



- Treasurer's Monthly Report

Summary

The attached Treasurer's monthly report provides Metropolitan's investments, as well as portfolio compliance with Metropolitan's Statement of Investment Policy and investment programs.

Purpose

Administrative Code Requirement Section 5114

Attachments

- | | |
|---------------|---|
| Attachment 1: | Portfolio Performance Report – September 2020 |
| Attachment 2: | Portfolio Summary Report – September 2020 |
| Attachment 3: | Summary Report of Investment & Cash Activity – September 2020 |
| Attachment 4: | Duration Report – September 2020 |



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: October 12, 2020
To: Finance and Insurance Committee
From: Katano Kasaine, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report September 2020

This letter transmits a summary report of investments, cash balances and performance report with total return, and duration comparisons for the end of the current month. A detailed report of investments is filed each month with the Board Executive Secretary. These reports are required by Section 5114 of the MWD Administrative Code. All of the investments comply with Section 5101 of the MWD Administrative Code and the Investment Policy dated June 9, 2020. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

A handwritten signature in blue ink that reads "Katano Kasaine".

Katano Kasaine

KK:mt

Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
September 30, 2020

| | Market Value (\$ in Thousands) | Duration | | Monthly Return | | Fiscal YTD Return | | Annualized Return *Inception-to-Date | |
|--------------------|-----------------------------------|----------|-----------|----------------|-----------|-------------------|-----------|---|-----------|
| | | MWD | Benchmark | MWD | Benchmark | MWD | Benchmark | MWD | Benchmark |
| Liquidity | (1) \$ 768,967 | 0.53 | 0.23 | 0.04% | 0.01% | 0.17% | 0.04% | 1.90% | 1.36% |
| Core | (2) 195,777 | 2.37 | 2.67 | (0.024%) | (0.001%) | 0.39% | 0.24% | 3.56% | 3.08% |
| Liquidity and Core | \$ 964,744 | | | | | | | | |
| Other Funds | (3) 5,533 | 1.68 | | 0.05% | | 0.26% | | 4.51% | |
| Total | <u>\$ 970,277</u> | | | | | | | | |

(1) The Liquidity Portfolio Benchmark is the ICE BofAML, 3-Month Treasury Bill Index.

(2) The Core Portfolio Benchmark is the ICE BofAML, 1 - 5 years US Corporate and Government Index, A Rated and Higher.

(3) Debt Service Reserve Funds and Lake Mathews Trust.

* Inception Date 5/01/2002

Attachment 2
Portfolio Summary Report
September 30, 2020

(\$ in Thousands)

| <u>Securities</u> | | <u>Credit Quality</u> | <u>Market Value</u> | <u>Book Value</u> | <u>Percent of Portfolio Market Value</u> | <u>Investment Policy Limits</u> |
|---|-------|-----------------------|---------------------|-------------------|--|---------------------------------|
| United States Treasuries | (1,2) | "AAA" | \$ 109,284 | \$ 105,824 | 11.26% | 100% |
| Mortgage-Backed Securities | | "AAA" | 54,788 | 53,582 | 5.65% | 100% |
| Federal Agencies | (2) | "AAA" | 58,352 | 58,283 | 6.01% | 100% |
| Supranationals | | "AA or higher" | 59,482 | 59,431 | 6.13% | 30% |
| Repurchase Agreements | (3) | "AAA" | - | - | 0.00% | 20% |
| Bankers' Acceptances | | "A1 or higher" | - | - | 0.00% | 40% |
| Commercial Paper | | "A1/P1 or higher" | 72,412 | 72,397 | 7.46% | 25% |
| Negotiable Certificates of Deposit | | "A1 or higher" | 105,019 | 104,700 | 10.82% | 30% |
| Bank Deposits | | | - | - | 0.00% | 30% |
| Money Market Funds | | "AAA" | 4,392 | 4,392 | 0.45% | 20% |
| California Asset Management Program | (4) | | 229,657 | 229,657 | 23.67% | 30% |
| California Local Agency Investment Fund | (5) | | 75,000 | 75,000 | 7.73% | N/A |
| Medium Term Notes | (6) | "A or higher" | 148,503 | 145,894 | 15.31% | 30% |
| Asset-Backed Securities | | "AA or higher" | 50,018 | 49,779 | 5.16% | 20% |
| Municipals | (7) | "A or higher" | 3,370 | 3,015 | 0.35% | 30% |
| Total Portfolio | | | <u>\$ 970,277</u> | <u>\$ 961,954</u> | <u>100.00%</u> | |

- (1) Securities have an explicit United States Government guarantee.
- (2) United States Treasuries and Federal Agencies are rated 'AAA' by two nationally recognized rating agencies and 'AA+' by one nationally recognized rating agency.
- (3) Repurchase agreements can only be executed with primary dealers and collateral consists of Treasuries and/or Federal Agencies with maturities under 5 years.
- (4) The California Asset Management Program is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies. CAMP is a permitted investment for all local agencies under California Government Code Section 53601(p).
- (5) \$75 million maximum allowed by California Local Agency Investment Fund.
- (6) In March 2020, Delta Airlines (Cusip 247367BH7) security was downgraded by S&P from A- to BB+. Management had determined to hold security to maturity.
- (7) \$0.190 million (market value) of the municipal bond portfolio was rated AAA.

Attachment 3
Summary Report of Investment & Cash Activity
September 30, 2020

(Shown at Book Value and \$ in Thousands)

| | Beginning Balance | Purchases & Amortization | Sales | Maturities | Ending Balance |
|--|----------------------|-----------------------------|-------------------|------------------|-------------------|
| United States Treasuries | \$ 99,416 | \$ 10,640 | \$ 4,232 | \$ - | \$ 105,824 |
| Mortgage-Backed Securities | 54,169 | 1 | 588 | - | 53,582 |
| Federal Agencies | 58,284 | - | 1 | - | 58,283 |
| Supranationals | 48,406 | 24,230 | - | 13,205 | 59,431 |
| Repurchase Agreements | - | - | - | - | - |
| Bankers' Acceptances | - | - | - | - | - |
| Commercial Paper | 67,388 | 15,009 | - | 10,000 | 72,397 |
| Negotiable Certificates of Deposit | 94,700 | 20,000 | 10,000 | - | 104,700 |
| Time Deposits | - | - | - | - | - |
| Money Market Funds | 6,843 | 7,442 | 9,893 | - | 4,392 |
| California Asset Management Program | 188,726 | 119,879 | 78,948 | - | 229,657 |
| California Local Agency Investment Fund | 75,000 | - | - | - | 75,000 |
| Medium Term Notes | 169,591 | 1,193 | 24,890 | - | 145,894 |
| Asset-Backed Securities | 45,827 | 6,278 | 2,326 | - | 49,779 |
| Municipals | 3,010 | 5 | - | - | 3,015 |
| Subtotals | \$ 911,360 | \$ 204,677 | \$ 130,878 | \$ 23,205 | \$ 961,954 |
| | Beginning Balance | Deposits | | Withdrawals | Ending Balance |
| Cash | | | | | |
| Demand Accounts | \$ 1 | | | 7 | (6) |
| Petty Cash & Payroll | 5 | | | | 5 |
| Overnight Investment | - | | | | - |
| Subtotals | \$ 6 | \$ - | \$ - | \$ 7 | \$ (1) |
| Total | \$ 911,366 | \$ 204,677 | \$ 130,878 | \$ 23,212 | \$ 961,953 |

Attachment 4
Duration Report
September 30, 2020

(\$ in Thousands)

| Securities Available for Metropolitan's Self-Liquidity Program | Market Value | Duration (1) |
|---|---------------------|---------------------|
| US Treasury Bills | \$ - | - |
| US Treasury Notes | 87,751 | 2.395 |
| US Treasury Strips | 13,866 | 1.122 |
| Federal Agency Coupons | 53,037 | 1.298 |
| Federal Agency Strips | - | - |
| Federal Agency Discount Notes | - | - |
| Supranationals | 56,153 | 0.610 |
| Money Market Funds | 3,684 | 0.000 |
| California Local Agency Investment Fund | 70,802 | 0.000 |
| California Asset Management Program | 216,803 | 0.000 |
| Commercial Paper | 68,360 | 0.501 |
| Bankers' Acceptances | - | - |
| Negotiable Certificates of Deposit | 99,141 | 0.591 |
| Medium Term Notes | 140,192 | 1.615 |
| Municipal Bonds | 1,246 | 0.740 |
| Municipal Discount Bonds | 774 | 3.826 |
| Gov't National Mtge Assoc. | - | - |
| Asset Backed | 47,218 | 2.079 |
| Mortgage Backed | 51,721 | 1.374 |
| Total | <u>\$ 910,748</u> | |
| Weighted Average Duration | | 0.902 |

(1) Duration is a measure of the sensitivity in the price of a bond to changes in interest rates, so it is a measure of risk in a fixed income portfolio. As a rule of thumb, a fixed income portfolio with a duration of 5 (years) will decline 5% in value for every 1% upward movement in comparable interest rates.