



Yolo County Investment Review First Quarter 2019

Presented By

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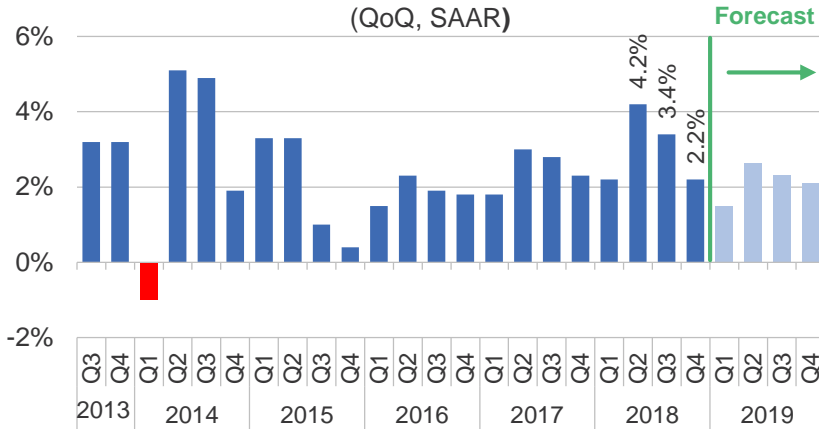


Economic and Interest Rate Update

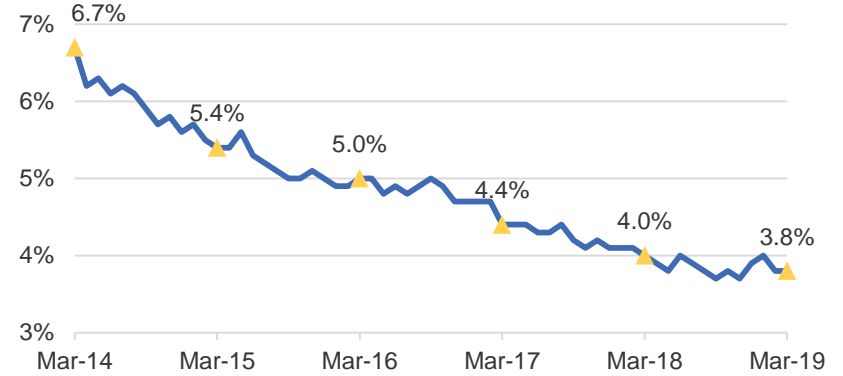


Economic Summary

U.S. Real GDP
(QoQ, SAAR)



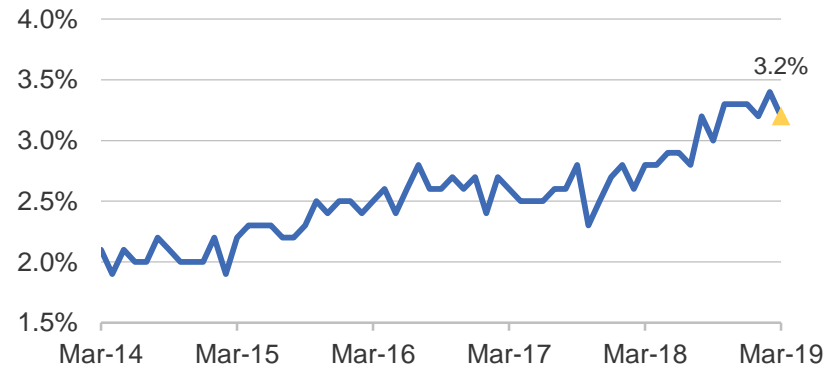
Unemployment Rate



Consumer Confidence



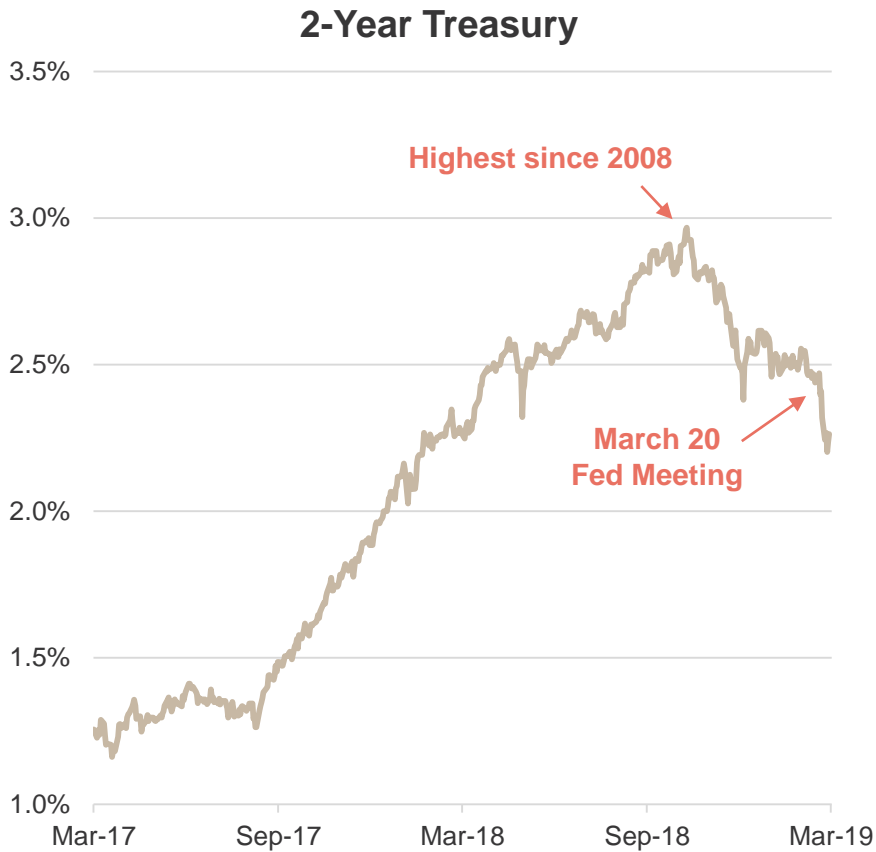
Average Hourly Earnings (YoY)



Source: Bloomberg, latest data available as of 3/31/19. SAAR is seasonally adjusted annualized rate.



Treasury Yields Fall Further in the First Quarter



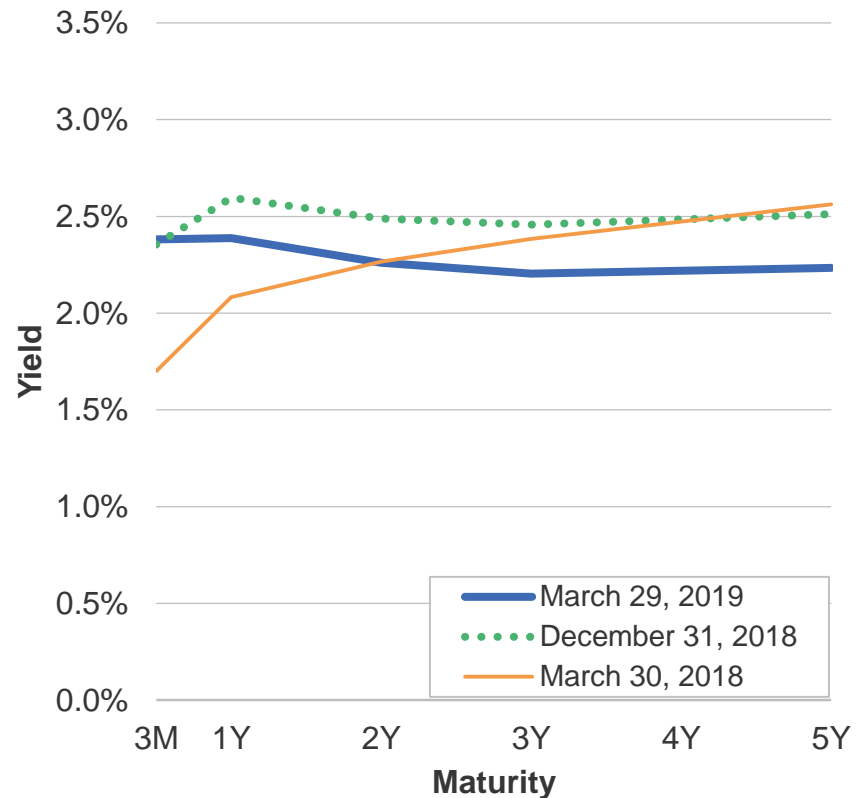
Source: Bloomberg, as of 03/31/19.



U.S. Treasury Yield Curve

Tenor	03/29/19	12/31/18	03/30/2018
3-month	2.38%	2.35%	1.70%
1-year	2.39%	2.60%	2.08%
2-year	2.26%	2.49%	2.27%
3-year	2.20%	2.46%	2.38%
5-year	2.23%	2.51%	2.56%
10-year	2.41%	2.68%	2.74%
30-year	2.81%	3.01%	2.97%

U.S. Treasury Yield Curve

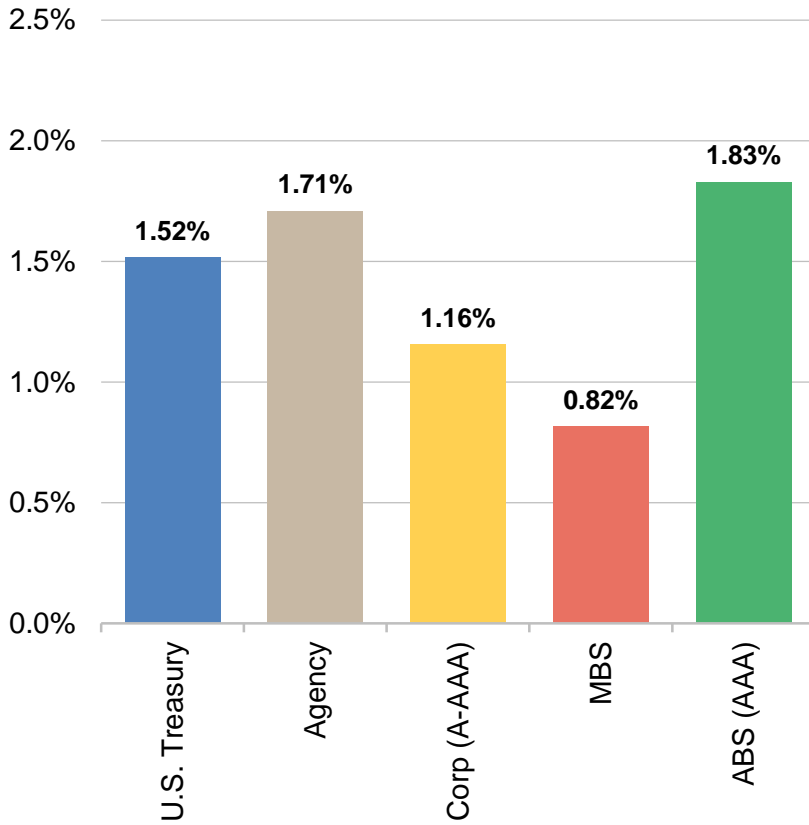


Source: Bloomberg, as of 03/29/19.

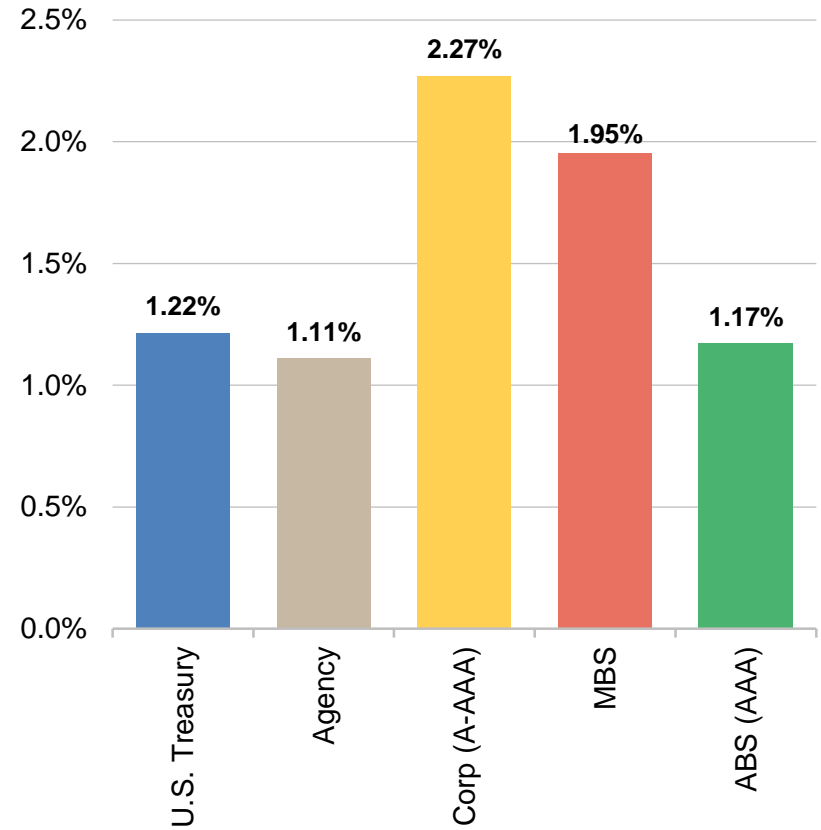


Strong Fixed Income Sector Returns in First Quarter

2018 Returns



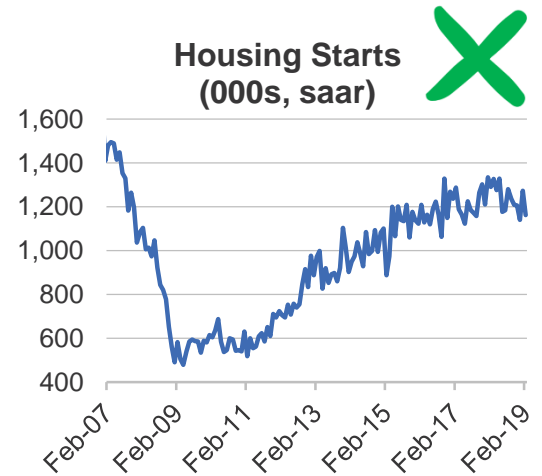
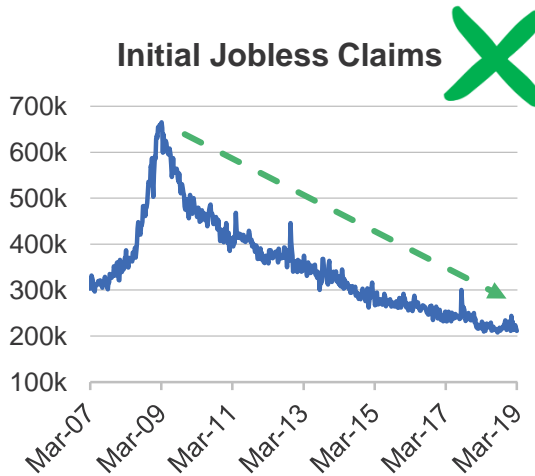
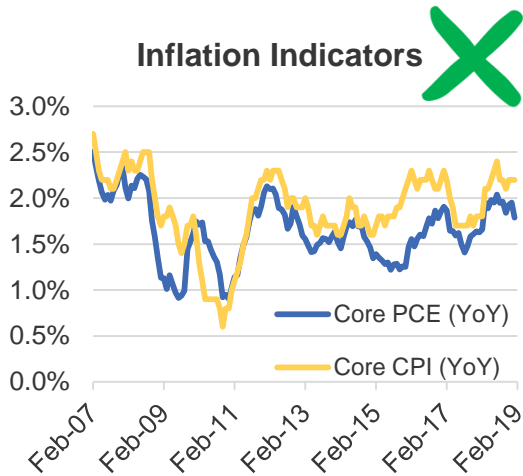
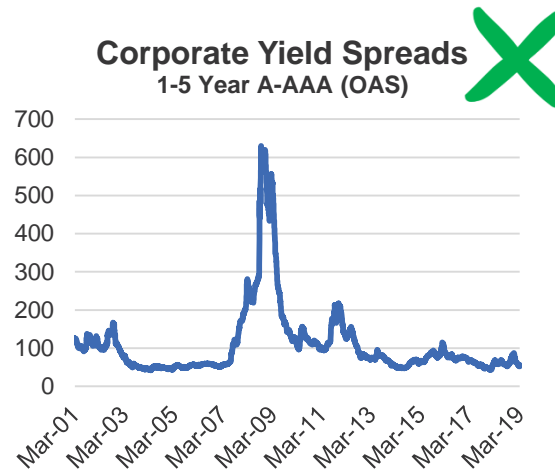
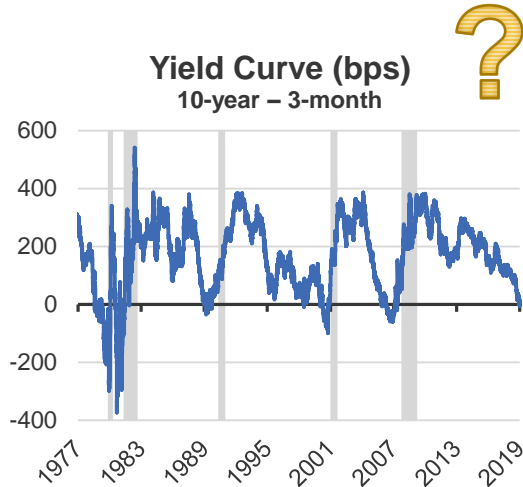
2019 Q1 Returns



Source: 1-5 Year ICE BofAML Indices. MBS and ABS indices are 0-5 year, based on weighted average life. As of 03/31/19.



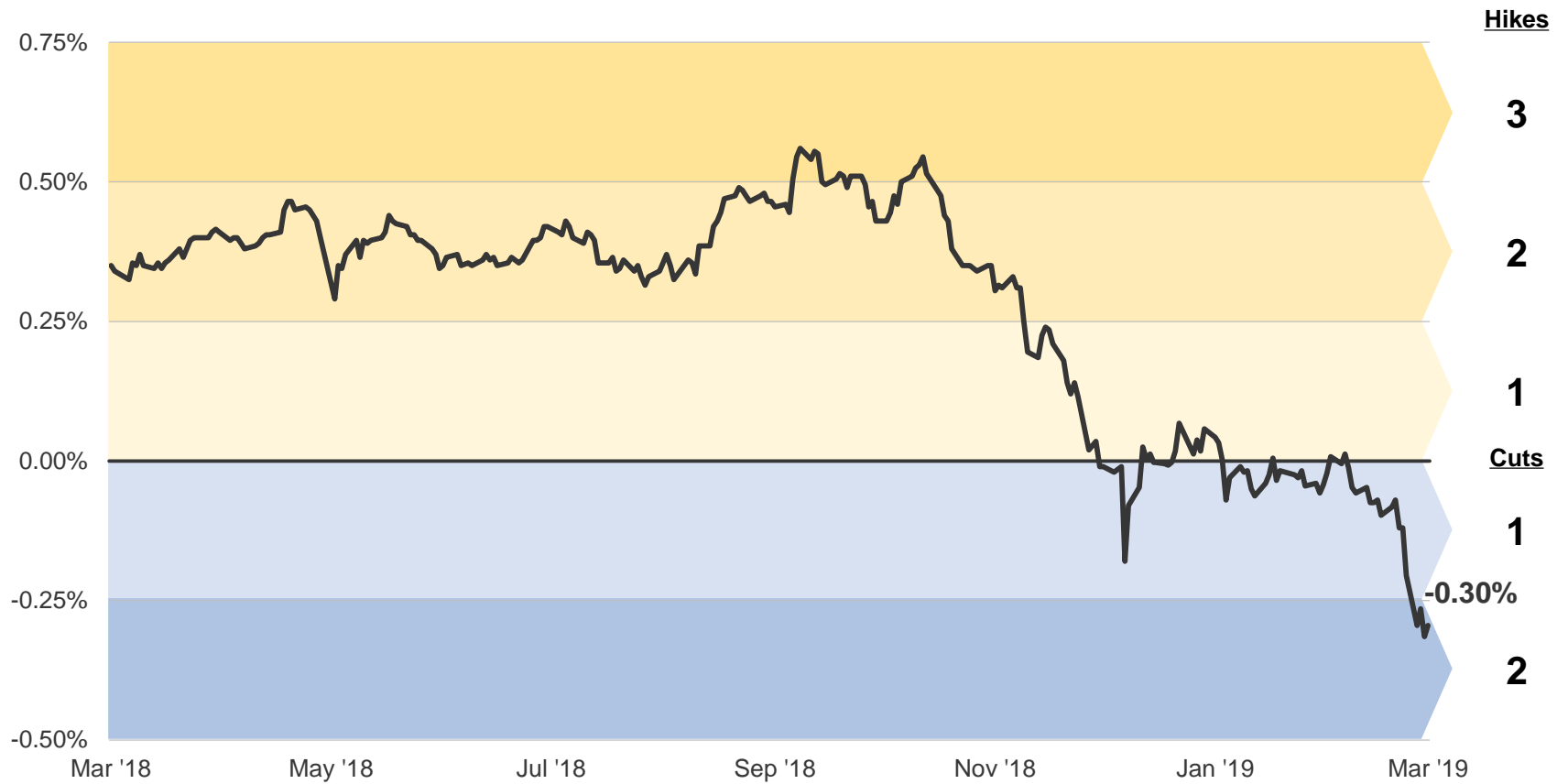
Market Indicators Not Yet Pointing to an Imminent Recession



Source: Bloomberg, as of 3/31/19.



Market Expects a Rate Cut by Year End



Source: Bloomberg, as of 03/28/19.



Portfolio Update



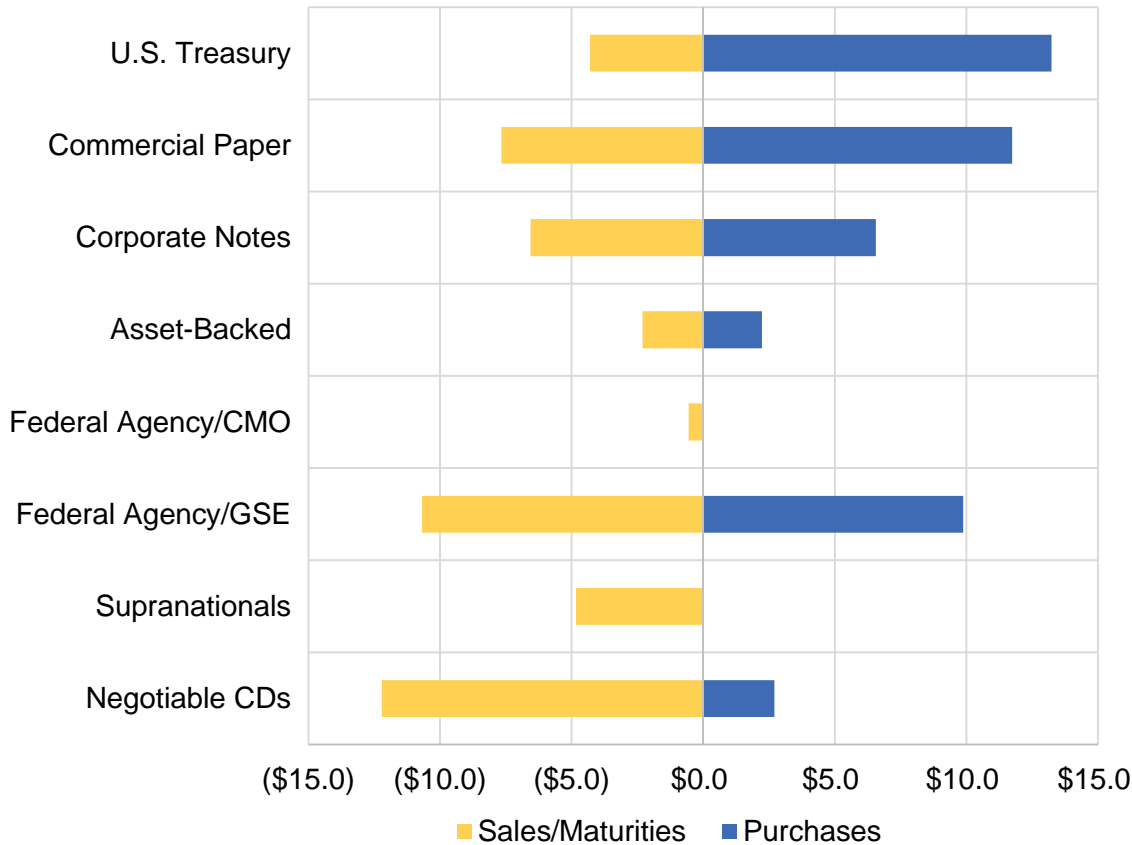
First Quarter Portfolio Strategy

- Managing portfolio with a target duration in line with the benchmark.
- Portfolio strategy continued to favor broad diversification, generally including the widest range of permitted investments.
- During the quarter we found relative value in:
 - U.S. Treasuries and Federal Agencies
 - Yield spreads between Treasuries and Agencies remain narrow, however we have found opportunities to add Agencies in select maturities.
 - Corporate Notes
 - After corporate yield spreads increased to their widest levels in over two years in the fourth quarter, we sought opportunities in the sector as spreads moved tighter throughout the first quarter.
 - Commercial Papers
 - In light of the partially inverted yield curve, short-term, high-quality credit in the form of commercial paper offers attractive spreads to similar and longer-maturity Treasuries.
 - Asset-Backed Securities (ABS)
 - We found ABS to be an attractive alternative outlet to other credit instruments.
 - ABS typically experiences less volatility than corporates during periods of volatility.



Summary of Trade Activity

Summary of Portfolio Trade Activity December 31, 2018 – March 31, 2019



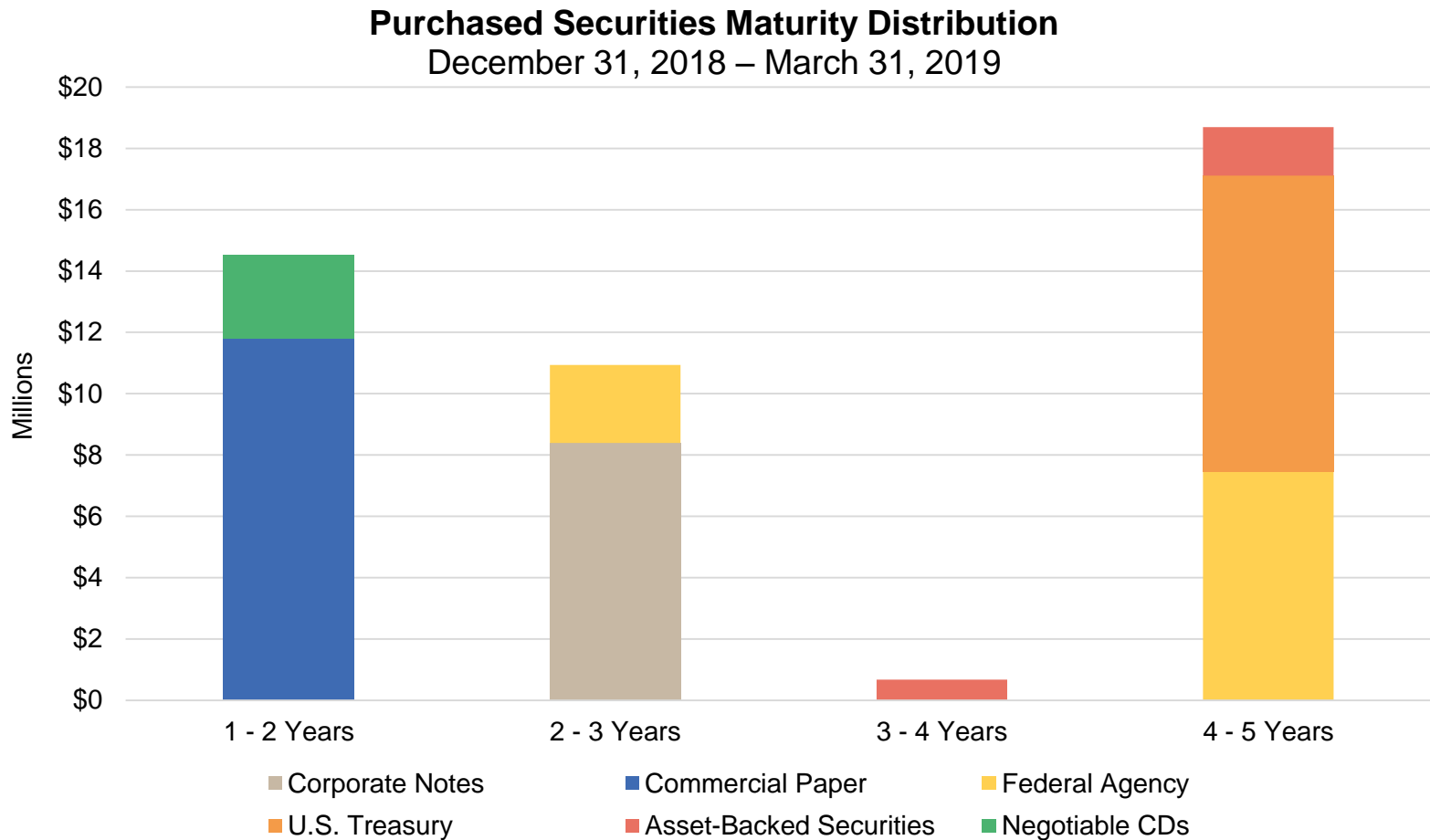
Net Transactions by Sector (\$ millions)

U.S. Treasury	+ \$8.93
Commercial Paper	+ \$4.07
Corporate Notes	(<\$0.01)
Asset-Backed	(\$0.06)
Federal Agency/CMO	(\$0.56)
Federal Agency/GSE	(\$0.81)
Supranationals	(\$4.83)
Negotiable CDs	(\$9.51)

Based on par value of purchases, sells, maturities, and pay downs.



Summary of Purchase Activity



Based on market values as of 3/31/19.

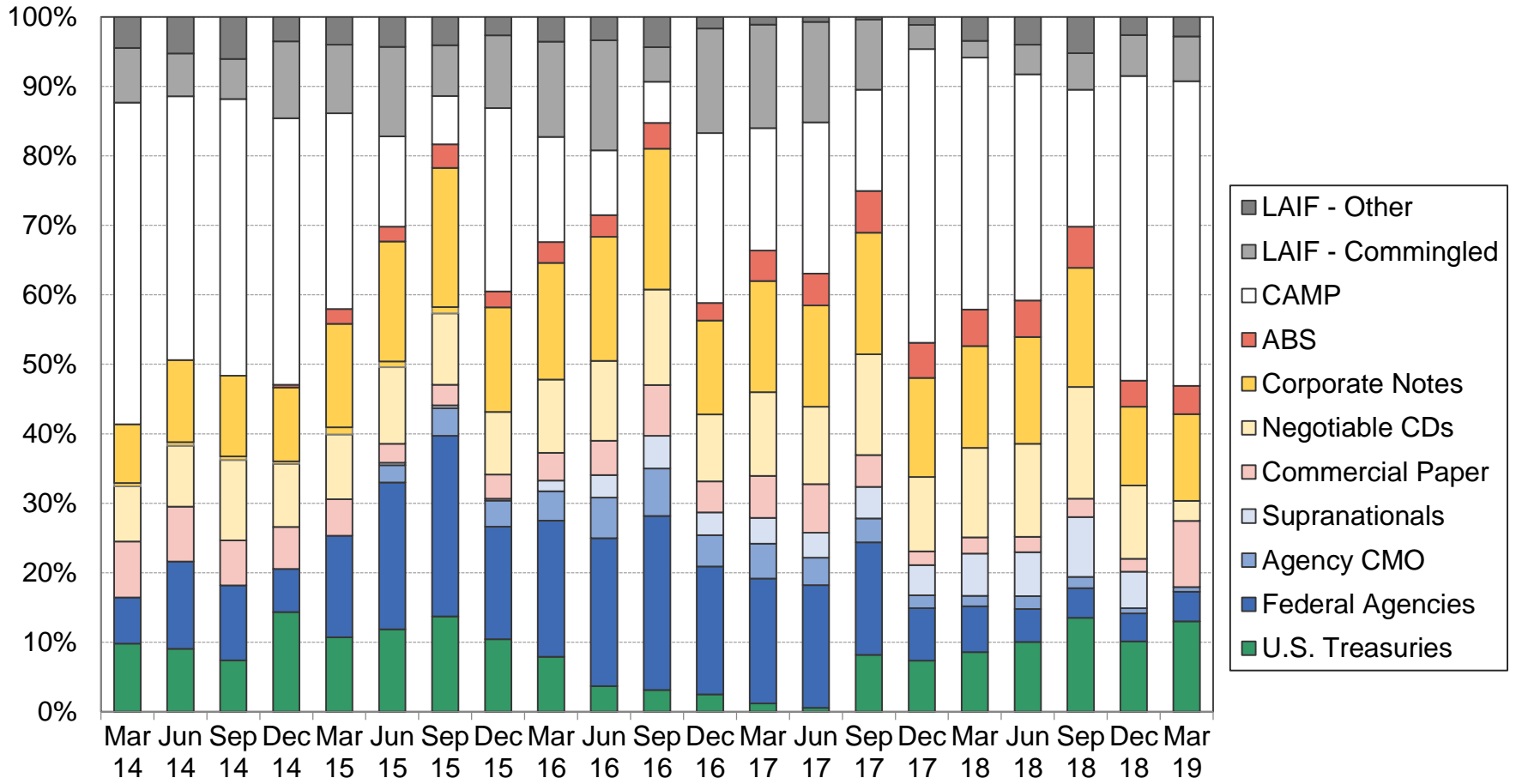


Portfolio Composition

Security Type	Market Value as of 3/31/19	% of Portfolio	% Change vs. 12/31/18	Permitted by Policy	In Compliance
U.S. Treasury	\$61,258,616	12.7%	+2.4%	100%	✓
Federal Agency	\$20,150,563	4.2%	+0.1%	100%	✓
Federal Agency CMOs	\$3,274,251	0.7%	-0.1%	100%	✓
Supranationals	\$22,370,017	4.7%	-0.8%	30%	✓
Negotiable CDs	\$44,943,955	9.3%	-1.5%	30%	✓
Corporate Notes	\$58,802,417	12.2%	+0.6%	30%	✓
Commercial Paper	\$13,605,463	2.8%	+0.9%	40%	✓
Asset-Backed Securities	\$19,197,197	4.0%	+0.2%	20%	✓
Securities Sub-Total	\$243,602,479	50.7%			
Accrued Interest	\$1,100,686				
Securities Total	\$244,703,165				
CAMP	\$206,913,170	43.0%	-2.0%	100%	✓
LAIF – Total	\$30,370,712	6.3%	+0.3%	\$65 million per account	✓
Total Investments	\$481,987,047	100.0%			



Adding Value through Sector Allocation





Portfolio Issuer Distribution

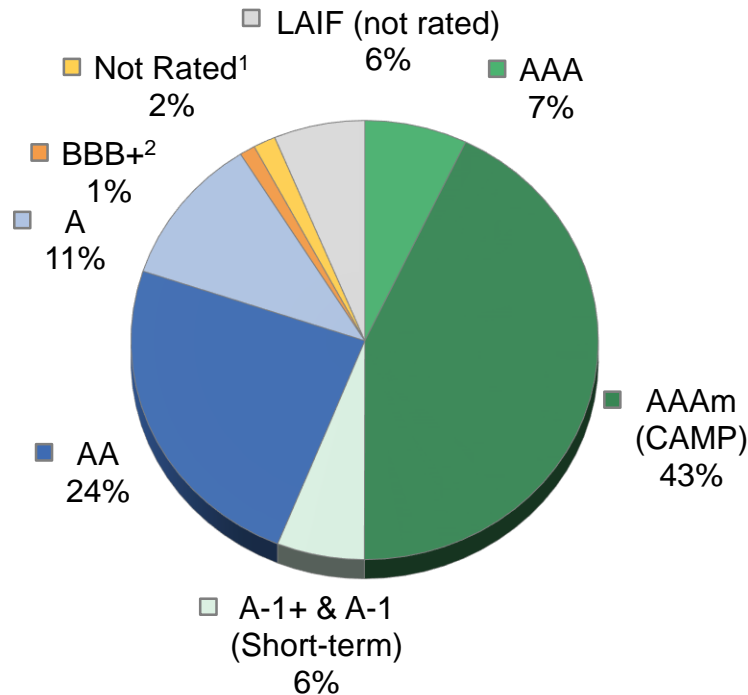
U.S. Treasury	25.1%	ING Funding LLC	1.4%
Fannie Mae	6.3%	Canadian Imperial Bank of Commerce	1.3%
IBRD	4.6%	JP Morgan Chase	1.2%
Toyota Motor Credit	3.2%	Freddie Mac	1.2%
Credit Agricole	2.9%	Wells Fargo	1.2%
International Finance Corporation	2.5%	MUFG Bank	1.1%
American Express	2.4%	Credit Suisse NY	1.1%
Honda Auto Receivables	2.2%	Visa	1.1%
Sweda Company	2.2%	IBM	1.1%
Inter-American Development Bank	2.2%	Bank of America	1.1%
Bank of New York	2.1%	Citigroup Inc	1.1%
American Honda Finance	2.1%	BB&T	1.1%
Skandinav Enskilda Banken NY	2.0%	Sumitomo Mitsui Bank	1.0%
Federal Home Loan Bank	2.0%	Goldman Sachs	1.0%
Bank of Montreal Chicago	1.9%	Cisco Systems	1.0%
Westpac Banking Corp (NY)	1.8%	Nissan Auto Receivables	0.8%
Bank of Nova Scotia Houston	1.8%	BNP Paribas	0.7%
Exxon Mobil	1.7%	Chevron Corp.	0.7%
Hyundai Auto Receivables	1.7%	United Parcel Service	0.6%
Ally Auto Receivables Trust	1.7%	John Deere Owner Trust	0.5%
Natixis NY	1.7%	Berkshire Hathaway	0.5%
Nordea Bank Finland	1.6%	National Rural Utilities Cooperative Finance Corp.	0.4%
UBS	1.6%	Unilever Capital Corp.	0.2%
Apple Inc	1.4%		



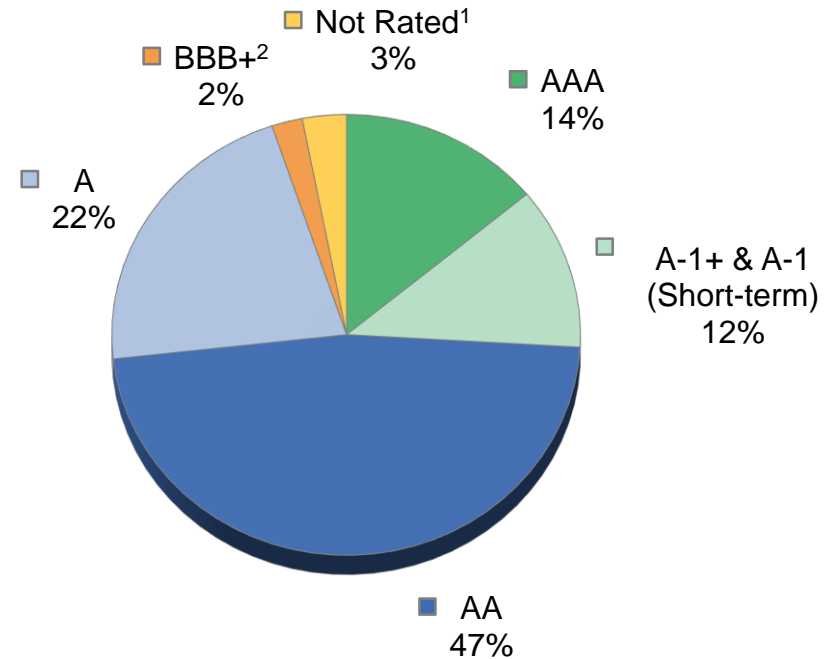
Portfolio Credit Quality

- The County's portfolio comprises high-quality securities.

Including Liquid Accounts



Excluding Liquid Accounts



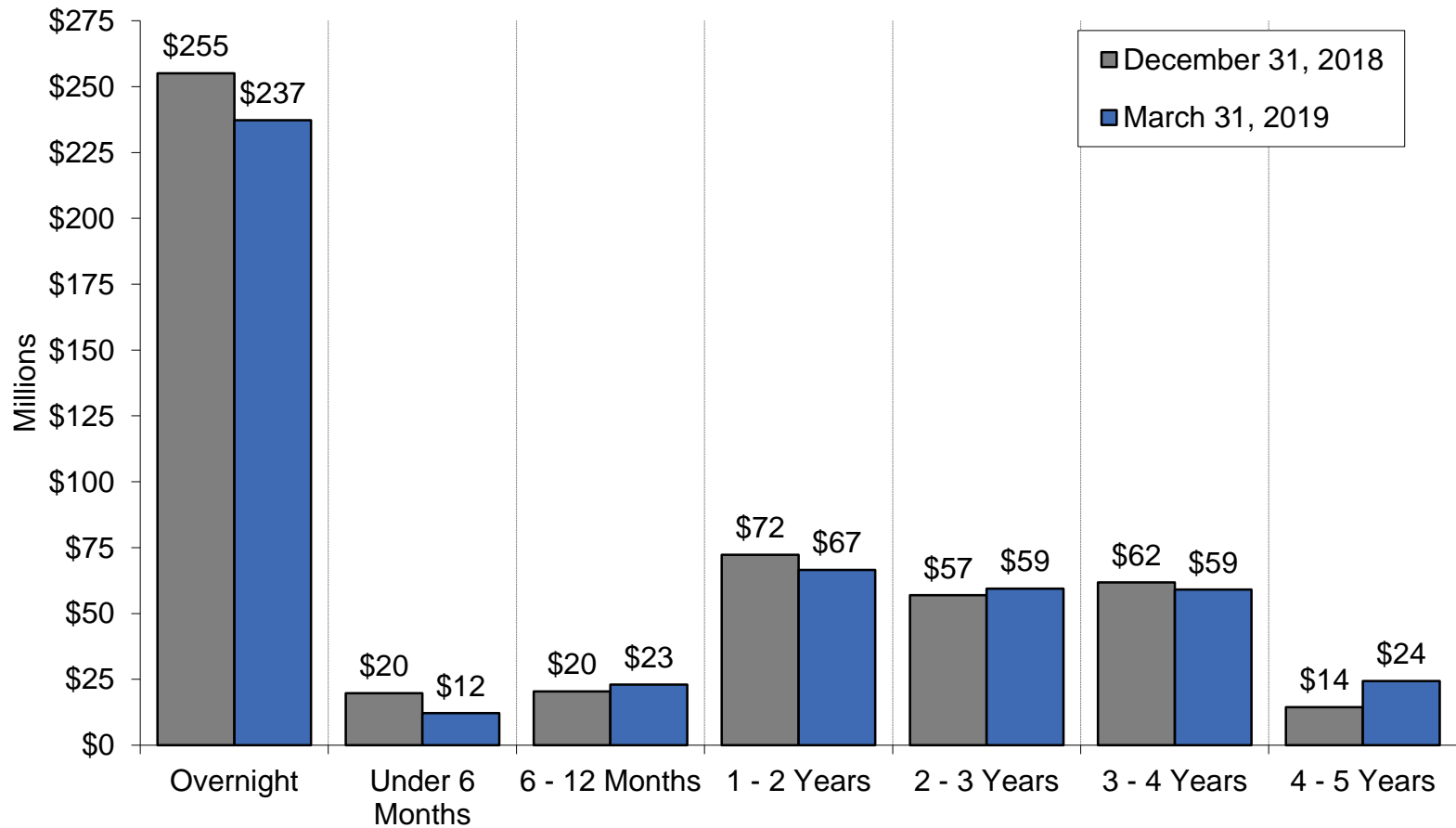
As of March 31, 2019. Percentages may not sum to 100% due to rounding.
Ratings are based on Standard & Poor's.

1. The "Not Rated" category comprises asset-backed securities rated Aaa by Moody's.

2. The "BBB+" category comprises securities rated in a rating category of A or better by at least one NRSRO.



Portfolio Maturity Distribution



Callable and floating-rate securities are included in the maturity distribution analysis to their stated maturity date.

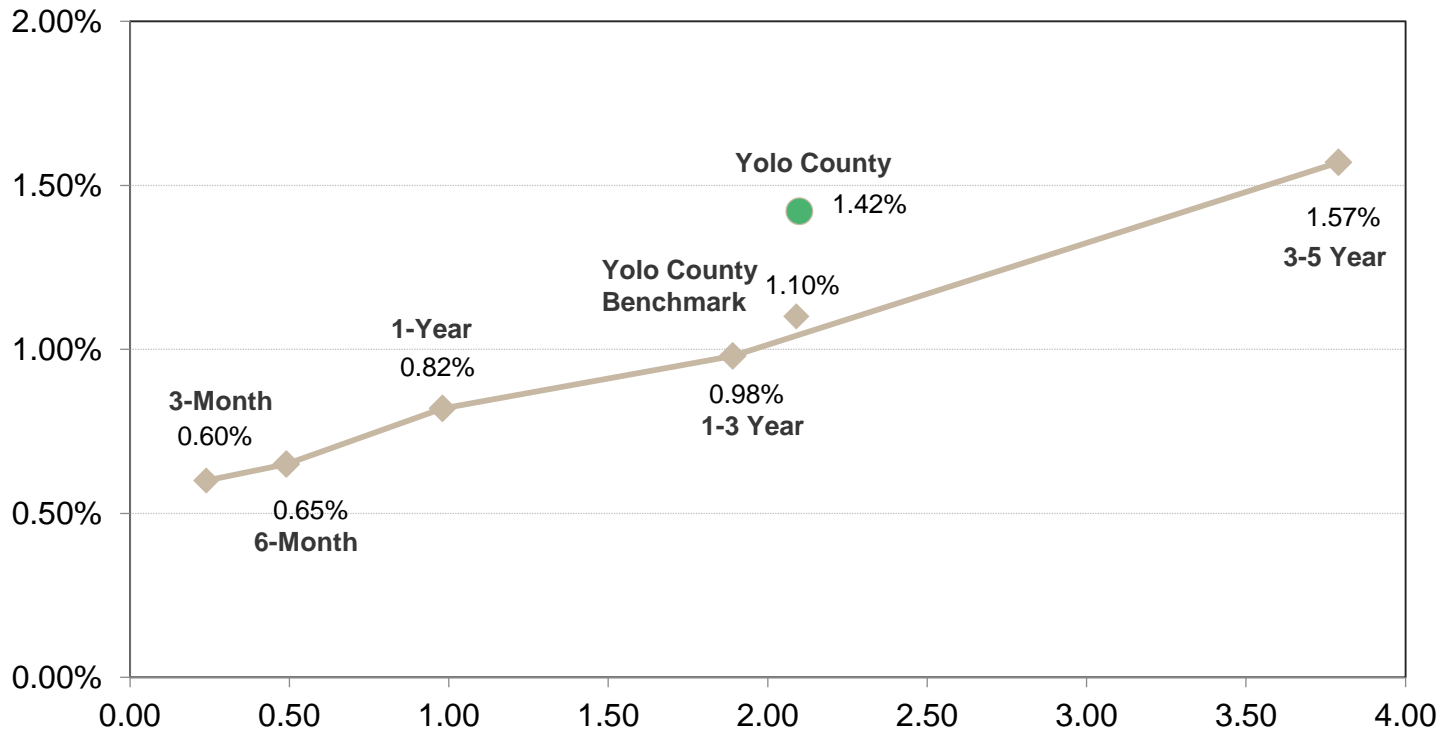


Longer-Duration Strategies Outperformed as Rates Fell in First Quarter

Quarterly Total Returns

Yields

Yolo County, Yolo County Benchmark, and Various ICE BofA Merrill Lynch Treasury Indices



Portfolio Yield and LAIF Quarterly Apportionment Rate	
Yolo County	2.39%
LAIF	2.55%

- For periods ending March 31, 2019.
- Yolo County yield is the weighted average yield at cost.
- Source: Bloomberg, LAIF website.
- The County's benchmark is the ICE Bank of America Merrill Lynch (BAML) 0-5 Year U.S. Treasury Index. From March 31, 2015, to September 30, 2017, the benchmark was a blend of 30% ICE BAML 3-month Treasury index and 70% ICE BAML 1-3 year U.S. Treasury Index. From March 31, 2002, to March 31, 2015, the benchmark was a blend of 50% ICE BAML 1-3 Year U.S. Treasury index and 50% ICE BAML 3-month Treasury Bill index. Prior to March 31, 2002, the benchmark was the ICE BAML 1-3 Year U.S. Treasury index.



Total Return Performance

- During the quarter, the portfolio benefitted from its longer duration position and diversified sector allocation as yields declined over the quarter and corporate notes outperformed Treasuries.
- Historically, the portfolio continues to outperform the benchmark by a wide margin.

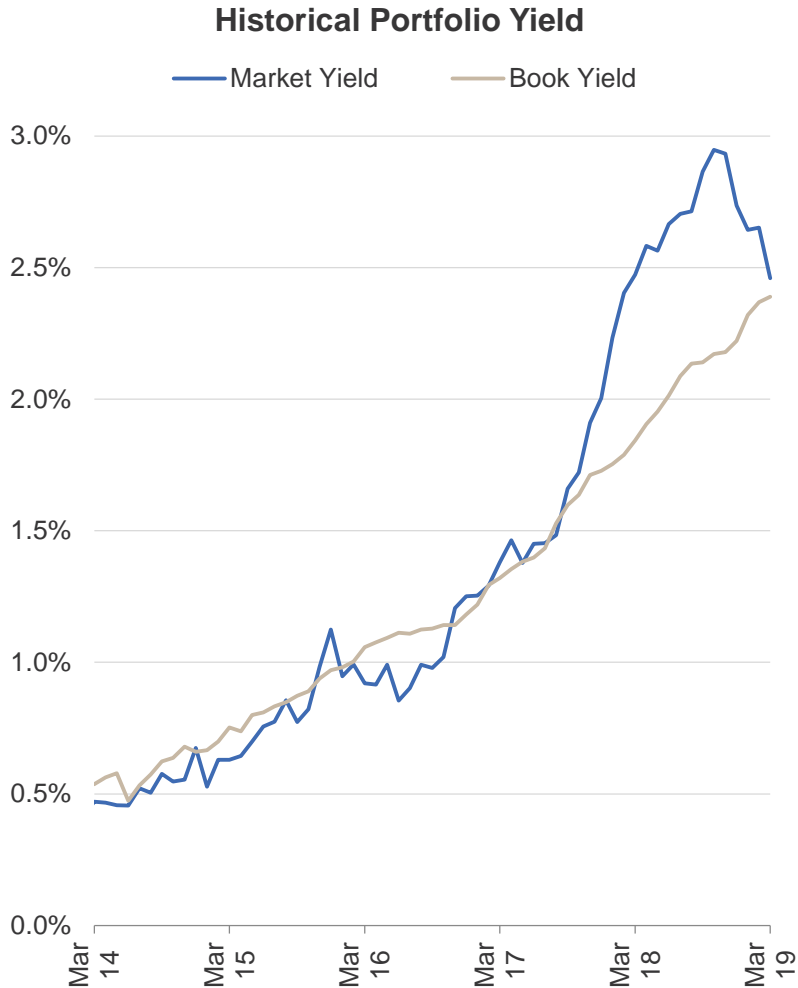
Total Return For periods ended March 31, 2019

	Duration (years)	Past Quarter	Past 1 Year	Past 5 Years	Past 10 Years	Since Inception
Yolo County	2.10	1.42%	3.49%	1.28%	1.39%	3.13%
Treasury Benchmark	2.09	1.10%	2.96%	0.87%	0.75%	2.47%

- Performance on a trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
- Bank of America Merrill Lynch indices provided by Bloomberg Financial Markets.
- Inception date is June 30, 1998.
- Performance, yield, and duration calculations exclude holdings in CAMP, LAIF, and the money market fund.
- The County's benchmark is the ICE Bank of America Merrill Lynch (BAML) 0-5 Year U.S. Treasury Index. From March 31, 2015, to September 30, 2017, the benchmark was a blend of 30% ICE BAML 3-month Treasury index and 70% ICE BAML 1-3 year U.S. Treasury Index. From March 31, 2002, to March 31, 2015, the benchmark was a blend of 50% ICE BAML 1-3 Year U.S. Treasury index and 50% ICE BAML 3-month Treasury Bill index. Prior to March 31, 2002, the benchmark was the ICE BAML 1-3 Year U.S. Treasury index.

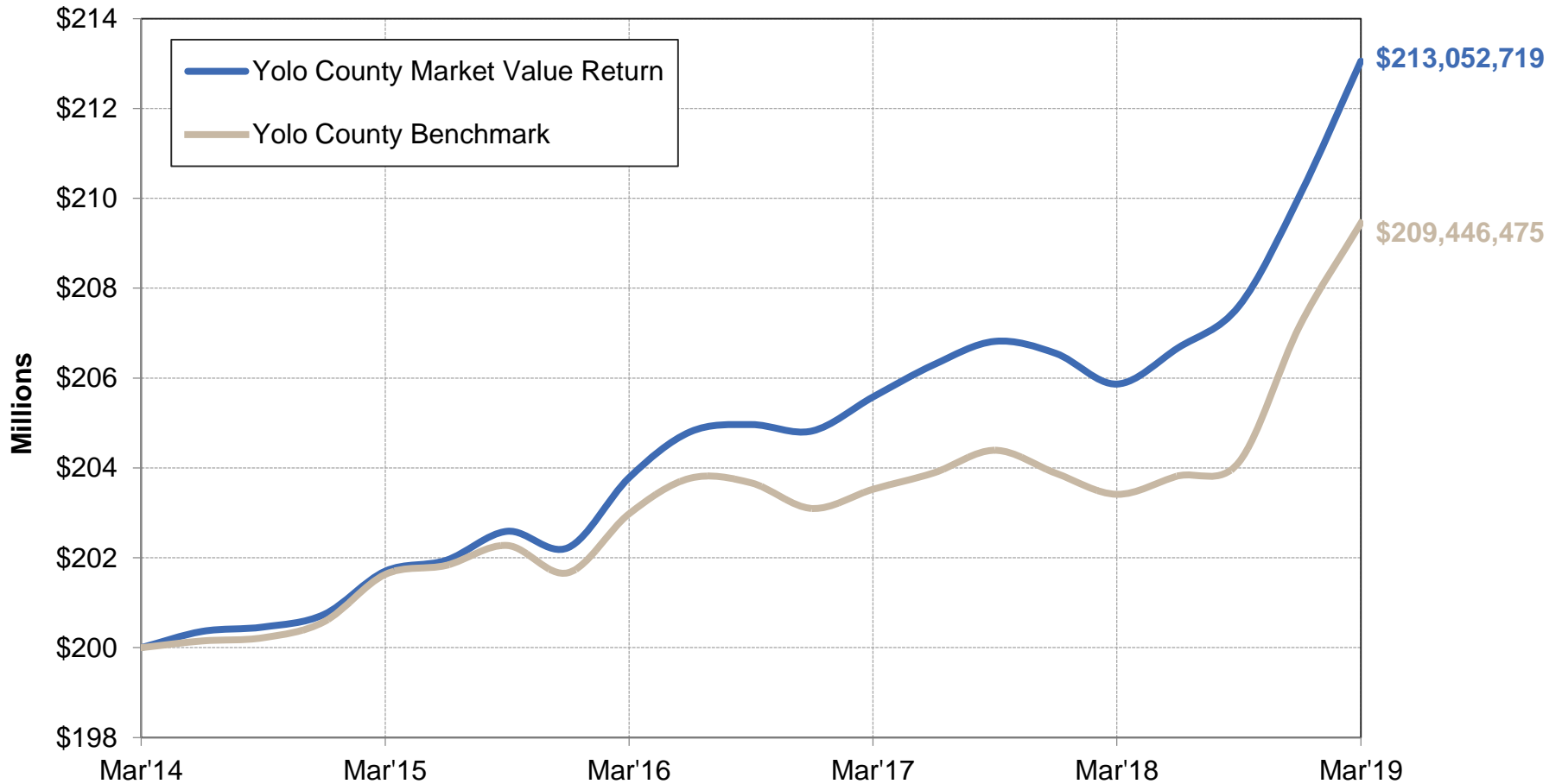


Historical Securities Portfolio Yields and Quarterly Accrual Earnings





County's Strategy Continues to Be Effective



- Source: Bloomberg.
- Hypothetical growth of \$200 million.
- Past performance is not indicative of future performance.



Investment Strategy Outlook

- ◆ With the Fed on hold and the market's current outlook for lower future interest rates:
 - We will maintain a neutral duration posture in the portfolio relative to the benchmark.
- ◆ As a result of the outlook for slower economic growth:
 - We continue to recommend maintaining diversification among investment grade sectors with a tilt toward higher grade corporate bonds given their income-producing potential.
- ◆ As federal agency spreads remain very tight:
 - We expect agency purchases to be minimal, seeking better value in either Treasuries or other sectors.
- ◆ Corporate spreads have narrowed, settling in around longer-term, post-recession historical averages.
 - The corporate spread curve remains positively sloped, offering value for extending maturities.
 - However, given international growth concerns, we remain diligent in our issuer and security selection process.
- ◆ Broad diversification across all investment-grade sectors remains a key component of our portfolio strategy while maintaining a high credit quality for the County's portfolio.



Disclosures

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