



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT January 2020



INVESTMENT RECAP

Summary of December Investments: The County's core portfolio, made up of excess funds not needed during the annual operating cycle, consists of \$120 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 January 2022. Two \$5 million purchases were made in January, reinvesting the proceeds from a called bond and a maturity. 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 added +145k new jobs in December, slightly below the expected +160k forecast, while -14k jobs were subtracted from the previous two month's count. The headline unemployment rate held steady at a 50-year low of 3.5% as +209k Americans entered the labor force and +267k found jobs.
- **INFLATION:** The headline consumer price index (CPI) rose +0.2% in December, following a +0.3% increase in November. The year-over-year pace ticked up from +2.1% to +2.3%. Core CPI rose just +0.2% in December following a +0.1% gain in November. The year-over-year core rate held stable at +2.3% for the third consecutive month. The Fed favorite Core Personal Consumption Expenditures (PCE) rose +0.1% in November, meeting expectations. Year-over-year slipped from +1.7% to +1.6%.
- **FACTORY SECTOR:** The December ISM manufacturing index fell from 48.1 to 47.2, the weakest reading since the June 2009. It was the fifth straight month below 50, indicating contraction in the manufacturing sector.
- **SERVICE SECTOR:** The ISM non-manufacturing index rose from 53.9 to 55.0 in December. While this remains above 50 and thus indicates expansion, the 12 month trend is down.
- **CONSUMER SPENDING:** Headline retail sales increased in December by +0.3%, matching the median forecast in Bloomberg's survey as well as November's +0.3% gain, which was revised up by a tenth.
- **ECO GROWTH:** The first estimate of fourth quarter GDP matched both the median forecast and third quarter growth at +2.1%, but underlying details were much weaker. Household consumption grew at just a +1.8% annualized rate, after growing +4.6% in Q2 and +3.2% in Q3. Business investment declined for the third straight quarter.

NEWS and EVENTS

- The year began inauspiciously when the U.S. military carried out a targeted drone strike that killed a top Iranian general. Iran would retaliate with missile strikes against a U.S. military base in Iraq. The situation defused quickly and faded from the headlines.
- The U.S. and China finally signed the long awaited trade agreement in mid-January and the de-escalation of trade tensions renewed optimism that one of the biggest headwinds to the economy would subside.
- That optimism would give way to fears over an outbreak of a deadly new virus in China. The coronavirus dominated headlines in the second half of January as the Chinese fought to contain the epidemic. The U.S. bond market saw a dramatic flight to quality with yields dropping sharply, inverting the front end of the yield curve as investors and economists assess the global impact.
- The FOMC met January 29th and unanimously elected to hold the overnight rate steady at 1.50%-1.75%, as expected. However, as the economic fallout from the coronavirus grows, the chances of rate cuts have grown as well.

PORTFOLIO SUMMARY

	8/31/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019	1/31/2020
Book Value	\$286,179,774	\$255,805,297	\$245,334,008	\$268,872,797	\$374,599,759	\$396,307,974
Market Value	\$286,758,377	\$256,304,800	\$245,912,350	\$269,317,701	\$375,039,162	\$396,871,546
Market Value%	100.20%	100.20%	100.24%	100.17%	100.12%	100.14%
Weighted Average Maturity - Days	99 days	121 days	129 days	140 days	119 days	113 days
Weighted Average Yield	2.432%	2.392%	2.266%	2.090%	1.969%	1.925%
Earned Income	\$589,489	\$535,964	\$479,406	\$431,251	\$582,871	\$641,782
Earned Income-Fiscal Year-to-Date	\$6,406,004	\$6,941,969	\$479,406	\$910,657	\$1,493,528	\$2,135,310
Change in Market Value *	\$259,771	(\$31,461)	\$152,525	(\$98,168)	\$29,393	\$207,724
Income Net of Change in Mkt Val	\$849,260	\$504,504	\$631,931	\$333,083	\$612,264	\$849,506

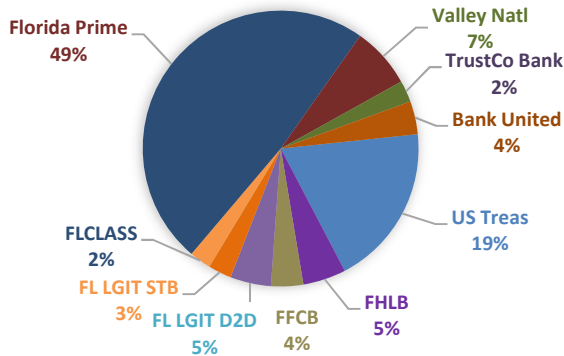
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



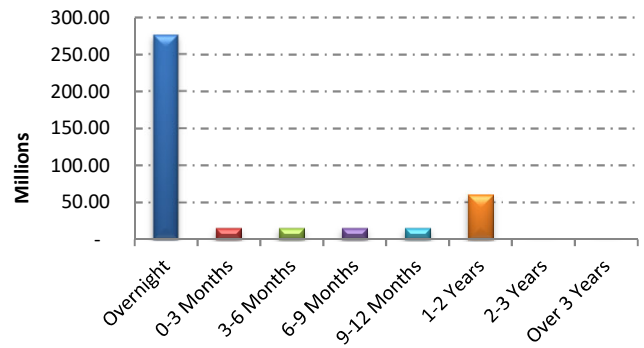
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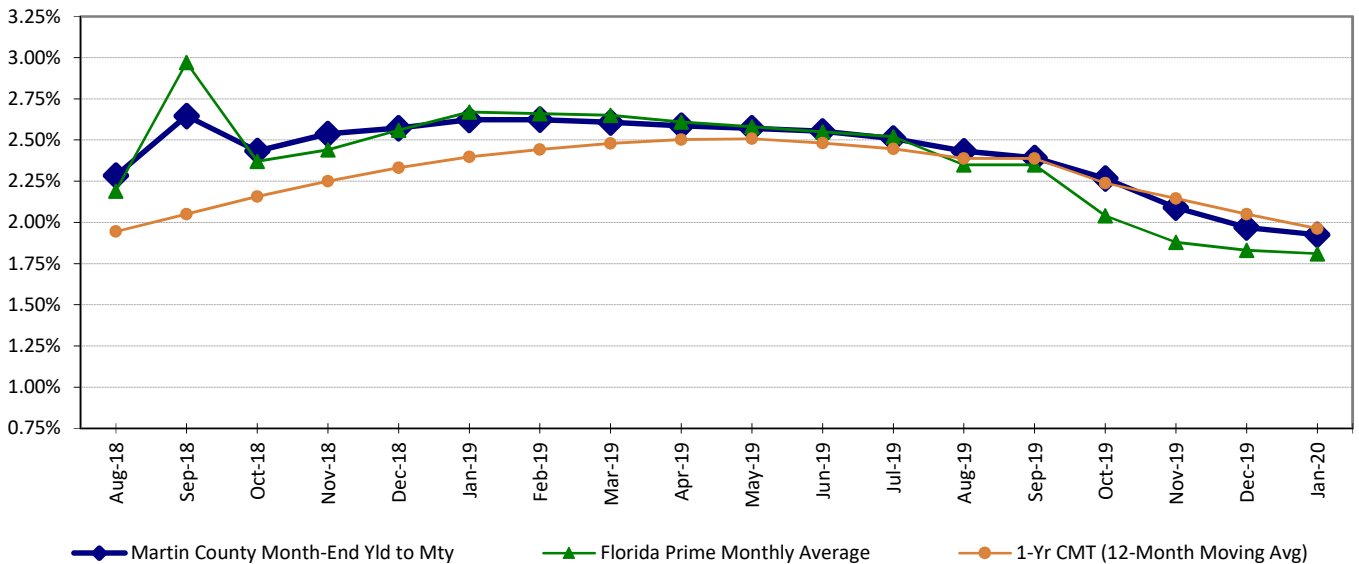
Portfolio Composition by Issuer



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	\$396,307,974	\$396,307,974	\$396,307,974	\$396,307,974	\$396,307,974	\$396,307,974
Market Value	\$397,648,548	\$397,260,047	\$396,871,546	\$396,483,045	\$396,094,545	\$395,317,543
Unrealized Gain/(Loss)	\$1,340,574	\$952,073	\$563,572	\$175,071	-\$213,430	-\$990,431
Market Price	100.34%	100.24%	100.14%	100.04%	99.95%	99.75%
Book Yield	1.600%	1.763%	1.925%	2.087%	2.249%	2.574%
Duration	0.392	0.392	0.392	0.392	0.392	0.392

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 1.87 as of 12/31/19, 1/31/20 was not yet posted.