



# City of Hayward

## Portfolio Update

November 18, 2020

**Monique Spyke, Managing Director**

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PFM Asset  
Management LLC

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50 California Street  
Suite 2300  
San Francisco, CA 94111

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[pfm.com](http://pfm.com)



## PFM Is a National Leader in Managing Public Funds

40 years

public sector experience

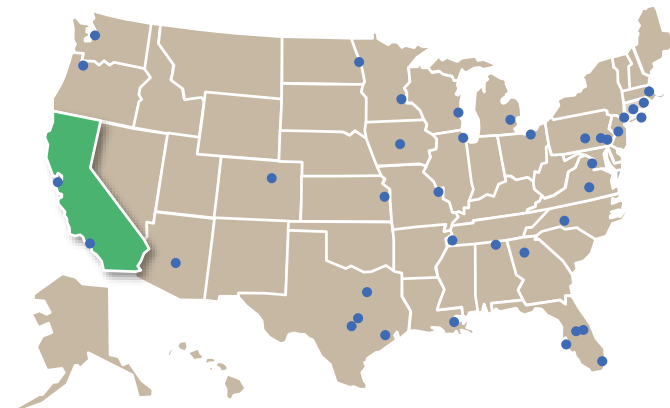
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investment professionals

- Philosophy and mission consistent with public sector objectives
- Strong record of success meeting individual client objectives
- Responsive, experienced team

\$160b

TOTAL ASSETS NATIONWIDE



CALIFORNIA

\$50b

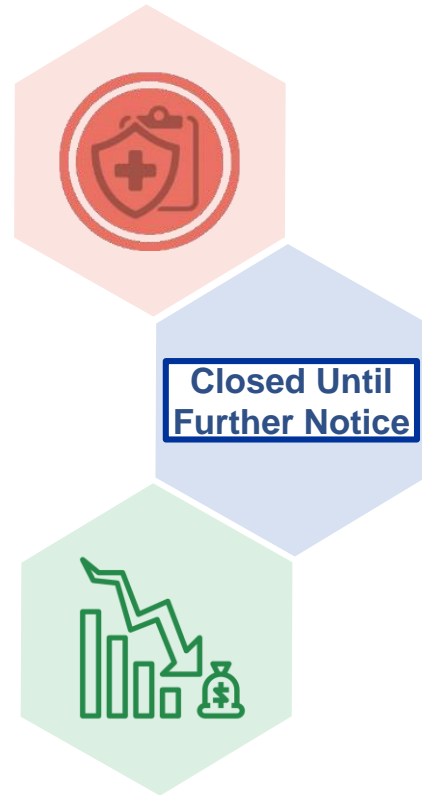
TOTAL ASSETS

*As of June 30, 2020. Please see Important Disclosures at the end of this presentation.*



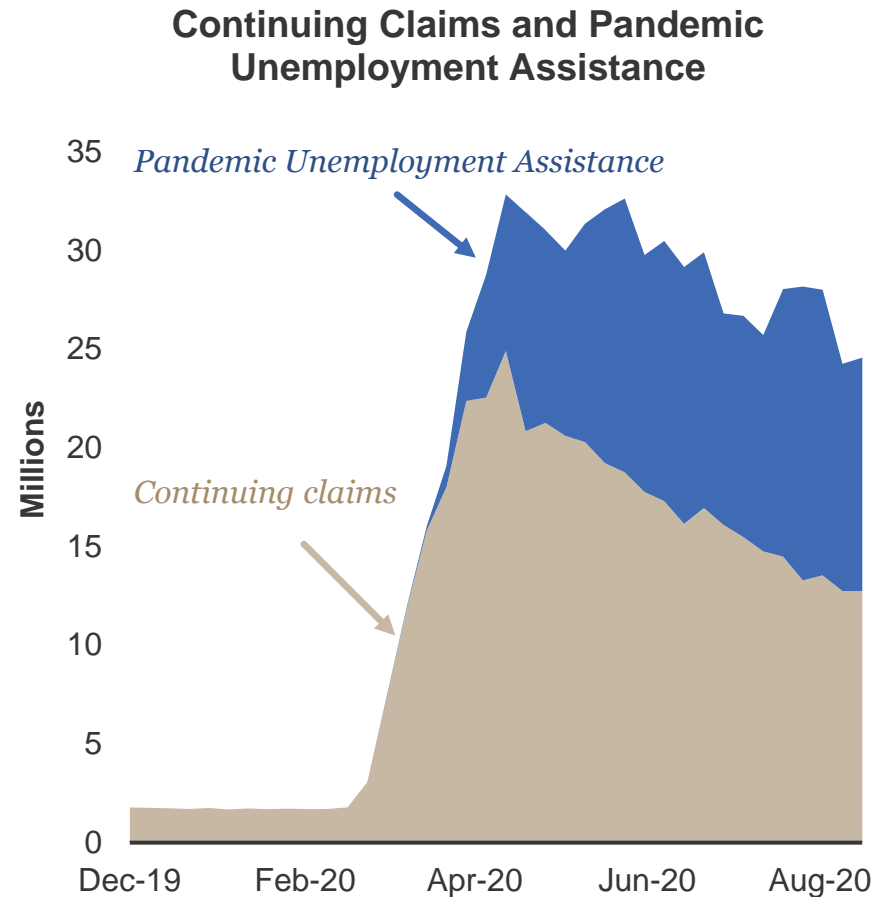
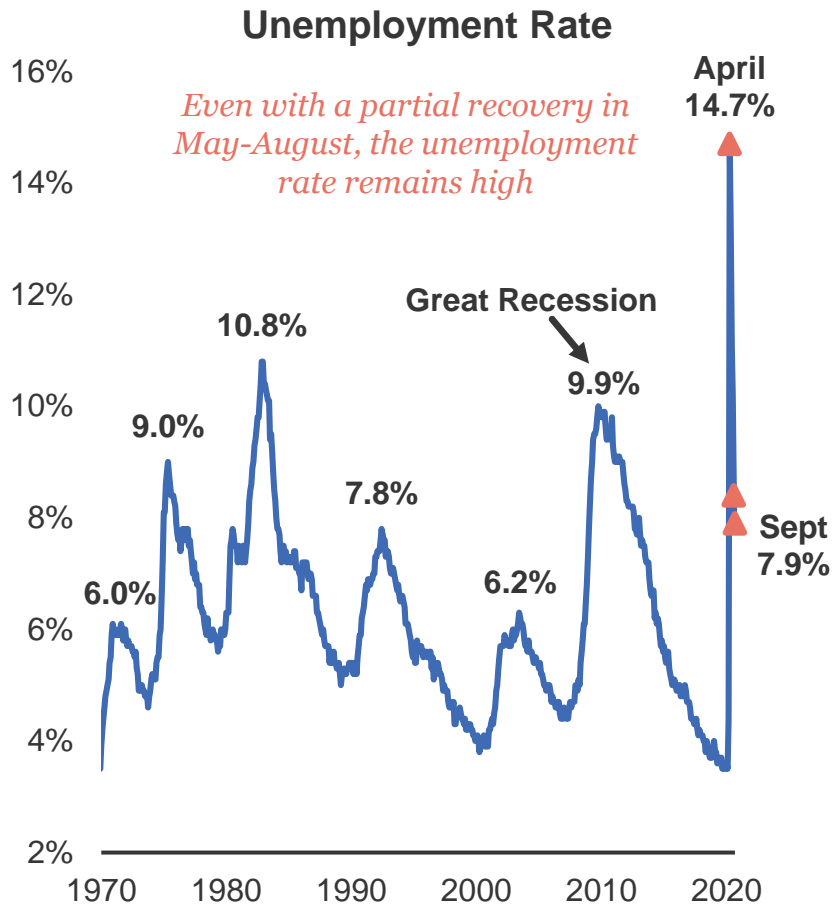
## Current Market Themes

- ◆ As the COVID-19 pandemic took hold across the globe, it created a threefold crisis:
  - Health crisis pandemic
  - Effects on the economy
  - Effects on the financial markets
- ◆ The Fed acted quickly and strongly
  - Cut the target federal funds rate by 150 basis points (1.50%) to 0-0.25%
  - Implemented major programs to support liquidity and overall financial markets
- ◆ U.S. Treasury yields plunged during March
  - Short-term yields have settled near 0%
  - Long-term rates remain near record lows
- ◆ Yield spreads between non-government securities and U.S. Treasuries widened sharply, temporarily





## Achieving Pre-Pandemic Employment Levels May Be Challenging

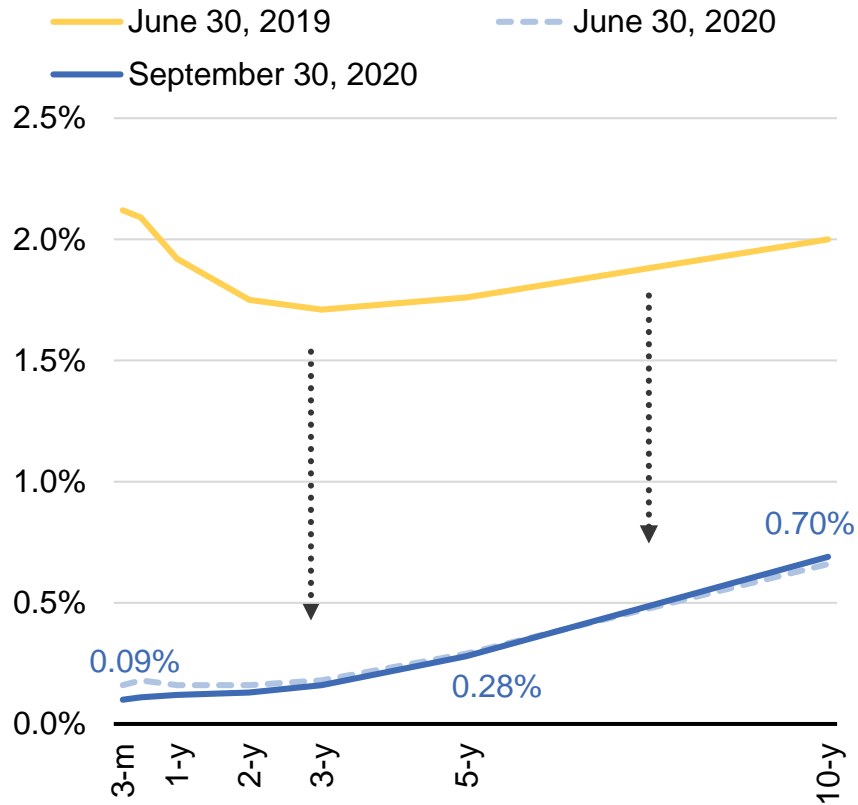


Source: Bloomberg as of 9/30/2020. Data is seasonally adjusted.

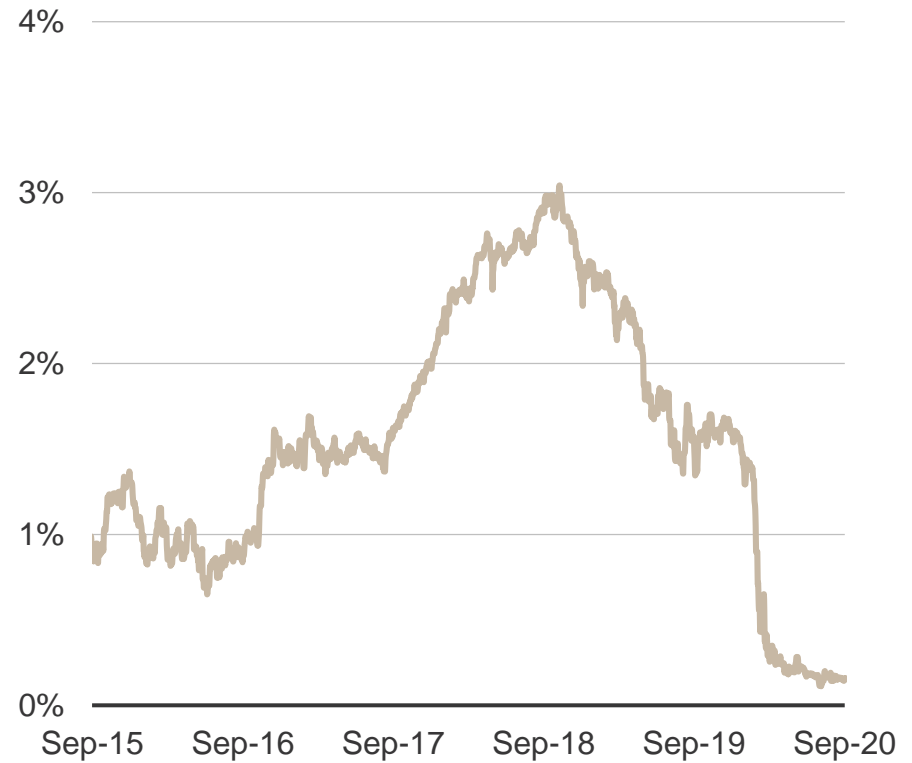


## Interest Rates Are Stable Near Historic Lows

### U.S. Treasury Yield Curves



### 3-Year Treasury Yield



Source: Bloomberg as of 9/30/2020.



## City of Hayward's Investment Objectives

### Safety

- High Quality investments
- Avoid capital losses from defaults and erosion of security value

### Liquidity

- Ensure liquidity profile of portfolio remains high
- City communicates any liquidity needs

### Return on Investment

- Duration management
- Active trading and continual evaluation of relative value among allowable sectors

### Diversification

- Avoid concentration in any specific security type and financial institution



# Outlook

## KEY TAKEAWAYS

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- The U.S. and global economic recoveries have been stronger than expected.
- In the U.S., however, the pace of recovery appears to be slowing. Getting back to pre-pandemic growth and employment levels will likely be challenging.
- Intervention by the Federal Reserve and lawmakers to bolster the markets and provide support to business and individuals will likely continue to take center stage.
- Rates expected to remain very low until at least 2023.

## PORTFOLIO STRATEGY IMPLICATIONS

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- Continue to increase surveillance of all corporate and asset-backed securities.
- Increase allocation to federal agencies, a safe haven asset class offering increased value.
- Maintain diversification.
- Renewed emphases on safety and liquidity.

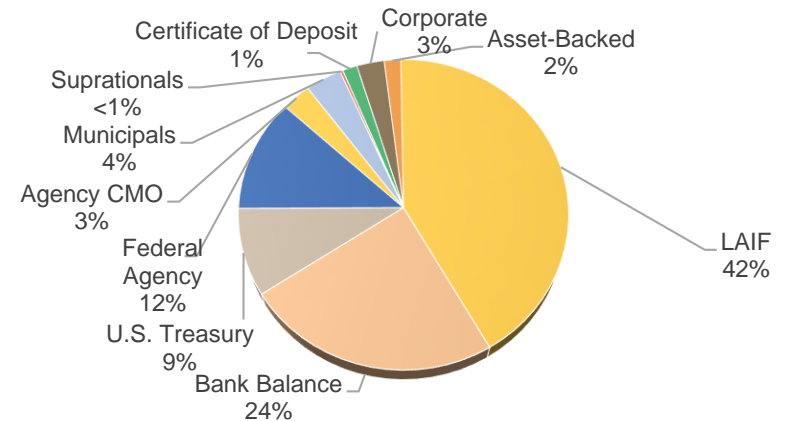


## Total Portfolio Snapshot as of September 30, 2020

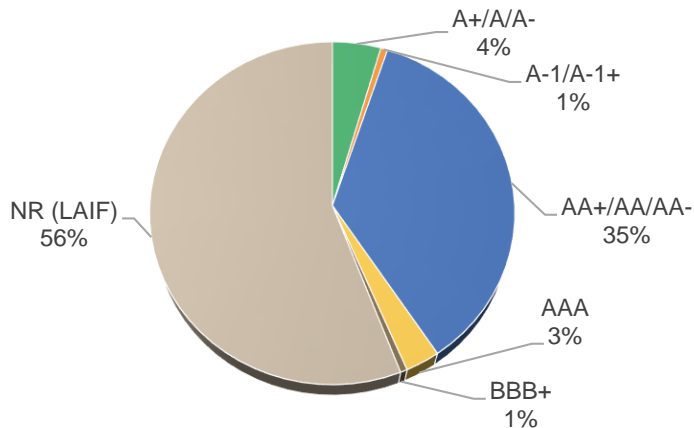
### Portfolio Statistics

Par Value	\$380,316,123
Market Value	\$382,833,754
Yield at cost	0.87%
Yield at market	0.49%
WAM (years)	0.70
Average Credit	AA

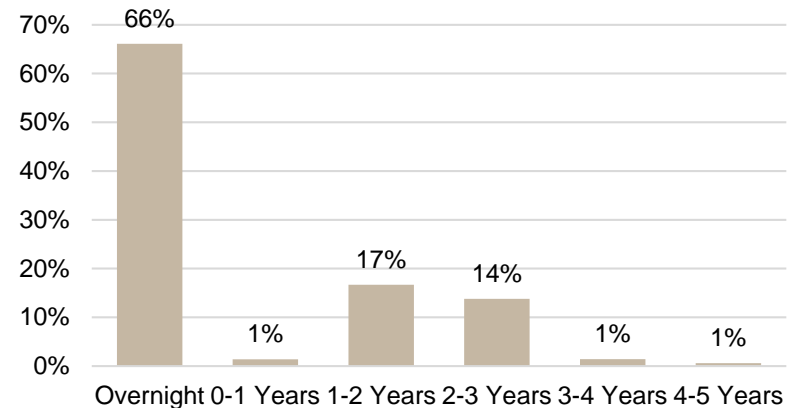
### Sector Allocation



### Credit Quality (S&P Ratings)



### Maturity Distribution



- Portfolio statistics calculations include funds managed by PFM, balances in LAIF, and balances in the Bank of the West and JPM Chase. Excludes accrued interest. The maximum allowable LAIF balance is \$75 million per account. LAIF City: \$60.5 million. LAIF HPFA: \$41.5 million. LAIF Housing: \$58.6 million.
- Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO or were rated A- or the equivalent or better by at least one NRSRO at time of purchase. If not rated by S&P, Moody's ratings used. Bank balances excluded.



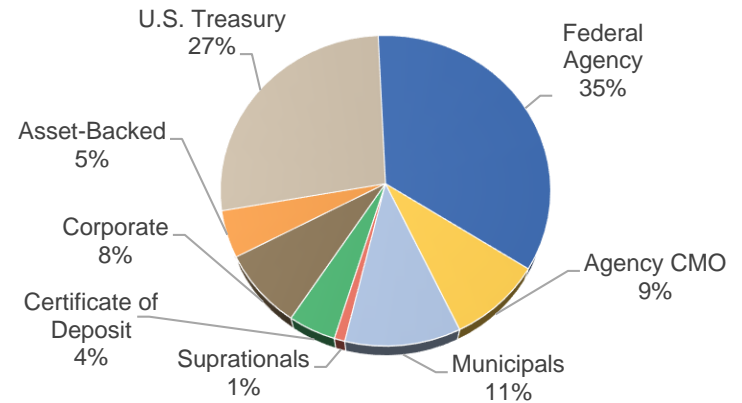


# City of Hayward Portfolio Snapshot as of September 30, 2020

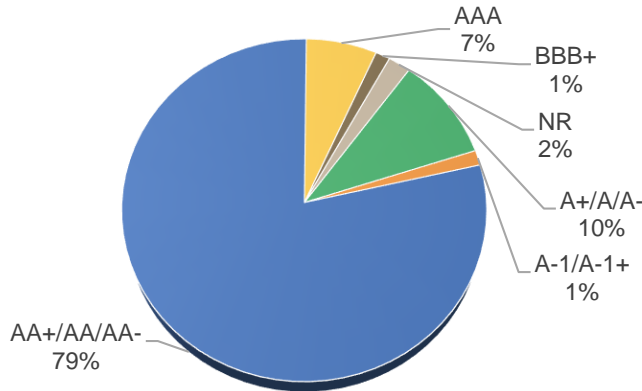
## Portfolio Statistics

Par Value	\$127,291,815
Market Value	\$129,809,447
Yield at cost	1.52%
Yield at market	0.42%
WAM (years)	2.05
Average Credit	AA

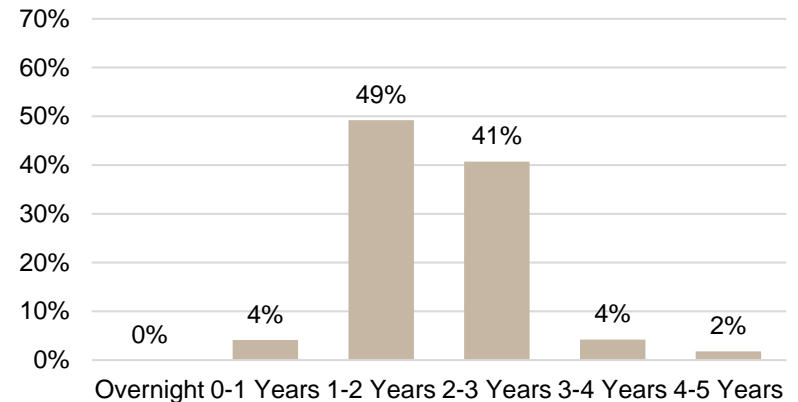
## Sector Allocation



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## Portfolio Total Return Performance

**Total Return**  
For Period Ending September 30, 2020

	Annualized Total Return			
	Past Year	Past 3 Years	Past 5 Years	Since Inception
<b>City of Hayward</b>	<b>3.76%</b>	<b>2.80%</b>	<b>2.00%</b>	<b>1.50%</b>
Performance Benchmark <i>1-3 Year U.S. Treasury Index</i>	3.58%	2.64%	1.80%	1.38%
<b>Difference</b>	<b>+0.18%</b>	<b>+0.16%</b>	<b>+0.20%</b>	<b>+0.12%</b>

- Performance calculation excludes funds in LAIF and Bank Balances.
- Market Benchmark is the ICE Bank of America Merrill Lynch (BofAML) 1-3 Year Treasury Index. Provided by Bloomberg Financial Markets.
- Inception date is September 30, 2002.



**Hayward Accrual Basis Earnings Report**  
**Fiscal Years 2019-200**  
**Investment Portfolio - Accrual Basis Earnings**

INVESTMENT PORTFOLIO			
Date	Portfolio YTM at Cost <sup>1</sup>	Accrual Basis Portfolio Fixed Earnings <sup>2</sup>	Assumed Reinvestment Rate <sup>3,4,5</sup>
19-Jul	2.39%	\$240,206	
19-Aug	2.38%	\$230,655	
19-Sep	2.35%	\$247,059	
19-Oct	2.32%	\$243,501	
19-Nov	2.31%	\$244,370	
19-Dec	2.30%	\$257,361	
20-Jan	2.28%	\$250,986	
20-Feb	2.25%	\$281,735	
20-Mar	2.17%	\$314,953	
20-Apr	2.03%	\$549,869	
20-May	1.95%	\$320,332	
20-Jun	1.80%	\$390,914	
<b>FY 19-20 Total</b>		<b>\$3,571,940</b>	

1. Portfolio yield to maturity (YTM) at cost from 7/1/19 – 6/30/20 based on actual portfolio YTM at cost.

2. Accrual basis earnings from 7/1/19 – 6/30/20 based on actual portfolio earnings; periods thereafter are projected.

3. Projected portfolio earnings assume accrual basis earnings at the "Assumed Reinvestment Rate" for that particular month.

4. The "Assumed Reinvestment Rates" reflect estimates of the forward rates of the 2-Year U.S. Treasury Note as of 10/31/2020 produced by Bloomberg.

5. Actual yields could vary significantly in the future.

Projection excludes funds in LAIF and Bank Balances.



**Hayward Accrual Basis Earnings Report**  
**Fiscal Years 2020-2021**  
**Investment Portfolio - Accrual Basis Earnings Estimates**

INVESTMENT PORTFOLIO			
Date	Portfolio YTM at Cost <sup>1</sup>	Accrual Basis Portfolio Fixed Earnings <sup>2</sup>	Assumed Reinvestment Rate <sup>3,4,5</sup>
20-Jul	1.69%	\$351,143	
20-Aug	1.58%	\$311,713	
20-Sep	1.52%	\$246,501	
20-Oct	1.46%	\$205,317	
20-Nov	1.46%	\$152,603	0.19%
20-Dec	1.46%	\$157,690	0.20%
21-Jan	1.46%	\$157,690	0.21%
21-Feb	1.44%	\$141,179	0.22%
21-Mar	1.44%	\$156,305	0.23%
21-Apr	1.43%	\$149,988	0.25%
21-May	1.42%	\$153,917	0.26%
21-Jun	1.41%	\$147,479	0.27%
<b>FY 20-21 Total</b>		<b>\$2,331,524</b>	

1. Portfolio yield to maturity (YTM) at cost from 7/1/20 – 10/31/20 based on actual portfolio YTM at cost. Periods thereafter reflect earnings rates.

2. Accrual basis earnings from 7/1/19 – 10/31/20 based on actual portfolio earnings; periods thereafter are projected.

3. Projected portfolio earnings assume accrual basis earnings at the "Assumed Reinvestment Rate" for that particular month.

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## Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

**Total assets:** \$160.7 billion in total assets includes \$119.3 billion in discretionary assets under management and \$41.5 billion in non-discretionary assets under advisement as of September 30, 2020. \$49.7 billion in California assets includes \$28.7 billion in discretionary assets under management and \$21.1 billion in non-discretionary assets under advisement as of June 30, 2020. All data as of September 30, 2020, unless otherwise noted.