

Exhibit A

Investment Portfolio Review

Quarter Ending June 30, 2021

OVERVIEW

April 1, 2021 – June 30, 2021

Economic conditions during the quarter were characterized by the following factors: broad economic reopening as COVID-19 caseloads plummeted, strong growth and forward economic momentum, continued improvement in the labor market, material shortages, elevated input costs, and supply-chain challenges.

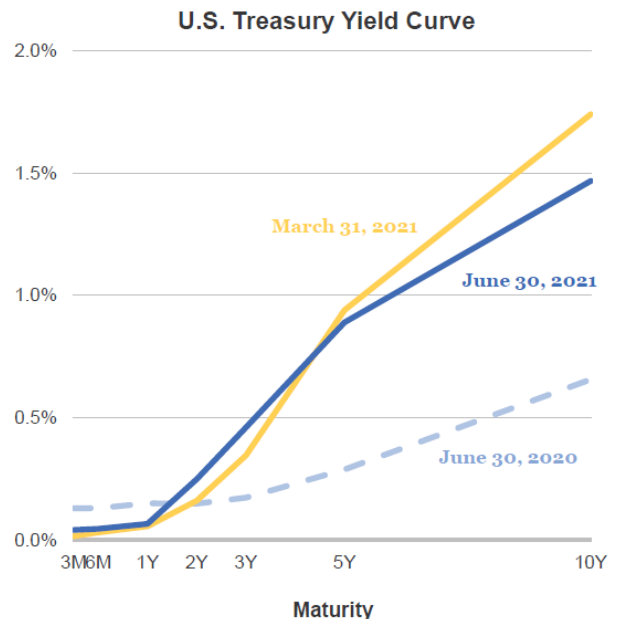
Driven by a combination of base effects, stimulus-driven demand, and transient factors such as supply chain disruption, measures of inflation rose in the second quarter of 2021. The Federal Reserve’s June projections showed some variety amongst its committee members regarding views on monetary policy. While no change in policy is expected in the remainder of 2021, participants are leaning towards two federal funds rate increases by the end of 2023.

U.S. TREASURY YIELD CURVE

- The Yield Curve flattened modestly during the quarter.
- As long-term yields fell, yields on two-year and three-year maturities moved up slightly, while very short-term yields remained anchored to the Federal Reserve’s near-zero interest rate policy.

	2Q2021 6/30/21	1Q2021 3/31/21	QoQ Change
3-month	0.04%	0.02%	+0.02%
1-year	0.07%	0.06%	+0.01%
2-year	0.25%	0.16%	+0.09%
3-year	0.46%	0.35%	+0.11%
5-year	0.89%	0.94%	-0.05%
10-year	1.47%	1.74%	-0.27%
30-year	2.09%	2.41%	-0.32%

Source: Bloomberg as of 6/30/2021.



- The 2-year Treasury yield moved slightly higher during the quarter on expectations that a Federal Reserve rate increase could occur before the end of 2023, sooner than previously expected.



Source: Bloomberg, as of 6/30/21.

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, U.S. Treasury Notes, Supranational Bonds, Negotiable CDs, and Commercial Paper Securities. The Treasurer continues to keep a higher level of liquid assets, reflecting the need to maintain levels of available cash to ensure the ability to meet all cash flow needs.
2. Diversification - The Monterey County Treasurer’s portfolio consists of 233 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
13.1%	2.7%	13.5%	44.3%	17.2%	6.5%	2.7%	<0.1%

- Total may not equal 100% due to rounding

3. **Credit Risk** – Approximately 84.2% 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 (13.1%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated AA. 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
2.7%	6.2%	64.1%	8.9%	9.2%	3.9%	1.6%	3.4%	<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 April – June quarter. The portfolio’s average weighted maturity was 604 days, and the Treasurer maintained \$298M (13.5%) in overnight investments and \$605M (27.6%) 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

	March 31, 2021	June 30, 2021
Total Assets	\$2,109,458,018.97	\$2,196,394,068.88
Market Value	\$2,119,066,936.05	\$2,211,758,053.83
Days to Maturity	539	604
Yield	0.99%	0.69%
Estimated Earnings	\$5,205,543.85	\$3,788,827.31

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.