

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending September 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>	December 2022	March 2023	June 2023	September 2023
City Average Yield	3.04%	3.76%	4.20%	4.61%
Treasury Average Yield – 90 days	4.19%	4.78%	5.27%	5.53%
Treasury Average Yield – 180 days	4.55%	4.92%	5.23%	5.53%
Weighted Average Maturity	134 days	143 days	143 days	82 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, 2023
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	29.16%
State and Local Agency Coupons	20%	0.53%
Managed Pools	80%	67.38%
Money Market Funds	50%	2.93%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 09/30/2023</i>
Weighted Average Maturity	365 days	82 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
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)
September 2023	376,856,696	375,285,765	(1,570,931)

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	03/31/2023	06/30/2023	09/30/2023	11/03/2023
Investment Type	Mar Rates	Jun Rates	Sep Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	4.61%	5.05%	5.32%	5.36%
TexStar (Daily Rate)	4.61%	5.08%	5.31%	5.32%
Texas Class (Daily Rate)	4.86%	5.27%	5.52%	5.20%
TexPool Prime (Daily Rate)	4.80%	5.30%	5.55%	5.60%
<u>Treasury</u>				
3-month (90-days)	4.85%	5.45%	5.57%	5.54%
6-month	4.94%	5.47%	5.53%	5.50%
1-year	4.64%	5.35%	5.46%	5.38%
2-year	4.06%	4.77%	5.06%	4.98%
10-year	3.48%	3.77%	4.58%	4.67%
<u>Agency</u>				
2-year (bullet)	4.37%	5.01%	5.19%	4.97%

Update on US Economy and Federal Fund Target Rate

The Federal Open Market Committee (FOMC) has raised interest rates 11 times since March 2022 in the fight to curb inflation. The aggressive rate hike plan has begun to show signs of paying off as inflation has been slowing. During its September meeting, the FOMC held its target policy rate range of 5.25% to 5.50%.

While it is possible the Fed will raise rates one more time during 2023, many investors and economists are hopeful the interest rate target may remain stable for the remainder of 2023 and believe the Fed may pivot to cutting rates by mid-2024. The FOMC is still optimistic for engineering a soft landing and avoiding a recession altogether. As mentioned last quarter, monetary policy operates with long and variable lags, and the full impact of the most recent cycle of rate hikes is yet to be seen. Maintaining rates at an elevated level for a prolonged period of time could further weigh on credit conditions and amplify restrictive policy measures. Furthermore, consumer spending and the labor market may derail the FOMC's efforts to curb inflation and even warrant additional tightening.

In the near term, much uncertainty remains and the evolution and quality of data over the next several weeks 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

September 30, 2023

INVESTMENT REPORT

FOR QUARTER ENDING September 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

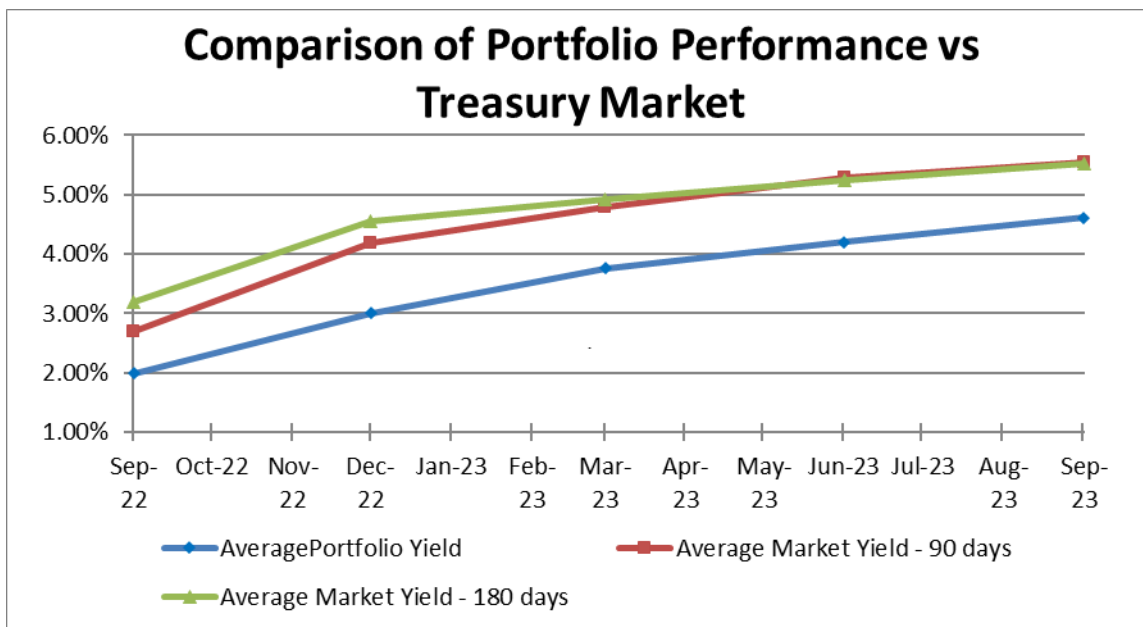
Michelle E. Baccheschi

Michelle E. Baccheschi, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending September 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.

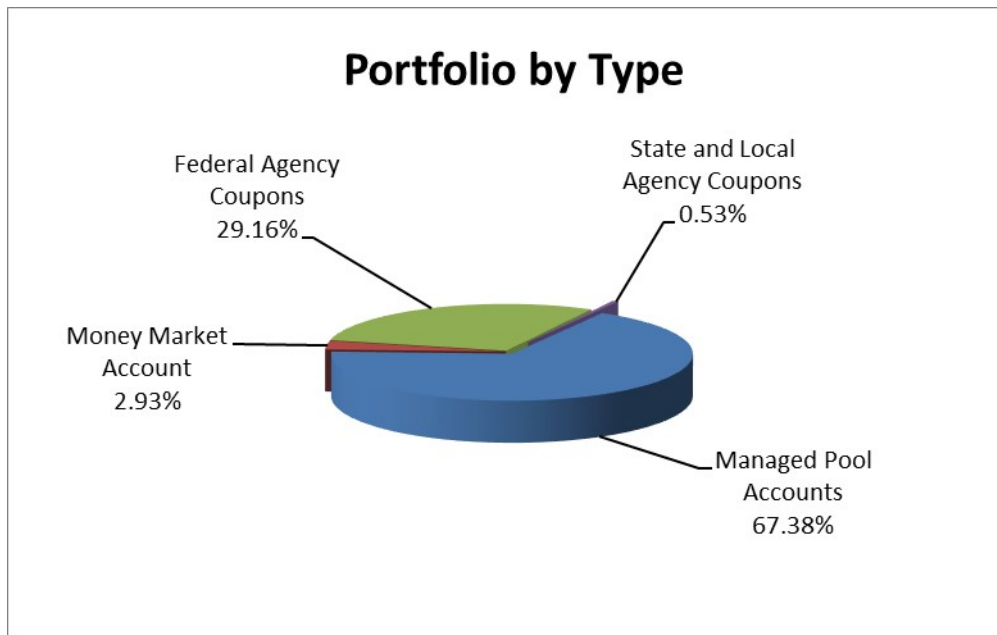
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 82 days. The City had an average yield of 4.61%. The benchmark average treasury yield is 5.53% for 90 days and 5.53% 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.



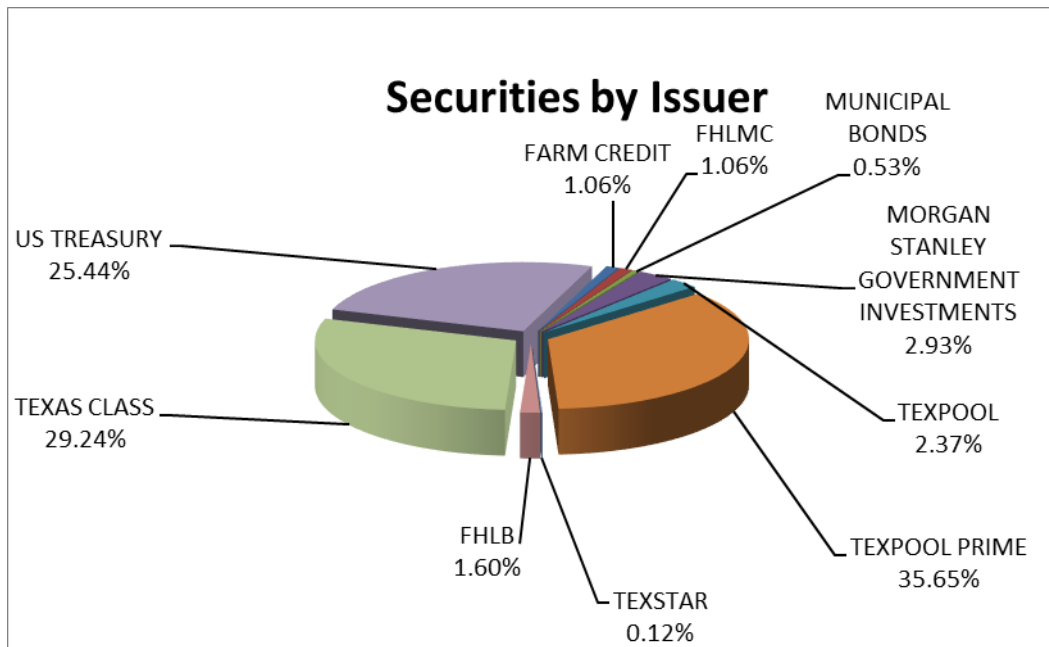
Quarter	22-Sep	22-Dec	23-Mar2	23-Jun	23-Sep
WAM Days	139	134	143	143	82

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.

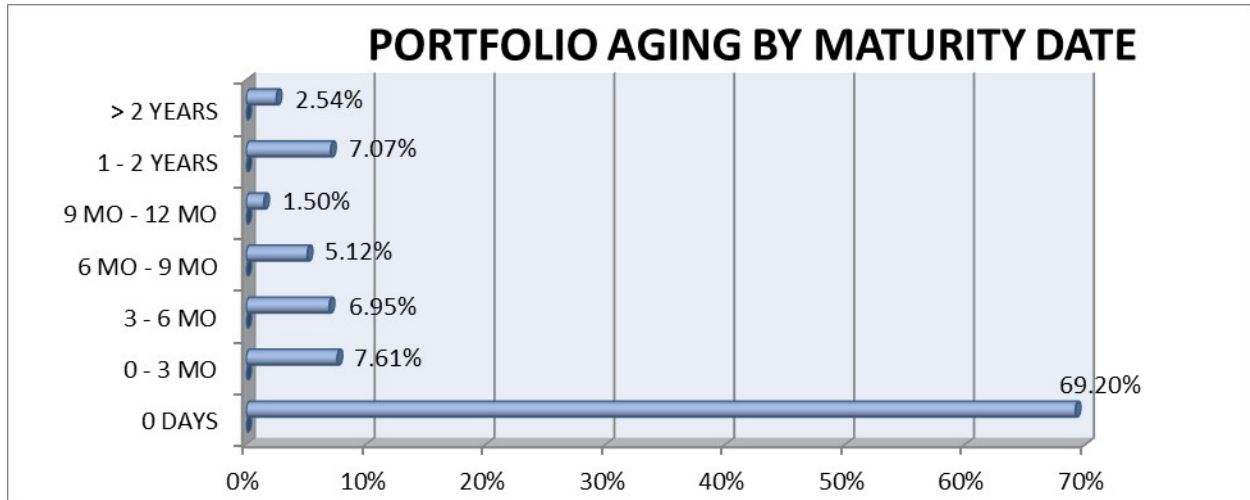
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$376,856,696.46. The market value of the City’s portfolio was approximately \$375,285,765.19. The difference represents an unrealized loss of \$1,570,931.27. 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-23	\$ 303,796,357.68	\$ 301,985,107.09	\$ (1,811,250.59)
Aug-23	287,618,503.58	285,996,297.86	(1,622,205.72)
Sep-23	376,856,696.46	375,285,765.19	(1,570,931.27)

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, 2023

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 07/01/2023	\$ 139,750,000.00	\$136,329,351.52	\$138,357,745.70	\$ 592,697.80
	Net Change	(26,925,000.00)	(26,018,979.04)	(26,476,441.95)	(188,037.23)
	Value ending 09/30/2023	\$ 112,825,000.00	\$110,310,372.48	\$111,881,303.75	\$ 404,660.57
Fair Value Ext Pool	Value at 07/01/2023	\$ 172,296,382.90	\$172,296,382.90	\$172,296,382.90	\$ -
	Net Change	92,679,009.81	92,679,009.81	92,679,009.81	-
	Value ending 09/30/2023	\$ 264,975,392.71	\$264,975,392.71	\$264,975,392.71	\$ -
Total	Value at 07/01/2023	\$ 312,046,382.90	\$308,625,734.42	\$310,654,128.60	\$ 592,697.80
	Net Change	65,754,009.81	66,660,030.77	66,202,567.86	(188,037.23)
	Value ending 09/30/2023	\$ 377,800,392.71	\$375,285,765.19	\$376,856,696.46	\$ 404,660.57

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	\$ 253,927,223.84	\$253,927,223.84	\$ 253,927,223.84	67.38%	1.00	5.530
Certificates of Deposit - Bank	-	-	-	0.00%	0.00	0.000
Money Market Fund Accounts	11,048,168.87	11,048,168.87	11,048,168.87	2.93%	1.00	5.250
Federal Agency Coupons	110,825,000.00	108,400,172.48	109,881,303.75	29.16%	271.46	3.183
State and Local Agency Coupons	2,000,000.00	1,910,200.00	2,000,000.00	0.53%	359.10	0.790
	\$ 377,800,392.71	\$375,285,765.19	\$ 376,856,696.46	100.00%	82.00	4.812

CITY OF MESQUITE
PORTFOLIO DETAILS
Jul 1 - Sep 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	\$ 1956,142.06	\$ 2,000,388.15	-	-	\$ (18,561.76)	\$ 2,000,000.00	\$ 1981,603.20	\$ 2,000,164.96	\$ 1569.44
FHLB	14-Mar-25	4.4100		2,000,000.00	1982,629.20	2,006,813.63	-	-	(28,909.48)	2,000,000.00	1977,034.16	2,005,943.64	4,368.06
FHLB	13-Mar-26	4.1000		2,000,000.00	1984,179.54	2,020,039.43	-	-	(42,361.71)	2,000,000.00	1975,954.20	2,018,315.91	\$ 4,500.00
FC	2-Oct-23	0.2000		2,000,000.00	1973,747.52	1999,699.79	-	-	3.23	2,000,000.00	2,000,000.00	1999,996.77	\$ 1988.89
FC	21-Feb-25	5.0800		2,000,000.00	1987,175.64	1989,624.57	-	-	(12,624.77)	2,000,000.00	1978,541.42	1991,166.19	\$ 10,555.56
FHLMC	24-Aug-23	0.2500		2,000,000.00	1985,977.00	1999,996.76	-	(2,000,000.00)	-	-	-	-	\$ -
FHLMC	8-Sep-23	0.2500		2,000,000.00	1981805.88	2,000,002.40	-	(2,000,000.00)	-	-	-	-	\$ -
FHLMC	16-Oct-23	0.1200		2,000,000.00	1969,220.64	1999,250.66	-	-	(4,013.47)	2,000,000.00	1995,881.48	1999,894.95	\$ 145.83
FHLMC	6-Nov-23	0.2500		2,000,000.00	1965,371.94	1999,881.62	-	-	(9,686.88)	2,000,000.00	1990,279.82	1999,966.70	\$ 2,013.89
TREAS	31-Aug-23	2.9400		6,975,000.00	6,946,405.15	6,972,885.84	-	(6,975,000.00)	-	-	-	-	\$ -
TREAS	30-Sep-23	4.1000		6,975,000.00	6,933,532.02	6,954,128.12	-	(6,975,000.00)	-	-	-	-	\$ -
MUNI	1-Oct-24	0.7900		2,000,000.00	1891820.00	2,000,000.00	-	-	(89,800.00)	2,000,000.00	1910,200.00	2,000,000.00	\$ 7,940.00
TREAS	31-Mar-25	3.3600		2,000,000.00	1919,296.88	1975,327.10	-	-	(54,086.58)	2,000,000.00	1924,687.50	1978,774.08	\$ 143.44
TREAS	30-Apr-25	4.0700		2,000,000.00	1925,468.76	1958,251.65	-	-	(34,779.61)	2,000,000.00	1928,984.38	1963,763.99	\$ 24,062.50
TREAS	31-May-25	4.4500		2,000,000.00	1924,609.38	1942,667.59	-	-	(23,606.58)	2,000,000.00	1926,328.12	1949,934.70	\$ 19,323.77
TREAS	30-Sep-25	3.8300		2,000,000.00	1924,531.24	1964,452.34	-	-	(45,839.56)	2,000,000.00	1922,421.88	1968,261.44	\$ 163.93
TREAS	30-Nov-23	4.6600		6,975,000.00	6,903,887.71	6,924,405.52	-	-	(9,339.46)	6,975,000.00	6,945,689.03	6,955,028.49	\$ 67,391.66
TREAS	31-Dec-25	4.3700		2,000,000.00	1904,375.00	1918,236.00	-	-	(25,133.40)	2,000,000.00	1900,937.50	1926,070.90	\$ 13,267.66
TREAS	31-Jan-24	5.2000		6,975,000.00	6,859,749.01	6,868,350.41	-	-	(7,000.77)	6,975,000.00	6,907,157.24	6,914,158.01	\$ 29,378.40
TREAS	31-Jan-26	4.3400		2,000,000.00	1903,203.12	1917,235.29	-	-	(26,594.12)	2,000,000.00	1898,359.38	1924,953.50	\$ 8,845.11
TREAS	29-Feb-24	0.2900		2,000,000.00	1960,312.50	2,027,665.84	-	-	(42,166.74)	2,000,000.00	1975,078.12	2,017,244.86	\$ 4,045.33
TREAS	31-Jul-23	2.8600		6,975,000.00	6,961,642.12	6,974,361.00	-	(6,975,000.00)	-	-	-	-	\$ -
TREAS	15-Jul-23	0.1800		2,000,000.00	1996,686.24	1999,954.47	-	(2,000,000.00)	-	-	-	-	\$ -
TREAS	31-Dec-24	2.7400		2,000,000.00	1901,093.76	1971,184.81	-	-	(62,336.90)	2,000,000.00	1913,593.76	1975,930.66	\$ 8,845.11
TREAS	31-Jan-25	2.6100		2,000,000.00	1885,937.50	1961,820.51	-	-	(68,724.70)	2,000,000.00	1899,062.50	1967,787.20	\$ 4,633.15
TREAS	15-Jan-24	0.2600		2,000,000.00	1945,234.38	1998,574.28	-	-	(29,159.44)	2,000,000.00	1970,078.12	1999,237.56	\$ 529.89
TREAS	15-Mar-24	0.3000		2,000,000.00	1929,296.88	1999,296.75	-	-	(45,170.87)	2,000,000.00	1954,375.00	1999,545.87	\$ 219.78
TREAS	15-Apr-24	0.3200		2,000,000.00	1922,343.76	2,000,805.46	-	-	(54,221.19)	2,000,000.00	1946,328.12	2,000,549.31	\$ 3,463.11
TREAS	15-May-24	0.3200	\$	2,000,000.00	\$ 1912,656.24	\$ 1998,700.26	-	-	\$ (62,900.55)	\$ 2,000,000.00	\$ 1936,171.88	\$ 1999,072.43	\$ 1888.59
TREAS	15-Jun-24	0.4000		2,000,000.00	1904,375.00	1997,154.72	-	-	(69,698.72)	2,000,000.00	1928,203.12	1997,901.84	\$ 1475.41
TREAS	15-Jul-24	0.4200		2,000,000.00	1899,062.50	1999,043.21	-	-	(77,242.55)	2,000,000.00	1922,031.24	1999,273.79	\$ 1589.67
TREAS	15-Aug-24	0.4400		2,000,000.00	1891,640.62	1998,578.80	-	-	(85,459.30)	2,000,000.00	1913,437.50	1998,896.80	\$ 957.88

CITY OF MESQUITE
 PORTFOLIO DETAILS
 Jul 1 - Sep 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								
TREAS	15-Sep-24	0.6800		2,000,000.00	1,884,609.38	1,992,720.07	-	-	(88,366.57)	2,000,000.00	1,905,859.38	1,994,225.95	\$ 329.67								
TREAS	15-Oct-24	0.7100		2,000,000.00	1,883,828.12	1,997,896.17	-	-	(94,710.80)	2,000,000.00	1,903,593.76	1,998,304.56	\$ 5,771.86								
TREAS	31-Oct-23	4.7300		6,975,000.00	6,865,198.22	6,876,653.49	-	-	(3,194.70)	6,975,000.00	6,947,621.73	6,950,816.43	\$ 10,945.82								
TREAS	15-Nov-24	0.9400		2,000,000.00	1,880,703.12	1,994,886.78	-	-	(96,126.04)	2,000,000.00	1,899,687.50	1,995,813.54	\$ 5,665.76								
TREAS	31-Dec-23	4.7400		6,975,000.00	6,819,152.34	6,839,921.06	-	-	(12,388.20)	6,975,000.00	6,895,441.41	6,907,829.61	\$ 13,220.28								
TREAS	15-Feb-25	3.0700		2,000,000.00	1,887,421.88	1,950,661.45	-	-	(58,317.80)	2,000,000.00	1,899,843.76	1,958,161.56	\$ 3,831.52								
TREAS	29-Feb-24	4.5700		6,975,000.00	6,796,538.07	6,836,188.24	-	-	(25,335.43)	6,975,000.00	6,862,746.09	6,888,081.52	\$ 8,910.37								
TREAS	31-Mar-24	4.8900		6,975,000.00	6,811,250.99	6,841,462.64	-	-	(19,964.95)	6,975,000.00	6,865,743.18	6,885,708.13	\$ 428.79								
TREAS	30-Apr-24	5.2700		6,975,000.00	6,807,708.95	6,819,695.04	-	-	(9,298.79)	6,975,000.00	6,856,479.48	6,865,778.27	\$ 58,282.96								
TREAS	15-Jun-25	4.3200		2,000,000.00	1,923,593.76	1,946,190.22	-	-	(27,410.56)	2,000,000.00	1,925,468.76	1,952,879.32	\$ 16,967.21								
TREAS	15-Jul-25	4.3200		2,000,000.00	1,927,265.62	1,948,927.22	-	-	(27,648.51)	2,000,000.00	1,927,343.76	1,954,992.27	\$ 12,717.39								
TREAS	15-Aug-25	4.0400		2,000,000.00	1,931,328.12	1,963,301.06	-	-	(38,043.10)	2,000,000.00	1,929,453.12	1,967,496.22	\$ 7,982.34								
TREAS	15-Oct-25	4.0100		2,000,000.00	1,977,343.76	2,010,465.28	-	-	(40,709.94)	2,000,000.00	1,968,671.88	2,009,381.82	\$ 35,300.54								
Subtotal				\$ 139,750,000.00	\$ 136,329,351.52	\$ 138,357,745.70	\$ -	\$ (26,925,000.00)	\$ (1,570,931.27)	\$ 112,825,000.00	\$ 110,310,372.48	\$ 111,881,303.75	\$ 404,660.57								
Investment Class: Fair Value External Pool																					
Texpool	5.3200	\$	959,068.29	\$	959,068.29	\$	959,068.29	\$	15,966,437.09	\$	(8,000,000.00)	\$	-	\$	8,925,505.38	\$	8,925,505.38	\$	8,925,505.38	\$	-
TexStar	5.3100	\$	462,610.56	\$	462,610.56	\$	462,610.56		6,136.55		-		468,747.11		468,747.11		468,747.11		468,747.11		-
Morgan Stanley	5.2500	\$	10,907,261.32	\$	10,907,261.32	\$	10,907,261.32		140,907.55		-		11,048,168.87		11,048,168.87		11,048,168.87		11,048,168.87		-
Texas CLASS	5.5200	\$	83,932,831.13	\$	83,932,831.13	\$	83,932,831.13		36,248,333.21		(10,000,000.00)		110,181,164.34		110,181,164.34		110,181,164.34		110,181,164.34		-
TexPool Prime	5.5500	\$	76,034,611.60	\$	76,034,611.60	\$	76,034,611.60		58,317,195.41		-		134,351,807.01		134,351,807.01		134,351,807.01		134,351,807.01		-
Subtotal		\$	172,296,382.90	\$	172,296,382.90	\$	172,296,382.90	\$	110,679,009.81	\$	(18,000,000.00)	\$	-	\$	264,975,392.71	\$	264,975,392.71	\$	264,975,392.71	\$	-
Total Pool Investments		\$	312,046,382.90	\$	308,625,734.42	\$	310,654,128.60	\$	110,679,009.81	\$	(44,925,000.00)	\$	(1,570,931.27)	\$	377,800,392.71	\$	375,285,765.19	\$	376,856,696.46	\$	404,660.57