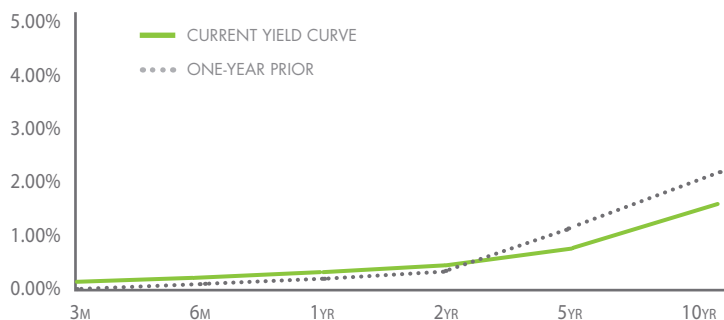


FL SAFE MARKET UPDATE



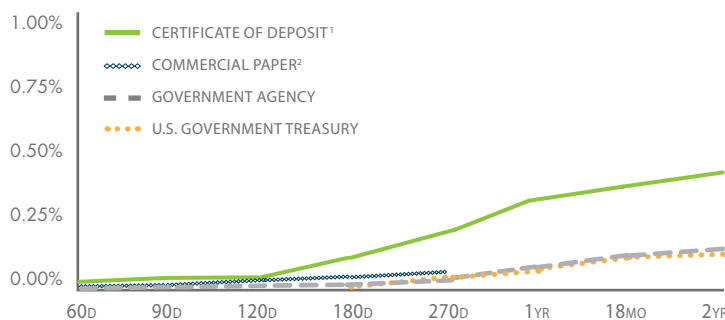
OCTOBER 2012

Historical Yield Curve



Source: Bloomberg Finance L.P., 10/1/12

Indicative Rates



¹ Average of top ten banks; ² General Electric Capital Corp.

Source: PMA Financial Network, Inc., Bloomberg Finance L.P., 10/1/12

FEATURED ECONOMIC INDICATOR

Fed Provides Further Stimulus

The Federal Reserve in September announced a new round of quantitative easing and pledged to keep interest rates low until mid-2015. In this third round of quantitative easing, the Fed will buy \$40 billion of mortgage-backed securities every month until the job market improves. This is the first time the Fed has explicitly tied future decisions to improvements in the job market. The new round of purchases is intended to push down yields on mortgage bonds - in an effort to aid the housing market - while also encouraging investors to purchase higher risk assets. It is also expected to weaken the value of the dollar, in part because the Fed is effectively printing more money to fund its purchases. Fed Chairman Ben Bernanke argued those effects should spur more spending, investment and exports. However, prices for commodities can also increase, potentially offsetting the benefits to households. Bernanke also said the Fed will "undertake additional asset purchases, and employ other policy tools as appropriate" until the labor market improves.

Source: Wall Street Journal

Appropriate Timing of Policy Firming

Number of participants	2012	2013	2014	2015	2016
As of September 2012	1	3	2	12	1
As of June 2012	3	3	7	6	-

The number of Federal Open Market Committee participants who judged when the first increase in the target federal funds rate would occur are shown in the above table.
 Source: Federal Reserve

RECENT NEWS

European Update: Basel III Compliance

On September 27, the European Banking Authority published data showing that a number of large European Union (EU) banks lag their global peers in meeting the global Basel III regulatory framework's more stringent capital and liquidity rules. European Union banks have made progress toward meeting Basel III targets, but the underperformance highlights weakness in the banks' business models and underlying profitability. In addition, these banks will likely face higher funding costs as investors reassess banks' risk under the new framework. The average Common Equity Tier 1 (CET1) ratio of large EU banks under Basel III was 6.9% at year-end 2011, compared with 7.7% for global large banks. The percentage of EU banks with a CET1 ratio above the 7% minimum was 49% versus 71% for global large banks. EU banks' Liquidity Coverage Ratio was also lower at 72% compared to 91% for large global banks.

Source: Moody's Investors Service

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Building Permits (MoM)	09/19/12	AUG	-1.9%	-1.0%	6.7% (R)
Existing Home Sales (MoM)	09/19/12	AUG	2.0%	7.8%	2.3%
Consumer Confidence	09/25/12	SEP	63.1	70.3	61.3 (R)
GDP (QoQ)	09/27/12	2QT	1.7%	1.3%	1.7%
Durable Goods Orders Excluding Transportation	09/27/12	AUG	0.2%	-1.6%	-1.3% (R)
ISM Manufacturing	10/01/12	SEP	49.7	51.5	49.6
Initial Jobless Claims	10/04/12	SEP 29	370K	-	359K
Change in Nonfarm Payrolls	10/05/12	SEP	115K	-	96K
Unemployment Rate	10/05/12	SEP	8.2%	-	8.1%

Source: Bloomberg Finance L.P., 10/1/12

Contact Information

FUND ADMINISTRATOR:
**FLORIDA MANAGEMENT
 AND ADMINISTRATIVE SERVICES, LLC**

JEFF LARSON
 President
 407-496-1597
 jlarson@floridamanagementservices.com
 10151 University Blvd., #227
 Orlando, FL 32817

FUND DISTRIBUTOR:
PMA SECURITIES, INC.

DONALD WEBER
 Senior Vice President
 855-202-9650
 dweber@pmanetwork.com
 20 Porto Mar #601
 Palm Coast, FL 32137

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