



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT August 2019



INVESTMENT RECAP

Summary of August Investments: The County's core portfolio, made up of excess funds not needed during the annual operating cycle, consists of \$100 million invested in a diversified mix of U.S. Treasuries and government agency securities as well as certificates of deposit with a local qualified public depository. These investments are laddered out with maturities of \$5 million per month through March 2021. The cyclical portion, made up of ad valorem tax proceeds that are used during the annual operating cycle, are primarily held in overnight liquid investments including Florida Prime and the Florida Local Government Investment Trust. In recent months, these funds have offered higher yields than direct short-term investments.

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 rose slightly from a five-decade low of 3.66% to 3.71% during July as more Americans entered or reentered the labor force.
- **INFLATION:** The headline consumer price index (CPI) for July climbed by a larger-than-expected +0.3%, boosting the year-over-year pace from +1.6% to +1.8%. Core CPI, which excludes food and energy prices, also increased by +0.3%, which pushed the year-over-year core up from +2.1% to +2.2%. Core CPI has now been at, or above the Fed's target rate for 17 consecutive months.
- **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:** The second quarter's initial GDP reading of +2.1% was revised down a tenth to +2.0%. Consumer spending continues to drive the economy as the already solid +4.3% gain was upwardly revised to +4.7%. Inventories and business fixed investment were detractors in Q2.

NEWS and EVENTS

- The trade war escalated dramatically during August as trade talks broke down and both the U.S. and China announced new or increased tariffs. The tit-for-tat battle and mudslinging rhetoric raged on through much of the month.
- Stock and bond markets struggled to interpret the latest tared headlines, leading to increased volatility and declining yields. The yield curve officially inverted with the 10-year Treasury yield falling below the two-year Treasury yield. Historically, this condition is a reliable indicator of a looming recession, however, there is a long and variable lag between the signal and the onset of recession, typically 12 to 18 months.
- According to Morgan Stanley, "The longest maturity government bond in over 20 developed markets hit new all-time lows" including the U.S., Canada, Germany, and France. The 30-year U.S. Treasury note reached 1.90% while Germany's 30-year Bund traded to a negative yield as that country's GDP contracted in the second quarter.
- A recent survey by the Wall Street Journal placed the probability of a U.S. recession in a year at 33.6%, the highest in WSJ survey history.

PORTFOLIO SUMMARY

	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019
Book Value	\$291,662,555	\$287,270,369	\$319,457,701	\$311,396,398	\$291,521,311	\$286,179,774
Market Value	\$291,994,436	\$287,597,555	\$319,923,759	\$311,992,764	\$291,999,363	\$286,758,377
Market Value%	100.11%	100.11%	100.15%	100.19%	100.16%	100.20%
Weighted Average Maturity - Days	139 days	129 days	104 days	96 days	110 days	99 days
Weighted Average Yield	2.607%	2.587%	2.571%	2.553%	2.509%	2.432%
Earned Income	\$647,869	\$607,213	\$621,179	\$640,962	\$638,048	\$589,489
Earned Income-Fiscal Year-to-Date	\$3,309,114	\$3,916,327	\$4,537,505	\$5,178,467	\$5,816,515	\$6,406,004
Change in Market Value *	\$310,660	\$98,431	\$293,249	\$262,267	(\$42,313)	\$259,771
Income Net of Change in Mkt Val	\$958,529	\$705,644	\$914,428	\$903,229	\$595,735	\$849,260

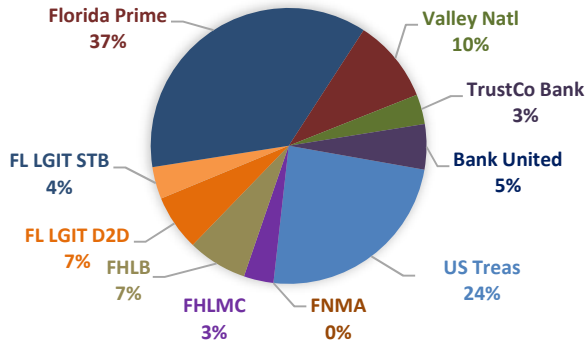
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



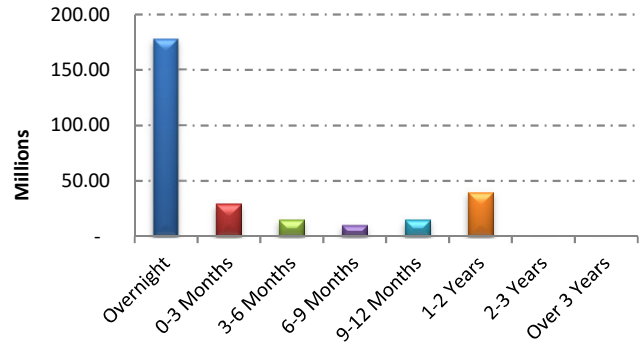
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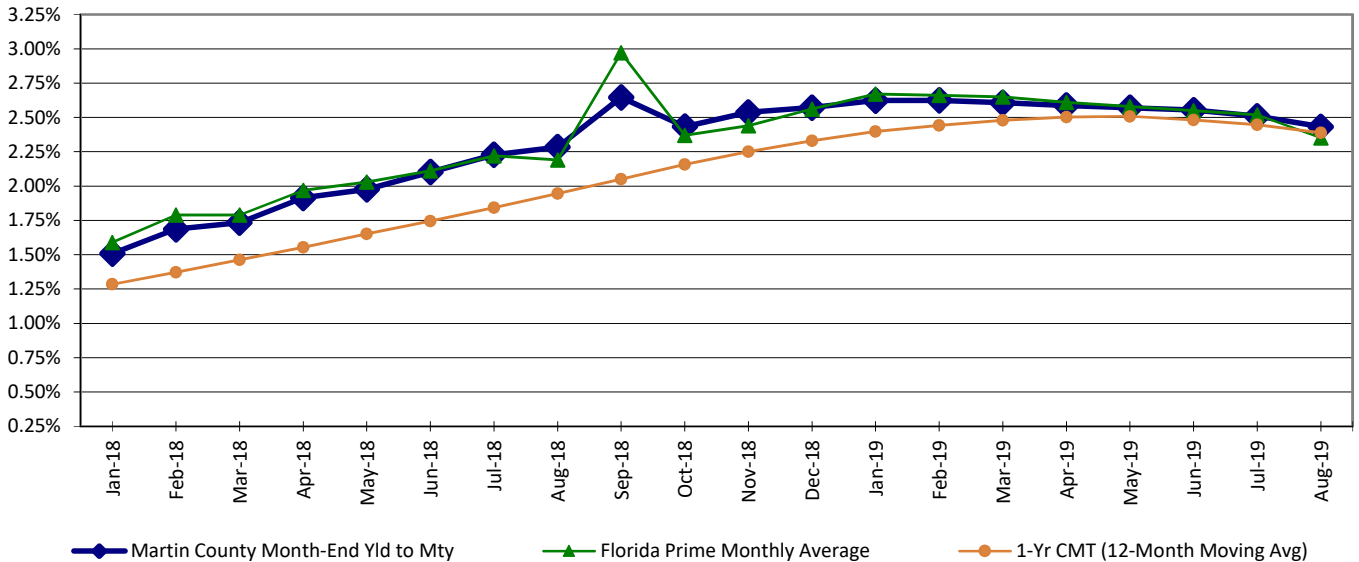
Portfolio Composition by Issuer



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	\$286,179,774	\$286,179,774	\$286,179,774	\$286,179,774	\$286,179,774	\$286,179,774
Market Value	\$287,244,845	\$287,001,611	\$286,758,377	\$286,515,143	\$286,271,909	\$285,785,442
Unrealized Gain/(Loss)	\$1,065,072	\$821,838	\$578,604	\$335,370	\$92,136	-\$394,332
Market Price	100.37%	100.29%	100.20%	100.12%	100.03%	99.86%
Book Yield	2.141%	2.286%	2.432%	2.578%	2.724%	3.015%
Duration	0.339	0.339	0.339	0.339	0.339	0.339

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 1.94 as of 7/31/19 (8/31/19 hasn't been published yet).