



TREASURER-TAX COLLECTOR VENTURA COUNTY

SUE HORGAN
TREASURER-
TAX COLLECTOR

Marilou Tan
Assistant Treasurer-Tax Collector

November 7, 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 September 30, 2023.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

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

The **average daily portfolio balance** for September was \$3.895 billion, a \$61 million or 1.54% decrease from August. Exhibit 3 shows the cyclical pattern of the portfolio balance. The balance will decline until the next heavy property tax collection cycle begins in October.

The **Effective Rate of Return**, net of administrative fees, for September was 3.64% compared to the 3.53% earned in August. We expect yields to continue to rise slightly during the next few months since the Federal Open Market Committee has signaled a likely increase in the federal funds rate before year-end. Based on market commentary, we expect rates to stay at these levels longer.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's gross **approximate yield to maturity** would be 3.75%.

The **net earnings** for September were \$11,825,277, a decrease of \$187,083 or 1.55% from August. That decrease in earnings is reflective of the portfolio's decreased size.

The **weighted average days to maturity** decreased slightly to 255 days. The interest-rate sensitivity measure of **effective duration** increased slightly to 0.514. 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. More than 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 14.50% 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 (50.43%), Supranationals (18.52%), and Commercial Paper (8.80%). The **three largest issuers**, by percentage, were: Federal Home Loan Bank (17.29%), U.S. Treasuries (14.50%), and Federal Farm Credit Bank (9.32%). The **three highest-yielding sectors**, by annualized percentage yield, were: Yankee CD's (5.467%), Commercial Paper (5.416%) and U.S. Treasuries (4.657%).

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 2022 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 by 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 –
September 2023

Exhibit 2 – Monthly Transactions Report – September 2023

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

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

Exhibit 5 – Rolling 2-Year % Yield Graph – September 2021 – September 2023

Exhibit 6 – Rolling 2-Year \$ Yield Graph – September 2021 – September 2023

Exhibit 7 – Portfolio Holdings by Class Graph – September 2023

Exhibit 8 – Portfolio Holdings by S&P Credit Ratings Graph – September 2023