

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 June 30, 2019

DATE: August 19, 2019

We are pleased to provide you with the enclosed *Quarterly Investment Report for the period ended June 30, 2019*.

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
Barry A. Burton, County Administrator
Board Records

Pinellas County Board of County Commissioners Quarterly Investment Report

For the Period Ended June 30, 2019

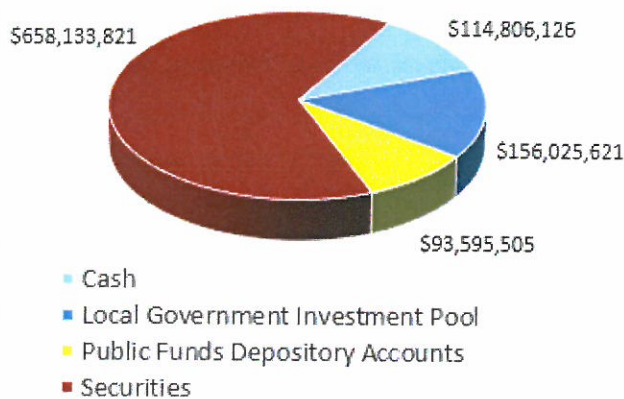


KEN BURKE, CPA
CLERK OF THE CIRCUIT COURT
AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

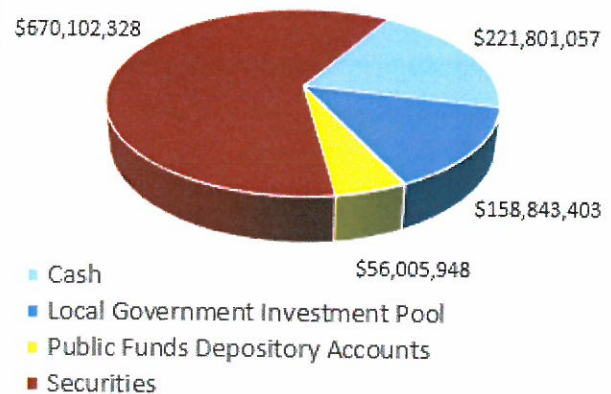
Section 218.415, Florida Statutes authorizes the governing body of a local government to adopt a written investment plan to govern investment activity. The Board of County Commissioners (Board) adopted Section 2-144 of the Pinellas County Code, Investment of Surplus Public Funds, establishing policies 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 June 30, 2018 - \$1,022,561,073



As of June 30, 2019 - \$1,106,752,736



| Portfolio Quarter-End Statistics | 6/18 | 9/18 | 12/18 | 3/19 | 6/19 |
|---|-----------------|---------------|-----------------|-----------------|-----------------|
| Total Portfolio - book value | \$1,022,561,073 | \$952,737,312 | \$1,204,493,267 | \$1,151,950,376 | \$1,106,752,736 |
| Securities weighted average maturity (WAM) | 1.12 years | 1.27 years | 1.33 years | 1.38 years | 1.32 years |
| Realized investment income | \$4,213,396 | \$4,446,420 | \$5,003,816 | \$6,674,252 | \$6,473,658 |
| Composite Yields (3 month daily average) | | | | | |
| Short Term Portfolio | 1.79% | 2.00% | 2.27% | 2.48% | 2.46% |
| Benchmark (3-month T-Bill) | 1.88% | 2.08% | 2.36% | 2.44% | 2.35% |
| Long Term Portfolio * | 1.55% | 1.72% | 1.96% | 2.24% | 2.30% |
| Benchmark (2-year-T-Bill) | 2.47% | 2.67% | 2.80% | 2.48% | 2.12% |
| Portfolio Overall | 1.63% | 1.82% | 2.08% | 2.33% | 2.36% |

Quarterly Investment Report

For the Period Ended June 30, 2019

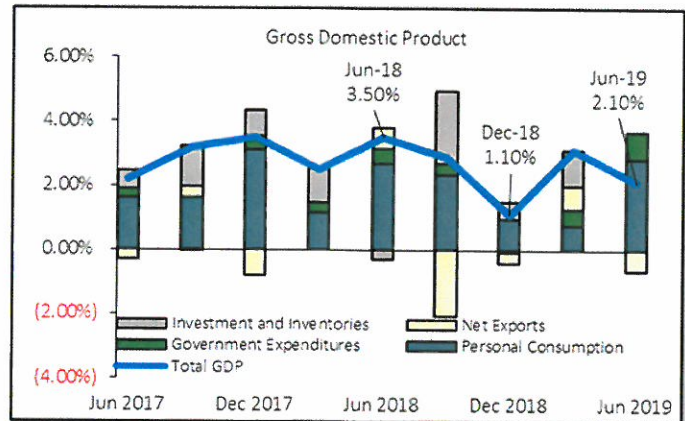
Economic Information

U.S. Economic Growth:

At the close of the second quarter, the U.S. economy entered its 121st month of expansion, marking the longest stretch of uninterrupted growth in modern American history according to data from the National Bureau of Economic Research dating back to 1854. After growing at an annualized rate of 3.1% in the first quarter of 2019, economic activity is expected to have slowed in the second quarter as fading tailwinds from the Tax Cuts and Jobs Act, uncertainties surrounding slowing global growth and persistent trade tensions weigh on domestic activity.

While still expanding, activity in the U.S. manufacturing and service sectors has moderated year to date, reflecting the rising risks to the U.S. economy from slowing global growth.

The New York Federal Reserve's 12-month forward recession probability indicator has climbed to over 30%, a reading that has preceded all recent recessions.

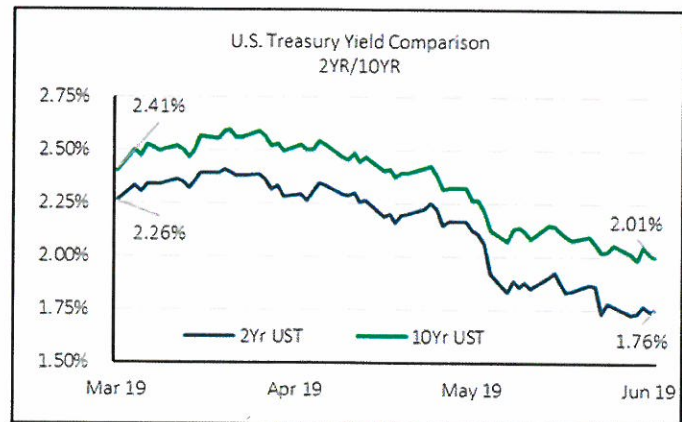


Source: Bloomberg

Treasury Yields:

U.S. Treasury yields collapsed over the quarter as mounting global concerns increased the likelihood of a rate cut from the Federal Reserve in July. Further, the threat of escalating tariffs on U.S. trading partners has placed additional stress on an already slowing global economy. For the quarter, 2-year Treasury yields fell 50 basis points (0.50%) to 1.76% and have fallen 77 basis points (0.77%) versus year ago levels. Ten-year Treasury yields fell 40 basis points (0.40%) to 2.01% over the quarter and are down 86 basis points (0.86%) versus year ago levels.

While the yield curve steepened modestly over the quarter, the persistent flatness and intermittent inversions of the yield curve remain an area of intense focus for market participants given the slope of the curve's historical track record of foreshadowing periods of slowing economic growth and often recession.



Source: Bloomberg

Quarterly Investment Report

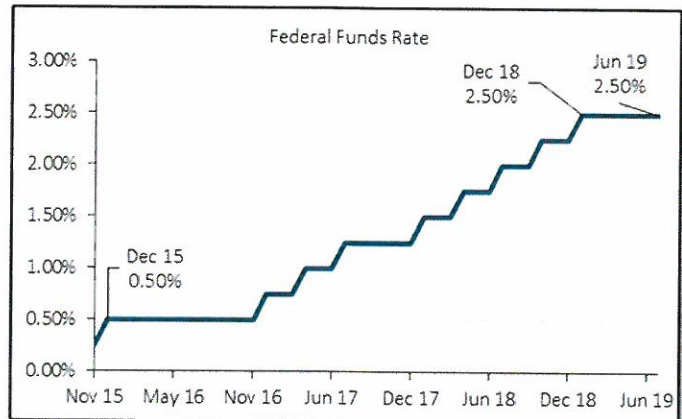
For the Period Ended June 30, 2019

Federal Funds Rate:

After raising rates by 25 basis points (0.25%) at the December 2018 FOMC meeting, the Fed held rates unchanged at both the March and June 2019 FOMC meetings as a rise in equity market volatility, signs of slowing global growth, and ongoing trade tensions clouded the economic outlook. The Fed's balance sheet has been reduced from a peak of \$4.5 trillion to \$3.8 trillion at quarter end and is expected to remain elevated to ensure ample reserves in the banking system.

The Federal Reserve, facing intense scrutiny from President Trump to cut rates in June, held rates unchanged over the quarter but dropped its pledge to be "patient" in regard to future rate adjustments in favor of "closely monitoring the implications of incoming information." Market-based measures of policy expectations in the Fed Funds Futures markets moved markedly lower, reflecting expectations for 3 rate cuts in 2019 and 1 cut in 2020.

The Fed's December 2018 "Dot Plot" reflected median expectations for 3 additional rate hikes through 2020. In a sharp pivot, the June 2019 "Dot Plot" was amended to reflect expectations for no further hikes in 2019 and one rate cut in 2020.

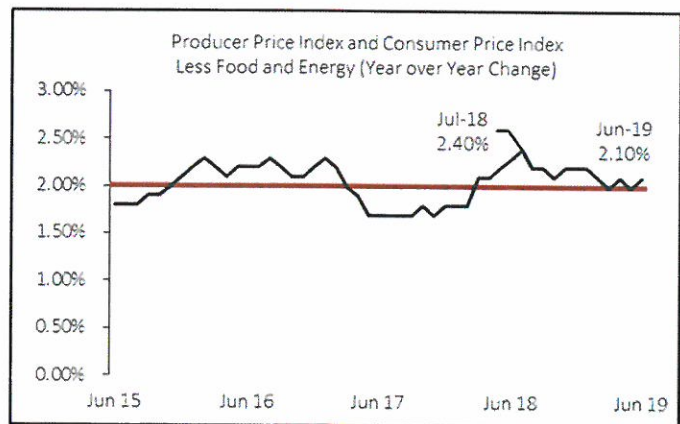


Source: Bloomberg

Consumer Price Index (CPI):

Despite a prolonged period of historically accommodative monetary policy, measures of core inflation have failed to consolidate around the Fed's stated 2.0% target. The headline Consumer Price Index (CPI) declined over the quarter to 1.65% from 1.86% last quarter. Further, while core CPI rose moderately to 2.13% through June, the Fed's preferred inflation gauge (core PCE) has fallen persistently over the past 18 months from nearly 2.0% to 1.6% through May.

Reflecting growing skepticism in the Fed's ability to achieve their 2.0% inflation target against a backdrop of slowing global growth and elevated geopolitical and trade risks, market-based measures of inflation expectations have fallen in recent months. Notably, 5 and 10-year Treasury Inflation Protection Securities (TIPS) spreads declined 25 and 33 basis points, respectively, in the final two months of the quarter. Despite concerns that the ongoing trade dispute with China may finally spur consumer inflation, commodity prices have remained generally contained on concerns that further escalation may dampen global growth and reduce demand.



Source: Bloomberg

Quarterly Investment Report

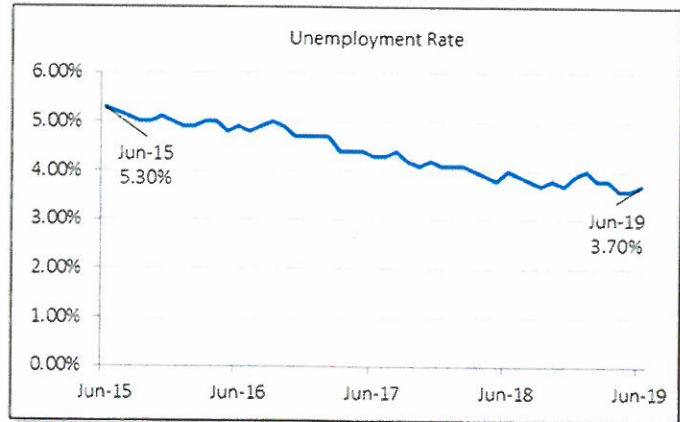
For the Period Ended June 30, 2019

Unemployment Rate:

Activity in U.S. labor markets continues to reflect generally solid domestic economic fundamentals – though familiar late cycle signals have begun to emerge. In particular, payroll growth remains solid but has decelerated relative to prior years. Following a disappointing May report, nonfarm payrolls rebounded in June posting a 193K job gain. Year-to-date, monthly payrolls have averaged 180K jobs per month, down from 226K jobs per month during same period last year.

The unemployment rate edged higher to 3.7% in June but remains near its lowest level in 50 years. Importantly, the unemployment rate is a lagging indicator and has historically bottomed just prior to periods of economic downturn.

After reaching 3.4% year over year in February, average hourly earnings receded over the quarter rising at annual rate of 3.1% in June. Reflecting the low level of unemployment, average hourly earnings have trended higher over the past 18 months which has helped to support consumer spending.



Source: Bloomberg

Investment Strategy:

The Federal Reserve cut rates 25 basis points at the end of July. Whether or not this proves to be a one time “insurance cut” to extend the life of this economic cycle or something more ominous remains to be seen. Although recent U.S. economic data has been somewhat encouraging, the outlook for the global economy and trade tensions remains on edge. Despite the market pricing in up to 75 basis points of rate cuts over the next 12 months, in the short-term the Board’s investment team will continue to extend out on the curve to lock in rates in conjunction with the long-term strategy of managing to a consistent duration target throughout an interest rate cycle.

This Quarterly investment Report was prepared by the Clerk’s Finance Division. The economic information was provided by Public Trust Advisors, LLC.

Quarterly Investment Report

For the Period Ended June 30, 2019

Pinellas County Board of County Commissioners Portfolio Summary

| Investments | June 30, 2018 | | June 30, 2019 | | Portfolio Maximum | Issuer Limitation | Compliant |
|---|-------------------------|----------------|-------------------------|-------------------------|-------------------|-------------------|------------|
| | Book Value | % of Portfolio | Book Value | Market Value | | | |
| Cash | \$ 114,806,126 | 11.23% | \$ 221,801,057 | \$ 221,801,057 | | | |
| Public Funds Depository Accounts | 93,595,505 | 9.15% | 56,005,948 | 56,005,948 | | | |
| Subtotal | 208,401,631 | 20.38% | 277,807,005 | 277,807,005 | 50% | N/A | Yes |
| Local Government Investment Pools | 156,025,621 | 15.26% | 158,843,403 | 158,843,403 | 50% | N/A | Yes |
| U.S. Government-Sponsored Enterprise (GSE) | | | | | | | |
| Federal Farm Credit Bank | 157,613,057 | 15.41% | 245,469,538 | 247,737,101 | | 30% | Yes |
| Federal Home Loan Bank | 228,965,658 | 22.39% | 274,270,148 | 276,289,223 | | 30% | Yes |
| Federal Home Loan Mortgage Corp. | 140,342,291 | 13.73% | 59,862,305 | 60,137,405 | | 30% | Yes |
| Federal National Mortgage Association | 111,178,945 | 10.87% | 31,379,922 | 31,376,225 | | 30% | Yes |
| Subtotal GSE's | 638,099,951 | 62.40% | 610,981,913 | 615,539,954 | 75% | | Yes |
| Treasury Note | 20,033,870 | 1.96% | 59,120,415 | 59,878,906 | | N/A | Yes |
| Subtotal Securities | 658,133,821 | 64.36% | 670,102,328 | 675,418,860 | 75% | N/A | Yes |
| Total Portfolio Book Value | \$ 1,022,561,073 | 100.00% | \$ 1,106,752,736 | \$ 1,112,069,268 | 100.00% | | |

Note: The percent of portfolio shown above, as well as the portfolio maximum and issuer limitations are based on the book value.

Pinellas County
 Portfolio Holdings by Security Type
 As of 6/30/2019

| 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 | 221,801,057 | 221,801,057 | 221,801,057 | 2.400 | 2.400 | 1 |
| Sub Total / Average | | | | | | 221,801,057 | 221,801,057 | 221,801,057 | 2.400 | 2.400 | 1 |
| Public Funds Depository Accounts | | | | | | | | | | | |
| BankUnited MM | BANKUNITED | 08/13/2018 | N/A | N/A | N/A | 45,932,672 | 45,932,672 | 45,932,672 | 2.472 | 2.472 | 1 |
| BB&T MM | BBTMM-9830 | 08/14/2008 | N/A | N/A | N/A | 10,073,276 | 10,073,276 | 10,073,276 | 2.000 | 2.000 | 1 |
| Sub Total / Average | | | | | | 56,005,948 | 56,005,948 | 56,005,948 | 2.387 | 2.387 | 1 |
| Local Government Investment Pool | | | | | | | | | | | |
| FLCLASS LGIP | FLCLASS-0001 | 07/15/2015 | N/A | N/A | N/A | 118,980,912 | 118,980,912 | 118,980,912 | 2.550 | 2.550 | 1 |
| FLGIT-DAY TO DAY FUND LGIP | FLGIT-0338 | 09/29/2009 | N/A | N/A | N/A | 39,862,383 | 39,862,383 | 39,862,383 | 2.450 | 2.450 | 1 |
| FLORIDA PRIME LGIP | PRIME | 09/30/2007 | N/A | N/A | N/A | 108 | 108 | 108 | 2.550 | 2.550 | 1 |
| Sub Total / Average | | | | | | 158,843,403 | 158,843,403 | 158,843,403 | 2.525 | 2.525 | 1 |
| FFCB Bond | | | | | | | | | | | |
| FFCB 1.5 10/10/2019 | 3133EHF32 | 12/18/2017 | | N/A | 10/10/2019 | 20,000,000 | 19,979,202 | 19,972,842 | 1.500 | 1.882 | 102 |
| FFCB 1.58 4/17/2020 | 3133EHH22 | 12/20/2017 | | N/A | 04/17/2020 | 9,795,000 | 9,765,723 | 9,764,268 | 1.580 | 1.965 | 292 |
| FFCB 1.75 10/26/2020 | 3133EHJ95 | 11/21/2017 | | N/A | 10/26/2020 | 20,000,000 | 19,963,346 | 19,959,245 | 1.750 | 1.893 | 484 |
| FFCB 1.875 6/14/2022 | 3133EKR00 | 06/28/2019 | | N/A | 06/14/2022 | 20,000,000 | 20,021,759 | 20,021,800 | 1.875 | 1.837 | 1,080 |
| FFCB 2.07 2/14/2020 | 3133EJCN7 | 03/02/2018 | | N/A | 02/14/2020 | 20,000,000 | 19,970,580 | 20,007,132 | 2.070 | 2.313 | 229 |
| FFCB 2.375 3/27/2020 | 3133EJHL6 | 03/27/2018 | | N/A | 03/27/2020 | 20,000,000 | 19,995,550 | 20,057,247 | 2.375 | 2.406 | 271 |
| FFCB 2.55 1/11/2021 | 3133EJ4Q9 | 01/18/2019 | | N/A | 01/11/2021 | 19,750,000 | 19,732,096 | 19,958,385 | 2.550 | 2.611 | 561 |
| FFCB 2.55 5/15/2020 | 3133EJNW5 | 05/15/2018 | | N/A | 05/15/2020 | 20,000,000 | 19,990,511 | 20,089,033 | 2.550 | 2.606 | 320 |
| FFCB 2.7 4/9/2021 | 3133EJUA5 | 07/18/2018 | | N/A | 04/09/2021 | 20,000,000 | 19,982,374 | 20,319,644 | 2.700 | 2.753 | 649 |
| FFCB 2.77 9/21/2020 | 3133EJ3N7 | 12/21/2018 | | N/A | 09/21/2020 | 18,750,000 | 18,763,229 | 18,934,661 | 2.770 | 2.712 | 449 |
| FFCB 2.85 9/20/2021 | 3133EJZU6 | 09/27/2018 | | N/A | 09/20/2021 | 20,000,000 | 19,948,375 | 20,425,487 | 2.850 | 2.972 | 813 |
| FFCB 2.93 4/22/2021 | 3133EJU67 | 12/07/2018 | | N/A | 04/22/2021 | 17,300,000 | 17,324,418 | 17,652,052 | 2.930 | 2.848 | 662 |
| FFCB 3.05 11/15/2021 | 3133EJT74 | 11/29/2018 | | N/A | 11/15/2021 | 20,000,000 | 20,032,375 | 20,575,305 | 3.050 | 2.978 | 869 |
| Sub Total / Average | | | | | | 245,595,000 | 245,469,538 | 247,737,101 | 2.373 | 2.458 | 530 |
| FHLB Bond | | | | | | | | | | | |
| FHLB 0.875 8/5/2019 | 3130A8Y72 | 01/23/2018 | | N/A | 08/05/2019 | 20,000,000 | 19,977,859 | 19,974,033 | 0.875 | 2.037 | 36 |
| FHLB 1.375 11/15/2019 | 3130AA3R7 | 09/26/2017 | | N/A | 11/15/2019 | 20,000,000 | 19,990,485 | 19,945,192 | 1.375 | 1.504 | 138 |
| FHLB 1.53 10/4/2019 | 3130ACL51 | 12/18/2017 | | N/A | 10/04/2019 | 13,000,000 | 12,988,291 | 12,976,774 | 1.530 | 1.882 | 96 |
| FHLB 1.75 6/12/2020 | 31338HU8 | 12/20/2017 | | N/A | 06/12/2020 | 20,000,000 | 19,960,102 | 19,949,602 | 1.750 | 1.966 | 348 |
| FHLB 1.875 3/13/2020 | 313378J77 | 12/20/2017 | | N/A | 03/13/2020 | 20,000,000 | 19,990,989 | 19,968,898 | 1.875 | 1.940 | 257 |
| FHLB 2.375 12/13/2019 | 3130A0JR2 | 12/04/2017 | | N/A | 12/13/2019 | 20,000,000 | 20,045,300 | 20,011,973 | 2.375 | 1.863 | 166 |
| FHLB 2.5 3/11/2022 | 313378WG2 | 03/28/2019 | | N/A | 03/11/2022 | 20,000,000 | 20,140,781 | 20,363,306 | 2.500 | 2.229 | 985 |
| FHLB 2.625 10/1/2020 | 3130AEWA4 | 01/30/2019 | | N/A | 10/01/2020 | 20,000,000 | 20,001,150 | 20,171,457 | 2.625 | 2.619 | 459 |

| 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 |
|-----------------------------|--------------|-----------------|----------------|----------------|---------------|----------------------|----------------------|----------------------|--------------|--------------|------------------|
| FHLB 2.875 12/10/2021 | 3130A0EN6 | 11/29/2018 | | N/A | 12/10/2021 | 20,000,000 | 19,951,409 | 20,513,054 | 2.875 | 2.979 | 894 |
| FHLB 2.875 9/11/2020 | 313370US5 | 12/05/2017 | | N/A | 09/11/2020 | 20,000,000 | 20,208,801 | 20,220,716 | 2.875 | 1.974 | 439 |
| FHLB 3.125 12/11/2020 | 313371U79 | 01/18/2019 | | N/A | 12/11/2020 | 20,000,000 | 20,144,324 | 20,357,869 | 3.125 | 2.610 | 530 |
| FHLB 3.625 3/12/2021 | 3133732Y7 | 04/26/2018 | | N/A | 03/12/2021 | 20,000,000 | 20,291,802 | 20,581,105 | 3.625 | 2.726 | 621 |
| FHLB 3.625 3/12/2021 | 3133732Y7 | 12/07/2018 | | N/A | 03/12/2021 | 20,000,000 | 20,258,478 | 20,581,105 | 3.625 | 2.833 | 621 |
| FHLB 3.625 6/11/2021 | 313373ZY1 | 07/18/2018 | | N/A | 06/11/2021 | 20,000,000 | 20,320,377 | 20,674,139 | 3.625 | 2.763 | 712 |
| Sub Total / Average | | | | | | 273,000,000 | 274,270,148 | 276,289,223 | 2.500 | 2.291 | 459 |
| FHLMC Bond | | | | | | | | | | | |
| FHLMC 1.5 9/9/2019-18 | 3134GA7A6 | 05/26/2017 | | One Time | 09/09/2019 | 20,000,000 | 19,999,916 | 19,970,523 | 1.500 | 1.502 | 71 |
| FHLMC 1.875 11/17/2020 | 3137EAEK1 | 11/20/2017 | | N/A | 11/17/2020 | 20,000,000 | 19,992,969 | 19,993,706 | 1.875 | 1.901 | 506 |
| FHLMC 2.375 2/16/2021 | 3137EAEI9 | 12/12/2018 | | N/A | 02/16/2021 | 20,000,000 | 19,869,420 | 20,173,176 | 2.375 | 2.790 | 597 |
| Sub Total / Average | | | | | | 60,000,000 | 59,862,305 | 60,137,405 | 1.917 | 2.065 | 391 |
| FNMA Bond | | | | | | | | | | | |
| FNMA 0.875 8/2/2019 | 3135G0N33 | 12/19/2017 | | N/A | 08/02/2019 | 11,490,000 | 11,480,220 | 11,476,069 | 0.875 | 1.851 | 33 |
| FNMA 1.5 7/30/2020 | 3135G0T60 | 12/19/2017 | | N/A | 07/30/2020 | 20,000,000 | 19,899,702 | 19,900,156 | 1.500 | 1.977 | 396 |
| Sub Total / Average | | | | | | 31,490,000 | 31,379,922 | 31,376,225 | 1.272 | 1.931 | 264 |
| Treasury Note | | | | | | | | | | | |
| T-Note 1.125 8/31/2021 | 9128282F6 | 01/24/2019 | | N/A | 08/31/2021 | 20,000,000 | 19,390,903 | 19,734,375 | 1.125 | 2.587 | 793 |
| T-Note 2.5/31/2021 | 912828WN6 | 01/24/2019 | | N/A | 05/31/2021 | 20,000,000 | 19,780,427 | 20,085,937 | 2.000 | 2.593 | 701 |
| T-Note 2.375 4/30/2020 | 9128284J6 | 12/21/2018 | | N/A | 04/30/2020 | 20,000,000 | 19,949,085 | 20,058,594 | 2.375 | 2.686 | 305 |
| Sub Total / Average | | | | | | 60,000,000 | 59,120,415 | 59,878,906 | 1.833 | 2.622 | 600 |
| Sub Total Securities | | | | | | 670,085,000 | 670,102,328 | 675,418,860 | | | |
| Total / Average | | | | | | 1,106,735,408 | 1,106,752,736 | 1,112,069,268 | 2.347 | 2.384 | 292 |

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