



## City of Palm Coast, Florida



### **Investment Performance Review For the Quarter Ended December 31, 2018**

#### Investment Advisors

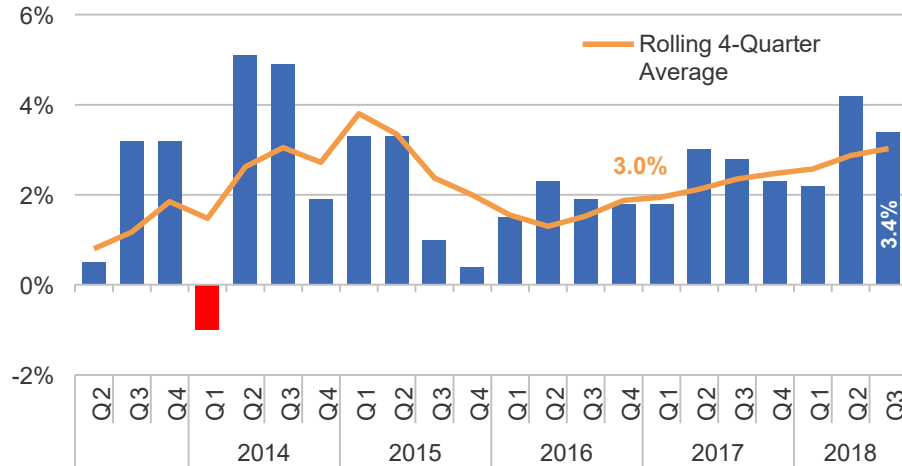
PFM Asset Management LLC

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Robert Cheddar, CFA, Chief Credit Officer, Managing Director  
D. Scott Stitcher, CFA, Director  
Jason Human, Client Manager  
Sean Gannon, Senior Analyst

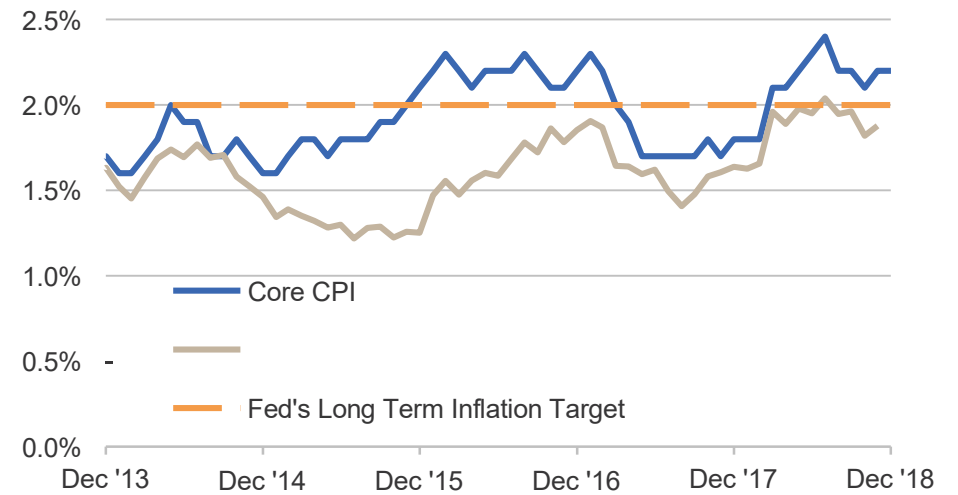
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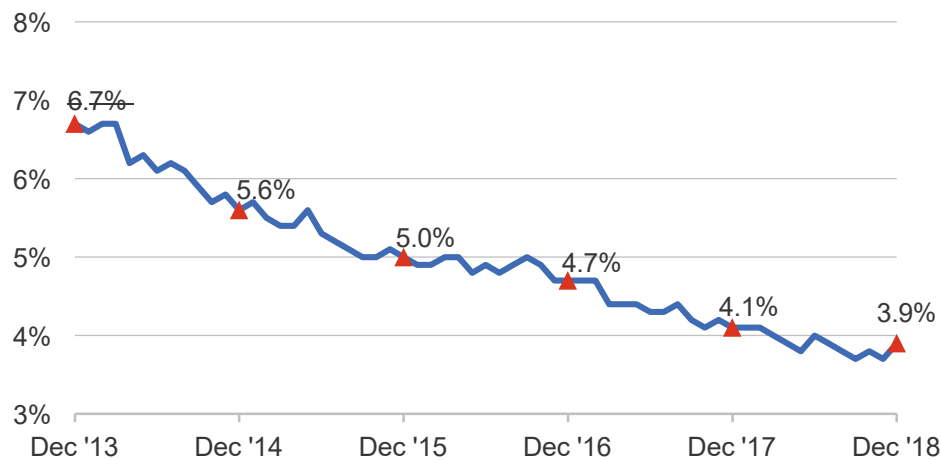
**U.S. Real GDP**  
(QoQ, SAAR)



**Inflation Measures**  
(YoY)



**Unemployment Rate**



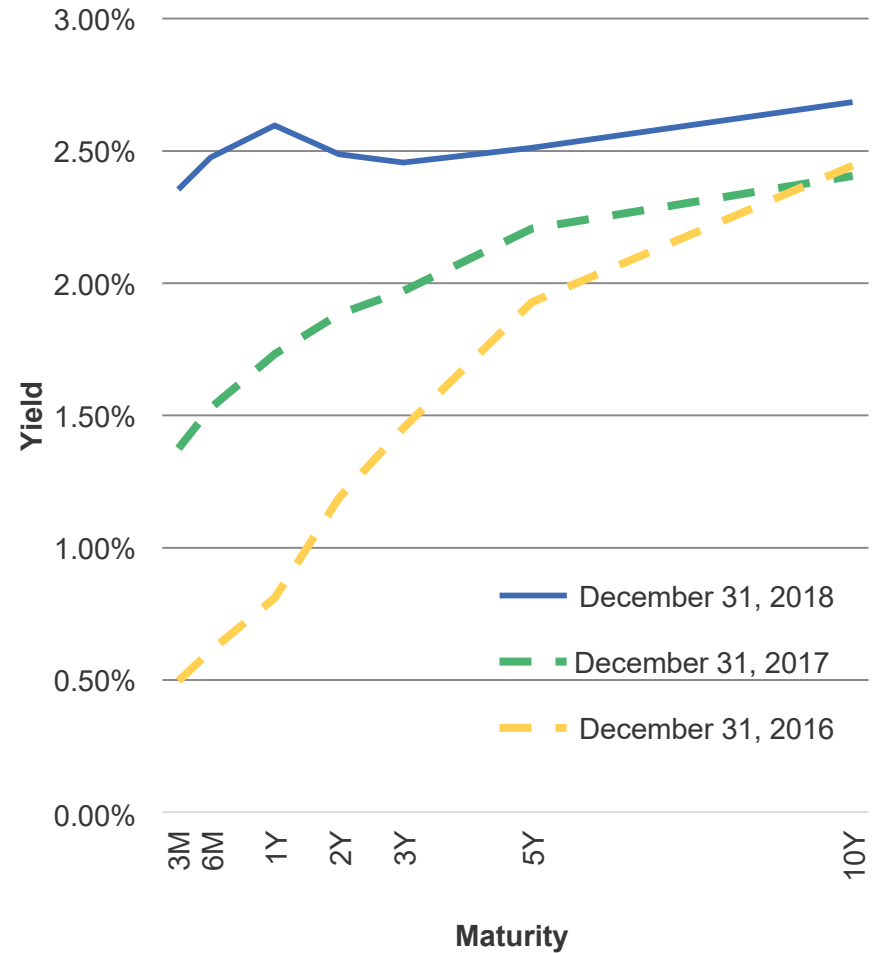
**Consumer Confidence**



Source: Bloomberg, latest data available as of 12/31/18. SAAR is seasonally adjusted annualized rate.

### U.S. Treasury Curve

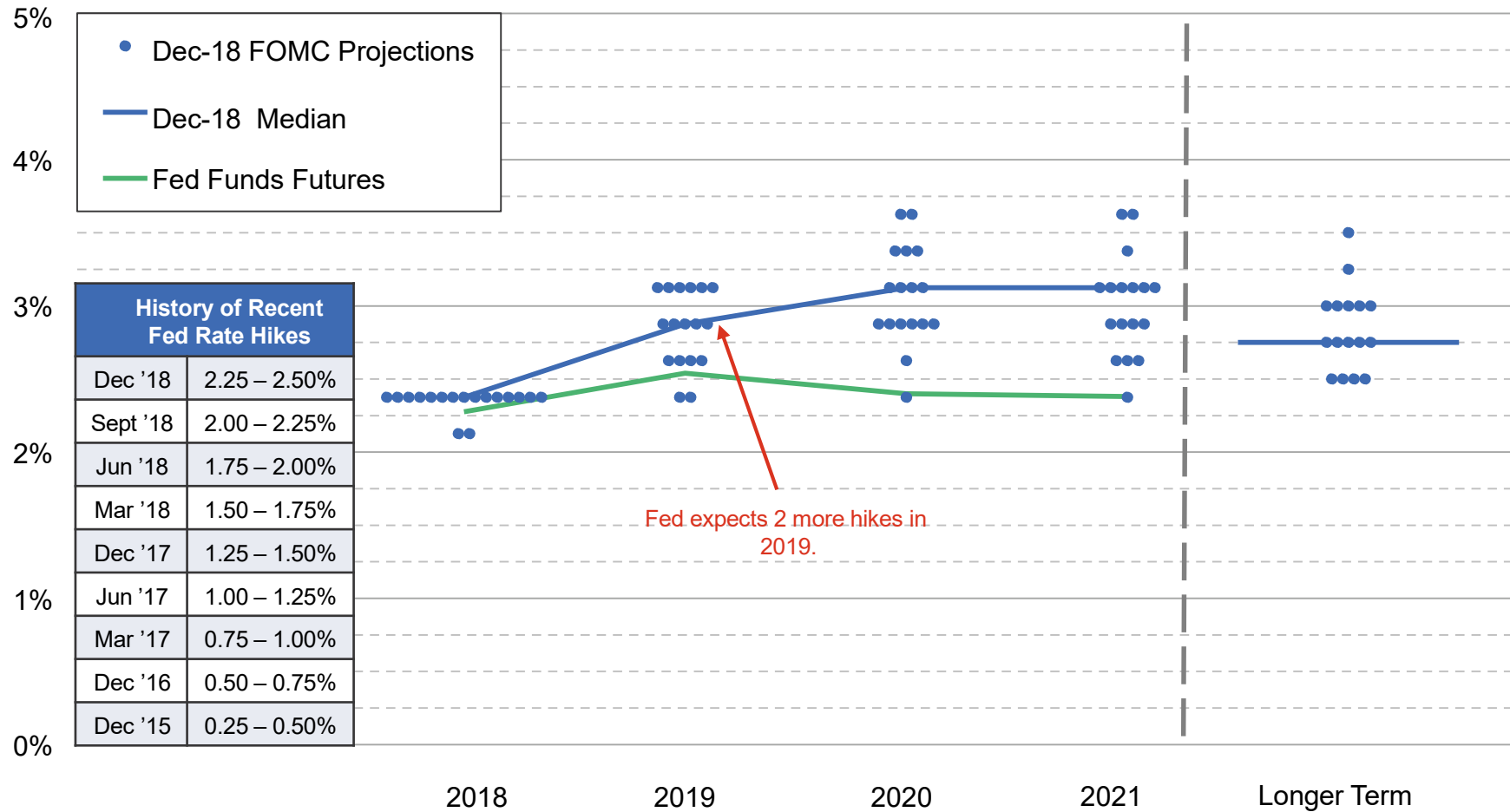
	4Q2018 12/31/18	4Q2017 12/31/17	4Q2016 12/31/16
3-month	2.35%	1.38%	0.50%
6-month	2.48%	1.53%	0.61%
1-year	2.60%	1.73%	0.81%
2-year	2.49%	1.88%	1.19%
3-year	2.46%	1.97%	1.45%
5-year	2.51%	2.21%	1.93%
10-year	2.68%	2.41%	2.44%



Source: Bloomberg, as of 12/31/2018.

## FOMC “Dot Plot” – A Fourth 2018 Rate Hike in December

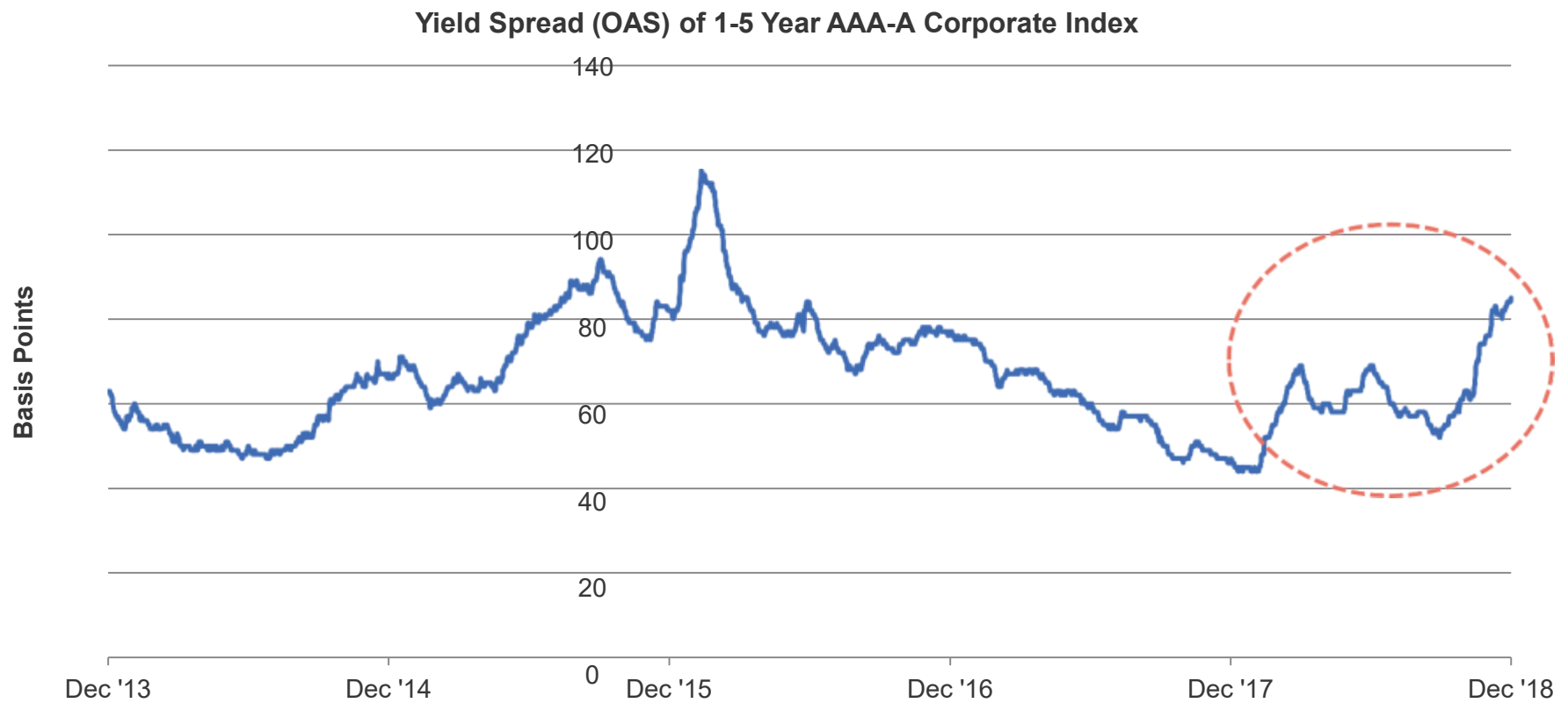
Fed Participants’ Assessments of “Appropriate” Monetary Policy  
December 2018



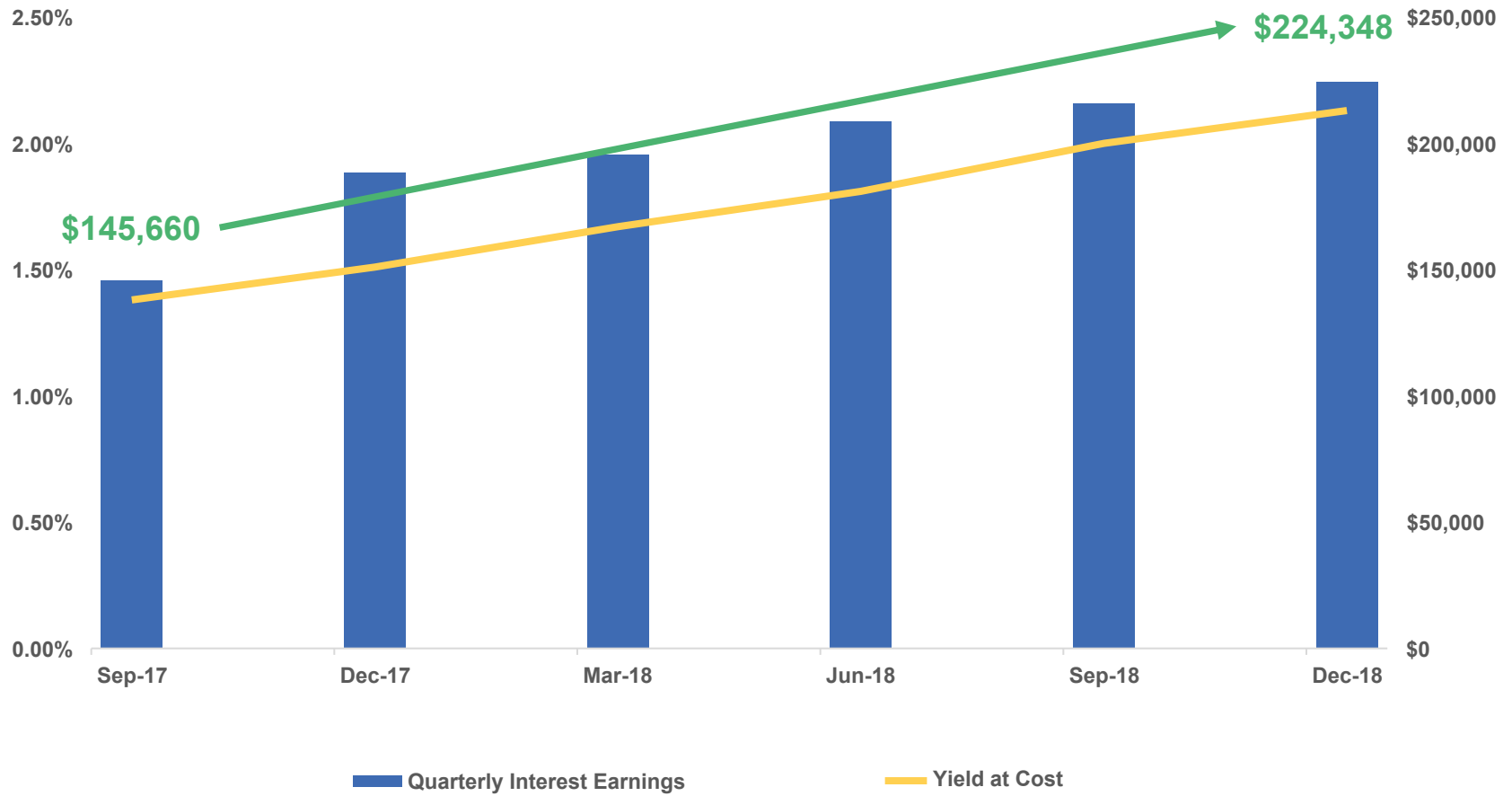
Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members’ judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. Fed funds futures as of 12/19/2018.

### Credit Spreads Widen with Market Volatility

Volatility in equity markets in the fourth quarter caused an increase in demand for haven assets like Treasury bonds, widening credit spreads further to the highest level since 2016.



Source: ICE BofAML Indices, as of 12/31/2018. OAS is option-adjusted spread versus a comparable maturity Treasury.

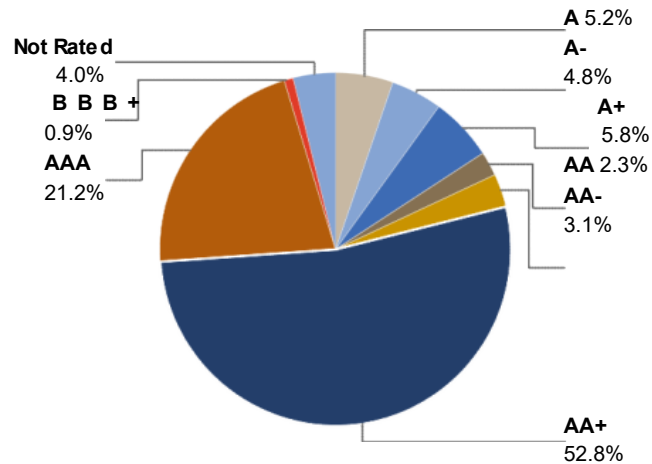


**Portfolio Statistics**

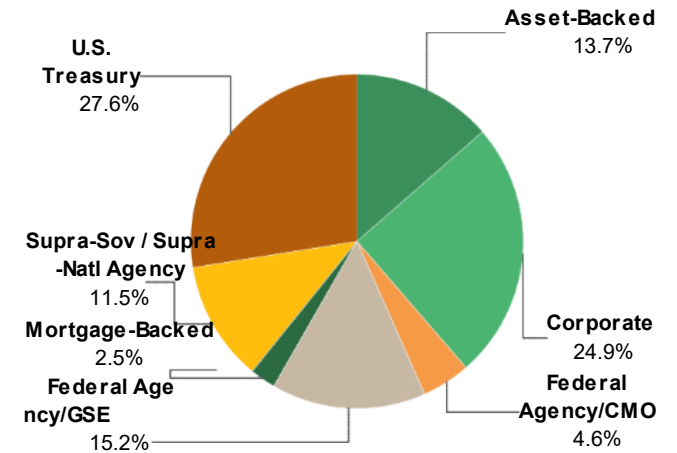
As of December 31, 2018

<b>Par Value:</b>	\$44,623,204
<b>Total Market Value:</b>	\$44,454,164
<b>Security Market Value:</b>	\$44,170,472
<b>Accrued Interest:</b>	\$189,981
<b>Cash:</b>	\$93,711
<b>Amortized Cost:</b>	\$44,492,777
<b>Yield at Market:</b>	2.71%
<b>Yield at Cost:</b>	2.13%
<b>Effective Duration:</b>	1.68 Years
<b>Duration to Worst:</b>	1.71 Years
<b>Average Maturity:</b>	2.17 Years
<b>Average Credit: *</b>	AA

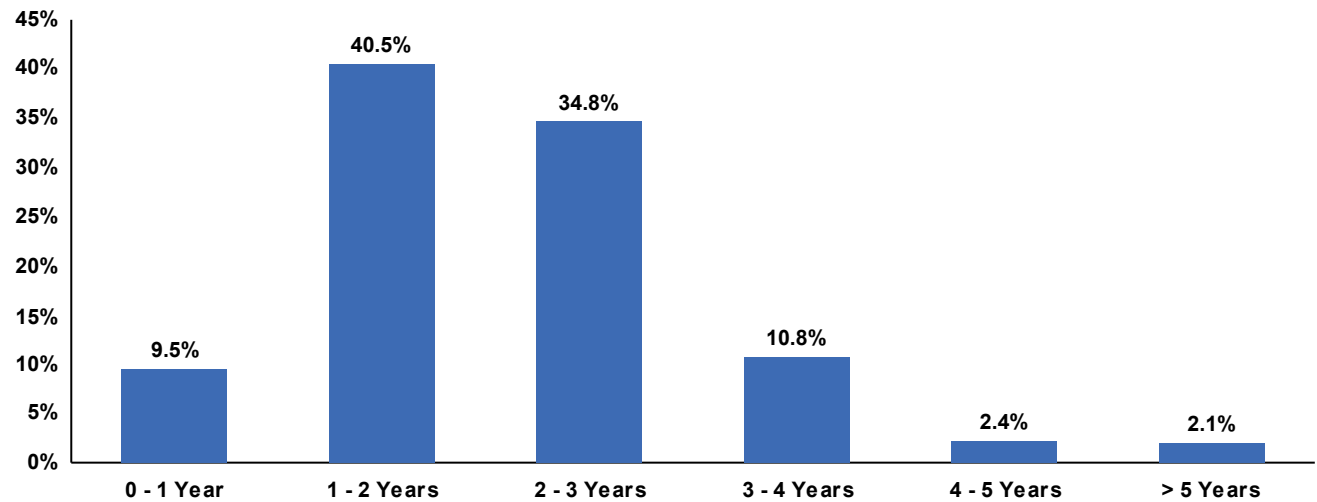
**Credit Quality (S&P Ratings)**



**Sector Allocation**



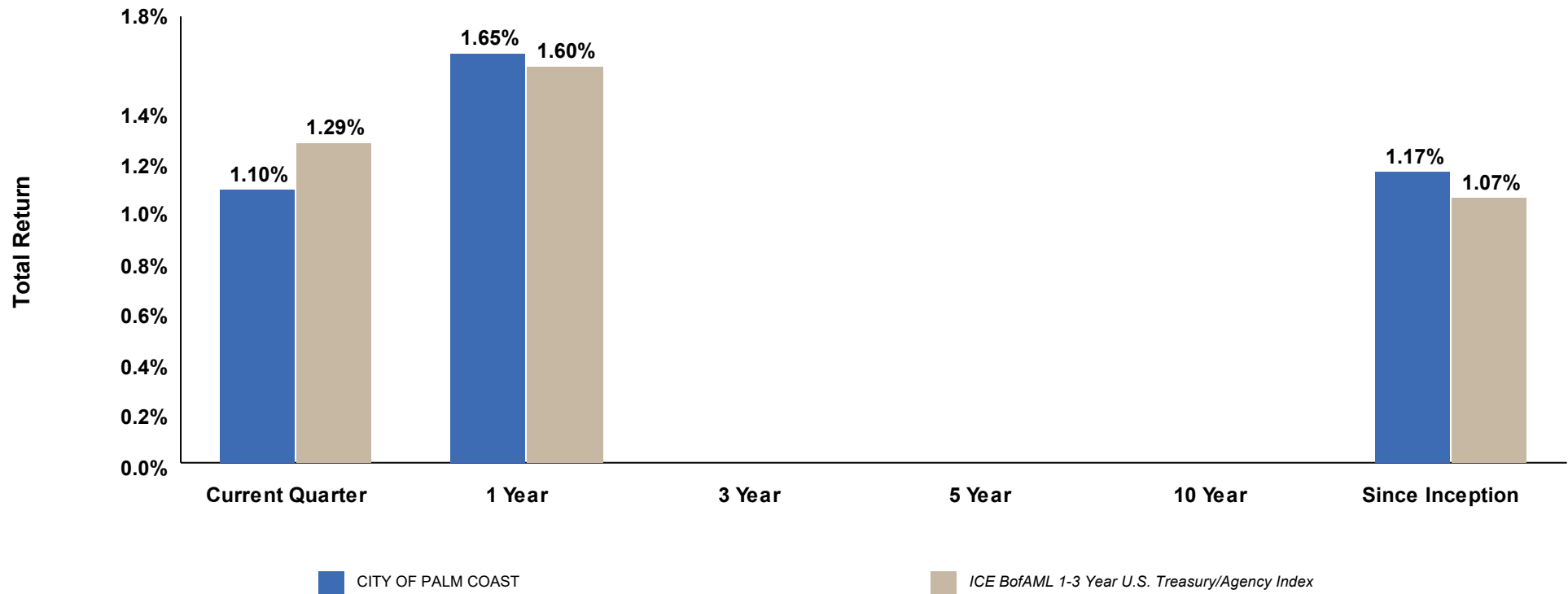
**Maturity Distribution**



\* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	1 Year	Annualized Return				Since Inception (09/30/17) **
				3 Year	5 Year	10 Year		
CITY OF PALM COAST	1.68	1.10%	1.65%	-	-	-	1.17%	
ICE BofAML 1-3 Year U.S. Treasury/Agency Index	1.80	1.29%	1.60%	-	-	-	1.07%	
Difference		-0.19%	0.05%	-	-	-	0.10%	



Portfolio performance is gross of fees unless otherwise indicated. \*\*Since Inception performance is not shown for periods less than one year.

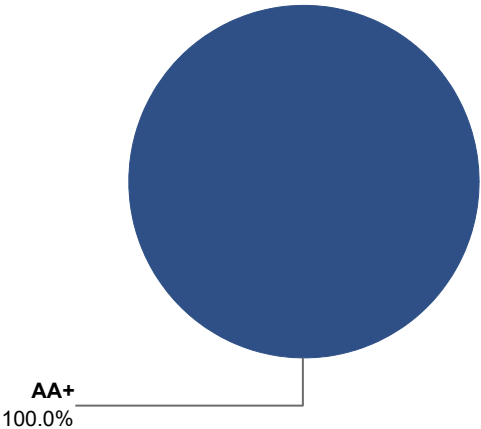


**Portfolio Statistics**

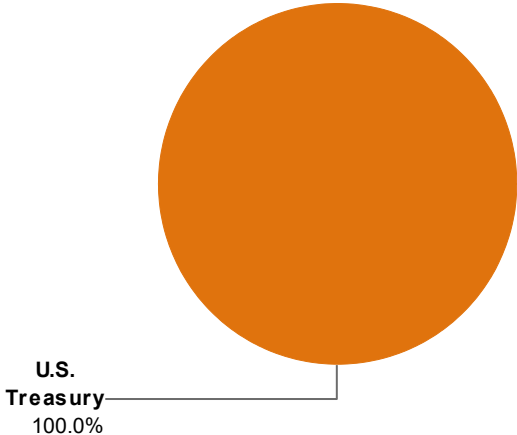
As of December 31, 2018

<b>Par Value:</b>	\$2,700,000
<b>Total Market Value:</b>	\$2,774,867
<b>Security Market Value:</b>	\$2,682,620
<b>Accrued Interest:</b>	\$11,220
<b>Cash:</b>	\$81,027
<b>Amortized Cost:</b>	\$2,705,956
<b>Yield at Market:</b>	2.55%
<b>Yield at Cost:</b>	1.29%
<b>Effective Duration:</b>	0.65 Years
<b>Duration to Worst:</b>	0.65 Years
<b>Average Maturity:</b>	0.66 Years
<b>Average Credit: *</b>	AA
<b>Benchmark Eff. Yield:</b>	2.39%

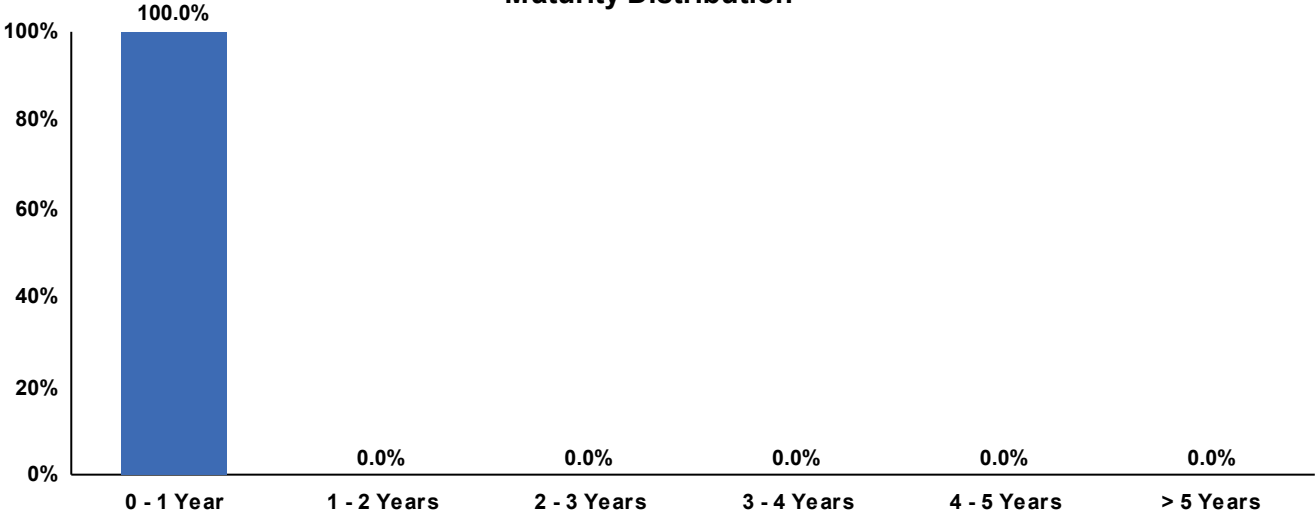
**Credit Quality (S&P Ratings)**



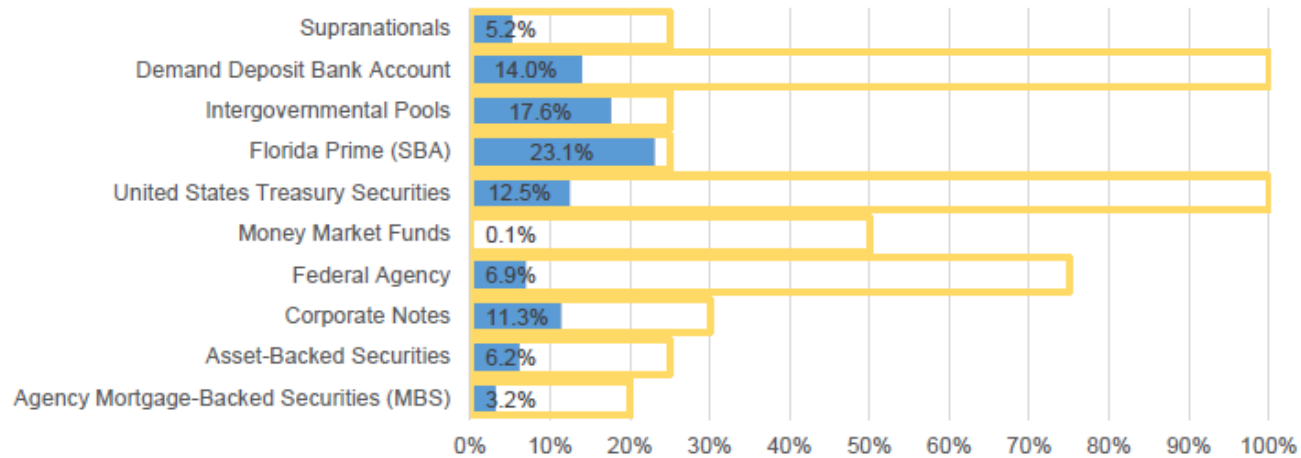
**Sector Allocation**



**Maturity Distribution**



\* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.



Security Type	Amortized Cost (Includes Interest)	Allocation Percentage	Permitted by Policy	In Compliance
Florida Prime (SBA)	22,769,165.46	23.06%	25%	YES
United States Treasury Securities	12,296,934.06	12.46%	100%	YES
Federal Agency	6,849,008.35	6.94%	75%	YES
Supranationals	5,136,496.02	5.20%	25%	YES
Corporate Notes	11,202,507.63	11.35%	30%	YES
Municipals	-	0.00%	20%	YES
Agency Mortgage-Backed Securities (MBS)	3,110,336.32	3.15%	20%	YES
Asset-Backed Securities	6,087,475.76	6.17%	25%	YES
Demand Deposit Bank Account	13,793,047.04	13.97%	100%	YES
Commercial Paper	-	0.00%	30%	YES
Bankers' Acceptances	-	0.00%	30%	YES
Repurchase Agreements	-	0.00%	50%	YES
Money Market Funds	93,711.40	0.09%	50%	YES
Intergovernmental Pools	17,391,223.44	17.61%	25%	YES

End of month trade-date amortized cost of portfolio holdings, including accrued interest. The investment in the Florida education investment trust fund was in compliance at the time of purchase

Sector	Individual Issuer Breakdown	Amortized Cost (Includes Interest)	Allocation Percentage	Permitted by Policy	In Compliance
Us Tsy Bond/Note	UNITED STATES TREASURY	12,296,934.06	12.46%	100%	YES
Supranatl	AFRICAN DEVELOPMENT BANK	191,224.99	0.19%	10%	YES
Supranatl	ASIAN DEVELOPMENT BANK	688,715.34	0.70%	10%	YES
Supranatl	INTER-AMERICAN DEVELOPMENT BANK	1,775,553.43	1.80%	10%	YES
Supranatl	INTL BANK OF RECONSTRUCTION AND DEV	1,705,098.45	1.73%	10%	YES
Supranatl	INTERNATIONAL FINANCE CORPORATION	775,903.81	0.79%	10%	YES
Mbs / Cmo	FANNIE MAE	899,234.42	0.91%	15%	YES
Mbs / Cmo	FREDDIE MAC	712,643.78	0.72%	15%	YES
Mbs / Cmo	FANNIEMAE-ACES	245,240.41	0.25%	15%	YES
Mbs / Cmo	FHLMC MULTIFAMILY STRUCTURED P	1,253,217.71	1.27%	15%	YES
Intergovernmental Pools	FLORIDA EDUCATION INVESTMENT TRUST FUND	17,391,223.44	17.61%	25%	YES
Florida Prime (SBA)	FLORIDA PRIME (SBA)	22,769,165.46	23.06%	25%	YES
Fed Agy Bond/Note	FANNIE MAE	2,916,113.37	2.95%	40%	YES
Fed Agy Bond/Note	FEDERAL HOME LOAN BANKS	1,125,137.48	1.14%	40%	YES
Fed Agy Bond/Note	FREDDIE MAC	2,807,757.50	2.84%	40%	YES
Demand Deposit Bank Account	CHECKING ACCOUNT	12,069,486.15	12.22%	100%	YES
Demand Deposit Bank Account	AMERIS PUBLIC FUNDS NOW	511,937.70	0.52%	100%	YES
Demand Deposit Bank Account	CENTER STATE BANK	1,211,623.19	1.23%	100%	YES
Corporate Note	AMERICAN HONDA FINANCE	403,499.68	0.41%	5%	YES
Corporate Note	APPLE INC	501,069.09	0.51%	5%	YES
Corporate Note	CISCO SYSTEMS	241,589.47	0.24%	5%	YES
Corporate Note	GOLDMAN SACHS GROUP INC	395,076.44	0.40%	5%	YES
Corporate Note	IBM CORP	503,383.82	0.51%	5%	YES
Corporate Note	JOHN DEERE CAPITAL CORP	161,750.24	0.16%	5%	YES
Corporate Note	MELLON BANK	404,123.02	0.41%	5%	YES
Corporate Note	TOYOTA MOTOR CREDIT CORP	653,109.63	0.66%	5%	YES
Corporate Note	WELLS FARGO & COMPANY	408,502.04	0.41%	5%	YES
Corporate Note	AMERICAN EXPRESS CREDIT	454,867.43	0.46%	5%	YES
Corporate Note	WALT DISNEY COMPANY/THE	300,685.14	0.30%	5%	YES
Corporate Note	EXXON MOBIL CORP	554,750.66	0.56%	5%	YES
Corporate Note	PEPSICO INC	281,145.06	0.28%	5%	YES
Corporate Note	INTEL CORP	526,257.10	0.53%	5%	YES
Corporate Note	JP MORGAN CHASE & CO	455,842.73	0.46%	5%	YES
Corporate Note	BRANCH BANKING & TRUST	428,768.19	0.43%	5%	YES
Corporate Note	PFIZER INC	272,237.97	0.28%	5%	YES
Corporate Note	STATE STREET CORPORATION	352,277.84	0.36%	5%	YES
Corporate Note	UNILEVER CAPITAL CORP	246,244.03	0.25%	5%	YES
Corporate Note	CATERPILLAR FINANCIAL SERVICES CORP	336,854.62	0.34%	5%	YES
Corporate Note	COCA-COLA CO	205,830.43	0.21%	5%	YES
Corporate Note	VISA INC	90,678.78	0.09%	5%	YES
Corporate Note	HOME DEPOT INC	94,958.56	0.10%	5%	YES

Sector	Individual Issuer Breakdown	Amortized Cost (Includes Interest)	Allocation Percentage	Permitted by Policy	In Compliance
Corporate Note	BANK OF AMERICA CORP	399,574.64	0.40%	5%	YES
Corporate Note	HONEYWELL INTERNATIONAL	125,340.35	0.13%	5%	YES
Corporate Note	WAL-MART STORES INC	745,167.01	0.75%	5%	YES
Corporate Note	PROCTER & GAMBLE CO/THE	245,750.68	0.25%	5%	YES
Corporate Note	PACCAR FINANCIAL CORP	281,757.23	0.29%	5%	YES
Corporate Note	UNITED PARCEL SERVICE	351,419.19	0.36%	5%	YES
Corporate Note	NATIONAL RURAL UTIL COOP	176,351.03	0.18%	5%	YES
Corporate Note	NEW YORK LIFE GLOBAL FUNDING	251,884.88	0.26%	5%	YES
Corporate Note	HERSHEY COMPANY	195,666.03	0.20%	5%	YES
Corporate Note	3M COMPANY	156,094.62	0.16%	5%	YES
Asset-Backed	ALLY AUTO RECEIVABLES TRUST	955,867.32	0.97%	5%	YES
Asset-Backed	CARMAX AUTO OWNER TRUST	244,167.80	0.25%	5%	YES
Asset-Backed	FORD CREDIT AUTO OWNER TRUST	440,333.41	0.45%	5%	YES
Asset-Backed	HYUNDAI AUTO RECEIVABLES TRUST	615,649.14	0.62%	5%	YES
Asset-Backed	JOHN DEERE OWNER TRUST	100,112.38	0.10%	5%	YES
Asset-Backed	CITIBANK CREDIT CARD ISSUANCE	442,198.92	0.45%	5%	YES
Asset-Backed	AMERICAN EXPRESS CREDIT ACCOUN	360,392.28	0.37%	5%	YES
Asset-Backed	TOYOTA AUTO RECEIVABLES OWNER	525,513.74	0.53%	5%	YES
Asset-Backed	HONDA AUTO RECEIVABLES OWNER T	881,739.56	0.89%	5%	YES
Asset-Backed	NISSAN AUTO RECEIVABLES OWNER	805,687.39	0.82%	5%	YES
Asset-Backed	GM FINANCIAL SECURITIZED TERM	195,203.99	0.20%	5%	YES
Asset-Backed	GM FINANCIAL AUTO LEASING TRUST	135,121.52	0.14%	5%	YES
Asset-Backed	FORD CREDIT AUTO LEASE TRUST	185,247.97	0.19%	5%	YES
Asset-Backed	BMW VEHICLE LEASE TRUST	65,056.40	0.07%	5%	YES
Asset-Backed	NISSAN AUTO LEASE TRUST	135,183.94	0.14%	5%	YES

End of month trade-date amortized cost of portfolio holdings, including accrued interest. The investment in the Florida education investment trust fund was in compliance at the time of purchase

## IMPORTANT DISCLOSURES

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- ↻ Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- ↻ In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
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- ↻ Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- ↻ Money market fund/cash balances are included in performance and duration computations.
- ↻ Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- ↻ Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- ↻ MBS maturities are represented by expected average life.