



**CONSENT CALENDAR**

**Agenda Item #**

**AGENDA REPORT SUMMARY**

**Meeting Date:** July 11, 2017

**Subject:** Quarterly Investment Portfolio Report – Quarter Ended March, 2017

**Prepared by:** Sharif Etman, Administrative Services Director

**Approved by:** Chris Jordan, City Manager

**Attachment(s):**

1. Portfolio Mix Charts
2. Investment Policy Compliance Chart
3. Investment Performance Review Quarter Ended March 31, 2017

**Initiated by:**

Staff

**Fiscal Impact:**

None

**Environmental Review:**

Not applicable

**Policy Question(s) for Council Consideration:**

- None

**Summary:**

- This report presents the status of the City's investment portfolio through March 31, 2017. The reporting model has been developed in coordination with PFM Asset Management LLC (PFM), the City's investment portfolio managers.

**Staff Recommendation:**

Receive the Investment Portfolio Report through March 31, 2017



**Subject:** Quarterly Investment Portfolio Report – Quarter Ended March 31, 2017

---

### **Purpose**

These quarterly reports are presented to both the City Council and the Financial Commission to keep both bodies apprised as to the status of the City’s investment holding and demonstrate compliance with the City’s Investment Policy.

### **Background**

A review of the Investment Portfolio Report Quarter Ended March 31, 2017 was presented and discussed by the Financial Commission.

### **Discussion/Analysis**

The summary provided below presents the sum total of all City investment holdings. The City’s portfolio book value, excluding operating cash and bond holdings as of March 31, 2017, was \$70,095,315.

As of March 31, 2017, 28% of the City’s portfolio was placed in Federal Agency Securities (Fannie Mae, Federal Home Loan Bank, Federal Home Loan Mortgage and Federal Farm Credit), 25% in US Treasuries, and 11% in medium-term corporate Notes, Commercial Paper and Certificate of Deposits, with the balance of 30% in LAIF. This portfolio mix is illustrated as part of Attachment 1.

Full compliance with the City’s Investment Policy is monitored closely and on a per trade basis as illustrated in Attachment 2. In accordance with California Government Code 53646(b)(3), the City of Los Altos has the ability to meet its pool expenditure requirements for the next six months.

As part of these quarterly updates, a status report is prepared by PFM which is included as Attachment 3: Investment Performance Review for the Quarter Ended March 31, 2017. It is important to note that this report highlights the performance of City investments that fall outside its liquid holdings with LAIF. This has been intentionally crafted to isolate the performance of the City’s independently managed investments. The total return of the portfolio since inception is 0.78%, which is highlighted on page 9, of the PFM Investment Review Report (Attachment 3).

### **Options**

1. Receive the Investment Portfolio Report Quarter Ended March 31, 2017

**Advantages:** None

**Disadvantages:** None



**Subject:** Quarterly Investment Portfolio Report – Quarter Ended March 31, 2017

---

2. Do not receive the Investment Portfolio Report Quarter Ended March 31, 2017

**Advantages:** None

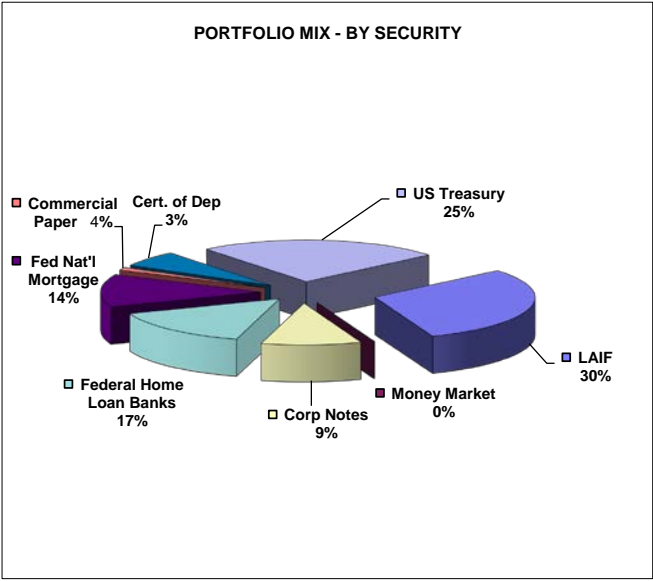
**Disadvantages:** None

**Recommendation**

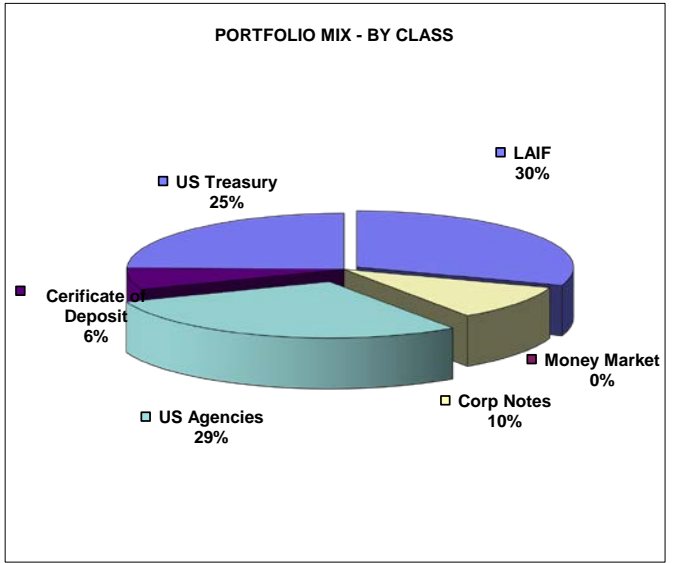
The staff recommends Option 1.

**Attachment 1  
Portfolio Mix Charts  
March, 2017**

| Security Type           | % of Total  | Portfolio Mix<br>By Security |
|-------------------------|-------------|------------------------------|
| LAIF                    | 30%         | 21,212,065                   |
| Money Market            | 0%          | 48,250                       |
| Corp Notes              | 10%         | 7,070,000                    |
| Federal Home Loan Banks | 15%         | 10,435,000                   |
| Federal Nat'l Mortgage  | 13%         | 8,900,000                    |
| Commercial Paper        | 1%          | 800,000                      |
| Certificate of Deposit  | 6%          | 4,375,000                    |
| US Treasury             | 25%         | 17,255,000                   |
|                         | <b>100%</b> | <b>70,095,315</b>            |



| Security Type           | % of Total  | Portfolio Mix<br>Par Value | Market<br>Value   |
|-------------------------|-------------|----------------------------|-------------------|
| LAIF                    | 30%         | 21,212,065                 | 21,212,065        |
| Money Market            | 0%          | 48,250                     | 48,250            |
| Corp Notes              | 10%         | 7,070,000                  | 7,072,906         |
| US Agencies             | 29%         | 20,135,000                 | 21,583,802        |
| Certificate of Deposit  | 6%          | 4,375,000                  | 4,387,846         |
| US Treasury             | 25%         | 17,255,000                 | 17,278,053        |
|                         | <b>100%</b> | <b>70,095,315</b>          | <b>71,582,922</b> |
| Corp Notes              |             | 7,070,000                  | 7,072,906         |
| US Treasury/Agencies    |             | 37,390,000                 | 38,861,855        |
| Certificate of Deposit  |             | 4,375,000                  | 4,387,846         |
| Accrued Interest        |             | -                          | 150,761           |
|                         |             | <b>48,835,000</b>          | <b>50,473,368</b> |
| Margin Over (Under) Par |             |                            | <b>1,638,368</b>  |



**Attachment 2**  
**Investment Policy Compliance Chart**  
**March, 2017**

| <b>City Investment</b> | <b>% Mix</b> | <b>Face Value</b>     | <b>Latest Term</b> | <b>City Policy \$ Limitation</b> | <b>City Policy % Limitation</b> | <b>CAPACITY</b>      | <b>% Compliance Yes/No</b> | <b>Term Compliance Yes/No</b> |
|------------------------|--------------|-----------------------|--------------------|----------------------------------|---------------------------------|----------------------|----------------------------|-------------------------------|
| LAIF                   | 30%          | 21,212,065            | 03/31/22           | 50,000,000                       | 100%                            | 28,787,935           | Yes                        | N/A                           |
| Money Market           | 0%           | 48,250                | 03/31/22           |                                  | 20%                             | 13,970,813           | Yes                        | N/A                           |
| Corp Notes             | 10%          | 7,070,000             | 03/31/22           |                                  | 15%                             | 3,444,297            | Yes                        | Yes                           |
| Federal Agencies       | 28%          | 19,335,000            | 03/31/22           |                                  | 100%                            | 50,760,315           | Yes                        | Yes                           |
| Commercial Paper       | 1%           | 800,000               | 03/31/22           |                                  | 15%                             | 9,714,297.24         | Yes                        | Yes                           |
| Certificate of Dep.    | 6%           | 4,375,000             | 09/30/21           |                                  | 50%                             | 30,672,657.46        | Yes                        | Yes                           |
| US Treasury            | 25%          | 17,255,000            | 03/31/22           |                                  | 100%                            | 21,998,376           | Yes                        | Yes                           |
|                        | <u>100%</u>  | <u>70,095,315</u>     |                    |                                  |                                 |                      |                            |                               |
| <b>All Agencies</b>    |              | <b>60% 41,765,000</b> |                    |                                  | <b>100%</b>                     | <b>28,330,314.91</b> | Yes                        |                               |
| <b>Callables</b>       |              | <b>650,000</b>        |                    |                                  | <b>35%</b>                      | <b>23,883,360</b>    | Yes                        |                               |



# CITY OF LOS ALTOS

## Investment Performance Review For the Quarter Ended March 31, 2017

---

### Client Management Team

Monique Spyke, Managing Director  
Izac Chyou, Senior Managing Consultant

### PFM Asset Management LLC

50 California Street, Suite 2300  
San Francisco, CA 94111  
415-982-5544

One Keystone Plaza, Suite 300  
Harrisburg, PA 17101-2044  
717-232-2723

---



---

# Market Update

---

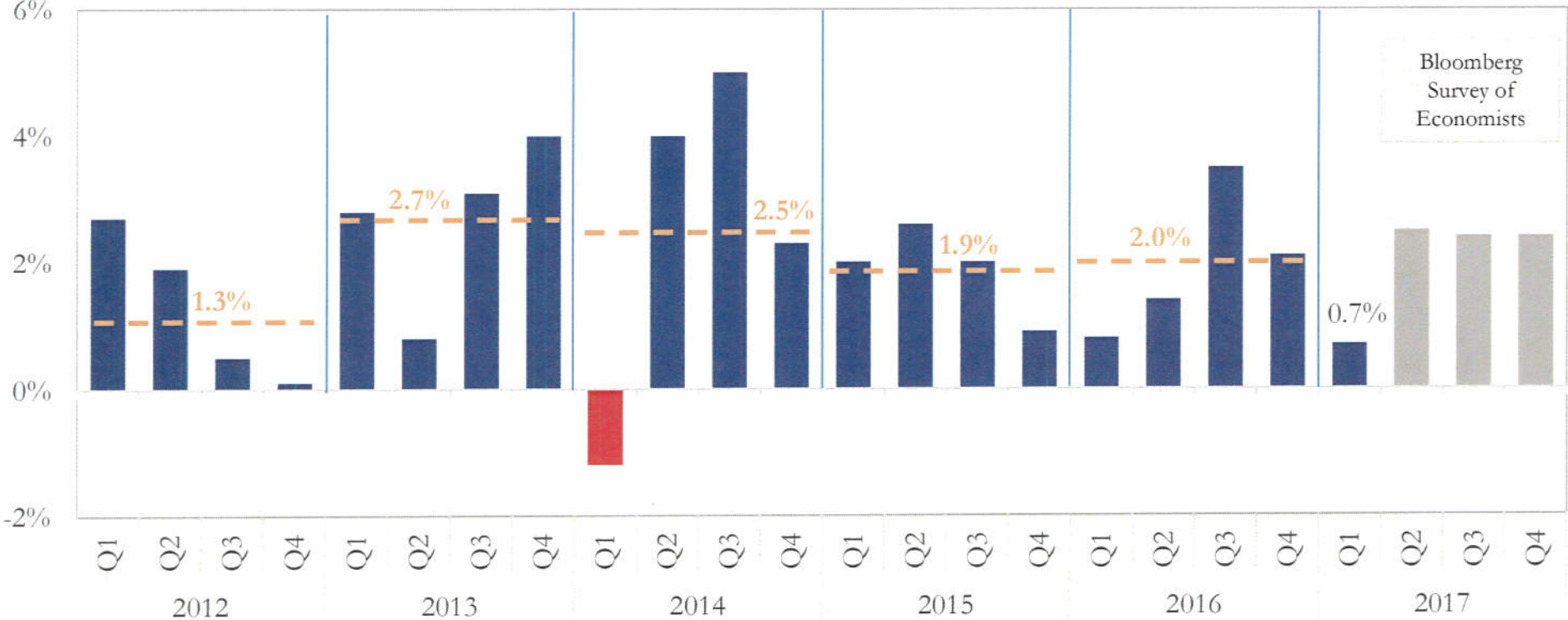




### Moderate but Stable Growth

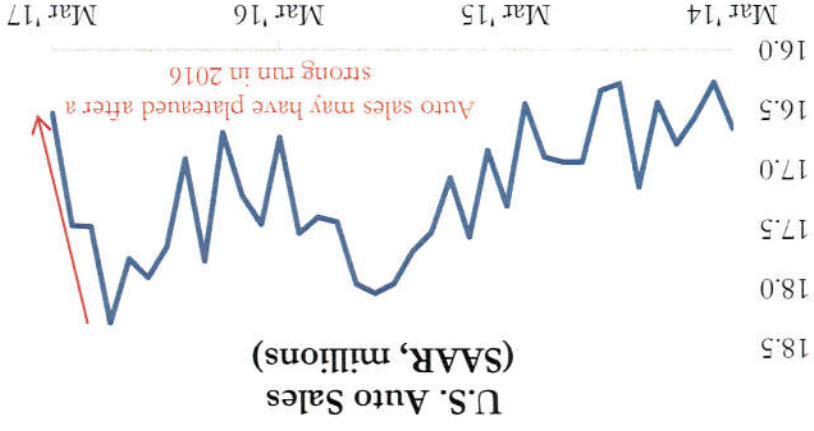
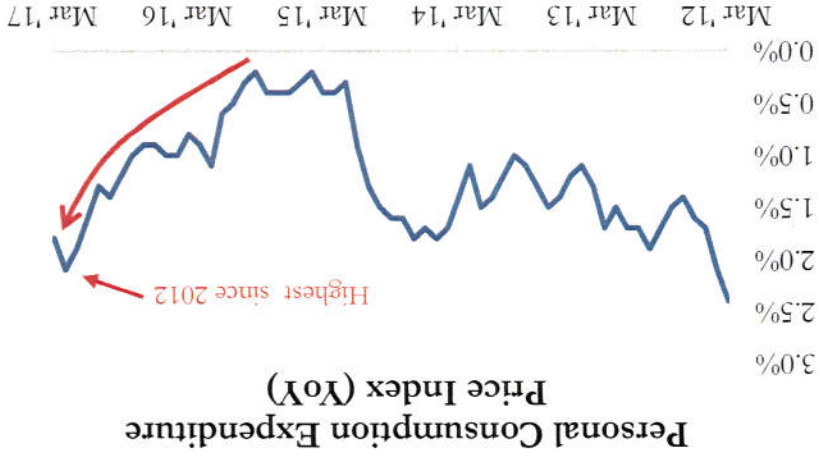
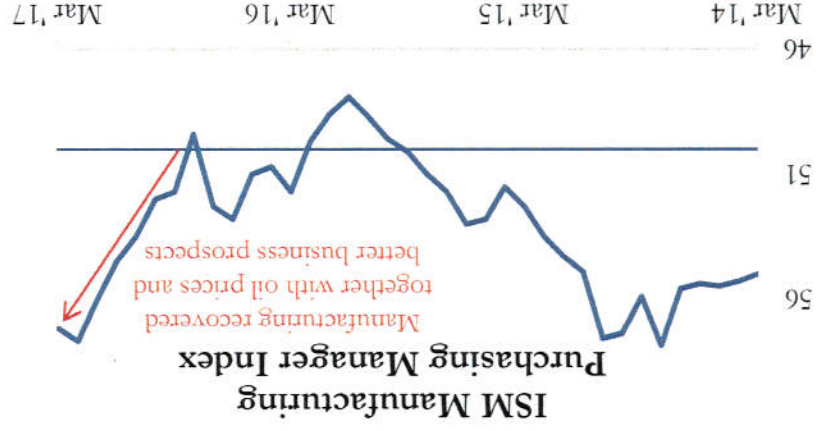
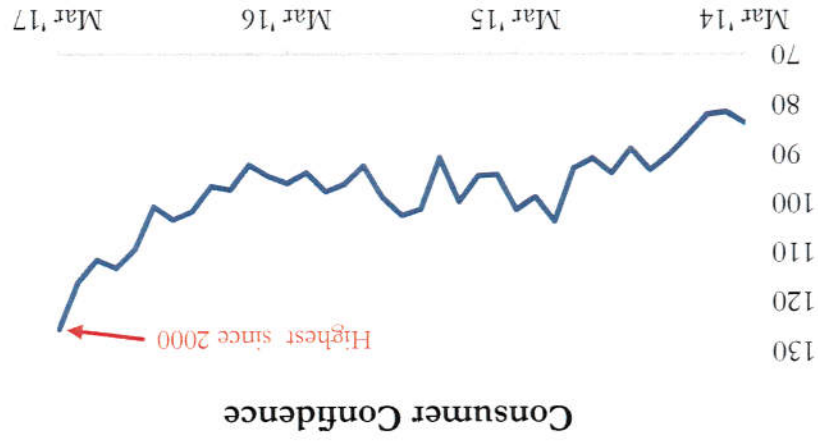
- Gross domestic product (GDP) increased at an annualized rate of 0.7% in the first quarter, down from the 2.1% pace of the prior quarter, and below expectations of 1.0%.
- A Bloomberg survey of economists project that GDP will increase at a rate of 2.4% for 2017.

#### U.S. Real GDP QoQ, SAAR



Source: Bloomberg, as of 04/30/17. SAAR is seasonally adjusted annualized rate.

### The Sweet Spots of the U.S. Economy

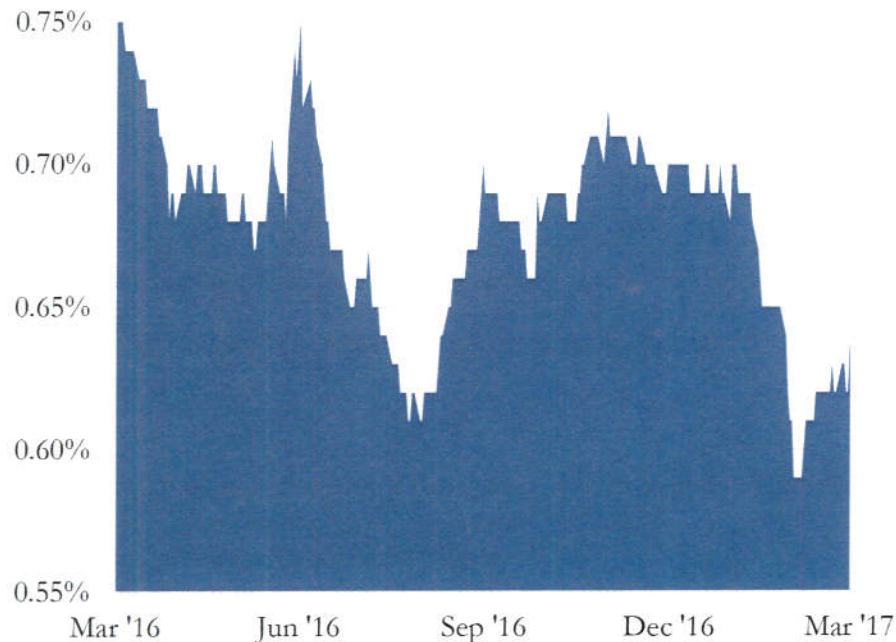


Source: Bloomberg, as of 03/31/17. S-A4R is seasonally adjusted annualized rate.

### Corporate Sector Optimism

- Corporate markets reflected improving credit fundamentals and optimism related to anticipated pro-business policies such as corporate tax reform and deregulation.
- After tightening to their narrowest levels since 2014, corporate yield spreads began to drift wider toward the end of the quarter.

**Yield Spread between 1-3 U.S. Treasury Index and 1-3 A-AAA Corporate Index\***



**S&P 500 Index**

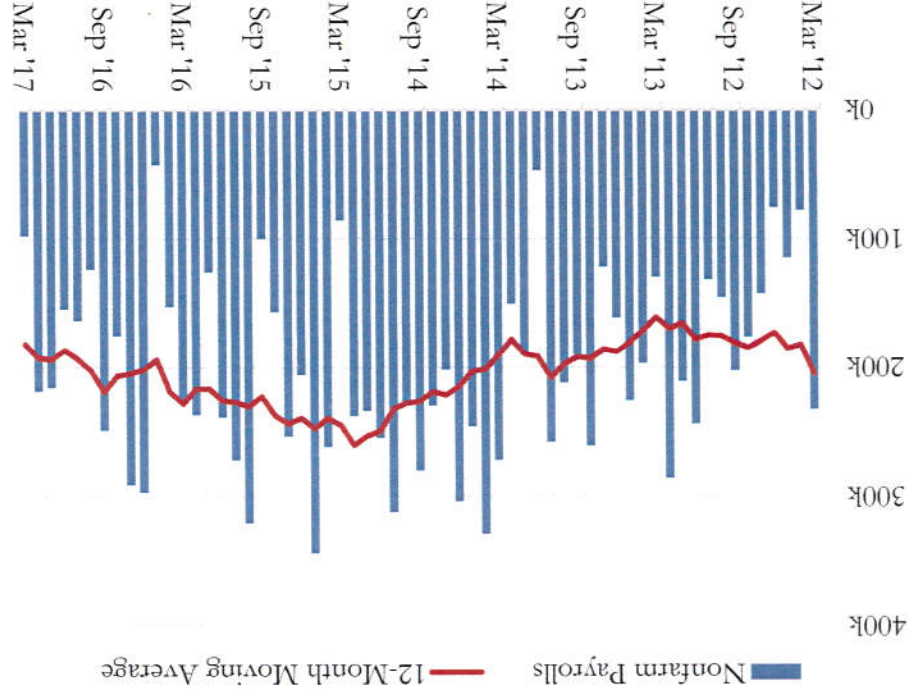


*\*Bank of America Merrill Lynch Indexes  
Source: Bloomberg, as of 03/31/17.*

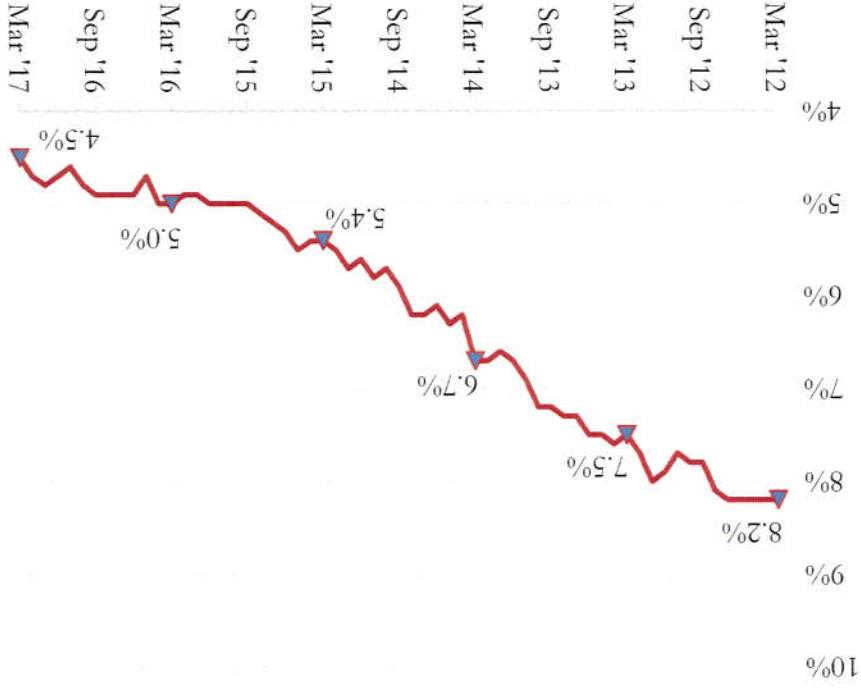
### Labor Market

- The U.S. labor market created 98,000 jobs in March, below expectations of 180,000. Total jobs added during the first quarter were 533,000.
- During the quarter, the headline unemployment rate fell to 4.5%, while the U-6 rate, which includes underemployed and discouraged workers, dropped to 8.9%, the lowest since 2007.
- The growth rate of average hourly earnings – an important gauge of wage growth – averaged 2.7% over the past 12 months.

Monthly Change in Nonfarm Payrolls



Unemployment Rate



Source: Bloomberg, as of 03/31/17.



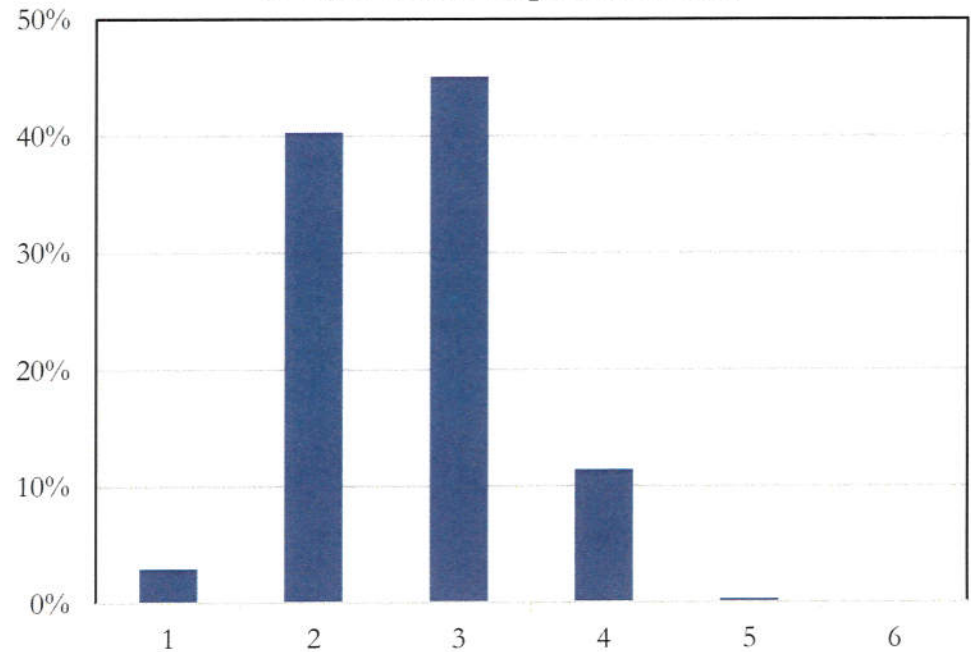
### On the Horizon: Higher Rates

- Market implied probabilities indicate that there is a 99% chance of the Fed raising rates at their June meeting. Additionally, the market has priced in a roughly 45% chance of three total rate hikes in 2017.

When Will the Next Rate Hike Occur?

| Meeting    | 5/5/2017 |
|------------|----------|
| 6/14/2017  | 99%      |
| 7/26/2017  | 93%      |
| 9/20/2017  | 96%      |
| 11/1/2017  | 96%      |
| 12/13/2017 | 97%      |
| 1/31/2018  | 97%      |

Market Implied Total Number of Rate Hikes Expected in 2017

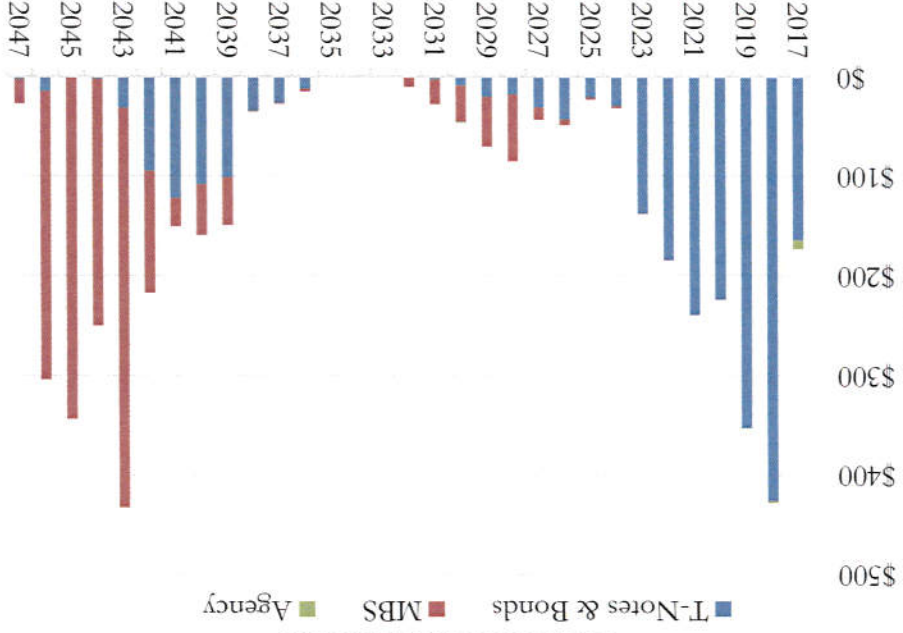


Source: Bloomberg and Federal Reserve.

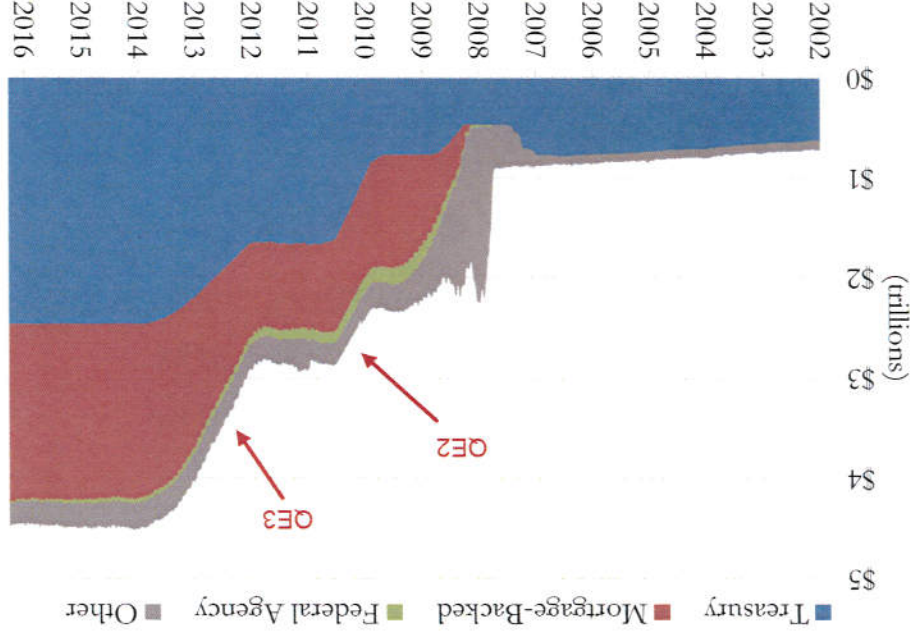
### FOMC Meeting Focus: Federal Reserve's Balance Sheet

- After multiple rounds of quantitative easing, the Federal Reserve's balance sheet has swelled from under \$1 trillion to approximately \$4.5 trillion.
- March meeting highlights: "participants agreed that reductions in the Federal Reserve's securities holdings should be gradual and predictable, and accomplished primarily by phasing out reinvestments... Most participants anticipated that gradual increases in the federal funds rate would continue and judged that a change to the Committee's reinvestment policy would likely be appropriate later this year."

**Maturity Distribution of Balance Sheet Assets**



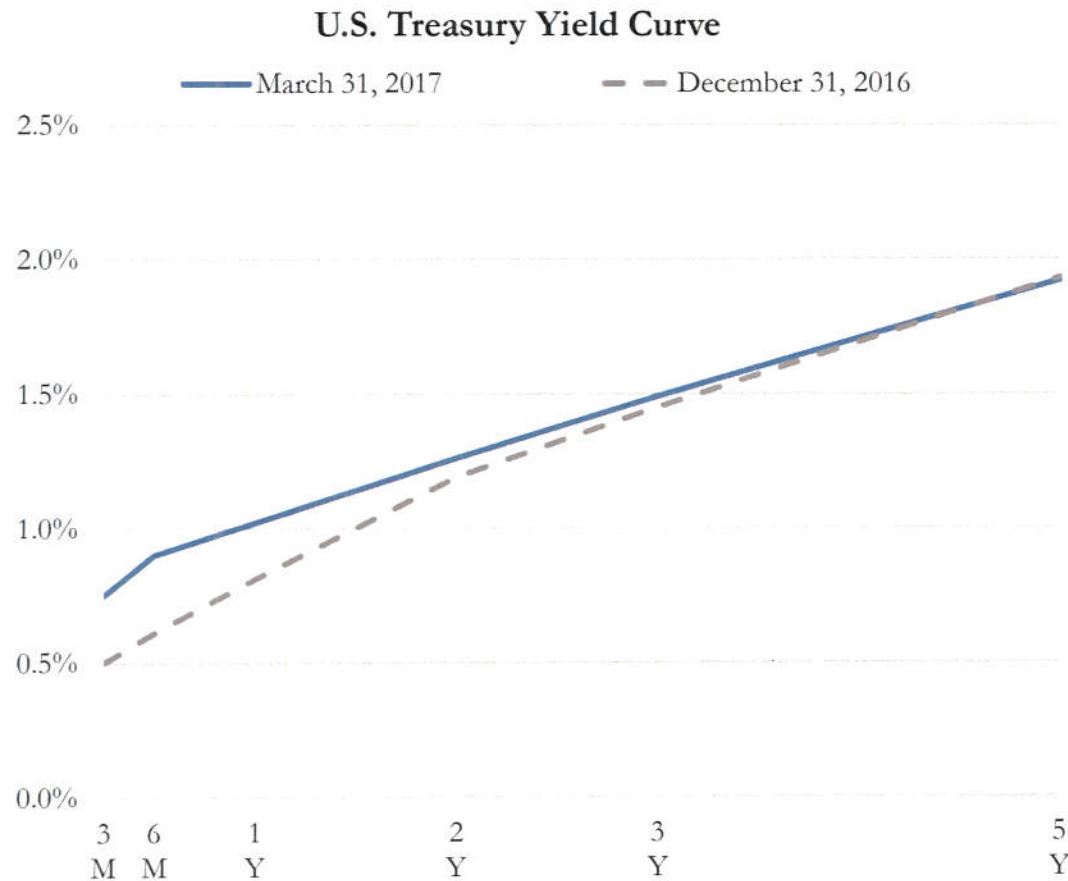
**Total Balance Sheet Assets of the Federal Reserve**



Source: Bloomberg, as of 03/31/17. S-A-R is seasonally adjusted annualized rate.

### Flattening Yield Curve

- Yields remained range-bound at the beginning of the quarter before rising strongly in anticipation of the March FOMC rate hike. Yields on the short-end of the curve ended the quarter higher, reflecting the rate hike, while long-term yields generally held steady.



#### Yield Curve History

| Maturity | 12/31/16 | 3/31/17 | Change |
|----------|----------|---------|--------|
| 1-Mo.    | 0.42%    | 0.73%   | +0.31% |
| 3-Mo.    | 0.50%    | 0.75%   | +0.25% |
| 6-Mo.    | 0.61%    | 0.90%   | +0.29% |
| 1-Yr.    | 0.81%    | 1.02%   | +0.21% |
| 2-Yr.    | 1.19%    | 1.26%   | +0.07% |
| 3-Yr.    | 1.45%    | 1.49%   | +0.04% |
| 5-Yr.    | 1.93%    | 1.92%   | -0.01% |

Source: Bloomberg, as of 03/31/17.





---

# Portfolio Review

---

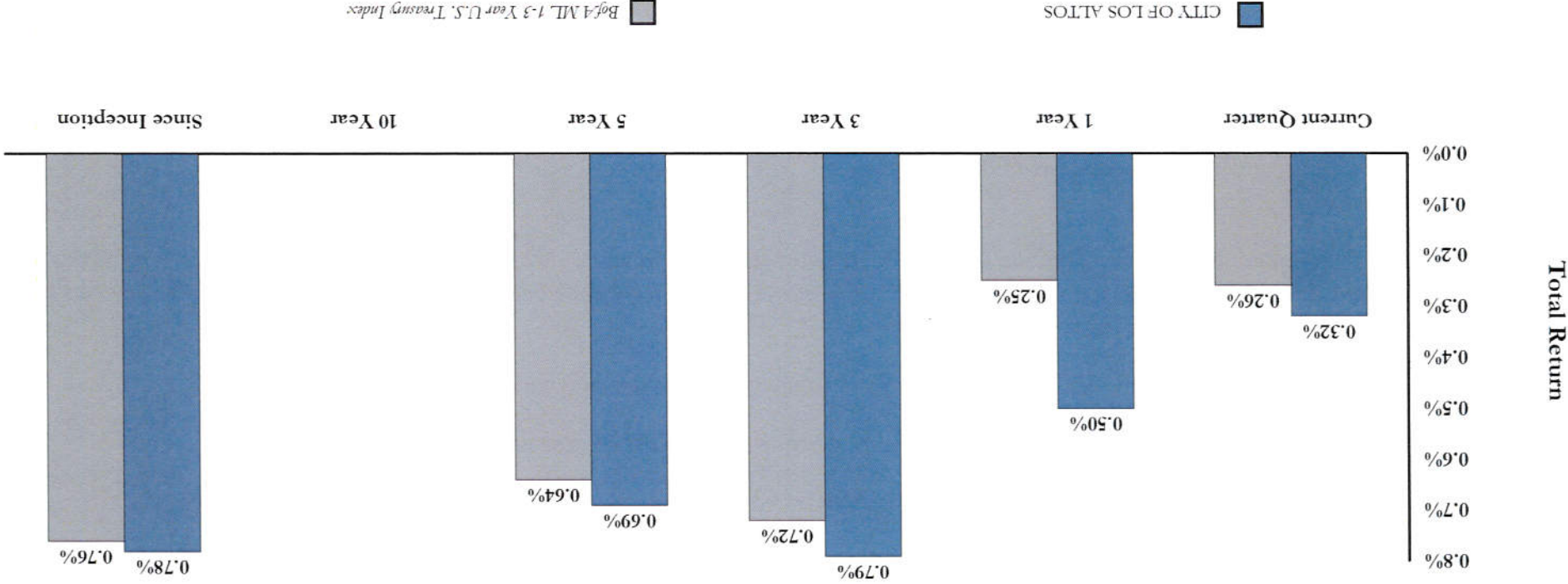


## Portfolio Recap

- Key drivers of market conditions in the first quarter included:
  - Federal Reserve policy;
  - the inauguration of President Trump and the early rollout of various policies;
  - continued improvement in consumer confidence; and
  - further stock market appreciation.
  
- Our strategy is to maintain the portfolio duration close to the benchmark duration, unless we have a strong conviction that being shorter or longer will benefit the portfolio. At quarter end, we aligned the portfolio duration with the benchmark duration since market conditions were consistent with an economic outlook for moderate growth.
  
- Federal agency yield spreads remained historically tight throughout the quarter as demand continued to outpace supply.
  
- We maintained corporate allocations as the sector continued to provide incremental income and benefit from “roll-down.”
  
- We participated in new asset-backed security (ABS) issues as AAA-rated tranches of high quality structures offered good value.
  
- Yields on bank certificates of deposit (CDs) rose sharply in the second half of 2016 due to significant money market fund reforms. Although spreads narrowed after the March Fed rate hike, CDs continued to offer excellent investment opportunities in short-term credit instruments.

Portfolio Performance (Total Return)

| Portfolio/Benchmark                  | Effective Duration | Current | Quarter | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception (06/30/10) * |
|--------------------------------------|--------------------|---------|---------|--------|--------|--------|---------|------------------------------|
| CITY OF LOS ALTOS                    | 1.81               | 0.32%   | 0.50%   | 0.79%  | 0.79%  | 0.69%  | -       | 0.78%                        |
| BofA ML 1-3 Year U.S. Treasury Index | 1.82               | 0.26%   | 0.25%   | 0.72%  | 0.72%  | 0.64%  | -       | 0.76%                        |
| Difference                           |                    | 0.06%   | 0.25%   | 0.07%  | 0.05%  | 0.05%  | -       | 0.02%                        |



Portfolio performance is gross of fees unless otherwise indicated. \*Since Inception performance is not shown for periods less than one year.

**Portfolio Earnings**  
*Quarter-Ended March 31, 2017*

|                              | <u>Market Value Basis</u> | <u>Accrual (Amortized Cost) Basis</u> |
|------------------------------|---------------------------|---------------------------------------|
| Beginning Value (12/31/2016) | \$43,912,096.79           | \$44,046,395.91                       |
| Net Purchases/Sales          | \$4,605,274.48            | \$4,605,274.48                        |
| Change in Value              | \$11,902.13               | (\$3,358.39)                          |
| Ending Value (03/31/2017)    | \$48,529,273.40           | \$48,648,312.00                       |
| Interest Earned              | \$137,553.30              | \$137,553.30                          |
| Portfolio Earnings           | \$149,455.43              | \$134,194.91                          |

- The portfolio is in compliance with the City's Investment Policy and the California Government Code.

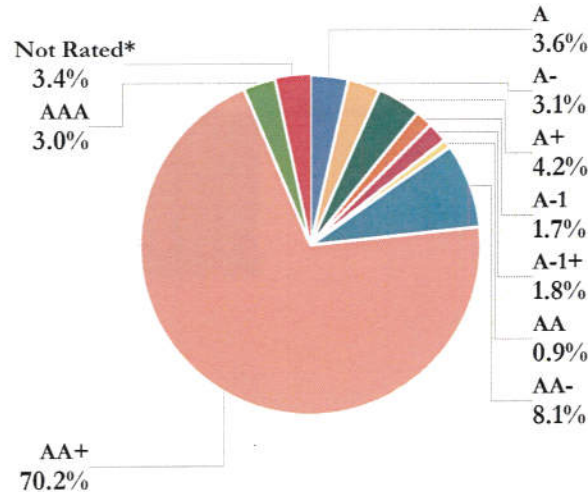
| Security Type               | Market Value        | % of Portfolio | Permitted by Policy | In Compliance |
|-----------------------------|---------------------|----------------|---------------------|---------------|
| U.S. Treasuries             | \$17,278,053        | 35.6%          | 100%                | ✓             |
| Federal Agencies            | \$16,099,129        | 33.1%          | 100%                | ✓             |
| Negotiable CDs              | \$4,387,846         | 9.0%           | 30%                 | ✓             |
| Corporate Notes             | \$7,072,906         | 14.6%          | 30%                 | ✓             |
| Asset-Backed Securities     | \$2,891,588         | 6.0%           | 20%                 | ✓             |
| Commercial Paper            | \$799,751           | 1.6%           | 15%                 | ✓             |
| Money Market Fund           | \$48,250            | 0.1%           | 20%                 | ✓             |
| <b>Securities Sub-Total</b> | <b>\$48,577,523</b> | <b>100.0%</b>  |                     |               |
| Accrued Interest            | \$150,761           |                |                     |               |
| <b>Total Portfolio</b>      | <b>\$48,728,284</b> |                |                     |               |



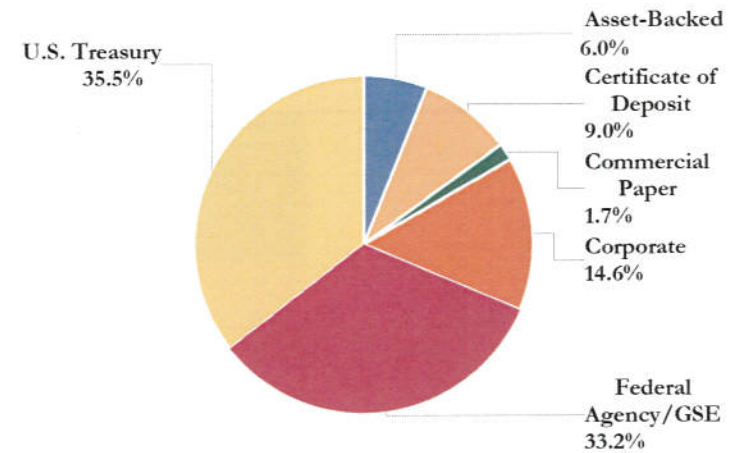
**Portfolio Statistics**  
As of March 31, 2017

|                               |            |
|-------------------------------|------------|
| Par Value:                    | 48,600,000 |
| Total Market Value:           | 48,728,284 |
| <i>Security Market Value:</i> | 48,529,273 |
| <i>Accrued Interest:</i>      | 150,761    |
| <i>Cash:</i>                  | 48,250     |
| <i>PFM</i>                    | -          |
| Amortized Cost:               | 48,648,312 |
| Yield at Market:              | 1.38%      |
| Yield at Cost:                | 1.27%      |
| Effective Duration:           | 1.81 Years |
| Duration to Worst:            | 1.84 Years |
| Average Maturity:             | 1.97 Years |
| Average Credit: **            | AA         |

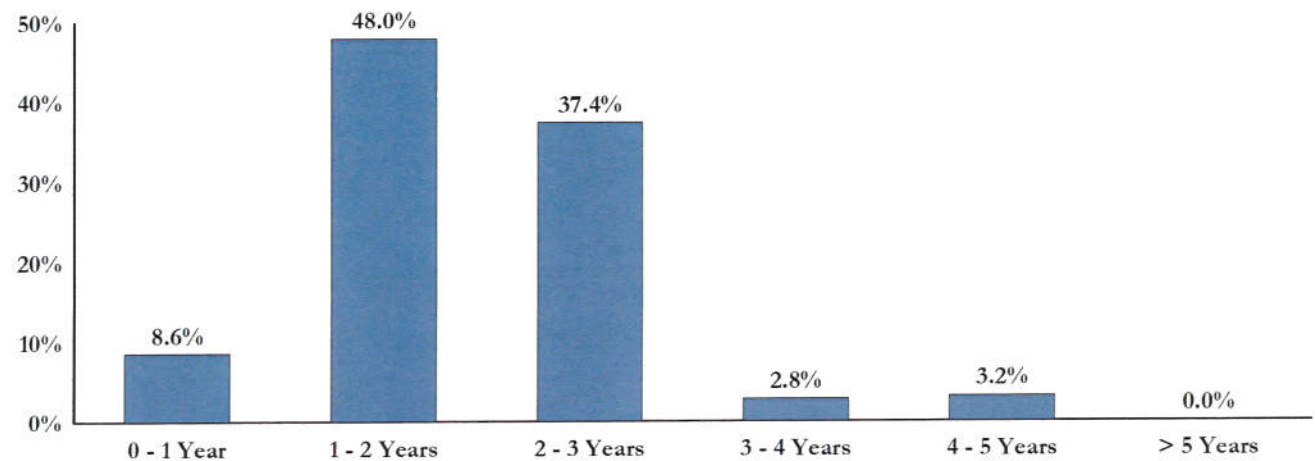
**Credit Quality (S&P Ratings)**



**Sector Allocation**



**Maturity Distribution**



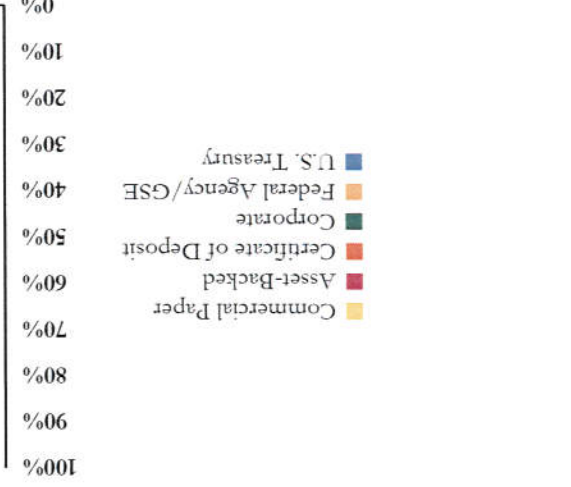
\*Asset-backed securities rated Aaa by Moody's.

\*\*An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.



Sector Allocation

| Sector                 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
|------------------------|----------------|-------------------|--------------------|---------------|
| U.S. Treasury          | 17.3           | 14.7              | 13.4               | 22.0          |
| Federal Agency/GSE     | 16.1           | 19.2              | 18.9               | 9.3           |
| Corporate              | 7.1            | 5.8               | 5.6                | 5.3           |
| Certificate of Deposit | 4.4            | 1.8               | 0.0                | 0.0           |
| Asset-Backed           | 2.9            | 0.0               | 0.0                | 0.0           |
| Commercial Paper       | 0.8            | 2.4               | 3.1                | 2.3           |
| <b>Total</b>           | <b>\$48.5</b>  | <b>\$43.9</b>     | <b>\$40.9</b>      | <b>\$39.0</b> |
|                        | 100.0%         | 100.0%            | 100.0%             | 100.0%        |
|                        | 35.5%          | 33.5%             | 32.7%              | 56.5%         |
|                        | 33.2%          | 43.8%             | 46.0%              | 23.8%         |
|                        | 14.6%          | 13.3%             | 13.7%              | 13.7%         |
|                        | 9.0%           | 4.0%              | 0.0%               | 0.0%          |
|                        | 6.0%           | 0.0%              | 0.0%               | 0.0%          |
|                        | 1.7%           | 5.4%              | 7.6%               | 6.0%          |
|                        | 35.5%          | 33.5%             | 32.7%              | 56.5%         |
|                        | 33.2%          | 43.8%             | 46.0%              | 23.8%         |
|                        | 14.6%          | 13.3%             | 13.7%              | 13.7%         |
|                        | 9.0%           | 4.0%              | 0.0%               | 0.0%          |
|                        | 2.9            | 0.0               | 0.0                | 0.0           |
|                        | 0.8            | 2.4               | 3.1                | 2.3           |
|                        | 17.3           | 14.7              | 13.4               | 22.0          |
|                        | 16.1           | 19.2              | 18.9               | 9.3           |
|                        | 7.1            | 5.8               | 5.6                | 5.3           |
|                        | 4.4            | 1.8               | 0.0                | 0.0           |
|                        | 2.9            | 0.0               | 0.0                | 0.0           |
|                        | 0.8            | 2.4               | 3.1                | 2.3           |

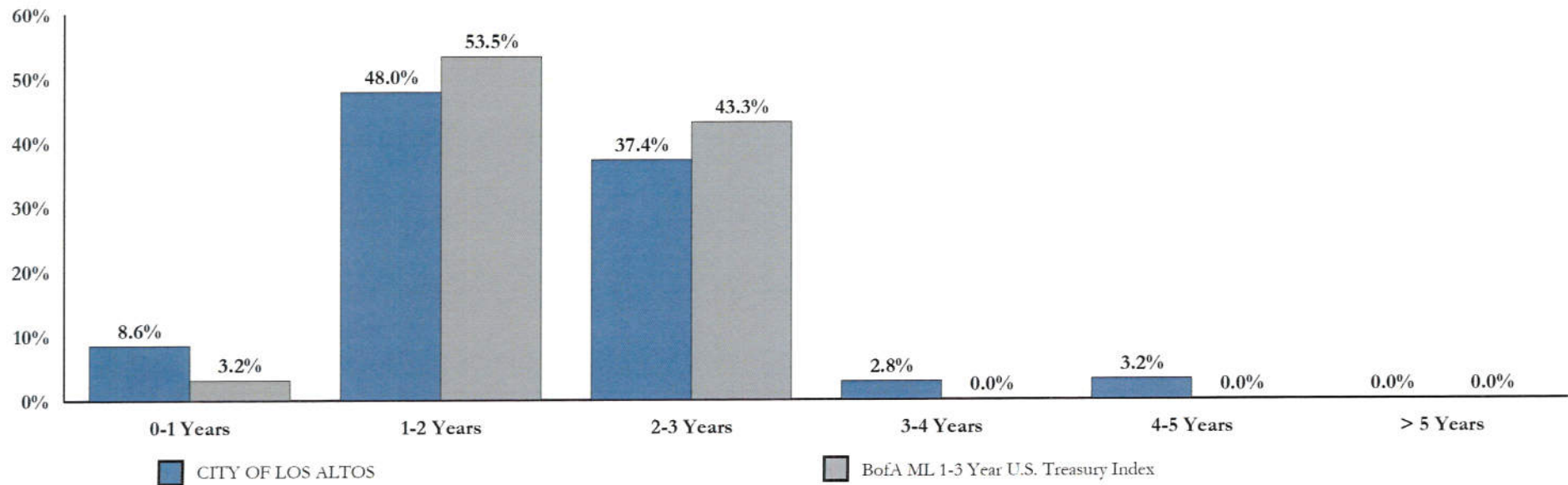


Detail may not add to total due to rounding.

### Maturity Distribution

As of March 31, 2017

| Portfolio/Benchmark                  | Yield at Market | Average Maturity | 0-1 Years | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | >5 Years |
|--------------------------------------|-----------------|------------------|-----------|-----------|-----------|-----------|-----------|----------|
| CITY OF LOS ALTOS                    | 1.38%           | 1.97 yrs         | 8.6%      | 48.0%     | 37.4%     | 2.8%      | 3.2%      | 0.0%     |
| BofA ML 1-3 Year U.S. Treasury Index | 1.27%           | 1.94 yrs         | 3.2%      | 53.5%     | 43.3%     | 0.0%      | 0.0%      | 0.0%     |



Sector/Issuer Distribution  
As of March 31, 2017

| Sector / Issuer                    | Market Value (\$) | % of Sector | % of Total Portfolio |
|------------------------------------|-------------------|-------------|----------------------|
| <b>Asset-Backed</b>                |                   |             |                      |
| ALLY AUTO RECEIVABLES TRUST        | 479,854           | 16.6%       | 1.0%                 |
| CARMAX AUTO OWNER TRUST            | 420,042           | 14.5%       | 0.9%                 |
| CITIBANK CREDIT CARD ISSUANCE      | 450,716           | 15.6%       | 0.9%                 |
| CNH EQUIPMENT TRUST                | 350,916           | 12.1%       | 0.7%                 |
| FORD CREDIT AUTO OWNER TRUST       | 305,056           | 10.5%       | 0.6%                 |
| HONDA AUTO RECEIVABLES             | 220,096           | 7.6%        | 0.5%                 |
| HYUNDAI AUTO RECEIVABLES           | 204,983           | 7.1%        | 0.4%                 |
| JOHN DEERE OWNER TRUST             | 89,966            | 3.1%        | 0.2%                 |
| NISSAN AUTO RECEIVABLES            | 249,974           | 8.6%        | 0.5%                 |
| TOYOTA AUTO RECEIVABLES            | 119,986           | 4.1%        | 0.2%                 |
| <b>Sector Total</b>                |                   |             |                      |
|                                    | 2,891,588         | 100.0%      | 6.0%                 |
| <b>Certificate of Deposit</b>      |                   |             |                      |
| BANK OF MONTREAL                   | 881,045           | 20.1%       | 1.8%                 |
| CANADIAN IMPERIAL BANK OF COMMERCE | 879,842           | 20.1%       | 1.8%                 |
| NORDEA BANK AB                     | 879,842           | 20.1%       | 1.8%                 |
| SVENSKA HANDELSBANKEN              | 872,602           | 19.9%       | 1.8%                 |
| TORONTO-DOMINION BANK              | 874,516           | 19.9%       | 1.8%                 |
| <b>Sector Total</b>                |                   |             |                      |
|                                    | 4,387,846         | 100.0%      | 9.0%                 |

| Sector / Issuer             | Market Value (\$) | % of Sector   | % of Total Portfolio |
|-----------------------------|-------------------|---------------|----------------------|
| <b>Commercial Paper</b>     |                   |               |                      |
| BNP PARIBAS                 | 799,751           | 100.0%        | 1.6%                 |
| <b>Sector Total</b>         | <b>799,751</b>    | <b>100.0%</b> | <b>1.6%</b>          |
| <b>Corporate</b>            |                   |               |                      |
| AMERICAN EXPRESS CO         | 447,259           | 6.3%          | 0.9%                 |
| AMERICAN HONDA FINANCE      | 274,180           | 3.9%          | 0.6%                 |
| APPLE INC                   | 174,471           | 2.5%          | 0.4%                 |
| BANK OF NEW YORK CO INC     | 476,948           | 6.7%          | 1.0%                 |
| BB&T CORPORATION            | 454,590           | 6.4%          | 0.9%                 |
| BERKSHIRE HATHAWAY INC      | 89,547            | 1.3%          | 0.2%                 |
| CHEVRON CORP                | 450,340           | 6.4%          | 0.9%                 |
| CISCO SYSTEMS INC           | 358,475           | 5.1%          | 0.7%                 |
| DEERE & COMPANY             | 541,439           | 7.7%          | 1.1%                 |
| EXXON MOBIL CORP            | 499,601           | 7.1%          | 1.0%                 |
| GENERAL ELECTRIC CO         | 651,409           | 9.2%          | 1.3%                 |
| IBM CORP                    | 352,583           | 5.0%          | 0.7%                 |
| JP MORGAN CHASE & CO        | 625,140           | 8.8%          | 1.3%                 |
| MICROSOFT CORP              | 215,667           | 3.0%          | 0.4%                 |
| PFIZER INC                  | 373,198           | 5.3%          | 0.8%                 |
| THE WALT DISNEY CORPORATION | 90,201            | 1.3%          | 0.2%                 |
| TOYOTA MOTOR CORP           | 373,984           | 5.3%          | 0.8%                 |
| WELLS FARGO & COMPANY       | 623,875           | 8.8%          | 1.3%                 |
| <b>Sector Total</b>         | <b>7,072,906</b>  | <b>100.0%</b> | <b>14.6%</b>         |



| Sector / Issuer         | Market Value (\$) | % of Sector | % of Total Portfolio |
|-------------------------|-------------------|-------------|----------------------|
| Federal Agency/GSE      |                   |             |                      |
| FANNIE MAE              | 6,032,794         | 37.5%       | 12.4%                |
| FEDERAL HOME LOAN BANKS | 7,961,489         | 49.5%       | 16.4%                |
| FREDDIE MAC             | 2,104,846         | 13.1%       | 4.3%                 |
| Sector Total            | 16,099,129        | 100.0%      | 33.2%                |
| U.S. Treasury           |                   |             |                      |
| UNITED STATES TREASURY  | 17,278,053        | 100.0%      | 35.6%                |
| Sector Total            | 17,278,053        | 100.0%      | 35.6%                |
| Portfolio Total         | 48,529,273        | 100.0%      | 100.0%               |

## Investment Strategy Outlook

- We anticipate the Federal Open Market Committee (FOMC) to remain on track to make two additional rate hikes in 2017, matching the three hikes projected for 2017 by the FOMC's "dot plot." In addition, a potential reduction in the size of the Federal Reserve's balance sheet later in the year could have significant implications for the markets.
- As the market awaits clarity on policies proposed and enacted by the Trump administration, financial markets (both bonds and equities) may become more range-bound.
- Since yields are currently stable and rates were unchanged at the FOMC meeting in May, we are targeting the portfolio duration to closely match that of the benchmark. We will continue to revisit this position regularly, especially in light of the potential for higher yields later in the year.
- Agency yield spreads over Treasuries continue to remain historically narrow. As a result, our strategy will generally favor U.S. Treasuries over agencies unless specific issues offer identifiable value.
- Our strategy favors broad allocation to various credit sectors, including corporate notes, negotiable bank CDs, and asset-backed securities.
- Although yield spreads on corporate securities drifted wider at the end of the first quarter, they remain near multi-year lows.
- We will continue to evaluate opportunities in the ABS sector, purchasing those issues we believe are well structured and offer adequate yield spreads.
- Yields on negotiable CDs continue to offer significant yield pickup relative to short-term government securities.
- We will continue to monitor incoming economic data, Fed policy, and sector relationships to identify market opportunities. This will include assessing the impact of additional policies put forth by the Trump administration.



---

# Transactions & Account Holdings

---





## Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$)  | CUSIP     | Security Description                | Coupon | Maturity Date | Transact Amt (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|-----------|-----------|-------------------------------------|--------|---------------|-------------------|-----------------|-------------------|
| <b>BUY</b> |             |           |           |                                     |        |               |                   |                 |                   |
| 1/3/17     | 1/5/17      | 1,575,000 | 912828H52 | US TREASURY NOTES                   | 1.25%  | 1/31/20       | 1,570,902.01      | 1.52%           |                   |
| 1/10/17    | 1/12/17     | 875,000   | 86958JHB8 | SVENSKA HANDELSBANKEN NY LT CD      | 1.89%  | 1/10/19       | 875,000.00        | 1.91%           |                   |
| 1/18/17    | 1/25/17     | 305,000   | 34531EAD8 | FORDO 2017-A A3                     | 1.67%  | 6/15/21       | 304,998.87        | 1.67%           |                   |
| 1/19/17    | 1/26/17     | 450,000   | 17305EGA7 | CCCIT 2017-A2 A2                    | 1.74%  | 1/17/21       | 449,913.83        | 1.75%           |                   |
| 1/24/17    | 1/31/17     | 100,000   | 02007PAC7 | ALLYA 2017-1 A3                     | 1.70%  | 6/15/21       | 99,991.26         | 1.70%           |                   |
| 1/25/17    | 1/31/17     | 420,000   | 14314JAB6 | CARMX 2017-1 A2                     | 1.54%  | 2/15/20       | 419,999.87        | 1.60%           |                   |
| 1/30/17    | 2/6/17      | 215,000   | 594918BV5 | MICROSOFT CORP                      | 1.85%  | 2/6/20        | 214,855.95        | 1.87%           |                   |
| 1/31/17    | 2/3/17      | 450,000   | 0258M0EC9 | AMERICAN EXPRESS CREDIT CORP        | 1.70%  | 10/30/19      | 448,556.25        | 1.99%           |                   |
| 2/1/17     | 2/3/17      | 525,000   | 912828J50 | UNITED STATES TREASURY NOTES        | 1.37%  | 2/29/20       | 524,932.13        | 1.58%           |                   |
| 2/8/17     | 2/9/17      | 875,000   | 06427KRC3 | BANK OF MONTREAL CHICAGO CERT DEPOS | 1.88%  | 2/7/19        | 875,000.00        | 1.90%           |                   |
| 2/8/17     | 2/9/17      | 875,000   | 89113WWJ1 | TORONTO DOMINION BANK NY CERT DEPOS | 1.48%  | 3/14/18       | 875,000.00        | 1.50%           |                   |
| 2/22/17    | 3/2/17      | 90,000    | 47787XAC1 | JDOT 2017-A A3                      | 1.78%  | 4/15/21       | 89,987.18         | 1.79%           |                   |
| 2/24/17    | 2/28/17     | 600,000   | 3135G0T29 | FNMA NOTES                          | 1.50%  | 2/28/20       | 599,616.00        | 1.52%           |                   |
| 2/28/17    | 3/3/17      | 325,000   | 166764BP4 | CHEVRON CORP CORP NOTES             | 1.99%  | 3/3/20        | 325,000.00        | 1.99%           |                   |
| 3/1/17     | 3/6/17      | 90,000    | 25468PDP8 | WALT DISNEY COMPANY CORP NOTES      | 1.95%  | 3/4/20        | 89,976.60         | 1.96%           |                   |
| 3/2/17     | 3/2/17      | 1,250,000 | 912828F62 | US TREASURY NOTES                   | 1.50%  | 10/31/19      | 1,255,488.98      | 1.53%           |                   |
| 3/2/17     | 3/2/17      | 1,250,000 | 912828SN1 | US TREASURY NOTES                   | 1.50%  | 3/31/19       | 1,261,738.60      | 1.35%           |                   |
| 3/2/17     | 3/2/17      | 1,250,000 | 912828T83 | US TREASURY NOTES                   | 0.75%  | 10/31/18      | 1,243,198.59      | 1.24%           |                   |
| 3/7/17     | 3/15/17     | 120,000   | 89238MAD0 | TAOT 2017-A A3                      | 1.73%  | 2/15/21       | 119,985.88        | 1.74%           |                   |
| 3/15/17    | 3/22/17     | 350,000   | 12636WAB2 | CNH EQUIPMENT TRUST POOL            | 1.64%  | 7/15/20       | 349,986.56        | 1.80%           |                   |
| 3/17/17    | 3/22/17     | 450,000   | 05531FAU7 | BRANCH BANKING & TRUST CORP NOTE    | 2.62%  | 6/29/20       | 456,867.94        | 2.33%           |                   |
| 3/21/17    | 3/28/17     | 220,000   | 43814TAC6 | HAROT 2017-1 A3                     | 1.72%  | 7/21/21       | 219,986.91        | 1.72%           |                   |
| 3/21/17    | 3/28/17     | 250,000   | 654747AD6 | NAROT 2017-A A3                     | 1.74%  | 8/15/21       | 249,973.53        | 1.74%           |                   |
| 3/21/17    | 3/29/17     | 380,000   | 02007HAC5 | ALLYA 2017-2 A3                     | 1.78%  | 8/15/21       | 379,955.20        | 1.79%           |                   |
| 3/22/17    | 3/29/17     | 205,000   | 44931PAD8 | HART 2017-A A3                      | 1.76%  | 8/15/21       | 204,983.42        | 1.76%           |                   |
| 3/29/17    | 3/30/17     | 475,000   | 06406HCZ0 | BNY MELLON (CALLABLE) CORP NOTE     | 2.15%  | 2/24/20       | 477,717.00        | 2.02%           |                   |

| Trade Date      | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amt (\$) | Yield at Market | Realized G/L (BV) |
|-----------------|-------------|----------|-------|----------------------|--------|---------------|-------------------|-----------------|-------------------|
| <b>INTEREST</b> |             |          |       |                      |        |               |                   |                 |                   |
|                 |             |          |       |                      |        |               | 13,983,612.56     |                 |                   |
|                 |             |          |       |                      |        |               |                   |                 | <b>Total BUY</b>  |
|                 |             |          |       |                      |        |               |                   |                 | 13,970,000        |

|         |         |           |           |                                       |       |         |          |  |  |
|---------|---------|-----------|-----------|---------------------------------------|-------|---------|----------|--|--|
| 1/3/17  | 1/3/17  | 0         | MONEY0002 | MONEY MARKET FUND                     |       |         | 2.36     |  |  |
| 1/16/17 | 1/16/17 | 625,000   | 94974BFG0 | WELLS FARGO & COMPANY GLOBAL NOTES    | 1.50% | 1/16/18 | 4,687.50 |  |  |
| 1/19/17 | 1/19/17 | 950,000   | 3137EAB1  | FHLMC REFERENCE NOTE                  | 0.87% | 7/19/19 | 4,133.16 |  |  |
| 1/19/17 | 1/19/17 | 400,000   | 3137EAB1  | FHLMC REFERENCE NOTE                  | 0.87% | 7/19/19 | 1,740.28 |  |  |
| 1/31/17 | 1/31/17 | 1,575,000 | 912828H52 | US TREASURY NOTES                     | 1.25% | 1/31/20 | 9,843.75 |  |  |
| 1/31/17 | 1/31/17 | 1,250,000 | 912828UJ7 | US TREASURY NOTES                     | 0.87% | 1/31/18 | 5,468.75 |  |  |
| 1/31/17 | 1/31/17 | 90,000    | 912828UJ7 | US TREASURY NOTES                     | 0.87% | 1/31/18 | 393.75   |  |  |
| 2/1/17  | 2/1/17  | 0         | MONEY0002 | MONEY MARKET FUND                     |       |         | 3.58     |  |  |
| 2/2/17  | 2/2/17  | 1,000,000 | 3135G0N33 | FNMA BENCHMARK NOTE                   | 0.87% | 8/2/19  | 4,375.00 |  |  |
| 2/7/17  | 2/7/17  | 1,925,000 | 3130A8PK3 | FHLB NOTES                            | 0.62% | 8/7/18  | 6,015.63 |  |  |
| 2/10/17 | 2/10/17 | 540,000   | 24422ETA7 | JOHN DEERE CAPITAL CORP NOTE          | 1.75% | 8/10/18 | 4,725.00 |  |  |
| 2/12/17 | 2/12/17 | 350,000   | 459200HT1 | IBM CORP NOTE                         | 1.95% | 2/12/19 | 3,412.50 |  |  |
| 2/15/17 | 2/15/17 | 100,000   | 02007PACT | ALTYA 2017-1 A3                       | 1.70% | 6/15/21 | 70.83    |  |  |
| 2/15/17 | 2/15/17 | 420,000   | 14314JAB6 | CARMAX 2017-1 A2                      | 1.54% | 2/15/20 | 269.50   |  |  |
| 2/15/17 | 2/15/17 | 305,000   | 34531EAD8 | FORDO 2017-A A3                       | 1.67% | 6/15/21 | 282.96   |  |  |
| 2/15/17 | 2/15/17 | 90,000    | 084670BX5 | BERKSHIRE HATHAWAY INC GLOBAL NOTES   | 1.15% | 8/15/18 | 517.50   |  |  |
| 2/26/17 | 2/26/17 | 950,000   | 3135G0J53 | FNMA BENCHMARK NOTE                   | 1.00% | 2/26/19 | 4,750.00 |  |  |
| 2/28/17 | 2/28/17 | 525,000   | 912828J50 | UNITED STATES TREASURY NOTES          | 1.37% | 2/29/20 | 3,609.38 |  |  |
| 2/28/17 | 2/28/17 | 160,000   | 17275RBA9 | CISCO SYSTEMS INC CORP NOTE           | 1.40% | 2/28/18 | 1,120.00 |  |  |
| 2/28/17 | 2/28/17 | 1,675,000 | 3135G0P49 | FNMA NOTES                            | 1.00% | 8/28/19 | 8,188.89 |  |  |
| 3/1/17  | 3/1/17  | 0         | MONEY0002 | MONEY MARKET FUND                     |       |         | 419.42   |  |  |
| 3/1/17  | 3/1/17  | 625,000   | 46623EKD0 | JP MORGAN CHASE CORP NOTES (CALLABLE) | 1.70% | 3/1/18  | 5,312.50 |  |  |
| 3/2/17  | 3/2/17  | 450,000   | 166764AV2 | CHEVRON CORP NOTES                    | 1.36% | 3/2/18  | 3,071.25 |  |  |
| 3/6/17  | 3/6/17  | 500,000   | 30231GAL6 | EXXON MOBIL CORP NOTES                | 1.30% | 3/6/18  | 3,262.50 |  |  |
| 3/15/17 | 3/15/17 | 100,000   | 02007PACT | ALTYA 2017-1 A3                       | 1.70% | 6/15/21 | 141.67   |  |  |



## CITY OF LOS ALTOS

Portfolio Activity

| Trade Date            | Settle Date | Par (\$)          | CUSIP     | Security Description         | Coupon | Maturity Date | Transact Amt (\$) | Yield at Market | Realized G/L (BV) |
|-----------------------|-------------|-------------------|-----------|------------------------------|--------|---------------|-------------------|-----------------|-------------------|
| 3/15/17               | 3/15/17     | 420,000           | 14314JAB6 | CARMX 2017-1 A2              | 1.54%  | 2/15/20       | 539.00            |                 |                   |
| 3/15/17               | 3/15/17     | 305,000           | 34531EAD8 | FORDO 2017-A A3              | 1.67%  | 6/15/21       | 424.46            |                 |                   |
| 3/20/17               | 3/20/17     | 200,000           | 17275RBG6 | CISCO SYSTEMS INC CORP NOTES | 1.40%  | 9/20/19       | 1,400.00          |                 |                   |
| 3/26/17               | 3/26/17     | 825,000           | 3130A9EP2 | FHLB GLOBAL NOTES            | 1.00%  | 9/26/19       | 4,125.00          |                 |                   |
| 3/28/17               | 3/28/17     | 500,000           | 3135G0J61 | FNMA NOTE                    | 0.87%  | 3/28/18       | 2,187.50          |                 |                   |
| 3/31/17               | 3/31/17     | 1,250,000         | 912828SN1 | US TREASURY NOTES            | 1.50%  | 3/31/19       | 9,375.00          |                 |                   |
| 3/31/17               | 3/31/17     | 775,000           | 912828C65 | US TREASURY NOTES            | 1.62%  | 3/31/19       | 6,296.88          |                 |                   |
| <b>Total INTEREST</b> |             | <b>18,880,000</b> |           |                              |        |               | <b>100,165.50</b> |                 |                   |

## SELL

|         |         |         |           |                                   |       |          |            |       |            |
|---------|---------|---------|-----------|-----------------------------------|-------|----------|------------|-------|------------|
| 1/3/17  | 1/5/17  | 750,000 | 912828UJ7 | US TREASURY NOTES                 | 0.87% | 1/31/18  | 752,085.18 | 0.97% | 1,922.40   |
| 1/4/17  | 1/5/17  | 775,000 | 22533TP34 | CREDIT AGRICOLE CIB NY COMM PAPER | 0.00% | 2/3/17   | 774,506.80 | 0.79% | 299.67     |
| 1/10/17 | 1/12/17 | 725,000 | 3130AAE46 | FHLB NOTES                        | 1.25% | 1/16/19  | 725,558.65 | 1.27% | (268.25)   |
| 1/10/17 | 1/12/17 | 150,000 | 912828A75 | US TREASURY NOTES                 | 1.50% | 12/31/18 | 150,953.50 | 1.20% | 59.51      |
| 1/18/17 | 1/25/17 | 300,000 | 3137EADZ9 | FREDDIE MAC NOTES                 | 1.12% | 4/15/19  | 299,572.50 | 1.33% | (1,512.11) |
| 1/19/17 | 1/26/17 | 450,000 | 3135G0G72 | FNMA NOTES                        | 1.12% | 12/14/18 | 449,335.13 | 1.28% | (3,124.16) |
| 1/25/17 | 1/31/17 | 75,000  | 912828UJ7 | US TREASURY NOTES                 | 0.87% | 1/31/18  | 75,011.72  | 0.86% | 259.83     |
| 1/25/17 | 1/31/17 | 410,000 | 912828UJ7 | US TREASURY NOTES                 | 0.87% | 1/31/18  | 410,048.04 | 0.86% | 1,020.48   |
| 1/25/17 | 1/31/17 | 15,000  | 912828UJ7 | US TREASURY NOTES                 | 0.87% | 1/31/18  | 15,001.76  | 0.86% | 51.38      |
| 2/1/17  | 2/3/17  | 840,000 | 912828UJ7 | US TREASURY NOTES                 | 0.87% | 1/31/18  | 839,896.85 | 0.89% | 1,811.79   |
| 2/1/17  | 2/3/17  | 350,000 | 912828QB9 | US TREASURY NOTES                 | 2.87% | 3/31/18  | 361,194.11 | 0.95% | (626.13)   |
| 2/8/17  | 2/9/17  | 875,000 | 3135G0J53 | FNMA BENCHMARK NOTE               | 1.00% | 2/26/19  | 874,805.56 | 1.24% | (2,743.67) |
| 2/8/17  | 2/9/17  | 875,000 | 3135G0J61 | FNMA NOTE                         | 0.87% | 3/28/18  | 877,304.77 | 0.92% | 485.51     |
| 2/28/17 | 3/3/17  | 325,000 | 166764AV2 | CHEVRON CORP NOTES                | 1.36% | 3/2/18   | 325,028.57 | 1.36% | (353.02)   |
| 3/7/17  | 3/15/17 | 100,000 | 3135G0J61 | FNMA NOTE                         | 0.87% | 3/28/18  | 100,152.90 | 1.12% | (152.18)   |
| 3/15/17 | 3/22/17 | 350,000 | 3135G0J61 | FNMA NOTE                         | 0.87% | 3/28/18  | 350,297.21 | 1.21% | (836.69)   |
| 3/17/17 | 3/22/17 | 450,000 | 037833AJ9 | APPLE INC GLOBAL NOTES            | 1.00% | 5/3/18   | 450,347.00 | 1.28% | 679.53     |
| 3/22/17 | 3/28/17 | 50,000  | 3135G0J61 | FNMA NOTE                         | 0.87% | 3/28/18  | 49,887.50  | 1.10% | (63.83)    |

| Trade Date        | Settle Date | Par (\$) | CUSIP     | Security Description                | Coupon | Maturity Date | Transact Amt (\$) | Yield at Market | Realized G/L (BV) |           |
|-------------------|-------------|----------|-----------|-------------------------------------|--------|---------------|-------------------|-----------------|-------------------|-----------|
| 3/22/17           | 3/28/17     | 210,000  | 912828UZ1 | US TREASURY NOTES                   | 0.62%  | 4/30/18       | 209,503.01        | 1.08%           | (250.55)          |           |
| 3/24/17           | 3/28/17     | 800,000  | 06538BR39 | BANK OF TOKYO MITSUBISHI COMM PAPER | 0.00%  | 4/3/17        | 799,873.33        | 0.95%           | 39.99             |           |
| 3/29/17           | 3/30/17     | 475,000  | 912828J50 | UNITED STATES TREASURY NOTES        | 1.37%  | 2/29/20       | 473,602.75        | 1.52%           | 806.69            |           |
|                   |             |          |           |                                     |        |               | 9,363,966.84      |                 | -2,493.81         |           |
| <b>Total SELL</b> |             |          |           |                                     |        |               |                   |                 |                   | 9,350,000 |



## Managed Account Detail of Securities Held

For the Month Ending **March 31, 2017**

### CITY OF LOS ALTOS INVESTMENT PORTFOLIO

| Security Type/Description<br>Dated Date/Coupon/Maturity          | CUSIP     | Par          | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost | Market<br>Value |
|--|-----------|--------------|---------------|-------------------|---------------|----------------|------------------|----------------|---------------------|-------------------|-----------------|
| <b>U.S. Treasury Bond / Note</b>                                 |           |              |               |                   |               |                |                  |                |                     |                   |                 |
| US TREASURY NOTES<br>DTD 05/31/2013 1.000% 05/31/2018            | 912828VE7 | 645,000.00   | AA+           | Aaa               | 05/13/15      | 05/14/15       | 645,125.98       | 0.99           | 2,161.81            | 645,048.87        | 644,093.13      |
| US TREASURY NOTES<br>DTD 05/31/2013 1.000% 05/31/2018            | 912828VE7 | 1,000,000.00 | AA+           | Aaa               | 10/14/16      | 10/14/16       | 1,002,773.44     | 0.83           | 3,351.65            | 1,001,988.71      | 998,594.00      |
| US TREASURY NOTES<br>DTD 10/31/2016 0.750% 10/31/2018            | 912828T83 | 1,250,000.00 | AA+           | Aaa               | 03/02/17      | 03/02/17       | 1,240,039.06     | 1.24           | 3,936.46            | 1,240,532.34      | 1,241,211.25    |
| US TREASURY NOTES<br>DTD 12/02/2013 1.250% 11/30/2018            | 912828A34 | 1,250,000.00 | AA+           | Aaa               | 11/05/15      | 11/09/15       | 1,252,539.06     | 1.18           | 5,236.95            | 1,251,394.95      | 1,250,830.00    |
| US TREASURY NOTES<br>DTD 12/02/2013 1.250% 11/30/2018            | 912828A34 | 1,400,000.00 | AA+           | Aaa               | 05/03/16      | 05/06/16       | 1,414,765.63     | 0.83           | 5,865.38            | 1,409,607.46      | 1,400,929.60    |
| US TREASURY NOTES<br>DTD 12/31/2013 1.500% 12/31/2018            | 912828A75 | 1,025,000.00 | AA+           | Aaa               | 12/01/15      | 12/04/15       | 1,033,688.48     | 1.22           | 3,864.99            | 1,029,983.71      | 1,029,805.20    |
| US TREASURY NOTES<br>DTD 03/31/2014 1.625% 03/31/2019            | 912828C65 | 775,000.00   | AA+           | Aaa               | 03/02/16      | 03/04/16       | 788,441.41       | 1.05           | 34.41               | 783,784.41        | 780,449.03      |
| US TREASURY NOTES<br>DTD 04/02/2012 1.500% 03/31/2019            | 912828SN1 | 1,250,000.00 | AA+           | Aaa               | 03/02/17      | 03/02/17       | 1,253,857.42     | 1.35           | 51.23               | 1,253,710.66      | 1,255,908.75    |
| US TREASURY NOTES<br>DTD 04/30/2014 1.625% 04/30/2019            | 912828D23 | 1,060,000.00 | AA+           | Aaa               | 11/10/16      | 11/14/16       | 1,074,492.19     | 1.06           | 7,232.60            | 1,072,272.38      | 1,067,328.84    |
| US TREASURY NOTES<br>DTD 04/30/2014 1.625% 04/30/2019            | 912828D23 | 1,675,000.00 | AA+           | Aaa               | 06/27/16      | 06/29/16       | 1,718,445.31     | 0.70           | 11,428.87           | 1,706,941.08      | 1,686,580.95    |
| US TREASURY NOTES<br>DTD 10/31/2014 1.500% 10/31/2019            | 912828F62 | 1,250,000.00 | AA+           | Aaa               | 03/02/17      | 03/02/17       | 1,249,169.92     | 1.53           | 7,872.93            | 1,249,199.01      | 1,252,538.75    |
| US TREASURY NOTES<br>DTD 12/01/2014 1.500% 11/30/2019            | 912828G61 | 3,050,000.00 | AA+           | Aaa               | 12/01/16      | 12/05/16       | 3,054,765.63     | 1.45           | 15,333.79           | 3,054,263.11      | 3,055,124.00    |
| US TREASURY NOTES<br>DTD 02/02/2015 1.250% 01/31/2020            | 912828H52 | 1,575,000.00 | AA+           | Aaa               | 01/03/17      | 01/05/17       | 1,562,449.22     | 1.52           | 3,263.12            | 1,563,400.76      | 1,564,849.13    |
| UNITED STATES TREASURY NOTES<br>DTD 03/02/2015 1.375% 02/29/2020 | 912828J50 | 50,000.00    | AA+           | Aaa               | 02/01/17      | 02/03/17       | 49,697.27        | 1.58           | 59.78               | 49,712.49         | 49,810.55       |



Managed Account Detail of Securities Held

For the Month Ending March 31, 2017

CITY OF LOS ALTOS INVESTMENT PORTFOLIO

| Security Type/Description  | S&P    | Moody's | Trade | Settle | Original | YTM     | Accrued  | Amortized | Market |
|----------------------------|--------|---------|-------|--------|----------|---------|----------|-----------|--------|
| Dated Date/Coupon/Maturity | Rating | Rating  | Date  | Date   | Cost     | at Cost | Interest | Cost      | Value  |
| Security Type Sub-Total    |        |         |       |        |          |         |          |           |        |
| Federal Agency Bond / Note |        |         |       |        |          |         |          |           |        |
| 17,255,000.00              |        |         |       |        |          |         |          |           |        |
| 17,340,250.02              |        |         |       |        |          |         |          |           |        |
| 1.19                       |        |         |       |        |          |         |          |           |        |
| 69,693.97                  |        |         |       |        |          |         |          |           |        |
| 17,311,839.94              |        |         |       |        |          |         |          |           |        |
| 17,278,053.18              |        |         |       |        |          |         |          |           |        |

|                                  |           |     |     |            |            |              |      |          |              |              |
|----------------------------------|-----------|-----|-----|------------|------------|--------------|------|----------|--------------|--------------|
| FNMA NOTE                        | 3135G0J61 | Aa+ | Aa+ | 03/02/16   | 03/04/16   | 449,100.00   | 0.97 | 32.81    | 449,565.63   | 448,924.05   |
| FEDERAL HOME LOAN BANKS AGCY     | 3130A8BD4 | Aa+ | Aa+ | 08/11/16   | 08/12/16   | 750,285.00   | 0.85 | 1,677.08 | 750,189.91   | 747,101.25   |
| FEDERAL HOME LOAN BANKS AGCY     | 3130A8BD4 | Aa+ | Aa+ | 08/16/16   | 08/16/16   | 1,000,980.00 | 0.82 | 2,236.11 | 1,000,655.05 | 996,135.00   |
| FEDERAL HOME LOAN BANKS AGCY     | 3130A8BD4 | Aa+ | Aa+ | 05/27/2016 | 06/29/2018 | 1,210,000.00 | 0.99 | 2,705.69 | 1,208,254.78 | 1,205,323.35 |
| FHLB NOTES                       | 3130A8PK3 | Aa+ | Aa+ | 07/07/16   | 07/08/16   | 1,920,996.00 | 0.73 | 1,804.69 | 1,922,394.47 | 1,910,387.33 |
| FHLB GLOBAL NOTE                 | 3130A9AE1 | Aa+ | Aa+ | 08/25/16   | 08/26/16   | 1,523,963.00 | 0.91 | 6,671.88 | 1,524,254.61 | 1,515,888.13 |
| FNMA BENCHMARK NOTE              | 3135G0E58 | Aa+ | Aa+ | 08/27/15   | 09/01/15   | 848,623.00   | 1.18 | 4,303.13 | 849,311.18   | 848,623.00   |
| FNMA NOTES                       | 3135G0G72 | Aa+ | Aa+ | 08/16/16   | 08/16/16   | 552,816.00   | 0.90 | 1,839.06 | 552,066.53   | 548,673.40   |
| DTD 11/03/2015 1.125% 12/14/2018 |           |     |     |            |            |              |      |          |              |              |
| FNMA BENCHMARK NOTE              | 3135G0J53 | Aa+ | Aa+ | 02/19/16   | 02/23/16   | 947,758.00   | 1.08 | 923.61   | 948,573.53   | 943,790.80   |
| DTD 02/23/2016 1.000% 02/26/2019 |           |     |     |            |            |              |      |          |              |              |
| FREDDIE MAC NOTES                | 3137EADZ9 | Aa+ | Aa+ | 05/26/16   | 05/31/16   | 325,250.25   | 1.10 | 1,685.94 | 325,179.12   | 323,427.33   |
| DTD 03/21/2016 1.125% 04/15/2019 |           |     |     |            |            |              |      |          |              |              |
| FREDDIE MAC NOTES                | 3137EADZ9 | Aa+ | Aa+ | 03/29/16   | 03/29/16   | 450,301.50   | 1.10 | 2,334.38 | 450,202.68   | 447,822.45   |
| DTD 03/21/2016 1.125% 04/15/2019 |           |     |     |            |            |              |      |          |              |              |
| FHLB GLOBAL NOTE                 | 3130A8DB6 | Aa+ | Aa+ | 06/02/16   | 06/03/16   | 774,674.50   | 1.14 | 2,421.88 | 774,760.95   | 770,660.00   |
| DTD 06/03/2016 1.125% 06/21/2019 |           |     |     |            |            |              |      |          |              |              |
| FHLMC REFERENCE NOTE             | 3137EAE81 | Aa+ | Aa+ | 09/01/16   | 09/02/16   | 398,076.00   | 1.04 | 700.00   | 398,459.98   | 395,139.60   |
| DTD 07/20/2016 0.875% 07/19/2019 |           |     |     |            |            |              |      |          |              |              |
| FHLMC REFERENCE NOTE             | 3137EAE81 | Aa+ | Aa+ | 07/19/16   | 07/20/16   | 947,701.00   | 0.96 | 1,662.50 | 948,230.12   | 938,456.55   |
| DTD 07/20/2016 0.875% 07/19/2019 |           |     |     |            |            |              |      |          |              |              |

PFM Asset Management LLC





**Managed Account Detail of Securities Held**

For the Month Ending **March 31, 2017**

**CITY OF LOS ALTOS INVESTMENT PORTFOLIO**

| <b>Security Type/Description</b>      | <b>Dated Date/Coupon/Maturity</b> | <b>CUSIP</b> | <b>Par</b>           | <b>S&amp;P Rating</b> | <b>Moody's Rating</b> | <b>Trade Date</b> | <b>Settle Date</b> | <b>Original Cost</b> | <b>YTM at Cost</b> | <b>Accrued Interest</b> | <b>Amortized Cost</b> | <b>Market Value</b>  |
|---------------------------------------|-----------------------------------|--------------|----------------------|-----------------------|-----------------------|-------------------|--------------------|----------------------|--------------------|-------------------------|-----------------------|----------------------|
| <b>Federal Agency Bond / Note</b>     |                                   |              |                      |                       |                       |                   |                    |                      |                    |                         |                       |                      |
| FNMA BENCHMARK NOTE                   | DTD 08/02/2016 0.875% 08/02/2019  | 3135G0N33    | 1,000,000.00         | AA+                   | Aaa                   | 07/29/16          | 08/02/16           | 998,320.00           | 0.93               | 1,434.03                | 998,687.89            | 987,020.00           |
| FNMA NOTES                            | DTD 09/02/2016 1.000% 08/28/2019  | 3135G0P49    | 1,675,000.00         | AA+                   | Aaa                   | 08/31/16          | 09/02/16           | 1,672,387.00         | 1.05               | 1,442.36                | 1,672,883.96          | 1,657,206.48         |
| FHLB GLOBAL NOTES                     | DTD 09/09/2016 1.000% 09/26/2019  | 3130A9EP2    | 825,000.00           | AA+                   | Aaa                   | 10/03/16          | 10/05/16           | 824,711.25           | 1.01               | 114.58                  | 824,758.52            | 815,994.30           |
| FNMA NOTES                            | DTD 02/28/2017 1.500% 02/28/2020  | 3135G0T29    | 600,000.00           | AA+                   | Aaa                   | 02/24/17          | 02/28/17           | 599,616.00           | 1.52               | 775.00                  | 599,626.94            | 598,555.80           |
| <b>Security Type Sub-Total</b>        |                                   |              | <b>16,210,000.00</b> |                       |                       |                   |                    | <b>16,192,642.40</b> | <b>0.98</b>        | <b>34,764.73</b>        | <b>16,198,055.85</b>  | <b>16,099,128.82</b> |
| <b>Corporate Note</b>                 |                                   |              |                      |                       |                       |                   |                    |                      |                    |                         |                       |                      |
| WELLS FARGO & COMPANY GLOBAL NOTES    | DTD 12/26/2012 1.500% 01/16/2018  | 94974BFG0    | 625,000.00           | A                     | A2                    | 09/08/15          | 09/11/15           | 623,431.25           | 1.61               | 1,953.13                | 624,465.98            | 623,875.00           |
| CISCO SYSTEMS INC CORP NOTE           | DTD 02/29/2016 1.400% 02/28/2018  | 17275RBA9    | 160,000.00           | AA-                   | A1                    | 02/22/16          | 02/29/16           | 160,000.00           | 1.40               | 192.89                  | 160,000.00            | 160,009.92           |
| JP MORGAN CHASE CORP NOTES (CALLABLE) | DTD 03/02/2015 1.700% 03/01/2018  | 46623EKD0    | 625,000.00           | A-                    | A3                    | 09/08/15          | 09/11/15           | 623,056.25           | 1.83               | 885.42                  | 624,269.78            | 625,140.00           |
| CHEVRON CORP NOTES                    | DTD 03/03/2015 1.365% 03/02/2018  | 166764AV2    | 125,000.00           | AA-                   | Aa2                   | 03/23/15          | 03/26/15           | 125,412.50           | 1.25               | 137.45                  | 125,130.98            | 124,927.75           |
| EXXON MOBIL CORP NOTES                | DTD 03/06/2015 1.305% 03/06/2018  | 30231GAL6    | 500,000.00           | AA+                   | Aaa                   | 03/13/15          | 03/18/15           | 500,230.00           | 1.29               | 453.13                  | 500,073.28            | 499,600.50           |
| GENERAL ELEC CAP CORP GLOBAL NOTES    | DTD 04/02/2013 1.625% 04/02/2018  | 36962G6W9    | 650,000.00           | AA-                   | A1                    | 07/02/15          | 07/08/15           | 653,139.50           | 1.44               | 5,251.91                | 651,167.89            | 651,408.55           |
| TOYOTA MOTOR CREDIT CORP              | DTD 04/08/2016 1.200% 04/06/2018  | 89236TCX1    | 375,000.00           | AA-                   | Aa3                   | 04/05/16          | 04/08/16           | 374,910.00           | 1.21               | 2,187.50                | 374,953.94            | 373,984.13           |
| APPLE INC GLOBAL NOTES                | DTD 05/03/2013 1.000% 05/03/2018  | 037833AJ9    | 175,000.00           | AA+                   | Aa1                   | 07/23/15          | 07/28/15           | 173,024.25           | 1.42               | 719.44                  | 174,212.88            | 174,470.80           |





**Managed Account Detail of Securities Held**

For the Month Ending March 31, 2017

**CITY OF LOS ALTOS INVESTMENT PORTFOLIO**

| Security Type/Description | Dated Date/Coupon/Maturity | CUSIP | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---------------------------|----------------------------|-------|------------|----------------|------------|-------------|---------------|-------------|------------------|----------------|--------------|
|---------------------------|----------------------------|-------|------------|----------------|------------|-------------|---------------|-------------|------------------|----------------|--------------|

|                                       |                                  |           |     |     |          |          |                     |             |                  |                     |                     |
|---------------------------------------|----------------------------------|-----------|-----|-----|----------|----------|---------------------|-------------|------------------|---------------------|---------------------|
| JOHN DEERE CAPITAL CORP NOTE          | DTD 09/11/2015 1.750% 08/10/2018 | 2442ZETA7 | A   | A2  | 09/08/15 | 09/11/15 | 539,470.80          | 1.78        | 1,338.75         | 539,748.58          | 541,438.56          |
| BERKSHIRE HATHAWAY INC GLOBAL NOTES   | DTD 08/15/2016 1.150% 08/15/2018 | 084670BX5 | AA  | Aa2 | 08/08/16 | 08/15/16 | 89,989.20           | 1.16        | 132.25           | 89,992.57           | 89,547.12           |
| AMERICAN HONDA FINANCE CORP           | DTD 11/21/2016 1.500% 11/19/2018 | 02665WBK6 | A+  | A1  | 11/16/16 | 11/21/16 | 274,887.25          | 1.52        | 1,489.58         | 274,907.39          | 274,179.68          |
| IBM CORP NOTE                         | DTD 02/12/2014 1.950% 02/12/2019 | 459200HT1 | AA- | Aa3 | 02/17/16 | 02/22/16 | 353,307.50          | 1.62        | 928.96           | 352,092.70          | 352,583.00          |
| PFIZER INC CORP NOTES                 | DTD 06/03/2016 1.450% 06/03/2019 | 71708IDU4 | AA  | A1  | 06/03/16 | 06/08/16 | 376,106.25          | 1.35        | 1,782.29         | 375,809.16          | 373,198.13          |
| CISCO SYSTEMS INC CORP NOTES          | DTD 09/20/2016 1.400% 09/20/2019 | 17275RBG6 | AA- | A1  | 09/20/16 | 09/23/16 | 200,216.00          | 1.36        | 85.56            | 200,178.98          | 198,465.40          |
| AMERICAN EXPRESS CREDIT CORP          | DTD 10/31/2016 1.700% 10/30/2019 | 0258M0EC9 | A-  | A2  | 01/31/17 | 02/03/17 | 446,580.00          | 1.99        | 3,208.75         | 446,778.92          | 447,259.05          |
| MICROSOFT CORP                        | DTD 02/06/2017 1.850% 02/06/2020 | 594918BV5 | AAA | Aaa | 01/30/17 | 02/06/17 | 214,855.95          | 1.87        | 607.67           | 214,863.12          | 215,666.93          |
| MELTON BANK (CALLABLE) CORPORATE NOTE | DTD 02/24/2015 2.150% 02/24/2020 | 06406HCZ0 | A   | A1  | 03/29/17 | 03/30/17 | 476,695.75          | 2.02        | 1,049.62         | 476,694.14          | 476,947.98          |
| CHEVRON CORP CORP NOTES               | DTD 03/03/2017 1.991% 03/03/2020 | 166764BP4 | AA- | Aa2 | 02/28/17 | 03/03/17 | 325,000.00          | 1.99        | 503.28           | 325,000.00          | 325,412.10          |
| WALT DISNEY COMPANY CORP NOTES        | DTD 03/06/2017 1.950% 03/04/2020 | 25468PDP8 | A   | A2  | 03/01/17 | 03/06/17 | 89,976.60           | 1.96        | 121.88           | 89,977.12           | 90,201.42           |
| BRANCH BANKING & TRUST CORP NOTE      | DTD 06/29/2015 2.625% 06/29/2020 | 05531FAU7 | A-  | A2  | 03/17/17 | 03/22/17 | 454,144.50          | 2.33        | 3,018.75         | 454,114.62          | 454,590.00          |
| <b>Security Type Sub-Total</b>        |                                  |           |     |     |          |          | <b>7,074,433.55</b> | <b>1.67</b> | <b>26,048.21</b> | <b>7,074,432.03</b> | <b>7,072,906.02</b> |

**Commercial Paper**

|                                |                     |
|--------------------------------|---------------------|
| <b>Security Type Sub-Total</b> | <b>7,070,000.00</b> |
| <b>7,074,433.55</b>            | <b>1.67</b>         |
| <b>26,048.21</b>               | <b>7,074,432.03</b> |
| <b>7,072,906.02</b>            |                     |



## Managed Account Detail of Securities Held

For the Month Ending **March 31, 2017**

### CITY OF LOS ALTOS INVESTMENT PORTFOLIO

| Security Type/Description<br>Dated Date/Coupon/Maturity                    | CUSIP     | Par                 | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost    | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost   | Market<br>Value     |
|--|-----------|---------------------|---------------|-------------------|---------------|----------------|---------------------|----------------|---------------------|---------------------|---------------------|
| <b>Commercial Paper</b>  |           |                     |               |                   |               |                |                     |                |                     |                     |                     |
| BNP PARIBAS NY BRANCH COMM PAPER<br>-- 0.000% 04/12/2017                   | 09659BRC6 | 800,000.00          | A-1           | P-1               | 10/14/16      | 10/14/16       | 795,200.00          | 1.21           | 0.00                | 799,706.66          | 799,751.20          |
| <b>Security Type Sub-Total</b>   |           | <b>800,000.00</b>   |               |                   |               |                | <b>795,200.00</b>   | <b>1.21</b>    | <b>0.00</b>         | <b>799,706.66</b>   | <b>799,751.20</b>   |
| <b>Certificate of Deposit</b>  |           |                     |               |                   |               |                |                     |                |                     |                     |                     |
| TORONTO DOMINION BANK NY CERT<br>DEPOS<br>DTD 02/09/2017 1.480% 03/14/2018 | 89113WWJ1 | 875,000.00          | A-1+          | P-1               | 02/08/17      | 02/09/17       | 875,000.00          | 1.50           | 1,834.58            | 875,000.00          | 874,515.65          |
| CANADIAN IMPERIAL BANK NY CD<br>DTD 12/05/2016 1.760% 11/30/2018           | 13606A5Z7 | 875,000.00          | A+            | Aa3               | 12/01/16      | 12/05/16       | 874,317.50          | 1.78           | 5,005.00            | 874,427.65          | 879,842.25          |
| NORDEA BANK FINLAND NY CD<br>DTD 12/05/2016 1.760% 11/30/2018              | 65558LWA6 | 875,000.00          | AA-           | Aa3               | 12/01/16      | 12/05/16       | 875,000.00          | 1.74           | 5,005.00            | 875,000.00          | 879,842.25          |
| SVENSKA HANDELSBANKEN NY LT CD<br>DTD 01/12/2017 1.890% 01/10/2019         | 86958JHB8 | 875,000.00          | AA-           | Aa2               | 01/10/17      | 01/12/17       | 875,000.00          | 1.91           | 3,629.06            | 875,000.00          | 872,601.63          |
| BANK OF MONTREAL CHICAGO CERT DEPOS<br>DTD 02/09/2017 1.880% 02/07/2019    | 06427KRC3 | 875,000.00          | A+            | Aa3               | 02/08/17      | 02/09/17       | 875,000.00          | 1.90           | 2,330.42            | 875,000.00          | 881,044.50          |
| <b>Security Type Sub-Total</b>   |           | <b>4,375,000.00</b> |               |                   |               |                | <b>4,374,317.50</b> | <b>1.77</b>    | <b>17,804.06</b>    | <b>4,374,427.65</b> | <b>4,387,846.28</b> |
| <b>Asset-Backed Security / Collateralized Mortgage Obligation</b>          |           |                     |               |                   |               |                |                     |                |                     |                     |                     |
| CARMX 2017-1 A2<br>DTD 01/31/2017 1.540% 02/15/2020                        | 14314JAB6 | 420,000.00          | NR            | Aaa               | 01/25/17      | 01/31/17       | 419,999.87          | 1.60           | 287.47              | 419,999.93          | 420,041.79          |
| CNH EQUIPMENT TRUST POOL<br>DTD 03/22/2017 1.800% 07/15/2020               | 12636WAB2 | 350,000.00          | AAA           | Aaa               | 03/15/17      | 03/22/17       | 349,986.56          | 1.80           | 157.50              | 349,986.61          | 350,915.57          |
| CCCIT 2017-A2 A2<br>DTD 01/26/2017 1.740% 01/17/2021                       | 17305EGA7 | 450,000.00          | AAA           | Aaa               | 01/19/17      | 01/26/17       | 449,913.83          | 1.75           | 1,413.75            | 450,000.00          | 450,716.13          |
| TAOT 2017-A A3<br>DTD 03/15/2017 1.730% 02/15/2021                         | 89238MADO | 120,000.00          | AAA           | Aaa               | 03/07/17      | 03/15/17       | 119,985.88          | 1.74           | 92.27               | 119,986.03          | 119,985.88          |
| JDOT 2017-A A3<br>DTD 03/02/2017 1.780% 04/15/2021                         | 47787XAC1 | 90,000.00           | NR            | Aaa               | 02/22/17      | 03/02/17       | 89,987.18           | 1.79           | 71.20               | 89,987.55           | 89,966.21           |

**PFM Asset Management LLC**



**Managed Account Detail of Securities Held**

For the Month Ending March 31, 2017

**CITY OF LOS ALTOS INVESTMENT PORTFOLIO**

| Security Type/Description | Dated Date/Coupon/Maturity | CUSIP | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---------------------------|----------------------------|-------|------------|----------------|------------|-------------|---------------|-------------|------------------|----------------|--------------|
|---------------------------|----------------------------|-------|------------|----------------|------------|-------------|---------------|-------------|------------------|----------------|--------------|

**Asset-Backed Security / Collateralized Mortgage Obligation**

|                 |                                  |           |     |     |          |          |            |      |        |            |            |
|-----------------|----------------------------------|-----------|-----|-----|----------|----------|------------|------|--------|------------|------------|
| ALLYA 2017-1 A3 | DTD 01/31/2017 1.700% 06/15/2021 | 02007PAC7 | AAA | Aaa | 01/24/17 | 01/31/17 | 99,991.26  | 1.70 | 75.56  | 99,991.63  | 99,898.43  |
| FORDO 2017-A A3 | DTD 01/25/2017 1.670% 06/15/2021 | 34531EAD8 | NR  | Aaa | 01/18/17 | 01/25/17 | 304,998.87 | 1.67 | 226.38 | 304,998.99 | 305,055.69 |
| HAROT 2017-1 A3 | DTD 03/28/2017 1.720% 07/21/2021 | 43814TAC6 | NR  | Aaa | 03/21/17 | 03/28/17 | 219,986.91 | 1.72 | 31.53  | 219,986.93 | 220,096.05 |
| HART 2017-A A3  | DTD 03/29/2017 1.760% 08/15/2021 | 44931PAD8 | AAA | NR  | 03/22/17 | 03/29/17 | 204,983.42 | 1.76 | 20.04  | 204,983.43 | 204,983.42 |
| NAROT 2017-A A3 | DTD 03/28/2017 1.740% 08/15/2021 | 654747AD6 | NR  | Aaa | 03/21/17 | 03/28/17 | 249,973.53 | 1.74 | 36.25  | 249,973.55 | 249,973.53 |
| ALLYA 2017-2 A3 | DTD 03/29/2017 1.780% 08/15/2021 | 02007HAC5 | AAA | NR  | 03/21/17 | 03/29/17 | 379,955.20 | 1.79 | 37.58  | 379,955.22 | 379,955.20 |

|                                  |                        |                        |              |                     |                        |                        |
|----------------------------------|------------------------|------------------------|--------------|---------------------|------------------------|------------------------|
| <b>Security Type Sub-Total</b>   | <b>2,890,000.00</b>    | <b>2,889,762.51</b>    | <b>1.73</b>  | <b>2,449.53</b>     | <b>2,889,849.87</b>    | <b>2,891,587.90</b>    |
| <b>Managed Account Sub-Total</b> | <b>48,600,000.00</b>   | <b>48,666,605.98</b>   | <b>1.27</b>  | <b>150,760.50</b>   | <b>48,648,312.00</b>   | <b>48,529,273.40</b>   |
| <b>Securities Sub-Total</b>      | <b>\$48,600,000.00</b> | <b>\$48,666,605.98</b> | <b>1.27%</b> | <b>\$150,760.50</b> | <b>\$48,648,312.00</b> | <b>\$48,529,273.40</b> |
| <b>Accrued Interest</b>          |                        |                        |              |                     |                        | <b>\$150,760.50</b>    |
| <b>Total Investments</b>         |                        |                        |              |                     |                        | <b>\$48,680,033.90</b> |



## Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values which include accrued interest, are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg or Telerate. Where prices are not available from generally recognized sources the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

- **ACRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount, expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

## Glossary

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction occurs on a non-business day (i.e. coupon payments and maturity proceeds), the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred however the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return, based on the original cost, the annual interest receipts, maturity value and the time period from purchase date to maturity, stated as a percentage, on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return, based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.

