



# City of Brentwood



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**Investment Performance Review**

**First Quarter 2013**

**PFM Asset Management LLC**

50 California Street, Suite 2300

San Francisco, CA 94111

415-982-5544



## Summary

- In the first quarter of 2013, investors flocked to relatively riskier assets (such as corporate bonds and equities) as loose global monetary policy fueled a search for additional yield.
- The U.S. housing market continued to strengthen, and the unemployment rate fell to 7.6%.
- The domestic economy has continued to experience moderate growth, but some economists believe that the federal budget cuts that went into effect March 1 (also known as the sequestration) may lead to slower growth for the second half of the year.

## Economic Snapshot

- Housing starts have averaged more than 900,000 a year in the first quarter, up more than 25% over 2012 but still much lower than in the boom years. Home sales and housing prices are also significantly above recession levels.
- According to the U.S. Commerce Department, consumer spending rose 0.7% in February—a fourth straight increase that was due in part to higher gas prices. Meanwhile, personal income grew by 1.1% in February after a big downturn in the prior month. Both numbers were slightly above expectations.
- U.S. gross domestic product (GDP) grew by 0.4% in the fourth quarter of 2012, while forecasts for first-quarter growth are in the 2%-3% range.
- Euro-zone economies struggled with recession and political uncertainty. The banking crisis in Cyprus, Italy's difficulties creating a new government, and weakness in many European economies pushed the euro lower against the U.S. dollar and supported U.S. Treasury prices. Once again, heightened concerns about the euro zone caused a flight to quality late in the quarter.

## Interest Rates

- Interest rates rose modestly during the quarter across longer-term maturities, while the flight to quality stemming from euro-zone fears counteracted the move higher.
- The markets shrugged off the start of the federal budget sequestration as they did the “fiscal cliff” in December, but if the economy feels growing stress from budget cuts in the coming months, interest rates may be pushed toward recent lows.
- The Federal Reserve (Fed) remained committed to keeping short-term rates at record-low levels, pegging short-term rates near zero. The Fed also continued to buy \$45 billion in Treasuries each month in addition to its monthly purchases of \$40 billion in Agency mortgage-backed securities (MBS).

## Sector Performance

- High-quality corporate bonds continued to perform well for the quarter, as spreads narrowed to post-credit-crisis lows. Security selection has been important, as certain corporate sectors (such as Financials) performed particularly well.
- After incurring losses in the fourth quarter of 2012 due to concerns that their tax-exempt status might be curtailed, municipal bonds roared back to life in the first quarter of 2013. These securities, along with corporate bonds, were the top performers for the quarter.
- Supply scarcity and historically tight spreads resulted in Agencies contributing little or no additional performance when compared with similar-maturity Treasuries.
- MBS recovered somewhat after their fourth-quarter underperformance, bolstered by the upturn in housing values and expectations that the Fed's buying program would continue for the foreseeable future.

*The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC (PFMAM) at the time of distribution and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFMAM cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.*



Economic Snapshot

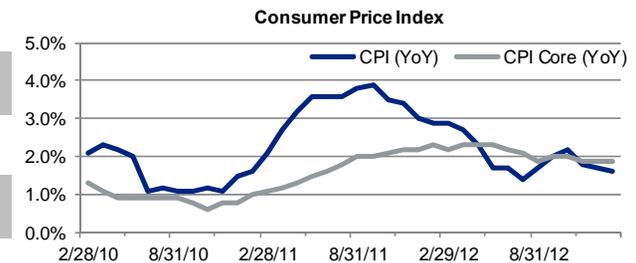
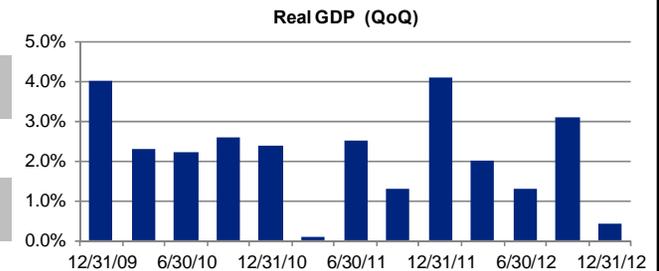
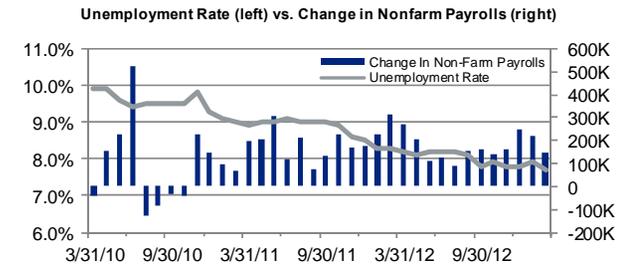
Labor Market		Latest	Dec 2012	Mar 2012
Unemployment Rate	Mar'13	7.6%	7.8%	8.2%
Change In Non-Farm Payrolls	Mar'13	88,000	219,000	205,000
Average Hourly Earnings (YoY)	Mar'13	1.8%	2.1%	2.1%
Personal Income (YoY)	Feb'13	2.6%	7.1%	3.2%
Initial Jobless Claims (week)	Mar 29	385,000	372,000	368,000

Growth				
Real GDP (QoQ SAAR)	2012Q4	0.4%	3.1% <sup>1</sup>	2.0% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2012Q4	1.8%	1.6% <sup>1</sup>	2.4% <sup>2</sup>
Retail Sales (YoY)	Feb'13	4.6%	4.8%	6.3%
ISM Manufacturing Survey (month)	Mar'13	51.3	50.2	53.3
Existing Home Sales (month)	Feb'13	4.98 mil.	4.90 mil.	4.46 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Feb'13	1.3%	1.5%	2.2%
Consumer Price Index (YoY)	Feb'13	2.0%	1.7%	2.7%
Consumer Price Index Core (YoY)	Feb'13	1.7%	1.3%	2.8%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$97.23	\$91.82	\$103.02
Gold Futures (oz)	Mar 31	\$1,595	\$1,676	\$1,669



1. Data as of Third Quarter 2012

2. Data as of First Quarter 2012

Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

Source: Bloomberg

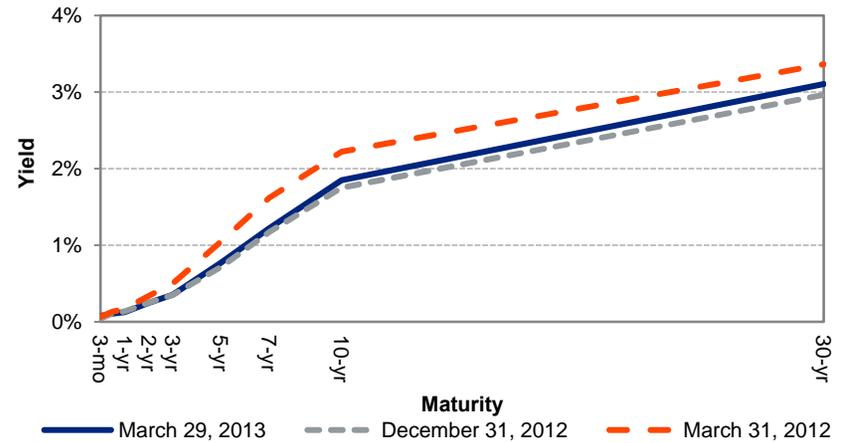


Interest Rate Overview

U.S. Treasury Note Yields



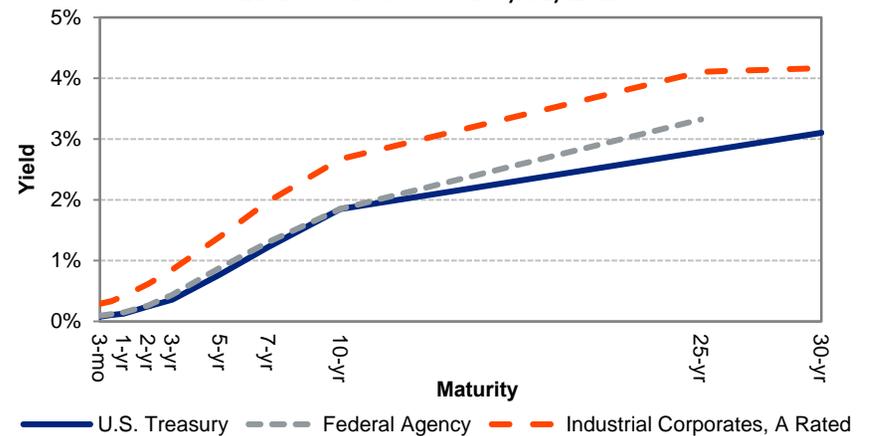
U.S. Treasury Note Yield Curve



U.S. Treasury Yields

Maturity	3/31/13	12/31/12	Change over Quarter	3/31/12	Change over Year
3-month	0.07%	0.09%	(0.02%)	0.11%	(0.04%)
1-year	0.13%	0.14%	(0.01%)	0.22%	(0.09%)
2-year	0.28%	0.27%	0.00%	0.35%	(0.07%)
5-year	0.79%	0.74%	0.05%	1.07%	(0.28%)
10-year	1.93%	1.81%	0.12%	2.28%	(0.35%)
30-year	3.10%	2.94%	0.16%	3.33%	(0.23%)

Yield Curves as of 3/31/2013



Source: Bloomberg



B of A Merrill Lynch Index Returns

	As of 3/31/2013		Returns for Periods ended 3/31/2013		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.87	0.25%	0.12%	0.64%	1.24%
Federal Agency	1.71	0.32%	0.11%	0.67%	1.37%
U.S. Corporates, A-AAA rated	1.99	0.90%	0.44%	2.75%	2.93%
Agency MBS (0 to 3 years)	1.81	1.29%	0.01%	1.19%	2.84%
Municipals	1.82	0.51%	0.45%	1.05%	1.63%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.73	0.39%	0.15%	1.26%	2.36%
Federal Agency	2.38	0.47%	0.14%	1.19%	2.04%
U.S. Corporates, A-AAA rated	2.86	1.18%	0.58%	4.05%	4.23%
Agency MBS (0 to 5 years)	2.81	1.96%	(0.03%)	1.88%	3.82%
Municipals	2.55	0.71%	0.65%	1.68%	2.48%
<b>Master Indices</b>					
U.S. Treasury	5.95	1.01%	(0.26%)	3.23%	5.41%
Federal Agency	3.82	0.89%	0.05%	2.51%	3.72%
U.S. Corporates, A-AAA rated	6.79	2.39%	(0.18%)	6.88%	7.45%
Agency MBS	3.23	2.02%	(0.07%)	1.91%	4.17%
Municipals	7.51	2.62%	0.52%	5.61%	6.56%

Returns for periods greater than one year are annualized

Source: Bloomberg

## Portfolio Summary

<u>Total Portfolio Value</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Market Value	\$162,614,198.50	\$174,261,607.79
Amortized Cost	\$162,254,993.67	\$173,667,347.53

## PORTFOLIO RECAP

- Interest rates for short-maturity Treasuries (3 years or less) barely budged during the quarter as the Federal Reserve's near-zero interest rate policy on overnight lending continued to anchor the front end of the yield curve. Yields on 2-year Treasury Notes started the quarter at 0.25%, fluctuated no higher than 0.29% and no lower than 0.23%, before ending the quarter at 0.24% for a net change of -1 basis point (-0.01%).
- Strong retail sales and housing data initially led to a rise in rates of 20-25 basis points for 5- to 10-year Treasury notes. The 10-year Treasury note breached 2% for the first time in a year. By late March, however, unfolding developments in Europe triggered demand for safe assets and reversed the trend toward higher rates. Five-year Treasury notes, which began the year at 0.72%, climbed as high as 0.91%, but fell back to 0.78% by the end of the quarter.
- Index returns for the first quarter for various 1- to 3-year sectors were as follows: Treasuries 0.12%, Agencies 0.11%, Corporates (AA or better) 0.35%, Municipals 0.40%, and MBS 0.01%.
- Returns for Federal Agency notes essentially mirrored those for Treasuries for the first quarter. Callable Federal Agencies slightly underperformed fixed-maturity bullets (by 3 basis points). The best opportunities to enhance fixed-income returns came from credit spread products, such as municipal bonds and corporate notes.
- Municipal bonds were the best performing sector this quarter. They generated particularly strong gains for the first two months of the year when investors, relieved that munis did not lose their tax-exempt status as part of the fiscal cliff deal, as many had feared, began investing in munis again, which led to a rise in their prices. This reversed much of the panic sell-off in the fourth quarter.
- Corporate notes also had a strong quarter, especially those in the single-A rated category. Superior performance came from both higher income and capital appreciation. Since corporate note yields are higher than those of similar maturity Treasuries and Agencies, they produced higher income. At the same time, strong investor demand caused corporate yield spreads to continue to narrow, which led to capital appreciation. That demand reflects, in part, the Federal Reserve's success at pushing investors out of cash and into riskier parts of the capital markets, such as corporates and equities.
- The U.S. Treasury Department announced that it will begin issuing floating-rate Treasury notes in November. These notes will have an adjustable coupon (on an as yet unspecified reference interest rate). Floating-rate Treasuries may offer value to investors who seek both a high degree of safety and protection from rising rates.

## Portfolio Summary - continued

**PORTFOLIO STRATEGY**

- Since U.S. GDP continues to track below its potential, employment gains are at a level that barely keeps pace with population growth, and inflation remains tame, the Federal Reserve is expected to continue its current posture of accommodative monetary policy, including a continuation of monthly purchases of Treasuries and Federal Agency MBS through 2013.
- U.S. Treasuries are expected to remain in their current yield ranges in the second quarter as they continue to benefit from strong demand from three sources: (1) the Fed's ongoing \$45 billion monthly purchase program of longer-term maturities, (2) investors seeking safety from the economic and fiscal problems across much of Europe, and (3) export-oriented countries, particularly those in Asia, that invest foreign-exchange reserves accumulated from their positive balances of trade with the U.S. into U.S. dollar-denominated assets.
- Both Treasuries and Federal Agency securities will continue to benefit from "roll-down" in a stable, range-bound market. (Roll-down is the natural tendency of bonds to appreciate as time passes and their maturity shortens.) Shorter maturities are tethered by the Fed's near-zero interest rate policy, which is expected to remain in place for the foreseeable future. At current, very narrow yield spreads, Federal Agencies offer little value over Treasuries, especially in maturities under 3 years.
- We will continue to add value to the portfolio by combining a bottom-up approach of analyzing the credit characteristics and value of individual issuers and securities, with a top-down approach of capitalizing on macro-level trends in the market and through sector selection that seeks to capture value in corporates, commercial paper, negotiable CD's, and municipals.
- Corporate bonds are likely to continue to be the investment of choice for fixed-income investors seeking enhanced return. In particular, yield spreads on the debt of financial companies are still well above their pre-credit-crisis levels and have further room for spread narrowing, which would add to return. Although bank holding companies remain exposed to potential ratings downgrades, increased capital levels, several years of deleveraging, and high cash balances have led to stronger balance sheet fundamentals across much of the corporate landscape.
- Uncertainty with respect to modifications in government-sponsored refinancing programs and mortgage origination may create opportunities for investors seeking to diversify into mortgage-backed securities (MBS). With the recovery in housing now in full swing, PFMAM intends to explore value in the MBS sector through thorough analysis of structure and prepayment risk.
- We will continue to focus on safety of principal and appropriate liquidity, while maximizing value through careful, prudent active management. Our strategy will remain flexible and may change in response to changes in interest rates, economic data, market outlook or specific opportunities that arise.

Year-To-Date Cash-Basis Earnings Analysis (Monthly)<sup>1,2,3,4</sup>

	Fiscal Year 2011/12	Fiscal Year 2012/2013	Fiscal Year 2012/2013	Fiscal Year 2012/2013	Fiscal Year 2012/2013	Current Forecast	Fiscal Year 2011/2012	Fiscal Year 2012/2013
Month	Actual	Budget	Year-To-Date Actual	Current Forecast	Actual/Forecast vs. Budget	FY 2011/12 vs. FY 2012/13	Par Value of Portfolio	
July	\$81,922	163,200	168,755	168,755	5,555	86,833	180,335,000	164,384,000
August	\$316,655	326,500	326,564	326,564	64	9,909	168,150,000	155,424,000
September	\$475,981	127,300	127,385	127,385	85	(348,596)	163,300,000	148,854,000
October	\$384,046	42,400	31,289	31,289	(11,111)	(352,756)	163,355,000	148,754,000
November	\$709,246	477,200	526,209	526,209	49,009	(183,037)	159,025,000	148,804,000
December	\$175,209	146,600	(2,106)	(2,106)	(148,706)	(177,314)	158,960,000	158,574,000
January	\$451,704	411,500	328,033	328,033	(83,467)	(123,670)	163,915,000	158,204,000
February	\$157,922	317,200	40,003	40,003	(277,197)	(117,919)	163,985,000	149,405,000
March	(\$116,225)	41,300	278,037	278,037	236,737	394,262	163,660,000	149,040,000
April	\$366,731	42,400		42,400	-	(324,331)	163,170,000	
May	\$234,312	472,100		472,100	-	237,788	164,164,000	
June	(\$37,401)	111,500		111,500	-	148,901	164,229,000	
<b>Total</b>	<b>3,200,103</b>	<b>2,679,200</b>	<b>1,824,172</b>	<b>2,450,172</b>	<b>(229,028)</b>	<b>(749,931)</b>	<b>164,687,333</b>	<b>153,493,667</b>
Cash Return	1.94%	1.75%	1.19%	1.60%				

Notes:

1. Earnings based on the City's cash receipt based (non GAAP) accounting methodology.
2. Monthly volatility reflects actual and expected timing of receipt of coupon payments and other cash-based earnings.
3. Cash return is total cash earnings divided by average portfolio balance.
4. Earnings do not include LAIF.

Year-To-Date Cash-Basis Earnings Analysis (Cumulative)<sup>1,2,3,4</sup>

Month	Fiscal Year 2011/12	Fiscal Year 2012/2013	Fiscal Year 2012/2013	Fiscal Year 2012/2013	Fiscal Year 2012/2013	Current Forecast	Fiscal Year 2011/2012	Fiscal Year 2012/2013
	Actual	Budget	Year-To-Date Actual	Current Forecast	Actual/Forecast vs. Budget	FY 2011/12 vs. FY 2010/11	Par Value of Portfolio	
July	81,922	163,200	168,755	168,755	5,555	86,833	180,335,000	164,384,000
August	398,577	489,700	495,319	495,319	5,619	96,742	168,150,000	155,424,000
September	874,559	617,000	622,705	622,705	5,705	(251,854)	163,300,000	148,854,000
October	1,258,604	659,400	653,994	653,994	(5,406)	(604,610)	163,355,000	148,754,000
November	1,967,850	1,136,600	1,180,203	1,180,203	43,603	(787,647)	159,025,000	148,804,000
December	2,143,059	1,283,200	1,178,098	1,178,098	(105,102)	(964,961)	158,960,000	158,574,000
January	2,594,762	1,694,700	1,506,131	1,506,131	(188,569)	(1,088,631)	163,915,000	158,204,000
February	2,752,684	2,011,900	1,546,134	1,546,134	(465,766)	(1,206,550)	163,985,000	149,405,000
March	2,636,460	2,053,200	1,824,172	1,824,172	(229,028)	(812,288)	163,660,000	149,040,000
April	3,003,191	2,095,600	1,824,172	1,866,572	(229,028)	(1,136,619)	163,170,000	
May	3,237,504	2,567,700	1,824,172	2,338,672	(229,028)	(898,832)	164,164,000	
June	3,200,103	2,679,200	1,824,172	2,450,172	(229,028)	(749,931)	164,229,000	
<b>Total</b>	<b>3,200,103</b>	<b>2,679,200</b>	<b>1,824,172</b>	<b>2,450,172</b>	<b>(229,028)</b>	<b>(749,931)</b>	<b>164,687,333</b>	<b>153,493,667</b>
Cash Return	1.94%	1.75%	1.19%	1.60%				

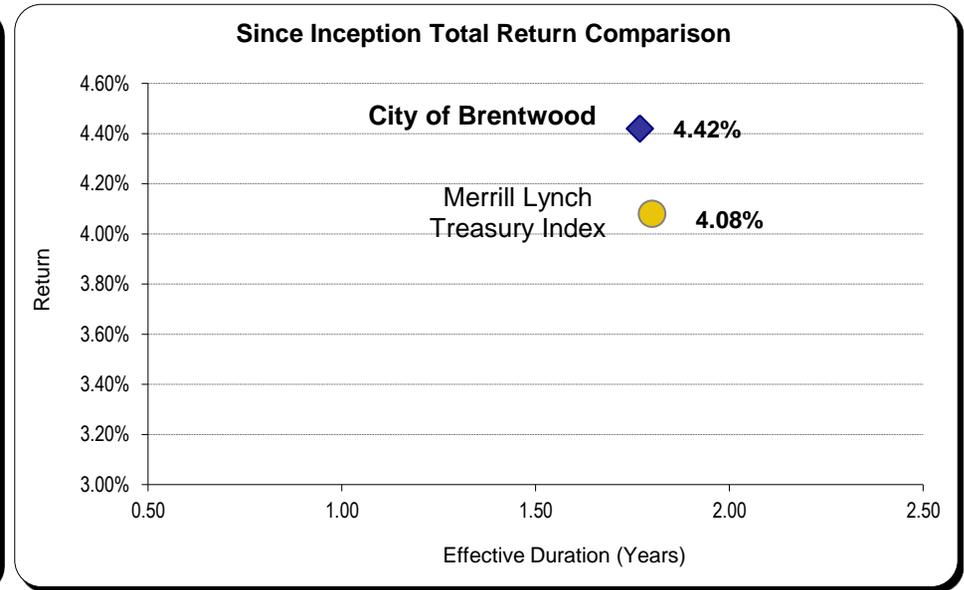
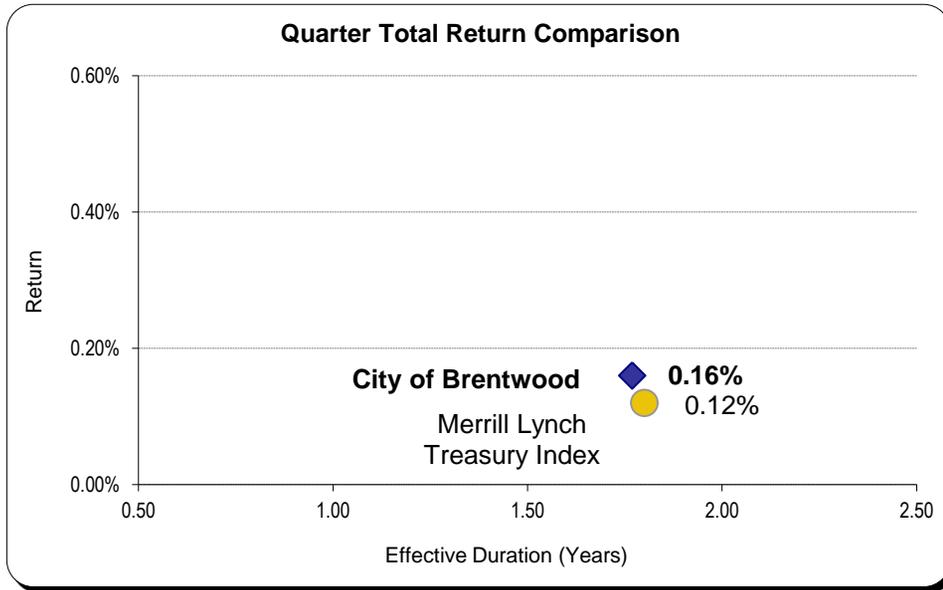
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3. Cash return is total cash earnings divided by average portfolio balance.
4. Earnings do not include LAIF.

Portfolio Performance

Total Return <sup>1,2,3,4,5</sup>	Quarter Ended March 31, 2013	Past Year	Past 3 Years	Past 5 Years	Since Inception
<b>City of Brentwood</b>	<b>0.16%</b>	<b>0.98%</b>	<b>1.61%</b>	<b>2.42%</b>	<b>4.42%</b>
Merrill Lynch Treasury Index	0.12%	0.64%	1.24%	1.75%	4.08%

Effective Duration <sup>4,5,6</sup>	March 31, 2013	December 31, 2012	Yields	March 31, 2013	December 31, 2012
<b>City of Brentwood</b>	<b>1.77</b>	<b>1.77</b>	Yield at Market	<b>0.36%</b>	0.38%
Merrill Lynch Treasury Index	1.79	1.80	Yield on Cost	<b>0.53%</b>	0.61%

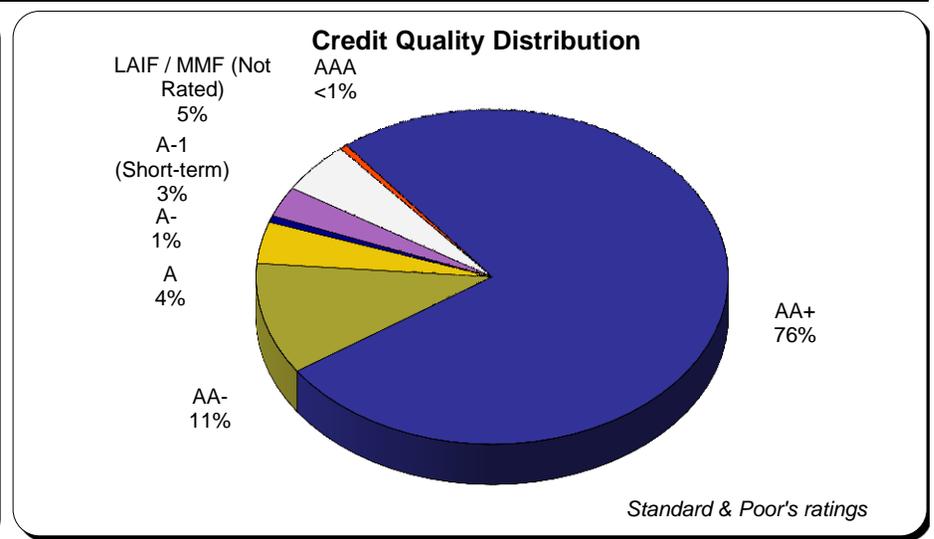
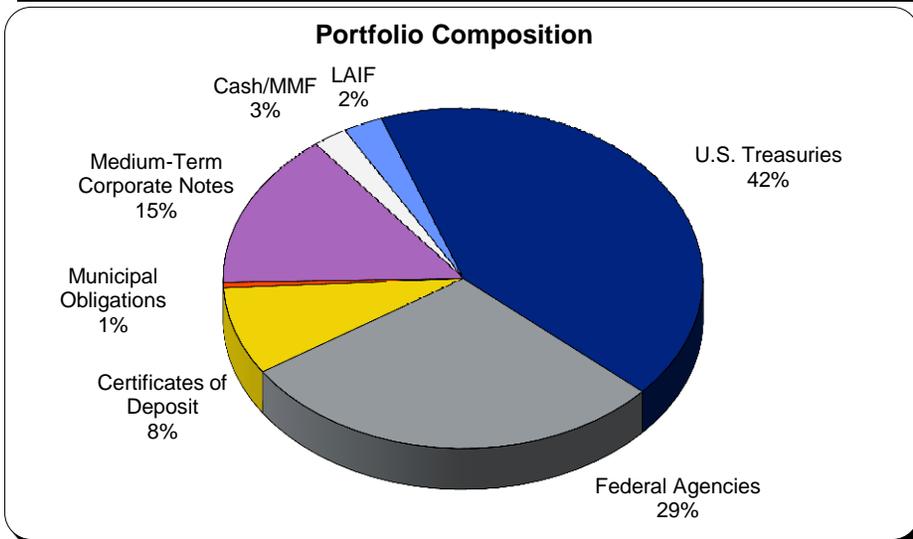


Notes:

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.
3. Merrill Lynch Indices provided by Bloomberg Financial Markets.
4. Includes money market fund/cash in performance and duration computations and excludes LAIF from performance, yield and duration computations.
5. Short-term funds are not included in performance and duration calculations.
6. Merrill Lynch 9-12 Month U.S. Treasury Bill Index for quarters through March 31, 2001, Merrill Lynch 9-12 Month U.S. Treasury Note Index ending June 30, 2002 and Merrill Lynch 1-3 Year U.S. Treasury Note Index beginning July 1, 2002.
7. Inception date is 12/31/92.

Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> <sup>1</sup>	<u>March 31, 2013</u>	<u>% of Portfolio</u>	<u>December 31, 2012</u>	<u>% of Portfolio</u>	<u>Permitted by Policy</u>
U.S. Treasuries	\$68,520,289.02	42%	\$80,514,590.75	46%	100%
Federal Agencies	\$47,426,767.69	29%	\$40,935,375.98	23%	100%
Commercial Paper	\$0.00	0%	\$0.00	0%	25%
Certificates of Deposit	\$13,639,202.91	8%	\$13,663,090.87	8%	30%
California Municipal Obligations	\$843,810.80	1%	\$2,937,562.56	2%	100%
Medium-Term Corporate Notes	\$24,088,879.92	15%	\$26,450,598.37	15%	30%
Money Market Fund/Cash	\$4,336,473.01	3%	\$7,819.42	<1%	15%
LAIF	\$3,758,775.15	2%	\$9,752,569.84	6%	\$50 Million
<b>Totals</b>	<b>\$162,614,198.50</b>	<b>100%</b>	<b>\$174,261,607.79</b>	<b>100%</b>	

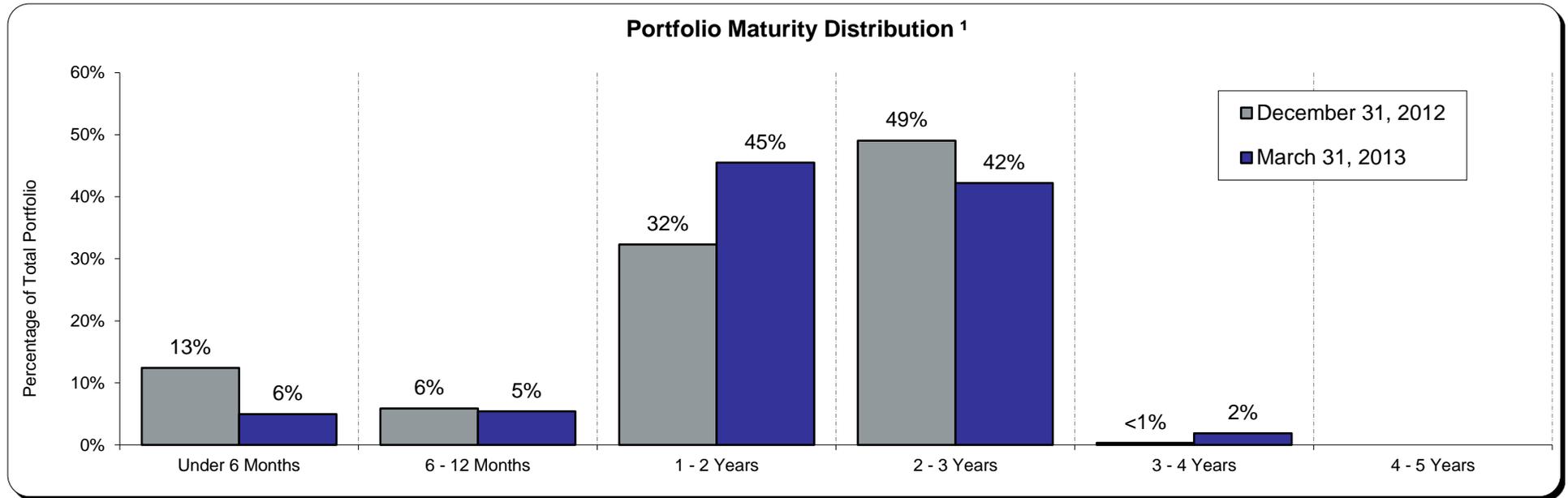


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Portfolio Maturity Distribution

<u>Maturity Distribution</u> <sup>1</sup>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Under 6 Months	\$8,095,248.16	\$21,640,750.62
6 - 12 Months	\$8,838,252.51	\$10,264,985.92
1 - 2 Years	\$73,979,907.94	\$56,265,232.72
2 - 3 Years	\$68,633,022.60	\$85,477,543.33
3-4 Years	\$3,067,767.29	\$613,095.20
4 - 5 Years	\$0.00	\$0.00
5 Years and Over	\$0.00	\$0.00
<b>Totals</b>	<b>\$162,614,198.50</b>	<b>\$174,261,607.79</b>



Notes:  
 1. Callable securities in portfolio, if any, are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.



## Managed Account Detail of Securities Held

For the Month Ending **March 31, 2013**

### CITY OF BRENTWOOD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 05/17/2004 4.750% 05/15/2014	912828CJ7	3,100,000.00	AA+	Aaa	12/18/12	12/19/12	3,295,808.59	0.25	55,727.21	3,256,237.58	3,258,270.50
US TREASURY N/B DTD 07/31/2012 0.125% 07/31/2014	912828TF7	1,785,000.00	AA+	Aaa	10/23/12	10/26/12	1,779,909.96	0.29	369.82	1,781,147.10	1,783,116.83
US TREASURY NOTES DTD 11/02/2009 2.375% 10/31/2014	912828LS7	1,825,000.00	AA+	Aaa	02/22/12	02/23/12	1,920,170.90	0.42	18,199.59	1,881,157.17	1,886,736.10
US TREASURY NOTES DTD 11/15/2004 4.250% 11/15/2014	912828DC1	5,000,000.00	AA+	Aaa	04/23/12	04/24/12	5,496,093.75	0.35	80,421.27	5,315,022.55	5,325,390.00
US TREASURY NOTES DTD 11/15/2004 4.250% 11/15/2014	912828DC1	7,305,000.00	AA+	Aaa	05/21/12	05/22/12	8,002,684.57	0.38	117,495.48	7,761,720.80	7,780,394.79
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	3,830,000.00	AA+	Aaa	06/28/12	06/29/12	4,014,468.36	0.38	14,283.15	3,960,929.70	3,971,081.64
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	7,030,000.00	AA+	Aaa	01/23/12	01/26/12	7,419,121.48	0.40	26,216.85	7,267,388.48	7,288,956.64
US TREASURY NOTES DTD 03/01/2010 2.375% 02/28/2015	912828MR8	3,030,000.00	AA+	Aaa	03/13/12	03/14/12	3,195,703.13	0.51	6,257.61	3,137,306.81	3,152,739.24
US TREASURY NOTES DTD 04/30/2010 2.500% 04/30/2015	912828MZ0	5,085,000.00	AA+	Aaa	10/04/12	10/09/12	5,370,832.62	0.29	53,378.45	5,317,433.16	5,320,181.25
US TREASURY NOTES DTD 05/16/2005 4.125% 05/15/2015	912828DV9	3,000,000.00	AA+	Aaa	07/30/12	07/31/12	3,316,171.88	0.33	46,833.56	3,240,619.32	3,243,750.00
US TREASURY NOTES DTD 05/16/2005 4.125% 05/15/2015	912828DV9	4,550,000.00	AA+	Aaa	09/06/12	09/10/12	5,011,042.97	0.32	71,030.90	4,915,390.57	4,919,687.50
US TREASURY NOTES DTD 06/01/2010 2.125% 05/31/2015	912828NF3	7,200,000.00	AA+	Aaa	11/01/12	11/06/12	7,526,812.50	0.35	51,280.22	7,475,950.15	7,486,315.20
US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	1,480,000.00	AA+	Aaa	09/06/12	09/10/12	1,540,414.06	0.33	4,292.82	1,528,864.35	1,530,296.32
US TREASURY NOTES DTD 11/15/2005 4.500% 11/15/2015	912828EN6	7,070,000.00	AA+	Aaa	11/29/12	11/30/12	7,933,037.11	0.35	120,404.83	7,835,161.21	7,839,413.96



## Managed Account Detail of Securities Held

For the Month Ending **March 31, 2013**

### CITY OF BRENTWOOD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY N/B DTD 05/02/2011 2.000% 04/30/2016	912828QF0	2,900,000.00	AA+	Aaa	03/27/13	03/28/13	3,044,093.75	0.38	24,353.59	3,043,582.10	3,043,413.70
<b>Security Type Sub-Total</b>		<b>64,190,000.00</b>					<b>68,866,365.63</b>	<b>0.36</b>	<b>690,545.35</b>	<b>67,717,911.05</b>	<b>67,829,743.67</b>

<b>Municipal Bond / Note</b>											
CA ST DEPT OF WATER REV BONDS DTD 09/27/2012 0.650% 12/01/2015	13066KX87	840,000.00	AAA	Aa1	09/19/12	09/27/12	840,000.00	0.65	1,820.00	840,000.00	841,990.80
<b>Security Type Sub-Total</b>		<b>840,000.00</b>					<b>840,000.00</b>	<b>0.65</b>	<b>1,820.00</b>	<b>840,000.00</b>	<b>841,990.80</b>

<b>Federal Agency Bond / Note</b>											
FNMA NOTES DTD 07/18/2011 0.875% 08/28/2014	3135G0BY8	1,150,000.00	AA+	Aaa	02/06/12	02/07/12	1,163,880.50	0.40	866.49	1,157,683.40	1,160,161.40
FNMA NOTES DTD 07/18/2011 0.875% 08/28/2014	3135G0BY8	7,385,000.00	AA+	Aaa	09/20/12	09/21/12	7,462,173.25	0.33	5,564.39	7,441,367.78	7,450,253.86
FREDDIE MAC GLOBAL NOTES DTD 08/05/2011 0.750% 09/22/2014	3134G2WG3	6,000,000.00	AA+	Aaa	09/28/11	09/30/11	6,012,000.00	0.68	1,125.00	6,005,975.10	6,044,448.00
FANNIE MAE GLOBAL NOTES DTD 04/19/2012 0.500% 05/27/2015	3135G0KM4	2,080,000.00	AA+	Aaa	04/17/12	04/19/12	2,073,988.80	0.59	3,582.22	2,075,815.31	2,086,886.88
FANNIE MAE GLOBAL NOTES DTD 05/21/2012 0.500% 07/02/2015	3135G0LN1	3,370,000.00	AA+	Aaa	12/18/12	12/19/12	3,376,841.10	0.42	4,165.69	3,376,080.59	3,380,460.48
FNMA NOTES (CALLABLE) DTD 08/07/2012 0.500% 08/07/2015	3135G0NG4	6,800,000.00	AA+	Aaa	08/02/12	08/07/12	6,799,320.00	0.50	5,100.00	6,799,466.54	6,799,741.60
FREDDIE MAC GLOBAL NOTES DTD 07/11/2012 0.500% 08/28/2015	3134G3ZA1	5,990,000.00	AA+	Aaa	07/30/12	07/31/12	5,996,948.40	0.46	2,579.03	5,995,459.17	6,006,035.23
FHLMC NOTES DTD 09/10/2010 1.750% 09/10/2015	3137EACM9	3,750,000.00	AA+	Aaa	03/27/13	03/28/13	3,875,887.50	0.37	3,828.13	3,875,460.94	3,874,788.75
FANNIE MAE GLOBAL NOTES DTD 11/16/2012 0.375% 12/21/2015	3135G0SB0	3,950,000.00	AA+	Aaa	11/14/12	11/16/12	3,940,796.50	0.45	4,114.58	3,941,903.25	3,945,331.10



## Managed Account Detail of Securities Held

For the Month Ending **March 31, 2013**

### CITY OF BRENTWOOD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FANNIE MAE GLOBAL NOTES DTD 02/15/2013 0.500% 03/30/2016	3135G0VA8	6,640,000.00	AA+	Aaa	02/14/13	02/15/13	6,632,430.40	0.54	92.22	6,632,733.45	6,647,642.64
<b>Security Type Sub-Total</b>		<b>47,115,000.00</b>					<b>47,334,266.45</b>	<b>0.48</b>	<b>31,017.75</b>	<b>47,301,945.53</b>	<b>47,395,749.94</b>

<b>Corporate Note</b>											
IBM CORP GLOBAL NOTES DTD 05/12/2011 1.250% 05/12/2014	459200GW5	7,150,000.00	AA-	Aa3	05/09/11	05/12/11	7,143,279.00	1.28	34,508.68	7,147,475.05	7,225,418.20
JP MORGAN CHASE & CO NOTES DTD 05/18/2009 4.650% 06/01/2014	46625HHN3	1,265,000.00	A	A2	01/04/12	01/09/12	1,336,636.95	2.21	19,607.50	1,300,369.92	1,321,976.87
PROCTER & GAMBLE CO CORP NOTES DTD 08/15/2011 0.700% 08/15/2014	742718DU0	1,500,000.00	AA-	Aa3	08/10/11	08/15/11	1,493,835.00	0.84	1,341.67	1,497,161.27	1,508,259.00
GENERAL ELECTRIC CAP CORP GLOBAL NOTES DTD 09/17/2004 4.750% 09/15/2014	36962GK86	6,550,000.00	AA+	A1	03/14/13	03/19/13	6,950,205.00	0.62	13,827.78	6,941,273.16	6,931,426.15
JPMORGAN CHASE & CO GLOBAL NOTES DTD 02/25/2005 4.750% 03/01/2015	46625HCE8	2,500,000.00	A	A2	01/18/13	01/24/13	2,691,625.00	1.05	9,895.83	2,674,841.93	2,684,620.00
JOHN DEERE CAPITAL CORP DTD 09/07/2012 0.700% 09/04/2015	24422ERV3	940,000.00	A	A2	09/04/12	09/07/12	939,360.80	0.72	493.50	939,480.76	941,216.36
WALT DISNEY CO GLOBAL NOTES DTD 11/30/2012 0.450% 12/01/2015	25468PCU8	620,000.00	A	A2	11/27/12	11/30/12	615,381.00	0.70	937.75	615,893.52	619,410.38
BERKSHIRE HATHAWAY FIN CORP NOTE DTD 02/11/2013 0.800% 02/11/2016	084670BG2	785,000.00	AA+	Aa2	01/29/13	02/11/13	784,929.35	0.80	872.22	784,932.59	789,348.12
CATERPILLAR FINANCIAL SE NOTES DTD 02/28/2013 0.700% 02/26/2016	14912L5N7	950,000.00	A	A2	02/25/13	02/28/13	948,822.00	0.74	572.64	948,855.60	949,346.40
PEPSICO INC GLOBAL NOTES DTD 02/28/2013 0.700% 02/26/2016	713448CE6	1,035,000.00	A-	Aa3	02/25/13	02/28/13	1,034,637.75	0.71	623.88	1,034,648.07	1,035,176.99
<b>Security Type Sub-Total</b>		<b>23,295,000.00</b>					<b>23,938,711.85</b>	<b>0.99</b>	<b>82,681.45</b>	<b>23,884,931.87</b>	<b>24,006,198.47</b>

### Certificate of Deposit



**Managed Account Detail of Securities Held**

For the Month Ending **March 31, 2013**

**CITY OF BRENTWOOD**

<b>Security Type/Description 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>Certificate of Deposit</b>											
WESTPAC BANKING CORP NY (FLOAT) CD DTD 02/16/2012 1.242% 02/14/2014	96121TLT3	4,000,000.00	AA-	Aa2	02/14/12	02/16/12	4,000,000.00	1.47	6,348.51	4,000,000.00	4,031,472.00
STANDARD CHARTERED BK NY LT CD (FLOAT) DTD 03/18/2013 0.360% 03/18/2014	85325BVS0	4,800,000.00	AA-	A1	03/18/13	03/18/13	4,800,000.00	0.37	672.00	4,800,000.00	4,799,760.00
BANK OF NOVA SCOTIA HOUS CERT DEPOS (FLT DTD 03/06/2013 0.540% 03/06/2015	06417FPL8	4,800,000.00	A-1	P-1	03/04/13	03/06/13	4,800,000.00	0.59	1,872.00	4,800,000.00	4,799,078.40
<b>Security Type Sub-Total</b>		<b>13,600,000.00</b>					<b>13,600,000.00</b>	<b>0.77</b>	<b>8,892.51</b>	<b>13,600,000.00</b>	<b>13,630,310.40</b>
<b>Managed Account Sub-Total</b>		<b>149,040,000.00</b>					<b>154,579,343.93</b>	<b>0.53</b>	<b>814,957.06</b>	<b>153,344,788.45</b>	<b>153,703,993.28</b>
<b>Securities Sub-Total</b>		<b>\$149,040,000.00</b>					<b>\$154,579,343.93</b>	<b>0.53%</b>	<b>\$814,957.06</b>	<b>\$153,344,788.45</b>	<b>\$153,703,993.28</b>
<b>Accrued Interest</b>											<b>\$814,957.06</b>
<b>Total Investments</b>											<b>\$154,518,950.34</b>