



Quarterly Investment Report

September 30, 2020



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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

September 30, 2020

Fund	Cost Value**	Market Value	Variance	% Variance
Commingled Investment Pool	\$7,767,383,636	\$7,858,137,079	\$90,753,444	1.17%
Worker's Compensation	\$29,527,210	\$30,063,912	\$536,702	1.82%
Park Charter Fund	\$4,339,839	\$4,400,882	\$61,043	1.41%
San Jose-Evergreen	\$20,984,075	\$21,295,777	\$311,702	1.49%
Medical Malpractice Insurance Fund (1)	\$9,604,938	\$9,934,018	\$329,080	3.43%
Total	\$7,831,839,698	\$7,923,831,668	\$91,991,971	1.17%

(1) Managed by Chandler Asset Management, Inc.

Summary of Yields* for Select Santa Clara County Investment Funds

Fund	2020			2019
	<u>Jul 31</u>	<u>Aug 31</u>	<u>Sep 30</u>	<u>Sep 30</u>
Commingled Investment Pool	1.48%	1.36%	1.29%	2.13%
Worker's Compensation	1.38%	1.37%	1.36%	2.20%
Weighted Yield	1.48%	1.36%	1.29%	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

September 30, 2020

The U.S. domestic economy grew at a record pace in the third quarter ending September 30, 2020, recovering significant ground it had lost earlier in the year. The economy rebounded as businesses reopened, employers restored jobs and the government provided trillions of dollars of aid supporting the resumption of consumer spending.

Nonetheless, the gain in quarterly gross domestic product (GDP), the value of all goods and services produced across the economy, only partially offset the record drop in output beginning in April when the virus pandemic and related shutdowns disrupted business activity across the country. Even the 33.1 percent increase, expressed as an annualized gain, in the third quarter compared to the second quarter, did not restore the U.S. economy to where it was at the end of the first quarter. Using non-annualized expressions of growth, GDP fell 1.3 percent in the first quarter and 9 percent in the second as the pandemic forced widespread business closures and then, subsequently rebounded with 7.4 percent growth third quarter. Even given third quarter's relative strength, the economy shrank 2.9 percent as compared to GDP performance in third quarter of 2019.

U.S. GDP is normally reported at an annual rate, or as if the quarter's pace of growth will continue uninterrupted for the remainder of the year. But the pandemic triggered extreme swings in output, a severe drop followed by an extremely sharp improvement, making the annualized numbers misleading. Economists do not expect second or third-quarter numbers to persist for a full year.

Third quarter GDP was bolstered in part by trillions of dollars in federal assistance to households and businesses. Economists and Wall Street analysts now expect much slower growth in the fourth quarter and in early next year, than they previously expected because the approximately \$4 trillion in federal stimulus spending that propped up consumers and businesses through the end of the summer has largely ended while the recovery remains far from complete. So far, Congress has failed to agree on a plan to replace expired federal stimulus. There are further signs that the recovery is losing steam. Industrial production fell in September, and job growth has slowed, while a growing list of major corporations have announced new rounds of large-scale layoffs and furloughs. Most economists expect the slowdown to worsen in the final three months of the year, exasperated by rising virus cases and the related threat of further economic disruptions.

Consumer spending led the way in the third quarter recovery, rising nearly 9 percent. Consumer spending accounts for more than two-thirds of U.S. economic output. Spending increases were uneven, with some sectors seeing big gains and others displaying negligible improvement. Personal contact sectors including airlines and restaurants remain less than halfway along the path to where they were before the virus hit. Undoubtedly, it will take significant improvements in the development of vaccines and Covid-19 therapies to generate further momentum.

Much of the gain in the third quarter came from an increase in the services portion of personal consumption with health care and food services leading the advance as these businesses adjusted and adapted to a socially distanced landscape. Services spending rebounded 8.5 percent in the third quarter but remained 7.7 percent below its pre-pandemic level. During the prior quarter, spending on services collapsed, falling 12.7 percent. Consumers reduced purchases of restaurant meals and refrained from a variety of services and family vacations.



Santa Clara County Commingled Pool and Segregated Investments

Portfolio Strategy

September 30, 2020

Consumer spending on long-lasting goods was particularly strong. Purchases of durable goods in the third quarter rose sharply, nearly 10 percent and, more than enough to offset a relatively mild 2.8 percent decline in the prior quarter. Consumers, especially those in higher-income households, bought furniture, autos, computers, and home-exercise equipment adjusting to the work-at-home lifestyle prompted by the pandemic. Some redirected income that typically went to restaurants and traveling to purchases up-grading their homes. The housing sector also boomed due to low mortgage rates, limited housing supply and demand for larger living spaces and less densely populated communities. Mortgage rates should remain low. Federal Reserve Bank policy officials have signaled they intend to keep interest rates near zero for a sustained period of time.

The economic disruption caused by the pandemic jettisoned millions of Americans into unemployment and financial difficulties. Nevertheless, many U.S. households, so far, are weathering the turmoil and are in relatively good shape. Since April, consumer savings have increased, credit scores have soared to a record high and household debt has declined. At the onset of the crisis, U.S. commercial banks set aside billions of dollars to cover anticipated losses on loans to customers. Nonetheless, these reserves remain largely untouched. Much of this is attributable to the government's rapid-fire fiscal stimulus which provided expanded unemployment benefits, \$1,200 stimulus payments and financial injections to small businesses. Those who lost their jobs used the money to keep up with rent and other bills. Others paid down debts, added to savings or purchased goods.

U.S. employment data for September reflected a slow-down in job growth and indicated other troubling trends including a growing list of major corporations announcing new rounds of large-scale layoffs. In normal times, the 661,000 jobs added by employers would have been a healthy marker. Nonetheless, September's gain was a sharp reduction from the 1.5 million jobs added in August and below the 800,000 that economists had predicted. More importantly, significant progress is still needed to replace the 22 million jobs lost at the beginning of the pandemic, in March and April, of which only 11.4 million, so far, have been recovered. Generating stronger job growth must mainly come from the services sectors and without a vaccine and given the large, growing number of Covid cases, this will be difficult.

The unemployment rate fell to 7.9 percent in September from 8.4 percent the prior month. Although the jobless rate is significantly lower than the pandemic high of nearly 15 percent in April, September's drop resulted mostly from adjustments to the unemployment calculation. These included an increase in permanent layoffs and an acceleration of people leaving the labor force, hence less people looking for work. Strong indications exist that some workers have either become frustrated about their job prospects or due to child-care responsibilities, have dropped out of the labor force.

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.



Santa Clara County Commingled Pool and Segregated Investments

Portfolio Liquidity Adequacy, Review, and Monitoring

September 30, 2020

Yield and Weighted Average Maturity

The yield of the Commingled Pool is 1.29 and the weighted average life is 631 days.

Liquidity Adequacy

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

FHN 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.



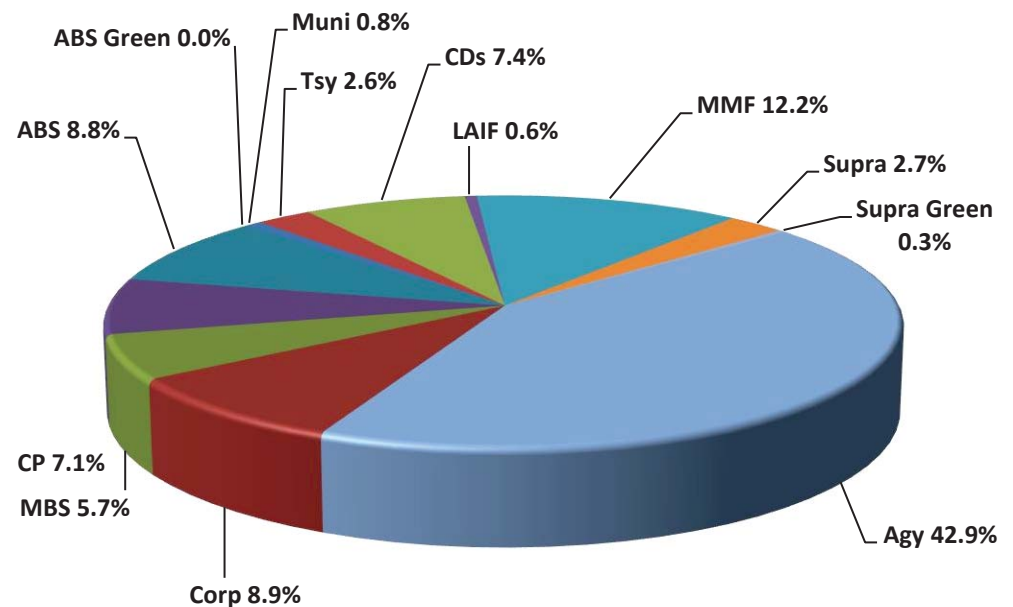
Santa Clara County Commingled Pool

Allocation by Security Types

September 30, 2020

Sector	9/30/2020	6/30/2020	% Chng
Federal Agencies	42.86%	37.36%	5.5%
Corporate Bonds	8.92%	7.22%	1.7%
Mortgage Backed Securities	5.71%	4.22%	1.5%
Commercial Paper	7.13%	14.56%	-7.4%
ABS	8.84%	7.35%	1.5%
ABS Green Bonds	0.00%	0.00%	0.0%
Municipal Securities	0.79%	0.29%	0.5%
U.S. Treasuries	2.58%	2.29%	0.3%
Negotiable CDs	7.44%	11.97%	-4.5%
LAIF	0.55%	0.48%	0.1%
Money Market Funds	12.17%	12.06%	0.1%
Supranationals	2.67%	1.92%	0.7%
Supranationals Green Bonds	0.32%	0.28%	0.0%
Total	100.00%	100.00%	

Sector	9/30/2020	6/30/2020
Federal Agencies	3,328,920,531	3,353,648,345
Corporate Bonds	693,041,880	648,454,093
Mortgage Backed Securities	443,655,634	378,497,505
Commercial Paper	554,126,071	1,307,125,176
ABS	686,772,236	660,107,365
ABS Green Bonds	-	-
Municipal Securities	61,382,550	25,911,692
U.S. Treasuries	200,407,008	205,516,899
Negotiable CDs	577,954,554	1,074,892,703
LAIF	42,919,835	42,763,798
Money Market Funds	945,672,802	1,082,563,925
Supranational	207,530,536	172,659,611
Supranationals Green Bonds	25,000,000	25,000,000
Total	7,767,383,636	8,977,141,112



Amounts are based on book value

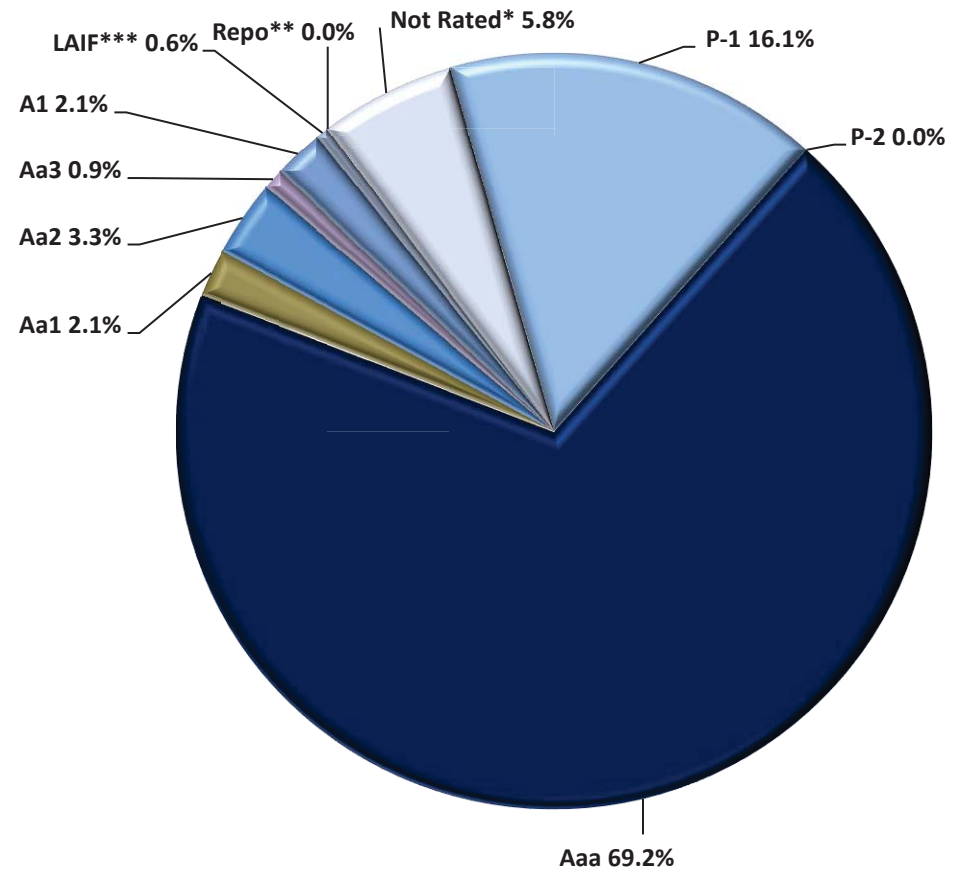


Santa Clara County Commingled Pool

Allocation by Ratings

September 30, 2020

Moody's Rating	Portfolio \$	Portfolio %
P-1	1,248,008,290	16.1%
P-2	-	0.0%
Aaa	5,377,502,353	69.2%
Aa1	159,337,682	2.1%
Aa2	254,941,964	3.3%
Aa3	67,502,127	0.9%
A1	166,681,669	2.1%
A2	-	0.0%
A3	-	0.0%
LAIF***	42,919,835	0.6%
Repo**	-	0.0%
Not Rated*	450,489,716	5.8%
Total	7,767,383,636	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

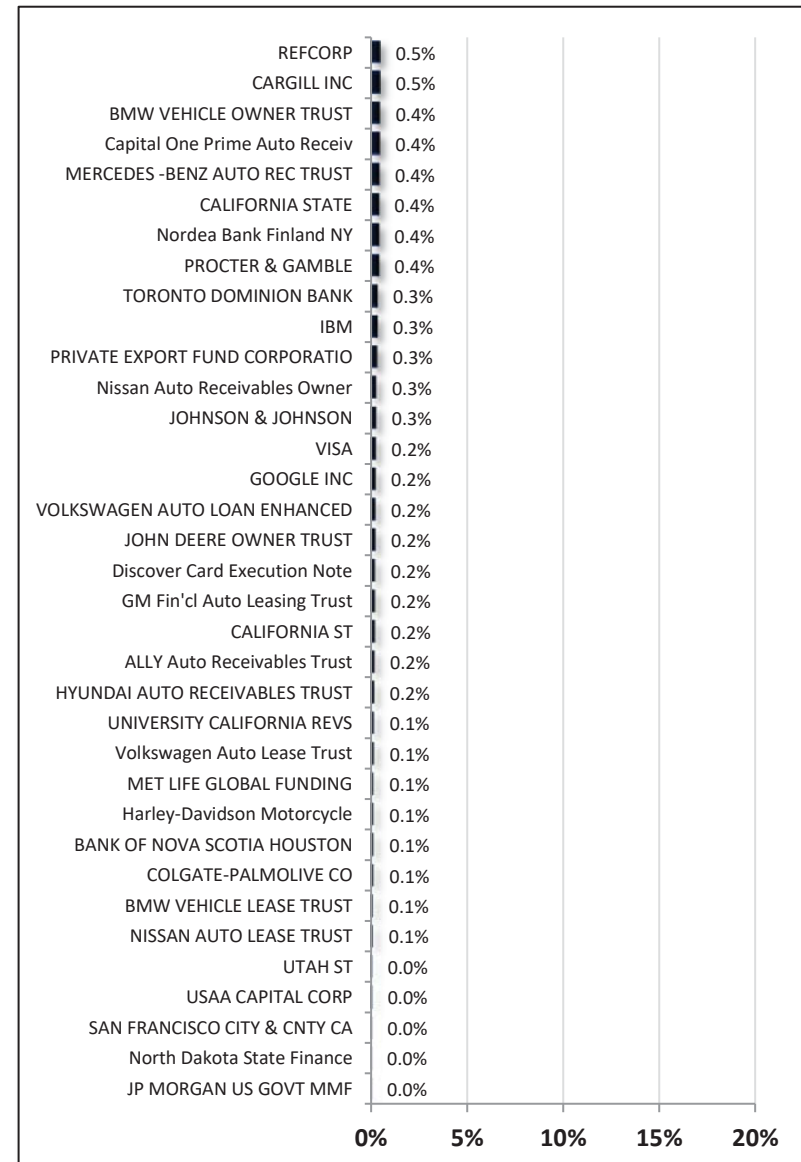
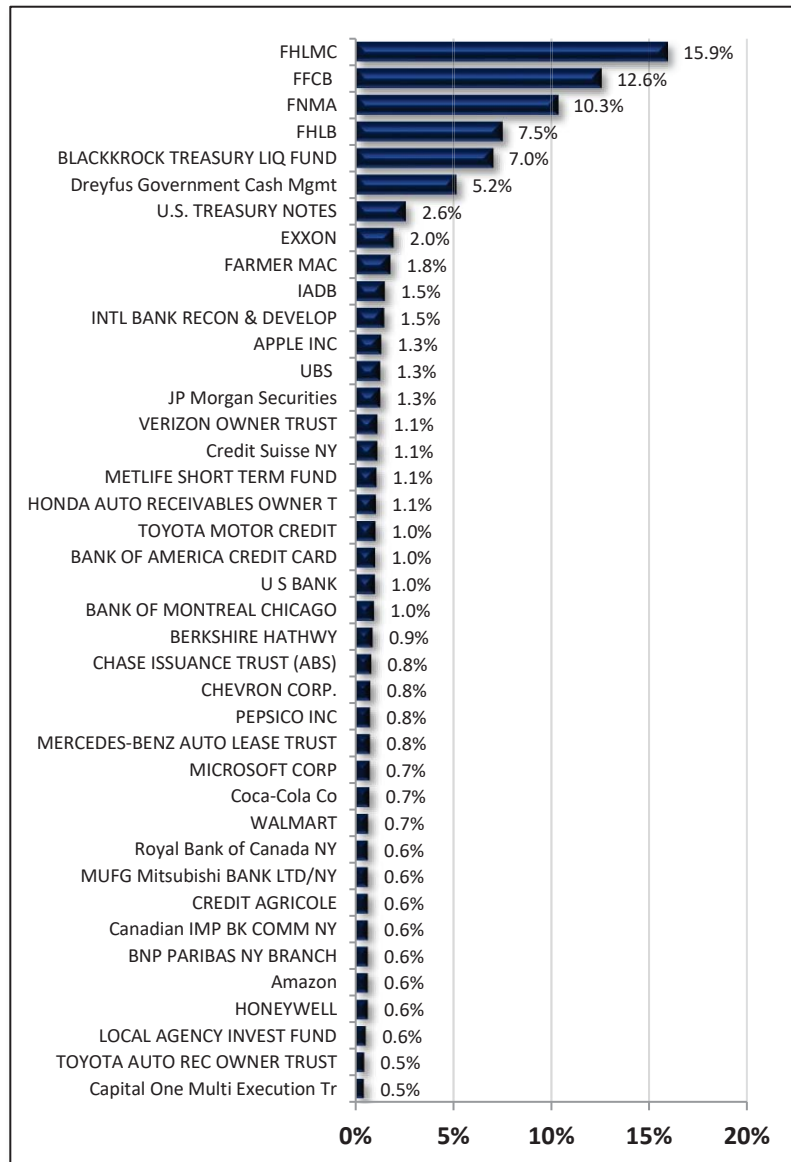
Amounts are based on book values



Santa Clara County Commingled Pool

Holdings by Issuer - Percent of Commingled Pool

September 30, 2020



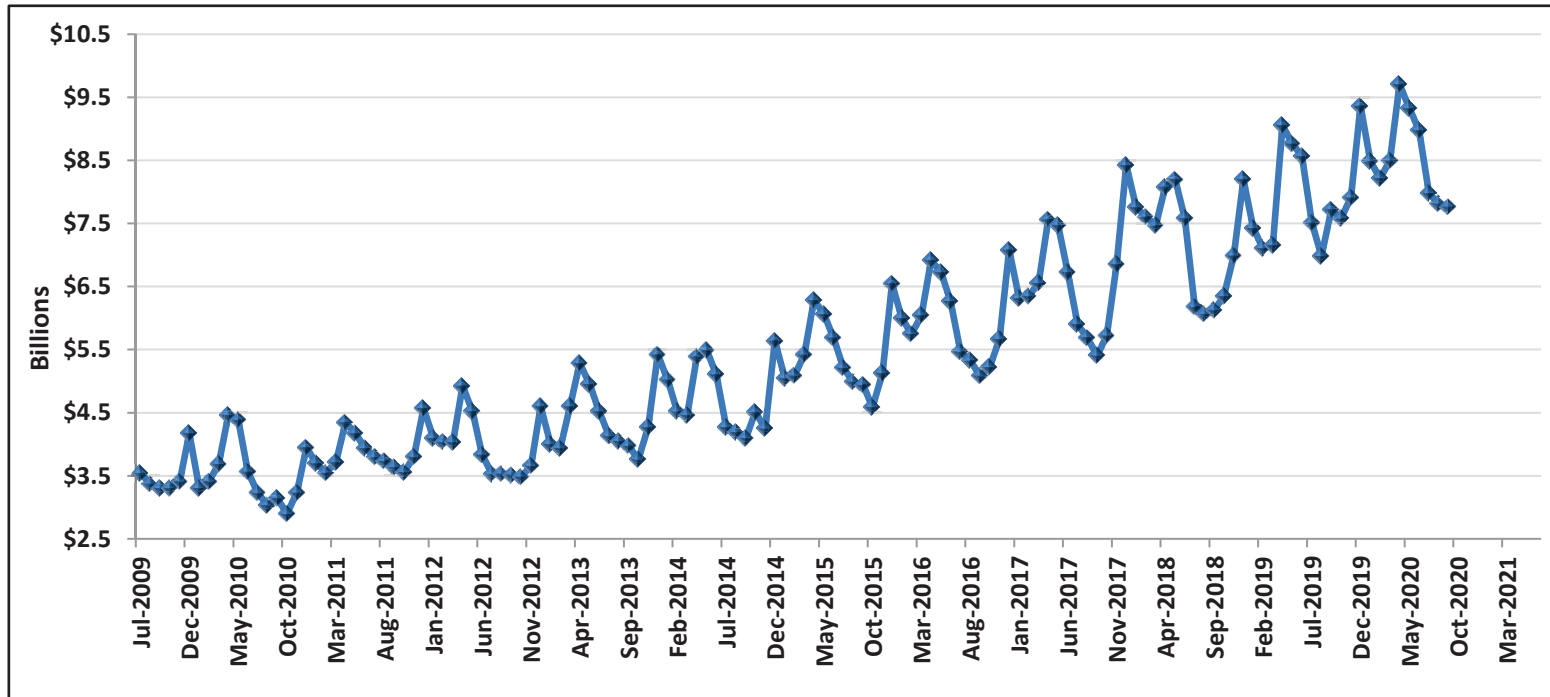
Amounts are based on book values



Santa Clara County Commingled Pool

Historical Month End Book Values

September 30, 2020



Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
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	\$8.487	\$8.219	\$8.494	\$9.705	\$9.321	\$8.977
FY 2021	\$7.976	\$7.814	\$7.767									

Amounts in billions

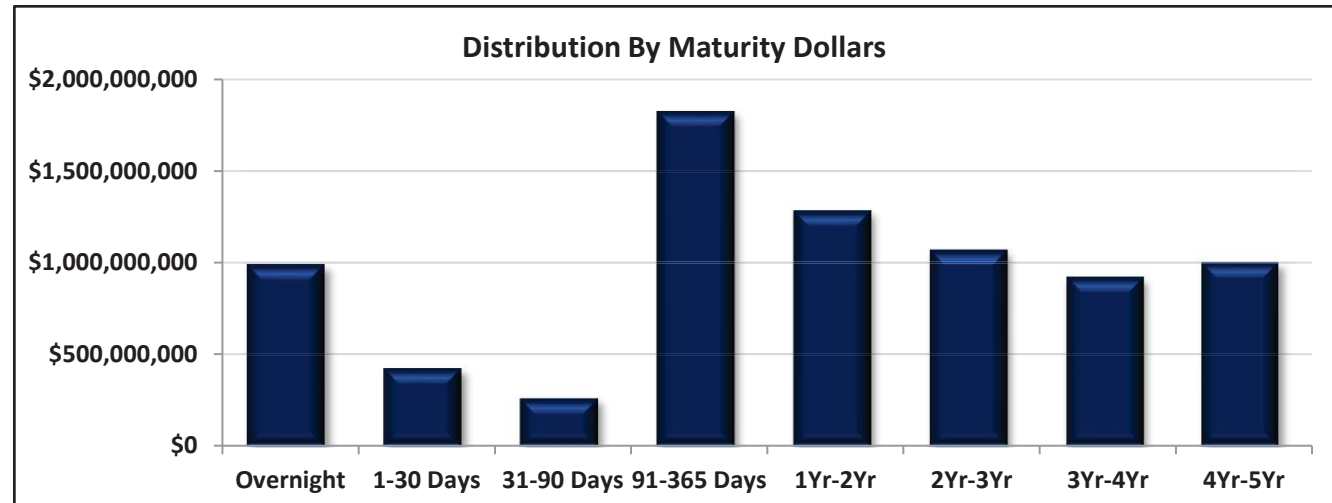


Santa Clara County Commingled Pool

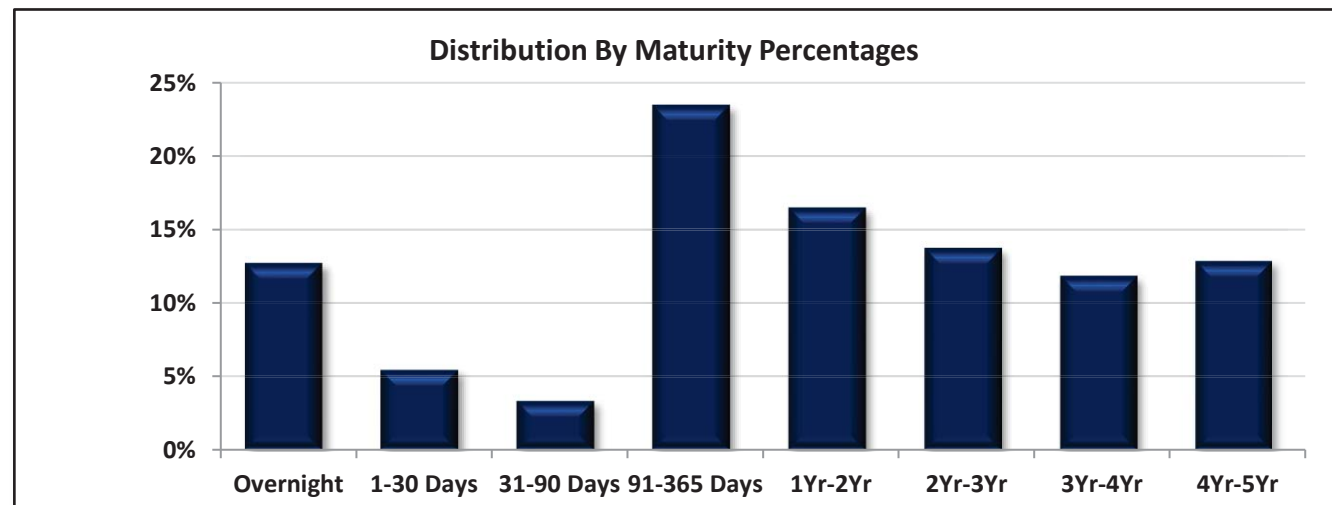
Distribution by Maturity

September 30, 2020

Maturity	Amount*
Overnight	988,592,637
1-30 Days	425,346,009
31-90 Days	260,673,708
91-365 Days	1,823,830,516
1Yr-2Yr	1,280,731,602
2Yr-3Yr	1,067,874,549
3Yr-4Yr	921,236,344
4Yr-5Yr	999,098,271
	7,767,383,636



Maturity	Amount*
Overnight	12.73%
1-30 Days	5.48%
31-90 Days	3.36%
91-365 Days	23.48%
1Yr-2Yr	16.49%
2Yr-3Yr	13.75%
3Yr-4Yr	11.86%
4Yr-5Yr	12.86%
	100.00%



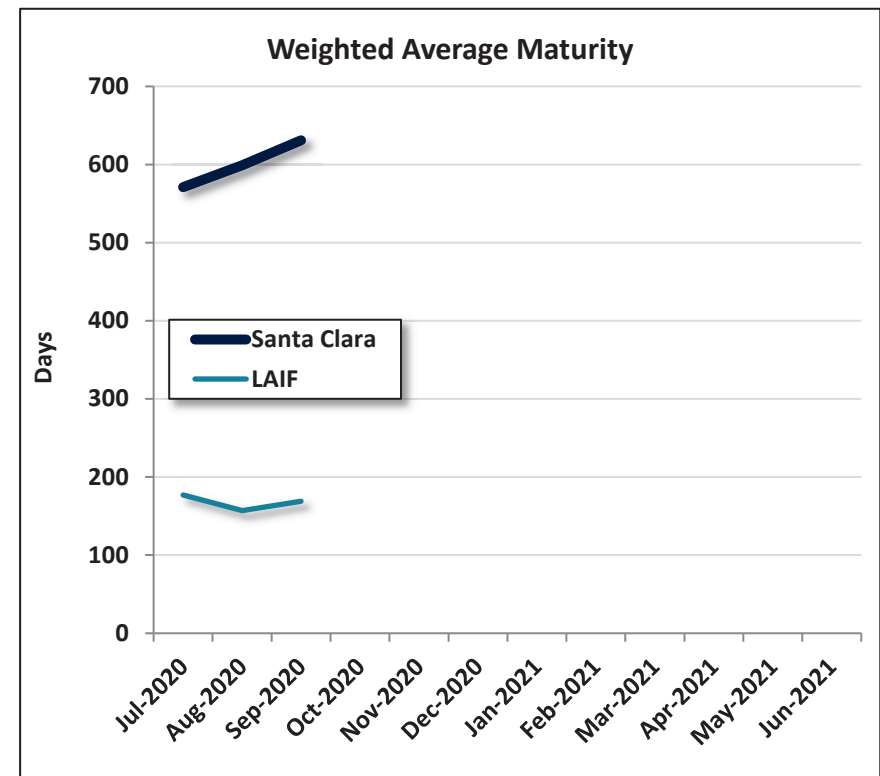
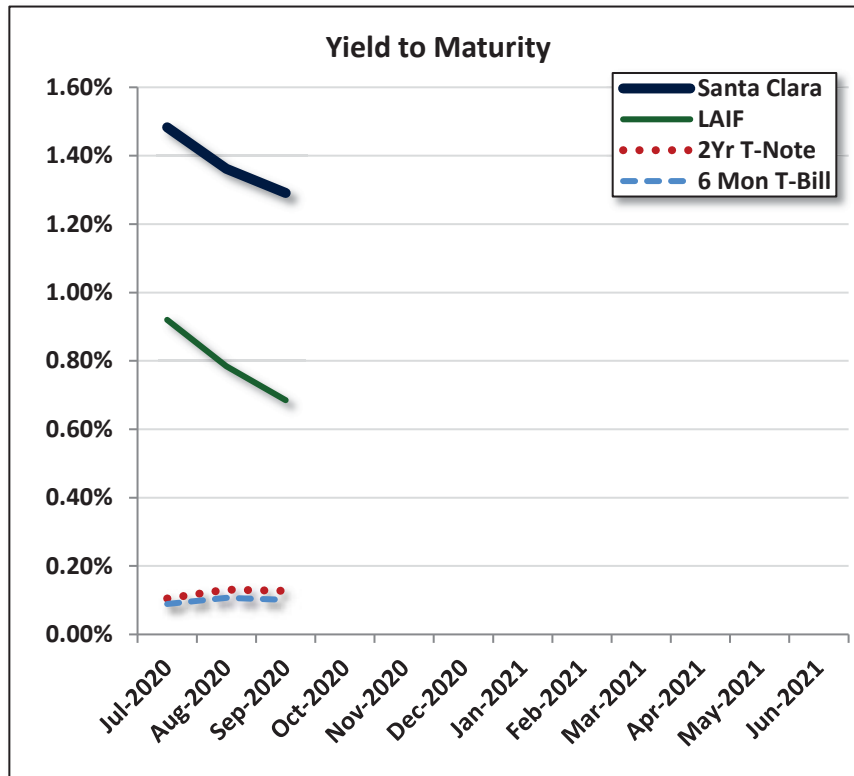
*Amounts are based on book value



Santa Clara County Commingled Pool

Yield to Maturity and Weighted Average Maturity

September 30, 2020



Item	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
SCC YTM	1.48%	1.36%	1.29%									
LAIF YTM	0.92%	0.78%	0.69%									
6 Mon T-Bill	0.09%	0.11%	0.10%									
2Yr T-Note	0.11%	0.13%	0.13%									
SCC WAM	571	599	631									
LAIF WAM	177	157	169									



Santa Clara County

Approved Issuers and Broker/Dealers

September 30, 2020

Direct Commercial Paper Issuers

Toyota Motor Credit
US Bank, NA

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
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 Services Inc
Vining Sparks LP
Williams Capital

Santa Clara County Commingled Pool
Compliance with Investment Policy
September 30, 2020



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
LAIF	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

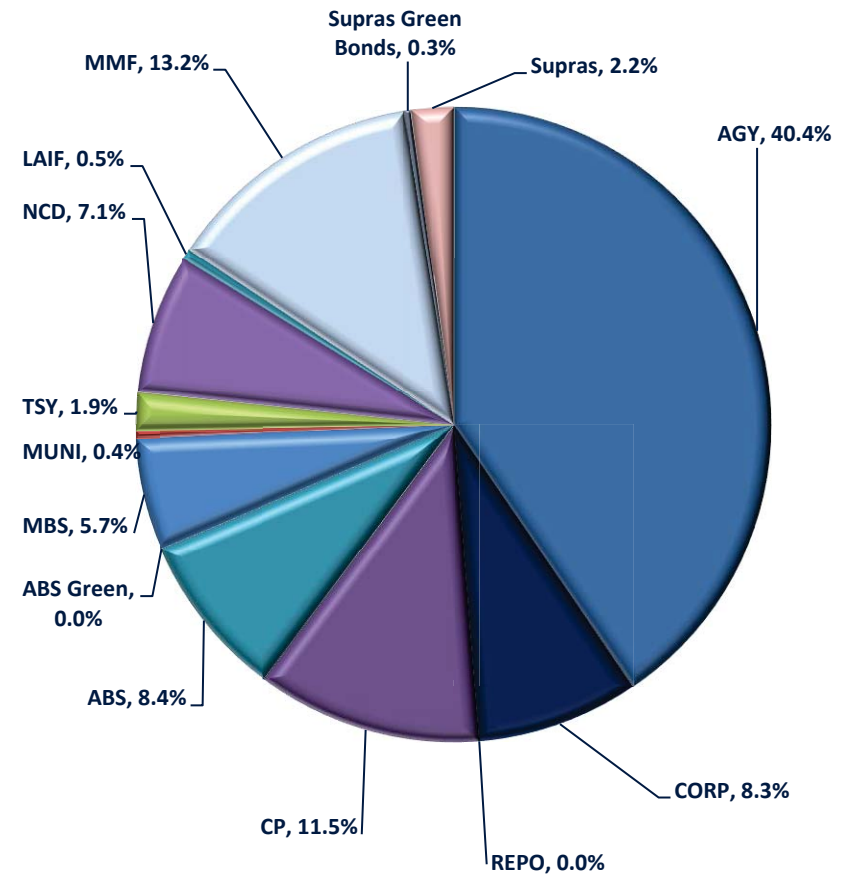
For the Month Ended July 31, 2020

Average Daily Balance \$ 8,631,744,837.12
 Book Yield 1.483%
 Weighted Average Maturity 571 Days

Investment Type	Par Value (Millions)	Book Value* (Millions)	Value (Millions)
Federal Agencies	\$ 3,216.90	\$ 3,221.65	\$ 3,266.53
Corporate Bonds	643.93	648.34	670.85
Repurchase Agreements	-	-	-
Commercial Paper	930.48	928.67	930.25
Asset-Backed Securities	664.14	663.84	677.56
Asset-Backed Sec Green Bds	-	-	-
Mortgage Backed Securities	441.27	447.69	460.96
Municipal Securities	30.42	30.90	31.38
U.S. Treasuries	150.00	150.49	154.73
Negotiable CDs	575.00	574.91	576.24
LAIF	42.92	42.92	42.92
Money Market Funds	1,069.36	1,069.36	1,069.36
Supranationals Green Bonds	25.00	25.00	24.99
Supranationals	172.00	172.62	174.92
Total	\$ 7,961.41	\$ 7,976.37	\$ 8,080.67

*Represents Amortized Book Value

Asset Allocation By Market Value





Santa Clara County Commingled Pool

Allocation by Security Types

For the Month Ended August 31, 2020

Average Daily Balance	\$ 7,985,676,929.99
Book Yield	1.362%
Weighted Average Maturity	599 Days

Investment Type	Par Value (Millions)	Book Value* (Millions)	Value (Millions)
Federal Agencies	\$ 3,236.00	\$ 3,240.51	\$ 3,282.30
Corporate Bonds	688.93	693.16	714.91
Repurchase Agreements	-	-	-
Commercial Paper	502.23	501.29	502.08
Asset-Backed Securities	682.67	682.38	695.15
Asset-Backed Sec Green Bds	-	-	-
Mortgage Backed Securities	439.93	446.31	459.31
Municipal Securities	30.42	30.88	31.39
U.S. Treasuries	150.00	150.45	154.43
Negotiable CDs	528.00	527.94	528.97
LAIF	42.92	42.92	42.92
Money Market Funds	1,200.24	1,200.24	1,200.24
Supranationals Green Bonds	25.00	25.00	25.00
Supranationals	172.00	172.57	174.77
Total	\$ 7,698.34	\$ 7,713.66	\$ 7,811.47

*Represents Amortized Book Value

Asset Allocation By Market Value

