

Exhibit A

Investment Portfolio Review

Quarter Ending March 31, 2023

OVERVIEW

January 1, 2023 – March 31, 2023

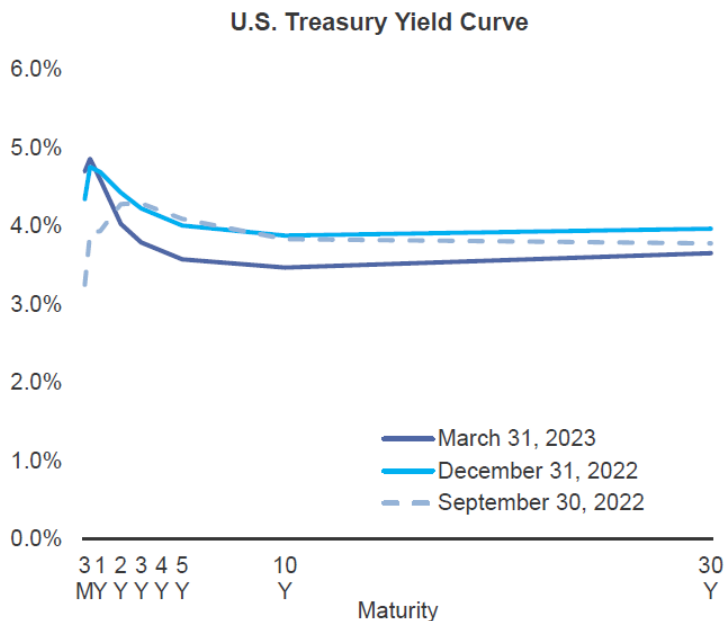
Inflation has shown itself to be more entrenched than previously expected as the Federal Reserve’s preferred price tracker inches lower but remains far elevated above their long-term average inflation target. Meanwhile, the broader outlook has become more uncertain following the announcement of two large bank failures and the takeover of a third. The Federal Reserve acknowledged the negative shock from the issues in the banking sector but remains committed to fighting inflation as they near the end of this rate hike cycle.

The Federal Reserve Summary of Economic Projections for March changed slightly from December, still projecting the federal funds rate to end 2023 just above 5%. While the current rate of 4.75% to 5.00% is still a 25 basis point (0.25%) hike away from that target, market expectations point to no additional hikes and a target rate lowered to 4.25% by the end of the year. Although the Federal Reserve has maintained that they will keep rates elevated for some time, the market is pricing in the slight chance of an economic downturn or worsening financial conditions.

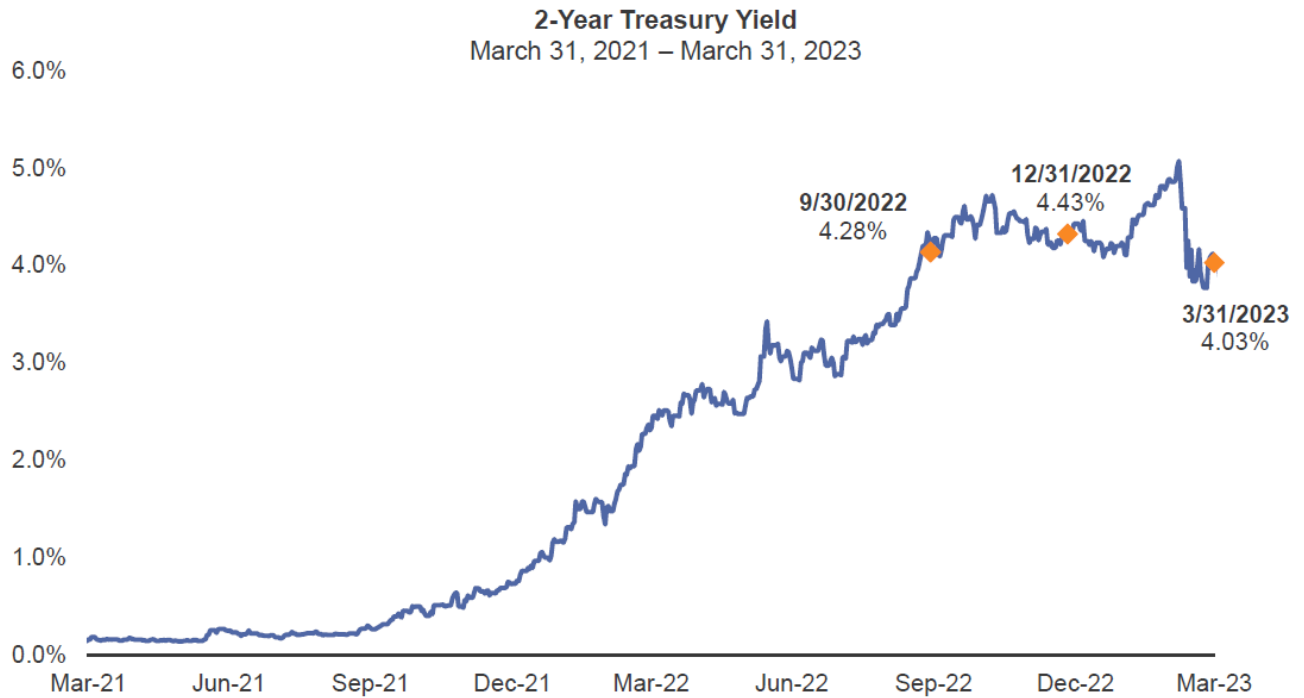
U.S. TREASURY YIELD CURVE

- The U.S. Treasury yield curve inversion steepened during the quarter as the yield on all but the very shortest maturities fell. Very short-term rates increased in response to the Federal Reserve’s interest rate increase on March 22, 2023.

	3/31/23	12/31/22	Change
3-month	4.75%	4.37%	+0.38%
1-year	4.62%	4.71%	-0.09%
2-year	4.03%	4.43%	-0.40%
3-year	3.79%	4.22%	-0.43%
5-year	3.58%	4.00%	-0.42%
10-year	3.47%	3.87%	-0.40%
30-year	3.65%	3.96%	-0.31%



- The 2-year Treasury yield decreased by 40 basis points by the end of the quarter.



PORTFOLIO STRATEGY

The Monterey County 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, 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 Monterey County 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
17.1%	1.8%	19.5%	38.3%	19.2%	1.8%	2.1%	<0.1%	<0.1%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 78.8% 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 (17.1%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated AA- or higher. The Supranationals (2.1%) 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
2%	12%	63%	11%	4%	8%	<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 January - March quarter. The portfolio’s weighted average maturity was 406 days, and the Treasurer maintained \$542 million (19%) invested in overnight investments and \$888 million (31%) 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

	December 31, 2022	March 31, 2023
Total Assets	\$2,951,545,544	\$2,846,291,249
Market Value	\$2,847,146,415	\$2,764,310,402
Days to Maturity	441	406
Yield	1.78%	2.33%
Estimated Earnings	\$11,952,629	\$16,181,866

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.