

The background of the slide features a large, light gray circular seal. At the top of the seal is the number '100' in a large, stylized font. Below the number is the text 'STUDENT SUCCESS'. A horizontal banner across the middle of the seal contains the text 'ONE MISSION, 100 YEARS'. Below the banner is the PCS logo, which consists of the letters 'PCS' in a large, bold font, with a stylized torch or flame to the right. Below the logo is the text 'PINELLAS COUNTY SCHOOLS'. At the bottom of the seal is the date '1912-2012'.

Quarterly Investment Report

December 31, 2012

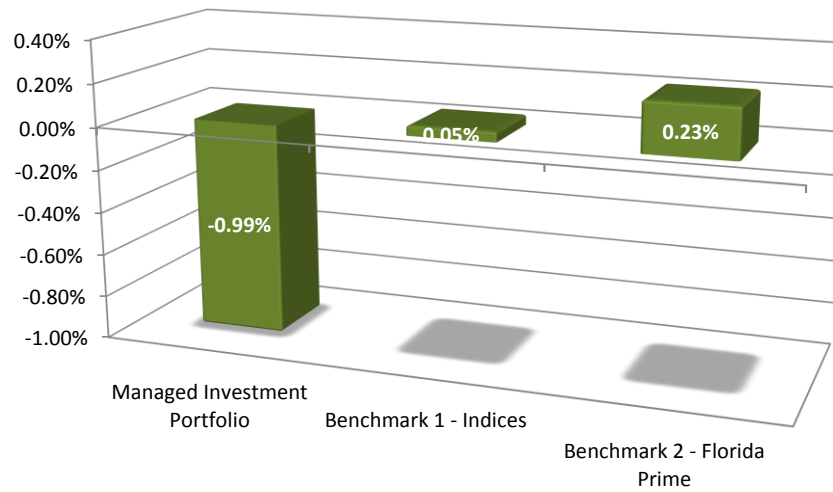
Pinellas County Schools

prepared by Cash Management Department

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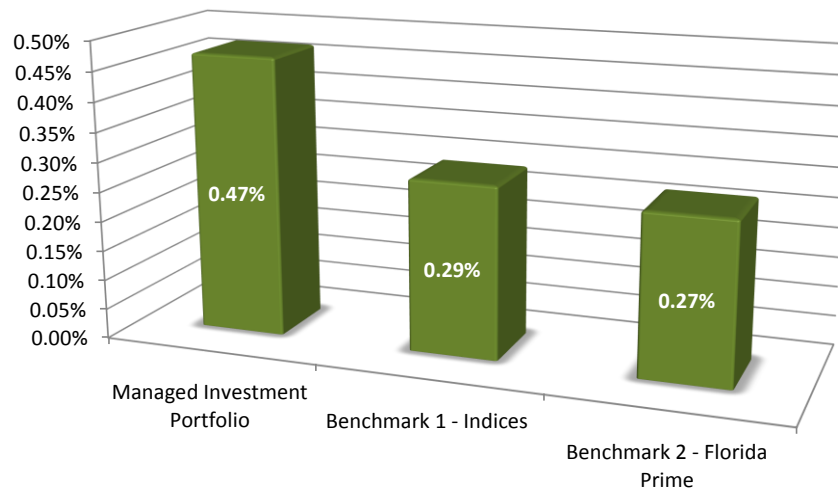
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Yield Comparison Current Quarter



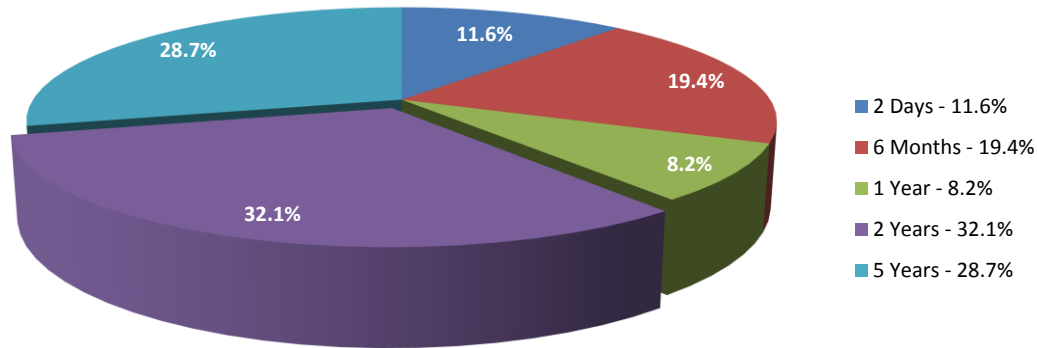
The yield on the district's managed investment program was 1.77% for the quarter ended June 30, 2011.

Yield Comparison Year to Date



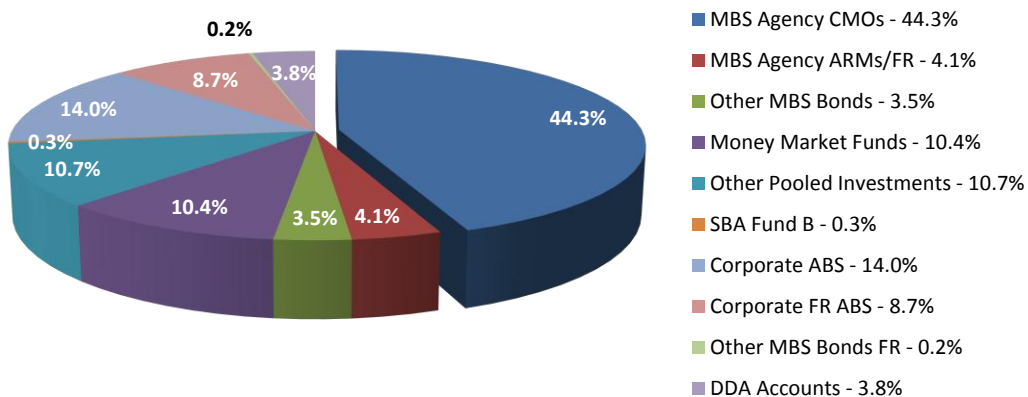
The yield on the district's managed investment program was 0.78% for the fiscal year ended June 30, 2011.

Investments by Duration December 31, 2012



The above chart breaks down the duration of the district's investment by time frame. The largest category, 2 days duration, represents liquid cash that can be accessed within 2 days. The other categories represent investments whose modified duration falls within that time frame.

Investments by Type December 31, 2012



The above chart breaks down the district's portfolio by investment type. For example, the largest category is Agency, GNMA, FNMA, FHLMC, etc..., Mortgage-Backed Securities (MBS) representing 41% of the portfolio.

Portfolio Assets

	12/31/12	6/30/12
Investment in U.S. Treasury and Agency Securities:		
Investments (securities at market value)	\$330,973,834	\$272,694,711
Other Pooled Investments	36,435,171	36,468,045
State Board of Administration Fund B	968,964	925,268
Accrued Interest Receivable and Prepaid Interest	499,326	756,995
Total U.S. Treasury and Agency Securities	\$368,877,295	\$310,845,018
Cash Investments		
Money market funds	35,461,836	2,684,647
Bank accounts (DDA & MMA)	13,043,975	16,755,528
Total Cash Investments	\$48,505,811	\$19,440,175
Total Managed Investment Portfolio Value	\$417,383,106	\$330,285,193

Portfolio Income

	Quarter End 12/31/12	Y-T-D 12/31/12	Prior Year 6/30/12
Interest Earned			
U.S. Government Securities & Other Pooled Accounts	1,170,096	3,109,302	8,832,823
Money Market Funds	16,184	20,390	100,093
Bank Accounts	9,874	22,627	81,548
Total Interest Earned	1,196,154	3,152,319	9,014,465
Net increase/(decrease) in fair value of investments - Note 2	(1,801,051)	(2,551,846)	(6,265,205)
Total Managed Investment Portfolio Income	(\$604,897)	\$600,473	\$2,749,260

Yield Comparison - Page 5

	Quarter End 12/31/12	Y-T-D 12/31/12	Prior Year 6/30/12
<i>Managed Investment Portfolio</i>			
Annualized Rate of Return	-0.99%	0.47%	0.77%
<i>Benchmark 1 - Weighted Average of Comparable Indices</i>			
Annualized Rate of Return	0.05%	0.29%	0.53%
Managed Investment Portfolio Yield vs. Benchmark 1	-1.04%	0.18%	0.24%
<i>Benchmark 2 - Florida Prime MMF (SBA LGIP)</i>			
Annualized Rate of Return	0.23%	0.27%	0.29%
Managed Investment Portfolio Yield vs. Benchmark 2	-1.22%	0.20%	0.48%

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December 31, 2012
Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.
Money Market Portfolio - 17.97%								
ABBEY 0%	0027A0NN7	24,995,723	24,997,250	1,527	0	\$24,997,250	AAA	0.06
Anglesea 0%	0347M2NQ5	24,993,755	24,997,000	3,245	0	\$24,997,000	AAA	0.06
EBURY 0%	27873JNA9	24,998,472	24,999,000	528	0	\$24,999,000	AAA	0.02
subtotal		\$74,987,949	\$74,993,250	\$5,301	\$0	\$74,993,250		0.05
Corporate ABS - 11.53%								
ETRM 04-1 A4	26924XAD7	441,947	441,172	(775)	1,227	\$442,399	AAA	0.15
GMACC 05-C1 A4	361849M82	17,575,228	17,531,660	(43,568)	64,281	\$17,595,941	AAA	1.92
HCAF 10-8A A	44924CAA2	8,673,473	8,643,896	(29,577)	3,350	\$8,647,246	AAA	0.92
HERTZ 10-1A A1	42805RAY5	12,077,118	12,067,328	(9,790)	5,131	\$12,072,459	AAA	0.93
LBUBS 08-C1 AAB	50180LAB6	9,290,780	9,331,884	41,104	30,712	\$9,362,596	AAA	1.68
subtotal		\$48,058,547	\$48,015,940	(\$42,607)	\$104,701	\$48,120,642		1.43
Corporate FR ABS - 7.14%								
SLMA 09-D A	83149TAA2	8,494,970	8,427,909	(67,061)	12,702	\$8,440,611	AAA	2.72
SLMA 05-B A2	78443CBZ6	10,731,520	10,578,078	(153,441)	2,568	\$10,580,646	AAA	2.23
SLMA 03-B A2	78443CAM6	10,891,605	10,770,468	(121,137)	3,237	\$10,773,705	AAA	2.11
subtotal		\$30,118,095	\$29,776,455	(\$341,639)	\$18,507	\$29,794,962		2.33
MBS Agency CMOs - 36.32%								
FHR 2962 BP	31395TQ49	1,102,486	1,087,223	(15,263)	3,116	\$1,090,339	AAA	0.49
FHR 3669 CG	31398Q5Q6	17,374,006	17,173,777	(200,229)	48,667	\$17,222,444	AAA	1.06
FHR 2948 YD	31395PQP0	1,405,128	1,370,910	(34,218)	6,133	\$1,377,043	AAA	0.68
FNR 10-94 A	31398TPY1	1,641,309	1,575,626	(65,683)	5,859	\$1,581,485	AAA	0.21
FNR 12-90 DA	3136A7RE4	24,544,543	24,466,911	(77,632)	30,349	\$24,497,260	AAA	3.40
FNR 12-138 MA	3136AAFH3	27,523,645	26,908,899	(614,746)	22,865	\$26,931,764	AAA	2.06
FNR 12-117 DA	3136A8P20	25,569,069	25,417,460	(151,610)	31,664	\$25,449,124	AAA	2.14
GNR 11-51 JM	38377VKS4	2,911,612	2,895,274	(16,337)	8,099	\$2,903,373	AAA	1.18
GNR 10-99 PT	38377DES1	24,160,859	23,716,069	(444,790)	67,114	\$23,783,183	AAA	1.21
GNR 08-38 PS	38375QGZ6	1,993,727	1,978,502	(15,225)	5,565	\$1,984,067	AAA	1.32
GNR 10-161 AB	38376GZA1	13,638,462	13,518,283	(120,179)	23,314	\$13,541,598	AAA	1.76
GNR 09-99 A	38376GBS8	3,952,660	3,908,780	(43,880)	10,887	\$3,919,667	AAA	1.64
GNR 09-115 AD	38376GCR9	3,100,313	3,101,730	1,418	7,575	\$3,109,305	AAA	1.67

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Quarterly Investment Report

December 31, 2012
Total Investment Value

Security Description	CUSIP	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.
GNR 09-71 A	38376GAG5	2,727,874	2,722,220	(5,654)	7,274	\$2,729,494	0	1.45
GNR 10-52 AE	38376GGU8	1,472,214	1,472,745	532	4,797	\$1,477,542	0	1.17
subtotal		\$153,117,906	\$151,314,410	(\$1,803,497)	\$283,278	\$151,597,687		1.91
MBS Agency ARMs/FR - 3.37%								
FNR 07-114 A6	31396X3Q5	1,995,000	1,989,460	(5,540)	68	\$1,989,528	0	0.43
FNR 555790	31385XNF0	6,382,723	6,360,303	(22,421)	13,470	\$6,373,773	0	4.30
FN AC1418	31417KSG3	5,690,970	5,678,239	(12,731)	18,613	\$5,696,853	0	4.37
subtotal		\$14,068,693	\$14,028,002	(\$40,691)	\$32,152	\$14,060,153		3.78
Other MBS Bonds - 2.89%								
TLST 10-1A 2A2	87676MAG6	82,963	80,948	(2,015)	137	\$81,085	0	0.10
WBCMT 06-C24 AP	92976BFQ0	2,141,077	2,076,853	(64,223)	9,461	\$2,086,314	0	0.67
WBCMT 06-C29 A3	92978PAC3	9,926,985	9,853,000	(73,985)	42,185	\$9,895,185	0	0.85
subtotal		\$12,151,025	\$12,010,801	(\$140,224)	\$51,784	\$12,062,585		0.81
Other MBS Bonds FR - 0.20%								
GSMS 06-FL8A E	36298UAL2	831,052	834,977	3,924	350	\$835,326	0	0.35
subtotal		\$831,052	\$834,977	\$3,924	\$350	\$835,326		0.35
Cash, MMFs, & Investment Pools - 20.59%								
Bank Accts (DDA & MMA)	N/A	13,043,975	13,043,975	0	0	\$13,043,975	N/A	0.00
Money Market Funds	N/A	35,461,836	35,461,836	0	8,555	\$35,470,391	AAAam	0.00
Core Fund	1149200011	36,748,189	36,435,171	(313,019)	0	\$36,435,171	AAAamf	1.26
SBA Fund B	251361B	802,601	968,964	166,363	0	\$968,964	N/A	4.08
subtotal		\$86,056,602	\$85,909,946	(\$146,656)	\$8,555	\$85,918,501		0.58
Managed Investment Program		\$419,389,869	\$416,883,780	(\$2,506,089)	\$499,326	\$417,383,106		1.30

Unrealized Gain/Loss as a percent of total market value: -0.60%

	Quarter End 12/31/12	Y-T-D 12/31/12	Prior Year 6/30/12
Average Invested Value of Managed Investment Portfolio	\$241,956,291	\$253,301,871	\$356,946,594
Managed Investment Portfolio Yield			
Total Managed Investment Portfolio Earnings	(\$604,897)	\$600,473	\$2,749,260
<i>Managed Investment Portfolio Annualized Rate Of Return</i>	-0.99%	0.47%	0.77%
Benchmark 1 - Weighted Average of Comparable Indices			
Pro Forma Interest Earnings:			
Quarter Ended 9/30/12		339,711	1,887,011
Quarter Ended 12/31/12	30,000	30,000	
Quarter Ended 3/31/13			
Quarter Ended 6/30/13			
Total Pro Forma Benchmark 1 Earnings	\$30,000	\$369,711	\$1,887,011
<i>Benchmark 1 Annualized Rate Of Return</i>	0.05%	0.29%	0.53%
Benchmark 2 - Florida Prime (SBA LGIP)			
Pro Forma Interest Earnings:			
Quarter Ended 9/30/12		204,264	1,029,574
Quarter Ended 12/31/12	141,888	141,888	
Quarter Ended 3/31/13			
Quarter Ended 6/30/13			
Total Pro Forma Benchmark 2 Earnings	\$141,888	\$346,152	\$1,029,574
<i>Benchmark 2 Annualized Rate Of Return</i>	0.23%	0.27%	0.29%
Earnings Comparison			
<i>Annualized Rate of Return</i>			
Managed Investment Portfolio vs. Benchmark 1	-1.04%	0.18%	0.24%
Managed Investment Portfolio vs. Benchmark 2	-1.22%	0.20%	0.48%
<i>Dollar Earnings</i>			
Managed Investment Portfolio vs. Benchmark 1	(\$634,897)	\$230,762	\$862,249
Managed Investment Portfolio vs. Benchmark 2	(\$746,785)	\$254,321	\$1,719,686

Note 1 – Securities Valuation

Starting June 30, 1997, Investments are valued at current market value. Prior to August 12, 1992 all cash was invested with the SBA. The Managed Investment Program (MIP) refers to assets actively managed for higher earnings than what would be achieved if all surplus district cash were held in a deposit account. Cash needed for current expenditures is held in interest bearing deposit accounts, money market funds, and pooled investment accounts. Bonds are priced by comparing the current coupon to the yield an investor would get if they purchased a similar bond in the open market as of the pricing date. An inverse relationship exists between yield and price. When yields rise, market prices fall, conversely when yields fall, market prices rise. The district uses the custodian's market prices to value its securities at month-end. The custodian purchases its pricing from IDC, Interactive Data Corporation. IDC is a provider of global investment market data to the financial industry.

Note 2 – Calculation of Net increase/(decrease) in fair value of investments

The Governmental Accounting Standards Board (GASB) Statement 31 requires that all Governmental entities must adjust the book value of most investment securities to current market value. Securities with a fixed coupon and a final maturity of less than one year are exempt. Since most securities held by money market funds meet the above criteria, investments in money market funds are also exempt. The amount of the adjustment will be netted against interest earned for the reporting period. Securities exempt from GASB 31 will be recorded on the books at amortized cost.

At month end, the market prices from the district' custodian, will be used to calculate the change in fair value from the prior month. The changes in value and interest earnings are booked to the general ledger in separate revenue functions. Since the district's strategy is to buy and hold, over time, the net of the change in value and interest earnings should closely approximate the purchase yield of the portfolio. The following table summarizes the relationship between realized gains and losses and the adjustment to fair value per GASB 31.

December 31, 2012	<u>Quarter End</u>	<u>Fiscal Y-T-D</u>	<u>Prior Fiscal Year</u>
Realized Gains/Losses	(193,576)	(705,967)	40,858
MV Adjustment for Period	(1,607,475)	(1,845,879)	(6,306,063)
Net Incr/(Decr) in fair value of investments	<u>(1,801,051)</u>	<u>(2,551,846)</u>	<u>(6,265,205)</u>

Note 3 – Cumulative Return Over the SBA

For the fiscal year-to-date, the Managed Investment Portfolio's (MIP) earnings were over the State Board of Administration's (SBA) local government investment pool by \$254,321. Since August 1992, the MIP's cumulative earnings were over the SBA by \$34,905,711.

Note 4 – Effect of Unrealized Gains and Losses on Income

The district's MIP currently has an unrealized loss of \$2,506,089. This figure has been netted against interest income. If the district's bonds were priced at par (100) as of December 31, 2012, the district's cumulative earnings over the SBA would be \$37,411,800.

Note 5 – Implied Ratings on US Agency Mortgage-Backed Securities

Mortgage-backed securities (MBS), including pools and Collateralized Mortgage Obligations (CMO), issued by US government agencies (GNMA, FNMA, and FHLMC) are not rated by the any rating agency. This is due to the implicit, in the case of FNMA and FHLMC, and explicit, in the case of GNMA, backing of the United States government. An implied rating based on the sovereign rating of US government issued debt is used. Currently this rating is AAA.

Credit Risk

Credit Risk

	Market Value	Average Rating
Corporate ABS	\$48,015,940	AAA
Corporate FR ABS	\$29,776,455	AAA
MBS CMOs	\$110,011,606	AAA
MBS Floating Rate	\$14,862,978	AAA
Investment Pools & MMF	\$84,940,982	AAAm
Exempt Investments	\$128,306,854	
Non-compliant Investme	<u>\$968,964</u>	
Total	<u>\$416,883,780</u>	

The district's Investment Policy (6144) permits investments in US government and US government guaranteed bonds, Federal agency (Government Sponsored Enterprise, GSE) bonds, collateralized bonds, and short-term, money market investments. The district has #REF! in corporate asset-backed securities. The credit enhancements, short duration, and high ratings of these bonds demonstrate the safety and liquidity of these bonds. Securities in the Exempt category include U.S. Government obligations and obligations with an explicit U.S. Government guarantee. The non-compliant category consists of the district's investment in SBA Fund B accounts. This investment is frozen by the SBA. Money is distributed as the investments in the fund return principal or mature.

Concentration of Credit Risk

Concentration of Credit Risk

Issuer	Percent of Total
FNMA	33.73%
Exempt	17.21%
GNMA	14.65%
FHLMC	12.70%

Issuer Full Name
Federal National Mortgage Association
Government National Mortgage Association
Federal Home Loan Mortgage Corporation

Securities Where Issuer Represents More Than 5% of Portfolio

Description	CUSIP	Market Value	Issuer
FNR 12-138 MA	3136AAFH3	26,908,899.21	FNMA
FNR 12-117 DA	3136A8P20	25,417,459.57	FNMA
FNR 12-90 DA	3136A7RE4	24,466,910.89	FNMA
GNR 10-99 PT	38377DES1	23,716,069.31	GNMA
FHR 3669 CG	31398Q5Q6	17,173,777.27	FHLMC
GNR 10-161 AB	38376GZA1	13,518,283.26	GNMA
FNR 555790	31385XNF0	6,360,302.51	FNMA
FN AC1418	31417KSG3	5,678,239.34	FNMA
GNR 09-99 A	38376GBS8	3,908,780.02	GNMA
GNR 09-115 AD	38376GCR9	3,101,730.00	GNMA
GNR 11-51 JM	38377VKS4	2,895,274.40	GNMA
GNR 09-71 A	38376GAG5	2,722,220.00	GNMA
FNR 07-114 A6	31396X3Q5	1,989,460.00	FNMA
GNR 08-38 PS	38375QGZ6	1,978,502.04	GNMA
FNR 10-94 A	31398TPY1	1,575,625.80	FNMA
GNR 10-52 AE	38376GGU8	1,472,745.11	GNMA
FHR 2948 YD	31395PPQ0	1,370,909.61	FHLMC
FHR 2962 BP	31395TQ49	1,087,223.01	FHLMC

The district's Investment Policy (6144) permits investments in US government and US government guaranteed bonds, Federal agency (Government Sponsored Enterprise, GSE) bonds, collateralized bonds, and short-term, money market investments. For this reason, the Policy does not separately address concentration of credit risk. The Manager, Cash & Investments is allowed to invest up to 5% of the total portfolio value in bonds that are not otherwise permitted under the Funds Management Policy. The concentration risk of these investments is 5%.

Securities exempt from Concentration of Credit Risk disclosure include U.S. Government obligations and obligations with an explicit U.S. Government guarantee. In addition, investment pools and money market fund investments are also exempt.

Interest Rate Risk

The district's Investment Policy (6144) requires the average duration of the portfolio to be less than five years.

Modified Duration Risk

Modified duration expresses the amount of time in years until half of the principal is returned. This calculation takes into account the coupon rate, interest and principal payment frequency, call options, and sensitivity of price to changes in interest rates. Factors that extend the return of principal, or make it more time uncertain, increase the duration. Factors that quicken the return of principal, or make it more time certain, decrease the duration. Duration will also change as the level of interest rates in the

economy rise and fall. With the current level of interest rates, the above table indicates that the district will receive 50% of invested principal in 1.30 years, or 15.64months.

Floating/Adjustable Interest Rate Risk

The district currently has \$25,633,447 invested in securities with floating or adjustable interest rate risk. \$25,633,447 is invested in floating rate bonds. The coupon on these bonds resets monthly, or quarterly, based on an index rate. The coupons on these bonds range from 0.41% to 4.20%.

Call Option Risk

There are three types of call options, "one-time" calls, "discrete" calls and "continuous" calls. These are listed in order of increasing risk. A one-time call means that at one specified time before maturity, the issuer of a bond has the option to call the bond, or buy it back from investors. A discrete call means that at specific times, usually either quarterly or semi-annually, before maturity, the issuer can call the bond. A continuous call means that starting at a specified point in time, usually an interest payment date, and at any time thereafter, up to the maturity date, the issuer can call the bond. The district currently has no callable bonds.

MBS Prepayment Risk

There are two types of Mortgage-Backed Securities (MBSs) in which the district invests. Agency pools are collections, or pools, of mortgages in which the investor receives the principal and interest payments in the same proportion as the borrowers pay them. CMO bonds are backed by mortgage pools, however, the principal payment of the bond has been altered to be either more or less time certain than the underlying mortgages.

MBSs have a unique type of "call" risk, in that homeowners may opt to prepay their mortgage at any time. While there are many factors which determine whether a homeowner will prepay their mortgage, one of the most significant is the level of interest rates. When rates fall it is more advantageous to the homeowner to refinance their mortgage to a lower rate. When rates rise, this type of prepayment will decrease.

#REF!

Interest Rate Risk

Category	Market Value	Mod. Dur.
MBS Agency ARMs/FR	14,028,002	3.78
Investment Pool	37,404,135	2.67
Corporate FR ABS	29,776,455	2.33
MBS Agency CMOs	151,314,410	1.91
Corporate ABS	48,015,940	1.43
Other MBS Bonds	12,010,801	0.81
Other MBS Bonds FR	834,977	0.35
Money Market Portfolio	74,993,250	0.05
Exempt	48,505,811	0.00
Portfolio	\$416,883,780	1.30