



MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT July 2020



INVESTMENT RECAP

Summary of July Investments: The County's core portfolio, made up of excess funds not needed during the annual operating cycle, consists of \$115 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 June 2022. One \$5 million maturity was not reinvestment in July and was placed into the Florida Prime Fund. 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. These funds continue to offer higher yields than direct short-term investments.

KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls followed May's 2.5 million increase with a 4.8 million gain in June as roughly a third of the 21 million jobs lost in March and April have now been recovered. The headline unemployment rate fell from 13.3% to 11.1%, though it remains well above February's 3.5%. Continuing claims for unemployment benefits paint a gloomy picture of the recovery as 32 million individuals are still receiving unemployment benefits under either state or federal programs.
- **ECO GROWTH:** The initial reading on Q2 GDP came in late July with a massive -32.9% plunge. While it was better than forecasted, it was still more than three times the size of the next worst contraction on record dating back to 1947.
- **INFLATION:** Headline CPI rose 0.6% month-over-month in June and the core (ex-food and energy) rose 0.2%. On a year-over-year basis headline CPI was up 0.6%, while the core rate rose 1.2%. The Fed's preferred measure, core Personal Consumption Expenditures (PCE), rose 0.2% in June while the year-over-year rate was running at +0.9%, well short of the Fed's +2.0% target.
- **ISM SURVEYS:** The ISM manufacturing index jumped from 43.1 to 52.6 in June, topping the median forecast of 49.6. New orders rocketed from 31.8 to 56.4, while production jumped from 33.2 to 57.3. The ISM non-manufacturing index (service sector) soared from 45.4 to 57.1 in June. Conditions clearly improved from the prior month and were reflective of reopenings in June.
- **CONSUMER SPENDING:** Retail sales topped forecasts for the second straight month. The +7.5% June advance followed a record +18.2% increase in May. Ten of 13 categories were up during June as consumers were buoyed by federal stimulus dollars. The important "control group," used to calculate GDP, rose +5.6% in June, beating expectations.

NEWS and EVENTS

- The Federal Open Market Committee met in late July and, as expected, left monetary policy unchanged. Chairman Powell reiterated a few points at the post meeting press conference: The virus will determine the path of the economy; the Fed will use all available tools to support growth; Congress needs to provide more aid.
- Stock markets, led by the technology sector and a handful of well-known names, continue to recover. The NASDAQ climbed to a record high in July and the S&P 500 is now positive for the year.
- Bond markets have become remarkably stable, yet yields continue to grind lower. In fact, the two-, three-, five-, seven-, and 10-year Treasury notes all closed July at record low yields of 0.11%, 0.12%, 0.21%, 0.39%, and 0.53% respectively.
- Many economists believe economic conditions and Fed policy are likely to keep yields extremely low for years.
- Forbes reported there are more than 100 vaccines for COVID-19 in the development stage with nine of these already in human trials.
- A resurgence of COVID-19 cases during July has raised doubts about the prospects for a V-shaped economic recovery.

PORTFOLIO SUMMARY

| | 2/29/2020 | 3/31/2020 | 4/30/2020 | 5/31/2020 | 6/30/2020 | 7/31/2020 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Book Value | \$394,046,496 | \$369,688,954 | \$360,132,306 | \$355,484,762 | \$346,718,888 | \$339,957,065 |
| Market Value | \$394,991,056 | \$371,352,169 | \$361,663,940 | \$356,873,622 | \$347,984,392 | \$341,116,541 |
| Market Value% | 100.24% | 100.45% | 100.43% | 100.39% | 100.36% | 100.34% |
| Weighted Average Maturity - Days | 114 days | 121 days | 124 days | 126 days | 129 days | 121 days |
| Weighted Average Yield | 1.880% | 1.584% | 1.298% | 1.132% | 0.991% | 0.895% |
| Earned Income | \$583,646 | \$525,670 | \$383,694 | \$343,228 | \$284,276 | \$257,477 |
| Earned Income-Fiscal Year-to-Date | \$2,718,956 | \$3,244,626 | \$3,628,320 | \$3,971,548 | \$4,255,824 | \$4,513,300 |
| Change in Market Value * | \$461,196 | \$701,418 | (\$66,549) | (\$95,237) | (\$99,019) | (\$95,632) |
| Income Net of Change in Mkt Val | \$1,044,842 | \$1,227,088 | \$317,145 | \$247,991 | \$185,257 | \$161,845 |

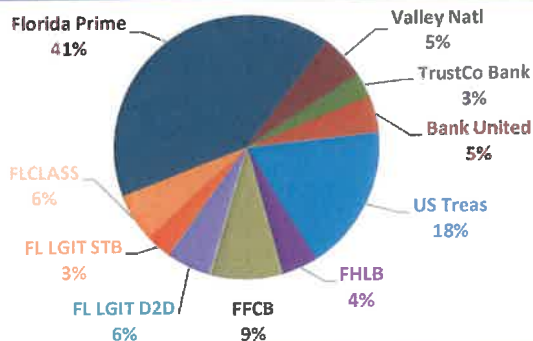
* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



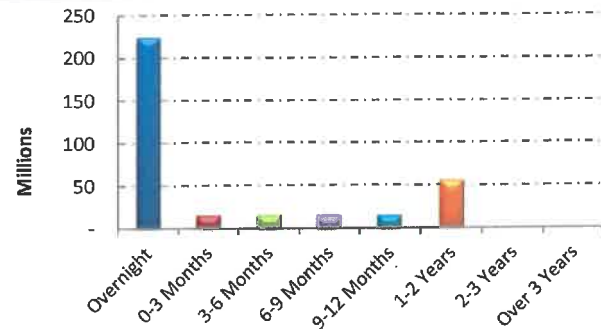
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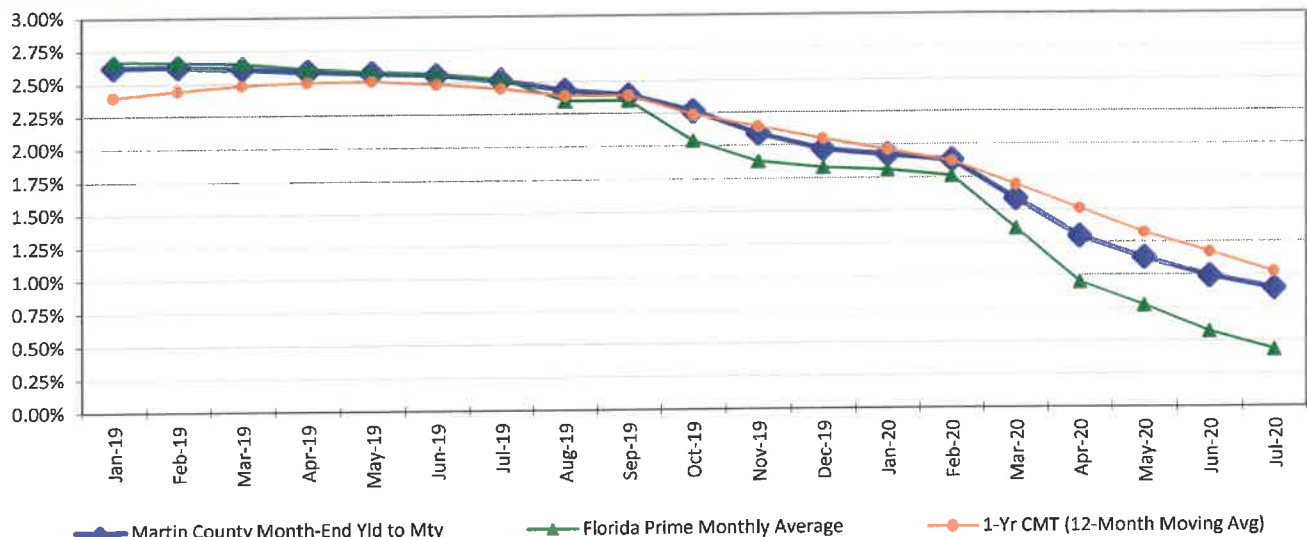
Portfolio Composition by Issuer



Portfolio Composition by Maturity



YIELD COMPARISONS



SHOCK ANALYSIS

| | Down 50 Basis Points | Down 25 Basis Points | Base | Up 25 Basis Points | Up 50 Basis Points | Up 100 Basis Points |
|------------------------|-------------------------|-------------------------|---------------|-----------------------|-----------------------|------------------------|
| Book Value | \$339,957,065 | \$339,957,065 | \$339,957,065 | \$339,957,065 | \$339,957,065 | \$339,957,065 |
| Market Value | \$341,774,714 | \$341,445,627 | \$341,116,541 | \$340,787,455 | \$340,458,368 | \$339,800,195 |
| Unrealized Gain/(Loss) | \$1,817,649 | \$1,488,563 | \$1,159,476 | \$830,390 | \$501,303 | -\$156,870 |
| Market Price | 100.53% | 100.44% | 100.34% | 100.24% | 100.15% | 99.95% |
| Book Yield | 0.581% | 0.738% | 0.895% | 1.052% | 1.209% | 1.523% |
| Duration | 0.386 | 0.386 | 0.386 | 0.386 | 0.386 | 0.386 |

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 1.87 as of 6/30/20, 7/31/20 was not yet posted.

Martin County Clerk of the Circuit Court and Comptroller - Carolyn Timmann - Cash & Investment Management