

# Ventura Regional Sanitation District

## Investment Performance Review For the Quarter Ended September 30, 2022

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## Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Persistent high inflation
  - ▶ A deteriorating housing market
  - ▶ Continued personal consumption that is impacting household savings and balance sheets
  - ▶ Worsening economic outlook that is propped up by a strong labor market



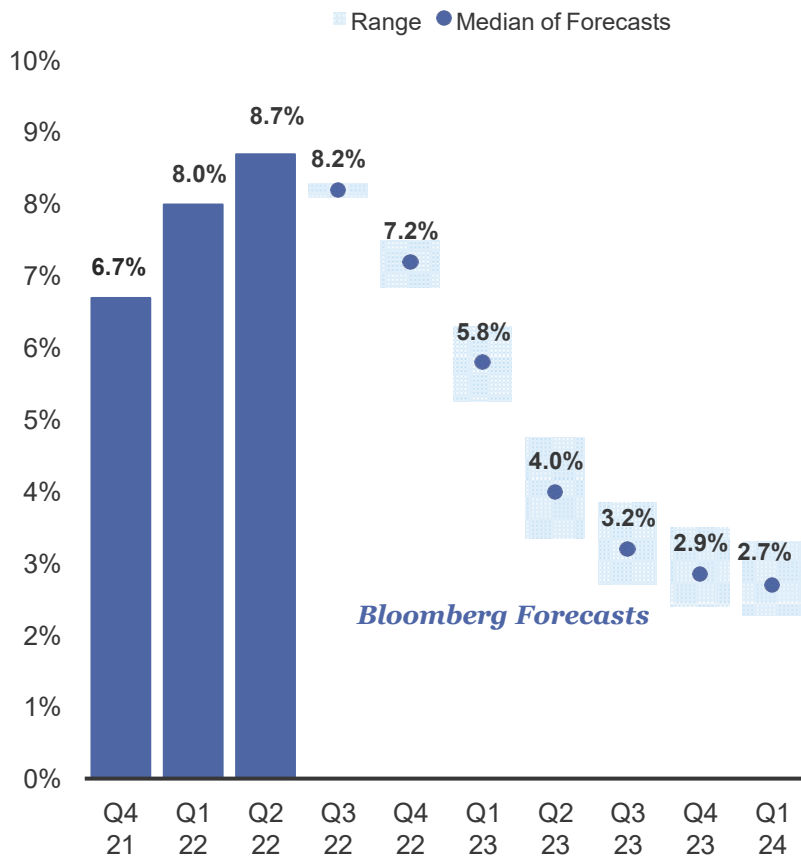
- ▶ The Federal Reserve has committed to a heavy-handed policy
  - ▶ Expectations have shifted from a soft landing to a moderate/hard landing, with increased recession risks
  - ▶ Short-term fed funds rate projected to reach 4.25% to 4.50% by year end
  - ▶ Increased pace of quantitative tightening



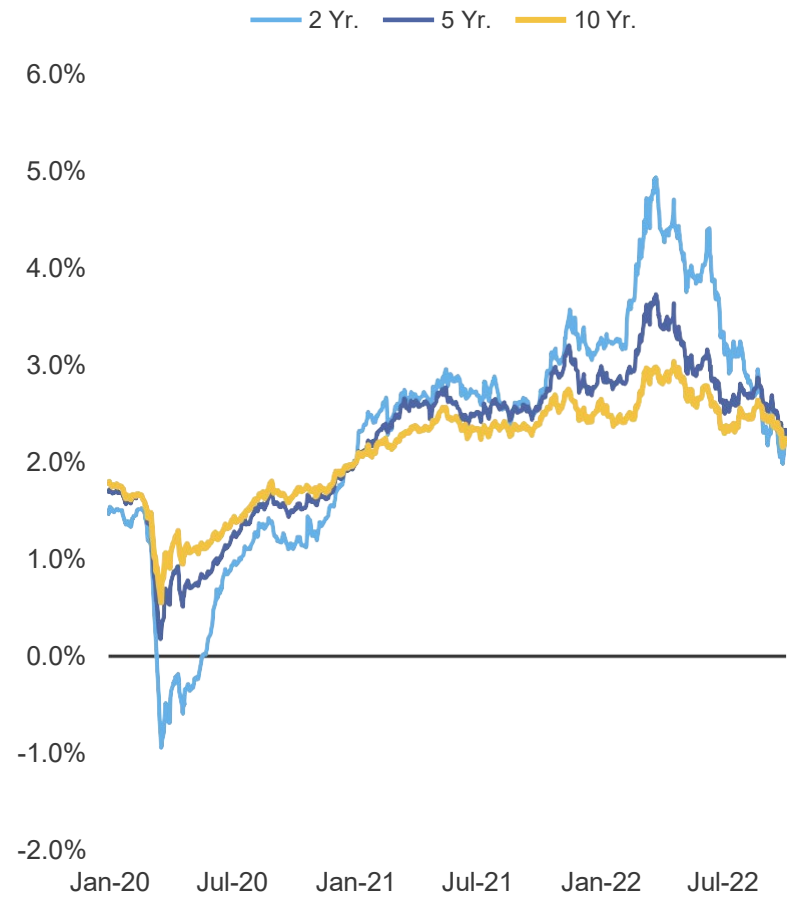
- ▶ Rapidly rising rates negatively impacting valuations and inducing market volatility
  - ▶ Yields across curve reached their highest levels in 14 years
  - ▶ Treasury yield curve remains inverted
  - ▶ Elevated volatility across all major asset classes

## Economist and Market Expectations Point to Slowly Moderating Inflation

### U.S. Inflation Forecasts Annualized Rate



### Breakeven Inflation Rates



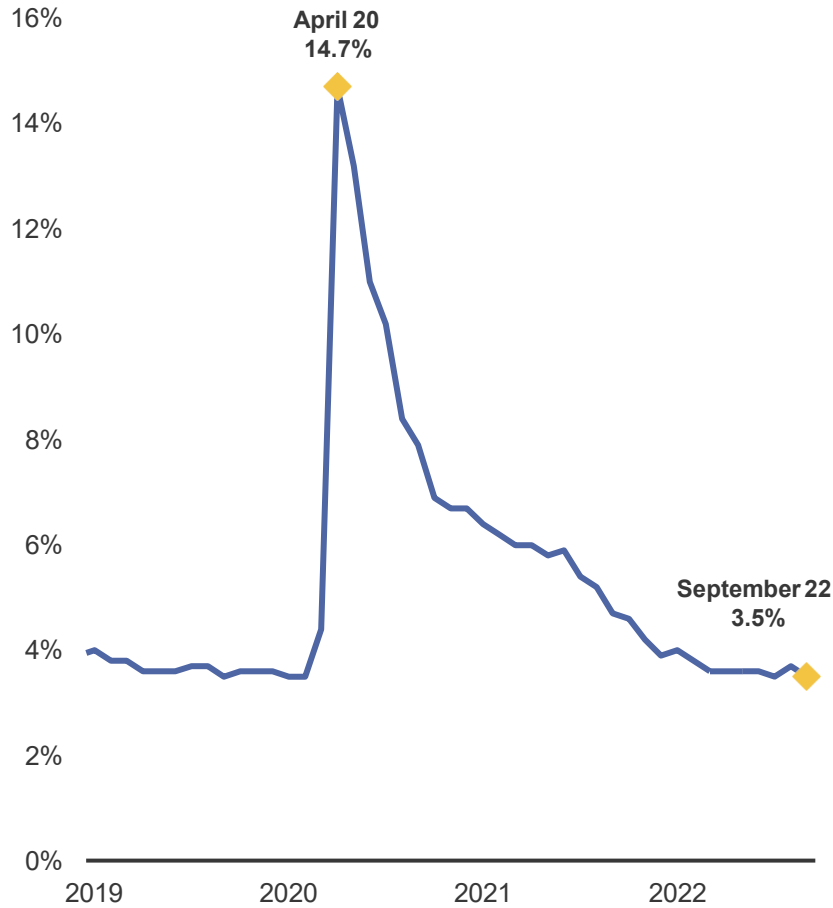
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Source: Bloomberg, data as of September 30, 2022.

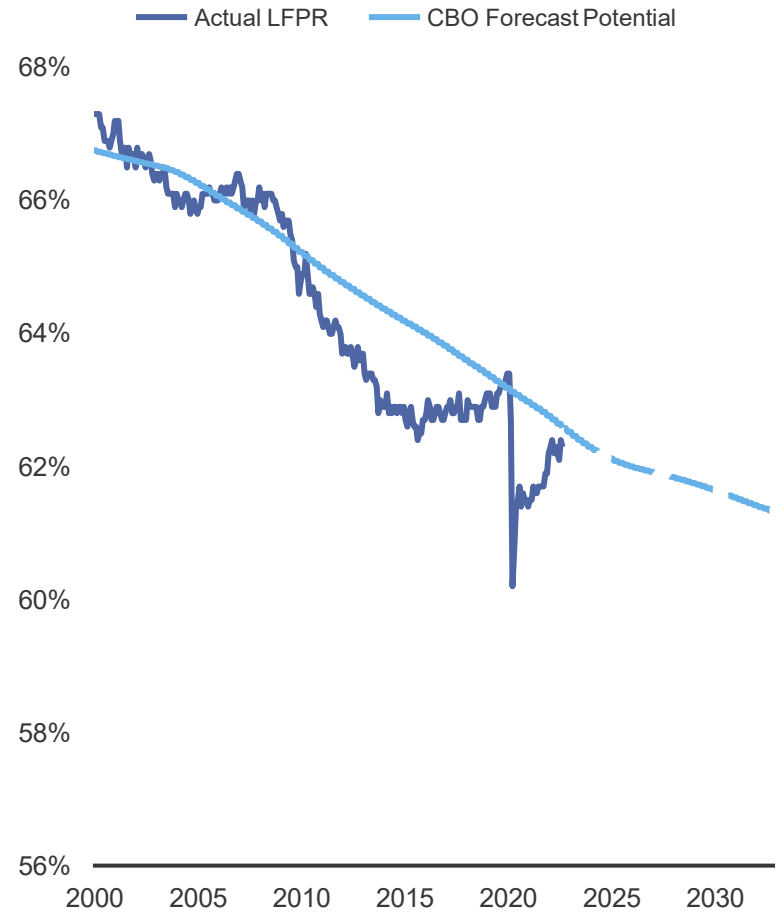
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### Labor Force Continues to Recover

#### Unemployment Rate



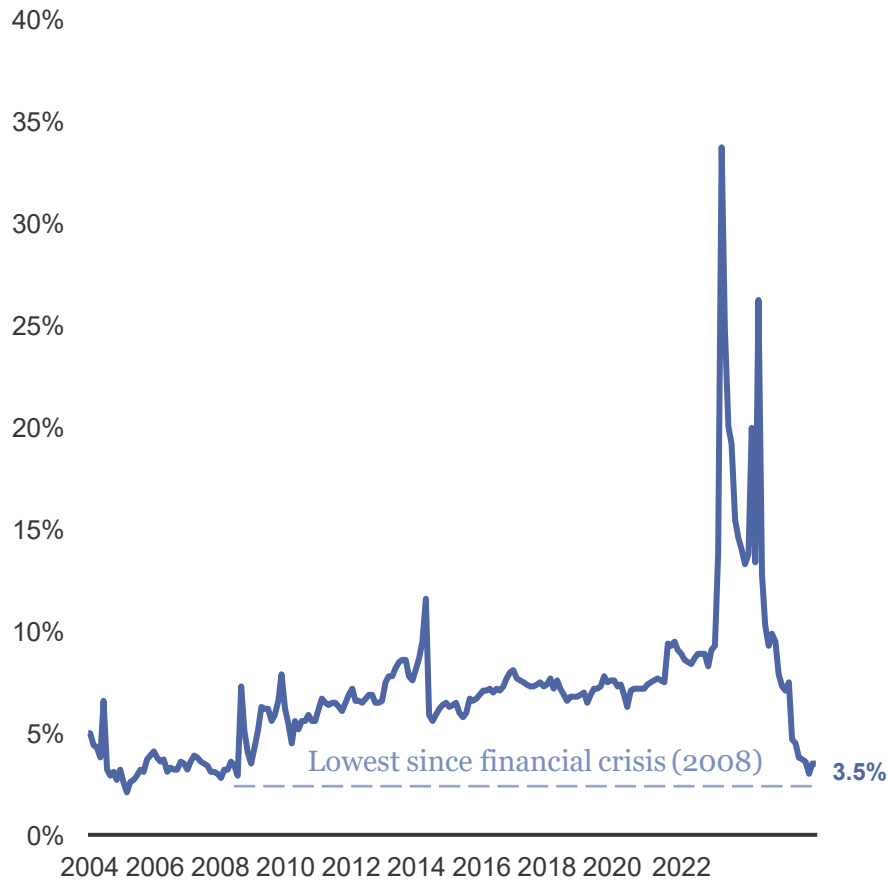
#### Labor Force Participation Rate



Source: Congressional Budget Office September 2022 economic projections, Bureau of Labor Statistics. Bloomberg, as of September 2022. Data is seasonally adjusted.

### Consumption Comes at a Cost to Consumer

#### Personal Savings as % of Disposable Income



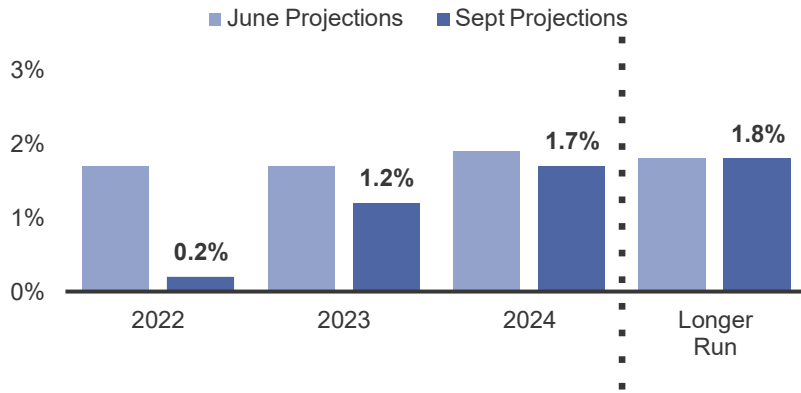
#### Consumer Loans: Credit Cards and Other Revolving Plans (Billions)



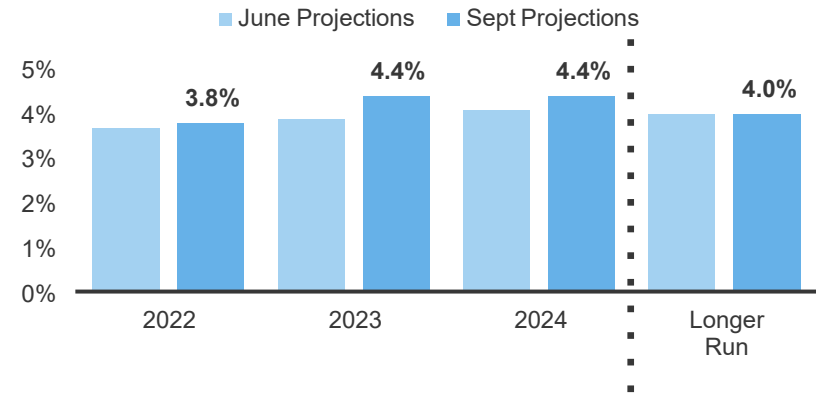
Source U.S. Bureau of Economic Analysis, Federal Reserve, FRED. Most recent data as of August 2022.

## Fed's Projections Reflect Weaker Economic Growth and Extended Timeline for Tighter Policy

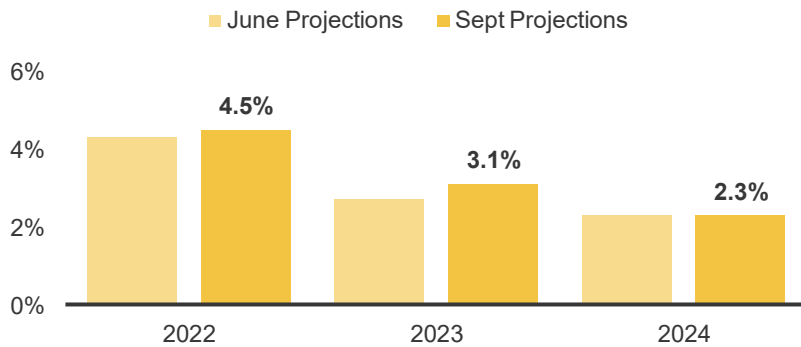
### Change in Real GDP



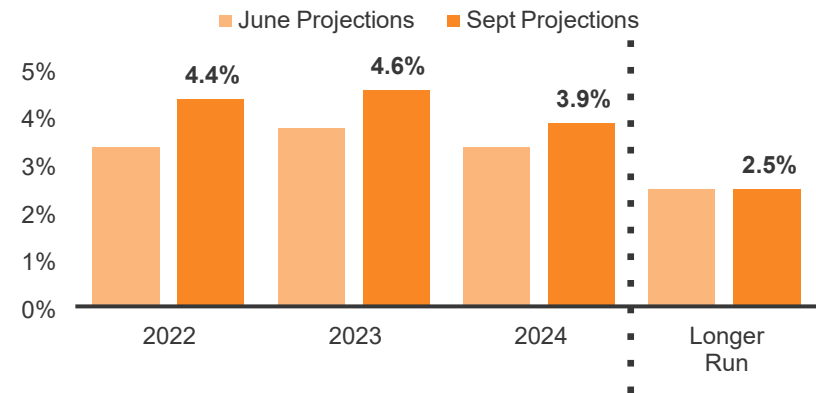
### Unemployment Rate



### Core PCE Inflation



### Federal Funds Rate



Source: Federal Reserve, latest economic projections as of September 2022.

## Fed Makes Aggressive Stance Clear But Market Uncertainty Persists

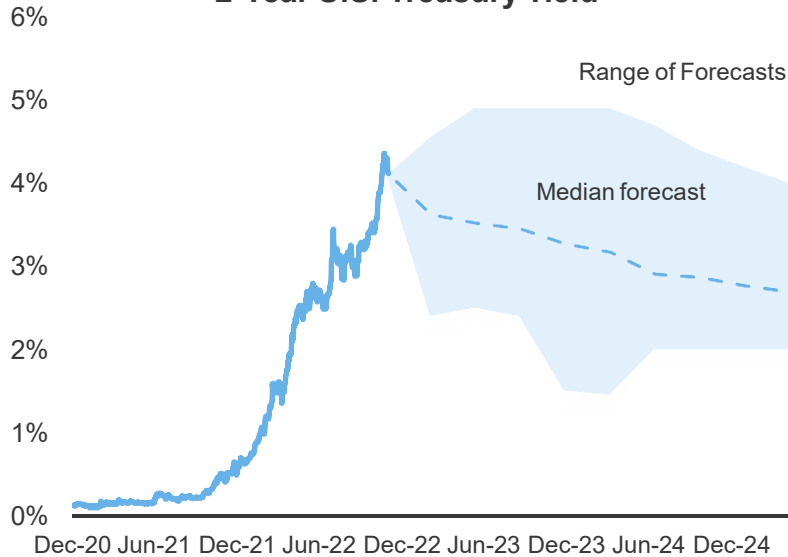
**From the  
September 2022  
FOMC Meeting  
Press Conference**

“Without price stability, the economy does not work for anyone.”

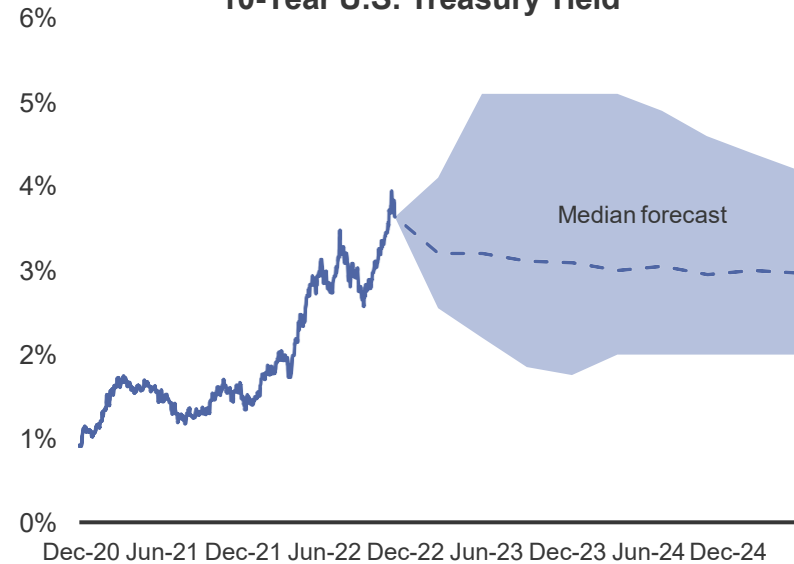
“We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2%.”

“No one knows whether this process will lead to a recession or if so, how significant that recession would be.”

### 2-Year U.S. Treasury Yield



### 10-Year U.S. Treasury Yield

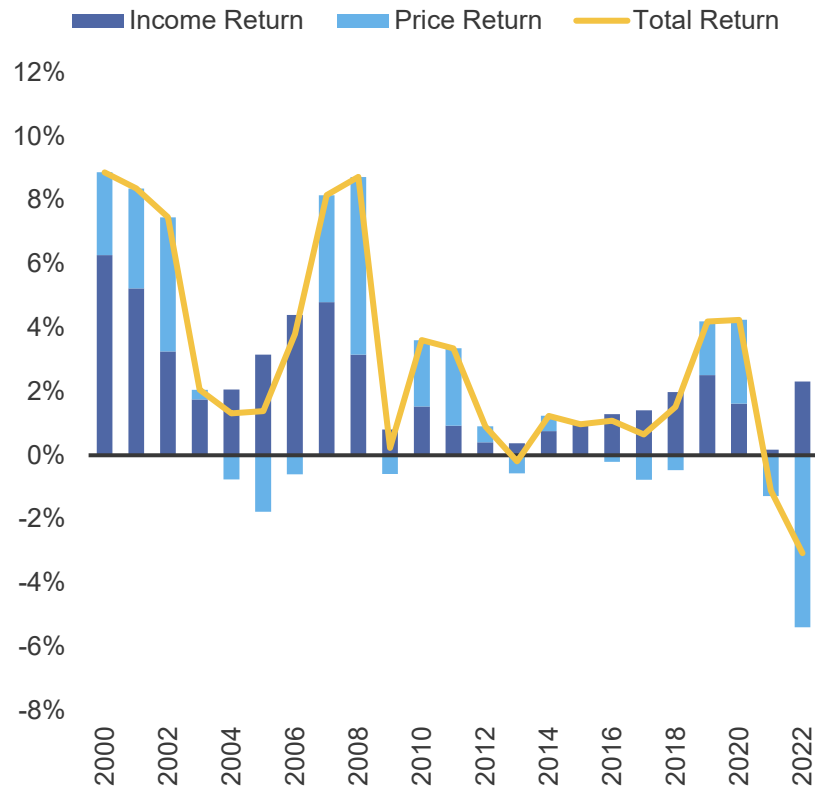


Source: Federal Reserve, Bloomberg, Bloomberg Economist Forecasts as of September 30, 2022.

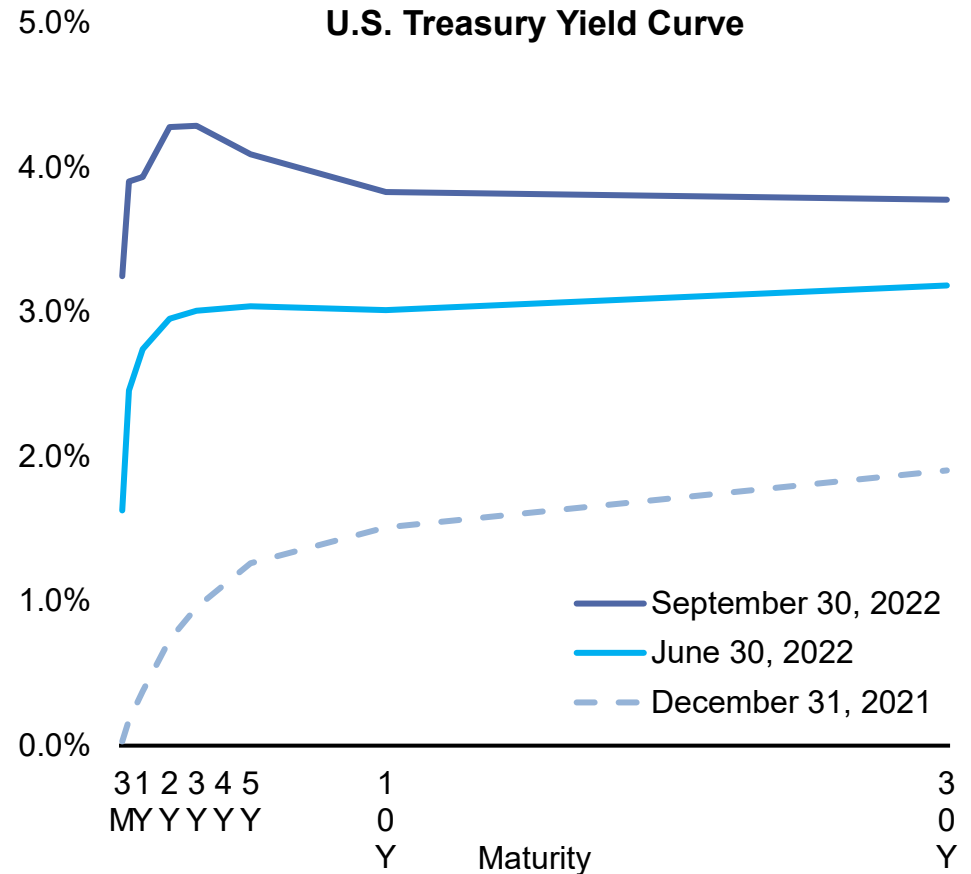
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## The Pros and Cons of Rising Rates: Lower Market Values and Stronger Income Potential

### Annual Price & Income Returns (1-5 Year Treasury)



### U.S. Treasury Yield Curve

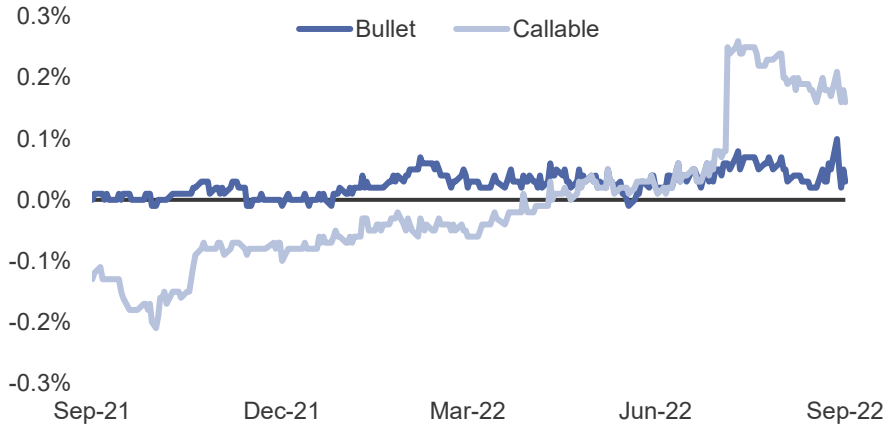


Source: ICE BofAML Indices via Bloomberg, as of September 30, 2022; PFMAM calculations. 2022 Price, income, and total return is YTD as of September 30, 2022. Income return is based on the starting yield from the prior year ended December 31, 20xx. Price return is calculated as the difference between the total return and calculated income return for each period.

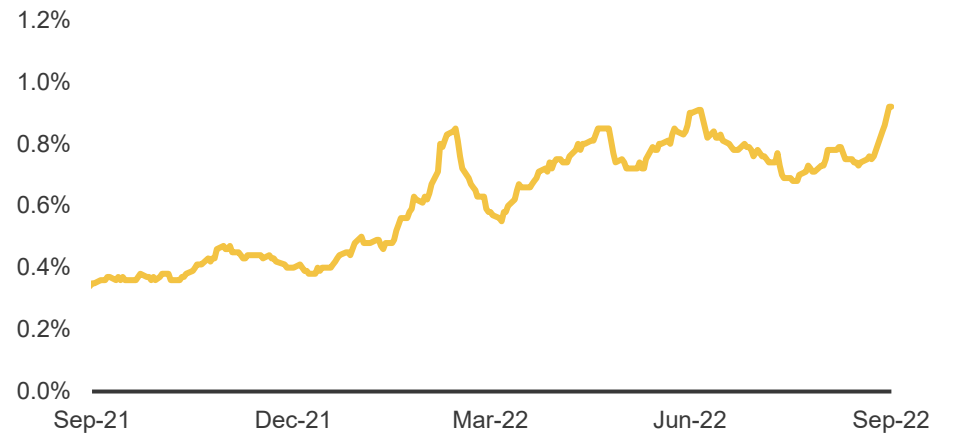


## Sector Yield Spreads Widened in Q3 2022

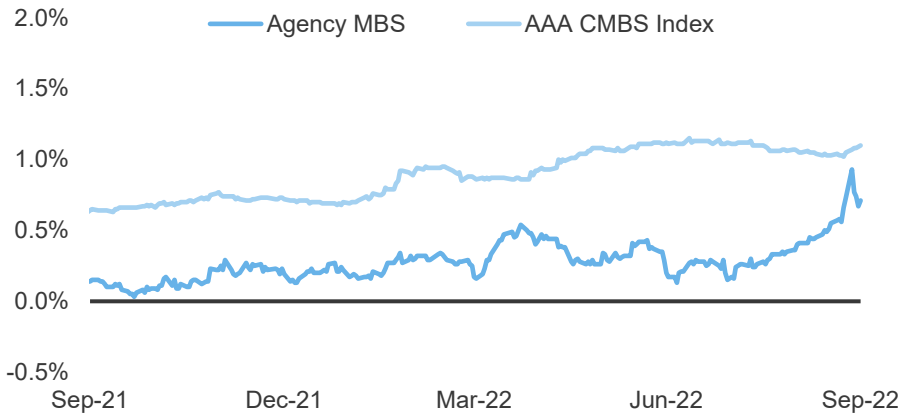
### Federal Agency Yield Spreads



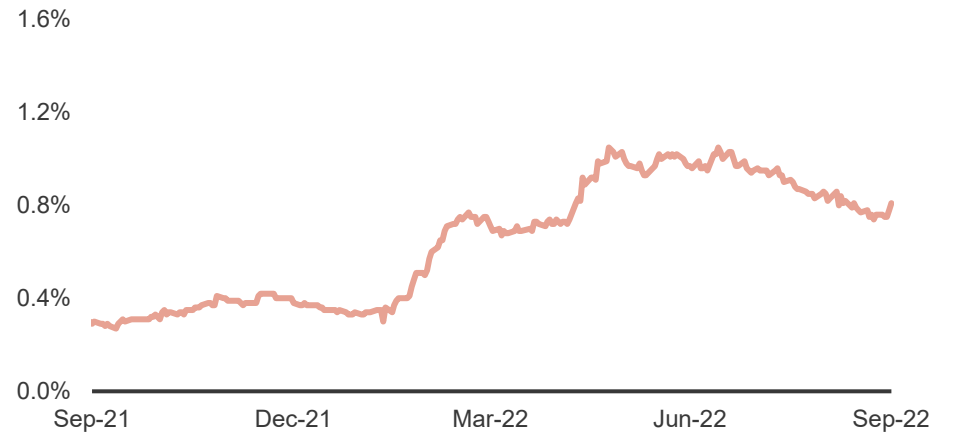
### Corporate Notes A-AAA Yield Spreads



### Mortgage-Backed Securities Yield Spreads



### Asset-Backed Securities AAA Yield Spreads



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Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of September 30, 2022. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

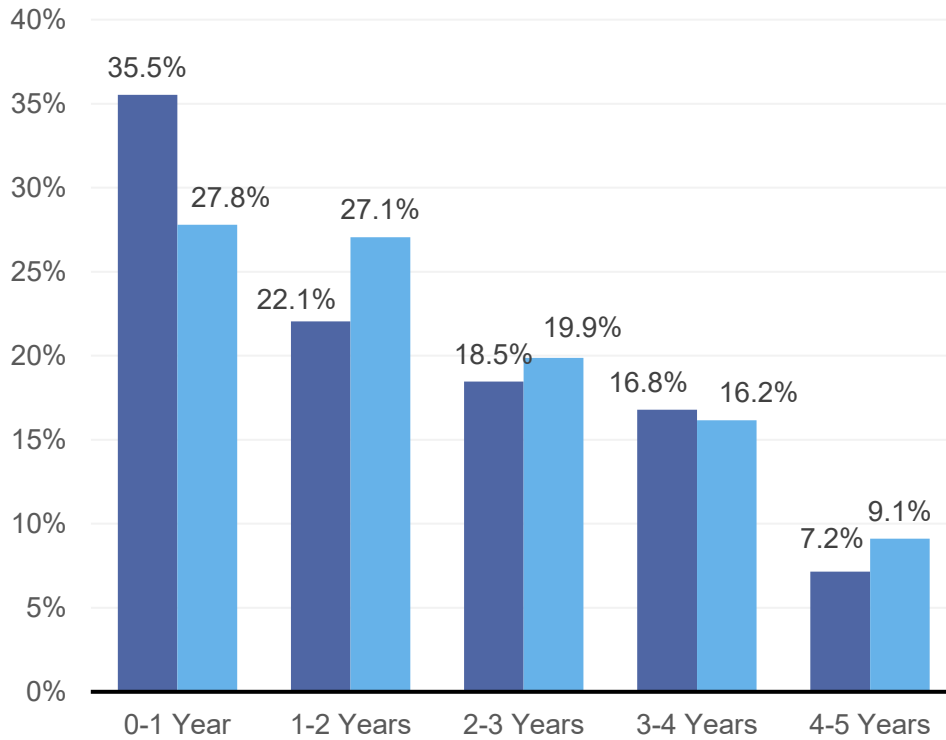
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## Sector Allocation

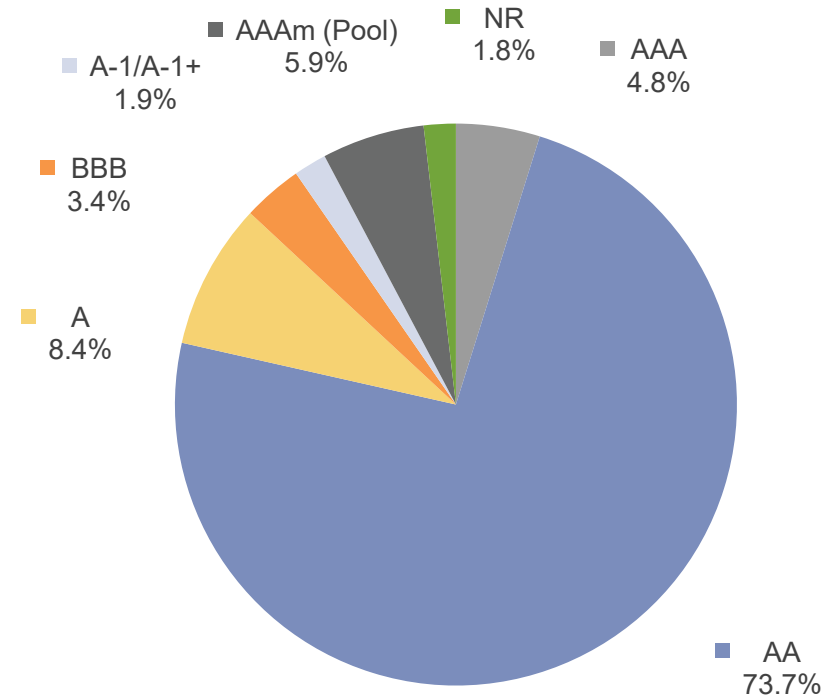
Security Type	Market Value as of September 30, 2022	% of Portfolio	% Change vs. Prior Quarter	Policy Limits
U.S. Treasury	\$15,049,418	48.9%	-2.1%	100%
Federal Agency	\$6,212,502	20.2%	-0.4%	100%
Agency MBS/CMO	\$43,944	0.1%	-0.9%	100%
Municipal Obligations	\$1,440,127	4.7%	-	100%
Supranational	\$761,652	2.5%	-	30%
Corporate Notes	\$4,176,384	13.6%	0.4%	30%
Commercial Paper	\$582,886	1.9%	-11.3%	25%
Negotiable CD	\$0	0.0%	-2.5%	30%
Asset-Backed	\$674,112	2.2%	-1.5%	20%
<b>Security Sub-Total</b>	<b>\$28,941,026</b>	<b>94.1%</b>		
Accrued Interest	\$90,227			
<b>Securities Total</b>	<b>\$29,031,253</b>			
CAMP Pool	\$1,815,275	5.9%	5.2%	100%
<b>Total Investments</b>	<b>\$30,846,528</b>	<b>100.0%</b>		

### Maturity Distribution

■ Portfolio ■ Benchmark



### Credit Quality



- ICE BofAML 0-5 Year Index from Bloomberg.
- Detail may not total to 100% due to rounding.
- Includes CAMP pool balances as of 9/30/22.
- Callable securities in the portfolio are included in the distribution analysis to their stated maturity date, although they may be called prior to maturity.
- The Main and Toland portfolios are no longer managed to the 0-5 Year Benchmark, but instead they are being managed to meet to the District's cash flow requirements.
- Security ratings by Standard & Poor's.

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## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>52.0%</b>	
UNITED STATES TREASURY	52.0%	AA / Aaa / AAA
<b>Federal Agency</b>	<b>21.4%</b>	
FANNIE MAE	7.0%	AA / Aaa / AAA
FEDERAL FARM CREDIT BANKS	1.2%	AA / Aaa / AAA
FEDERAL HOME LOAN BANKS	4.9%	AA / Aaa / NR
FREDDIE MAC	8.2%	AA / Aaa / AAA
<b>Agency CMBS</b>	<b>0.2%</b>	
FANNIE MAE	0.1%	AA / Aaa / AAA
FREDDIE MAC	0.1%	AA / Aaa / AAA
<b>Supranational</b>	<b>2.6%</b>	
INTER-AMERICAN DEVELOPMENT BANK	2.6%	AAA / Aaa / AAA
<b>Municipal</b>	<b>5.0%</b>	
ARIZONA TRANSPORTATION BOARD	1.1%	AA / Aa / NR
CALIFORNIA STATE UNIVERSITY	0.2%	AA / Aa / NR
SAN DIEGO COMMUNITY COLLEGE DISTRICT	0.4%	AAA / Aaa / NR
STATE OF CALIFORNIA	0.4%	AA / Aa / AA
STATE OF WISCONSIN	0.9%	AAA / NR / AA
TAMALPAIS UNION HIGH SCHOOL DISTRICT	0.9%	NR / Aaa / NR
VENTURA COUNTY COMM COLLEGE DISTRICT	1.2%	AA / Aa / NR
<b>Commercial Paper</b>	<b>2.0%</b>	
NATIXIS NY BRANCH	2.0%	A / Aa / A
<b>Corporate</b>	<b>14.5%</b>	
AMAZON.COM INC	0.7%	AA / A / AA
AMERICAN EXPRESS CO	1.3%	BBB / A / A
AMERICAN HONDA FINANCE	0.3%	A / A / A
APPLE INC	0.6%	AA / Aaa / NR

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>14.5%</b>	
CATERPILLAR INC	0.9%	A / A / A
CITIGROUP INC	0.8%	BBB / A / A
DEERE & COMPANY	1.2%	A / A / A
GOLDMAN SACHS GROUP INC	0.8%	BBB / A / A
IBM CORP	0.5%	A / A / NR
INTEL CORPORATION	0.6%	A / A / A
JP MORGAN CHASE & CO	0.5%	A / A / AA
MORGAN STANLEY	1.8%	A / A / A
NATIONAL RURAL UTILITIES CO FINANCE CORP	0.1%	A / A / A
NORTHERN TRUST	0.4%	A / A / A
PACCAR FINANCIAL CORP	0.3%	A / A / NR
PEPSICO INC	0.5%	A / A / NR
TARGET CORP	0.1%	A / A / A
THE BANK OF NEW YORK MELLON CORPORATION	0.4%	A / A / AA
THE WALT DISNEY CORPORATION	0.7%	BBB / A / A
TOYOTA MOTOR CORP	0.3%	A / A / A
US BANCORP	1.0%	A / A / A
WAL-MART STORES INC	0.6%	AA / Aa / AA
<b>ABS</b>	<b>2.3%</b>	
CAPITAL ONE FINANCIAL CORP	0.4%	AAA / NR / AAA
CARMAX AUTO OWNER TRUST	0.1%	AAA / NR / AAA
DISCOVER FINANCIAL SERVICES	0.8%	NR / Aaa / AAA
GM FINANCIAL LEASINGTRUST	0.1%	AAA / NR / AAA
HONDA AUTO RECEIVABLES	0.4%	AAA / Aaa / AAA
MERCEDES-BENZ AUTO LEASE TRUST	0.3%	AAA / NR / AAA

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds. Percentages are calculated excluding funds in the CAMP pool.

### Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>ABS</b>	<b>2.3%</b>	
TOYOTA MOTOR CORP	0.0%	AAA / Aaa / NR
WORLD OMNI AUTO REC TRUST	0.2%	AAA / NR / AAA
<b>Total</b>	<b>100.0%</b>	

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Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

## Total Return Performance

	Duration (years)	Past Quarter	Past 12 Months	Past 3 Years	Past 5 Years	Past 10 Years	Yield to Maturity at Cost	Yield to Maturity at Market
<b>Total Portfolio</b>	<b>1.77</b>	<b>-1.29%</b>	<b>-4.67%</b>	<b>-0.22%</b>	<b>0.91%</b>	<b>0.89%</b>	<b>1.49%</b>	<b>4.18%</b>
Main	1.02	-0.34%	-2.62%	0.49%	1.34%	1.04%	1.49%	3.95%
Toland	2.00	-1.61%	-5.32%	-0.45%	0.79%	0.83%	1.50%	4.23%
Coastal	1.97	-1.58%	-5.35%	-0.44%	0.78%	0.83%	1.49%	4.25%
Bailard	1.93	-1.58%	-5.29%	-0.44%	0.78%	0.83%	1.49%	4.26%
<b>ICE BofAML 0-5 Year U.S. Treasury Index</b>	<b>1.98</b>	<b>-1.70%</b>	<b>-5.33%</b>	<b>-0.62%</b>	<b>0.57%</b>	<b>0.65%</b>	-	<b>4.14%</b>

- Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
- Includes CAMP pool balances in performance and duration computations.
- Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.
- ICE BofAML Indices provided by Bloomberg.
- Inception date for the combined portfolio is 6/30/2007 and is the case for all individual portfolios except for the Main portfolio which has an inception date of 12/31/2006.
- The Main and Toland portfolios are no longer managed to the 0-5 Year Benchmark, but instead they are being managed to meet to the District's cash flow requirements.

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.