

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: June 14, 2019

Re: Investment Portfolio Results for May 2019

The County Investment Pool's annualized earnings rate for May was 2.42%. This was a one basis point decrease from the previous month's return of 2.43%. The year-to-date rate of return for Fiscal Year 2019 increased two basis points to 2.23%.

The U.S. Treasury 90-day T-Bill yield at the end of May was 2.35%. This was an eight basis point decrease from April 30th.

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

Nonfarm payrolls increased by 75,000 in May, well below market expectations of 175,000. Inflation is still running below the Fed's 2% target and will remain pivotal in gauging the future path of the central bank's policy. The market is pricing in an 18% chance of a June rate cut and an 80% chance of one in July. Chairman Powell said the central bank was prepared to act to sustain the economic expansion if the trade war showed signs of weakening the economy.

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 05/31/19



Investment Program

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MONTH END COMMENTARY- May 2019

The fixed income markets capitulated to the demands of higher tariffs, and fixed income yields traded substantially lower during May. Trade tensions escalated as the U.S. increased tariffs on China from 10% to 25% on \$200 billion of imports and then threatened to impose additional tariffs on another \$300 billion of Chinese goods. Furthermore, the U.S. threatened Mexico with an increase tariffs unless Mexico restricted the flow of migrants into the U.S. The reaction from investors to the global trade escalation resulted in significant capital flowing into the safety of U.S. Treasuries.

Two-year Treasury note yield, which started the year off at 2.50%, drifted off slowly over the first four months of 2019, but yields plunged in May to levels not seen since January of 2018. The yield on the two-year note ended the month at 1.92%. The last time the two-year note yielded this low the fed funds rate was trading at 1.50%, or a full 100 basis points lower than the fed funds current target.

The yield relationship between the three-month Treasury bill and the ten-year Treasury note is now solidly inverted as the three-month bill is trading 20 basis points lower compared to the ten-year note. This is the eighth time this inversion has occurred in the last fifty years, and a recession has followed every occurrence with an average lag of about ten months. Some economists have argued that the indicator is somewhat less reliable than in the past due to quantitative easing, which the Fed began to implement after the 2008 recession. Quantitative easing occurs when the Fed purchases longer treasury securities, lowering long term yields to stimulate the economy through lower borrowing costs and lower mortgage rates. Nevertheless, the consistency and accuracy of using an inverted curve as an early indicator of a coming economic slowdown cannot be ignored and should warrant caution.

The front end of the Treasury market is now discounting substantially lower yields and a lower fed funds rate by the end of 2019. The fed funds futures market has priced in a 67% probability of a 25 basis point cut at the July 31, 2019 Fed meeting and a 50% probability of fed funds being 75 basis points lower by the end of the year.

GDP grew 3.1% during the first quarter, but is expected to slow substantially during Q2 2019. Bloomberg consensus projections are for GDP to fall to 2% in Q2 and to continue to fall below 2% in 2020.

TREASURY YIELD CURVE TOTAL RETURNS LAST 12 MONTHS:		TREASURY BENCHMARK TOTAL RETURNS IN MONTH:				
3 month bill	2.259%	Benchmark	Period Return	YTM	Duration (Years)	
1 year note	2.696%	ICE BAML 90 Day Bill	0.23%	2.28%	0.20	
2 year note	3.397%	ICE BAML 0-1 Year Treasury	0.24%	2.36%	0.48	
3 year note	4.361%	ICE BAML 0-3 Year Treasury	0.57%	2.12%	1.40	
5 year note	6.303%	ICE BAML 0-5 Year Treasury	0.84%	2.06%	2.10	
CHANGES IN THE TREASURY MARKET (ABSOLUTE YIELD LEVELS):						
	5/31/2018	3/31/2019	4/30/2019	5/31/2019	Monthly Change	Yearly Change
3 month bill	1.90%	2.38%	2.41%	2.34%	-0.07%	0.45%
6 month bill	2.08%	2.42%	2.44%	2.35%	-0.10%	0.27%
2 year note	2.43%	2.26%	2.27%	1.92%	-0.34%	-0.51%
3 year note	2.55%	2.21%	2.24%	1.87%	-0.37%	-0.68%
5 year note	2.70%	2.23%	2.28%	1.91%	-0.37%	-0.79%
10 year note	2.86%	2.41%	2.50%	2.13%	-0.38%	-0.73%

Source: Bloomberg



Total Funds Multnomah County

Compliance Report

Policy 2018 | 05/31/2019

	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	S&P	Moody's
Under 30 days	10%	30%	\$ 182,318,142	Yes	Muni's AA-	Aa3
Under 1 year	35%	72%	\$ 431,342,672	Yes	Corp Bonds AA-	Aa3
Under 5 years	100%	100%	\$ 599,970,479	Yes	C P A-1	P-1
				Yes	B A A-1+	P-1
Maximum Weighted Average Maturity	2		0.66	Yes		
Maximum Callable Securities	25%	2%	\$ 9,955,950	Yes		
Maximum Single Maturity	5 Years		3.93	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%		47.28%	\$ 283,652,632	Yes		
US Agencies Primary	100%		26.43%	\$ 158,598,917	Yes		
FHLB		25%	6.41%	\$ 38,458,712	Yes		
FNMA		25%	3.32%	\$ 19,894,150	Yes		
FHLMC		25%	5.81%	\$ 34,861,605	Yes		
FFCB		25%	10.90%	\$ 65,384,450	Yes		
US Agencies Secondary	10%	10%	0.00%	\$ -			
Municipal Obligations OR, CA, ID, WA	10%	5%	2.07%	\$ 12,413,030	Yes		Yes
Corporate Bonds (No Fossil Fuel)	25%	5%	5.00%	\$ 30,000,350	Yes	Yes	Yes
Commercial Paper	10%	5%	1.66%	\$ 9,962,567	Yes	Yes	Yes
Bank Deposits	50%	25%	4.50%	\$ 26,975,517	Yes	N/A	N/A
Certificates of Deposit	20%	10%	1.16%	\$ 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 ***		11.90%	\$ 71,407,466	Yes*	**	**
Total			100%	\$ 599,970,479			

*** 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	\$ 260,550,000	\$ 260,018,233	\$ 261,229,859	\$ 1,211,625	2.23	1.28	1.40
Multnomah County CD Fund	\$ 6,960,000	\$ 6,960,000	\$ 6,960,000	\$ -	2.22	0.17	0.10
Multnomah County Liquidity	\$ 332,382,983	\$ 331,673,964	\$ 331,780,620	\$ 106,656	2.57	0.13	0.10
TOTAL PORTFOLIO	\$ 599,892,983	\$ 598,652,198	\$ 599,970,479	\$ 1,318,281	2.42	0.63	0.67



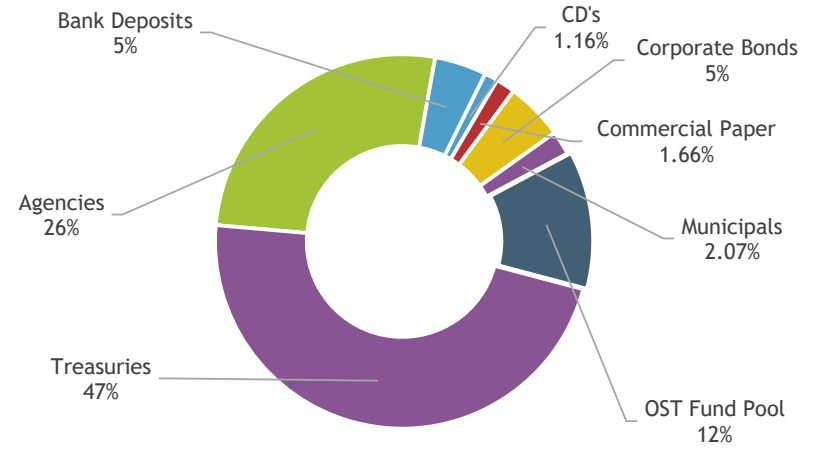
Total Funds Multnomah County

For Period May 01, 2019 - May 31, 2019

Investment Report

Policy 2018 | 05/31/2019

Investment Holdings at 05/31/2019	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 283,652,632	47.28%	100%
US Agencies Primary	\$ 158,598,917	26.43%	100%
Municipal Obligations OR, CA, ID, WA	\$ 12,413,030	2.07%	10%
Corporate Bonds (No Fossil Fuel)	\$ 30,000,350	5.00%	25%
Commercial Paper	\$ 9,962,567	1.66%	10%
Bank Deposits	\$ 26,975,517	4.50%	50%
Certificates of Deposit	\$ 6,960,000	1.16%	20%
Bankers Acceptances	\$ -	-	10%
Repurchase Agreements	\$ -	-	10%
Reverse Repurchase Agreement	\$ -	-	10%
OST Fund Pool	\$ 71,407,466	11.90%	-
Total Portfolio	\$ 599,970,479	100.00%	

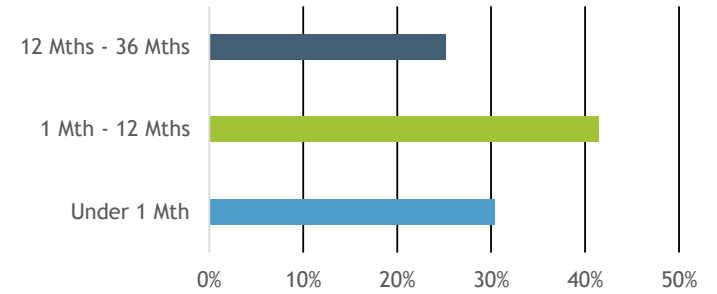


% of Portfolio With One Issuer:

Corporate Notes	\$ 20,025,250	3.34%	5%
State Obligations	\$ 5,203,950	0.87%	5%

MATURITY DISTRIBUTION

Maturities from 05/31/2019	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 1 Mth	\$ 182,318,142	30%	30%	10%
1 Mth - 12 Mths	\$ 249,024,530	42%	72%	35%
12 Mths - 36 Mths	\$ 151,306,667	25%	97%	100%
36 Mths - 60 Mths	\$ 17,321,140	3%	100%	0%



Average Maturity on 05/31/2019: 0.66 Years
 Average Maturity of portfolio (excluding bank / LGIP deposits): 1.29 Years

Maximum Per Policy: 5 Years

ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
Beginning Amortized Cost	\$ 654,216,034	\$ 529,951,765
Investment purchases	\$ 65,073,971	\$ 711,926,617
Investment maturities and sales	\$ (105,000,000)	\$ (668,214,905)
Amortization	\$ 497,274	\$ 4,054,218
Net cash deposit (withdrawals)	\$ (16,135,081)	\$ 20,872,871
Realized Gain/Loss	\$ -	\$ 61,631
Ending Amortized Costs	\$ 598,652,198	\$ 598,652,198

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 497,274	\$ 4,054,218
Interest income	\$ 851,780	\$ 9,307,249
Realized gain (loss)	\$ -	\$ 61,631
Total income	\$ 1,349,054	\$ 13,423,099
Average portfolio balance*	\$ 656,970,555	\$ 656,553,809

Market Value on 05/31/2019: \$ 599,970,479

Daily average annualized earned for the period: 2.42%
 Investment Portfolio yield at cost (excluding bank / LGIP deposits): 2.23%
 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
5/31/2019

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	99.99	14,998,851.57	99.80	14,969,955.00	5.7	0.9
10,000,000	3136G3X67	FEDERAL NATL MTG ASSN 1.100% Due 08-23-19	100.00	10,000,000.00	99.71	9,970,690.00	3.8	1.1
15,000,000	3133EHYJ6	FEDERAL FARM CR BKS 1.375% Due 09-12-19	99.97	14,995,042.18	99.75	14,962,620.00	5.7	1.5
10,000,000	3137EAE5	FEDERAL HOME LN MTG CORP 1.500% Due 01-17-20	99.99	9,999,310.15	99.49	9,948,990.00	3.8	1.5
10,000,000	3133EJNW5	FEDERAL FARM CR BKS 2.550% Due 05-15-20	99.91	9,991,009.39	100.26	10,025,740.00	3.8	2.6
10,000,000	3130ABPV2	FEDERAL HOME LOAN BANKS 1.690% Due 06-29-20	99.98	9,998,172.12	99.56	9,955,950.00	3.8	1.7
10,000,000	3135G0T60	FEDERAL NATL MTG ASSN 1.500% Due 07-30-20	99.89	9,989,125.96	99.23	9,923,460.00	3.8	1.6
8,000,000	313370US5	FEDERAL HOME LOAN BANKS 2.875% Due 09-11-20	100.20	8,016,333.31	100.99	8,079,552.00	3.1	2.7
5,000,000	3130ACE26	FEDERAL HOME LOAN BANKS 1.375% Due 09-28-20	98.38	4,918,925.82	99.09	4,954,700.00	1.9	2.6
10,000,000	3137EAEJ4	FEDERAL HOME LN MTG CORP 1.625% Due 09-29-20	98.65	9,865,293.81	99.43	9,942,660.00	3.8	2.7
10,000,000	3133EJAW9	FEDERAL FARM CR BKS 2.250% Due 01-29-21	99.66	9,965,789.05	100.37	10,037,420.00	3.8	2.5
10,000,000	3133EJCE7	FEDERAL FARM CR BKS 2.350% Due 02-12-21	99.40	9,939,530.37	100.50	10,049,660.00	3.8	2.7
10,000,000	3133EJEM7	FEDERAL FARM CR BKS 2.500% Due 03-01-21	99.87	9,987,096.81	100.83	10,082,530.00	3.9	2.6
15,000,000	313373ZY1	FEDERAL HOME LOAN BANKS 3.625% Due 06-11-21	101.51	15,226,670.08	103.12	15,468,510.00	5.9	2.8
10,000,000	3133EJK24	FEDERAL FARM CR BKS 3.000% Due 10-19-21	100.08	10,008,347.26	102.26	10,226,480.00	3.9	3.0
				157,899,497.87		158,598,917.00	60.7	2.12
Corporate (USD)								
10,000,000	594918BN3	MICROSOFT CORP 1.100% Due 08-08-19	99.99	9,999,248.58	99.75	9,975,100.00	3.8	1.1
5,000,000	037833AR1	APPLE INC 2.850% Due 05-06-21	99.99	4,999,723.72	100.99	5,049,410.00	1.9	2.9
5,000,000	037833CQ1	APPLE INC 2.300% Due 05-11-22	97.33	4,866,676.50	99.92	4,996,210.00	1.9	3.3
10,000,000	037833AK6	APPLE INC 2.400% Due 05-03-23	99.30	9,930,400.24	99.80	9,979,630.00	3.8	2.6
				29,796,049.04		30,000,350.00	11.5	2.26



Portfolio Appraisal - Settled Trades

US Dollar
5/31/2019

Multnomah County - Core Investment Fund

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
Municipal (USD)								
1,550,000	68607VZ32	OREGON ST LOTTERY REVENUE 2.448% Due 04-01-20	100.00	1,550,000.00	100.15	1,552,325.00	0.6	2.4
1,000,000	68608VDQ4	OREGON ST DEPT ADMINISTRATIVE COPS 2.678% Due 05-01-20	100.00	1,000,000.00	100.41	1,004,070.00	0.4	2.7
2,500,000	68607VZ40	OREGON ST LOTTERY REVENUE 2.450% Due 04-01-21	100.00	2,500,000.00	100.61	2,515,125.00	1.0	2.5
5,000,000	59163PKE2	METRO OREGON 3.500% Due 06-01-22	103.16	5,158,052.31	104.08	5,203,950.00	2.0	2.4
2,000,000	93974CRA0	WASHINGTON ST 4.369% Due 08-01-22	104.05	2,080,946.48	106.88	2,137,560.00	0.8	3.0
				12,288,998.79		12,413,030.00	4.8	2.54
US Treasury (USD)								
20,500,000	912796RY7	UNITED STATES TREAS BILLS 0.000% Due 01-30-20	98.35	20,161,880.69	98.50	20,192,561.50	7.7	2.5
20,000,000	912828XM7	UNITED STATES TREAS NTS 1.625% Due 07-31-20	99.01	19,802,110.16	99.36	19,871,100.00	7.6	2.5
10,000,000	9128285B2	UNITED STATES TREAS NTS 2.750% Due 09-30-20	100.54	10,053,663.82	100.83	10,083,200.00	3.9	2.3
10,000,000	9128284G2	UNITED STATES TREAS NTS 2.375% Due 04-15-21	100.16	10,016,032.68	100.71	10,070,700.00	3.9	2.3
				60,033,687.36		60,217,561.50	23.1	2.45
Total Portfolio				260,018,233.05		261,229,858.50	100.0	2.23



Portfolio Appraisal - Settled Trades

US Dollar
5/31/2019

Multnomah County CD Fund

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
Bank or Cash Deposit (USD)								
5,000,000	SYS7546	JP MORGAN CHASE CD 2.340% Due 06-12-19	100.00	5,000,000.00	100.00	5,000,000.00	71.8	2.3
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
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	2.22
Total Portfolio				6,960,000.00		6,960,000.00	100.0	2.22



Multnomah County Liquidity

Portfolio Appraisal - Settled Trades

US Dollar
5/31/2019

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Treasury (USD)								
19,000,000	912828R85	UNITED STATES TREAS NTS 0.875% Due 06-15-19	99.94	18,987,689.37	99.95	18,990,329.00	5.7	2.6
19,000,000	912796VG1	UNITED STATES TREAS BILLS 0.000% Due 06-18-19	99.89	18,978,726.02	99.91	18,982,007.00	5.7	2.4
16,000,000	912796VG1	UNITED STATES TREAS BILLS 0.000% Due 06-18-19	99.89	15,982,471.11	99.91	15,984,848.00	4.8	2.4
25,000,000	912828XV7	UNITED STATES TREAS NTS 1.250% Due 06-30-19	99.89	24,973,245.13	99.91	24,977,975.00	7.5	2.6
19,000,000	912828S43	UNITED STATES TREAS NTS 0.750% Due 07-15-19	99.78	18,957,729.99	99.80	18,962,912.00	5.7	2.6
24,000,000	912828WW6	UNITED STATES TREAS NTS 1.625% Due 07-31-19	99.84	23,961,358.70	99.87	23,968,272.00	7.2	2.6
19,000,000	9128282B5	UNITED STATES TREAS NTS 0.750% Due 08-15-19	99.62	18,927,703.25	99.66	18,934,982.00	5.7	2.6
20,000,000	9128282B5	UNITED STATES TREAS NTS 0.750% Due 08-15-19	99.62	19,923,708.55	99.66	19,931,560.00	6.0	2.6
19,000,000	912796RA9	UNITED STATES TREAS BILLS 0.000% Due 09-12-19	99.27	18,861,336.71	99.35	18,877,260.00	5.7	2.6
25,000,000	9128282X7	UNITED STATES TREAS NTS 1.375% Due 09-30-19	99.57	24,892,578.13	99.68	24,919,925.00	7.5	2.7
19,000,000	912828T59	UNITED STATES TREAS NTS 1.000% Due 10-15-19	99.37	18,880,945.51	99.50	18,905,000.00	5.7	2.7
				223,327,492.47		223,435,070.00	67.3	2.60
LGIP State Pool (USD)								
71,407,466	OSTFLGIP	OREGON SHORT TERM FUND POOL 2.750% Due 06-29-19	100.00	71,407,465.72	100.00	71,407,465.72	21.5	2.8
				71,407,465.72		71,407,465.72	21.5	2.75
Bank or Cash Deposit (USD)								
4,892,643	SYSBADD1	BANK OF AMERICA 0.010% Due 06-29-19	100.00	4,892,643.38	100.00	4,892,643.38	1.5	0.0
12,030,416	SYSSSBMM1	UMPQUA BANK 2.350% Due 06-29-19	100.00	12,030,415.98	100.00	12,030,415.98	3.6	2.4
195,264	SYSUSB076	US BANK 0.010% Due 06-29-19	100.00	195,264.47	100.00	195,264.47	0.1	0.0
8,251,422	000WAFED	WASHINGTON FEDERAL MMF 2.250% Due 06-29-19	100.00	8,251,422.45	100.00	8,251,422.45	2.5	2.3
1,605,771	SYSWCBMM1	WILLAMETTE COMMUNITY BANK 1.750% Due 06-29-19	100.00	1,605,771.10	100.00	1,605,771.10	0.5	1.8
				26,975,517.38		26,975,517.38	8.1	1.85



Multnomah County Liquidity

Portfolio Appraisal - Settled Trades

US Dollar
5/31/2019

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	99.63	9,963,488.89	99.63	9,962,567.00	3.0	2.5
				9,963,488.89		9,962,567.00	3.0	2.55
Total Portfolio				331,673,964.46		331,780,620.10	100.0	2.57



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.