

Q2 FY2020

**Ethel Hart Mutual Endowment Fund
Quarterly Investment Report
December 31, 2019**



Office of the City Treasurer - City of Sacramento

John Colville, City Treasurer

Q2 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 over a five-year period is \$400,000 or roughly 3.2% compounded annually based on current Fund market value.

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 minimum return objective of \$400,000 over subsequent five-year period; 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 Q2 in the green, with the major indices (S&P 500 and Dow Jones) gaining 6% and 8.5% respectively. The upside movement was largely due to the de-escalation of trade tensions between the US and China. Markets also favored the easing of monetary policy, which shifted investors into riskier assets and aided gains in the equity markets.

Fixed Income/Rates:

The FOMC eased rates in October, moving the targeted rate between 1.50%-1.75%. After the move down, it's widely expected that the committee will hold off on any further rate movements until economic data supports further action. Changes in monetary policy put downward pressure on short-term treasury yields, while market participants pushed longer term rates higher. This led to a reversal of the inverted yield curve that sparked recession talks in Q1 of 2019.

Economy:

Economic data remained steady in Q2, with the highlight being a record low unemployment rate of 3.5%. Inflation increased throughout the quarter, reaching 2.1% in December. Lower interest rates and a tight labor market strengthened the consumer and housing markets, helping relieve any fears of a near term recession. Something to watch going forward is the Institute of Supply Managements Purchasing Managers Index, which surveys purchasing managers and compiles that data into a metric to help understand the health of the manufacturing sector. The figure came in slightly below 50 throughout Q2, showing a contractionary environment in the manufacturing sector.

International Markets:

International markets continued to face wavering economic growth in Q2, with the main driver being centered around trade. The US-China trade tensions began to cool off as a phase one deal became imminent, sending ripples throughout international markets. International developed markets, specifically the Eurozone saw some stability as Brexit continued to advance. With good news on the trade front, the MSCI EAFE ended the quarter up 6.8%. The emerging market index MSCI EM saw a healthy gain of 11.35% in Q2.

Performance vs. Benchmark:

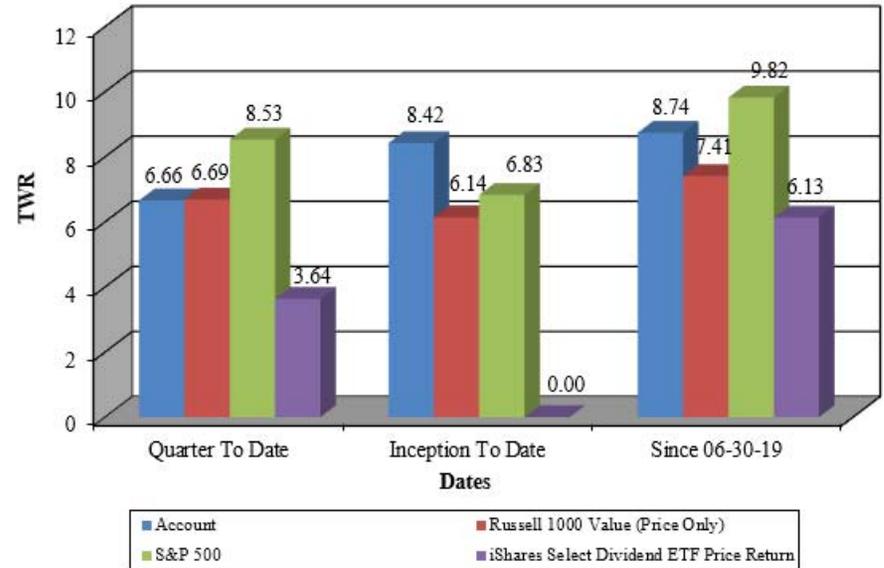
The Ethel Hart Endowment Fund had a Q2 return of 6.66%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of 3.64%. Please note that these returns are based on price change only and doesn't consider the reinvestment of dividends, allowing for a higher quality comparison.

City of Sacramento
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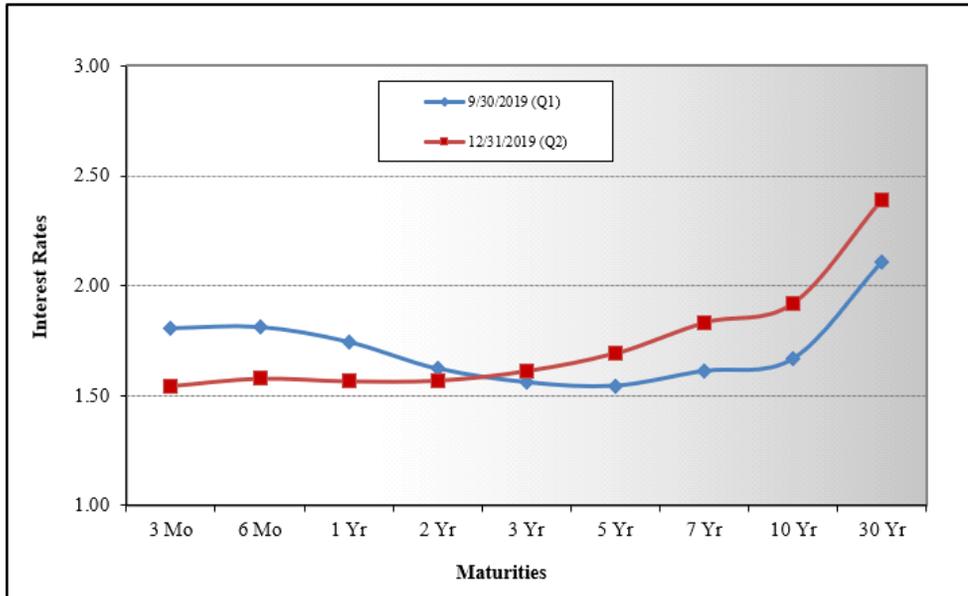
Performance

	Quarter To Date	Inception To Date	Since 06-30-2019
Account	6.66	8.42	8.74
Russell 1000 Value (Price Only)	6.69	6.14	7.41
S&P 500	8.53	6.83	9.82
iShares Select Dividend ETF Price Return	3.64	?*	6.13

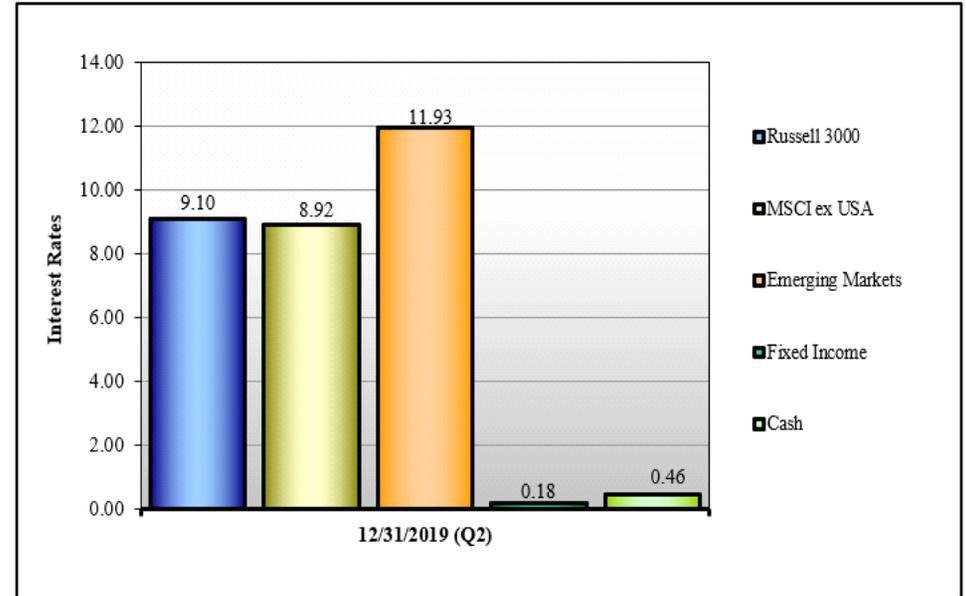
*Index commencement date was 11/30/2003



U.S. Treasury Yield Curve - QE 9/30/2019 (Q1) vs. QE 12/31/2019 (Q2)



Capital Market Returns - Quarter Ended 12/31/2019 (Q2)



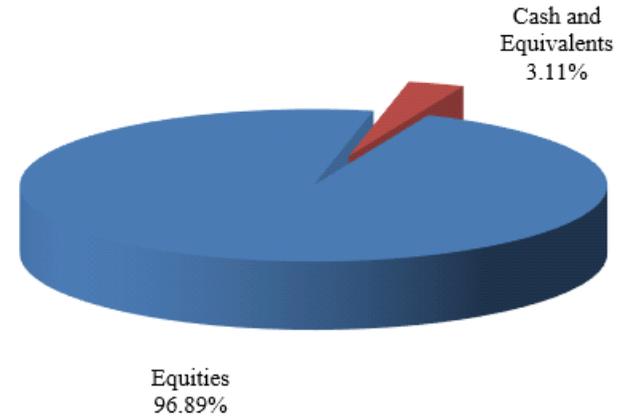
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Activity

From 09-30-19 to 12-31-19

Portfolio Value on 09-30-19	2,342,128
Contributions	0
Withdrawals	0
Realized Gains	13,140
Unrealized Gains	122,690
Interest	310
Dividends	19,779
Portfolio Value on 12-31-19	2,498,047

Actual Asset Allocation



Top 10 Holdings

Securities	Market Value	Pct.
Select Sector Spdr Tr Sbi Int-Finl	200,070	8.01
Ishares Tr Russell 1000 Val	129,656	5.19
Select Sector Spdr Tr Sbi Int-Utills	113,085	4.53
Jpmorgan Chase & Co	104,550	4.19
International Bus Mach	100,530	4.02
Merck & Co Inc (new)	100,045	4.00
Select Sector Spdr Tr Sbi Int-Energy	94,563	3.79
Dominion Energy Inc	91,102	3.65
Home Depot Inc	87,352	3.50
Disney (Walt) Com	86,778	3.47

City of Sacramento
PORTFOLIO APPRAISAL
Ethel Hart Mutual Endowment Fund
 December 31, 2019

Quantity	Security Symbol	Security	Unit Cost	Total Cost	Price	Market Value	Accrued Interest	Market Value + Accrd. Int.	Pct. Assets	Cur. Yield	S & P	Bond Status	Call Put Date
CASH AND EQUIVALENTS													
	divacc	Dividend Accrual		5,795		5,795		5,795	0.23	4.00			
	miscintrec	Misc Interest Receivable		6		6		6	0.00	1.26			
	PoolA	Pool A Cash		71,316		71,316		71,316	2.85	2.21			
	intreceiv	Pool A Interest Receivable		536		536		536	0.02	2.21			
				<u>77,652</u>		<u>77,652</u>		<u>77,652</u>	3.11	2.34			
COMMON STOCK													
INDUSTRIALS													
300	de	Deere & Co Com	81.10	24,329	173.26	51,978		51,978	2.08	1.75	B+		
300	hon	Honeywell	105.24	31,573	177.00	53,100		53,100	2.13	2.03	A-		
380	unp	Union Pac Corp Com	109.96	41,786	180.79	68,700		68,700	2.75	2.15	A		
				<u>97,687</u>		<u>173,778</u>		<u>173,778</u>	6.96	1.99			
COMMUNICATION SERVICES													
1,100	t	At&t Inc	37.42	41,159	39.08	42,988		42,988	1.72	5.32	B		
600	dis	Disney (Walt) Com	43.82	26,292	144.63	86,778		86,778	3.47	1.22	A+		
1,000	vz	Verizon Communications Inc	39.15	39,153	61.40	61,400		61,400	2.46	4.01	B		
				<u>106,604</u>		<u>191,166</u>		<u>191,166</u>	7.65	3.04			
CONSUMER DISCRETIONARY													
400	hd	Home Depot Inc	79.80	31,920	218.38	87,352		87,352	3.50	2.49	A+		
250	mc	Mcdonald's Corp	52.28	13,070	197.61	49,402		49,402	1.98	2.53	A		
				<u>44,990</u>		<u>136,754</u>		<u>136,754</u>	5.47	2.51			
CONSUMER STAPLES													
1,100	mo	Altria Group Inc	26.65	29,317	49.91	54,901		54,901	2.20	6.73	A-		
1,120	ko	Coca Cola Co Com	36.12	40,455	55.35	61,992		61,992	2.48	2.89	B+		
300	pep	Pepsico Inc	117.43	35,229	136.67	41,001		41,001	1.64	2.80	A-		
450	pg	Procter & Gamble Co	88.20	39,690	124.90	56,205		56,205	2.25	2.39	A		
				<u>144,691</u>		<u>214,099</u>		<u>214,099</u>	8.57	3.73			
ENERGY													
540	cvx	Chevron Corporation	102.80	55,510	120.51	65,075		65,075	2.61	3.95	B		
500	etr	Entergy Corp New Com	119.77	59,885	119.80	59,900		59,900	2.40	1.50	B		
580	xom	Exxon Mobil Corporation	83.25	48,286	69.78	40,472		40,472	1.62	4.99	B+		
1,575	xle	Select Sector Spdr Tr Sbi Int-Energy	65.94	103,859	60.04	94,563		94,563	3.79	3.74			
				<u>267,540</u>		<u>260,011</u>		<u>260,011</u>	10.41	3.47			
FINANCIAL													
750	jpm	Jpmorgan Chase & Co	45.10	33,825	139.40	104,550		104,550	4.19	2.58	A-		
700	met	Metlife Inc Com	42.57	29,802	50.97	35,679		35,679	1.43	3.45	B+		
6,500	xlf	Select Sector Spdr Tr Sbi Int-Finl	13.41	87,177	30.78	200,070		200,070	8.01	1.87			
800	usb	U. S. Bancorp	31.49	25,192	59.29	47,432		47,432	1.90	2.83	A		
				<u>175,996</u>		<u>387,731</u>		<u>387,731</u>	15.52	2.32			

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HEALTHCARE													
250	iyh	Ishares US Healthcare ETF	76.89	19,222	215.72	53,930		53,930	2.16	1.14			
500	jnj	Johnson & Johnson	61.41	30,704	145.87	72,935		72,935	2.92	2.61	A-		
1,100	mrk	Merck & Co Inc (new)	47.16	51,875	90.95	100,045		100,045	4.00	2.68	B-		
1,200	pfe	Pfizer Inc	25.02	30,024	39.18	47,016		47,016	1.88	3.88	B+		
				<u>131,826</u>		<u>273,926</u>		<u>273,926</u>	10.97	2.56			
INFORMATION TECHNOLOGY													
210	aapl	Apple Inc.	90.36	18,976	293.65	61,666		61,666	2.47	1.05	B+		
750	ibm	International Bus Mach	129.12	96,843	134.04	100,530		100,530	4.02	4.83	A-		
250	iyw	Ishares US Technology ETF	44.52	11,130	232.60	58,150		58,150	2.33	0.72			
400	msft	Microsoft Corp	24.44	9,774	157.70	63,080		63,080	2.53	1.29	B+		
				<u>136,722</u>		<u>283,426</u>		<u>283,426</u>	11.35	2.38			
UTILITIES													
1,100	d	Dominion Energy Inc	64.67	71,132	82.82	91,102		91,102	3.65	4.43	B		
600	pnw	Pinnacle West Cap Corp	47.13	28,276	89.93	53,958		53,958	2.16	3.48	A-		
1,750	xlu	Select Sector Spdr Tr Sbi Int-Utills	51.77	90,605	64.62	113,085		113,085	4.53	2.95			
				<u>190,013</u>		<u>258,145</u>		<u>258,145</u>	10.33	3.59			
PASSIVE INDEX													
700	dvy	Ishares Select Dividend ETF	102.98	72,086	105.66	73,962		73,962	2.96	3.41			
950	iwd	Ishares Tr Russell 1000 Val	129.47	122,996	136.48	129,656		129,656	5.19	2.27			
				<u>195,082</u>		<u>203,618</u>		<u>203,618</u>	8.15	2.68			
				<u>1,491,152</u>		<u>2,382,655</u>		<u>2,382,655</u>	95.38	2.82			
AMERICAN DEPOSITORY RECEIPTS													
ENERGY													
1,000	bp	BP Plc Sponsored Adr	42.25	42,250	37.74	37,740		37,740	1.51	6.47			
				<u>42,250</u>		<u>37,740</u>		<u>37,740</u>	1.51	6.47			
TOTAL PORTFOLIO				1,611,055		2,498,047	0	2,498,047	100.00	2.86			

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
Ethel Hart Mutual Endowment Fund
 From 10-01-19 To 12-31-19

<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Unit Price</u>	<u>Amount</u>	<u>12-31-2019 Price</u>	<u>Difference</u>
<u>Purchases</u>							
COMMON STOCK							
12-12-2019	12-16-2019	700	Dominion Energy Inc	80.79	56,553	82.82	2
12-17-2019	12-19-2019	500	Entergy Corp New Com	119.77	59,885	119.80	0
12-17-2019	12-19-2019	450	International Bus Mach	133.64	60,138	134.04	0
12-05-2019	12-09-2019	700	Ishares Select Dividend ETF	102.98	72,086	105.66	3
12-20-2019	12-24-2019	1,050	Select Sector Spdr Tr Sbi Int-Energy	61.13	64,191	60.04	-1
12-18-2019	12-20-2019	750	Select Sector Spdr Tr Sbi Int-Utills	64.47	48,355	64.62	0
					361,208		
Total Purchases					361,208		

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
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 From 10-01-19 To 12-31-19

<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>
<u>Sales</u>							
COMMON STOCK							
12-12-2019	12-16-2019	210	Apple Inc.	267.94	56,267	90.36	37,292
12-20-2019	12-24-2019	200	Boeing Co Com	329.16	65,833	139.46	37,942
12-18-2019	12-20-2019	250	Ishares Tr Transp Ave Idx	193.35	48,337	77.24	29,027
12-17-2019	12-19-2019	250	Ishares US Technology ETF	228.23	57,056	44.52	45,926
12-17-2019	12-19-2019	400	Microsoft Corp	155.11	62,046	24.44	52,272
12-05-2019	12-09-2019	600	Select Sector Spdr Tr Sbi Cons Discr	120.58	72,348	29.60	54,588
					361,887		257,046
Total Sales					361,887		257,046