



Economic Update and Investment Strategy Review

John F. Grady, Managing Partner

January 26, 2021



Bloomberg Forecast – January 2021 Survey

Indicator	Actual / Forecasts					Probability of Recession					20.0%
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Economic Activity											
Real GDP (YoY%)	1.8	2.5	3.1	1.7	2.3	3.0	2.2	-3.5	4.1	3.4	
Consumer Spending ...	1.5	3.0	3.8	2.8	2.6	2.7	2.4	41.0	4.9	3.7	
Government Spendin...	-2.4	-0.9	1.8	1.8	0.9	1.8	2.3	1.1	0.1	1.0	
Private Investment (...)	6.9	5.6	5.5	-1.5	3.5	6.3	1.7	-5.6	8.0	4.6	
Exports (YoY%)	3.6	4.2	0.4	0.3	3.9	3.0	-0.1	-13.1	6.9	5.5	
Imports (YoY%)	1.5	5.0	5.2	1.7	4.7	4.1	1.1	-9.9	9.7	4.1	
Industrial Production (Yo...	2.0	3.1	-1.0	-2.0	2.3	4.0	0.8	-7.0	4.6	3.2	
Price Indices											
CPI (YoY%)	1.5	1.6	0.1	1.3	2.1	2.5	1.8	1.2	2.1	2.1	
PCE Price Index (YoY%)							1.4	1.2	1.8	2.0	
Core PCE (yoy%)	1.5	1.6	1.2	1.6	1.7	2.0	1.7	1.4	1.7	1.9	

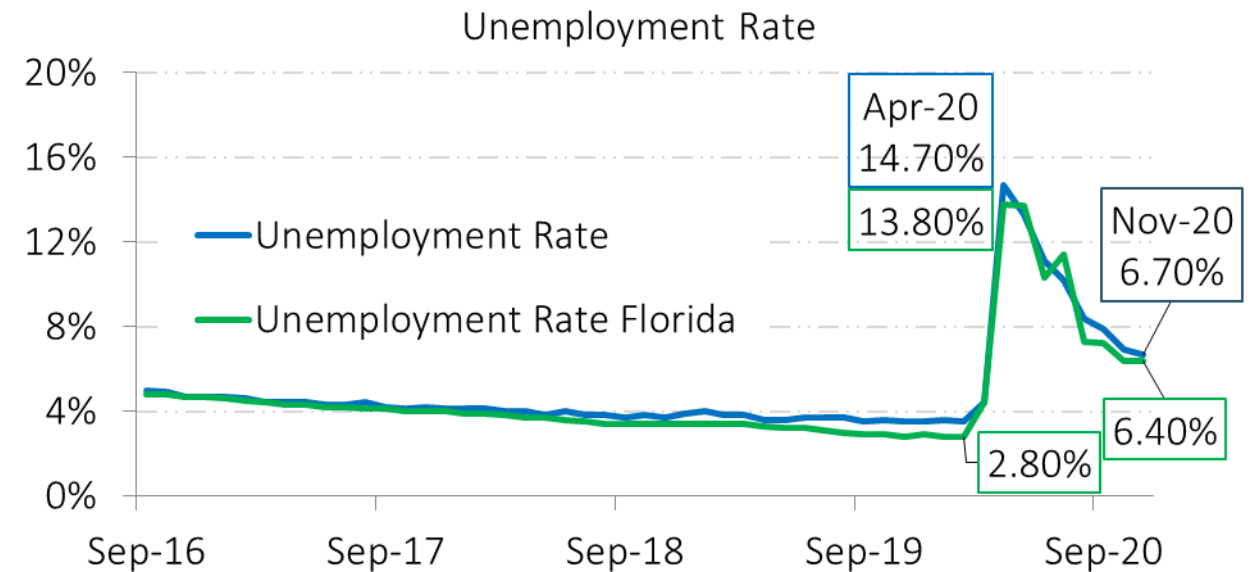
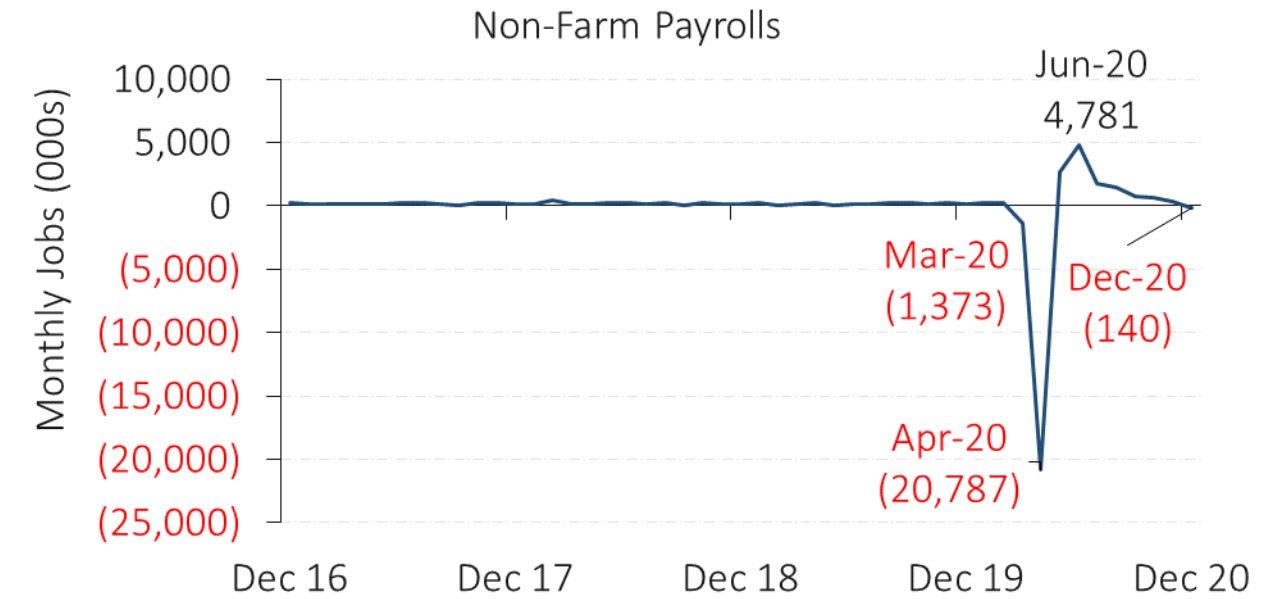
The Labor Market

Nonfarm Payrolls

- After more than 22 million job losses in March and April, the economy recovered 12.3 million of these jobs from May through November.
- For the first time in six months, the economy lost 140,000 jobs in December.
- While current forecasts predict record job growth during 2021 there remains considerable economic uncertainty.

Unemployment Rate

- Unemployment continues to surprise in a good way. Nationwide the unemployment rate dropped to 6.7% in November – a full percentage point from September.
- Florida unemployment continues to improve as well, although there was a slight uptick to 6.4% in November from 7.2% in September.



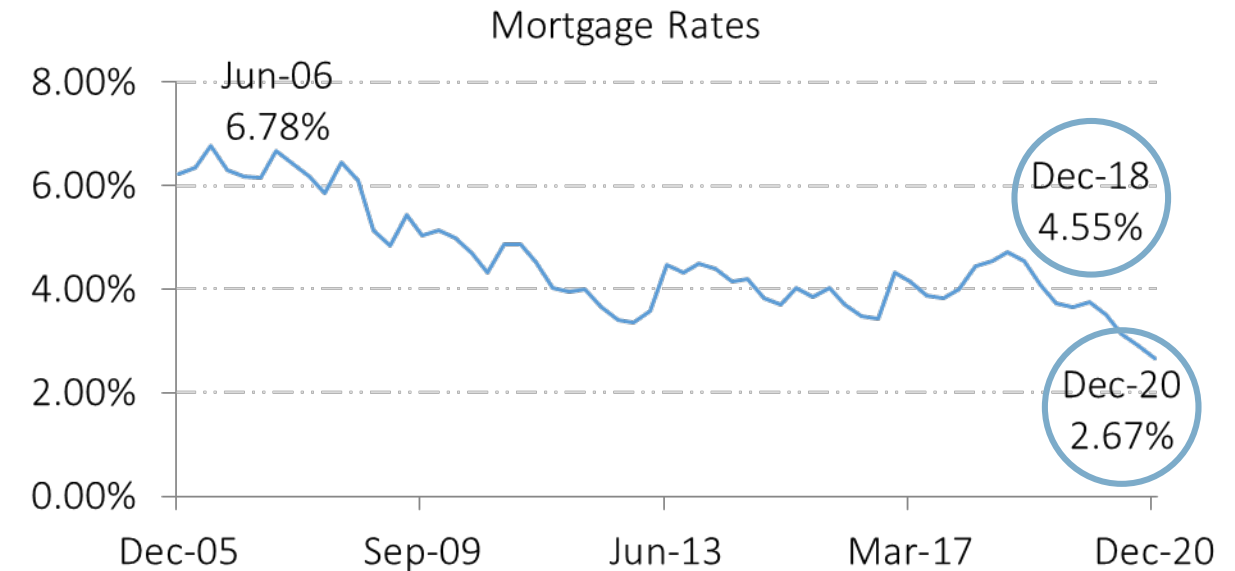
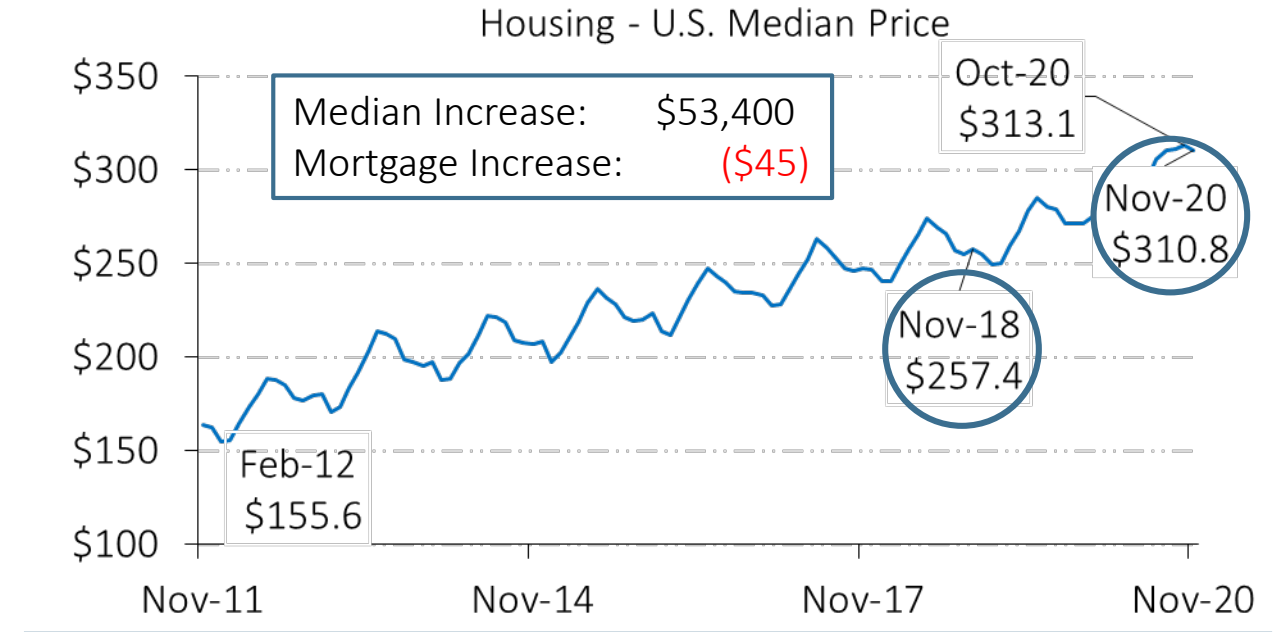
The Housing Market

Median Housing Prices

- Amazingly, even the COVID19 pandemic has not impacted housing demand and prices.
- The median home price increased 14.6% for the last 12 months ended November and has doubled since the low of \$155k in January 2012.

Mortgage Rates and Demand

- Historically low mortgage rates have encouraged buyers and helped maintain pricing trend.
- Rates were more than 1.8% lower from December 2018.
- This decrease in mortgage rates more than offsets the \$53.4k price increase in housing during the same period.



Inflation and Growth

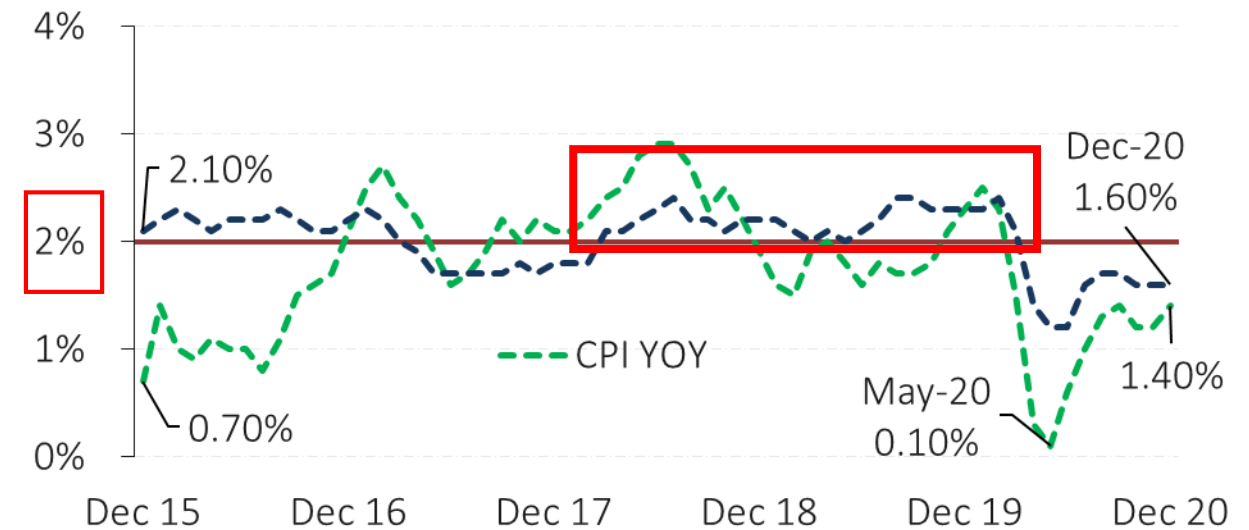
Personal Consumption Expenditures

- PCE declined as demand dropped from economic closures across the globe in March and April.
- The PCE and Consumer Prices (CPI) indexes remained stubbornly below the FOMC's previous target of 2.0% long before the COVID-19 pandemic.
- Recently, the FOMC stated a change to the 2.0% inflation target approach since Chairman Bernanke put this in place in 2012.

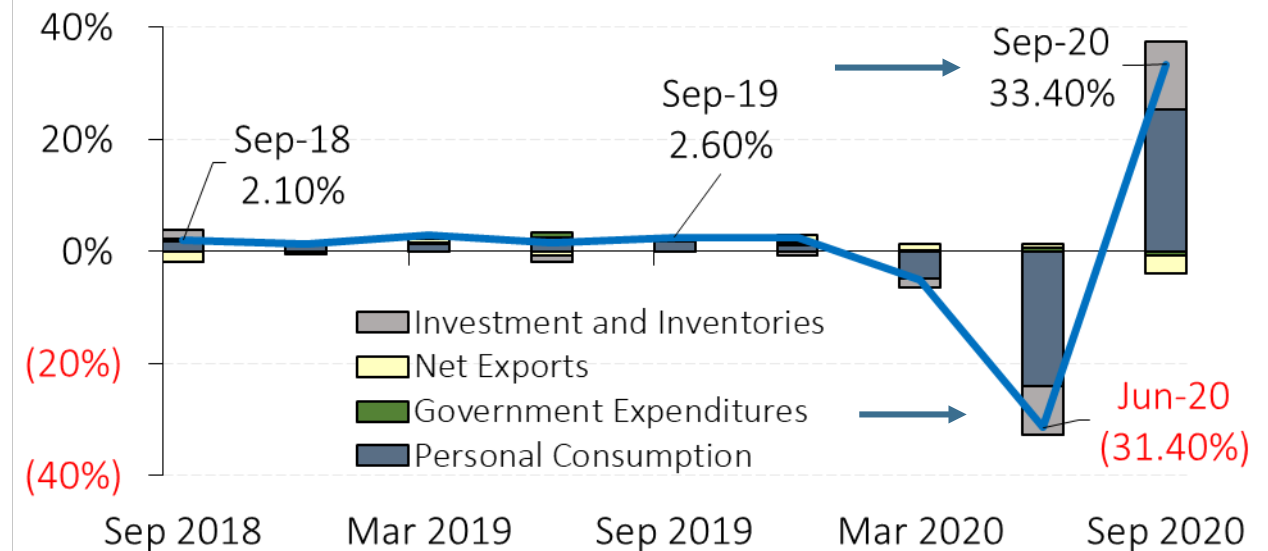
GDP Contracts at Historic Level

- Gross Domestic Product contracts by the most ever since being recorded in 1947.....Then rebounds by the most ever
- Personal consumption (-24.0%) and business investments (-8.8%) make up more than 85% of the economy.
- The strength and speed of the economic recovery will be dependent on consumer and business spending.

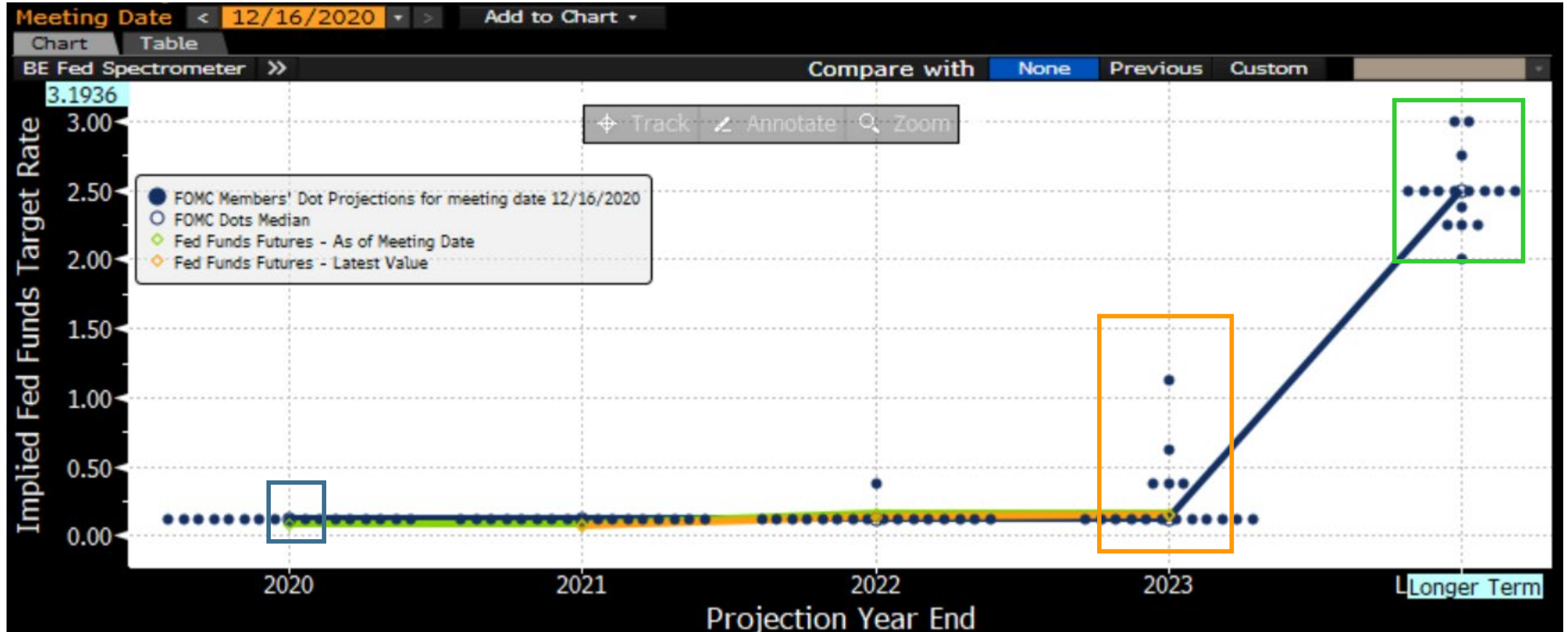
Consumer Price Index YOY



Gross Domestic Product

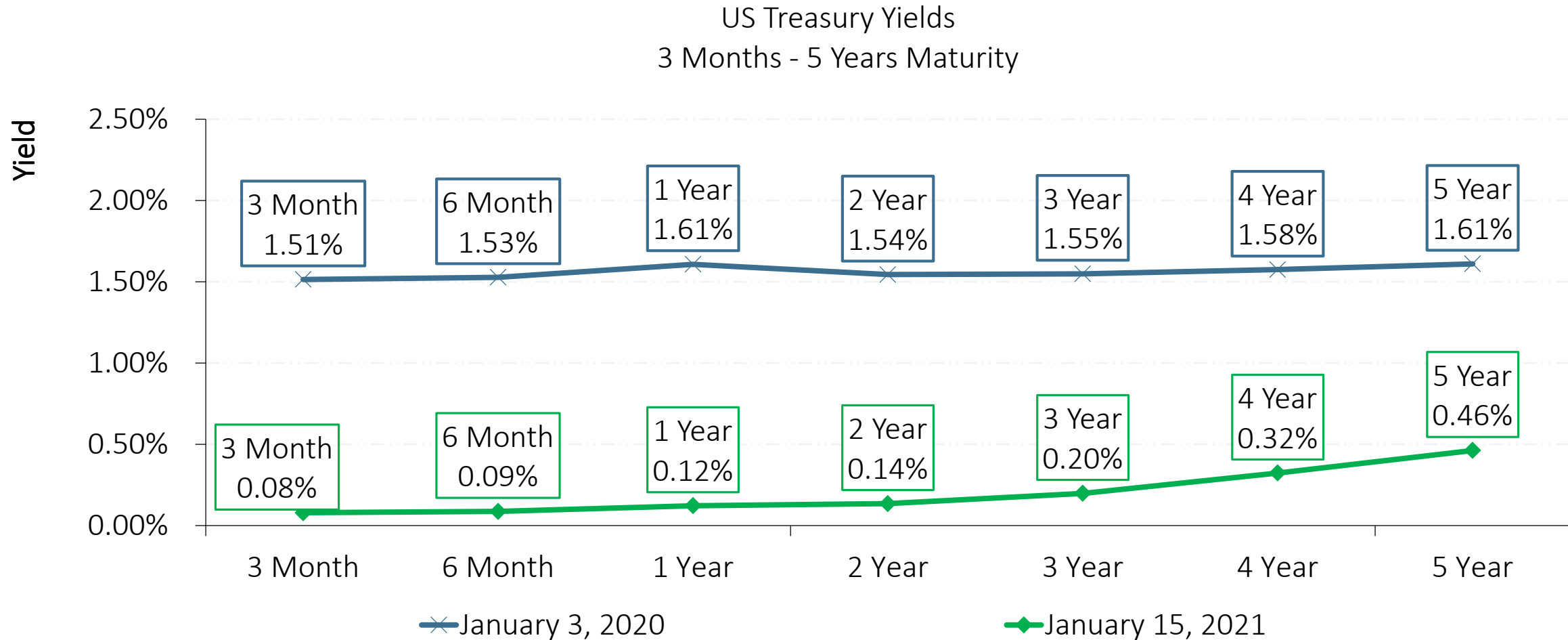


Federal Open Market Committee Dot Plot – December 16, 2020



- The FOMC currently projects a longer term trend rate of 2.5%.

Yield Curve Suggests Low Growth/Low Inflation



- The U.S. Treasury yield curve remains flat with yields at or near historical low rates.

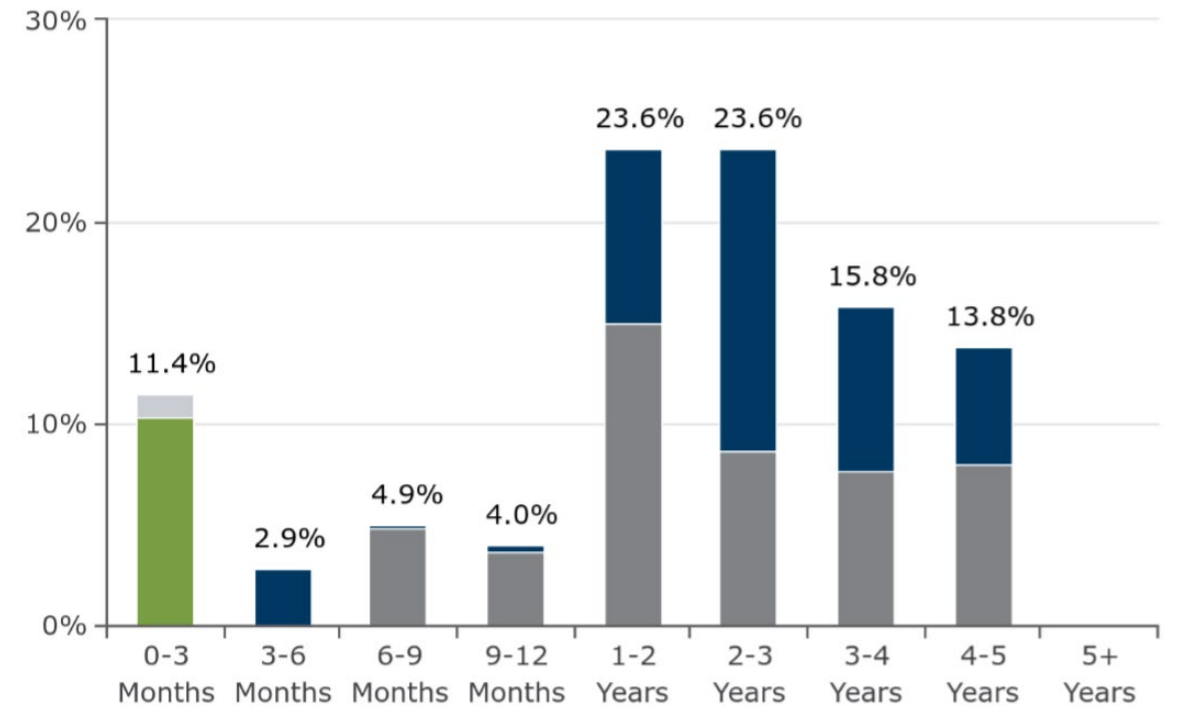
City of Cocoa's Investment Program Review

- ✓ Fiscal year 2020 was a very productive year in updating the City's overall investment program.
- ✓ Working closely with the City's Finance Director the overall program was restructured based on the following criteria:
 - ✓ Sources and uses of funds
 - ✓ Anticipated timing of expenditures
 - ✓ Investment policy statement objectives and parameters
 - ✓ Current market conditions and historical performance
- ✓ The new investment portfolio structure created a more efficient investment program that can be actively managed with a disciplined approach.
- ✓ The City utilizes bank deposits and AAA rated local government investment pools for daily liquidity and short term expenses and investment portfolios with a two year average maturity (duration) target for assets identified as reserves and for longer term expenditures.
- ✓ This multiple duration investment approach minimizes risks in rising and declining interest rate environments with the primary objective of safety of principal by investing in highly rated fixed income securities.
- ✓ The investment program is compliant with the City's investment policy and with Florida State Statutes.

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.
- Increased the portfolio balance by 45% during the year based on the overall restructuring of the City's investment program
- During September 2020 the proceeds from the City's Enhanced Cash account were transitioned to the Operating portfolio to allow for a longer term investment strategy.
- Invested new proceeds during the first quarter FY2021 to build out the portfolio duration and asset allocation.
- As of December 31st the portfolio duration was 2.17 years and the book yield was 0.60%.
- The portfolio is diversified with highly rated fixed income securities and compliant with the City's investment policy.

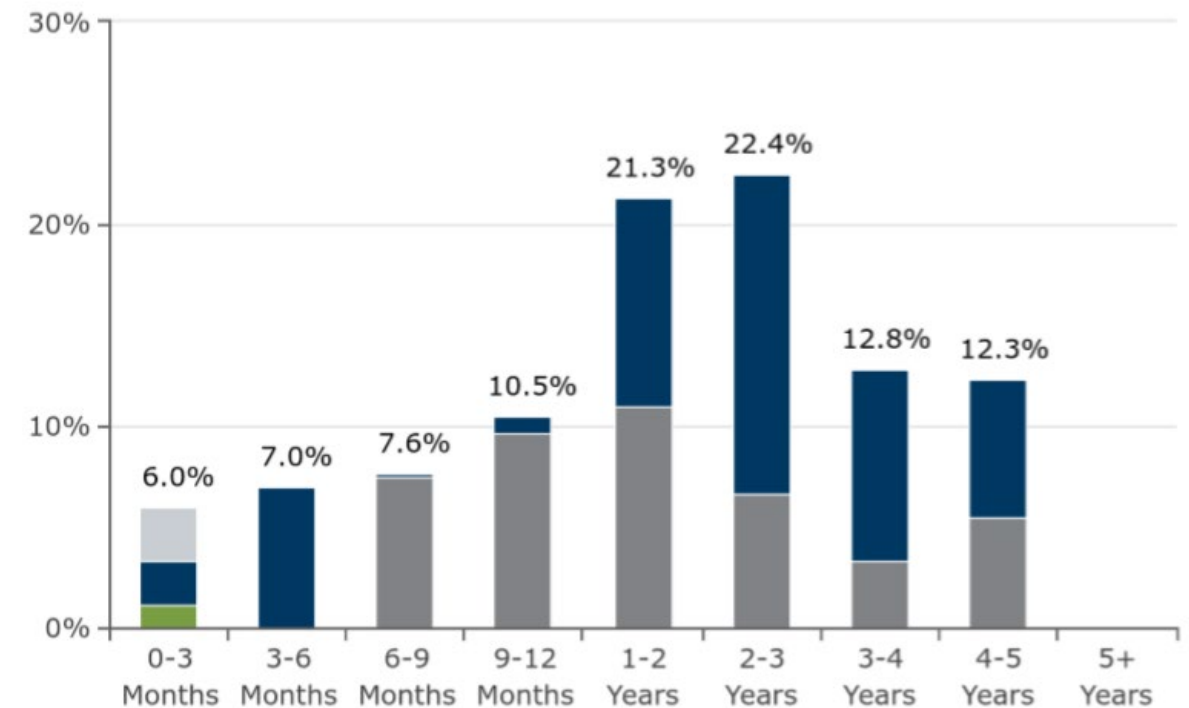
Security Distribution	Sep 30, 2020 Ending Balance	Dec 31, 2020 Ending Balance	Dec 31, 2020 Portfolio Allocation
Cash	\$46.68	\$8.63	0.00%
U.S. Treasury Notes	\$3,805,560.11	\$12,011,224.40	47.95%
Federal Instrumentality (GSE)	2,498,647.62	10,176,660.89	40.62%
Money Market Funds	\$16,635,855.70	\$2,609,406.45	10.42%
Corporate Notes	253,047.08	253,159.41	1.01%
Portfolio Total	\$23,193,157.19	\$25,050,459.78	100.00%



Reserves Portfolio

- The Reserves Portfolio is structured based on requirements defined in the bond indenture for the City's outstanding debt per debt issuance.
- Decreased the portfolio by approximately 30% during the year as the City identified reserves that were no longer required due to changes in the Master Bond Resolution.
- Invested new proceeds during the 1st quarter FY2021 to build out the portfolio duration and asset allocation.
- Invested money market funds balances from recent maturities during the first quarter of FY2021.
- As of December 31st the portfolio duration was 2.03 years and the book yield was 1.14%.
- The portfolio is diversified with highly rated fixed income securities and compliant with the City's investment policy.

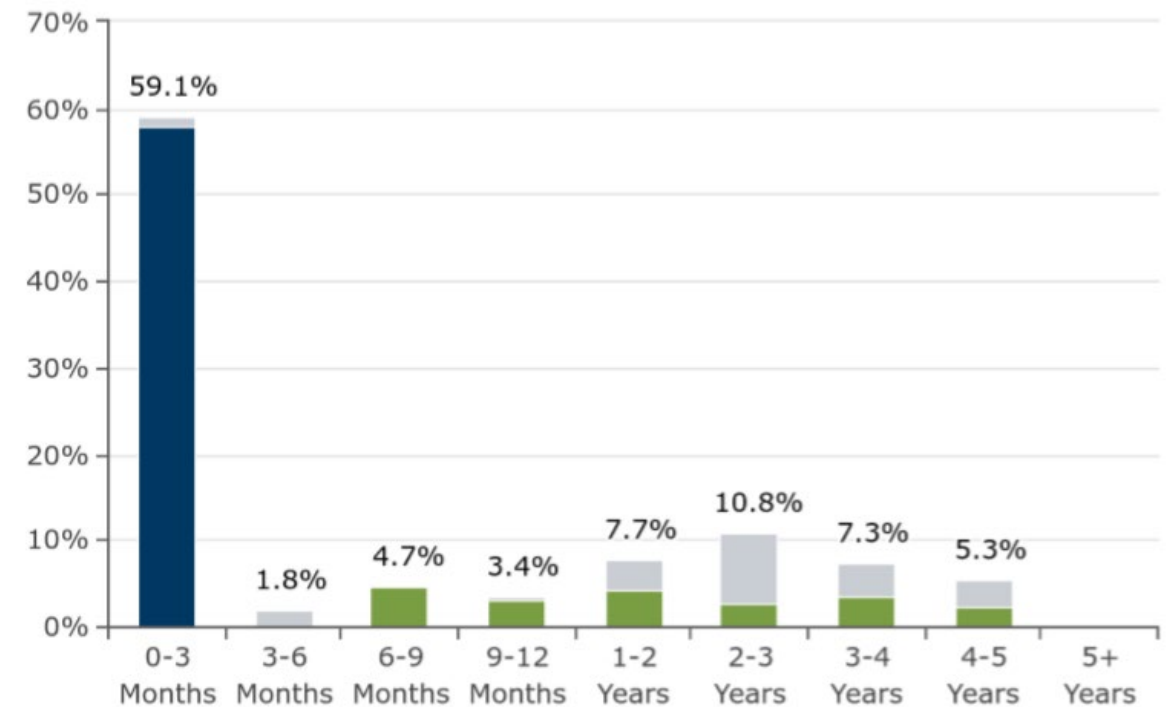
Security Distribution	Sep 30, 2020 Ending Balance	Dec 31, 2020 Ending Balance	Dec 31, 2020 Portfolio Allocation
Cash	\$71.67	\$0.77	0.00%
U.S. Treasury Notes	\$6,430,328.11	\$7,835,726.31	43.62%
Federal Instrumentality (GSE)	4,521,401.03	9,457,857.19	52.65%
Money Market Funds	\$8,246,963.18	\$207,772.87	1.16%
Corporate Notes	463,749.44	463,749.44	2.58%
Portfolio Total	\$19,662,513.43	\$17,965,106.58	100.00%



Restricted Portfolio

- The Restricted Portfolio is restricted cash that is held long-term. These funds are restricted and held long-term.
- Renamed this portfolio during the year to be consistent with the sources and uses of funds.
- Invested money market funds balances from recent maturities during the first quarter of FY2021.
- New proceeds (\$5.5mm) were transferred into the portfolio during December.
- As of December 31st the portfolio duration was 2.24 years and the book yield was 0.94% (excluding the new cash transfer).
- The portfolio is diversified with highly rated fixed income securities and compliant with the City's investment policy.

Security Distribution	Sep 30, 2020 Ending Balance	Dec 31, 2020 Ending Balance	Dec 31, 2020 Portfolio Allocation
Cash	\$11.08	\$26.88	0.00%
U.S. Treasury Notes	\$1,304,377.23	\$2,018,095.89	20.46%
Federal Instrumentality (GSE)	687,880.49	2,117,094.15	21.46%
Money Market Funds	\$2,383,740.45	\$5,729,124.59	58.08%
Portfolio Total	\$4,376,009.25	\$9,864,341.51	100.00%



Aggregate Asset Allocation – December 31, 2020

Security Distribution ⁽¹⁾	December 31, 2020 Ending Balance	Portfolio Allocation	Issuer Description ⁽¹⁾	Sec. Desc.	December 31, 2020 Ending Balance	Portfolio Allocation by Policy ⁽²⁾	Permitted	Compliant
Cash	\$ 61,178,786.22	43.60%	Cash	Cash	\$ -	0.00%	100.00%	YES
LGIP	599,422.34	0.43%	FL PRIME (SBA) ⁽²⁾	LGIP	599,422.34	0.43%	25.00%	YES
U.S. Treasury Notes	21,978,870.94	15.66%	FLCLASS	Int Gov	25,453,526.79	18.14%	40.00%	YES
U.S. Agency Notes	-	0.00%	CBOS ⁽²⁾	Cash	2,101,669.43	1.50%	100.00%	YES
FNMA	4,063,673.28	2.90%	SunTrust Master ⁽²⁾	Cash	59,077,116.79	42.10%	100.00%	YES
FHLMC	9,651,280.94	6.88%	Fidelity MMF	MMF	8,546,303.91	6.09%	100.00%	YES
FFCB	874,883.15	0.62%	U.S. Treasury Notes	UST	21,978,870.94	15.66%	100.00%	YES
FHLB	7,251,738.78	5.17%	U.S. Agency Notes	US Agy	-	0.00%	25.00%	YES
Fed Instrumentality Subtotal	\$ 21,841,576.15	15.57%	FNMA	GSE	3,575,204.45	2.55%	25.00%	YES
Asset Backed Securities	-	0.00%	FHLMC	GSE	7,509,393.29	5.35%	25.00%	YES
Commercial Paper	-	0.00%	FFCB	GSE	874,883.15	0.62%	25.00%	YES
Corporate Notes	723,023.27	0.52%	FHLB	GSE	7,251,738.78	5.17%	25.00%	YES
Bankers Acceptances	-	0.00%	Wells Fargo & Company	Corp	723,023.27	0.52%	5.00%	YES
Money Market Funds	8,546,303.91	6.09%	FHLMC MBS	MBS	2,141,887.65	1.53%	5.00%	YES
Municipal Bonds	-	0.00%	FNMA MBS	MBS	488,468.83	0.35%	5.00%	YES
FLCLASS	25,453,526.79	18.14%		MBS	-	0.00%	5.00%	YES
Certificates of Deposit	-	0.00%		Corp	-	0.00%	5.00%	YES
Total Portfolio Market Value	\$ 140,321,509.63	100.00%	Total Portfolio Market Value		\$ 140,321,509.63	100.00%		

Disclosures

This presentation is for informational purposes only. The information contained herein has been obtained from sources that we believe to be reliable, but its accuracy and completeness are not guaranteed. The materials in the attached are opinions of Public Trust Advisors, LLC and should not be construed as investment advice. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Performance comparisons will be affected by changes in interest rates. Investing involves risk including the possible loss of principal. The presentation is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. All comments and discussion presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. All calculations and results presented are for discussion purposes only and should not be used for making and calculations and/or decisions. **Past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.**

The investment advisor providing these services is Public Trust Advisors, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, as amended. Registration with the SEC does not imply a certain level of skill or training. Public Trust is required to maintain a written disclosure brochure of our background and business experience. If you would like to receive a copy of our current disclosure brochure, privacy policy, or code of ethics please contact us.

There is no guarantee that investment strategies will achieve the desired results under all market conditions, and each investor should evaluate its ability to invest long-term, especially during periods of a market downturn. This information may contain statements, estimates, or projections that constitute “forward-looking statements” as defined under U.S. federal and other jurisdictions’ securities laws. Any such forward looking statements are inherently speculative and are based on currently available information, operating plans, and projections about future events and trends. As such, they are subject to numerous risks and uncertainties.

Public Trust Advisors

717 17th Street, Suite 1850
Denver, Colorado 80202