



# MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT March 2019



## INVESTMENT RECAP

**Summary of March 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. However, additional purchases were postponed indefinitely last month as market conditions favored overnight alternatives such as Florida Prime. At this time, these alternatives remain favorable and thus the County has suspended additional investments.

## KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls climbed by +196k in March, beating the +177k forecast and bouncing back from February whose previously reported +20k gain had a slight upward revision to +33k. The average monthly gain through the first three months of 2019 is now +180k, which should continue exerting downward pressure on the unemployment rate. The unemployment rate held steady at 3.8%, just above the 49 year low of 3.7%.
- **INFLATION:** Inflation readings reflect the recent rise in energy costs with headline CPI rising +0.4% in March, pushing the year-over-year increase up from +1.5% to +1.9%. Ex food and energy, core CPI slipped from +2.1% to +2.0% y-o-y.
- **FACTORY SECTOR:** The ISM manufacturing index beat expectations by about one point in March, climbing from 54.2 to 55.3, albeit still below last year's average of 58.8.
- **SERVICE SECTOR:** The ISM non-manufacturing index, which boomed in February, slipped in March with a 3.6 point decline from 59.7 to 56.1. That is still historical very high.
- **CONSUMER SPENDING:** Retail sales data has been delayed by the government shutdown, but February's numbers missed expectations of +0.2 and instead fell by -0.2%. January's report was revised upward from +0.2% to +0.7%.
- **ECO GROWTH:** Q4-2018 GDP data was revised downward from +2.6% to 2.2% which put it right on par with initial forecasts. Q1-2019 GDP is set for release in late April, but many of the economic releases have contained such mixed data that forecasts have bouncing around. Last month, the Atlanta Fed's Q1 GDP Now forecast was +0.2 but that has since improved to +2.3% as of April 8<sup>th</sup>.

## NEWS and EVENTS

- The Federal Reserve met in March and continues to convey their "patient" message. Their "dot plot" now indicates there will not be any rate hikes in 2019 and just one in 2020.
- The trade war continues to be a dominating factor in future economic growth. Progress on the resolution with China continues to inch along with the President still claiming the agreement could be weeks away. Despite relief on the horizon, Trump has recently expressed the possibility that negotiations with Europe are next.
- Stock markets are nearing 2018 highs on improving data, trade optimism, tame inflation and a patient Fed, but first quarter corporate earnings are expected to be negative for the first time since 2016.
- The United Kingdom requested an extension on Brexit, which the European Union granted. The deadline now moves out to October 31st, but Parliament still appears far from agreement.

## PORTFOLIO SUMMARY

	10/31/2018	11/30/2018	12/31/2018	1/31/2019	2/28/2019	3/31/2019
Book Value	\$183,430,133	\$214,394,483	\$318,846,108	\$309,362,569	\$306,989,895	\$291,662,555
Market Value	\$183,287,135	\$214,288,619	\$318,988,330	\$309,575,837	\$307,153,155	\$291,994,436
Market Value%	99.92%	99.95%	100.04%	100.07%	100.05%	100.11%
Weighted Average Maturity - Days	181 days	144 days	133 days	154 days	144 days	139 days
Weighted Average Yield	2.433%	2.537%	2.572%	2.623%	2.624%	2.607%
Earned Income	\$378,048	\$380,748	\$586,220	\$700,039	\$616,191	\$647,869
Earned Income-Fiscal Year-to-Date	\$378,048	\$758,795	\$1,345,015	\$2,045,054	\$2,661,245	\$3,309,114
Change in Market Value *	\$12,903	\$100,054	\$334,644	\$155,709	\$37,503	\$310,660
Income Net of Change in Mkt Val	\$390,951	\$480,801	\$920,864	\$855,748	\$653,693	\$958,529

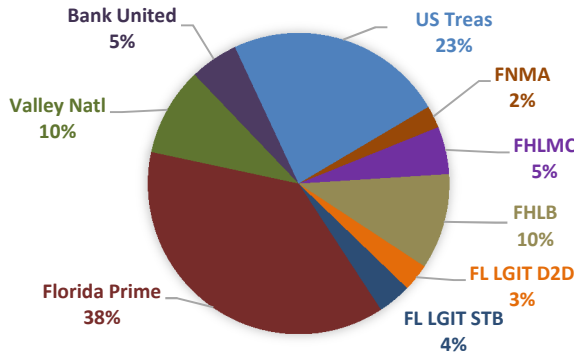
\* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



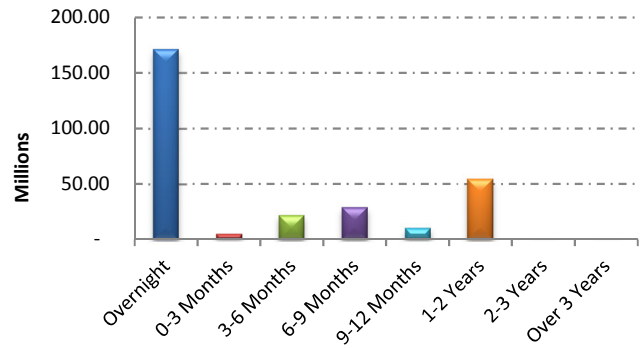
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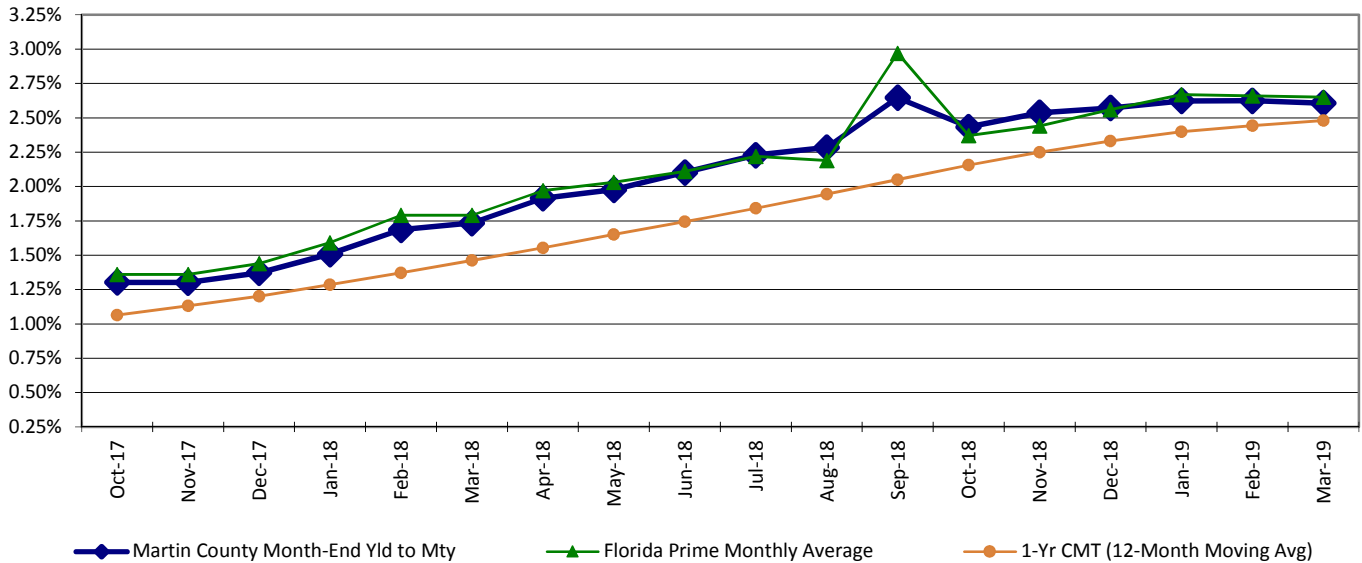
## Portfolio Composition by Issuer



## 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
<b>Book Value</b>	\$291,662,555	\$291,662,555	\$291,662,555	\$291,662,555	\$291,662,555	\$291,662,555
<b>Market Value</b>	\$292,677,335	\$292,335,885	\$291,994,436	\$291,652,986	\$291,311,536	\$290,628,637
<b>Unrealized Gain/(Loss)</b>	\$1,014,780	\$673,330	\$331,881	-\$9,569	-\$351,019	-\$1,033,918
<b>Market Price</b>	100.35%	100.23%	100.11%	100.00%	99.88%	99.65%
<b>Book Yield</b>	2.331%	2.469%	2.607%	2.745%	2.883%	3.159%
<b>Duration</b>	0.468	0.468	0.468	0.468	0.468	0.468

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 1.65 as of 2/28/19 (3/31/19 hasn't been published yet).