



The State Bar of California

OPEN SESSION AGENDA ITEM FINANCE COMMITTEE III.C

DATE: March 4, 2020

TO: Members, Board of Trustees

FROM: John Adams, Chief Financial Officer

SUBJECT: Q4 Investment Report

EXECUTIVE SUMMARY

In adherence with the Board Policy Manual, the Office of Finance has prepared the Quarterly Investment Report for the 4th quarter ended December 31, 2019 for the Committee's review.

BACKGROUND

To increase transparency and to ensure public confidence in the operations of the State Bar at all levels, the Office of Finance prepares timely quarterly statements that show the financial condition of the State Bar, investments held by the State Bar, and the activity occurring in the Client Security Fund. The Finance Committee is responsible for reviewing quarterly reports prepared by the Office of Finance.

DISCUSSION

The Investment Report for the 4th quarter ended December 31, 2019 is composed of multiple attachments. This agenda item after review by the Finance Committee will be on the consent agenda for the Board's March 12, 2020 meeting.

FISCAL/PERSONNEL IMPACT

None

AMENDMENTS TO RULES OF THE STATE BAR

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & OBJECTIVES

None - compliance

RECOMMENDATIONS

The Finance Committee recommends that the Board of Trustees approve the following resolution:

RESOLVED, that the Board of Trustees approve the 2019 4th Quarter Investment Report in the form this day before the Board, for the three months ended December 31, 2019, as certified by the Chief Financial Officer, and on file with the San Francisco office of the State Bar.

ATTACHMENT(S) LIST

- A. Investment Report for the Fourth Quarter Ended December 31, 2019



The State Bar of California

OFFICE OF FINANCE

Date: March 4, 2020

To: Members, Finance Committee

From: John Adams, Chief Financial Officer

Subject: Investment Report for the 4th Quarter Ended December 31, 2019

Attached is the quarterly Investment Report for the State Bar of California as of December 31, 2019. The report is presented in a format that conforms to the investment policy adopted by the Board of Trustees. The State Bar's investment portfolio consists of fixed income securities and deposits with Wells Fargo Bank and with the State Treasurer's Local Agency Investment Fund (LAIF). As of December 31, 2019, the market value of the investment portfolio was \$137.5 million compared to \$109.1 million as of December 31, 2018.

This increase is due to:

1. Trust Account (IOLTA) revenue exceeding expenses to date by \$19.6 million which is the result of increased interest rates paid on trust accounts.
2. Equal Access revenues are exceeding expenses by \$14.8 million as of December 31 which is just a timing difference for grant revenue and expenses.

The quarterly rate of return of the investment portfolio for this quarter is 2.25 percent. Interest rates are slightly lower in comparison to prior year, the quarterly interest rate on deposits in the LAIF decreased from 2.21 percent for the quarter ended December 31, 2018 to 2.11 percent for the quarter ended December 31, 2019. For the fiscal year, actual investment earnings increased from \$2.88 million in 2018 to \$3.22 million in 2019.

The State Bar's investment strategy is to purchase bonds and hold them until maturity to realize the full value of the investment. Unrealized gains or losses in the portfolio would only be recognized if a security was sold before maturity. Temporary price changes or market value fluctuations in the portfolio of held-to-maturity securities are recorded in the State Bar's quarterly financials.

**The State Bar of California
Investment Report Summary
December 31, 2019**

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Wells Fargo Custody Account:				
- Commercial Paper	\$ 8,930,393	\$ 8,936,160	6.5%	N/A
- Government Bonds	37,772,071	38,105,789	27.7%	2.45%
- Corporate Bonds	18,612,425	19,022,938	13.8%	2.35%
- Common Stock-Metlife Inc.	-	160,083	0.1%	N/A
Subtotal-Securities, Bonds and Notes	65,314,889	66,224,970	48.2%	
Interest Receivable	-	313,840	0.2%	2.11%
Local Agency Investment Fund	64,910,523	64,910,523	47.2%	2.11%
Fidelity Money Market	6,035,826	6,035,826	4.4%	2.22%
Total	\$ 136,261,238	\$ 137,485,159	100.0%	2.25%

Unrealized Gain/(Loss):

Market Value of Portfolio -Securities, Bonds and Notes	\$ 66,224,970
Original Cost of Portfolio -Securities, Bonds and Notes	65,314,889
Unrealized Gain/(Loss)	<u>\$ 910,081</u>

Investment Month End Report - Wells Fargo Custody Account
Balance as of Dec 31, 2019

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>
EXXON MOBILE CORP CPDN	30229ADV8	A-1+	Commercial Paper Discount	\$ 3,000,000	2,981,227	2,982,690	-	1,463	-	12/23/19	04/29/20
MUFG BANK LTD NY BRAN CPDN	62479LEJ0	A-1	Commercial Paper Discount	\$ 3,000,000	2,977,073	2,979,570	-	2,497	-	08/23/19	05/18/20
MUFG BANK LTD NY BRAN CPDN	62479LFQ3	A-1	Commercial Paper Discount	\$ 3,000,000	2,972,093	2,973,900	-	1,808	-	10/28/19	06/24/20
TOTAL CASH EQUIVALENTS :				9,000,000	8,930,393	8,936,160	-	5,768	0.00%		
STATE OF CALIFORNIA	13063DAD0	AA-	Municipal Bond	\$ 3,035,000	2,993,269	3,077,520	17,960	84,252	2.367%	02/28/18	04/01/22
RIVERSIDE CA UNIF SCH DIST	769059A22	AA-	Municipal Bond	\$ 1,250,000	1,250,000	1,246,838	963	(3,163)	1.981%	12/17/19	02/01/24
TOTAL MUNICIPAL BONDS AND NOTES:				4,285,000	4,243,269	4,324,358	18,923	81,089	2.25%		
FED HOME LN BK	3130AFVC8	AA+	Government Agency	\$ 3,000,000	3,000,594	3,002,730	29,167	2,136	2.500%	02/14/19	02/11/20
FED FARM CREDIT BANK	3133EJCN7	AA+	Government Agency	\$ 3,125,000	3,117,269	3,127,469	24,617	10,200	2.070%	02/28/18	02/14/20
FED HOME LN BANK	313383HU8	AA+	Government Agency	\$ 3,125,000	3,091,484	3,125,875	2,886	34,391	1.750%	02/28/18	06/12/20
FED HOME LN BANK	313370US5	AA+	Government Agency	\$ 3,125,000	3,171,513	3,147,688	27,452	(23,825)	2.875%	02/28/18	09/11/20
FED HOME LN BK	3130ADUY6	AA+	Government Agency	\$ 3,000,000	3,007,116	3,017,310	20,417	10,194	2.450%	04/04/18	09/21/20
FED HOME LN BK	3130ADW32	AA+	Government Agency	\$ 3,500,000	3,506,636	3,521,280	22,152	14,644	2.450%	04/13/18	09/28/20
FED HOME LN BK	3130ADXP2	AA+	Government Agency	\$ 3,000,000	3,005,430	3,017,670	16,742	12,240	2.450%	04/04/18	10/09/20
FED HOME LN MTG CORP	3134GBA69	AA+	Government Agency	\$ 3,000,000	2,978,490	3,058,560	28,104	80,070	2.375%	04/04/18	08/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	\$ 6,500,000	6,650,911	6,759,870	63,194	108,960	3.125%	04/04/18	09/09/22
FED FARM CREDIT BK	3133ELEF7	AA+	Government Agency	\$ 2,000,000	1,999,360	2,002,980	1,008	3,620	1.650%	12/20/19	09/20/21
TOTAL FEDERAL BONDS AND NOTES:				33,375,000	33,528,802	33,781,431	235,740	252,629	2.47%		
MICROSOFT CORP	594918AH7	AAA	Corporate Bond	\$ 3,125,000	3,169,647	3,154,938	23,438	(14,709.38)	3.000%	02/28/18	10/01/20
APPLE INC	037833BS8	AA+	Corporate Bond	\$ 3,125,000	3,093,869	3,143,594	25,000	49,725.00	2.250%	02/28/18	02/23/21
CHEVRON CORP.	166764BG4	AA-	Corporate Bond	\$ 3,125,000	3,071,041	3,144,750	8,203	73,709.37	2.100%	02/28/18	05/16/21
MICROSOFT CORP	594918BP8	AAA	Corporate Bond	\$ 3,125,000	3,016,372	3,120,875	19,240	104,503.12	1.550%	02/28/18	08/08/21
APPLE INC	037833BF6	AA+	Corporate Bond	\$ 3,215,000	3,201,015	3,288,849	11,574	87,833.80	2.700%	02/28/18	05/13/22
TOYOTA MOTOR CREDIT CORP	89236TEC5	AA-	Corporate Bond	\$ 1,500,000	1,452,690	1,511,685	10,123	58,995.00	2.150%	02/28/18	09/08/22
TOYOTA MOTOR CREDIT CORP	89236TEL5	AA-	Corporate Bond	\$ 1,625,000	1,607,793	1,658,248	20,719	50,454.62	2.700%	02/28/18	01/11/23
TOTAL CORPORATE BONDS :				18,840,000	18,612,426	19,022,937	118,297	410,512	2.35%		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	10,435	-	10,435			
METLIFE INC	59156R108	N/A	Common Stock	-	-	149,648	-	149,648			
TOTAL COMMON STOCKS:				-	-	160,083	-	160,083			
TOTAL INVESTMENT HELD BY WELLS FARGO:				65,500,000	65,314,889	66,224,970	372,959	910,800			