



Fort Lauderdale, Florida



Investment Performance Review For the Quarter Ended June 30, 2018

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- ◆ Market Update

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- ◆ Portfolio Statistics

Tab I

QUARTERLY MARKET SUMMARY

SUMMARY

- Economic data continued to indicate strong growth worldwide, despite the myriad of geopolitical and global trade war events hitting the headlines. During the quarter, volatility waned, equity markets gained their footing, the U.S. Dollar (USD) continued its ascent and the Federal Open Market Committee's (FOMC) dual mandate came into clearer focus. But, with trade wars officially on, it's now a question of whether the strong fiscal stimulus that is fueling the U.S. economy will be enough to overcome the drag of trade uncertainty.
- Positive economic data released in the second quarter included job gains, housing starts, new home sales, factory orders, manufacturing survey indices and consumer sentiment.
- At its June FOMC meeting, the Federal Reserve (Fed) increased the overnight federal funds rate by 0.25 percent, to a new range of 1.75 to 2.00 percent. While widely anticipated, the June rate hike was consistent with the Fed's continuing resolve to gradually tighten monetary policy. Fed expectations – as measured by the FOMC's updated "dot plot" – indicated two more rate hikes in the second half of 2018 and three more in 2019. Market estimates – as measured by Fed funds futures contracts – similarly imply two more hikes in 2018, but are less optimistic for 2019.
- The S&P 500 Index (S&P) rebounded by 3.4 percent over the quarter, following the first quarterly decline (first quarter 2018) in nearly three years. International indices followed suit, posting gains in local currencies for the quarter; however, the stronger USD tempered those gains for domestic investors. Meanwhile, bond yields generally rose, while the yield curve flattened.

ECONOMIC SNAPSHOT

- Real gross domestic product (GDP) in the U.S. increased at an annual rate of 2 percent in the first quarter. The deceleration in growth was driven by weaker consumer spending, despite being boosted by a significant improvement in net exports. Looking forward, federal tax cuts and expanded spending point toward accelerated growth estimates for the second quarter.
- U.S. labor market conditions – part one of the Fed's dual mandate – remained strong during the quarter. Despite the quarter-end uptick in the headline unemployment rate to 4 percent (previously 3.8 percent), it remains near multi-decade lows. In addition, job growth remains robust (monthly average of 211,000 new jobs in the second quarter), weekly jobless claims reached a generational low and job openings reached a new record high. In fact, for the first time, there are more job openings than the number of unemployed persons.
- Inflation – the second part of the Fed's dual mandate – continued to march higher. As measured by the personal consumption expenditures (PCE) core price index, year-over-year (YoY) inflation reached the Fed's target of 2 percent for the first time since 2012.

INTEREST RATES

- U.S. Treasury yields generally rose over the quarter, with maturities less than three years increasing 20 to 25 basis points (bps) (0.20 to 0.25 percent), while maturities greater than five years increased by a lesser amount and 30-year Treasury bonds were nearly unchanged. The result was a flatter yield curve; the difference between 10-year and two-year Treasury yields narrowed to 33 bps (0.33 percent) by quarter-end, a level not hit since June 2007.
- Money market investments, like commercial paper and bank Certificates of Deposit (CDs), continued to offer attractive yields, reacting quickly to the periodic Fed rate hikes.
- After widening in the first quarter, credit spreads remained volatile in the second quarter, but ended the quarter only modestly wider. Healthy corporate fundamentals remained supportive.

SECTOR PERFORMANCE

- Rising yields caused shorter-maturity to outperform longer-maturity Treasury indices; the exception was 30-year Treasury bonds, which were buoyed by incremental income amid relatively unchanged yields over the quarter. For example, the three-month Treasury bill index generated +0.45 percent of total return for the quarter, while the five-year Treasury returned -0.05 percent, and the 30-year Treasury returned +0.51 percent.
- Federal agency returns were in line with similar-duration U.S. Treasury securities for the quarter, as spreads across the majority of the curve continued to trade very narrowly. The incremental income benefit from the sector continues to be minimal.
- For the second consecutive quarter, the municipal sector was a top performer, as the sector continued to reap the benefits of a sharp slowdown in supply following the year-end flurry of issuance. From both an absolute and excess return perspective, the sector was a positive contributor to portfolio performance for the quarter.
- Shorter-term corporates generated positive excess returns in the quarter as incremental income offset modestly wider yield spreads. But, longer-term corporates (five years and longer) underperformed Treasuries as the impact of wider yield spreads on longer-duration securities overwhelmed the benefit of higher yields.
- After a general underperformance of mortgage-backed securities (MBS) in the first quarter, the sector found its footing in the second quarter. Nevertheless, returns in the MBS sector continue to be very much structure-dependent as specific maturity and coupon characteristics drove relative performance.
- Short-term commercial paper and bank CDs continued to offer incremental value relative to both short- and intermediate-term government securities. The incremental yield advantage offered in these sectors continues to be a valuable return attribute in the face of rising rates.

QUARTERLY MARKET SUMMARY

Economic Snapshot

Labor Market		Latest	Mar '18	Jun '17
Unemployment Rate	Jun '18	4.0%	4.1%	4.3%
Change In NonFarm Payrolls	Jun '18	213,000	155,000	239,000
Average Hourly Earnings (YoY)	Jun '18	2.7%	2.6%	2.5%
Personal Income (YoY)	May '18	4.0%	3.7%	2.4%
Initial Jobless Claims (week)	6/30/18	231,000	242,000	251,000

Unemployment Rate (left) vs. Change in Nonfarm Payrolls (right)

Growth				
Real GDP (QoQ SAAR)	2018Q1	2.0%	2.9% ¹	1.2% ²
GDP Personal Consumption (QoQ SAAR)	2018Q1	0.9%	4.0% ¹	1.9% ²
Retail Sales (YoY)	May '18	5.9%	5.1%	3.5%
ISM Manufacturing Survey (month)	Jun '18	60.2	59.3	56.7
Existing Home Sales SAAR (month)	May '18	5.43 mil.	5.60 mil.	5.50 mil.

Real GDP (QoQ)

Inflation / Prices				
Personal Consumption Expenditures (YoY)	May '18	2.3%	2.0%	1.4%
Consumer Price Index (YoY)	May '18	2.8%	2.4%	1.6%
Consumer Price Index Core (YoY)	May '18	2.2%	2.1%	1.7%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$74.15	\$64.94	\$46.04
Gold Futures (oz.)	Jun 30	\$1,255	\$1,323	\$1,242

Consumer Price Index

1. Data as of Fourth Quarter 2017.

2. Data as of First Quarter 2017.

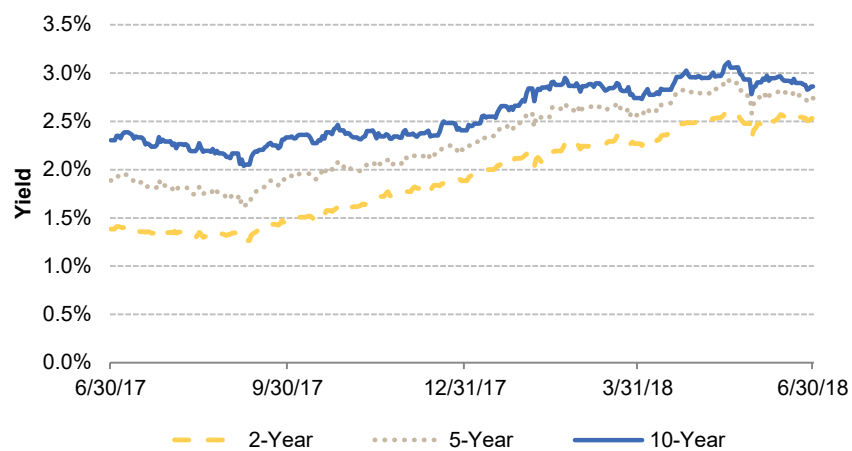
Note: YoY = year-over-year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

Source: Bloomberg.

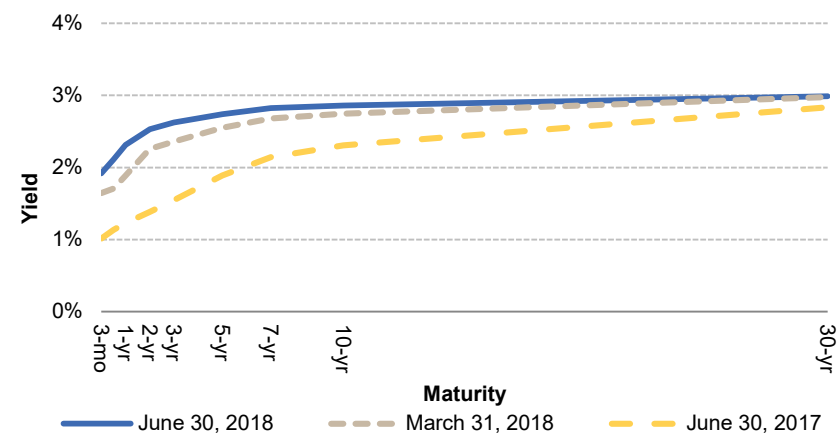
QUARTERLY MARKET SUMMARY

Interest Rate Overview

U.S. Treasury Note Yields



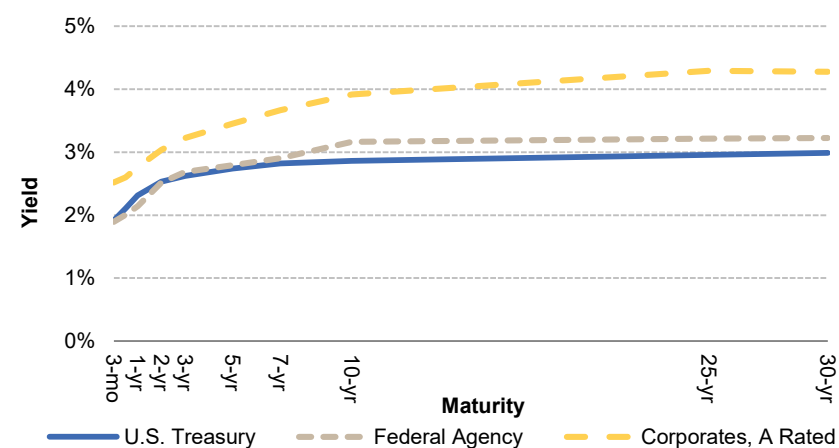
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Jun '18	Mar '18	Change Over Quarter	Jun '17	Change Over Year
3-month	1.92%	1.71%	0.21%	1.01%	0.91%
1-year	2.31%	2.09%	0.22%	1.23%	1.08%
2-year	2.53%	2.27%	0.26%	1.38%	1.15%
5-year	2.74%	2.56%	0.18%	1.89%	0.85%
10-year	2.86%	2.74%	0.12%	2.31%	0.55%
30-year	2.99%	2.97%	0.02%	2.84%	0.15%

Yield Curves as of 6/30/18



Source: Bloomberg.

QUARTERLY MARKET SUMMARY

ICE BofAML Index Returns

June 30, 2018	As of 6/30/18		Returns for Periods ended 6/30/18		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.81	2.51%	0.22%	0.08%	0.42%
Federal Agency	1.67	2.55%	0.23%	0.30%	0.60%
U.S. Corporates, A-AAA rated	1.89	3.11%	0.47%	0.57%	1.28%
Agency MBS (0 to 3 years)	2.40	2.84%	(0.05%)	0.34%	1.06%
Taxable Municipals	1.58	2.83%	0.40%	1.74%	2.21%
1-5 Year Indices					
U.S. Treasury	2.58	2.58%	0.13%	(0.35%)	0.50%
Federal Agency	2.01	2.59%	0.20%	0.08%	0.69%
U.S. Corporates, A-AAA rated	2.66	3.26%	0.30%	0.08%	1.45%
Agency MBS (0 to 5 years)	3.29	3.04%	(0.21%)	(0.35%)	1.00%
Taxable Municipals	2.29	2.96%	0.33%	1.39%	2.37%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.22	2.71%	0.11%	(0.60%)	1.13%
Federal Agency	3.78	2.75%	(0.02%)	(0.04%)	1.16%
U.S. Corporates, A-AAA rated	6.90	3.74%	(0.70%)	(0.80%)	2.62%
Agency MBS (0 to 30 years)	5.09	3.38%	0.31%	0.15%	1.48%
Taxable Municipals	10.53	3.99%	(0.28%)	2.81%	5.49%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

QUARTERLY MARKET SUMMARY

DISCLOSURES

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Tab II

<u>Portfolios</u>	<u>Market Value</u>	<u>Current Quarter</u>	<u>Fiscal Year To Date</u>	<u>Trailing 12 Months</u>	<u>Fiscal Year Projected Rate of Return</u>
City Operating Funds	\$ 474,963,927	0.42%	0.64%	0.86%	
Total Bond Proceeds	\$ 202,316,318	0.37%	0.08%	0.33%	
CRA Fund	\$ 80,933,389	0.48%	0.87%	1.16%	
<i>BofA Merrill Lynch 1-3 Year Treasury Index</i>		0.22%	-0.16%	0.08%	
Total City of Fort Lauderdale Funds	\$ 758,213,634	0.41%	0.47%	0.70%	0.83%
<i>BofA Merrill Lynch 1-3 Year Treasury Index</i>		0.22%	-0.15%	0.08%	
OPEB Trust Fund	\$ 25,932,715	1.55%	5.12%	8.65%	7.00%
<i>Russell 3000 55% / Barclays Agg Bond Index 45%</i>		2.06%	4.77%	7.80%	
Cemetery Trust Funds	\$ 29,898,912	0.80%	2.10%	4.74%	5.00%
<i>Benchmark</i>		1.63%	4.09%	6.86%	
General Employees Retirement System	\$ 674,428,757	1.10%	5.60%	9.90%	7.50%
<i>Benchmark</i>		1.20%	5.30%	9.90%	
Police & Fire Retirement System	\$ 921,881,706	1.75%	4.26%	7.54%	7.50%
<i>Benchmark</i>		1.93%	4.77%	8.30%	

Notes:

Returns, projected returns, and market values are derived from the And Co Quarterly report as of June 30, 2018 and from the City. Returns are calculated as a weighted average of all funds held for liquidity, investment, and bond proceeds.

<u>Account Names</u>	<u>Yield as of June 30, 2018</u>	<u>Percent of Portfolio June 30, 2018</u>	<u>Yield as of March 31, 2018</u>	<u>Percent of Portfolio March 31, 2018</u>
<u>Funds Held for Liquidity</u>				
City National Bank	1.26%	0.16%	1.26%	0.16%
CitiBank - Health Ins	0.00%	0.15%	0.00%	0.12%
Wells Fargo - Wks Comp	1.81%	0.07%	1.56%	0.03%
Wells Fargo Govt Ckg - BMPO	1.81%	0.13%	1.56%	0.13%
Wells Fargo Master Account	1.81%	3.91%	1.66%	5.64%
Wells Fargo Utility Account	0.00%	1.01%	0.00%	0.98%
Wells Fargo CRA	1.81%	0.65%	1.56%	0.78%
Wells Fargo Midgard	0.00%	0.00%	0.00%	0.00%
Wells Fargo Police Evidence	0.00%	0.07%	0.00%	0.03%
Total Funds for Liquidity	1.43%	6.16%	1.40%	7.87%
<u>Funds Held for Investment</u>				
Garcia Short Duration Opportunistic	1.60%	16.09%	1.53%	15.99%
Sawgrass 1-5 yr Short Term	1.83%	11.16%	1.73%	10.81%
Sterling Enhanced Cash	1.91%	10.11%	1.78%	9.78%
CRA City Self - Directed Account	1.55%	10.02%	1.55%	9.69%
City National CD	1.77%	4.12%	1.77%	4.00%
City Self - Directed Account	1.66%	15.58%	1.50%	15.81%
FMIT Subsidiary Accounts	2.64%	0.07%	2.42%	0.08%
Total Funds for Investment	1.70%	67.16%	1.61%	66.16%
<u>Bond Proceeds</u>				
FMIT Water & Sewer 2018	2.64%	24.88%	2.42%	24.14%
FMIT Spl Ob Loans 2011A	2.49%	0.29%	2.31%	0.28%
FMIT G.O. Series 2011-A	2.49%	1.51%	2.31%	1.55%
Total Bond Proceeds	2.63%	26.68%	2.41%	25.97%
Total Average Yield	1.93%	100.00%	1.80%	100.00%
<u>Benchmarks</u>				
	<u>June 30, 2018</u>		<u>March 31, 2018</u>	
BofA Merrill Lynch 3 Month Treasury Bill Index	1.92%		1.71%	
BofA Merrill Lynch 1-3 Year Treasury Index	2.53%		2.28%	

Notes:

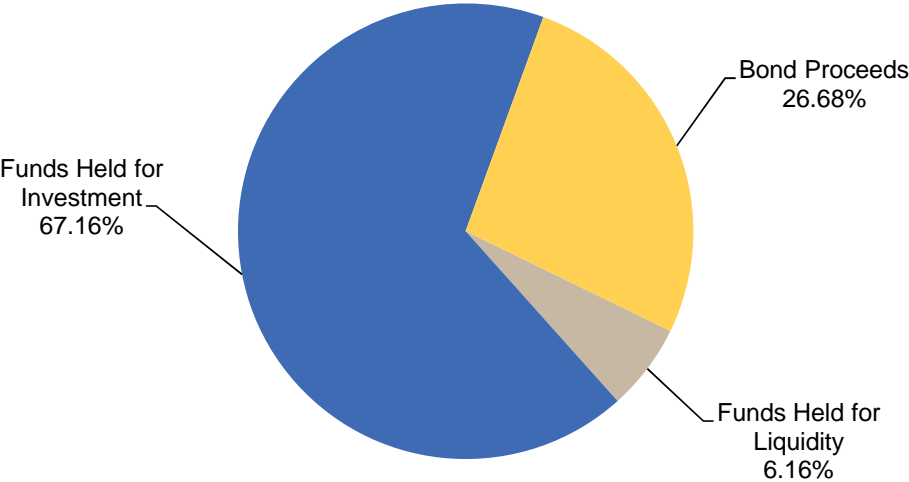
The Sawgrass, Sterling, Garcia, City Self-Directed, and CRA Self-Directed yields are taken from the Wells Fargo custody statement and titled the current yield of the portfolio under the market value weighted calculation header as of June 30, 2018. The FMIT yields are the yield to maturity at market taken from their June 30, 2018 holdings report. The Wells Fargo bank account yields are based on the City's interest rate on excess balances derived from a custodial statement. The City National CD yield is derived from the & co quarterly investment report as of 6/30/2018.

		<u>Balance as of</u> <u>June 30, 2018</u>	<u>Percent of</u> <u>Portfolio</u>		<u>Balance as of</u> <u>March 31, 2018</u>	<u>Percent of</u> <u>Portfolio</u>
<u>Funds Held for Liquidity</u>						
City National Bank	\$	1,219,485	0.16%	\$	1,219,196	0.16%
CitiBank - Health Ins		1,170,451	0.15%		898,245	0.12%
Wells Fargo - Wks Comp		498,874	0.07%		243,452	0.03%
Wells Fargo Govt Ckg - BMPO		1,017,251	0.13%		1,017,241	0.13%
Wells Fargo Master Account		29,621,088	3.91%		44,001,504	5.64%
Wells Fargo Utility Account		7,660,090	1.01%		7,660,090	0.98%
Wells Fargo CRA		4,945,340	0.65%		6,123,445	0.78%
Wells Fargo Midgard		24,605	0.00%		24,605	0.00%
Wells Fargo Police Evidence		553,234	0.07%		245,690	0.03%
Total Funds for Liquidity	\$	46,710,418	6.16%	\$	61,433,467	7.87%
<u>Funds Held for Investment</u>						
Garcia Short Duration Opportunistic	\$	122,021,864	16.09%	\$	124,826,201	15.99%
Sawgrass 1-5 yr Short Term		84,637,076	11.16%		84,369,628	10.81%
Sterling Enhanced Cash		76,642,412	10.11%		76,361,083	9.78%
CRA City Self - Directed Account		75,988,049	10.02%		75,628,083	9.69%
City National CD		31,222,705	4.12%		31,222,705	4.00%
City Self - Directed Account		118,109,597	15.58%		123,428,653	15.81%
FMIT Subsidiary Accounts		565,195	0.07%		586,049	0.08%
Total Funds for Investment	\$	509,186,898	67.16%	\$	516,422,402	66.16%
<u>Bond Proceeds</u>						
FMIT Water & Sewer 2018	\$	188,665,234	24.88%	\$	188,410,604	24.14%
FMIT Spl Ob Loans 2011A		2,219,239	0.29%		2,208,181	0.28%
FMIT G.O. Series 2011-A		11,431,845	1.51%		12,068,612	1.55%
Total Bond Proceeds	\$	202,316,318	26.68%	\$	202,687,397	25.97%
Grand Total	\$	758,213,634	100.00%	\$	780,543,267	100.00%

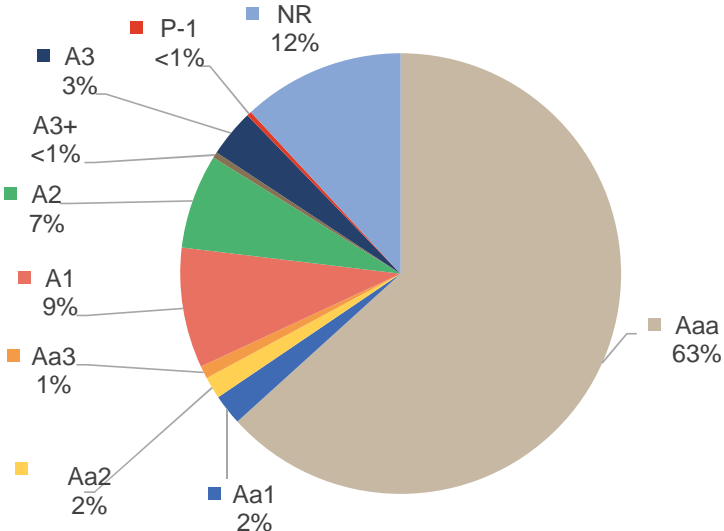
Notes:

Market values as of June 30 and March 31 are derived from their respective statements from Wells Fargo or FMIT.

Portfolio Composition as of June 30, 2018

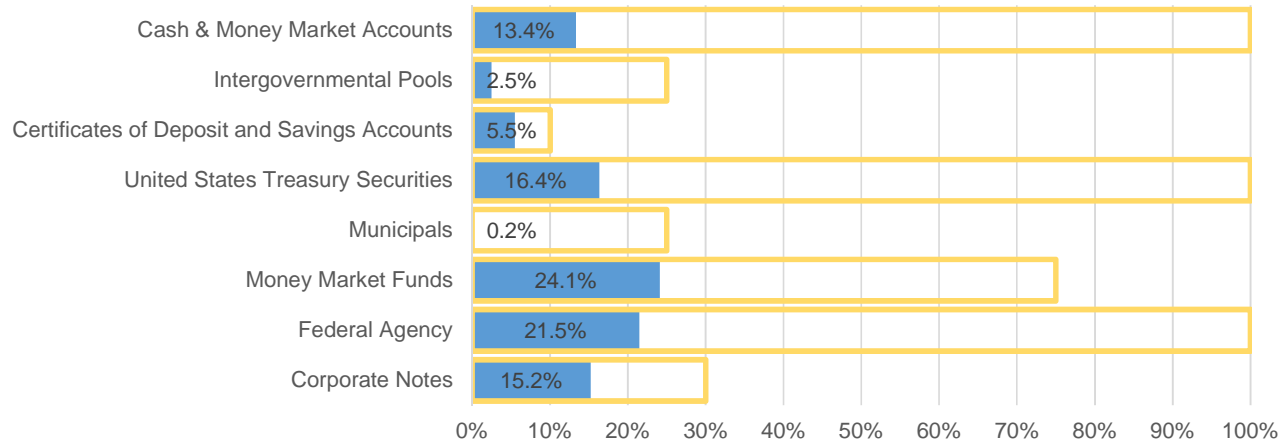


Moody's Ratings as of June 30, 2018



Notes:

Bloomberg is the source of the Moody's ratings.



Security Type	Market Value (Includes Interest)	Allocation Percentage	Permitted by Policy	In Compliance
United States Treasury Securities	93,165,549	16.4%	100%	YES
Federal Agency	122,342,081	21.5%	100%	YES
Corporate Notes	86,842,352	15.2%	30%	YES
Municipals	1,413,239	0.2%	25%	YES
Agency Mortgage-Backed Securities (MBS)	6,850,189	1.2%	25%	YES
Certificates of Deposit and Savings Accounts	31,222,705	5.5%	10%	YES
Cash & Money Market Accounts	76,134,375	13.4%	100%	YES
Commercial Paper	-	0.0%	25%	YES
Money Market Funds	137,361,632	24.1%	75%	YES
Intergovernmental Pools	14,216,279	2.5%	25%	YES
Total	569,548,400	100.0%		

End of month trade-date market value of portfolio holdings, including accrued interest. Information derived from the AndCo June 30, 2018 quarterly report and Wells Fargo statements. This analysis includes the City's operating funds, CRA funds, 2011A Spl Ob Loans, 2011A G.O. Series, but does not include Water & Sewer 2018.

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.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- 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.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

GLOSSARY

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.