

Q4 FY2020

**Ethel Hart Mutual Endowment Fund
Quarterly Investment Report
June 30, 2020**



Office of the City Treasurer - City of Sacramento

John Colville, City Treasurer

Q4 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 3.72% 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.

Q4 MARKET OVERVIEW

Equities:

The main driver of the US equity markets this quarter was still related to COVID-19, however unlike the previous quarter, markets recovered strongly across most sectors ending just a few percent away from pre-COVID-19 levels. The major US indices, the S&P 500 and the Dow Jones, had returns of 19.95% and 17.77% respectively. The rebound stemmed from a few different things: easing of Fed policy, stimulus packages, lifting of COVID-19 restrictions and optimism over vaccines. Key sectors driving returns this quarter were Consumer Discretionary and Information Technology.

Fixed Income/Rates:

Fixed Income markets remained steady this quarter, with no major movements along the term structure. The 10yr Treasury Note hovered just above record lows as we see continued Fed policy easing and weaker economic activity putting downward pressure on rates. The FOMC made no changes to the Federal Funds rate, but expanded their asset purchasing program to further insure liquidity in the financial markets.

Economy:

Economic sentiment improved throughout this quarter with the relaxing of COVID-19 restrictions. The most notable event was the May Jobs Report that showed an additional 2.5mln jobs **gained**. This shocked the markets as it was significantly stronger than the expected **loss** of 8mln jobs. Unemployment also defied expectations and dropped from 14.7% to 13.3%, and the retail sales figures began to improve. Besides a declining CPI, most economic data that was released closer to the end of the quarter showed signs of a strengthening economy.

International Markets:

International markets underperformed US equities this quarter according to the MSCI EAFE & MSCI EM ETFs, which closed the quarter at 13.86% and 17.17% respectively. As expected, the easing of COVID-19 restrictions played a key role in these positive returns. Emerging markets returns were partly driven by a weakening dollar and dovish central banks which were favorable to their growth. In international developed markets, the key driving sectors were information technology, industrials, materials and financials.

Performance vs. Benchmark:

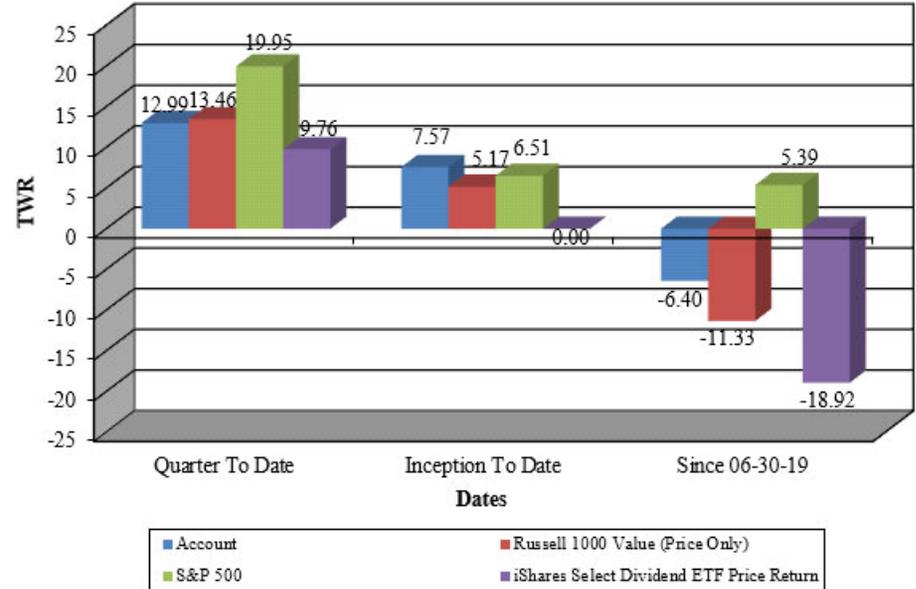
The Ethel Hart Endowment Fund had a Q4 return of 12.99%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of 9.76%. Please note that these returns are based on price change only and does not consider the reinvestment of dividends, allowing for a higher quality comparison.

City of Sacramento
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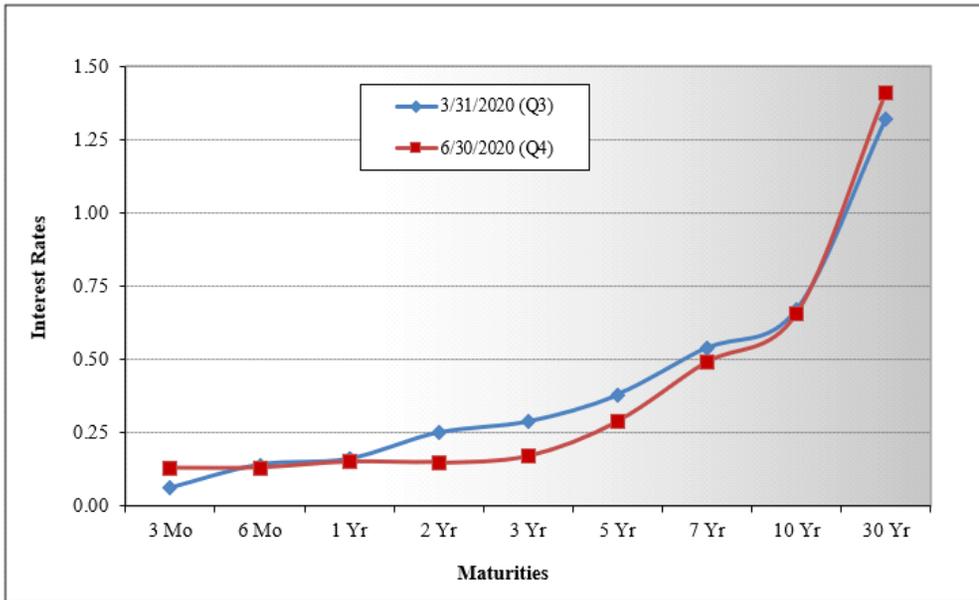
Performance

	Quarter To Date	Inception To Date	Since 06-30-2019
Account	12.99	7.57	-6.40
Russell 1000 Value (Price Only)	13.46	5.17	-11.33
S&P 500	19.95	6.51	5.39
iShares Select Dividend ETF Price Return	9.76	? *	-18.92

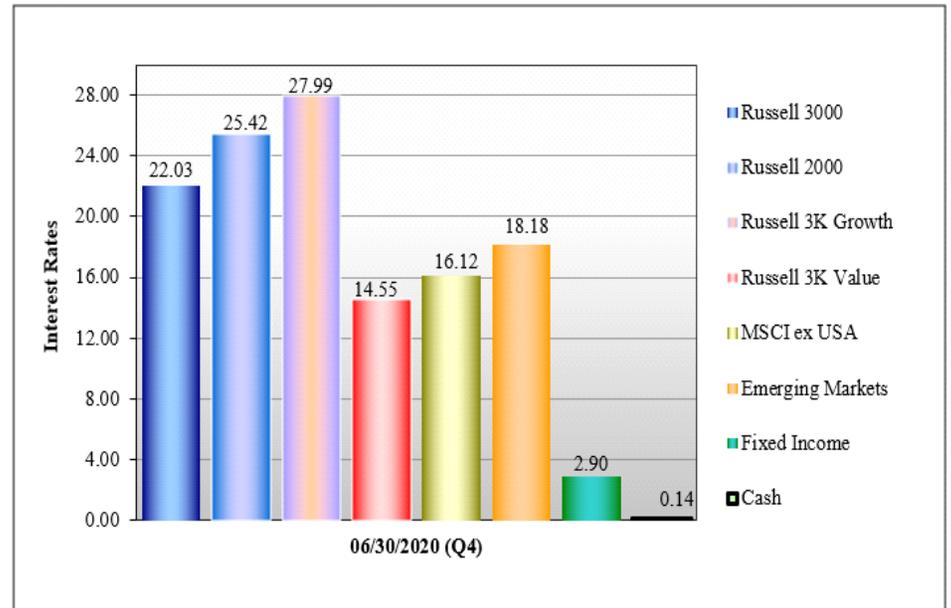
*Index commencement date was 11/30/2003



U.S. Treasury Yield Curve - QE 03/31/2020 (Q3) vs. QE 06/30/2020 (Q4)



Capital Market Returns - Quarter Ended 06/30/2020 (Q4)



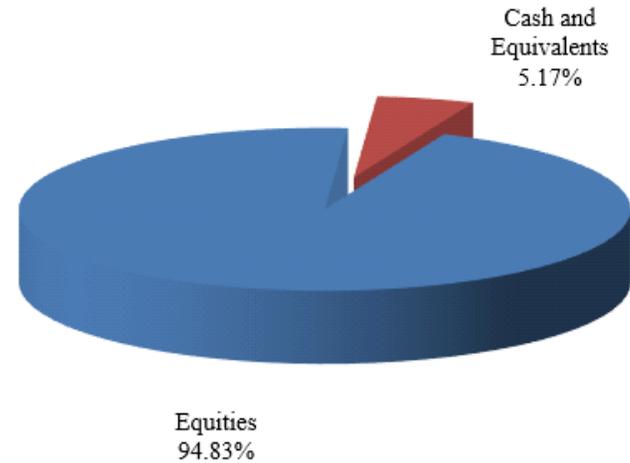
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Activity

From 03-31-20 to 06-30-20

Portfolio Value on 03-31-20	1,902,972
Contributions	0
Withdrawals	0
Realized Gains	2,794
Unrealized Gains	225,692
Interest	404
Dividends	18,298
Portfolio Value on 06-30-20	2,150,160

Actual Asset Allocation



Top 10 Holdings

Securities	Market Value	Pct.
Select Sector Spdr Tr Sbi Int-Finl	113,386	5.27
Pool A Cash	108,776	5.06
Ishares Tr Russell 1000 Val	106,989	4.98
Home Depot Inc	100,204	4.66
Select Sector Spdr Tr Sbi Int-Utills	98,752	4.59
At&t Inc	93,713	4.36
International Bus Mach	90,577	4.21
Dominion Energy Inc	89,298	4.15
Merck & Co Inc (new)	85,063	3.96
Microsoft Corp	81,404	3.79

City of Sacramento
PORTFOLIO APPRAISAL
Ethel Hart Mutual Endowment Fund
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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	Bond Status	Call Put Date
CASH AND EQUIVALENTS													
	divacc	Dividend Accrual		2,390		2,390		2,390	0.11	4.00			
	miscintrec	Misc Interest Receivable		0		0		0	0.00	0.01			
	PoolA	Pool A Cash		108,776		108,776		108,776	5.06	1.77			
				111,166		111,166		111,166	5.17	1.82			
COMMON STOCK													
INDUSTRIALS													
300	hon	Honeywell	105.24	31,573	144.59	43,377		43,377	2.02	2.49	A-		
380	unp	Union Pac Corp Com	109.96	41,786	169.07	64,247		64,247	2.99	2.29	A		
				73,358		107,624		107,624	5.01	2.37			
COMMUNICATION SERVICES													
3,100	t	At&t Inc	32.04	99,310	30.23	93,713		93,713	4.36	6.88	B		
1,000	vz	Verizon Communications Inc	39.15	39,153	55.13	55,130		55,130	2.56	4.46	B		
				138,463		148,843		148,843	6.92	5.98			
CONSUMER DISCRETIONARY													
400	hd	Home Depot Inc	79.80	31,920	250.51	100,204		100,204	4.66	2.40	A+		
250	mcd	Mcdonald's Corp	52.28	13,070	184.47	46,117		46,117	2.14	2.71	A		
				44,990		146,321		146,321	6.81	2.49			
CONSUMER STAPLES													
1,100	mo	Altria Group Inc	26.65	29,317	39.25	43,175		43,175	2.01	8.76	A-		
1,120	ko	Coca Cola Co Com	36.12	40,455	44.68	50,042		50,042	2.33	3.67	B+		
300	pep	Pepsico Inc	117.43	35,229	132.26	39,678		39,678	1.85	2.89	A-		
450	pg	Procter & Gamble Co	88.20	39,690	119.57	53,806		53,806	2.50	2.65	A		
				144,691		186,701		186,701	8.68	4.39			
ENERGY													
540	cvx	Chevron Corporation	102.80	55,510	89.23	48,184		48,184	2.24	5.78	B		
500	etr	Entergy Corp New Com	119.77	59,885	93.81	46,905		46,905	2.18	1.92	B		
580	xom	Exxon Mobil Corporation	83.25	48,286	44.72	25,938		25,938	1.21	7.78	B+		
1,400	oke	Oneok Inc New Com	76.09	106,527	33.22	46,508		46,508	2.16	11.06			
1,575	xle	Select Sector Spdr Tr Sbi Int-Energy	65.94	103,859	37.85	59,614		59,614	2.77	5.87			
				374,067		227,149		227,149	10.56	6.32			
FINANCIAL													
750	jpm	Jpmorgan Chase & Co	45.10	33,825	94.06	70,545		70,545	3.28	3.83	A-		
700	met	Metlife Inc Com	42.57	29,802	36.52	25,564		25,564	1.19	5.04	B+		
4,900	xlf	Select Sector Spdr Tr Sbi Int-Finl	13.41	65,718	23.14	113,386		113,386	5.27	2.64			
800	usb	U. S. Bancorp	31.49	25,192	36.82	29,456		29,456	1.37	4.56	A		
				154,537		238,951		238,951	11.11	3.49			

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HEALTHCARE													
250	iyh	Ishares US Healthcare ETF	76.89	19,222	215.64	53,910		53,910	2.51	1.21			
500	jnj	Johnson & Johnson	61.41	30,704	140.63	70,315		70,315	3.27	2.87	A-		
1,100	mrk	Merck & Co Inc (new)	47.16	51,875	77.33	85,063		85,063	3.96	3.16	B-		
1,200	pfe	Pfizer Inc	25.02	30,024	32.70	39,240		39,240	1.82	4.65	B+		
				131,826		248,528		248,528	11.56	2.89			
INFORMATION TECHNOLOGY													
210	aapl	Apple Inc.	90.36	18,976	364.80	76,608		76,608	3.56	0.22	B+		
750	ibm	International Bus Mach	129.12	96,843	120.77	90,577		90,577	4.21	5.40	A-		
250	iyw	Ishares US Technology ETF	44.52	11,130	269.80	67,450		67,450	3.14	0.73			
400	msft	Microsoft Corp	24.44	9,774	203.51	81,404		81,404	3.79	1.00	B+		
				136,722		316,039		316,039	14.70	2.02			
UTILITIES													
1,100	d	Dominion Energy Inc	64.67	71,132	81.18	89,298		89,298	4.15	4.63	B		
600	pnw	Pinnacle West Cap Corp	47.13	28,276	73.29	43,974		43,974	2.05	4.27	A-		
1,750	xlu	Select Sector Spdr Tr Sbi Int-Utills	51.77	90,605	56.43	98,752		98,752	4.59	3.44			
				190,013		232,024		232,024	10.79	4.06			
PASSIVE INDEX													
700	dvy	Ishares Select Dividend ETF	102.98	72,086	80.72	56,504		56,504	2.63	4.45			
950	iwd	Ishares Tr Russell 1000 Val	129.47	122,996	112.62	106,989		106,989	4.98	2.86			
				195,082		163,493		163,493	7.60	3.41			
				1,583,750		2,015,674		2,015,674	93.75	3.70			
AMERICAN DEPOSITORY RECEIPTS													
ENERGY													
1,000	bp	BP Plc Sponsored Adr	42.25	42,250	23.32	23,320		23,320	1.08	9.31			
				42,250		23,320		23,320	1.08	9.31			
TOTAL PORTFOLIO				1,737,166		2,150,160	0	2,150,160	100.00	3.66			

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
Ethel Hart Mutual Endowment Fund
 From 04-01-20 To 06-30-20

<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Unit Price</u>	<u>Amount</u>	<u>06-30-2020 Price</u>	<u>Difference</u>
<u>Purchases</u>							
COMMON STOCK							
05-06-2020	05-08-2020	2,000	At&t Inc	29.08	<u>58,151</u>	30.23	1
					58,151		
Total Purchases					<u>58,151</u>		

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PURCHASE/SALE AND GAIN/LOSS
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 From 04-01-20 To 06-30-20

<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							
05-06-2020	05-08-2020	600	Disney (Walt) Com	101.26	60,754	43.82	34,462
					60,754		34,462
Total Sales					60,754		34,462