



## Annual Review of Investments Bernalillo County

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Bernalillo County Investment Committee  
July 16, 2020

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Bernalillo County Board of Finance  
August 25, 2020



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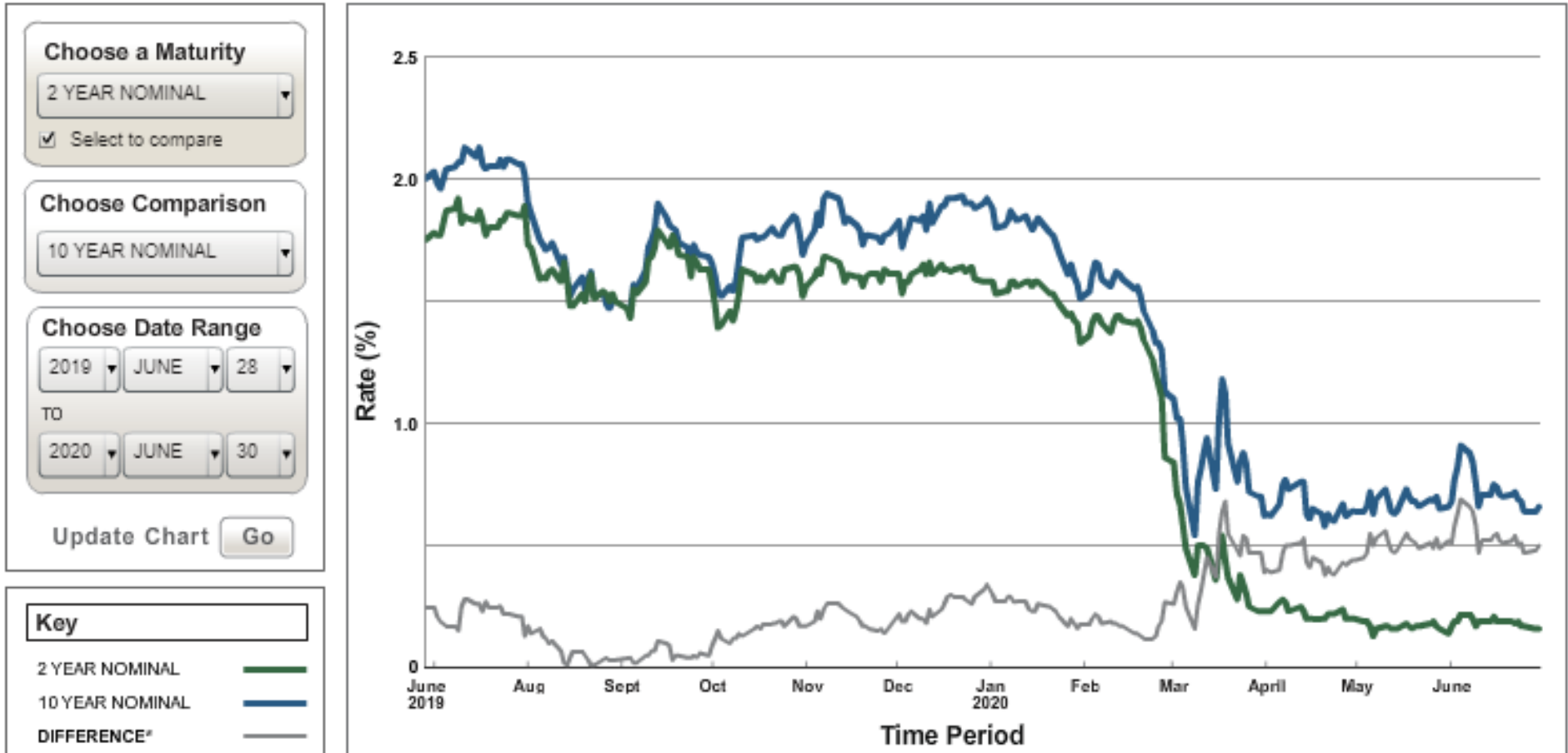
(FYE is June 30, 2020)

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# Review of Markets

# Historical Treasury Rates | 10yr & 2yr | Past 10 Years

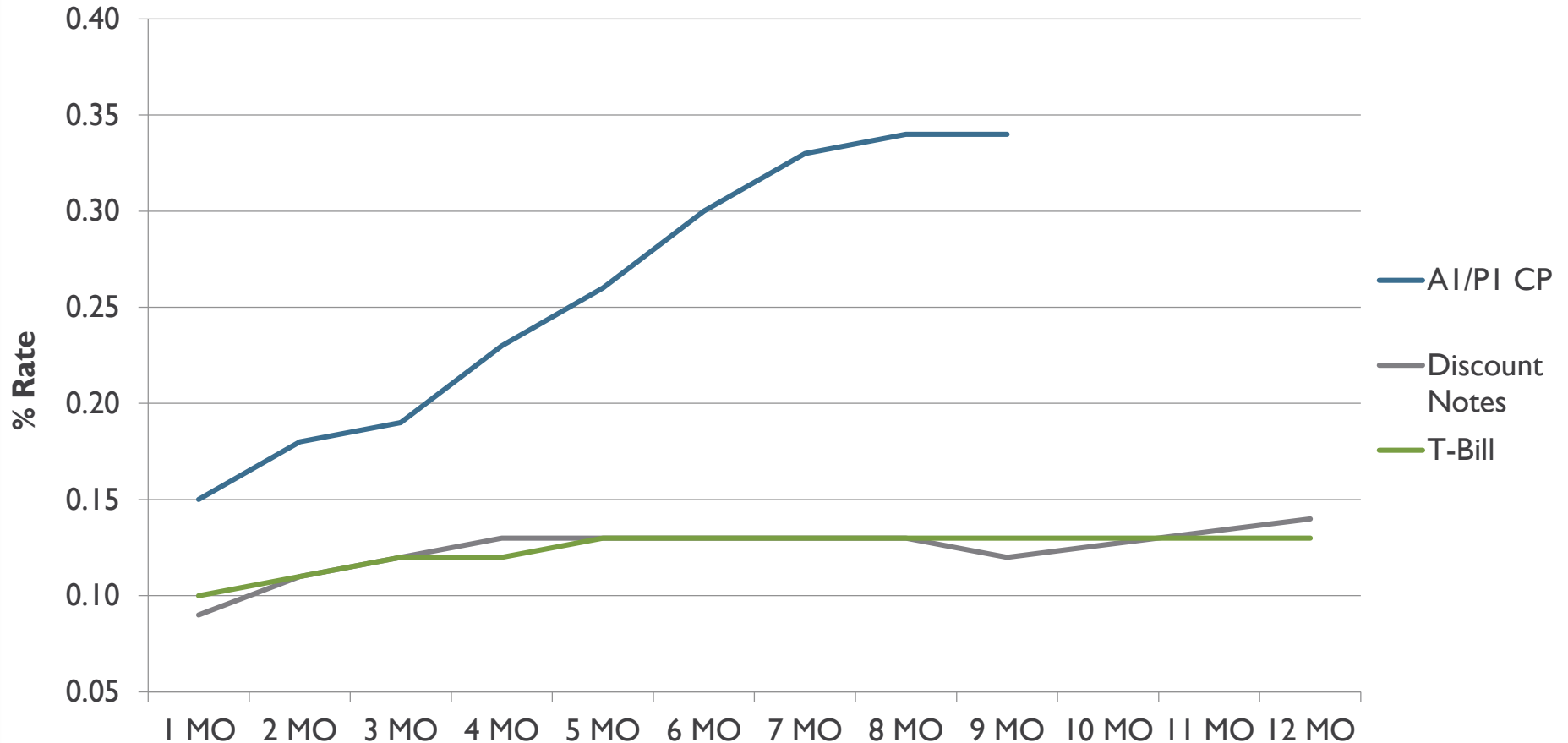
## Historical Treasury Rates



Source: US Department of the Treasury as of July 12, 2020 <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-Long-Term-Rate-Data-Visualization.aspx>

# Money Market Yield Curves

Security Pricing from June 30, 2020



- The yield spread between short-term Treasuries and agency discount notes remains at very tight levels.
- Commercial paper yields have repriced lower as money market demand remains high.

# Review of the County's Investments

# Fiscal Year 2020 – Annual Review

- In fiscal year 2020, the County continued with the Three Bucket portfolio strategy:
  - Highly liquid portfolio (15% rule), managed by the Treasurer
  - Operating funds – liquidity, managed by Public Trust (non-discretionary)
  - Operating funds – core, managed by Public Trust (non-discretionary)
- The liquidity and core portfolios have different benchmarks and separate monthly reports:
  - Liquidity portfolio benchmark: ICE BofA 1-Year Treasury Index
  - Core portfolio benchmark: ICE BofA 1 to 3-Year Treasury/Agency Index
- Given the fact that the yield curve flattened and began to invert early in 2019, the County revised their Client Profile with Public Trust in regards to active management and swap trades. Public Trust stopped trading in the core portfolio in January of 2019 (the previous fiscal year).
- Active management and swap trades were discontinued in January 2019 per the request of the County, which has led to underperformance in the Core portfolio.

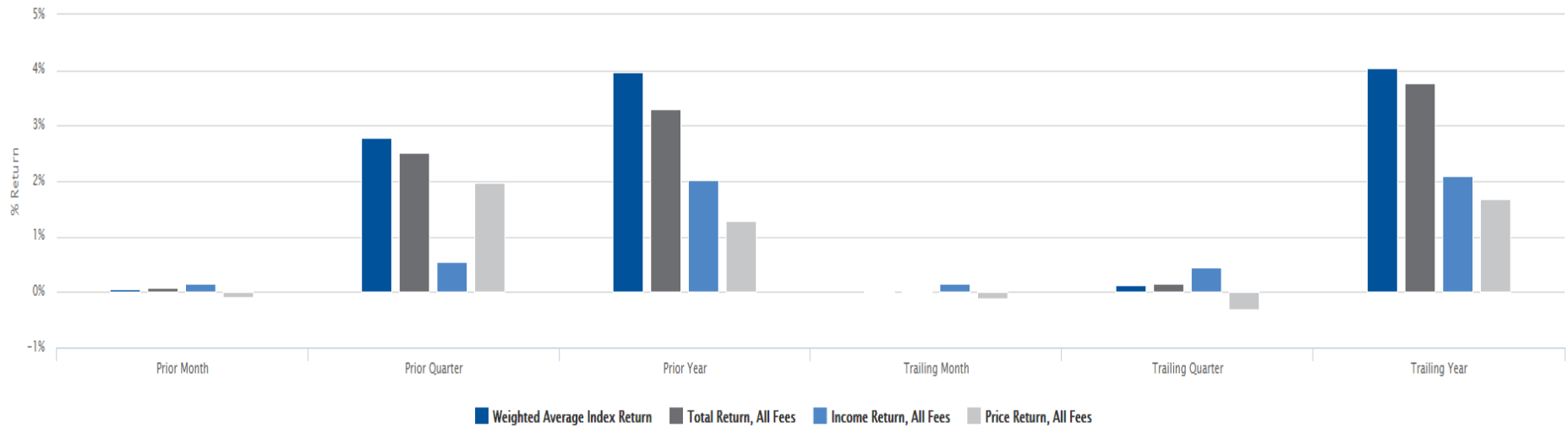
# Investment Strategy | Operating Funds Implementation

- ❏ Neil Waud, Public Trust's chief investment officer presented different strategy options to the investment committee at their on October 17, 2019 meeting.
- ❏ Public Trust recommended that the County change the benchmark on the Core portfolio to the ICE BofA 0-5 Year Treasury Index.
- ❏ Active management will resume when the benchmark is updated.
- ❏ Absent this benchmark change, Public Trust did what it could to lengthen the duration on the Core portfolio without selling any securities. Duration as of June 30, 2019 was 0.994 years and as of June 30, 2020 was 1.663 years.
- ❏ Longer duration portfolios benefited when interest rates suddenly dropped at the outset of the Coronavirus pandemic.
- ❏ Trade authorization for the liquidity and core buckets happens on a quarterly basis, in order to optimally manage the portfolios to current market conditions.
- ❏ All trades comply with the investment policy and are reviewed on a monthly basis by the investment working group.



# Bernalillo County Core Operating Funds

## Total Return vs Benchmark



Period	Period Begin	Period End	Weighted Average Index Return	Total Return, All Fees	Income Return, All Fees	Price Return, All Fees
Prior Month	05/01/2020	05/31/2020	0.067%	0.075%	0.156%	-0.080%
Prior Quarter	01/01/2020	03/31/2020	2.779%	2.522%	0.539%	1.983%
Prior Year	07/01/2018	06/30/2019	3.960%	3.311%	2.016%	1.294%
Trailing Month	06/01/2020	06/30/2020	0.026%	0.035%	0.147%	-0.112%
Trailing Quarter	04/01/2020	06/30/2020	0.141%	0.162%	0.462%	-0.300%
Trailing Year	07/01/2019	06/30/2020	4.048%	3.780%	2.091%	1.689%

Source: Public Trust Advisors full fiscal year of performance data. July 1, 2019 to June 30, 2020

Benchmarks are provided for illustrative purposes only. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the portfolio. Also, performance results for benchmarks do not reflect payment of investment management/incentive fees and other fund expenses. Because of these differences, benchmarks should not be relied upon as an accurate measure of comparison.

# Bernalillo County Operating Funds Portfolio – June 30, 2020

	Market Value + Accrued	% of Total	Book Yield
<b><u>Highly Liquid Portfolio: 15% of Annual Budget Must Mature Within 30 Days Per Policy **</u></b>			
<b>Overnight Liquid Products:</b>			
Bank of the West - ICS	\$ 69,422,656.14		0.099%
Main Bank - ICS	\$ 5,065,952.64		0.148%
State of New Mexico LGIP	\$ 89,409,193.79		0.336%
Highly Liquid - Wells Fargo MMF	\$ 9,924,255.49		0.050%
Bank of the West - Deposit	\$ 13,915.78		0.009%
<b>Total Highly Liquid Portfolio</b>	<b>\$ 173,835,973.84</b>	<b>38.35%</b>	
CARES Act Funds	\$ 29,854,903.31	6.59%	0.050%
<b><u>Liquid Portfolio: \$60 million Matures Within 12 Months</u></b>			
US Treasury Securities	\$ 136,906,075.09		1.422%
US Agency Securities			
Liquid - Wells Fargo MMF	\$ 402,654.76		0.050%
Cash/Receivable	\$ 19.89		0.00%
<b>Total Liquid Portfolio</b>	<b>\$ 137,308,749.74</b>	<b>30.29%</b>	
<b><u>Core Portfolio: Actively Managed (non-discretionary)</u></b>			
US Treasury Securities	\$ 106,780,514.30		1.921%
US Agency Securities	\$ 5,103,784.69		1.787%
Core - Wells Fargo MMF	\$ 375,620.07		0.050%
Cash/Receivable	\$ 10.53		0.00%
<b>Total Core Portfolio</b>	<b>\$ 112,259,929.59</b>	<b>24.77%</b>	
<b>Total Operating Funds</b>	<b>\$ 453,259,556.48</b>	<b>100.00%</b>	<b>0.990%</b>
<b>Previous Month Operating Funds</b>	<b>\$ 618,119,570.63</b>		<b>0.767%</b>

# Bernalillo County Operating Funds Portfolio – June 30, 2019

	Market Value + Accrued	% of Total	Book Yield
<b><u>Highly Liquid Portfolio: 15% of Annual Budget Must Mature Within 30 Days Per Policy **</u></b>			
<b>Overnight Liquid Products:</b>			
Bank of the West - ICS	\$ 93,461,482.70		2.265%
Main Bank - ICS	\$ 5,003,411.76		2.283%
State of New Mexico LGIP	\$ 29,711,452.57		2.362%
Highly Liquid - Wells Fargo MMF	\$ 12,325,771.23		2.240%
<b>Summary of Negotiated Bank Deposits:*</b>			
Southwest Capital Savings	\$ 10,018,093.94		2.170%
Bank of the West	\$ 13,013.72		0.296%
Main Bank - Initial Deposit	\$ -		2.074%
<b>Total Highly Liquid Portfolio</b>	<b>\$ 150,533,225.92</b>	<b>38.38%</b>	
<b><u>Liquid Portfolio: \$60 million Matures Within 12 Months</u></b>			
US Treasury Securities	\$ 133,350,077.87		2.446%
US Agency Securities			
Liquid - Wells Fargo MMF	\$ 22,291.99		2.240%
Cash/Receivable	\$ 93,243.45		0.00%
<b>Total Liquid Portfolio</b>	<b>\$ 133,465,613.31</b>	<b>34.03%</b>	
<b><u>Core Portfolio: Actively Managed (non-discretionary)</u></b>			
US Treasury Securities	\$ 107,535,411.18		2.051%
US Agency Securities			
Core - Wells Fargo MMF	\$ 488,989.55		2.240%
Cash/Receivable	\$ 144,396.53		0.00%
<b>Total Core Portfolio</b>	<b>\$ 108,168,797.26</b>	<b>27.58%</b>	
<b>Total Operating Funds</b>	<b>\$ 392,167,636.48</b>	<b>100.00%</b>	<b>2.271%</b>
<b>Previous Month Operating Funds</b>	<b>\$ 557,273,592.78</b>		<b>2.352%</b>

## Looking Forward | Strategy FY21

# Looking Forward | Strategy for Op Funds Portfolios, FY21

Bucket	Per Policy	Current Position (6/30/20)	Target	Comments
1 Highly Liquid (30 day)	\$77 million*	\$173.8 million Plus CARES Act \$29.9 million	\$77 million	Target based on FY20 budget
2 Liquidity Ladder	Balance of Funds \$60 million must mature within 12 months	\$137.3 million	Balance of Funds	Funds not specifically allocated to bucket #1 or #3 remain here
3 Core	Undefined	\$112.3 million	\$140 million	Discuss moving funds to Core from Highly Liquid. Fund balance analysis.

\* Defined at 15% of annual budget per the investment policy section VIII.B.2

- In fiscal year 2021, the County's Core portfolio will be managed to a new benchmark that was adopted July 2020. Additionally, the County is now allowed to invest in commercial paper and bonds issued by Supranational issuers, so those investments will be considered.

# Looking Forward | Strategy for Bond Funds Portfolios, FY21

- ❏ The bond proceeds portfolio will continue to be managed to the forecasted capital project draw schedules and will also be invested in a smooth ladder of monthly maturities.
- ❏ Public Trust will continue to meet with County staff on a monthly basis to review the outlook for capital project draws and invest according to when cash is needed.
- ❏ The Investment Working Group (IWG) meeting, where the County Treasurer's staff, County finance staff and Public Trust Advisors come together to review portfolios has proven to be very beneficial, adding to the communication between stakeholders.
- ❏ The IWG worked on updating investment procedures throughout fiscal year 2020 and will continue that work into fiscal year 2021.

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