

Treasury Group

To: Deborah Kafoury – Chair, Board of County Commissioners
Marissa Madrigal - Chief Operating Officer
Investment Advisory Board Members (IAB)
Eric Arellano – Chief Financial Officer
Jennifer McGuirk - County Auditor

From: Jeff DeCosta, County Treasury

Date: July 16, 2019

Re: Investment Portfolio Results for June 2019

The County Investment Pool's annualized earnings rate for June was 2.56%. This was a fourteen basis point increase from the previous month's return of 2.42%. The year-to-date rate of return for Fiscal Year 2019 increased two basis points to 2.25%.

The U.S. Treasury 90-day T-Bill yield at the end of June was 2.12%. This was a twenty-three basis point decrease from May 31st.

The current yield for the State's Local Government Investment Pool is 2.75%.

Total nonfarm payrolls increased by 224,000 in June, well above market expectations of 165,000. The strength in labor markets have most likely eliminated the possibility of a 50-basis point rate cut at the end of July. Most market participants expect a 25-basis point cut. Fed Chair Powell's case for a rate cut include slowing global activity, trade uncertainty, high debt ratios, and the persistence of low inflation.

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 06/30/19



Investment Program

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MONTH END COMMENTARY- JUNE 2019

Short duration Treasury yields declined substantially in June as expectations increased that the Fed will lower rates at their July 31st meeting. At the end of May, the fed funds futures market was trading with a 16% chance for a rate cut at the June 19th meeting and a 48% chance for a cut at the July meeting. By the end of June, the probability of a rate cut at the July meeting surged to 100% with the market taking into consideration a 25 or 50 basis point cut. However, following a strong June employment report, the case for a 50 point cut dampened.

With so little time before their next meeting on July 31st, the Fed is unlikely to disappoint the market and not cut rates. They do not want to risk the possibility of damaging the current expansion and increasing the risk of a recession.

The two-year Treasury note declined by 17 basis points during the month and ended at an eighteen month low of just 1.76%. The two-year Treasury note yield is down 117 basis points from a five year high of 2.93% just eight months ago. The three-month Treasury bill continues to be inverted with the ten-year Treasury note reflecting the increased expectation for a weaker economy and lower interest rates in the near future.

A disappointing jobs report for May was released on June 7th. The report showed an increase in non-farm payrolls of just 75,000—substantially below economist’s expectations of 175,000. The report also revised the previous month down substantially by 47,000. The weakness in May employment and the inability for inflation to trade anywhere close to the Fed’s target has caused capital to flow into the treasury market pushing down yields.

The fixed income market is priced for lower rates anticipating a decline of almost 100 basis points in yield over the next year. The Fed rarely cuts rates once and then stops. Historically, the first cut is often followed by multiple cuts. Yields decline and the market recognizes that Fed policy is too constrictive signaling the need for lower rates to stimulate the economy. Maturity diversification is always important in fixed income portfolio management, but even more so during periods of declining interest rates.

TREASURY YIELD CURVE TOTAL RETURNS LAST 12 MONTHS:

3 month bill	2.313%
1 year note	2.983%
2 year note	3.936%
3 year note	5.089%
5 year note	7.421%

TREASURY BENCHMARK TOTAL RETURNS IN MONTH:

Benchmark	Period Return	YTM	Duration (Years)
ICE BAML 90 Day Bill	0.22%	2.08%	0.20
ICE BAML 0-1 Year Treasury	0.30%	2.11%	0.48
ICE BAML 0-3 Year Treasury	0.45%	1.90%	1.40
ICE BAML 0-5 Year Treasury	0.58%	1.85%	2.10

CHANGES IN THE TREASURY MARKET (ABSOLUTE YIELD LEVELS):

	6/30/2018	4/30/2019	5/31/2019	6/30/2019	Monthly Change	Yearly Change
3 month bill	1.91%	2.41%	2.34%	2.09%	-0.25%	0.18%
6 month bill	2.11%	2.44%	2.35%	2.09%	-0.26%	-0.02%
2 year note	2.53%	2.27%	1.92%	1.76%	-0.17%	-0.77%
3 year note	2.62%	2.24%	1.87%	1.71%	-0.17%	-0.92%
5 year note	2.74%	2.28%	1.91%	1.77%	-0.15%	-0.97%
10 year note	2.86%	2.50%	2.13%	2.01%	-0.12%	-0.86%

Source: Bloomberg



Total Funds Multnomah County

Compliance Report

Policy 2018 | 06/30/2019

	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	S&P	Moody's
Under 30 days	10%	31%	\$ 168,797,070	Yes	Muni's AA-	Aa3
Under 1 year	35%	72%	\$ 389,001,550	Yes	Corp Bonds AA-	Aa3
Under 5 years	100%	100%	\$ 538,132,828	Yes	C P A-1	P-1
				Yes	B A A-1+	P-1
Maximum Weighted Average Maturity	2		0.60	Yes		
Maximum Callable Securities	25%	2%	\$ 9,979,470	Yes		
Maximum Single Maturity	5 Years		3.09	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%		45.73%	\$ 246,106,776	Yes		
US Agencies Primary	100%		29.53%	\$ 158,927,488	Yes		
FHLB		25%	7.16%	\$ 38,540,343	Yes		
FNMA		25%	3.70%	\$ 19,932,710	Yes		
FHLMC		25%	6.49%	\$ 34,918,415	Yes		
FFCB		25%	12.18%	\$ 65,536,020	Yes		
US Agencies Secondary	10%	10%	0.00%	\$			
Municipal Obligations OR, CA, ID, WA	10%	5%	2.31%	\$ 12,454,427	Yes		Yes
Corporate Bonds (No Fossil Fuel)	25%	5%	3.73%	\$ 20,095,495	Yes	Yes	Yes
Commercial Paper	10%	5%	1.85%	\$ 9,979,930	Yes	Yes	Yes
Bank Deposits	50%	25%	5.88%	\$ 31,655,220	Yes	N/A	N/A
Certificates of Deposit	20%	10%	1.29%	\$ 6,960,000	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 ***		9.65%	\$ 51,953,493	Yes*	**	**
Total			100%	\$ 538,132,828			

*** Current ORS Maximum

\$ 49,500,000.00

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

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

Benchmark: ICE BAML 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	\$ 250,550,000	\$ 250,149,110	\$ 251,886,512	\$ 1,737,402	2.22	1.10	1.40
Multnomah County CD Fund	\$ 6,960,000	\$ 6,960,000	\$ 6,960,000	\$	2.21	0.27	0.10
Multnomah County Liquidity	\$ 279,608,712	\$ 279,184,485	\$ 279,286,316	\$ 101,832	2.56	0.10	0.10
TOTAL PORTFOLIO	\$ 537,118,712	\$ 536,293,595	\$ 538,132,828	\$ 1,839,234	2.39	0.57	0.71



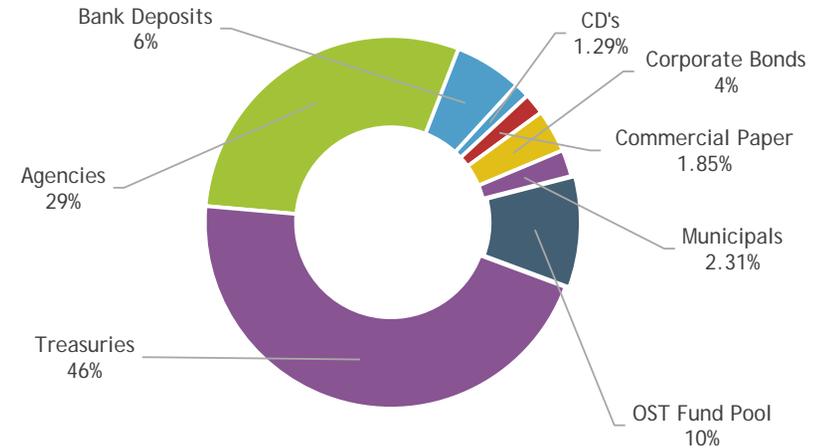
Total Funds Multnomah County

For Period June 01, 2019 - June 30, 2019

Investment Report

Policy 2018 | 06/30/2019

Investment Holdings at 06/30/2019	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 246,106,776	45.73%	100%
US Agencies Primary	\$ 158,927,488	29.53%	100%
Municipal Obligations OR, CA, ID, WA	\$ 12,454,427	2.31%	10%
Corporate Bonds (No Fossil Fuel)	\$ 20,095,495	3.73%	25%
Commercial Paper	\$ 9,979,930	1.85%	10%
Bank Deposits	\$ 31,655,220	5.88%	50%
Certificates of Deposit	\$ 6,960,000	1.29%	20%
Bankers Acceptances	\$ -	-	10%
Repurchase Agreements	\$ -	-	10%
Reverse Repurchase Agreement	\$ -	-	10%
OST Fund Pool	\$ 51,953,493	9.65%	-
Total Portfolio	\$ 538,132,828	100.00%	

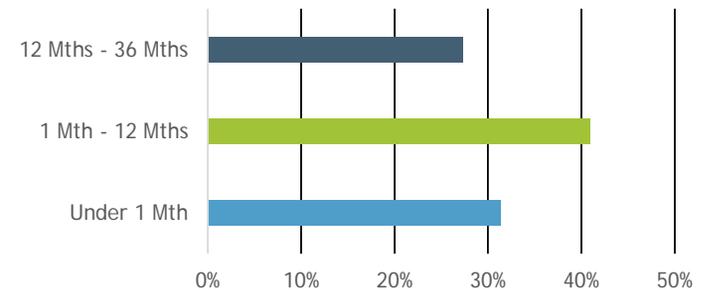


% of Portfolio With One Issuer:

Corporate Notes	\$ 10,107,395	1.88%	5%
State Obligations	\$ 5,227,900	0.97%	5%

MATURITY DISTRIBUTION

Maturities from 06/30/2019	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 1 Mth	\$ 168,797,070	31%	31%	10%
1 Mth - 12 Mths	\$ 220,204,480	41%	72%	35%
12 Mths - 36 Mths	\$ 146,986,038	27%	100%	100%
36 Mths - 60 Mths	\$ 2,145,240	0%	100%	0%



Average Maturity on 06/30/2019: 0.60 Years
 Average Maturity of portfolio (excluding bank / LGIP deposits): 1.11 Years

Maximum Per Policy: 5 Years

ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
Beginning Amortized Cost	\$ 598,652,198	\$ 529,951,765
Investment purchases	\$ 20,972,740	\$ 732,899,357
Investment maturities and sales	\$ (68,980,127)	\$ (737,195,032)
Amortization	\$ 357,350	\$ 4,411,568
Net cash deposit (withdrawals)	\$ (14,774,271)	\$ 6,098,600
Realized Gain/Loss	\$ 65,704	\$ 127,336
Ending Amortized Costs	\$ 536,293,595	\$ 536,293,595

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 357,350	\$ 4,411,568
Interest income	\$ 771,391	\$ 10,078,641
Realized gain (loss)	\$ 65,704	\$ 127,336
Total income	\$ 1,194,446	\$ 14,617,545
Average portfolio balance*	\$ 566,608,505	\$ 649,161,044

Market Value on 06/30/2019: \$ 538,132,828

Daily average annualized earned for the period: 2.56%
 Investment Portfolio yield at cost (excluding bank / LGIP deposits): 2.22%
 Local Government Investment Pool interest rate: 2.75%

* Average portfolio balance is based on County's Sympro report system



Portfolio Appraisal - Settled Trades

US Dollar
6/30/2019

Multnomah County - Core Investment Fund

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Agency (USD)								
15,000,000	3137EAEB1	FEDERAL HOME LN MTG CORP 0.875% Due 07-19-19	100.00	14,999,569.34	99.92	14,987,865.00	6.0	0.9
10,000,000	3136G3X67	FEDERAL NATL MTG ASSN 1.100% Due 08-23-19	100.00	10,000,000.00	99.83	9,982,630.00	4.0	1.1
15,000,000	3133EHYJ6	FEDERAL FARM CR BKS 1.375% Due 09-12-19	99.98	14,996,486.21	99.85	14,978,160.00	5.9	1.5
10,000,000	3137EAE5	FEDERAL HOME LN MTG CORP 1.500% Due 01-17-20	99.99	9,999,400.13	99.65	9,964,550.00	4.0	1.5
10,000,000	3133EJNW5	FEDERAL FARM CR BKS 2.550% Due 05-15-20	99.92	9,991,782.22	100.45	10,044,520.00	4.0	2.6
10,000,000	3130ABPV2	FEDERAL HOME LOAN BANKS 1.690% Due 06-29-20	99.98	9,998,311.86	99.79	9,979,470.00	4.0	1.7
10,000,000	3135G0T60	FEDERAL NATL MTG ASSN 1.500% Due 07-30-20	99.90	9,989,893.51	99.50	9,950,080.00	4.0	1.6
8,000,000	313370US5	FEDERAL HOME LOAN BANKS 2.875% Due 09-11-20	100.19	8,015,283.92	101.10	8,088,288.00	3.2	2.7
5,000,000	3130ACE26	FEDERAL HOME LOAN BANKS 1.375% Due 09-28-20	98.48	4,923,957.77	99.34	4,966,980.00	2.0	2.6
10,000,000	3137EAEJ4	FEDERAL HOME LN MTG CORP 1.625% Due 09-29-20	98.74	9,873,627.53	99.66	9,966,000.00	4.0	2.7
10,000,000	3133EJAW9	FEDERAL FARM CR BKS 2.250% Due 01-29-21	99.67	9,967,478.67	100.67	10,067,050.00	4.0	2.5
10,000,000	3133EJCE7	FEDERAL FARM CR BKS 2.350% Due 02-12-21	99.42	9,942,450.54	100.65	10,064,730.00	4.0	2.7
10,000,000	3133EJEM7	FEDERAL FARM CR BKS 2.500% Due 03-01-21	99.88	9,987,700.95	101.13	10,113,000.00	4.0	2.6
15,000,000	313373ZY1	FEDERAL HOME LOAN BANKS 3.625% Due 06-11-21	101.45	15,217,480.25	103.37	15,505,605.00	6.2	2.8
10,000,000	3133EJK24	FEDERAL FARM CR BKS 3.000% Due 10-19-21	100.08	10,008,059.49	102.69	10,268,560.00	4.1	3.0
				157,911,482.38		158,927,488.00	63.1	2.12
Corporate (USD)								
10,000,000	594918BN3	MICROSOFT CORP 1.100% Due 08-08-19	100.00	9,999,580.09	99.88	9,988,100.00	4.0	1.1
5,000,000	037833AR1	APPLE INC 2.850% Due 05-06-21	99.99	4,999,735.45	101.46	5,073,140.00	2.0	2.9
5,000,000	037833CQ1	APPLE INC 2.300% Due 05-11-22	97.41	4,870,397.26	100.69	5,034,255.00	2.0	3.3
				19,869,712.80		20,095,495.00	8.0	2.10
Municipal (USD)								
1,550,000	68607VZ32	OREGON ST LOTTERY REVENUE 2.448% Due 04-01-20	100.00	1,550,000.00	100.31	1,554,867.00	0.6	2.4



Portfolio Appraisal - Settled Trades

US Dollar
6/30/2019

Multnomah County - Core Investment Fund

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
1,000,000	68608VDQ4	OREGON ST DEPT ADMINISTRATIVE COPS 2.678% Due 05-01-20	100.00	1,000,000.00	100.58	1,005,820.00	0.4	2.7
2,500,000	68607VZ40	OREGON ST LOTTERY REVENUE 2.450% Due 04-01-21	100.00	2,500,000.00	100.82	2,520,600.00	1.0	2.5
5,000,000	59163PKE2	METRO OREGON 3.500% Due 06-01-22	103.07	5,153,732.87	104.56	5,227,900.00	2.1	2.4
2,000,000	93974CRA0	WASHINGTON ST 4.369% Due 08-01-22	103.94	2,078,848.09	107.26	2,145,240.00	0.9	3.0
				12,282,580.95		12,454,427.00	4.9	2.54
US Treasury (USD)								
20,500,000	912796RY7	UNITED STATES TREAS BILLS 0.000% Due 01-30-20	98.55	20,203,623.81	98.87	20,269,252.00	8.0	2.5
20,000,000	912828XM7	UNITED STATES TREAS NTS 1.625% Due 07-31-20	99.08	19,816,022.36	99.67	19,933,600.00	7.9	2.5
10,000,000	9128285B2	UNITED STATES TREAS NTS 2.750% Due 09-30-20	100.50	10,050,357.60	101.05	10,104,690.00	4.0	2.3
10,000,000	9128284G2	UNITED STATES TREAS NTS 2.375% Due 04-15-21	100.15	10,015,330.21	101.02	10,101,560.00	4.0	2.3
				60,085,333.99		60,409,102.00	24.0	2.44
Total Portfolio				250,149,110.12		251,886,512.00	100.0	2.22



Portfolio Appraisal - Settled Trades

US Dollar
6/30/2019

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	SYS7502	UNITUS COMMUNITY CU CD 1.500% Due 07-24-19	100.00	245,000.00	100.00	245,000.00	3.5	1.5
245,000	SYS7505	PREMIER COMMUNITY BK (HERITAGE) CD 1.200% Due 08-01-19	100.00	245,000.00	100.00	245,000.00	3.5	1.2
5,000,000	SYS7558	JP MORGAN CHASE CD 2.320% Due 09-12-19	100.00	5,000,000.00	100.00	5,000,000.00	71.8	2.3
245,000	SYS7509	HOMESTREET BANK CD 2.000% Due 09-18-19	100.00	245,000.00	100.00	245,000.00	3.5	2.0
245,000	SYS7520	SUMMIT BANK CD 2.000% Due 11-15-19	100.00	245,000.00	100.00	245,000.00	3.5	2.0
245,000	SYS7510	WILLAMETTE COMMUNITY BK CD 2.000% Due 02-15-20	100.00	245,000.00	100.00	245,000.00	3.5	2.0
245,000	SYS7508	PACIFIC WEST BANK CD 2.000% Due 02-16-20	100.00	245,000.00	100.00	245,000.00	3.5	2.0
245,000	SYS7506	NORTHWEST COMMUNITY CU CD 1.900% Due 03-15-20	100.00	245,000.00	100.00	245,000.00	3.5	1.9
245,000	SYS7521	UMPQUA BANK CD 2.800% Due 05-20-20	100.00	245,000.00	100.00	245,000.00	3.5	2.8
				6,960,000.00		6,960,000.00	100.0	2.2
Total Portfolio				6,960,000.00		6,960,000.00	100.0	2.21



Portfolio Appraisal - Settled Trades

US Dollar
6/30/2019

Multnomah County Liquidity

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Treasury (USD)								
25,000,000	912828XV7	UNITED STATES TREAS NTS 1.250% Due 06-30-19	100.00	25,000,000.00	100.00	25,000,000.00	9.0	2.6
19,000,000	912828S43	UNITED STATES TREAS NTS 0.750% Due 07-15-19	99.93	18,986,550.45	99.94	18,989,227.00	6.8	2.6
16,000,000	912796VLO	UNITED STATES TREAS BILLS 0.000% Due 07-16-19	99.91	15,985,396.66	99.91	15,986,336.00	5.7	2.2
24,000,000	912828WW6	UNITED STATES TREAS NTS 1.625% Due 07-31-19	99.92	23,980,679.35	99.95	23,987,496.00	8.6	2.6
19,000,000	9128282B5	UNITED STATES TREAS NTS 0.750% Due 08-15-19	99.77	18,956,621.95	99.81	18,964,280.00	6.8	2.6
20,000,000	9128282B5	UNITED STATES TREAS NTS 0.750% Due 08-15-19	99.77	19,954,225.13	99.81	19,962,400.00	7.1	2.6
19,000,000	912796RA9	UNITED STATES TREAS BILLS 0.000% Due 09-12-19	99.48	18,901,724.08	99.58	18,920,542.00	6.8	2.6
25,000,000	9128282X7	UNITED STATES TREAS NTS 1.375% Due 09-30-19	99.68	24,919,211.65	99.79	24,948,250.00	8.9	2.7
19,000,000	912828T59	UNITED STATES TREAS NTS 1.000% Due 10-15-19	99.51	18,907,207.53	99.68	18,939,143.00	6.8	2.7
				185,591,616.80		185,697,674.00	66.5	2.60
LGIP State Pool (USD)								
51,953,493	OSTFLGIP	OREGON SHORT TERM FUND POOL 2.750% Due 07-29-19	100.00	51,953,492.77	100.00	51,953,492.77	18.6	2.8
				51,953,492.77		51,953,492.77	18.6	2.75
Bank or Cash Deposit (USD)								
4,530,843	SYSBADD1	BANK OF AMERICA 0.010% Due 07-29-19	100.00	4,530,842.87	100.00	4,530,842.87	1.6	0.0
17,054,619	SYSSSBMM1	UMPQUA BANK 2.350% Due 07-29-19	100.00	17,054,618.58	100.00	17,054,618.58	6.1	2.4
195,149	SYSUSB076	US BANK 0.010% Due 07-29-19	100.00	195,149.23	100.00	195,149.23	0.1	0.0
8,266,682	000WAFED	WASHINGTON FEDERAL MMF 2.250% Due 07-29-19	100.00	8,266,681.93	100.00	8,266,681.93	3.0	2.3
1,607,927	SYSWCBMM1	WILLAMETTE COMMUNITY BANK 1.750% Due 07-29-19	100.00	1,607,926.92	100.00	1,607,926.92	0.6	1.8
				31,655,219.53		31,655,219.53	11.3	1.96



Multnomah County Liquidity

Portfolio Appraisal - Settled Trades

US Dollar
6/30/2019

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
Commercial Paper (USD)								
10,000,000	89233HUQ5	TOYOTA MOTOR CREDIT CP 0.000% Due 07-24-19	99.84	9,984,155.56	99.80	9,979,930.00	3.6	2.5
				9,984,155.56		9,979,930.00	3.6	2.55
Total Portfolio				279,184,484.66		279,286,316.30	100.0	2.56



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.