

Q2 FY2020

**George H. Clark Memorial Scholarship Fund
Quarterly Investment Report
December 31, 2019**



Office of the City Treasurer - City of Sacramento

John Colville, City Treasurer

Q2 FY2020

INTRODUCTION

In 1951 the George H. Clark Memorial Scholarship was established. In accordance with a will established in 1921, the trustees are to consist of the City Manager, City of Sacramento, and the Superintendent of Sacramento City Unified School District with the highest student populous. On February 2, 2001, the City Treasurer received a contribution of \$627,618 in Memorial Cash Account portfolio.

The City of Sacramento George H. Clark Memorial Scholarship Fund will help deserving senior high school students in their pursuit of a college education that will make them valuable members of the community. Four (4) scholarships per year (\$5,000) each or \$20,000 will be awarded to senior high school students to help provide for a college education. The committee selects the annual recipients from a group of eligible students submitted by SCUSD based on pre-determined achievement criteria.

To honor Mr. Clark, the committee recommends that the awards be presented by the Mayor at a City Council meeting.

STRATEGY

- Adhere to prudent investment practices to provide for the preservation and growth of principal.
- The City maintains two cash accounts. One cash account (Operating Cash Account) receives interest and dividend income to accrue for scholarship payments. Mutual fund and equity capital gains are placed in the second cash account (Memorial Investment Cash Account) to accumulate until scholarship funds are being paid from the Operating Cash Account. If a shortfall of cash exists in the Operating Cash Account, funds from the Memorial Investment Cash Account will be used to secure the payments. Excess cash in the Memorial Investment Cash Account will be re-allocated as per investment strategy. The City Treasurer will determine the asset allocation deemed prudent to achieve the funds objective.

OBJECTIVES

- The objective of this fund is income. The committee directed the Treasurer's office to invest funds for moderate growth of principal and adequate cash flow to pay for scholarships.
- Goal is to earn a cash return per year of \$20,000 thousand dollars to pay for four (4) scholarships per year.

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:

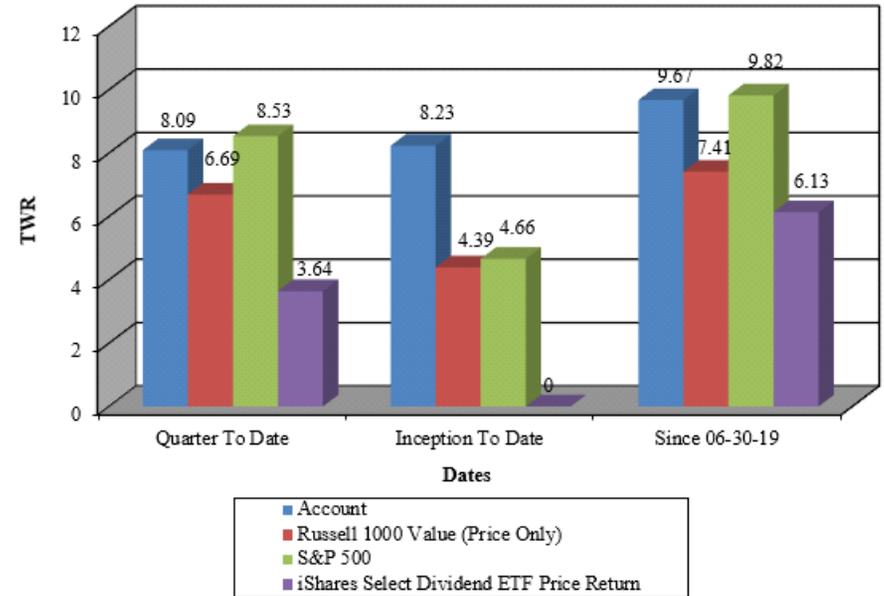
The George H. Clark Memorial Scholarship Fund had a Q2 return of 8.09%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of 3.64%. Please note that these returns are based on price change only and doesn't consider the reinvestment of dividends, allowing for a higher quality comparison.

City of Sacramento
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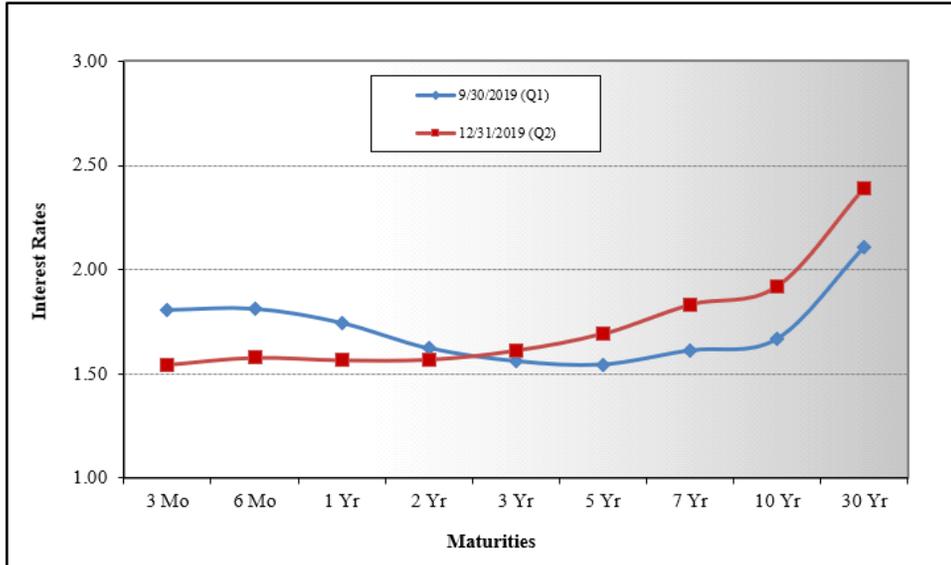
Performance

	Quarter To Date	Inception To Date	Since 06-30-2019
Account	8.09	8.23	9.67
Russell 1000 Value (Price Only)	6.69	4.39	7.41
S&P 500	8.53	4.66	9.82
iShares Select Dividend ETF Price Return	3.64	?*	6.13

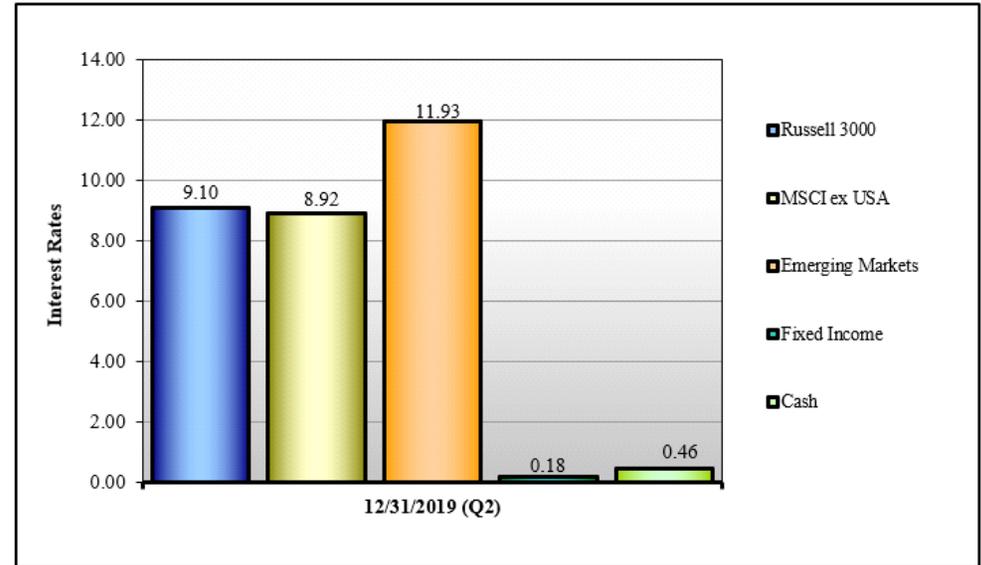
*Index commencement date was 11/30/2003



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



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



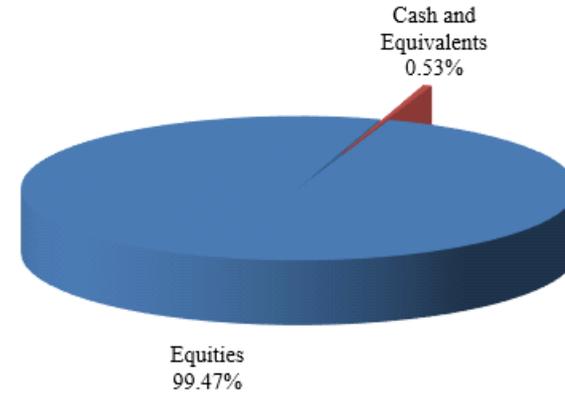
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Activity

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

Portfolio Value on 09-30-19	1,308,731
Contributions	0
Withdrawals	-10,143
Realized Gains	2,566
Unrealized Gains	93,422
Interest	38
Dividends	9,749
Portfolio Value on 12-31-19	1,404,363

Actual Asset Allocation



Operating Cash Account Activity

From Inception to 12-31-19

	Inception to FY19	FY20 QE		Inception to FY20
		09-30-19	12-31-19	
Beginning Balance		96,526	95,650	
Initial Contribution	83			83
Cash Transfers In *	487,800	9,125	10,143	507,068
Interest Income **	12,786			12,786
Scholarship Payments	-340,000	-10,000		-350,000
Investment Mgt Fees	-64,143			-64,143
Ending Balance	96,526	95,650	105,794	105,794

* Cash Transfers In = monies transferred from Memorial Investment Cash Account to Operating Cash Account to pay for scholarships and other expenses.

** July to December 2019 Pool A earnings are yet to be apportioned.

Top 10 Holdings

Securities	Market Value	Pct.
Ishares Tr Russell 1000 Val	207,450	14.77
Select Sector Spdr Tr Sbi Int-Finl	140,357	9.99
Apple Inc.	92,500	6.59
Select Sector Spdr Tr Sbi Int-Utills	84,006	5.98
Johnson & Johnson	72,935	5.19
Deere & Co Com	69,304	4.93
Select Sector Spdr Tr Sbi Cons Discr	63,964	4.55
BP Plc Sponsored Adr	61,516	4.38
Select Sector Spdr Tr Sbi Healthcare	61,116	4.35
Caterpillar Inc Del Com	59,072	4.21

City of Sacramento
PORTFOLIO APPRAISAL
George H. Clark Memorial Scholarship 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		1,249		1,249		1,249	0.09	4.00			
	miscintrec	Misc Interest Receivable		3		3		3	0.00	1.26			
	PoolA	Pool A Cash		6,189		6,189		6,189	0.44	2.21			
	intreceiv	Pool A Interest Receivable		65		65		65	0.00	2.21			
				<u>7,506</u>		<u>7,506</u>		<u>7,506</u>	0.53	2.51			
COMMON STOCK													
INDUSTRIALS													
400	cat	Caterpillar Inc Del Com	69.20	27,679	147.68	59,072		59,072	4.21	2.79	B+		
400	de	Deere & Co Com	59.47	23,789	173.26	69,304		69,304	4.93	1.75	B+		
185	hon	Honeywell	127.59	23,605	177.00	32,745		32,745	2.33	2.03	A-		
225	unp	Union Pac Corp Com	110.02	24,754	180.79	40,678		40,678	2.90	2.15	A		
				<u>99,827</u>		<u>201,799</u>		<u>201,799</u>	14.37	2.18			
COMMUNICATION SERVICES													
700	t	At&t Inc	39.82	27,874	39.08	27,356		27,356	1.95	5.32	B		
700	vz	Verizon Communications Inc	38.05	26,634	61.40	42,980		42,980	3.06	4.01	B		
				<u>54,508</u>		<u>70,336</u>		<u>70,336</u>	5.01	4.52			
CONSUMER DISCRETIONARY													
215	hd	Home Depot Inc	235.01	50,527	218.38	46,952		46,952	3.34	2.49	A+		
510	xly	Select Sector Spdr Tr Sbi Cons Discr	33.50	17,085	125.42	63,964		63,964	4.55	1.28			
				<u>67,612</u>		<u>110,916</u>		<u>110,916</u>	7.90	1.79			
CONSUMER STAPLES													
650	mo	Altria Group Inc	26.65	17,324	49.91	32,441		32,441	2.31	6.73	A-		
600	ko	Coca Cola Co Com	32.30	19,383	55.35	33,210		33,210	2.36	2.89	B+		
280	pg	Procter & Gamble Co	88.22	24,702	124.90	34,972		34,972	2.49	2.39	A		
				<u>61,408</u>		<u>100,623</u>		<u>100,623</u>	7.17	3.95			
ENERGY													
340	cvx	Chevron Corporation	118.00	40,119	120.51	40,973		40,973	2.92	3.95	B		
FINANCIAL													
400	jpm	Jpmorgan Chase & Co	124.36	49,744	139.40	55,760		55,760	3.97	2.58	A-		
4,560	xlf	Select Sector Spdr Tr Sbi Int-Finl	21.00	95,783	30.78	140,357		140,357	9.99	1.87			
				<u>145,526</u>		<u>196,117</u>		<u>196,117</u>	13.96	2.07			
HEALTHCARE													
500	jnj	Johnson & Johnson	61.71	30,855	145.87	72,935		72,935	5.19	2.61	A-		
600	xlw	Select Sector Spdr Tr Sbi Healthcare	31.93	19,161	101.86	61,116		61,116	4.35	1.51			
				<u>50,016</u>		<u>134,051</u>		<u>134,051</u>	9.55	2.11			

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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
INFORMATION TECHNOLOGY													
315	aapl	Apple Inc.	90.82	28,610	293.65	92,500		92,500	6.59	1.05	B+		
200	ibm	International Bus Mach	152.38	30,476	134.04	26,808		26,808	1.91	4.83	A-		
175	iyw	Ishares US Technology ETF	58.52	10,241	232.60	40,705		40,705	2.90	0.72			
				69,327		160,013		160,013	11.39	1.60			
UTILITIES													
1,300	xlu	Select Sector Spdr Tr Sbi Int-Utils	42.96	55,842	64.62	84,006		84,006	5.98	2.95			
PASSIVE INDEX													
275	dvy	Ishares Select Dividend ETF	104.88	28,842	105.66	29,056		29,056	2.07	3.41			
1,520	iwd	Ishares Tr Russell 1000 Val	126.59	192,415	136.48	207,450		207,450	14.77	2.27			
				221,257		236,506		236,506	16.84	2.41			
				865,442		1,335,340		1,335,340	95.09	2.46			
AMERICAN DEPOSITORY RECEIPTS													
ENERGY													
1,630	bp	BP Plc Sponsored Adr	38.94	63,473	37.74	61,516		61,516	4.38	6.47			
				63,473		61,516		61,516	4.38	6.47			
TOTAL PORTFOLIO				936,421		1,404,363	0	1,404,363	100.00	2.63			

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
George H. Clark Memorial Scholarship 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							
10-24-2019	10-28-2019	215	Home Depot Inc	235.01	50,527	218.38	-17
12-17-2019	12-19-2019	275	Ishares Select Dividend ETF	104.88	28,842	105.66	1
10-24-2019	10-28-2019	400	Jpmorgan Chase & Co	124.36	49,744	139.40	15
10-22-2019	10-24-2019	675	Select Sector Spdr Tr Sbi Int-Finl	28.57	19,285	30.78	2
10-24-2019	10-28-2019	1,385	Select Sector Spdr Tr Sbi Int-Finl	28.46	39,417	30.78	2
					187,814		
Total Purchases					187,814		

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>
Sales							
COMMON STOCK							
10-22-2019	10-24-2019	2,200	Annaly Cap Mgmt Inc Com	8.94	19,679	14.91	-13,126
12-17-2019	12-19-2019	150	Ishares Tr Transp Ave Idx	195.17	29,275	77.22	17,692
10-24-2019	10-28-2019	200	Ishares US Technology ETF	206.90	41,379	58.52	29,675
10-24-2019	10-28-2019	815	Select Sector Spdr Tr Sbi Cons Discr	121.14	98,727	33.50	71,425
					189,060		105,665
Total Sales					189,060		105,665