

## EXECUTIVE SUMMARY

Walworth County's investment portfolio is maintained with prudent investment principles to enable the County to soundly meet its financial obligations. The County's total investment portfolio shall be defined as all county cash and investments not reserved in a separately maintained account for a specific purpose. Funds are valued in this report at bank statement value as of the date specified. Accounts not included in the total investment portfolio are restricted by a third party. The key objectives in managing the County's total investment portfolio are to provide safety of principal, to ensure liquidity to meet operating requirements, to generate a market rate of return ("yield"), and to manage the portfolio within applicable laws.

The total investment portfolio is structured in relation to prevailing budgetary and economic environments, taking into account the County's investment risk constraints and cash flow characteristics.

- Walworth County's investment portfolio is currently in compliance with Wisconsin statutes, the Walworth County Code of Ordinances and the County's Administrative Procedures Manual.
- Investments are diversified into different investment vehicles to provide safety. In addition, all securities held are either backed by the U.S. Government or meet minimum ratings set by specified agencies.
- The OPEB Trust is reviewed separately from our operating investment portfolio, as this portfolio is invested with a different investment philosophy due to its long term nature.
- Walworth County's investment portfolio income has exceeded year to date budgeted expectations by \$114,357, net of fees.
- The US Federal Reserve (FED) cut interest rates by 0.50% on March 3, 2020 and an additional 1.00% on March 15 2020 due to the COVID-19 pandemic, reducing the target interest rate range to 0% - 0.25%. The Federal Reserve Board reiterated at the July, 2020 FOMC meeting that it does not expect to increase interest rates until 2023. As a result, the County has been reinvesting funds at lower yields than were previously achieved.
- Since peaking at 2.49% on 04/30/2019, LGIP rates have since declined to 0.14% as of 06/30/2020. 2020 fixed income purchases have a 3.58 year weighted average duration and a yield to maturity of 1.24%. Yields are expected to fall as funds mature and are reinvested at lower rates.
- US Treasury interest rate for the five year term, the longest we may invest, has declined from 1.69% on 12/31/2019 to 0.29% on 6/30/2020. Over the last five years, between 7/1/2015 and 6/30/2020, the five year US Treasury yield has averaged 1.82%, with a low of 0.28% and a high of 3.09%.

<b>Total Investment Portfolio<sup>1</sup> as of June 30, 2020</b>	<b>Actual<sup>2</sup></b>	<b>Benchmark<sup>3</sup></b>	<b>Budget<sup>4</sup></b>
Year to Date Interest Income Net of Fees	\$ 1,060,554	\$ 619,916	\$ 946,197
Current Holdings - Yield to Maturity at Cost	1.03%	0.14%	n/a
2nd Quarter Average Return at Cost Annualized	1.16%	1.65%	1.26%
Year to Date Rate of Return at Cost Annualized	1.45%	1.55%	1.30%
Rolling 1 Year Average Return at Cost	1.78%	1.42%	1.28%

<sup>1</sup> Total investment portfolio as defined does not include restricted accounts.

<sup>2</sup> The interest income amount is net of fees, and does not include unrealized gains or losses.

<sup>3</sup> The County has selected the Local Government Investment Pool (LGIP) rate as the achievement benchmark for the total investment portfolio.

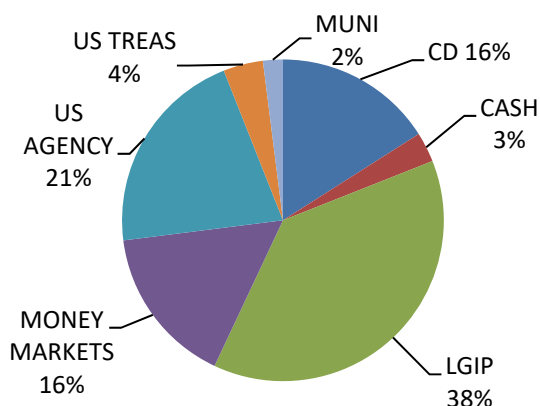
<sup>4</sup> The budget rates of return are calculated based on budgeted amounts and the actual average daily balance for the total investment portfolio.

REQUIREMENTS AND COMPLIANCE

ITEM	DESCRIPTION OF REQUIREMENT	ACTUAL PORTFOLIO
<b>Credit Risk:</b>		
Collateral Policy	Investments other than U.S. Treasury backed securities or investments not under FDIC or WI guarantee shall be collateralized for a minimum of 102-110% of the deposits.	Current financial institutions comply
Security Diversification	No single agency shall hold more than 50% of the core portfolio, currently \$36,232,500.	Current investment holdings comply
Financial Institutions Limits	Investments held at any one institution shall be limited to 50% of the core portfolio, currently \$36,232,500.	All institutions comply
Debt Limits	Government debt investments in any one entity shall be limited to \$3 million.	All institutions comply
<b>Liquidity Risk</b>	Liquid cash shall be maintained at \$10 million and available with 1 day notice.	\$ 63.2 million or 42%
<b>Reinvestment Risk</b>	Callable securities shall not exceed 50% of securities held.	\$ 12.6 million or 31%
<b>Market Risk:</b>		
Maturity Restrictions	Investments greater than 3 months and less than 1 year shall not exceed 95% of the total portfolio.	\$ 15.9 million or 11%
	Investments greater than 1 year and less than 5 years shall not exceed 100% of the core portfolio, currently \$72,465,000.	\$ 41.7 million or 58%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Certificates of Deposit	3 years	50%	16%
Operating Cash	N/A	N/A	3%
LGIP	N/A	75%	38%
Money Markets	N/A	95%	16%
U.S. Agency Securities	5 years	75%	21%
U.S. Treasury Securities	5 years	75%	4%
Municipal Debt	5 years	25%	2%

INVESTMENT TYPE	MARKET VALUE (in thousands)
Certificates of Deposit	\$ 23,676
Cash - Depository Bank	4,468
LGIP	57,715
Money Markets	23,635
Portfolio Money Market	4
U.S. Agency Securities	32,527
U.S. Treasury Securities	5,868
Municipal Debt	2,623
<b>Total</b>	<b>\$ 150,516</b>



**WALWORTH COUNTY INVESTMENT PORTFOLIO**  
**VALUATION AT COST**  
**As of 6/30/2020**

**Definitions of each section below:**

**Investment Yield** is the investment revenue divided by the average daily balance to show the quarterly yield and a one year rolling yield.

**Investment Revenue** shows the interest earned by each investment tool on a quarterly and one year rolling period.

**Average Daily Balance** shows the average daily cash balance invested for each investment tool on a quarterly and one year rolling period.

**Investment Yield (Net of Management Fees)**

Time Period	Local Gov Investment Pool	Advia CU Money Market	CD	Operating Bank Money Market	Associated Bank Money Market	Huntington Portfolio	BMO Portfolio	Operating Bank Checking/ Sweep	Total Investments
2019 3rd Quarter	0.57%	0.65%	0.67%	0.52%	0.60%	0.48%	n/a	0.06%	0.55%
4th Quarter	0.44%	0.55%	0.63%	0.28%	0.51%	0.50%	n/a	0.04%	0.50%
<b>2020 1st Quarter</b>	0.34%	0.47%	0.60%	0.32%	0.35%	0.48%	n/a	0.02%	0.44%
<b>2nd Quarter</b>	<b>0.07%</b>	<b>0.31%</b>	<b>0.58%</b>	<b>0.03%</b>	<b>0.03%</b>	<b>0.46%</b>	n/a	<b>-0.02%</b>	<b>0.29%</b>

**One Year Ending**

2019 3rd Quarter	2.35%	2.73%	2.50%	1.96%	2.44%	1.77%	1.02%	0.22%	2.15%
4th Quarter	2.23%	2.61%	2.58%	1.70%	2.38%	1.85%	n/a	0.22%	2.15%
<b>2020 1st Quarter</b>	1.96%	2.35%	2.55%	1.64%	2.10%	1.91%	n/a	0.17%	2.05%
<b>2nd Quarter</b>	<b>1.42%</b>	<b>1.98%</b>	<b>2.48%</b>	<b>1.15%</b>	<b>1.49%</b>	<b>1.92%</b>	n/a	<b>0.10%</b>	<b>1.78%</b>

**Investment Revenue (Net of Management Fees/Gross of Market Adjustments)**

Time Period	Local Gov Investment Pool	Advia CU Money Market	CD	Operating Bank Money Market	Associated Bank Money Market	Huntington Portfolio	BMO Portfolio	Operating Bank Checking/ Sweep	Total Investments
2019 3rd Quarter	208,408	177,198	98,656	20,670	139,707	265,008	-	2,433	912,080
4th Quarter	118,017	118,480	136,270	11,201	29,535	253,996	-	1,161	668,660
<b>2020 1st Quarter</b>	135,448	83,163	152,072	12,143	9,077	228,931	-	869	621,703
<b>2nd Quarter</b>	<b>40,158</b>	<b>69,273</b>	<b>140,680</b>	<b>322</b>	<b>4</b>	<b>189,221</b>	-	<b>(807)</b>	<b>438,851</b>

**One Year Ending**

2019 3rd Quarter	599,085	753,100	346,545	55,520	467,844	985,132	5,307	9,422	3,221,955
4th quarter	625,369	687,027	413,921	57,135	403,080	1,011,677	-	8,091	3,206,300
<b>2020 1st Quarter</b>	606,334	565,975	484,546	60,678	322,150	1,001,391	-	6,137	3,047,211
<b>2nd Quarter</b>	<b>502,031</b>	<b>448,114</b>	<b>527,678</b>	<b>44,336</b>	<b>178,323</b>	<b>937,156</b>	-	<b>3,656</b>	<b>2,641,294</b>

**Average Daily Balance**

Time Period	Local Gov Investment Pool	Advia CU Money Market	CD	Operating Bank Money Market	Associated Bank Money Market	Huntington Portfolio	BMO Portfolio	Operating Bank Checking/ Sweep	Total Investments
2019 3rd Quarter	36,879,211	27,282,067	14,772,012	4,000,000	23,294,439	55,435,633	-	4,307,005	165,970,367
4th Quarter	26,664,299	21,365,379	21,482,649	4,000,000	5,795,398	50,482,017	-	2,914,578	132,704,320
<b>2020 1st Quarter</b>	39,283,027	17,834,544	25,271,102	3,780,220	2,556,906	48,187,090	-	5,153,361	142,066,250
<b>2nd Quarter</b>	<b>57,025,067</b>	<b>22,480,507</b>	<b>24,161,730</b>	<b>1,000,000</b>	<b>11,593</b>	<b>41,555,248</b>	-	<b>3,858,570</b>	<b>150,092,715</b>

**One Year Ending**

2019 3rd Quarter	25,475,224	27,619,179	13,860,326	2,831,240	19,208,700	55,534,923	851,263	4,285,624	149,666,480
4th Quarter	28,151,820	26,106,710	16,085,215	3,372,277	16,479,533	54,785,029	-	4,056,145	149,036,729
<b>2020 1st Quarter</b>	31,598,537	23,523,537	19,102,813	3,741,765	13,529,126	52,741,747	-	3,899,228	148,136,753
<b>2nd Quarter</b>	<b>39,918,141</b>	<b>22,252,007</b>	<b>21,403,870</b>	<b>3,199,454</b>	<b>7,950,815</b>	<b>48,937,095</b>	-	<b>4,055,933</b>	<b>147,717,315</b>

**Comparison to Benchmark:**

Description	LGIP	Portfolio
Rate of Return - Quarterly	0.07%	0.29%
Rate of Return - Annualized	1.42%	1.78%