

Brevard County, Florida



Annual Investment Performance Review Fiscal Year Ended September 30, 2013

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Table of Contents

Tab I.

- Section A Total Portfolio Balances and Interest Earnings
- Section B Short Term Portfolio Performance
- Section C Long Term Portfolio Performance
- Section D Asset Allocation Chart

Tab II.

September 30, 2013 PFM Month-End Statement (Statements are available online at www.pfm.com)

PFM Funds September 30, 2013 Month-End Statement (Statements are available online at www.pfmfunds.com)

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

TAB I

Total Portfolio Balances and Interest Earnings

Balances Fund Name	Book Value as of September 30, 2013	Book Value as of September 30, 2012	Percent Change From FY 2013 - 2012
General Fund	\$31,400,113.55	\$25,017,961.51	25.51%
Special Revenue	153,702,287.04	162,548,156.81	-5.44%
Debt Service	4,636,325.65	5,462,416.80	-15.12%
Capital Projects	24,525,379.98	27,856,692.96	-11.96%
Enterprise	92,738,522.56	93,664,844.42	-0.99%
Internal Service	48,299,716.99	49,578,864.76	-2.58%
Total	\$355,302,345.77	\$364,128,937.26	-2.42%

Interest Earnings Fund Name	Interest Earned Fiscal Year 2013	Interest Earned Fiscal Year 2012	Percent Change From FY 2013 - 2012
General Fund	\$210,307.98	\$335,118.75	-37.24%
Special Revenue	926,752.81	1,423,656.64	-34.90%
Debt Service	52,603.96	87,191.65	-39.67%
Capital Projects	121,045.97	272,752.11	-55.62%
Enterprise	597,016.85	887,849.25	-32.76%
Internal Service	265,475.71	420,930.29	-36.93%
Total	\$2,173,203.28	\$3,427,498.69	-36.60%

County Total Portfolio	Book Value as of September 30, 2013	Market Value as of September 30, 2013
Short Term and Bond Portfolio	\$161,289,271.64	\$161,481,963.68
Long Term Portfolio	196,054,410.09	196,347,017.59
Total	\$357,343,681.73	\$357,828,981.27

Short Term and Bond Portfolio Yields

Yields^{1,2} <u>Security Type</u>	<u>Yield on Cost as of</u> <u>September 30, 2013</u>	<u>Percent of Portfolio</u> <u>September 30, 2013</u>	<u>Yield on Cost as of</u> <u>September 30, 2012</u>	<u>Percent of Portfolio</u> <u>September 30, 2012</u>
Florida PRIME (SBA) and Fund B	0.18%	3.29%	0.32%	2.91%
SunTrust Bank Account ⁴	0.35%	20.19%	0.00%	0.00%
SunTrust Public Now Account ⁴	0.07%	6.19%	0.07%	20.66%
Florida Community Bank Public Funds Money Market ⁴	0.35%	12.41%	0.00%	0.00%
PFM Fund Prime Series Money Market Fund	0.08%	18.87%	0.20%	17.82%
Federated Prime Money Market Fund	0.00%	0.00%	0.15%	17.58%
Fidelity Prime Money Market Fund	0.05%	18.61%	0.16%	17.58%
JP Morgan Prime Money Market Fund	0.00%	0.00%	0.11%	17.58%
U.S. Treasury Note	0.00%	0.00%	0.00%	0.00%
Federal Farm Credit Bureau	0.20%	6.19%	0.00%	0.00%
Federal Home Loan Bank	0.19%	14.23%	0.22%	5.86%
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	0.19%	100.00%	0.14%	100.00%

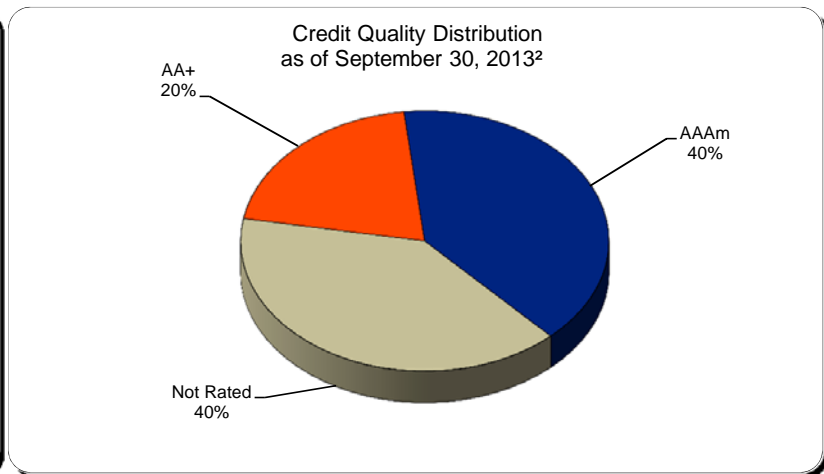
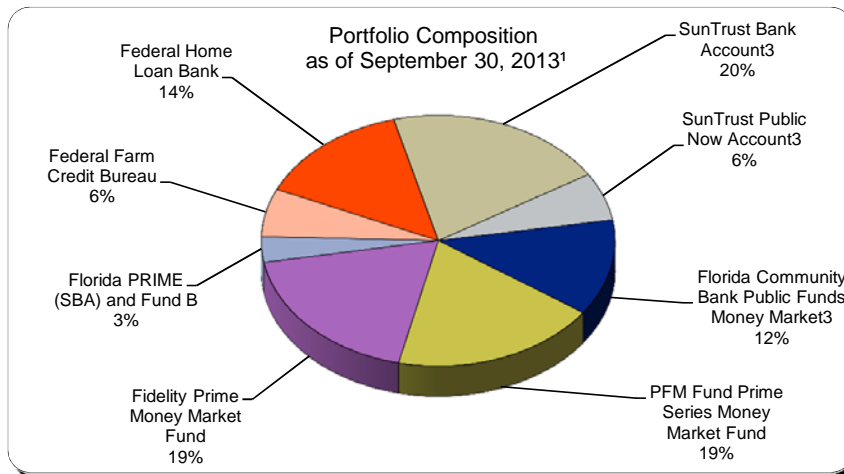
<u>Benchmarks</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
S&P Rated GIP Index Government 30 Day Yield ³	0.09%	0.18%

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 Type</u> ¹	<u>Balance as of September 30, 2013</u>	<u>Percent of Portfolio</u>	<u>Balance as of September 30, 2012</u>	<u>Percent of Portfolio</u>
Florida PRIME (SBA) and Fund B	\$5,316,880.70	3.29%	\$4,975,965.36	2.91%
Federal Farm Credit Bureau	10,001,200.00	6.19%	0.00	0.00%
Federal Home Loan Bank	22,986,045.00	14.23%	10,002,000.00	5.86%
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 Bank Account ³	32,604,949.54	20.19%	0.00	0.00%
SunTrust Public Now Account ³	10,000,000.00	6.19%	35,281,240.02	20.66%
Florida Community Bank Public Funds Money Market ³	20,039,924.33	12.41%	0.00	0.00%
PFM Fund Prime Series Money Market Fund	30,474,807.50	18.87%	30,431,629.97	17.82%
Federated Prime Money Market Fund	0.00	0.00%	30,025,270.92	17.58%
Fidelity Prime Money Market Fund	30,058,156.61	18.61%	30,026,981.79	17.58%
JP Morgan Prime Money Market Fund	0.00	0.00%	30,022,020.01	17.58%
Certificate of Deposit	0.00	0.00%	0.00	2.00%
Totals	\$161,481,963.68	100.00%	\$170,765,108.07	100.00%



Notes:

- Investment balances are market values as of September 30, 2013.
- Credit rating of securities held in portfolio. Standard & Poor's is the source of the credit ratings. The SBA Fund B and Bank Deposits are not rated.
- 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, 2013

Security Description	Coupon	CUSIP	Purchase Date	Maturity Date	Par Value	Book Amount	Market Value	Yield on Cost ²
State Board of Administration - Fund A					\$3,763,831.70	\$3,763,831.70	\$3,763,831.70	0.18%
State Board of Administration - Fund B					1,371,196.96	1,371,196.96	1,553,049.00	n/a
SunTrust Bank Account ³					32,604,949.54	32,604,949.54	32,604,949.54	0.35%
SunTrust Public Funds Account ³					10,000,000.00	10,000,000.00	10,000,000.00	0.07%
Florida Community Bank Public Funds Money Market ³					20,039,924.33	20,039,924.33	20,039,924.33	0.35%
PFM Fund Institutional Class					30,474,807.50	30,474,807.50	30,474,807.50	0.08%
Fidelity Prime MMA (FIPXX)		31607A208			30,058,156.61	30,058,156.61	30,058,156.61	0.05%
Federal Farm Credit Bank		3133EC5Z3	12/4/2012	12/4/2013	10,000,000.00	10,000,000.00	10,001,200.00	0.20%
Federal Home Loan Bank		313383TT8	7/29/2013	7/29/2014	10,000,000.00	10,000,000.00	10,003,400.00	0.20%
Federal Home Loan Bank		313385YN0	6/26/2013	6/25/2014	13,000,000.00	12,976,405.00	12,982,645.00	0.18%
Grand Total					\$161,312,866.64	\$161,289,271.64	\$161,481,963.68	0.19%

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 of high credit quality and invested in U.S. Treasury, Federal Agency, mortgage backed securities, high quality corporate, commercial paper and municipal securities.
- PFM continued to actively manage the Long Term Fund Portfolio during the fiscal year and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result the Portfolio realized \$419,577 in gains on sales (based on amortized cost) during the fiscal year. PFM is continually in the market monitoring for opportunities to add value to the Portfolio.
- The Long Term Fund Portfolio's last 12 month total return performance was 0.46%, outperforming the benchmark's performance of 0.37% by 0.09%.
- We expect volatility in yields to remain elevated as the Fed reduces, and eventually concludes, its bond purchasing program, and trading ranges periodically shift higher. Returns for corporate bonds materially outperformed governments over the past 12 months as spreads ground tighter led by the financial sector. To the extent yields rise in a controlled manner, corporate bonds and the excess yield they offer will continue to outperform governments due to greater income return.
- Our investment strategy was based on the view that interest rates will trend gradually higher as modest economic expansion in the U.S. continues. The Federal Reserve must eventually curtail its bond purchases and rates will begin to normalize from artificially low levels. The key pillars of our strategy included:
 - Keeping duration a bit shorter and more conservative than benchmarks,
 - Careful timing of purchases when rates were near the top of their recent range,
 - Emphasizing credit instruments (e.g. corporates, municipals) that will benefit from favorable credit market conditions and improving fundamentals,
 - Under-weighting investments with "negative convexity," such as callable agencies and mortgage-backed securities (MBS), that typically under-perform in volatile or rising rate environments, and
 - Making greater use of floating-rate instruments that are historically less susceptible to market risk when rates rise.
- Our expectations are that U.S. economic growth will continue, but Fed projections may prove too optimistic. We believe that the U.S. will not default on its debt, and Janet Yellen will be confirmed as the next Chair of the Federal Reserve and will continue Bernanke's accommodative monetary policies.
- Risk management will remain a key aspect of our overall approach under volatile market conditions. In particular, ensuring adequate liquidity will be an important element of the strategy, so as not to have to sell into adverse market conditions. Furthermore, given wider differences between bid prices and offering prices in most sectors (the "bid/ask spread"), we will likely carry more Treasuries than usual to provide additional flexibility to adjust portfolio composition or duration as opportunities arise.
- 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 safe, well-diversified, high quality portfolios 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, 2013

Short Term Portfolio Market Value ¹	\$ 161,481,963.68
Long Term Portfolio Market Value	196,347,017.59
Total All Assets	<u>\$ 357,828,981.27</u>

Interest Earnings

	Last 12 Months
Total Portfolio Interest Earnings for Fiscal Year 2013	<u>\$2,173,203.28</u>

Additional Annual Returns in Dollars²

	Last 12 Months
Total Return	
Long Term Portfolio	\$902,083.45
Merrill Lynch 1-3 Year U.S. Treasury Index	<u>722,486.45</u>
Additional Returns over Benchmark	<u>\$179,597.00</u>

Long Term Portfolio Performance

	Last 12 Months
Total Return	
Long Term Portfolio	0.46%
Merrill Lynch 1-3 Year U.S. Treasury Index	<u>0.37%</u>
Performance over the Benchmark	<u>0.09%</u>

Average Annual Duration³

	Last 12 Months
Long Term Portfolio	1.75 Years
Merrill Lynch 1-3 Year U.S. Treasury Index	1.81 Years

Short Term Portfolio Performance

	Last 12 Months
Yield on Cost	
Short Term Portfolio	0.13%
S&P Rated GIP Index Government 30 Day Gross Yield	<u>0.14%</u>
Performance over the Benchmark	<u>0.00%</u>

Weighted Average Maturity

	As of September 30, 2013
Short Term Portfolio	16 Days
S&P Rated GIP Index Government	47 Days

Summary

1. The Portfolio's average duration of 1.75 years for the Fiscal Year Ended September 30, 2013 is 96.7% of the Benchmark's average duration for the year.
2. The Portfolio's average since inception duration of 1.58 years for the Fiscal Year Ended September 30, 2013 is 92.22% of the Benchmark's average duration since inception.
3. As of September 30, 2013, 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.

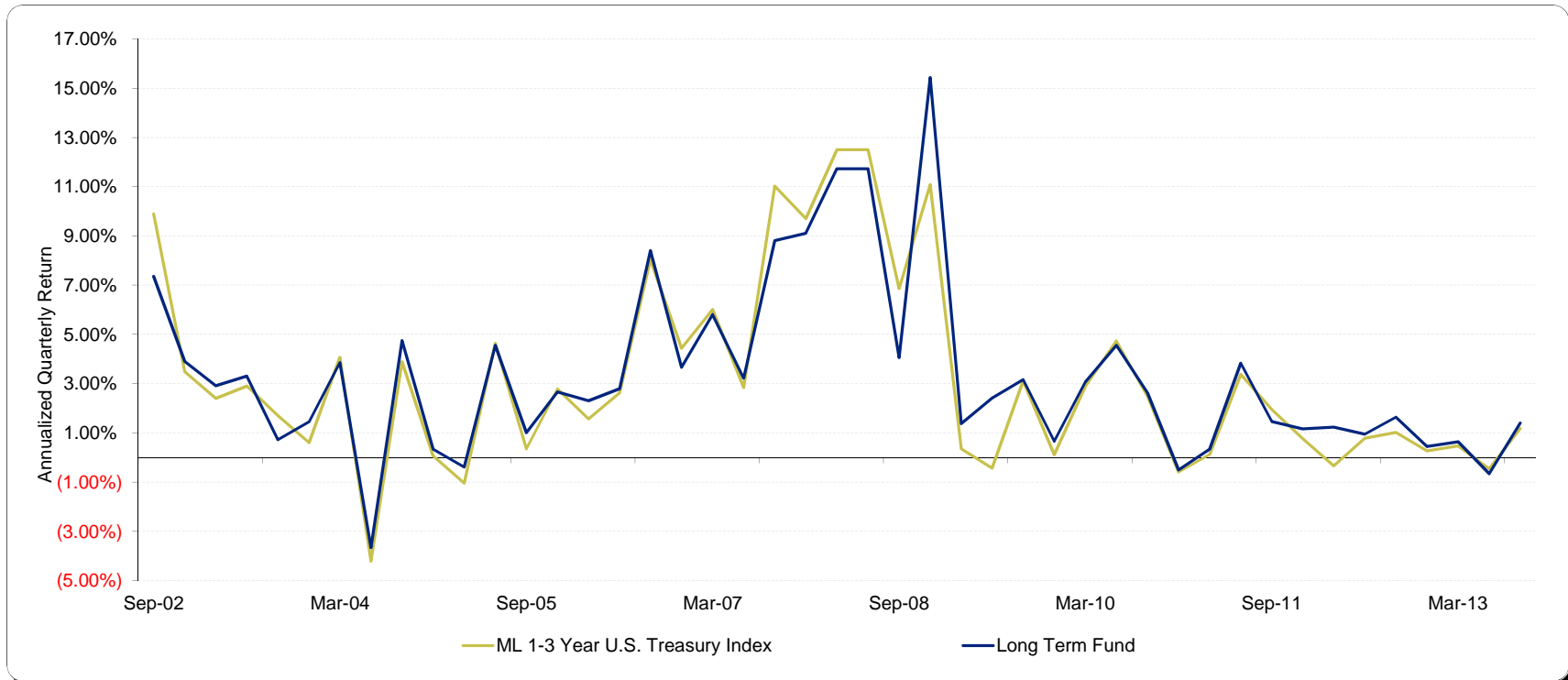
Notes:

1. The Short Term Portfolio is managed by the County.
2. Based on the Average Annual Balance. Long Term Portfolio Average Balance of: \$197,519,051.50.
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	3.14%	0.46%
ML 1-3 Year U.S. Treasury Index	2.89%	0.37%
Benefit Yield over Benchmark	0.25%	0.09%

Since Inception Earnings Over the Benchmark \$5,061,658.28



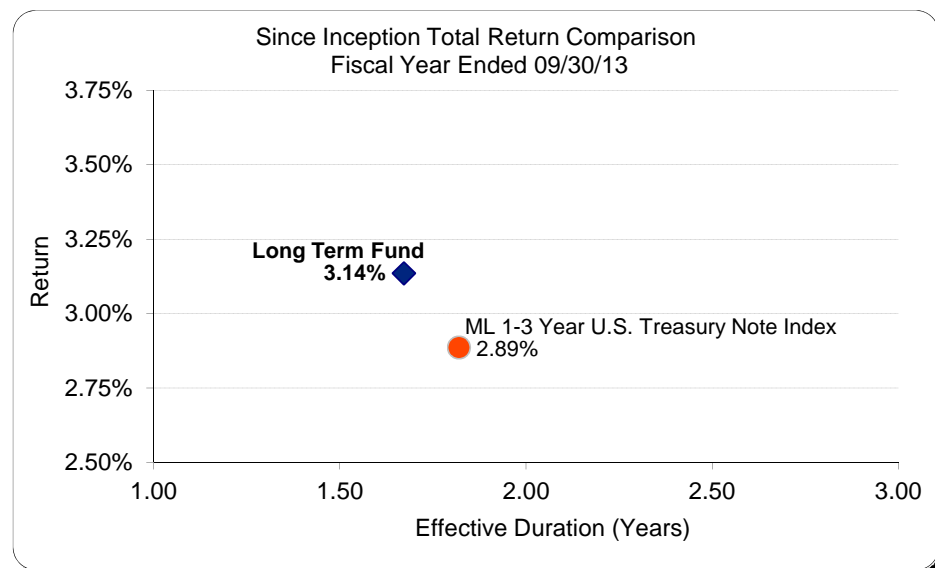
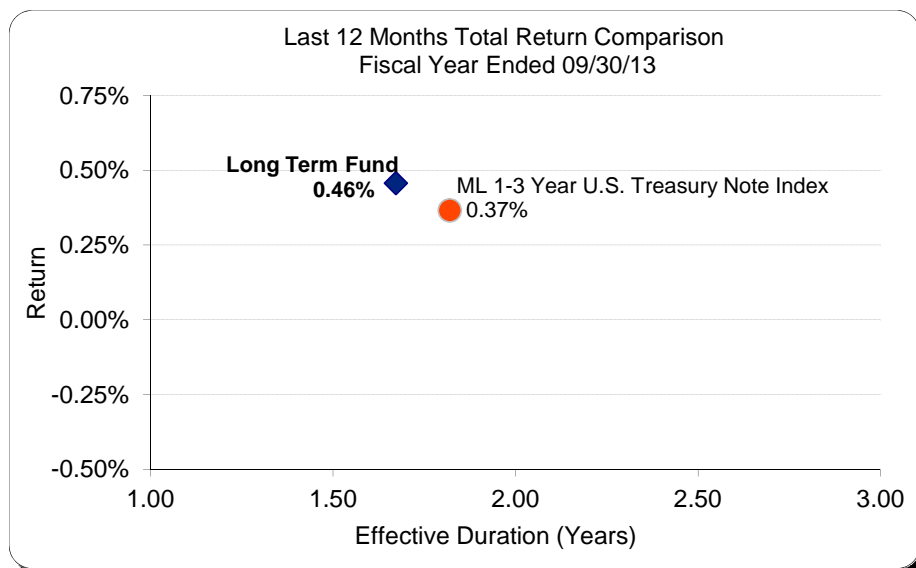
Notes:
1. Annualized Quarterly Returns Since Inception.

Long Term Fund Portfolio Performance

Total Portfolio Value ¹	September 30, 2013	September 30, 2012
Market Value	\$196,347,017.59	\$199,191,246.83
Amortized Cost	\$196,054,410.09	\$198,154,032.84

Total Return ^{2,3,4,5}	Quarterly Return September 30, 2013	Last 6 Months	Last 12 Months	Last 2 Years	Last 5 Years	Since Inception March 31, 2002
Long Term Fund Portfolio	0.35%	0.18%	0.46%	0.85%	2.22%	3.14%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.29%	0.18%	0.37%	0.46%	1.62%	2.89%

Effective Duration (Years) ^{4,5}	September 30, 2013	September 30, 2012	Yields	September 30, 2013	September 30, 2012
Long Term Fund Portfolio	1.67	1.81	Yield at Market	0.44%	0.37%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.82	1.82	Yield at Cost	0.61%	0.67%
Portfolio Duration % of Benchmark Duration	92%	100%			

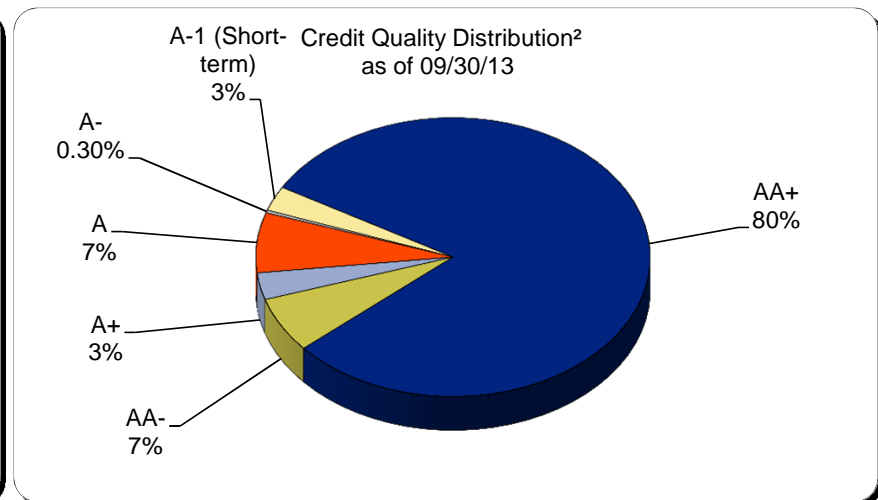
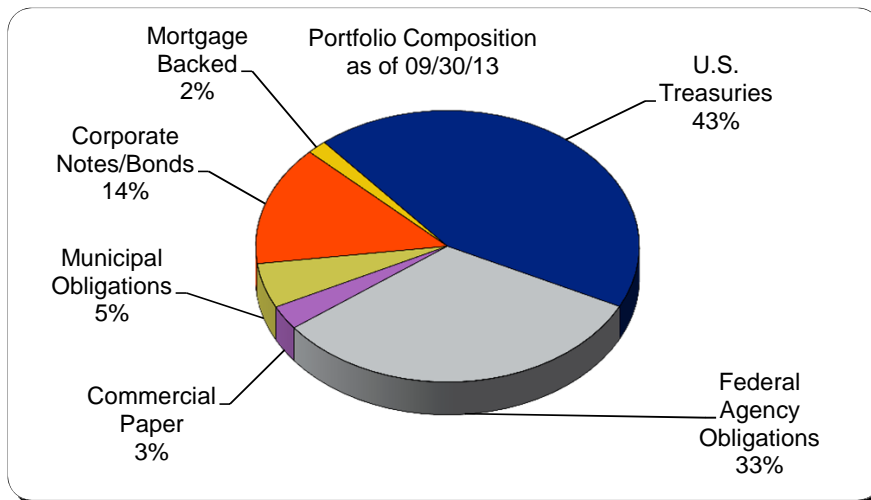


Notes:

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

Long Term Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>	<u>September 30, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$85,258,278.61	43.4%	\$56,538,057.89	28.4%
Federal Agencies	63,673,688.66	32.4%	85,968,222.06	43.2%
Commercial Paper	5,636,110.69	2.9%	9,060,637.76	4.5%
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	10,454,954.67	5.3%	13,426,987.24	6.7%
Corporate Notes/Bonds	28,057,181.45	14.3%	29,874,730.75	15.0%
Corporate Notes/Bonds - FDIC Insured	0.00	0.0%	0.00	0.0%
Mortgage Backed	3,266,803.51	1.7%	4,322,611.13	2.2%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$196,347,017.59	100.0%	\$199,191,246.83	100.0%

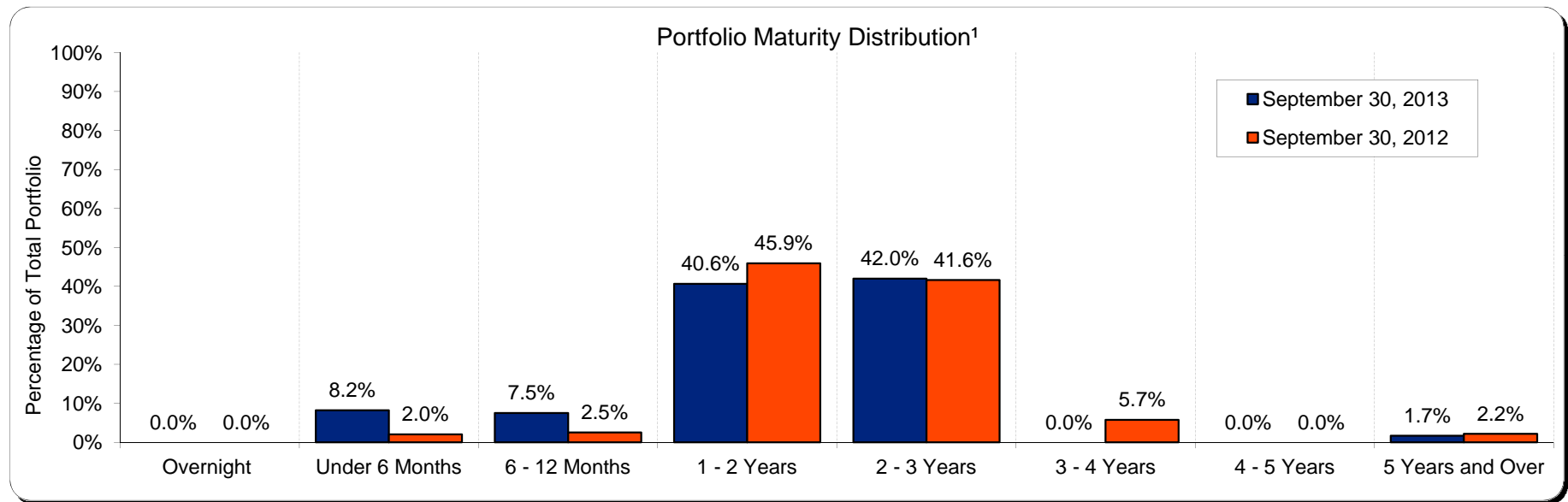


Notes:

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

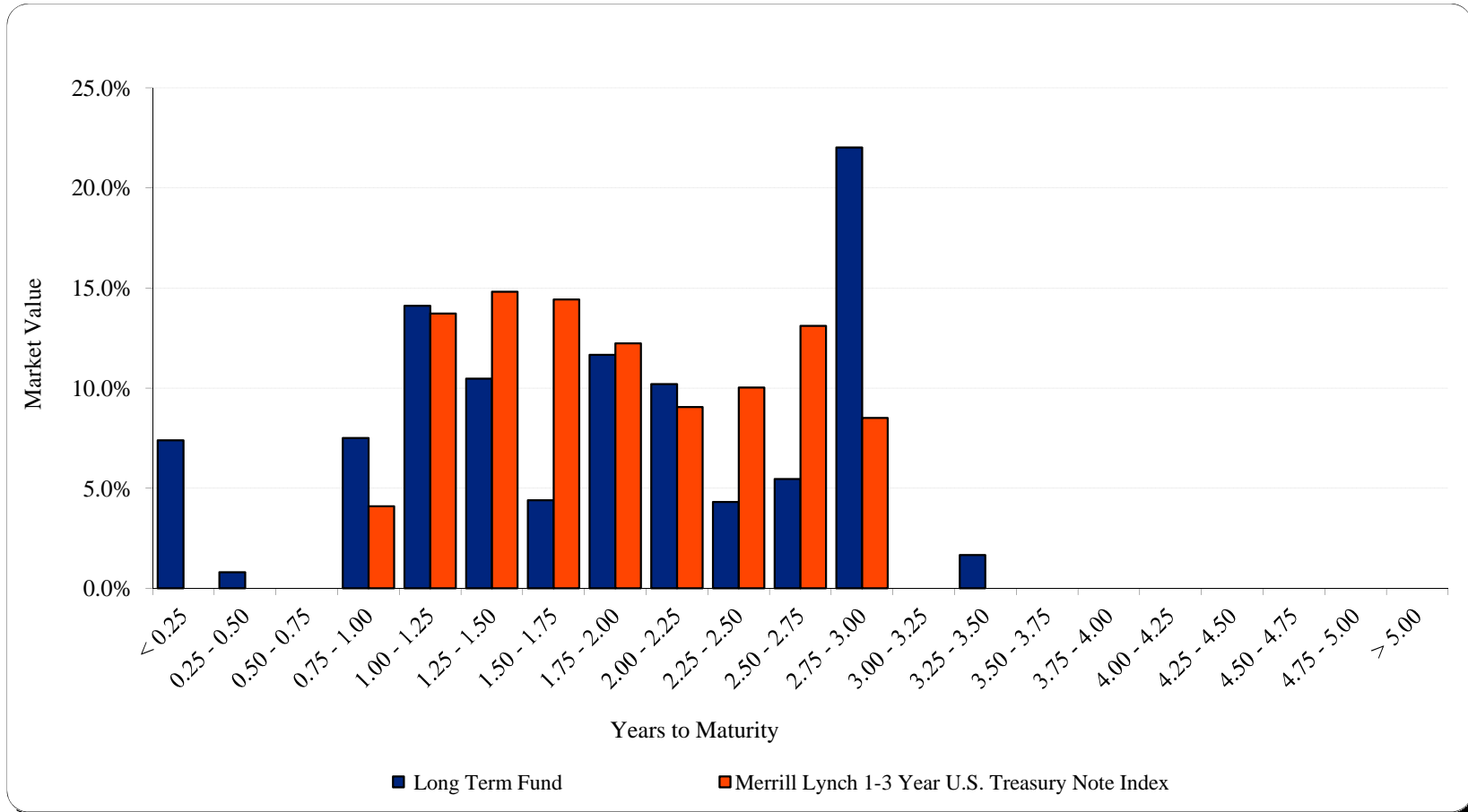
<u>Maturity Distribution¹</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	16,091,065.36	4,068,572.76
6 - 12 Months	14,739,423.13	4,992,065.00
1 - 2 Years	79,808,944.21	91,492,133.44
2 - 3 Years	82,440,781.38	82,887,080.55
3 - 4 Years	0.00	11,428,783.95
4 - 5 Years	0.00	0.00
5 Years and Over	3,266,803.51	4,322,611.13
Totals	\$196,347,017.59	\$199,191,246.83



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.

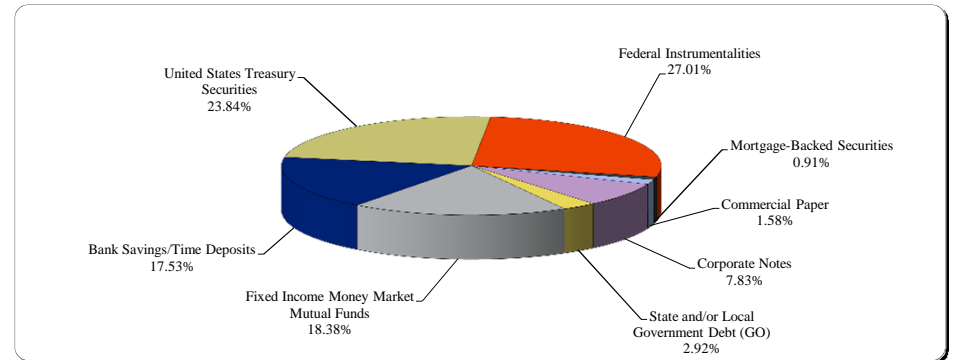
Long Term Fund Portfolio Maturity Distribution versus the Benchmark¹



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.

Security Type ¹	September 30, 2013	September 30, 2013	Notes	Permitted by Policy
United States Treasury Securities	85,196,525.00	23.84%		100%
United States Government Agency Securities	-	0.00%		50%
Federal Instrumentalities	96,519,365.01	27.01%	2	100%
Mortgage-Backed Securities	3,265,648.74	0.91%	2	100%
Certificates of Deposit	-	0.00%	3	10%
Repurchase Agreements	-	0.00%		20%
Commercial Paper	5,635,409.17	1.58%		25%
Corporate Notes	27,968,620.16	7.83%		15%
Bankers' Acceptances	-	0.00%		25%
State and/or Local Government Debt (GO)	10,445,247.01	2.92%		25%
State and/or Local Government Debt (Revenue)	-	0.00%		25%
Fixed Income Money Market Mutual Funds	65,667,992.77	18.38%		40%
Bank Savings/Time Deposits	62,644,873.87	17.53%	3	100%



Individual Issuer Breakdown	September 30, 2013	September 30, 2013	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)	10,000,000.00	2.80%		25%
Federal Home Loan Bank (FHLB)	28,648,142.29	8.02%		25%
Federal National Mortgage Association (FNMA)	21,836,674.92	6.11%		25%
Federal Home Loan Mortgage Corporation (FHLMC)	39,300,196.54	11.00%		25%

Individual Issuer Breakdown	September 30, 2013	September 30, 2013	Notes	Permitted by Policy
Bank of Tokyo Mitsubishi Commercial Paper	4,067,677.82	1.14%		5%
BNP Paribas Commercial Paper	1,567,731.35	0.44%		5%
General Electric Corporate Notes	3,707,651.51	1.04%		5%
Pepsico Corporate Notes	600,239.11	0.17%		5%
JP Morgan Chase Corporate Notes	5,000,916.80	1.40%		5%
Bank of New York Mellon Corporate Notes	2,062,098.99	0.58%		5%
Caterpillar Corporate Notes	2,868,541.12	0.80%		5%
Anheuser-Busch Corporate Notes	4,016,340.16	1.12%		5%
John Deere Corporate Notes	1,756,086.31	0.49%		5%
Apple Inc. Corporate Notes	1,800,515.63	0.50%		5%
Toyota Corporate Notes	2,125,550.45	0.59%		5%
Wells Fargo & Company Corporate Notes	4,030,680.08	1.13%		5%
Michigan State Municipal Bond	10,445,247.01	2.92%		10%
SunTrust Bank Account	32,604,949.54	9.12%	3	100%
SunTrust Public Now Bank Account	10,000,000.00	2.80%	3	100%
Florida Community Bank Public Funds Money Market Account	20,039,924.33	5.61%	3	10%
PFM Fund Prime Series Money Market Fund	30,474,807.50	8.53%		10%
Fidelity Prime Money Market Fund	30,058,156.61	8.41%	3	10%
Florida Prime (SBA)	3,763,831.70	1.05%	3	10%
SBA Fund B	1,371,196.96	0.38%	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, 2013 is 27.92%.
3. Managed by the County.