

Q3 FY2024

George H. Clark Memorial Scholarship Fund Quarterly Investment Report March 31, 2024



Office of the City Treasurer - City of Sacramento

John Colville, City Treasurer

Q3 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.

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:

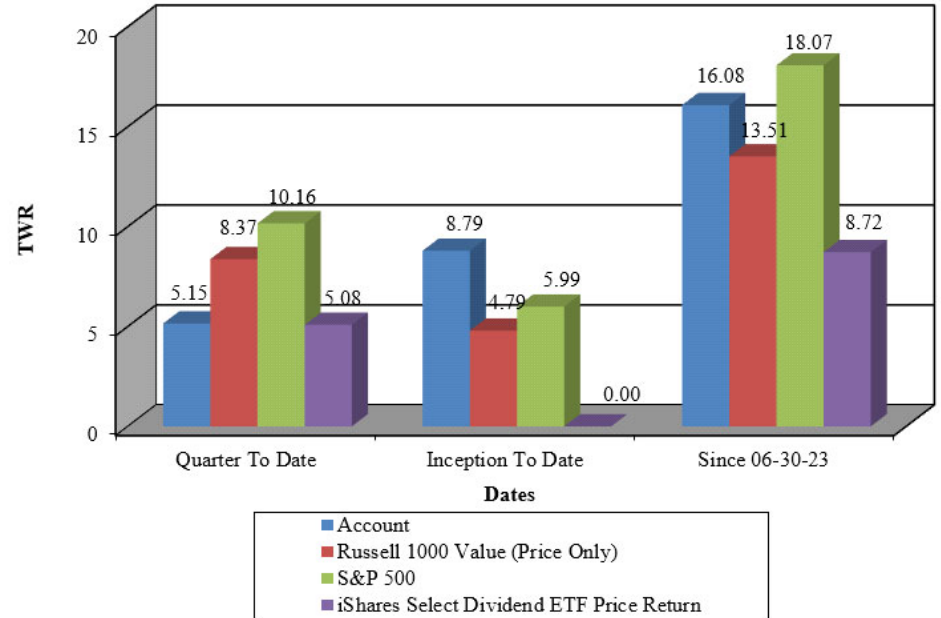
The George H. Clark Memorial Scholarship Fund had a Q3 return of 5.15%, outperforming its benchmark, the iShares Select Dividend ETF (PR) which had a return of 5.08%.

City of Sacramento
George H. Clark Memorial Scholarship Fund
 March 31, 2024

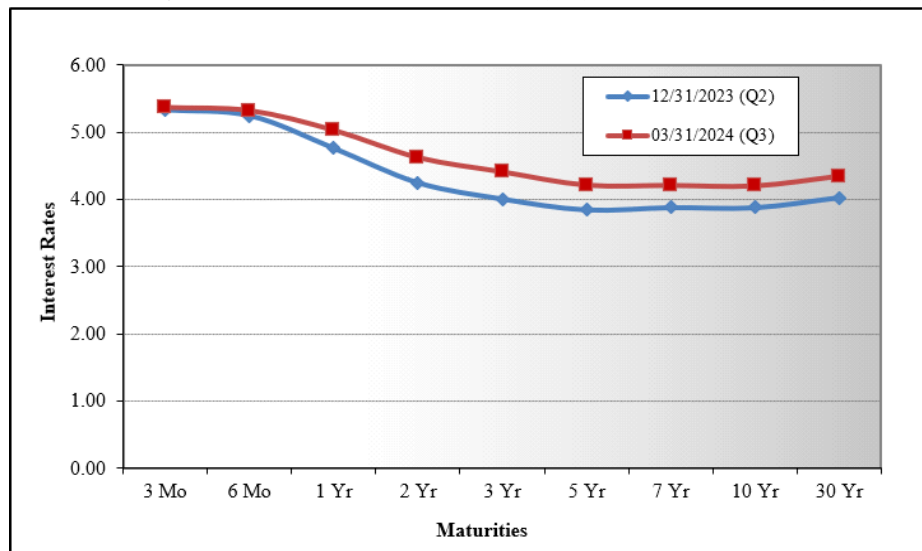
Performance

	Quarter To Date	Inception To Date	Since 06-30-2023
Account	5.15	8.79	16.08
Russell 1000 Value (Price Only)	8.37	4.79	13.51
S&P 500	10.16	5.99	18.07
iShares Select Dividend ETF Price Return	5.08	?*	8.72

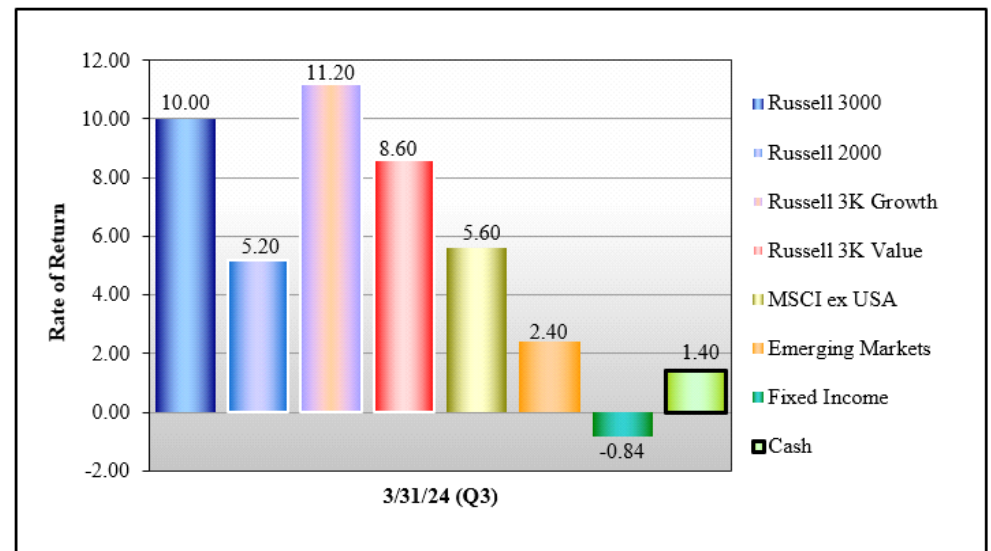
* Index commencement date was 11/30/2003



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)



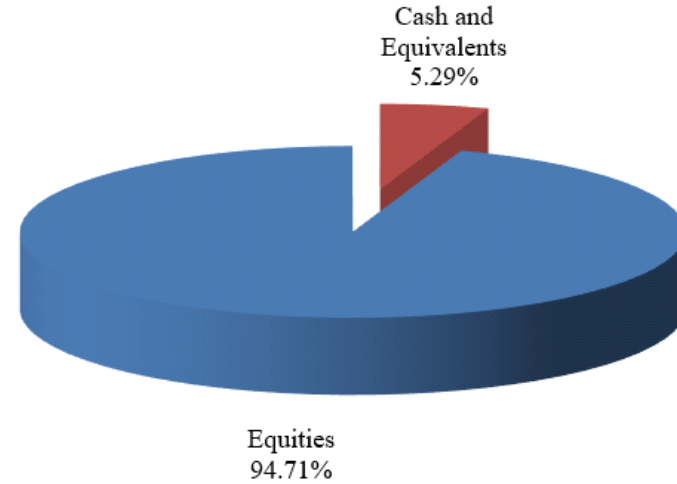
City of Sacramento
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Activity

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

Portfolio Value on 12-31-23	1,878,483
Contributions	0
Withdrawals	-12,928
Realized Gains	8,019
Unrealized Gains	74,454
Interest	754
Dividends	13,270
Portfolio Value on 03-31-24	1,962,053

Actual Asset Allocation



Operating Cash Account Activity

From Inception to 03-31-2024

	Inception	FY24 QE			Inception
	to FY23	09-30-23	12-31-23	03-31-24	to FY24
Beginning Balance		197,054	193,411	207,778	
Initial Contribution	83				83
Cash Transfers In *	661,883	11,357	14,367	12,928	700,535
Interest Income **	20,489				20,489
Scholarship Payments	-405,000	-15,000		-5,000	-425,000
Investment Mgt Fees	-80,401				-80,401
Ending Balance	197,054	193,411	207,778	215,706	215,706

Top 10 Holdings

Securities	Market Value	Pct.
Ishares Select Dividend ETF	177,995	9.07
Pool A Cash	100,009	5.10
Apple Inc.	95,171	4.85
Ishares Tr Russell 1000 Val	86,868	4.43
Intel Corp	83,923	4.28
Block H & R Inc	83,487	4.26
At&t Inc	82,720	4.22
Caterpillar Inc Del Com	80,615	4.11
Home Depot Inc	80,556	4.11
Jpmorgan Chase & Co	80,120	4.08

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

** July 2023 to March 2024 Pool A earnings are yet to be apportioned.

City of Sacramento
PORTFOLIO APPRAISAL
George H. Clark Memorial Scholarship 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
CASH AND EQUIVALENTS													
	divacc	Dividend Accrual		1,774		1,774		1,774	0.09	4.00			
	PoolA	Pool A Cash		100,009		100,009		100,009	5.10	2.76			
	intreceiv	Pool A Interest Receivable		2,101		2,101		2,101	0.11	2.76			
				<u>103,884</u>		<u>103,884</u>		<u>103,884</u>	5.29	2.78			
COMMON STOCK													
INDUSTRIALS													
3,750	adt	ADT Inc Del Com	8.15	30,580	6.72	25,200		25,200	1.28	3.27			
220	cat	Caterpillar Inc Del Com	69.20	15,223	366.43	80,615		80,615	4.11	1.42	B+		
185	hon	Honeywell	127.59	23,605	205.25	37,971		37,971	1.94	2.10	A-		
225	unp	Union Pac Corp Com	110.02	24,754	245.93	55,334		55,334	2.82	2.11	A		
				<u>94,163</u>		<u>199,120</u>		<u>199,120</u>	10.15	1.98			
COMMUNICATION SERVICES													
4,700	t	At&t Inc	19.22	90,325	17.60	82,720		82,720	4.22	6.31	B		
700	vz	Verizon Communications Inc	38.05	26,634	41.96	29,372		29,372	1.50	6.34	B		
				<u>116,959</u>		<u>112,092</u>		<u>112,092</u>	5.71	6.32			
CONSUMER DISCRETIONARY													
210	hd	Home Depot Inc	246.33	51,729	383.60	80,556		80,556	4.11	2.35	A+		
260	xly	Select Sector Spdr Tr Sbi Cons Discr	33.50	8,710	183.89	47,811		47,811	2.44	0.73			
450	sbux	Starbucks Corp	100.41	45,186	91.39	41,125		41,125	2.10	2.49	B+		
				<u>105,625</u>		<u>169,493</u>		<u>169,493</u>	8.64	1.93			
CONSUMER STAPLES													
650	mo	Altria Group Inc	26.65	17,324	43.62	28,353		28,353	1.45	8.99	A-		
600	ko	Coca Cola Co Com	32.30	19,383	61.18	36,708		36,708	1.87	3.17	B+		
280	pg	Procter & Gamble Co	88.22	24,702	162.25	45,430		45,430	2.32	2.32	A		
				<u>61,408</u>		<u>110,491</u>		<u>110,491</u>	5.63	4.31			
ENERGY													
340	cvx	Chevron Corporation	118.00	40,119	157.74	53,632		53,632	2.73	4.13	B		
800	oke	Oneok Inc New Com	76.09	60,872	80.17	64,136		64,136	3.27	4.94			
				<u>100,991</u>		<u>117,768</u>		<u>117,768</u>	6.00	4.57			
FINANCIAL													
1,700	hrb	Block H & R Inc	22.17	37,697	49.11	83,487		83,487	4.26	2.61	A-		
400	jpm	Jpmorgan Chase & Co	124.36	49,744	200.30	80,120		80,120	4.08	2.30	A-		
1,710	xlf	Select Sector Spdr Tr Sbi Int-Finl	21.00	35,918	42.12	72,025		72,025	3.67	1.52			
				<u>123,359</u>		<u>235,632</u>		<u>235,632</u>	12.01	2.17			
HEALTHCARE													
880	gild	Gilead Sciences Inc	83.28	73,285	73.25	64,460		64,460	3.29	4.20	B+		

City of Sacramento
PORTFOLIO APPRAISAL
George H. Clark Memorial Scholarship 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
500	jnj	Johnson & Johnson	61.71	30,855	158.19	79,095		79,095	4.03	3.01	A-		
				104,140		143,555		143,555	7.32	3.55			
INFORMATION TECHNOLOGY													
555	aapl	Apple Inc.	22.71	12,602	171.48	95,171		95,171	4.85	0.56	B+		
1,900	intc	Intel Corp	25.49	48,430	44.17	83,923		83,923	4.28	1.13	B+		
390	ibm	International Bus Mach	137.01	53,436	190.96	74,474		74,474	3.80	3.48	A-		
360	iyw	Ishares US Technology ETF	14.63	5,267	135.06	48,622		48,622	2.48	0.23			
				119,735		302,190		302,190	15.40	1.38			
UTILITIES													
750	d	Dominion Energy Inc	81.71	61,284	49.19	36,892		36,892	1.88	5.43	B		
600	nee	NextEra Energy Inc Com	85.94	51,564	63.91	38,346		38,346	1.95	3.22			
1,010	xlu	Select Sector Spdr Tr Sbi Int-Utils	42.96	43,385	65.65	66,306		66,306	3.38	3.31			
				156,233		141,545		141,545	7.21	3.84			
PASSIVE INDEX													
1,445	dvy	Ishares Select Dividend ETF	113.48	163,982	123.18	177,995		177,995	9.07	3.63			
485	iwd	Ishares Tr Russell 1000 Val	126.59	61,396	179.11	86,868		86,868	4.43	1.86			
				225,378		264,863		264,863	13.50	3.05			
				1,207,992		1,796,750		1,796,750	91.58	2.91			
AMERICAN DEPOSITORY RECEIPTS													
ENERGY													
1,630	bp	BP Plc Sponsored ADR	38.94	63,473	37.68	61,418		61,418	3.13	4.58			
				63,473		61,418		61,418	3.13	4.58			
TOTAL PORTFOLIO				1,375,350		1,962,053	0	1,962,053	100.00	2.96			

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
George H. Clark Memorial Scholarship 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>03-31-2024 Price</u>	<u>Difference</u>
<u>Purchases</u>							
COMMON STOCK							
03-12-2024	03-14-2024	4,000	At&t Inc	17.25	69,020	17.60	0
03-12-2024	03-14-2024	800	Ishares Select Dividend ETF	120.33	96,264	123.18	3
					165,284		
Total Purchases					165,284		

City of Sacramento
PURCHASE/SALE AND GAIN/LOSS
George H. Clark Memorial Scholarship 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>
<u>Sales</u>							
COMMON STOCK							
03-12-2024	03-14-2024	300	Block H & R Inc	47.19	14,158	22.17	7,506
03-12-2024	03-14-2024	100	Caterpillar Inc Del Com	337.54	33,754	69.20	26,834
03-12-2024	03-14-2024	80	Home Depot Inc	374.91	29,993	246.33	10,286
03-12-2024	03-14-2024	1,000	Intel Corp	45.18	45,185	25.49	19,695
03-12-2024	03-14-2024	200	International Bus Mach	198.46	39,692	137.01	12,289
					162,781		76,610
Total Sales					162,781		76,610