



Quarterly Review of Investment Strategy

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Bernalillo County Investment Committee

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Bernalillo County Board of Finance

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Unprecedented Times: COVID-19

Working Together with the County

- Public Trust is diligently safeguarding your assets.
- Our experienced portfolio management and credit research teams continue to monitor the marketplace for any changes that affect the portfolios.
- We understand that your role is vital to the County's operations, so we offer our support to help to ensure that your investment program continues to operate as anticipated. Team members are available via phone and video calls in lieu of a physical meeting.
- We also provide weekly updates from our Credit Research team on our website under Monday Musings:
 - <https://publictrustadvisors.com/monday-musings-august-10-2020/>

Investment Strategy – Operating Funds Portfolios

Quarterly Strategy Update: Operating Funds Portfolios

- ☰ The “Three Bucket” strategy is in place:
 - ☰ Bucket #1: “15% Rule”- Must Mature Within 30 Days
 - ☰ Includes the 15% Liquidity requirement as defined in the investment policy
 - ☰ Amount updated per FY21 budget, now \$82.5 million
 - ☰ **Add two benchmarks for this portfolio: Standard & Poor’s Gov’t LGIP and the One Month Treasury**
 - ☰ Bucket #2: Liquidity Ladder
 - ☰ Benchmark – ICE BofA 1 Year Treasury Bill Index
 - ☰ **Commercial paper is now allowable in this portfolio**
 - ☰ The Investment Working Group recommends a smooth ladder of \$5mm monthly maturities through 12 months to meet the policy requirement of a minimum total \$60 million for the first 12 months
 - ☰ Bucket #3: Core Operating Funds
 - ☰ Benchmark – ICE BofA 0-5 Year US Treasury Index
 - ☰ **There is a new benchmark for the Core portfolio**
 - ☰ Made up of funds not immediately needed for operations
- ☰ Strategy approval for the operating funds portfolios will happen on a quarterly basis.
- ☰ The Bernalillo County Treasurer manages Bucket #1. Public Trust manages Buckets #2 and #3 on a non-discretionary basis.
- ☰ Annual Investment Policy updates were approved at the September 10, 2019 meeting of the Board of Finance and Procedures were updated as of June 15, 2020. Client profile must be updated to change benchmark.

Operating Funds: Three Bucket Strategy

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	\$82.5 million	Target based on FY21 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	No changes due to economic and budget uncertainty caused by pandemic.

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

Bernalillo County Operating Funds Portfolios: 6/30/20

	Market Value + Accrued	% of Total	Book Yield
<u>Highly Liquid Portfolio: 15% of Annual Budget Must Mature Within 30 Days Per Policy **</u>			
Overnight Liquid Products:			
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%
Total Highly Liquid Portfolio	\$ 173,835,973.84	38.35%	
CARES Act Funds	\$ 29,854,903.31	6.59%	0.050%
<u>Liquid Portfolio: \$60 million Matures Within 12 Months</u>			
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%
Total Liquid Portfolio	\$ 137,308,749.74	30.29%	
<u>Core Portfolio: Actively Managed (non-discretionary)</u>			
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%
Total Core Portfolio	\$ 112,259,929.59	24.77%	
Total Operating Funds	\$ 453,259,556.48	100.00%	0.990%
Previous Month Operating Funds	\$ 618,119,570.63		0.767%

Operating Funds Liquidity Portfolio: Managed by Public Trust Advisors*

6/30/20

Portfolio Overview

06/01/2020 to 06/30/2020

Portfolio Characteristics

	05/31/20	06/30/20
Duration	1.049	1.040
Years to Effective Maturity	1.058	1.052
Years to Final Maturity	1.058	1.052
Coupon Rate	1.682	1.687
Book Yield	1.501	1.417
Market Yield	0.202	0.189
Benchmark Yield	0.19	0.173

Portfolio Summary

Summary	05/31/20	06/30/20
Historical Cost	\$135,129,664.18	\$135,535,305.18
Book Value	135,225,010.05	135,563,079.02
Accrued Interest	488,247.92	504,787.79
Net Pending Transactions	188,363.26	19.89
Book Value Plus Accrued	\$135,901,621.24	\$136,067,886.70
Net Unrealized Gain/Loss	1,382,053.37	1,240,863.04
Market Value Plus Accrued	\$137,283,674.60	\$137,308,749.74

Asset Allocation



Income Summary

Period Income	Income
Interest Income	\$185,790.63
Net Amortization/Accretion Income	(19,525.17)
Net Income	\$166,265.46

Operating Funds Core Portfolio: Managed by Public Trust Advisors* 6/30/20

Portfolio Overview

06/01/2020 to 06/30/2020

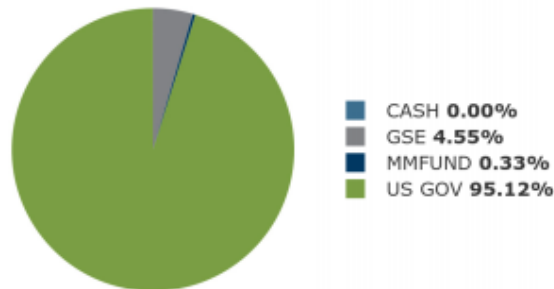
Portfolio Characteristics

	05/31/20	06/30/20
Duration	1.747	1.663
Years to Effective Maturity	1.785	1.702
Years to Final Maturity	1.785	1.702
Coupon Rate	1.956	1.954
Book Yield	1.844	1.842
Market Yield	0.210	0.201
Benchmark Yield	0.187	0.179

Portfolio Summary

Summary	05/31/20	06/30/20
Historical Cost	\$108,840,359.15	\$109,161,775.09
Book Value	109,042,562.24	109,354,819.80
Accrued Interest	511,854.00	516,222.64
Net Pending Transactions	151,322.19	10.53
Book Value Plus Accrued	\$109,705,738.44	\$109,871,052.97
Net Unrealized Gain/Loss	2,514,674.69	2,388,876.62
Market Value Plus Accrued	\$112,220,413.12	\$112,259,929.59

Asset Allocation



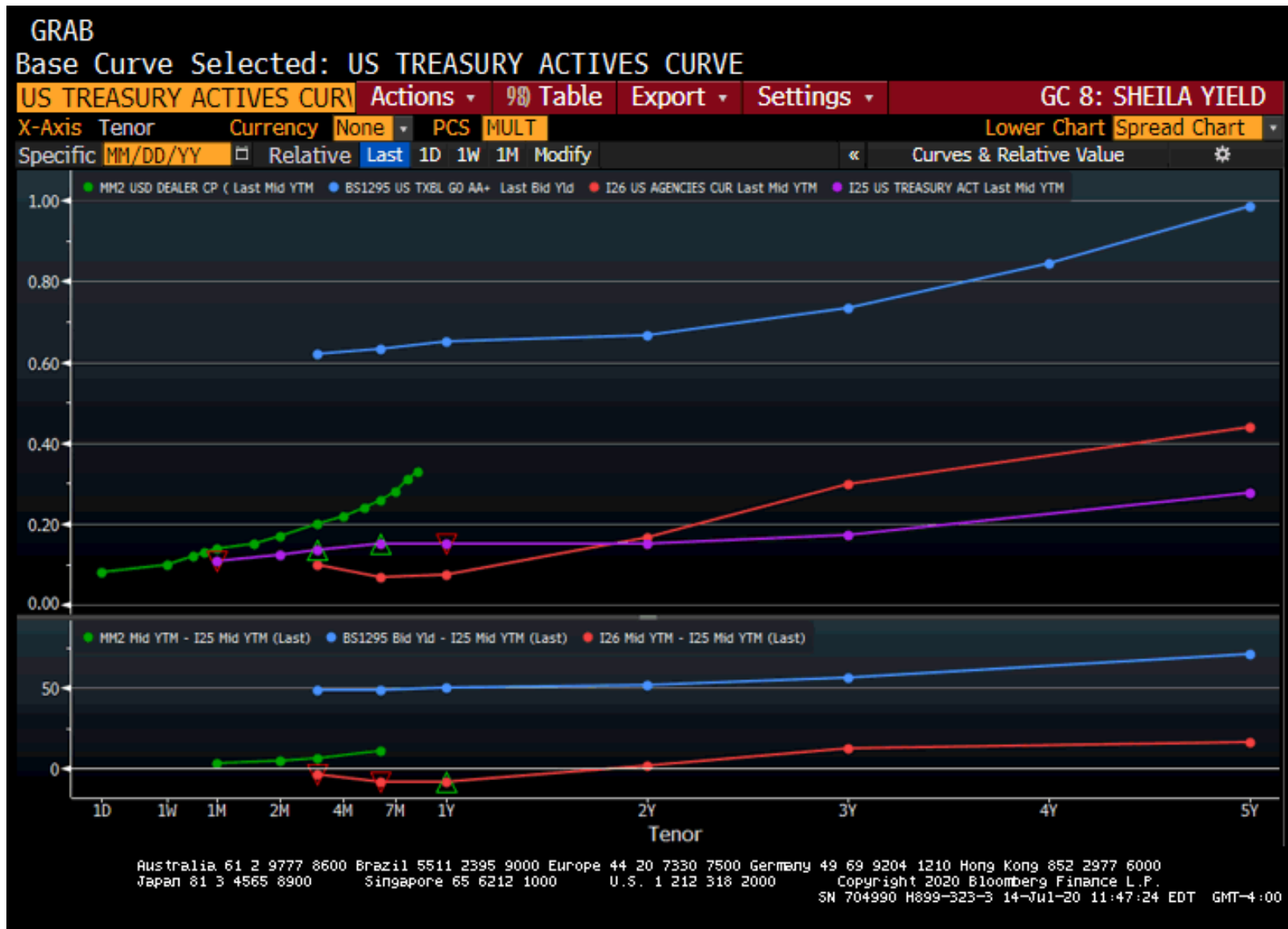
Income Summary

Period Income	Income
Interest Income	\$174,472.92
Net Amortization/Accretion Income	(9,158.39)
Net Income	\$165,314.53

Operating Funds Portfolio – Liquidity Ladder

- The liquidity portfolio is a ladder portfolio built to ensure there is enough money available to meet the operating cash needs of the County.
- As of July 13, 2020, the ladder of maturities in this portfolio reaches out to July 15, 2022.
- The policy requirement that \$60 million matures within 12 months has been met. The investment working group recommends that at least \$5 million per month mature in each of the first 12 months (rolling) – this hurdle has also been met or exceeded.
- The Bernalillo County Investment Policy was updated to incorporate statutory changes that expand the list of allowable investments. The Board of Finance voted to approve the updated policy on September 10, 2019.
- The newly allowable investments will not be utilized until the County has updated and adopted new investment procedures.
- As of July 13, 2020, everything is in place to implement the policy changes.

Yield Curves as of July 14, 2020*



Operating Funds Portfolio - Core

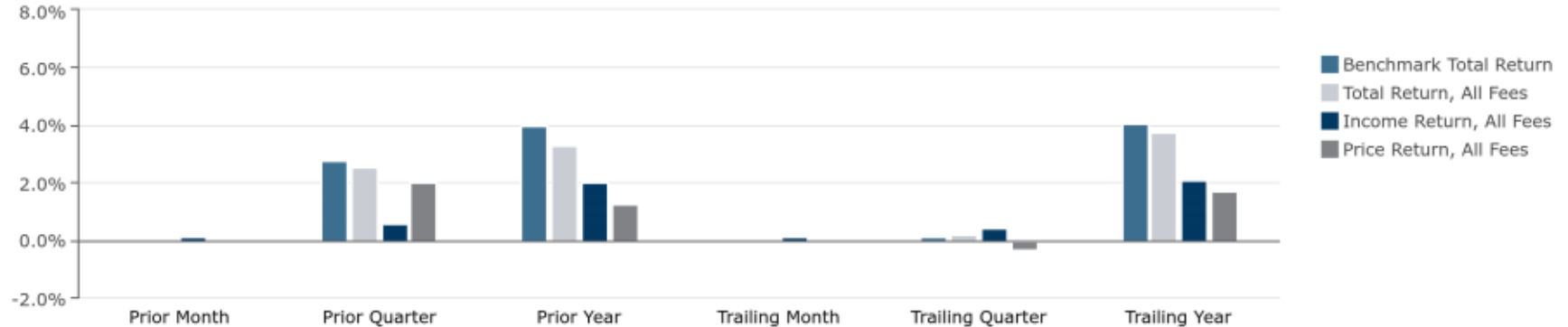
- ❏ Strategy for the Core portfolio was revised at the beginning of 2019 as the yield curve flattened and began to invert.
- ❏ Active management and swap trades were discontinued in January 2019 per the request of the County, which has led to underperformance in this portfolio.
- ❏ Neil Waud, Public Trust's chief investment officer presented different strategy options to the investment committee at their on October 17th meeting.
- ❏ Public Trust recommended a change to the benchmark for this portfolio and will resume an active management strategy when the benchmark is updated.
- ❏ Markets have changed dramatically since Public Trust recommended a change in strategy. The Coronavirus crisis has been very disruptive and interest rates on fixed income investments have dropped significantly (see previous slide).
- ❏ The strategy for this portfolio must be approved by the County Treasurer and Board of Finance on a quarterly basis.

Core Portfolio Performance

Performance

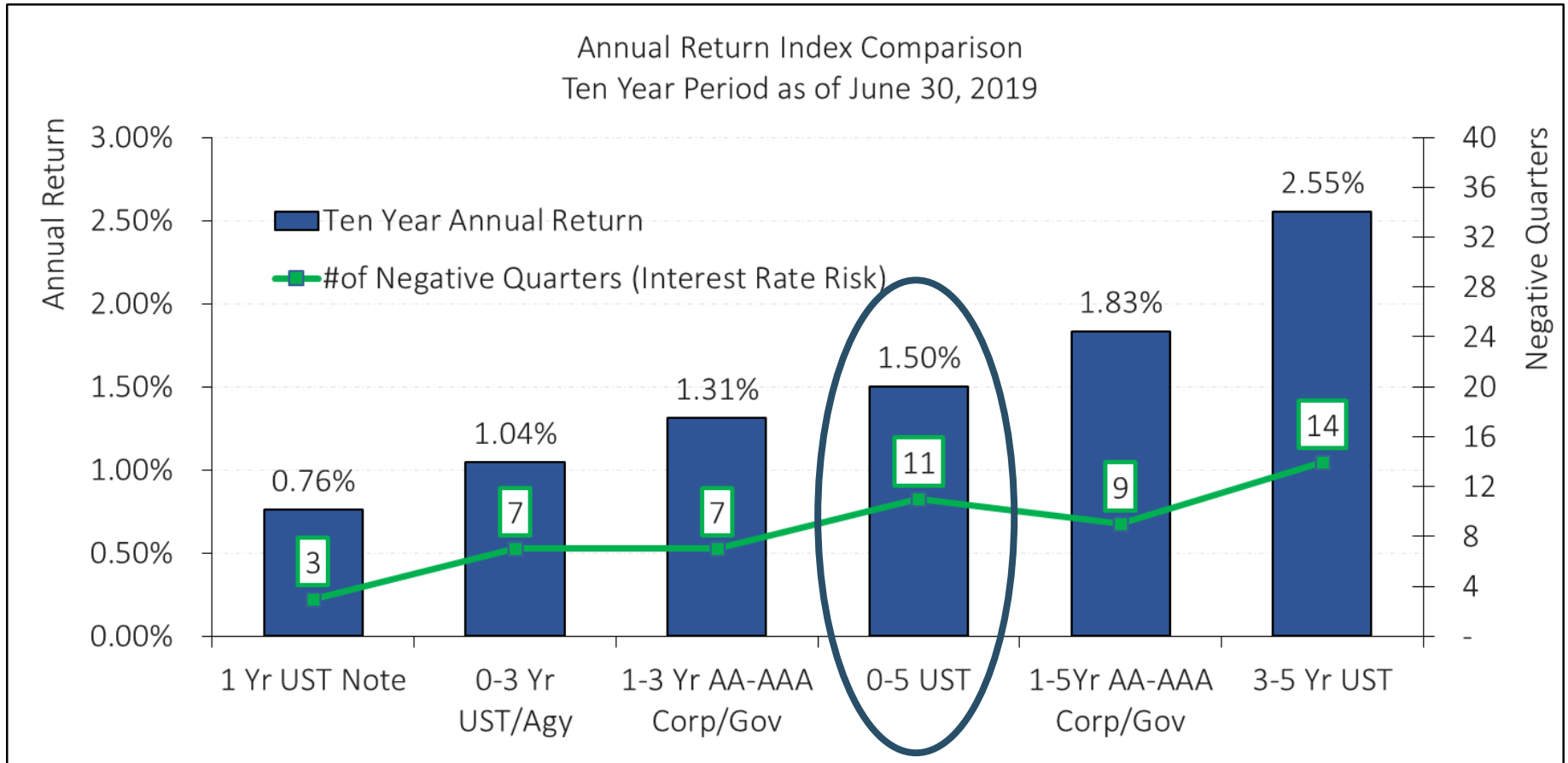
06/01/2020 to 06/30/2020

Total Return vs Benchmark



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

Historic Benchmark Returns



Source: Bloomberg. ICE BAML 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

Investment Strategy – Bond Proceeds Portfolio

Bernalillo County Bond Proceeds Portfolio: 06/30/20

Portfolio Overview

06/01/2020 to 06/30/2020

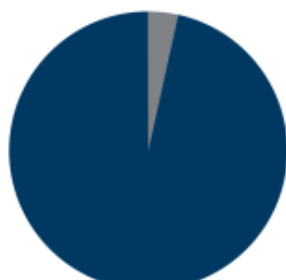
Portfolio Characteristics

	05/31/20	06/30/20
Duration	0.446	0.436
Years to Effective Maturity	0.443	0.439
Years to Final Maturity	0.443	0.439
Coupon Rate	1.384	1.463
Book Yield	1.474	1.454
Market Yield	0.198	0.194
Benchmark Yield	0.19	0.173

Portfolio Summary

Summary	05/31/20	06/30/20
Historical Cost	\$53,884,900.56	\$49,422,162.73
Book Value	54,026,702.93	49,497,537.82
Accrued Interest	196,054.60	193,981.88
Net Pending Transactions	4,778,037.73	132.32
Book Value Plus Accrued	\$59,000,795.26	\$49,691,652.02
Net Unrealized Gain/Loss	258,060.96	198,573.93
Market Value Plus Accrued	\$59,258,856.21	\$49,890,225.95

Asset Allocation



■	CASH	0.00%
■	MMFUND	3.45%
■	US GOV	96.55%

Income Summary

Period Income	Income
Interest Income	\$64,934.60
Net Amortization/Accretion Income	2,914.50
Net Income	\$67,849.10

Investment Strategy - Bond Proceeds

- This portfolio strategy remains the same quarter to quarter.
- The bond proceeds portfolio maturities are laddered monthly to fund project draws. Any funds not needed for capital project draws will be reinvested at the per the anticipated projects draws cash flow discussion at the investment working group meeting.
- The working group actively discusses cash flows for both GO Bond Proceeds and the GRT funded projects at their regular monthly meeting.
- The finance department provided guidance on expected project draws and cash needs and a trade authorization request was sent to invest the new monies.
- Trade authorization is required for each trade for the bond proceeds investments.

Fiduciary

Per Public Trust Advisors' current scope of work for Bernalillo County, we are required to prepare a quarterly investment review and present it to the Investment Committee and the Board of Finance. As a Registered Investment Advisor (RIA) under the Securities Exchange Act of 1940, we act in a fiduciary capacity for the County.

*A **fiduciary** relationship is generally viewed as the highest standard of customer care available under law. Fiduciary duty includes both a duty of care and a duty of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest.*

~ **Securities Industry and Financial Markets Association (SIFMA)**

SIFMA Fiduciary Standard Resource Center, <https://www.sifma.org/issues/private-client/fiduciary-standard/overview/>

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