

Investment Performance Review

Third Quarter 2011

PFM Asset Management LLC

50 California Street, Suite 2300
San Francisco, CA 94111
(415)982-5544
fax (415)982-4513
spykem@pfm.com

Intermediate-term and long-term interest rates fell sharply for the second consecutive quarter, in many cases to new all-time lows, as market participants digested a myriad of events, including:

- Renewed slowdown in U.S. and global economies
- Heightened concern over European sovereign and bank debt
- Budget and debt ceiling wrangling in Washington
- S&P's downgrade of the U.S. government's credit rating
- Bold new Federal Reserve initiatives

These factors conspired to cause a collapse in consumer and business confidence, a sharp sell-off in equity markets around the globe, and a continued "flight-to-quality" into U.S. Treasuries. U.S. monetary policy initiatives also contributed to declining interest rates, as the Federal Reserve promised to keep short-term rates low for at least the next two years and announced a new program to purchase long-term debt. As a result, longer-term fixed-income portfolios posted their largest quarterly returns in nearly three years, while shorter-term portfolios remained hostage to near-zero-rate levels. High quality U.S. fixed-income investments continued to be one of the strongest performing asset classes during the third quarter.

The Economy: Recap of a Historic Quarter

At the beginning of the quarter, European debt concerns continued to serve as a shadowy backdrop to a sputtering U.S. recovery. In the face of stubbornly high unemployment, a battered housing market, and plunging consumer confidence, GDP growth in the U.S. averaged only 0.8% in the first half of the year. Throughout the quarter, economists, including those at the Federal Reserve, progressively lowered their GDP projections for the balance of the year. At the same time, Washington grappled with the debt ceiling and a possible default.

Capitol Hill was in need of an eleventh-hour agreement to give the Treasury the authority to issue additional debt to pay the government's bills. On August 2, one day before the Treasury's drop dead date, Congress finally agreed on a stopgap policy, which included upwards of \$2.4 trillion in spending cuts over the next decade and an increase in

the statutory debt limit by at least \$2.1 trillion. Default was averted, but much of the hard work of hammering out the details was pushed off to a bipartisan "Super Committee." The process revealed the worst of the U.S. government's political gridlock and gamesmanship.

As it had previously warned, on August 8 Standard and Poor's (S&P) cut the long-term sovereign debt rating of the United States from AAA to AA+. S&P characterized the budget deal as insufficient to stabilize the government's debt over the long term and noted that "the political brinksmanship of recent months highlights what we see as America's governance and policymaking becoming less stable, less effective, and less predictable." The rating downgrade also affected U.S. Federal Agencies, FDIC-backed debt, thousands of municipal bonds, and many funds that invest in Treasuries and Agencies. Even after the downgrade, investors continued to flock to the safety of U.S. Treasuries, further driving down yields and pushing prices upward.

At the August 9 meeting of the Federal Open Market Committee (FOMC), the Fed stated that weak economic conditions were "likely to warrant exceptionally low levels for the Federal funds rate at least through mid-2013." This marked the first time in history that the Fed had placed an explicit timetable on its monetary policy. Increased certainty that short-term rates are likely to remain low for two years drove rates lower still.

Then, at an extended two-day September meeting, the Fed announced "Operation Twist," yet another initiative designed to boost economic recovery. The FOMC said it would extend the average maturity of its security holdings to "put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative." The Committee intends to purchase, by the end of June 2012, \$400 billion of Treasury securities with remaining maturities of 6 to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. The market initially responded by pushing long-term rates down and shorter-term rates up, although the rise in short-term rates was limited by the Fed's near-zero-rate policy.

Interest Rates and Returns

Treasury yields continued their descent over the quarter, with yields of longer-term maturities falling the most, as shown in the following table.

U.S. Treasury Yields – Quarter and Year-over-Year Changes

| Date | 3-month | 1-year | 2-year | 5-year | 10-year | 30-year |
|----------------------------|---------|--------|--------|--------|---------|---------|
| 30-Sep-11 | 0.02% | 0.10% | 0.24% | 0.95% | 1.92% | 2.91% |
| 30-Jun-11 | 0.01% | 0.18% | 0.46% | 1.76% | 3.16% | 4.37% |
| Change over Quarter | 0.01% | -0.08% | -0.22% | -0.81% | -1.24% | -1.46% |
| 30-Sep-10 | 0.15% | 0.25% | 0.42% | 1.26% | 2.51% | 3.69% |
| Change over Year | -0.13% | -0.15% | -0.18% | -0.31% | -0.59% | -0.78% |

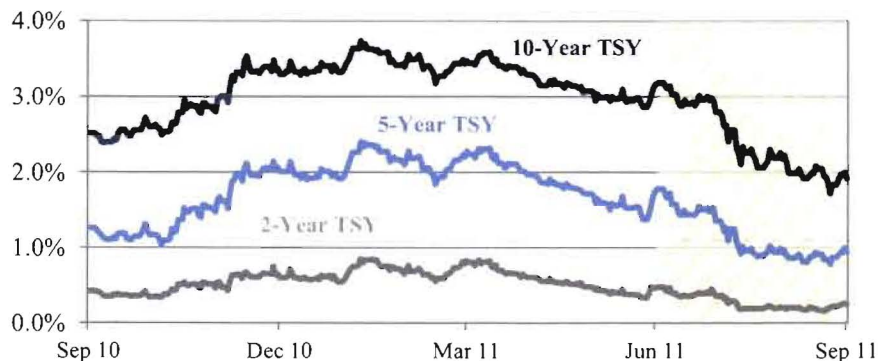
Source data: Bloomberg

Because yields on maturities less than one year are in large part dictated by the Federal funds target rate, short-term yields continue to be anchored near all-time-low levels. In fact, given very strong demand for high quality short-term investments, it has become commonplace for ultra-short Treasury bills to trade at zero or negative yields.

The continued decline in interest rates through the quarter is illustrated in the chart below.

2-Year, 5-Year, and 10-Year U.S. Treasury Note Yields

September 30, 2010 through September 30, 2011

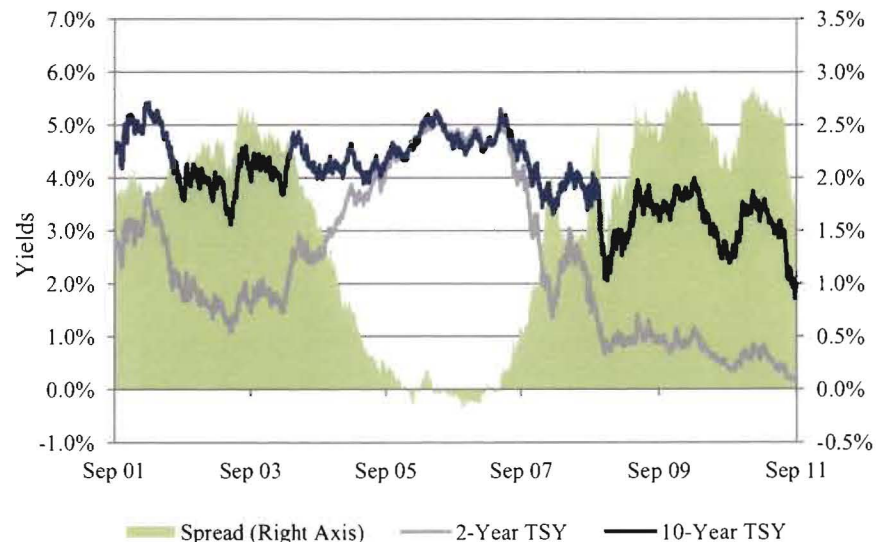


Source data: Bloomberg

The announcement of “Operation Twist” contributed to a significant flattening of the yield curve. As shown in the chart below, the steepness of the yield curve, measured by the spread between 2- and 10-year U.S. Treasury notes, flattened significantly. Note that the steepness of the yield curve through time is mostly a function of short-term rates, especially during periods of strong Fed accommodation. The most recent move, however, was more unusual, being driven by sharply lower long-term yields.

U.S. Treasury Yields and Yield Curve Steepness

September 30, 2001 through September 30, 2011

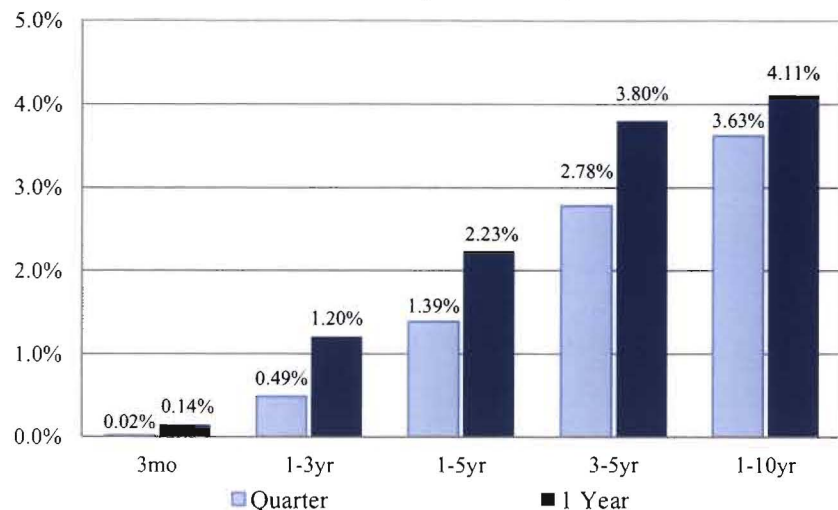


Source data: Bloomberg

Since intermediate- and long-term interest rates fell more than short-term rates, longer-duration strategies outperformed shorter-duration strategies for the quarter ended September 30, 2011, as seen on the chart on the following page. As was the case last quarter, longer was better by a wide margin.

Total Returns of Merrill Lynch U.S. Treasury Indices

Periods ended September 30, 2011



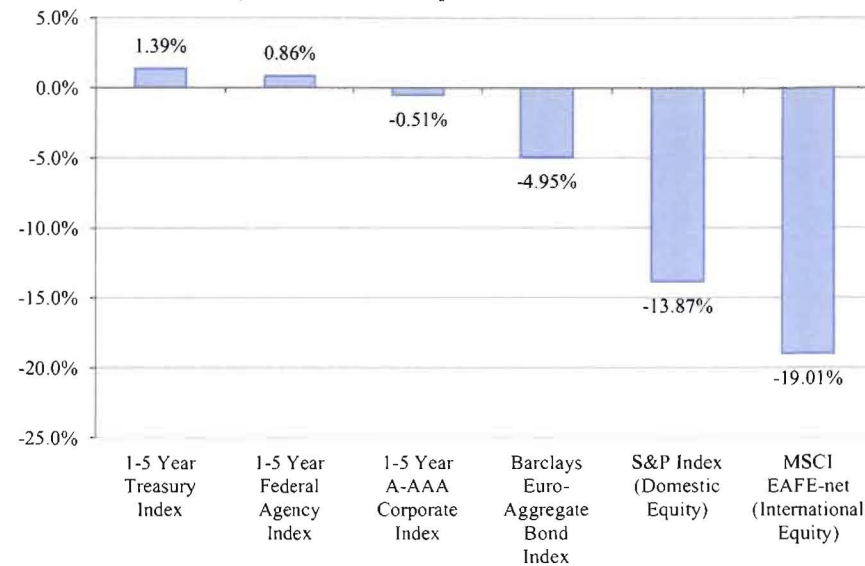
Source data: Bank of America Merrill Lynch; Bloomberg

U.S. Treasuries, in particular, had a very strong quarter, outperforming similar maturity Federal Agency and high-quality corporate securities. The outperformance of Treasuries was due to the significant decrease in Treasury yields across the curve—a result of the continuing flight-to-quality—while weaker economic data and troubles in Europe pressured yield spreads wider on other sectors.

As shown on the next chart, the risk aversion trade during the quarter punished riskier asset classes, as the return on Treasuries surpassed that of Federal Agencies and, in general, low risk fixed-income investments outpaced equities and alternative investment classes, which fell sharply during the quarter. As is usually the case during periods of uncertainty, yield spreads widened, risk premiums rose, and equity multiples fell. In such volatile market conditions, diversification remains an important principle of prudent portfolio management.

Total Returns of Various Asset Classes

Quarter ended September 30, 2011



Source data: Bank of America Merrill Lynch; Barclays Capital; Bloomberg

For an additional comparison of the disparity in returns along the risk spectrum, 1-5 year AAA-rated corporate securities outperformed 1-5 year A-rated corporate securities by 206 basis points (2.06%), 1.28% versus -0.78% for the quarter.

Worldwide concern over bank exposure to European debt also took its toll on corporate sector returns, as 1-5 year industrials outperformed financials by 192 basis points (1.92%), 0.34% versus -1.58% for the quarter.

Economic and Market Outlook

Although the U.S. economy has posted eight straight quarters of positive GDP growth, recent growth has been anemic. With uncertainty regarding future fiscal policy, both here and abroad, economists expect the lackluster GDP trend to remain at sub-3% growth levels for the foreseeable future.

The European sovereign debt and bank crisis was a significant storyline throughout the quarter and a continuing major headwind to the U.S. recovery. The sovereign debt woes of Greece have spread to other EU nations, including Spain, Italy, and Portugal. In June, in an attempt to quiet those fears, a series of new austerity measures was passed by the Greek parliament. In July, euro-zone members agreed to a €440 billion European Financial Stability Facility (ESFS) to address the growing crisis; however, as of quarter end, that measure was still being held up by Slovakia lawmakers. Getting 17 countries to agree on any proposal will be an ongoing challenge.

Until the European debt crisis is resolved, equity markets are expected to remain volatile. Volatility, as measured by the VIX index, rose to a 2½-year high during the third quarter. Amid the heightened volatility, the S&P 500 Index had shown signs of strength through the first two quarters of 2011, only to have those returns dissipate over the last three months.

In light of European debt issues, the dollar experienced a healthy rally relative to the euro—increasing over 8% for the quarter. Similarly, or perhaps in parallel, gold also rose 8%. However, commodity prices in general fell sharply over the quarter with oil leading the way, down 17%, as global demand slowed.

Although the economy added nearly 100,000 jobs per month in the past two quarters, the unemployment rate remains stuck above 9%. Current job creation is simply insufficient to have significant positive impact on the unemployment rate.

On the housing front, the story remains unchanged. Despite the biggest drop in home prices in over two years and mortgage rates at all-time lows, home sales have been disappointing. Credit remains tight while consumers are focused on relieving their own personal debt concerns. With winter around the corner, prospects remain dim.

Personal consumption increased modestly, led by stronger auto sales, but the ISM manufacturing index still experienced a sharp decline.

Consumer confidence plunged during the quarter as economic conditions weakened, equity markets fell, and jobs remain scarce.

Despite these obstacles, the Fed continues to express resolve and remains prepared to consider “the range of policy tools available to promote a stronger economic recovery in a context of price stability.”

Investment Strategy

The Federal Reserve’s commitment to maintain the Federal funds target rate at its current range until at least mid-2013 has essentially removed much of the uncertainty regarding potential short- to intermediate-term interest rate spikes in the near future. Because the Fed is on hold, maturity extensions can safely add value to portfolios. The benefits of “roll-down” can be viewed as a valuable contributor to fixed-income portfolio performance.

Short-maturity U.S. Treasury and Federal Agency yields remain at near zero levels. Some analysts have dubbed this relationship as “return-less risk”—the lack of total return opportunities in that portion of the yield curve is insufficient relative to the impact of potential interest rate fluctuations. Alternative short-term sectors, including high-quality certificates of deposit and commercial paper, floating rate securities, and callable agencies do have value, but each must be evaluated carefully.

Further out the yield curve, as credit spreads have widened, Federal Agency and high-quality corporate securities are attractive. Where applicable, we will increase exposure in both, but the corporate sector requires investors to be both thoughtful and nimble.

Still, as yields remain very low by historical measures, we will take a cautious approach to duration management. For this reason, we will target duration at or below benchmarks. In these unprecedented economic and market conditions, taking on extreme duration or credit risk is not warranted.

Portfolio Summary

| <u>Total Portfolio Value</u> | <u>September 30, 2011</u> | <u>June 30, 2011</u> |
|------------------------------|---------------------------|----------------------|
| Market Value | \$179,911,970.12 | \$201,146,458.86 |
| Amortized Cost | \$178,771,682.43 | \$199,767,095.14 |

PORTFOLIO RECAP

- The portfolio complies with the California Government Code and the City's investment policy.
- The portfolio is well diversified among U.S. Treasury, Federal Agency, and high quality corporate securities. Diversification was important in the third quarter as different asset classes performed very differently.
- Following the financial crisis in 2008, the investment universe bifurcated into safe assets (e.g., U.S. Treasuries and Agencies, gold, and currencies of export-based economies) and risky assets (almost everything else). The third quarter of 2011 was clearly a "risk off" quarter, as the weakening U.S. economy and lack of a comprehensive solution to the continuing European sovereign debt crisis weighed heavily on investors. As a result, safe assets performed well and riskier assets lost significant ground. In broad market terms, U.S. Treasuries were one of the best asset classes, while equities and lower-grade corporates lagged.
- The S&P downgrade of U.S. government debt from AAA to AA+ in August had virtually no lasting impact on the Treasury and Federal Agency market. We recommended no changes to portfolio strategy as a result of the downgrade.
- Although the quarter began with rates very low, longer-term Treasury yields fell further in response to weakening economic fundamentals and the Fed's aggressively accommodative monetary policy actions. The 2-year Treasury note, which started the third quarter at a yield of 0.45%, hit a new all-time low of 0.15% (dating back to 1976) during the quarter before rebounding slightly to end the quarter at 0.25%. The yield of 5-year Treasuries also hit an all-time low (dating to 1953) of 0.76%. Treasuries with maturities of 10 years and longer fell the most, as the market anticipated "Operation Twist," which was officially announced in late September.
- Non-callable Federal Agency debt also performed well, earning higher yields and benefitting from "roll down" which comes from a steep yield curve. We invested in Federal Agency notes at the upper end of the maturity spectrum throughout the third quarter.
- Corporates generally underperformed Treasuries as spreads widened. Weakness in corporate bonds was concentrated in banks and financial companies. For example, 1-3 year financials lost 1.22% for the quarter, while 1-3 year industrials finished the quarter nearly flat at -0.03%. Both lagged the 1-3 year Treasury index, which returned 0.49%. For several quarters we have been favoring industrials when adding to corporate allocations.
- Rumors of "Operation Twist" began in July, almost immediately after "QE2." Consequently, the yield curve accelerated its flattening trend. With curve flattening, a "barbell" position that combines both longer and shorter maturities usually outperforms a more laddered portfolio. In the third quarter, we utilized a barbell strategy by purchasing longer-dated agencies combined with shorter-dated, high-quality Commercial Paper or CDs. In this way, we were able to capture the higher yields and roll-down effect of longer Agencies, plus significant extra yield from shorter corporate and bank paper.
- Even though short-term rates have remained near 0% for over two years, the portfolio earned an annualized total return of 1.27% over the past year.

Portfolio Summary - continued

PORTFOLIO STRATEGY

- Recent economic reports remain soft, with continued weakness in employment, housing and business activity. Although the economy is not currently expected to fall back into a double-dip recession, the Federal Reserve has noted that “there are significant downside risks to the economic outlook, including strains in global financial markets.”
- The consensus outlook for the fourth quarter and beyond is for continued, frustratingly slow growth. According to Bloomberg’s survey of economists, real GDP growth is expected to barely exceed 2% for the remainder of 2011 and all of 2012. Corporate profitability likewise is expected to increase but at a slower rate, falling from the double-digit expansion of 2011 to perhaps 9% in the first quarter of 2012. Banks’ earnings will be particularly impacted by lower trading and capital markets activity. The market remains skittish about debt problems in the Euro-zone, and its impact on European banks’ capital adequacy. All this concern is reflected in today’s low Treasury yields.
- The Fed’s “Operation Twist” is now underway. In a classic “buy the rumor, sell the fact” reaction, rates at the beginning of fourth quarter have begun to increase. Although the Fed is selling up to \$400 billion of Treasuries 3 years and under, the upside to rates in the short-end of the yield curve is limited by the Fed’s two-year commitment to a near-zero rate policy. But, we note that earlier this year rates were much higher than today, even though the Fed funds rate has been at the same level since December 2008.
- Modest improvement in September’s economic data, such as auto sales, capital expenditures and private payrolls, and progress in Europe reinforce the view that we are not headed for another 2008-style financial and banking crisis. In such an environment, we prefer being close to benchmark durations, with a modest shorter bias. We find the higher income and wide spreads of nonfinancial corporate bonds and agencies compelling, with the large cash balances of the former and the continued government commitment to the latter.
- The high volatility of August and September made callable agencies cheaper, as large swings in yield create more value in the underlying option. After generally avoiding callables for several quarters, we now believe they offer good relative value and will complement our current strategy.
- As always, we strive to maintain the safety of principal while positioning the portfolio for growth and searching for tactical opportunities to enhance return. In these changing times, 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)^{1,2,3,4}

| | Fiscal Year 2010/11 | Fiscal Year 2011/2012 | Fiscal Year 2011/2012 | Fiscal Year 2011/2012 | Fiscal Year 2011/2012 | Current Forecast | Fiscal Year 2010/11 | Fiscal Year 2011/2012 |
|--------------|------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|------------------------------|------------------------|--------------------------|
| Month | Actual | Budget | Year-To-Date Actual | Current Forecast | Actual/Forecast vs. Budget | FY 2010/11 vs. FY 2009/10 | Par Value of Portfolio | |
| July | 103,554 | 81,900 | 81,922 | 81,922 | 22 | (21,632) | 169,425,000 | 180,335,000 |
| August | 242,191 | 316,700 | 316,655 | 316,655 | (45) | 74,465 | 169,425,000 | 168,150,000 |
| September | 391,681 | 476,000 | 475,981 | 475,981 | (19) | 84,301 | 169,885,000 | 163,300,000 |
| October | 353,114 | 338,500 | | 338,500 | - | (14,614) | 169,610,000 | |
| November | 699,935 | 295,000 | | 295,000 | - | (404,935) | 170,940,000 | |
| December | 184,103 | 242,500 | | 242,500 | - | 58,397 | 170,940,000 | |
| January | 68,730 | 0 | | - | - | (68,730) | 170,940,000 | |
| February | 130,587 | 106,700 | | 106,700 | - | (23,887) | 171,030,000 | |
| March | 560,372 | 455,200 | | 455,200 | - | (105,172) | 173,465,000 | |
| April | 390,085 | 338,800 | | 338,800 | - | (51,285) | 176,425,000 | |
| May | 264,914 | 295,200 | | 295,200 | - | 30,286 | 176,425,000 | |
| June | 159,758 | 242,700 | | 242,700 | - | 82,942 | 180,735,000 | |
| Total | 3,549,025 | 3,189,200 | 874,559 | 3,189,159 | (41) | (359,866) | 172,437,083 | 170,595,000 |
| Cash Return | 2.06% | 1.87% | 0.51% | 1.87% | | | | |

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)^{1,2,3,4}

| | Fiscal Year 2010/11 | Fiscal Year 2011/2012 | Fiscal Year 2011/2012 | Fiscal Year 2011/2012 | Fiscal Year 2011/2012 | Current Forecast | Fiscal Year 2010/11 | Fiscal Year 2011/2012 |
|-------------|------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|------------------------------|------------------------|--------------------------|
| Month | Actual | Budget | Year-To-Date Actual | Current Forecast | Actual/Forecast vs. Budget | FY 2010/11 vs. FY 2009/10 | Par Value of Portfolio | |
| July | 103,554 | 81,900 | 81,922 | 81,922 | 22 | (21,632) | 169,425,000 | 180,335,000 |
| August | 345,745 | 398,600 | 398,577 | 398,577 | (23) | 52,832 | 169,425,000 | 168,150,000 |
| September | 737,426 | 874,600 | 874,559 | 874,559 | (41) | 137,133 | 169,885,000 | 163,300,000 |
| October | 1,090,540 | 1,213,100 | 874,559 | 1,213,059 | (41) | 122,519 | 159,395,000 | 0 |
| November | 1,790,475 | 1,508,100 | 874,559 | 1,508,059 | (41) | (282,417) | 159,335,000 | 0 |
| December | 1,974,578 | 1,750,600 | 874,559 | 1,750,559 | (41) | (224,019) | 159,165,000 | 0 |
| January | 2,043,309 | 1,750,600 | 874,559 | 1,750,559 | (41) | (292,750) | 164,605,000 | 0 |
| February | 2,173,896 | 1,857,300 | 874,559 | 1,857,259 | (41) | (316,637) | 167,260,000 | 0 |
| March | 2,734,268 | 2,312,500 | 874,559 | 2,312,459 | (41) | (421,809) | 167,315,000 | 0 |
| April | 3,124,353 | 2,651,300 | 874,559 | 2,651,259 | (41) | (473,094) | 167,890,000 | 0 |
| May | 3,389,267 | 2,946,500 | 874,559 | 2,946,459 | (41) | (442,808) | 169,130,000 | 0 |
| June | 3,549,025 | 3,189,200 | 874,559 | 3,189,159 | (41) | (359,866) | 169,200,000 | 0 |
| Total | 3,549,025 | 3,189,200 | 874,559 | 3,189,159 | (41) | (359,866) | 166,002,500 | 42,648,750 |
| Cash Return | 2.14% | 7.48% | 2.05% | 7.48% | | | | |

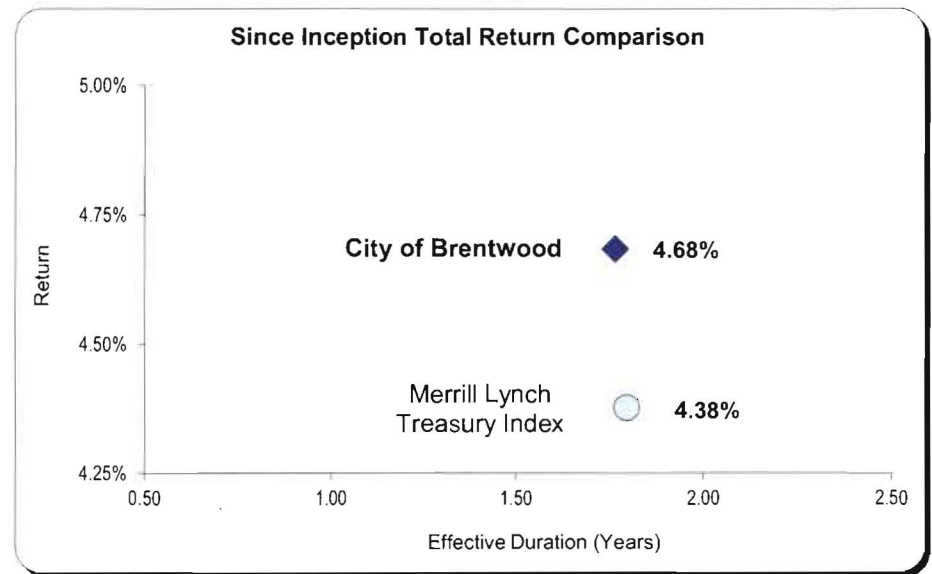
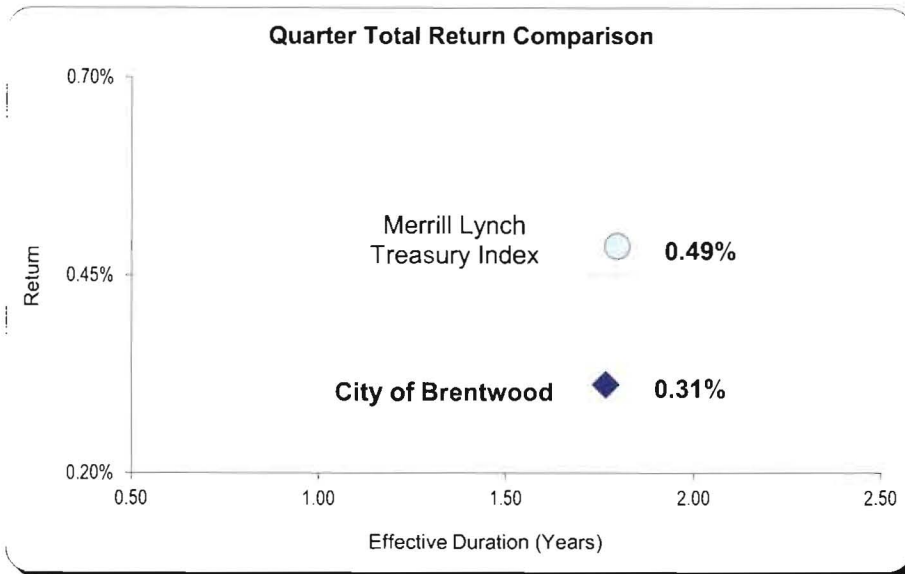
Notes:

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.

Portfolio Performance

| Total Return ^{1,2,3,4,5} | Quarter Ended September 30, 2011 | Past Year | Past 3 Years | Past 5 Years | Since Inception |
|-----------------------------------|-------------------------------------|--------------|-----------------|-----------------|--------------------|
| City of Brentwood | 0.31% | 1.27% | 3.40% | 4.201% | 4.684% |
| Merrill Lynch Treasury Index | 0.49% | 1.20% | 2.39% | 3.83% | 4.38% |

| Effective Duration ^{4,5,6} | September 30, 2011 | June 30, 2011 | Yields | September 30, 2011 | June 30, 2011 |
|-------------------------------------|--------------------|---------------|-----------------|--------------------|---------------|
| City of Brentwood | 1.767 | 1.58 | Yield at Market | 0.62% | 0.57% |
| Merrill Lynch Treasury Index | 1.805 | 1.80 | Yield on Cost | 1.03% | 1.11% |

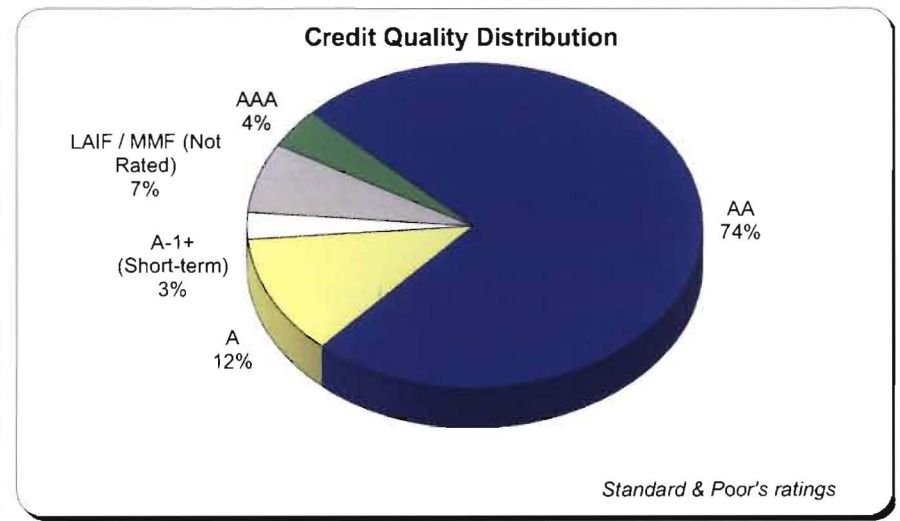
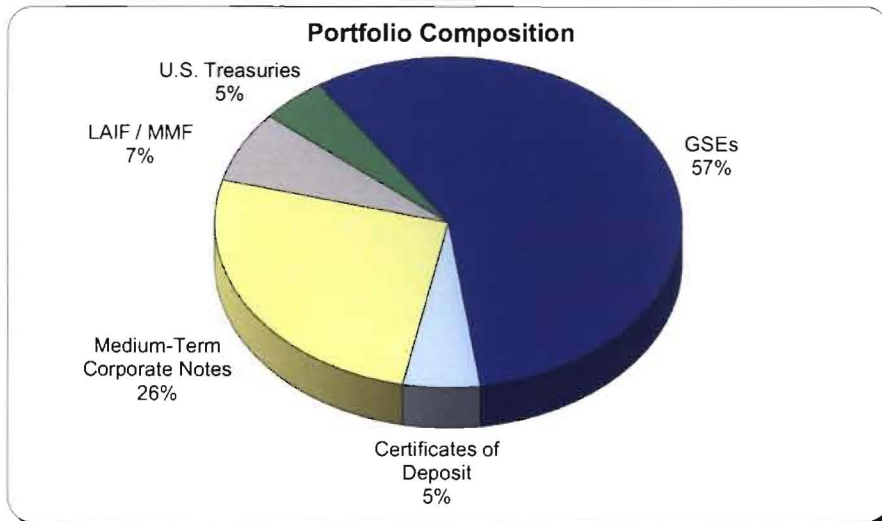


Notes:

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 Type¹</u> | <u>September 30, 2011</u> | <u>% of Portfolio</u> | <u>June 30, 2011</u> | <u>% of Portfolio</u> | <u>Permitted by Policy</u> |
|---|---------------------------|-----------------------|-------------------------|-----------------------|----------------------------|
| U.S. Treasuries | \$8,214,456.19 | 5% | \$31,438,988.26 | 16% | 100% |
| Federal Agencies | \$102,764,036.99 | 57% | \$100,975,928.34 | 50% | 100% |
| GSEs ² | \$102,764,036.99 | 57% | \$93,190,179.24 | 46% | 100% |
| FDIC-Guaranteed Corporates ³ | \$0.00 | 0% | \$7,785,749.10 | 4% | 100% |
| Certificates of Deposit | \$9,597,845.58 | 5% | \$9,644,980.18 | 5% | 30% |
| Medium-Term Corporate Notes | \$46,818,252.00 | 26% | \$42,178,236.54 | 21% | 30% |
| Money Market Fund/Cash | \$5,557,842.23 | 3% | \$126,970.57 | <1% | 15% |
| LAIF | \$6,959,537.13 | 4% | \$16,781,354.97 | 8% | \$50 Million |
| Totals | \$179,911,970.12 | 100% | \$201,146,458.86 | 100% | |

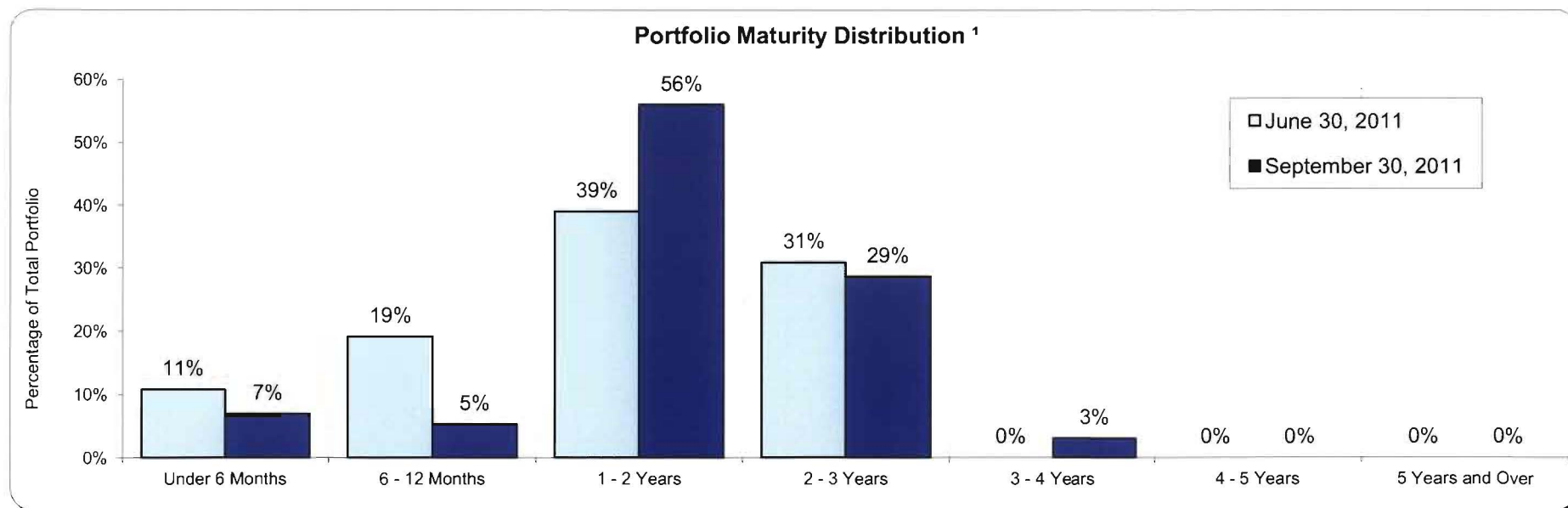


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government sponsored enterprises including, but not limited to Fannie Mae, Freddie Mac, Federal Home Loan Bank system and Federal Farm Credit Banks.
3. Debt guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program and backed by the full faith and credit of the United States.

Portfolio Maturity Distribution

| <u>Maturity Distribution</u> ¹ | <u>September 30, 2011</u> | <u>June 30, 2011</u> |
|---|---------------------------|-------------------------|
| Under 6 Months | \$12,517,379.36 | \$21,749,643.42 |
| 6 - 12 Months | \$9,558,854.46 | \$38,625,075.75 |
| 1 - 2 Years | \$100,765,440.75 | \$78,551,645.20 |
| 2 - 3 Years | \$51,593,181.97 | \$62,220,094.49 |
| 3-4 Years | \$5,477,113.58 | \$0.00 |
| 4 - 5 Years | \$0.00 | \$0.00 |
| 5 Years and Over | \$0.00 | \$0.00 |
| Totals | \$179,911,970.12 | \$201,146,458.86 |



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 **September 30, 2011**

CITY OF BRENTWOOD - 09900003

| 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 06/30/2011 0.375% 06/30/2013 | 912828RA0 | 1,450,000.00 | AA+ | Aaa | 07/07/11 | 07/08/11 | 1,447,337.89 | 0.47 | 1,374.15 | 1,447,647.68 | 1,453,175.50 |
| US TREASURY NOTES DTD 09/15/2010 0.750% 09/15/2013 | 912828NY2 | 5,970,000.00 | AA+ | Aaa | 10/04/10 | 10/07/10 | 5,995,419.14 | 0.60 | 1,968.13 | 5,986,968.29 | 6,023,401.65 |
| US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013 | 912828PB0 | 730,000.00 | AA+ | Aaa | 11/02/10 | 11/03/10 | 730,085.55 | 0.50 | 1,685.38 | 730,059.44 | 732,851.38 |
| Security Type Sub-Total | | 8,150,000.00 | | | | | 8,172,842.58 | 0.57 | 5,027.66 | 8,164,675.41 | 8,209,428.53 |
| Federal Agency Bond / Note | | | | | | | | | | | |
| FNMA GLOBAL BENCHMARK SR UNSECURED DTD 09/23/2002 4.375% 09/15/2012 | 31359MPF4 | 2,000,000.00 | AA+ | Aaa | 06/16/11 | 06/17/11 | 2,101,000.00 | 0.31 | 3,888.89 | 2,077,591.70 | 2,077,540.00 |
| FHLMC GLOBAL REFERENCE NOTES DTD 08/06/2009 2.125% 09/21/2012 | 3137EACE7 | 2,635,000.00 | AA+ | Aaa | 10/08/09 | 10/09/09 | 2,678,477.50 | 1.55 | 1,555.38 | 2,649,549.89 | 2,681,710.65 |
| FHLMC NOTES DTD 12/02/2010 0.625% 12/28/2012 | 3137EACO0 | 4,015,000.00 | AA+ | Aaa | 08/22/11 | 08/23/11 | 4,031,381.20 | 0.32 | 6,482.55 | 4,030,100.25 | 4,029,875.58 |
| FHLMC NOTES DTD 12/02/2010 0.625% 12/28/2012 | 3137EACO0 | 8,000,000.00 | AA+ | Aaa | 02/01/11 | 02/04/11 | 7,991,520.00 | 0.68 | 12,916.67 | 7,994,451.28 | 8,029,640.00 |
| FNMA GLOBAL NOTES DTD 01/15/2010 1.750% 02/22/2013 | 31398AE24 | 3,100,000.00 | AA+ | Aaa | 01/14/10 | 01/15/10 | 3,095,536.00 | 1.80 | 5,877.08 | 3,097,958.65 | 3,157,706.50 |
| FNMA NOTES DTD 01/18/2011 0.750% 02/26/2013 | 3135G0AK9 | 4,475,000.00 | AA+ | Aaa | 02/10/11 | 02/11/11 | 4,455,578.50 | 0.97 | 3,263.02 | 4,461,615.23 | 4,499,062.08 |
| FNMA NOTES DTD 01/18/2011 0.750% 02/26/2013 | 3135G0AK9 | 6,000,000.00 | AA+ | Aaa | 01/13/11 | 01/18/11 | 5,990,760.00 | 0.82 | 4,375.00 | 5,993,821.86 | 6,032,262.00 |
| FHLMC GLOBAL NOTES DTD 02/23/2010 1.720% 04/11/2013 | 3128X9D56 | 10,500,000.00 | AA+ | Aaa | 03/01/10 | 03/02/10 | 10,528,875.00 | 1.63 | 85,283.33 | 10,514,346.47 | 10,715,890.50 |
| FHLMC GLOBAL REFERENCE NOTES DTD 03/14/2008 3.500% 05/29/2013 | 3137EABJ7 | 3,980,000.00 | AA+ | Aaa | 04/06/11 | 04/07/11 | 4,190,979.80 | 1.00 | 47,207.22 | 4,143,819.67 | 4,185,905.30 |
| FHLMC GLOBAL REFERENCE NOTES DTD 03/14/2008 3.500% 05/29/2013 | 3137EABJ7 | 5,000,000.00 | AA+ | Aaa | 02/01/11 | 02/04/11 | 5,302,900.00 | 0.86 | 59,305.56 | 5,217,537.00 | 5,258,675.00 |



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2011**

CITY OF BRENTWOOD - 09900003

| 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 |
|---------------------------------------|-----------------------------------|--------------|----------------------|-----------------------|-----------------------|-------------------|--------------------|-----------------------|--------------------|-------------------------|-----------------------|-----------------------|
| Federal Agency Bond / Note | | | | | | | | | | | | |
| FHLB GLOBAL NOTES | | 313374Y61 | 3,800,000.00 | AA+ | Aaa | 07/20/11 | 07/21/11 | 3,794,718.00 | 0.57 | 1,741.67 | 3,795,202.08 | 3,805,931.80 |
| DTD 07/21/2011 0.500% 08/28/2013 | | | | | | | | | | | | |
| FNMA NOTES (CALLABLE) | | 3135G0DE0 | 4,000,000.00 | AA+ | Aaa | 09/01/11 | 09/19/11 | 4,000,000.00 | 0.50 | 666.67 | 4,000,000.00 | 3,990,276.00 |
| DTD 09/19/2011 0.500% 09/19/2013 | | | | | | | | | | | | |
| FANNIE MAE GLOBAL NOTES | | 31398A2S0 | 9,870,000.00 | AA+ | Aaa | 03/15/11 | 03/17/11 | 9,877,086.66 | 0.97 | 2,193.33 | 9,875,586.62 | 9,969,302.07 |
| DTD 08/06/2010 1.000% 09/23/2013 | | | | | | | | | | | | |
| FHLMC GLOBAL REFERENCE NOTES | | 3137EABS7 | 2,100,000.00 | AA+ | Aaa | 06/27/11 | 06/28/11 | 2,264,871.00 | 0.60 | 962.50 | 2,246,044.29 | 2,253,984.60 |
| DTD 08/20/2008 4.125% 09/27/2013 | | | | | | | | | | | | |
| FHLMC GLOBAL REFERENCE NOTES | | 3137EABS7 | 5,460,000.00 | AA+ | Aaa | 10/04/10 | 10/07/10 | 5,986,234.80 | 0.84 | 2,502.50 | 5,813,579.66 | 5,860,359.96 |
| DTD 08/20/2008 4.125% 09/27/2013 | | | | | | | | | | | | |
| FNMA GLOBAL BENCHMARK NOTES | | 31359MTG8 | 5,130,000.00 | AA+ | Aaa | 07/29/11 | 08/03/11 | 5,584,189.68 | 0.57 | 109,404.38 | 5,551,146.73 | 5,560,904.61 |
| DTD 09/26/2003 4.625% 10/15/2013 | | | | | | | | | | | | |
| FHLB TAP BONDS | | 3133XSP93 | 1,285,000.00 | AA+ | Aaa | 06/28/11 | 06/29/11 | 1,358,861.80 | 0.76 | 12,046.88 | 1,351,234.26 | 1,359,012.15 |
| DTD 12/04/2008 3.125% 12/13/2013 | | | | | | | | | | | | |
| FNMA NOTES | | 31398A5W8 | 1,500,000.00 | AA+ | Aaa | 06/28/11 | 06/29/11 | 1,499,925.00 | 0.75 | 3,218.75 | 1,499,932.97 | 1,506,643.50 |
| DTD 11/01/2010 0.750% 12/18/2013 | | | | | | | | | | | | |
| FHLB GLOBAL BONDS | | 3133X7FK5 | 5,200,000.00 | AA+ | Aaa | 08/30/11 | 08/31/11 | 5,889,728.00 | 0.47 | 78,108.33 | 5,868,825.09 | 5,853,442.40 |
| DTD 05/27/2004 5.250% 06/18/2014 | | | | | | | | | | | | |
| FREDDIE MAC GLOBAL NOTES | | 3134G2WG3 | 6,000,000.00 | AA+ | Aaa | 09/28/11 | 09/30/11 | 6,012,000.00 | 0.68 | 1,125.00 | 6,011,988.90 | 6,016,674.00 |
| DTD 08/05/2011 0.750% 09/22/2014 | | | | | | | | | | | | |
| FREDDIE MAC (CALLABLE) NOTES | | 3134G2K84 | 5,500,000.00 | AA+ | Aaa | 09/20/11 | 09/30/11 | 5,500,000.00 | 0.75 | 114.58 | 5,500,000.00 | 5,476,999.00 |
| DTD 09/30/2011 0.750% 09/30/2014 | | | | | | | | | | | | |
| Security Type Sub-Total | | | 99,550,000.00 | | | | | 102,134,622.94 | 0.87 | 442,239.29 | 101,694,332.60 | 102,321,797.70 |
| Corporate Note | | | | | | | | | | | | |
| WELLS FARGO & COMPANY GLOBAL SR NOTES | | 949746NW7 | 4,140,000.00 | AA- | A2 | 01/26/10 | 01/29/10 | 4,474,760.40 | 2.19 | 95,392.50 | 4,272,346.44 | 4,315,805.10 |
| DTD 10/23/2007 5.250% 10/23/2012 | | | | | | | | | | | | |



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2011**

CITY OF BRENTWOOD - 09900003

| 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 |
|--|-----------------------------------|--------------|----------------------|-----------------------|-----------------------|-------------------|--------------------|----------------------|--------------------|-------------------------|-----------------------|----------------------|
| Corporate Note | | | | | | | | | | | | |
| JPMORGAN CHASE & CO GLOBAL NOTES DTD 04/28/2008 4.750% 05/01/2013 | | 46625HHB9 | 190,000.00 | A+ | Aa3 | 01/20/10 | 01/25/10 | 203,761.70 | 2.43 | 3,760.42 | 196,807.38 | 199,758.21 |
| US BANCORP DTD 06/14/2010 2.000% 06/14/2013 | | 91159HGW4 | 4,000,000.00 | A+ | Aa3 | 06/09/10 | 06/14/10 | 3,995,000.00 | 2.04 | 23,777.78 | 3,997,125.68 | 4,078,828.00 |
| US BANCORP NOTE (CALLABLE) DTD 09/13/2010 1.375% 09/13/2013 | | 91159HGY0 | 1,000,000.00 | A+ | Aa3 | 09/08/10 | 09/13/10 | 998,710.00 | 1.42 | 687.50 | 999,155.36 | 1,006,143.00 |
| GENERAL ELECTRIC CAPITAL CORP NOTES DTD 09/16/2010 1.875% 09/16/2013 | | 36962G4O4 | 6,700,000.00 | AA+ | Aa2 | 09/13/10 | 09/16/10 | 6,689,883.00 | 1.93 | 5,234.38 | 6,693,330.69 | 6,730,799.90 |
| JPMORGAN CHASE & CO NOTES DTD 09/30/2010 1.650% 09/30/2013 | | 46623EJD2 | 4,000,000.00 | A+ | Aa3 | 09/27/10 | 09/30/10 | 3,999,520.00 | 1.65 | 183.33 | 3,999,677.84 | 4,028,616.00 |
| WAL MART STORES INC. CORP NOTES DTD 04/18/2011 1.625% 04/15/2014 | | 931142DA8 | 2,350,000.00 | AA | Aa2 | 04/11/11 | 04/18/11 | 2,343,655.00 | 1.72 | 17,290.45 | 2,344,593.85 | 2,400,320.55 |
| IBM CORP GLOBAL NOTES DTD 05/12/2011 1.250% 05/12/2014 | | 459200GW5 | 7,150,000.00 | A+ | Aa3 | 05/09/11 | 05/12/11 | 7,143,279.00 | 1.28 | 34,508.68 | 7,144,130.28 | 7,209,051.85 |
| JOHNSON & JOHNSON GLOBAL NOTE DTD 05/20/2011 1.200% 05/15/2014 | | 478160AX2 | 7,000,000.00 | AAA | Aaa | 05/17/11 | 05/20/11 | 6,991,810.00 | 1.24 | 30,566.67 | 6,992,790.49 | 7,099,876.00 |
| CATERPILLAR FINANCIAL SE NOTES DTD 05/20/2011 1.375% 05/20/2014 | | 14912L4V0 | 1,550,000.00 | A | A2 | 05/17/11 | 05/20/11 | 1,549,178.50 | 1.39 | 7,755.38 | 1,549,276.43 | 1,558,666.05 |
| CATERPILLAR INC GLOBAL NOTES DTD 05/27/2011 1.375% 05/27/2014 | | 149123BU4 | 3,420,000.00 | A | A2 | 05/24/11 | 05/27/11 | 3,417,400.80 | 1.40 | 16,197.50 | 3,417,694.03 | 3,442,825.08 |
| 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 | 1,494,094.85 | 1,503,055.50 |
| BERKSHIRE HATHAWAY INC (FLOATING) NOTES DTD 08/15/2011 0.986% 08/15/2014 | | 084670BA5 | 3,000,000.00 | AA+ | Aa2 | 08/10/11 | 08/15/11 | 3,000,000.00 | 0.98 | 3,862.50 | 3,000,000.00 | 3,003,948.00 |
| Security Type Sub-Total | | | 46,000,000.00 | | | | | 46,300,793.40 | 1.56 | 240,558.76 | 46,101,023.32 | 46,577,693.24 |

Certificate of Deposit



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2011**

CITY OF BRENTWOOD - 09900003

| 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 |
|---|--------------|-------------------------|-----------------------|-----------------------|-------------------|--------------------|-------------------------|--------------------|-------------------------|-------------------------|-------------------------|
| Certificate of Deposit | | | | | | | | | | | |
| TORONTO DOMINION BANK NY CERT DEPOS DTD 08/16/2011 0.450% 08/13/2012 | 89112Y4H3 | 4,800,000.00 | A-1+ | P-1 | 08/12/11 | 08/16/11 | 4,800,000.00 | 0.45 | 2,759.99 | 4,800,000.00 | 4,791,399.55 |
| BANK OF NOVA SCOTIA HOUSTON YCD (FLOAT) DTD 11/09/2010 0.522% 11/09/2012 | 06417DSG1 | 4,800,000.00 | AA- | Aa1 | 11/04/10 | 11/09/10 | 4,800,000.00 | 0.54 | 3,686.04 | 4,800,000.00 | 4,800,000.00 |
| Security Type Sub-Total | | 9,600,000.00 | | | | | 9,600,000.00 | 0.49 | 6,446.03 | 9,600,000.00 | 9,591,399.55 |
| Managed Account Sub-Total | | 163,300,000.00 | | | | | 166,208,258.92 | 1.03 | 694,271.74 | 165,560,031.33 | 166,700,319.02 |
| Securities Sub-Total | | \$163,300,000.00 | | | | | \$166,208,258.92 | 1.03% | \$694,271.74 | \$165,560,031.33 | \$166,700,319.02 |
| Accrued Interest | | | | | | | | | | | \$694,271.74 |
| Total Investments | | | | | | | | | | | \$167,394,590.76 |