

# Quarterly Review of Investment Strategy

**June 30, 2018**

Bernalillo County, NM

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Bernalillo County Investment Committee

July 19, 2018

Bernalillo County Board of Finance

August 14, 2018



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## Investment Priorities

# Investment Priorities

Our investment objectives and philosophy are consistent with all of our clients:

-  ***Safety is primary objective***
-  Transparency
-  Compliance
-  Liquidity
-  Yield

## Investment Strategy – Operating Funds Portfolio

# Bernalillo County Operating Funds Portfolio – June 30, 2018

	Market Value + Accrued	% of Total	Book Yield
<b><u>Highly Liquid Portfolio: Must Mature Within 30 Days Per Policy</u></b>			
<b>CDARS/ICS:</b>			
Bank of the West	\$ 95,605,469.50	29.41%	1.698%
<b>Total Month-end CDARS/ICS Balances</b>	<b>\$ 95,605,469.50</b>	<b>29.41%</b>	
<b><u>Liquid Portfolio: Must Mature Within 12 Months</u></b>			
<b>Investments:</b>			
US Treasury Securities	\$ 95,237,270.97	29.30%	1.727%
US Agency Securities	\$ 4,752,466.04	1.46%	1.304%
Cash - Wells Fargo MMF	\$ 10,431,735.15	3.21%	1.770%
Cash/Receivable	\$ 5,123,971.79	1.58%	0.00%
<b>Summary of Negotiated Bank Deposits:*</b>			
Wells Fargo Savings	\$ 9,193,819.17	2.83%	0.168%
Bank of the West	\$ 10,232.08	0.00%	0.079%
<b>Total Month-end Bank Balances</b>	<b>\$ 9,204,051.25</b>	<b>2.83%</b>	
<b>Total Liquid Portfolio: 0-12 months</b>	<b>\$ 220,354,964.71</b>	<b>67.79%</b>	<b>1.763%</b>
Core Portfolio	\$ 104,702,573.56	32.21%	1.757%
<b>Total Operating Funds</b>	<b>\$ 325,057,538.27</b>	<b>100.00%</b>	<b>1.761%</b>
<b>Previous Month Operating Funds</b>	<b>\$ 464,785,359.78</b>		<b>1.712%</b>

# Bernalillo County Operating Funds Liquidity Portfolio

(ex. Highly Liquid Portfolio and Bank Products)

## Balance Sheet Summary

	Bernalillo County Liq Op
Book Value	115,462,080.59
Accrued Balance	261,898.02
Net Unrealized Gain/Loss	-178,534.65
Market Value + Accrued	115,545,443.96

## Net Income

	Bernalillo County Liq Op
Current Units	115,755,706.94
Interest Income	135,144.22
Net Amortization/Accretion Income	134,495.78
Net Realized Gain/Loss	0.00
Misc Income	0.00
Expense	-2,491.55
Net Income	267,148.45

## Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	0.401	0.958	-0.557
Yield	1.965	2.365	-0.400
Years to Effective Maturity	0.404	0.973	-0.569
Years to Final Maturity	0.404	0.973	-0.569
Average Credit Rating	AAA	AAA	---

## Fixed Income Holdings by Market Sector

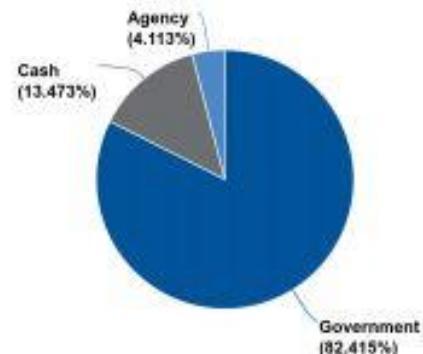
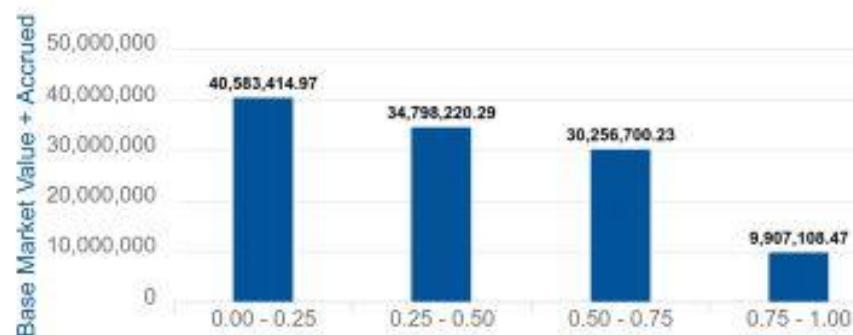


Chart calculated by: % of Book Value

## Duration



# Bernalillo County Operating Funds Core Portfolio

## Balance Sheet Summary

	Bernalillo County Core Op
Book Value	105,305,370.69
Accrued Balance	351,895.54
Net Unrealized Gain/Loss	-954,692.67
Market Value + Accrued	104,702,573.56

## Net Income

	Bernalillo County Core Op
Current Units	105,399,686.27
Interest Income	150,845.64
Net Amortization/Accretion Income	1,072.50
Net Realized Gain/Loss	0.00
Misc Income	0.00
Expense	0.00
Net Income	151,918.14

## Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	1.661	1.861	-0.200
Yield	2.480	2.529	-0.049
Years to Effective Maturity	1.714	1.927	-0.213
Years to Final Maturity	1.714	1.927	-0.213
Average Credit Rating	AAA	AAA	--

## Fixed Income Holdings by Market Sector



Chart calculated by: % of Book Value

## Duration



# Bernalillo County Operating Funds Core Portfolio



# Flattening Yield Curve

## Persistent Flattening of Treasury Yield Curve: 2/10 Year Yield Spread



Source: Bloomberg

Red bars indicate periods of recession.

# Quarterly Strategy Update – Operating Funds Portfolio

- The “Three Bucket” strategy is in place:
  - Bucket #1: “15% Rule” - Must Mature Within 30 Days
    - Includes the 15% Liquidity requirement as defined in the investment policy
  - Bucket #2: Liquidity Ladder
    - Benchmark – 1 year T-bill
    - Includes smooth ladder of minimum \$5mm monthly maturities to cover the cash needs of the County operations
  - Bucket #3: Core Operating Funds
    - Benchmark – 1-3 year Treasury/Agency
    - Made up of reserve dollars
    - Actively managed
- Strategy approval for the operating funds portfolios will happen on a quarterly basis.
- The Bernalillo County Treasurer manages Bucket #1. Public Trust manages Buckets #2 and #3 on a non-discretionary basis.
- Annual Investment Policy updates will be presented for review by this committee and approval by the Board of Finance.

# Investment Strategy: Three Buckets

Bucket	Policy/Strategy Parameter (\$)	Current Position <sup>(MV)</sup> + Accrued a/o 3/31/18	Goal (\$)	Strategy Comments
30 Day*	\$60 million	\$95.6 million		
Liquidity	Balance of Funds	\$124.8 million		
Core**	\$84 million	\$104.7 million		

\* Defined as 15% of budget per Investment Policy and managed by the County

\*\* As outlined in Quarterly Investment Strategy presentations to Board of Finance, reserve balances.

- ☰ Strategy approval for the operating funds portfolios will happen on a quarterly basis.
- ☰ Public Trust manages the Laddered Liquidity and Core portfolios on a non-discretionary basis.
- ☰ Bernalillo County manages the Highly Liquid 30 Day portfolio.
- ☰ Investment Policy updates presented for approval this quarter.

## Investment Strategy – Bond Proceeds Portfolio

# Bernalillo County Bond Proceeds Portfolio

## Balance Sheet Summary

Bernalillo County Bond Proceed	
Book Value	62,635,065.21
Accrued Balance	173,941.24
Net Unrealized Gain/Loss	-144,558.39
Market Value + Accrued	62,664,448.06

## Net Income

Bernalillo County Bond Proceed	
Current Units	62,855,997.92
Interest Income	70,400.37
Net Amortization/Accretion Income	24,495.45
Net Realized Gain/Loss	0.00
Misc Income	0.00
Expense	0.00
Net Income	94,895.82

## Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	0.726	0.958	-0.232
Yield	2.122	2.365	-0.243
Years to Effective Maturity	0.738	0.973	-0.235
Years to Final Maturity	0.738	0.973	-0.235
Average Credit Rating	AAA	AAA	--

## Fixed Income Holdings by Market Sector

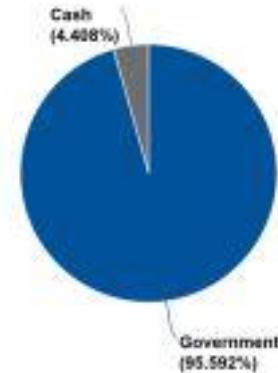
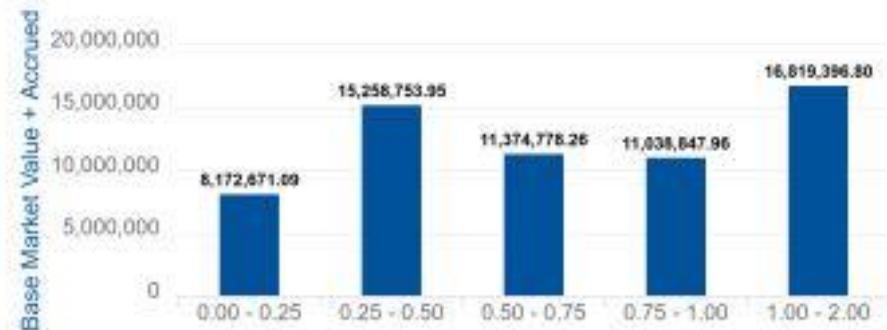


Chart calculated by: % of Book Value

## Duration



## Stable Strategy: Bond Proceeds Portfolio, Manage to Project Draws

- This portfolio strategy remains the same quarter to quarter.
- The GO bond proceeds portfolio maturities are laddered monthly to fund project draws. Any funds not needed for capital project draws will be invested at the end of the ladder.
- The working group is actively discusses cash flows for both GO Bond Proceeds and the GRT funded projects.
- Trade authorization will be required for each trade for both GO and GRT bond proceeds investments.
- A new bond issue was sold in July is expected to fund (\$16 million) on August 15, 2018.

## Registered Investment Advisor – Standard of Care

Per Public Trust Advisors' current scope of work for Bernalillo County, we are required to prepare a quarterly investment review and present it to the Investment Committee and the Board of Finance. As a Registered Investment Advisor (RIA) under the Securities Exchange Act of 1940, we act in a fiduciary capacity for the County.

*A **fiduciary** relationship is generally viewed as the highest standard of customer care available under law. Fiduciary duty includes both a duty of care and a duty of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest.*

~ Securities Industry and Financial Markets Association (SIFMA)

SIFMA Fiduciary Standard Resource Center, <https://www.sifma.org/issues/private-client/fiduciary-standard/overview/>

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