



# Ventura Regional Sanitation District

## Investment Performance Review For the Quarter Ended March 31, 2023

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## Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Lingering inflation that remains well above the Fed's long-term inflation target
  - ▶ A labor market showing the first signs of moderation
  - ▶ Greater economic uncertainty following the surprise failure of Silicon Valley Bank and Signature Bank

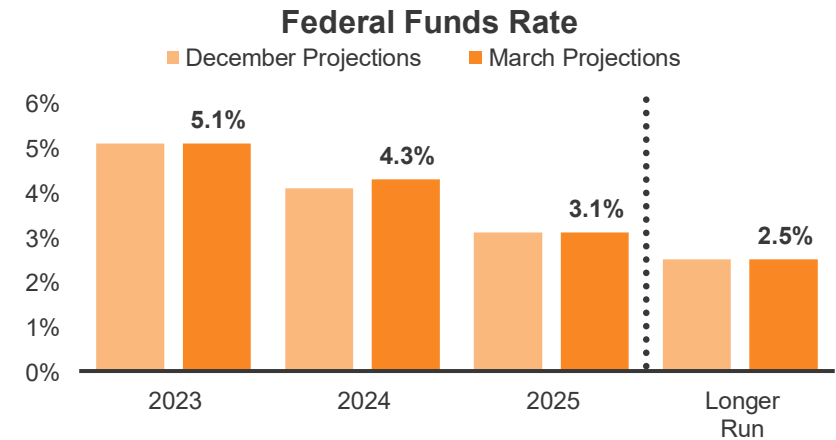
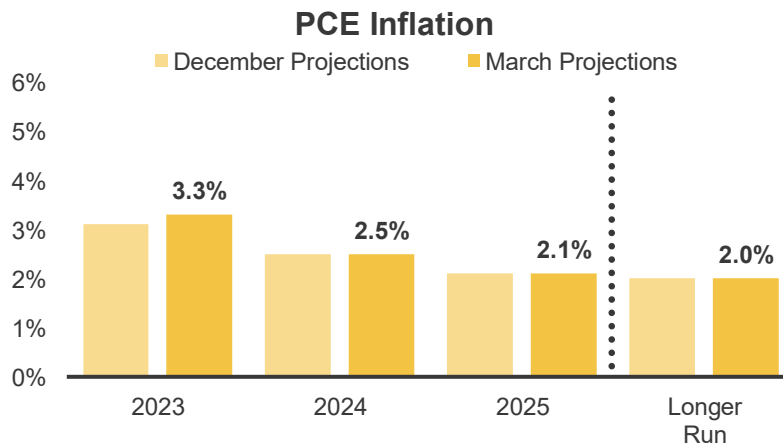
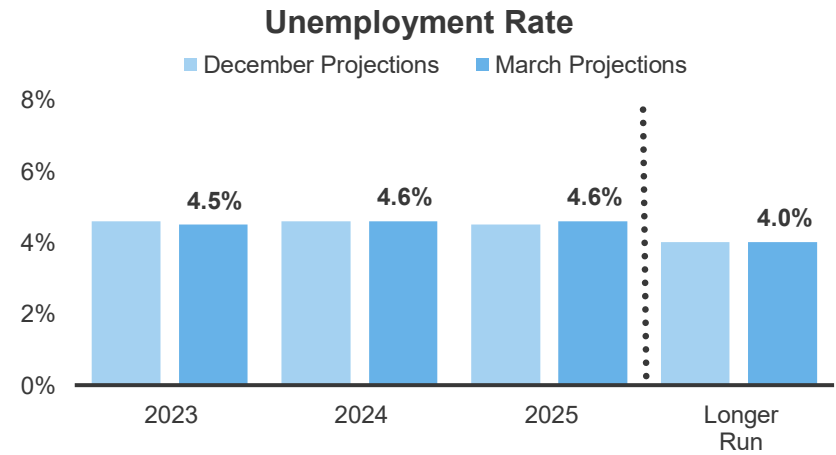
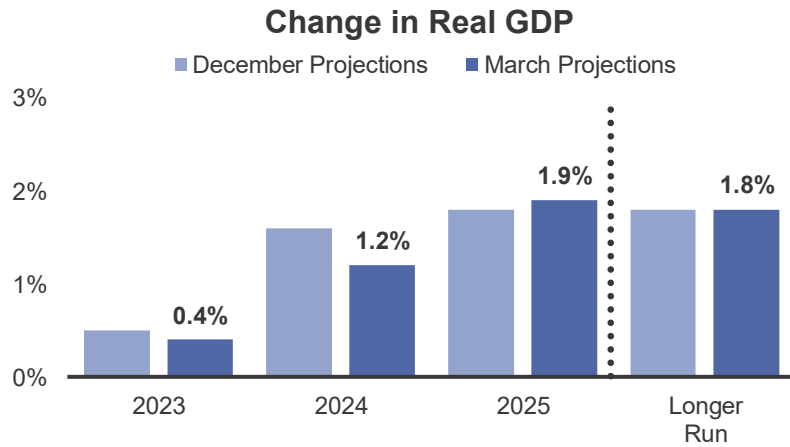


- ▶ Fed policy tightening may be nearly complete
  - ▶ The most recent FOMC statement noted that “some additional policy firming may be appropriate,” but the need for more rate hikes has become less clear
  - ▶ Although the Fed acknowledged the impact of the recent bank failures, their March updated Summary of Economic Projections were little changed from December
  - ▶ The Fed has maintained that they will keep rates elevated for some time, but the market is pricing in rate cuts beginning mid-year



- ▶ Bond markets saw unprecedented volatility in March
  - ▶ In a classic “flight to quality,” Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8 to under 4.00% on March 17
  - ▶ The curve inversion from 3 months to 10 years reached the deepest levels in over 40 years
  - ▶ Credit yield spreads widened, especially those on banks, but not nearly to levels seen during the global financial crisis

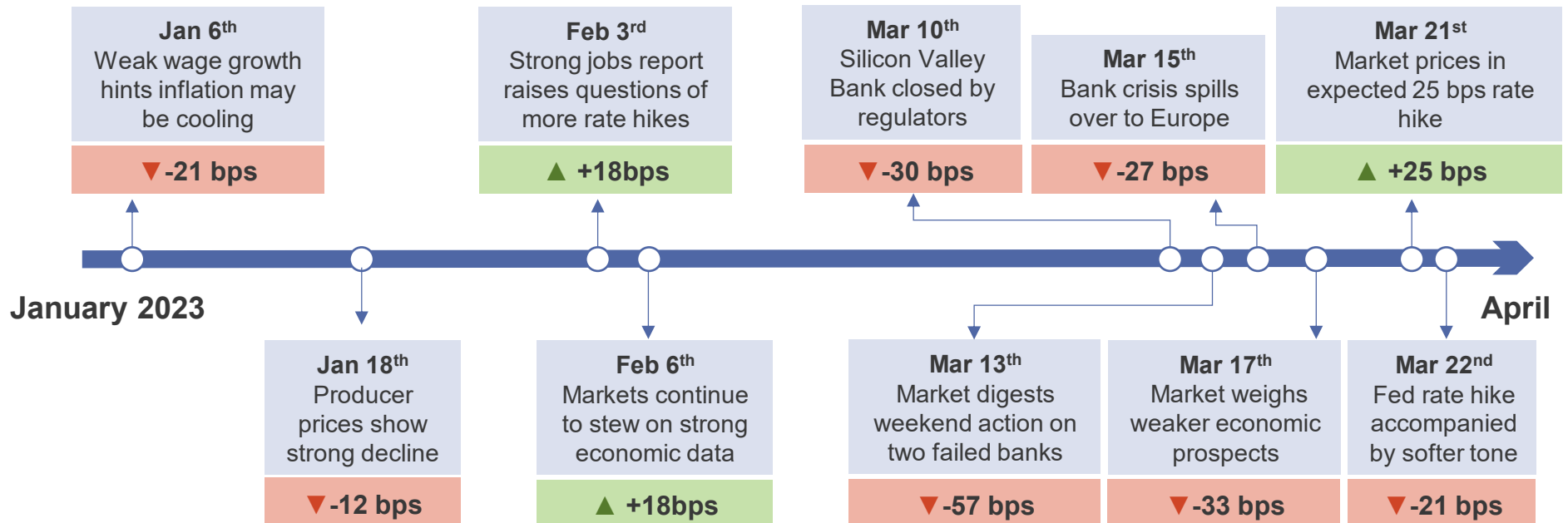
## Fed's Updated Projections Reflect Little Change From December



Source: Federal Reserve, latest economic projections as of March 2023.

## Market Events Drive Large Yield Moves

### Major Economic and Market Events and the Daily Change in the 2-Year U.S. Treasury Yield



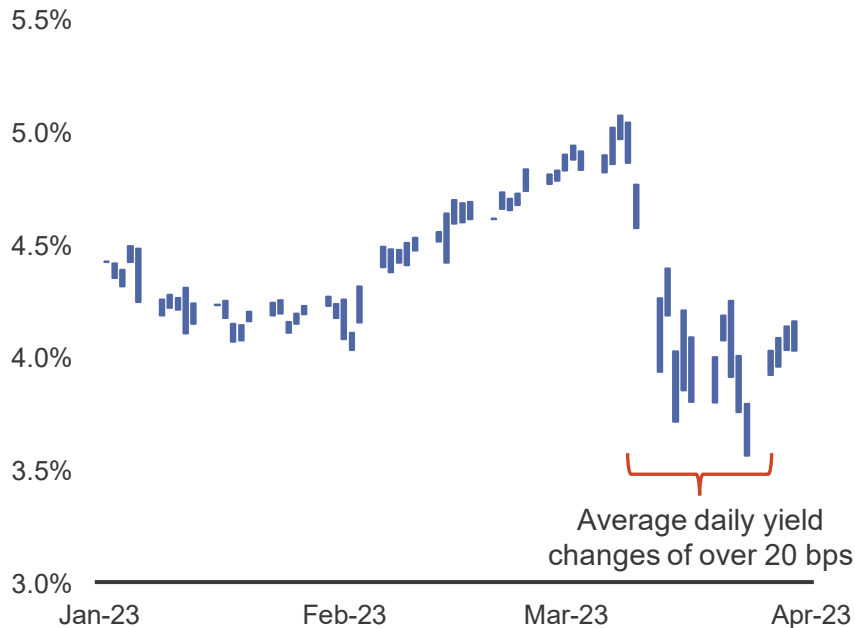
▼/▲ Changes in 2-Year Treasury

## Bond Markets Saw Unprecedented Volatility in March

The surprise failure of two large U.S. banks caused volatility in the markets. In a classic “flight to quality”, Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8 to 4.03% on March 31.

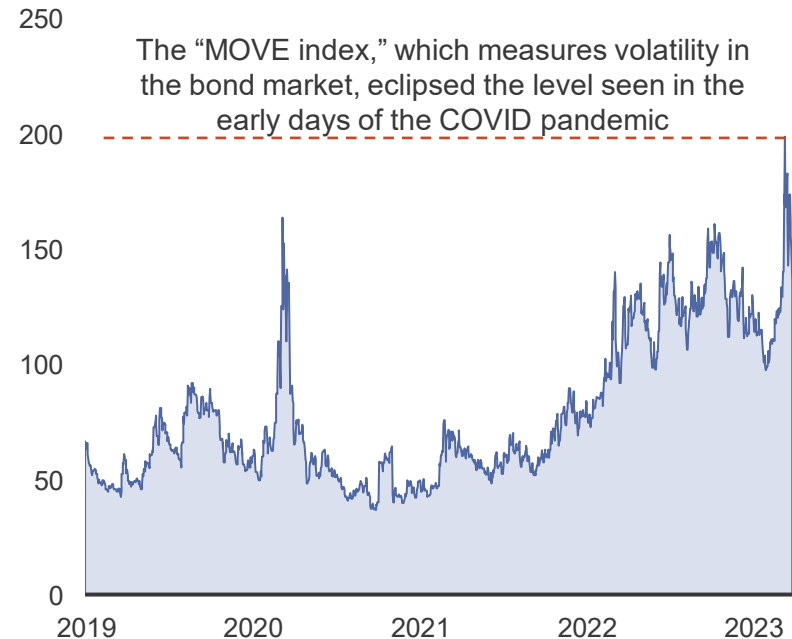
### 2-Year Treasury

Daily High and Low Yield



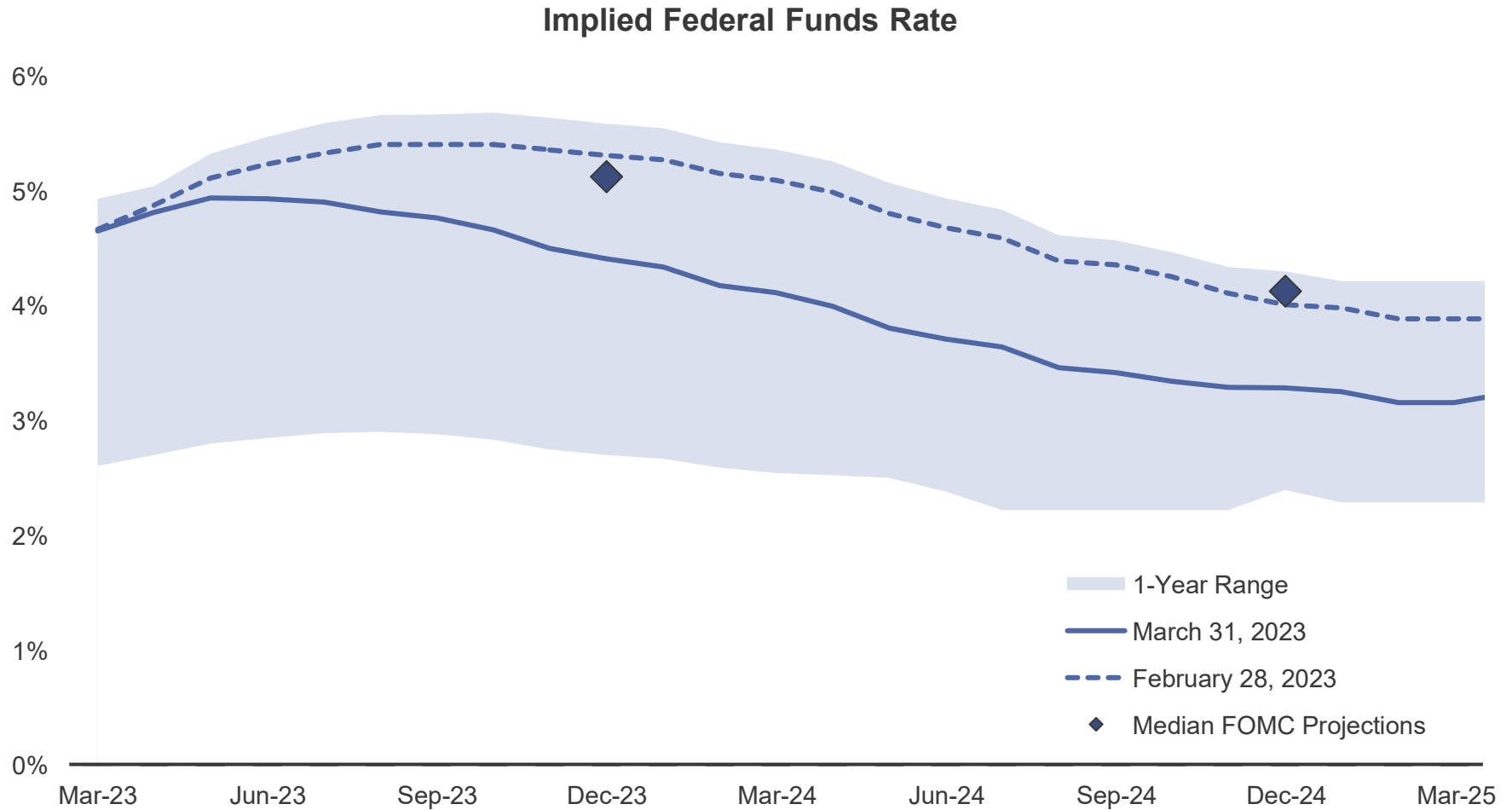
### Fixed Income Market Volatility

ICE BofA MOVE Index



Source: Bloomberg, ICE BofA Indices. As of 03/31/2023.

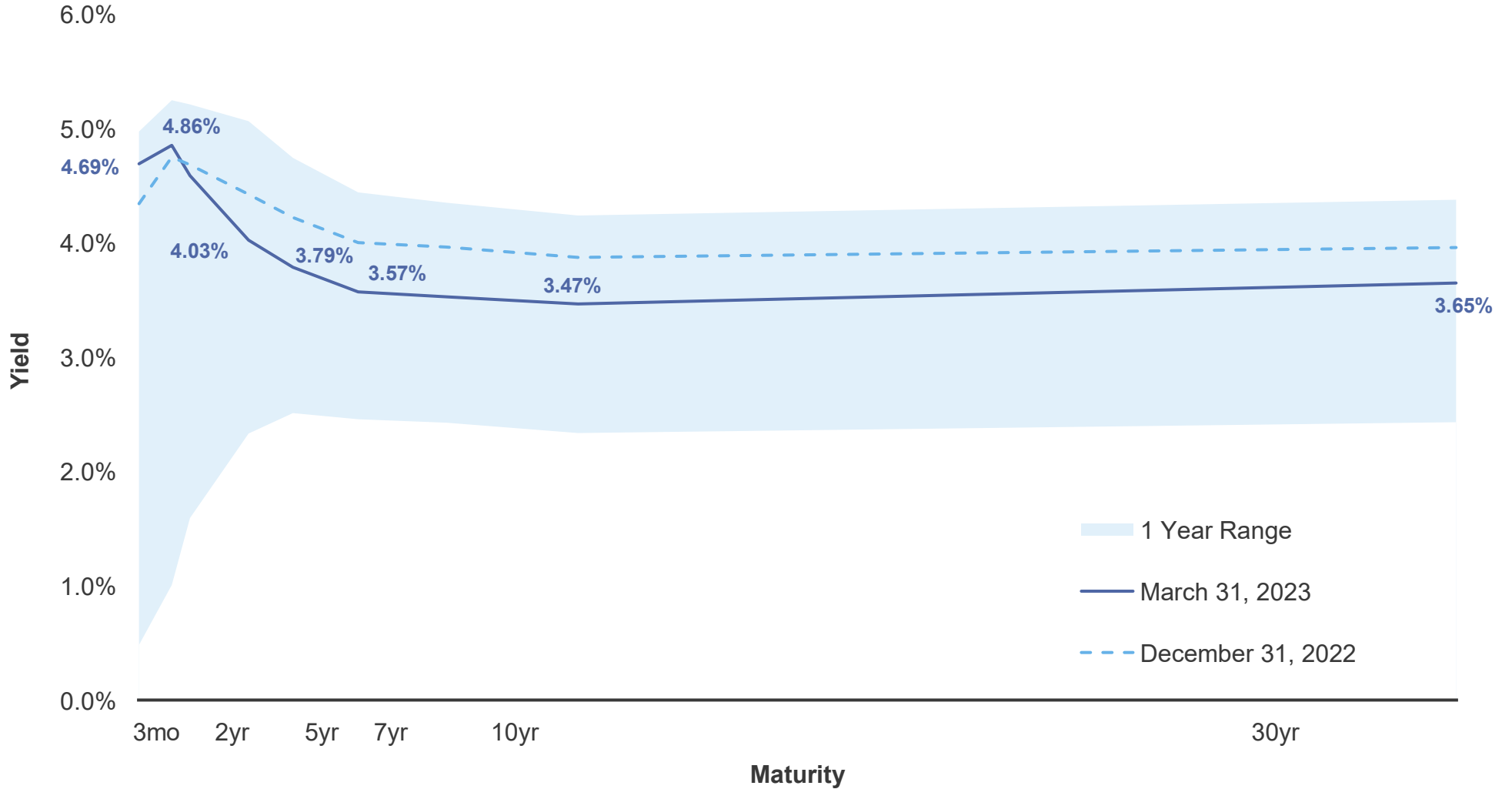
## Market Expectations Evolve Amid Changing Policy Environment



Source: Bloomberg, Federal Reserve latest economic projection as of 03/31/2023.

## As Economic Uncertainty Increased, Longer-Term Interest Rates Fell

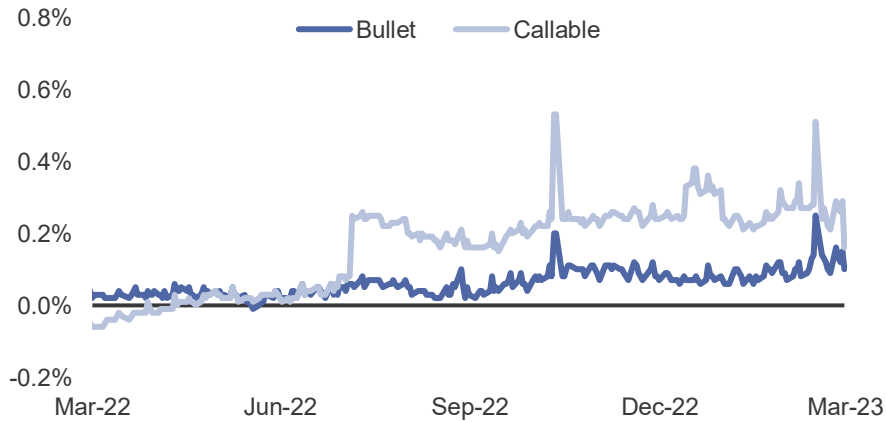
### U.S. Treasury Yield Curve



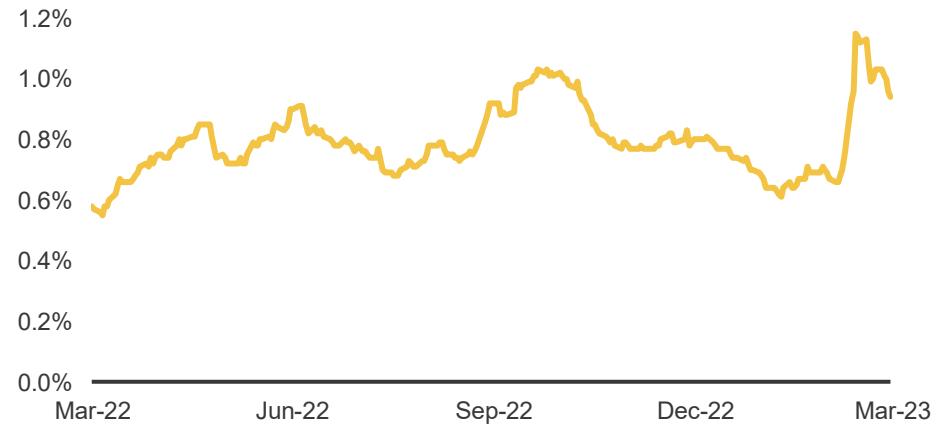
Source: Bloomberg, as of 03/31/2022.

## Sector Yield Spreads

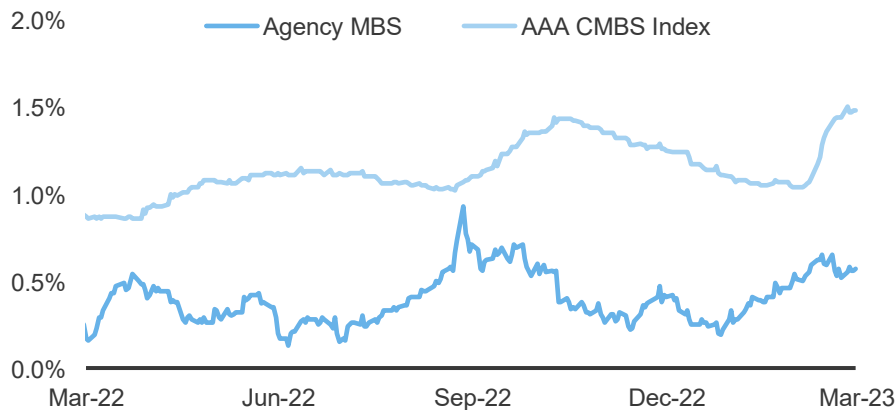
### Federal Agency Yield Spreads



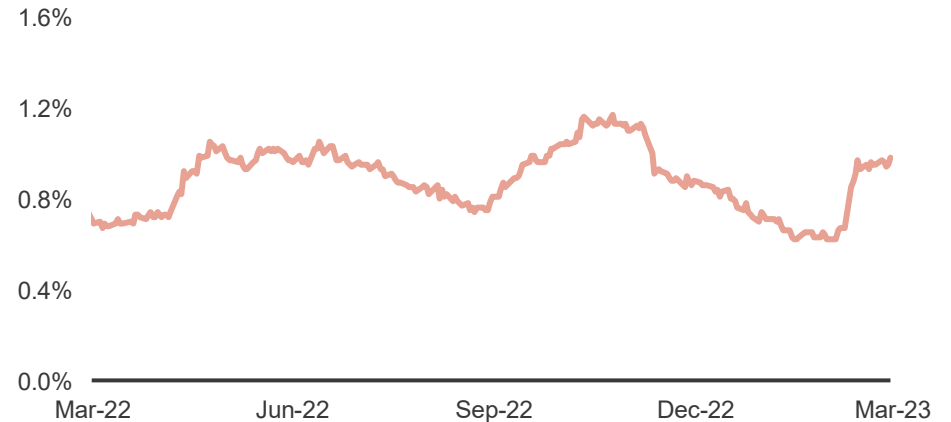
### Corporate Notes A-AAA Yield Spreads



### Mortgage-Backed Securities Yield Spreads



### Asset-Backed Securities AAA Yield Spreads



Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 03/31/2023. 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.

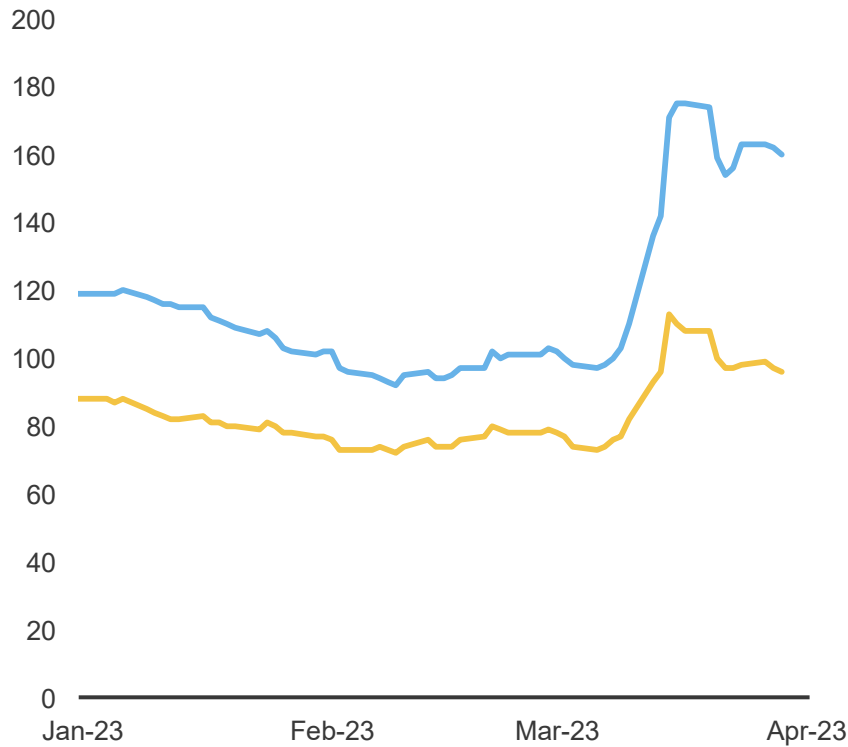


## Corporate Yield Spreads Modestly Wider, Led By Financials

### Investment Grade Corporate Spreads

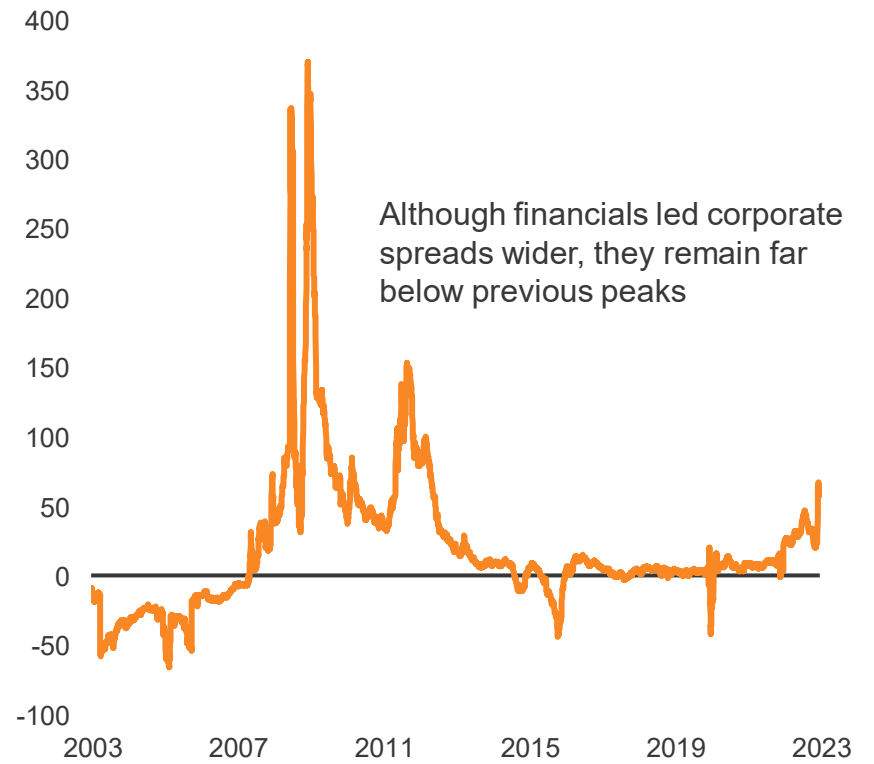
1-5 Year U.S. Corporate Index

— Financials — Industrials



### Difference Between Financial and Industrial Corporate Yield Spreads

1-5 Year U.S. Corporate Index

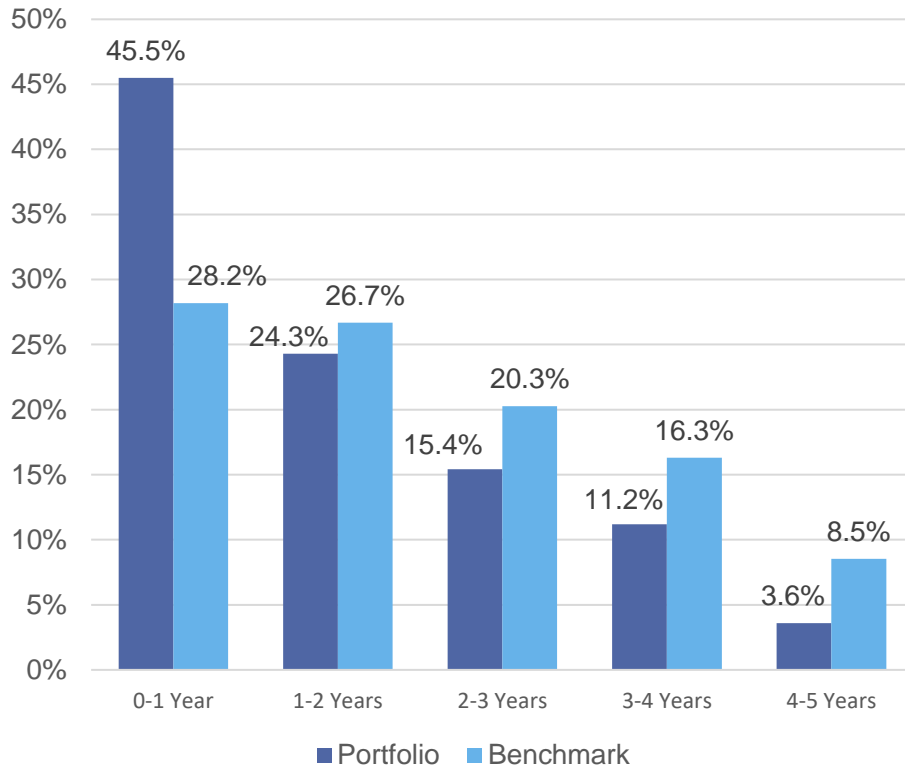


Source: Bloomberg, ICE BofA Indices as of 03/31/2023.

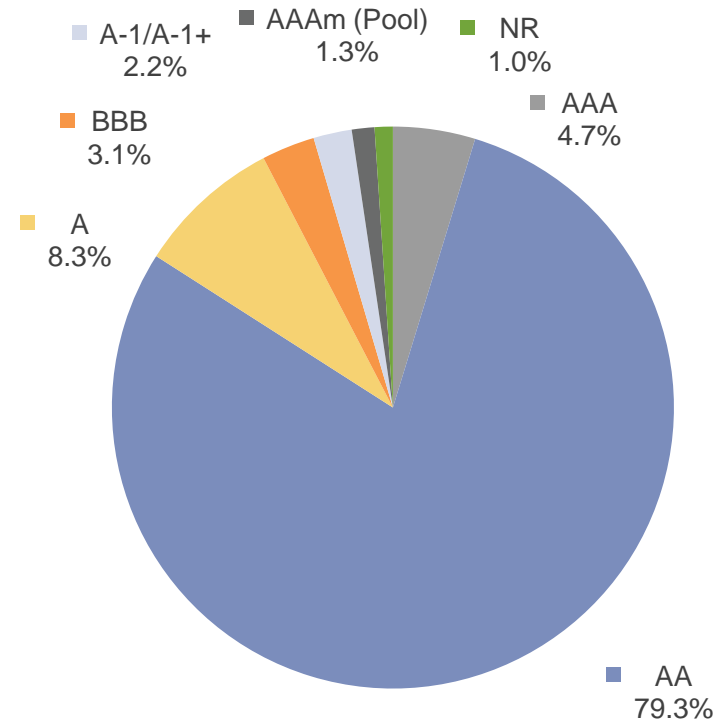
## Sector Allocation

Security Type	Market Value as of March 31, 2023	% of Portfolio	% Change vs. Prior Quarter	Policy Limits
U.S. Treasury	\$17,633,692	56.0%	-	100%
Federal Agency	\$6,167,375	19.6%	-0.6%	100%
Municipal Obligations	\$1,352,876	4.3%	-	100%
Supranational	\$775,227	2.5%	-	30%
Corporate Notes	\$4,136,224	13.1%	-0.1%	30%
Commerical Paper	\$595,976	1.9%	-	30%
Asset-Backed	\$420,789	1.3%	-0.1%	20%
<b>Security Sub-Total</b>	<b>\$31,082,160</b>	<b>98.7%</b>		
Accrued Interest	\$86,667			
<b>Securities Total</b>	<b>\$31,168,827</b>			
CAMP Pool	\$409,993	1.3%	0.9%	100%
<b>Total Investments</b>	<b>\$31,578,819</b>	<b>100.0%</b>		

### Duration Distribution



### 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 3/31/23.
- 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.

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>56.7%</b>	
UNITED STATES TREASURY	56.7%	AA / Aaa / AAA
<b>Federal Agency</b>	<b>19.8%</b>	
FANNIE MAE	6.7%	AA / Aaa / AAA
FEDERAL FARM CREDIT BANKS	1.1%	AA / Aaa / AAA
FEDERAL HOME LOAN BANKS	4.4%	AA / Aaa / NR
FREDDIE MAC	7.6%	AA / Aaa / AAA
<b>Supranational</b>	<b>2.5%</b>	
INTER-AMERICAN DEVELOPMENT BANK	2.5%	AAA / Aaa / AAA
<b>Municipal</b>	<b>4.4%</b>	
ARIZONA TRANSPORTATION BOARD	1.1%	AA / Aa / NR
CALIFORNIA STATE UNIVERSITY	0.2%	AA / Aa / NR
SAN DIEGO COMMUNITY COLLEGE DISTRICT	0.3%	AAA / Aaa / NR
STATE OF WISCONSIN	0.8%	AAA / NR / AA
TAMALPAIS UNION HIGH SCHOOL DISTRICT	0.8%	NR / Aaa / NR
VENTURA COUNTY COMM COLLEGE DISTRICT	1.1%	AA / Aa / NR
<b>Commercial Paper</b>	<b>1.9%</b>	
NATIXIS NY BRANCH	1.9%	A / Aa / AA
<b>Corporate</b>	<b>13.3%</b>	
AMAZON.COM INC	0.7%	AA / A / AA
AMERICAN EXPRESS CO	1.2%	BBB / A / A
AMERICAN HONDA FINANCE	0.3%	A / A / A
APPLE INC	0.5%	AA / Aaa / NR
CATERPILLAR INC	0.9%	A / A / A
CITIGROUP INC	0.7%	BBB / A / A
DEERE & COMPANY	1.1%	A / A / A
GOLDMAN SACHS GROUP INC	0.8%	BBB / A / A

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>13.3%</b>	
IBM CORP	0.5%	A / A / NR
INTEL CORPORATION	0.5%	A / A / A
JP MORGAN CHASE & CO	0.5%	A / A / AA
MORGAN STANLEY	1.6%	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	0.3%	BBB / A / A
TOYOTA MOTOR CORP	0.3%	A / A / A
US BANCORP	0.9%	A / A / A
WAL-MART STORES INC	0.6%	AA / Aa / AA
<b>ABS</b>	<b>1.4%</b>	
CAPITAL ONE FINANCIAL CORP	0.4%	AAA / NR / AAA
CARMAX AUTO OWNER TRUST	0.1%	AAA / NR / 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
WORLD OMNI AUTO REC TRUST	0.2%	AAA / NR / AAA
<b>Total</b>	<b>100.0%</b>	

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>1.44</b>	<b>1.55%</b>	<b>0.53%</b>	<b>-0.24%</b>	<b>1.49%</b>	<b>1.10%</b>	<b>2.16%</b>	<b>4.36%</b>
Main	0.63	1.24%	1.40%	0.34%	1.85%	1.23%	3.05%	4.59%
Toland	1.54	1.57%	0.15%	-0.49%	1.36%	1.05%	1.76%	4.33%
Coastal	1.93	1.66%	0.26%	-0.45%	1.37%	1.06%	1.80%	4.25%
Bailard	1.94	1.71%	0.32%	-0.36%	1.38%	1.06%	2.01%	4.26%
<b>ICE BofAML 0-5 Year U.S. Treasury Index</b>	<b>1.98</b>	<b>1.65%</b>	<b>0.19%</b>	<b>-0.95%</b>	<b>1.19%</b>	<b>0.89%</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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- 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.