

# Quarterly Investment Report

June 30, 2018

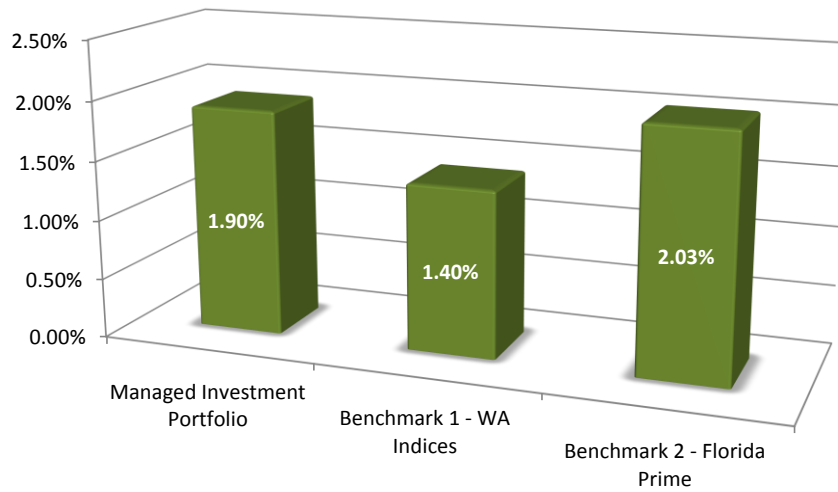


prepared by Cash Management Department

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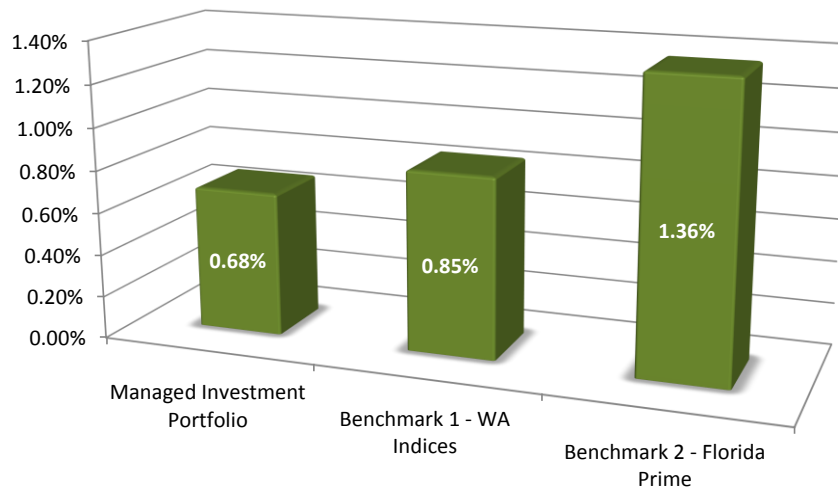
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### Yield Comparison June 30, 2018



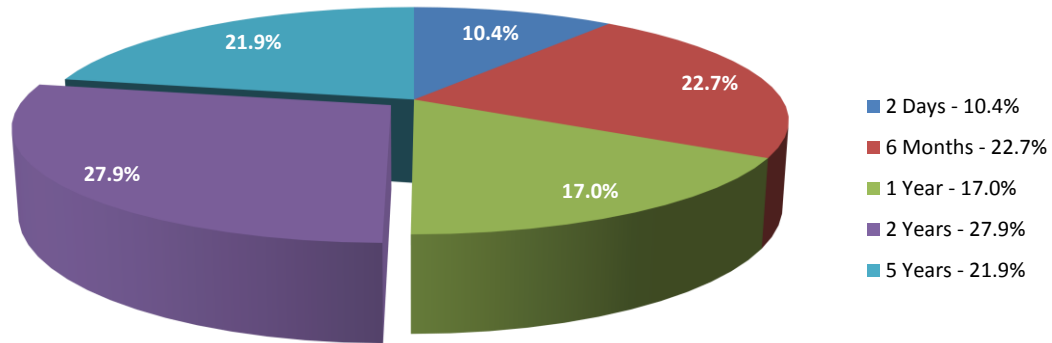
The yield on the district's managed investment program was 1.90% for the quarter ended June 30, 2018.

### Yield Comparison Year to Date through June 30, 2018



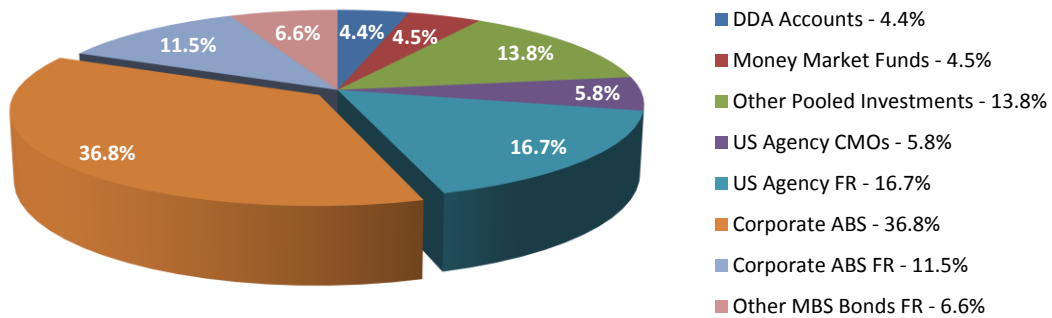
The yield on the district's managed investment program was 0.68% for the fiscal year ended June 30, 2018.

### Investments by Duration June 30, 2018



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 June 30, 2018



The above chart breaks down the district’s portfolio by investment type. For example, the largest category is Agency, GNMA, FNMA, FHLMC, etc..., Mortgage-Backed Securities (MBS) representing 41% of the portfolio.

<b>Portfolio Assets</b>	<b>6/30/18</b>			<b>6/30/17</b>
Investment in U.S. Treasury and Agency Securities:				
Investments (securities at market value)	\$211,635,564			\$208,878,831
Other Pooled Investments	37,859,291			35,405,452
Accrued Interest Receivable and Prepaid Interest	411,681			456,833
<b>Total U.S. Treasury and Agency Securities</b>	<b>\$249,906,537</b>			<b>\$244,741,115</b>
Cash Investments				
Money market funds	12,387,492			16,464,374
Pooled Cash Investments	0			0
Bank accounts (DDA & MMA)	11,971,169			1,859,682
<b>Total Cash Investments</b>	<b>\$24,358,661</b>			<b>\$18,324,056</b>
<b>Total Managed Investment Portfolio Value</b>	<b>\$274,265,197</b>			<b>\$263,065,171</b>
	<b>Quarter End</b>	<b>Y-T-D</b>		<b>Prior Year</b>
	<b>6/30/18</b>	<b>6/30/18</b>		<b>6/30/17</b>
<b>Portfolio Income</b>				
Interest Earned				
U.S. Government Securities & Other Pooled Accounts	1,631,603	4,802,050		3,790,969
Money Market Funds	143,329	628,060		888,735
Bank Accounts	0	0		0
<b>Total Interest Earned</b>	<b>1,774,931</b>	<b>5,430,109</b>		<b>4,679,703</b>
Net increase/(decrease) in fair value of investments - Note 2	<b>(258,942)</b>	<b>(3,122,155)</b>		<b>(1,661,439)</b>
<b>Total Managed Investment Portfolio Earnings</b>	<b>\$1,515,989</b>	<b>\$2,307,954</b>		<b>\$3,018,264</b>
	<b>Quarter End</b>	<b>Y-T-D</b>		<b>Prior Year</b>
	<b>6/30/18</b>	<b>6/30/18</b>		<b>6/30/17</b>
<b>Yield Comparison - Page 5</b>				
<i>Managed Investment Portfolio</i>				
Annualized Rate of Return	1.90%	0.68%		0.87%
<i>Benchmark 1 - Weighted Average of Comparable Indices</i>				
Annualized Rate of Return	1.40%	0.85%		0.70%
<b>Managed Investment Portfolio Yield vs. Benchmark 1</b>	<b>0.50%</b>	<b>-0.17%</b>		<b>0.17%</b>
<i>Benchmark 2 - Florida Prime MMF (SBA LGIP)</i>				
Annualized Rate of Return	2.03%	1.36%		0.92%
<b>Managed Investment Portfolio Yield vs. Benchmark 2</b>	<b>-0.13%</b>	<b>-0.68%</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>									
FHR 3931 A	3137AEYK5	7,955,073	7,864,201	(90,871)	19,640	\$7,883,841	Aaa	1.15	2.9%
GNR 2011-110 D	38376G3H1	4,636,330	4,561,419	(74,911)	14,179	\$4,575,598	Aaa	0.92	1.7%
GNR 2013-73 A	38378KPU7	3,364,343	3,377,087	12,744	2,829	\$3,379,916	Aaa	1.49	1.2%
subtotal		\$15,955,746	\$15,802,708	(\$153,039)	\$36,647	\$15,839,355	AAA	1.16	5.8%
<b>US Agency FR</b>									
FH 2B1392	31326FRM2	8,132,277	8,079,140	(53,136)	43,936	\$8,123,076	Aaa	1.22	3.0%
FNR 04-79 FP	31394BFD1	2,320,619	2,318,160	(2,459)	922	\$2,319,082	Aaa	0.29	0.8%
FN AL1278	3138EHM41	16,970,361	16,804,141	(166,220)	44,053	\$16,848,193	Aaa	1.66	6.1%
FN AL8226	3138ETD86	18,560,414	18,406,493	(153,921)	55,283	\$18,461,776	Aaa	2.54	6.7%
subtotal		\$45,983,670	\$45,607,934	(\$375,736)	\$144,194	\$45,752,127	AAA	1.87	16.7%
<b>Corporate ABS</b>									
AFIN 15-2 A4	139738AE8	4,036,044	4,031,467	(4,577)	2,429	\$4,033,896	AAA	0.17	1.5%
ALLYA 14-3 D	02006VAG6	5,763,601	5,758,740	(4,861)	7,820	\$5,766,560	AAA	0.29	2.1%
FCAT 17-3 A	33844KAA4	5,670,706	5,646,189	(24,518)	4,749	\$5,650,938	AAA	0.76	2.1%
FORDF 16-1 A1	34528QEN0	14,966,433	14,920,500	(45,933)	11,733	\$14,932,233	Aaa	0.61	5.4%
FORDO 15-A C	34530QAG5	12,418,314	12,327,460	(90,854)	12,124	\$12,339,584	Aaa	1.16	4.5%
HAROT 16-2 A3	43814QAC2	13,951,170	13,910,562	(40,609)	8,640	\$13,919,201	Aaa	0.43	5.1%
HERTZ 15-1A A	42806DAA7	21,672,350	21,364,776	(307,574)	(16,562)	\$21,348,214	Aaa	1.67	7.8%
HUNT 2015-1 A4	44614UAD1	7,860,453	7,862,243	1,789	5,740	\$7,867,983	Aaa	0.48	2.9%
VZOT 16-2A A	92348MAA7	14,931,061	14,845,500	(85,561)	7,700	\$14,853,200	AAA	0.86	5.4%
subtotal		\$101,270,133	\$100,667,436	(\$602,698)	\$44,374	\$100,711,809	AAA	0.88	36.8%
<b>Corporate ABS FR</b>									
NAVSL	63939DAB1	6,686,194	6,672,503	(13,692)	2,905	\$6,675,408	Aaa	0.63	2.4%
NGN 2010-R3 1A	62888WAA4	6,708,034	6,705,887	(2,147)	11,504	\$6,717,391	Aaa	1.82	2.4%
NMOTR 16-A A1	65474VAK7	10,071,471	10,036,000	(35,471)	12,059	\$10,048,059	Aaa	0.30	3.7%
SLMA 2001-1 A5	78443VAE2	7,996,256	7,972,019	(24,237)	36,443	\$8,008,462	Aaa	2.88	2.9%
subtotal		\$31,461,955	\$31,386,409	(\$75,546)	\$62,912	\$31,449,321	AAA	1.35	11.5%
<b>Other MBS Bonds FR</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
SBA 510021	83164MD22	18,531,210	18,171,078	(360,132)	114,811	\$18,285,889	Aaa	0.49	6.6%
subtotal		\$18,531,210	\$18,171,078	(\$360,132)	\$114,811	\$18,285,889	AAA	0.49	6.6%
<b>Cash, MMFs, &amp; Investment Pools</b>									
Bank Accounts <sup>1</sup>	N/A	11,971,169	11,971,169	0	0	11,971,169	NR	1d	4.4%
Money Market Funds <sup>1</sup>	N/A	12,387,045	12,387,492	447	8,744	12,396,236	AAAm	31d	4.5%
FL FIT (CP Portfolio) <sup>1</sup>	140021420B	0	0	0	0	0		0d	0.0%
Pooled Investments	N/A	38,103,708	37,859,291	(244,416)	0	37,859,291	AAA-	0.59	13.8%
subtotal		\$62,461,921	\$62,217,952	(\$243,969)	\$8,744	\$62,226,696	AA-	2.34	22.7%
Managed Investment Program		\$275,664,636	\$273,853,516	(\$1,811,120)	\$411,681	\$274,265,197	AAA-	1.33	

<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:

-0.66%

	<b>Quarter End 6/30/18</b>	<b>Y-T-D 6/30/18</b>	<b>Prior Year 6/30/17</b>
Average Invested Value of Managed Investment Portfolio	\$319,988,097	\$337,620,471	\$347,324,451
<b>Managed Investment Portfolio Yield</b>			
Total Managed Investment Portfolio Earnings	\$1,515,989	\$2,307,954	\$3,018,264
<i>Managed Investment Portfolio Annualized Rate Of Return</i>	<b>1.90%</b>	<b>0.68%</b>	<b>0.87%</b>
<b>Benchmark 1 - Weighted Average of Comparable Indices</b>			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/18	1,119,507	1,119,507	2,427,018
Quarter Ended 3/31/18		429,316	
Quarter Ended 12/31/17		360,127	
Quarter Ended 9/30/17		958,743	
Total Pro Forma Benchmark 1 Earnings	\$1,119,507	\$2,867,693	\$2,427,018
<i>Benchmark 1 Annualized Rate Of Return</i>	<b>1.40%</b>	<b>0.85%</b>	<b>0.70%</b>
<b>Benchmark 2 - Florida Prime (SBA LGIP)</b>			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/18	1,617,515	1,617,515	3,200,957
Quarter Ended 3/31/18		1,711,577	
Quarter Ended 12/31/17		578,202	
Quarter Ended 9/30/17		678,624	
Total Pro Forma Benchmark 2 Earnings	\$1,617,515	\$4,585,917	\$3,200,957
<i>Benchmark 2 Annualized Rate Of Return</i>	<b>2.03%</b>	<b>1.36%</b>	<b>0.92%</b>
<b>Earnings Comparison</b>			
<i>Annualized Rate of Return</i>			
Managed Investment Portfolio vs. Benchmark 1	<b>0.50%</b>	<b>-0.17%</b>	<b>0.17%</b>
Managed Investment Portfolio vs. Benchmark 2	<b>-0.13%</b>	<b>-0.68%</b>	<b>-0.05%</b>
<i>Dollar Earnings</i>			
Managed Investment Portfolio vs. Benchmark 1	<b>\$395,962</b>	<b>(\$559,739)</b>	<b>\$591,246</b>
Managed Investment Portfolio vs. Benchmark 2	<b>(\$101,526)</b>	<b>(\$2,277,963)</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>June 30, 2018</b>	<u>Quarter End</u>	<u>Fiscal Y-T-D</u>	<u>Prior Fiscal Year</u>
Realized Gains/Losses	0	(1,051,444)	110,484
MV Adjustment for Period	<u>(258,942)</u>	<u>(2,070,711)</u>	<u>(1,771,923)</u>
Net Incr/(Decr) in fair value of investments	<u>(258,942)</u>	<u>(3,122,155)</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 (\$2,277,963). Since August 1992, the MIP’s cumulative earnings were over the SBA by 32,348,242.

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

The district’s MIP currently has an unrealized loss of \$1,811,120. This figure has been netted against interest income. If the district’s bonds were priced at par (100) as of June 30, 2018, the district’s cumulative earnings over the SBA would be \$34,159,362.

**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 \$132,053,845 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	\$62,217,952	AA-
US Agency CMOs	\$15,802,708	AAA
US Agency FR	\$45,607,934	AAA
Corporate ABS	\$100,667,436	AAA
Corporate ABS FR	\$31,386,409	AAA
Other MBS Bonds FR	\$18,171,078	AAA
<b>Portfolio</b>	<b>\$273,853,516</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	22.72%	\$62,217,952	Exempt
FHLMC	5.82%	15,943,342	Federal Home Loan Mgte Corp
FNMA	13.70%	37,528,793	Federal National Mtge Assoc
FORDF	5.45%	14,920,500	Ford Credit Floorplan Master O
HAROT	5.08%	13,910,562	HONDA AUTO RECIEVABLES TRUST
HERTZ	7.80%	21,364,776	Hertz Vehicle Financing, LLC
VZOT	5.42%	14,845,500	Verizon Owner Trust
SBAD	6.64%	18,171,078	Small Business Administration

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

Issuer	CUSIP	Market Value	Description
ABBEY	00280PER2	24,930,344.64	ABBEY 0% CP
HERTZ	42806DAA7	21,432,384.00	HERTZ 15-1A A
FNMA	3138ETD86	19,920,885.48	FN AL8226
SBAD	83164MD22	19,705,242.23	SBA 510021
FNMA	3138EHM41	19,280,303.81	FN AL1278
FHLMC	31326FRM2	11,009,872.78	FH 2B1392
FHLMC	3137AEYK5	9,053,703.89	FHR 3931 A
FNMA	31394BFD1	2,597,245.47	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 1.33 years, or 15.96months.

**Floating/Adjustable Interest Rate Risk**

The district currently has \$95,165,421 invested in securities with floating or adjustable interest rate risk. \$95,165,421 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 3.60%.

**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 2.88 years. The duration on the District's ABS/MBS bonds ranges from 0.17 years to 2.88 years.

**Interest Rate Risk**

<b>Investment Category</b>	<b>Market Value</b>	<b>Mod. Dur.</b>
Exempt	\$24,358,661	0.00
Investment Pool	\$37,859,291	2.34
US Agency CMOs	\$15,802,708	1.16
US Agency FR	\$45,607,934	1.87
Corporate ABS	\$100,667,436	0.88
Corporate ABS FR	\$31,386,409	1.35
Other MBS Bonds FR	\$18,171,078	0.49
<b>Portfolio</b>	<b>\$273,853,516</b>	<b>1.33</b>