

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending September 30, 2021



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>	December 2020	March 2021	June 2021	September 2021
<i>City Average Yield</i>	0.32%	0.25%	0.17%	0.12%
<i>Treasury Average Yield – 90 days</i>	0.09%	0.06%	0.02%	0.05%
<i>Treasury Average Yield – 180 days</i>	0.10%	0.07%	0.04%	0.06%
<i>Weighted Average Maturity</i>	115 days	94 days	160 days	174 days

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

INVESTMENT TYPES AND PARAMETERS

Investment Types	Portfolio % Parameters	Portfolio % as of September 30, 2021
Certificates of Deposit	20%	2.14%
Federal Agency Coupons	100%	22.79%
State & Local Agency Coupons	20%	0.00%
Managed Pools	80%	69.43%
Money Market Funds	50%	5.64%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 09/30/2021</i>
Weighted Average Maturity	365 days	174 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
December 2020	\$182,731,386	\$182,860,331	\$128,945
March 2021	\$193,158,751	\$193,201,401	\$42,650
June 2021	\$183,174,757	\$183,144,980	(\$29,777)
September 2021	\$186,761,738	\$186,711,860	(\$49,878)

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	3/31/2021	6/30/2021	9/30/2021	12/1/2021
Investment Type	Mar Rates	Jun Rates	Sept Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	0.02%	0.01%	0.03%	0.04%
TexStar (Daily Rate)	0.02%	0.01%	0.01%	0.01%
Texas Class (Daily Rate)	0.11%	0.06%	0.04%	0.06%
TexPool Prime (Daily Rate)	0.09%	0.07%	0.06%	0.08%
<u>Treasury</u>				
3-month (90-days)	0.01%	0.04%	0.03%	0.04%
6-month	0.03%	0.05%	0.05%	0.09%
1-year	0.05%	0.07%	0.07%	0.24%
2-year	0.15%	0.25%	0.29%	0.55%
10-year	1.70%	1.47%	1.52%	1.40%
<u>Agency</u>				
2 year (bullet)	0.15%	0.25%	0.29%	0.59%
<u>CD's</u>				
6-month	0.10%	0.10%	n/a	n/a
9-month	0.10%	0.10%	n/a	n/a
12-month	0.10%	0.10%	n/a	n/a
15-month	0.10%	0.10%	n/a	n/a
18-month	0.10%	0.10%	n/a	n/a
21-month	n/a	n/a	n/a	n/a
24-month	n/a	n/a	n/a	n/a

Public Trust Advisors Update on US Economy & Federal Fund Target Rate

In September, Federal Reserve Chair Jerome Powell's message regarding interest rates was clearly received by the market, with a rate hike still not anticipated until early 2023. Powell's comments regarding signs of high inflation continued to be deemed "transitory" by referencing moderating prices in categories sensitive to the speed and strength of the economic recovery and well contained long-term inflation expectations. Surging energy prices and robust wage gains in October; however, had many investors doubting that inflation will prove to be short-term in nature. Inflation continues to be front and center in the economic narrative with the reading for October continuing to add fuel to the fire; the consumer price index (CPI) month-over-month change came in at +0.9% while the year-over-year change came in at +6.2%, the highest annual pace since 1990. The increase in CPI was broad-based with energy, shelter, food, and used cars leading the way. Continued inflationary pressures will be a key metric to watch over the coming months as the market tries to assess whether higher inflation is transitory as the Federal Reserve expects or whether it is persistent and therefore demands action from the Fed. The Federal Open Market Committee (FOMC) kept the Federal Funds Target Rate stable (between 0.00% and 0.25%) at the November meeting, but did announce that they will begin to taper asset purchases before the end of the year. The market currently anticipates that the FOMC will begin to raise the Federal Funds Target Rate in the second half of next year.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

September 30, 2021

INVESTMENT REPORT

FOR QUARTER ENDING September 30, 2021



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 36-2020 for the City of Mesquite and is also in compliance with the requirements of the Public Funds Investment Act of the State of Texas.

Cindy L. Smith

Cindy L. Smith , Director of Finance

Ashley Tierney

Ashley Tierney, Manager of Accounting

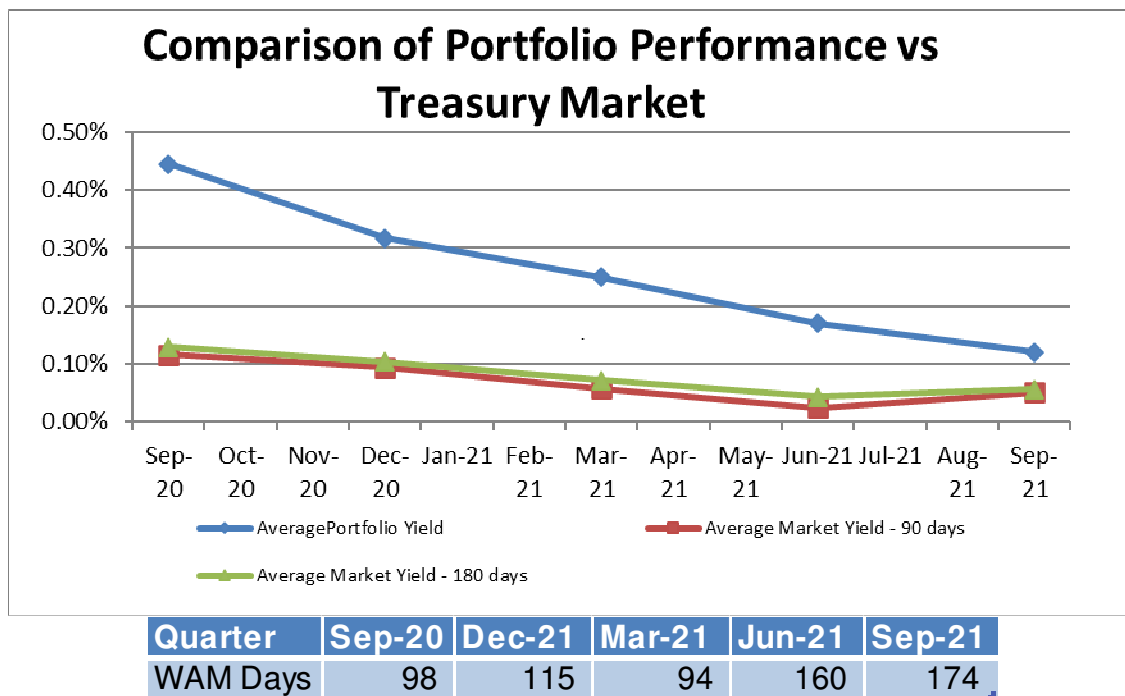
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending September 30, 2021

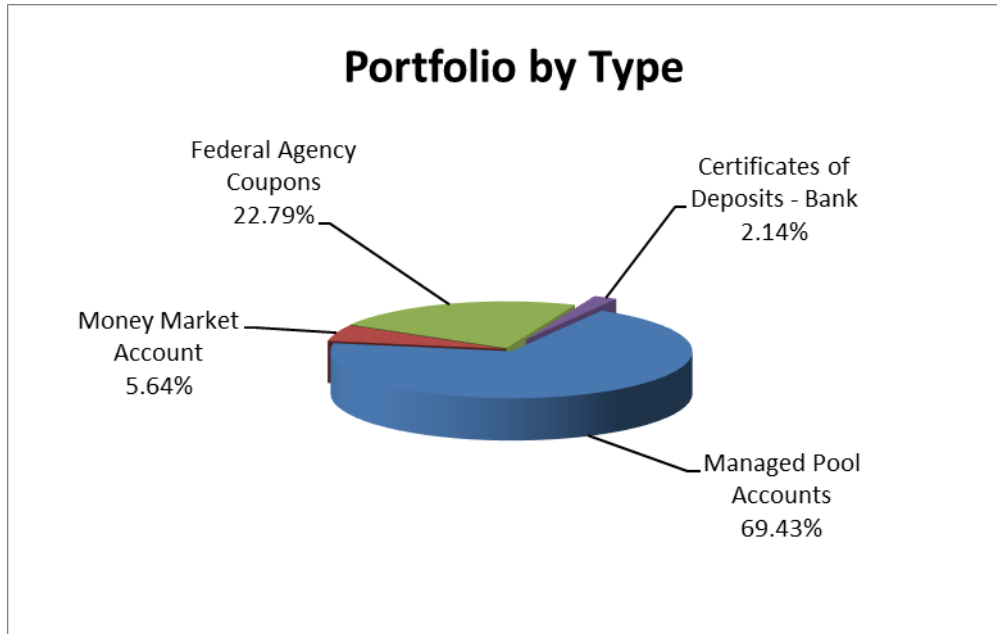
This report presents an overview of the City’s investment portfolio. It shows how the portfolio is structured and how it performed during the quarter.

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 174 days. The City had an average yield of 0.12%. The benchmark average treasury yield is 0.05% for 90 days and 0.06% 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.

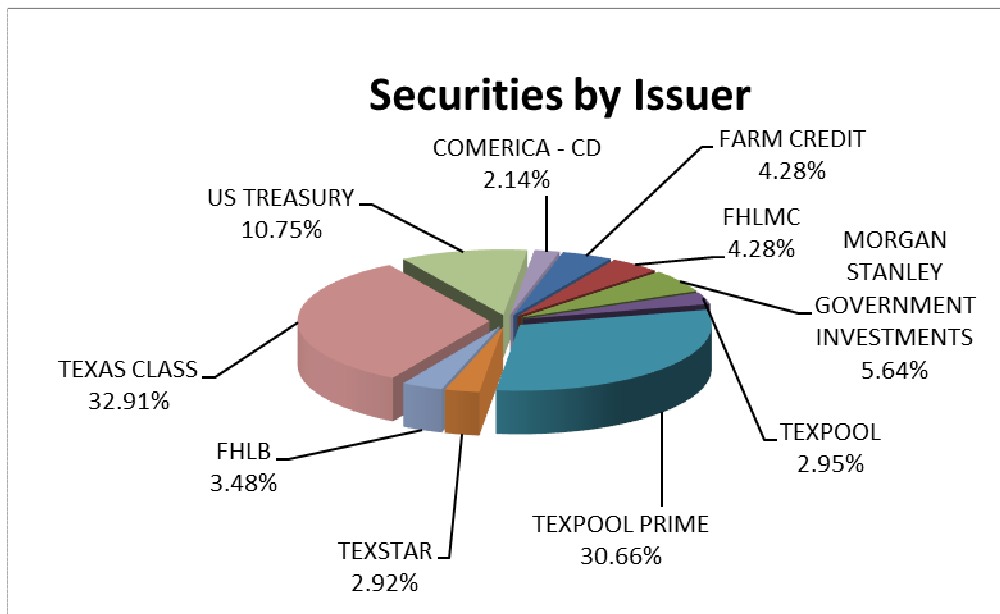


The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, certificates of deposits, managed pool accounts and a money market account. Coupon securities include US Treasury and Agency issues with a stated rate of interest 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.

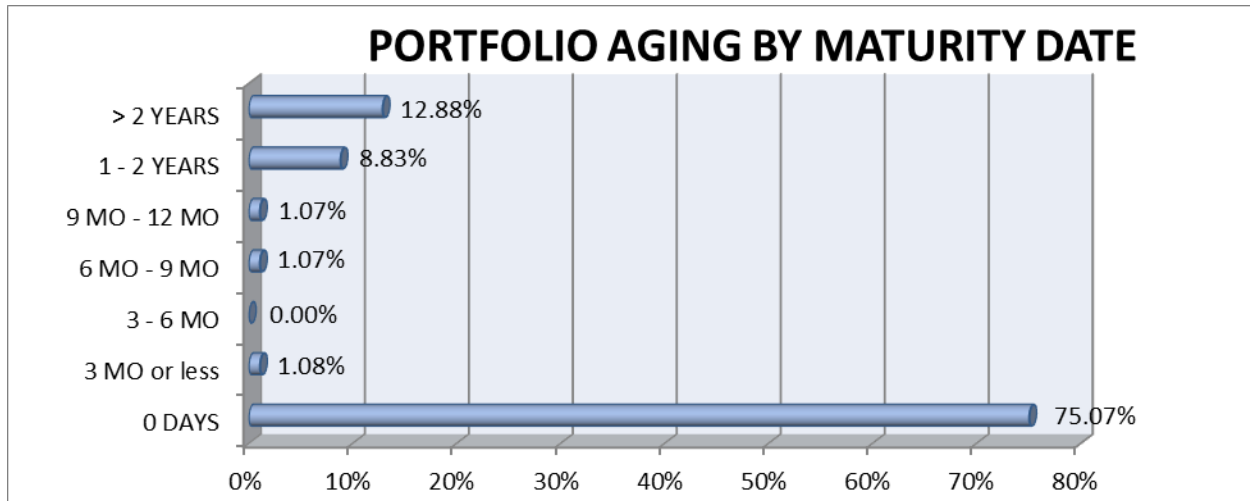
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$186,761,737.68. The market value of the City’s portfolio was approximately \$186,711,860.27. The difference represents an unrealized loss of \$49,877.41. 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>
Jul-21	233,304,761.73	233,329,972.87	25,211.14
Aug-21	217,511,404.30	217,528,165.25	16,760.95
Sep-21	186,761,737.68	186,711,860.27	(49,877.41)

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

JUL 1 thru SEP 30, 2021

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 07/01/2021	44,500,000.00	44,550,697.39	44,580,474.21	88,298.47
	Net Change	2,000,000.00	1,962,109.83	1,982,210.42	(48,886.63)
	Value ending 09/30/2021	46,500,000.00	46,512,807.22	46,562,684.63	39,411.84
Fair Value Ext Pool	Value at 07/01/2021	138,594,282.83	138,594,282.83	138,594,282.83	-
	Net Change	1,604,770.22	1,604,770.22	1,604,770.22	-
	Value ending 09/30/2021	140,199,053.05	140,199,053.05	140,199,053.05	-
Total	Value at 07/01/2021	183,094,282.83	183,144,980.22	183,174,757.04	88,298.47
	Net Change	3,604,770.22	3,566,880.05	3,586,980.64	(48,886.63)
	Value ending 09/30/2021	186,699,053.05	186,711,860.27	186,761,737.68	39,411.84

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	129,659,565.62	129,659,565.62	129,659,565.62	69.43%	1	0.050
Certificates of Deposit - Bank	4,000,000.00	4,000,000.00	4,000,000.00	2.14%	313.5	0.125
Money Market Fund Accounts	10,539,487.43	10,539,487.43	10,539,487.43	5.64%	1	0.030
Federal Agency Coupons	42,500,000.00	42,512,807.22	42,562,684.63	22.79%	732	0.330
	186,699,053.05	186,711,860.27	186,761,737.68	100.00%	174	0.115

CITY OF MESQUITE
PORTFOLIO DETAILS
Jul 1 - Sept 30, 2021

ISSUER	Maturity DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES /	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR	MARKET	BOOK		WITHDRAWALS	GAIN/		PAR	MARKET	BOOK
			VALUE	VALUE	VALUE		MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
COMERICA	25-Aug-21	15500	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	23-Jun-22	0.1500	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	2,253.19
COMERICA	26-Sep-22	0.1000	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	1,008.43
TREAS	15-Jul-23	0.1800	2,000,000.00	1,994,688.00	1,997,603.48	0.00	0.00	(2,115.70)	2,000,000.00	1,995,782.00	1,997,897.70	529.89
TREAS	15-Jan-24	0.2600	2,000,000.00	1,987,890.00	1,993,297.79	0.00	0.00	(4,817.74)	2,000,000.00	1,989,140.00	1,993,957.74	529.89
TREAS	29-Feb-24	0.2900	2,000,000.00	2,105,390.00	2,110,462.13	0.00	0.00	(4,848.83)	2,000,000.00	2,095,234.00	2,100,082.83	4,067.68
TREAS	15-Mar-24	0.3000	2,000,000.00	1,992,032.00	1,997,313.66	0.00	0.00	(4,671.69)	2,000,000.00	1,992,890.00	1,997,561.69	220.99
TREAS	15-Apr-24	0.3200	2,000,000.00	1,997,500.00	2,002,836.65	0.00	0.00	(5,082.16)	2,000,000.00	1,997,500.00	2,002,582.16	3,442.62
TREAS	15-May-24	0.3200	2,000,000.00	1,989,218.00	1,995,733.56	0.00	0.00	(6,025.46)	2,000,000.00	1,990,078.00	1,996,103.46	1,616.85
TREAS	15-Apr-23	0.1800	0.00	0.00	0.00	2,000,000.00	0.00	(853.42)	2,000,000.00	2,001,328.00	2,002,181.42	573.78
TREAS	15-Jun-24	0.4000	0.00	0.00	0.00	2,000,000.00	0.00	(3,385.34)	2,000,000.00	1,988,594.00	1,991,979.34	573.78
TREAS	15-Jul-24	0.4200	0.00	0.00	0.00	2,000,000.00	0.00	(3,222.67)	2,000,000.00	1,994,218.00	1,997,440.67	794.84
TREAS	15-Aug-24	0.4400	0.00	0.00	0.00	2,000,000.00	0.00	(3,882.75)	2,000,000.00	1,992,500.00	1,996,382.75	794.84
FC	10-May-23	0.1900	2,000,000.00	1,996,235.90	1,997,620.61	0.00	0.00	(130.40)	2,000,000.00	1,997,809.76	1,997,940.16	979.17
FC	16-Aug-21	15500	2,000,000.00	2,003,751.80	1,999,771.87	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	8-Nov-21	15700	2,000,000.00	2,010,725.16	1,999,648.25	0.00	0.00	3,157.28	2,000,000.00	2,003,054.46	1,999,897.16	12,472.78
FC	23-Nov-22	0.1200	2,000,000.00	1,998,207.74	1,998,279.67	0.00	0.00	1,306.38	2,000,000.00	1,999,894.26	1,998,587.88	888.89
FC	2-Oct-23	0.2000	2,000,000.00	1,994,277.06	1,997,342.95	0.00	0.00	(173.44)	2,000,000.00	1,997,464.96	1,997,638.40	1,988.89
FHLB	17-Mar-23	0.1800	2,000,000.00	1,996,437.90	1,998,113.83	0.00	0.00	205.36	2,000,000.00	1,998,594.90	1,998,389.54	97.22
FHLB	2-Jun-23	0.1700	2,500,000.00	2,493,139.05	2,497,784.95	0.00	0.00	(4,256.39)	2,500,000.00	2,493,818.00	2,498,074.39	1,015.62
FHLB	8-Dec-23	0.2500	2,000,000.00	1,996,817.82	2,002,159.61	0.00	0.00	(5,796.96)	2,000,000.00	1,996,140.38	2,001,937.34	1,569.44
FNMA	29-Sep-21	14500	2,000,000.00	2,006,868.42	1,999,183.15	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	24-Aug-23	0.2500	2,000,000.00	1,999,526.06	1,999,953.36	0.00	0.00	(832.18)	2,000,000.00	1,999,126.64	1,999,958.82	513.89
FHLMC	8-Sep-23	0.2500	2,000,000.00	1,998,020.60	2,000,027.98	0.00	0.00	(1,580.51)	2,000,000.00	1,998,444.26	2,000,024.77	319.44
FHLMC	16-Oct-23	0.1200	2,000,000.00	1,992,127.72	1,994,137.81	0.00	0.00	(2,475.81)	2,000,000.00	1,992,303.04	1,994,778.85	1,145.83
FHLMC	6-Nov-23	0.2500	2,000,000.00	1,997,844.16	1,999,202.90	0.00	0.00	(394.98)	2,000,000.00	1,998,892.56	1,999,287.54	2,013.89
Subtotal			<u>44,500,000.00</u>	<u>44,550,697.39</u>	<u>44,580,474.21</u>	<u>8,000,000.00</u>	<u>(6,000,000.00)</u>	<u>(49,877.41)</u>	<u>46,500,000.00</u>	<u>46,512,807.22</u>	<u>46,562,684.63</u>	<u>39,411.84</u>
Investment Class: Fair Value External Pool												
Texpool	0.0280	4,972,161.94	4,972,161.94	4,972,161.94	13,529,136.71	(13,000,000.01)	0.00	5,501,298.64	5,501,298.64	5,501,298.64	0.00	0.00
TexStar	0.0100	4,390,171.40	4,390,171.40	4,390,171.40	46,057,710.60	(45,000,000.00)	0.00	5,447,882.00	5,447,882.00	5,447,882.00	0.00	0.00
Morgan Stanley	0.0300	10,538,797.08	10,538,797.08	10,538,797.08	690.35	0.00	0.00	10,539,487.43	10,539,487.43	10,539,487.43	0.00	0.00
Texas CLASS	0.0440	6,145,067.21	6,145,067.21	6,145,067.21	8,084.13	0.00	0.00	6,145,151.34	6,145,151.34	6,145,151.34	0.00	0.00
TexPool Prime	0.0630	57,243,085.20	57,243,085.20	57,243,085.20	9,148.44	0.00	0.00	57,252,233.64	57,252,233.64	57,252,233.64	0.00	0.00
Subtotal		<u>138,594,282.83</u>	<u>138,594,282.83</u>	<u>138,594,282.83</u>	<u>59,604,770.23</u>	<u>(58,000,000.01)</u>	<u>0.00</u>	<u>140,199,053.05</u>	<u>140,199,053.05</u>	<u>140,199,053.05</u>	<u>0.00</u>	<u>0.00</u>
Total Pool Investments		<u>183,094,282.83</u>	<u>183,144,980.22</u>	<u>183,174,757.04</u>	<u>67,604,770.23</u>	<u>(64,000,000.01)</u>	<u>(49,877.41)</u>	<u>186,699,053.05</u>	<u>186,711,860.27</u>	<u>186,761,737.68</u>	<u>39,411.84</u>	