



TREASURER-TAX COLLECTOR VENTURA COUNTY

STEVEN HINTZ
TREASURER
TAX COLLECTOR

Sue Horgan
Assistant Treasurer-Tax Collector

January 11, 2022

Ventura County Board of Supervisors
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Receive and File Report of Investments, Including Market Values for Investments for the Month Ending November 30, 2021.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

This report covers the one-month period ending November 30, 2021. The best news of the month is that Standard & Poor's Global Ratings affirmed our AAf/S1+ rating on November 22.

The **average daily portfolio balance** for November was \$3.183 Billion. The balance will increase for the next two months. This is the highest November balance ever, by \$266 million. The portfolio balance on December 14th topped \$3.7 billion, the highest balance ever.

The **annualized percentage yield**, net of administrative fees, for November was 0.250%, a decrease from October. Most of the volatility has gone out of the interest rate market and yields have steadied. There are credible suggestions that the market has hit bottom and that yields will rise later in 2021. I believe inflationary pressures will result in yield increases. The market sensed change, sooner than later, and yields appear to be set to increase.

In November, the portfolio's **net annualized percentage yield exceeded all three of our benchmarks**, shown at the far right of Exhibit 5. We are considering trading out the Heritage MMF, which has never been a challenging benchmark, for an index more similar to our pool.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's gross **approximate yield to maturity** would be 0.30%, as the market steadied.

The **total net earnings** for November were \$797,673, a slight increase from October that reflects the slight increase in portfolio size. Exhibit 7 shows the repetitive seasonal pattern that has existed for several years, although this decline has been steeper, deeper, and longer-lasting because market rates fell faster and stayed low. I am reasonably confident that Exhibits 5, 6, and 7 will show upward movement in the spring.

The **weighted average days to maturity** fell to 343 days. The interest-rate sensitivity measure of **effective duration** fell to 0.576. Both numbers are comfortably within expectations for LGIP programs like ours. I intend to reduce the days to maturity as we move into the heavy property tax payment season.

I have added Exhibit 9, a useful pie chart that graphically illustrates the portfolio holdings by S&P ratings. Over 55% of the portfolio is in the highest short-term and long-term rating category (A-1+ and AAA), which is one significant reason for our continued receipt of S&P's highest rating.

The **three largest sectors**, by percentage, were: Commercial Paper (27.48%), Yankee Certificates of Deposit (26.35%), and Government Agencies (17.82%). The **three largest issuers**, by percentage, were: Federal Home Loan Bank (13.67%), Toyota Motor Credit Corporation (8.55%), and Toronto Dominion Bank NY (8.33%). The **three highest-yielding sectors**, by annualized percentage yield, were: Municipal Bonds (0.556%), Government Agencies (0.487%), and Supranationals (0.455%).

The portfolio has been managed with the stated objectives of safety, liquidity, and earning a competitive return, as outlined in the Statement of Investment Policy. In striving to maintain **the primary objective, safety of principal**, the County of Ventura has continuously maintained a rating of AAf/S1+ by Standard & Poor's, the highest rating given by that agency, and re-affirmed in November 2021. The rating reflects S&P's opinion that the portfolio is well-managed, credit-worthy, well-diversified, and has a low sensitivity to interest rate variations. Regarding **the secondary objective of maintaining sufficient liquidity** to meet cash flow needs, the portfolio maintains significant cash reserves in the County's bank, as well as significant holdings in LAIF and CalTrust. The portfolio has the ability to meet its participants' expenditure requirements for the next six months, pursuant to a daily study of projected cash flows. All of the portfolio's assets have a well-developed resale market, although, of course, it is our policy not to sell. **Earning a competitive rate of return** is reflected by our performance against our benchmarks, even though they each have less restrictive investment policies than ours, and they either have no S&P rating such as LAIF, or a lower S&P rating such as CalTrust.

The portfolio has been managed for several months on the assumption that monthly yields will decline. The Investment Work Group has switched its focus to the challenges of investing in a steady market without approaching the boundaries imposed by our Statement of Investment Policy and by the Standard and Poor's rating team.

This letter has been reviewed and approved as to form by the County Executive Office, the Auditor-Controller's Office, and County Counsel.

Please contact me at 805-654-3726 if you have any questions or require further information regarding this item.

Sincerely,



STEVEN HINTZ
Treasurer-Tax Collector

- Exhibit 1 – Wells Fargo Market Cost Value Comparison Report – November 30, 2021
- Exhibit 2 – Monthly Transactions Report – November 2021
- Exhibit 3 – Portfolio Average Monthly Balance Graph – November 2019-2021
- Exhibit 4 – Average Maturity Graph – November 2019-2021
- Exhibit 5 – Yield Comparison Graph – November 2020-2021
- Exhibit 6 – Rolling 2-Year % Yield Graph – November 2019-2021 (Ventura)
- Exhibit 7 – Rolling 2-Year \$ Yield Graph – November 2019-2021
- Exhibit 8 – Portfolio Holdings by Class Graph – November 2021
- Exhibit 9 – Portfolio Holdings by S&P Credit Ratings Graph – November 2021
- Exhibit 10 – Standard & Poor's AAAf_S1+ Rating Affirmation – November 22, 2021