

**Florida PRIME
Fixed Income Investment Oversight Group Meeting**

Minutes

July 30, 2014

10:00 a.m. – 11:00 a.m.

Attendees

Kevin Ceurvorst – Senior Portfolio Manager-Investment Grade Credit
Karen Chandler – Director of Enterprise Risk Management
Lisa Collins – Manager of Public Market Compliance
Belinda Dixon – Director of External Investment Manager Oversight
Tom Fernald – Senior Portfolio Manager-External Management
Cherie Jeffries – Director of Fixed Income Trading
Mykel Kenton – Manager of Public Market Compliance
Michael McCauley – Senior Officer-Investment Programs & Governance
Eric Nelson – Chief Risk & Compliance Officer
Richard Smith – Senior Portfolio Manager-Short Term
Sheilah Smith – Director of Public Market Compliance
Lamar Taylor – Deputy Executive Director
Ash Williams – Executive Director & CIO
Katy Wojciechowski – Senior Investment Officer-Fixed Income

Agenda Topics

1. Follow-up items:

None.

2. Reviewed May 2014 monthly compliance, transaction, and holdings reports.

Conclusions:

- A. No compliance violations were reported on the Federated checklist.
- B. In the verification of high risk parameters, discrepancies were identified on Dollar Weighted Average Maturity (DWAM) and Weighted Average Life (WAL), which exceeded the tolerance limits of 6 and 12 days, respectively. The variance between the calculations generated by the internal Eagle system and those reported by Federated was 21 days for DWAM and 26 days for WAL. These discrepancies were due to incorrect reset and/or maturity dates in the Eagle system for the municipals City of New York and New York State Housing Finance Agency; for two floaters issued by the Province of Ontario Canada and Deutsche Bank AG New York; and for an extendible floater issued by Australia and New Zealand Banking Group. After recalculating in Excel, DWAM was within tolerance at 32 days versus 33 days reported by Federated, and WAL matched the Federated result of 65 days.
- C. No extraordinary transactions or holdings were identified.
- D. No QIB restrictions were identified on Bloomberg for 144A securities purchased in May 2014.

- E. Reviewed 2nd Quarter Stress Test results. The portfolio was tested on 6/30/14 for the following: i) a change in short-term interest rates, ii) an increase in net shareholder redemptions, iii) downgrades and defaults, and iv) changes between a benchmark overnight interest rate and the interest rates on securities held in Florida PRIME.

Conclusions:

- 1) Florida PRIME portfolio manager, Paige Wilhelm, was unavailable for a conference call but provided the stress test results and a written commentary citing the following:
 - a. Since the current Net Asset Value (NAV) of the fund is greater than \$1.00, Florida PRIME could withstand 100% in redemptions and maintain a NAV of \$.995.
 - b. With no redemptions, the entire money market yield curve could increase by 455 basis points before the NAV would fall to \$.995.
 - c. If the largest holding (Sumitomo Bank) was downgraded or defaulted, an estimated recovery rate of \$89.84 would be necessary to maintain a NAV of \$.995.
 - d. If the lowest rated holding (Sumitomo Bank with short-term ratings of P-1/A-1/F1 and long-term ratings of Aa3/A+/A- by Moody's, S&P, and Fitch, respectively) was downgraded or defaulted, an estimated recovery rate of \$89.84 would be necessary to maintain a NAV of \$.995.
 - e. Libor spreads on floating rate positions, which comprise 18.8% of the fund, could widen by an estimated 413 basis points before the NAV would fall to \$.995.
 - f. Federated does not regard any of the reported stress test results as reasonably likely to occur during the next year and is not aware of any other events that the Advisor views as reasonably likely to occur in the next year that would cause the NAV of Florida PRIME to fall below \$.995.
- 2) No follow-up questions were posed by the FI-IOG regarding the stress test results reported by Federated.

Action Items

None.