



City of Sarasota, Florida



Investment Performance Review Quarter Ended December 31, 2014

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Quarterly Investment Statistics as of December 31, 2014

Investments	Market Value	Quarterly Interest Income	Fiscal Year to Date Income
PFM Managed Investment/Short Term Portfolios	\$ 136,757,706	\$ 392,897	\$ 392,897
Fidelity Prime Institutional Money Market Fund	613,497	12	12
FMIvT	5,012,123	54,246	54,246
CD - Bank of America	-	-	-
Florida Prime (SBA)	10,020,512	4,063	4,063
Wells Fargo Money Market Account	-	-	-
Florida Community Bank	5,011,887	3,067	3,067
Fifth Third Bank NOW Account	42,879,740	25,252	25,252
Services Fees	n/a	(71,303)	(71,303)
Subtotal	\$ 200,295,465	\$ 408,234	\$ 408,234
Change in Fair Market Value	\$ (33,138)	\$ (33,138)	
Change in Accrued Interest		(9,966)	(9,966)
Subtotal		\$ (43,104)	\$ (43,104)
Total		\$ 365,130	\$ 365,130

Long Term Investments	Quarterly Total Return	Current Fiscal Year to Date Return	Previous Fiscal Year to Date Return	Short Term Investments	Net Book Value Rate of Return
PFM Managed Investment Portfolio ¹	0.24%	0.24%	0.73%	Fidelity Prime Institutional Money Market Fund ²	0.01%
Benchmark: Merrill Lynch 1-3 Year U.S. Treasury Index	0.17%	0.17%	0.50%	Certificates of Deposit	N/A
				Florida Prime (SBA)	0.16%
FMIvT Intermediate High Quality Bond Fund ⁴	1.13%	1.13%	2.49%	Wells Fargo Money Market Account*	0.00%
Benchmark: Barclays Capital High Quality Intermediate Aggregate ⁴	1.28%	1.28%	2.47%	Florida Community Bank	0.50%
				Fifth Third Bank NOW Account	N/A
				Weighted Average Yield	0.26%
				Benchmark:	
				Merrill Lynch 3-Month U.S. Treasury Bill	
				Index ³	0.02%

Notes:

1. 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.

2. Bloomberg is the source of the 7-day yield at month end.

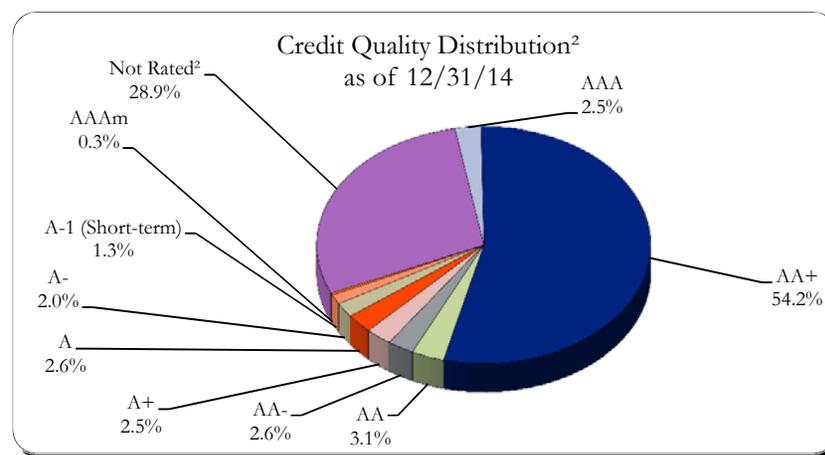
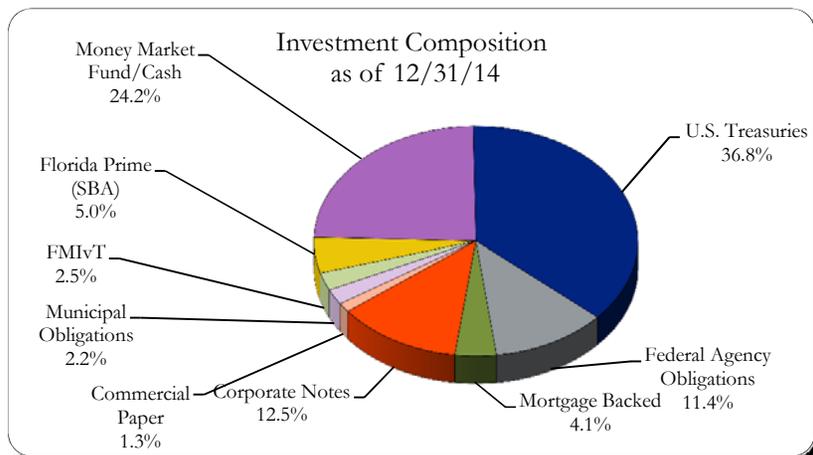
3. Bloomberg is the source of the yield at month end.

4. <http://www.floridaleagueofcities.com/Finance> is the source of the FMIvT total return performance.

* Wells Fargo Money Market Account pays an Earnings Credit Rate (ECR) on the available balance maintained at the bank and is used to cover the monthly bank service fees.

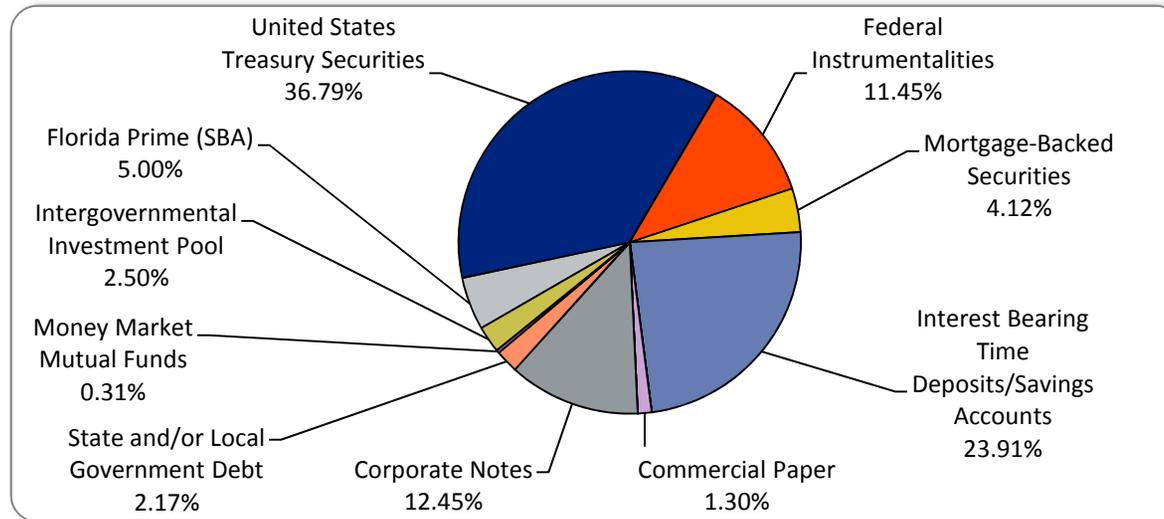
Quarterly Investment Report Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>December 31, 2014</u>	<u>% of Portfolio</u>	<u>September 30, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$ 73,697,904	36.79%	\$ 67,205,199	37.39%
Federal Agencies	22,924,116	11.45%	23,490,198	13.07%
Mortgage Backed	8,250,894	4.12%	8,733,016	4.86%
Corporate Notes	24,938,415	12.45%	26,103,640	14.52%
Commercial Paper	2,597,761	1.30%	11,731,564	6.53%
Municipal Obligations	4,348,615	2.17%	4,351,337	2.42%
Certificates of Deposit	0	0.00%	0	0.00%
FMIvT	5,012,123	2.50%	4,957,877	2.76%
Florida Prime (SBA)	10,020,512	5.003%	10,016,448	5.57%
Money Market Fund/Cash	48,505,124	24.22%	23,158,755	12.88%
Totals	\$ 200,295,465	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.



Security Type	Market Value (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Florida Prime (SBA)	10,020,512	5.00%	3	25%	YES
United States Treasury Securities	73,697,904	36.79%	4	100%	YES
United States Government Agency Securities	-	0.00%	4	50%	YES
Federal Instrumentalities	22,924,116	11.45%	4	75%	YES
Mortgage-Backed Securities	8,250,894	4.12%	4	20%	YES
Interest Bearing Time Deposits/Savings Accounts	47,891,627	23.91%	3	50%	YES
Repurchase Agreements	-	0.00%		25%	YES
Commercial Paper	2,597,761	1.30%	4,5	20%	YES
Corporate Notes - FDIC Insured	-	0.00%	5	50%	YES
Corporate Notes	24,938,415	12.45%	4,5	20%	YES
State and/or Local Government Debt	4,348,615	2.17%	4	20%	YES
Money Market Mutual Funds	613,497	0.31%	3	50%	YES
Intergovernmental Investment Pool	5,012,123	2.50%	3,6	75%	YES
Total Market Value	\$ 200,295,465	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 December 31, 2014 is 13.75%.
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)	10,020,512	5.00%	3	25%	YES
United States Treasury Securities	73,697,904	36.79%	4	100%	YES
Government National Mortgage Association (GNMA)	1,820,463	0.91%	4	25%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%	4	40%	YES
Federal Home Loan Bank (FHLB)	6,482,383	3.24%	4	40%	YES
Federal National Mortgage Association (FNMA)	12,235,382	6.11%	4	40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	10,636,783	5.31%	4	40%	YES
Money Market Account - Florida Community Bank	5,011,887	2.50%	3	25%	YES
Bank of Tokyo Mitsubishi Commercial Paper	2,597,761	1.30%	4	5%	YES
Boeing Company Corporate Notes	1,499,431	0.75%	4	5%	YES
Bank of New York Mellon Corporate Notes	971,264	1.31%	4	5%	YES
General Electric Corporate Notes	2,622,862	0.48%	4	5%	YES
John Deere Corporate Notes	2,192,808	1.09%	4	5%	YES
PepsiCo Corporate Notes	1,002,953	0.50%	4	5%	YES
Caterpillar Corporate Notes	1,540,655	0.77%	4	5%	YES
Apple Inc. Corporate Notes	969,652	0.48%	4	5%	YES
Toyota Corporate Notes	1,483,778	0.74%	4	5%	YES
Wells Fargo and Company Corporate Notes	2,888,281	1.44%	4	5%	YES
Berkshire Hathaway Corporate Notes	1,162,949	0.58%	4	5%	YES
Coca-Cola Corporate Notes	775,773	0.39%	4	5%	YES
American Honda Corporate Notes	1,208,699	0.60%	4	5%	YES
IBM Corporate Notes	3,651,258	1.82%	4	5%	YES
American Express Corporate Notes	2,968,052	1.48%	4	5%	YES
University of California Taxable Revenue Bond	776,028	0.39%	4	5%	YES
Regional Trans Authority, IL Taxable Revenue Bonds	3,572,587	1.78%	4	5%	YES
FNMA Mortgage Backed Security	2,179,310	1.09%	4	15%	YES
FHLMC Mortgage Backed Security	4,251,121	2.12%	4	15%	YES
GNMA Mortgage Backed Security	1,820,463	0.91%	4	15%	YES
Money Market Fund - Bank of New York	613,497	0.31%	3	25%	YES
Fifth Third Bank NOW Account	42,879,740	21.41%	3	25%	YES
Intergovernmental Investment Pool - Florida Municipal Investment Trust	5,012,123	2.50%	3,6	25%	YES

Notes:

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*All Funds.

Summary

- The fourth-quarter markets were characterized by heightened volatility, a continued strengthening of the U.S. dollar, and soaring U.S. equity markets, which reached new all-time highs.
- Globally, economic growth patterns diverged during the quarter, with the U.S. strengthening while other areas of the developed world (such as Europe and Japan) struggled with stagnation.
- Oil prices plummeted as global demand slowed, while the supply of oil continued to climb as a result of strong domestic output combined with the Organization of Petroleum Exporting Countries' (OPEC's) decision not to reduce the pace of its oil production.

Economic Snapshot

- Third-quarter gross domestic product (GDP) grew at 5%, reflecting increases in personal consumption expenditures, exports, and federal, state, and local government spending, among other factors.
- The U.S. labor market continued to improve, as the unemployment rate fell from 5.9% in September to 5.6% in December. The business services, retail, transportation, healthcare, and manufacturing sectors all saw job gains.
- The housing market had a lackluster quarter as both new- and existing-home sales fell and home price increases slowed to just 4.5% year over year through October 2014, compared to an increase of 10.9% in the prior year.
- The Consumer Price Index, which measures inflation, fell 0.3% in November, marking its largest decline since December 2008. Lower oil prices were a major contributor to the falling prices.

Interest Rates

- The Federal Open Market Committee (FOMC) rephrased its “considerable time” language in its statement released after its December meeting, saying that it would be “patient” when

normalizing monetary policy after taking extraordinary steps to support economic recovery after the financial crisis.

- The yield curve flattened over the quarter as short and intermediate rates rose, while longer maturities continued to see downward pressure. The two-year Treasury reached 0.7%, a three-year high, in late December. The 10-year Treasury ended the year at 2.2%, down from 2.5% at the beginning of the fourth quarter and 3% at the beginning of 2014.

Sector Performance

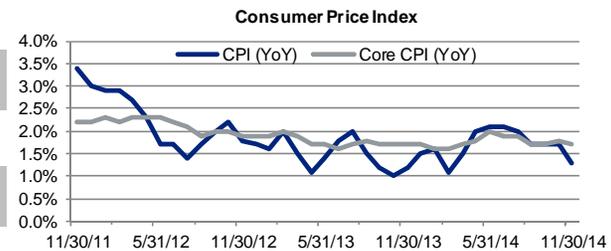
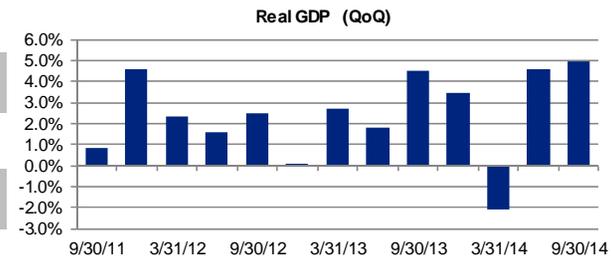
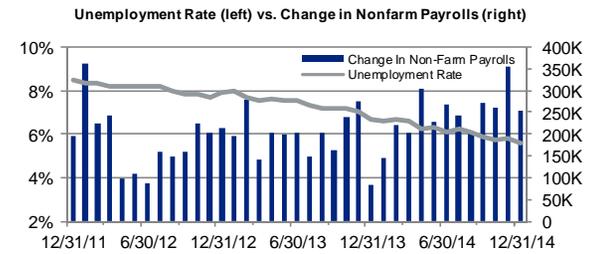
- Fixed-income market performance for the quarter depended on both maturity and sector.
- In short/intermediate maturities, the steep yield curve provided enough income and “roll down” to offset a slight increase in interest rates during the quarter. In the aggregate, these market dynamics helped to produce modest positive returns that essentially mirrored initial yields.
- Longer-duration investments were the strongest performers as they continued to benefit from falling long-term rates.
- Shorter-duration Agency spreads reversed the temporary widening that occurred in the third quarter and returned to historically tight levels. As a result, Agencies with shorter maturities performed better relative to Treasuries than Agencies with longer maturities.
- Corporate spreads widened modestly; however, their higher yields provided enough extra earnings to produce performance generally on par with Treasuries.
- Mortgage-backed securities had a strong quarter, while municipals lagged Treasuries significantly in all maturity ranges.
- Yields on money market securities, especially those with maturities greater than six months, rose notably towards the end of the quarter, reflecting an expected hike in the federal funds rate in the late spring of 2015.

Economic Snapshot

Labor Market		Latest	Sep 2014	Dec 2013
Unemployment Rate	Dec'14	5.6%	5.9%	6.7%
Change In Non-Farm Payrolls	Dec'14	252,000	271,000	84,000
Average Hourly Earnings (YoY)	Dec'14	1.7%	2.0%	1.9%
Personal Income (YoY)	Nov'14	4.2%	3.6%	-2.1%
Initial Jobless Claims (week)	Jan 02	294,000	288,000	344,000

Growth				
Real GDP (QoQ SAAR)	2014Q3	5.0%	4.6% ¹	3.5% ²
GDP Personal Consumption (QoQ SAAR)	2014Q3	3.2%	2.5% ¹	3.7% ²
Retail Sales (YoY)	Nov'14	5.1%	4.6%	3.4%
ISM Manufacturing Survey (month)	Dec'14	55.5	56.6	56.5
Existing Home Sales SAAR (month)	Nov'14	4.93 mil.	5.18 mil.	4.87 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Nov'14	1.2%	1.4%	1.2%
Consumer Price Index (YoY)	Nov'14	1.3%	1.7%	1.5%
Consumer Price Index Core (YoY)	Nov'14	1.7%	1.7%	1.7%
Crude Oil Futures (WTI, per barrel)	Dec 31	\$53.27	\$91.16	\$98.42
Gold Futures (oz.)	Dec 31	\$1,184	\$1,211	\$1,202



1. Data as of Second Quarter 2014

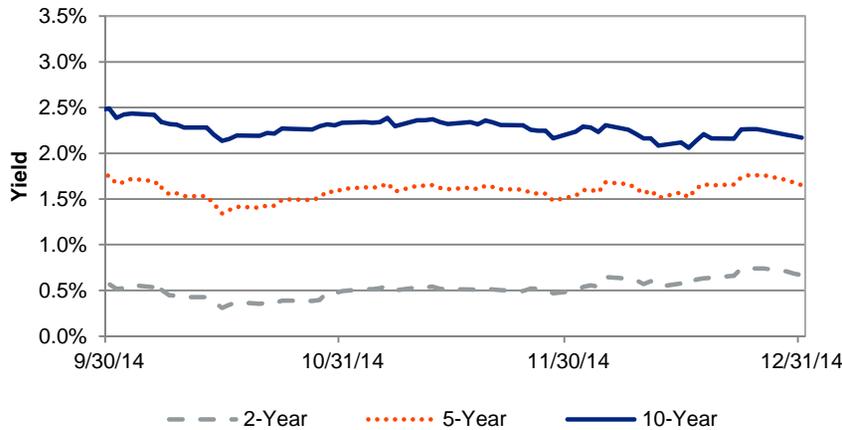
2. Data as of Fourth Quarter 2013

Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

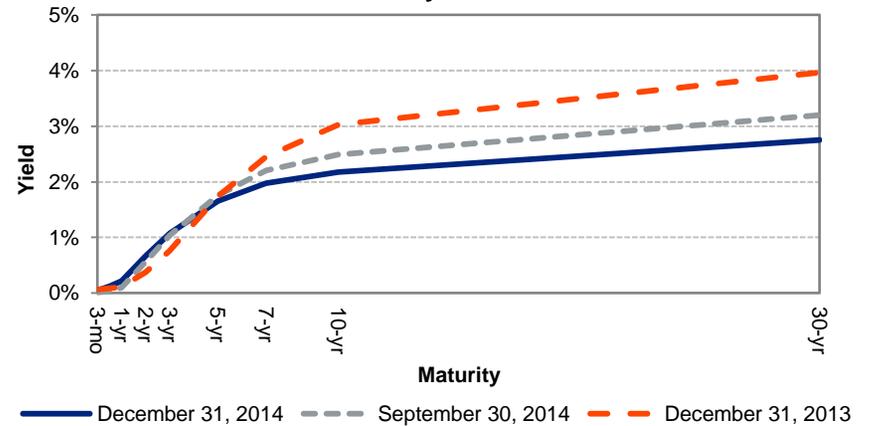
Source: Bloomberg

Investment Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

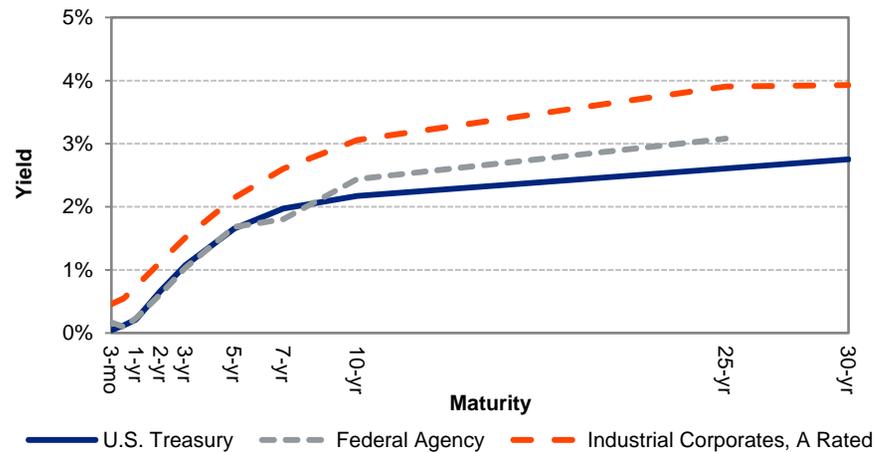


U.S. Treasury Yields

Maturity	12/31/14	9/30/14	Change over Quarter	12/31/13	Change over Year
3-month	0.04%	0.02%	0.02%	0.07%	(0.03%)
1-year	0.22%	0.10%	0.12%	0.11%	0.11%
2-year	0.67%	0.57%	0.10%	0.38%	0.29%
5-year	1.65%	1.76%	(0.11%)	1.74%	(0.09%)
10-year	2.17%	2.49%	(0.32%)	3.03%	(0.86%)
30-year	2.75%	3.20%	(0.45%)	3.97%	(1.22%)

Source: Bloomberg

Yield Curves as of 12/31/2014



BofA Merrill Lynch Index Returns

	As of 12/31/2014	Returns for Periods ended 12/31/2014			
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.89	0.67%	0.17%	0.62%	0.47%
Federal Agency	1.87	0.80%	0.22%	0.70%	0.66%
U.S. Corporates, A-AAA rated	1.98	1.34%	0.15%	1.08%	2.16%
Agency MBS (0 to 3 years)	1.94	1.29%	0.42%	1.08%	1.18%
Municipals	1.79	0.67%	0.01%	0.72%	0.94%
1-5 Year Indices					
U.S. Treasury	2.69	0.98%	0.49%	1.24%	0.65%
Federal Agency	2.35	1.01%	0.42%	1.30%	0.90%
U.S. Corporates, A-AAA rated	2.79	1.73%	0.49%	2.12%	3.02%
Agency MBS (0 to 5 years)	3.23	2.03%	1.16%	3.90%	2.12%
Municipals	2.57	0.96%	(0.02%)	1.30%	1.39%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.13	1.52%	2.28%	6.02%	1.54%
Federal Agency	3.94	1.42%	1.25%	4.04%	1.53%
U.S. Corporates, A-AAA rated	6.87	2.73%	2.05%	7.34%	4.77%
Agency MBS (0 to 30 years)	4.00	2.30%	1.79%	6.07%	2.37%
Municipals	6.85	2.41%	1.33%	9.78%	4.56%

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Indices

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Disclosures

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