



# City of Sarasota, Florida



## Investment Performance Review Quarter Ended March 31, 2015

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Quarterly Investment Statistics as of March 31, 2015

Investments	Market Value	Quarterly Interest	Fiscal Year to Date		
		Income	Income		
PFM Managed Investment/Short Term Portfolios	\$ 132,888,207	\$ 249,144	\$ 642,041		
Fidelity Prime Institutional Money Market Fund	99,025	16	28		
FMIvT	5,069,887	57,764	112,010		
CD - Bank of America	-	-	-		
Florida Prime (SBA)	10,025,019	4,507	8,570		
Wells Fargo Money Market Account	-	-	-		
Florida Community Bank	5,018,068	6,182	9,249		
Fifth Third Bank NOW Account	34,546,744	35,159	60,411		
Services Fees	n/a	(87,195)	(158,502)		
Subtotal	\$ 187,646,949	\$ 265,576	\$ 673,806		
Change in Fair Market Value	\$ 374,453	\$ 341,315			
Change in Accrued Interest	20,986	11,019			
Subtotal	\$ 395,438	\$ 352,334			
Total	\$ 661,014	\$ 1,026,141			
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 <sup>1</sup>	0.47%	0.72%	0.30%	Fidelity Prime Institutional Money Market Fund <sup>2</sup>	0.03%
<b>Benchmark:</b> Merrill Lynch 1-3 Year U.S. Treasury Index	0.52%	0.70%	0.20%	Certificates of Deposit	N/A
				Florida Prime (SBA)	0.18%
FMIvT Intermediate High Quality Bond Fund <sup>4</sup>	1.24%	2.39%	0.98%	Wells Fargo Money Market Account*	0.00%
<b>Benchmark:</b> Barclays Capital High Quality Intermediate Aggregate <sup>4</sup>	1.25%	2.55%	0.84%	Florida Community Bank	0.50%
				Fifth Third Bank NOW Account	N/A
				Weighted Average Yield	0.29%
				<b>Benchmark:</b>	
				Merrill Lynch 3-Month U.S. Treasury Bill	
				Index <sup>3</sup>	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.

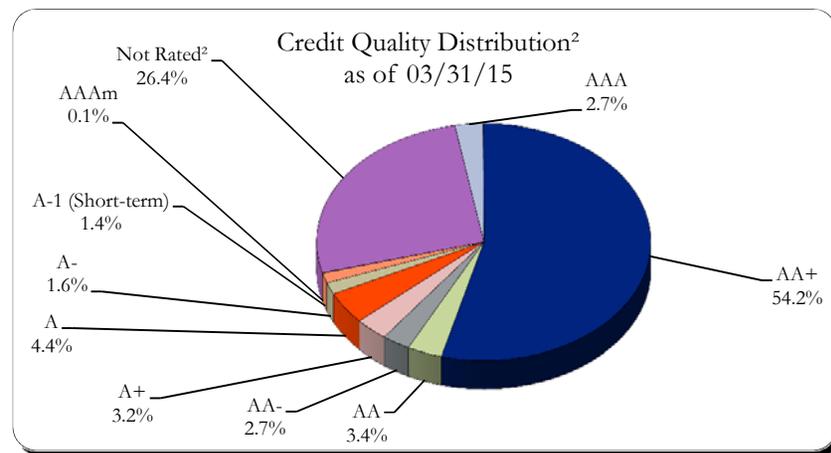
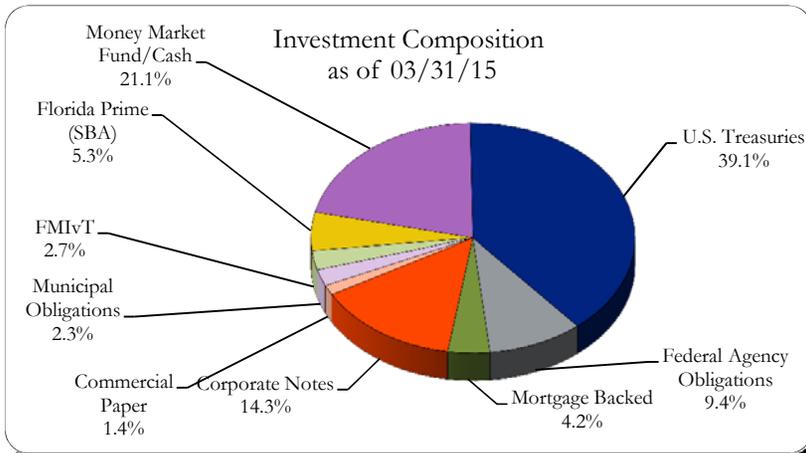
3. Bloomberg is the source of the yield at month end.

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.

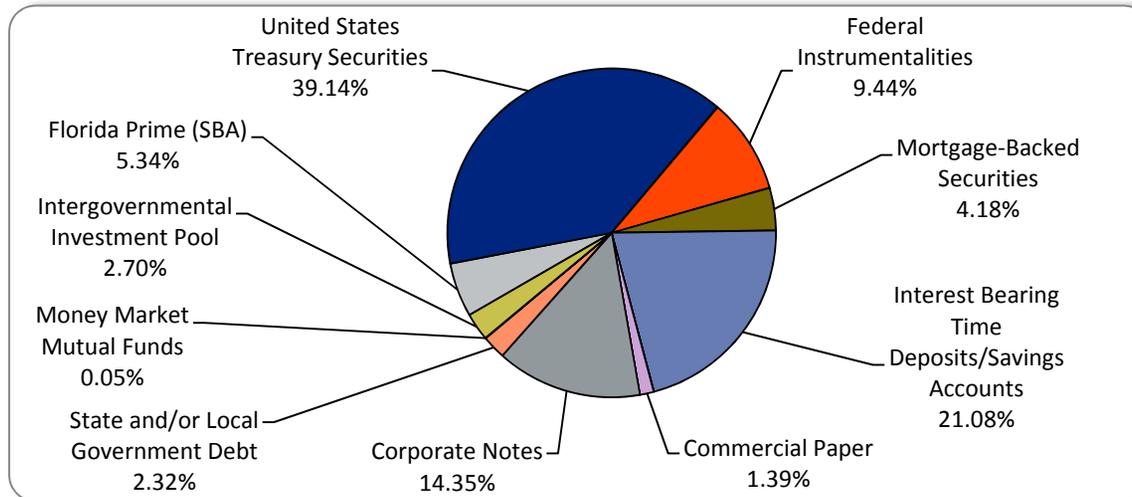
Quarterly Investment Report Composition and Credit Quality Characteristics

<u>Security Type</u> <sup>1</sup>	<u>March 31, 2015</u>	<u>% of Portfolio</u>	<u>December 31, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$ 73,447,413	39.14%	\$ 73,697,904	36.79%
Federal Agencies	17,718,621	9.44%	22,924,116	11.45%
Mortgage Backed	7,844,744	4.18%	8,250,894	4.12%
Corporate Notes	26,921,939	14.35%	24,938,415	12.45%
Commercial Paper	2,599,516	1.39%	2,597,761	1.30%
Municipal Obligations	4,355,972	2.32%	4,348,615	2.17%
Certificates of Deposit	0	0.00%	0	0.00%
FMIvT	5,069,887	2.70%	5,012,123	2.50%
Florida Prime (SBA)	10,025,019	5.342%	10,020,512	5.00%
Money Market Fund/Cash	39,663,837	21.14%	48,505,124	24.22%
<b>Totals</b>	<b>\$ 187,646,949</b>	<b>100.00%</b>	<b>\$ 200,295,465</b>	<b>100.00%</b>



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)	10,025,019	5.34%	3	25%	YES
United States Treasury Securities	73,447,413	39.14%	4	100%	YES
United States Government Agency Securities	-	0.00%	4	50%	YES
Federal Instrumentalities	17,718,621	9.44%	4	75%	YES
Mortgage-Backed Securities	7,844,744	4.18%	4	20%	YES
Interest Bearing Time Deposits/Savings Accounts	39,564,813	21.08%	3	50%	YES
Repurchase Agreements	-	0.00%		25%	YES
Commercial Paper	2,599,516	1.39%	4,5	20%	YES
Corporate Notes - FDIC Insured	-	0.00%	5	50%	YES
Corporate Notes	26,921,939	14.35%	4,5	20%	YES
State and/or Local Government Debt	4,355,972	2.32%	4	20%	YES
Money Market Mutual Funds	99,025	0.05%	3	50%	YES
Intergovernmental Investment Pool	5,069,887	2.70%	3,6	75%	YES
<b>Total Market Value</b>	<b>\$ 187,646,949</b>	<b>100.00%</b>			

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 March 31, 2015 is 15.73%.
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)	10,025,019	5.34%	3	25%	YES
United States Treasury Securities	73,447,413	39.14%	4	100%	YES
Government National Mortgage Association (GNMA)	1,748,725	0.93%	4	25%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%	4	40%	YES
Federal Home Loan Bank (FHLB)	6,392,057	3.41%	4	40%	YES
Federal National Mortgage Association (FNMA)	4,060,213	2.16%	4	40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	13,362,371	7.12%	4	40%	YES
Money Market Account - Florida Community Bank	5,018,068	2.67%	3	25%	YES
Bank of Tokyo Mitsubishi Commercial Paper	2,599,516	1.39%	4	5%	YES
Boeing Company Corporate Notes	1,502,265	0.80%	4	5%	YES
Bank of New York Mellon Corporate Notes	972,044	1.40%	4	5%	YES
General Electric Corporate Notes	2,622,484	0.52%	4	5%	YES
John Deere Corporate Notes	2,214,919	1.18%	4	5%	YES
Caterpillar Corporate Notes	1,550,589	0.83%	4	5%	YES
JP Morgan Corporate Notes	3,036,270	1.62%	4	5%	YES
Toyota Corporate Notes	1,491,845	0.80%	4	5%	YES
Wells Fargo and Company Corporate Notes	2,890,155	1.54%	4	5%	YES
Berkshire Hathaway Corporate Notes	1,161,563	0.62%	4	5%	YES
Coca-Cola Corporate Notes	778,468	0.41%	4	5%	YES
American Honda Corporate Notes	2,118,840	1.13%	4	5%	YES
IBM Corporate Notes	3,597,299	1.92%	4	5%	YES
American Express Corporate Notes	2,985,198	1.59%	4	5%	YES
University of California Taxable Revenue Bond	777,898	0.41%	4	5%	YES
Regional Trans Authority, IL Taxable Revenue Bonds	3,578,075	1.91%	4	5%	YES
FNMA Mortgage Backed Security	2,014,806	1.07%	4	15%	YES
FHLMC Mortgage Backed Security	4,081,213	2.17%	4	15%	YES
GNMA Mortgage Backed Security	1,748,725	0.93%	4	15%	YES
Money Market Fund - Bank of New York	99,025	0.05%	3	25%	YES
Fifth Third Bank NOW Account	34,546,744	18.41%	3	25%	YES
Intergovernmental Investment Pool - Florida Municipal	5,069,887	2.70%	3,6	25%	YES

## Notes:

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\*All Funds.

### **Summary**

- For the first quarter of 2015, accommodative global central bank policies were a major driver of financial markets. The European Central Bank (ECB) initiated an asset purchase program similar to the Federal Reserve's (Fed's) quantitative easing (QE) policies that concluded last year, and the Federal Open Market Committee (FOMC) seemed to relax its stance on tightening monetary policy in the near future.
- U.S. Treasuries experienced their longest period of quarterly gains since 1998. The 10-year Treasury yield fell for the fifth consecutive quarter.
- After a brief period of recovery, oil prices headed toward the lower end of recent ranges.

### **Economic Snapshot**

- For the fourth quarter of 2014, gross domestic product (GDP) grew at a pace of 2.2%. The components of the GDP report showed that household spending rose to a nine-year high and that an increase in exports was offset by growth in inventories, which were weaker than previously expected.
- The U.S. labor market continued to improve, as the unemployment rate fell from 5.6% in December to 5.5% in March, marking its lowest point since mid- 2008.
- Consumer confidence for the first quarter reached its highest level since the second quarter of 2007, as lower gasoline prices and an increase in personal income helped generate higher amounts of disposable income. However, consumers slowed the pace of their spending for the quarter, as retail sales fell for the months of December, January, and February.
- New-home sales rose nearly 8% in February, marking their highest level since early 2008 and serving as a bright spot in a mixed bag of recent housing-market data.

### **Interest Rates**

- At its March meeting, the FOMC removed the word "patient" from its previous statement, indicating that the current target range for the federal funds rate will be appropriate until the FOMC is "reasonably confident" that inflation is moving toward its 2% objective. The statement also implied that economic growth has been somewhat weaker than it was earlier in the year.
- A Reuters poll released at the end of March showed that 17 of 21 primary dealers expect the first interest rate hike to occur in September at the earliest, with only four dealers expecting the first hike to occur in June.

### **Sector Performance**

- Driven by a Treasury market rally, fixed-income market performance was generally positive for the quarter. Returns were dependent on both maturity and sector.
- The yield curve flattened modestly over the quarter as longer maturities declined further than shorter maturities. This market movement and its positive impact on longer durations combined to provide performance in excess of initial yields.
- Agency spreads for short and intermediate maturities widened modestly during the quarter. Accordingly, the sector's performance was largely in line with comparable-maturity Treasuries.
- Corporate securities slightly outperformed government-related options with similar maturities, as they were aided by excess income and a relatively unchanged yield spread relationship.
- While still generating positive performance, mortgage-backed and asset-backed securities trailed other high-quality investment options for the quarter.
- Yields on money market-related securities remained at the elevated levels to which they rose at the end of 2014, making them attractive options for short-maturity investment needs.

### Economic Snapshot

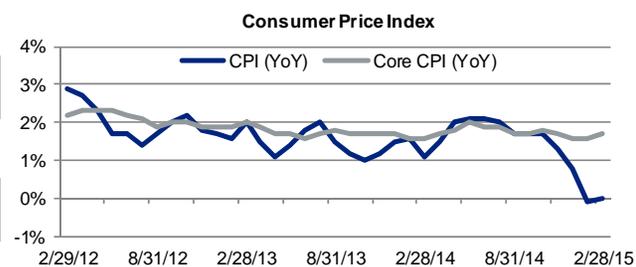
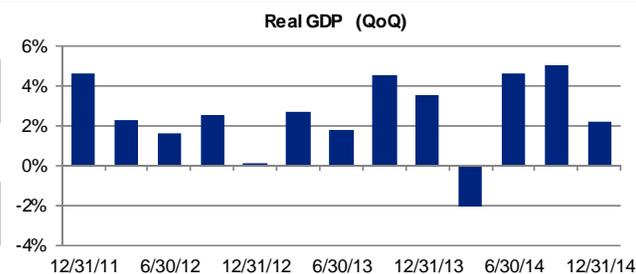
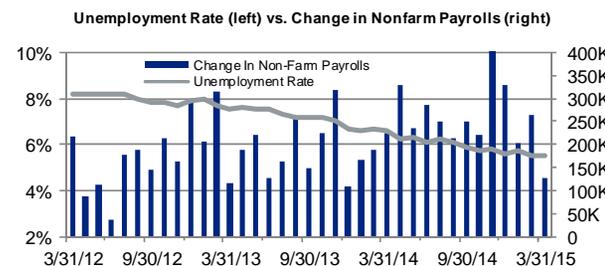
Labor Market	Latest	Dec 2014	Mar 2014	
Unemployment Rate	Mar'15	5.5%	5.6%	6.6%
Change In Non-Farm Payrolls	Mar'15	126,000	329,000	225,000
Average Hourly Earnings (YoY)	Mar'15	2.1%	1.8%	2.2%
Personal Income (YoY)	Feb'15	4.5%	4.8%	3.7%
Initial Jobless Claims (week)	3/27/15	268,000	293,000	329,000

Growth	Latest	Dec 2014	Mar 2014	
Real GDP (QoQ SAAR)	2014Q4	2.2%	5.0% <sup>1</sup>	3.5% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2014Q4	4.4%	3.2% <sup>1</sup>	3.7% <sup>2</sup>
Retail Sales (YoY)	Feb'15	1.7%	3.3%	4.1%
ISM Manufacturing Survey (month)	Mar'15	51.5	55.1	54.4
Existing Home Sales SAAR (month)	Feb'15	4.88 mil.	5.07 mil.	4.70 mil.

Inflation / Prices	Latest	Dec 2014	Mar 2014	
Personal Consumption Expenditures (YoY)	Feb'15	0.3%	0.8%	1.2%
Consumer Price Index (YoY)	Feb'15	0.0%	0.8%	1.5%
Consumer Price Index Core (YoY)	Feb'15	1.7%	1.6%	1.7%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$47.60	\$53.27	\$101.58
Gold Futures (oz.)	Mar 31	\$1,183	\$1,184	\$1,283



1. Data as of Third Quarter 2014

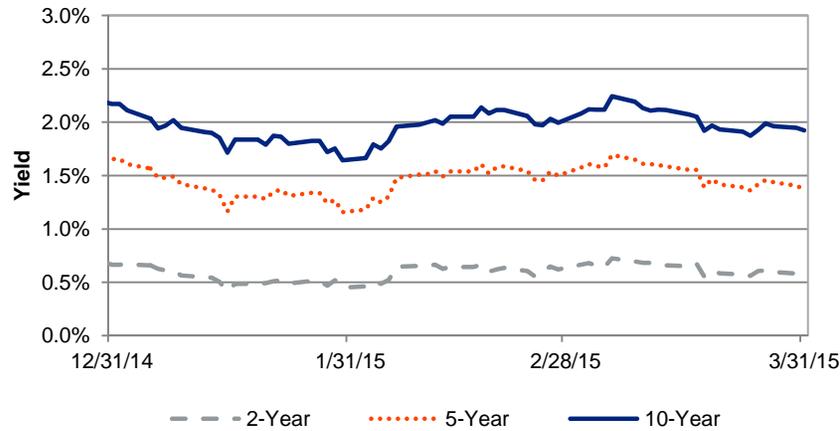
2. Data as of Fourth Quarter 2013

Source: Bloomberg

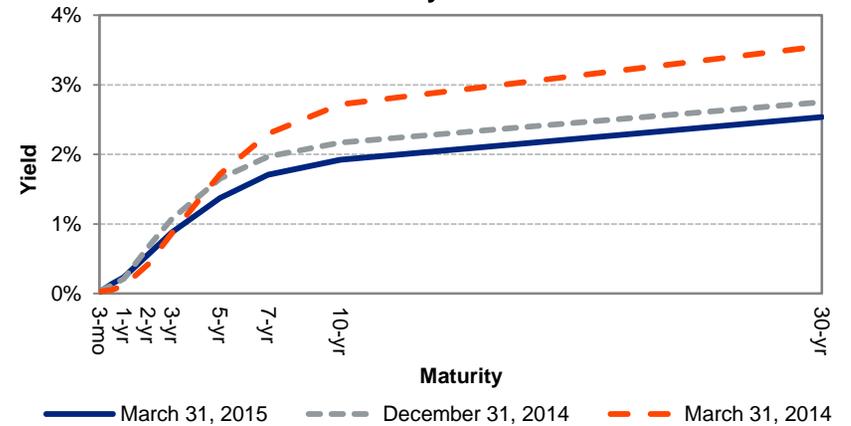
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

### Investment Rate Overview

U.S. Treasury Note Yields



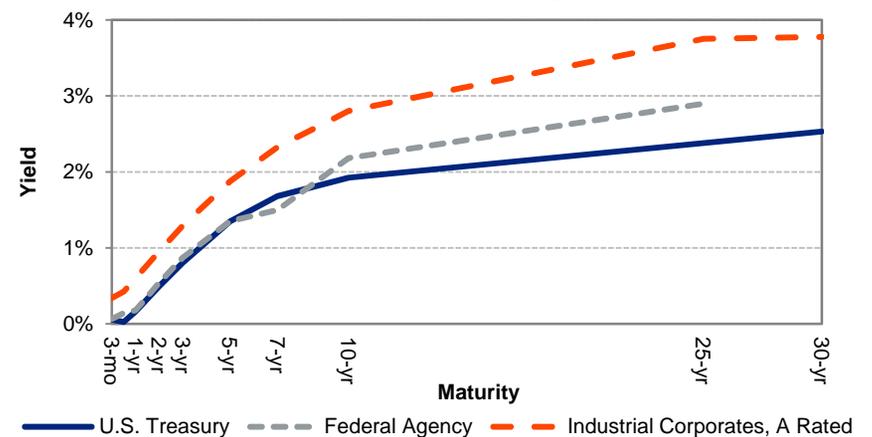
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	3/31/15	12/31/14	Change over Quarter	3/31/14	Change over Year
3-month	0.02%	0.04%	(0.02%)	0.03%	(0.01%)
1-year	0.23%	0.22%	0.01%	0.11%	0.12%
2-year	0.56%	0.67%	(0.11%)	0.42%	0.14%
5-year	1.37%	1.65%	(0.28%)	1.72%	(0.35%)
10-year	1.92%	2.17%	(0.25%)	2.72%	(0.80%)
30-year	2.54%	2.75%	(0.21%)	3.56%	(1.02%)

Yield Curves as of 3/31/2015



Source: Bloomberg

## BofA Merrill Lynch Index Returns

	As of 3/31/15		Returns for Periods ended 3/31/15		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.87	0.55%	0.52%	1.00%	0.67%
Federal Agency	1.72	0.68%	0.54%	1.07%	0.74%
U.S. Corporates, A-AAA rated	2.05	1.24%	0.77%	1.43%	1.86%
Agency MBS (0 to 3 years)	2.07	1.36%	0.41%	1.25%	1.18%
Municipals	1.75	0.65%	0.26%	0.73%	0.88%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.69	0.81%	0.92%	1.91%	1.02%
Federal Agency	2.15	0.84%	0.79%	1.77%	1.06%
U.S. Corporates, A-AAA rated	2.87	1.56%	1.20%	2.57%	2.64%
Agency MBS (0 to 5 years)	3.29	1.88%	0.83%	3.79%	2.20%
Municipals	2.54	0.95%	0.35%	1.24%	1.30%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.23	1.33%	1.75%	6.15%	2.57%
Federal Agency	3.72	1.21%	1.27%	4.07%	1.97%
U.S. Corporates, A-AAA rated	6.96	2.52%	2.18%	6.93%	4.84%
Agency MBS (0 to 30 years)	3.78	2.11%	1.00%	5.48%	2.51%
Municipals	6.80	2.18%	1.09%	6.90%	4.23%

Returns for periods greater than one year are annualized.

Source: BofA Merrill Lynch Indices

Source: BofA Merrill Lynch Indices

**Disclosures**

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