

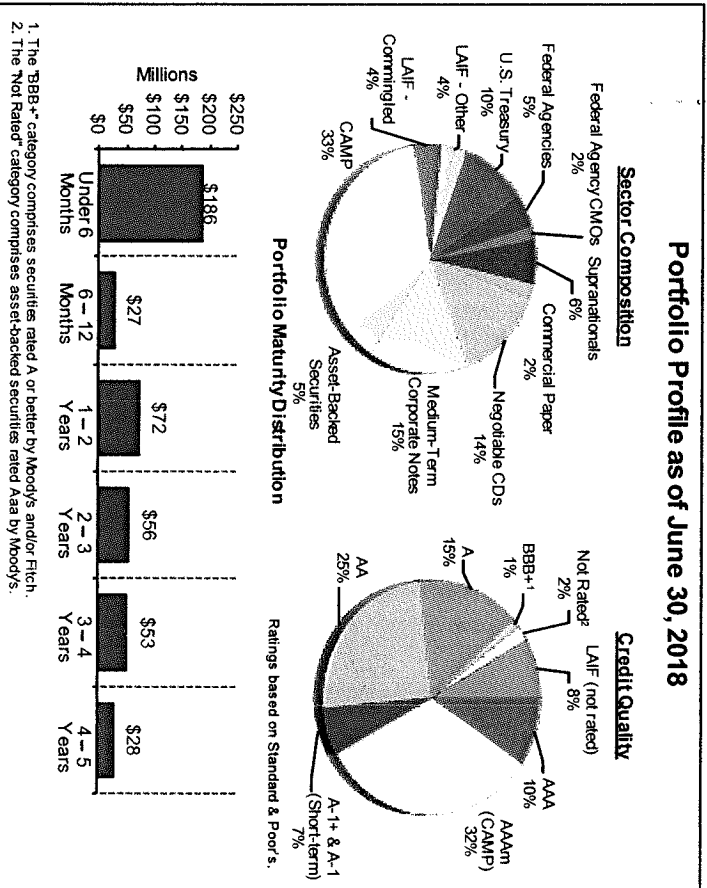


Executive Summary – Second Quarter 2018

Portfolio Review

- ✓ The portfolio is in compliance with the California Government Code and the County's Investment Policy.
- ✓ The portfolio is well diversified among U.S. Treasuries, federal agencies, supranationals, negotiable CDs, corporate notes, commercial paper, asset-backed securities, CAMP, and LAIF.
- ✓ The portfolio comprises securities with high credit quality and has sufficient liquidity to meet the County's cash needs.
- ✓ The portfolio performed well during the quarter and out performed the benchmark. Outperformance is due to the portfolio's shorter duration position and sector diversification. Although interest rates continued to move higher during the quarter, negatively impacting market values, the increased investment income more than offset the decline in market value.

Portfolio Profile as of June 30, 2018



The Economy

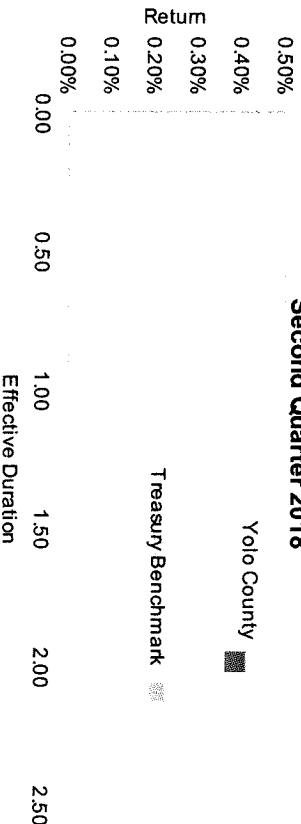
- ✓ Despite numerous global headwinds facing economic growth, including global trade wars and geopolitical uncertainty, the strength and resolve of domestic economic themes prevailed.
 - U.S. GDP grew at 4.1% in the second quarter with year-over-year (YoY) growth up to 2.9%.
 - The labor market continued to strengthen as the unemployment rate reached a multi-decade low of 3.8% (before bouncing back to 4% in June), job growth remained robust, and wages trended modestly higher.
- ✓ The Fed increased short-term rates by an additional ¼ percent in June and yields on all maturities continued to move higher. Yields on shorter maturities moved up more than those on longer maturities causing the yield curve to flatten further.

Annualized Returns

	Quarter	1-Year	5 Years
Yolo County ¹	1.57%	0.17%	0.79%
Treasury Benchmark	0.80%	-0.03%	0.38%
Net Apportionment Rate	1.53%	-	-

Note: ¹PFM managed portfolio only.

Quarterly Return Comparison Second Quarter 2018



The County's benchmark is the Bank of America Merrill Lynch (BAML) 0-5 Year U.S. Treasury Index as of September 30, 2017. From March 31, 2015, to September 30, 2017, the benchmark was a blend of 30% BAML 3-month Treasury Index and 70% BAML 1-3 year U.S. Treasury Index. From March 31, 2002, to March 31, 2015, the benchmark was a blend of 50% BAML 1-3 Year U.S. Treasury Index and 50% BAML 3-month Treasury Bill Index. Prior to March 31, 2002, the benchmark was the BAML 1-3 Year U.S. Treasury Index.

Handout #4 Item #4.15
08-29-18 YCBC mtg.