

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending June 30, 2020



Investment objectives are safety, liquidity, yield and public trust.

Portfolio objective is to meet or exceed the average rate of return on US Treasury securities at the maturity date of the City's portfolio.

AVERAGE YIELD HISTORY

<i>Quarter</i>	September 2019	December 2019	March 2020	June 2020
<i>City Average Yield</i>	2.30%	1.96%	1.70%	0.88%
<i>Treasury Average Yield – 90 days</i>	2.03%	1.61%	1.17%	0.14%
<i>Treasury Average Yield – 180 days</i>	1.97%	1.62%	1.16%	0.17%
<i>Weighted Average Maturity</i>	105 days	121 days	98 days	110 days

The City's Investment Policy allows various types of investments with varying maturity dates in order to diversify the funds invested.

INVESTMENT TYPES AND PARAMETERS

Investment Types	Portfolio % Parameters	Portfolio % as of June 30, 2020
Certificates of Deposit	20%	4.00%
Federal Agency Coupons	100%	16.00%
State & Local Agency Coupons	20%	0.00%
Managed Pools	80%	74.73%
Money Market Funds	50%	5.27%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 06/30/2020</i>
Weighted Average Maturity	365 days	110 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
September 2019	\$152,255,172	\$152,344,325	\$89,153
December 2019	\$168,294,309	\$168,397,904	\$103,595
March 2020	\$161,318,686	\$161,625,914	\$307,228
June 2020	\$199,906,998	\$200,128,043	\$221,045

The difference between book value and market value represents an unrealized gain or loss. The City would only realize a gain or loss if investments were sold prior to maturity. Per the investment policy, the City has a "buy and hold" portfolio strategy; therefore investments are purchased with the intent to hold until maturity.

The following table gives the history of investment rates available for the past three quarters and the current rates available for the various types of investments.

INVESTMENT RATE HISTORY

Date	12/31/2019	3/31/2020	6/30/2020	9/2/2020
Investment Type	Dec Rates	Mar Rates	June Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	1.62%	1.00%	0.22%	0.16%
TexStar (Daily Rate)	1.56%	0.96%	0.20%	0.14%
Texas Class (Daily Rate)	1.88%	1.47%	0.59%	0.27%
TexPool Prime (Daily Rate)	1.83%	1.34%	0.52%	0.29%
<u>Treasury</u>				
3-month (90-days)	1.51%	0.02%	0.12%	0.10%
6-month	1.59%	0.10%	0.16%	0.11%
1 year	1.48%	0.12%	0.15%	0.12%
2 year	1.57%	0.23%	0.15%	0.13%
10 year	1.88%	0.73%	0.62%	0.67%
<u>Agency</u>				
2 year (callable)	1.70%	1.05%	0.30%	0.20%
2 year (bullet)	1.59%	0.36%	0.27%	0.15%
<u>CD's</u>				
6 month	1.50%	0.25%	0.20%	0.15%
9 month	1.50%	0.20%	0.20%	0.15%
12 month	1.50%	0.15%	0.15%	0.15%
15 month	1.50%	0.15%	0.15%	0.15%
18 month	1.50%	0.15%	0.15%	0.15%
21 month	n/a	n/a	n/a	n/a
24 month	n/a	n/a	n/a	n/a

Update on Federal Fund Target Rate from *Wall Street Journal* & US Economy from Public Trust Advisors

As predicted, the Fed held interest rates steady to a range between 0% and 0.25% since the onset of the coronavirus pandemic in March and there are no indications of increases in rates in the near future. The Fed concluded their yearlong policy revamp in August on how they will set interest rates to stabilize the economy and should provide more guidance at their September meeting as to how long interest rates will remain low.

The economy contracted at an annualized 32.9%, the worst reading in American history. While such a drop is unprecedented, it was actually better than most economists expected, a shocking representation of how low expectations for U.S. economic activity had fallen. The contraction is likely the trough in this economic cycle with most economic indicators showing that the U.S. is now on the path to a slow recovery with the ever-present threat of a viral resurgence and just how much it takes for the U.S. to recover from a near-total pause in economic activity.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

June 30, 2020

INVESTMENT REPORT

FOR QUARTER ENDING **June 30, 2020**



The information within comprises the quarterly investment report for the City of Mesquite, Texas. The under-signed acknowledge that the City's investment portfolio has been and is currently in compliance with the policies and strategies contained in the City's Investment Policy as adopted by Resolution 62-2019 for the City of Mesquite and is also in compliance with the requirements of the Public Funds Investment Act of the State of Texas.

Deborah A. Mol

Deborah A. Mol, Director of Finance

Cindy L. Smith

Cindy L. Smith, Assistant Director of Finance

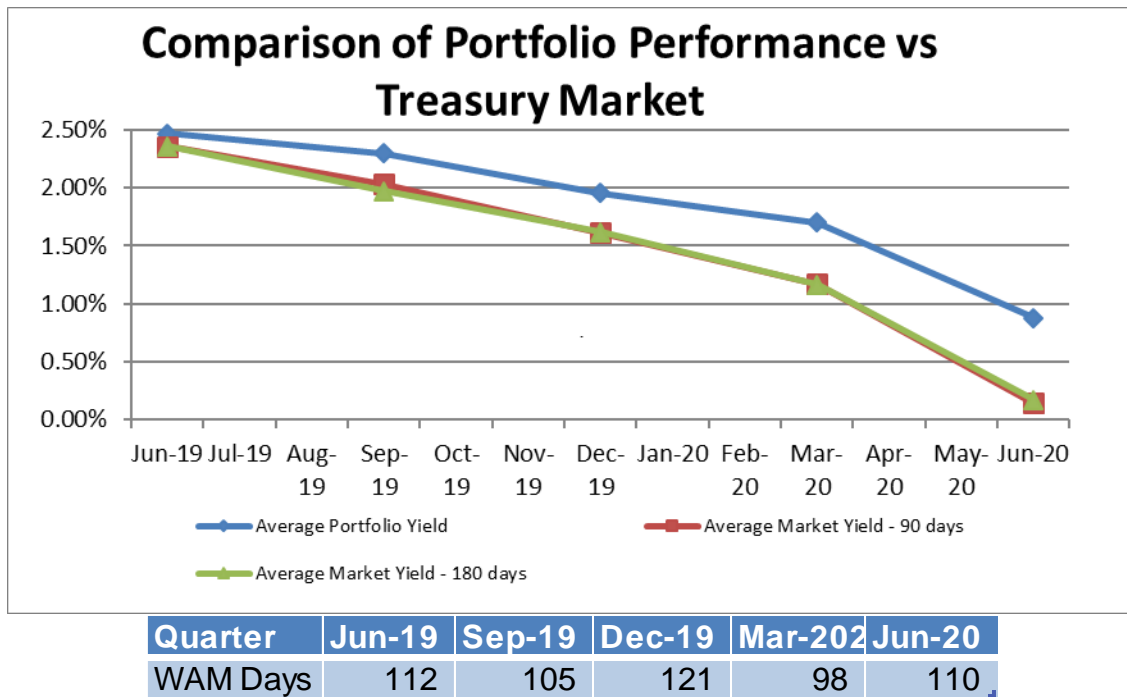
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Financial Analysis

City of Mesquite Investment Report For Quarter Ending June 30, 2020

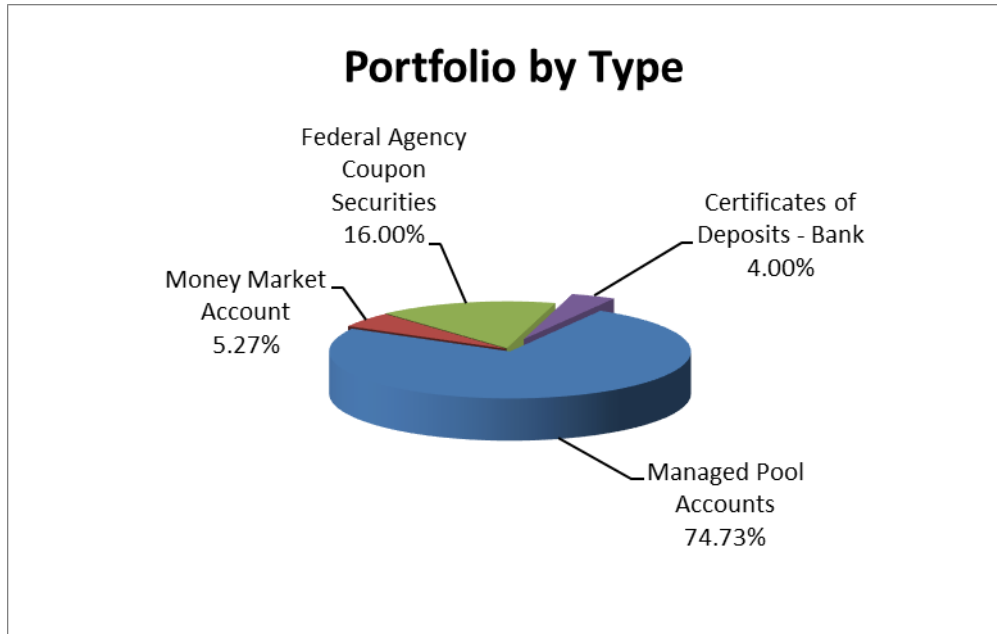
This report presents an overview of the City’s investment portfolio. It shows how the portfolio is structured and how it performed during the quarter.

The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 110 days. The City had an average yield of 0.88%. The benchmark average treasury yield is 0.14% for 90 days and 0.17% for 180 days. The following chart reflects portfolio performance compared to market rates for the past year along with weighted average maturity (WAM) in days by quarter.

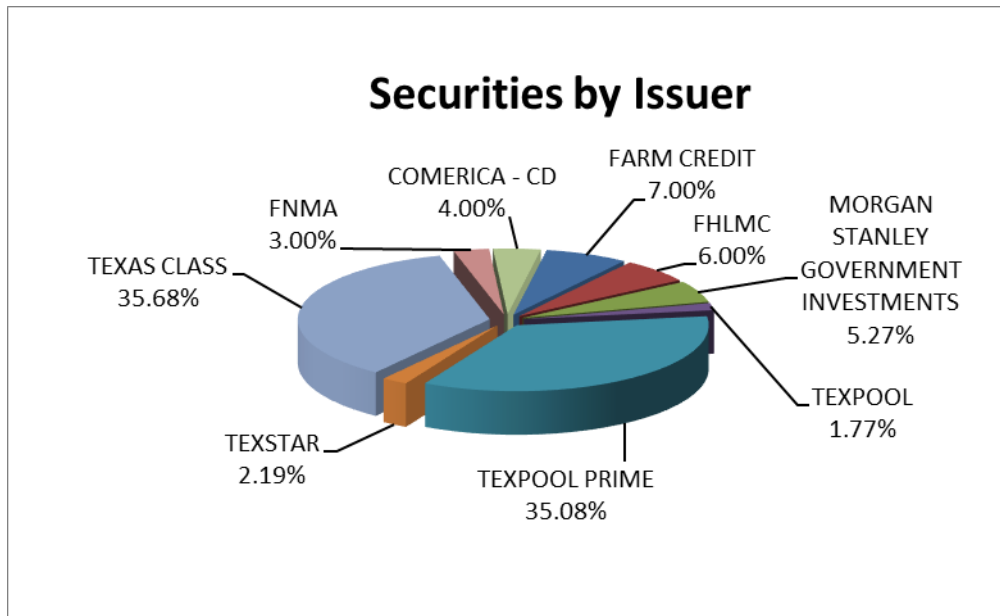


The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, certificates of deposits, managed pool accounts and a money market account. Coupon securities include Agency issues with a stated rate of interest in the form of a coupon. Certificates of deposits are non-negotiable and purchased from a bank with a main office or branch office in Texas. Managed pools include TexPool, Texstar, Texas CLASS and TexPool Prime. Also, the City invests in a Morgan Stanley Government Money Market Account.

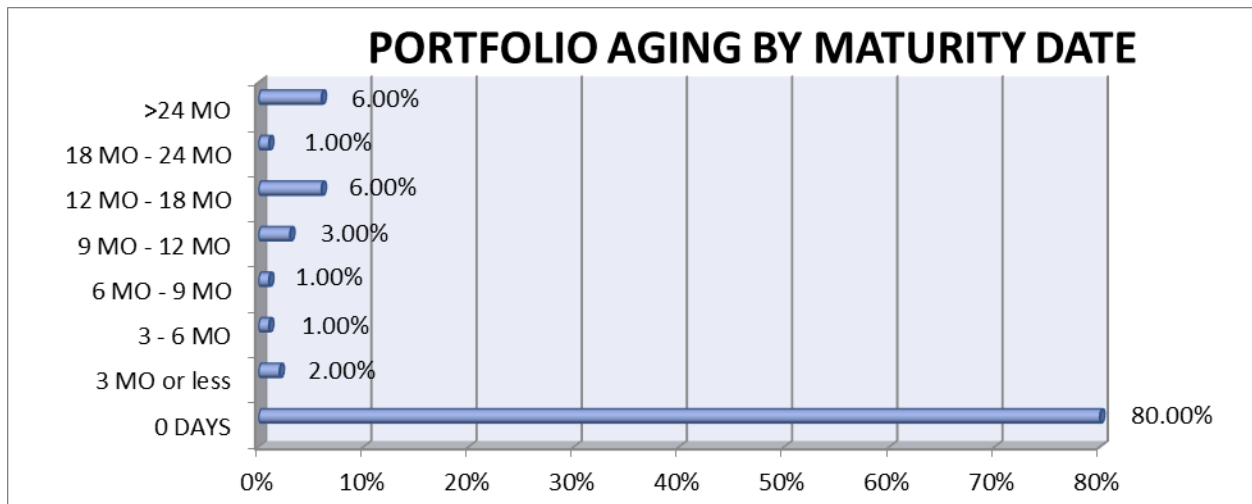
The following graph shows the percentage of the portfolio structure by type of investment.



The next graph shows the percentage of the portfolio structure by issuer.



Diversification is also achieved by investing in securities with varying maturities. The following graph shows the composition by maturity.



The total book value of the City’s portfolio was \$199,906,998.51. The market value of the City’s portfolio was approximately \$200,128,043.36. The difference represents an unrealized gain of \$221,044.85. Below is a review of the City’s portfolio and unrealized gain or loss per month for the quarter.

	<u>Book Value</u>	<u>Market Value</u>	<u>Unrealized Gain / (Loss)</u>
Apr-20	161,079,350.31	161,365,358.69	286,008.38
May-20	153,387,589.12	153,632,410.75	244,821.63
Jun-20	199,906,998.51	200,128,043.36	221,044.85

The City would only realize the gain or loss if investments were sold prior to maturity. Per the investment policy, the City currently has a “buy and hold” portfolio strategy; therefore, investments are purchased with the intent to hold until maturity.

PORTFOLIO SUMMARY

Apr 1 thru Jun 30, 2020

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 04/01/2020	34,000,000.00	34,281,840.48	33,974,612.23	192,703.50
	Net Change	6,000,000.00	5,927,693.42	6,013,876.82	(114,481.72)
	Value ending 06/30/2020	40,000,000.00	40,209,533.90	39,988,489.05	78,221.78
Fair Value Ext Pool	Value at 04/01/2020	127,344,073.24	127,344,073.24	127,344,073.24	-
	Net Change	32,574,436.22	32,574,436.22	32,574,436.22	-
	Value ending 06/30/2020	159,918,509.46	159,918,509.46	159,918,509.46	-
Total	Value at 04/01/2020	161,344,073.24	161,625,913.72	161,318,685.47	192,703.50
	Net Change	38,574,436.22	38,502,129.64	38,588,313.04	(114,481.72)
	Value ending 06/30/2020	199,918,509.46	200,128,043.36	199,906,998.51	78,221.78

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	149,382,796.39	149,382,796.39	149,382,796.39	74.73%	1	0.539
Certificates of Deposit - Bank	8,000,000.00	8,000,000.00	8,000,000.00	4.00%	237	0.538
Money Market Fund Accounts	10,535,713.07	10,535,713.07	10,535,713.07	5.27%	1	0.060
Agency Coupon Securities	32,000,000.00	32,209,533.90	31,988,489.05	16.00%	625	1.235
	199,918,509.46	200,128,043.36	199,906,998.51	100.00%	110	0.625

**CITY OF MESQUITE
PORTFOLIO DETAILS**

Apr 1 - Jun 30, 2020

ISSUER	Maturity DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES /	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR	MARKET	BOOK		WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
			VALUE	VALUE	VALUE		MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
COMERICA	25-May-20	1650	2,000,000.00	2,000,000.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
COMERICA	25-Aug-21	1550	2,000,000.00	2,000,000.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	10,786.30
COMERICA	24-Sep-20	0.200	0.00	0.00	0.00	2,000,000.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	54.79
COMERICA	23-Dec-20	0.200	0.00	0.00	0.00	2,000,000.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	54.79
COMERICA	26-Mar-21	0.200	0.00	0.00	0.00	2,000,000.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	54.79
FHLB	28-May-20	2.625	2,000,000.00	2,007,124.00	1,999,934.96	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	5-Apr-21	2.540	2,000,000.00	2,046,171.70	2,000,788.77	0.00	0.00	35,041.54	2,000,000.00	2,035,635.28	2,000,593.74	12,135.56
FC	15-Apr-21	2.375	2,000,000.00	2,039,674.58	1,999,579.18	0.00	0.00	34,783.97	2,000,000.00	2,034,464.42	1,999,680.45	10,027.78
FC	14-May-21	2.400	2,000,000.00	2,003,779.02	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	17-May-21	2.250	2,000,000.00	2,043,061.80	1,999,281.65	0.00	0.00	36,967.07	2,000,000.00	2,036,407.96	1,999,440.89	5,500.00
FC	16-Aug-21	1.550	2,000,000.00	2,027,394.74	1,997,562.59	0.00	0.00	32,593.61	2,000,000.00	2,030,599.36	1,998,005.75	11,625.00
FC	8-Nov-21	1.570	2,000,000.00	2,036,752.76	1,998,419.63	0.00	0.00	38,392.19	2,000,000.00	2,037,058.32	1,998,666.13	4,622.78
FC	2-Dec-21	1.620	2,000,000.00	2,017,665.66	2,000,000.00	0.00	0.00	9,787.04	2,000,000.00	2,009,787.04	2,000,000.00	2,610.00
FC	23-Dec-21	0.230	0.00	0.00	0.00	2,000,000.00	0.00	(306.97)	2,000,000.00	1,998,704.18	1,999,011.15	76.66
FHLMC	28-Nov-22	1.750	2,000,000.00	2,004,159.60	1,999,114.71	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	26-Aug-22	1.800	2,000,000.00	2,004,035.66	1,999,475.23	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	26-Nov-21	1.750	2,000,000.00	2,003,576.18	1,999,834.49	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	27-May-22	1.750	2,000,000.00	2,003,966.98	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	1-Jun-23	0.550	0.00	0.00	0.00	2,000,000.00	0.00	313.76	2,000,000.00	2,000,313.76	2,000,000.00	183.33
FHLMC	22-Sep-22	0.350	0.00	0.00	0.00	2,000,000.00	0.00	(779.28)	2,000,000.00	1,999,220.72	2,000,000.00	116.67
FHLMC	17-Mar-23	0.420	0.00	0.00	0.00	2,000,000.00	0.00	76.80	2,000,000.00	2,000,076.80	2,000,000.00	140.00
FHLMC	29-Dec-22	0.400	0.00	0.00	0.00	2,000,000.00	0.00	(1,185.84)	2,000,000.00	1,998,814.16	2,000,000.00	44.44
FHLMC	30-Jun-22	0.300	0.00	0.00	0.00	2,000,000.00	0.00	(951.64)	2,000,000.00	1,999,048.36	2,000,000.00	16.67
FHLMC	30-Jun-23	0.500	0.00	0.00	0.00	2,000,000.00	0.00	(1,658.52)	2,000,000.00	1,998,341.48	2,000,000.00	27.78
FNMA	22-Jun-20	1.500	2,000,000.00	2,005,614.56	1,994,173.14	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FNMA	30-Jul-20	1.500	2,000,000.00	2,008,684.08	1,991,389.03	0.00	0.00	4,312.65	2,000,000.00	2,002,214.18	1,997,901.53	12,583.33
FNMA	29-Sep-21	1.450	2,000,000.00	2,030,179.16	1,995,058.85	0.00	0.00	34,822.68	2,000,000.00	2,030,708.12	1,995,885.44	7,411.11
FNMA	2-Jun-23	0.450	0.00	0.00	0.00	2,000,000.00	0.00	(1,164.21)	2,000,000.00	1,998,139.76	1,999,303.97	150.00
Subtotal			34,000,000.00	34,281,840.48	33,974,612.23	22,000,000.00	(16,000,000.00)	221,044.85	40,000,000.00	40,209,533.90	39,988,489.05	78,221.78
Investment Class: Fair Value External Pool												
Texpool		0.217	5,834,982.43	5,834,982.43	5,834,982.43	10,200,668.46	(12,500,000.00)	0.00	3,535,650.89	3,535,650.89	3,535,650.89	0.00
TexStar		0.197	3,736,820.66	3,736,820.66	3,736,820.66	50,649,962.90	(50,000,000.00)	0.00	4,386,783.56	4,386,783.56	4,386,783.56	0.00
Morgan Stanley		0.060	10,526,104.51	10,526,104.51	10,526,104.51	9,608.56	0.00	0.00	10,535,713.07	10,535,713.07	10,535,713.07	0.00
Texas CLASS		0.590	59,212,386.55	59,212,386.55	59,212,386.55	12,121,211.91	0.00	0.00	71,333,598.46	71,333,598.46	71,333,598.46	0.00
TexPool Prime		0.524	48,033,779.09	48,033,779.09	48,033,779.09	22,092,984.39	0.00	0.00	70,126,763.48	70,126,763.48	70,126,763.48	0.00
Subtotal			127,344,073.24	127,344,073.24	127,344,073.24	95,074,436.22	(62,500,000.00)	0.00	159,918,509.46	159,918,509.46	159,918,509.46	0.00
Total Pool Investments			161,344,073.24	161,625,913.72	161,318,685.47	117,074,436.22	(78,500,000.00)	221,044.85	199,918,509.46	200,128,043.36	199,906,998.51	78,221.78