



City of Sarasota, Florida



Annual Investment Performance Review Fiscal Year Ended September 30, 2014

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Annual Investment Report Commentary

EXECUTIVE SUMMARY

- The City is invested in high credit quality U.S. Treasury, Federal Instrumentalities, mortgage backed securities, corporate notes, commercial paper, and municipal obligation securities, FMIvT Intermediate High Quality Bond Fund, Florida SBA Prime Fund, Fidelity Prime Institutional Money Market Fund, Florida Community Bank, and a Fifth Third NOW Account.
- PFM continued to actively manage the Investment Portfolio during the fiscal year and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result, the Portfolio realized over \$303,070 in gains on sales (based on amortized cost) during the fiscal year. PFM is continually in the market monitoring for opportunities to add value to the Portfolio.
- The Investment Portfolio's 12 month total return performance of 0.73%, outperformed the benchmark's performance of 0.50% by 23 basis points (0.23%).
- The FMIvT Intermediate High Quality Bond Fund's last 12 month total return of 2.49% outperformed its benchmark's performance of 2.47% by 0.02%
- The City's short term investments, which include the Florida SBA Prime Fund, Fidelity Prime Institutional Money Market Fund, Florida Community Bank, and Fifth Third Bank NOW Account, provided the City with favorable yield relative to the benchmark. At fiscal year end, the investments had a weighted average Yield to Maturity at Cost of 0.21%, exceeding the Yield to Maturity of its benchmark the Merrill Lynch 3 Month U.S. Treasury Bill Index by 19 basis points (0.19%).
- At its December 2013 meeting, the Federal Reserve began reducing the amount of Treasury and Agency Mortgage Backed security purchases in its quantitative easing program from \$85 billion to \$75 billion. The current purchase pace is \$25 billion, and additional measured reductions are expected throughout the remainder of the year with the program expected to end in October 2014 if economic growth and labor market conditions continue to improve. The Fed remains committed to low rates and is not expected to begin increasing the Federal Funds Target Rate until mid-2015.
- The outlook for the economy is positive and most economists expect growth to return to three percent in the second half of the year. As economic conditions continue to improve and as the Fed winds down its asset purchase program, interest rates will likely have an upward bias.
- The investments comply with the City's investment policy and Florida investment statutes. Our strategy will continue to focus on maintaining the safety of the invested principal and achieving the City's long-term investment objectives. We will maintain safe, well-diversified, high quality portfolios and continue to evaluate all the sectors available to the City and to capitalize on investment opportunities presented by the market. We will continue to carefully manage duration consistent with evolving interest rate trends.

Annual Investment Report Statistics as of September 30, 2014

Investments	Market Value	Book Value	Fiscal Year 2014 Income
PFM Managed Investment/Short Term Portfolios	\$ 141,614,954	\$ 261,340	\$ 1,374,810
Fidelity Prime Institutional Money Market Fund	421,888	9	48
FMIvT	4,957,877	2,019	120,602
CD - Bank of America	-	-	6,083
Florida SBA PRIME Fund	10,016,448	4,076	12,816
Wells Fargo Money Market Account	-	10,311	95,393
Florida Community Bank	2,008,830	2,530	8,840
Fifth Third Bank NOW Account	20,728,037	-	-
Services Fees	n/a	(66,017)	(296,158)
Subtotal	\$ 179,748,034	\$ 214,267	\$ 1,322,434

Change in Fair Market Value	(243,580)
Change in Accrued Interest	(94,117)
Subtotal	(337,697)
Total	\$ 984,737

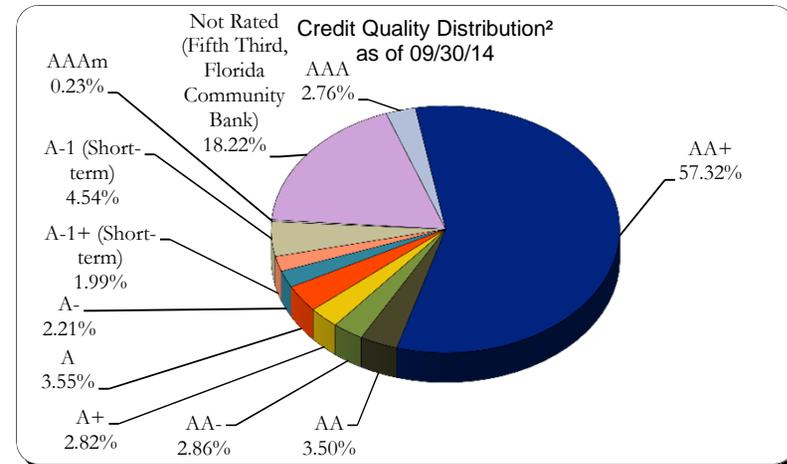
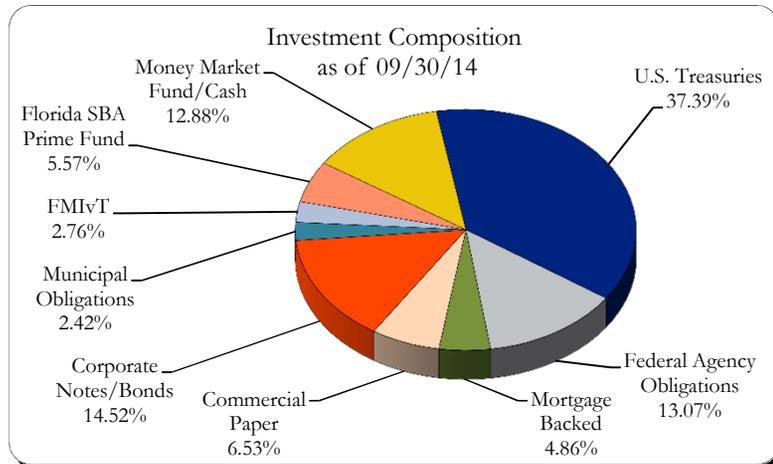
Long Term Investments	Last 12 Month Total Return	Short Term Investments	Net Book Value Rate of Return
PFM Managed Investment Portfolio ¹	0.73%	Fidelity Prime Institutional Money Market Fund ²	0.01%
Benchmark: Merrill Lynch 1-3 Year U.S. Treasury Index	0.50%	Florida Prime (SBA)	0.16%
FMIvT Intermediate High Quality Bond Fund ⁴	2.49%	Florida Community Bank	0.50%
Benchmark: Barclays Capital High Quality Intermediate Aggregate ⁴	2.47%	Fifth Third Bank NOW Account	N/A
		Weighted Average Yield	0.21%
		Benchmark:	
		Merrill Lynch 3-Month U.S. Treasury Bill Index ³	0.02%

Notes:

- In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances. Performance on trade basis, gross (i.e., before fees), is in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Past performance is not indicative of future results. Excludes money market fund/cash in performance computation.
- Bloomberg is the source of the 7-day yield at month end.
- Bloomberg is the source of the yield at month end.
- <http://www.floridaleagueofcities.com/Finance> is the source of the FMIvT total return performance.

Annual Investment Report Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>September 30, 2014</u>	<u>% of Portfolio</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$67,205,199	37.39%	\$55,769,739	29.94%
Federal Agencies	23,490,198	13.07%	45,449,012	24.40%
Mortgage Backed	8,733,016	4.86%	11,299,333	6.07%
Certificates of Deposit	0	0.00%	3,000,000	1.61%
Commercial Paper	11,731,564	6.53%	0	0.00%
Corporate Notes/Bonds	26,103,640	14.52%	25,956,863	13.94%
Municipal Obligations	4,351,337	2.42%	2,071,201	1.11%
FMIvT	4,957,877	2.76%	9,188,224	4.93%
Florida SBA Prime Fund	10,016,448	5.572%	4,114	0.00%
Money Market Fund/Cash	23,158,755	12.88%	33,521,648	18.00%
Totals	\$179,748,034	100.00%	\$186,260,134	100.00%

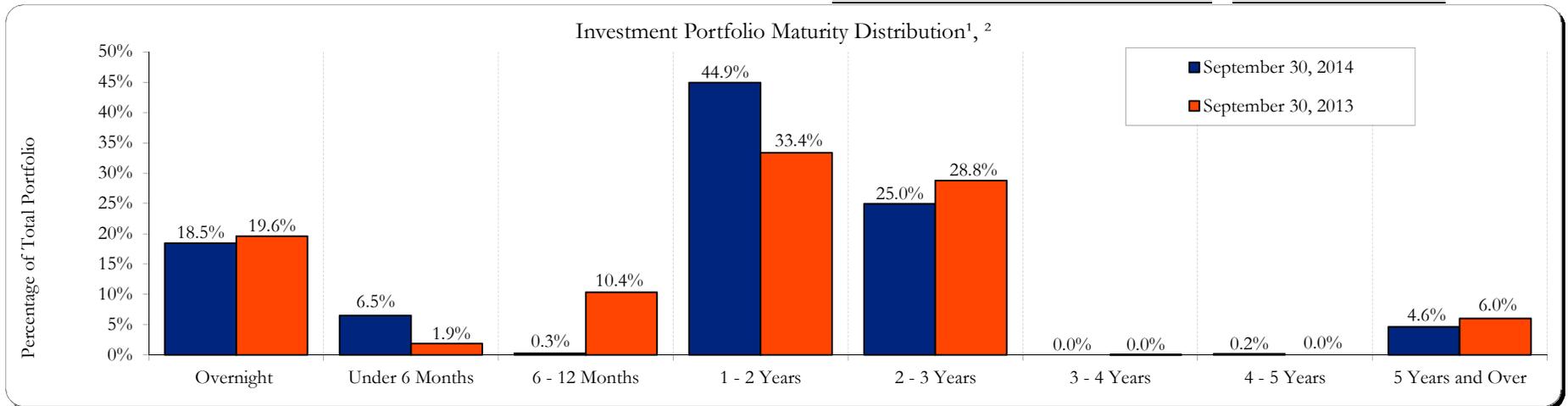


Notes:

1. End of fiscal year trade-date market values of portfolio holdings, including accrued interest.
2. The Certificate of Deposits and Wells Fargo Money Market Account are not rated. Standard & Poor's is the source of the credit ratings, except for FMIvT Funds which are rated by Fitch.

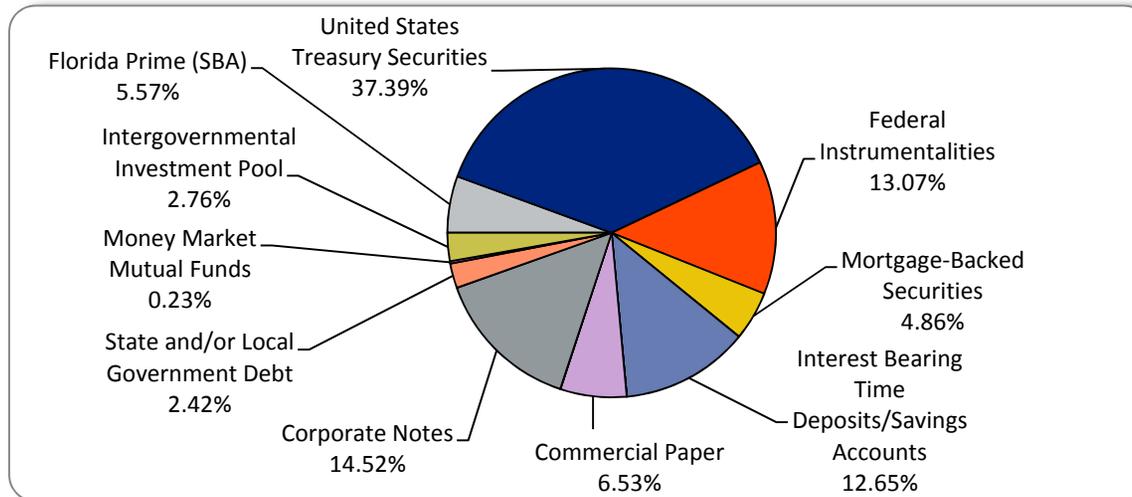
Annual Investment Report Maturity Distribution

<u>Maturity Distribution</u> ¹	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>Security Type</u>	<u>Weighted Average Maturity (Years)</u>
Overnight (Money Market Fund)	\$33,175,203	\$36,521,648	U.S. Treasuries	1.86
Under 6 Months	11,731,564	3,504,184	Federal Agencies	1.78
6 - 12 Months	529,492	19,288,539	Mortgage Backed	3.57
1 - 2 Years	80,726,237	62,164,959	Corporate Notes	1.37
2 - 3 Years	44,880,192	53,564,144	Commercial Paper	0.2
3 - 4 Years	0	4,114	Municipal Obligation	1.48
4 - 5 Years	348,806	0	FMIvT	2.57
5 Years and Over	8,356,541	11,212,546	Florida SBA Prime Fund	0.01
Totals	\$179,748,034	\$186,260,134	Money Market Fund/Cash	0.01
Portfolio Weighted Average Maturity				1.48



Notes:

1. Callable and mortgage backed securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called or paid down prior to maturity.
2. This chart is based on securities final maturity date; including mortgage backed securities.



Security Type	Market Value (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Florida Prime (SBA)	10,016,448	5.57%	3	25%	YES
United States Treasury Securities	67,205,199	37.39%	4	100%	YES
United States Government Agency Securities	-	0.00%	4	50%	YES
Federal Instrumentalities	23,490,198	13.07%	4	75%	YES
Mortgage-Backed Securities	8,733,016	4.86%	4	20%	YES
Interest Bearing Time Deposits/Savings Accounts	22,736,866	12.65%	3	50%	YES
Repurchase Agreements	-	0.00%		25%	YES
Commercial Paper	11,731,564	6.53%	4,5	20%	YES
Corporate Notes - FDIC Insured	-	0.00%	5	50%	YES
Corporate Notes	26,103,640	14.52%	4,5	20%	YES
State and/or Local Government Debt	4,351,337	2.42%	4	20%	YES
Money Market Mutual Funds	421,888	0.23%	3	50%	YES
Intergovernmental Investment Pool	4,957,877	2.76%	3,6	75%	YES
Total Market Value	\$ 179,748,034	100.00%			

Notes:

1. End of month trade-date market value of portfolio holdings, including accrued interest.
2. A detailed list of each individual security may be obtained in the City's Financial Administration Department.
3. Managed by the City. Balances provided by City per statement.
4. Managed by PFM Asset Management LLC.
5. Combined total of Corporate Obligations and Commercial Paper shall not exceed 35% of the total investments. The combined total as of September 30, 2014 is 21.05%.
6. Includes balances from the FMIvT Intermediate High Quality Bond Fund.

*All Funds.

Individual Issuer Breakdown	Market Value (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Florida Prime (SBA)	10,016,448	5.57%	3	25%	YES
United States Treasury Securities	67,205,199	37.39%	4	100%	YES
Government National Mortgage Association (GNMA)	1,993,832	1.11%	4	25%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%	4	40%	YES
Federal Home Loan Bank (FHLB)	7,076,645	3.94%	4	40%	YES
Federal National Mortgage Association (FNMA)	12,379,719	6.89%	4	40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	10,773,018	5.99%	4	40%	YES
Money Market Account - Florida Community Bank	2,008,830	1.12%	3	25%	YES
HSBC USA Inc. Commercial Paper	3,998,760	2.22%	4	5%	YES
Toyota Motor Commercial Paper	3,573,892	1.99%	4	5%	YES
Bank of Tokyo Mitsubishi Commercial Paper	3,449,396	1.92%	4	5%	YES
Wells Fargo and Company Commercial Paper	709,516	0.39%	4	5%	YES
JP Morgan Chase Corporate Notes	2,649,232	1.47%	4	5%	YES
Bank of New York Mellon Corporate Notes	970,890	1.46%	4	5%	YES
General Electric Corporate Notes	2,627,586	0.54%	4	5%	YES
John Deere Corporate Notes	2,195,957	1.22%	4	5%	YES
PepsiCo Corporate Notes	1,002,834	0.56%	4	5%	YES
Caterpillar Corporate Notes	1,537,694	0.86%	4	5%	YES
Apple Inc. Corporate Notes	969,767	0.54%	4	5%	YES
Toyota Corporate Notes	1,487,858	0.83%	4	5%	YES
Wells Fargo and Company Corporate Notes	2,895,982	1.61%	4	5%	YES
Berkshire Hathaway Corporate Notes	1,160,615	0.65%	4	5%	YES
Coca-Cola Corporate Notes	776,501	0.43%	4	5%	YES
American Honda Corporate Notes	1,210,633	0.67%	4	5%	YES
IBM Corporate Notes	3,653,222	2.03%	4	5%	YES
American Express Corporate Notes	2,964,867	1.65%	4	5%	YES
University of California Taxable Revenue Bond	778,590	0.43%	4	5%	YES
Regional Trans Authority, IL Taxable Revenue Bonds	3,572,748	1.99%	4	5%	YES
FNMA Mortgage Backed Security	2,343,353	1.30%	4	15%	YES
FHLMC Mortgage Backed Security	4,395,831	2.45%	4	15%	YES
GNMA Mortgage Backed Security	1,993,832	1.11%	4	15%	YES
Money Market Fund - Bank of New York	421,888	0.23%	3	25%	YES
Fifth Third Bank NOW Account	20,728,036	11.53%	3	25%	YES
Intergovernmental Investment Pool - Florida Municipal Investment Trust	4,957,877	2.76%	3,6	25%	YES

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