

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: October 15, 2019

Re: Investment Portfolio Results for September 2019

The County Investment Pool's annualized earnings rate for September was 2.34%. This was a one basis point decrease from the previous month's return of 2.35%. The year-to-date rate of return for Fiscal Year 2020 stayed the same at 2.35%.

The U.S. Treasury 90-day T-Bill yield at the end of September was 1.88%. This was an eleven basis point decrease from August 30th.

The current yield for the State's Local Government Investment Pool is 2.45%.

Nonfarm payrolls increased by 136,000 in September, slightly below market expectations of 145,000. The unemployment rate fell to a 50-year low of 3.5%. The tightening labor market failed to lift wages, with the 12-month growth rate falling to 2.9%, from 3.2% in August. Central bank officials have been split on the need for a third rate cut. Financial markets continue to be vulnerable to the negotiations between the U.S. and its trading partners.

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 09/30/19



Investment Program

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MONTH END COMMENTARY- SEPTEMBER 2019

Interest rates in September bounced off the steep declines experienced in August. The two-year Treasury note declined 37 basis points in August and rose 12 basis points in September finishing the month at a yield of 1.62%.

Interest rate trading during the month was particularly volatile as investors reacted to heightened expectations of a possible trade deal with China. Two-year Treasury note yields spiked higher by 35 basis points in the first half of month reaching a high of 1.80% before retracing most of their increases as an imminent deal with China faded. The market's focus pivoted to the weakening economic growth announced out of the ECB and their move to lower interest rates even further into negative territory.

The Fed met on September 18th and eased interest rates by 25 basis points as expected. The new fed funds trading range is now 1.75% to 2.00%. The Fed's commentary shows that the FOMC is strongly divided in the future direction of fed funds. Just seven of the seventeen FOMC members indicated that another rate cut is necessary before year end. The Fed meets again on October 30th and the probability of another 25 basis point ease at that meeting has increased to 73% from sub 50% in late September.

Core PCE, the Fed's preferred inflationary gauge, increased to 1.9% which is just below the Fed's long term target. The weakening in global demand and the second straight monthly decline in the ISM Manufacturing Index helped increase the odds of another Fed ease at their upcoming meeting. September's payroll announced on October 4th, will be an important factor in determining whether economic weakness in the U.S. is increasing.

GPA believes that the odds of lower rates are increasing and the expansionary momentum in the economy is slowing. The large unknown in determining the near term direction of interest rates continues to be the status of a trade deal with China. The 35 basis point jump in the two-year note yield during the first week of September on signs of a trade deal demonstrates the impact that a deal would have on interest rates. Nevertheless, it seems like a trade deal with China is still far from being done, and global economic growth continues to weaken. Lingering weak global growth will most likely lead to lower interest rates in the near future. Maturity diversification in this volatile environment continues to be paramount.

TREASURY YIELD CURVE TOTAL RETURNS LAST 12 MONTHS:

3 month bill	2.385%
1 year note	3.131%
2 year note	4.372%
3 year note	5.941%
5 year note	9.160%

TREASURY BENCHMARK TOTAL RETURNS IN MONTH:

Benchmark	Period Return	YTM	Duration (Years)
ICE BAML 90 Day Bill	0.18%	1.81%	0.24
ICE BAML 0-1 Year Treasury	0.15%	1.91%	0.48
ICE BAML 0-3 Year Treasury	-0.03%	1.76%	1.40
ICE BAML 0-5 Year Treasury	-0.16%	1.70%	2.10

CHANGES IN THE TREASURY MARKET (ABSOLUTE YIELD LEVELS):

	9/30/2018	7/31/2019	8/31/2019	9/30/2019	Monthly Change	Yearly Change
3 month bill	2.20%	2.06%	1.98%	1.81%	-0.17%	-0.39%
6 month bill	2.36%	2.07%	1.87%	1.81%	-0.05%	-0.55%
2 year note	2.82%	1.87%	1.50%	1.62%	0.12%	-1.20%
3 year note	2.88%	1.83%	1.43%	1.56%	0.13%	-1.32%
5 year note	2.95%	1.83%	1.39%	1.54%	0.16%	-1.41%
10 year note	3.06%	2.01%	1.50%	1.67%	0.17%	-1.40%

Source: Bloomberg



Total Funds Multnomah County

Compliance Report

Policy 2019 | 09/30/2019

Maturity Constraints	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	Minimum Ratings at Purchase		
					S&P	Moody's	
Under 30 days	10%	27%	\$ 126,841,708	Yes			
Under 1 years	35%	61%	\$ 289,281,082	Yes	Muni's	AA-	Aa3
Under 5 years	100%	100%	\$ 471,320,598	Yes	Corp Bonds	AA-	Aa3
					C P	A-1	P-1
Maximum Weighted Average Maturity	2 Years		0.89	Yes	B A	A-1+	P-1
Maximum Callable Securities	25%	2%	\$ 9,995,457	Yes			
Maximum Single Maturity	5 Years		2.94	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%		30.66%	\$ 144,504,574	Yes		
US Agencies Primary	100%		35.93%	\$ 169,347,827	Yes		
FHLB		25%	13.49%	\$ 63,594,588	Yes		
FNMA		25%	2.12%	\$ 9,972,747	Yes		
FHLMC		25%	4.24%	\$ 19,965,065	Yes		
FFCB		25%	16.09%	\$ 75,815,427	Yes		
US Agencies Secondary	10%	10%					
Municipal Obligations OR, CA, ID, WA	10%	5%	2.64%	\$ 12,441,194	Yes		Yes
Corporate Bonds (No Fossil Fuel)	35%	5%	4.30%	\$ 20,277,015	Yes	Yes	Yes
Commercial Paper			2.11%	\$ 9,940,300	Yes	Yes	Yes
Bank Deposits	50%	25%	9.32%	\$ 43,937,433	Yes	*	*
Certificates of Deposit	20%	10%	1.48%	\$ 6,960,000	Yes	Yes	Yes
Bankers Acceptances	10%	5%					
Repurchase Agreements	10%	5%					
Reverse Repurchase Agreement	10%	5%					
OST Fund Pool	ORS 294.810 ***		13.56%	\$ 63,912,255	Yes*	**	**
Total			100%	\$ 471,320,598			

*** Current ORS Maximum \$ 49,500,000 * FDIC or collateralized

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

STRATEGY REPORT

Benchmark: BofA Merrill 0-3 year Treasury

Name	Par Amount	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Eff Dur	Bench Dur
Multnomah County - Core Investment Fund	\$ 260,567,000	\$ 260,664,823	\$ 262,680,343	\$ 2,015,521	2.33	1.35	1.40
Multnomah Liquidity- Bank and OSTF Pool	\$ 107,849,688	\$ 107,849,688	\$ 107,849,688		2.14	0.05	0.10
Multnomah County Cash Matched	\$ 94,000,000	\$ 93,817,083	\$ 93,830,566	\$ 13,483	2.09	0.38	0.10
Multnomah County CD Fund	\$ 6,960,000	\$ 6,960,000	\$ 6,960,000		1.91	0.33	0.10
TOTAL PORTFOLIO	\$ 469,376,688	\$ 469,291,594	\$ 471,320,598	\$ 2,029,003	2.23	0.84	0.82



Total Funds Multnomah County

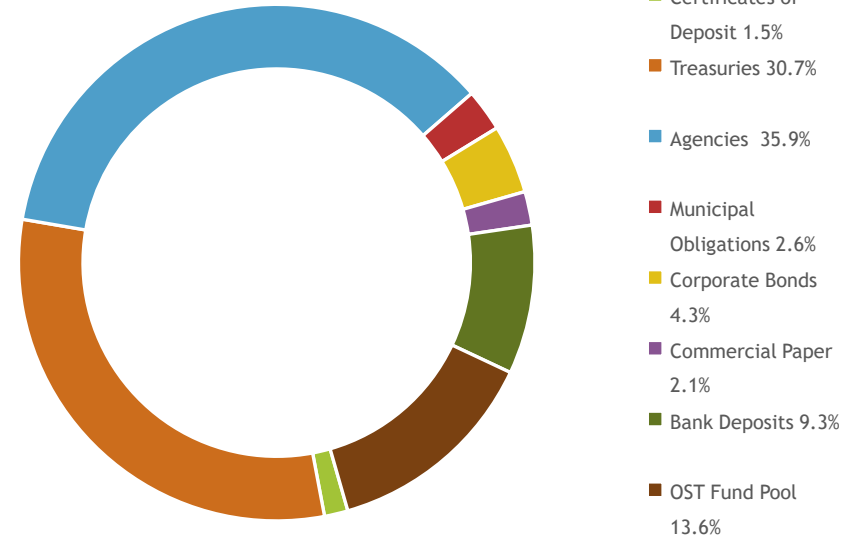
For Period Septemebr 01, 2019 - September 30, 2019

Investment Report

Policy 2019 | 09/30/2019

HOLDINGS DISTRIBUTION

Investment Holdings at 09/30/2019	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 144,504,574	30.66%	100%
US Agencies Primary	\$ 169,347,827	35.93%	100%
Municipal Obligations OR, CA, ID, WA	\$ 12,441,194	2.64%	10%
Corporate Bonds (No Fossil Fuel)	\$ 20,277,015	4.30%	25%
Commercial Paper	\$ 9,940,300	2.11%	
Bank Deposits	\$ 43,937,433	9.32%	50%
Certificates of Deposit	\$ 6,960,000	1.48%	20%
Bankers Acceptances	\$ -		10%
Reverse Repurchase Agreement	\$ -		10%
OST Fund Pool	\$ 63,912,255	13.56%	ORS
Total Portfolio	\$ 471,320,598	100.00%	



% of Portfolio With One Issuer:

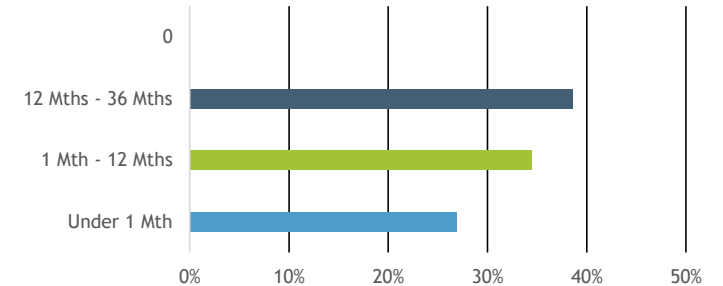
Corporate Notes	\$ 10,139,625	2.15%	5%
State Obligations	\$ 5,203,100	1.10%	5%

MATURITY DISTRIBUTION

Maturities from 09/30/2019	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 1 Mth	\$ 126,841,708	27%	27%	10%
1 Mth - 12 Mths	\$ 162,439,373	34%	61%	
12 Mths - 36 Mths	\$ 182,039,516	39%	100%	35%
				100%

Average Maturity on 09/30/2019: 0.89 Years
 Average Maturity of Investments (excluding bank / LGIP deposits): 1.38 Years

Maximum Per Policy: 5 Years



ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
Beginning Amortized Cost	\$ 453,516,420	\$ 536,293,595
Investment purchases	\$ 85,143,528	\$ 161,069,405
Investment maturities and sales	\$ (84,245,000)	\$ (252,971,000)
Amortization	\$ 164,538	\$ 667,619
Net cash deposit (withdrawals)	\$ 14,712,109	\$ 24,240,976
Realized Gain/Loss	\$ -	\$ (9,000)
Ending Amortized Costs	\$ 469,291,594	\$ 469,291,594

Market Value on 09/30/2019: \$ 471,320,598

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 164,538	\$ 667,619
Interest income	\$ 730,254	\$ 2,222,894
Realized gain (loss)	\$ -	\$ (9,000)
Total income	\$ 894,792	\$ 2,881,513
Average portfolio balance*	\$ 465,073,952	\$ 486,419,218

Daily average annualized earned for the period*: 2.35%
 Investment Portfolio yield at cost (excluding bank / LGIP deposits): 2.33%
 Local Government Investment Pool interest rate: 2.45%



Portfolio Appraisal - Settled Trades

US Dollar
9/30/2019

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	3137EAE5	FEDERAL HOME LN MTG CORP 1.500% Due 01-17-20	100.00	9,999,676.07	99.88	9,987,780.00	3.8	1.5
10,000,000	3133EJNW5	FEDERAL FARM CR BKS 2.550% Due 05-15-20	99.94	9,994,152.24	100.45	10,044,727.70	3.8	2.6
10,000,000	3130ABPV2	FEDERAL HOME LOAN BANKS 1.690% Due 06-29-20	99.99	9,998,738.84	99.95	9,995,457.40	3.8	1.7
10,000,000	3135G0T60	FEDERAL NATL MTG ASSN 1.500% Due 07-30-20	99.92	9,992,247.34	99.73	9,972,747.10	3.8	1.6
8,000,000	313370US5	FEDERAL HOME LOAN BANKS 2.875% Due 09-11-20	100.15	8,012,065.80	100.95	8,075,731.92	3.1	2.7
5,000,000	3130ACE26	FEDERAL HOME LOAN BANKS 1.375% Due 09-28-20	98.79	4,939,349.71	99.54	4,977,221.65	1.9	2.6
10,000,000	3137EAEJ4	FEDERAL HOME LN MTG CORP 1.625% Due 09-29-20	98.99	9,899,184.30	99.77	9,977,284.80	3.8	2.7
10,000,000	3133EJAW9	FEDERAL FARM CR BKS 2.250% Due 01-29-21	99.73	9,972,660.16	100.55	10,055,260.90	3.8	2.5
10,000,000	3133EJCE7	FEDERAL FARM CR BKS 2.350% Due 02-12-21	99.51	9,951,405.75	100.71	10,070,734.90	3.8	2.7
10,000,000	3133EJEM7	FEDERAL FARM CR BKS 2.500% Due 03-01-21	99.90	9,989,553.63	100.95	10,095,068.00	3.8	2.6
15,000,000	313373ZY1	FEDERAL HOME LOAN BANKS 3.625% Due 06-11-21	101.26	15,189,350.00	103.18	15,476,383.80	5.9	2.8
10,000,000	3133EJK24	FEDERAL FARM CR BKS 3.000% Due 10-19-21	100.07	10,007,177.00	102.51	10,251,189.00	3.9	3.0
10,000,000	313379Q69	FEDERAL HOME LOAN BANKS 2.125% Due 06-10-22	100.70	10,069,781.35	101.27	10,126,672.00	3.9	1.9
10,017,000	3133EKRD0	FEDERAL FARM CR BKS 1.875% Due 06-14-22	99.88	10,005,149.34	100.62	10,079,435.56	3.8	1.9
15,000,000	3133EKPC4	FEDERAL FARM CR BKS 2.125% Due 09-06-22	100.57	15,085,564.64	101.46	15,219,011.25	5.8	1.9
				153,106,056.16		154,404,705.98	58.8	2.3
Corporate (USD)								
5,000,000	037833AR1	APPLE INC 2.850% Due 05-06-21	100.00	4,999,771.45	101.56	5,078,205.40	1.9	2.9
10,000,000	594918BW3	MICROSOFT CORP 2.400% Due 02-06-22	101.38	10,138,023.64	101.40	10,139,625.30	3.9	1.8
5,000,000	037833CQ1	APPLE INC 2.300% Due 05-11-22	97.64	4,881,807.58	101.18	5,059,184.75	1.9	3.3
				20,019,602.67		20,277,015.45	7.7	2.4
Municipal (USD)								
1,550,000	68607VZ32	OREGON ST LOTTERY REVENUE 2.448% Due 04-01-20	100.00	1,550,000.00	100.31	1,554,758.50	0.6	2.4



Portfolio Appraisal - Settled Trades

US Dollar
9/30/2019

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	100.50	1,005,000.00	0.4	2.7
2,500,000	68607VZ40	OREGON ST LOTTERY REVENUE 2.450% Due 04-01-21	100.00	2,500,000.00	100.91	2,522,775.00	1.0	2.5
5,000,000	59163PKE2	METRO OREGON 3.500% Due 06-01-22	102.81	5,140,486.56	104.06	5,203,100.00	2.0	2.4
2,000,000	93974CRA0	WASHINGTON ST 4.369% Due 08-01-22	103.62	2,072,424.74	107.78	2,155,560.00	0.8	3.0
				12,262,911.30		12,441,193.50	4.7	2.5
US Treasury (USD)								
20,500,000	912796RY7	UNITED STATES TREAS BILLS 0.000% Due 01-30-20	99.18	20,331,636.06	99.40	20,377,348.50	7.8	2.5
20,000,000	912828XM7	UNITED STATES TREAS NTS 1.625% Due 07-31-20	99.29	19,858,686.45	99.81	19,961,720.00	7.6	2.5
10,000,000	9128285B2	UNITED STATES TREAS NTS 2.750% Due 09-30-20	100.40	10,040,218.54	100.91	10,090,620.00	3.8	2.3
15,000,000	912828A42	UNITED STATES TREAS NTS 2.000% Due 11-30-20	100.22	15,032,535.62	100.22	15,032,820.00	5.7	1.8
10,000,000	9128284G2	UNITED STATES TREAS NTS 2.375% Due 04-15-21	100.13	10,013,175.95	100.95	10,094,920.00	3.8	2.3
				75,276,252.61		75,557,428.50	28.8	2.3
Total Portfolio				260,664,822.75		262,680,343.43	100.0	2.3



Portfolio Appraisal - Settled Trades

US Dollar
9/30/2019

Multnomah Liquidity- Bank and OSTF Pool

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
LGIP State Pool (USD)								
63,912,255	OSTFLGIP	OREGON SHORT TERM FUND POOL 2.450% Due 10-29-19	100.00	63,912,255.25	100.00	63,912,255.25	59.3	2.5
				63,912,255.25		63,912,255.25	59.3	2.5
Bank or Cash Deposit (USD)								
3,642,590	SYSBADD1	BANK OF AMERICA 0.010% Due 10-29-19	100.00	3,642,590.47	100.00	3,642,590.47	3.4	0.0
27,168,148	SYSSSBMM1	UMPQUA BANK 1.900% Due 10-29-19	100.00	27,168,148.47	100.00	27,168,148.47	25.2	1.9
194,783	SYSUSB076	US BANK 0.010% Due 10-29-19	100.00	194,782.62	100.00	194,782.62	0.2	0.0
11,316,727	000WAFED	WASHINGTON FEDERAL MMF 1.750% Due 10-29-19	100.00	11,316,726.56	100.00	11,316,726.56	10.5	1.8
1,615,185	SYSWCBMM1	WILLAMETTE COMMUNITY BANK 1.750% Due 10-29-19	100.00	1,615,184.90	100.00	1,615,184.90	1.5	1.8
				43,937,433.02		43,937,433.02	40.7	1.7
Total Portfolio				107,849,688.27		107,849,688.27	100.0	2.1



Portfolio Appraisal - Settled Trades

US Dollar
9/30/2019

Multnomah County Cash Matched

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Agency (USD)								
15,000,000	313384QL6	FEDL HOME LOAN BKS DISC NT 0.000% Due 12-13-19	99.61	14,941,143.75	99.62	14,943,120.90	15.9	2.0
				14,941,143.75		14,943,120.90	15.9	2.0
US Treasury (USD)								
19,000,000	912828T59	UNITED STATES TREAS NTS 1.000% Due 10-15-19	99.94	18,987,744.39	99.96	18,992,020.00	20.2	2.7
25,000,000	912796SW0	UNITED STATES TREAS BILLS 0.000% Due 12-12-19	99.63	24,906,325.00	99.64	24,911,175.00	26.5	1.9
25,000,000	912828VZ0	UNITED STATES TREAS NTS 2.000% Due 09-30-20	100.18	25,045,773.03	100.18	25,043,950.00	26.7	1.8
				68,939,842.42		68,947,145.00	73.5	2.1
Commercial Paper (USD)								
10,000,000	89233GAG1	TOYOTA MOTOR CREDIT CP 0.000% Due 01-16-20	99.36	9,936,097.22	99.40	9,940,300.00	10.6	2.2
				9,936,097.22		9,940,300.00	10.6	2.2
Total Portfolio				93,817,083.40		93,830,565.90	100.0	2.1



Multnomah County CD Fund

Portfolio Appraisal - Settled Trades

US Dollar
9/30/2019

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
Bank or Cash Deposit (USD)								
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
5,000,000	SYS7571	JP MORGAN CHASE CD 1.790% Due 12-12-19	100.00	5,000,000.00	100.00	5,000,000.00	71.8	1.8
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
245,000	SYS7567	PREMIER COMMUNITY BK (HERITAGE) CD 2.250% Due 07-05-20	100.00	245,000.00	100.00	245,000.00	3.5	2.3
245,000	SYS7564	UNITUS COMMUNITY CU CD 2.670% Due 07-24-20	100.00	245,000.00	100.00	245,000.00	3.5	2.7
245,000	SYS7568	WILLAMETTE COMMUNITY BK CD 2.000% Due 08-15-20	100.00	245,000.00	100.00	245,000.00	3.5	2.0
245,000	SYS7573	HOMESTREET BANK CD 2.000% Due 03-18-21	100.00	245,000.00	100.00	245,000.00	3.5	2.0
				6,960,000.00		6,960,000.00	100.0	1.9
Total Portfolio				6,960,000.00		6,960,000.00	100.0	1.9



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.