

## Ethel Hart Mutual Endowment Fund Quarterly Investment Report March 31, 2024



Office of the City Treasurer - City of Sacramento

John Colville, City Treasurer

Q3 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 2.27% 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.

## Q3 MARKET OVERVIEW

### **Equities:**

Equity markets continued to advance in the third quarter of the fiscal year (first quarter of the calendar year) as the S&P 500 increased 10.16% and the Dow Jones 5.62%. Markets have been hot for nearly two years, with all three of the major indexes (S&P 500, Dow Jones, NASDAQ) up double-digit percentages since the summer of 2022.

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

Interest rates increased, particularly for maturities between 6-months and 30-years. The upper bound of the Federal Funds Rate remained at 5.50% during the quarter, even though inflation and GDP data were worse than anticipated. Yields on 6-month Treasuries advanced by seven basis points to 5.32%, while yields further out on the curve rose more dramatically on fears that interest rates would stay higher for longer. The 5-year Treasury closed the quarter at 4.21% (an increase of over 35 basis points), with the 10-year Treasury ending the quarter at 4.20% (an increase of 32 basis points). The 10-year yield has a major influence on mortgage rates, causing fear the economy could be headed for a slowdown as young people find it more difficult to own homes.

### **Economy:**

The U.S. economy exceeded expectations and grew at a rate of 3.4% for the quarter ending December 31, 2023. This represented some cooling, but still expanded too much to help slow down the rise of inflation. Projections for the quarter ending March 31, 2024 are predicting a GDP of 2.5%, which would be encouraging and a sign that the economy could slow enough to help bring the inflation rate closer to the goal of 2.0%. CPI (Inflation) checked in at 3.5% year-over-year during March, which was higher than projections and made it less likely the Federal Reserve would be able to cut the Federal Funds rate multiple times in 2024. Consumers continue to spend, mainly through the use of credit cards. Credit card debt is at an all-time high of \$1.13 Trillion, beating the previous high set at the end of the prior quarter. Although there is still a consensus that the economy will soon show major signs of recovery, current data is suggesting a longer period before Americans begin to see those improvements.

### **International Markets:**

International and emerging markets made modest gains. Although conflicts continued in both Ukraine and Israel/Gaza, markets remained strong. A mild spring in Europe slightly suppressed demand for energy, while inflation showed some signs of slowing overseas. The Chinese economy continued to show weakness, particularly with regard to real estate. As long as major conflicts involving allies of the West are active, global markets will be on shaky ground. Even so, international holdings advanced, as the MSCI EAFE & MSCI EM increased 5.99% and 2.16%, respectively, during the quarter.

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

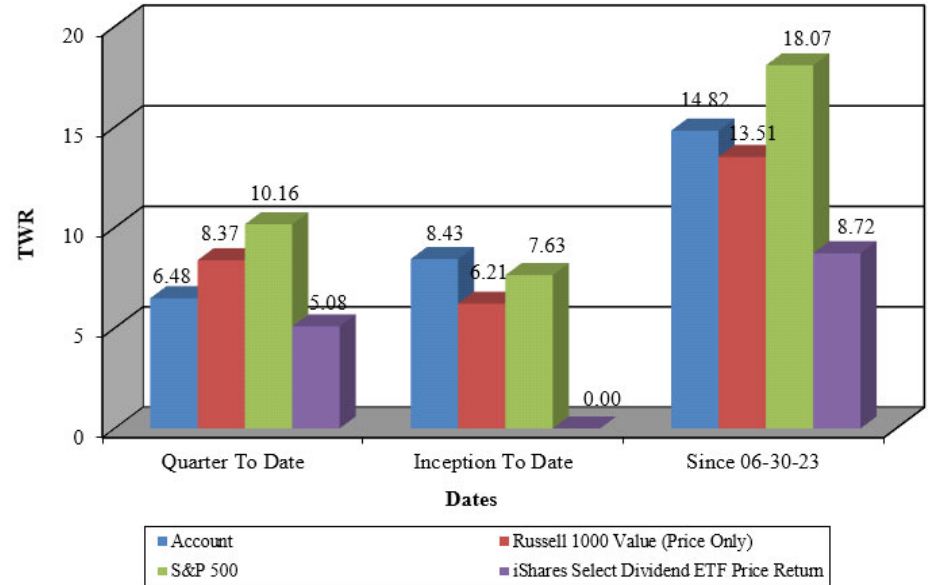
The Ethel Hart Endowment Fund had a Q3 return of 6.48%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of 5.08%.

City of Sacramento  
**Ethel Hart Mutual Endowment Fund**  
 March 31, 2024

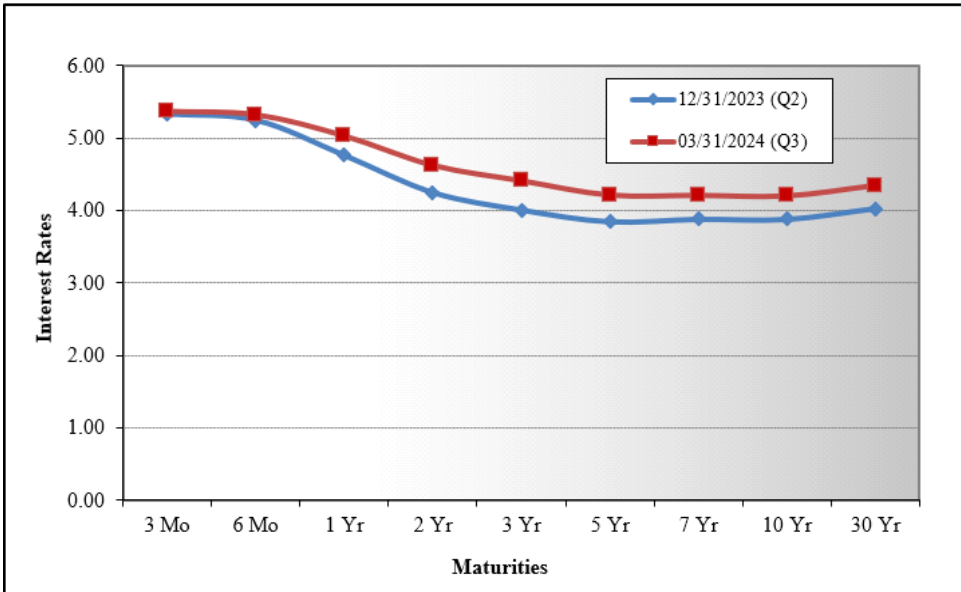
## Performance

	Quarter To Date	Inception To Date	Since 06-30-2023
Account	6.48	8.43	14.82
Russell 1000 Value (Price Only)	8.37	6.21	13.51
S&P 500	10.16	7.63	18.07
iShares Select Dividend ETF Price Return	5.08	?*	8.72

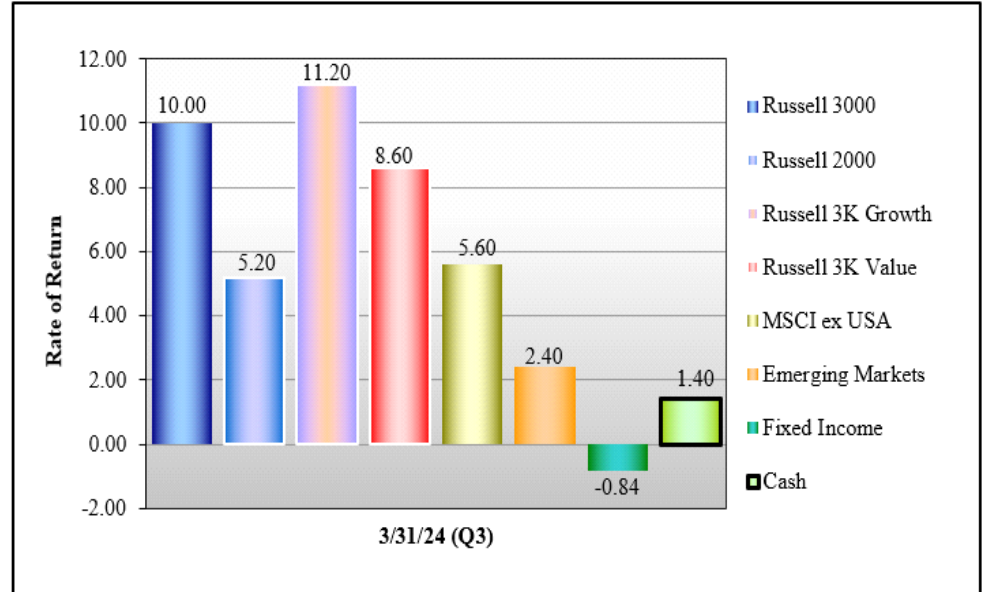
\* Index commencement date was 11/30/2003



### U.S. Treasury Yield Curve - QE 12/31/2023 (Q2) vs QE 03/31/2024 (Q3)



### Capital Market Returns - Quarter Ended 03/31/2024 (Q3)



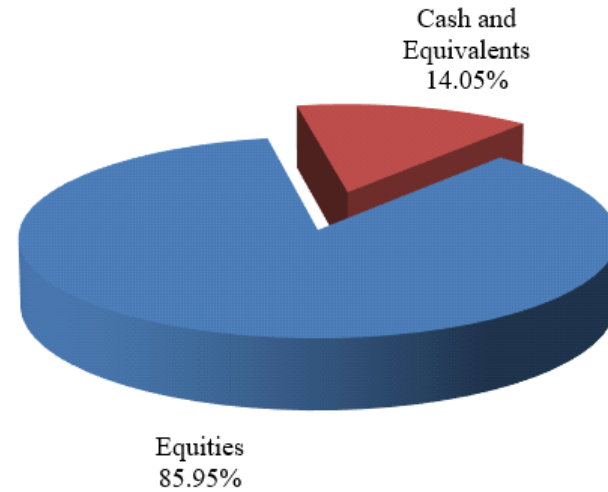
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**Ethel Hart Mutual Endowment Fund**  
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**Activity**

From 12-31-23 to 03-31-24

<b>Portfolio Value on 12-31-23</b>	<b>3,313,370</b>
Contributions	0
Withdrawals	0
Realized Gains	0
Unrealized Gains	188,255
Interest	3,050
Dividends	23,315
<b>Portfolio Value on 03-31-24</b>	<b>3,527,990</b>

**Actual Asset Allocation**



**Top 10 Holdings**

Securities	Market Value	Pct.
Pool A Cash	483,775	13.71
Jpmorgan Chase & Co	150,225	4.26
Home Depot Inc	143,850	4.08
International Bus Mach	143,220	4.06
Microsoft Corp	134,630	3.82
Intel Corp	128,093	3.63
Prudential Finl Inc Com	117,400	3.33
Oneok Inc New Com	112,238	3.18
Block H & R Inc	110,497	3.13
Merck & Co Inc (new)	108,199	3.07

City of Sacramento  
**PORTFOLIO APPRAISAL**  
*Ethel Hart Mutual Endowment Fund*  
 March 31, 2024

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		3,584		3,584		3,584	0.10	4.00			
	PoolA	Pool A Cash		483,775		483,775		483,775	13.71	2.76			
	intreceiv	Pool A Interest Receivable		8,167		8,167		8,167	0.23	2.76			
				<u>495,526</u>		<u>495,526</u>		<u>495,526</u>	14.05	2.77			
<b>COMMON STOCK</b>													
<b>INDUSTRIALS</b>													
300	hon	Honeywell	105.24	31,573	205.25	61,575		61,575	1.75	2.10	A-		
800	ip	Intl Paper Co	51.93	41,544	39.02	31,216		31,216	0.88	4.74	B-		
380	unp	Union Pac Corp Com	109.96	41,786	245.93	93,453		93,453	2.65	2.11	A		
				<u>114,903</u>		<u>186,244</u>		<u>186,244</u>	5.28	2.55			
<b>COMMUNICATION SERVICES</b>													
5,400	t	At&t Inc	22.25	120,163	17.60	95,040		95,040	2.69	6.31	B		
1,000	vz	Verizon Communications Inc	39.15	39,153	41.96	41,960		41,960	1.19	6.34	B		
				<u>159,316</u>		<u>137,000</u>		<u>137,000</u>	3.88	6.32			
<b>CONSUMER DISCRETIONARY</b>													
375	hd	Home Depot Inc	119.60	44,849	383.60	143,850		143,850	4.08	2.35	A+		
<b>CONSUMER STAPLES</b>													
1,100	mo	Altria Group Inc	26.65	29,317	43.62	47,982		47,982	1.36	8.99	A-		
790	ko	Coca Cola Co Com	36.12	28,535	61.18	48,332		48,332	1.37	3.17	B+		
2,000	cag	Conagra Inc Com	36.46	72,922	29.64	59,280		59,280	1.68	4.72	B+		
300	pep	Pepsico Inc	117.43	35,229	175.01	52,503		52,503	1.49	2.89	A-		
300	pg	Procter & Gamble Co	88.20	26,460	162.25	48,675		48,675	1.38	2.32	A		
				<u>192,463</u>		<u>256,772</u>		<u>256,772</u>	7.28	4.40			
<b>ENERGY</b>													
540	cvx	Chevron Corporation	102.80	55,510	157.74	85,180		85,180	2.41	4.13	B		
500	etr	Entergy Corp New Com	119.77	59,885	105.68	52,840		52,840	1.50	4.28	B		
580	xom	Exxon Mobil Corporation	83.25	48,286	116.24	67,419		67,419	1.91	3.27	B+		
1,400	oke	Oneok Inc New Com	76.09	106,527	80.17	112,238		112,238	3.18	4.94			
1,125	xle	Select Sector Spdr Tr Sbi Int-Energy	65.94	74,185	94.41	106,211		106,211	3.01	3.09			
				<u>344,393</u>		<u>423,888</u>		<u>423,888</u>	12.01	3.97			
<b>FINANCIAL</b>													
2,250	hrb	Block H & R Inc	20.94	47,118	49.11	110,497		110,497	3.13	2.61	A-		
750	jpm	Jpmorgan Chase & Co	45.10	33,825	200.30	150,225		150,225	4.26	2.30	A-		
1,450	met	Metlife Inc Com	46.62	67,593	74.11	107,459		107,459	3.05	2.81	B+		
1,000	pru	Prudential Finl Inc Com	81.94	81,936	117.40	117,400		117,400	3.33	4.43	B-		
2,300	xlf	Select Sector Spdr Tr Sbi Int-Finl	13.41	30,847	42.12	96,876		96,876	2.75	1.52			
800	usb	U. S. Bancorp	31.49	25,192	44.70	35,760		35,760	1.01	4.38	A		
				<u>286,512</u>		<u>618,218</u>		<u>618,218</u>	17.52	2.85			

City of Sacramento  
**PORTFOLIO APPRAISAL**  
*Ethel Hart Mutual Endowment Fund*  
 March 31, 2024

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	73.25	64,460		64,460	1.83	4.20	B+		
260	jnj	Johnson & Johnson	61.41	15,966	158.19	41,129		41,129	1.17	3.01	A-		
820	mrk	Merck & Co Inc (new)	45.06	36,947	131.95	108,199		108,199	3.07	2.33	B-		
660	pfe	Pfizer Inc	23.78	15,692	27.75	18,315		18,315	0.52	6.05	B+		
				141,805		232,103		232,103	6.58	3.27			
<b>INFORMATION TECHNOLOGY</b>													
560	aapl	Apple Inc.	22.59	12,650	171.48	96,029		96,029	2.72	0.56	B+		
2,900	intc	Intel Corp	25.57	74,167	44.17	128,093		128,093	3.63	1.13	B+		
750	ibm	International Bus Mach	123.42	92,568	190.96	143,220		143,220	4.06	3.48	A-		
650	iyw	Ishares US Technology ETF	11.13	7,235	135.06	87,789		87,789	2.49	0.23			
320	msft	Microsoft Corp	24.44	7,819	420.72	134,630		134,630	3.82	0.71	B+		
				194,440		589,761		589,761	16.72	1.38			
<b>UTILITIES</b>													
1,100	d	Dominion Energy Inc	64.67	71,132	49.19	54,109		54,109	1.53	5.43	B		
825	nee	NextEra Energy Inc Com	85.94	70,901	63.91	52,726		52,726	1.49	3.22			
600	pnw	Pinnacle West Cap Corp	47.13	28,276	74.73	44,838		44,838	1.27	4.71	A-		
1,320	xlu	Select Sector Spdr Tr Sbi Int-Utils	51.77	68,342	65.65	86,658		86,658	2.46	3.31			
				238,651		238,331		238,331	6.76	4.04			
<b>PASSIVE INDEX</b>													
700	dvy	Ishares Select Dividend ETF	102.98	72,086	123.18	86,226		86,226	2.44	3.63			
460	iwd	Ishares Tr Russell 1000 Val	129.47	59,556	179.11	82,391		82,391	2.34	1.86			
				131,642		168,617		168,617	4.78	2.77			
				1,848,974		2,994,785		2,994,785	84.89	3.09			
<b>AMERICAN DEPOSITORY RECEIPTS</b>													
<b>ENERGY</b>													
1,000	bp	BP Plc Sponsored Adr	42.25	42,250	37.68	37,680		37,680	1.07	4.58			
				42,250		37,680		37,680	1.07	4.58			
<b>TOTAL PORTFOLIO</b>				<b>2,386,750</b>		<b>3,527,990</b>	<b>0</b>	<b>3,527,990</b>	<b>100.00</b>	<b>3.06</b>			

City of Sacramento  
PURCHASE/SALE AND GAIN/LOSS  
*Ethel Hart Mutual Endowment Fund*  
From 01-01-24 To 03-31-24

<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!