

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending December 31, 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>	March 2023	June 2023	September 2023	December 2023
City Average Yield	3.76%	4.20%	4.61%	4.95%
Treasury Average Yield – 90 days	4.78%	5.27%	5.53%	5.53%
Treasury Average Yield – 180 days	4.92%	5.23%	5.53%	5.45%
Weighted Average Maturity	143 days	143 days	82 days	61 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, 2023
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	22.56%
State and Local Agency Coupons	20%	0.55%
Managed Pools	80%	73.77%
Money Market Funds	50%	3.11%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 12/31/2023</i>
Weighted Average Maturity	365 days	61 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
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)
December 2023	360,399,637	359,673,598	(726,040)

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	06/30/2023	09/30/2023	12/31/2023	02/21/2024
Investment Type	Jun Rates	Sep Rates	Dec Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	5.05%	5.32%	5.37%	5.33%
TexPool Prime (Daily Rate)	5.30%	5.55%	5.60%	5.30%
TexStar (Daily Rate)	5.08%	5.31%	5.34%	5.25%
Texas Class (Daily Rate)	5.27%	5.52%	5.57%	5.51%
<u>Treasury</u>				
3-month (90-days)	5.45%	5.57%	5.44%	5.43%
6-month	5.47%	5.53%	5.27%	5.24%
1-year	5.35%	5.46%	4.81%	4.85%
2-year	4.77%	5.06%	4.24%	4.44%
10-year	3.77%	4.58%	3.85%	4.13%
<u>Agency</u>				
2-year (bullet)	5.01%	5.19%	4.40%	4.65%

Update on US Economy and Federal Fund Target Rate

After implementing one of the most aggressive interest rate-tightening cycles in decades over the last two years, central bankers across the globe are poised to begin an easing of monetary policy as inflation continues to decline. The Federal Reserve highlighted this change with its release of the dot plot in December which illustrates where policymakers estimate interest rates will be over the long run. Each dot represents every committee member's estimate, and the median forecast is evaluated by market participants for future policy direction. The December release showed policymakers anticipate cutting interest rates much sooner than previously forecasted and signaled 75 basis points of cuts for 2024 as the base case. The Fed funds futures market believes the Federal Reserve may be more aggressive in cutting rates than the dot plot has forecasted due to declining growth forecasts.

Ultimately, this rate-cutting philosophy hinges on inflation continuing to slow. With inflation normalizing and allowing the Federal Reserve to halt the current hiking cycle and pivot toward an easing policy stance, we have noticed longer-term interest rates lowering accordingly. While the likelihood of an economic soft landing remains low, the key ingredients remain present with strong employment and policymakers willing to reverse course quickly. The recent increase in consumer spending, despite higher borrowing costs, shows just how resilient the extremely important consumer has been and why the soft-landing probability has increased.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

December 31, 2023

INVESTMENT REPORT

FOR QUARTER ENDING DECEMBER 31, 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 46-2023 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

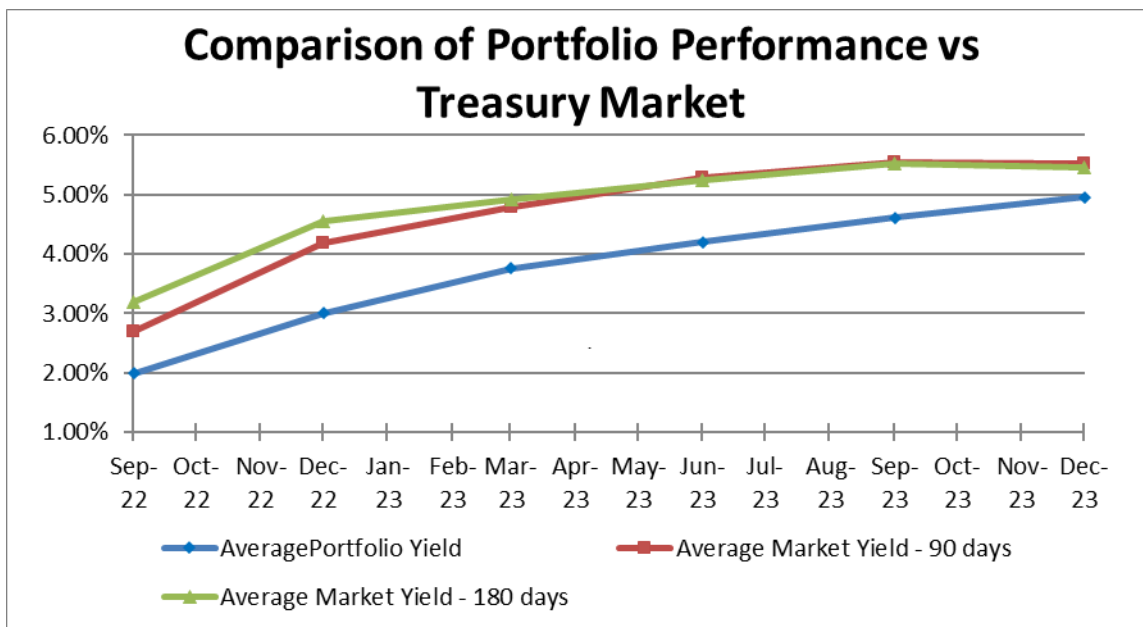
Michelle E. Baccheschi

Michelle E. Baccheschi, Manager of Budget and Treasury

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

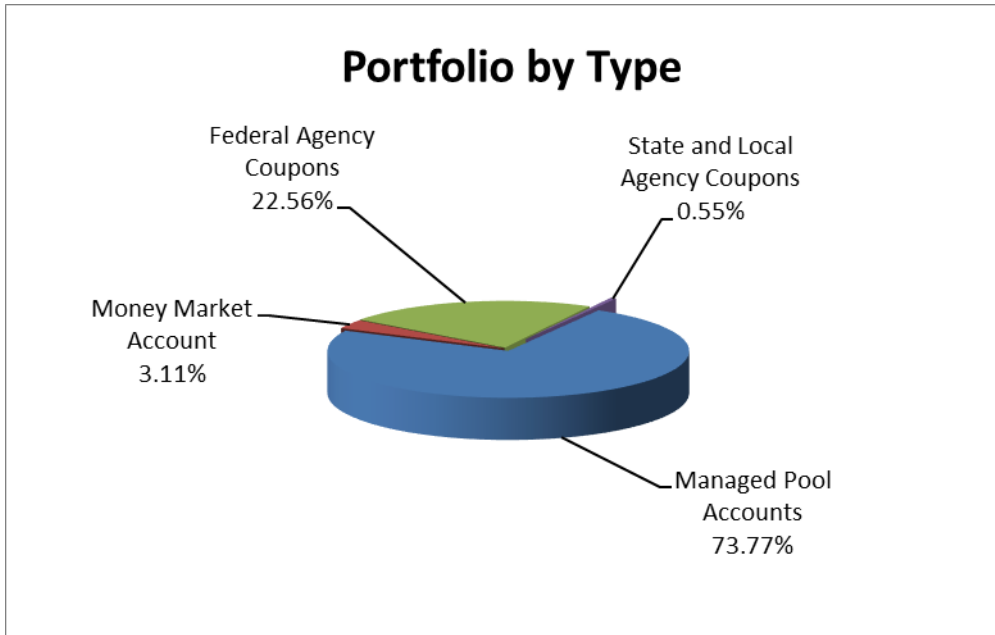
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 61 days. The City had an average yield of 4.95%. The benchmark average treasury yield is 5.53% for 90 days and 5.45% 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.



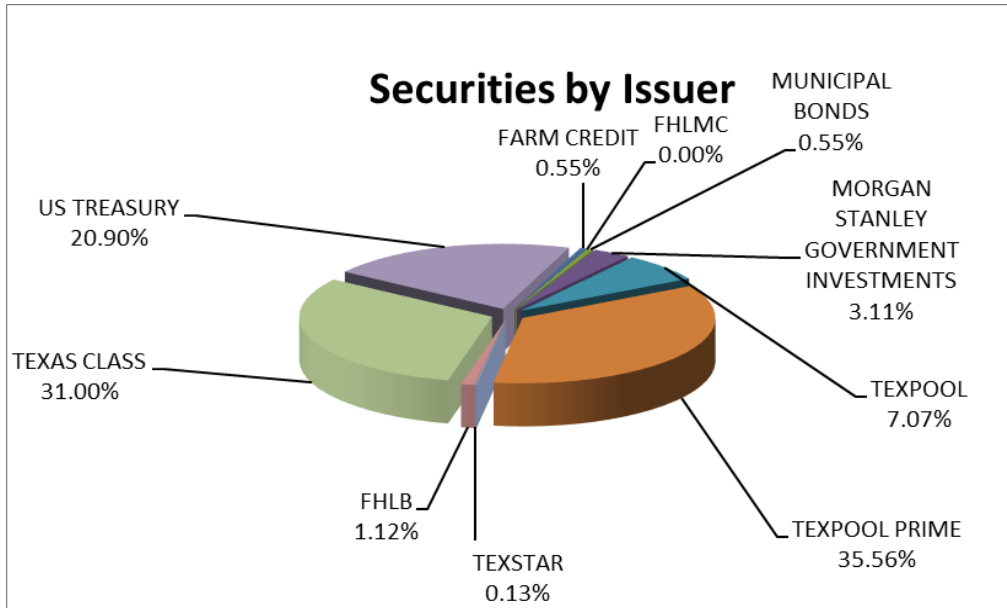
Quarter	22-Dec	23-Mar2	23-Jun	23-Sep	23-Dec
WAM Days	134	143	143	82	61

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.

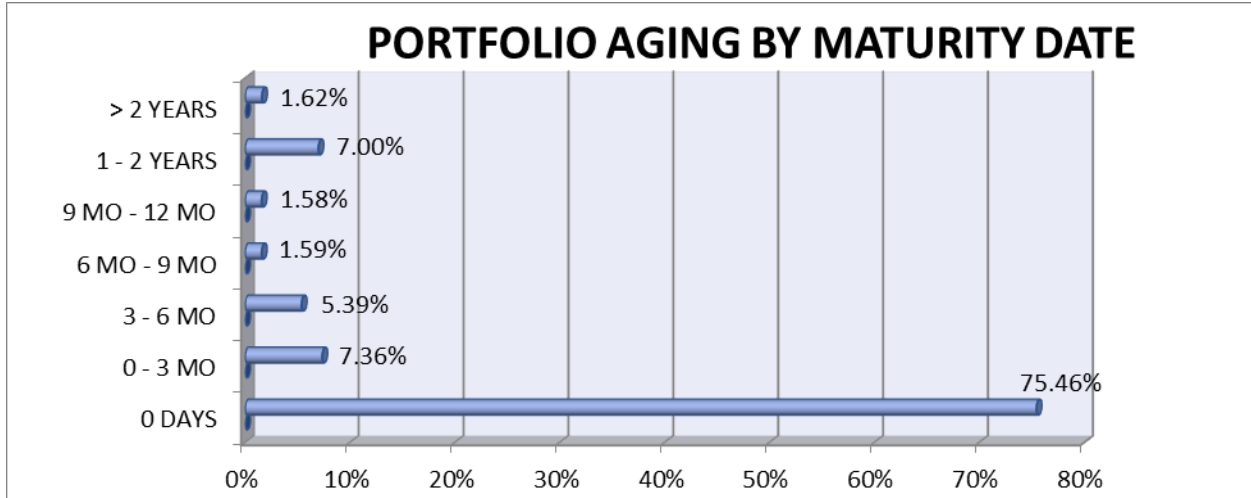
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$360,399,637.26. The market value of the City’s portfolio was \$359,673,597.54. The difference represents an unrealized loss of \$726,039.72. Below is a review of the City’s portfolio and unrealized gain or loss per month for the quarter.

	Book Value	Market Value	Unrealized Gain / (Loss)
Oct-23	\$ 364,447,706.44	\$ 363,009,981.01	\$ (1,437,725.43)
Nov-23	362,354,202.09	361,272,650.40	(1,081,551.69)
Dec-23	360,399,637.26	359,673,597.54	(726,039.72)

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, 2023

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 10/01/2023	\$ 112,825,000.00	\$110,310,372.48	\$111,881,303.75	\$ 404,660.57
	Net Change	(28,925,000.00)	(27,714,374.80)	(28,559,266.35)	60,869.81
	Value ending 12/31/2023	\$ 83,900,000.00	\$ 82,595,997.68	\$ 83,322,037.40	\$ 465,530.38
Fair Value Ext Pool	Value at 10/01/2023	\$ 264,975,392.71	\$264,975,392.71	\$264,975,392.71	\$ -
	Net Change	12,102,207.15	12,102,207.15	12,102,207.15	-
	Value ending 12/31/2023	\$ 277,077,599.86	\$277,077,599.86	\$277,077,599.86	\$ -
Total	Value at 10/01/2023	\$ 377,800,392.71	\$375,285,765.19	\$376,856,696.46	\$ 404,660.57
	Net Change	(16,822,792.85)	(15,612,167.65)	(16,457,059.20)	60,869.81
	Value ending 12/31/2023	\$ 360,977,599.86	\$359,673,597.54	\$360,399,637.26	\$ 465,530.38

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	\$ 265,884,175.63	\$265,884,175.63	\$ 265,884,175.63	73.77%	1.00	5.564
Certificates of Deposit - Bank	-	-	-	0.00%	0.00	0.000
Money Market Fund Accounts	11,193,424.23	11,193,424.23	11,193,424.23	3.11%	1.00	5.250
Federal Agency Coupons	81,900,000.00	80,654,157.68	81,322,037.40	22.56%	261.02	3.098
State and Local Agency Coupons	2,000,000.00	1,941,840.00	2,000,000.00	0.55%	274.13	0.790
	\$ 360,977,599.86	\$359,673,597.54	\$ 360,399,637.26	100.00%	61.00	4.971

CITY OF MESQUITE
PORTFOLIO DETAILS
Oct 1 - Dec 31, 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	\$ 1,981,603.20	\$ 2,000,164.96	\$ -	\$ (2,000,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -
FHLB	14-Mar-25	4.4100		2,000,000.00	1,977,034.16	2,005,943.64	-	-	(4,621.30)	2,000,000.00	2,000,311.84	2,004,933.14	27,493.06
FHLB	13-Mar-26	4.1000		2,000,000.00	1,975,954.20	2,018,315.91	-	-	(7,392.74)	2,000,000.00	2,009,115.50	2,016,504.24	27,000.00
FC	2-Oct-23	0.2000		2,000,000.00	2,000,000.00	1,999,996.77	-	(2,000,000.00)	-	-	-	-	-
FC	21-Feb-25	5.0800		2,000,000.00	1,978,541.42	1,991,166.19	-	-	11,173.15	2,000,000.00	2,003,886.92	1,992,713.77	34,305.56
FHLMC	16-Oct-23	0.1200		2,000,000.00	1,995,881.48	1,999,894.95	-	(2,000,000.00)	-	-	-	-	-
FHLMC	6-Nov-23	0.2500		2,000,000.00	1,990,279.82	1,999,966.70	-	(2,000,000.00)	-	-	-	-	-
MUNI	1-Oct-24	0.7900		2,000,000.00	1,910,200.00	2,000,000.00	-	-	(58,160.00)	2,000,000.00	1,941,840.00	2,000,000.00	3,970.00
TREAS	31-Mar-25	3.3600		2,000,000.00	1,924,687.50	1,978,774.08	-	-	(29,622.05)	2,000,000.00	1,952,656.24	1,982,278.29	13,340.16
TREAS	30-Apr-25	4.0700		2,000,000.00	1,928,984.38	1,963,763.99	-	-	(13,065.46)	2,000,000.00	1,956,328.12	1,969,393.58	9,793.96
TREAS	31-May-25	4.4500		2,000,000.00	1,926,328.12	1,949,934.70	-	-	(2,804.98)	2,000,000.00	1,954,453.12	1,957,258.10	5,027.32
TREAS	30-Sep-25	3.8300		2,000,000.00	1,922,421.88	1,968,261.44	-	-	(18,236.50)	2,000,000.00	1,953,906.24	1,972,142.74	15,245.90
TREAS	30-Nov-23	4.6600		6,975,000.00	6,945,689.03	6,955,028.49	-	(6,975,000.00)	-	-	-	-	-
TREAS	31-Dec-25	4.3700		2,000,000.00	1,900,937.50	1,926,070.90	-	-	4,216.38	2,000,000.00	1,938,125.00	1,933,908.62	144.23
TREAS	31-Jan-24	5.2000		6,975,000.00	6,907,157.24	6,914,158.01	-	-	(1,057.63)	6,975,000.00	6,958,981.22	6,960,038.85	72,972.15
TREAS	31-Jan-26	4.3400		2,000,000.00	1,898,359.38	1,924,953.50	-	-	4,473.87	2,000,000.00	1,937,109.38	1,932,635.51	21,970.11
TREAS	29-Feb-24	0.2900		2,000,000.00	1,975,078.12	2,017,244.86	-	-	(16,158.22)	2,000,000.00	1,990,579.84	2,006,738.06	16,050.82
TREAS	31-Dec-24	2.7400		2,000,000.00	1,913,593.76	1,975,930.66	-	-	(39,705.76)	2,000,000.00	1,940,972.02	1,980,677.78	96.15
TREAS	31-Jan-25	2.6100		2,000,000.00	1,899,062.50	1,967,787.20	-	-	(44,137.79)	2,000,000.00	1,929,609.38	1,973,747.17	11,508.15
TREAS	15-Jan-24	0.2600		2,000,000.00	1,970,078.12	1,999,237.56	-	-	(3,577.02)	2,000,000.00	1,996,322.28	1,999,899.30	1,154.89
TREAS	15-Mar-24	0.3000		2,000,000.00	1,954,375.00	1,999,545.87	-	-	(19,719.44)	2,000,000.00	1,980,078.12	1,999,797.56	1,483.52
TREAS	15-Apr-24	0.3200		2,000,000.00	1,946,328.12	2,000,549.31	-	-	(27,792.82)	2,000,000.00	1,972,500.00	2,000,292.82	1,598.36
TREAS	15-May-24	0.3200		2,000,000.00	1,936,171.88	1,999,072.43	-	-	(35,384.49)	2,000,000.00	1,964,062.50	1,999,446.99	645.60
TREAS	15-Jun-24	0.4000		2,000,000.00	1,928,203.12	1,997,901.84	-	-	(42,321.12)	2,000,000.00	1,956,328.12	1,998,649.24	232.24
TREAS	15-Jul-24	0.4200		2,000,000.00	1,922,031.24	1,999,273.79	-	-	(49,035.11)	2,000,000.00	1,950,468.76	1,999,503.87	3,464.67
TREAS	15-Aug-24	0.4400		2,000,000.00	1,913,437.50	1,998,896.80	-	-	(56,556.35)	2,000,000.00	1,942,656.24	1,999,212.59	2,832.88
TREAS	15-Sep-24	0.6800		2,000,000.00	1,905,859.38	1,994,225.95	-	-	(58,874.72)	2,000,000.00	1,936,875.00	1,995,749.72	2,225.27
TREAS	15-Oct-24	0.7100		2,000,000.00	1,903,593.76	1,998,304.56	-	-	(64,339.17)	2,000,000.00	1,934,375.00	1,998,714.17	2,663.93
TREAS	31-Oct-23	4.7300		6,975,000.00	6,947,621.73	6,950,816.43	-	(6,975,000.00)	-	-	-	-	-
TREAS	15-Nov-24	0.9400		2,000,000.00	1,899,687.50	1,995,813.54	-	-	(66,669.62)	2,000,000.00	1,930,078.12	1,996,747.74	1,936.81
TREAS	31-Dec-23	4.7400		6,975,000.00	6,895,441.41	6,907,829.61	-	(6,975,000.00)	-	-	-	-	-

CITY OF MESQUITE
 PORTFOLIO DETAILS
 Oct 1 - Dec 31, 2023

MATURITY			BEGINNING	BEGINNING	BEGINNING	SALES /		UNREALIZED	ENDING	ENDING	ENDING	ENDING
ISSUER	DATE	COUPON	PAR	MARKET	BOOK	WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED	INTEREST
			VALUE	VALUE	VALUE	PURCHASES	(LOSS)	VALUE	VALUE	VALUE		
TREAS	15-Feb-25	3.0700	2,000,000.00	1,899,843.76	1,958,161.56	-	-	(35,579.11)	2,000,000.00	1,930,078.12	1,965,657.23	11,331.52
TREAS	29-Feb-24	4.5700	6,975,000.00	6,862,746.09	6,888,081.52	-	-	(8,359.84)	6,975,000.00	6,932,678.63	6,941,038.47	35,354.05
TREAS	31-Mar-24	4.8900	6,975,000.00	6,865,743.18	6,885,708.13	-	-	(7,884.74)	6,975,000.00	6,922,959.94	6,930,844.68	39,877.56
TREAS	30-Apr-24	5.2700	6,975,000.00	6,856,479.48	6,865,778.27	-	-	(1,649.50)	6,975,000.00	6,911,244.18	6,912,893.68	29,701.24
TREAS	15-Jun-25	4.3200	2,000,000.00	1,925,468.76	1,952,879.32	-	-	(4,907.64)	2,000,000.00	1,954,687.50	1,959,595.14	2,670.76
TREAS	15-Jul-25	4.3200	2,000,000.00	1,927,343.76	1,954,992.27	-	-	(4,733.75)	2,000,000.00	1,956,328.12	1,961,061.87	27,717.39
TREAS	15-Aug-25	4.0400	2,000,000.00	1,929,453.12	1,967,496.22	-	-	(11,542.42)	2,000,000.00	1,960,156.23	1,971,698.65	23,607.34
TREAS	15-Oct-25	4.0100	2,000,000.00	1,968,671.88	2,009,381.82	-	-	(12,013.83)	2,000,000.00	1,996,250.00	2,008,263.83	18,114.78
Subtotal			<u>\$ 12,825,000.00</u>	<u>\$ 110,310,372.48</u>	<u>\$ 111,881,303.75</u>	<u>\$ -</u>	<u>\$ (28,925,000.00)</u>	<u>\$ (726,039.72)</u>	<u>\$ 83,900,000.00</u>	<u>\$ 82,595,997.68</u>	<u>\$ 83,322,037.40</u>	<u>\$ 465,530.38</u>
Investment Class: Fair Value External Pool												
Texpool	5.3200	\$	8,925,505.38	\$ 8,925,505.38	\$ 8,925,505.38	\$ 16,569,110.36	\$ -	\$ -	\$ 25,494,615.74	\$ 25,494,615.74	\$ 25,494,615.74	\$ -
TexStar	5.3100		468,747.11	468,747.11	468,747.11	6,325.92	-	-	475,073.03	475,073.03	475,073.03	-
Morgan Stanley	5.2500		11,048,168.87	11,048,168.87	11,048,168.87	145,255.36	-	-	11,193,424.23	11,193,424.23	11,193,424.23	-
Texas CLASS	5.5200		110,181,164.34	110,181,164.34	110,181,164.34	1,558,095.60	-	-	111,739,259.94	111,739,259.94	111,739,259.94	-
TexPool Prime	5.5500		134,351,807.01	134,351,807.01	134,351,807.01	1,823,419.91	(8,000,000.00)	-	128,175,226.92	128,175,226.92	128,175,226.92	-
Subtotal		\$	<u>264,975,392.71</u>	<u>264,975,392.71</u>	<u>264,975,392.71</u>	<u>20,102,207.15</u>	<u>(8,000,000.00)</u>	<u>\$ -</u>	<u>\$ 277,077,599.86</u>	<u>\$ 277,077,599.86</u>	<u>\$ 277,077,599.86</u>	<u>\$ -</u>
Total Pool Investments			<u>\$ 377,800,392.71</u>	<u>\$ 375,285,765.19</u>	<u>\$ 376,856,696.46</u>	<u>\$ 20,102,207.15</u>	<u>\$ (36,925,000.00)</u>	<u>\$ (726,039.72)</u>	<u>\$ 360,977,599.86</u>	<u>\$ 359,673,597.54</u>	<u>\$ 360,399,637.26</u>	<u>\$ 465,530.38</u>