

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending September 30, 2020



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.

AVERAGE YIELD HISTORY

<i>Quarter</i>	December 2019	March 2020	June 2020	September 2020
<i>City Average Yield</i>	1.96%	1.70%	0.88%	0.45%
<i>Treasury Average Yield – 90 days</i>	1.61%	1.17%	0.14%	0.12%
<i>Treasury Average Yield – 180 days</i>	1.62%	1.16%	0.17%	0.13%
<i>Weighted Average Maturity</i>	121 days	98 days	110 days	98 days

The City's Investment Policy allows various types of investments with varying maturity dates in order to diversify the funds invested.

INVESTMENT TYPES AND PARAMETERS

Investment Types	Portfolio % Parameters	Portfolio % as of September 30, 2020
Certificates of Deposit	20%	3.14%
Federal Agency Coupons	100%	15.71%
State & Local Agency Coupons	20%	0.00%
Managed Pools	80%	75.63%
Money Market Funds	50%	5.52%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 09/30/2020</i>
Weighted Average Maturity	365 days	98 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
December 2019	\$168,294,309	\$168,397,904	\$103,595
March 2020	\$161,318,686	\$161,625,914	\$307,228
June 2020	\$199,906,998	\$200,128,043	\$221,045
September 2020	\$190,916,235	\$191,087,349	\$171,114

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	3/31/2020	6/30/2020	9/30/2020	11/3/2020
Investment Type	Mar Rates	June Rates	Sept Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	1.00%	0.22%	0.15%	0.14%
TexStar (Daily Rate)	0.96%	0.20%	0.13%	0.12%
Texas Class (Daily Rate)	1.47%	0.59%	0.25%	0.16%
TexPool Prime (Daily Rate)	1.34%	0.52%	0.26%	0.21%
<u>Treasury</u>				
3-month (90-days)	0.02%	0.12%	0.09%	0.09%
6-month	0.10%	0.16%	0.10%	0.10%
1 year	0.12%	0.15%	0.11%	0.12%
2 year	0.23%	0.15%	0.12%	0.15%
10 year	0.73%	0.62%	0.65%	0.84%
<u>Agency</u>				
2 year (callable)	1.05%	0.30%	0.17%	0.20%
2 year (bullet)	0.36%	0.27%	0.15%	0.18%
<u>CD's</u>				
6 month	0.25%	0.20%	0.15%	0.15%
9 month	0.20%	0.20%	0.15%	0.15%
12 month	0.15%	0.15%	0.15%	0.15%
15 month	0.15%	0.15%	0.15%	0.15%
18 month	0.15%	0.15%	0.15%	0.15%
21 month	n/a	n/a	n/a	n/a
24 month	n/a	n/a	n/a	n/a

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

After cutting rates to a range between 0% and .25% in response to the coronavirus pandemic in March, the Fed continues to hold interest rates steady and guidance from the Federal Open Market Committee (FOMC) at the September 16, 2020 meeting shows that the Fed does not expect an increase in the target rate until after 2023.

At the onset of the pandemic, many economists predicted an economic recovery in the shape of a V or a U where a steep contraction would be followed by a rapid economic rebound. However, what is unfolding looks more like a K. The upper arm of the K refers to businesses that are thriving, such as the ones tied to technology or that supply basic necessities, and the lower part of the K refers to businesses that are tied to industries negatively affected by the health crisis such as retail and tourism, including many small businesses. The U.S. economy continues to see encouraging signs of recovery overall with increased consumer spending and a vibrant housing market although job recovery is not as strong as hoped. The path and speed of economic recovery still remains unpredictable as it depends on several variables yet to unfold.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

September 30, 2020

INVESTMENT REPORT

FOR QUARTER ENDING September 30, 2020



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 62-2019 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

Sheree Haynes

Sheree Haynes, Manager of Accounting

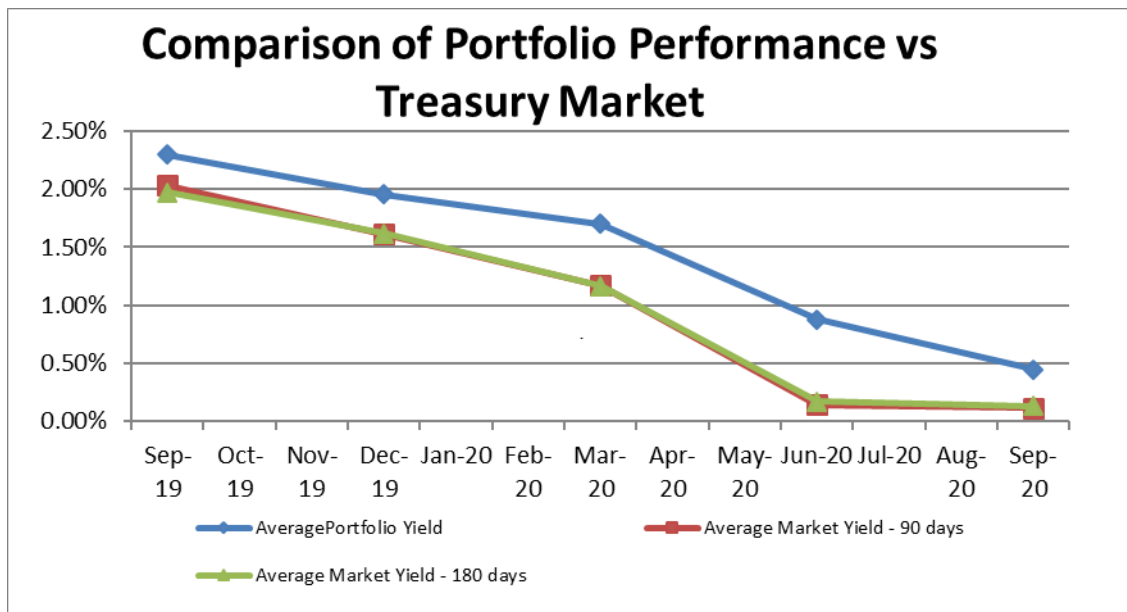
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending September 30, 2020

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.

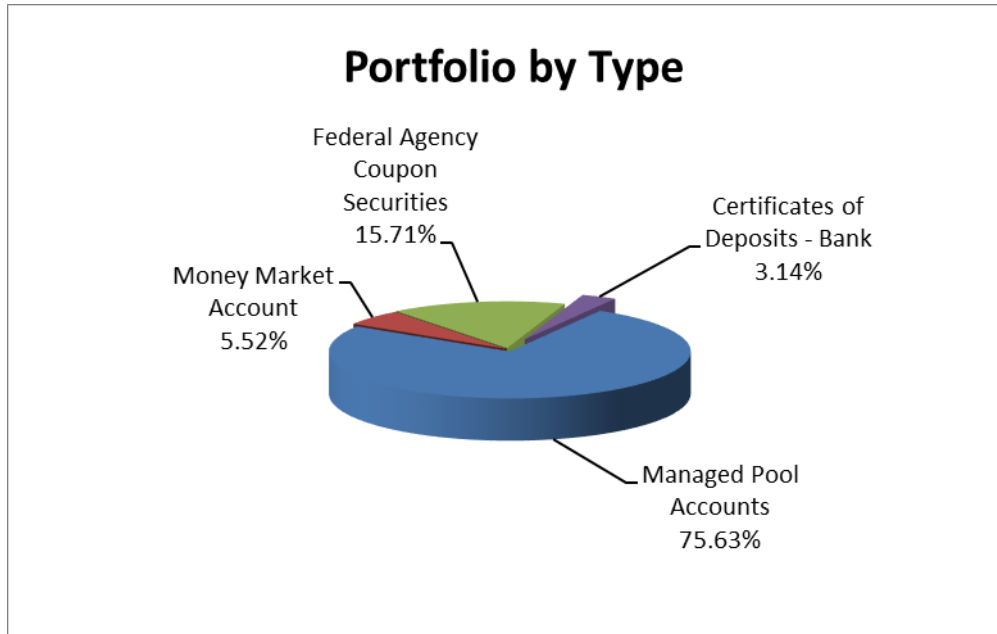
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 98 days. The City had an average yield of 0.45%. The benchmark average treasury yield is 0.12% for 90 days and 0.13% 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.



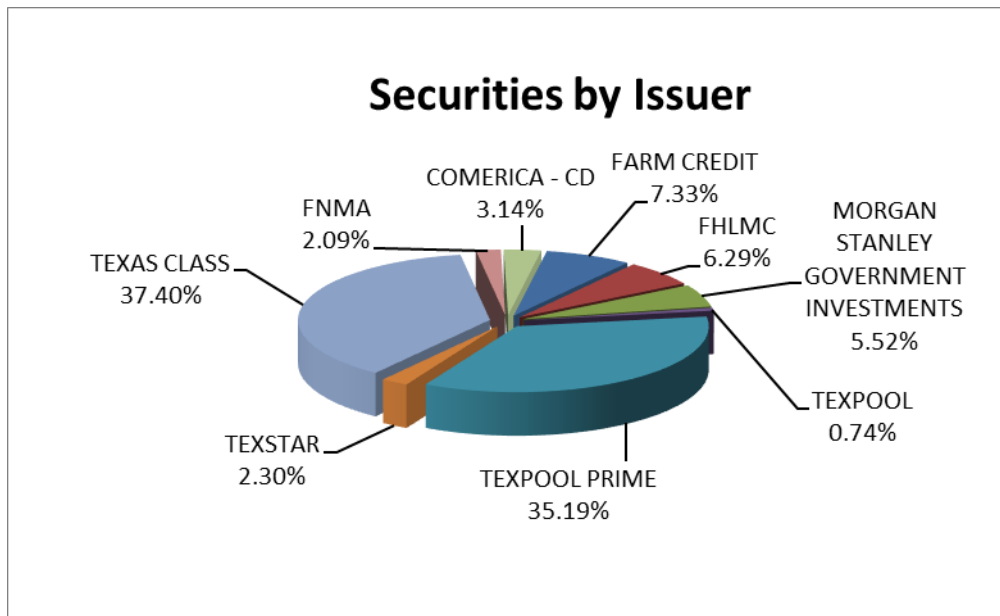
Quarter	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
WAM Days	105	121	98	110	98

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 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.

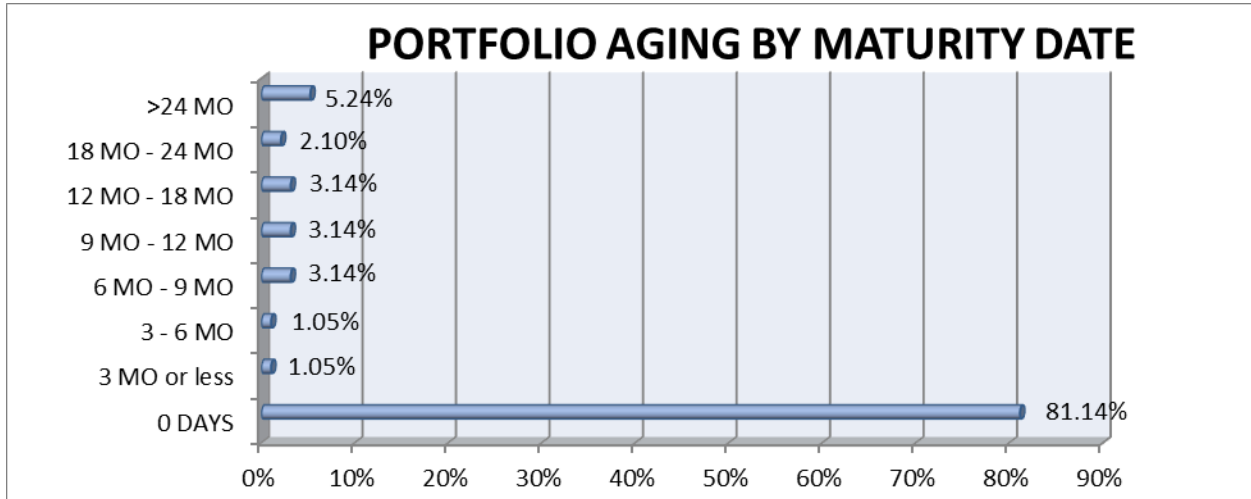
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$190,916,235.42. The market value of the City’s portfolio was approximately \$191,087,349.63. The difference represents an unrealized gain of \$171,114.21. 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>
Jul-20	199,382,269.91	199,596,561.01	214,291.10
Aug-20	194,359,300.24	194,541,682.33	182,382.09
Sep-20	190,916,235.42	191,087,349.63	171,114.21

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

Jul 1 thru Sep 30, 2020

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 07/01/2020	40,000,000.00	40,209,533.90	39,988,489.05	78,221.78
	Net Change	(4,000,000.00)	(4,045,986.12)	(3,996,055.48)	45,356.47
	Value ending 09/30/2020	36,000,000.00	36,163,547.78	35,992,433.57	123,578.25
Fair Value Ext Pool	Value at 07/01/2020	159,918,509.46	159,918,509.46	159,918,509.46	-
	Net Change	(4,994,707.61)	(4,994,707.61)	(4,994,707.61)	-
	Value ending 09/30/2020	154,923,801.85	154,923,801.85	154,923,801.85	-
Total	Value at 07/01/2020	199,918,509.46	200,128,043.36	199,906,998.51	78,221.78
	Net Change	(8,994,707.61)	(9,040,693.73)	(8,990,763.09)	45,356.47
	Value ending 09/30/2020	190,923,801.85	191,087,349.63	190,916,235.42	123,578.25

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	144,386,967.65	144,386,967.65	144,386,967.65	75.63%	1	0.251
Certificates of Deposit - Bank	6,000,000.00	6,000,000.00	6,000,000.00	3.14%	196	0.650
Money Market Fund Accounts	10,536,834.20	10,536,834.20	10,536,834.20	5.52%	1	0.020
Agency Coupon Securities	30,000,000.00	30,163,547.78	29,992,433.57	15.71%	580	1.108
	190,923,801.85	191,087,349.63	190,916,235.42	100.00%	98	0.386

CITY OF MESQUITE

PORTFOLIO DETAILS

Jul 1 - Sept 30, 2020

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
							MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
COMERICA	25-Aug-21	1550	2,000,000.00	2,000,000.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	18,600.00
COMERICA	24-Sep-20	0.200	2,000,000.00	2,000,000.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
COMERICA	23-Dec-20	0.200	2,000,000.00	2,000,000.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	1,063.01
COMERICA	26-Mar-21	0.200	2,000,000.00	2,000,000.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	1,063.01
FC	5-Apr-21	2.540	2,000,000.00	2,035,635.28	2,000,593.74	0.00	0.00	23,972.64	2,000,000.00	2,024,371.36	2,000,398.72	24,835.56
FC	15-Apr-21	2.375	2,000,000.00	2,034,464.42	1,999,680.45	0.00	0.00	24,288.48	2,000,000.00	2,024,070.20	1,999,781.72	21,902.78
FC	17-May-21	2.250	2,000,000.00	2,036,407.96	1,999,440.89	0.00	0.00	26,809.05	2,000,000.00	2,026,409.18	1,999,600.13	16,750.00
FC	16-Aug-21	1550	2,000,000.00	2,030,599.36	1,998,005.75	0.00	0.00	25,861.86	2,000,000.00	2,024,310.78	1,998,448.92	3,875.00
FC	8-Nov-21	1570	2,000,000.00	2,037,058.32	1,998,666.13	0.00	0.00	32,441.30	2,000,000.00	2,031,353.94	1,998,912.64	12,472.78
FC	2-Dec-21	1620	2,000,000.00	2,009,787.04	2,000,000.00	0.00	0.00	4,346.02	2,000,000.00	2,004,346.02	2,000,000.00	10,710.00
FC	23-Dec-21	0.230	2,000,000.00	1,998,704.18	1,999,011.15	0.00	0.00	838.42	2,000,000.00	2,000,016.86	1,999,178.44	1,226.66
FHLMC	1-Jun-23	0.550	2,000,000.00	2,000,313.76	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	22-Sep-22	0.350	2,000,000.00	1,999,220.72	2,000,000.00	0.00	0.00	152.22	2,000,000.00	2,000,152.22	2,000,000.00	1,866.67
FHLMC	17-Mar-23	0.420	2,000,000.00	2,000,076.80	2,000,000.00	0.00	0.00	692.42	2,000,000.00	2,000,692.42	2,000,000.00	326.67
FHLMC	29-Dec-22	0.400	2,000,000.00	1,998,814.16	2,000,000.00	0.00	0.00	327.88	2,000,000.00	2,000,327.88	2,000,000.00	2,044.44
FHLMC	30-Jun-22	0.300	2,000,000.00	1,999,048.36	2,000,000.00	0.00	0.00	1,676.46	2,000,000.00	2,001,676.46	2,000,000.00	151.67
FHLMC	30-Jun-23	0.500	2,000,000.00	1,998,341.48	2,000,000.00	0.00	0.00	(443.04)	2,000,000.00	1,999,556.96	2,000,000.00	2,527.78
FHLMC	8-Sep-23	0.250	0.00	0.00	0.00	2,000,000.00	0.00	694.26	2,000,000.00	2,000,731.66	2,000,037.40	236.11
FNMA	30-Jul-20	1500	2,000,000.00	2,002,214.18	1,997,901.53	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FNMA	29-Sep-21	1450	2,000,000.00	2,030,708.12	1,995,885.44	0.00	0.00	28,624.02	2,000,000.00	2,025,336.04	1,996,712.02	161.11
FNMA	2-Jun-23	0.450	2,000,000.00	1,998,139.76	1,999,303.97	0.00	0.00	832.22	2,000,000.00	2,000,195.80	1,999,363.58	2,400.00
Subtotal			<u>40,000,000.00</u>	<u>40,209,533.90</u>	<u>39,988,489.05</u>	<u>2,000,000.00</u>	<u>(6,000,000.00)</u>	<u>171,114.21</u>	<u>36,000,000.00</u>	<u>36,163,547.78</u>	<u>35,992,433.57</u>	<u>123,578.25</u>
Investment Class: Fair Value External Pool												
Texpool	0.147		3,535,650.89	3,535,650.89	3,535,650.89	11,881,867.46	(14,000,000.00)	0.00	1,417,518.35	1,417,518.35	1,417,518.35	0.00
TexStar	0.134		4,386,783.56	4,386,783.56	4,386,783.56	1,842.38	0.00	0.00	4,388,625.94	4,388,625.94	4,388,625.94	0.00
Morgan Stanley	0.020		10,535,713.07	10,535,713.07	10,535,713.07	1,121.13	0.00	0.00	10,536,834.20	10,536,834.20	10,536,834.20	0.00
Texas CLASS	0.251		71,333,598.46	71,333,598.46	71,333,598.46	61,420.15	0.00	0.00	71,395,018.61	71,395,018.61	71,395,018.61	0.00
TexPool Prime	0.262		70,126,763.48	70,126,763.48	70,126,763.48	59,041.27	(3,000,000.00)	0.00	67,185,804.75	67,185,804.75	67,185,804.75	0.00
Subtotal			<u>159,918,509.46</u>	<u>159,918,509.46</u>	<u>159,918,509.46</u>	<u>12,005,292.39</u>	<u>(17,000,000.00)</u>	<u>0.00</u>	<u>154,923,801.85</u>	<u>154,923,801.85</u>	<u>154,923,801.85</u>	<u>0.00</u>
Total Pool Investments			<u>199,918,509.46</u>	<u>200,128,043.36</u>	<u>199,906,998.51</u>	<u>14,005,292.39</u>	<u>(23,000,000.00)</u>	<u>171,114.21</u>	<u>190,923,801.85</u>	<u>191,087,349.63</u>	<u>190,916,235.42</u>	<u>123,578.25</u>