



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT September 2019



INVESTMENT RECAP

Summary of September 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 May 2021. Two \$5 million purchases, which reinvested maturing positions, were made during September. 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 rose just +130k in August, with 25k being government workers hired for the 2020 census. Revisions subtracted -20k from June/July, pulling the three-month average down to +156k. The six-month average is now +136k, compared to +243k in the same period last year. The unemployment rate moved fractionally lower in August, but the headline remained at 3.7%.
- **INFLATION:** The headline consumer price index (CPI) for August climbed by just +0.1%, pulling the year-over-year pace down from +1.8% to +1.7%. However, core CPI, which excludes food and energy prices, climbed +0.3%, pushing the year-over-year core up from +2.2% to +2.4%, the highest in 11 years. Core Personal Consumption Expenditures (PCE) climbed from 1.57% to +1.58% year-over-year in July.
- **FACTORY SECTOR:** The ISM manufacturing index fell from 51.2 to 49.1 in August, indicating contraction with the first sub-50 reading in three years.
- **SERVICE SECTOR:** The ISM non-manufacturing index unexpectedly rebounded from July's 54.0 to 56.4 in August reaffirming that the service sector is less affected by the trade war.
- **CONSUMER SPENDING:** August retail sales rose by +0.4%, doubling the forecasted percentage gain with strong auto sales, building materials and online spending driving the advance. In addition, the July headline sales gain was revised upward from +0.7% to +0.8%. The mighty consumer continues to drive the overall economy.
- **ECO GROWTH:** The final revision to Q2 GDP showed the economy expanded at a +2.0% annual rate, a sharp slowing from Q1's +3.0%. The first look at Q3 data is due at the end of October and is expected to slow further to +1.8%.

NEWS and EVENTS

- The trade war escalated as China announced new tariffs on \$75 billion of U.S. imports. President Trump quickly retaliated, raising previously imposed 10% tariffs to 15%, and 25% tariffs to 30%.
- An impeachment inquiry against the president was initiated in late September by House Speaker Nancy Pelosi, introducing yet another degree of uncertainty into the markets.
- The FOMC opted to lower the fed funds target rate by 25 basis points to a range of 1.75%-2.00%. The vote was not unanimous as FOMC members have divergent views on the outlook. Financial markets widely expect at least one more cut before the year is over.
- Fed intervention seems to have gotten repo markets under control and rates are normalizing. A more permanent solution is in the works and will likely involve expansion of the Fed's balance sheet.
- The European Central Bank met on September 12th and elected to lower its overnight rate from -0.4% to -0.5%, and reintroduce its quantitative easing program.

PORTFOLIO SUMMARY

	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019
Book Value	\$287,270,369	\$319,457,701	\$311,396,398	\$291,521,311	\$286,179,774	\$255,805,297
Market Value	\$287,597,555	\$319,923,759	\$311,992,764	\$291,999,363	\$286,758,377	\$256,304,800
Market Value%	100.11%	100.15%	100.19%	100.16%	100.20%	100.20%
Weighted Average Maturity - Days	129 days	104 days	96 days	110 days	99 days	121 days
Weighted Average Yield	2.587%	2.571%	2.553%	2.509%	2.432%	2.392%
Earned Income	\$607,213	\$621,179	\$640,962	\$638,048	\$589,489	\$535,964
Earned Income-Fiscal Year-to-Date	\$3,916,327	\$4,537,505	\$5,178,467	\$5,816,515	\$6,406,004	\$6,941,969
Change in Market Value *	\$98,431	\$293,249	\$262,267	(\$42,313)	\$259,771	(\$31,461)
Income Net of Change in Mkt Val	\$705,644	\$914,428	\$903,229	\$595,735	\$849,260	\$504,504

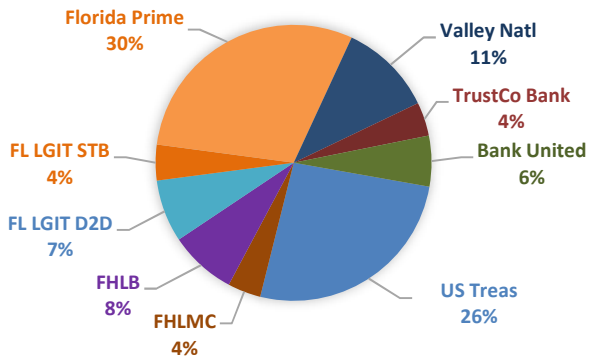
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



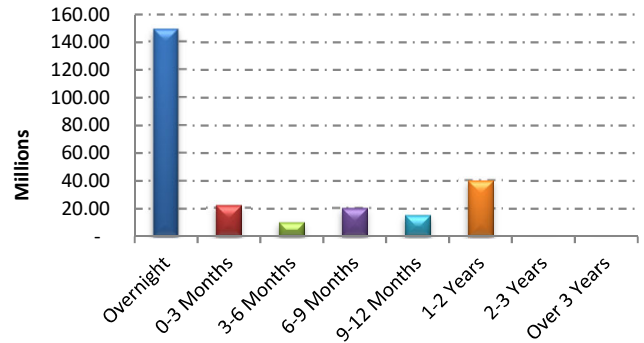
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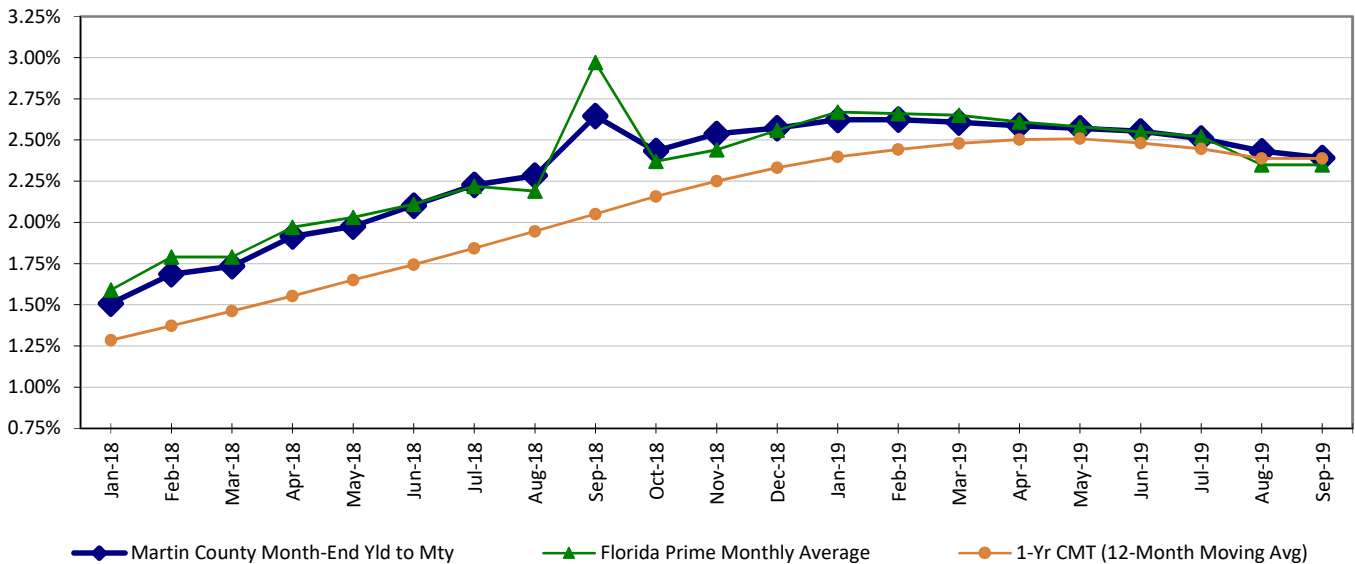
Portfolio Composition by Issuer



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	\$255,805,297	\$255,805,297	\$255,805,297	\$255,805,297	\$255,805,297	\$255,805,297
Market Value	\$256,827,168	\$256,565,984	\$256,304,800	\$256,043,615	\$255,782,431	\$255,260,062
Unrealized Gain/(Loss)	\$1,021,871	\$760,687	\$499,503	\$238,318	-\$22,866	-\$545,235
Market Price	100.40%	100.30%	100.20%	100.09%	99.99%	99.79%
Book Yield	2.121%	2.257%	2.392%	2.527%	2.662%	2.933%
Duration	0.408	0.408	0.408	0.408	0.408	0.408

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 9/30/19.