

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending December 31, 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>	March 2022	June 2022	September 2022	December 2022
City Average Yield	0.19%	0.87%	1.98%	3.04%
Treasury Average Yield – 90 days	0.29%	1.03%	2.69%	4.19%
Treasury Average Yield – 180 days	0.59%	1.56%	3.20%	4.55%
Weighted Average Maturity	134 days	183 days	139 days	134 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 December 31, 2022
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	43.42%
State & Local Agency Coupons	20%	0.67%
Managed Pools	80%	52.33%
Money Market Funds	50%	3.58%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 12/31/2022</i>
Weighted Average Maturity	365 days	134 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
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)
December 2022	\$297,924,474	\$295,353,338	(\$2,571,136)

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	6/30/2022	9/30/2022	12/31/2022	2/1/2023
Investment Type	Jun Rates	Sept Rates	Dec Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	1.00%	2.41%	3.98%	4.31%
TexStar (Daily Rate)	0.99%	2.29%	3.97%	4.26%
Texas Class (Daily Rate)	1.16%	2.68%	4.32%	4.61%
TexPool Prime (Daily Rate)	1.20%	2.61%	4.28%	4.59%
<u>Treasury</u>				
3-month (90-days)	1.72%	3.33%	4.22%	4.70%
6-month	2.51%	3.92%	4.57%	4.80%
1-year	2.80%	4.05%	4.66%	4.68%
2-year	2.92%	4.22%	4.51%	4.21%
10-year	2.98%	3.83%	4.10%	3.52%
<u>Agency</u>				
2-year (bullet)	3.19%	4.31%	4.57%	4.29%

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

The calendar year 2021 was an incredible year for corporations as earnings nearly doubled on the back of low interest rates and stimulus packages pumping billions of dollars into the economy. However, 2022 appears to be the end as both corporate earnings and shareholder returns have been in decline as the economy slows and many corporations are bracing for the possibility of a coming recession. A decline in both metrics is expected and natural, given the unprecedented growth in 2021 to mid-2022 in addition to headwinds in the current macroeconomic climate. The costs of labor, money, energy, and materials have all skyrocketed this past year as inflation raises costs and the Fed raises interest rates in response to battle against inflation. While there is ongoing debate surrounding the severity and duration of this downturn, signs are increasingly pointing to a softer contraction than originally expected. Also, fears of this coming downturn have been anticipated for quite some time, allowing companies to brace for impact by limiting shareholder returns to strengthen their balance sheet.

The current market expectation is for the Fed to continue raising interest rates over the medium term; however, the size of future rate increases could be lower than previously expected. Taming inflation remains a top priority for the Federal Reserve. As a result of the persistently high inflation, the market expects the Fed to continue raising rates through the first half of 2023. Overall, U.S. economic activity is expected to slow in 2023 in response to high interest rates. Uncertainty persists about the pace with which the Fed will increase interest rates as it balances combating high inflation with the potential for an economic recession. The Fed recently raised the target rate by 25 basis point on February 1, 2023, to a target range of 4.50% to 4.75%.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

December 31, 2022

INVESTMENT REPORT

FOR QUARTER ENDING December 31, 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 32-2022 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

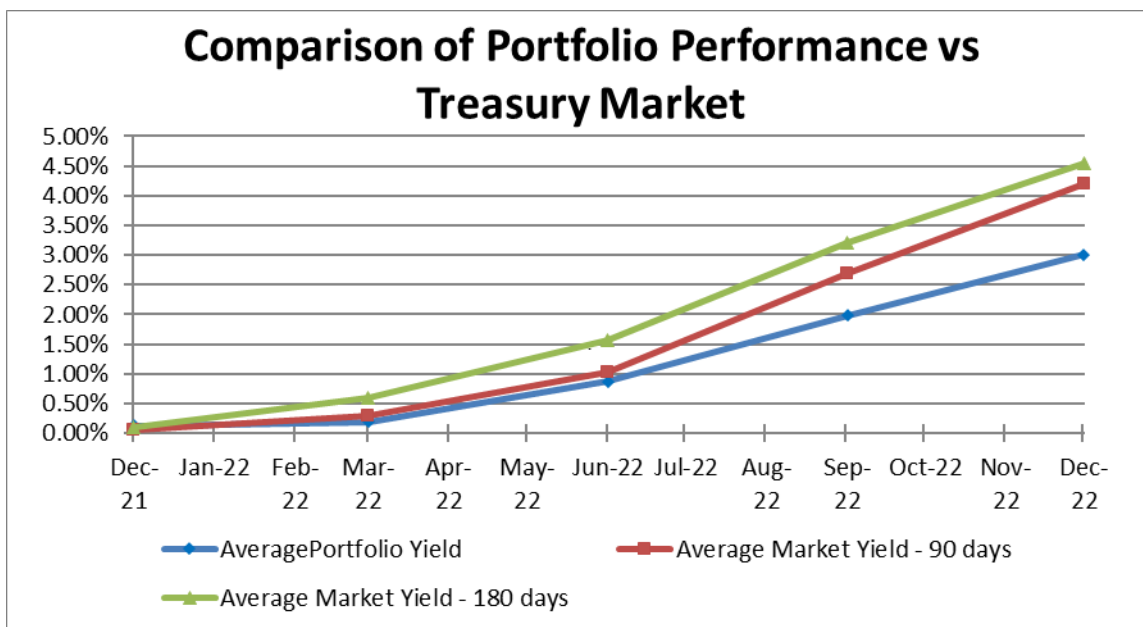
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending December 31, 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.

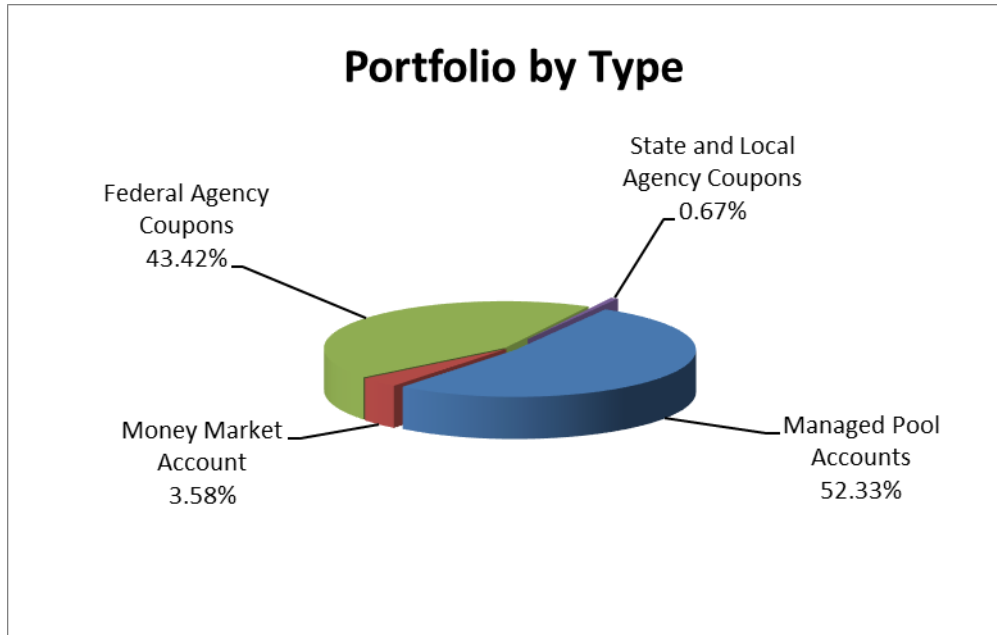
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 134 days. The City had an average yield of 3.04%. The benchmark average treasury yield is 4.19% for 90 days and 4.55% 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.



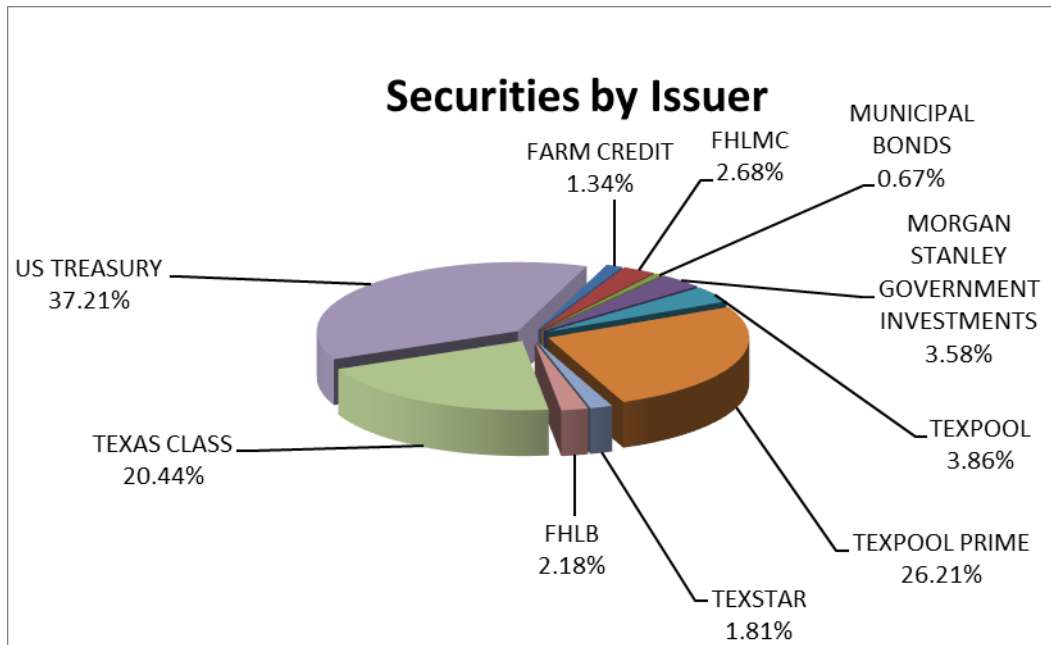
Quarter	21-Dec	22-Mar	22-Jun	22-Sep	22-Dec
WAM Days	165	134	183	139	134

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.

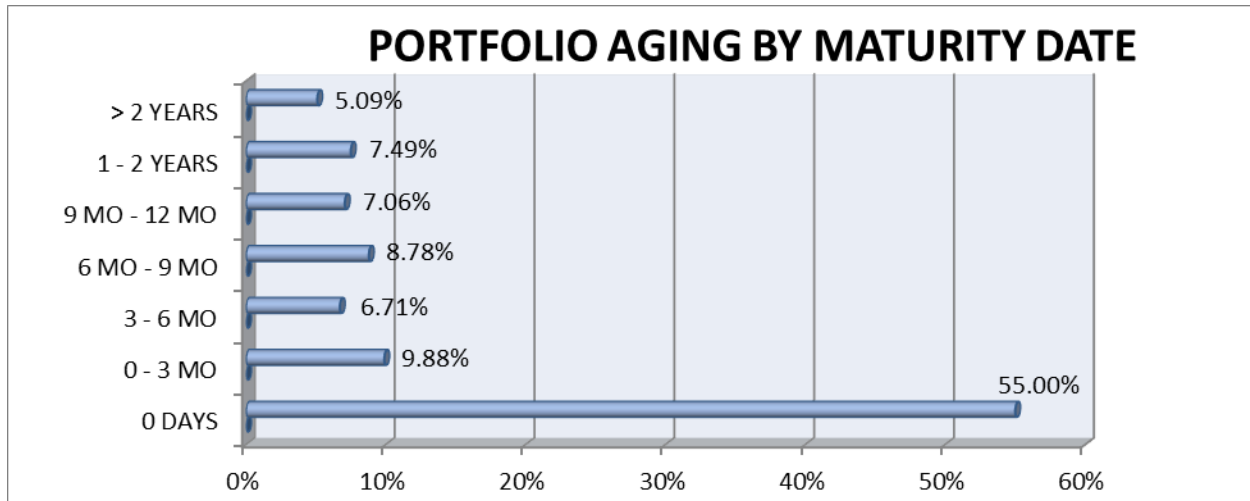
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$297,924,474.28. The market value of the City’s portfolio was approximately \$295,353,338.63. The difference represents an unrealized loss of \$2,571,135.65. 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>
Oct-22	299,859,031.25	296,763,996.20	(3,095,035.05)
Nov-22	299,570,851.02	296,751,065.79	(2,819,785.23)
Dec-22	297,924,474.28	295,353,338.63	(2,571,135.65)

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

OCT 1 thru DEC 31, 2022

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 09/30/2022	133,225,000.00	129,814,948.45	132,724,694.11	325,116.94
	Net Change	(975,000.00)	(1,024,048.05)	(1,362,658.06)	79,389.74
	Value ending 12/31/2022	132,250,000.00	128,790,900.40	131,362,036.05	404,506.68
Fair Value Ext Pool	Value at 09/30/2022	172,204,325.86	172,204,325.86	172,204,325.86	-
	Net Change	(5,641,887.63)	(5,641,887.63)	(5,641,887.63)	-
	Value ending 12/31/2022	166,562,438.23	166,562,438.23	166,562,438.23	-
Total	Value at 09/30/2022	305,429,325.86	302,019,274.31	304,929,019.97	325,116.94
	Net Change	(6,616,887.63)	(6,665,935.68)	(7,004,545.69)	79,389.74
	Value ending 12/31/2022	298,812,438.23	295,353,338.63	297,924,474.28	404,506.68

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	155,894,119.82	155,894,119.82	155,894,119.82	52.33%	1.00	4.264
Certificates of Deposit - Bank	-	-	-	0.00%	0.00	0.000
Money Market Fund Accounts	10,668,318.41	10,668,318.41	10,668,318.41	3.58%	1.00	3.880
Federal Agency Coupons	30,250,000.00	126,911,300.40	129,362,036.05	43.42%	297.43	2.104
State and Local Agency Coupons	2,000,000.00	1,879,600.00	2,000,000.00	0.67%	644.40	0.790
	298,812,438.23	295,353,338.63	297,924,474.28	100.00%	134.00	3.289

CITY OF MESQUITE
PORTFOLIO DETAILS
 Oct 1 - Dec 31, 2022

ISSUER	MATURITY DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES /	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR VALUE	MARKET VALUE	BOOK VALUE		WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
			VALUE	VALUE	VALUE		MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
FHLB	8-Dec-23	0.2500	2,000,000.00	1,905,437.36	2,001,052.06	0.00	0.00	(83,321.35)	2,000,000.00	1,917,507.60	2,000,828.95	319.44
FHLB	17-Mar-23	0.1250	2,000,000.00	1,966,984.48	1,999,491.15	0.00	0.00	(17,271.21)	2,000,000.00	1,982,500.26	1,999,771.47	722.22
FHLB	2-Jun-23	0.1700	2,500,000.00	2,434,765.08	2,499,227.23	0.00	0.00	(44,337.40)	2,500,000.00	2,455,180.42	2,499,517.82	251.74
FC	2-Oct-23	0.2000	2,000,000.00	1,921,262.22	1,998,816.06	0.00	0.00	(69,225.25)	2,000,000.00	1,929,889.02	1,999,114.27	988.89
FC	23-Nov-22	0.1200	2,000,000.00	1,991,310.14	1,999,822.11	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	10-May-23	0.1900	2,000,000.00	1,952,281.94	1,999,219.90	0.00	0.00	(29,953.02)	2,000,000.00	1,969,590.20	1,999,543.22	354.17
FHLMC	24-Aug-23	0.2500	2,000,000.00	1,930,845.84	1,999,980.51	0.00	0.00	(58,218.46)	2,000,000.00	1,941,767.48	1,999,985.94	1,763.89
FHLMC	8-Sep-23	0.2500	2,000,000.00	1,924,751.60	2,000,012.00	0.00	0.00	(60,187.16)	2,000,000.00	1,939,821.58	2,000,008.74	1,569.44
FHLMC	16-Oct-23	0.1200	2,000,000.00	1,914,227.56	1,997,333.66	0.00	0.00	(69,004.91)	2,000,000.00	1,928,975.06	1,997,979.97	520.83
FHLMC	6-Nov-23	0.2500	2,000,000.00	1,912,777.06	1,999,626.67	0.00	0.00	(75,618.96)	2,000,000.00	1,924,093.50	1,999,712.46	763.89
MUNI	1-Oct-24	0.7900	2,000,000.00	1,864,400.00	2,000,000.00	0.00	0.00	(120,400.00)	2,000,000.00	1,879,600.00	2,000,000.00	3,970.00
TREAS	31-Mar-23	2.7400	6,975,000.00	6,929,774.10	6,966,654.85	0.00	0.00	(28,609.33)	6,975,000.00	6,942,287.25	6,970,896.58	44,551.85
TREAS	31-Mar-25	3.3600	2,000,000.00	1,923,828.00	1,965,175.76	0.00	0.00	(40,379.82)	2,000,000.00	1,928,204.00	1,968,583.82	13,413.46
TREAS	30-Apr-23	2.8100	6,975,000.00	6,925,686.75	6,972,416.39	0.00	0.00	(37,519.28)	6,975,000.00	6,936,037.65	6,973,556.93	32,851.86
TREAS	30-Apr-25	4.0700	0.00	0.00	0.00	2,000,000.00	0.00	(10,715.11)	2,000,000.00	1,936,718.00	1,947,433.11	9,848.07
TREAS	31-May-25	4.4500	0.00	0.00	0.00	2,000,000.00	0.00	6,357.25	2,000,000.00	1,934,922.00	1,928,564.75	5,054.95
TREAS	31-May-23	2.8500	6,975,000.00	6,913,968.75	6,970,511.56	0.00	0.00	(48,994.77)	6,975,000.00	6,923,231.55	6,972,226.32	16,862.64
TREAS	31-Aug-23	2.9400	6,975,000.00	6,883,725.15	6,963,414.36	0.00	0.00	(80,156.52)	6,975,000.00	6,886,452.38	6,966,608.90	65,173.86
TREAS	30-Sep-23	4.1000	0.00	0.00	0.00	6,975,000.00	0.00	(24,538.42)	6,975,000.00	6,888,356.55	6,912,894.97	48,480.08
TREAS	29-Feb-24	0.2900	2,000,000.00	1,947,500.00	2,058,714.80	0.00	0.00	(99,664.89)	2,000,000.00	1,948,516.00	2,048,180.89	16,139.50
TREAS	31-Oct-22	2.0500	6,975,000.00	6,970,117.50	6,973,953.75	0.00	(6,975,000.00)	0.00	0.00	0.00	0.00	0.00
TREAS	30-Nov-22	2.2400	6,975,000.00	6,961,663.80	6,972,257.81	0.00	(6,975,000.00)	0.00	0.00	0.00	0.00	0.00
TREAS	31-Dec-22	2.4800	6,975,000.00	6,951,326.85	6,969,004.57	0.00	(6,975,000.00)	0.00	0.00	0.00	0.00	0.00
TREAS	31-Jul-23	2.8600	6,975,000.00	6,894,899.10	6,968,622.05	0.00	0.00	(71,265.95)	6,975,000.00	6,899,258.48	6,970,524.43	80,269.38
TREAS	31-Dec-24	2.7400	2,000,000.00	1,895,860.00	1,957,201.46	0.00	0.00	(62,289.48)	2,000,000.00	1,899,532.00	1,961,821.48	96.69
TREAS	31-Jan-25	2.6100	2,000,000.00	1,873,594.00	1,944,303.76	0.00	0.00	(69,406.92)	2,000,000.00	1,880,704.00	1,950,110.92	11,508.15
TREAS	15-Apr-23	0.1800	2,000,000.00	1,961,016.00	2,000,763.99	0.00	0.00	(23,687.57)	2,000,000.00	1,976,718.00	2,000,405.57	1,071.43
TREAS	15-Jul-23	0.1800	2,000,000.00	1,937,422.00	1,999,072.64	0.00	0.00	(47,960.67)	2,000,000.00	1,951,406.00	1,999,366.67	1,154.89

CITY OF MESQUITE
PORTFOLIO DETAILS
Oct 1 - Dec 31, 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-Jan-24	0.2600		2,000,000.00	1,895,938.00	1,996,594.25	0.00	0.00	(89,832.30)	2,000,000.00	1,907,422.00	1,997,254.30	1,154.89
TREAS	31-Jan-23	2.5300		6,975,000.00	6,894,236.47	6,920,085.90	0.00	0.00	(7,519.19)	6,975,000.00	6,953,977.35	6,961,496.54	3,648.61
TREAS	28-Feb-23	2.6600		6,975,000.00	6,872,279.18	6,902,634.39	0.00	0.00	(18,548.86)	6,975,000.00	6,928,469.77	6,947,018.63	2,962.45
TREAS	15-Mar-24	0.3000		2,000,000.00	1,886,406.00	1,998,552.42	0.00	0.00	(102,008.74)	2,000,000.00	1,896,796.00	1,998,804.74	1,491.71
TREAS	15-Apr-24	0.3200		2,000,000.00	1,883,672.00	2,001,567.38	0.00	0.00	(108,028.52)	2,000,000.00	1,893,282.00	2,001,310.52	1,607.14
TREAS	15-May-24	0.3200		2,000,000.00	1,874,140.00	1,997,585.57	0.00	0.00	(114,755.98)	2,000,000.00	1,883,204.00	1,997,959.98	649.17
TREAS	15-Jun-24	0.4000		2,000,000.00	1,868,360.00	1,994,934.97	0.00	0.00	(117,868.15)	2,000,000.00	1,877,812.00	1,995,680.15	233.52
TREAS	30-Jun-23	2.8800		6,975,000.00	6,771,741.52	6,834,327.28	0.00	0.00	(60,717.38)	6,975,000.00	6,820,238.70	6,880,956.08	24.08
TREAS	15-Jul-24	0.4200		2,000,000.00	1,867,890.00	1,998,355.57	0.00	0.00	(124,288.68)	2,000,000.00	1,874,296.00	1,998,584.68	3,464.67
TREAS	15-Aug-24	0.4400		2,000,000.00	1,861,172.00	1,997,637.10	0.00	0.00	(128,811.50)	2,000,000.00	1,869,140.00	1,997,951.50	2,832.88
TREAS	15-Sep-24	0.6800		2,000,000.00	1,855,938.00	1,988,227.32	0.00	0.00	(124,671.17)	2,000,000.00	1,865,078.00	1,989,749.17	2,237.57
TREAS	15-Oct-24	0.7100		2,000,000.00	1,859,844.00	1,996,683.19	0.00	0.00	(128,263.82)	2,000,000.00	1,868,828.00	1,997,091.82	2,678.57
TREAS	31-Oct-23	4.7300		0.00	0.00	0.00	6,975,000.00	0.00	(4,964.16)	6,975,000.00	6,726,243.60	6,731,207.76	2,312.15
TREAS	15-Nov-24	0.9400		2,000,000.00	1,858,906.00	1,992,119.37	0.00	0.00	(125,235.51)	2,000,000.00	1,867,812.00	1,993,047.51	1,947.51
TREAS	15-Feb-25	3.0700		2,000,000.00	1,875,000.00	1,928,740.30	0.00	0.00	(52,183.10)	2,000,000.00	1,883,828.00	1,936,011.10	1,133.52
TREAS	15-Jun-25	4.3200		0.00	0.00	0.00	2,000,000.00	0.00	1312.46	2,000,000.00	1,934,532.00	1,933,219.54	2,685.44
TREAS	15-Jul-25	4.3200		0.00	0.00	0.00	2,000,000.00	0.00	1618.15	2,000,000.00	1,938,672.00	1,937,053.85	5,543.48
Subtotal				<u>133,225,000.00</u>	<u>129,814,948.45</u>	<u>132,724,694.11</u>	<u>21,950,000.00</u>	<u>(22,925,000.00)</u>	<u>(2,571,135.65)</u>	<u>132,250,000.00</u>	<u>128,790,900.40</u>	<u>131,362,036.05</u>	<u>404,506.68</u>
Investment Class: Fair Value External Pool													
Texpool		3.9800		9,610,894.47	9,610,894.47	9,610,894.47	14,903,820.52	(13,000,000.00)	0.00	11,514,714.99	11,514,714.99	11,514,714.99	0.00
TexStar		3.9680		14,345,475.66	14,345,475.66	14,345,475.66	53,323.32	(9,000,000.00)	0.00	5,398,798.98	5,398,798.98	5,398,798.98	0.00
Morgan Stanley		3.8800		10,591,374.60	10,591,374.60	10,591,374.60	76,943.81	0.00	0.00	10,668,318.41	10,668,318.41	10,668,318.41	0.00
Texas CLASS		4.3170		60,306,933.16	60,306,933.16	60,306,933.16	580,262.57	0.00	0.00	60,887,195.73	60,887,195.73	60,887,195.73	0.00
TexPool Prime		4.2850		77,349,647.97	77,349,647.97	77,349,647.97	743,762.15	0.00	0.00	78,093,410.12	78,093,410.12	78,093,410.12	0.00
Subtotal				<u>172,204,325.86</u>	<u>172,204,325.86</u>	<u>172,204,325.86</u>	<u>16,358,112.37</u>	<u>(22,000,000.00)</u>	<u>0.00</u>	<u>166,562,438.23</u>	<u>166,562,438.23</u>	<u>166,562,438.23</u>	<u>0.00</u>
Total Pool Investments				<u>305,429,325.86</u>	<u>302,019,274.31</u>	<u>304,929,019.97</u>	<u>38,308,112.37</u>	<u>(44,925,000.00)</u>	<u>(2,571,135.65)</u>	<u>298,812,438.23</u>	<u>295,353,338.63</u>	<u>297,924,474.28</u>	<u>404,506.68</u>