

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending March 31, 2024



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>	June 2023	September 2023	December 2023	March 2024
City Average Yield	4.20%	4.61%	4.95%	5.02%
Treasury Average Yield – 90 days	5.27%	5.53%	5.53%	5.46%
Treasury Average Yield – 180 days	5.23%	5.53%	5.45%	5.28%
Weighted Average Maturity	143 days	82 days	61 days	62 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 March 31, 2024
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	17.13%
State and Local Agency Coupons	20%	0.53%
Managed Pools	80%	79.31%
Money Market Funds	50%	3.03%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 03/31/2024</i>
Weighted Average Maturity	365 days	62 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
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)
March 2024	374,649,577	373,942,690	(706,887)

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	9/30/2023	12/31/2023	3/31/2024	9/1/2024
Investment Type	Sept Rates	Dec Rates	Mar Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	5.32%	5.37%	5.32%	5.30%
TexPool Prime (Daily Rate)	5.55%	5.37%	5.49%	5.44%
TexStar (Daily Rate)	5.31%	5.34%	5.30%	5.29%
Texas Class (Daily Rate)	5.52%	5.57%	5.47%	5.43%
<u>Treasury</u>				
3-month (90-days)	5.57%	5.44%	5.47%	5.22%
6-month	5.53%	5.27%	5.36%	4.89%
1-year	5.46%	4.81%	4.99%	4.38%
2-year	5.06%	4.24%	4.59%	3.87%
10-year	4.58%	3.85%	4.21%	3.87%
<u>Agency</u>				
2-year (bullet)	5.19%	4.40%	4.67%	3.88%

Update on US Economy and Federal Fund Target Rate

In December, the Federal Reserve turned its focus towards potential rate cuts in 2024 as inflation continued its steady decline towards the policymaker's 2 percent target. While the Fed was forecasting three 25 basis point rate cuts in 2024, the market was aggressively pricing in up to six such cuts. After March 2024, a string of disappointingly firm inflation reports in the face of a surprisingly strong economy supported by a vibrant labor market, the prospect of any rate cuts during 2024 began disappearing.

At the start of the year, Fed officials were optimistic that inflation would continue to trend lower, needing just a few more months of data to gain confidence that the end game was in sight. However, comments from Fed Chair Jerome Powell in April 2024, clearly refuted this outlook stating, "The recent data have clearly not given us greater confidence and instead indicate that it is likely to take longer than expected to achieve that confidence." The Consumer Price Index has topped forecasts in each of the first three months this year, evidence of an economy and labor market that have yet to buckle under the strain of higher rates.

While the market still anticipates one or two rate cuts from the Fed later this year, there are growing concerns that monetary policy may not be restrictive enough to reign in aggregate demand which has kept inflation elevated. In addition, financial conditions loosened last fall as the Fed signaled a willingness to cut rates, which in turn is a catalyst for growth. Now that the Fed is pushing back and showing more resolve, the market has taken notice.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

March 31, 2024

INVESTMENT REPORT

FOR QUARTER ENDING MARCH 31, 2024

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

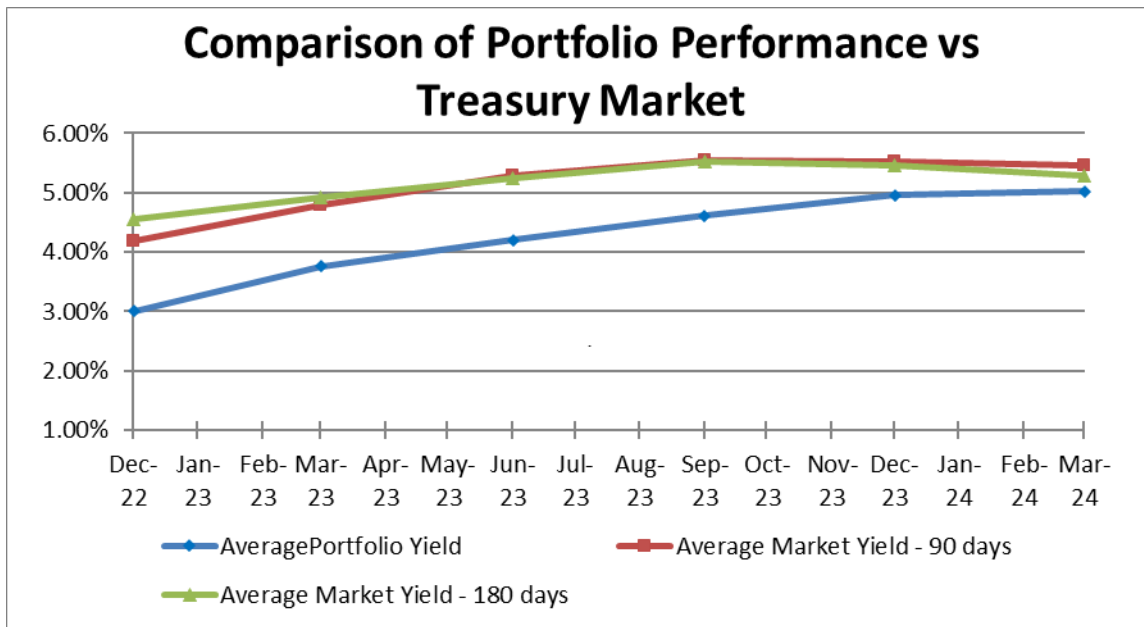
Geneva Mendez

Geneva Mendez, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending March 31, 2024

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.

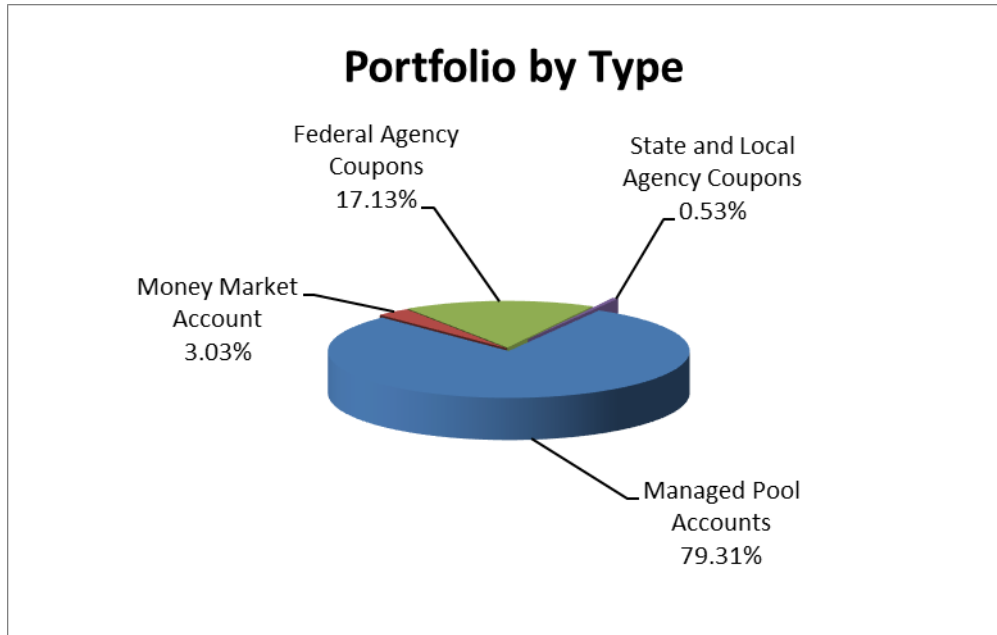
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 62 days. The City had an average yield of 5.02%. The benchmark average treasury yield is 5.46% for 90 days and 5.28% 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.



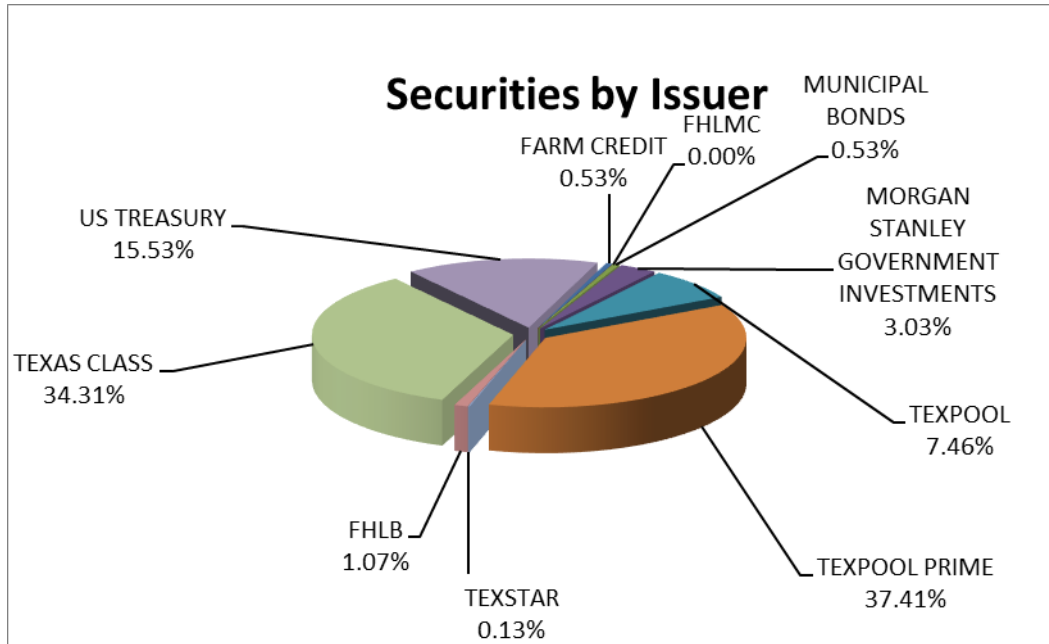
Quarter	23-Mar2	23-Jun	23-Sep	23-Dec	24-Mar
WAM Days	143	143	82	61	62

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.

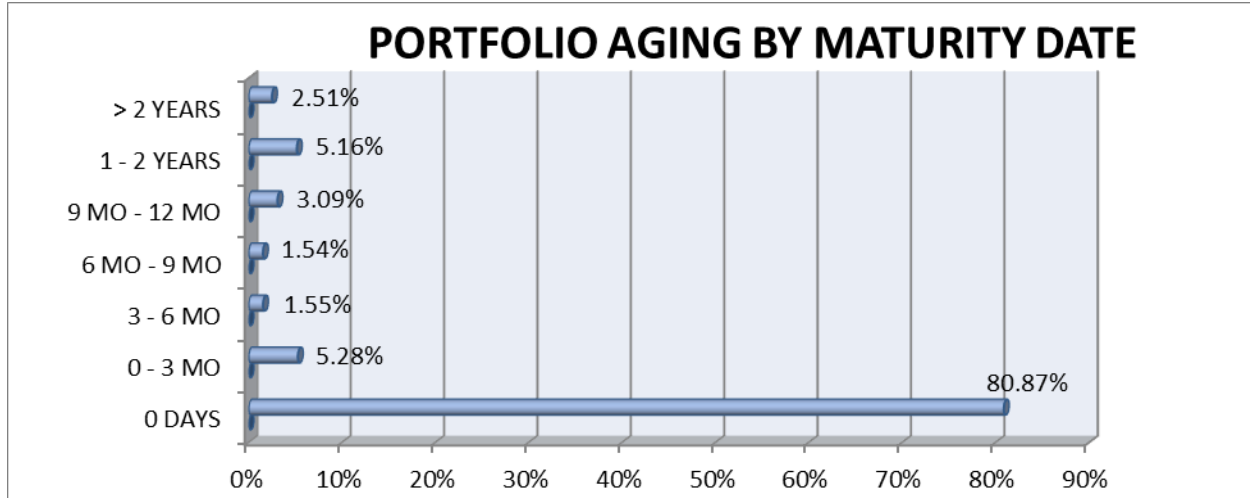
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$374,649,576.71. The market value of the City’s portfolio was \$373,942,689.50. The difference represents an unrealized loss of \$706,887.21. 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>
Jan-24	\$ 422,597,761.04	\$ 422,008,542.17	\$ (589,218.87)
Feb-24	\$ 396,326,771.77	\$ 395,540,538.88	\$ (786,232.89)
Mar-24	\$ 374,649,576.71	\$ 373,942,689.50	\$ (706,887.21)

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

Jan 1 thru Mar 31, 2024

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 1/01/2024	\$ 83,900,000.00	\$ 82,595,997.68	\$ 83,322,037.40	\$ 465,530.35
	Net Change	(16,925,000.00)	17,118,992.18)	(17,138,144.69)	(123,662.08)
	Value ending 3/31/2024	\$ 66,975,000.00	\$ 65,477,005.50	\$ 66,183,892.71	\$ 341,868.27
Fair Value Ext Pool	Value at 1/01/2024	\$ 277,077,599.86	\$277,077,599.86	\$277,077,599.86	\$ -
	Net Change	31,388,084.14	31,388,084.14	31,388,084.14	-
	Value ending 3/31/2024	\$ 308,465,684.00	\$308,465,684.00	\$308,465,684.00	\$ -
Total	Value at 1/01/2024	\$ 360,977,599.86	\$359,673,597.54	\$360,399,637.26	\$ 465,530.35
	Net Change	14,463,084.14	14,269,091.96	14,249,939.45	(123,662.08)
	Value ending 3/31/2024	\$ 375,440,684.00	\$373,942,689.50	\$374,649,576.71	\$ 341,868.27

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	\$ 297,125,767.64	\$297,125,767.64	\$ 297,125,767.64	79.31%	1.00	5.462
Certificates of Deposit - Bank	-	-	-	0.00%	0.00	0.000
Money Market Fund Accounts	11,339,916.36	11,339,916.36	11,339,916.36	3.03%	1.00	5.210
Federal Agency Coupons	64,975,000.00	63,521,745.50	64,183,892.71	17.13%	353.83	2.959
State and Local Agency Coupons	2,000,000.00	1,955,260.00	2,000,000.00	0.53%	168.07	0.790
	\$ 375,440,684.00	\$373,942,689.50	\$ 374,649,576.71	100.00%	62.00	5.001

CITY OF MESQUITE
PORTFOLIO DETAILS
Jan 1 - Mar 31, 2024

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	(LOSS)	VALUE	VALUE	VALUE	INTEREST
FHLB	14-Mar-25	4.400	\$	2,000,000.00	\$ 2,000,311.84	\$ 2,004,933.14	\$ -	\$ (13,343.46)	\$ 2,000,000.00	\$ 1,990,588.00	\$ 2,003,931.46	\$ 4,368.06
FHLB	13-Mar-26	4.100		2,000,000.00	2,009,111.50	2,016,504.24	-	(21,846.73)	2,000,000.00	1,992,862.00	2,014,708.73	4,500.00
FC	21-Feb-25	5.0800		2,000,000.00	2,003,886.92	1,992,713.77	-	(166121)	2,000,000.00	1,992,608.00	1,994,269.21	10,555.56
MUNI	1-Oct-24	0.7900		2,000,000.00	1,941,840.00	2,000,000.00	-	(44,740.00)	2,000,000.00	1,955,260.00	2,000,000.00	7,940.00
TREAS	31-Mar-25	3.3600		2,000,000.00	1,952,656.24	1,982,278.29	-	(31,995.05)	2,000,000.00	1,953,750.00	1,985,745.05	143.44
TREAS	30-Apr-25	4.0700		2,000,000.00	1,956,328.12	1,969,393.58	-	(19,393.10)	2,000,000.00	1,955,625.00	1,975,018.10	24,168.96
TREAS	31-May-25	4.4500		2,000,000.00	1,954,453.12	1,957,258.10	-	(12,106.29)	2,000,000.00	1,952,500.00	1,964,606.29	19,323.77
TREAS	30-Sep-25	3.8300		2,000,000.00	1,953,906.24	1,972,142.74	-	(28,482.65)	2,000,000.00	1,947,500.00	1,975,982.65	163.93
TREAS	31-Dec-25	4.3700		2,000,000.00	1,938,125.00	1,933,908.62	-	(12,227.24)	2,000,000.00	1,929,687.50	1,941,914.74	13,269.23
TREAS	31-Jan-24	5.2000		6,975,000.00	6,958,981.22	6,960,038.85	-	(6,975,000.00)	-	-	-	-
TREAS	31-Jan-26	4.3400		2,000,000.00	1,937,109.38	1,932,635.51	-	(12,901.62)	2,000,000.00	1,927,500.00	1,940,401.62	8,798.08
TREAS	29-Feb-24	0.2900		2,000,000.00	1,990,579.84	2,006,738.06	-	(2,000,000.00)	-	-	-	-
TREAS	30-Apr-26	4.2400		-	-	-	2,000,000.00	(15,279.54)	2,000,000.00	1,911,250.00	1,926,529.54	19,965.66
TREAS	30-Jun-26	4.1800		-	-	-	2,000,000.00	(15,276.43)	2,000,000.00	1,886,875.00	1,902,151.43	9,478.02
TREAS	30-Sep-26	4.1500		-	-	-	2,000,000.00	(16,149.68)	2,000,000.00	1,865,000.00	1,881,149.68	88.80
TREAS	31-Oct-26	4.1600		-	-	-	2,000,000.00	(15,951.81)	2,000,000.00	1,861,250.00	1,877,201.81	13,660.71
TREAS	31-Dec-24	2.7400		2,000,000.00	1,940,972.02	1,980,677.78	-	(35,176.11)	2,000,000.00	1,950,312.50	1,985,488.61	8,846.15
TREAS	31-Jan-25	2.6100		2,000,000.00	1,929,609.38	1,973,747.17	-	(40,363.01)	2,000,000.00	1,939,375.00	1,979,738.01	4,608.52
TREAS	15-Jan-24	0.2600		2,000,000.00	1,996,322.28	1,999,899.30	-	(2,000,000.00)	-	-	-	-
TREAS	15-Mar-24	0.3000		2,000,000.00	1,980,078.12	1,999,797.56	-	(2,000,000.00)	-	-	-	-
TREAS	15-Apr-24	0.3200		2,000,000.00	1,972,500.00	2,000,292.82	-	(4,101.54)	2,000,000.00	1,995,937.50	2,000,039.04	3,463.11
TREAS	15-May-24	0.3200		2,000,000.00	1,964,062.50	1,999,446.99	-	(12,319.76)	2,000,000.00	1,987,500.00	1,999,819.76	1,895.60
TREAS	15-Jun-24	0.4000		2,000,000.00	1,956,328.12	1,998,649.24	-	(20,014.72)	2,000,000.00	1,979,375.00	1,999,389.72	1,475.41
TREAS	15-Jul-24	0.4200		2,000,000.00	1,950,468.76	1,999,503.87	-	(27,858.97)	2,000,000.00	1,971,875.00	1,999,733.97	1,586.54
TREAS	15-Aug-24	0.4400		2,000,000.00	1,942,656.24	1,999,212.59	-	(36,089.52)	2,000,000.00	1,963,437.50	1,999,527.02	947.80
TREAS	15-Sep-24	0.6800		2,000,000.00	1,936,875.00	1,995,749.72	-	(40,692.31)	2,000,000.00	1,956,562.50	1,997,254.81	346.47
TREAS	15-Oct-24	0.7100		2,000,000.00	1,934,375.00	1,998,714.17	-	(47,869.55)	2,000,000.00	1,951,250.00	1,999,119.55	5,771.86
TREAS	15-Nov-24	0.9400		2,000,000.00	1,930,078.12	1,996,747.74	-	(52,053.85)	2,000,000.00	1,945,625.00	1,997,678.85	5,686.81
TREAS	15-Feb-25	3.0700		2,000,000.00	1,930,078.12	1,965,657.23	-	(35,045.76)	2,000,000.00	1,938,125.00	1,973,170.76	3,791.21
TREAS	29-Feb-24	4.5700		6,975,000.00	6,932,678.63	6,941,038.47	-	(6,975,000.00)	-	-	-	-
TREAS	31-Mar-24	4.8900		6,975,000.00	6,922,959.94	6,930,844.68	-	(6,975,000.00)	-	-	-	-
TREAS	30-Apr-24	5.2700		6,975,000.00	6,911,244.18	6,912,893.68	-	(2,428.45)	6,975,000.00	6,957,562.50	6,959,990.95	73,294.99

CITY OF MESQUITE
 PORTFOLIO DETAILS
 Jan 1 - Mar 31, 2024

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-Jun-25	4.3200	2,000,000.00	1,954,687.50	1,959,595.14	-	(15,104.59)	2,000,000.00	1,951,250.00	1,966,354.59		16,967.21
TREAS	15-Jul-25	4.3200	2,000,000.00	1,956,328.12	1,961,061.87	-	(14,419.82)	2,000,000.00	1,952,812.50	1,967,232.32		12,692.31
TREAS	15-Aug-25	4.0400	2,000,000.00	1,960,156.23	1,971,698.65	-	(21,858.85)	2,000,000.00	1,954,062.50	1,975,921.35		7,898.35
TREAS	15-Oct-25	4.0100	2,000,000.00	1,996,250.00	2,008,263.83	-	(23,714.40)	2,000,000.00	1,983,437.50	2,007,151.90		39,248.63
TREAS	15-Jan-27	4.1400	-	-	-	2,000,000.00	(16,421.19)	2,000,000.00	1,976,250.00	1,992,671.19		16,923.08
Subtotal			<u>\$ 83,900,000.00</u>	<u>\$ 82,595,997.68</u>	<u>\$ 83,322,037.40</u>	<u>\$ 10,000,000.00</u>	<u>\$ (706,887.21)</u>	<u>\$ 66,975,000.00</u>	<u>\$ 65,477,005.50</u>	<u>\$ 66,833,892.71</u>		<u>\$ 341,868.27</u>
Investment Class: Fair Value External Pool												
Texpool	5.3160	\$	25,494,615.74	\$ 25,494,615.74	\$ 25,494,615.74	\$ 25,961,326.16	\$ (23,500,000.00)	\$	27,955,941.90	\$ 27,955,941.90	\$ 27,955,941.90	\$ -
TexStar	5.2990		475,073.03	475,073.03	475,073.03	6,313.73	-		481,386.76	481,386.76	481,386.76	-
Morgan Stanley	5.2100		11,193,424.23	11,193,424.23	11,193,424.23	146,492.13	-		11,339,916.36	11,339,916.36	11,339,916.36	-
Texas CLASS	5.4650		111,739,259.94	111,739,259.94	111,739,259.94	26,804,654.42	(10,000,000.00)		128,543,914.36	128,543,914.36	128,543,914.36	-
TexPool Prime	5.4890		128,175,226.92	128,175,226.92	128,175,226.92	21,969,297.70	(10,000,000.00)		140,144,524.62	140,144,524.62	140,144,524.62	-
Subtotal			<u>\$ 277,077,599.86</u>	<u>\$ 277,077,599.86</u>	<u>\$ 277,077,599.86</u>	<u>\$ 74,888,084.14</u>	<u>\$ (43,500,000.00)</u>	<u>\$ -</u>	<u>\$ 308,465,684.00</u>	<u>\$ 308,465,684.00</u>	<u>\$ 308,465,684.00</u>	<u>\$ -</u>
Total Pool Investments			<u>\$ 360,977,599.86</u>	<u>\$ 359,673,597.54</u>	<u>\$ 360,399,637.26</u>	<u>\$ 84,888,084.14</u>	<u>\$ (70,425,000.00)</u>	<u>\$ (706,887.21)</u>	<u>\$ 375,440,684.00</u>	<u>\$ 373,942,689.50</u>	<u>\$ 374,649,576.71</u>	<u>\$ 341,868.27</u>