



Quarterly Investment Report
Clark County Investment Pool

As of December 31, 2020

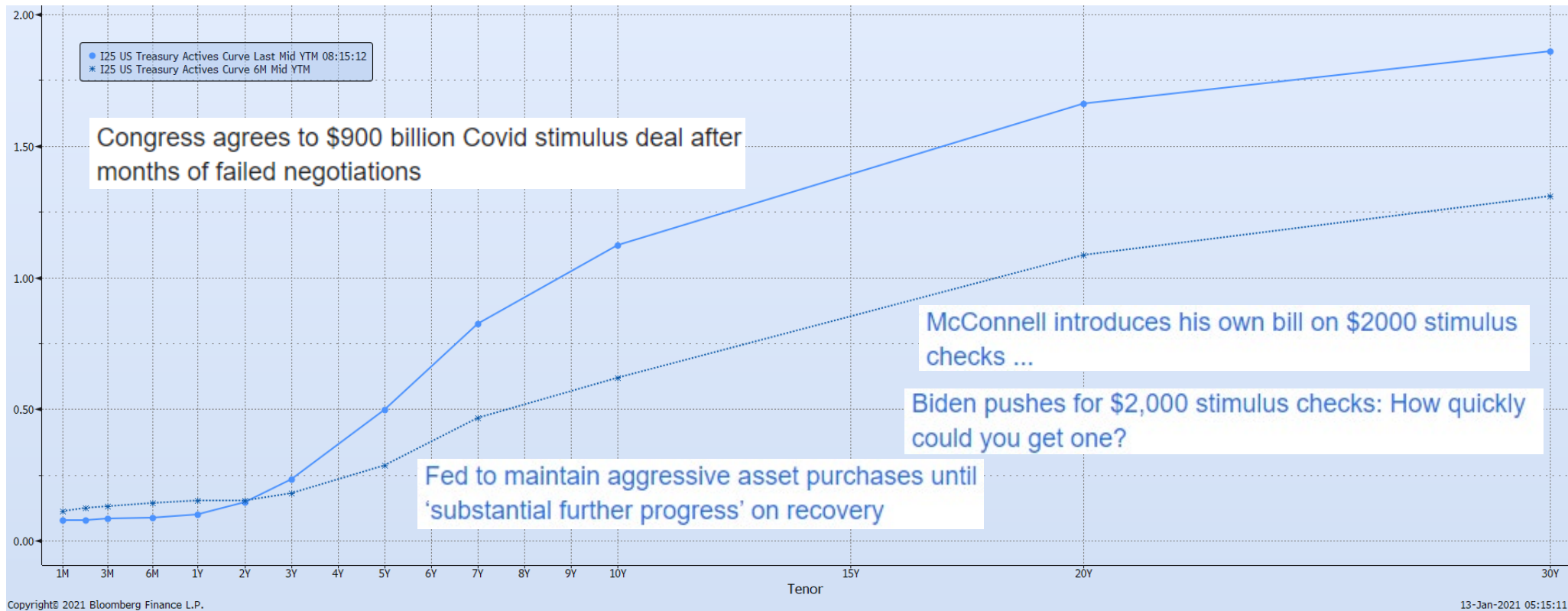
Headlines for the Quarter and Year End:

- Rates are at the lowest in history.
- Investment strategy and planning is more important than ever for future income.
- Inflation talk is getting attention as asset inflation is occurring in housing and fixed assets, however, it is uncertain if it will flow through to the real economy.
- Stimulus package is on its way and will provide temporary support.

Key outcomes and discussions:

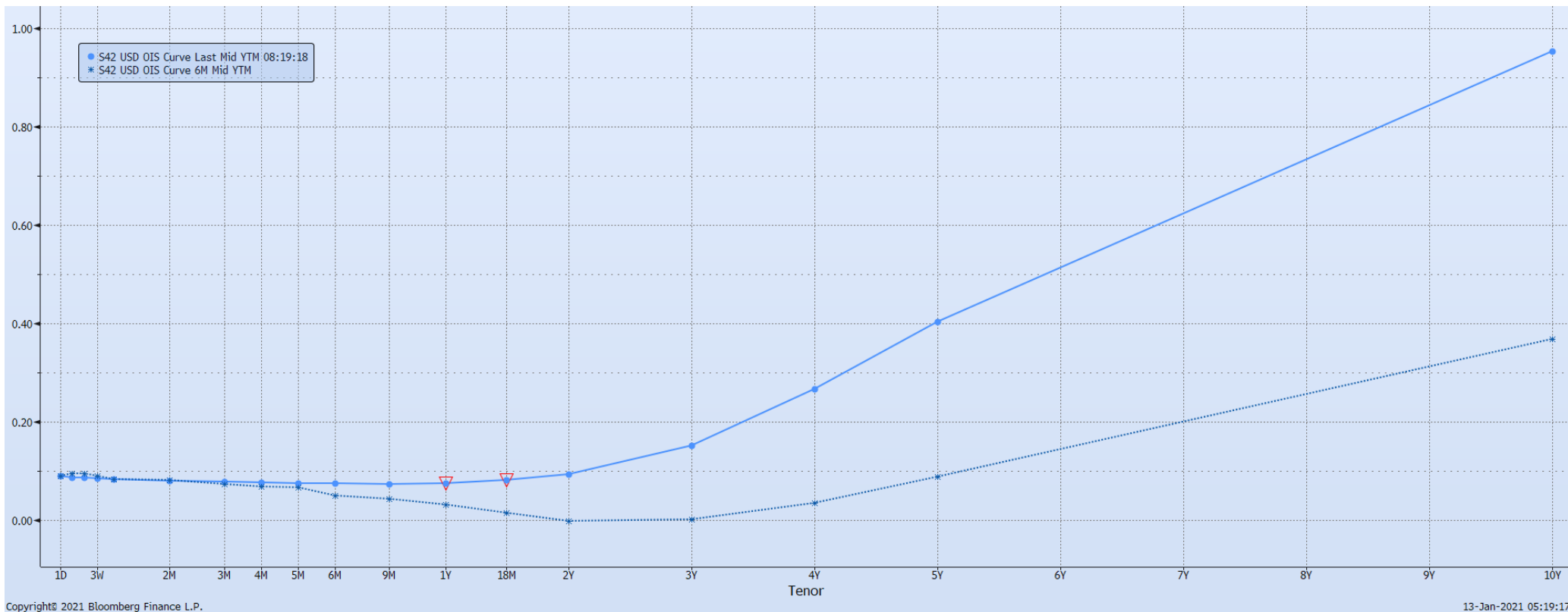
- Continue to assess asset allocation alternatives from a risk and return perspective.
- Clearly identify liquidity needs and manage both cash flows and investments.
- Communicate the expectations of lower earnings due to the current market conditions.

US Treasury Curve



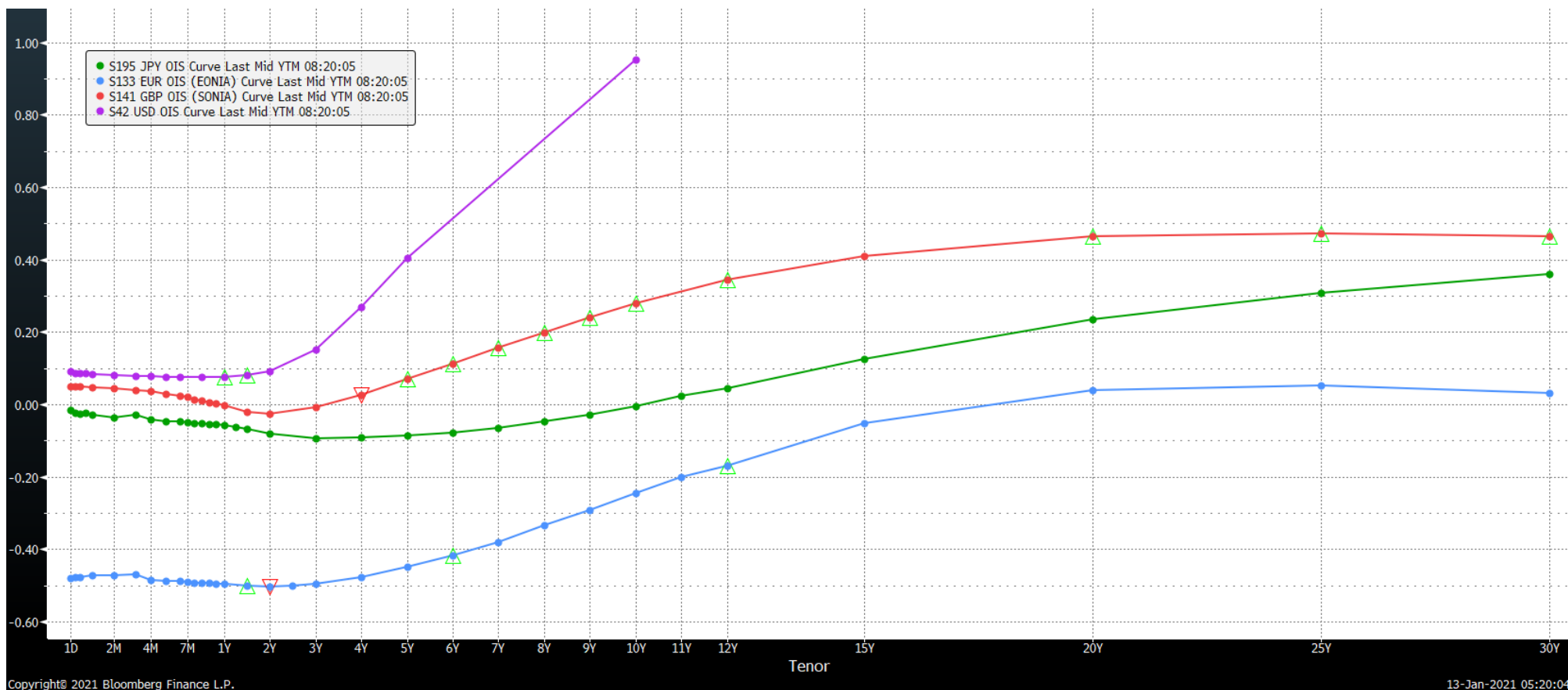
The Interest rate curve steepened substantially since the historically low levels reached this summer. Progress on the vaccine front, continued Fed accommodation, a resilient economy, and continued fiscal stimulus have led yields and inflation expectations higher.

Federal Funds Expectations



Progress in the economy has been quicker than most expected leading to an acceleration in the timing of expected Fed rate hikes. While positive news, don't hold your breath as markets are still expecting two or three more years at the zero bound and a very shallow path thereafter. Ultimately this will hinge on inflation and labor markets.

Global Policy Rate Expectations



The U.S. is largely alone in calling for meaningful interest rate policy change. The last time the Fed signaled and engaged in rate hikes the US Dollar appreciated 25% as other central banks remained low or negative. Can/will the Fed go it alone again?

What is the Fed Looking at?

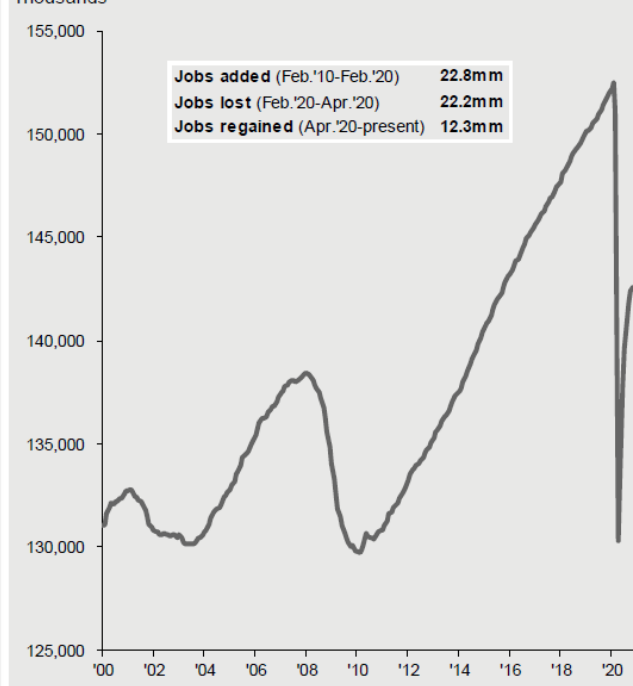
Headline personal consumption deflator

Year-over-year percent change



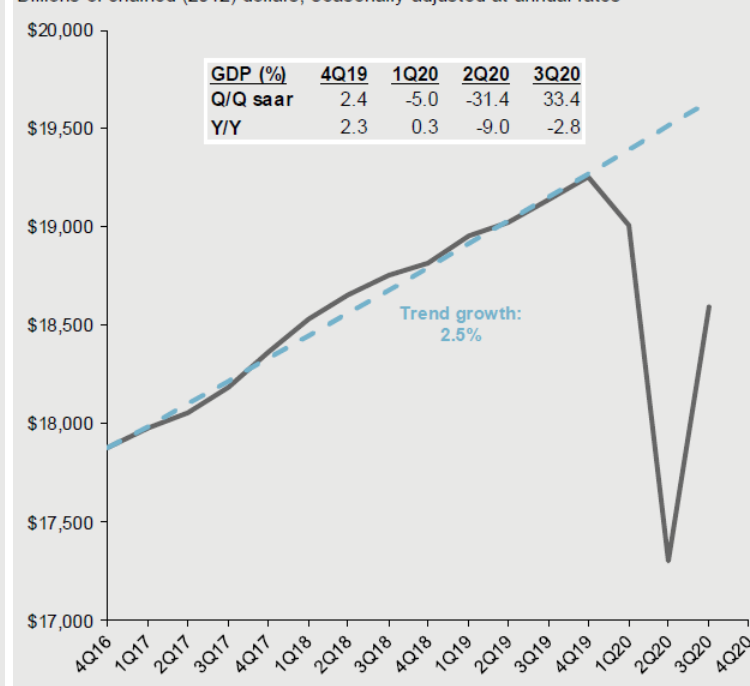
Employees on total nonfarm payrolls

Thousands



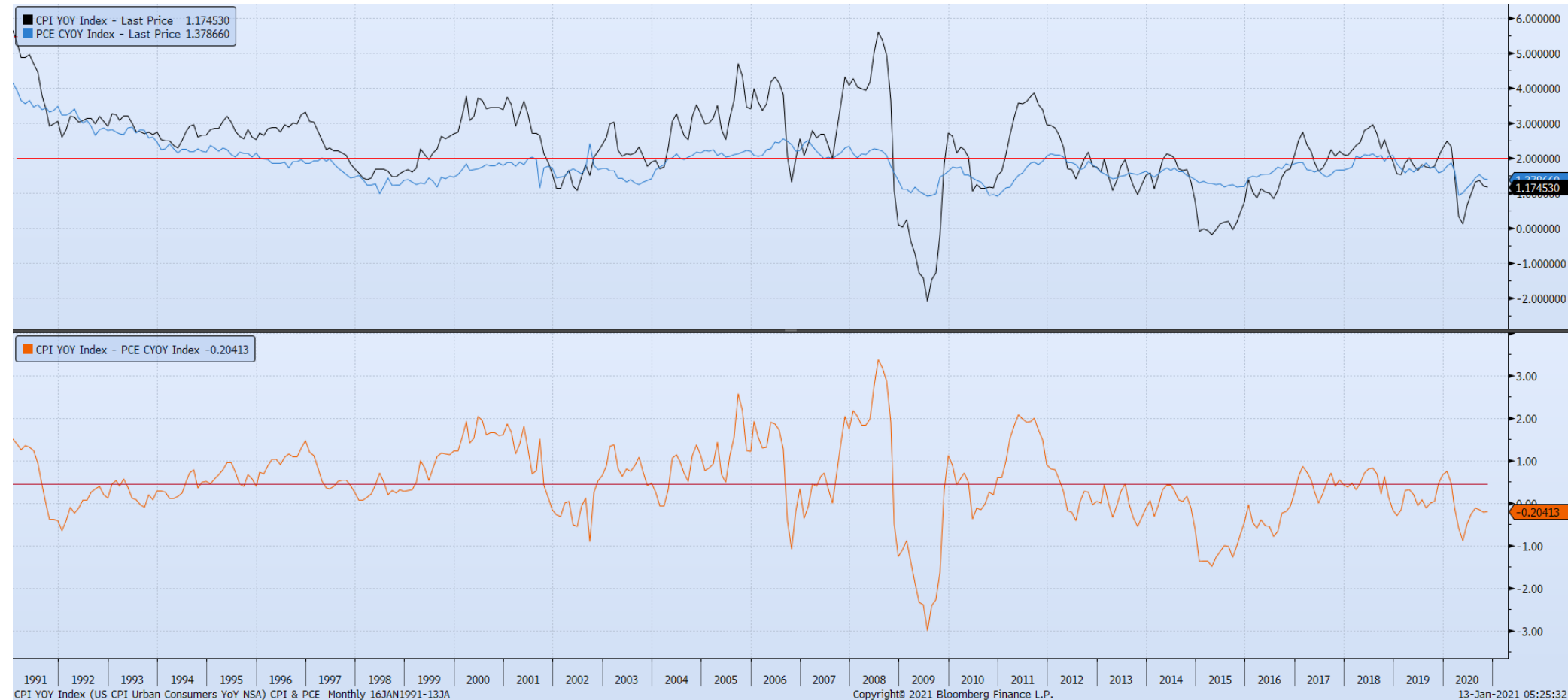
Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



The Fed has a tall task ahead on all fronts. While we expect employment and growth to return in reasonably short order (2-3 years), inflation is the wild card. The Fed's new average inflation targeting regime will require a sustainable uptick in inflation we haven't seen in decades.

The History of CPI & PCE



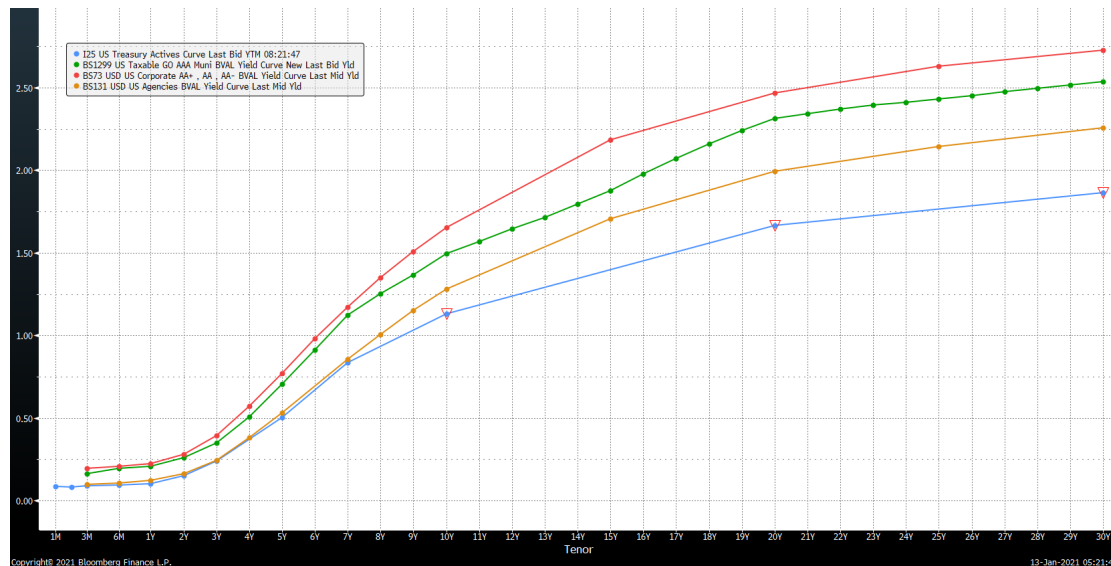
With vaccines being deployed, a healing economy, a Fed targeting higher inflation, an increased supply of money in the market – will we finally get an inflation impulse? This is the biggest question we face in fixed income investing today. Clearly, we have asset inflation, but will it spill over into the real economy?

Inflation – What do Markets Say?



Consistent with a healing economy, the market has increased the pricing of inflation expectations. While this is a welcome sign, markets continue to price a rather muted path forward for inflation.

Current Market Opportunity Set



| Current Yields | 1 Year | 2 Year | 3 Year | 5 Year |
|----------------|--------|--------|--------|--------|
| Treasury | 0.10% | 0.14% | 0.22% | 0.47% |
| Agency | 0.12% | 0.16% | 0.23% | 0.51% |
| Corporate | 0.22% | 0.31% | 0.44% | 0.77% |

| Breakeven Yields | 2 Yr-1 Yr | 3 Yr - 1 Yr | 5 Yr - 3 Yr | 5 Yr - 2 Yr |
|------------------|-----------|-------------|-------------|-------------|
| Treasury | 0.19% | 0.28% | 0.85% | 0.69% |
| Agency | 0.19% | 0.28% | 0.93% | 0.74% |
| Corporate | 0.40% | 0.55% | 1.26% | 1.07% |

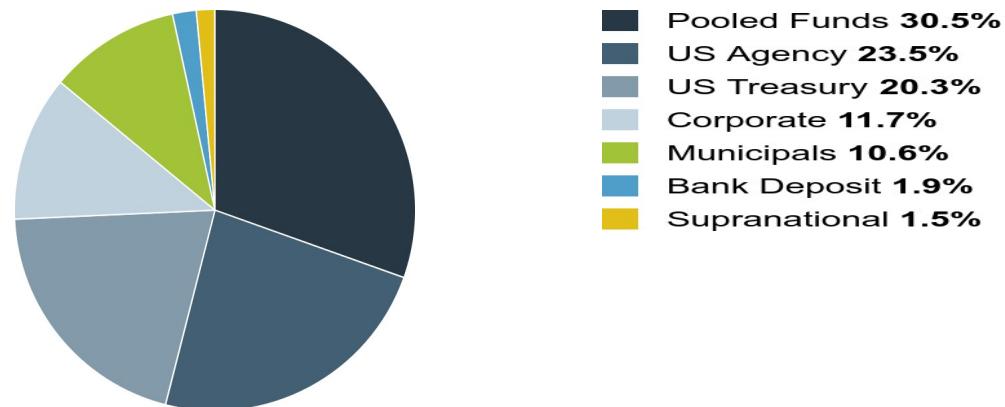
| Breakeven-Current | 1 Year | 2 Year | 2 Year | 3 Year |
|-------------------|--------|--------|--------|--------|
| Treasury | 0.09% | 0.14% | 0.71% | 0.47% |
| Agency | 0.07% | 0.12% | 0.77% | 0.51% |
| Corporate | 0.18% | 0.24% | 0.95% | 0.64% |

The search for yield is intense leading us to very “opportunity light” markets. We are seeing very strong demand in bond deals and we live in a market that has explicit Fed support leading buyers to pick up any incremental yield and fear no risk. Breakeven yields remain attractive, stay engaged on duration.

Portfolio Characteristics

| Metric | Value |
|---------------------------|-------------|
| Cash and Cash Equivalents | 349,472,314 |
| Investments | 746,209,284 |
| Book Yield | 0.99% |
| Market Yield | 0.35% |
| Effective Duration | 1.08 |
| Years to Maturity | 1.41 |
| Avg Credit Rating | AA |

Allocation by Asset Class



Strategy Overview

Clark County Investment Pool



December 31, 2020

Strategic Structure

| Account | Par Amount | Book Value | Market Value | Net Unrealized Gain (Loss) | Book Yield | Maturity in Years | Effective Duration | Benchmark Duration | Benchmark |
|-----------------------|----------------------|----------------------|----------------------|----------------------------|--------------|-------------------|--------------------|--------------------|---|
| CLARK-Investment Core | 722,281,000 | 727,306,271 | 737,394,658 | 10,088,386 | 1.39% | 2.07 | 1.59 | 1.46 | ICE BofA 0-3 Year US Treasury Index |
| CLARK-Liquidity | 354,644,742 | 354,644,742 | 354,644,742 | 0 | 0.17% | 0.02 | 0.02 | 0.09 | ICE BofA US 1-Month Treasury Bill Index |
| Total | 1,076,925,742 | 1,081,951,014 | 1,092,039,400 | 10,088,386 | 0.99% | 1.41 | 1.08 | 1.02 | |

Compliance Report

Clark County Investment Pool



December 31, 2020

Policy Diversification Constraint

Category

| Policy Diversification Constraint | Policy Limit | Actual Value* | Status |
|---|--------------|---------------|-----------|
| US Treasury Obligations Maximum % of Holdings | 100.000 | 20.258 | Compliant |
| US Agency Callable Securities Maximum % of Total Portfolio | 25.000 | 14.178 | Compliant |
| US Agency FFCB Issuer Concentration | 35.000 | 0.915 | Compliant |
| US Agency FHLB Issuer Concentration | 35.000 | 6.420 | Compliant |
| US Agency FHLMC Issuer Concentration | 35.000 | 8.064 | Compliant |
| US Agency FNMA Issuer Concentration | 35.000 | 5.407 | Compliant |
| US Agency Obligations - Primary FHLB, FNMA, FHLMC, FFCB Maximum % of Holdings | 100.000 | 20.805 | Compliant |
| US Agency Obligations - Secondary FICO, FARMER MAC etc. Maximum % of Holdings | 10.000 | 2.750 | Compliant |
| US Agency Obligations Issuer Concentration - Secondary FICO, FARMER MAC etc. | 5.000 | 1.375 | Compliant |
| Supranationals - Issuer is ADB, IADB, IBRD, or IFC | 0.000 | 0.000 | Compliant |
| Supranationals Issuer Concentration | 5.000 | 1.485 | Compliant |
| Supranationals Maximum % of Holdings | 10.000 | 1.485 | Compliant |
| Municipal Bonds Issuer Concentration | 5.000 | 1.238 | Compliant |
| Municipal Bonds Maximum % of Holdings | 20.000 | 10.574 | Compliant |
| Municipal Bonds: Non-GO outside of Washington (Not allowed) | 0.000 | 0.000 | Compliant |
| Corporate Notes & Commercial Paper Single Issuer % | 3.000 | 1.481 | Compliant |
| Corporate Notes Foreign Exposure except Canada | 2.000 | 0.000 | Compliant |
| Commercial Paper Issuer Concentration | 3.000 | 0.000 | Compliant |
| Certificates of Deposit Issuer Concentration | 5.000 | 0.474 | Compliant |
| Certificates of Deposit Maximum % of Holdings | 40.000 | 0.474 | Compliant |
| Banker's Acceptance Issuer Concentration | 5.000 | 0.000 | Compliant |
| Banker's Acceptance Maximum % of Holdings | 25.000 | 0.000 | Compliant |
| LGIP Maximum % of Holdings | 100.000 | 30.561 | Compliant |
| PDPC Bank Deposits Issuer Concentration | 100.000 | 1.441 | Compliant |
| PDPC Bank Deposits Maximum % of Holdings | 100.000 | 1.915 | Compliant |
| Repurchase Agreements Issuer Concentration | 20.000 | 0.000 | Compliant |
| Repurchase Agreements Maximum % of Holdings | 30.000 | 0.000 | Compliant |
| Registered Warrants Maximum % of Holdings | 10.000 | 0.000 | Compliant |
| No 144A or 4(2) | 0.000 | 0.000 | Compliant |

*Market Value

Compliance Report

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December 31, 2020

Policy Maturity Structure Constraint

Category

| Policy Maturity Structure Constraint | Policy Limit | Actual % | Status |
|---|--------------|----------|-----------|
| Maturity Constraints Under 30 days Minimum % of Total Portfolio | 10.000 | 31.895 | Compliant |
| Maturity Constraints Under 1 year Minimum % of Total Portfolio | 25.000 | 57.595 | Compliant |
| Maturity Constraints Under 5 years Minimum % of Total Portfolio | 100.000 | 100.000 | Compliant |

Policy Maturity Constraint

Category

| Policy Maturity Constraint | Policy Limit | Actual Term | Status |
|--|--------------|-------------|-----------|
| US Treasury Maximum Maturity At Time of Purchase (years) | 5.000 | 1.844 | Compliant |
| US Agency Maximum Maturity At Time of Purchase (years) | 5.000 | 5.000 | Compliant |
| Municipals Maximum Maturity At Time of Purchase (years) | 5.000 | 4.989 | Compliant |
| Corporate Maximum Maturity of Single Issue At Time of Purchase (years) | 5.000 | 4.970 | Compliant |
| Corporate Note Portfolio Duration (years) | 3.000 | 1.948 | Compliant |
| Commercial Paper Days to Final Maturity (days) | 270.000 | 0.000 | Compliant |
| Repurchase Agreements Maximum Maturity At Time of Purchase (days) | 365.000 | 0.000 | Compliant |
| Weighted Average Maturity (years) | 1.500 | 1.404 | Compliant |

Policy Credit

Category

| Policy Credit Constraint | Status |
|--|-----------|
| US Agency Obligations - Secondary Minimum Ratings AA-/Aa3/AA- if rated | Compliant |
| Supranationals Ratings AA-/Aa3/AA- or better (Rated by 1 NRSRO) | Compliant |
| Municipal Bonds Ratings Minimum A-/A3/A- by All if rated | Compliant |
| Corporate Notes AA-/Aa3/AA- by All If Rated Issuer Concentration (3%) | Compliant |
| Corporate Notes Ratings Minimum A-/A3/A- by All if rated | Compliant |
| Corporate Notes Single A with Negative Outlook Cannot Purchase | Compliant |
| Corporate Notes Split AA- to A- Issuer Concentration % (1 must rate AA- and all must rate A-) (2%) | Compliant |
| Commercial Paper Ratings Minimum Ratings A1/P1 by both and F1 (if rated) | Compliant |
| Repurchase Agreements Minimum Ratings A-/A3/A- (Rated by 1 NRSRO) | Compliant |

*Market Value

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