

City of Los Angeles

Office of Finance



Investment Report

September 30, 2021

Diana Mangioglu
Director of Finance/City Treasurer

Tom Juarez
Chief Investment Officer

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ERIC GARCETTI
MAYOR

October 28, 2021

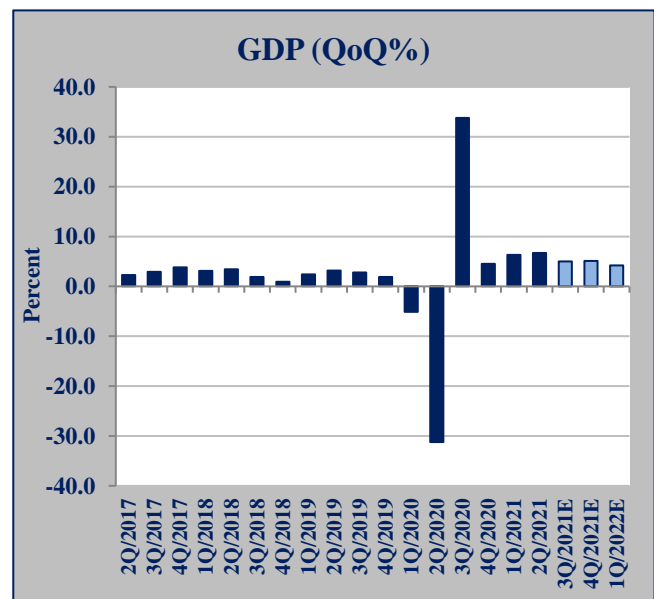
The Honorable Members of City Council of the City of Los Angeles
c/o Office of the City Clerk
City Hall, Room 395

Dear Honorable Members:

This is the Investment Report for the month ending September 30, 2021. It is provided to ensure the City Council is informed of the Department's activities. It satisfies the recommended reporting requirements of the City of Los Angeles Administrative Code, Chapter 5.1, Article 1, Section 20.90, which addresses the City Council's request for monthly financial information.

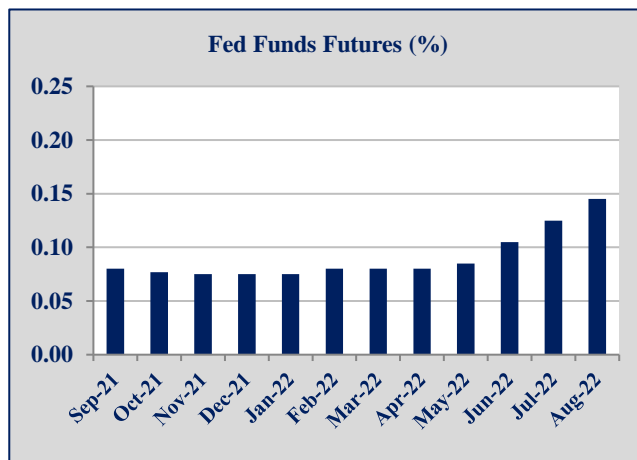
ECONOMIC ENVIRONMENT¹

The U.S. economy (as measured by the Gross Domestic Product-GDP) increased 6.7% on an annualized basis for the second quarter of 2021. The current anticipated growth rate for all of 2021 is 5.9%, which is 0.3% lower than last month's 2021 full-year forecast. The U.S. unemployment rate for September 2021 was 4.8%. The Consumer Price Index (CPI) increased 5.4% for the twelve months ending September 2021. Prices were up in large part due to wages, food, and a significant increase in energy. U.S. consumer spending, as measured by Retail Sales, increased 13.9% over the past twelve months.



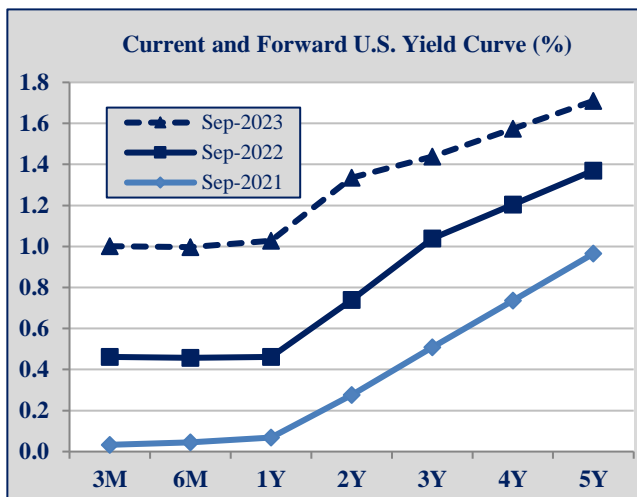
¹ Sources: Bloomberg Finance L.P.

The Federal Reserve kept the Fed Funds rate within the 0.0% and 0.25% range at its September 22, 2021 meeting. They stated, “With progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but the rise in COVID-19 cases has slowed their recovery. Inflation is elevated, largely reflecting transitory factors. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses”.



CURRENT AND FORWARD INTEREST RATES

The current U.S. Treasury yield curve is a normal, upwardly sloping curve—giving longer term investors more yield as they realize more interest rate risk than shorter term investors. Forward yield curves, which are based upon the current rates, indicate higher short-term rates and lower long-term rates in the future.



COMPLIANCE

Investment transactions were executed in accordance with the California State Government Code and the City’s Investment Policy. The City Treasurer believes the General Pool contains sufficient cash flow liquidity to meet the next six months of expected expenditures.

REVIEW AND MONITORING

FHN Financial Main Street Advisors, the City’s investment advisor, currently monitors the Department’s investment activities.

GENERAL POOL CHARACTERISTICS

The Office of Finance invests in a variety of fixed income securities in accordance with current policy and guidelines. The following table summarizes the key characteristics of the City's investment portfolios as of September 30, 2021.

Portfolio Funds	Amount of Funds at Market Value	Effective Yield	Average Weighted Maturity	Average Credit Rating
Core Portfolio	\$3,438,792,463	0.72%	102 Days	AA+
Reserve Portfolio	\$5,805,184,316	1.67%	2.8 Years	AA+
Extended Reserve Portfolio	\$2,794,161,928	1.04%	7.0 Years	AA+
General Pool	\$12,038,138,707	1.25%	3.0 Years	AA+

INVESTMENT PERFORMANCE¹

Month-End Book Yield (Annualized)

	Core	Reserve	Extended Reserve	General Pool
Month-End Book Yield	0.72%	1.67%	1.04%	1.25%
Benchmark	0.07%	0.57%	0.84%	0.49%
Variance	0.65%	1.10%	0.20%	0.76%

Total Return (Not Annualized)

	Core	Reserve	Extended Reserve	General Pool
Total Rate of Return	0.01%	-0.27%	-1.38%	-0.45%
Benchmark Total Rate of Return	0.01%	-0.28%	-1.43%	-0.46%
Variance	0.00%	0.01%	0.05%	0.02%

¹ Performance, as measured by total rate of return, is calculated according to Global Investment Performance Standards, which is published by the CFA Institute and is widely accepted as the source of industry standard performance metrics. Section 2.A.1 states that total return, including realized and unrealized gains and losses must be used. Figures may not total due to rounding.

The City measures investment returns on a book yield and a total return basis. Book yield is measured primarily for budgetary purposes, while total return is used primarily to measure risk. Investment performance calculated on a book yield basis is measured to custom benchmarks using industry-recognized benchmarks. Investment performance calculated on a total return basis is measured to established industry-recognized benchmarks. The tables on the previous page summarize the September 30, 2021 portfolio book yield and total rate of return for the City's General Pool.

Market prices are provided by the City's custodian. Additional investment information may be found on pages 6 through 35 of this report.

The objective of the Core Portfolio is to preserve capital, maintain liquidity, and earn income. The 3-month T-bill index is the most appropriate available index to use. The Core Portfolio does not mirror the investments in the total return index due to limited (Thursday) maturities, and the large daily cash flows of the City, which require the placement, and subsequent maturity of securities daily.

Respectfully,

Diana Mangioglu
Director of Finance/City Treasurer

Attachments

cc: The Honorable Ron Galperin, City Controller
Richard H. Llewellyn, Jr., Interim Mayor's Chief of Staff, Office of the Mayor
Jeanne Holm, Deputy Mayor of Budget and Innovation, Office of the Mayor
Matthew W. Szabo, Chief Legislative Analyst
Investment Reports File
Chronofile

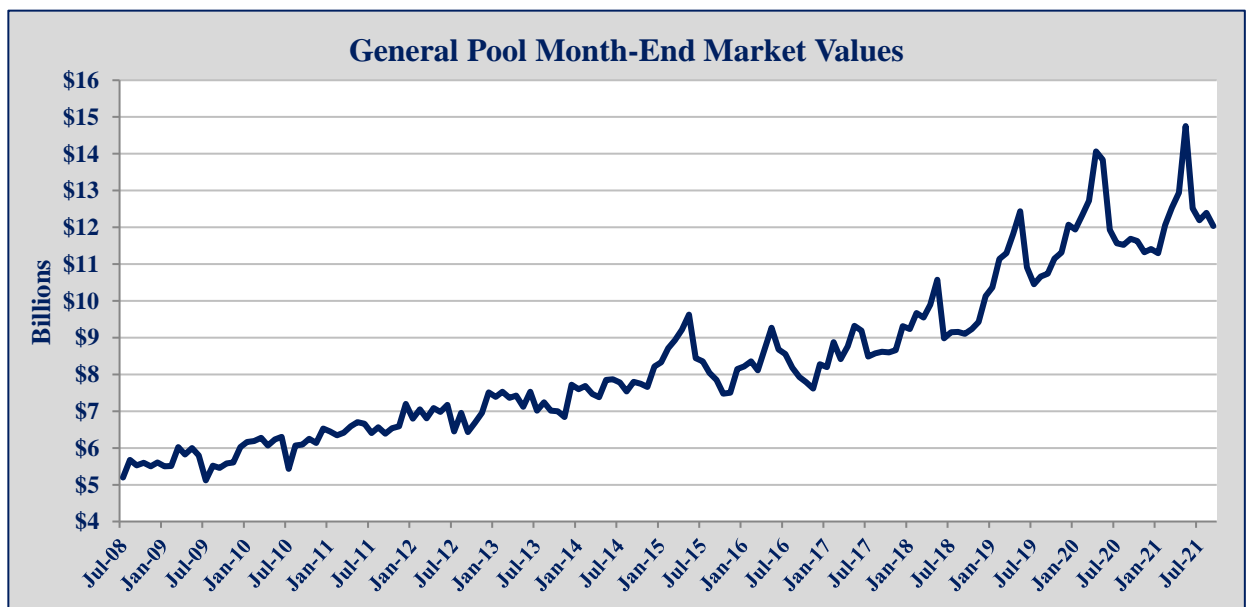
GENERAL POOL ASSET HOLDINGS

September 30, 2021

Description	Par Value	Market Value	Percent of Total	Average Days	Weighted Years
Bank Deposits*	\$10,000,000	\$10,000,000	0.08%	0	0.0
Money Market Funds	\$99,916,255	\$99,916,009	0.83%	0	0.0
L.A.I.F. (State of California)	\$199,997,897	\$199,997,897	1.66%	0	0.0
Subtotal: Cash and Overnight Invest.	\$309,914,152	\$309,913,906	2.57%	0	0.0
Commercial Paper	\$1,994,924,000	\$1,994,687,887	16.57%	43	0.1
Negotiable Certificates of Deposit	\$0	\$0	0.00%	0	0.0
Corporate Notes	\$287,000,000	\$289,703,720	2.41%	178	0.5
U.S. Agencies/Munis/Supras	\$115,000,000	\$116,309,350	0.97%	263	0.7
U.S. Treasuries	\$720,000,000	\$728,177,600	6.05%	252	0.7
Subtotal: Pooled Investments:	\$3,116,924,000	\$3,128,878,557	25.99%	113	0.3
Total Short-Term Core Portfolio:	\$3,426,838,152	\$3,438,792,463	28.57%	102	0.3
Money Market Funds	\$150,001	\$150,001	0.00%	0	0.0
Commercial Paper	\$0	\$0	0.00%	0	0.0
Negotiable Certificates of Deposit	\$0	\$0	0.00%	0	0.0
Corporate Notes	\$995,500,000	\$1,011,232,490	8.40%	1,087	3.0
Asset-Backed Securities	\$110,291,858	\$110,949,936	0.92%	1,419	3.9
U.S. Agencies/Munis/Supras	\$455,700,000	\$458,672,698	3.81%	1,675	4.6
U.S. Treasuries	\$6,888,000,000	\$7,018,341,120	58.30%	1,569	4.3
Total Long-Term Reserve Portfolios:	\$8,449,641,858	\$8,599,346,244	71.43%	1,516	4.2
Total Cash and Pooled Investments:	\$11,876,480,011	\$12,038,138,707	100.00%	1,112	3.0

*Collected Balance for Wells Fargo Active Accounts.

Figures may not total due to rounding.



GENERAL POOL LIQUIDITY SCHEDULE

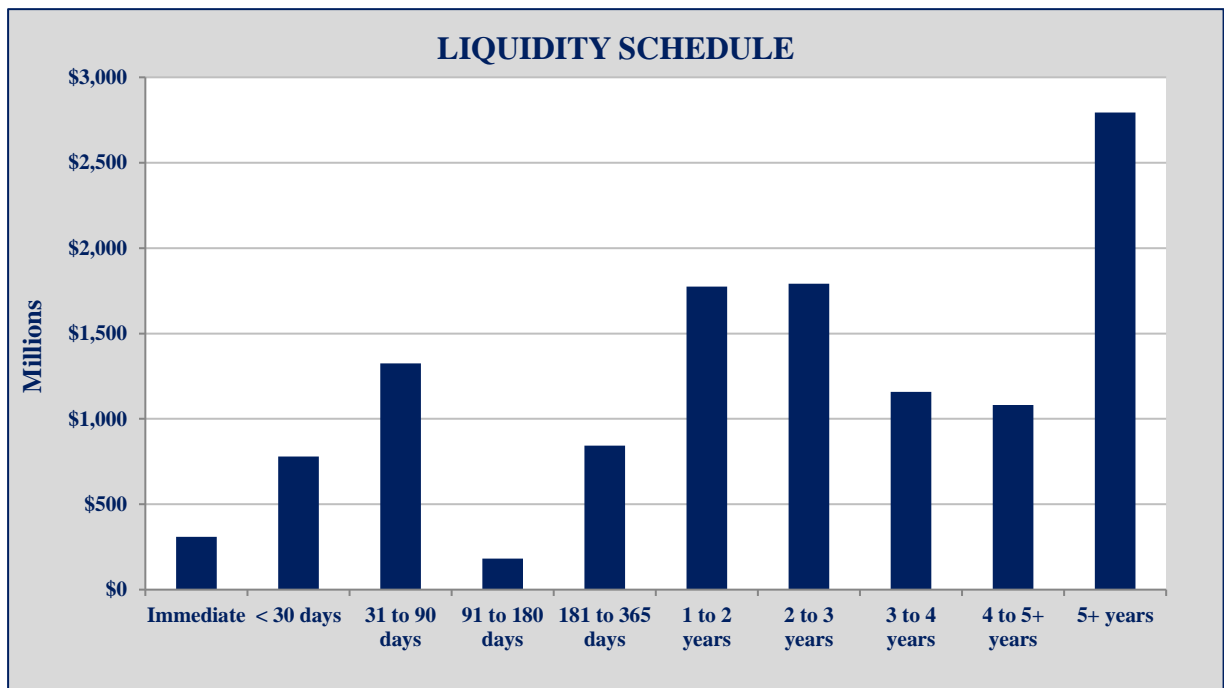
September 30, 2021

Description	Availability	Market Value	Cumulative	Cumulative Percent of Total Investments
L.A.I.F. (State of California)	Immediate	\$199,997,897	\$199,997,897	1.66%
Money Market Funds	Immediate	\$100,066,009	\$300,063,906	2.49%
Bank Deposits*	Immediate	\$10,000,000	\$310,063,906	2.58%
Subtotal		\$310,063,906		
Pooled Investments Maturing:				
	< 30 days**	\$779,090,125	\$1,089,154,032	9.05%
	31 to 90 days	\$1,325,750,062	\$2,414,904,094	20.06%
	91 to 180 days	\$181,450,900	\$2,596,354,994	21.57%
	181 to 365 days	\$842,587,470	\$3,438,942,464	28.57%
	1 to 2 years	\$1,774,011,230	\$5,212,953,694	43.30%
	2 to 3 years	\$1,792,060,300	\$7,005,013,994	58.19%
	3 to 4 years	\$1,158,290,730	\$8,163,304,724	67.81%
	4 to 5 years	\$1,080,672,056	\$9,243,976,779	76.79%
	5+ years	\$2,794,161,928	\$12,038,138,707	100.00%
Total Cash and Pooled Investments		\$12,038,138,707		

*Collected Balance for Wells Fargo Active Accounts.

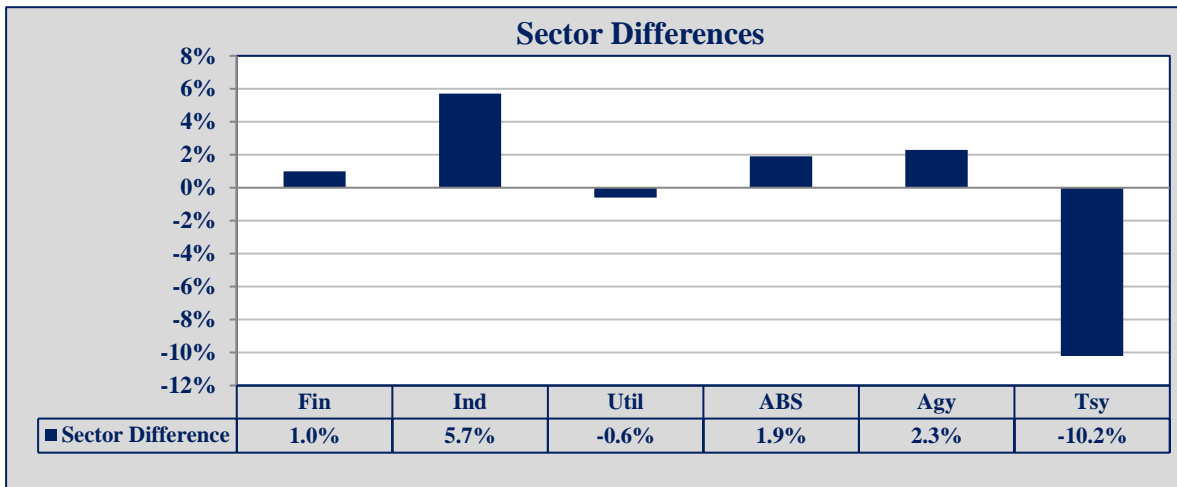
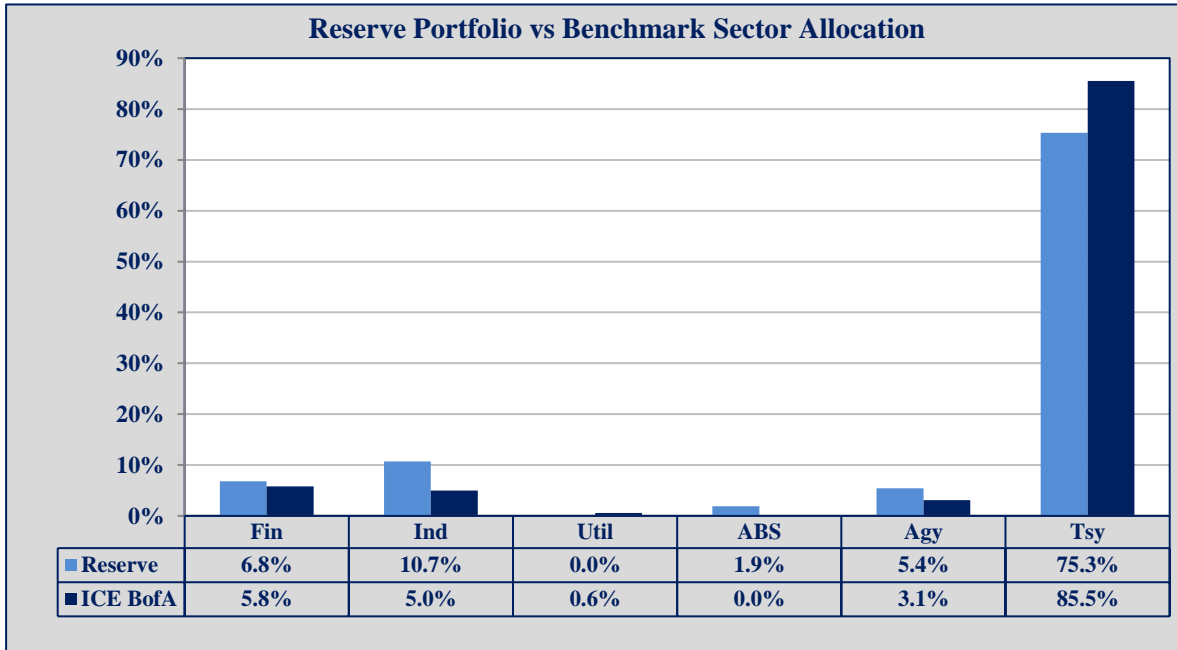
**Excludes Immediately Available Funds.

Figures may not total due to rounding.



RESERVE PORTFOLIO SECTOR ALLOCATION

September 30, 2021

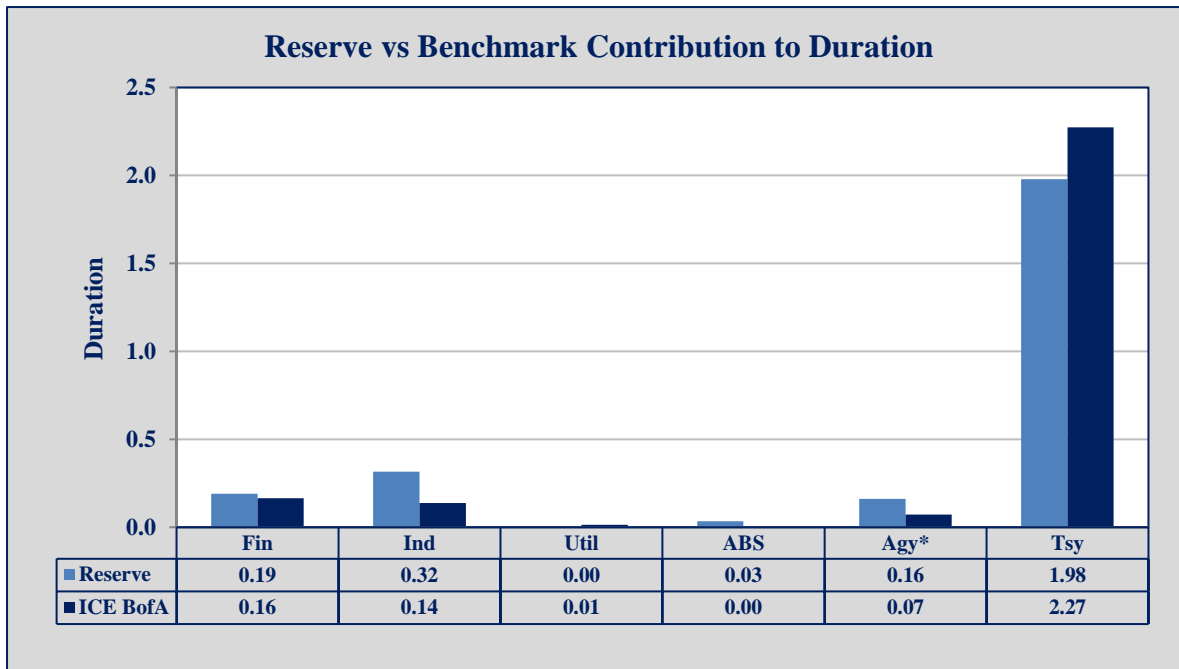
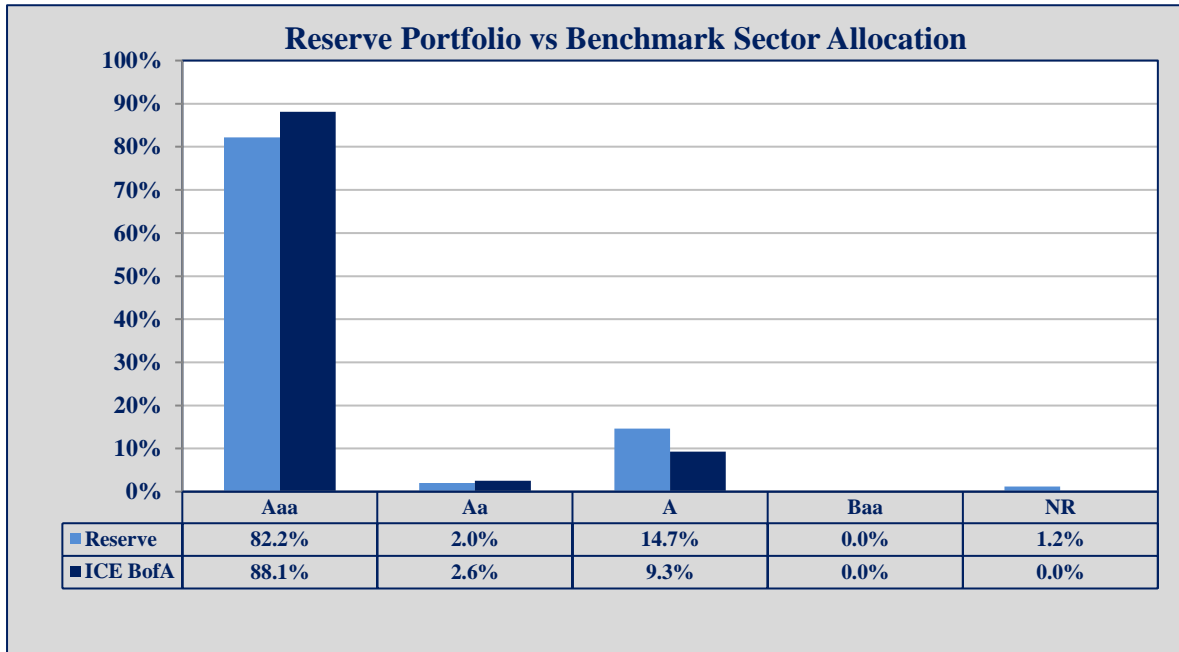


Sector Allocation Chart - Highlights the portfolio differences versus the benchmark with respect to the percentage of assets in each sector.

- Fin – Financial Services
- Ind – Industrial
- Util – Utilities
- ABS – Asset Backed Securities
- Agy – Government Agencies, Municipalities, and Supranationals
- Tsy – Treasury Notes and Bonds
- ICE BofA - ICE BofA Indices

RESERVE CREDIT RATINGS and DURATION

September 30, 2021



*Includes Government Agencies, Municipalities, and Supranationals

Credit Ratings Chart – Highlights the portfolio differences versus the benchmark with respect to percentage of assets in each of the Moody’s Credit Ratings allocations. Figures may not total due to rounding.

Contribution to Duration Chart – Highlights the portfolio differences versus the benchmark based on the contribution to the overall portfolio duration. This measure explains the sensitivity of each sector to changes in interest rates.

BOOK YIELD PERFORMANCE

September 30, 2021

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
Core Portfolio	0.72%	0.67%	0.67%	0.45%	1.26%	1.27%
60 Day CP/30 Day Agy Benchmark*	0.07%	0.07%	0.07%	0.09%	1.12%	1.20%
Variance	0.65%	0.60%	0.60%	0.36%	0.13%	0.07%

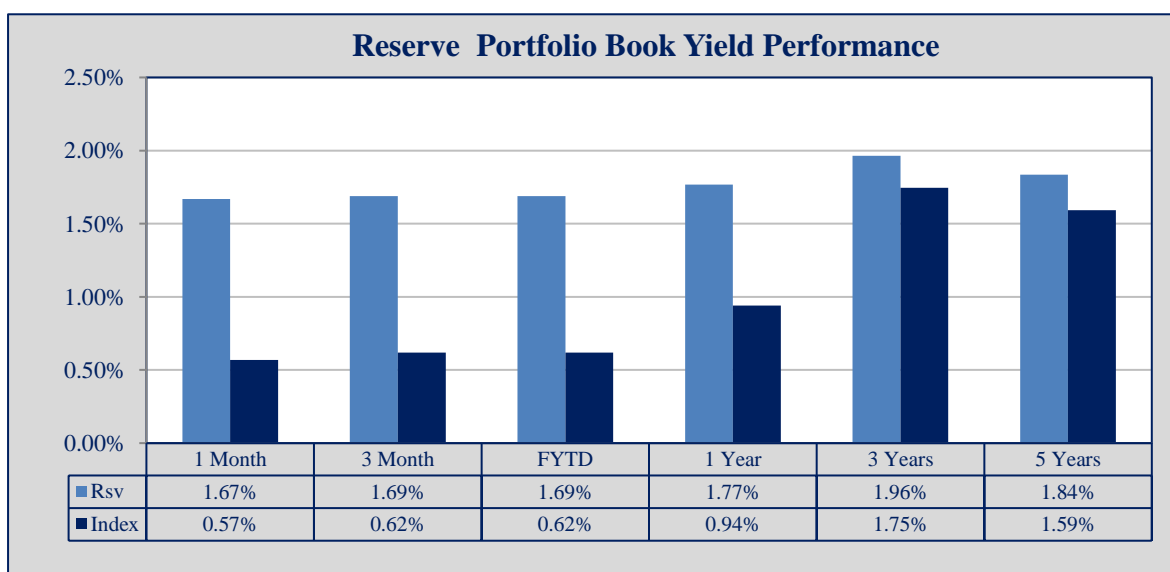
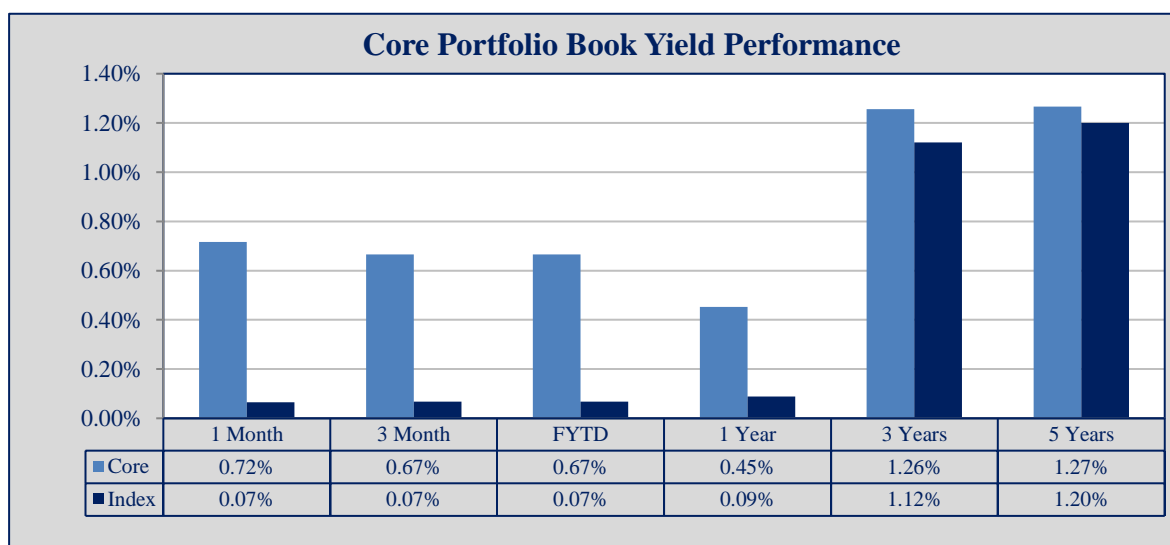
	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
Reserve Portfolio	1.67%	1.69%	1.69%	1.77%	1.96%	1.84%
1-5 Year Govt/Corp Index**	0.57%	0.62%	0.62%	0.94%	1.75%	1.59%
Variance	1.10%	1.07%	1.07%	0.83%	0.22%	0.24%

All yields are annualized. Figures may not total due to rounding.

*Monthly Benchmark is measured using a 30 day moving average of customized Bloomberg Indices.

**Monthly Benchmark is measuring using a 24 Month Moving Average of ICE BofA Indices.

Note: All yields greater than 1 month are the average yields for the respective time period.



BOOK YIELD PERFORMANCE

September 30, 2021

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
Extended Reserve Portfolio	1.04%	1.03%	1.03%	0.90%	0.00%	0.00%
5-10 Year US Treasury Index*	0.84%	0.83%	0.83%	0.73%	0.00%	0.00%
Variance	0.20%	0.20%	0.20%	0.18%	N/A	N/A

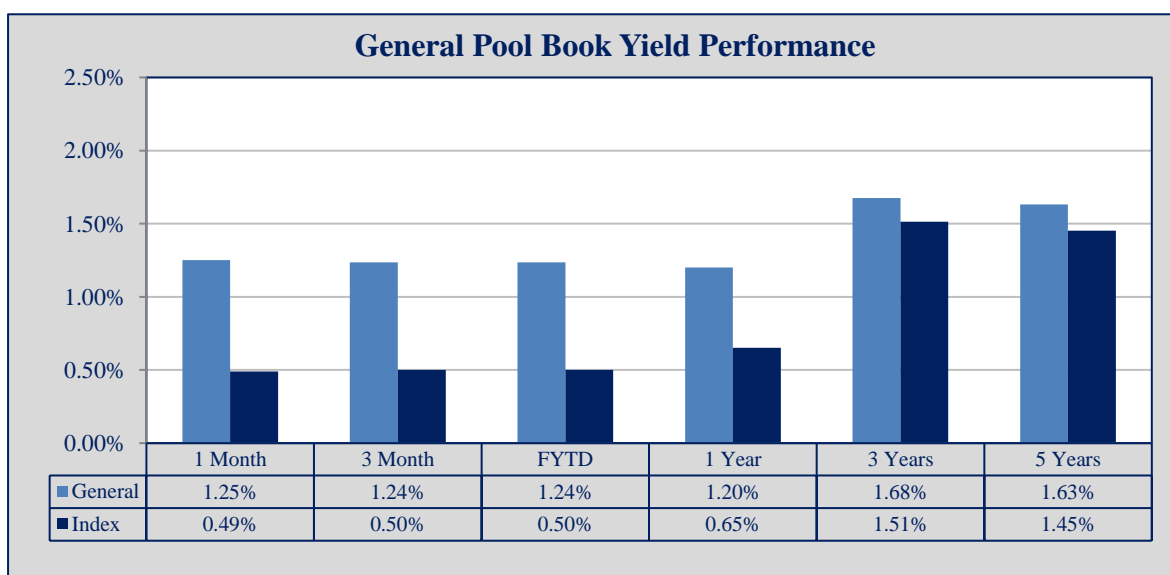
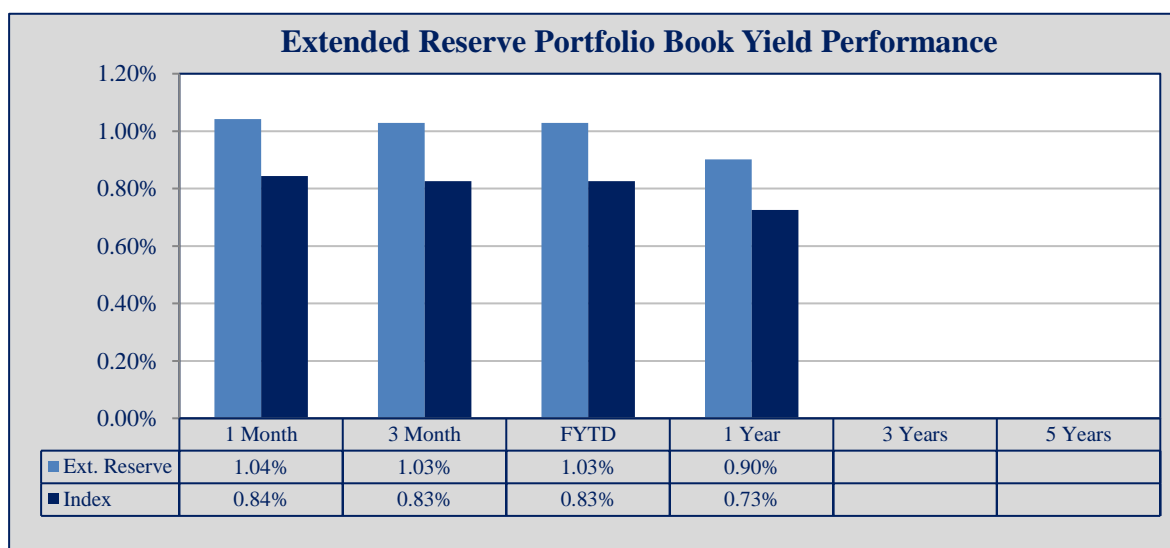
	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
General Pool	1.25%	1.24%	1.24%	1.20%	1.68%	1.63%
Weighted Benchmark**	0.49%	0.50%	0.50%	0.65%	1.51%	1.45%
Variance	0.76%	0.73%	0.73%	0.55%	0.16%	0.18%

All returns are annualized. Figures may not total due to rounding.

*Monthly Benchmark is measuring using a 30 Month Moving Average of ICE BofA Indices.

**The Weighted Benchmark uses the actual weight of the Core, Reserve, and Extended Reserve portfolio for the month.

Note: All yields greater than 1 month are the average yields for the respective time period.



TOTAL RETURN PERFORMANCE

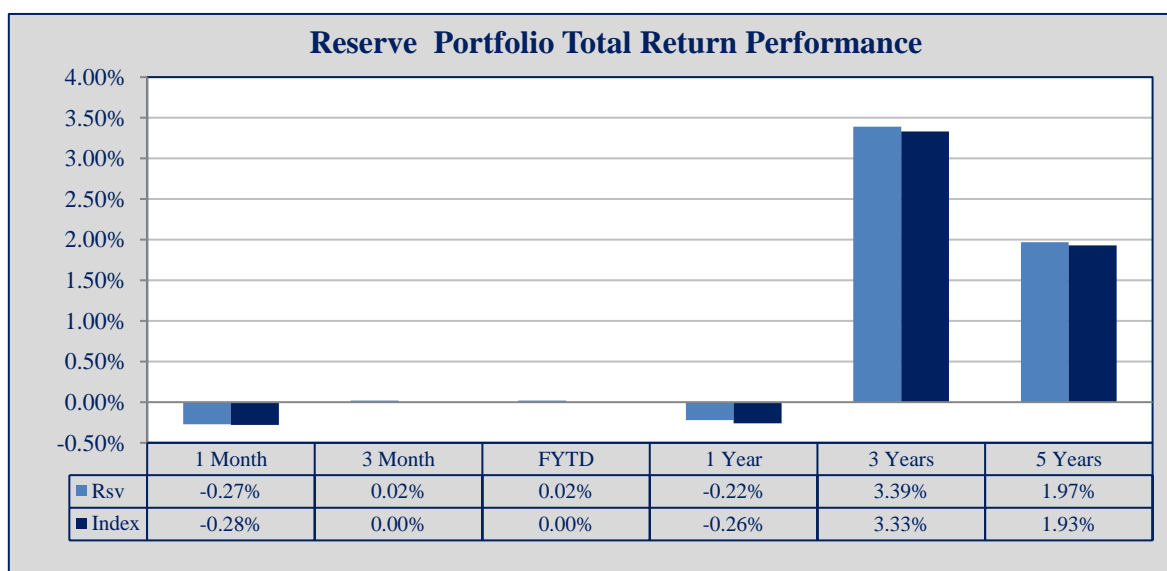
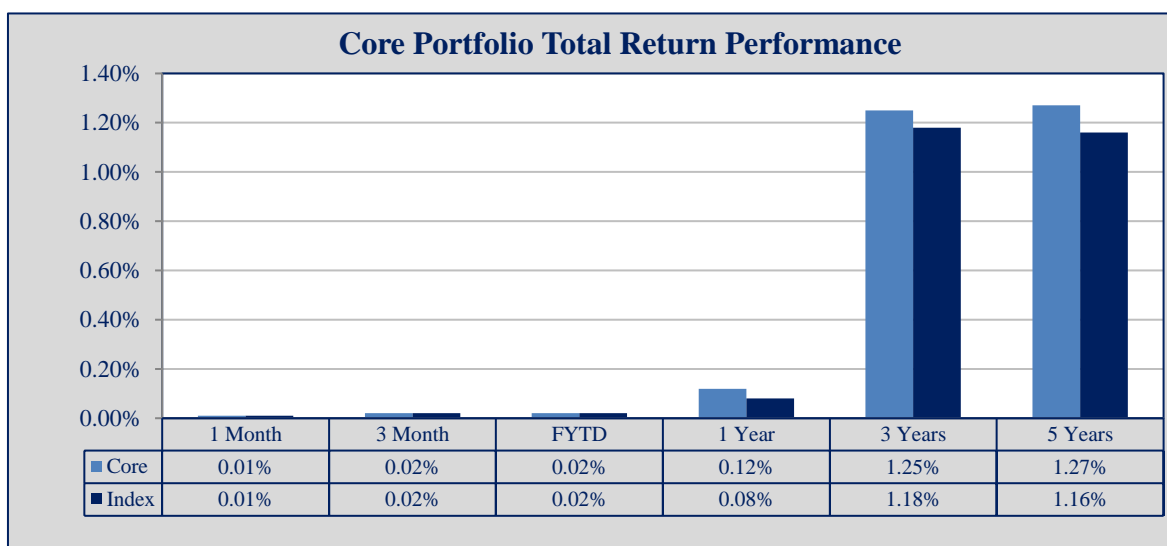
September 30, 2021

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
Core Portfolio	0.01%	0.02%	0.02%	0.12%	1.25%	1.27%
3 Month Treasury Bill Index*	0.01%	0.02%	0.02%	0.08%	1.18%	1.16%
Variance	0.00%	0.00%	0.00%	0.04%	0.07%	0.11%

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
Reserve Portfolio	-0.27%	0.02%	0.02%	-0.22%	3.39%	1.97%
1-5 Year Govt/Corp Index*	-0.28%	0.00%	0.00%	-0.26%	3.33%	1.93%
Variance	0.01%	0.02%	0.02%	0.04%	0.06%	0.04%

1Y, 3Y, 5Y returns are annualized rates of return. Figures may not total due to rounding.

*Performance is measured using ICE BofA Indices.



TOTAL RETURN PERFORMANCE

September 30, 2021

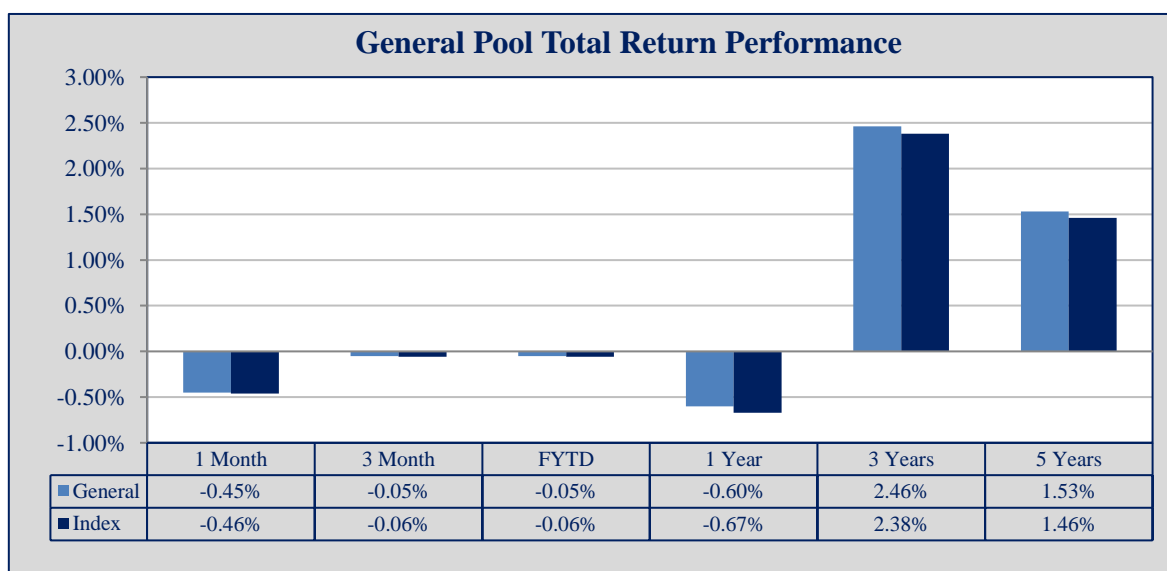
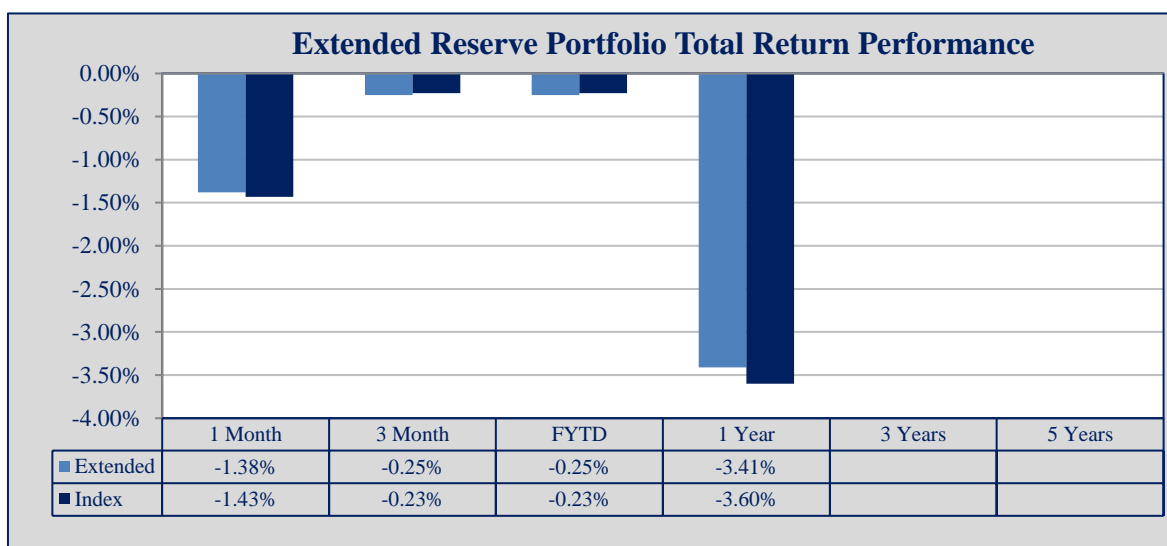
	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
Extended Reserve Portfolio	-1.38%	-0.25%	-0.25%	-3.41%	N/A	N/A
5-10 Year Treasury Index*	-1.43%	-0.23%	-0.23%	-3.60%	N/A	N/A
Variance	0.05%	-0.02%	-0.02%	0.19%	N/A	N/A

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
General Pool	-0.45%	-0.05%	-0.05%	-0.60%	2.46%	1.53%
General Portfolio Weighted Index**	-0.46%	-0.06%	-0.06%	-0.67%	2.38%	1.46%
Variance	0.01%	0.01%	0.01%	0.07%	0.08%	0.07%

1Y, 3Y, 5Y returns are annualized rates of return. Figures may not total due to rounding.

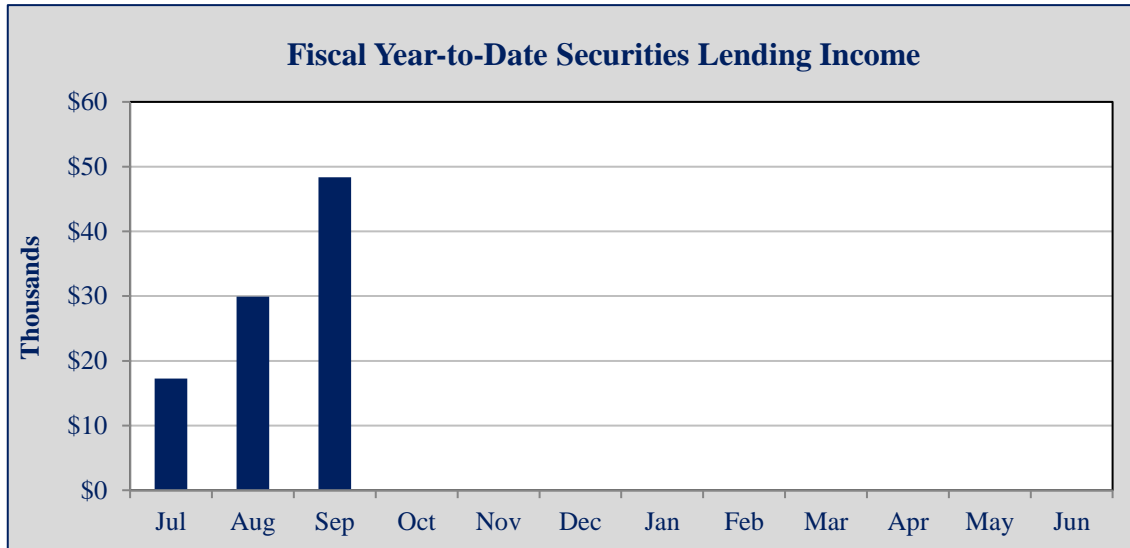
*Performance is measured using ice BofA Indices

**Performance is measured using BofA Indices taking into account Core, Reserve, and Extended Reserve Monthly Weightings



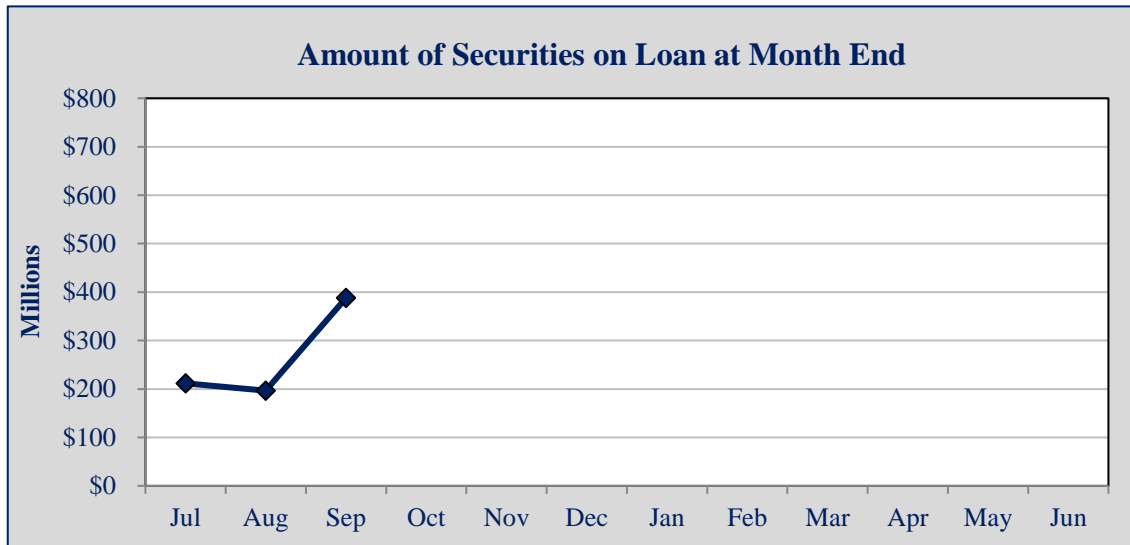
SECURITIES LENDING INFORMATION

September 30, 2021



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Monthly*	\$17	\$13	\$18									
FYTD*	\$17	\$30	\$48									

*Amounts in Thousands



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Monthly*	\$212	\$197	\$388									

*Amounts in Millions

Bank of New York Mellon is the securities lending agent for the City. Figures may not total due to rounding.