

City of St. Louis Airport - 2024A Construction AC

December 31, 2024

Loop Capital Asset Management



Investment Perspective

Market:

For the quarter ended December 31, 2024, U.S. Treasuries returned -3.14% during the quarter as the 10-year yield rose 79 bps to 4.57%, with long Treasuries (-8.62%) underperforming intermediate Treasuries (-1.70%).

Mortgage-backed securities (MBS) returned -3.16% during the quarter, underperforming Treasuries by 13 basis points on a duration-adjusted basis. The option adjusted spread (OAS) of the Bloomberg U.S. Mortgage Index widened 1 basis point during the quarter, ending the period at 43 bps.

Credit securities returned -3.04% during the quarter, outperforming Treasuries by 72 basis points on a duration-adjusted basis. The OAS of the Bloomberg U.S. Credit Index tightened 7 bps during the quarter, ending the period at 77 bps. For the quarter, utilities delivered 116 basis points of excess return on a duration-adjusted basis, outperforming industrials, financials, and non-corporates by 27, 54, and 116 basis points, respectively. BBB-rated securities were the best performing investment grade quality segment for the quarter, delivering 104 basis points of excess return and outperforming AAA, AA, and A-rated securities by 103, 63, and 49 basis points of excess return, respectively. High Yield delivered 117 basis points of excess return for the quarter.

Economy & Policy:

The 2024 elections resulted in a significant shift in federal leadership with President Trump decisively winning re-election and Republicans taking majority control of the Senate and retaining narrow control of the House. U.S. markets responded favorably to the victory of the candidate perceived as more market friendly; changes to fiscal policy, tax policy, tariffs, deregulation and immigration policy are all in scope with potentially wide-ranging impacts both domestically and internationally.

After beginning the rate cut cycle with a 50-basis point cut in September, the Fed cut rates by 25 basis points at each of October and December meetings, lowering the target range to 4.25% - 4.50%. At the December meeting, there were only modest changes to the statement, but language regarding the 'extent and timing of additional adjustments to the target range for the federal funds rate...' suggests a pause in rate cuts—a view which was echoed by Chair Powell. At the press conference Powell noted that the Fed is 'at or near the point at which it will be appropriate to slow the pace of further policy rate adjustments' and he added that the decision to cut rates in December was a 'closer call'.

The consumer price index (CPI) rose 0.3% in November and rose 2.7% for the trailing 12 months. Core CPI, which excludes food and energy, also rose 0.3% for the month and 3.3% for the trailing year. Overall, the report adds to the view that disinflation progress has stalled with prices still above the Fed's inflation target. Nonfarm payrolls increased 227,000 in November, rebounding from the weather and Boeing strike impacted report in October. Incorporating revisions to prior months, the three-month average job gains were a healthy 173,000—above the 2Q and 3Q pace. The unemployment rate edged up to 4.2% in the report and would have risen higher if not for a decline in the participation rate. Overall, the report suggests a reasonably healthy labor market operating near pre-pandemic norms.

Outlook:

The year 2024 was focused on inflation and central bank actions and punctuated by global elections. In the U.S., an inflation scare early in the year gave way to renewed disinflation through the summer, but the progress appeared to stall somewhat as the year ended. The Federal Reserve delayed rate cuts longer than expected, but then delivered an outsized cut to begin the easing cycle. At the December meeting the Fed again shifted tone to signal reduced policy easing versus what had previously been envisioned—largely due to significant uncertainty around the trajectory of inflation. Global elections also impacted markets with electoral outcomes outside the U.S. triggering bouts of volatility before the U.S. election propelled strong moves in risk assets into yearend. Resilient U.S. growth was the one constant throughout the year with American consumers continuing to drive the economy despite some softening in the labor market.

In 2025, we expect there will be more focus on policy changes from the Trump administration and the impacts they will have on the domestic and global economies. Tax policy, immigration, and regulatory changes will all be scrutinized to determine how they will impact the business cycle and the U.S. fiscal outlook. These policies will be of significance as the pace of disinflation has slowed globally, which suggests somewhat limited room for central banks to continue easing policy rates. The potential for congressional delays to policy changes, stalled progress on disinflation and more hawkish central banks, as well as heightened risks from geopolitical environment - including potential trade frictions - are among the key risks in the upcoming year.

In our base case scenario, we expect U.S. growth to continue to power the global economy, however increased policy uncertainty suggests elevated macroeconomic volatility and a wide range of potential economic and market outcomes. Within portfolios, we believe that attractive carry will be the primary driver of returns. We are still constructive on credit but have moderated exposure somewhat as current spread levels discount a healthy economic backdrop and leave limited room for adverse macro surprises. We view MBS as attractive, particularly higher coupons, with only moderate prepayment risk as the Fed moving towards neutral should keep yields largely rangebound. Amid a tight spread environment, we may also look to add duration if Treasury yields continue to move higher.

Disclosures

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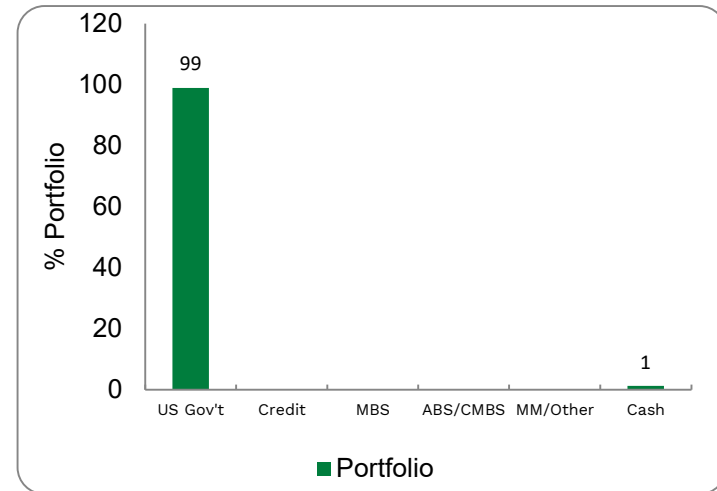
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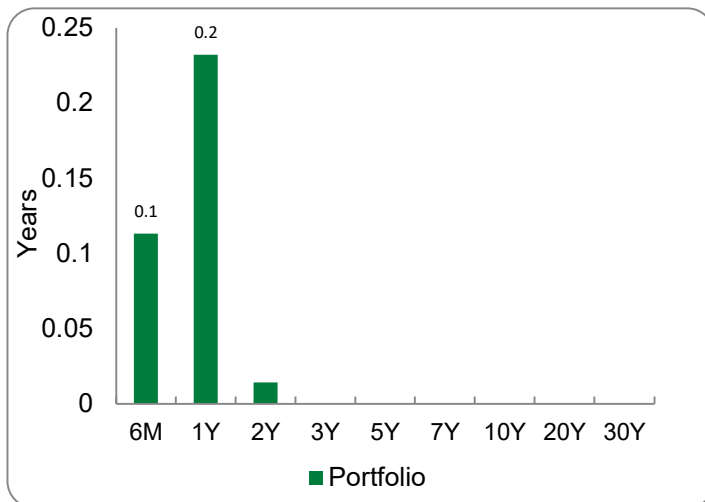
Key Portfolio Characteristics

	Portfolio
Market Value (\$M)	256.8
Yield to Worst (%)	4.16
Coupon (%)	0.33
Maturity (yrs)	0.3
Average Quality	Aa1
Effective Duration (yrs)	0.36

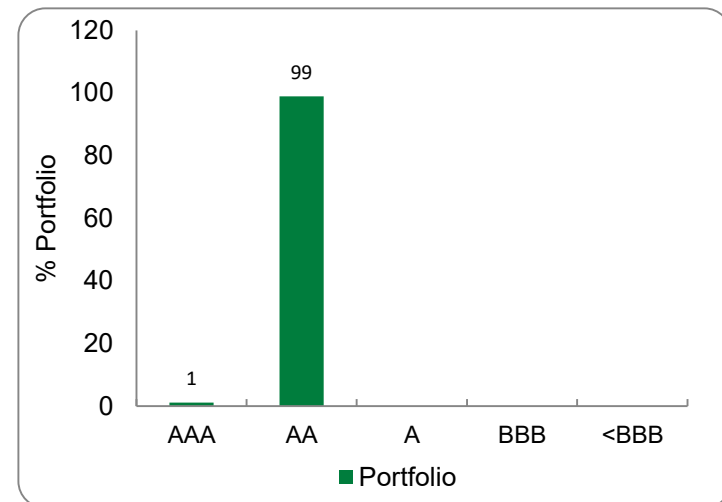
Sector Distribution



Key Rate Durations



Credit Quality Distribution



Performance History

Portfolio	Month To Date	Latest 3 Months	Since Inception 6/11/2024
Account	0.42	1.08	2.79

Quantity	Symbol	Security	Unit Cost	Total Cost	Price	Market Value	% Assets	Curr. Yield
TREASURY BILLS (USD)								
81,000,000	912797KA4	UNITED STATES TREAS BILLS 0.000% Due 2/20/2025	97.69	79,125,437	99.43	80,539,539	31.4	0.0
81,000,000	912797MT1	UNITED STATES TREAS BILLS 0.000% Due 3/13/2025	98.94	80,144,235	99.19	80,341,686	31.3	0.0
80,000,000	912797MS3	UNITED STATES TREAS BILLS 0.000% Due 10/2/2025	96.15	76,922,865	96.94	77,555,264	30.2	0.0
		Accrued Interest				0	0.0	
				236,192,538		238,436,490	92.8	0.0
CASH AND EQUIVALENTS (USD)								
	cash	CASH ACCOUNT		2,904,520		2,904,520	1.1	0.0
				2,904,520		2,904,520	1.1	0.0
GOVERNMENT AGENCY (USD)								
15,400,000	3134HAZL0	FEDERAL HOME LOAN MTG CORP 4.800% Due 11/19/2026	100.00	15,400,000	100.04	15,405,688	6.0	4.8
		Accrued Interest				86,240	0.0	
				15,400,000		15,491,928	6.0	4.8
Total Portfolio				254,497,057		256,832,938	100.0	0.3

Purchases

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Cost	Total Cost			
10/3/2024	10/3/2024	80,000,000	912797MS3	UNITED STATES TREAS BILLS 0.000% Due 10/2/2025	96.15	76,922,865.33			
10/21/2024	10/22/2024	15,400,000	3134HATL7	FEDERAL HOME LOAN MTG CORP 5.040% Due 10/13/2026	100.00	15,400,000.00			
11/14/2024	11/19/2024	15,400,000	3134HAZL0	FEDERAL HOME LOAN MTG CORP 4.800% Due 11/19/2026	100.00	15,400,000.00			
12/12/2024	12/13/2024	81,000,000	912797MT1	UNITED STATES TREAS BILLS 0.000% Due 3/13/2025	98.94	80,144,235.00			
Total Purchases						187,867,100.33			

Sales

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Cost	Total Cost	Unit Price	Proceeds	Gain/Loss
10/22/2024	10/22/2024	5,000,000	3134HAAF0	FEDERAL HOME LOAN MTG CORP 5.500% Due 7/22/2027	99.99	4,999,250.00	100.00	5,000,000.00	750.00
11/13/2024	11/13/2024	15,400,000	3134HATL7	FEDERAL HOME LOAN MTG CORP 5.040% Due 10/13/2026	100.00	15,400,000.00	100.00	15,400,000.00	0.00
Total Sales						20,399,250.00		20,400,000.00	750.00

Trade Date	Settle Date	Tran Code	Activity	Symbol	Security	Amount
CASH ACCOUNT						
10/1/2024			Beginning Balance			10,107,596.99
10/1/2024	10/1/2024	dp	Sale	912797LK1	UNITED STATES TREAS BILLS 0.000% Due 10/1/2024	80,000,000.00
10/1/2024	10/1/2024	dp	Interest	cash	CASH ACCOUNT	37,701.50
10/1/2024	10/1/2024	dp	Accrued Interest	20752TAA2	CONNECT FINCO SARL / CONNECT U 6.750% Due 10/1/2026	0.00
10/3/2024	10/3/2024	wd	Purchase	912797MS3	UNITED STATES TREAS BILLS 0.000% Due 10/2/2025	-76,922,865.33
10/3/2024	10/3/2024	dp	Accrued Interest	912797MS3	UNITED STATES TREAS BILLS 0.000% Due 10/2/2025	0.00
10/21/2024	10/22/2024	wd	Purchase	3134HATL7	FEDERAL HOME LOAN MTG CORP 5.040% Due 10/13/2026	-15,400,000.00
10/21/2024	10/22/2024	wd	Accrued Interest	3134HATL7	FEDERAL HOME LOAN MTG CORP 5.040% Due 10/13/2026	-8,624.00
10/22/2024	10/22/2024	dp	Sale	3134HAAF0	FEDERAL HOME LOAN MTG CORP 5.500% Due 7/22/2027	5,000,000.00
10/22/2024	10/22/2024	dp	Accrued Interest	3134HAAF0	FEDERAL HOME LOAN MTG CORP 5.500% Due 7/22/2027	68,750.00
11/1/2024	11/1/2024	dp	Interest	cash	CASH ACCOUNT	63,560.06
11/13/2024	11/13/2024	dp	Sale	3134HATL7	FEDERAL HOME LOAN MTG CORP 5.040% Due 10/13/2026	15,400,000.00
11/13/2024	11/13/2024	dp	Interest	3134HATL7	FEDERAL HOME LOAN MTG CORP 5.040% Due 10/13/2026	53,900.00
11/14/2024	11/19/2024	wd	Purchase	3134HAZL0	FEDERAL HOME LOAN MTG CORP 4.800% Due 11/19/2026	-15,400,000.00
11/14/2024	11/19/2024	dp	Accrued Interest	3134HAZL0	FEDERAL HOME LOAN MTG CORP 4.800% Due 11/19/2026	0.00
11/20/2024	11/20/2024	li	Addition		to Portfolio	28,225.14
12/2/2024	12/2/2024	dp	Interest	cash	CASH ACCOUNT	20,510.50
12/12/2024	12/12/2024	dp	Sale	912797LP0	UNITED STATES TREAS BILLS 0.000% Due 12/12/2024	80,000,000.00
12/12/2024	12/13/2024	wd	Purchase	912797MT1	UNITED STATES TREAS BILLS 0.000% Due 3/13/2025	-80,144,235.00
12/12/2024	12/13/2024	dp	Accrued Interest	912797MT1	UNITED STATES TREAS BILLS 0.000% Due 3/13/2025	0.00
12/31/2024			Ending Balance			2,904,519.86