

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: November 19, 2019

Re: Investment Portfolio Results for October 2019

The County Investment Pool's annualized earnings rate for October was 2.20%. This was a fourteen basis point decrease from the previous month's return of 2.34%. The year-to-date rate of return for Fiscal Year 2020 decreased four basis points to 2.31%.

The U.S. Treasury 90-day T-Bill yield at the end of October was 1.54%. This was a thirty-four basis point decrease from September 30th.

The current yield for the State's Local Government Investment Pool is 2.25%.

Nonfarm payrolls increased by 128,000 in October, well above market expectations of 75,000. Recession fears that escalated over the summer months have faded and the job market continues to deliver sturdy payroll gains. Fed Chair Powell noted that trade uncertainty and weak global growth are the biggest downside risks facing 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 10/31/19



Investment Program

Prepared by:
Government Portfolio Advisors
deanne@gpafixedincome.com
(503) 248-9973

MONTH END COMMENTARY- OCTOBER 2019

The two-year Treasury note made a multi-year low in yield of 1.39% during early October. The decline in yields occurred as concerns grew over the potential success of trade talks with China and continued weakness in the global economy. Towards the end of the month, yields traded higher with the two-year note closing the month at a yield of 1.52%. The net result for the two-year note was a ten-basis point decline from the close of September while staying within a three-month trading range between 1.39% and 1.87%. Yields seem to be showing signs of consolidation as economic data is stabilizing and the Fed communicating that they are done easing rates for the time being.

On October 30, the Fed announced its third 25 basis point rate cut for 2019. The Fed's message following the decision to lower the fed funds rate to a range of 1.50% to 1.75%, indicated that they are now on hold with future rate reductions. The Fed will need to see further weakness before considering additional cuts to interest rates. The fed funds futures market is now pricing in the next rate cut to occur at the June 10 meeting next year. According to the Fed, interest rates have been paused, and rates should slowly drift lower as we approach 2020. Many obstacles remain in the way of a sideways market, including trade tariffs, the lack of robust growth, and the failure of inflation to reach the Fed's target.

The Atlanta Fed GDP Now forecast for real U.S. GDP is now expected to run at 1.1% growth during Q4 2019. GDP growth of 1.1% is significantly slower growth than what was experienced during the first three-quarters of 2019 and could pressure the fed to reconsider their "on hold" posture. Employment continues to be the bright spot economically. October's non-farm payrolls were stronger than expected at 128,000, while the unemployment rate increased by 0.1% to 3.6%. The growth in the unemployment rate was the result of more labor force participation, which has now increased to 63.3% from a 2019 low of 62.8%. The pace of the decline in economic growth seems to be slowing which helps explain some of the motives for a Fed that is now pausing with future rate cuts.

GPA believes that rates are most likely in a trading range near term with a higher probability of moving lower versus moving higher early next year. Yields could certainly get a bounce if a substantive trade deal is struck with China. Economic momentum appears to be losing steam in the short term, however, the rate of deceleration is slowing. GPA is maintaining portfolio durations very close to benchmark durations while making sure we are well diversified with maturities in this uncertain environment.

TREASURY YIELD CURVE TOTAL RETURNS LAST 12 MONTHS:

3 month bill	2.405%
1 year note	3.277%
2 year note	4.499%
3 year note	6.141%
5 year note	9.315%

TREASURY BENCHMARK TOTAL RETURNS IN MONTH:

Benchmark	Period Return	YTM	Duration (Years)
ICE BAML 90 Day Bill	0.19%	1.54%	0.24
ICE BAML 0-1 Year Treasury	0.26%	1.65%	0.48
ICE BAML 0-3 Year Treasury	0.31%	1.59%	1.40
ICE BAML 0-5 Year Treasury	0.31%	1.57%	2.10

CHANGES IN THE TREASURY MARKET (ABSOLUTE YIELD LEVELS):

	10/31/2018	8/31/2019	9/30/2019	10/31/2019	1 Month Change	12 Month Change
3 month bill	2.33%	1.98%	1.81%	1.52%	-0.28%	-0.80%
6 month bill	2.49%	1.87%	1.81%	1.55%	-0.27%	-0.94%
2 year note	2.87%	1.50%	1.62%	1.52%	-0.10%	-1.34%
3 year note	2.93%	1.43%	1.56%	1.52%	-0.04%	-1.41%
5 year note	2.98%	1.39%	1.54%	1.52%	-0.02%	-1.46%
10 year note	3.14%	1.50%	1.67%	1.69%	0.03%	-1.45%

Source: Bloomberg



Total Funds Multnomah County

Compliance Report

Policy 2019 | 10/31/2019

Maturity Constraints	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	Minimum Ratings at Purchase		
Under 30 days	10%	43%	\$ 259,545,485	Yes		S&P	Moody's
Under 1 years	35%	76%	\$ 457,189,760	Yes	Muni's	AA-	Aa3
Under 5 years	100%	100%	\$ 604,291,525	Yes	Corp Bonds	AA-	Aa3
					C P	A-1	P-1
Maximum Weighted Average Maturity	2 Years		0.67	Yes	B A	A-1+	P-1
Maximum Callable Securities	25%	2%	\$ 10,002,371	Yes			
Maximum Single Maturity	5 Years		2.85	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%		20.81%	\$ 125,739,474	Yes		
US Agencies Primary	100%		28.07%	\$ 169,613,463	Yes		
FHLB		25%	10.54%	\$ 63,671,055	Yes		
FNMA		25%	1.65%	\$ 9,990,787	Yes		
FHLMC		25%	3.31%	\$ 19,997,976	Yes		
FFCB		25%	12.57%	\$ 75,953,646	Yes		
US Agencies Secondary	10%	10%					
Municipal Obligations OR, CA, ID, WA	10%	5%	2.05%	\$ 12,415,674	Yes		Yes
Corporate Bonds (No Fossil Fuel)			3.36%	\$ 20,302,000	Yes	Yes	Yes
Commercial Paper	35%	5%	1.65%	\$ 9,960,431	Yes	Yes	Yes
Bank Deposits	50%	25%	9.23%	\$ 55,749,301	Yes	*	*
Certificates of Deposit	20%	10%	1.15%	\$ 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 ***		33.68%	\$ 203,551,185	Yes*	**	**
Total			100%	\$ 604,291,525			

*** Current ORS Maximum \$ 50,400,000 * 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	\$ 260,713,939	\$ 263,057,800	\$ 2,343,861	2.33	1.26	1.40
Multnomah Liquidity- Bank and OSTF Pool	\$ 259,300,485	\$ 259,300,485	\$ 259,300,485		2.13	0.05	0.10
Multnomah County Cash Matched	\$ 75,000,000	\$ 74,909,291	\$ 74,973,241	\$ 63,949	1.93	0.38	0.10
Multnomah County CD Fund	\$ 6,960,000	\$ 6,960,000	\$ 6,960,000		1.91	0.25	0.10
TOTAL PORTFOLIO	\$ 601,827,485	\$ 601,883,715	\$ 604,291,525	\$ 2,407,810	2.19	0.62	0.67



Total Funds Multnomah County

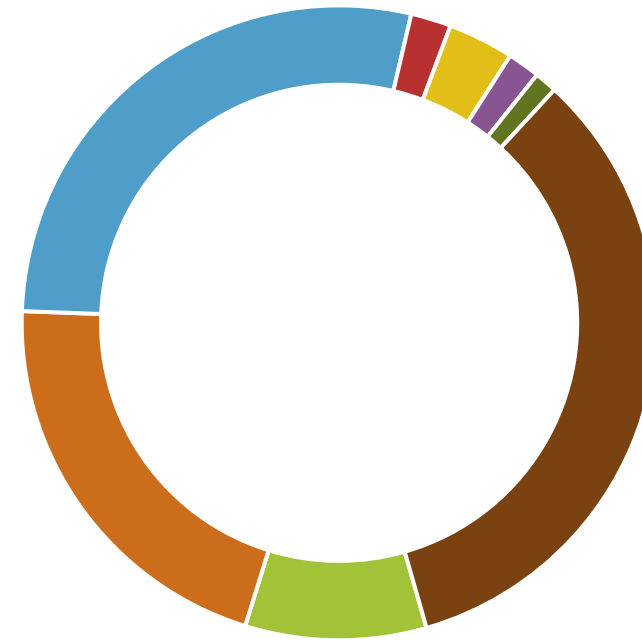
For Period October 01, 2019 - October 31, 2019

Investment Report

Policy 2019 | 10/31/2019

HOLDINGS DISTRIBUTION

Investment Holdings at 10/31/2019	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 125,739,474	20.81%	100%
US Agencies Primary	\$ 169,613,463	28.07%	100%
Municipal Obligations OR, CA, ID, WA	\$ 12,415,674	2.05%	10%
Corporate Bonds (No Fossil Fuel)	\$ 20,302,000	3.36%	35%
Commercial Paper	\$ 9,960,431	1.65%	
Bank Deposits	\$ 55,749,301	9.23%	50%
Certificates of Deposit	\$ 6,960,000	1.15%	20%
Bankers Acceptances	\$ -		10%
Reverse Repurchase Agreement	\$ -		10%
OST Fund Pool	\$ 203,551,185	33.68%	ORS
Total Portfolio	\$ 604,291,525	100.00%	



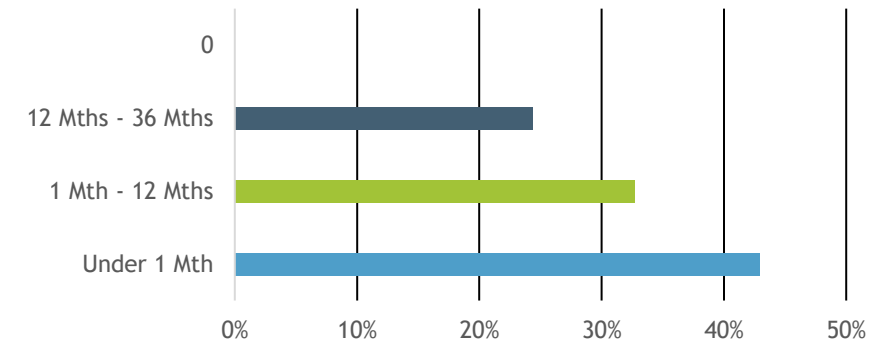
- Bank Deposits 9.2%
- Treasuries 20.8%
- Agencies 28.1%
- Municipal Obligations 2.1%
- Corporate Bonds 3.4%
- Commercial Paper 1.6%
- Certificates of Deposit 1.2%
- OST Fund Pool 33.7%

% of Portfolio With One Issuer:

Corporate Notes	\$ 10,154,641	1.68%	5%
State Obligations	\$ 5,198,350	0.86%	5%

MATURITY DISTRIBUTION

Maturities from 10/31/2019	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 1 Mth	\$ 259,545,485	43%	43%	10%
1 Mth - 12 Mths	\$ 197,644,275	33%	76%	
12 Mths - 36 Mths	\$ 147,101,766	24%	100%	35%
				100%



Average Maturity on 10/31/2019: 0.67 Years
 Average Maturity of Investments (excluding bank / LGIP deposits): 1.30 Years

Maximum Per Policy: 5 Years

ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
Beginning Amortized Cost	\$ 469,291,594	\$ 536,293,595
Investment purchases	\$ -	\$ 161,069,405
Investment maturities and sales	\$ (19,000,000)	\$ (271,971,000)
Amortization	\$ 141,324	\$ 808,943
Net cash deposit (withdrawals)	\$ 151,450,797	\$ 175,691,773
Realized Gain/Loss	\$ -	\$ (9,000)
Ending Amortized Costs	\$ 601,883,715	\$ 601,883,715

Market Value on 10/31/2019: \$ 604,291,525

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 141,324	\$ 808,943
Interest income	\$ 751,764	\$ 2,974,658
Realized gain (loss)	\$ -	\$ (9,000)
Total income	\$ 893,088	\$ 3,774,601
Average portfolio balance*	\$ 465,073,952	\$ 486,419,218

Daily average annualized earned for the period*: 2.20%
 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
10/31/2019

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	9,999,769.05	99.97	9,996,824.60	3.8	1.5
10,000,000	3133EJNW5	FEDERAL FARM CR BKS 2.550% Due 05-15-20	99.95	9,994,950.83	100.51	10,050,798.70	3.8	2.6
10,000,000	3130ABPV2	FEDERAL HOME LOAN BANKS 1.690% Due 06-29-20	99.99	9,998,882.57	100.02	10,002,370.80	3.8	1.7
10,000,000	3135G0T60	FEDERAL NATL MTG ASSN 1.500% Due 07-30-20	99.93	9,993,040.52	99.91	9,990,787.20	3.8	1.6
8,000,000	313370US5	FEDERAL HOME LOAN BANKS 2.875% Due 09-11-20	100.14	8,010,981.43	101.07	8,085,462.40	3.1	2.7
5,000,000	3130ACE26	FEDERAL HOME LOAN BANKS 1.375% Due 09-28-20	98.89	4,944,536.12	99.77	4,988,292.25	1.9	2.6
10,000,000	3137EAEJ4	FEDERAL HOME LN MTG CORP 1.625% Due 09-29-20	99.08	9,907,795.82	100.01	10,001,151.10	3.8	2.7
10,000,000	3133EJAW9	FEDERAL FARM CR BKS 2.250% Due 01-29-21	99.74	9,974,406.10	100.62	10,061,738.10	3.8	2.5
10,000,000	3133EJCE7	FEDERAL FARM CR BKS 2.350% Due 02-12-21	99.54	9,954,423.27	100.80	10,079,626.00	3.8	2.7
10,000,000	3133EJEM7	FEDERAL FARM CR BKS 2.500% Due 03-01-21	99.90	9,990,177.91	101.05	10,105,168.00	3.8	2.6
15,000,000	313373ZY1	FEDERAL HOME LOAN BANKS 3.625% Due 06-11-21	101.20	15,179,879.79	103.24	15,485,867.55	5.9	2.8
10,000,000	3133EJK24	FEDERAL FARM CR BKS 3.000% Due 10-19-21	100.07	10,006,879.69	102.71	10,270,542.80	3.9	3.0
10,000,000	313379Q69	FEDERAL HOME LOAN BANKS 2.125% Due 06-10-22	100.68	10,067,584.61	101.38	10,138,301.80	3.9	1.9
10,017,000	3133EKRD0	FEDERAL FARM CR BKS 1.875% Due 06-14-22	99.89	10,005,521.00	101.02	10,119,157.27	3.8	1.9
15,000,000	3133EKPC4	FEDERAL FARM CR BKS 2.125% Due 09-06-22	100.55	15,083,090.77	101.78	15,266,614.65	5.8	1.9
				153,111,919.47		154,642,703.22	58.8	2.3
Corporate (USD)								
5,000,000	037833AR1	APPLE INC 2.850% Due 05-06-21	100.00	4,999,783.58	101.61	5,080,633.30	1.9	2.9
10,000,000	594918BW3	MICROSOFT CORP 2.400% Due 02-06-22	101.33	10,133,042.76	101.55	10,154,640.50	3.9	1.8
5,000,000	037833CQ1	APPLE INC 2.300% Due 05-11-22	97.71	4,885,652.37	101.33	5,066,725.85	1.9	3.3
				20,018,478.71		20,301,999.65	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	100.32	1,554,913.50	0.6	2.4



Portfolio Appraisal - Settled Trades

US Dollar
10/31/2019

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	100.55	1,005,480.00	0.4	2.7
2,500,000	68607VZ40	OREGON ST LOTTERY REVENUE 2.450% Due 04-01-21	100.00	2,500,000.00	100.98	2,524,550.00	1.0	2.5
5,000,000	59163PKE2	METRO OREGON 3.500% Due 06-01-22	102.72	5,136,023.13	103.97	5,198,350.00	2.0	2.4
2,000,000	93974CRA0	WASHINGTON ST 4.369% Due 08-01-22	103.51	2,070,260.36	106.62	2,132,380.00	0.8	3.0
				12,256,283.49		12,415,673.50	4.7	2.5
US Treasury (USD)								
20,500,000	912796RY7	UNITED STATES TREAS BILLS 0.000% Due 01-30-20	99.39	20,374,770.63	99.62	20,421,833.50	7.8	2.5
20,000,000	912828XM7	UNITED STATES TREAS NTS 1.625% Due 07-31-20	99.37	19,873,062.39	100.01	20,001,560.00	7.6	2.5
10,000,000	9128285B2	UNITED STATES TREAS NTS 2.750% Due 09-30-20	100.37	10,036,802.11	101.02	10,101,560.00	3.8	2.3
15,000,000	912828A42	UNITED STATES TREAS NTS 2.000% Due 11-30-20	100.20	15,030,171.85	100.41	15,061,530.00	5.7	1.8
10,000,000	9128284G2	UNITED STATES TREAS NTS 2.375% Due 04-15-21	100.12	10,012,450.06	101.11	10,110,940.00	3.8	2.3
				75,327,257.03		75,697,423.50	28.8	2.3
Total Portfolio				260,713,938.70		263,057,799.87	100.0	2.3



Portfolio Appraisal - Settled Trades

US Dollar
10/31/2019

Multnomah Liquidity- Bank and OSTF Pool

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
LGIP State Pool (USD)								
203,551,185	OSTFLGIP	OREGON SHORT TERM FUND POOL 2.450% Due 11-29-19	100.00	203,551,184.54	100.00	203,551,184.54	78.5	2.5
				203,551,184.54		203,551,184.54	78.5	2.5
Bank or Cash Deposit (USD)								
23,399,786	SYSBADD1	BANK OF AMERICA 0.010% Due 11-29-19	100.00	23,399,786.09	100.00	23,399,786.09	9.0	0.0
23,207,458	SYSSSBMM1	UMPQUA BANK 1.650% Due 11-29-19	100.00	23,207,458.39	100.00	23,207,458.39	9.0	1.7
194,184	SYSUSB076	US BANK 0.010% Due 11-29-19	100.00	194,183.98	100.00	194,183.98	0.1	0.0
7,330,286	000WAFED	WASHINGTON FEDERAL MMF 1.750% Due 11-29-19	100.00	7,330,286.35	100.00	7,330,286.35	2.8	1.8
1,617,586	SYSWCBMM1	WILLAMETTE COMMUNITY BANK 1.750% Due 11-29-19	100.00	1,617,585.69	100.00	1,617,585.69	0.6	1.8
				55,749,300.50		55,749,300.50	21.5	1.0
Total Portfolio				259,300,485.04		259,300,485.04	100.0	2.1



Portfolio Appraisal - Settled Trades

US Dollar
10/31/2019

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	99.77	14,966,137.50	99.81	14,970,760.00	20.0	2.0
				14,966,137.50		14,970,760.00	20.0	2.0
US Treasury (USD)								
25,000,000	912796SW0	UNITED STATES TREAS BILLS 0.000% Due 12-12-19	99.79	24,946,657.29	99.83	24,958,075.00	33.3	1.9
25,000,000	912828VZ0	UNITED STATES TREAS NTS 2.000% Due 09-30-20	100.17	25,041,885.46	100.34	25,083,975.00	33.5	1.8
				49,988,542.75		50,042,050.00	66.7	1.9
Commercial Paper (USD)								
10,000,000	89233GAG1	TOYOTA MOTOR CREDIT CP 0.000% Due 01-16-20	99.55	9,954,611.11	99.60	9,960,430.56	13.3	2.2
				9,954,611.11		9,960,430.56	13.3	2.2
Total Portfolio				74,909,291.36		74,973,240.56	100.0	1.9



Multnomah County CD Fund

Portfolio Appraisal - Settled Trades

US Dollar
10/31/2019

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

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, GPA cannot guarantee its accuracy, completeness, or suitability. This material is for purposes of observations and oversight and is the opinion of the author and not necessarily of GPA, LLC. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this document is not an offer to purchase or sell any securities.

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.