

County of Riverside

Treasurer's Pooled Investment Fund

April 2019

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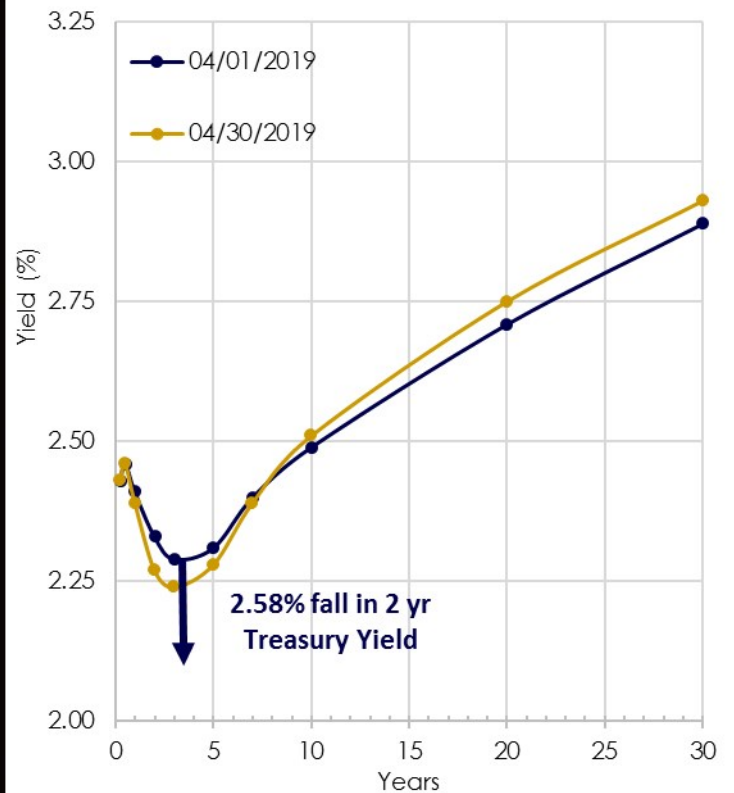
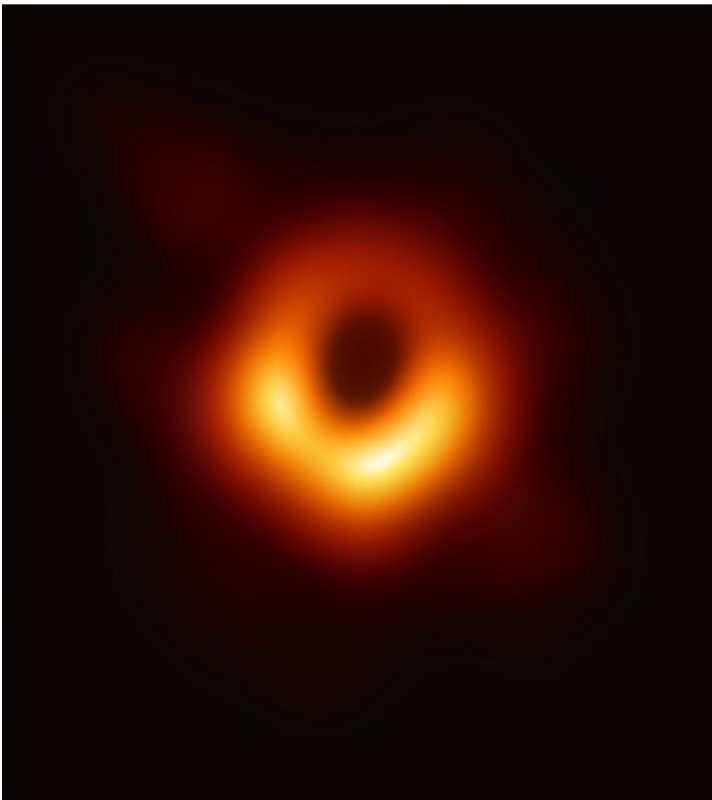
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First-ever image captured of a black hole (left). Digital Image. NASA JPL. <https://www.jpl.nasa.gov/news/news.php?feature=7372261142951.html>.
Movement of the Treasury yield curve (right). Digital Image: Own Elaboration. U.S. Department of the Treasury. <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2017>.

Treasurer's Pooled Investment Fund

Monthly Commentary

Gravity of Uncertainty Keeps Rates Range Bound

First-ever images of a black hole dominated news headlines and captured the imagination of millions of science enthusiasts in April. In contrast, release of the dovish March 20 FOMC minutes on April 10 had a muted effect on news headlines and exerted a weak gravitational pull on markets. The black hole is believed to have a mass several billion times greater than that of the Earth's Sun. These images mark a significant milestone to understanding the mysteries of the universe.

Far more difficult to understand is how the British Parliament will come to an agreement on Brexit. After British parliament rejected her Brexit deal again, Prime Minister Theresa May was able to secure a second extension to exit the European Union to October 31, 2019. Nevertheless, May still hopes to secure a Brexit deal weeks ahead of the European Union vote in mid-May.

In April, the U.S. and China indicated that they had made substantial progress for reaching an accord on the trade dispute; however, a concrete resolution has yet to be achieved.

To recap, the U.S.-China trade dispute began in July 2018 when the U.S. accused

China of unfair practices, such as intellectual property theft via coercing contracted U.S. companies to disclose technological secrets to Chinese firms. Since then, three rounds of tit-for-tat tariffs on more than \$250-billion-dollars' worth of Chinese goods and \$34-billion-dollars' worth of U.S. goods have been levied.

The U.S. economy grew at a solid rate of 3.2% in 1Q19, compared to the consensus expectation of 2.2%. Despite stronger-than-expected GDP growth, economic indicators released in April were a mixed bag.

Inflation levels remain tepidly within the Federal Reserve's (FED) two-percent target range, with CPI growing 2.2% and CPI ex food and autos growing 2.0% YoY in March.

Tightness in the labor market has not subsided, despite a slowdown in the average monthly pace of jobs added in 1Q19 (180K) from 4Q18 (233K). The unemployment rate remains below 4.0%, wages are growing at a strong clip, and initial unemployment claims are at their lowest since the late-1960s.

Workers in Southern California have especially benefitted from this tight labor market. In March, average weekly wages grew

6.7% YoY in L.A. and Orange Counties and 5.2% YoY in the Inland Empire.

Indicators for housing, services, and manufacturing are also mixed. New home sales showed resurgence, while existing home sales and house price indices indicated softening. The ISM non-manufacturing survey indicated moderate growth in services in March. Manufacturing production ex autos grew 1.5% YoY in March, while automobile manufacturing declined 1.5% YoY in March.

Consistent with ambiguous economic indicators and the FED's projected dovishness, April saw short interest rates remain fairly range bound. The 2-year treasury started the month at 2.33 and finished at 2.27. The 5-year treasury started the month at 2.31 and finished at 2.28. The tight trading range was a result of the FED's new attitude that rates may not need to be adjusted up or down for quite some time. Some estimates put off the next move to even as long as after the 2020 election.

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Treasurer-Tax Collector

Capital Markets Team

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Treasurer's Statement

The Treasurer's Pooled Investment Fund is comprised of contributions from the county, schools, special districts, and other discretionary depositors throughout the County of Riverside. The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the Treasurer's control, meet the **liquidity needs** of the depositor, and to maximize a **return on the funds** within the given parameters.

The Treasurer-Tax Collector and the Capital Markets team are committed to maintaining the highest credit ratings. The Treasurer's Pooled Investment Fund is currently rated **Aaa-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**, two of the nation's most trusted bond credit rating services.

Since its inception, the Treasurer's Pooled Investment Fund has been in **full compliance** with the Treasurer's Statement of Investment Policy, which is more restrictive than California Government Code 53646.

6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Apr-19	8,177,376,431.91	8,168,198,799.92	9,177,631.99	0.11%	2.36	1.09
Mar-19	7,525,389,587.99	7,522,791,418.69	2,598,169.30	0.35%	2.35	1.04
Feb-19	6,837,521,658.62	6,846,174,413.16	(8,652,754.54)	-0.13%	2.32	1.06
Jan-19	6,985,230,147.03	6,993,292,063.97	(8,061,916.94)	-0.12%	2.31	1.05
Dec-18	7,490,825,981.43	7,504,164,940.07	(13,338,958.64)	-0.17%	2.27	1.00
Nov-18	6,126,655,569.85	6,157,254,222.68	(30,598,652.83)	-0.50%	2.18	1.16

*Market values do not include accrued interest.

Economy

National Economy

GDP growth of 3.2% in 1Q19 is the strongest first-quarter growth rate since 1Q15. [FRED; 04/30/2019]

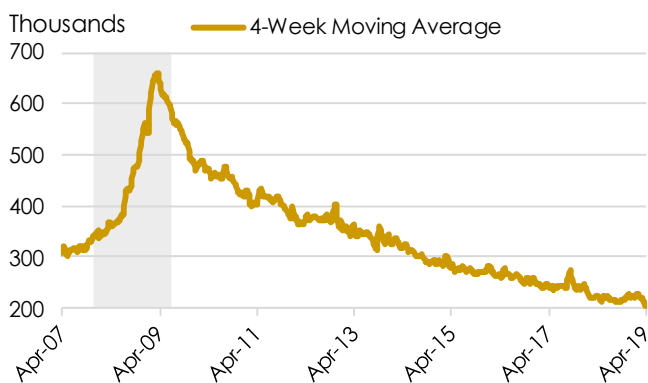
- Moderation in consumer spending, retail sales, and the ISM non-manufacturing index point toward a slowdown in the consumer sector. [Econoday; 04/30/2019]
- Since November 2018, the industrial production index has fallen or remained flat. [FRED; 04/30/2019]
- Despite a falling mortgage rate, existing home sales nationwide fell 5.4% in March YoY. [Econoday; 04/30/2019]

State Economy

In a tight labor market, California added “modest” 24,500 jobs in March. [LATimes; 05/01/2019]

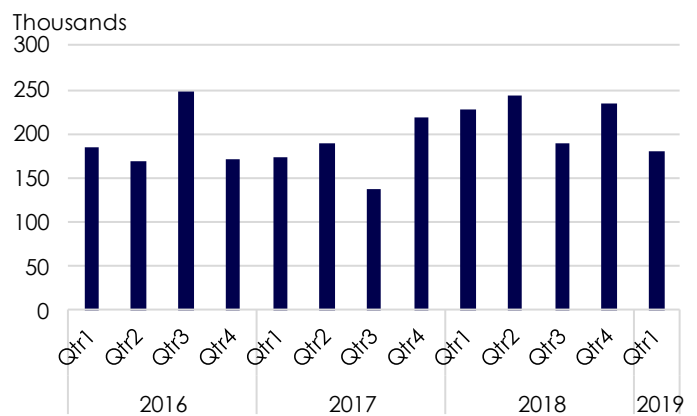
- Construction and manufacturing led all sectors in jobs added, with respective gains of 9.4K and 4.7K. [LATimes; 05/01/2019]
- Southern California boasted an unemployment rate of 4.1%, versus 4.7% in the rest of the state. [OC Register; 05/01/2019]
- Purchasing Managers Index from CSUSB shows that factories in the Inland Empire have reported 27 consecutive months of growth. [Press Enterprise; 05/01/2019]

U.S. Initial Claims of Unemployment Insurance

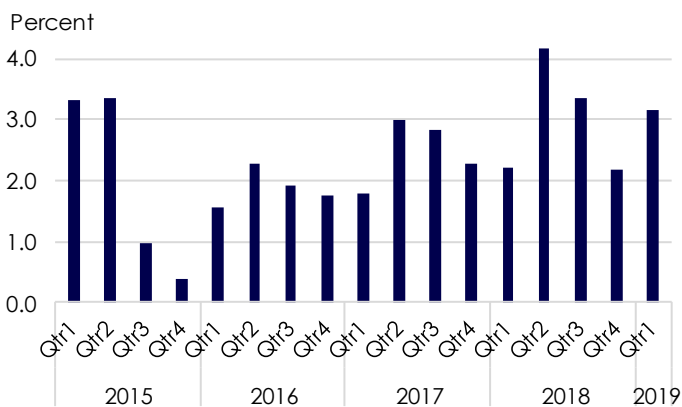


*Note: Shaded area indicates U.S. recession.

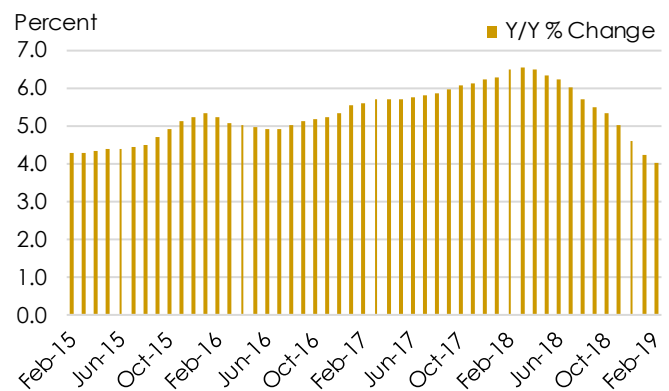
U.S. Average Quarterly Jobs Added per Month



U.S. Real GDP



S&P Case-Shiller U.S. Nat'l Home Price Index



Key Economic Indicators

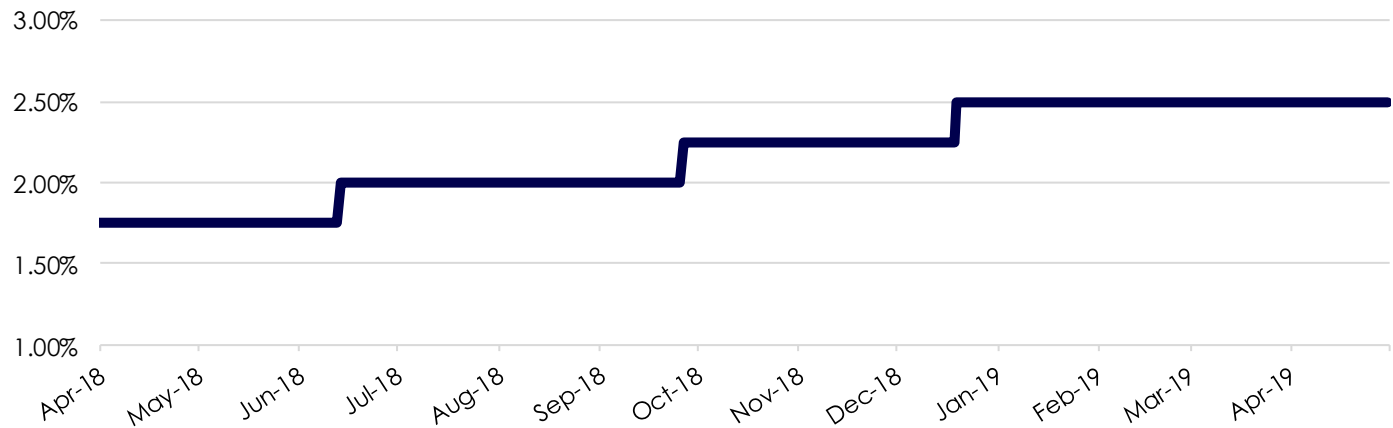
Release Date	Indicator	Actual	Consensus	Difference
04/26/2019	Real GDP - Q/Q Change - SAAR - 1Q19 (1st estimate)	3.20%	2.20%	1.00%
04/05/2019	Unemployment Rate - Seasonally Adjusted	3.80%	3.80%	0.00%
04/05/2019	Non-Farm Payrolls - M/M Change	196,000	170,000	26,000
04/10/2019	CPI - Y/Y Change	1.90%	1.80%	0.10%
04/10/2019	CPI Ex Food and Energy - Y/Y Change	2.00%	2.10%	-0.10%
04/03/2019	ISM Non-Manufacturing Index (> 50 indicates growth)	56.1	58.0	-1.90
04/23/2019	New Home Sales - SAAR - Thousands of units	692	645	47
04/08/2019	Factory Orders - M/M Change	-0.50%	-0.60%	0.10%
04/25/2019	Durable Goods Orders - New Orders - M/M Change	2.70%	0.70%	2.00%

Market Data

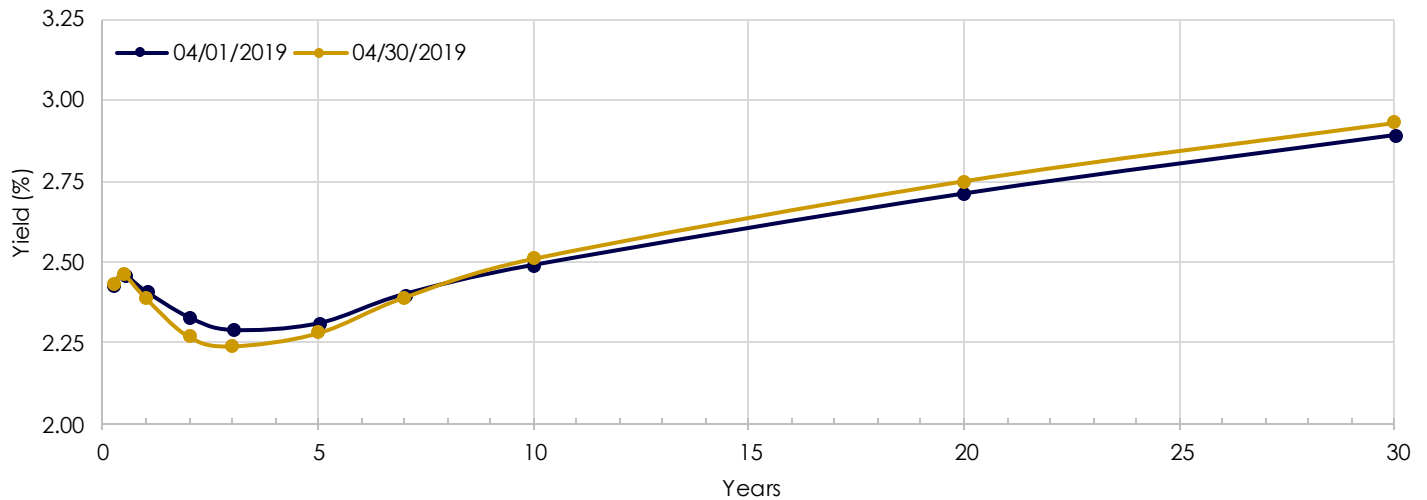
FOMC Meeting 03/20/2019

- The FOMC stated that data received since their last meeting in January “indicates that the labor market remains strong but that growth of economic activity has slowed from its solid rate in the fourth quarter [of 2018].”
- The Federal Open Market Committee maintained the Fed Funds Target Rate at 2.25–2.50%.
- “The Committee continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee’s symmetric 2 percent objective as the most likely outcomes,” stated the FOMC in their March 20 press release.

Fed Funds Target Rate (Upper Limit)



U.S. Treasury Curve

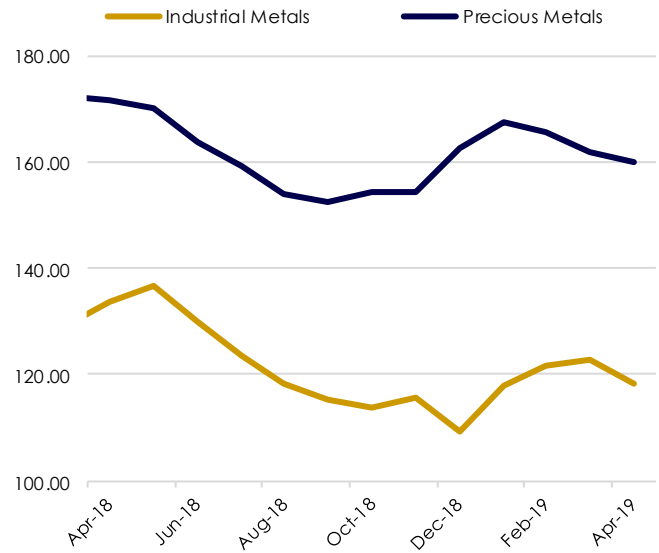
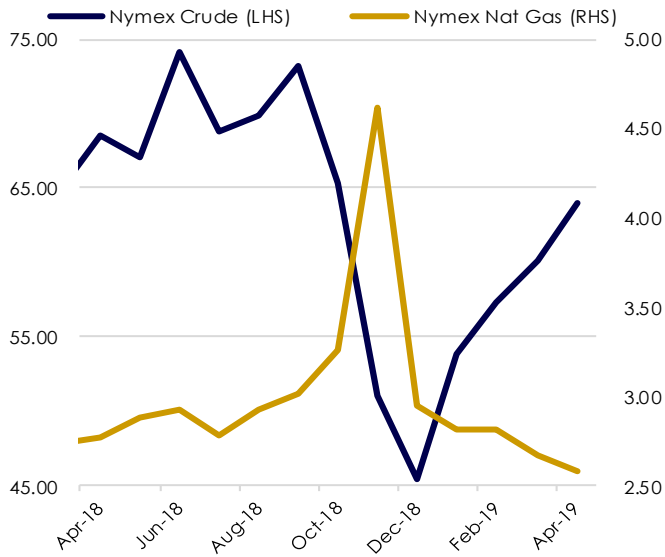


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
04/30/2019 - 04/01/2019	0.00	0.00	-0.02	-0.06	-0.05	-0.03	0.02	0.04
04/30/2019	2.43	2.46	2.39	2.27	2.24	2.28	2.51	2.93
04/01/2019	2.43	2.46	2.41	2.33	2.29	2.31	2.49	2.89

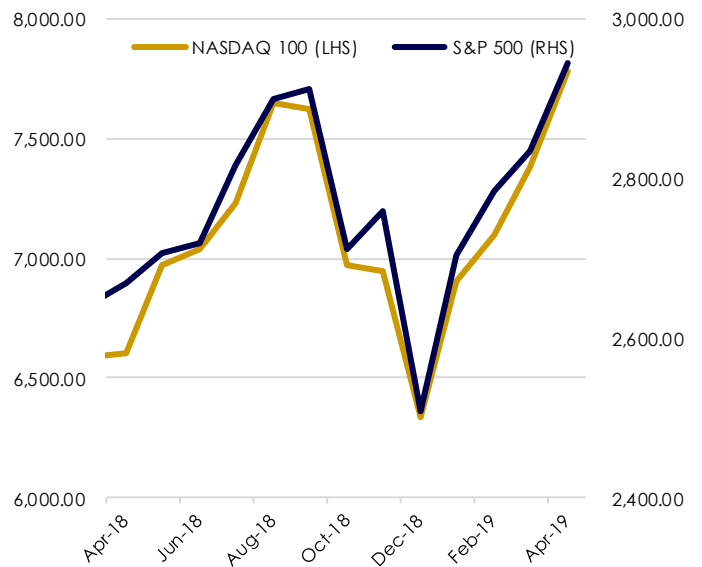
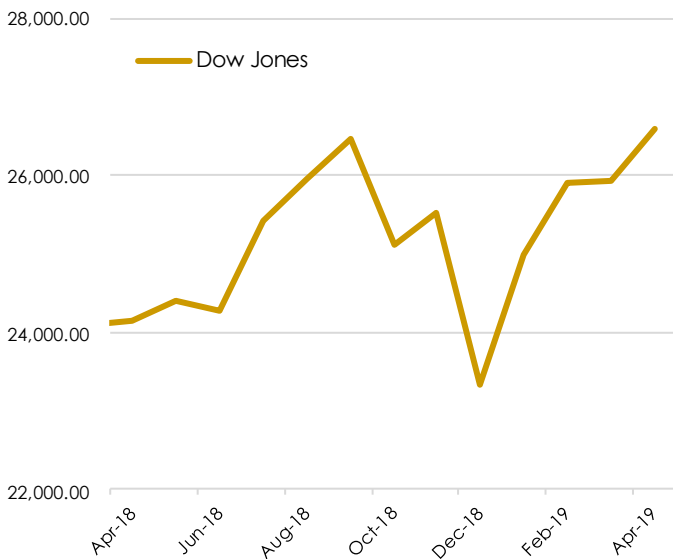
The US Treasury Curve and its forecasted values are subject to frequent change and will be updated monthly with each issued TPIF report.

Market Data cont'd

Commodities



Stocks



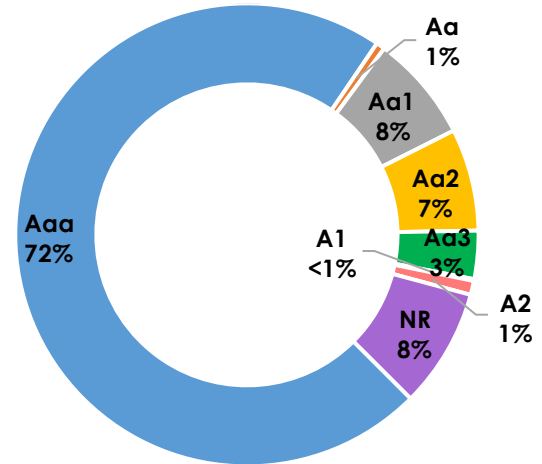
* Values listed on this page are in US dollars and are based on the final business day of each month.

Portfolio Data

The County of Riverside's Treasurer's Pooled Investment Fund is currently rated **AAA-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**.

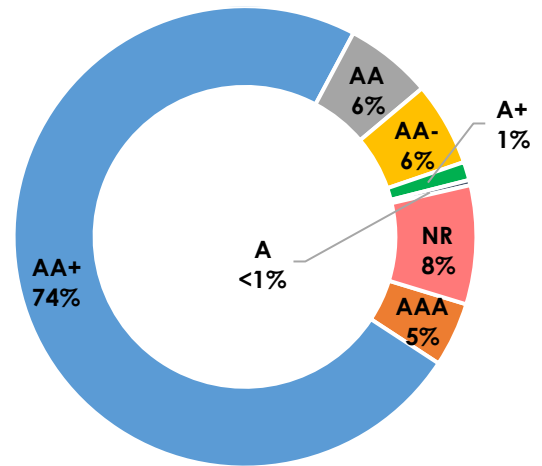
Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
Aaa	5,880,179.76	100.08%	71.99%	2.29%
Aa	49,696.88	100.42%	0.61%	2.44%
Aa1	609,646.95	100.22%	7.46%	2.59%
Aa2	583,825.99	100.27%	7.15%	2.54%
Aa3	274,875.81	100.29%	3.37%	2.67%
A1	10,000.00	100.00%	0.12%	2.59%
A2	79,848.92	100.13%	0.98%	2.45%
NR	680,124.50	100.04%	8.33%	2.48%
Totals:	8,168,198.80	100.11%	100.00%	2.36%



S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
AAA	368,819.35	100.52%	4.52%	2.36%
AA+	6,005,612.36	100.08%	73.52%	2.22%
AA	498,299.15	100.40%	6.10%	2.57%
AA-	480,402.65	100.07%	5.88%	2.74%
A+	105,000.00	100.00%	1.29%	2.72%
A	29,940.79	100.20%	0.37%	2.44%
NR	680,124.50	100.04%	8.33%	2.52%
Totals:	8,168,198.80	100.11%	100.00%	2.36%



12-Month Projected Cash Flow

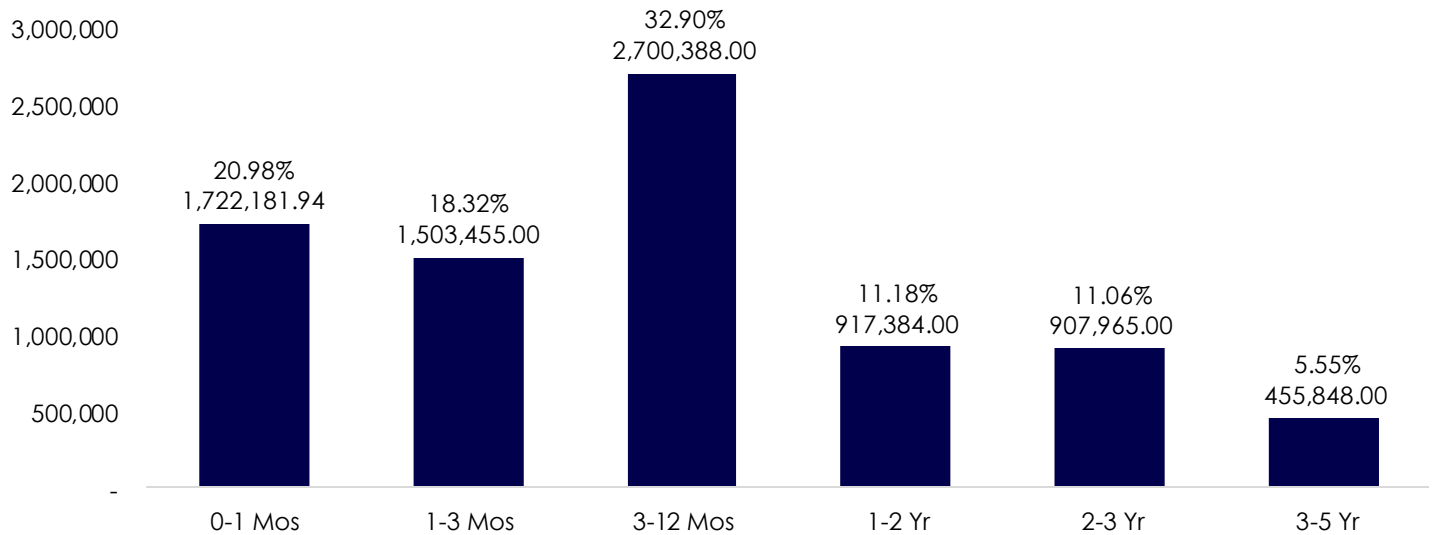
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Maturesd Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
05/2019	2,300.00	1,300.00	1,000.00		399.19		
05/2019	1,200.00	2,050.00	(850.00)	450.81	-	1,776.55	
06/2019	1,050.00	1,850.00	(800.00)	800.00	-	542.04	
07/2019	969.28	1,250.00	(280.72)	280.72	-	727.93	
08/2019	900.00	1,200.00	(300.00)	300.00	-	399.04	
09/2019	1,100.00	1,200.00	(100.00)	100.00	-	441.73	
10/2019	1,100.00	1,300.00	(200.00)	200.00	-	404.28	
11/2019	1,300.00	1,200.00	100.00		100.00	380.00	
12/2019	2,375.13	1,200.00	1,175.13		1,275.13	20.00	
01/2020	1,100.00	2,200.00	(1,100.00)		175.13	132.50	
02/2020	1,100.00	1,500.00	(400.00)	224.87	-	123.27	
03/2020	1,350.00	1,200.00	150.00		150.00	143.29	
04/2020	1,350.00	1,200.00	150.00		300.00	265.65	
TOTALS	17,194.41	18,650.00	(1,455.59)	2,356.40	2,399.45	5,356.28	5,811.80
				28.85%		65.57%	71.15%

* Values listed in Cash Flow Table are in millions of USD.

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of funds to cover County expenses for the next twelve months.

Portfolio Data cont'd

Asset Maturity Distribution (Par Value, 000's)

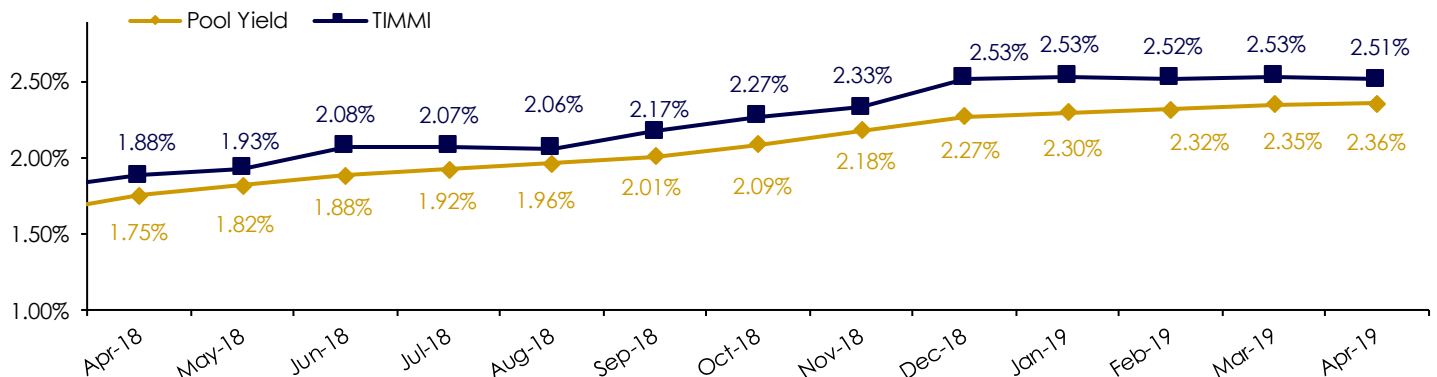


Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	728,164.75	731,044.05	100.40%	2.45%	0.70	0.70
AGENCIES	4,451,828.52	4,448,942.18	99.94%	2.22%	1.23	1.66
MMKT	51,000.00	51,000.00	100.00%	2.35%	0.00	0.00
CASH	465,000.00	465,000.00	100.00%	2.54%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	2.95%	0.00	0.00
COMM PAPER	1,561,237.55	1,568,002.01	100.43%	2.53%	0.16	0.16
NCDS	330,000.00	330,000.00	100.00%	2.77%	0.12	0.12
MEDIUM TERM NOTES	298,780.01	301,200.23	100.81%	2.60%	0.72	0.74
MUNI	278,043.99	278,043.99	100.00%	2.39%	1.77	1.77
LOCAL AGCY OBLIG	120.00	120.00	100.00%	2.85%	1.13	1.13
Totals:	8,168,198.80	8,177,376.43	100.11%	2.36%	0.86	1.09

* For details on the Pool's composition see Month End Portfolio Holdings, pages 9 to 13.

TIMMI



The Treasurer's Institutional Money Market Index (TIMMI) is a composite index of four AAA rated prime institutional money market funds. Their aggregate yield is compared to the yield of the Treasurer's Pooled Investment Fund in the above graph.

Compliance Report

Compliance Status: Full Compliance

The Treasurer's Pooled Investment Fund was in full compliance with the County of Riverside's Treasurer's Statement of Investment Policy. The County's Statement of Investment Policy is more restrictive than California Government Code 53646. The County's Investment Policy is reviewed annually by the County of Riverside's Oversight Committee and approved by the Board of Supervisors.

Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Remaining Maturity	Authorized % Limit	S&P/ Moody's	Maximum Remaining Maturity	Authorized % Limit	S&P/ Moody's	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	3.40%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	8.91%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	54.50%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	19.11%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	4.04%
INT'L BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INT'L FINANCE CORPORATION	NA	NA	NA	4 YEARS	20%	AA/Aa/AA	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	3.66%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	0.05%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	0.62%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	5.69%

¹ Money Market Mutual Funds maturity may be interpreted as a weighted average maturity not exceeding 60 days.

² Or must have an investment advisor with no fewer than 5 years experience and with assets under management of \$500,000,000 USD.

THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.



The Mission Inn, Downtown Riverside. Digital Image. *The Mission Inn*. <http://www.missioninn.com/about-en.html>.



COUNTY OF RIVERSIDE
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