

MONTHLY REPORT
OF THE
INVESTMENT ADVISORY
COMMITTEE

Prepared by the Department of Finance

JANUARY, 2016

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

January 1, 2016 through January 31, 2016

INVESTMENT ADVISORY COMMITTEE

JANUARY 2016

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Monthly Investment Committee Report

January 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	December Book Value	January Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	5,528,964.90	7,096,823.29	1,567,858.39	0.05
First Financial-Gen Oper	32,280,624.36	22,289,375.17	(9,991,249.19)	0.40
First Financial Rate Stab.	13,144,372.57	13,148,825.85	4,453.28	0.40
COH Treasurer's Notes	275,300.00	275,300.00	0.00	1.53
STAR Plus	20,092,067.00	511.38	(20,091,555.62)	0.31
United American Capital Corporation (UACC)	0.00	29,231,415.50	29,231,415.50	1.12
Fidelity Money Market (UACC)	0.00	791,920.21	791,920.21	0.18
Bond Tech Managed Portfolio	9,998,643.89	9,998,785.56	141.67	1.17
Total	81,319,972.72	82,832,956.96	1,512,984.24	

As noted in the table above, the overall portfolio at January 31 increased \$1,512,984.24 from December as described below.

The **US Bank Sweep Account** increased during January from estimated income tax withholdings and various other revenue streams. Interest income was \$352.64 at January 31 as the sweep account remained flat at 5 basis points.

The **First Financial General Operating** account decreased from December to January, as \$10,000,000 transferred to United American Capital Corporation for investment purchases. Interest income increased to 40 basis points in December, earning interest income of \$8,750.81 on the remaining overnight funds.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity for the utility indenture funds. Interest income for January was \$4,453.28.

The **City of Hamilton's Treasurer's Notes**: Two notes remain on the books effective January 31, 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 was cleared and funds transferred to United American Capital Corporation for higher-yield investments. The \$511.38 balance will clear out in February.

The new investment portfolio process and advisor are now in place. **United American Capital Corporation (UACC)** purchased numerous investments during January, 2016 with an overall book value of \$29,231,415.50. Please see pages 7-8 for this detail. Note that there is structure and term diversification within the UACC portfolio, including Federal Agencies, Commercial Paper and Treasury Securities. 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 \$791,920.21 in funds paying 18 basis points at month end.

The slight increase in the **Bond Tech** portfolio reflects the net of Treasury Investment Pool premiums and discounts as of January 31, 2016, with minimal interest income. Only four securities remain in this portfolio with potential call dates for February, March and April.

I. INVESTMENT ACTIVITY REPORT

January 2016

The Federal Open Market Committee (FOMC) met in January to review open market operations, the reserve balance rate, and the economy.

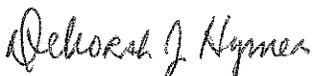
During the meeting, the Committee determined that the overall economy continued to expand at a moderate pace. Increased household spending, housing improvements, job gains, and low inflation all contributed to their view to keep the target rate at .50%. Future rate adjustments will depend on the realized and expected economic conditions, including labor, inflation, and financial developments both on the home front and abroad.

The City's account balance of \$82,832,956.96 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 January, the Bond Tech General account had an unrealized loss of \$2,905.58 as the market value of the portfolio fell below book value at month end. United American Capital Corporation's market value rose over book value, providing an unrealized gain of \$80,658.19. Total undistributed interest income totaled \$9,614.83, minus purchased interest of \$64,664.29. The purchased interest will be offset by the gross investment income at the scheduled interest payment dates.

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 \$603,052 has jumped substantially from December's report 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 0.73% of investment book value versus the benchmark target of 0.57%. 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 - January 31, 2016

General Accounts -- Book Values

Liquid Funds

Star Plus	\$	511.38
U.S. Bank Treasury Sweep	\$	7,096,823.29
First Financial*	\$	21,139,375.17
Fidelity Money Market (UACC)	\$	791,920.21

Total \$ 29,028,630.05

Invested Funds

Bond Tech	\$	9,998,785.56
UACC	\$	29,231,415.50

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 \$ 39,505,501.06

Total Liquid and Invested Funds

\$ 68,534,131.11

Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u> <small>*Held as part of First Financial</small>
Gas Utility (Fund 516)			
Liquid Funds First Financial	\$ 2,513,302.32		
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 517)		\$ -	\$ 200,000.00 *
Electric Utility (Fund 526)			
Liquid Funds First Financial	\$ 4,012,472.87		
Bond Tech U.S. Treasury/Agency		\$ -	
Electric System Reserve (Fund 527)			
Liquid Funds First Financial	\$ 3,006,812.60		
Bond Tech U.S. Treasury/Agency		\$ -	
Water Utility (Fund 536)			
Liquid Funds First Financial	\$ 1,582,451.28		
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 537)		\$ -	\$ 200,000.00 *
Waste Water Utility (Fund 546)			
Liquid Funds First Financial	\$ 2,033,786.78		
Bond Tech U.S. Treasury/Agency Reserve Account (Fund 547)		\$ -	\$ 750,000.00 *
Total	\$ 13,148,825.85	\$ -	\$ 1,150,000.00 \$ 14,298,825.85

Grand Total All Funds

\$ 82,832,956.96

**III. Portfolio Performance Summary
As of January 31, 2016**

Investment	Book Value	Market Value	Realized		Estimated Annual Interest	Estd Annual Total Income	Realized Annual Income	Estimated Annual Income
			Gains/Losses	Gains/Losses				
Star Plus (1)	\$ 511.38	\$ 511.38	\$ -	\$ -	\$ 1.59	\$ 1.59	\$ 1.59	\$ 1.59
First Financial Rate Stab (2)	\$ 10,142,013.25	\$ 10,142,013.25	\$ -	\$ -	\$ 40,568.05	\$ 40,568.05	\$ 40,568.05	\$ 40,568.05
First Financial Elec Sys Reserve (3)	\$ 3,006,812.60	\$ 3,006,812.60	\$ -	\$ -	\$ 12,027.25	\$ 12,027.25	\$ 12,027.25	\$ 12,027.25
US Bk Checking Sweep (1)	\$ 7,096,823.29	\$ 7,096,823.29	\$ -	\$ -	\$ 3,548.41	\$ 3,548.41	\$ 3,548.41	\$ 3,548.41
First Financial General Operating* (1)	\$ 22,289,375.17	\$ 22,289,375.17	\$ -	\$ -	\$ 89,157.50	\$ 89,157.50	\$ 89,157.50	\$ 89,157.50
City of Hamilton Treasurer's Note (1)	\$ 85,000.00	\$ 85,000.00	\$ -	\$ -	\$ 1,793.50	\$ 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	\$ 1,807.85
B-Tech General Account (1)	\$ 9,998,785.56	\$ 9,995,879.98	\$ (2,905.58)	\$ -	\$ 116,985.79	\$ 114,080.21	\$ 116,985.79	\$ 116,985.79
UACC	\$ 29,231,415.50	\$ 30,103,993.90	\$ 872,578.40	\$ -	\$ 328,268.80	\$ 1,200,847.20	\$ 328,268.80	\$ 328,268.80
Fidelity Money Market UACC	\$ 791,920.21	\$ 791,920.21	\$ -	\$ -	\$ 8,893.26	\$ 8,893.26	\$ 8,893.26	\$ 8,893.26
Total	\$ 82,832,956.96	\$ 83,702,629.78	\$ 869,672.82	\$ -	\$ 603,052.00	\$ 1,472,724.82	\$ 603,052.00	\$ 603,052.00

(1) General Accounts

(2) Rate Stabilization

(3) Electric System Reserve

Realized Annual Income / Book Value =

0.73%

Benchmark Rate of Return =

0.57%

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

Benchmarks

Fed. Funds Rate	0.50	0.25	0.13
Star Plus	0.24	0.25	0.06
2 Yr Treas	0.76	0.50	0.38
Total			0.57

City of Hamilton
Portfolio Management
Investment Status Report - Investments
January 31, 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
Federal Agency - Coupon (NC)												
3130A4KZ7	16-0006	FHLB	1,000,000.00	0.720	03/06/2017	01/12/2016	399	0.860	999,714.00	2,520.00	998,400.00	1,000,920.00
3134G6ZAO	16-0018	FHLMC	1,000,000.00	0.875	06/16/2017	01/15/2016	501	0.889	1,001,438.00	704.86	999,800.00	1,000,504.86
3130A8ZS5	16-0023	FHLB	1,085,000.00	0.750	08/28/2017	01/20/2016	574	0.890	1,084,275.22	3,209.79	1,082,580.45	1,085,790.24
3133EAA32	16-0005	FFCB	1,072,000.00	0.900	11/15/2017	01/11/2016	653	1.036	1,072,421.30	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	833	1.153	1,000,291.00	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	910	1.166	2,004,440.00	Received	1,991,680.00	1,991,680.00
3130A45D0	16-0021	FHLB	1,000,000.00	1.250	02/20/2019	01/15/2016	1,115	1.266	1,004,959.00	5,034.72	999,510.00	1,004,544.72
3137EADM8	16-0012	FHLMC	1,000,000.00	1.250	10/02/2019	01/14/2016	1,339	1.459	1,000,870.00	3,541.67	992,460.00	996,001.67
313381C94	16-0032	FHLB	1,000,000.00	1.250	12/13/2019	01/25/2016	1,411	1.371	999,143.00	1,458.33	995,447.00	996,905.33
Federal Agency - Coupon (NC) Totals			10,167,000.00				860	1.123	10,167,551.52	19,553.50	10,125,688.89	10,145,242.39
Commercial Paper - Discount												
36960LX1	16-0002	GECO	1,000,000.00	0.450	03/31/2016	01/08/2016	59	0.457	998,962.50		998,962.50	998,962.50
89233GE05	16-0013	TOY	500,000.00	0.650	05/24/2016	01/13/2016	113	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	158	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	164	0.835	497,984.17		497,984.17	497,984.17
Commercial Paper - Discount Totals			3,000,000.00				118	0.680	2,991,677.77	0.00	2,991,677.77	2,991,677.77
Federal Agency - Coupon (Callable)												
3130A4FK3	16-0011	FHLB	350,000.00	1.200	02/26/2018	01/14/2016	756	1.200	350,033.95	1,610.00	350,000.00	351,610.00
3135G0VL4	16-0009	FNMA	1,000,000.00	1.125	03/20/2018	01/12/2016	778	1.181	1,000,084.00	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	819	1.130	1,000,008.00	2,208.33	998,410.00	1,000,618.33
3134G6XB4	16-0024	FHLMC	1,528,000.00	1.250	05/14/2018	01/20/2016	833	1.250	1,528,032.09	3,501.67	1,528,000.00	1,531,501.67
3135G0XD0	16-0019	FNMA	250,000.00	1.000	05/21/2018	01/15/2016	840	1.195	249,466.50	375.00	248,875.00	249,250.00
3134G84A4	16-0015	FHLMC	1,000,000.00	1.250	08/24/2018	01/14/2016	935	1.280	1,000,055.00	1,736.11	999,230.00	1,000,966.11
3134G6Z97	16-0026	FHLMC	500,000.00	1.250	08/27/2018	01/20/2016	938	1.250	500,153.50	2,482.64	500,000.00	502,482.64
3130A6UJ9	16-0003	FHLB	1,000,000.00	1.350	09/28/2018	01/11/2016	970	1.369	1,000,744.00	487.50	999,500.00	999,987.50
3136G15R6	16-0014	FNMA	500,000.00	1.000	12/27/2018	01/14/2016	1,060	1.350	497,295.50	236.11	494,950.00	495,186.11
3134G6R62	16-0027	FHLMC	500,000.00	1.375	02/26/2019	01/20/2016	1,121	1.375	500,031.50	2,750.00	500,000.00	502,750.00
3134G8GZ6	16-0028	FHLMC	500,000.00	1.500	07/29/2019	01/29/2016	1,274	1.500	500,272.00		500,000.00	500,000.00
3134G3F54	16-0010	FHLMC	500,000.00	1.500	08/27/2019	01/13/2016	1,303	1.571	500,021.50	2,833.33	498,750.00	501,583.33
3136G0XN6	16-0020	FNMA	500,000.00	1.625	11/27/2019	01/15/2016	1,395	1.632	500,035.50	1,083.33	499,875.00	500,958.33
Federal Agency - Coupon (Callable) Totals			9,128,000.00				963	1.307	9,126,233.04	22,804.02	9,116,390.00	9,139,194.02
Federal Agency - Discount												
313385AF3	16-0017	FHLB	1,000,000.00	0.750	01/06/2017	01/14/2016	340	0.767	994,428.00		992,541.66	992,541.66

City of Hamilton
 Portfolio Management
 Investment Status Report - Investments
 January 31, 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
Federal Agency - Discount Totals			1,000,000.00				340	0.767	994,428.00	0.00	992,541.66	992,541.66
Treasury Securities - Coupon												
912828UE8	16-0029	USTN	1,000,000.00	0.750	12/31/2017	01/22/2016	699	0.868	999,141.00	453.30	997,734.37	998,187.67
912828UZ1	16-0025	USTN	1,000,000.00	0.625	04/30/2018	01/20/2016	819	0.969	994,609.00	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	987	1.065	998,320.00	2,438.52	994,921.87	997,360.39
912828SX9	16-0033	USTN	1,050,000.00	1.125	05/31/2019	01/29/2016	1,215	1.197	1,052,091.60	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	1,276	1.368	991,914.00	Received	982,968.75	982,968.75
912828TR1	16-0031	USTN	1,000,000.00	1.000	09/30/2019	01/25/2016	1,337	1.288	995,156.00	3,196.72	989,687.50	992,884.22
Treasury Securities - Coupon Totals			6,050,000.00				1,056	1.126	6,031,231.60	9,383.54	6,005,117.18	6,014,500.72
Investment Totals			29,335,000.00				839	1.123	29,311,121.93	51,741.06	29,231,415.50	29,283,156.56

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City of Hamilton, Ohio - General Account
CUSIP LISTING
 1/31/2016

11:34 AM 2/5/2016

DESCRIPTION	COUPON STRUCTURE	NEXT CALL DATE	CALL TYPE	DAYS NOTICE	CUSIP	PURCHASE DATE	BOOK VALUE	MATURITY DATE	CURRENT ESTIMATE		
									AVG DATE	AVG LIFE	AVG YIELD
1 STAR OHIO PLUS						511.38	2/1/16	2/1/16	0.00	0.310	EST
2 1ST FINANCIAL-MMA						22,289,375.17	2/1/16	2/1/16	0.00	0.400	EST
3 FHLMC STEPUP 10/20 1.00%-10/16 2.00%-10/17 2.25%-10/19 2.50%		4/29/16	QTY	5	3134G72U4	1,000,000.00	10/29/15	10/29/20	0.75	1.000	YTW 10/16
4 FHLMC STEPUP 11/20 1.00%-11/16 2.25%		2/19/16	QTY	5	3134G73H2	999,598.46	11/19/15	11/19/20	0.80	1.050	YTW 11/16
5 FHLMC STEPUP 9/20 1.05%-9/16 2.00%-9/17 3.00%		3/24/16	QTY	5	3134G7VE8	2,500,000.00	9/24/15	9/24/20	0.15	1.050	YTW 9/16
6 FHLMC STEPUP 9/20 1.50%-9/17 2.50%-9/18 3.00%-9/19 3.25%		3/28/16	QTY	5	3134G7VL2	2,500,000.00	9/28/15	9/28/20	0.16	1.500	YTW 3/17
7 FHLMC STEPUP 9/20 1.05%-9/16 2.20%-9/18 3.30%		3/30/16	QTY	5	3134G7ZU8	2,999,189.10	9/30/15	9/30/20	0.16	1.090	YTW 9/16
TOTAL BOOK VALUE							32,288,672.11	WEIGHTED AVERAGES		0.09	0.638
MANAGED PORTION OF PORTFOLIO (EXCLUDES STAR OHIO)							9,998,785.56			0.28	1.170

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