

Exhibit A

Investment Portfolio Review

Quarter Ending December 31, 2020

OVERVIEW

October 1, 2020 – December 31, 2020

Economic conditions in the quarter ending December 31, 2020 were characterized by a few major events: a resurgence of coronavirus cases and the initial vaccine rollout, a presidential election with Joe Biden set to take office in January, and an additional fiscal stimulus designed to offset the lingering economic impact of the pandemic. The Federal Reserve committed to near-zero rates and an accommodative monetary policy. Equity markets with major U.S. stock indexes reached new all-time highs. However, even though the economy is recovering, it is decelerating.

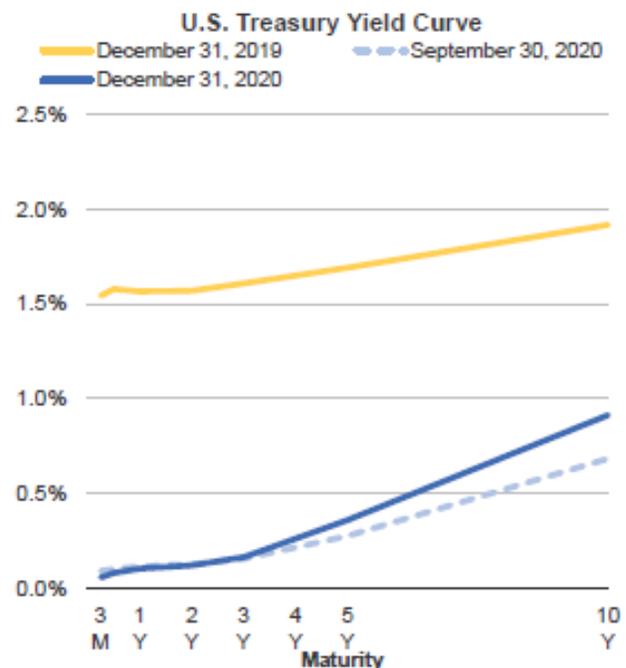
As 2020 ends, the uncertainties of 2021 come into focus. Significant intervention from the Federal Reserve is expected to continue, while additional fiscal stimulus will help offset any economic deceleration in the U.S. The speed of vaccine rollouts will ultimately drive the pace of the anticipated “return to normalcy.”

U.S. TREASURY YIELD CURVE

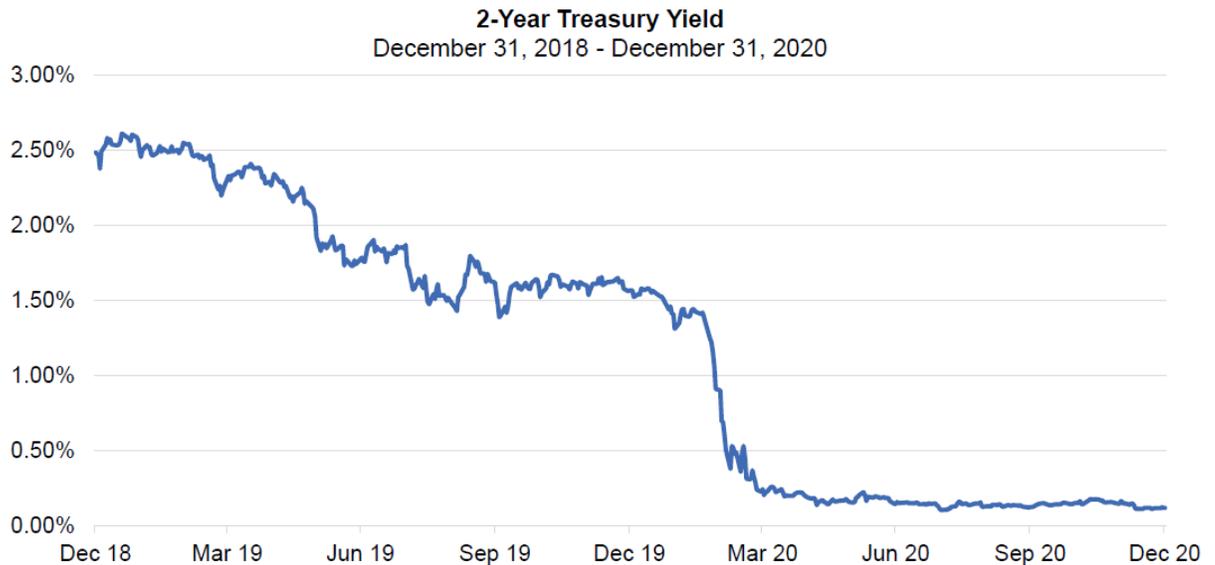
- Short rates were steady, but the yield curve steepened during the Quarter.
- The spread between the yield on the 2-year and 10-year Treasuries reached a three-year high of 79 basis points (.79%).

	4Q2020 12/31/20	3Q2020 9/30/20	QoQ Change
3 month	0.06%	0.09%	-0.03%
1 year	0.10%	0.11%	-0.01%
2 year	0.12%	0.13%	-0.01%
3 year	0.16%	0.16%	0.00%
5 year	0.36%	0.28%	+0.08%
10 year	0.91%	0.70%	+0.21%
30 year	1.66%	1.49%	+0.17%

Source: Bloomberg as of 12/31/2020.



- The 2-year Treasury remained stable throughout the quarter, starting the quarter with a yield of 0.13% and ending the quarter at 0.12%



Source: Bloomberg, as of 12/31/20.

The 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 U.S. Treasuries, Federal Agencies, Municipal Bonds, Commercial Paper and Corporate Notes. The Treasurer continues to keep a supply 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							
Commercial Paper	Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Supranational	Municipal Bonds
0.8%	13.6%	1.0%	20.5 %	43.4%	19.7%	1.0%	<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, Municipal Bonds 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 (14%) is rated in the higher levels of investment grade and all Federal Agency and Municipal holdings are rated AA. The Supranational (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 (non-rated)
1.0 %	13.6%	66.9%	9.7%	1.3%	3.6%	0.7%	3.3%

• 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 October-December quarter. The portfolio’s average weighted maturity was 490 days. In order to react quickly to unanticipated needs or opportunities in the current volatile environment, the Treasurer maintained \$461M (21%) in overnight investments to provide immediate liquidity. In addition, to provide additional enhanced liquidity, the Treasurer maintained \$762M (34%) in securities with maturities under a year.

PORTFOLIO CHARACTERISTICS

	<u>September 30, 2020</u>	<u>December 31, 2020</u>
Total Assets	\$1,918,472,919.39	\$2,227,736,412.70
Market Value	\$1,922,009,718.02	\$2,236,498,742.36
Days to Maturity	380	490
Yield	1.61%	1.21%
Estimated Earnings	\$7,320,952.18	\$6,205,140.10

Since the start of the pandemic, the volatility of the bond market has subsided, and interest rates have stabilized. With the expectation that the Federal Reserve will maintain their zero interest rate policy for the next several years, interest rates are expected to remain stable and low. Given this, the County has resumed investing excess liquidity into securities in order to lock in interest rates and to safely

maximize the portfolio return. The portfolio will continue to be actively managed under the established tenets of safety and liquidity while seeking to maximize the rate of return.