

County of Riverside

Treasurer-Tax Collector's Pooled
Investment Fund

October 2020

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Treasurer-Tax Collector's Pooled Investment Fund

Monthly Commentary

Virus Resurges and Stimulus Fails

The reopening of the economy coupled with Fiscal and Monetary stimulus produced a strong recovery in economic activity in October. The optimism of a recovering economy was dampened by a resurgence of the spread of Covid-19 and implications of additional public health measures. Treasury rates drifted slightly higher while the prospect of additional fiscal stimulus diminished. The Treasurer-Tax Collector's Pooled Investment Fund (TPIF) yield moved slightly lower as market rates hovered near zero.

The number of new Covid-19 infections increased in many parts of the world. Europe responded to the surge in Covid-19 cases by adopting policies that further restrict economic and social interaction. In the US, President Donald Trump contracted COVID-19 and recovered after a short visit in the hospital. The fear of a second Covid-19 wave in the US, cast dark clouds on the long road to recovery from the pandemic recession.

The economy bounced back from the lows of last quarter, as 3Q GDP grew at an annualized rate of 33.1% QoQ. To put it into

perspective, the rates translate to a gain of \$1.3 trillion in output while the recession caused the loss of \$2 trillion in output. This was the highest growth rate on record. Vehicle sales, retail sales and employment data reflected the strength of the recovery.

Annualized vehicle sales numbers improved from 15.19 million in the previous month to 16.34 million this month and retail sales printed at +1.9% MoM. Employment data continued on its positive trend, with the Non-Farm Payroll number increasing by 661,000, less than markets expected but still a strong gain. The Unemployment Rate printed at 7.9%, an improvement from 8.4% for the previous month.

Housing continues to be a bright spot, the National Association of Home Builders Index came in at 85, a new all-time record. New home construction continues to boom across the United States, due to low mortgage rates and the desire by families to move to more suburban and semi-rural areas, further from dense urban environments. Riverside County has been enjoying some of the best home price appreciation results of the entire country, with median

single-family home prices recently up by 15.5% YoY. The county also continues to see very strong development in the warehouse/logistics commercial sector.

Federal Reserve Chairman Jerome Powell was quoted as saying that the recovery is far from complete, and the US economy remains in danger of shifting into reverse once again, as a result of the resurgence of infection rates. Powell said, "A second wave of coronavirus could more significantly limit economic activity, not to mention the tragic effects on lives and well-being." He again reiterated his calls for more fiscal stimulus.

Equity markets reacted to this fear by moving lower in October. In the Treasury bond space, we saw the 2-year Treasury Note yield start the month at .13%, end at .15%, and the 5-year Treasury Note yield started the month at .28% and ended at .36%. The TPIF remains focused on achieving its goals of capital preservation, liquidity and yield.

Matt Jennings
Treasurer-Tax Collector

Capital Markets Team

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Giovane Pizano
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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

6-Month Pool Performance

	Month End Market Value (\$)*	Val-	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Oct-20	7,802,946,914.04		7,786,725,788.42	16,221,125.62	0.21%	0.52	1.11
Sep-20	8,238,993,333.67		8,218,185,162.14	20,808,171.53	0.25%	0.54	1.08
Aug-20	7,359,900,292.26		7,337,259,138.44	22,641,153.82	0.31%	0.62	1.14
Jul-20	7,518,644,766.16		7,493,729,391.77	24,915,374.39	0.33%	0.70	1.12
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

*Market values do not include accrued interest.

Economy

National Economy

Third quarter GDP was uplifting, as it showed the US economy grew at a record annualized rate of 33.1%. In the second quarter, GDP decreased 31.4%. However, some economists are bracing for an inevitable slowdown in fourth quarter GDP, and say that there are real obstacles to overcome in the near term [CNN](#).

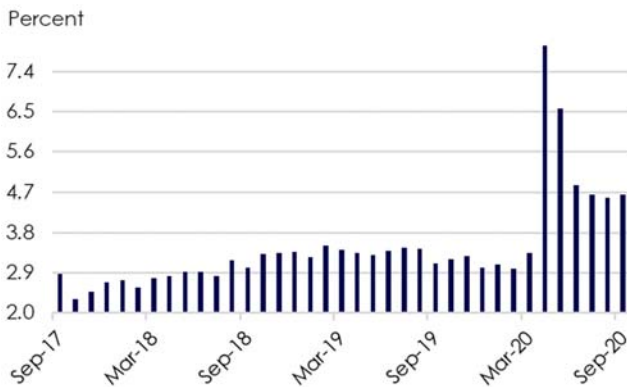
- Growing COVID -19 positivity rates this fall and winter
- No stimulus in sight

State Economy

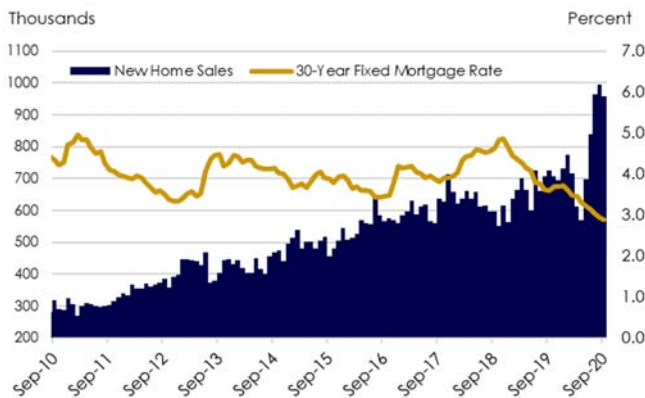
With record low interest rates and low housing inventories, September saw California home sales and price gains extend into the fall season. According to the CAR.org, California home sales grew to levels not seen in over 10 years, with a 5.2% gain from August transactions, and a 21.2% spike from September of last year. California saw home prices go up 0.80% from August, and 17.6% from September of last year. [Manage Casa](#)

- LA County's median sales price rose 14.5% YoY, to \$710,000
- Riverside County's median sales price rose 15.5% YoY, to \$447,000
- San Bernardino County's median sale price rose 12.8% YoY, to \$397,000 [Yahoo Finance](#)

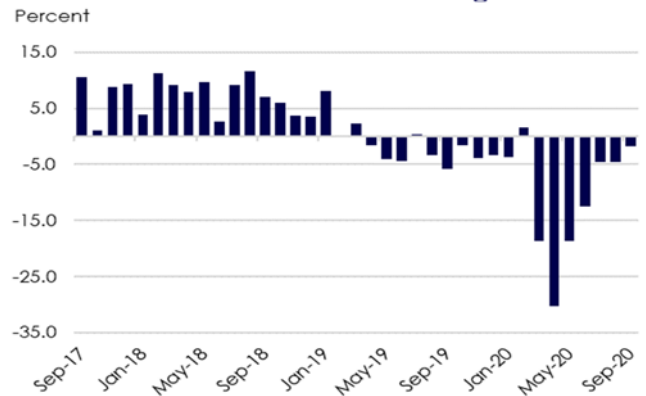
Private Sector Average Hourly Earnings Y/Y



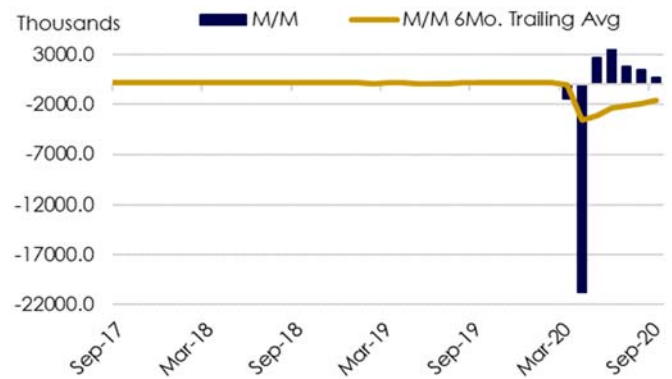
New Home Sales SAAR



Durable Goods Percent Chg. Y/Y



Nonfarm Payrolls Total M/M Change SA



Key Economic Indicators

Release Date	Indicator	Actual	Consensus	Prior Year
10/29/2020	Real GDP - Q/Q Change	33.1%	32.0%	1.9%
10/02/2020	Unemployment Rate - Seasonally Adjusted	7.9%	8.2%	3.5%
10/02/2020	Non-Farm Payrolls - M/M Change - Thousands	661	859	136
10/13/2020	CPI - Y/Y Change	1.4%	1.4%	1.7%
10/13/2020	CPI Ex Food and Energy - Y/Y Change	1.7%	1.7%	2.4%
10/05/2020	ISM Non-Manufacturing Index (> 50 indicates growth)	57.8	56.2	52.6
10/26/2020	New Home Sales - SAAR - Thousands	959	1,025	701
10/02/2020	Factory Orders - M/M Change	0.7%	0.9%	-0.1%
10/02/2020	Durable Goods Orders - New Orders - M/M Change	0.4%	0.5%	0.2%

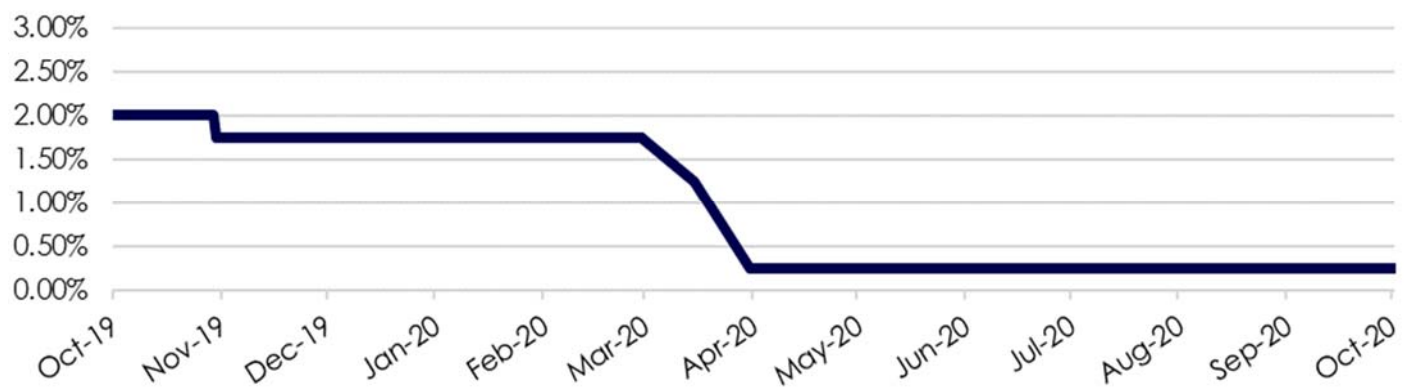
*Note: 'Prior Year' displays final estimates of indicator values from the equivalent period of the prior year.

Market Data

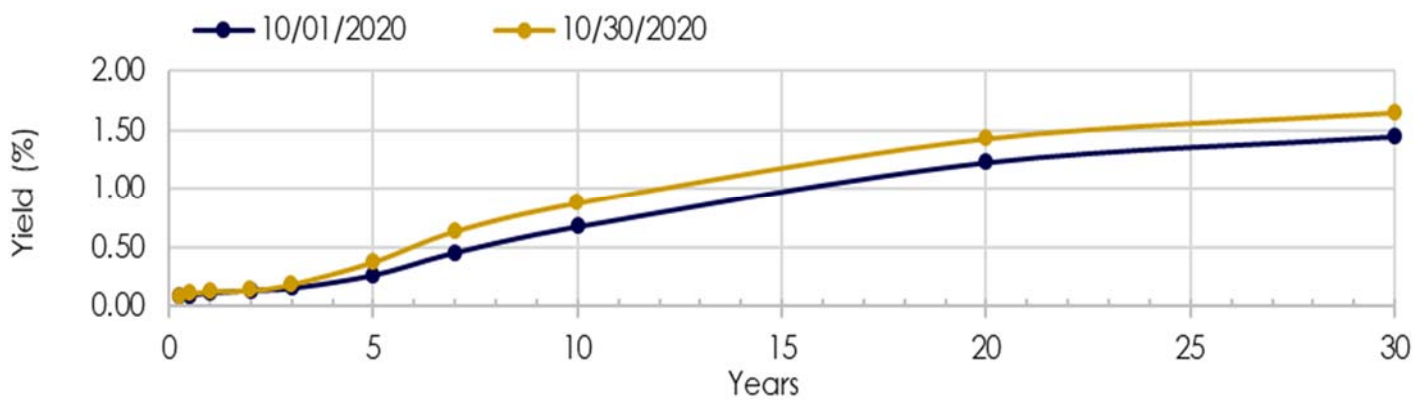
Federal Open Market Committee Meeting 09/16/2020

- The FOMC stated that the Corona virus outbreak is causing tremendous human and economic hardship across the U.S., and will continue to weigh 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 September statement that “it is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals .”

Fed Funds Target Rate (Upper Limit)



U.S. Treasury Curve

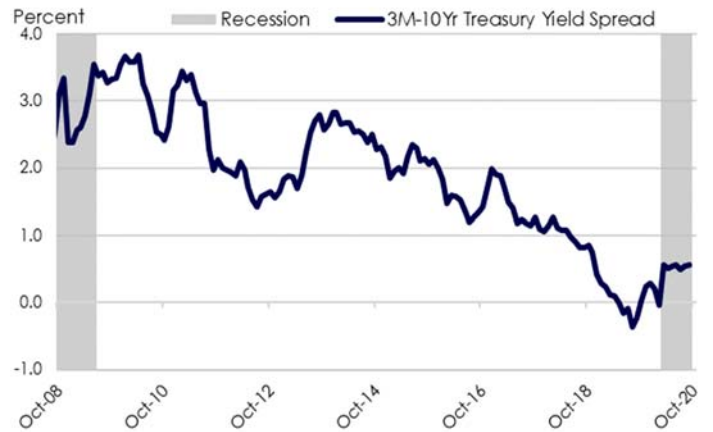


US Treasury Yield Curve	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
10/30/2020 - 10/01/2020	0.00	0.01	0.01	0.00	0.03	0.11	0.20	0.20
10/30/2020	0.09	0.11	0.13	0.14	0.19	0.38	0.88	1.65
10/01/2020	0.09	0.10	0.12	0.14	0.16	0.27	0.68	1.45

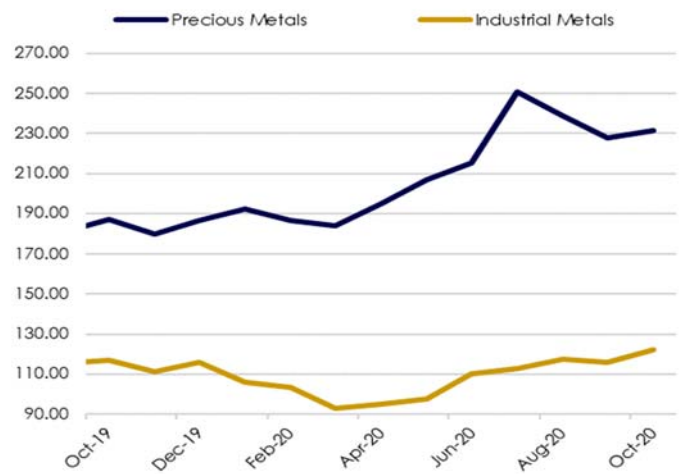
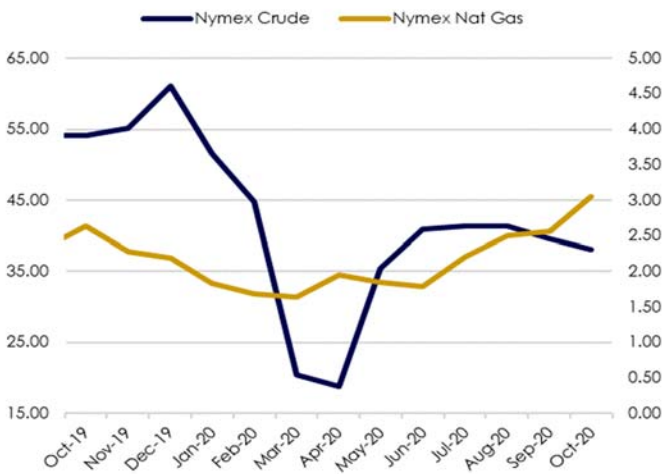
The US Treasury Curve and its values are subject to frequent change and will be updated monthly with each issued TPIF report.

Market Data cont'd

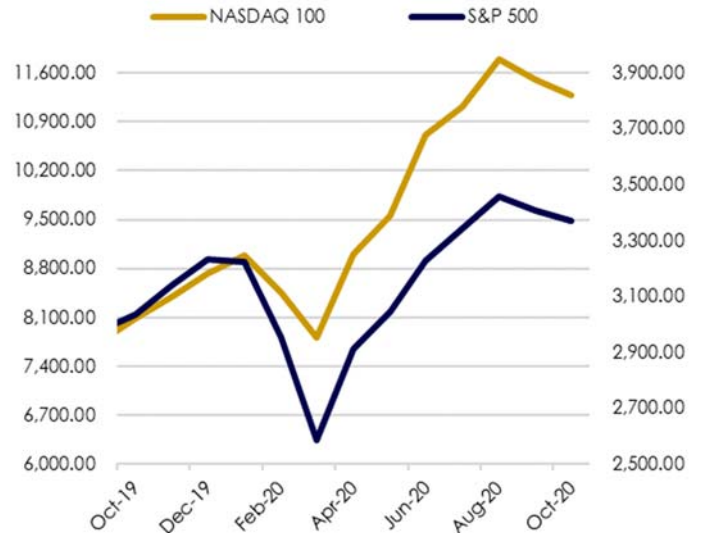
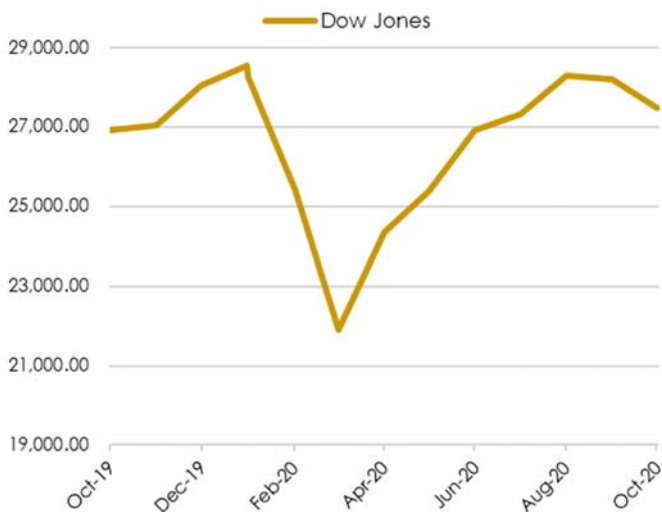
U.S. Treasuries



Commodities



Stocks



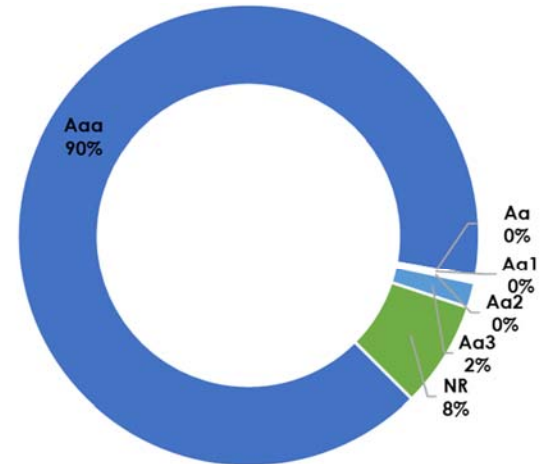
* Values listed for commodities and stocks are in US dollars and are as of the final business day of each month.

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**.

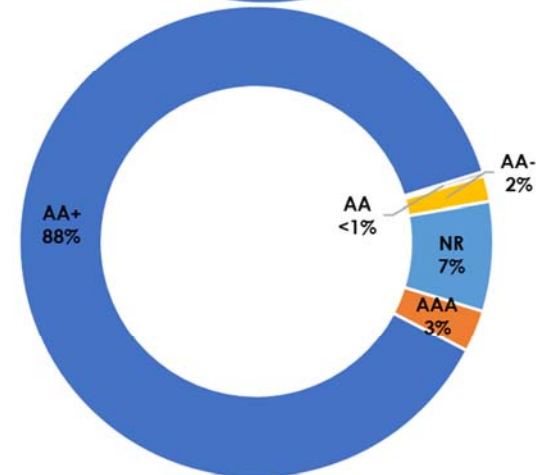
Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
Aaa	7,031,739.04	100.22%	90.30%	0.50%
Aa	10,000.00	100.93%	0.13%	2.22%
Aa1	16,364.17	100.00%	0.21%	2.74%
Aa2	12,368.76	100.00%	0.16%	2.83%
Aa3	136,312.63	100.01%	1.75%	1.85%
NR	579,941.20	100.20%	7.45%	0.55%
Totals:	7,786,725.79	100.21%	100.00%	0.52%



S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
AAA	227,235.63	100.51%	2.92%	0.47%
AA+	6,820,867.57	100.21%	87.60%	0.51%
AA	22,368.76	100.01%	0.29%	1.76%
AA-	136,312.63	100.01%	1.75%	1.85%
NR	579,941.20	100.21%	7.45%	0.55%
Totals:	7,786,725.79	100.21%	100.00%	0.52%



12-Month Projected Cash Flow

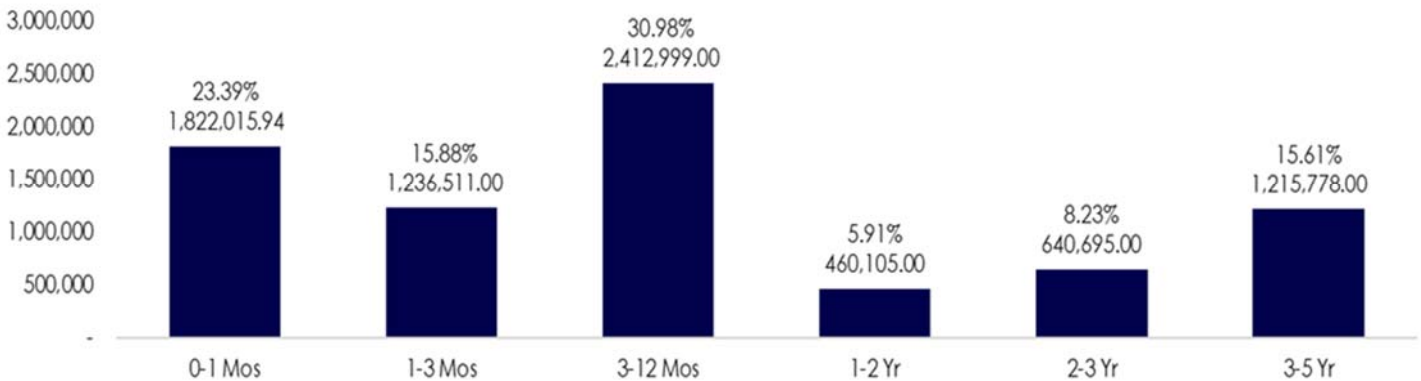
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
11/2020					89.14		
11/2020	1,205.40	1,074.70	130.70		219.84	1,882.02	
12/2020	2,348.61	1,073.38	1,275.23		1,495.07	100.00	
01/2021	1,078.90	1,910.81	-831.91		663.16	1,276.51	
02/2021	1,005.21	1,217.34	-212.13		451.03	670.00	
03/2021	1,497.96	1,092.59	405.37		856.40	240.26	
04/2021	2,103.36	1,289.52	813.84		1,670.24	176.17	
05/2021	2,100.00	1,086.87	1013.13		2,683.37	482.65	
06/2021	1,044.31	1,802.91	-758.60		1,924.77	370.00	
07/2021	1,034.19	1,472.64	-438.45		1,486.32	85.00	
08/2021	965.41	1,004.62	-39.21		1,447.11	25.00	
09/2021	1,146.18	1,214.91	-68.73		1,378.38	198.92	
10/2021	1,249.55	1,343.18	-93.63		1,284.75	65.00	
TOTALS	16,779.08	15,583.47	1,195.61	-	15,649.58	5,571.53	7,786.25
				0.00%		71.56%	100.00%

* 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)

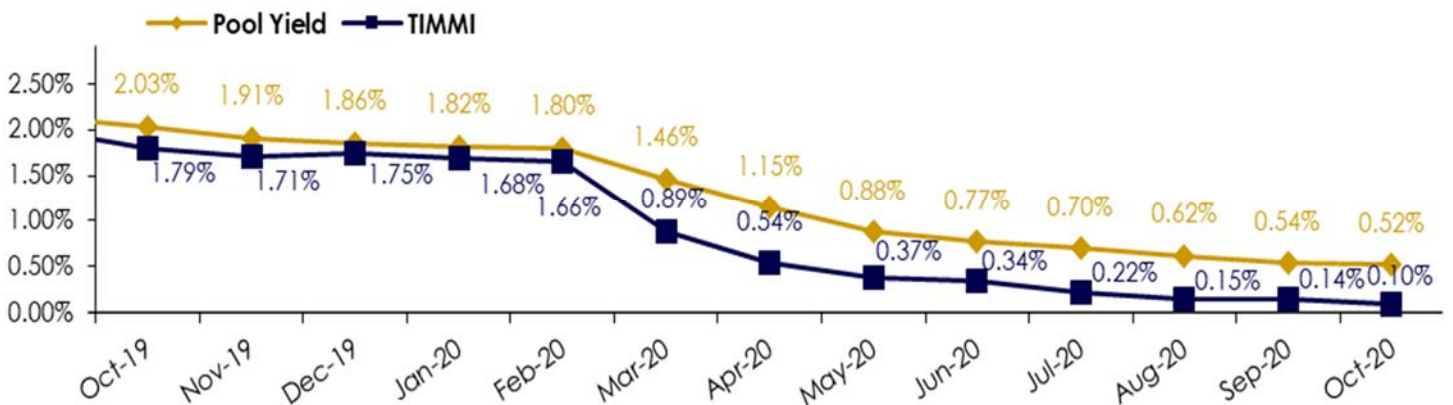


Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	3,020,465.61	3,023,977.95	100.12%	0.33%	0.30	0.30
AGENCIES	3,590,085.83	3,601,596.88	100.32%	0.68%	2.10	1.98
MMKT	193,000.00	193,000.00	100.00%	0.04%	0.00	0.00
CASH	425,000.00	425,000.00	100.00%	0.26%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	0.68%	0.00	0.00
COMM PAPER	404,855.59	404,905.78	100.01%	0.12%	0.19	0.19
MEDIUM TERM NOTES	34,235.63	35,383.19	103.35%	2.78%	0.33	0.26
MUNI	115,059.15	115,059.13	100.00%	2.84%	0.83	0.89
Totals:	7,786,725.79	7,802,946.91	100.21%	0.52%	1.114	1.08

*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.

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-	1.48%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	38.79%
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	46.11%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	5.20%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	0.0%
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	0.44%
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	2.48%
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	5.46%

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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TREASURER-TAX COLLECTOR
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