

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**STAFF BRIEFING**

**Item No.** 7d  
**Date of Meeting** March 8, 2016

**DATE:** February 16, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Diane Campbell, Treasury Manager  
**SUBJECT:** 2015 Annual Investment Portfolio Report and Treasury Update

**SYNOPSIS**

The purpose of this memo and report is to provide the annual investment update of the Port's investment portfolio, as required by the Port's Statement of Investment Policy.

**SUMMARY OF INVESTMENT PORTFOLIO EARNINGS** – Long term out-performance:

Since the Port became its own Treasurer in 2001, the long term investment performance has exceeded the benchmark (the Bank of America, Merrill Lynch 1-3-year Treasury Agency Index) by 80 basis points, and during 2015, the Port's portfolio earned 21 basis points over the benchmark:

| <b><u>Year(s):</u></b> | <b><u>Port</u></b> | <b><u>Benchmark</u></b> | <b><u>Over/under performance</u></b> |
|------------------------|--------------------|-------------------------|--------------------------------------|
| 2015                   | 0.94%              | 0.73%                   | +0.21%                               |
| 2002 to 2015           | 2.67%              | 1.87%                   | +0.80%                               |

Under certain market conditions, the Port may underperform the benchmark. The Port's investment portfolio includes funds for operations, capital investments and reserves.

**SELECT SUMMARY OF FIXED INCOME INVESTMENT OUTLOOK** – Rising interest rate environment:

The Federal Reserve commenced and is on a course for increasing interest rates, of which the level and timing are unfolding. Interest rates were higher at the end of 2015 compared to the previous year end. The Port's portfolio may underperform the benchmark in a rising interest rate environment.

**SELECT INVESTMENT POLICY HIGHLIGHTS:**

The Port's CFO is the appointed Treasurer, and is responsible for managing the Port's investment program. The day to day duties and responsibilities may be delegated. Authorized investments are made in accordance with and subject to restrictions of the Revised Code of Washington (RCW) 36.29.020. The Port's Statement of Investment Policy further supplements and supports the Code. The emphasis is on preservation of principal and the primary investment objectives, in order of priority are: safety, liquidity and yield.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

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### **BACKGROUND**

The Port established its in-house Treasury pursuant to the Port's Commission Resolution No. 3476, adopted on December 11, 2001. The resolution appointed the Port's Chief Financial Officer as the Port's Treasurer. Prior to the passage of this resolution King County served as the Port's Treasurer. Subsequently, Resolution No. 3663, adopted as of June 2002, authorized the implementation of the Statement of Investment Policy, guiding how the Treasurer will invest Port funds, much of which is dictated by State of Washington laws.

Authorized investments are made in accordance with and subject to restrictions of the Revised Code of Washington (RCW) 36.29.020, and the portfolio primarily consists of conservative investments, typically U.S. Government Treasuries and Agencies bills, notes and bonds. To meet the Port's investment objectives, the investment policy includes additional risk controls that impose further restrictions on the types of securities permitted under statute. These include limiting the maturity date of securities purchased to be no more than 10 years from the settlement date, and a total portfolio target (modified) duration of 2.0 years, plus or minus ½ year. Further details on permitted investments are in the attached Statement of Investment Policy.

### **ATTACHMENTS TO THIS BRIEFING**

- Annual Investment Report for year-end 2015
- Current Port Statement of Investment Policy

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- March 24, 2015 annual briefing for year-end 2014.