



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT October 2018



INVESTMENT RECAP

Summary of October Investments: With interest rates at the short end of the curve at the highest levels in over a decade, the County has begun to gradually shift some funds out of overnight investments such as Florida Prime. The strategy to invest a total of \$100 million has made significant progress. Thus far the County has invested \$75 million in a portfolio with a diversified mix of U.S. Treasuries and agencies with maturities of \$5 million every month from June 2019 through August 2020. There were no investment maturities during October and no new purchases were made as we took a brief pause in the execution of this strategy due to elevated yields on Florida Prime balances that resulted from a legal settlement. We expect to resume investment purchases during November.

KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** The economy added +250k jobs during October, significantly outpacing estimates for +200k and shrugging off disruptions from hurricanes and tariffs. The unemployment rate remained at a 49-year low of 3.7%. Average hourly earnings growth jumped from +2.8% year-over-year in September to +3.1% in October, but is somewhat overstated because October data last year was heavily distorted from Hurricanes Harvey and Irma.
- **INFLATION:** CPI came in as expected with a +0.3% gain in October, pushing the y-o-y pace up to +2.5% from +2.3%. Core CPI (ex food and energy) rose +0.2%, bringing the annual pace to +2.1%. Core PCE held steady at 2% in September, right at the Fed's stated target.
- **FACTORY SECTOR:** The ISM manufacturing index retreated in October to 57.7, but is still considered a strong reading.
- **SERVICE SECTOR:** The ISM non-manufacturing index declined to 60.3 in October, but figures above 60 indicates significant strength.
- **CONSUMER SPENDING:** Spending rebounded in October, exceeding expectations. Headline retail sales rose by +0.8% in October, the largest gain in five months, following a downwardly revised -0.1% September contraction. Gains were driven by autos, fuel, and building materials following two hurricanes that restrained spending.
- **ECO GROWTH:** The initial estimate of third quarter GDP moderated somewhat from Q2's +4.2%, posting a still solid +3.5% (subject to revision) as inflation has been modest and the largest component of the economy, the consumer, continues to confidently spend.

NEWS and EVENTS

- Most points on the yield curve reached new post-recession highs in early October, following the late-September Fed rate hike. Bond yields have moved lower ever since on a flight to safety rally as equity markets tumble.
- Equity markets struggled mightily during October with the Dow, S&P 500, and Nasdaq down -5%, -7% and -9% respectively. The technology sector has been hit the hardest.
- Trade issues continue to weigh on financial markets and hawkish comments from Fed Chair Powell in early October also contributed to the stock market retreat.
- No apparent progress on the trade war with China.
- Economic data has been resilient thus far, with the exception of housing, where several years of rapidly advancing prices and mortgage rates that have climbed above 5% lower affordability and crimp sales.

PORTFOLIO SUMMARY

	5/31/2018	6/30/2018	7/31/2018	8/31/2018	9/30/2018	10/31/2018
Book Value	\$256,192,300	\$247,834,268	\$234,880,601	\$221,779,964	\$202,988,063	\$183,430,133
Market Value	\$256,184,434	\$247,834,735	\$234,859,521	\$221,785,289	\$202,889,782	\$183,287,135
Market Value%	100.00%	100.00%	99.99%	100.00%	99.95%	99.92%
Weighted Average Maturity - Days	2 days	55 days	54 days	124 days	174 days	181 days
Weighted Average Yield	1.976%	2.102%	2.228%	2.284%	2.646%	2.433%
Earned Income	\$417,121	\$406,528	\$424,169	\$411,613	\$440,783	\$378,048
Earned Income-Fiscal Year-to-Date	\$2,526,320	\$2,932,847	\$3,357,016	\$3,768,630	\$4,209,412	\$378,048
Change in Market Value *	\$47,436	\$24,257	\$16,033	\$104,812	(\$66,719)	\$12,903
Income Net of Change in Mkt Val	\$464,557	\$430,784	\$440,202	\$516,425	\$374,064	\$390,951

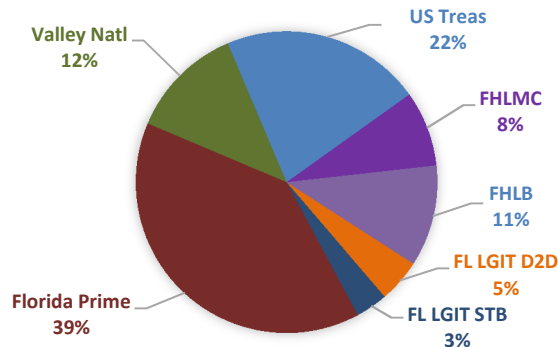
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



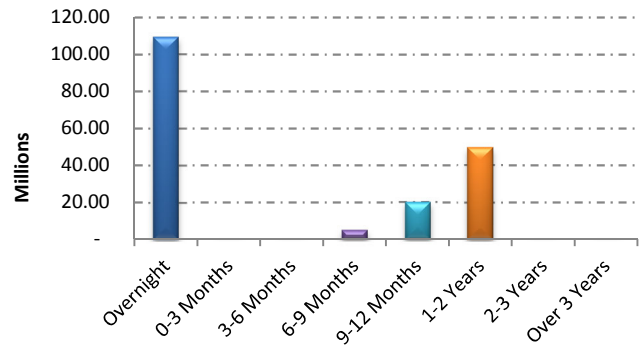
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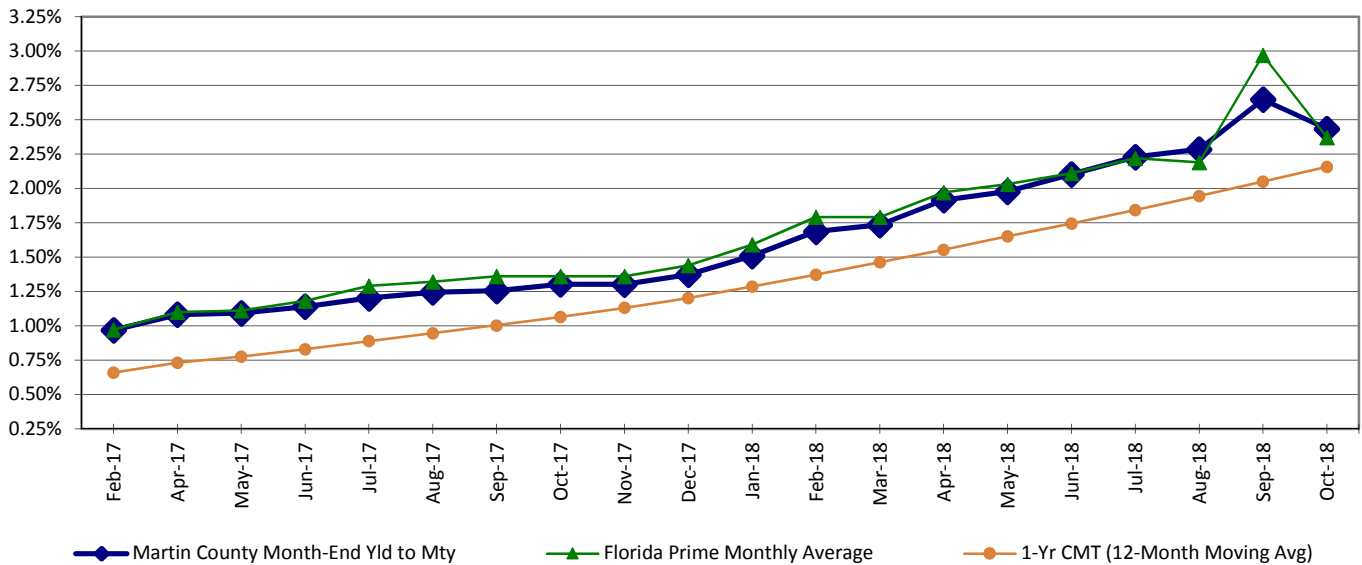
Portfolio Composition by Issuer



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	\$183,430,133	\$183,430,133	\$183,430,133	\$183,430,133	\$183,430,133	\$183,430,133
Market Value	\$183,766,256	\$183,526,696	\$183,287,135	\$183,047,575	\$182,808,015	\$182,328,895
Unrealized Gain/(Loss)	\$336,123	\$96,562	-\$142,998	-\$382,558	-\$622,118	-\$1,101,238
Market Price	100.18%	100.05%	99.92%	99.79%	99.66%	99.40%
Book Yield	2.153%	2.293%	2.433%	2.574%	2.714%	2.994%
Duration	0.523	0.523	0.523	0.523	0.523	0.523

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 1.51 as of 9/30/18 (10/31/18 hasn't been published yet).