



# City of Brentwood



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**Investment Performance Review**

**Third Quarter 2013**

**PFM Asset Management LLC**

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### Summary

- Markets were whipsawed during the third quarter, as rates marched steadily higher into September, only to reverse on:
  - Weaker-than-expected employment and economic data;
  - Larry Summers' withdrawal from consideration as the next Federal Reserve (Fed) Chairman; and
  - The Fed's surprise announcement that it would await more evidence of sustainable economic progress before adjusting the pace of its bond purchases.
- As a result of the Fed's decision not to taper its bond-purchasing programs, ten-year Treasury yields ended the quarter at 2.6%, only slightly higher than the end of June, when yields were 2.5%.
- The domestic economy continued to grow modestly, although forecasts for growth into next year have been reduced.
- Partisan wrangling over the federal budget, looming debt ceiling, and impact of the government shutdown have created a great deal of uncertainty.

### Economic Snapshot

- U.S. gross domestic product (GDP) grew at a modest 2.5% for the second quarter. The release of the Fed's September economic projections confirmed that growth is unlikely to pick up in the next few quarters, as its GDP growth forecast was revised slightly downward for 2013, 2014, and 2015.
- During the quarter, the unemployment rate continued to fall from 7.6% in June to 7.3% in August. The economy created 169,000 jobs in August, but that figure was overshadowed by large downward revisions to the prior two months' figures.
- Consumer confidence fell to 79.7 in September, marking its weakest reading since May.
- The euro zone emerged from recession but generated second-quarter GDP growth of only 0.3%.

### Interest Rates

- Intermediate-term interest rates were slightly lower at the end of the quarter, as the market re-priced the yield curve to reflect the Fed's surprise inaction on tapering.
- At its September 17-18 meeting, the Federal Open Market Committee (FOMC) maintained its commitment to low short-term rates until the unemployment picture improves, as long as inflation remains within expectations. Its decision not to taper was based partially on its belief that growth in the near term would be somewhat lower than expected.
- While rates have come down from two-year highs in early September, once tapering starts, they may resume their gradual trend toward normalization, resulting in higher levels over time.

### Sector Performance

- Fixed-income securities generally performed well across most segments of the U.S. market, with intermediate-term maturities performing best.
- The corporate sector led the way with strong returns, as yield spreads reversed much of the spread widening that occurred in the second quarter.
- Agencies modestly outperformed Treasuries for the quarter, but yield spreads remain near historically narrow levels, especially in shorter maturities.
- Agency mortgage-backed securities had a very good quarter, as option-adjusted spreads narrowed, while the worst of the rate-induced duration extensions appear to be behind us.
- Short- and intermediate-term municipal bonds also had a good quarter, despite the Detroit bankruptcy filing in July.

### Economic Snapshot

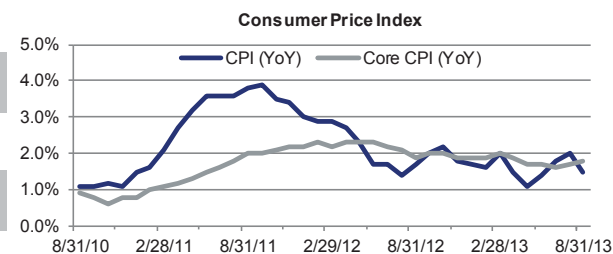
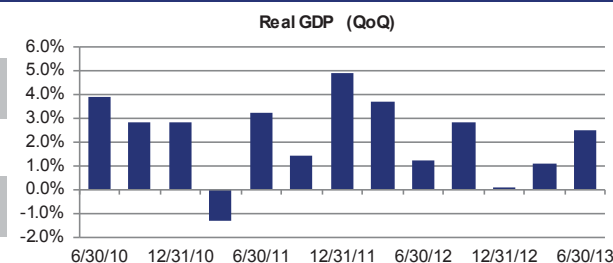
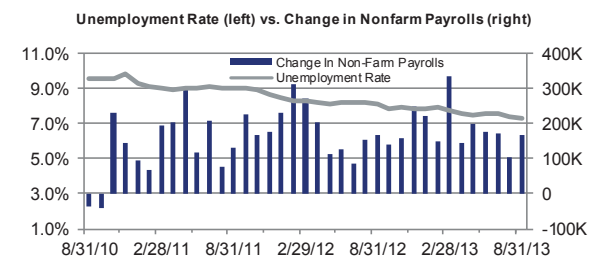
Labor Market	Latest	Jun 2013	Sep 2012	
Unemployment Rate	Aug'13	7.3%	7.6%	7.8%
Change In Non-Farm Payrolls	Aug'13	169,000	172,000	138,000
Average Hourly Earnings (YoY)	Aug'13	2.2%	2.1%	2.0%
Personal Income (YoY)	Aug'13	3.7%	3.2%	3.6%
Initial Jobless Claims (week)	10/4/13	374,000	344,000	368,000

Growth	Latest	Jun 2013	Sep 2012	
Real GDP (QoQ SAAR)	2013Q2	2.5%	1.1% <sup>1</sup>	2.8% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2013Q2	1.8%	2.3% <sup>1</sup>	1.7% <sup>2</sup>
Retail Sales (YoY)	Aug'13	4.7%	6.0%	5.7%
ISM Manufacturing Survey (month)	Sep'13	56.2	50.9	51.6
Existing Home Sales SAAR (month)	Aug'13	5.48 mil.	5.06 mil.	4.78 mil.

Inflation / Prices	Latest	Jun 2013	Sep 2012	
Personal Consumption Expenditures (YoY)	Aug'13	1.2%	1.3%	1.7%
Consumer Price Index (YoY)	Aug'13	1.5%	1.8%	2.0%
Consumer Price Index Core (YoY)	Aug'13	1.8%	1.6%	2.0%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$102.33	\$96.56	\$92.19
Gold Futures (oz)	Sep 30	\$1,327	\$1,224	\$1,771



1. Data as of First Quarter 2013

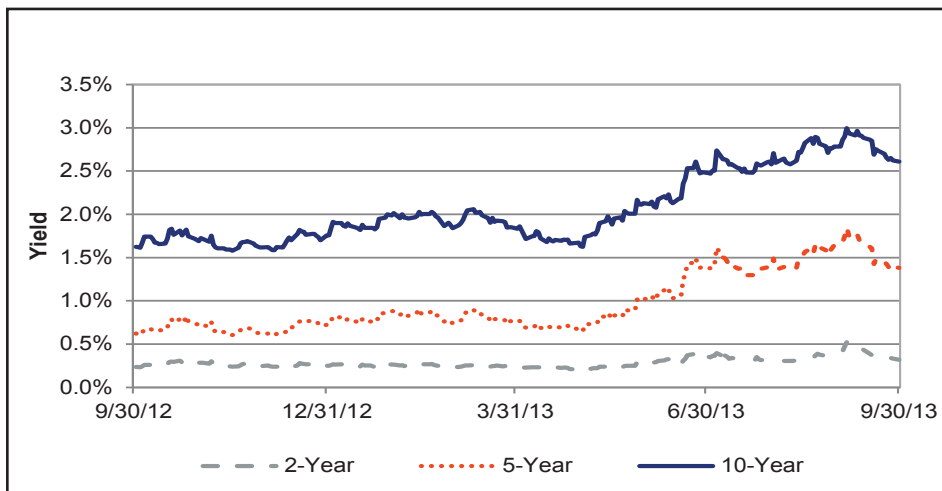
2. Data as of Third Quarter 2012

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

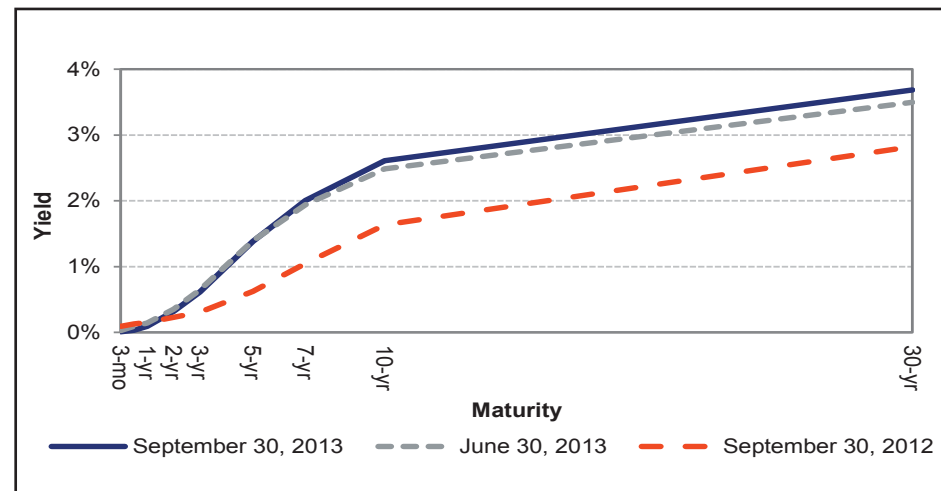
Source: Bloomberg

### Interest Rate Overview

#### U.S. Treasury Note Yields



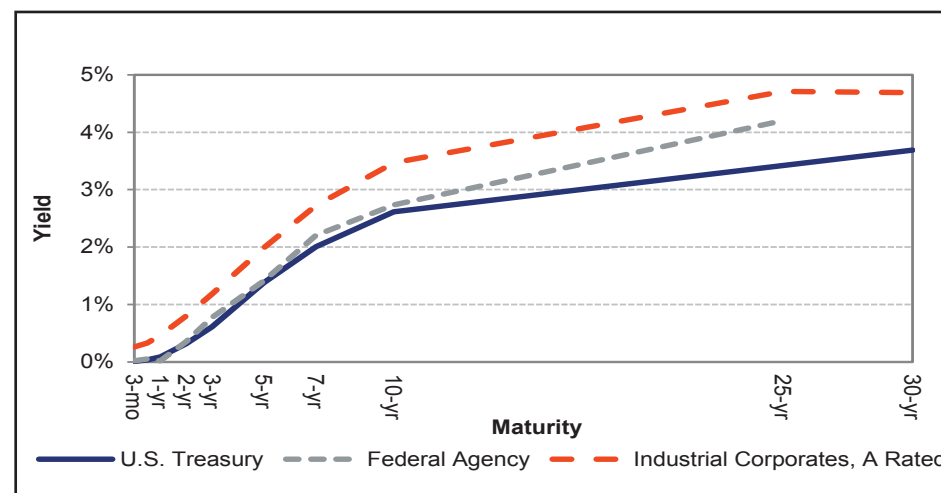
#### U.S. Treasury Yield Curve



#### U.S. Treasury Yields

Maturity	9/30/13	6/30/13	Change over Quarter	9/30/12	Change over Year
3-month	0.01%	0.03%	(0.02%)	0.09%	(0.08%)
1-year	0.11%	0.17%	(0.06%)	0.16%	(0.05%)
2-year	0.32%	0.37%	(0.05%)	0.25%	0.07%
5-year	1.39%	1.40%	(0.01%)	0.63%	0.76%
10-year	2.67%	2.52%	0.15%	1.70%	0.97%
30-year	3.68%	3.48%	0.20%	2.82%	0.86%

#### Yield Curves as of 9/30/13



Source: Bloomberg

### BofA Merrill Lynch Index Returns

	As of 9/30/2013	Returns for Periods ended 9/30/2013			
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.90	0.33%	0.29%	0.37%	0.71%
Federal Agency	1.75	0.45%	0.30%	0.39%	0.87%
U.S. Corporates, A-AAA rated	1.93	1.00%	0.74%	1.39%	2.22%
Agency MBS (0 to 3 years)	1.78	1.34%	1.03%	(0.28%)	1.92%
Municipals	1.83	0.64%	0.47%	0.76%	1.25%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.70	0.62%	0.46%	(0.03%)	1.16%
Federal Agency	2.48	0.75%	0.52%	0.07%	1.15%
U.S. Corporates, A-AAA rated	2.83	1.49%	1.16%	1.17%	2.79%
Agency MBS (0 to 5 years)	3.26	2.54%	0.93%	(0.74%)	2.55%
Municipals	2.57	0.98%	0.67%	0.58%	1.72%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	5.70	1.42%	0.03%	(2.54%)	2.12%
Federal Agency	3.93	1.33%	0.35%	(1.38%)	1.63%
U.S. Corporates, A-AAA rated	6.44	2.84%	0.86%	(1.72%)	3.83%
Agency MBS	5.17	2.94%	1.08%	(1.20%)	2.66%
Municipals	8.04	3.40%	(0.41%)	(2.75%)	3.28%

Returns for periods greater than one year are annualized

Source: Bloomberg

### Disclosures

*The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources believed to be reliable. No representation is made as to its accuracy or completeness. This material is intended for informational purposes only and should not be relied upon to make an investment decision, as it was prepared without regard to any specific objectives or financial circumstances. It should not be construed as an offer to purchase/sell any investment. References to particular issuers are for illustrative purposes only, and are not intended to be recommendations or advice regarding such issuers. PFMAM is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. PFMAM's clients are state and local governments, non-profit corporations, pension funds, and similar institutional investors. [www.pfm.com](http://www.pfm.com)*

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**PFM Asset Management LLC**



**Portfolio Summary**

<u>Total Portfolio Value</u>	<u>September 30, 2013</u>	<u>June 30, 2013</u>
Market Value	\$161,070,658.21	\$170,411,566.38
Amortized Cost	\$160,986,358.75	\$170,624,860.28

**PORTFOLIO RECAP**

- Our investment strategy was based on the view that interest rates will trend gradually higher as modest economic expansion in the U.S. continues. The Federal Reserve must eventually curtail its bond purchases and rates will begin to normalize from artificially low levels. The key pillars of our strategy included:
  - Keeping duration a bit shorter and more conservative than the benchmark,
  - Careful timing of purchases when rates were near the top of their recent range,
  - Emphasizing credit instruments (e.g. corporates, and negotiable certificates of deposit) that will benefit from favorable credit market conditions and improving fundamentals,
  - Making greater use of floating-rate instruments that are historically less susceptible to market risk when rate rise.
- Portfolio was positioned with a duration shorter than its benchmark for much of the quarter to dampen capital losses as yields rose.
- Much of PFMAM's decision making focuses on identifying "relative value." That is, seeking those sectors, maturities and issues that offer the best potential for favorable returns in the context of the overall portfolio. After a difficult second quarter, credit instruments once again added significant incremental return to portfolios.
- Rising rates caused the effective duration/maturity of investments with imbedded call options to extend. Many callable agencies traded at discount prices, meaning it was assumed they would be outstanding until maturity rather than being called early. This characteristic is highly undesirable in a rising rate environment, so we continued to avoid this sector. The same is true in the municipal market, where most longer-term issues have early redemption features.
- PFMAM capitalized on several specific pockets of value during the quarter, including:
  - New issue corporate notes,
  - Floating-rate corporate notes and negotiable CD's,
  - New issue taxable, non-callable municipal bonds,
  - The occasional Agency security, when priced cheap to similar maturity Treasuries, and
  - Active management trades between sectors and maturities seeking to enhance income.

## Portfolio Summary - continued

**PORTFOLIO STRATEGY**

- Our expectations are that U.S. economic growth will continue, but Fed projections may prove too optimistic. We believe that the U.S. will not default on its debt, and Janet Yellen will be confirmed as the next Chair of the Federal Reserve and will continue Bernanke's accommodative monetary policies.
- Treasury yields will likely be range bound due to the unevenness of the economic recovery. The tradable range for Treasury yields will gradually rise as monetary policy accommodation is slowly removed.
- The current modestly conservative duration posture for the portfolio will likely be maintained for the foreseeable future. Bouts of market weakness may be used to match monthly index extensions at favorable levels, when deemed appropriate.
- We favor Agency positions in 3-year maturities and Treasuries with maturities 2-years and under. As Agency holdings shorten over time, we may swap into like maturity Treasuries, or reposition into longer maturity Agencies or corporates at higher yields and wider spreads.
- Corporate yield spreads should remain stable as long as Treasury yields move in an orderly manner. We generally find the yield advantage of corporate notes fair compensation for the credit risk being assumed. Corporate profits are firm, borrowing costs are low, and economic conditions are reasonably favorable. We especially like issues of banks and financial companies whose balance sheets have improved, and who are subject to increasing regulatory constraints that are bondholder friendly. Increased corporate allocations remain a key method in seeking to enhance relative return. New issues continue to offer both supply and value, as they are typically priced at a concession.
- Although there is some uncertainty in the municipal market due to the recent Detroit bankruptcy, we find value in certain issues that are highly-rated, well-structured and meet our credit standards. Like in the corporate sector, new issues offer supply and value, although the universe of shorter maturity, highly-rated taxable deals is a very small subset of the overall municipal market. We will continue to closely monitor legal developments and measures of relative value, like the ratio of municipal yields to Treasury yields.
- As always, we seek to maximize portfolio value through careful and prudent active management. Our strategy will remain flexible and may change in response to changes in interest rates, economic data, or our market outlook.



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

	Fiscal Year 2012/13	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2013/2014	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		94,265	-	62,976	148,754,000	
November	\$526,209	374,448		374,448	-	(151,761)	148,804,000	
December	(\$2,106)	37,849		37,849	-	39,955	158,574,000	
January	\$328,033	286,303		286,303	-	(41,730)	158,204,000	
February	\$40,003	136,979		136,979	-	96,976	149,405,000	
March	\$278,037	125,470		125,470	-	(152,568)	149,040,000	
April	\$163,729	94,265		94,265	-	(69,464)	157,440,000	
May	\$519,009	370,288		370,288	-	(148,721)	155,790,000	
June	\$230,490	(33,788)		(33,788)	-	(264,278)	155,790,000	
<b>Total</b>	<b>2,737,399</b>	<b>1,523,227</b>	<b>37,149</b>	<b>1,523,227</b>	<b>-</b>	<b>(1,214,172)</b>	<b>154,205,250</b>	<b>156,538,333</b>
Cash Return	1.78%	0.97%	0.02%	0.97%				

## 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 2012/13	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Fiscal Year 2013/2014	Current Forecast	Fiscal Year 2012/2013	Fiscal Year 2013/2014
	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	37,149	131,414	-	(522,580)	148,754,000	
November	1,180,203	505,862	37,149	505,862	-	(674,342)	148,804,000	
December	1,178,098	543,711	37,149	543,711	-	(634,387)	158,574,000	
January	1,506,131	830,014	37,149	830,014	-	(676,117)	158,204,000	
February	1,546,134	966,992	37,149	966,992	-	(579,142)	149,405,000	
March	1,824,172	1,092,462	37,149	1,092,462	-	(731,710)	149,040,000	
April	1,987,901	1,186,727	37,149	1,186,727	-	(801,173)	157,440,000	
May	2,506,910	1,557,015	37,149	1,557,015	-	(949,895)	155,790,000	
June	2,737,399	1,523,227	37,149	1,523,227	-	(1,214,172)	155,790,000	
<b>Total</b>	<b>2,737,399</b>	<b>1,523,227</b>	<b>37,149</b>	<b>1,523,227</b>	<b>-</b>	<b>(1,214,172)</b>	<b>154,205,250</b>	<b>156,538,333</b>
Cash Return	1.78%	0.97%	0.02%	0.97%				

Notes:

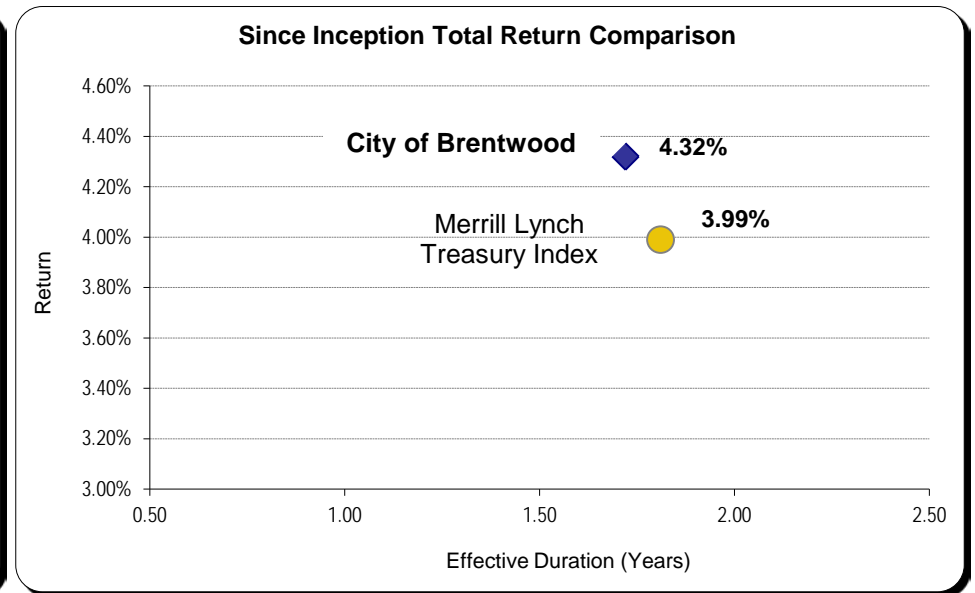
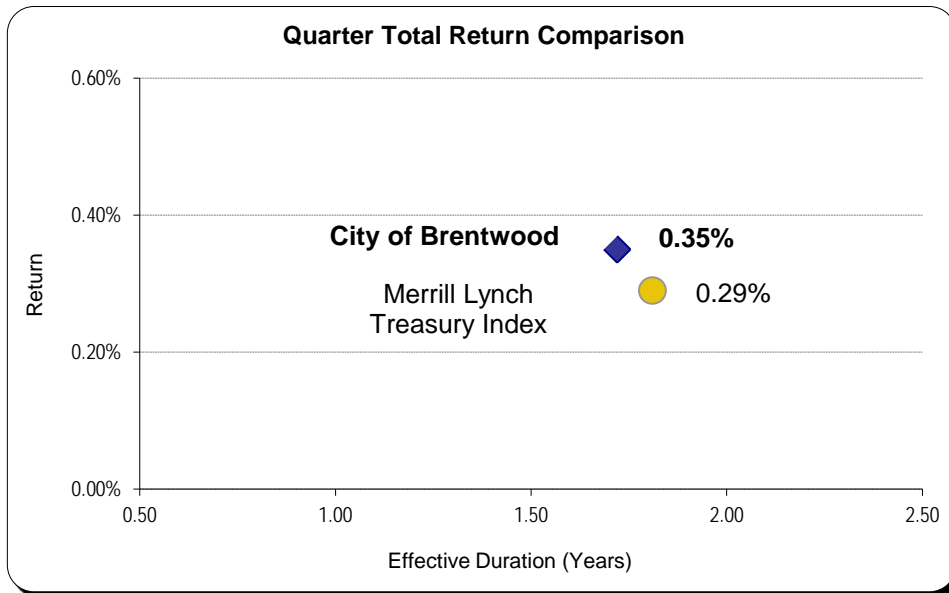
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3. Cash return is total cash earnings divided by average portfolio balance.
4. Earnings do not include LAIF.

Portfolio Performance

Total Return <sup>1,2,3,4,5</sup>	Quarter Ended September 30, 2013	Past Year	Past 3 Years	Past 5 Years	Since Inception
<b>City of Brentwood</b>	<b>0.35%</b>	<b>0.53%</b>	<b>1.08%</b>	<b>2.43%</b>	<b>4.32%</b>
Merrill Lynch Treasury Index	0.29%	0.37%	0.71%	1.62%	3.99%

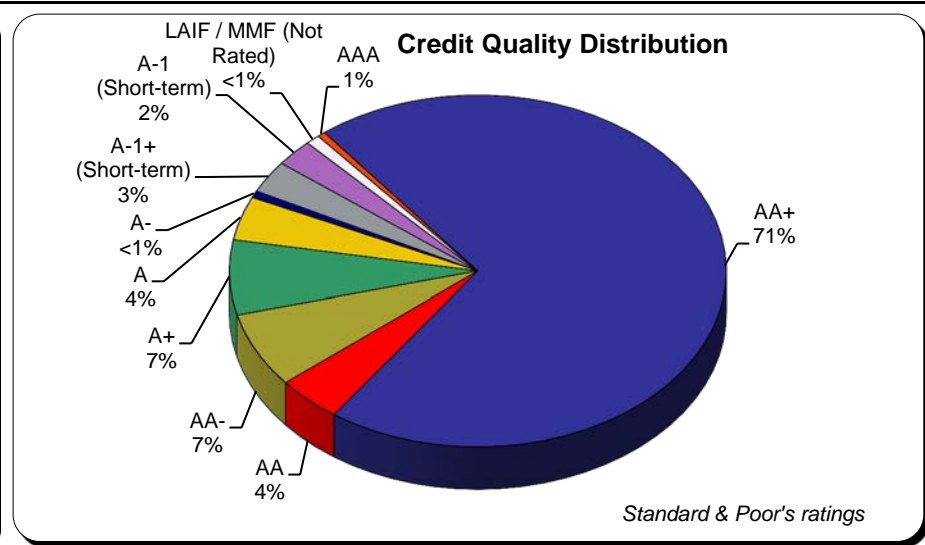
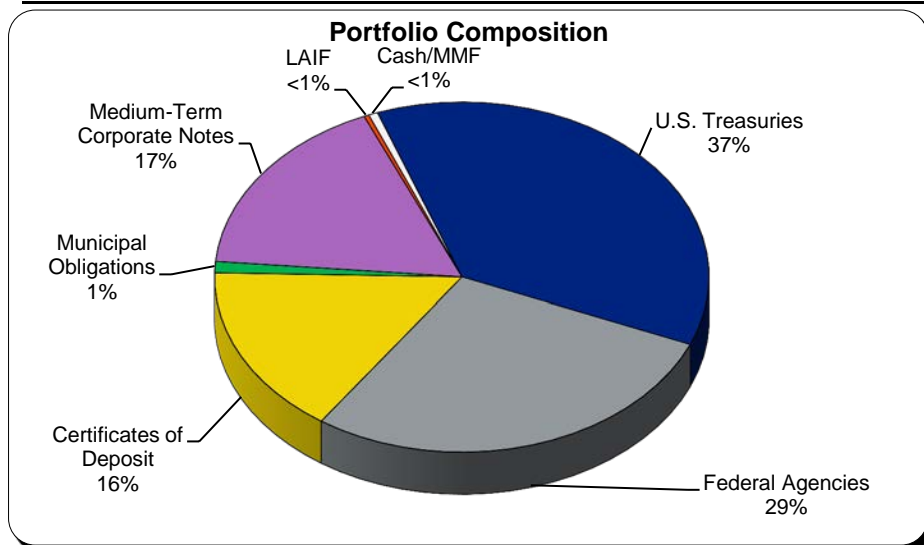
Effective Duration <sup>4,5,6</sup>	September 30, 2013	June 30, 2013	Yields	September 30, 2013	June 30, 2013
<b>City of Brentwood</b>	<b>1.72</b>	<b>1.79</b>	Yield at Market	<b>0.47%</b>	0.51%
Merrill Lynch Treasury Index	1.82	1.81	Yield on Cost	<b>0.54%</b>	0.48%



- 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>September 30, 2013</u>	<u>% of Portfolio</u>	<u>June 30, 2013</u>	<u>% of Portfolio</u>	<u>Permitted by Policy</u>
U.S. Treasuries	\$59,314,123	37%	\$72,058,459	42%	100%
Federal Agencies	\$45,675,354	29%	\$43,367,302	26%	100%
Certificates of Deposit	\$25,341,169	16%	\$21,304,965	13%	30%
California Municipal Obligations	\$1,675,318	1%	\$840,455	<1%	100%
Medium-Term Corporate Notes	\$27,579,630	17%	\$23,689,849	14%	30%
Money Market Fund/Cash	\$966,715	<1%	\$387,322	<1%	15%
LAIF	\$518,349	<1%	\$8,763,215	5%	\$50 Million
<b>Totals</b>	<b>\$161,070,658</b>	<b>100%</b>	<b>\$170,411,566</b>	<b>100%</b>	

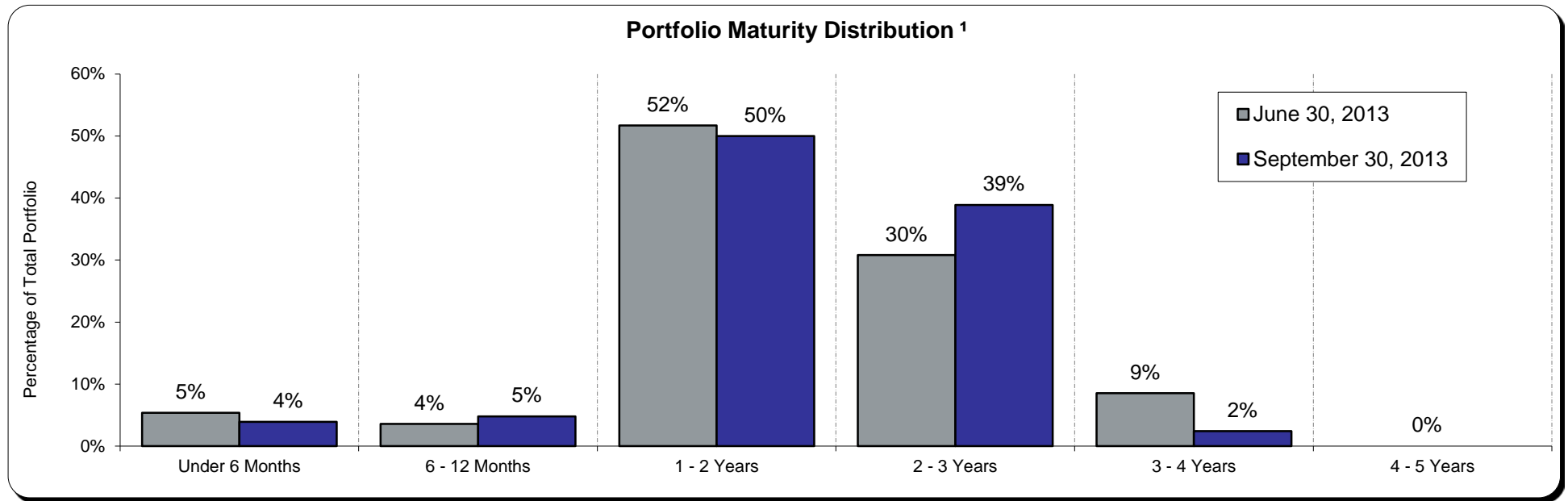


Notes:

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>September 30, 2013</u>	<u>June 30, 2013</u>
Under 6 Months	\$6,287,476	\$9,150,536
6 - 12 Months	\$7,745,870	\$6,117,930
1 - 2 Years	\$80,490,469	\$88,120,837
2 - 3 Years	\$62,654,674	\$52,505,646
3-4 Years	\$3,892,169	\$14,516,617
4 - 5 Years	\$0	\$0
5 Years and Over	\$0	\$0
<b>Totals</b>	<b>\$161,070,658</b>	<b>\$170,411,566</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 **September 30, 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 02/01/2010 2.250% 01/31/2015	912828MH0	1,620,000.00	AA+	Aaa	06/28/12	06/29/12	1,698,025.78	0.38	6,141.03	1,660,238.82	1,664,423.44
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	5,030,000.00	AA+	Aaa	01/23/12	01/26/12	5,308,418.36	0.40	19,067.53	5,153,420.41	5,167,932.03
US TREASURY NOTES DTD 02/15/2005 4.000% 02/15/2015	912828DM9	3,000,000.00	AA+	Aaa	04/25/13	04/29/13	3,202,968.75	0.23	15,326.09	3,154,957.05	3,155,742.00
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	6,162.53	3,109,434.66	3,122,557.03
US TREASURY NOTES DTD 04/30/2010 2.500% 04/30/2015	912828MZ0	1,935,000.00	AA+	Aaa	10/04/12	10/09/12	2,043,768.17	0.29	20,243.89	2,002,296.32	2,003,858.79
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	46,742.53	3,184,142.70	3,187,851.00
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	70,892.83	4,829,625.35	4,834,907.35
US TREASURY NOTES DTD 06/01/2010 2.125% 05/31/2015	912828NF3	2,700,000.00	AA+	Aaa	11/01/12	11/06/12	2,822,554.69	0.35	19,281.76	2,779,605.59	2,783,424.60
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	4,363.59	1,518,371.58	1,519,138.60
US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	3,290,000.00	AA+	Aaa	08/01/13	08/02/13	3,382,274.22	0.34	9,700.14	3,374,750.53	3,377,004.05
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	120,170.79	7,689,973.32	7,688,072.66
US TREASURY NOTES DTD 05/02/2011 2.000% 04/30/2016	912828OF0	860,000.00	AA+	Aaa	04/05/13	04/11/13	903,268.75	0.34	7,197.83	896,622.02	893,257.81
US TREASURY NOTES DTD 05/02/2011 2.000% 04/30/2016	912828OF0	2,040,000.00	AA+	Aaa	03/27/13	03/28/13	2,141,362.50	0.38	17,073.91	2,124,733.32	2,118,890.63
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	37,781.25	4,957,829.31	4,937,814.80





## Managed Account Detail of Securities Held

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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
<b>U.S. Treasury Bond / Note</b>											
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	43,530.57	5,706,752.53	5,689,221.40
US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	6,650,000.00	AA+	Aaa	08/29/13	08/30/13	6,686,626.95	0.81	5,694.75	6,685,560.54	6,720,656.25

<b>Security Type Sub-Total</b>		<b>56,155,000.00</b>					<b>59,949,961.54</b>	<b>0.42</b>	<b>449,371.02</b>	<b>58,828,314.05</b>	<b>58,864,752.44</b>
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<b>Municipal Bond / Note</b>											
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	1,820.00	840,000.00	840,176.40
<b>UNIV OF CAL TXBL REV BONDS DTD 10/02/2013 0.907% 05/15/2016</b>	<b>91412GSX4</b>	<b>835,000.00</b>	<b>AA</b>	<b>Aa1</b>	<b>09/26/13</b>	<b>10/02/13</b>	<b>835,000.00</b>	<b>0.91</b>	<b>0.00</b>	<b>835,000.00</b>	<b>833,321.65</b>

<b>Security Type Sub-Total</b>		<b>1,675,000.00</b>					<b>1,675,000.00</b>	<b>0.78</b>	<b>1,820.00</b>	<b>1,675,000.00</b>	<b>1,673,498.05</b>
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<b>Federal Agency Bond / Note</b>											
FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 01/25/2013 0.250% 02/20/2015	313381YP4	5,000,000.00	AA+	Aaa	04/19/13	04/22/13	4,999,550.00	0.25	1,423.61	4,999,659.25	4,998,505.00
FREDDIE MAC (CALLABLE) GLOBAL NOTES DTD 04/29/2013 0.320% 04/29/2015	3134G42V9	2,380,000.00	AA+	Aaa	04/19/13	04/29/13	2,379,762.00	0.33	3,215.64	2,379,812.12	2,379,871.48
FREDDIE MAC (CALLABLE) GLOBAL NOTES DTD 04/29/2013 0.320% 04/29/2015	3134G42V9	3,330,000.00	AA+	Aaa	04/29/13	04/30/13	3,330,000.00	0.32	4,499.20	3,330,000.00	3,329,820.18
FHLMC GLOBAL REFERENCE NOTES DTD 07/14/2005 4.375% 07/17/2015	3134A4VC5	2,180,000.00	AA+	Aaa	04/04/13	04/05/13	2,380,560.00	0.33	19,604.86	2,337,742.47	2,338,599.36
FHLMC GLOBAL REFERENCE NOTES DTD 07/14/2005 4.375% 07/17/2015	3134A4VC5	4,275,000.00	AA+	Aaa	04/03/13	04/04/13	4,667,573.25	0.34	38,445.31	4,583,397.77	4,586,014.80
FNMA NOTES (CALLABLE) DTD 08/07/2012 0.500% 08/07/2015	3135G0NG4	1,600,000.00	AA+	Aaa	08/02/12	08/07/12	1,599,840.00	0.50	1,200.00	1,599,901.06	1,600,294.40
FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 08/09/2013 0.375% 08/28/2015	313383V81	4,040,000.00	AA+	Aaa	08/08/13	08/09/13	4,039,838.40	0.38	1,388.75	4,039,849.11	4,039,422.28



## Managed Account Detail of Securities Held

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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
<b>Federal Agency Bond / Note</b>											
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	2,745.42	5,994,322.56	5,998,835.25
FANNIE MAE GLOBAL NOTES DTD 11/16/2012 0.375% 12/21/2015	3135G0S80	2,300,000.00	AA+	Aaa	11/14/12	11/16/12	2,294,641.00	0.45	2,395.83	2,296,147.11	2,293,916.50
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	29.17	2,093,416.29	2,094,863.40
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	92.22	6,633,937.55	6,623,758.56
FREDDIE MAC GLOBAL NOTES DTD 03/07/2013 0.500% 05/13/2016	3137EADO9	5,320,000.00	AA+	Aaa	08/01/13	08/02/13	5,295,581.20	0.67	10,196.67	5,297,011.38	5,306,215.88
<b>Security Type Sub-Total</b>		<b>45,155,000.00</b>					<b>45,709,710.65</b>	<b>0.44</b>	<b>85,236.68</b>	<b>45,585,196.67</b>	<b>45,590,117.09</b>
<b>Corporate Note</b>											
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	1,285,314.31	1,299,644.56
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	1,498,192.01	1,505,007.00
GENERAL ELECTRIC CAP CORP GLOBAL NOTES DTD 09/17/2004 4.750% 09/15/2014	36962GK86	870,000.00	AA+	A1	03/14/13	03/19/13	923,157.00	0.62	1,836.67	904,170.27	906,550.44
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	2,629,565.78	2,633,747.50
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	939,587.09	940,811.22
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	930.00	616,657.69	616,751.82
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	646.53	949,050.90	945,641.40



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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>Corporate Note</b>											
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	704.38	1,034,708.09	1,031,962.28
APPLE INC GLOBAL NOTES DTD 05/03/2013 0.450% 05/03/2016	037833AH3	1,440,000.00	AA+	Aa1	04/30/13	05/03/13	1,437,393.60	0.51	2,664.00	1,437,748.50	1,429,925.76
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	4,824.00	1,619,417.38	1,618,579.26
GENERAL ELEC CAP CORP (FLOATING) DTD 07/12/2013 0.919% 07/12/2016	36962G7A6	6,040,000.00	AA+	A1	07/09/13	07/12/13	6,040,000.00	0.93	12,490.57	6,040,000.00	6,061,568.84
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	5,381.94	2,497,736.00	2,501,097.50
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	2,585.58	2,128,918.60	2,132,771.13
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	11,505.00	3,894,322.81	3,880,663.80
<b>Security Type Sub-Total</b>		<b>27,310,000.00</b>					<b>27,600,416.00</b>	<b>0.97</b>	<b>74,907.17</b>	<b>27,475,389.43</b>	<b>27,504,722.51</b>
<b>Certificate of Deposit</b>											
STANDARD CHARTERED BK NY LT CD (FLOAT) DTD 03/18/2013 0.339% 03/18/2014	85325BVS0	4,800,000.00	A-1+	P-1	03/18/13	03/18/13	4,800,000.00	0.37	588.03	4,800,000.00	4,801,824.00
CREDIT SUISSE NEW YORK CERT DEPOS DTD 07/18/2013 0.550% 07/14/2014	22549TDF2	4,000,000.00	A-1	P-1	07/17/13	07/18/13	4,000,000.00	0.55	4,583.33	4,000,000.00	4,007,299.20
SVENSKA HANDELSBANKEN NY FLOATING LT CD DTD 04/05/2013 0.451% 10/06/2014	86958CVF8	4,000,000.00	AA-	Aa3	04/03/13	04/05/13	3,999,390.84	0.48	4,309.73	3,999,486.28	4,006,044.00
BANK OF NOVA SCOTIA HOUS CERT DEPOS (FLT) DTD 03/06/2013 0.500% 03/06/2015	06417FPL8	4,800,000.00	A+	Aa2	03/04/13	03/06/13	4,800,000.00	0.59	1,673.33	4,800,000.00	4,804,089.60



## Managed Account Detail of Securities Held

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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
<b>Certificate of Deposit</b>											
SKANDINAVISKA ENSKILDA NY CERT DEPOS(FLT DTD 04/16/2013 0.643% 04/16/2015	83051HJH0	3,700,000.00	A+	A1	04/11/13	04/16/13	3,700,000.00	0.66	5,085.47	3,700,000.00	3,709,731.00
RABOBANK NEDERLAND NV NY CD DTD 04/29/2013 0.600% 04/29/2015	21684BEP5	4,000,000.00	AA-	Aa2	04/25/13	04/29/13	4,000,000.00	0.61	10,333.33	4,000,000.00	3,985,608.00
<b>Security Type Sub-Total</b>		<b>25,300,000.00</b>					<b>25,299,390.84</b>	<b>0.54</b>	<b>26,573.22</b>	<b>25,299,486.28</b>	<b>25,314,595.80</b>
<b>Managed Account Sub-Total</b>		<b>155,595,000.00</b>					<b>160,234,479.03</b>	<b>0.54</b>	<b>637,908.09</b>	<b>158,863,386.43</b>	<b>158,947,685.89</b>
<b>Securities Sub-Total</b>		<b>\$155,595,000.00</b>					<b>\$160,234,479.03</b>	<b>0.54%</b>	<b>\$637,908.09</b>	<b>\$158,863,386.43</b>	<b>\$158,947,685.89</b>
<b>Accrued Interest</b>											<b>\$637,908.09</b>
<b>Total Investments</b>											<b>\$159,585,593.98</b>

Bolded items are forward settling trades.