

Quarterly Investment Report

September 30, 2014

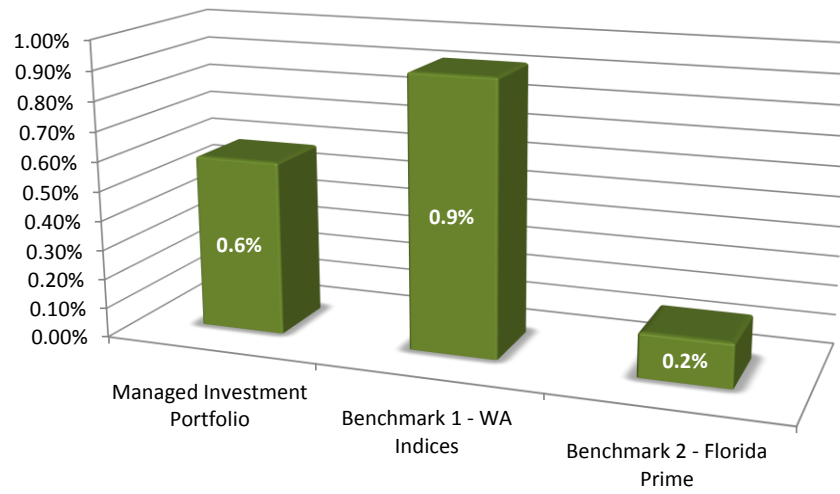


prepared by Cash Management Department

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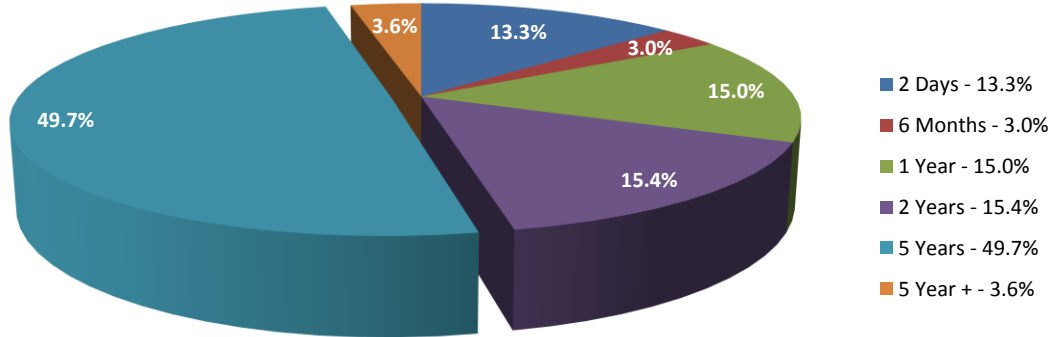
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Yield Comparison Current Quarter



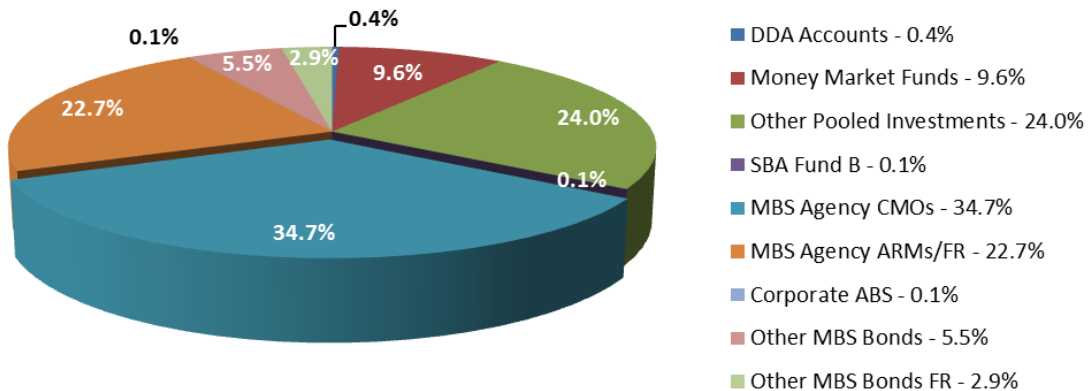
The yield on the district's managed investment program was 0.59% for the quarter ended June 30, 2011.

Investments by Duration September 30, 2014



The above chart breaks down the duration of the district’s investment by time frame. The largest category, 5 years duration, represents liquid cash that can be accessed within 5 years. The other categories represent investments whose modified duration falls within that time frame.

Investments by Type September 30, 2014



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 34.7% of the portfolio.

Portfolio Assets

	<u>9/30/14</u>	<u>6/30/14</u>
Investment in U.S. Treasury and Agency Securities:		
Investments (securities at market value)	\$98,964,087	\$226,091,853
Other Pooled Investments	36,053,840	36,089,339
State Board of Administration Fund B	110,422	226,295
Accrued Interest Receivable and Prepaid Interest	216,904	554,475
Total U.S. Treasury and Agency Securities	<u>\$135,345,252</u>	<u>\$262,961,961</u>
Cash Investments		
Money market funds	14,439,098	8,172,755
Bank accounts (DDA & MMA)	582,887	6,532,907
Total Cash Investments	<u>\$15,021,985</u>	<u>\$14,705,662</u>
Total Managed Investment Portfolio Value	<u><u>\$150,367,237</u></u>	<u><u>\$277,667,623</u></u>

Portfolio Income

	<u>Quarter End 9/30/14</u>	<u>Y-T-D 9/30/14</u>	<u>Prior Year 6/30/14</u>
Interest Earned			
U.S. Government Securities & Other Pooled Accounts	1,283,774	1,283,774	7,940,245
Money Market Funds	1,283	1,283	19,305
Bank Accounts	4,765	4,765	34,981
Total Interest Earned	<u>1,289,822</u>	<u>1,289,822</u>	<u>7,994,531</u>
Net increase/(decrease) in fair value of investments - Note 2	<u>(949,436)</u>	<u>(949,436)</u>	<u>(9,277,556)</u>
Total Managed Investment Portfolio Earnings	<u><u>\$340,386</u></u>	<u><u>\$340,386</u></u>	<u><u>(\$1,283,025)</u></u>

Yield Comparison - Page 5

	<u>Quarter End 9/30/14</u>	<u>Y-T-D 9/30/14</u>	<u>Prior Year 6/30/14</u>
<i>Managed Investment Portfolio</i>			
Annualized Rate of Return	0.59%	0.59%	-0.29%
<i>Benchmark 1 - Weighted Average of Comparable Indices</i>			
Annualized Rate of Return	0.92%	0.92%	0.70%
Managed Investment Portfolio Yield vs. Benchmark 1	<u>-0.33%</u>	<u>-0.33%</u>	<u>-0.99%</u>
<i>Benchmark 2 - Florida Prime MMF (SBA LGIP)</i>			
Annualized Rate of Return	0.15%	0.15%	0.10%
Managed Investment Portfolio Yield vs. Benchmark 2	<u>0.44%</u>	<u>0.44%</u>	<u>-0.39%</u>

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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.
MBS Agency CMOs - 34.7%								
FHR 4039 JA	3137AQNA2	4,364,488	4,101,787	(262,701)	5,469	\$4,107,257	AAA	5.36
FHR 4165 CA	3137AYQY0	7,676,306	7,424,502	(251,804)	7,949	\$7,432,451	AAA	2.64
FNR 12-90 DA	3136A7RE4	16,125,642	15,110,549	(1,015,093)	19,939	\$15,130,488	AAA	2.17
FNR 12-117 DA	3136A8P20	19,217,453	16,443,191	(2,774,262)	23,799	\$16,466,989	AAA	1.14
FNR 04-8 GD	31393XDU8	6,008,753	5,896,151	(112,602)	21,473	\$5,917,623	AAA	0.84
GNR 08-38 PS	38375QGZ6	414,301	399,462	(14,840)	1,156	\$400,618	AAA	0.65
GNR 10-52 AE	38376GGU8	122,181	116,796	(5,385)	398	\$117,194	AAA	0.56
GNR 13-26 GA	38378JBV3	1,183,284	1,179,707	(3,577)	1,707	\$1,181,414	AAA	1.96
GNR 10-118 B	38376GUR9	691,308	681,766	(9,542)	1,595	\$683,361	AAA	0.24
GNR 10-167 KW	38377NUW2	757,727	747,510	(10,217)	3,027	\$750,537	AAA	0.67
subtotal		\$56,561,444	\$52,101,421	(\$4,460,023)	\$86,512	\$52,187,933	AAA	1.95
MBS Agency ARMs/FR - 22.7%								
FNR 07-114 A6	31396X3Q5	1,995,000	1,995,900	900	122	\$1,996,022	AAA	2.74
G2 82577	36225E2K7	2,835,735	2,844,142	8,406	6,736	\$2,850,877	AAA	3.45
G2 82518	36225EYQ9	15,275,424	15,231,414	(44,011)	42,156	\$15,273,569	AAA	3.34
G2 82579	36225E2M3	5,109,966	5,098,954	(11,013)	14,119	\$5,113,072	AAA	3.43
G2 82462	36225EWY4	2,341,981	2,364,776	22,795	6,506	\$2,371,282	AAA	3.40
G2 82539	36225EZD7	3,039,059	3,042,254	3,195	8,954	\$3,051,208	AAA	3.54
G2 82558	36225EZY1	3,540,811	3,560,858	20,047	10,433	\$3,571,290	AAA	3.04
subtotal		\$34,137,977	\$34,138,297	\$320	\$89,025	\$34,227,322	AAA	3.32
Corporate ABS - 0.1%								
SDART 12-6 A3	80283CAC7	92,857	92,768	(90)	26	\$92,793	Aaa	0.13
subtotal		\$92,857	\$92,768	(\$90)	\$26	\$92,793	AAA	0.13
Other MBS Bonds - 5.5%								
GMAC 04-C2 A4	361849F56	210,411	207,291	(3,120)	950	\$208,241	AAA	0.09
JPMCC 04-LN2 A2	46625YCV3	2,344,810	2,312,863	(31,948)	2,151	\$2,315,014	AAA	0.24
MLMT 04-BPC1 A5	59022HEX6	171,262	167,391	(3,871)	678	\$168,069	AAA	0.16
LBUBS 05-C3 A5	52108H5X8	5,741,138	5,550,429	(190,709)	14,430	\$5,564,859	Aaa	0.57
subtotal		\$8,467,621	\$8,237,974	(\$229,647)	\$18,208	\$8,256,182	AAA	0.46

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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.
Other MBS Bonds FR - 2.9%								
LBUBS 08-C1 AAB	50180LAB6	4,527,192	4,393,628	(133,564)	22,427	\$4,416,054	Aaa	0.96
subtotal		\$4,527,192	\$4,393,628	(\$133,564)	\$22,427	\$4,416,054	AAA	0.96
Cash, MMFs, & Investment Pools - 34.04%								
Bank Accts (DDA & MMA)	N/A	582,887	582,887	0	0	\$582,887	N/A	0.00
Money Market Funds	N/A	14,439,098	14,439,098	0	706	\$14,439,804	AAAm	0.00
FL FIT (Core Fund)	140021420	36,277,771	36,053,840	(223,931)	0	\$36,053,840	Aaa-bf	(0.22)
SBA Fund B ¹	251361B	103,601	110,422	6,821	0	\$110,422	NR	0.00
subtotal		\$51,403,357	\$51,186,246	(\$217,111)	\$706	\$51,186,952	AAA	(0.15)
Managed Investment Program		\$155,190,447	\$150,150,333.09	(\$5,040,114)	\$216,904	\$150,367,237	AAA	1.48

¹All of the District's original principal has been returned. Value shown is an estimate of undistributed earnings
Unrealized Gain/Loss as a percent of total market value: -3.36%

	Quarter End 9/30/14	Y-T-D 9/30/14	Prior Year 6/30/14
Average Invested Value of Managed Investment Portfolio	\$227,488,079	\$227,488,079	\$439,617,188
Managed Investment Portfolio Yield			
Total Managed Investment Portfolio Earnings	\$340,386	\$340,386	(\$1,283,025)
<i>Managed Investment Portfolio Annualized Rate Of Return</i>	0.59%	0.59%	-0.29%
Benchmark 1 - Weighted Average of Comparable Indices			
Pro Forma Interest Earnings:			
Quarter Ended 9/30/14	530,033	530,033	3,086,906
Quarter Ended 12/31/14			
Quarter Ended 3/31/15			
Quarter Ended 6/30/15			
Total Pro Forma Benchmark 1 Earnings	\$530,033	\$530,033	\$3,086,906
<i>Benchmark 1 Annualized Rate Of Return</i>	0.92%	0.92%	0.70%
Benchmark 2 - Florida Prime (SBA LGIP)			
Pro Forma Interest Earnings:			
Quarter Ended 9/30/14	88,411	88,411	436,456
Quarter Ended 12/31/14			
Quarter Ended 3/31/15			
Quarter Ended 6/30/15			
Total Pro Forma Benchmark 2 Earnings	\$88,411	\$88,411	\$436,456
<i>Benchmark 2 Annualized Rate Of Return</i>	0.15%	0.15%	0.10%
Earnings Comparison			
<i>Annualized Rate of Return</i>			
Managed Investment Portfolio vs. Benchmark 1	-0.33%	-0.33%	-0.99%
Managed Investment Portfolio vs. Benchmark 2	0.44%	0.44%	-0.39%
<i>Dollar Earnings</i>			
Managed Investment Portfolio vs. Benchmark 1	(\$189,647)	(\$189,647)	(\$4,369,932)
Managed Investment Portfolio vs. Benchmark 2	\$251,976	\$251,976	(\$1,719,482)

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.

September 30, 2014	<u>Quarter End</u>	<u>Fiscal Y-T-D</u>	<u>Prior Fiscal Year</u>
Realized Gains/Losses	(3,044,531)	(3,044,531)	(2,152,924)
MV Adjustment for Period	2,095,095	2,095,095	(7,124,632)
Net Incr/(Decr) in fair value of investments	(949,436)	(949,436)	(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 \$251,976. Since August 1992, the MIP’s cumulative earnings were over the SBA by \$31,303,973.

Note 4 – Effect of Unrealized Gains and Losses on Income

The district’s MIP currently has an unrealized loss of \$5,040,114. This figure has been netted against interest income. If the district’s bonds were priced at par (100) as of September 30, 2014, the district’s cumulative earnings over the SBA would be \$36,344,087.

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 \$101,261,703 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	\$86,822,605	
Money Market Fund	\$14,439,098	AAA
Other Pooled Investments	\$36,053,840	AAA
Not Rated	\$110,422	NR
Corporate ABS	\$92,768	AAA
Other MBS Bonds	\$8,237,974	AAA
Other MBS Bonds FR	\$4,393,628	AAA
Portfolio	\$150,150,333	AAA

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	34.09%	\$51,186,246	Exempt
FHLMC	7.68%	11,526,289	Federal Home Loan Mgte Corp
FNMA	26.27%	39,445,791	Federal National Mtge Assoc
GNMA	23.49%	35,267,638	Government National Mtge Assoc
LBUBS	6.62%	9,944,057	LB UBS Commercial Mortgage Tru

Securities Where Issuer Represents More Than 5% of Portfolio

Issuer	CUSIP	Market Value	Description
FNMA	3136A8P20	16,443,190.61	FNR 12-117 DA
GNMA	36225EYQ9	15,231,413.56	G2 82518
FNMA	3136A7RE4	15,110,549.26	FNR 12-90 DA
FHLMC	3137AYQY0	7,424,502.03	FHR 4165 CA
FNMA	31393XDU8	5,896,150.87	FNR 04-8 GD
LBUBS	52108H5X8	5,550,429.00	LBUBS 05-C3 A5
GNMA	36225E2M3	5,098,953.74	G2 82579
LBUBS	50180LAB6	4,393,627.54	LBUBS 08-C1 AAB
FHLMC	3137AQNA2	4,101,787.44	FHR 4039 JA
GNMA	36225EZY1	3,560,857.83	G2 82558
GNMA	36225EZD7	3,042,253.84	G2 82539
GNMA	36225E2K7	2,844,141.58	G2 82577
GNMA	36225EWY4	2,364,776.44	G2 82462
FNMA	31396X3Q5	1,995,900.00	FNR 07-114 A6
GNMA	38378JBV3	1,179,707.01	GNR 13-26 GA
GNMA	38377NUW2	747,510.36	GNR 10-167 KW
GNMA	38376GUR9	681,765.74	GNR 10-118 B
GNMA	38375QGZ6	399,461.93	GNR 08-38 PS
GNMA	38376GGU8	116,795.71	GNR 10-52 AE

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 1.48 years, or 17.8months.

Floating/Adjustable Interest Rate Risk

The district currently has \$12,147,248 invested in securities with floating or adjustable interest rate risk. \$12,147,248 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 0.37% to 6.32%.

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 5.36 years. The duration on the District's ABS/MBS bonds ranges from 0 years to 5.36 years.

Interest Rate Risk

Investment Category	Market Value	Mod. Dur.
Exempt	\$15,021,985	0.00
Investment Pool	36,164,261	0.00
MBS Agency CMOs	52,101,421	1.95
MBS Agency ARMs/FR	34,138,297	3.32
Corporate ABS	92,768	0.13
Other MBS Bonds	8,237,974	0.46
Other MBS Bonds FR	4,393,628	0.96
Portfolio	\$150,150,333	1.48