



TREASURER-TAX COLLECTOR VENTURA COUNTY

SUE HORGAN
TREASURER-
TAX COLLECTOR

Marilou Tan
Assistant Treasurer-Tax Collector

January 9, 2024

Ventura County Board of Supervisors
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Receive and File Report of Investments, Including Market Values for Investments for the Month Ending November 30, 2023.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

STRATEGIC PLAN PRIORITY: The item presented in this Board letter supports making responsible and efficient use of public funds and promotes economic stability and growth during a changing economy.

DISCUSSION:

This report covers the one-month period ending November 30, 2023.

The **average daily portfolio balance** for November was \$4.038 billion, a \$74 million or 1.87% increase from October. Exhibit 3 shows the cyclical pattern of the portfolio balance. The balance will peak in December, reflecting the heavy property tax collection cycle that began in October.

The **Effective Rate of Return**, net of administrative fees, for November was 4.02% compared to the 3.78% earned in October. Indications are that the Federal Open Market Committee will hold rates steady through the first few months of 2024.

If the current portfolio investments are all held to maturity, the portfolio's gross **approximate yield to maturity** would be 4.13%.

The **net earnings** for November were \$13,522,771, an increase of \$641,712 or 4.98% from October. The increase in earnings reflects the higher effective rate of return and will continue to increase as the size of the portfolio grows throughout the month of December.

The **weighted average days to maturity** increased to 266 days, reflecting our strategy to capture higher yields by investing in longer-duration securities. The interest-rate sensitivity measure of **effective duration** increased to 0.571. Both numbers are comfortably within expectations for LGIP programs like ours.

We are continuing our focus on risk management, high credit quality, and diversification. Exhibit 8 is a valuable pie chart that graphically illustrates the portfolio holdings by S&P ratings. Over 48% of the portfolio is in the highest short-term and long-term rating categories (A-1+ and AAA). In addition, U.S. Treasury securities represent 18.03% of the portfolio balance. U.S. Treasury securities are rated AA+ by S&P and Fitch, so they are not included in the 48% mentioned above but are still considered the safest of investments.

The **three largest sectors**, by percentage, were: U.S. Treasuries/Government Agencies (49.15%), Supranationals (15.59%), and Commercial Paper (10.29%). The **three largest issuers**, by percentage, were: U.S. Treasuries (18.03%), Federal Home Loan Bank (15.32%), and Federal Farm Credit Bank (8.74%). The **three highest-yielding sectors**, by annualized percentage yield, were: Commercial Paper (5.666%), Yankee CD's (5.565%), and U.S. Treasuries (4.716%).

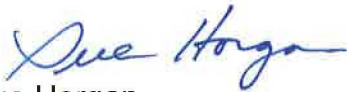
The portfolio has been managed with the stated objectives of safety, liquidity, and earning a competitive return, as outlined in the Statement of Investment Policy. In striving to maintain **the primary objective, safety of principal**, the County of Ventura has continuously maintained a rating of AA+/S1+ by Standard & Poor's, the highest rating given by that agency. The rating was reaffirmed in November 2023 and reflects the results of the very thorough audit and review conducted by Standard & Poor's. The rating reflects S&P's opinion that the portfolio is well-managed, credit-worthy, well-diversified, and has a low sensitivity to interest rate variations. Regarding **the secondary objective of maintaining sufficient liquidity** to meet cash flow needs, the portfolio maintains significant cash reserves in the County's bank, as well as significant holdings in LAIF and CalTrust. The portfolio has the ability to meet its participants' expenditure requirements for the next six months, pursuant to a daily study of projected cash flows. All of the portfolio's assets have a well-developed resale market, although, of course, it is our policy not to sell. **Earning a competitive rate of return** is reflected in our performance against our benchmark, LAIF, even though LAIF has a less restrictive investment policy than ours and has no S&P rating.

The portfolio has been managed for much of the last year, with a focus on the challenges of investing in a rising interest rate market without approaching the boundaries imposed by our Investment Policy and by Standard & Poor's rating team. We continue to be ever vigilant and watchful of the recent volatility and financial stress in the market. We will navigate through this market volatility by maintaining our emphasis on risk management and keeping our focus on safety and liquidity.

This letter has been reviewed and approved as to form by the County Executive Office, the Auditor-Controller's Office, and County Counsel.

Please contact me at 805-654-3771 if you have any questions or require further information regarding this item.

Sincerely,



Sue Horgan
Treasurer-Tax Collector

- Exhibit 1 – Principal Custody Solutions Market Cost Value Comparison Report – November 2023
- Exhibit 2 – Monthly Transactions Report – November 2023
- Exhibit 3 – Portfolio Average Monthly Balance Graph – November 2021 – November 2023
- Exhibit 4 – Average Maturity Graph – November 2021 – November 2023
- Exhibit 5 – Rolling 2-Year % Yield Graph – November 2021 – November 2023
- Exhibit 6 – Rolling 2-Year \$ Yield Graph – November 2021 – November 2023
- Exhibit 7 – Portfolio Holdings by Class Graph – November 2023
- Exhibit 8 – Portfolio Holdings by S&P Credit Ratings Graph – November 2023
- Exhibit 9 – Standard and Poor's AAAs S1+ Rating Affirmation Letter – November 2023