

Q1 FY2020

Ethel Hart Mutual Endowment Fund
Quarterly Investment Report
September 30, 2019



Office of the City Treasurer - City of Sacramento

John Colville, City Treasurer

Q1 FY2020

INTRODUCTION

In 1993, Ethel MacLeod Hart left a bequest of \$1,498,719.07 to the City of Sacramento for the “.. use, enjoyment and comfort of senior citizens.” On the recommendation of the Ethel MacLeod Hart Advisory Committee a permanent endowment of \$1,000,000 was established. The balance of the bequest was retained in an operating fund account (Hart Operating Fund) and used over the next five-year period for appropriate projects. Annually the amount available for disbursement will be reported to the Board by Rosanne Bernardy, Superintendent of the Office of Human Services. The Hart Trust Endowment Fund (“the Fund”) will be invested with a growth objective. The minimum return objective on these dollars over a five year period is \$400,000 or roughly 4% compounded annually.

The Advisory Committee is responsible for providing advice to City staff and the City Council on the appropriate use of the Ethel MacLeod Hart Trust Fund for Senior Citizens consistent with the terms of the bequest, the interest of the donor, and the approved general guidelines. The Advisory Committee consists of seven members appointed by the Mayor. Appointees must be residents of the City and at least sixty (60) years of age. Two Advisory Committee members must be representatives of specific organizations: American Association of Retired Persons and Sacramento County Adult and Aging Commission.

STRATEGY

- * Adhere to prudent investment practices to provide for the preservation and growth of principal; and

OBJECTIVES

- * The objective for this fund is growth and capital preservation; and
- * To earn a total rate of return on the Hart Trust Endowment Fund to meet the return objectives of \$400,000 (approximately 4% compounded annually) over subsequent five-year periods; and
- * Provide liquidity for the Hart Operating Fund for the “..use, enjoyment and comfort of senior citizens” based on recommendations to City Council by the Advisory Committee.

MARKET OVERVIEW

Equities:

US equity markets closed Q1 relatively flat, with the major indices (S&P 500 and Dow Jones) closing the quarter with gains around ~1.7-1.8%. The main market risks continued to be growth concerns and the US/China Trade war. These risks, along with conservative talk from the Fed led to a volatile August, where markets repeatedly tested the quarter's lows. However, renewed trade talks and an increased dovish tone from the Fed lifted markets in September leading to modest gains.

Fixed Income/Rates:

As expected, the Fed cut rates in July and September, moving the new target rate to fall between 1.75-2.00%. Treasury yields also faced downward pressure this quarter due to the low global interest rate environment and concerns of deteriorating growth and inflation. The yield curve inverted between the 2yr – 10yr maturities in August which typically forecasts a recession, but quickly snapped out of it and ended the quarter on a positive note. (10yr treasury yield higher than the 2yr)

Economy:

Economic data throughout Q1 remained moderate, with GDP coming in around 2% and the unemployment rate at 3.7%. Inflation is still below target, but consumer spending and wage growth continued to improve which kept the economy healthy as manufacturing numbers began to slip.

International Markets:

International equities continue to underperform as their economies sit on the brink of recession. Key risks to the International developed and Emerging markets is the uncertainty surrounding the US/China trade war and Brexit. The ECB announced new rounds of monetary stimulus to counteract this slowdown. The MSCI EAFE ended the quarter down ~1%, while emerging markets fared worse, as the MSCI EM index was down 4%.

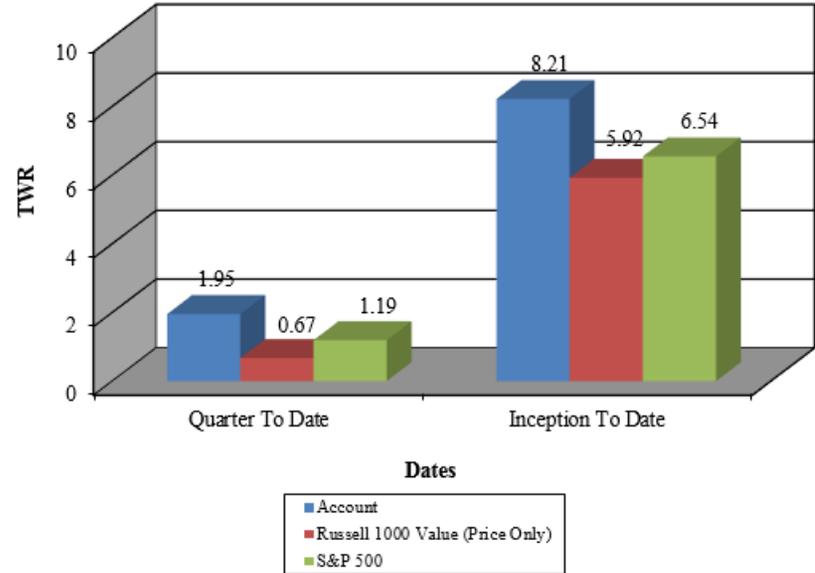
Performance vs. Benchmark:

The Ethel Hart Endowment Fund had a Q1 return of 1.95%, outperforming its benchmark The Russell 1000 which had a return of .67%. Please note that these returns are based on price change only and don't consider the reinvestment of dividends, allowing for a higher quality comparison.

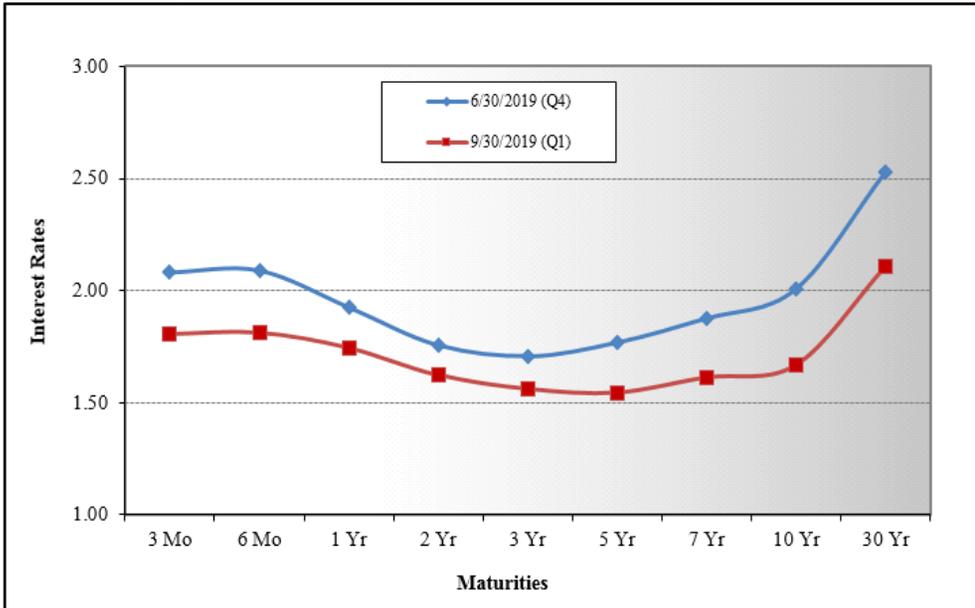
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Performance

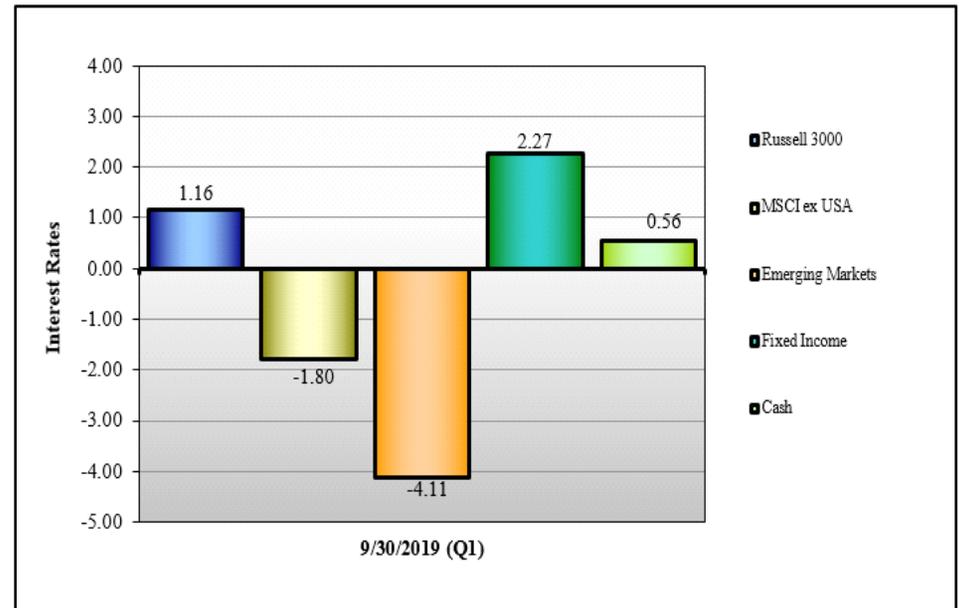
	Quarter To Date	Inception To Date
Account	1.95	8.21
Russell 1000 Value (Price Only)	0.67	5.92
S&P 500	1.19	6.54



U.S. Treasury Yield Curve - QE 6/30/2019 (Q4) vs. QE 9/30/2019 (Q1)



Capital Market Returns - Quarter Ended 9/30/2019 (Q1)



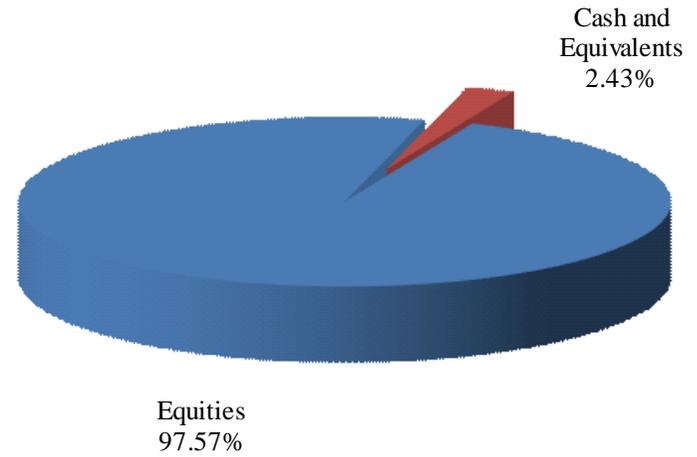
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Activity

From 06-30-19 to 09-30-19

Portfolio Value on 06-30-19	2,397,298
Contributions	0
Withdrawals	-100,000
Realized Gains	0
Unrealized Gains	28,961
Interest	246
Dividends	15,622
Portfolio Value on 09-30-19	2,342,128

Actual Asset Allocation



Top 10 Holdings

Securities	Market Value	Pct.
Select Sector Spdr Tr Sbi Int-Finl	182,000	7.77
Ishares Tr Russell 1000 Val	121,847	5.20
Microsoft Corp	111,224	4.75
Ishares US Technology ETF	102,105	4.36
Apple Inc.	94,067	4.02
Home Depot Inc	92,808	3.96
Merck & Co Inc (new)	92,598	3.95
Jpmorgan Chase & Co	88,267	3.77
Disney (Walt) Com	78,192	3.34
Boeing Co Com	76,094	3.25

City of Sacramento
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Quantity	Security Symbol	Security	Unit Cost	Total Cost	Price	Market Value	Accrued Interest	Market Value + Accrd. Int.	Pct. Assets	Cur. Yield	S & P	Moody	Bond Status	Call Put Date
CASH AND EQUIVALENTS														
	divacc	Dividend Accrual		2,541		2,541		2,541	0.11	4.00				
	miscintrec	Misc Interest Receivable		6		6		6	0.00	1.73				
	PoolA	Pool A Cash		54,102		54,102		54,102	2.31	2.43				
	intreceiv	Pool A Interest Receivable		235		235		235	0.01	2.43				
				<u>56,884</u>		<u>56,884</u>		<u>56,884</u>	2.43	2.50				
COMMON STOCK														
INDUSTRIALS														
200	ba	Boeing Co Com	139.46	27,891	380.47	76,094		76,094	3.25	2.16	A+			
300	de	Deere & Co Com	81.10	24,329	168.68	50,604		50,604	2.16	1.80	B+			
300	hon	Honeywell	105.24	31,573	169.20	50,760		50,760	2.17	2.13	A-			
250	iyt	Ishares Tr Transp Ave Idx	77.24	19,310	186.14	46,535		46,535	1.99	1.31				
380	unp	Union Pac Corp Com	109.96	41,786	161.98	61,552		61,552	2.63	2.18	A			
				<u>144,888</u>		<u>285,545</u>		<u>285,545</u>	12.19	1.96				
COMMUNICATION SERVICES														
1,100	t	At&t Inc	37.42	41,159	37.84	41,624		41,624	1.78	5.39	B			
600	dis	Disney (Walt) Com	43.82	26,292	130.32	78,192		78,192	3.34	1.35	A+			
1,000	vz	Verizon Communications Inc	39.15	39,153	60.36	60,360		60,360	2.58	4.08	B			
				<u>106,604</u>		<u>180,176</u>		<u>180,176</u>	7.69	3.20				
CONSUMER DISCRETIONARY														
400	hd	Home Depot Inc	79.80	31,920	232.02	92,808		92,808	3.96	2.34	A+			
250	mcd	Mcdonald's Corp	52.28	13,070	214.71	53,677		53,677	2.29	2.33	A			
600	xly	Select Sector Spdr Tr Sbi Cons Discr	29.60	17,760	120.70	72,420		72,420	3.09	1.30				
				<u>62,750</u>		<u>218,905</u>		<u>218,905</u>	9.35	2.00				
CONSUMER STAPLES														
1,100	mo	Altria Group Inc	26.65	29,317	40.90	44,990		44,990	1.92	8.22	A-			
1,120	ko	Coca Cola Co Com	36.12	40,455	54.44	60,973		60,973	2.60	2.94	B+			
300	pep	Pepsico Inc	117.43	35,229	137.10	41,130		41,130	1.76	2.79	A-			
450	pg	Procter & Gamble Co	88.20	39,690	124.38	55,971		55,971	2.39	2.40	A			
				<u>144,691</u>		<u>203,064</u>		<u>203,064</u>	8.67	3.93				
ENERGY														
540	cvx	Chevron Corporation	102.80	55,510	118.60	64,044		64,044	2.73	4.01	B			
580	xom	Exxon Mobil Corporation	83.25	48,286	70.61	40,954		40,954	1.75	4.93	B+			
525	xle	Select Sector Spdr Tr Sbi Int-Energy	75.56	39,667	59.20	31,080		31,080	1.33	3.68				
				<u>143,464</u>		<u>136,078</u>		<u>136,078</u>	5.81	4.21				
FINANCIAL														
750	jpm	Jpmorgan Chase & Co	45.10	33,825	117.69	88,267		88,267	3.77	3.06	A-			
700	met	Metlife Inc Com	42.57	29,802	47.16	33,012		33,012	1.41	3.73	B+			
6,500	xlf	Select Sector Spdr Tr Sbi Int-Finl	13.41	87,177	28.00	182,000		182,000	7.77	2.01				

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800	usb	U. S. Bancorp	31.49	25,192	55.34	44,272		44,272	1.89	3.04	A			
				175,996		347,551		347,551	14.84	2.57				
HEALTHCARE														
250	iyh	Ishares US Healthcare ETF	76.89	19,222	189.05	47,262		47,262	2.02	2.02				
500	jnj	Johnson & Johnson	61.41	30,704	129.38	64,690		64,690	2.76	2.94	A-			
1,100	mrk	Merck & Co Inc (new)	47.16	51,875	84.18	92,598		92,598	3.95	2.61	B-			
1,200	pfe	Pfizer Inc	25.02	30,024	35.93	43,116		43,116	1.84	4.01	B+			
				131,826		247,666		247,666	10.57	2.83				
INFORMATION TECHNOLOGY														
420	aapl	Apple Inc.	90.36	37,951	223.97	94,067		94,067	4.02	1.38	B+			
300	ibm	International Bus Mach	122.35	36,705	145.42	43,626		43,626	1.86	4.46	A-			
500	iyw	Ishares US Technology ETF	44.52	22,260	204.21	102,105		102,105	4.36	0.80				
800	msft	Microsoft Corp	24.44	19,548	139.03	111,224		111,224	4.75	1.47	B+			
				116,465		351,022		351,022	14.99	1.62				
UTILITIES														
400	d	Dominion Energy Inc	36.45	14,579	81.04	32,416		32,416	1.38	4.53	B			
600	pnw	Pinnacle West Cap Corp	47.13	28,276	97.07	58,242		58,242	2.49	3.04	A-			
1,000	xlu	Select Sector Spdr Tr Sbi Int-Utills	42.25	42,250	64.74	64,740		64,740	2.76	2.88				
				85,105		155,398		155,398	6.63	3.29				
PASSIVE INDEX														
950	iwd	Ishares Tr Russell 1000 Val	129.47	122,996	128.26	121,847		121,847	5.20	2.35				
				1,234,785		2,247,254		2,247,254	95.95	2.63				
AMERICAN DEPOSITORY RECEIPTS														
ENERGY														
1,000	bp	BP Plc Sponsored Adr	42.25	42,250	37.99	37,990		37,990	1.62	6.42				
				42,250		37,990		37,990	1.62	6.42				
TOTAL PORTFOLIO				1,333,919		2,342,128	0	2,342,128	100.00	2.69				

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
Ethel Hart Mutual Endowment Fund
From 07-01-19 To 09-30-19

<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Unit Price</u>	<u>Amount</u>	<u>Original Price</u>	<u>Gain/Loss</u>
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No transactions within the specified date range were found!