



TREASURER-TAX COLLECTOR VENTURA COUNTY

STEVEN HINTZ
TREASURER
TAX COLLECTOR

Sue Horgan
Assistant Treasurer-Tax Collector

October 11, 2022

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 August 31, 2022.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

This report covers the one-month period ending August 31, 2022.

The **average daily portfolio balance** for August was \$3.482 billion. The balance peaked in April and has tapered off during the summer. It will rebound beginning in October. This is the highest August balance ever, by \$607 million.

The **Effective Rate of Return**, net of administrative fees, for August was 1.55%, a significant increase from July. Yields will rise in 2022, based on statements by the Federal Open Market Committee. I believe that continued inflation pressures will also contribute to significant yield increases. I expect an Effective Rate of Return of 2% by the October report.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's gross **approximate yield to maturity** would be 1.67%, an increase from July that marks the continuing steady rise in the portfolio's Effective Rate of Return. Exhibit 2 shows that 60% of this month's investments will yield 3% or more to maturity, a sign of the continuing increase.

The **total net earnings** for August were \$4,729,637, an increase of \$647,676 from July, that reflects a significant increase in the rate of return despite the pool's shrinkage. I am confident that Exhibits 5, 6, and 7 will show significant upward movement in the summer reaching \$6,000,000 in October on Exhibit 7.

The **weighted average days to maturity** remained at 316 days. The interest-rate sensitivity measure of **effective duration** decreased to 0.518. 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. More than 48% of the portfolio is in the highest short-term and long-term rating category (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: Yankee Certificates of Deposit (24.38%), Government Agencies (23.05%), and Commercial Paper (22.00%). The **three largest issuers**, by percentage, were: Federal Home Loan Bank (15.78%), Toronto Dominion Bank NY (7.15%), and Toyota Motor Credit Corp (6.41%). The **three highest-yielding sectors**, by annualized percentage yield, were: Yankee Certificates of Deposit (2.638%), Commercial Paper (2.341%), and Government Agencies (1.202%). It is not a coincidence 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 AAAf/S1+ by Standard & Poor's, the highest rating given by that agency, and re-affirmed in November 2021. 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 at all, such as LAIF, or a lower S&P rating such as CalTrust.

The portfolio has been managed for over a year on the assumption that monthly yields will decline. The Investment Work Group has moved its focus to the challenges of investing in a rising interest rate market without approaching the boundaries imposed by our Statement of Investment Policy and by the Standard & Poor's rating team. While the seeming richness of today's 3-year yields is tempting after the long period of extremely low yields, it would be injudicious to overindulge in longer-term investments whose yields are likely to be outstripped by market forces. We will happily stay in the shorter end of the market for the time being, although we are increasingly open to longer-term issues.

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 – Principal Custody Solutions Market Cost Value Comparison Report – August 31, 2022
- Exhibit 2 – Monthly Transactions Report – August 2022
- Exhibit 3 – Portfolio Average Monthly Balance Graph – August 2020 - 2022
- Exhibit 4 – Average Maturity Graph – August 2020 – 2022
- Exhibit 5 – Yield Comparison Graph – August 2021 – 2022
- Exhibit 6 – Rolling 2-Year % Yield Graph – August 2020 – 2022 (Ventura)
- Exhibit 7 – Rolling 2-Year \$ Yield Graph – August 2020 – 2022
- Exhibit 8 – Portfolio Holdings by Class Graph – August 2022
- Exhibit 9 – Portfolio Holdings by S&P Credit Ratings Graph – August 2022