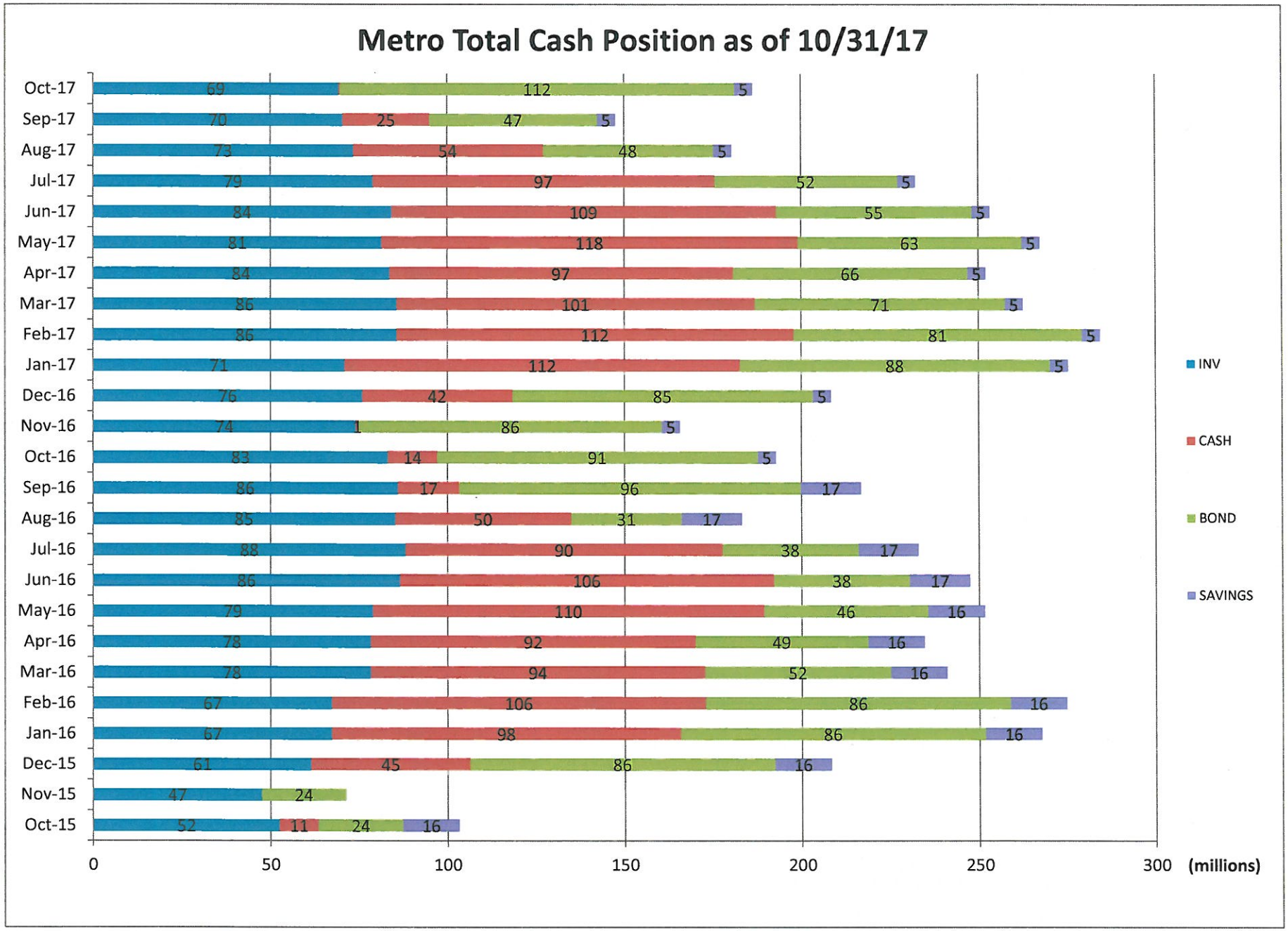
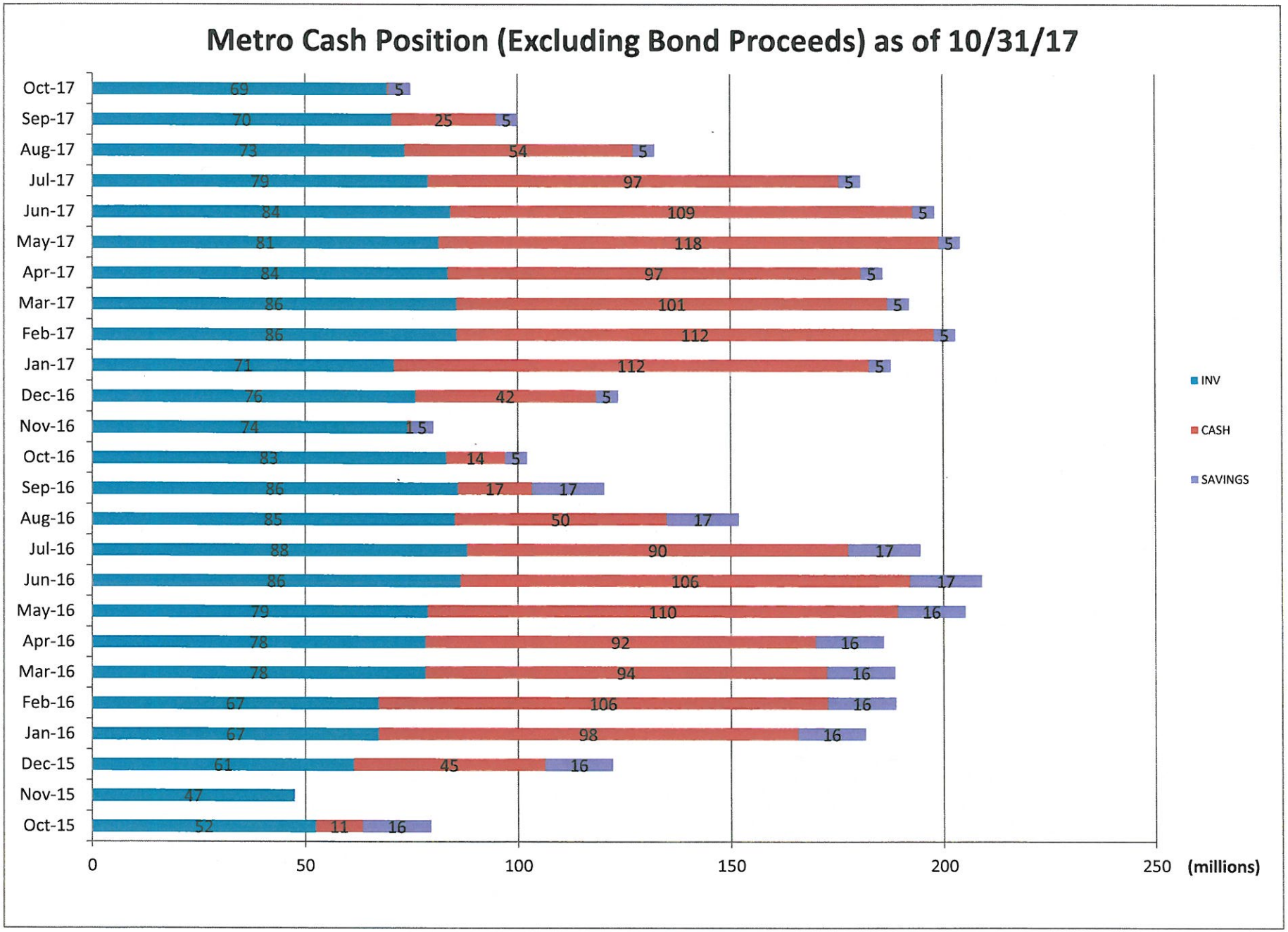
Louisville Metro Investment Council

Louisville METRO

November 13, 2017

PORTFOLIO COMPOSITION


Metro Total Cash Position as of 10/31/17
Oct-17 69 112 5
Sep-17 70 25 47 5
Aug-17 73 54 48 5
Jul-17 79 97 52 5
Jun-17 84 109 55 5
May-17 81 118 63 5
Apr-17 84 97 66 5
Mar-17 86 101 71 5
Feb-17 86 112 81 5
Jan-17 71 112 88 5
Dec-16 76 42 85 5
Nov-16 74 1 86 5
Oct-16 83 14 91 5
Sep-16 86 17 96 17
Aug-16 85 50 31 17
Jul-16 88 90 38 17
Jun-16 86 106 38 17
May-16 79 110 46 16
Apr-16 78 92 49 16
Mar-16 78 94 52 16
Feb-16 67 106 86 16
Jan-16 67 98 86 16
Dec-15 61 45 86 16
Nov-15 47 24
Oct-15 52 11 24 16
0
50
100
150
200
250
300
(millions)
INV
CASH
BOND
SAVINGS


Metro Cash Position (Excluding Bond Proceeds) as of 10/31/17
Oct-17 69 5
Sep-17 70 25 5
Aug-17 73 54 5
Jul-17 79 97 5
Jun-17 84 109 5
May-17 81 118 5
Apr-17 84 97 5
Mar-17 86 101 5
Feb-17 86 112 5
Jan-17 71 112 5
Dec-16 76 42 5
Nov-16 74 15
Oct-16 83 14 5
Sep-16 86 17 17
Aug-16 85 50 17
Jul-16 88 90 17
Jun-16 86 106 17
May-16 79 110 16
Apr-16 78 92 16
Mar-16 78 94 16
Feb-16 67 106 16
Jan-16 67 98 16
Dec-15 61 45 16
Nov-15 47
Oct-15 52 11 16
0
50
100
150
200
250
(millions)
INV
CASH
SAVINGS

Acc Int / Amort / Mkt Val

Lou / Jeff Cty Metro Finance

Effective Interest - Callable Life

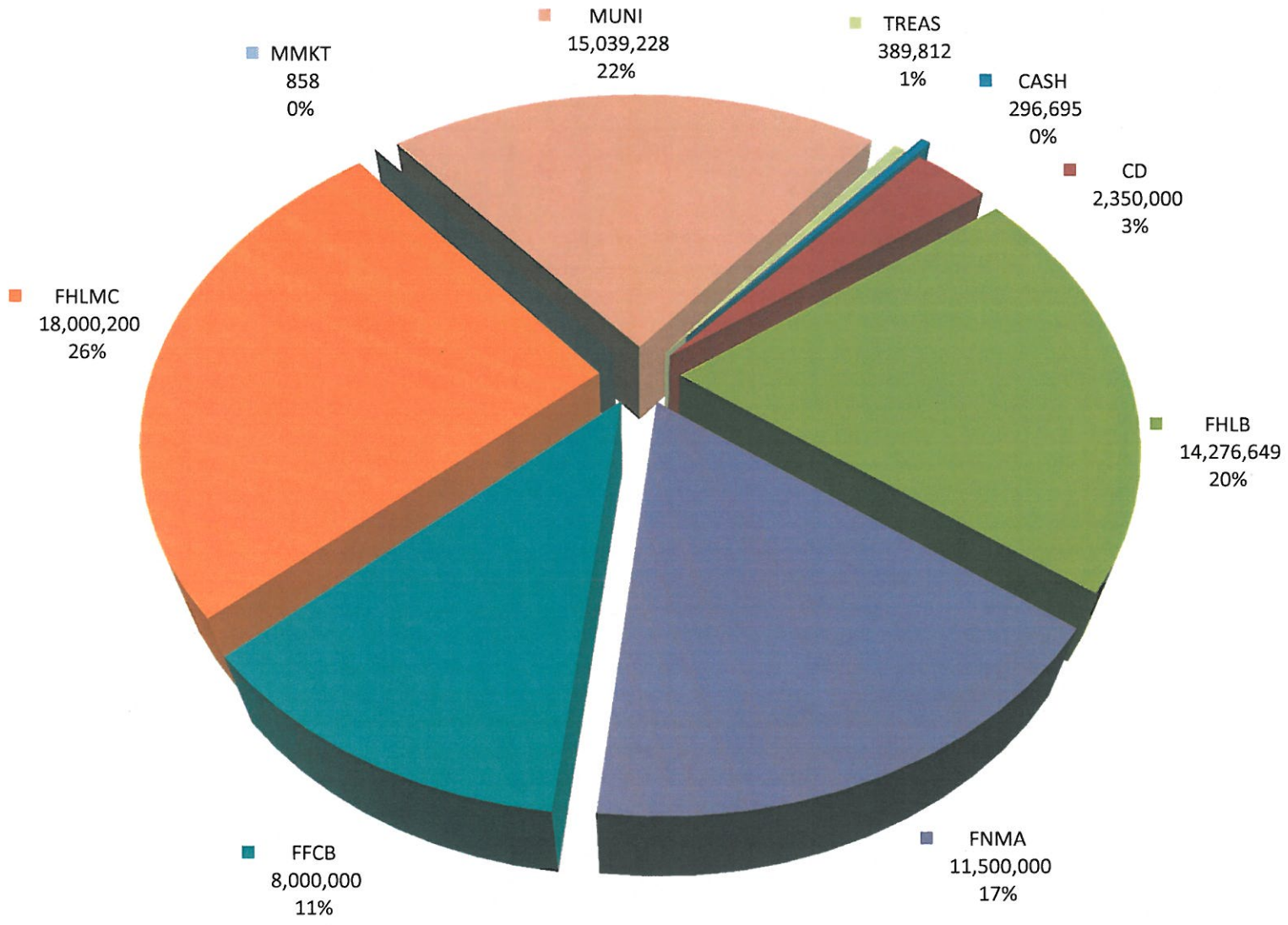
Receipts in Period

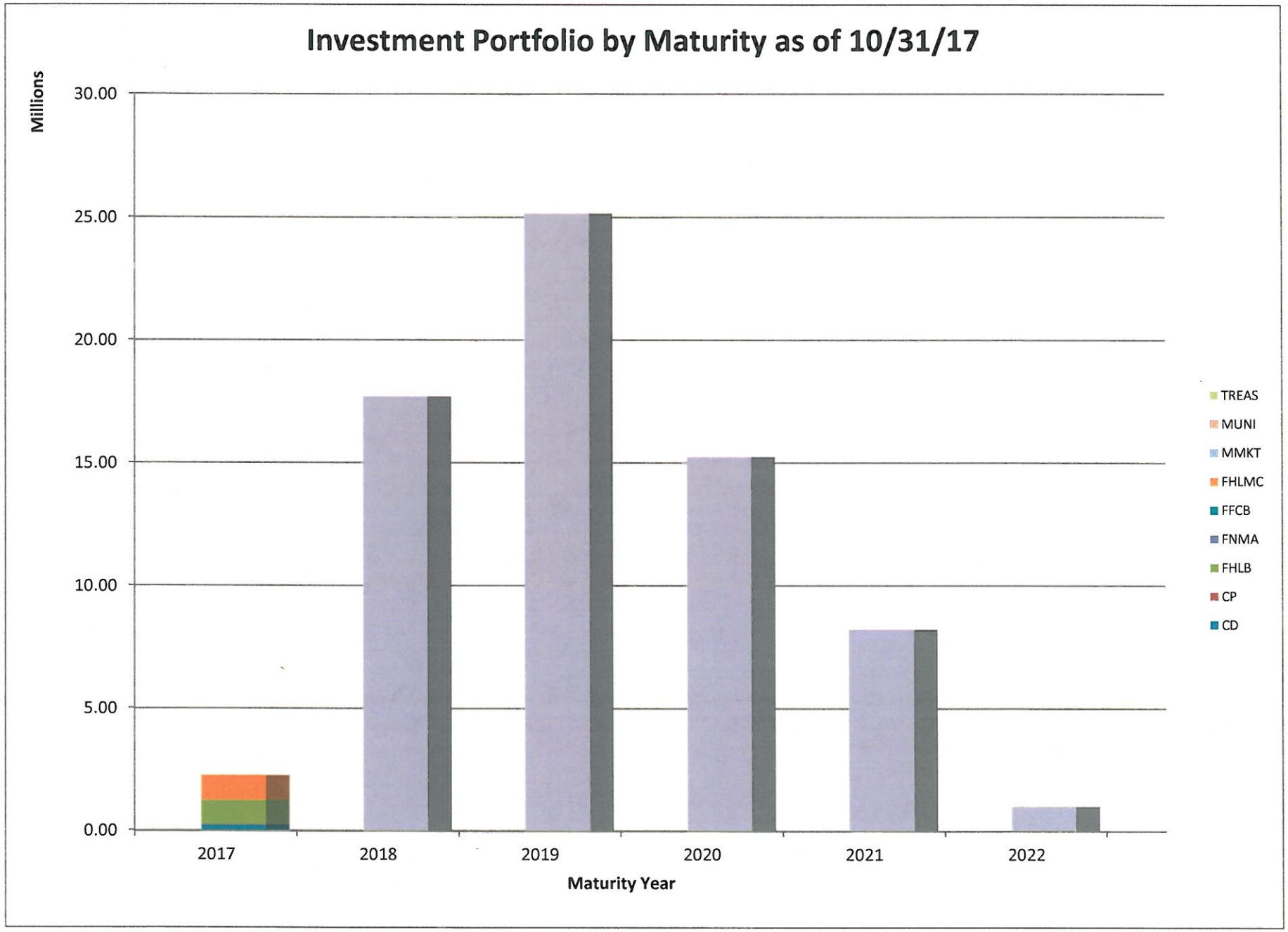
10/31/2017

	Invest Number	CUSIP	Security Description	Call Date	Purchase Date	Ending Par Val/Shares	Ending Amor Val/Cost	Ending Market Val	Amortization Purch/Date	PTD Purch Received	Int/Div Rec Purch/Date	Int/Div Accrued Purch/Date	Purch Int + Acc Int
Cash	AR-0035	TARC OPS FED - 4537544	Cash Account	Open	04/02/03	3,347,165.00	3,347,165.00	3,347,165.00	0.00	0.00	0.00	0.00	0.00
	AR-0043	INV CLEAR JPM - 707637716	Cash Account	Open	07/01/06	1,232.88	1,232.88	1,232.88	0.00	0.00	0.00	0.00	0.00
	AR-0046	METRO CONC 53- 714868609	Cash Account	Open	09/22/08	-19,932,706.84	-19,932,706.84	-19,932,706.84	0.00	0.00	708,653.95	0.00	0.00
	AR-0047	LAGIT 53 - 714868674	Cash Account	Open	10/01/08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	AR-0049	REVCOM 53- 7141868757	Cash Account	Open	11/01/08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	AR-0052	METRO CHASE SAV 2950930897	Cash Account	Open	09/22/10	2,913,932.59	2,913,932.59	2,913,932.59	0.00	0.00	375,666.88	0.00	0.00
	AR-0053	REVCOM CHASE SAV 2950930772	Cash Account	Open	09/14/10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	AR-0054	METRO SAFEKEEPING - 1050996303	Cash Account	Open	12/30/16	13,967,071.85	13,967,071.85	13,967,071.85	0.00	0.00	0.00	0.00	0.00
	Cash Total					**296,695.48**	**296,695.48**	**296,695.48**	**0.00**	**0.00**	**1,084,320.83**	**0.00**	**0.00**
Certificate of Deposit	17-0044	CD1499	YCB 0.1499 11/23/17	Open	12/23/16	250,000.00	250,000.00	250,000.00	0.00	0.00	312.10	8.33	8.33
	17-0071	CD423	METRO 0.75 05/07/18	Open	05/07/17	1,000,000.00	1,000,000.00	1,000,000.00	0.00	0.00	3,143.85	479.17	479.17
	17-0074	CD075	METRO 0.75 06/07/18	Open	06/07/17	1,000,000.00	1,000,000.00	1,000,000.00	0.00	0.00	2,506.86	500.00	500.00
	18-0050	772	METRO 1.05 10/07/18	Open	10/06/17	100,000.00	100,000.00	100,000.00	0.00	0.00	0.00	70.00	70.00
	Certificate of Deposit Total					**2,350,000.00**	**2,350,000.00**	**2,350,000.00**	**0.00**	**0.00**	**5,962.81**	**1,057.50**	**1,057.50**
FFCB	17-0010	3133EGNK7	FFCB 1.32 07/27/20	07/27/17	07/27/16	3,000,000.00	3,000,000.00	2,938,560.00	0.00	0.00	39,600.00	10,340.00	10,340.00
	17-0022	3133EGVJ1	FFCB 1.16 09/26/19	09/26/17	09/27/16	3,000,000.00	3,000,000.00	2,964,690.00	0.00	96.67	34,800.00	3,383.33	3,480.00
	17-0077	3133EHMG5	FFCB 1.80 03/12/21	09/12/17	06/22/17	2,000,000.00	2,000,000.00	1,984,640.00	1,400.00	5,000.00	9,000.00	4,900.00	5,900.00
	FFCB Total					**8,000,000.00**	**8,000,000.00**	**7,887,890.00**	**1,400.00**	**5,096.67**	**83,400.00**	**18,623.33**	**19,720.00**
FHLB	16-0063	313383EP2	FHLB 1.25 06/20/18	09/20/16	06/20/16	2,975,776.00	2,975,776.00	2,973,960.78	-5,951.55	0.00	37,197.16	13,535.65	13,535.65
	16-0071	3130A8JZ7	FHLB 1.22 12/30/19	06/30/17	06/30/16	2,900,000.00	2,900,000.00	2,866,679.00	0.00	0.00	35,380.00	11,891.61	11,891.61
	17-0005	3130A0HY9	FHLB 1.25 12/26/17	Open	07/20/16	1,000,000.00	1,000,823.59	1,000,260.00	-6,876.41	833.33	12,500.00	4,340.28	5,173.61
	17-0034	3130A8RP0	FHLB 1.05 10/26/18	10/26/16	10/11/16	2,000,000.00	2,000,000.00	1,989,900.00	400.00	4,812.50	26,250.00	291.67	4,666.67
	17-0046	3130AAQV3	FHLB 1.67 04/30/20	01/30/18	02/02/17	2,400,000.00	2,400,000.00	2,393,184.00	0.00	6,828.44	20,040.00	10,131.33	10,354.00
	17-0049	3130A4Z54	FHLB 0.95 04/27/18	Open	02/06/17	1,000,000.00	1,000,049.16	998,660.00	-70.84	2,612.50	9,500.00	105.56	2,718.06
	17-0066	3130AAQB7	FHLB 2.00 08/16/21	02/16/18	02/16/17	2,000,000.00	2,000,000.00	1,991,880.00	0.00	0.00	20,000.00	8,333.33	8,333.33
	FHLB Total					**14,275,776.00**	**14,276,648.75**	**14,214,523.78**	**-12,498.80**	**15,086.77**	**160,867.16**	**48,629.43**	**56,672.93**
FHLMC	16-0051	3134G9JT5	FHLMC 1.35 11/26/19	08/26/16	05/26/16	1,500,000.00	1,500,000.00	1,483,530.00	525.00	0.00	20,250.00	8,718.75	8,718.75
	16-0052	3134G9KW6	FHLMC 1.35 11/26/19	08/26/16	05/26/16	2,000,000.00	2,000,000.00	1,982,540.00	2,200.00	0.00	27,000.00	11,625.00	11,625.00
	16-0053	3134G9NL7	FHLMC 1.18 05/31/19	05/24/17	05/31/16	2,000,000.00	2,000,000.00	1,983,400.00	0.00	63.37	23,206.66	9,898.89	9,898.89
	16-0059	3134G9NE3	FHLMC 1.20 06/14/19	06/14/17	06/14/16	2,000,000.00	2,000,000.00	1,983,800.00	0.00	0.00	24,000.00	9,133.33	9,133.33
	16-0066	3134G9XB8	FHLMC 1.00 12/28/18	12/28/16	06/28/16	2,000,000.00	2,000,000.00	1,986,920.00	500.00	0.00	20,000.00	6,833.33	6,833.33
	16-0068	3134G9VS3	FHLMC 1.00 12/28/18	12/28/16	06/28/16	1,000,000.00	1,000,000.00	993,160.00	0.00	0.00	10,000.00	3,416.67	3,416.67
	16-0070	3134G9WJ2	FHLMC 1.20 09/30/19	09/30/16	06/30/16	1,000,000.00	1,000,000.00	986,240.00	0.00	0.00	15,000.00	1,033.33	1,033.33
	16-0072	3134G9YA9	FHLMC 1.01 09/28/18	12/28/16	06/30/16	2,000,000.00	2,000,000.00	1,992,340.00	0.00	2,581.11	25,250.00	1,851.67	1,907.78
	17-0006	3134G45U8	FHLMC 0.85 12/12/17	Open	07/20/16	1,000,000.00	1,000,199.98	999,700.00	-2,240.02	897.22	8,500.00	3,281.94	4,179.16
	17-0016	3134G9W37	FHLMC 1.45 08/10/20	11/10/16	08/10/16	1,500,000.00	1,500,000.00	1,482,900.00	0.00	0.00	21,750.00	4,893.75	4,893.75
	17-0035	3134GAPV0	FHLMC 1.03 10/12/18	01/12/17	10/12/16	2,000,000.00	2,000,000.00	1,990,760.00	0.00	0.00	20,600.00	1,087.22	1,087.22
	FHLMC Total					**18,000,000.00**	**18,000,199.98**	**17,865,290.00**	**984.98**	**3,541.70**	**215,556.66**	**61,773.88**	**62,727.21**
FNMA	16-0046	3135G0J95	FNMA 1.35 10/28/19	10/28/16	05/19/16	1,000,000.00	1,000,000.00	992,530.00	1,000.00	787.50	20,250.00	112.50	900.00
	16-0048	3136G3MQ5	FNMA 1.30 11/25/19	11/25/16	05/25/16	2,000,000.00	2,000,000.00	1,979,880.00	0.00	0.00	26,000.00	11,266.67	11,266.67
	16-0067	3136G3TR6	FNMA 1.05 06/28/19	06/28/17	06/28/16	2,000,000.00	2,000,000.00	1,980,380.00	0.00	0.00	21,000.00	7,175.00	7,175.00
	17-0011	3136G3L37	FNMA 1.125 10/28/19	07/28/17	07/28/16	2,000,000.00	2,000,000.00	1,974,980.00	0.00	0.00	22,500.00	5,812.50	5,812.50
	17-0025	3136G34K8	FNMA 1.125 09/09/19	03/09/17	09/28/16	2,500,000.00	2,500,000.00	2,471,575.00	1,250.00	1,484.38	28,125.00	4,062.50	5,546.88
	17-0048	3136G4KD4	FNMA 1.75 06/29/20	06/29/17	02/03/17	2,000,000.00	2,000,000.00	1,992,560.00	0.00	3,305.56	17,500.00	11,861.11	15,166.67
	FNMA Total					**11,500,000.00**	**11,500,000.00**	**11,391,905.00**	**2,250.00**	**5,577.44**	**135,375.00**	**40,290.28**	**45,867.72**
Money Market	AR-0001	MMKT FED - 5000638	Money Market	Open	07/01/99	158.35	158.35	158.35	0.00	0.00	1,652,552.68	0.07	0.07
	AR-0006	TARC FED - 4485281	Money Market	Open	07/01/99	0.00	0.00	0.00	0.00	0.00	30.61	0.00	0.00
	AR-0025	MMKT JPM - 468885	Money Market	Open	09/19/02	700.07	700.07	700.07	0.00	0.00	1,339,161.00	0.13	0.13
	Money Market Total					**858.42**	**858.42**	**858.42**	**0.00**	**0.00**	**2,991,744.29**	**0.20**	**0.20**
Municipal Bond	15-0023	468714EA4	JACEDU 1.693 03/01/18	Open	02/26/15	1,000,000.00	1,000,634.53	1,000,050.00	-4,995.47	0.00	43,077.38	2,821.67	2,821.67
	15-0025	581760AC9	MCLAREN CNTY MI 1.964 05/15/18	Open	04/02/15	730,000.00	731,798.50	728,540.00	-8,421.50	0.00	30,466.55	6,611.04	6,690.69
	15-0045	613357AF9	MONTG CO 2.44 11/01/19	Open	06/25/15	500,000.00	506,223.29	507,295.00	-7,026.71	1,830.00	24,400.00	6,100.00	7,930.00
	16-0007	650035J58	NY URBAN DEV TXBL 1.65 03/15/18	Open	12/08/15	500,000.00	500,460.54	500,420.00	-2,309.46	1,902.08	16,500.00	1,054.17	2,956.25
	16-0065	64971WF39	NYC TRAN FIN AUTH-SUB 1.69 02/01/21	Open	06/23/16	1,350,000.00	1,355,962.71	1,334,826.00	-2,393.79	4,999.58	29,152.49	5,703.75	9,633.00
	17-0004	047681NZ0	ATLANTA ETC REC 2.41 12/01/19	Open	07/22/16	720,000.00	735,624.42	724,881.60	-9,345.18	2,440.96	17,291.17	7,230.00	9,688.20
	17-0012	555542LS6	MACON-BIBB CNTY GA 3.00 12/01/20	Open	08/01/16	425,000.00	444,792.33	435,761.00	-7,773.17	2,104.72	12,689.17	5,312.50	7,437.50
	17-0027	64990E4G9	NY DORM AUTH C-TXBL 1.10 02/15/20	Open	09/30/16	1,000,000.00	1,000,000.00	985,650.00	0.00	1,138.20	10,052.78	2,322.22	2,750.00

	17-0028	64990EEL7	NYS DORM AUTH C-TXBL 2.12 03/15/21	Open	09/30/16	2,000,000.00	2,037,296.42	2,005,440.00	-11,603.58	1,766.67	42,400.00	5,417.78	7,184.45
	17-0029	64971WN97	NY TRANSITION TXBL 1.35 08/01/20	Open	09/30/16	2,625,000.00	2,639,169.40	2,579,482.50	-5,465.60	4,162.27	30,417.19	8,859.38	9,646.88
	17-0032	597137GZ5	MIDDLETOWN OH 2.053 12/01/20	Open	10/07/16	400,000.00	407,245.88	400,440.00	-2,430.12	2,831.62	8,151.17	3,421.67	6,113.38
	17-0051	696624AV7	CA PDTDEV 2.75 10/01/22	Open	02/06/17	1,000,000.00	997,716.36	1,007,070.00	336.36	3,235.92	18,409.72	2,291.67	2,750.00
	17-0059	485429Y32	KANSAS ST DEV AUTH 2.608 04/15/20	Open	02/08/17	775,000.00	788,100.16	782,246.25	-3,771.59	6,344.32	20,212.00	898.31	7,242.63
	17-0075	041042ZV7	ARKANSAS ST 2.875 06/01/21	Open	06/09/17	800,000.00	828,928.54	818,888.00	-3,071.46	0.00	0.00	9,072.22	9,583.33
	17-0076	64966HYC8	NEW YORK GO 4.774 03/01/20	Open	06/27/17	1,000,000.00	1,065,275.21	1,066,430.00	-9,384.79	15,382.89	23,870.00	7,956.67	23,339.56
	Municipal Bond Total					**14,825,000.00**	**15,039,228.29**	**14,877,420.35**	**-77,656.06**	**48,139.23**	**327,089.62**	**75,073.05**	**115,767.54**
Treasury Note	14-0020	912828VK3	Treasury Note 1.375 06/30/18	Open	04/29/14	390,000.00	389,811.74	390,031.20	969.55	1,762.81	18,768.75	1,806.93	3,569.74
	Treasury Note Total					**390,000.00**	**389,811.74**	**390,031.20**	**969.55**	**1,762.81**	**18,768.75**	**1,806.93**	**3,569.74**
	Investment Total					**69,638,329.90**	**69,853,442.66**	**69,274,614.23**	**-84,550.33**	**79,204.62**	**5,023,085.12**	**247,254.60**	**305,382.84**

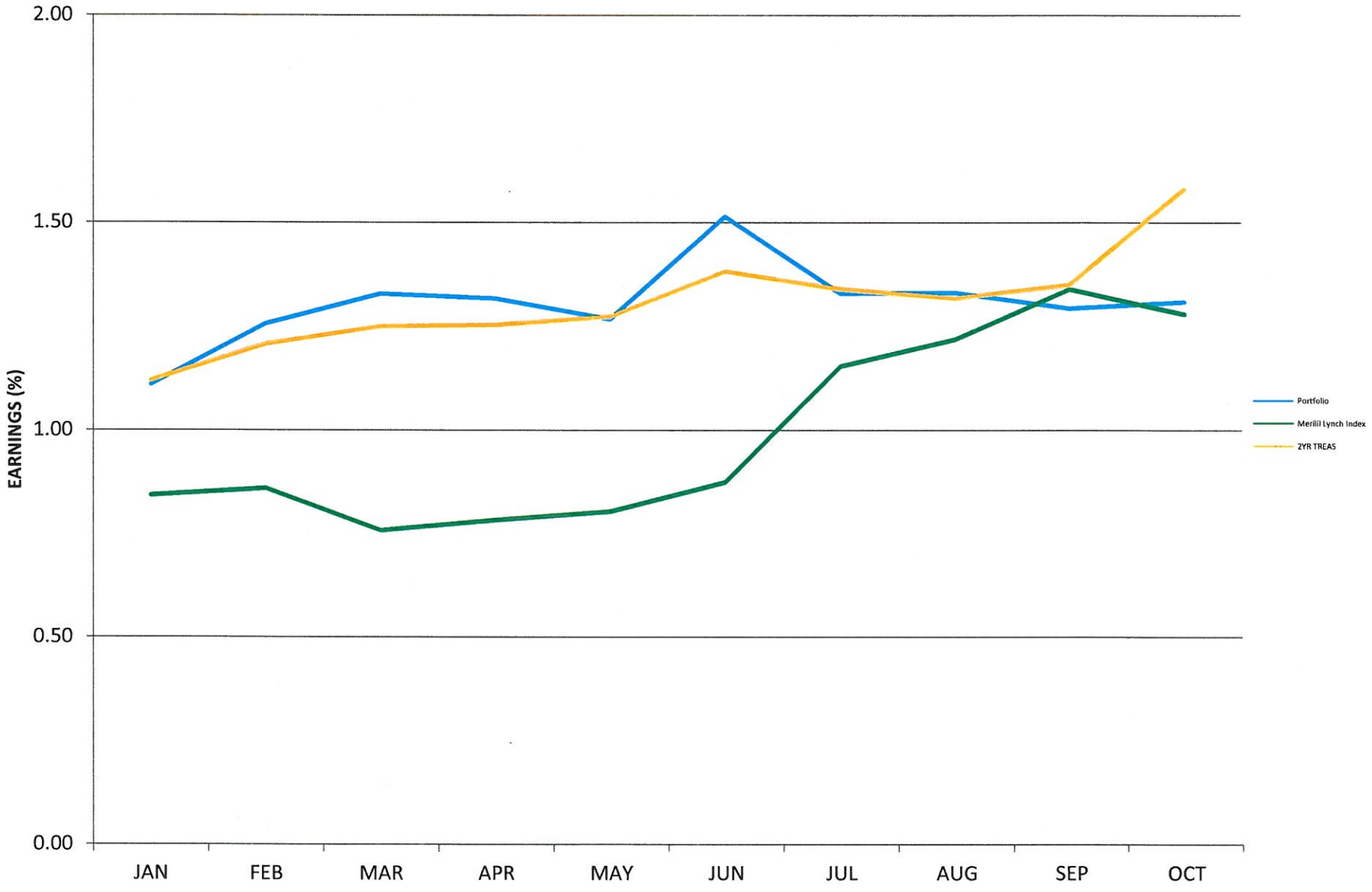
Total Portfolio Asset Allocation as of 10/31/2017




Investment Portfolio by Maturity as of 10/31/17
Millions
30.00
25.00
20.00
15.00
10.00
5.00
0.00
2017
2018
2019
2020
2021
2022
Maturity Year
TREAS
MUNI
MMKT
FHLMC
FFCB
FNMA
FHLB
CP
CD

PORTFOLIO PERFORMANCE

Portfolio Performance as of 10/31/17



DATA ANALYSIS

Metro Cash Position

Overall balances increased in the month of October but due to the receipt of funds from issuing bonds as opposed to an increase in revenues. Actual cash on hand declined as we saw some larger one-time payments come due as expected. With an extra pay period falling in the month, we also say an uptick in our monthly payment to KRS. Moving forward, we should start seeing cash balances increase as tax revenues are remitted.

Asset Allocation

With cash balances declining, we saw a 5%-7% jump in the allocated percentages of agencies and municipal bonds. Again, this is due to declining cash balances as opposed to over extending on the allocation allowed by policy. Little change is expected until tax revenues are received as stated above.

Maturity Distribution

No change in the distribution over last month with the exception of some maturing funds in the 2017 range but no other calls or sells occurred. Any excess funds will be used to fill in gaps in the laddered portfolio structure.

Portfolio Performance

Portfolio performance continues to lag behind the 2yr Treas. This is somewhat expected as matured funds are being used for capital projects as opposed to being reinvested at current rates. This trend will continue until Metro has excess funds that can be invested.

ECONOMIC UPDATE

ECONOMIC UPDATE

This month, the overall message remains the same. Numbers look great as we've had back-to-back 3%+ quarterly GDP prints, cycle lows on the Unemployment Rate, and a stronger than expected CPI number. Couple that with the progress being seen in both Houses of Congress in regards to tax reform and things are looking good. So good, in fact, that economists have begun to predict more rate hikes in 2018. Some economists have even gone as far as predicting a total of 5 rate hikes for 2018 in addition to the now 92% probability of a rate hike in December 2017.

I had the luxury of attending a presentation by James Bullard recently who spoke to this topic and to paraphrase, let's pump the brakes for a second. One of the major players in all of this, and the one resulting in the most differing opinions amongst FOMC members is inflation which likely isn't moving anytime soon. Mr. Bullard's speech centered around inflation and the impact it can have on monetary policy but the main takeaway is that inflation is still short of the Fed's 2% goal and appears to be moving more sluggishly than originally anticipated. It's moving at such a slow pace that the Fed has already revised its target achievement date to 2019.

It's important to point out that Mr. Bullard has a more dovish approach but notes that traditional methods have not worked as well as they've hoped. While unemployment numbers are good, it's expected that lower unemployment numbers would do little in the way of moving inflation. One example illustrated that even if the unemployment rate fell to 3%, it would only translate to a 0.1% movement in the inflation numbers. It's unlikely that unemployment reaches 3% which speaks to the minimal change inflation would see if this did change.

In addition to unemployment, Mr. Bullard also spoke to the issue of raising rates. While Mr. Bullard admitted that the numbers suggest that raising rates appears to be the appropriate response, the FOMC should consider whether or not they should raise rates despite what the numbers say. There has been growing concern over the flattening yield curve and its long-term impact. Historically, movement towards an inverted yield curve can signal the beginning of a recession. While that wasn't the tone Mr. Bullard projected, it is certainly something to keep an eye on.

The last item he touched on was the GDP numbers. Yes, posting back-to-back quarterly numbers of 3%+ is a great achievement but Mr. Bullard cautioned that this success will be short lived and GDP is expected to fall back around 1.5% for the first part of 2018. These items coupled with the reduction in the Fed's balance sheet and we'll have to see what happens. I do agree that a December rate hike is likely but beyond that, it's unclear. The dot-plots have already been revised several times this year and I think that's a likely trend for the future and one to keep an eye on along with the progress, or lack thereof, when it comes to inflation.

Total Portfolio Shock Table

Lou / Jeff Cty Metro Finance

Effective Interest - Actual Life

Receipts in Period

10/31/2017

Data Category	Down 300	Down 200	Down 100	Current	Up 100	Up 200	Up 300
Current Par	69,340,776.00	69,340,776.00	69,340,776.00	69,340,776.00	69,340,776.00	69,340,776.00	69,340,776.00
Amor. Cost	69,553,119.08	69,553,119.08	69,553,119.08	69,553,119.08	69,553,119.08	69,553,119.08	69,553,119.08
Market Value	68,769,038.00	68,838,378.77	68,907,719.55	68,977,060.33	69,046,401.10	69,115,741.88	69,185,082.65
% Change	-0.30 (0.10)	-0.20 (0.10)	-0.10 (0.10)	0.00 (0.10)	0.10 (0.10)	0.20 (0.10)	0.30 (0.10)
Market Price	99.18	99.28	99.38	99.48	99.58	99.68	99.78
Market Yield	2.0037	1.9174	1.8312	1.7452	1.6593	1.5736	1.488
Gain / Loss	-784,081.08	-714,740.31	-645,399.53	-576,058.75	-506,717.98	-437,377.20	-368,036.43

The table above represents the interest rate risk of the investment portfolio of individual fixed incomesecurities. By adjusting current market rates and by using the matrix pricing technique, the portfolio wassubjected to an immediate interest rate shock of plus or minus 300 basis points. The results in weightedaverage total is presented above which details the projected market value, market price, total unrealizedgain (loss) and percentage market value change from the current interest rate environment.