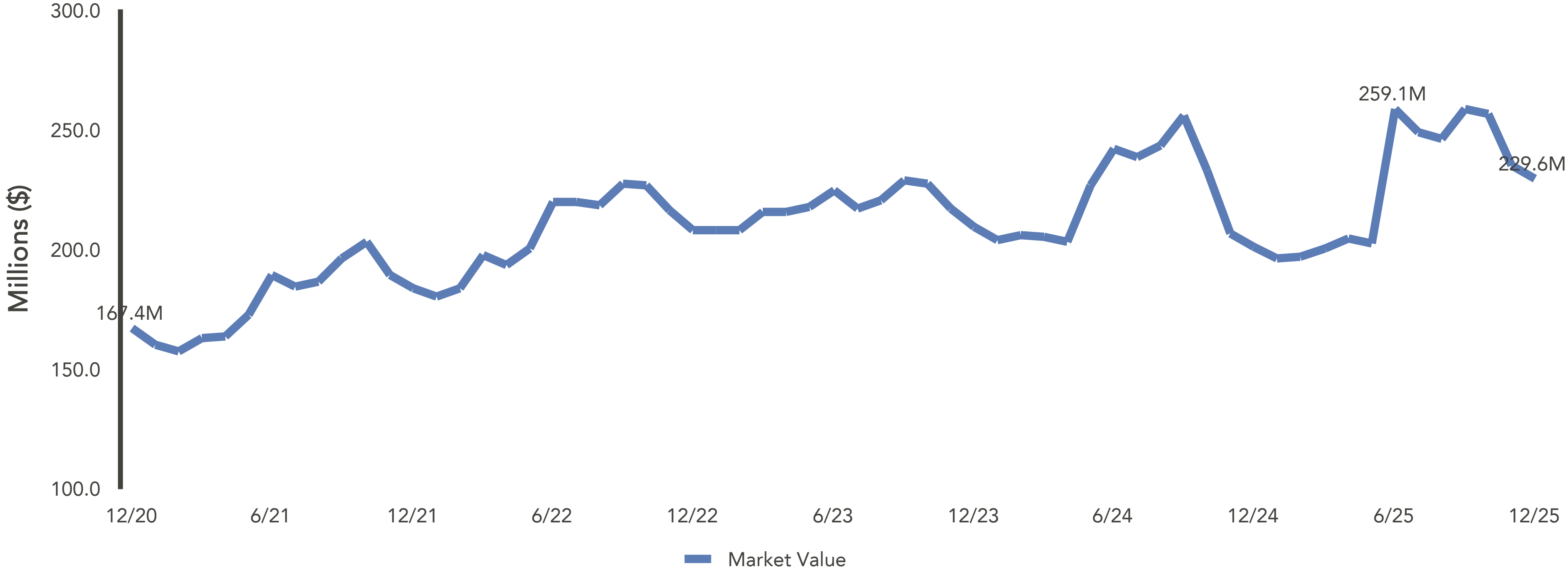
City of Naperville

Quarterly Performance Report
December 31, 2025

Investment Manager	Asset Class	Status	Reason
PFM	Int. Govt. Fixed Income	In Compliance	--
MetLife	Int. Fixed Income	In Compliance	--
Wintrust MFT Account - 6092	Cash & Equivalents	In Compliance	--
Wintrust General Account - 3763	Cash & Equivalents	In Compliance	--

Market Value History



Summary of Cash Flows

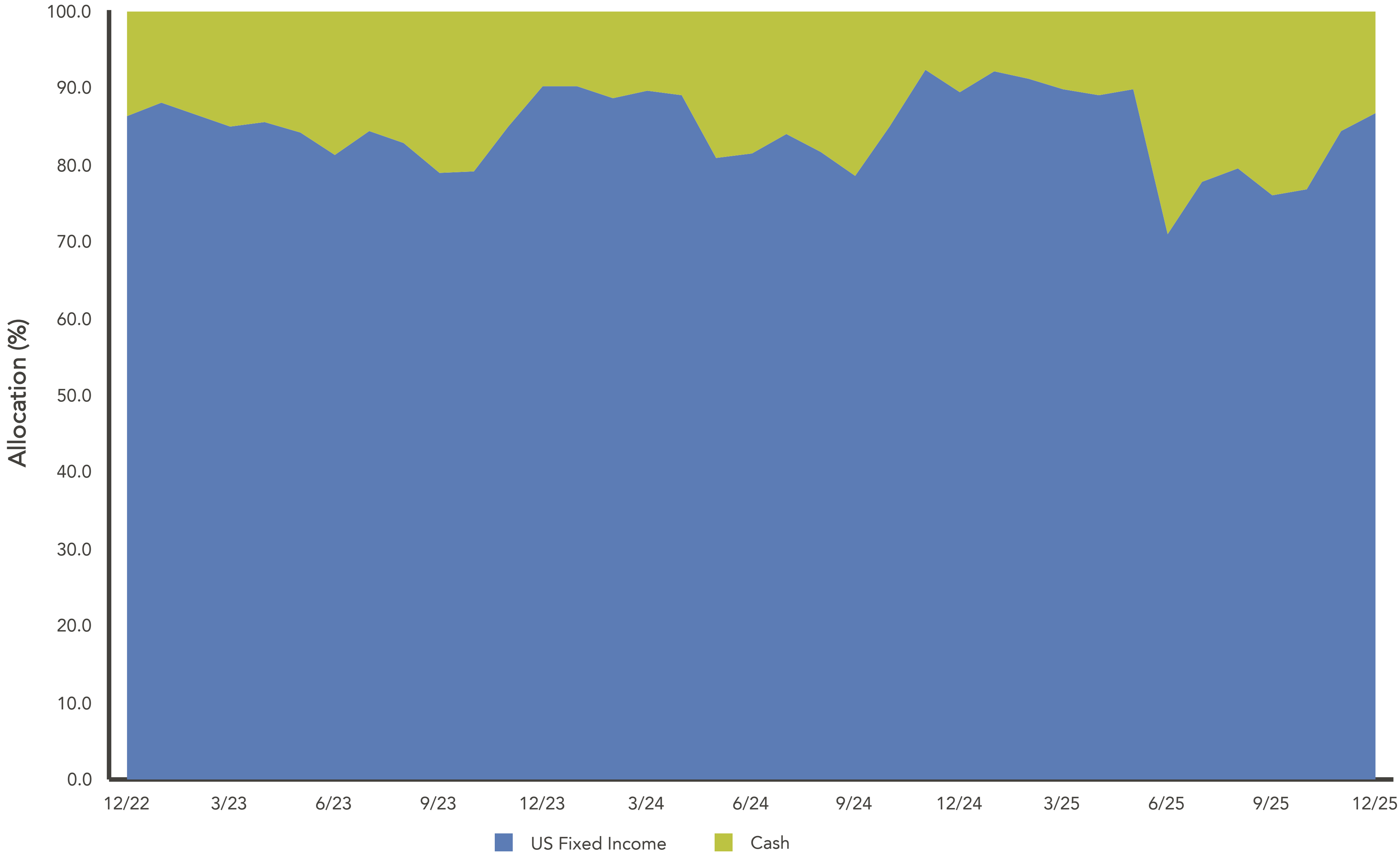
	1 Quarter ($)	1 Year ($)	3 Years ($)	5 Years ($)
Beginning Market Value	258,922,802	201,562,577	208,005,726	167,425,974
Net Cash Flow	-32,236,415	13,729,817	-11,672,838	45,215,532
Net Investment Change	2,926,492	14,320,485	33,279,991	16,971,374
Ending Market Value	229,612,879	229,612,879	229,612,879	229,612,879

	Asset Class	Current Balance	Current Allocation	Policy	Difference
Total Fund Composite		**229,612,879**	**100.0**	**100.0**	
Fixed Income Composite		**199,216,883**	**86.8**	**85.0**	**4,045,935**
PFM	Int. Govt. Fixed Income	107,692,917	46.9	42.5	10,107,443
MetLife	Int. Fixed Income	91,523,966	39.9	42.5	-6,061,508
Cash Equivalents Composite		**30,395,997**	**13.2**	**15.0**	**-4,045,935**
Wintrust MFT Account - 6092	Cash & Equivalents	9,318,213	4.1		
Wintrust General Account - 3763	Cash & Equivalents	21,077,784	9.2		

Total Fund Composite

Historical Asset Allocation

3 Years Ending December 31, 2025



Total Fund Composite

Annualized Performance (Net of Fees)
As of December 31, 2025

	3 Mo (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Total Fund Composite	**1.1**	**6.7**	**5.1**	**5.1**	**2.0**	**1.2**	**2.4**	**1.9**
Policy Benchmark	1.1	6.1	4.5	4.5	1.6	1.0	2.1	1.8
Fixed Income Composite	**1.2**	**7.0**	**5.2**	**5.1**	**1.7**	**1.0**	**2.4**	**2.0**
Custom Fixed Income Benchmark	1.2	6.7	4.7	4.8	1.4	0.8	2.3	2.0
Blmbg. U.S. Government: Intermediate Index	1.2	6.5	4.4	4.4	1.2	0.6	2.0	1.8
Blmbg. Intermed. U.S. Government/Credit	1.2	7.0	5.0	5.1	1.6	1.0	2.5	2.3
Cash Equivalents Composite	**1.2**	**4.5**	**4.9**	**4.9**	**3.9**	**3.1**	**2.3**	**1.6**
ICE BofA 3 Month U.S. T-Bill	1.0	4.2	4.7	4.8	4.0	3.2	2.7	2.2

	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)
Total Fund Composite	**3.5**	**5.0**	**-6.7**	**-1.7**	**5.4**	**5.1**	**0.7**	**1.1**	**0.6**
Policy Benchmark	2.9	4.4	-6.4	-1.4	5.0	4.8	1.5	1.1	0.9
Fixed Income Composite	**3.4**	**4.9**	**-8.0**	**-1.8**	**6.1**	**6.1**	**0.8**	**1.4**	**1.1**
Custom Fixed Income Benchmark	2.7	4.8	-8.0	-1.6	6.1	6.1	1.1	1.6	1.6
Blmbg. U.S. Government: Intermediate Index	2.4	4.3	-7.7	-1.7	5.7	5.2	1.4	1.1	1.1
Blmbg. Intermed. U.S. Government/Credit	3.0	5.2	-8.2	-1.4	6.4	6.8	0.9	2.1	2.1
eV US Interm Duration Fixed Inc Rank	35	85	20	86	70	81	33	92	94
Cash Equivalents Composite	**5.3**	**4.9**	**0.9**	**0.0**	**0.1**	**0.6**	**0.3**	**0.0**	**0.0**
ICE BofA 3 Month U.S. T-Bill	5.3	5.0	1.5	0.0	0.7	2.3	1.9	0.9	0.3

Total Fund Composite

Annualized Performance (Net of Fees)
As of December 31, 2025

	3 Mo (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Total Fund Composite	**1.1**	**6.7**	**5.1**	**5.1**	**2.0**	**1.2**	**2.4**	**1.9**
Policy Benchmark	1.1	6.1	4.5	4.5	1.6	1.0	2.1	1.8
Fixed Income Composite	**1.2**	**7.0**	**5.2**	**5.1**	**1.7**	**1.0**	**2.4**	**2.0**
Custom Fixed Income Benchmark	1.2	6.7	4.7	4.8	1.4	0.8	2.3	2.0
Blmbg. U.S. Government: Intermediate Index	1.2	6.5	4.4	4.4	1.2	0.6	2.0	1.8
Blmbg. Intermed. U.S. Government/Credit	1.2	7.0	5.0	5.1	1.6	1.0	2.5	2.3
PFM	1.2	7.0	5.2	5.2	1.8	1.1	2.5	-
Blmbg. U.S. Government: Intermediate Index	1.2	6.5	4.4	4.4	1.2	0.6	2.0	1.8
MetLife	1.1	7.0	5.2	-	-	-	-	-
Blmbg. Intermed. U.S. Government/Credit	1.2	7.0	5.0	5.1	1.6	1.0	2.5	2.3
Cash Equivalents Composite	**1.2**	**4.5**	**4.9**	**4.9**	**3.9**	**3.1**	**2.3**	**1.6**
ICE BofA 3 Month U.S. T-Bill	1.0	4.2	4.7	4.8	4.0	3.2	2.7	2.2
Wintrust MFT Account - 6092	1.1	4.7	5.1	5.1	-	-	-	-
ICE BofA 3 Month U.S. T-Bill	1.0	4.2	4.7	4.8	4.0	3.2	2.7	2.2
Wintrust General Account - 3763	1.2	4.6	5.0	4.9	-	-	-	-
ICE BofA 3 Month U.S. T-Bill	1.0	4.2	4.7	4.8	4.0	3.2	2.7	2.2

Total Fund Composite

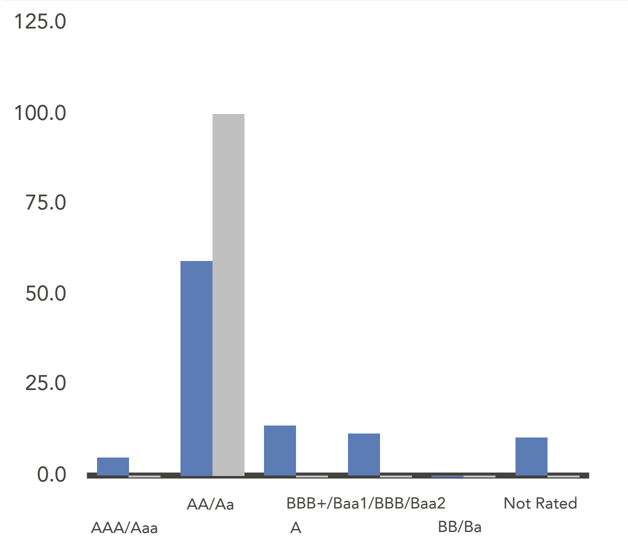
Calendar Performance (Net of Fees)
As of December 31, 2025

	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)
Total Fund Composite	**3.5**	**5.0**	**-6.7**	**-1.7**	**5.4**	**5.1**	**0.7**	**1.1**	**0.6**
Policy Benchmark	2.9	4.4	-6.4	-1.4	5.0	4.8	1.5	1.1	0.9
Fixed Income Composite	**3.4**	**4.9**	**-8.0**	**-1.8**	**6.1**	**6.1**	**0.8**	**1.4**	**1.1**
Custom Fixed Income Benchmark	2.7	4.8	-8.0	-1.6	6.1	6.1	1.1	1.6	1.6
Blmbg. U.S. Government: Intermediate Index	2.4	4.3	-7.7	-1.7	5.7	5.2	1.4	1.1	1.1
Blmbg. Intermed. U.S. Government/Credit	3.0	5.2	-8.2	-1.4	6.4	6.8	0.9	2.1	2.1
eV US Interm Duration Fixed Inc Rank	35	85	20	86	70	81	33	92	94
PFM	3.4	5.3	-7.8	-1.7	5.9	6.2	1.2	1.3	-
Blmbg. U.S. Government: Intermediate Index	2.4	4.3	-7.7	-1.7	5.7	5.2	1.4	1.1	1.1
eV US Interm Duration Fixed Inc Rank	34	70	17	80	76	80	9	95	-
MetLife	3.3	-	-	-	-	-	-	-	-
Blmbg. Intermed. U.S. Government/Credit	3.0	5.2	-8.2	-1.4	6.4	6.8	0.9	2.1	2.1
eV US Interm Duration Fixed Inc Rank	39	-	-	-	-	-	-	-	-
Cash Equivalents Composite	**5.3**	**4.9**	**0.9**	**0.0**	**0.1**	**0.6**	**0.3**	**0.0**	**0.0**
ICE BofA 3 Month U.S. T-Bill	5.3	5.0	1.5	0.0	0.7	2.3	1.9	0.9	0.3
Wintrust MFT Account - 6092	5.5	5.2	-	-	-	-	-	-	-
ICE BofA 3 Month U.S. T-Bill	5.3	5.0	1.5	0.0	0.7	2.3	1.9	0.9	0.3
Wintrust General Account - 3763	5.4	4.7	-	-	-	-	-	-	-
ICE BofA 3 Month U.S. T-Bill	5.3	5.0	1.5	0.0	0.7	2.3	1.9	0.9	0.3

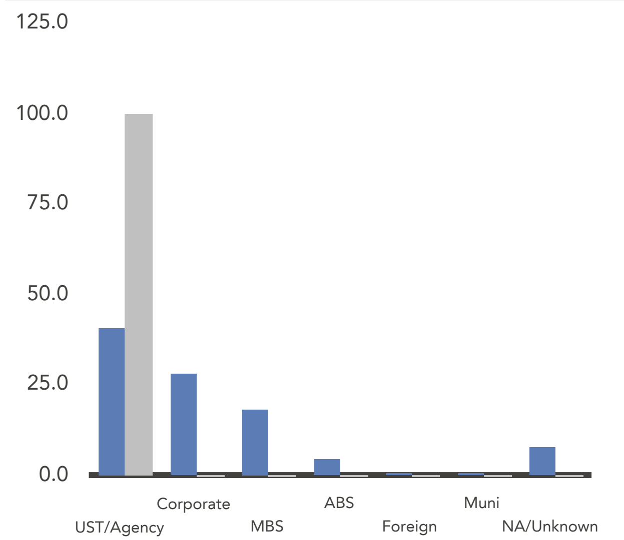
Portfolio Characteristics	Portfolio	Blmbg. U.S. Government: Intermediate Index
Avg. Maturity (yrs.)	4.0	4.0
Avg. Quality	AA	AA
Coupon Rate (%)	3.7	3.3
Modified Duration (yrs.)	3.4	3.6
Effective Duration (yrs.)	3.5	3.6
Yield To Maturity (%)	4.0	3.7
Yield To Worst (%)	4.0	3.7

Risk vs. Return - 3 Years

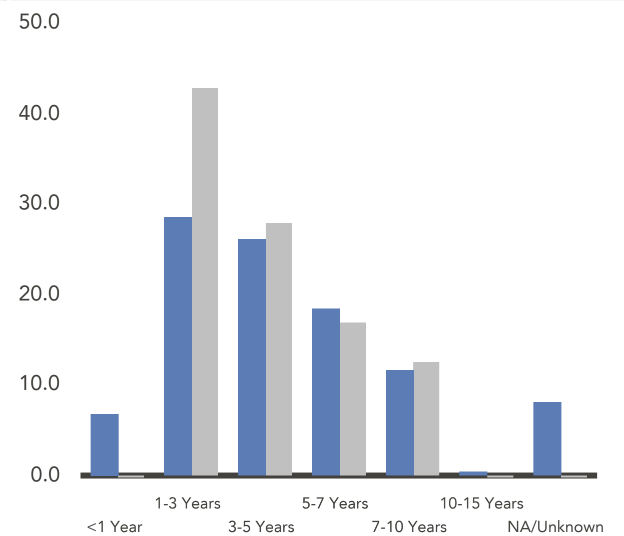
Credit Quality Distribution (%)



Sector Distribution (%)



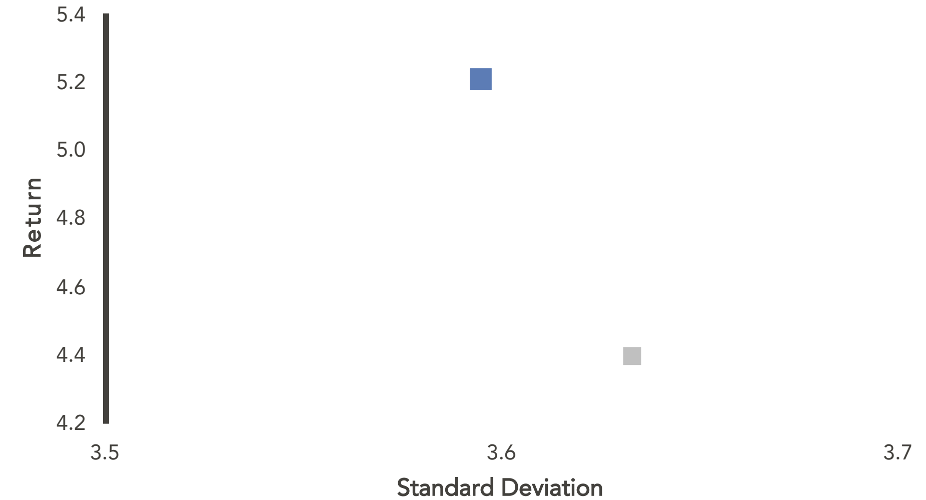
Maturity Distribution (%)



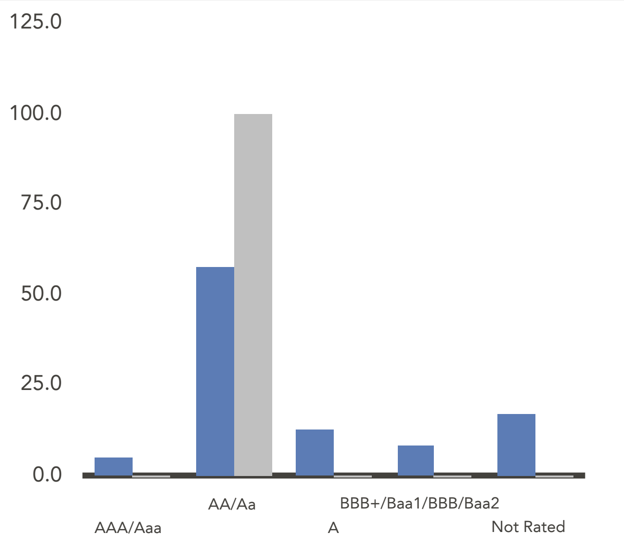
Portfolio Benchmark

Portfolio Characteristics	Portfolio	Blmbg. U.S. Government: Intermediate Index
Avg. Maturity (yrs.)	3.7	4.0
Avg. Quality	AA	AA
Coupon Rate (%)	3.3	3.3
Modified Duration (yrs.)	3.1	3.6
Effective Duration (yrs.)	3.2	3.6
Yield To Maturity (%)	4.0	3.7
Yield To Worst (%)	4.0	3.7

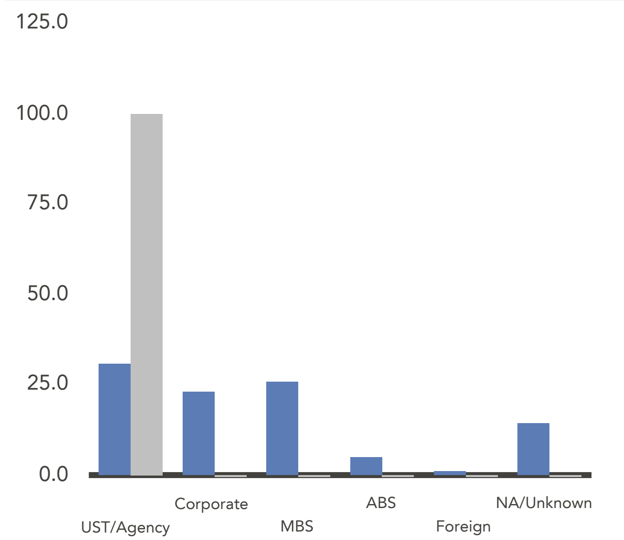
Risk vs. Return - 3 Years



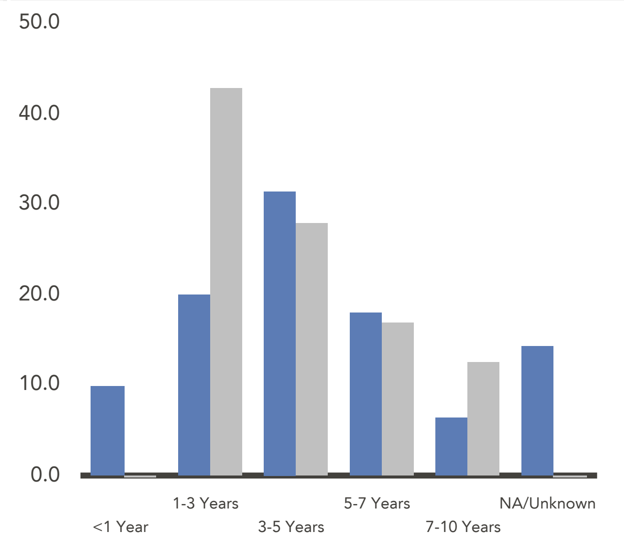
Credit Quality Distribution (%)



Sector Distribution (%)



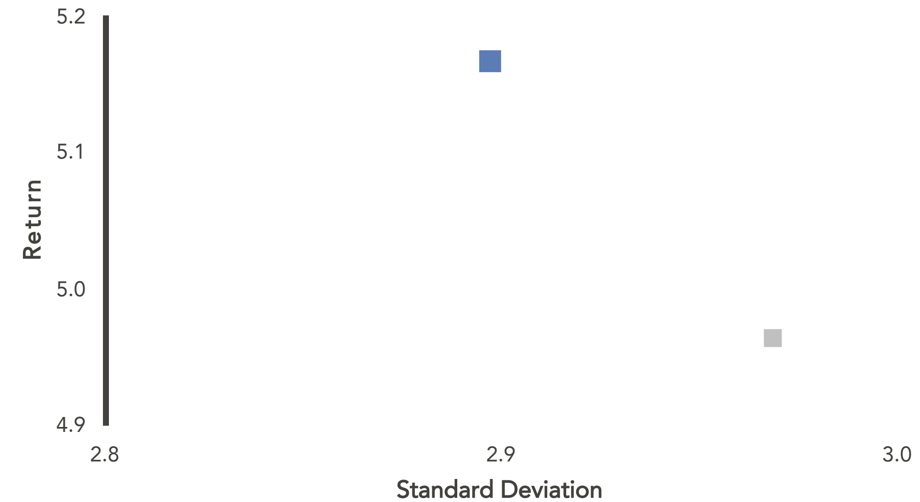
Maturity Distribution (%)



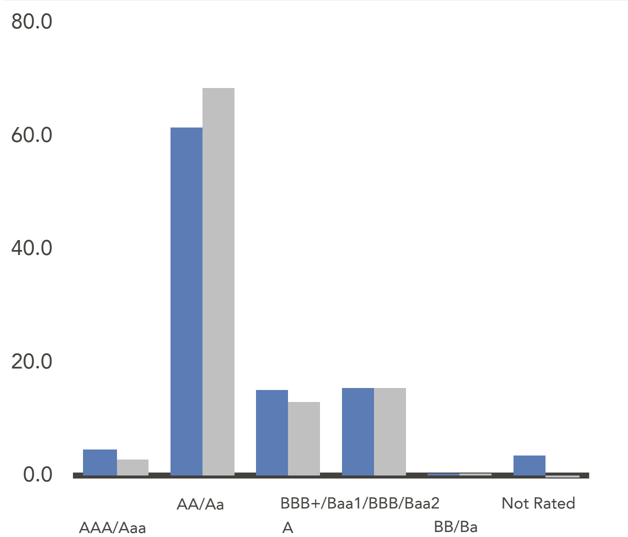
Portfolio Benchmark

Portfolio Characteristics	Portfolio	Blmbg. Intermed. U.S. Government/Credit
Avg. Maturity (yrs.)	4.4	4.3
Avg. Quality	AA	AA
Coupon Rate (%)	4.1	3.7
Modified Duration (yrs.)	3.8	3.7
Effective Duration (yrs.)	3.7	3.7
Yield To Maturity (%)	4.0	3.9
Yield To Worst (%)	4.0	3.9

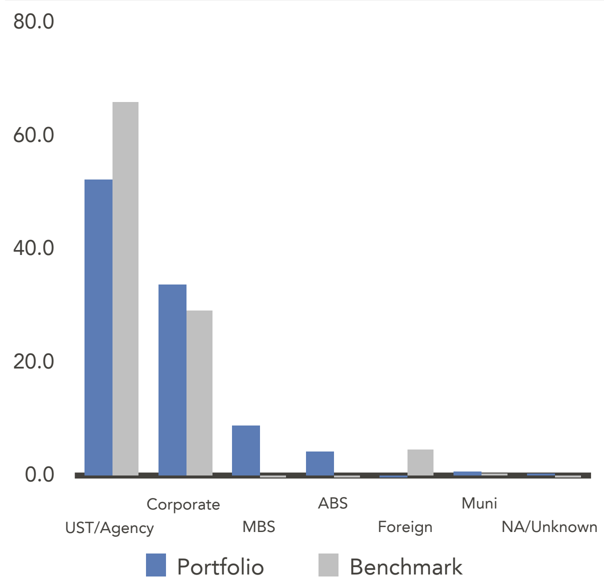
Risk vs. Return - Since Inception



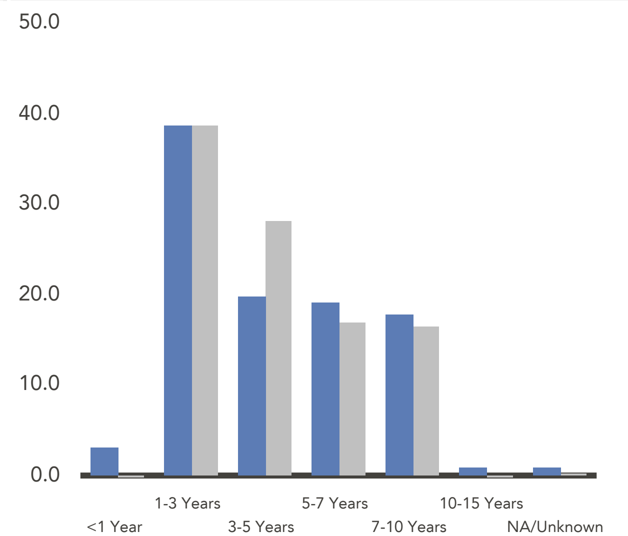
Credit Quality Distribution (%)



Sector Distribution (%)



Maturity Distribution (%)



Asset Class	Investment Manager	Fee Schedule	Est. Annual Fee[1]	Expense Ratio	Industry Median[2]
Int. Govt. Fixed Income	PFM	0.10% on the first $25 million 0.08% on the next $25 million 0.07% on the next $50 million 0.06% on the balance	$84,616	0.08%	0.24%
Int. Fixed Income	MetLife	0.075% on the first $50 million 0.05% on the balance	$58,262	0.06%	0.25%
Total Investment Management Fees			**$142,878**	**0.06%**	**0.40%**
Investment Consultant	Marquette Associates, Inc.	$30,000 Annual Fee	$30,000	0.01%	
Total Fund	**Total Fund**		**$172,878**	**0.08%**	

[1] Expense Ratio & Estimated Annual Fee are Based on Market Value at Quarter End.
[2] Source: Marquette Associates Investment Management Fee Study.

Total Fund Composite

Benchmark Composition
As of December 31, 2025

	Weight (%)
Custom Fixed Income Benchmark : Jul-2024	
Blmbg. Intermed. U.S. Government/Credit	50.00
Blmbg. U.S. Government: Intermediate Index	50.00

	Weight (%)
Policy Benchmark : Jan-1978	
Blmbg. U.S. Government: Intermediate Index	85.00
ICE BofA 3 Month U.S. T-Bill	15.00

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CITY OF NAPERVILLE

Investment Performance Review
For the Quarter Ended December 31, 2025

Client Management Team

PFM Asset Management
A division of U.S. Bancorp Asset Management, Inc

Michelle Binns, Director
Jeffrey K. Schroeder, Managing Director
Michael P. Downs, Portfolio Manager
Chris Harris, Director

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Harrisburg, PA 17101-2141
717-232-2723

Agenda

- Market Update
- Portfolio Review

Market Update

Current Market Themes

- U.S. economy remains resilient but government shutdown obscures data
  - Inflation print likely biased lower due to data collection gaps and technical adjustments
  - Unemployment rate trends higher with net new job creation near zero
  - Strong consumer and business spending, along with steadier trade dynamics, support growth

- The Fed lowered the target rate by 50 basis points in the fourth quarter to 3.50-3.75%
  - Fed Chair Powell acknowledged ongoing challenges in achieving the Fed's dual mandate of maximum employment and price stability
  - The Fed's December "dot plot" indicates 25 bps of cuts in both 2026 and 2027, but the wide dispersion in underlying projections highlights differing views on path forward
  - Markets view policy is skewed towards additional easing assuming a more dovish Chair takes office in mid-2026

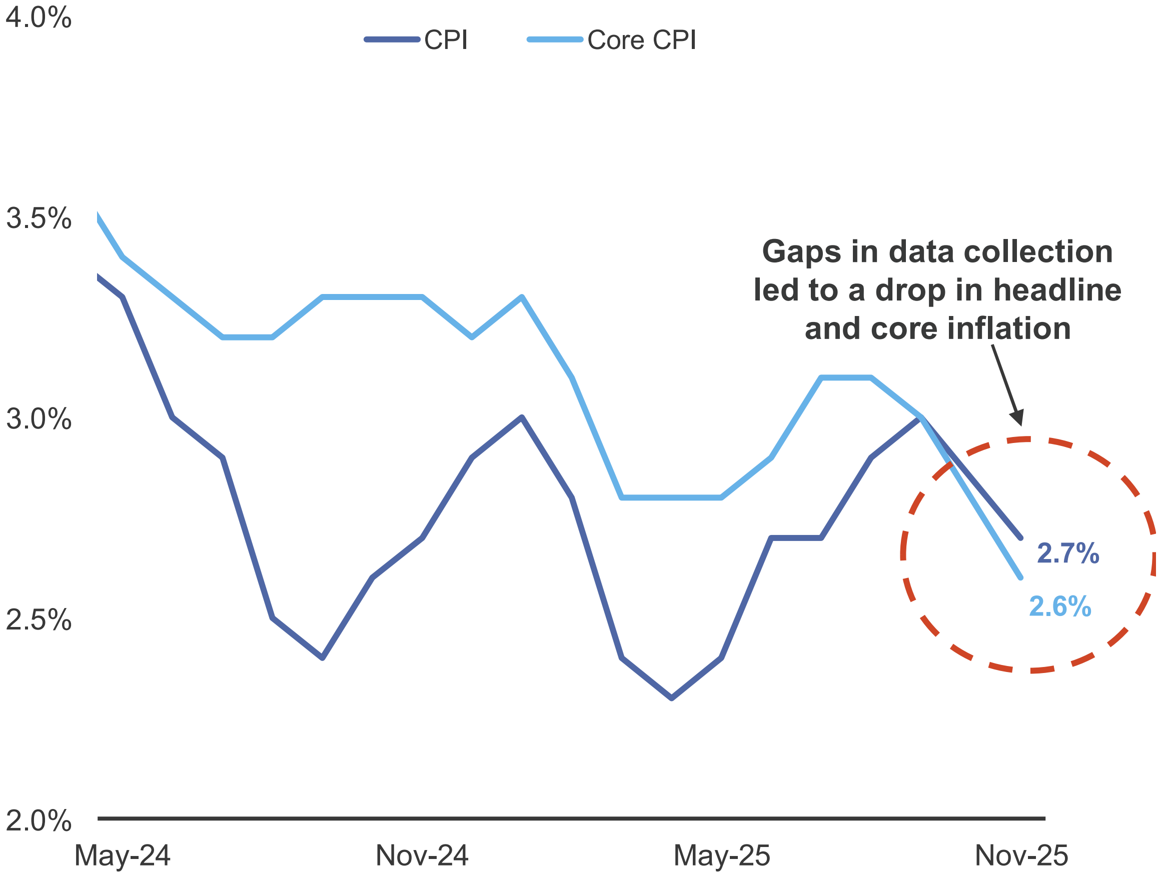
- Treasury yield curve continues to steepen but remains inverted inside 2 years
  - Front end Treasury yields moved lower during the fourth quarter on Fed rate cut expectations
  - Yields were range bound as volatility waned into year end
  - Credit spreads widened marginally but remain near historically narrow levels

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of December 31, 2025.

Data Distortions Bias Inflation Lower

Fed Chair Powell: "The data may be distorted ... because [it] was not collected in October and half of November."

Consumer Price Index
Year-over-year Change



Price Increases For Key Goods

3-Month Annualized Inflation Rates (Sep-25)
2024

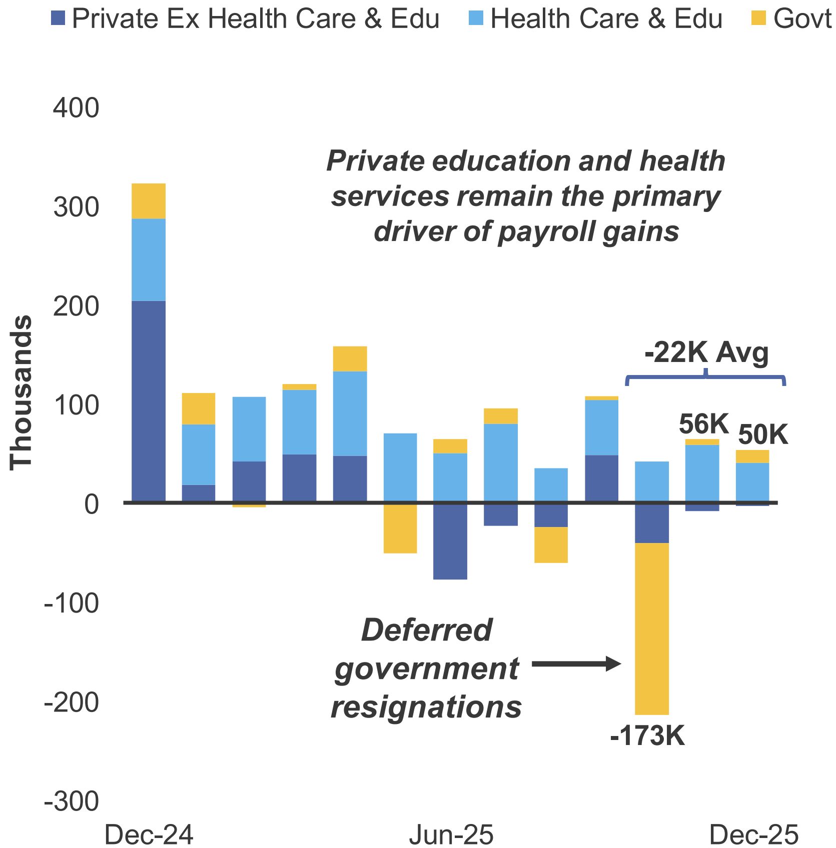
	3-Month Average	2024
Home Furnishings	+4.1%	-0.9%
Apparel	+5.3%	+1.2%
Transportation	+3.1%	-1.2%
Food at Home	+3.2%	+1.8%
Energy	+4.6%	-0.5%

Source: FOMC Chair Jerome Powell Press Conference, December 10, 2025. Bureau of Labor Statistics and Bloomberg Finance L.P. as of November 2025.

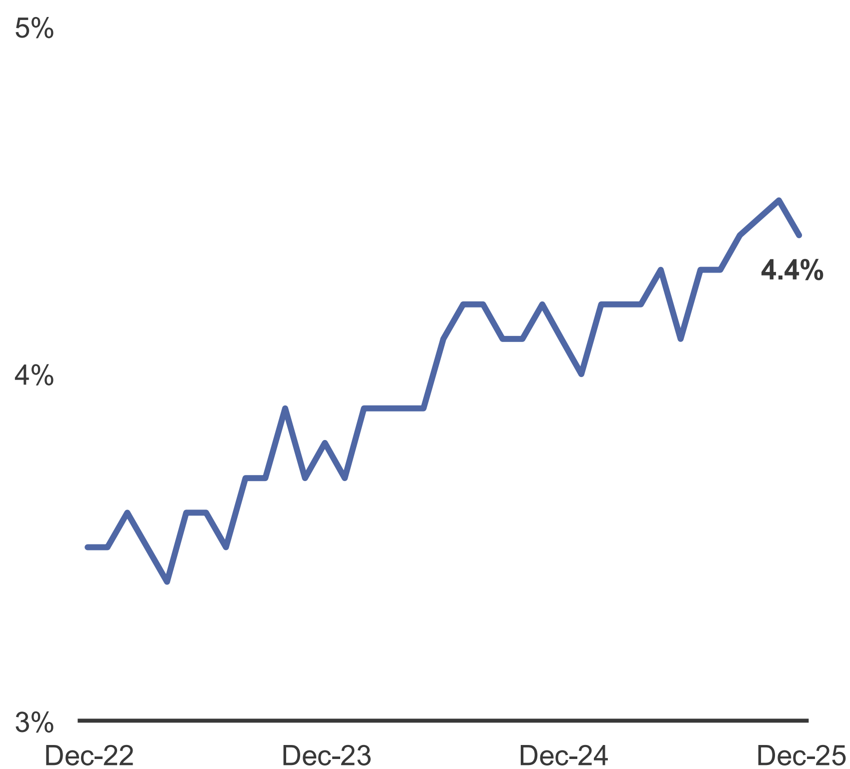
Labor Market Continues to Cool

Fed Chair Powell: "[S]upply of workers has also gone way down, so the unemployment rate hasn't moved that much. It is a labor market that seems to have significant downside risks…"

Monthly Change In Nonfarm Payrolls



Unemployment Rate



Source: FOMC Chair Jerome Powell Press Conference, December 10, 2025. Bureau of Labor Statistics and Bloomberg Finance L.P. as of December 2025.

Factors Shaping the Economic Outlook

Negative

- Net new job creation nears zero
- Increasing retail credit card balances
- Rising student loan delinquencies
- Planned federal spending cuts

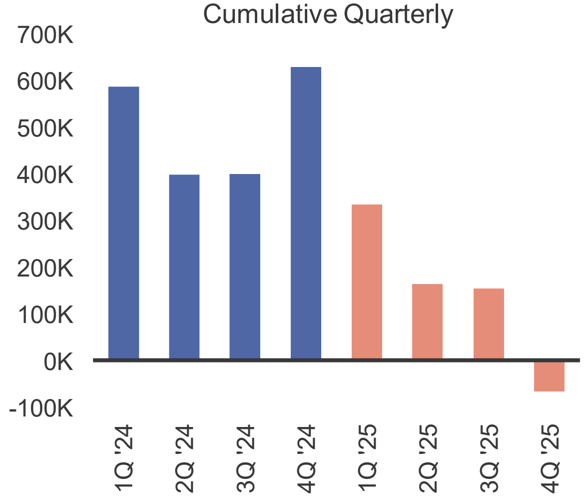
Neutral

- Services disinflation
- Slower tariff-based inflation passthrough
- Stabilizing credit card delinquencies

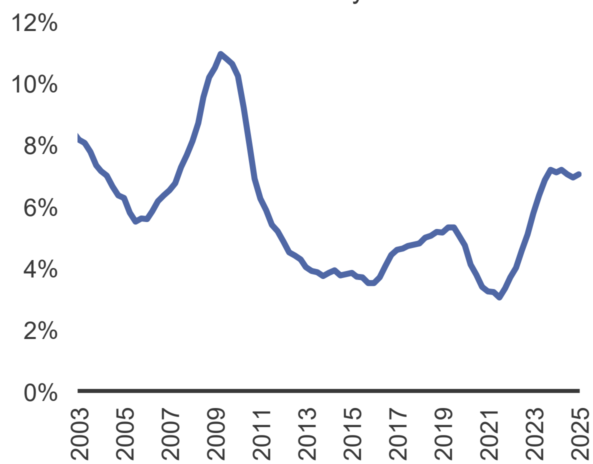
Positive

- Easing Fed Policy
- Fiscal tailwinds from tax and reconciliation bill
- Resilient consumer spending
- Positive real disposable personal income growth
- Corporate fundamentals

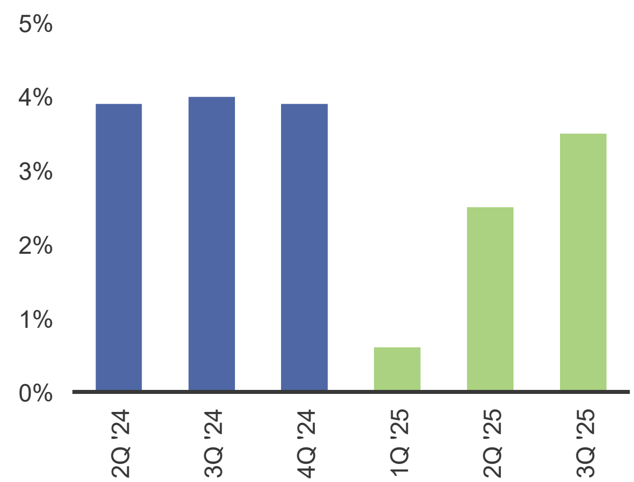
Nonfarm Payrolls
Cumulative Quarterly



Credit Card Delinquencies
90+ Days



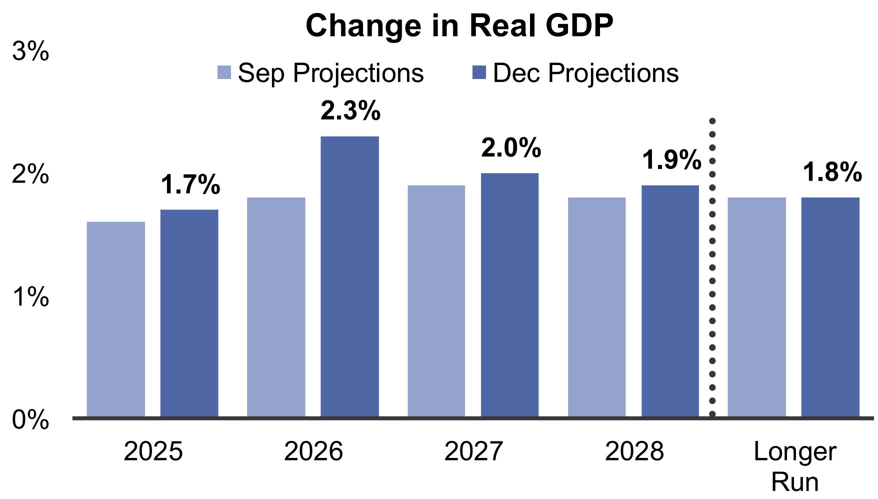
Personal Consumption
Quarter-Over-Quarter Change

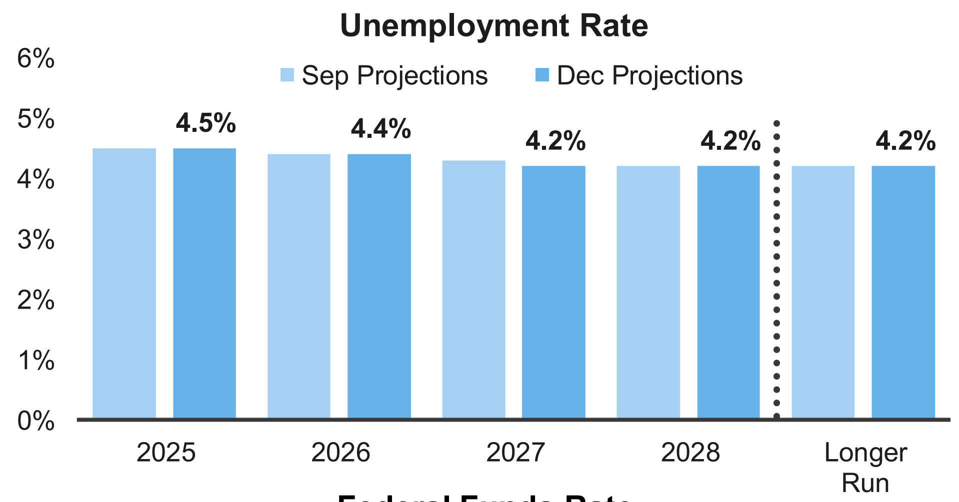


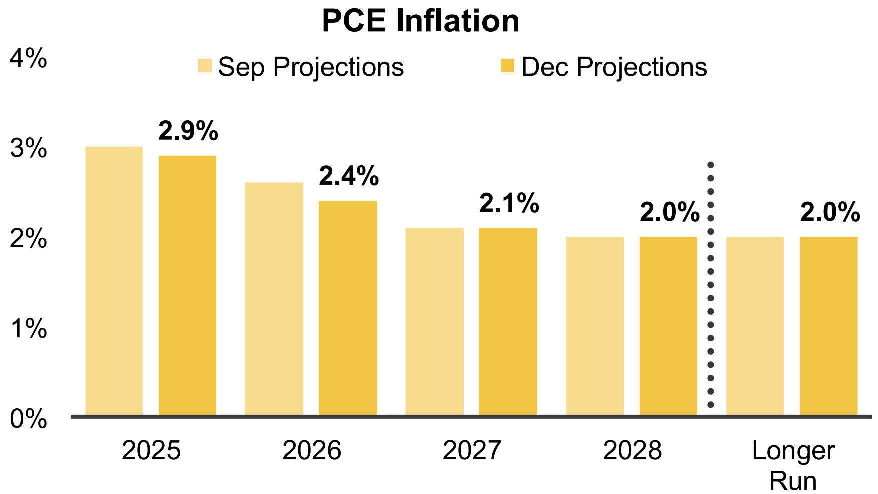
Source: Bloomberg Finance L.P., Bureau of Labor Statistics as of December 2025, Federal Reserve Bank of New York as of September 2025, and Bureau of Economic Analysis as of September 2025.

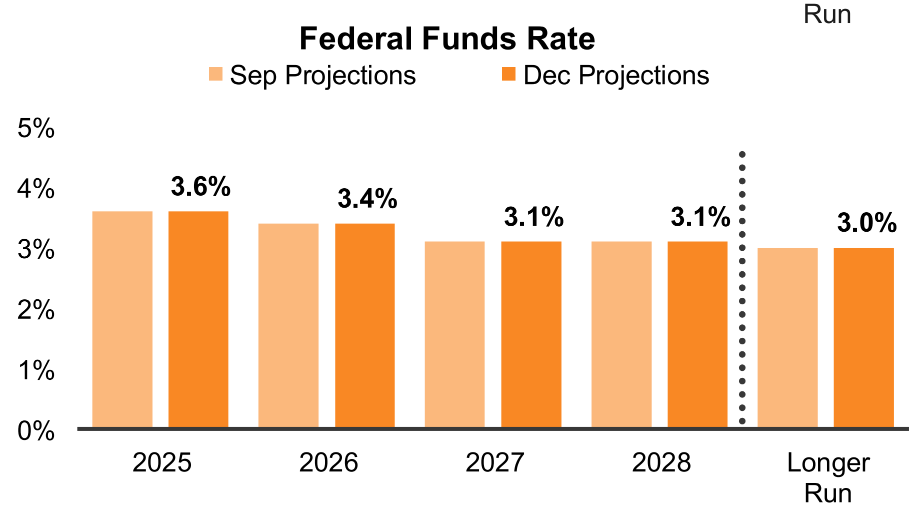
Fed's Updated Summary of Economic Projections

Fed Chair Powell: "[T]he baseline [expectation] would be solid growth next year" ... "[We] feel like we have made progress this year in nontariff-related inflation."







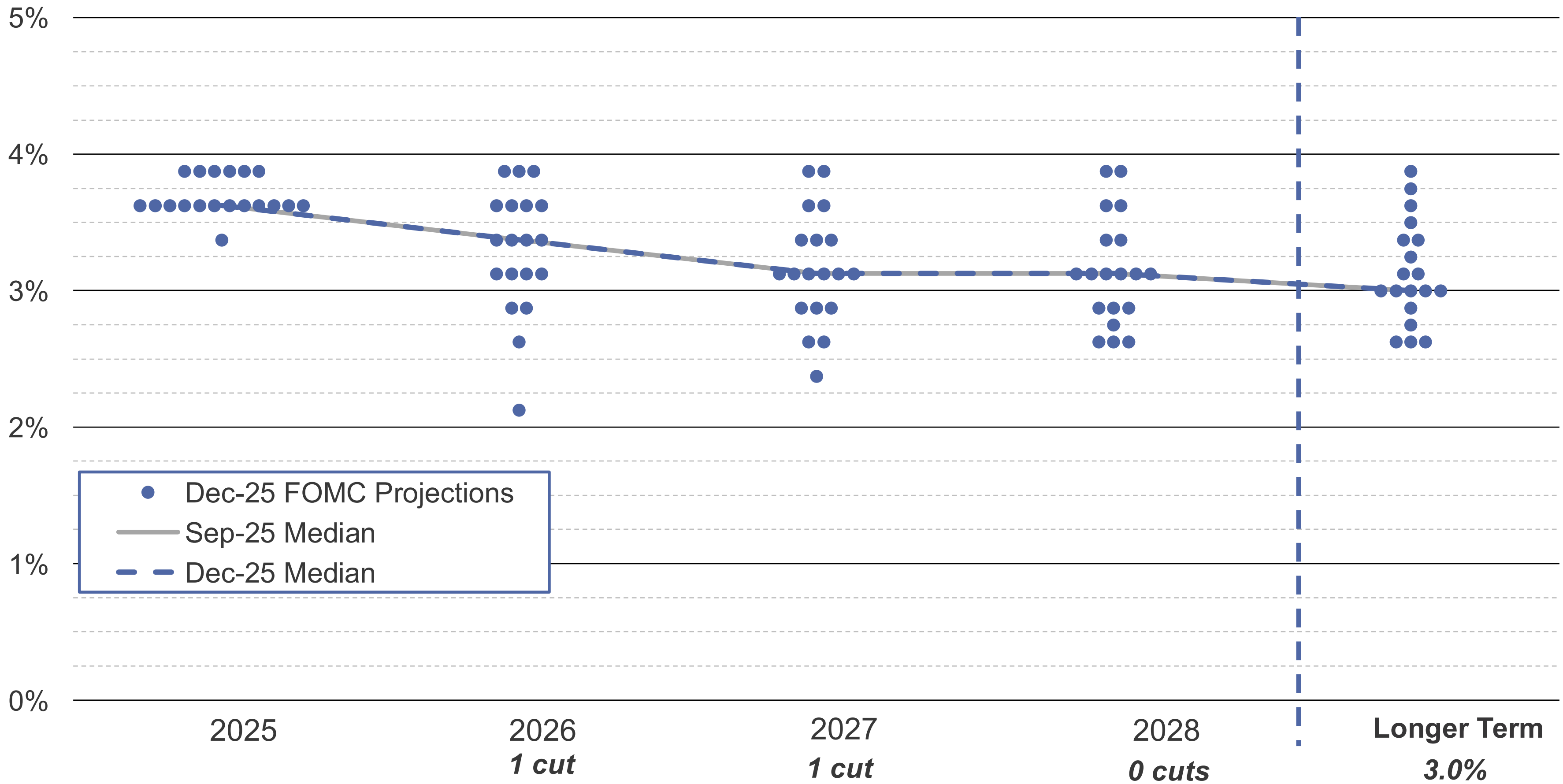


Source: FOMC Chair Jerome Powell Press Conference, December 10, 2025. Federal Reserve, latest median economic projections, as of December 2025.

The December Fed "Dot Plot"

Fed Chair Powell: "[I]t is very unusual to have persistent tension between the two parts of the mandate… But it is not like the normal situation where everyone agrees on the direction and what to do. It is more spread out."

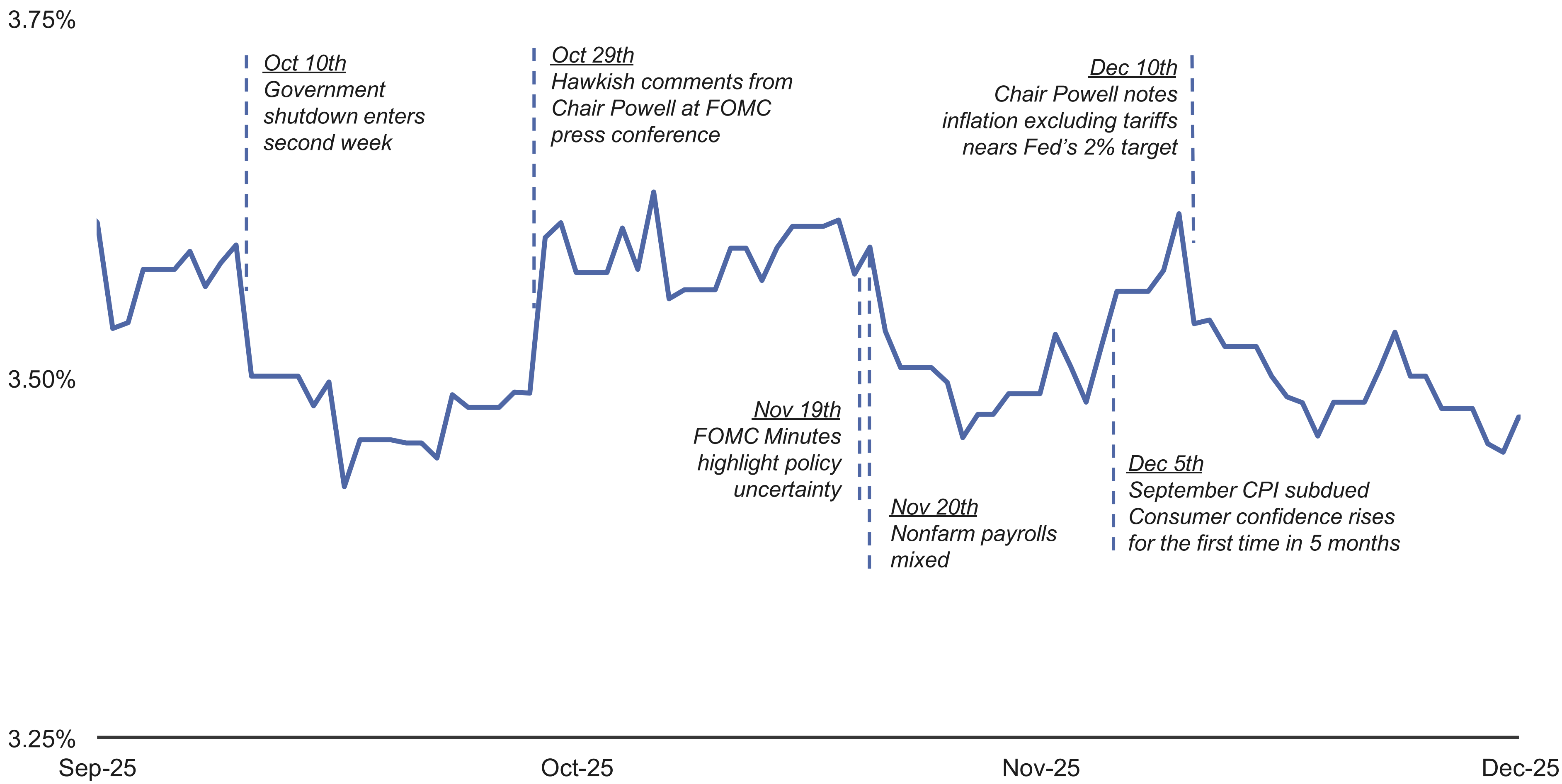
Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: FOMC Chair Jerome Powell Press Conference, December 10, 2025. Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of December 2025.

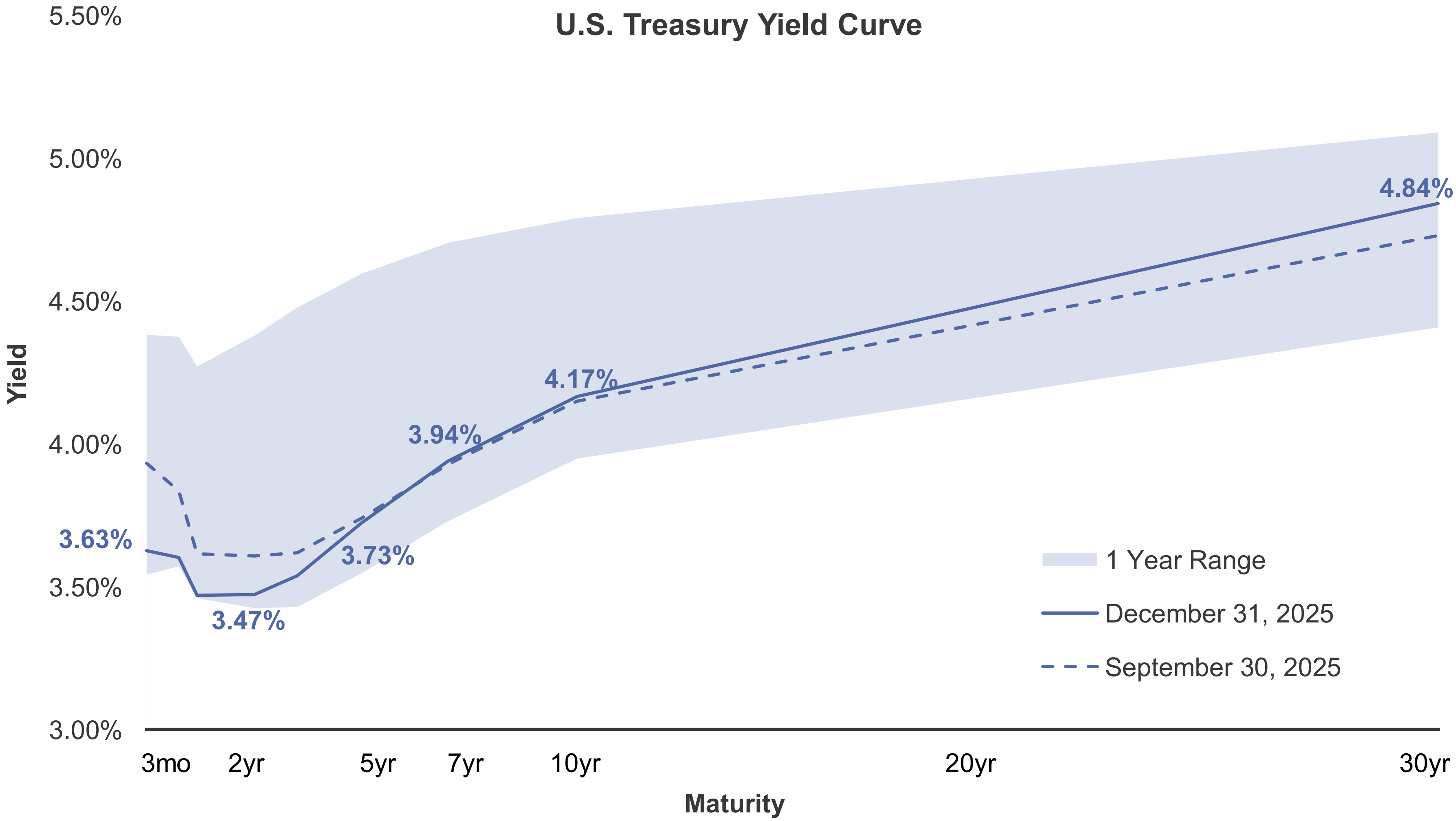
Treasury Yields Range Bound As Volatility Wanes

2-Year U.S. Treasury Yield
September 30, 2025 – December 31, 2025



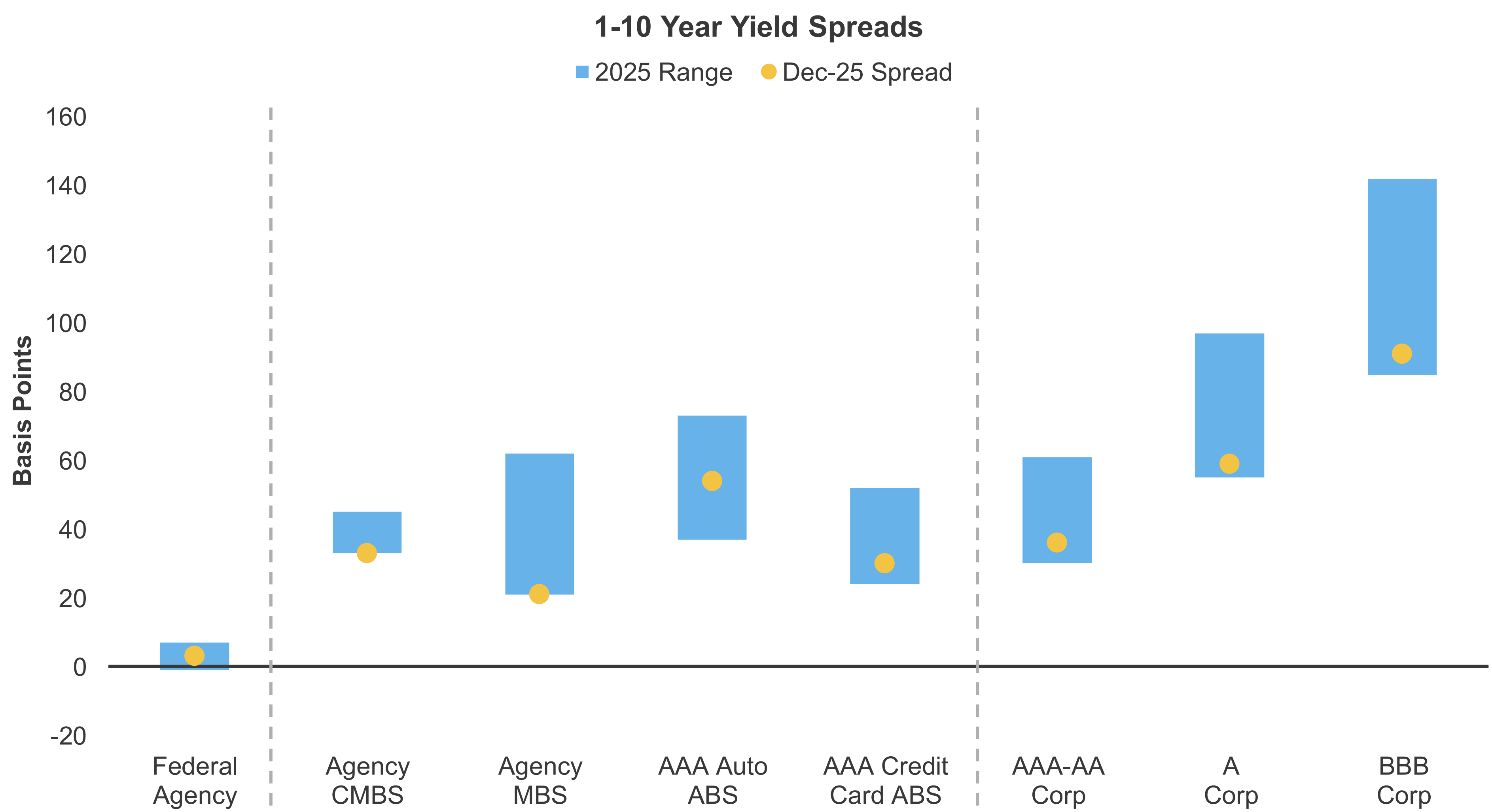
Source: Bloomberg Finance L.P., as of December 31, 2025.

Treasury Yield Curve Nears Dis-inversion



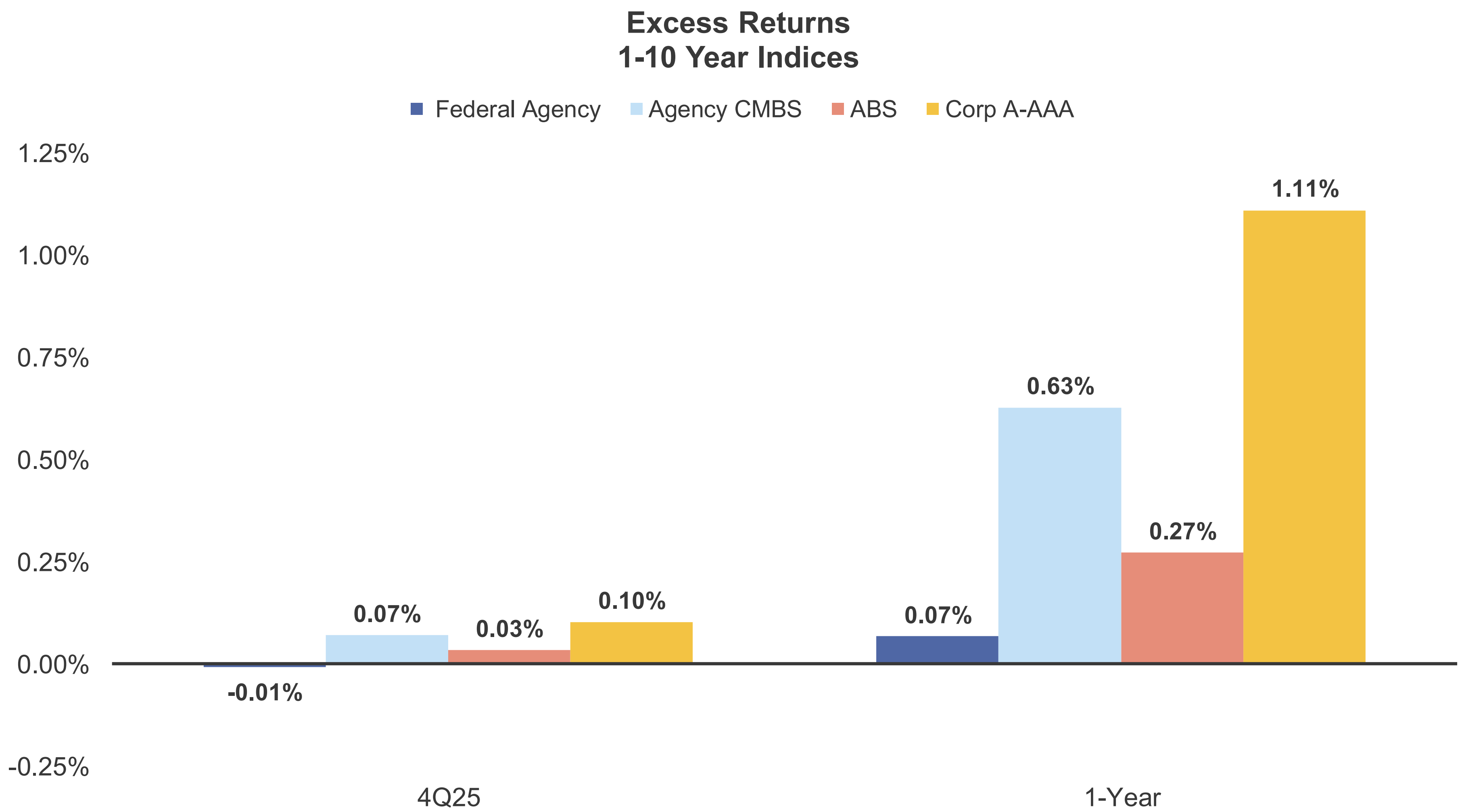
Source: Bloomberg Finance L.P., as of December 31, 2025.

Sector Yield Spreads



Source: ICE BofA 1-10 year Indices via Bloomberg Finance L.P. as of December 31, 2025. Spreads on ABS and MBS are option-adjusted spreads based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries.
CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

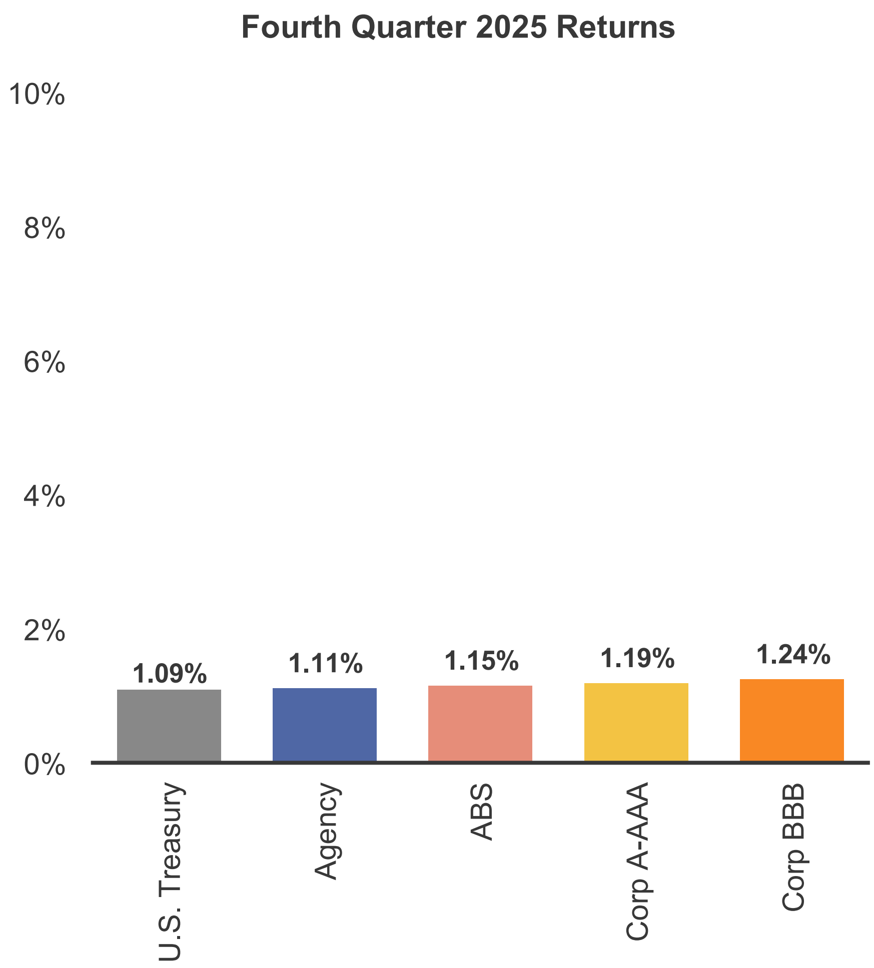
Fixed-Income Index Excess Returns

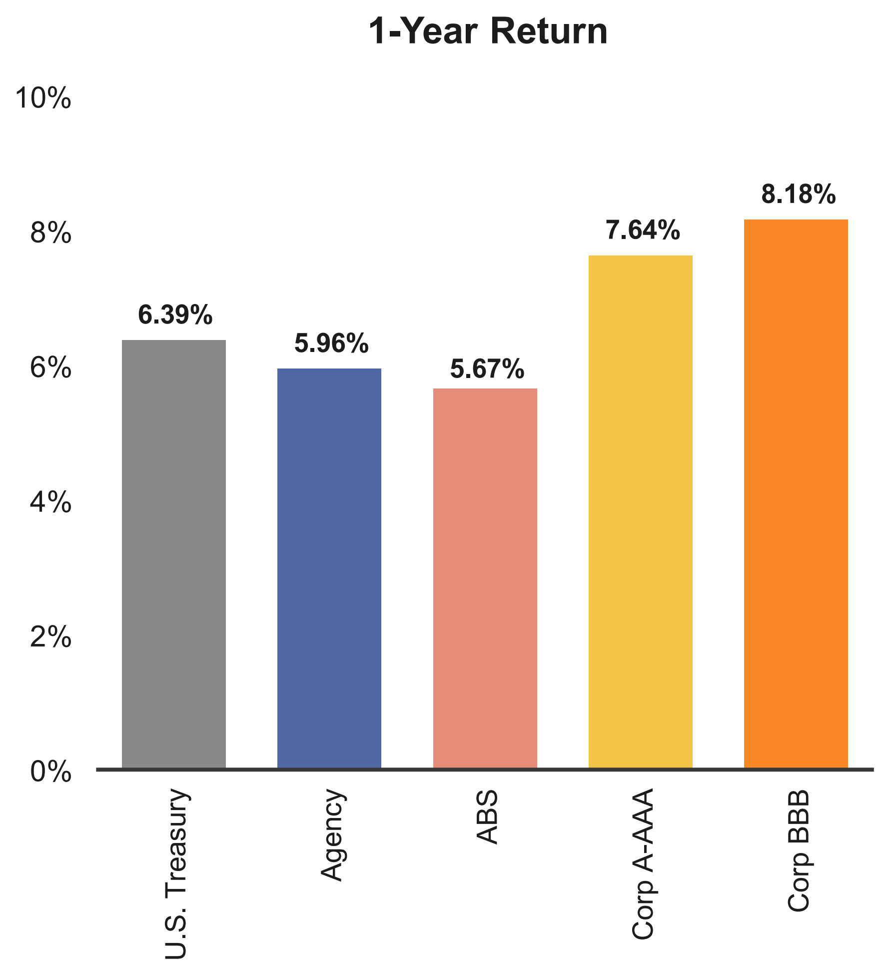


Source: ICE BofA Indices. ABS indices are 0-10 year, based on weighted average life. Agency CMBS represented by ICE BofA CMBY Index. As of December 31, 2025.

Fixed-Income Index Total Returns in 4Q 2025

1-10 Year Indices





Source: ICE BofA Indices. ABS indices are 0-10 year, based on weighted average life. As of December 31, 2025.

Treasury Yields Remain Above Historical Averages

Source: Bloomberg Finance L.P., as of December 31, 2025.

Government Sector Strategy

AGENCY BULLETS

Reduce allocations

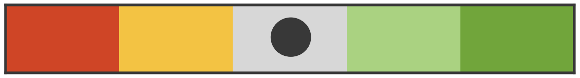
Summary:

- Spreads remain rich, especially in the 1–7y area, trading near or through Treasuries
- Limited issuance outside of 12 months continues to keep spreads narrow

Outlook:

- Spreads expected to remain tight
- Opportunistically sell for rebalancing or swaps into new issue across sectors
- Continue monitoring ongoing privatization efforts of Fannie Mae and Freddie Mac

CALLABLE AGENCIES



Reduce allocations

Summary:

- Front-end spreads have widened recently on an uptick in volatility and secondary supply
- Activity remains elevated versus 1H25 as redemptions drive more issuance
- Valuations remain rich across the front end

Outlook:

- Evaluate callables cautiously with a preference for longer lockouts

SUPRANATIONALS

Reduce allocations

Summary:

- Spreads remain near historic lows with 1-5y maturities offering 5-10 bps over comparable federal agency bullets
- Flat spread curve favors shorter maturities
- Bonds continue to be well bid

Outlook:

- We expect more new issue supply in January and February
- Continue evaluating new issues, especially for constrained accounts
- Opportunistically sell for rebalancing or sector rotation

● **Current outlook**

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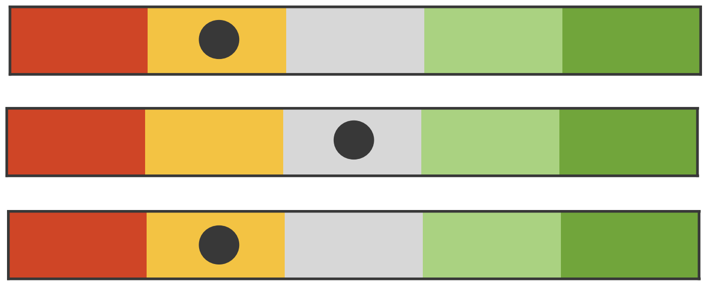
Corporate Sector Strategy

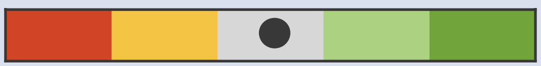
OVERALL
FINANCIALS
INDUSTRIALS



Short (<5 year) Corporates: Maintain flexibility to add / swap as opportunities arise

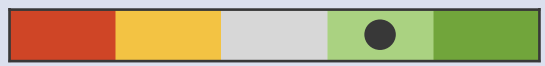
Longer Corporates: Maintain underweight (contribution to duration) vs. benchmarks

Fundamentals:



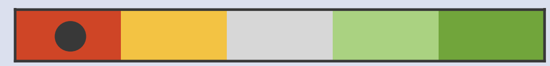
- Corporate balance sheets remain strong and default risk is low
- Revenue and EBITDA growth is solid but margins have softened
- Increased M&A activity poses idiosyncratic risks but is not expected to pressure spreads
- Economic backdrop remains supportive with recession risks appearing limited
- Risks include slower earnings growth, sticky inflation, and less accommodative Fed
- Political uncertainty and potential punitive policies could weigh on sentiment

Technicals:



- Supply expected to be heavy in 2026 given M&A activity and increasing AI capex
- Domestic demand remains strong given relative attractiveness of yields levels
- Foreign demand is mixed given lower yield differentials and high but declining hedging costs
- Short-term credit supported by increased demand from money market investors extending and long duration investors shortening
- Secondary market liquidity remains healthy, supporting tactical adjustments
- Lower yields and higher supply are main risks

Valuations:



- Short-term credit spreads have remained in narrow range for past 6 months
- Longer-duration credit is extremely rich with spreads near the tightest levels since late ‘90s
- Spread breakevens are snug on the long end yet favorable on the front end over a 1-year horizon
- Corporate credit curve remains flat and are expected to steepen on long end
- All-in yields remain elevated

● **Current outlook**

Negative	Slightly Negative	Neutral	Slightly Positive	Positive

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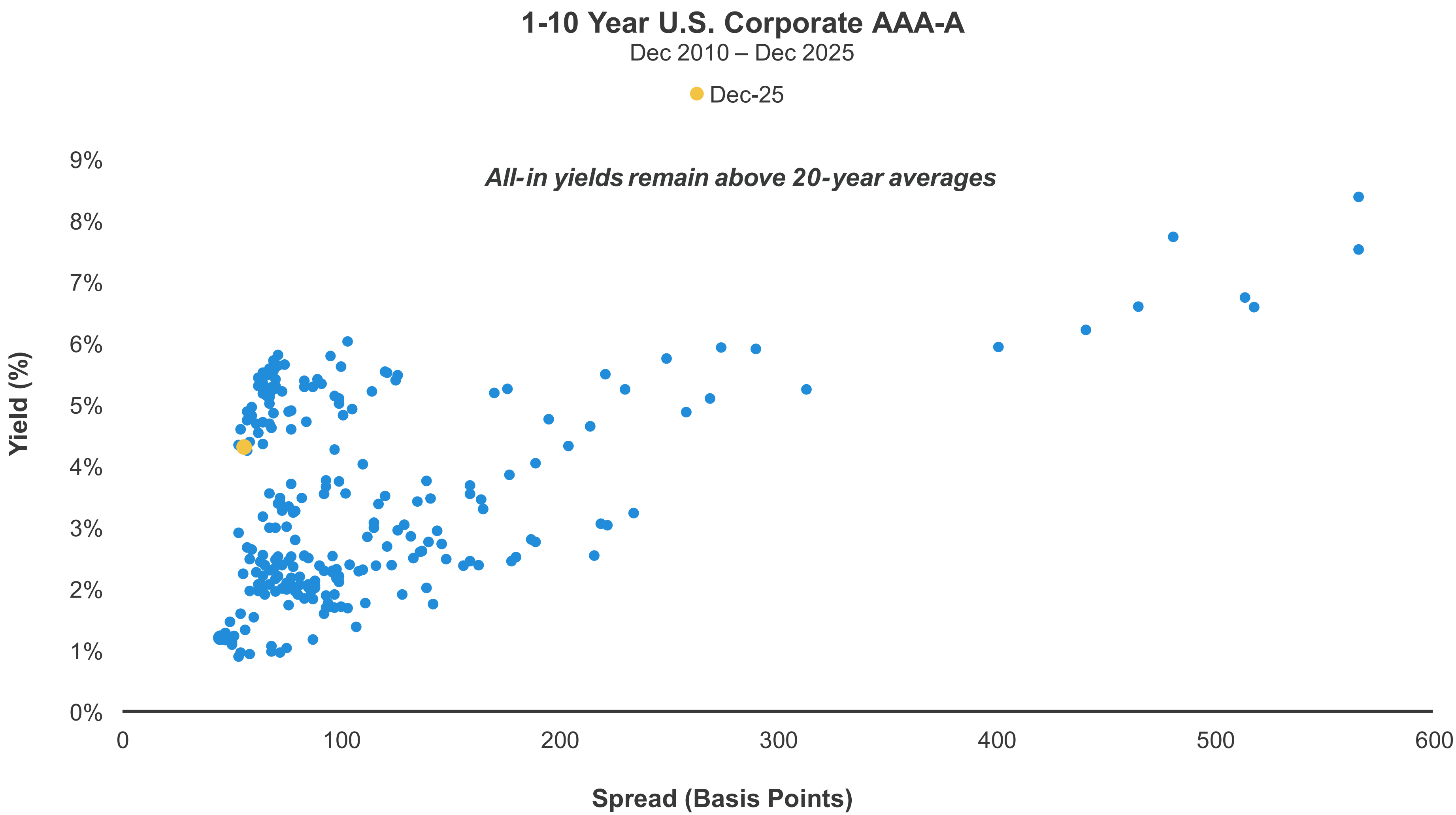
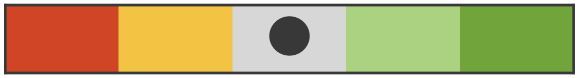
Corporate Index Yield vs OAS (2010 – 2025)



Source: Bloomberg Finance L.P., ICE BofA Indices. Spread is option adjusted spread (OAS). Monthly data from December 2010 to December 2025.

Securitized Sector Strategy

AGENCY MBS



Maintain target allocations

Summary:
- Prepayments have begun to moderate after picking up last quarter
- 2026 net supply is projected to increase modestly
- Increase in demand from banks and government agencies supportive of technicals

Outlook:
- Maintain allocations favoring near-the-money coupons in 15- and 30-yr structures
- Look to take advantage of any increases in volatility

AGENCY CMBS

Reduce through attrition

Summary:
- Spreads mostly range-bound near historically narrow levels
- Fundamentals are weak but stabilizing with soft rent growth and moderately high vacancies
- Secondary market activity remains light with heavy dealer inventory

Outlook:
- New issue remains robust
- Valuations are well inside historical averages
- Sector expected to perform well if/when volatility increases

ASSET-BACKED

Reduce through attrition

Summary:
- Prime ABS fundamentals remain stable
- Credit metrics have normalized and structures remain resilient to recession scenarios
- Decline in all-in yields may lead to spread widening and softer demand

Outlook:
- Supply expected to be well digested, limiting new issue attractiveness
- Carry expected to be driver of excess returns
- Evolution of labor market and economy remain key risks

● **Current outlook**

Negative	Slightly Negative	Neutral	Slightly Positive	Positive

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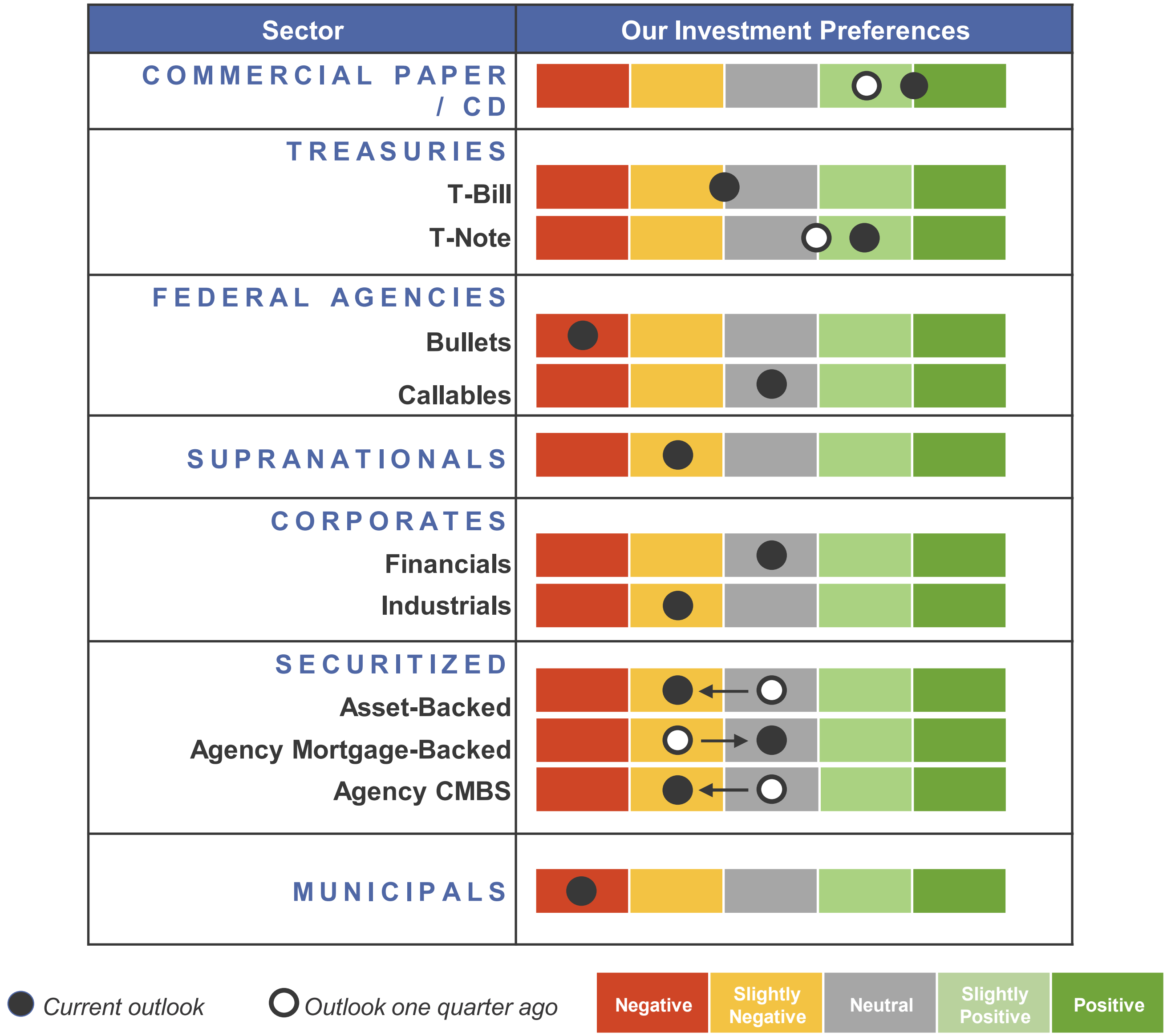
Fixed-Income Sector Commentary – 1Q 2026



Fixed-Income Sector Commentary – 4Q 2025

- The **Federal Open Market Committee (FOMC)** lowered the target range for the federal funds rate by 50 bps in Q4 but noted continuing challenges to achieving its dual mandate of maximum employment and stable prices.
- The **U.S. Treasury** yield curve steepened in response to the Fed as yields on the short end fell more than intermediate (2- to 5-year) maturities. Returns across 1-3, 1-5, and 1-10 Treasury benchmarks were similar over the quarter. Yields on longer-maturity securities increased, hurting performance for longer indices lower.
- **Federal Agency & supranational** issuance remained limited, keeping spreads narrow and excess returns muted. The ongoing privatization efforts of Fannie Mae and Freddie Mac remain a focus, though no substantial progress has been shared publicly
- **Investment-Grade (IG) corporate** bonds generated modest excess returns as spreads were relatively stable over the quarter. Lower-quality led performance, supported by strong investor demand. Positive carry remained the primary driver of returns.
- Spreads on **Asset-Backed Securities** widened marginally, keeping excess returns modest. Auto loan collateral marginally outperformed credit receivables.
- **Agency-backed mortgage-backed securities (MBS)** generated solid excess returns in Q4 and were a consistent top performer during the second half of the year. Longer-duration mortgages (30-year) outperformed shorter-duration (15-year) collateral. Lower bond volatility over the past few months continues to serve as a tailwind to the sector. **Agency-backed commercial MBS (CMBS)** also generated positive excess returns for the quarter but continue to lag residential MBS.
- **Short-term credit** (commercial paper and negotiable bank CDs) yield spreads remained attractive over the quarter. Month-end funding pressures pushed repo rates above the upper bound of the federal funds rate, which created opportunities to add overnight repo and floating rate securities tied to SOFR.

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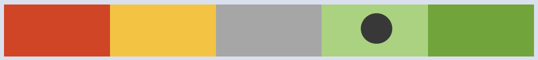
Fixed-Income Sector Outlook – 1Q 2026

- **U.S. Treasury** yields remain reasonably attractive and near fair value. For shorter duration strategies, we prefer a modestly longer duration stance as we expect Fed policy to have a more direct impact on front-end yields. For longer duration strategies, we will maintain a curve steepening bias by modestly underweighting the long end of the curve.
- **Federal Agency & Supranational** spreads are likely to remain at tight levels. Government-only accounts may find occasional value on an issue-by-issue basis.
- **Taxable Municipals** continue to present limited opportunity due to an ongoing lack of supply and strong demand which is keeping yields low. We do not expect this to change in the near term.
- **Investment-Grade (IG) Corporate** bond fundamentals remain stable with technicals supportive of the sector. All-in yields remain reasonably attractive, though stretched valuations continue to argue for discipline and caution. We will continue to look for opportunities across new issue and secondary markets.
- **Asset-Backed Securities** fundamentals remain within expectations while credit enhancements remain robust. We expect supply to be well-digested, limiting new issue attractiveness. Household balance sheets for prime borrowers remain healthy, though further cooling in the labor market remains a risk. We expect spreads to remain stable with carry the driver of excess returns into 2026.
- **Mortgage-Backed Securities** is expected to increase modestly in 2026 and could present opportunity should spreads widen from current narrow levels. We may look to add to the sector on any increases in volatility.
- **Short-term credit** (commercial paper and negotiable bank CDs) spreads in Q1 are expected to be primarily driven by the FOMC's monetary policy decisions. We have a bias for longer weighted average maturities due to the flatness of the yield curve. Longer-maturity fixed rate securities are also an opportunity entering 2026 given positive carry and the potential for further Fed rate cuts.

Factors to Consider for 6-12 Months

Monetary Policy (Global):

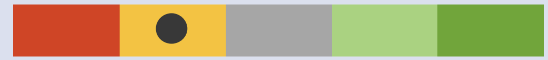


- The Fed cut rates by 50 bps in Q4 but noted continuing challenges to achieving its dual mandate of maximum employment and stable prices.
- The “dot plot” indicates 25 bps of projected cuts in both 2026 and 2027, but the wide dispersion underscores growing differences of opinion.
- Markets view policy risks as skewed towards additional easing assuming a more dovish Chair takes office in mid-2026 as expected.
- Most major central banks have continued easing with the BOJ being the notable exception.

Economic Growth (Global):

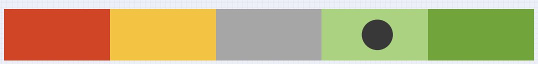
- Strong consumer and business spending and steadier trade dynamics continue to fuel economic growth.
- The effects of U.S. government shutdown are expected to be temporary and fully recouped in 1Q26.
- Benefits from the tax and reconciliation bill and increases in anticipated AI capex are expected to support growth in 2026.

Inflation (U.S.):



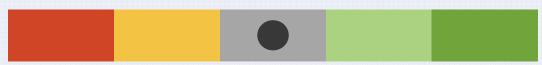
- While headline inflation moved lower in Q4, significant gaps in data collection due to the U.S. government shutdown likely biased the data lower.
- Lower shelter inflation continues to support disinflation going forward although goods prices continue to experience tariff passthroughs.
- Fed Chair Powell noted inflation excluding tariffs is near 2%, suggesting the Fed is looking through these effects.

Financial Conditions (U.S.):



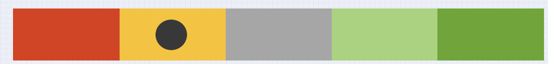
- Financial conditions eased further as corporate earnings exceeded expectations and tariff concerns abated.
- Equities reached new all-time highs, credit spreads remain tight, and volatility remains low.
- Fiscal uncertainty and geopolitical risks could reintroduce tighter financial conditions over the next 6-12 months.

Consumer Spending (U.S.):



- Consumer confidence sank given a more pessimistic views of the labor market, particularly among lower-income cohorts.
- Consumer activity remained resilient through the holiday shopping season, highlighting the disconnect between sentiment and actual activity.
- Consumer spending is dominated by higher-income cohorts who benefit from elevated wage growth, strong equity markets, and home price appreciation.
- A significant correction in the equity market or a material slowdown in the labor market are the largest threats to consumer spending.

Labor Markets (U.S.):



- Labor market conditions continued to cool with net new job creation close to zero with gains concentrated in the healthcare sector.
- The breakeven employment level to keep pace with labor force growth has fallen. Initial jobless claims and layoff rates remains low, easing some concerns over labor weakness.
- The unemployment rate continued to tick higher, while job openings declined and the quits rate remain subdued, signaling reduced worker leverage.
- Wage growth continues to exceed inflation, supporting consumer spending.

● Current outlook **○ Outlook one quarter ago**

Stance Unfavorable to Risk Assets	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	**Stance Favorable to Risk Assets**

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg Finance L.P. and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (12/31/2025) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

Portfolio Review:
CITY OF NAPERVILLE

Q4 2025 Commentary

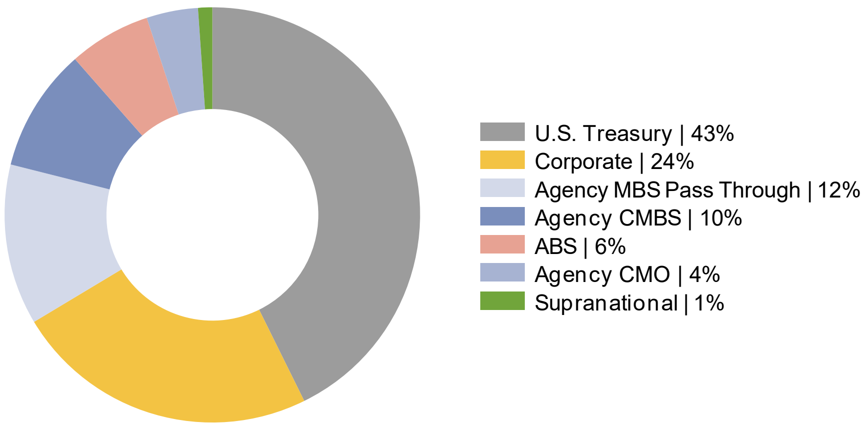
Following a 25 basis point decrease in the third quarter, the Federal Reserve lowered the federal funds rate 50 basis points to the 3.50% - 3.75% range during the fourth quarter. Also, the Fed signaled they will likely make at least one more 25 basis point cut in 2026. Nonetheless, the yield on the 10-yr. Treasury rose 2 basis points in the fourth quarter after decreasing 8 basis points during the third quarter. Our underweighting of longer maturity securities provided a positive contribution to fourth quarter performance, given that the 5-yr. to 10-yr. Treasury yield spread widened by 3 basis points. In addition, the portfolio benefitted from our allocations to the MBS, ABS, corporate, and agency CMBS sectors, as those areas outperformed Treasuries on a duration-neutral basis by 69, 16, 11, and 9 basis points, respectively. As a result, the portfolio exceeded the benchmark by 7 basis points. For all of 2025, the portfolio outpaced the benchmark by 56 basis points, as the MBS, corporate, agency CMBS, and ABS sectors generated excess returns of 171, 126, 80, and 55 basis points, respectively. Over the past nine years, the portfolio has outperformed by an annualized 47 basis points.

Portfolio Snapshot - CITY OF NAPERVILLE[1]

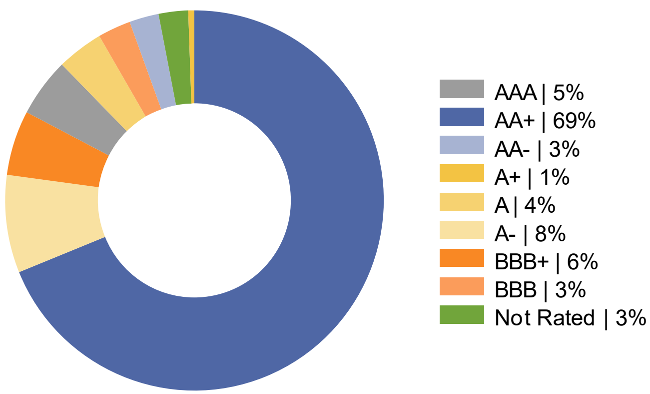
Portfolio Statistics

Total Market Value	$107,684,098.22
Securities Sub-Total	*$106,535,668.40*
Accrued Interest	*$654,588.57*
Cash	*$493,841.25*
Portfolio Effective Duration	3.42 years
Benchmark Effective Duration	3.59 years
Yield At Cost	3.76%
Yield At Market	3.98%
Portfolio Credit Quality	AA

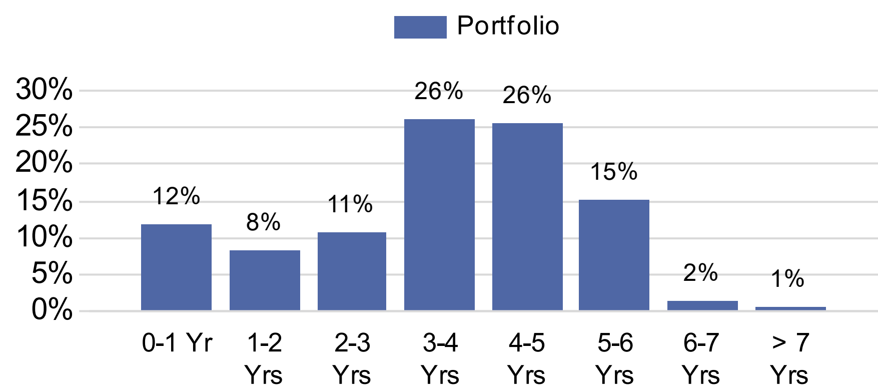
Sector Allocation



Credit Quality - S&P

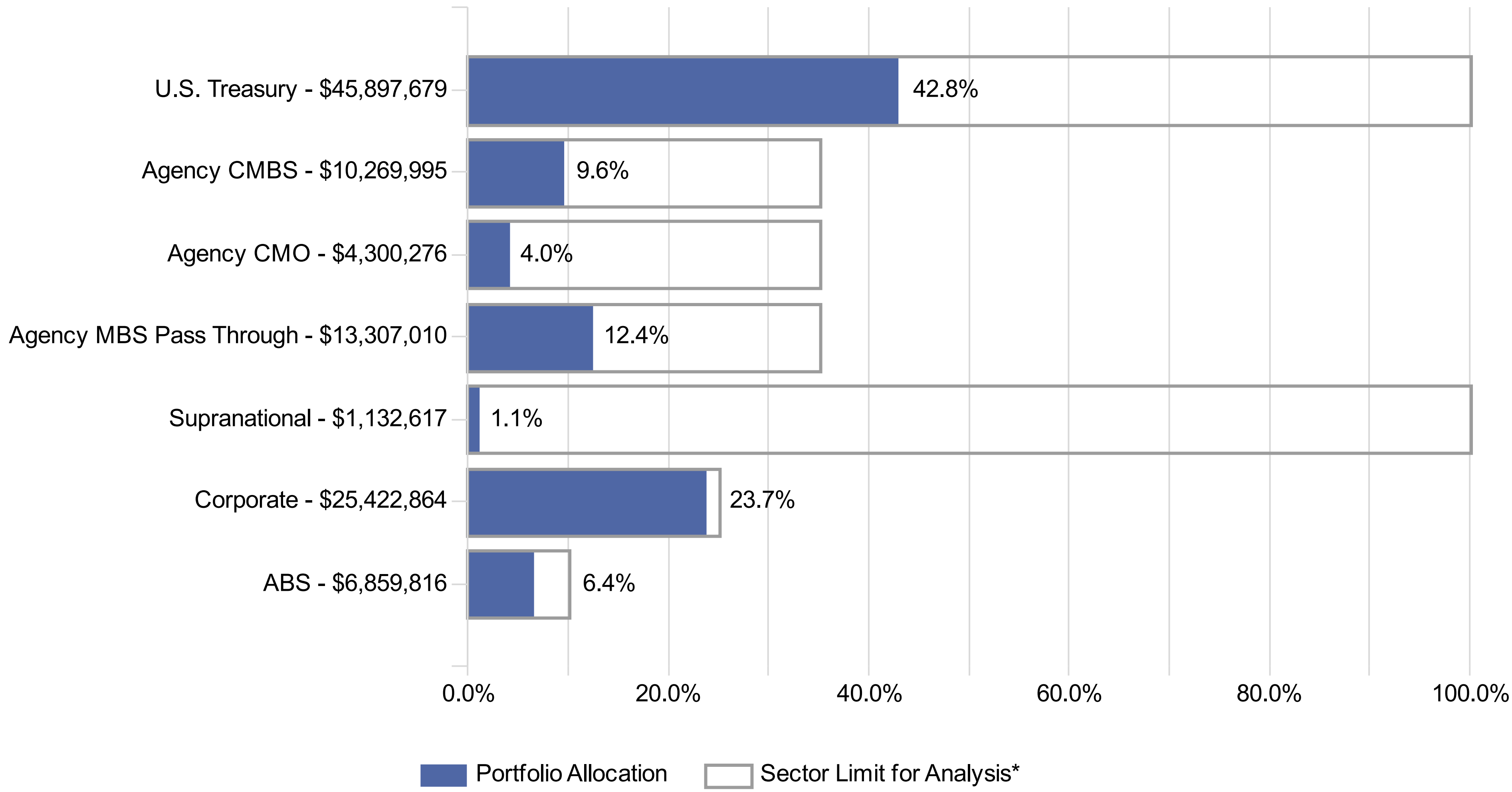


Duration Distribution



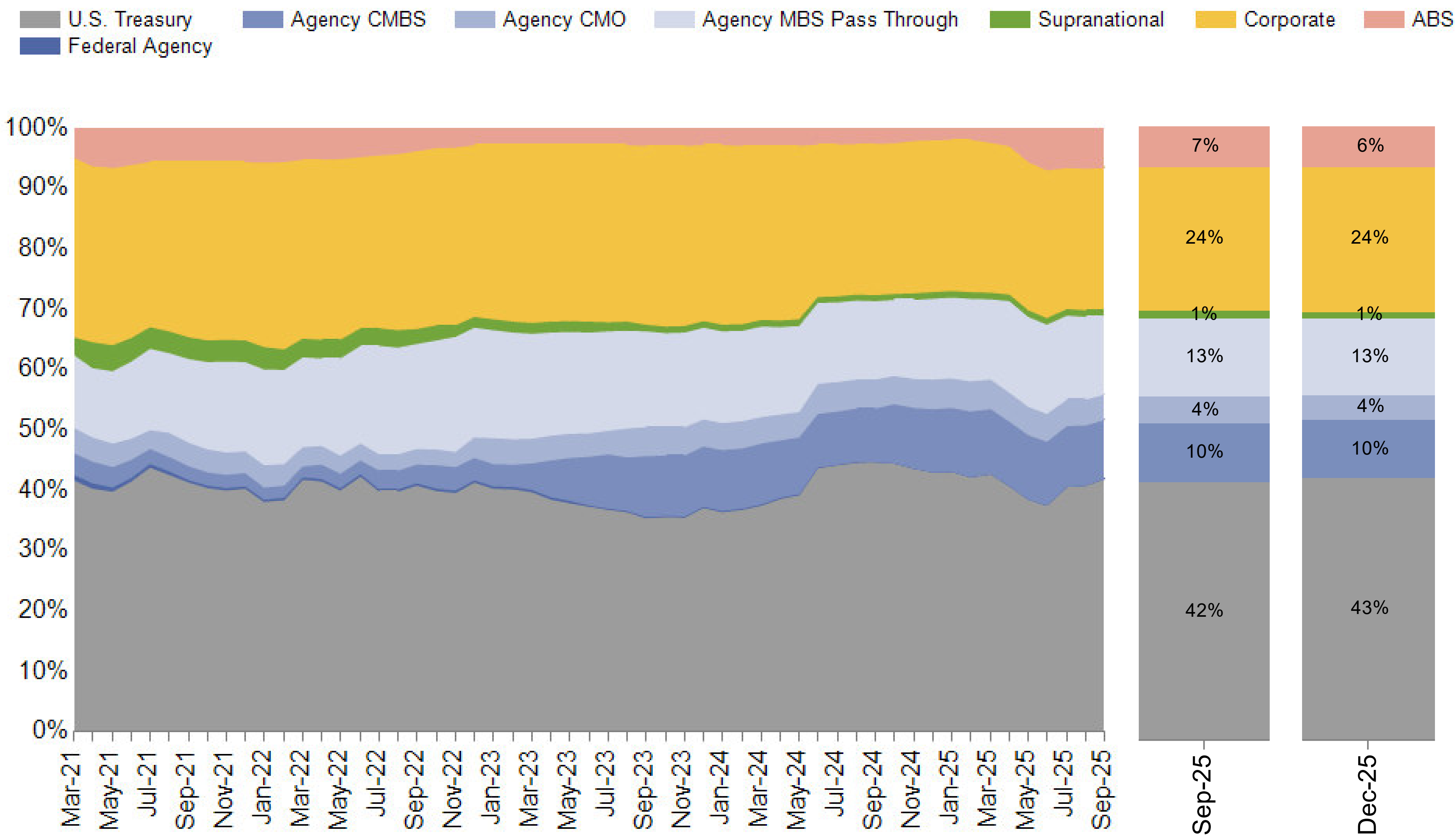
1. *Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg Financial LP. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.*

Sector Allocation Analytics



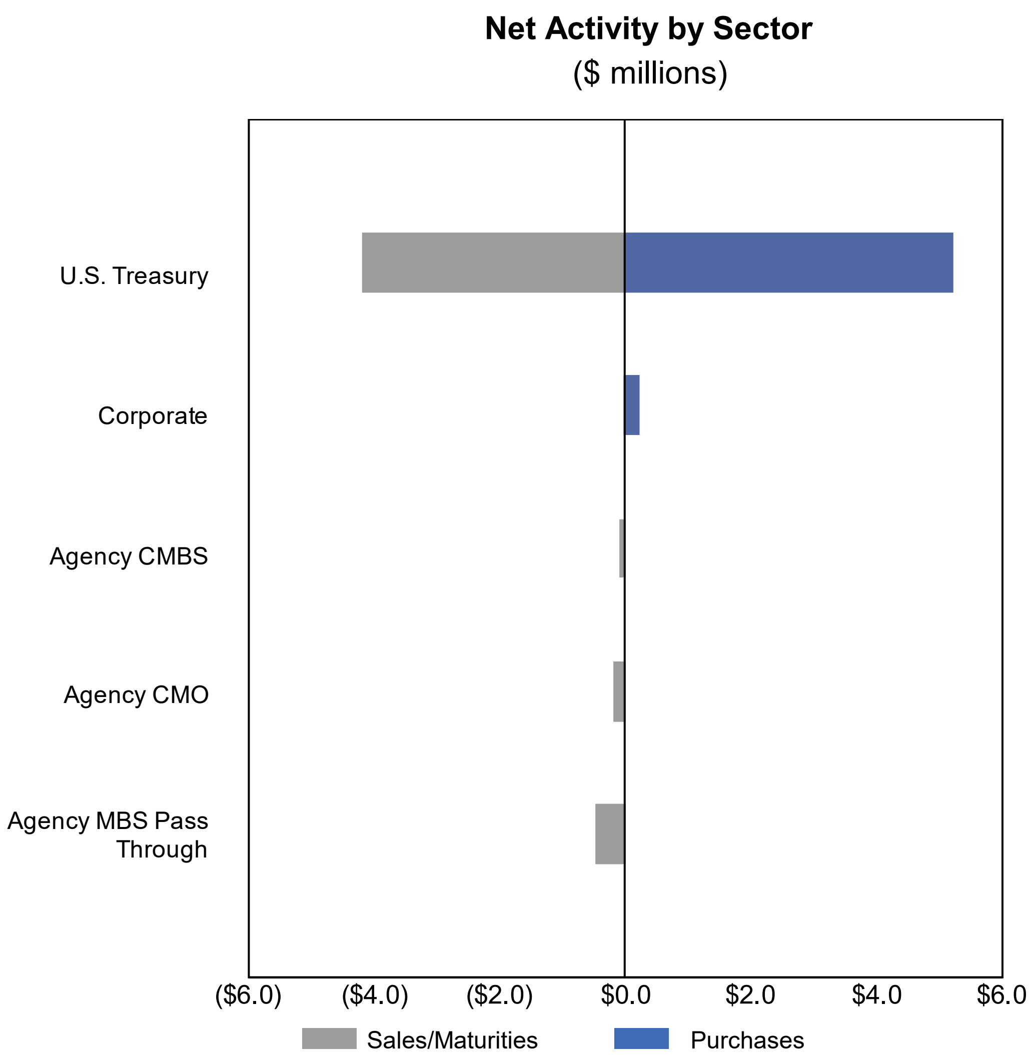
For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.
**Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

Historical Sector Allocation - CITY OF NAPERVILLE



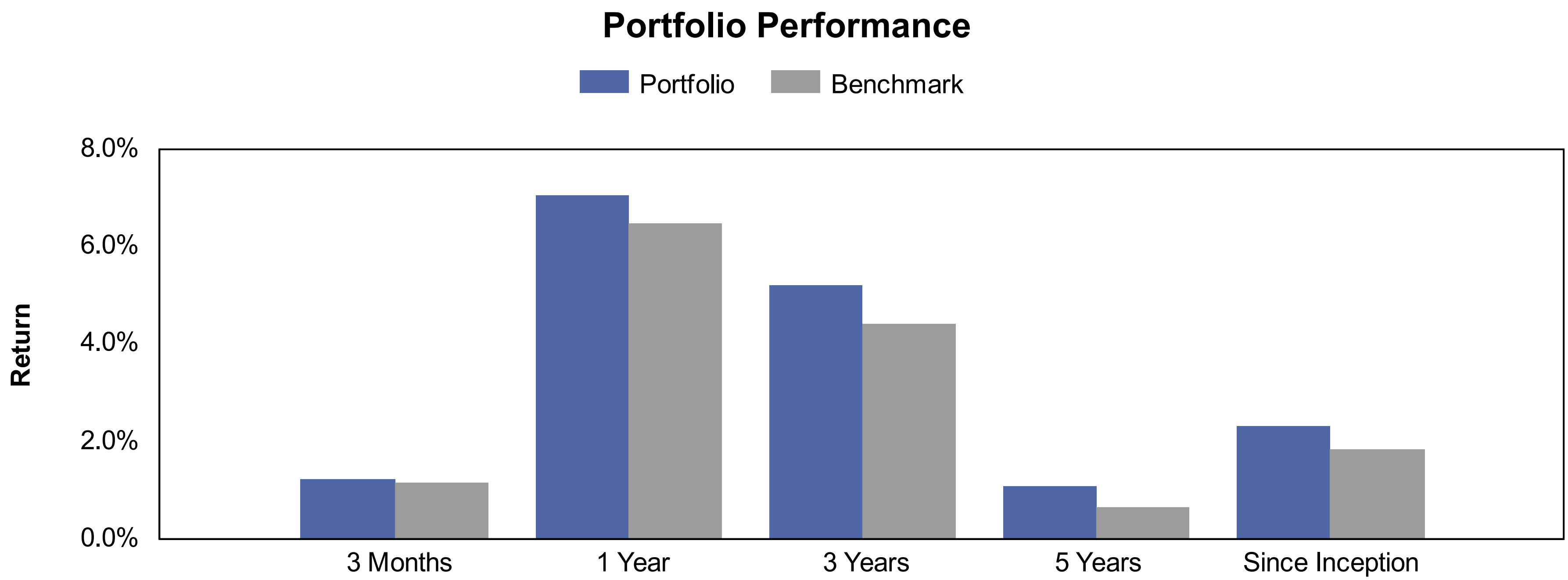
Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM.

Portfolio Activity - CITY OF NAPERVILLE



Sector	Net Activity
U.S. Treasury	$1,025,906
Corporate	$214,983
Agency CMBS	($73,459)
Agency CMO	($177,964)
Agency MBS Pass Through	($468,737)
Total Net Activity	**$520,728**

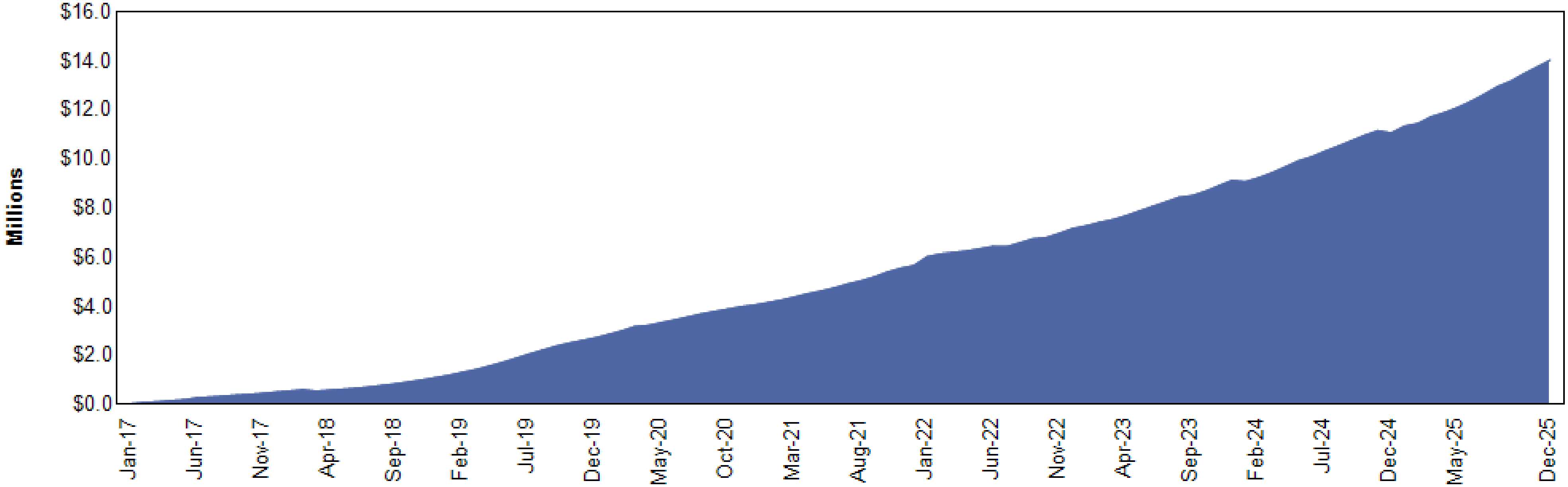
Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception[1]
Interest Earned[2]	$922,122	$3,485,576	$8,945,880	$12,410,007	$16,232,894
Change in Market Value	$382,137	$3,446,030	$6,759,557	($5,512,269)	($1,972,271)
Total Dollar Return	**$1,304,259**	**$6,931,606**	**$15,705,437**	**$6,897,738**	**$14,260,623**
Total Return[3]					
Portfolio	1.23%	7.06%	5.23%	1.09%	2.31%
Benchmark[4]	1.15%	6.50%	4.40%	0.64%	1.83%
Difference	0.07%	0.56%	0.83%	0.45%	0.47%

1. *The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2016.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.*
4. *The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg Financial LP.*

Accrual Basis Earnings - CITY OF NAPERVILLE



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception[1]
Interest Earned[2]	$922,122	$3,485,576	$8,945,880	$12,410,007	$16,232,894
Realized Gains / (Losses)[3]	($121,259)	($643,780)	($2,407,419)	($2,390,854)	($2,272,916)
Change in Amortized Cost	$61,450	$126,549	$328,075	($46,508)	$73,397
Total Earnings	**$862,313**	**$2,968,346**	**$6,866,536**	**$9,972,646**	**$14,033,375**

1. *The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2016.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Realized gains / (losses) are shown on an amortized cost basis.*

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	**42.8%**	
United States Treasury	42.8%	AA / Aa / AA
Agency CMBS	**9.6%**	
Federal Home Loan Mortgage Corp	9.6%	AA / Aa / AA
Agency CMO	**4.0%**	
Federal Home Loan Mortgage Corp	1.3%	AA / Aa / AA
Federal National Mortgage Association	2.0%	AA / Aa / AA
Government National Mortgage Associatio	0.7%	AA / Aa / AA
Agency MBS Pass Through	**12.4%**	
Federal Home Loan Mortgage Corp	4.0%	AA / Aa / AA
Federal National Mortgage Association	8.4%	AA / Aa / AA
Government National Mortgage Associatio	0.0%	AA / Aa / AA
Supranational	**1.1%**	
Asian Development Bank	0.4%	AAA / Aaa / AAA
Inter-American Development Bank	0.7%	AAA / Aaa / AAA
Corporate	**23.7%**	
Allstate Corp	0.3%	BBB / A / BBB
American Express Co	0.6%	A / A / A
Amgen Inc	0.5%	BBB / Baa / BBB
ANZ Group Holdings Ltd	0.7%	AA / A / A
AstraZeneca PLC	0.5%	A / A / NR
Bank of America Corp	1.4%	A / A / AA
Bank of Montreal	0.6%	A / A / AA
Bank of Nova Scotia	0.7%	A / A / AA
Barclays PLC	0.4%	BBB / Baa / A
Bayerische Motoren Werke AG	0.7%	A / A / NR
BlackRock Inc	0.2%	AA / Aa / NR

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	**23.7%**	
Bristol-Myers Squibb Co	0.6%	A / A / NR
Capital One Financial Corp	0.4%	BBB / Baa / A
Charles Schwab Corp	0.6%	A / A / A
Citigroup Inc	0.3%	BBB / A / A
Citizens Financial Group Inc	0.6%	BBB / Baa / BBB
Commonwealth Bank of Australia	0.6%	AA / Aa / NR
CVS Health Corp	0.5%	BBB / Baa / BBB
DNB Bank ASA	0.5%	A / A / NR
Fifth Third Bancorp	0.5%	BBB / Baa / A
General Motors Co	0.3%	BBB / Baa / BBB
Goldman Sachs Group Inc	0.7%	BBB / A / A
Huntington Bancshares Inc/OH	0.5%	BBB / Baa / A
Hyundai Motor Co	0.5%	A / A / A
JPMorgan Chase & Co	0.8%	A / A / AA
KeyCorp	0.4%	BBB / Baa / A
Lloyds Banking Group PLC	0.3%	A / A / A
Macquarie Group Ltd	0.4%	BBB / A / A
Mars Inc	0.7%	A / A / NR
McCormick & Co Inc/MD	0.4%	BBB / Baa / NR
Meta Platforms Inc	0.2%	AA / Aa / NR
Mitsubishi UFJ Financial Group Inc	0.6%	A / A / A
Morgan Stanley	0.7%	A / A / A
National Australia Bank Ltd	0.7%	AA / A / NR
National Rural Utilities Cooperative Fi	0.2%	A / A / A
Nordea Bank Abp	0.6%	A / A / AA
Oracle Corp	0.5%	BBB / Baa / BBB

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	**23.7%**	
Principal Financial Group Inc	0.3%	A / Baa / A
Societe Generale SA	0.4%	BBB / Baa / A
Sumitomo Mitsui Financial Group Inc	0.6%	A / A / NR
Truist Financial Corp	0.7%	A / Baa / A
US Bancorp	0.5%	A / A / A
Verizon Communications Inc	0.3%	BBB / Baa / A
Volkswagen AG	0.4%	BBB / Baa / A
Wells Fargo & Co	0.7%	BBB / A / A
ABS	**6.4%**	
American Express Co	0.6%	AAA / NR / AAA
Bank of America Corp	0.5%	NR / Aaa / AAA
Capital One Financial Corp	0.9%	AAA / NR / AAA
Citigroup Inc	0.5%	AAA / Aaa / NR
GM Financial Consumer Automobile Receiv	0.2%	AAA / Aaa / NR
Honda Auto Receivables Owner Trust	0.3%	NR / Aaa / AAA
Hyundai Auto Receivables Trust	0.3%	AAA / NR / AAA
Nissan Auto Receivables Owner Trust	0.5%	NR / Aaa / AAA
Porsche Innovative Lease Owner	0.9%	AAA / NR / AAA
Toyota Auto Receivables Owner Trust	0.4%	AAA / NR / AAA
Toyota Motor Corp	0.6%	NR / Aaa / AAA
Verizon Master Trust	0.6%	NR / Aaa / AAA
Total	**100.0%**	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Important Disclosures

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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- Generally, PFMAM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services. There may be differences in the values shown for investments due to accrued but uncollected income and the use of differing valuation sources and methods. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFMAM believes the prices to be reliable, the values of the securities may not represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for a registered investment company or local government investment program is contained in the appropriate fund offering documentation or information statement.

- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.

- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. **Past performance is not indicative of future returns.**

- ICE Bank of America Indices provided by Bloomberg Financial Markets.

- Money market fund/cash balances are included in performance and duration computations.

- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.

- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.

- MBS maturities are represented by expected average life.

Glossary

- Accrued Interest: Interest that is due on a bond or other fixed income security since the last interest payment was made.
- Agencies: Federal agency securities and/or Government-sponsored enterprises.
- Amortized Cost: The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- Asset-Backed Security: A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- Bankers' Acceptance: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- Commercial Paper: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- Contribution to Total Return: The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- Effective Duration: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- Effective Yield: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- Interest Rate: Interest per year divided by principal amount and expressed as a percentage.
- Market Value: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- Maturity: The date upon which the principal or stated value of an investment becomes due and payable.
- Negotiable Certificates of Deposit: A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- Par Value: The nominal dollar face amount of a security.
- Pass-through Security: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

City of Naperville

Intermediate Gov/Credit

Fourth Quarter Review
As of December 31, 2025

Contents

MetLife Investment Management

4Q 2025 Market Review

	US Aggregate Index	27	-1	-7	1.10%	7.30%	0.16%	0.78%
	Bloomberg MBS Index	22	-9	-21	1.71%	8.58%	0.69%	1.71%
	Bloomberg CMBS Index	75	0	-5	1.34%	7.75%	0.17%	1.03%
	Bloomberg ABS Index	52	3	8	1.25%	5.93%	0.16%	0.55%
	US Credit Index	73	3	-4	0.87%	7.83%	-0.02%	1.26%
	US Corporate Index	78	4	-2	0.84%	7.77%	-0.04%	1.19%
	Industrials	76	4	-2	0.65%	7.50%	-0.17%	0.93%
	Financials	78	4	-4	1.17%	8.24%	0.14%	1.66%
	Utilities	85	3	2	0.82%	7.76%	0.06%	1.10%
	Non-Corporate Credit	40	2	-8	1.12%	7.91%	0.11%	1.47%
	A	64	3	-4	0.92%	7.84%	0.04%	1.28%
	Baa	97	5	0	0.85%	7.93%	-0.07%	1.26%
	Intermediate	70	4	-1	1.29%	7.95%	0.13%	1.31%
	Long	94	4	-4	-0.11%	7.44%	-0.39%	1.04%
Plus Sectors	**ICE BofA Merrill High Yield Constrained Index**	279	1	-11	1.35%	8.50%		
	JP Morgan Emerging Market Debt Global Index	197	-30	-58	3.04%	13.45%		

Source: MIM, Bloomberg

The U.S. fixed income market demonstrated considerable resilience in the face of persistent economic uncertainty and a U.S. government shutdown. Fourth quarter returns across aggregate fixed income (Bloomberg U.S. Aggregate Index or 'The Agg') space were mixed though, with credit excess returns modestly negative (-0.02% excess return) and total returns that were positive (+0.87% total return). Meanwhile the securitized segment posted solid performance with stellar excess returns of +0.69% in Mortgage-backed securities (MBS), and more modest positive returns from Commercial Mortgage-backed securities (CMBS) and Asset-backed securities (ABS) of +0.17% and +0.16% excess return, respectively. More broadly, fixed income assets appeared to be supported by a dovish Federal Reserve policy stance, expectations for rate cuts, and strong investor appetite for relatively attractive yields. On a year-to-date basis, investor appetite for risk assets showed through even better with positive excess returns of +0.78% and total returns of +7.30% on the Agg with +1.71% excess return on MBS outperforming corporate credit (+1.19 excess return) by 52 basis points. Spreads on the index finished the quarter just 1 basis-points tighter to where they entered at 28 basis points after a brief episode of widening over November widening out to 31 basis points. [i]

Mortgage performance was once again underpinned by several key factors this past quarter that played a role in their relative performance over the entire year. The Federal Open Market Committee's reduction in short-term rates led to a sharp decline in interest rate volatility, lowering hedging expenses—a meaningful tailwind for the mortgage basis. The CMBS sector followed its recent trend of heightened issuance, in particular to the SASB property type and investor activity in Q4, bolstered by expectations of Federal Reserve rate cuts and improved technical. All the while, the ABS market saw stronger than usual fourth quarter / year-end issuance which, in our view, was largely attributed to the pause in deals following Tarriff Liberation Day in April yet this pressured spreads in the asset class. The U.S. corporate fixed income market, also experienced increased supply, especially from large, AI-driven issuers, leading to temporary credit spread widening before a year-end retracement. Despite elevated issuance, investor demand persisted, and defensive sectors demonstrated resilience relative to Technology or other industries like Media & Entertainment which managed through a quarter of transformative M&A announcements.

On the macroeconomic front, U.S. GDP growth surprised to the upside, reaching 4.3% as of the third quarter of 2025, with resilient consumer spending serving as the primary driver. This robust figure surprised many given the foundation began to show signs of strain as job growth slowed and labor market conditions softened. Inflation, while still elevated, appeared to be moderating, with year-over-year CPI at approximately 2.7% through November 2025. The labor market reflected this cooling trend, as private employment growth decelerated to just 64,000 jobs added in November and the unemployment rate edged up to 4.6%. Consumer confidence showed a modest improvement in early December, with the University of Michigan's Consumer Sentiment Index rising to 52.9 from 51.0 in November, largely due to improved expectations for personal finances among younger consumers. Nevertheless, overall sentiment remained subdued, weighed down by persistent concerns over high prices and a softening labor market, and confidence levels continued to lag historical averages. [i]

The 2s10s curve materially steepened over December rising to 69 basis points by year-end. This shift continued to signal market expectations for rate cuts at the front end, while longer-term yields remained stable or slightly elevated, likely due to lingering inflation/fiscal risk concerns. The 5s30s curve also steepened, with the spread increasing by about 13 basis points over the period. This move continued to highlight investors demand for a higher premium for long-duration risk, reflecting persistent anxieties regarding long-term inflation, government deficits, or supply-side fiscal issues.[i]

[i] Bloomberg

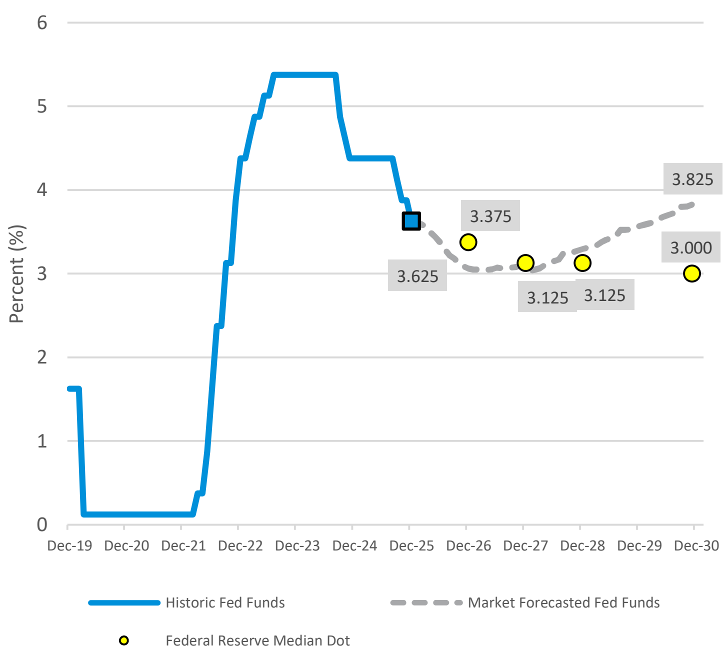
The views presented above are MIM LLC's and are subject to change over time. There can be no assurance that the views expressed above will prove accurate and should not be relied upon as a reliable indicator of future events.

1. Excess Returns are measured against similar duration treasuries.

Market Review (Continued)

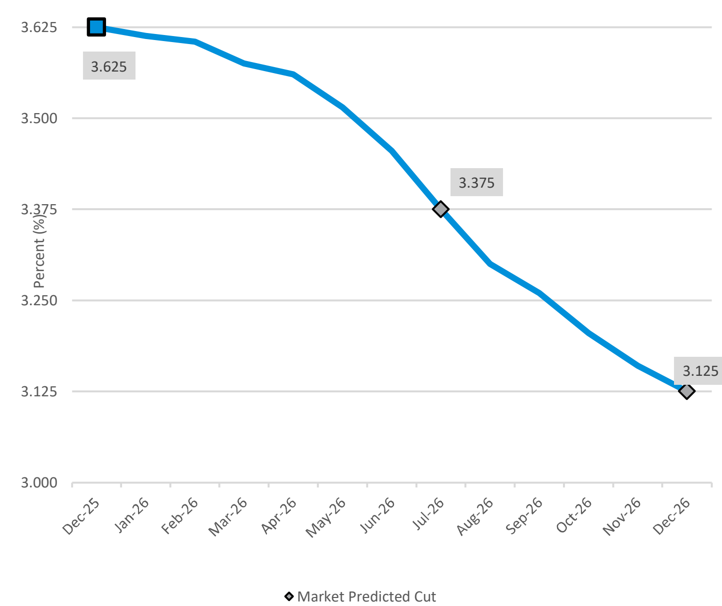
Federal Reserve Dashboard

Federal Reserve's Federal Funds Forecasts



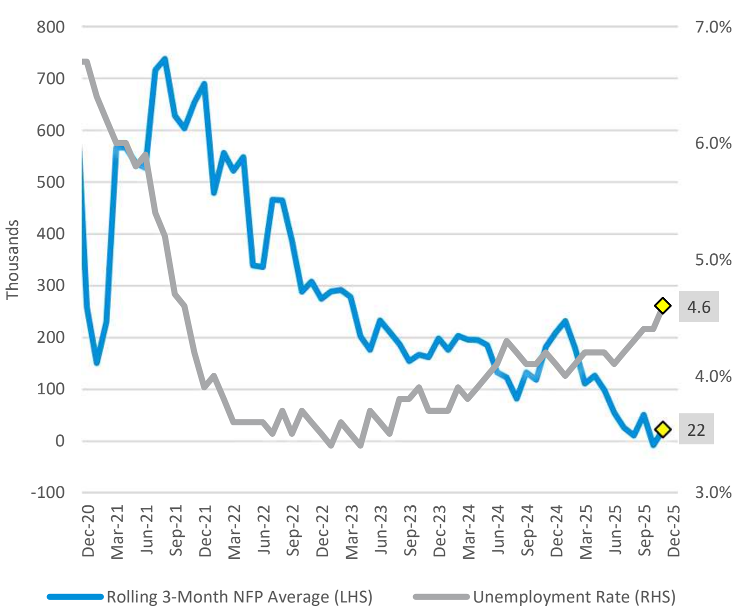
Source: Bloomberg L.P. As of December 31, 2025

Market Expectations for Federal Reserve Rate Cuts



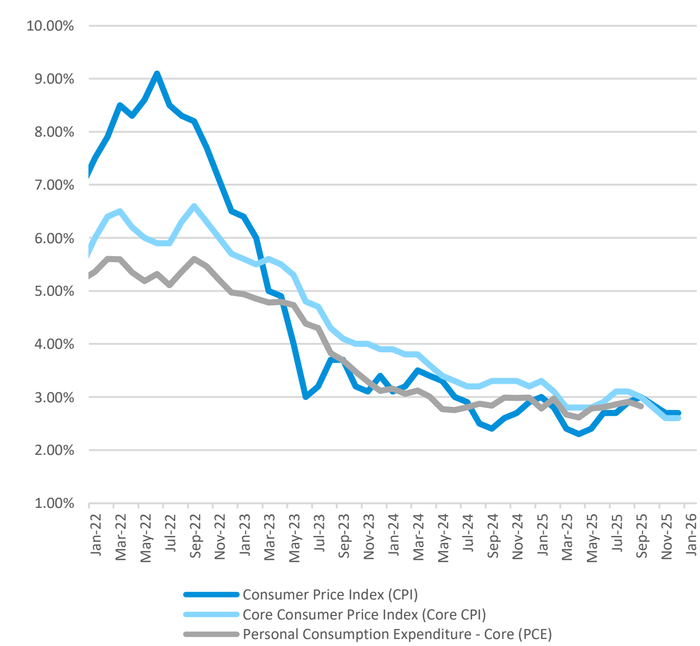
Source: Bloomberg L.P. As of December 31, 2025

Three-Month Avg. NFP & Unemployment Rate



Source: Bloomberg L.P. As of December 31, 2025

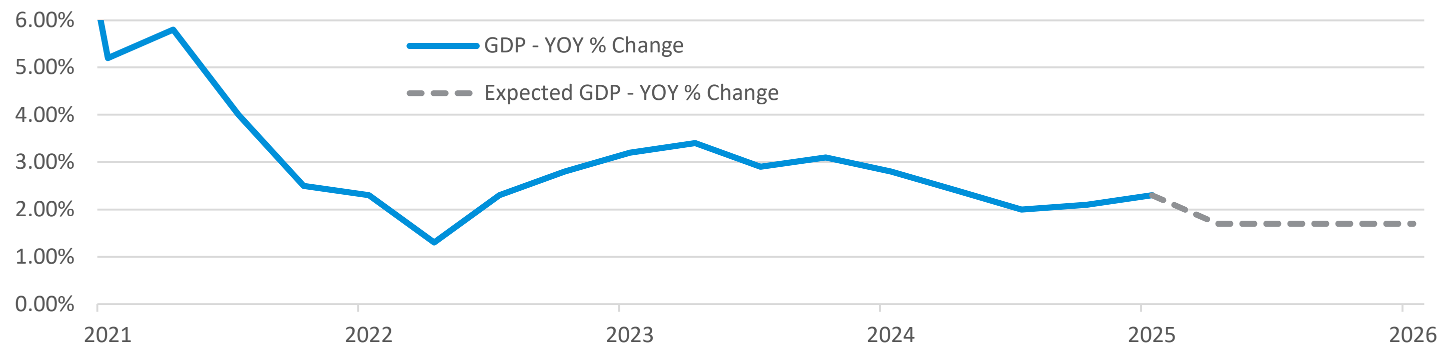
Inflation YoY (CPI & PCE)



Source: Bloomberg L.P. As of January 13, 2026

Market Review (Continued)

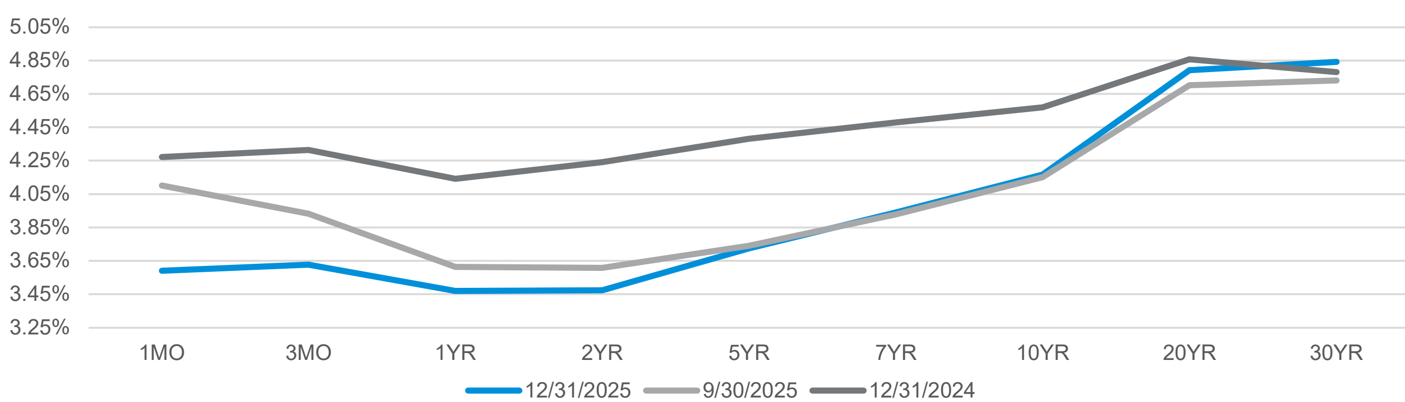
GDP



Source: Bloomberg L.P. As of December 31, 2025

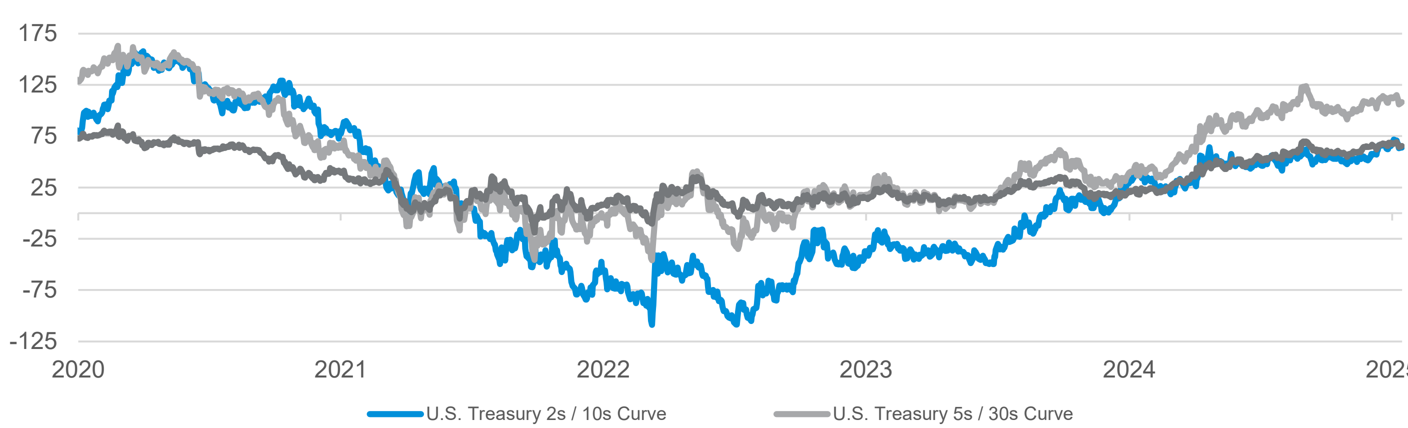
U.S Treasury Curves

U.S. Treasury Yield Curve



Source: Bloomberg L.P. As of December 31, 2025

U.S. Treasury Curves

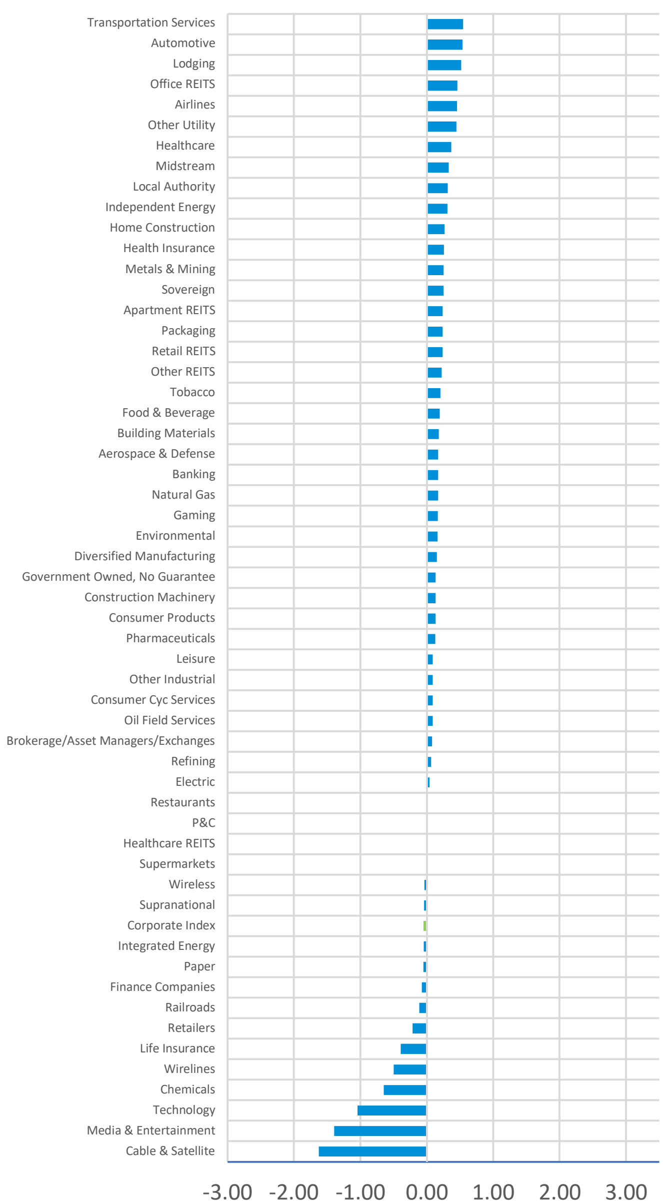


Source: Bloomberg L.P. As of December 31, 2025

Market Review (Continued)

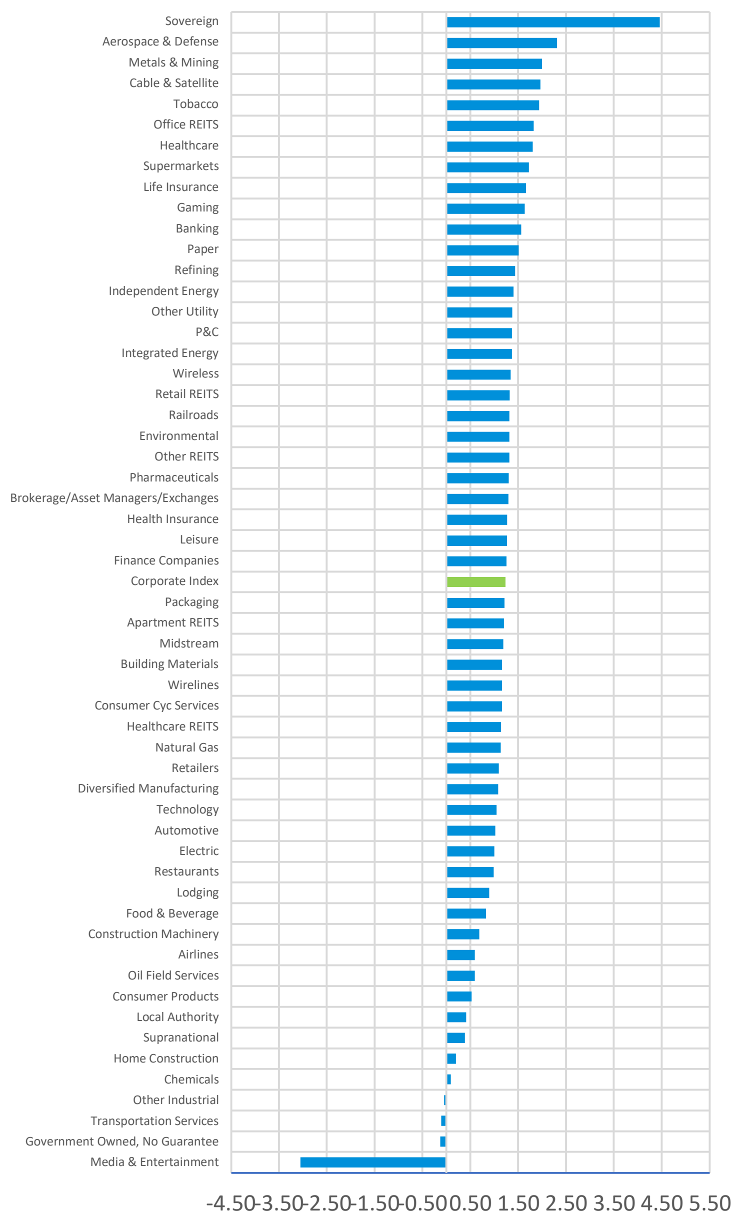
Across sectors, Banking (+0.17% excess return) within Financials maintained stable credit profiles, benefiting from strong earnings while BDC's and Finance Companies (0.08% excess return) were pressured by idiosyncratic credit events in the underlying leveraged finance markets. Energy (+0.23% excess return) and Utilities (+0.06 excess return) remained active in the market, financing capital expenditures tied to electrification and data center expansion. The top performer in terms of excess return was the smaller Transportation Services sector, which achieved a +0.55% excess return. Similarly, Automotives – a much larger sector, posted a +0.54% excess return over the period which continued to be buoyed by easing input costs and production efficiencies. Conversely, the Cable & Satellite sector was the worst performer, with a -1.63% excess return, reflecting severe structural challenges in traditional media distribution. Sector divergence was also notable this quarter with defensive sectors such as Consumer Non-Cyclicals (+0.22% excess return) outperforming and weakness in sectors such as Technology (-1.14% excess return) and Communications (-0.83% excess return) given the overhang of the potential from AI capital expenditures and on-going M&A within Media and Cable & Satellite. [i, ii]

4Q25 Credit Excess Return (%)



Source: MIM, Bloomberg

2025 Credit Excess Return (%)



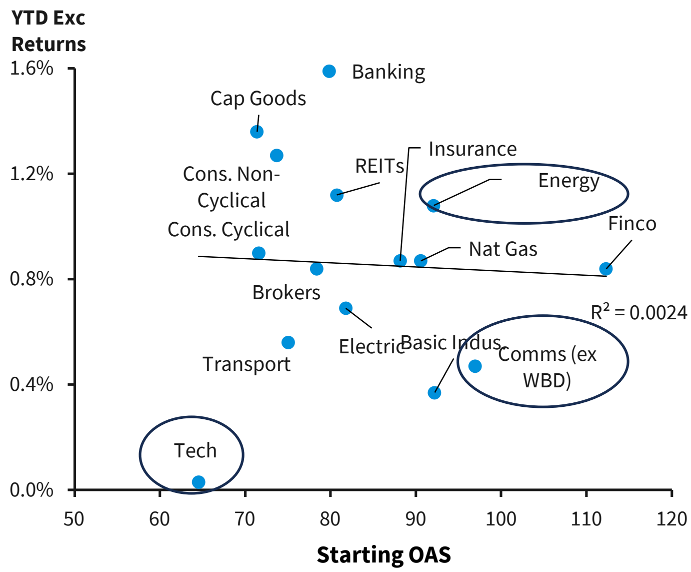
Source: MIM, Bloomberg

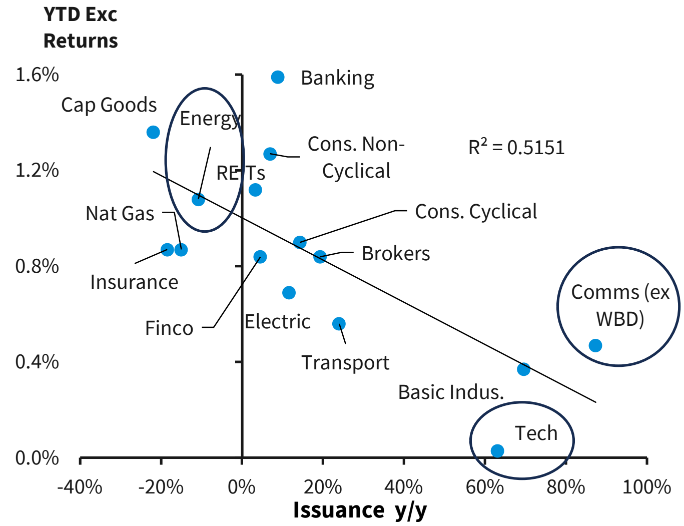
i Bloomberg

ii Bank of America Merrill Lynch

Market Review (Continued)

Supply was more indicative of performance at the sector level than starting OAS

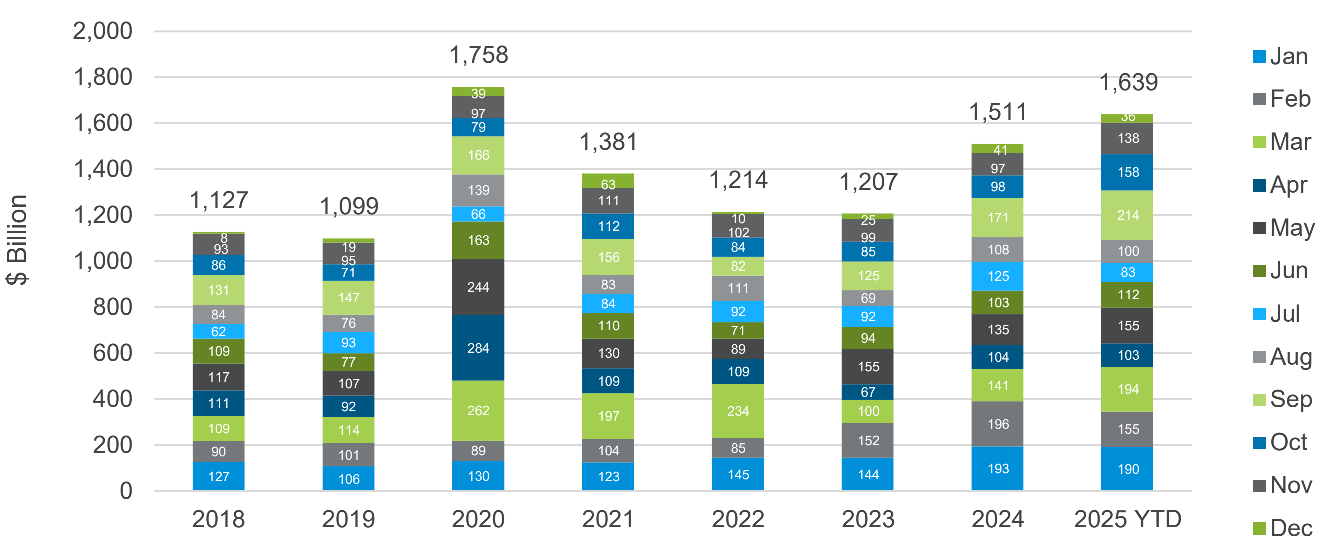




Source: MIM, Barclays, Bloomberg LP

Fourth quarter issuance totaled \$332 bn led by Non-Financials \$241 bn or 73% of total issuance. October and November's issuance were robust printing \$159 bn and \$138 bn, respectively. While M&A activity was less robust than we had anticipated this year, we saw activity and headlines start to pick up led by the TMT sector. However, the overarching theme of the fourth quarter issuance was AI hyperscaler capital needs, which is expected to continue into 2026. With the \$15bn Amazon deal and \$17.5bn Google deal priced in November, the five hyperscalers (AMZN, GOOGL, META, MSFT, ORCL) have collectively issued \$81bn in USD Investment Grade supply since September. Including a couple more deals earlier in the year and the \$27bn RPLDCI deal from October, total supply equated to \$121bn YTD - a figure That's up from the \$28bn average over the prior five years.[iii] This sheer volume of issuance contributed to Technology, Cable & Satellite, Media & Entertainment dragging in recent months.

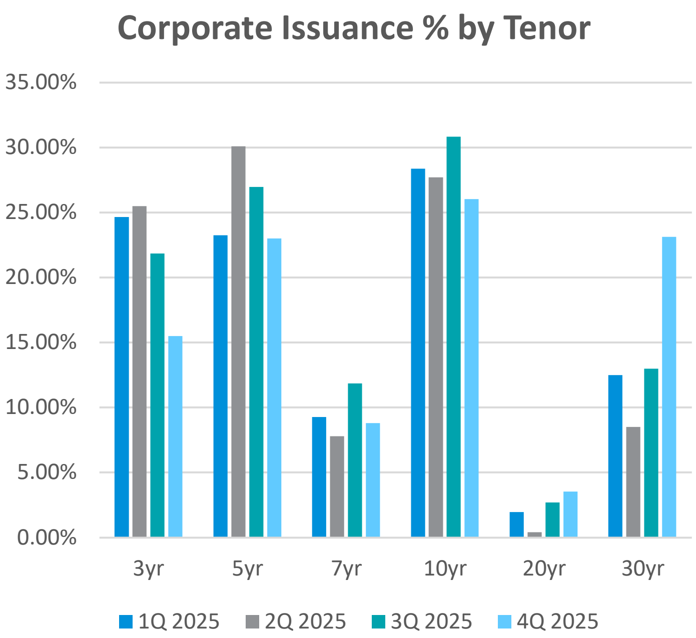
2025 issuance outpaced 2024 following a robust fourth quarter



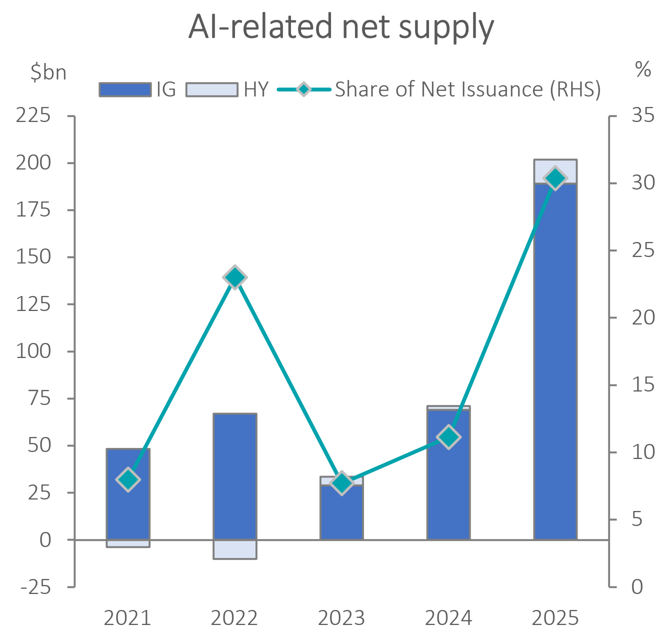
Source: JP Morgan

Market Review (Continued)

Long dated issuance surged in the fourth quarter led by AI related supply

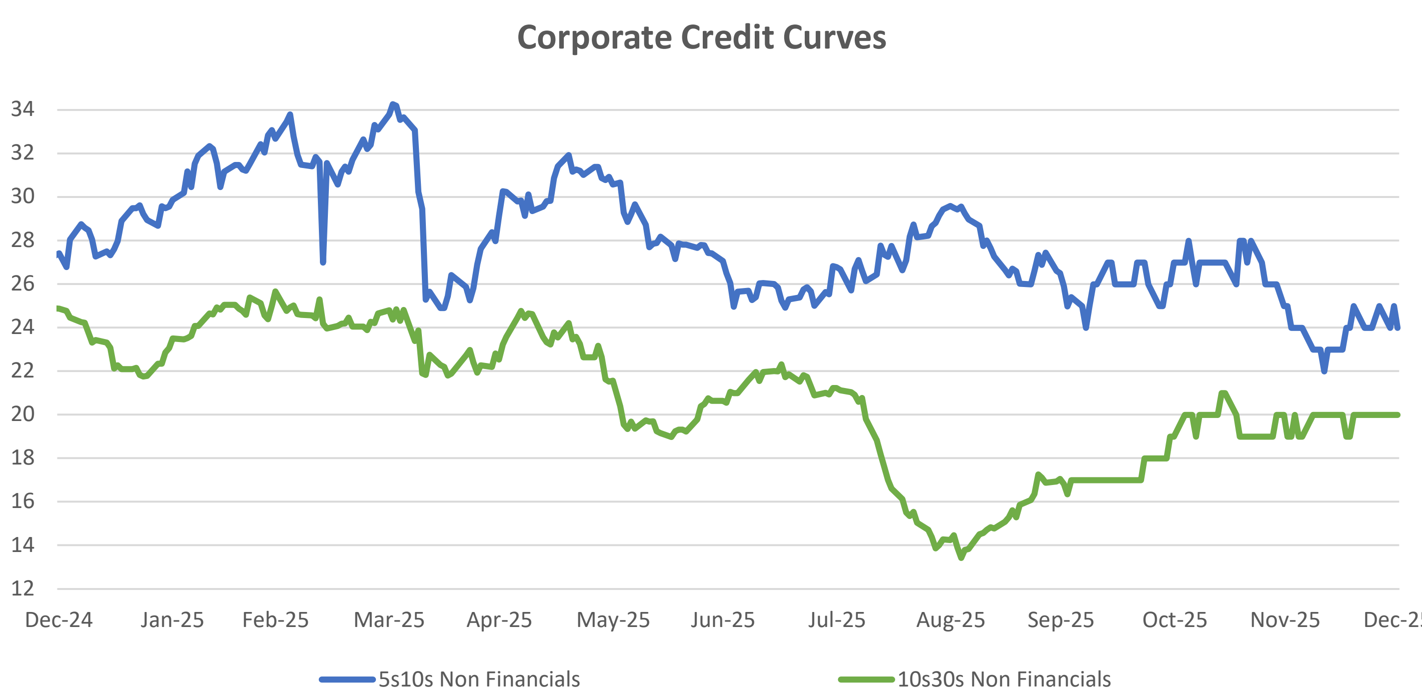


Source: JP Morgan



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research, Bloomberg

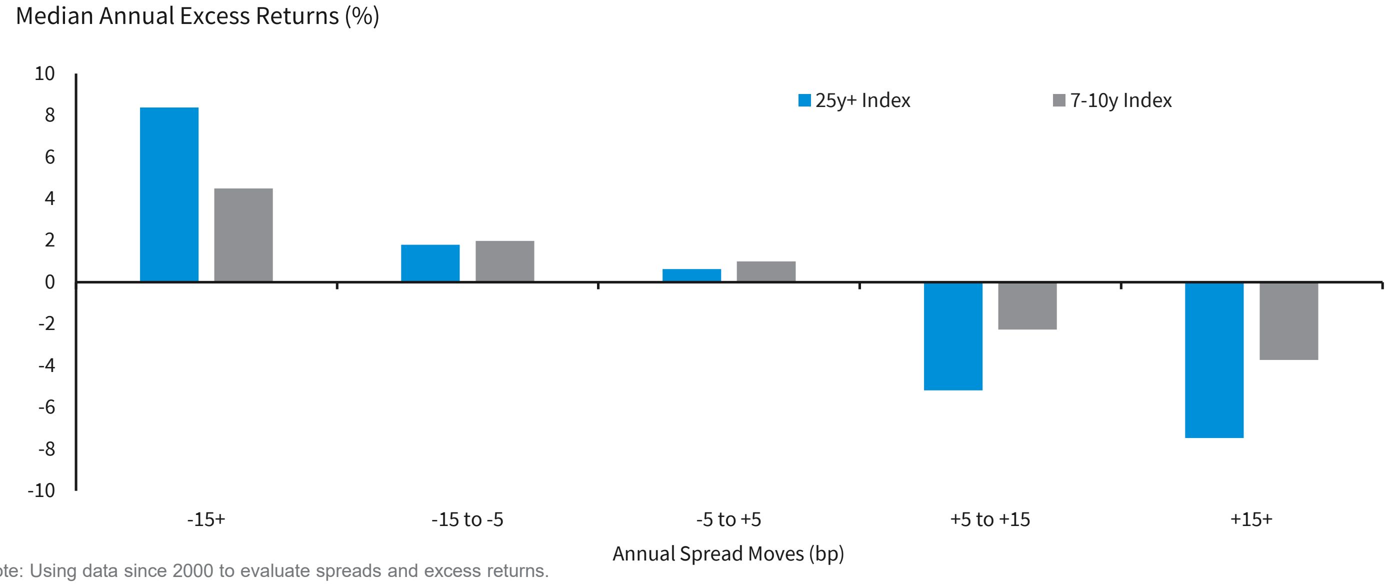
The tenor and magnitude of issuance pressured spreads out the curve



Source: ICE Bank of America Merrill Lynch

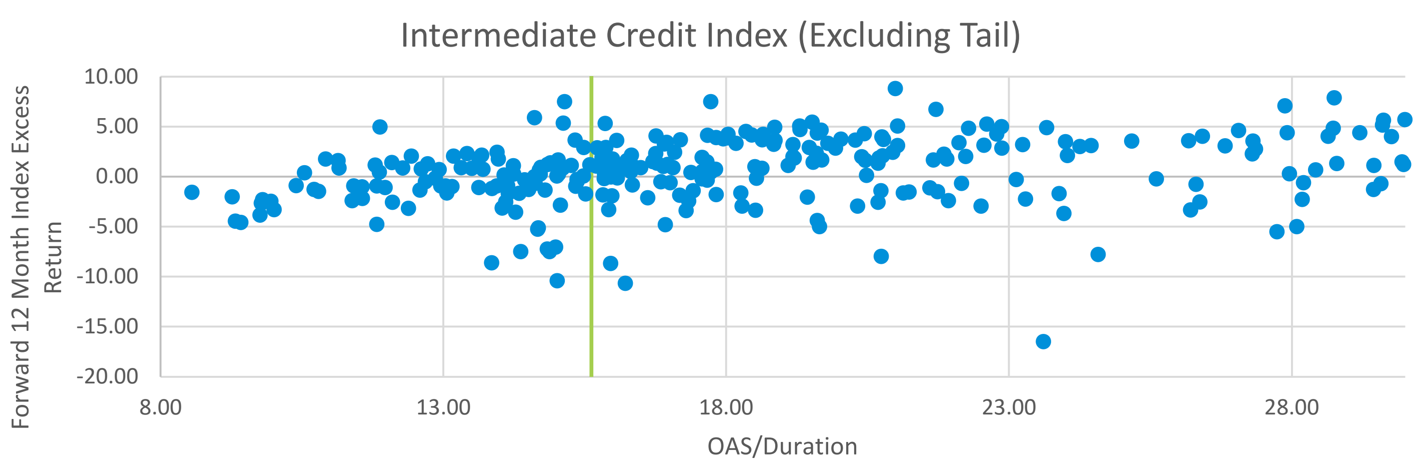
Market Review (Continued)

In times of spread widening, the belly of the curve tends to outperform the long

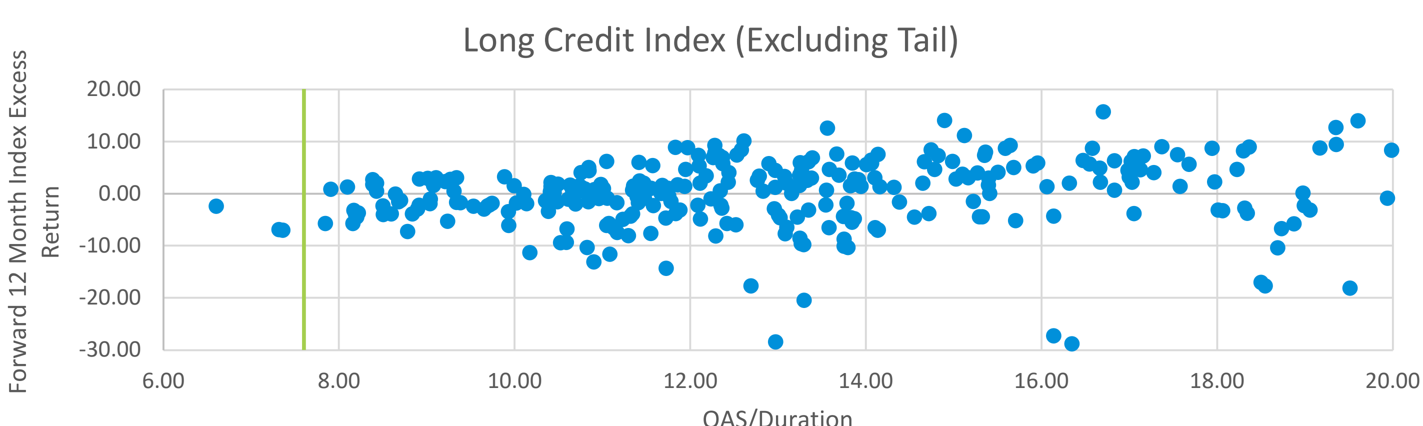


Note: Using data since 2000 to evaluate spreads and excess returns.
Source: MIM, Barclays, Bloomberg LP

Given the prospects for 2026, we still favor Intermediate relative to Long Credit



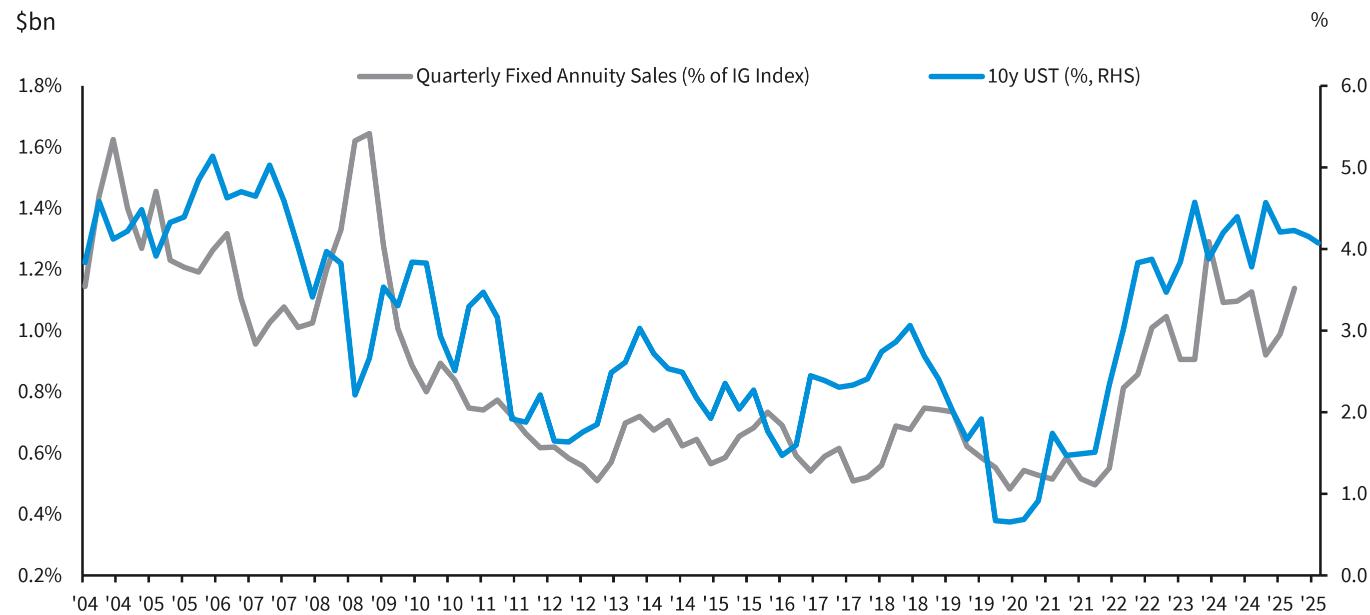
Source: MIM, Bloomberg



Source: MIM, Bloomberg

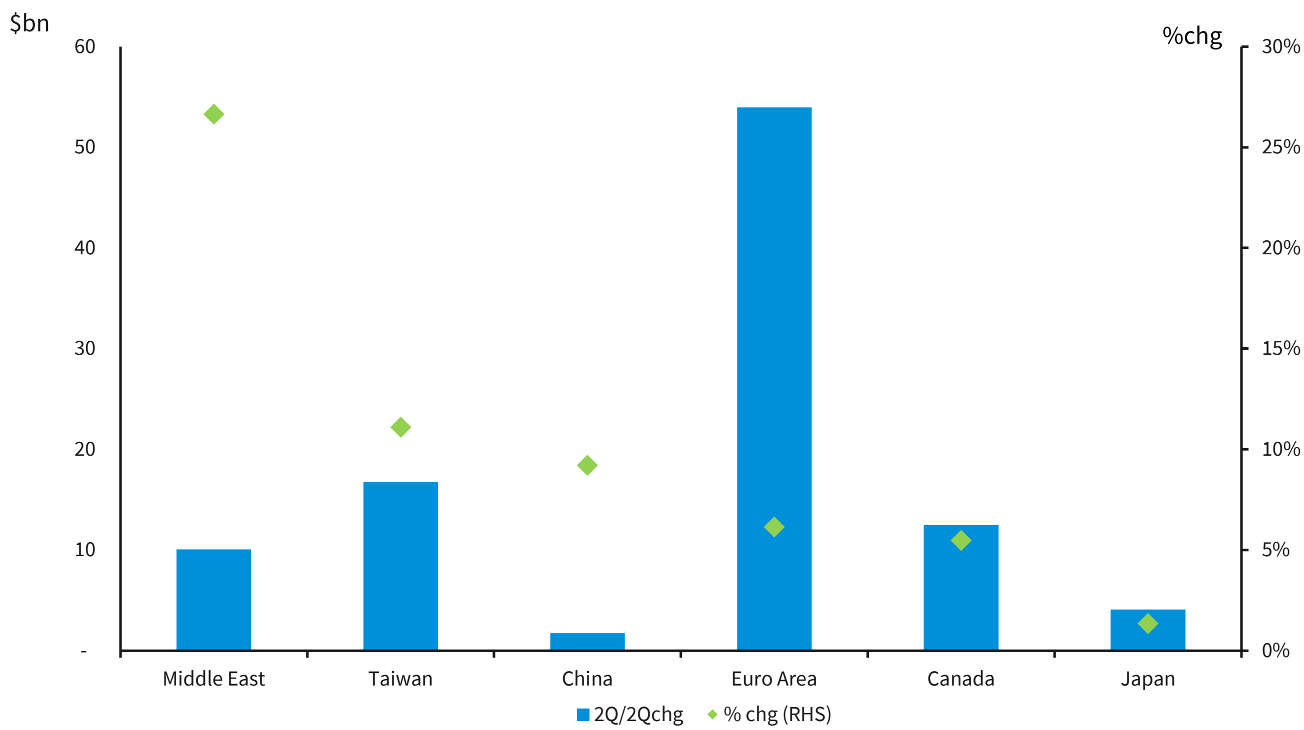
Market Review (Continued)

Yield oriented buying has been a consistent source of demand



Source: MIM, LIMRA, Barclays

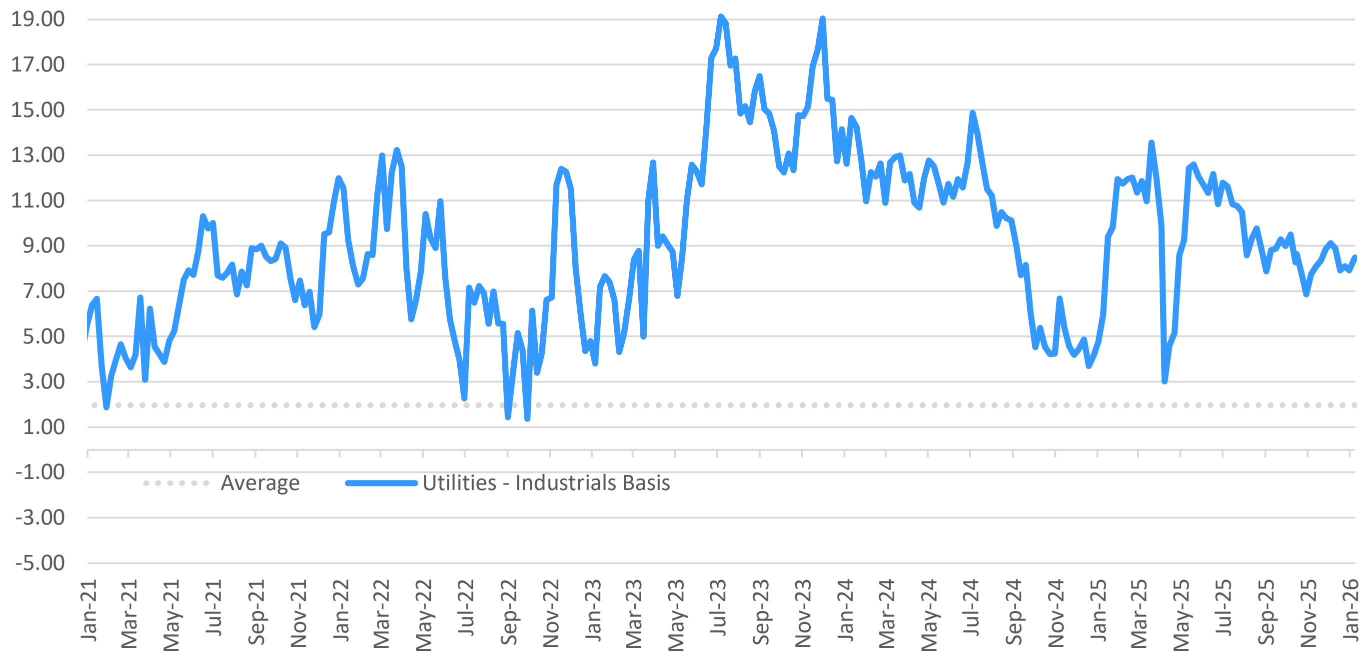
Overseas demand was led by buyers from Asia and the Middle East



Source: MIM, Barclays

Market Review (Continued)

Utilities still offer defensive opportunities relative to Industrials



Source: MIM, Bloomberg

Banks remain attractive versus Industrials, despite recent spread tightening

Source: MIM, Bloomberg

Market Review (Continued)

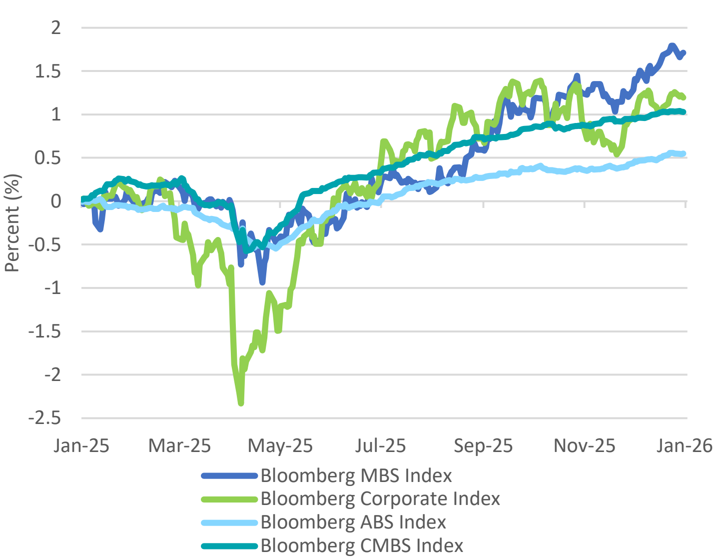
Agency RMBS Snapshot

	QTD Excess Return[1]	QTD Total Return		QTD Excess Return[1]	QTD Total Return		QTD Excess Return[1]	QTD Total Return
FNMA 30 Year	0.75%	1.76%	GNMA 30 Year	0.57%	1.57%	FNMA 15 Year	0.53%	1.69%
Coupon 2.0%	0.62%	1.53%	Coupon 2.0%	0.36%	1.26%	Coupon 2.0%	0.47%	1.63%
Coupon 2.5%	0.74%	1.67%	Coupon 2.5%	0.55%	1.45%	Coupon 2.5%	0.48%	1.63%
Coupon 3.0%	0.78%	1.78%	Coupon 3.0%	0.89%	1.87%	Coupon 3.0%	0.39%	1.53%
Coupon 3.5%	1.08%	2.12%	Coupon 3.5%	0.62%	1.63%	Coupon 3.5%	0.42%	1.57%
Coupon 4.0%	0.80%	1.85%	Coupon 4.0%	0.74%	1.76%	Coupon 4.0%	0.47%	1.62%
Coupon 4.5%	0.83%	1.89%	Coupon 4.5%	0.72%	1.76%	Coupon 4.5%	0.29%	1.44%
Coupon 5.0%	0.84%	1.92%	Coupon 5.0%	0.53%	1.60%	Coupon 5.0%	0.31%	1.45%
Coupon 5.5%	0.84%	1.95%	Coupon 5.5%	0.46%	1.56%	Coupon 5.5%	0.41%	1.54%
Coupon 6.0%	0.69%	1.80%	Coupon 6.0%	0.33%	1.42%	Coupon 6.0%	0.56%	1.69%
Coupon 6.5%	0.56%	1.67%	Coupon 6.5%	0.77%	1.85%			

Source: MIM, Bloomberg L.P.

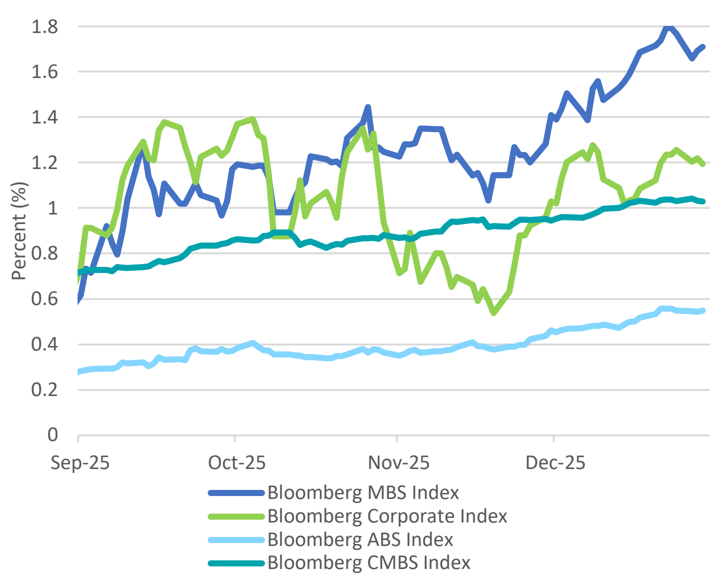
As the FOMC's continued rate cuts solidified the trajectory toward lower short-term interest rates, interest rate volatility subsided markedly over the quarter, providing a tailwind for the mortgage basis by reducing hedging costs. Persistent fund flows further bolstered demand for mortgages, while bank participation remained subdued; in contrast, mortgage REITs sustained their MBS purchases, attracted by a still-steep curve and compelling forward-levered returns. Against this backdrop, MBS performance in Q4 2025 was differentiated across the coupon stack, with mid-coupon FNMA 30-year securities exhibiting notable strength—most prominently the 3.5% coupon, which delivered a +1.08% excess return, and the broader FNMA 30-year cohort posting a robust +0.75% excess return. Conversely, GNMA 30-year underperformed generic 30-year agency MBS while FNMA 15-year MBS trailed both 30-year Fannie Mae and Ginnie Mae's given the structurally less spread duration in the asset.

2025 Excess returns by asset class



Source: MIM, Bloomberg L.P.

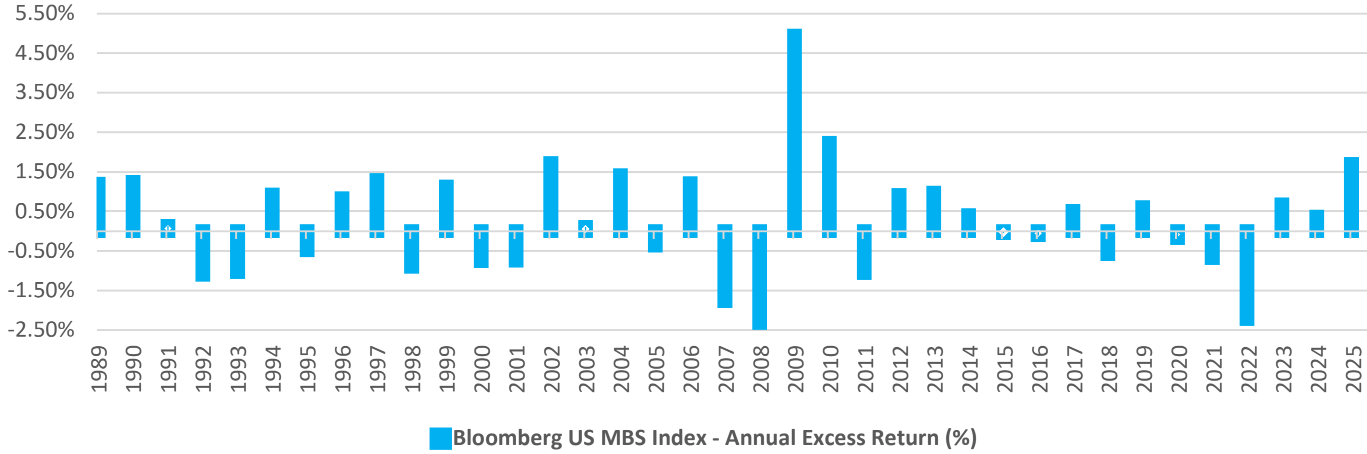
4Q25 Excess returns by asset class



Source: MIM, Bloomberg L.P.

Market Review (Continued)

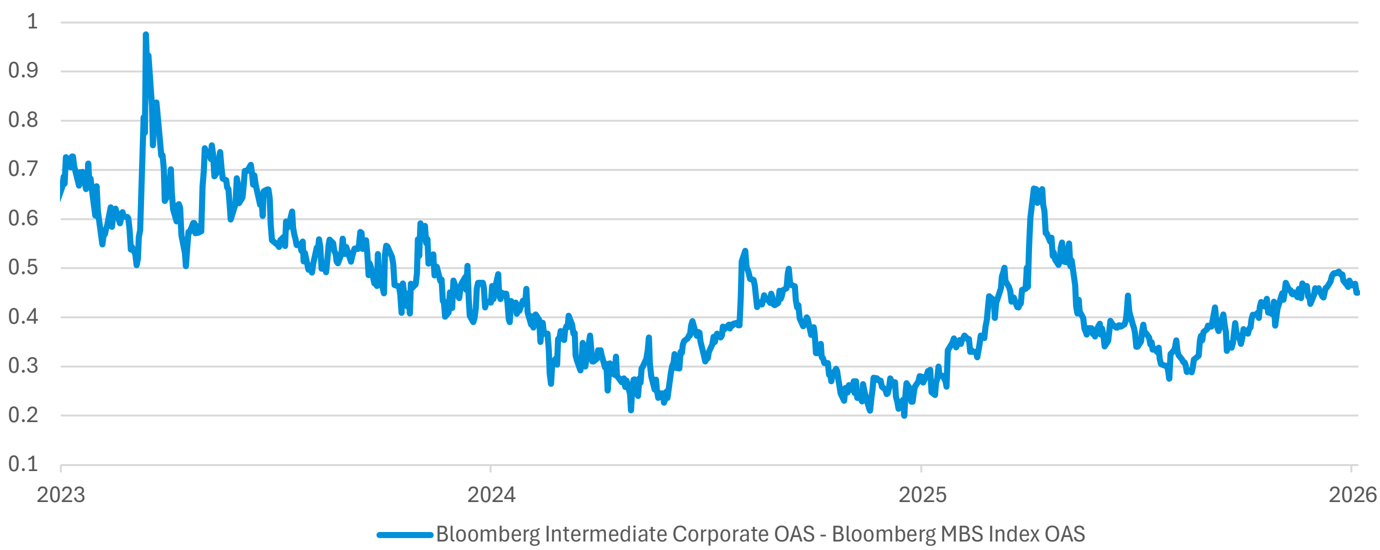
History suggests MBS 2025's notably strong performance is challenging to repeat again 2026



Source: MIM, Bloomberg L.P.

In 2025, mortgages delivered one of their strongest annual performances in recent memory, generating an impressive 1.71% excess return. This outcome was driven by several pivotal factors that shaped both quarterly and full-year results. The Bank of America MOVE index—a widely followed gauge of rate volatility—fell to 59, marking its lowest level in nearly four years. As volatility receded, current coupon spreads compressed in tandem. The asset class further benefited from robust fund inflows, which supported agency mortgage demand. While banks remained largely on the sidelines, mortgage REITs meaningfully increased their MBS allocations, attracted by a persistently steep yield curve and the prospect of enhanced forward-levered return. Even the government sponsored entities were buyers in the recent quarter, an unexpected positive for the market. From a relative value perspective, the MBS index OAS compressed even further to a level of 22 basis points. Although the relative attractiveness of MBS versus corporates has moderated, MBS still offers a government backed asset at a reasonable spread.

Corporate bonds "cheapened" on the back of strong spread tightening in MBS



Source: MIM, Bloomberg L.P.

4Q 2025 Portfolio Review - Attribution

Portfolio Value	$91,583,521

	Oct	Nov	Dec	4Q 2025	1 Year	Since Inception (1/2/2024)
City of Naperville (Gross of Fees)	**0.43**	**0.67**	**0.11**	**1.23**	**7.13**	**5.21**
Bloomberg Intermediate Gov/Credit Index	0.43	0.67	0.09	1.20	6.97	4.96

4Q Attribution	Market Value Weight (%)			Total Return (bp)			Attribution[1](bp)		
	Portfolio	Index	Active	Portfolio	Index	Active	Sector Allocation	Security Selection	Total
Investment-Grade Corporates	**36.4**	**29.1**	**7.3**	**123**	**129**	**-6**	**1**	**-1**	**0**
Financials	13.8	11.8	2.0	132	132	0	0	-1	-1
Industrials	16.1	15.0	1.1	99	127	-28	0	-2	-2
Utilities	6.5	2.3	4.2	160	135	25	1	2	3
Structured	**13.9**	**0.0**	**13.9**	**162**	**0**	**162**	**4**	**0**	**4**
Agency MBS	7.6	0.0	7.6	192	0	192	5	0	5
Non-Agency MBS	0.0	0.0	0.0	0	0	0	0	0	0
CMBS	1.3	0.0	1.3	132	0	132	0	0	0
Asset Backed	5.0	0.0	5.0	125	0	125	-1	0	-1
Government-Related	**0.9**	**6.0**	**-5.1**	**141**	**117**	**24**	**1**	**0**	**1**
Sovereign / Quasi	0.2	5.8	-5.6	132	116	16	1	0	1
Taxable Municipal	0.7	0.2	0.5	144	160	-16	0	0	0
US Treasuries/Cash & Equivalents	**48.8**	**64.9**	**-16.1**	**131**	**126**	**5**	**1**	**2**	**3**
High Yield	**0.1**	**0.0**	**0.1**	**-212**	**0**	**-212**	**-1**	**0**	**-1**
Duration / Curve									**-4**
Total							**6**	**1**	**3**

Past performance is not indicative of future returns; future results may vary.
[1]Index Methodology is applied in performance attribution calculations.

4Q 2025 Portfolio Review - Attribution

- The portfolio modestly outperformed as strong performance from Mortgage-backed-securities (MBS) outperformed U.S. Treasuries and Credit, overall. Underweights to U.S. Treasuries aided sector allocation relative performance as spread assets outperformed rates. However, corporate overweights in Technology, Cable & Satellite and Media & Entertainment subsectors underperformed during the quarter.
- Weakness from selection decisions in corporates was mostly isolated to the Technology and a challenged security situation within Chemical subsector. Elsewhere within Industrials, better performers were found in the Healthcare and Tobacco subsectors. The overweight to Utilities was also favorable.
- Our MBS positioning is concentrated on conventional 30-year upper coupons 5.0%, 5.5% and 6.0% and supplemented with discount 2.0% and 2.5% coupons on 15-year GNMA and conventional 15-year FNMA - all of which posted strong excess returns versus US Treasuries and outperformed Intermediate Credit.
- Exposures across Asset-backed-securities (ABS) were a slight detractor as spreads leaked wider due to robust supply entering the market. Elevated supply – surpassing last year's total issuance weighed on excess returns causing ABS to underperform versus short IG corporates.
- A modest exposure to CMBS was fairly muted in terms of relative performance. Performance was driven by strong demand for newly issued deals with robust cash flows and resilience to higher-for-longer rate environments, set against a backdrop of anticipated Fed cuts, stable macro conditions, and heightened fund inflows, all of which fostered a technical environment where demand outpaced supply, leading to spread compression and positive excess returns.
- Consumer Non-cyclicals was a bright spot across the Industrial sub-sectors. The Health Care sector accounted for the bulk of positive contributions as CVS which continued their efforts to deleverage in addition to earnings that highlighted increased FCF guidance. An exposure to Peace Health Hospital System was also a helpful contributor within the subsector. Elsewhere within Non-Cyclicals, Tobacco was another area that outperformed and benefitted from continued momentum in the segment.
- An underweight to Media & Entertainment was helpful to relative performance as was exposure to Meta via their new issuance. AI hyperscalers within the TMT arena saw their spreads pressured wider over skepticism around cap-ex AI spends and their eventual productivity gains.
- Technology detracted from performance this quarter, primarily due to market skepticism regarding the returns on AI CapEx investments. Positioning in Oracle was a key source of relative weakness, reflecting concerns about the company's debt burden compared to its limited free cash flow generation. Exposure to Alphabet's newly issued debt contributed positively and partially offset sector underperformance.
- The Energy sector was a slight positive as well, largely helped by exposure to Occidental within the Independent Energy subsector. The midstream subsector performance had more mixed performance – Energy Transfer and MPLX lagged while Oneok worked to offset driven by higher natural gas liquids and gas processing volumes.
- Utilities outperformed, aided by an overweight position and rising electricity demand from AI-driven data center growth. DTE Energy was boosted by its first hyperscaler agreement for 1.4 GW of data center load — with a pipeline of up to 7 GW of additional load.

Past performance is not indicative of future returns; future results may vary.

4Q 2025 Portfolio Review - Risk Summary

Broad Risk	9/30/2025 Portfolio	9/30/2025 Index[1]	12/31/2025 Portfolio	12/31/2025 Index[1]
Average Price ($)	100.39	98.87	100.14	99.19
Yield (%)	4.1	4.0	4.0	3.9
Duration (yrs)	3.8	3.8	3.7	3.7
OAS (bps)	30	20	27	21
Average Quality (S&P)	AA-	AA-	AA-	AA-

Sector Exposure	9/30/2025 Portfolio		9/30/2025 Index[1]		12/31/2025 Portfolio		12/31/2025 Index[1]	
	MV[2]	CTD[3]	MV[2]	CTD[3]	MV[2]	CTD[3]	MV[2]	CTD[3]
Investment-Grade Corporates	**37.9**	**1.56**	**29.1**	**1.19**	**32.7**	**1.30**	**29.0**	**1.18**
Financials	15.2	0.51	11.9	0.47	12.2	0.32	11.7	0.45
Industrials	15.2	0.68	14.9	0.62	14.3	0.69	15.0	0.62
Utilities	7.5	0.36	2.3	0.10	6.2	0.29	2.3	0.10
HY Corporates	0.0	0.00	0.0	0.00	0.3	0.01	0.0	0.00
Structured	**14.7**	**0.43**	**0.0**	**0.00**	**13.5**	**0.35**	**0.0**	**0.00**
Agency MBS	8.4	0.31	0.0	0.00	7.2	0.24	0.0	0.00
Non-Agency MBS	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
CMBS	1.4	0.02	0.0	0.00	1.3	0.01	0.0	0.00
ABS	4.8	0.11	0.0	0.00	5.0	0.10	0.0	0.00
Government-Related	**0.9**	**0.03**	**6.0**	**0.22**	**0.9**	**0.03**	**6.0**	**0.22**
Sovereign/Quasi	0.2	0.02	5.8	0.21	0.2	0.02	5.7	0.20
Taxable Municipal	0.7	0.02	0.2	0.01	0.7	0.02	0.2	0.01
US Treasuries/Cash & Equivalents	**46.6**	**1.73**	**64.9**	**2.34**	**52.4**	**2.04**	**65.1**	**2.34**

Quality Breakdown[4]	9/30/2025 Portfolio	9/30/2025 Index[1]	12/31/2025 Portfolio	12/31/2025 Index[1]
AAA/Cash and Equivalents	8	3	8	3
AA	56	69	62	69
A	20	14	17	14
BBB	16	14	13	14

Past performance is not indicative of future returns; future results may vary.

1. The Index for the City of Naperville portfolio is Bloomberg Intermediate Gov/Credit Index.
2. Market Value (MV) - Expressed in percentage of portfolio value.
3. Contribution to Duration (CTD) - Expressed in years.
4. Quality breakdown represents the Index methodology.

Market Outlook

As we reflect on 2025 and prepare for 2026, the prevailing themes within client portfolios remain largely intact, with valuation dynamics offering little impetus for substantial repositioning. That being said, it was another year of positive excess returns and limited volatility away from the tariff-induced flareup in the second quarter. The Bloomberg Aggregate Index tightened 7 basis points in 2025 and will usher in the new year at its tightest starting spread since 2000.

While it is unlikely that mortgages will replicate the exceptional performance witnessed in 2025, we maintain a constructive view on the sector, particularly appreciating its resilience should credit markets encounter renewed volatility. Furthermore, across the Agg opportunity set, we do believe there will be tactical opportunities paired with security selection to help drive outperformance in another year where yield carry will continue to buoy performance should spreads remain range-bound.

What is keeping corporate spreads tethered to historically tight levels? Technicals. We highlighted that last year as the single strongest counterpoint to spread widening, and it came to fruition as supply remained modest and demand robust. Demand meanwhile, remained bolstered by investors who continued to gravitate to 5+% yields like a moth to a flame. Retail investors via fund flows and ETFs were a dominant driver of this demand, overwhelming the slight bump in issuance as they disregarded valuations in favor of generic investment grade exposures. At the same time, insurance companies and other asset managers continued their pursuit of the relatively attractive yields available in commercial and asset backed paper.

In Q4, the corporate credit market was defined by a surge in issuance to fund AI-related capital expenditures, highlighted by a record $27 billion Meta-leased data center deal and an additional $80 billion in mega-deals from major technology firms, signaling a significant shift in market dynamics. Asset-backed securities (ABS) also saw record volumes, particularly in the automotive and more topically, the AI/Data-center segments. The commercial mortgage-backed securities (CMBS) sector continued its trend of elevated issuance, especially in SASB structures, also buoyed by robust demand for high-quality collateral. This wave of corporate issuance was accompanied by a notable extension in average maturities to 13 years—a 23-quarter high— which reflects evolving issuer preferences and is expected to pressure long-end spread curves. With 2026 capital markets issuance forecasts reaching $2.25 trillion (a 25% year-over-year increase), the technical factors that have supported historically tight valuations appear to be reversing, raising the prospect of the first year of spread widening since 2022 and underscoring the need to monitor potential negative catalysts such as increased M&A and balance sheet leverage.

As it relates to how we will position portfolios for this shifting technical backdrop, we believe the case for employing ideas that fit the theme of “Conservative Carry” is stronger than ever. Whether in corporate credit or structured credit, our focus remains on demanding appropriate compensation for risk, favoring trades that allow us to upgrade portfolio quality without sacrificing yield. We will continue to favor the front end and the belly of the curve where we can benefit from roll-down and attractive breakeven rather than have to rely solely on spread tightening from the long end. This playbook worked during the brief April tumult and we expect similarly positive results if we encounter another bout of macro volatility. Given our current low ABS weighting, we will look to increase exposure if spreads widen, focusing on issuers and structures with whom we have high conviction. Until then, we remain highly selective, prioritizing quality and structure. In CMBS, we remain neutral, but with a slight lean toward adding select new issue paper. Supply is expected to increase yet again in 2026 and likely to be the largest since 2007. Relative value persists, particularly in new issue fixed-rate and floating-rate SASB, which appear attractive to conduit CMBS, and conduit CMBS screening attractive to corporates. We are focused on select opportunities in new issue SASB and conduit CMBS, maintaining a disciplined approach to credit and structure selection

Despite a remarkably favorable fourth quarter, we continue to maintain a meaningful overweight to Agency MBS, as their risk adjusted relative value remains constructive relative to credit related risk. Carry is expected to remain the primary driver of returns given the tighter spreads regime. However, performance on the coupon stack will continue to be directional with mortgage rates, albeit it less so than in previous years. The recent decline in mortgage rates has begun to impact prepayment dynamics, with higher coupon MBS – now in the money for refinancing. Our strategy favors a barbell approach: underweighting 6.5%+ coupons, overweighting lower coupons (3.0% and below) for convexity, and emphasizing 5-6% coupons for carry. Within higher coupons, we prefer specified pools with characteristics such as low FICO or high LTV to mitigate prepayment risk, which the market has largely overlooked amid previously elevated rates.

Market Outlook (Continued)

Security selection proved challenging in 2025, with limited opportunities to generate meaningful alpha amid tight spreads in corporates, and notable underperformance in Media, Technology, and select high yield exposures. As we enter 2026, we see potential for these credit stories to become positive contributors while emphasizing the importance of uncovering underfollowed opportunities and, critically, avoiding credits with stretched valuations or deteriorating fundamentals—a task that gains urgency amid the potential for more creditor-unfriendly corporate behavior. In a year where high-quality credits may reprice quickly on new issuance, success may hinge as much on prudent exclusions as on informed positioning.

Looking at off-benchmark plus sector opportunities, last year we suggested Emerging Markets were one of the few areas that offered significant potential for spread compression. Our only regret here is not being more aggressive in our implementation, as EM credit was a significant outperformer in 2025. We are less enamored with that area of the market today, though an expected uptick in issuance could present some tactical opportunities. For portfolios that allow for high yield exposure, we would expect to continue to carry a below-average allocation, with the positions we do have likely to be concentrated in shorter duration situations with compelling breakevens.

We are excited about what lies ahead in 2026. A boring, compressed market is not our preferred environment, but the conditions are ripening to finally reintroduce dispersion and volatility into the market. Rather than try to craft a macro narrative as the driving rationale we simply suggest that the technicals will flip, with issuance overwhelming demand and more bonds = wider spreads. Issuance is the drumbeat of the corporate market, and the resulting cacophony is likely to present us with a more robust opportunity set than we have seen in some time to lean into our passion for security selection to uncover sources of alpha in credit portfolios.

Disclaimers