
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: November 8, 2018

Re: Investment Portfolio Results for October 2018

The County Investment Pool's annualized earnings rate for October was 1.98%. This was a seven basis point increase from the previous month's return of 1.91%. The year-to-date rate of return for Fiscal Year 2019 increased four basis points to 1.85%.

The U.S. Treasury 90-day T-Bill yield at the end of October was 2.34%. This was a fifteen basis point increase from September 30th.

The annualized earnings rate for the State's Local Government Investment Pool was 2.50%.

Total nonfarm payrolls increased by 250,000 in October, with unemployment holding steady at 3.7%. Job gains occurred in health care, manufacturing, and construction. Labor force participation rate increased .2% to 62.9%. Financial markets are fully pricing in another quarter point rate increase at the Fed's policy meeting in December. Retailers are ramping up for a robust holiday season, taking on a record number of seasonal workers.

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 10/31/18



Investment Program

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MONTH END COMMENTARY- OCTOBER 2018

October's expected stock market turbulence emerged right on cue with the equity market down over 6% during the month. The shift out of risk assets into the safety of US Treasuries wasn't strong enough to keep rates from rising. The 2-year Treasury note increased by five basis points to a yield of 2.87% while five-year Treasury notes increased three basis points to a yield of 2.98%. The equity market retreat was blamed primarily on technical considerations along with concerns over growing trade issues with China and less on softening economic data.

October's employment report released on November 2nd was particularly strong and confirmed the market's fear of an acceleration in wages caused by increased demand for workers. Average hourly earnings grew 3.1% YOY to a nine-year high. Nonfarm payrolls grew by 250,000 while the unemployment rate held steady at a fifty year low of 3.7%. Yields jumped about five basis points on this news, and the probability rose of another Fed Fund increase at the December 19 FOMC meeting. The market is now pricing in a 74% probability of an increase in Fed Funds at the December meeting from the current Fed Fund range of 2-2.25% to 2.25-2.50%. The market is pricing in a 54% probability of an additional 25 basis point increase at the March 20, 2019 meeting. Reported inflation remains at the FOMC target level of 2% as reported in the Core PCE which is the Fed's preferred measure of inflation. Any material acceleration of inflation above this point could be the catalyst to raise rates faster than the Fed's communicated pace.

Strategy Going Forward:

GPA expects the gradual increase in interest rates to continue along the path well communicated by the FOMC. Market rates should continue to rise moderately to meet the Fed's expectations. The FOMC has a strong desire to move rates closer to their perceived neutral rate of 3% to 3.5%. It would take a significant slowing in economic momentum for the Fed to slow their expected rate increases. As such, with many securities yielding close to 3% we are suggesting that fixed-income investors continue to maintain their portfolio durations slightly defensive to higher rates with a range of 90% to 100% of their benchmark durations. We find the two-year note is attractive relative to the one-year bill with spreads close to 25 basis points. Absent an acceleration in inflation we expect to increase our positions in two years and longer securities as yields start to surpass the 3% to 3.5% levels.

TREASURY YIELD CURVE TOTAL RETURNS LAST 12 MONTHS:*

3month bill	1.720
1 year note	1.248
2 year note	0.073
3 year note	-0.875
5 year note	-1.714

TREASURY BENCHMARK TOTAL RETURNS IN MONTH*

Benchmark	Period Return	Duration
BAML 0-3 Year Treasury	0.16%	1.40
BAML 1-3 Year Treasury	0.15%	1.85
BAML 0-5 Year Treasury	0.14%	2.10
BAML 1-5 Year Treasury	0.13%	2.60

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

	10/31/2017	8/31/2018	9/30/2018	10/31/2018	Change from Last Month	Change from Prior Year
3 month bill	1.11	2.10	2.23	2.31	0.08	1.20
1 year note	1.47	2.26	2.67	2.74	0.07	1.27
2 year note	1.60	2.63	2.82	2.87	0.05	1.27
3 year note	1.72	2.69	2.88	2.93	0.05	1.21
5 year note	2.01	2.74	2.94	2.98	0.04	0.97
10 year note	2.37	3.16	3.06	3.14	0.08	0.77

*Source: Bloomberg



Total Funds Multnomah County

Compliance Report

Policy 2018 | 10/31/2018

	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	S&P	Moody's
Under 30 days	10%	43%	\$ 229,833,634	Yes	Muni's AA-	Aa3
Under 1 year	35%	75%	\$ 399,459,659	Yes	Corp Bonds AA-	Aa3
Under 5 years	100%	100%	\$ 530,866,069	Yes	C P A-1	P-1
				Yes	B A A-1+	P-1
Maximum Weighted Average Maturity	2		0.74	Yes		
Maximum Callable Securities	25%	2%	\$ 9,793,130	Yes		
Maximum Single Maturity	5 Years		4.22	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%		14.84%	\$ 78,793,552	Yes		
US Agencies Primary	100%		39.16%	\$ 207,887,770	Yes		
FHLB		25%	10.32%	\$ 54,771,185	Yes		
FNMA		25%	4.62%	\$ 24,510,180	Yes		
FHLMC		25%	8.36%	\$ 44,357,885	Yes		
FFCB		25%	15.87%	\$ 84,248,520	Yes		
US Agencies Secondary	10%	10%	0.00%	\$ -			
Municipal Obligations OR, CA, ID, WA	10%	5%	0.39%	\$ 2,079,080	Yes		Yes
Corporate Bonds (No Fossil Fuel)	25%	5%	5.61%	\$ 29,799,995	Yes	Yes	Yes
Commercial Paper	10%	5%	2.82%	\$ 14,965,500	Yes	Yes	Yes
Bank Deposits	50%	25%	12.12%	\$ 64,357,976	Yes	N/A	N/A
Certificates of Deposit	20%	10%	0.37%	\$ 1,960,000	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 ***		24.68%	\$ 131,022,196	Yes*	**	**
Total			100%	\$ 530,866,069			

*** 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: 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	\$ 241,906,744	\$ 239,766,845	\$ (2,139,899)	1.87	1.44	1.40
Multnomah County CD Fund	\$ 1,960,000	\$ 1,960,000	\$ 1,960,000	\$ -	1.67	0.79	0.10
Multnomah County Liquidity	\$ 289,380,172	\$ 289,145,542	\$ 289,139,224	\$ (6,318)	2.00	0.07	0.10
TOTAL PORTFOLIO	\$ 533,340,172	\$ 533,012,286	\$ 530,866,069	\$ (2,146,217)	1.94	0.69	0.69



Total Funds Multnomah County

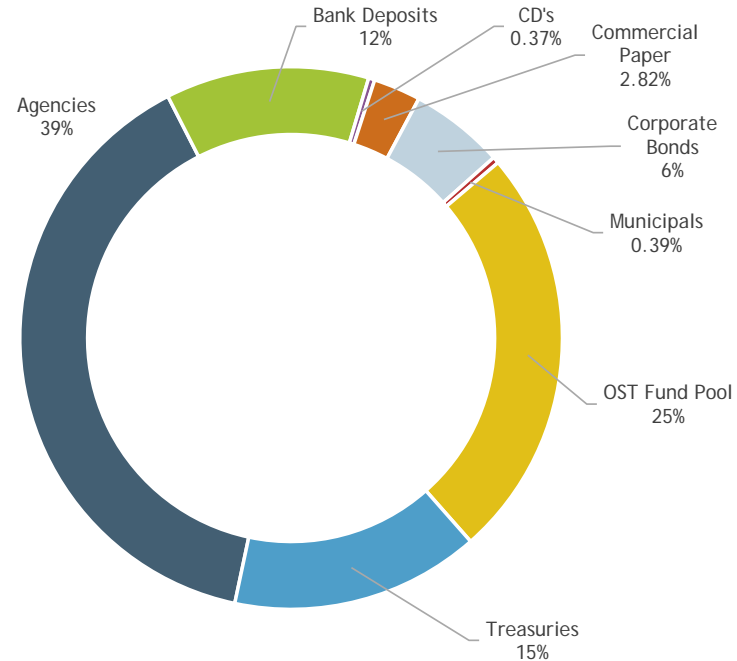
For Period October 01, 2018 - October 31, 2018

Investment Report

Policy 2018 | 10/31/2018

Investment Holdings at 10/31/2018	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 78,793,552	14.84%	100%
US Agencies Primary	\$ 207,887,770	39.16%	100%
Municipal Obligations OR, CA, ID, WA	\$ 2,079,080	0.39%	10%
Corporate Bonds (No Fossil Fuel)	\$ 29,799,995	5.61%	25%
Commercial Paper	\$ 14,965,500	2.82%	10%
Bank Deposits	\$ 64,357,976	12.12%	50%
Certificates of Deposit	\$ 1,960,000	0.37%	20%
Bankers Acceptances	\$ -		10%
Repurchase Agreements	\$ -		10%
Reverse Repurchase Agreement	\$ -		10%
OST Fund Pool	\$ 131,022,196	24.68%	
Total Portfolio	\$ 530,866,069	100.00%	

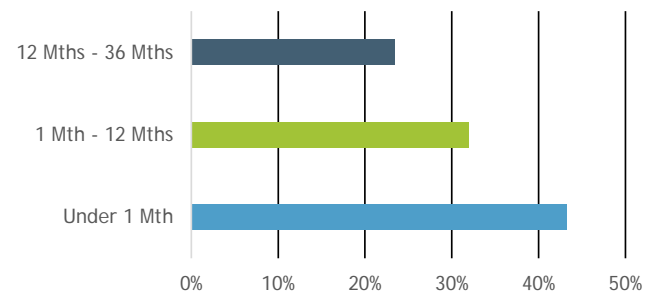
% of Portfolio With One Issuer:			
Corporate Notes	\$ 14,927,305	2.81%	5%
State Obligations	\$ 2,079,080	0.39%	5%



MATURITY DISTRIBUTION

Maturities from 10/31/2018	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 1 Mth	\$ 229,833,634	43%	43%	10%
1 Mth - 12 Mths	\$ 169,626,025	32%	75%	35%
12 Mths - 36 Mths	\$ 124,460,950	23%	99%	100%
36 Mths - 60 Mths	\$ 6,945,460	1%	100%	0%

Average Maturity on 10/31/2018	0.74 Years	Maximum Per Policy	5 Years
Average Maturity of portfolio (excluding bank / LGIP deposits)	1.45 Years		



ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
Beginning Amortized Cost	\$ 428,239,709	\$ 529,951,765
Investment purchases	\$ 60,935,234	\$ 147,260,336
Investment maturities and sales	\$ (60,245,000)	\$ (262,715,000)
Amortization	\$ 162,447	\$ 645,124
Net cash deposit (withdrawals)	\$ 103,919,896	\$ 117,870,060
Realized Gain/Loss	\$ -	\$ -
Ending Amortized Costs	\$ 533,012,286	\$ 533,012,286

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 162,447	\$ 645,124
Interest income	\$ 584,722	\$ 2,294,238
Realized gain (loss)	\$ -	\$ -
Total income	\$ 747,169	\$ 2,939,362
Average portfolio balance	\$ 447,365,691	\$ 473,381,718

Market Value on 10/31/2018 \$ 530,866,069

Total Portfolio yield at cost on 10/31/2018 1.94%
 Investment Portfolio yield at cost (excluding bank / LGIP deposits) 1.87%
 Local Government Investment Pool interest rate 2.50%

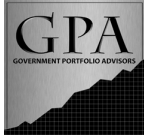


Portfolio Appraisal - Settled Trades

US Dollar
10/31/2018

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	3133782M2	FEDERAL HOME LOAN BANKS 1.500% Due 03-08-19	100.19	10,018,711.35	99.68	9,967,660.00	4.2	1.0
10,000,000	3134G9AW7	FEDERAL HOME LN MTG CORP 1.150% Due 04-26-19	99.98	9,998,392.69	99.32	9,931,660.00	4.1	1.2
10,000,000	3133EF5X1	FEDERAL FARM CR BKS 1.100% Due 05-03-19	100.04	10,004,157.66	99.31	9,931,330.00	4.1	1.0
15,000,000	313379EE5	FEDERAL HOME LOAN BANKS 1.625% Due 06-14-19	100.44	15,066,430.61	99.41	14,910,870.00	6.2	0.9
15,000,000	3137EAEB1	FEDERAL HOME LN MTG CORP 0.875% Due 07-19-19	99.96	14,993,779.35	98.76	14,814,345.00	6.2	0.9
10,000,000	3136G3X67	FEDERAL NATL MTG ASSN 1.100% Due 08-23-19	100.00	10,000,000.00	98.75	9,874,720.00	4.1	1.1
15,000,000	3133EHYJ6	FEDERAL FARM CR BKS 1.375% Due 09-12-19	99.90	14,984,837.74	98.82	14,823,450.00	6.2	1.5
10,000,000	3137EAE5	FEDERAL HOME LN MTG CORP 1.500% Due 01-17-20	99.99	9,998,674.76	98.48	9,847,660.00	4.1	1.5
10,000,000	3133EJNW5	FEDERAL FARM CR BKS 2.550% Due 05-15-20	99.86	9,985,535.25	99.57	9,956,930.00	4.2	2.6
10,000,000	3130ABPV2	FEDERAL HOME LOAN BANKS 1.690% Due 06-29-20	99.97	9,997,184.62	97.93	9,793,130.00	4.1	1.7
10,000,000	3135G0T60	FEDERAL NATL MTG ASSN 1.500% Due 07-30-20	99.84	9,983,701.93	97.69	9,769,080.00	4.1	1.6
5,000,000	3130ACE26	FEDERAL HOME LOAN BANKS 1.375% Due 09-28-20	97.67	4,883,360.26	97.17	4,858,700.00	2.0	2.6
10,000,000	3137EAEJ4	FEDERAL HOME LN MTG CORP 1.625% Due 09-29-20	98.06	9,806,246.87	97.64	9,764,220.00	4.1	2.7
10,000,000	3133EJAW9	FEDERAL FARM CR BKS 2.250% Due 01-29-21	99.54	9,953,849.10	98.44	9,843,660.00	4.1	2.5
10,000,000	3133EJCE7	FEDERAL FARM CR BKS 2.350% Due 02-12-21	99.19	9,918,847.52	98.62	9,862,450.00	4.1	2.7
10,000,000	3133EJEM7	FEDERAL FARM CR BKS 2.500% Due 03-01-21	99.83	9,982,818.42	98.92	9,892,130.00	4.1	2.6
15,000,000	313373ZY1	FEDERAL HOME LOAN BANKS 3.625% Due 06-11-21	101.94	15,291,611.53	101.61	15,240,825.00	6.4	2.8
10,000,000	3133EJZU6	FEDERAL FARM CR BKS 2.850% Due 09-20-21	99.75	9,975,121.98	99.48	9,947,720.00	4.1	2.9
10,000,000	3133EJK24	FEDERAL FARM CR BKS 3.000% Due 10-19-21	100.10	10,010,380.82	99.91	9,990,850.00	4.2	3.0
5,000,000	3135G0T94	FEDERAL NATL MTG ASSN 2.375% Due 01-19-23	98.62	4,930,860.54	97.33	4,866,380.00	2.0	2.7
				209,784,502.99		207,887,770.00	86.7	1.90
Corporate (USD)								
5,000,000	478160BG8	JOHNSON & JOHNSON 1.650% Due 12-05-18	100.06	5,002,869.95	99.92	4,995,970.00	2.1	1.0



Portfolio Appraisal - Settled Trades

US Dollar
10/31/2018

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	100.27	10,027,035.39	99.69	9,968,710.00	4.2	1.6
10,000,000	594918BN3	MICROSOFT CORP 1.100% Due 08-08-19	99.97	9,996,905.94	98.77	9,876,720.00	4.1	1.1
5,000,000	037833AR1	APPLE INC 2.850% Due 05-06-21	99.99	4,999,640.63	99.17	4,958,595.00	2.1	2.9
				30,026,451.90		29,799,995.00	12.4	1.55
Municipal (USD)								
2,000,000	93974CRA0	WASHINGTON ST 4.369% Due 08-01-22	104.79	2,095,788.64	103.95	2,079,080.00	0.9	3.0
				2,095,788.64		2,079,080.00	0.9	3.00
Total Portfolio				241,906,743.53		239,766,845.00	100.0	1.87



Portfolio Appraisal - Settled Trades

US Dollar
10/31/2018

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	SYS7458	SUMMIT BANK CD 1.230% Due 11-15-18	100.00	245,000.00	100.00	245,000.00	12.5	1.2
245,000	SYS7459	UMPQUA BANK CD 1.500% Due 11-20-18	100.00	245,000.00	100.00	245,000.00	12.5	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	12.5	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	12.5	1.2
245,000	SYS7509	HOMESTREET BANK CD 2.000% Due 09-18-19	100.00	245,000.00	100.00	245,000.00	12.5	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	12.5	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	12.5	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	12.5	1.9
				1,960,000.00		1,960,000.00	100.0	1.7
Total Portfolio				1,960,000.00		1,960,000.00	100.0	1.67



Multnomah County Liquidity

Portfolio Appraisal - Settled Trades

US Dollar
10/31/2018

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Treasury (USD)								
7,000,000	912796QJ1	UNITED STATES TREAS BILLS 0.000% Due 11-15-18	99.92	6,994,139.06	99.92	6,994,246.00	2.4	2.2
17,000,000	912796QJ1	UNITED STATES TREAS BILLS 0.000% Due 11-15-18	99.92	16,985,819.17	99.92	16,986,026.00	5.9	2.2
10,000,000	912796QL6	UNITED STATES TREAS BILLS 0.000% Due 11-29-18	99.84	9,984,228.22	99.83	9,983,190.00	3.5	2.1
20,000,000	912796QN2	UNITED STATES TREAS BILLS 0.000% Due 12-13-18	99.76	19,951,842.33	99.75	19,949,940.00	6.9	2.1
25,000,000	912796QT9	UNITED STATES TREAS BILLS 0.000% Due 01-17-19	99.53	24,883,612.36	99.52	24,880,150.00	8.6	2.2
				78,799,641.14		78,793,552.00	27.3	2.16
LGIP State Pool (USD)								
131,022,196	OSTFLGIP	OREGON SHORT TERM FUND POOL 2.500% Due 11-29-18	100.00	131,022,196.25	100.00	131,022,196.25	45.3	2.5
				131,022,196.25		131,022,196.25	45.3	2.50
Bank or Cash Deposit (USD)								
41,628,139	SYSBADD1	BANK OF AMERICA 0.010% Due 11-29-18	100.00	41,628,138.79	100.00	41,628,138.79	14.4	0.0
13,810,840	SYSSBMM1	UMPQUA BANK 2.000% Due 11-29-18	100.00	13,810,839.73	100.00	13,810,839.73	4.8	2.0
198,353	SYSUSB076	US BANK 0.010% Due 11-29-18	100.00	198,353.08	100.00	198,353.08	0.1	0.0
7,131,101	000WAFED	WASHINGTON FEDERAL MMF 2.000% Due 11-29-18	100.00	7,131,101.31	100.00	7,131,101.31	2.5	2.0
1,589,543	SYSWCBMM1	WILLAMETTE COMMUNITY BANK 1.750% Due 11-29-18	100.00	1,589,542.93	100.00	1,589,542.93	0.5	1.8
				64,357,975.84		64,357,975.84	22.3	0.70
Commercial Paper (USD)								
15,000,000	89233HM68	TOYOTA MOTOR CREDIT CP 0.000% Due 12-06-18	99.77	14,965,729.17	99.77	14,965,500.00	5.2	2.4
				14,965,729.17		14,965,500.00	5.2	2.43
Total Portfolio				289,145,542.39		289,139,224.09	100.0	2.00



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.