

Exhibit A

Investment Portfolio Review

Quarter Ending June 30, 2023

OVERVIEW

April 1, 2023 – June 30, 2023

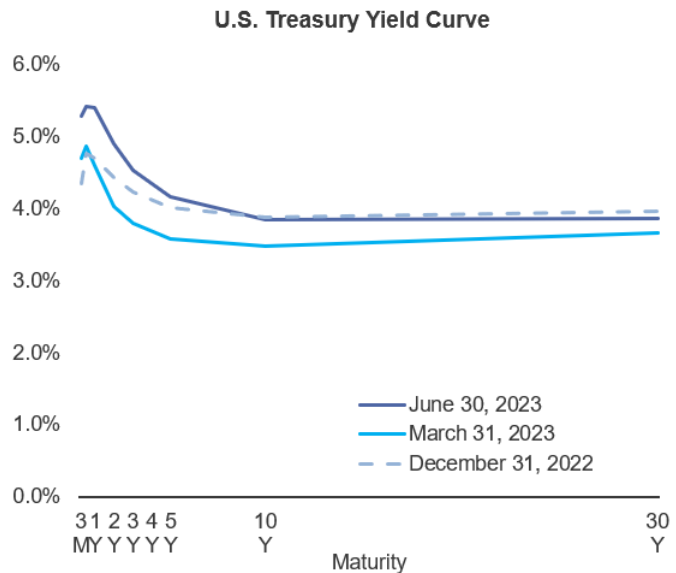
The U. S. economy is characterized by headline inflation numbers trending lower, but the Federal Reserve’s focus, “supercore inflation,” is showing little sign of slowing. The labor market has proven to be exceptionally strong and there is a more optimistic sentiment around economic growth due to resilient consumer spending.

The Federal Reserve temporarily paused interest rate hikes in June, following the most aggressive series of interest rate hikes in recent history. The Federal Reserve’s most recent dot plot shows the potential for two additional rate hikes by the end of the year. Rates have moved up due to the Federal Reserve’s rate trajectory shifting higher, the economy remaining stronger than expected, persistent inflation, and the market’s “higher-for-longer” mindset.

U.S. TREASURY YIELD CURVE

- U.S. Treasury yields rose across the curve as the market priced in the Federal Reserve’s path to “higher-for-longer.” The 2-year Treasury yield increased by 87 basis points by the end of the quarter.

	6/30/23	3/31/23	Change
3-month	5.28%	4.75%	+0.53%
1-year	5.39%	4.62%	+0.77%
2-year	4.90%	4.03%	+0.87%
3-year	4.53%	3.79%	+0.74%
5-year	4.16%	3.58%	+0.58%
10-year	3.84%	3.47%	+0.37%
30-year	3.86%	3.65%	+0.21%



- Yields tracked back to highs last seen in early March of 2023. This was led by the Federal Reserve’s commitment to slow inflation and resiliency in the labor market.



PORTFOLIO STRATEGY

The County of Monterey Treasury maintains a well-diversified portfolio across sectors and issuers while maintaining a high credit quality of the portfolio and closely monitoring corporate holdings. Four indicators reflect the key aspects of the investment portfolio:

1. Market Access – During the quarter, investment purchases for the portfolio included Corporate Notes, U.S. Treasury Notes, Commercial Paper, Certificates of Deposit, and Federal Agencies. The Treasurer continues to maintain an adequate level of liquid assets to ensure the ability to meet all cash flow needs.
2. Diversification – The County of Monterey Treasurer’s portfolio consists of 300 separate fixed income investments, all of which are authorized by the State of California Government Code 53601 and the Investment Policy.

The portfolio assets are allocated between overnight vehicles and the long-term portfolio as detailed in the table below:

Portfolio Asset Composition								
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	U.S. Treasuries	Federal Agencies	Commercial Paper	Supra-nationals	Municipal Bonds	Asset Backed Securities
15.3%	1.1%	26.2%	33.4%	18.0%	4.7%	1.2%	<0.1%	<0.1%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 83.4% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, Negotiable CDs, and other liquid funds. All assets have a better than investment grade rating. U.S. Treasuries are not specifically rated but are considered the safest of all investments. Most corporate debt (15.3%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated AA- or higher. The Supranationals (1.2%) are rated AAA. The credit quality of the Treasurer’s portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition								
AAA	AAAm	AA	A	A-1 (Short Term)	Aaf/S1+ (CalTRUST)	BBB+ (split rated)	LAIF (not rated)	Not Rated by S&P
1%	15%	55%	10%	8%	11%	<1%	<1%	<1%

• Total may not equal 100% due to rounding

4. Liquidity Risk – Liquidity risk, as measured by the ability of the County Treasury to meet withdrawal demands on invested assets, was actively managed during the April - June quarter. The portfolio’s weighted average maturity was 337 days, and the Treasurer maintained \$800 million (26%) invested in overnight investments and \$1 billion (33%) in securities with maturities of one day to one year to provide immediate liquidity to be able to react quickly to unanticipated needs or opportunities in the current market environment.

PORTFOLIO CHARACTERISTICS

	March 31, 2023	June 30, 2023
Total Assets	\$2,846,291,249	\$3,130,880,011
Market Value	\$2,764,310,402	\$3,037,423,839
Days to Maturity	406	337
Yield	2.33%	2.78%
Estimated Earnings	\$16,181,866	\$21,205,543

The Treasury continues to strategically invest matured assets while accounting for potential liquidity needs. Opportunities are actively evaluated to safely add value to the County’s portfolio while maintaining a strong sense of safety and risk management.