

County of Riverside

Treasurer's Pooled Investment Fund

April 2020

Contents

2 | Treasurer's Pooled Investment Fund

3 | Economy

4 | Market Data

6 | Portfolio Data

8 | Compliance Report

9 | Month End Holdings



Please see the digital copy of our monthly TPIF report at [countytreasurer.org](https://www.countytreasurer.org) to listen to the video of the Federal Open Market Committee's press conference.

Federal Reserve Chair Jerome Powell during the April 29th FOMC press conference. Digital Image. Federal Reserve Board. <https://www.youtube.com/user/FedReserveBoard>

Treasurer's Pooled Investment Fund

Monthly Commentary

Economic Outlook Darkens

April saw infection rates peak and the debate shifted towards when, and how, to re-start economic and social activity. Historic unemployment claims and a collapse in many commodity prices darken the economic outlook. Treasury rates settled at the near zero rate levels set in March. The size of the TPIF peaked briefly in April when it reached \$8.9 billion, as a result of property tax collections and the receipt of the CARES Act funds. Near zero market rates continued to put downward pressure on the TPIF's yield this month.

On April 27th, the number of worldwide cases of COVID-19 surpassed three million. The United States accounted for more than a third of the total cases. As the infection rate peaked, data started to show the extent of the economic impact. Annualized 1Q GDP contracted by 4.8% Q/Q. A recession is defined as two consecutive quarters of negative GDP growth. A severe (GDP down by 10%) or prolonged (three or four years) recession is referred to as an economic depression.

On the employment front, the data was historic. Non-Farm Payrolls came in at -701,000 for March and the initial jobless claims for April total a historic -20.1 million.

Leading indicators like Durable Goods Orders pointed to more pain. The report for Durable Goods Orders for March reflected a 14.4% drop M/M.

Governments continued to provide support to alleviate the economic fallout of the coronavirus pandemic. In Europe, EU finance ministers agreed on a €540 billion loan package and in the U.S. the President signed a \$484 billion interim coronavirus relief bill that will add another \$310 billion to the small-business Paycheck Protection Program. In total, \$2.9 trillion in stimulus has been added in the U.S. to date. This has been financed by the U.S. Treasury via the issuance of Treasuries. On April 2nd alone, the Treasury Department sold \$220 billion in T-Bills, which eclipsed the previous record of \$164 billion sold on November 13th, 2018.

Collapse in demand for oil and an unexpected production war by two of the largest producers caused market concerns, as the price of crude oil fell from \$59.75 per barrel at the start of the year to \$18.84 at the end of the April. The collapse in oil prices shows how severe and unexpected the economic contraction has been. On April 1, Whiting Petroleum Corporation declared bankruptcy. Whiting was once the largest oil producer in

the Bakken shale region. With encouragement from the U.S. President, OPEC and allies struck a deal to cut oil production by 9.7 million barrels per day, the largest cut ever agreed upon. On a side note, U.S. oil prices for May contracts settled at an all-time low of -\$37.63 per barrel. This was the first time in history that oil futures contracts traded at negative prices.

The Federal Reserve announced it will support the U.S. economy by keeping rates near zero for the foreseeable future. Treasury yields in general dropped slightly during the month. The yield on the 2-year Treasury Note started at 0.25 and ended at .20. The yield on the 5-year Treasury Note started at 0.36 and ended at .35. The massive Federal reserve market intervention improved liquidity conditions for credit securities, as the 3-month LIBOR rate moved from 1.60 to 0.61 from the start to the end of the month. As funds continue to be invested at these lower rates, the TPIF yield will continue to decline, however it is still well positioned to weather a wave of credit downgrades and corporate distress.

Jon Christensen

Treasurer-Tax Collector

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.

Capital Markets Team

Jon Christensen
Treasurer-Tax Collector

Giovane Pizano
Chief Investment Manager

Steve Faeth
Senior Investment Manager

Isela Licea
Assistant Investment Manager

Hayden Nestande
Prof Student Intern

6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
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
Jan-20	7,653,741,469.47	7,633,961,510.96	19,779,958.51	0.26%	1.82	1.06
Dec-19	8,232,092,850.66	8,214,054,109.29	18,038,741.37	0.22%	1.86	1.01
Nov-19	6,701,954,259.60	6,686,612,679.23	15,341,580.37	0.23%	1.91	1.13

*Market values do not include accrued interest.

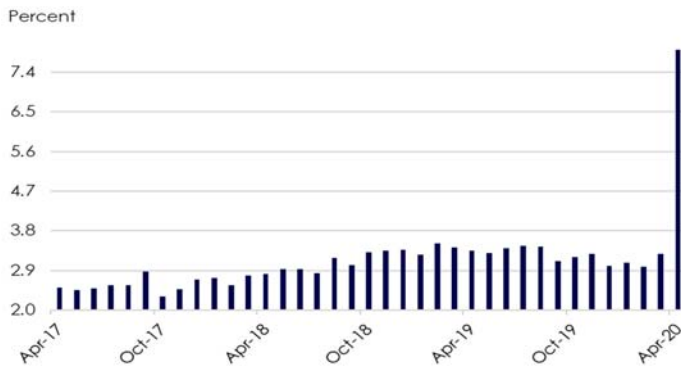
Economy

National Economy

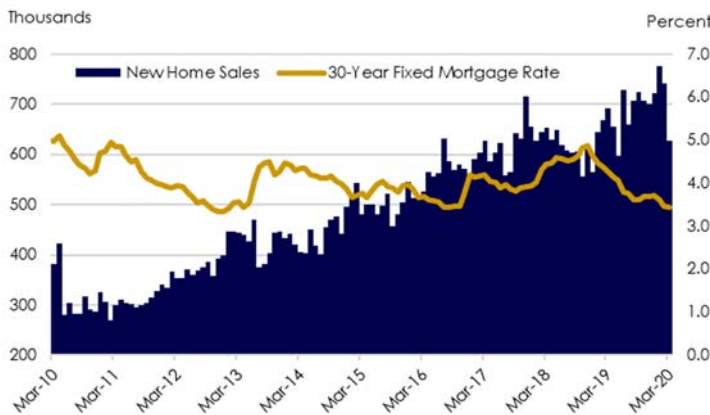
News cycles have been dominated by details on the pandemic's effects on employment. Both post WWII records, April saw a 20.5 million loss in non-farm payrolls and a 14.7% unemployment rate. For comparison, April 2019 saw a 163k increase in non-farm payrolls and the financial crisis unemployment rate peaked at 10%, and the Great Depression at roughly 24.9%. Perhaps more accurate, the "real" unemployment rate currently sits at 22.8%, well above the previous high of 17.2% in April 2010. [\[CNBC 05/08/20\]](#)

- Over the past five weeks, 26.45 million Americans have filed for unemployment. Since November 2009, our economy added 22.442 million jobs. In less than five weeks, a decade's worth of gains were wiped out. [\[CNBC 04/23/20\]](#)

Private Sector Average Hourly Earnings Y/Y



New Home Sales SAAR

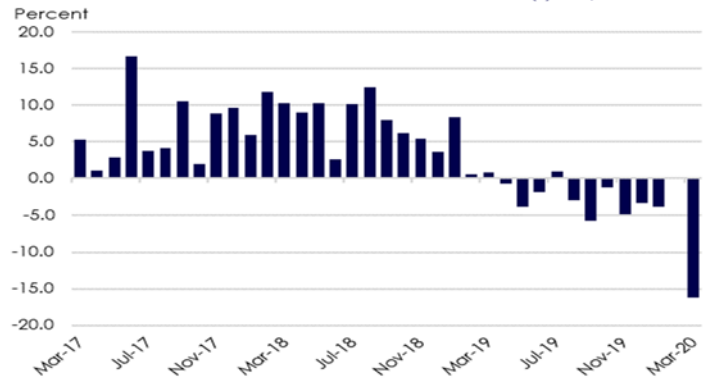


State Economy

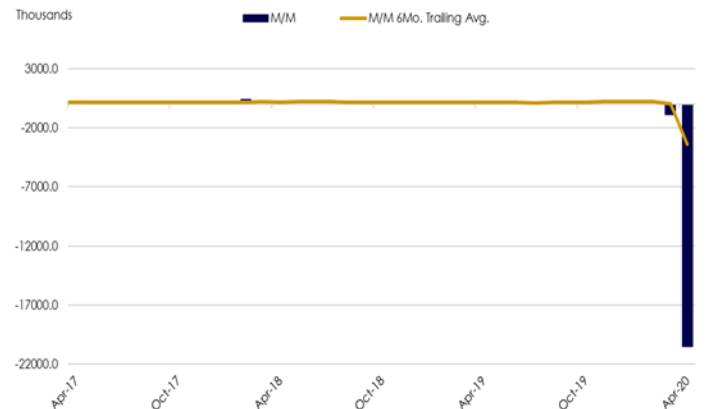
On April 28th, the California Employment Development Department (EDD) launched the Pandemic Unemployment Assistance (PUA) program. Since March 14th, the first day of unemployment claims related to Covid-19, EDD processed 4.1 million claims between the PUA and Unemployment Insurance (UI), and over a third of the total (\$22.9 billion) paid in benefits during the calendar year 2010, the highest year of demand during the recession. [\[EDD 05/07/20\]](#)

- Experts describe the California real estate market as "frozen" and compare it to Hong Kong during the 2003 SARS outbreak. Transaction levels greatly declined but home prices went relatively unchanged. The market bounced back with the economy as the epidemic played out. [\[LA TIMES 04/23/20\]](#)

Durable Goods Percent Chg. Y/Y



Nonfarm Payrolls Total M/M Change SA



Key Economic Indicators

Release Date	Indicator	Actual	Consensus	Prior Year
04/29/2020	Real GDP - Q/Q Change	-4.8%	-4.0%	3.2%
04/03/2020	Unemployment Rate - Seasonally Adjusted	4.4%	3.8%	3.8%
04/03/2020	Non-Farm Payrolls - M/M Change - Thousands	-701	-100	196
04/10/2020	CPI - Y/Y Change	1.5%	1.6%	1.9%
04/10/2020	CPI Ex Food and Energy - Y/Y Change	2.1%	2.3%	2.0%
04/03/2020	ISM Non-Manufacturing Index (> 50 indicates growth)	52.5	44.0	56.1
04/23/2020	New Home Sales - SAAR - Thousands	627	645	692
04/02/2020	Factory Orders - M/M Change	0.0%	0.2%	-0.5%
04/02/2020	Durable Goods Orders - New Orders - M/M Change	1.2%	1.2%	-1.6%

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

Market Data

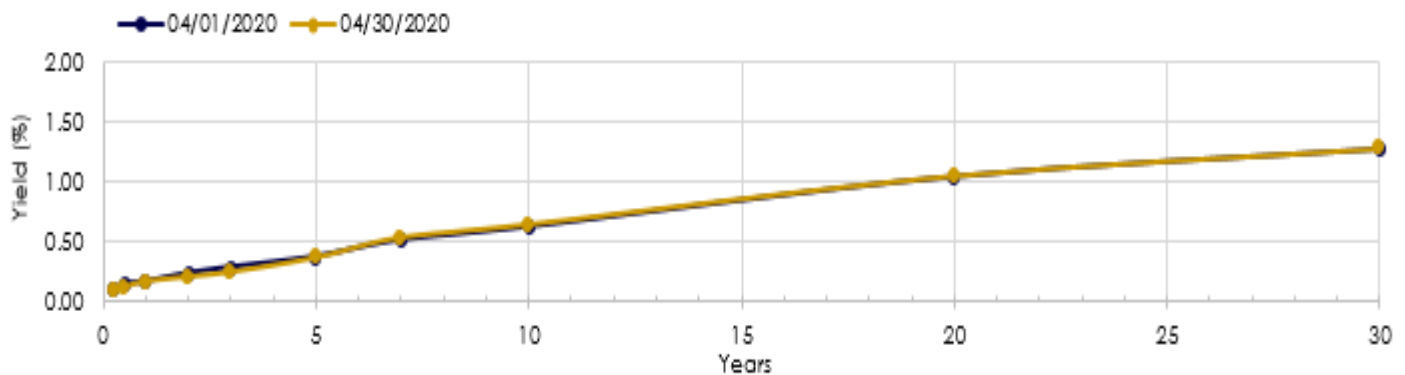
Federal Open Market Committee Meeting 04/29/2020

- 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 April statement that "it is prepared to use its full range of tools to support the U.S. in this challenging time, thereby promoting its maximum employment and price stability goals."

Fed Funds Target Rate (Upper Limit)



U.S. Treasury Curve

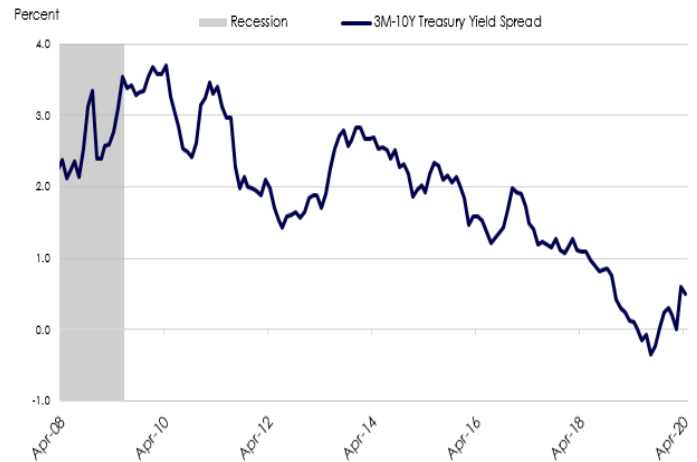


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
04/30/2020 - 04/01/2020	0.00	-0.03	0.00	-0.03	-0.04	-0.01	0.02	0.01
04/30/2020	0.09	0.11	0.16	0.20	0.24	0.36	0.64	1.28
04/01/2020	0.09	0.14	0.16	0.23	0.28	0.37	0.62	1.27

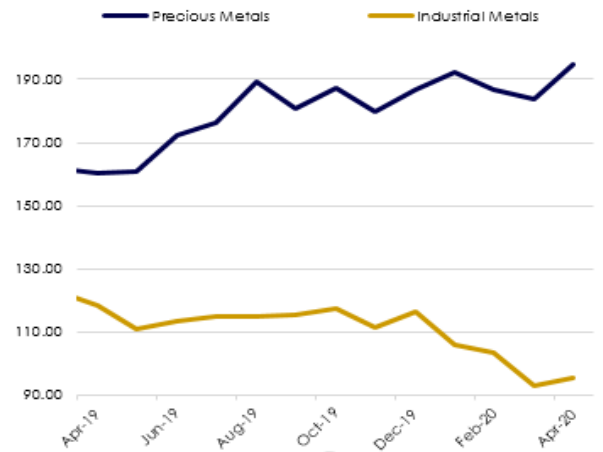
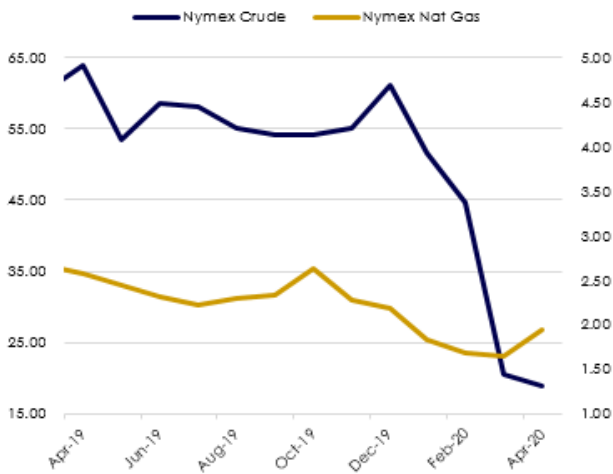
The US Treasury Curve and its values are subject to frequent change and will be updated monthly with each issued TPIF report.

Market Data cont'd

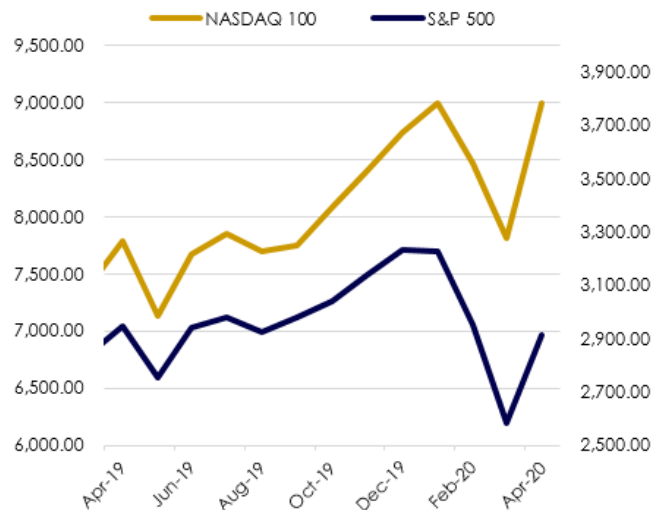
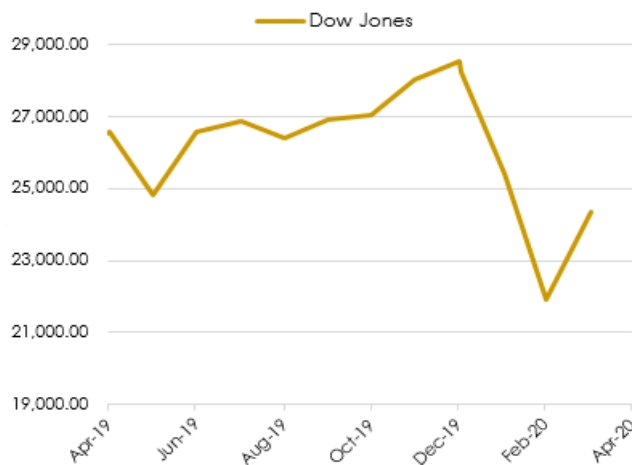
U.S. Treasuries



Commodities



Stocks



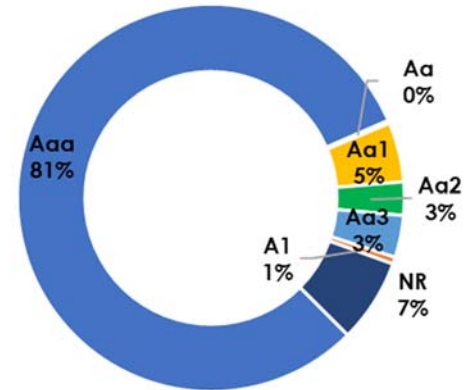
* Values listed for commodities and stocks are in US dollars and are as of the final business day of each month.

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**.

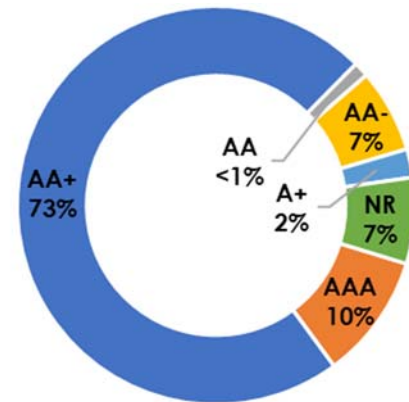
Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
Aaa	7,019,658.10	100.49%	80.98%	1.09%
Aa	20,000.00	100.91%	0.23%	2.06%
Aa1	432,487.92	100.24%	4.99%	1.72%
Aa2	236,425.56	100.40%	2.73%	1.48%
Aa3	305,100.13	100.38%	3.52%	2.08%
A1	50,000.00	100.00%	0.58%	1.75%
NR	605,044.70	100.17%	6.98%	0.83%
Totals:	8,668,716.41	100.44%	100.00%	1.15%



S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
AAA	882,969.56	100.24%	10.19%	0.48%
AA+	6,285,555.03	100.52%	72.51%	1.19%
AA	106,227.21	100.17%	1.23%	1.19%
AA-	588,919.91	100.40%	6.79%	1.92%
A+	200,000.00	100.00%	2.31%	1.74%
NR	605,044.70	100.17%	6.98%	0.83%
Totals:	8,668,716.41	100.44%	100.00%	1.15%



12-Month Projected Cash Flow

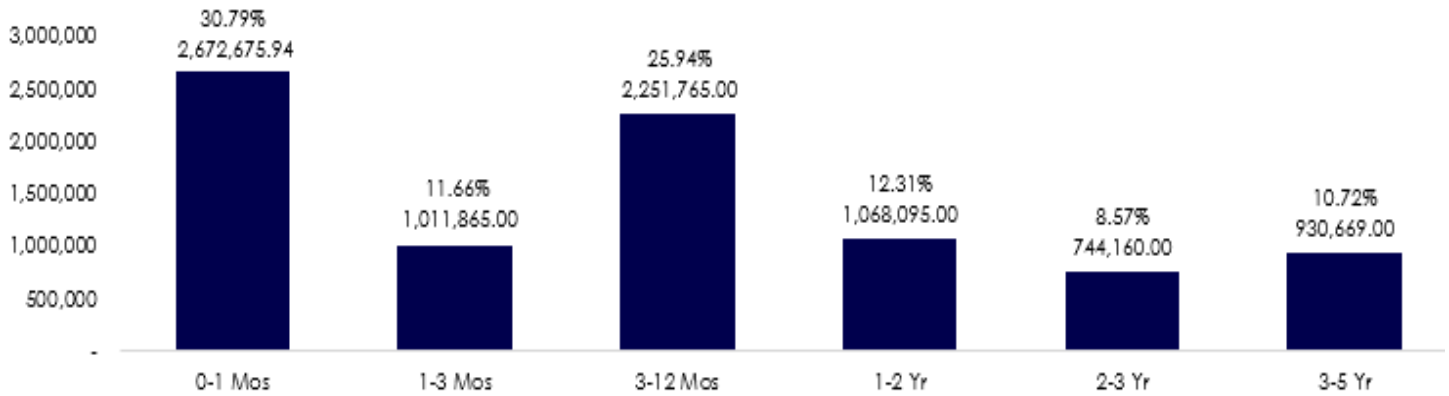
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
05/2020					143.58		
05/2020	1,086.86	1,939.63	(852.77)	709.19		2,697.68	
06/2020	1,044.30	1,802.91	(758.61)	758.61		570.04	
07/2020	1,034.18	1,472.64	(438.46)	438.46		501.83	
08/2020	986.77	1,164.92	(178.15)	178.15		373.35	
09/2020	1,085.65	1,145.14	(59.49)	59.49		413.98	
10/2020	1,249.55	1,343.18	(93.63)	93.63		347.25	
11/2020	1,205.40	1,074.70	130.70		130.70	320.10	
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	327.75	
02/2021	1,005.21	1,217.34	(212.13)		361.89		
03/2021	1,497.96	1,092.59	405.37		767.26	230.26	
04/2021	2,103.36	1,289.52	813.84		1,581.10	154.08	
TOTALS	15,726.75	16,526.76	(800.01)	2,237.53	4,964.48	5,936.32	6,431.18
				25.81%		68.48%	74.19%

* Values listed in Cash Flow Table are in millions of USD.

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of funds to cover County expenses for the next twelve months.

Portfolio Data cont'd

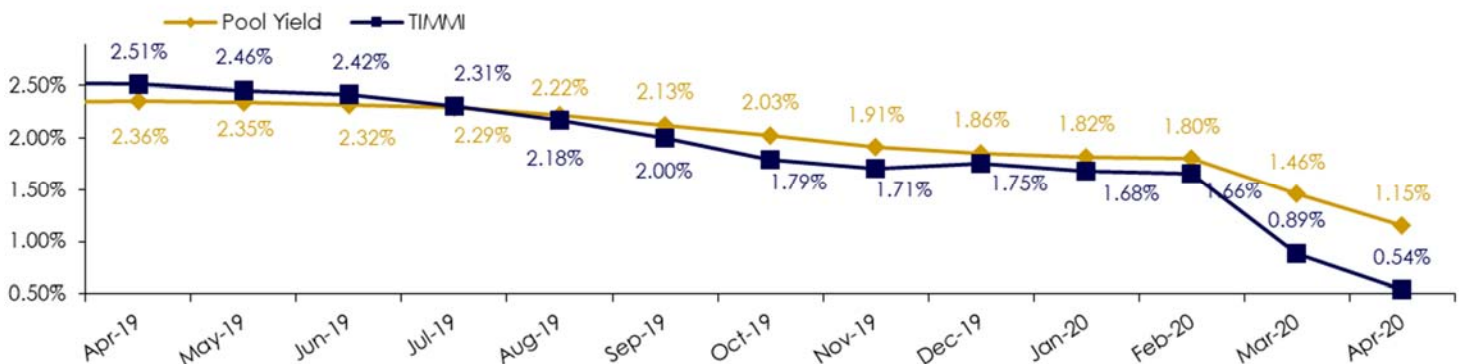
Asset Maturity Distribution (Par Value, 000's)



Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	1,050,312.06	1,059,579.25	100.88%	1.29%	0.72	0.72
AGENCIES	4,915,734.76	4,937,247.65	100.44%	1.10%	0.71	1.54
MMKT	799,000.00	799,000.00	100.00%	0.26%	0.00	0.00
CASH	375,000.00	375,000.00	100.00%	0.75%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	1.40%	0.00	0.00
COMM PAPER	921,180.02	926,754.38	100.61%	1.61%	0.08	0.08
CDS	100,000.00	100,000.00	100.00%	1.63%	0.48	0.72
NCDS	290,000.00	290,000.00	100.00%	1.81%	0.09	0.09
MEDIUM TERM NOTES	82,836.63	85,007.64	102.62%	2.56%	0.57	0.63
MUNI	130,588.96	130,588.96	100.00%	2.68%	1.20	1.20
LOCAL AGCY OBLIG	40.00	40.00	100.00%	2.41%	0.13	0.13
Totals:	8,668,716.40	8,707,241.84	100.44%	1.15%	0.534	1.01

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-	1.51%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	12.12%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	56.71%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	10.63%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	4.50%
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	0.96%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	0.05%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	9.22%
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	4.33%

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

² 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.

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
06052TH78	BANK OF AMERICA	07/01/2020	1.850	1.850	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.167	.170
			1.806	1.806	290,000,000.00	290,000,000.00	100.000000	290,000,000.00	0.00	.085	.086
	Total Fund		1.170	1.156	8,679,229,944.14	8,668,716,409.06	100.322746	8,707,241,840.70	38,525,431.64	.980	1.012
Grand Total			1.170	1.156	8,679,229,944.14	8,668,716,409.06	100.322746	8,707,241,840.70	38,525,431.64	.980	1.012



The Mission Inn, Downtown Riverside. Digital Image. *The Mission Inn*. <http://www.missioninn.com/about-en.html>.



COUNTY OF RIVERSIDE
TREASURER-TAX COLLECTOR
CAPITAL MARKETS

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