

Quarterly Investment Report

September 30, 2016

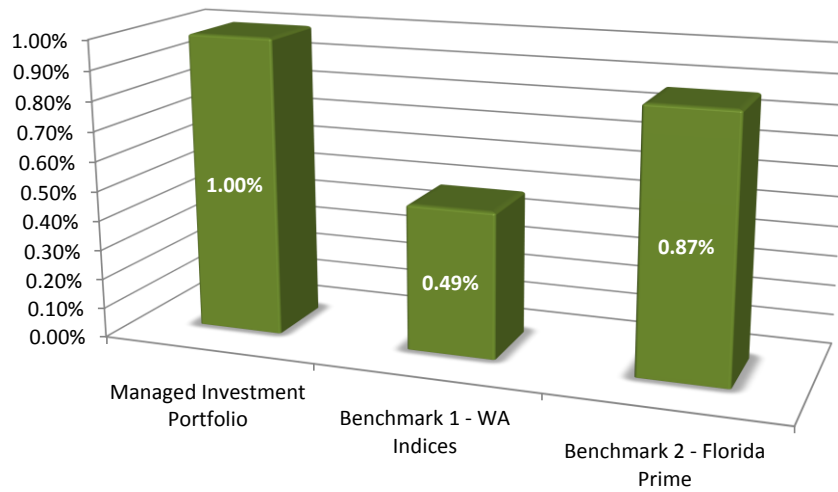


prepared by Cash Management Department

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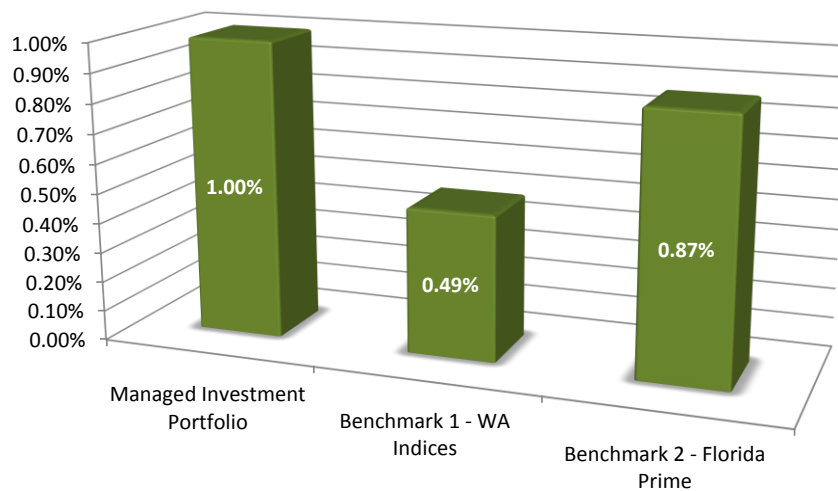
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Yield Comparison Current Quarter



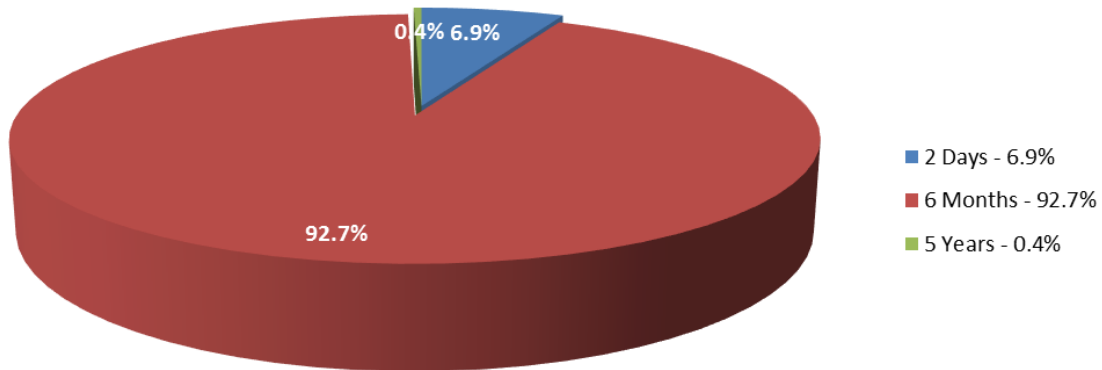
The yield on the district's managed investment program was 1.00% for the quarter ended September 30, 2016.

Yield Comparison Year to Date



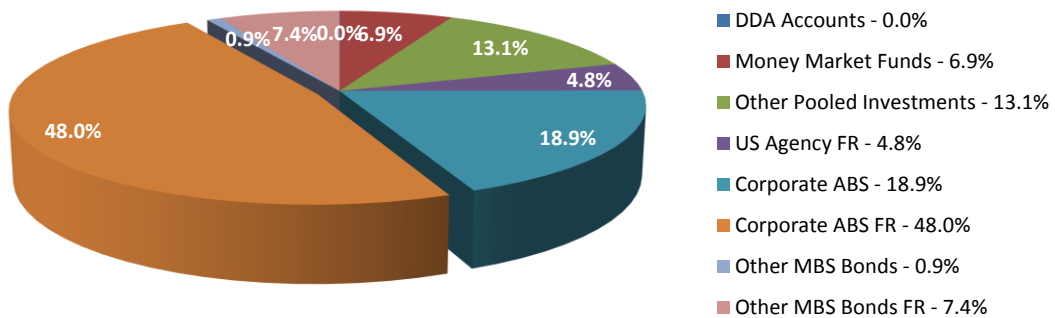
The yield on the district's managed investment program was 1.00% for the fiscal year ended September 30, 2016.

Investments by Duration September 30, 2016



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 September 30, 2016



The above chart breaks down the district’s portfolio by investment type. For example, the largest category is Corporate ABS FR, corporate floating rate asset-backed securities, representing 48% of the portfolio.

Portfolio Assets	9/30/16	6/30/16
Investment in U.S. Treasury and Agency Securities:		
Investments (securities at market value)	\$84,963,795	\$202,483,371
Other Pooled Investments	13,964,465	32,114,690
State Board of Administration Fund B	0	38,381
Accrued Interest Receivable and Prepaid Interest	111,785	443,507
Total U.S. Treasury and Agency Securities	\$99,040,044	\$235,079,949
Cash Investments		
Money market funds	7,310,761	6,594,056
Pooled Cash Investments	0	0
Bank accounts (DDA & MMA)	47,046	6,726,605
Total Cash Investments	\$7,357,807	\$13,320,662
Total Managed Investment Portfolio Value	\$106,397,851	\$248,400,610

Portfolio Income	Quarter End 9/30/16	Y-T-D 9/30/16	Prior Year 6/30/16
Interest Earned			
U.S. Government Securities & Other Pooled Accounts	504,412	504,412	5,641,219
Money Market Funds	34,450	34,450	25,941
Bank Accounts	0	0	30,051
Total Interest Earned	538,862	538,862	5,697,211
Net increase/(decrease) in fair value of investments - Note 2	(70,885)	(70,885)	(1,761,967)
Total Managed Investment Portfolio Earnings	\$467,977	\$467,977	\$3,935,244

Yield Comparison - Page 5	Quarter End 9/30/16	Y-T-D 9/30/16	Prior Year 6/30/16
<i>Managed Investment Portfolio</i>			
Annualized Rate of Return	1.00%	1.00%	0.95%
<i>Benchmark 1 - Weighted Average of Comparable Indices</i>			
Annualized Rate of Return	0.49%	0.49%	0.31%
Managed Investment Portfolio Yield vs. Benchmark 1	0.51%	0.51%	0.64%
<i>Benchmark 2 - Florida Prime MMF (SBA LGIP)</i>			
Annualized Rate of Return	0.87%	0.87%	0.18%
Managed Investment Portfolio Yield vs. Benchmark 2	0.13%	0.13%	0.77%

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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
US Agency FR									
FNR 07-114 A6	31396X3Q5	401,428	401,734	306	74	\$401,808	Aaa	2.09	0.4%
FNR 04-79 FP	31394BFD1	4,732,840	4,727,354	(5,487)	649	\$4,728,003	Aaa	0.23	4.4%
subtotal		\$5,134,268	\$5,129,087	(\$5,181)	\$723	\$5,129,811	AAA	0.37	4.8%
Corporate ABS									
CHAIT 13-A8 A8	161571GC2	18,602,104	18,601,674	(430)	8,349	\$18,610,023	Aaa	0.04	17.5%
WLAKE 2015-1AA2	96042AAB1	1,487,700	1,485,102	(2,598)	772	\$1,485,874	AAA	0.12	1.4%
subtotal		\$20,089,804	\$20,086,776	(\$3,028)	\$9,122	\$20,095,898	AAA	0.04	18.9%
Corporate ABS FR									
AMOT 15-2 A1	02005AFD5	15,019,831	15,032,550	12,719	7,295	\$15,039,845	Aaa	0.21	14.1%
FORDF 14-2 A	34528QDA9	10,900,666	10,920,319	19,653	4,958	\$10,925,278	Aaa	0.21	10.3%
GEDFT 14-1 A	36159LCK0	15,976,542	15,994,880	18,338	4,458	\$15,999,338	Aaa	0.22	15.0%
NGN 2010-R3 1A	62888WAA4	9,098,198	9,041,302	(56,896)	6,494	\$9,047,796	Aaa	0.19	8.5%
subtotal		\$50,995,236	\$50,989,051	(\$6,185)	\$23,206	\$51,012,257	AAA	0.21	48.0%
Other MBS Bonds									
JPMCC 04-LN2 A2	46625YCV3	451,765	442,476	(9,289)	1,887	\$444,363	Aaa	0.19	0.4%
WBCMT 06-C26 A3	92977RAD8	490,543	462,392	(28,152)	2,317	\$464,708	Aaa	0.12	0.4%
subtotal		\$942,308	\$904,868	(\$37,441)	\$4,204	\$909,071	AAA	0.16	0.9%
Other MBS Bonds FR									
SBA 522179	83165AUC6	7,944,857	7,854,013	(90,844)	50,635	\$7,904,648	Aaa	0.45	7.4%
subtotal		\$7,944,857	\$7,854,013	(\$90,844)	\$50,635	\$7,904,648	AAA	0.45	7.4%

Pinellas County Schools
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September 30, 2016
Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.	% of Port
Cash, MMFs, & Investment Pools									
Bank Accounts ¹	N/A	47,046	47,046	0	0	47,046	NR	1d	0.0%
Money Market Funds ¹	N/A	7,310,761	7,310,761	0	2,247	7,313,008	AAAm	0d	6.9%
FL FIT (CP Portfolio) ^{1,2}	140021420B	0	0	0	0	0		0d	0.0%
FL FIT (1-3 Yr Portfolio) ³	140021420	14,012,889	13,964,465	(48,425)	0	13,964,465	AA	0.47	13.1%
subtotal		\$21,370,696	\$21,322,272	(\$48,425)	\$2,247	\$21,324,519	AA+	0.47	20.1%
Managed Investment Program		\$106,477,169	\$106,286,066	(\$191,103)	\$90,137	\$106,376,203	AAA-	0.24	

¹Figure shown is Weighted Average Maturity, or WAM, instead of Modified Duration

²Shares of the Core Fund were transferred into the Florida Fixed Income Trust (FL FIT), 1-3 Yr Portfolio.

³The FL FIT Commercial Paper (CP) Portfolio is in the process of being rated by S&P.

Unrealized Gain/Loss as a percent of total market value: -0.18%

	Quarter End 9/30/16	Y-T-D 9/30/16	Prior Year 6/30/16
Average Invested Value of Managed Investment Portfolio	\$186,476,408	\$186,476,408	\$415,617,146
Managed Investment Portfolio Yield			
Total Managed Investment Portfolio Earnings	\$467,977	\$467,977	\$3,935,244
<i>Managed Investment Portfolio Annualized Rate Of Return</i>	1.00%	1.00%	0.95%
Benchmark 1 - Weighted Average of Comparable Indices			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/17			1,295,583
Quarter Ended 3/31/17			
Quarter Ended 12/31/16			
Quarter Ended 9/30/16	230,970	230,970	
Total Pro Forma Benchmark 1 Earnings	\$230,970	\$230,970	\$1,295,583
<i>Benchmark 1 Annualized Rate Of Return</i>	0.49%	0.49%	0.31%
Benchmark 2 - Florida Prime (SBA LGIP)			
Pro Forma Interest Earnings:			
Quarter Ended 6/30/17			554,804
Quarter Ended 3/31/17			
Quarter Ended 12/31/16			
Quarter Ended 9/30/16	410,737	410,737	
Total Pro Forma Benchmark 2 Earnings	\$410,737	\$410,737	\$554,804
<i>Benchmark 2 Annualized Rate Of Return</i>	0.87%	0.87%	0.18%
Earnings Comparison			
<i>Annualized Rate of Return</i>			
Managed Investment Portfolio vs. Benchmark 1	0.51%	0.51%	0.64%
Managed Investment Portfolio vs. Benchmark 2	0.13%	0.13%	0.77%
<i>Dollar Earnings</i>			
Managed Investment Portfolio vs. Benchmark 1	\$237,007	\$237,007	\$2,639,661
Managed Investment Portfolio vs. Benchmark 2	\$57,240	\$57,240	\$3,380,440

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, 2016	<u>Quarter End</u>	<u>Fiscal Y-T-D</u>	<u>Prior Fiscal Year</u>
Realized Gains/Losses	107,324	107,324	(4,736,553)
MV Adjustment for Period	(178,209)	(178,209)	2,974,586
Net Incr/(Decr) in fair value of investments	<u>(70,885)</u>	<u>(70,885)</u>	<u>(1,761,967)</u>

Note 3 – Cumulative Return Over the SBA

For the fiscal year-to-date, the Managed Investment Portfolio’s (MIP) earnings were greater than the State Board of Administration’s (SBA) local government investment pool by \$57,240. Since August 1992, the MIP’s cumulative earnings were over the SBA by 35,076,227.

Note 4 – Effect of Unrealized Gains and Losses on Income

The district’s MIP currently has an unrealized loss of \$191,103. This figure has been netted against interest income. If the district’s bonds were priced at par (100) as of September 30, 2016, the district’s cumulative earnings over the SBA would be \$35,267,330.

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 \$71,075,827 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	\$21,322,272	AA+
US Agency FR	\$5,129,087	AAA
Corporate ABS	\$20,086,776	AAA
Corporate ABS FR	\$50,989,051	AAA
Other MBS Bonds	\$904,868	AAA
Other MBS Bonds FR	\$7,854,013	AAA
Portfolio	\$106,286,066	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	20.06%	\$21,322,272	Exempt
CHASE	17.50%	18,601,674	Chase Issuance Trust
ALLY	14.14%	15,032,550	ALLY Master Owner Trust
FORDF	10.27%	10,920,319	Ford Credit Floorplan Master O
GEDFT	15.05%	15,994,880	GE Dealer Floorplan Master Tru
NCUA	8.51%	9,041,302	National Credit Union Assoc
SBA	7.39%	7,854,013	State Board of Administration

Securities Where Issuer Represents More Than 5% of Portfolio

Issuer	CUSIP	Market Value	Description
CHASE	161571GC2	18,601,674.00	CHAIT 13-A8 A8
GEDFT	36159LCK0	15,994,880.00	GEDFT 14-1 A
ALLY	02005AFD5	15,032,550.00	AMOT 15-2 A1
FORDF	34528QDA9	10,920,319.20	FORDF 14-2 A
NCUA	62888WAA4	9,041,301.90	NGN 2010-R3 1A
SBA	83165AUC6	7,854,012.68	SBA 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 0.18 years, or 2.16 months.

Floating/Adjustable Interest Rate Risk

The district currently has \$63,972,151 invested in securities with floating or adjustable interest rate risk. \$63,972,151 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 4.07%.

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 2.09 years. The duration on the District's ABS/MBS bonds ranges from 0.04 years to 2.09 years.

Interest Rate Risk

Investment Category	Market Value	Mod. Dur.
Exempt	\$7,357,807	0.00
Investment Pool	\$13,964,465	0.00
US Agency FR	\$5,129,087	0.37
Corporate ABS	\$20,086,776	0.04
Corporate ABS FR	\$50,989,051	0.21
Other MBS Bonds	\$904,868	0.16
Other MBS Bonds FR	\$7,854,013	0.45
Portfolio	\$106,286,066	0.18