

# **City of Los Angeles**

## **Office of Finance**



## **Investment Report**

### **October 31, 2023**

**Diana Mangioglou**  
**Director of Finance/City Treasurer**

**Tom Juarez**  
**Chief Investment Officer**

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Los Angeles, CA 90012  
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**Diana Mangioglu**  
DIRECTOR of FINANCE  
CITY TREASURER

# CITY OF LOS ANGELES

CALIFORNIA

OFFICE OF FINANCE  
200 N. SPRING ST.  
ROOM 220 -- CITY HALL  
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(213)978-1774



KAREN R. BASS  
MAYOR

December 6, 2023

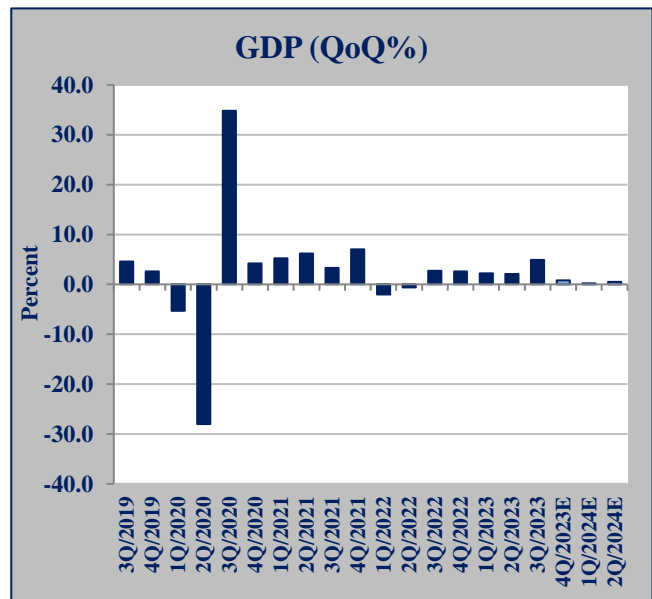
The Honorable Members of City Council of the City of Los Angeles  
c/o Office of the City Clerk  
City Hall, Room 395

Dear Honorable Members:

This is the Investment Report for the month ending October 31, 2023. 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.

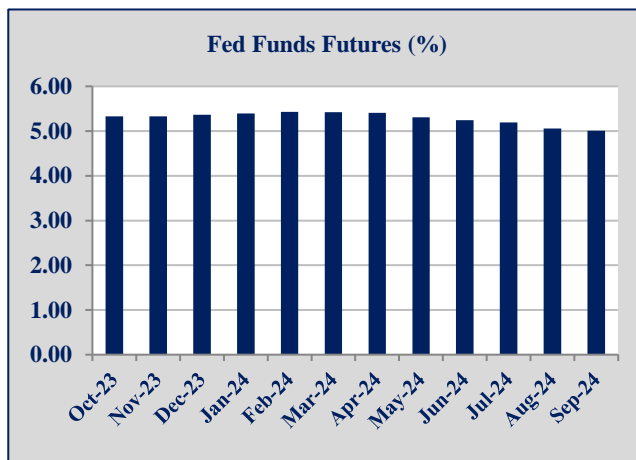
## ECONOMIC ENVIRONMENT<sup>1</sup>

The U.S. economy (as measured by the Gross Domestic Product-GDP) increased 4.9% on an annualized basis for the third quarter of 2023. The current anticipated growth rate for all of 2023 is 2.2% which is 0.1% higher than last month's 2023 full-year forecast. The U.S. unemployment rate for October 2023 was 3.9%. The Consumer Price Index (CPI) increased 3.2% for the twelve months ending October 2023. Prices were up in large part due to food and shelter, and a rebound in energy prices. U.S. consumer spending, as measured by Retail Sales, increased 2.5% over the past twelve months.



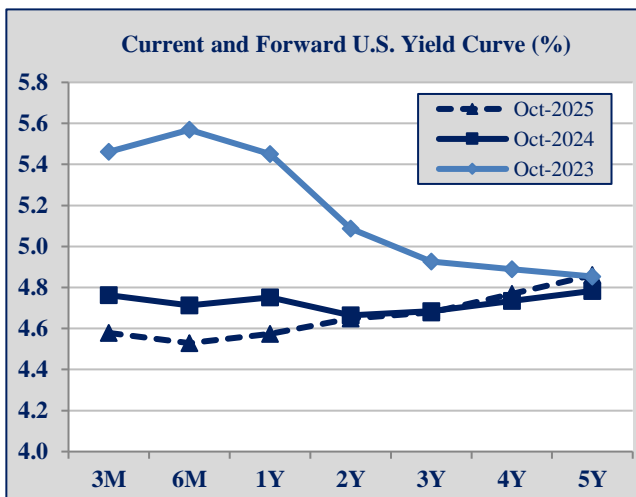
<sup>1</sup> Sources: Bloomberg Finance L.P.

The Federal Reserve maintained the Fed Funds rate in the 5.25% and 5.50% range at its September 20, 2023 meeting. The Committee stated, "Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have slowed in recent months but remain strong, and the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. Tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks."



**CURRENT AND FORWARD INTEREST RATES**

The current U.S. Treasury yield curve is an inverted curve, giving longer term investors less yield than shorter term investors. This typically occurs when investors expect lower inflation and/or growth with a longer term time horizon. Forward yield curves, which are based upon the current rates, indicate lower short-term and 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 October 31, 2023.

Portfolio Funds	Amount of Funds at Market Value	Effective Yield	Average Weighted Maturity	Average Credit Rating
Core Portfolio	\$3,718,312,812	3.47%	123 Days	AA+
Reserve Portfolio	\$7,035,036,097	2.48%	2.9 Years	AA+
Extended Reserve Portfolio	\$2,397,927,968	2.48%	7.0 Years	AA+
General Pool	\$13,151,276,877	2.75%	2.9 Years	AA+

## **INVESTMENT PERFORMANCE<sup>1</sup>**

### **Month-End Book Yield (Annualized)**

	Core	Reserve	Extended Reserve	General Pool
Month-End Book Yield	3.47%	2.48%	2.48%	2.75%
Benchmark	5.41%	3.57%	2.14%	3.82%
Variance	-1.94%	-1.09%	0.34%	-1.07%

### **Total Return (Not Annualized)**

	Core	Reserve	Extended Reserve	General Pool
Total Rate of Return	0.46%	0.07%	-1.41%	-0.09%
Benchmark Total Rate of Return	0.45%	0.09%	-1.41%	-0.08%
Variance	0.01%	-0.02%	0.00%	-0.01%

<sup>1</sup> 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 October 31, 2023 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 40 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 Mangioglou  
Director of Finance/City Treasurer

#### Attachments

cc: The Honorable Kenneth Mejia, City Controller  
Chris Thompson, Mayor's Chief of Staff, Office of the Mayor  
Jenny Delwood, Deputy Chief of Staff, Office of the Mayor  
Jeanne Holm, Deputy Mayor of Finance and Innovation, Office of the Mayor  
Matthew W. Szabo, City Administrative Officer  
Sharon Tso, Chief Legislative Analyst  
Investment Reports File  
Chronofile

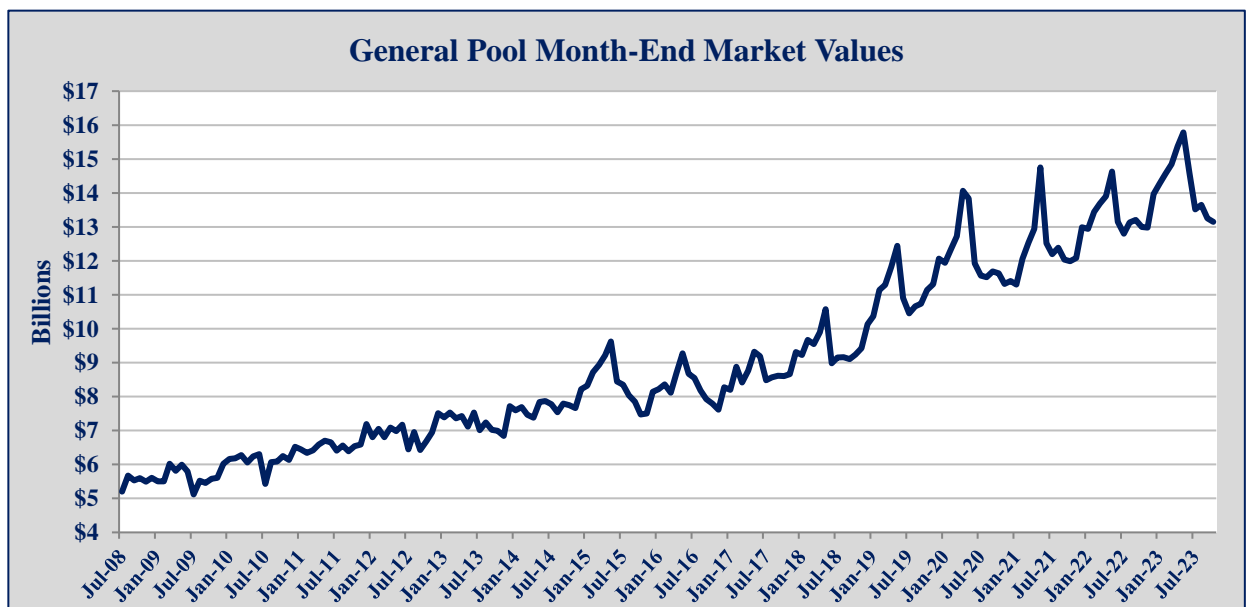
## GENERAL POOL ASSET HOLDINGS

October 31, 2023

Description	Par Value	Market Value	Percent of Total	Average Days	Weighted Years
Bank Deposits*	\$77,375,894	\$77,375,894	0.59%	0	0.0
Money Market Funds	\$10,926,299	\$10,926,299	0.08%	0	0.0
L.A.I.F. (State of California)	\$4,151,660	\$4,151,660	0.03%	0	0.0
Subtotal: Cash and Overnight Invest.	\$92,453,853	\$92,453,853	0.70%	0	0.0
Commercial Paper	\$702,339,000	\$699,480,912	5.32%	26	0.1
Negotiable Certificates of Deposit	\$0	\$0	0.00%	0	0.0
Corporate Notes	\$344,000,000	\$338,483,540	2.57%	176	0.5
U.S. Agencies/Munis/Supras	\$862,982,000	\$857,414,439	6.52%	72	0.2
U.S. Treasuries	\$1,761,263,000	\$1,730,480,068	13.16%	183	0.5
Subtotal: Pooled Investments:	\$3,670,584,000	\$3,625,858,959	27.57%	126	0.3
<b>Total Short-Term Core Portfolio:</b>	<b>\$3,763,037,853</b>	<b>\$3,718,312,812</b>	<b>28.27%</b>	<b>123</b>	<b>0.3</b>
Money Market Funds	\$960,080	\$960,080	0.01%	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	\$1,641,500,000	\$1,564,673,528	11.90%	931	2.6
Asset-Backed Securities	\$305,489,947	\$296,369,992	2.25%	1,127	3.1
U.S. Agencies/Munis/Supras	\$596,540,000	\$541,814,725	4.12%	1,369	3.7
U.S. Treasuries	\$7,767,000,000	\$7,029,145,740	53.45%	1,558	4.3
<b>Total Long-Term Reserve Portfolios:</b>	<b>\$10,311,490,027</b>	<b>\$9,432,964,065</b>	<b>71.73%</b>	<b>1,429</b>	<b>3.9</b>
<b>Total Cash and Pooled Investments:</b>	<b>\$14,074,527,880</b>	<b>\$13,151,276,877</b>	<b>100.00%</b>	<b>1,060</b>	<b>2.9</b>

\*Collected Balance for Wells Fargo and JPMorgan Chase Active Accounts.

Figures may not total due to rounding.



## GENERAL POOL LIQUIDITY SCHEDULE

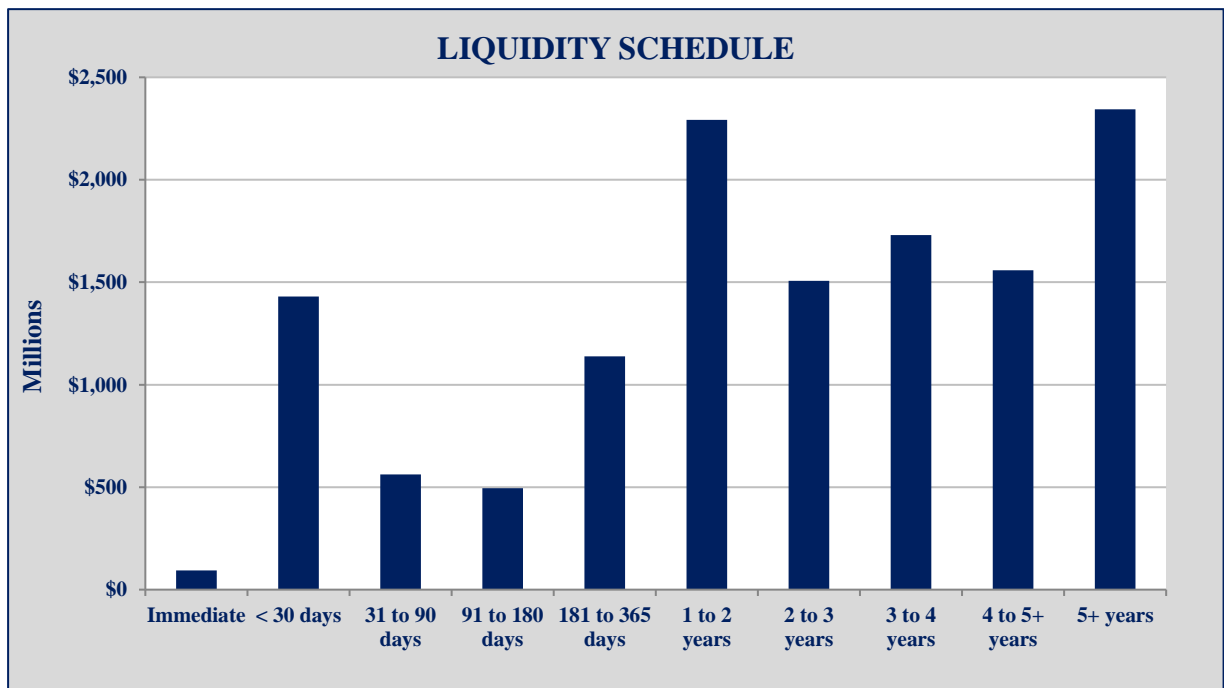
October 31, 2023

	Availability	Market Value	Cumulative	Cumulative Percent of Total Investments
<u>Description</u>				
L.A.I.F. (State of California)	Immediate	\$4,151,660	\$4,151,660	0.03%
Money Market Funds	Immediate	\$11,886,379	\$16,038,039	0.12%
Bank Deposits*	Immediate	\$77,375,894	\$93,413,933	0.71%
Subtotal		\$93,413,933		
Pooled Investments Maturing:				
	< 30 days**	\$1,430,958,174	\$1,524,372,107	11.59%
	31 to 90 days	\$561,813,679	\$2,086,185,787	15.86%
	91 to 180 days	\$494,435,865	\$2,580,621,652	19.62%
	181 to 365 days	\$1,138,651,240	\$3,719,272,892	28.28%
	1 to 2 years	\$2,292,840,329	\$6,012,113,221	45.72%
	2 to 3 years	\$1,506,545,690	\$7,518,658,911	57.17%
	3 to 4 years	\$1,729,875,861	\$9,248,534,772	70.32%
	4 to 5 years	\$1,559,195,737	\$10,807,730,509	82.18%
	5+ years	\$2,343,546,368	\$13,151,276,877	100.00%
<b>Total Cash and Pooled Investments</b>		<b>\$13,151,276,877</b>		

\*Collected Balance for Wells Fargo and JPMorgan Chase Active Accounts.

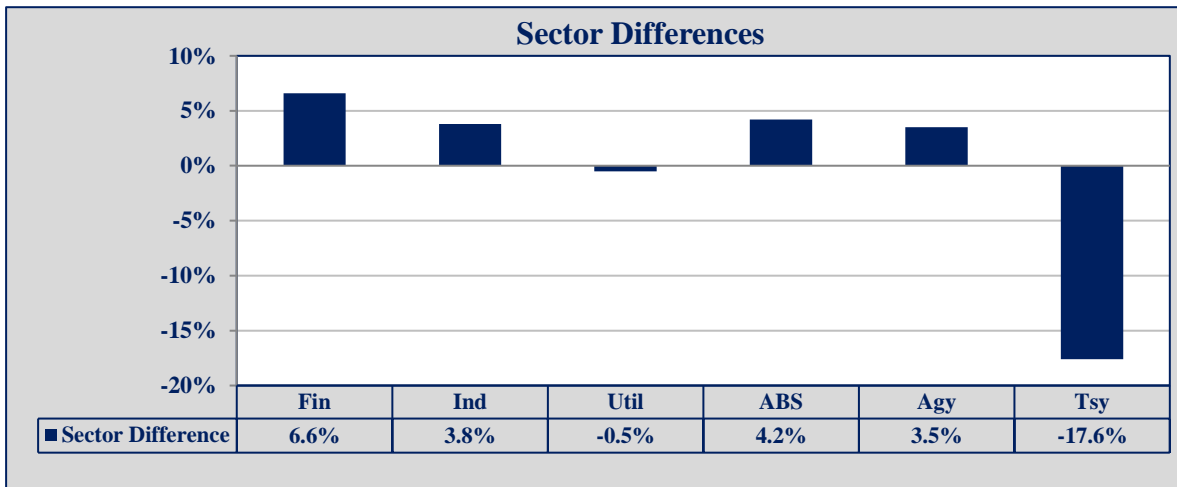
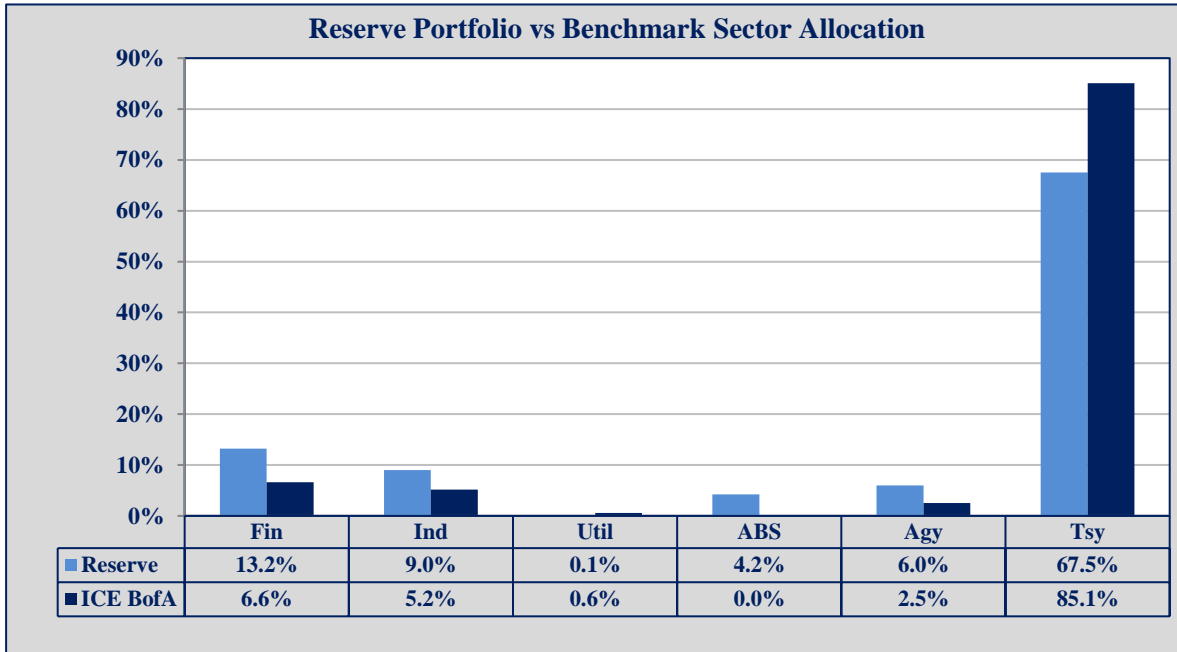
\*\*Excludes Immediately Available Funds.

Figures may not total due to rounding.



## RESERVE PORTFOLIO SECTOR ALLOCATION

October 31, 2023



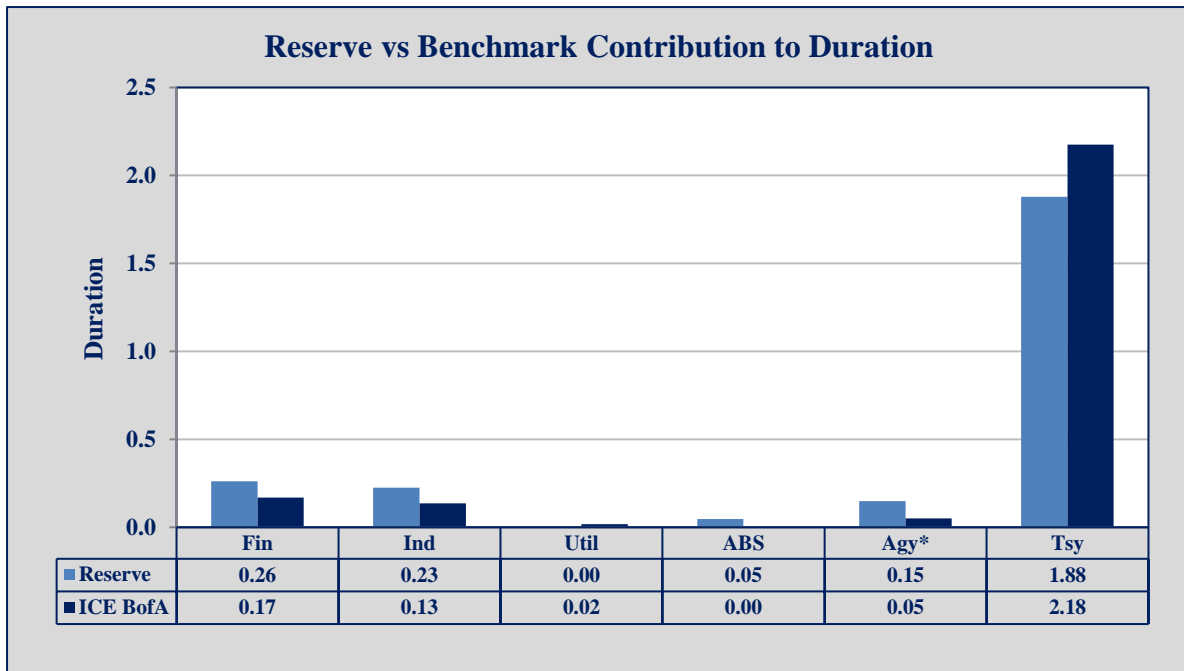
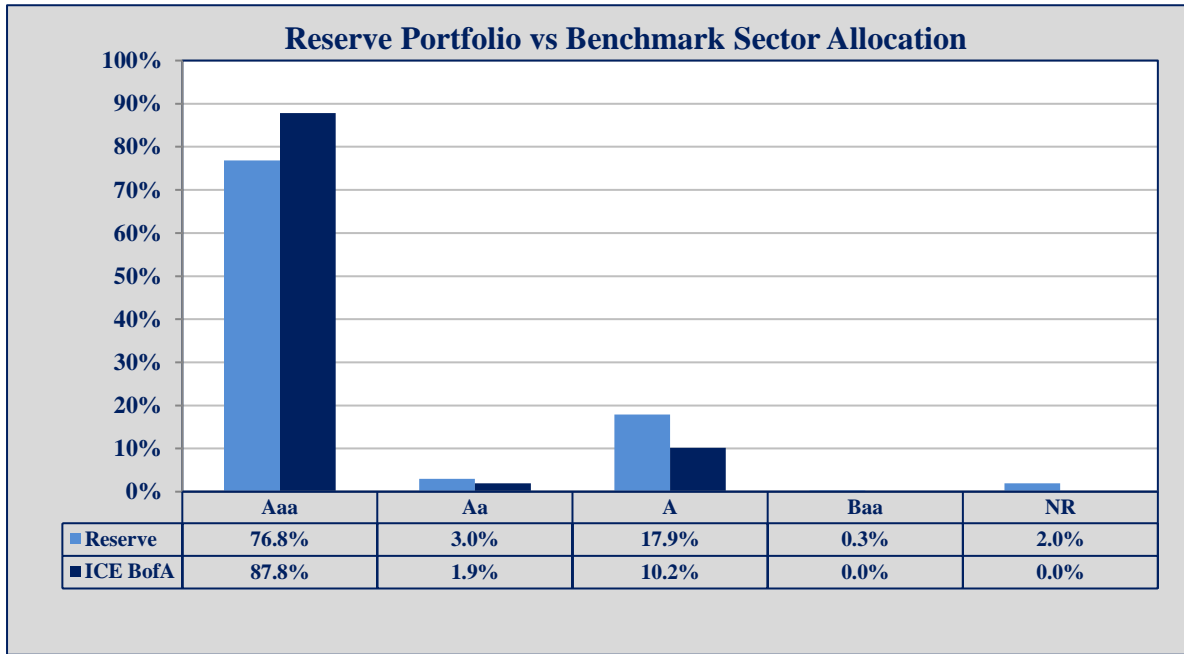
Sector Allocation Chart - Highlights the portfolio differences versus the benchmark with respect to the percentage of assets in each sector.

- 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

October 31, 2023



\*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

October 31, 2023

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>Core Portfolio</b>	3.47%	3.58%	3.39%	3.77%	1.92%	1.79%
<b>60 Day CP/30 Day Agy Benchmark*</b>	5.41%	5.40%	5.37%	4.92%	2.09%	1.88%
<b>Variance</b>	-1.94%	-1.82%	-1.98%	-1.15%	-0.17%	-0.08%

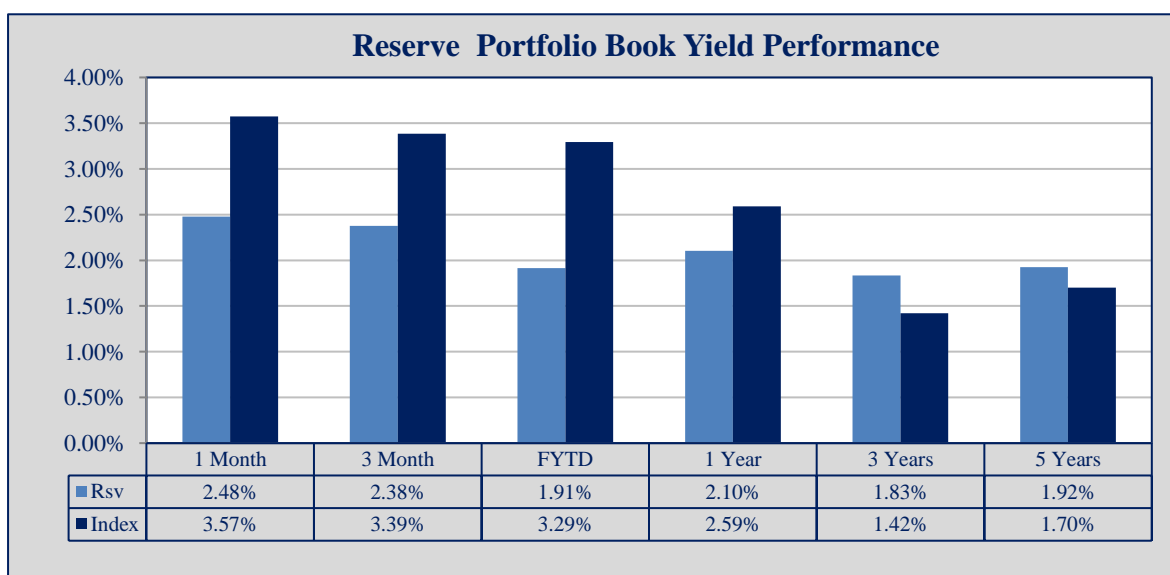
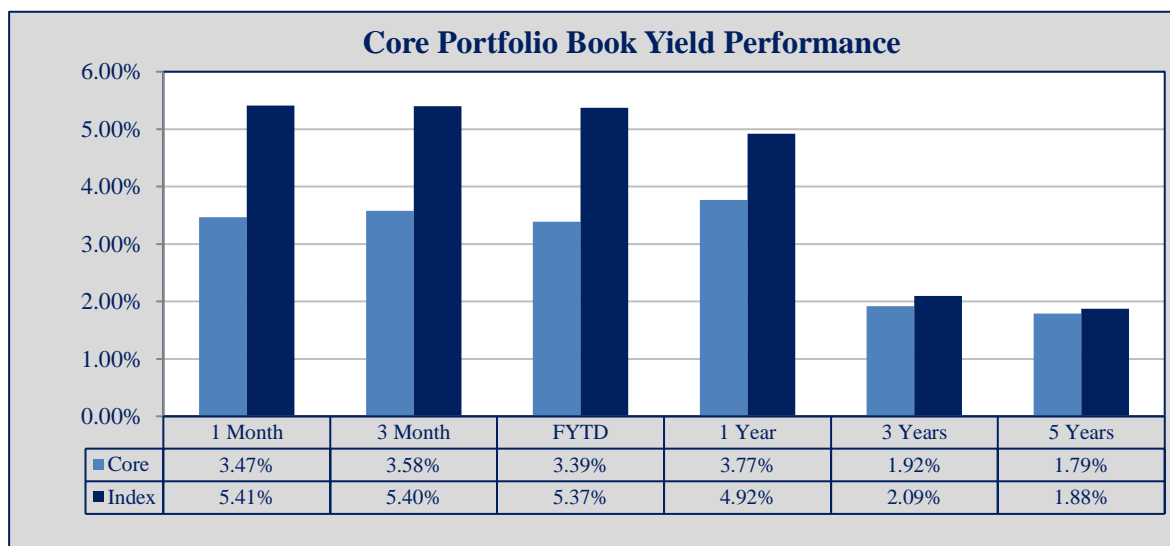
	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>Reserve Portfolio</b>	2.48%	2.38%	1.91%	2.10%	1.83%	1.92%
<b>1-5 Year Govt/Corp Index**</b>	3.57%	3.39%	3.29%	2.59%	1.42%	1.70%
<b>Variance</b>	-1.09%	-1.01%	-1.38%	-0.49%	0.41%	0.22%

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

October 31, 2023

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>Extended Reserve Portfolio</b>	2.48%	2.40%	1.80%	2.06%	1.43%	N/A
<b>5-10 Year US Treasury Index*</b>	2.14%	2.08%	2.05%	1.85%	1.25%	N/A
<b>Variance</b>	0.34%	0.32%	-0.25%	0.22%	0.19%	N/A

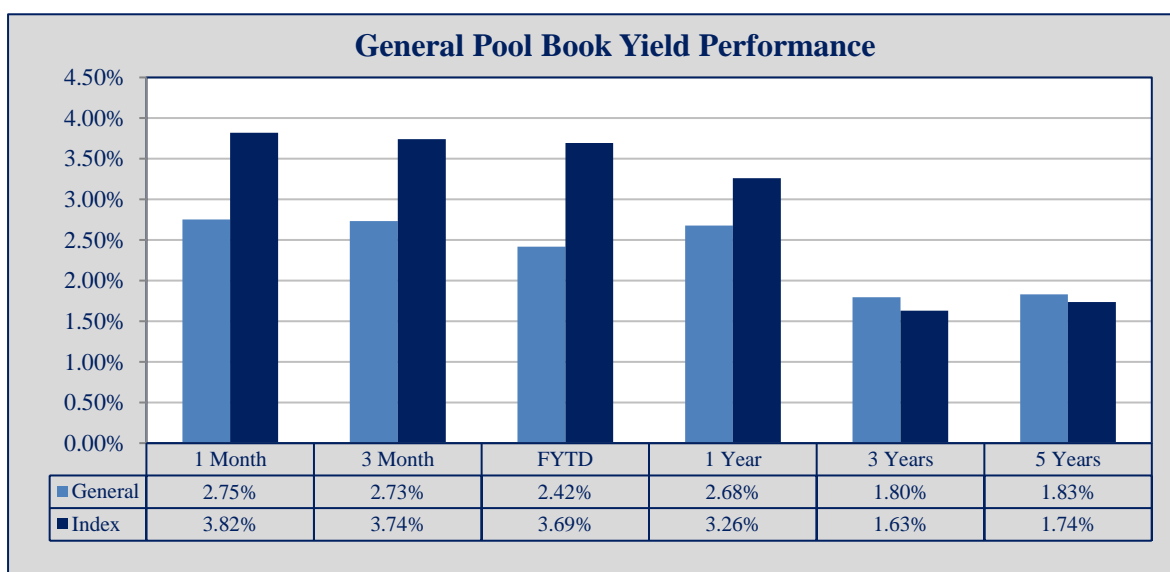
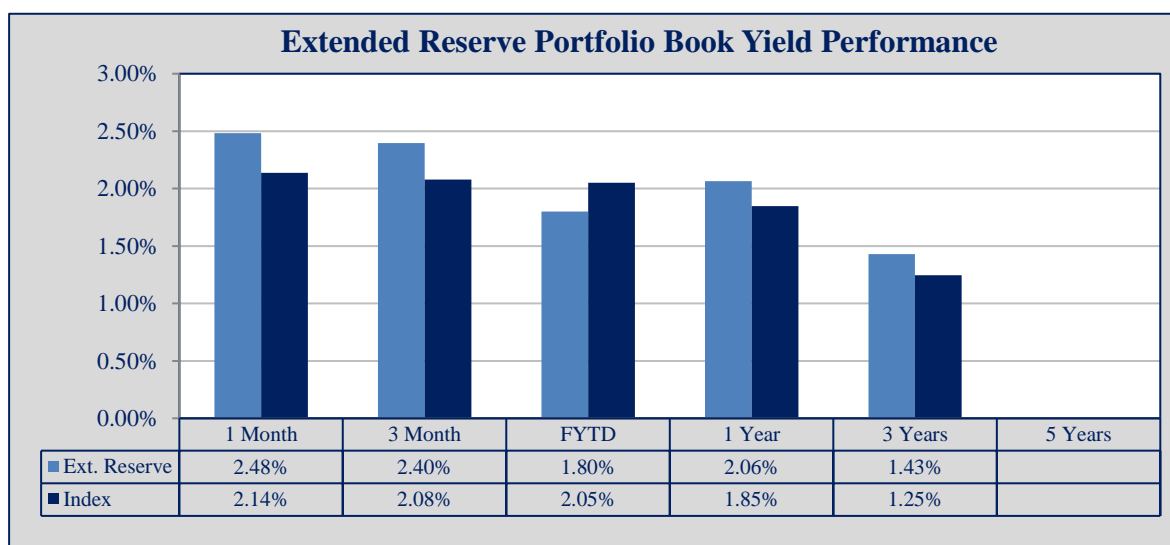
	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>General Pool</b>	2.75%	2.73%	2.42%	2.68%	1.80%	1.83%
<b>Weighted Benchmark**</b>	3.82%	3.74%	3.69%	3.26%	1.63%	1.74%
<b>Variance</b>	-1.07%	-1.01%	-1.28%	-0.58%	0.17%	0.10%

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

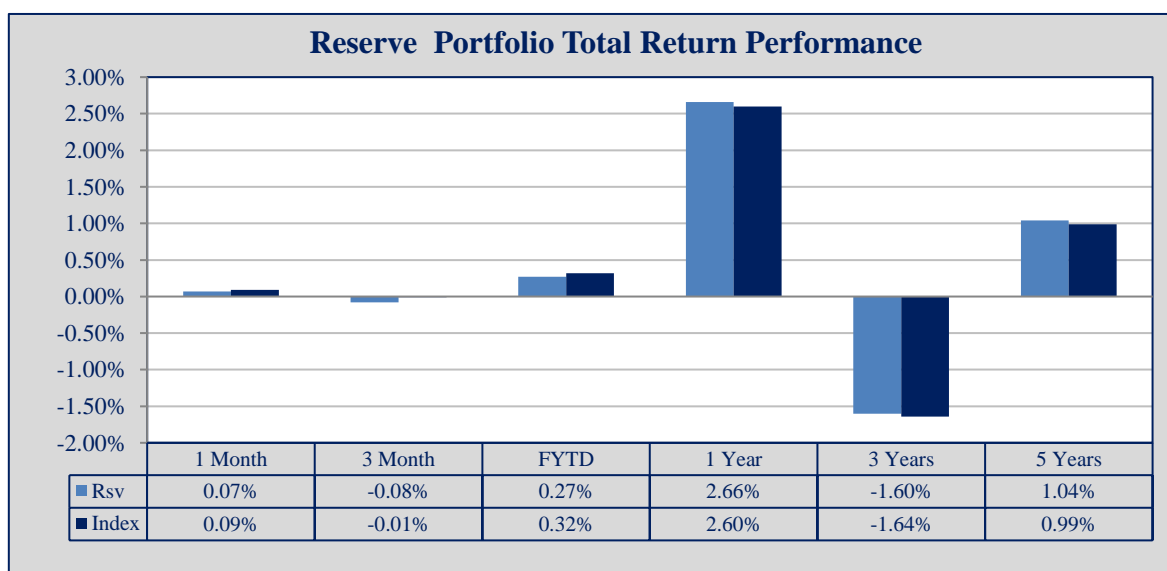
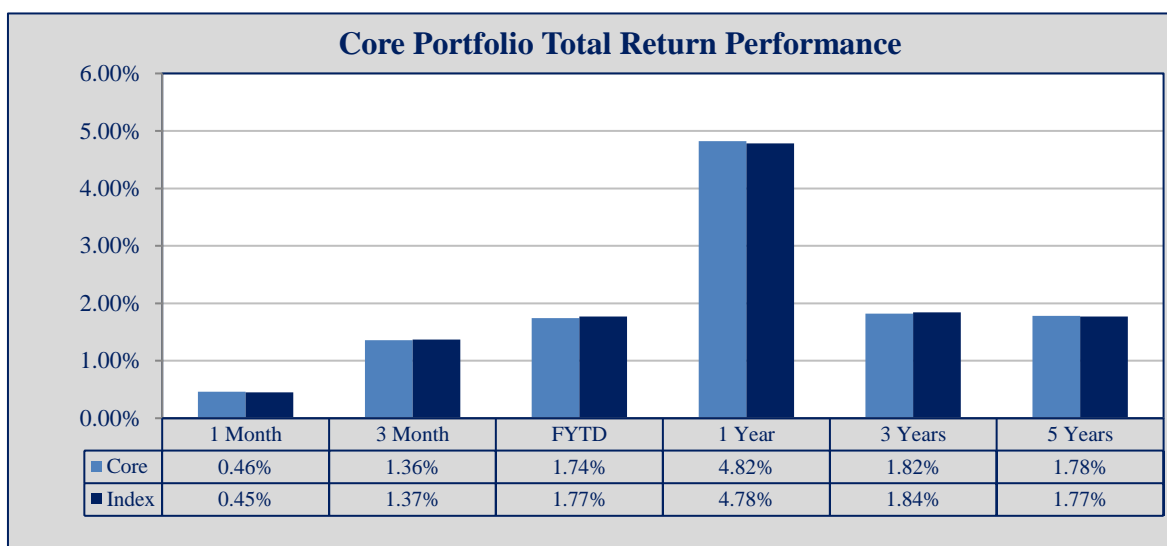
October 31, 2023

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>Core Portfolio</b>	0.46%	1.36%	1.74%	4.82%	1.82%	1.78%
<b>3 Month Treasury Bill Index*</b>	0.45%	1.37%	1.77%	4.78%	1.84%	1.77%
<b>Variance</b>	0.01%	-0.01%	-0.03%	0.04%	-0.02%	0.01%

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>Reserve Portfolio</b>	0.07%	-0.08%	0.27%	2.66%	-1.60%	1.04%
<b>1-5 Year Govt/Corp Index*</b>	0.09%	-0.01%	0.32%	2.60%	-1.64%	0.99%
<b>Variance</b>	-0.02%	-0.07%	-0.05%	0.06%	0.04%	0.05%

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

October 31, 2023

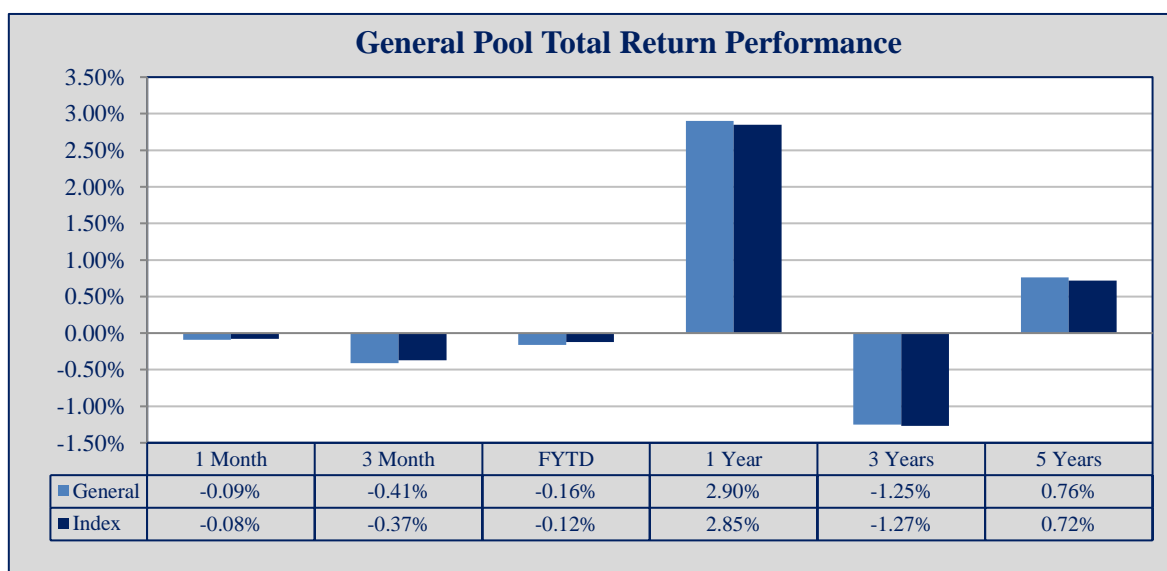
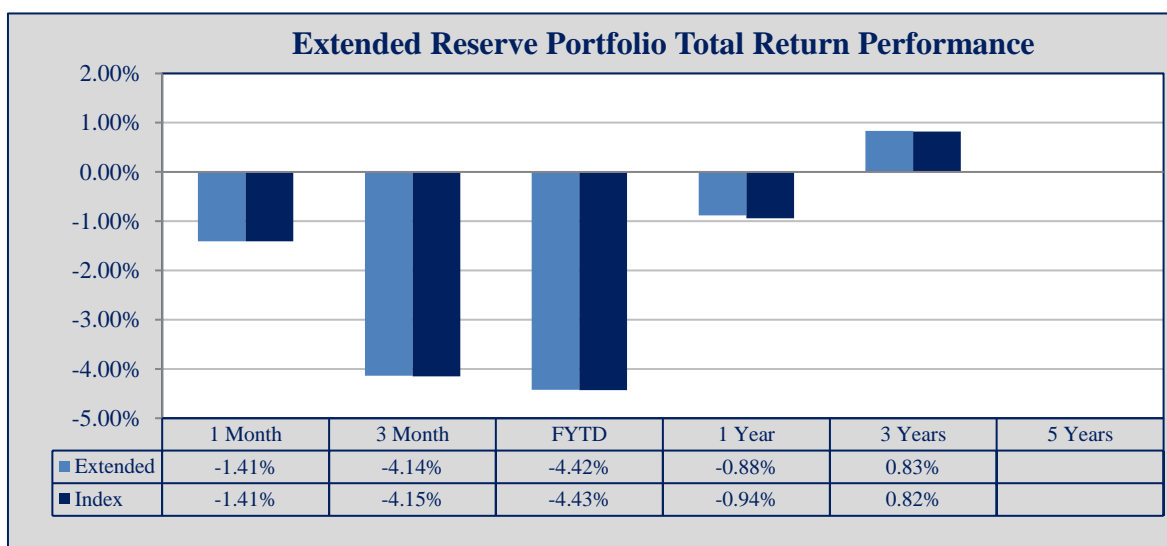
	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>Extended Reserve Portfolio</b>	-1.41%	-4.14%	-4.42%	-0.88%	0.83%	N/A
<b>5-10 Year Treasury Index*</b>	-1.41%	-4.15%	-4.43%	-0.94%	0.82%	N/A
<b>Variance</b>	0.00%	0.01%	0.01%	0.06%	0.00%	N/A

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years
<b>General Pool</b>	-0.09%	-0.41%	-0.16%	2.90%	-1.25%	0.76%
<b>General Portfolio Weighted Index**</b>	-0.08%	-0.37%	-0.12%	2.85%	-1.27%	0.72%
<b>Variance</b>	-0.01%	-0.04%	-0.04%	0.05%	0.02%	0.04%

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

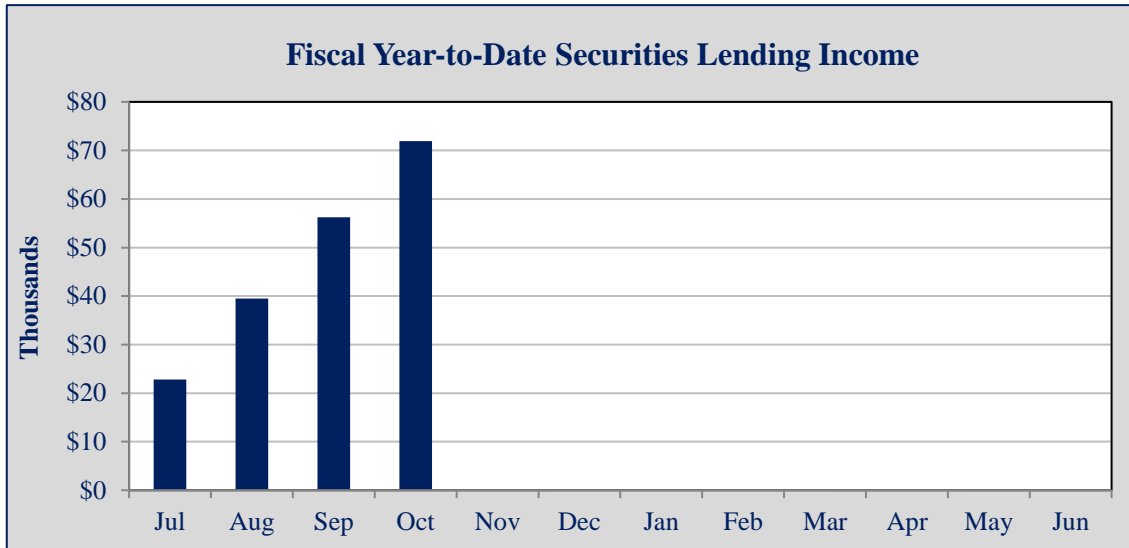
\*Performance is measured using ice BofA Indices

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



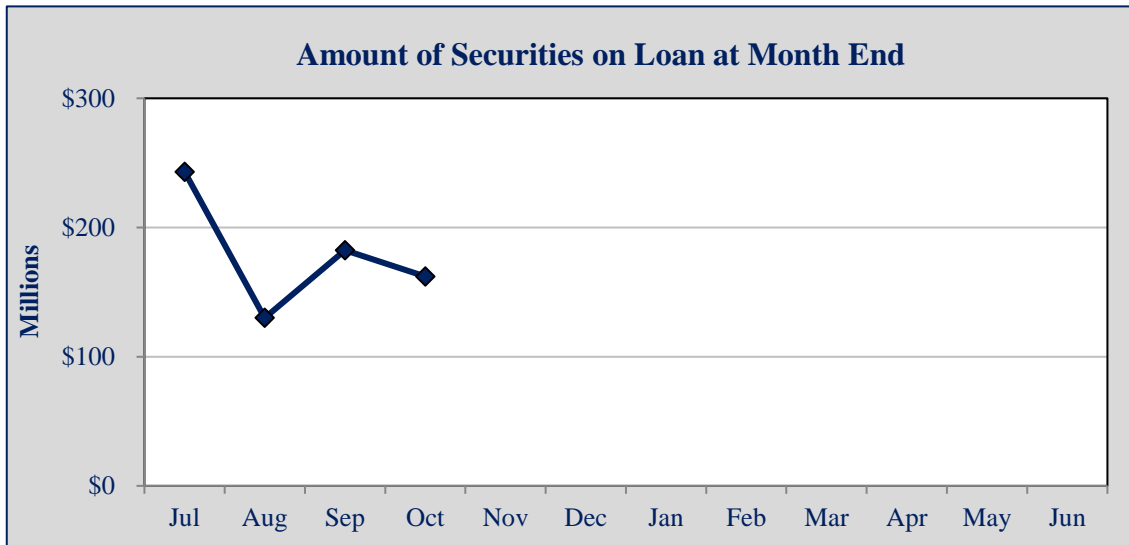
## SECURITIES LENDING INFORMATION

October 31, 2023



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Monthly*</b>	\$23	\$17	\$17	\$16								
<b>FYTD*</b>	\$23	\$39	\$56	\$72								

\*Amounts in Thousands



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Monthly*</b>	\$243	\$130	\$182	\$162								

\*Amounts in Millions

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