

KEN BURKE


CLERK OF THE CIRCUIT COURT -PINELLAS COUNTY, FLORIDA

FINANCE DIVISION

Clerk of the County Court
Recorder of Deeds
Clerk and Accountant of the Board of County Commissioners
Custodian of County Funds
County Auditor
Clerk of the Water and Navigation Control Authority

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TO: The Honorable Chair and Members of the
Pinellas County Board of County Commissioners

FROM:  Ken Burke, CPA
Clerk of Circuit Court and Comptroller

SUBJECT: Quarterly Investment Report for the Period Ended March 31, 2018 ~ Format
Revision

DATE: May 30, 2018

We are pleased to provide you with the enclosed *Quarterly Investment Report for the period ended March 31, 2018*. While the new format contains much of the same content as previous versions, we hope our readers will find it more streamlined and easier to understand. Our goal is to provide meaningful information that allows the Board and citizens to be well-informed of the County's investment activities.

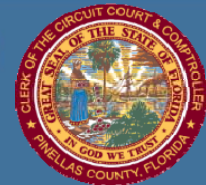
If you have any recommendations or comments regarding the report, we welcome your feedback. Feel free to contact me at 727-464-3341 or Clareth Harris, Chief Deputy Director, Finance Division at 727-464-8300.

Enclosures

Cc: Clareth N. Harris, Chief Deputy Director, Finance Division
Jewel White, County Attorney
Mark S. Woodard, County Administrator
Board Records

Pinellas County Board of County Commissioners Quarterly Investment Report

For the Period Ended March 31, 2018

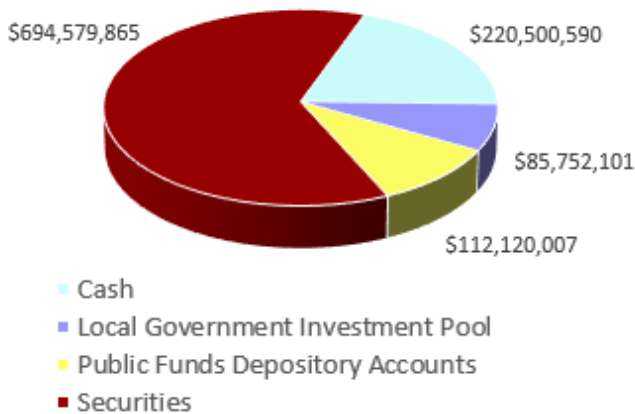


KEN BURKE, CPA
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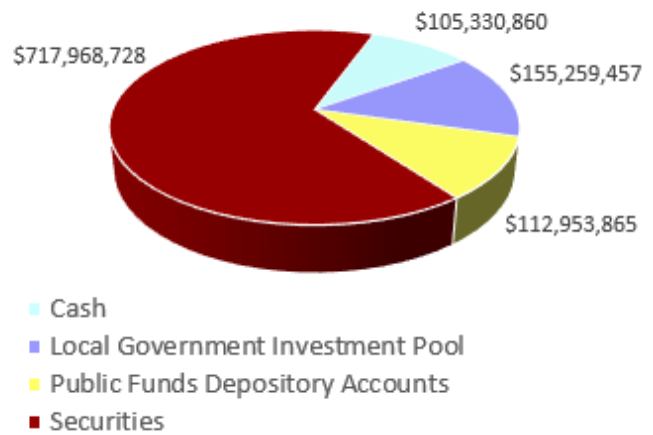
Section 218.415, Florida Statutes authorizes the governing body of a local government to adopt a written investment plan to govern investment activity. The Board of County Commissioners (Board) adopted Section 2-144 of the Pinellas County Code, Investment of Surplus Public Funds, establishing policies for investing all County surplus funds controlled by the Board. All investment activity is conducted in accordance with Code Section 2-144 and additional written policies and procedures.

Portfolio Balances

As of March 31, 2017 - \$1,112,952,563



As of March 31, 2018 - \$1,091,512,910



Portfolio Quarter-End Statistics	3/17	6/17	9/17	12/17	3/18
Total Portfolio - book value	\$1,112,952,563	\$1,026,092,972	\$950,735,097	\$1,171,300,226	\$1,091,512,910
Securities weighted average maturity (WAM)	1.18 years	1.06 years	0.93 years	1.18 years	1.13 years
Realized investment income	\$2,585,417	\$2,672,908	\$2,689,058	\$2,828,168	\$3,936,769
Composite Yields (3 month daily average)					
Short Term Portfolio	0.76%	0.96%	1.13%	1.22%	1.48%
Benchmark (3-month T-Bill)	0.60%	0.90%	1.06%	1.23%	1.58%
Long Term Portfolio	1.06%	1.07%	1.10%	1.19%	1.42%
Benchmark (2-year-T-Bill)	1.24%	1.29%	1.36%	1.70%	2.16%
Portfolio Overall	0.96%	1.03%	1.11%	1.20%	1.44%

* The report reflects the three month Treasury exceeding the actual short term portfolio yield by ten basis points. This is due to a rising rate environment. The yield in our primary banking relationship is tied to the federal fund rate and our public funds depository account investment is tied to the 3-month LIBOR where the rate resets on a quarterly basis.

**As expected, in a rising rate environment coupled with Pinellas County's buy and hold strategy, this report reflects the two year Treasury exceeding the actual long term portfolio yield.

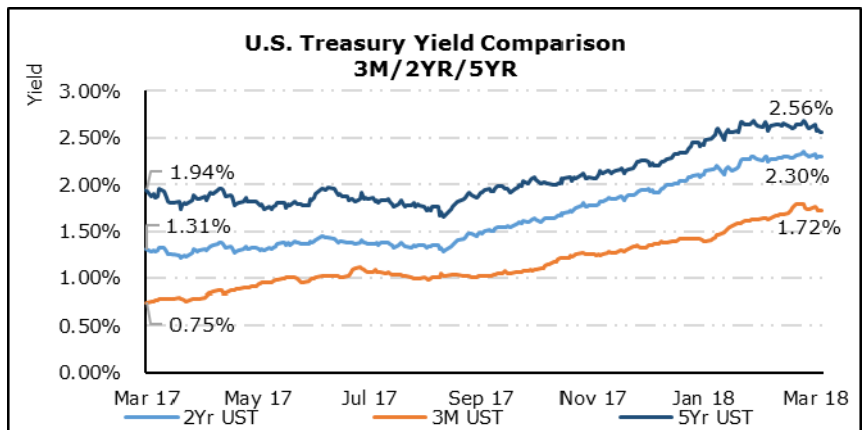
Quarterly Investment Report

For the Period Ended March 31, 2018

Economic Information

Treasury Yields:

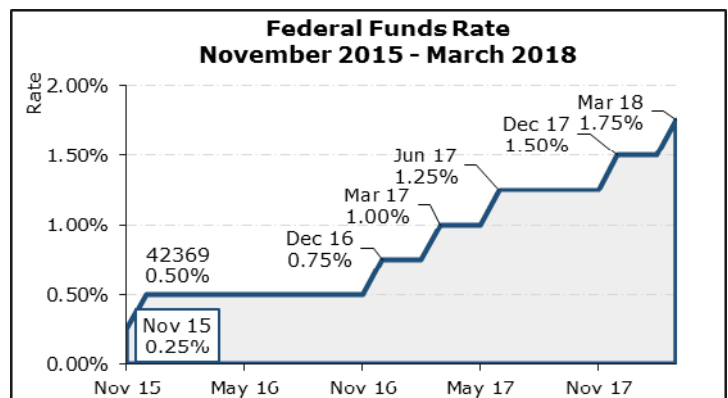
While Treasury yields continue to move higher through most of the first quarter of 2018, there was a slight decrease during the last few weeks in March. The longer-term trend of rising rates that began post Brexit in the late summer/fall of 2016 is now in its 20th month with the most dramatic increase occurring in the maturities of five years and less. Over the last twelve months the yield on the two year U.S. Treasury Note has increased by almost 1.00%. The chart to the right details the increase in rates for U.S. Treasuries since March 2017. Short term rates have benefited from the six Federal Funds rate increases that began in December of 2015. Longer term rates have also trended higher as the outlook for growth and inflation has improved over time.



Source: Bloomberg

Federal Funds Rate:

The Federal Open Market Committee (FOMC) met in early January and late March. The FOMC voted to increase the federal funds target rate to a range of 1.50 – 1.75% percent during the March meeting. Fed funds futures are now pricing a high probability (90%) for the next rate hike to occur at the June 2018 FOMC meeting.



Source: Bloomberg

The latest quarterly forecast released by the FOMC suggests two additional quarter-point increases in the target rate before the end of the year. First quarter 2018 GDP is expected to be 1.5% - 2.0%, following a 4th quarter GDP of 2.9%. This lower growth rate in the 1st quarter of the calendar year follows the recent trend of a slowdown in GDP growth following a robust 4th quarter.

Consumer Price Index (CPI):

The core consumer-price index, which excludes food and energy, increased 2.10% year over year in March, the first reading above 2.00% in twelve months. Inflation has been persistently below the Fed's desired level although the recent uptick in CPI, along with the surge in producer price index (PPI), may suggest that inflation will begin to trend above the 2.00% target. Current Bloomberg forecasts suggest inflation may reach 2.5% for 2018. This would support the Fed's further tightening of the monetary policy as they continue to raise the Federal Funds overnight target rate during the year.

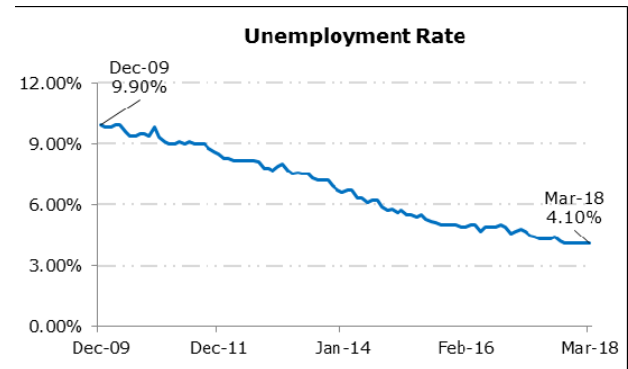
Quarterly Investment Report

For the Period Ended March 31, 2018

Unemployment Rate:

Bureau of Labor Statistics has indicated that the unemployment rate remained 4.1% through March 2018 for the sixth consecutive month.

Despite minimal job growth in March with 103,000 added to non-farm payrolls, a strong January and February resulted in a healthy monthly average of 200,000 jobs created during the first quarter of 2018. This follows a strong labor market in 2017 when more than 2 million jobs were created during the year. The impact of the Tax Cuts and Job Act (TCJA), and with more than 6 million jobs openings nationally, have many economists optimistic that the labor market will continue to tighten, which may also result in upward pressure on wages and an increase in inflation during 2018.



Source: Bloomberg

Consumer Confidence:

The Conference Board's Consumer Confidence Index as of March 2018 was 127.70. "Consumer confidence declined moderately in March after reaching an 18-year high in February," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions declined slightly, with business conditions as the primary reason for the moderation. Consumers' short-term expectations also declined, including their outlook for the stock market, but overall expectations remain quite favorable. Despite the modest retreat in confidence, index levels remain historically high and suggest further strong growth in the months ahead."

Investment Strategy:

As noted above, the U.S. economy continued the familiar pattern of sluggishness in the first quarter, with projected growth far below the third and fourth quarter of 2017. Nonetheless, the economy still appears fundamentally sound and this could pave the way for stronger growth later this year. With the FOMC remaining committed to raising its target rate several more times this year, short-term rates continue to ratchet higher, providing yields we have not seen in a decade. With the overall duration of the County's portfolio relatively short, investments have been made available in the two to three-year area of the curve to capture the yields. Spreads have also widened in Agency debt, allowing the County to capture higher income while diversifying the portfolio into this asset class. However, the investment team remains mindful of future rate hikes from the FOMC and are still remaining somewhat cautious when adding duration to the investment portfolio.

Quarterly Investment Report

For the Period Ended March 31, 2018

Pinellas County Board of County Commissioners Portfolio Summary

Investments	----- March 31, 2017 -----		----- March 31, 2018 -----			Portfolio Maximum	Issuer Limitation	Compliant
	Book Value	% of Portfolio	Book Value	Market Value	% of Portfolio			
Cash	\$ 220,500,590	19.81%	\$ 105,330,860	\$ 105,330,860	9.65%			
Public Funds Depository Accounts	112,120,007	10.07%	112,953,865	112,953,865	10.35%			
Subtotal	332,620,597	29.88%	218,284,725	218,284,725	20.00%	50%	N/A	Yes
Local Government Investment Pools	85,752,101	7.70%	155,259,457	155,259,457	14.22%	50%	N/A	Yes
U.S. Government-Sponsored Enterprise								
Federal Farm Credit Bank	142,485,261	12.81%	177,668,722	176,991,727	16.28%		30%	Yes
Federal Home Loan Bank	90,461,269	8.13%	228,643,640	227,141,779	20.95%		30%	Yes
Federal Home Loan Mortgage Corp.	240,813,056	21.64%	180,455,697	179,321,800	16.53%		30%	Yes
Federal National Mortgage Association	120,411,570	10.82%	111,157,598	110,487,724	10.18%		30%	Yes
Subtotal GSE's	594,171,156	53.40%	697,925,657	693,943,030	63.94%	75%		Yes
Treasury Note	100,408,709	9.02%	20,043,071	19,843,750	1.84%	75%	N/A	Yes
Subtotal Securities	\$ 694,579,865	62.42%	\$ 717,968,728	\$ 713,786,780	65.78%			
Total Portfolio Book Value	\$ 1,112,952,563	100.00%	\$ 1,091,512,910	\$ 1,087,330,962	100.00%			

Pinellas County
Portfolio Holdings by Security Type
As of 3/31/2018

Description	CUSIP/Ticker	Settlement Date	Next Call Date	Call Frequency	Maturity Date	Face Amount / Shares	Book Value	Market Value	Coupon Rate	YTM @ Book	Days To Maturity
Cash											
Wells Fargo Cash	WACHCASH	09/30/2007	N/A	N/A	N/A	105,330,860	105,330,860	105,330,860	1.480	1.480	1
Sub Total / Average						105,330,860	105,330,860	105,330,860	1.480	1.480	1
Public Funds Depository Accounts											
BB&T MM	BBTMM-9830	08/14/2008	N/A	N/A	N/A	112,953,865	112,953,865	112,953,865	1.553	1.553	1
Sub Total / Average						112,953,865	112,953,865	112,953,865	1.553	1.553	1
Local Government Investment Pool											
FLCLASS LGIP	FLCLASS-0001	07/15/2015	N/A	N/A	N/A	115,524,102	115,524,102	115,524,102	1.720	1.720	1
FLGIT-DAY TO DAY FUND LG	FLGIT-0338	09/29/2009	N/A	N/A	N/A	39,735,251	39,735,251	39,735,251	1.650	1.650	1
FLORIDA PRIME LGIP	PRIME	09/30/2007	N/A	N/A	N/A	104	104	104	1.790	1.790	1
Sub Total / Average						155,259,457	155,259,457	155,259,457	1.702	1.702	1
FFCB Bond											
FFCB 0.85 10/25/2018	3133EGZL2	10/25/2016		N/A	10/25/2018	20,000,000	19,992,747	19,886,860	0.850	0.915	208
FFCB 0.95 5/2/2018-16	3133EFMU8	12/11/2015		Continuous	05/02/2018	20,000,000	19,995,815	19,987,280	0.950	1.197	32
FFCB 0.95 8/15/2018	3133EF5L7	04/29/2016		N/A	08/15/2018	20,000,000	20,003,099	19,938,840	0.950	0.908	137
FFCB 1.17 6/14/2018	3133EF5H1	12/14/2015		N/A	06/14/2018	20,000,000	19,999,960	19,981,980	1.170	1.171	75
FFCB 1.5 10/10/2019	3133EHF32	12/18/2017		N/A	10/10/2019	20,000,000	19,885,821	19,781,560	1.500	1.882	558
FFCB 1.58 4/17/2020	3133EHH22	12/20/2017		N/A	04/17/2020	9,795,000	9,719,921	9,642,570	1.580	1.965	748
FFCB 1.75 10/26/2020	3133EHJ95	11/21/2017		N/A	10/26/2020	20,000,000	19,928,772	19,658,440	1.750	1.893	940
FFCB 2.07 2/14/2020	3133EJCN7	03/02/2018		N/A	02/14/2020	20,000,000	19,911,609	19,902,380	2.070	2.313	685
FFCB 2.375 3/27/2020	3133EJHL6	03/27/2018		N/A	03/27/2020	20,000,000	19,988,067	20,000,620	2.375	2.406	727
FFCB 5.375 8/15/2018	3133X0PFO	04/29/2016		N/A	08/15/2018	8,110,000	8,242,911	8,211,197	5.375	0.915	137
Sub Total / Average						177,905,000	177,668,722	176,991,727	1.459	1.607	439
FHLB Bond											
FHLB 0.875 8/5/2019	3130A8Y72	01/23/2018		N/A	08/05/2019	20,000,000	19,693,817	19,640,500	0.875	2.037	492
FHLB 1 5/10/2018-17	3130A8XH1	09/21/2016		Quarterly	05/10/2018	20,000,000	20,000,000	19,983,660	1.000	0.969	40
FHLB 1.25 1/16/2019	3130AAE46	12/22/2016		N/A	01/16/2019	20,000,000	19,989,964	19,865,200	1.250	1.315	291
FHLB 1.375 11/15/2019	3130AA3R7	09/26/2017		N/A	11/15/2019	20,000,000	19,958,839	19,715,520	1.375	1.504	594
FHLB 1.53 10/4/2019	3130ACL51	12/18/2017		N/A	10/04/2019	13,000,000	12,932,360	12,861,134	1.530	1.882	552
FHLB 1.75 12/14/2018	313376BR5	11/29/2016		N/A	12/14/2018	20,000,000	20,075,862	19,957,360	1.750	1.202	258
FHLB 1.75 6/12/2020	31338HU8	12/20/2017		N/A	06/12/2020	20,000,000	19,907,722	19,712,480	1.750	1.966	804
FHLB 1.875 3/13/2020	313378J77	12/20/2017		N/A	03/13/2020	20,000,000	19,974,997	19,809,280	1.875	1.940	713
FHLB 2 9/14/2018	313375K48	03/01/2016		N/A	09/14/2018	20,000,000	20,092,994	19,999,260	2.000	0.958	167
FHLB 2.375 12/13/2019	3130A0JR2	12/04/2017		N/A	12/13/2019	20,000,000	20,170,084	20,016,680	2.375	1.863	622
FHLB 2.875 9/11/2020	313370US5	12/05/2017		N/A	09/11/2020	20,000,000	20,426,323	20,191,140	2.875	1.974	895
FHLB 4.375 6/14/2019	3133XTYY6	01/25/2018		N/A	06/14/2019	15,000,000	15,420,678	15,389,565	4.375	1.998	440
Sub Total / Average						228,000,000	228,643,640	227,141,779	1.997	1.594	476
FHLMC Bond											

Description	CUSIP/Ticker	Settlement Date	Next Call Date	Call Frequency	Maturity Date	Face Amount / Shares	Book Value	Market Value	Coupon Rate	YTM @ Book	Days To Maturity
FHLMC 0.75 4/9/2018	3137EAEA3	05/19/2016		N/A	04/09/2018	20,000,000	19,999,153	19,996,120	0.750	0.943	9
FHLMC 1.05 5/25/2018-16	3134G9QK6	09/21/2016		Quarterly	05/25/2018	20,000,000	20,000,000	19,976,640	1.050	1.018	55
FHLMC 1.05 7/27/2018-16	3134G9Q67	07/27/2016	04/27/2018	Quarterly	07/27/2018	20,000,000	19,999,900	19,950,720	1.050	1.052	118
FHLMC 1.1 9/13/2018-16	3134GAGF5	09/13/2016	06/13/2018	Quarterly	09/13/2018	20,000,000	20,000,000	19,927,320	1.100	1.100	166
FHLMC 1.125 4/15/2019	3137EADZ9	12/19/2016		N/A	04/15/2019	20,000,000	19,943,811	19,786,980	1.125	1.401	380
FHLMC 1.5 9/9/2019-18	3134GA7A6	05/26/2017		One Time	09/09/2019	20,000,000	19,999,371	19,770,120	1.500	1.502	527
FHLMC 1.75 5/30/2019	3137EADG1	12/16/2016		N/A	05/30/2019	20,000,000	20,070,339	19,906,860	1.750	1.441	425
FHLMC 1.875 11/17/2020	3137EAEK1	11/20/2017		N/A	11/17/2020	20,000,000	19,986,616	19,705,640	1.875	1.901	962
FHLMC 3.75 3/27/2019	3137EACA5	12/09/2015		N/A	03/27/2019	20,000,000	20,456,507	20,301,400	3.750	1.380	361
Sub Total / Average						180,000,000	180,455,697	179,321,800	1.550	1.304	334
FNMA Bond											
FNMA 0.85 7/13/2018-17	3135G0L43	07/15/2016	04/13/2018	Quarterly	07/13/2018	20,000,000	19,995,852	19,939,820	0.850	0.924	104
FNMA 0.875 8/2/2019	3135G0N33	12/19/2017		N/A	08/02/2019	11,490,000	11,342,993	11,283,364	0.875	1.851	489
FNMA 1 2/26/2019	3135G0J53	12/19/2016		N/A	02/26/2019	20,000,000	19,936,269	19,790,400	1.000	1.359	332
FNMA 1.375 1/28/2019	3135G0H63	12/22/2016		N/A	01/28/2019	20,000,000	20,010,921	19,886,040	1.375	1.308	303
FNMA 1.5 7/30/2020	3135G0T60	12/19/2017		N/A	07/30/2020	20,000,000	19,784,232	19,599,060	1.500	1.977	852
FNMA 1.875 9/18/2018	3135G0YM9	02/24/2016		N/A	09/18/2018	20,000,000	20,087,331	19,989,040	1.875	0.920	171
Sub Total / Average						111,490,000	111,157,598	110,487,724	1.274	1.355	366
Treasury Note											
T-Note 1.5 5/31/2019	912828WLO	01/31/2017		N/A	05/31/2019	20,000,000	20,043,071	19,843,750	1.500	1.312	426
Sub Total / Average						20,000,000	20,043,071	19,843,750	1.500	1.312	426
Sub Total Securities						717,395,000	717,968,728	713,786,780			
Total / Average						1,090,939,182	1,091,512,910	1,087,330,962	1.619	1.519	272

FFCB: Federal Farm Credit Bank	T-Note: U.S. Treasury Note
FHLB: Federal Home Loan Bank	FLCLASS: The Florida Cooperative Liquid Assets Securities System
FHLMC: Federal Home Loan Mortgage Corporation	FLGIT: Florida Local Government Investment Trust
FNMA: Federal National Mortgage Association	Florida PRIME - State Board of Administration