

Treasury Group

To: Deborah Kafoury – Chair, Board of County Commissioners
Marissa Madrigal - Chief Operating Officer
Investment Advisory Board Members (IAB)
Mark Campbell – Chief Financial Officer
Steve March - County Auditor

From: Jeff DeCosta, County Treasury

Date: August 8, 2018

Re: Investment Portfolio Results for July 2018

The County Investment Pool's annualized earnings rate for July was 1.72%. This was a one basis point increase from the previous month's return of 1.71%. The year-to-date rate of return for Fiscal Year 2019 is 1.72%.

The U.S. Treasury 90-day T-Bill yield at the end of July was 2.03%. This was a ten basis point increase from June 30th.

The annualized earnings rate for the State's Local Government Investment Pool was 2.25%.

Nonfarm payrolls increased by 157,000 in July, below market expectations of 190,000. Inflation continues to hover around the Fed's 2% target. Despite strong job growth and low unemployment, wage growth remains subdued. The markets are currently pricing in a 90% chance the Fed will increase rates in September and a 65% chance of another increase in December.

For questions and suggestions regarding this report, please call me at (503) 988-7471 or email at: jeffrey.decosta@multco.us



GOVERNMENT
PORTFOLIO
ADVISORS

Executive Summary

Month-End 07/31/18



Investment Program

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MONTH END COMMENTARY- JULY 2018

The economy is starting the third quarter on a strong footing. The job market continues to be healthy even though the July payrolls increased by less than expected. The less-than-expected job growth in July was largely due to strong revisions applied to previous months. The unemployment level dropped back to 3.9% and hourly wages continued to grow at a 2.7% rate. The jobs data was strong enough to keep the Fed on course with their well communicated expectations of two more Fed Fund increases in 2018. The number of job openings continue to outpace the number of available job applicants and employment growth is expected to stay strong.

The two-year Treasury note ended the month 14 basis points higher at a decade high of 2.67%. The pace to higher rates has been steady at about 10 to 15 basis points per month as the market continues to discount the high probability of the Fed raising rates in September by 25 basis points and again in December by 25 basis points. Fed Funds futures has priced in a 100% probability of the Fed raising rates in September and a 71% probability of another 25 basis points increase in December. The market is set up for surprise trade if expectations should change. In this case the market would react with substantial declines in yields if investors should change their expectations of the Fed continuing to raise rates at the expected intervals.

Markets are in the process of digesting the ongoing changes in trade policy and the resulting impact to both economic growth and inflation. So far, the damage has been hard to detect and the ultimate results will most likely take time to play out. Any addition to an already rising inflation rate would raise yields while an economic slowdown caused by a trade induced slowdown would be positive for rates.

PCE inflation continues to hover around the Fed's 2% target despite the strong pace of job growth and the low unemployment rate. Economist have been concerned that the tightness in the labor market will eventually lead to faster wage growth. Strong demand for labor could eventually require higher wages from employers seeking qualified employees. This demand for labor, or any other sign of inflation, could be the catalyst that propels longer term interest rates through the 3% barrier that has existed for some time.

STRATEGY GOING FORWARD:

GPA expects the gradual increase in interest rates to continue along the path well communicated by the Federal Reserve. The expectations communicated by the Fed are well priced into the fixed income markets and one of the primary risks in the market is a substantial change to expectations. As such, we are targeting portfolio durations to stay close to their respective benchmark durations. Our current target range for portfolio duration relative to benchmark duration is unchanged this month at 90% to 100% of the respective benchmark. We may well move to higher rates over the next several quarters but we expect this movement to most likely be methodical and at a pace that will accommodate reinvestments into higher yielding issues.

TREASURY YIELD CURVE TOTAL RETURNS LAST 12 MONTHS:*		TREASURY BENCHMARK TOTAL RETURNS IN MONTH*		
		Benchmark	Period Return	Duration
3month bill	1.45	BAML 0-3 Year Treasury	0.05%	1.40
1 year note	0.92	BAML 1-3 Year Treasury	-0.01%	1.85
2 year note	-0.33	BAML 0-5 Year Treasury	-0.03%	2.15
3 year note	-1.26	BAML 1-5 Year Treasury	-0.09%	2.62
5 year note	-2.23			

Changes in the Treasury Market (absolute yield levels): *

	7/31/2017	5/31/2018	6/30/2018	7/31/2018	Change from Last Month	Change from Prior Year
3 month bill	1.08	1.81	1.92	2.02	0.10	0.94
6 month bill	1.13	2.07	2.11	2.19	0.08	1.06
2 year note	1.22	2.41	2.53	2.67	0.14	1.45
3 year note	1.51	2.53	2.62	2.77	0.15	1.26
5 year note	1.84	2.67	2.74	2.84	0.10	1.00
10 year note	2.30	2.83	2.86	2.96	0.10	0.66

*Source: Bloomberg



Total Funds Multnomah County

Compliance Report

Policy 2018 | 07/31/2018

	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	S&P	Moody's
Under 30 days	10%	25%	\$ 122,284,026	Yes	Muni's AA-	Aa3
Under 1 year	35%	70%	\$ 343,304,920	Yes	Corp Bonds AA-	Aa3
Under 5 years	100%	100%	\$ 488,804,640	Yes	C P A-1	P-1
				Yes	B A A-1+	P-1
Maximum Weighted Average Maturity	2		0.80	Yes		
Maximum Callable Securities	25%	2%	\$ 9,818,470	Yes		
Maximum Single Maturity	5 Years		4.47	Yes	Policy states ONE rating meets requirement	

Asset Allocation Diversification	Maximum Policy Allocation	Issuer Constraint	Percentage of Portfolio	Market Value	% Within Limits	Ratings Compliance	Issuer Compliance
US Treasury Obligations	100%		25.32%	\$ 123,773,032	Yes		
US Agencies Primary	100%		47.66%	\$ 232,967,760	Yes		
FHLB		25%	13.27%	\$ 64,845,465	Yes		
FNMA		25%	12.17%	\$ 59,478,270	Yes		
FHLMC		25%	9.06%	\$ 44,303,150	Yes		
FFCB		25%	13.16%	\$ 64,340,875	Yes		
US Agencies Secondary	10%	10%	0.00%	\$ -			
Municipal Obligations OR, CA, ID, WA	10%	5%	0.43%	\$ 2,098,120	Yes		Yes
Corporate Bonds (No Fossil Fuel)	25%	5%	6.10%	\$ 29,811,605	Yes	Yes	Yes
Commercial Paper	10%	5%	3.04%	\$ 14,877,333	Yes	Yes	Yes
Bank Deposits	50%	25%	5.13%	\$ 25,089,232	Yes	N/A	N/A
Certificates of Deposit	20%	10%	0.45%	\$ 2,205,000	Yes	Yes	Yes
Bankers Acceptances	10%	5%	0.00%	\$ -			
Repurchase Agreements	10%	5%					
Reverse Repurchase Agreement	10%	5%	0.00%	\$ -			
OST Fund Pool	ORS 294.810 ***		11.86%	\$ 57,982,558	Yes*	**	**
Total			100%	\$ 488,804,640			

*** Current ORS Maximum

\$ 48,333,000.00

* ORS allows for OST Balances to be above limit during tax receipt periods.

** Ratings & Issuer restrictions do not apply to pool funds

Benchmark: BofA Merrill 0-3 year Treasury

STRATEGY OVERVIEW

Name	Par Amount	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Eff Dur	Bench Dur
Multnomah County - Core Investment Fund	\$ 242,000,000	\$ 241,936,850	\$ 239,883,860	\$ (2,052,990)	1.72	1.45	1.40
Multnomah County CD Fund	\$ 2,205,000	\$ 2,205,000	\$ 2,205,000	\$ -	1.15	0.21	0.10
Multnomah County Liquidity	\$ 247,071,790	\$ 246,744,718	\$ 246,715,780	\$ (28,938)	1.87	0.11	0.10
TOTAL PORTFOLIO	\$ 491,276,790	\$ 490,886,568	\$ 488,804,640	\$ (2,081,928)	1.79	0.77	0.74



Total Funds Multnomah County

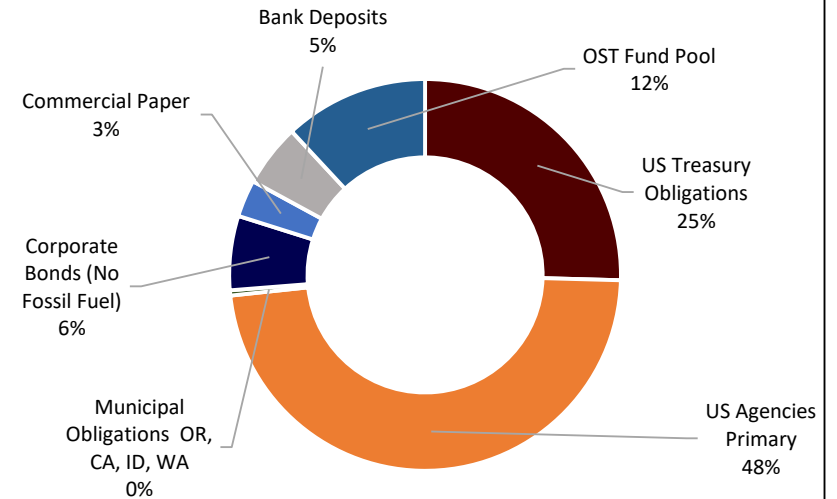
For Period July 01, 2018 - July 31, 2018

Investment Report

Policy 2018 | 07/31/2018

Investment Holdings at 07/31/2018	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 123,773,032	25.32%	100%
US Agencies Primary	\$ 232,967,760	47.66%	100%
Municipal Obligations OR, CA, ID, WA	\$ 2,098,120	0.43%	10%
Corporate Bonds (No Fossil Fuel)	\$ 29,811,605	6.10%	25%
Commercial Paper	\$ 14,877,333	3.04%	10%
Bank Deposits	\$ 25,089,232	5.13%	50%
Certificates of Deposit	\$ 2,205,000	0.45%	20%
Bankers Acceptances	\$ -		10%
Repurchase Agreements	\$ -		10%
Reverse Repurchase Agreement	\$ -		10%
OST Fund Pool	\$ 57,982,558	11.86%	
Total Portfolio	\$ 488,804,640	100.00%	

% of Portfolio With One Issuer:			
Corporate Notes	\$ 14,964,215	3.06%	5%
State Obligations	\$ 2,098,120	0.43%	5%

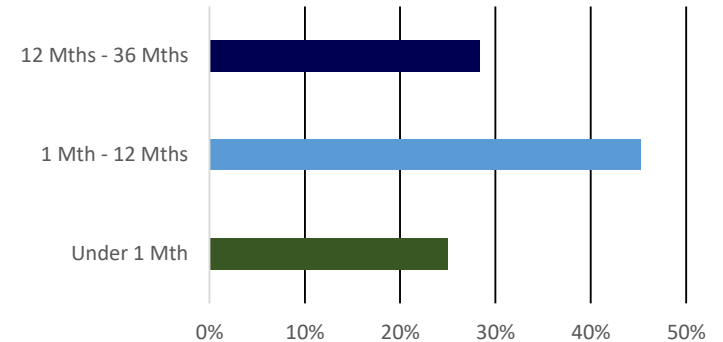


MATURITY DISTRIBUTION

Maturities from 07/31/2018	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 1 Mth	\$ 122,284,026	25%	25%	10%
1 Mth - 12 Mths	\$ 221,020,894	45%	70%	35%
12 Mths - 36 Mths	\$ 138,515,735	28%	99%	100%
36 Mths - 60 Mths	\$ 6,983,985	1%	100%	0%

Average Maturity on 07/31/2018: 0.80 Years
 Average Maturity of portfolio (excluding bank / LGIP deposits): 1.46 Years

Maximum Per Policy: 5 Years



ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
Beginning Amortized Cost	\$ 529,951,765	\$ 529,951,765
Investment purchases	\$ 30,432,913	\$ 30,432,913
Investment maturities and sales	\$ (75,245,000)	\$ (75,245,000)
Amortization	\$ 185,213	\$ 185,213
Net cash deposit (withdrawals)	\$ 5,561,678	\$ 5,561,678
Realized Gain/Loss	\$ -	\$ -
Ending Amortized Costs	\$ 490,886,568	\$ 490,886,568
Market Value on 07/31/2018	\$ 488,804,640	

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 185,213	\$ 185,213
Interest income	\$ 565,158	\$ 565,158
Realized gain (loss)	\$ -	\$ -
Total income	\$ 750,371	\$ 750,371
Average portfolio balance	\$ 519,092,626	\$ 519,092,626
Total Portfolio yield at cost on 07/31/2018	1.79%	
Investment Portfolio yield at cost (excluding bank / LGIP deposits)	1.72%	
Local Government Investment Pool interest rate	2.25%	



Portfolio Appraisal - Settled Trades

US Dollar
7/31/2018

Multnomah County - Core Investment Fund

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Agency (USD)								
10,000,000	3130A8PK3	FEDERAL HOME LOAN BANKS 0.625% Due 08-07-18	100.00	9,999,622.30	99.98	9,997,540.00	4.2	0.9
10,000,000	3136G02M2	FEDERAL NATL MTG ASSN 1.180% Due 10-30-18	99.93	9,992,666.52	99.77	9,976,840.00	4.2	1.5
10,000,000	3133782M2	FEDERAL HOME LOAN BANKS 1.500% Due 03-08-19	100.32	10,032,188.79	99.54	9,954,200.00	4.1	1.0
10,000,000	3134G9AW7	FEDERAL HOME LN MTG CORP 1.150% Due 04-26-19	99.98	9,997,552.51	99.11	9,911,430.00	4.1	1.2
10,000,000	3133EF5X1	FEDERAL FARM CR BKS 1.100% Due 05-03-19	100.06	10,006,247.85	99.03	9,903,090.00	4.1	1.0
15,000,000	313379EE5	FEDERAL HOME LOAN BANKS 1.625% Due 06-14-19	100.62	15,093,593.34	99.31	14,896,800.00	6.2	0.9
15,000,000	3137EAEB1	FEDERAL HOME LN MTG CORP 0.875% Due 07-19-19	99.94	14,991,578.20	98.51	14,777,040.00	6.2	0.9
10,000,000	3136G3X67	FEDERAL NATL MTG ASSN 1.100% Due 08-23-19	100.00	10,000,000.00	98.54	9,854,380.00	4.1	1.1
15,000,000	3133EHYJ6	FEDERAL FARM CR BKS 1.375% Due 09-12-19	99.87	14,980,411.23	98.75	14,812,245.00	6.2	1.5
10,000,000	3137EAE5	FEDERAL HOME LN MTG CORP 1.500% Due 01-17-20	99.98	9,998,399.24	98.45	9,845,460.00	4.1	1.5
10,000,000	3133EJNW5	FEDERAL FARM CR BKS 2.550% Due 05-15-20	99.83	9,983,159.38	99.79	9,978,500.00	4.2	2.6
10,000,000	3130ABPV2	FEDERAL HOME LOAN BANKS 1.690% Due 06-29-20	99.97	9,996,756.08	98.18	9,818,470.00	4.1	1.7
10,000,000	3135G0T60	FEDERAL NATL MTG ASSN 1.500% Due 07-30-20	99.81	9,981,348.11	97.68	9,767,560.00	4.1	1.6
5,000,000	3130ACE26	FEDERAL HOME LOAN BANKS 1.375% Due 09-28-20	97.36	4,867,926.15	97.16	4,858,175.00	2.0	2.6
10,000,000	3137EAEJ4	FEDERAL HOME LN MTG CORP 1.625% Due 09-29-20	97.81	9,780,620.09	97.69	9,769,220.00	4.1	2.7
10,000,000	3133EJAW9	FEDERAL FARM CR BKS 2.250% Due 01-29-21	99.49	9,948,667.61	98.55	9,854,690.00	4.1	2.5
10,000,000	3133EJCE7	FEDERAL FARM CR BKS 2.350% Due 02-12-21	99.10	9,909,867.77	98.82	9,882,110.00	4.1	2.7
10,000,000	3133EJEM7	FEDERAL FARM CR BKS 2.500% Due 03-01-21	99.81	9,980,960.66	99.10	9,910,240.00	4.1	2.6
15,000,000	313373ZY1	FEDERAL HOME LOAN BANKS 3.625% Due 06-11-21	102.13	15,319,793.67	102.14	15,320,280.00	6.4	2.8
5,000,000	3135G0T94	FEDERAL NATL MTG ASSN 2.375% Due 01-19-23	98.53	4,926,722.32	97.72	4,885,865.00	2.0	2.7
				209,788,081.82		207,974,135.00	86.7	1.74
Corporate (USD)								
5,000,000	478160BG8	JOHNSON & JOHNSON 1.650% Due 12-05-18	100.21	5,010,635.69	99.78	4,989,170.00	2.1	1.0



Portfolio Appraisal - Settled Trades

US Dollar
7/31/2018

Multnomah County - Core Investment Fund

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
10,000,000	037833AQ3	APPLE INC 2.100% Due 05-06-19	100.40	10,040,409.08	99.78	9,978,030.00	4.2	1.6
10,000,000	594918BN3	MICROSOFT CORP 1.100% Due 08-08-19	99.96	9,995,889.32	98.58	9,858,220.00	4.1	1.1
5,000,000	037833AR1	APPLE INC 2.850% Due 05-06-21	99.99	4,999,604.53	99.72	4,986,185.00	2.1	2.9
				30,046,538.62		29,811,605.00	12.4	1.55
Municipal (USD)								
2,000,000	93974CRA0	WASHINGTON ST 4.369% Due 08-01-22	105.11	2,102,229.58	104.91	2,098,120.00	0.9	3.0
				2,102,229.58		2,098,120.00	0.9	3.00
Total Portfolio				241,936,850.02		239,883,860.00	100.0	1.72



Portfolio Appraisal - Settled Trades

US Dollar
7/31/2018

Multnomah County CD Fund

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
Bank or Cash Deposit (USD)								
245,000	SYS7447	PREMIER COMMUNITY BANK CD 0.750% Due 08-01-18	100.00	245,000.00	100.00	245,000.00	11.1	0.8
245,000	SYS7410	NORTHWEST COMMUNITY CU 0.946% Due 08-09-18	100.00	245,000.00	100.00	245,000.00	11.1	0.9
245,000	SYS7453	WILLAMETTE COMMUNITY BK CD 0.950% Due 08-14-18	100.00	245,000.00	100.00	245,000.00	11.1	1.0
245,000	SYS7452	PACIFIC WEST BANK CD 1.000% Due 08-16-18	100.00	245,000.00	100.00	245,000.00	11.1	1.0
245,000	SYS7449	HOMESTREET BANK CD 1.000% Due 08-18-18	100.00	245,000.00	100.00	245,000.00	11.1	1.0
245,000	SYS7456	WILLAMETTE VALLEY BANK CD 1.500% Due 10-25-18	100.00	245,000.00	100.00	245,000.00	11.1	1.5
245,000	SYS7458	SUMMIT BANK CD 1.230% Due 11-15-18	100.00	245,000.00	100.00	245,000.00	11.1	1.2
245,000	SYS7459	UMPQUA BANK CD 1.500% Due 11-20-18	100.00	245,000.00	100.00	245,000.00	11.1	1.5
245,000	SYS7502	UNITUS COMMUNITY CU CD 1.500% Due 07-24-19	100.00	245,000.00	100.00	245,000.00	11.1	1.5
				2,205,000.00		2,205,000.00	100.0	1.2
Total Portfolio				2,205,000.00		2,205,000.00	100.0	1.15



Multnomah County Liquidity

Portfolio Appraisal - Settled Trades

US Dollar
7/31/2018

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Agency (USD)								
25,000,000	3135G0YM9	FEDERAL NATL MTG ASSN 1.875% Due 09-18-18	100.03	25,007,071.59	99.97	24,993,625.00	10.1	1.7
				25,007,071.59		24,993,625.00	10.1	1.66
US Treasury (USD)								
10,000,000	912796PU7	UNITED STATES TREAS BILLS 0.000% Due 08-09-18	99.96	9,995,916.67	99.96	9,995,870.00	4.1	1.9
18,000,000	912828K82	UNITED STATES TREAS NTS 1.000% Due 08-15-18	99.98	17,995,804.98	99.97	17,993,826.00	7.3	1.6
25,000,000	9128282C3	UNITED STATES TREAS NTS 0.750% Due 08-31-18	99.93	24,981,935.52	99.90	24,976,075.00	10.1	1.6
10,000,000	912828RE2	UNITED STATES TREAS NTS 1.500% Due 08-31-18	99.96	9,996,368.84	99.97	9,996,500.00	4.1	1.9
18,000,000	912796NV7	UNITED STATES TREAS BILLS 0.000% Due 09-13-18	99.81	17,965,997.75	99.78	17,959,518.00	7.3	1.6
10,000,000	912796QA0	UNITED STATES TREAS BILLS 0.000% Due 09-27-18	99.70	9,969,560.42	99.70	9,970,000.00	4.0	2.0
8,000,000	912828T42	UNITED STATES TREAS NTS 0.750% Due 09-30-18	99.80	7,984,034.65	99.80	7,983,728.00	3.2	2.0
15,000,000	912828L81	UNITED STATES TREAS NTS 0.875% Due 10-15-18	99.79	14,968,185.43	99.77	14,965,095.00	6.1	1.9
10,000,000	912796QL6	UNITED STATES TREAS BILLS 0.000% Due 11-29-18	99.32	9,932,406.66	99.32	9,932,420.00	4.0	2.1
				123,790,210.92		123,773,032.00	50.2	1.79
LGIP State Pool (USD)								
57,982,558	OSTFLGIP	OREGON SHORT TERM FUND POOL 2.250% Due 08-29-18	100.00	57,982,557.95	100.00	57,982,557.95	23.5	2.3
				57,982,557.95		57,982,557.95	23.5	2.25
Bank or Cash Deposit (USD)								
6,955,289	SYSBADD1	BANK OF AMERICA 0.010% Due 08-29-18	100.00	6,955,289.35	100.00	6,955,289.35	2.8	0.0
4,764,702	SYSSSBMM1	UMPQUA BANK 1.750% Due 08-29-18	100.00	4,764,702.36	100.00	4,764,702.36	1.9	1.8
198,724	SYSUSB076	US BANK 0.010% Due 08-29-18	100.00	198,724.13	100.00	198,724.13	0.1	0.0
11,587,964	000WAFED	WASHINGTON FEDERAL MMF 1.750% Due 08-29-18	100.00	11,587,964.44	100.00	11,587,964.44	4.7	1.8



Portfolio Appraisal - Settled Trades

US Dollar
7/31/2018

Multnomah County Liquidity

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
1,582,552	SYSWCBMM1	WILLAMETTE COMMUNITY BANK 1.750% Due 08-29-18	100.00	1,582,551.72	100.00	1,582,551.72	0.6	1.8
				25,089,232.00		25,089,232.00	10.2	1.26
Commercial Paper (USD)								
15,000,000	89233HM68	TOYOTA MOTOR CREDIT CP 0.000% Due 12-06-18	99.17	14,875,645.83	99.18	14,877,333.00	6.0	2.4
				14,875,645.83		14,877,333.00	6.0	2.43
Total Portfolio				246,744,718.29		246,715,779.95	100.0	1.87



Disclaimer

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Definition and Terms

Investment Report: Provides of summary asset allocation and maturity distribution. The activity and earnings summary provides a high level overview of the total funds.

Total Funds: This is the amount of the overall portfolio balances that are held in short term liquid investments to meet ongoing operational budgets and cash flows and investments held for longer periods. An annual assessment of the allocations to each component is evaluated through a cash flow process determining liquidity needs and District preferences, the Guideline Portfolio Strategy "GPS" is completed by Government Portfolio Advisors.

Compliance Report: Provides a comparison of the portfolio positions to the investment policy. This report includes a breakout of the specific funds and each allocation to the liquidity and investments.

Holdings Reports: Provides an overview by fund of portfolio distribution.

Security Type: Allocates the investment to a specific issuer type.

Par Value: The total face value of the investment at maturity.

Security Name: Lists the specific name of issuer.

Book Yield or Yield at Cost: Is the earning yield on each security at the time of purchase. The total is a weighting based on investment value.

Market Value: The current market value of the security based on a third party pricing source. This price represents the value if the securities were sold on the pricing date. The market value changes with interest rates.

Total Adjusted Cost: This may be referred to as "book value" and represents the cost basis to date after amortization of premiums or discounts since the purchase date.

Unrealized gain or loss: This represents the difference between the market value and the adjusted cost at the time of the report.

% of Portfolio: Represents the percent allocation dedicated to each security type in the fund.

Effective Duration: Represents the duration based on the time between the report date and the maturity of the bond. Duration is similar to average maturity and is used to measure the price sensitivity of the portfolio given interest rate changes.