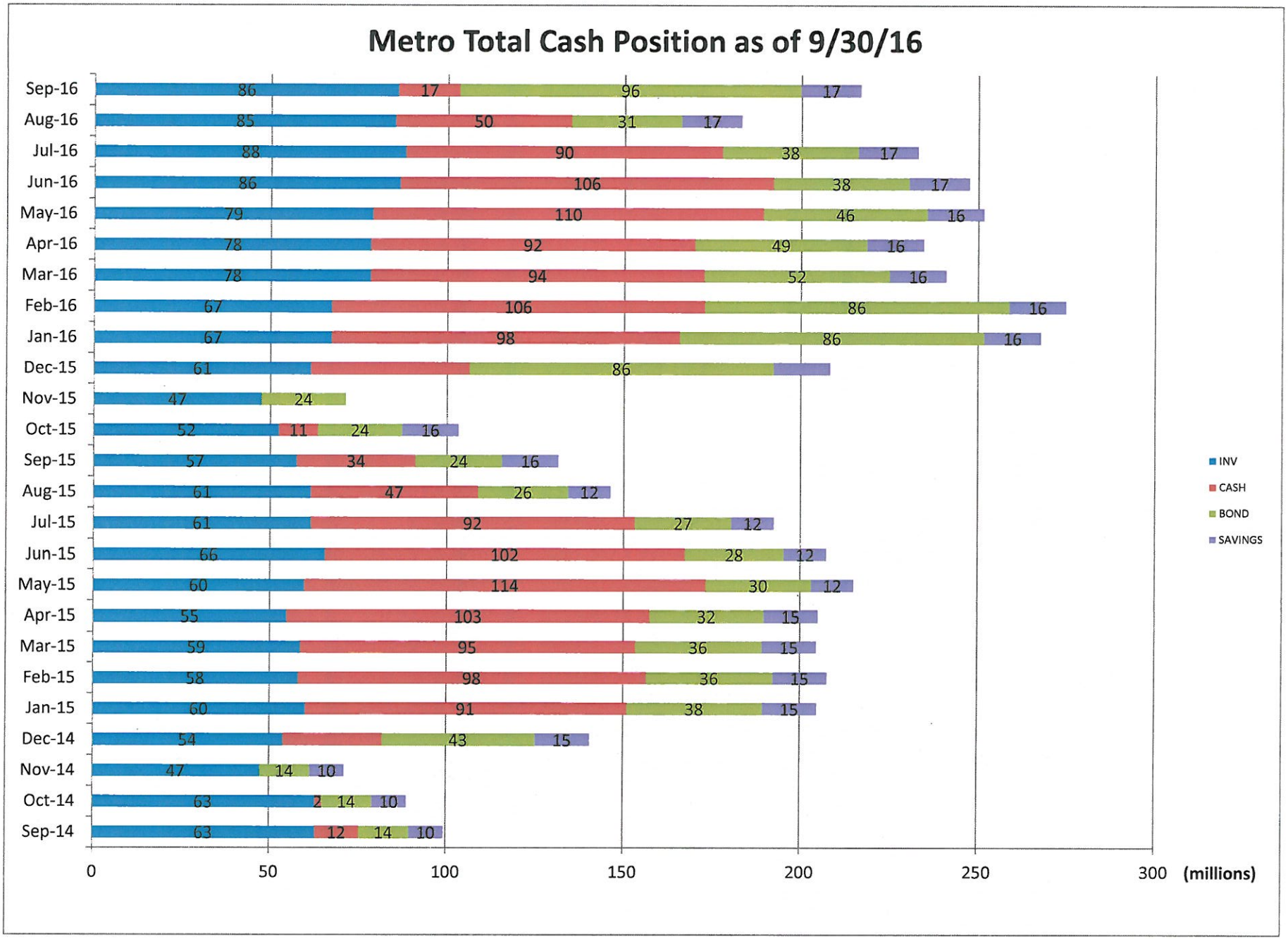
Louisville Metro Investment Council

Louisville Metro

October 7, 2016

PORTFOLIO COMPOSITION


Metro Total Cash Position as of 9/30/16
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 86
Nov-15 47 24
Oct-15 52 11 24 16
Sep-15 57 34 24 16
Aug-15 61 47 26 12
Jul-15 61 92 27 12
Jun-15 66 102 28 12
May-15 60 114 30 12
Apr-15 55 103 32 15
Mar-15 59 95 36 15
Feb-15 58 98 36 15
Jan-15 60 91 38 15
Dec-14 54 43 15
Nov-14 47 14 10
Oct-14 63 2 14 10
Sep-14 63 12 14 10
0 50 100 150 200 250 300 (millions)
INV
CASH
BOND
SAVINGS

Acc Int / Amort / Mkt Val

Lou / Jeff Cty Metro Finance

Effective Interest - Callable Life

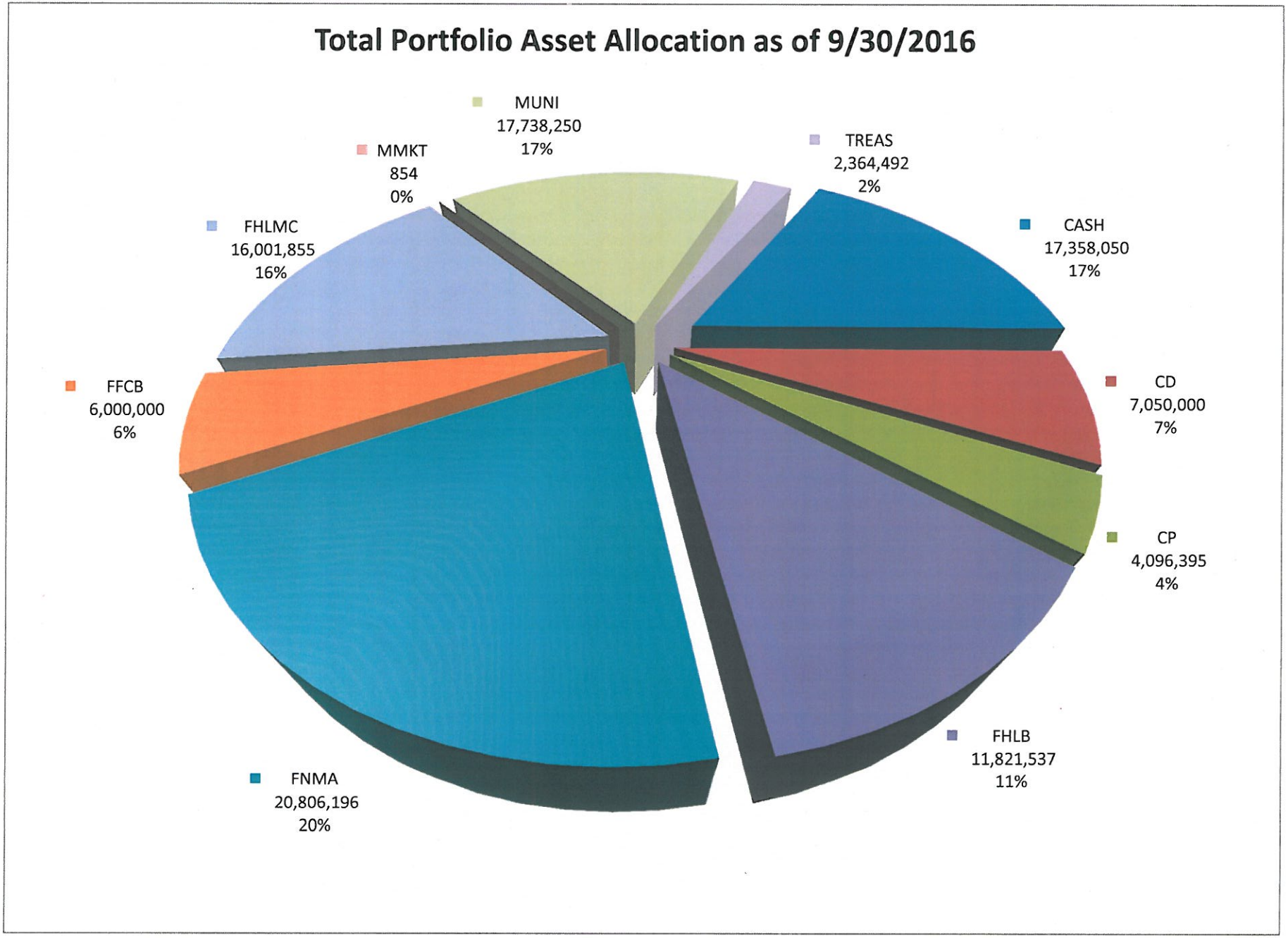
Receipts in Period

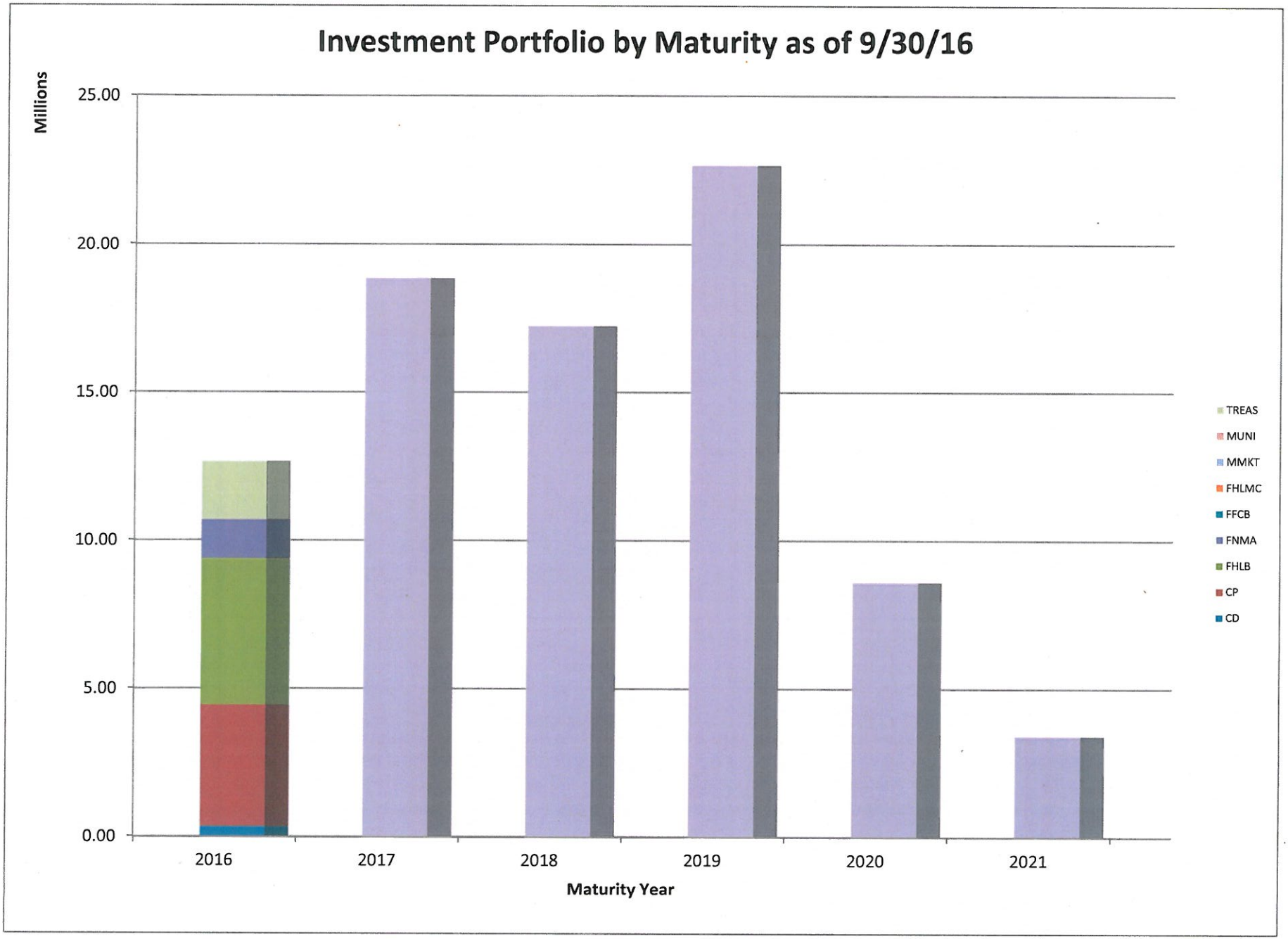
9/30/2016

	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	7,568,914.74	7,568,914.74	7,568,914.74	0.00	0.00	0.00	0.00	0.00
	AR-0046	METRO CONC 53- 714868609	Cash Account		Open	09/22/08	-6,467,740.35	-6,467,740.35	-6,467,740.35	0.00	0.00	594,499.29	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	12,909,710.33	12,909,710.33	12,909,710.33	0.00	0.00	371,444.61	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
	Cash Total						**17,358,049.72**	**17,358,049.72**	**17,358,049.72**	**0.00**	**0.00**	**965,943.90**	**0.00**	**0.00**
Certificate of Deposit	16-0004	CD0772	METRO 0.45 10/07/16		Open	10/07/15	100,000.00	100,000.00	100,000.00	0.00	0.00	414.26	28.75	28.75
	16-0020	CD1499	YCB 0.17 12/23/16		Open	01/23/16	250,000.00	250,000.00	250,000.00	0.00	0.00	275.96	8.26	8.26
	16-0040	CD423	METRO 0.50 05/07/17		Open	05/10/16	1,000,000.00	1,000,000.00	1,000,000.00	0.00	0.00	1,684.94	319.44	319.44
	16-0047	CD864	COMM 0.60 05/16/17		Open	05/16/16	200,000.00	200,000.00	200,000.00	0.00	0.00	404.38	46.67	46.67
	16-0057	CD075	METRO 0.50 06/07/17		Open	06/07/16	1,000,000.00	1,000,000.00	1,000,000.00	0.00	0.00	1,260.28	319.44	319.44
	17-0007	CD0695	COMM 0.60 07/09/17		Open	07/09/16	4,500,000.00	4,500,000.00	4,500,000.00	0.00	0.00	4,580.27	1,575.00	1,575.00
	Certificate of Deposit Total						**7,050,000.00**	**7,050,000.00**	**7,050,000.00**	**0.00**	**0.00**	**8,620.09**	**2,297.56**	**2,297.56**
Commercial Paper	17-0008	37362HLM6	GEORGIA TRANS CORP CP 0.00 11/21/16		Open	07/25/16	4,100,000.00	4,096,394.61	4,099,024.90	4,797.33	0.00	0.00	0.00	0.00
	Commercial Paper Total						**4,100,000.00**	**4,096,394.61**	**4,099,024.90**	**4,797.33**	**0.00**	**0.00**	**0.00**	**0.00**
FFCB	17-0010	3133EGNK7	FFCB 1.32 07/27/20		07/27/17	07/27/16	3,000,000.00	3,000,000.00	2,995,530.00	0.00	0.00	0.00	7,040.00	7,040.00
	17-0022	3133EGVJ1	FFCB 1.16 09/26/19		09/26/17	09/27/16	3,000,000.00	3,000,000.00	2,996,610.00	0.00	0.00	0.00	386.67	483.34
	FFCB Total						**6,000,000.00**	**6,000,000.00**	**5,992,140.00**	**0.00**	**0.00**	**0.00**	**7,426.67**	**7,523.34**
FHLB	16-0006	3130A3J70	FHLB 0.625 11/23/16		Open	12/08/15	2,000,000.00	1,999,695.16	2,000,920.00	1,715.16	520.83	6,250.00	4,444.44	4,965.27
	16-0013	3130A3J70	FHLB 0.625 11/23/16		Open	01/11/16	2,940,000.00	2,939,421.56	2,941,352.40	2,890.76	2,450.00	9,187.50	6,533.33	8,983.33
	16-0063	313383EP2	FHLB 1.25 06/20/18		09/20/16	06/20/16	2,975,776.00	2,975,776.00	2,979,436.20	-5,951.55	0.00	0.00	10,435.88	10,435.88
	16-0071	3130A8JZ7	FHLB 1.22 12/30/19		06/30/17	06/30/16	2,900,000.00	2,900,000.00	2,900,667.00	0.00	0.00	0.00	8,943.28	8,943.28
	17-0005	3130A0HY9	FHLB 1.25 12/26/17		Open	07/20/16	1,000,000.00	1,006,644.66	1,005,610.00	-1,055.34	0.00	0.00	2,465.28	3,298.61
	FHLB Total						**11,815,776.00**	**11,821,537.38**	**11,827,985.60**	**-2,400.97**	**2,970.83**	**15,437.50**	**32,822.21**	**36,626.37**
FHLMC	16-0051	3134G9JT5	FHLMC 1.35 11/26/19		08/26/16	05/26/16	1,500,000.00	1,500,000.00	1,500,375.00	525.00	0.00	0.00	7,031.25	7,031.25
	16-0052	3134G9KW6	FHLMC 1.35 11/26/19		08/26/16	05/26/16	2,000,000.00	2,000,000.00	2,000,040.00	2,200.00	0.00	0.00	9,375.00	9,375.00
	16-0053	3134G9NL7	FHLMC 1.18 05/31/19		05/24/17	05/31/16	2,000,000.00	2,000,000.00	2,002,280.00	0.00	0.00	0.00	7,866.67	7,866.67
	16-0059	3134G9NE3	FHLMC 1.20 06/14/19		06/14/17	06/14/16	2,000,000.00	2,000,000.00	2,001,020.00	0.00	0.00	0.00	7,133.33	7,133.33
	16-0066	3134G9XB8	FHLMC 1.00 12/28/18		12/28/16	06/28/16	2,000,000.00	1,999,758.33	1,997,400.00	258.33	0.00	0.00	5,166.67	5,166.67
	16-0068	3134G9VS3	FHLMC 1.00 12/28/18		12/28/16	06/28/16	1,000,000.00	1,000,000.00	1,000,170.00	0.00	0.00	0.00	2,583.33	2,583.33
	16-0070	3134G9WJ2	FHLMC 1.20 09/30/19		09/30/16	06/30/16	1,000,000.00	1,000,000.00	1,000,110.00	0.00	0.00	3,000.00	33.33	33.33
	16-0072	3134G9YA9	FHLMC 1.01 09/28/18		12/28/16	06/30/16	2,000,000.00	2,000,000.00	1,997,160.00	0.00	2,581.11	5,050.00	168.33	224.44
	17-0006	3134G45U8	FHLMC 0.85 12/12/17		Open	07/20/16	1,000,000.00	1,002,096.49	1,000,990.00	-343.51	0.00	0.00	1,676.39	2,573.61
	17-0016	3134G9W37	FHLMC 1.45 08/10/20		11/10/16	08/10/16	1,500,000.00	1,500,000.00	1,498,980.00	0.00	0.00	0.00	3,081.25	3,081.25
	FHLMC Total						**16,000,000.00**	**16,001,854.82**	**15,998,525.00**	**2,639.82**	**2,581.11**	**8,050.00**	**44,115.55**	**45,068.88**
FNMA	12-0018	3135G0GY3	FNMA 1.25 01/30/17		Open	06/17/16	5,000,000.00	5,004,028.52	5,013,000.00	-8,128.14	0.00	31,250.00	10,590.28	34,375.00
	15-0015	3136FPNA1	FNMA 2.25 10/12/16		Open	12/07/15	1,300,000.00	1,300,676.04	1,300,702.00	-21,418.92	0.00	14,625.00	13,731.25	18,200.00
	15-0027	3136G2GU5	FNMA 1.125 04/30/18		10/30/15	04/30/15	2,000,000.00	2,000,000.00	2,000,440.00	0.00	0.00	22,500.00	9,437.50	9,437.50
	16-0024	3135G0PP2	FNMA 1.00 09/20/17		Open	03/11/16	3,000,000.00	3,002,887.73	3,007,770.00	-1,642.27	14,250.00	30,000.00	916.67	15,166.67
	16-0046	3135G0J95	FNMA 1.35 10/28/19		10/28/16	05/19/16	1,000,000.00	999,830.19	1,000,040.00	830.19	0.00	0.00	4,950.00	5,737.50
	16-0048	3136G3MQ5	FNMA 1.30 11/25/19		11/25/16	05/25/16	2,000,000.00	2,000,000.00	2,000,700.00	0.00	0.00	0.00	9,100.00	9,100.00
	16-0067	3136G3TR6	FNMA 1.05 06/28/19		06/28/17	06/28/16	2,000,000.00	2,000,000.00	1,997,220.00	0.00	0.00	0.00	5,425.00	5,425.00
	17-0011	3136G3L37	FNMA 1.125 10/28/19		07/28/17	07/28/16	2,000,000.00	2,000,000.00	1,995,840.00	0.00	0.00	0.00	7,875.00	7,875.00
	17-0025	3136G34K8	FNMA 1.125 09/09/19		03/09/17	09/28/16	2,500,000.00	2,498,773.29	2,495,475.00	23.29	0.00	0.00	234.38	1,718.76
	FNMA Total						**20,800,000.00**	**20,806,195.77**	**20,811,187.00**	**-30,335.85**	**14,250.00**	**98,375.00**	**62,260.08**	**107,035.43**
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	0.05	0.05
	AR-0006	TARC FED - 4485281	Money Market		Open	07/01/99	1.22	1.22	1.22	0.00	0.00	30.61	0.00	0.00
	AR-0025	MMKT JPM - 468885	Money Market		Open	09/19/02	693.95	693.95	693.95	0.00	0.00	1,339,160.99	0.27	0.27
	Money Market Total						**853.52**	**853.52**	**853.52**	**0.00**	**0.00**	**2,991,744.28**	**0.32**	**0.32**
Municipal Bond	13-0025	76221RTS2	RHODE ISLAND 1.551 10/01/17		Open	02/25/13	825,000.00	826,233.50	825,569.25	-4,294.00	177.72	39,844.54	6,397.88	6,575.60
	15-0010-01	20772JWV0	CONN ST-A-TXBL 1.60 09/01/18		Open	09/19/14	2,630,000.00	2,625,390.00	2,647,384.30	4,726.50	2,104.00	87,606.62	0.00	2,454.66
	15-0010-02	20772JWV0	CONN ST-A-TXBL 1.60 09/01/18		Open	09/19/14	2,000,000.00	1,996,494.29	2,013,220.00	3,594.29	1,600.00	66,621.01	0.00	1,866.67
	15-0023	468714EA4	JACEDU 1.693 03/01/18		Open	02/26/15	1,000,000.00	1,002,677.90	1,010,420.00	-2,952.10	0.00	26,147.38	1,410.83	1,410.83
	15-0025	581760AC9	MCLAREN CNTY MI 1.964 05/15/18		Open	04/02/15	730,000.00	735,370.63	732,649.90	-4,849.37	0.00	16,129.35	5,416.28	5,495.93
	15-0045	613357AF9	MONTG CO 2.44 11/01/19		Open	06/25/15	500,000.00	509,501.16	519,260.00	-3,748.84	1,830.00	12,200.00	5,083.33	6,913.33

	16-0007	650035J58	NY URBAN DEV TXBL 1.65 03/15/18	Open	12/08/15	500,000.00	501,788.81	505,070.00	-981.19	1,902.08	8,250.00	366.67	2,268.75
	16-0054	49130TNY8	KY HSG CORP 1.879 01/01/17	Open	06/01/16	1,290,000.00	1,294,303.17	1,290,322.50	-5,733.03	10,099.63	12,119.55	6,059.78	16,159.41
	16-0065	64971WF39	NYC TRAN FIN AUTH-SUB 1.69 02/01/21	Open	06/23/16	1,350,000.00	1,357,885.09	1,363,243.50	-471.41	4,999.58	6,337.49	3,802.50	7,731.75
	17-0004	047681NZ0	ATLANTA ETC REC 2.41 12/01/19	Open	07/22/16	720,000.00	743,575.96	742,816.80	-1,393.64	0.00	0.00	3,325.80	5,784.00
	17-0012	555542LS6	MACON-BIBB CNTY GA 3.00 12/01/20	Open	08/01/16	425,000.00	451,538.02	450,585.00	-1,027.48	0.00	0.00	2,125.00	4,250.00
	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	996,840.00	0.00	0.00	0.00	30.56	458.34
	17-0028	64990EEL7	NYS DORM AUTH C-TXBL 2.12 03/15/21	Open	09/30/16	2,000,000.00	2,048,870.50	2,036,500.00	-29.50	0.00	0.00	117.78	1,884.45
	17-0029	64971WN97	NY TRANSITION TXBL 1.35 08/01/20	Open	09/30/16	2,625,000.00	2,644,621.15	2,632,035.00	-13.85	0.00	0.00	98.44	885.94
	Municipal Bond Total					**17,595,000.00**	**17,738,250.18**	**17,765,916.25**	**-17,173.62**	**22,713.01**	**275,255.94**	**34,234.85**	**64,139.66**
Treasury Note	14-0020	912828VK3	Treasury Note 1.375 06/30/18	Open	04/29/14	390,000.00	389,507.57	394,083.30	665.38	1,762.81	13,406.25	1,355.20	3,118.01
	16-0014	912828WA4	Treasury Note 0.625 10/15/16	Open	01/11/16	1,975,000.00	1,974,984.57	1,975,316.00	293.16	2,967.90	6,171.88	5,699.71	8,667.61
	Treasury Note Total					**2,365,000.00**	**2,364,492.14**	**2,369,399.30**	**958.54**	**4,730.71**	**19,578.13**	**7,054.91**	**11,785.62**
	Investment Total					**103,084,679.24**	**103,237,628.14**	**103,273,081.29**	**-41,514.75**	**47,245.66**	**4,383,004.84**	**190,212.15**	**274,477.18**

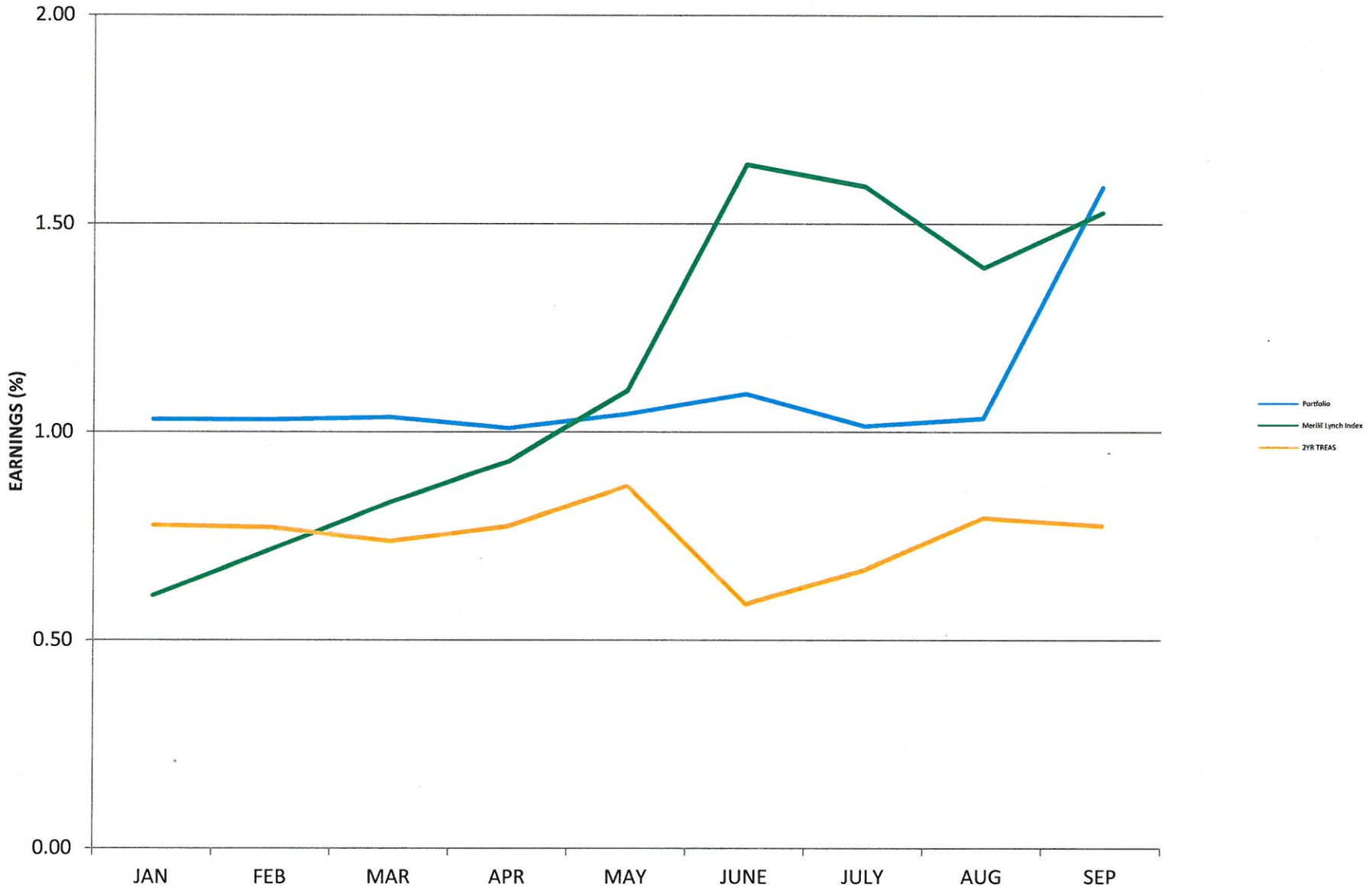
Total Portfolio Asset Allocation as of 9/30/2016




Investment Portfolio by Maturity as of 9/30/16
Millions
25.00
20.00
15.00
10.00
5.00
0.00
2016
2017
2018
2019
2020
2021
Maturity Year
TREAS
MUNI
MMKT
FHLMC
FFCB
FNMA
FHLB
CP
CD

PORTFOLIO PERFORMANCE

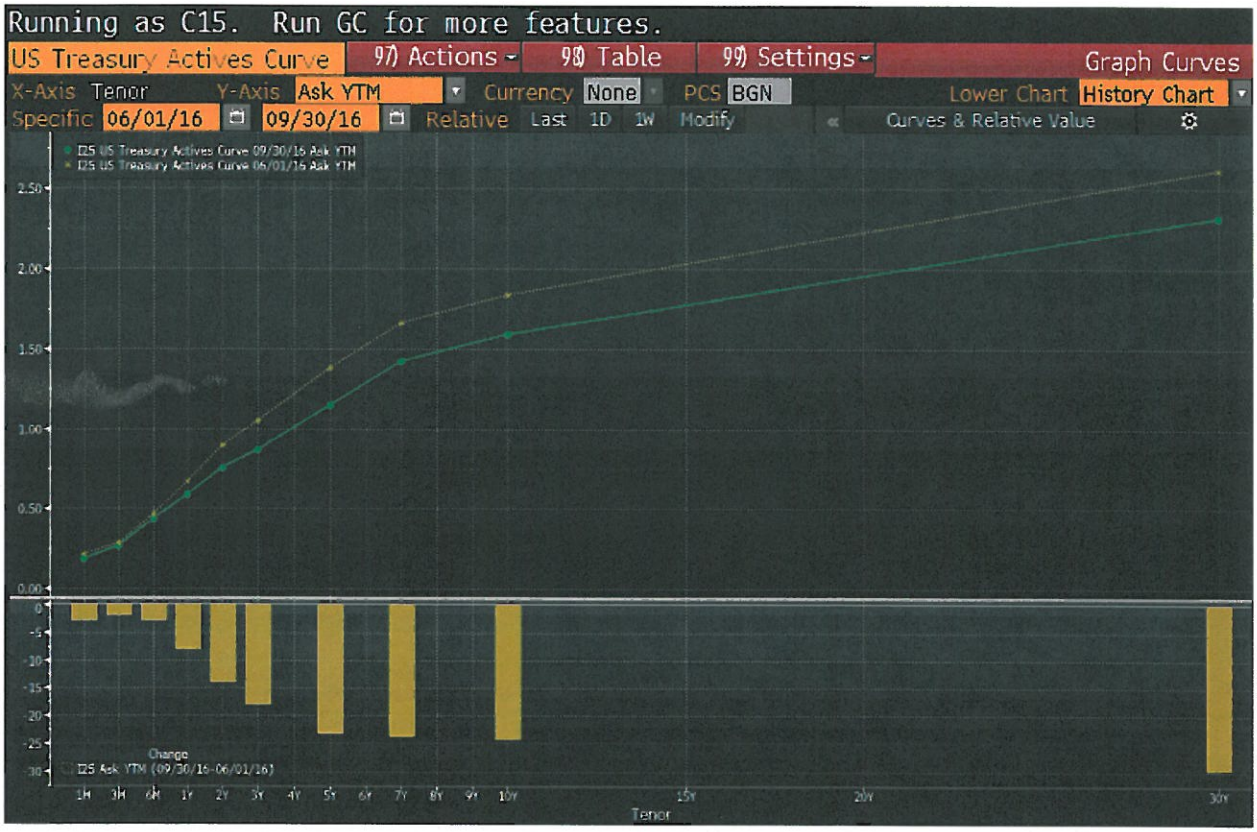
Portfolio Performance as of 09/30/16



ECONOMIC UPDATE

ECONOMIC OUTLOOK

Over the last quarter, we've seen the yield curve flatten. The 2yr is down 14 points while the 10yr is down 24 points. You now have to look at 4yr maturities to earn northwards of 1% on your investment.



There are several reasons that could explain why this has occurred:

1. Expectations of inflation are falling (last reported at 1.7%)
2. There is expectations of slower economic growth
3. There is an expectation that the Federal Reserve will raise interest rates

In my opinion, inflation is not the cause. The Fed's goal for inflation remains at 2% and they are still working to bring that number in line with their goal. I believe economic growth depends heavily upon the election results next month so it's unlikely that this could be the main cause for the flattening although it does factor into the equation. I believe the main culprit is investors and brokers expecting the Fed to raise interest rates.

The chart on page 2 suggests that the Fed raising rates is the most likely scenario. While the Fed is scheduled to meet in November, it is highly unlikely that they raise rates due to the election the following week. The chart seems to echo my original thoughts that rates will rise most likely in December or February next year. If you remember, the Fed raised rates last year at their December meeting and it appears that they are following that same mentality again.

99) Export Data — World Interest Rate Probability

United States — Instrument: Futures: Fed Funds — FED Effective Rate 0.40

1) Overview | 2) Future Implied Probability

Current Implied Probabilities — 3) Add/Remove

Dates: Meeting / Calculation — Calculated 09/30/2016 — Based on rate 0.25-0.50

Meeting	Prob Of Hike	Prob of Cut	0-0.25	0.25-0.5	0.5-0.75	0.75-1	1-1.25	1.25-1.5	1.5-1.75
11/02/2016	19.3%	0.0%	0.0%	80.7%	19.3%	0.0%	0.0%	0.0%	0.0%
12/14/2016	58.6%	0.0%	0.0%	41.4%	49.2%	9.4%	0.0%	0.0%	0.0%
02/01/2017	60.3%	0.0%	0.0%	39.7%	48.9%	11.0%	0.4%	0.0%	0.0%
03/15/2017	65.8%	0.0%	0.0%	34.2%	47.6%	16.3%	1.9%	0.1%	0.0%
05/03/2017	67.3%	0.0%	0.0%	32.7%	47.0%	17.7%	2.5%	0.1%	0.0%
06/14/2017	72.0%	0.0%	0.0%	28.0%	45.0%	21.8%	4.7%	0.5%	0.0%
07/26/2017	71.7%	0.2%	0.2%	28.1%	44.8%	21.7%	4.6%	0.5%	0.0%
09/20/2017	75.1%	0.2%	0.2%	24.8%	42.8%	24.5%	6.7%	1.0%	0.1%
11/01/2017	75.6%	0.2%	0.2%	24.3%	42.5%	24.9%	7.1%	1.1%	0.1%
12/13/2017	79.0%	0.1%	0.1%	20.9%	39.9%	27.3%	9.5%	1.9%	0.2%

Historical Analysis for Meeting 11/02/2016 — 4) Add/Remove

One last item to consider is that there will be a change of the voting membership of the Fed starting in 2017. It will be interesting to see how this shakes out because there has been a split in views over the past few months in how the economy has been performing and how rates have been handled. For example, we have one Fed President sending signals for the rate hike in December, and another calling for a "wait and see" strategy.

The shift in voters is expected to be more dovish based on current voting trends and those members preference for higher interest rates. Since doves are considered to be less worried about inflation and prefer to keep rates low to stimulate the economy and create more jobs, it is expected that this shift could mean a later start toward initiating the first 2017 rate hike and a slower ramp-up in the path of subsequent rate hikes.

In summary, the next 4-6 months will be a very important time in determining the economic trajectory of the country. Depending on the results of the Presidential election and the shift in Fed voters, it is likely that the US GDP growth could continue to disappoint. Rates could be expected to remain low and the FOMC policies will be very important in determining how viable future rate forecasts will be.

Total Portfolio Shock Table

Lou / Jeff Cty Metro Finance

Effective Interest - Actual Life

Receipts in Period

9/30/2016

Data Category	Down 300	Down 200	Down 100	Current	Up 100	Up 200	Up 300
Current Par	81,095,776.00	81,095,776.00	81,095,776.00	81,095,776.00	81,095,776.00	81,095,776.00	81,095,776.00
Amor. Cost	81,258,553.22	81,258,553.22	81,258,553.22	81,258,553.22	81,258,553.22	81,258,553.22	81,258,553.22
Market Value	81,010,286.43	81,091,382.20	81,172,477.98	81,253,573.75	81,334,669.53	81,415,765.31	81,496,861.08
% 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	99.89	99.99	100.09	100.19	100.29	100.39	100.49
Market Yield	1.6698	1.4332	1.1971	0.9614	0.7262	0.4914	0.2571
Gain / Loss	-248,266.79	-167,171.02	-86,075.24	-4,979.47	76,116.31	157,212.09	238,307.86

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.