



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT October 2019



INVESTMENT RECAP

Summary of October 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 and one callable agency purchased during October with a final maturity in October 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 rose by +136k in September, just below the +145k median forecast. The six-month average is now +154k, up a bit, but well below the +223k monthly average for 2018. The unemployment rate declined from 3.7% to a new 50-year low of 3.5%.
- **INFLATION:** Core CPI, which excludes food and energy prices, rose +0.1% in September after three straight months of +0.3% gains. The year-over-year core rate held steady at +2.4%, matching an 11 year high. The Fed's preferred measure and real target is core PCE, which remains below the 2% objective at +1.8%.
- **FACTORY SECTOR:** The ISM manufacturing index fell for a sixth straight month and logged the second month in a row with a contractionary sub-50 reading, falling from 49.1 in August to 47.8 in September, the lowest since the recession ended.
- **SERVICE SECTOR:** The ISM non-manufacturing index unexpectedly missed all estimates in Bloomberg's forecast and dropped 3.8 points to 52.6 in September, the lowest reading in three years. That's the lowest reading in three years and hints that the manufacturing malaise is beginning to drag services down as well.
- **CONSUMER SPENDING:** Headline retail sales dropped -0.3% in September, halting an impressive six-month streak of solid gains and falling well below the +0.3% median forecast.
- **ECO GROWTH:** Third quarter GDP came in ahead of expectations with a +1.9% annual pace, but that was still down from +2.0% in Q2 and +3.1% in Q1. Consumer spending drove the advance while business investment extended its retreat.

NEWS and EVENTS

- At the conclusion of mid-October trade talks with China, the Trump administration announced a "phase one" agreement in principal had been reached and that previously planned tariff increases would be postponed. A lack of details quickly squelched the positive reaction and within days China made contradictory statements and new demands.
- Stocks rose to record highs in late October after news suggested the U.S. and China were "ahead of schedule" on writing up a "Phase One" deal. However, a Bloomberg News story released shortly thereafter claimed Chinese officials were skeptical a deal could be reached.
- The FOMC cut the fed funds target rate for the third time this year, taking it down to a range of 1.50% to 1.75%. The Fed also signaled this was likely to be the last cut for a little while, at least until conditions warrant additional moves.
- A "no deal Brexit" has been averted for the moment. On October 28th, the EU granted an extension to January 31st to allow Parliament time to approve the agreement reached with Prime Minister Johnson. However, the U.K. will hold elections in December that could determine the outcome.

PORTFOLIO SUMMARY

	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	10/31/2019
Book Value	\$319,457,701	\$311,396,398	\$291,521,311	\$286,179,774	\$255,805,297	\$245,334,008
Market Value	\$319,923,759	\$311,992,764	\$291,999,363	\$286,758,377	\$256,304,800	\$245,912,350
Market Value%	100.15%	100.19%	100.16%	100.20%	100.20%	100.24%
Weighted Average Maturity - Days	104 days	96 days	110 days	99 days	121 days	129 days
Weighted Average Yield	2.571%	2.553%	2.509%	2.432%	2.392%	2.266%
Earned Income	\$621,179	\$640,962	\$638,048	\$589,489	\$535,964	\$479,406
Earned Income-Fiscal Year-to-Date	\$4,537,505	\$5,178,467	\$5,816,515	\$6,406,004	\$6,941,969	\$479,406
Change in Market Value *	\$293,249	\$262,267	(\$42,313)	\$259,771	(\$31,461)	\$152,525
Income Net of Change in Mkt Val	\$914,428	\$903,229	\$595,735	\$849,260	\$504,504	\$631,931

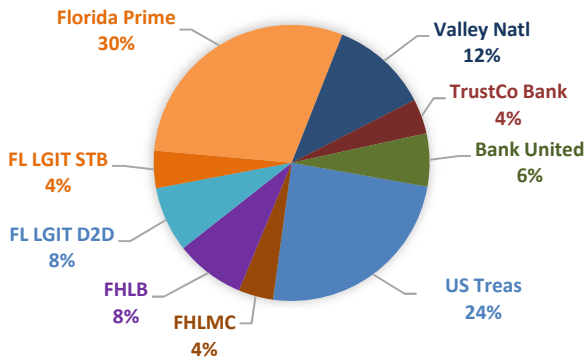
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



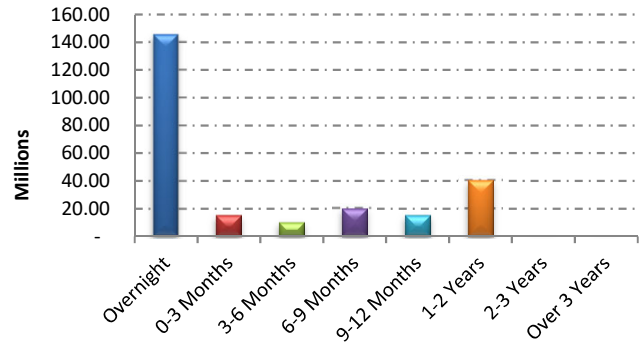
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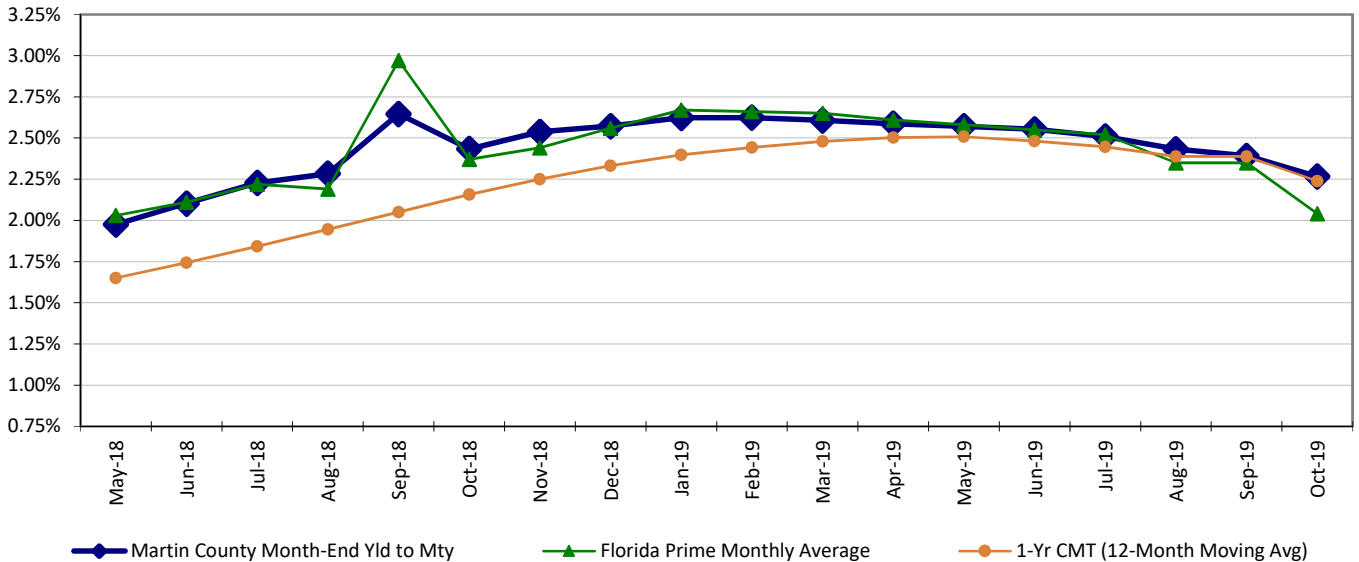
Portfolio Composition by Issuer



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	\$245,334,008	\$245,334,008	\$245,334,008	\$245,334,008	\$245,334,008	\$245,334,008
Market Value	\$246,438,330	\$246,175,340	\$245,912,350	\$245,649,359	\$245,386,369	\$244,860,388
Unrealized Gain/(Loss)	\$1,104,322	\$841,332	\$578,341	\$315,351	\$52,361	-\$473,620
Market Price	100.45%	100.34%	100.24%	100.13%	100.02%	99.81%
Book Yield	1.991%	2.129%	2.266%	2.403%	2.541%	2.816%
Duration	0.428	0.428	0.428	0.428	0.428	0.428

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 1.88 as of 10/31/19.