

# County of Riverside

## Treasurer's Pooled Investment Fund

July 2020

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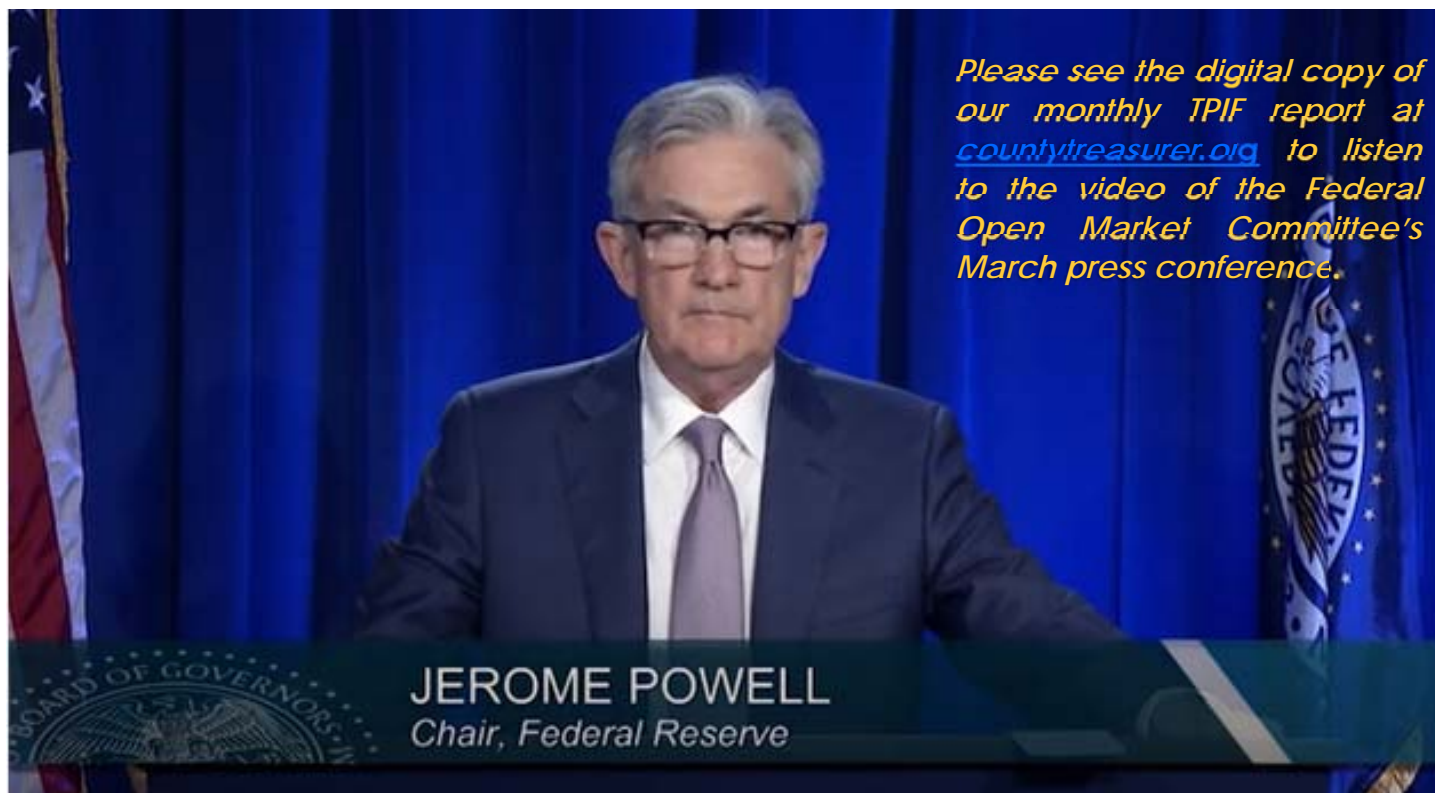
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# Treasurer's Pooled Investment Fund

## Monthly Commentary

### Despite Second Wave, Progress Being Made

The resurgence of Covid-19 and its economic impact dominated the front-page news in July and pushed trade tension and geopolitics to the back pages. The United States economy suffered its worst quarter since World War II, with the GDP shrinking by an annualized rate of 32.9% in the April–June period. Treasury rates moved lower and continued to push the Treasurer's Pooled Investment Fund's (TPIF) yield lower.

Concerns over the economic fallout increased as the United States surpassed three million COVID-19 cases and set a daily record of 62,021 new cases. Progress in the development of a vaccine sporadically punctuated the negative trend in the resurgence of the spread of Covid-19. In this context, Non-Farm Payroll came in strong at 4.8 million new jobs and the Unemployment Rate of 11.1% was an improvement from prior 13.3%. On the other hand, a 32.9% QoQ drop in GDP confirmed the market view that we are in a steep recession.

Weekly initial jobless claims flat lined

at 1.3 million, and while a vast improvement over the 6 million+ number printed at the depth of this crisis, it is still daunting compared to the 225,000-level averaged during the good times of 2019.

The National Association of Home Builders Index posted at 72 vs 58 the prior month and housing starts posted a 17.3% MoM increase. Continuing a trend seen in previous months, most of the home sales and building activity is occurring in nonurban areas. Riverside County seems to be participating in this trend, with single family home prices for June rising to an average of \$430,000, a 7.8% increase over the last 12 months.

Fiscal support was provided by the President signing into law an extension of the Paycheck Protection Program, extending the filing deadline to August 8th. The Federal Open Market Committee (FOMC) once again voted to keep the Federal funds rate unchanged at the target range of 0.0% to 0.25%. Fed Chair Jerome Powell re-affirmed its commitment to provide monetary support as he stated

that the FOMC "is not even thinking about thinking about raising rates".

Equity markets shrugged off the negative news to finish the month higher. The S&P 500 moved up by 5% in July. The dovish statement from the FED moved rates lower. The US Treasury yield curve shifted slightly lower with bills and notes across the maturity spectrum decreasing by 2 to 23 basis points at each maturity point. The three-month Treasury Bill rate fell from 0.129% to 0.084%; and the 5-year treasury note rate fell from 0.312% to 0.204

July ended with Fitch placing the US credit rating on Negative Outlook while affirming the 'AAA' rating. While a below AAA rating of the US would potentially drag down many credits, including the TPIF, the TPIF remains well positioned to weather the storm.

*Jon Christensen*  
Treasurer-Tax Collector

## Capital Markets Team

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Treasurer-Tax Collector

Matt Jennings  
Assistant Treasurer-Tax Collector

Giovane Pizano  
Chief Investment Manager

Steve Faeth  
Senior Investment Manager

Isela Licea  
Assistant Investment Manager

Hayden Nestande  
Prof Student Intern

## Treasurer's Statement

The Treasurer's Pooled Investment Fund is comprised of contributions from the county, schools, special districts, and other discretionary depositors throughout the County of Riverside. The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the Treasurer's control, meet the **liquidity needs** of the depositor, and to maximize a **return on the funds** within the given parameters.

The Treasurer-Tax Collector and the Capital Markets team are committed to maintaining the highest credit ratings. The Treasurer's Pooled Investment Fund is currently rated **Aaa-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**, two of the nation's most trusted bond credit rating services.

Since its inception, the Treasurer's Pooled Investment Fund has been in **full compliance** with the Treasurer's Statement of Investment Policy, which is more restrictive than California Government Code 53646.

## 6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Jul-20	7,518,644,766.16	7,493,729,391.77	24,915,374.39	0.33%	0.70	1.12
Jun-20	7,804,218,376.34	7,775,589,310.59	28,629,065.75	0.37%	0.77	1.12
May-20	8,196,871,029.51	8,166,677,324.99	30,193,704.52	0.37%	0.88	1.10
Apr-20	8,707,241,840.70	8,668,716,409.06	38,525,431.64	0.44%	1.15	1.01
Mar-20	7,300,500,274.82	7,261,665,325.07	38,834,949.75	0.53%	1.46	1.19
Feb-20	7,341,926,889.86	7,315,633,798.80	26,293,091.06	0.36%	1.80	1.16

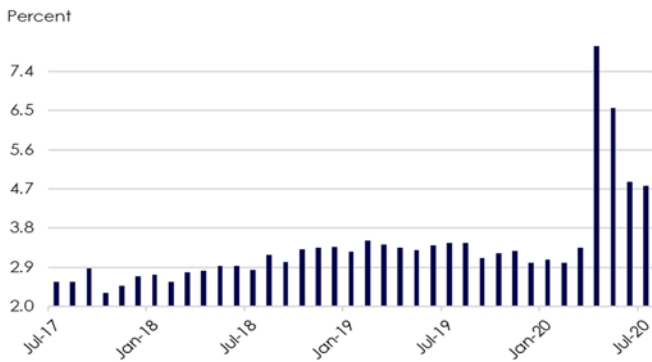
\*Market values do not include accrued interest.

# Economy

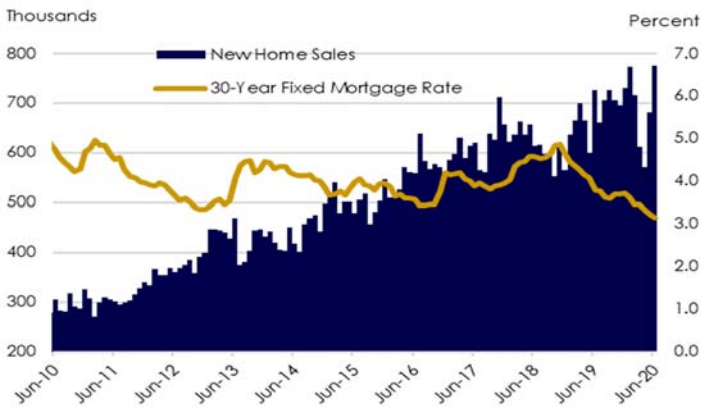
## National Economy

After significantly falling in March and April as coronavirus fears struck worldwide, consumer spending followed up the 8.5% gain in May with another increase of 5.6% in June. Oddly, these numbers contrast the data showing personal income was up 12.1% in April, mostly attributable to a wave of government aid, and down 4.4% and 1.1% in May and June respectively. As the \$600/week unemployment benefits are set to expire July 31<sup>st</sup>, lawmakers are contemplating next steps as some fear without this money or some reduced form of it, consumer spending will greatly decline and our economy will dive with it. Millions of Americans are relying on these checks, and the current outlook suggests that dependence is not going away in the short term. ([AP 07/31/20](#))

### Private Sector Average Hourly Earnings Y/Y



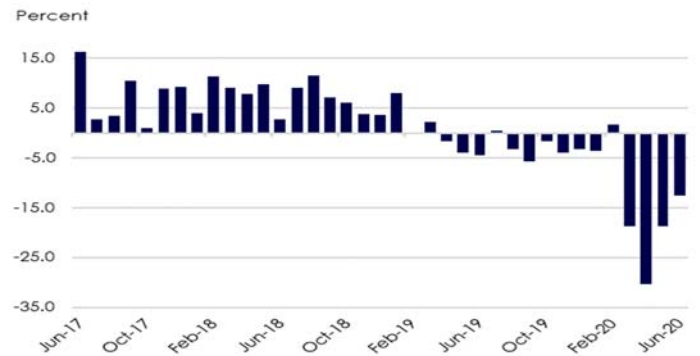
### New Home Sales SAAR



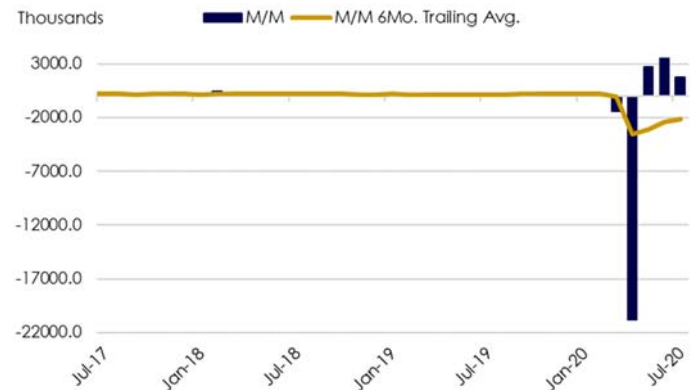
## State Economy

Offering a bright spot, the California housing market continues to trend upward. After sitting below 300,000 for two consecutive months and hitting a record low in May, home sales surged 42.4% in June to 339,910 units, the largest monthly increase on record. Still, this is below the June 2019 mark of 389,730 homes. Along with a surge in sales came a surge in prices. California home prices climbed 6.5% from May lows, even besting June 2019 prices by 2.5%, posting a median price of \$626,170.00 in June 2020. ([PRNewswire 07/16/20](#)) Riverside County is certainly contributing to the positive housing market. The median sale price is up 7.8% YoY to \$430,000, just below the \$432,000 high seen during the housing bubble. Analysts expect a new record high to come soon. ([PE 07/27/20](#))

### Durable Goods Percent Chg. Y/Y



### Nonfarm Payrolls Total M/M Change SA



## Key Economic Indicators

Release Date	Indicator	Actual	Consensus	Prior Year
07/30/2020	Real GDP - Q/Q Change	-32.9%	-34.5%	2.1%
07/02/2020	Unemployment Rate - Seasonally Adjusted	11.1%	12.5%	3.7%
07/02/2020	Non-Farm Payrolls - M/M Change - Thousands	4,800	3,230	224
07/14/2020	CPI - Y/Y Change	0.6%	0.6%	1.6%
07/14/2020	CPI Ex Food and Energy - Y/Y Change	1.2%	1.1%	2.1%
07/06/2020	ISM Non-Manufacturing Index (> 50 indicates growth)	57.1	50.2	55.1
07/24/2020	New Home Sales - SAAR - Thousands	776	700	646
07/02/2020	Factory Orders - M/M Change	8.0%	8.6%	-0.7%
07/02/2020	Durable Goods Orders - New Orders - M/M Change	15.7%	18.8%	-1.3%

\*Note: 'Prior Year' displays final estimates of indicator values from the equivalent period of the prior year.

# Market Data

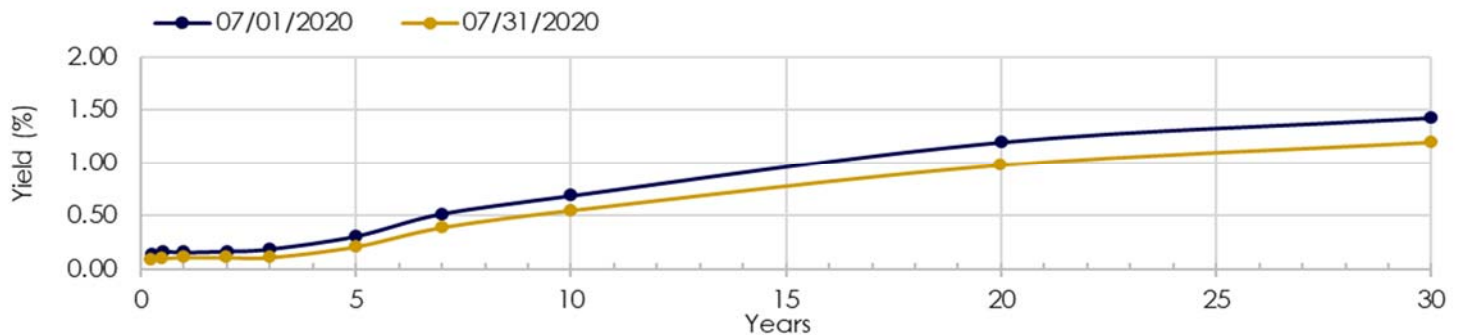
## Federal Open Market Committee Meeting 07/29/2020

- The FOMC stated that the Corona virus outbreak is causing tremendous human and economic hardship across the U.S., and will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risk to the economic outlook over the medium term.
- The FOMC maintained the Fed Funds Target Range of 0.0-0.25%
- The FOMC stated in their July statement that “it is committed to using its full range of tools to support the U.S. economy and to help assure that the recovery from this difficult period will be as robust as possible.”

## Fed Funds Target Rate (Upper Limit)



## U.S. Treasury Curve

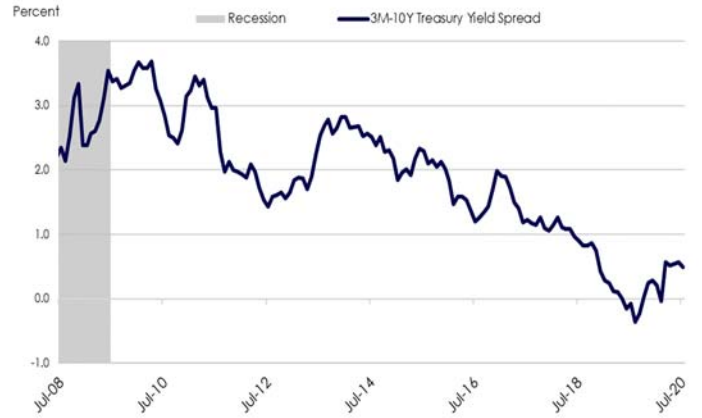
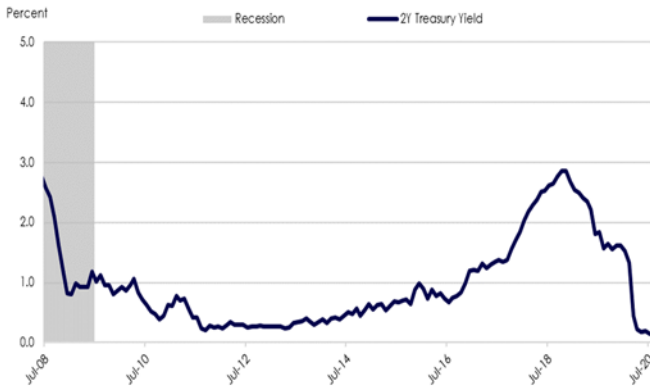


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
07/31/2020 - 07/01/2020	-0.05	-0.07	-0.05	-0.06	-0.08	-0.10	-0.14	-0.23
07/31/2020	0.09	0.10	0.11	0.11	0.11	0.21	0.55	1.20
07/01/2020	0.14	0.17	0.16	0.17	0.19	0.31	0.69	1.43

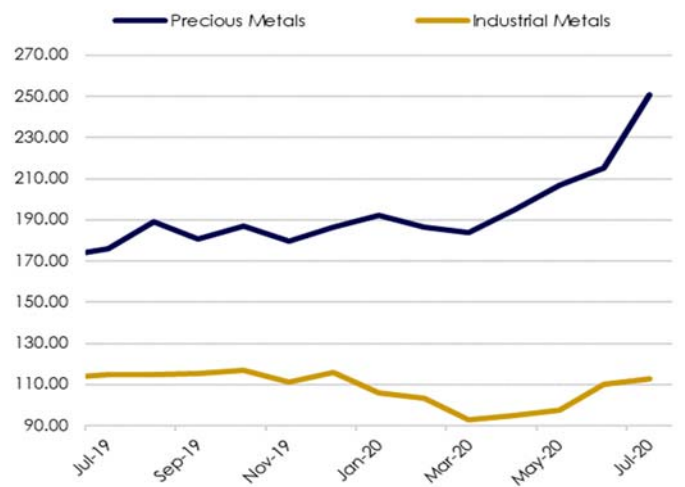
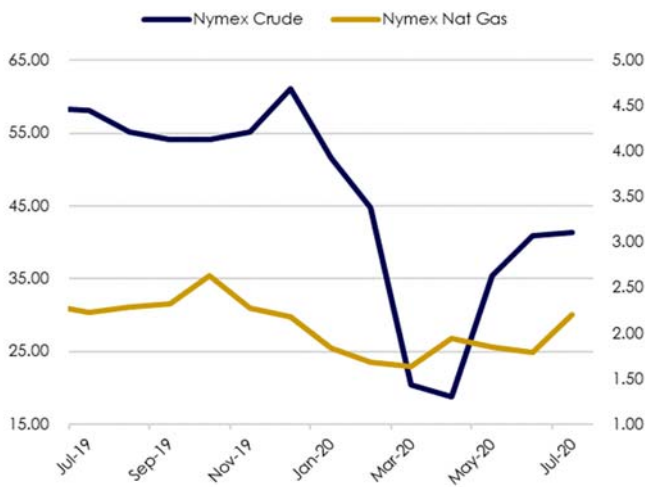
The US Treasury Curve and its values are subject to frequent change and will be updated monthly with each issued TPIF report.

# Market Data cont'd

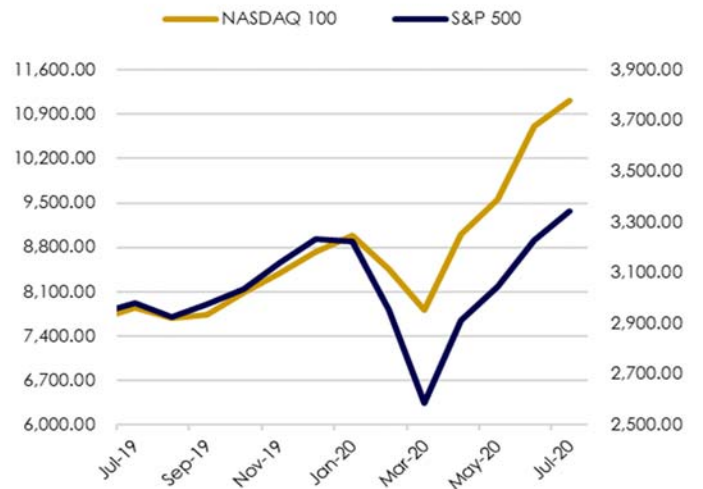
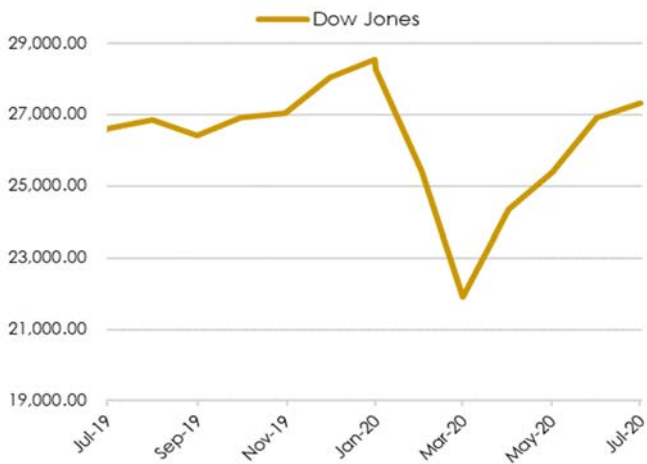
## U.S. Treasuries



## Commodities



## Stocks



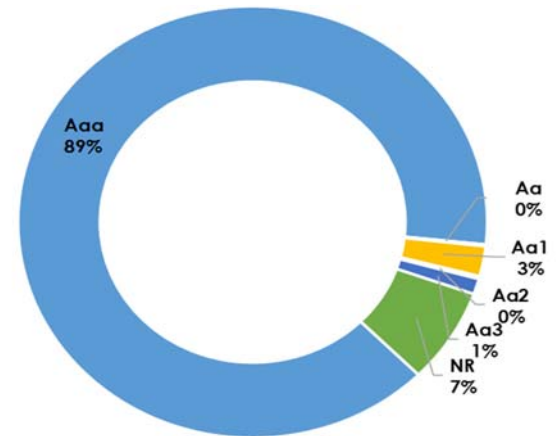
\* Values listed for commodities and stocks are in US dollars and are as of the final business day of each month.

# Portfolio Data

The County of Riverside's Treasurer's Pooled Investment Fund is currently rated **AAA-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**.

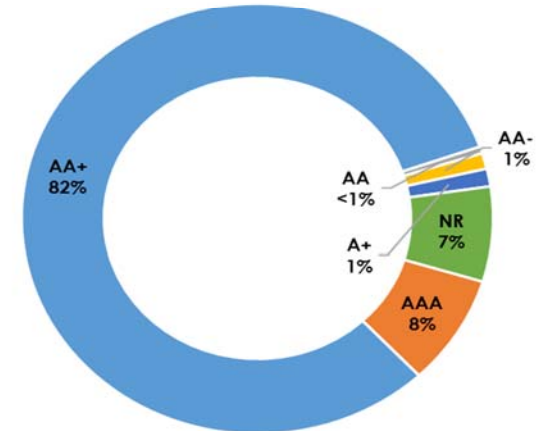
## Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>Aaa</b>	6,684,853.94	100.35%	89.17%	0.66%
<b>Aa</b>	10,000.00	101.45%	0.13%	2.22%
<b>Aa1</b>	168,495.00	100.30%	2.25%	1.74%
<b>Aa2</b>	15,415.00	100.00%	0.21%	2.68%
<b>Aa3</b>	87,215.00	100.00%	1.16%	2.86%
<b>NR</b>	531,000.00	100.21%	7.08%	0.48%
<b>Totals:</b>	<b>7,496,978.94</b>	<b>100.33%</b>	<b>100.00%</b>	<b>0.70%</b>



## S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>AAA</b>	619,364.00	100.30%	8.26%	0.42%
<b>AA+</b>	6,120,008.94	100.36%	81.63%	0.70%
<b>AA</b>	38,391.00	99.92%	0.51%	1.81%
<b>AA-</b>	88,215.00	100.00%	1.18%	2.84%
<b>A+</b>	100,000.00	100.00%	1.33%	1.63%
<b>NR</b>	531,000.00	100.21%	7.08%	0.48%
<b>Totals:</b>	<b>7,496,978.94</b>	<b>100.33%</b>	<b>100.00%</b>	<b>0.70%</b>



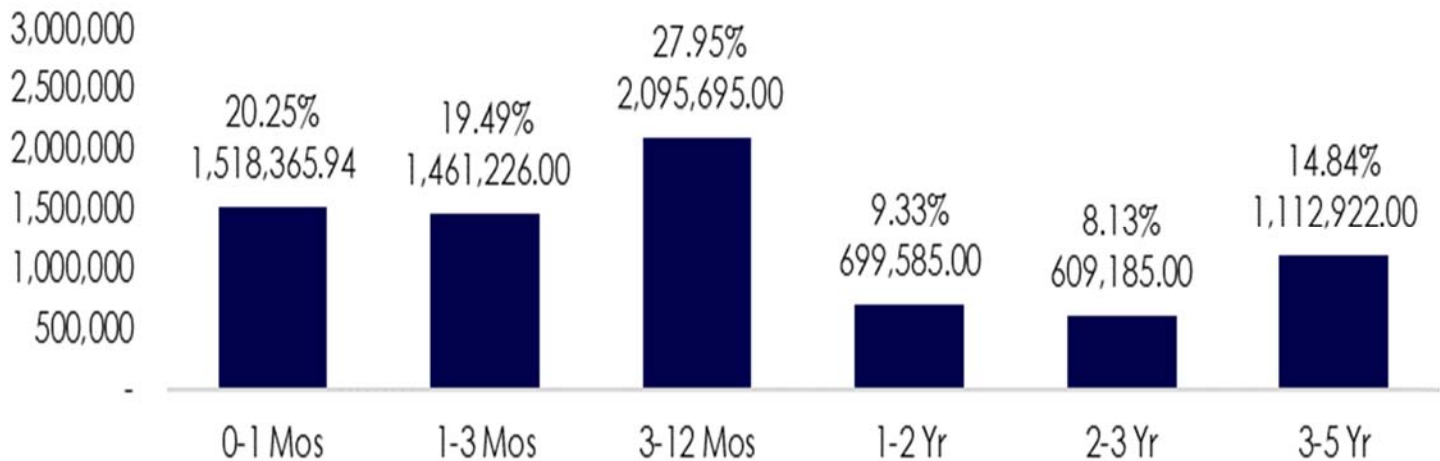
## 12-Month Projected Cash Flow

Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
08/2020					36.35		
08/2020	986.77	1,164.92	-178.15	141.80	-	1,668.37	
09/2020	1,085.65	1,145.14	-59.49	59.49	-	788.98	
10/2020	1,249.55	1,343.18	-93.63	93.63	-	722.25	
11/2020	1,205.40	1,074.70	130.70		130.70	470.10	
12/2020	2,348.61	1,073.38	1,275.23		1,405.93	-	
01/2021	1,078.90	1,910.81	-831.91		574.02	551.51	
02/2021	1,005.21	1,217.34	-212.13		361.89	265.00	
03/2021	1,497.96	1,092.59	405.37		767.26	215.26	
04/2021	2,103.36	1,289.52	813.84		1,581.10	76.17	
05/2021	2,100.00	1,086.87	1013.13		2,594.23	282.65	
06/2021	1,044.31	1,802.91	-758.60		1,835.63	25.00	
07/2021	1,034.19	1,472.64	-438.45		1,397.18	10.00	
<b>TOTALS</b>	<b>16,739.91</b>	<b>15,674.00</b>	<b>1,065.91</b>	<b>294.92</b>	<b>10,684.29</b>	<b>5,075.29</b>	<b>7,198.80</b>
				<b>3.94%</b>		<b>67.73%</b>	<b>96.06%</b>

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of

# Portfolio Data cont'd

## Asset Maturity Distribution (Par Value, 000's)

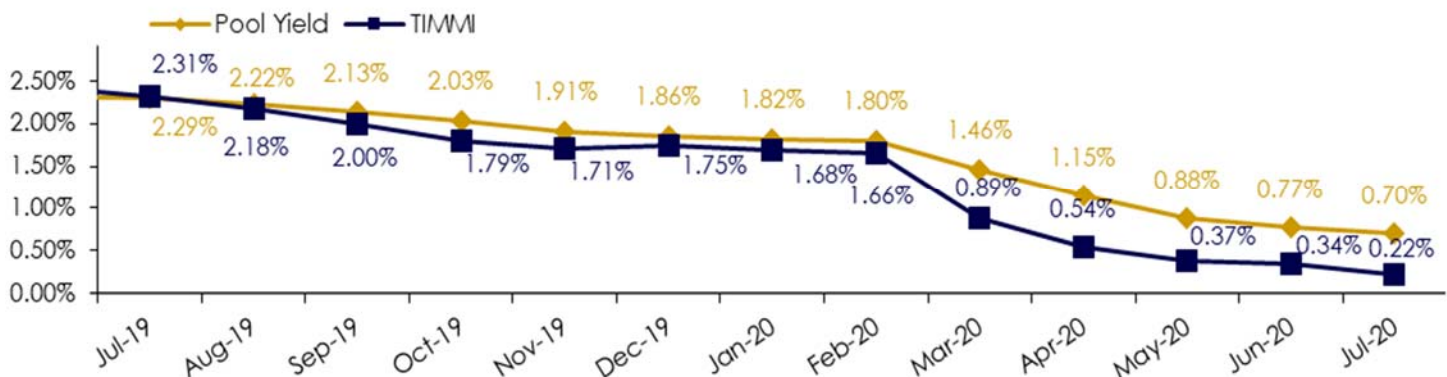


## Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	2,199,547.55	2,206,293.34	100.31%	0.64%	0.39	0.39
AGENCIES	3,962,203.41	3,978,045.40	100.40%	0.71%	0.76	1.84
MMKT	524,000.00	524,000.00	100.00%	0.12%	0.00	0.00
CASH	351,000.00	351,000.00	100.00%	0.40%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	0.89%	0.00	0.00
COMM PAPER	149,454.36	149,970.38	100.35%	0.64%	0.15	0.15
CDS	100,000.00	100,000.00	100.00%	1.63%	0.48	0.72
MEDIUM TERM NOTES	82,836.63	84,648.21	102.19%	2.56%	0.32	0.37
MUNI	120,663.47	120,663.47	100.00%	2.79%	1.03	1.03
<b>Totals:</b>	<b>7,493,729.40</b>	<b>7,518,644.77</b>	<b>100.33%</b>	<b>0.70%</b>	<b>0.542</b>	<b>1.12</b>

\* For details on the Pool's composition see Month End Portfolio Holdings, pages 9 to 13.

## TIMMI



The Treasurer's Institutional Money Market Index (TIMMI) is a composite index of four AAA rated prime institutional money market funds. Their average yield is compared to the yield of the Treasurer's Pooled Investment Fund in the above graph.



# Compliance Report

## Compliance Status: Full Compliance

The Treasurer's Pooled Investment Fund was in full compliance with the County of Riverside's Treasurer's Statement of Investment Policy. The County's Statement of Investment Policy is more restrictive than California Government Code 53646. The County's Investment Policy is reviewed annually by the County of Riverside's Oversight Committee and approved by the Board of Supervisors.

Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Remaining Maturity	Authorized % Limit	S&P/Moody's	Maximum Remaining Maturity	Authorized % Limit	S&P/Moody's/Fitch	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	1.61%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	29.35%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<0.00%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	52.87%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	1.99%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	1.33%
INT'L BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INT'L FINANCE CORPORATION	NA	NA	NA	4 YEARS	20%	AA/Aa/AA	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	1.11%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	0.05%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS <sup>(1)</sup>	20%	AAA/Aaa <sup>(2)</sup>	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	6.99%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	4.68%

<sup>1</sup> Money Market Mutual Funds maturity may be interpreted as a weighted average maturity not exceeding 60 days.

<sup>2</sup> Or must have an investment advisor with no fewer than 5 years experience and with assets under management of \$500,000,000 USD.

**THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.**











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TREASURER-TAX COLLECTOR  
CAPITAL MARKETS

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