

CITY OF LEE'S SUMMIT, MISSOURI
Quarterly Investment Report
Quarter Ended December 31, 2022

In compliance with the City of Lee's Summit Investment Policy, this investment report for the quarter ended December 31, 2022 is hereby submitted for City Council review.

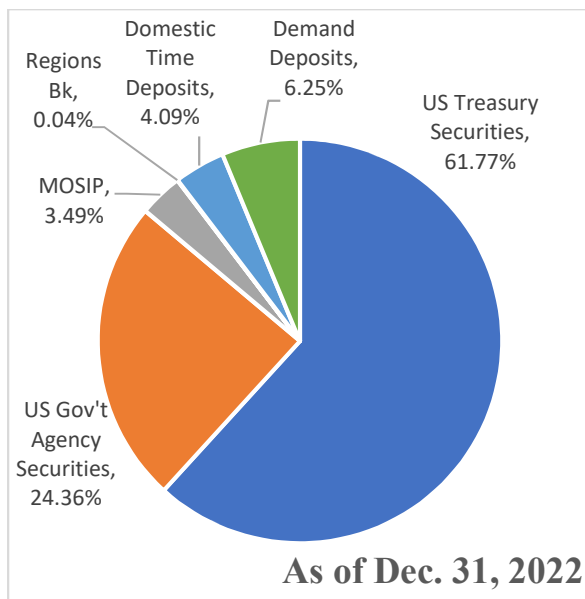
Current Portfolio

The City's investment portfolio as of December 31, 2022 in comparison to the same date of the prior year is summarized as follows:

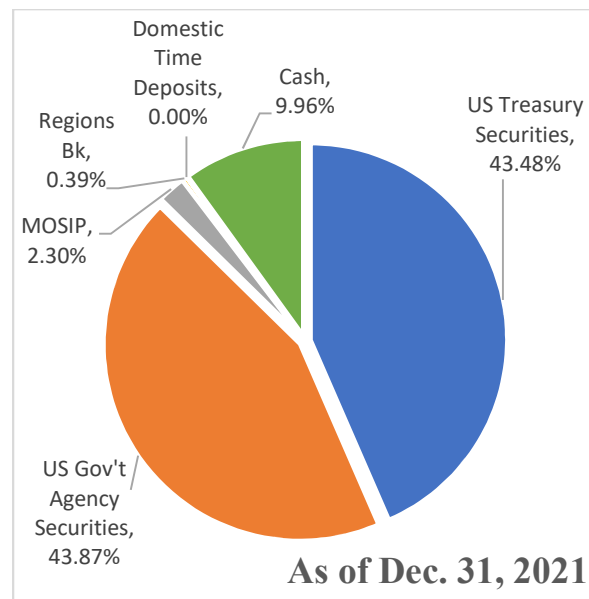
Distribution by Security Sector – Market Value
All Portfolios

Description	Market Value 12/31/2022	% of Portfolio 12/31/2022	Market Value 12/31/2021	% of Portfolio 12/31/2021
US Treasury Securities	\$158,668,569	61.77%	\$95,821,016	43.48%
US Gov't Agency Securities	\$62,573,633	24.36%	\$96,687,398	43.87%
Demand Deposits	\$16,063,225	6.25%	\$21,955,767	9.96%
Domestic Time Deposits	\$10,500,259	4.09%	\$0	0.00%
Missouri Securities Investment Program (MOSIP)	\$8,974,592	3.49%	\$5,077,312	2.30%
Regions Bank	\$105,793	0.04%	\$853,781	0.39%
Total	\$256,886,071	100.00%	\$220,395,274	100.00%

Portfolio Holdings as of 12/31/2022



Portfolio Holdings as of 12/31/2021



Investment Diversifications

The City of Lee’s Summit Investment Policy (Section VI., A) specifies the maximum allocation of each investment type to minimize the risk of loss resulting from excess concentration into a specific maturity, issuer, or class of securities. The City’s current allocation as of December 31, 2022 is compliant with the diversification standards as shown in the following table:

Description	Minimum Allocation	Maximum Allocation	Current Allocation
US Treasury Securities	15%	100%	61.77%
US Gov’t Agency Securities and Government Sponsored Enterprises	0%	50%	24.36%
US Government Agency Callable Securities	0%	15%	0.0%
Collateralized Time Deposits/Certificates of Deposit	0%	30%	0.0%
Demand Deposits, Domestic Time Deposits and MOSIP	N/A	N/A	13.87%

Investment Strategy

The primary objectives for the City of Lee’s Summit investment portfolio, in order of priority, is safety, liquidity, and yield. The City’s investment portfolio must remain sufficiently liquid to meet all reasonably anticipated operating requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash necessary to meet anticipated demand.

The City’s policy requires that investments in repurchase agreements mature and become payable not more than ninety days (90) from the date of purchase. All other investments must mature within 5 years from the date of purchase.

The following table lists the distribution by maturity range as of December 31, 2022:

Distribution by Maturity Range – Market Value

Maturity	Market Value \$	Percent of Total
0– 6 months	\$71,329,097	27.8%
6–12 months	\$34,027,649	13.2%
1–2 years	\$83,716,822	32.6%
2-3 years	\$61,966,074	24.1%
3-4 years	\$5,846,429	2.3%
Total	\$256,886,071	100.0%

Given the recent increase in interest rates, the City is making efforts to extend its portfolio beyond three years to capitalize on higher yields in the four- to five-year sector. The City’s general operating practice is to buy and hold all securities until maturity thereby avoiding any losses on sale of securities.

Yield

The investment portfolio is managed with the objective of attaining a market rate of return throughout budgetary and economic cycles, while considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives. In the first quarter of 2022, the U.S. Federal Reserve held the federal funds rate at around zero, buying billions of dollars of bonds every month to stimulate the economy, despite 40-year highs in various measures of U.S. inflation. In the nine-month period since March 2022, the Federal Reserve has moved forcefully and raised the fed funds rate by 4.25 points. As a result, the City of Lee's Summit has obtained yields approaching 4% and higher on some of its late year investments. (Refer to pages 6-7 of this report for the investment yields on each investment security.)

Competitive Bidding

Requests for Bid are submitted to financial institutions on the City's approved bid list to ensure the most competitive yields for each investment.

Mark to Market Adjustment

In accordance with requirements of the Governmental Accounting Standards Board (GASB) and the Governmental Finance Officers Association (GFOA), a mark to market adjustment is made at the end of each fiscal quarter. The purpose of the accounting requirement is to avoid misrepresentation of the value of investments for those public entities that may find it necessary or desirable to sell investments prior to maturity.

During periods of rising interest rates, increased rates provide the opportunity for greater investment earnings yields on new security purchases. However, rising interest rates have a negative impact on the "mark to market" adjustment for the existing fixed income investments purchased in prior months, causing a paper loss. Conversely, in a declining interest rate environment, the existing investments gain value resulting in a paper profit.

The country has been in a low interest rate environment for several years whereby only minor changes in paper profits and losses have been experienced. The jump in interest rates during 2022 means that, for the first time in many years, we have had large amounts of paper losses that we are required to book and allocate across all invested funds. Over time, as newer, higher-rate investments replace maturing lower rate investments, the impact lessens. The mark to market adjustment for the quarter ended December 31, 2022 is \$576,016.

CITY OF LEE'S SUMMIT, MISSOURI
Quarterly Portfolio Transactions
Quarter Ended December 31, 2022

Purchases

Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transaction Amount (\$)	Yield
11/30/2022	\$4,000,000.00	91282CFP1	US Treasury Note	4.250	10/15/2025	\$4,015,425.60	4.305
12/07/2022	\$4,420,000.00	91282CBT6	US Treasury Note	0.750	03/31/2026	\$3,997,055.02	3.902
12/08/2022	\$2,000,000.00	3135G0K36	Federal Natl Mortgage Assn	2.125	04/24/2026	\$1,890,194.44	3.960
12/22/2022	\$3,000,000.00	91282CFW6	US Treasury Note	4.500	11/15/2025	\$3,051,298.34	4.037
12/28/2022	\$5,253,000.00	91282CED9	United States Treas NTS	1.750	03/15/2025	\$4,999,693.52	4.297
12/30/2022	\$3,000,000.00	91282CFE6	US Treasury Note	3.125	08/15/2025	\$2,948,651.49	4.292
12/30/2022	\$5,000,000.00	91282CEY3	United States Treas NTS	3.000	07/15/2025	\$4,912,561.36	4.307
12/30/2022	\$2,052,000.00	9128285C0	US Treasury Note	3.000	09/30/2025	\$1,999,839.58	4.280
Total	\$28,725,000.00					\$27,814,719.35	

Interest Income

Transaction Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transaction Amount (\$)	Yield
10/05/2022	\$2,000,000.00	3135G0T78	Fed'1 Natl Mort Assn	2.000	10/05/2022	\$20,000.00	1.617
10/17/2022	\$4,000,000.00	91282CBV2	US Treasury Note	0.375	04/15/2024	\$7,500.00	0.420
10/17/2022	\$2,000,000.00	91282CBV2	US Treasury Note	0.375	04/15/2024	\$3,750.00	0.802
10/25/2022	\$5,000,000.00	3133ENCA6	Fed'1 Farm Cr Bks	0.700	10/25/2024	\$17,500.00	0.785
10/31/2022	\$5,000,000.00	9128284L1	US Treasury Note	2.750	04/30/2023	\$68,750.00	0.167
10/31/2022	\$4,000,000.00	912828T91	US Treasury Note	1.625	10/31/2023	\$32,500.00	0.203
10/31/2022	\$4,000,000.00	912828YM6	US Treasury Note	1.500	10/31/2024	\$30,000.00	0.522
10/31/2022	\$2,000,000.00	91282CDD0	US Treasury Note	0.375	10/31/2023	\$3,750.00	0.869
10/31/2022	\$4,922,000.00	9128284M9	US Treasury Note	2.875	04/30/2025	\$70,753.75	2.806
10/31/2022	\$1,000,000.00	9128283C2	US Treasury Note	2.000	10/31/2022	\$10,000.00	1.609
10/31/2022	\$5,000,000.00	912828ZL7	US Treasury Note	0.375	04/30/2025	\$9,375.00	3.383
11/15/2022	\$4,000,000.00	91282CCC3	US Treasury Note	0.250	05/15/2024	\$5,000.00	0.436
11/15/2022	\$4,000,000.00	91282CDH1	US Treasury Note	0.750	11/15/2024	\$15,000.00	0.831
11/15/2022	\$5,000,000.00	91282CEQ0	US Treasury Note	2.750	05/15/2025	\$68,750.00	3.450
11/23/2022	\$3,000,000.00	3133ENEW6	Fed'1 Farm Cr Bks	0.375	05/23/2023	\$5,625.00	0.777
11/30/2022	\$5,000,000.00	912828R69	US Treasury Note	1.625	05/31/2023	\$40,625.00	0.180
11/30/2022	\$5,000,000.00	912828U57	US Treasury Note	2.125	11/30/2023	\$53,125.00	0.212
11/30/2022	\$3,000,000.00	912828XT2	US Treasury Note	2.000	05/31/2024	\$30,000.00	0.826
11/30/2022	\$3,000,000.00	912828YV6	US Treasury Note	1.500	11/30/2024	\$22,500.00	0.954
11/30/2022	\$3,000,000.00	91282CAX9	US Treasury Note	0.125	11/30/2022	\$1,875.00	0.125
11/30/2022	\$5,000,000.00	91282CAX9	US Treasury Note	0.125	11/30/2022	\$3,125.00	1.059
12/09/2022	\$4,000,000.00	3133834G3	Federal Natl Mortgage Assn	2.125	06/09/2023	\$42,500.00	0.193
12/14/2022	\$4,000,000.00	3130A8HK2	Fed'1 Home Loan Bank	1.750	06/14/2024	\$35,000.00	0.373
12/15/2022	\$3,000,000.00	91282CEU1	Fed'1 Home Loan Bank	2.875	06/15/2025	\$43,125.00	2.825
Total						\$640,128.75	

Maturities/Sales

Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transaction Amount (\$)	Yield
11/07/2019	\$2,000,000	3135G0T78	Federal Natl Mortgage Assn	2.000	10/05/2022	\$2,000,000.00	1.617
11/07/2019	\$1,000,000	9128283C2	US Treasury Note	2.000	10/31/2022	\$1,000,000.00	1.609
01/21/2021	\$3,000,000	91282CAX9	US Treasury Note	0.125	11/30/2022	\$3,000,000.00	0.125
05/05/2022	\$5,000,000	91282CAX9	US Treasury Note	0.125	11/30/2022	\$5,000,000.00	1.059
Total	\$11,000,000					\$11,000,000.00	

CITY OF LEE'S SUMMIT, MISSOURI

Investment Portfolio As of December 31, 2022

Description	Settle Date	Maturity Date	Yield to Maturity	Par Value	Purchase Cost	Market Value
US Treasury Securities:						
Treasury Note	02/19/21	02/28/23	0.117%	\$5,000,000	\$5,175,479	\$4,975,870
Treasury Note	02/04/21	03/31/23	0.121%	\$6,000,000	\$6,209,057	\$5,955,426
Treasury Note	04/08/21	04/30/23	0.167%	\$5,000,000	\$5,326,019	\$4,971,875
Treasury Note	04/08/21	05/31/23	0.180%	\$5,000,000	\$5,183,482	\$4,938,865
Treasury Note	01/20/22	06/30/23	0.797%	\$2,000,000	\$2,018,082	\$1,968,204
Treasury Note	06/04/21	09/15/23	0.191%	\$5,000,000	\$4,993,876	\$4,844,920
Treasury Note	01/12/22	09/30/23	0.829%	\$3,000,000	\$2,972,612	\$2,902,032
Treasury Note	06/04/21	10/31/23	0.203%	\$4,000,000	\$4,142,582	\$3,900,312
Treasury Note	01/12/22	10/31/23	0.869%	\$2,000,000	\$1,983,934	\$1,929,454
Treasury Note	06/09/21	11/30/23	0.212%	\$5,000,000	\$5,238,703	\$4,884,960
Treasury Note	07/23/21	02/29/24	0.288%	\$4,000,000	\$4,253,629	\$3,897,344
Treasury Note	02/10/22	02/29/24	1.353%	\$5,000,000	\$5,156,400	\$4,871,680
Treasury Note	01/05/22	03/31/24	0.830%	\$5,000,000	\$5,171,281	\$4,845,705
Treasury Note	06/30/21	04/15/24	0.420%	\$4,000,000	\$3,998,115	\$3,786,248
Treasury Note	12/16/21	04/15/24	0.802%	\$2,000,000	\$1,981,590	\$1,893,124
Treasury Note	06/30/21	05/15/24	0.436%	\$4,000,000	\$3,980,000	\$3,766,720
Treasury Note	12/16/21	05/31/24	0.826%	\$3,000,000	\$3,088,067	\$2,891,952
Treasury Note	01/05/22	06/30/24	0.905%	\$3,000,000	\$3,062,885	\$2,877,186
Treasury Note	12/31/21	07/15/24	0.886%	\$4,000,000	\$3,955,598	\$3,749,688
Treasury Note	08/25/21	08/15/24	0.435%	\$6,000,000	\$5,990,060	\$5,609,298
Treasury Note	12/30/21	08/31/24	0.917%	\$4,000,000	\$4,051,713	\$3,789,220
Treasury Note	09/02/21	09/30/24	0.410%	\$4,000,000	\$4,245,529	\$3,841,248
Treasury Note	10/06/21	10/31/24	0.522%	\$4,000,000	\$4,144,804	\$3,793,436
Treasury Note	11/15/21	11/15/24	0.831%	\$4,000,000	\$3,990,469	\$3,735,936
Treasury Note	12/10/21	11/30/24	0.954%	\$3,000,000	\$3,049,127	\$2,839,218
Treasury Note	12/28/22	03/15/25	4.297%	\$5,253,000	\$4,999,694	\$4,969,217
Treasury Note	03/09/22	03/31/25	1.670%	\$5,000,000	\$4,829,153	\$4,598,830
Treasury Note	04/21/22	04/30/25	2.806%	\$4,922,000	\$4,999,041	\$4,766,263
Treasury Note	06/14/22	04/30/25	3.383%	\$5,000,000	\$4,593,155	\$4,569,530
Treasury Note	06/15/22	05/15/25	3.450%	\$5,000,000	\$4,914,513	\$4,825,000
Treasury Note	07/28/22	06/15/25	2.825%	\$3,000,000	\$3,014,235	\$2,902,851
Treasury Note	06/28/22	06/30/25	3.180%	\$525,000	\$481,888	\$476,150
Treasury Note	08/10/22	07/15/25	3.202%	\$3,000,000	\$2,989,490	\$2,908,827
Treasury Note	12/30/22	07/15/25	4.307%	\$5,000,000	\$4,912,561	\$4,848,045
Treasury Note	09/02/22	08/15/25	3.437%	\$2,000,000	\$1,921,957	\$1,888,984
Treasury Note	09/19/22	08/15/25	3.925%	\$3,000,000	\$2,943,526	\$2,916,327
Treasury Note	12/30/22	08/15/25	4.292%	\$3,000,000	\$2,948,651	\$2,916,327
Treasury Note	09/20/22	09/15/25	3.936%	\$3,000,000	\$2,964,888	\$2,944,452
Treasury Note	09/09/22	09/30/25	3.534%	\$3,000,000	\$2,720,195	\$2,697,069
Treasury Note	12/30/22	09/30/25	4.280%	\$2,052,000	\$1,999,840	\$1,986,432
Treasury Note	11/30/22	10/15/25	4.305%	\$4,000,000	\$4,015,426	\$4,002,812
Treasury Note	12/22/22	11/15/25	4.037%	\$3,000,000	\$3,051,298	\$3,023,202
Treasury Note	12/07/22	03/31/26	3.902%	\$4,420,000	\$3,997,055	\$3,968,329
Total US Treasury Securities:				\$165,172,000	\$165,669,655	\$158,668,569

Description	Settle Date	Maturity Date	Yield to Maturity	Par Value	Purchase Cost	Market Value
US Gov't Agency Securities:						
Federal Home Loan Bank	03/09/21	03/10/23	0.170%	\$6,000,000	\$6,234,102	\$5,972,118
Federal Farm Credit Bank	01/24/22	05/23/23	0.777%	\$3,000,000	\$2,985,971	\$2,950,266
Federal Home Loan Bank	04/16/21	06/09/23	0.193%	\$4,000,000	\$4,195,466	\$3,952,604
Federal Farm Credit Bank	04/19/21	07/19/23	0.205%	\$4,000,000	\$3,999,560	\$3,899,016
Federal Farm Credit Bank	01/20/22	07/24/23	0.851%	\$3,000,000	\$2,984,070	\$2,924,166
Freddie Mac	05/17/21	08/24/23	0.192%	\$5,000,000	\$5,009,445	\$4,857,105
Freddie Mac	01/24/22	08/24/23	0.891%	\$4,000,000	\$3,963,942	\$3,885,684
Federal Home Loan Bank	06/09/21	03/08/24	0.269%	\$4,000,000	\$4,194,688	\$3,865,264
Federal Home Loan Bank	07/23/21	06/14/24	0.373%	\$4,000,000	\$4,165,836	\$3,833,272
Fed'l Nat'l Mortgage Assn	12/10/21	07/02/24	0.866%	\$3,000,000	\$3,090,065	\$2,873,652
Freddie Mac	08/12/21	07/22/24	0.455%	\$5,000,000	\$5,000,500	\$4,685,055
Federal Home Loan Bank	09/24/21	09/13/24	0.513%	\$4,000,000	\$3,985,251	\$3,729,896
Federal Home Loan Bank	11/15/21	09/13/24	0.782%	\$4,000,000	\$4,253,446	\$3,885,500
Federal Farm Credit Bank	10/29/21	10/25/24	0.785%	\$5,000,000	\$4,987,839	\$4,656,180
Federal Farm Credit Bank	03/09/22	02/25/25	1.760%	\$5,000,000	\$4,998,803	\$4,725,755
Fannie Mae	12/08/22	04/24/26	3.960%	\$2,000,000	\$1,890,194	\$1,878,100
Total Gov't Agency Securities:				\$65,000,000	\$65,939,178	\$62,573,633

Description	Settle Date	Maturity Date	Yield to Maturity	Par Value	Purchase Cost	Market Value
Missouri Securities Investment Program				\$8,974,592		\$8,974,592
Regions Bank				\$105,793		\$105,793
Demand Deposits				\$16,063,225		\$16,063,225
Domestic Time Deposits				\$10,500,259		\$10,500,259

TOTAL				\$265,815,869		\$256,886,071
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