

TO: Board of Commissioners
FROM: M. Green - Treasurer
SUBJ: Quarterly Update
DATE: October 13, 2016

Performance Summary

Total investments through September 30, 2016 equaled \$14.8M. This represents an increase from the prior quarter of \$1.0M. Earnings (LGIP and Investments) for the quarter totaled \$107,264 versus \$71,895 for the same time period last year.

Key performance criteria for the period are:

- YTM – 1.79
- YTW – 1.74
- Investment Rating (OST scale) – 1.45
- Per Cent Invested versus Targeted Ceiling – 99%
- Average maturity in years – 4.05
- Adjusted WAM – 2.99 years
- LGIP increased to 93.8bps in September

Discussion

Investments during this quarter saw a continued shift from agency bonds to corporate and muni's. This was driven by two reasons: to slowly move the portfolio into more non-callable securities and better rate of return. As a result, the portfolio now has 39.9% of the investments in "non-callable" securities. This provides better stability in the overall investments as well as insuring a more predictable return.

The bond market continues to be volatile with \$2.4M bonds called in this quarter. Long term agency bonds are being called which has reduced the YTM for the portfolio by 20 bps from this time last year. One positive consequence, is the called bonds have reduced the overall maturity of the portfolio significantly.

Investment Committee Discussion/Recommendations

Accepted by Yamhill County
Board of Commissioners on

10-27-16 by Board Order
10-438

The Committee after reviewing the quarterly performance focused their attention in two areas: review of the Investment Policy and investment parameters. They made the following recommendations:

- Investment Policy: increase the percentage available to invest in corporate bonds to 35% from 30% (maximum allowed under OR statute) and add the Intermediate OSTF fund as an investment option. (Note: they recommended not investing in this fund until we have more data on its overall performance).
- Investment Parameters: allow the purchasing of zero coupon bonds if the interest spread warrants and eliminate the guideline for bond investments not to exceed \$102.

In addition, the Committee recommended that County increase the "money under investment". The actual amount to be determined via discussions with the County Administrator and the Treasurer with a subsequent recommendation to the BOC.

Actions Required by the BOC

Formal review and approval of the changes to the Investment Policy.