

Quarterly Investment Report

September 30, 2019

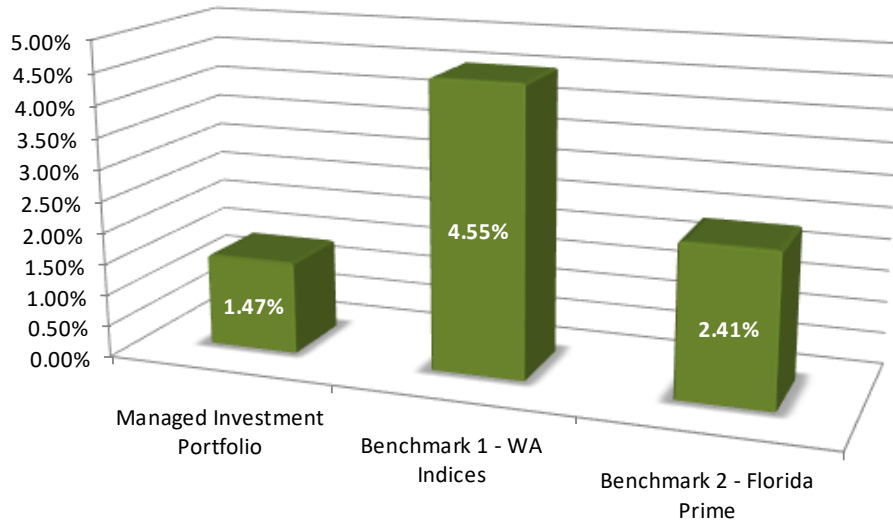


prepared by Cash Management Department

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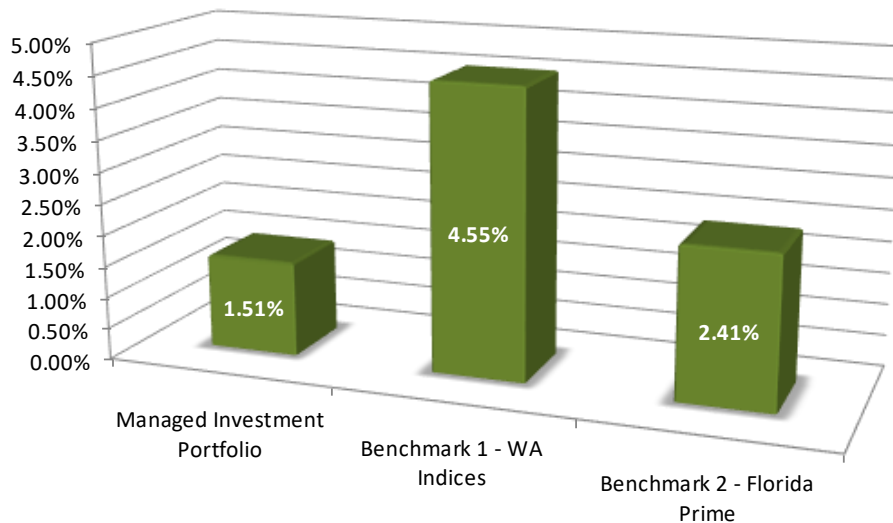
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Yield Comparison September 30, 2019



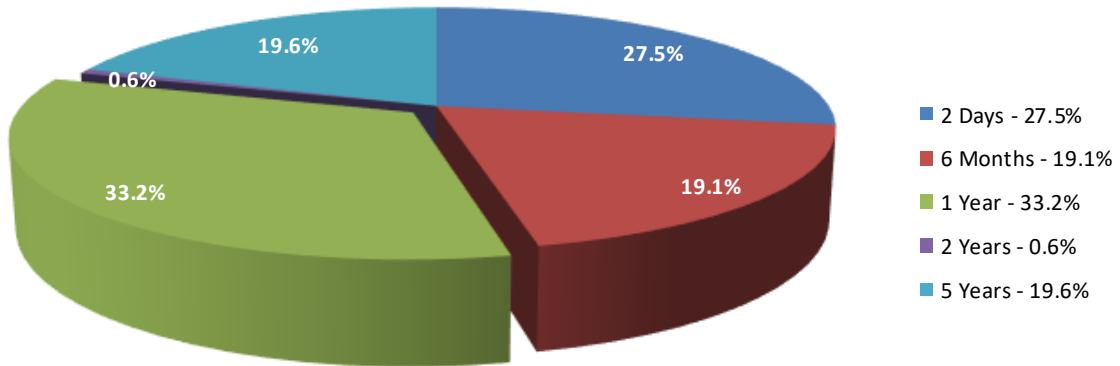
The yield on the district’s managed investment program was 1.47% for the quarter ended September 30, 2019.

Yield Comparison Year to Date through September 30, 2019



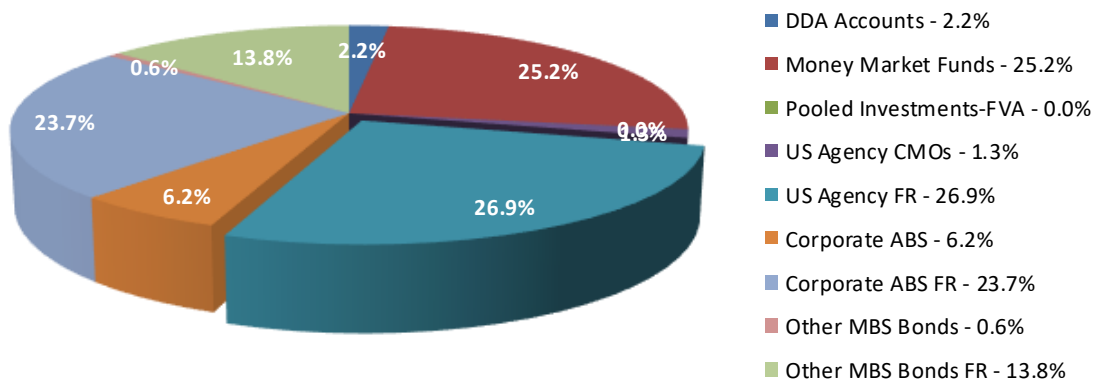
The yield on the district’s managed investment program was 1.51% for the fiscal year ended September 30, 2019.

Investments by Duration September 30, 2019



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 September 30, 2019



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.

Portfolio Assets	9/30/19			6/30/19
Investment in U.S. Treasury and Agency Securities:				
Investments (securities at market value)	\$110,694,986			\$250,850,019
Other Pooled Investments	10,406			35,901,108
Accrued Interest Receivable and Prepaid Interest	495,752			672,263
Total U.S. Treasury and Agency Securities	\$111,201,144			\$287,423,389
Cash Investments				
Money market funds	38,521,440			274,088
Pooled Cash Investments	0			1,944,612
Bank accounts (DDA & MMA)	3,360,835			12,906,325
Total Cash Investments	\$41,882,275			\$15,125,026
Total Managed Investment Portfolio Value	\$153,083,419			\$302,548,415
	Quarter End	Y-T-D		Prior Year
	9/30/19	9/30/19		6/30/19
Portfolio Income				
Interest Earned				
U.S. Government Securities & Other Pooled Accounts	1,542,312	1,563,444		7,398,820
Money Market Funds	46,833	46,833		1,137,908
Bank Accounts	0	0		0
Total Interest Earned	1,589,145	1,610,277		8,536,729
Net increase/(decrease) in fair value of investments - Note 2	(752,591)	(752,591)		246,140
Total Managed Investment Portfolio Earnings	\$836,554	\$857,686		\$8,782,869
	Quarter End	Y-T-D		Prior Year
	9/30/19	9/30/19		6/30/19
Yield Comparison - Page 5				
<i>Managed Investment Portfolio</i>				
Annualized Rate of Return	1.47%	1.51%		2.34%
<i>Benchmark 1 - Weighted Average of Comparable Indices</i>				
Annualized Rate of Return	4.55%	4.55%		3.13%
Managed Investment Portfolio Yield vs. Benchmark 1	-3.08%	-3.04%		-0.79%
<i>Benchmark 2 - Florida Prime MMF (SBA LGIP)</i>				
Annualized Rate of Return	2.41%	2.41%		2.31%
Managed Investment Portfolio Yield vs. Benchmark 2	-0.94%	-0.90%		0.03%

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September 30, 2019
Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.	% of Port
US Agency CMOs									
GNR 2011-110 D	38376G3H1	2,014,022	1,982,588	(31,434)	6,159	\$1,988,747	Aaa	0.06	1.3%
subtotal		\$2,014,022	\$1,982,588	(\$31,434)	\$6,159	\$1,988,747	AAA	0.06	1.3%
US Agency FR									
FH 2B1392	31326FRM2	3,476,131	3,484,973	8,842	25,440	\$3,510,414	Aaa	0.23	2.3%
FN AL1278	3138EHM41	9,241,594	9,171,631	(69,963)	30,563	\$9,202,194	Aaa	0.22	6.0%
FN AL8226	3138ETD86	10,751,687	10,619,644	(132,043)	38,324	\$10,657,968	Aaa	2.61	7.0%
SBA POOL 522179	83165AUC6	2,696,497	2,647,957	(48,540)	24,700	\$2,672,657	Aaa	0.71	1.7%
SBA POOL 522500	83165A7M0	15,266,380	15,153,504	(112,876)	133,527	\$15,287,032	Aaa	0.85	9.9%
subtotal		\$41,432,289	\$41,077,710	(\$354,579)	\$252,555	\$41,330,265	AAA	1.10	26.9%
Corporate ABS									
DRIVE 2017-3 C	26207KAF8	8,336,101	8,343,187	7,086	10,663	\$8,353,850	Aaa	0.28	5.5%
FCAT 17-3 A	33844KAA4	1,119,595	1,120,041	447	937	\$1,120,978	Aaa	0.21	0.7%
subtotal		\$9,455,696	\$9,463,229	\$7,532	\$11,599	\$9,474,828	AAA	0.27	6.2%
Corporate ABS FR									
BCARD 2018-1A A	38406EAG4	9,037,159	9,023,964	(13,195)	9,127	\$9,033,091	Aaa	0.79	5.9%
CCCIT 2018-A2 A	17305EGL3	9,002,985	9,011,790	8,805	6,529	\$9,018,319	Aaa	3.28	5.9%
MOTEL 2017-MTL6	61975FAA7	2,766,948	2,772,649	5,702	3,633	\$2,776,282	AAA	0.53	1.8%
NAVSL 2014-8 A2	63939DAB1	204,141	203,629	(512)	83	\$203,713	Aaa	0.08	0.1%
NMOTR 2019-A A	65474VAQ4	10,325,390	10,298,988	(26,402)	11,062	\$10,310,050	Aaa	2.36	6.7%
VALET 2018-2A2B	92869BAC6	4,882,534	4,882,974	439	3,289	\$4,886,262	AAA	0.40	3.2%
subtotal		\$36,219,157	\$36,193,994	(\$25,162)	\$33,723	\$36,227,717	AAA	1.78	23.7%
Other MBS Bonds									
GNR 2014-64 AC	38378NY56	945,453	958,963	13,511	1,804	\$960,768	Aaa	1.28	0.6%
subtotal		\$945,453	\$958,963	\$13,511	\$1,804	\$960,768	AAA	1.28	0.6%
Other MBS Bonds FR									
SBA 510021	83164MD22	11,005,460	10,670,573	(334,888)	80,610	\$10,751,183	Aaa	0.93	7.0%
SBA 510189	83164MKA6	10,321,100	10,347,930	26,830	49,267	\$10,397,197	Aaa	0.81	6.8%

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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
subtotal		\$21,326,561	\$21,018,503	(\$308,058)	\$129,877	\$21,148,380	AAA	0.87	13.8%
Cash, MMFs, & Investment Pools									
Bank Accounts ¹	N/A	3,360,835	3,360,835	0	0	3,360,835	NR	1d	2.2%
Money Market Funds ¹	N/A	38,522,379	38,521,440	(939)	9,805	38,531,245	Aaamf	20d	25.2%
Pooled Investments-No FVA ¹	N/A	0	0	0	0	0	#N/A	0	0.0%
Pooled Investments-FVA	N/A	10,406	10,406	(0)	0	10,406	#N/A	0.59	0.0%
subtotal		\$41,893,620	\$41,892,681	(\$939)	\$9,805	\$41,902,486	NR	162.00	27.5%
Managed Investment Program		\$153,286,797	\$152,587,668	(\$699,130)	\$445,523	\$153,033,191	AAA-	8.19	

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

-0.46%

	Quarter End 9/30/19	Y-T-D 9/30/19	Prior Year 6/30/19
Average Invested Value of Managed Investment Portfolio	\$225,847,684	\$225,847,684	\$377,640,409
Managed Investment Portfolio Yield			
Total Managed Investment Portfolio Earnings	\$836,554	\$857,686	\$8,837,735
<i>Managed Investment Portfolio Annualized Rate Of Return</i>	1.47%	1.51%	2.34%
Benchmark 1 - Weighted Average of Comparable Indices			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/20			11,819,551
Quarter Ended 3/31/20			
Quarter Ended 12/31/19			
Quarter Ended 9/30/19	2,583,381	2,583,381	
Total Pro Forma Benchmark 1 Earnings	\$2,583,381	\$2,583,381	\$11,819,551
<i>Benchmark 1 Annualized Rate Of Return</i>	4.55%	4.55%	3.13%
Benchmark 2 - Florida Prime (SBA LGIP)			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/20			8,730,042
Quarter Ended 3/31/20			
Quarter Ended 12/31/19			
Quarter Ended 9/30/19	1,367,291	1,367,291	
Total Pro Forma Benchmark 2 Earnings	\$1,367,291	\$1,367,291	\$8,730,042
<i>Benchmark 2 Annualized Rate Of Return</i>	2.41%	2.41%	2.31%
Earnings Comparison			
<i>Annualized Rate of Return</i>			
Managed Investment Portfolio vs. Benchmark 1	-3.08%	-3.04%	-0.79%
Managed Investment Portfolio vs. Benchmark 2	-0.94%	-0.90%	0.03%
<i>Dollar Earnings</i>			
Managed Investment Portfolio vs. Benchmark 1	(\$1,747,347)	(\$1,725,696)	(\$2,981,816)
Managed Investment Portfolio vs. Benchmark 2	(\$530,737)	(\$509,605)	\$107,693

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, 2019	<u>Quarter End</u>	<u>Fiscal Y-T-D</u>	<u>Prior Fiscal Year</u>
Realized Gains/Losses	203,495	203,495	(1,051,444)
MV Adjustment for Period	(956,086)	(956,086)	(2,070,711)
Net Incr/(Decr) in fair value of investments	<u>(752,591)</u>	<u>(752,591)</u>	<u>(3,122,155)</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 \$509,605. Since July 2015, the Florida Prime earnings have exceeded the MIP earnings by \$2,486,108.

Note 4 – Effect of Unrealized Gains and Losses on Income

The district’s MIP currently has an unrealized loss of \$699,130. This figure has been netted against interest income. If the district’s bonds were priced at par (100) as of September 30, 2019, the Florida Prime’s earnings over the MIP since July 2015 would be \$1,786,978.

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 \$45,657,223 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
Cash	\$3,360,835	NR
Money Market Fund	\$38,521,440	AAA
Pooled Investments-FVA	\$10,406	NR
US Agency CMOs	\$1,982,588	AAA
US Agency FR	\$41,077,710	AAA
Corporate ABS	\$9,463,229	AAA
Corporate ABS FR	\$36,193,994	AAA
Other MBS Bonds	\$958,963	AAA
Other MBS Bonds FR	\$21,018,503	AAA
Portfolio	\$152,587,668	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	27.45%	\$41,892,681	Exempt
FNMA	12.97%	19,791,275	Federal National Mtge Assoc
SBAD	25.44%	38,819,964	Small Business Administration
DRIVE	5.47%	8,343,187	Drive Financial Services
BCARD	5.91%	9,023,964	GRACECHURCH CARD PLC
CCCIT	5.91%	9,011,790	CITIBANK CREDIT CARD ISSUANCE
NMOTR	6.75%	10,298,988	NISSAN MASTER OWNER TRUST

Securities Where Issuer Represents More Than 5% of Portfolio

Issuer	CUSIP	Market Value	Description
SBAD	83165A7M0	15,153,504.22	SBA POOL 522500
SBAD	83164MD22	10,670,572.61	SBA 510021
FNMA	3138ETD86	10,619,644.13	FN AL8226
SBAD	83164MKA6	10,347,929.99	SBA 510189
NMOTR	65474VAQ4	10,298,988.00	NMOTR 2019-A A
FNMA	3138EHM41	9,171,631.27	FN AL1278
BCARD	38406EAG4	9,023,963.90	BCARD 2018-1A A
CCCIT	17305EGL3	9,011,790.00	CCCIT 2018-A2 A
DRIVE	26207KAF8	8,343,187.18	DRIVE 2017-3 C
SBAD	83165AUC6	2,647,956.92	SBA POOL 522179

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 8.19 years, or 98.28months.

Floating/Adjustable Interest Rate Risk

The district currently has \$98,290,207 invested in securities with floating or adjustable interest rate risk. \$98,290,207 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 1.84% to 6.01%.

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 3.28 years. The duration on the District's ABS/MBS bonds ranges from 0.06 years to 3.28 years.

Interest Rate Risk

Investment Category	Market Value	Mod. Dur.
Exempt	\$41,882,275	18.46
Pooled Investments-FVA	\$10,406	162.00
US Agency CMOs	\$1,982,588	0.06
US Agency FR	\$41,077,710	1.10
Corporate ABS	\$9,463,229	0.27
Corporate ABS FR	\$36,193,994	1.78
Other MBS Bonds	\$958,963	1.28
Other MBS Bonds FR	\$21,018,503	0.87
Portfolio	\$152,587,668	8.19