



QUARTERLY INVESTMENT REPORT

June 30, 2021

**City of Houston, Texas
Office of the City Controller**

**Chris Brown
City Controller**

**Charisse Mosely
Deputy City Controller**

**Han Au
Investment Manager**



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

July 29, 2021

To Mayor Turner, City Council Members and
The Citizens of Houston:

I am pleased to submit to you the City of Houston's Quarterly Investment Report for the quarter ended June 30, 2021. This report presents the composition of investment pools the City Controller's Office manages.

The Report is organized as follows: Investment Portfolio Summary and Composition of all pools; an analysis of the General and Tax-Exempt pools; security listings by maturity for the quarters ended June 30, 2021 and March 31, 2021.

I hope you find this data useful and informative.

Respectfully submitted,

Chris Brown
City Controller



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

Quarterly Investment Report

We believe the data presented for the quarter ended June 30, 2021 is accurate in all material respects and presented in a manner that fairly sets forth the investment standing of the City of Houston.

This report was prepared in compliance with the City's Investment Policy and the Public Funds Investment Act of the State of Texas.

Chris Brown
City Controller

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CITY OF HOUSTON
QUARTERLY INVESTMENT REPORT
Executive Summary
For the Quarter Ended June 30, 2021

The accompanying Quarterly Investment Report lists in summary form and in detail the investment positions of the City of Houston investment pools as of June 30, 2021. As of that date, the City held total investments with a market value of \$5.18 billion. The majority of these funds, with the exception of about \$16 million that must be segregated per federal mandates, are held in the City's General Investment Pool. The General Investment Pool consists of working capital, construction funds, and debt service funds not subject to yield restriction under IRS arbitrage regulations. All investments are governed by state law and the City's Investment Policy, which dictates the following investment objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investments
4. Other Legal Requirements

Approximately 31.1% of the City's holdings are currently invested in United States Treasuries. Other investment sectors include 29.3% allocation to US government-sponsored enterprises such as the Federal Home Loan Bank, Fannie Mae, Freddie Mac, and Farmer Mac, 7.0% to municipal notes and bonds, 18.8% to commercial paper, and 13.8% to high grade money market funds.

The weighted average maturity of the City's investments has historically ranged from about one year up to two years. The weighted average maturity is currently 1.65 years. From an operating standpoint, 26% of the funds invested are designated to be spent on capital projects such as roads and bridges, the water and sewer system and the airport system. Investment maturities are targeted to coincide with planned expenditures. Other investment maturities are targeted to meet short-term obligations such as payroll and debt service payments.

Fitch Ratings has assigned its AA+ credit rating and S1 volatility rating to the General Pool. The AA+ credit quality rating is the highest rating available from Fitch Ratings and reflects the extremely strong protection that the Pool's portfolio investments provide against losses from credit defaults or credit deteriorations. The S1 volatility rating recognizes the Pool's sensitivity to changing market conditions as a result of its low market risk profile and conservative investment policies.

At June 30, 2021, the general pool was yielding 0.75% based on the amortized cost of the portfolio.

**Investment Portfolio Summary
Activity For Quarter Ended
June 30, 2021**

General Pool 9900

	6/30/2021	3/31/2021	Last Quarter Net Change	6/30/2020	Last Year Net Change
Book Value	\$5,148,688,389	\$5,201,964,512	-53,276,123	\$4,701,958,828	446,729,561
Market Value	\$5,176,274,854	\$5,238,390,862	-62,116,008	\$4,782,289,886	393,984,967
Market/Book Ratio	1.0054	1.0070	-0.0016	1.0171	-0.0117
Accrued Interest	\$9,852,114	\$17,296,968	-7,444,855	\$13,994,603	-4,142,490

The General Pool consists of all working capital, construction, and debt service funds which are not subject to yield restriction under IRS arbitrage regulations. Combining the net cash-flows of all funds allows the City to invest in longer-term, higher-yielding securities without sacrificing the ability to meet short-term cash needs. The General Pool strategy, as outlined in the City's Investment Policy, combines a variation on the traditional ladder maturity strategy which matches assets and liabilities, with more active management strategies, such as yield curve analysis and bond swaps.

For the quarter ending June 30, 2021, the 3-month average yield was 0.874%. The weighted average maturity (WAM) as of June 30 was 604 days.



Fitch Ratings has assigned its AAf credit rating and S1 volatility rating to the General Pool. The AAf credit quality rating is the highest rating available from Fitch Ratings and reflects the extremely strong protection that the Pool's portfolio investments provide against losses from credit defaults or credit deterioration. The S1 volatility rating recognizes the Pool's sensitivity to changing market conditions as a result of its low market risk profile and conservative investment policies.

Tax Exempt Pool 9901

	6/30/2021	3/31/2021	Last Quarter Net Change	6/30/2020	Last Year Net Change
Book Value	\$8,137,625	\$8,180,930	-43,305	\$8,058,106	79,519
Market Value	\$8,200,250	\$8,259,195	-58,945	\$8,171,106	29,144
Market/Book Ratio	1.0077	1.0096	-0.0019	1.0140	-0.0063
Accrued Interest	\$133,175	\$69,800	63,375	\$130,883	2,292

The Tax Exempt Pool consists of those funds which are subject to yield restriction and arbitrage regulation under the 1986 Tax Reform Act. This pool was created to do the following: demonstrate compliance with Internal Revenue Code regarding arbitrage, maximize the amount of interest earned and retained by the City from the investment of funds subject to the regulations, minimize the amount of rebate liability, and minimize the cost of administering the arbitrage tracking program. The Tax Exempt Pool strategy, as outlined in the City's Investment Policy, is to invest in high quality, short-term municipal bonds and one or more tax-exempt money market mutual funds in order to meet the liquidity demands of the City.

For the quarter ending June 30, 2021, the 3-month average yield was 1.014%. The WAM was 471 days at June 30, 2021.

**Investment Portfolio Summary
Activity For Quarter Ended
June 30, 2021**

Housing Department Section 108 Pool 9902

	<u>6/30/2021</u>	<u>3/31/2021</u>	<u>Last Quarter Net Change</u>	<u>6/30/2020</u>	<u>Last Year Net Change</u>
Book Value	\$7,999,690	\$2,912,643	5,087,047	\$7,999,670	20
Market Value	\$7,998,960	\$2,912,643	5,086,317	\$7,999,720	-760
Market/Book Ratio	0.9999	1.0000	-0.0001	1.0000	-0.0001
Accrued Interest	\$0	\$0	0	\$0	0

The Housing Department Fund was created to comply with the U.S. Department of Housing and Urban Development (HUD), which requires a separate custodial account for HUD's benefit.

For the quarter ending June 30, 2021, the 3-month average yield was 0.017%. The WAM was 89 days at June 30, 2021.

Investment Portfolio Composition General Pool 9900 Percentages by Market Sector

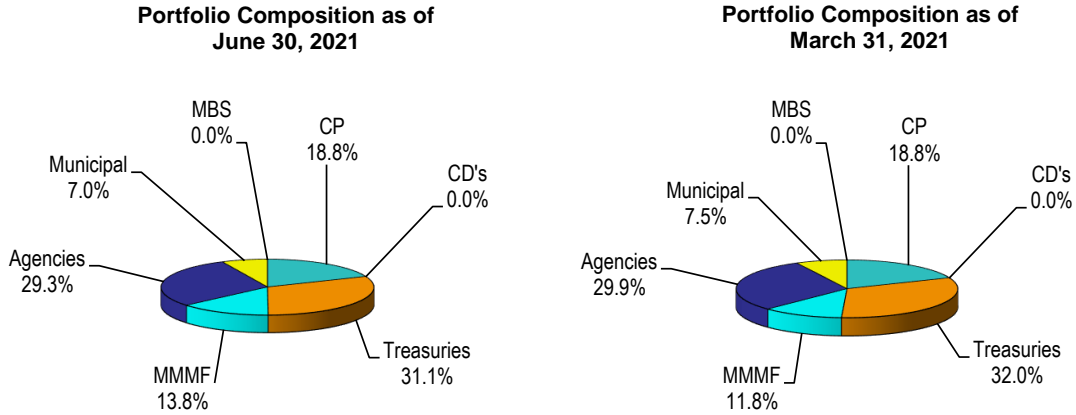


FIGURE 2
Source: City of Houston Controller's Office

Investment Policy Limitations

Money Market Mutual Funds (MMMF)	≤25%
Repurchase Agreements (Repo)	≤15%
Commercial Paper/Banker Acceptances (CP/BA)	≤20%
US Treasury Bills/Notes/Bonds	≥15%
US Agencies	≤85%
Municipal Bonds	≤20%
Mortgage-Backed Securities (MBS) & Collateralized Mortgage Obligations (CMO)	≤20%

The portfolio composition graph for the General Pool (Figure 2) shows the percentage of the pool held in U.S. Treasuries, U.S. Agencies, Mortgage-Backed Securities, Municipal Bonds and liquidity investments (MMMF, Repo and CP) positions. All investments are in compliance with the objectives and restrictions set forth in the City's Investment Policy and the Public Funds Investment Act of the State of Texas.

**Annual Portfolio Composition
General Pool 9900
July 2020 through June 2021**

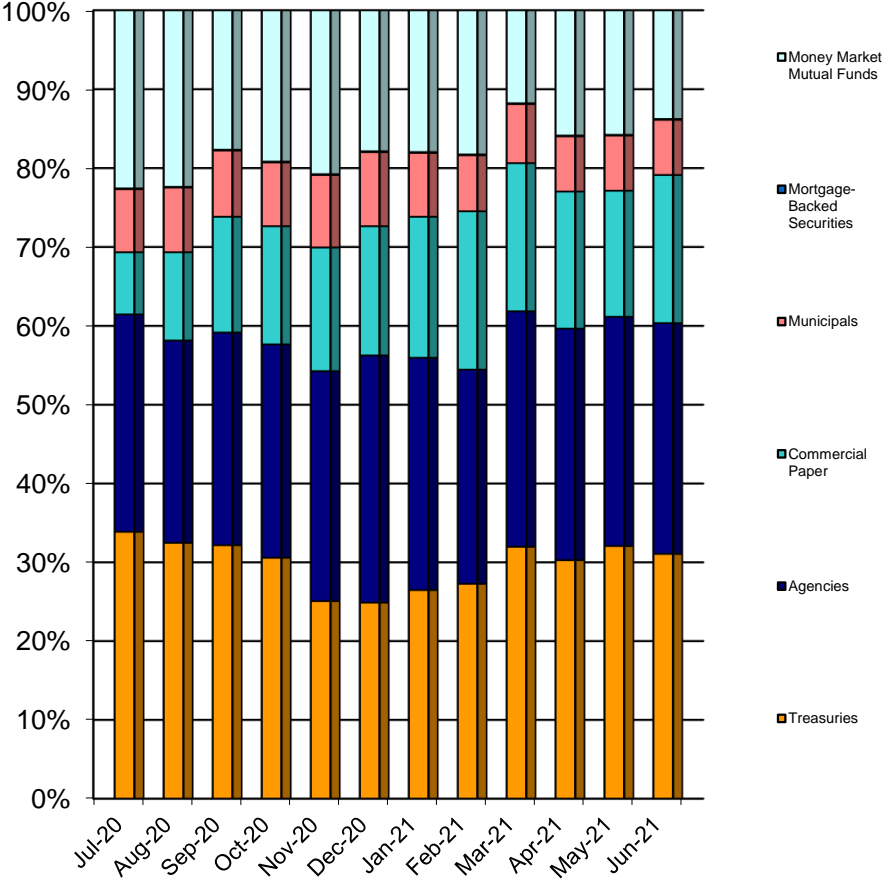
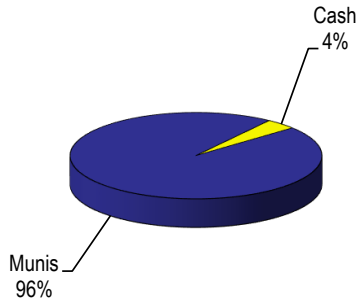


FIGURE 3
Source: City of Houston Controller's Office

**Investment Portfolio Composition
Tax Exempt Pool
Percentages by Market Sector**

**Portfolio Composition as of
June 30, 2021**



**Portfolio Composition as of
March 31, 2021**

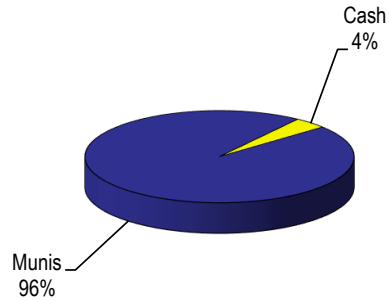


FIGURE 5
Source: City of Houston Controller's Office

Investment Policy Limitations

	<u>Maximum Level</u>
Money Market Mutual Funds (MMMF)	100%
Municipal Notes and Bonds (Including VRDSs)	100%

The portfolio composition graph for the Tax Exempt Pool (Figure 5) shows the percentage of the pool held in Municipal Notes/Bonds/VRDS's and Money Market Mutual Funds. All investments are in compliance with the objectives and restrictions set forth in the City's Investment Policy and the Public Funds Investment Act of the State of Texas.

Appendix I

Investments by Sector and Maturity as of June 30, 2021

INVESTMENT BY SECTOR AND MATURITY - GENERAL FUND 9900
AS OF June 30, 2021

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date Avg Life	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
LANS CD 2.0 1-15-25	514014SH3	2.000%	2,965,000.00	1/15/2025		3.410	12/3/2020	34,262.22	3,109,886.53	0	0.600	3,089,114.90
LANS CD 2.0 1-15-25	514014SH3	2.000%	2,960,000.00	1/15/2025		3.410	12/3/2020	34,204.44	3,104,642.19	0	0.600	3,083,905.60
ENEPWR 2.953 7-1-22	29270CYQ2	2.953%	1,500,000.00	7/1/2022		0.982	12/23/2020	22,147.50	1,538,926.87	0	0.350	1,539,915.00
MSS 3.546 11-1-24	605581LK1	3.546%	5,280,000.00	11/1/2024		3.169	12/23/2020	31,204.80	5,821,474.87	0	0.440	5,779,752.00
TXS 4.123 4-1-25	882722VM0	4.123%	3,335,000.00	4/1/2025		3.502	2/5/2021	34,375.51	3,780,620.78	0	0.524	3,739,802.30
MSLSCD 0.00 2-15-22	572682RS3	0.000%	1,000,000.00	2/15/2022		0.630	2/11/2021	0.00	998,030.35	0	0.313	998,440.00
MSLSCD 0.00 2-15-23	572682RT1	0.000%	1,000,000.00	2/15/2023		1.629	2/11/2021	0.00	993,296.12	0	0.413	992,970.00
MSLSCD 0.00 2-15-25	572682RV6	0.000%	1,000,000.00	2/15/2025		3.630	2/11/2021	0.00	968,918.20	0	0.873	960,100.00
JERDEV 1.50 5-26-22	476637AM5	1.500%	5,000,000.00	5/26/2022		0.902	5/26/2021	7,291.67	5,053,083.33	0	0.320	5,051,350.00
WCCSCD 0.938 8-1-25	9523474V1	0.938%	3,625,000.00	8/1/2025		4.003	6/17/2021	1,322.32	3,649,721.52	0	0.768	3,627,827.50
Subtotal Municipal Bonds		2.114%	360,650,000.00	9/1/2023		2.126		2,281,744.49	366,901,397.55		1.277	370,718,174.15
Money Market Mutual Funds												
CHASE MONEY MARKET F		0.010%	0.00	7/1/2021		0.000	2/1/2008	0.00	0.00	0	0.010	0.00
TexStar960 Cash Rese		0.010%	708,176,251.58	7/1/2021		0.003	7/31/2019	0.00	708,176,251.58	0	0.010	708,176,251.58
Subtotal Money Market Mutual Funds		0.010%	708,176,251.58	7/1/2021		0.003		0.00	708,176,251.58		0.010	708,176,251.58
TOTAL FUND 9900		1.109%	5,108,378,909.58	4/3/2023		1.732		9,852,113.50	5,148,688,389.04		0.750	5,176,274,853.85

INVESTMENT BY SECTOR AND MATURITY - TAX EXEMPT FUND 9901
AS OF June 30, 2021

Description	Coupon	Par Value	Maturity Date	Call Date	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value	
Municipal Bonds												
WIL 5.0 2-15-22	969887P36	5.000%	1,000,000.00	2/15/2022		0.613	3/20/2019	18,888.89	1,020,372.03	0	1.640	1,029,570.00
TXS 6.0 8-1-21	882723RW1	6.000%	1,350,000.00	8/1/2021		0.088	8/19/2019	33,750.00	1,355,563.87	0	1.050	1,355,427.00
MDS 5.0 3-15-23 TE P	574193NE4	5.000%	1,310,000.00	3/15/2023		1.639	3/18/2020	19,286.11	1,393,648.07	0	1.180	1,417,904.70
MON 5.0 12-1-22 TE P	6133405U8	5.000%	1,500,000.00	12/1/2022		1.384	3/18/2020	6,250.00	1,573,299.00	0	1.470	1,602,720.00
TXS 6.0 8-1-23	882723RY7	6.000%	2,200,000.00	8/1/2023		1.955	8/18/2020	55,000.00	2,457,447.67	0	0.350	2,457,334.00
Subtotal Municipal Bonds		5.482%	7,360,000.00	11/3/2022		1.284		133,175.00	7,800,330.64		1.015	7,862,955.70
TOTAL FUND 9901		5.482%	7,360,000.00	11/3/2022		1.284		133,175.00	7,800,330.64		1.015	7,862,955.70

INVESTMENT BY SECTOR AND MATURITY - HOUSING DEPARTMENT SECTION 108 FUND 9902
AS OF June 30, 2021

Description	Coupon	Par Value	Maturity Date	Call Date	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value	
Treasury Bills												
B 0.018 8-12-21	9127964B2	0.02%	4,000,000.00	8/12/2021		0.118	4/23/2021	0	3,999,915.18	0	0.018	3,999,760.00
B 0.015 11-12-21	912796H51	0.02%	4,000,000.00	11/12/2021		0.37	5/27/2021	0	3,999,775.30	0	0.015	3,999,200.00
Subtotal Treasury Bills		0.017%	8,000,000.00	9/26/2021		0.244		0.00	7,999,690.48		0.017	7,998,960.00
TOTAL FUND 9902		0.017%	8,000,000.00	9/26/2021		0.244		0.00	7,999,690.48		0.017	7,998,960.00
GRAND TOTALS		1.114%	5,123,738,909.58	4/2/2023		1.729		9,985,288.50	5,164,488,410.16		0.750	5,192,136,769.55

Appendix II

Investments by Sector and Maturity as of March 31, 2021

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date Avg Life	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
Subtotal Money Market Mutual Funds		0.022%	614,156,594.39	4/1/2021		0.003		0.00	614,156,594.39		0.022	614,156,594.39
TOTAL FUND 9900		1.241%	5,172,989,561.62	11/23/2022		1.619		17,296,968.15	5,201,964,512.22		1.055	5,238,390,861.52

**INVESTMENT BY SECTOR AND MATURITY - TAX EXEMPT FUND 9901
AS OF March 31, 2021**

Description	CUSIP	Coupon	Par Value	Maturity Date	Call Date	Mod DTW	Purchase Date	Accrued Interest	Book Value	YTC	Current Yield	Market Value
Municipal Bonds												
WIL 5.0 2-15-22	969887P36	5.000%	1,000,000.00	2/15/2022		0.860	3/20/2019	6,388.89	1,028,545.40	0	1.640	1,041,630.00
TXS 6.0 8-1-21	882723RW1	6.000%	1,350,000.00	8/1/2021		0.337	8/19/2019	13,500.00	1,372,133.88	0	1.050	1,375,110.00
MDS 5.0 3-15-23 TE P	574193NE4	5.000%	1,310,000.00	3/15/2023		1.886	3/18/2020	2,911.11	1,405,902.57	0	1.180	1,433,048.30
MON 5.0 12-1-22 TE P	6133405U8	5.000%	1,500,000.00	12/1/2022		1.597	3/18/2020	25,000.00	1,586,225.74	0	1.470	1,620,510.00
TXS 6.0 8-1-23	882723RY7	6.000%	2,200,000.00	8/1/2023		2.202	8/18/2020	22,000.00	2,488,327.72	0	0.350	2,489,102.00
Subtotal Municipal Bonds		5.482%	7,360,000.00	11/3/2022		1.524		69,800.00	7,881,135.31		1.014	7,959,400.30
TOTAL FUND 9901		5.482%	7,360,000.00	11/3/2022		1.524		69,800.00	7,881,135.31		1.014	7,959,400.30
GRAND TOTALS		1.247%	5,180,349,561.62	10/22/2022		1.536		17,366,768.15	5,209,845,647.53		1.054	5,246,350,261.82