



Investment Program Review Fiscal Year Ended September 30, 2019

January 22, 2020

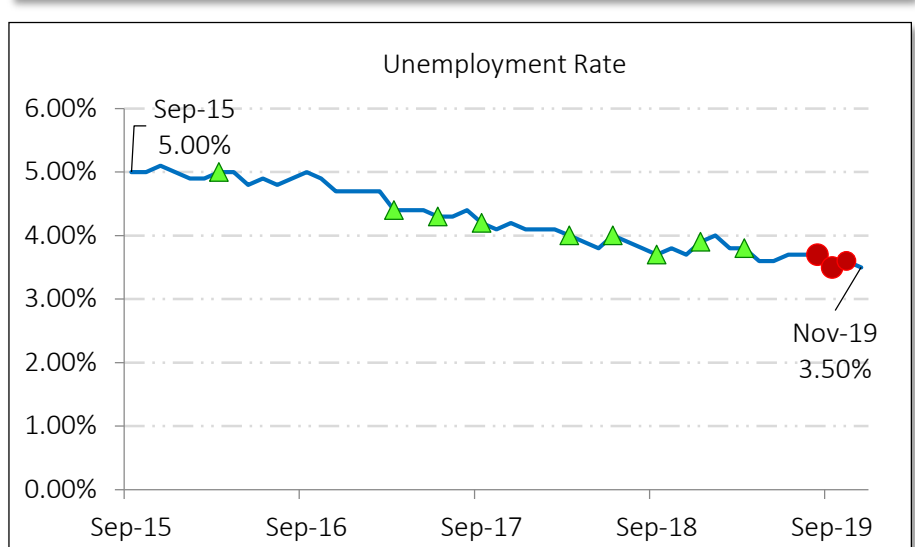
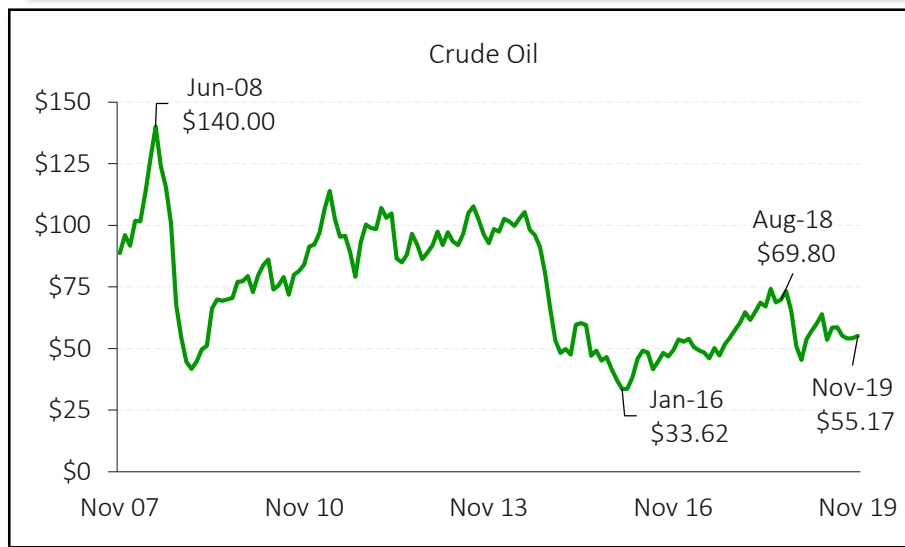
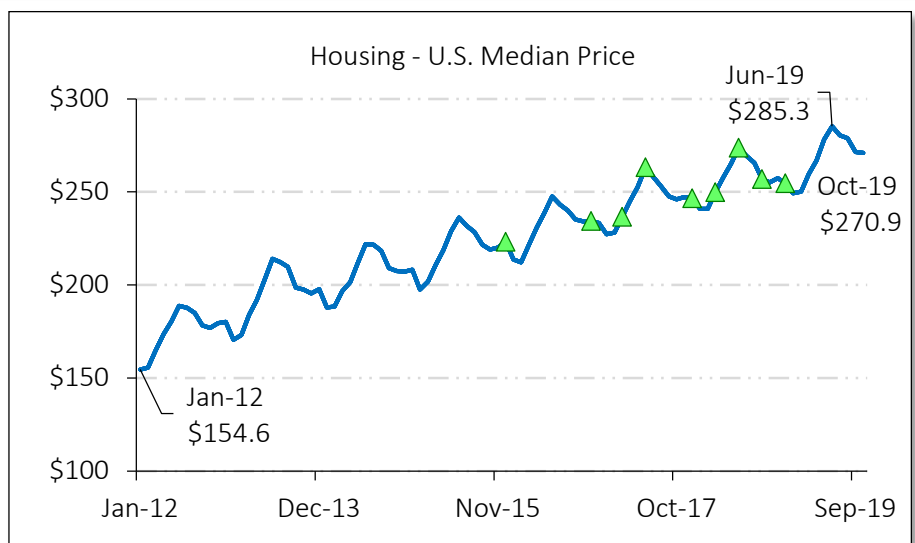
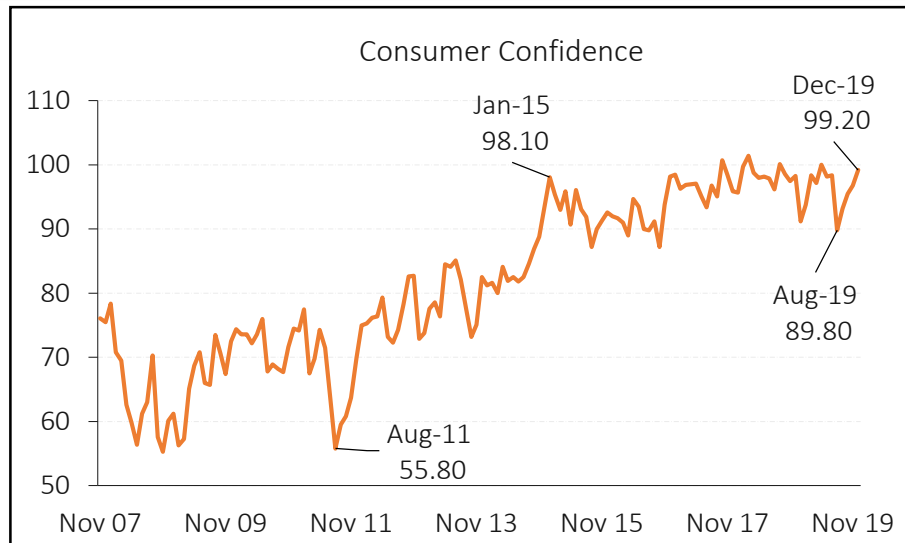


Market/Economic Update

Market Update

- The FOMC cut the overnight rate for the third time during the October meeting to the current level of 1.50% - 1.75%. Current expectations are for no additional cuts in 2019.
- The median home price in October was \$270k, while slightly lower than the summer peak, prices were up 6.1% year over year. The median price of a home is 75% higher than the median price of \$154k in February 2012.
- Unemployment remains near historic low levels, currently 3.6% as of October and 1.67 million jobs have been created in 2019 although job growth has slowed compared to 2018 with an average of 167k per month in 2019 compared to 223k per month in 2018.
- Interest rates fell more than between 1.0% - 1.5% versus November 2018. Yields have been particularly volatile since the first FOMC rate cut at the end of July as 2 year U.S. Treasury yields have fluctuated more than 0.40% on a monthly basis since August.
- Third quarter GDP was 2.10% based on the second reading. Slower consumer spending was offset by the improvement in net exports and business spending sectors, which were essentially neutral during the quarter.

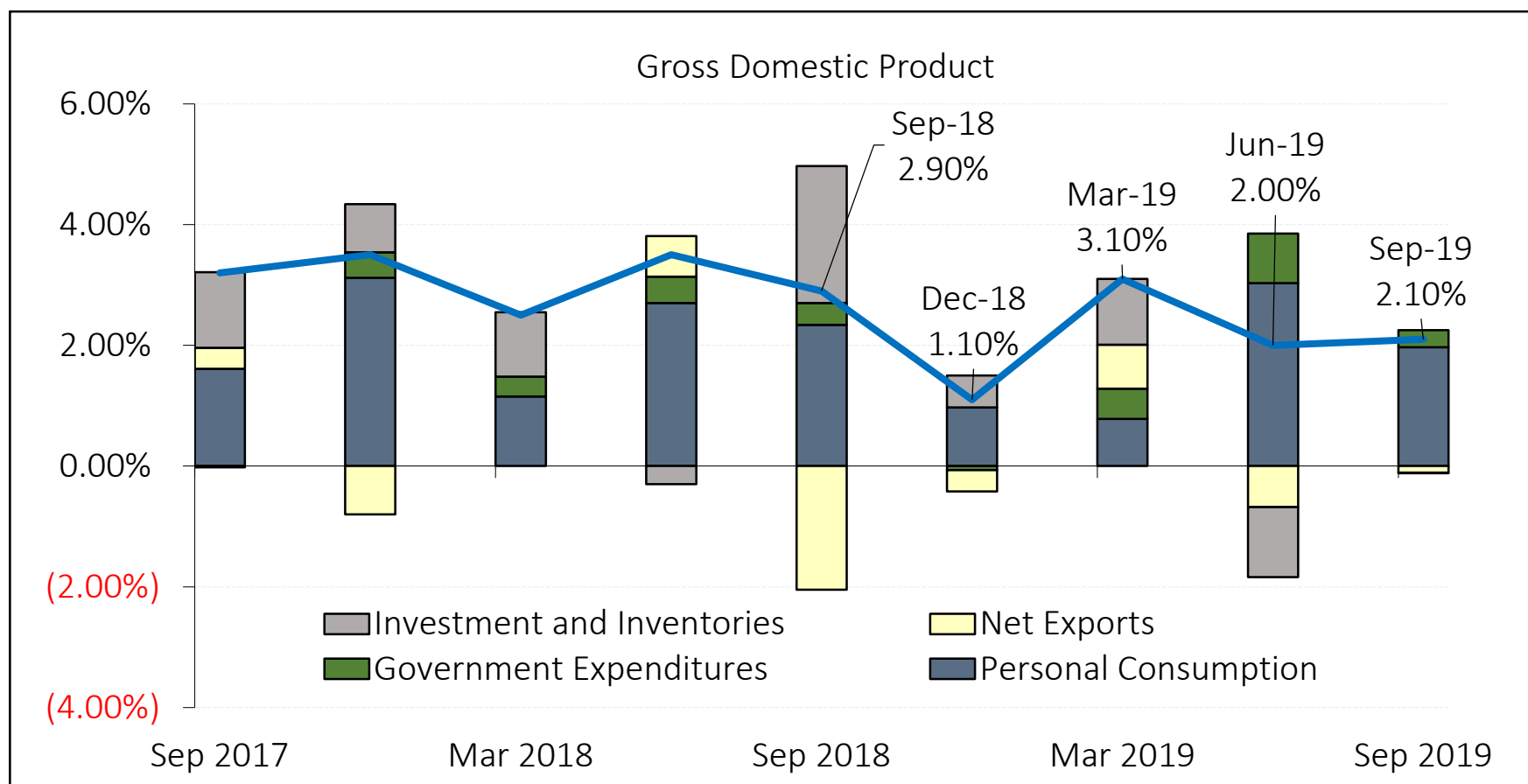
Housing and Unemployment



Source: Bloomberg. See additional footnotes at the end of the presentation.

Gross Domestic Product

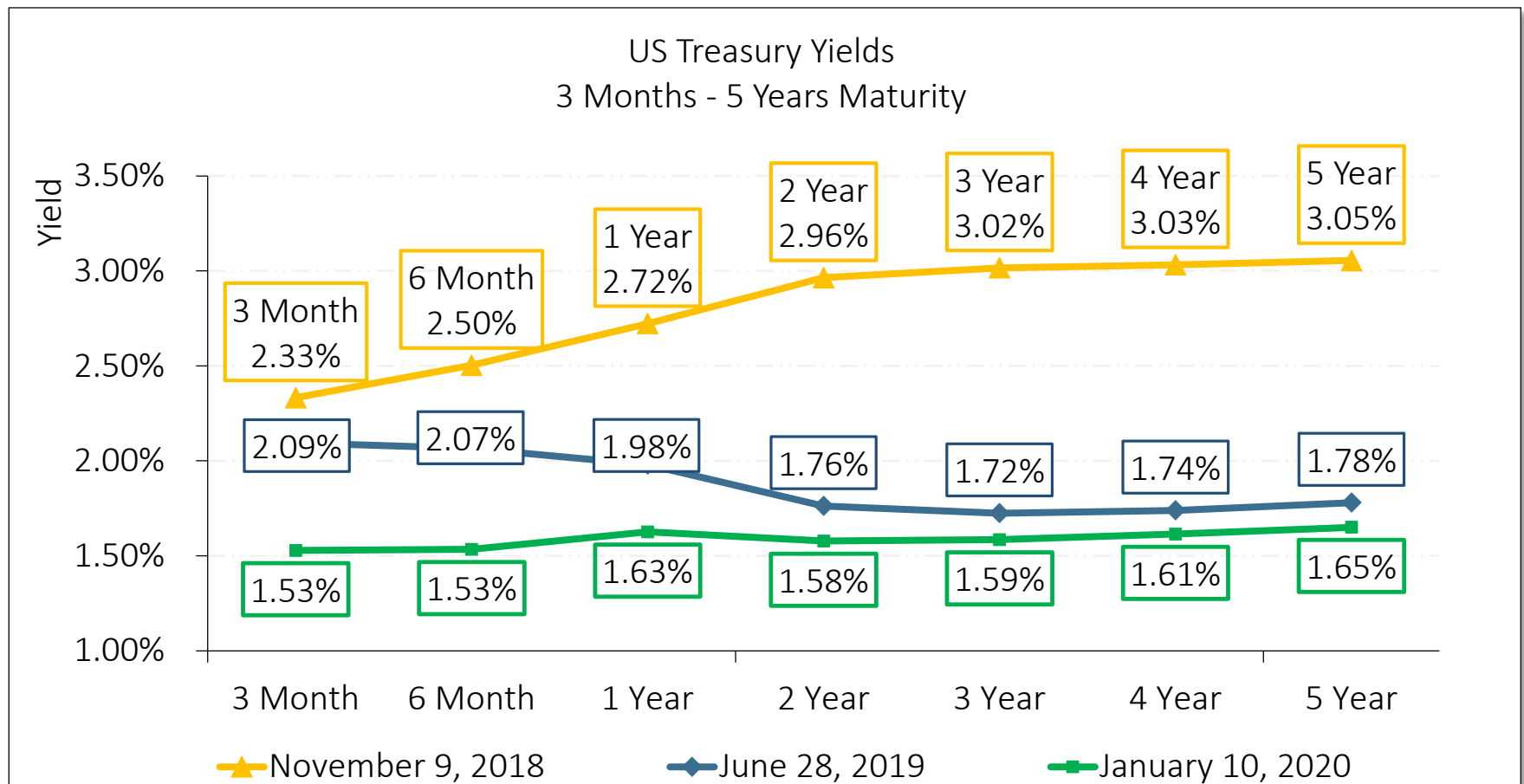
- Third quarter GDP was 2.10% based on the second reading. Slower consumer spending was offset by the improvement in net exports and business spending sectors, which were essentially neutral during the quarter.



Source: Bloomberg. See additional footnotes at the end of the presentation.

Yield Curve November 2018 vs. January 2020

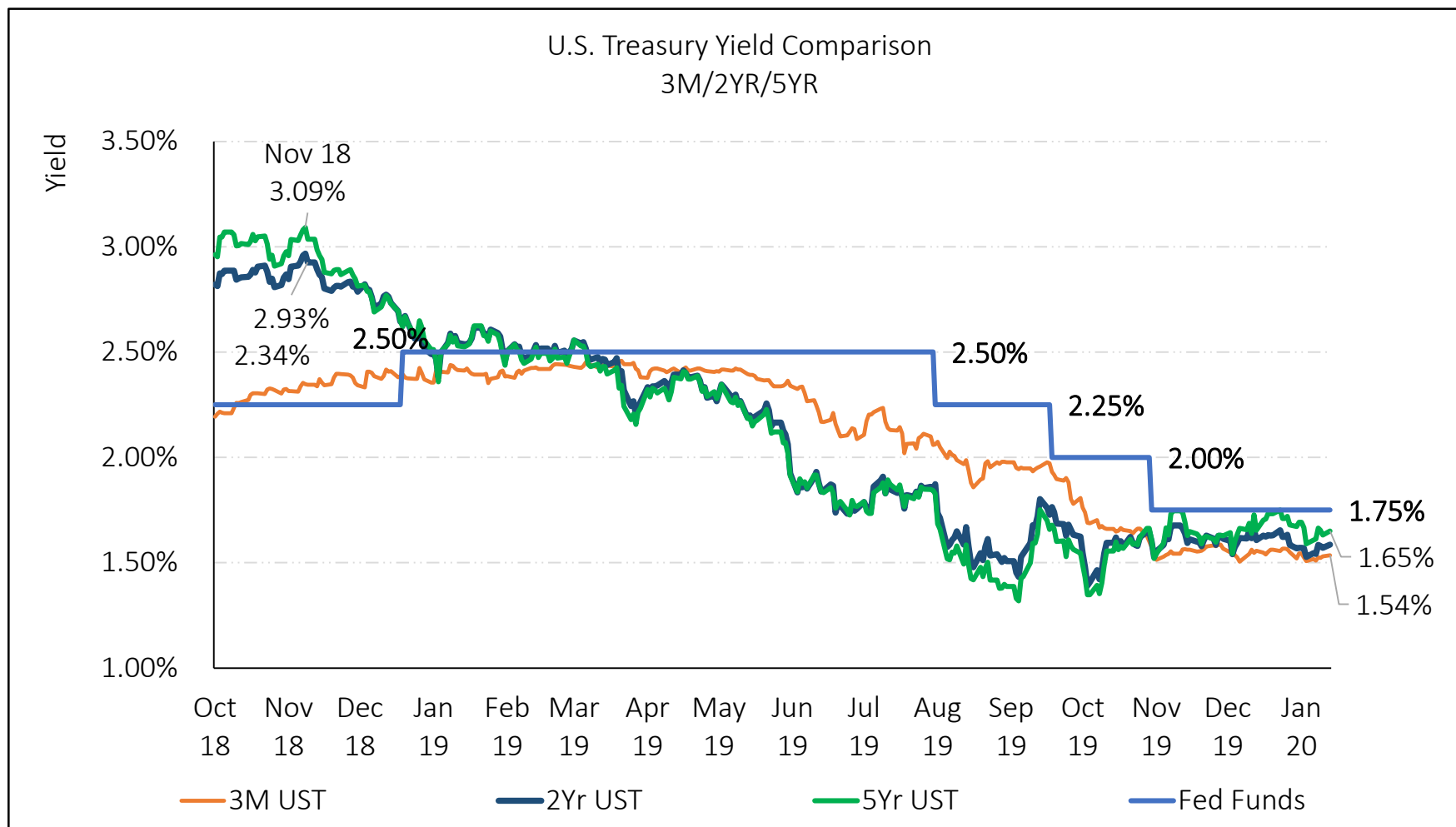
- Interest rates began to level off after falling more than 1.0% compared to a year ago rates falling more than a full percentage point since November 2018 for maturities greater than two years.



Source: Bloomberg. See additional footnotes at the end of the presentation.

Interest Rates Lower Since November 2018

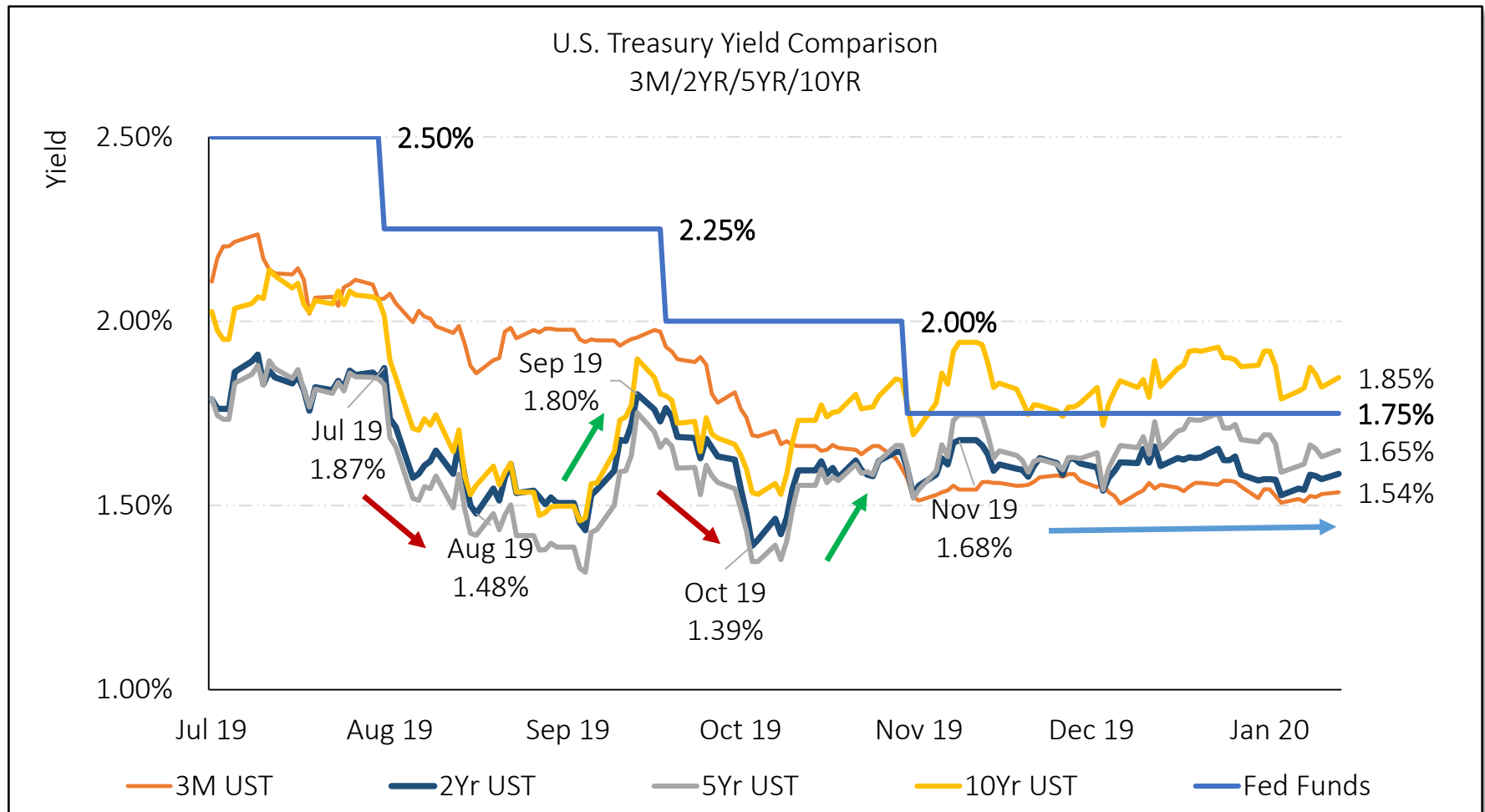
- Yields drop considerably from a year ago.



Source: Bloomberg. See additional footnotes at the end of the presentation.

Interest Rates Settle After Considerable Volatility

- Yields for 2yr – 5yr U.S. Treasuries fluctuated by as much as 40 basis points each month following the first FOMC rate cut in more than 10 years.



Source: Bloomberg. See additional footnotes at the end of the presentation.

FOMC Rate Projections – July 2019

- As of early July, the market has priced in a 100% chance of a rate cut during July 30-31 FOMC meeting. Also, there is currently a 60% chance of up to four rate hikes in the next 12 months.

99) Export

World Interest Rate Probability

United States

Instrument

Futures: Fed Funds - Effective

Fed Effective Rate 2.41

1) Overview

2) Future Implied Probability

Current Implied Probabilities

3) Add/Remove Rates

Dates

☒ Meeting

☐ Calculation

Calculated 07/07/2019

Based on rate 2.25-2.50

Meeting	Hike Prob	Cut Prob	1-1.25	1.25-1.5	1.5-1.75	1.75-2	2-2.25	Fwd Rate
07/31/2019	0.0%	100.0%	0.0%	0.0%	0.0%	3.5%	96.5%	2.13
09/18/2019	0.0%	100.0%	0.0%	0.0%	2.7%	74.2%	23.2%	1.94
10/30/2019	0.0%	100.0%	0.0%	0.9%	25.5%	57.9%	15.7%	1.86
12/11/2019	0.0%	100.0%	0.4%	11.5%	39.5%	39.7%	9.0%	1.75
01/29/2020	0.0%	100.0%	3.5%	19.3%	39.5%	31.1%	6.5%	1.68
03/18/2020	0.0%	100.0%	7.0%	23.8%	37.7%	25.7%	5.0%	1.62
04/29/2020	0.0%	100.0%	9.3%	25.7%	36.0%	22.8%	4.3%	1.59
06/10/2020	0.0%	100.0%	12.6%	27.8%	33.3%	19.0%	3.5%	1.54
07/29/2020	0.0%	100.0%	14.6%	28.5%	31.5%	17.1%	3.0%	1.51

Source: Bloomberg. See additional footnotes at the end of the presentation.

FOMC Rate Projections – January 2020

- Rate cut expectations have decreased since the summer. Currently the market expects one to two additional rate cuts in 2020.

Region: United States »			Instrument: Fed Funds Futures		
Target Rate		1.75	Pricing Date		
Effective Rate		1.54	Cur. Imp. O/N Rate		
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	
01/29/2020	+0.123	+12.3%	+0.031	1.578	
03/18/2020	+0.149	+2.6%	+0.037	1.584	
04/29/2020	+0.023	-12.6%	+0.006	1.552	
06/10/2020	-0.113	-13.6%	-0.028	1.519	
07/29/2020	-0.257	-14.4%	-0.064	1.483	
09/16/2020	-0.458	-20.1%	-0.115	1.432	
11/05/2020	-0.599	-14.1%	-0.150	1.397	
12/16/2020	-0.759	-16.0%	-0.190	1.357	
01/27/2021	-0.827	-6.8%	-0.207	1.340	

Source: Bloomberg. See additional footnotes at the end of the presentation.

Investment Program Review

Current City Investments

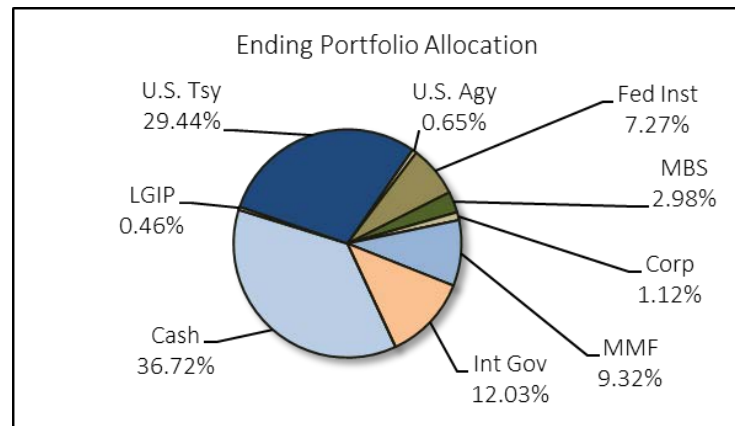
- Local Government Investment Pool (LGIP)
 - Florida Prime (SBA)
 - Florida Class
- Money Market
 - Community Bank of the South
- Public Trust Advisor
 - Operating Account
 - Enhanced Cash
 - Reserves
 - Debt Service Reserves
 - 2018 Bond Proceeds

City of Cocoa Asset Allocation as of September 30, 2019

Security Distribution ⁽¹⁾	September 30, 2019 Ending Balance	Portfolio Allocation	Issuer Description ⁽¹⁾	Sec. Desc.	September 30, 2019 Ending Balance	Portfolio Allocation	Permitted by Policy ⁽²⁾	Compliant
Cash	\$ 46,835,599.07	36.72%	Cash	Cash	\$ -	0.00%	100.00%	YES
LGIP	592,049.77	0.46%	FL PRIME (SBA) ⁽²⁾	LGIP	592,049.77	0.46%	25.00%	YES
U.S. Treasury Notes	37,556,135.77	29.44%	FLCLASS	Int Gov	15,342,608.05	12.03%	40.00%	YES
U.S. Agency Notes	828,126.02	0.65%	CBOS ⁽²⁾	MMF	2,092,065.96	1.64%	15.00%	YES
FNMA	4,138,220.98	3.24%	SunTrust Master ⁽²⁾	Cash	44,743,533.11	35.08%	100.00%	YES
FHLMC	6,252,481.04	4.90%	Fidelity MMF	MMF	11,892,388.44	9.32%	15.00%	YES
FFCB	-	0.00%	U.S. Treasury Notes	UST	37,556,135.77	29.44%	100.00%	YES
FHLB	2,678,586.65	2.10%	U.S. Agency Notes	US Agy	828,126.02	0.65%	25.00%	YES
Fed Inst Subtotal	\$ 13,069,288.67	10.25%	FNMA	GSE	3,351,404.58	2.63%	25.00%	YES
Asset Backed Securities	-	0.00%	FHLMC	GSE	3,239,034.78	2.54%	25.00%	YES
Commercial Paper	-	0.00%	FFCB	GSE	-	0.00%	25.00%	YES
Corporate Notes	1,431,032.42	1.12%	FHLB	GSE	2,678,586.65	2.10%	25.00%	YES
Bankers Acceptances	-	0.00%	JPMorgan Chase & Co.	Corp	251,499.44	0.20%	5.00%	YES
Money Market Funds	11,892,388.44	9.32%	Walmart Inc.	Corp	456,435.32	0.36%	5.00%	YES
Municipal Bonds	-	0.00%	Wells Fargo & Company	Corp	723,097.66	0.57%	5.00%	YES
FLCLASS	15,342,608.05	12.03%	FHLMC MBS	MBS	3,013,446.26	2.36%	5.00%	YES
Certificates of Deposit	-	0.00%	FNMA MBS	MBS	786,816.40	0.62%	5.00%	YES
Total Portfolio MV	\$ 127,547,228.21	100.00%	Total Portfolio MV		\$ 127,547,228.21	100.00%		

(1) Mortgage backed securities included in security description and listed separately in issuer description. Public Trust managed assets represent market value plus accrued

(2) External assets not managed by Public Trust. Information provided by City staff. Asset allocation limits defined in the City's investment policy.



Source: Public Trust. See additional footnotes at the end of the presentation.

Enhanced Cash Portfolio

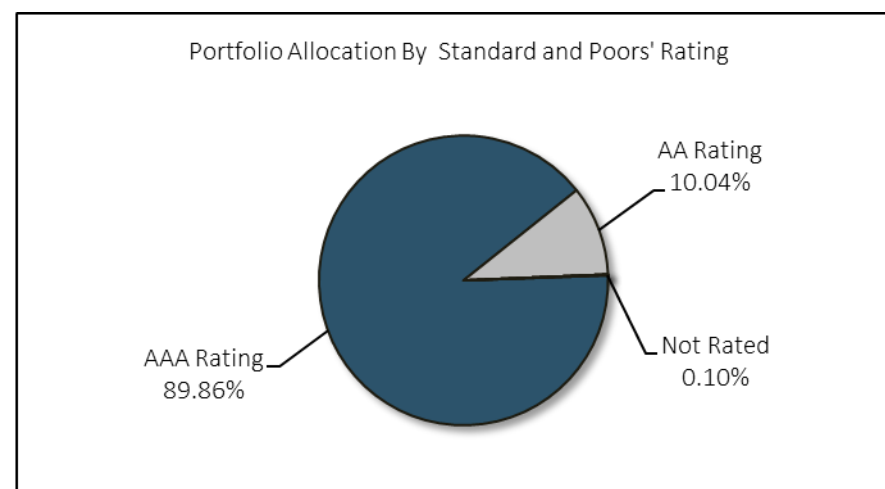
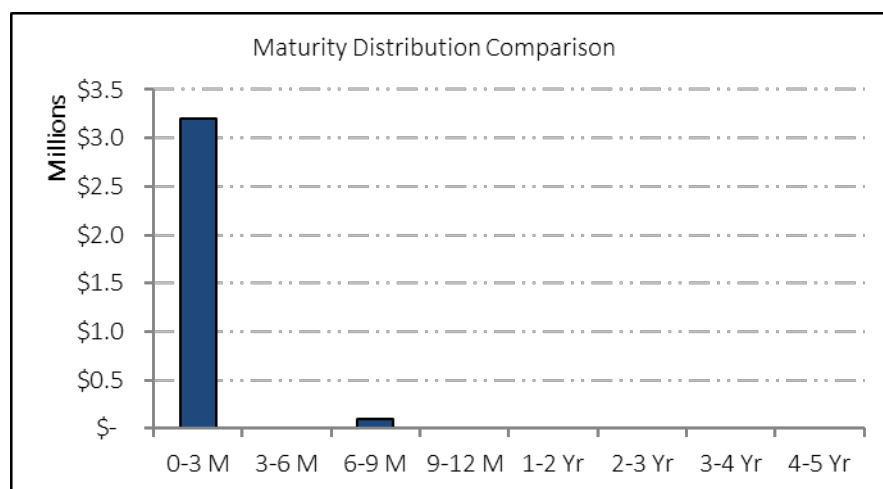
- The Enhanced Cash Portfolio is designed to provide funding throughout the fiscal year
- The portfolio is diversified with highly rated fixed income securities.
- Consider consolidating this portfolio with the Operating Portfolio based on cash flow analysis given current market conditions to reduce reinvestment rate risk .

September 30, 2018

■ Market Value	\$3,152,490.33
■ Duration (Avg. Mat.)	0.38
■ Book Yield	2.06%

September 30, 2019

■ Market Value	\$3,305,295.60
■ Duration (Avg. Mat.)	0.02
■ Book Yield	1.74%



Source: Public Trust. See additional footnotes at the end of the presentation.

Operating Portfolio

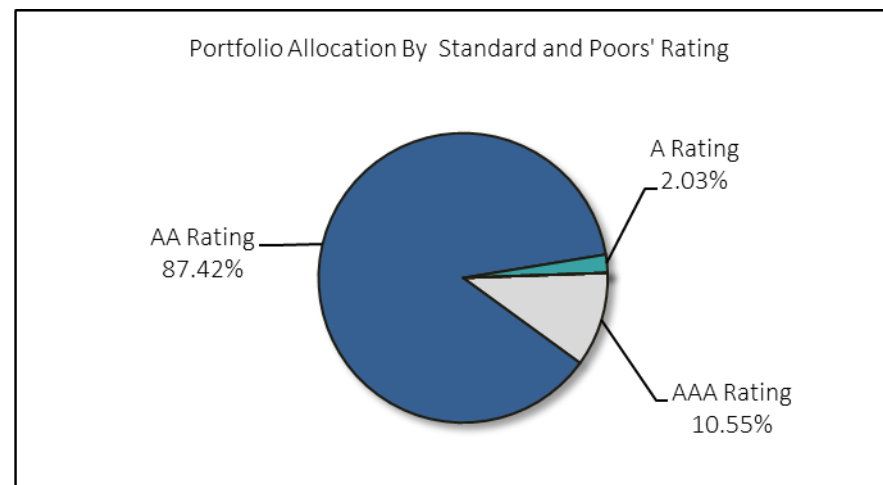
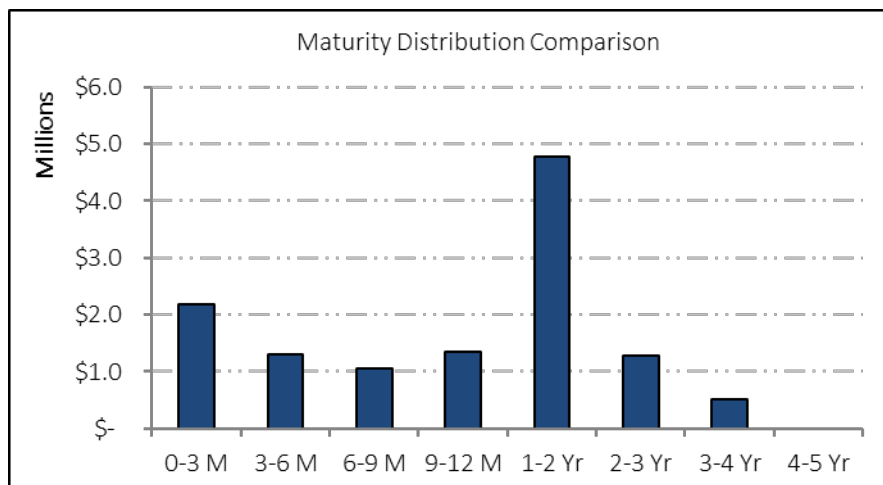
- The Operating Portfolio provides funding over multiple fiscal years. The portfolio is structured with maturities between one and five years. Funds are undesignated.
- The portfolio is diversified with highly rated fixed income securities.
- Will look to extend duration with upcoming maturities to reduce reinvestment rate risk.

September 30, 2018

■ Market Value	\$11,974,235.99
■ Duration (Avg. Mat.)	1.66
■ Book Yield	2.02%

September 30, 2019

■ Market Value	\$12,477,571.89
■ Duration (Avg. Mat.)	1.11
■ Book Yield	2.07%



Source: Public Trust. See additional footnotes at the end of the presentation.

Reserves Portfolio

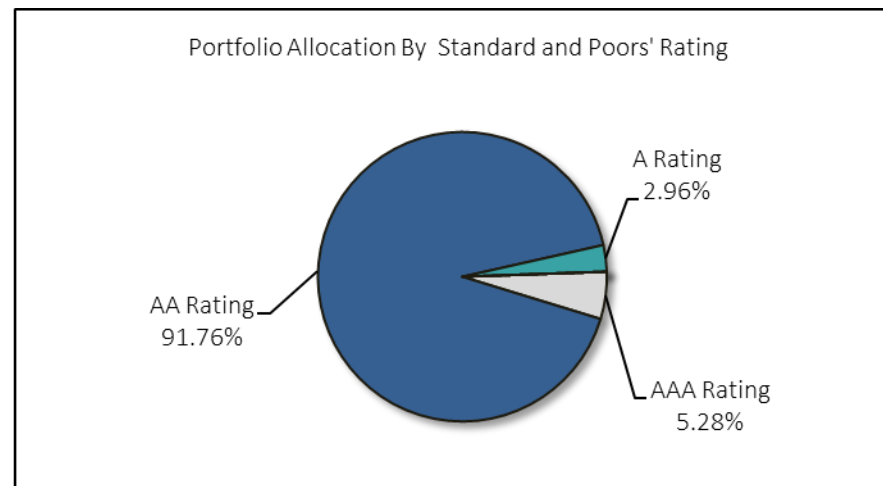
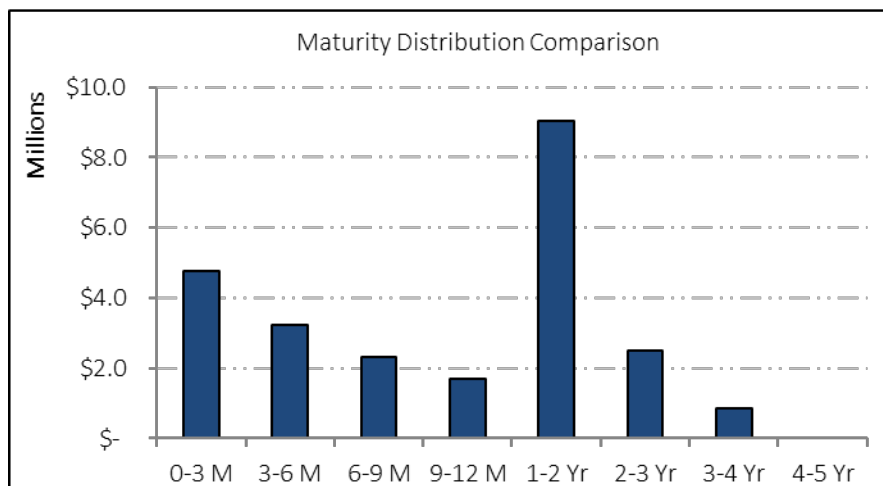
- The Reserves Portfolio is structured based on requirements defined in the bond indenture for the City's outstanding debt per debt issuance. The portfolio is structured to with maturities between one and five years.
- The portfolio is diversified with highly rated fixed income securities.
- Will look to extend duration with upcoming maturities to reduce reinvestment rate risk.

September 30, 2018

■ Market Value	\$23,412,540
■ Duration (Avg. Mat.)	1.67
■ Book Yield	2.04%

September 30, 2019

■ Market Value	\$24,377,926
■ Duration (Avg. Mat.)	1.00
■ Book Yield	2.08%



Source: Public Trust. See additional footnotes at the end of the presentation.

Restricted Portfolio

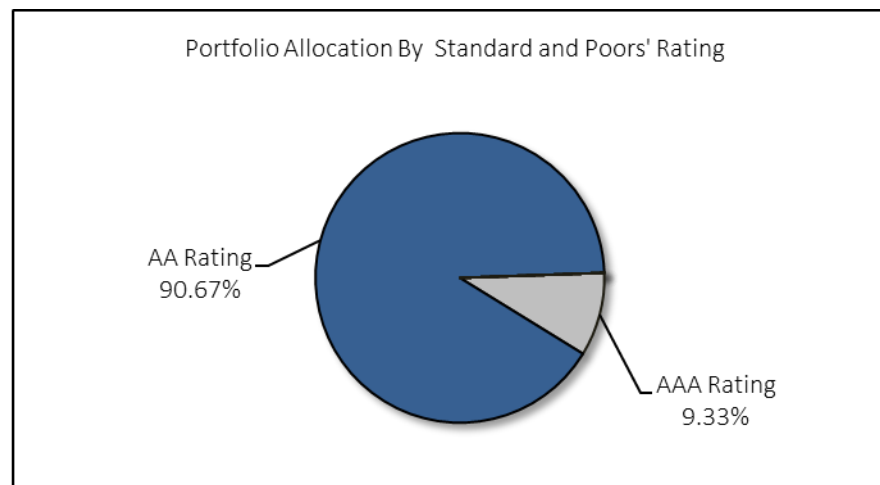
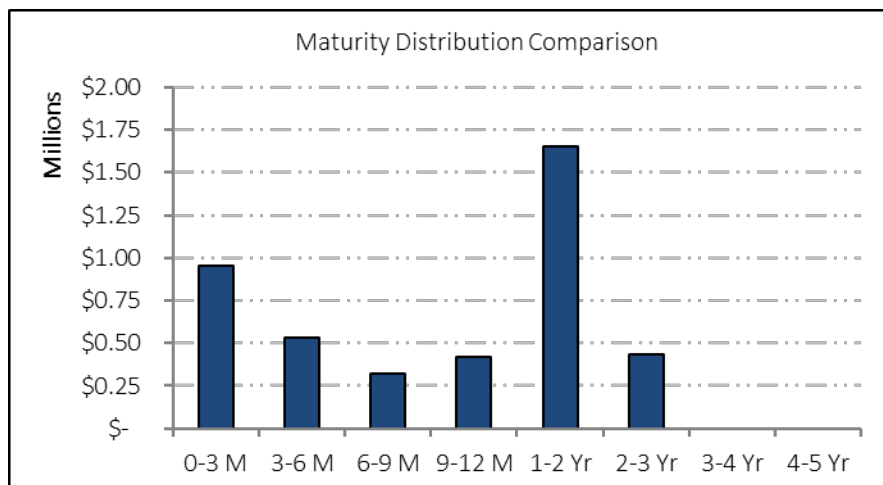
- The Restricted Portfolio is restricted cash that is held long-term. As the cash is restricted and held long-term, the funds are invested to obtain a better yield than holding in the cash operating account.
- The portfolio is diversified with highly rated fixed income securities.
- This portfolio will maintain a structure based on requirements with bond covenants.

September 30, 2018

■ Market Value	\$4,201,421
■ Duration (Avg. Mat.)	1.67
■ Book Yield	2.01%

September 30, 2019

■ Market Value	\$4,312,022
■ Duration (Avg. Mat.)	0.92
■ Book Yield	2.03%



Source: Public Trust. See additional footnotes at the end of the presentation.

2018 Bond Portfolio

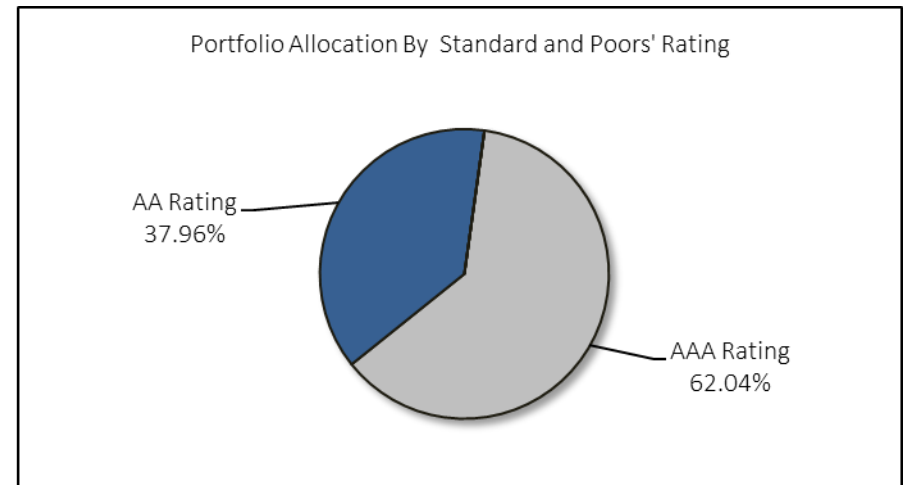
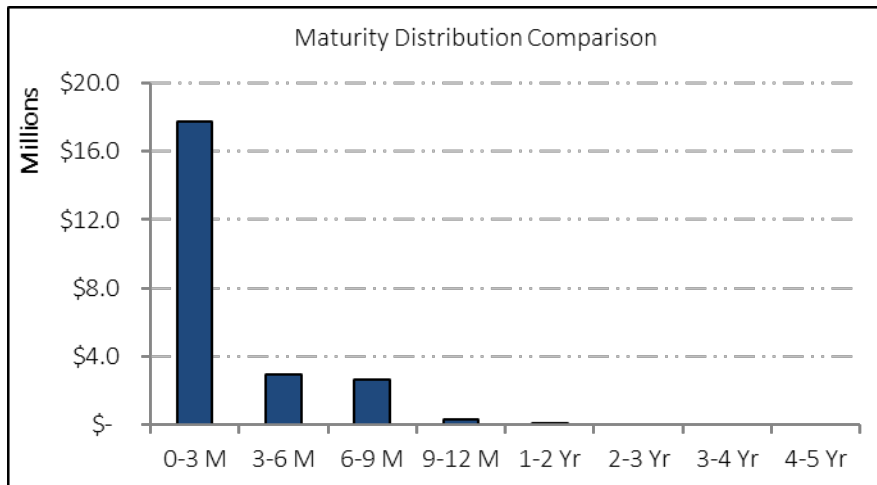
- The 2018 Bond Portfolio is structured based on anticipated projected expenditures.
- The portfolio is diversified with highly rated fixed income securities for longer term expenditures and a AAA rated Local Government Investment Pool for daily liquidity.
- Portfolio structure is based on project expenditures through the life of the project.

September 30, 2018

■ NA

September 30, 2019

■ Market Value	\$39,065,696
■ Duration (Avg. Mat.)	0.11
■ Book Yield	2.30%



Source: Public Trust. See additional footnotes at the end of the presentation.

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