

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: December 11, 2018

Re: Investment Portfolio Results for November 2018

The County Investment Pool's annualized earnings rate for November was 2.24%. This was a twenty-six basis point increase from the previous month's return of 1.98%. The year-to-date rate of return for Fiscal Year 2019 increased fourteen basis to 1.99%.

The U.S. Treasury 90-day T-Bill yield at the end of November was 2.37%. This was a three basis point increase from October 31st.

The current yield for the State's Local Government Investment Pool is 2.50%.

The economy added 150,000 jobs in November, well under the 200,000 estimate. Current fed funds pricing data shows an 80% expectation for a rate hike at the December 19th FOMC meeting. After posting a solid 3.5% growth rate in the July-September period, the economy is tracking a slower 2.0-2.5% pace in the current quarter, with only consumers and the government providing fuel to the growth engine.

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 11/30/18



Investment Program

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MONTH END COMMENTARY- NOVEMBER 2018

During November, the bond market responded to the moderation in economic data with a continued softening in interest rates. The momentum to lower interest rates impacted longer maturities the most with ten-year notes declining 13 basis points while two-year notes were down 6 basis points.

The Fed also appears to be moderating their economic and inflationary expectations along with an adjustment of future Fed Fund increases. The market has now discounted less than a 50% chance that the Fed will raise rates just once in 2019. While the Fed has not officially adjusted their DOT plot down from previous levels, they are expected to soon. Maybe at the December 19 meeting where they are expected to raise the Fed Funds rate by 25 basis points, but possibly communicate that future increases will be more data dependent than their previously communicated path.

The Fed's preferred measure of inflation, the PCE, dropped from the Fed's target level of 2% to 1.8%. Inflationary expectations also declined during the month which should argue for a more moderate and cautious Fed.

November's employment report released on December 7 was slightly weaker than expectations. The data was still strong but showed the same slightly weaker pattern as other economic indicators.

Strategy Going Forward:

Interest rates are set up for a pause to slightly lower levels as the Fed reassess their economic and inflationary outlook. We are now suggesting that portfolio durations adjust to 100% of their benchmark durations. We believe that the Fed will most likely raise rates on 12/19 but communicate a much more cautious path regarding future changes. Corporate securities have been weakening with the equity market and have started to become more compelling in certain maturities. Interest rates are still close to their 10-year highs established in early November and investors should use this opportunity to purchase securities with 3% plus yields.

TREASURY YIELD CURVE TOTAL RETURNS LAST 12 MONTHS:*

3month bill	1.847
1 year note	1.535
2 year note	0.647
3 year note	-0.009
5 year note	-0.442

TREASURY BENCHMARK TOTAL RETURNS IN MONTH*

Benchmark	Period Return	Duration
BAML 0-3 Year Treasury	0.30%	1.40
BAML 1-3 Year Treasury	0.35%	1.85
BAML 0-5 Year Treasury	0.42%	2.10
BAML 1-5 Year Treasury	0.48%	2.60

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

	11/30/2017	9/30/2018	10/31/2018	11/30/2018	Change from Last Month	Change from Prior Year
3 month bill	1.31	2.23	2.31	2.37	0.06	1.06
1 year note	1.67	2.67	2.74	2.76	0.02	1.09
2 year note	1.79	2.82	2.87	2.81	-0.06	1.02
3 year note	1.90	2.88	2.93	2.83	-0.10	0.93
5 year note	2.15	2.94	2.98	2.85	-0.13	0.70
10 year note	2.42	3.06	3.14	3.01	-0.13	0.59

*Source: Bloomberg



Total Funds Multnomah County

Compliance Report

Policy 2018 | 11/30/2018

	Policy Requirement	% of Total Accumulated	Portfolio Allocation	Within Limits	S&P	Moody's
Under 30 days	10%	72%	\$ 812,519,173	Yes	Muni's AA-	Aa3
Under 1 year	35%	88%	\$ 993,081,319	Yes	Corp Bonds AA-	Aa3
Under 5 years	100%	100%	\$ 1,125,034,369	Yes	C P A-1	P-1
				Yes	B A A-1+	P-1
Maximum Weighted Average Maturity	2		0.39	Yes		
Maximum Callable Securities	25%	1%	\$ 9,812,840	Yes		
Maximum Single Maturity	5 Years		4.14	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%		7.07%	\$ 79,549,600	Yes		
US Agencies Primary	100%		19.92%	\$ 224,088,846	Yes		
FHLB		25%	6.28%	\$ 70,661,511	Yes		
FNMA		25%	2.18%	\$ 24,571,555	Yes		
FHLMC		25%	3.95%	\$ 44,427,580	Yes		
FFCB		25%	7.50%	\$ 84,428,200	Yes		
US Agencies Secondary	10%	10%	0.00%	\$ -			
Municipal Obligations OR, CA, ID, WA	10%	5%	0.19%	\$ 2,088,220	Yes		Yes
Corporate Bonds (No Fossil Fuel)	25%	5%	2.65%	\$ 29,816,465	Yes	Yes	Yes
Commercial Paper	10%	5%	1.33%	\$ 14,994,249	Yes	Yes	Yes
Bank Deposits	50%	25%	10.72%	\$ 120,564,535	Yes	N/A	N/A
Certificates of Deposit	20%	10%	0.17%	\$ 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 ***		57.95%	\$ 651,972,454	Yes*	**	**
Total			100%	\$ 1,125,034,369			

*** 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	\$ 241,899,536	\$ 240,184,635	\$ (1,714,901)	1.87	1.36	1.40
Multnomah County CD Fund	\$ 1,960,000	\$ 1,960,000	\$ 1,960,000	\$ -	1.92	1.03	0.10
Multnomah County Liquidity	\$ 883,536,989	\$ 882,885,897	\$ 882,889,734	\$ 3,837	2.26	0.07	0.10
TOTAL PORTFOLIO	\$ 1,127,496,989	\$ 1,126,745,433	\$ 1,125,034,369	\$ (1,711,064)	2.18	0.35	0.38



Total Funds Multnomah County

For Period November 01, 2018 - November 30, 2018

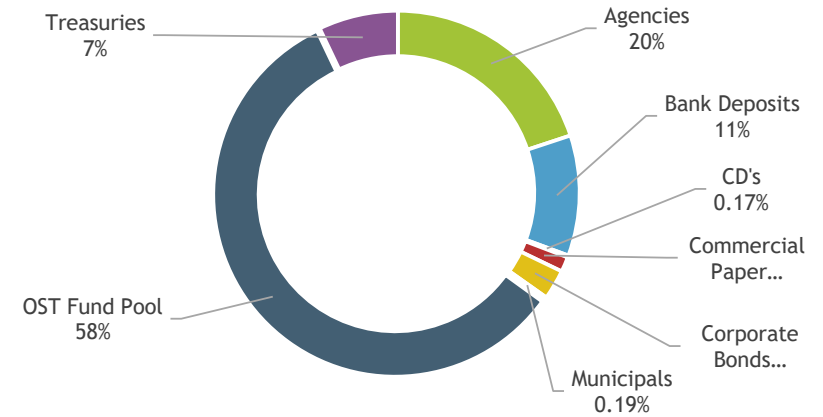
Investment Report

Policy 2018 | 11/30/2018

Investment Holdings at 11/30/2018	Market Value	% of Total Portfolio	Maximum Per Policy
US Treasury Obligations	\$ 79,549,600	7.07%	100%
US Agencies Primary	\$ 224,088,846	19.92%	100%
Municipal Obligations OR, CA, ID, WA	\$ 2,088,220	0.19%	10%
Corporate Bonds (No Fossil Fuel)	\$ 29,816,465	2.65%	25%
Commercial Paper	\$ 14,994,249	1.33%	10%
Bank Deposits	\$ 120,564,535	10.72%	50%
Certificates of Deposit	\$ 1,960,000	0.17%	20%
Bankers Acceptances	\$ -	-	10%
Repurchase Agreements	\$ -	-	10%
Reverse Repurchase Agreement	\$ -	-	10%
OST Fund Pool	\$ 651,972,454	57.95%	
Total Portfolio	\$ 1,125,034,369	100.00%	

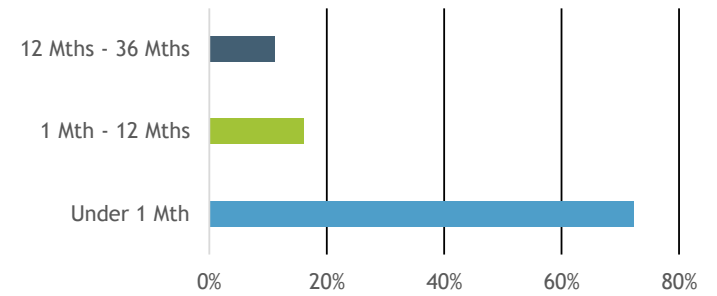
% of Portfolio With One Issuer:

Corporate Notes	\$ 14,935,130	1.33%	5%
State Obligations	\$ 2,088,220	0.19%	5%



MATURITY DISTRIBUTION

Maturities from 11/30/2018	Per Maturity Bucket		Cumulative	
	Market Value	% of Total Portfolio	% of Total Portfolio	Minimum Per Policy
Under 1 Mth	\$ 812,519,173	72%	72%	10%
1 Mth - 12 Mths	\$ 180,562,146	16%	88%	35%
12 Mths - 36 Mths	\$ 124,970,075	11%	99%	100%
36 Mths - 60 Mths	\$ 6,982,975	1%	100%	0%



Average Maturity on 11/30/2018: 0.39 Years
 Average Maturity of portfolio (excluding bank / LGIP deposits): 1.37 Years

Maximum Per Policy: 5 Years

ACTIVITY & PERFORMANCE SUMMARY

Activity Summary	This Month	Fiscal Year-to-Date
Beginning Amortized Cost	\$ 533,012,286	\$ 529,951,765
Investment purchases	\$ 80,901,892	\$ 228,162,229
Investment maturities and sales	\$ (64,490,000)	\$ (327,205,000)
Amortization	\$ 164,438	\$ 809,563
Net cash deposit (withdrawals)	\$ 577,156,817	\$ 695,026,876
Realized Gain/Loss	\$ -	\$ -
Ending Amortized Costs	\$ 1,126,745,433	\$ 1,126,745,433

Market Value on 11/30/2018: \$ 1,125,034,369

Performance Summary	This Month	Fiscal Year-to-Date
Amortization	\$ 164,438	\$ 809,563
Interest income	\$ 1,879,800	\$ 4,174,038
Realized gain (loss)	\$ -	\$ -
Total income	\$ 2,044,238	\$ 4,983,601
Average portfolio balance*	\$ 1,108,409,821	\$ 605,358,741

Daily average annualized earned for the period: 2.24%
 Investment Portfolio yield at cost (excluding bank / LGIP deposits): 1.87%
 Local Government Investment Pool interest rate: 2.50%

* Average portfolio balance based on County's Sympro system



Portfolio Appraisal - Settled Trades

US Dollar
11/30/2018

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	100.14	10,014,291.34	99.76	9,975,640.00	4.2	1.0
10,000,000	3134G9AW7	FEDERAL HOME LN MTG CORP 1.150% Due 04-26-19	99.99	9,998,666.67	99.45	9,945,070.00	4.1	1.2
10,000,000	3133EF5X1	FEDERAL FARM CR BKS 1.100% Due 05-03-19	100.03	10,003,476.08	99.42	9,941,890.00	4.1	1.0
15,000,000	313379EE5	FEDERAL HOME LOAN BANKS 1.625% Due 06-14-19	100.38	15,057,573.19	99.50	14,924,310.00	6.2	0.9
15,000,000	3137EAEB1	FEDERAL HOME LN MTG CORP 0.875% Due 07-19-19	99.96	14,994,497.12	98.91	14,836,260.00	6.2	0.9
10,000,000	3136G3X67	FEDERAL NATL MTG ASSN 1.100% Due 08-23-19	100.00	10,000,000.00	98.88	9,887,690.00	4.1	1.1
15,000,000	3133EHYJ6	FEDERAL FARM CR BKS 1.375% Due 09-12-19	99.91	14,986,281.76	98.99	14,848,710.00	6.2	1.5
10,000,000	3137EAE5	FEDERAL HOME LN MTG CORP 1.500% Due 01-17-20	99.99	9,998,764.61	98.61	9,861,360.00	4.1	1.5
10,000,000	3133EJNW5	FEDERAL FARM CR BKS 2.550% Due 05-15-20	99.86	9,986,309.99	99.63	9,962,900.00	4.1	2.6
10,000,000	3130ABPV2	FEDERAL HOME LOAN BANKS 1.690% Due 06-29-20	99.97	9,997,324.36	98.13	9,812,840.00	4.1	1.7
10,000,000	3135G0T60	FEDERAL NATL MTG ASSN 1.500% Due 07-30-20	99.84	9,984,469.48	97.89	9,789,110.00	4.1	1.6
5,000,000	3130ACE26	FEDERAL HOME LOAN BANKS 1.375% Due 09-28-20	97.77	4,888,393.12	97.40	4,869,930.00	2.0	2.6
10,000,000	3137EAEJ4	FEDERAL HOME LN MTG CORP 1.625% Due 09-29-20	98.15	9,814,603.43	97.85	9,784,890.00	4.1	2.7
10,000,000	3133EJAW9	FEDERAL FARM CR BKS 2.250% Due 01-29-21	99.56	9,955,538.71	98.71	9,871,420.00	4.1	2.5
10,000,000	3133EJCE7	FEDERAL FARM CR BKS 2.350% Due 02-12-21	99.22	9,921,775.69	98.89	9,888,900.00	4.1	2.7
10,000,000	3133EJEM7	FEDERAL FARM CR BKS 2.500% Due 03-01-21	99.83	9,983,424.21	99.17	9,916,790.00	4.1	2.6
15,000,000	313373ZY1	FEDERAL HOME LOAN BANKS 3.625% Due 06-11-21	101.88	15,282,421.70	101.80	15,269,895.00	6.4	2.8
10,000,000	3133EJZU6	FEDERAL FARM CR BKS 2.850% Due 09-20-21	99.76	9,975,831.23	99.76	9,976,480.00	4.2	2.9
10,000,000	3133EJK24	FEDERAL FARM CR BKS 3.000% Due 10-19-21	100.10	10,010,093.05	100.21	10,021,110.00	4.2	3.0
5,000,000	3135G0T94	FEDERAL NATL MTG ASSN 2.375% Due 01-19-23	98.64	4,932,209.96	97.90	4,894,755.00	2.0	2.7
				209,785,945.72		208,279,950.00	86.7	1.905
Corporate (USD)								
5,000,000	478160BG8	JOHNSON & JOHNSON 1.650% Due 12-05-18	100.01	5,000,337.64	100.00	4,999,875.00	2.1	1.0



Portfolio Appraisal - Settled Trades

US Dollar
11/30/2018

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	100.23	10,022,674.40	99.71	9,970,680.00	4.2	1.6
10,000,000	594918BN3	MICROSOFT CORP 1.100% Due 08-08-19	99.97	9,997,237.44	98.81	9,881,460.00	4.1	1.1
5,000,000	037833AR1	APPLE INC 2.850% Due 05-06-21	99.99	4,999,652.40	99.29	4,964,450.00	2.1	2.9
				30,019,901.88		29,816,465.00	12.4	1.550
Municipal (USD)								
2,000,000	93974CRA0	WASHINGTON ST 4.369% Due 08-01-22	104.68	2,093,688.34	104.41	2,088,220.00	0.9	3.0
				2,093,688.34		2,088,220.00	0.9	3.00
Total Portfolio				241,899,535.94		240,184,635.00	100.0	1.87



Portfolio Appraisal - Settled Trades

US Dollar
11/30/2018

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	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	SYS7520	SUMMIT BANK CD 2.000% Due 11-15-19	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
245,000	SYS7521	UMPQUA BANK CD 2.800% Due 05-20-20	100.00	245,000.00	100.00	245,000.00	12.5	2.8
				1,960,000.00		1,960,000.00	100.0	1.9
Total Portfolio				1,960,000.00		1,960,000.00	100.0	1.92



Multnomah County Liquidity

Portfolio Appraisal - Settled Trades

US Dollar
11/30/2018

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
US Agency (USD)								
16,000,000	313384FZ7	FEDL HOME LOAN BKS DISC NT 0.000% Due 05-24-19	98.80	15,807,826.66	98.81	15,808,896.00	1.8	2.5
				15,807,826.66		15,808,896.00	1.8	2.53
US Treasury (USD)								
20,000,000	912796QN2	UNITED STATES TREAS BILLS 0.000% Due 12-13-18	99.93	19,986,240.67	99.94	19,988,060.00	2.3	2.1
25,000,000	912796QT9	UNITED STATES TREAS BILLS 0.000% Due 01-17-19	99.72	24,928,958.19	99.72	24,928,875.00	2.8	2.2
10,000,000	912828R44	UNITED STATES TREAS NTS 0.875% Due 05-15-19	99.26	9,926,284.16	99.25	9,925,390.00	1.1	2.5
25,000,000	912796QH5	UNITED STATES TREAS BILLS 0.000% Due 05-23-19	98.82	24,704,494.38	98.83	24,707,275.00	2.8	2.5
				79,545,977.40		79,549,600.00	9.0	2.32
LGIP State Pool (USD)								
651,972,454	OSTFLGIP	OREGON SHORT TERM FUND POOL 2.500% Due 12-29-18	100.00	651,972,453.87	100.00	651,972,453.87	73.8	2.5
				651,972,453.87		651,972,453.87	73.8	2.50
Bank or Cash Deposit (USD)								
67,784,624	SYSBADD1	BANK OF AMERICA 0.010% Due 12-29-18	100.00	67,784,624.36	100.00	67,784,624.36	7.7	0.0
33,834,967	SYSSSBMM1	UMPQUA BANK 2.000% Due 12-29-18	100.00	33,834,967.13	100.00	33,834,967.13	3.8	2.0
198,235	SYSUSB076	US BANK 0.010% Due 12-29-18	100.00	198,235.47	100.00	198,235.47	0.0	0.0
17,154,878	000WAFED	WASHINGTON FEDERAL MMF 2.000% Due 12-29-18	100.00	17,154,878.46	100.00	17,154,878.46	1.9	2.0
1,591,829	SYSWCBMM1	WILLAMETTE COMMUNITY BANK 1.750% Due 12-29-18	100.00	1,591,829.39	100.00	1,591,829.39	0.2	1.8
				120,564,534.81		120,564,534.81	13.7	0.88



Multnomah County Liquidity

Portfolio Appraisal - Settled Trades

US Dollar
11/30/2018

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Yield
Commercial Paper (USD)								
15,000,000	89233HM68	TOYOTA MOTOR CREDIT CP 0.000% Due 12-06-18	99.97	14,995,104.17	99.96	14,994,249.00	1.7	2.4
				14,995,104.17		14,994,249.00	1.7	2.43
Total Portfolio				882,885,896.91		882,889,733.68	100.0	2.26



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.