



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT May 2019



INVESTMENT RECAP

Summary of May 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. Additional purchases in the cyclical portfolio have been postponed as market conditions currently favor overnight alternatives such as Florida Prime.

KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls added just 75,000 jobs in May, falling well below the Bloomberg median forecast of 175,000, while downward revisions to March and April subtracted a net 75,000. May job gains were therefore completely negated by the revisions. The unemployment rate held steady at a five-decade low of 3.6%.
- **INFLATION:** The Consumer Price Index (CPI) showed less price pressure than expected in May as both headline and core CPI rose by just +0.1% in May. On a year-over-year basis, overall consumer inflation slowed from +2.0% to +1.8%, while the pace of core consumer inflation slowed from +2.1% to +2.0%. Core PCE climbed +0.2% in April and is up +1.6% year-over-year, well short of the Fed's +2% target.
- **FACTORY SECTOR:** Factory managers are beginning to feel the effects of tariffs as the ISM Manufacturing Index continued its descent in May. The 52.1 reading was the lowest since October 2016.
- **SERVICE SECTOR:** The ISM non-manufacturing index rose to 56.9 in May, its highest level since February, with the employment index reaching a two-year high.
- **CONSUMER SPENDING:** May retail sales rose by +0.5%, just below the median forecast, but the big surprise was a recalculation to April sales, revised significantly higher from -0.2% to +0.3%. The important "control group" (which feeds into the GDP calculation) climbed +0.5% in May, while April was revised from 0.0% to +0.4%.
- **ECO GROWTH:** Q2 GDP forecasts have been below 2.00% throughout May, but as of June 14th the Atlanta Fed's GDPNow forecast is tracking growth at +2.1%.

NEWS and EVENTS

- Trade continues to be a concerning issue as talks between the U.S. and China broke down in early May and as Mexico was unexpectedly targeted for tariffs to combat issues with border security. There's been no progress on the trade deal with China as the President reiterated his firm stance at a recent press conference and China pledged to "fight to the end." The G20 summit, set to take place in Japan in late June, will be critical for the direction of the economy as the U.S. and China will presumably try once again to come to some agreement on trade.
- The S&P 500 and NASDAQ were down -6% and -8% for the month of May and although both have ticked up a bit since then, the market remains highly sensitive to headlines surrounding trade and tariffs.
- The Federal Open Market Committee meets on June 19th and is expected to signal its' willingness to cut rates in July.
- Brexit concerns have recently been resurrected as Prime Minister Theresa May announced her resignation in late May.

PORTFOLIO SUMMARY

| | 12/31/2018 | 1/31/2019 | 2/28/2019 | 3/31/2019 | 4/30/2019 | 5/31/2019 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Book Value | \$318,846,108 | \$309,362,569 | \$306,989,895 | \$291,662,555 | \$287,270,369 | \$319,457,701 |
| Market Value | \$318,988,330 | \$309,575,837 | \$307,153,155 | \$291,994,436 | \$287,597,555 | \$319,923,759 |
| Market Value% | 100.04% | 100.07% | 100.05% | 100.11% | 100.11% | 100.15% |
| Weighted Average Maturity - Days | 133 days | 154 days | 144 days | 139 days | 129 days | 104 days |
| Weighted Average Yield | 2.572% | 2.623% | 2.624% | 2.607% | 2.587% | 2.571% |
| Earned Income | \$586,220 | \$700,039 | \$616,191 | \$647,869 | \$607,213 | \$621,179 |
| Earned Income-Fiscal Year-to-Date | \$1,345,015 | \$2,045,054 | \$2,661,245 | \$3,309,114 | \$3,916,327 | \$4,537,505 |
| Change in Market Value * | \$334,644 | \$155,709 | \$37,503 | \$310,660 | \$98,431 | \$293,249 |
| Income Net of Change in Mkt Val | \$920,864 | \$855,748 | \$653,693 | \$958,529 | \$705,644 | \$914,428 |

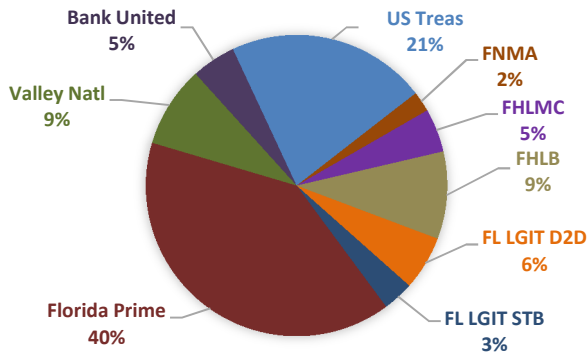
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



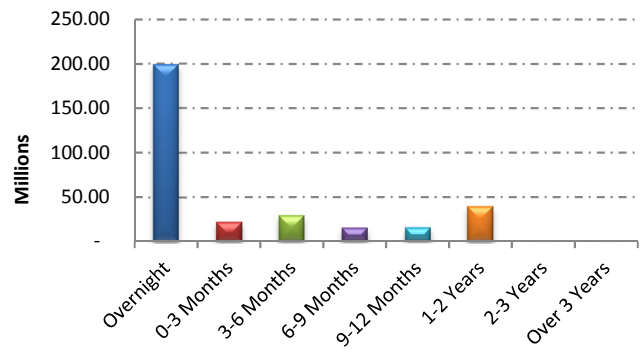
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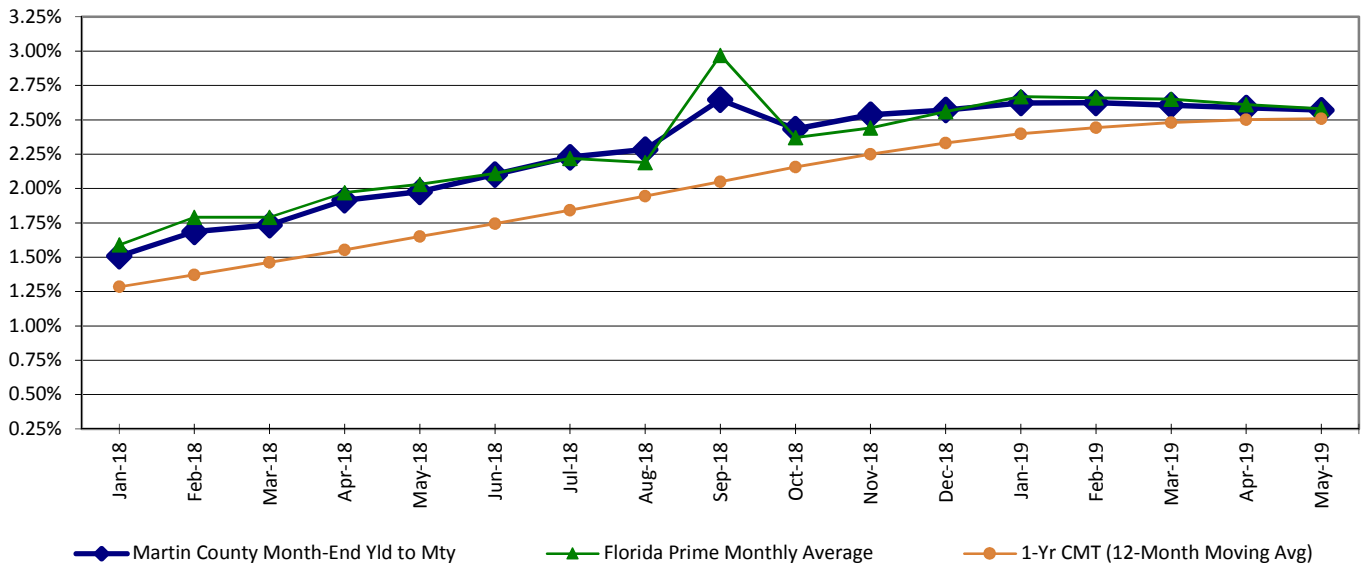
Portfolio Composition by Issuer



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 | \$319,457,701 | \$319,457,701 | \$319,457,701 | \$319,457,701 | \$319,457,701 | \$319,457,701 |
| Market Value | \$320,463,986 | \$320,193,872 | \$319,923,759 | \$319,653,645 | \$319,383,531 | \$318,843,304 |
| Unrealized Gain/(Loss) | \$1,006,285 | \$736,171 | \$466,057 | \$195,944 | -\$74,170 | -\$614,397 |
| Market Price | 100.31% | 100.23% | 100.15% | 100.06% | 99.98% | 99.81% |
| Book Yield | 2.276% | 2.424% | 2.571% | 2.719% | 2.867% | 3.162% |
| Duration | 0.338 | 0.338 | 0.338 | 0.338 | 0.338 | 0.338 |

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 1.74 as of 4/30/19 (5/31/19 hasn't been published yet).