

Exhibit A

Investment Portfolio Review

Quarter Ending September 30, 2021

OVERVIEW

July 1, 2021 – September 30, 2021

COVID-19 continued to overshadow the entire economic and market landscape. The U.S. economy during the quarter was characterized by the following factors: continued recovery aided by supportive fiscal and monetary policy, potentially stagnating labor market growth, and heightened inflationary pressures.

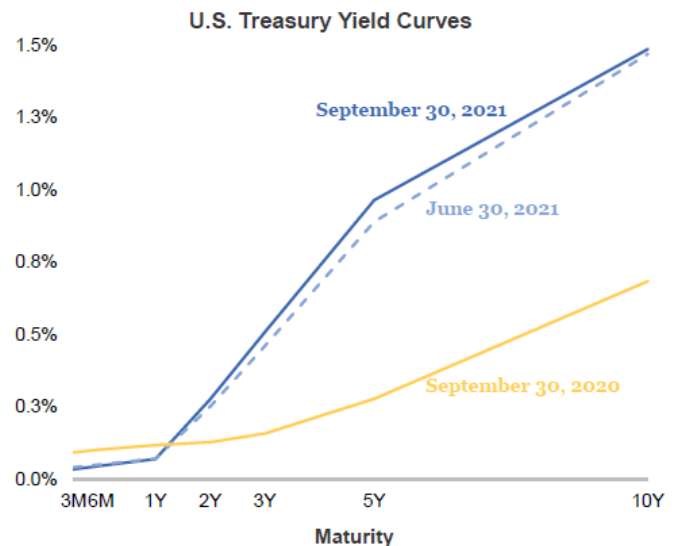
The Federal Open Market Committee (FOMC) support continued during the quarter. The FOMC maintained its target rate at 0%-0.25%. The Federal Reserve also continued its large-scale asset purchases.

U.S. TREASURY YIELD CURVE

- The U.S. Treasury yield curve was largely unchanged from quarter end to quarter end, despite inter-quarter volatility.
- On the shorter end of the curve, yields on maturities under one year continued to remain anchored to the Federal Reserve’s near-zero interest rate policy.
- Yields on 2-year and 3-year maturities rose modestly but continued to hover near record lows.
- Yields on maturities of five years moved by 7 basis points (0.07%).

	3Q2021 9/30/21	2Q2021 6/30/21	QoQ Change
3-month	0.03%	0.04%	-0.01%
1-year	0.07%	0.07%	-
2-year	0.28%	0.25%	+0.03%
3-year	0.51%	0.46%	+0.05%
5-year	0.96%	0.89%	+0.07%
10-year	1.49%	1.47%	+0.02%
30-year	2.04%	2.09%	-0.05%

Source: Bloomberg as of 9/30/2021.



- The 2-year Treasury yield moved just slightly higher during the quarter.



Source: Bloomberg, as of 9/30/21.

Monterey County Treasury investments continue to focus on capturing relative value while remaining cautious. The following indicators reflect key aspects of the investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, investment purchases for the portfolio included Corporate Notes and U.S. Treasury Notes. 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 228 separate fixed income investments, all of which are authorized by the State of California Government Code 53601 and the Investment Policy.

The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition							
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	U.S. Treasuries	Federal Agencies	Commercial Paper	Supranationals	Municipal Bonds
12.3%	2.8%	14.9%	43.6%	17.7%	5.9%	2.7%	0.1%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 85% 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. All corporate debt (12.3%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated A+ or higher. The Supranational (2.7%) is 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
2.8%	8.2%	63.7%	8.2%	8.7%	3.3%	1.6%	3.5%	<0.1%

• 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 July – September quarter. The portfolio’s average weighted maturity was 571 days, and the Treasurer maintained \$320M (15%) in overnight investments and \$507M (24%) 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 environment.

PORTFOLIO CHARACTERISTICS

	June 30, 2021	September 30, 2021
Total Assets	\$2,196,394,068.88	\$2,129,066,305.90
Market Value	\$2,211,758,053.83	\$2,140,839,223.96
Days to Maturity	604	571
Yield	0.69%	0.57%
Estimated Earnings	\$3,788,827.31	\$2,945,448.07

Given the volatile market environment related to the COVID-19 Pandemic, the Treasury continues strategically investing maturities while accounting for potential liquidity needs. As market conditions evolve, the portfolio will continue to be actively managed under the established tenets of safety and liquidity while seeking to maximize the rate of return.