



# City of Brentwood



HERITAGE ▪ VISION ▪ OPPORTUNITY

Investment Performance Review

Fourth Quarter 2013

**PFM Asset Management LLC**

50 California Street, Suite 2300

San Francisco, CA 94111

415-982-5544

# Investment Report

Fourth Quarter 2013

Fixed Income  
Management

## Portfolio Summary

| <u>Total Portfolio Value</u> | <u>December 31, 2013</u> | <u>September 30, 2013</u> |
|------------------------------|--------------------------|---------------------------|
| Market Value                 | \$177,014,096.76         | \$161,070,658.21          |
| Amortized Cost               | \$176,961,634.35         | \$160,986,358.75          |

## 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, certificates of deposit, municipal securities, high-quality corporates and money market funds.
- Our investment strategy was based on the view that interest rates would eventually rise in anticipation of a tapering of the Federal Reserve's large scale bond purchase program, after being surprised by no such action in Q3. We expected that growth in the U.S. economy would be sufficient to support such a move in late 2013 or early 2014. The key pillars of our strategy for Q4 included:
  - Maintaining a defensive posture, positioning portfolio durations shorter than benchmarks.
  - Continuing to emphasize investment-grade credit instruments (e.g., corporates and municipals) that benefit from favorable credit market conditions that include strong balance sheets, historically low funding rates, and strengthening economic conditions in the U.S. and most developed markets around the globe.
  - Carefully monitoring yield spreads, which caused some sectors and maturities to narrow to a point where it no longer made sense to hold them.
- Yields drifted modestly lower in October and November, then jumped sharply in anticipation of the Fed's tapering of bond purchases. Longer-term yields ended the quarter near their highs for the year. Our shorter duration strategy was the right one, but the magnitude of the yield increases in December dampened all fixed-income returns for the quarter.
- Corporates performed well again in Q4, benefitting from higher initial yields and modest spread compression. While we maintained appropriate diversification, we continued to emphasize issuers in the banking and financial sectors, which offered the best return potential. Strong demand for the sector's incremental yield constrained supply, making it difficult to meet targeted allocations. Corporate spreads ended the quarter at their tightest levels of the year, which further narrowed the universe of securities with attractive valuations.
- Agency yield spreads continued to contract from already record tight levels. At the beginning of Q4, value could still be found in Agency bonds maturing in 3 years, but by the end of quarter, yield spreads on Agencies 3 years and shorter were close to zero. Additionally, average daily trading volume of Agency debt declined by 32% in 2013 compared to 2012, creating something of a scarcity premium that decreased the sector's relative value.

### PORTFOLIO STRATEGY

- It is our expectation that the sources of excess return in 2014 will differ from those that drove relative performance in 2013.
- If rates rise as the Fed withdraws its extraordinary monetary stimulus, negative returns on longer maturities may become unavoidable for short periods. After the adjustment, portfolios will be in a much better position to generate higher earnings going forward. Active duration management will be a critical aspect of our strategy in early 2014 to mitigate the effects of rate normalization and to maximize relative performance. This will be balanced, however, by recognizing the enhanced earnings potential imbedded in a steepest yield curve.
- Agency yields spreads have little value in most shorter maturities, so the search for value will need to encompass a wider net amongst the universe of high quality investments.
- Corporate bonds were a primary source of outperformance in 2013 due to both higher initial yields (so called “positive carry”) and capital appreciation from spread tightening. With corporate spreads now at the tightest levels in recent years, further improvement is unlikely. Corporates should, however, continue to provide superior income return in 2014 and benefit from rolling down the yield curve.
- Abundant supply was rare in municipals even as local governments rushed to take advantage of historically low rates. If rates climb further, municipal issuance is likely to slow further. In 2014, opportunities in municipals may become more sporadic if net issuance declines.
- As part of our broader search for investment opportunities, we may explore asset-backed securities (ABS), such as auto loan or credit card receivable backed issues, which might offer attractive yields for accounts that allow broader credit exposure. Small Business Administration (SBA) pools, which are backed by the full faith and credit of the U.S. government, may be alternatives for government-only investors willing to accept some uncertainty in the timing and size of principal and interest payments in exchange for a higher expected yield.
- 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, emerging economic data, or our market outlook.

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

|              | Fiscal Year<br>2012/13 | Fiscal Year<br>2013/2014 | Fiscal Year<br>2013/2014 | Fiscal Year<br>2013/2014 | Fiscal Year<br>2012/2013      | Current<br>Forecast          | Fiscal Year<br>2012/2013 | Fiscal Year<br>2013/2014 |
|--------------|------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|------------------------------|--------------------------|--------------------------|
| Month        | Actual                 | Budget                   | Year-To-<br>Date Actual  | Current<br>Forecast      | Actual/Forecast<br>vs. Budget | FY 2012/13 vs.<br>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)                     | 62,976                       | 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                  |                          | 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>203,747</b>           | <b>1,183,263</b>         | <b>(339,964)</b>              | <b>(1,391,108)</b>           | <b>154,205,250</b>       | <b>155,812,500</b>       |
| Cash Return  | 1.78%                  | 0.98%                    | 0.13%                    | 0.76%                    |                               |                              |                          |                          |

**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

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

|              | Fiscal Year<br>2012/13 | Fiscal Year<br>2013/2014 | Fiscal Year<br>2013/2014 | Fiscal Year<br>2013/2014 | Fiscal Year<br>2012/2013      | Current<br>Forecast          | Fiscal Year<br>2012/2013 | Fiscal Year<br>2013/2014 |
|--------------|------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|------------------------------|--------------------------|--------------------------|
| Month        | Actual                 | Budget                   | Year-To-<br>Date Actual  | Current<br>Forecast      | Actual/Forecast<br>vs. Budget | FY 2011/12 vs.<br>FY 2010/11 | 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                  | 203,747                  | 490,050                  | (339,964)                     | (1,016,081)                  | 158,204,000              |                          |
| February     | 1,546,134              | 966,992                  | 203,747                  | 627,029                  | (339,964)                     | (919,105)                    | 149,405,000              |                          |
| March        | 1,824,172              | 1,092,462                | 203,747                  | 752,498                  | (339,964)                     | (1,071,673)                  | 149,040,000              |                          |
| April        | 1,987,901              | 1,186,727                | 203,747                  | 846,763                  | (339,964)                     | (1,141,137)                  | 157,440,000              |                          |
| May          | 2,506,910              | 1,557,015                | 203,747                  | 1,217,051                | (339,964)                     | (1,289,858)                  | 155,790,000              |                          |
| June         | 2,737,399              | 1,523,227                | 203,747                  | 1,183,263                | (339,964)                     | (1,554,136)                  | 155,790,000              |                          |
| <b>Total</b> | <b>2,737,399</b>       | <b>1,523,227</b>         | <b>203,747</b>           | <b>1,183,263</b>         | <b>(339,964)</b>              | <b>(1,554,136)</b>           | <b>154,205,250</b>       | <b>155,812,500</b>       |
| Cash Return  | 1.78%                  | 0.98%                    | 0.13%                    | 0.76%                    |                               |                              |                          |                          |

**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.
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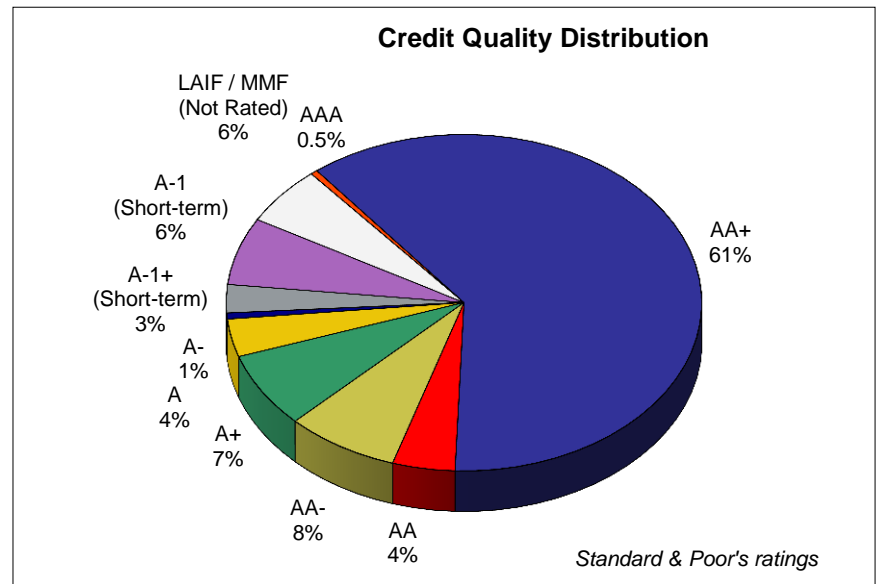
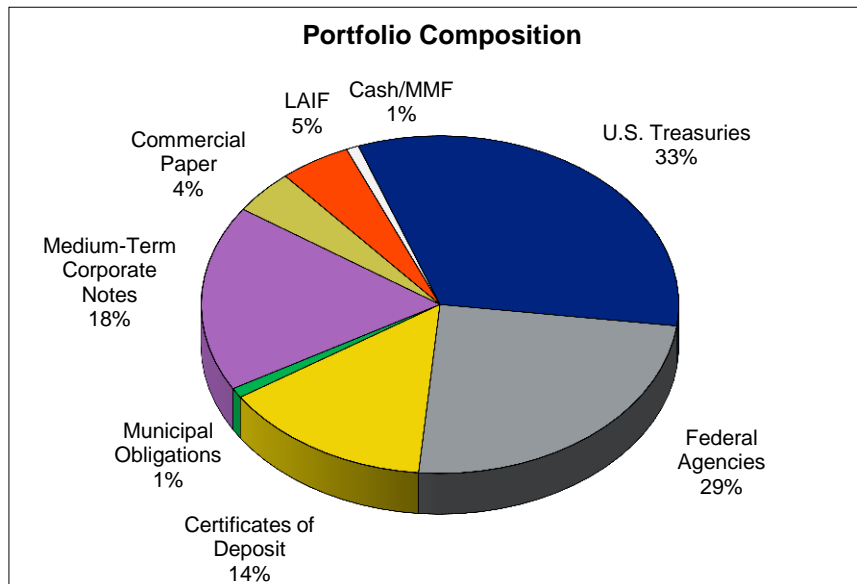
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## Portfolio Composition and Credit Quality Characteristics

| <u>Security Type</u> <sup>1</sup> | <u>December 31, 2013</u> | <u>% of Portfolio</u> | <u>September 30, 2013</u> | <u>% of Portfolio</u> | <u>Permitted by Policy</u> |
|-----------------------------------|--------------------------|-----------------------|---------------------------|-----------------------|----------------------------|
| U.S. Treasuries                   | \$57,680,907             | 33%                   | \$59,314,123              | 37%                   | 100%                       |
| Federal Agencies                  | \$43,193,034             | 25%                   | \$45,675,354              | 28%                   | 100%                       |
| Commercial Paper                  | \$7,494,278              | 4%                    | -                         | 0%                    | 25%                        |
| Certificates of Deposit           | \$25,340,219             | 14%                   | \$25,341,169              | 16%                   | 30%                        |
| California Municipal Obligations  | \$1,673,895              | 1%                    | \$1,675,318               | 1%                    | 100%                       |
| Medium-Term Corporate Notes       | \$31,597,299             | 18%                   | \$27,579,630              | 17%                   | 30%                        |
| Money Market Fund/Cash            | \$1,512,360              | <1%                   | \$966,715                 | <1%                   | 15%                        |
| LAIF                              | \$8,522,106              | 5%                    | \$518,349                 | <1%                   | \$50 Million               |
| <b>Totals</b>                     | <b>\$177,014,097</b>     | <b>100%</b>           | <b>\$161,070,658</b>      | <b>100%</b>           |                            |



**Notes:**

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



# Investment Report

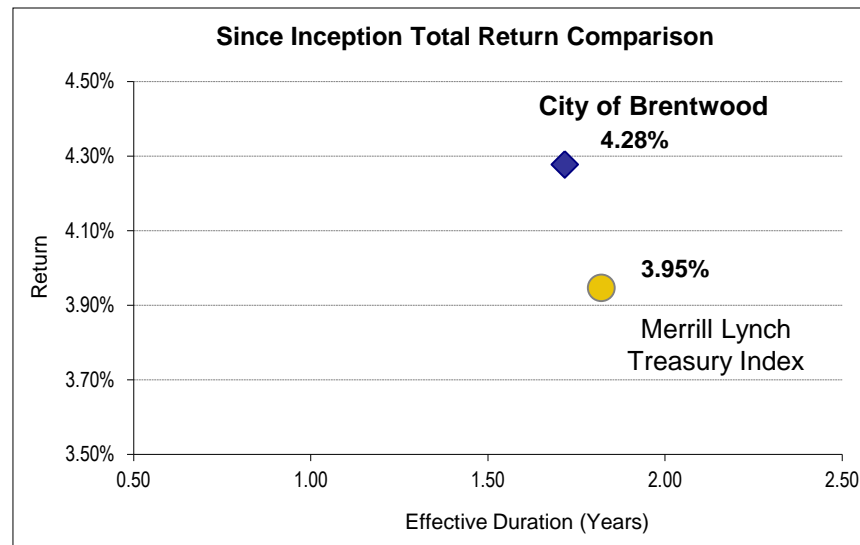
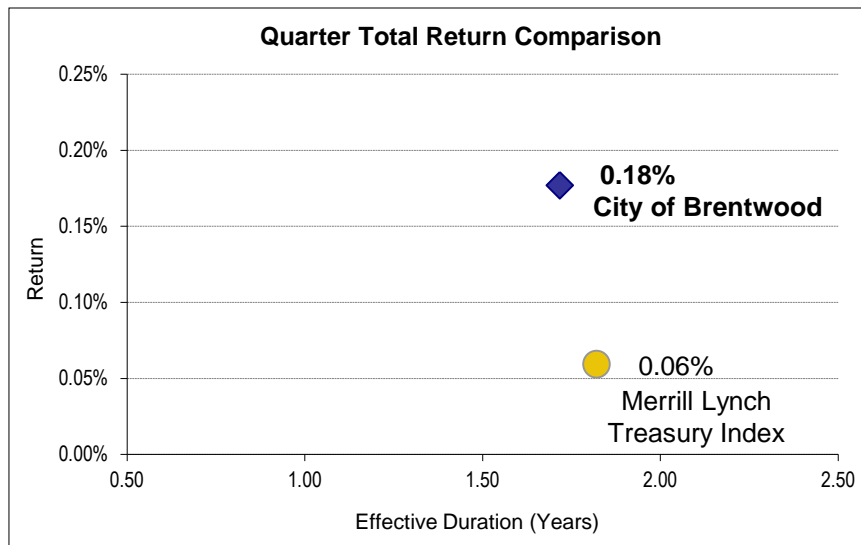
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## Portfolio Performance

| Total Return <sup>1,2,3,4,5</sup> | Quarter Ended<br>December 31, 2013 | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Since<br>Inception |
|-----------------------------------|------------------------------------|--------------|-----------------|-----------------|--------------------|
| <b>City of Brentwood</b>          | <b>0.18%</b>                       | <b>0.57%</b> | <b>1.16%</b>    | <b>1.68%</b>    | <b>4.28%</b>       |
| Merrill Lynch Treasury Index      | 0.06%                              | 0.36%        | 0.78%           | 1.09%           | 3.95%              |

| <b>Effective Duration</b> <sup>4,5,6</sup> | <u>December 31, 2013</u> | <u>September 30, 2013</u> | <b>Yields</b>   | <u>December 31, 2013</u> | <u>September 30, 2013</u> |
|--|--------------------------|---------------------------|-----------------|--------------------------|---------------------------|
| <b>City of Brentwood</b>                   | <b>1.72</b>              | <b>1.72</b>               | Yield at Market | <b>0.52%</b>             | 0.49%                     |
| Merrill Lynch Treasury Index               | 1.83                     | 1.82                      | Yield on Cost   | <b>0.55%</b>             | 0.54%                     |



### 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.

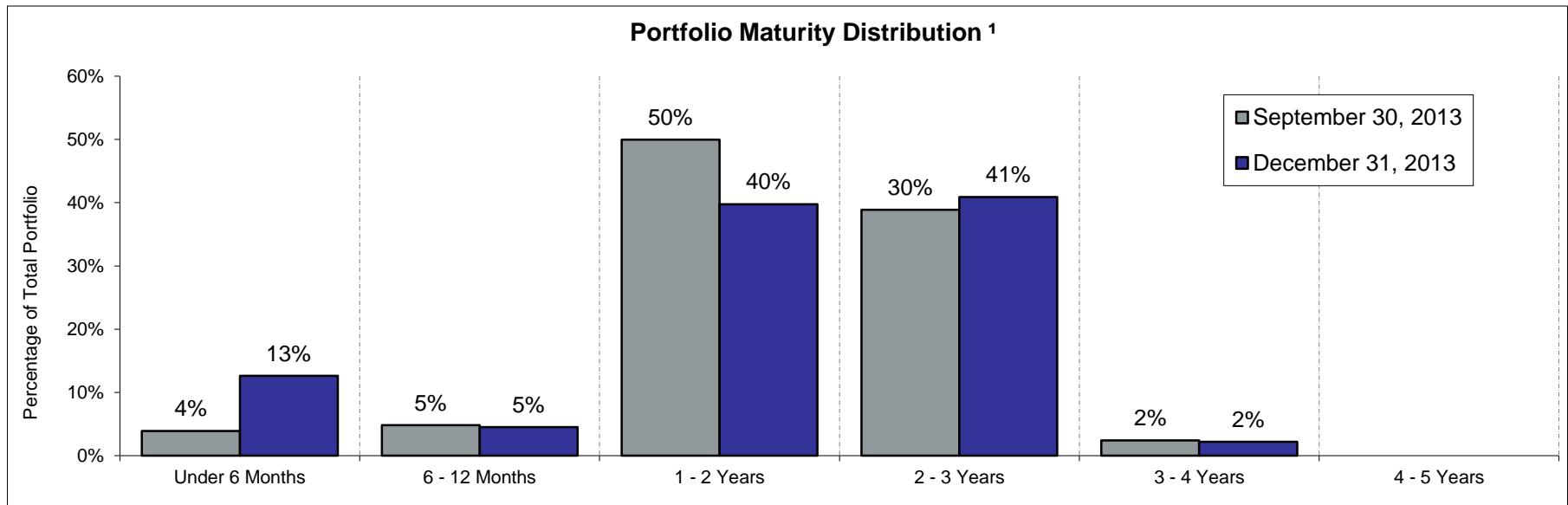
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## Portfolio Maturity Distribution

| <u>Maturity Distribution</u> <sup>1</sup> | <u>December 31, 2013</u> | <u>September 30, 2013</u> |
|---|--------------------------|---------------------------|
| Under 6 Months                            | \$22,329,365             | \$6,287,476               |
| 6 - 12 Months                             | \$8,011,822              | \$7,745,870               |
| 1 - 2 Years                               | \$70,389,441             | \$80,490,469              |
| 2 - 3 Years                               | \$72,382,482             | \$62,654,674              |
| 3-4 Years                                 | \$3,900,987              | \$3,892,169               |
| 4 - 5 Years                               | \$0                      | \$0                       |
| 5 Years and Over                          | \$0                      | \$0                       |
| <b>Totals</b>                             | <b>\$177,014,097</b>     | <b>\$161,070,658</b>      |



**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 **December 31, 2013**

### CITY OF BRENTWOOD

| Security Type/Description<br>Dated Date/Coupon/Maturity | CUSIP     | Par          | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost | Market<br>Value |
|---|-----------|--------------|---------------|-------------------|---------------|----------------|------------------|----------------|---------------------|-------------------|-----------------|
| <b>U.S. Treasury Bond / Note</b>                        |           |              |               |                   |               |                |                  |                |                     |                   |                 |
| US TREASURY NOTES<br>DTD 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           | 24,451.35           | 3,095,199.93      | 3,105,868.17    |
| US TREASURY NOTES<br>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           | 8,285.22            | 1,991,558.87      | 1,993,427.33    |
| US TREASURY NOTES<br>DTD 05/16/2005 4.125% 05/15/2015   | 912828DV9 | 2,915,000.00 | AA+           | Aaa               | 07/30/12      | 07/31/12       | 3,222,213.68     | 0.33           | 15,611.76           | 3,066,179.54      | 3,070,086.75    |
| US TREASURY NOTES<br>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           | 5,043.96            | 2,767,587.08      | 2,771,825.40    |
| US TREASURY NOTES<br>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           | 10,838.59           | 1,513,147.99      | 1,514,513.60    |
| US TREASURY NOTES<br>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           | 24,093.89           | 3,363,214.18      | 3,366,722.80    |
| US TREASURY NOTES<br>DTD 11/15/2005 4.500% 11/15/2015   | 912828EN6 | 6,130,000.00 | AA+           | Aaa               | 11/29/12      | 11/30/12       | 6,878,291.02     | 0.35           | 35,814.78           | 6,603,891.17      | 6,603,879.65    |
| US TREASURY NOTES<br>DTD 12/31/2010 2.125% 12/31/2015   | 912828PM6 | 3,000,000.00 | AA+           | Aaa               | 12/19/13      | 12/20/13       | 3,106,992.19     | 0.36           | 176.10              | 3,105,278.70      | 3,103,125.00    |
| US TREASURY NOTES<br>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           | 2,945.86            | 893,049.46        | 889,696.66      |
| US TREASURY NOTES<br>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           | 6,987.85            | 2,116,471.09      | 2,110,443.24    |
| US TREASURY NOTES<br>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           | 4,615.38            | 3,091,104.84      | 3,086,952.00    |
| US TREASURY NOTES<br>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           | 412.98              | 4,925,437.95      | 4,907,625.00    |
| US TREASURY NOTES<br>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           | 475.83              | 5,669,950.76      | 5,654,437.50    |
| US TREASURY NOTES<br>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           | 12,079.14           | 3,572,369.69      | 3,588,328.13    |



## Managed Account Detail of Securities Held

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

### CITY OF BRENTWOOD

| Security Type/Description<br>Dated Date/Coupon/Maturity                 | CUSIP     | Par                  | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost     | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost    | Market<br>Value      |
|---|-----------|----------------------|---------------|-------------------|---------------|----------------|----------------------|----------------|---------------------|----------------------|----------------------|
| <b>U.S. Treasury Bond / Note</b>  |           |                      |               |                   |               |                |                      |                |                     |                      |                      |
| US TREASURY NOTES<br>DTD 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           | 2,307.69            | 3,016,108.41         | 3,009,609.00         |
| US TREASURY NOTES<br>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           | 2,807.69            | 3,681,509.57         | 3,661,690.95         |
| US TREASURY NOTES<br>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           | 11,604.40           | 5,092,914.43         | 5,074,123.20         |
| <b>Security Type Sub-Total</b>  |           | <b>55,285,000.00</b> |               |                   |               |                | <b>58,476,307.44</b> | <b>0.46</b>    | <b>168,552.47</b>   | <b>57,564,973.66</b> | <b>57,512,354.38</b> |
| <b>Municipal Bond / Note</b>  |           |                      |               |                   |               |                |                      |                |                     |                      |                      |
| CA ST DEPT OF WATER TXBL REV BONDS<br>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           | 839,840.40           |
| UNIV OF CAL TXBL REV BONDS<br>DTD 10/02/2013 0.907% 05/15/2016          | 91412GSX4 | 835,000.00           | AA            | Aa1               | 09/26/13      | 10/02/13       | 835,000.00           | 0.91           | 1,872.33            | 835,000.00           | 831,726.80           |
| <b>Security Type Sub-Total</b>  |           | <b>1,675,000.00</b>  |               |                   |               |                | <b>1,675,000.00</b>  | <b>0.78</b>    | <b>2,327.33</b>     | <b>1,675,000.00</b>  | <b>1,671,567.20</b>  |
| <b>Federal Agency Bond / Note</b>                                       |           |                      |               |                   |               |                |                      |                |                     |                      |                      |
| FREDDIE MAC (CALLABLE) GLOBAL NOTES<br>DTD 04/29/2013 0.320% 04/29/2015 | 3134G42V9 | 1,210,000.00         | AA+           | Aaa               | 04/29/13      | 04/30/13       | 1,210,000.00         | 0.32           | 666.84              | 1,210,000.00         | 1,210,130.68         |
| FHLMC GLOBAL REFERENCE NOTES<br>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           | 43,448.61           | 2,315,825.97         | 2,317,176.50         |
| FHLMC GLOBAL REFERENCE NOTES<br>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           | 85,203.13           | 4,540,553.68         | 4,544,004.38         |
| FNMA NOTES<br>DTD 06/14/2010 2.375% 07/28/2015                          | 31398AU34 | 3,000,000.00         | AA+           | Aaa               | 12/19/13      | 12/20/13       | 3,099,840.00         | 0.30           | 30,281.25           | 3,097,945.32         | 3,094,818.00         |
| FEDERAL HOME LOAN BANK GLOBAL NOTES<br>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           | 5,176.25            | 4,039,868.82         | 4,042,496.72         |
| FREDDIE MAC GLOBAL NOTES<br>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           | 10,232.92           | 5,993,758.31         | 6,002,105.79         |



## Managed Account Detail of Securities Held

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

### CITY OF BRENTWOOD

| Security Type/Description<br>Dated Date/Coupon/Maturity          | CUSIP     | Par          | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost | Market<br>Value |
|--|-----------|--------------|---------------|-------------------|---------------|----------------|------------------|----------------|---------------------|-------------------|-----------------|
| <b>Federal Agency Bond / Note</b>                                |           |              |               |                   |               |                |                  |                |                     |                   |                 |
| FHLB (CALLABLE) GLOBAL NOTES<br>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               | 4,498,651.89      | 4,492,462.50    |
| FANNIE MAE GLOBAL NOTES<br>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            | 2,094,071.28      | 2,097,742.50    |
| FANNIE MAE GLOBAL NOTES<br>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            | 6,634,541.26      | 6,632,862.00    |
| FREDDIE MAC GLOBAL NOTES<br>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            | 5,299,193.48      | 5,313,562.80    |
| FNMA NOTES<br>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            | 1,571,373.20      | 1,572,130.90    |
| FNMA NOTES<br>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            | 1,672,409.49      | 1,673,558.70    |

|                                |  |                      |  |  |  |  |                      |             |                   |                      |                      |
|--------------------------------|--|----------------------|--|--|--|--|----------------------|-------------|-------------------|----------------------|----------------------|
| <b>Security Type Sub-Total</b> |  | <b>42,455,000.00</b> |  |  |  |  | <b>43,162,054.11</b> | <b>0.48</b> | <b>199,982.28</b> | <b>42,968,192.70</b> | <b>42,993,051.47</b> |
|--------------------------------|--|----------------------|--|--|--|--|----------------------|-------------|-------------------|----------------------|----------------------|

|  |           |              |     |     |          |          |              |      |           |              |              |
|--|-----------|--------------|-----|-----|----------|----------|--------------|------|-----------|--------------|--------------|
| <b>Corporate Note</b>  |           |              |     |     |          |          |              |      |           |              |              |
| JOHN DEERE CAPITAL CORP<br>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  | 939,640.41   | 943,686.68   |
| JPMORGAN CHASE & CO GLOBAL NOTES<br>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  | 3,913,385.70 | 3,914,874.60 |
| WALT DISNEY CO GLOBAL NOTES<br>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    | 617,040.68   | 619,365.74   |
| CISCO SYSTEMS INC GLOBAL NOTES<br>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 | 3,206,176.14 | 3,195,889.27 |
| CATERPILLAR FINANCIAL SE NOTES<br>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  | 949,148.90   | 948,494.25   |
| PEPSICO INC GLOBAL NOTES<br>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  | 1,034,738.24 | 1,029,632.49 |
| APPLE INC GLOBAL NOTES<br>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 | 1,044.00  | 1,437,964.68 | 1,429,545.60 |



## Managed Account Detail of Securities Held

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

### CITY OF BRENTWOOD

| Security Type/Description<br>Dated Date/Coupon/Maturity                 | CUSIP     | Par                  | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost     | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost    | Market<br>Value      |
|---|-----------|----------------------|---------------|-------------------|---------------|----------------|----------------------|----------------|---------------------|----------------------|----------------------|
| <b>Corporate Note</b>   |           |                      |               |                   |               |                |                      |                |                     |                      |                      |
| TOYOTA MOTOR CREDIT CORP<br>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            | 1,619,472.27         | 1,621,728.54         |
| GENERAL ELEC CAP CORP (FLOATING)<br>DTD 07/12/2013 0.894% 07/12/2016    | 36962G7A6 | 6,040,000.00         | AA+           | A1                | 07/09/13      | 07/12/13       | 6,040,000.00         | 0.93           | 12,002.65           | 6,040,000.00         | 6,082,376.64         |
| WELLS FARGO & COMPANY<br>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           | 13,194.44           | 2,497,933.43         | 2,518,545.00         |
| BERKSHIRE HATHAWAY FIN GLOBAL NOTES<br>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            | 638,874.42           | 642,903.04           |
| BERKSHIRE HATHAWAY FIN GLOBAL NOTES<br>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            | 2,129,011.55         | 2,139,661.68         |
| AMERICAN HONDA FINANCE GLOBAL NOTES<br>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           | 4,391.72            | 1,729,409.10         | 1,742,090.95         |
| COCA-COLA CO/THE GLOBAL NOTES<br>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              | 754,179.51           | 750,910.92           |
| PFIZER INC GLOBAL NOTES<br>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           | 20,280.00           | 3,894,752.04         | 3,880,706.70         |
| <b>Security Type Sub-Total</b>  |           | <b>31,110,000.00</b> |               |                   |               |                | <b>31,417,586.45</b> | <b>0.90</b>    | <b>136,886.82</b>   | <b>31,401,727.07</b> | <b>31,460,412.10</b> |
| <b>Commercial Paper</b>   |           |                      |               |                   |               |                |                      |                |                     |                      |                      |
| BNP PARIBAS FINANCE INC COMM PAPER<br>-- 0.000% 04/24/2014              | 0556N1DQ3 | 3,750,000.00         | A-1           | P-1               | 11/05/13      | 11/08/13       | 3,744,781.25         | 0.30           | 0.00                | 3,746,468.74         | 3,747,243.75         |
| BANK OF TOKYO MITSUBISHI UFJ COMM<br>PAPER<br>-- 0.000% 05/07/2014      | 06538CE72 | 3,750,000.00         | A-1           | P-1               | 11/05/13      | 11/08/13       | 3,745,312.50         | 0.25           | 0.00                | 3,746,718.75         | 3,747,033.75         |
| <b>Security Type Sub-Total</b>  |           | <b>7,500,000.00</b>  |               |                   |               |                | <b>7,490,093.75</b>  | <b>0.28</b>    | <b>0.00</b>         | <b>7,493,187.49</b>  | <b>7,494,277.50</b>  |
| <b>Certificate of Deposit</b>   |           |                      |               |                   |               |                |                      |                |                     |                      |                      |



## Managed Account Detail of Securities Held

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

### CITY OF BRENTWOOD

| Security Type/Description<br>Dated Date/Coupon/Maturity                         | CUSIP     | Par                     | S&P<br>Rating | Moody's<br>Rating | Trade<br>Date | Settle<br>Date | Original<br>Cost        | YTM<br>at Cost | Accrued<br>Interest | Amortized<br>Cost       | Market<br>Value         |
|---|-----------|-------------------------|---------------|-------------------|---------------|----------------|-------------------------|----------------|---------------------|-------------------------|-------------------------|
| <b>Certificate of Deposit</b>   |           |                         |               |                   |               |                |                         |                |                     |                         |                         |
| STANDARD CHARTERED BK NY LT CD<br>(FLOAT)<br>DTD 03/18/2013 0.325% 03/18/2014   | 85325BVS0 | 4,800,000.00            | A-1+          | P-1               | 03/18/13      | 03/18/13       | 4,800,000.00            | 0.37           | 476.67              | 4,800,000.00            | 4,800,144.00            |
| SVENSKA HANDELSBANKEN NY FLOATING<br>LT CD<br>DTD 04/05/2013 0.423% 10/06/2014  | 86958CVF8 | 4,000,000.00            | AA-           | Aa3               | 04/03/13      | 04/05/13       | 3,999,390.84            | 0.48           | 4,090.67            | 3,999,568.12            | 4,003,336.00            |
| CREDIT SUISSE NEW YORK CERT DEPOS<br>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           | 1,277.78            | 4,000,000.00            | 4,003,117.60            |
| BANK OF NOVA SCOTIA HOUS CERT DEPOS<br>(FLT<br>DTD 03/06/2013 0.490% 03/06/2015 | 06417FPL8 | 4,800,000.00            | A+            | Aa2               | 03/04/13      | 03/06/13       | 4,800,000.00            | 0.59           | 1,745.33            | 4,800,000.00            | 4,814,371.20            |
| SKANDINAVISKA ENSKILDA NY CERT<br>DEPOS(FLT<br>DTD 04/16/2013 0.621% 04/16/2015 | 83051HJH0 | 3,700,000.00            | A+            | A1                | 04/11/13      | 04/16/13       | 3,700,000.00            | 0.66           | 4,912.94            | 3,700,000.00            | 3,711,100.00            |
| RABOBANK NEDERLAND NV NY CD<br>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           | 4,266.67            | 4,000,000.00            | 3,991,380.00            |
| <b>Security Type Sub-Total</b>  |           | <b>25,300,000.00</b>    |               |                   |               |                | <b>25,299,390.84</b>    | <b>0.53</b>    | <b>16,770.06</b>    | <b>25,299,568.12</b>    | <b>25,323,448.80</b>    |
| <b>Managed Account Sub-Total</b>  |           | <b>163,325,000.00</b>   |               |                   |               |                | <b>167,520,432.59</b>   | <b>0.55</b>    | <b>524,518.96</b>   | <b>166,402,649.04</b>   | <b>166,455,111.45</b>   |
| <b>Securities Sub-Total</b>   |           | <b>\$163,325,000.00</b> |               |                   |               |                | <b>\$167,520,432.59</b> | <b>0.55%</b>   | <b>\$524,518.96</b> | <b>\$166,402,649.04</b> | <b>\$166,455,111.45</b> |
| <b>Accrued Interest</b>   |           |                         |               |                   |               |                |                         |                |                     |                         | <b>\$524,518.96</b>     |
| <b>Total Investments</b>  |           |                         |               |                   |               |                |                         |                |                     |                         | <b>\$166,979,630.41</b> |