City Treasurer’s Mission: Preservation and Return of Investments

- Portfolio governed by:
  - California State Regulations
  - City’s Investment Policy – Certified by California Municipal Treasurers Association
Goal - Own Legal AND Suitable Investments to meet objectives of:

- Safety of Principal
- Adequate Liquidity
- Market Rate of Return

*In this absolute order of priority*
Federal Reserve maintains interest rates

Sept. Unemployment Rate: 5.0%

DOW/S&P ↑2-3% from prior qtr.

10-year US Treasury: 1.60%
<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Policy Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Agency Issues</td>
<td>$132.4</td>
<td>$132.4</td>
<td>69%</td>
<td>None</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>22.5</td>
<td>22.5</td>
<td>12%</td>
<td>$65 million</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>37.7</td>
<td>37.6</td>
<td>19%</td>
<td>30%</td>
</tr>
<tr>
<td>Total Portfolio</td>
<td>$192.5</td>
<td>$192.5</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
Portfolio Composition 09/30/16

Corporate Bonds 19%

Federal Agencies 69%

LAIF 12%
Current Portfolio Holdings 09/30/16

Issuer Breakdown

- FNMA: 28.79%
- FHLMC: 25.75%
- CASH: 11.65%
- FHLB: 11.57%
- GE: 5.00%
- TOYOTA: 3.16%
- FFCB: 2.61%
- ORCL: 1.60%
- DE: 1.57%
- CVX: 1.56%
- CAT: 1.56%
- CSCO: 1.56%
- KO: 1.30%
- EMC: 1.28%
- MRK: 1.04%
Current Agency Holdings 09/30/16

- Federal Agency Holdings:
  - Federal Home Loan Bank
  - Federal National Mortgage Association (Fannie Mae)
  - Federal Farm Credit Bank
  - Federal Home Loan Mortgage Corp. (Freddie Mac)
Agency Holdings - Structure 09/30/16

- Federal Agency composition:
  (As a % of market value)

- Step Up 16%
- Bullet 10%
- Fixed Callable 43%
Corporate Holdings 09/30/16

Select Corporate Bond Issuers:

- Apple Inc.
- Caterpillar Financial Corp.
- GE Capital Corp.
- Coca Cola Co.
- Merck & Co Inc.
- Oracle Corp.
## Portfolio Earnings

<table>
<thead>
<tr>
<th>Total Earnings</th>
<th>Month Ending Sept 30, 2016</th>
<th>FY 2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year</td>
<td>$ 196,054</td>
<td>$ 2,300,386</td>
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<tr>
<td>Current Budget</td>
<td>$ 110,000</td>
<td>$ 1,320,000</td>
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<tr>
<td>Last Year Actual</td>
<td>$ 172,677</td>
<td>$ 1,981,542</td>
</tr>
</tbody>
</table>

**Effective Rate of Return**

- **Current Year:** 1.14%
- **Last Year Actual:** 1.12%

**Benchmark***

- **Effective Rate of Return:** 0.74%

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* Benchmark: 2-year Constant Maturity Treasury (CMT) rate
FY2015/16 Earnings - $2.3 million
-offset taxpayer $ for:
  - operating expenses
  - capital projects
  - debt repayment
  - other liabilities

Portfolio remains compliant with relevant governmental regulations and the City’s Investment Policy
QUESTIONS?

Thank you!