



City of Sarasota, Florida



Annual Investment Performance Review Fiscal Year Ended September 30, 2015

Financial Administration Department

1565 1st Street
Sarasota, FL 34236
(941) 954-4185
(941) 954-4189 fax
John C. Lege III, CGFO, Finance Director
Kelly R. Strickland, CPA, CGFO, Deputy Finance Director

PFM Asset Management LLC

300 S. Orange Avenue, Suite 1170
Orlando, FL 32801
(407) 648-2208
(407) 648-1323 fax
Steven Alexander, CTP, CGFO, CPPT, Managing Director
D. Scott Stitcher, CFA, Senior Managing Consultant
Richard Pengelly, CFA, CTP, Senior Managing Consultant
Robert Cheddar, CFA, Chief Credit Officer, Managing Director
Rebecca Geyer, CTP, Senior Analyst

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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, agency collateralized mortgage obligations, supranational agencies, corporate notes, asset backed securities, 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.
- The Investment Portfolio's 12 month total return performance of 1.15%, slightly underperformed the benchmark's performance of 1.16% by 1 basis points (0.01%). After keeping the duration of the portfolio close to the duration of the benchmark earlier in the year, during the third quarter PFMAM moved the portfolio's duration shorter than the benchmark in anticipation of a Fed rate hike some time before the end of this year. The shorter duration strategy is more conservative and helps mitigate the impact that rising rates have on the portfolio's market value, however, it resulted in the portfolio underperforming the benchmark by giving up yield in the longer end of the yield curve.
- The FMIvT Intermediate High Quality Bond Fund's last 12 month total return of 2.96% underperformed its benchmark's performance of 3.16% by 0.20%
- 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 0.33%, exceeding the Yield to Maturity of its benchmark the Merrill Lynch 3 Month U.S. Treasury Bill Index by 33 basis points (0.33%).
- Yields on securities with maturities of two years or less, the part of the curve that is most dependent on Federal Reserve policy, moved up in advance of the September FOMC meeting, but quickly reversed after the "no hike" decision. The end result was that the quarter ended with generally lower yields and a flatter yield curve than at the beginning of the quarter.
- At present, we believe the Fed will raise rates in late 2015 or early 2016, and the subsequent pace of rate increases will likely be gradual and prolonged. If this occurs as expected, it is likely that rates on the shorter end of the curve will again rise ahead of upcoming FOMC meetings, while longer maturities will remain range bound in response to tempered global growth and dampened inflation expectations.
- 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 Statistics as of September 30, 2015

Investments	Market Value	Book Value	Fiscal Year 2015 Income
PFM Managed Investment/Short Term Portfolios	\$ 123,171,718	\$ 122,806,063	\$ 1,043,628
Fidelity Prime Institutional Money Market Fund	308,966	308,966	180
FMIvT	5,093,008	5,093,008	135,130
Florida Prime (SBA)	10,066,992	10,066,992	50,544
Florida Community Bank	5,030,020	5,030,020	21,201
Fifth Third Bank NOW Account	35,713,029	35,713,029	123,975
Services Fees	n/a	n/a	(315,012)
Subtotal	\$ 179,383,732	\$ 179,018,077	\$ 1,059,646
Change in Fair Market Value		\$ 531,893	
Change in Accrued Interest		(36,425)	
Subtotal		\$ 495,467	
Total		\$ 1,555,113	

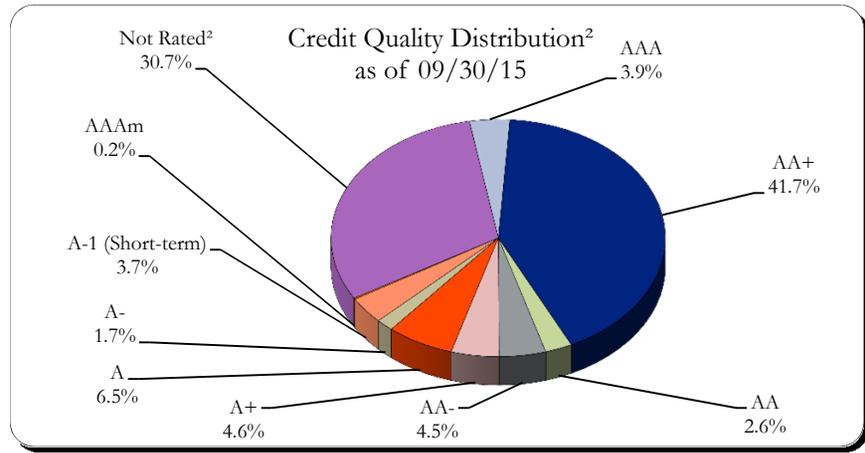
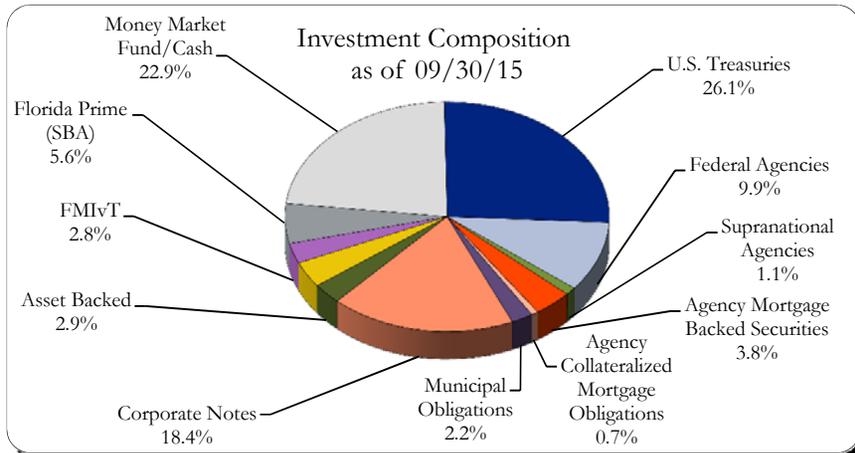
Long Term Investments	Fiscal Year 2015	Fiscal Year 2014	Short Term Investments	Net Book Value Rate of Return
PFM Managed Investment Portfolio ¹	1.15%	0.73%	Fidelity Prime Institutional Money Market Fund ²	0.10%
Benchmark: Merrill Lynch 1-3 Year U.S. Treasury Index	1.16%	0.50%	Florida Prime (SBA)	0.25%
FMIvT Intermediate High Quality Bond Fund ⁴	2.96%	2.49%	Florida Community Bank	0.50%
Benchmark: Barclays Capital High Quality Intermediate Aggregate ⁴	3.16%	2.47%	Fifth Third Bank NOW Account	N/A
			Weighted Average Yield	0.33%
			Benchmark:	
			Merrill Lynch 3-Month U.S. Treasury Bill Index ³	0.00%

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.

Quarterly Investment Report Composition and Credit Quality Characteristics

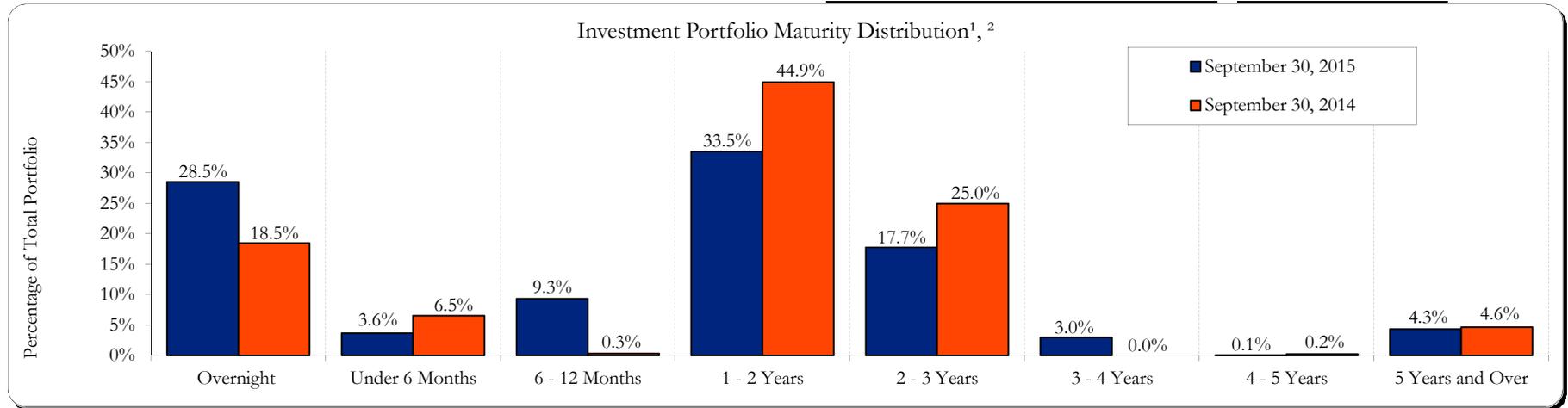
<u>Security Type</u> ¹	<u>September 30, 2015</u>	<u>% of Portfolio</u>	<u>September 30, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$ 46,784,015	26.08%	\$ 67,205,199	37.39%
Federal Agencies	17,722,364	9.88%	23,490,198	13.07%
Supranational Agencies	1,956,370	1.09%	0	0.00%
Agency Mortgage Backed Securities	6,814,646	3.80%	8,733,016	4.86%
Agency Collateralized Mortgage Obligations	1,231,450	0.69%	0	0.00%
Municipal Obligations	3,861,357	2.15%	4,351,337	2.42%
Corporate Notes	33,075,814	18.44%	26,103,640	14.52%
Asset Backed	5,229,542	2.92%	0	0.00%
Commercial Paper	6,496,161	3.62%	11,731,564	6.53%
FMIvT	5,093,008	2.84%	4,957,877	2.76%
Florida Prime (SBA)	10,066,992	5.612%	10,016,448	5.57%
Money Market Fund/Cash	41,052,014	22.89%	23,158,755	12.88%
Totals	\$ 179,383,732	100.00%	\$ 179,748,034	100.00%



Notes:
 1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
 2. The Certificate of Deposits and Money Market Accounts are not rated. Standard & Poor's is the source of the credit ratings, except for FMIvT Funds which are rated by Fitch. Several of the asset backed securities are not rated by Standard & Poor's and are included in this category. They are rated "Aaa" by Moody's.

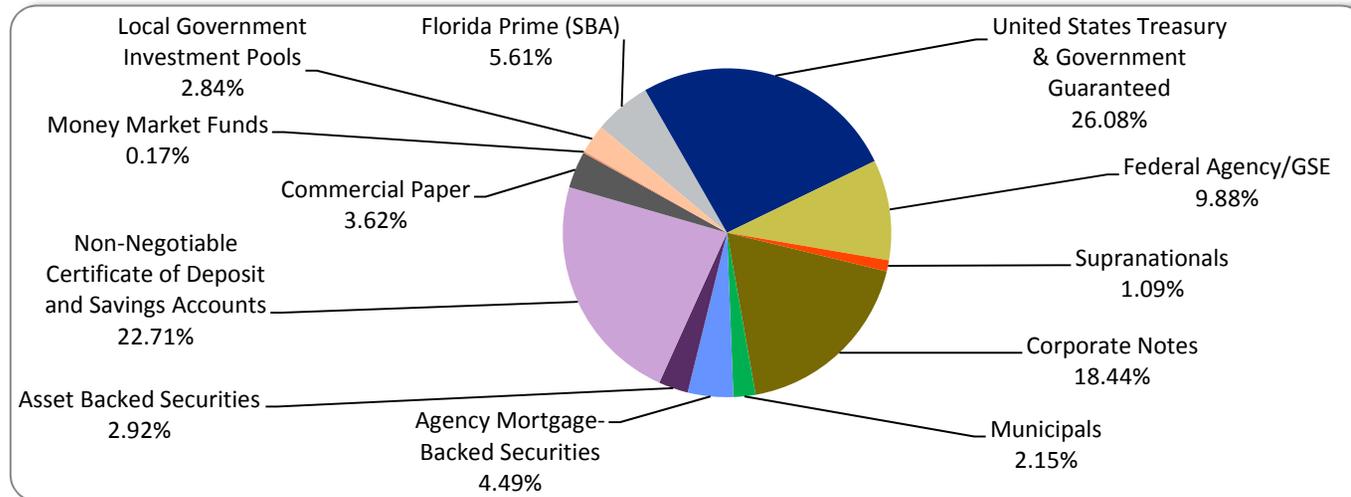
Annual Investment Report Maturity Distribution

<u>Maturity Distribution</u> ¹	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>Security Type</u>	<u>Weighted Average Maturity (Years)</u>
Overnight (Money Market Fund)	\$51,119,006	\$33,175,203	U.S. Treasuries	1.63
Under 6 Months	6,496,161	11,731,564	Federal Agencies	1.19
6 - 12 Months	16,705,818	529,492	Supranational Agencies	2.66
1 - 2 Years	60,140,255	80,726,237	Agency Mortgage Backed Securities	4.30
2 - 3 Years	31,783,388	44,880,192	Agency Collateralized Mortgage Obligations	4.32
3 - 4 Years	5,311,144	0	Municipal Obligation	0.60
4 - 5 Years	98,893	348,806	Corporate Notes	2.01
5 Years and Over	7,729,068	8,356,541	Asset Backed Securities	1.75
Totals	\$179,383,732	\$179,748,034	Commercial Paper	0.20
			FMIvT ³	3.40
			Florida Prime (SBA)	0.01
			Money Market Fund/Cash	0.01
			Portfolio Weighted Average Maturity	1.31



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.
3. The FMIvT Intermediate Fund's duration at fiscal year end was not available at the time this report was finalized. The June 30, 2015 duration was used for this report.



Security Type	Market Value (Includes Interest)	Allocation Percentage	Permitted Notes	by Policy	In Compliance
Florida Prime (SBA)	10,066,992	5.61%	3	25%	YES
United States Treasury & Government Guaranteed	46,784,015	26.08%	4	100%	YES
Federal Agency/GSE	17,722,364	9.88%	4,6	75%	YES
Supranationals	1,956,370	1.09%	4	10%	YES
Corporate Notes	33,075,814	18.44%	4,5	35%	YES
Municipals	3,861,357	2.15%	4	25%	YES
Agency Mortgage-Backed Securities	8,046,096	4.49%	4,6	25%	YES
Asset Backed Securities	5,229,542	2.92%	4	10%	YES
Non-Negotiable Certificate of Deposit and Savings Accounts	40,743,049	22.71%	3	50%	YES
Commercial Paper	6,496,161	3.62%	4,5	35%	YES
Money Market Funds	308,966	0.17%	3	50%	YES
Local Government Investment Pools	5,093,008	2.84%	3,7	50%	YES
Total Market Value	\$ 179,383,732	100.00%			

Notes:

- End of month trade-date market value of portfolio holdings, including accrued interest.
 - A detailed list of each individual security may be obtained in the City's Financial Administration Department.
 - Managed by the City. Balances provided by City per statement.
 - Managed by PFM Asset Management LLC.
 - Combined total of Corporate and bank credit instruments shall not exceed 50% of the total investments. The combined total as of September 30, 2015 is 22.06%.
 - Maximum exposure to any one Federal Agency, including the combined holdings of Agency debt and Agency MBS, is 40%.
 - 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)	10,066,992	5.61%	3	25%	YES
United States Treasury Securities	46,784,015	26.08%	4	100%	YES
Government National Mortgage Association (GNMA)	1,523,640	0.85%	4	40%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%	4	40%	YES
Federal Home Loan Bank (FHLB)	6,397,358	3.57%	4	40%	YES
Federal National Mortgage Association (FNMA)	3,733,152	2.08%	4,6	40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	14,114,311	7.87%	4,6	40%	YES
Regional Trans Authority, IL Taxable Revenue Bonds	3,584,581	2.00%	4	5%	YES
University of California Taxable Revenue Bond	276,776	0.15%	4	5%	YES
American Express Corporate Notes	2,970,707	1.66%	4	5%	YES
American Honda Corporate Notes	2,109,673	1.18%	4	5%	YES
Apple Corporate Notes	1,568,373	0.87%	4	5%	YES
Bank of New York Mellon Corporate Notes	3,210,993	1.79%	4	5%	YES
Boeing Corporate Notes	1,495,617	0.83%	4	5%	YES
Caterpillar Corporate Notes	1,545,333	0.86%	4	5%	YES
Cisco Systems Corporate Notes	2,702,178	1.51%	4	5%	YES
Coca-Cola Corporate Notes	777,916	0.43%	4	5%	YES
ConocoPhillips Corporate Notes	522,402	0.29%	4	5%	YES
HSBC Corporate Notes	2,075,862	1.16%	4	5%	YES
IBM Corporate Notes	3,597,476	2.01%	4	5%	YES
John Deere Corporate Notes	2,206,286	1.23%	4	5%	YES
JP Morgan Corporate Notes	3,017,408	1.68%	4	5%	YES
PepsiCo Corporate Notes	662,900	0.37%	4	5%	YES
Toyota Corporate Notes	1,725,772	0.96%	4	5%	YES
Wells Fargo and Company Corporate Notes	2,886,919	1.61%	4	5%	YES
Bank of Tokyo Mitsubishi Commercial Paper	3,299,083	1.84%	4	5%	YES
BNP Paribas NY Commercial Paper	3,197,078	1.78%	4	5%	YES

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*All Funds.

Individual Issuer Breakdown	Market Value (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
HONDA ABS 2015-2 A2	1,499,569	0.84%	4	5%	YES
FORDO 2015-B A2A	2,499,998	1.39%	4	5%	YES
Nissan Auto Receivables Owner 2015-A	1,229,975	0.69%	4	5%	YES
Intl Bank of Recon and Dev Global Notes	1,956,370	1.09%	4	5%	YES
FNMA Mortgage Backed Security	1,686,656	0.94%	4,6	40%	YES
FHLMC Mortgage Backed Security	4,835,801	2.70%	4,6	40%	YES
GNMA Mortgage Backed Security	1,523,640	0.85%	4	40%	YES
Money Market Fund - Bank of New York	308,966	0.17%	3	25%	YES
Fifth Third Bank NOW Account	35,713,029	19.91%	3	25%	YES
Florida Community Bank	5,030,020	2.80%	3	25%	YES
Intergovernmental Investment Pool - Florida Municipal Investment Trust	5,093,008	2.84%	3,7	25%	YES

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