



**DENVER**  
THE MILE HIGH CITY

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## I. Economic Commentary

Volatility persisted during the fourth quarter of 2025 as the market reacted to tariff policies and geopolitical events. The near-term economic outlook remains impacted by data delays resulting from the government shutdown. Inflation eased overall, but core inflation remains above the Fed's target, with some price components proving stubborn. The labor market continued to soften, prompting the Federal Reserve to adopt a more accommodative stance on monetary policy.

At the December meeting, the Federal Open Market Committee (FOMC) lowered the Federal Funds Rate to the range of 3.50% - 3.75%. The outlook for policy remains uncertain, with officials split across a wide range of views. Fed Chair Jerome Powell said that the Fed is now "well placed to wait and see" how inflation and employment data evolve in the near term.

The Consumer Price Index (CPI) increased 2.7% year-over-year in November, down from a 2.9% year-over-year increase in August. Core CPI (CPI less food and energy) eased to 2.6% year-over-year in November. Core PCE YoY down to 2.8% in September (data released in December). Core inflation remains

elevated above the Fed's 2% target with service-sector inflation as a headwind.

The U.S. economy added 50,000 jobs in December, below consensus expectations, also down from a 56,000 job gain in November. The unemployment rate rose to 4.4% in November, compared to 4.3% in August.

Manufacturing data worsened with the ISM Index decreased to 47.9 in December, down from 49.1 in September. A reading below 50 represents a contraction in the manufacturing sector.

Total housing starts declined in October to 1.25 million units, down from 1.29 million in September. The 30-year fixed mortgage rate lowered slightly to 6.18% in December. The Case-Shiller 20-City Home Price Index only rose 1.3% YoY in October, down from a 1.8% YoY increase in July.

Exposure to credit securities remained relatively consistent during the fourth quarter. Credit spreads continued to tighten while yield curve steepened in the quarter. The City's investment portfolio continued to outperform the stated benchmark indices, at quarter end on a total return basis.

| Portfolios                   | Market Value           |
|------------------------------|------------------------|
| Managed Portfolios           | \$5,849,765,042        |
| Special Purpose Portfolios   | \$3,243,544            |
| <b>Finance Administrated</b> | <b>\$5,853,008,586</b> |



Prepared By:

## II. Consolidated Portfolio

\$5,302,783,328

| Total Return           |              |              |              |
|------------------------|--------------|--------------|--------------|
|                        | 1-Month      | 3-Month      | YTD          |
| Total Return           | 0.20%        | 1.12%        | 6.14%        |
| Blended Benchmark (TR) | 0.16%        | 1.08%        | 5.91%        |
| <b>Excess Return</b>   | <b>0.04%</b> | <b>0.04%</b> | <b>0.23%</b> |

| Current Return         |              |               |               |
|------------------------|--------------|---------------|---------------|
|                        | 1-Month      | 3-Month       | YTD           |
| Current Return         | 3.67%        | 3.65%         | 3.65%         |
| Blended Benchmark (CR) | 3.58%        | 3.74%         | 4.03%         |
| <b>Excess Return</b>   | <b>0.09%</b> | <b>-0.09%</b> | <b>-0.38%</b> |

Year-to-Date earnings on a current return basis for the Consolidated Portfolio were \$180,249,657.

The 1-5 Year Strategy Blended Benchmark consists of 67.50% Intercontinental Exchange (ICE) BofAML 1-5 Year US Treasury & Agency Index, 17.50 % ICE BofAML 1-5 Year AAA-A US Corporate Index, 7.50% ICE BofAML AAA US Asset Backed Securities, 5.00% ICE BofAML 0-3 Year US Agency CMOs and 2.50% ICE BofAML 3-5 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-5 Year US Treasury & Agency Index.

The 1-10 Year Strategy Blended Benchmark consists of 65.00% ICE BofAML 1-10 Year US Treasury & Agency Index, 15.00 % ICE BofAML 1-5 Year AAA-A US Corporate Index, 5.00% ICE BofAML AAA US Asset Backed Securities, 7.50% ICE BofAML 0-10 Year US Agency CMOs and 7.50% ICE BofAML 0-10 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-10 Year US Treasury & Agency Index.

### Factors Affecting Performance & Management Strategies

- Chandler's proprietary Horizon Model that the City uses with the intent to meet or outperform the benchmarks over time (the Intercontinental Exchange (ICE) BofAML Treasury/Agency 1-5 year index and the ICE BofAML Treasury/Agency 1-10 year index) is revised on a regular basis, reflecting the volatility of both bond market interest rates and interest rate curve movements. The City evaluates the portfolios each time a new Horizon Model is received. The key variables subject to potential revision as a result of Horizon Model changes include duration, composition, and structure.
- The portfolio was modestly short benchmark duration in the 1-5 year strategy and 1-10 year strategy. We expect duration to move closer to the benchmark as additional allocation of longer duration securities are added to the portfolio. Safety of principal is paramount in investing the City's funds.
- Corporate Bonds, Collateralized Mortgage Obligations, Mortgage-Backed Securities, and Asset-Backed Securities are asset classes approved by voters for implementation in 2014 by an amendment to the City Charter.
- The Consolidated Portfolio benchmarking indices are comprised of five ICE BofAML indices, creating a static weighted blended benchmark. A total of two blended benchmarks are used for the 1-5 year and 1-10 year strategies to closely reflect the portfolio duration and asset allocation constraints.



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## Investment Portfolio Performance Report

Quarter Ended

12/31/2025

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### Consolidated Portfolio Composition

| Characteristics           |          | Credit Quality (S&P) |
|---------------------------|----------|----------------------|
| Average Duration          | 2.39     |                      |
| Average Coupon            | 3.45%    |                      |
| Average Yield to Maturity | 3.77%    |                      |
| Average Rating (S&P)      | AA+      |                      |
| Average Life              | 2.94 yrs |                      |

| Asset Allocation | Maturity Distribution |
|------------------|-----------------------|
|                  |                       |

- The Consolidated Portfolio's net assets decreased by approximately \$415 million during the fourth quarter of 2025. On December 31st, 2025, net assets were \$5.30 billion, compared to \$5.72 billion on September 30th, 2025.
- The weighted average maturity (WAM), an aggregate portfolio measure of total years remaining until the maturity of all underlying holdings, ended higher in the fourth quarter. The WAM increased due to increased exposure to longer term assets. The portfolio is modestly short to benchmark duration, our rebalancing and securities purchase activity in the intermediate strategies extended duration.



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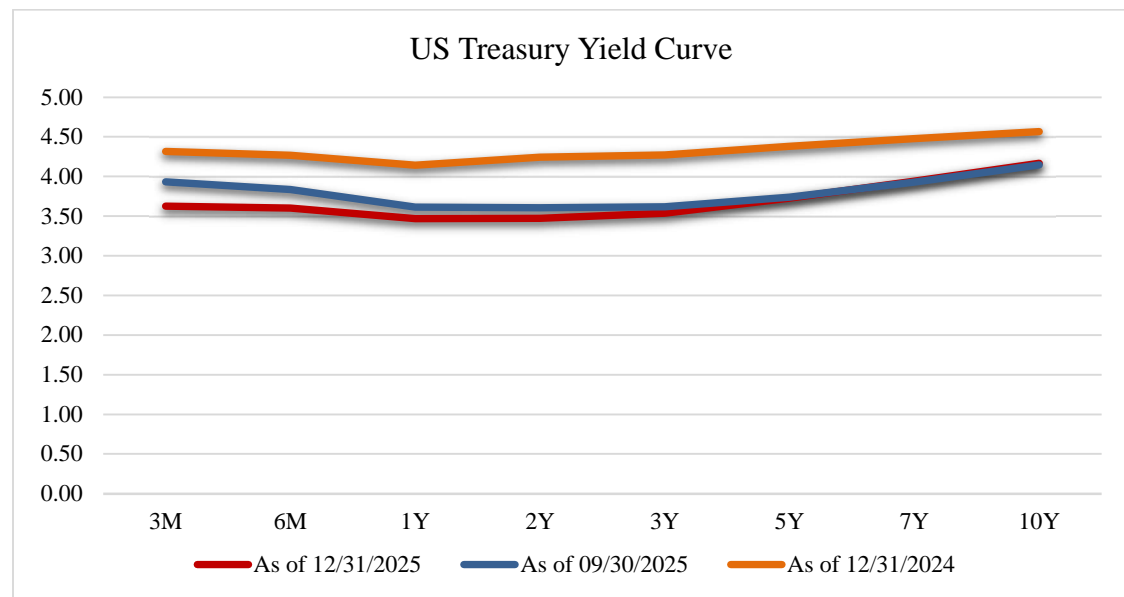
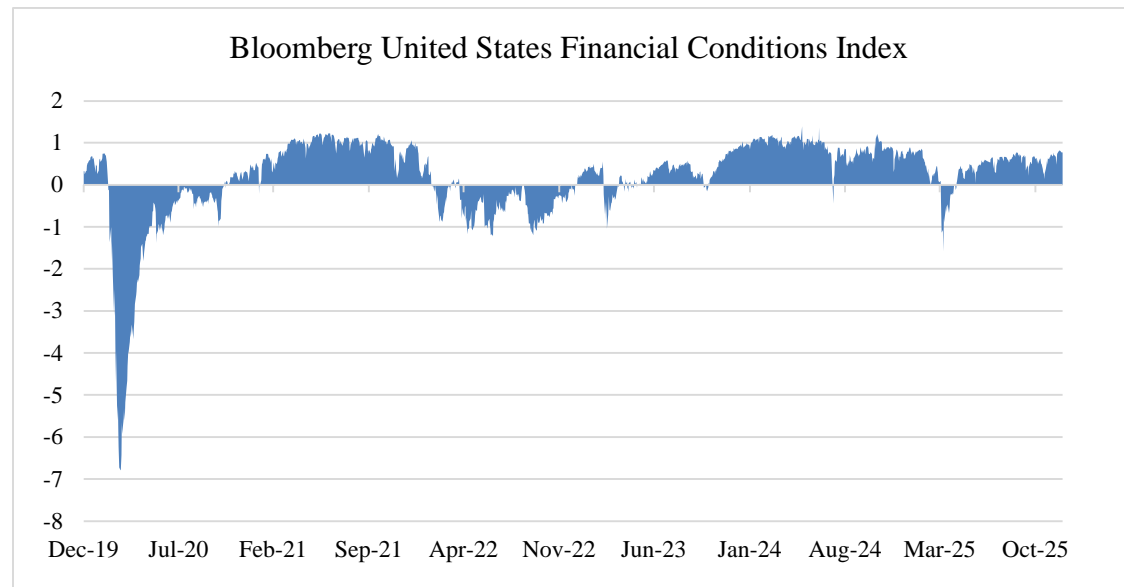
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### Portfolio Management Environment



- On December 10<sup>th</sup> 2025, the Federal Reserve lowered the target rate to the range of 3.50% - 3.75%. The Fed highlighted the cooling labor market as a key factor for the rate reduction
- The United States SOFR rate was 3.87% as of December 31st; down 37bps since September 30th.
- As of December 31st, 2025, the yield of the two-year Treasury index was 3.47%, and the five-year Treasury index was 3.73%. A year earlier, as of December 31st, 2024, the yield of the two-year Treasury index was 4.24%, and the five-year Treasury index was yielding 4.38%.
- Volatility across the yield curve increased for both short-term and long-term yields.

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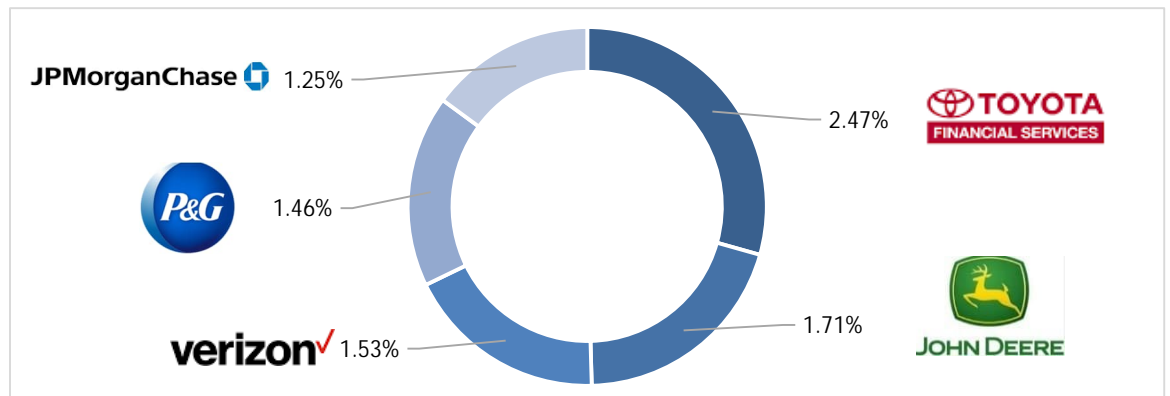
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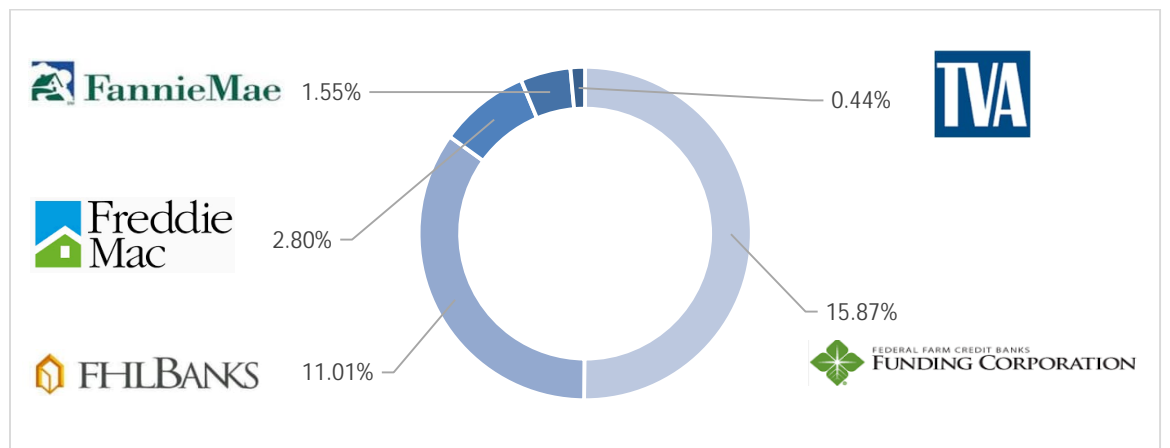
### Consolidated Top Holdings

| Top 5 Credit Holdings    |                    |                |                        |
|--------------------------|--------------------|----------------|------------------------|
| Issuer                   | Market Value       | % Of Portfolio | Industry               |
| Toyota Motor Corp        | 144,648,452        | 2.47%          | Consumer Discretionary |
| Deere & Company          | 99,890,947         | 1.71%          | Industrials            |
| Verizon Master Trust     | 89,644,388         | 1.53%          | Consumer Discretionary |
| Procter & Gamble Company | 85,451,374         | 1.46%          | Consumer Staples       |
| JP Morgan Chase & Co     | 73,396,919         | 1.25%          | Financials             |
| <b>Total</b>             | <b>493,032,080</b> | <b>8.42%</b>   |                        |

\*Credit holdings include commercial paper, asset-backed securities, and corporate bonds.



| Top 5 Agency Holdings |                      |                |
|-----------------------|----------------------|----------------|
| Issuer                | Market Value         | % Of Portfolio |
| FFCB                  | 931,064,889          | 15.87%         |
| FHLB                  | 644,120,436          | 11.01%         |
| FHLMC                 | 163,074,072          | 2.80%          |
| FNMA                  | 90,224,835           | 1.55%          |
| TVA                   | 26,198,843           | 0.44%          |
| <b>Total</b>          | <b>1,854,683,075</b> | <b>31.67%</b>  |





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### III. Airport Reserve Portfolio

**\$522,731,967**

| Total Return           |              |              |              |
|------------------------|--------------|--------------|--------------|
|                        | 1-Month      | 3-Month      | YTD          |
| Total Return           | 0.01%        | 1.11%        | 6.57%        |
| Blended Benchmark (TR) | -0.01%       | 1.09%        | 6.55%        |
| <b>Excess Return</b>   | <b>0.02%</b> | <b>0.02%</b> | <b>0.02%</b> |

| Current Return         |              |               |               |
|------------------------|--------------|---------------|---------------|
|                        | 1-Month      | 3-Month       | YTD           |
| Current Return         | 3.73%        | 3.67%         | 3.44%         |
| Blended Benchmark (CR) | 3.60%        | 3.76%         | 4.06%         |
| <b>Excess Return</b>   | <b>0.13%</b> | <b>-0.09%</b> | <b>-0.62%</b> |

Year-to-Date earnings on a current return basis for the Reserve Portfolio were \$18,186,869.

The 1-5 Year Strategy Blended Benchmark consists of 67.50% ICE BofAML 1-5 Year US Treasury & Agency Index, 17.50% ICE BofAML 1-5 Year AAA-A US Corporate Index, 7.50% ICE BofAML AAA US Asset Backed Securities, 5.00% ICE BofAML 0-3 Year US Agency CMOs and 2.50% ICE BofAML 3-5 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-5 Year US Treasury & Agency Index.

The 1-10 Year Strategy Blended Benchmark consists of 65.00% ICE BofAML 1-10 Year US Treasury & Agency Index, 15.00% ICE BofAML 1-5 Year AAA-A US Corporate Index, 5.00% ICE BofAML AAA US Asset Backed Securities, 7.50% ICE BofAML 0-10 Year US Agency CMOs and 7.50% ICE BofAML 0-10 Year US Mortgage Backed Securities Index. Prior to 1/1/2016 the benchmark was the BofA Merrill Lynch 1-10 Year US Treasury & Agency Index.

- The Airport Bond Reserve portfolio has a maximum maturity constraint of 10 years. On an ongoing basis, liquidity is generated from income received from the portfolio holdings, as well as from periodic bond calls of Agency securities. All income received during the year is transferred out of this portfolio into the Airport Operating funds contained in the Consolidated Portfolio (subject to ongoing adjustments to the required portfolio balance stated in the bond indenture).
- The Airport Reserve Portfolio benchmarking indices are comprised of five ICE BofAML indices, creating a static weighted blended benchmark. A total of one blended benchmark is utilized for the 1-10 year strategy to closely reflect the portfolio duration and asset allocation constraints.



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### Airport Reserve Portfolio Composition

| Characteristics           |          | Credit Quality (S&P) |
|---------------------------|----------|----------------------|
| Average Duration          | 3.47     |                      |
| Average Coupon            | 3.43%    |                      |
| Average Yield to Maturity | 3.87%    |                      |
| Average Rating (S&P)      | AA+      |                      |
| Average Life              | 3.91 yrs |                      |

| Asset Allocation | Maturity Distribution |
|------------------|-----------------------|
|                  |                       |



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## IV. Workers Compensation Portfolio Composition

**\$24,249,747**

| Characteristics           |          | Credit Quality (S&P) |
|---------------------------|----------|----------------------|
| Average Duration          | 3.54     |                      |
| Average Coupon            | 4.38%    |                      |
| Average Yield to Maturity | 4.05%    |                      |
| Average Rating (S&P)      | AA+      |                      |
| Average Life              | 4.57 yrs |                      |

| Asset Allocation | Maturity Distribution |
|------------------|-----------------------|
|                  |                       |

- WC liabilities have a much longer term expected average duration than most other funds managed by the City. For this reason, management has determined that it is prudent to extend the duration of the invested assets associated with these obligations.
- A combination of cash and securities were transferred from the Consolidated Portfolio to the newly established WC portfolio in August 2009. An allocation to cash equivalents appropriate to fund the liquidity needs of the unit was set aside (and is monitored and adjusted monthly), and the balance of the funds were invested in treasury, corporate, agency, municipal, and structured fixed income securities. The annualized current return for the fourth quarter of 2025 was 4.30%.
- Year-to-Date earnings on a current return basis for the Worker's Compensation were \$1,117,413



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## V. Special Purpose Portfolio

**\$3,243,544**

In addition to the actively managed investments, the Cash & Capital Funding Division manages one additional portfolio. The Denver Cableland Trust portfolio was established to fund the annual maintenance expenses for Cableland, a facility donated to the City. The portfolio is authorized by the Investment Policy to contain longer term securities and higher per issuer constraints within the Consolidated and Reserve portfolios. Most of the investments in these portfolios were purchased in market environments that featured much higher interest rates than those currently available. The investment income and principal of the portfolio is pledged for specific purposes.

|                        | Market Value | 2025 Current Return | 2025 Earnings |
|------------------------|--------------|---------------------|---------------|
| Denver Cableland Trust | \$3,243,544  | 4.50%               | \$133,465     |

## Investment Policy

The City operates under a written Investment Policy, a copy of which can be obtained on the City's website ([www.denvergov.org](http://www.denvergov.org)) or by contacting the Cash & Capital Funding Division at 720-913-3091.

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