



Investment Portfolios Update

Finance and Insurance Committee

Item 6c

February 8, 2021

Presented By:

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PFM Asset Management LLC

Market Environment

● COVID-19

- Resurgence in fourth quarter due to colder weather
- Initial distribution of vaccines

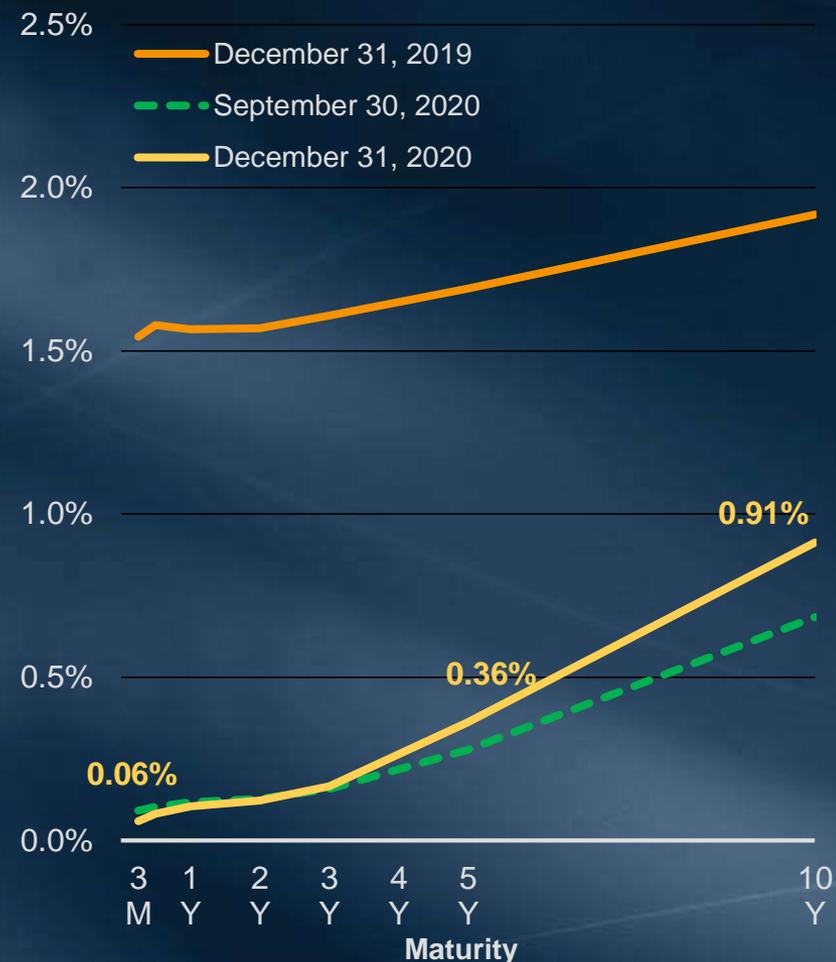
● Economy

- Recovery continues
- Big business built liquidity cushion
- Consumers generally in good shape to drive future spending
- Impact of pandemic not felt evenly

● Markets

- Markets rally after presidential election
- Fed committed to strong accommodation
- Additional fiscal stimulus on the way

U.S. Treasury Yield Curve

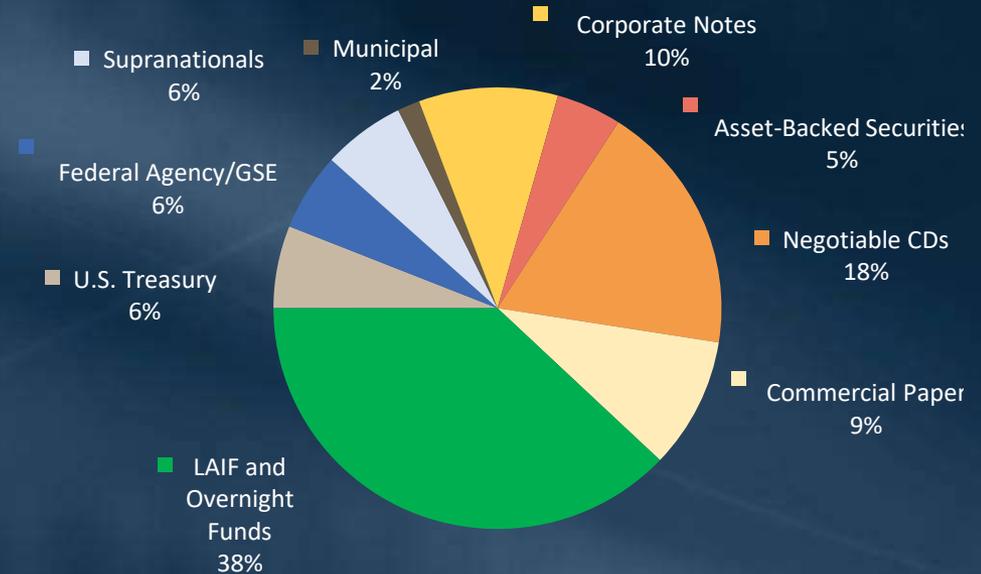


Liquidity Portfolio Overview as of December 31, 2020

Portfolio Statistics¹

Market Value	\$910,983,131
Average Duration	0.32 Years
Average Yield at Cost ²	0.70%
Average Yield at Market ²	0.34%

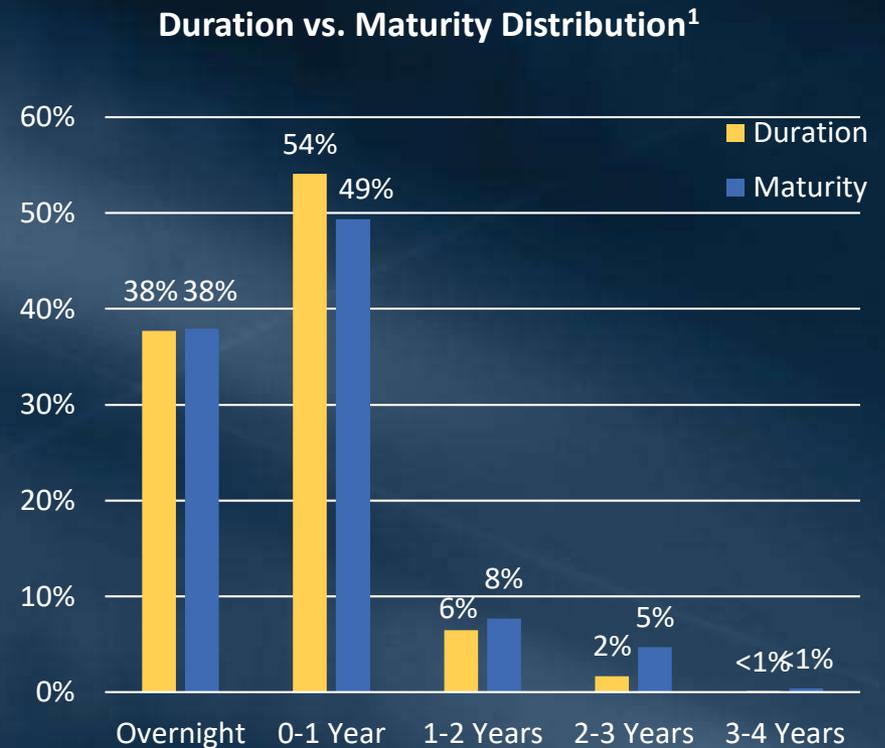
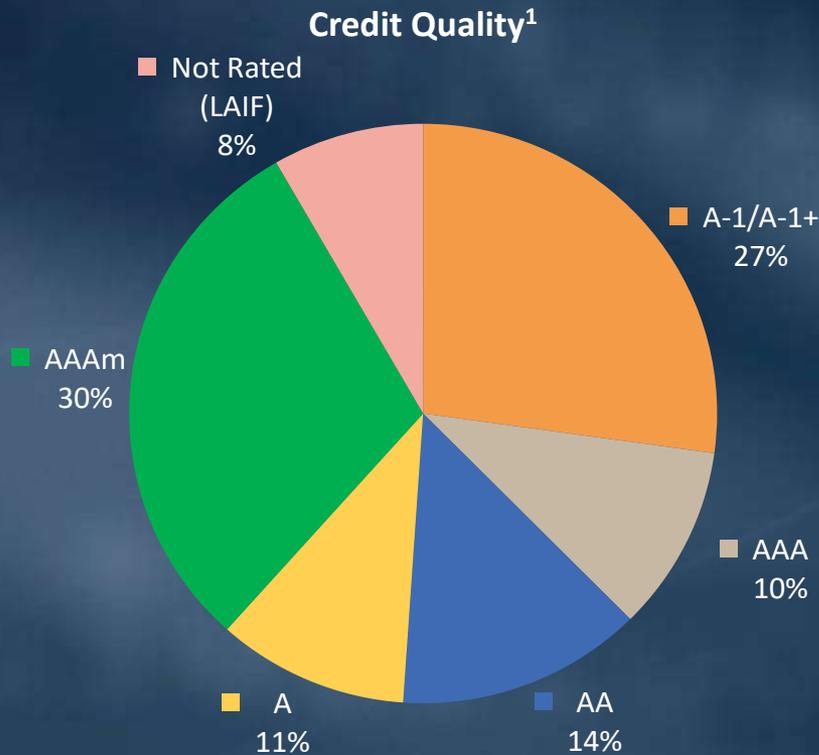
Sector Allocation



1. Includes CAMP, LAIF, and Dreyfus money market fund balances. Excludes accrued interest.

2. Yields are a weighted average of the CAMP 7-day yield, LAIF quarterly apportionment rate, and MWDSC's Liquidity portfolio yield for December 2020.

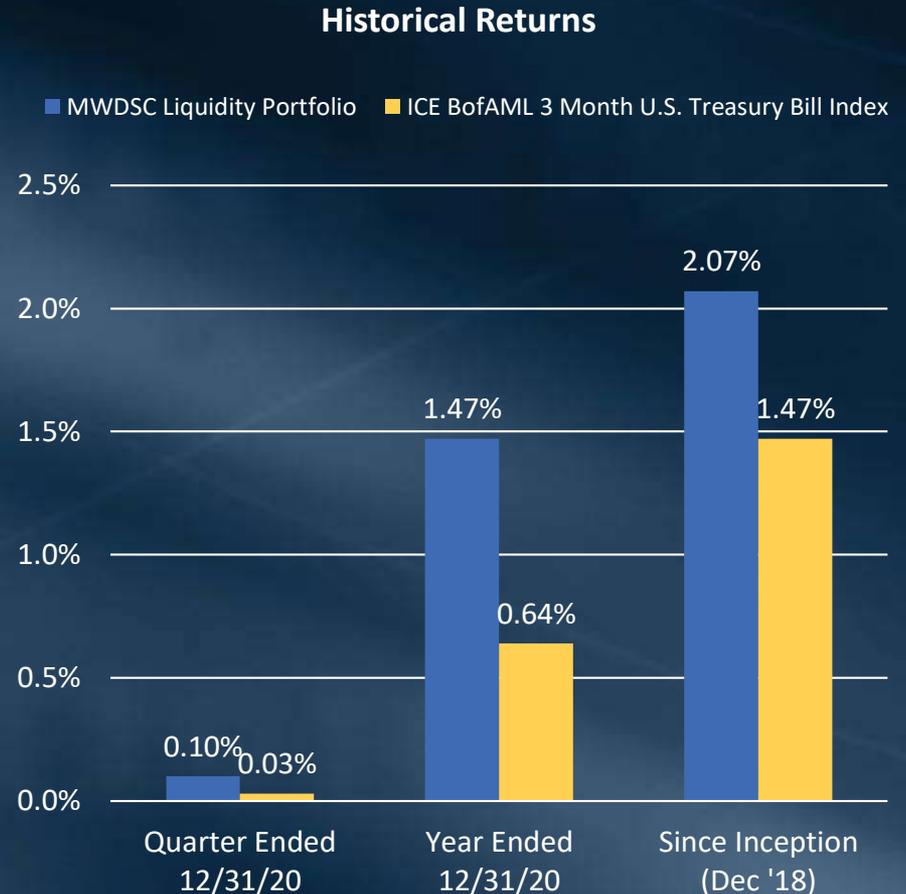
Liquidity Portfolio Overview as of December 31, 2020 (cont.)



1. Includes CAMP, LAIF, and Dreyfus money market fund balances. Credit ratings are Standard & Poor's.

Liquidity Portfolio Investment Strategy and Returns

- Maintain ample liquidity through continued communication with District
- Manage duration within a half-year band around the benchmark's duration
- Diversify broadly across issuers and permissible sectors to safely generate incremental earnings
- Seek opportunities to prudently enhance earnings while maintaining safety and liquidity
- Evaluate overnight options vs. open market securities to meet cash flow needs



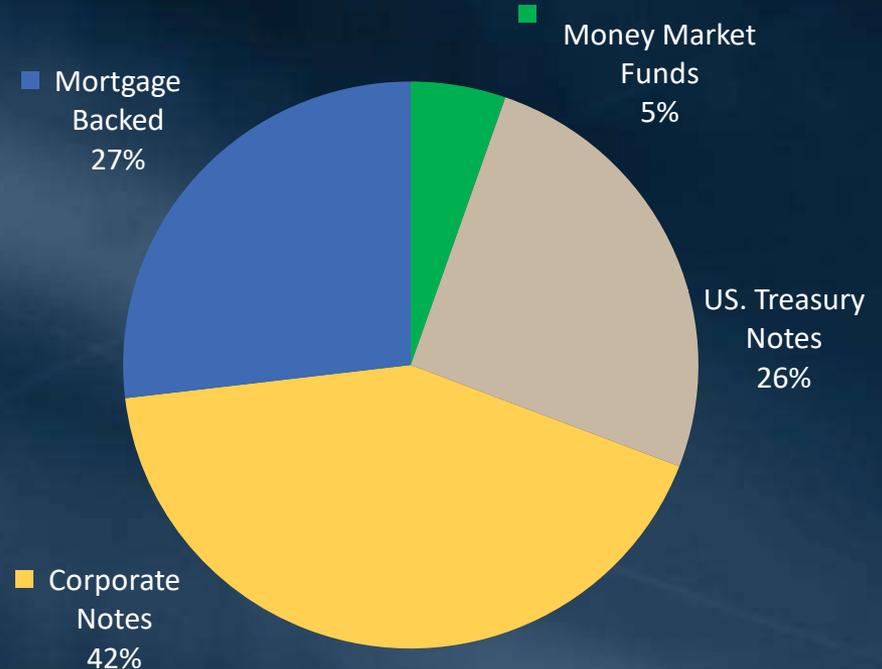
Historical returns are gross of investment advisor fee. Returns represent only the PFM-managed Liquidity Portfolio.

Core Portfolio Overview as of December 31, 2020

Portfolio Statistics

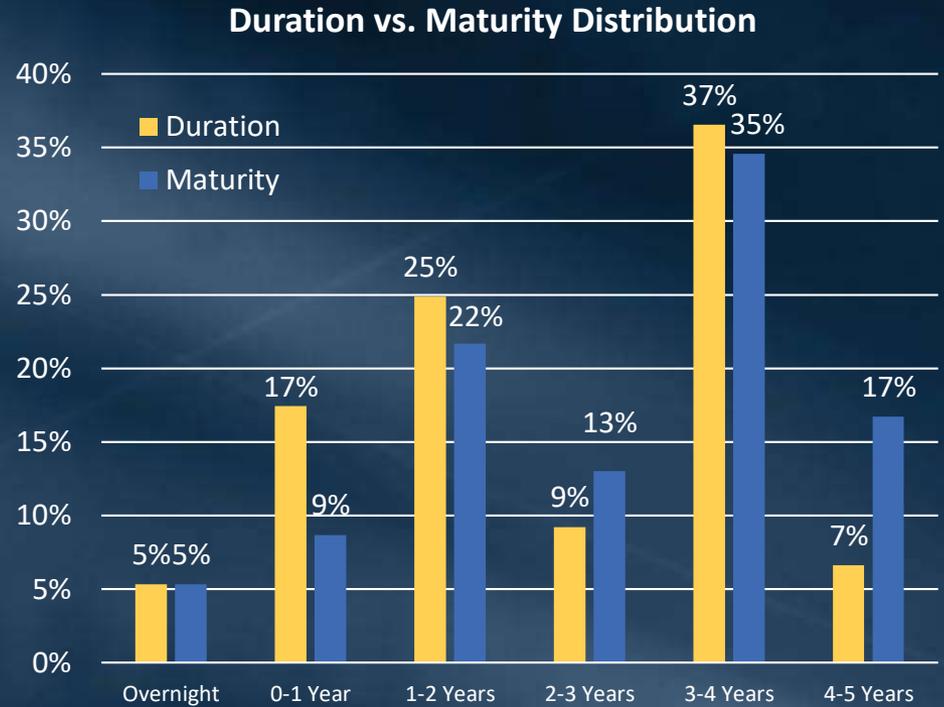
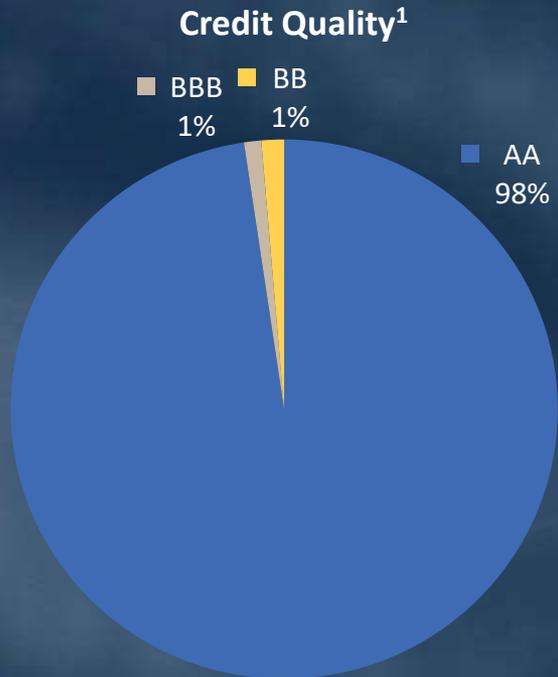
Market Value	\$196,583,986
Average Duration	2.26 Years
Average Yield at Cost	1.65%
Average Yield at Market	0.59%

Sector Allocation



NOTE: The District's Core Portfolio was managed by Reams through January 31, 2021.

Core Portfolio Overview as of December 31, 2020 (cont.)



NOTE: The District's Core Portfolio was managed by Reams through January 31, 2021.

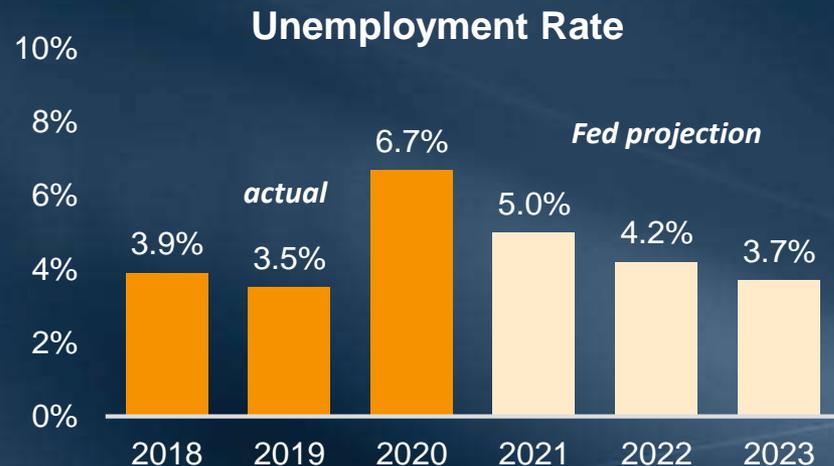
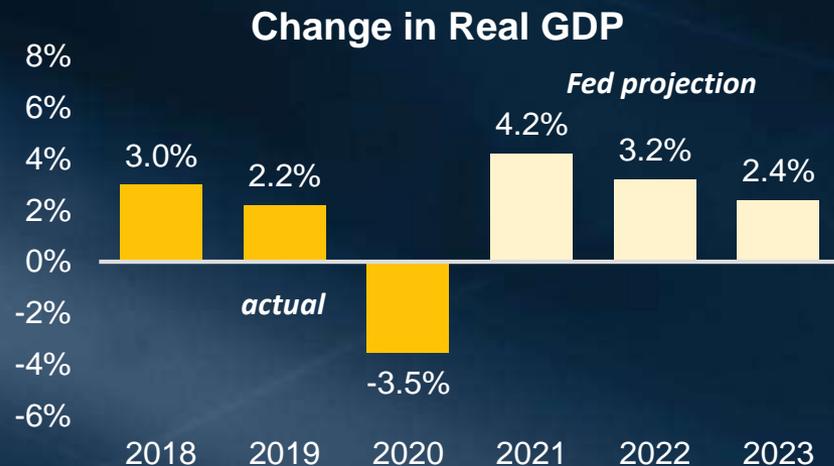
1. Credit ratings are Standard & Poor's.

Core Portfolio Investment Strategy Going Forward

- PFM will inherit the current Core Portfolio and actively manage a portfolio of diversified and high-quality securities in accordance with California Government Code and the District's Investment Policy
- Increase sector diversification by incorporating more sectors permitted by the District's Investment Policy
 - Federal Agencies and supranationals
 - Asset-backed securities (ABS)
 - Negotiable CDs
 - Municipals
- Increase yield curve diversification
 - Managing across the 1-5yr portion of the yield curve and reduce overlap with the Liquidity portfolio
 - Yield curve position adjusted to reflect opportunity set

Investment Outlook

- The Fed is expected to remain accommodative for the foreseeable future and continue to support market stability and liquidity.
- As economic growth and inflation expectations grow, longer duration yields (3-5 years) may gravitate modestly higher; short duration yields (<3 years) likely to remain anchored.
- In a stable rate environment, income generation will be a priority.
 - Continue to emphasize sectors that offer incremental yield in a manner that is consistent with the District's safety and liquidity priorities.



Source: Federal Reserve, economic projections as of December 2020.

Disclosures

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