

MEMORANDUM



TO: VICTOR CARDENAS, CITY MANAGER
FROM: SABRINA LILLA, INTERIM FINANCE DIRECTOR
TINA GLENN, ASSISTANT CITY TREASURER
CC: CORTNEY HANSON, CITY CLERK
SUBJECT: QUARTERLY INVESTMENT REPORT – SEPTEMBER 30, 2025
DATE: NOVEMBER 14, 2025

Attached to this memo is the investment report for the City of Novi as of September 30, 2025. This memo outlines the investment factors and trends that were playing a role in our investment decisions for the reporting period.

Nationally

According to the minutes of the Federal Open Market Committee (FOMC) meetings held on September 16 – 17, 2025, "The information available at the time of the meeting indicated that real gross domestic product (GDP) growth had moderated in the first half of the year. Although the unemployment rate continued to be low, the pace of employment increases had slowed, and labor market conditions had softened. Consumer price inflation remained somewhat elevated."¹

According to the Bureau of Labor Statistics News Release, "Total nonfarm payroll employment changed little in August (+22,000) and has shown little change since April, the U.S. Bureau of Labor Statistics (BLS) reported today. The unemployment rate, at 4.3 percent, also changed little in August. A job gain in health care was partially offset by losses in federal government and in mining, quarrying, and oil and gas extraction."²

The City is continuing to invest pursuant to the Investment Policy and the Retirement Health Care Investment Policy. The City's funds are invested in a variety of instruments including commercial paper, money market accounts, certificates of deposit, agencies, and pooled accounts. The primary focus and order of priority is on safety of capital, liquidity, and lastly return on investment.

Risk

As required by the Governmental Accounting Standard Board, GASB 40 identifies several reporting and disclosure requirements for public funds that are designed to manage and limit risk in deposits and investments. These disclosures are only required as part of the year-end financial statements, the applicable risks are as follows:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment or the government's cash flows. Disclosure of interest rate risk addresses the exposure of investments to changes in market value as

¹ <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20250917.pdf>

² https://www.bls.gov/news.release/archives/empst_09052025.pdf

interest rates increase or decrease from current levels. In accordance with the City investment policy, the City limits its exposure to possible decline in fair market value by controlling duration or maturities. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, considering large routine expenditures (payroll, debt service), as well as considering sizable blocks of anticipated revenue (taxes, state revenue sharing payments).

Credit Risk: Credit risk is the risk that the investment counterparty will not fulfill its promise to pay the government when required. There is credit risk associated with the financial institutions, brokers, and investment instruments the City does business with. The City's investment officer must also be held to the highest standards. The City's investment policy utilizes the prudent person rule: "Investments are made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Any commercial paper purchased must be rated within the highest classification established by at least two standard rating services. Obligations of the State or its subdivisions must be rated of investment grade by at least one rating service. Because the State of Michigan does not require collateralization of public funds, the City's policy restricts Certificates of Deposit investments to those with financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration.

Concentration of Risk: Governments must disclose any single issuer that comprises more than 5% of the investment value in the portfolio. This disclosure is to ensure that there is proper diversification and not a concentration of public funds with any one issuer. While CD's and commercial paper are being used only occasionally for diversification, the City's funds are primarily invested in guaranteed accounts and treasuries. To reduce concentration risk, the City's investments are diversified amongst several highly rated financial institutions.

Investment Report

Attached is a summary listing of investments by issuer that the City held on September 30, 2025 (excluding Retiree Healthcare and Pension Investments that are not subject to Public Act 20 Investment Limitations). The listing includes the market value, type of investment, days to maturity, interest rate (yield) and amount of investment (book value). The book and market value for the Fifth Third checking account represents the bank balance on September 30, 2025, and does not include any month end reconciling items. A separate summary report is included for the Retiree Health Care Funds held by Morgan Stanley.

A comprehensive detailed listing of each investment's details and maturity date is maintained in the Treasurer's office. The report includes all investment accounts by issuer including all pooled fund accounts. Please note that all investments included in this report are in accordance with the City's Investment Policy and State statutes and meet the City's investment objectives including Safety of Capital, Liquidity, and lastly Return on Investment. The issue of non-compliance with the MERS Retiree Health Care Account is currently being addressed and remedies are being considered.



City of Novi Quarterly Investment Report September 30, 2025

Investment Officer's Certification: This report is prepared for the City of Novi in accordance with Chapter 2256 of the Public Funds Investment Act (PFIA). Section 2256.023 (a) of the PFIA states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body, a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Finance Director and includes the disclosures required in the PFIA. Market prices were obtained from Various Brokerage Accounts: Huntington Bank, UBS, Comerica, Fifth Third Securities and J. P. Morgan .

PERFORMANCE VALUES

TRR-MV	Total Rate of Return - Market Value	1.090%
Annualized TRR-MV	Annualized Total Rate of Return - Market Value	4.440%
YTM@Cost	Yield to Maturity @ Cost	3.654%

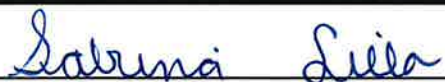
BENCHMARKS

Treasury 6 Month 3.850%
Treasury 1 Year 3.660%

FISCAL YEAR TO DATE

Investment Income 1,248,962
TRR-MV 1.090%

Security Sector	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
Cash	5,998,619.70	5,998,619.68	5,998,619.70	5.37	0.00	1
Certificate Of Deposit	14,335,000.00	14,300,729.94	14,262,268.61	12.76	3.72	686
Corporate	7,500,000.00	7,421,752.08	7,426,370.51	6.65	4.25	85
Local Government Investment Pool	44,615,522.31	44,615,522.31	44,615,522.31	39.92	4.28	1
Money Market	11,303,269.30	11,303,269.30	11,303,269.30	10.11	4.17	1
Municipal	12,100,000.00	11,801,400.75	12,325,785.51	11.03	2.45	1,360
US Agency	14,000,000.00	13,969,625.05	13,937,249.85	12.47	3.38	848
US Treasury	1,900,000.00	1,919,556.17	1,884,797.78	1.69	4.15	793
Total / Average	111,752,411.31	111,330,475.28	111,753,883.57	100.00	3.65	363


Sabrina Lilla - Interim Finance Director

11.14.2025
Date



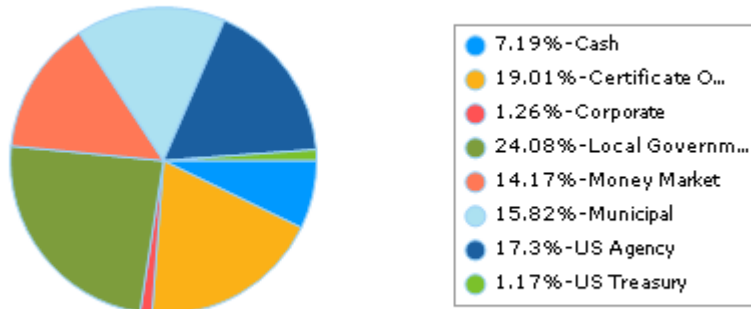
City of Novi Distribution by Security Sector - Market Value All Portfolios

Begin Date: 6/30/2025, End Date: 9/30/2025

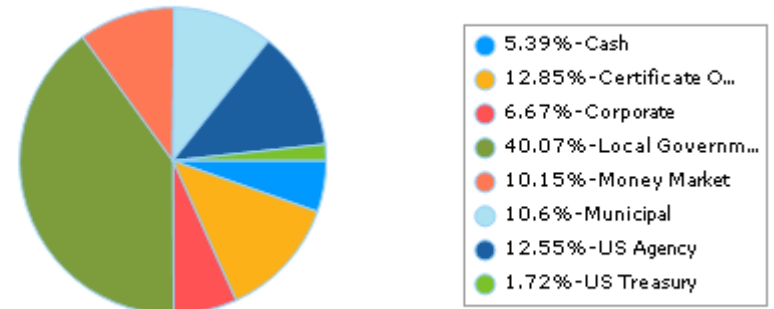
Security Sector Allocation

Security Sector	Market Value 6/30/2025	% of Portfolio 6/30/2025	Market Value 9/30/2025	% of Portfolio 9/30/2025
Cash	5,674,836.00	7.19	5,998,619.68	5.39
Certificate Of Deposit	15,007,315.19	19.01	14,300,729.94	12.85
Corporate	992,248.92	1.26	7,421,752.08	6.67
Local Government Investment Pool	19,008,407.23	24.08	44,615,522.31	40.07
Money Market	11,185,441.76	14.17	11,303,269.30	10.15
Municipal	12,485,990.78	15.82	11,801,400.75	10.60
US Agency	13,652,080.00	17.30	13,969,625.05	12.55
US Treasury	922,149.00	1.17	1,919,556.17	1.72
Total / Average	78,928,468.88	100.00	111,330,475.28	100.00

Portfolio Holdings as of 6/30/2025



Portfolio Holdings as of 9/30/2025





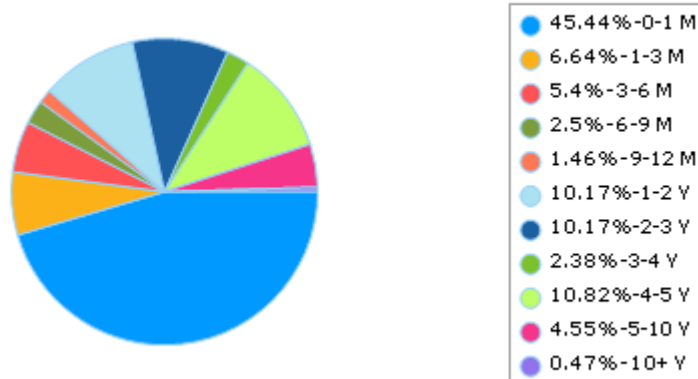
City of Novi Distribution by Maturity Range - Market Value All Portfolios

Begin Date: 6/30/2025, End Date: 9/30/2025

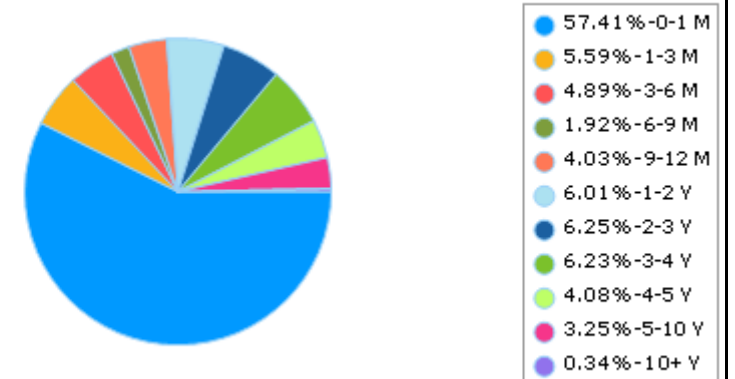
Maturity Range Allocation

Maturity Range	Market Value 6/30/2025	% of Portfolio 6/30/2025	Market Value 9/30/2025	% of Portfolio 9/30/2025
0-1 Month	35,868,684.99	45.44	63,916,309.65	57.41
1-3 Months	5,237,547.90	6.64	6,218,331.28	5.59
3-6 Months	4,260,537.50	5.40	5,449,407.19	4.89
6-9 Months	1,973,740.00	2.50	2,133,925.42	1.92
9-12 Months	1,156,282.50	1.46	4,481,250.70	4.03
1-2 Years	8,027,170.38	10.17	6,695,252.96	6.01
2-3 Years	8,025,634.40	10.17	6,957,170.25	6.25
3-4 Years	1,878,045.75	2.38	6,932,636.75	6.23
4-5 Years	8,536,757.46	10.82	4,544,614.18	4.08
5-10 Years	3,591,178.80	4.55	3,622,928.70	3.25
10+ Years	372,889.20	0.47	378,648.20	0.34
Total / Average	78,928,468.88	100.00	111,330,475.28	100.00

Portfolio Holdings as of 6/30/2025



Portfolio Holdings as of 9/30/2025



City of Novi
Portfolio Holdings
Investment Portfolio - by Issuer, Summary
As of 9/30/2025

Description	YTM @ Cost	Book Value	Market Value	Days To Maturity	Accrued Interest	% of Portfolio
Allendale MI Pub Sch Dist Unltd tax go ref bonds	1.757	1,021,721.82	896,040.00	2,223	8,898.61	0.89
Aquitaine Funding Co CP	4.300	994,674.61	994,947.50	45	0.00	0.89
Banco Credit CP	4.550	998,747.51	998,868.36	10	0.00	0.89
Bank of America CD	5.000	1,000,000.00	1,006,680.00	234	17,945.21	0.89
Brighthouse St CP	4.180	1,479,500.00	1,480,005.02	120	0.00	1.34
Capital One NA	3.375	2,000,000.00	1,990,470.00	504	8,136.99	1.79
Chippewa Valley Mich Schs	2.237	1,000,000.00	976,578.00	578	9,258.69	0.89
City of Ishpeming MI	1.800	307,239.38	282,353.75	1,309	2,549.97	0.27
Comerica	0.000	0.02	0.00	1	0.00	0.00
Federal Home Loan Bank	1.760	4,998,965.17	4,977,400.00	97	22,618.06	4.47
FFCB	3.970	1,000,000.00	1,001,280.00	695	3,749.44	0.89
FHLB	4.568	1,485,821.92	1,502,055.00	1,200	13,812.50	1.34
FHLMC	4.124	3,990,712.76	3,995,080.00	1,422	11,184.10	3.58
Fifth Third	0.000	5,998,611.63	5,998,611.63	1	0.00	5.37
First Source Bank CD	4.400	1,000,000.00	1,000,840.00	1,000	11,813.70	0.89
Flagstar Bank CD	4.400	1,000,000.00	1,000,030.00	20	1,326.03	0.89
FNMA	4.482	2,461,750.00	2,493,810.05	1,294	6,734.72	2.24
General Motors Fin CP	4.245	976,767.78	977,929.42	203	0.00	0.89
Homer Cmnty SD	2.400	803,109.06	787,645.45	578	12,996.11	0.70
Honeywell Intl CP	4.088	987,910.00	988,003.00	108	0.00	0.89
Huntington National Bank	4.169	11,303,269.30	11,303,269.30	1	0.00	10.11
Jackson CNTY MI Transprt'n Fund Bond	2.455	254,130.56	237,252.00	1,888	2,958.34	0.21
JP Morgan Chase CD	4.397	4,562,123.49	4,620,547.18	1,161	84,082.41	4.14
Ken Mi Hosp Fin Auth	2.000	1,152,324.00	1,112,229.60	653	6,272.37	1.02
Kent MI Hosp Fin Auth Revenue	1.936	103,104.04	95,217.00	1,384	587.71	0.09
Macomb Cnty MI	2.739	1,381,031.31	1,299,974.00	1,858	22,200.17	1.16
Michigan Class	4.283	44,612,939.81	44,612,939.81	1	0.00	39.92
Michigan Fin Auth	2.000	706,577.99	688,888.70	1,274	4,122.64	0.63
Michigan St Fin Auth	1.412	1,267,555.29	1,245,195.00	281	4,773.55	1.12
Michigan St Hsg Dev Auth	2.340	89,657.16	85,025.50	2,253	941.26	0.08
Michigan ST Strategic	4.700	450,681.78	462,310.00	1,432	756.42	0.45
Michigan State University Federal Credit Union	1.350	1,000,008.05	1,000,008.05	289	56,847.95	0.89
Morgan Stanley Bank	1.846	1,700,145.12	1,669,352.76	415	7,861.03	1.53
Oakland County	4.099	2,582.50	2,582.50	1	0.00	0.00
Oakland Univ Muni Bond	4.192	198,566.18	179,350.20	7,822	725.00	0.16
Salisbury Receivables CP	4.240	992,773.52	993,038.78	62	0.00	0.89
State of Michigan	2.846	3,018,251.07	2,891,396.80	1,664	38,643.75	2.64
Treasury	4.148	1,884,797.78	1,919,556.17	791	9,843.75	1.70
UBS Bank USA CD	4.000	2,000,000.00	2,012,810.00	620	4,126.03	1.79
Verto Capital Comp CP	4.140	995,997.09	988,960.00	35	0.00	0.89
Wayne MI ST UNiV	2.601	106,835.87	101,426.00	1,142	1,875.00	0.09
Ypsilanti MI	3.264	465,000.00	460,518.75	586	6,281.60	0.42
Total / Average	3.654	111,753,883.57	111,330,475.28	360	383,923.11	100

City of Novi
Date To Date
Investment Income - Market Value
Begin Date: 6/30/2025, End Date: 9/30/2025

Description	Interest Earned During Period-MV	Unrealized Gain/Loss-MV	Realized Gain/Loss-MV	Investment Income-MV	TRR-MV	Annualized TRR-MV
Cash	0.02	-0.02	0.00	0.00	0.00	0.00
Certificate Of Deposit	134,482.33	92,222.75	1,192.00	227,897.08	1.55	6.33
Corporate	0.00	28,081.10	13,754.82	41,835.92	0.98	3.99
Local Government Investment Pool	507,115.32	0.00	0.00	507,115.32	1.02	4.13
Money Market	117,827.67	0.00	0.00	117,827.67	1.05	4.28
Municipal	94,794.94	78,160.95	2,249.02	175,204.91	1.46	5.95
US Agency	107,156.20	35,970.05	16,575.00	159,701.25	1.15	4.69
US Treasury	9,843.75	9,536.17	0.00	19,379.92	1.83	7.50
Total / Average	971,220.23	243,971.00	33,770.84	1,248,962.07	1.09	4.44

City of Novi

The City of Novi portfolio for the 3rd Quarter was +2.51%.

The 3rd Quarter ending value was \$33,721,808. The total dollar gain of the portfolio was +\$18,322,276 with an annualized rate of return +8.05%.

The current asset allocation of 31.0% equities, 59.2% fixed income, and 9.9% alternatives, which is in line with the updated Investment Policy Statement adopted May 19, 2025.

All information shown here in is referenced in the attached Performance Review Report dated 9/30/2025.

Please do not hesitate to contact me with any questions or concerns that you may have.

Sincerely,



Kenneth Mittelbrun, CIMA®
Executive Director
Senior Investment Management Consultant
Government Entity Specialist

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An investment cannot be made directly in a market index.*

Investment Summary Dollar Weighted Returns

Novi Performance

Data as of September 30, 2025

