IPAIT

IOWA PUBLIC AGENCY INVESTMENT TRUST

IPAIT BULLETIN

SEPTEMBER 2019

ECONOMIC "CROSS CURRENTS" CAUSING MURKY WATERS

The markets definitely did not take a vacation this summer. Instead, they have been hard at work creating volatility. The Federal Reserve's (Fed's) previously identified "Cross Currents" of growth and trade uncertainties have been the primary contributor.

The Fed moved forward in lowering the overnight fed funds rates on July 31, 2019. This rate cut has significantly impacted the yield curve, and currently, overnight and three-month rates are higher than intermediate and long-term bonds. In addition, the 2 and 10-year yields are approximately equal and have occasionally been inverted, which has occasionally been correlated with recessionary activity.

At Miles Capital, we recognize that the treasury yields are also being impacted by the global rate environment and the economy is actually doing fairly well. The consumer, retail spending, non-manufacturing surveys, and unemployment remain strong. We do not foresee a recession within the next twelve months.

The market currently expects the Fed to cut rates two more times in 2019 and again in 2020. We expect one cut yet this year, possibly in October or December.

At Miles Capital our team based disciplined process helps us to navigate effectively through market conditions including volatility such as we are experiencing now.

Submitted by Miles Capital, Investment Advisor to the IPAIT Diversified Fund

Market commentary presented above reflects the opinion of Miles Capital as of the date of this material, is subject to change without notice, and is provided for information purposes only.

MARKET PULLBACK: WHAT DOES IT MEAN AND WHAT DO WE DO?

On August 14th this year, we saw the largest pullback in the overall market yet this year. The Dow Jones Industrial Average dropped over 800 points and everywhere you looked, you could see someone discussing why this happened and what it means. Everything from trade wars to Brexit, other geo-political issues to the "Inverted Yield Curve," were being pointed at as the reason for this drop. While periods such as this can cause investors to react hastily, sticking to a disciplined investment approach helps drive positive results over time. At times of strong volatility in the markets, it's important to remember three things:

1) Have a plan—one that's designed to provide maximum security, liquidity and competitive performance. It should be designed to weather stormy times and take advantage of opportunities. The single biggest mistake we see is when

INVESTMENT YIELD SUMMARY

(7-Day Average)
AS OF 9/12/19
1.75%

For current rates, a 12-month history of our daily rates, or investment assistance, please visit our website or call us toll free. The above daily rate is calculated based on a 365-day annualized factor.

Past performance does not guarantee future results.

UPCOMING EVENTS & ABOUT IPAIT

EVENTS

Sept. 25-27– ILC Conference
Oct. 8-10 – Iowa Hospital Assoc. Meeting
Oct. 16-18 – IMFOA Conference
Oct. 23-25 – IAMU Energy Conference

HOLIDAYS

Fund closed to transactions and participant inquiries:
Monday, October 14 – Columbus Day
Monday, November 11 – Veterans Day
Thursday, November 28 – Thanksgiving
Tuesday, December 25 – Christmas

ABOUT IPAIT

IPAIT was established in 1987. IPAIT's unique, internet-based proprietary reporting system offers real-time account inquiry, and transaction capabilities via the internet. Participants may invest, withdraw funds, check balances and transaction history, and make vendor payments with this service. There is also toll-free phone access to experienced administrators who can personally assist you with any IPAIT-related inquiry.

There is no limit on the number of individual accounts, no minimum balance requirement, and no limits on the number of transactions per month. Please contact us today to learn more about the additional benefits IPAIT has to offer you.

CONTACT

PAUL KRUSE
SVP, Director–Iowa Office
PMA Financial Network, LLC
6000 Grand Ave.
Des Moines, IA 50312
P (515) 554-1555
pkruse@pmanetwork.com

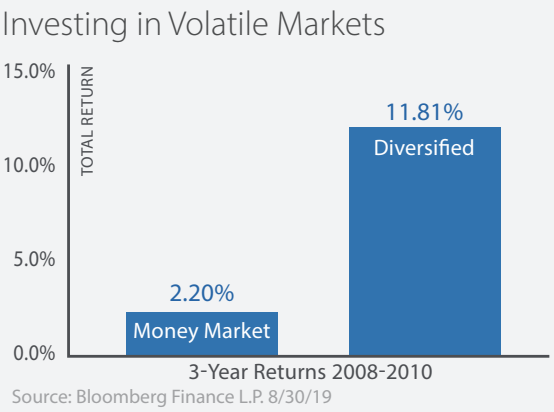
people panic and move to all cash and overnight deposit products. People typically panic, not because of a market movement or correction, but because they didn't have a plan to start with.

2) Stick to your plan—Abandoning your plan in times of volatility rarely works in the long run. Defining your objectives and seeing the big picture helps stay focused on the plan and why it's needed.

3) Make periodic updates—like any plan, making periodic updates based on factual data rather than emotion is paramount to long term success. Making updates does not mean leaving the plan but rather supplementing new or different information to better navigate a turbulent period in the markets.

The phrase, "scared money never makes money" is something to remember when volatility rears its head. Sticking with your plan and staying invested while making periodic updates is a large factor in separating those who benefit in the long run from those who don't. Often, people go to all-cash when the markets make moves like last month. Emotional decisions like those create two investment questions: 1) When to get out? and 2) When to get back in?

You can see from the chart at the left that those who stayed invested over the long term fared better than those who went to cash. You can see that the total return from 2008-2010 for cash and cash equivalents was 9.61 percent less than that of a diversified portfolio of fixed income investments.



Source: Bloomberg Finance L.P. 8/30/19

While we recognize that going to cash/cash equivalents may feel like the right thing, but the analysis shows that staying invested yielded the larger total return. It's important to remember to invest with a purpose and seek out the best balance of security, liquidity and performance.

DON HOLT
Vice President-Institutional Sales | PMA Financial Network-IPAIT Fund Marketer
Source: Bloomberg and Prudent Man Advisors, LLC

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