

# City of Hallandale Beach

## Defined Benefit Plans Investment Review



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Principal Asset Management<sup>SM</sup>

# Global Market Perspectives

Diverging fortunes

As of Dec. 31, 2024

U.S. equity markets were mixed for the quarter; growth indexes delivered positive returns while value indexes were negative.

Longer duration fixed income indexes delivered negative returns for the quarter as long-term rates were up.

	3-months	1-year	3-year	5-year	10-year
<b>U.S. Equities</b>					
Russell 1000 Value Index	-1.98%	14.37%	5.63%	8.68%	8.49%
S&P 500 Index	2.41%	25.02%	8.94%	14.53%	13.10%
Russell 1000 Growth Index	7.07%	33.36%	10.47%	18.96%	16.78%
Russell Midcap Index	0.62%	15.34%	3.79%	9.92%	9.63%
Russell 2000 Index	0.33%	11.54%	1.24%	7.40%	7.82%
<b>Non-U.S. Equities</b>					
MSCI EAFE NTR Index	-8.11%	3.82%	1.65%	4.73%	5.20%
MSCI ACWI ex-USA Index	-7.60%	5.53%	0.82%	4.10%	4.80%
MSCI Emerging Markets Index	-8.01%	7.50%	-1.92%	1.70%	3.64%
<b>Fixed Income</b>					
ICE BofA U.S. Treasury Bill 3-month Index	1.17%	5.25%	3.89%	2.46%	1.77%
Bloomberg Aggregate Bond Index	-3.06%	1.25%	-2.41%	-0.33%	1.35%
Bloomberg U.S. Corp High Yld 2% Issuer Capped Index	0.17%	8.19%	2.92%	4.20%	5.16%
Bloomberg Long-Term Govt/Credit Index	-7.42%	-4.15%	-9.20%	-3.26%	0.99%
<b>Other</b>					
MSCI U.S. REIT Index	-6.39%	7.49%	-3.43%	3.10%	4.38%
S&P GSCI® Index	3.81%	9.25%	9.63%	7.12%	1.24%
U.S. Dollar Index	7.65%	7.06%	4.17%	2.39%	1.86%

As of Dec. 31, 2024.

Source: Morningstar Direct. Returns are annualized. **Past performance does not guarantee future results.** Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. See Important Information for index descriptions.

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Mid cap growth equities were the best performing U.S. equity style for the quarter.

The large cap growth style was the best performing U.S. equity style for the 2024 calendar year.

QTD			
	Value	Blend	Growth
Large	-2.0%	2.7%	7.1%
Mid	-1.7%	0.6%	8.1%
Small	-1.1%	0.3%	1.7%

YTD			
	Value	Blend	Growth
Large	14.4%	24.5%	33.4%
Mid	13.1%	15.3%	22.1%
Small	8.1%	11.5%	15.2%

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	16.2 / 14.1	21.3 / 16.6	28.9 / 20.1
Mid	15.4 / 14.6	17.4 / 16.4	28.1 / 21.4
Small	17.2 / 16.3	24.2 / 21.0	39.5 / 31.4

Current P/E as % of 20-year avg. P/E

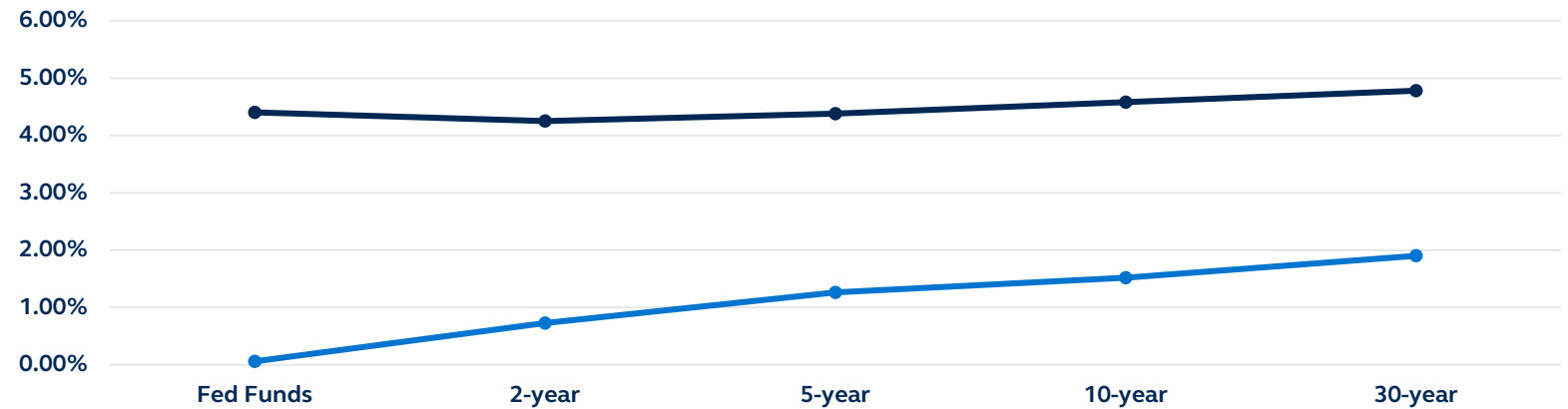
	Value	Blend	Growth
Large	115%	129%	144%
Mid	106%	106%	132%
Small	106%	115%	126%

Source: Morningstar Direct and FactSet Global. Data as of Dec. 31, 2024. **Past performance is not indicative of future returns.** The Morningstar Style Box™ reveals a fund's investment strategy. For equity funds, the vertical axis shows the market capitalization of the stocks owned and the horizontal axis, shows the investment style (value, blend, or growth). Russell 1000 Value - Large Value, Russell 1000 - Large Blend, Russell 1000 Growth - Large Growth, Russell Midcap Value - Mid Value, Russell Midcap - Mid Blend, Russell Midcap Growth - Mid Growth, Russell 2000 Value - Small Value, Russell 2000 - Small Blend, Russell 2000 Growth - Small Growth

# The history of interest rates

How have interest rates changed in recent years?

	Dec 31, 2021	Dec 31, 2022	Dec 31, 2023	Dec 31, 2024
<b>Fed Funds</b>	0.06	4.12	5.60	4.40
<b>2-year</b>	0.73	4.41	4.23	4.25
<b>5-year</b>	1.26	3.99	3.84	4.38
<b>10-year</b>	1.52	3.88	3.88	4.58
<b>2- to 10-year spread</b>	0.79	-0.53	-0.35	0.33
<b>30-year</b>	1.90	3.97	4.03	4.78



<b>Dec. 31, 2024</b>	4.40%	4.25%	4.38%	4.58%	4.78%
<b>Dec. 31, 2021</b>	0.06%	0.73%	1.26%	1.52%	1.90%

Source: Morningstar Direct. **Past performance does not guarantee future results.**

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ECONOMIC AND MARKET REVIEW

ASSET CLASS RETURNS AS OF DEC. 31, 2024

Best  
↑  
↓  
Worst

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Small Cap	38.82%	31.78%	4.23%	21.31%	37.28%	1.86%	31.49%	19.96%	46.18%	16.09%	26.29%	25.02%
Real Estate	33.50%	25.07%	1.38%	20.74%	25.03%	0.01%	26.20%	18.40%	28.71%	1.50%	18.24%	15.04%
Government Treasury	32.39%	13.69%	1.28%	17.34%	21.83%	-1.84%	25.76%	18.31%	27.11%	-11.11%	17.67%	13.93%
Large Cap	22.78%	10.62%	0.55%	11.96%	16.24%	-2.15%	25.53%	17.70%	24.76%	-13.01%	16.93%	11.54%
Asset Allocation	17.56%	9.77%	0.03%	11.77%	14.65%	-2.26%	22.18%	14.73%	15.86%	-13.06%	16.44%	9.11%
High Yield	7.38%	5.97%	-0.81%	11.19%	14.21%	-2.35%	22.01%	13.66%	14.82%	-14.45%	16.10%	8.04%
Intermediate Bond	1.86%	4.89%	-1.21%	8.31%	10.51%	-4.38%	18.44%	10.11%	11.26%	-15.79%	13.40%	7.50%
Small Cap	0.06%	2.44%	-2.18%	7.24%	8.53%	-4.84%	14.83%	7.82%	5.29%	-18.11%	9.83%	5.45%
High Yield	-2.02%	0.02%	-4.41%	2.65%	7.48%	-11.01%	14.40%	7.51%	0.05%	-18.70%	5.53%	5.38%
Emerging Markets	-2.60%	-2.19%	-4.55%	1.49%	4.18%	-11.08%	8.72%	6.20%	-1.54%	-20.09%	5.26%	3.82%
Intl Bonds	-3.08%	-3.08%	-6.02%	1.33%	3.54%	-11.25%	7.69%	0.58%	-2.54%	-20.44%	3.99%	1.25%
Commodities	-9.52%	-4.90%	-14.92%	1.00%	1.70%	-13.79%	5.09%	-3.12%	-4.65%	-26.81%	3.06%	-6.41%
Government Treasury	-12.66%	-17.01%	-24.66%	0.27%	0.84%	-14.58%	2.25%	-7.90%	-7.05%	-29.26%	-7.91%	-7.79%

The returns reflect performance of certain indexes as defined below. This information is general in nature and is not intended to be reflective of any specific plan.

Cash- FTSE 3-month T-bill ,Government Treasury-BBg Long Treasury, Commodities-Bloomberg Commodity Idx, Intermediate Bond-BBg US Agg Bond Idx, High Yield Bond-ICE BofA High Yield Idx, Intl Bonds-JPMorgan GBI Global ex U.S., Asset Allocation-portfolio assumes the following weights: 60% S&P 500 and 40% BBG US Agg, Large Cap-S&P 500, Mid Cap-S&P Midcap 400, Small Cap-Russell 2000, Intl Stocks-MSCI EAFE (net), Emerging Markets-MSCI EM (net), Real Estate-Wilshire U.S. REIT.

Past performance does not guarantee future results.

Bloomberg U.S. High-Yield Corporate Bond Index is a rules-based, market-value-weighted index engineered to measure publicly issued non-investment grade USD fixed-rate, taxable and corporate bonds.

Bloomberg U.S. Corp High Yield 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

Bloomberg U.S. Corporate Investment Grade Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. To qualify, bonds must be SEC-registered. The corporate sectors are industrial, utility and finance, which include both U.S. and non-U.S. corporations.

Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint. STRIPS are excluded from the index because their inclusion would result in double-counting.

MSCI ACWI Index includes large and mid cap stocks across developed and emerging market countries.

MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

MSCI EAFE Index is listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

MSCI Emerging Markets Index consists of large and mid cap companies across 24 countries and represents 10% of the world market capitalization. The index covers approximately 85% of the free float-adjusted market capitalization in each country in each of the 24 countries.

MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe.

MSCI Europe Banks Index is composed of large and mid cap stocks across 15 Developed Markets countries in Europe. All securities in the index are classified in the Banks industry group (within the Financials sector) according to the Global Industry Classification Standard (GICS®).

MSCI Germany Index is designed to measure the performance of the large and mid cap segments of the German market.

MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market.

MSCI USA Growth Index captures large and mid cap securities exhibiting overall growth style characteristics in the U.S. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

MSCI USA Index is a market capitalization weighted index designed to measure the performance of equity securities in the top 85% by market capitalization of equity securities listed on stock exchanges in the United States.

MSCI USA Large Cap Index is designed to measure the performance of the large cap segments of the U.S. market.

MSCI USA Mid Cap Index is designed to measure the performance of the mid cap segments of the U.S. market.

MSCI USA Quality Index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage. The MSCI Quality Indexes complement existing MSCI Factor Indexes and can provide an effective diversification role in a portfolio of factor strategies.

MSCI USA Small Cap Index is designed to measure the performance of the small cap segment of the U.S. equity market.

MSCI USA Value Index captures large and mid cap U.S. securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

U.S. dollar index (USDIX) is a measure of the value of the U.S. dollar relative to a basket of foreign currencies.

**Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect any fees or expenses. Individuals cannot invest directly in an index.**

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## IMPORTANT INFORMATION

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### Risk considerations

**Investing involves risk, including possible loss of principal. Past performance is no guarantee of future results. Equity investments** involve greater risk, including higher volatility, than fixed-income investments. **Fixed-income investments** are subject to interest rate risk; as interest rates rise their value will decline. **International and global investing** involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. **Alternative investment strategies** may include arbitrage, leverage, derivatives, and shorting securities in addition to traditional investments. Long/short investing does not guarantee reduced risks associated with equity markets, capitalization, sector swings or other risk factors. Long/short investing may also have higher turnover rates, which can result in additional tax consequences. Short selling involves certain risks, including investment loss and added costs associated with covering short positions. Investment risk may be magnified with the use of these alternative strategies. **Real Estate investment options** are subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Property values can decline due to environmental and other reasons. In addition, fluctuation in interest rates can negatively impact the performance of real estate investment options.

### Important Information

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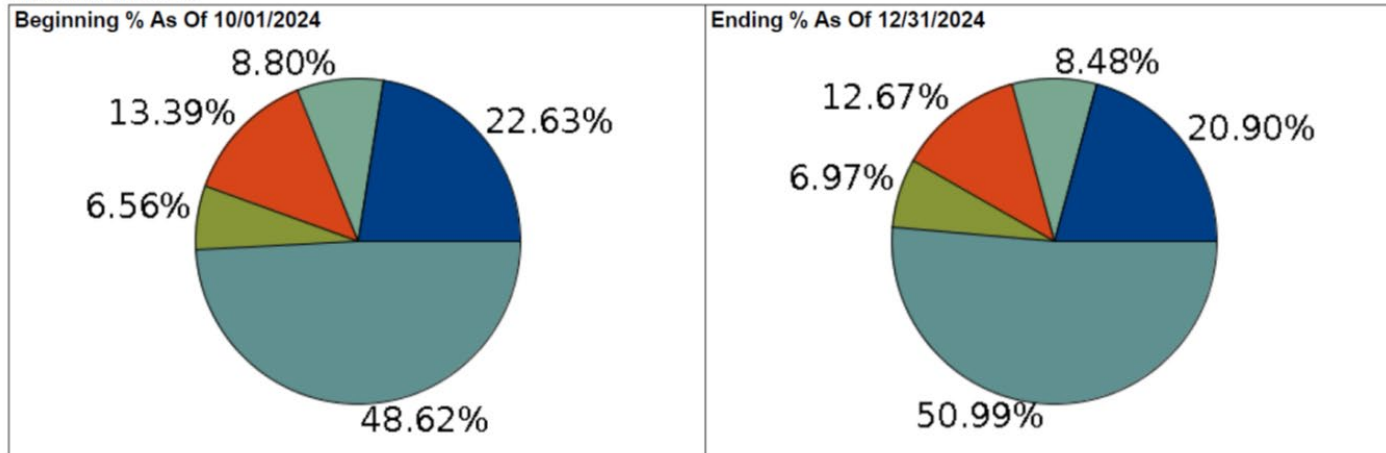
# Summary of Retirement Plan Assets

Pension Plan	9/30/2023 Assets	01/01/2024 Assets	06/30/2024 Assets	9/30/2024 Assets	12/31/2024 Assets
General Employees Retirement Plan	\$ 58,318,859	\$ 64,134,216	\$64,260,202	\$ 66,582,428	\$ 66,724,471
Professional/Management Retirement Plan	\$ 18,150,438	\$ 19,816,961	\$19,901,724	\$ 20,642,002	\$ 20,596,443
<b>Totals</b>	<b>\$ 76,469,297</b>	<b>\$ 83,951,177</b>	<b>\$84,161,926</b>	<b>\$ 87,224,430</b>	<b>\$87,320,914</b>

# General Employee Retirement Plan – Asset Allocation

## Portfolio and Strategic Asset Allocation Review

Allocation of Assets



Plan Asset Totals 12/31/2024 – \$66,724,471

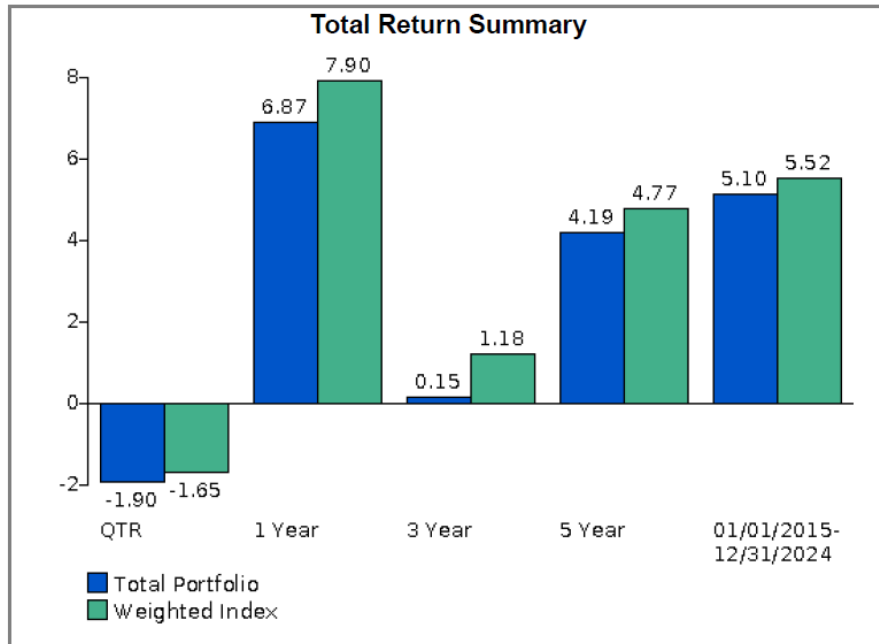
Target Asset Allocation – 50% Fixed Income

# General Employee Retirement Plan – 12/31/2024 Performance

## Time & Dollar Weighted Rates of Return December 31, 2024

Time & Dollar Weighted Returns	QTR	1 Year	3 Year	5 Year	10 Year
Total Portfolio Return	-1.90	6.87	0.15	4.19	5.10
Weighted Index	-1.65	7.90	1.18	4.77	5.52
Excess Return	-0.25	-1.03	-1.03	-0.58	-0.42

Asset Class Return Information	QTR	1 Year	3 Year	5 Year	10 Year
Your Plan's U.S. Equity Return	1.70	19.41	4.57	12.18	11.49
Blended U.S. Equity Index	2.63	24.13	8.59	14.17	12.81
Your Plan's Global/International Equity Return	-7.73	4.46	-1.18	3.51	3.82
MSCI ACWI Ex USA Index	-7.60	5.53	0.82	4.10	4.80
Your Plan's Real Asset Return	1.04	-2.08	-3.20	1.65	3.73
Custom Blended Real Asset Index - Preliminary	0.84	-2.42	-3.10	1.91	3.89
Your Plan's Fixed Income Return	-2.97	1.60	-1.94	-0.04	1.49
Bloomberg US Aggregate Bond Index	-3.06	1.25	-2.41	-0.33	1.35



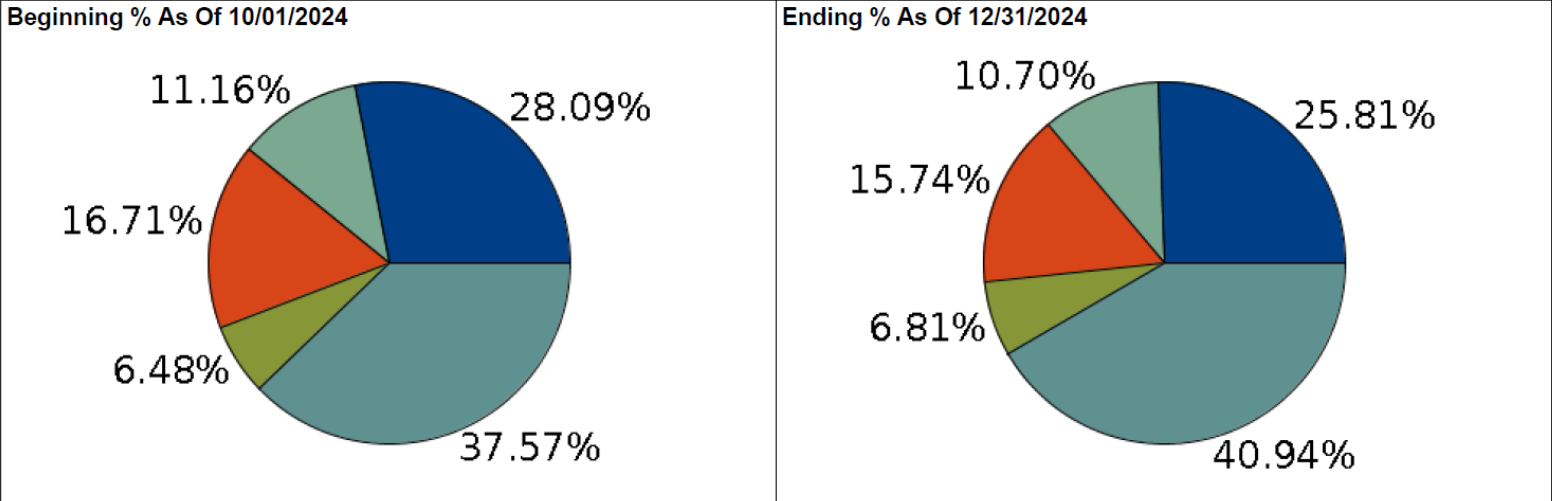
We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company<sup>®</sup> from your December 31, 2024 Contractholder Fund Statement.

Your portfolio's returns are net of investment management expenses and are based on your plan's specific activity. The returns take into consideration contributions, benefit payments, transfers and other withdrawals. The index returns do not include any expenses or cash flows.

# Professional/Management Retirement Plan – Asset Allocation

## Portfolio and Strategic Asset Allocation Review

Allocation of Assets



- Large U.S. Equity
- Small/Mid U.S. Equity
- Global/International Equity
- Real Estate
- Fixed Income

Plan Asset Totals 12/31/2024 – \$20,596,443

Target Asset Allocation – 40% Fixed Income

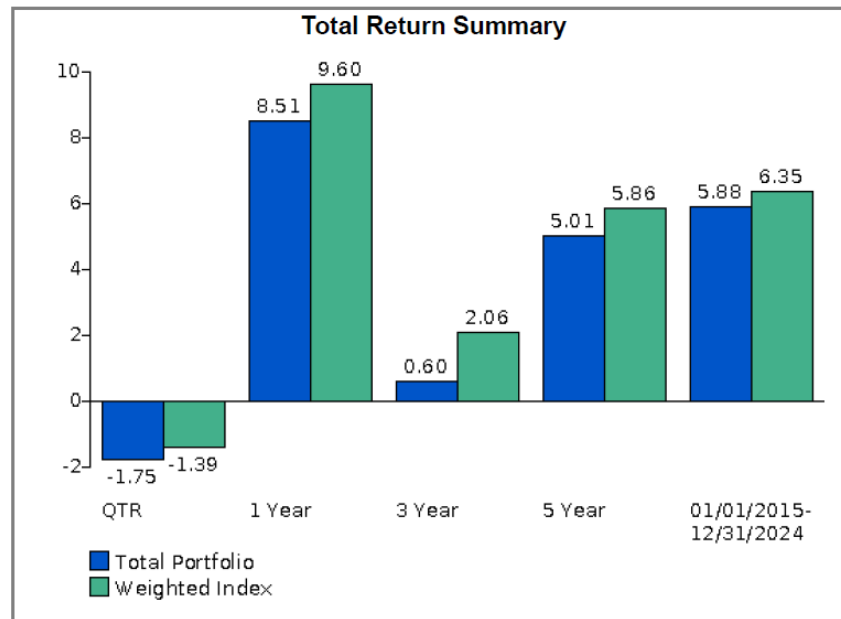


# Professional/Management Retirement Plan – 12/31/2024 Performance

## Time & Dollar Weighted Rates of Return December 31, 2024

Time & Dollar Weighted Returns	QTR	1 Year	3 Year	5 Year	10 Year
Total Portfolio Return	-1.75	8.51	0.60	5.01	5.88
Weighted Index	-1.39	9.60	2.06	5.86	6.35
Excess Return	-0.36	-1.09	-1.46	-0.85	-0.47

Asset Class Return Information	QTR	1 Year	3 Year	5 Year	10 Year
Your Plan's U.S. Equity Return	1.65	19.65	4.64	11.96	11.42
Blended U.S. Equity Index	2.63	24.13	8.59	14.17	12.81
Your Plan's Global/International Equity Return	-7.77	4.36	-1.39	3.20	3.61
MSCI ACWI Ex USA Index	-7.60	5.53	0.82	4.10	4.80
Your Plan's Real Asset Return	1.01	-2.20	-3.29	1.54	3.75
Custom Blended Real Asset Index - Preliminary	0.84	-2.42	-3.10	1.91	3.89
Your Plan's Fixed Income Return	-3.01	1.69	-2.11	-0.15	1.57
Bloomberg US Aggregate Bond Index	-3.06	1.25	-2.41	-0.33	1.35



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