

Brevard County, Florida

Annual Investment Performance Review
Fiscal Year Ended September 30, 2012



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TAB I

Total Portfolio Balances and Interest Earnings

Balances Fund Name	Book Value as of September 30, 2012	Book Value as of September 30, 2011	Percent Change From FY 2012 - 2011
General Fund	\$25,017,961.51	\$27,152,483.38	-7.86%
Special Revenue	162,548,156.81	184,453,173.80	-11.88%
Debt Service	5,462,416.80	4,601,658.34	18.71%
Capital Projects	27,856,692.96	25,374,175.93	9.78%
Enterprise	93,664,844.42	86,952,056.12	7.72%
Internal Service	49,578,864.76	44,869,918.95	10.49%
Total	\$364,128,937.26	\$373,403,466.52	-2.48%

Interest Earnings Fund Name	Interest Earned Fiscal Year 2012	Interest Earned Fiscal Year 2011	Percent Change From FY 2012 - 2011
General Fund	\$335,118.75	\$413,337.11	-18.92%
Special Revenue	1,423,656.64	1,976,537.42	-27.97%
Debt Service	87,191.65	130,503.60	-33.19%
Capital Projects	272,752.11	302,000.23	-9.68%
Enterprise	887,849.25	1,101,292.32	-19.38%
Internal Service	420,930.29	492,496.94	-14.53%
Total	\$3,427,498.69	\$4,416,167.62	-22.39%

County Total Portfolio	Book Value as of September 30, 2012	Market Value as of September 30, 2012
Short Term and Bond Portfolio	\$170,915,958.31	\$170,765,108.07
Long Term Portfolio	198,154,032.84	199,191,246.83
Total	\$369,069,991.15	\$369,956,354.90

Short Term and Bond Portfolio Yields

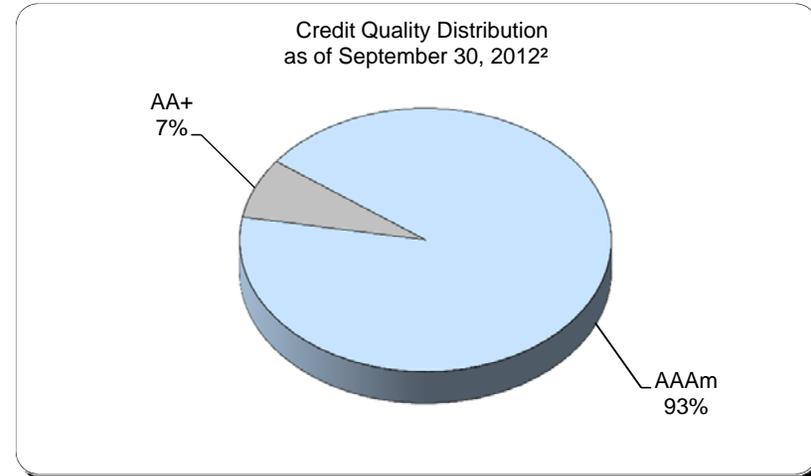
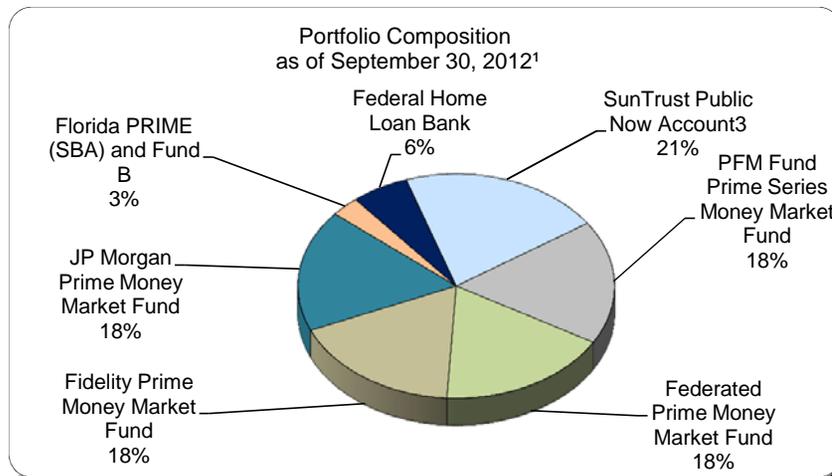
Yields^{1,2}	Yield on Cost as of	Percent of Portfolio	Yield on Cost as of	Percent of Portfolio
<u>Security Type</u>	<u>September 30, 2012</u>	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>September 30, 2011</u>
Florida PRIME (SBA) and Fund B	0.32%	2.91%	0.24%	2.40%
SunTrust Public Now Account ⁴	0.07%	20.66%	0.12%	29.44%
PFM Fund Prime Series Money Market Fund	0.20%	17.82%	0.12%	17.20%
Federated Prime Money Market Fund	0.15%	17.58%	0.00%	0.00%
Fidelity Prime Money Market Fund	0.16%	17.58%	0.00%	0.00%
JP Morgan Prime Money Market Fund	0.11%	17.58%	0.00%	0.00%
U.S. Treasury Note	0.00%	0.00%	0.00%	0.00%
Federal Farm Credit Bureau	0.00%	0.00%	0.27%	22.64%
Federal Home Loan Bank	0.22%	5.86%	0.32%	28.32%
Federal Home Loan Mortgage Corp.	0.00%	0.00%	0.00%	0.00%
Federal National Mortgage Association	0.00%	0.00%	0.00%	0.00%
Total Average Yield²	0.14%	100.00%	0.21%	100.00%
<u>Benchmarks</u>	<u>September 30, 2012</u>		<u>September 30, 2011</u>	
S&P Rated GIP Index Government 30 Day Yield ³	0.18%		0.15%	

Notes:

1. Yields are presented as "Yield on Cost" pursuant to the County's Investment Policy Performance Section for short-term securities and compared to the benchmark which is the Standard & Poor's GIP 30 Day Index.
2. Yield on cost is a dollar weighted yield.
3. Monthly yield, gross of fees. Source Standard & Poor's Financial Institutions Ratings.
4. Bank Deposits in excess of \$250,000 are collateralized under Florida State Statute 280 with U.S. Government and U.S. Government Agency securities, including Mortgage Backed Securities.

Short Term and Bond Portfolio Composition (Market Value)

<u>Security Type¹</u>	<u>Balance as of September 30, 2012</u>	<u>Percent of Portfolio</u>	<u>Balance as of September 30, 2011</u>	<u>Percent of Portfolio</u>
Florida PRIME (SBA) and Fund B	\$4,975,965.36	2.91%	\$4,238,270.97	2.40%
Federal Farm Credit Bureau	0.00	0.00%	39,974,441.44	22.64%
Federal Home Loan Bank	10,002,000.00	5.86%	50,001,500.00	28.32%
Federal Home Loan Mortgage Corp.	0.00	0.00%	0.00	0.00%
Federal National Mortgage Association	0.00	0.00%	0.00	0.00%
U.S. Treasury Note	0.00	0.00%	0.00	0.00%
SunTrust Public Now Account ³	35,281,240.02	20.66%	51,990,797.78	29.44%
PFM Fund Prime Series Money Market Fund	30,431,629.97	17.82%	30,370,729.32	17.20%
Federated Prime Money Market Fund	30,025,270.92	17.58%	0.00	0.00%
Fidelity Prime Money Market Fund	30,026,981.79	17.58%	0.00	0.00%
JP Morgan Prime Money Market Fund	30,022,020.01	17.58%	0.00	0.00%
Certificate of Deposit	0.00	0.00%	0.00	0.00%
Totals	\$170,765,108.07	100.00%	\$176,575,739.51	100.00%



Notes:

- Investment balances are market values as of September 30, 2012.
- Credit rating of securities held in portfolio, exclusive of bank deposits. Standard & Poor's is the source of the credit ratings.
- Bank Deposits in excess of \$250,000 are collateralized under Florida State Statute 280 with U.S. Government and U.S. Government Agency securities, including Mortgage Backed Securities.

Short Term and Bond Portfolio Holdings and Yields¹ as of September 30, 2012

Security Description	Coupon	CUSIP	Purchase Date	Maturity Date	Par Value	Book Amount	Market Value	Yield on Cost ²
Florida PRIME (SBA) - Fund A					\$2,133,624.91	\$2,133,624.91	\$2,133,624.91	0.32%
Florida PRIME (SBA) - Fund B					2,995,190.69	2,995,190.69	2,842,340.45	n/a
SunTrust Public Now Account ³					35,281,240.02	35,281,240.02	35,281,240.02	0.07%
PFM Fund Prime Series Money Market Fund					30,431,629.97	30,431,629.97	30,431,629.97	0.20%
Federated Prime Money Market Fund		60934N203			30,025,270.92	30,025,270.92	30,025,270.92	0.15%
Fidelity Prime Money Market Fund		31607A208			30,026,981.79	30,026,981.79	30,026,981.79	0.16%
JP Morgan Prime Money Market Fund		4812A2603			30,022,020.01	30,022,020.01	30,022,020.01	0.11%
Federal Home Loan Bank	0.25%	313379QM4	6/14/2012	6/6/2013	10,000,000.00	10,000,000.00	10,002,000.00	0.22%
Grand Total					\$170,915,958.31	\$170,915,958.31	\$170,765,108.07	0.14%

Notes:

1. Yields are presented as "Yield on Cost" pursuant to the County's Investment Policy Performance Section for short-term securities and compared to the benchmark which is the Standard & Poor's GIP 30 Day Index.
2. Yield on Cost is a dollar weighted yield.
3. Bank Deposits in excess of \$250,000 are collateralized under Florida State Statute 280 with U.S. Government and U.S. Government Agency securities, including Mortgage Backed Securities.

Executive Summary

PORTFOLIO STRATEGY

- The County's Long Term Fund Portfolio is well diversified and includes U.S. Treasuries, federal agencies, federal agency mortgage-backed securities, commercial paper, corporate notes and municipal securities. Since the beginning of the Fiscal Year 2012, we have added allocations to mortgage-backed securities, high quality corporates and municipals to improve diversification and increase return potential. Each of those sectors contributed favorably to performance over the past year. With rates low and traditional agency yield spreads narrow, we continue to look for ways to safely enhance the return of the portfolio.
- At the beginning of the fiscal year, we positioned the Long Term Fund Portfolio's duration at 92% of the Merrill Lynch 1-3 Year U.S. Treasury Index benchmark duration, which is in the middle of our typical 85%-100% range. We recognized that economic conditions would likely keep yields low for some time, making a longer duration posture appropriate. This was confirmed when the Federal Reserve announced after the January 2012 FOMC meeting that conditions were likely to warrant "exceptionally low levels" of short-term rates "at least through late 2014." We carefully managed the portfolio duration throughout the year to reflect near-term yield trends.
- The Long Term Fund Portfolio's 12-month return of 1.25% outperformed the Merrill Lynch 1-3 Year U.S. Treasury Index benchmark's return of 0.56% by 69 basis points (0.69%). This was achieved as a result of the longer duration, and by a careful mix of maturities along the yield curve, sector allocation choices, and specific issue selection. Included also is \$1,008,316 of realized gains for the year.
- The sovereign debt situation in Europe continued to cause concern, with several flare ups throughout the year. Temporary support measures for troubled countries were viewed favorably, but confidence that those measures would succeed waned quickly. This caused periods of "risk on" and "risk off," ultimately leading to a "flight-to-quality" which drove yields in stronger countries and currencies sharply lower, in some cases into negative territory. The Portfolio's holdings of U.S. Treasuries and agencies benefited from this move.
- Yields began the fiscal year with sharp declines caused by general economic malaise, concern over the looming debt ceiling, and the ongoing turmoil in Europe. Long-term Treasury rates, in particular, fell to new record lows in response to the Fed's "Operation Twist" – the selling of short-term Treasuries to buy additional long-term Treasuries. The Fed now holds \$2.2 trillion of Treasury and agency debt. Low yields continue to challenge investors, but the positively sloped yield curve and benefit of "roll down" over time creates incentives for continuing to buy and hold longer maturities that are consistent with the mandate for each fund. Nearly all the Long Term Fund Portfolio purchases during the year were in longer maturities that performed well as yields fell.
- The Portfolio complies with the County's investment policy and Florida investment statutes. Our strategy will continue to focus on maintaining the safety of the invested principal and achieving the County's long-term investment objectives. We will maintain a safe, well-diversified, high quality Portfolio and continue to evaluate all the sectors available to the County and to capitalize on investment opportunities presented by the market. We will continue to carefully manage duration consistent with evolving interest rate trends.

Short Term and Long Term Portfolios Annual Review Fact Sheet

Ending Balance as of September 30, 2012

Short Term Portfolio Market Value ¹	\$ 170,765,108.07
Long Term Portfolio Market Value	<u>199,191,246.83</u>
Total All Assets	<u><u>\$ 369,956,354.90</u></u>

Interest Earnings

	<u>Last 12 Months</u>
Total Portfolio Interest Earnings for Fiscal Year 2012	<u>\$3,427,498.69</u>

Additional Annual Returns in Dollars²

	<u>Last 12 Months</u>
Total Return	
Long Term Portfolio	\$2,493,446.75
Merrill Lynch 1-3 Year U.S. Treasury Index	<u>1,114,389.61</u>
Additional Returns over Benchmark	<u><u>\$1,379,057.14</u></u>

Long Term Portfolio Performance

	<u>Last 12 Months</u>
Total Return	
Long Term Portfolio	1.25%
Merrill Lynch 1-3 Year U.S. Treasury Index	<u>0.56%</u>
Performance over the Benchmark	<u><u>0.69%</u></u>

Average Annual Duration³

	<u>Last 12 Months</u>
Long Term Portfolio	1.78 Years
Merrill Lynch 1-3 Year U.S. Treasury Index	1.82 Years

Short Term Portfolio Performance

	<u>Last 12 Months</u>
Yield on Cost	
Short Term Portfolio	0.16%
S&P Rated GIP Index Government 30 Day Gross Yield	<u>0.16%</u>
Performance over the Benchmark	<u><u>0.00%</u></u>

Weighted Average Maturity

	<u>As of September 30, 2012</u>
Short Term Portfolio	16 Days
S&P Rated GIP Index Government	47 Days

Summary

1. The Portfolio's average duration of 1.78 years for the Fiscal Year Ended September 30, 2012 is 97.78% of the Benchmark's average duration for the year.
2. The Portfolio's average since inception duration of 1.56 years for the Fiscal Year Ended September 30, 2012 is 91.77% of the Benchmark's average duration since inception.
3. As of September 30, 2012, the County's Portfolio is in compliance with the Investment Policy. The investment composition and allocation is provided on the Asset Allocation Chart in this report.

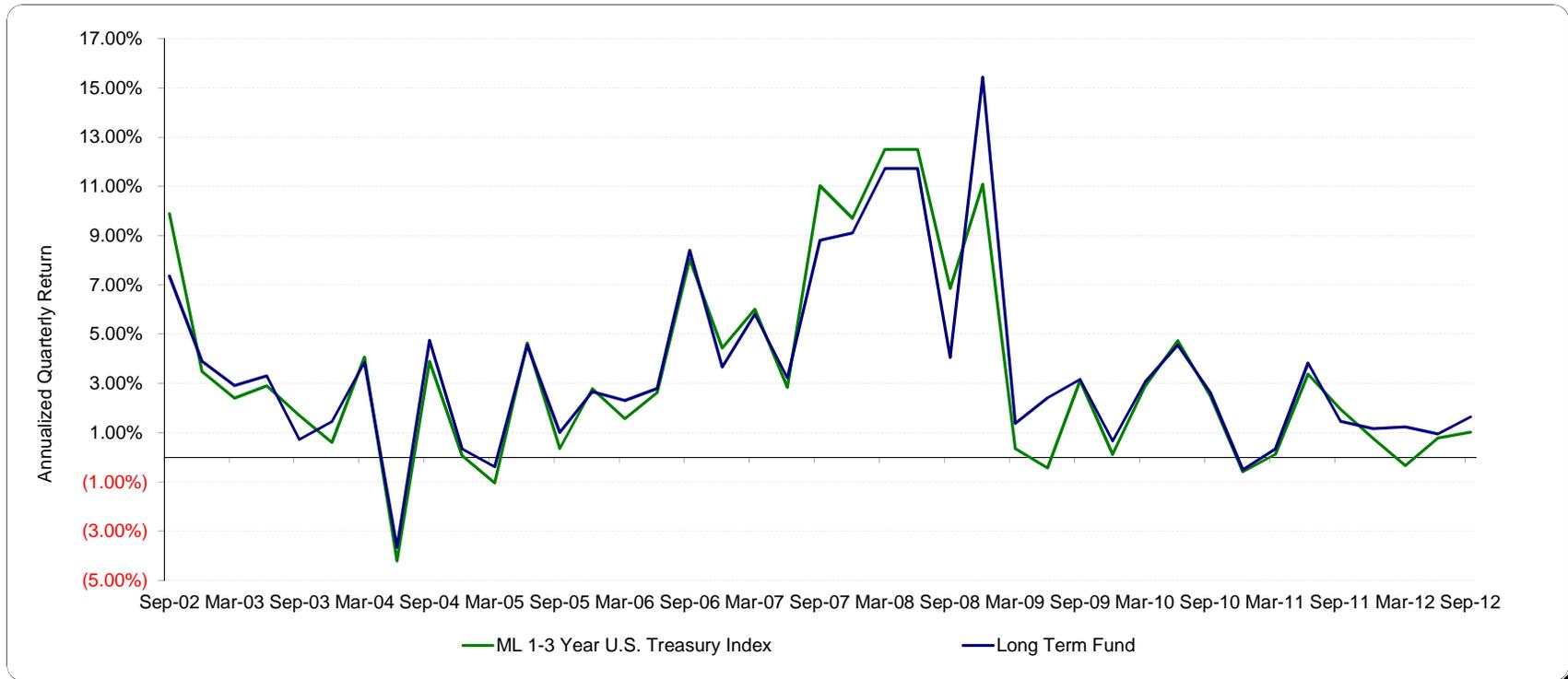
Notes:

1. The Short Term Portfolio is managed by the County.
2. Based on the Average Annual Balance. Long Term Portfolio Average Balance of: \$198,998,144.25.
3. Based on the Quarter-End Averages for the Fiscal Year.

Long Term Fund Portfolio Yields - Since Inception History Versus Benchmarks¹

<u>Account Name</u>	<u>Total Return Since Inception on March 31, 2002</u>	<u>Total Return Last 12 Months</u>
Long Term Fund	3.39%	1.25%
ML 1-3 Year U.S. Treasury Index	3.13%	0.56%
Benefit Yield over Benchmark	0.26%	0.69%

Since Inception Earnings Over the Benchmark \$4,842,642.91



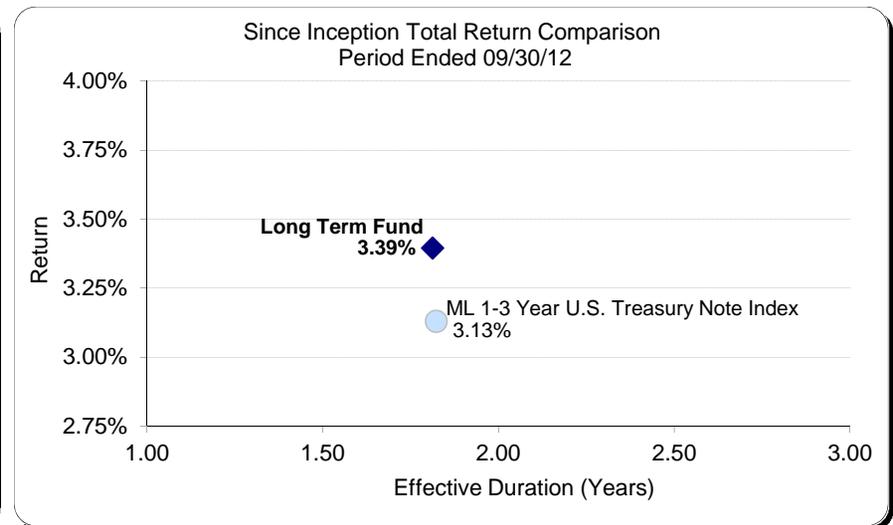
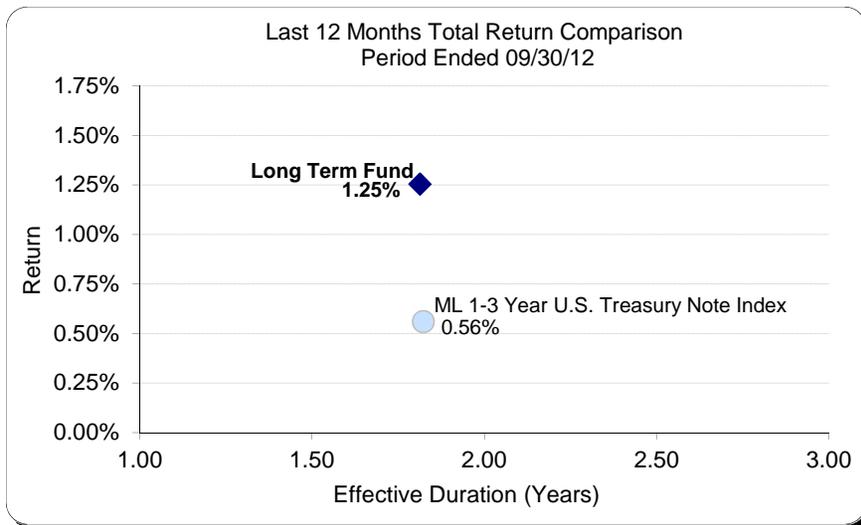
Notes:
1. Annualized Quarterly Returns Since Inception.

Long Term Fund Portfolio Performance

Total Portfolio Value ^{1,2}	September 30, 2012	September 30, 2011
Market Value	\$199,191,246.83	\$201,863,078.10
Amortized Cost	\$198,154,032.84	\$200,731,989.18

Total Return ^{1,2,3,4,5,6,7,8}	Quarterly Return September 30, 2012	Calendar Year to Date	Last 12 Months	Last 24 Months	Since Inception 3/31/2002
Long Term Fund	0.41%	0.96%	1.25%	1.26%	3.39%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.26%	0.37%	0.56%	0.88%	3.13%

Effective Duration (Years) ⁴	September 30, 2012	September 30, 2011	Yields	September 30, 2012	September 30, 2011
Long Term Fund	1.81	1.67	Yield at Market	0.37%	0.49%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.82	1.81	Yield at Cost	0.67%	0.83%
Portfolio Duration % of Benchmark Duration	99%	92%			

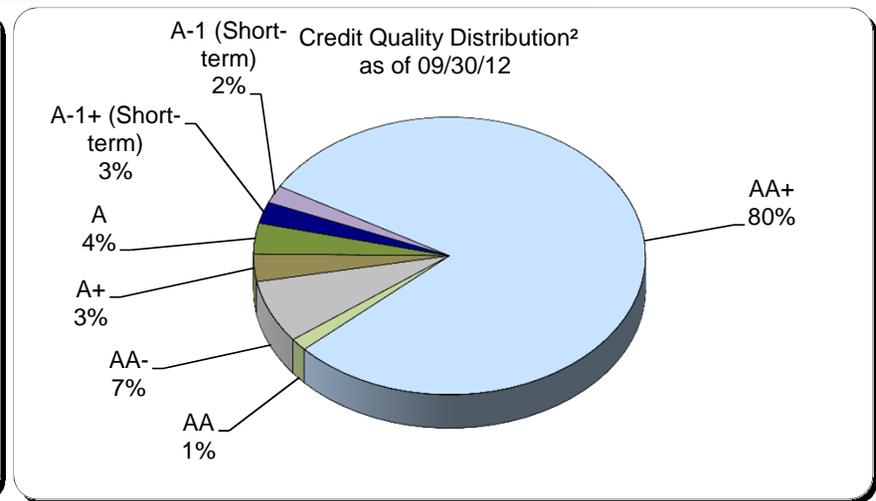
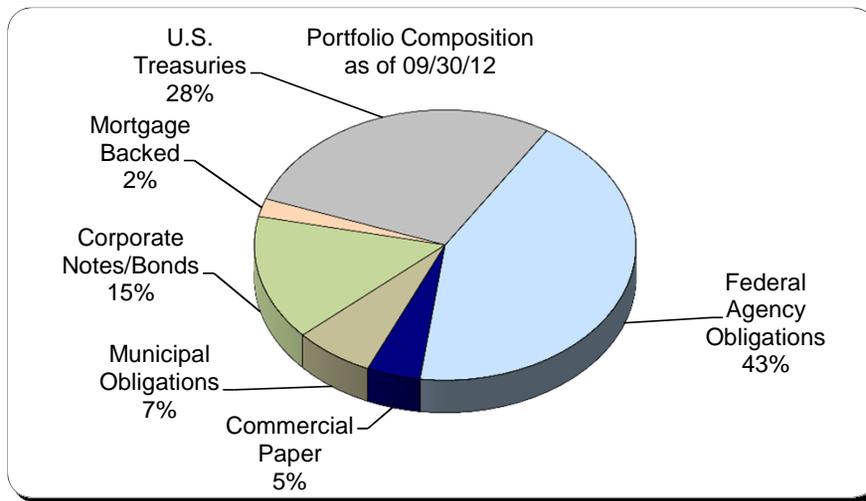


Notes:

1. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
2. End of quarter trade-date market values of portfolio holdings, including accrued interest.
3. Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
4. Merrill Lynch Indices provided by Bloomberg Financial Markets.
5. Quarterly returns are presented on an unannualized basis.
6. Excludes money market fund/cash in performance and duration computations.
7. Returns presented for 12 months or longer are presented on an annual basis.
8. Past performance is not indicative of future results.

Long Term Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2012</u>	<u>% of Portfolio</u>	<u>September 30, 2011</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$56,538,057.89	28.4%	\$49,737,398.11	24.6%
Federal Agencies	85,968,222.06	43.2%	116,940,396.17	57.9%
Commercial Paper	9,060,637.76	4.5%	7,037,592.32	3.5%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	13,426,987.24	6.7%	6,522,294.30	3.2%
Corporate Notes/Bonds	29,874,730.75	15.0%	21,625,397.20	10.7%
Corporate Notes/Bonds - FDIC Insured	0.00	0.0%	0.00	0.0%
Mortgage Backed	4,322,611.13	2.2%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$199,191,246.83	100.0%	\$201,863,078.10	100.0%

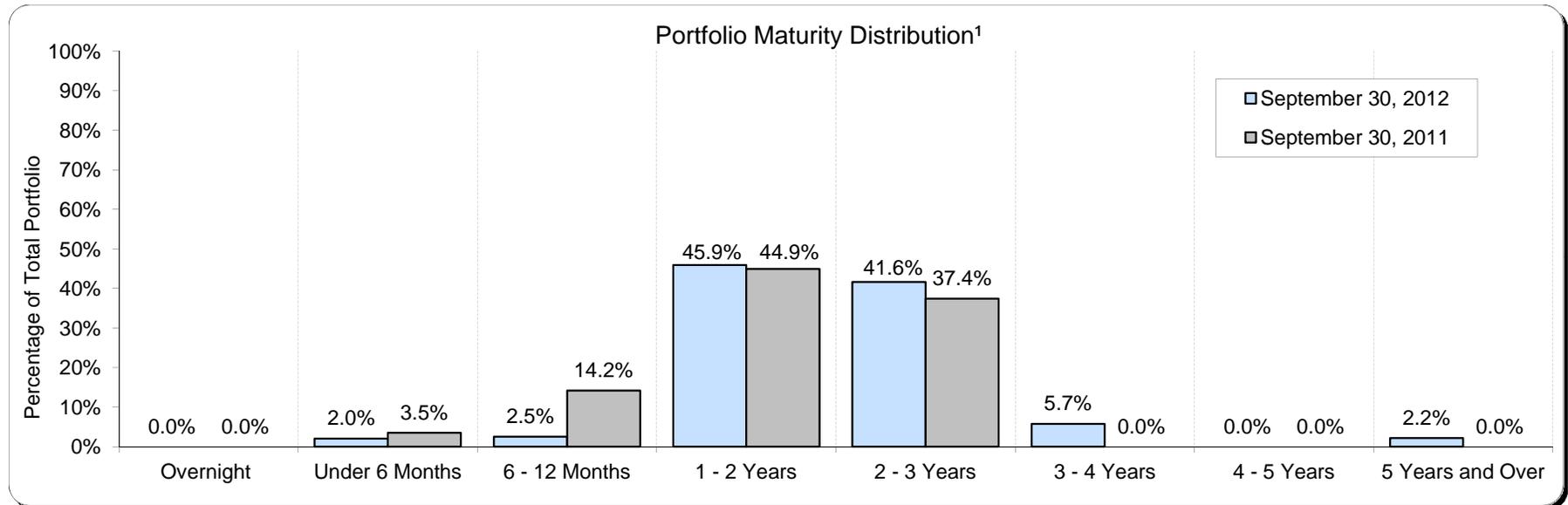


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP. Standard & Poor's is the source of the credit ratings.

Long Term Fund Portfolio Maturity Distribution

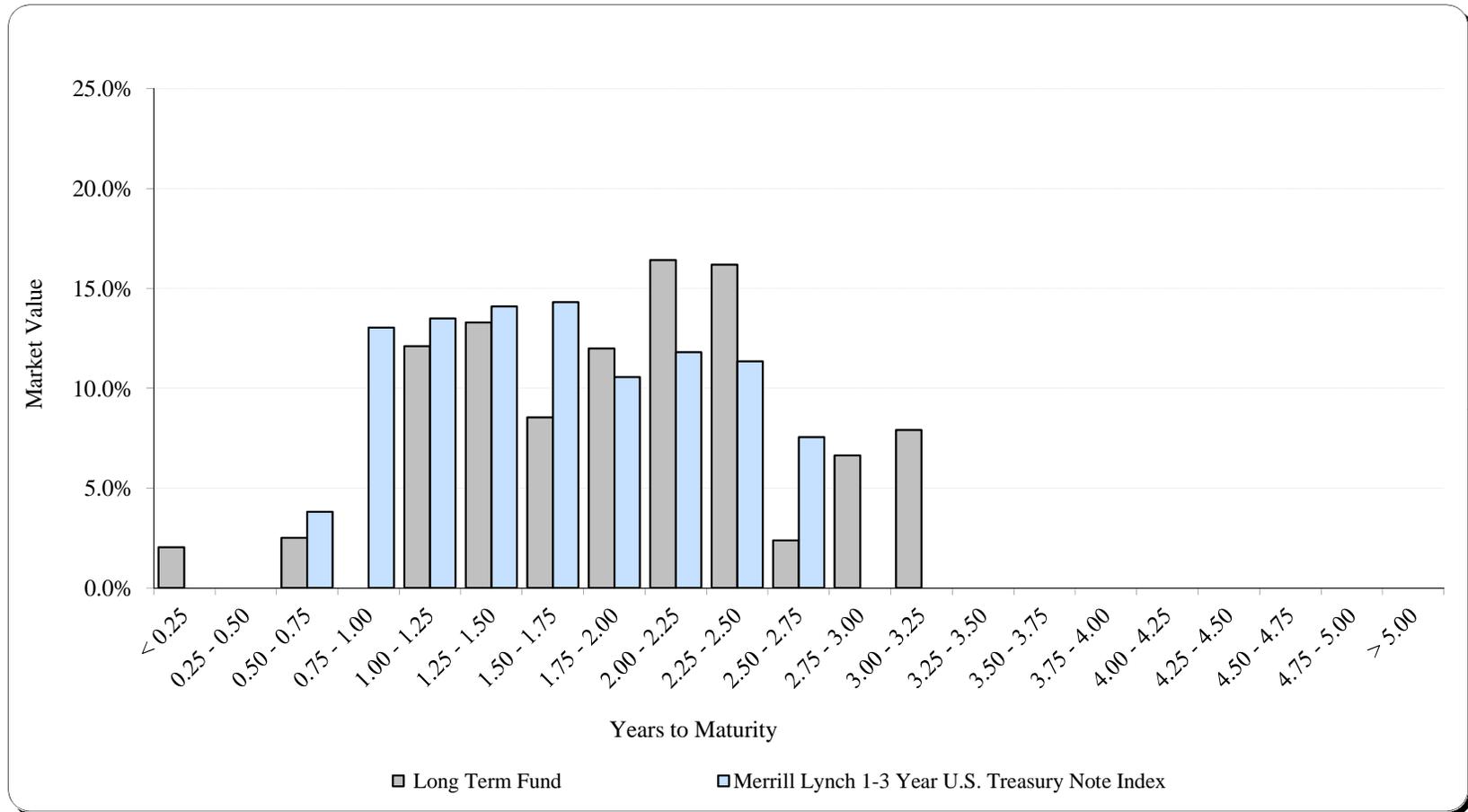
<u>Maturity Distribution</u> ¹	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	4,068,572.76	7,037,592.32
6 - 12 Months	4,992,065.00	28,629,068.10
1 - 2 Years	91,492,133.44	90,668,868.59
2 - 3 Years	82,887,080.55	75,527,549.09
3 - 4 Years	11,428,783.95	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	4,322,611.13	0.00
Totals	\$199,191,246.83	\$201,863,078.10



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Fund Maturity Distribution versus the Benchmark¹



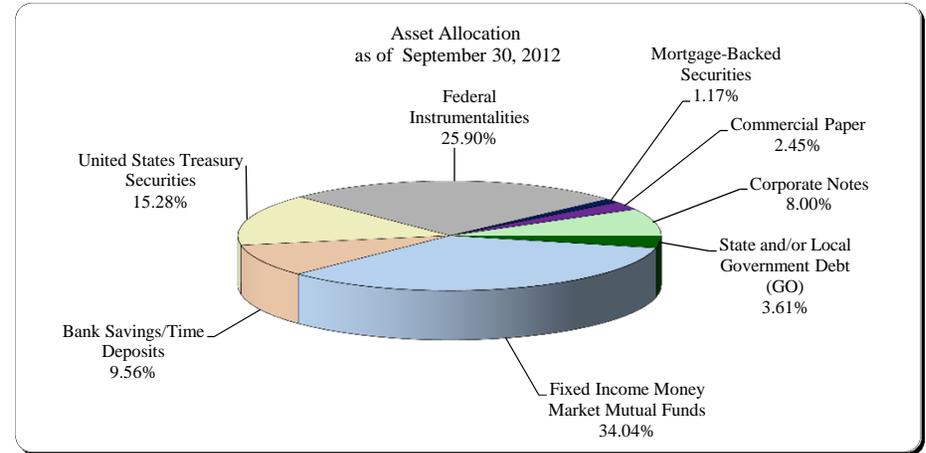
Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

Brevard County, Florida - All Assets

Asset Allocation as of September 30, 2012

Security Type ¹	September 30, 2012	Notes	Permitted by Policy
United States Treasury Securities	15.28%		100%
United States Government Agency Securities	0.00%		50%
Federal Instrumentalities	25.90%	2	100%
Mortgage-Backed Securities	1.17%	2	100%
Certificates of Deposit	0.00%	3	10%
Repurchase Agreements	0.00%		20%
Commercial Paper	2.45%		25%
Corporate Notes	8.00%		15%
Bankers' Acceptances	0.00%		25%
State and/or Local Government Debt (GO)	3.61%		25%
State and/or Local Government Debt (Revenue)	0.00%		25%
Fixed Income Money Market Mutual Funds	34.04%		40%
Bank Savings/Time Deposits	9.56%	3	100%



Individual Issuer Breakdown	September 30, 2012	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		10%
US Export-Import Bank (Ex-Im)	0.00%		10%
Farmers Home Administration (FMHA)	0.00%		10%
Federal Financing Bank	0.00%		10%
Federal Housing Administration (FHA)	0.00%		10%
General Services Administration	0.00%		10%
New Communities Act Debentures	0.00%		10%
US Public Housing Notes & Bonds	0.00%		10%
US Dept. of Housing and Urban Development	0.00%		10%
Federal Farm Credit Bank (FFCB)	0.29%		25%
Federal Home Loan Bank (FHLB)	7.16%		25%
Federal National Mortgage Association (FNMA)	7.15%		25%
Federal Home Loan Mortgage Corporation (FHLMC)	12.46%		25%

Individual Issuer Breakdown	September 30, 2012	Notes	Permitted by Policy
Bank of Tokyo Mitsubishi CP	1.10%		5%
Toyota CP	1.35%	3	5%
General Electric Corporate Notes	1.67%		5%
Procter & Gamble Corporate Notes	1.08%		5%
Berkshire Hathaway Corporate Notes	1.63%		5%
JP Morgan Chase Corporate Notes	0.81%		5%
Bank of New York Mellon Corporate Notes	1.71%		5%
Caterpillar Corporate Notes	1.10%		5%
Michigan State Municipal Bond	2.83%		10%
San Francisco Municipal Bond	0.78%		10%
SunTrust Public Now Bank Account	9.56%	3	100%
PFM Fund Prime Series Money Market Fund	8.25%		10%
Federated Prime Money Market Fund	8.14%	3	10%
Fidelity Prime Money Market Fund	8.14%	3	10%
JP Morgan Prime Money Market Fund	8.13%	3	10%
Florida Prime (SBA)	0.58%	3	10%
SBA Fund B	0.81%	3	N/A

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of September 30, 2012 is 27.06%.
3. Managed by the County.