



# City of Sarasota

## Quarterly Investment Report

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### 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

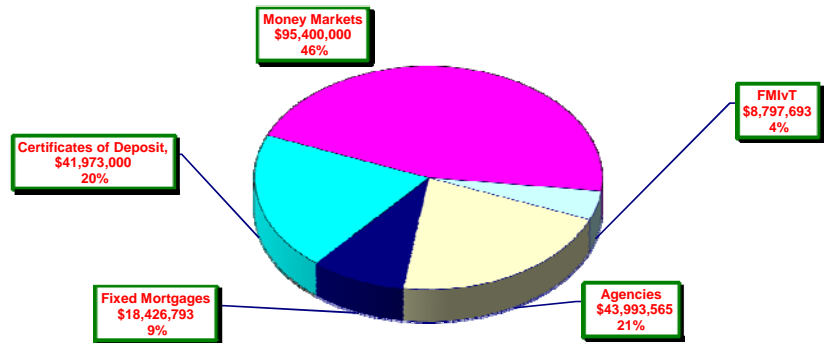
##### Maturities/Calls/Sales:

Fix Mtg. 1.69m @ 5.20% (37)  
 Agency 12.12m @ 1.56% (12)  
 C. D.'s \$1.827m @ 5.37% (17)

##### Purchases:

Agencies 6.50m @ 1.05% (5)

#### Portfolio Composition



Weighted avg. Maturity = 1.50 yrs

SBA = .006% or \$13,180

#### Portfolio Statistics by Quarter

	Dec. 2010	Sept. 2010	June 2010	Mar. 2010	Dec. 2009	Sept. 2009	June 2009
Ending Portfolio Balance	\$208.6m	\$219.3m	\$203.0m	\$219.3m	\$230.5m	\$230.9m	\$237.3m
End Portfolio Market Value	\$208.8m	\$219.8m	\$203.8m	\$219.6m	\$231.3m	\$232.0m	\$238.2m
Yield Based Upon Cost	1.15%	1.62%	1.79%	1.48%	2.21%	2.51%	1.90%
Weighted Aver. Maturity	1.50yrs.	1.66yrs.	2.12yrs.	1.96 yrs.	2.17 yrs.	2.61 yrs.	2.13 yrs.

#### Portfolio Analysis by Quarter

	Dec-10	Sept-10 (Restated)	Jun-10	Mar-10
Month-End Portfolio Balance	\$208,604,231	\$219,265,535	\$203,038,275	\$230,449,726
Yield Based Upon Cost	1.15%	1.62%	1.79%	1.48%
Investment Earnings per Current Quarter	\$557,535	\$817,481	\$926,951	\$975,879
Market Value Adjustment per Current Quarter	(\$285,223)	(\$689,327)	\$495,056	(\$118,954)
Investment Earnings plus Mrkt. Val. Adjmt.	\$272,312	\$128,154	\$1,422,007	\$856,925

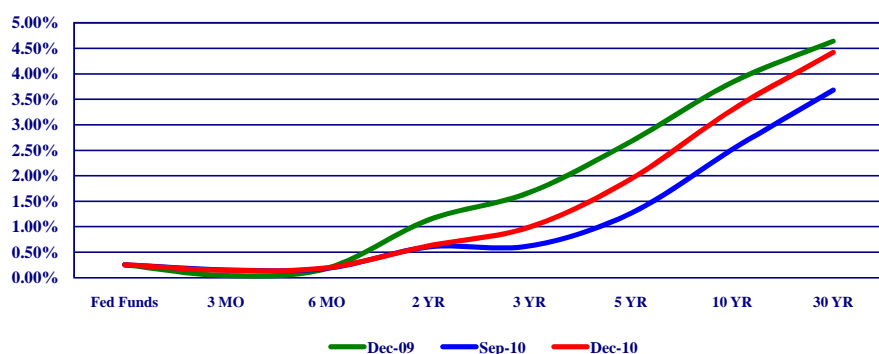
### Key Economic Indicators

- The fed funds rate was unchanged at 0.25% through 2010.
- 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 unemployment 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.
- Treasury yields were down from the previous year. The 2-year treasury fell from 1.13% to 0.59%, a 48% decrease.

### News

- Fifteen states anticipate facing budget gaps midway through their 2011 fiscal year totaling \$26.7 billion.
- The U.S. poverty rate rose to 16.3%, a 16-year high and the medium household income, adjusted for inflation, fell 4.8%.
- The Fed. said it would buy up to \$600 billion U.S. government bonds to drive rates down further amid the slowdown.
- FNMA & FHLMC will cost U.S. taxpayers nearly \$154 billion to bail out homeowners as home prices continue to slide.
- The Treasury Department was set to sell the last of Citigroup's common shares & would reap a \$9.4 billion profit for taxpayers.

### U.S. Treasury Yield Curve



	Dec-09	Sep-10	Dec-10	Quarterly Change
Fed Funds	0.25%	0.25%	0.25%	0.00%
3 MO	0.04%	0.15%	0.14%	-0.01%
6 MO	0.18%	0.18%	0.19%	0.01%
2 YR	1.13%	0.60%	0.62%	0.02%
3 YR	1.67%	0.62%	0.99%	0.37%
5 YR	2.67%	1.26%	1.93%	0.67%
10 YR	3.83%	2.51%	3.29%	0.78%
30 YR	4.64%	3.68%	4.42%	0.74%

### Portfolio Yield Comparison

