

# County of Riverside

## Treasurer's Pooled Investment Fund

June 2018

# Contents

2 | Treasurer's Pooled Investment Fund

3 | Economy

4 | Market Data

6 | Portfolio Data

8 | Compliance Report

9 | Month End Holdings



Hot air balloons over Lake Skinner in Temecula, Southwest Riverside County, CA. Digital Image. NBC San Diego. <http://www.nbcsandiego.com/news/local/temecula-valley-2014-balloon-wine-festival-north-san-diego-261142951.html>

# Treasurer's Pooled Investment Fund

## Quarterly Commentary

### Trade Winds

The period was marked by a populist anti-euro government elected in Italy, the denuclearization summit in Singapore, and escalating trade tensions. Yet, the US economy continues its second-longest expansion in history and the FED is adjusting policy accordingly, having already raised rates twice in 2018 with many expecting two more rate hikes this year.

Trade tensions are threatening to boil over to a trade war. Triggered by US-levied aluminum and steel tariffs, the US and its trading partners have made escalating threats to impose tariffs against one another. Negotiators from the US, Mexico, and Canada have not reached an agreement on NAFTA and it remains unclear whether the three nations will strike an accord.

At the end of 1Q18, the US levied respective 10 and 25-percent tariffs against aluminum and steel imports from all but a few nations. Tariff exemptions were lifted soon after being imposed and on June 5, Mexico imposed \$3 billion in tariffs against the US; on June 21, Turkey imposed \$267 million worth of tariffs; on June 22, the European Union imposed tariffs on \$3 billion worth of goods. Starting July 1, Canada promised to impose tariffs against the US

worth \$13 billion and India announced they would levy tariffs worth \$241 million beginning August 4.

So far, the US has threatened additional tariffs on more than \$200 billion worth of Chinese goods. China has matched tariff threats, and promises to impose alternative measures of retaliation if the US keeps on its path.

FED Chair J. Powell acknowledges risks associated with trade disputes, but downplays their negative effects to the US economy so far by stating, "We don't really see it in the numbers." Estimates of the effects of trade disputes on the US economy range from "not very sizable" to diminishing US GDP in the long run by 3.5% in the event of a trade war, according to the Federal Reserve Bank of Dallas.

For 2Q18, US economic growth remains strong with leading indicators forecasting steady growth. Real GDP growth YoY is at 2%, the labor market displays strong growth with job gains averaging 223K in 2Q18 and the lowest U-3 unemployment rate since November 2000 at 3.8%, and key inflationary figures are in line with the FED's symmetric two-percent target rate.

Second quarter, to date, has seen treasury yields climb as investors anticipated the Fed's second 25-basis-point rate hike for 2018, which took place on June 13. With this hike, the Fed Funds rate now stands at 2.00%. During the quarter, 2-yr. treasury yields rose from 2.25 to 2.56 and 5-yr. yields rose from 2.55 to 2.74. With economic fundamentals showing continued strength (e.g. annualized vehicle sales hovering near 17 million and new home sales at 689K), bond investors are expecting a third 25-basis-point Fed Funds hike on September 26 and a possible fourth 25-basis-point hike on December 19.

Whether trade disputes meaningfully interfere with economic activity remains to be seen. In any case, the Treasurer's Pooled Investment Fund is committed to capitalizing on rising rates and is well positioned for market changes.

**Jon Christensen**  
Treasurer-Tax Collector

## 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.

## Capital Markets Team

**Jon Christensen**  
Treasurer-Tax Collector

**Giovane Pizano**  
Chief Investment Manager

**Steve Faeth**  
Sr. Investment Manager

**Isela Licea**  
Assistant Investment Manager

**Jake Nieto**  
Administrative Services Assistant

## 6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
<b>18-Jun</b>	6,488,967,672.40	6,525,613,476.09	(36,645,803.69)	-0.56%	1.88	1.17
<b>18-May</b>	7,108,808,189.85	7,140,053,875.23	(31,245,685.38)	-0.44%	1.82	1.11
<b>18-Apr</b>	7,705,324,013.51	7,744,877,200.23	(39,553,186.72)	-0.51%	1.75	1.04
<b>18-Mar</b>	6,690,407,405.09	6,723,896,582.30	(33,489,177.21)	-0.50%	1.63	1.14
<b>18-Feb</b>	6,498,908,307.13	6,535,413,566.05	(36,505,258.92)	-0.56%	1.53	1.17
<b>18-Jan</b>	6,605,413,937.61	6,637,299,033.46	(31,885,095.85)	-0.48%	1.47	1.14

\*Market values do not include accrued interest.

# Economy

## National Economy

Jobs gains in 11 of 14 nonfarm sectors in May implies that robust economic growth is widespread. [BLS; 07/05/2018]

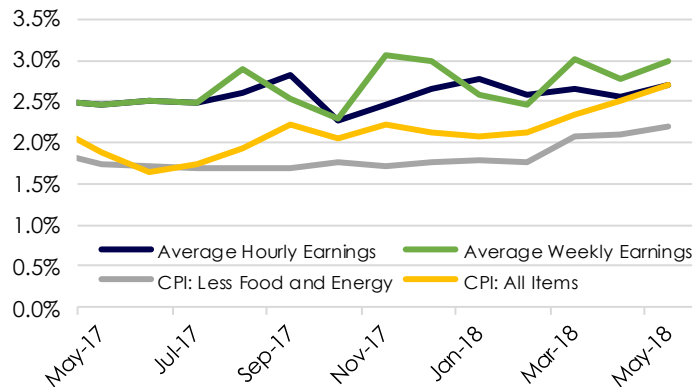
- Through the first five months of 2018, monthly gains in non-farm jobs have averaged 207k, compared to 182k through the first five in 2017. [Wells Fargo Research; 07/05/2018].
- Inflation-adjusted hourly wage growth YoY was neutral in May. [FRED; 07/05/18]
- Estimates for 2Q18 YoY real GDP growth center around 4.0 percent and estimates for annualized GDP growth in 2018 center around 3.0 percent. [CNBC; 07/05/2018]

## State Economy

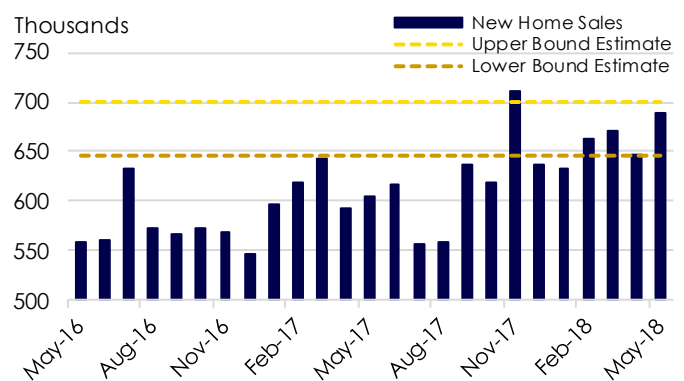
California job growth falters with 5,500 nonfarm jobs added in May, compared to 25,600 added in April 2018 and 42,600 in May 2017. [BLS; 07/09/2018].

- Orange County is the only Southern California region to post a net decrease in nonfarm jobs last month, while the Inland Empire and Los Angeles led California regions with 4,000 and 5,300 jobs added respectively. [LA Times; 07/05/2018].
- House price growth in LA County and the Inland Empire exceeded 8 percent YoY in May, compared to 7.1 percent nationally. [Orange County Register; 07/09/18]

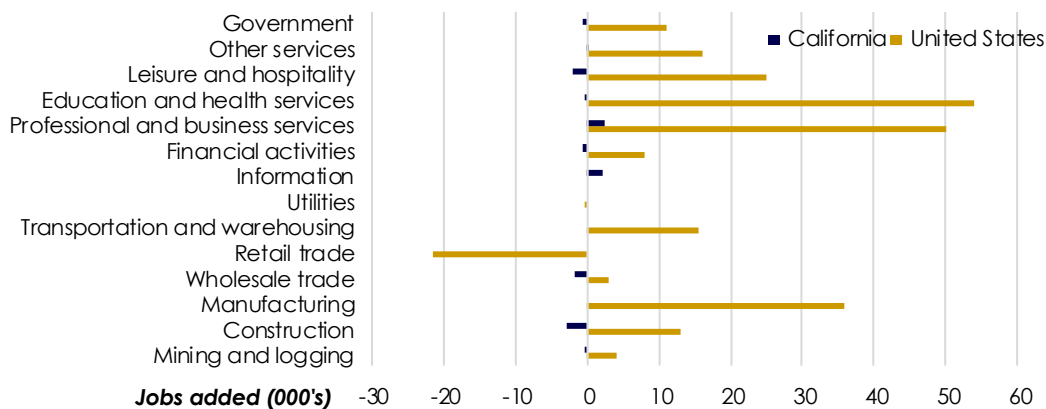
### US Earnings and Inflation (Y/Y)



### US New Home Sales



### Nonfarm Jobs Added by Industry in May 2018



## Key Economic Indicators

\*For California, net nonfarm jobs added to the wholesale trade, retail trade, transportation and warehousing, and utilities industries are included in the 'Wholesale Trade' category.

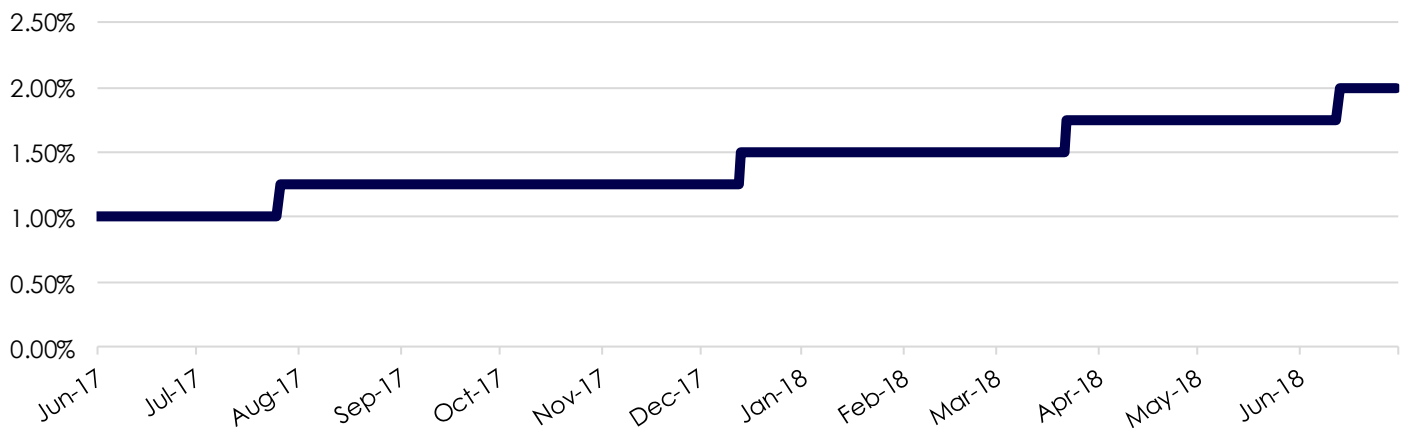
Release Date	Indicator	Actual	Consensus	Difference
06/28/2018	Real GDP - Q/Q Change - 1Q18 (3rd estimate)	2.00%	2.20%	-0.20%
06/01/2018	Unemployment Rate - Seasonally Adjusted	3.80%	3.90%	-0.10%
06/01/2018	Non-Farm Payrolls - M/M Change	223,000	190,000	33,000
06/12/2018	CPI - Y/Y Change	2.80%	2.80%	0.00%
06/12/2018	CPI Ex Food and Energy - Y/Y Change	2.20%	2.20%	0.00%
06/05/2018	Non-Manufacturing Index [> 50 indicates growth]	58.6	58	0.60
06/05/2018	New Home Sales - SAAR	689,000	665,000	24,000
06/04/2018	Factory Orders - M/M Change	-0.80%	-0.40%	-0.40%
06/27/2018	Durable Goods Orders - M/M Change	-0.60%	-0.60%	0.00%

# Market Data

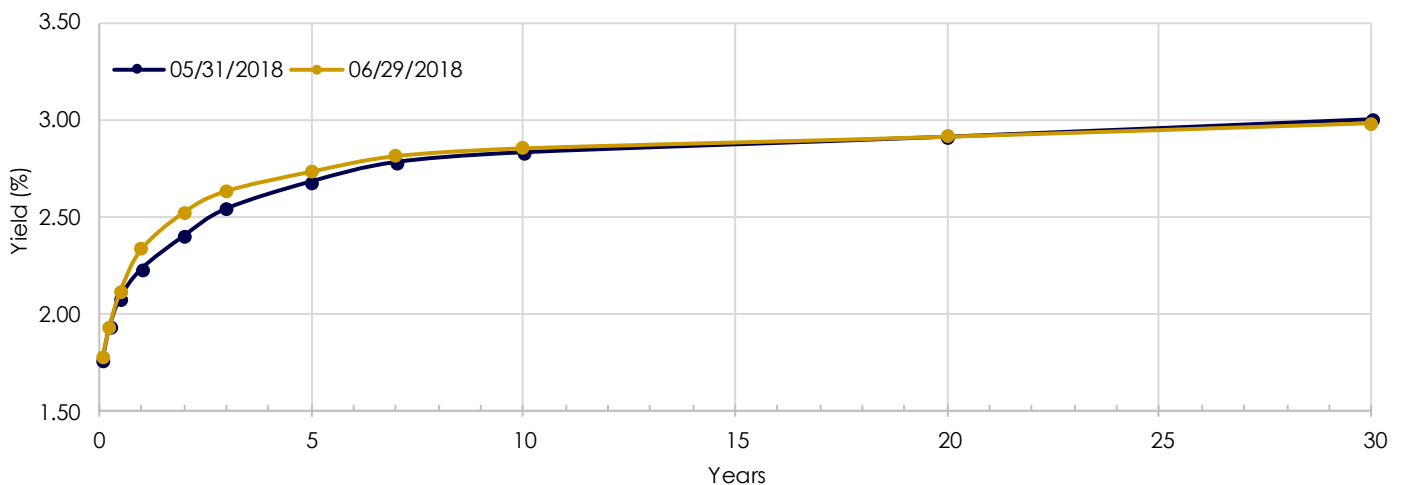
## FOMC Meeting 06/13/2018

- The FOMC stated recent data from May “indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate.”
- The Federal Reserve increased the Fed Funds Target Rate from 1.50—1.75% to 1.75—2.00%.
- “Risks to the economic outlook appear roughly balanced”, stated the FOMC in their June 13, 2018 press release.
- The next FOMC policy statement meeting is scheduled for July 31, 2018.

## Fed Funds Target Rate (Upper Limit)



## US Treasury Curve

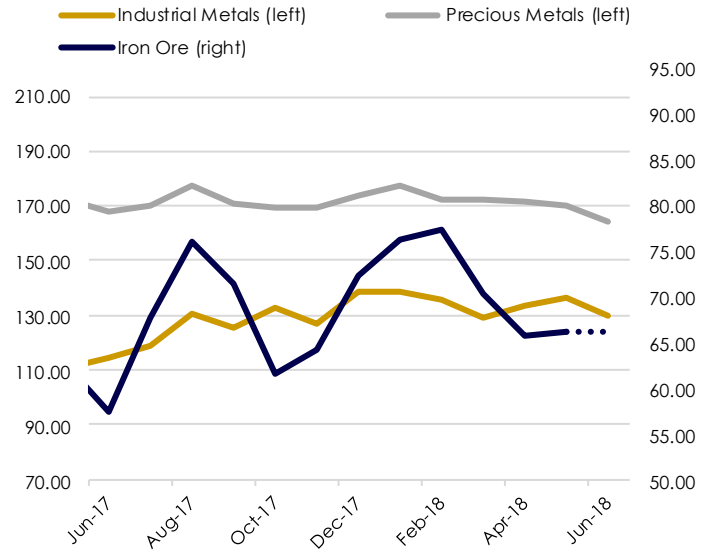
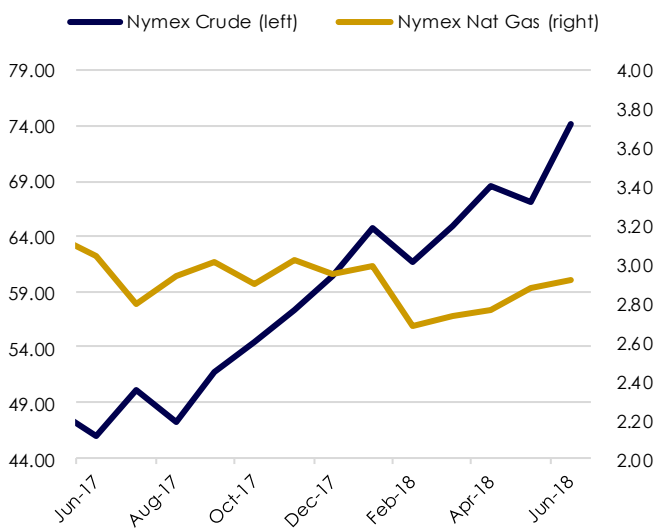


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
06/29/2018 - 05/31/2018	0	0.03	0.1	0.12	0.09	0.05	0.02	-0.02
06/29/2018	1.93	2.11	2.33	2.52	2.63	2.73	2.85	2.98
05/31/2018	1.93	2.08	2.23	2.40	2.54	2.68	2.83	3

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

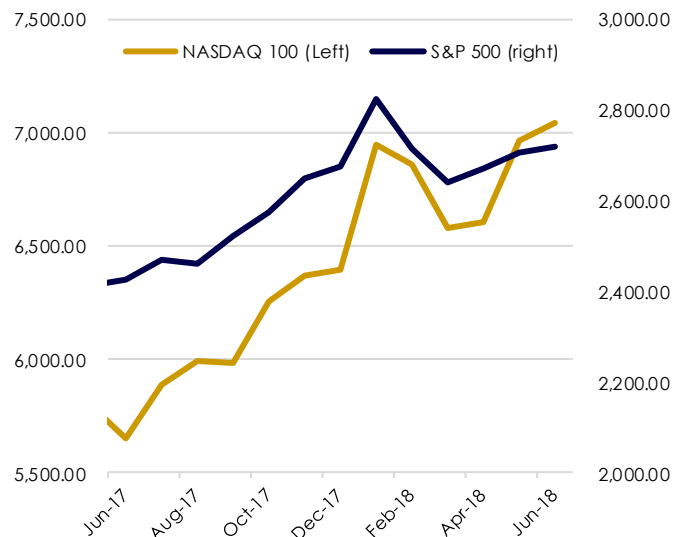
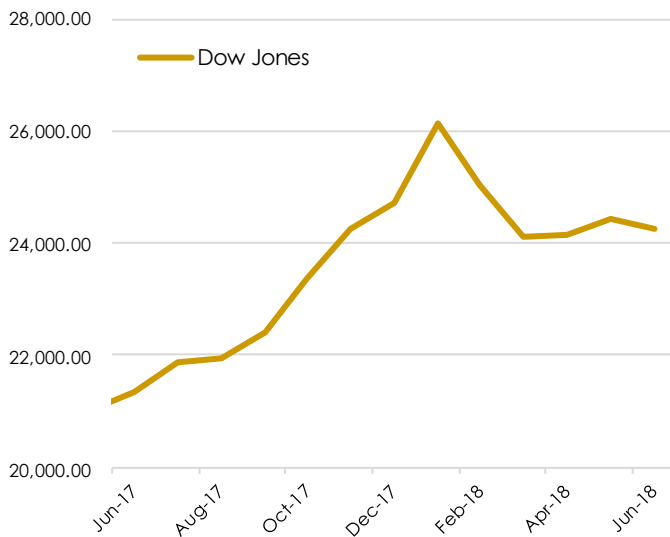
# Market Data cont'd

## Commodities



\*Pricing information for iron ore for June 2018 is unavailable. Please see [World Bank Commodity Markets](#) to acquire information when updated.

## Stocks



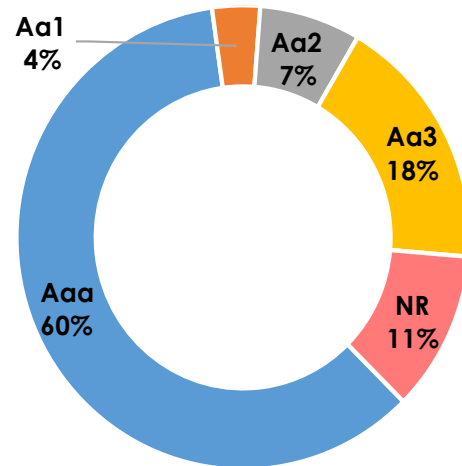
\* Values listed on this page are in US dollars and are based on the final business day of the month.

# 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**.

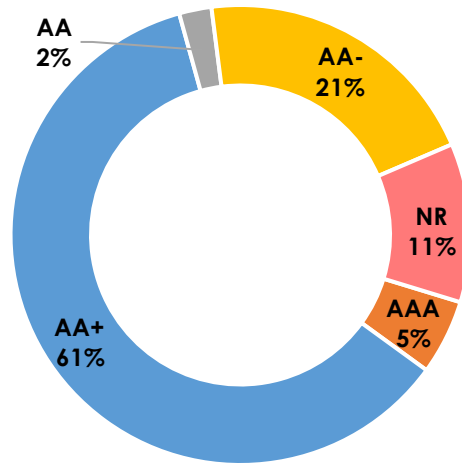
## Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>Aaa</b>	3,934,465.42	99.03%	60.29%	1.77%
<b>Aa1</b>	222,963.65	100.00%	3.42%	2.08%
<b>Aa2</b>	471,665.43	100.18%	7.23%	2.09%
<b>Aa3</b>	1,167,789.67	100.09%	17.90%	2.07%
<b>NR</b>	728,729.30	99.94%	11.17%	1.97%
<b>Totals:</b>	<b>6,525,613.48</b>	<b>99.44%</b>	<b>100.00%</b>	<b>1.88%</b>



## S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>AAA</b>	344,748.80	99.64%	5.28%	2.23%
<b>AA+</b>	3,960,576.00	99.09%	60.69%	1.76%
<b>AA</b>	148,596.26	99.79%	2.28%	1.92%
<b>AA-</b>	1,342,963.12	100.11%	20.58%	2.06%
<b>NR</b>	728,729.30	99.93%	11.17%	1.97%
<b>Totals:</b>	<b>6,525,613.48</b>	<b>99.44%</b>	<b>100.00%</b>	<b>1.88%</b>



## 12-Month Projected Cash Flow

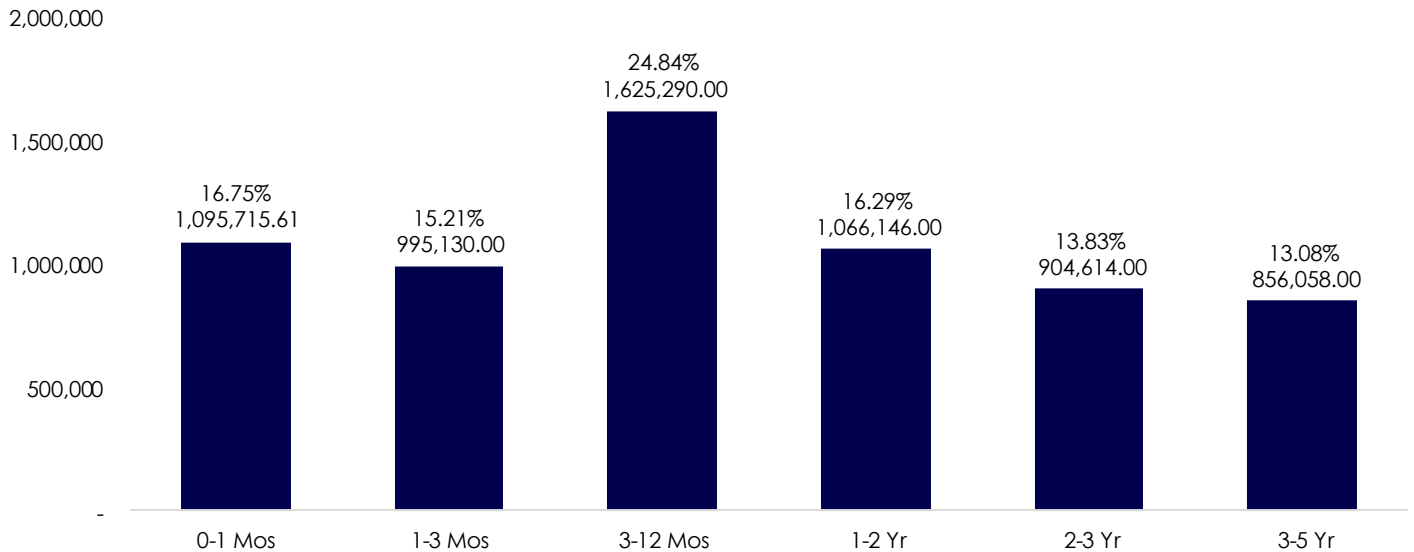
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matures Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
07/2018					112.99		
07/2018	1,006.35	1,300.00	(293.65)	180.66	-	1,225.72	
08/2018	740.88	635.84	105.04		105.04	545.13	
09/2018	1,100.00	1,250.00	(150.00)	44.96	-	370.00	
10/2018	1,051.06	1,100.00	(48.94)		-	523.87	
11/2018	1,125.00	1,100.00	25.00		25.00	334.50	
12/2018	2,350.00	1,100.00	1,250.00		1,275.00	-	
01/2019	1,000.00	2,100.00	(1,100.00)		175.00	415.66	
02/2019	850.00	1,050.00	(200.00)	25.00	-	130.34	
03/2019	1,350.00	1,200.00	150.00		150.00	68.31	
04/2019	2,000.00	1,300.00	700.00		850.00	9.07	
05/2019	1,200.00	2,050.00	(850.00)		-	44.46	
06/2019	1,050.00	1,850.00	(800.00)	800.00	-	49.09	
<b>TOTALS</b>	<b>14,823.29</b>	<b>16,035.84</b>	<b>(1,212.55)</b>	<b>1,050.62</b>	<b>2,693.03</b>	<b>3,716.14</b>	<b>5,474.99</b>
				<b>16.10%</b>		<b>56.95%</b>	<b>83.90%</b>

\* 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)

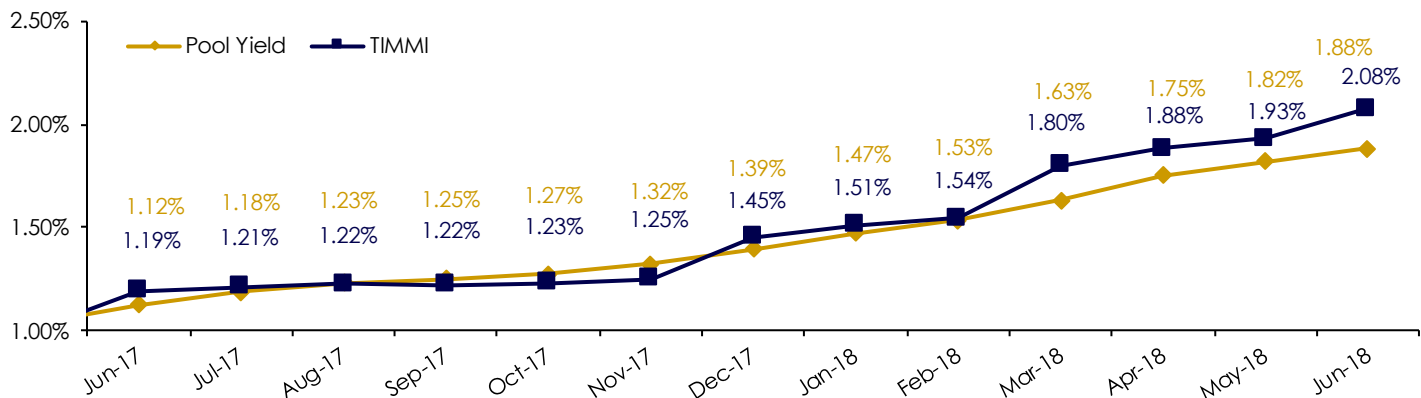


## Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr)	Mat (Yr)
TREAS	218,849.08	218,979.15	100.06%	1.53%	0.441	0.441
AGENCIES	3,237,265.95	3,198,789.65	98.81%	1.71%	1.989	2.032
MMKT	90,994.51	90,994.51	100.00%	1.96%	0.003	0.003
CASH	515,000.00	515,000.00	100.00%	2.01%	0.003	0.003
CALTRUST FND	24,000.00	24,000.00	100.00%	1.96%	0.003	0.003
COMM PAPER	1,148,913.71	1,154,198.06	100.46%	2.11%	0.219	0.219
NCDS	858,931.28	858,931.28	100.00%	2.14%	0.273	0.273
MEDIUM TERM NOTES	185,247.78	185,087.14	99.91%	2.46%	1.590	1.608
MUNI	246,251.18	242,827.89	98.61%	1.56%	1.000	1.000
LOCAL AGCY OBLIG	160.00	160.00	100.00%	2.32%	1.962	1.962
<b>Totals:</b>	<b>6,525,613.48</b>	<b>6,488,967.67</b>	<b>99.44%</b>	<b>1.88%</b>	<b>1.160</b>	<b>1.182</b>

\* 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 Maturity	Authorized % Limit	S&P/ Moody's	Maximum Maturity	Authorized % Limit	S&P/ Moody's	
<b>MUNICIPAL BONDS (MUNI)</b>	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	<b>3.77%</b>
<b>U.S. TREASURIES</b>	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	<b>3.35%</b>
<b>LOCAL AGENCY OBLIGATIONS (LAO)</b>	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<b>0.00%</b>
<b>FEDERAL AGENCIES</b>	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	<b>49.61%</b>
<b>COMMERCIAL PAPER (CP)</b>	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	<b>17.61%</b>
<b>CERTIFICATE &amp; TIME DEPOSITS (NCD &amp; TCD)</b>	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	<b>13.16%</b>
<b>REPURCHASE AGREEMENTS (REPO)</b>	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	<b>0.00%</b>
<b>REVERSE REPOS</b>	92 DAYS	20%	NA	60 DAYS	10%	NA	<b>0.00%</b>
<b>MEDIUM TERM NOTES (MTNO)</b>	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	<b>2.84%</b>
<b>CALTRUST SHORT TERM FUND</b>	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	<b>0.37%</b>
<b>MONEY MARKET MUTUAL FUNDS (MMF)</b>	60 DAYS <sup>(1)</sup>	20%	AAA/Aaa <sup>(2)</sup>	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	<b>1.39%</b>
<b>LOCAL AGENCY INVESTMENT FUND (LAIF)</b>	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	<b>0.00%</b>
<b>CASH/DEPOSIT ACCOUNT</b>	NA	NA	NA	NA	NA	NA	<b>7.89%</b>

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

<sup>2</sup> 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.**









Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
89113XQ23	TORONTO DOMINION	08/10/2018	2.220	2.220	40,000,000.00	40,000,000.00	100.000000	40,000,000.00	0.00	.110	.112
96121T4V7	WESTPACK	10/19/2018	1.710	2.320	25,000,000.00	24,931,278.36	99.725113	24,931,278.36	0.00	.297	.304
89113X2C7	TORONTO DOMINION	08/27/2018	2.220	2.220	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.155	.159
87019VKM8	SWEDBANK AB	09/10/2018	2.190	2.190	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.193	.197
63253TQ27	NATIONAL AUSTRALIAN	08/21/2018	2.060	2.060	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.139	.142
			<b>2.114</b>	<b>2.134</b>	<b>779,000,000.00</b>	<b>778,931,278.36</b>	<b>99.991178</b>	<b>778,931,278.36</b>	<b>0.00</b>	<b>.256</b>	<b>.262</b>
<b>4540: NCD-A A/360</b>											
05252WNR0	AUSTRALIA NZ BK GRP	10/10/2018	2.130	2.130	30,000,000.00	30,000,000.00	100.000000	30,000,000.00	0.00	.273	.279
65590AXW1	NORDEA BK	01/16/2019	2.420	2.420	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.535	.548
			<b>2.262</b>	<b>2.262</b>	<b>55,000,000.00</b>	<b>55,000,000.00</b>	<b>100.000000</b>	<b>55,000,000.00</b>	<b>0.00</b>	<b>.392</b>	<b>.401</b>
<b>4541: NCD-VAR-M A/360</b>											
96121T6P8	WESTPAC BANK NY	11/06/2018	2.213	2.213	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.348	.353
			<b>2.213</b>	<b>2.213</b>	<b>25,000,000.00</b>	<b>25,000,000.00</b>	<b>100.000000</b>	<b>25,000,000.00</b>	<b>0.00</b>	<b>.348</b>	<b>.353</b>
	<b>Total Fund</b>		<b>1.808</b>	<b>1.879</b>	<b>6,542,953,613.34</b>	<b>6,525,613,476.09</b>	<b>99.174900</b>	<b>6,488,967,672.40</b>	<b>-36,645,803.69</b>	<b>1.137</b>	<b>1.173</b>
<b>Grand Total</b>			<b>1.808</b>	<b>1.879</b>	<b>6,542,953,613.34</b>	<b>6,525,613,476.09</b>	<b>99.174900</b>	<b>6,488,967,672.40</b>	<b>-36,645,803.69</b>	<b>1.137</b>	<b>1.173</b>



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



COUNTY OF RIVERSIDE  
TREASURER-TAX COLLECTOR  
CAPITAL MARKETS

COUNTY ADMINISTRATIVE CENTER  
4080 LEMON STREET,  
4TH FLOOR,  
RIVERSIDE, CA 92502-2205

[WWW.COUNTYTREASURER.ORG](http://WWW.COUNTYTREASURER.ORG)