

# Exhibit A

## Investment Portfolio Review

### Quarter Ending June 30, 2024

#### OVERVIEW

April 1, 2024 – June 30, 2024

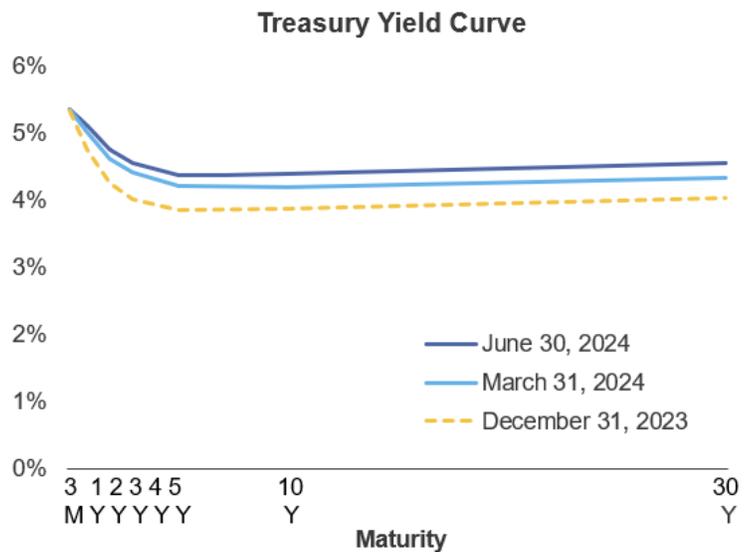
The U.S. economy was characterized by several key trends. Economic growth moderated after two quarters of exceptional strength. Recent inflation data shows a return towards the Federal Reserve’s 2% target. The labor market remains robust despite a modest increase in unemployment. Consumer spending is resilient supported by wage growth that is outpacing inflation.

The Federal Reserve has delayed interest rate decreases, revising expectation from three rate cuts in 2024 to just one by year end due to insufficient progress in combating inflation. Despite this, the market still anticipates one or two rate cuts in 2024. Federal Reserve officials feel the risk of their “dual mandate” of maintaining stable inflation and achieving maximum employment are becoming more balanced.

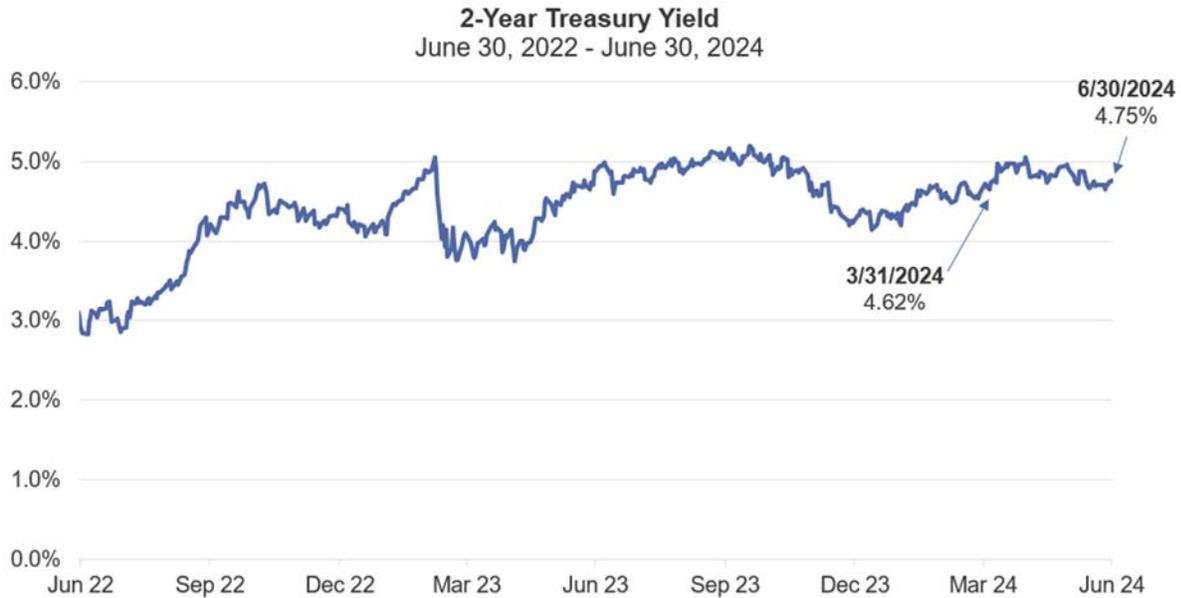
#### U.S. TREASURY YIELD CURVE

- U.S. Treasury yields rose modestly during the quarter. The yield curve has now been inverted for 24 months, the longest period in history.

	6/30/24	3/31/24	Change
3-month	5.35%	5.36%	-0.01%
1-year	5.11%	5.02%	+0.09%
2-year	4.75%	4.62%	+0.13%
3-year	4.55%	4.41%	+0.14%
5-year	4.38%	4.21%	+0.17%
10-year	4.40%	4.20%	+0.20%
30-year	4.56%	4.34%	+0.22%



- The 2-year Treasury increased by 0.13% during the quarter.



## **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, Federal Agency Bonds, and Negotiable CDs. 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 310 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
20.9%	5%	21%	34.2%	11.8%	6.6%	.5%	<0.1%	<0.1%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 78.6% of the investment portfolio is comprised of U.S. Treasuries, Federal Agencies, Negotiable CDs, and other liquid funds. All assets have a better than investment grade rating. U.S. Treasuries are considered the safest of all investments. Most corporate debt (20.9%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated AA- or higher. The Supranationals (.5%) 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)
1%	12%	51%	14%	12%	9%	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 408 days, and the Treasurer maintained \$701 million (21%) invested in overnight investments and \$1.2 billion (36%) 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, 2024	June 30, 2024
Total Assets	\$3,260,434,400	\$3,397,732,035
Market Value	\$3,195,541,575	\$3,336,530,534
Days to Maturity	392	408
Yield	3.83%	4.13%
Estimated Earnings	\$29,954,216	\$34,986,456

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.