

Update on 2025 Dakota County Investment Portfolio

Executive Summary:

This is a report on the Dakota County investment portfolio as of December 31, 2025. In 2025, we have seen an increase in market values of 6.7% compared to the end of 2024.

Dakota County receives tax payments in the months of May and October. Funds are invested in the Minnesota Association of Governments Investing for Counties Fund (MAGIC fund) to take advantage of high interest rates and tax distribution payment timing.

Interest earnings for 2025 were \$14.1 million which is a decrease of 26% compared to interest earnings of \$19.1 in 2024.

Dakota County Investment Overview:

Dakota County investments are made in accordance with Minn. Stat. Ch.118A governing the investment of public funds, and in conformance with the County's Investment Policy #2254.

The County's investments are comprised of various sources of revenues and fund balances. The portfolio fluctuates throughout the year especially during the tax collection seasons. The portfolio pools assets from various Dakota County funds to optimize liquidity and returns, and at times, includes funds held by the County on behalf of other public entities (property tax collections held prior to settlement with cities, schools, and townships).

Dakota County's Finance Department manages the investment portfolio. There are two major components of the portfolio:

1. Cash component for very short-term investment which are used for daily operating expenses or short-term obligations.
 - a. Dakota County Finance staff manages short term cash.
2. Core component for longer term investment and cash needed in future years.
 - a. Dakota County Finance staff directly manages longer term investments.
 - b. Staff also manages contracts with external investment firms.

Securities for the portfolio are purchased through the bond market for short-term (less than one year), intermediate term (one to five years) and long-term investment periods including maturities at 10 or more years.

In 2025, the County contracted with PMA Asset Management, PFM Asset Management Inc., and RBC Global Asset Management Inc. Each manager has a target benchmark specific to the holding maturity assigned to that manager. Short term (0-3 year) benchmark is assigned to PFM; 1-10 year benchmark to PMA; and the long term benchmark to RBC.

Each of these portfolio managers received around \$50 million in December 2017. The managers have discretion over the purchase and selling of holdings within their portfolio. Finance staff meet quarterly with each manager to review economic conditions, portfolio characteristics, and performance.

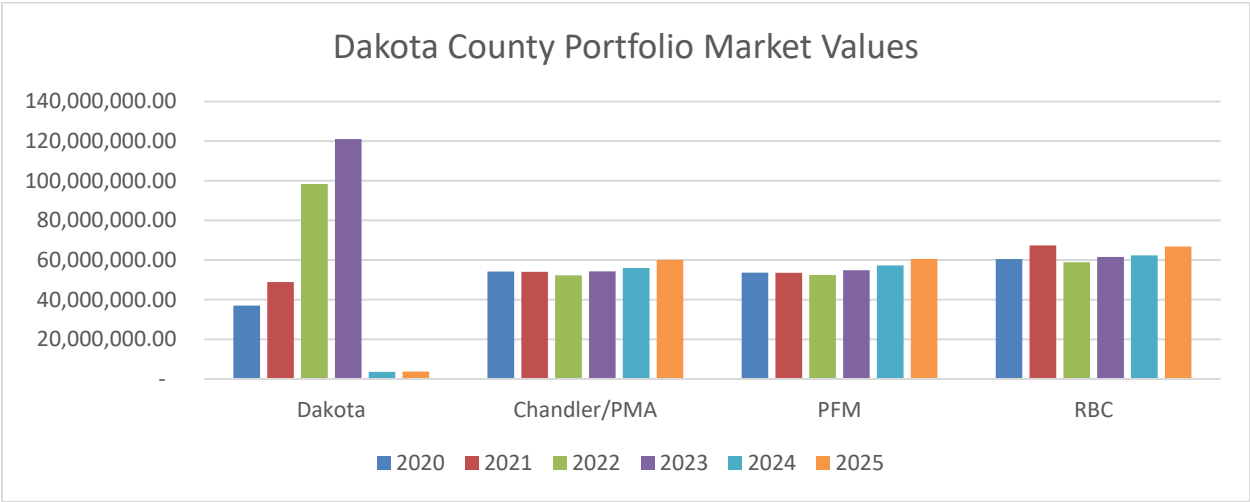
The investment management contracts were set to expire on December 31, 2025. At the end of 2025, staff proposed a recommendation to optimize the structure of the County's external

investment management program by consolidating all external management responsibilities under a single, strategic investment partner, Prudent Man Advisors, LLC d/b/a PMA Asset Management, LLC. This transition is expected to save the County approximately \$60,000 annually over the next three years, providing a substantial and sustainable boost to the budget. The transition was meticulously planned to ensure no measurable impact on the County’s interest earnings or overall portfolio performance.

Dakota County Portfolio Market Values

This graph gives a five-year history on market values of investments in the portfolio. It includes the three contracted portfolio managers and the County managed portfolio. As stated in the Executive Summary 2022 saw a decrease in market value due to inflationary pressure and the Federal Government increasing the federal fund rate. This action will cause the market values of current investments to go down. The Dakota County Managed portfolio fluctuated in 2022, with large American Rescue Plan State and Local Fiscal Recovery Funds being invested and then maturing later making the balance spike and fall. An RFP in December 2022 resulted in a change of investment managers, from Chandler to PMA Asset Management.

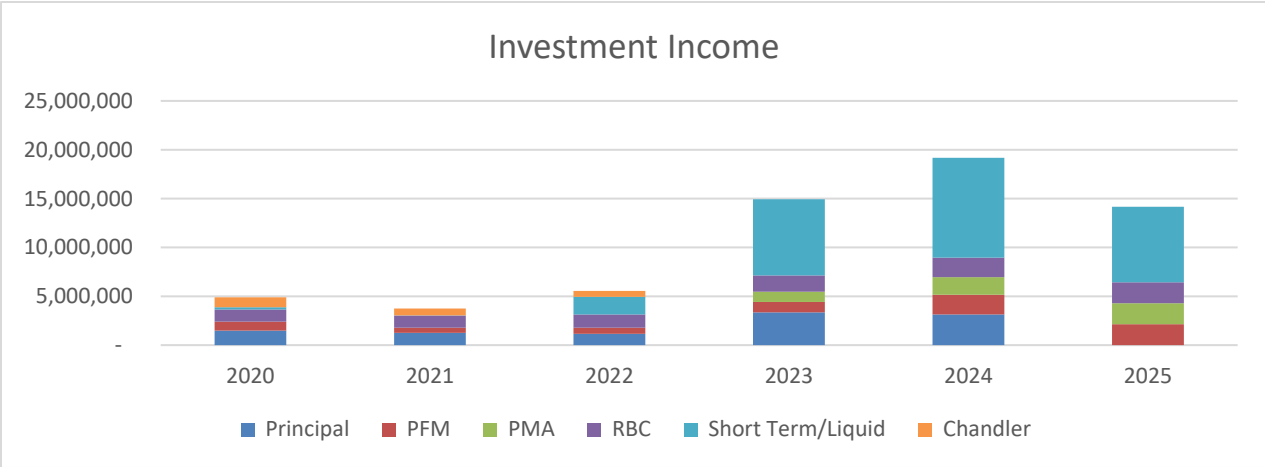
The Dakota County Managed account was not utilized in 2024 and 2025 as most of the funds were invested into the MAGIC fund. As investments matured out of the Dakota County managed account, those funds were placed into the MAGIC fund.



Interest Earnings

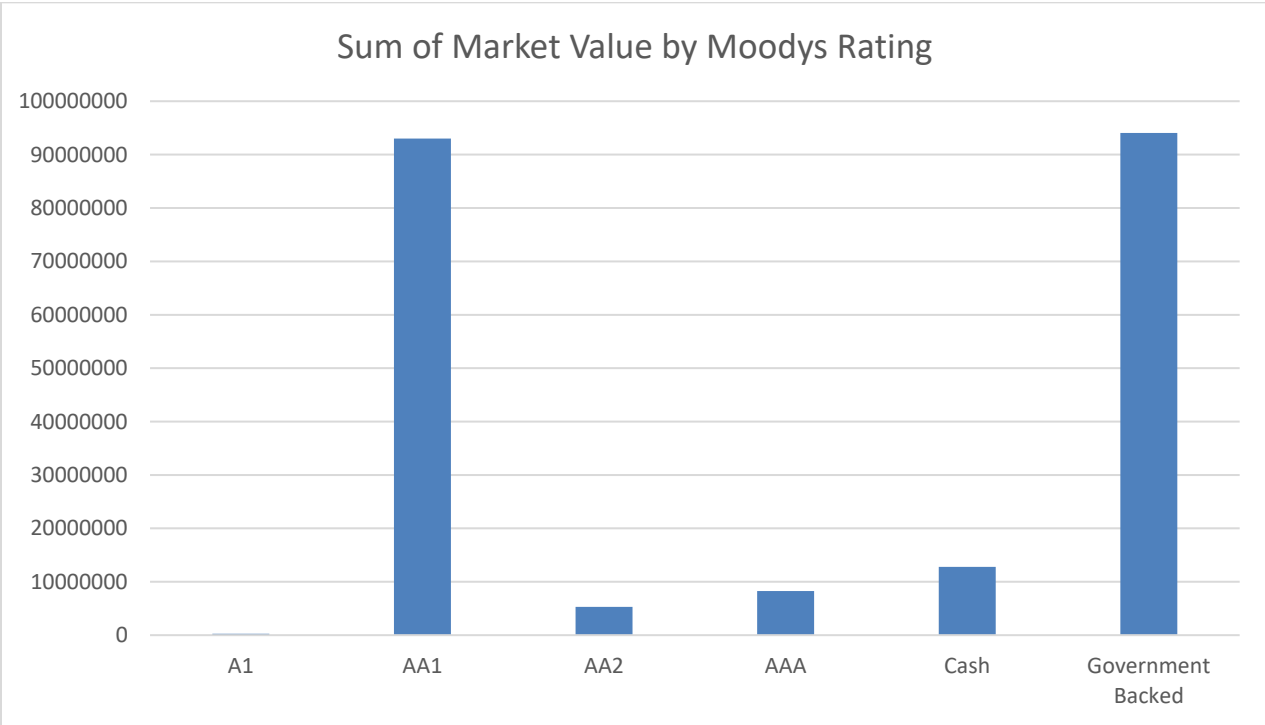
This graph shows the interest that has been earned by the county. Interest earnings have gone up since 2021 primarily due to the Federal Reserve’s actions to combat inflation. High inflation in 2021 and 2022 forced the Federal Reserve to increase interest rates significantly. As the Federal Reserve raised its benchmark interest rate (the federal funds rate), interest rates across the board began to climb.

Interest earnings were \$19.1 million in 2024. At the end of 2025, interest earnings were \$14.1 million. This is a 26% decrease compared to the end of 2024, this change is primarily due to the Federal Reserve dropping interest rates at the end of 2024 and into 2025 which lowered the return of Dakota County’s money market fund portfolio.



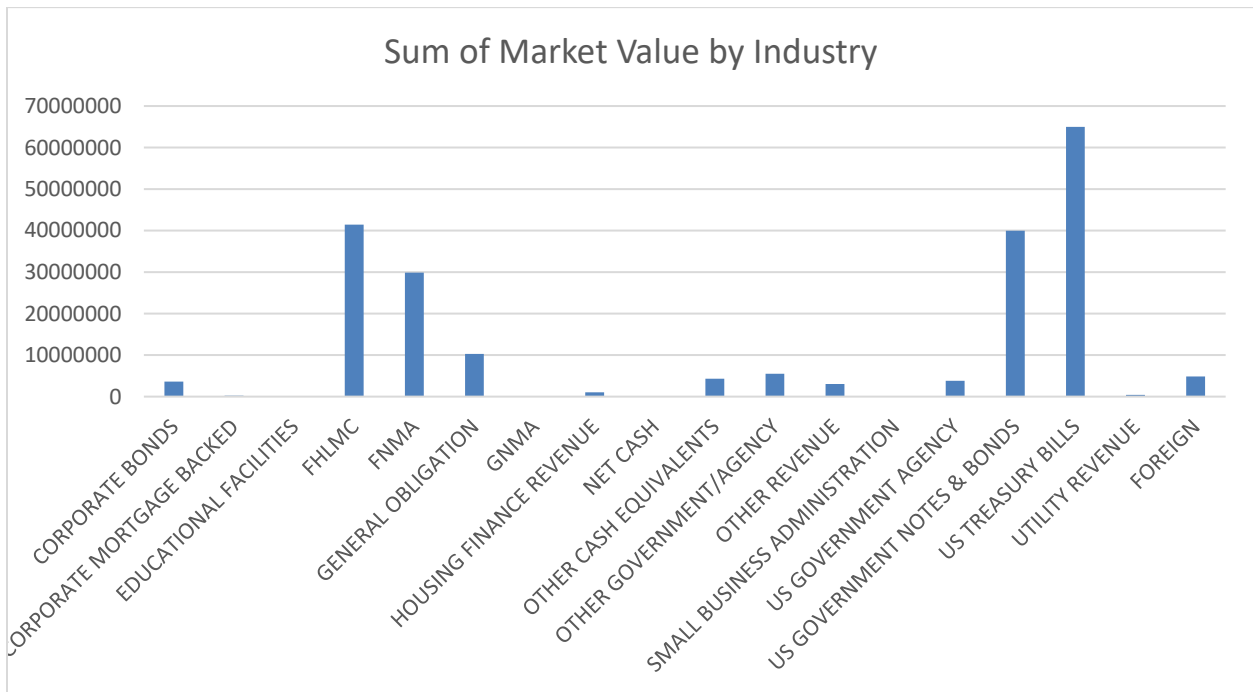
Quality of Investments

This chart contains the quality of the investments in Dakota County’s portfolio. All the investments in the portfolio are government backed or at least A rated. Higher-quality investments generally exhibit lower risk and more stable returns over the long term. In May 2025, Moody’s ratings downgraded the US credit rating from AAA to AA1.



Investment Portfolio Diversification

The chart below shows the diversity of the investments in the portfolio based on industry type.



Dakota County Portfolio Benchmark Comparison

Dakota County's portfolio market yield beat benchmarks in 2025. Benchmarks provide a standard to measure the portfolio's performance objectively.

Dakota County Portfolio Results Versus Benchmarks

Average Duration (years)	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
RBC	6.8	6.5	5.9	6.0	5.6	5.3
Benchmark (Bloomberg Barclay US Government)	6.8	6.8	5.9	6.0	5.7	5.7
PFM	1.4	1.4	1.2	1.2	1.3	1.4
Benchmark (ICE BofAML 0-3 Year US Treasury Index)	1.4	1.4	1.3	1.3	1.3	1.3
Chandler PMA Asset Mgmt	2.4	1.8	1.9	3.5	3.5	3.5
Benchmark (Bloomberg US Gov Intermediate)	1.9	1.8	1.8	3.7	3.6	3.6

Market Yield

RBC	0.94%	1.56%	4.47%	4.37%	4.61%	4.02%
Benchmark (Bloomberg Barclay US Government)	0.56%	1.22%	4.21%	4.10%	4.45%	3.89%
PFM	0.14%	-0.33%	0.78%	2.23%	2.26%	3.67%
Benchmark (ICE BofAML 0-3 Year US Treasury Index)	0.04%	-0.38%	0.78%	2.15%	2.04%	3.47%
Chandler PMA Asset Mgmt	0.28%	1.34%	4.53%	0.0	4.57%	3.91%
Benchmark (Bloomberg US Gov Intermediate)	0.13%	1.37%	4.51%	0.0	4.36%	3.66%

Average Quality

RBC	AA+	AAA	AAA	AA+	AA+	AA+
Benchmark (Bloomberg Barclay US Government)	AAA	AAA	AAA	AA+	AA+	AA+
PFM		AA	AA	AA	AA	AA
Benchmark (ICE BofAML 0-3 Year US Treasury Index)		AA+	AA+	AA+	AA+	AA+
Chandler PMA Asset Mgmt	AA+	AA+	AA+	AA+	AA+	AA+
Benchmark (Bloomberg US Gov Intermediate)	AAA	AAA	AAA	AA+	AA+	AA+