



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT July 2019



INVESTMENT RECAP

Summary of July 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 through March 2021. Maturities during June and July were reinvested into certificates of deposit with a local qualified public depository, as these CD's offered slightly better yields than comparable Treasury or agency investments. Phase II, investing the cyclical portion of the portfolio into short-term securities, has been suspended as market conditions continue to favor overnight alternatives such as Florida Prime.

KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls increased by +164k in July, while prior month downward revisions subtracted -41k. The six-month average is now +134k, compared to +227k in the previous six-month period. The unemployment rate climbed a tiny bit from a five-decade low of 3.66% to 3.71% in July as more Americans entered or reentered the labor force.
- **INFLATION:** Inflation ticked up a bit in June with headline CPI climbing to +0.06% and core CPI jumping to +0.29%, the second biggest gain in the core since 2006. Core CPI is now running at a +2.1% year-over-year pace. Core Personal Consumption Expenditures (PCE) rose +0.2% in May, pulling the year-over-year pace up from +1.5% to +1.6%, still shy of the Fed's 2.0% target.
- **FACTORY SECTOR:** The ISM manufacturing index confirmed that U.S. factory managers continue to struggle. The 51.2 July reading was also a three-year low, and close to slipping into contraction.
- **SERVICE SECTOR:** The ISM non-manufacturing index dropped to a three-year low as the outlook for the U.S. service sector dimmed. The 53.7 reading for July, although still above 50, is a big decline from the 60.4 measure from back in November.
- **CONSUMER SPENDING:** Retail sales rose +0.7% in July, easily topping the +0.3% median Bloomberg forecast. Total retail sales over the last three months are up +3.3% from the same period a year ago. The retail sales "control group" used in the GDP calculation climbed a solid +1.0% in July, the fifth straight month of impressive spending.
- **ECO GROWTH:** : Second quarter's GDP reading beat the +1.8% median forecast with a +2.1% increase, primarily driven by consumer spending which soared by +4.3% and government spending which jumped +5.0%. Business inventories and net exports were the largest negative contributors.

NEWS and EVENTS

- The July trade talks with China collapsed, and President Trump threatened a 10% tariff on an additional \$300 billion in Chinese goods. The Chinese responded by instructing state-sponsored businesses to stop buying U.S. agricultural goods and allowing the yuan to devalue. Trump subsequently delayed implantation of more than half of new tariffs on Chinese imports until December.
- The Fed provided a quarter point "insurance cut" on July 31st, but it looks increasingly likely they'll cut again as soon as September. They also announced an end to the portfolio runoff, which means they'll start reinvesting portfolio maturities immediately.
- The European economy took the unexpected tariff announcement hard, causing the German 30-year bond to plunge below zero meaning the entire German yield curve was essentially negative.

PORTFOLIO SUMMARY

	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019
Book Value	\$306,989,895	\$291,662,555	\$287,270,369	\$319,457,701	\$311,396,398	\$291,521,311
Market Value	\$307,153,155	\$291,994,436	\$287,597,555	\$319,923,759	\$311,992,764	\$291,999,363
Market Value%	100.05%	100.11%	100.11%	100.15%	100.19%	100.16%
Weighted Average Maturity - Days	144 days	139 days	129 days	104 days	96 days	110 days
Weighted Average Yield	2.624%	2.607%	2.587%	2.571%	2.553%	2.509%
Earned Income	\$616,191	\$647,869	\$607,213	\$621,179	\$640,962	\$638,048
Earned Income-Fiscal Year-to-Date	\$2,661,245	\$3,309,114	\$3,916,327	\$4,537,505	\$5,178,467	\$5,816,515
Change in Market Value *	\$37,503	\$310,660	\$98,431	\$293,249	\$262,267	(\$42,313)
Income Net of Change in Mkt Val	\$653,693	\$958,529	\$705,644	\$914,428	\$903,229	\$595,735

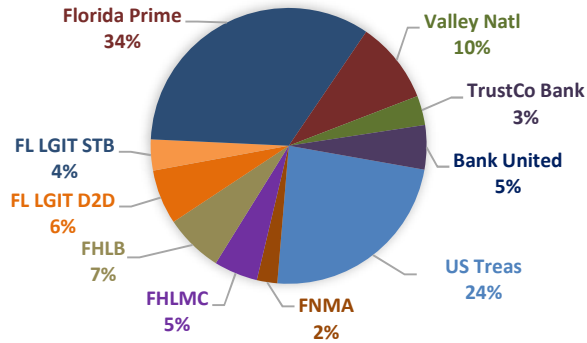
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



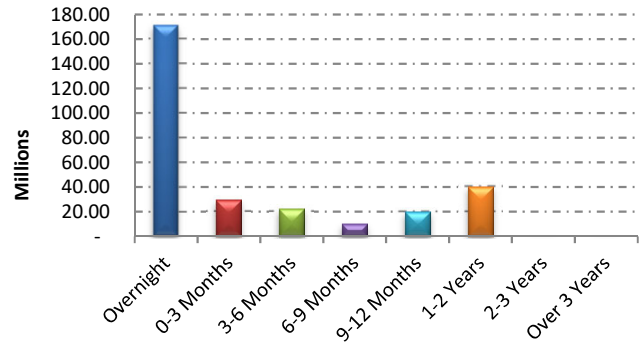
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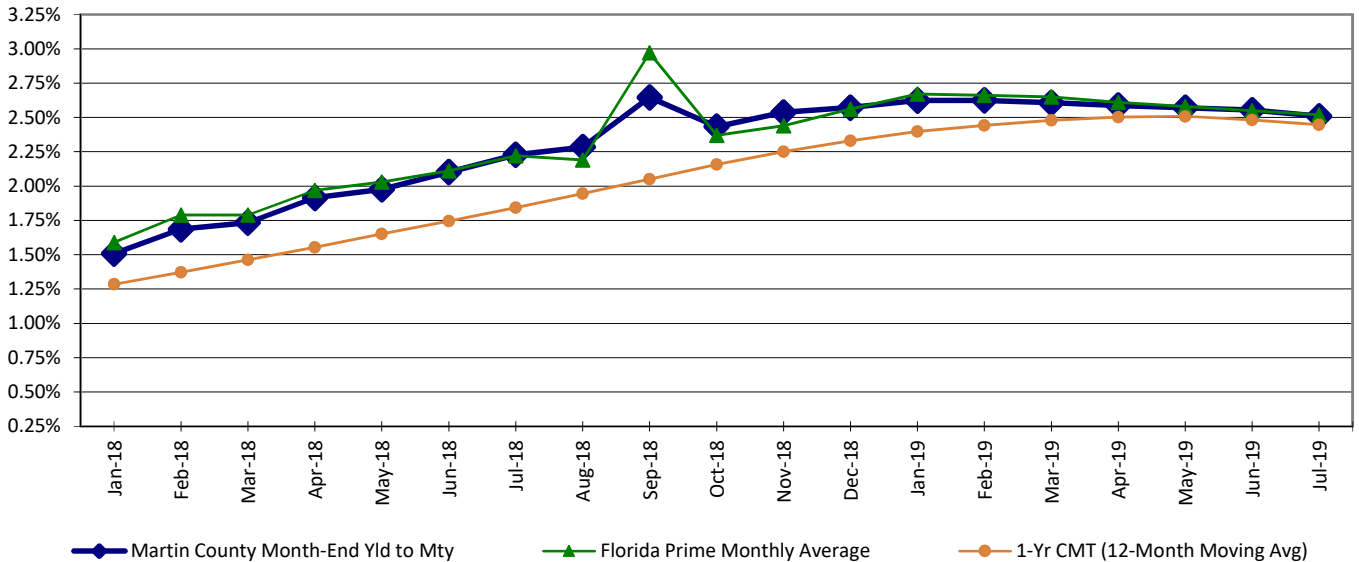
Portfolio Composition by Issuer



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	\$291,521,311	\$291,521,311	\$291,521,311	\$291,521,311	\$291,521,311	\$291,521,311
Market Value	\$292,487,146	\$292,243,255	\$291,999,363	\$291,755,472	\$291,511,581	\$291,023,798
Unrealized Gain/(Loss)	\$965,836	\$721,944	\$478,053	\$234,161	-\$9,730	-\$497,513
Market Price	100.33%	100.25%	100.16%	100.08%	100.00%	99.83%
Book Yield	2.198%	2.336%	2.473%	2.611%	2.748%	3.024%
Duration	0.334	0.334	0.334	0.334	0.334	0.334

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 1.83 as of 6/30/19 (7/31/19 hasn't been published yet).