



CLARK COUNTY TREASURER'S OFFICE

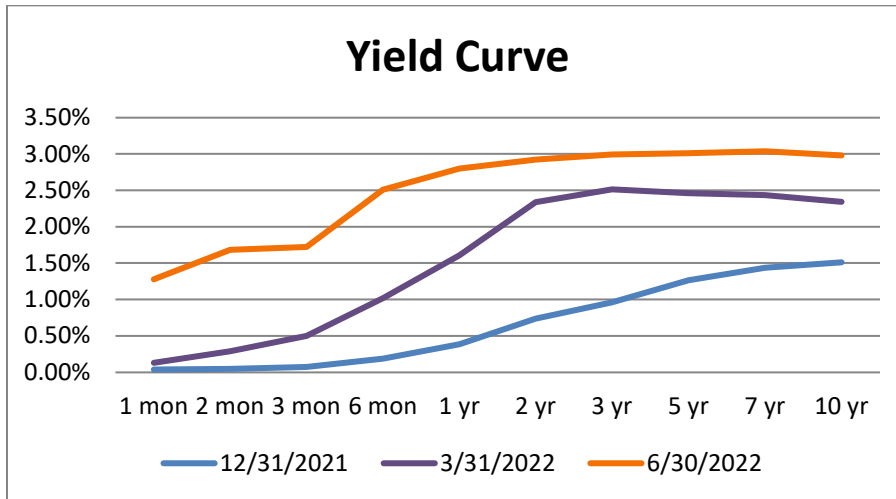
Finance Committee Report Q2 2022

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ECONOMIC SUMMARY

Yields continue to increase

The first half of 2022 ended up being the worst first half of a year the bond market has ever seen. The 2-yr rate has increased 219 basis points (bps) from 0.73% on December 31 to 2.92% on June 30, while the 10-yr increased 146 bps from 1.52% on December 31 to 2.98% on June 30. Hidden in these increased yields was massive volatility where the 2-yr hit a high of 3.43% mid-June prior to declining to 2.92% by month-end. We are experiencing a historic bond market that will be talked about for years to come. Stocks aren't fairsing any better. We officially entered a bear market when the S&P ended June down over 20% for the year.



These markets can be easily explained in one word, inflation. However, the reason 4-decade high inflation is here and persistent is quite a bit more complicated. The pandemic played a big part in creating labor shortages, chip shortages, and overall, keeping the global supply chain thoroughly disrupted, but these supply side disruptions might have been weathered had they not been coupled with excess demand that came in the form of easy monetary policy (near-zero interest rates), and over \$5 trillion in various stimulus packages. No matter the cause, inflation has repeatedly surprised to the upside over the past year and may continue to do so. With a Fed determined to restore price stability, we now have one of the most aggressive rate hiking and monetary tightening campaigns since the 1990's and the markets don't like the punch bowl ("easy money") being withdrawn.

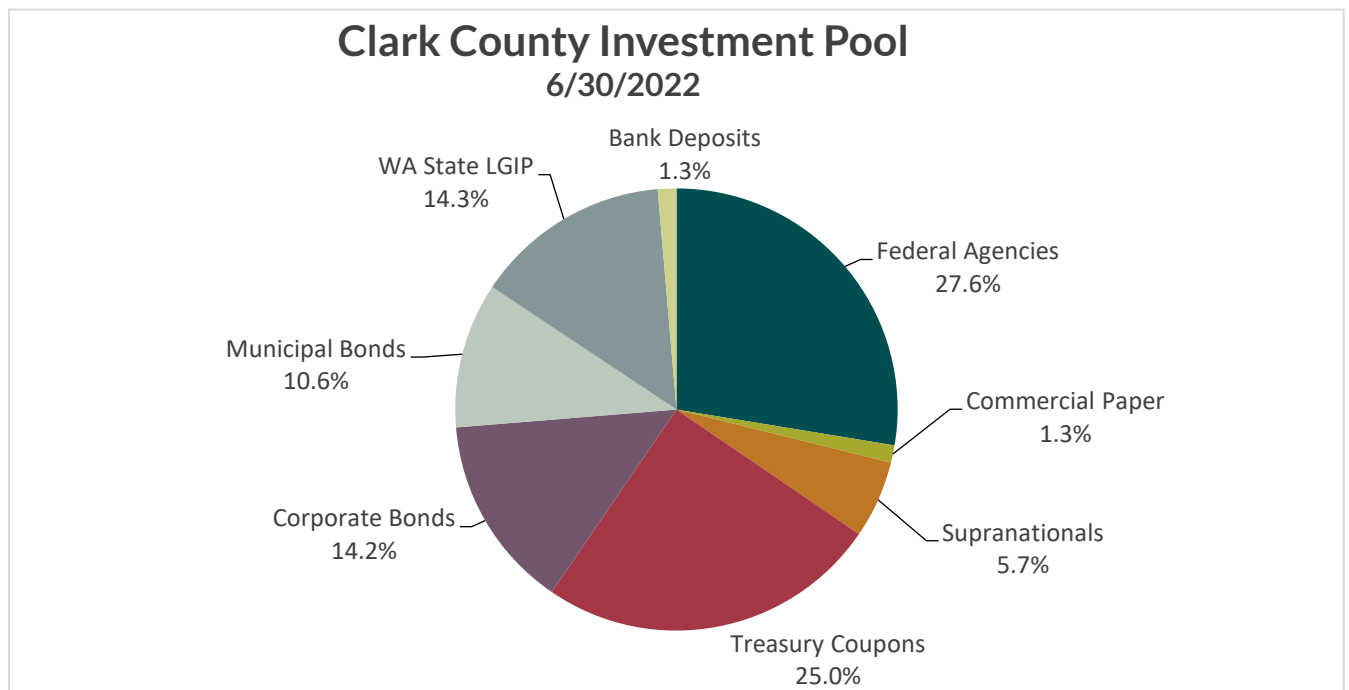
Inflation/recession conundrum

While the job market remains on solid footing, inflation is crushing consumer confidence leading to softer than expected consumer consumption. The first quarter's GDP growth came in at -1.4% and was revised to -1.6% due to a downward revision to consumer consumption. The first estimate of second quarter's GDP came in at -0.9%. Two consecutive negative GDP quarters is the general definition of a recession. However, the Fed says a recession doesn't square with the current pace of job creation (461k year-to-date monthly average), and an unemployment rate at 3.6%. Bottom line, the Fed is waiting to see clear and convincing evidence that inflation pressures are abating before contemplating slowing their rate hikes and monetary tightening. It is very likely the economy slows to a point of "recession" before this happens but that doesn't mean we will enter the Great Recession territory of 2008-2009.

Sources: Bloomberg, Government Portfolio Advisors, FHN Financial, U.S. Bureau of Economic Analysis

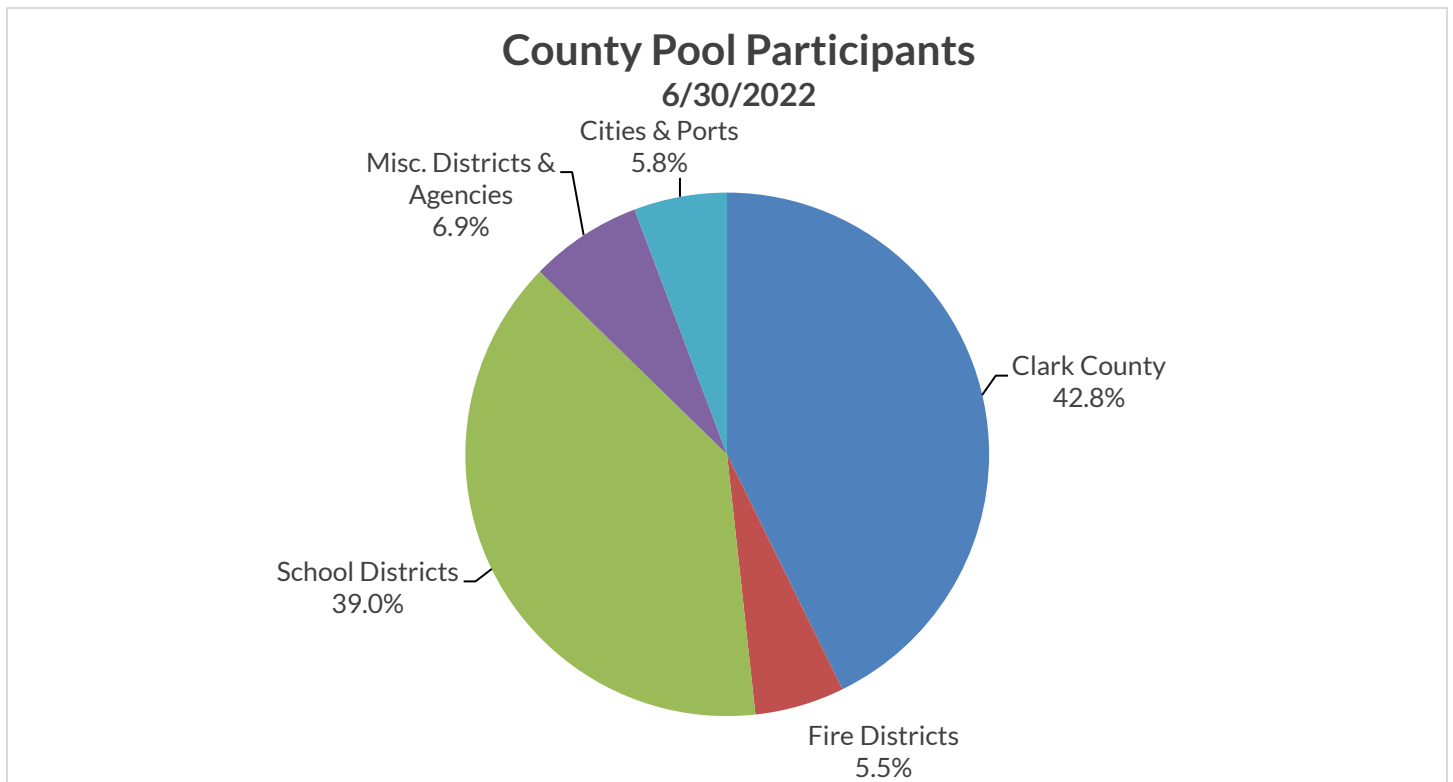
INVESTMENT POOL SUMMARY

- Quarter-end NAV was \$0.975990 and has averaged \$0.978758 throughout the quarter. The quarter-end NAV is outside of the policy's targeted bandwidth of \$0.985 - \$1.015. The NAV will continue to be outside of our targeted bandwidth until the rapid rise in interest rates levels off. On-going analysis is being done and strategic restructuring is taking place. One security was sold in May and one in June both at a loss to reinvest those funds at current rates.
- Second quarter's average Pool balance was \$1,211,186,469, compared to last year's second quarter average of \$1,362,668,826.
- June 30 ending balance was \$1,167,271,186.
- Second quarter's average book yield was 0.75%. Last year's second quarter average book yield was 0.64%.
- The Pool's rolling 12-month total return (which includes the change in market value) as of June 30 was -2.38% compared to our new proposed custom benchmark's total return of -2.23%.
- As of June 30, the Pool's effective duration was 1.23 years, and our new proposed custom benchmark's duration was 1.34 years.
- State LGIP (State Pool) balance as of June 30 was \$167.0 million (14.3%). The State Pool's quarterly book return averaged 0.71%.
- The Clark County Investment Pool has outperformed the State Pool's average book return by 0.24% year-to-date **which equates to \$1.3 million in additional earnings.**



POOL PARTICIPANTS

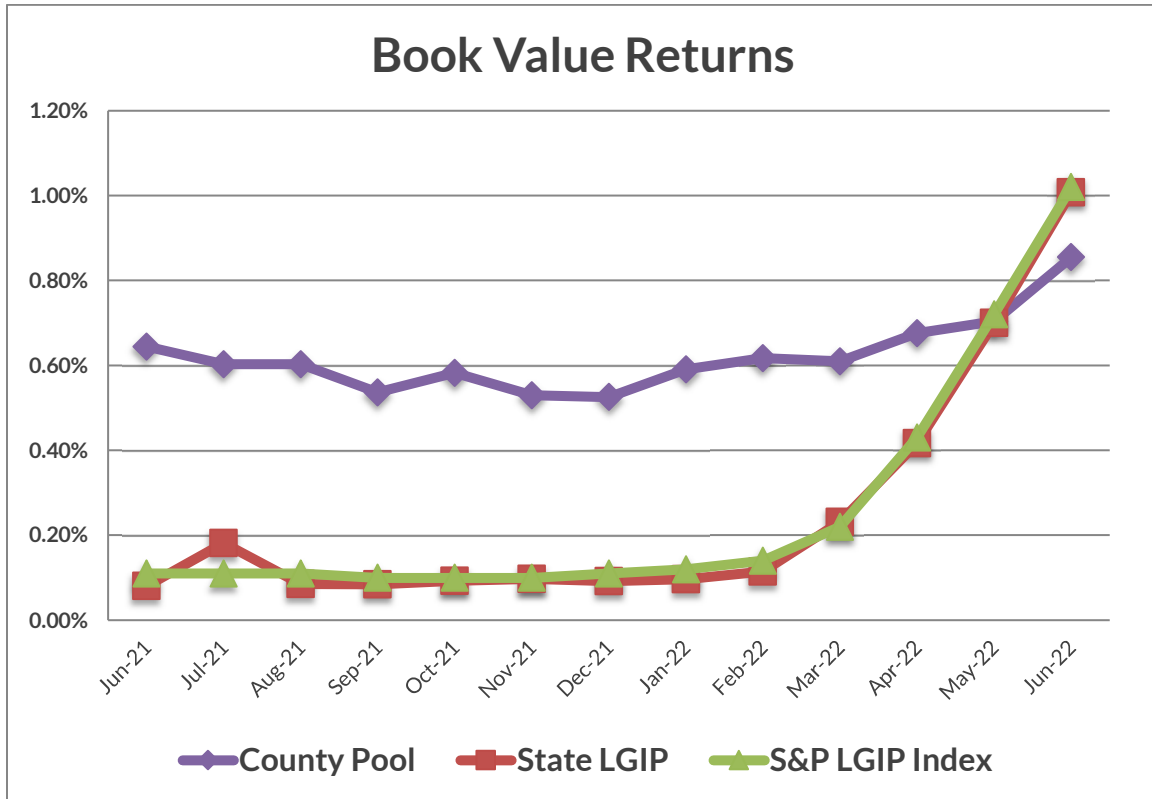
	6/30/2021	6/30/2022	Percent Change
Clark County	33.24%	42.74%	9.50%
Vancouver School District	13.67%	7.35%	-6.32%
Ridgefield School District	2.30%	2.90%	0.60%
Evergreen School District	18.50%	11.88%	-6.62%
Camas School District	2.89%	3.11%	0.21%
ESD #112	4.08%	5.04%	0.96%
Battle Ground School District	4.95%	5.99%	1.04%
City of Battle Ground	2.60%	3.43%	0.84%
All other Cities & Districts	17.78%	17.56%	-0.22%
Average Monthly Balance	\$1,362.7 million	\$1,211.2 million	-12.51%
Quarterly Interest Earnings	\$2.0 million	\$2.3 million	



PORTFOLIO PERFORMANCE

Book Value Return:

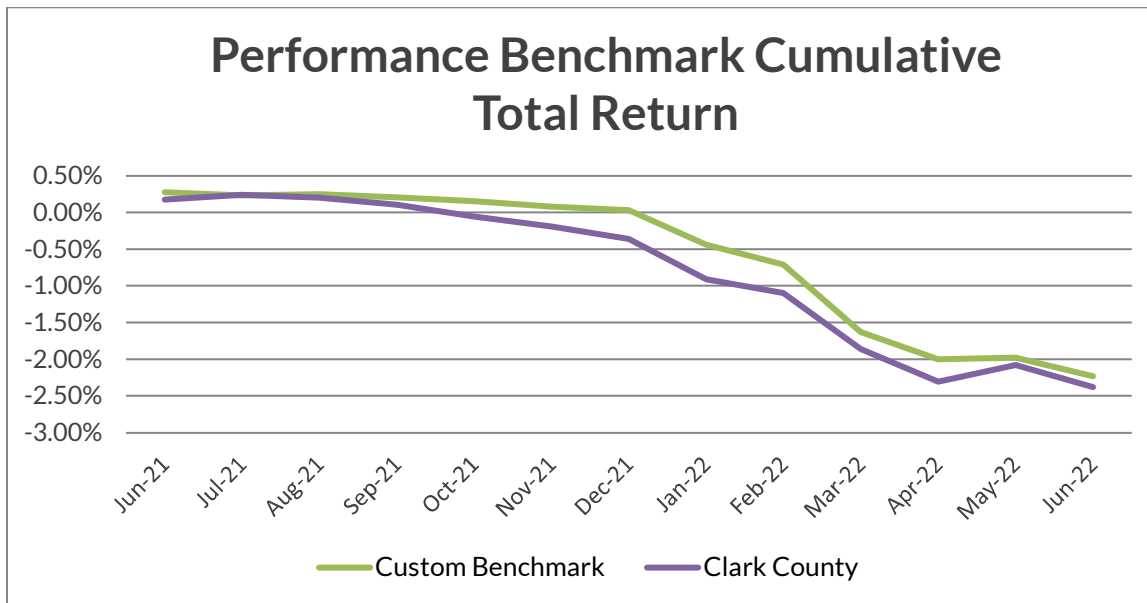
- Measures the yield at which securities were originally purchased, adjusted for realized gains and losses.
- April, May, and June book yields were 0.68%, 0.70%, and 0.86% respectively.
- As of June 30, 2022, the Pool's average maturity was 16.1 months (489 days) compared to the Washington State LGIP's 0.5 months (14 days) and the Standard & Poor's LGIP average maturity of less than one month.



Total Market Return:

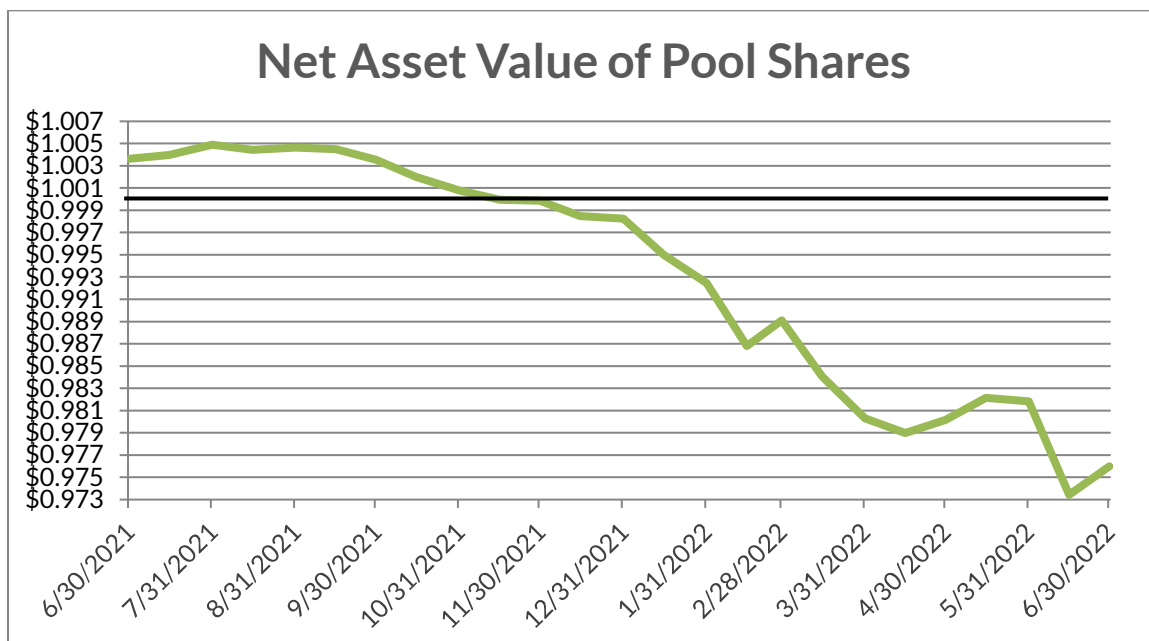
- Measures the market value increase or decrease of the overall portfolio during a given period, plus the interest earnings associated with the securities.
- A new benchmark for total market return performance comparison was developed to better reflect how the Pool is managed. The new proposed custom benchmark is a blend of the Intercontinental Exchange Bank of America Merrill Lynch (ICE BAML) US Treasury 1-month, 0-3 year, and 3-5-year indices (20%, 72%, and 8% respectively).

	Effective Duration	12-month rolling avg. total return
County Pool	1.23	-2.38%
ICE BAML UST 1 mon./0-3 yr./3-5 yr. (20%/72%/8% Blend)	1.34	-2.23%



Net Asset Value:

- Computed by taking the current market value of all securities in the portfolio, adding accrued interest, and dividing by the book value of the Pool (total investments at cost plus amortized premium and discounts).
- As of June 30, 2022, the NAV per share was \$0.975990 which is outside of the policy's targeted bandwidth of \$0.985 to \$1.015. The NAV will continue to be outside of our targeted bandwidth until the rapid rise in interest rates levels off. On-going analysis is being done and strategic restructuring is taking place. One security was sold in May and one in June both at a loss to reinvest those funds at current rates.
- As of June 30, 2022, the fair market value on securities in the Pool was \$1,137,088,241.
- The fair market value gain/(loss) on securities in the Pool was \$(27,952,554).



QUARTERLY ACTIVITY:

Purchases:

- \$50 million in U.S. Treasuries
- \$17 million in U.S. Agencies (callable)
- \$14.3 million in Municipal Bonds
- \$52.9 million in Corporate Bonds
- \$15 million in Commercial Paper

Maturities:

- \$7.7 million in Municipal Bonds
- \$1.8 million in Corporate Bonds

Called:

- \$10 million in Corporate Bonds

Sold:

- \$20 million in U.S. Treasuries

EXHIBITS:

***As of June 30, 2022, there were no investments outside of the Investment Pool so the Entire Portfolio charts will be identical to the Investment Pool charts.**

ENTIRE PORTFOLIO:

Exhibit One shows the makeup of the entire portfolio at the end of the quarter. This exhibit is used to monitor compliance with the Investment Policy as far as the diversification of securities held and the percentage each sector makes up of the portfolio. All percentages are consistent with the current Investment Policy.

Exhibit Two shows the entire portfolio listing as of the end of the quarter. This report shows the book value, the par value, and the market value of the portfolio.

Exhibit Three shows the aging maturities of the entire portfolio. All percentages are consistent with the current Investment policy.

Exhibit Four reflects the percentage of securities purchased from each issuer relative to the entire portfolio. All the percentages are consistent with the current Investment Policy.

Exhibit Five shows all investment purchases and maturities.

INVESTMENT POOL:

Exhibit Six shows the makeup of the Clark County Investment Pool at the end of the quarter. This exhibit is used to monitor compliance with the Investment Policy as far as the diversification of the securities held and related percentage of the total portfolio for each type of security. All percentages are consistent with the current Investment Policy.

Exhibit Seven shows the portfolio listings of the Clark County Investment Pool at the end of the quarter. This report contains the book value, the par value, and the market value.

Exhibit Eight shows the aging maturities of the Clark County Investment Pool. All percentages are consistent with the current Investment Policy.

Exhibit Nine reflects the percentage of securities purchased from each issuer for the Clark County Investment Pool. All percentages are consistent with the current Investment Policy.

Exhibit Ten is a historical comparison of the Clark County Investment Pool to the Washington State LGIP.