



TREASURER-TAX COLLECTOR VENTURA COUNTY

SUE HORGAN
TREASURER
TAX COLLECTOR

Marilou Tan
Assistant Treasurer-Tax Collector

March 14, 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 January 31, 2023.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

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

The **average daily portfolio balance** for January was \$4.026 billion, a slight increase over December. Exhibit 3 shows that the balance peaked last April, tapered off during the summer, and has rebounded over the last three months, reflecting our heavy December property tax collection period.

The **Effective Rate of Return**, net of administrative fees, for January was 3.01%, an almost 10% increase over December. Yields should continue to rise at least through spring 2023, based on statements made by the Federal Open Market Committee.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's gross **approximate yield to maturity** would be 3.099%, an increase from December that continues the steady rise in the portfolio's Effective Rate of Return.

The **net earnings** for January were \$10,466,118, a nearly 12% increase, or \$1,118,758 over December. That increase is reflective of the increase in the size of the portfolio and the higher rate of return. I am confident that Exhibits 6 and 7 will show continued upward movement in February.

The **weighted average days to maturity** dropped to 261 days. The interest-rate sensitivity measure of **effective duration** decreased to 0.435. Both numbers are comfortably within expectations for LGIP programs like ours.

Exhibit 9 is a useful pie chart that graphically illustrates the portfolio holdings by S&P ratings. Nearly 42% of the portfolio is in the highest short-term and long-term rating categories (A-1+ and AAA), which is one reason for our continued receipt of S&P's highest rating.

The **three largest sectors**, by percentage, were: Government Agencies (25.84%), Commercial Paper (23.40%), and Yankee Certificates of Deposit (22.54%). The **three largest issuers**, by percentage, were: Federal Home Loan Bank (17.45%), Toronto Dominion (8.82%), and FHLMC (6.90%). The **three highest-yielding sectors**, by annualized percentage yield, were: Yankee Certificates of Deposit (4.665%), Commercial Paper (4.226%), and Government Agencies (2.059%). It is not a coincidence that the three largest sectors are the three highest yielding.

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 AAAs/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 recent and 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 Statement of Investment Policy and by Standard & Poor's rating team. We will continue to operate in the shorter end of the market for the time being, although we are ever vigilant in our awareness of market forces.

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 –
January 31, 2023
- Exhibit 2 – Monthly Transactions Report – January 2023
- Exhibit 3 – Portfolio Average Monthly Balance Graph – January 2021 – January 2023
- Exhibit 4 – Average Maturity Graph – January 2021 – January 2023
- Exhibit 5 – Yield Comparison Graph – January 2022 – January 2023
- Exhibit 6 – Rolling 2-Year % Yield Graph – January 2021 – January 2023
- Exhibit 7 – Rolling 2-Year \$ Yield Graph – January 2021 – January 2023
- Exhibit 8 – Portfolio Holdings by Class Graph – January 2023
- Exhibit 9 – Portfolio Holdings by S&P Credit Ratings Graph – January 2023