

June 25, 2015

TO: MEMBERS OF THE SCHOOL BOARD OF PINELLAS COUNTY

FROM: MICHAEL A. GREGO, ED.D., SUPERINTENDENT

RE: Request Adoption of the Investment Portfolio Financial Statements for the Quarter Ended March 31, 2015

**BACKGROUND:**

The Quarterly Investment Report is a quarterly and year-to-date summary of the portfolio performance.

STRATEGIC DIRECTION/GOAL: Effective & Efficient Use of Resources

**ALTERNATIVES:**

1. Adopt the financial statements.
2. Do not adopt the financial statements.

**RECOMMENDATION:**

Alternative 1 is recommended.

**RATIONALE:**

The most recent quarterly unaudited financial statements of the board's investment activities are included herein. The board's approval of this approach to investments has resulted in greater investment income than previously obtainable. The format includes comparative information with respect to earnings performance. The actual and Pro Forma information are condensed to facilitate comparisons. The quarterly investment report includes two benchmarks for comparison. Benchmark 1 is a composite of market indices and Benchmark 2 is the Florida Prime (formerly SBA LGIP) fund.

**IMPACT STATEMENT:**

The Managed Investment Program (MIP) earnings for the quarter ended March 31, 2015, totaled \$2,563,536 after recognizing a market value adjustment of \$1,422,678. For the quarter, the MIP outperformed the weighted average index (WAI) (benchmark 1) by \$1,743,355. For the quarter, the MIP outperformed the State Board of Administration (benchmark 2) by \$2,365,199. The MIP earnings have exceeded the potential State Board of Administration by \$34,364,298 since inception (as noted in footnote 3). The district's MIP currently has an unrealized market loss of \$1,895,409. Since the district's policy is to buy and hold securities, this loss will eventually be returned as principal is returned, or bonds mature. If the district's bonds were priced at par (100) as of March 31, 2015, the district's cumulative return over the SBA would be \$36,259,368.

**DATA SOURCE:**

Kevin W. Smith, CPA, Associate Superintendent, Finance and Business Services  
Andrew S. Jacobsen, Manager, Cash & Investments  
Investment Oversight Committee

**SUBMITTED BY:**

Kevin W. Smith, CPA, Associate Superintendent, Finance and Business Services

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# Quarterly Investment Report

March 31, 2015



prepared by Cash Management Department

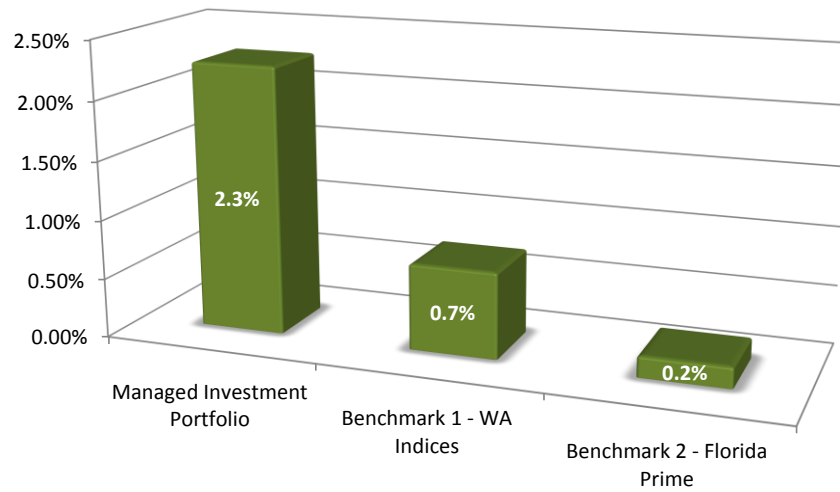
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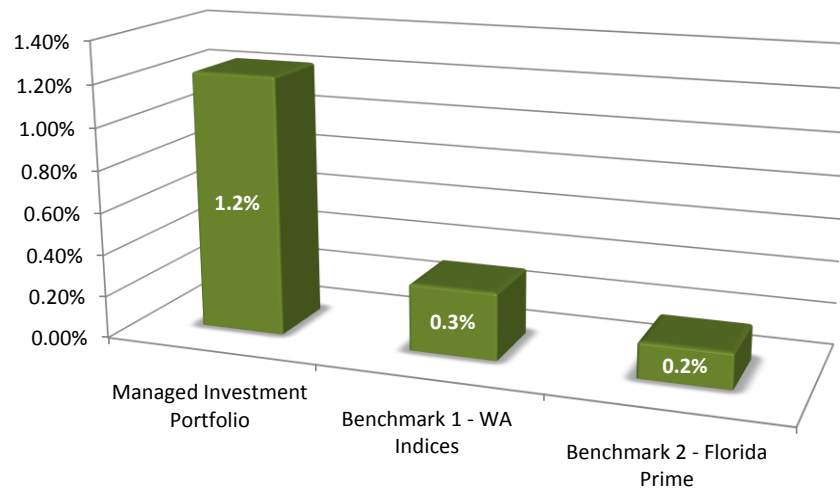
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### Yield Comparison Current Quarter



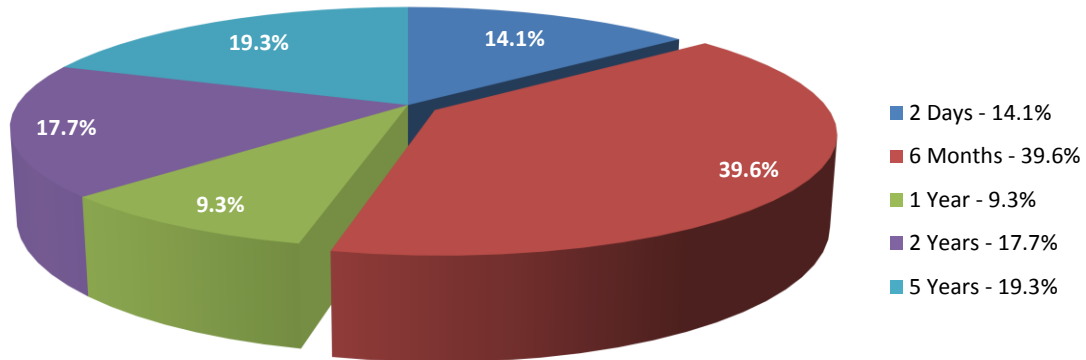
The yield on the district's managed investment program was 2.27% for the quarter ended March 31, 2015.

### Yield Comparison Year to Date



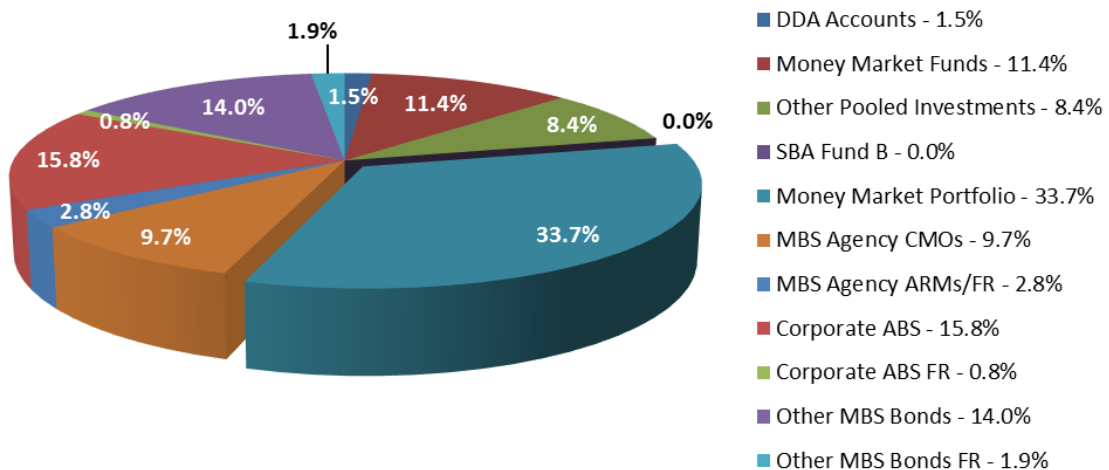
The yield on the district's managed investment program was 1.23% for the fiscal year-to-date ended March 31, 2015.

### Investments by Duration March 31, 2015



The above chart breaks down the duration of the district’s investment by time frame. The largest category, 6 months duration, represents liquid cash that can be accessed within 6 months. The other categories represent investments whose modified duration falls within that time frame.

### Investments by Type March 31, 2015



The above chart breaks down the district’s portfolio by investment type. For example, the largest category is Money Market Portfolio, short-term liquid investments representing 33.7% of the portfolio.



<b>Portfolio Assets</b>	<b>3/31/15</b>			<b>6/30/14</b>
Investment in U.S. Treasury and Agency Securities:				
Investments (securities at market value)	\$338,920,123			\$226,091,853
Other Pooled Investments	36,170,043			36,089,339
State Board of Administration Fund B	110,422			226,295
Accrued Interest Receivable and Prepaid Interest	597,682			554,475
Total U.S. Treasury and Agency Securities	\$375,798,270			\$262,961,961
Cash Investments				
Money market funds	49,024,649			8,172,755
Bank accounts (DDA & MMA)	6,555,559			6,532,907
Total Cash Investments	\$55,580,208			\$14,705,662
Total Managed Investment Portfolio Value	\$431,378,478			\$277,667,623
	<b>Quarter End</b>	<b>Y-T-D</b>	<b>Prior Year</b>	
	<b>3/31/15</b>	<b>3/31/15</b>	<b>6/30/14</b>	
<b>Portfolio Income</b>				
Interest Earned				
U.S. Government Securities & Other Pooled Accounts	1,741,042	4,012,439	7,940,245	
Money Market Funds	11,813	21,184	19,305	
Bank Accounts	6,602	19,511	34,981	
Total Interest Earned	1,759,457	4,053,134	7,994,531	
Net increase/(decrease) in fair value of investments - Note 2	804,079	(370,896)	(9,277,556)	
Total Managed Investment Portfolio Earnings	\$2,563,536	\$3,682,238	(\$1,283,025)	
	<b>Quarter End</b>	<b>Y-T-D</b>	<b>Prior Year</b>	
	<b>3/31/15</b>	<b>3/31/15</b>	<b>6/30/14</b>	
<b>Yield Comparison - Page 5</b>				
<i>Managed Investment Portfolio</i>				
Annualized Rate of Return	2.27%	1.23%	-0.29%	
<i>Benchmark 1 - Weighted Average of Comparable Indices</i>				
Annualized Rate of Return	0.73%	0.32%	0.70%	
Managed Investment Portfolio Yield vs. Benchmark 1	1.54%	0.91%	-0.99%	
<i>Benchmark 2 - Florida Prime MMF (SBA LGIP)</i>				
Annualized Rate of Return	0.18%	0.17%	0.10%	
Managed Investment Portfolio Yield vs. Benchmark 2	2.09%	1.06%	-0.39%	

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Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.
<b>Money Market Portfolio - 33.7%</b>								
Abbey Nat 0%CP	0027A1WR6	14,967,913	14,972,700	4,787	0	\$14,972,700	P-1	0.49
ANGLESEA 0% CP	0347M3WJ9	14,974,096	14,973,750	(346)	0	\$14,973,750	A-1	0.47
BNSPP 0% CP	06417KTRO	24,988,323	24,986,500	(1,823)	0	\$24,986,500	P-1	0.24
Soc Gen 0% CP	83369CVM3	14,976,256	14,981,100	4,844	0	\$14,981,100	P-1	0.39
FNMA DN 6/25/15	313588HH1	14,996,626	14,997,900	1,274	0	\$14,997,900	AAA	0.24
UST 0.875%	912828RU6	15,057,745	15,102,000	44,255	43,990	\$15,145,990	AAA	1.65
UST 0.625%	912828UA6	14,812,738	14,936,700	123,962	31,422	\$14,968,122	AAA	2.63
UST 0 7/8%	912828RX0	15,048,941	15,102,000	53,059	32,994	\$15,134,994	AAA	1.73
UST 0 3/4%	912828UE8	14,849,901	14,971,950	122,049	28,280	\$15,000,230	AAA	2.71
subtotal		\$144,672,539	\$145,024,600	\$352,061	\$136,686	\$145,161,286	AAA	1.11
<b>MBS Agency CMOs - 9.7%</b>								
FHR 4039 JA	3137AQNA2	4,228,936	4,153,260	(75,676)	5,299	\$4,158,560	AAA	4.33
FHR 4399 CB	3137BERG1	16,386,143	16,325,013	(61,130)	33,356	\$16,358,369	AAA	2.33
FHR 3893 DJ	3137AD2V8	5,989,101	5,981,333	(7,768)	9,818	\$5,991,151	AAA	1.40
FNR 12-90 DA	3136A7RE4	14,569,479	14,072,162	(497,317)	18,015	\$14,090,177	AAA	2.67
GNR 08-38 PS	38375QGZ6	181,529	174,235	(7,294)	507	\$174,741	AAA	0.26
GNR 13-26 GA	38378JBV3	834,274	832,289	(1,985)	1,204	\$833,493	AAA	1.89
GNR 10-167 KW	38377NUW2	396,945	384,739	(12,206)	1,586	\$386,325	AAA	0.30
subtotal		\$42,586,407	\$41,923,030	(\$663,376)	\$69,784	\$41,992,814	AAA	2.47
<b>MBS Agency ARMs/FR - 2.8%</b>								
FNR 07-114 A6	31396X3Q5	1,983,822	1,963,437	(20,385)	115	\$1,963,552	AAA	2.17
G2 82577	36225E2K7	2,487,307	2,449,944	(37,363)	5,908	\$2,455,852	AAA	3.06
G2 82462	36225EWY4	2,033,234	2,040,728	7,494	5,648	\$2,046,376	AAA	3.62
G2 82539	36225EZD7	2,616,150	2,587,919	(28,230)	7,708	\$2,595,627	AAA	3.56
G2 82558	36225EZY1	2,871,853	2,847,551	(24,302)	8,462	\$2,856,013	AAA	2.93
subtotal		\$11,992,366	\$11,889,580	(\$102,786)	\$27,841	\$11,917,420	AAA	3.09

Pinellas County Schools  
Quarterly Investment Report

March 31, 2015  
Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.
<b>Corporate ABS - 15.8%</b>								
AESOP 12-1A A	05377RAX2	11,405,020	11,365,180	(39,840)	7,113	\$11,372,293	Aaa	0.22
CHAIT 13-A5 A	161571FX7	7,684,385	7,680,461	(3,924)	1,604	\$7,682,065	Aaa	0.12
GEMNT 12-5 A	36159JDE8	13,876,625	13,856,491	(20,134)	5,846	\$13,862,337	Aaa	0.11
HART 12-A D	44890GAG0	15,809,212	15,732,924	(76,288)	18,001	\$15,750,925	Aaa	1.02
SDART 11-1 D	80282PAF2	11,601,487	11,554,011	(47,476)	20,415	\$11,574,426	Aaa	0.25
SDART 13-A A3	80283JAC2	7,784,650	7,772,558	(12,092)	3,521	\$7,776,079	Aaa	0.33
subtotal		\$68,161,380	\$67,961,626	(\$199,754)	\$56,499	\$68,018,125	AAA	0.39
<b>Corporate ABS FR - 0.8%</b>								
GCCT 12-3A A	380881BP6	3,505,098	3,502,205	(2,893)	1,000	\$3,503,205	Aaa	0.21
subtotal		\$3,505,098	\$3,502,205	(\$2,893)	\$1,000	\$3,503,205	AAA	0.21
<b>Other MBS Bonds - 14.0%</b>								
CD 06-CD2 A4	12513XAE2	6,005,169	5,939,557	(65,612)	25,731	\$5,965,288	Aaa	0.60
COMM 05-C6 A5A	126171AF4	3,578,032	3,532,619	(45,413)	14,990	\$3,547,609	Aaa	0.42
GMAC 04-C2 A4	361849F56	179,413	176,918	(2,496)	815	\$177,733	AAA	0.18
JPMCC 04-LN2 A2	46625YCV3	1,345,908	1,319,500	(26,408)	(2,021)	\$1,317,479	AAA	0.45
JPMCC 06-CB14 A	46625YZX4	8,055,074	7,925,262	(129,813)	35,462	\$7,960,723	Aaa	0.66
JPMCC 06-LDP7A4	46628FAF8	8,588,367	8,431,728	(156,639)	39,716	\$8,471,444	Aaa	0.89
JPMCC 06-LDP6	46625YP64	6,233,927	6,141,034	(92,893)	27,414	\$6,168,448	Aaa	0.83
WBCMT 05 C21 A4	9297667G2	10,015,489	9,847,761	(167,727)	42,952	\$9,890,713	Aaa	0.29
WBCMT 06-C26 A3	92977RAD8	17,497,547	17,209,724	(287,823)	82,641	\$17,292,365	Aaa	1.07
subtotal		\$61,498,926	\$60,524,102	(\$974,824)	\$267,700	\$60,791,802	AAA	0.74
<b>Other MBS Bonds FR - 1.9%</b>								
CSMC 06-C2 A3	22545BAC5	8,181,707	8,094,980	(86,727)	37,104	\$8,132,084	Aaa	0.75
subtotal		\$8,181,707	\$8,094,980	(\$86,727)	\$37,104	\$8,132,084	AAA	0.75

Pinellas County Schools  
 Quarterly Investment Report

March 31, 2015  
 Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.
<b>Cash, MMFs, &amp; Investment Pools - 21.29%</b>								
Bank Accts (DDA & MMA)	N/A	6,555,559	6,555,559	0	0	\$6,555,559	N/A	0.00
Money Market Funds	N/A	49,024,649	49,024,649	0	1,068	\$49,025,717	AAAm	0.00
FL FIT (Core Fund) <sup>2</sup>	140021420	36,393,975	36,170,043	(223,931)	0	\$36,170,043	NR	0.97
SBA Fund B <sup>1</sup>	251361B	103,601	110,422	6,821	0	\$110,422	NR	0.00
subtotal		\$92,077,784	\$91,860,673	(\$217,111)	\$1,068	\$91,861,742	AA-	0.38
Managed Investment Program		\$432,676,205	\$430,780,796.19	(\$1,895,409)	\$597,682	\$431,378,478	AAA-	0.96

<sup>1</sup>All of the District's original principal has been returned. Value shown is an estimate of undistributed earnings

<sup>2</sup>Shares of the Core Fund were transferred into the Florida Fixed Income Trust (FL FIT), 1-3 Yr Portfolio. FL FIT expects to have a rating soon.  
 Unrealized Gain/Loss as a percent of total market value: -0.44%

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	<b>Quarter End 3/31/15</b>	<b>Y-T-D 3/31/15</b>	<b>Prior Year 6/30/14</b>
Average Invested Value of Managed Investment Portfolio	\$457,611,619	\$399,783,736	\$439,617,188
<b>Managed Investment Portfolio Yield</b>			
Total Managed Investment Portfolio Earnings	\$2,563,536	\$3,682,238	(\$1,283,025)
<i>Managed Investment Portfolio Annualized Rate Of Return</i>	<b>2.27%</b>	<b>1.23%</b>	<b>-0.29%</b>
<b>Benchmark 1 - Weighted Average of Comparable Indices</b>			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/15			3,086,906
Quarter Ended 3/31/15	820,181	820,181	
Quarter Ended 12/31/14		90,826	
Quarter Ended 9/30/14		44,226	
Total Pro Forma Benchmark 1 Earnings	\$820,181	\$955,233	\$3,086,906
<i>Benchmark 1 Annualized Rate Of Return</i>	<b>0.73%</b>	<b>0.32%</b>	<b>0.70%</b>
<b>Benchmark 2 - Florida Prime (SBA LGIP)</b>			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/15			436,456
Quarter Ended 3/31/15	198,337	198,337	
Quarter Ended 12/31/14		83,509	
Quarter Ended 9/30/14		88,092	
Total Pro Forma Benchmark 2 Earnings	\$198,337	\$369,938	\$436,456
<i>Benchmark 2 Annualized Rate Of Return</i>	<b>0.18%</b>	<b>0.17%</b>	<b>0.10%</b>
<b>Earnings Comparison</b>			
<i>Annualized Rate of Return</i>			
Managed Investment Portfolio vs. Benchmark 1	<b>1.54%</b>	<b>0.91%</b>	<b>-0.99%</b>
Managed Investment Portfolio vs. Benchmark 2	<b>2.09%</b>	<b>1.06%</b>	<b>-0.39%</b>
<i>Dollar Earnings</i>			
Managed Investment Portfolio vs. Benchmark 1	<b>\$1,743,355</b>	<b>\$2,727,005</b>	<b>(\$4,369,932)</b>
Managed Investment Portfolio vs. Benchmark 2	<b>\$2,365,199</b>	<b>\$3,312,300</b>	<b>(\$1,719,482)</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>March 31, 2015</b>	<u>Quarter End</u>	<u>Fiscal Y-T-D</u>	<u>Prior Fiscal Year</u>
Realized Gains/Losses	(618,598)	(4,746,581)	(2,152,924)
MV Adjustment for Period	1,422,678	4,375,685	(7,124,632)
Net Incr/(Decr) in fair value of investments	804,079	(370,896)	(9,277,556)

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

For the fiscal year-to-date, the Managed Investment Portfolio’s (MIP) earnings were over the State Board of Administration’s (SBA) local government investment pool by \$3,312,300. Since August 1992, the MIP’s cumulative earnings were over the SBA by \$34,364,298.

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

The district’s MIP currently has an unrealized loss of \$1,891,484. This figure has been netted against interest income. If the district’s bonds were priced at par (100) as of March 31, 2015, the district’s cumulative earnings over the SBA would be \$36,255,782.

**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 \$184,503,368 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

Investment Category	Market Value	Average Rating
Exempt	\$135,478,719	
Money Market Fund	\$49,024,649	AAA
Other Pooled Investments	\$36,170,043	NR
Not Rated	\$110,422	NR
Money Market Portfolio	\$69,914,050	AAA
Corporate ABS	\$67,961,626	AAA
Corporate ABS FR	\$3,502,205	AAA
Other MBS Bonds	\$60,524,102	AAA
Other MBS Bonds FR	\$8,094,980	AAA
<b>Portfolio</b>	<b>\$430,780,796</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	21.32%	\$91,860,673	Exempt
NOVA	5.80%	24,986,500	Bankd of Nova Scotia CP
FNMA	7.20%	31,033,499	Federal National Mtge Assoc
UST	13.95%	60,112,650	United States Treasury
FHLMC	6.14%	26,459,606	Federal Home Loan Mgte Corp
JPMCC	5.53%	23,817,523	JP Morgan Chase Comm Mortgage
WBCMT	6.28%	27,057,485	Wachovia Bank Comm Mortgage Tr

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

Issuer	CUSIP	Market Value	Description
NOVA	06417KTRO	24,986,500.00	BNSPP 0% CP
WBCMT	92977RAD8	17,209,723.72	WBCMT 06-C26 A3
FHLMC	3137BERG1	16,325,012.85	FHR 4399 CB
UST	912828RU6	15,102,000.00	UST 0.875%
UST	912828RX0	15,102,000.00	UST 0 7/8%
FNMA	313588HH1	14,997,900.00	FNMA DN 6/25/15
UST	912828UE8	14,971,950.00	UST 0 3/4%
UST	912828UA6	14,936,700.00	UST 0.625%
FNMA	3136A7RE4	14,072,161.96	FNR 12-90 DA
WBCMT	9297667G2	9,847,761.22	WBCMT 05 C21 A4
JPMCC	46628FAF8	8,431,728.00	JPMCC 06-LDP7A4
JPMCC	46625YZX4	7,925,261.51	JPMCC 06-CB14 A
JPMCC	46625YP64	6,141,033.55	JPMCC 06-LDP6
FHLMC	3137AD2V8	5,981,332.84	FHR 3893 DJ
FHLMC	3137AQNA2	4,153,260.12	FHR 4039 JA
FNMA	31396X3Q5	1,963,436.85	FNR 07-114 A6
JPMCC	46625YCV3	1,319,499.56	JPMCC 04-LN2 A2

### 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 0.90 years, or 10.76months.

**Floating/Adjustable Interest Rate Risk**

The district currently has #N/A invested in securities with floating or adjustable interest rate risk. #N/A 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 #N/A

**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 4.33 years. The duration on the District's ABS/MBS bonds ranges from 0 years to 4.33 years.

**Interest Rate Risk**

<b>Investment Category</b>	<b>Market Value</b>	<b>Mod. Dur.</b>
Exempt	\$55,580,208	0.00
Investment Pool	36,280,465	0.00
Money Market Portfolio	145,024,600	1.11
MBS Agency CMOs	41,923,030	2.47
MBS Agency ARMs/FR	11,889,580	3.09
Corporate ABS	67,961,626	0.39
Corporate ABS FR	3,502,205	0.21
Other MBS Bonds	60,524,102	0.74
Other MBS Bonds FR	8,094,980	0.75
<b>Portfolio</b>	<b>\$430,780,796</b>	<b>0.88</b>