

**Q3 FY2020**

**George H. Clark Memorial Scholarship Fund  
Quarterly Investment Report  
March 31, 2020**



Office of the City Treasurer - City of Sacramento

John Colville, City Treasurer

Q3 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.

## Q3 MARKET OVERVIEW

### **Equities:**

US equity markets had one of the worst quarters in history. The major US indices, the S&P 500 and Dow Jones, had returns of -20% and -23% respectively. These losses stemmed from measures taken to combat the widely spread COVID-19 virus, which essentially shut down most facets of the economy. US equity markets saw wild volatility and intraday trading halts as we officially moved into bear market territory.

### **Fixed Income/Rates:**

With deteriorating economic conditions, the FOMC took swift action in cutting their targeted rate to a range of 0% - .25%. The Fed also ramped up its purchases of various securities to aid in stability and liquidity in the financial markets. During this time, market participants shifted to a risk off mode, buying fixed income instruments and pushing yields down. Yields on certain treasury securities, most notably the 10yr, hit record lows. The yield curve changed notably this quarter, shifting downward and steepening to a more normalized shape.

### **Economy:**

Economic data was quite steady in the beginning of the quarter, but the latter half of Q3 saw increased turmoil on COVID-19 fears. Economic data across the board began to decline, led by a record jobless claim number in late March. Just before the end of Q3, the largest fiscal stimulus package in history was passed, totaling \$2.2 trillion in aid aimed at combatting the deteriorating economy by propping up main street. While the current state of the economy is fluid, many officials remain hopeful that we can reopen the economy and start the road to recovery within the next few months.

### **International Markets:**

International markets also faced deteriorating conditions in the wake of the COVID-19 pandemic. Economists are calling for sharp contractions in GDP estimates as many countries stifled their economies in hopes of slowing down the spread of the virus. This led to poor performance in the major international market indices, the MSCI EAFE & MSCI EM closed the quarter at -23.43% and -23.87% respectively.

### **Performance vs. Benchmark:**

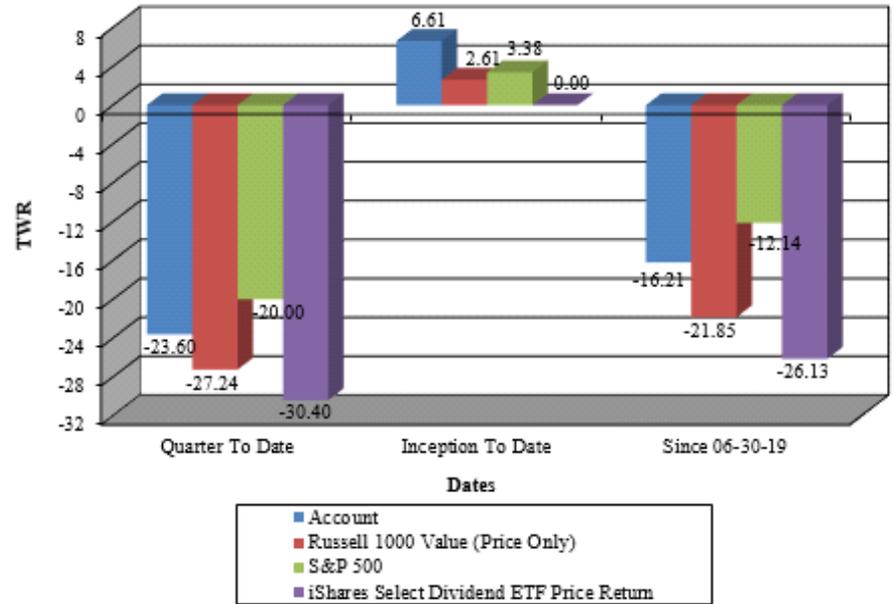
The George H. Clark Memorial Scholarship Fund had a Q3 return of -23.60%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of -30.40%. Please note that these returns are based on price change only and doesn't consider the reinvestment of dividends, allowing for a higher quality comparison.

City of Sacramento  
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 March 31, 2020

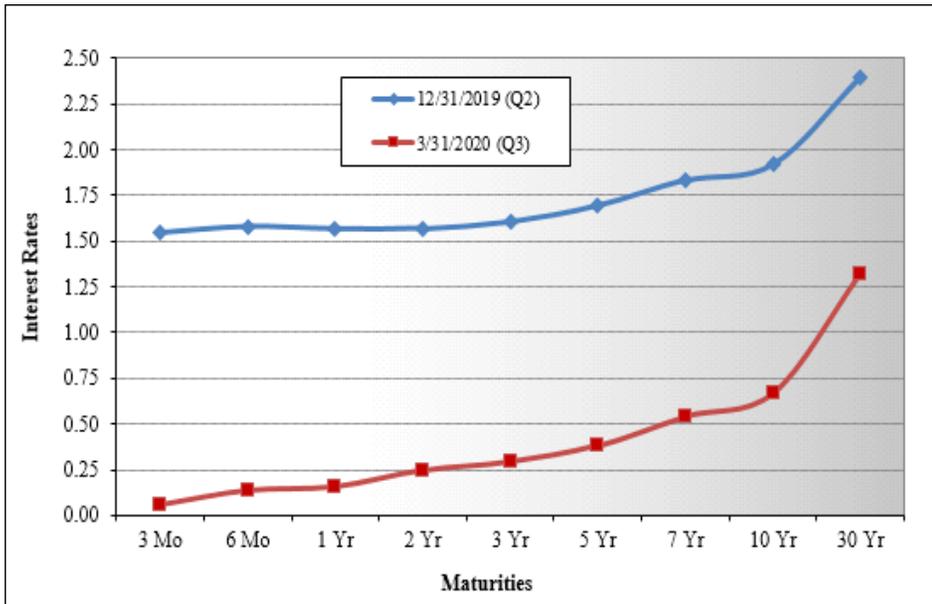
## Performance

	Quarter To Date	Inception To Date	Since 06-30-2019
Account	-23.60	6.61	-16.21
Russell 1000 Value (Price Only)	-27.24	2.61	-21.85
S&P 500	-20.00	3.38	-12.14
iShares Select Dividend ETF Price Return	-30.40	?*	-26.13

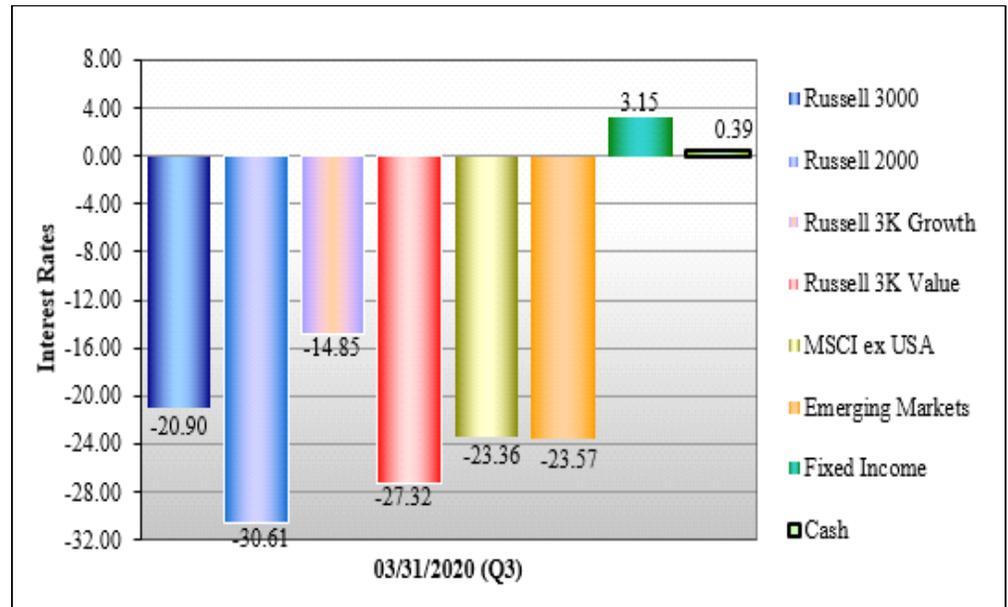
\*Index commencement date was 11/30/2003



### U.S. Treasury Yield Curve - QE 12/31/2019 (Q2) vs. QE 03/31/2020 (Q3)



### Capital Market Returns - Quarter Ended 03/31/2020 (Q3)



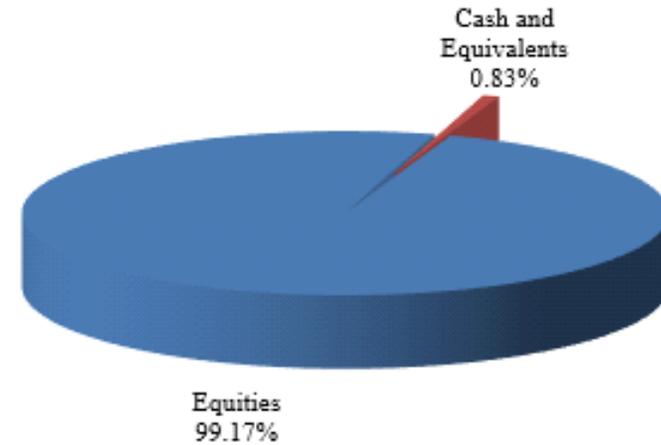
City of Sacramento  
**George H. Clark Memorial Scholarship Fund**  
 March 31, 2020

**Activity**

From 12-31-19 to 03-31-20

<b>Portfolio Value on 12-31-19</b>	<b>1,404,363</b>
Contributions	0
Withdrawals	-10,416
Realized Gains	1,733
Unrealized Gains	-342,513
Interest	61
Dividends	9,935
<b>Portfolio Value on 03-31-20</b>	<b>1,063,164</b>

**Actual Asset Allocation**



**Operating Cash Account Activity**

From Inception to 03-31-20

	Inception	FY20 QE			Inception
	to FY19	09-30-19	12-31-19	03-31-20	to FY20
<b>Beginning Balance</b>		<b>96,526</b>	<b>95,650</b>	<b>105,794</b>	
Initial Contribution	83				83
Cash Transfers In *	487,800	9,125	10,143	10,415	517,483
Interest Income **	12,786				12,786
Scholarship Payments	-340,000	-10,000			-350,000
Investment Mgt Fees	-64,143				-64,143
<b>Ending Balance</b>	<b>96,526</b>	<b>95,650</b>	<b>105,794</b>	<b>116,209</b>	<b>116,209</b>

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

\*\* July 2019 to March 2020 Pool A earnings are yet to be apportioned.

**Top 10 Holdings**

Securities	Market Value	Pct.
Ishares Tr Russell 1000 Val	150,754	14.18
Apple Inc.	80,101	7.53
Select Sector Spdr Tr Sbi Int-Utills	72,033	6.78
Ishares Select Dividend ETF	68,024	6.40
Johnson & Johnson	65,565	6.17
Select Sector Spdr Tr Sbi Int-Finl	54,340	5.11
Dominion Energy Inc	54,142	5.09
Select Sector Spdr Tr Sbi Cons Discr	50,021	4.70
Caterpillar Inc Del Com	46,416	4.37
Home Depot Inc	40,143	3.78

City of Sacramento  
**PORTFOLIO APPRAISAL**  
*George H. Clark Memorial Scholarship Fund*  
 March 31, 2020

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
<b>CASH AND EQUIVALENTS</b>													
	divacc	Dividend Accrual		792		792		792	0.07	4.00			
	miscintrec	Misc Interest Receivable		0		0		0	0.00	0.49			
	PoolA	Pool A Cash		7,934		7,934		7,934	0.75	2.22			
	intreceiv	Pool A Interest Receivable		106		106		106	0.01	2.22			
				<u>8,831</u>		<u>8,831</u>		<u>8,831</u>	<u>0.83</u>	<u>2.38</u>			
<b>COMMON STOCK</b>													
<b>INDUSTRIALS</b>													
400	cat	Caterpillar Inc Del Com	69.20	27,679	116.04	46,416		46,416	4.37	3.55	B+		
185	hon	Honeywell	127.59	23,605	133.79	24,751		24,751	2.33	2.69	A-		
225	unp	Union Pac Corp Com	110.02	24,754	141.04	31,734		31,734	2.98	2.75	A		
				<u>76,038</u>		<u>102,901</u>		<u>102,901</u>	<u>9.68</u>	<u>3.10</u>			
<b>COMMUNICATION SERVICES</b>													
700	t	At&t Inc	39.82	27,874	29.15	20,405		20,405	1.92	7.14	B		
700	vz	Verizon Communications Inc	38.05	26,634	53.73	37,611		37,611	3.54	4.58	B		
				<u>54,508</u>		<u>58,016</u>		<u>58,016</u>	<u>5.46</u>	<u>5.48</u>			
<b>CONSUMER DISCRETIONARY</b>													
215	hd	Home Depot Inc	235.01	50,527	186.71	40,143		40,143	3.78	3.21	A+		
510	xly	Select Sector Spdr Tr Sbi Cons Discr	33.50	17,085	98.08	50,021		50,021	4.70	1.68			
				<u>67,612</u>		<u>90,163</u>		<u>90,163</u>	<u>8.48</u>	<u>2.37</u>			
<b>CONSUMER STAPLES</b>													
650	mo	Altria Group Inc	26.65	17,324	38.67	25,135		25,135	2.36	8.69	A-		
600	ko	Coca Cola Co Com	32.30	19,383	44.25	26,550		26,550	2.50	3.71	B+		
280	pg	Procter & Gamble Co	88.22	24,702	110.00	30,800		30,800	2.90	2.71	A		
				<u>61,408</u>		<u>82,485</u>		<u>82,485</u>	<u>7.76</u>	<u>4.85</u>			
<b>ENERGY</b>													
340	cvx	Chevron Corporation	118.00	40,119	72.46	24,636		24,636	2.32	7.12	B		
800	oke	Oneok Inc New Com	76.09	60,872	21.81	17,448		17,448	1.64	16.53			
				<u>100,991</u>		<u>42,084</u>		<u>42,084</u>	<u>3.96</u>	<u>11.02</u>			
<b>FINANCIAL</b>													
400	jpm	Jpmorgan Chase & Co	124.36	49,744	90.03	36,012		36,012	3.39	4.00	A-		
2,610	xlf	Select Sector Spdr Tr Sbi Int-Finl	21.00	54,823	20.82	54,340		54,340	5.11	2.88			
				<u>104,566</u>		<u>90,352</u>		<u>90,352</u>	<u>8.50</u>	<u>3.33</u>			
<b>HEALTHCARE</b>													
500	jnj	Johnson & Johnson	61.71	30,855	131.13	65,565		65,565	6.17	2.90	A-		
<b>INFORMATION TECHNOLOGY</b>													
315	aapl	Apple Inc.	90.82	28,610	254.29	80,101		80,101	7.53	1.21	B+		

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**PORTFOLIO APPRAISAL**  
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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
200	ibm	International Bus Mach	152.38	30,476	110.93	22,186		22,186	2.09	5.84	A-		
175	iyw	Ishares US Technology ETF	58.52	10,241	204.39	35,768		35,768	3.36	0.97			
				<u>69,327</u>		<u>138,056</u>		<u>138,056</u>	<u>12.99</u>	<u>1.89</u>			
<b>UTILITIES</b>													
750	d	Dominion Energy Inc	81.71	61,284	72.19	54,142		54,142	5.09	5.21	B		
1,300	xlu	Select Sector Spdr Tr Sbi Int-Utills	42.96	55,842	55.41	72,033		72,033	6.78	3.52			
				<u>117,126</u>		<u>126,175</u>		<u>126,175</u>	<u>11.87</u>	<u>4.25</u>			
<b>PASSIVE INDEX</b>													
925	dvy	Ishares Select Dividend ETF	104.99	97,116	73.54	68,024		68,024	6.40	5.00			
1,520	iwd	Ishares Tr Russell 1000 Val	126.59	192,415	99.18	150,754		150,754	14.18	3.25			
				<u>289,531</u>		<u>218,778</u>		<u>218,778</u>	<u>20.58</u>	<u>3.80</u>			
				<u>971,962</u>		<u>1,014,577</u>		<u>1,014,577</u>	<u>95.43</u>	<u>3.78</u>			
<b>AMERICAN DEPOSITORY RECEIPTS</b>													
<b>ENERGY</b>													
1,630	bp	BP Plc Sponsored Adr	38.94	63,473	24.39	39,756		39,756	3.74	10.25			
				<u>63,473</u>		<u>39,756</u>		<u>39,756</u>	<u>3.74</u>	<u>10.25</u>			
<b>TOTAL PORTFOLIO</b>				<b>1,044,267</b>		<b>1,063,164</b>	<b>0</b>	<b>1,063,164</b>	<b>100.00</b>	<b>4.01</b>			

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**PURCHASE/SALE AND GAIN/LOSS**  
*George H. Clark Memorial Scholarship Fund*  
 From 01-01-20 To 03-31-20

<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Unit Price</u>	<u>Amount</u>	<b>03-31-2020</b> <u>Price</u>	<u>Difference</u>
<b><u>Purchases</u></b>							
<b>COMMON STOCK</b>							
01-02-2020	01-06-2020	750	Dominion Energy Inc	81.71	61,284	72.19	-10
01-02-2020	01-06-2020	650	Ishares Select Dividend ETF	105.04	68,274	73.54	-31
02-11-2020	02-13-2020	800	Oneok Inc New Com	76.09	60,872	21.81	-54
					190,430		
Total Purchases					190,430		

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**PURCHASE/SALE AND GAIN/LOSS**  
*George H. Clark Memorial Scholarship Fund*  
 From 01-01-20 To 03-31-20

<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>							
<b>COMMON STOCK</b>							
01-02-2020	01-06-2020	400	Deere & Co Com	176.25	70,500	59.47	46,711
01-02-2020	01-06-2020	600	Select Sector Spdr Tr Sbi Healthcare	101.47	60,884	31.93	41,723
02-11-2020	02-13-2020	1,950	Select Sector Spdr Tr Sbi Int-Finl	31.17	60,790	21.00	19,831
					192,174		108,265
Total Sales					192,174		108,265