



The State Bar of California

OPEN SESSION AGENDA ITEM 50-3 SEPTEMBER 2023 FINANCE COMMITTEE III.B

DATE: September 21, 2023

TO: Members, Finance Committee
Members, Board of Trustees

FROM: Aracely Montoya-Chico, Chief Financial Officer

SUBJECT: Approval of 2023 Quarter Two Investment Report

EXECUTIVE SUMMARY

This agenda item presents the Investment Report for the six months ended June 30, 2023.

BACKGROUND

The charter of the Finance Committee directs the committee to thoroughly examine the State Bar's finances on a quarterly basis to ensure a "functional and detailed understanding of the State Bar's revenue streams, expenditures, and overall fiscal conditions and issues". The Board Book further states that quarterly reports be provided on the status of the State Bar's investment portfolio. This agenda item provides the Finance Committee with the report it needs to fulfill these responsibilities.

DISCUSSION

None

FISCAL/PERSONNEL IMPACT

None

AMENDMENTS TO RULES

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

None – compliance

RECOMMENDATIONS

Should the Finance Committee concur in the proposed action, passage of the following resolution is recommended:

RESOLVED, that the Finance Committee recommends that the Board of Trustees approve the 2023 Second Quarter Investment Report in the form presented this day, for the six months ended June 30, 2023.

Should the Board of Trustees concur in the proposed action, passage of the following resolution is recommended:

RESOLVED, that the Board of Trustees, upon recommendation of the Finance Committee approve the 2023 Second Quarter Investment Report in the form presented this day, for the six months ended June 30, 2023.

ATTACHMENT LIST

- A.** Investment Report for the six months ended June 30, 2023.



The State Bar *of California*

ATTACHMENT A

Date: September 21, 2023

To: Members, Finance Committee
Members, Board of Trustees

From: Aracely Montoya-Chico, Chief Financial Officer

Subject: Investment Report for the Second Quarter Ended June 30, 2023

Attached is the quarterly Investment Report for the State Bar of California as of June 30, 2023. 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 Principal Custody Solutions, Wells Fargo Bank, the State Treasurer's Local Agency Investment Fund (LAIF), and with the Bank of New York Mellon Trust Company. As of June 30, 2023, the market value of the investment portfolio was \$221.1 million, compared to \$103.7 million as of June 30, 2022.

The quarterly rate of return of the investment portfolio for this quarter is 3.86 percent. Interest rates are higher in comparison to the prior year at 1.33 percent. The quarterly interest rate on deposits in the LAIF increased from 0.69 percent for the quarter ended June 30, 2022, to 3.01 percent for the quarter ended June 30, 2023. As of June 30, 2023, the daily rate at LAIF is 3.26 percent. Year-to-date actual investment earnings resulted in a \$2.2 million gain in 2023, an increase from the \$0.5 million loss in 2022.

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 as of June 30, 2023

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Principal Custody Account:				
- Government Bonds	1,250,000	1,222,963	0.6%	1.98%
- Common Stock-Metlife Inc.	-	178,567	0.1%	N/A
	<u>1,250,000</u>	<u>1,401,530</u>	<u>0.6%</u>	
Wells Fargo Safekeeping Investment Account:				
- Commercial Paper	57,862,023	57,862,023	26.2%	4.34%
- Government Bonds and Notes	79,928,048	78,999,552	35.7%	5.09%
Subtotal-Securities, Bonds, CP and Notes	<u>137,790,071</u>	<u>136,861,575</u>	<u>61.9%</u>	
Interest Receivable	-	10,318	0.0%	N/A
Local Agency Investment Fund	74,424,331	74,424,331	33.7%	3.01%
Bank of New York Mellon Trust Company, N.A. Investment	8,360,321	8,396,943	3.8%	4.90%
Total	<u>221,824,722</u>	<u>221,094,696</u>	<u>100.0%</u>	3.86%

Unrealized Gain/(Loss):

Market Value of Portfolio -Securities, Bonds, CP and Notes	138,263,104
Cost of Portfolio -Securities, Bonds, CP and Notes	<u>139,040,071</u>
Unrealized Gain/(Loss)	<u>(776,966)</u> Loss

State Bar of California
Investment Quarter End Report - Principal Custody and Wells Fargo Safekeeping Accounts
Balance as of June 30, 2023

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Ending Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>Yield</u>	<u>Settlement Date</u>	<u>Maturity Date</u>
RIVERSIDE CA UNIF SCH DIST	769059A22	AA-	Municipal Bond	1,250,000	1,250,000	1,222,963	10,318	(27,038)	1.98%	12/17/19	02/01/24
TOTAL MUNICIPAL BONDS AND NOTES:				1,250,000	1,250,000	1,222,963	10,318	(27,038)	1.98%		
UNITED STATES TREASURY BILL	912797GU5	AA+	Government Agency	55,000,000	54,966,386	54,332,600	-	(633,786)	5.21%	06/07/23	09/26/23
TOTAL FEDERAL BONDS (LSTF):				55,000,000	54,966,386	54,332,600	-	(633,786)	5.21%		
FEDERAL HOME LOAN BANK	313384LT4	AA+	Government Agency	5,000,000	4,926,198	4,949,524	-	23,326	4.69%	12/16/22	09/15/23
FED HOME LN DISCOUNT NT	313384QN2	AA+	Government Agency	5,000,000	4,864,976	4,885,487	-	20,511	4.67%	12/16/22	12/15/23
FED HOME LN DISCOUNT NT	3130ATUQ8	AA+	Government Agency	5,000,000	4,981,381	4,975,569	-	(5,813)	4.75%	12/16/22	03/08/24
FEDERAL HOME LOAN BANK	3130ATVC8	AA+	Government Agency	5,000,000	5,125,355	4,971,021	-	(154,334)	4.88%	03/17/23	06/14/24
UNITED STATES TREASURY NOTE	91282CEX5	AA+	Government Agency	5,000,000	5,063,751	4,885,352	-	(178,400)	5.15%	06/21/23	06/30/24
TOTAL FEDERAL BONDS AND NOTES:				25,000,000	24,961,662	24,666,952	-	(294,710)	4.75%		
TOTAL GOVERNMENT BONDS AND NOTES:				80,000,000	79,928,048	78,999,552	-	(928,496)	5.09%		
SE STATE ST US GOVT FD OPPTY	85749T517	N/A	Cash Equivalent	55,000,000	57,862,023	57,862,023	-	-	4.34%	11/02/22	N/A
TOTAL COMMERCIAL PAPER :				55,000,000	57,862,023	57,862,023	-	-	4.34%		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	12,595	-	12,595			
METLIFE INC	59156R108	N/A	Common Stock	-	-	165,972	-	165,972			
TOTAL COMMON STOCKS:				-	-	178,567	-	178,567			
TOTAL INVESTMENT HELD BY WELLS FARGO/PRINCIPAL:				136,250,000	139,040,071	138,263,104	10,318	(776,966)			