

Update on 2025 Quarter 2 Dakota County Investment Portfolio

Executive Summary:

This is a report on the Dakota County investment portfolio as of the end of the 2nd quarter on June 30, 2025. Market value went down in 2022 due to the Federal Reserve raising rates to counteract inflation and the contracted investment portfolio manager's market value decreased by \$11.3 million despite the fact there has been no withdrawals. In 2025, we have seen an increase in market values of 4% 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 Quarter 2 are at \$6.9 million which is a decrease of 34% when compared to 2024 Quarter 2.

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.

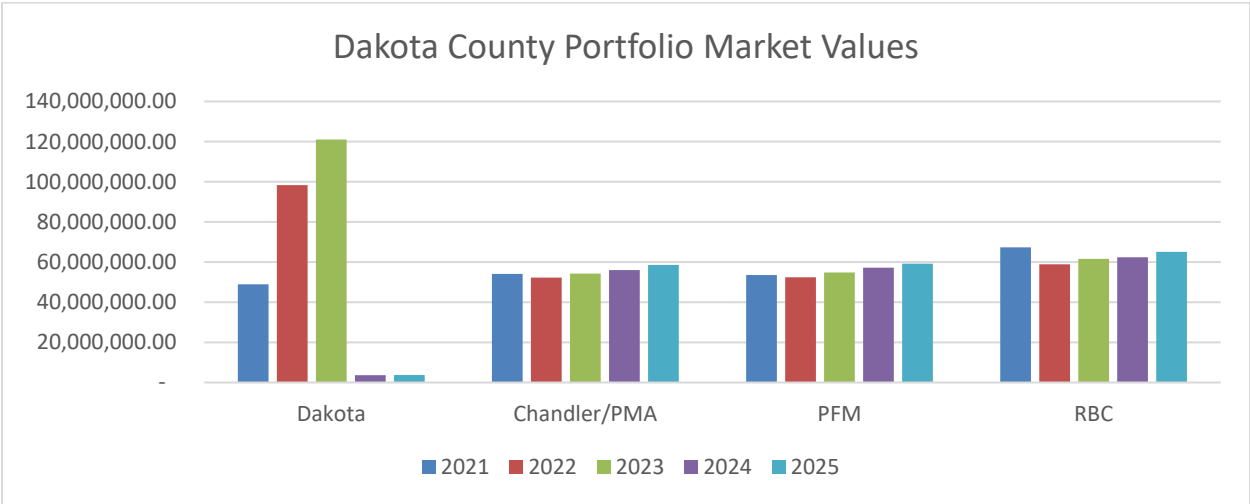
The County contracts with PMA Asset Management, PFM Asset Management Inc., and RBC Global Asset Management Inc. Each manager has a target benchmark specific to the holding maturity assigned to that manager. Short term (0-3 year) benchmark is assigned to PFM; 1-10 year benchmark to PMA; and the long term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

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.

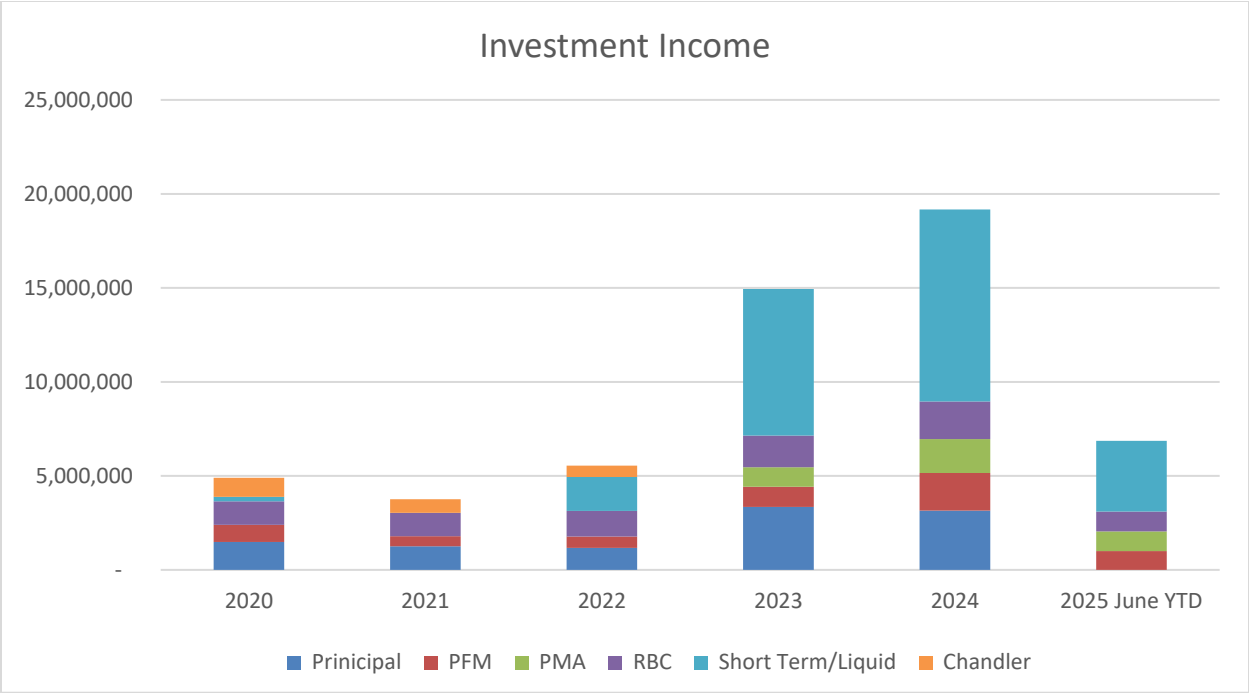
The Dakota County Managed account was not utilized in 2024 and 2025 as most of the funds were invested into the MAGIC fund. As investments matured out of the Dakota County managed account, those funds were placed into the MAGIC fund.



Interest Earnings

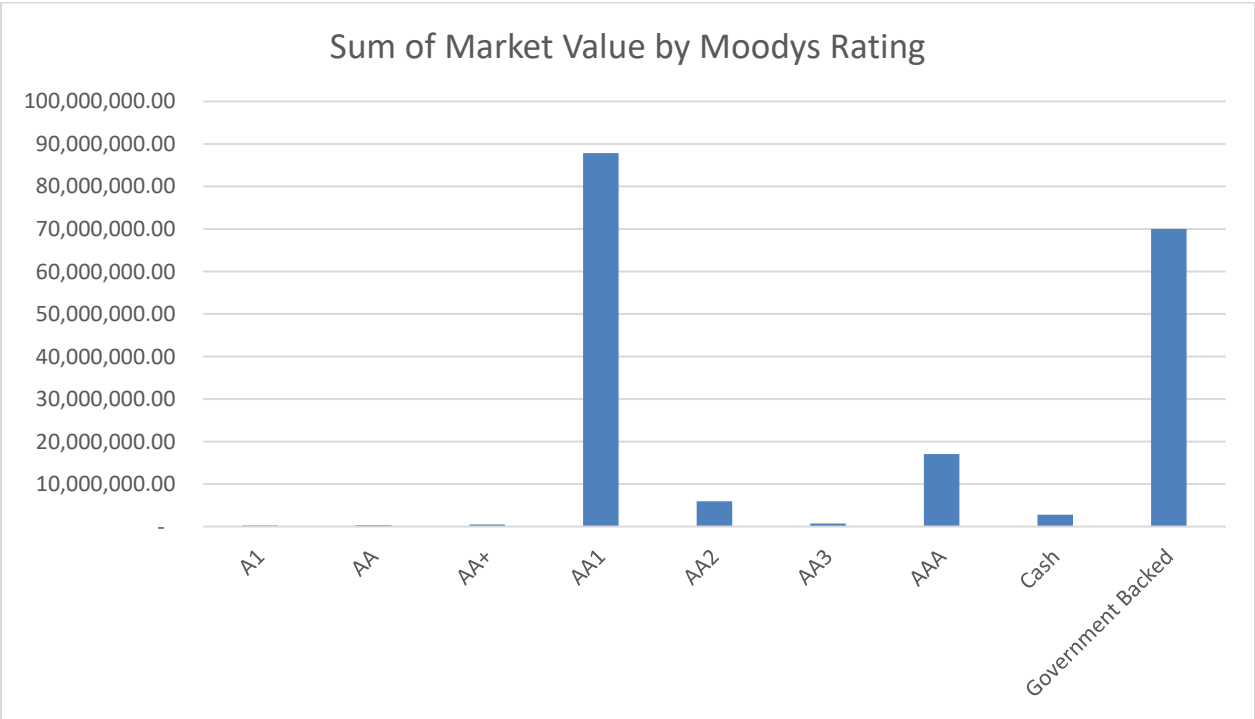
This graph shows the interest that has been earned by the county. Interest earnings have gone up since 2021 primarily due to the Federal Reserve’s actions to combat inflation. High inflation in 2021 and 2022 forced the Federal Reserve to increase interest rates significantly. As the Federal Reserve raised 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 Quarter 2 in 2025, interest earnings were at \$6.9 million. This is a 34% decrease compared to the end of Quarter 2 in 2024, this change is primarily due to a one percentage point decrease in interest earned on the County’s money market fund portfolio.



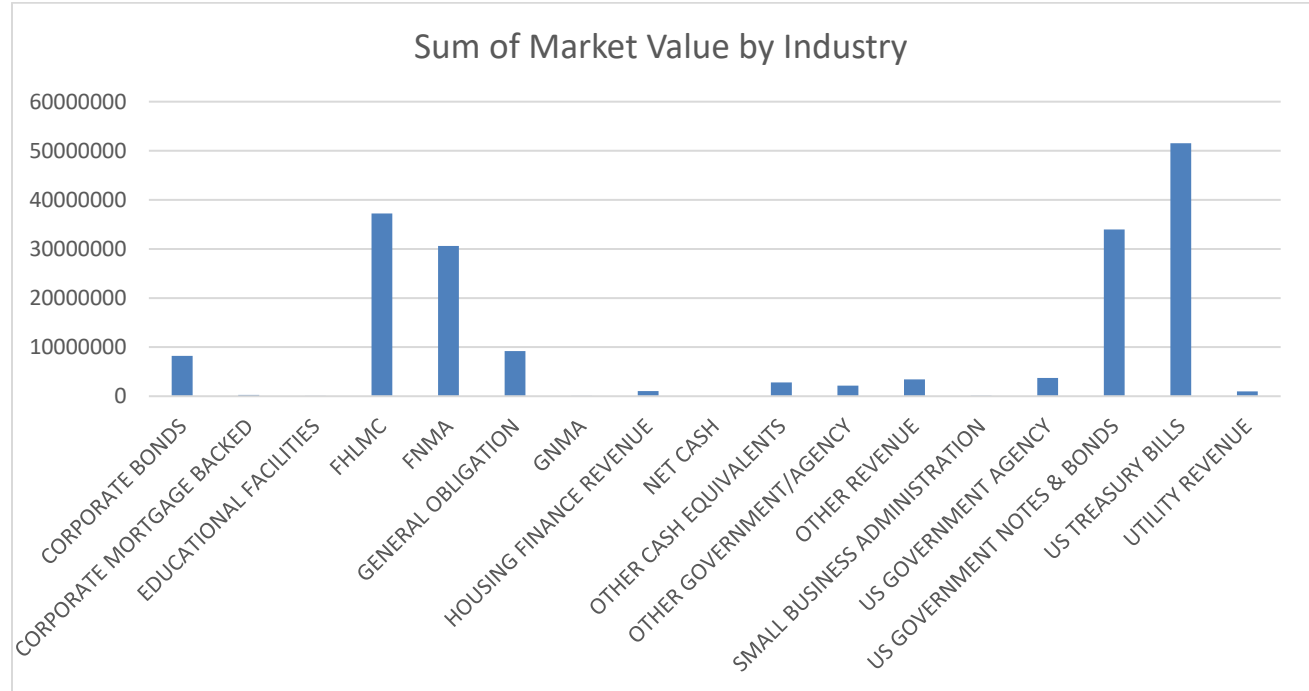
Quality of Investments

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 benchmark 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	6/30/2025
RBC	6.8	6.5	5.9	6.0	5.6	5.7
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	1.4
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%	4.32%
Benchmark (Bloomberg Barclay US Government)	0.56%	1.22%	4.21%	4.10%	4.45%	4.03%
PFM	0.14%	-0.33%	0.78%	2.23%	2.26%	4.17%
Benchmark (ICE BofAML 0-3 Year US Treasury Index)	0.04%	-0.38%	0.78%	2.15%	2.04%	3.87%
Chandler PMA Asset Mgmt	0.28%	1.34%	4.53%	0.0	4.57%	4.12%
Benchmark (Bloomberg US Gov Intermediate)	0.13%	1.37%	4.51%	0.0	4.36%	3.84%
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+