

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending June 30, 2023



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>	September 2022	December 2022	March 2023	June 2023
City Average Yield	1.98%	3.04%	3.76%	4.20%
Treasury Average Yield – 90 days	2.69%	4.19%	4.78%	5.27%
Treasury Average Yield – 180 days	3.20%	4.55%	4.92%	5.23%
Weighted Average Maturity	139 days	134 days	143 days	143 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, 2023
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	43.90%
State and Local Agency Coupons	20%	0.64%
Managed Pools	80%	51.95%
Money Market Funds	50%	3.51%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 06/30/2023</i>
Weighted Average Maturity	365 days	143 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
September 2022	\$ 304,929,020	\$ 302,019,274	\$ (2,909,746)
December 2022	297,924,474	295,353,338	(2,571,136)
March 2023	321,288,327	319,556,257	(1,732,070)
June 2023	310,654,128	308,625,734	(2,028,394)

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	12/31/2022	03/31/2023	06/30/2023	08/29/2023
Investment Type	Dec Rates	Mar Rates	Jun Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	3.98%	4.61%	5.05%	5.30%
TexStar (Daily Rate)	3.97%	4.61%	5.08%	5.29%
Texas Class (Daily Rate)	4.32%	4.86%	5.27%	5.17%
TexPool Prime (Daily Rate)	4.28%	4.80%	5.30%	5.54%
<u>Treasury</u>				
3-month (90-days)	4.22%	4.85%	5.45%	5.58%
6-month	4.57%	4.94%	5.47%	5.58%
1-year	4.66%	4.64%	5.35%	5.39%
2-year	4.51%	4.06%	4.77%	4.99%
10-year	4.10%	3.48%	3.77%	4.27%
<u>Agency</u>				
2-year (bullet)	4.57%	4.37%	5.01%	5.27%

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

With measures of inflation remaining stubbornly above its 2% target, the Federal Open Market Committee (FOMC) continued its fight against inflation with another rate hike at its July meeting. As widely anticipated, the FOMC raised its target policy rate range up 25 basis points to a new target range of 5.25% to 5.50%, the highest level in 22 years. This marks the 11th rate increase since the FOMC started its most aggressive campaign against inflation since the 1980's.

So far, such restrictive policy measures have not been able to drag the economy into a recession. Both consumer and business spending have been resilient. Headline measures of inflation have shown signs of cooling with the Consumer Price Index down to 3.2% in July of 2023, far below its peak of 9.1% in June of 2022. Non-headline measures such as the Core Personal Consumption Expenditure Index are off their peaks as well.

Against this backdrop, there is growing support for the prospect of the FOMC engineering a soft landing and avoiding a recession altogether. The FOMC will certainly face headwinds on the path towards a soft landing. As monetary policy operates with long and variable lags, the full impact of the most recent cycle of rate hikes may yet to be seen. Maintaining rates at an elevated level for a prolonged period of time will further weigh on credit conditions and amplify restrictive policy measures. Furthermore, continued resilience in spending and the labor market may derail the FOMC's efforts to curb inflation and even warrant additional tightening.

While expectations for a soft landing may be increasing given the recent resilience demonstrated by the economy, much uncertainty remains and the evolution and quality of further data will be a key driver for monetary policy going forward.

CITY OF MESQUITE



T E X A S

Real. Texas. Service.

INVESTMENT REPORT

FOR

QUARTER ENDING

June 30, 2023

INVESTMENT REPORT

FOR QUARTER ENDING June 30, 2023

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

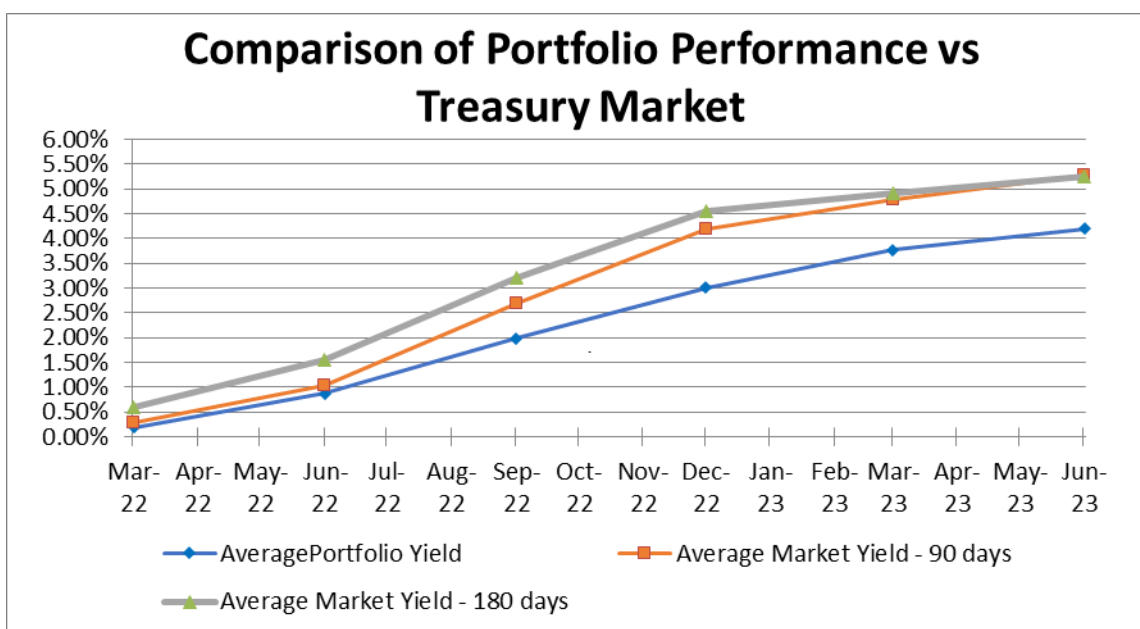
Michelle E. Baccheschi

Michelle E. Baccheschi, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending June 30, 2023

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.

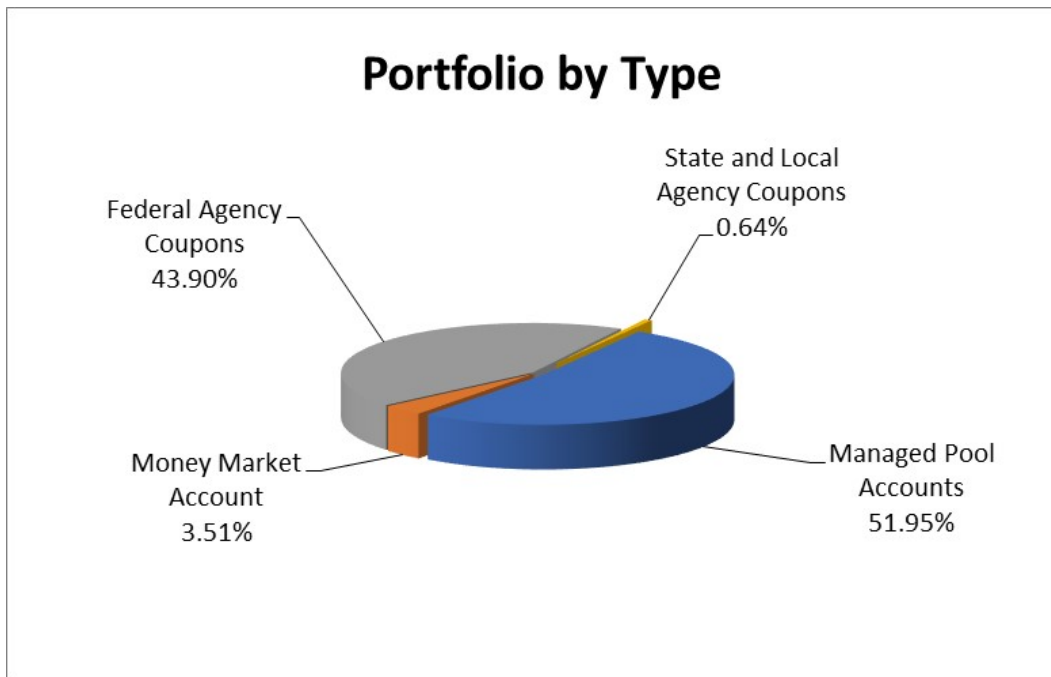
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 143 days. The City had an average yield of 4.20%. The benchmark average treasury yield is 5.27% for 90 days and 5.23% 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.



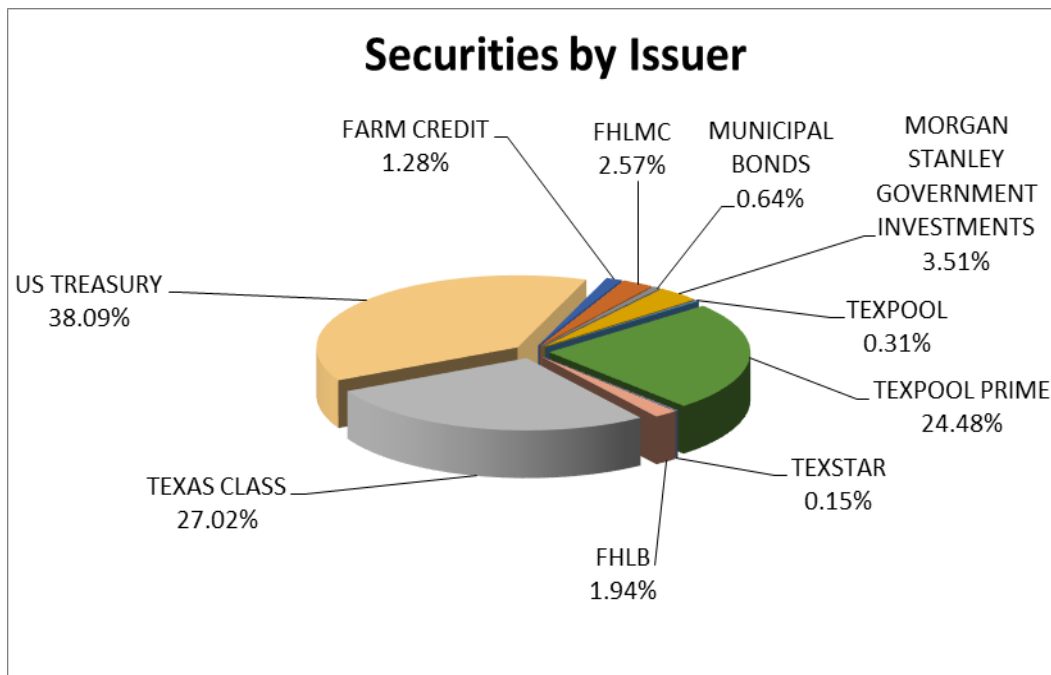
Quarter	22-Jun	22-Sep	22-Dec	23-Mar2	23-Jun
WAM Days	183	139	134	143	143

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.

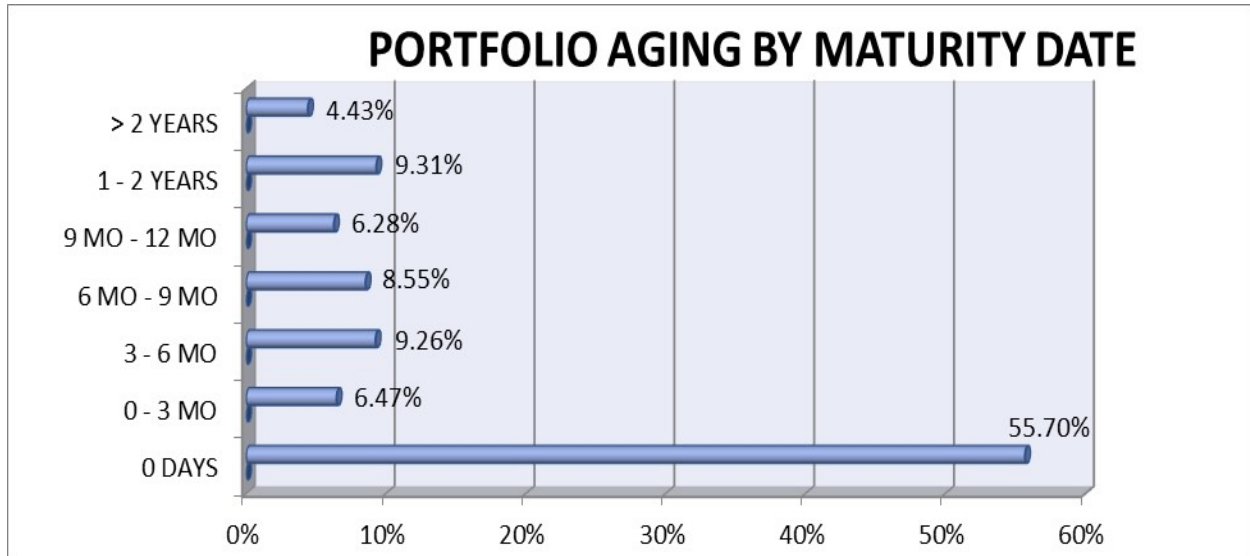
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$310,654,128.60. The market value of the City’s portfolio was approximately \$308,625,734.42. The difference represents an unrealized loss of \$2,028,394.18. 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-23	\$ 319,400,971.89	\$ 324,710,152.44	\$ 5,309,180.55
May-23	324,623,742.20	322,787,001.19	(1,836,741.01)
Jun-23	310,654,128.60	308,625,734.42	(2,028,394.18)

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, 2023

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 04/01/2023	\$ 145,225,000.00	\$142,145,662.39	\$143,877,732.67	\$ 424,315.06
	Net Change	(5,475,000.00)	(5,816,310.87)	(5,519,986.97)	168,382.74
	Value ending 06/30/2023	\$ 139,750,000.00	\$136,329,351.52	\$138,357,745.70	\$ 592,697.80
Fair Value Ext Pool	Value at 04/01/2023	\$ 177,410,594.67	\$177,410,594.67	\$177,410,594.67	\$ -
	Net Change	(5,114,211.77)	(5,114,211.77)	(5,114,211.77)	-
	Value ending 06/30/2023	\$ 172,296,382.90	\$172,296,382.90	\$172,296,382.90	\$ -
Total	Value at 04/01/2023	\$ 322,635,594.67	\$319,556,257.06	\$321,288,327.34	\$ 424,315.06
	Net Change	(10,589,211.77)	(10,930,522.64)	(10,634,198.74)	168,382.74
	Value ending 06/30/2023	\$ 312,046,382.90	\$308,625,734.42	\$310,654,128.60	\$ 592,697.80

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	\$ 161,389,121.58	\$161,389,121.58	\$ 161,389,121.58	51.95%	1.00	5.283
Certificates of Deposit - Bank	-	-	-	0.00%	0.00	0.000
Money Market Fund Accounts	10,907,261.32	10,907,261.32	10,907,261.32	3.51%	1.00	5.010
Federal Agency Coupons	137,750,000.00	134,437,531.52	136,357,745.70	43.89%	318.02	3.233
State and Local Agency Coupons	2,000,000.00	1,891,820.00	2,000,000.00	0.64%	491.49	0.790
	\$ 312,046,382.90	\$308,625,734.42	\$ 310,654,128.60	100.00%	143.00	4.344

CITY OF MESQUITE
PORTFOLIO DETAILS
Apr 1 - Jun 30, 2023

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
FHLB	8-Dec-23	0.2500	\$	2,000,000.00	\$ 1,940,651.30	\$ 2,000,609.65	-	-	\$ (44,246.09)	\$ 2,000,000.00	\$ 1,956,422.06	\$ 2,000,388.15	\$ 319.44
FHLB	2-Jun-23	0.1700		2,500,000.00	2,480,641.02	2,499,803.32	-	(2,500,000.00)	-	-	-	-	-
FC	2-Oct-23	0.2000		2,000,000.00	1,955,317.14	1,999,406.02	-	-	(25,952.27)	2,000,000.00	1,973,747.52	1,999,699.79	\$ 988.89
FHLMC	24-Aug-23	0.2500		2,000,000.00	1,964,462.14	1,999,991.29	-	-	(14,019.76)	2,000,000.00	1,985,977.00	1,999,996.76	\$ 1,763.89
FHLMC	8-Sep-23	0.2500		2,000,000.00	1,960,359.84	2,000,005.57	-	-	(18,196.52)	2,000,000.00	1,981,805.88	2,000,002.40	\$ 1,569.44
FHLMC	16-Oct-23	0.1200		2,000,000.00	1,950,727.64	1,998,612.92	-	-	(30,030.02)	2,000,000.00	1,969,220.64	1,999,250.66	\$ 520.83
FHLMC	6-Nov-23	0.2500		2,000,000.00	1,945,705.38	1,999,796.96	-	-	(34,509.68)	2,000,000.00	1,965,371.94	1,999,881.62	\$ 763.89
TREAS	31-Aug-23	2.9400		6,975,000.00	6,919,688.25	6,969,731.92	-	-	(26,480.69)	6,975,000.00	6,946,405.15	6,972,885.84	\$ 64,111.24
TREAS	30-Sep-23	4.1000		6,975,000.00	6,913,696.72	6,933,256.24	-	-	(20,596.10)	6,975,000.00	6,933,532.02	6,954,128.12	\$ 50,406.76
TREAS	30-Nov-23	4.6600		6,975,000.00	6,890,267.70	6,894,326.69	-	-	(20,517.81)	6,975,000.00	6,903,887.71	6,924,405.52	\$ 16,984.89
TREAS	31-Jan-24	5.2000		6,975,000.00	6,849,394.20	6,823,190.46	-	-	(8,601.40)	6,975,000.00	6,859,749.01	6,868,350.41	\$ 57,803.86
TREAS	29-Feb-24	0.2900		2,000,000.00	1,958,360.00	2,037,930.42	-	-	(67,353.34)	2,000,000.00	1,960,312.50	2,027,665.84	\$ 15,876.36
TREAS	31-Jul-23	2.8600		6,975,000.00	6,928,679.02	6,972,422.74	-	-	(12,718.88)	6,975,000.00	6,961,642.12	6,974,361.00	\$ 80,010.19
TREAS	15-Jul-23	0.1800		2,000,000.00	1,973,516.00	1,999,658.55	-	-	(3,268.23)	2,000,000.00	1,996,686.24	1,999,954.47	\$ 1,153.31
TREAS	15-Jan-24	0.2600		2,000,000.00	1,929,532.00	1,997,909.74	-	-	(53,339.90)	2,000,000.00	1,945,234.38	1,998,574.28	\$ 1,153.31
TREAS	15-Mar-24	0.3000		2,000,000.00	1,918,594.00	1,999,050.88	-	-	(69,999.87)	2,000,000.00	1,929,296.88	1,999,296.75	\$ 1,467.39
TREAS	15-Apr-24	0.3200		2,000,000.00	1,914,376.00	2,001,058.97	-	-	(78,461.70)	2,000,000.00	1,922,343.76	2,000,805.46	\$ 1,577.87
TREAS	15-May-24	0.3200	\$	2,000,000.00	\$ 1,907,188.00	\$ 1,998,329.49	-	-	\$ (86,044.02)	\$ 2,000,000.00	\$ 1,912,656.24	\$ 1,998,700.26	\$ 638.59
TREAS	15-Jun-24	0.4000		2,000,000.00	1,901,406.00	1,996,413.59	-	-	(92,779.72)	2,000,000.00	1,904,375.00	1,997,154.72	\$ 218.58
TREAS	30-Jun-23	2.8800		6,975,000.00	6,899,084.10	6,927,978.04	-	(6,975,000.00)	-	-	-	-	\$ -
TREAS	31-Oct-23	4.7300		6,975,000.00	6,801,441.08	6,803,409.21	-	-	(11,455.27)	6,975,000.00	6,865,198.22	6,876,653.49	\$ 4,406.76
TREAS	31-Dec-23	4.7400		6,975,000.00	6,770,109.38	6,773,038.75	-	-	(20,768.72)	6,975,000.00	6,819,152.34	6,839,921.06	\$ 142.15
TREAS	29-Feb-24	4.5700		6,975,000.00	6,778,556.10	6,785,393.70	-	-	(39,650.17)	6,975,000.00	6,796,538.07	6,836,188.24	\$ 26,440.56
TREAS	31-Mar-24	4.8900		-	-	-	6,975,000.00	-	(30,211.65)	6,975,000.00	6,811,250.99	6,841,462.64	\$ 25,727.46
TREAS	30-Apr-24	5.2700		-	-	-	6,975,000.00	-	(11,986.09)	6,975,000.00	6,807,708.95	6,819,695.04	\$ 14,689.20
FHLB	14-Mar-25	4.4100		-	-	-	2,000,000.00	-	(24,184.43)	2,000,000.00	1,982,629.20	2,006,813.63	\$ 15,159.73
FHLB	13-Mar-26	4.1000		2,000,000.00	2,024,769.20	2,021,723.00	-	-	(35,859.89)	2,000,000.00	1,984,179.54	2,020,039.43	\$ 22,750.00
FC	21-Feb-25	5.0800		2,000,000.00	2,015,964.02	1,988,104.44	-	-	(2,448.93)	2,000,000.00	1,987,175.64	1,989,624.57	\$ 31,188.90
MUNI	1-Oct-24	0.7900		2,000,000.00	1,890,640.00	2,000,000.00	-	-	(108,180.00)	2,000,000.00	1,891,820.00	2,000,000.00	\$ 3,970.00
TREAS	31-Mar-25	3.3600		2,000,000.00	1,945,000.00	1,971,918.22	-	-	(56,030.22)	2,000,000.00	1,919,296.88	1,975,327.10	\$ 13,196.72
TREAS	30-Apr-25	4.0700		2,000,000.00	1,951,954.00	1,952,805.66	-	-	(32,782.89)	2,000,000.00	1,925,468.76	1,958,251.65	\$ 9,687.50
TREAS	31-May-25	4.4500		2,000,000.00	1,951,172.00	1,935,557.24	-	-	(18,058.21)	2,000,000.00	1,924,609.38	1,942,667.59	\$ 4,870.22

CITY OF MESQUITE
PORTFOLIO DETAILS
Apr 1 - Jun 30, 2023

ISSUER	Maturity	Date	Coupon	BEGINNING	BEGINNING	BEGINNING	SALES /		UNREALIZED	ENDING	ENDING	ENDING	ENDING								
				PAR	MARKET	BOOK	WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED									
				VALUE	VALUE	VALUE	PURCHASES	MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST								
TREAS	30-Sep-25	3.8300		2,000,000.00	1,954,844.00	1,960,685.43	-	-	(39,921.10)	2,000,000.00	1,924,531.24	1,964,452.34	\$ 15,081.97								
TREAS	31-Dec-25	4.3700		-	-	-	2,000,000.00	-	(18,861.00)	2,000,000.00	1,904,375.00	1,918,236.00	\$ 142.66								
TREAS	31-Jan-26	4.3400		-	-	-	2,000,000.00	-	(14,032.17)	2,000,000.00	1,903,203.12	1,917,235.29	\$ 4,495.86								
TREAS	31-Dec-24	2.7400		2,000,000.00	1,917,812.00	1,966,477.35	-	-	(70,091.05)	2,000,000.00	1,901,093.76	1,971,184.81	\$ 95.11								
TREAS	31-Jan-25	2.6100		2,000,000.00	1,902,344.00	1,955,904.94	-	-	(75,883.01)	2,000,000.00	1,885,937.50	1,961,820.51	\$ 11,470.99								
TREAS	15-Jul-24	0.4200		2,000,000.00	1,899,062.00	1,998,812.35	-	-	(99,980.71)	2,000,000.00	1,899,062.50	1,999,043.21	\$ 3,459.94								
TREAS	15-Aug-24	0.4400		2,000,000.00	1,893,594.00	1,998,261.96	-	-	(106,938.18)	2,000,000.00	1,891,640.62	1,998,578.80	\$ 2,817.68								
TREAS	15-Sep-24	0.6800		2,000,000.00	1,888,906.00	1,991,234.28	-	-	(108,110.69)	2,000,000.00	1,884,609.38	1,992,720.07	\$ 2,201.09								
TREAS	15-Oct-24	0.7100		2,000,000.00	1,890,782.00	1,997,492.10	-	-	(114,068.05)	2,000,000.00	1,883,828.12	1,997,896.17	\$ 2,629.78								
TREAS	15-Nov-24	0.9400		2,000,000.00	1,889,922.00	1,993,964.85	-	-	(114,183.66)	2,000,000.00	1,880,703.12	1,994,886.78	\$ 1,915.76								
TREAS	15-Feb-25	3.0700		2,000,000.00	1,904,376.00	1,943,238.28	-	-	(63,239.57)	2,000,000.00	1,887,421.88	1,950,661.45	\$ 11,270.72								
TREAS	15-Jun-25	4.3200		2,000,000.00	1,951,796.00	1,939,659.92	-	-	(22,596.46)	2,000,000.00	1,923,593.76	1,946,190.22	\$ 2,513.66								
TREAS	15-Jul-25	4.3200		2,000,000.00	1,955,860.00	1,942,953.19	-	-	(216,616.00)	2,000,000.00	1,927,265.62	1,948,927.22	\$ 27,679.57								
FC	10-May-23	0.1900		2,000,000.00	1,990,052.04	1,999,861.90	-	(2,000,000.00)	-	-	-	-	\$ -								
TREAS	30-Apr-23	2.8100		6,975,000.00	6,964,704.90	6,974,648.33	-	(6,975,000.00)	-	-	-	-	\$ -								
TREAS	31-May-23	2.8500		6,975,000.00	6,952,059.22	6,973,890.52	-	(6,975,000.00)	-	-	-	-	\$ -								
TREAS	15-Apr-23	0.1800		2,000,000.00	1,997,124.00	2,000,054.60	-	(2,000,000.00)	-	-	-	-	\$ -								
TREAS	15-Aug-25	4.0400		2,000,000.00	1,961,172.00	1,959,158.99	-	-	(31,972.94)	2,000,000.00	1,931,328.12	1,963,301.06	\$ 23,480.66								
TREAS	15-Oct-25	4.0100		-	-	-	2,000,000.00	-	(33,121.52)	2,000,000.00	1,977,343.76	2,010,465.28	\$ 13,934.42								
Subtotal				\$ 145,225,000.00	\$ 142,145,662.39	\$ 143,877,732.67	\$ 21,950,000.00	\$ (27,425,000.00)	\$ (2,028,394.18)	\$ 139,750,000.00	\$ 136,329,351.52	\$ 138,357,745.70	\$ 592,697.80								
Investment Class: Fair Value External Pool																					
Texpool	5.0540	\$	348,459.95	\$	348,459.95	\$	348,459.95	\$	14,610,608.34	\$	(14,000,000.00)	\$	-	\$	959,068.29	\$	959,068.29	\$	959,068.29	\$	-
TexStar	5.0760	\$	456,913.73	\$	456,913.73	\$	456,913.73		5,696.83		-		462,610.56		462,610.56		462,610.56		462,610.56		-
Morgan Stanley	5.0100	\$	10,777,432.16	\$	10,777,432.16	\$	10,777,432.16		129,829.16		-		10,907,261.32		10,907,261.32		10,907,261.32		10,907,261.32		-
Texas CLASS	5.2670	\$	86,817,445.37	\$	86,817,445.37	\$	86,817,445.37		115,385.76		(4,000,000.00)		83,932,831.13		83,932,831.13		83,932,831.13		83,932,831.13		-
TexPool Prime	5.3040	\$	79,010,343.46	\$	79,010,343.46	\$	79,010,343.46		3,024,268.14		(6,000,000.00)		76,034,611.60		76,034,611.60		76,034,611.60		76,034,611.60		-
Subtotal		\$	177,410,594.67	\$	177,410,594.67	\$	177,410,594.67	\$	18,885,788.23	\$	(24,000,000.00)	\$	-	\$	172,296,382.90	\$	172,296,382.90	\$	172,296,382.90	\$	-
Total Pool Investments			\$ 322,635,594.67		\$ 319,556,257.06		\$ 321,288,327.34		\$ 40,835,788.23		\$ (51,425,000.00)		\$ (2,028,394.18)		\$ 312,046,382.90		\$ 308,625,734.42		\$ 310,654,128.60		\$ 592,697.80