

Exhibit A

Investment Portfolio Review

Quarter Ending March 31, 2021

OVERVIEW

January 1, 2021 – March 31, 2021

Economic conditions during the quarter were characterized by the following factors: improving economic data supported by an additional \$1.9 trillion in relief funds from the American Rescue Plan Act, a dramatic decrease in COVID-19 caseload as vaccinations ramped up, expectations for increased inflation fueled by a combination of a stronger recovery and additional stimulus, and an increase in long-term Treasury yields to pre-pandemic levels.

Significant intervention from the Federal Reserve since the beginning of 2021 is expected to continue. The vaccine rollout, accommodative monetary policy, and the new \$1.9 trillion of fiscal stimulus all point to continued improvement in U.S. economic fundamentals. The 2021 Gross Domestic Product (GDP) projections have been revised up several times and current forecasts point to growth of 6% or more this year. This optimism, however, has also translated into increased inflation expectations, particularly in the near term, which is likely to continue to put upward pressure on longer-term rates.

U.S. TREASURY YIELD CURVE

- Short Rates were steady, but the Yield Curve steepened during the quarter.
- Yields on 2-year and 3-year maturities moved somewhat higher, but continued to hover near record lows.

	1Q2021 3/31/21	4Q2020 12/31/20	QoQ Change
3-month	0.02%	0.06%	-0.04%
1-year	0.06%	0.10%	-0.04%
2-year	0.16%	0.12%	+0.04%
3-year	0.35%	0.16%	+0.19%
5-year	0.94%	0.36%	+0.58%
10-year	1.74%	0.91%	+0.83%
30-year	2.41%	1.66%	+0.75%

Source: Bloomberg as of 3/31/2021.



- The 2-year Treasury remained stable throughout the quarter, starting the quarter with a yield of 0.12% and ending the quarter at 0.16%.



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, and three Municipal Bonds. 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 220 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
12.9%	0.5%	19.8%	44.6%	20.3%	0.9%	1.1%	0.1%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 85.2% 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 (12.9%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated AA. The Supranational (1.1%) 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
1.1%	11.7%	68.5%	8.8%	1.4%	4.6%	0.5%	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 January – March quarter. The portfolio’s average weighted maturity was 539 days, and the Treasurer maintained \$419M (20%) in overnight investments and \$589M (28%) 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 volatile environment.

PORTFOLIO CHARACTERISTICS

	December 31, 2020	March 31, 2021
Total Assets	\$2,227,736,412.70	\$2,109,458,018.97
Market Value	\$2,236,498,742.36	\$2,119,066,936.05
Days to Maturity	490	539
Yield	1.21%	0.99%
Estimated Earnings	\$6,205,140.10	\$5,205,543.85

Given the volatile market environment related to the COVID-19 pandemic, the Treasury has a “hold and see” approach, leaving maturing investments in short-term accounts for potential liquidity needs. As the year proceeds and 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.