



MONTHLY REPORT  
OF THE  
INVESTMENT ADVISORY  
COMMITTEE

Prepared by the Department of Finance

FEBRUARY, 2016

**MONTHLY REPORT**  
**OF THE**  
**INVESTMENT ADVISORY**  
**COMMITTEE**  
**OF THE CITY OF HAMILTON, OHIO**

**February 1, 2016 through February 29, 2016**

# INVESTMENT ADVISORY COMMITTEE

FEBRUARY 2016

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# Monthly Investment Committee Report

February 2016

## Introduction

This document meets the requirement of the City of Hamilton's Certified Investment Policy to report the monthly investment portfolio data to the Investment Advisory Committee. The report is designed to allow the Committee to ascertain that the City's investment activities conform to the Certified Investment Policy and achieve a designated benchmark rate of return as measured below.

The Investment Advisory Committee approves changes to the Certified Investment Policy, reviews the City's investments, and adopts rules that assure the Policy is met. The Committee includes the Mayor (or Council designee), the City Manager, the Law Director, the Finance Director, and the Treasurer.

It is the policy of the City of Hamilton, Ohio to invest interim funds to achieve the maximum preservation and security of funds, meet daily cash flow needs, and after achieving these objectives, achieve the highest rate of return. Investments are made using the "prudent investor" rule. Funds sufficient to meet payment obligations are kept in liquid funds. Funds not immediately needed are invested. Investments are made with the expectation that they will be held to maturity.

Investments include and are diversified as provided in Chapter 135 of the Ohio Revised Code. All deposits must be collateralized at 102% of market value. The maximum maturity for investments is five years.

The City has pooled General Accounts, Rate Stabilization Accounts for the four City utilities, and an Electric System Reserve Account.

The portfolio performance standard is a weighted benchmark as follows: 50% of the two-year Treasury Note at month-end, 25% of the three month average of the Star Plus yield at month-end; and 25% of the Federal Funds Rate at month-end.

The City has a checking and sweep account at US Bank, a Star Plus money market account managed by the Ohio Treasurer of State, managed security accounts with Bond-Tech, Inc. and United American Capital Corporation, one Fidelity Money Market Account, and two First Financial Bank Money Market Accounts. The City also has two custodial accounts with US Bank to settle trades.

Account	January Book Value	February Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	7,096,823.29	8,096,459.87	999,636.58	0.05
First Financial-Gen Oper	22,289,375.17	22,296,439.56	7,064.39	0.40
First Financial Rate Stab.	13,148,825.85	13,152,993.24	4,167.39	0.40
COH Treasurer's Notes	275,300.00	275,300.00	0.00	1.53
STAR Plus	511.38	0.00	(511.38)	0.31
United American Capital Corporation (UACC)	29,231,415.50	30,052,533.50	821,118.00	1.12
Fidelity Money Market (UACC)	791,920.21	16,445.32	(775,474.89)	0.21
Bond Tech Managed Portfolio	9,998,785.56	9,998,924.19	138.63	1.17
Total	82,832,956.96	83,889,095.68	1,056,138.72	

As noted in the table above, the overall portfolio at February 29 increased \$1,056,138.72 from February as described below.

The **US Bank Sweep Account** increased during February from income tax withholdings and a real estate tax advance. Interest income was \$290.88 at February 29 as the sweep account remained flat at 5 basis points.

The **First Financial General Operating** account increased from January to February by interest income earnings of \$7,064.39.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity for the utility indenture funds. Interest income for February was \$4,167.39.

The **City of Hamilton's Treasurer's Notes:** Two notes remain on the books effective February 29, 2016. A Treasurer's Note of \$425,000.00 was sold in July, 2011 for a portion of the construction and repair of sidewalks, curbs, and gutters on various streets as part of the 2011 Special Assessment Street and Sidewalk Program. The note balance is \$85,000.00. The second Treasurer's Note of \$475,750.00 was sold February 15, 2013 for Municipal Golf Course maintenance equipment, clubhouse improvements, and golf and beverage cart purchases. The note balance is \$190,300.00.

The **STAR Plus** account is now fully cleared as all funds have been transferred to United American Capital Corporation for higher-yield investments.

**United American Capital Corporation (UACC)** purchased numerous investments during February, 2016 with an overall book value of \$30,052,533.50. Please see pages 7-8 for this detail. Four calls occurred in February with gross interest income of \$44,393.11 and a realized capital gain of \$1,250. Additional investments are planned to build the portfolio and to further enhance our returns.

An additional money market account rests within the UACC portfolio – **Fidelity US Government MMF (FIGXX)**. This mechanism provides a brief “parking spot” for investment funds returning from a call or maturity, as well as idle funds ready to purchase specific investments. This account provides efficiencies and continuous yields, with no downtime. The money market account ended with \$16,445.32 in funds paying 21 basis points at month end, as most of the funds were used for additional security investments.

The slight increase in the **Bond Tech** portfolio reflects the net of Treasury Investment Pool premiums and discounts as of February 29, 2016, with minimal interest income. Only four securities remain in this portfolio with potential call dates for March and April.

## I. INVESTMENT ACTIVITY REPORT

February 2016

The Federal Open Market Committee (FOMC) did not meet in February to review open market operations, the reserve balance rate, and the economy, thereby keeping the target rate at 50 basis points.

To date, the overall economy continues to expand at a moderate pace. Household spending, housing improvements, and job gains are on the rise. Future rate adjustments will depend on the realized and expected economic conditions, including labor, inflation, and financial developments both on the home front and abroad.

The City's account balance of \$83,889,095.68 consists of the Bond Tech and United American Capital Corporation invested portfolios, two Treasurer's Notes, STAR Plus, two First Financial Money Markets, and the US Bank Sweep (See Tables II and III). For February, the Bond Tech General account had an unrealized gain of \$7,665.87 as the market value of the portfolio increased over book value at month end. United American Capital Corporation's market value rose over book value, providing an unrealized gain of \$91,216.38. Total undistributed interest income totaled \$52,998.38 including purchased interest.

The City of Hamilton's Investment Policy requires portfolio reporting to the Investment Advisory Committee, including investment type, book value, market value and income earned. The Portfolio Performance Summary Table III provides this detail.

Note that the Realized Estimated Annual Income of \$603,959.21 continues strong due to the hike of the Federal Funds Rate and the investment of securities through United American Capital Corporation. The Realized Estimated Annual Income consists of realized net gains or losses plus estimated annual interest, and calculates to be 0.72% of investment book value versus the benchmark target of 0.58%. Note that these numbers are an estimate and at a point in time. The portfolio is ever-evolving and the numbers will change as calls, maturities and purchases occur throughout the year. As always, conservatism remains the key to meet our investment objectives of safety first, liquidity second and lastly yield.

Respectfully submitted,



Deborah J. Hymer  
Treasurer

## II. Portfolio Balance Summary - February 29, 2016

### General Accounts -- Book Values

#### Liquid Funds

Star Plus	\$	-
U.S. Bank Treasury Sweep	\$	8,096,459.87
First Financial*	\$	21,146,439.56
Fidelity Money Market (UACC)	\$	16,445.32
<b>Total</b>	<b>\$</b>	<b>29,259,344.75</b>

#### Invested Funds

Bond Tech	\$	9,998,924.19
UACC	\$	30,052,533.50

COH Treasurer's Note *	\$	85,000.00	Held w/in US Bank O/N
COH Treasurer's Note *	\$	190,300.00	Held w/in US Bank O/N

**Total** **\$ 40,326,757.69**

### Total Liquid and Invested Funds

**\$ 69,586,102.44**

### Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u> *Held as part of First Financial	
<b>Gas Utility (Fund 516)</b>				
Liquid Funds First Financial	\$ 2,514,098.89			
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 517)		\$ -	\$ 200,000.00 *	
<b>Electric Utility (Fund 526)</b>				
Liquid Funds First Financial	\$ 4,013,744.58			
Bond Tech U.S. Treasury/Agency		\$ -		
<b>Electric System Reserve (Fund 527)</b>				
Liquid Funds First Financial	\$ 3,007,765.57			
Bond Tech U.S. Treasury/Agency		\$ -		
<b>Water Utility (Fund 536)</b>				
Liquid Funds First Financial	\$ 1,582,952.82			
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 537)		\$ -	\$ 200,000.00 *	
<b>Waste Water Utility (Fund 546)</b>				
Liquid Funds First Financial	\$ 2,034,431.37			
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 547)		\$ -	\$ 750,000.00 *	
<b>Total</b>	<b>\$ 13,152,993.24</b>	<b>\$ -</b>	<b>\$ 1,150,000.00</b>	<b>\$ 14,302,993.24</b>

### Grand Total All Funds

**\$ 83,889,095.68**

**III. Portfolio Performance Summary  
As of February 29, 2016**

Investment	Book Value	Market Value	Realized Gains/Losses		Estimated Annual Interest	Estd Annual Total Income	Realized Estimated Annual Income
			Unrealized Gains/Losses	Realized Gains/Losses			
Star Plus (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
First Financial Rate Stab (2)	\$ 10,145,227.67	\$ 10,145,227.67	\$ -	\$ -	\$ 40,580.91	\$ 40,580.91	\$ 40,580.91
First Financial Elec Sys Reserve (3)	\$ 3,007,765.57	\$ 3,007,765.57	\$ -	\$ -	\$ 12,031.06	\$ 12,031.06	\$ 12,031.06
US Bk Checking Sweep (1)	\$ 8,096,459.87	\$ 8,096,459.87	\$ -	\$ -	\$ 4,048.23	\$ 4,048.23	\$ 4,048.23
First Financial General Operating* (1)	\$ 22,296,439.56	\$ 22,296,439.56	\$ -	\$ -	\$ 89,185.76	\$ 89,185.76	\$ 89,185.76
City of Hamilton Treasurer's Note (1)	\$ 85,000.00	\$ 85,000.00	\$ -	\$ -	\$ 1,793.50	\$ 1,793.50	\$ 1,793.50
City of Hamilton Treasurer's Note (3)	\$ 190,300.00	\$ 190,300.00	\$ -	\$ -	\$ 1,807.85	\$ 1,807.85	\$ 1,807.85
B-Tech General Account (1)	\$ 9,998,924.19	\$ 10,006,590.06	\$ 7,665.87	\$ -	\$ 116,987.41	\$ 124,653.28	\$ 116,987.41
UACC	\$ 30,052,533.50	\$ 30,143,749.88	\$ 91,216.38	\$ -	\$ 337,489.95	\$ 428,706.33	\$ 337,489.95
Fidelity Money Market UACC	\$ 16,445.32	\$ 16,445.32	\$ -	\$ -	\$ 34.54	\$ 34.54	\$ 34.54
<b>Total</b>	<b>\$ 83,889,095.68</b>	<b>\$ 83,987,977.93</b>	<b>\$ 98,882.25</b>	<b>\$ -</b>	<b>\$ 603,959.21</b>	<b>\$ 702,841.46</b>	<b>\$ 603,959.21</b>

(1) General Accounts

(2) Rate Stabilization

(3) Electric System Reserve

Realized Annual Income / Book Value = 0.72%

Benchmark Rate of Return = 0.58%

\*Contains Gas, Water, & Wastewater Reserve of \$1,150,000

Benchmarks	
Fed. Funds Rate	0.50
Star Plus	0.25
2 Yr Treas	0.78
Total	<u>0.56</u>

**City of Hamilton**  
**Portfolio Management**  
**Investment Status Report - Investments**  
**February 29, 2016**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	Days to Maturity	YTM	Market Value	Accrued Interest At Purchase	Current Principal	Book Value
<b>Federal Agency - Coupon (NC)</b>												
3137EADU0	16-0034	FHLMC	800,000.00	0.500	01/27/2017	02/04/2016	332	0.658	798,552.00	77.78	798,768.00	798,845.78
3130A4KZ7	16-0006	FHLLB	1,000,000.00	0.720	03/06/2017	01/12/2016	370	0.860	999,457.00	2,520.00	998,400.00	1,000,920.00
3134G6E2A0	16-0018	FHLMC	1,000,000.00	0.875	06/16/2017	01/15/2016	472	0.889	1,001,306.00	704.86	999,800.00	1,000,504.86
3130A6ZS5	16-0023	FHLLB	1,085,000.00	0.750	08/29/2017	01/20/2016	545	0.890	1,084,613.74	Received	1,082,580.45	1,082,580.45
3139EAA32	16-0005	FFCB	1,072,000.00	0.900	11/15/2017	01/11/2016	624	1.036	1,072,339.82	1,500.80	1,069,341.44	1,070,842.24
3134G3T26	16-0004	FHLMC	1,000,000.00	1.000	05/14/2018	01/11/2016	804	1.153	1,000,211.00	1,583.33	996,470.00	998,053.33
3136G1CF4	16-0007	FNMA	2,000,000.00	1.000	07/30/2018	01/12/2016	881	1.166	2,007,202.00	Received	1,991,680.00	1,991,680.00
3130A45D0	16-0021	FHLLB	1,000,000.00	1.250	02/20/2019	01/15/2016	1,066	1.266	1,004,860.00	Received	998,510.00	998,510.00
3137EADM8	16-0012	FHLMC	1,000,000.00	1.250	10/02/2019	01/14/2016	1,310	1.459	1,002,163.00	3,541.67	992,460.00	996,001.67
3138B1C94	16-0032	FHLLB	1,000,000.00	1.250	12/13/2019	01/25/2016	1,382	1.371	998,786.00	1,458.33	995,447.00	996,905.33
<b>Federal Agency - Coupon (NC) Totals</b>			<b>10,957,000.00</b>				<b>795</b>	<b>1.089</b>	<b>10,969,490.56</b>	<b>11,386.77</b>	<b>10,924,456.89</b>	<b>10,935,843.66</b>
<b>Commercial Paper - Discount</b>												
36960LCK1	16-0002	GECCO	1,000,000.00	0.450	03/31/2016	01/08/2016	30	0.457	998,962.50		998,962.50	998,962.50
89233GEG5	16-0013	TOY	500,000.00	0.650	05/24/2016	01/13/2016	84	0.661	498,808.33		498,808.33	498,808.33
46640PG80	16-0001	JPM	1,000,000.00	0.820	07/08/2016	01/11/2016	129	0.835	995,922.77		995,922.77	995,922.77
46640PGE7	16-0016	JPM	500,000.00	0.820	07/14/2016	01/19/2016	135	0.835	497,984.17		497,984.17	497,984.17
<b>Commercial Paper - Discount Totals</b>			<b>3,000,000.00</b>				<b>89</b>	<b>0.680</b>	<b>2,991,677.77</b>	<b>0.00</b>	<b>2,991,677.77</b>	<b>2,991,677.77</b>
<b>Federal Agency - Coupon (Callable)</b>												
3135G0VL4	16-0009	FNMA	1,000,000.00	1.125	03/20/2018	01/12/2016	749	1.181	1,000,030.00	3,500.00	998,800.00	1,002,300.00
3136G0Y47	16-0022	FNMA	1,000,000.00	1.060	04/30/2018	01/15/2016	790	1.130	999,998.00	2,208.33	998,410.00	1,000,618.33
3135G0XD0	16-0019	FNMA	250,000.00	1.000	05/21/2018	01/15/2016	811	1.195	249,466.50	375.00	248,875.00	249,250.00
3130A67K7	16-0037	FHLLB	200,000.00	1.270	08/10/2018	02/19/2016	892	1.270	200,266.40	63.50	200,000.00	200,063.50
3134G84A4	16-0015	FHLMC	1,000,000.00	1.250	08/24/2018	01/14/2016	906	1.280	1,000,377.00	Received	999,230.00	999,230.00
3134G6Z97	16-0026	FHLMC	500,000.00	1.250	08/27/2018	01/20/2016	909	1.250	500,203.00	Received	500,000.00	500,000.00
3130A6UJ9	16-0003	FHLLB	1,000,000.00	1.350	09/28/2018	01/11/2016	941	1.369	1,001,049.00	487.50	999,500.00	999,987.50
3136G15R6	16-0014	FNMA	500,000.00	1.000	12/27/2018	01/14/2016	1,031	1.350	496,958.50	236.11	494,950.00	495,186.11
3136G2YF8	16-0038	FNMA	750,000.00	1.150	05/24/2019	02/26/2016	1,179	1.150	748,813.50	47.92	750,000.00	750,047.92
3134G8GZ6	16-0028	FHLMC	500,000.00	1.500	07/29/2019	01/29/2016	1,245	1.500	500,377.50		500,000.00	500,000.00
3136G3CD5	16-0039	FNMA	950,000.00	1.350	08/26/2019	02/29/2016	1,273	1.350	947,028.40	106.88	950,000.00	950,106.88
3136G0XN6	16-0020	FNMA	500,000.00	1.625	11/27/2019	01/15/2016	1,366	1.632	500,223.00	1,083.33	499,875.00	500,858.33
3133B1HA6	16-0036	FHLLB	500,000.00	1.400	12/13/2019	02/18/2016	1,382	1.448	498,519.50	1,263.89	499,100.00	500,363.89
3133EFZW0	16-0035	FFCB	500,000.00	1.500	02/18/2020	02/18/2016	1,449	1.500	499,717.00		500,000.00	500,000.00
<b>Federal Agency - Coupon (Callable) Totals</b>			<b>9,150,000.00</b>				<b>1,044</b>	<b>1.311</b>	<b>9,143,027.30</b>	<b>9,372.46</b>	<b>9,138,740.00</b>	<b>9,148,112.46</b>

**City of Hamilton**  
**Portfolio Management**  
**Investment Status Report - Investments**  
**February 29, 2016**

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	Days to Maturity	YTM	Market Value	Accrued Interest At Purchase	Current Principal	Book Value
<b>Federal Agency - Discount</b>												
313385AF3	16-0017	FHLB	1,000,000.00	0.750	01/06/2017	01/14/2016	311	0.767	995,681.00	0.00	992,541.66	992,541.66
<b>Federal Agency - Discount Totals</b>			<b>1,000,000.00</b>				<b>311</b>	<b>0.767</b>	<b>995,681.00</b>	<b>0.00</b>	<b>992,541.66</b>	<b>992,541.66</b>
<b>Treasury Securities - Coupon</b>												
912828UE8	16-0029	USTN	1,000,000.00	0.750	12/31/2017	01/22/2016	670	0.868	999,102.00	453.30	997,734.37	998,187.67
912828UZ1	16-0025	USTN	1,000,000.00	0.625	04/30/2018	01/20/2016	790	0.969	995,859.00	1,390.80	992,265.63	993,656.43
912828L81	16-0030	USTN	1,000,000.00	0.875	10/15/2018	01/25/2016	958	1.065	1,000,508.00	2,438.52	994,921.87	997,360.39
912828SX9	16-0033	USTN	1,050,000.00	1.125	05/31/2019	01/28/2016	1,186	1.197	1,055,045.25	1,904.20	1,047,539.06	1,049,443.26
912828TH3	16-0008	USTN	1,000,000.00	0.875	07/31/2019	01/12/2016	1,247	1.368	995,312.00	Received	982,968.75	982,968.75
912828TR1	16-0031	USTN	1,000,000.00	1.000	09/30/2019	01/25/2016	1,308	1.288	998,047.00	3,196.72	989,687.50	992,884.22
<b>Treasury Securities - Coupon Totals</b>			<b>6,050,000.00</b>				<b>1,027</b>	<b>1.126</b>	<b>6,043,873.25</b>	<b>9,383.54</b>	<b>6,005,117.18</b>	<b>6,014,500.72</b>
<b>Investment Totals</b>			<b>30,157,000.00</b>				<b>831</b>	<b>1.112</b>	<b>30,143,749.88</b>	<b>30,142.77</b>	<b>30,052,533.50</b>	<b>30,082,676.27</b>



**City of Hamilton, Ohio - General Account  
CUSIP LISTING  
2/29/2016**

1:12 PM 3/2/2016

DESCRIPTION	COUPON STRUCTURE		NEXT CALL DATE	CALL TYPE	DAYS NOTICE	CUSIP	PURCHASE DATE	BOOK VALUE	MATURITY DATE	CURRENT ESTIMATE		YIELD <sup>1,2,3</sup>
	10/20	10/17								AVG LIFE	AVG LIFE	
1 FHLMC STEPUP 10/20 1.00%-10/16 2.00%-10/17 2.25%-10/19 2.50%			4/29/16	QTY	5	3134G72U4	10/29/15	1,000,000.00	10/29/20	10/29/16	0.67	1.000 YTW 10/16
2 FHLMC STEPUP 1/20 1.00%-1/16 2.25%			5/19/16	QTY	5	3134G73H2	11/19/15	999,655.15	11/19/20	11/19/16	0.72	1.050 YTW 11/16
3 FHLMC STEPUP 9/20 1.05%-9/16 2.00%-9/17 3.00%			3/24/16	QTY	5	3134G7VE8	9/24/15	2,500,000.00	9/24/20	3/24/16	0.07	1.050 YTW 9/16
4 FHLMC STEPUP 9/20 1.50%-9/17 2.50%-9/18 3.00%-9/19 3.25%			3/28/16	QTY	5	3134G7VL2	9/28/15	2,500,000.00	9/28/20	3/28/16	0.08	1.500 YTW 3/17
5 FHLMC STEPUP 9/20 1.05%-9/16 2.20%-9/18 3.30%			3/30/16	QTY	5	3134G7ZU8	9/30/15	2,999,289.04	9/30/20	3/30/16	0.08	1.090 YTW 9/16
<b>TOTAL BOOK VALUE</b>								<b>9,998,924.19</b>	<b>WEIGHTED AVERAGES</b>	<b>0.20</b>	<b>1.170</b>	

1 EST - Estimated yield - Floating rate and structured securities  
 2 YTW - Yield to Worst - Minimum yield to specific call date or maturity - Actual yield may be higher  
 3 CPD - Client Provided Data