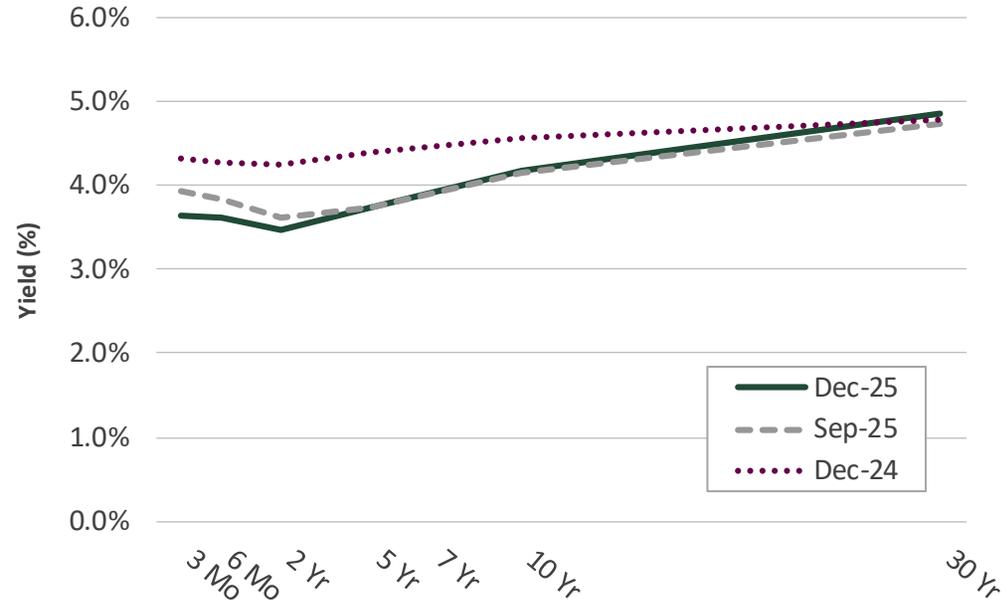
- The Federal Reserve kept the federal funds rate on hold at a target range of 3.50%–3.75% at the January meeting, following three 25-basis-point rate cuts in 2025.
- In December, the Fed halted its balance sheet runoff, announcing reinvestments in short Treasury securities to maintain ample reserves and support market stability.

US Treasury Note Yields



Source: Bloomberg

US Treasury Yield Curve



Source: Bloomberg

- Bond yields declined in the last three months of 2025, with the 2-year Treasury falling to 3.48% and the 10-year near 4.17%, as markets priced in additional Federal Reserve rate cuts in 2026.
- We expect the yield curve to continue to steepen in 2026.

ACCOUNT PROFILE

Investment Objectives

The investment objectives of the South Metro Fire Rescue Fire Protection District are first, to ensure safety of invested funds; second, to maintain sufficient liquidity to meet cash flow needs; and third, to attain a market average rate of return consistent with the primary objectives of safety and liquidity.

Chandler Asset Management Performance Objective

The performance objective for the portfolio is to earn a total rate of return through a market cycle that is equal to or above the return on the benchmark index.

Strategy

In order to achieve these objectives, the South Metro Fire Rescue Fire Protection District invests in high-quality money market, US Treasury securities, Agency securities, and Corporate securities, in accordance with the Colorado Revised Statutes and the Authority's Investment Policy.

PORTFOLIO CHARACTERISTICS



South Metro Fire Rescue Fire Protection District | Account #540 | As of December 31, 2025

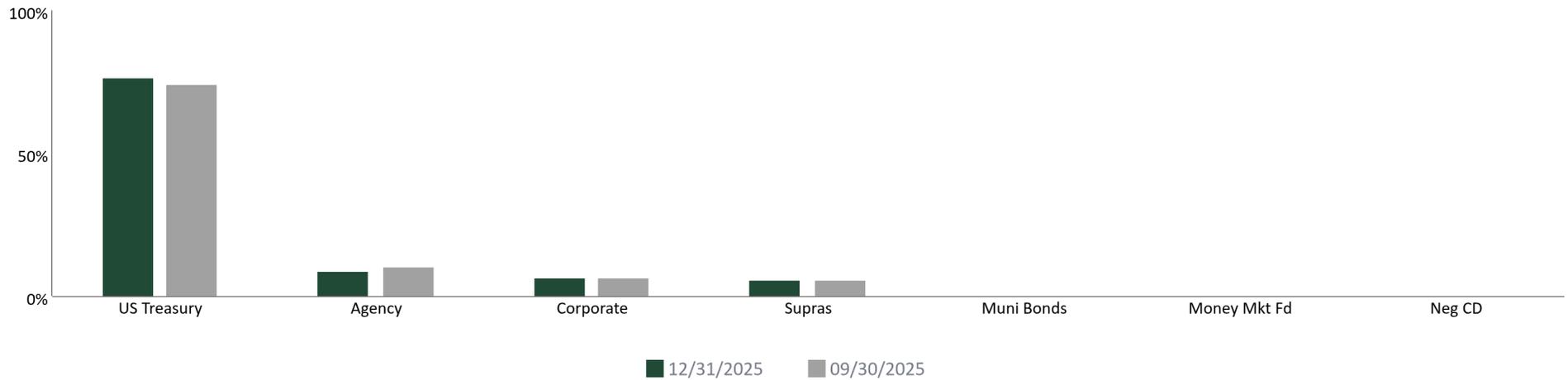
	Benchmark*	12/31/2025 Portfolio	9/30/2025 Portfolio
Average Maturity (yrs)	2.64	2.73	2.72
Average Modified Duration	2.47	2.51	2.51
Average Purchase Yield		3.69%	3.75%
Average Market Yield	3.55%	3.61%	3.71%
Average Quality**	AA+	AA+	AA+
Total Market Value		24,308,295	24,047,368

*Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index

**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

SECTOR DISTRIBUTION

South Metro Fire Rescue Fire Protection District | Account #540 | As of December 31, 2025



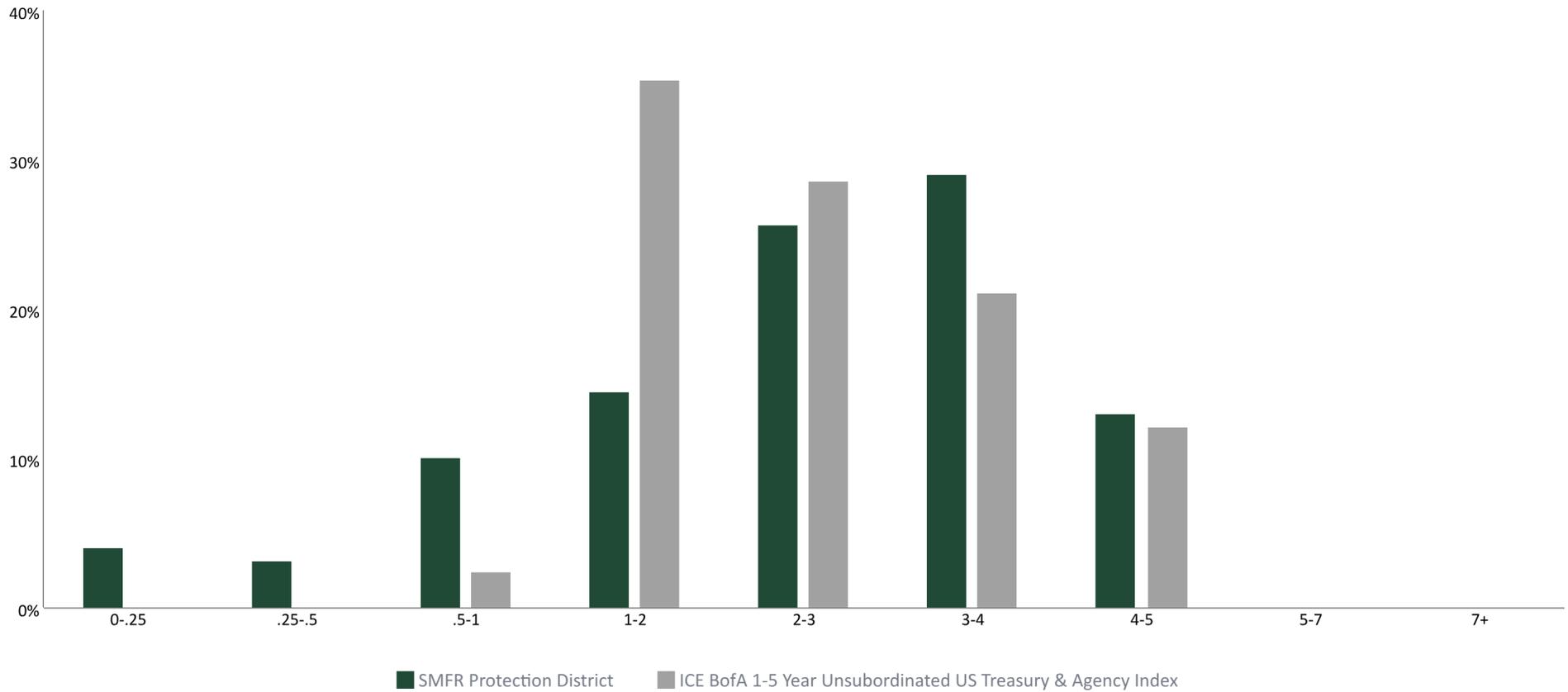
Sector as a Percentage of Market Value

Sector	12/31/2025	09/30/2025
US Treasury	76.62%	74.52%
Agency	9.46%	10.96%
Corporate	6.81%	6.78%
Supras	5.81%	5.84%
Muni Bonds	0.92%	0.92%
Money Mkt Fd	0.39%	0.39%
Neg CD	--	0.59%

DURATION DISTRIBUTION

South Metro Fire Rescue Fire Protection District | Account #540 | As of December 31, 2025

Portfolio Compared to the Benchmark



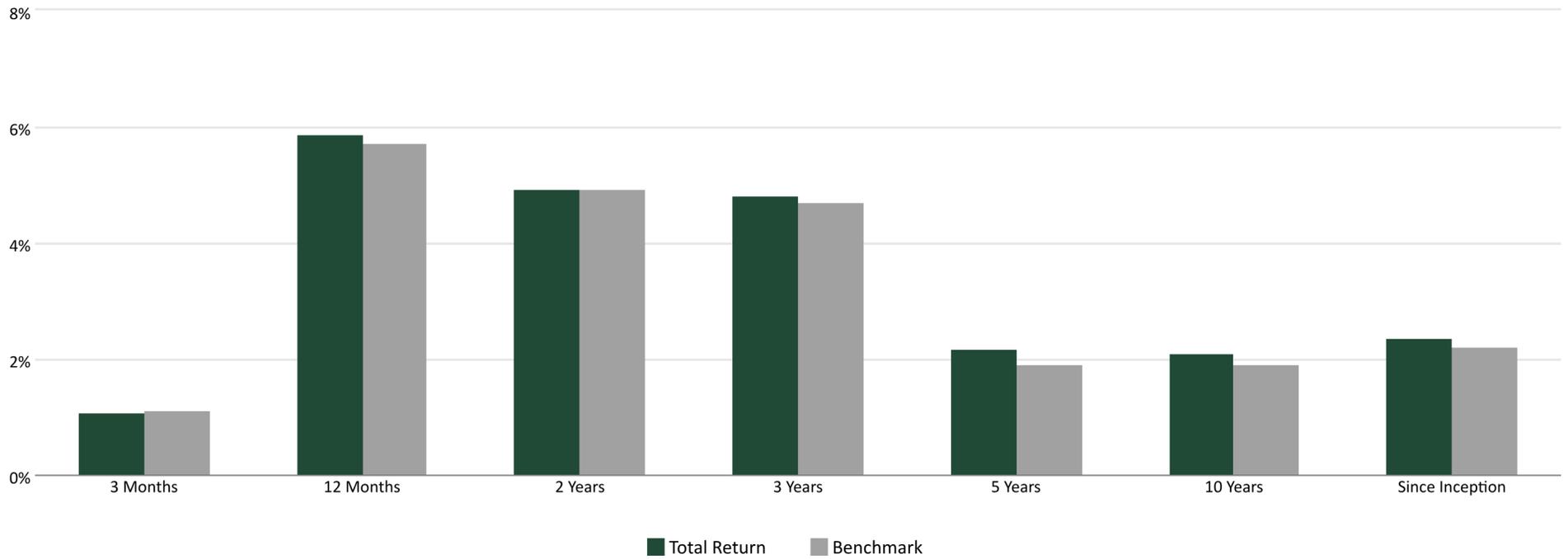
	0-0.25	0.25-0.5	0.5-1	1-2	2-3	3-4	4-5	5-7	7+
Portfolio	4.1%	3.3%	10.2%	14.5%	25.8%	29.1%	13.1%	0.0%	0.0%
ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index	0.0%	0.0%	2.5%	35.4%	28.7%	21.2%	12.3%	0.0%	0.0%

INVESTMENT PERFORMANCE



South Metro Fire Rescue Fire Protection District | Account #540 | As of December 31, 2025

Total Rate of Return : Inception | 04/01/2005



TOTAL RATE OF RETURN*	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
SMFR Protection District	1.11%	5.90%	4.95%	4.83%	2.19%	2.10%	2.39%
Benchmark	1.11%	5.73%	4.96%	4.73%	1.94%	1.92%	2.22%

*Periods over 1 year are annualized.

Benchmark: ICE BofA 1-3 Year US Treasury & Agency Index until 4/30/24. ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index starting 5/1/24.

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Capital Projects Fund Investment Process: A Best Practice Modeling Approach

December 15, 2025

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Senior Portfolio Strategist

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody’s, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

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