



Ann Arbor DDA

September 30, 2025

Portfolio Manager

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Trust Officer

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Market Outlook

U.S. Economy:

- A survey of economists conducted in October indicates a projected growth rate for the U.S. economy in the third quarter of 2.5%.
- Despite that growth, economists expect companies to add fewer employees in the coming year – about 49,000 a month on average. That is the lowest forecast since the July 2023 survey.
- August JOLTS data confirm a loosening labor market.
- Job openings ticked up to 7.23m from 7.21m. Quits fell to 3.09m from 3.17m, pushing the quits rate down to 1.9% from 2.0%.
- Hires and layoffs both decreased marginally, leaving their rates low at 3.2% and 1.1%.
- All this confirms a “low hiring, low firing” regime and fits with broader indicators showing a labor market that has not cracked but is weakening.

Interest Rates & Inflation:

- The Federal Reserve approved a quarter point rate cut on September 17. It was the first rate cut in nine months.
- Officials judged that recent labor-market softness outweighed setbacks on inflation.
- The cut brings the FOMC’s target range for the federal funds rate to 4.00% - 4.25%.
- Fed Funds futures contracts indicate an expectation for 4-6 additional cuts by the end of 2026.
- Headline CPI was up 2.9% year-over-year in August.
- The CPI swap market suggests headline inflation will be 3.3% in 12 months’ time.
- The increase in inflation has occurred in tandem with Trump’s tariffs.
- Market expectations for long-term inflation remain relatively well anchored. The 10-Year TIPS breakeven inflation rate is 2.34%.

Global Themes:

- Companies in Europe and Asia are becoming increasingly shareholder-friendly as corporate governance reforms take hold.
- The US payout has increased 71% since 2020, while the EAFE payout has gained 89%.
- Payout is defined as cash returned to shareholders in the form of dividends and buybacks.
- Meanwhile, the *payout ratio* (dividends plus buybacks as a percentage of earnings) is 75% in the US and 74% in EAFE.
- The bottom line is that EAFE is very competitive with the US (if not more so) while trading at a fraction of the valuation.
- Emerging markets equities on the other hand remain uncompetitive, their even cheaper valuation notwithstanding.
- The EM payout has grown only 41% in 5 years, while its payout ratio is a mere 43%.

Our View:

- For Q3 2025, the estimated earnings growth rate for the S&P 500 is 8.0%.
- Analysts expect earnings growth of 10.9% in 2025 and 13.8% in 2026.
- The forward 12-month P/E ratio of the S&P 500 stands at 22.8. This is above the 5-year average of 19.9 and above the 10-year average of 18.6.
- 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.

Economy

While GDP for the quarter ending September 30th has not been released yet, the economy continues to show continued resiliency and is expected to be in the 2% to 3% range. For the previous quarter, GDP was 3.8%, revised higher from the initial figure of 3.0%. We continue to monitor 3 leading economic indicators that include weekly unemployment claims, rail data and the slope of the yield curve. We are experiencing a weakening in the labor market and rail data is slowing. If weakness develops, it is likely to appear in these 3 indicators first. We will continue to monitor on a real time basis for any change.

Markets

The stock market as measured by the S&P 500 was up 8.11% for the qtr and 17.56% on a rolling 1 year. Tech and growth continue to drive U.S. Markets. International markets have been the top performer in 2025.

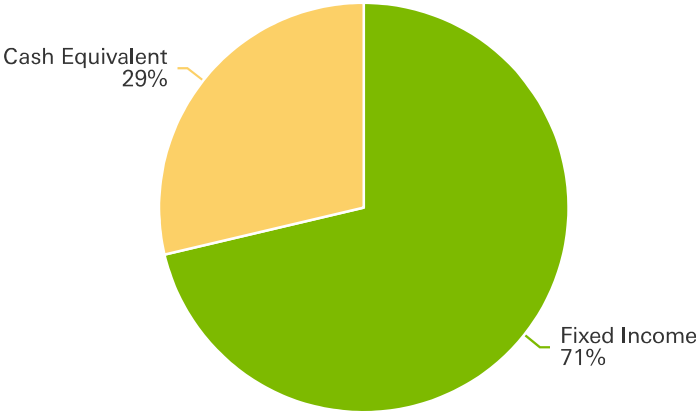
The U.S. Bond Market, as measured by the BBG US AGG continued with positive return of 2.03% for the quarter. The Federal Reserve cut the Fed Funds rate by 0.25% in September and the market continues to price in two additional cuts this year.

Portfolio

For the quarter ended 9/30/25, the return on the portfolio was 1.17% vs the index of 1.12%. For the rolling 1 year, the return was 4.43% vs the index of 3.87%. The yield to maturity at 9/30/25 was 3.61%, with a duration of 1.88 yrs.

Portfolio Overview

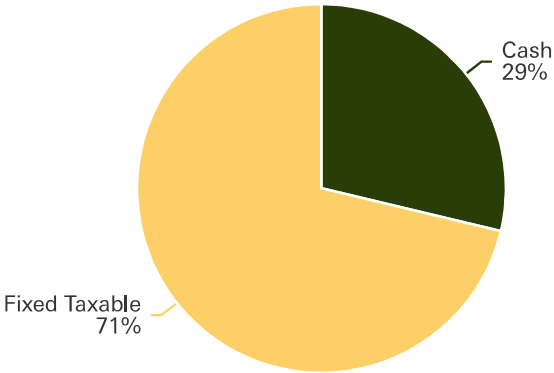
Asset Allocation



Performance Returns by Asset Class

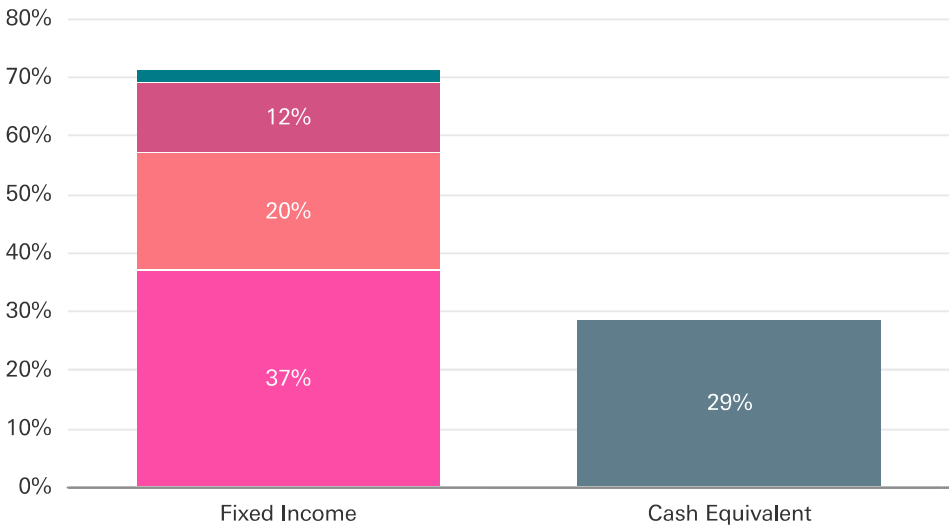
MAJOR ASSET TYPE	% OF PORTFOLIO	MARKET VALUE	CURRENT PERIOD	LATEST QUARTER	FISCAL YEAR TO DATE	1 YEAR
Cash Equivalent	28.69%	\$13,150,013	1.05%	1.06%	1.06%	4.43%
Fixed Income	71.31%	\$32,680,859	1.18%	1.19%	1.19%	4.27%
Total	100.00%	\$45,830,872	1.16%	1.17%	1.17%	4.43%

Asset Allocation



MAJOR ASSET TYPE	% OF PORTFOLIO	MARKET VALUE
Fixed Income	71.31%	\$32,680,859
U.S. Government Notes & Bonds	36.94%	\$16,930,896
U.S. Government Agency Bonds	20.11%	\$9,214,343
U.S. Treasury Bills	12.02%	\$5,510,053
Municipal Bonds - Fed Taxable	2.24%	\$1,025,567
Cash Equivalent	28.69%	\$13,150,013
Money Market Funds	28.60%	\$13,107,922
Cash Equivalents	0.09%	\$42,091
Total	100.00%	\$45,830,872

Investment Allocation



INVESTMENT TYPE	% OF PORTFOLIO	MARKET VALUE
Bond	71.31%	\$32,680,859
Money Market Fund	28.60%	\$13,107,922
Currency	0.09%	\$42,091
Total	100.00%	\$45,830,872

Change In Value



Account Activity

ACTIVITY	CURRENT PERIOD	FISCAL YEAR TO DATE
Starting Value	\$33,787,263	\$33,504,055
Net Cash Flow (USD)	\$11,593,641	\$11,874,014
All Income/Expenses (USD)	\$382,924	\$382,924
Net Gain/Loss	\$119,748	\$119,748
Change In Accrued Income (USD)	(\$66,428)	(\$63,593)
Ending Value	\$45,830,872	\$45,830,872

Performance Overview

Overall Performance Return vs. Blended Benchmark



Trailing Performance Returns

HOLDING ACCOUNT	MARKET VALUE	CURRENT PERIOD	LATEST QUARTER	FISCAL YEAR TO DATE	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
Ann Arbor DDA Investment Account (19-1022)	\$45,830,872	1.16%	1.17%	1.17%	4.43%	5.03%	2.19%	1.96%
Total	\$45,830,872	1.16%	1.17%	1.17%	4.43%	5.03%	2.19%	1.96%
Fixed Income		1.22%	1.12%	1.12%	3.87%	4.34%	1.57%	1.89%

Portfolio Holdings

As Of Date : 09/30/2025

Processing Date : 10/20/2025

Price Date : 09/30/2025

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. Treasury Bills												
912797MS3	United States Treasury Bills	10/02/2025		99.99	2,000,000	1,993,003.34	1,999,777.08	6,773.74	40,675.47	2.03	4.38	6.15
912797PD3	United States Treasury Bills	01/22/2026		98.81	2,000,000	1,969,257.00	1,976,207.84	6,950.84	76,182.81	3.85	4.33	6.08
Total U.S. Treasury Bills						3,962,260.34	3,975,984.92	13,724.58	116,858.28	2.94	8.71	12.23
U.S. Government Notes & Bonds												
91282CHM6	United States Treasury Notes	4.500%	07/15/2026	100.56	1,000,000	992,267.81	1,005,570.31	13,302.50	45,000.00	4.48	2.20	3.09
91282Z78	United States Treasury Notes	1.500%	01/31/2027	97.18	500,000	461,645.04	485,917.97	24,272.93	7,500.00	1.54	1.06	1.49
91282CKE0	United States Treasury Notes	4.250%	03/15/2027	100.82	1,000,000	991,546.64	1,008,203.12	16,656.48	42,500.00	4.22	2.21	3.10
91282CEW7	United States Treasury Notes	3.250%	06/30/2027	99.36	500,000	485,498.18	496,796.88	11,298.70	16,250.00	3.27	1.09	1.53
91282CFH9	United States Treasury Notes	3.125%	08/31/2027	99.09	1,000,000	958,878.77	990,898.44	32,019.67	31,250.00	3.15	2.17	3.05
91282CFM8	United States Treasury Notes	4.125%	09/30/2027	100.98	1,000,000	1,003,985.42	1,009,804.69	5,819.27	41,250.00	4.08	2.21	3.10
91282CGC9	United States Treasury Notes	3.875%	12/31/2027	100.57	500,000	495,525.15	502,832.03	7,306.88	19,375.00	3.85	1.10	1.55
91282CGH8	United States Treasury Notes	3.500%	01/31/2028	99.75	1,000,000	988,290.63	997,500.00	9,209.37	35,000.00	3.51	2.19	3.07
91282CHE4	United States Treasury Notes	3.625%	05/31/2028	100.03	1,000,000	1,002,421.56	1,000,312.50	-2,109.06	36,250.00	3.62	2.19	3.08
91282CCV1	United States Treasury Notes	1.125%	08/31/2028	93.14	1,000,000	910,585.71	931,367.19	20,781.48	11,250.00	1.21	2.04	2.86
91282CJA0	United States Treasury Notes	4.625%	09/30/2028	102.83	1,000,000	1,020,618.05	1,028,320.31	7,702.26	46,250.00	4.50	2.25	3.16
91282CJR3	United States Treasury Notes	3.750%	12/31/2028	100.34	1,000,000	1,008,297.37	1,003,398.44	-4,898.93	37,500.00	3.74	2.20	3.09
91282CKD2	United States Treasury Notes	4.250%	02/28/2029	101.92	1,500,000	1,513,207.11	1,528,828.13	15,621.02	63,750.00	4.17	3.35	4.70
91282CKP5	United States Treasury Notes	4.625%	04/30/2029	103.21	1,000,000	1,030,103.36	1,032,109.38	2,006.02	46,250.00	4.48	2.26	3.17
91282CLC3	United States Treasury Notes	4.000%	07/31/2029	101.13	1,500,000	1,498,810.49	1,516,992.18	18,181.69	60,000.00	3.96	3.32	4.66
91282CFT3	United States Treasury Notes	4.000%	10/31/2029	101.16	1,000,000	1,008,120.45	1,011,562.50	3,442.05	40,000.00	3.95	2.22	3.11
91282CGB1	United States Treasury Notes	3.875%	12/31/2029	100.66	1,500,000	1,489,260.28	1,509,960.93	20,700.65	58,125.00	3.85	3.31	4.64
91282CMG3	United States Treasury Notes	4.250%	01/31/2030	102.14	1,250,000	1,273,011.09	1,276,806.64	3,795.55	53,125.00	4.16	2.80	3.93
Total U.S. Government Notes & Bonds						18,132,073.11	18,337,181.64	205,108.53	690,625.00	3.77	40.17	56.38
U.S. Government Agency Bonds												
3133ENCD0	Federal Farm Credit Banks	1.040%	10/27/2025	99.78	1,000,000	1,000,003.55	997,795.94	-2,207.61	10,400.00	1.04	2.19	3.07
3130APKR5	Fed Home Loan Bank Step-up	2.250%	10/28/2025	99.86	750,000	750,000.00	748,941.89	-1,058.11	16,875.00	2.25	1.64	2.30
3130AQUQ4	Fed Home Loan Bank Step-up	2.125%	11/28/2025	99.69	1,000,000	996,600.00	996,872.15	272.15	21,250.00	2.13	2.18	3.06
3133ENKD1	Federal Farm Credit Banks	1.400%	01/13/2026	99.24	775,000	773,837.50	769,147.11	-4,690.39	10,850.00	1.41	1.69	2.36
3130AMKN1	Fed Home Loan Bank Step-up	2.250%	05/27/2026	98.98	300,000	299,850.00	296,946.86	-2,903.14	6,750.00	2.27	0.65	0.91
3130ANVD9	Fed Home Loan Bank Step-up	2.000%	09/23/2026	98.62	2,000,000	2,000,000.00	1,972,428.84	-27,571.16	40,000.00	2.03	4.32	6.06
3130APFR1	Federal Home Loan Banks	1.120%	10/28/2026	97.30	1,000,000	995,479.16	972,995.84	-22,483.32	11,200.00	1.15	2.13	2.99
3130APGM1	Federal Home Loan Banks	1.750%	10/28/2026	97.95	550,000	548,900.00	538,726.79	-10,173.21	9,625.00	1.79	1.18	1.66

Portfolio Holdings

As Of Date : 09/30/2025

Processing Date : 10/20/2025

Price Date : 09/30/2025

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%
3130ATHW0	Federal Home Loan Banks	4.125%	09/10/2027	100.94	950,000	955,374.44	958,927.91	3,553.47	39,187.50	4.09	2.10	2.95
3130ALC93	Federal Home Loan Banks	1.125%	02/25/2028	94.01	1,000,000	906,938.12	940,149.15	33,211.03	11,250.00	1.20	2.06	2.89
Total U.S. Government Agency Bonds						9,226,982.77	9,192,932.48	-34,050.29	177,387.50	1.93	20.14	28.25
Municipal Bonds - Fed Taxable												
594698SX1	MI State Strategic Fund Ltd	2.346%	10/15/2025	99.94	150,000	144,426.00	149,910.00	5,484.00	3,519.00	2.35	0.33	0.46
554885M75	Macomb County MI Material	0.829%	11/01/2025	99.75	200,000	200,640.00	199,492.00	-1,148.00	1,658.00	0.83	0.44	0.61
279196CX5	Ecorse MI Public School Dist	2.192%	05/01/2026	99.10	200,000	193,140.00	198,194.00	5,054.00	4,384.00	2.21	0.43	0.61
490580ES2	Kent Hosp Fin Auth MI Rev	2.921%	07/15/2030	94.16	500,000	497,090.00	470,815.00	-26,275.00	14,605.00	3.10	1.03	1.45
Total Municipal Bonds - Fed Taxable						1,035,296.00	1,018,411.00	-16,885.00	24,166.00	2.37	2.23	3.13
Total Fixed Income						32,356,612.22	32,524,510.04	167,897.82	1,009,036.78	3.10	71.25	99.99
Cash Equivalent												
Money Market Funds												
BGSXX	Northern Institutional US Government Select			1.00	13,107,921.69	13,107,921.69	13,107,921.69	0.00	528,530.54	4.03	28.73	100.00
Total Money Market Funds						13,107,921.69	13,107,921.69	0.00	528,530.54	4.03	28.73	100.00
Total Cash Equivalent						13,107,921.69	13,107,921.69	0.00	528,530.54	4.03	28.73	100.00
Total Portfolio						45,464,533.91	45,632,431.73	167,897.82	1,537,567.32	3.37	99.98	
Principal Cash						130,265.99						
Income Cash						-130,265.99						
Trade Cash						0.00						
Due to rounding, percentage may not equal 100.												

Fixed Income Fundamentals

Processing Date : 10/20/2025

As of Date : 09/30/2025

Price Date : 09/30/2025

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
<u>Maturity Year : 2025</u>									
Macomb County MI Material	0.83%	11/01/2025	200,000	199,492.00	3.68	0.09	0.83	AA1	NA
Fed Home Loan Bank Step-up	2.25%	10/28/2025	750,000	748,941.89	4.03	0.08	2.25	AA1	AA+
Federal Farm Credit Banks	1.04%	10/27/2025	1,000,000	997,795.94	3.97	0.07	1.04	AA1	AA+
Fed Home Loan Bank Step-up	2.13%	11/28/2025	1,000,000	996,872.15	4.02	0.16	2.13	AA1	AA+
MI State Strategic Fund Ltd	2.35%	10/15/2025	150,000	149,910.00	3.75	0.04	2.35	AA2	NA
United States Treasury Bills		10/02/2025	2,000,000	1,999,777.08	2.06	0.01	0.00	*NA	AA+
Total For Maturity Year : 2025			5,100,000	5,092,789.06	3.22	0.06	1.05		
<u>Maturity Year : 2026</u>									
Fed Home Loan Bank Step-up	2.00%	09/23/2026	2,000,000	1,972,428.84	3.42	0.97	2.03	AA1	AA+
Federal Home Loan Banks	1.75%	10/28/2026	550,000	538,726.79	3.68	1.07	1.79	AA1	AA+
Federal Home Loan Banks	1.12%	10/28/2026	1,000,000	972,995.84	3.67	1.07	1.15	AA1	AA+
Fed Home Loan Bank Step-up	2.25%	05/27/2026	300,000	296,946.86	3.82	0.65	2.27	AA1	AA+
Federal Farm Credit Banks	1.40%	01/13/2026	775,000	769,147.11	4.01	0.29	1.41	AA1	AA+
Ecorse MI Public School Dist	2.19%	05/01/2026	200,000	198,194.00	3.75	0.58	2.21	AA1	NA
United States Treasury Notes	4.50%	07/15/2026	1,000,000	1,005,570.31	3.78	0.77	4.48	AA1	NR
United States Treasury Bills		01/22/2026	2,000,000	1,976,207.84	3.91	0.30	0.00	*NA	AA+
Total For Maturity Year : 2026			7,825,000	7,730,217.59	3.72	0.70	1.65		
<u>Maturity Year : 2027</u>									
United States Treasury Notes	4.13%	09/30/2027	1,000,000	1,009,804.69	3.61	1.91	4.08	AA1	NR
United States Treasury Notes	1.50%	01/31/2027	500,000	485,917.97	3.68	1.30	1.54	AA1	NR
United States Treasury Notes	3.25%	06/30/2027	500,000	496,796.88	3.63	1.68	3.27	AA1	NR
United States Treasury Notes	3.88%	12/31/2027	500,000	502,832.03	3.61	2.14	3.85	AA1	NR
United States Treasury Notes	4.25%	03/15/2027	1,000,000	1,008,203.12	3.67	1.40	4.22	AA1	NR
United States Treasury Notes	3.13%	08/31/2027	1,000,000	990,898.44	3.62	1.84	3.15	AA1	NR
Federal Home Loan Banks	4.13%	09/10/2027	950,000	958,927.91	3.63	1.88	4.09	AA1	AA+
Total For Maturity Year : 2027			5,450,000	5,453,381.04	3.63	1.74	3.62		
<u>Maturity Year : 2028</u>									
United States Treasury Notes	3.50%	01/31/2028	1,000,000	997,500.00	3.61	2.22	3.51	AA1	NR
Federal Home Loan Banks	1.13%	02/25/2028	1,000,000	940,149.15	3.71	2.37	1.20	AA1	AA+
United States Treasury Notes	3.63%	05/31/2028	1,000,000	1,000,312.50	3.61	2.52	3.62	AA1	NR
United States Treasury Notes	1.13%	08/31/2028	1,000,000	931,367.19	3.62	2.83	1.21	AA1	NR
United States Treasury Notes	3.75%	12/31/2028	1,000,000	1,003,398.44	3.64	3.04	3.74	AA1	NR
United States Treasury Notes	4.63%	09/30/2028	1,000,000	1,028,320.31	3.62	2.79	4.50	AA1	NR
Total For Maturity Year : 2028			6,000,000	5,901,047.59	3.64	2.63	3.01		
<u>Maturity Year : 2029</u>									
United States Treasury Notes	4.00%	10/31/2029	1,000,000	1,011,562.50	3.69	3.74	3.95	AA1	NR
United States Treasury Notes	4.25%	02/28/2029	1,500,000	1,528,828.13	3.65	3.16	4.17	AA1	NR
United States Treasury Notes	3.88%	12/31/2029	1,500,000	1,509,960.93	3.70	3.89	3.85	AA1	NR
United States Treasury Notes	4.00%	07/31/2029	1,500,000	1,516,992.18	3.68	3.53	3.96	AA1	NR
United States Treasury Notes	4.63%	04/30/2029	1,000,000	1,032,109.38	3.66	3.29	4.48	AA1	NR
Total For Maturity Year : 2029			6,500,000	6,599,453.12	3.68	3.52	4.06		
<u>Maturity Year : 2030</u>									

Fixed Income Fundamentals

Processing Date : 10/20/2025

As of Date : 09/30/2025

Price Date : 09/30/2025

Description			Par Value	Market Value	YTM %	Duration To	Current	Rating	
						Maturity	Yield %	Moody	SP
Kent Hosp Fin Auth MI Rev	2.92%	07/15/2030	500,000	470,815.00	4.26	4.46	3.10	AA3	AA
United States Treasury Notes	4.25%	01/31/2030	1,250,000	1,276,806.64	3.71	3.94	4.16	AA1	NR
Total For Maturity Year : 2030			1,750,000	1,747,621.64	3.86	4.08	3.88		
Total Fixed Income Portfolio			32,625,000	32,524,510.04	3.61	1.88	2.74		