



## MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT May 2020



### INVESTMENT RECAP

**Summary of May Investments:** The County's core portfolio, made up of excess funds not needed during the annual operating cycle, consists of \$120 million invested in a diversified mix of U.S. Treasuries and government agency securities as well as certificates of deposit with a local qualified public depository. These investments are laddered out with maturities of \$5 million per month through May 2022. One \$5 million purchase was made in May, reinvesting the proceeds from a maturity. The cyclical portion, made up of ad valorem tax proceeds that are used during the annual operating cycle, are primarily held in overnight liquid investments including Florida Prime and the Florida Local Government Investment Trust. In recent months, these funds have offered higher yields than direct short-term investments.

### KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** COVID-19 decimated jobs as nonfarm payrolls fell by 20.5 million in April, somewhat better than the median forecast for losses of 22 million. The unemployment rate more than quadrupled from the 50-year low of 3.5% in February to 14.7% in April, but the BLS said data collection errors understated the rate by 5 percentage points.
- **ECO GROWTH:** Q1 GDP had a minimal downward revision from a -4.8% decline to a -5.0% decline in the second-round first quarter report, the steepest contraction since Q4 2008.
- **INFLATION:** Inflation retreated as headline CPI fell -0.8% in April, logging the largest monthly decline since December 2008, while core CPI fell -0.4%, the biggest drop since 1957. The Fed's favorite measure, core PCE, fell -0.4% in April after being flat in March.
- **ISM SURVEYS:** The ISM manufacturing index slipped into mild contraction in March before plunging to a recessionary 41.5 in April. The ISM non-manufacturing index collapsed from a 14-month high of 57.3 in February to 52.5 in March and to 41.8 in April. Remember, readings below 50 indicate contraction.
- **CONSUMER SPENDING:** Headline retail sales dropped -16.4% in April and the -23% collapse over the last two-months was almost double the -13% drop in sales experienced during the entire Great Recession. The "control group," used to calculate GDP, was expected to drop -5.0% but actually fell by a shocking -15.3%.

### NEWS and EVENTS

- In the six-week period from April 8th through May 20th, the US national debt spiked by \$1.5 trillion to over \$25.5 trillion as spending exploded following passage of the CARES Act.
- The Dow Jones Industrial Average and the S&P 500 were up roughly +35% from the lows in March. This was tied to idea of reopening the economy, fiscal and monetary stimulus, and optimism on a vaccine.
- Interest rates across the curve hit new record lows, prompting investors to question if negative yields would be the new normal. The 2-year Treasury bottomed at 0.14% in early May while the 5-year reached 0.30%.
- Chairman Powell continued to reiterate the same message: The Fed has ample tools but doesn't expect to take rates negative. They don't expect to raise rates again until the virus threat has passed, inflation is nearing 2%, and the U.S. has again achieved full employment.
- House Democrats came up with an additional \$3 trillion aid package, but there isn't Republican support, so it likely won't pass in the Senate. The Fed encouraged Congress to spend more.

### PORTFOLIO SUMMARY

|                                   | 12/31/2019    | 1/31/2020     | 2/29/2020     | 3/31/2020     | 4/30/2020     | 5/31/2020     |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Book Value                        | \$374,599,759 | \$396,307,974 | \$394,046,496 | \$369,688,954 | \$360,132,306 | \$355,484,762 |
| Market Value                      | \$375,039,162 | \$396,871,546 | \$394,991,056 | \$371,352,169 | \$361,663,940 | \$356,873,622 |
| Market Value%                     | 100.12%       | 100.14%       | 100.24%       | 100.45%       | 100.43%       | 100.39%       |
| Weighted Average Maturity - Days  | 119 days      | 113 days      | 114 days      | 121 days      | 124 days      | 126 days      |
| Weighted Average Yield            | 1.969%        | 1.925%        | 1.880%        | 1.584%        | 1.298%        | 1.132%        |
| Earned Income                     | \$582,871     | \$641,782     | \$583,646     | \$525,670     | \$383,694     | \$343,228     |
| Earned Income-Fiscal Year-to-Date | \$1,493,528   | \$2,135,310   | \$2,718,956   | \$3,244,626   | \$3,628,320   | \$3,971,548   |
| Change in Market Value *          | \$29,393      | \$207,724     | \$461,196     | \$701,418     | (\$66,549)    | (\$95,237)    |
| Income Net of Change in Mkt Val   | \$612,264     | \$849,506     | \$1,044,842   | \$1,227,088   | \$317,145     | \$247,991     |

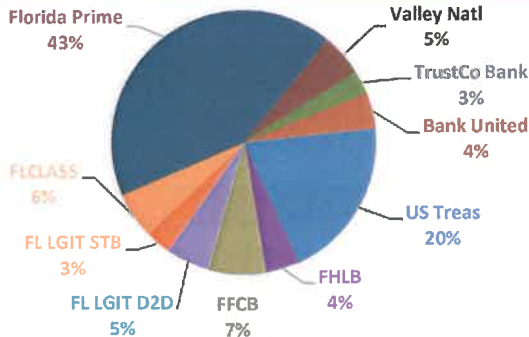
\* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



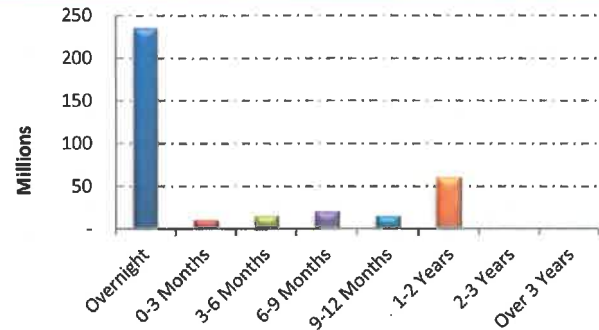
# MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT May 2020



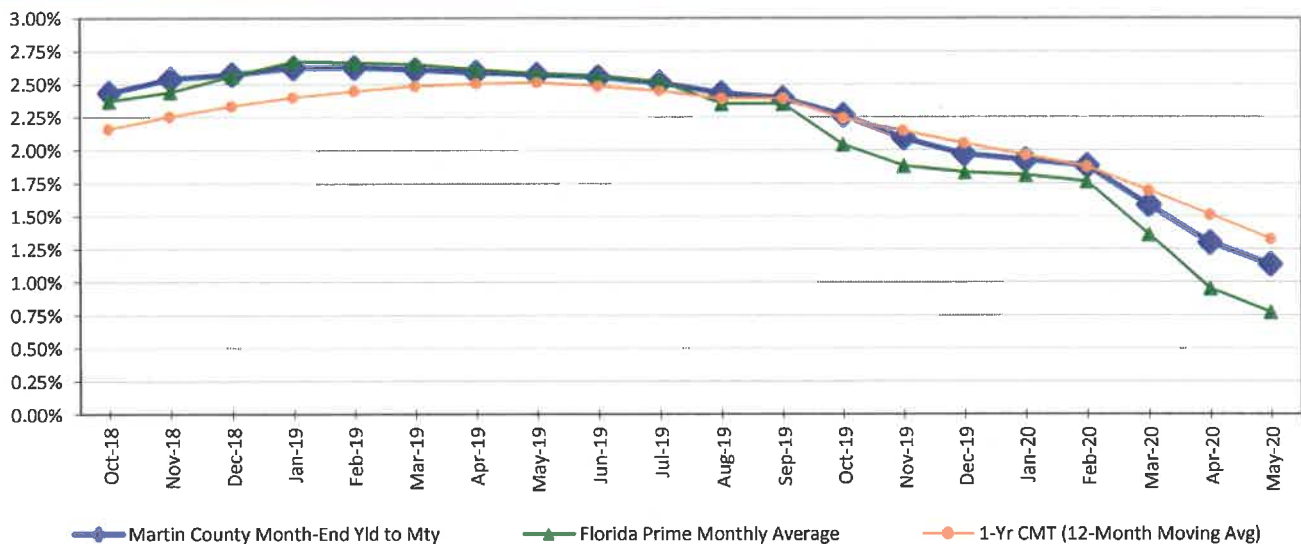
## Portfolio Composition by Issuer



## Portfolio Composition by Maturity



## YIELD COMPARISONS



## SHOCK ANALYSIS

|                        | Down<br>50 Basis Points | Down<br>25 Basis Points | Base          | Up<br>25 Basis Points | Up<br>50 Basis Points | Up<br>100 Basis Points |
|------------------------|-------------------------|-------------------------|---------------|-----------------------|-----------------------|------------------------|
| Book Value             | \$355,484,762           | \$355,484,762           | \$355,484,762 | \$355,484,762         | \$355,484,762         | \$355,484,762          |
| Market Value           | \$357,578,833           | \$357,226,227           | \$356,873,622 | \$356,521,017         | \$356,168,412         | \$355,463,201          |
| Unrealized Gain/(Loss) | \$2,094,071             | \$1,741,466             | \$1,388,861   | \$1,036,255           | \$683,650             | -\$21,561              |
| Market Price           | 100.59%                 | 100.49%                 | 100.39%       | 100.29%               | 100.19%               | 99.99%                 |
| Book Yield             | 0.817%                  | 0.974%                  | 1.132%        | 1.289%                | 1.447%                | 1.762%                 |
| Duration               | 0.395                   | 0.395                   | 0.395         | 0.395                 | 0.395                 | 0.395                  |

The portfolio shock analysis is intended as a risk management tool and should not be considered a definitive assessment of market value. The analysis assumes an instantaneous parallel shift in interest rates. Cash equivalent holdings such as bank deposits, Florida Prime, and FL LGIT Day to Day are assumed to have a duration of zero and their yields are assumed to shift immediately. The FL LGIT Short Term Bond Fund duration is taken from the FL LGIT web-site and was 1.86 as of 4/30/20, 5/31/20 was not yet posted.