



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT April 2019



INVESTMENT RECAP

Summary of April Investments: In June of 2018, the County implemented a strategy which entailed reducing holdings in overnight investments and building a portfolio of fixed income securities. As of January of this year, the County had completed Phase I of this strategy, having invested \$100 million into a diverse mix of U.S. Treasuries and agencies with maturities laddered every month from June 2019 through January 2021. Phase II, investing the cyclical portion of the portfolio into short-term securities, was initiated with \$21 million of purchases in January. However, additional purchases have been postponed as market conditions continue to favor overnight alternatives such as Florida Prime.

KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls crushed expectations in April, climbing by +263k while upward revisions added another +16k jobs to prior months. The average monthly gain through the first four months of 2019 is now +205k, a level which should continue exerting downward pressure on the unemployment rate. Indeed, April's unemployment rate fell to a fresh five-decade low of 3.6%.
- **INFLATION:** Inflation readings were little changed during April with headline CPI rising +0.3%, nudging the year-over-year increase up from +1.9% to +2.0%. Ex food and energy, core CPI rose +0.1% for the month while the year-over-year rate gained a tenth to +2.1%. Importantly, the Fed's preferred measure, core PCE, retreated to +1.6% in March, well shy of the Fed's +2.0% target.
- **ISM SURVEYS:** The ISM manufacturing index slid from 55.3 in March to 52.8 in April. While still indicating expansion, this index has been trending lower since peaking at 60.8 last August. The ISM non-manufacturing index is following a similar path. It peaked at 60.8 last September and reached 59.7 in February before sliding to 56.1 in March and 55.5 in April, the lowest since August 2017.
- **CONSUMER SPENDING:** Retail sales extended its up and down pattern, rebounding in March with a +1.6% gain and then backsliding in April with a -0.2% decline. On a year-over-year basis the less volatile control group was up just +2.9% through April, well off the nearly 5% pace that prevailed through much of 2018.
- **ECO GROWTH:** The first estimate of Q1-2019 GDP came in above forecasts with a +3.2% annualized rate of growth. Unfortunately, underlying details were weaker than the headline suggested as consumption slowed from +2.5% in Q4 to +1.2%, business fixed investment dropped from +5.4% to +2.7%, and real private domestic sales were the weakest in three years at +1.3%. These components are the keys to future growth. The overall number was inflated by inventory build-up and net exports, areas viewed as unsustainable and likely to subtract from future quarters.

NEWS and EVENTS

- News reports during April suggested a trade deal with China was nearing completion. This quickly unraveled in early May as the U.S. accused China of reneging on previously agreed-to terms. President Trump turned up the heat, quickly implementing tariff increases from 10% to 25% on \$200 billion of Chinese imports and threatening tariffs on an additional \$300 billion. While the President continues to insist a deal will be reached, both sides appear to be digging in their heels.
- The S&P 500 and NASDAQ reached new highs in late April before the escalating trade war sent stocks tumbling.
- The Federal Reserve is sticking by their "patient" message and FOMC Chair Jerome Powell declared that recent declines in inflation were "transient," reducing the likelihood of rate cuts to counter falling inflation.
- Bond markets seem to think the Fed will be forced to respond. Interest rates have fallen further as signs of slower economic growth, moderating inflation, and the trade dispute weigh on the outlook. The two-year Treasury note closed April at 2.27%.

PORTFOLIO SUMMARY

	11/30/2018	12/31/2018	1/31/2019	2/28/2019	3/31/2019	4/30/2019
Book Value	\$214,394,483	\$318,846,108	\$309,362,569	\$306,989,895	\$291,662,555	\$287,270,369
Market Value	\$214,288,619	\$318,988,330	\$309,575,837	\$307,153,155	\$291,994,436	\$287,597,555
Market Value%	99.95%	100.04%	100.07%	100.05%	100.11%	100.11%
Weighted Average Maturity - Days	144 days	133 days	154 days	144 days	139 days	129 days
Weighted Average Yield	2.537%	2.572%	2.623%	2.624%	2.607%	2.587%
Earned Income	\$380,748	\$586,220	\$700,039	\$616,191	\$647,869	\$607,213
Earned Income-Fiscal Year-to-Date	\$758,795	\$1,345,015	\$2,045,054	\$2,661,245	\$3,309,114	\$3,916,327
Change in Market Value *	\$100,054	\$334,644	\$155,709	\$37,503	\$310,660	\$98,431
Income Net of Change in Mkt Val	\$480,801	\$920,864	\$855,748	\$653,693	\$958,529	\$705,644

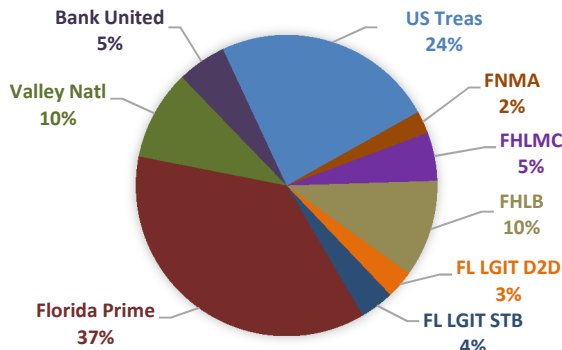
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



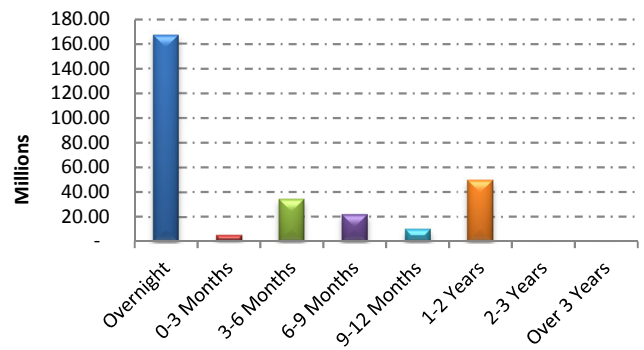
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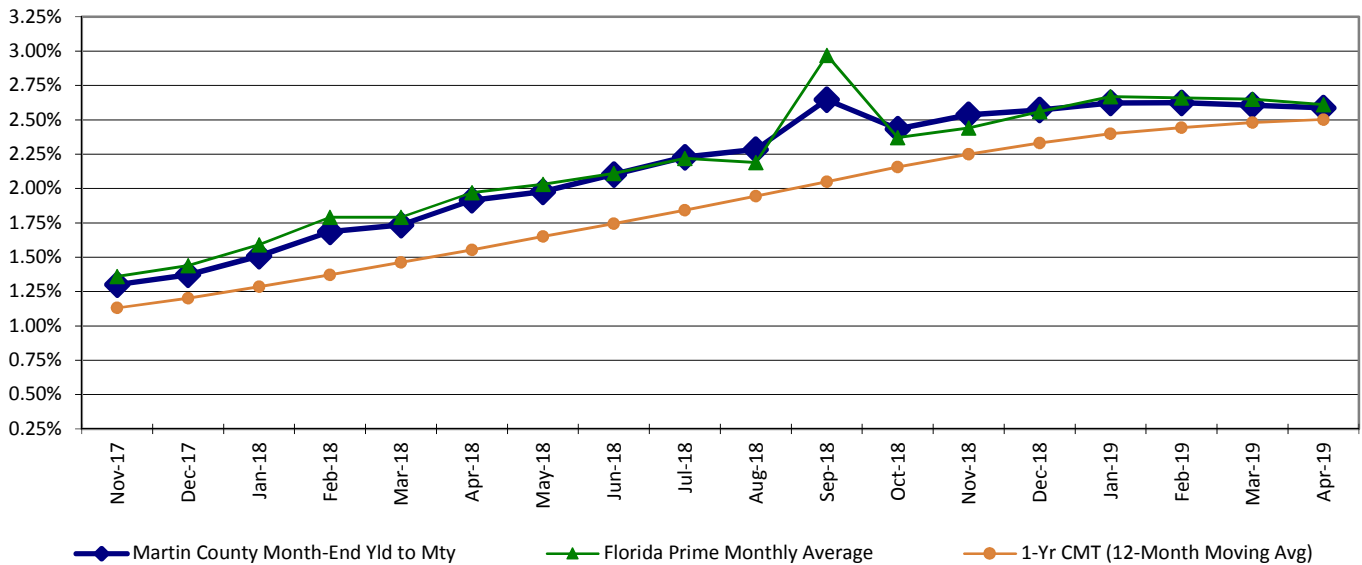
Portfolio Composition by Issuer



Portfolio Composition by Maturity



YIELD COMPARISONS



SHOCK ANALYSIS

	Down 50 Basis Points	Down 25 Basis Points	Base	Up 25 Basis Points	Up 50 Basis Points	Up 100 Basis Points
Book Value	\$287,270,369	\$287,270,369	\$287,270,369	\$287,270,369	\$287,270,369	\$287,270,369
Market Value	\$288,281,007	\$287,939,281	\$287,597,555	\$287,255,829	\$286,914,103	\$286,230,651
Unrealized Gain/(Loss)	\$1,010,638	\$668,912	\$327,186	-\$14,540	-\$356,266	-\$1,039,718
Market Price	100.35%	100.23%	100.11%	99.99%	99.88%	99.64%
Book Yield	2.315%	2.451%	2.587%	2.723%	2.859%	3.132%
Duration	0.475	0.475	0.475	0.475	0.475	0.475

The portfolio shock analysis is intended as a risk management tool and should not be considered a definitive assessment of market value. The analysis assumes an instantaneous parallel shift in interest rates. Cash equivalent holdings such as bank deposits, Florida Prime, and FL LGIT Day to Day are assumed to have a duration of zero and their yields are assumed to shift immediately. The FL LGIT Short Term Bond Fund duration is taken from the FL LGIT web-site and was 1.68 as of 3/31/19 (4/30/19 hasn't been published yet).