

Q2 FY2024

George H. Clark Memorial Scholarship Fund Quarterly Investment Report December 31, 2023



[Office of the City Treasurer - City of Sacramento](#)

John Colville, City Treasurer

Q2 FY2024

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.

Q2 MARKET OVERVIEW

Equities:

Equity markets popped during the second quarter of the fiscal year (final quarter of the calendar year), as the S&P 500 increased 11.24% while the Dow Jones increased 12.48%. This closed out a great 2023, with all three of the major indexes (S&P 500, Dow Jones, NASDAQ) up double-digit percentages in 2023. Data indicating that inflation may be heading back toward the Fed's target rate led optimistic investors to put their money to work, creating a profitable risk-on environment.

Fixed Income/Rates:

Interest rates sank across the yield curve for the first time since the summer of 2021. The upper bound of the Federal Funds Rate held steady at 5.50%, however, encouraging inflation data and investor confidence helped push yields lower. Yields on 6-month Treasuries dropped nearly 30 basis points to 5.25%, while yields further out on the curve dropped even more dramatically. The 5-year Treasury closed the quarter at 3.85% (a drop of nearly 75 basis points), with the 10-year Treasury ending the quarter at 3.88% (a drop of 70 basis points). The 10-year yield has a major influence on mortgage rates, lending hope that the housing market may warm up due to loans being a little more affordable.

Economy:

Expectations are that the U.S. economy will show a growth rate of 2.4% for the quarter ending December 31, 2023. This comes on the heels of an adjusted rate of 4.9% for the preceding quarter. The economy is steadily growing, going against expectations following the numerous rate hikes implemented by the Fed. CPI (Inflation) checked in at 3.4% year-over-year during December. This number was higher than most projections and illustrated that the economy is still far from fully recovering from the disruptions of 2020. Consumers, who are the main driver of the American economy, refused to cut back on spending during the holidays. Unfortunately, most of their purchases went on credit cards, resulting in the highest consumer credit balance ever recorded (\$1.079T). Should interest rates remain elevated, consumers will soon face a reckoning as their debt balances begin to force difficult choices on how to fiscally manage their households.

International Markets:

International and emerging markets experienced a similar boost to domestic ones. A temperate fall kept overseas energy prices in check, creating optimism that European economies would soon see inflation retreat. Global worries remain, though. While Russia and Ukraine remain embroiled in conflict, Israel, (after being attacked on October 7), is in a full-blown war with Hamas. Meanwhile, the Chinese economy is sputtering and showing signs of difficult times on the near horizon. Even so, international holdings advanced, as the MSCI EAFE & MSCI EM increased 9.37% and 7.45%, respectively, during the quarter.

Performance vs. Benchmark:

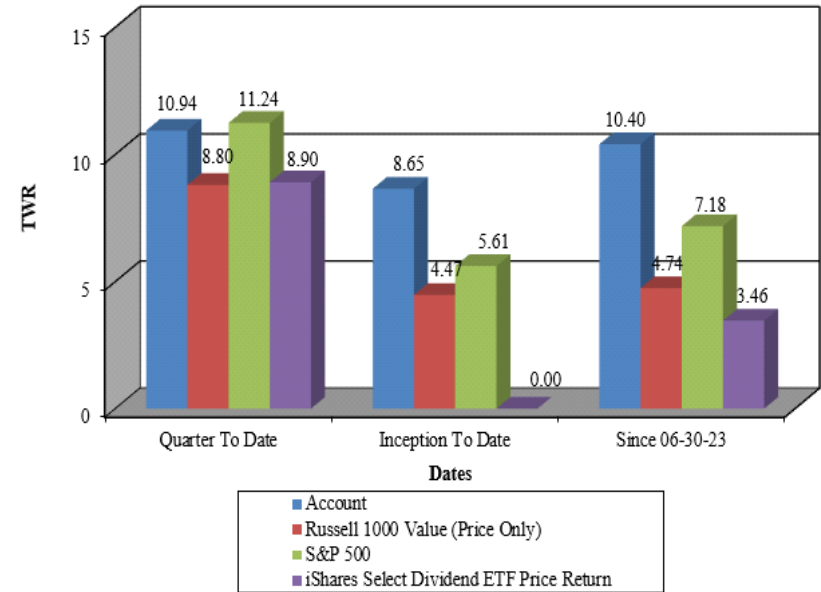
The George H. Clark Memorial Scholarship Fund had a Q2 return of 10.94%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of 8.90%.

City of Sacramento
George H. Clark Memorial Scholarship Fund
 December 31, 2023

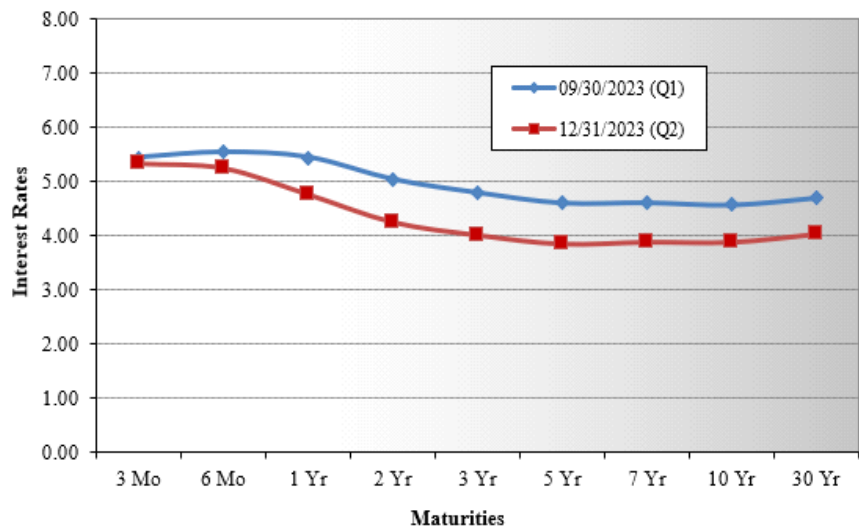
Performance

	Quarter To Date	Inception To Date	Since 06-30-2023
Account	10.94	8.65	10.40
Russell 1000 Value (Price Only)	8.80	4.47	4.74
S&P 500	11.24	5.61	7.18
iShares Select Dividend ETF Price Return	8.90	? *	3.46

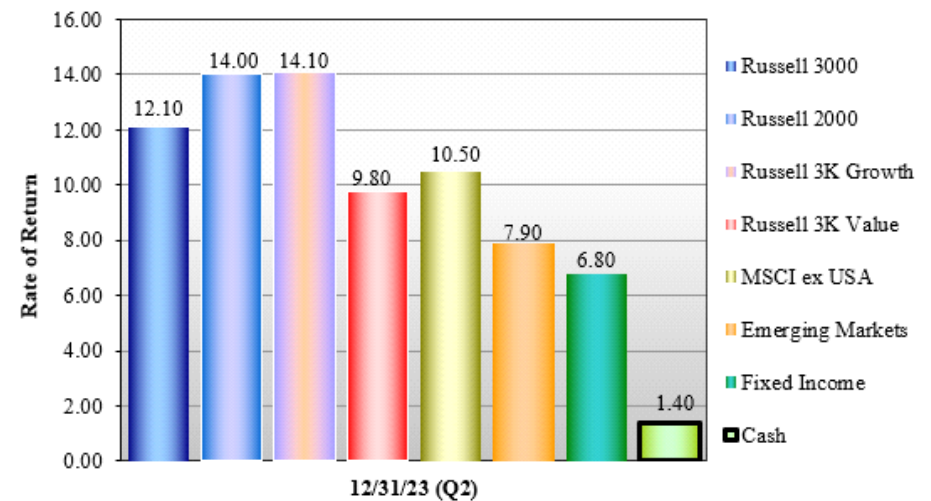
* Index commencement date was 11/30/2003



U.S. Treasury Yield Curve - QE 09/30/2023 (Q1) vs QE 12/31/2023 (Q2)



Capital Market Returns - Quarter Ended 12/31/2023 (Q2)



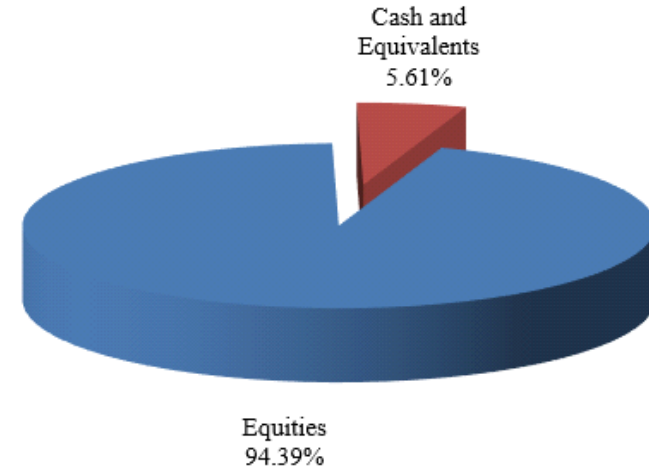
City of Sacramento
George H. Clark Memorial Scholarship Fund
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Activity

From 09-30-23 to 12-31-23

Portfolio Value on 09-30-23	1,706,682
Contributions	0
Withdrawals	-14,367
Realized Gains	0
Unrealized Gains	172,843
Interest	717
Dividends	12,607
Portfolio Value on 12-31-23	1,878,483

Actual Asset Allocation



Operating Cash Account Activity

From Inception to 12-31-2023

	Inception to FY23	FY24 QE		Inception to FY24
		09-30-23	12-31-23	
Beginning Balance		197,054	193,411	
Initial Contribution	83			83
Cash Transfers In *	661,883	11,357	14,367	687,607
Interest Income **	20,489			20,489
Scholarship Payments	-405,000	-15,000		-420,000
Investment Mgt Fees	-80,401			-80,401
Ending Balance	197,054	193,411	207,778	207,778

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

** July to December 2023 Pool A earnings are yet to be apportioned.

Top 10 Holdings

Securities	Market Value	Pct.
Intel Corp	145,725	7.76
Apple Inc.	106,854	5.69
Pool A Cash	102,511	5.46
Home Depot Inc	100,499	5.35
Block H & R Inc	96,740	5.15
International Bus Mach	96,494	5.14
Caterpillar Inc Del Com	94,614	5.04
Ishares Tr Russell 1000 Val	80,146	4.27
Johnson & Johnson	78,370	4.17
Ishares Select Dividend ETF	75,607	4.02

City of Sacramento
PORTFOLIO APPRAISAL
George H. Clark Memorial Scholarship Fund
December 31, 2023

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		1,408		1,408		1,408	0.07	4.00			
	PoolA	Pool A Cash		102,511		102,511		102,511	5.46	2.60			
	intreceiv	Pool A Interest Receivable		1,371		1,371		1,371	0.07	2.60			
				105,290		105,290		105,290	5.61	2.62			
COMMON STOCK													
INDUSTRIALS													
3,750	adt	ADT Inc Del Com	8.15	30,580	6.82	25,575		25,575	1.36	2.05			
320	cat	Caterpillar Inc Del Com	69.20	22,143	295.67	94,614		94,614	5.04	1.76	B+		
185	hon	Honeywell	127.59	23,605	209.71	38,796		38,796	2.07	2.06	A-		
225	unp	Union Pac Corp Com	110.02	24,754	245.62	55,264		55,264	2.94	2.12	A		
				101,083		214,250		214,250	11.41	1.94			
COMMUNICATION SERVICES													
700	t	At&t Inc	30.44	21,305	16.78	11,746		11,746	0.63	6.62	B		
700	vz	Verizon Communications Inc	38.05	26,634	37.70	26,390		26,390	1.40	7.06	B		
				47,939		38,136		38,136	2.03	6.92			
CONSUMER DISCRETIONARY													
290	hd	Home Depot Inc	246.33	71,436	346.55	100,499		100,499	5.35	2.41	A+		
260	xly	Select Sector Spdr Tr Sbi Cons Discr	33.50	8,710	178.81	46,491		46,491	2.47	0.78			
450	sbux	Starbucks Corp	100.41	45,186	96.01	43,204		43,204	2.30	2.37	B+		
				125,331		190,195		190,195	10.12	2.00			
CONSUMER STAPLES													
650	mo	Altria Group Inc	26.65	17,324	40.34	26,221		26,221	1.40	9.72	A-		
600	ko	Coca Cola Co Com	32.30	19,383	58.93	35,358		35,358	1.88	3.12	B+		
280	pg	Procter & Gamble Co	88.22	24,702	146.54	41,031		41,031	2.18	2.57	A		
				61,408		102,610		102,610	5.46	4.59			
ENERGY													
340	cvx	Chevron Corporation	118.00	40,119	149.16	50,714		50,714	2.70	4.05	B		
800	oke	Oneok Inc New Com	76.09	60,872	70.22	56,176		56,176	2.99	5.44			
				100,991		106,890		106,890	5.69	4.78			
FINANCIAL													
2,000	hrb	Block H & R Inc	22.17	44,350	48.37	96,740		96,740	5.15	2.65	A-		
400	jpm	Jpmorgan Chase & Co	124.36	49,744	170.10	68,040		68,040	3.62	2.47	A-		
1,710	xlf	Select Sector Spdr Tr Sbi Int-Finl	21.00	35,918	37.60	64,296		64,296	3.42	1.71			
				130,012		229,076		229,076	12.19	2.33			
HEALTHCARE													
880	gild	Gilead Sciences Inc	83.28	73,285	81.01	71,289		71,289	3.80	3.70	B+		

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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
500	jnj	Johnson & Johnson	61.71	30,855	156.74	78,370		78,370	4.17	3.04	A-		
				104,140		149,659		149,659	7.97	3.35			
INFORMATION TECHNOLOGY													
555	aapl	Apple Inc.	22.71	12,602	192.53	106,854		106,854	5.69	0.50	B+		
2,900	intc	Intel Corp	25.49	73,920	50.25	145,725		145,725	7.76	1.00	B+		
590	ibm	International Bus Mach	137.01	80,839	163.55	96,494		96,494	5.14	4.06	A-		
360	iyw	Ishares US Technology ETF	14.63	5,267	122.75	44,190		44,190	2.35	0.27			
				172,627		393,264		393,264	20.94	1.53			
UTILITIES													
750	d	Dominion Energy Inc	81.71	61,284	47.00	35,250		35,250	1.88	5.68	B		
600	nee	NextEra Energy Inc Com	85.94	51,564	60.74	36,444		36,444	1.94	3.08			
1,010	xlu	Select Sector Spdr Tr Sbi Int-Utils	42.96	43,385	63.33	63,963		63,963	3.41	3.39			
				156,233		135,657		135,657	7.22	3.90			
PASSIVE INDEX													
645	dvy	Ishares Select Dividend ETF	104.99	67,718	117.22	75,607		75,607	4.02	3.82			
485	iwd	Ishares Tr Russell 1000 Val	126.59	61,396	165.25	80,146		80,146	4.27	2.02			
				129,114		155,753		155,753	8.29	2.89			
				1,128,879		1,715,490		1,715,490	91.32	2.72			
AMERICAN DEPOSITORY RECEIPTS													
ENERGY													
1,630	bp	BP Plc Sponsored Adr	38.94	63,473	35.40	57,702		57,702	3.07	4.87			
				63,473		57,702		57,702	3.07	4.87			
TOTAL PORTFOLIO				1,297,643		1,878,483	0	1,878,483	100.00	2.78			

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
George H. Clark Memorial Scholarship Fund
From 10-01-23 To 12-31-23

<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!