



INFORMATIONAL REPORT

DATE ISSUED: February 8, 2024

REPORT NO: HCR24-032

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of February 16, 2024

SUBJECT: Investment Report – 1st Quarter Fiscal Year 2024

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 Sept 30, 2023. The report includes both summary and detailed information on all liquid cash and cash equivalents and core investments owned by the Housing Commission. These funds, however, are not indicative of funds available for discretionary use as they are:

- 1) Earmarked for loans and grants that the Housing Commission has committed to fund through approval by the Housing Commission Board of Commissioners;
- 2) Restricted to federal, state and/or local programmatic requirements,
- 3) Designated for property maintenance; and
- 4) Required 3.5% of budgeted new revenue contingency reserves.

The market value of the portfolio on September 30, 2023, was \$173.51 million, compared to \$161.92 million in the previous quarter, resulting in an overall investment portfolio increase of \$11.59 million. On September 30, 2023, the overall investment portfolio had a yield to maturity of 2.01 percent, average days to maturity of 523, and an effective duration of 1.21 years, compared to the overall investment portfolio on June 30, 2023, which had a yield to maturity of 2.14 percent, average days to maturity of 610, and an effective duration of 1.52 years.

Cash and cash equivalents (liquid)

1. \$39.14 million is held in various accounts, including the Housing Commission's bank, US Bank (\$27.92 million) and other various authorized accounts required by lending agreements and program obligations (\$11.23 million).
2. \$29.27 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 liquid accounts was 2.01 percent, which is a decrease of 0.13 percent from the previous quarter.

Core investments

3. \$105.10 million is held in Agency Debentures and/or Agency Mortgage-Backed Securities (MBS).

The blended yield on core investments was 2.49 percent, which is an increase of 0.16 percent from 2.33 percent in the previous quarter.

DISCUSSION

The overall market value of the investment portfolio increased of \$11.59 million compared to the prior quarter of \$176.45 million. The \$11.59 million increase during the quarter was mainly due to Moving to Work revenues received in anticipation for upcoming acquisitions.

The overall investment portfolio yield was 2.01 percent, compared to 2.14 percent from the prior quarter.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to a Core Value in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Believe in transparency and being good financial stewards.

CONCLUSION

The Federal Reserve raised the Federal Funds rate by 0.25% at the May 3, 2023, meeting, and as expected, held steady with no rate change at the June 14, 2023, meeting. This positioned the Federal Funds rate at that time to 5.25%. Recent economic data, the downward revisions to Non-Farm Payrolls and the spike in the unemployment rate offer additional confirmation the Fed tightening remains a powerful tool, that policy works with a lag, and the pace of the hiking cycle is uncertain for the remainder of 2023.

The Housing Commission's investment portfolio is well-positioned for a continued rate hike in 2023 and will remain conservative in its approach to its investment strategy. The investment portfolio will be managed with these underlying objectives in mind - focus on ensuring the safety of the principal, extending duration while maintaining sufficient liquidity to meet operational requirements, generate investment yield and when possible, invest locally.

Respectfully submitted,



Suket Dayal
Executive Vice President V.P., Business Administration
and Chief Financial Officer

Approved by,



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) SDHC Quarterly Financial Investment Report Ending Sept 30, 2023

Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101
Docket materials are also available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

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INVESTMENT POLICY SUMMARY

In 2005, SDHC approved an Investment Policy which allows the agency to invest surplus funds in accordance with the provisions of U.S. Department of Housing & Urban Development (HUD) Notice PIH 96-33 and California Government Code Sections 5922 and 53601.

The Investment Policy contains the required standards of care that include prudence, ethics, conflict of interest and delegation of authority. Additionally, the policy states the general objectives of safety, liquidity, yield and local considerations must be followed. Finally, the policy provides guidance concerning authorized financial institutions, depositories and broker/dealers; asset safekeeping and custody; authorized and suitable investment types; collateralization and diversification.

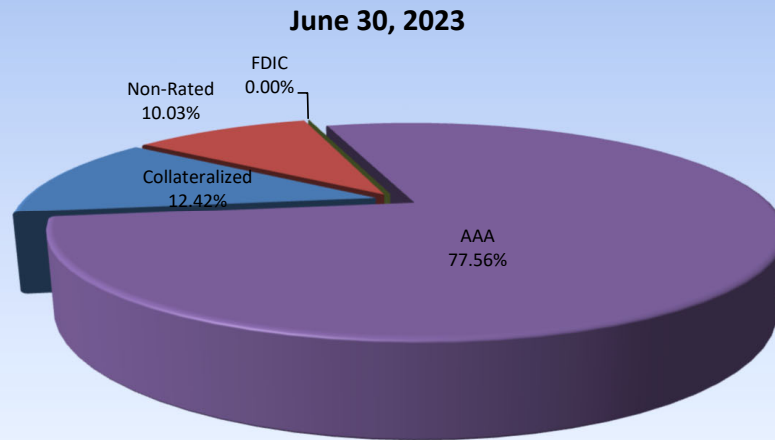
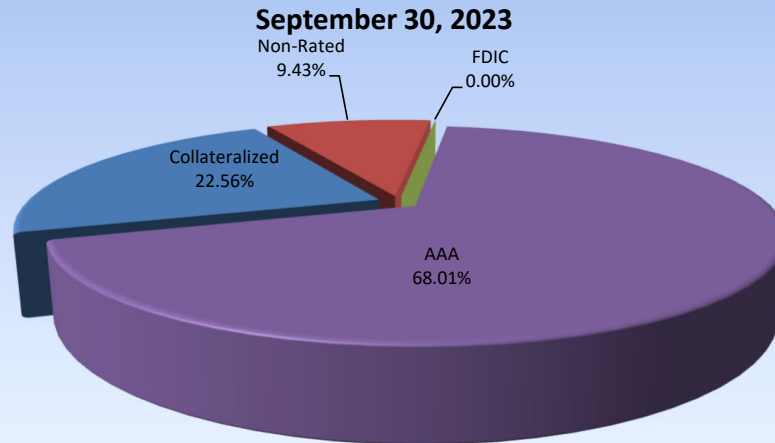
SAN DIEGO HOUSING COMMISSION

PORTFOLIO SUMMARY BY INVESTMENT TYPE

September 30, 2023								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash - unrestricted	\$27.92	15.56%	\$27.92	100.00%	\$0.00	1	0.30%	1
Cash - restricted	\$11.23	6.26%	\$11.23	100.00%	\$0.00	1	0.29%	1
Local Agency Investment Fund (LAIF)	\$16.36	9.12%	\$16.36	100.00%	\$0.00	1	2.29%	1
San Diego County Investment Pool (SDCIP)	\$12.91	7.19%	\$12.91	100.00%	\$0.00	1	2.97%	1
Total liquid investments	\$68.42	38.14%	\$68.42	100.00%	\$0.00	1	1.28%	1
Agency Bonds	\$110.97	61.86%	\$105.10	95.44%	\$12.26	1,471	2.49%	863
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$110.97	61.86%	\$105.10	95.44%	\$12.26	1,471	2.49%	863
Total liquid and core investments	\$179.39	100%	\$173.51	97.24%	\$12.26	891	2.01%	523
Current Portfolio Effective Duration	1.21 Years							

June 30, 2023								
Investments	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash - unrestricted	\$9.33	5.56%	\$9.33	100.00%	\$0.00	1	0.30%	1
Cash - restricted	\$10.77	6.41%	\$10.77	100.00%	\$0.00	1	0.29%	1
Local Agency Investment Fund (LAIF)	\$16.24	9.67%	\$16.24	100.00%	\$0.00	1	2.29%	1
San Diego County Investment Pool (SDCIP)	\$17.77	10.58%	\$17.77	100.00%	\$0.00	1	2.97%	1
Total liquid investments	\$54.11	32.22%	\$54.11	100.00%	\$0.00	1	1.77%	1
Agency Bonds	\$113.85	67.78%	\$107.81	94.79%	\$6.04	1,468	2.33%	916
Certificate of Deposits (FDIC)	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total core investments	\$113.85	67.78%	\$107.81	94.79%	\$6.04	1,468	2.33%	916
Total liquid and core investments	\$167.96	100%	\$161.92	96.53%	\$6.04	978	2.14%	610
Current Portfolio Effective Duration	1.52 Years							

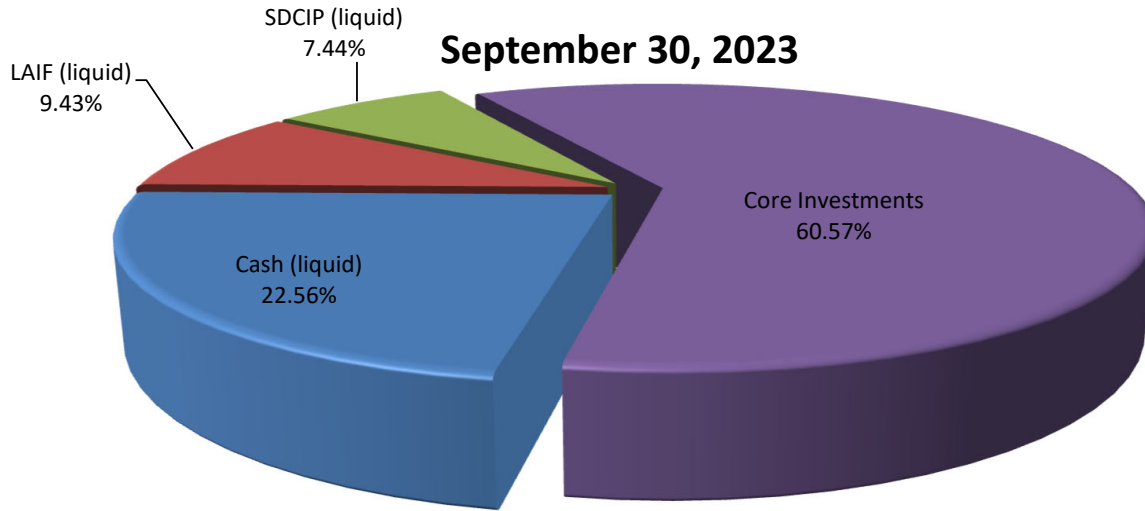
PORTFOLIO CREDIT QUALITY* BY QUARTER



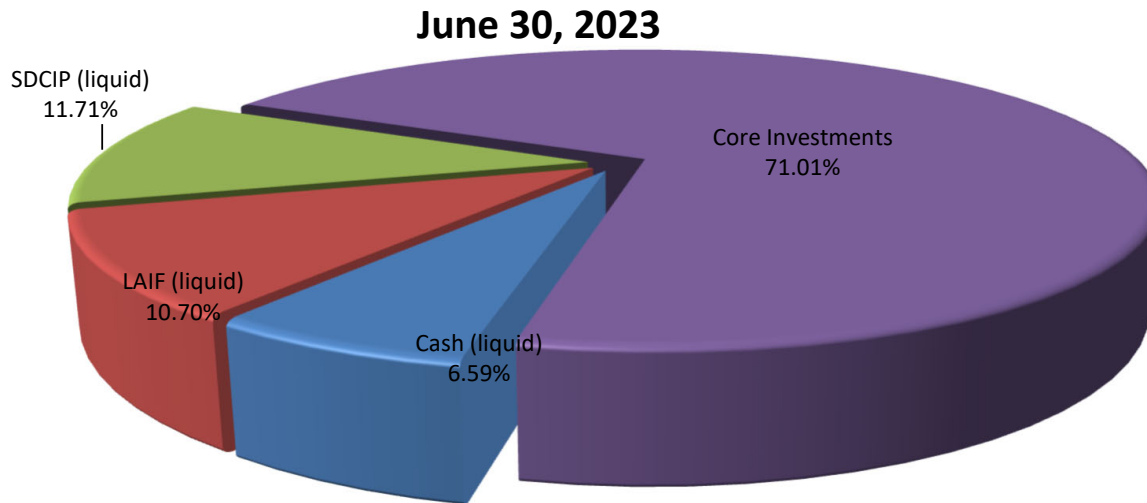
Note: Mortgage-backed securities (MBS) are included with other AAA rated securities. While the rating agencies do not specifically rate MBS, they carry an implied AAA rating based on the collateral and the rating of the Agency (Fannie/Freddie) that issues/guarantees them.

Non-Rated securities in SDHC's portfolio represents investments in the State of California's Local Agency Investment Fund (LAIF). The lack of a rating does not imply a negative credit quality.

ASSET ALLOCATION BY QUARTER



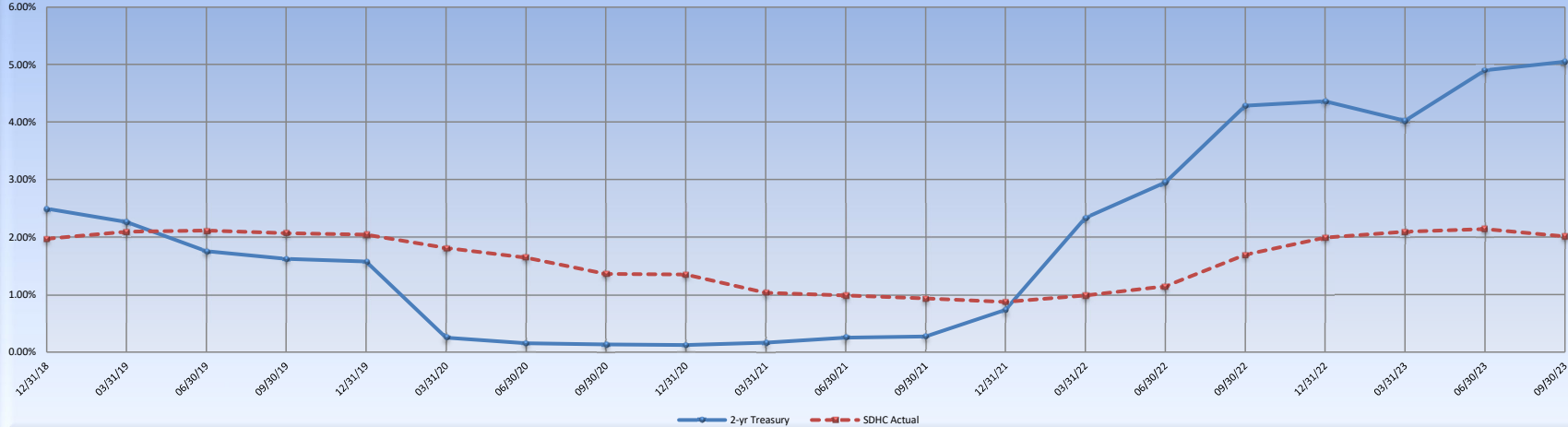
Market Value in Millions			
	06/30/23	09/30/23	Variance
Cash (liquid)	\$ 10.00	\$ 39.14	\$ 29.14
LAIF (liquid)	\$ 16.24	\$ 16.36	\$ 0.13
SDCIP (liquid)	\$ 17.77	\$ 12.91	\$ (4.87)
Core Investments	\$ 107.81	\$ 105.10	\$ (2.71)
Total	\$ 151.82	\$ 173.51	\$ 21.69



Portfolio Maturity Schedule

Investments	1 day to 90 days	91 days to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Total by Asset
Cash	39.14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39.14
LAIF	16.36	-	-	-	-	-	\$ 16.36
SDCIP	12.91	-	-	-	-	-	\$ 12.91
Agency Bonds	0.47	10.86	37.55	29.56	7.91	18.75	\$ 105.10
CD (FDIC)	-	-	-	-	-	-	\$ -
Total	\$ 68.88	\$ 10.86	\$ 37.55	\$ 29.56	\$ 7.91	\$ 18.75	\$ 173.51
Percent	39.70%	6.26%	21.64%	17.04%	4.56%	10.81%	100.00%

2-Year Treasury Note vs. SDHC Actual Yield



San Diego Housing Commission

Portfolio Holdings Detail

As of

September 30, 2023

Investments - Liquid Cash Accounts	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
SDHC Operating Account	U.S. Bank	\$27.92	16.09%	\$27.92	100.00%	\$0.00	1	0.30%	1
Belden FNMA LLC Operating	U.S. Bank	\$0.60	0.35%	\$0.60	100.00%	\$0.00	1	0.30%	1
Belden FNMA LLC Security Deposit	U.S. Bank	\$0.12	0.07%	\$0.12	100.00%	\$0.00	1	0.30%	1
Belden FNMA LLC Res. (10002)	Greystone	\$0.05	0.03%	\$0.05	100.00%	\$0.00	1	0.05%	1
Central FNMA LLC Operating	U.S. Bank	\$0.41	0.24%	\$0.41	100.00%	\$0.00	1	0.30%	1
Central FNMA LLC Security Deposit	U.S. Bank	\$0.10	0.06%	\$0.10	100.00%	\$0.00	1	0.30%	1
Central FNMA LLC Res. (10003)	Greystone	\$0.00	0.00%	\$0.00	0.00%	\$0.00	1	0.05%	1
North FNMA LLC Operating	U.S. Bank	\$1.01	0.58%	\$1.01	100.00%	\$0.00	1	0.30%	1
North FNMA LLC Security Deposit	U.S. Bank	\$0.15	0.09%	\$0.15	100.00%	\$0.00	1	0.30%	1
North FNMA LLC Res. (10004)	Greystone	\$0.03	0.02%	\$0.03	100.00%	\$0.00	1	0.05%	1
Central FHA LLC Operating	U.S. Bank	\$0.80	0.46%	\$0.80	100.00%	\$0.00	1	0.30%	1
Central FHA LLC Security Deposit	U.S. Bank	\$0.16	0.09%	\$0.16	100.00%	\$0.00	1	0.30%	1
Central FHA LLC Res. (0538)	PNC Bank	\$0.33	0.19%	\$0.33	100.00%	\$0.00	1	0.05%	1
Northern FHA LLC Operating	U.S. Bank	\$0.87	0.50%	\$0.87	100.00%	\$0.00	1	0.30%	1
Northern FHA LLC Security Deposit	U.S. Bank	\$0.12	0.07%	\$0.12	100.00%	\$0.00	1	0.30%	1
Northern FHA LLC Res. (0539)	PNC Bank	\$0.19	0.11%	\$0.19	100.00%	\$0.00	1	0.05%	1
Southern FHA LLC Operating	U.S. Bank	\$1.68	0.97%	\$1.68	100.00%	\$0.00	1	0.30%	1
Southern FHA LLC Security Deposit	U.S. Bank	\$0.22	0.13%	\$0.22	100.00%	\$0.00	1	0.30%	1
Southern FHA LLC Res. (0540)	PNC Bank	\$0.44	0.26%	\$0.44	100.00%	\$0.00	1	0.05%	1
Hotel Sandford Rep. Res. (7828)	U.S. Bank	\$0.26	0.15%	\$0.26	100.00%	\$0.00	1	0.30%	1
Hotel Sandford Operating Savings (7836)	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.30%	1
Town & Country Operating	Wells Fargo	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.40%	1
Town & Country Security Deposits	Wells Fargo	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.40%	1
Town & Country Savings	Wells Fargo	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.40%	1
Deposit Escrow - Non current	U.S. Bank	\$0.08	0.05%	\$0.08	100.00%	\$0.00	1	0.40%	1
FSS Escrow	U.S. Bank	\$0.59	0.34%	\$0.59	100.00%	\$0.00	1	0.30%	1
SDHC Building Opportunities	Banc of California	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.40%	1
Red Loan Courtyard	Red Mortgage	\$0.02	0.01%	\$0.02	100.00%	\$0.00	1	0.40%	1
For Benefit of the County of SD	U.S. Bank	\$0.03	0.02%	\$0.03	100.00%	\$0.00	1	0.40%	1
PMCO operating accounts	Wells Fargo	\$0.33	0.19%	\$0.33	100.00%	\$0.00	1	0.40%	1
PMCO security deposits	Wells Fargo	\$0.52	0.30%	\$0.52	100.00%	\$0.00	1	0.40%	1
SDHC PM Operating Reserve	U.S. Bank	\$1.87	1.08%	\$1.87	100.00%	\$0.00	1	0.40%	1
SDHC PM Replacement Reserve	Wells Fargo	\$0.24	0.14%	\$0.24	100.00%	\$0.00	1	0.40%	1
Village North Senior Res	Red Mortgage	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.40%	1
Village North Senior Operating Savings (9747)	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.30%	1
Village North Senior Security Dep. (9788)	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.30%	1
Total Cash Accounts		\$39.14	22.56%	\$39.14	100.00%	\$0.00	1	0.30%	1

Investments - Liquid Pooled Investments	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Local Agency Investment Fund	State of CA	\$16.36	9.43%	\$16.36	100.00%	\$0.00	1	2.29%	1
San Diego Foundation	TSDF	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
SD County Investment Pool	County of SD	\$12.91	7.44%	\$12.91	100.00%	\$0.00	1	2.97%	1
Total Pooled Investments		\$29.27	16.87%	\$29.27	100.00%	\$0.00	1	2.59%	1

San Diego Housing Commission

Portfolio Holdings Detail

As of

September 30, 2023

	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Investments - Core									
Total Agency Bond Investments		\$110.97	60.57%	\$105.10	95.44%	\$12.26	1,471	2.49%	863

Investments Bond Investments (CUSIP)	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Corporate Bonds									
Total Corporate Bond Investments		\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0

Investments - Core Certificate of Deposit (CD)	Identifier	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
	Issuer								
Total Certificate of Deposits		\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0

Investments - Core US Government Agency Securities	Identifier	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Total US Government Agency Securities		\$0.00	0.00%	\$0.00	0.00%	\$0.00	0	0.00%	0
Total Cash & Investments		\$179.39	100.00%	\$173.51	97.24%	\$12.26	891	2.01%	523

Statement of Compliance:

I certify to the best of my knowledge and belief that all investment transactions executed have been in full compliance with the investment policy of the San Diego Housing Commission.

Executive V.P., Business Administration

Date

GLOSSARY OF INVESTMENT TERMS

Agency - Privately owned, publicly chartered entities, such as Fannie Mae or Freddie Mac, created by Congress to reduce the cost of capital for certain borrowing sectors of the economy.

Blended Rate of Return - See Weighted Average Return.

Book Value - The value at which a security is carried on the financial records of an investor. The book value may differ significantly from the security's current value in the market or market value.

Basis Point (BP) - is one hundredth of a percentage point (0.01%). Basis points are often used to measure changes in yields between securities that often move in very

Certificate of Deposit (CD) - A time deposit with a specific maturity evidenced by a certificate. CDs are 100% collateralized and/or FDIC insured.

Collateralization - Process by which financial institutions pledge securities, property, or other deposits for the purpose of securing cash and investments.

CUSIP - Committee on Uniform Security Identification Procedures. A unique 9-character alphanumeric identifier assigned to a bond at the time it is issued.

Debenture - A bond secured only by the general credit of the issuer.

Effective Duration - A measure of price sensitivity of a fixed income portfolio given a parallel shift in interest rates. Lower duration (in years) = lower price sensitivity.

FDIC - Federal Deposit Insurance Corporation a federally sponsored corporation that insures accounts in national banks and other qualified institutions.

FFCB - Federal Farm Credit Bank, a GSE.

FHLB - Federal Home Loan Banks, a GSE.

FHLMC - Federal Home Loan Mortgage Corporation or Freddie Mac, a GSE.

FNMA - Federal National Mortgage Association or Fannie Mae, a GSE.

GSE (Agency) - Government Sponsored Enterprise. Privately owned, publicly chartered entities, such as Fannie Mae or Freddie Mac, created by Congress to reduce the cost of capital for certain borrowing sectors of the economy.

Liquidity - The ability to convert an asset to cash quickly.

Market Value - An estimation of the price that could be obtained for a particular investment or asset if it were sold in an arm's length transaction on the current market.

MBS - Mortgage-Backed Security is a type of asset-backed security that is secured by a mortgage or collection of mortgages where monthly interest and principle payments are often redirected to bondholders.

SDCIP - San Diego County Investment Pool.

SLY - Safety, Liquidity & Yield. An investment strategy where the primary objective is the Safety of principle first, the Liquidity of investments to meet operating requirements second and where Yield only considered after the requirements of Safety and Liquidity have been met.

S&P - Standard and Poors, a credit ratings agency

Unrealized Gain (Loss) - The difference between the book value of an investment and the current market value/price.

Weighted Average Return - The average yield on a group of investment that takes into account the proportional relevance of each component.

Yield-To-Maturity (YTM) - The rate of return yielded on a bond or other investment if it is held until the maturity date.