

County of Riverside

Treasurer's Pooled Investment Fund

June 2020

Contents

2 | Treasurer's Pooled Investment Fund

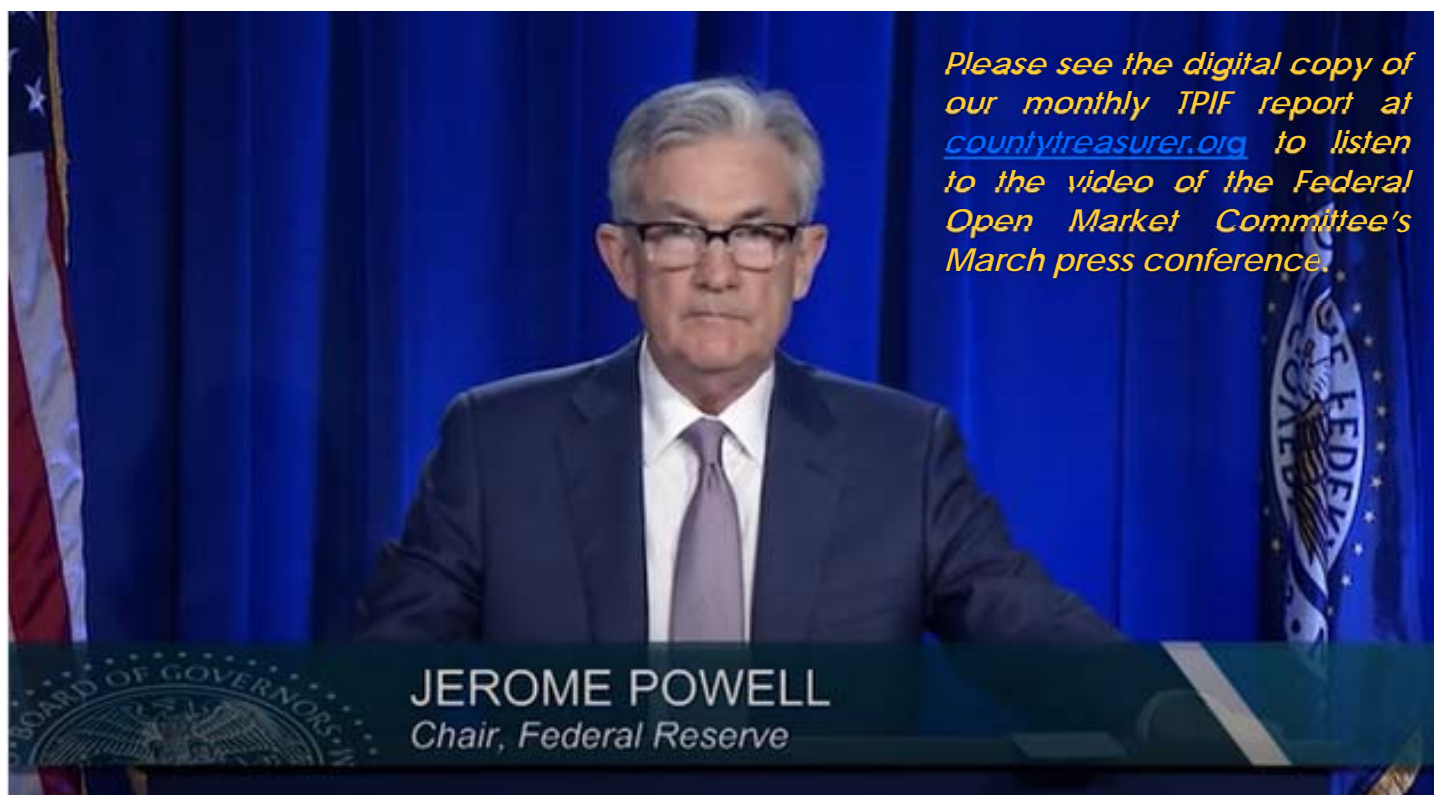
3 | Economy

4 | Market Data

6 | Portfolio Data

8 | Compliance Report

9 | Month End Holdings



Treasurer's Pooled Investment Fund

Monthly Commentary

June Gloom

Short fixed income rates were little changed in June despite the continued gloomy pandemic, geo-political, and national news. Protests and social unrest spread in response to the death of George Floyd. Libya and Hong Kong resurfaced as potential risks to global trade and gas markets. When added to the continued spread of COVID, events in June contributed to the market surprise in the employment numbers. The Treasurers Pooled Investment Fund (TPIF) yield continues to gravitate lower drawn by near zero short term interest rates.

The worldwide COVID-19 case total surpassed 10 million, with a death total now surpassing 500,000. The United States remains the leading nation in cases, accounting for over 25 percent of both cases and deaths worldwide. The FOMC met on June 10th and voted to leave rates 0.0% to 0.25% and reaffirmed its commitment to do everything it can to support economic activity. The FED also expressed the limits of monetary policy and the importance of fiscal policy in combating the economic effects of the pandemic.

China passed the controversial Hong Kong national security law, increasing trade tensions and the US threatened economic penalties in response. First quarter GDP was re-

ported as negative 5%. Despite these worries, the country produced a surprising 2.5 million jobs in the previous month, greatly surpassing the consensus estimate of negative 7.5 million! The unemployment rate was 13.3%, a dim figure still above the financial crisis level of 10%, however much better than the expected 19%. As the month progressed, most economic indicators were mixed.

As investors continue to move assets into real estate, one exception in economic activity is housing as the sector continues to be a bright spot for optimists across the nation. The Nation Association of Home Builders Index printed at 58, vs. expectations of 45; Building Permits came in at +14.4%; and New Home Sales beat expectations at 676k.

A real estate related trend is the 'flight' from dense urban areas to suburbs and even semi-rural areas as a result of the current environment. For Riverside County, this could be a positive to both the residential and commercial real estate local markets as the County has more affordable building costs, large amounts of available land, and already existing freeway and rail networks.

In addition, retail sales also reported a promising 17.7% increase from the previous month after reporting a negative 16.4% de-

crease the previous month. However, the manufacturing sector in the other hand continues to struggle with Factory Orders and Durable Goods Orders, both hitting lows of -13.0% and -17.7% respectively.

Energy markets are keeping a close eye on the situation in Libya and continue to count the casualties of low demand and supply disruption. Following negotiations with creditors, Chesapeake Energy applied for Chapter 11 bankruptcy in the United States. The company is experiencing cash flow and liquidity issues due to low energy prices and large amounts of debt.

In the early portion of the month, stock prices and bond yields moved up due to very strong nonfarm payroll numbers. Stock prices and bond yields then dropped back down to finish the month basically unchanged. Three-month treasury bills started at 0.129% and ended at 0.125%. Similarly, the 5-year treasury note started at 0.288% and ended at 0.305%. In the credit space, 3-month Libor started at 0.337% and ended at 0.302%.

*Jon Christensen
Treasurer-Tax Collector*

Capital Markets Team

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Treasurer's Statement

The Treasurer's Pooled Investment Fund is comprised of contributions from the county, schools, special districts, and other discretionary depositors throughout the County of Riverside. The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the Treasurer's control, meet the **liquidity needs** of the depositor, and to maximize a **return on the funds** within the given parameters.

The Treasurer-Tax Collector and the Capital Markets team are committed to maintaining the highest credit ratings. The Treasurer's Pooled Investment Fund is currently rated **Aaa-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**, two of the nation's most trusted bond credit rating services.

Since its inception, the Treasurer's Pooled Investment Fund has been in **full compliance** with the Treasurer's Statement of Investment Policy, which is more restrictive than California Government Code 53646.

6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Jun-20	7,804,218,376.34	7,775,589,310.59	28,629,065.75	0.37%	0.77	1.12
May-20	8,196,871,029.51	8,166,677,324.99	30,193,704.52	0.37%	0.88	1.10
Apr-20	8,707,241,840.70	8,668,716,409.06	38,525,431.64	0.44%	1.15	1.01
Mar-20	7,300,500,274.82	7,261,665,325.07	38,834,949.75	0.53%	1.46	1.19
Feb-20	7,341,926,889.86	7,315,633,798.80	26,293,091.06	0.36%	1.80	1.16
Jan-20	7,653,741,469.47	7,633,961,510.96	19,779,958.51	0.26%	1.82	1.06

*Market values do not include accrued interest.

Economy

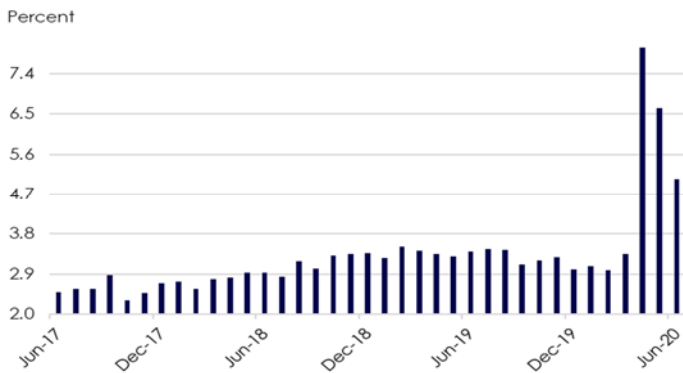
National Economy

As restrictions eased and storefronts began to open in May, retail sales surged quickly as consumers were finally able to spend their stimulus checks. Brick and mortar retail stores were open for business and diners finally made their way to a table at their favorite restaurants. A 17.7% increase is the largest monthly gain on record, but sales are still 8% below February numbers. While these numbers are encouraging, some officials warned of the uncertainty still surrounding the recovery- specifically employment and output levels that are still well below pre-pandemic numbers. ([NY TIMES 06/16/2020](https://www.nytimes.com/2020/06/16/us/economy/))

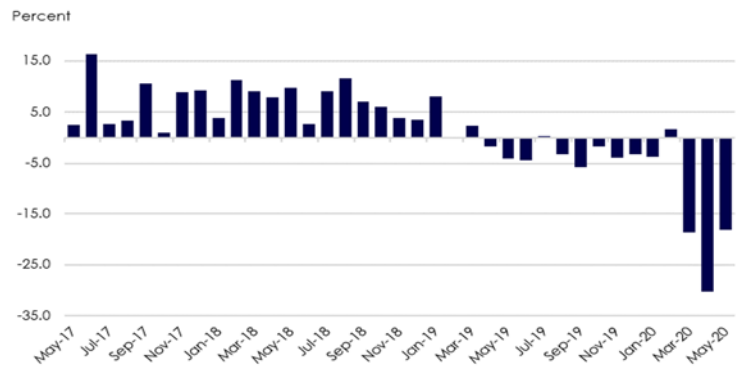
State Economy

California's housing market saw a 45% YoY dip in closed sales for May but a 2.7% increase in median price. This data reflects deals which closed escrow in May, but offers made in April or even March. Experts suggest the increase in median price can be attributed to sellers that are reluctant to drop their price, as well as a restricted supply due to many owners taking their homes off the market and making price drops less likely. Riverside County sales fell just below the statewide mark at 43.7% and median price increased 6.5% to \$415,000.00 compared to San Bernardino County where sales fell 33.9% and price increased 6.7% to \$368,000.00. ([LA TIMES 06/18/2020](https://www.latimes.com/business/real-estate/story/2020-06-18/california-housing-market))

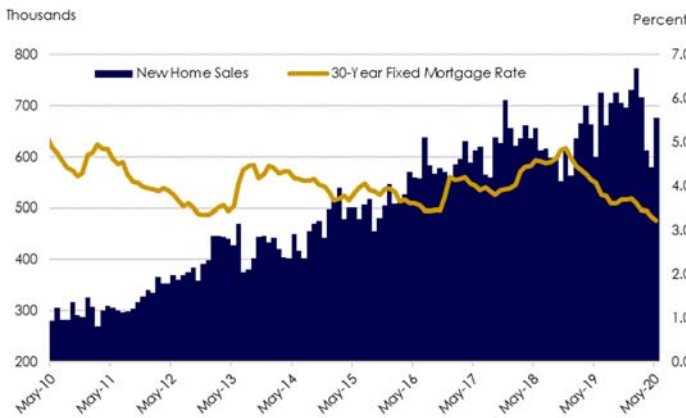
Private Sector Average Hourly Earnings Y/Y



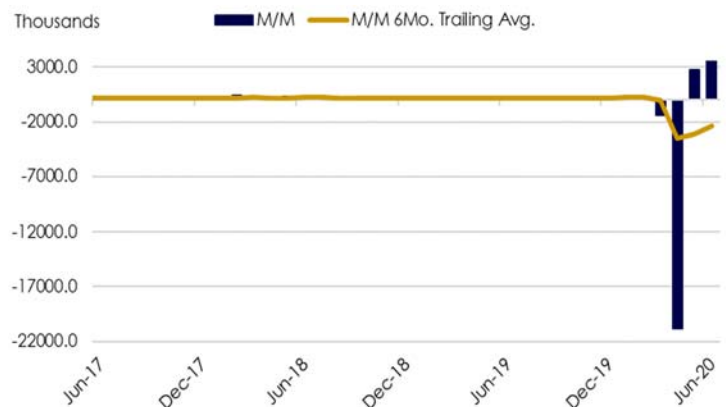
Durable Goods Percent Chg. Y/Y



New Home Sales SAAR



Nonfarm Payrolls Total M/M Change SA



Key Economic Indicators

Release Date	Indicator	Actual	Consensus	Prior Year
06/25/2020	Real GDP - Q/Q Change	-5.0%	-5.0%	3.1%
06/05/2020	Unemployment Rate - Seasonally Adjusted	13.3%	19.0%	3.6%
06/05/2020	Non-Farm Payrolls - M/M Change - Thousands	2,509	-7,500	75
06/10/2020	CPI - Y/Y Change	0.1%	0.3%	1.8%
06/10/2020	CPI Ex Food and Energy - Y/Y Change	1.2%	1.3%	2.0%
06/03/2020	ISM Non-Manufacturing Index (> 50 indicates growth)	45.4	44.4	56.9
06/23/2020	New Home Sales - SAAR - Thousands	676	640	626
06/03/2020	Factory Orders - M/M Change	-13.0%	-13.4%	-0.8%
06/03/2020	Durable Goods Orders - New Orders - M/M Change	-17.7%	-17.2%	-2.1%

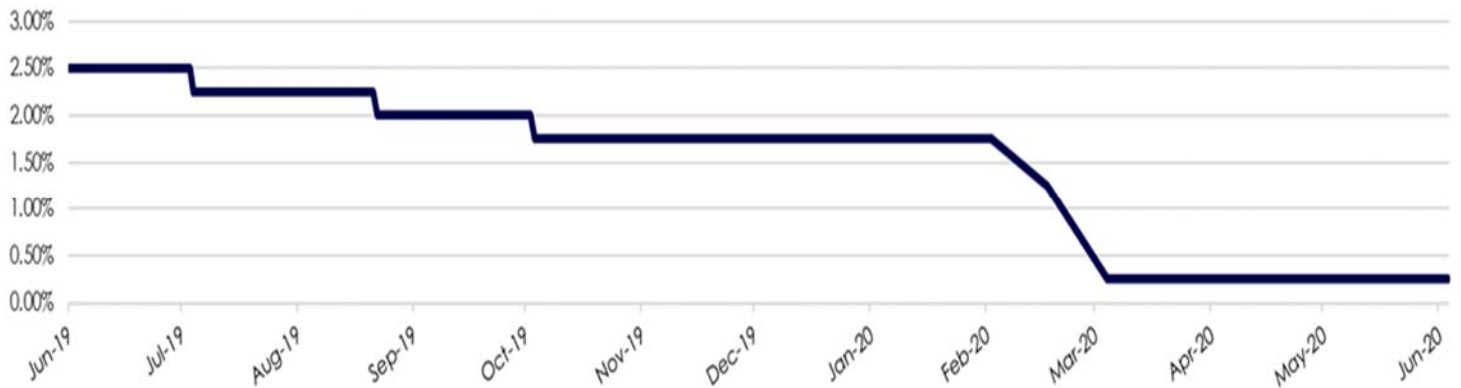
*Note: 'Prior Year' displays final estimates of indicator values from the equivalent period of the prior year.

Market Data

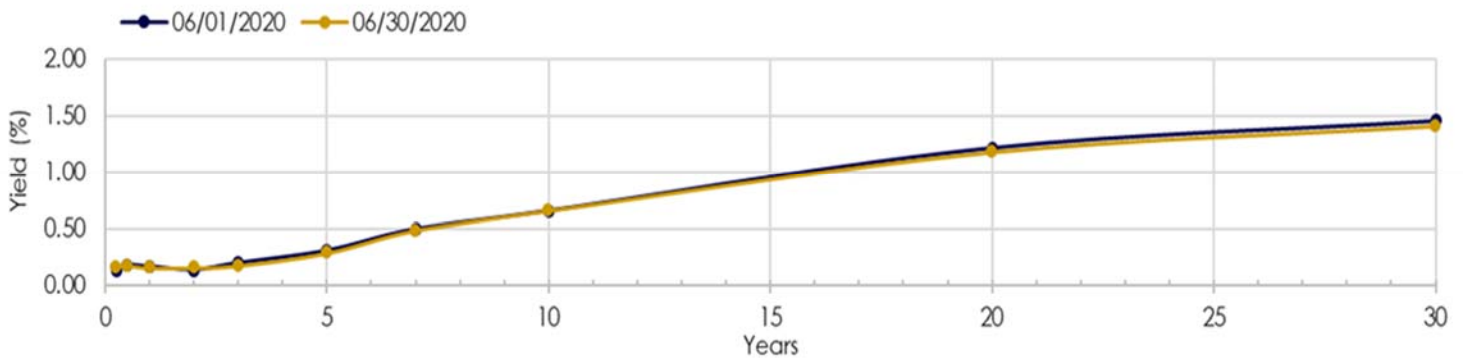
Federal Open Market Committee Meeting 06/10/2020

- The FOMC stated that the Corona virus outbreak is causing tremendous human and economic hardship across the U.S., and will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risk to the economic outlook over the medium term.
- The FOMC maintained the Fed Funds Target Range of 0.0-0.25%
- The FOMC stated in their June statement that “it is committed to using its full range of tools to support the U.S. economy and to help assure that the recovery from this difficult period will be as robust as possible.”

Fed Funds Target Rate (Upper Limit)



U.S. Treasury Curve

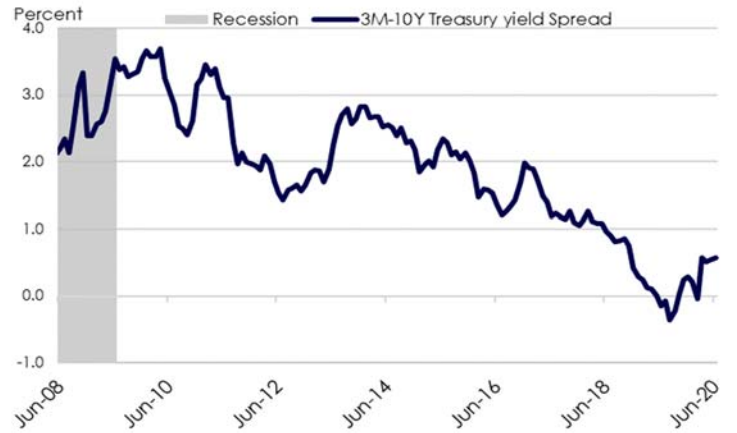


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
06/30/2020 - 06/01/2020	0.02	0.00	-0.01	0.02	-0.02	-0.02	0.00	-0.05
06/30/2020	0.16	0.18	0.16	0.16	0.18	0.29	0.66	1.41
06/01/2020	0.14	0.18	0.17	0.14	0.20	0.31	0.66	1.46

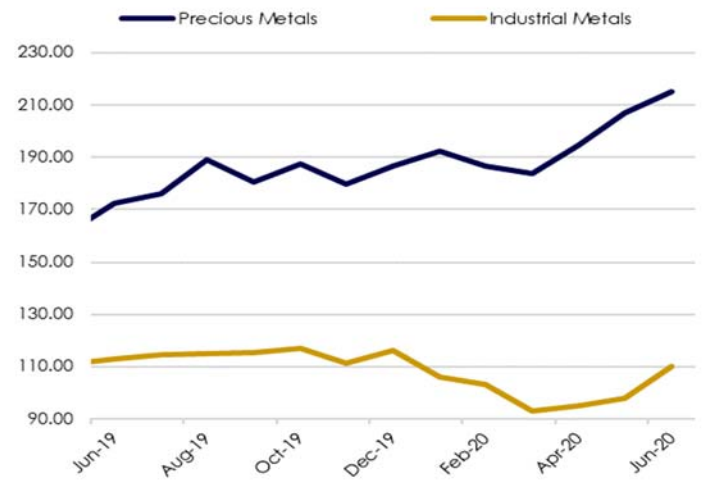
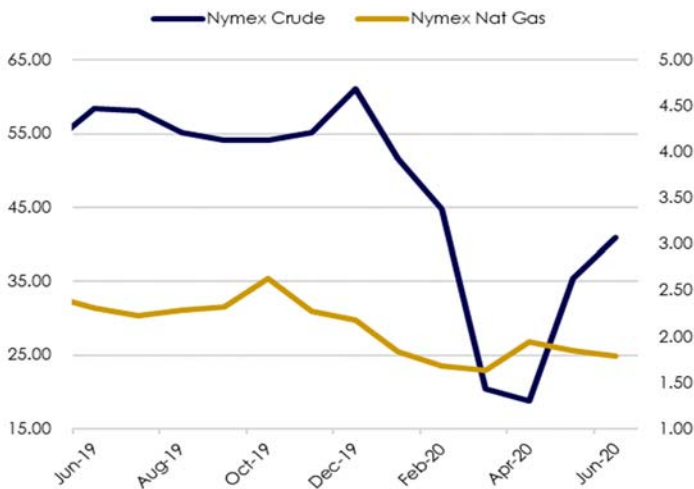
The US Treasury Curve and its values are subject to frequent change and will be updated monthly with each issued TPIF report.

Market Data cont'd

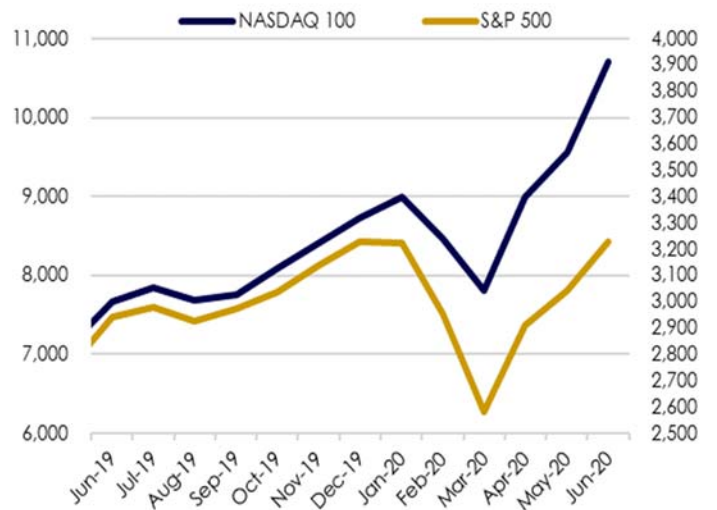
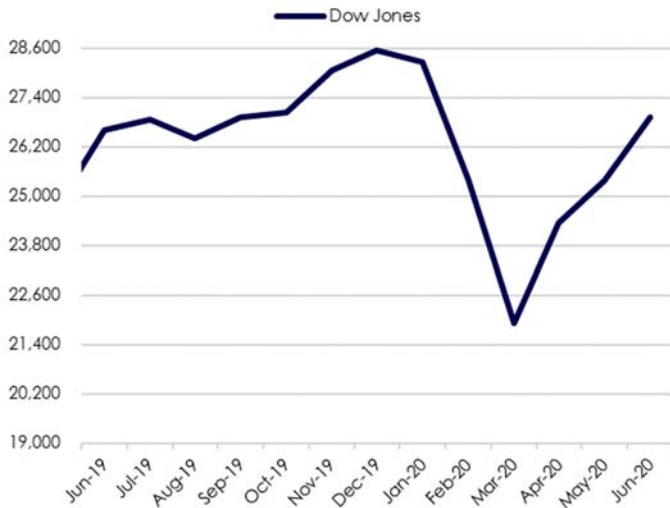
U.S. Treasuries



Commodities



Stocks



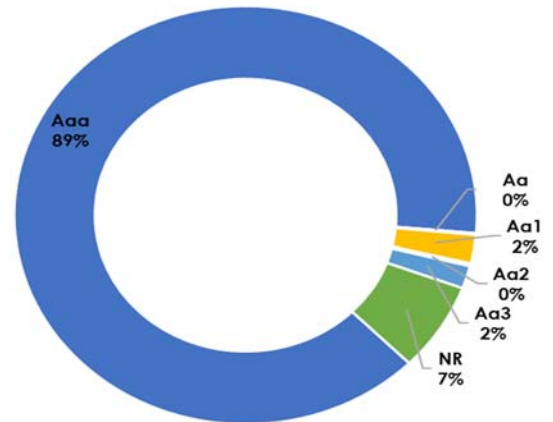
* Values listed for commodities and stocks are in US dollars and are as of the final business day of each month.

Portfolio Data

The County of Riverside's Treasurer's Pooled Investment Fund is currently rated **AAA-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**.

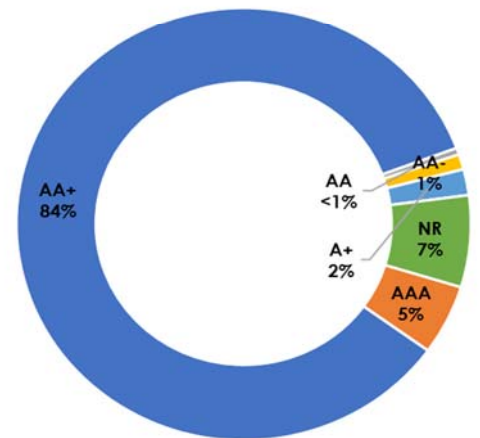
Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
Aaa	6,890,503.07	100.35%	88.62%	0.75%
Aa	10,000.00	101.51%	0.13%	2.22%
Aa1	168,100.06	100.36%	2.16%	1.74%
Aa2	15,718.76	100.36%	0.20%	2.68%
Aa3	136,326.22	102.15%	1.75%	2.50%
NR	529,941.20	100.19%	6.82%	0.28%
NA	25,000.00	99.99%	0.32%	0.19%
Totals:	7,775,589.31	100.37%	100.00%	0.77%



S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
AAA	405,069.56	100.38%	5.21%	0.61%
AA+	6,539,511.73	100.35%	84.10%	0.77%
AA	38,740.60	100.24%	0.50%	1.82%
AA-	87,326.22	103.35%	1.12%	2.86%
A+	150,000.00	100.00%	1.93%	1.70%
NR	529,941.20	100.19%	6.82%	0.28%
NA	25,000.00	99.99%	0.32%	0.19%
Totals:	7,775,589.31	100.37%	100.00%	0.77%



12-Month Projected Cash Flow

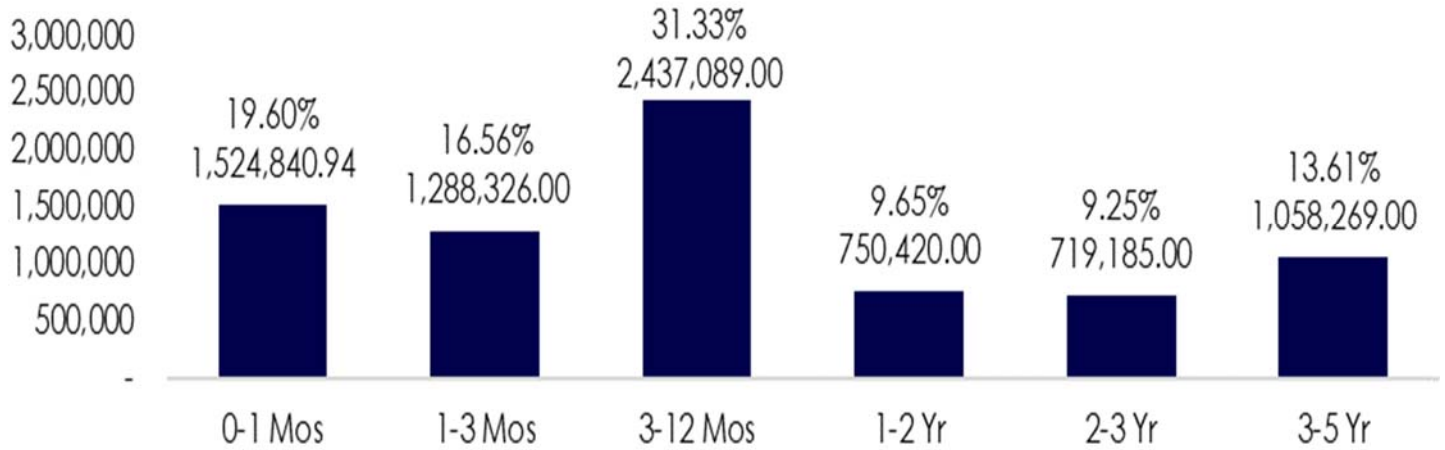
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
07/2020					51.85		
07/2020	1,034.18	1,472.64	-438.46	386.61	-	2,040.32	
08/2020	986.77	1,164.92	-178.15	178.15	-	664.35	
09/2020	1,085.65	1,145.14	-59.49	59.49	-	713.98	
10/2020	1,249.55	1,343.18	-93.63	93.63	-	597.25	
11/2020	1,205.40	1,074.70	130.70		130.70	470.10	
12/2020	2,348.61	1,073.38	1,275.23		1,405.93		
01/2021	1,078.90	1,910.81	-831.91		574.02	427.75	
02/2021	1,005.21	1,217.34	-212.13		361.89	265.00	
03/2021	1,497.96	1,092.59	405.37		767.26	215.26	
04/2021	2,103.36	1,289.52	813.84		1,581.10	154.08	
05/2021	2,100.00	1,086.87	1013.13		2,594.23	182.65	
06/2021	1,044.31	1,802.91	-758.60		1,835.63	25.00	
TOTALS	16,739.90	15,674.00	1,065.90	717.88	9,302.61	5,755.74	7,057.70
				9.23%		74.02%	90.77%

* Values listed in Cash Flow Table are in millions of USD.

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of funds to cover County expenses for the next twelve months.

Portfolio Data cont'd

Asset Maturity Distribution (Par Value, 000's)

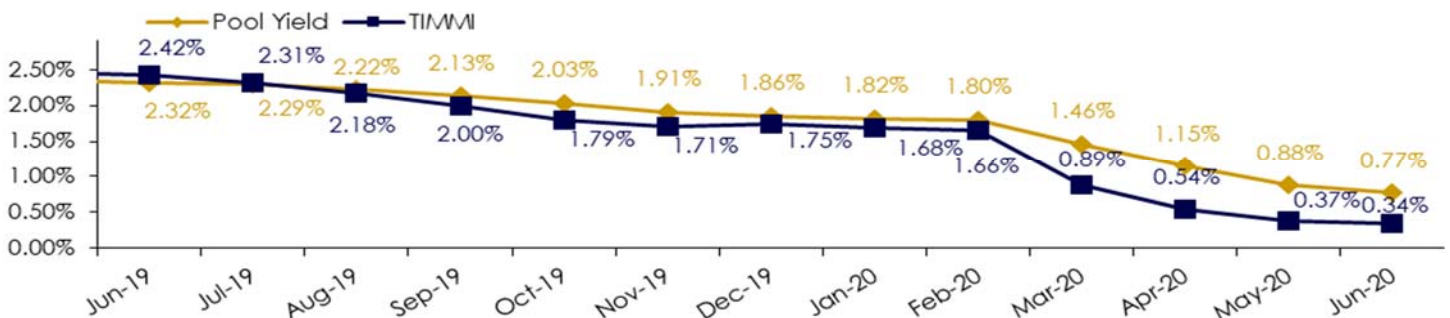


Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	2,024,845.95	2,031,873.85	100.35%	0.71%	0.46	0.46
AGENCIES	4,432,499.20	4,448,909.79	100.37%	0.80%	0.67	1.69
MMKT	329,000.00	329,000.00	100.00%	0.14%	0.00	0.00
CASH	375,000.00	375,000.00	100.00%	0.12%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	10.60%	0.00	0.00
COMM PAPER	249,465.32	249,976.58	100.20%	0.44%	0.07	0.70
CDS	100,000.00	100,000.00	100.00%	1.63%	0.48	0.72
NCDS	50,000.00	50,000.00	100.00%	1.85%	0.00	0.00
MEDIUM TERM NOTES	82,836.63	84,802.91	102.37%	2.56%	0.40	0.46
MUNI	127,918.24	130,631.27	102.12%	2.71%	1.06	1.06
Totals:	7,775,589.32	7,804,218.38	100.37%	0.77%	0.531	1.12

* For details on the Pool's composition see Month End Portfolio Holdings, pages 9 to 13.

TIMMI



The Treasurer's Institutional Money Market Index (TIMMI) is a composite index of four AAA rated prime institutional money market funds. Their average yield is compared to the yield of the Treasurer's Pooled Investment Fund in the above graph.

Compliance Report

Compliance Status: Full Compliance

The Treasurer's Pooled Investment Fund was in full compliance with the County of Riverside's Treasurer's Statement of Investment Policy. The County's Statement of Investment Policy is more restrictive than California Government Code 53646. The County's Investment Policy is reviewed annually by the County of Riverside's Oversight Committee and approved by the Board of Supervisors.

Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Remaining Maturity	Authorized % Limit	S&P/Moody's	Maximum Remaining Maturity	Authorized % Limit	S&P/Moody's/Fitch	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	1.65%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	26.04%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<0.00%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	57.01%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	3.21%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	1.93%
INT'L BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INT'L FINANCE CORPORATION	NA	NA	NA	4 YEARS	20%	AA/Aa/AA	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	1.07%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	0.05%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS	4.23%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	4.82%

¹ Money Market Mutual Funds maturity may be interpreted as a weighted average maturity not exceeding 60 days.

² Or must have an investment advisor with no fewer than 5 years experience and with assets under management of \$500,000,000 USD.

THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.



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