



CLARK COUNTY TREASURER'S OFFICE

Finance Committee Report Q2 2018

You can count on us. Since 1850!

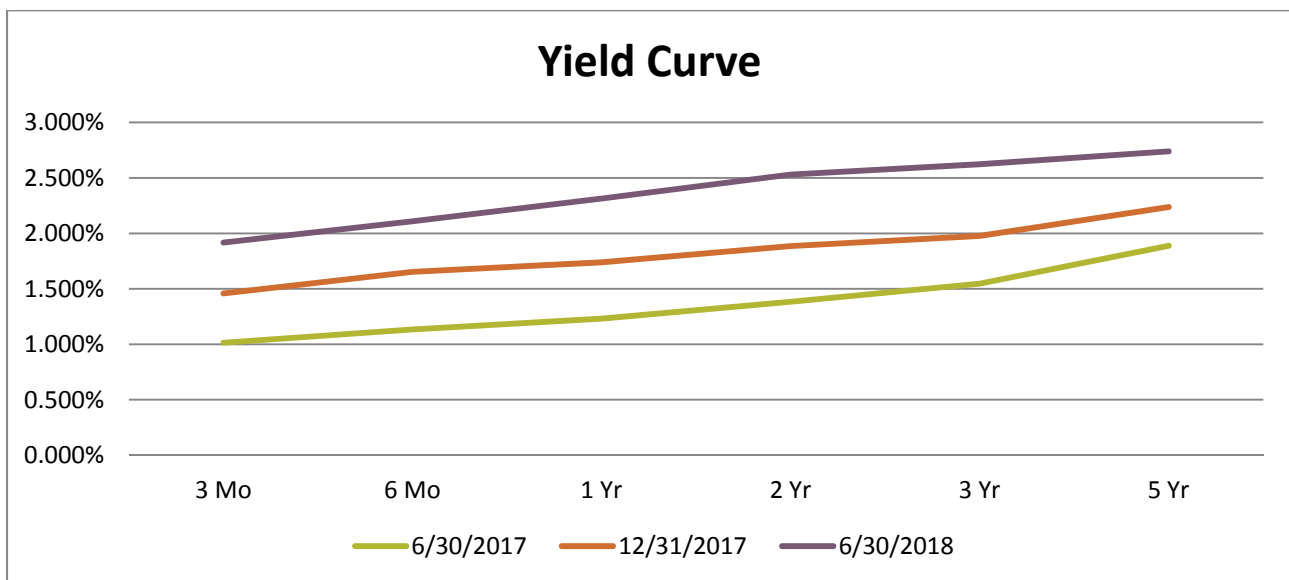
ECONOMIC SUMMARY

The yield curve flattened considerably over the quarter due to the Fed continuing with its planned rate hikes. Meanwhile, the long-end of the curve, which is more affected by inflation expectations, has remained subdued. When short-term rates surpass long-term rates, the yield curve becomes inverted. **An inverted yield curve has been a precursor to the past seven recessions, largely because it interferes with intermediation (banks can't continue to lend if their short-term borrowing costs are greater than their long-term lending rates).** The Federal Open Market Committee (FOMC) met in June and increased the Fed funds rate 0.25% as expected. The rate hike debate, between one or two more rate hikes this year, will center on the economic data, like always, but also the shape of the yield curve. Currently, based on the Fed funds futures there is a 97% probability of one hike, and a 65% probability of two additional hikes. Forward looking, the futures market has priced in three additional rate hikes between now and the end of 2019, where the Fed, according to its dot plot, is planning on five increases during that time period.

The Fed is less concerned about the yield curve inverting due to abnormal circumstances. If you remember back, the quantitative easing programs were designed to hold down long-term rates, and while we ended QE3 in 2014, Euro's quantitative easing isn't poised to end until the end of this year. The long-end of the curve has benefited from yield seeking overseas investors. A European investor could invest in German's 10-yr bond at 0.40% or the 10-yr US Treasury at 2.80%.

The strength of the U.S. job market continues to surprise us. After May's unemployment rate matching a 48 yr. low of 3.8%, June's rate increased to 4.0% due to 601k new people entering the labor force, looking for work. Non-farm payrolls added 175k, 244k, and 213k in April, May, and June respectively. **The manufacturing sector continues its growth streak adding 78k jobs during the quarter!** Employers are increasingly in need of rank and file workers. Average hourly earnings growth at the end of the quarter remained at 2.7% year over year, which has been range bound for several years, but Production & Nonsupervisory earnings were also up 2.7%, increasing from 2.3% last year. Nevertheless, wage growth is still well below prior cycles.

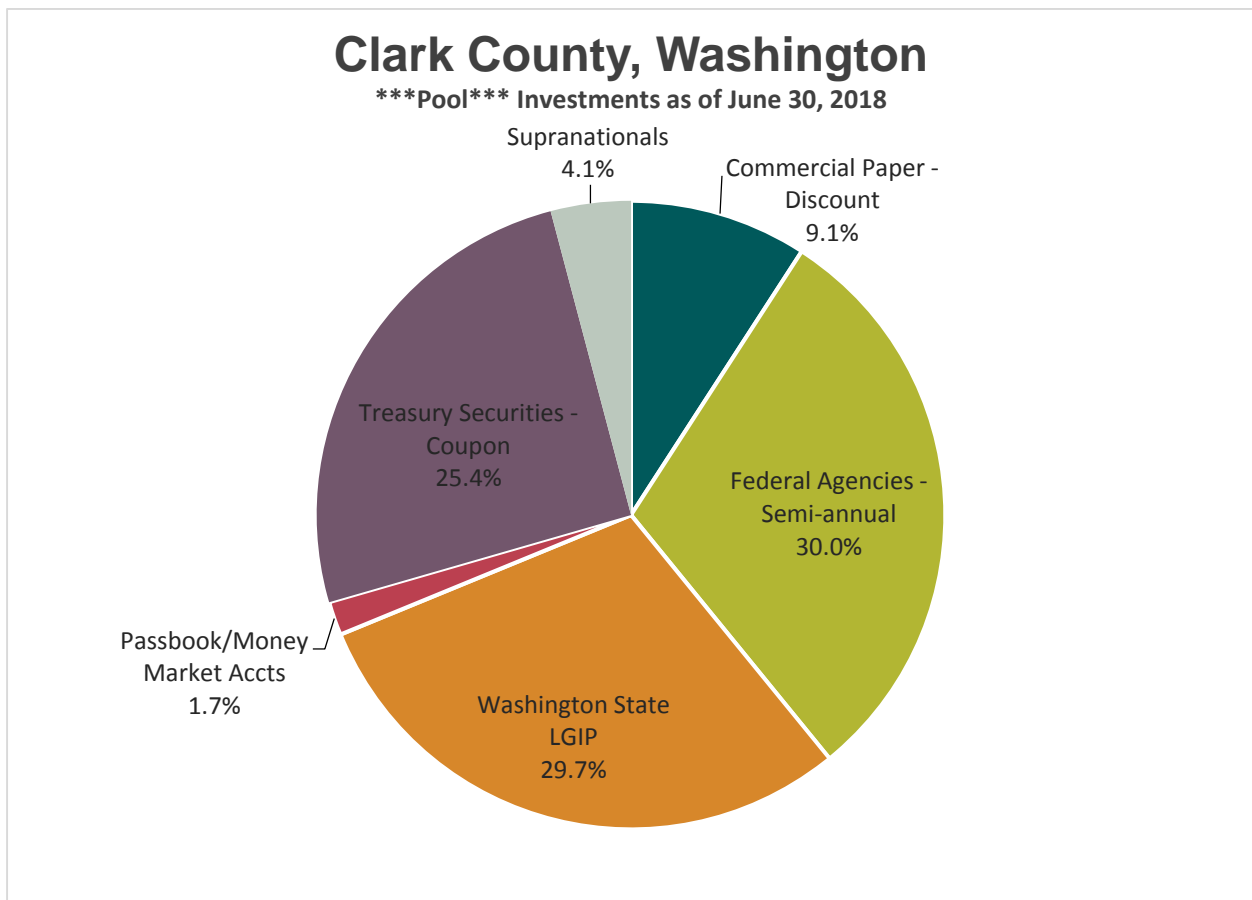
The much anticipated first estimate of 2nd quarter's GDP growth came in at 4.1%, very near expectations of 4.2%. The second half's GDP is expected to slow in comparison, but that does not mean 3% year over year growth is out of reach.



Sources: Bloomberg, Government Portfolio Advisors

INVESTMENT POOL SUMMARY

- 2nd quarter average balance in the County Pool was \$818,161,042 compared to last year's 2nd quarter average of \$782,811,535. This increase in balance is mainly due to an inflow of additional bond proceeds that will be spent down in the next two years.
- June 30th ending balance was \$868,486,337.
- 2nd quarter average book yield was 1.45%. Last year's 2nd quarter average book yield was 0.96%.
- The Pool's rolling 12 month total return (which includes the change in market value) as of June 30th was 1.17% compared to our custom benchmark's total return of 1.05%.
- As of June 30th, the Pool's effective duration was 0.27 years and our custom benchmark's was 0.80 years.
- Quarter-end NAV was \$0.998288 and averaged \$0.997528 throughout the quarter.
- State LGIP balance as of June 30th was \$257.8 million (29.7%). State Pool's quarterly book return averaged 1.81%.



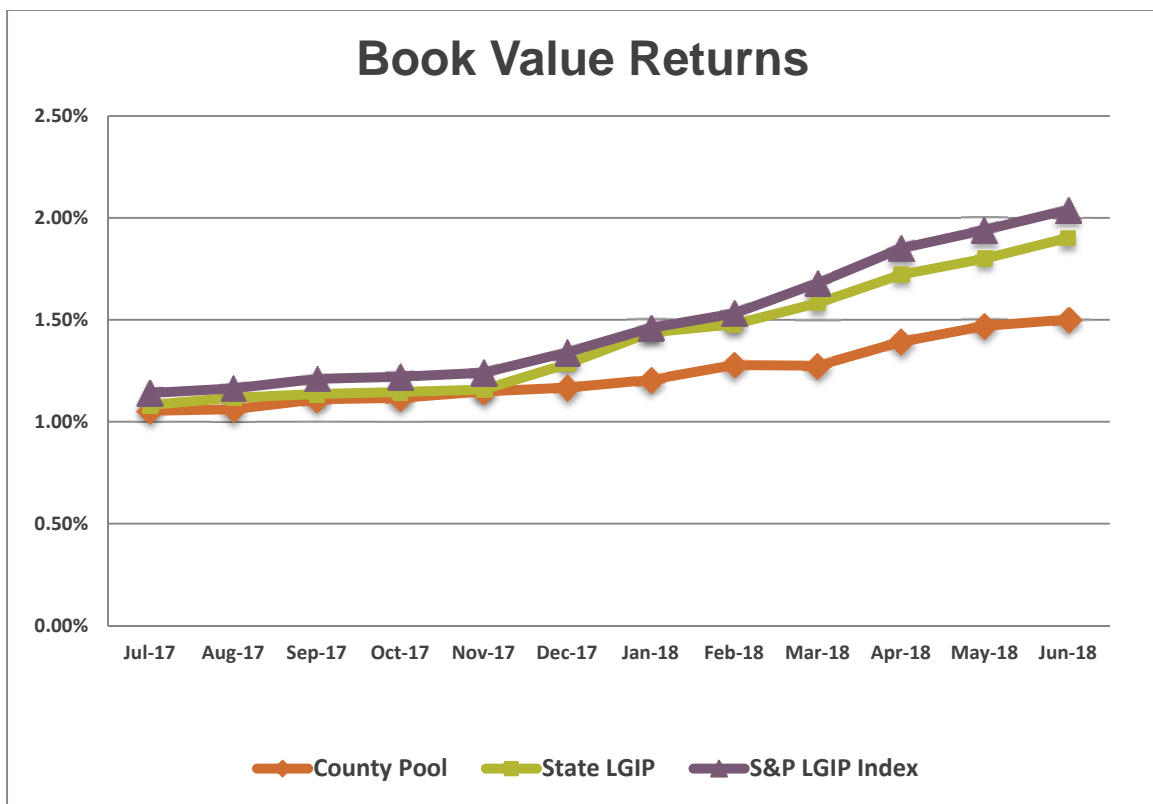
POOL PARTICIPANTS

	6/30/2017	6/30/2018	Percent Change
Clark County	28.40%	28.21%	-0.19%
Vancouver School District	15.82%	16.48%	0.66%
Ridgefield School District	10.54%	4.43%	-6.12%
Evergreen School District	8.59%	6.92%	-1.68%
Camas School District	7.31%	9.26%	1.95%
ESD #112	3.23%	3.85%	0.62%
Washougal School District	3.14%	2.93%	-0.20%
City of Battle Ground	2.90%	3.92%	1.03%
Vancouver Housing Authority	2.41%	2.95%	0.53%
Library	2.62%	2.95%	0.33%
All other Cities & Districts	15.03%	18.09%	3.06%
Average Monthly Balance	\$782.8 million	\$818.2 million	
Quarterly Interest Earnings	\$1.9 million	\$3.0 million	

PORTFOLIO PERFORMANCE

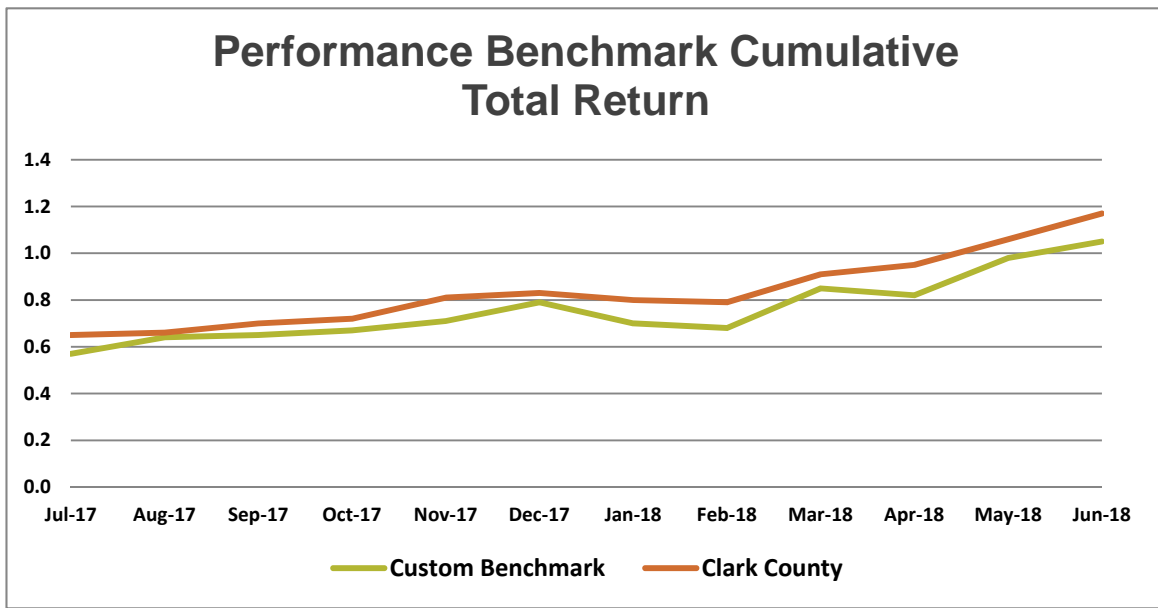
Book Value Return:

- Measures the yield at which securities were originally purchased adjusted for realized gains and losses.
- April, May, and June's book yields were 1.39%, 1.47%, and 1.50% respectively.
- The County Pool's average maturity is 3.5 months (107 days) compared to the Washington State LGIP's 1.1 months (34 days) and the Standard and Poor's LGIP average maturity of less than one month.
- As short term rates rise, the shorter duration pools (the Washington State LGIP and the Standard and Poor's LGIP) will experience a faster rise in rate compared to our longer duration County pool. The County pool is structured to yield greater earnings over the long-term. **Over that last 10 years, the County pool has earned \$20.7 million in additional earnings over the State LGIP.**



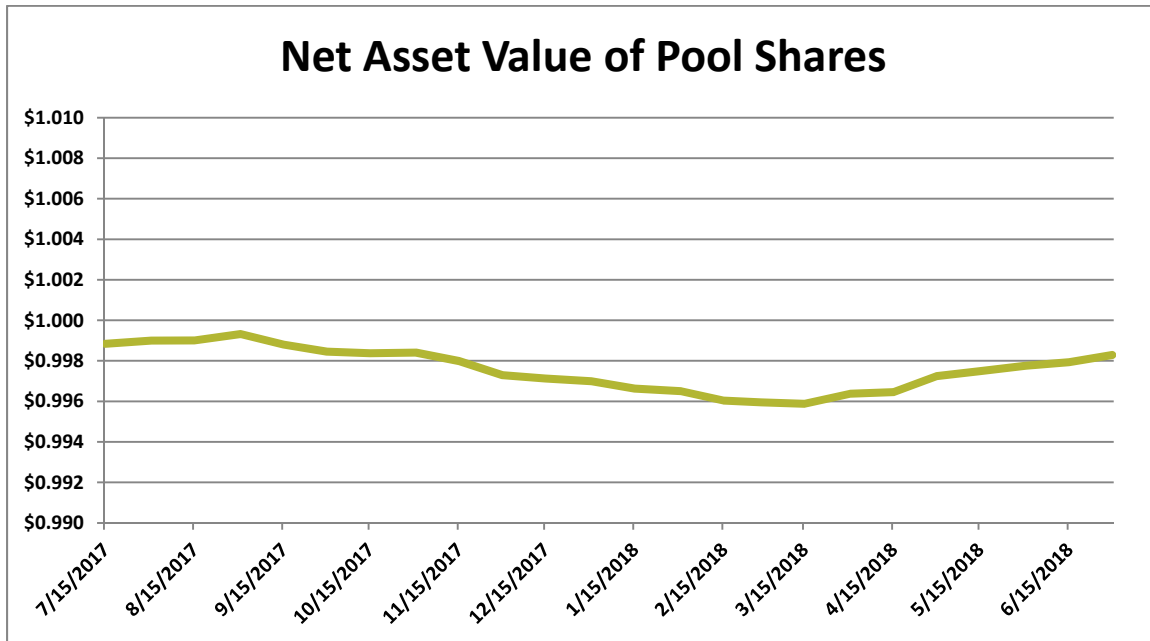
Total Market Return:

- Measures the market value increase or decrease of the overall portfolio over a given period of time, plus the interest earnings associated with the securities.
- The customized total return index consists of 75% "Merrill Lynch 0-1 Year U.S. Treasury Index" and 25% "1-3 Year Merrill Lynch U.S. Agencies Index".
- At the end of the quarter, the customized index derived an effective duration of 0.80 years, where the County Pool was 0.27 years.
- As of June 30th 2018, the Clark County Investment Pool had a 12-month rolling average return of 1.17% versus 1.05% for the Clark County Custom Benchmark.



Net Asset Value:

- Computed by taking current market value of all securities in the portfolio, adding accrued interest, and dividing by the book value of the pool (total investments at cost plus amortized premium and discounts).
- As of June 30th, 2018, the N.A.V. per share was \$0.998288.
- As of June 30th, 2018, the fair market value on securities in the pool was \$899,152,345.
- The fair market value gain/(loss) on securities in the pool was (\$1,540,059).



QUARTERLY ACTIVITY:

Purchases:

- \$80 million in Commercial Paper (Disney, Coca-Cola, Honda, Nestle, Mitsubishi, Qualcomm, MetLife)
- \$35.97 million in Supranationals
- \$10 million in US Agencies (step-up)
- \$5 million in Opus Bank Money Market

Maturities:

- \$70 million in US Treasuries
- \$20 million in Commercial Paper

Calls:

- There were no investments called during the quarter.

EXHIBITS:

ENTIRE PORTFOLIO:

Exhibit One shows the makeup of the entire portfolio at the end of the quarter. This exhibit is used to monitor compliance with the Investment Policy as far as the diversification of securities held and the percentage each sector makes up of the portfolio. All percentages are consistent with the current Investment Policy.

Exhibit Two shows the entire portfolio listing as of the end of the quarter. This report shows the book value, the par value, and the market value of the portfolio.

Exhibit Three shows the aging maturities of the entire portfolio. All percentages are consistent with the current Investment policy.

Exhibit Four reflects the percentage of securities purchased from each issuer relative to the entire portfolio. All the percentages are consistent with the current Investment Policy.

Exhibit Five shows all investment purchases and maturities.

INVESTMENT POOL:

Exhibit Six shows the makeup of the Clark County Investment Pool at the end of the quarter. This exhibit is used to monitor compliance with the Investment Policy as far as the diversification of the securities held and related percentage of the total portfolio for each type of security. All percentages are consistent with the current Investment Policy.

Exhibit Seven shows the portfolio listings of the Clark county Investment Pool at the end of the quarter. This report contains the book value, the par value, and the market value.

Exhibit Eight shows the aging maturities of the Clark County Investment Pool. All percentages are consistent with the current Investment Policy.

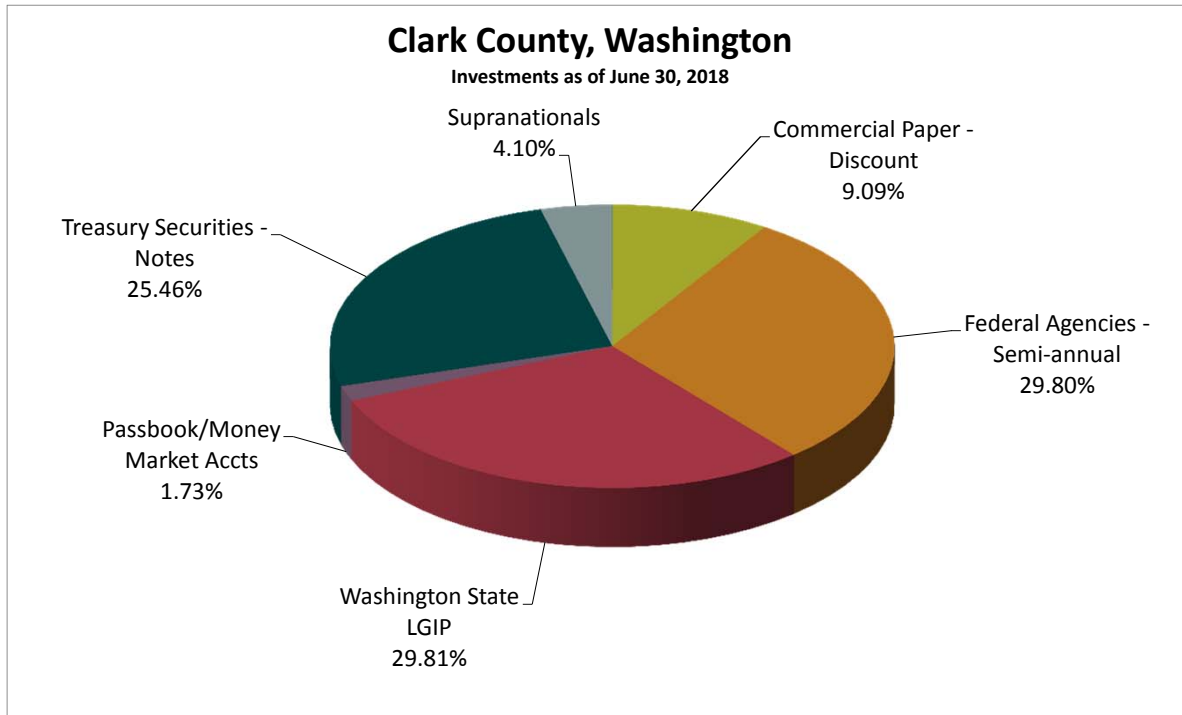
Exhibit Nine reflects the percentage of securities purchased from each issuer for the Clark County Investment Pool. All percentages are consistent with the current Investment Policy.

Exhibit Ten is a historical comparison of the Clark County Investment Pool to the Washington State LGIP.

Exhibit 1

**CLARK COUNTY TOTAL INVESTMENT PORTFOLIO
DISTRIBUTION OF INVESTMENTS BY TYPE
June 30, 2018**

Investments	Book Value	Percent of Portfolio	Average Days to Maturity	Yield to Maturity
Certificates of Deposit	\$ 50,000	0.01%	357	2.23%
Commercial Paper - Discount	\$ 79,400,453	9.09%	61	2.25%
Federal Agencies - Semi-annual	\$ 260,284,870	29.80%	223	1.29%
Washington State LGIP	\$ 260,370,704	29.81%	1	1.90%
Passbook/Money Market Accts	\$ 15,088,486	1.73%	1	1.97%
Treasury Securities - Notes	\$ 222,397,250	25.46%	105	1.30%
Supranationals	\$ 35,783,116	4.10%	194	2.21%
Total	\$ 873,374,880	100.00%	107	1.61%
Accrued Interest at Purchase	\$ 90,971			
Total Cash and Investments	<u>\$ 873,465,850</u>			



**Clark County, Washington
Total Portfolio
June 30, 2018
Exhibit 2**

Investment Number	Purchase Date	Cusip Number	Book Value	Amortized Disc/(Prem)	Amortized Book Value	Par Value	Market Price 06/30/18	Market Value	Cash Gain/(Loss) on Security	Amortized Gain/(Loss) on Security	Percent Gain/(Loss) on Security	Coupon Rate	Yield to Maturity 360 MM	Yield to Maturity 365 BE	Maturity Date	Days to Call or Maturity	Days to Maturity	
Subtotal & Averages - Federal Agencies			260,284,870.30	48,974.06	260,333,844.36	260,350,000.00		259,002,176.00	(1,294,894.30)	(1,343,868.36)			1.268	1.286		188	223	
Passbook/Money Market Accounts																		
		31.22%																
89980001	Washington State LGIP	29.49%	257,764,177.99	0.00	257,764,177.99	257,764,177.99		257,764,177.99				1.902	1.876	1.902		1	1	
89980011	Opus Bank	1.73%	15,088,485.74	0.00	15,088,485.74	15,088,485.74		15,088,485.74				1.970	1.943	1.970		1	1	
Subtotal & Averages			272,852,663.73	0.00	272,852,663.73	272,852,663.73		272,852,663.73					1.880	1.906		1	1	
Grand Total (Inside Investments only)			868,486,337.17	212,862.09	868,699,199.26	869,172,663.73		866,861,098.83	(1,637,438.34)	(1,850,300.43)			1.589	1.611	Days:	97	107	
OUTSIDE POOL INVESTMENTS																		
CD's																		
		0.01%																
CD2017	Opus Bank	6/23/2018	50,000.00	0.00	50,000.00	50,000.00		50,000.00				2.225	2.195	2.225	06/23/19	357	357	
Subtotal & Averages			50,000.00	0.00	50,000.00	50,000.00		50,000.00					2.195	2.225		357.0	357	
Outside Investments - Camp Bonneville																		
		0.38%																
10130001	Washington State LGIP	12/07/07	3,298,645.87	0.00	3,298,645.87	3,298,645.87		3,298,645.87				1.902	1.876	1.902		1	1	
Subtotal & Averages			3,298,645.87	0.00	3,298,645.87	3,298,645.87		3,298,645.87	0.00	0.00			1.876	1.902		1	1	
U.S. Treasury Securities - SLGS																		
		0.26%																
61123651	US Treasury Strip	12/26/17	912828M64	64,710.55	0.00	64,710.55	65,000.00	99.699	64,804.35			1.250	1.734	1.758	11/15/18	137	137	
61243650	US Treasury Strip	12/26/17	912828M64	973,644.84	0.00	973,644.84	978,000.00	99.699	975,056.22			1.250	1.734	1.758	11/15/18	137	137	
61303649	US Treasury Strip	12/26/17	912828M64	1,095,101.56	0.00	1,095,101.56	1,100,000.00	99.699	1,096,689.00			1.250	1.734	1.758	11/15/18	137	137	
61363648	US Treasury Strip	12/26/17	912828M64	98,559.14	0.00	98,559.14	99,000.00	99.699	98,702.01			1.250	1.734	1.758	11/15/18	137	137	
Subtotal & Averages			2,232,016.09	0.00	2,232,016.09	2,242,000.00		2,235,251.58	0.00	0.00			1.734	1.758		137	137	
Grand Total (Outside Investments only)			5,580,661.96	0.00	5,580,661.96	5,590,645.87		5,583,897.45	0.00	0.00			1.823	1.848	Days:	59	59	
																Months:	1.9	1.9
Grand Total (Inside and Outside Investments)			874,066,999.13	212,862.09	874,279,861.22	874,763,309.60		872,444,996.28	(1,637,438.34)	(1,850,300.43)			1.590	1.612	Days:	96	107	
																Months:	3.2	3.6

Exhibit 3

CLARK COUNTY TOTAL INVESTMENT PORTFOLIO AGING OF MATURING INVESTMENTS June 30, 2018

Days to Maturity	Book Value	% Maturing	Cumulative % Maturing
1	\$275,459,190	31.54%	31.54%
2 - 90	\$269,884,497	30.90%	62.44%
91 - 180	\$139,167,115	15.93%	78.38%
181 - 270	\$109,958,312	12.59%	90.97%
271 - 360	\$18,910,566	2.17%	93.13%
361 - 450	\$20,000,000	2.29%	95.42%
451 - 540	\$19,995,200	2.29%	97.71%
541 - 630	\$10,000,000	1.14%	98.86%
631 - 720	\$10,000,000	1.14%	100.00%
721 - 900	\$0	0.00%	100.00%
901 - 1300	\$0	0.00%	100.00%
TOTALS	\$873,374,880	100.00%	

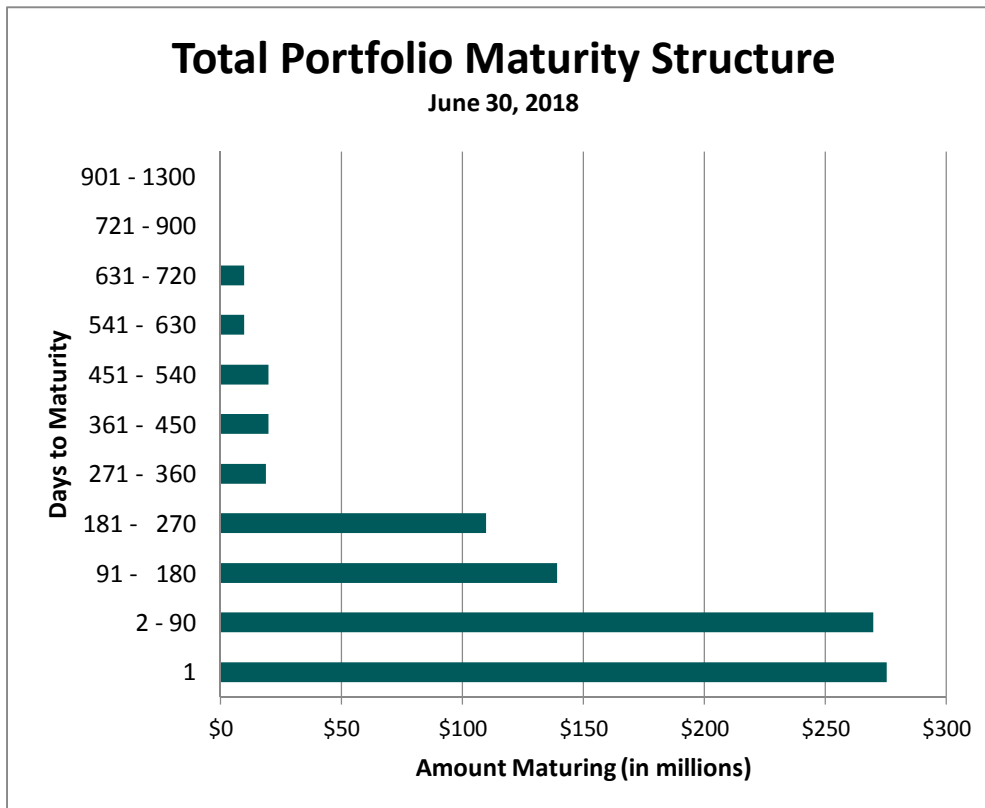


Exhibit 4

**CLARK COUNTY TOTAL INVESTMENT PORTFOLIO
SUMMARY OF INVESTMENTS BY ISSUER
June 30, 2018**

Issuer	Number of Investments	Book Value	% of Portfolio	Yield to Maturity	Days to Maturity
Federal Farm Credit Bank	5	49,914,800	5.72%	1.19%	169
Federal Home Loan Bank	7	70,048,410	8.02%	1.55%	280
Federal Home Loan Mtg Corp.	11	110,326,860	12.63%	1.20%	212
Federal National Mtg Association	3	29,994,800	3.43%	1.15%	221
US Treasury	20	222,397,250	25.46%	1.30%	105
Inter-American Development Bank	2	18,853,566	2.16%	2.18%	177
World Bank	1	9,962,800	1.14%	2.32%	257
Intl Finance Corp.	1	6,966,750	0.80%	2.15%	149
Opus Bank	2	15,138,486	1.73%	1.97%	2
Washington State LGIP	2	260,370,704	29.81%	1.90%	1
Coca Cola	2	19,786,386	2.27%	2.36%	61
Walt Disney Company	1	9,931,689	1.14%	2.19%	26
American Honda Finance	1	9,936,417	1.14%	2.17%	22
MetLife Short Term Funding	1	9,949,508	1.14%	2.26%	66
Nestle Finance Intl Ltd	1	9,909,644	1.13%	2.22%	71
Qualcomm Inc.	1	9,958,683	1.14%	2.29%	44
Toyota Motor Credit	1	9,928,125	1.14%	2.14%	17
TOTALS and AVERAGES	62	873,374,880	100.00%	1.61%	105

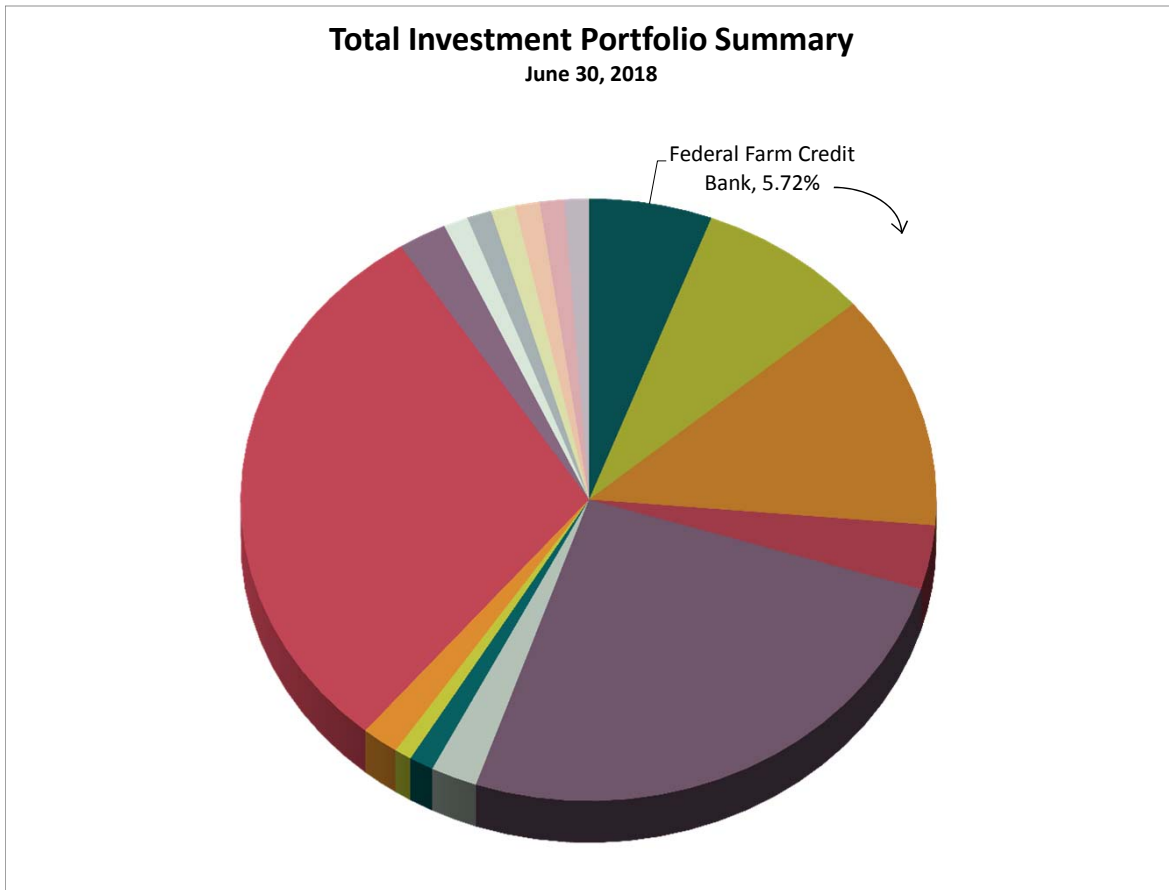


Exhibit 5

CLARK COUNTY TOTAL INVESTMENT PORTFOLIO
INVESTMENT ACTIVITY BY TYPE
June 30, 2018

NUMBER	ISSUER	YIELD	DATE	PURCHASES	MATURITIES	BALANCE	
COMMERICAL PAPER				BEGINNING BALANCE:		19,875,941.67	
89983657	Disney	2.194	4/2/2018	9,931,688.89			
89983658	Coca-Cola	2.317	4/2/2018	9,890,977.78			
89983659	Honda	2.172	4/5/2018	9,936,416.67			
89983660	Nestle	2.216	4/11/2018	9,909,644.44			
89983661	Mitsubishi Intl Corp	1.967	4/25/2018	9,966,788.89			
89983666	Qualcomm Inc.	2.291	6/7/2018	9,958,683.30			
89983667	MetLife Short Term Funding	2.262	6/14/2018	9,949,508.33			
89983654	Apple	1.896	6/22/2018		9,947,816.67		
89983661	Mitsubishi Intl Corp	1.967	6/25/2018		9,966,788.89		
89983669	Coca-Cola	2.399	6/27/2018	9,895,408.33			
SUBTOTALS and ENDING BALANCE - April				49,635,516.67	0.00	69,511,458.34	
SUBTOTALS and ENDING BALANCE - May				0.00	0.00	69,511,458.34	
SUBTOTALS and ENDING BALANCE - June				29,803,599.96	19,914,605.56	79,400,452.74	
CERTIFICATES OF DEPOSIT				BEGINNING BALANCE:		50,000.00	
SUBTOTALS and ENDING BALANCE - April				0.00	0.00	50,000.00	
SUBTOTALS and ENDING BALANCE - May				0.00	0.00	50,000.00	
SUBTOTALS and ENDING BALANCE - June				50,000.00	50,000.00	50,000.00	
SUPRANATIONALS				BEGINNING BALANCE:		0.00	
89983662	World Bank	2.322	5/11/2018	9,962,800.00			
89983663	Intl Finance Corp	2.145	5/14/2018	6,966,750.00			
89983664	Inter-American Development Bank	2.003	5/17/2018	9,993,000.00			
89983668	Inter-American Development Bank	2.382	6/20/2018	8,860,566.00			
SUBTOTALS and ENDING BALANCE - April				0.00	0.00	0.00	
SUBTOTALS and ENDING BALANCE - May				26,922,550.00	0.00	26,922,550.00	
SUBTOTALS and ENDING BALANCE - June				8,860,566.00	0.00	35,783,116.00	
FEDERAL AGENCIES - SEMI ANNUAL COUPON				BEGINNING BALANCE:		260,284,870.30	
SUBTOTALS and ENDING BALANCE - April				0.00	0.00	260,284,870.30	
SUBTOTALS and ENDING BALANCE - May				0.00	0.00	260,284,870.30	
SUBTOTALS and ENDING BALANCE - June				10,000,000.00	10,000,000.00	260,284,870.30	
TREASURY SECURITIES - US TREASURIES				BEGINNING BALANCE:		289,905,859.40	
89983630	US Treasury Coupon	1.228	04/30/18		19,917,187.50		
89983632	US Treasury Coupon	1.249	06/15/18		19,975,781.25		
89983618	US Treasury Coupon	1.094	06/30/18		9,944,531.25		
89983647	US Treasury Coupon	1.409	06/30/18		19,903,125.00		
SUBTOTALS and ENDING BALANCE - April				0.00	19,917,187.50	269,988,671.90	
SUBTOTALS and ENDING BALANCE - May				0.00	0.00	269,988,671.90	
SUBTOTALS and ENDING BALANCE - June				0.00	49,823,437.50	220,165,234.40	
TREASURY SECURITIES - SLGS				BEGINNING BALANCE:		2,232,016.09	
SUBTOTALS and ENDING BALANCE - April				1.758	0.00	2,232,016.09	
SUBTOTALS and ENDING BALANCE - May				1.758	0.00	2,232,016.09	
SUBTOTALS and ENDING BALANCE - June				1.758	0.00	2,232,016.09	
OPUS BANK				BEGINNING BALANCE:		10,036,171.76	
April	Public Checking Account	1.780		15,012.02	0.00	10,051,183.78	
May	Public Checking Account	1.840		15,547.42	0.00	10,066,731.20	
June	Public Checking Account	1.970		5,021,754.54	0.00	15,088,485.74	
STATE POOL				BEGINNING BALANCE:		99,245,225.60	
April	Washington State Pool	1.721		228,993,242.23	54,700,000.00	273,538,467.83	
May	Washington State Pool	1.800		58,396,697.68	147,500,000.00	184,435,165.51	
June	Washington State Pool	1.896		192,060,538.80	116,125,000.00	260,370,704.31	
				BEGINNING BALANCE:	PURCHASES	MATURITIES	ENDING BALANCE:
April	TOTALS			681,630,084.82	278,643,770.92	74,617,187.50	885,656,668.24
May	TOTALS			885,656,668.24	85,334,795.10	147,500,000.00	823,491,463.34
June	TOTALS			823,491,463.34	245,796,459.30	195,913,043.06	873,374,879.58

Exhibit 6

CLARK COUNTY *POOL*** INVESTMENT PORTFOLIO
DISTRIBUTION OF INVESTMENTS BY TYPE
June 30, 2018**

Investments	Book Value	Percent of Portfolio	Average Days to Maturity	Yield to Maturity
Commercial Paper - Discount	\$ 79,400,453	9.14%	61	2.25%
Federal Agencies - Semi-annual	\$ 260,284,870	29.97%	223	1.29%
Washington State LGIP	\$ 257,764,178	29.68%	1	1.90%
Passbook/Money Market Accts	\$ 15,088,486	1.74%	1	1.97%
Treasury Securities - Coupon	\$ 220,165,234	25.35%	104	1.29%
Supranationals	\$ 35,783,116	4.12%	194	2.21%
Total	\$ 868,486,337	100.00%	107	1.61%
Accrued Interest at Purchase	\$ 90,971			
Total Cash and Investments	\$ 868,577,308			

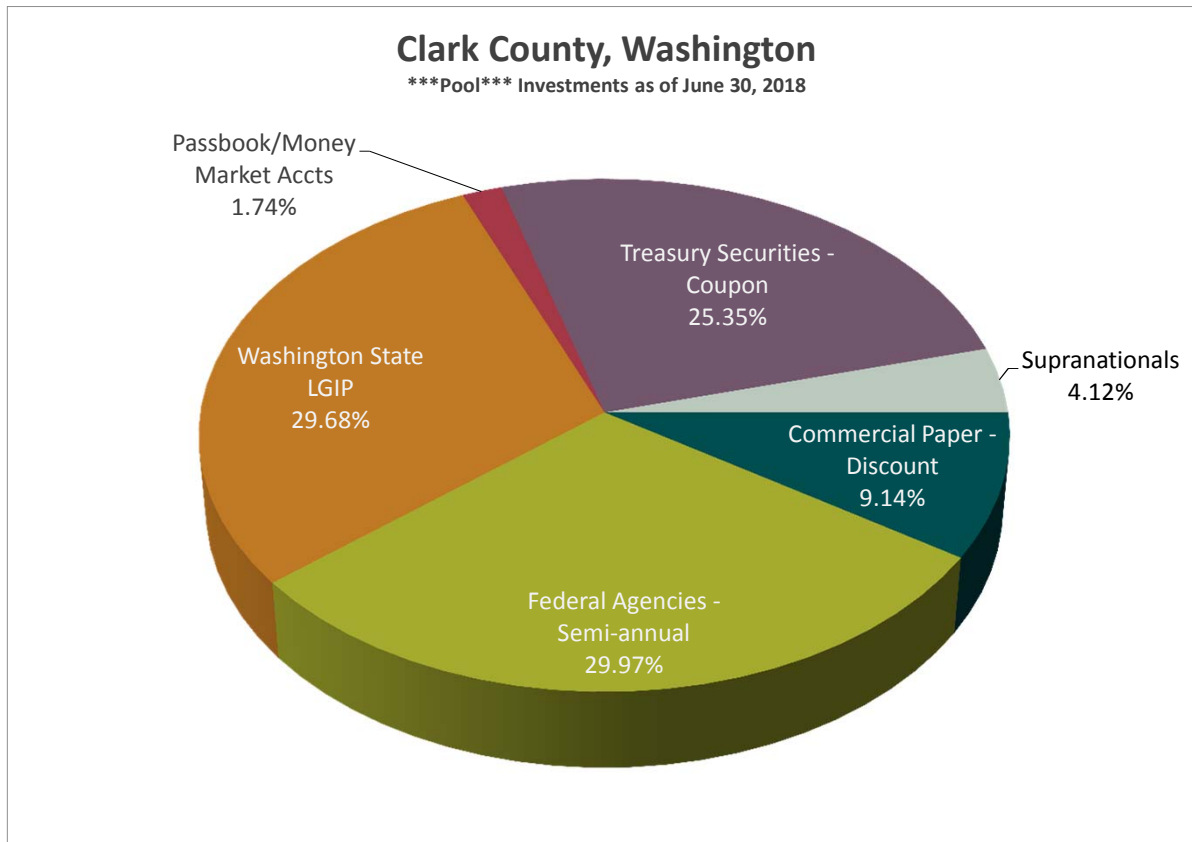


Exhibit 8

CLARK COUNTY ***POOL*** INVESTMENT PORTFOLIO AGING OF MATURING INVESTMENTS June 30, 2018

Days to Maturity	Book Value	% Maturing	Cumulative % Maturing
1	\$272,852,664	31.42%	31.42%
2 - 90	\$269,884,497	31.08%	62.49%
91 - 180	\$136,935,099	15.77%	78.26%
181 - 270	\$109,958,312	12.66%	90.92%
271 - 360	\$18,860,566	2.17%	93.09%
361 - 450	\$20,000,000	2.30%	95.39%
451 - 540	\$19,995,200	2.30%	97.70%
541 - 630	\$10,000,000	1.15%	98.85%
631 - 720	\$10,000,000	1.15%	100.00%
721 - 900	\$0	0.00%	100.00%
901 - 1300	\$0	0.00%	100.00%
TOTALS	\$868,486,337	100.00%	

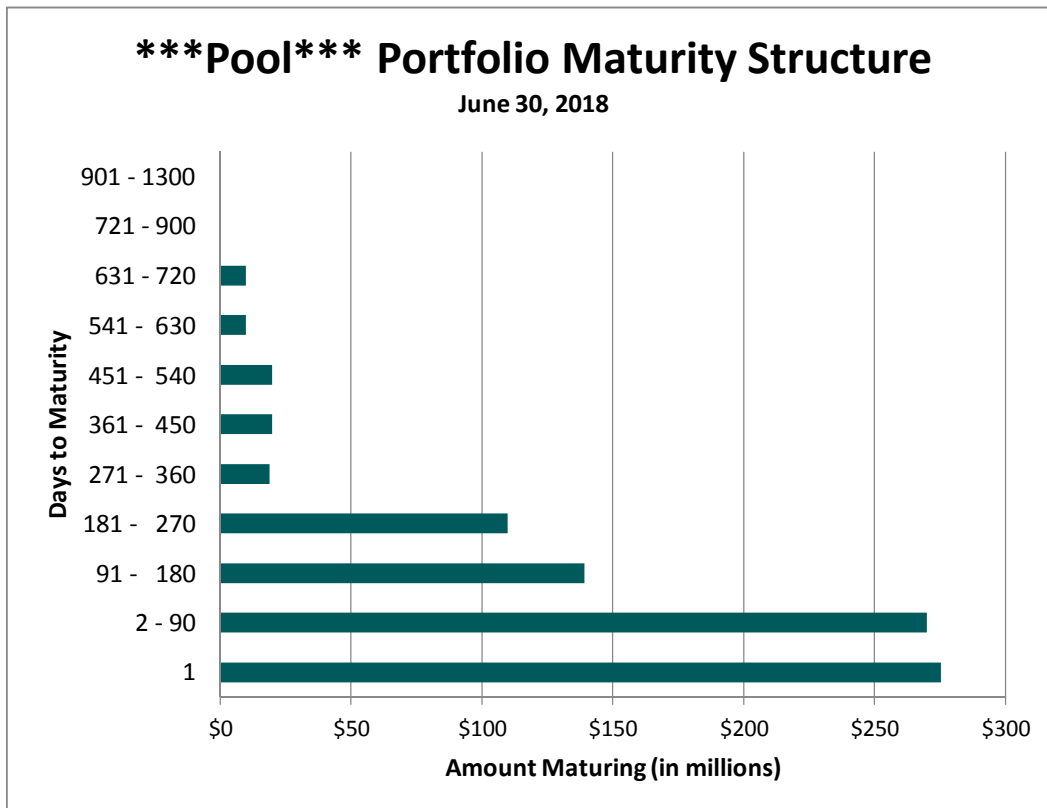


Exhibit 9

CLARK COUNTY *POOL*** INVESTMENT PORTFOLIO
SUMMARY OF INVESTMENTS BY ISSUER
June 30, 2018**

Issuer	Number of Investments	Book Value	% of Portfolio	Average Yield to Maturity	Days to Maturity
Toyota Motor Credit	1	9,928,125	1.14%	2.14%	17
Coca Cola	1	19,786,386	2.28%	2.36%	123
Walt Disney Company	1	9,931,689	1.14%	2.19%	26
American Honda Finance	1	9,936,417	1.14%	2.17%	22
MetLife Short Term Funding	1	9,949,508	1.15%	2.26%	66
Nestle Finance Intl Ltd	1	9,909,644	1.14%	2.22%	71
Qualcomm Inc.	1	9,958,683	1.15%	2.29%	44
Federal Farm Credit Bank	5	49,914,800	5.75%	1.19%	169
Federal Home Loan Bank	7	70,048,410	8.07%	1.55%	280
Federal Home Loan Mtg Corp.	11	110,326,860	12.70%	1.20%	212
Federal National Mtg Association	3	29,994,800	3.45%	1.15%	221
US Treasury	16	220,165,234	25.35%	1.29%	104
Inter-American Development Bank	2	18,853,566	2.17%	2.18%	177
World Bank	1	9,962,800	1.15%	2.32%	257
Intl Finance Corp.	1	6,966,750	0.80%	2.15%	104
Washington State LGIP	1	257,764,178	29.68%	1.90%	1
Opus Bank	1	15,088,486	1.74%	1.97%	1
TOTALS and AVERAGES	55	868,486,337	100.00%	1.61%	107

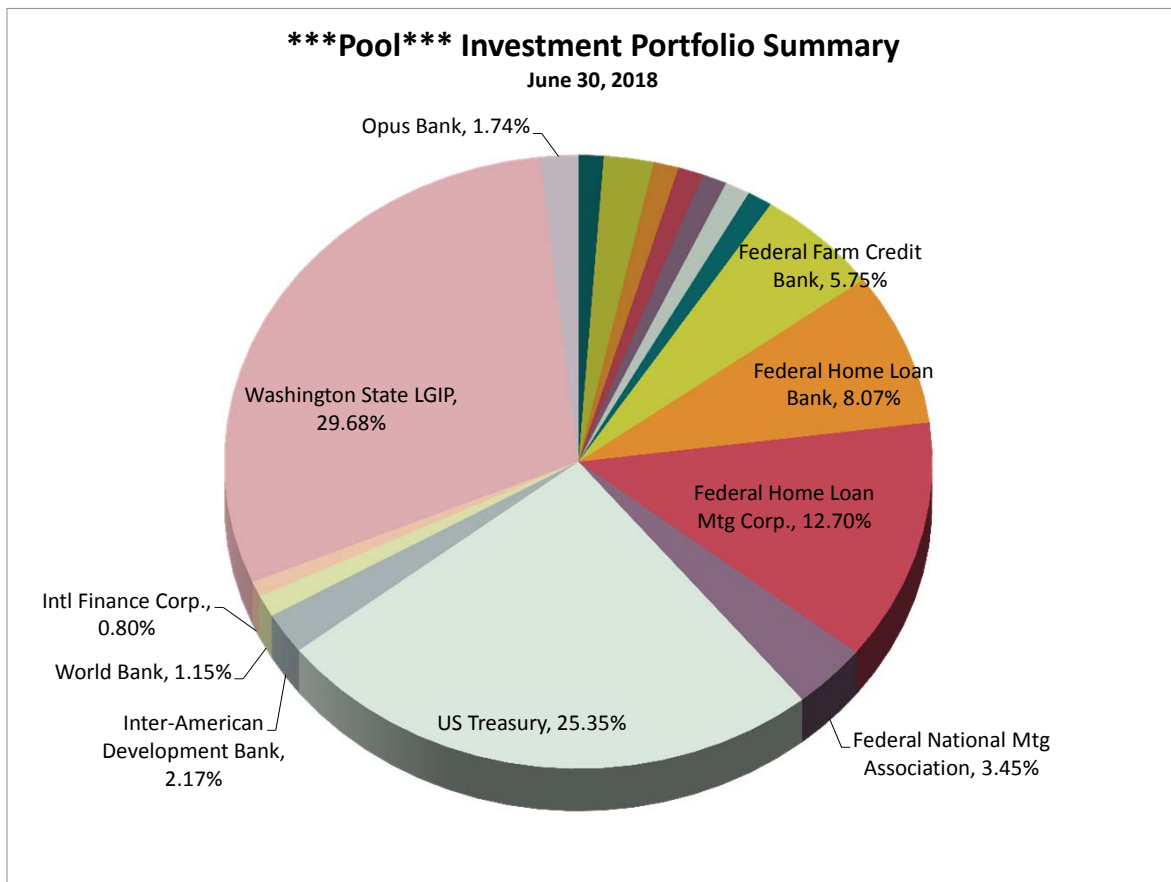


Exhibit 10 County Pool vs. State Pool July 2013 - June 2018

