



# SARASOTA COUNTY, FLORIDA MONTHLY INVESTMENT REPORT

November 2017

Prepared by Karen E. Rushing, Clerk of the Circuit Court and County Comptroller

**Summary of Investment Strategy:** The fixed income market continues to experience a bear flattening; similar to what occurred last month, as rates on the front end of the curve continue to rise. In the month of November, the front end of the Treasury curve (six months to 3 year) experienced rates increasing approximately 15 to 20 basis points across that section of the curve. As this trend in the market place continues, the investment strategy for the County is to continue to keep the duration of the portfolio shorter than the benchmark (the 2 Year Treasury). In order to achieve this shorter duration strategy as new tax receipts come in, the County will continue to utilize a mix of certificates of deposit, government agency bonds and FL Pools to enhance the portfolio returns. The County received \$39.0 million in Ad Valorem taxes this month. Purchases: \$20.0 million in CD's at 1.73%. \$5.0 million in FFCB at 1.8%. Mortgage pay downs of \$6.1 million were received this month.

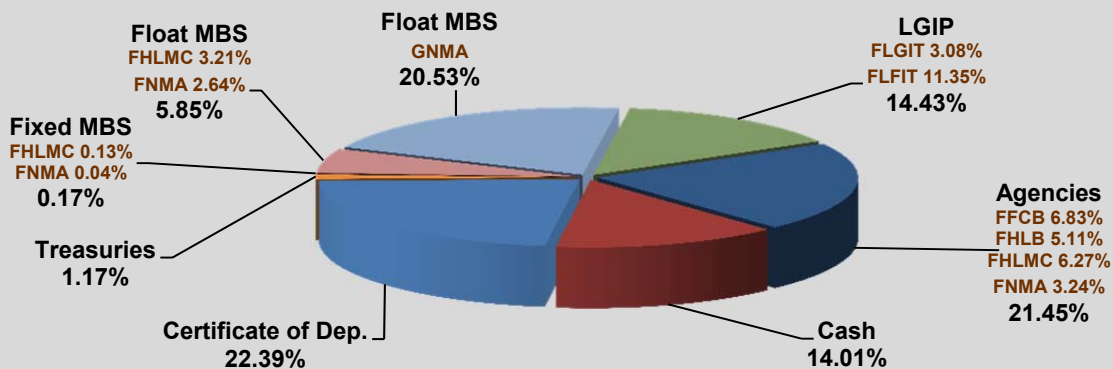
## KEY ECONOMIC INDICATORS

- Employers added 228,000 jobs in November, the U.S. Bureau of Labor Statistics reported.
- The unemployment rate held at 4.1 percent in November, and the number of unemployed persons was essentially unchanged at 6.1 million.
- Gross Domestic Product (GDP) for came in at 3.3% compared to a median estimate of 3.2%.
- Producer Price Index (PPI) came in at 2.8% on a year over year basis, meeting expectations, and increasing over last year's 2.6% increase.
- Consumer Price Index (CPI) came in at 2.0% compared to a 2.0% median estimate and prior year 2.2% increase.

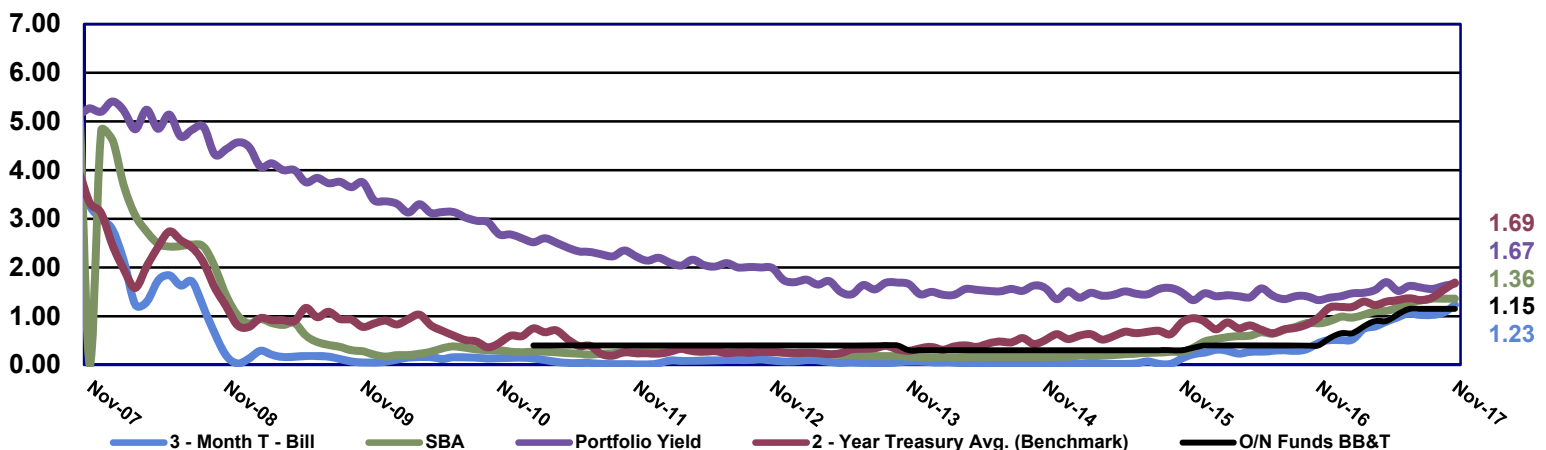
## NEWS and EVENTS

- Senate Republicans passed a \$1.5 trillion tax bill, with a final vote of 51-49 that bestows extensive benefits on corporate America and the wealthy while delivering mixed blessings to everybody else.
- The Treasury market reacted positively to the passing of the tax bill which helped to push the U.S. 10-year Treasury notes to 2.42 percent.
- Bitcoin continued its meteoric rise during November. Bitcoin jumped as much as 23 percent in one day to \$16,374, before paring gains in New York trading, according to Bloomberg prices.
- Retired Army Lt. Gen. Michael Flynn, who briefly served as President Trump's national security advisor, plead guilty to a single count of making false statements to the FBI about his contacts with the Russian ambassador.
- The UK and the European Union reached a significant milestone in their pursuit of a Brexit deal, breaking a deadlock that allows talks to move on to a crucial second phase.

## PORTFOLIO COMPOSITION



## YIELD COMPARISON





## PORTFOLIO STATISTICS

	June	July	August	September	October	November
<b>Portfolio at Cost Plus Cash</b>	\$ 895,245,738	\$ 870,694,839	\$ 870,233,603	\$ 804,120,711	\$ 786,008,052	\$ 848,423,648
<b>Yield Based Upon Cost Plus Cash</b>	1.52%	1.62%	1.59%	1.56%	1.62%	1.67%
<b>Yield Based Upon Cost</b>	1.61%	1.69%	1.71%	1.62%	1.65%	1.88%
<b>Interest Received (Cash Basis)</b>	\$ 1,013,102	\$ 1,146,670	\$ 1,245,310	\$ 1,033,743	\$ 996,015	\$ 1,012,199
<b>Interest Received Fiscal Year to Date</b>						<b>\$ 2,008,214</b>

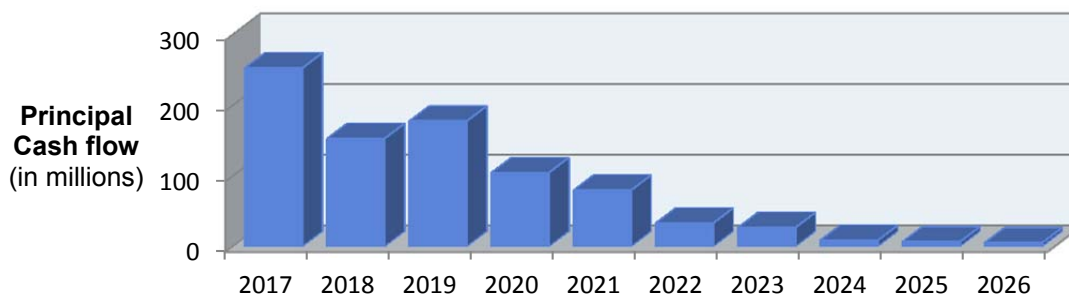
## SHOCK ANALYSIS

The portfolio shock analysis is a proactive risk management tool, utilized to evaluate how Sarasota County's current portfolio would react to certain defined interest rate scenarios. This tool enables us to monitor the county's interest rate risk exposure to ensure it is aligned with the requirements of the investment policy. The table below presents the base scenario on how the portfolio is performing in the current interest rate environment, accompanied by scenarios of interest rate increases, and decreases.

	Down 50 Basis Points	Down 25 Basis Points	Base	Up 25 Basis Points	Up 50 Basis Points
<b>Book Value plus cash</b>	\$ 848,423,648	\$ 848,423,648	\$ 848,423,648	\$ 848,423,648	\$ 848,423,648
<b>Market Value</b>	849,425,151	846,893,715	844,097,442	841,161,269	838,057,431
<b>Gain/(loss) BV unrealized</b>	1,001,504	(1,529,932)	(4,326,205)	(7,262,378)	(10,366,216)
<b>Market price</b>	100.12	99.82	99.49	99.14	98.78
<b>Book Yield plus cash</b>	1.56	1.61	1.67	1.70	1.75
<b>WAL</b>	2.42	2.72	2.74	2.76	2.78
<b>Effective Duration</b>	0.88	0.98	1.08	1.18	1.27
<b>Effective Convexity</b>	-0.43	-0.41	-0.39	-0.37	-0.35

## CASH FLOW FORECAST

The cash flow forecast chart is a graphical representation of the annual projected cash flows of the County's investment portfolio resulting from expected investment maturities, calls and mortgage prepayments. Policy guidelines allow for adjustable mortgages that have longer maturities since the coupon changes bases on interest rate movements. This management tool is utilized to evaluate portfolio liquidity, to make sure there is sufficient cash on hand to meet day-to-day expenses, and optimize reinvestment of excess funds. Expected cash flows through December 2017 year are \$253 million, including cash on hand.







## PORTFOLIO STATISTICS

	May	June	July	August	September	October
<b>Portfolio at Cost Plus Cash</b>	\$ 908,724,830	\$ 895,245,738	\$ 870,694,839	\$ 870,233,603	\$ 804,120,711	\$ 786,008,052
<b>Yield Based Upon Cost Plus Cash</b>	1.70%	1.52%	1.62%	1.59%	1.56%	1.62%
<b>Yield Based Upon Cost</b>	1.85%	1.61%	1.69%	1.71%	1.62%	1.65%
<b>Interest Received (Cash Basis)</b>	\$ 1,266,143	\$ 1,013,102	\$ 1,146,670	\$ 1,245,310	\$ 1,033,743	\$ 996,015
<b>Interest Received Fiscal Year to Date</b>						<b>\$ 996,015</b>

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	Down 50 Basis Points	Down 25 Basis Points	Base	Up 25 Basis Points	Up 50 Basis Points
<b>Book Value plus cash</b>	\$ 786,008,052	\$ 786,008,052	\$ 786,008,052	\$ 786,008,052	\$ 786,008,052
<b>Market Value</b>	787,624,175	785,429,675	782,887,315	780,176,055	777,348,760
<b>Gain/(loss) BV unrealized</b>	1,616,123	(578,377)	(3,120,737)	(5,831,997)	(8,659,292)
<b>Market price</b>	100.21	99.93	99.60	99.26	99.60
<b>Book Yield plus cash</b>	1.54	1.58	1.62	1.66	1.70
<b>WAL</b>	1.87	1.98	2.20	2.20	2.21
<b>Effective Duration</b>	1.04	1.16	1.27	1.37	1.46
<b>Effective Convexity</b>	-0.48	-0.46	-0.43	-0.40	-0.38

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