

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending June 30, 2021



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>	September 2020	December 2020	March 2021	June 2021
<i>City Average Yield</i>	0.45%	0.32%	0.25%	0.17%
<i>Treasury Average Yield – 90 days</i>	0.12%	0.09%	0.06%	0.02%
<i>Treasury Average Yield – 180 days</i>	0.13%	0.10%	0.07%	0.04%
<i>Weighted Average Maturity</i>	98 days	115 days	94 days	160 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, 2021
Certificates of Deposit	20%	3.28%
Federal Agency Coupons	100%	21.06%
State & Local Agency Coupons	20%	0.00%
Managed Pools	80%	69.91%
Money Market Funds	50%	5.75%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 06/30/2021</i>
Weighted Average Maturity	365 days	160 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
September 2020	\$190,916,235	\$191,087,349	\$171,114
December 2020	\$182,731,386	\$182,860,331	\$128,945
March 2021	\$193,158,751	\$193,201,401	\$42,650
June 2021	\$183,174,757	\$183,144,980	(\$29,777)

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	12/31/2020	3/31/2021	6/30/2021	8/9/2021
Investment Type	Dec Rates	Mar Rates	Jun Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	0.09%	0.02%	0.01%	0.02%
TexStar (Daily Rate)	0.07%	0.02%	0.01%	0.01%
Texas Class (Daily Rate)	0.14%	0.11%	0.06%	0.06%
TexPool Prime (Daily Rate)	0.14%	0.09%	0.07%	0.06%
<u>Treasury</u>				
3-month (90-days)	0.09%	0.01%	0.04%	0.05%
6-month	0.09%	0.03%	0.05%	0.05%
1 year	0.10%	0.05%	0.07%	0.07%
2 year	0.13%	0.15%	0.25%	0.21%
10 year	0.94%	1.70%	1.47%	1.30%
<u>Agency</u>				
2 year (bullet)	0.13%	0.15%	0.25%	0.21%
<u>CD's</u>				
6 month	0.15%	0.10%	0.10%	n/a
9 month	0.15%	0.10%	0.10%	n/a
12 month	0.15%	0.10%	0.10%	n/a
15 month	0.15%	0.10%	0.10%	n/a
18 month	0.15%	0.10%	0.10%	n/a
21 month	n/a	n/a	n/a	n/a
24 month	n/a	n/a	n/a	n/a

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

Observing the fastest wage growth in decades, the reasons seem both obvious and uncertain. Enhanced unemployment benefits, aiding those most affected by the pandemic-induced lockdowns, could be restraining a return to work. However, almost half the states have retracted the enhanced benefits in a potential effort to bolster the labor force participation rate. In addition, the newly found flexibility of working from home may have permanently altered expectations, with job seekers becoming far more selective of their options. Most likely, it is a mixture of these factors, but economists are quick to note that rising wages can lead to rising inflation for the consumer. Speaking of inflation, raw material costs as measured by the Producers Price Index (PPI) have consistently outpaced consumer inflation (CPI) for the past few months. This difference leads to higher output costs for companies, potentially passed on to consumers as companies focus on their profit margins. The higher producer prices, though, are being influenced by supply chain disruptions and raw material shortages leading some economists to believe that the current bout of inflation could be transitory as supply gradually comes back online and is not solely influenced by higher wages. The Fed Fund Target rate remains between 0.00% and 0.25%.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

June 30, 2021

INVESTMENT REPORT

FOR QUARTER ENDING **June 30, 2021**



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 36-2020 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

Michelle Baccheschi

Michelle Baccheschi, Interim Manager of Accounting

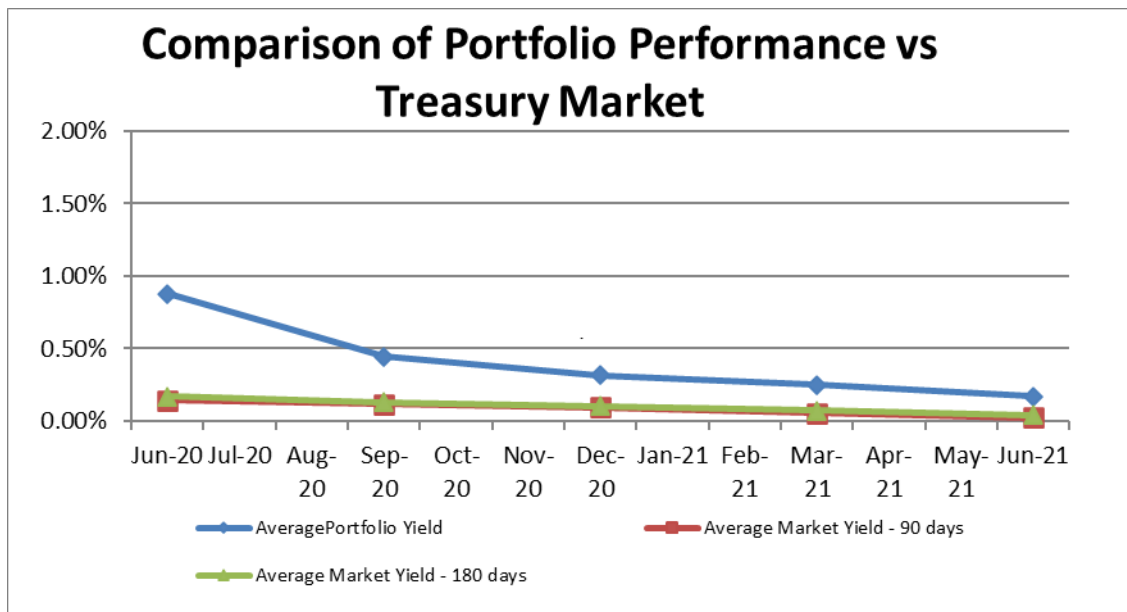
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending June 30, 2021

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.

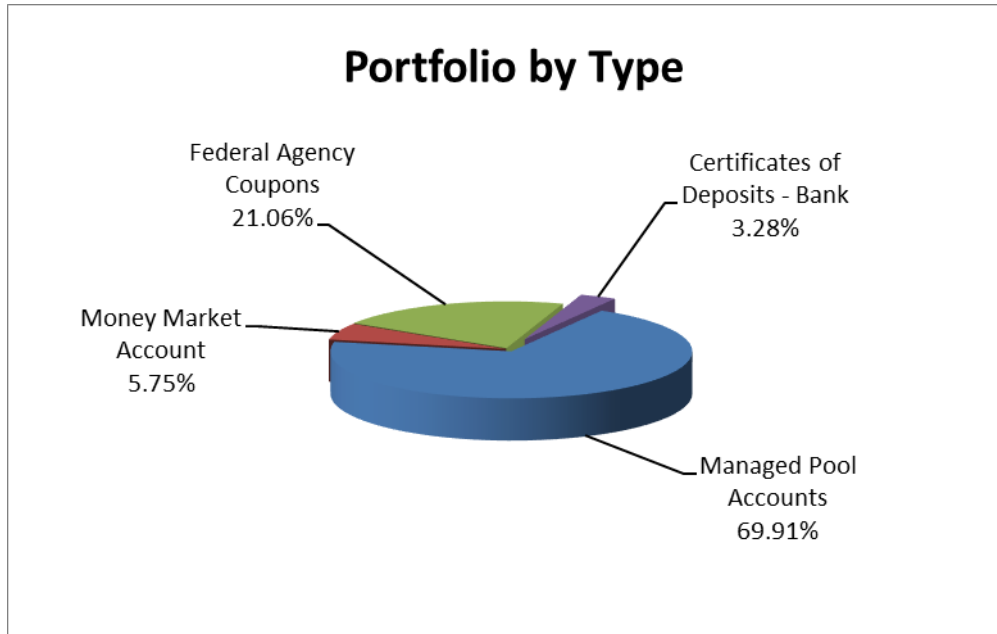
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 160 days. The City had an average yield of 0.17%. The benchmark average treasury yield is 0.02% for 90 days and 0.04% 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.



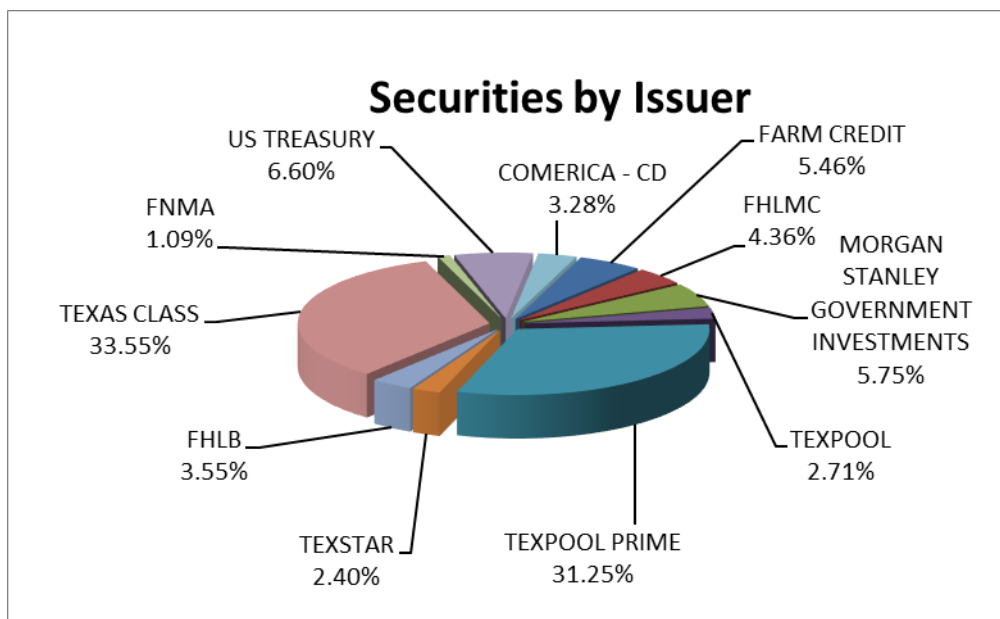
Quarter	Jun-20	Sep-20	Dec-21	Mar-21	Jun-21
WAM Days	110	98	115	94	160

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.

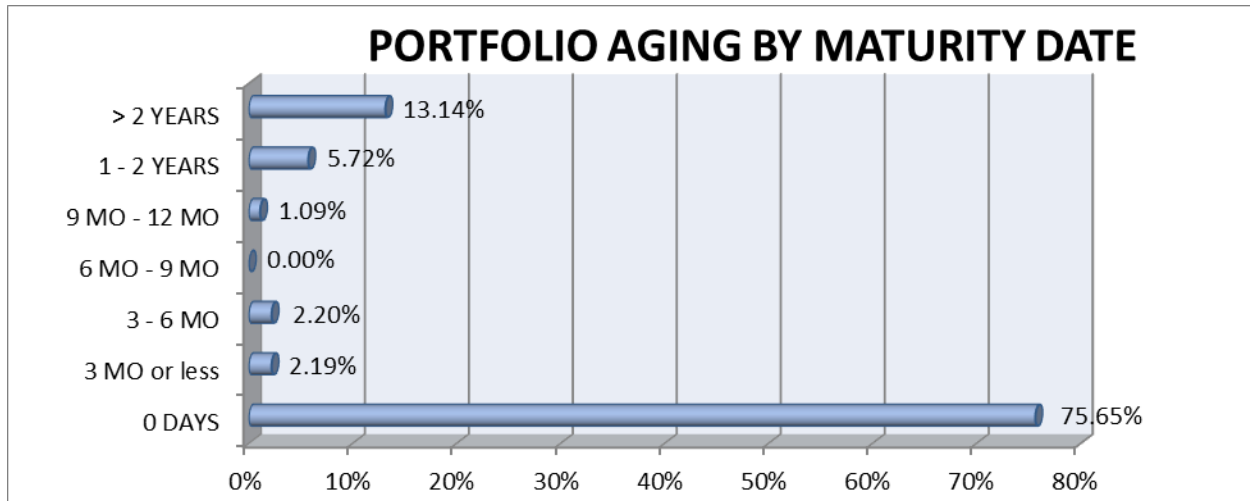
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$183,174,757.04. The market value of the City’s portfolio was approximately \$183,144,980.22. The difference represents an unrealized loss of \$29,776.82. 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-21	198,395,716.09	198,431,800.25	36,084.16
May-21	191,918,392.02	191,969,720.68	51,328.66
Jun-21	183,174,757.04	183,144,980.22	(29,776.82)

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, 2021

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 04/01/2021	36,000,000.00	36,027,485.50	35,984,835.38	123,875.28
	Net Change	8,500,000.00	8,523,211.89	8,595,638.83	(35,576.81)
	Value ending 06/30/2021	44,500,000.00	44,550,697.39	44,580,474.21	88,298.47
Fair Value Ext Pool	Value at 04/01/2021	157,173,915.78	157,173,915.78	157,173,915.78	-
	Net Change	(18,579,632.95)	(18,579,632.95)	(18,579,632.95)	-
	Value ending 06/30/2021	138,594,282.83	138,594,282.83	138,594,282.83	-
Total	Value at 04/01/2021	193,173,915.78	193,201,401.28	193,158,751.16	123,875.28
	Net Change	(10,079,632.95)	(10,056,421.06)	(9,983,994.12)	(35,576.81)
	Value ending 06/30/2021	183,094,282.83	183,144,980.22	183,174,757.04	88,298.47

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	128,055,485.75	128,055,485.75	128,055,485.75	69.91%	1	0.062
Certificates of Deposit - Bank	6,000,000.00	6,000,000.00	6,000,000.00	3.28%	289	0.600
Money Market Fund Accounts	10,538,797.08	10,538,797.08	10,538,797.08	5.75%	1	0.030
Federal Agency Coupons	38,500,000.00	38,550,697.39	38,580,474.21	21.06%	710	0.458
	183,094,282.83	183,144,980.22	183,174,757.04	100.00%	160	0.161

CITY OF MESQUITE

PORTFOLIO DETAILS

Apr 1 - Jun 30, 2021

			BEGINNING	BEGINNING	BEGINNING	SALES /		UNREALIZED	ENDING	ENDING	ENDING	ENDING
MATURITY			PAR	MARKET	BOOK	WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED	
ISSUER	DATE	COUPON	VALUE	VALUE	VALUE	PURCHASES	MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
COMERICA	25-Aug-21	15500	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	41604.85
COMERICA	23-Jun-22	0.1500	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	1496.36
COMERICA	26-Sep-22	0.1000	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	504.15
TREAS	15-Jul-23	0.1800	0.00	0.00	0.00	2,000,000.00	0.00	(2,915.48)	2,000,000.00	1,994,688.00	1,997,603.48	386.74
TREAS	15-Jan-24	0.2600	0.00	0.00	0.00	2,000,000.00	0.00	(5,407.79)	2,000,000.00	1,987,890.00	1,993,297.79	386.74
TREAS	29-Feb-24	0.2900	0.00	0.00	0.00	2,000,000.00	0.00	(5,072.13)	2,000,000.00	2,105,390.00	2,110,462.13	9,809.78
TREAS	15-Mar-24	0.3000	0.00	0.00	0.00	2,000,000.00	0.00	(5,281.66)	2,000,000.00	1,992,032.00	1,997,313.66	1,032.61
TREAS	15-Apr-24	0.3200	0.00	0.00	0.00	2,000,000.00	0.00	(5,336.65)	2,000,000.00	1,997,500.00	2,002,836.65	1,557.38
TREAS	15-May-24	0.3200	0.00	0.00	0.00	2,000,000.00	0.00	(6,515.56)	2,000,000.00	1,989,218.00	1,995,733.56	366.85
FHLB	2-Jun-23	0.1700	0.00	0.00	0.00	2,500,000.00	0.00	(4,645.90)	2,500,000.00	2,493,139.05	2,497,784.95	234.38
FC	5-Apr-21	2.5400	2,000,000.00	2,000,552.88	2,000,008.82	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	15-Apr-21	2.3750	2,000,000.00	2,001,827.90	1,999,984.27	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	17-May-21	2.2500	2,000,000.00	2,005,672.74	1,999,917.61	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	10-May-23	0.1900	0.00	0.00	0.00	2,000,000.00	0.00	(1,384.71)	2,000,000.00	1,996,235.90	1,997,620.61	354.17
FC	16-Aug-21	15500	2,000,000.00	2,011,122.96	1,999,320.58	0.00	0.00	3,979.93	2,000,000.00	2,003,751.80	1,999,771.87	11,625.00
FC	8-Nov-21	15700	2,000,000.00	2,018,240.72	1,999,401.19	0.00	0.00	11,076.91	2,000,000.00	2,010,725.16	1,999,648.25	4,622.80
FC	23-Nov-22	0.1200	2,000,000.00	1,999,817.00	1,997,972.09	0.00	0.00	(7,193)	2,000,000.00	1,998,207.74	1,998,279.67	263.89
FC	2-Oct-23	0.2000	2,000,000.00	1,996,520.90	1,997,050.70	0.00	0.00	(3,065.89)	2,000,000.00	1,994,277.06	1,997,342.95	988.89
FHLB	17-Mar-23	0.1800	2,000,000.00	1,997,604.34	1,997,841.84	0.00	0.00	(1,675.93)	2,000,000.00	1,996,437.90	1,998,113.83	715.28
FHLB	8-Dec-23	0.2500	2,000,000.00	1,991,029.84	2,002,380.01	0.00	0.00	(5,341.79)	2,000,000.00	1,996,817.82	2,002,159.61	319.44
FNMA	29-Sep-21	14500	2,000,000.00	2,013,529.84	1,998,357.23	0.00	0.00	7,685.27	2,000,000.00	2,006,868.42	1,999,183.15	7,411.11
FHLMC	30-Jun-22	0.3000	2,000,000.00	2,000,703.76	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	24-Aug-23	0.2500	2,000,000.00	2,000,592.04	1,999,947.91	0.00	0.00	(427.30)	2,000,000.00	1,999,526.06	1,999,953.36	1,763.89
FHLMC	8-Sep-23	0.2500	2,000,000.00	1,999,518.70	2,000,031.13	0.00	0.00	(2,007.38)	2,000,000.00	1,998,020.60	2,000,027.98	1,569.44
FHLMC	16-Oct-23	0.1200	2,000,000.00	1,992,356.36	1,993,503.32	0.00	0.00	(2,010.09)	2,000,000.00	1,992,127.72	1,994,137.81	520.83
FHLMC	6-Nov-23	0.2500	2,000,000.00	1,998,395.52	1,999,118.68	0.00	0.00	(1,358.74)	2,000,000.00	1,997,844.16	1,999,202.90	763.89
Subtotal			36,000,000.00	36,027,485.50	35,984,835.38	16,500,000.00	(8,000,000.00)	(29,776.82)	44,500,000.00	44,550,697.39	44,580,474.21	88,298.47
Investment Class: Fair Value External Pool												
Texpool	0.0130		17,576,073.78	17,576,073.78	17,576,073.78	(12,603,911.84)	0.00	0.00	4,972,161.94	4,972,161.94	4,972,161.94	0.00
TexStar	0.0100		4,390,057.32	4,390,057.32	4,390,057.32	114.08	0.00	0.00	4,390,171.40	4,390,171.40	4,390,171.40	0.00
Morgan Stanley	0.0300		10,538,106.77	10,538,106.77	10,538,106.77	690.31	0.00	0.00	10,538,797.08	10,538,797.08	10,538,797.08	0.00
Texas CLASS	0.0610		61,438,650.32	61,438,650.32	61,438,650.32	114,16.89	0.00	0.00	61,450,067.21	61,450,067.21	61,450,067.21	0.00
TexPool Prime	0.0710		63,231,027.59	63,231,027.59	63,231,027.59	(5,987,942.39)	0.00	0.00	57,243,085.20	57,243,085.20	57,243,085.20	0.00
Subtotal			157,173,915.78	157,173,915.78	157,173,915.78	(18,579,632.95)	0.00	0.00	138,594,282.83	138,594,282.83	138,594,282.83	0.00
Total Pool Investments			193,173,915.78	193,201,401.28	193,158,751.16	(2,079,632.95)	(8,000,000.00)	(29,776.82)	183,094,282.83	183,144,980.22	183,174,757.04	88,298.47