



TREASURER-TAX COLLECTOR VENTURA COUNTY

STEVEN HINTZ
TREASURER
TAX COLLECTOR

Sue Horgan
Assistant Treasurer-Tax Collector

March 12, 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 January 31, 2019.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

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

The **average daily portfolio balance** for January was \$2.687 Billion, which exceeds the highest prior January balance ever, by \$124 Million. It also reflects the predicted small decline of \$40 Million from December. The balance will continue to decline slightly until the April tax collection period.

The **annualized percentage yield** for January was 2.575%, an increase of 0.092% over December. The time of rapid increases in yield is probably over, for the next few months. The Federal Open Market Committee did not raise rates at its most recent meeting and its guidance for the future was opaque. As I write this report in mid-February, I believe our annualized yield will remain steady in the 2.50% - 2.65% range for the next three months.

Going forward, if the current pool investments were all held to maturity, the pool's **approximate yield to maturity** is 2.59% and holding steady. Exhibit 2, the Monthly Transaction Report, shows that all but 4 of the 37 transactions in January will yield over 2.50% to maturity, a suggestion that the yield to maturity will increase, albeit more slowly than in the recent past.

The **total net earnings** for January were \$5.876 Million, a slight increase of \$126 Thousand over December. I expect total net earnings to remain stable as long as the interest rate market is stable.

The **weighted average days to maturity** rose slightly to 142 days. The interest-rate sensitivity measure of **effective duration** ended at 0.377, also a slight increase. Both of these numbers remain within the 12-month range, reflecting the pool's very low sensitivity to interest rate changes.

The **three largest sectors**, by percentage, were: Commercial Paper (29.33%), Yankee Certificates of Deposit (27.84%), and Government Agencies (14.92%). The **three largest individual issuers**, by percentage, were: J.P. Morgan Securities LLC (7.24%), National Bank of Kuwait (6.87%), and Korea Development Bank (6.31%).

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 AAf/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 pool 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 pool 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 pool'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 will be managed on the assumption that interest rates within our investment policy horizon will not change significantly over the next few months. The portfolio is well-positioned to respond, whether rates rise, drop, or hold steady. We will continue to focus our new investments on issues with maturity dates of one year, or less, for at least the next three months.

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 01/31/2019
- Exhibit 2 – Monthly Transactions Report – January 2019
- Exhibit 3 – Portfolio Average Monthly Balance Graph – January 2017-2019
- Exhibit 4 – Average Maturity Graph – January 2017-2019
- Exhibit 5 – Yield Comparison Graph – January 2018-2019
- Exhibit 6 – Rolling 2-Year % Yield Graph – January 2017-2019 (Ventura)
- Exhibit 7 – Rolling 2-Year \$ Yield Graph – January 2017-2019
- Exhibit 8 – Maturity Distribution Graph 2019
- Exhibit 9 – Portfolio Holdings by Class Graph – January 2019