

# Quarterly Investment Report

December 31, 2017

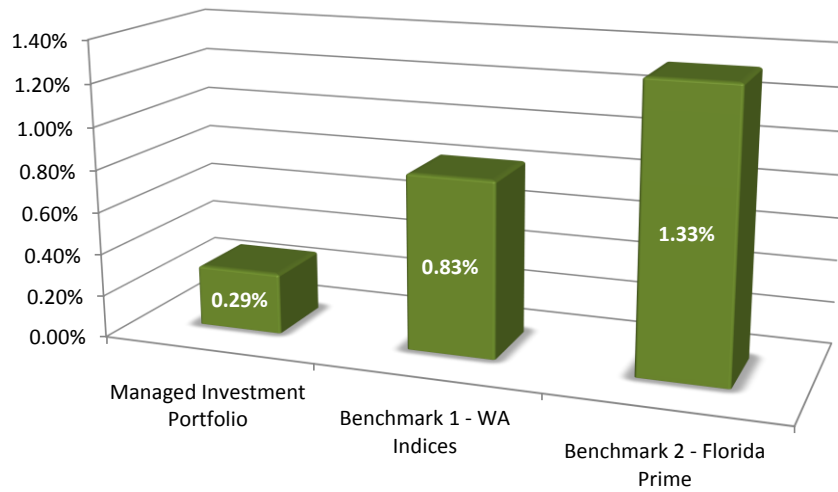


prepared by Cash Management Department

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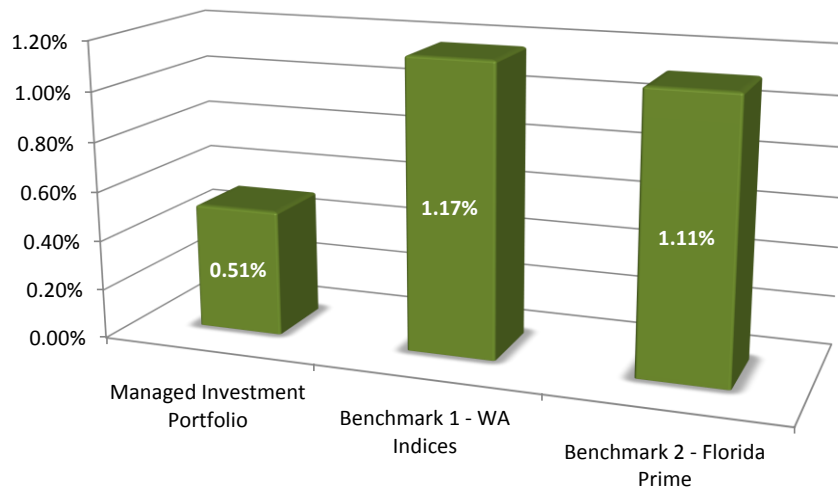
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### Yield Comparison December 31, 2017



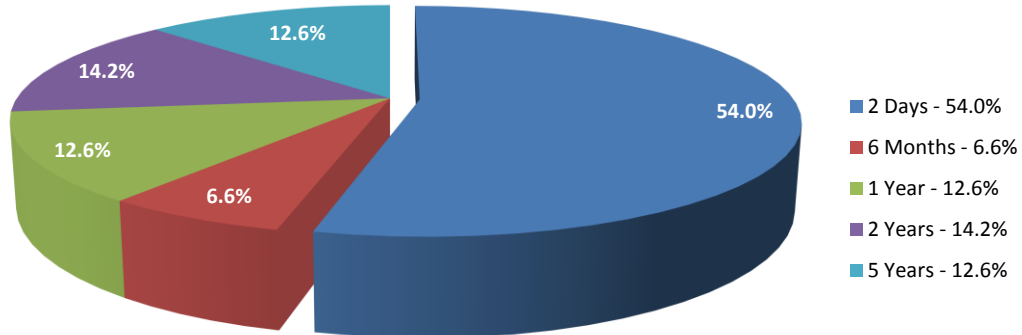
The yield on the district’s managed investment program was 0.29% for the quarter ended December 31, 2017.

### Yield Comparison Year to Date through December 31, 2017



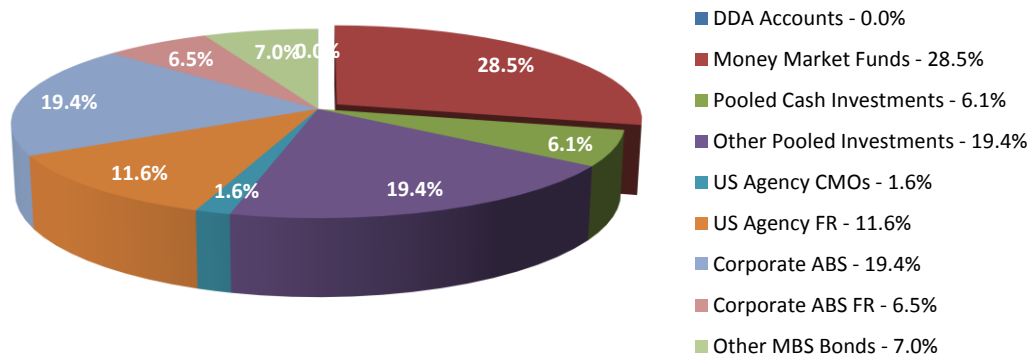
The yield on the district’s managed investment program was 0.51% for the year-to-date December 31, 2017.

### Investments by Duration December 31, 2017



The above chart breaks down the duration of the district’s investment by time frame. The largest category, 2 days duration, represents liquid cash that can be accessed within 2 days. The other categories represent investments whose modified duration falls within that time frame.

### Investments by Type December 31, 2017



The above chart breaks down the district’s portfolio by investment type. For example, the largest category is Money Market Funds representing 28.5% of the portfolio.

<b>Portfolio Assets</b>	<b>12/31/17</b>	<b>6/30/17</b>
Investment in U.S. Treasury and Agency Securities:		
Investments (securities at market value)	\$189,947,556	\$208,878,831
Other Pooled Investments	80,060,697	35,405,452
Accrued Interest Receivable and Prepaid Interest	398,248	456,833
<b>Total U.S. Treasury and Agency Securities</b>	<b>\$270,406,501</b>	<b>\$244,741,115</b>
Cash Investments		
Money market funds	117,680,830	16,464,374
Pooled Cash Investments	25,004,913	0
Bank accounts (DDA & MMA)	45,383	1,859,682
<b>Total Cash Investments</b>	<b>\$142,731,125</b>	<b>\$18,324,056</b>
<b>Total Managed Investment Portfolio Value</b>	<b>\$413,137,626</b>	<b>\$263,065,171</b>

<b>Portfolio Income</b>	<b>Quarter End 12/31/17</b>	<b>Y-T-D 12/31/17</b>	<b>Prior Year 6/30/17</b>
Interest Earned			
U.S. Government Securities & Other Pooled Accounts	632,110	1,599,127	3,790,969
Money Market Funds	109,267	156,004	888,735
Bank Accounts	0	0	0
<b>Total Interest Earned</b>	<b>741,377</b>	<b>1,755,131</b>	<b>4,679,703</b>
Net increase/(decrease) in fair value of investments - Note 2	(614,627)	(1,177,076)	(1,661,439)
<b>Total Managed Investment Portfolio Earnings</b>	<b>\$126,750</b>	<b>\$578,055</b>	<b>\$3,018,264</b>

<b>Yield Comparison - Page 5</b>	<b>Quarter End 12/31/17</b>	<b>Y-T-D 12/31/17</b>	<b>Prior Year 6/30/17</b>
<i>Managed Investment Portfolio</i>			
Annualized Rate of Return	0.29%	0.51%	0.87%
<i>Benchmark 1 - Weighted Average of Comparable Indices</i>			
Annualized Rate of Return	0.83%	1.17%	0.70%
<b>Managed Investment Portfolio Yield vs. Benchmark 1</b>	<b>-0.54%</b>	<b>-0.66%</b>	<b>0.17%</b>
<i>Benchmark 2 - Florida Prime MMF (SBA LGIP)</i>			
Annualized Rate of Return	1.33%	1.11%	0.92%
<b>Managed Investment Portfolio Yield vs. Benchmark 2</b>	<b>-1.04%</b>	<b>-0.60%</b>	<b>-0.05%</b>

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Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.	% of Port
<b>US Agency CMOs</b>									
GNR 13-130 JA	38378UBS5	6,744,494	6,693,502	(50,992)	13,875	\$6,707,377	Aaa	0.95	1.6%
subtotal		\$6,744,494	\$6,693,502	(\$50,992)	\$13,875	\$6,707,377	AAA	0.95	1.6%
<b>US Agency FR</b>									
FHR 3931 A	3137AEYK5	10,377,820	10,338,187	(39,633)	25,621	\$10,363,808	Aaa	1.33	2.5%
FH 2B1392	31326FRM2	13,440,802	13,332,362	(108,440)	20,031	\$13,352,393	Aaa	1.65	3.2%
FNR 04-79 FP	31394BFD1	2,937,017	2,963,281	26,264	794	\$2,964,076	Aaa	0.23	0.7%
FN AL1278	3138EHM41	21,355,498	21,149,588	(205,910)	54,909	\$21,204,497	Aaa	3.09	5.1%
subtotal		\$48,111,137	\$47,783,418	(\$327,719)	\$101,356	\$47,884,774	AAA	2.13	11.6%
<b>Corporate ABS</b>									
CNH 14-A A4	12591BAD7	6,861,395	6,843,903	(17,492)	4,565	\$6,848,468	Aaa	0.53	1.7%
FORDF 16-1 A1	34528QEN0	14,960,033	14,949,600	(10,433)	11,733	\$14,961,333	Aaa	1.10	3.6%
FORDO 15-A C	34530QAG5	12,422,174	12,423,932	1,758	12,124	\$12,436,056	Aaa	1.34	3.0%
HAROT 16-2 A3	43814QAC2	23,991,077	23,986,464	(4,613)	14,867	\$24,001,331	Aaa	0.62	5.8%
HERTZ 15-1A A	42806DAA7	21,685,585	21,663,072	(22,513)	9,828	\$21,672,900	Aaa	2.14	5.2%
subtotal		\$79,920,263	\$79,866,970	(\$53,292)	\$53,118	\$79,920,089	AAA	1.23	19.4%
<b>Corporate ABS FR</b>									
NGN 2010-R3 1A	62888WAA4	7,352,902	7,337,017	(15,885)	9,150	\$7,346,167	Aaa	0.26	1.8%
NMOTR 16-A A1	65474VAK7	10,083,449	10,065,300	(18,149)	9,997	\$10,075,297	Aaa	0.21	2.4%
SLMA 07-1 A5	78443VAE2	9,259,507	9,259,312	(195)	25,483	\$9,284,795	Aaa	3.44	2.2%
subtotal		\$26,695,858	\$26,661,629	(\$34,228)	\$44,630	\$26,706,259	AAA	1.34	6.5%

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Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.	% of Port
<b>Other MBS Bonds</b>									
GNR 11-110 D	38376G3H1	7,732,980	7,684,171	(48,809)	11,824	\$7,695,996	Aaa	1.48	1.9%
SBA 510021	83164MD22	21,369,102	21,257,865	(111,236)	116,227	\$21,374,093	AAA	0.59	5.2%
subtotal		\$29,102,082	\$28,942,036	(\$160,045)	\$128,052	\$29,070,088	AAA	0.83	7.0%
<b>Cash, MMFs, &amp; Investment Pools</b>									
Bank Accounts <sup>1</sup>	N/A	45,383	45,383	0	0	45,383	NR	1d	0.0%
Money Market Funds <sup>1</sup>	N/A	117,683,465	117,680,830	(2,636)	57,217	117,738,046	AAAm	16d	28.5%
FL FIT (CP Portfolio) <sup>1</sup>	140021420B	25,004,913	25,004,913	0	0	25,004,913	AA	73d	6.1%
Pooled Investments	140021420	80,101,824	80,060,697	(41,128)	0	80,060,697	AAA-	1.53	19.4%
subtotal		\$222,835,585	\$222,791,822	(\$43,763)	\$57,217	\$222,849,039	AA+	0.67	54.0%
Managed Investment Program		\$413,409,418	\$412,739,378	(\$670,040)	\$398,248	\$413,137,626	AAA-	1.18	

<sup>1</sup>Figure shown is Weighted Average Maturity, or WAM, instead of Modified Duration  
Unrealized Gain/Loss as a percent of total market value:

-0.16%

	<b>Quarter End 12/31/17</b>	<b>Y-T-D 12/31/17</b>	<b>Prior Year 6/30/17</b>
Average Invested Value of Managed Investment Portfolio	\$171,951,140	\$223,933,136	\$347,324,451
<b>Managed Investment Portfolio Yield</b>			
Total Managed Investment Portfolio Earnings	\$126,581	\$578,055	\$3,018,264
<i>Managed Investment Portfolio Annualized Rate Of Return</i>	<b>0.29%</b>	<b>0.51%</b>	<b>0.87%</b>
<b>Benchmark 1 - Weighted Average of Comparable Indices</b>			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/18			2,427,018
Quarter Ended 3/31/18			
Quarter Ended 12/31/17	360,127	360,127	
Quarter Ended 9/30/17		958,743	
Total Pro Forma Benchmark 1 Earnings	\$360,127	\$1,318,870	\$2,427,018
<i>Benchmark 1 Annualized Rate Of Return</i>	<b>0.83%</b>	<b>1.17%</b>	<b>0.70%</b>
<b>Benchmark 2 - Florida Prime (SBA LGIP)</b>			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/18			3,200,957
Quarter Ended 3/31/18			
Quarter Ended 12/31/17	578,202	578,202	
Quarter Ended 9/30/17		678,624	
Total Pro Forma Benchmark 2 Earnings	\$578,202	\$1,256,826	\$3,200,957
<i>Benchmark 2 Annualized Rate Of Return</i>	<b>1.33%</b>	<b>1.11%</b>	<b>0.92%</b>
<b>Earnings Comparison</b>			
<i>Annualized Rate of Return</i>			
Managed Investment Portfolio vs. Benchmark 1	<b>-0.54%</b>	<b>-0.66%</b>	<b>0.17%</b>
Managed Investment Portfolio vs. Benchmark 2	<b>-1.04%</b>	<b>-0.60%</b>	<b>-0.05%</b>
<i>Dollar Earnings</i>			
Managed Investment Portfolio vs. Benchmark 1	<b>(\$233,546)</b>	<b>(\$740,815)</b>	<b>\$591,246</b>
Managed Investment Portfolio vs. Benchmark 2	<b>(\$451,621)</b>	<b>(\$678,771)</b>	<b>(\$182,693)</b>



**Note 1 – Securities Valuation**

Starting June 30, 1997, Investments are valued at current market value. Prior to August 12, 1992 all cash was invested with the SBA. The Managed Investment Program (MIP) refers to assets actively managed for higher earnings than what would be achieved if all surplus district cash were held in a deposit account. Cash needed for current expenditures is held in interest bearing deposit accounts, money market funds, and pooled investment accounts. Bonds are priced by comparing the current coupon to the yield an investor would get if they purchased a similar bond in the open market as of the pricing date. An inverse relationship exists between yield and price. When yields rise, market prices fall, conversely when yields fall, market prices rise. The district uses the custodian’s market prices to value its securities at month-end. The custodian purchases its pricing from IDC, Interactive Data Corporation. IDC is a provider of global investment market data to the financial industry.

**Note 2 – Calculation of Net increase/(decrease) in fair value of investments**

The Governmental Accounting Standards Board (GASB) Statement 31 requires that all Governmental entities must adjust the book value of most investment securities to current market value. Securities with a fixed coupon and a final maturity of less than one year are exempt. Since most securities held by money market funds meet the above criteria, investments in money market funds are also exempt. The amount of the adjustment will be netted against interest earned for the reporting period. Securities exempt from GASB 31 will be recorded on the books at amortized cost.

At month end, the market prices from the district’ custodian, will be used to calculate the change in fair value from the prior month. The changes in value and interest earnings are booked to the general ledger in separate revenue functions. Since the district’s strategy is to buy and hold, over time, the net of the change in value and interest earnings should closely approximate the purchase yield of the portfolio. The following table summarizes the relationship between realized gains and losses and the adjustment to fair value per GASB 31.

<b>December 31, 2017</b>	<u>Quarter End</u>	<u>Fiscal Y-T-D</u>	<u>Prior Fiscal Year</u>
Realized Gains/Losses	(236,638)	(971,024)	110,484
MV Adjustment for Period	(377,989)	(206,052)	(1,771,923)
Net Incr/(Decr) in fair value of investments	<u>(614,627)</u>	<u>(1,177,076)</u>	<u>(1,661,439)</u>

**Note 3 – Cumulative Return Over the SBA**

For the fiscal year-to-date, the Managed Investment Portfolio’s (MIP) earnings were less than the State Board of Administration’s (SBA) local government investment pool by (\$678,771). Since August 1992, the MIP’s cumulative earnings were over the SBA by 34,340,216.

**Note 4 – Effect of Unrealized Gains and Losses on Income**

The district’s MIP currently has an unrealized loss of \$670,040. This figure has been netted against interest income. If the district’s bonds were priced at par (100) as of December 31, 2017, the district’s cumulative earnings over the SBA would be \$35,010,256.

**Note 5 – Implied Ratings on US Agency Mortgage-Backed Securities**

Mortgage-backed securities (MBS), including pools and Collateralized Mortgage Obligations (CMO), issued by US government agencies (GNMA, FNMA, and FHLMC) are not rated by the any rating agency. This is due to the implicit, in the case of FNMA and FHLMC, and explicit, in the case of GNMA, backing of

the United States government. An implied rating based on the sovereign rating of US government issued debt is used. Currently this rating is AAA.

**Credit Risk**

The district's Investment Policy (6144) permits investments in US government and US government guaranteed bonds, Federal agency (Government Sponsored Enterprise, GSE) bonds, collateralized bonds, and short-term, money market investments. The district has \$106,528,600 in corporate asset-backed securities. The credit enhancements, short duration, and high ratings of these bonds demonstrate the safety and liquidity of these bonds. Securities in the Exempt category include U.S. Government obligations and obligations with an explicit U.S. Government guarantee. The non-compliant category consists of the district's investment in SBA Fund B accounts. This investment is frozen by the SBA. Money is distributed as the investments in the fund return principal or mature.

**Credit Risk**

<b>Investment Category</b>	<b>Market Value</b>	<b>Average Rating</b>
Cash	\$222,791,822	AA+
US Agency CMOs	\$6,693,502	AAA
US Agency FR	\$47,783,418	AAA
Corporate ABS	\$79,866,970	AAA
Corporate ABS FR	\$26,661,629	AAA
Other MBS Bonds	\$28,942,036	AAA
<b>Portfolio</b>	<b>\$412,739,378</b>	<b>AAA-</b>

**Concentration of Credit Risk**

The district's Investment Policy (6144) permits investments in US government and US government guaranteed bonds, Federal agency (Government Sponsored Enterprise, GSE) bonds, collateralized bonds, and short-term, money market investments. For this reason, the Policy does not separately address concentration of credit risk. The Manager, Cash & Investments is allowed to invest up to 5% of the total portfolio value in bonds that are not otherwise permitted under the Funds Management Policy. The concentration risk of these investments is 5%.

Securities exempt from Concentration of Credit Risk disclosure include U.S. Government obligations and obligations with an explicit U.S. Government guarantee. In addition, investment pools and money market fund investments are also exempt.

**Concentration of Credit Risk**

Issuer	Percent of Total	Market Value	Issuer Full Name
EX	53.98%	\$222,791,822	Exempt
FHLMC	5.73%	23,670,549	Federal Home Loan Mgte Corp
FNMA	5.84%	24,112,869	Federal National Mtge Assoc
HAROT	5.81%	23,986,464	HONDA AUTO RECIEVABLES TRUST
HERTZ	5.25%	21,663,072	Hertz Vehicle Financing, LLC
SBAD	5.15%	21,257,865	Small Business Administration

**Securities Where Issuer Represents More Than 5% of Portfolio**

Issuer	CUSIP	Market Value	Description
HAROT	43814QAC2	23,986,463.73	HAROT 16-2 A3
HERTZ	42806DAA7	21,663,072.00	HERTZ 15-1A A
SBAD	83164MD22	21,257,865.10	SBA 510021
FNMA	3138EHM41	21,149,587.91	FN AL1278
FHLMC	31326FRM2	13,332,362.47	FH 2B1392
FHLMC	3137AEYK5	10,338,186.69	FHR 3931 A
FNMA	31394BFD1	2,963,281.12	FNR 04-79 FP

**Interest Rate Risk**

The district's Investment Policy (6144) requires the average duration of the portfolio to be less than five years.

**Modified Duration Risk**

Modified duration expresses the amount of time in years until half of the principal is returned. This calculation takes into account the coupon rate, interest and principal payment frequency, call options, and sensitivity of price to changes in interest rates. Factors that extend the return of principal, or make it more time uncertain, increase the duration. Factors that quicken the return of principal, or make it more time certain, decrease the duration. Duration will also change as the level of interest rates in the economy rise and fall. With the current level of interest rates, the above table indicates that the district will receive 50% of invested principal in 1.18 years, or 14.16months.

**Floating/Adjustable Interest Rate Risk**

The district currently has \$74,445,048 invested in securities with floating or adjustable interest rate risk. \$74,445,048 is invested in floating rate bonds. The coupon on these bonds resets monthly, or quarterly, based on an index rate. The coupons on these bonds range from 0.41% to 3.23%.

**Call Option Risk**

There are three types of call options, "one-time" calls, "discrete" calls and "continuous" calls. These are listed in order of increasing risk. A one-time call means that at one specified time before maturity, the issuer of a bond has the option to call the bond, or buy it back from investors. A discrete call means that at specific times, usually either quarterly or semi-annually, before maturity, the issuer can call the bond. A continuous call means that starting at a specified point in time, usually an interest payment date, and

at any time thereafter, up to the maturity date, the issuer can call the bond. The district currently has no callable bonds.

**MBS/ABS Prepayment Risk**

There are two types of Mortgage-Backed Securities (MBSs) in which the district invests. Agency pools are collections, or pools, of mortgages in which the investor receives the principal and interest payments in the same proportion as the borrowers pay them. CMO bonds are backed by mortgage pools, however, the principal payment of the bond has been altered to be either more or less time certain than the underlying mortgages. ABS bonds are securities that are collateralized by financial products other than residential mortgages. For example car loans/leases, commercial mortgages, or credit card loans. MBSs have a unique type of "call" risk, in that homeowners may opt to prepay their mortgage at any time. While there are many factors which determine whether a homeowner will prepay their mortgage, one of the most significant is the level of interest rates. When rates fall it is more advantageous to the homeowner to refinance their mortgage to a lower rate. When rates rise, this type of prepayment will decrease.

The duration on the District's portfolio ranges from 0 years to 3.68 years. The duration on the District's ABS/MBS bonds ranges from 0.11 years to 3.68 years.

**Interest Rate Risk**

<b>Investment Category</b>	<b>Market Value</b>	<b>Mod. Dur.</b>
Exempt	\$142,731,125	0.00
Investment Pool	\$80,060,697	0.67
US Agency CMOs	\$6,693,502	0.91
US Agency FR	\$47,783,418	2.13
Corporate ABS	\$79,866,970	1.22
Corporate ABS FR	\$26,661,629	1.36
Other MBS Bonds	\$28,942,036	0.80
<b>Portfolio</b>	<b>\$412,739,378</b>	<b>1.18</b>