Norfolk Airport Authority

Review of Investment Strategy & Performance

August 2026

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Current Market Themes

- U.S. growth remains resilient as AI-driven investment offsets a moderating consumer
  - Headline inflation may be at or near its peak as the energy shock fades, though flare-ups in the Middle East conflict and potential delayed passthroughs to core inflation remain key risks
  - The labor market is in balance, though real wage growth remains modest
  - AI investment continues to drive growth while fueling inflation in tech-related categories
- The Federal Reserve (Fed) left policy rates unchanged at 3.50-3.75%
  - New Fed Chair Kevin Warsh stressed restoring price stability
  - Forward guidance was removed to refocus markets on economic fundamentals and incoming data rather than the Fed's policy response
  - Nine participants projected a 2026 rate hike though Warsh did not submit projections
- Treasury yields moved higher on a more hawkish Fed
  - Given current pricing of Fed rate hikes, we continue to find value in the front end
  - Longer-term rates face two-sided risks from inflation and growth dynamics
  - Credit spreads remain tight as resilient growth, stable labor conditions, and strong demand outweigh valuation concerns

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of June 30, 2026.

Factors to Consider for 6-12 Months

Monetary Policy (Global):

- The Federal Reserve held rates steady at Chair Warsh's first meeting and removed forward guidance while shifting its focus to price stability.
- The June "dot plot" shifted more hawkish, showing no projected rate cuts in 2026 while nine policymakers projected at least one hike this year.
- Warsh launched five task forces to review Fed operations and key policy frameworks.
- Global central banks diverged, with ECB and BoJ hiking on persistent inflation while others remain on hold.

Economic Growth (Global):

- Global growth prospects improved following easing Middle East tensions, easing a key overhang on global supply chains and energy prices.
- AI-related capex and easing tariff pressures are expected to continue offsetting softening in consumer demand.
- Risks remain skewed to the downside given geopolitical uncertainty and signs of softer consumer demand.

Inflation (U.S.):

- Headline inflation remains above target but may be at or near its peak as falling oil prices provide a disinflationary impulse.
- Core services inflation remains sticky while core goods inflation remains muted as easing tariff pressures offset AI-fueled inflation.
- Producer prices suggest lingering supply-chain pressures, increasing the risk of cost passthroughs.
- While long-run inflation expectations remain anchored, the Fed remains focused on the passthrough of higher energy into core inflation.

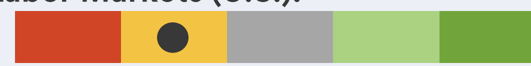
Financial Conditions (U.S.):

- Equity and fixed-income markets largely looked through the Middle East conflict, remaining focused on fundamentals and earnings strength.
- Strong corporate fundamentals persist and credit spreads are back near historical tights reflecting investor demand for yield.
- AI-related capex continues to drive significant capital flows, supporting equity valuations and elevated investment-grade issuance.
- Elevated valuations, large capital raises, geopolitical uncertainty, and energy price volatility remain key risks.

Consumer Spending (U.S.):

- Consumers remained resilient throughout the quarter despite higher energy costs but are beginning to show signs of softening.
- Real wages have turned modestly negative as inflation outpaces nominal wage gains, eroding purchasing power.
- The savings rate has fallen to multi-year lows, leaving consumers with less cushion.
- Consumer spending remains supported by higher-income households while affordability pressures persist for lower-income consumers.

Labor Markets (U.S.):



- The labor market has continued to show resilience, with recent payroll gains exceeding expectations and the unemployment rate holding steady.
- Hiring breadth remains narrow, concentrated in healthcare and social assistance.
- The "low-hire, low-fire" dynamic persists, with labor demand stable but hiring activity subdued.
- Slowing population growth and a softer labor force participation rate point to a structurally tighter supply of labor going forward.

● **Current outlook** ○ **Outlook one quarter ago**

Stance Unfavorable to Risk Assets | **Negative** | **Slightly Negative** | **Neutral** | **Slightly Positive** | **Positive** | **Stance Favorable to Risk Assets**

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg Finance L.P. and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (6/30/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

Portfolio Balances

Market Value	June 30, 2026	June 30, 2025	Change in Market Value
Truist Cash Balance	0.00	1,215,351.97	(1,215,351.97)
Townbanke Cash Balance	25,628,694.45	21,165,634.49	4,463,059.96
Funds Invested with the Virginia LGIP			
FBO Improvements	725,000.34	922,465.28	(197,464.94)
Renewal	7,075,264.47	37,617,764.69	(30,542,500.22)
State Block	6,669,084.49	4,419,924.15	2,249,160.34
PFC	65,920.26	92,375.25	(26,454.99)
CFC	12,678,803.34	10,838,096.79	1,840,706.55
CBP Forfeiture Fund	1,888.39	307.00	1,581.39
Total	27,215,961.29	53,890,933.16	(26,674,971.87)
Funds Managed By 1919 Investment Counsel			
Growth Fund	28,646,867.16	27,698,631.78	948,235.38
Total	28,646,867.16	27,698,631.78	948,235.38
Total Operating Funds	**81,491,522.90**	**103,970,551.40**	**(22,479,028.50)**

End of quarter trade-date market values of portfolio holdings, including accrued interest.

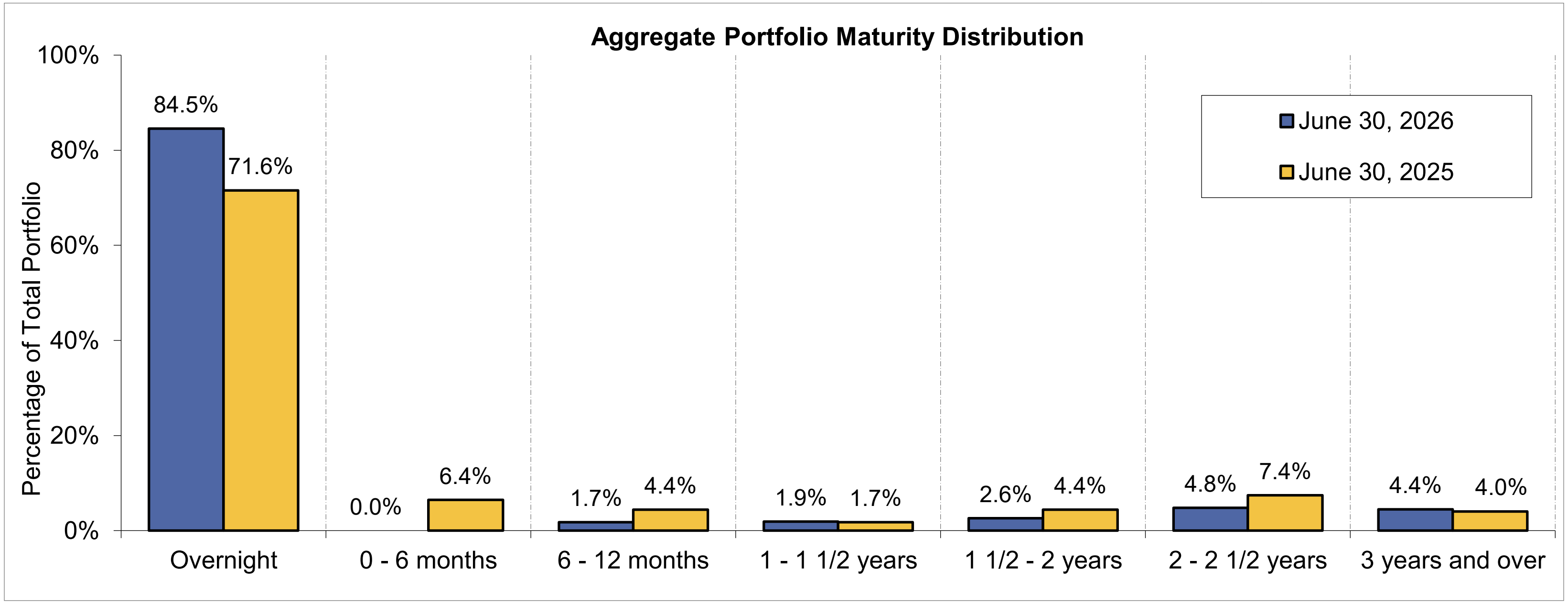
Portfolio Balances

Market Value	June 30, 2026	June 30, 2025	Change in Market Value
CFC 2026AB Tax-Exempt Fund Principal	13,838,773.93	0.00	13,838,773.93
CFC 2026AB Tax-Exempt Fund Interest	22,403.50	0.00	22,403.50
CFC 2026AB Debt Service Reserve Fund	9,739,111.42	0.00	9,739,111.42
CFC 2026AB Coverage Fund	2,435,011.83	0.00	2,435,011.83
CFC 2026AB Project Fund	6,807,906.99	0.00	6,807,906.99
CFC 2026AB Taxable Construction Fund	104,194,794.98	0.00	104,194,794.98
2011/2019 Debt Service Reserve	7,213,899.35	7,030,032.08	183,867.27
Total Bond Proceeds	**144,251,902.00**	**7,030,032.08**	**137,221,869.92**
Total Operating Funds	**81,491,522.90**	**103,970,551.40**	**(22,479,028.50)**
Aggregate Total	**225,743,424.90**	**111,000,583.48**	**114,742,841.42**

End of quarter trade-date market values of portfolio holdings, including accrued interest.

Maturity Distribution

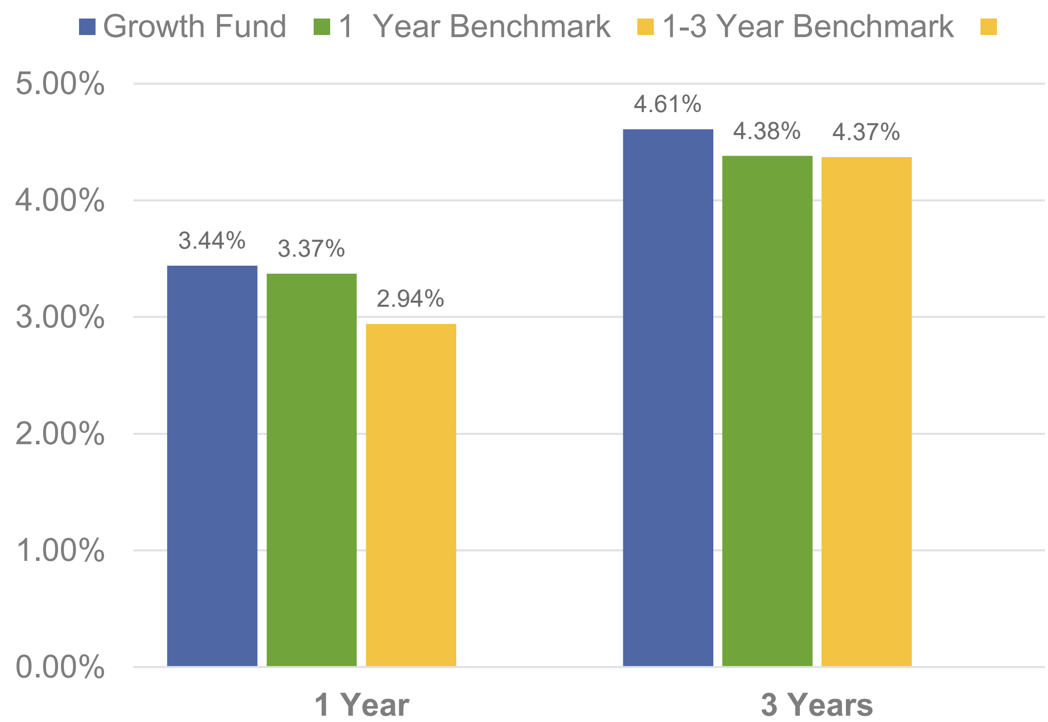
Maturity Distribution[1]	June 30, 2026	June 30, 2025
Overnight	**$190,857,639**	$79,432,141
0 - 6 months	**-**	7,141,527
6 - 12 months	**3,926,035**	4,872,600
1 - 1 1/2 years	**4,237,182**	1,936,265
1 1/2 - 2 years	**5,869,019**	4,904,306
2 - 2 1/2 years	**10,835,407**	8,221,713
3 years and over	**10,018,144**	4,492,031
Totals	**$225,743,425**	$111,000,583



(1) Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
(2) Summary statistics are based on market values from PFMAM pricing sources. Market values include accrued interest.

Individual Portfolio Performance Through June 30, 2026

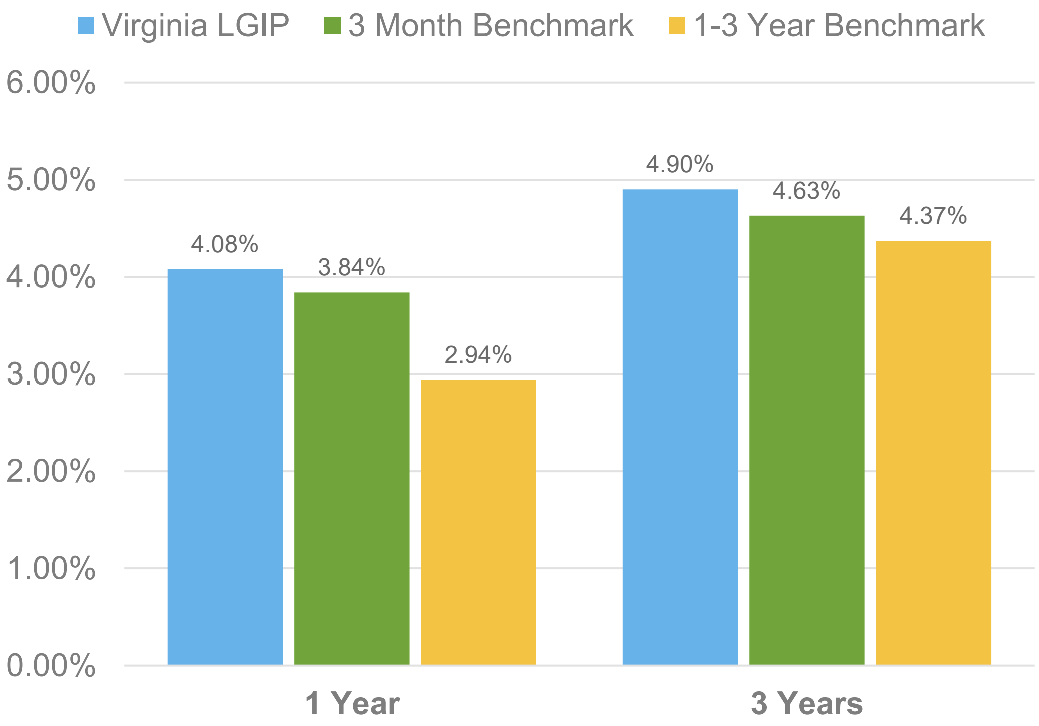
Total Return[1, 3, 6]	Last 12 Months	Last 36 Months
Growth Fund	3.44%	4.61%
ICE BofA 1 Year U.S. Treasury Index	3.37%	4.38%
ICE BofA 1-3 Year U.S. Treasury Index	2.94%	4.37%



(1) Performance on trade-date basis, gross (i.e., before fees) in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
(2) ICE Bank of America Indices provided by Bloomberg Financial Markets.
(3) Includes money market funds in performance and duration computations.
(4) Fiscal year performance is calculated from July 1st
(5) Portfolio performance is computed using the transaction information obtained from the bank custodian

Aggregate Portfolio Performance Through June 30, 2026

Total Return[1, 3, 6]	Last 12 Months	Last 36 Months
Virginia LGIP	4.08%	4.90%
ICE BofA 3 Month U.S. Treasury Bill Index	3.84%	4.63%
ICE BofA 1-3 Year U.S. Treasury Index	2.94%	4.37%



(1) Performance on trade-date basis, gross (i.e., before fees) in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
(2) ICE Bank of America Indices provided by Bloomberg Financial Markets.
(3) Performance covers all of the funds, except for the Debt Service Reserve Fund, 2019 Project Fund, and 2019 Capitalized Interest Fund. Includes money market funds in performance and duration computations.
(4) Fiscal year performance is calculated from July 1st
(5) Portfolio performance is computed using the transaction information obtained from the bank custodian

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