

Q1 FY2024

George H. Clark Memorial Scholarship Fund Quarterly Investment Report September 30, 2023



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

John Colville, City Treasurer

Q1 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.

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:

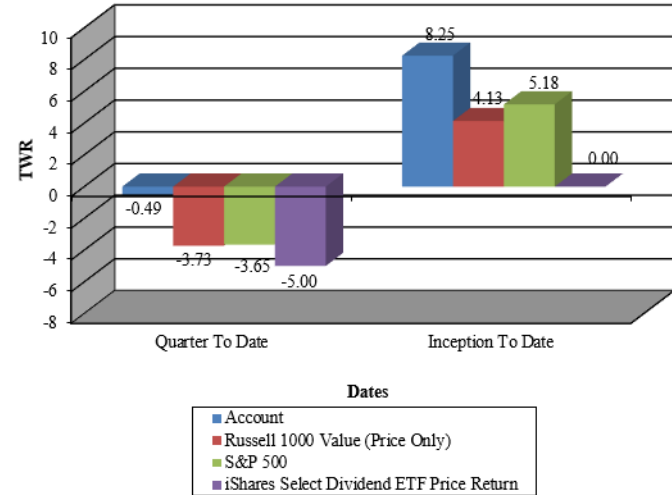
The George H. Clark Memorial Scholarship Fund had a Q1 return of -0.49%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of -5.00%.

City of Sacramento
George H. Clark Memorial Scholarship Fund
 September 30, 2023

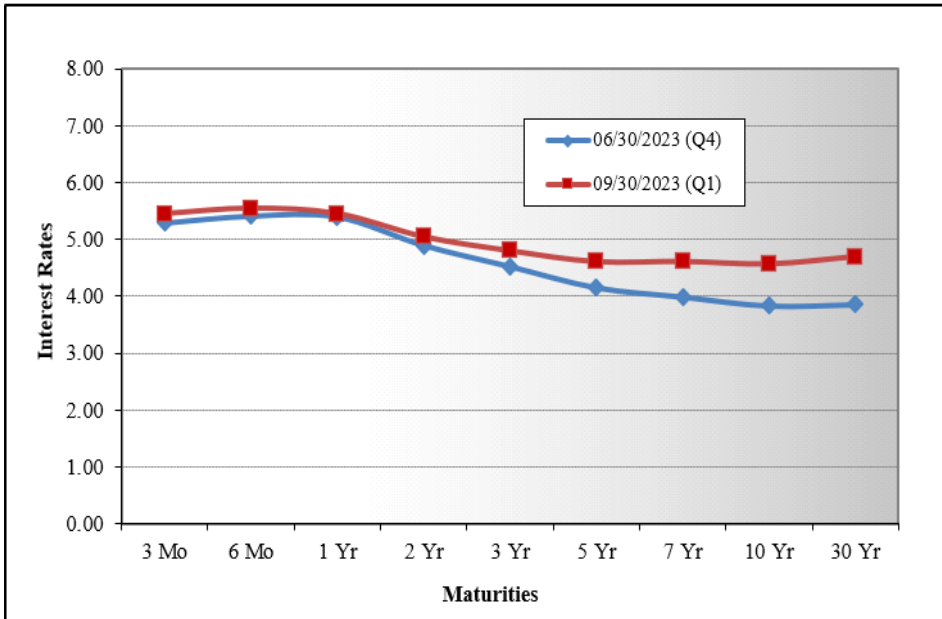
Performance

	Quarter To Date	Inception To Date
Account	-0.49	8.25
Russell 1000 Value (Price Only)	-3.73	4.13
S&P 500	-3.65	5.18
iShares Select Dividend ETF Price Return	-5.00	?*

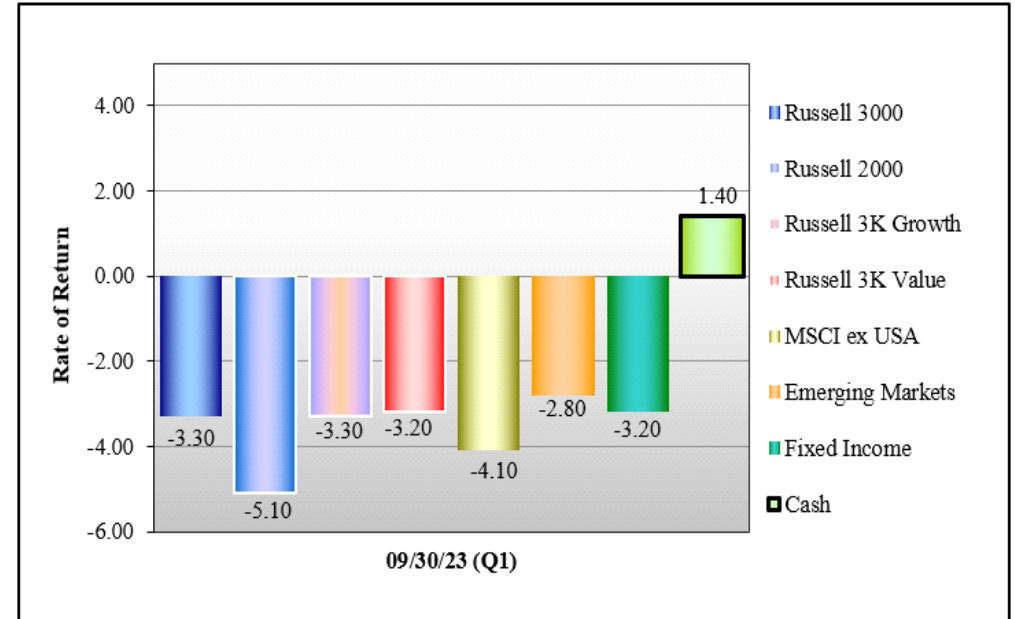
* Index commencement date was 11/30/2003



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)



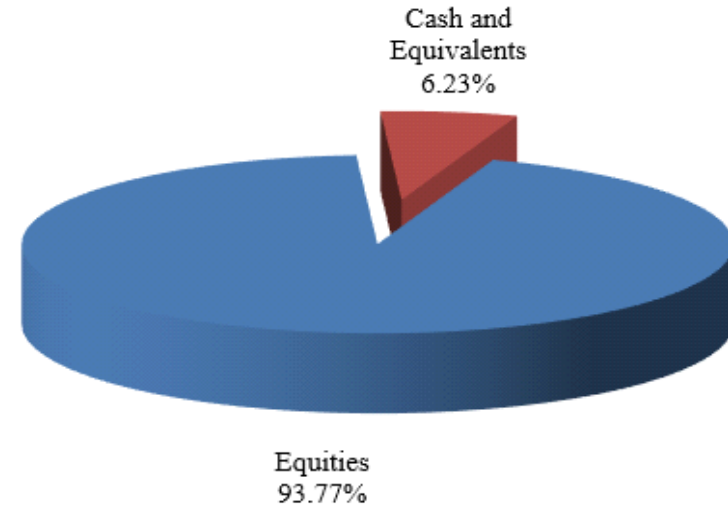
City of Sacramento
George H. Clark Memorial Scholarship Fund
 September 30, 2023

Activity

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

Portfolio Value on 06-30-23	1,726,367
Contributions	0
Withdrawals	-11,357
Realized Gains	0
Unrealized Gains	-21,895
Interest	1,007
Dividends	12,560
Portfolio Value on 09-30-23	1,706,682

Actual Asset Allocation



Operating Cash Account Activity

From Inception to 09-30-2023

	Inception to FY23	<u>FY24 QE</u> 09-30-23	Inception to FY24
Beginning Balance		197,054	
Initial Contribution	83		83
Cash Transfers In *	661,883	11,357	673,240
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	193,411

Top 10 Holdings

Securities	Market Value	Pct.
Intel Corp	103,095	6.04
Pool A Cash	102,511	6.01
Apple Inc.	95,022	5.57
Home Depot Inc	87,626	5.13
Caterpillar Inc Del Com	87,360	5.12
Block H & R Inc	86,120	5.05
International Bus Mach	82,777	4.85
Johnson & Johnson	77,875	4.56
Ishares Tr Russell 1000 Val	73,633	4.31
Ishares Select Dividend ETF	69,428	4.07

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

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

City of Sacramento
PORTFOLIO APPRAISAL
George H. Clark Memorial Scholarship 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
CASH AND EQUIVALENTS													
	divacc	Dividend Accrual		3,139		3,139		3,139	0.18	4.00			
	PoolA	Pool A Cash		102,511		102,511		102,511	6.01	2.64			
	intreceiv	Pool A Interest Receivable		682		682		682	0.04	2.64			
				<u>106,333</u>		<u>106,333</u>		<u>106,333</u>	6.23	2.68			
COMMON STOCK													
INDUSTRIALS													
3,750	adt	ADT Inc Del Com	8.15	30,580	6.00	22,500		22,500	1.32	2.33			
320	cat	Caterpillar Inc Del Com	69.20	22,143	273.00	87,360		87,360	5.12	1.90	B+		
185	hon	Honeywell	127.59	23,605	184.74	34,177		34,177	2.00	2.23	A-		
225	unp	Union Pac Corp Com	110.02	24,754	203.63	45,817		45,817	2.68	2.55	A		
				<u>101,083</u>		<u>189,854</u>		<u>189,854</u>	11.12	2.17			
COMMUNICATION SERVICES													
700	t	At&t Inc	30.44	21,305	15.02	10,514		10,514	0.62	7.39	B		
700	vz	Verizon Communications Inc	38.05	26,634	32.41	22,687		22,687	1.33	8.21	B		
				<u>47,939</u>		<u>33,201</u>		<u>33,201</u>	1.95	7.95			
CONSUMER DISCRETIONARY													
290	hd	Home Depot Inc	246.33	71,436	302.16	87,626		87,626	5.13	2.77	A+		
260	xly	Select Sector Spdr Tr Sbi Cons Discr	33.50	8,710	160.98	41,855		41,855	2.45	0.89			
450	sbux	Starbucks Corp	100.41	45,186	91.27	41,071		41,071	2.41	2.50	B+		
				<u>125,331</u>		<u>170,553</u>		<u>170,553</u>	9.99	2.24			
CONSUMER STAPLES													
650	mo	Altria Group Inc	26.65	17,324	42.05	27,332		27,332	1.60	9.32	A-		
600	ko	Coca Cola Co Com	32.30	19,383	55.98	33,588		33,588	1.97	3.29	B+		
280	pg	Procter & Gamble Co	88.22	24,702	145.86	40,841		40,841	2.39	2.58	A		
				<u>61,408</u>		<u>101,761</u>		<u>101,761</u>	5.96	4.62			
ENERGY													
340	cvx	Chevron Corporation	118.00	40,119	168.62	57,331		57,331	3.36	3.58	B		
800	oke	Oneok Inc New Com	76.09	60,872	63.43	50,744		50,744	2.97	6.02			
				<u>100,991</u>		<u>108,075</u>		<u>108,075</u>	6.33	4.73			
FINANCIAL													
2,000	hrb	Block H & R Inc	22.17	44,350	43.06	86,120		86,120	5.05	2.97	A-		
400	jpm	Jpmorgan Chase & Co	124.36	49,744	145.02	58,008		58,008	3.40	2.90	A-		
1,710	xlf	Select Sector Spdr Tr Sbi Int-Finl	21.00	35,918	33.17	56,721		56,721	3.32	2.01			
				<u>130,012</u>		<u>200,849</u>		<u>200,849</u>	11.77	2.68			
HEALTHCARE													
880	gild	Gilead Sciences Inc	83.28	73,285	74.94	65,947		65,947	3.86	4.00	B+		

City of Sacramento
PORTFOLIO APPRAISAL
George H. Clark Memorial Scholarship 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
500	jnj	Johnson & Johnson	61.71	30,855	155.75	77,875		77,875	4.56	3.06	A-		
				104,140		143,822		143,822	8.43	3.49			
INFORMATION TECHNOLOGY													
555	aapl	Apple Inc.	22.71	12,602	171.21	95,022		95,022	5.57	0.56	B+		
2,900	intc	Intel Corp	25.49	73,920	35.55	103,095		103,095	6.04	1.41	B+		
590	ibm	International Bus Mach	137.01	80,839	140.30	82,777		82,777	4.85	4.73	A-		
360	iyw	Ishares US Technology ETF	14.63	5,267	104.92	37,771		37,771	2.21	0.39			
				172,627		318,665		318,665	18.67	1.90			
UTILITIES													
750	d	Dominion Energy Inc	81.71	61,284	44.67	33,502		33,502	1.96	5.98	B		
600	nee	NextEra Energy Inc Com	85.94	51,564	57.29	34,374		34,374	2.01	3.26			
1,010	xlu	Select Sector Spdr Tr Sbi Int-Utils	42.96	43,385	58.93	59,519		59,519	3.49	3.60			
				156,233		127,396		127,396	7.46	4.13			
PASSIVE INDEX													
645	dvy	Ishares Select Dividend ETF	104.99	67,718	107.64	69,428		69,428	4.07	4.02			
485	iwd	Ishares Tr Russell 1000 Val	126.59	61,396	151.82	73,633		73,633	4.31	2.21			
				129,114		143,060		143,060	8.38	3.09			
				1,128,879		1,537,235		1,537,235	90.07	3.03			
AMERICAN DEPOSITORY RECEIPTS													
ENERGY													
1,630	bp	BP Plc Sponsored ADR	38.94	63,473	38.72	63,114		63,114	3.70	4.05			
				63,473		63,114		63,114	3.70	4.05			
TOTAL PORTFOLIO				1,298,685		1,706,682	0	1,706,682	100.00	3.04			

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
George H. Clark Memorial Scholarship 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!