

# Q1 FY2024

## Ethel Hart Mutual Endowment Fund Quarterly Investment Report September 30, 2023



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

John Colville, City Treasurer

Q1 FY2024

## **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 Stephanie Wilson, Recreation Superintendent for the Department of Youth, Parks, and Community Enrichment. 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 2.62% 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.

## Q1 MARKET OVERVIEW

### Equities:

Equity markets experienced a reversal during the first quarter of the fiscal year, as the S&P 500 decreased **3.65%**, while the Dow Jones decreased **2.62%**. Even so, domestic equity markets are having a solid calendar year, with all three of the major indexes (S&P 500, Dow Jones, NASDAQ) up double-digit percentages in 2023. Persistent inflation is mostly to blame for the sluggish quarter, as companies struggle with the prospect of prices for everything staying higher than anticipated for longer than anticipated.

### Fixed Income/Rates:

Interest rates rose during the quarter, partly in response to a July rate hike by The Fed. This brought the upper bound of the Federal Funds Rate to 5.50%, with a chance it could go even higher. Yields on 6-month Treasuries increased to 5.54%, while yields further out on the curve increased in response to greater economic uncertainty. The 5-year Treasury closed the quarter at 4.61%, with the 10-year Treasury at 4.57%. The 10-year has a major influence on mortgage rates, which helped push the rate on a conventional 30-year fixed rate loan close to 8.0%.

### Economy:

The U.S. economy was expected to grow at a rate of 2.2% during the quarter ending September 30, 2023. This type of growth in the economy goes against expectations following multiple interest rate hikes from The Fed over the past 18 months. CPI (Inflation) checked in at 3.2% year-over-year during September, which was worse than expectations and remains well above the target rate of 2.0%. Consumers, who are the main driver of the American economy, are very pessimistic. A majority report that their situation has degraded over the past few years, with elevated inflation being their biggest economic concern. The employment market remains resilient, as job growth has been strong, even with action from The Fed that was designed to slow the rate of hiring.

### International Markets:

International and emerging markets experienced a similar downturn during the quarter. The war in Ukraine raged on with no end in sight. Ukrainian President Zelensky made a trip to New York for a visit to the United Nations. While there, he made a case for more aid to be sent to help his country not only defend itself, but to also take a more offensive stance with their Russian adversaries. With winter on the horizon, continued disruption of energy production and delivery in that part of the world will keep global energy prices elevated for the time being. International holdings declined similarly to their domestic counterparts, as the MSCI EAFE & MSCI EM dipped **4.10%** and **2.90%**, respectively, during the quarter.

### Performance vs. Benchmark:

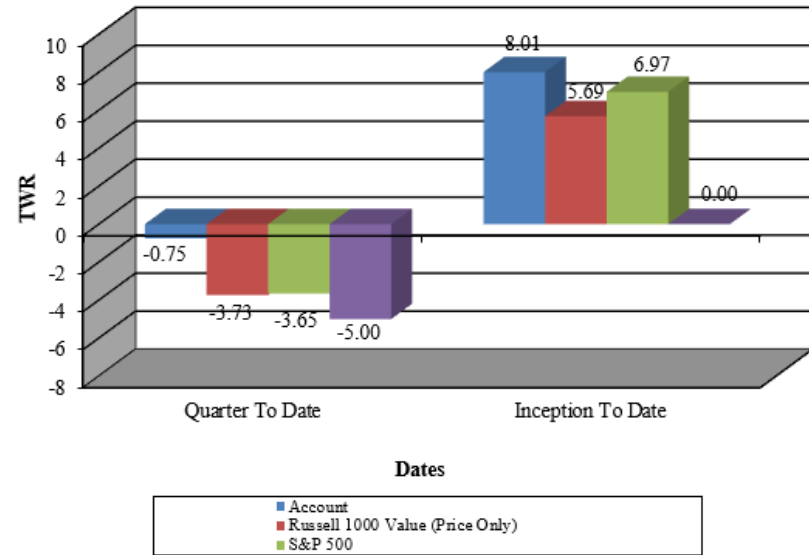
The Ethel Hart Endowment Fund had a Q1 return of **-0.75%**, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of **-5.00%**.

City of Sacramento  
**Ethel Hart Mutual Endowment Fund**  
 September 30, 2023

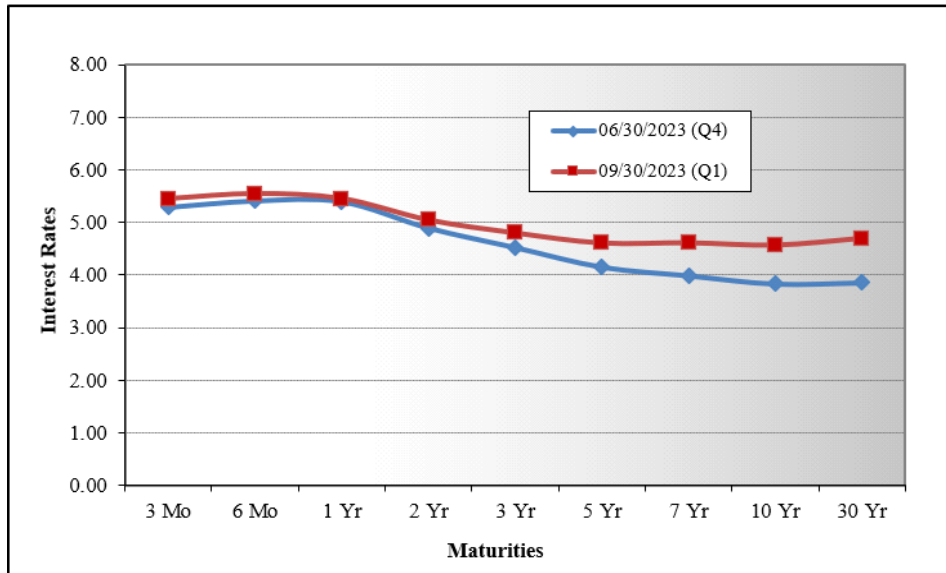
## Performance

	Quarter To Date	Inception To Date
Account	-0.75	8.01
Russell 1000 Value (Price Only)	-3.73	5.69
S&P 500	-3.65	6.97
iShares Select Dividend ETF Price Return	-5.00	? *

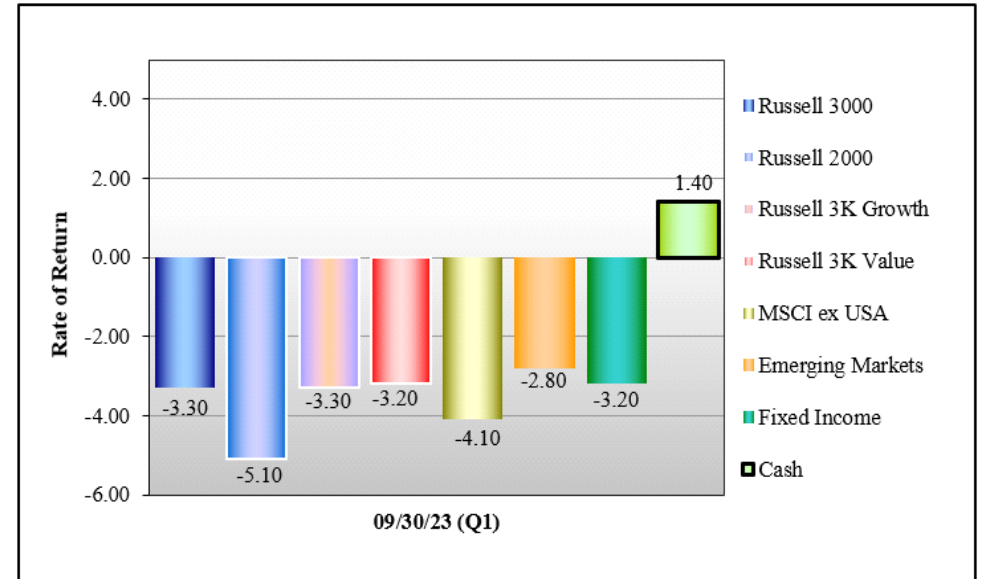
\* Index commencement date was 11/30/2003



U.S. Treasury Yield Curve - QE 06/30/2023 (Q4) vs QE 09/30/2023 (Q1)



Capital Market Returns - Quarter Ended 09/30/2023 (Q1)



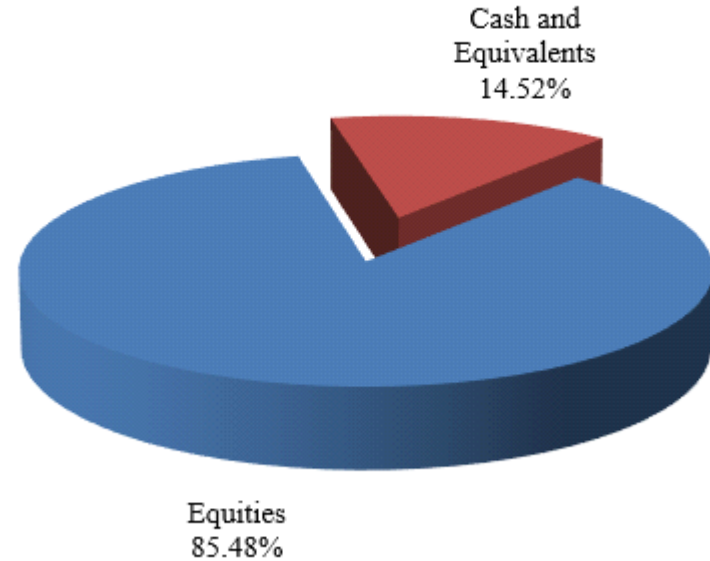
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**Activity**

From 06-30-23 to 09-30-23

<b>Portfolio Value on 06-30-23</b>	<b>3,072,752</b>
Contributions	0
Withdrawals	0
Realized Gains	0
Unrealized Gains	-48,847
Interest	2,660
Dividends	23,191
<b>Portfolio Value on 09-30-23</b>	<b>3,049,757</b>

**Actual Asset Allocation**



**Top 10 Holdings**

Securities	Market Value	Pct.
Pool A Cash	435,678	14.29
Home Depot Inc	113,310	3.72
Jpmorgan Chase & Co	108,765	3.57
International Bus Mach	105,225	3.45
Intel Corp	103,095	3.38
Select Sector Spdr Tr Sbi Int-Energy	101,689	3.33
Microsoft Corp	101,040	3.31
Block H & R Inc	96,885	3.18
Apple Inc.	95,878	3.14
Prudential Finl Inc Com	94,890	3.11

City of Sacramento  
**PORTFOLIO APPRAISAL**  
*Ethel Hart Mutual Endowment Fund*  
September 30, 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
<b>CASH AND EQUIVALENTS</b>													
	divacc	Dividend Accrual		4,680		4,680		4,680	0.15	4.00			
	PoolA	Pool A Cash		435,678		435,678		435,678	14.29	2.64			
	intreceiv	Pool A Interest Receivable		2,502		2,502		2,502	0.08	2.64			
				442,861		442,861		442,861	14.52	2.65			
<b>COMMON STOCK</b>													
<b>INDUSTRIALS</b>													
300	hon	Honeywell	105.24	31,573	184.74	55,422		55,422	1.82	2.23	A-		
800	ip	Intl Paper Co	51.93	41,544	35.47	28,376		28,376	0.93	5.22	B-		
380	unp	Union Pac Corp Com	109.96	41,786	203.63	77,379		77,379	2.54	2.55	A		
				114,903		161,177		161,177	5.28	2.91			
<b>COMMUNICATION SERVICES</b>													
5,400	t	At&t Inc	22.25	120,163	15.02	81,108		81,108	2.66	7.39	B		
1,000	vz	Verizon Communications Inc	39.15	39,153	32.41	32,410		32,410	1.06	8.21	B		
				159,316		113,518		113,518	3.72	7.62			
<b>CONSUMER DISCRETIONARY</b>													
375	hd	Home Depot Inc	119.60	44,849	302.16	113,310		113,310	3.72	2.77	A+		
<b>CONSUMER STAPLES</b>													
1,100	mo	Altria Group Inc	26.65	29,317	42.05	46,255		46,255	1.52	9.32	A-		
790	ko	Coca Cola Co Com	36.12	28,535	55.98	44,224		44,224	1.45	3.29	B+		
2,000	cag	Conagra Inc Com	36.46	72,922	27.42	54,840		54,840	1.80	5.11	B+		
300	pep	Pepsico Inc	117.43	35,229	169.44	50,832		50,832	1.67	2.99	A-		
300	pg	Procter & Gamble Co	88.20	26,460	145.86	43,758		43,758	1.43	2.58	A		
				192,463		239,909		239,909	7.87	4.67			
<b>ENERGY</b>													
540	cvx	Chevron Corporation	102.80	55,510	168.62	91,055		91,055	2.99	3.58	B		
500	etr	Entergy Corp New Com	119.77	59,885	92.50	46,250		46,250	1.52	4.63	B		
580	xom	Exxon Mobil Corporation	83.25	48,286	117.58	68,196		68,196	2.24	3.10	B+		
1,400	oke	Oneok Inc New Com	76.09	106,527	63.43	88,802		88,802	2.91	6.02			
1,125	xle	Select Sector Spdr Tr Sbi Int-Energy	65.94	74,185	90.39	101,689		101,689	3.33	3.36			
				344,393		395,992		395,992	12.98	4.11			
<b>FINANCIAL</b>													
2,250	hrb	Block H & R Inc	20.94	47,118	43.06	96,885		96,885	3.18	2.97	A-		
750	jpm	Jpmorgan Chase & Co	45.10	33,825	145.02	108,765		108,765	3.57	2.90	A-		
1,450	met	Metlife Inc Com	46.62	67,593	62.91	91,219		91,219	2.99	3.31	B+		
1,000	pru	Prudential Finl Inc Com	81.94	81,936	94.89	94,890		94,890	3.11	5.27	B-		
2,300	xlf	Select Sector Spdr Tr Sbi Int-Finl	13.41	30,847	33.17	76,291		76,291	2.50	2.01			
800	usb	U. S. Bancorp	31.49	25,192	33.06	26,448		26,448	0.87	5.81	A		
				286,512		494,498		494,498	16.21	3.46			

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September 30, 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
<b>HEALTHCARE</b>													
880	gild	Gilead Sciences Inc	83.18	73,199	74.94	65,947		65,947	2.16	4.00	B+		
260	jnj	Johnson & Johnson	61.41	15,966	155.75	40,495		40,495	1.33	3.06	A-		
820	mrk	Merck & Co Inc (new)	45.06	36,947	102.95	84,419		84,419	2.77	2.84	B-		
660	pfe	Pfizer Inc	23.78	15,692	33.17	21,892		21,892	0.72	4.94	B+		
				141,805		212,753		212,753	6.98	3.46			
<b>INFORMATION TECHNOLOGY</b>													
560	aapl	Apple Inc.	22.59	12,650	171.21	95,878		95,878	3.14	0.56	B+		
2,900	intc	Intel Corp	25.57	74,167	35.55	103,095		103,095	3.38	1.41	B+		
750	ibm	International Bus Mach	123.42	92,568	140.30	105,225		105,225	3.45	4.73	A-		
650	iyw	Ishares US Technology ETF	11.13	7,235	104.92	68,198		68,198	2.24	0.39			
320	msft	Microsoft Corp	24.44	7,819	315.75	101,040		101,040	3.31	0.95	B+		
				194,440		473,436		473,436	15.52	1.73			
<b>UTILITIES</b>													
1,100	d	Dominion Energy Inc	64.67	71,132	44.67	49,137		49,137	1.61	5.98	B		
825	nee	NextEra Energy Inc Com	85.94	70,901	57.29	47,264		47,264	1.55	3.26			
600	pnw	Pinnacle West Cap Corp	47.13	28,276	73.68	44,208		44,208	1.45	4.70	A-		
1,320	xlu	Select Sector Spdr Tr Sbi Int-Utils	51.77	68,342	58.93	77,788		77,788	2.55	3.60			
				238,651		218,397		218,397	7.16	4.28			
<b>PASSIVE INDEX</b>													
700	dvy	Ishares Select Dividend ETF	102.98	72,086	107.64	75,348		75,348	2.47	4.02			
460	iwd	Ishares Tr Russell 1000 Val	129.47	59,556	151.82	69,837		69,837	2.29	2.21			
				131,642		145,185		145,185	4.76	3.15			
				1,848,974		2,568,176		2,568,176	84.21	3.53			
<b>AMERICAN DEPOSITORY RECEIPTS</b>													
<b>ENERGY</b>													
1,000	bp	BP Plc Sponsored Adr	42.25	42,250	38.72	38,720		38,720	1.27	4.05			
				42,250		38,720		38,720	1.27	4.05			
<b>TOTAL PORTFOLIO</b>				<b>2,334,085</b>		<b>3,049,757</b>	<b>0</b>	<b>3,049,757</b>	<b>100.00</b>	<b>3.41</b>			

City of Sacramento  
PURCHASE/SALE AND GAIN/LOSS  
*Ethel Hart Mutual Endowment Fund*  
From 07-01-23 To 09-30-23

<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!