

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending September 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. However, in a rising market, there will be a lag in the City's portfolio until rates stabilize.

AVERAGE YIELD HISTORY

<i>Quarter</i>	December 2021	March 2022	June 2022	September 2022
City Average Yield	0.13%	0.19%	0.87%	1.98%
Treasury Average Yield – 90 days	0.05%	0.29%	1.03%	2.69%
Treasury Average Yield – 180 days	0.09%	0.59%	1.56%	3.20%
Weighted Average Maturity	165 days	134 days	183 days	139 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, 2022
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	42.87%
State & Local Agency Coupons	20%	0.66%
Managed Pools	80%	53.00%
Money Market Funds	50%	3.47%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 9/30/2022</i>
Weighted Average Maturity	365 days	139 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
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)
September 2022	\$304,929,020	\$302,019,274	(\$2,909,746)

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	3/31/2022	6/30/2022	9/30/2022	11/10/2022
Investment Type	Mar Rates	Jun Rates	Sept Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	0.15%	1.00%	2.41%	3.47%
TexStar (Daily Rate)	0.11%	0.99%	2.29%	3.39%
Texas Class (Daily Rate)	0.29%	1.16%	2.68%	3.63%
TexPool Prime (Daily Rate)	0.27%	1.20%	2.61%	3.73%
<u>Treasury</u>				
3-month (90-days)	0.52%	1.72%	3.33%	4.28%
6-month	1.00%	2.51%	3.92%	4.60%
1-year	1.60%	2.80%	4.05%	4.77%
2-year	2.31%	2.92%	4.22%	4.67%
10-year	2.35%	2.98%	3.83%	4.14%
<u>Agency</u>				
2-year (bullet)	2.34%	3.19%	4.31%	4.53%

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

Containing inflation is currently the top priority for the Federal Open Market Committee (FOMC) and data continues to reflect price levels that are well above the FOMC's comfort zone. While the Consumer Price Index (CPI) may have shown some signs of cooling in July, price pressures heated back up with core CPI reaching a 40-year high of 6.6% in September. Following the August CPI release, the FOMC felt compelled to strongly reaffirm its commitment to fighting inflation. Voting unanimously, the FOMC raised its target policy rate range up 75 basis points to a new target range of 3.00% to 3.25% in September. Alongside this jumbo-sized rate increase, Chair Powell continued his efforts to bolster the FOMC's inflation-fighting credibility with a forceful and repeated commitment to "keep at it until the job is done."

The Federal Reserve has continued to raise interest rates with the end goal of cooling price pressures. Chair Jerome Powell announced another rate hike of 75 basis points on November 2, 2022, to a target range of 3.75% to 4.00%, ultimately signaling slower increases, but higher rates. The U.S. is performing a balancing act between correcting economic issues while simultaneously staying in control as to not over correct.

Goldman Sachs Group's top economist said there exists a "very plausible" path in which the U.S. can prevent a recession. The bank has forecasted a 35% chance the U.S. will enter a recession within the next year which sits comfortably below other Wall Street expectations. Items that need addressing include a moderation in economic activity, a slowdown in nominal wage growth, easing of inflation, and a rebalancing of the labor market.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

September 30, 2022

INVESTMENT REPORT

FOR QUARTER ENDING September 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

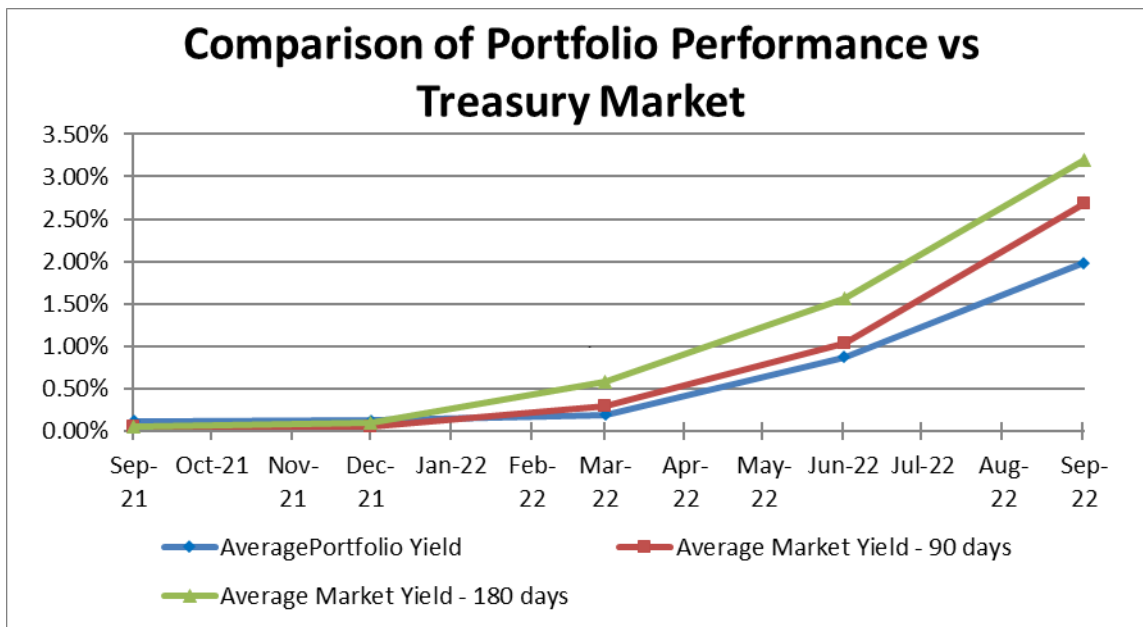
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending September 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.

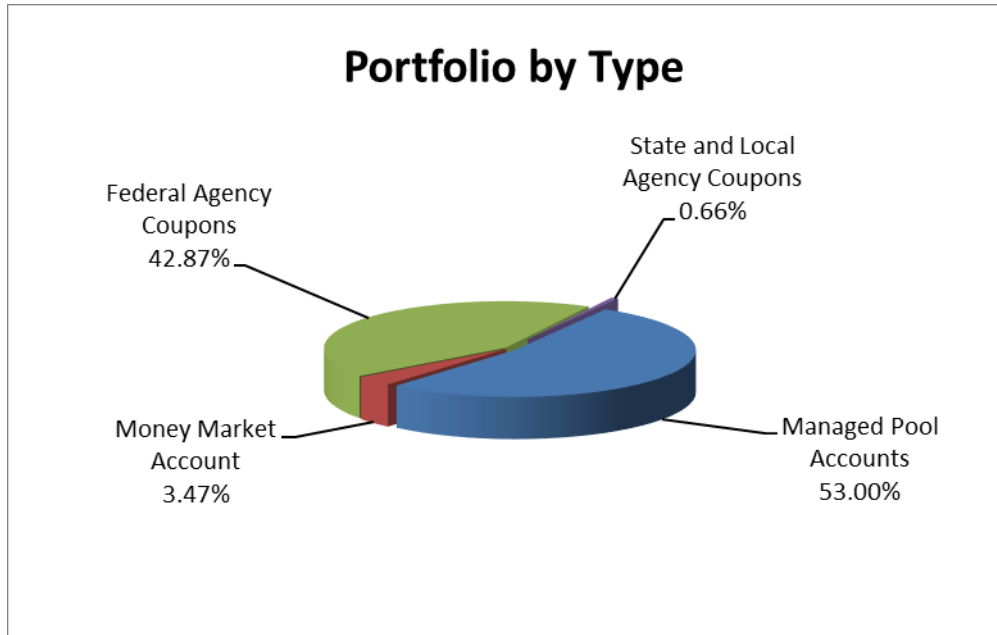
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 139 days. The City had an average yield of 1.98%. The benchmark average treasury yield is 2.69% for 90 days and 3.20% 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.



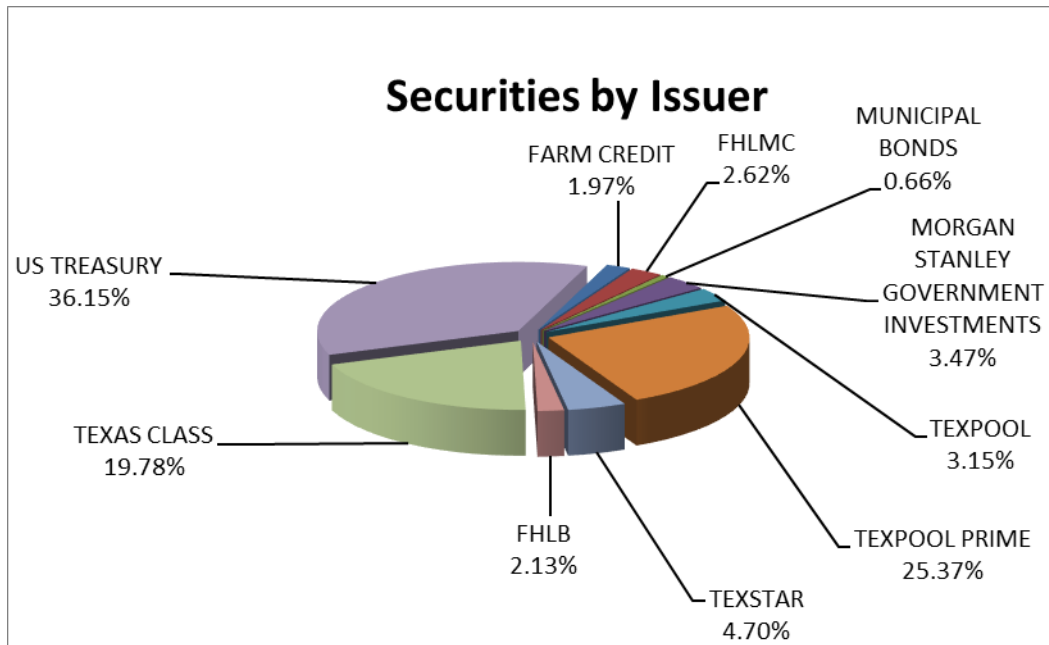
Quarter	21-Sep	21-Dec	22-Mar	22-Jun	22-Sep
WAM Days	174	165	134	183	139

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.

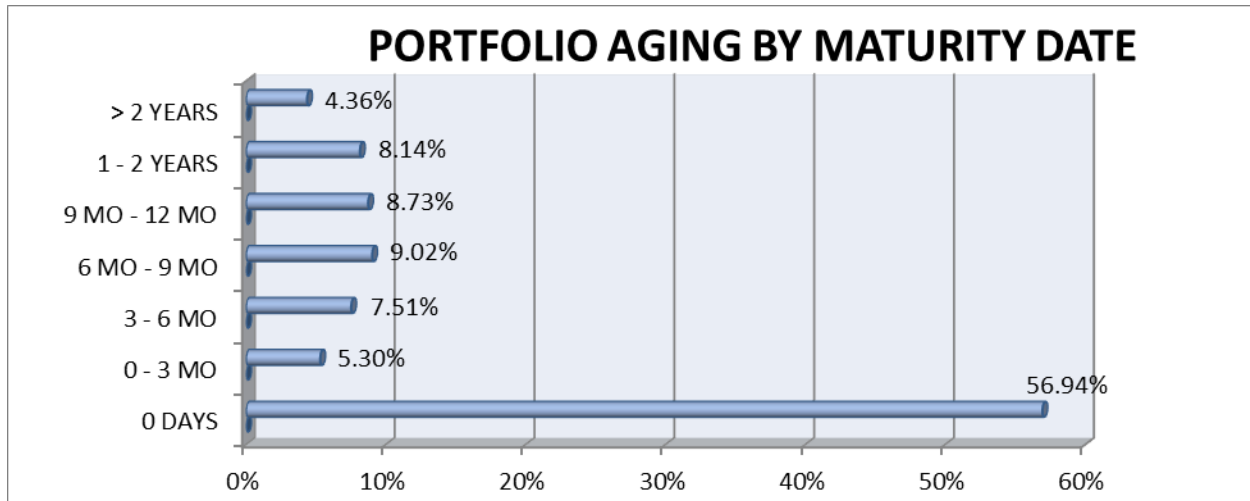
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$304,929,019.97. The market value of the City’s portfolio was approximately \$302,019,274.31. The difference represents an unrealized loss of \$2,909,745.66. 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-22	319,006,398.34	317,204,283.86	(1,802,114.48)
Aug-22	316,399,984.84	314,153,776.12	(2,246,208.72)
Sep-22	304,929,019.97	302,019,274.31	(2,909,745.66)

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, 2022

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 06/30/2022	138,200,000.00	135,763,500.80	137,611,852.11	63,554.84
	Net Change	(4,975,000.00)	(5,948,552.35)	(4,887,158.00)	261,562.10
	Value ending 09/30/2022	133,225,000.00	129,814,948.45	132,724,694.11	325,116.94
Fair Value Ext Pool	Value at 06/30/2022	144,943,700.07	144,943,700.07	144,943,700.07	-
	Net Change	27,260,625.79	27,260,625.79	27,260,625.79	-
	Value ending 09/30/2022	172,204,325.86	172,204,325.86	172,204,325.86	-
Total	Value at 06/30/2022	283,143,700.07	280,707,200.87	282,555,552.18	63,554.84
	Net Change	22,285,625.79	21,312,073.44	22,373,467.79	261,562.10
	Value ending 09/30/2022	305,429,325.86	302,019,274.31	304,929,019.97	325,116.94

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	161,612,951.26	161,612,951.26	161,612,951.26	53.00%	1.00	2.597
Certificates of Deposit - Bank	-	-	-	0.00%	0.00	0.000
Money Market Fund Accounts	10,591,374.60	10,591,374.60	10,591,374.60	3.47%	1.00	2.310
Federal Agency Coupons	131,225,000.00	127,950,548.45	130,724,694.11	42.87%	311.99	1.839
State and Local Agency Coupons	2,000,000.00	1,864,400.00	2,000,000.00	0.66%	740.95	0.790
	305,429,325.86	302,019,274.31	304,929,019.97	100.00%	139.00	2.250

CITY OF MESQUITE
PORTFOLIO DETAILS
Jul 1 - Sept 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	26-Sep-22	0.1000	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
FHLB	8-Dec-23	0.2500	2,000,000.00	1,922,848.92	2,001,274.79	0.00	0.00	(95,614.70)	2,000,000.00	1,905,437.36	2,001,052.06	1,569.44
FHLB	17-Mar-23	0.1800	2,000,000.00	1,964,267.02	1,999,214.91	0.00	0.00	(32,506.67)	2,000,000.00	1,966,984.48	1,999,491.15	97.22
FHLB	2-Jun-23	0.1700	2,500,000.00	2,436,168.97	2,498,937.22	0.00	0.00	(64,462.15)	2,500,000.00	2,434,765.08	2,499,227.23	1,032.99
FC	2-Oct-23	0.2000	2,000,000.00	1,934,685.36	1,998,519.84	0.00	0.00	(77,553.84)	2,000,000.00	1,921,262.22	1,998,816.06	1,988.89
FC	23-Nov-22	0.1200	2,000,000.00	1,982,488.94	1,999,513.33	0.00	0.00	(8,511.97)	2,000,000.00	1,991,310.14	1,999,822.11	888.89
FC	10-May-23	0.1900	2,000,000.00	1,954,121.90	1,998,899.74	0.00	0.00	(46,937.96)	2,000,000.00	1,952,281.94	1,999,219.90	979.17
FHLMC	24-Aug-23	0.2500	2,000,000.00	1,940,559.88	1,999,975.03	0.00	0.00	(69,134.67)	2,000,000.00	1,930,845.84	1,999,980.51	513.89
FHLMC	8-Sep-23	0.2500	2,000,000.00	1,939,047.72	2,000,015.21	0.00	0.00	(75,260.40)	2,000,000.00	1,924,751.60	2,000,012.00	319.44
FHLMC	16-Oct-23	0.1200	2,000,000.00	1,930,186.42	1,996,691.00	0.00	0.00	(83,106.10)	2,000,000.00	1,914,227.56	1,997,333.66	1,145.83
FHLMC	6-Nov-23	0.2500	2,000,000.00	1,930,386.56	1,999,541.81	0.00	0.00	(86,849.61)	2,000,000.00	1,912,777.06	1,999,626.67	2,013.89
MUNI	1-Oct-24	0.7900	2,000,000.00	1,894,200.00	2,000,000.00	0.00	0.00	(135,600.00)	2,000,000.00	1,864,400.00	2,000,000.00	7,940.00
TREAS	31-Mar-23	2.7400	6,975,000.00	6,959,466.68	6,962,335.23	0.00	0.00	(36,880.75)	6,975,000.00	6,929,774.10	6,966,654.85	479.05
TREAS	31-Mar-25	3.3600	0.00	0.00	0.00	2,000,000.00	0.00	(41,347.76)	2,000,000.00	1,923,828.00	1,965,175.76	144.23
TREAS	30-Apr-23	2.8100	6,975,000.00	6,967,641.38	6,971,224.42	0.00	0.00	(46,729.64)	6,975,000.00	6,925,686.75	6,972,416.39	49,516.81
TREAS	31-May-23	2.8500	6,975,000.00	6,965,193.15	6,968,789.55	0.00	0.00	(56,542.81)	6,975,000.00	6,913,968.75	6,970,511.56	49,787.42
TREAS	31-Aug-23	2.9400	6,975,000.00	6,959,466.67	6,960,123.55	0.00	0.00	(79,689.21)	6,975,000.00	6,883,725.15	6,963,414.36	16,425.93
TREAS	29-Feb-24	0.2900	2,000,000.00	1,982,500.00	2,069,124.78	0.00	0.00	(111,214.80)	2,000,000.00	1,947,500.00	2,058,714.80	4,067.68
TREAS	31-Oct-22	2.0500	6,975,000.00	6,969,085.20	6,970,745.25	0.00	0.00	(3,836.25)	6,975,000.00	6,970,117.50	6,973,953.75	33,761.46
TREAS	30-Nov-22	2.2400	6,975,000.00	6,964,649.10	6,968,053.13	0.00	0.00	(10,594.01)	6,975,000.00	6,961,663.80	6,972,257.81	36,209.02
TREAS	31-Dec-22	2.4800	6,975,000.00	6,961,377.82	6,962,943.26	0.00	0.00	(17,677.72)	6,975,000.00	6,951,326.85	6,969,004.57	37,457.46
TREAS	31-Jul-23	2.8600	6,975,000.00	6,963,282.00	6,966,625.49	0.00	0.00	(73,722.95)	6,975,000.00	6,894,899.10	6,968,622.05	32,316.24
TREAS	31-Dec-24	2.7400	2,000,000.00	1,940,078.00	1,952,582.97	0.00	0.00	(61,341.46)	2,000,000.00	1,895,860.00	1,957,201.46	8,845.11
TREAS	31-Jan-25	2.6100	2,000,000.00	1,920,000.00	1,938,472.81	0.00	0.00	(70,709.76)	2,000,000.00	1,873,594.00	1,944,303.76	4,633.15
TREAS	15-Apr-23	0.1800	2,000,000.00	1,959,454.00	2,001,120.48	0.00	0.00	(39,747.99)	2,000,000.00	1,961,016.00	2,000,763.99	2,308.74
TREAS	15-Jul-23	0.1800	2,000,000.00	1,943,124.00	1,998,777.92	0.00	0.00	(61,650.64)	2,000,000.00	1,937,422.00	1,999,072.64	529.89
TREAS	15-Jan-24	0.2600	2,000,000.00	1,916,016.00	1,995,932.68	0.00	0.00	(100,656.25)	2,000,000.00	1,895,938.00	1,996,594.25	529.89
TREAS	31-Jan-23	2.5300	6,975,000.00	6,875,822.48	6,878,549.45	0.00	0.00	(25,849.43)	6,975,000.00	6,894,236.47	6,920,085.90	1,468.92
TREAS	28-Feb-23	2.6600	6,975,000.00	6,857,568.90	6,858,980.72	0.00	0.00	(30,355.21)	6,975,000.00	6,872,279.18	6,902,634.39	746.63

CITY OF MESQUITE
PORTFOLIO DETAILS
Jul 1 - Sept 30, 2022

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
TREAS	15-Mar-24	0.3000	2,000,000.00	1,911,094.00	1,998,303.80	0.00	0.00	(112,146.42)	2,000,000.00	1,886,406.00	1,998,552.42	220.99
TREAS	15-Apr-24	0.3200	2,000,000.00	1,910,782.00	2,001,822.70	0.00	0.00	(117,895.38)	2,000,000.00	1,883,672.00	2,001,567.38	3,463.11
TREAS	15-May-24	0.3200	2,000,000.00	1,902,422.00	1,997,214.61	0.00	0.00	(123,445.57)	2,000,000.00	1,874,140.00	1,997,585.57	1,888.59
TREAS	15-Jun-24	0.4000	2,000,000.00	1,898,204.00	1,994,190.82	0.00	0.00	(126,574.97)	2,000,000.00	1,868,360.00	1,994,934.97	1,475.41
TREAS	30-Jun-23	2.8800	6,975,000.00	6,785,091.68	6,787,744.28	0.00	0.00	(62,585.76)	6,975,000.00	6,771,741.52	6,834,327.28	2,203.38
TREAS	15-Jul-24	0.4200	2,000,000.00	1,898,750.00	1,998,125.96	0.00	0.00	(130,465.57)	2,000,000.00	1,867,890.00	1,998,355.57	1,589.67
TREAS	15-Aug-24	0.4400	2,000,000.00	1,893,672.00	1,997,320.48	0.00	0.00	(136,465.10)	2,000,000.00	1,861,172.00	1,997,637.10	957.88
TREAS	15-Sep-24	0.6800	2,000,000.00	1,889,376.00	1,986,730.15	0.00	0.00	(132,289.32)	2,000,000.00	1,855,938.00	1,988,227.32	331.49
TREAS	15-Oct-24	0.7100	2,000,000.00	1,896,484.00	1,996,277.68	0.00	0.00	(136,839.19)	2,000,000.00	1,859,844.00	1,996,683.19	5,771.86
TREAS	15-Nov-24	0.9400	2,000,000.00	1,897,968.00	1,991,201.25	0.00	0.00	(133,213.37)	2,000,000.00	1,858,906.00	1,992,119.37	5,665.76
TREAS	30-Sep-22	1.8100	6,975,000.00	6,945,970.05	6,945,985.81	0.00	(6,975,000.00)	0.00	0.00	0.00	0.00	0.00
TREAS	15-Feb-25	3.0700	0.00	0.00	0.00	2,000,000.00	0.00	(53,740.30)	2,000,000.00	1,875,000.00	1,928,740.30	3,831.52
Subtotal			138,200,000.00	135,763,500.80	137,611,852.11	4,000,000.00	(8,975,000.00)	(2,909,745.66)	133,225,000.00	129,814,948.45	132,724,694.11	325,116.94
Investment Class: Fair Value External Pool												
Texpool		2.4130	1,437,372.06	1,437,372.06	1,437,372.06	15,173,522.41	(7,000,000.00)	0.00	9,610,894.47	9,610,894.47	9,610,894.47	0.00
TexStar		2.2940	5,535,336.20	5,535,336.20	5,535,336.20	31,310,139.46	(22,500,000.00)	0.00	14,345,475.66	14,345,475.66	14,345,475.66	0.00
Morgan Stanley		2.3100	10,550,082.25	10,550,082.25	10,550,082.25	41,292.35	0.00	0.00	10,591,374.60	10,591,374.60	10,591,374.60	0.00
Texas CLASS		2.6790	59,973,879.10	59,973,879.10	59,973,879.10	333,054.06	0.00	0.00	60,306,933.16	60,306,933.16	60,306,933.16	0.00
TexPool Prime		2.6130	67,447,030.46	67,447,030.46	67,447,030.46	9,902,617.51	0.00	0.00	77,349,647.97	77,349,647.97	77,349,647.97	0.00
Subtotal			144,943,700.07	144,943,700.07	144,943,700.07	56,760,625.79	(29,500,000.00)	0.00	172,204,325.86	172,204,325.86	172,204,325.86	0.00
Total Pool Investments			<u>283,143,700.07</u>	<u>280,707,200.87</u>	<u>282,555,552.18</u>	<u>60,760,625.79</u>	<u>(38,475,000.00)</u>	<u>(2,909,745.66)</u>	<u>305,429,325.86</u>	<u>302,019,274.31</u>	<u>304,929,019.97</u>	<u>325,116.94</u>