

Ethel Hart Mutual Endowment Fund Quarterly Investment Report December 31, 2023



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 2.41% 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.

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:

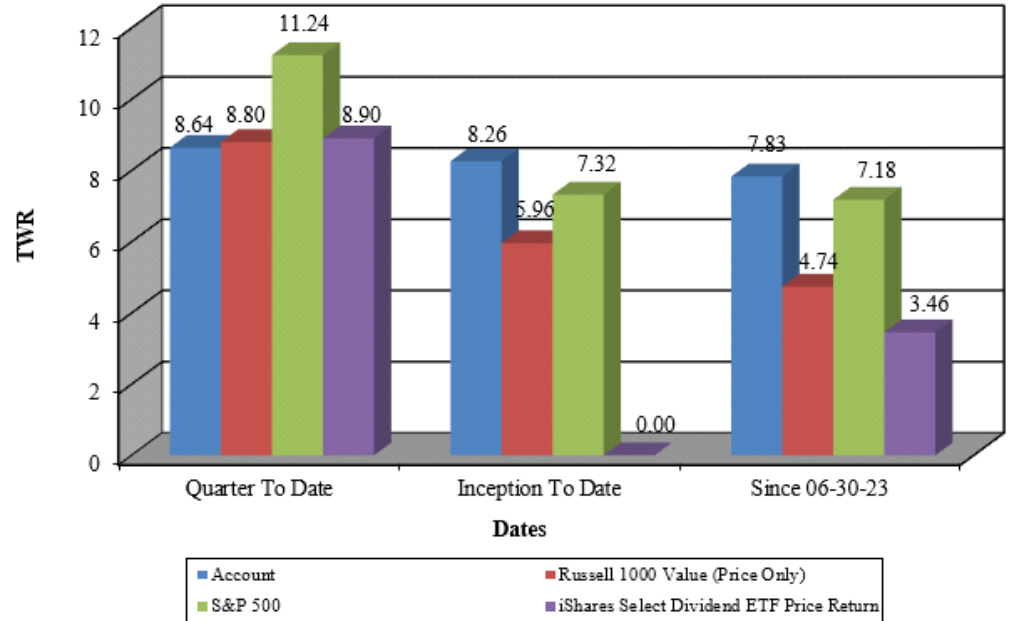
The Ethel Hart Endowment Fund had a Q2 return of 8.64%, essentially matching its benchmark, the iShares Select Dividend ETF (PR) which had a return of 8.90%.

City of Sacramento
Ethel Hart Mutual Endowment Fund
 December 31, 2023

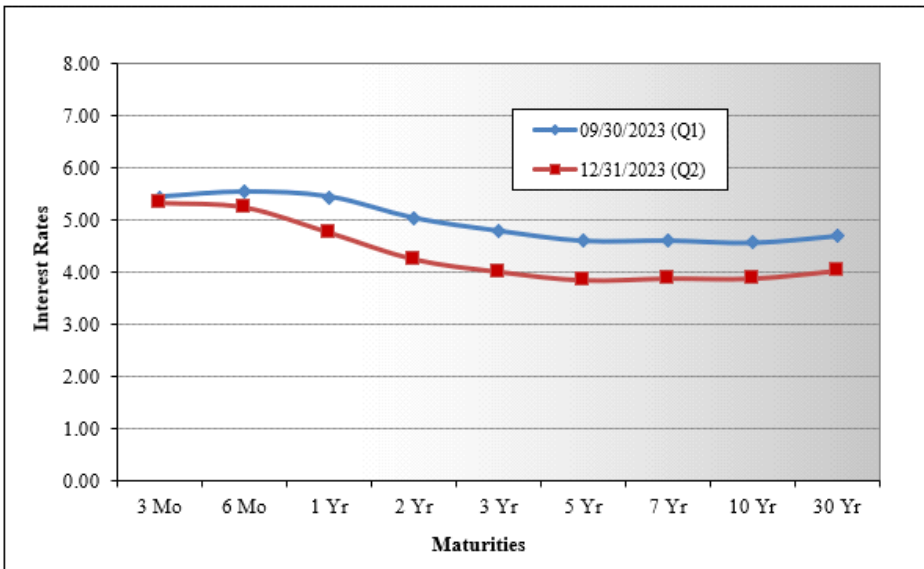
Performance

	Quarter To Date	Inception To Date	Since 06-30-2023
Account	8.64	8.26	7.83
Russell 1000 Value (Price Only)	8.80	5.96	4.74
S&P 500	11.24	7.32	7.18
iShares Select Dividend ETF Price Return	8.90	?*	3.46

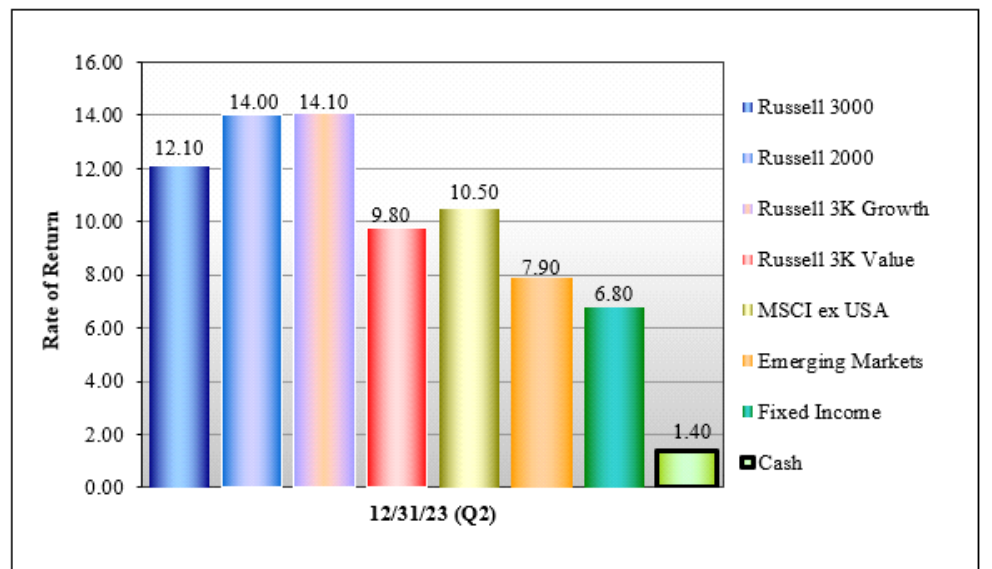
* Index commencement date was 11/30/2003



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)



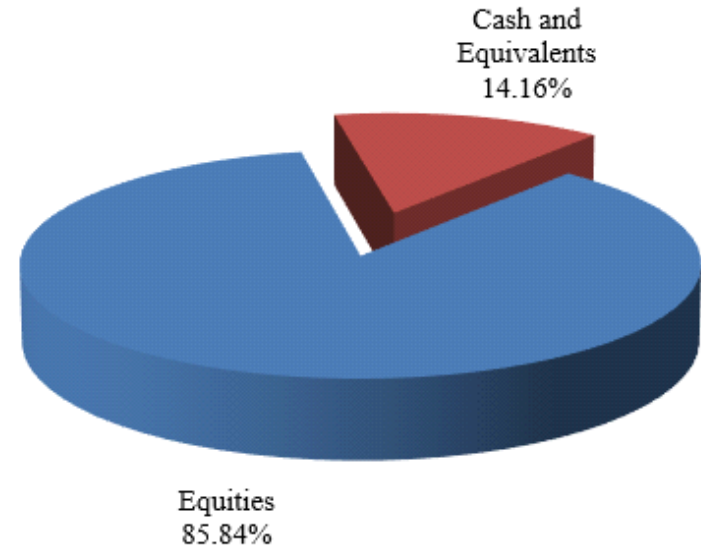
City of Sacramento
Ethel Hart Mutual Endowment Fund
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Activity

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

Portfolio Value on 09-30-23	3,049,757
Contributions	0
Withdrawals	0
Realized Gains	0
Unrealized Gains	237,314
Interest	2,718
Dividends	23,581
Portfolio Value on 12-31-23	3,313,370

Actual Asset Allocation



Top 10 Holdings

Securities	Market Value	Pct.
Pool A Cash	460,793	13.91
Intel Corp	145,725	4.40
Home Depot Inc	129,956	3.92
Jpmorgan Chase & Co	127,575	3.85
International Bus Mach	122,662	3.70
Microsoft Corp	120,333	3.63
Block H & R Inc	108,832	3.28
Apple Inc.	107,817	3.25
Prudential Finl Inc Com	103,710	3.13
Oneok Inc New Com	98,308	2.97

City of Sacramento
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
CASH AND EQUIVALENTS													
	divacc	Dividend Accrual		3,201		3,201		3,201	0.10	4.00			
	PoolA	Pool A Cash		460,793		460,793		460,793	13.91	2.60			
	intreceiv	Pool A Interest Receivable		5,166		5,166		5,166	0.16	2.60			
				<u>469,160</u>		<u>469,160</u>		<u>469,160</u>	14.16	2.61			
COMMON STOCK													
INDUSTRIALS													
300	hon	Honeywell	105.24	31,573	209.71	62,913		62,913	1.90	2.06	A-		
800	ip	Intl Paper Co	51.93	41,544	36.15	28,920		28,920	0.87	5.12	B-		
380	unp	Union Pac Corp Com	109.96	41,786	245.62	93,336		93,336	2.82	2.12	A		
				<u>114,903</u>		<u>185,169</u>		<u>185,169</u>	5.59	2.57			
COMMUNICATION SERVICES													
5,400	t	At&t Inc	22.25	120,163	16.78	90,612		90,612	2.73	6.62	B		
1,000	vz	Verizon Communications Inc	39.15	39,153	37.70	37,700		37,700	1.14	7.06	B		
				<u>159,316</u>		<u>128,312</u>		<u>128,312</u>	3.87	6.74			
CONSUMER DISCRETIONARY													
375	hd	Home Depot Inc	119.60	44,849	346.55	129,956		129,956	3.92	2.41	A+		
CONSUMER STAPLES													
1,100	mo	Altria Group Inc	26.65	29,317	40.34	44,374		44,374	1.34	9.72	A-		
790	ko	Coca Cola Co Com	36.12	28,535	58.93	46,555		46,555	1.41	3.12	B+		
2,000	cag	Conagra Inc Com	36.46	72,922	28.66	57,320		57,320	1.73	4.88	B+		
300	pep	Pepsico Inc	117.43	35,229	169.84	50,952		50,952	1.54	2.98	A-		
300	pg	Procter & Gamble Co	88.20	26,460	146.54	43,962		43,962	1.33	2.57	A		
				<u>192,463</u>		<u>243,163</u>		<u>243,163</u>	7.34	4.61			
ENERGY													
540	cvx	Chevron Corporation	102.80	55,510	149.16	80,546		80,546	2.43	4.05	B		
500	etr	Entergy Corp New Com	119.77	59,885	101.19	50,595		50,595	1.53	4.47	B		
580	xom	Exxon Mobil Corporation	83.25	48,286	99.98	57,988		57,988	1.75	3.80	B+		
1,400	oke	Oneok Inc New Com	76.09	106,527	70.22	98,308		98,308	2.97	5.44			
1,125	xle	Select Sector Spdr Tr Sbi Int-Energy	65.94	74,185	83.84	94,320		94,320	2.85	3.55			
				<u>344,393</u>		<u>381,758</u>		<u>381,758</u>	11.52	4.30			
FINANCIAL													
2,250	hrb	Block H & R Inc	20.94	47,118	48.37	108,832		108,832	3.28	2.65	A-		
750	jpm	Jpmorgan Chase & Co	45.10	33,825	170.10	127,575		127,575	3.85	2.47	A-		
1,450	met	Metlife Inc Com	46.62	67,593	66.13	95,888		95,888	2.89	3.15	B+		
1,000	pru	Prudential Finl Inc Com	81.94	81,936	103.71	103,710		103,710	3.13	4.82	B-		
2,300	xlf	Select Sector Spdr Tr Sbi Int-Finl	13.41	30,847	37.60	86,480		86,480	2.61	1.71			
800	usb	U. S. Bancorp	31.49	25,192	43.28	34,624		34,624	1.04	4.53	A		
				<u>286,512</u>		<u>557,110</u>		<u>557,110</u>	16.81	3.07			

City of Sacramento
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
HEALTHCARE													
880	gild	Gilead Sciences Inc	83.18	73,199	81.01	71,289		71,289	2.15	3.70	B+		
260	jnj	Johnson & Johnson	61.41	15,966	156.74	40,752		40,752	1.23	3.04	A-		
820	mrk	Merck & Co Inc (new)	45.06	36,947	109.02	89,396		89,396	2.70	2.83	B-		
660	pfe	Pfizer Inc	23.78	15,692	28.79	19,001		19,001	0.57	5.84	B+		
				141,805		220,439		220,439	6.65	3.41			
INFORMATION TECHNOLOGY													
560	aapl	Apple Inc.	22.59	12,650	192.53	107,817		107,817	3.25	0.50	B+		
2,900	intc	Intel Corp	25.57	74,167	50.25	145,725		145,725	4.40	1.00	B+		
750	ibm	International Bus Mach	123.42	92,568	163.55	122,662		122,662	3.70	4.06	A-		
650	iyw	Ishares US Technology ETF	11.13	7,235	122.75	79,787		79,787	2.41	0.27			
320	msft	Microsoft Corp	24.44	7,819	376.04	120,333		120,333	3.63	0.80	B+		
				194,440		576,325		576,325	17.39	1.41			
UTILITIES													
1,100	d	Dominion Energy Inc	64.67	71,132	47.00	51,700		51,700	1.56	5.68	B		
825	nee	NextEra Energy Inc Com	85.94	70,901	60.74	50,110		50,110	1.51	3.08			
600	pnw	Pinnacle West Cap Corp	47.13	28,276	71.84	43,104		43,104	1.30	4.90	A-		
1,320	xlu	Select Sector Spdr Tr Sbi Int-Utils	51.77	68,342	63.33	83,596		83,596	2.52	3.39			
				238,651		228,510		228,510	6.90	4.12			
PASSIVE INDEX													
700	dvy	Ishares Select Dividend ETF	102.98	72,086	117.22	82,054		82,054	2.48	3.82			
460	iwd	Ishares Tr Russell 1000 Val	129.47	59,556	165.25	76,015		76,015	2.29	2.02			
				131,642		158,069		158,069	4.77	2.95			
				1,848,974		2,808,810		2,808,810	84.77	3.24			
AMERICAN DEPOSITORY RECEIPTS													
ENERGY													
1,000	bp	BP Plc Sponsored Adr	42.25	42,250	35.40	35,400		35,400	1.07	4.87			
				42,250		35,400		35,400	1.07	4.87			
TOTAL PORTFOLIO				2,360,384		3,313,370	0	3,313,370	100.00	3.17			

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
Ethel Hart Mutual Endowment 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!