



TREASURER-TAX COLLECTOR VENTURA COUNTY

STEVEN HINTZ
TREASURER
TAX COLLECTOR

Sue Horgan
Assistant Treasurer-Tax Collector

May 18, 2021

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 March 31, 2021.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

This report covers the one-month period ending March 31, 2021.

The **average daily portfolio balance** for March was \$3.200 Billion. The balance will taper off slightly until April/May. It will probably reach \$3.6 Billion after the spring secured property tax payments. This is the highest March balance ever.

The **annualized percentage yield**, net of administrative fees, for March was 0.350%, a decrease from February. There were no additional rate cuts by the Federal Open Market Committee and because most of the volatility has gone out of the interest rate market, yields have steadied. There are suggestions that the market has hit bottom and that yields will rise slightly in 2021. I am hopeful but not confident in those suggestions.

In March, the portfolio's **net annualized percentage yield exceeded our benchmarks**, shown at the far right of Exhibit 5, except LAIF.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's **approximate yield to maturity** would be 0.40%, a decline from February.

Since a majority of the March investments shown in Exhibit 2 did not produce a yield that high, the portfolio's percentage yield may continue to decline. If the interest rate market truly stabilizes at its current levels, our portfolio's approximate yield to maturity and annualized percentage yield may be as low as 0.33% by the report for April.

The **total net earnings** for March were \$1.113 Million, a decrease from February that reflects the declining percentage yield. Exhibit 7 shows the repetitive seasonal pattern that has existed for several years, although this decline is steeper, deeper and longer lasting because market rates fell faster and stayed low.

The **weighted average days to maturity** rose to 284 days. The interest-rate sensitivity measure of **effective duration** fell slightly to 0.476. Both numbers are comfortably within expectations for LGIP programs like ours.

The **three largest sectors**, by percentage, were: Commercial Paper (30.69%); Yankee Certificates of Deposit (27.35%) and Government Agencies (15.63%). The **three largest issuers**, by percentage, were: Korea Development Bank (10.44%); Federal Home Loan Mortgage Corp (9.27%); and National Bank of Kuwait NY (8.36%). The **three highest-yielding sectors**, by annualized percentage yield, were: Corporate Medium-Term Notes (0.880%); Municipal Bonds (0.710%); and Supranationals (0.660%).

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 AAf/S1+ by Standard & Poor's, the highest rating given by that agency, and re-affirmed in December 2020. 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, and 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 several months on the assumption that monthly yields will decline. The Investment Work Group has already switched its focus to the challenges of investing in a steady market without approaching the boundaries imposed by our Statement of Investment Policy and by the Standard and Poor's ratings team. We are maintaining a larger cash balance as a liquidity hedge against possible withdrawals by pool participants if State payments are delayed.

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 03/31/2021
- Exhibit 2 – Monthly Transactions Report – March 2021
- Exhibit 3 – Portfolio Average Monthly Balance Graph – March 2019-2021
- Exhibit 4 – Average Maturity Graph – March 2019-2021
- Exhibit 5 – Yield Comparison Graph – March 2020-2021
- Exhibit 6 – Rolling 2-Year % Yield Graph – March 2019-2021 (Ventura)
- Exhibit 7 – Rolling 2-Year \$ Yield Graph – March 2019-2021
- Exhibit 8 – Portfolio Holdings by Class Graph – March 2021