



SAN DIEGO
HOUSING
COMMISSION

INFORMATIONAL REPORT

DATE ISSUED: March 30, 2016

REPORT NO: HCR16-022

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of April 8, 2016

SUBJECT: Investment Report – Second Quarter Fiscal Year 2016

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

The attached Quarterly Investment Report details the San Diego Housing Commission's (Housing Commission) investment portfolio as of December 31, 2015. The report includes both summary and detailed information on all liquid cash and cash equivalents and core investments owned by the Housing Commission. The market value of the portfolio at December 31, 2015, was \$125.13 million with a yield to maturity of 1.02 percent, average days to maturity of 328, and an effective duration of 0.87.

Cash and cash equivalents (liquid)

1. \$46.47 million is held in the Housing Commission's bank and other various authorized accounts required by lending agreements and program obligations.
2. \$9.1 million is held in pooled investment funds. Pooled funds include California's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP).

The blended yield on these liquid accounts was 0.39 percent for the quarter which was marginally higher than the prior quarter, 0.38 percent.

Core investments

3. \$66.60 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).
4. \$2.70 million is held in various Federal Deposit Insurance Corporation insured Certificates of Deposit (CD).

The blended yield for the quarter was 1.53 percent, a slight increase from the previous reporting period of 1.49 percent.

DISCUSSION

The overall market value of the investment portfolio decreased from the updated first quarter value of \$125.25 million to \$125.13 million during the second quarter (Attachment 1).

The overall portfolio yield of 1.02 percent this quarter was unchanged from the updated first quarter yield. The Housing Commission continues to maintain a short effective duration of 0.87 years as staff anticipated an interest rate increase in December. The overall portfolio yield of 1.02 percent fell slightly below the 2-year Treasury note rate of 1.06 percent. The 2-year benchmark rose considerably during the quarter from 0.64 percent to 1.06 percent with the anticipation of the Federal Reserve moving rates higher. It should be noted that as of the date of writing this report, the rate has reduced to 0.75 percent. Due to the asset structure and the laddering of the portfolio, the Housing Commission's performance continues to be less volatile than that 2-year benchmark. Due to the conservative investment requirements of government funds and despite the recent volatility of the 2-year U.S. Treasury note, this continues to be a reasonable benchmark for measuring performance.

The core investment holdings decreased by \$2.5 million, yet the yield continues to be a robust 1.53 percent. The decrease in the Housing Commission's core investment holdings was primarily due to continued uncertainty over rates and the impact of any changes, where the expectation was an increase in interest rates. It was prudent, given the level of uncertainty around rates, that the Housing Commission retained additional amounts of cash in liquid account holdings while waiting for more opportune investment opportunities expected in the third quarter.

CONCLUSION

On December 16, 2015, the Federal Open Market Committee (FOMC) ended a seven-year experiment with near-zero interest rates by raising its benchmark rate by 0.25 percent, indicating that gradual continued increases were expected over the next 3 years. The Housing Commission continues to maintain a relatively conservative investment approach due to the anticipated volatility associated with market conditions due to both international factors (such as the Greece and China economic conditions), as well as domestic influences (interest rate increases and general market volatility). The Housing Commission has strategically elected to not increase the investment in LAIF and SDCIP as additional opportunities to invest will arise in the agency bonds arena while maintaining the Housing Commission's strategy in line with the investment policy.

Respectfully submitted,

Daniel Brown

Daniel Brown
Director of Finance - Operations
San Diego Housing Commission

Approved by,

Jeff Davis

Jeff Davis
Executive Vice President & Chief Operating Officer
San Diego Housing Commission

Attachments: 1) SDHC Quarterly Financial Investment Report Ending December 31, 2015

Hard copies are available for review during business hours at the security information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1

SAN DIEGO HOUSING COMMISSION

PORTFOLIO SUMMARY BY INVESTMENT TYPE

December 31, 2015								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash	\$46.47	37.21%	\$46.47	100.00%	\$0.00	1	0.36%	1
Local Agency Investment Fund (LAIF)	\$2.04	1.63%	\$2.04	100.00%	\$0.00	1	0.40%	1
San Diego County Investment Pool (SDCIP)	\$7.07	5.66%	\$7.07	100.00%	\$0.00	1	0.59%	1
Total liquid investments	\$55.58	44.51%	\$55.58	100.00%	\$0.00	1	0.39%	1
Agency Bonds	\$66.85	53.33%	\$66.60	99.62%	-\$0.26	1,276	1.54%	584
Certificate of Deposits (FDIC)	\$2.70	2.16%	\$2.70	100.01%	\$0.00	1,022	1.36%	768
Total core investments	\$69.55	55.49%	\$69.29	99.64%	-\$0.26	1,266	1.53%	591
Total liquid and core investments	\$125.13	100%	\$124.87	99.80%	-\$0.26	703	1.02%	328
Current Portfolio Effective Duration		0.87 Years						

September 30, 2015								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash	\$44.45	35.46%	\$44.45	100.00%	\$0.00	1	0.37%	1
Local Agency Investment Fund (LAIF)	\$2.04	1.63%	\$2.04	100.00%	\$0.00	1	0.28%	1
San Diego County Investment Pool (SDCIP)	\$7.06	5.63%	\$7.06	100.00%	\$0.00	1	0.50%	1
Total liquid investments	\$53.55	42.72%	\$53.55	100.00%	\$0.00	1	0.38%	1
Agency Bonds	\$67.51	53.94%	\$67.61	100.16%	\$0.10	1,296	1.51%	553
Certificate of Deposits (FDIC)	\$4.19	3.34%	\$4.19	100.00%	\$0.00	1,080	1.20%	611
Total core investments	\$71.70	57.28%	\$71.80	100.15%	\$0.10	1,284	1.49%	556
Total liquid and core investments	\$125.25	100.00%	\$125.35	100.08%	\$0.10	736	1.02%	319
Current Portfolio Effective Duration		0.86 Years						