

ANNUAL INVESTMENT REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2018

GWEN MARSHALL
CLERK OF CIRCUIT COURT
AND COMPTROLLER

LEON COUNTY, FLORIDA

ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

EXECUTIVE SUMMARY

The Commission approved Investment Policy provides for a conservatively managed portfolio that performed as expected during fiscal year 2018. Policy controls related to portfolio duration, credit quality, liquidity and instrument selection have been established to reduce volatility with respect to investment returns. **The portfolio earned \$2,706,330 in interest and realized losses of \$160,867 for a total income of \$2,545,463 during the fiscal year ending September 30, 2018. This total income provided an effective rate of return of 1.56% on an average daily balance of \$162,650,803.** For comparison, the portfolio earned \$2,101,797 of interest and realized losses of \$158,388 for a total income of \$1,943,409 during the fiscal year ending September 30, 2017. This total income provided an effective rate of return of **1.17% on an average daily balance of \$165,941,591.**

Investment income increased 31% year over year in spite of a \$3.3 million decrease in overall average investible cash balances. The primary reasons for the increase in income is due to a rising interest rate environment and the active portfolio management that was well positioned to take advantage of the timing of the rate increases. The decrease in the average daily balance of investable cash year over year reflected expenditure of funds for capital construction projects as well as disaster recovery. Much of the funds for the disaster recovery will be reimbursed from FEMA related to the cleanup from hurricanes.

The \$160,867 in realized losses in fiscal year 2018, referenced above, were from the external portfolio and were attributed to selling investments to take advantage of new opportunities to reinvest at higher yields. Reloading the portfolio into a higher yield environment should translate into higher income in the future. From a total return perspective, Insight's (the external manager) active management style has also translated into incremental returns over the benchmark.

Section 218.415 (15), Florida Statutes, requires Leon County Clerk of Circuit Court and Comptroller to provide an annual report to the Board of County Commissioners of the securities in the portfolio by investment type, book value, market value and income earned. This information is included in Table I and Table II below and the chart on page 6 as of September 30, 2018.

Table I Ending Balances Fiscal Year Ended September 30, 2018

Portfolio	Book Value	Market Value
<i>Insight Investment</i>	56,781,175	56,027,643
<i>FL Local Govt Investment Trust</i>	5,905	5,905
<i>FL State Treasury SPIA</i>	46,011,070	45,074,036
<i>Florida Prime</i>	9,293,816	9,293,816
<i>Wells Fargo Cash</i>	5,021,748	5,021,748
<i>Wells Fargo Sweep</i>	15,771,033	15,771,033
<i>Total Cash and Investments</i>	132,884,747	131,194,181

Table II Average Daily Balance and Income

Investment Type	FY 2017 Avg Daily Balance	FY 2018 Avg Daily Balance	Total Income FY 2018
<i>Insight Investment</i>	71,975,030	55,734,602	764,679
<i>FL Local Govt Investment Trust</i>	347,543	5,875	27
<i>FL State Treasury SPIA</i>	76,399,622	75,859,396	1,281,509
<i>Florida Prime</i>	114,113	13,982,037	288,138
<i>Wells Fargo Cash</i>	12,572,945	7,080,126	81,557
<i>Wells Fargo Sweep</i>	4,532,338	9,988,767	129,553
<i>Total Daily Average</i>	165,941,591	162,650,803	
<i>Total Income</i>			2,545,463
<i>Income / Avg. Daily Bal</i>			1.56%

ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

Investment Oversight Committee

The Investment Policy of the Board of County Commissioners provides for an Investment Oversight Committee to work with the Clerk of the Circuit Court and Comptroller in the investment of the portfolio. The Committee meets quarterly unless interim issues require more frequent meetings. Meetings are noticed, open to the public and the minutes of each meeting recorded. The IOC consists of the Clerk Designee, Director of Civil Court, Kenneth Kent; the County Administrator Designee, Director of Financial Stewardship, Scott Ross; and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. They are David Reid, CPA, Michael Kramer, managing partner, K3 Investments, and J. Ben Watkins III, State of Florida Director of the Division of Bond Finance.

During the fiscal year ending September 30, 2018, the portfolio was managed within the guidelines and limitations of the Investment Oversight Committee recommendations and the Commission approved policy without exception.

Investment Managers

The investment portfolio quarter ending balances ranged from \$131,194,181 to \$216,424,230 during the fiscal year, with higher balances during the winter as tax collection notices are distributed by the Leon County Tax Collector. The internal portfolio was generally allocated to the Florida Treasury Special Purpose Investment Account (SPIA) during the year for diversification and liquidity.

Insight Investment, the external manager invested an average of 34% of the Leon County portfolio during fiscal year. Currently, Insight Investment manages approximately \$56 million fixed income assets that resulted in a portfolio duration during the fiscal year ranging between 1.55 and 1.78 years. The established performance benchmark for Insight is the Bank of America/Merrill Lynch 1-3 Year Government Index. Insight Investment, formerly known as Cutwater Asset Management, has managed the County's external portfolio since June 1, 2010.

During late second quarter of fiscal year 2017 and early first quarter of fiscal year 2018 there was a reallocation of funds from Insight Investment, the external manager to the Finance managed portfolio to provide additional liquidity for operating expenses and to realign assets. This reallocation of funds is reflected in the reduction of the Insight Investment average daily balances in Table II.

The Clerk began the RFP process of a competitive selection during fiscal year 2018 since the Investment Agreement with Insight Investment was scheduled to end in November 2018. After completion of the entire RFP process in October 2018, the Investment Oversight Committee and the Clerk selected Insight Investment. A new contract was executed with Insight Investment in November 2018. The contract can be terminated at any time by either party giving at least thirty (30) days' prior notice in writing.

The Clerk completed bidding out its banking relationships pursuant to a competitive selection process and entered into a contract on April 1, 2012, with Wells Fargo Bank. The contract (with the current extensions) is set to expire March 31, 2019. This contract with Wells Fargo Bank has been extended to March 31, 2021, during the last six months of this extension, the county can give a 60-day notice to terminate the contract.

ANNUAL INVESTMENT REPORT
 Fiscal Year Ended September 30, 2018
 Leon County, Florida

TABLE OF CONTENTS

<u>Section</u>	<u>Section Title</u>	<u>Page</u>
I.	Investment Policy.....	1
II.	Investment Oversight Committee	1
III.	Activities of the Investment Oversight Committee.....	1
IV.	Investment Objectives.....	1
V.	Portfolio Performance	2
VI.	Permitted Investments and Allowable Maturities	3
VII.	Liquidity Requirements	5
VIII.	Investment Operations	5
IX.	Conclusion	7

<u>Table</u>	<u>Table Title</u>	
1	Permitted Investments	3
2	Portfolio Composition.....	6
3	Average Term by Investment Type.....	6
4	Quarter Weighted Average Yields.....	7
5	Budget and Actual Interest Earnings.....	7

ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

I. INVESTMENT POLICY

Section 218.415, Florida Statutes provides units of local government the ability to adopt a written investment plan to govern the investment of their investment portfolio. The Leon County Board of County Commissioners on July 11, 2017 adopted a new investment policy which is a replacement of the investment policy adopted on September 17, 2002 which later had revisions that were adopted by the Board of County Commissioners on October 11, 2011 and again on February 25, 2014.

The Florida Constitution provides that the Clerk of Court and Comptroller (Clerk) will be responsible for the investment of County funds and this report is being submitted by the Clerk as provided by the Board's Investment Policy. All investment activity was conducted in accordance with written procedures and internal controls.

II. INVESTMENT OVERSIGHT COMMITTEE

The Clerk established the Investment Oversight Committee (IOC) to formulate investment strategies, to provide short-range direction, and to monitor the performance and structure of the County's portfolio. The IOC consists of the Clerk Designee, Director of Civil Courts, Kenneth Kent; the County Administrator Designee, Director of Financial Stewardship, Scott Ross and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. The three outside members are David Reid, CPA, Michael Kramer, managing partner, K3 Investments, and J. Ben Watkins III, State of Florida Director of the Division of Bond Finance.

III. ACTIVITIES OF THE INVESTMENT OVERSIGHT COMMITTEE

The Investment Oversight Committee (IOC) scheduled periodic meetings to discuss issues relating to the investments of the County. During the current year, the IOC continued to maintain the average annual effective duration for the managed external portfolio of about 1.6 to 1.8 years. Given the Fed forecasts for up to two rate hikes in 2019, the IOC will continue to carefully monitor the portfolio duration and allocation of assets.

IV. INVESTMENT OBJECTIVES

The Policy states that the primary objectives of all investment activities for the County should be safety of principal, maintenance of adequate liquidity and finally, return maximization.

Safety of principal is the foremost investment objective. Investment transactions should seek to keep capital losses to a minimum, whether the result of security defaults, or erosion of market value. This is best insured by establishing minimum acceptable credit ratings, limiting the portfolio's overall duration, setting maximum exposures by sector, defining appropriate levels of diversification and authorized transactions and limiting exceptions.

The second objective is the provision of sufficient liquidity. A portion of the County's overall portfolio should be maintained very liquid in order to meet operating, payroll, and ongoing capital requirements. Maintaining a core level of assets with the government pools, such as the Treasury Special Purpose Investment Account (SPIA) or other short-term entities, is viewed as the best way of maintaining secure asset values with sound investment practices. The remainder of the overall portfolio should be managed in such a manner that funds can be liquidated in a reasonable amount

ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

of time, recognizing that there are other sources for day-to-day liquidity and that this portfolio is primarily available for income generation within the constraints of this policy.

Maximizing yield on the portfolio is of least importance compared to the safety and liquidity objectives above. Return maximization is guided by the predefined and acceptable levels of risk as defined in this policy.

V. PORTFOLIO PERFORMANCE

Acceptable portfolio performance is the result of balancing the rewards of investing, or the income earned, with the risks associated with those investments. Factors influencing the portfolio's performance are the types of permitted investments and allowable maturities, liquidity requirements, overall interest rate environment, cash flows, and the investment manager's performance.

The portfolio earned \$2,706,330 in interest and realized losses of \$160,867 for a total income of \$2,545,463 during the fiscal year ending September 30, 2018. This total income provided an effective rate of return of 1.56% on an average daily balance of \$162,650,803. For comparison, the portfolio earned \$2,101,797 of interest and realized losses of \$158,388 for a total income of \$1,943,409 during the fiscal year ending September 30, 2017. This total income provided an effective rate of return of 1.17% on an average daily balance of \$165,941,591.

The external portfolio did have realized losses from active management in the external portfolio for the 12-months ending September 30, 2018 of \$160,867. These losses were attributed to selling investments to take advantage of new opportunities for the external portfolio. Insight is actively managing the account to take advantage of new opportunities and rising rates. The yield on the external portfolio on September 30, 2018 was 2.73% versus 1.59% on September 30, 2017. From a total return perspective, Insight's active management style has also translated into incremental returns over the passive benchmark.

The following is an overall market and portfolio specific commentary provided by the County's investment advisor, Insight Investment.

Insight Investment Fourth Quarter 2018 Review & Outlook

For third quarter calendar year 2018 US GDP registered 3.4% growth and is tracking to 2.5-2.9% growth for the full calendar year. The labor market remained strong, registering 762,000 new non-farm payrolls added during the 4th quarter coupled with an unemployment rate of merely 3.9%¹. Wage growth has also passed 3%, which supported strong holiday spending. The Federal Reserve (Fed) raised interest rates for the fourth time in 2019 as a result of this economic strength and signaled a continued but slower pace of rate increases for 2019, yet markets reacted poorly to this message. Treasury yields have rallied significantly since this policy decision and markets are now pricing in a reduction to interest rates instead of the signaled increase. The S&P 500 Index drew down 20% peak to trough and finished 2018 down 4.4% inclusive of dividends. Ten-year Treasury yields fell to 2.7% after trading above 3.2% in October.

Divided government has historically been positive for risk markets and economic growth, but the current situation proved too much for risk assets at the close of calendar year 2018. It is also worth mentioning that several high-profile ratings downgrades of A-rated companies to BBB and profit warnings due to international trade added to this volatile situation.

¹ Bureau of Labor Statistics

ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

2019 outlook

While we expect 2019 economic growth to slow, it is still projected to exceed economic potential thereby creating jobs, inflationary pressure and likely to cause the Fed to nudge the borrowing rate higher. Risk markets will likely remain volatile during this process as it is unclear if financial conditions can remain consistently calm amidst domestic and international geopolitical uncertainties. That being said, volatility creates opportunity as the market gyrates between expected recession and continued expansion. We anticipate opportunity for fixed income investors to safely add yield again in 2019 as interest rates and risk premiums rise, in the context of a slower but growing economy.

VI. PERMITTED INVESTMENTS AND ALLOWABLE MATURITIES

Table 1 summarizes the permitted investments, composition limits, and maximum allowable maturities. The County's available funds are invested according to Leon County Investment Policy Section XV, which authorizes the County to invest in specific permitted investment types. The permitted investments are restricted by the Policy in their composition limits and maximum allowable maturities. The Policy permits maturities of the operating portfolio establishing a range of 60 days to 10 years. Table 1 gives a brief description of each investment type. It is generally regarded that the following investment types are safe investments and meet the Policy's first objective: safety.

Table 1 – Permitted Investments

<u>Investment Type</u>	<u>Composition Limit</u>	<u>Max Maturity/ WAL Limit</u>
<i>Repurchase Agreements</i>	15%, 5% any one issuer	60 Days
<i>Bankers' Acceptances</i>	15%, 5% any one issuer	270 Days
<i>Commercial Paper</i>	20%, 5% any one issuer	270 Days
<i>Financial Deposit Instruments</i>	30%	2-Year, 1-Year Avg
<i>Federal Agencies</i>	100%, 20% any one issuer	5-Year
<i>Federal Instrumentalities</i>	45%, 15% any one issuer	5-Year
<i>Corporate Debt</i>	25%, 3% any one issuer	5-Year
<i>Municipal Bonds</i>	35%, 3% any one issuer	5-Year
<i>Mortgage Backed Securities (MBS), including CMOs</i>	35%, 5% any one issuer	5-Year WAL
<i>Asset Backed Securities</i>	10%, 3% any one issuer	5-Year WAL
<i>Commercial Mortgage Backed Securities (CMBS)</i>	8%, 3% any one issuer	5-Year WAL
<i>US Government Securities</i>	100%	10-Year
<i>US Federal Agencies (full faith and credit)</i>	100%, 20% any one issuer	5-Year
<i>SBA, FLGIT, FMIT 0-2, and FMIT 1-3</i>	15% each	NA
<i>SPIA, Money Markets</i>	100%	NA

The internal portfolio was invested in the following government pools during fiscal year ending September 30, 2018:

A. Florida Local Government Surplus Funds Trust Fund, also known as Florida PRIME

Florida PRIME is administered by the Florida State Board of Administration (SBA) for the purpose of pooling investment funds of local governments in an investment portfolio of money market instruments that provide liquidity while preserving capital. On February 13, 2008, the Trustees of the SBA hired Federated Investors to manage Florida PRIME, effective on March 1, 2008. As of October 1, 1997, the SBA had converted Florida PRIME to a "2a-7 like" investment pool (SEC Rule 2a-7 of the Investment Company Act of 1940). The SBA generally intends to maintain a weighted average maturity of 60 days or less, to invest at least 50% of the pooled assets in securities rated A-1+ or deemed of comparable quality, and to have no more than 25% of assets in a single industry sector,

ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

except the financial services industry. On September 30, 2018, Florida PRIME was invested in fixed rate and floating rate bank instruments, repurchase agreements, fixed rate and floating rate corporate commercial paper, floating rate corporate notes, money market mutual funds, and fixed rate and floating rate asset backed commercial paper. The rating for Florida Prime as of September 30, 2018 was AAAM. A maximum of 15% of the portfolio may be invested in Florida PRIME.

B. The Florida Local Government Investment Trust Government Fund (FLGIT)

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Comptrollers, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT major holdings included Treasury Notes, Money Markets, Corporates, Asset-Backed Securities, Municipals and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio.

C. Special Purpose Investment Trust (SPIA)

Effective July 1, 2004, Section 17.61(1), Florida Statutes was amended to permit organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool "Special Purpose Investment Account (SPIA)." Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The rating for the Treasury Investment Pool as of September 30, 2018 was A+f. The County Investment Policy allows up to 100% of the County portfolio to be invested in SPIA.

In March 2015, the Florida Treasury implemented procedures to provide better cash forecasting and an increase in funds available for longer term investments which should increase the interest earnings of the pool as a whole. These enhancements include (1) closing the pool to new noncomponent unit entities, (2) requiring new withdrawal notices and minimum balance requirements and (3) setting a cap on investment amounts. Instead of 100% liquidity with 3 days' notice, the Florida Treasury now requires 5 days' notice for liquidations between \$20 and \$75 million and 20 days' notice for liquidations over \$75 million. In addition, 6 months' notice is required for liquidations planned below a floor calculated as 60% of the previous 3 months average balance. The changes by the Florida Treasury will reduce the possibility of large unplanned liquidations from the pool. The IOC evaluated these changes and determined that the associated risks would be monitored and dollars reallocated between asset classes (including SPIA) based on periodic analysis of the market risk.

The financial details and disclosures for the Treasury Investment Pool are made in Note 4 to the State of Florida Comprehensive Annual Financial Report (CAFR).

The Treasury Investment Pool (Pool) earned \$39,928,099 in September 2018. For the month of September, these earnings resulted in a gross effective interest rate (annualized) of 2.043%. The Pool's fair value factor was 0.9796 for September. A factor of more than 1.0000 indicates that the market value of the Pool's investments is more than the funds invested in the Pool. For more information relating to the Treasury Investment Pool, please visit the website at <http://www.myfloridacfo.com/Division/Treasury/>.

ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

VII. LIQUIDITY REQUIREMENTS

The second objective in managing the County's investments is the provision of sufficient liquidity. On a regular basis, the County's receipts and disbursements are analyzed to determine trends in cash inflow and outflow. Cash inflows are invested immediately upon receipt and become part of the portfolio. The portfolio provides cash for weekly payment of operating and capital expenditures, biweekly payment of payroll expenditures and semiannual debt service payments.

VIII. INVESTMENT OPERATIONS

Investing activities are conducted by the investment advisor and qualified professionals in the Clerk's Office in accordance with Florida Statutes, County Ordinances, and written policies and procedures. Periodic reports of investment activity and positions are prepared and distributed to management of the Clerk's Office, management of the BCC and the Investment Oversight Committee. Regular meetings of the IOC are held to monitor the portfolio, evaluate investment performance and discuss investment strategies.

The investment advisor and Clerk staff use sophisticated techniques in carrying out investment activities including the use of electronic bank and trust account systems, electronic funds transfer, on-line real-time monitoring of U.S. securities markets and electronic trading. Bank account balances, cash requirements, investment positions and trust account activity are monitored daily. Current conditions and evaluations of national economic activity are considered in making asset allocation decisions.

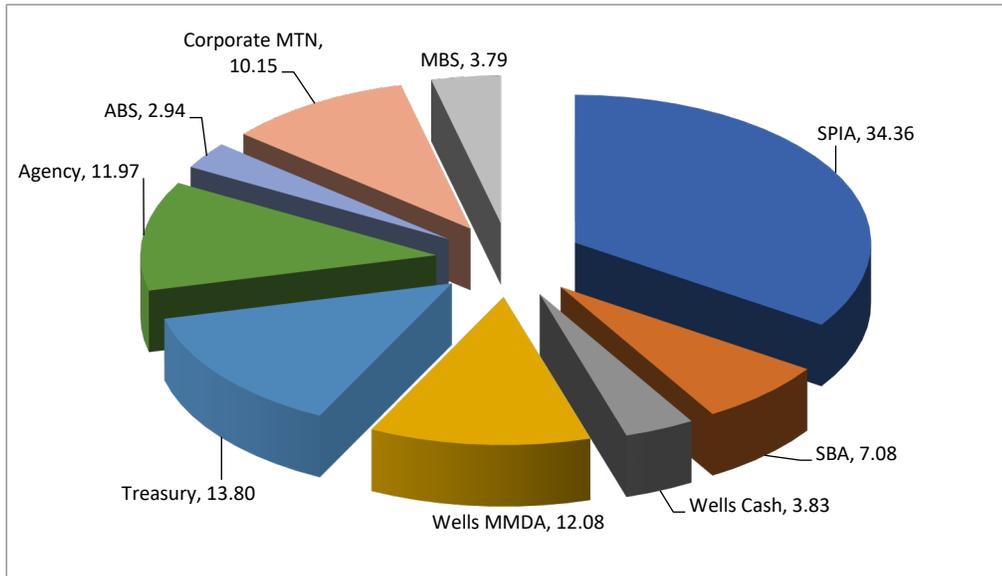
A. Portfolio Balances

The portfolio's ending balance for fiscal year 2018 was \$131,194,181 while the ending balance for 2017 was \$127,390,920, an increase of \$3,803,261.

B. Portfolio Composition

The Clerk or the Clerk's designee (Finance Director) shall have the option to further restrict or increase investment percentages from time to time based on market conditions. Any changes to the portfolio composition guidelines or limits must be in writing from the Finance Director directed to the appropriate parties and discussed at each quarterly Investment Oversight Committee meeting. The portfolio was managed in compliance with diversification requirements for investment types as shown in the following **Table 2 Portfolio Composition**.

ANNUAL INVESTMENT REPORT
 Fiscal Year Ended September 30, 2018
 Leon County, Florida



C. Portfolio Maturities

Portfolio management was also accomplished in compliance with the Policy that requires ensuring sufficient liquidity as well as diversity in maturities. Shown in Table 3 are the average terms of each investment type held as of fiscal year end 2018 and 2017. Average term is the weighted average number of days remaining to maturity of the investment. Average terms greater than one year represent investments of non-current funds, including the non-current operating portfolio, and investments of bond proceeds and debt service reserve funds. The externally managed portfolio was invested for a weighted average term of approximately 584 days in fiscal year 2018, as compared with a weighted average term of 867 days in fiscal year 2017.

Table 3- External Manager Average Term by Investment Type (Days)

	FY 2018	FY 2017
US Treasury Notes	631	904
US Agency Notes	420	622
Commercial Mortgage Backed Securities	471	871
Asset Backed Securities	504	1,003
Mortgage Backed Securities	913	5,935
Municipal Notes	-	-
Corporate Notes	635	513

D. Earnings and Yields

The portfolio earned \$2,706,330 in interest and realized losses of \$160,867 for a total income of \$2,545,463 during the fiscal year ending September 30, 2018. This total income provided an effective rate of return of 1.56% on an average daily balance of \$162,650,803. For comparison, the portfolio earned \$2,101,797 of interest and realized losses of \$158,388 for a total income of \$1,943,409 during the fiscal year ending September 30, 2017. This total income provided an effective rate of return of 1.17% on an average daily balance of \$165,941,591. The range of duration of the County's overall portfolio is defined as 0.5 years to 2.5 years. Unusual market or economic conditions may mandate moving the portfolio outside of this range. The Investment

ANNUAL INVESTMENT REPORT
 Fiscal Year Ended September 30, 2018
 Leon County, Florida

Oversight Committee will be convened and will approve any portfolio duration outside of the range specified above. The duration of the portfolio was an annual average of 2.4 years.

Table 4- Quarter Wt. Average Yields

	09.30.17	12.31.17	03.31.18	06.30.18	09.30.18
Insight Investment	1.59%	2.03%	2.46%	2.66%	2.73%
FL Local Govt Investment Trust	1.33%	1.66%	1.93%	2.07%	2.32%
FL State Treasury SPIA	1.70%	1.71%	1.55%	1.81%	1.92%
Florida Prime	1.34%	1.46%	1.85%	2.11%	2.34%
Wells Fargo Cash	1.25%	1.40%	1.58%	1.58%	2.03%
Wells Fargo Sweep	0.86%	1.05%	1.35%	1.67%	1.85%
Quarter Wt. Average Yields	1.60%	1.68%	1.82%	2.13%	2.29%

The dollar amount of interest earnings is used in historical and budgetary comparisons and in cash flow analysis. Actual interest earnings totaled \$2,706,330 in fiscal year 2018 and \$2,101,797 in fiscal year 2017. Actual interest earnings were \$639,010 more than the budget in fiscal year 2018 and \$1,008,245 more than the budget in fiscal year 2017.

Table 5- Budget and Actual Income

	FY 2018	FY 2017
<i>Actual</i>	2,706,330	2,101,797
<i>Budget</i>	2,067,320	1,093,552
<i>Variance</i>	\$639,010	\$1,008,245

IX. CONCLUSION

In conclusion, the results outlined in the Annual Investment Report are as follows:

- Investment income increased 31% year over year despite a \$3.3 million decrease in average investible cash. This increase in income was primarily due to a rising interest rate environment and the active portfolio management that was well positioned to take advantage of the timing of these rate increases. The primary reasons for the \$3.3 million reduction in the average daily balance of investable cash year over year included expenditure of funds for capital construction projects and disaster recovery during the fiscal year. Much of the expenditures for disaster recovery will be reimbursed from FEMA related to the from hurricanes.
- Realignment of assets from outside investment manager.
- The Investment Portfolio activity was in compliance with the Investment Policy.
- The economic environment continues to be highly volatile. The external manager continues to tactically manage the duration as changes in the market occur.

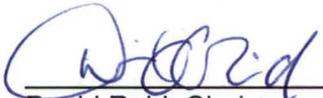
ANNUAL INVESTMENT REPORT
Fiscal Year Ended September 30, 2018
Leon County, Florida

Investment Oversight Committee

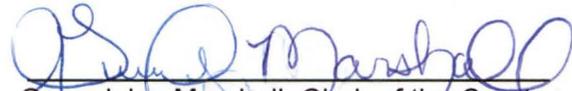
The IOC met regularly to oversee the performance of the external manager. The investment policy requires staff to notify the IOC any time that any holdings drop below the minimum credit ratings required under the policy. The IOC will then consider the current market environment and make recommendations to either hold and monitor the investments or to liquidate the investments. On October 3, 2018, the external manager notified the IOC regarding the recent downgrade by Standard and Poor's of one security within the externally managed portfolio. The security was issued by General Electric Company and was downgraded to BBB+. The IOC closely reviewed this downgrade and given the external manager's recommendation to maintain this security has agreed to continue hold this security, subject to ongoing monitoring, within the portfolio.

On March 5, 2019 the IOC met to review and approve this annual report summarizing the performance of the internal portfolio and the external manager.

Presented by:



David Reid, Chairman
Investment Oversight Committee



Gwendolyn Marshall, Clerk of the Court
and Comptroller, Leon County, Florida