



# City of Sarasota, Florida



## Investment Performance Review Quarter Ended March 31, 2014

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## Quarterly Investment Statistics as of March 31, 2014

Investments	Market Value	Quarterly Interest Income	Fiscal Year to Date Income
PFM Managed Investment/Short Term Portfolios	\$ 144,885,111	\$ 253,984	\$ 670,868
Fidelity Prime Institutional Money Market Fund	584,947	9	21
FMIvT	4,890,008	15,972	52,733
CD - Bank of America	3,000,000	-	-
Florida Prime (SBA)	10,008,424	3,851	4,792
Wells Fargo Money Market Account	25,000,000	29,201	58,994
Florida Community Bank	2,003,993	2,469	4,003
Services Fees	n/a	(79,158)	(156,912)
Subtotal	\$ 190,372,483	\$ 226,328	\$ 634,500
Change in Fair Market Value	\$ (3,400)	\$ (183,525)	
Change in Accrued Interest		47,209	(55,984)
Subtotal	\$ 43,809	\$ (239,509)	
Total	\$ 270,136	\$ 394,991	

Long Term Investments	Quarterly Total Return	Short Term Investments	Net Book Value Rate of Return
PFM Managed Investment Portfolio <sup>1</sup>	0.21%	Fidelity Prime Institutional Money Market Fund <sup>2</sup>	0.01%
<b>Benchmark:</b> Merrill Lynch 1-3 Year U.S. Treasury Index	0.14%	Certificates of Deposit	0.20%
FMIvT Intermediate High Quality Bond Fund <sup>4</sup>	1.13%	Florida Prime (SBA)	0.15%
<b>Benchmark:</b> Barclays Capital High Quality Intermediate Aggregate <sup>4</sup>	1.10%	Wells Fargo Money Market Account*	0.00%
		Florida Community Bank	0.50%
		Weighted Average Yield	0.20%
		<b>Benchmark:</b>	
		Merrill Lynch 3-Month U.S. Treasury Bill Index <sup>3</sup>	0.03%

## 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.

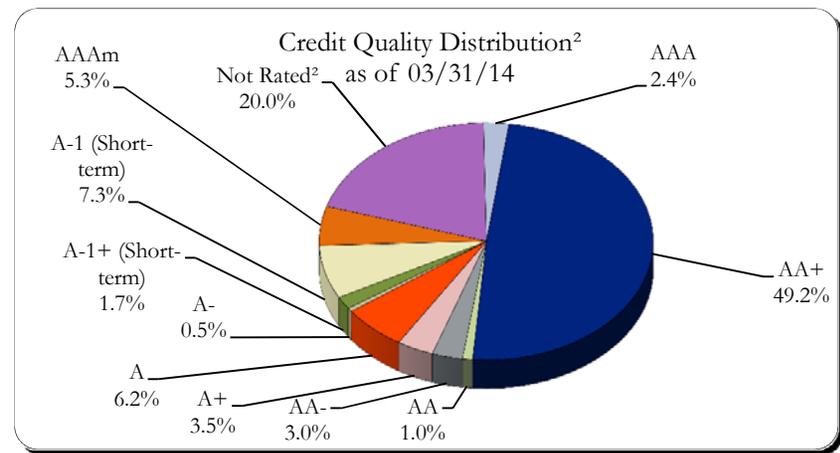
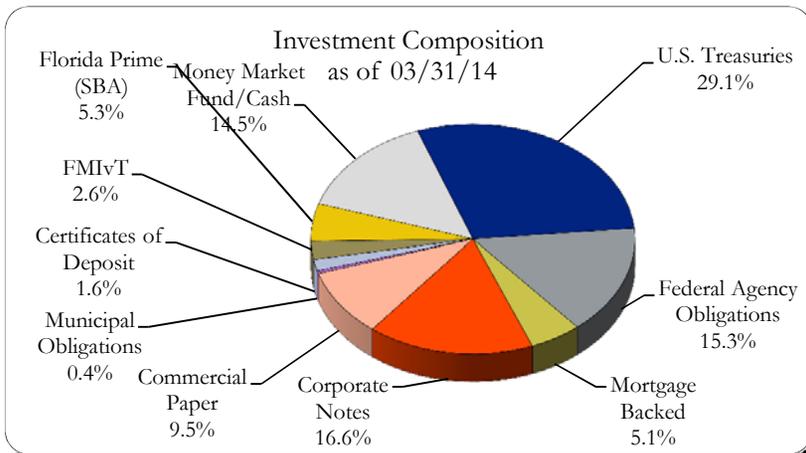
3. Bloomberg is the source of the yield at month end.

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.

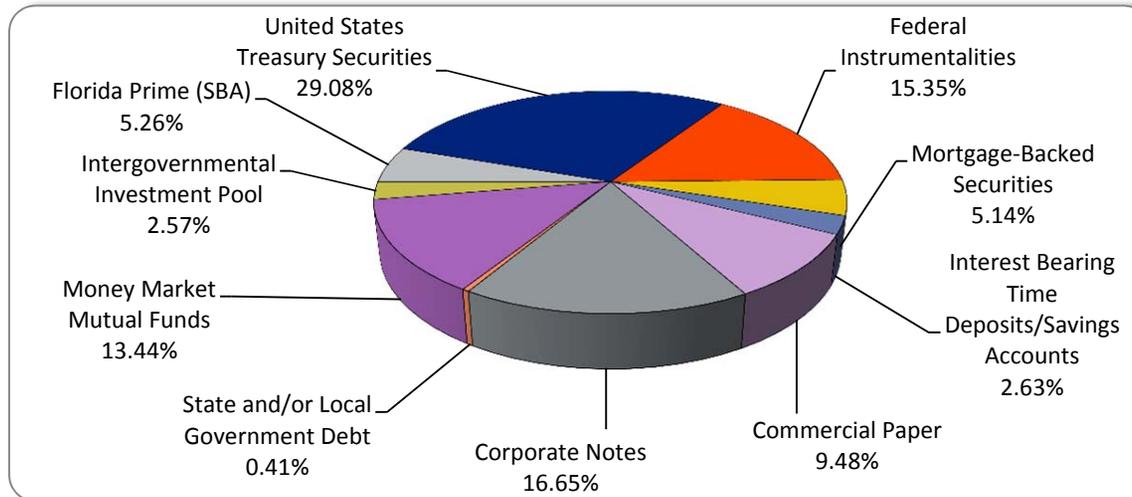
Quarterly Investment Report Composition and Credit Quality Characteristics

<u>Security Type</u> <sup>1</sup>	<u>March 31, 2014</u>	<u>% of Portfolio</u>	<u>December 31, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$ 55,362,999	29.08%	\$ 56,485,099	29.65%
Federal Agencies	29,216,337	15.35%	36,354,052	19.08%
Mortgage Backed	9,787,435	5.14%	10,354,781	5.44%
Corporate Notes	31,696,460	16.65%	28,008,178	14.70%
Commercial Paper	18,042,371	9.48%	10,889,844	5.72%
Municipal Obligations	779,508	0.41%	2,079,528	1.09%
Certificates of Deposit	3,000,000	1.58%	3,000,000	1.57%
FMIvT	4,890,008	2.57%	5,307,285	2.79%
Florida Prime (SBA)	10,008,424	5.257%	10,004,303	5.25%
Money Market Fund/Cash	27,588,940	14.49%	28,025,410	14.71%
<b>Totals</b>	<b>\$ 190,372,483</b>	<b>100.00%</b>	<b>\$ 190,508,480</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)	\$ 10,008,424	5.26%	3	25%	YES
United States Treasury Securities	55,362,999	29.08%	4	100%	YES
United States Government Agency Securities	-	0.00%	4	50%	YES
Federal Instrumentalities	29,216,337	15.35%	4	75%	YES
Mortgage-Backed Securities	9,787,435	5.14%	4	20%	YES
Interest Bearing Time Deposits/Savings Accounts	5,003,993	2.63%	3	50%	YES
Repurchase Agreements	-	0.00%		25%	YES
Commercial Paper	18,042,371	9.48%	4,5	20%	YES
Corporate Notes - FDIC Insured	-	0.00%	5	50%	YES
Corporate Notes	31,696,460	16.65%	4,5	20%	YES
State and/or Local Government Debt	779,508	0.41%	4	20%	YES
Money Market Mutual Funds	25,584,947	13.44%	3	50%	YES
Intergovernmental Investment Pool	4,890,008	2.57%	3,6	75%	YES
<b>Total Market Value</b>	<b>\$ 190,372,483</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, 2014 is 26.13%.
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)	10,008,424	5.26%	3	25%	YES
United States Treasury Securities	55,362,999	29.08%	4	100%	YES
Government National Mortgage Association (GNMA)	2,303,835	1.21%	4	25%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%	4	40%	YES
Federal Home Loan Bank (FHLB)	7,512,969	3.95%	4	40%	YES
Federal National Mortgage Association (FNMA)	20,889,694	10.97%	4	40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	8,297,274	4.36%	4	40%	YES
Certificate of Deposit - Bank of America	3,000,000	1.58%	3	25%	YES
Money Market Account - Florida Community Bank	2,003,993	1.05%	3	25%	YES
Rabobank USA Fin Corp Commercial Paper	3,449,641	1.81%	4	5%	YES
HSBC USA Inc. Commercial Paper	3,998,692	2.10%	4	5%	YES
Bank of Nova Scotia Commercial Paper	3,573,370	1.88%	4	5%	YES
Bank of Tokyo Mitsubishi Commercial Paper	3,449,282	1.81%	4	5%	YES
Wells Fargo and Company Commercial Paper	3,571,386	1.88%	4	5%	YES
JP Morgan Chase Corporate Notes	4,036,705	2.12%	4	5%	YES
Bank of New York Mellon Corporate Notes	2,985,715	1.38%	4	5%	YES
General Electric Corporate Notes	2,629,089	1.57%	4	5%	YES
John Deere Corporate Notes	3,129,794	1.64%	4	5%	YES
McDonald's Corporate Notes	1,408,877	0.74%	4	5%	YES
Walt Disney Corporate Notes	825,554	0.43%	4	5%	YES
Anheuser-Busch Corporate Notes	2,010,016	1.06%	4	5%	YES
Pepsico Corporate Notes	999,175	0.52%	4	5%	YES
Caterpillar Corporate Notes	980,665	0.52%	4	5%	YES
Apple Inc. Corporate Notes	1,507,797	0.79%	4	5%	YES
Toyota Corporate Notes	1,489,987	0.78%	4	5%	YES
Wells Fargo and Company Corporate Notes	2,887,818	1.52%	4	5%	YES
Berkshire Hathaway Corporate Notes	1,162,350	0.61%	4	5%	YES
Coca-Cola Corporate Notes	775,448	0.41%	4	5%	YES
American Honda Corporate Notes	1,213,995	0.64%	4	5%	YES
IBM Corporate Notes	3,653,475	1.92%	4	5%	YES
University of California Taxable Revenue Bond	779,508	0.41%	4	5%	YES
FNMA Mortgage Backed Security	2,711,099	1.42%	4	15%	YES
FHLMC Mortgage Backed Security	4,772,501	2.51%	4	15%	YES
GNMA Mortgage Backed Security	2,303,835	1.21%	4	15%	YES
Money Market Fund - Wells Fargo Bank	25,000,000	13.13%	3	25%	YES
Money Market Fund - Bank of New York	584,947	0.31%	3	25%	YES
Intergovernmental Investment Pool - Florida Municipal Investment Trust	4,890,008	2.57%	3,6	25%	YES

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\*All Funds.

### **Summary**

- Many economists attribute the relative weakness of economic data released during the first quarter to severe winter weather during the period. As temperatures warm, growth is expected to reaccelerate.
- First-quarter economic data was not weak enough to deter the Federal Reserve (Fed) from a third round of tapering asset purchases. At its meeting on March 19, the Fed reduced its monthly purchases of Treasuries and agency mortgage-backed securities by another \$10 billion to a revised total of \$55 billion per month.
- Geopolitical uncertainty caused by Russia’s annexation of the Crimean peninsula jeopardized growth in Europe and sparked a brief rally in U.S. Treasuries, which temporarily pushed yields lower. The markets quickly refocused on forward growth prospects and Fed action.

### **Economic Snapshot**

- Fourth-quarter U.S. gross domestic product (GDP) expanded at a 2.6% annual pace, as consumer spending reached its highest level in three years. Slower-than-expected economic growth was attributed in part to the large amounts of ice and snow that blanketed the country for much of the winter. This was an improvement from the previous year, when GDP expanded by 2.0%.
- The U.S. employment situation continued to improve, as the economy created a monthly average of 182,000 new jobs in the first quarter, only slightly behind the 2013 average of 197,000. The unemployment rate has averaged 6.7% for the quarter.
- According to CoreLogic, prices for existing homes rose 12.2% year-over-year in February due to tighter supply. Although the housing market is still moving forward, sales and construction were slowed down by the winter weather.

### **Interest Rates**

- During a press conference after the March 18-19 meeting of the Federal Open Market Committee (FOMC), Fed Chair Janet Yellen commented that the federal funds target rate could rise as soon as six months after the Fed completed its bond-buying program. However, Ms. Yellen softened her message at the end of the quarter, stating that the Fed would remain accommodative for “some time” to help those who are currently unemployed.
- The majority of FOMC participants indicated that 2015 is the appropriate time to begin increasing the federal funds target rate.
- Interest rates continued to normalize from record lows. The Treasury yield curve became more humped, as intermediate-term maturity yields rose, while short-term rates remained low and longer-maturity yields fell modestly.

### **Sector Performance**

- Portfolios benefited from conservative duration management, as intermediate term yields surged after the March Fed meeting.
- Portfolios also benefited from the extra yield provided by holdings of corporate bonds, especially in the financial sector.
- Strong demand outpaced supply and continued to narrow yield spreads on corporate and municipal debt, which somewhat reduced their future attractiveness.

### Economic Snapshot

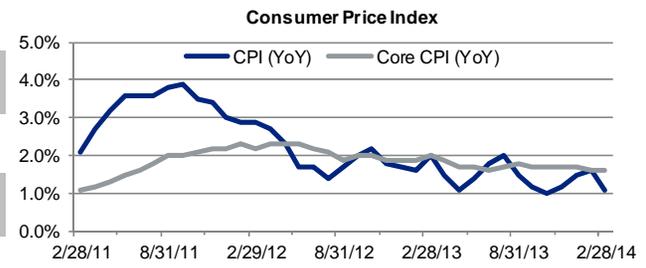
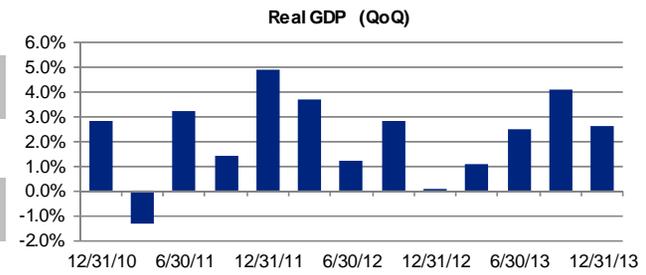
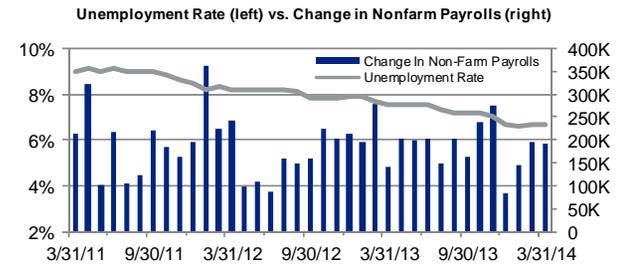
Labor Market	Latest	Dec 2013	Mar 2013	
Unemployment Rate	Mar'14	6.7%	6.7%	7.5%
Change In Non-Farm Payrolls	Mar'14	192,000	84,000	141,000
Average Hourly Earnings (YoY)	Mar'14	2.1%	1.9%	1.9%
Personal Income (YoY)	Feb'14	3.1%	-0.8%	3.0%
Initial Jobless Claims (week)	Mar 28	326,000	344,000	375,000

Growth	Latest	Dec 2013	Mar 2013	
Real GDP (QoQ SAAR)	2013Q4	2.6%	4.1% <sup>1</sup>	1.1% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2013Q4	3.3%	2.0% <sup>1</sup>	2.3% <sup>2</sup>
Retail Sales (YoY)	Feb'14	1.5%	3.4%	3.2%
ISM Manufacturing Survey (month)	Mar'14	53.7	56.5	51.5
Existing Home Sales SAAR (month)	Feb'14	4.60 mil.	4.87 mil.	4.96 mil.

Inflation / Prices	Latest	Dec 2013	Mar 2013	
Personal Consumption Expenditures (YoY)	Feb'14	0.9%	1.2%	1.2%
Consumer Price Index (YoY)	Feb'14	1.1%	1.5%	1.5%
Consumer Price Index Core (YoY)	Feb'14	1.6%	1.7%	1.9%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$101.58	\$98.42	\$97.23
Gold Futures (oz.)	Mar 31	\$1,283	\$1,202	\$1,595



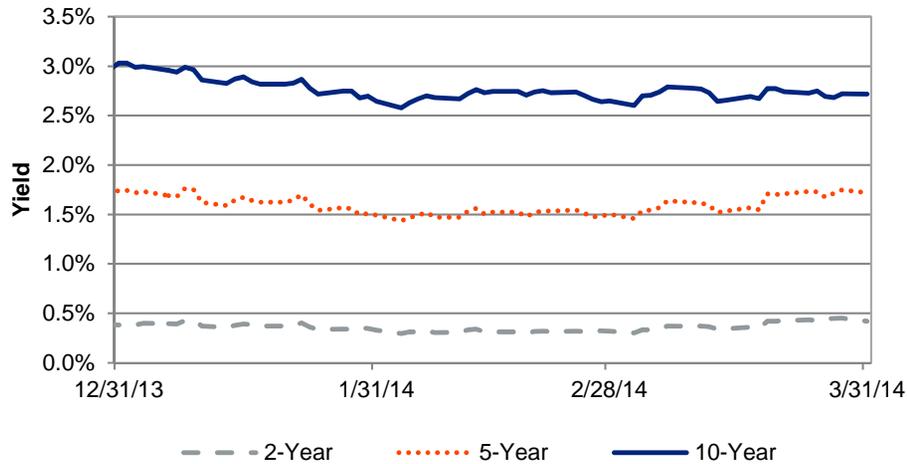
1. Data as of Third Quarter 2013 2. Data as of First Quarter 2013

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

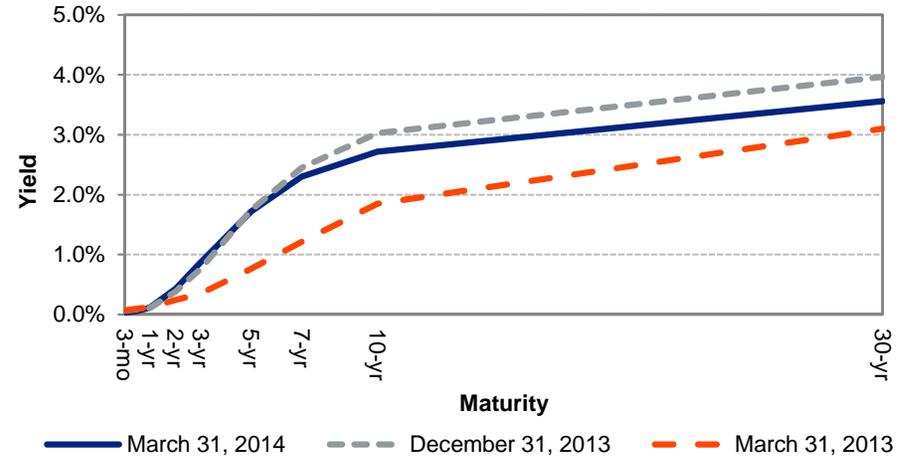
Source: Bloomberg

### Investment Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

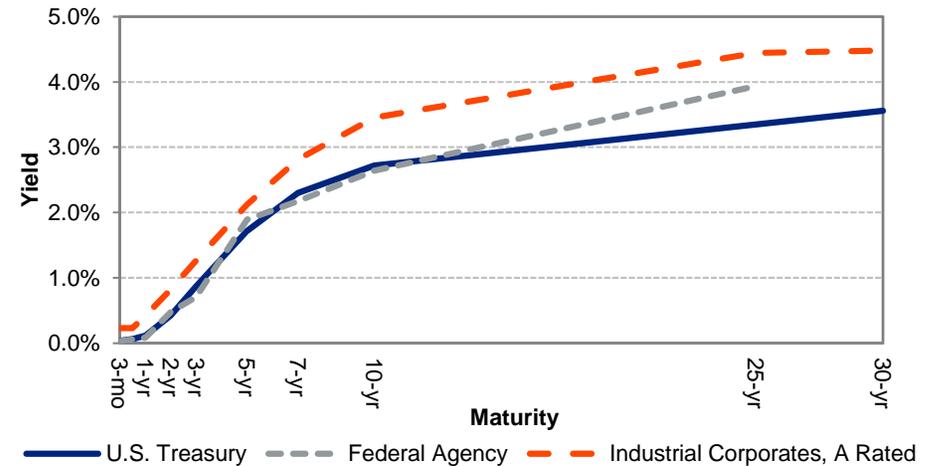


U.S. Treasury Yields

Maturity	3/31/14	12/31/13	Change over Quarter	3/31/13	Change over Year
3-month	0.03%	0.07%	(0.04%)	0.07%	(0.04%)
1-year	0.11%	0.11%	0.00%	0.12%	(0.01%)
2-year	0.42%	0.38%	0.04%	0.24%	0.18%
5-year	1.72%	1.74%	(0.02%)	0.77%	0.95%
10-year	2.72%	3.03%	(0.31%)	1.85%	0.87%
30-year	3.56%	3.97%	(0.41%)	3.10%	0.46%

Source: Bloomberg

Yield Curves as of 3/31/2014



## BofA Merrill Lynch Index Returns

	As of 3/31/2014		Returns for Periods ended 3/31/2014		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.92	0.44%	0.14%	0.38%	0.81%
Federal Agency	1.84	0.52%	0.17%	0.49%	0.94%
U.S. Corporates, A-AAA rated	1.96	0.94%	0.42%	1.38%	2.28%
Agency MBS (0 to 3 years)	1.70	1.02%	0.25%	1.09%	1.75%
Municipals	1.75	0.52%	0.25%	0.87%	1.35%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.72	0.82%	0.26%	(0.09%)	1.43%
Federal Agency	2.50	0.86%	0.34%	0.22%	1.35%
U.S. Corporates, A-AAA rated	2.88	1.47%	0.76%	1.33%	3.12%
Agency MBS (0 to 5 years)	3.35	2.43%	0.94%	0.96%	2.58%
Municipals	2.48	0.85%	0.41%	0.99%	2.05%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	5.78	1.60%	1.63%	(1.53%)	3.33%
Federal Agency	4.04	1.45%	1.24%	(0.62%)	2.24%
U.S. Corporates, A-AAA rated	6.66	2.75%	2.58%	0.84%	5.35%
Agency MBS (0 to 30 years)	5.26	3.01%	1.58%	0.23%	2.75%
Municipals	7.59	3.10%	3.80%	0.28%	6.22%

1. Duration and yield are after the indices were rebalanced at month end.

2. Returns are rolling returns. Returns for periods greater than one year are annualized.

Source: BofA Merrill Lynch Indices

**Disclosures**

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