

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending June 30, 2022



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 2021	December 2021	March 2022	June 2022
<i>City Average Yield</i>	0.12%	0.13%	0.19%	0.87%
<i>Treasury Average Yield – 90 days</i>	0.05%	0.05%	0.29%	1.03%
<i>Treasury Average Yield – 180 days</i>	0.06%	0.09%	0.59%	1.56%
<i>Weighted Average Maturity</i>	174 days	165 days	134 days	183 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 June 30, 2022
Certificates of Deposit	20%	0.71%
Federal Agency Coupons	100%	47.29%
State & Local Agency Coupons	20%	0.71%
Managed Pools	80%	47.56%
Money Market Funds	50%	3.73%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 6/30/2022</i>
Weighted Average Maturity	365 days	183 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
September 2021	\$186,761,738	\$186,711,860	(\$49,878)
December 2021	\$220,761,877	\$220,411,153	(\$350,724)
March 2022	\$236,868,084	\$235,352,616	(\$1,515,468)
June 2022	\$282,555,552	\$280,707,201	(\$1,848,351)

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	12/31/2021	3/31/2022	6/30/2022	8/25/2022
Investment Type	Dec Rates	Mar Rates	Jun Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	0.04%	0.15%	1.00%	2.15%
TexStar (Daily Rate)	0.01%	0.11%	0.99%	1.92%
Texas Class (Daily Rate)	0.07%	0.29%	1.16%	2.26%
TexPool Prime (Daily Rate)	0.09%	0.27%	1.20%	2.29%
<u>Treasury</u>				
3-month (90-days)	0.03%	0.52%	1.72%	2.80%
6-month	0.17%	1.00%	2.51%	3.21%
1-year	0.36%	1.60%	2.80%	3.29%
2-year	0.72%	2.31%	2.92%	3.29%
10-year	1.51%	2.35%	2.98%	3.05%
<u>Agency</u>				
2-year (bullet)	0.75%	2.34%	3.19%	3.42%

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

After raising the Federal Funds Target Rate by 0.25% in March, the Federal Reserve doubled down on policy action at the May Federal Open Market Committee (FOMC) meeting by increasing the target range by another 0.50%. The need to address inflationary pressures has certainly warranted the more aggressive action by the Fed and will likely be followed by additional rate hikes this year including the latest 0.75% increases in June and July. While the Fed is concerned with the financial stability of the markets, it may look to aggressively front-load rate hikes to provide greater flexibility later this year.

With the federal funds target rate moving steadily higher, along with the Fed now actively shedding assets from its balance sheet, there is a growing fear that the Fed will tighten the U.S. economy into a recession as early as next year. The labor market remains robust, with the unemployment rate at 3.6% and two job openings for every individual that is looking for work. However, overall wage gains have not kept pace with inflation, and the tightness of the labor market may hinder the Fed's efforts to cool inflation. At a minimum, the strength of the labor market should allay fears that the economy will dip into a recession this year. Inflation remains a significant problem, and the Fed is trying to buy the time and flexibility to adjust its policy as needed.

Fed's actions are clearly flowing through to lending reduction, very likely presaging a recession. Similarly, domestic home price growth has remained at cycle highs and is expected to moderate in response to stricter residential lending requirements and mortgage rates increasing at the fastest pace on record. Most executives noted that the outlook for the economy is "more uncertain than ever" but were broadly positive about the health of the consumer.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

June 30, 2022

INVESTMENT REPORT

FOR QUARTER ENDING June 30, 2022



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 54-2021 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

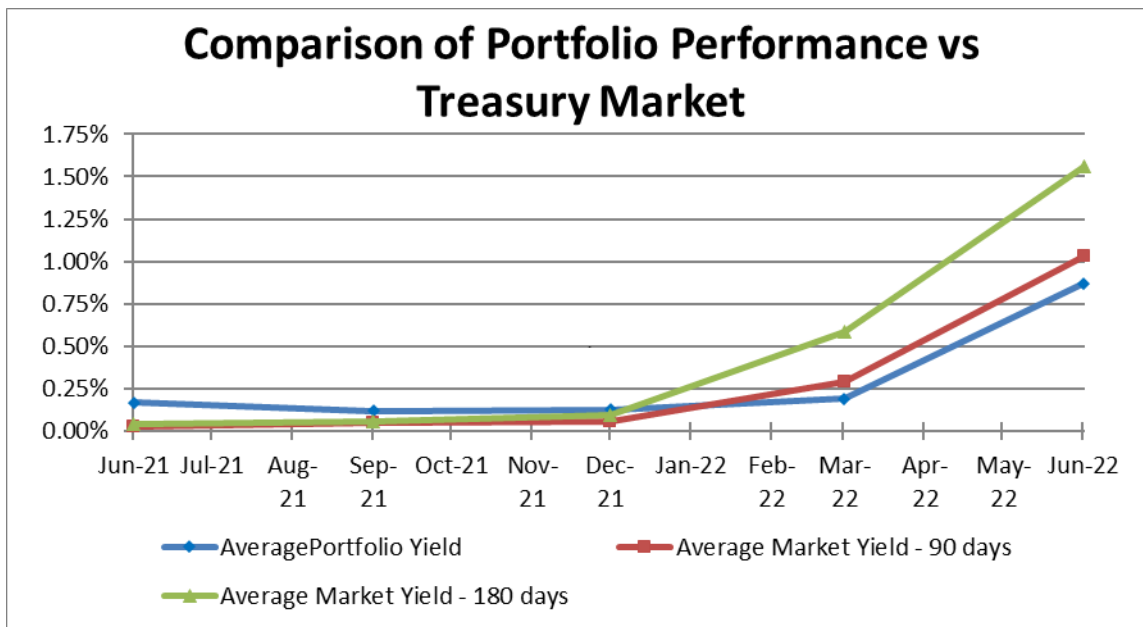
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending June 30, 2022

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.

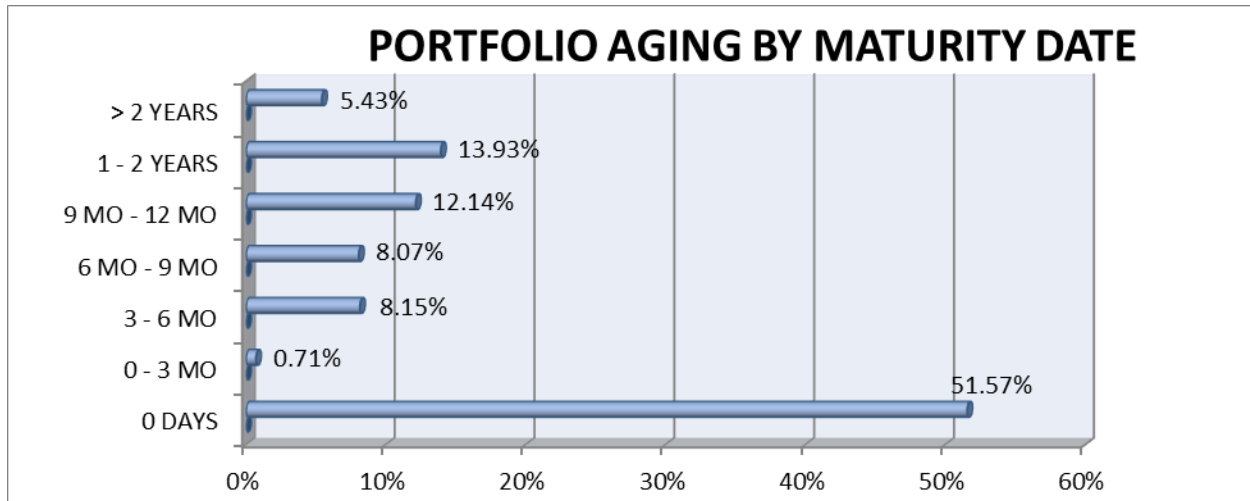
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 183 days. The City had an average yield of 0.87%. The benchmark average treasury yield is 1.03% for 90 days and 1.56% 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.



Quarter	21-Jun	21-Sep	21-Dec	22-Mar	22-Jun
WAM Days	160	174	165	134	183

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.

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 \$282,555,552.18. The market value of the City’s portfolio was approximately \$280,707,200.87. The difference represents an unrealized loss of \$1,848,351.31. 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-22	235,422,526.98	233,688,830.04	(1,733,696.94)
May-22	237,150,281.15	235,633,797.10	(1,516,484.05)
Jun-22	282,555,552.18	280,707,200.87	(1,848,351.31)

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, 2022

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 03/31/2022	52,500,000.00	51,006,469.16	52,521,937.21	50,498.97
	Net Change	85,700,000.00	84,757,031.64	85,089,914.90	13,055.87
	Value ending 06/30/2022	138,200,000.00	135,763,500.80	137,611,852.11	63,554.84
Fair Value Ext Pool	Value at 03/31/2022	184,346,146.92	184,346,146.92	184,346,146.92	-
	Net Change	(39,402,446.85)	(39,402,446.85)	(39,402,446.85)	-
	Value ending 06/30/2022	144,943,700.07	144,943,700.07	144,943,700.07	-
Total	Value at 03/31/2022	236,846,146.92	235,352,616.08	236,868,084.13	50,498.97
	Net Change	46,297,553.15	45,354,584.79	45,687,468.05	13,055.87
	Value ending 06/30/2022	283,143,700.07	280,707,200.87	282,555,552.18	63,554.84

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	134,393,617.82	134,393,617.82	134,393,617.82	47.56%	1.00	1.172
Certificates of Deposit - Bank	2,000,000.00	2,000,000.00	2,000,000.00	0.71%	88.00	0.100
Money Market Fund Accounts	10,550,082.25	10,550,082.25	10,550,082.25	3.73%	1.00	1.060
Federal Agency Coupons	134,200,000.00	131,869,300.80	133,611,852.11	47.29%	372.96	1.795
State and Local Agency Coupons	2,000,000.00	1,894,200.00	2,000,000.00	0.71%	803.00	0.790
	283,143,700.07	280,707,200.87	282,555,552.18	100.00%	183.00	1.452

CITY OF MESQUITE
PORTFOLIO DETAILS
Apr 1 - Jun 30, 2022

			BEGINNING	BEGINNING	BEGINNING	SALES /		UNREALIZED	ENDING	ENDING	ENDING	ENDING
MATURITY			PAR	MARKET	BOOK	WITHDRAWALS		GAIN/	PAR	MARKET	BOOK	ACCRUED
ISSUER	DATE	COUPON	VALUE	VALUE	VALUE	PURCHASES	MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
COMERICA	23-Jun-22	0.1500	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	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	2,505.57
TREAS	15-Jul-23	0.1800	2,000,000.00	1,952,890.00	1,998,482.54	0.00	0.00	(55,653.92)	2,000,000.00	1,943,124.00	1,998,777.92	1,153.31
TREAS	15-Jan-24	0.2600	2,000,000.00	1,925,546.00	1,995,269.85	0.00	0.00	(79,916.68)	2,000,000.00	1,916,016.00	1,995,932.68	1,153.31
TREAS	29-Feb-24	0.2900	2,000,000.00	2,003,438.00	2,079,359.30	0.00	0.00	(86,624.78)	2,000,000.00	1,982,500.00	2,069,124.78	15,876.36
TREAS	15-Mar-24	0.3000	2,000,000.00	1,922,500.00	1,998,058.66	0.00	0.00	(87,209.80)	2,000,000.00	1,911,094.00	1,998,303.80	1,467.39
TREAS	15-Apr-24	0.3200	2,000,000.00	1,922,422.00	2,002,075.40	0.00	0.00	(91,040.70)	2,000,000.00	1,910,782.00	2,001,822.70	1,577.87
TREAS	15-May-24	0.3200	2,000,000.00	1,913,046.00	1,996,845.04	0.00	0.00	(94,792.61)	2,000,000.00	1,902,422.00	1,997,214.61	638.59
TREAS	15-Apr-23	0.1800	2,000,000.00	1,969,766.00	2,001,473.34	0.00	0.00	(41,666.48)	2,000,000.00	1,959,454.00	2,001,120.48	1,051.91
TREAS	15-Jun-24	0.4000	2,000,000.00	1,908,828.00	1,993,452.64	0.00	0.00	(95,986.82)	2,000,000.00	1,898,204.00	1,994,190.82	218.58
TREAS	15-Jul-24	0.4200	2,000,000.00	1,910,390.00	1,997,896.07	0.00	0.00	(99,375.96)	2,000,000.00	1,898,750.00	1,998,125.96	3,459.94
TREAS	15-Aug-24	0.4400	2,000,000.00	1,906,094.00	1,997,005.03	0.00	0.00	(103,648.48)	2,000,000.00	1,893,672.00	1,997,320.48	2,817.68
TREAS	15-Sep-24	0.6800	2,000,000.00	1,901,796.00	1,985,254.40	0.00	0.00	(97,354.15)	2,000,000.00	1,889,376.00	1,986,730.15	2,201.09
TREAS	15-Oct-24	0.7100	2,000,000.00	1,910,782.00	1,995,876.42	0.00	0.00	(99,793.68)	2,000,000.00	1,896,484.00	1,996,277.68	2,629.78
TREAS	15-Nov-24	0.9400	2,000,000.00	1,913,282.00	1,990,287.67	0.00	0.00	(93,233.25)	2,000,000.00	1,897,968.00	1,991,201.25	1,915.76
TREAS	31-Mar-23	2.7400	0.00	0.00	0.00	6,975,000.00	0.00	(2,868.55)	6,975,000.00	6,959,466.68	6,962,335.23	1,429.31
TREAS	30-Apr-23	2.8100	0.00	0.00	0.00	6,975,000.00	0.00	(3,583.04)	6,975,000.00	6,967,641.38	6,971,224.42	1,563.69
TREAS	31-May-23	2.8500	0.00	0.00	0.00	6,975,000.00	0.00	(3,596.40)	6,975,000.00	6,965,193.15	6,968,789.55	1,572.23
TREAS	31-Aug-23	2.9400	0.00	0.00	0.00	6,975,000.00	0.00	(656.88)	6,975,000.00	6,959,466.67	6,960,123.55	1,563.69
TREAS	31-Oct-22	2.0500	0.00	0.00	0.00	6,975,000.00	0.00	(1,660.05)	6,975,000.00	6,969,085.20	6,970,745.25	1,066.15
TREAS	30-Nov-22	2.2400	0.00	0.00	0.00	6,975,000.00	0.00	(3,404.03)	6,975,000.00	6,964,649.10	6,968,053.13	1,143.44
TREAS	31-Dec-22	2.4800	0.00	0.00	0.00	6,975,000.00	0.00	(1,565.44)	6,975,000.00	6,961,377.82	6,962,943.26	402.77
TREAS	31-Jul-23	2.8600	0.00	0.00	0.00	6,975,000.00	0.00	(3,343.49)	6,975,000.00	6,963,282.00	6,966,625.49	1,589.61
TREAS	31-Dec-24	2.7400	0.00	0.00	0.00	2,000,000.00	0.00	(12,504.97)	2,000,000.00	1,940,078.00	1,952,582.97	95.11
TREAS	31-Jan-25	2.6100	0.00	0.00	0.00	2,000,000.00	0.00	(18,472.81)	2,000,000.00	1,920,000.00	1,938,472.81	2,734.80
TREAS	30-Sep-22	1.8100	0.00	0.00	0.00	6,975,000.00	0.00	(15.76)	6,975,000.00	6,945,970.05	6,945,985.81	714.7
TREAS	31-Jan-23	2.5300	0.00	0.00	0.00	6,975,000.00	0.00	(2,726.97)	6,975,000.00	6,875,822.48	6,878,549.45	72.26
TREAS	28-Feb-23	2.6600	0.00	0.00	0.00	6,975,000.00	0.00	(1,411.82)	6,975,000.00	6,857,568.90	6,858,980.72	71.08
TREAS	30-Jun-23	2.8800	0.00	0.00	0.00	6,975,000.00	0.00	(2,622.60)	6,975,000.00	6,785,091.68	6,787,714.28	23.69

CITY OF MESQUITE
PORTFOLIO DETAILS
Apr 1 - Jun 30, 2022

ISSUER	MATURITY DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES /	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR VALUE	MARKET VALUE	BOOK VALUE		WITHDRAWALS	GAIN/	PAR VALUE	MARKET VALUE	BOOK VALUE	ACCRUED INTEREST
FC	10-May-23	0.1900	2,000,000.00	1,962,773.84	1,998,580.95	0.00	0.00	(44,777.84)	2,000,000.00	1,954,121.90	1,998,899.74	354.17
FC	23-Nov-22	0.1200	2,000,000.00	1,984,691.50	1,999,205.17	0.00	0.00	(17,024.39)	2,000,000.00	1,982,488.94	1,999,513.33	263.89
FC	2-Oct-23	0.2000	2,000,000.00	1,947,013.62	1,998,226.83	0.00	0.00	(63,834.48)	2,000,000.00	1,934,685.36	1,998,519.84	988.89
FHLB	17-Mar-23	0.1800	2,000,000.00	1,970,427.68	1,998,942.40	0.00	0.00	(34,947.89)	2,000,000.00	1,964,267.02	1,999,214.91	722.22
FHLB	2-Jun-23	0.1700	2,500,000.00	2,446,288.28	2,498,649.47	0.00	0.00	(62,768.25)	2,500,000.00	2,436,168.97	2,498,937.22	251.74
FHLB	8-Dec-23	0.2500	2,000,000.00	1,937,913.50	2,001,495.83	0.00	0.00	(78,425.87)	2,000,000.00	1,922,848.92	2,001,274.79	319.44
FHLMC	24-Aug-23	0.2500	2,000,000.00	1,949,813.58	1,999,969.57	0.00	0.00	(59,415.15)	2,000,000.00	1,940,559.88	1,999,975.03	1,763.89
FHLMC	8-Sep-23	0.2500	2,000,000.00	1,949,696.50	2,000,018.37	0.00	0.00	(60,967.49)	2,000,000.00	1,939,047.72	2,000,015.21	1,569.44
FHLMC	16-Oct-23	0.1200	2,000,000.00	1,939,811.74	1,996,054.88	0.00	0.00	(66,504.58)	2,000,000.00	1,930,186.42	1,996,691.00	520.83
FHLMC	6-Nov-23	0.2500	2,000,000.00	1,940,818.92	1,999,457.38	0.00	0.00	(69,155.25)	2,000,000.00	1,930,386.56	1,999,541.81	763.89
MUNI	1-Oct-24	0.7900	2,000,000.00	1,916,440.00	2,000,000.00	0.00	0.00	(105,800.00)	2,000,000.00	1,894,200.00	2,000,000.00	3,970.00
Subtotal			52,500,000.00	51,006,469.16	52,521,937.21	87,700,000.00	(2,000,000.00)	(1,848,351.31)	138,200,000.00	135,763,500.80	137,611,852.11	63,554.84
Investment Class: Fair Value External Pool												
Texpool		10010	557,468.38	557,468.38	557,468.38	15,879,903.68	(15,000,000.00)	0.00	1,437,372.06	1,437,372.06	1,437,372.06	0.00
TexStar		0.9850	5,448,622.52	5,448,622.52	5,448,622.52	57,086,713.68	(57,000,000.00)	0.00	5,535,336.20	5,535,336.20	5,535,336.20	0.00
Morgan Stanley		10600	10,540,845.74	10,540,845.74	10,540,845.74	9,236.51	0.00	0.00	10,550,082.25	10,550,082.25	10,550,082.25	0.00
Texas CLASS		11580	86,502,370.88	86,502,370.88	86,502,370.88	171,508.22	(26,700,000.00)	0.00	59,973,879.10	59,973,879.10	59,973,879.10	0.00
TexPool Prime		12030	81,296,839.40	81,296,839.40	81,296,839.40	150,191.06	(14,000,000.00)	0.00	67,447,030.46	67,447,030.46	67,447,030.46	0.00
Subtotal			184,346,146.92	184,346,146.92	184,346,146.92	73,297,553.15	(112,700,000.00)	0.00	144,943,700.07	144,943,700.07	144,943,700.07	0.00
Total Pool Investments			236,846,146.92	235,352,616.08	236,868,084.13	160,997,553.15	(114,700,000.00)	(1,848,351.31)	283,143,700.07	280,707,200.87	282,555,552.18	63,554.84