



Quarterly Investment Report

December 31, 2019



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Quarterly Investment Report

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Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Susan Ellenberg, S. Joseph Simitian

County Executive: Jeffrey V. Smith



Santa Clara County Commingled Pool and Segregated Investments

December 31, 2019

Fund	Cost Value**	Market Value	Variance	% Variance
Commingled Investment Pool	\$9,363,178,207	\$9,391,209,924	\$28,031,717	0.30%
Worker's Compensation	\$29,186,516	\$29,485,102	\$298,586	1.02%
Park Charter Fund	\$4,297,167	\$4,338,069	\$40,902	0.95%
San Jose-Evergreen	\$20,766,956	\$20,789,833	\$22,876	0.11%
Medical Malpractice Insurance Fund (1)	\$9,457,139	\$9,562,369	\$105,230	1.11%
Total	\$9,426,885,985	\$9,455,385,297	\$28,499,312	0.30%

(1) Managed by Chandler Asset Management, Inc.

Summary of Yields* for Select Santa Clara County Investment Funds

Fund	2019			2018
	Oct 31	Nov 30	Dec 31	Dec 31
Commingled Investment Pool	2.09%	2.05%	1.97%	2.13%
Worker's Compensation	2.15%	2.05%	2.04%	2.34%
Weighted Yield	2.09%	2.05%	1.97%	2.13%

*Yield to maturity (YTM) is the rate of return paid on a bond, note, or other fixed income security if the investor buys and holds it to its maturity date and if the coupon interest paid over the life of the bond is reinvested at the same rate as the coupon rate. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price at time of purchase.

Yield is a snapshot measure of the yield of the portfolio on the day it was measured based on the current portfolio holdings on that day. This is not a measure of total return, and is not intended to be, since it does not factor in unrealized capital gains and losses and reinvestment rates are dependent upon interest rate changes

**Cost Value is the amortized book value of the securities as of the date of this report.



Santa Clara County Commingled Pool and Segregated Investments

Portfolio Strategy

December 31, 2019

Despite months of tension and acrimonious trade negotiations between the U.S. and China, the S&P 500 equity index posted a very healthy gain of 29 percent for 2019, its best return since 2013 and U.S. gross domestic product (GDP) expanded at a 2.1 percent during the quarter ending December 31, 2019. Full-year GDP grew 2.3 percent in 2019. The current U.S. economic recovery, the longest on record, began in June 2009 and is now in its 127th month. Further reduction in borrowing costs, signs of stabilization in global manufacturing and healthy job creation, all helped bolster GDP. The yield of the benchmark 10-year Treasury Note fell to 1.46%, from 2.68%, as a result of Federal Reserve Bank interest rate cuts in the second half of the year. Labor markets exceeded expectations for the latter half of 2019, with unemployment at 3.5 percent, the lowest since December 1969, and with wage increases approaching 4 percent, particularly among average, non-supervisory workers. November posted a particularly strong payroll gain of 256,000.

In January of 2020, the United States and China, signed the first phase of a trade agreement that carries the expectation that China will purchase an additional \$200.0 billion of American goods over the next 24 months. The agreement leaves in place tariffs on \$370 billion in imports from China. President Donald Trump also signed a new trade pact with Canada and Mexico, extending the life of the trading bloc created by North American Free Trade Agreement (NAFTA) but with important updates. The White House is now turning its attention to trade relationship with other nations and regions including the United Kingdom, Africa and the European Union, with whom trade relations have already begun to sour.

Even with an improving trade outlook and the resulting clear positive-sentiment shift in financial markets, weakness persists in the manufacturing sector. Manufacturing does appear to be emerging from its contraction that lasted two quarters in 2019. Nonetheless, only three sector industries reported growth in December. Expansion in December equaled September 2019 which was the worst showing since early 2009. Transportation equipment industries again had the fastest contraction in new orders in December; this category includes both autos and aerospace equipment. Economists suggest demand may take some time to recover but, ultimately, companies could remain wary until a more comprehensive China trade agreement is reached. Fortunately, the services sector continues to strengthen and expand. This sector will need to remain firm in order to support job growth and more broadly, consumer income. Eleven non-manufacturing industries reported growth in December.



Santa Clara County Commingled Pool and Segregated Investments

Portfolio Strategy

December 31, 2019

Strength was concentrated in the areas most reflective of pure services sectors and consumer strength, including health care, management and support services, accommodation and food services, finance and retail trade. Of note, the real estate sector is poised for a stronger 2020, owing to lower interest rates after a dismal performance in 2018. Builders and consumers are optimistic, permits are rising, and solid pent up demand exists. Yet, certain constraints may hamper growth, including robust demand for limited building supplies, restrictive zoning regulations, and limited secondary housing stock with many baby boomers opting to retain their original homes. Residential construction outlays increased at a 5.8 percent rate in the fourth quarter, the strongest in two years, and followed a 4.6 percent advance in the third quarter.

While the Federal Reserve Bank policy makers have signaled that they will hold rates steady unless a major shift in outlook occurs, further weakness in inflation could spur policy makers to further lower interest rates in 2020. Three rate reductions occurred in 2019. Policy makers have said it is too premature to respond to the potential economic implications of the coronavirus. Meanwhile, the Fed's preferred underlying inflation measure, the personal consumption expenditures price index excluding food and energy, rose at a 1.3 percent annualized pace in the quarter, well below policy makers' 2 percent inflation goal.

The portfolio strategy continues to focus on the:

- (1) acquisition of high-quality issuers;
- (2) identifying and selecting bonds with attractive valuations;
- (3) appropriately sizing the liquidity portion of the portfolio to ensure adequate cash for near term obligations; and
- (4) ensuring that monies targeted for longer term investments are deployed in vehicles with favorable risk-adjusted yields.

Broker-dealers have generally down-sized the amount of securities carried in inventories in response to risk-curbing rules crafted after the 2008 financial crisis. These risk curbing rules include the international regulatory framework for banks called Basel III and the U.S. 2010 Dodd-Frank Law. The Treasury Division has increased its capability to review a larger volume of inventory listings to find attractive bonds. Portfolio structuring does not solely rely on interest rate anticipation strategies, which primarily speculate on the direction of interest rates to earn favorable returns.



Santa Clara County Commingled Pool and Segregated Investments

Portfolio Compliance, Review, and Monitoring

December 31, 2019

Yield and Weighted Average Maturity

The yield of the Commingled Pool is 1.97 and the weighted average life is 471 days.

Compliance

The County Treasurer believes the Commingled Pool contains sufficient cash flow from liquid and maturing securities, bank deposits and incoming cash to meet the next six months of expected expenditures.

Review and Monitoring

FTN Financial Main Street Advisors, the County's investment advisor, currently monitors the Treasury Department's investment activities.

Additional Information

Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by the Bank of New York Mellon, Bloomberg Analytics, dealer quotes, and an independent pricing service.



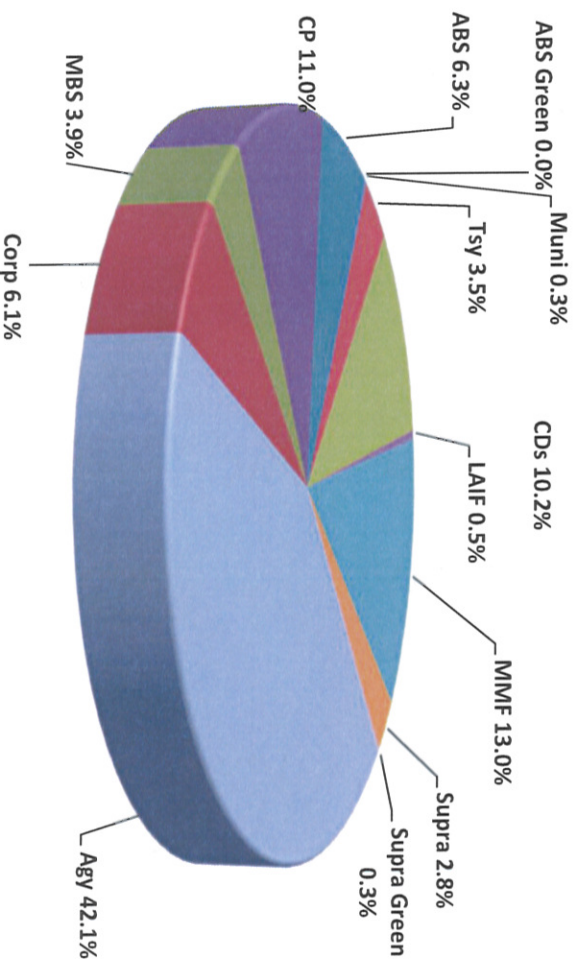
Santa Clara County Commingled Pool

Allocation by Security Types

December 31, 2019

Sector	12/31/2019	9/30/2019	% Chng
Federal Agencies	42.06%	49.63%	-7.6%
Corporate Bonds	6.11%	7.16%	-1.1%
Mortgage Backed Securities	3.88%	4.99%	-1.1%
Commercial Paper	10.99%	8.84%	2.1%
ABS	6.33%	7.92%	-1.6%
ABS Green Bonds	0.00%	0.00%	0.0%
Municipal Securities	0.34%	0.44%	-0.1%
U.S. Treasuries	3.52%	0.21%	3.3%
Negotiable CDs	10.20%	4.60%	5.6%
LAIF	0.45%	0.59%	-0.1%
Money Market Funds	13.05%	12.53%	0.5%
Supranationals	2.81%	2.75%	0.1%
Supranationals Green Bonds	0.27%	0.35%	-0.1%
Total	100.00%	100.00%	

Sector	12/31/2019	9/30/2019
Federal Agencies	3,937,928,439	3,563,469,579
Corporate Bonds	572,003,613	514,048,492
Mortgage Backed Securities	363,586,967	358,124,917
Commercial Paper	1,028,835,149	634,857,044
ABS	592,684,553	568,707,478
ABS Green Bonds	-	-
Municipal Securities	31,423,357	31,429,925
U.S. Treasuries	329,842,654	14,991,821
Negotiable CDs	955,000,000	330,000,000
LAIF	42,306,613	42,047,613
Money Market Funds	1,221,663,058	899,494,058
Supranational	262,903,805	197,291,456
Supranationals Green Bonds	25,000,000	25,000,000
Total	9,363,178,207	7,179,462,383



Amounts are based on book value

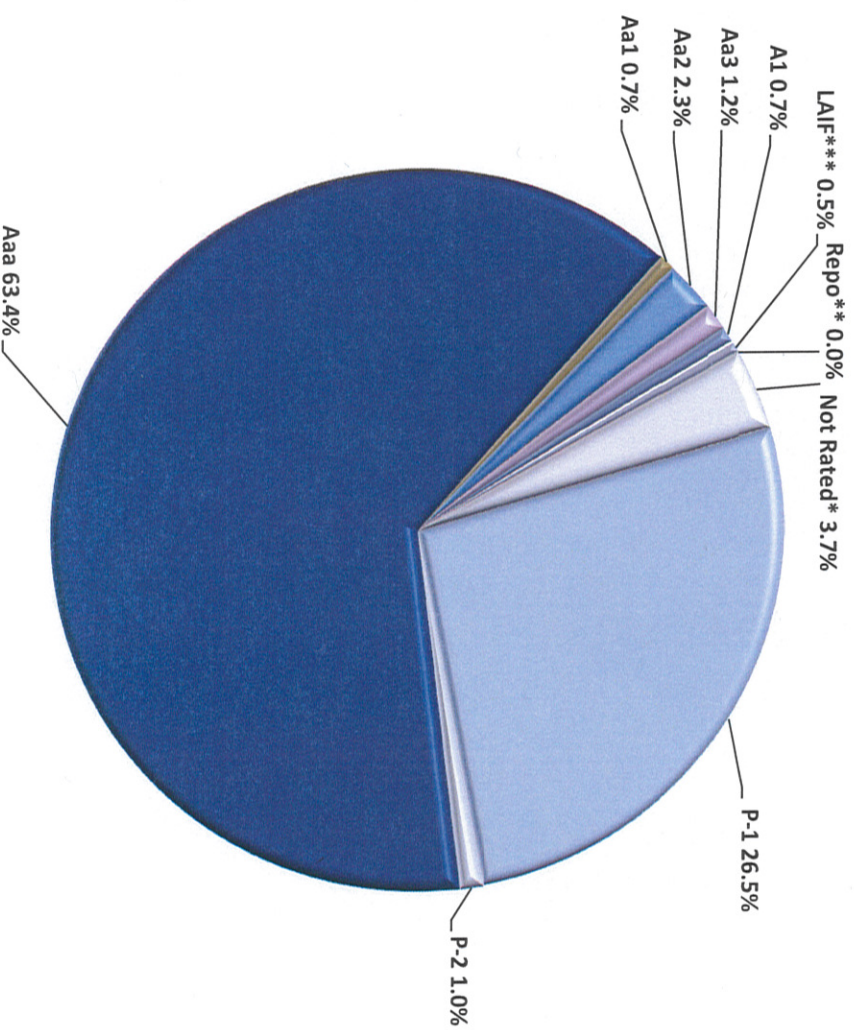


Santa Clara County Commingled Pool

Allocation by Ratings

December 31, 2019

Moody's Rating	Portfolio \$	Portfolio %
P-1	2,484,656,162	26.5%
P-2	93,551,816	1.0%
Aaa	5,936,315,940	63.4%
Aa1	62,324,595	0.7%
Aa2	213,109,845	2.3%
Aa3	113,620,370	1.2%
A1	65,414,274	0.7%
A2	9,999,769	0.1%
A3	-	0.0%
LAIF***	42,306,613	0.5%
Repo**	-	0.0%
Not Rated*	341,878,823	3.7%
Total	9,363,178,207	100.0%



*Not Rated by Moody's but A-1+ by S&P

**Repurchase Agreements are not rated, but are collateralized by U.S. Treasury securities or securities issued by the Federal Agencies of the U.S.

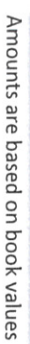
***LAIF is not rated, but is comprised of State Code allowable securities

Amounts are based on book values



Holdings by Issuer - Percent of Commingled Pool

December 31, 2019

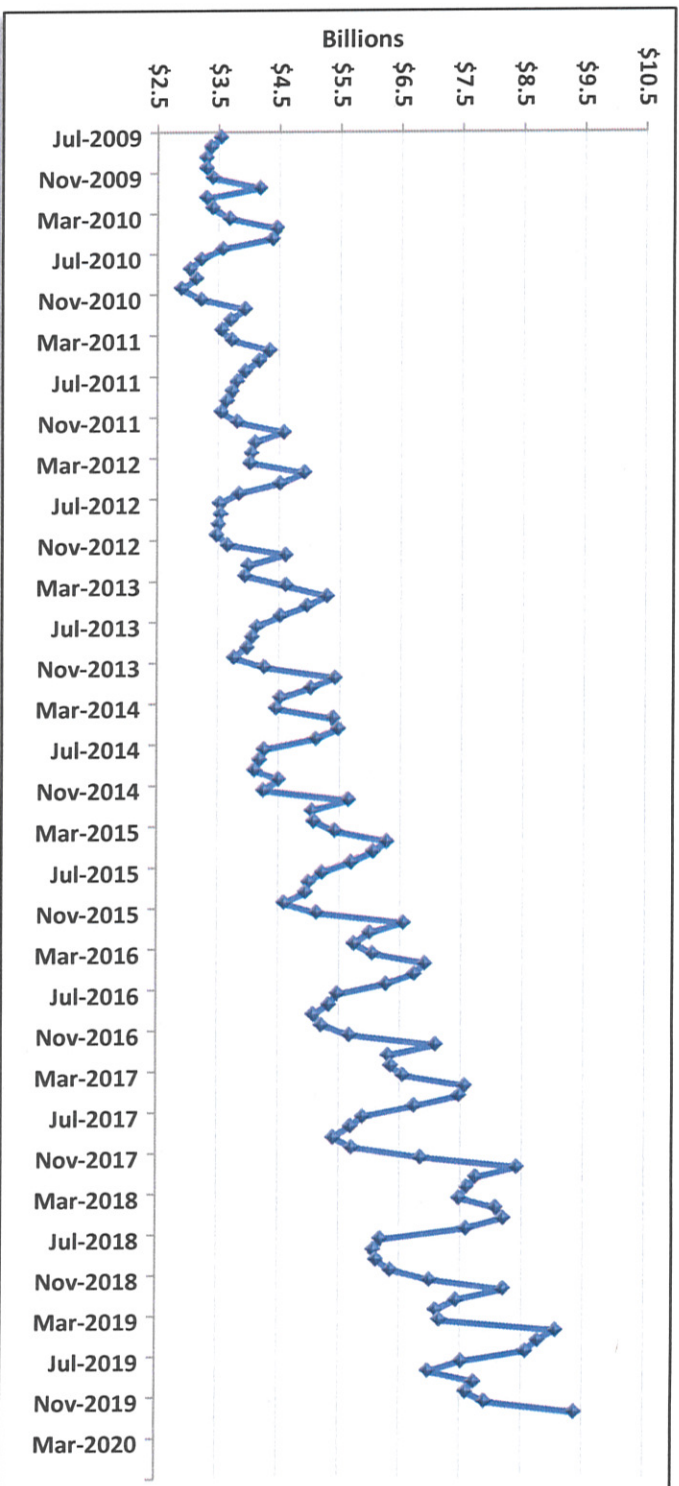




Santa Clara County Commingled Pool

Historical Month End Book Values

December 31, 2019



Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2010	\$3.541	\$3.373	\$3.307	\$3.307	\$3.408	\$4.175	\$3.307	\$3.408	\$3.687	\$4.463	\$4.384	\$3.536
FY 2011	\$3.230	\$3.032	\$3.143	\$2.898	\$3.227	\$3.943	\$3.695	\$3.551	\$3.712	\$4.339	\$4.179	\$3.935
FY 2012	\$3.801	\$3.736	\$3.637	\$3.555	\$3.805	\$4.567	\$4.097	\$4.040	\$4.032	\$4.926	\$4.525	\$3.833
FY 2013	\$3.508	\$3.517	\$3.515	\$3.469	\$3.645	\$4.600	\$3.918	\$3.982	\$4.606	\$5.286	\$4.952	\$4.521
FY 2014	\$4.133	\$4.052	\$3.975	\$3.758	\$4.271	\$5.419	\$5.019	\$4.520	\$4.461	\$5.386	\$5.487	\$5.108
FY 2015	\$4.267	\$4.194	\$4.096	\$4.051	\$4.247	\$5.639	\$5.045	\$5.085	\$5.420	\$6.284	\$6.065	\$5.690
FY 2016	\$5.212	\$4.990	\$4.941	\$4.587	\$5.120	\$6.543	\$5.997	\$5.752	\$6.040	\$6.911	\$6.728	\$6.263
FY 2017	\$5.469	\$5.328	\$5.088	\$5.220	\$5.671	\$7.082	\$6.319	\$6.348	\$6.550	\$7.556	\$7.469	\$6.730
FY 2018	\$5.898	\$5.689	\$5.408	\$5.720	\$6.850	\$8.427	\$7.754	\$7.608	\$7.472	\$8.079	\$8.192	\$7.584
FY 2019	\$6.180	\$6.068	\$6.127	\$6.350	\$6.987	\$8.199	\$7.425	\$7.105	\$7.151	\$9.054	\$8.767	\$8.565
FY 2020	\$7.510	\$6.984	\$7.179	\$7.583	\$7.909	\$9.363						

Amounts in billions

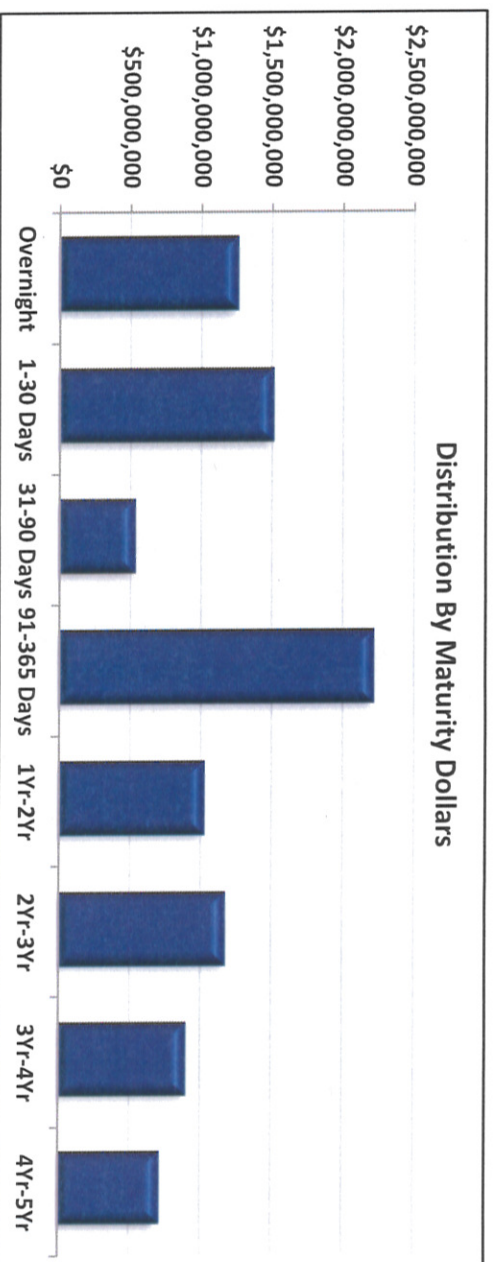


Santa Clara County Commingled Pool

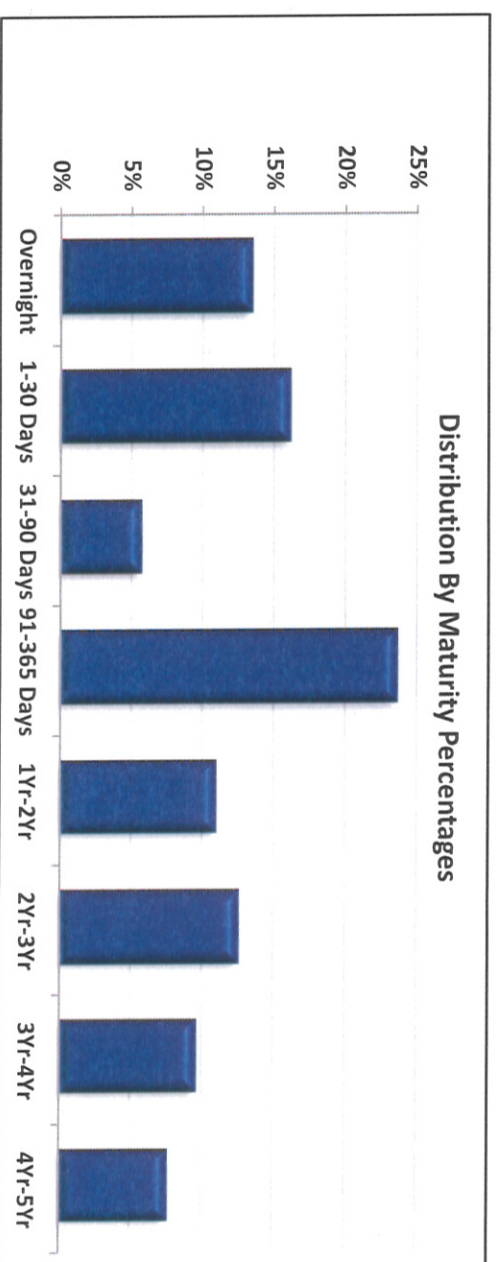
Distribution by Maturity

December 31, 2019

Maturity	Amount*
Overnight	1,263,969,671
1-30 Days	1,512,960,359
31-90 Days	539,506,755
91-365 Days	2,216,712,916
1Yr-2Yr	1,030,037,750
2Yr-3Yr	1,178,648,645
3Yr-4Yr	902,904,300
4Yr-5Yr	718,437,811
	9,363,178,207



Maturity	Amount*
Overnight	13.50%
1-30 Days	16.16%
31-90 Days	5.76%
91-365 Days	23.67%
1Yr-2Yr	11.00%
2Yr-3Yr	12.59%
3Yr-4Yr	9.64%
4Yr-5Yr	7.67%
	100.00%



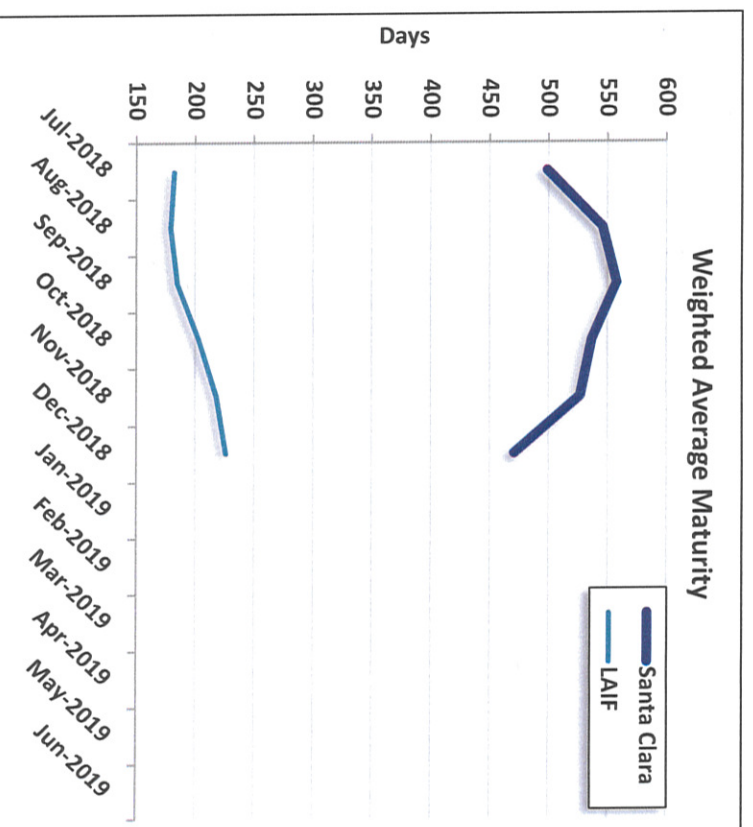
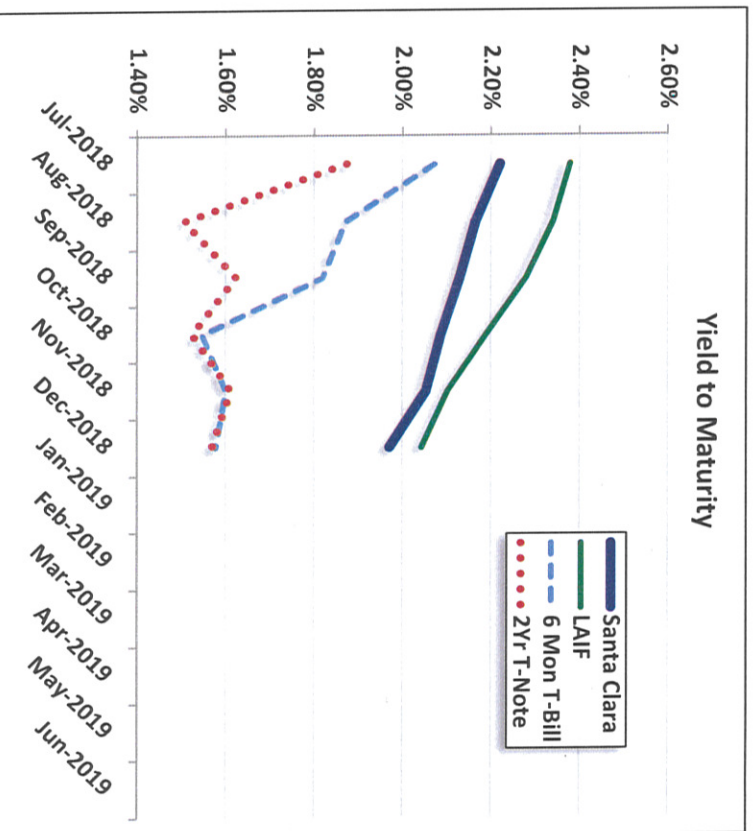
*Amounts are based on book value



Santa Clara County Commingled Pool

Yield to Maturity and Weighted Average Maturity

December 31, 2019



Item	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
SCC YTM	2.22%	2.17%	2.13%	2.09%	2.05%	1.97%						
LAIF YTM	2.38%	2.34%	2.28%	2.19%	2.10%	2.04%						
6 Mon T-Bill	2.07%	1.87%	1.82%	1.55%	1.60%	1.58%						
2Yr T-Note	1.87%	1.51%	1.62%	1.52%	1.61%	1.57%						
SCC WAM	499	546	558	537	527	471						
LAIF WAM	182	179	185	203	218	226						



Santa Clara County

Approved Issuers and Broker/Dealers

December 31, 2019

Direct Commercial Paper Issuers

Toyota Motor Credit
US Bank, NA
Dexia Credit Local, NY

Broker/Dealers

Academy Securities, Inc
Bank of America Merrill Lynch
Barclays Capital, Inc
BMO Capital Markets
BNP Paribas Securities Corp
BNY Mellon Capital Markets, LLC
BOK Financial Securities (Bank of Oklahoma)
Brean Capital LLC
Cantor Fitzgerald & Co
Citigroup Global Markets Inc
Daiwa Capital Markets America Inc
Deutsche Bank Securities Inc
FTN Financial Capital Markets
Incapital LLC
Jefferies & Co
JP Morgan Securities, Inc
Keybank Capital Markets, Inc
Loop Capital Markets LLC
Mizuho Securities USA, Inc
MUFG Securities USA LLC
Raymond James, Inc.
RBC Capital Markets, Inc
UBS Financial Service Inc
Vining Sparks LP
Williams Capital

Santa Clara County Commingled Pool

Compliance with Investment Policy

December 31, 2019



Item/Sector	Parameters	In Compliance
Maturity	Weighted Average Maturity (WAM) must be less than 24 months	Yes
Interest Periods	Securities must pay interest within one year of the initial investment and at least semiannually in subsequent years	Yes
Investment Swaps	Similar maturity swaps, so as not to affect cash flow needs, should have minimum 5 basis point gain	Yes
Issuer Limits	No more than 5% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers Acceptances, CP, Negotiable CDs, and Corporate Notes	Yes
U.S. Treasuries	No sector limit, no issuer limit, max maturity 5 years	Yes
U.S. Federal Agencies	No sector limit, no issuer limit, max maturity 5 years	Yes
LAIIF	No sector limit, no issuer limit, CA State's deposit limit \$65 million	Yes
Repurchase Agreements	No sector limit, no issuer limit, max maturity 92 days, treasury and agency collateral at 102% of investment, if maturity exceeds 15 days, must be collateralized by securities with 5 years or less maturities	Yes
Commercial Paper	Sector limit 40%, issuer limit 5%, max maturity 270 days, rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), issued by domestic corporation w/ at least \$500 mil of assets, and long term debt rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's)	Yes
Corporate Bonds	Sector limit 30%, issuer limit 5%, max maturity 5 years, rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's), issued by domestic corps/depositories	Yes
Money Market Funds	Sector limit 20%, issuer limit 10%, rated by at least two: AAA-m (S&P/Fitch)/Aaa-mf (Moody's), MMF has at least \$500 mil managed	Yes
Negotiable Certificates of Deposit	Sector limit 30%, issuer limit 5%, max maturity 5 years, if under 1 year rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), if greater than 1 year rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's)	Yes
Municipal Securities	Sector limit 10%, no issuer limit, State of CA, local CA agencies, and other municipal securities of the other 49 states, if long-term rated, then by at least two: A- (S&P/Fitch)/A3 (Moody's), if short-term rated, then by at least two: SP-1 (S&P), MIG-1 (Moody's), F-1 (Fitch), revenue based bonds payable solely out of the States' or local agencies' revenues	Yes
Mortgage-Backed Securities	Sector limit 20% in aggregate with ABS, no issuer limit, max maturity 5 years, collateralized by pools of conforming residential mortgage loans insured by FHLMC/FNMA and residential mortgages guaranteed by FHA (GNMA)	Yes
Asset-Backed Securities	Sector limit 20% in aggregate with ABS, no issuer limit, max maturity 5 years, collateralized by pools of loans such as installment/receivables, security must be rated by at least two: AA- (S&P/Fitch), Aa3 (Moody's), issuer rated by at least two: A- (S&P/Fitch), A3 (Moody's)	Yes
Supranational Debt Obligations	Sector limit 10%, max maturity 5 years, issued or unconditionally guaranteed by the IBRD, rated by at least two: AAA (S&P/Fitch), Aaa (Moody's)	Yes
Bankers' Acceptances	Sector limit 40%, issuer limit 5%, max maturity 180 days, rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), issued by commercial banks, collateral must exceed market value of security by 2%	Yes, None in Portfolio
Securities Lending	Sector limit 20%, max maturity 92 days for loans and reinvestment, loan counterparty must be a primary dealer, loaned securities must be owned for at least 30 days	Yes, None in Portfolio



Santa Clara County Commingled Pool

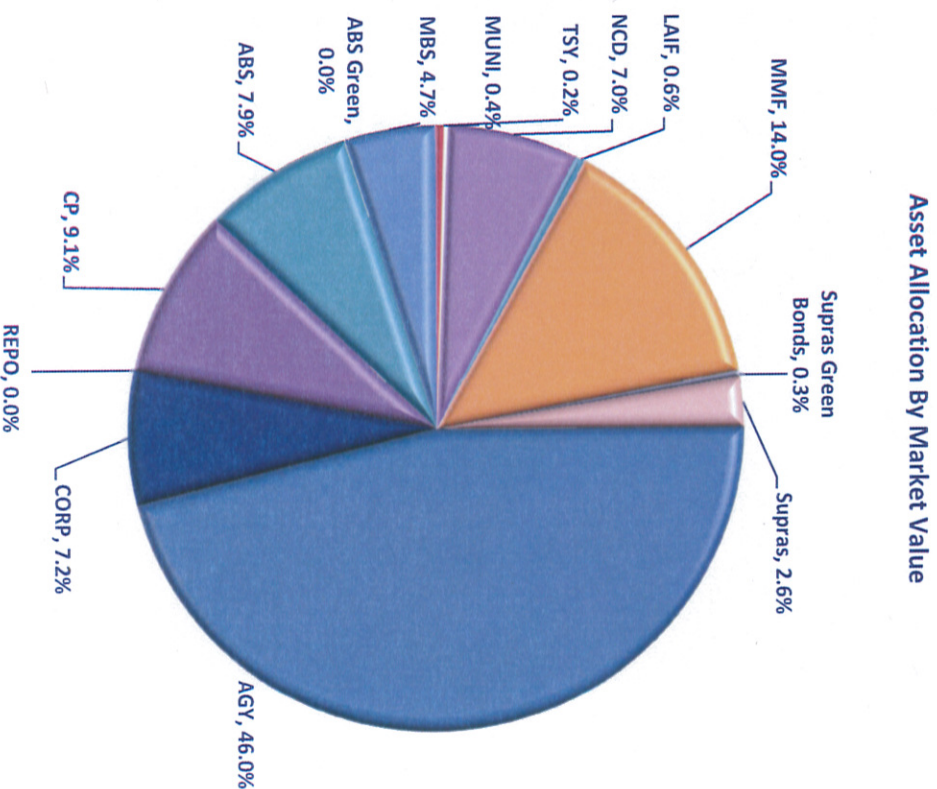
Allocation by Security Types

For the Month Ended October 31, 2019

Average Daily Balance \$ 7,195,948,512.00
 Book Yield 2.088%
 Weighted Average Maturity 537 Days

Investment Type	Par Value (Millions)	Book Value* (Millions)	Value (Millions)
Federal Agencies	\$ 3,490.01	\$ 3,489.90	\$ 3,508.42
Corporate Bonds	542.89	544.03	549.59
Repurchase Agreements	-	-	-
Commercial Paper	693.00	689.49	689.84
Asset-Backed Securities	596.25	596.13	599.82
Asset-Backed Sec Green Bds	-	-	-
Mortgage Backed Securities	353.88	353.99	361.43
Municipal Securities	31.39	31.43	31.51
U.S. Treasuries	15.00	14.99	15.11
Negotiable CDs	530.00	530.00	530.40
LAIF	42.31	42.31	42.31
Money Market Funds	1,068.86	1,068.86	1,068.86
Supranationals Green Bonds	25.00	25.00	24.99
Supranationals	197.00	197.29	197.88
Total	\$ 7,585.59	\$ 7,583.42	\$ 7,620.16

*Represents Amortized Book Value





Santa Clara County Commingled Pool

Allocation by Security Types

For the Month Ended November 30, 2019

Average Daily Balance \$ 7,676,262,707.51
 Book Yield 2.054%
 Weighted Average Maturity 527 Days

Investment Type	Par Value (Millions)	Book Value* (Millions)	Value (Millions)
Federal Agencies	\$ 3,624.84	\$ 3,625.31	\$ 3,639.93
Corporate Bonds	594.77	596.75	601.41
Repurchase Agreements	-	-	-
Commercial Paper	818.00	814.47	814.63
Asset-Backed Securities	587.94	587.82	591.17
Asset-Backed Sec Green Bds	-	-	-
Mortgage Backed Securities	364.11	364.32	370.99
Municipal Securities	31.39	31.43	31.49
U.S. Treasuries	55.00	54.99	55.08
Negotiable CDs	705.00	705.00	705.33
LAIF	42.31	42.31	42.31
Money Market Funds	864.00	864.00	864.00
Supranationals Green Bonds	25.00	25.00	24.99
Supranationals	197.00	197.28	197.75
Total	\$ 7,909.37	\$ 7,908.68	\$ 7,939.09

*Represents Amortized Book Value

