



TREASURER-TAX COLLECTOR VENTURA COUNTY

SUE HORGAN
TREASURER
TAX COLLECTOR

Marilou Tan
Assistant Treasurer-Tax Collector

July 25, 2023

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 May 31, 2023.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

This report covers the one-month period ending May 31, 2023.

The **average daily portfolio balance** for May was \$4.617 billion, a \$4 million or .09% decrease from April. The portfolio balance hit a high point on April 14th of more than \$4.7 billion. Exhibit 3 shows the cyclical pattern of the portfolio balance. The balance will show a decline for the next several months until the next heavy property tax collection cycle.

The **Effective Rate of Return**, net of administrative fees, for May was 3.49% compared to the 3.60% earned in April. It should be noted that we captured the earnings from the new sweep account into the calculation in April. April's net effective rate of return included the earnings from the sweep account, not just for the month of April, but for the period since its inception in late December. Based on indications from the Federal Open Market Committee, we expect yields to continue to rise slightly during the next few months.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's gross **approximate yield to maturity** would be 3.58%, a modest increase from April.

The **net earnings** for May were \$13,897,703, a slight increase of \$22,600 or 0.16% from April. That increase reflects the portfolio's size and the higher yield that the portfolio is producing.

The **weighted average days to maturity** decreased to 248 days. The interest-rate sensitivity measure of **effective duration** decreased slightly to 0.470. Both numbers are comfortably within expectations for LGIP programs like ours.

With the recent challenges in the financial markets, we have stepped up our approach to risk management and are laser-focused on high credit quality and diversification. Exhibit 9 is a valuable pie chart that graphically illustrates the portfolio holdings by S&P ratings. Nearly 46% of the portfolio is in the highest short-term and long-term rating categories (A-1+ and AAA). We have added U.S. Treasury securities to the portfolio, representing 8.20% of the portfolio balance. U.S. Treasury securities are rated AA+ by S&P, so they are not included in the 46% mentioned above, but one could argue that they should be.

The **three largest sectors**, by percentage, were: U.S. Treasuries/Government Agencies (38.98%), Commercial Paper (18.10%), and Yankee Certificates of Deposit (14.86%). The continuing decrease in Yankee Certificates of Deposit is a result of our decision not to invest in banks since the recent "banking crisis." The **three largest issuers**, by percentage, were all Government Sponsored Enterprises: Federal Home Loan Bank (16.96%), Federal Farm Credit Bank (7.22%), and Federal Home Loan Mortgage Corporation (5.96%). As a risk management measure, we have focused on lowering the issuer concentrations, except in the Government and Supranational sectors. The **three highest-yielding sectors**, by annualized percentage yield, were: Commercial Paper (5.172%), Yankee Certificates of Deposit (4.945%), and US Treasuries (4.427%).

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 AAaf/S1+ by Standard & Poor's, the highest rating given by that agency. The rating was reaffirmed in November 2022 and reflects the results of the very thorough audit & 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 by our performance against our benchmarks, even though they each have less restrictive investment policies than ours. They either have no S&P rating, such as LAIF, or a lower S&P rating, such as CalTrust.

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 –
May 2023

Exhibit 2 – Monthly Transactions Report – May 2023

Exhibit 3 – Portfolio Average Monthly Balance Graph – May 2021 – May 2023

Exhibit 4 – Average Maturity Graph – May 2021 – May 2023

Exhibit 5 – Yield Comparison Graph – May 2022 – May 2023

Exhibit 6 – Rolling 2-Year % Yield Graph – May 2021 – May 2023

Exhibit 7 – Rolling 2-Year \$ Yield Graph – May 2021 – May 2023

Exhibit 8 – Portfolio Holdings by Class Graph – May 2023

Exhibit 9 – Portfolio Holdings by S&P Credit Ratings Graph – May 2023