

### Portfolio Summary

	Yield as of	Market Value	
	June 30, 2017	June 30, 2017	March 31, 2017
Operating Liquidity Strategy	0.62%	\$ 47,980,543	\$ 38,962,428
Total Return Strategy	1.27%	\$ 155,051,511	\$ 155,698,603
Capital Investment Strategy	1.05%	\$ 37,452,225	\$ 44,380,277
<b>Total Portfolio</b>		<b>\$ 240,484,280</b>	<b>\$ 239,041,309</b>

### Investment Recap and Strategies

- The **Operating Liquidity Strategy** is managed to provide liquidity for day-to-day cash needs and unforeseen events. Currently, the Operating Liquidity Strategy funds are held in an account meeting the requirements of the Security for Public Deposits Act (SPDA) and a local government investment pool (LGIP).
- The **Total Return Strategy** consists of operating funds that will not be a major source of day-to-day disbursement requirements and operational needs. The strategy includes a portfolio invested in longer-term securities in order to generate a higher investment rate of return. The strategy also includes funds designated as a reserve that are invested in an LGIP.
- The **Capital Investment Strategy** is managed to provide liquidity for capital projects. Currently, the Capital Investment Strategy funds are held in an LGIP.

### Portfolio Performance Summary

- Performance for the Operating Liquidity Strategy and Capital Investment Strategy is measured by comparing the average current yield of the portfolios to the average yield of a short term index. During the quarter, the Operating Liquidity Strategy had an average yield of 0.63% and the Capital Investment Strategy had an average yield of 1.02%, compared to the Merrill Lynch 3-month Treasury Bill's average yield of 0.90%. The one-year trailing return for the Operating Liquidity Strategy and the Capital Investment Strategy, were 0.49%, and 0.67%, respectively, compared to the benchmark's return of 0.55%.
- Performance for the Total Return Strategy is measured on a total return basis, which captures interest income, realized gains/losses, and unrealized gains/losses. This performance calculation methodology is most appropriate for investment portfolios that have longer-term investment horizons. During the quarter, the Total Return Strategy Portfolio generated a total return of 0.27% (1.11% annualized), outperforming the Merrill Lynch 1 - 3 Year U.S. Treasury Index's return of 0.22% (0.90% annualized).

### **Portfolio Summary** *(continued)*

#### **Total Return Strategy Managed Portfolio**

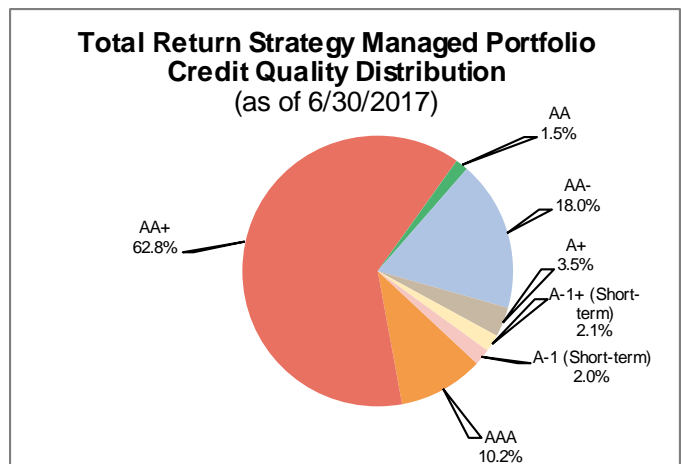
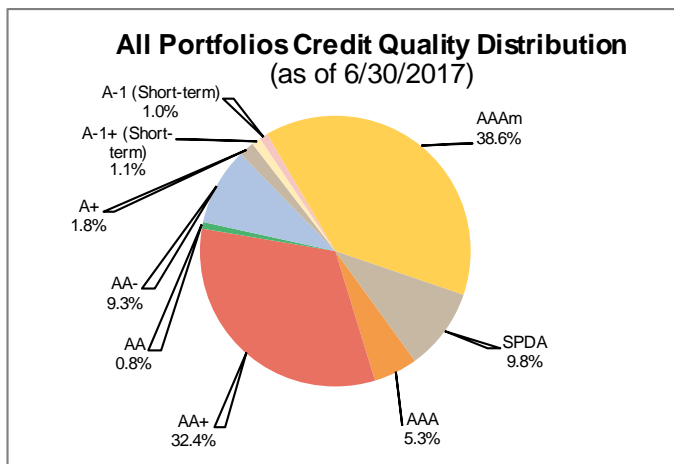
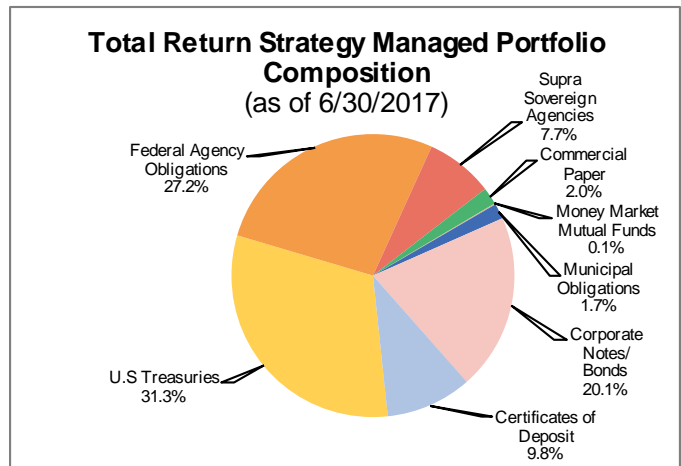
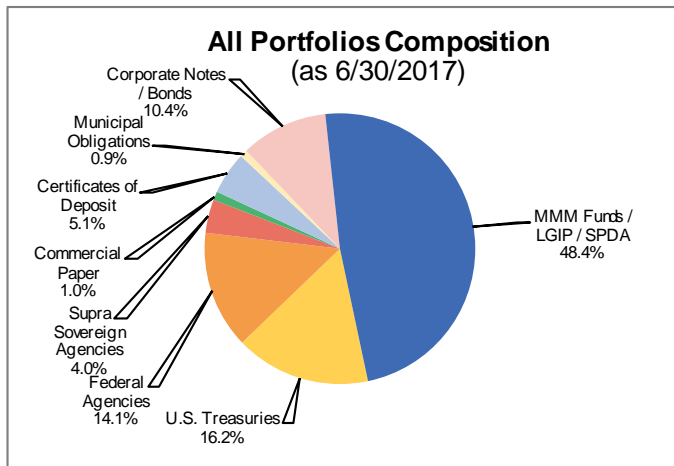
- The Total Return Strategy Managed Portfolio (the “Portfolio”) is well diversified among U.S. Treasury securities, federal agency securities, supra sovereign agencies, certificates of deposit, municipal bonds, corporate notes, commercial paper, and high quality money market mutual funds. The Portfolio’s average credit quality is AA+.
- In the second quarter of 2017, the Total Return Strategy Managed Portfolio, which does not include the reserve fund, generated a total return of 0.28% (1.13% annualized), outperforming the Merrill Lynch 1 - 3 Year U.S. Treasury Index’s return of 0.22% (0.90% annualized). The one-year trailing return for the Total Return Strategy Managed Portfolio was 0.29% compared to the benchmark’s return of -0.11%.
- Short-term and long-term Treasury yields diverged during the second quarter as short-term (three years and under) yields moved higher, pricing in the Fed’s June rate hike, while yields on longer-term maturities fell amid muted inflation and fading prospects for stimulative fiscal policy. As a result, the yield curve flattened, retracing all steepening that took place following the U.S. presidential election.
- Since market conditions were consistent with moderate growth and the Fed is on track to gradually raise rates, the portfolio was positioned to be equal to the benchmark to start the second quarter. During May and June, however, the duration was allowed to drift shorter with the view that markets were not adequately pricing in the likelihood of another Fed rate increase. The portfolio’s duration positioning will continue to be assessed as more clarity surrounding Fed policy and trajectory of the U.S. and global economies develops. As of June 30, 2017 the Managed Portfolio’s duration was 1.79 years.
- Agency yield spreads remain at or near historically tight levels as demand remains strong and supply minimal. As a result, the current investment strategy will generally favor U.S. Treasuries over agencies. Supranational issues may offer alternatives, but yield spreads in that sector have tightened since the start of the year when most issuance takes place.
- Corporate yield spreads are near the tightest levels since the post-recession tights of 2014. The strategy for the Portfolio will be to be more selective with regard to the choice of industry, issuer and maturity, while maintaining broad issuer diversification. Given the flatness of the yield curve, somewhat shorter maturities may be more favorable.

# Hampton Roads Sanitation District – Operating Funds

Investment Report – Quarter Ended June 30, 2017

## Portfolio Composition

Security Type	June 30, 2017	% of Portfolio	March 31, 2017	% of Portfolio	Permitted by Policy
U.S. Treasuries	\$38,861,265	16.2%	\$34,652,195	14.5%	100%
Federal Agencies	33,798,728	14.1%	38,592,667	16.1%	100%
Supra Sovereign Agencies	9,617,338	4.0%	9,601,896	4.0%	15%
Commercial Paper	2,424,162	1.0%	2,441,366	1.0%	25%
Certificates of Deposit	12,221,421	5.1%	12,196,058	5.1%	10%
Municipal Obligations	2,174,917	0.9%	2,175,704	0.9%	15%
Corporate Notes / Bonds	25,035,933	10.4%	24,155,782	10.1%	25%
Money Market Mutual Funds / LGIP / Cash	116,350,516	48.4%	115,225,641	48.2%	100%
<b>Totals</b>	<b>\$240,484,280</b>	<b>100.0%</b>	<b>\$239,041,309</b>	<b>100.0%</b>	

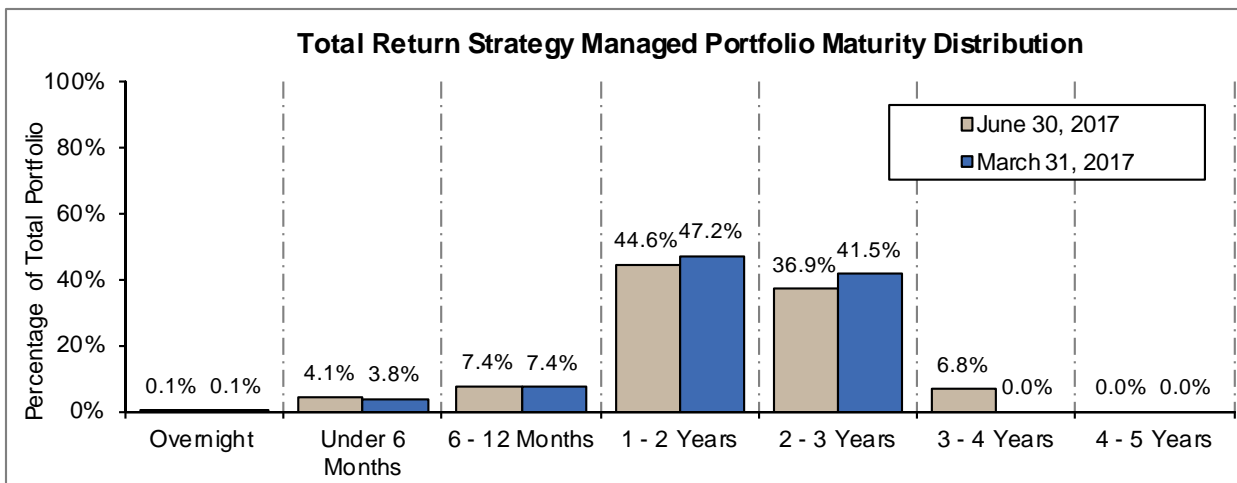
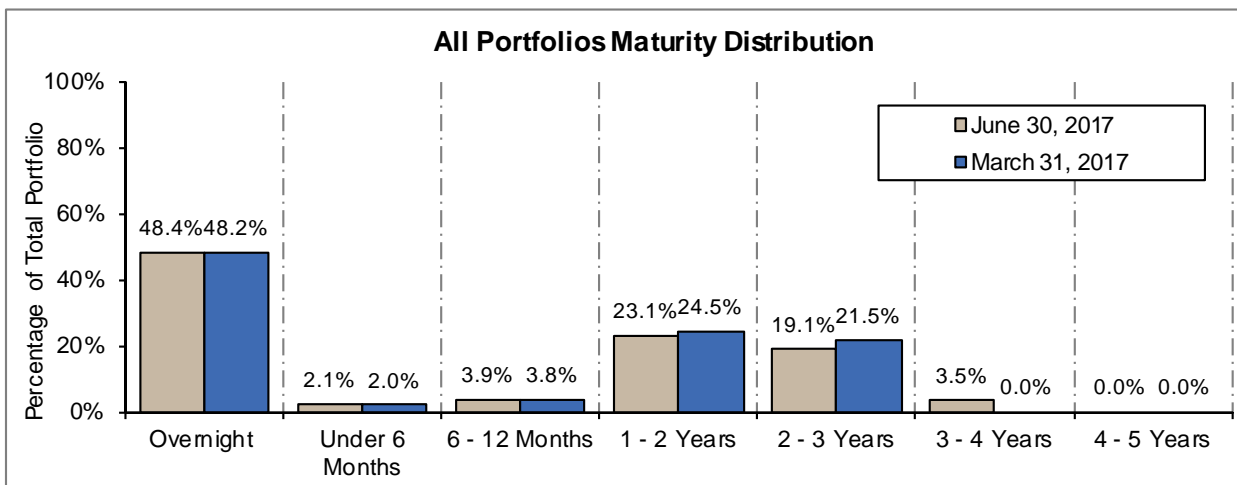


# Hampton Roads Sanitation District – Operating Funds

Investment Report – Quarter Ended June 30, 2017

## Portfolio Maturity Distribution

Maturity Distribution	June 30, 2017	March 31, 2017
Overnight	116,350,516	115,225,641
Under 6 Months	5,114,756	4,695,951
6 - 12 Months	9,259,056	9,132,762
1 - 2 Years	55,487,841	58,532,303
2 - 3 Years	45,856,972	51,454,651
3 - 4 Years	8,415,138	0
4 - 5 Years	0	0
5 Years and Over	0	0
<b>Totals</b>	<b>\$240,484,280</b>	<b>\$239,041,309</b>

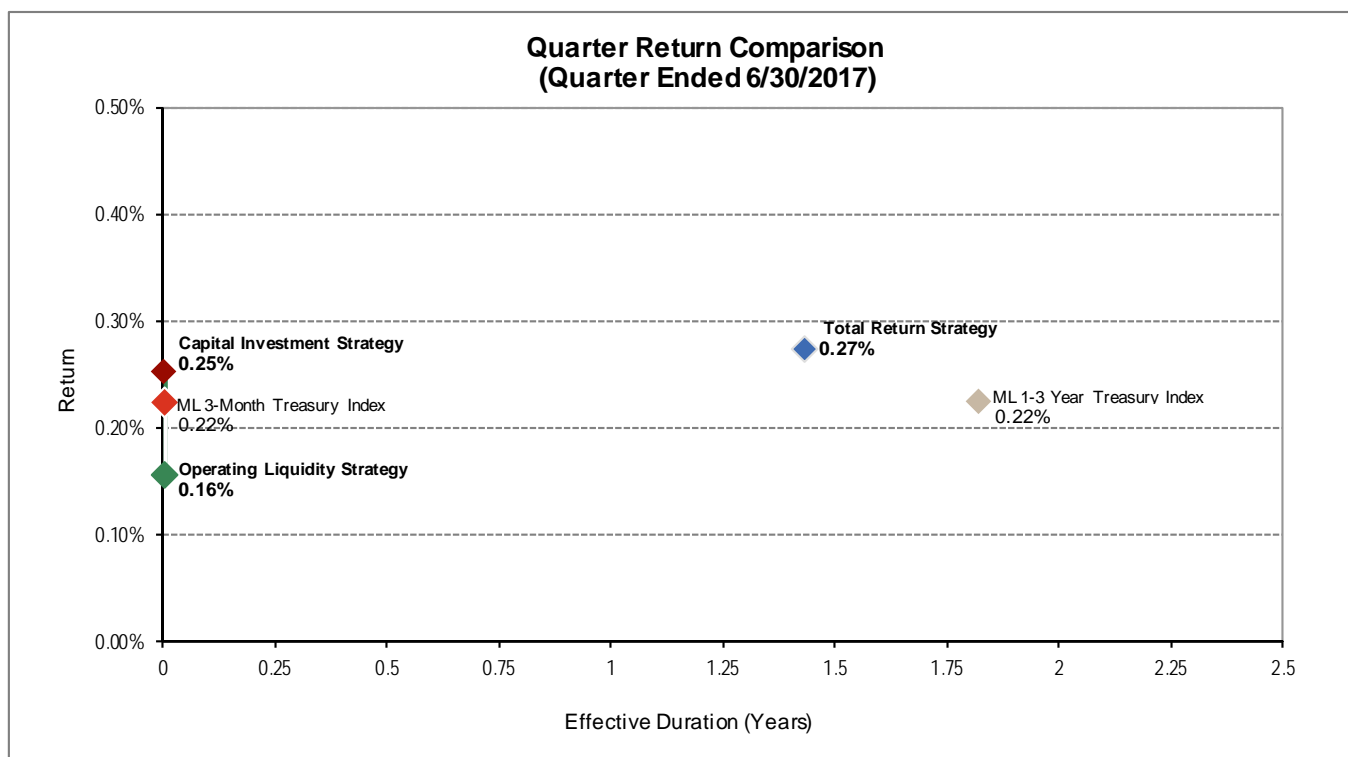


# Hampton Roads Sanitation District – Operating Funds

## Investment Report

### Portfolio Performance

	Quarter Ended June 30, 2017	Annualized Quarterly Return	Last 24 Months	Last 36 Months	Annualized Since Inception*
<b>Total Return Performance</b>					
<b>Total Return Strategy</b>	0.27%	1.11%	1.00%	0.96%	1.12%
Total Return Strategy Managed	0.28%	1.13%	0.97%	0.94%	1.11%
Merrill Lynch 1-3 Year Treasury Index	0.22%	0.90%	0.60%	0.69%	0.93%
<b>Book Value Performance</b>					
<b>Operating Liquidity Strategy</b>	<b>0.16%</b>	<b>0.63%</b>	<b>0.37%</b>	<b>0.33%</b>	<b>0.30%</b>
<b>Capital Investment Strategy</b>	<b>0.25%</b>	<b>1.02%</b>	<b>0.50%</b>	<b>0.39%</b>	<b>0.30%</b>
Merrill Lynch 3 Month Treasury Bill Index	0.22%	0.90%	0.36%	0.24%	0.14%



\*Since inception returns are calculated since September 30, 2009 to present. Performance for the Operating Liquidity Strategy and Capital Investment Strategy is calculated using a weighted average yield of cash and investments, including the monthly bank earnings credit rate and interest rate and the monthly distribution yield of the local government investment pools or money market mutual funds, and book value earnings on short-term fixed income securities. Performance for the Total Return Strategy Managed Portfolio is calculated as the total return, which captures interest income, realized gains/losses, and unrealized gains/losses, on the managed portfolio of short-term fixed income securities. The Total Return Strategy performance is calculated as the weighted average of the total return of the Managed Portfolio and average yield of cash balances. Calculations are based on provided information and are believed to be accurate based upon available data.