



City of Brentwood



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Investment Performance Review

Second Quarter 2014

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Summary

- Treasury prices rose during the second quarter, marking two consecutive quarters of price rallies—a pattern that has not occurred since 2012.
- Global central banks seem to be going their separate ways in terms of monetary policy, as the European Central Bank cut interest rates and added to bank liquidity in an effort to avoid deflation while the Federal Reserve (Fed) continued to scale back its quantitative easing program.
- Geopolitical uncertainty continued to be a primary focus for the markets, as tensions in Ukraine, Iraq, and Syria caused investors to move toward assets that are perceived to have less risk.

Economic Snapshot

- First-quarter gross domestic product (GDP) contracted at an annual rate of 2.9%—the first downward move in three years. The harsh winter weather was a primary contributor, and most economists expect a recovery as 2014 further unfolds.
- The U.S. unemployment rate fell from 6.7% in March to 6.1% at the end of the second quarter. While the U.S. is adding jobs at a steady pace, the reduction in unemployment can also be traced to an increase in the number of Americans who are no longer actively looking for work.
- The housing market continued to show modest strength during the quarter. New-home sales for May rose 18.6% from the prior month, marking a six-year high, while existing-home sales rose 4.9% from the prior month. However, the pace of housing starts remained well below pre-recession levels. Mortgage applications for purchase are down 17.6% year over year, and mortgage applications for refinancing are down 56.5% year over year.

Interest Rates

- The Fed continued to taper its bond buying program throughout the quarter, and at its June meeting, the Federal Open Market Committee (FOMC) cut bond purchases by another \$10 billion, resulting in monthly purchases of \$35 billion. The FOMC has continued to keep the federal funds target rate in a range of zero to 25 basis points.
- Inflation ticked up during the quarter as the Consumer Price Index rose at its fastest pace in more than a year in May—increasing twice as much as economists had anticipated. Core prices (which exclude food and energy prices) gained 2% on an annual basis, marking the fastest price increase since February 2013 and matching the Fed's current target for inflation.
- The Treasury yield curve flattened over the quarter as intermediate- and long-maturity bond prices led the rally. This flattening expresses the current investor outlook that Fed tightening will be modest by historical standards and inflation will remain well-contained in coming years.

Sector Performance

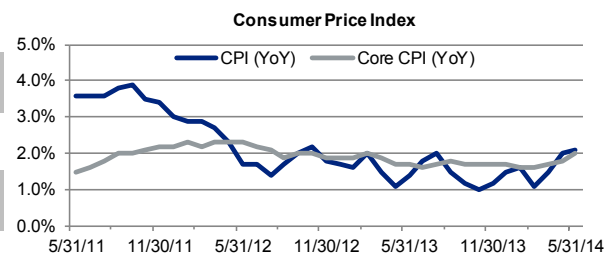
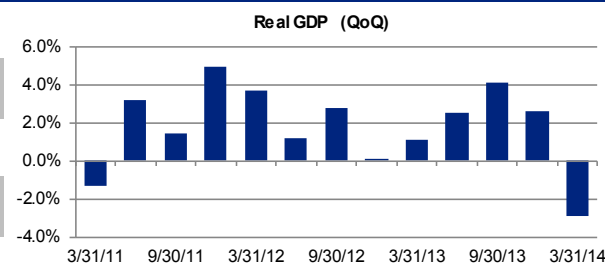
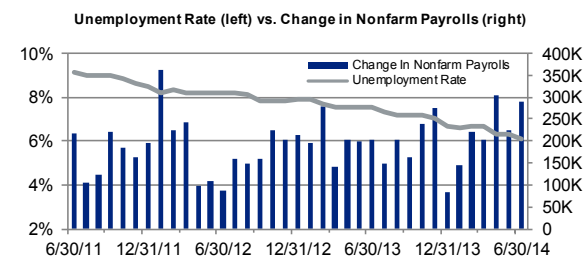
- Portfolios maintained a modestly defensive maturity structure, with durations somewhat short of benchmarks. This structure is in place to reduce the effects of interest rate rises that normally occur when economic growth accelerates and the Fed moves to tighten credit.
- Federal Agency and corporate sector holdings generally contributed returns in excess of those on Treasuries. The excess resulted from the added income generated by these holdings and from spread narrowing, offsetting the drag on performance that resulted from the defensive duration position.
- Risk premiums on lower-rated corporate bonds and on callable and mortgage-backed securities narrowed further during the quarter to the point where there was diminished value relative to comparable Treasury benchmarks.

Economic Snapshot

Labor Market	Latest	Mar 2014	Jun 2013	
Unemployment Rate	Jun'14	6.1%	6.7%	7.5%
Change In Nonfarm Payrolls	Jun'14	288,000	203,000	201,000
Average Hourly Earnings (YoY)	Jun'14	2.0%	2.1%	2.2%
Personal Income (YoY)	May'14	3.5%	3.3%	3.4%
Initial Jobless Claims (week)	Jul 11	302,000	332,000	344,000

Growth	Latest	Mar 2014	Jun 2013	
Real GDP (QoQ SAAR)	2014Q1	-2.9%	2.6% ¹	2.5% ²
GDP Personal Consumption (QoQ SAAR)	2014Q1	1.0%	3.3% ¹	1.8% ²
Retail Sales (YoY)	Jun'14	4.3%	4.1%	5.9%
ISM Manufacturing Survey (month)	Jun'14	55.3	53.7	52.5
Existing Home Sales SAAR (month)	May'14	4.89 mil.	4.59 mil.	5.16 mil.

Inflation / Prices	Latest	Mar 2014	Jun 2013	
Personal Consumption Expenditures (YoY)	May'14	1.8%	1.1%	1.3%
Consumer Price Index (YoY)	May'14	2.1%	1.5%	1.8%
Consumer Price Index Core (YoY)	May'14	2.0%	1.7%	1.6%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$105.37	\$101.58	\$96.56
Gold Futures (oz.)	Jun 30	\$1,322	\$1,283	\$1,224



1. Data as of Fourth Quarter 2013

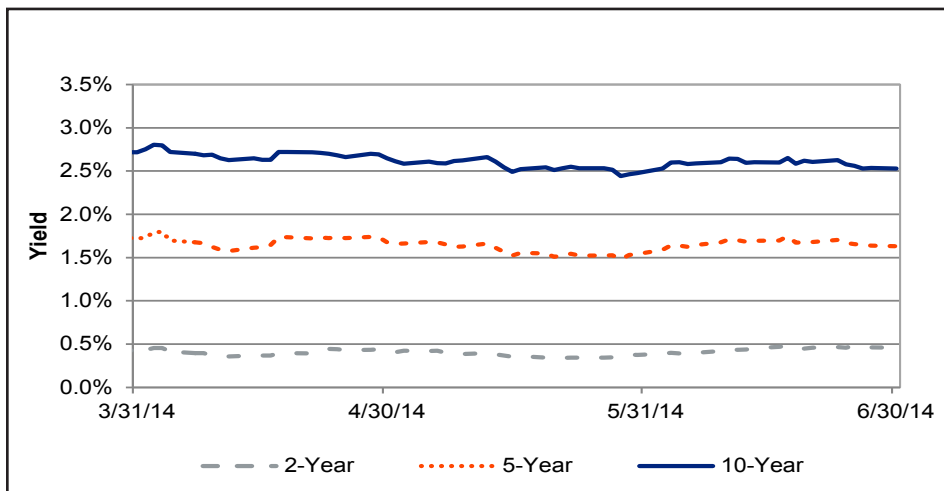
2. Data as of Second Quarter 2013

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

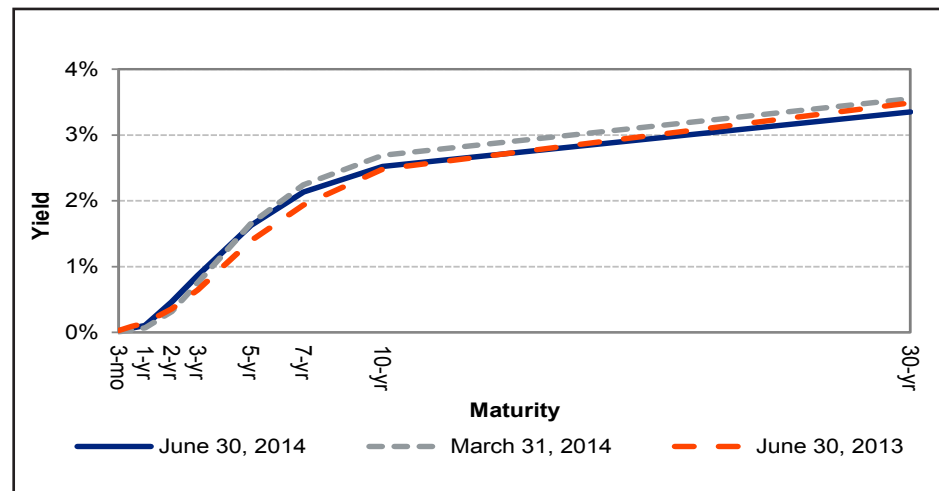
Source: Bloomberg

Interest Rate Overview

U.S. Treasury Note Yields



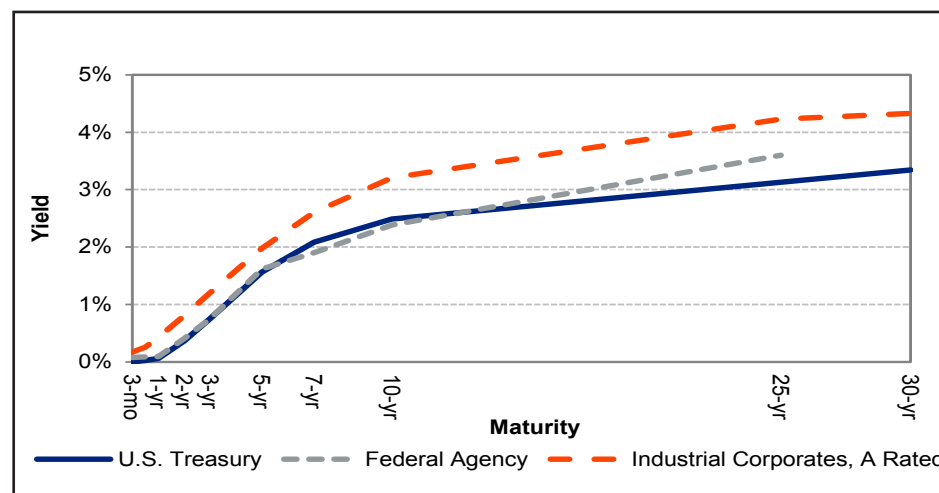
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	6/30/14	3/31/14	Change over Quarter	6/30/13	Change over Year
3-month	0.02%	0.03%	(0.01%)	0.03%	(0.01%)
1-year	0.10%	0.11%	(0.01%)	0.15%	(0.05%)
2-year	0.46%	0.42%	0.04%	0.36%	0.10%
5-year	1.63%	1.72%	(0.09%)	1.40%	0.23%
10-year	2.53%	2.72%	(0.19%)	2.49%	0.04%
30-year	3.36%	3.56%	(0.20%)	3.50%	(0.14%)

Yield Curves as of 6/30/14



Source: Bloomberg

BofA Merrill Lynch Index Returns

	As of 6/30/2014		Returns for Periods ended 6/30/2014		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.93	0.45%	0.27%	0.76%	0.63%
Federal Agency	1.85	0.55%	0.24%	0.87%	0.75%
U.S. Corporates, A-AAA rated	1.95	0.90%	0.49%	2.12%	2.10%
Agency MBS (0 to 3 years)	1.52	0.93%	0.55%	2.68%	1.46%
Municipals	1.73	0.45%	0.34%	1.40%	1.16%
1-5 Year Indices					
U.S. Treasury	2.72	0.79%	0.55%	1.16%	1.11%
Federal Agency	2.35	0.80%	0.54%	1.52%	1.15%
U.S. Corporates, A-AAA rated	2.88	1.40%	0.96%	3.45%	2.92%
Agency MBS (0 to 5 years)	3.05	2.04%	1.71%	4.12%	2.52%
Municipals	2.50	0.77%	0.60%	2.25%	1.78%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	5.89	1.51%	1.56%	2.29%	3.03%
Federal Agency	3.93	1.34%	1.24%	2.65%	2.18%
U.S. Corporates, A-AAA rated	6.74	2.60%	2.37%	6.58%	5.42%
Agency MBS (0 to 30 years)	4.69	2.61%	2.43%	4.68%	2.79%
Municipals	7.32	2.85%	2.69%	6.54%	5.62%

Returns for periods greater than one year are annualized.

Source: BofA Merrill Lynch Indices

Disclosures

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Investment Report

Second Quarter 2014

Fixed Income
Management

Portfolio Summary

<u>Total Portfolio Value</u>	<u>June 30, 2014</u>	<u>March 31, 2014</u>
Market Value	\$191,148,970.13	\$171,354,940.65
Amortized Cost	\$190,895,827.88	\$171,267,914.90

PORTFOLIO RECAP

- The portfolio complies with the California Government Code and the City's investment policy.
- U.S. Treasury yields moved in somewhat random fashion, despite generally upbeat economic news. The long-awaited increase in rates failed to materialize and continued to confound investment managers. Uncertainty around future Fed action, in terms of the timing and pace of eventual rate increases, posed a significant challenge in assessing the attractiveness of current yields.
- Based on our positive macro view of the U.S. economy, our duration strategy remained defensive, preferring to manage accounts slightly shorter than benchmarks. Our goal was to add to duration only modestly when rates moved to the higher end of their recent trading ranges, and to defer purchases when rates were on the lower end.
- Our sector views continued to favor credit instruments, like corporate notes and bank CDs, over government debt. The corporate sector offered higher yields and benefited from strong fundamentals and robust investor demand. We participated in several new issues, which came with modest concessions, or slightly above-market yields to attract investors. On the other hand, some issues held in portfolios performed so well they no longer represented good value and became good candidates to sell or swap. Our credit strategy has continued to enhance portfolio returns.
- The yield spread between U.S. Treasuries and Agencies of similar maturity remained at historically narrow levels. In fact, in some shorter maturities the spread was zero, or remarkably, negative. Given narrow spreads, we favored Treasuries in all but select issues and maturities.

PORTFOLIO RECAP (cont.)

- With yields low and yield spreads narrow, we have also begun to incorporate the broadest possible universe of investments. This includes allocations to floating-rate instruments – a good defensive investment.
- We use quantitative analysis to identify the steepest part of the curve, which benefits most from “roll-down” return, and to measure the relative risk/reward of individual bonds. For example, after generally avoiding callable agencies for much of the past 6 years, our analysis has begun to show value in certain callable structures.

PORTFOLIO STRATEGY

- PFM seeks to add value in a variety of ways: duration management, adjusting maturities along the yield curve, emphasizing sectors that offer the best value, and careful issue-level analysis and security selection. This is supported by both quantitative and qualitative assessments of market conditions and credit quality.
- We believe the Fed is nearing the point where it has engineered the achievement of its dual mandate – full employment with price stability. Economic growth appears to be accelerating, accompanied by early signs of an uptick in inflation. The unwinding of the Fed’s quantitative easing program of bond purchases has gone remarkably smoothly, opening the door to their next possible move – a Fed rate hike.
- Higher interest rates triggered by anticipated Fed action are widely expected in the future. The timing and pace of how interest rates rise will determine the optimal investment strategy. Since rising rates can result in unrealized market losses, we remain somewhat defensive. But, the steep yield curve offers considerably higher yields for even modest maturity extension. Balancing the benefit of higher yields available on longer maturities today against the negative impact of potentially rising rates in the future will be a difficult and dynamic undertaking, requiring frequent reassessments of strategy.
- We expect yields spreads to remain narrow, favoring Treasuries over Agencies, and corporates and other credit instruments over government securities. Credit spreads should remain stable as demand for high quality investments is currently outstripping supply.
- Market volatility has been extremely low in the financial markets recently, encouraging risk taking. This extremely low level of volatility is likely not sustainable indefinitely. Any increase in volatility should create more trading opportunities, accentuating the role of active management.

Investment Report

Second Quarter 2014

Fixed Income
Management

Year-To-Date Cash-Basis Earnings Analysis (Monthly)^{1,2,3,4}

	Fiscal Year 2012/13	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2012/2013	Current Forecast	Fiscal Year 2012/2013	Fiscal Year 2013/2014
Month	Actual	Budget	Year-To- Date Actual	Current Forecast	Actual/Forecast vs. Budget	FY 2012/13 vs. FY 2013/14	Par Value of Portfolio	
July	\$168,755	228,573	228,573	228,573	-	59,818	164,384,000	156,150,000
August	\$326,564	(266,006)	(266,006)	(266,006)	-	(592,571)	155,424,000	157,870,000
September	\$127,385	74,582	74,582	74,582	-	(52,804)	148,854,000	155,595,000
October	\$31,289	94,265	(68,763)	(68,763)	(163,028)	(100,052)	148,754,000	150,745,000
November	\$526,209	374,448	165,910	165,910	(208,538)	(360,299)	148,804,000	151,190,000
December	(\$2,106)	37,849	69,451	69,451	31,602	71,557	158,574,000	163,325,000
January	\$328,033	286,303	282,802	282,802	(3,501)	(45,231)	158,204,000	163,365,000
February	\$40,003	136,979	(280,118)	(280,118)	(417,097)	(320,121)	149,405,000	165,085,000
March	\$278,037	125,470	8,774	8,774	(116,696)	(269,264)	149,040,000	165,310,000
April	\$163,729	94,265	(17,162)	(17,162)	(111,427)	(180,891)	157,440,000	172,320,000
May	\$519,009	370,288	277,034	277,034	(93,253)	(241,975)	155,790,000	172,160,000
June	\$230,490	(33,788)	260,438	260,438	294,226	29,949	155,790,000	172,460,000
Total	2,737,399	1,523,227	735,515	735,515	(787,711)	(2,001,884)	154,205,250	162,131,250
Cash Return	1.78%	0.94%	0.45%	0.45%				

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.

Investment Report

Second Quarter 2014

Fixed Income
Management

Year-To-Date Cash-Basis Earnings Analysis (Cumulative)^{1,2,3,4}

	Fiscal Year 2012/13	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2012/2013	Current Forecast	Fiscal Year 2012/2013	Fiscal Year 2013/2014
Month	Actual	Budget	Year-To- Date Actual	Current Forecast	Actual/Forecast vs. Budget	FY 2012/13 vs. FY 2013/14	Par Value of Portfolio	
July	168,755	228,573	228,573	228,573	-	59,818	164,384,000	156,150,000
August	495,319	(37,433)	(37,433)	(37,433)	-	(532,753)	155,424,000	157,870,000
September	622,705	37,149	37,149	37,149	-	(585,556)	148,854,000	155,595,000
October	653,994	131,414	(31,615)	(31,615)	(163,028)	(685,609)	148,754,000	150,745,000
November	1,180,203	505,862	134,296	134,296	(371,566)	(1,045,908)	148,804,000	151,190,000
December	1,178,098	543,711	203,747	203,747	(339,964)	(974,351)	158,574,000	163,325,000
January	1,506,131	830,014	486,549	486,549	(343,465)	(1,019,582)	158,204,000	163,365,000
February	1,546,134	966,992	206,431	206,431	(760,562)	(1,339,703)	149,405,000	165,085,000
March	1,824,172	1,092,462	215,205	215,205	(877,257)	(1,608,967)	149,040,000	165,310,000
April	1,987,901	1,186,727	198,043	198,043	(988,684)	(1,789,858)	157,440,000	172,320,000
May	2,506,910	1,557,015	475,077	475,077	(1,081,938)	(2,031,833)	155,790,000	172,160,000
June	2,737,399	1,523,227	735,515	735,515	(787,711)	(2,001,884)	155,790,000	172,460,000
Total	2,737,399	1,523,227	735,515	735,515	(787,711)	(2,001,884)	154,205,250	162,131,250
Cash Return	1.78%	0.94%	0.45%	0.45%				

Notes:

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Investment Report

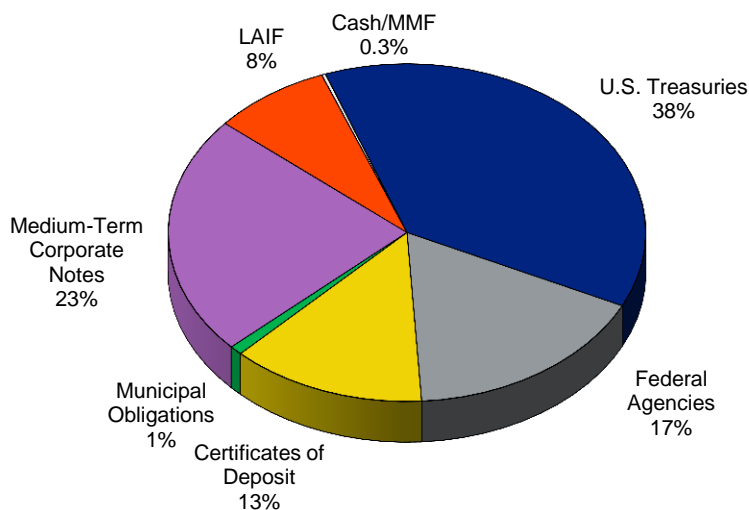
Second Quarter 2014

Fixed Income
Management

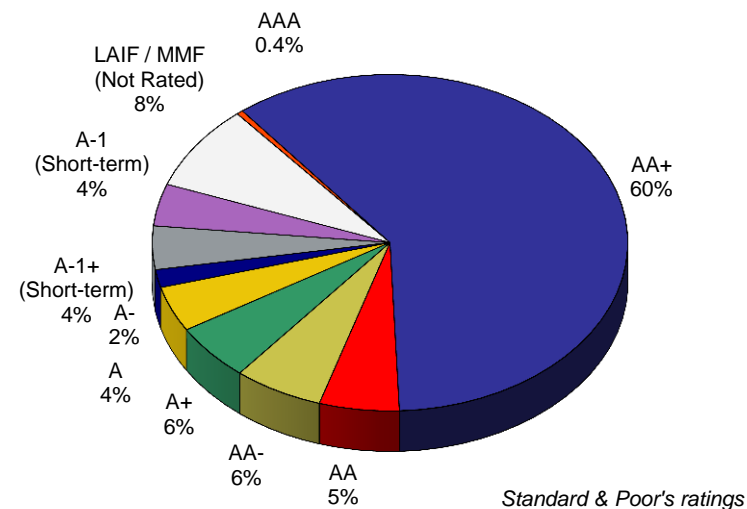
Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>June 30, 2014</u>	<u>% of Portfolio</u>	<u>March 31, 2014</u>	<u>% of Portfolio</u>	<u>Permitted by Policy</u>
U.S. Treasuries	\$72,062,325	38%	\$63,147,523	37%	100%
Federal Agencies	\$32,258,681	17%	\$38,922,222	23%	100%
Commercial Paper	\$0	0%	4,241,109.0000	2%	25%
Certificates of Deposit	\$25,326,243	13%	\$25,340,839	15%	30%
California Municipal Obligations	\$1,680,733	1%	\$1,685,767	<1%	100%
Medium-Term Corporate Notes	\$44,043,188	23%	\$35,102,511	20%	30%
Money Market Fund/Cash	\$499,017	0.3%	\$390,504	<1%	15%
LAIF	\$15,278,783	8%	\$2,524,467	1%	\$50 Million
Totals	\$191,148,970	100%	\$171,354,941	100%	

Portfolio Composition



Credit Quality Distribution



Notes:

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

Investment Report

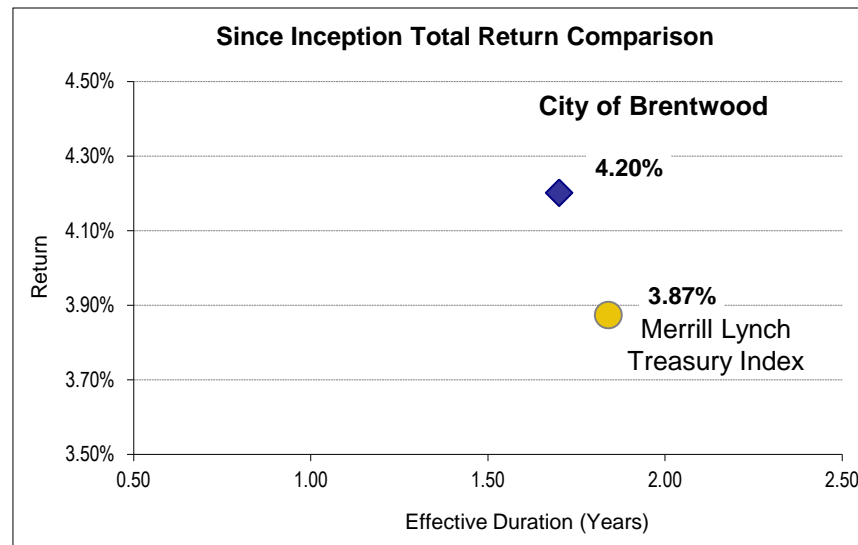
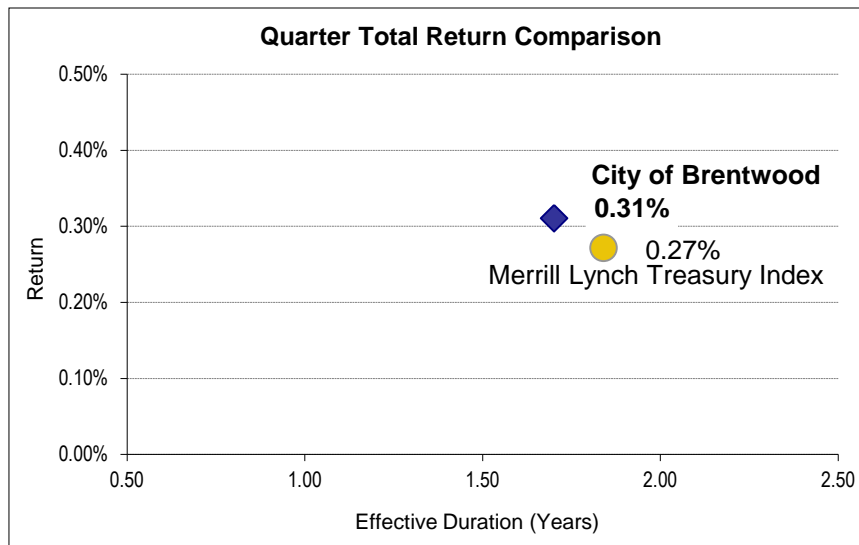
Second Quarter 2014

Fixed Income
Management

Portfolio Performance

Total Return ^{1,2,3,4,5}	Quarter Ended June 30, 2014	Past Year	Past 5 Years	Past 10 Years	Since Inception
City of Brentwood	0.31%	1.05%	1.52%	2.99%	4.20%
Merrill Lynch Treasury Index	0.27%	0.76%	1.18%	2.61%	3.87%

Effective Duration ^{4,5,6}	<u>June 30, 2014</u>	<u>March 31, 2014</u>	Yields	<u>June 30, 2014</u>	<u>March 31, 2014</u>
City of Brentwood	1.70	1.74	Yield at Market	0.56%	0.56%
Merrill Lynch Treasury Index	1.85	1.84	Yield on Cost	0.64%	0.60%



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. Inception date is 12/31/92.

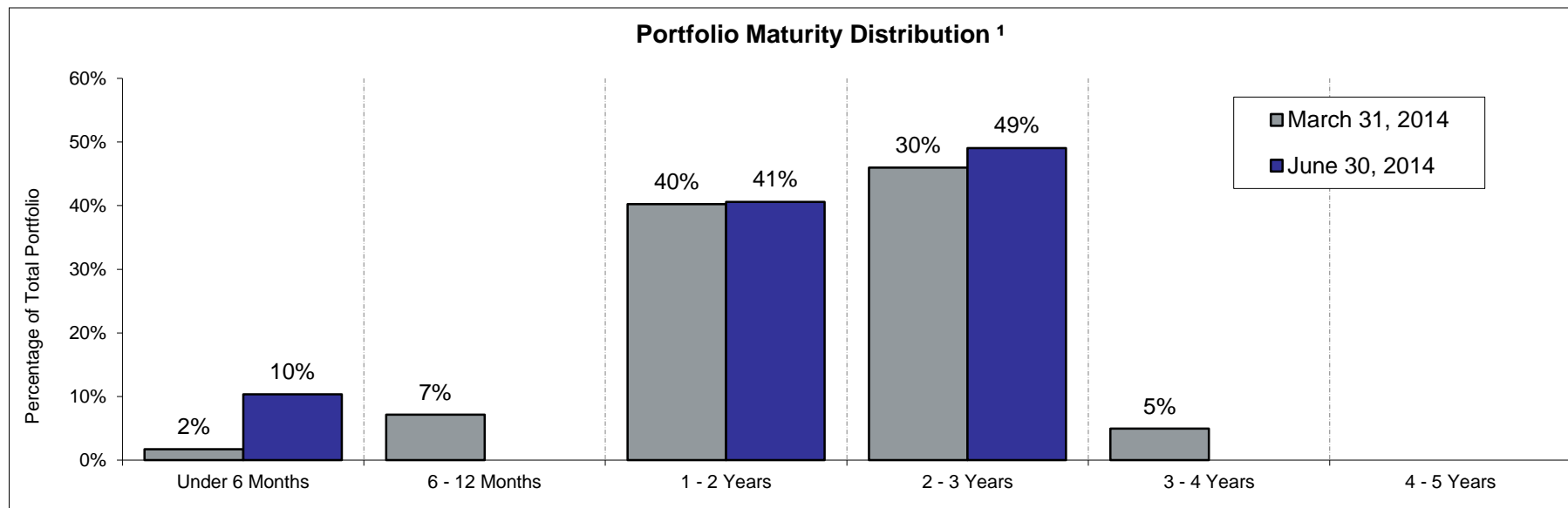
Investment Report

Second Quarter 2014

Fixed Income
Management

Portfolio Maturity Distribution

<u>Maturity Distribution</u> ¹	<u>June 30, 2014</u>	<u>March 31, 2014</u>
Under 6 Months	\$19,797,163	\$2,914,971
6 - 12 Months	\$0	\$12,252,248
1 - 2 Years	\$77,570,577	\$68,956,771
2 - 3 Years	\$93,781,231	\$78,759,595
3-4 Years	\$0	\$8,471,356
4 - 5 Years	\$0	\$0
5 Years and Over	\$0	\$0
Totals	\$191,148,970	\$171,354,941



Notes:

1. Callable securities in portfolio 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 **June 30, 2014**

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
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 09/30/2013 0.250% 09/30/2015	912828VY3	2,495,000.00	AA+	Aaa	04/23/14	04/24/14	2,496,754.30	0.20	1,567.90	2,496,527.36	2,497,632.23
US TREASURY NOTES DTD 11/15/2005 4.500% 11/15/2015	912828EN6	3,130,000.00	AA+	Aaa	11/29/12	11/30/12	3,512,080.08	0.35	17,988.99	3,307,703.43	3,313,642.97
US TREASURY NOTES DTD 12/31/2010 2.125% 12/31/2015	912828PM6	2,075,000.00	AA+	Aaa	12/19/13	12/20/13	2,149,002.93	0.36	119.82	2,129,638.82	2,132,873.83
US TREASURY NOTES DTD 05/02/2011 2.000% 04/30/2016	912828QF0	860,000.00	AA+	Aaa	04/05/13	04/11/13	903,268.75	0.34	2,897.83	886,014.84	885,329.58
US TREASURY NOTES DTD 05/02/2011 2.000% 04/30/2016	912828QF0	1,920,000.00	AA+	Aaa	04/23/14	04/24/14	1,980,375.00	0.43	6,469.57	1,974,853.52	1,976,549.76
US TREASURY NOTES DTD 05/02/2011 2.000% 04/30/2016	912828QF0	2,040,000.00	AA+	Aaa	03/27/13	03/28/13	2,141,362.50	0.38	6,873.91	2,100,199.93	2,100,084.12
US TREASURY NOTES DTD 05/31/2011 1.750% 05/31/2016	912828OP8	505,000.00	AA+	Aaa	04/08/14	04/11/14	518,611.33	0.48	748.53	517,204.08	517,782.56
US TREASURY NOTES DTD 05/31/2011 1.750% 05/31/2016	912828OP8	3,000,000.00	AA+	Aaa	12/19/13	12/20/13	3,092,343.75	0.48	4,446.72	3,072,427.62	3,075,936.00
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	4,600,000.00	AA+	Aaa	05/10/13	05/15/13	5,006,992.19	0.40	406.25	4,860,543.86	4,855,515.63
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	5,300,000.00	AA+	Aaa	05/22/13	05/28/13	5,757,332.03	0.44	468.07	5,596,207.51	5,594,398.44
US TREASURY NOTES DTD 08/01/2011 1.500% 07/31/2016	912828OX1	4,350,000.00	AA+	Aaa	06/02/14	06/05/14	4,448,554.69	0.44	27,217.54	4,445,287.36	4,440,397.35
US TREASURY NOTES DTD 08/01/2011 1.500% 07/31/2016	912828OX1	5,000,000.00	AA+	Aaa	02/04/14	02/07/14	5,125,976.56	0.48	31,284.53	5,105,872.65	5,103,905.00
US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	3,555,000.00	AA+	Aaa	08/29/13	08/30/13	3,574,580.27	0.81	11,882.20	3,569,169.20	3,591,659.16
US TREASURY NOTES DTD 09/30/2009 3.000% 09/30/2016	912828LP3	7,300,000.00	AA+	Aaa	02/27/14	02/28/14	7,762,523.44	0.53	55,049.18	7,702,658.58	7,700,929.69



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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
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 10/31/2011 1.000% 10/31/2016	912828RM4	5,245,000.00	AA+	Aaa	06/02/14	06/05/14	5,301,752.54	0.55	8,836.68	5,300,093.27	5,294,171.88
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	3,000,000.00	AA+	Aaa	12/19/13	12/20/13	3,016,289.06	0.69	2,223.36	3,013,384.41	3,018,515.63
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	3,650,000.00	AA+	Aaa	11/27/13	12/03/13	3,682,365.23	0.58	2,705.09	3,676,171.45	3,672,527.34
US TREASURY NOTES DTD 11/30/2009 2.750% 11/30/2016	912828MA5	4,800,000.00	AA+	Aaa	10/31/13	11/01/13	5,109,562.50	0.63	11,180.33	5,043,322.94	5,044,502.40
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	1,500,000.00	AA+	Aaa	03/19/14	03/21/14	1,503,339.84	0.93	3,770.49	1,503,036.63	1,508,907.00
US TREASURY NOTES DTD 05/31/2012 0.625% 05/31/2017	912828SY7	5,575,000.00	AA+	Aaa	06/02/14	06/05/14	5,543,205.08	0.82	2,951.25	5,543,953.83	5,537,976.43
Security Type Sub-Total		69,900,000.00					72,626,272.07	0.53	199,088.24	71,844,271.29	71,863,237.00

Municipal Bond / Note											
CA ST DEPT OF WATER TXBL 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	455.00	840,000.00	841,654.80
UNIV OF CAL TXBL REV BONDS DTD 10/02/2013 0.907% 05/15/2016	91412GSX4	835,000.00	AA	Aa2	09/26/13	10/02/13	835,000.00	0.91	967.72	835,000.00	837,655.30
Security Type Sub-Total		1,675,000.00					1,675,000.00	0.78	1,422.72	1,675,000.00	1,679,310.10

Federal Agency Bond / Note											
FHLB (CALLABLE) GLOBAL NOTES DTD 12/30/2013 0.375% 12/30/2015	3130A0GK0	4,500,000.00	AA+	Aaa	12/12/13	12/30/13	4,498,650.00	0.39	46.88	4,498,988.40	4,500,567.00
FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 01/24/2014 0.375% 02/19/2016	3130A0SD3	1,210,000.00	AA+	Aaa	01/27/14	01/29/14	1,208,414.90	0.44	1,663.75	1,208,739.22	1,210,082.28
FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 01/24/2014 0.375% 02/19/2016	3130A0SD3	5,000,000.00	AA+	Aaa	02/04/14	02/07/14	5,000,300.00	0.37	6,875.00	5,000,240.80	5,000,340.00



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Federal Agency Bond / Note											
FANNIE MAE GLOBAL NOTES DTD 02/15/2013 0.500% 03/30/2016	3135G0VA8	2,100,000.00	AA+	Aaa	08/01/13	08/02/13	2,092,986.00	0.63	2,654.17	2,095,383.32	2,103,578.40
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	8,392.22	6,635,750.20	6,651,314.56
FREDDIE MAC GLOBAL NOTES DTD 03/07/2013 0.500% 05/13/2016	3137EADQ9	5,320,000.00	AA+	Aaa	08/01/13	08/02/13	5,295,581.20	0.67	3,546.67	5,303,562.26	5,322,292.92
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	1,550,000.00	AA+	Aaa	10/01/13	10/03/13	1,573,259.46	0.74	5,005.21	1,567,507.39	1,572,738.50
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	1,650,000.00	AA+	Aaa	10/01/13	10/03/13	1,674,387.00	0.75	5,328.13	1,668,356.60	1,674,205.50
FEDERAL HOME LOAN BANKS (CALLABLE) DTD 03/27/2014 1.625% 03/27/2017	3130A1CR7	3,190,000.00	AA+	Aaa	04/02/14	04/04/14	3,225,058.10	1.25	13,535.35	3,216,428.83	3,223,443.96
FHLB GLOBAL NOTE (CALLABLE) DTD 04/28/2014 1.625% 04/28/2017	3130A1LJ5	940,000.00	AA+	Aaa	04/02/14	04/28/14	950,434.00	1.25	2,673.13	948,610.38	950,397.34
Security Type Sub-Total		32,100,000.00					32,151,501.06	0.63	49,720.51	32,143,567.40	32,208,960.46

Corporate Note											
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	2,138.50	939,747.31	943,080.38
JPMORGAN CHASE & CO GLOBAL NOTES DTD 10/18/2012 1.100% 10/15/2015	46623EJR1	3,900,000.00	A	A3	12/06/13	12/10/13	3,913,817.70	0.91	9,056.67	3,909,670.67	3,916,208.40
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	232.50	617,808.91	620,616.28
CISCO SYSTEMS INC GLOBAL NOTES DTD 02/22/2006 5.500% 02/22/2016	17275RAC6	2,905,000.00	AA-	A1	11/05/13	11/08/13	3,226,728.75	0.62	57,252.71	3,136,215.28	3,139,546.80
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	2,309.03	949,345.37	951,020.30
PEPSICO INC GLOBAL NOTES DTD 02/28/2013 0.700% 02/26/2016	713448CE6	1,035,000.00	A-	A1	02/25/13	02/28/13	1,034,637.75	0.71	2,515.63	1,034,798.68	1,037,470.55



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Corporate Note											
APPLE INC GLOBAL NOTES DTD 05/03/2013 0.450% 05/03/2016	037833AH3	920,000.00	AA+	Aa1	04/30/13	05/03/13	918,334.80	0.51	667.00	918,976.35	918,043.16
TOYOTA MOTOR CREDIT CORP DTD 05/17/2013 0.800% 05/17/2016	89236TAL9	1,620,000.00	AA-	Aa3	05/14/13	05/17/13	1,619,335.80	0.81	1,584.00	1,619,582.41	1,628,922.96
GENERAL ELEC CAP CORP (FLOATING) DTD 07/12/2013 0.877% 07/12/2016	36962G7A6	6,040,000.00	AA+	A1	07/09/13	07/12/13	6,040,000.00	0.93	11,477.66	6,040,000.00	6,094,825.08
WELLS FARGO & COMPANY DTD 07/29/2013 1.250% 07/20/2016	94974BFL9	2,500,000.00	A+	A2	07/22/13	07/29/13	2,497,600.00	1.28	13,975.69	2,498,332.73	2,521,582.50
BERKSHIRE HATHAWAY FIN GLOBAL NOTES DTD 08/15/2013 0.950% 08/15/2016	084664BX8	640,000.00	AA	Aa2	10/08/13	10/15/13	638,784.00	1.02	2,296.89	639,087.30	643,434.88
BERKSHIRE HATHAWAY FIN GLOBAL NOTES DTD 08/15/2013 0.950% 08/15/2016	084664BX8	2,130,000.00	AA	Aa2	08/06/13	08/15/13	2,128,871.10	0.97	7,644.33	2,129,198.12	2,141,431.71
AMERICAN HONDA FINANCE GLOBAL NOTES DTD 10/10/2013 1.125% 10/07/2016	02665WAB7	1,735,000.00	A+	A1	10/03/13	10/10/13	1,728,962.20	1.24	4,554.38	1,730,405.30	1,745,201.80
COCA-COLA CO/THE GLOBAL NOTES DTD 11/01/2013 0.750% 11/01/2016	191216BD1	755,000.00	AA	Aa3	10/29/13	11/01/13	754,131.75	0.79	943.75	754,322.99	754,312.95
BERKSHIRE HATHAWAY FIN (FLT) GLOBAL NT DTD 01/10/2014 0.377% 01/10/2017	084664CA7	1,300,000.00	AA	Aa2	01/06/14	01/10/14	1,300,000.00	0.39	1,103.60	1,300,000.00	1,300,327.60
PFIZER INC GLOBAL NOTES DTD 06/03/2013 0.900% 01/15/2017	717081DD2	3,900,000.00	AA	A1	05/28/13	06/03/13	3,893,760.00	0.95	16,185.00	3,895,605.83	3,901,794.00
PEPSICO CORP NOTES DTD 02/28/2014 0.950% 02/22/2017	713448CL0	2,240,000.00	A-	A1	02/25/14	02/28/14	2,237,446.40	0.99	7,152.44	2,237,730.43	2,236,998.40
WAL-MART STORES INC CORP NOTES DTD 04/22/2014 1.000% 04/21/2017	931142DN0	780,000.00	AA	Aa2	04/15/14	04/22/14	779,883.00	1.01	1,495.00	779,890.37	781,685.58
APPLE INC CORP NOTE DTD 05/06/2014 1.050% 05/05/2017	037833AM2	3,400,000.00	AA+	Aa1	04/29/14	05/06/14	3,398,198.00	1.07	5,454.17	3,398,288.64	3,404,590.00
TOYOTA MOTOR CREDIT CORPORATE NOTE DTD 05/22/2012 1.750% 05/22/2017	89233P6D3	1,950,000.00	AA-	Aa3	04/23/14	04/28/14	1,982,136.00	1.20	3,696.88	1,980,336.68	1,987,490.70



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Corporate Note											
THE WALT DISNEY CORPORATION CORP NOTE DTD 06/02/2014 0.875% 05/30/2017	25468PCZ7	1,900,000.00	A	A2	05/28/14	06/02/14	1,896,580.00	0.94	1,339.24	1,896,670.90	1,893,122.00
HSBC USA INC DTD 06/23/2014 1.300% 06/23/2017	40434CAA3	1,325,000.00	A+	A2	06/16/14	06/23/14	1,322,986.00	1.35	382.78	1,323,000.67	1,328,023.65
Security Type Sub-Total		43,485,000.00					43,815,757.05	0.94	153,457.85	43,729,014.94	43,889,729.68
Certificate of Deposit											
CREDIT SUISSE NEW YORK CERT DEPOS DTD 12/09/2013 0.500% 12/05/2014	22549TPN2	4,000,000.00	A-1	P-1	12/06/13	12/09/13	4,000,000.00	0.50	11,333.33	4,000,000.00	4,008,029.20
SKANDINAVISKA ENSKILDA BY NY FLOAT CD DTD 01/10/2014 0.550% 01/04/2016	83051HUD6	3,700,000.00	A-1	P-1	01/07/14	01/10/14	3,700,000.00	0.56	4,805.73	3,700,000.00	3,703,873.90
WESTPAC BANKING CORP NY LT FLOAT CD DTD 04/17/2014 0.406% 04/15/2016	96121TWF1	4,000,000.00	A-1+	P-1	04/16/14	04/17/14	4,000,000.00	0.41	3,386.25	4,000,000.00	4,005,680.00
RABOBANK NEDERLAND NV NY CD DTD 05/13/2014 0.716% 05/06/2016	21684BPV0	4,000,000.00	A-1+	P-1	05/09/14	05/13/14	4,000,000.00	0.71	3,820.00	4,000,000.00	3,983,660.00
BANK OF NOVA SCOTIA HOUS CD FLOAT DTD 06/13/2014 0.410% 06/10/2016	06417HMU7	4,800,000.00	A+	Aa2	06/11/14	06/13/14	4,797,100.80	0.28	983.52	4,797,172.46	4,801,584.00
NORDEA BANK FINLAND NY FLOAT CERT DEP DTD 06/13/2014 0.410% 06/13/2016	65558ET57	4,800,000.00	AA-	Aa3	06/11/14	06/13/14	4,800,000.00	0.31	983.52	4,800,000.00	4,798,104.00
Security Type Sub-Total		25,300,000.00					25,297,100.80	0.45	25,312.35	25,297,172.46	25,300,931.10
Managed Account Sub-Total		172,460,000.00					175,565,630.98	0.64	429,001.67	174,689,026.09	174,942,168.34



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Securities Sub-Total	\$172,460,000.00	\$175,565,630.98	0.64%	\$429,001.67	\$174,689,026.09	\$174,942,168.34
Accrued Interest						\$429,001.67
Total Investments						\$175,371,170.01