



TREASURER-TAX COLLECTOR VENTURA COUNTY

STEVEN HINTZ
TREASURER
TAX COLLECTOR

Sue Horgan
Assistant Treasurer-Tax Collector

July 23, 2019

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, 2019.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

This report covers the one-month period ending May 31, 2019. The report reflects continuing positive results in the investment portfolio.

The **average daily portfolio balance** for May was \$2.947 Billion. I estimate that over \$70 Million of that is from decreased bank balances because of increasingly sophisticated cash flow management.

The **annualized percentage yield** for May was 2.686%, a slight increase from April's 2.677%. Our portfolio exceeded the yields of all three benchmarks for the fourth month in a row (Exhibit 5). As I write this letter on 20 June, the interest rate market in our sectors has declined, as the Federal Open Market committee has recently expressed its willingness to consider reducing interest rates. I believe there will be a rate cut of 25 basis points at the July meeting. Rates/expected yields in our sectors have already dropped more than 10%. Eventually this year our portfolio's returns will drop below 2.50%, but I believe not before September.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's **approximate yield to maturity** is 2.68%. Since no current investments can match that yield, the portfolio's overall yield will necessarily drop as new investments occur.

The **total net earnings** for May were \$6.723 Million. Earnings will stay over \$5.5 Million as long as the portfolio balance stays over \$2.8 Billion and there are no extraordinary interest rate changes.

The **weighted average days to maturity** rose to 189 days, because we purchased longer-term investments to maintain the yield. Similarly, the interest-rate sensitivity measure of **effective duration** rose to 0.417. Both of these numbers remain well within an acceptable range. The portfolio has a low sensitivity to interest rate changes, although the summer months may show some decline in earnings.

The three largest sectors, by percentage, were: Commercial Paper (29.09%), Yankee Certificates of Deposit (27.39%), and Government Agencies (16.92%). The three largest individual issuers, by percentage, were: Toyota Motor Credit Corporation (8.09%); Federal Home Loan Bank (8.01%); and Korea Development Bank (7.21%).

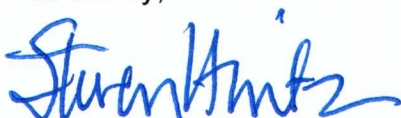
The portfolio has been managed with the stated objectives of safety, liquidity, and earning a competitive return, as outlined in the Statement of Investment Policy. In striving to maintain **the primary objective, safety of principal**, the County portfolio has for several years received a rating of AAAs/S1+ by Standard & Poor's, the highest rating given by that agency, re-affirmed on January 16, 2019. 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.

The portfolio has been managed for several months on the assumption that interest rates would not change significantly. I now believe that interest rates will head measurably lower during the summer and fall of 2019. The portfolio remains well-positioned to respond to the drop in rates, although as already mentioned it is likely that monthly yields will decline.

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 805-654-3726 if you have any questions or require further information regarding this item.

Sincerely,



STEVEN HINTZ
Treasurer-Tax Collector

- Exhibit 1 – Wells Fargo Market/Cost Value Comparison Report – Month End 05/31/2019
- Exhibit 2 – Monthly Transactions Report – May 2019
- Exhibit 3 – Portfolio Average Monthly Balance Graph – May 2017-2019
- Exhibit 4 – Average Maturity Graph – May 2017-2019
- Exhibit 5 – Yield Comparison Graph – May 2018-2019
- Exhibit 6 – Rolling 2-Year % Yield Graph – May 2017-2019 (Ventura)
- Exhibit 7 – Rolling 2-Year \$ Yield Graph – May 2017-2019
- Exhibit 8 – Portfolio Holdings by Class Graph – May 2019