



# City of Sarasota

## Quarterly Investment Report

**Christopher H. Lyons, C.P.A., C.G.F.O., C.P.F.O.**  
**Finance Director**

**September 2010**

**Mark Hostetler, Funds & Investment Manager**

### Portfolio Strategy

The Investment Policy was established by ordinance in 2001 and stresses safety of capital as the highest priority. To ensure this safety and the protection of the public's assets, the weighted average duration of principal return for the portfolio shall be less than two years. The portfolio consists of securities that strive to maximize the return on investments by actively managing and diversifying into a wide range of securities. The portfolio is structured so as to provide sufficient liquidity to pay current obligations. A variety of short-term investments and adjustable rate mortgage securities paying principal and interest monthly is the strategy used to provide an adequate level of liquidity. The portfolio statistics and composition chart below support the policy guidelines.

### Quarterly Activity

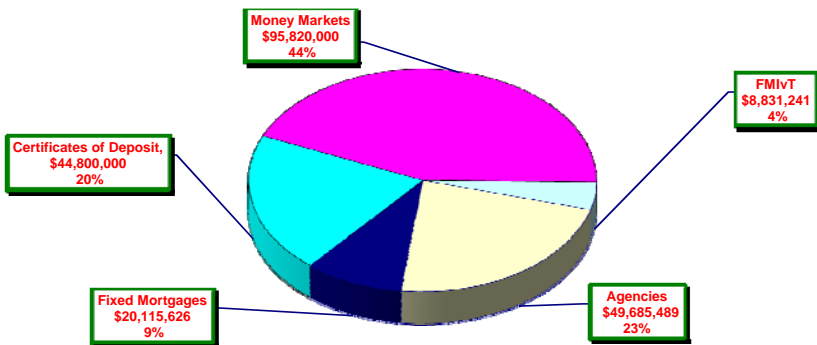
#### Maturities/Calls/Sales:

Fix Mtg. 1.740m @ 5.20% (37)  
 Agency 35.0m @ 1.78% (35)  
 Repo Agremt. 1.23m @ 4.97% (1)  
 C. D.'s \$2.183m @ 2.34% (13)

#### Purchases:

Treasuries 0.0m @ 0.0% (0)  
 Agencies 18.0m @ 1.22% (18)  
 Fixed Mtg. 0.0m @ 0.0% (0)  
 C. D.'s \$0.0m @ 0.0% (0)

### Portfolio Composition



Weighted avg. Maturity = 1.66 yrs

SBA = .00008 or \$16,302

### Portfolio Statistics by Quarter

	Sept. 2010	June 2010	Mar. 2010	Dec. 2009	Sept. 2009	June 2009	Mar. 2009
Ending Portfolio Balance	\$219.3m	\$203.0m	\$219.3m	\$230.5m	\$230.9m	\$237.3m	\$230.9m
End Portfolio Market Value	\$219.8m	\$203.8m	\$219.6m	\$231.3m	\$232.0m	\$238.2m	\$232.0m
Yield Based Upon Cost	1.62%	1.79%	1.48%	2.21%	2.51%	1.90%	2.02%
Weighted Aver. Maturity	1.66yrs.	2.12yrs.	1.96yrs.	2.17 yrs.	2.61 yrs.	2.13 yrs.	2.34 yrs.

### Portfolio Analysis by Quarter

	Sep-10	Jun-10	Mar-10	Dec-09
Month-End Portfolio Balance	\$219,268,658	\$203,038,276	\$219,304,960	\$230,449,726
Yield Based Upon Cost	1.62%	1.79%	1.48%	2.21%
Investment Earnings per Current Quarter	\$817,481	\$926,951	\$975,879	\$1,223,099
Market Value Adjustment per Current Quarter	(\$205,080)	\$495,056	(\$118,954)	(\$201,161)
Investment Earnings plus Mrkt. Val. Adjmt.	\$612,401	\$1,422,007	\$856,925	\$1,021,938

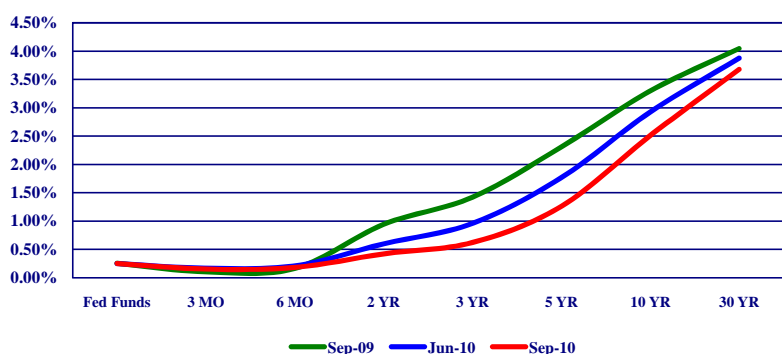
**Key Economic Indicators**

- U.S. employment fell by 280,000 jobs in the quarter ending Sept. 2010 with little hope of a rebound anytime soon.
- The unemployment rate remained at 9.6% and the Fed expects the average to stay around 9.0% throughout 2011.
- U.S. inflation remained at its lowest level in 44 years, under 1.0%, as high unemployt. dampened consumer spending.
- The Dow gained 774 pts. to 10,788 or 7.7%. The Dow was up 205 points since January 1, 2010, a 1.9% increase.
- The Natl. Bureau of Economic Research said the longest recession since the "Great Depression" ended June 1009.

**News**

- Gold hit a record high of \$1,309 an ounce on September 30, up 4.7% for the month and up 38% for the prior year.
- Treasury yields continued to fall to record lows as the 2-year hit 0.42%, down 60.3% on the year.
- There have been 279 bank failures since Washington Mutual collapsed in Sept. 2008 and more are predicted through 2011.
- Incomes for median households in the U.S. fell 4.8% between 2000 and 2009 with 4.2% attributable between 2007 - 2009.
- Oil reached a two month high of \$78 per barrel on Sept. 30 as inventory data confirmed a drop in oil and fuel supplies.

**U.S. Treasury Yield Curve**



	Sep-09	Jun-10	Sep-10	Quarterly Change
Fed Funds	0.25%	0.25%	0.25%	0.00%
3 MO	0.10%	0.17%	0.15%	-0.02%
6 MO	0.16%	0.21%	0.18%	-0.03%
2 YR	0.94%	0.60%	0.42%	-0.18%
3 YR	1.42%	0.96%	0.62%	-0.34%
5 YR	2.31%	1.77%	1.26%	-0.51%
10 YR	3.30%	2.93%	2.51%	-0.42%
30 YR	4.05%	3.88%	3.68%	-0.20%

**Portfolio Yield Comparison**

