

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending March 31, 2022



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>	June 2021	September 2021	December 2021	March 2022
<i>City Average Yield</i>	0.17%	0.12%	0.13%	0.19%
<i>Treasury Average Yield – 90 days</i>	0.02%	0.05%	0.05%	0.29%
<i>Treasury Average Yield – 180 days</i>	0.04%	0.06%	0.09%	0.59%
<i>Weighted Average Maturity</i>	160 days	174 days	165 days	134 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, 2022
Certificates of Deposit	20%	1.69%
Federal Agency Coupons	100%	19.64%
State & Local Agency Coupons	20%	0.84%
Managed Pools	80%	73.38%
Money Market Funds	50%	4.45%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 3/31/2022</i>
Weighted Average Maturity	365 days	134 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
June 2021	\$183,174,757	\$183,144,980	(\$29,777)
September 2021	\$186,761,738	\$186,711,860	(\$49,878)
December 2021	\$220,761,877	\$220,411,153	(\$350,724)
March 2022	\$236,868,084	\$235,352,616	(\$1,515,468)

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	9/30/2021	12/31/2021	3/31/2022	4/30/2022
Investment Type	Sept Rates	Dec Rates	Mar Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	0.03%	0.04%	0.15%	0.32%
TexStar (Daily Rate)	0.01%	0.01%	0.11%	0.32%
Texas Class (Daily Rate)	0.04%	0.07%	0.29%	0.47%
TexPool Prime (Daily Rate)	0.06%	0.09%	0.27%	0.44%
<u>Treasury</u>				
3-month (90-days)	0.03%	0.03%	0.52%	0.82%
6-month	0.05%	0.17%	1.00%	1.38%
1-year	0.07%	0.36%	1.60%	2.04%
2-year	0.29%	0.72%	2.31%	2.63%
10-year	1.52%	1.51%	2.35%	2.85%
<u>Agency</u>				
2-year (bullet)	0.29%	0.75%	2.34%	2.63%

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

The Federal Reserve raised interest rates in March by 25 basis points (bps) for the first time since cutting rates to zero in March 2020. The move was widely expected, but 25 bps was less than market participants had been pricing in earlier in the year and was influenced by the crisis in Ukraine clouding the outlook for global growth. But with persistently high U.S. inflation, the market believes the Fed will hike at a much faster pace through the rest of the year.

With inflation around 8% and unlikely to abate, the Fed is poised to move much more quickly than it has in prior cycles, and it is not just inflation that underpins the Fed's urgency. U.S. unemployment is down to 3.6%, just 0.1% off the pre-pandemic lows, though labor force participation remains 1% below its pre-pandemic highs. Both the service and manufacturing sectors remain strong yet burdened by employment, prices, and inventories, further clouding the outlook. All of this signals to the Fed that they need to move faster to wrestle the inflationary pressures in the economy. Market participants are pricing in a 100% chance of one hike (25 bps) and an 89% chance of two (50 bps) at the May meeting which would bring overnight rates up to between .75% and 1.00%. Looking at the rest of the year, the market now expects nine hikes or an implied overnight rate of 2.50%.

The Fed's primary risk is hiking too quickly and choking off economic growth, resulting in a recession or what economists call a "hard landing." Mortgage rates have climbed approximately 1.5% since the beginning of the year while rates across the curve have risen materially over the last month alone. Investors will certainly appreciate the higher yields available, but the Fed will need to be careful to not choke off growth and leave the consumer holding the bag.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

March 31, 2022

INVESTMENT REPORT

FOR QUARTER ENDING March 31, 2022



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 54-2021 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

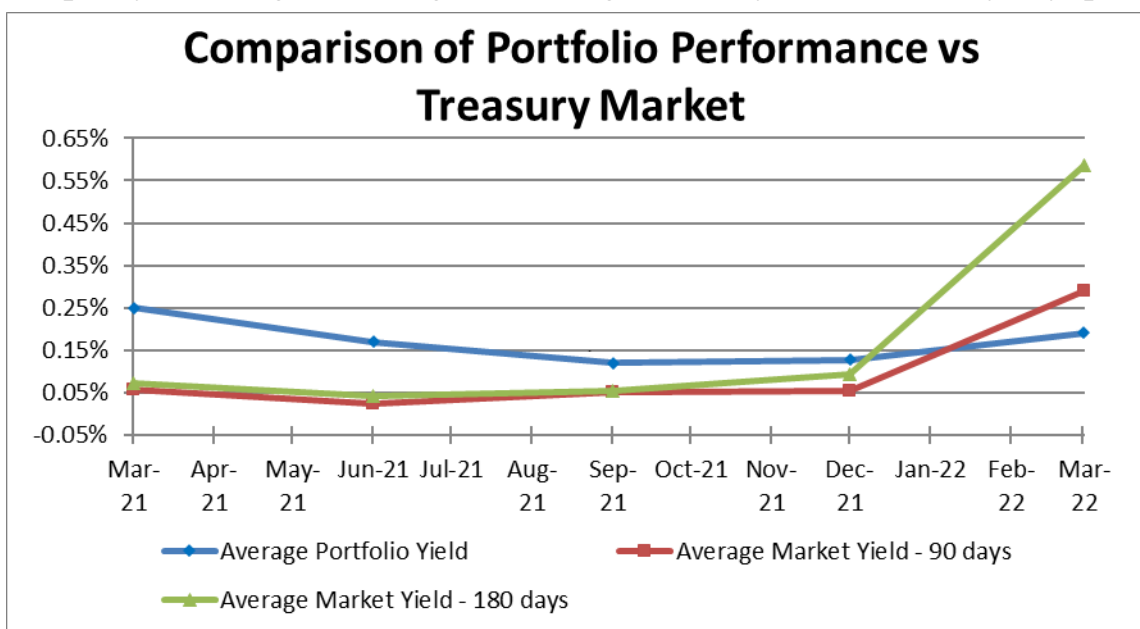
Myra E. Rogers

Myra E. Rogers, Manager of Budget and Treasury

City of Mesquite Investment Report For Quarter Ending March 31, 2022

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.

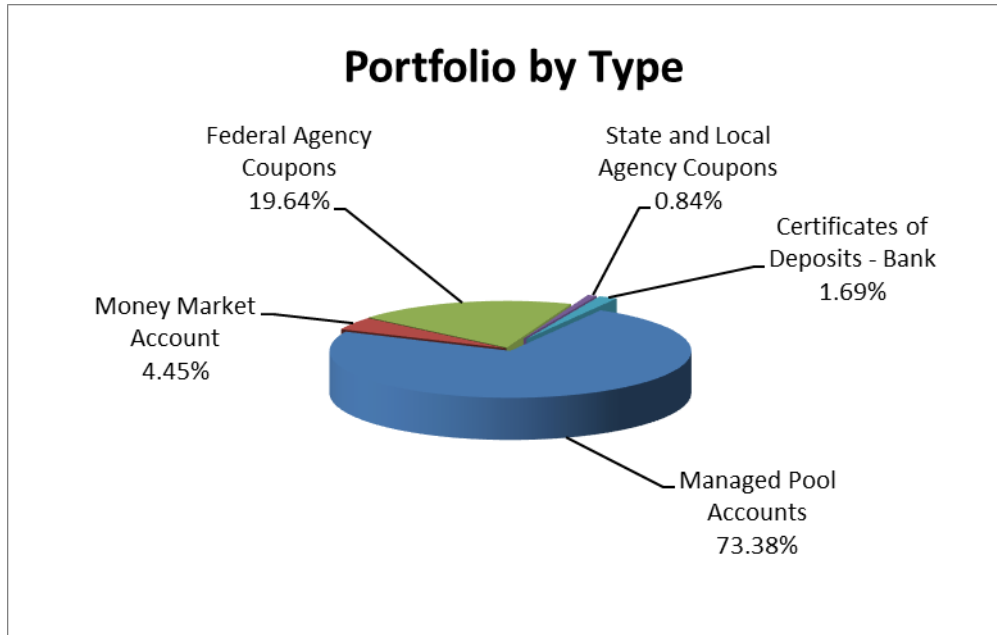
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 134 days. The City had an average yield of 0.19%. The benchmark average treasury yield is 0.29% for 90 days and 0.59% 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.



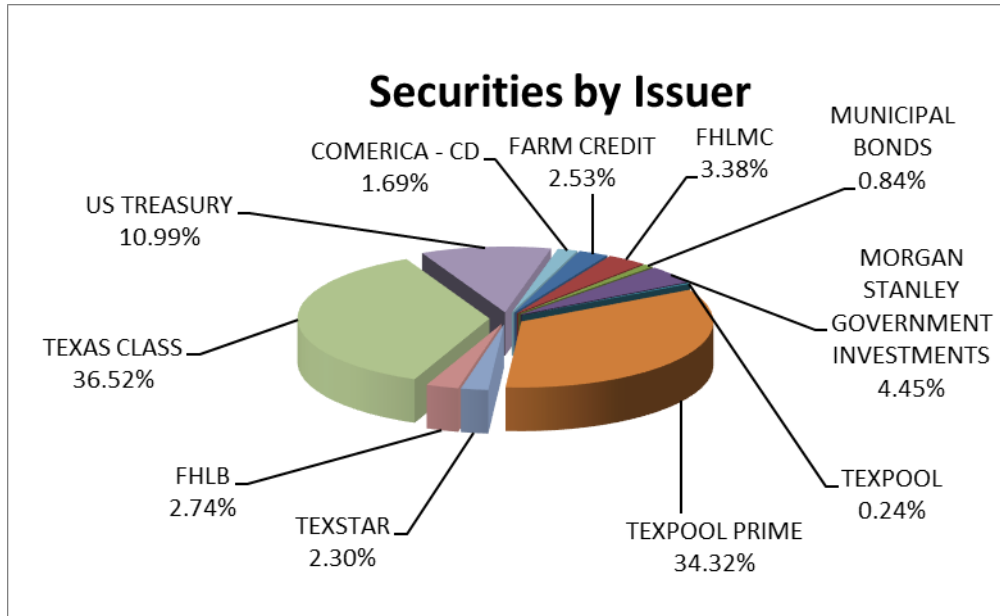
Quarter	21-Mar	21-Jun	21-Sep	21-Dec	22-Mar
WAM Days	94	160	174	165	134

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.

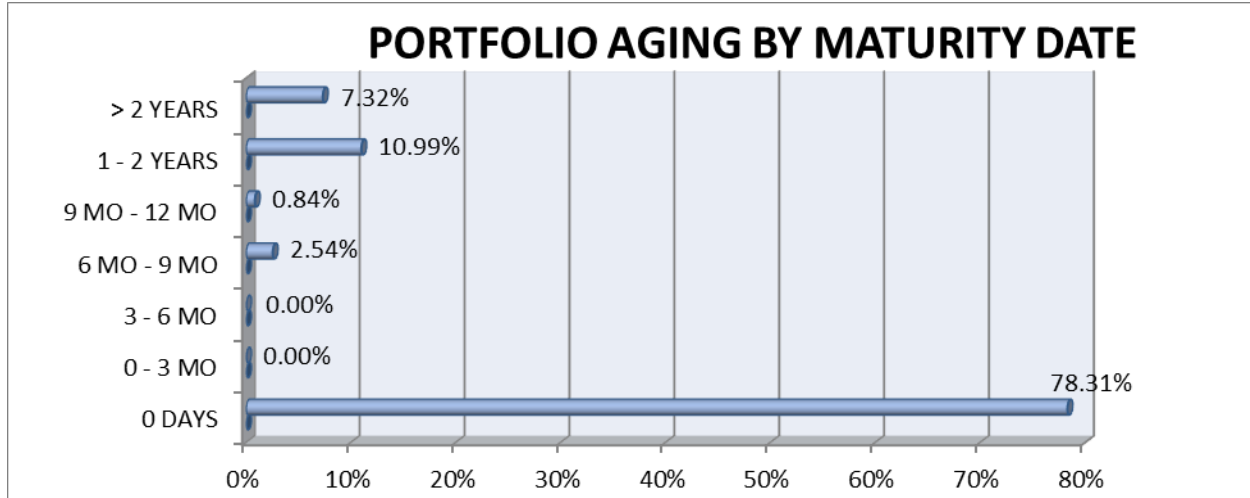
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$236,868,084.13. The market value of the City’s portfolio was approximately \$235,352,616.08. The difference represents an unrealized loss of \$1,515,468.05. 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-22	225,307,367.12	224,598,216.59	(709,150.53)
Feb-22	251,598,860.56	250,702,978.73	(895,881.83)
Mar-22	236,868,084.13	235,352,616.08	(1,515,468.05)

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, 2022

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 12/31/2021	52,500,000.00	52,174,453.86	52,525,177.71	48,401.86
	Net Change	-	(1,167,984.70)	(3,240.50)	2,097.11
	Value ending 03/31/2022	52,500,000.00	51,006,469.16	52,521,937.21	50,498.97
Fair Value Ext Pool	Value at 12/31/2021	168,236,699.69	168,236,699.69	168,236,699.69	-
	Net Change	16,109,447.23	16,109,447.23	16,109,447.23	-
	Value ending 03/31/2022	184,346,146.92	184,346,146.92	184,346,146.92	-
Total	Value at 12/31/2021	220,736,699.69	220,411,153.55	220,761,877.40	48,401.86
	Net Change	16,109,447.23	14,941,462.53	16,106,206.73	2,097.11
	Value ending 03/31/2022	236,846,146.92	235,352,616.08	236,868,084.13	50,498.97

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	173,805,301.18	173,805,301.18	173,805,301.18	73.38%	1	0.273
Certificates of Deposit - Bank	4,000,000.00	4,000,000.00	4,000,000.00	1.69%	132	0.125
Money Market Fund Accounts	10,540,845.74	10,540,845.74	10,540,845.74	4.45%	1	0.030
Federal Agency Coupons	46,500,000.00	45,090,029.16	46,521,937.21	19.64%	628	0.332
State and Local Agency Coupons	2,000,000.00	1,916,440.00	2,000,000.00	0.84%	891	0.790
	36,846,146.92	235,352,616.08	236,868,084.13	100.00%	134	0.276

CITY OF MESQUITE
 PORTFOLIO DETAILS
 Jan 1 - Mar 31, 2022

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	Losses	Value	Value	Value	Interest	
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	3,743.00
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	2,000.92
TREAS	15-Jul-23	0.1800		2,000,000.00	1,985,704.00	1,998,191.19	0.00	0.00	(45,592.54)	2,000,000.00	1,952,890.00	1,998,482.54	524.86
TREAS	15-Jan-24	0.2600		2,000,000.00	1,975,078.00	1,994,616.09	0.00	0.00	(69,723.85)	2,000,000.00	1,925,546.00	1,995,269.85	524.86
TREAS	29-Feb-24	0.2900		2,000,000.00	2,068,124.00	2,089,579.76	0.00	0.00	(75,921.30)	2,000,000.00	2,003,438.00	2,079,359.30	4,130.43
TREAS	15-Mar-24	0.3000		2,000,000.00	1,976,406.00	1,997,813.26	0.00	0.00	(75,558.66)	2,000,000.00	1,922,500.00	1,998,058.66	230.98
TREAS	15-Apr-24	0.3200		2,000,000.00	1,980,312.00	2,002,326.13	0.00	0.00	(79,653.40)	2,000,000.00	1,922,422.00	2,002,075.40	3,461.54
TREAS	15-May-24	0.3200		2,000,000.00	1,973,124.00	1,996,476.73	0.00	0.00	(83,799.04)	2,000,000.00	1,913,046.00	1,996,845.04	1,892.27
TREAS	15-Apr-23	0.1800		2,000,000.00	1,993,360.00	2,001,823.68	0.00	0.00	(31,707.34)	2,000,000.00	1,969,766.00	2,001,473.34	2,307.69
TREAS	15-Jun-24	0.4000		2,000,000.00	1,970,938.00	1,992,722.13	0.00	0.00	(84,624.64)	2,000,000.00	1,908,828.00	1,993,452.64	1,469.78
TREAS	15-Jul-24	0.4200		2,000,000.00	1,975,704.00	1,997,669.25	0.00	0.00	(87,506.07)	2,000,000.00	1,910,390.00	1,997,896.07	1,574.59
TREAS	15-Aug-24	0.4400		2,000,000.00	1,974,062.00	1,996,695.88	0.00	0.00	(90,911.03)	2,000,000.00	1,906,094.00	1,997,005.03	932.32
TREAS	15-Sep-24	0.6800		2,000,000.00	1,972,188.00	1,983,778.42	0.00	0.00	(83,458.40)	2,000,000.00	1,901,796.00	1,985,254.40	346.47
TREAS	15-Oct-24	0.7100		2,000,000.00	1,984,218.00	1,995,478.78	0.00	0.00	(85,094.42)	2,000,000.00	1,910,782.00	1,995,876.42	5,597.52
TREAS	15-Nov-24	0.9400		2,000,000.00	1,989,218.00	1,989,378.40	0.00	0.00	(77,005.67)	2,000,000.00	1,913,282.00	1,990,287.67	5,345.31
FC	10-May-23	0.1900		2,000,000.00	1,988,199.42	1,998,262.87	0.00	0.00	(35,807.11)	2,000,000.00	1,962,773.84	1,998,580.95	979.17
FC	23-Nov-22	0.1200		2,000,000.00	1,995,874.08	1,998,898.38	0.00	0.00	(14,513.67)	2,000,000.00	1,984,691.50	1,999,205.17	888.89
FC	2-Oct-23	0.2000		2,000,000.00	1,992,064.16	1,997,935.84	0.00	0.00	(51,213.21)	2,000,000.00	1,947,013.62	1,998,226.83	1,988.89
FHLB	17-Mar-23	0.1800		2,000,000.00	1,990,813.56	1,998,669.36	0.00	0.00	(28,514.72)	2,000,000.00	1,970,427.68	1,998,942.40	97.22
FHLB	2-Jun-23	0.1700		2,500,000.00	2,482,411.98	2,498,364.47	0.00	0.00	(52,361.19)	2,500,000.00	2,446,288.28	2,498,649.47	1,032.99
FHLB	8-Dec-23	0.2500		2,000,000.00	1,981,534.76	2,001,744.69	0.00	0.00	(63,582.33)	2,000,000.00	1,937,913.50	2,001,495.83	1,569.44
FHLMC	24-Aug-23	0.2500		2,000,000.00	1,987,207.24	1,999,964.24	0.00	0.00	(50,155.99)	2,000,000.00	1,949,813.58	1,999,969.57	513.89
FHLMC	8-Sep-23	0.2500		2,000,000.00	1,986,620.90	2,000,021.53	0.00	0.00	(50,321.87)	2,000,000.00	1,949,696.50	2,000,018.37	319.44
FHLMC	16-Oct-23	0.1200		2,000,000.00	1,980,421.08	1,995,423.53	0.00	0.00	(56,243.14)	2,000,000.00	1,939,811.74	1,996,054.88	1,145.83
FHLMC	6-Nov-23	0.2500		2,000,000.00	1,982,510.68	1,999,373.10	0.00	0.00	(58,638.46)	2,000,000.00	1,940,818.92	1,999,457.38	2,013.89
MUNI	1-Oct-24	0.7900		2,000,000.00	1,988,360.00	2,000,000.00	0.00	0.00	(83,560.00)	2,000,000.00	1,916,440.00	2,000,000.00	5,866.78
Subtotal				52,500,000.00	52,174,453.86	52,525,177.71	0.00	0.00	(1515,468.05)	52,500,000.00	51,006,469.16	52,521,937.21	50,498.97
Investment Class: Fair Value External Pool													
Texpool		0.1540		8,516,262.77	8,516,262.77	8,516,262.77	15,041,205.61	(23,000,000.00)	0.00	557,468.38	557,468.38	557,468.38	0.00
TexStar		0.1070		5,448,037.99	5,448,037.99	5,448,037.99	584.53	0.00	0.00	5,448,622.52	5,448,622.52	5,448,622.52	0.00
Morgan Stanley		0.0300		10,540,170.31	10,540,170.31	10,540,170.31	675.43	0.00	0.00	10,540,845.74	10,540,845.74	10,540,845.74	0.00
Texas CLASS		0.2860		71,467,699.59	71,467,699.59	71,467,699.59	15,034,671.29	0.00	0.00	86,502,370.88	86,502,370.88	86,502,370.88	0.00
TexPool Prime		0.2720		72,264,529.03	72,264,529.03	72,264,529.03	15,032,310.37	(6,000,000.00)	0.00	81,296,839.40	81,296,839.40	81,296,839.40	0.00
Subtotal				168,236,699.69	168,236,699.69	168,236,699.69	45,109,447.23	(29,000,000.00)	0.00	184,346,146.92	184,346,146.92	184,346,146.92	0.00
Total Pool Investments				220,736,699.69	220,411,153.55	220,761,877.40	45,109,447.23	(29,000,000.00)	(1,515,468.05)	236,846,146.92	235,352,616.08	236,868,084.13	50,498.97