City of San Diego

Pooled Investment Fund Quarterly Review

Quarter ended

12/31/2012

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Office of the City Treasurer—Investments Division

Economic Commentary

For the first time in several quarters, the European debt crisis did not dominate the news. Despite the resignation of Italian Prime Minister Mario Monti and several anti-austerity protests throughout Europe, the Euro-area stock markets and sovereign debt markets performed quite well.

In the United States, politics took center stage once again. In November, national elections resulted in the President being re-elected, the House remaining under Republican control, and the Senate maintaining its Democratic majority, thus ensuring at least another two years of legislative gridlock.

The real news, however, was the political drama surrounding the expiration of Bush-era tax cuts and implementation of automatic spending cuts negotiated as part of the August 2011 debt ceiling compromise, which were both due to take place on December 31. After months of partisan bickering and some unfortunate political theater, a compromise was reached preserving tax rates for the vast majority of Americans. Spending cuts were postponed for two months, which will also coincide with the U.S. hitting its debt ceiling. Undoubtedly, there will be more fireworks from Congress in the months ahead.

The other big news came from the December 12 FOMC meeting, where the Fed announced they will purchase as much as $45 billion in Treasury securities per month indefinitely to replace the expiring Maturity Extension Program. This new program has jokingly been referred to as "QE4ever." At the same meeting, the Fed also announced that the previous time-based accommodation (last set at 2015) would be changed to economy-based guidance. Going forward, the Fed indicates that rates will remain exceptionally low as long as the unemployment rate remains above 6.5% and as long as inflation is seen as 2.5% or less looking 1-2 years forward.

The housing market continued its recovery over the past quarter, with sales and prices both on the upswing. The National Association of Home Builders (NAHB) Market Index reached its highest level since the beginning of the credit crisis (Chart 1).

The labor market remained in a state of very moderate growth, with non-farm payrolls increasing by an average of 151,000 jobs per month during the quarter and with the unemployment rate hovering around 7.8%.

Quarterly Economic Highlights

- The US stock market, as measured by the S&P 500 Index, fell 1.0% for the quarter
- U.S. Treasury Secretary Geithner announced that the debt ceiling would be hit on December 31, though extraordinary measures would extend the timeline for a few months
- The FDIC Transaction Account Guarantee program, which offered unlimited FDIC insurance non-interest bearing checking accounts, was allowed to expire at year end

Contents:

Chart 1: NAHB Market Index (January 2007—December 2012 (Source: Bloomberg)

Hot Topic Corner— Ipsa Scientia Potestas Est (Latin: Knowledge itself is power)

Nearly plunging off the deep, dark abyss of the Fiscal Cliff got me to thinking about America's future, which is what a near death experience will do. With so much disharmony in Washington and a mounting fiscal deficit for generations to come, I wonder if our higher educational system has become too much of a fiscal liability for future generations.

Our economic prosperity ultimately lies with the education of our youth. The next Alexander Fleming, Milton Friedman, or Mark Zuckerberg is right now getting ready to select their college and like nearly two-thirds of college students today they are probably also lining up hefty student loans to finance that dream.

It is projected that for the 2012-2013 academic year an in-state public college will cost approximately $22,000 while a private college will be about $43,000. The scary part is that these costs are accelerating. With budget woes in nearly every state, the cost of public and private education is going up. The US economy's overall inflation rate since 1986 has increased by 115% but tuition has increased by an astonishing 498% in the same period. This is especially disheartening when you consider that the long term real earnings rate for US hourly workers has only increased by 90%.

With these very sobering numbers, it is no wonder that the NY Federal Reserve reported that as of September 2012, the total amount of outstanding student loans was nearly a trillion dollars. Just five years ago, that balance was only $530 billion and ten years ago it was only $80 billion.

Now that we know we have a problem, how are the delinquency rates on these loans compared to other ones? As of the third quarter of 2012, only 5.9% of home loans and 10.45% of credit cards were 90+ days late, while 11% of student loans were 90+ days delinquent. The disturbing trend is as home and credit card delinquency rates are falling, the delinquency rate for student loans is rising. Student loans are deeply impactful to the borrower since they are recourse loans, which means if the borrower defaults on the loan, the lender can come after other assets to settle the debt. The result makes this type of debt more permanent and impactful on the borrower's future spending potential. The lingering effects of this debt have an economic impact on the future when borrowers can't afford new cars, homes, or other items to expand the US economy forward.

It has gotten so bad that Moody's recently downgraded the fiscal forecast of the overall US higher educational system. Moody's sees declining enrollment going forward due to the diminishing affordability of higher education. The Great Recession didn't help the situation either, since new college graduates must now compete for lower paying jobs with candidates having 10+ years of working experience.

There is something wrong when the inflation rate for a commodity is running five times that of overall inflation for the last 25 years. If tuition continues on its current trajectory then maybe I need to sell my degrees on eBay. "Bid Now."

—Kent J. Morris, CIO

Key Economic Indicators

Indicator	*Period*	*Report Current*	*As Reported Last Quarter*	*Difference*
Federal Funds Rate	12/12/2012	0-0.25%	0-0.25%	0%
Consumer Price Index (MoM)	DEC	0.0%	0.6%	(0.6%)
Consumer Price Index (YoY)	DEC	1.9%	2.0%	(0.1%)
Producer Price Index (MoM)	DEC	(0.2%)	1.1%	(1.3%)
Producer Price Index (YoY)	DEC	1.3%	0.0%	1.3%
Durable Goods Orders	DEC	4.6%	9.9%	(5.3%)
Gross Domestic Product (Annualized)	Q4A	2.0%	(-0.1%)	(-2.1%)
ISM (Manufacturing)	DEC	50.7	51.5	(0.8)
ISM (Non-manufacturing)	DEC	56.1	55.1	1.0
Retail Sales	DEC	0.5%	1.1%	(0.6%)
Unemployment Rate	DEC	7.8%	7.8%	0.0%
Change in Non-farm Payrolls	DEC	155,000	114,000	41,000
Consumer Confidence (Univ. of Michigan)	Jan (Prelim)	71.3	82.6	(11.3)
Existing Home Sales	DEC	4.94(mil)	4.75(mil)	0.19(mil)
New Home Sales	DEC	0.369(mil)	0.389(mil)	(0.020)(mil)
Housing Starts	DEC	0.954(mil)	0.872(mil)	0.082(mil)
Median Home Price (existing) [EHSLMP]	DEC	$180,300	$184,300	($4,000)
NYMEX WTI CRUDE OIL (barrel)	12/31/12	$91.82	$92.19	-0.37
S&P 500 Stock Index	12/31/12	1,426.66	1,440.67	-14.01

Portfolio Performance

The Core Portfolio outperformed its benchmark, the Bank of America Merrill Lynch 1-3 year Treasury Index, returning 0.09% for the quarter versus an index return of 0.06%.

Chart 2 shows a yield curve that steepened slightly over the past quarter. Longer maturity securities rose slightly in yield despite the FOMC announcement on December 12 that the Fed would buy up to $45 billion of Treasuries per month beginning in January. This is in addition to the roughly $40 billion of monthly Agency Mortgage-Backed Security purchases announced in September.

Overall, the debt market, particularly the front end, remained in a state of relative torpor during the quarter, with low trading volumes and limited trading ranges for most securities. Investors largely took a wait-and-see approach through the November elections and subsequent budget negotiations.

“Income” and “Amortization” effects once again offset each other, as the lower coupon portfolio securities did not earn as much coupon interest as the higher coupon index securities. However, the lower price of portfolio securities versus the index meant that there was less amortization of bond prices down to par of portfolio securities when compared with index securities.

“Roll effect” resulted in approximately –6 basis points of underperformance as portfolio securities did not increase in price as they rolled down the yield curve as much as index securities.

“Selection effect” added about 7 basis points of outperformance as securities in the portfolio outperformed the securities in the index.

“Effective Duration effect” added about 2 basis points to performance as the portfolio was short duration as rates rose. “Convexity effect” and “Non-parallel duration” effects combined to subtract about 3 basis points of performance versus the index, largely as a result of 5 year callable securities in the portfolio, which underperformed due to the steeper rate increases in the 5 year part of the curve and the negative convexity of the callables, which extend in duration as rates rise.

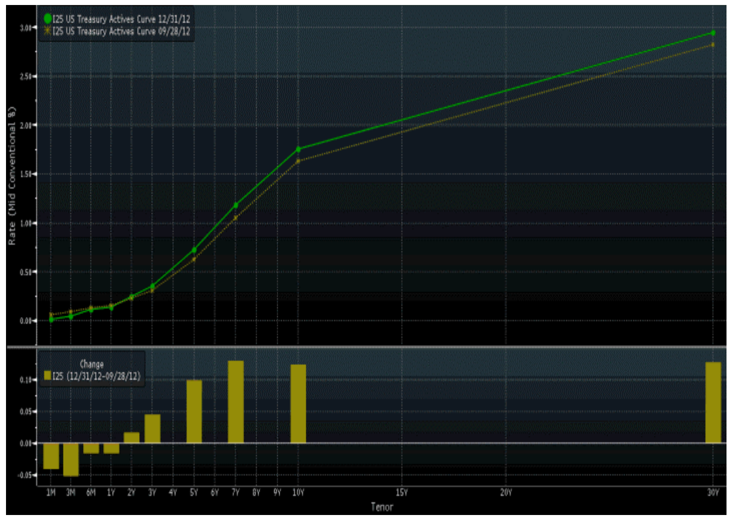


Chart 2: U.S. Treasury Yield Curve 9/30/12—12/31/12 (Source: Bloomberg)

Returns

The City’s Total Pooled Investment Fund is split into two portfolios. A Liquidity portfolio, which is short-term in nature and managed on an Earned Income Yield basis, and a Core portfolio, which is longer in maturity (0-5 years) and managed on a total-return basis versus an index (Bank of America Merrill Lynch (BAML) 1-3 Year Treasury Index).

Earned Income Yield*

	Q4 2012	Q3 2012	Q2 2012	FYTD 2013	1 Year	3 Year
Total Pooled Investment Fund	0.59%	0.71%	0.63%	0.65%	0.69%	1.07%
Core Portfolio	0.65%	0.85%	0.72%	0.75%	0.81%	1.41%
Liquidity Portfolio	0.47%	0.45%	0.47%	0.46%	0.48%	0.44%

Total Return—Core Portfolio

	Q4 2012	Q3 2012	Q2 2012	FYTD 2013	1 Year	3 Year*
Core Portfolio	0.09%	0.26%	0.21%	0.35%	0.58%	1.55%
BAML 1 - 3 Year Treasury Index	0.06%	0.26%	0.19%	0.32%	0.43%	1.37%
Difference	0.03%	0.00%	0.02%	0.03%	0.15%	0.18%

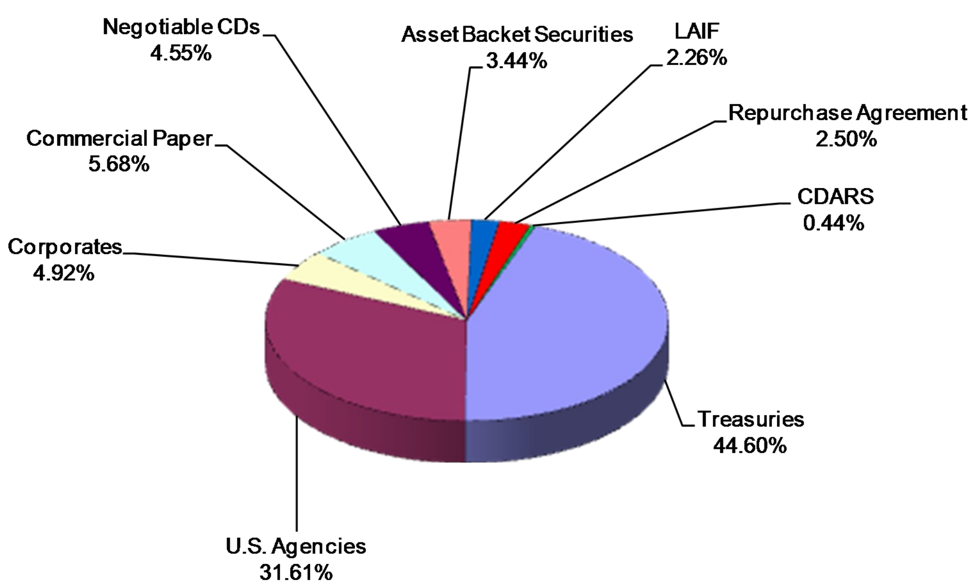
***Annualized Returns**

Portfolio Profile as of December 31, 2012

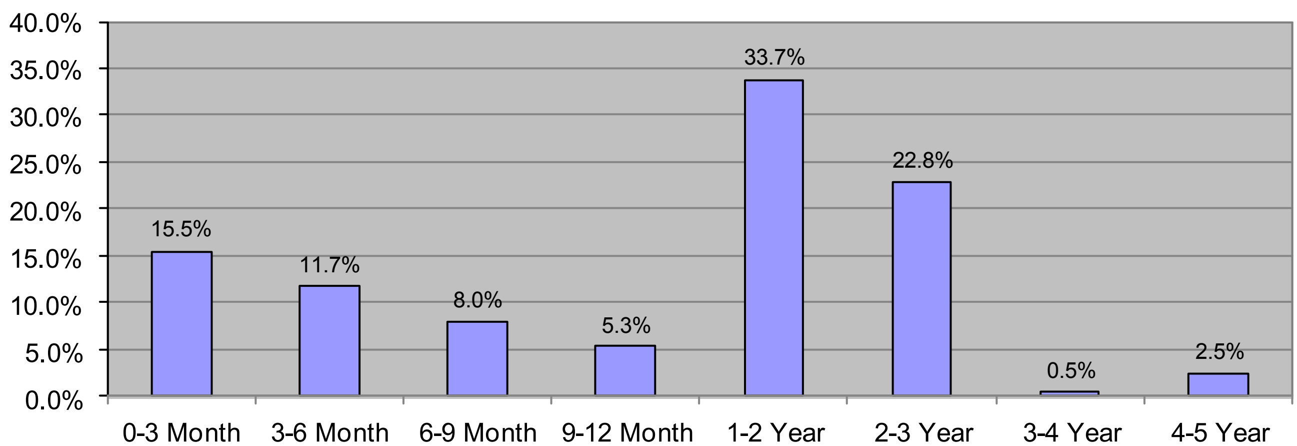
	Liquidity	*Core*
Portfolio Size*	$791,593,067	$1,406,148,537
% of total pool	36.02%	63.98%
Portfolio Duration**	0.329	1.665
Index Duration**	0.360	1.873
% of index	91.39%	88.89%
Weighted Average Days to Maturity	126.56	727.57

* Book Value ** Macaulay's Duration for the Liquidity Portfolio and Effective Duration for the Core Portfolio

Asset Allocation



Pool Maturity Distribution



Credit Profile as of December 31, 2012

Credit Ratings

Ratings Buckets	% of Portfolio
U.S. Treasury (AAA)	44.60%
U.S. Agencies (AAA)	31.61%
AAA/A1	14.12%
AA	2.39%
A	2.08%
Below A	0.00%

- All Commercial Paper is rated A1 or A1+ and is included in the AAA/A1 bucket
- All Negotiable Certificates of Deposit are rated A1 or A1+ and are included in the AAA/A1 bucket
- Repurchase agreement is not included, though it is collateralized at 102% by AAA-rated collateral with an A-rated counterparty
- CDARS is not included as it is comprised of FDIC-insured CDs
- LAIF and money market funds are not included

Top Issuer Exposures

Issuer	% of Portfolio
U.S. Treasury	44.60%
Federal Home Loan Bank	8.87%
Federal Farm Credit Bank	8.41%
Freddie Mac	7.51%
Fannie Mae	4.32%
Toyota Motor Credit Corp.	2.27%
Chase Issuance Trust	2.05%
General Electric Co.	2.05%
Swedbank NY	1.14%
Toronto Dominion Bank NY	1.14%
Svenska Handelsbanken NY	1.14%
SEB NY	1.14%
The Coca-Cola Co.	1.14%
Nestle Capital Corp.	1.14%
Honda Auto Receivables Owners Trust	1.00%
Wal-Mart Stores Inc.	0.59%

Pooled Fund Corporate Issuers

Issuer	Moody's	S&P	Egan-Jones	5yr CDS level	Q/Q % change	Equity Price	Q/Q % change	Longest maturity
Colgate-Palmolive Co.	Aa3	AA-	AA	32.04	-13.41%	$104.54	-2.50%	486 days
Deere & Co.	A2	A	AA-	39.50	-21.34%	$86.42	4.79%	646 days
General Electric Co.	Aa3	AA+	AA	118.69	-12.00%	$20.99	-7.57%	479 days
Google Inc.	Aa2	AA	AA+	26.04	3.54%	$707.38	-6.52%	494 days
IBM Corp.	Aa3	AA-	AA+	43.83	14.74%	$207.45	-7.66%	761 days
Johnson & Johnson	Aaa	AAA	AA+	29.35	-14.15%	$70.10	1.73%	500 days
The Coca-Cola Co.	Aa3	AA-	A+	43.50	-8.42%	$36.25	-4.43%	18 days
MetLife Inc.	A3	A-	A-	161.32	-18.53%	$32.94	-4.41%	93 days
Nestle SA	Aa2	AA	AA-	30.09	-1.44%	$65.17	3.10%	172 days
PepsiCo Inc.	Aa3 (-)	A	A+	46.56	-3.34%	$68.43	-3.31%	46 days
The Procter & Gamble Co.	Aa3	AA-	AA-	38.93	-16.15%	$67.89	-2.12%	410 days
SEB NY	A1	A+ (-)	N/A	100.50	-26.91	$8.48	1.07%	270 days
Svenska Handelsbanken NY	Aa3	AA- (-)	N/A	73.27	-10.61%	$35.67	-4.93%	186 days
Swedbank NY	A2	A+ (-)	N/A	105.00	-23.64%	$19.49	3.62%	255 days
Toronto-Dominion Bank NY	Aaa (-)	AA-	AA-	N/A	N/A	$84.33	1.19%	334 days
Toyota Motor Corp.	Aa3 (-)	AA- (-)	A-	48.56	-29.30%	$93.25	18.77%	177 days
United Parcel Service Inc.	Aa3 (-)	A+ (-)	AA+	31.74	-11.14%	$73.73	3.02%	15 days
Wells Fargo & Co.	A2 (-)	A+ (-)	A	79.19	-8.21%	$34.18	-1.01%	31 days
Wal-Mart Stores Inc.	Aa2	AA	AA-	41.50	22.35%	$68.23	-7.55%	470 days
S&P 500 Index						**1426.19**	**-1.01%**	
CDX IG19				**94.62**	**-4.60%**			

CDS level: the 5-year Credit Default Swap of the underlying parent company as of quarter end.
Equity Price: stock price of the underlying parent company (if applicable) as of quarter end.

Portfolio Strategy

Over the past several quarters, overnight repurchase agreement (repo) rates have disconnected from other short-term markets such as Treasury bills and the federal funds market. While repo rates typically trade on top of the other short term markets, they have been elevated for much of the past year.

While the cause is not known exactly, the main suspected reason is the FOMC Maturity Extension Program initiated in late-2011. This program, which expired on December 31, 2012, saw the Fed sell approximately $400 billion of front-end Treasuries in order to buy an equal amount of longer Treasury securities. The securities sold by the Fed were purchased by broker/dealers, who financed the purchases largely via repo until they could be sold to investors. The elevated inventories are thought to have forced repo rates higher during most of the program.

The elevation in repo rates has been a bit of a boon to the Pool, as we have been able to keep a little bit of additional cash in the front end to earn the higher repo yields.

However, repo rates are expected to decrease in 2013 for several reasons.

First, the FDIC Transaction Account Guarantee program expired on December 31, 2012. Under this program, non-interest bearing checking accounts were insured for an unlimited amount, and these balances had swollen to over $1.5 trillion, which was comprised mainly of excess corporate cash. Beginning January 1, the insured amount for these accounts dropped to $250,000. It is expected that up to $500 billion will flow out of the checking accounts and into short term investment alternatives such as Treasury bills, repo, and government money market funds, which invest heavily in repo.

Second, as mentioned previously, the Fed stopped selling front-end Treasuries in December, which is expected to alleviate the excess supply held by broker/dealers, resulting in less repo needing to be done. This will be compounded by the Fed's ongoing monthly purchases of approximately $85 billion Treasury and Agency MBS, which will serve to remove additional securities from the market and supply additional cash needing to be invested.

Lastly, many corporations accelerated their dividend payments into the end of 2012, and there was anecdotal evidence of much tax-related security selling at the end of 2012. Both measures were taken to avoid potential higher taxes in 2013. As a result of the acceleration in income, the Treasury could receive a windfall of tax income in the first quarter of 2013, which would mean less Treasury bills to be auctioned. This would cause a decrease in all short term rates, including repo.

If repo rates do fall dramatically, we will look to minimize the amount of overnight cash that would need to be invested in repo. Instead, we will look to invest out to known cash outflow dates (payroll, debt service payments) in order to maximize yield, while still maintaining ample liquidity to be able to make near-term payments.

Projected Portfolio Cash Flows*

The Investment staff have reviewed and the City Treasurer has affirmed that the Pooled Investment Fund has sufficient maturities and liquidity to meet the City's expenditure requirements for the next six months per California Government Code §53646.

MONTH	CASH INFLOWS	CASH OUTFLOWS	NET MONTHLY CASH-FLOWS	CUMULATIVE NET CASHFLOWS
January	357	335	22	22
February	235	210	25	47
March	205	206	(1)	46
April	320	264	56	102
May	295	182	113	215
June	286	293	(7)	208

(All dollar amounts in millions)

Legend:

Cash Inflows- All revenues, reimbursements, interest receipts and investment maturities.

Cash Outflows- All disbursements to include payroll, pension payroll, accounts payable and wire transfer payments (e.g. water payments, IRS taxes and bond payments).

Cumulative Net Cashflow- All future cumulative net flows available for reinvestment. Since the target duration of the Liquidity Portfolio is approximately .33 years, it will not be unusual for the cumulative net Cashflow figure to equal or closely approximate the size of the Liquidity Portfolio.

Portfolio Compliance with Investment Policy

The City of San Diego Pooled Investment Fund is in full compliance with the City Treasurer's Investment Policy, which is more restrictive than the current California Government Code. The Investment Policy is reviewed annually by the City's Investment Advisory Committee and accepted by the City Council.

Category	Standard	Comment
Duration (Core) Duration (Liquidity)	ML 1-3 Year +/-20% US T-bill 3-6 months +/-40%	Complies – 88.89% Complies - 91.39%
Maximum Maturity	5 years	Complies
U.S. Agency Securities	100% maximum	Complies – 31.61%
FNMA	33.3% maximum	Complies– 4.32%
FHLMC	33.3% maximum	Complies – 7.51%
FHLB	33.3% maximum	Complies – 8.87%
FFCB	33.3% maximum	Complies – 8.41%
Callable Securities	30% maximum	Complies – 10.47%
MBS/CMO's	5 yr maximum- 20% max.	Complies – None in Portfolio
Asset-backed	5 yr maximum- 20% max.	Complies – 3.44%
Commercial Paper	A1/P1- 5% per issuer	Complies
	25% maximum	Complies – 5.68%
Banker's Acceptances	A1/P1- 5% per issuer	Complies – None in Portfolio
	40% maximum	Complies – None in Portfolio
Medium Term Notes (includes Bank Notes)	'A' Rating' by at least two agencies	Complies
	3 year maximum	Complies
	30% maximum	Complies – 4.92%
Mutual Funds	20% maximum; 5% maximum per fund	Complies – None in Portfolio
FDIC-insured Certificates of Deposit	2% maximum	Complies – 0.46%
Certificate and Public Deposits	30% maximum	Complies – 4.55%
Reverse Repos	20% maximum	Complies – None in Portfolio
Futures and Options	Prohibited	Complies – None in Portfolio
Custody	Bank trust dept.	Complies – Bank of NY Mellon
Exposure per issuer (corporate)	5% of total portfolio	Complies
Structured Notes	8% maximum/no multiple index structures.	Complies - None in Portfolio
Municipal Securities	'A' Issuer Rating by an NRSRO	Complies – None in Portfolio
	20% maximum	Complies – None in Portfolio
	5% of total portfolio exposure per Issuer or Insurer, excluding California General Obligations	Complies – None in Portfolio

City of San Diego Pooled Investment Fund Holdings as of December 31, 2012

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
US Treasury Note	US Treasury	0.625	1/31/2013	$25,000,000.00	$24,990,689.41	$25,009,750.00
US Treasury Note	US Treasury	1.375	2/15/2013	$25,000,000.00	$25,003,321.40	$25,038,000.00
US Treasury Note	US Treasury	0.625	2/28/2013	$25,000,000.00	$24,964,964.78	$25,021,500.00
US Treasury Note	US Treasury	1.375	3/15/2013	$25,000,000.00	$24,946,483.65	$25,063,500.00
US Treasury Note	US Treasury	0.375	7/31/2013	$25,000,000.00	$25,003,906.25	$25,035,250.00
US Treasury Note	US Treasury	0.75	8/15/2013	$10,000,000.00	$9,984,154.20	$10,037,500.00
US Treasury Note	US Treasury	0.75	8/15/2013	$15,000,000.00	$14,953,125.00	$15,056,250.00
US Treasury Note	US Treasury	2	11/30/2013	$25,000,000.00	$25,423,982.32	$25,412,000.00
US Treasury Note	US Treasury	0.75	12/15/2013	$25,000,000.00	$25,243,164.06	$25,132,750.00
US Treasury Note	US Treasury	0.25	1/31/2014	$25,000,000.00	$24,978,515.63	$25,015,750.00
US Treasury Note	US Treasury	1.25	2/15/2014	$25,000,000.00	$25,049,804.69	$25,290,000.00
US Treasury Note	US Treasury	1.25	3/15/2014	$20,000,000.00	$19,996,093.75	$20,248,400.00
US Treasury Note	US Treasury	0.25	3/31/2014	$25,000,000.00	$24,958,984.37	$25,011,750.00
US Treasury Note	US Treasury	1.25	4/15/2014	$25,000,000.00	$24,956,013.75	$25,330,000.00
US Treasury Note	US Treasury	0.25	4/30/2014	$25,000,000.00	$24,994,140.62	$25,010,750.00
US Treasury Note	US Treasury	0.25	5/31/2014	$25,000,000.00	$24,996,093.75	$25,011,750.00
US Treasury Note	US Treasury	0.25	6/30/2014	$35,000,000.00	$34,958,984.38	$35,013,650.00
US Treasury Note	US Treasury	0.625	7/15/2014	$25,000,000.00	$24,986,328.13	$25,153,250.00
US Treasury Note	US Treasury	0.125	7/31/2014	$25,000,000.00	$24,951,171.88	$24,958,000.00
US Treasury Note	US Treasury	0.5	8/15/2014	$25,000,000.00	$25,127,929.68	$25,109,500.00
US Treasury Note	US Treasury	0.25	8/31/2014	$25,000,000.00	$25,002,643.73	$25,006,750.00
US Treasury Note	US Treasury	0.25	9/30/2014	$25,000,000.00	$25,007,007.64	$25,005,750.00
US Treasury Note	US Treasury	0.5	10/15/2014	$25,000,000.00	$24,966,628.00	$25,113,250.00
US Treasury Note	US Treasury	0.25	10/31/2014	$25,000,000.00	$24,984,547.65	$25,005,750.00
US Treasury Note	US Treasury	0.375	11/15/2014	$25,000,000.00	$24,993,164.06	$25,058,500.00
US Treasury Note	US Treasury	0.25	11/30/2014	$75,000,000.00	$75,001,545.33	$75,003,000.00
US Treasury Note	US Treasury	0.25	12/15/2014	$25,000,000.00	$24,997,070.31	$25,000,000.00
US Treasury Note	US Treasury	0.25	1/15/2015	$25,000,000.00	$25,014,393.68	$24,992,250.00
US Treasury Note	US Treasury	0.375	3/15/2015	$25,000,000.00	$24,915,039.06	$25,050,750.00
US Treasury Note	US Treasury	0.375	4/15/2015	$25,000,000.00	$24,998,046.87	$25,045,000.00
US Treasury Note	US Treasury	0.25	5/15/2015	$25,000,000.00	$24,924,804.69	$24,968,750.00
US Treasury Note	US Treasury	0.375	6/15/2015	$25,000,000.00	$24,974,609.37	$25,039,000.00
US Treasury Note	US Treasury	0.25	7/15/2015	$25,000,000.00	$24,955,842.39	$24,959,000.00
US Treasury Note	US Treasury	0.25	8/15/2015	$25,000,000.00	$24,957,498.30	$24,955,000.00
US Treasury Note	US Treasury	0.25	9/15/2015	$25,000,000.00	$24,957,840.55	$24,945,250.00
US Treasury Note	US Treasury	0.25	10/15/2015	$25,000,000.00	$24,900,379.88	$24,943,250.00
US Treasury Note	US Treasury	0.375	11/15/2015	$50,000,000.00	$50,081,588.83	$50,047,000.00
Treasury Total			***44.60%***	***$980,000,000.00***	***$980,100,502.04***	***$982,097,550.00***
Agency Note	Federal Farm Credit Bank	0.75	1/4/2013	$25,000,000.00	$25,098,133.75	$25,000,750.00
Agency Note	Federal Farm Credit Bank	1.75	2/21/2013	$20,000,000.00	$19,991,457.72	$20,041,600.00
Agency Note	Federal Home Loan Bank	0.24	4/12/2013	$25,000,000.00	$24,998,382.63	$25,008,250.00
Agency Discount Note	Freddie Mac	0.19	4/23/2013	$25,000,000.00	$24,953,027.78	$24,994,500.00
Agency Note	Federal Home Loan Bank	0.23	5/9/2013	$25,000,000.00	$24,998,750.00	$25,009,750.00
Agency Note	Federal Farm Credit Bank	0.22	6/4/2013	$25,000,000.00	$24,994,250.00	$25,010,250.00
Agency Note	NCUA Guaranteed	0.232	6/12/2013	$20,000,000.00	$20,000,000.00	$20,000,000.00
Agency Note	Federal Farm Credit Bank	1.375	6/25/2013	$25,000,000.00	$24,987,403.73	$25,157,500.00
Agency Note	Federal Home Loan Bank	0.24	6/28/2013	$25,000,000.00	$24,994,152.00	$25,011,500.00
Agency Note	Federal Home Loan Bank	0.17	7/17/2013	$25,000,000.00	$24,995,375.00	$25,000,750.00
Agency Note	Freddie Mac	0.5	10/15/2013	$15,000,000.00	$14,996,700.00	$15,037,650.00
Agency Note	Federal Home Loan Bank	0.125	10/25/2013	$15,000,000.00	$14,987,980.00	$14,993,250.00
Agency Discount Note	Federal Farm Credit Bank	0.175	11/20/2013	$25,000,000.00	$24,958,315.97	$24,964,250.00
Agency Note	Freddie Mac	0.45	2/21/2014	$20,000,000.00	$20,000,000.00	$20,009,600.00
Agency Note	Federal Farm Credit Bank	1.125	2/27/2014	$25,000,000.00	$24,950,750.00	$25,265,500.00

City of San Diego Pooled Investment Fund Holdings as of December 31, 2012 (continued)

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
Agency Note	Intl Bank Recon & Develop	0.55	4/25/2014	$25,000,000.00	$25,000,000.00	$25,033,750.00
Agency Note	Federal Home Loan Bank	0.3	6/4/2014	$25,000,000.00	$25,000,000.00	$25,013,250.00
Agency Note	Intl Bank Recon & Develop	0.55	6/6/2014	$10,000,000.00	$10,000,000.00	$10,000,000.00
Agency Note	Freddie Mac	1	8/27/2014	$25,000,000.00	$24,967,000.00	$25,323,500.00
Agency Note	Federal Farm Credit Bank	0.27	11/19/2014	$25,000,000.00	$24,984,050.00	$24,991,500.00
Agency Note	Federal Home Loan Bank	0.25	1/16/2015	$25,000,000.00	$24,970,000.00	$24,982,500.00
Agency Note	Freddie Mac	0.55	2/13/2015	$20,000,000.00	$20,000,000.00	$20,072,200.00
Agency Note	Freddie Mac	0.55	2/13/2015	$10,000,000.00	$10,045,347.22	$10,036,100.00
Agency Note	Fannie Mae	0.55	2/27/2015	$20,000,000.00	$19,975,000.00	$20,074,800.00
Agency Note	Fannie Mae	0.7	3/13/2015	$10,000,000.00	$10,000,000.00	$10,008,700.00
Agency Note	Fannie Mae	0.75	4/24/2015	$10,000,000.00	$10,000,000.00	$10,012,300.00
Agency Note	Federal Farm Credit Bank	0.5	6/23/2015	$15,000,000.00	$14,953,800.00	$15,049,350.00
Agency Note	Federal Home Loan Bank	0.5	11/20/2015	$30,000,000.00	$29,990,400.00	$30,113,100.00
Agency Note	Freddie Mac	0.53	11/20/2015	$10,000,000.00	$10,000,000.00	$10,012,200.00
Agency Note	Freddie Mac	0.5	11/27/2015	$10,000,000.00	$10,000,000.00	$10,012,600.00
Agency Note	Fannie Mae	0.375	12/21/2015	$25,000,000.00	$24,941,750.00	$24,969,000.00
Agency Note	Freddie Mac	0.75	10/5/2016	$10,000,000.00	$10,003,958.33	$10,013,300.00
Agency Note	Freddie Mac	1.1	7/25/2017	$10,000,000.00	$10,000,000.00	$10,006,200.00
Agency Note	Freddie Mac	1	8/14/2017	$10,000,000.00	$10,006,111.11	$10,010,500.00
Agency Note	Fannie Mae	1	10/24/2017	$10,000,000.00	$10,000,000.00	$10,002,000.00
Agency Note	Fannie Mae	0.7	12/13/2017	$10,000,000.00	$10,000,000.00	$9,983,200.00
Agency Note	Fannie Mae	1	12/28/2017	$10,000,000.00	$10,000,000.00	$9,987,300.00
Agency Total			***31.61%***	***$695,000,000.00***	***$694,742,095.24***	***$696,212,450.00***
LAIF	California State Pool	0.35	1/1/2013	$49,563,497.82	$49,563,497.82	$49,563,497.82
Repo	Repurchase Agreement	0.14	1/2/2013	$54,900,000.00	$54,900,000.00	$54,900,000.00
Commercial Paper	The Coca-Cola Co.	0.27	1/18/2013	$25,000,000.00	$24,960,250.00	$24,997,638.89
Non-Negotiable CDs	BSBB CDARS	1.25	2/14/2013	$10,000,000.00	$10,000,000.00	$10,000,000.00
Commercial Paper	General Electric Capital	0.32	3/29/2013	$25,000,000.00	$24,945,111.11	$24,984,895.83
Commercial Paper	Toyota Motor Credit	0.44	5/24/2013	$25,000,000.00	$24,917,500.00	$24,965,243.06
Commercial Paper	Nestle Capital Corp.	0.26	6/21/2013	$25,000,000.00	$24,951,430.56	$24,958,437.50
Commercial Paper	Toyota Motor Credit	0.29	6/26/2013	$25,000,000.00	$24,957,506.94	$24,957,222.22
Negotiable CD	Svenska Handelsbanken NY	0.31	7/5/2013	$25,000,000.00	$25,000,000.00	$24,987,070.59
Negotiable CD	Toronto-Dominion Bank NY	0.4	8/30/2013	$25,000,000.00	$25,000,000.00	$24,998,230.92
Negotiable CD	Swedbank NY	0.445	9/12/2013	$25,000,000.00	$25,000,000.00	$25,006,158.49
Negotiable CD	SEB NY	0.45	9/27/2013	$25,000,000.00	$25,000,000.00	$25,007,470.30
Repo, BA's, CD's, CP, LAIF, Funds Total			***15.43%***	***$339,463,497.82***	***$339,195,296.43***	***$339,325,865.62***
Medium Term Note	General Electric Capital	2.8	1/8/2013	$10,000,000.00	$10,092,950.59	$10,002,800.00
Medium Term Note	United Parcel Service Inc.	4.5	1/15/2013	$5,000,000.00	$5,107,100.00	$5,007,150.00
Medium Term Note	Wells Fargo & Co.	4.375	1/31/2013	$10,000,000.00	$10,201,500.00	$10,029,700.00
Medium Term Note	PepsiCo Inc.	4.65	2/15/2013	$5,000,000.00	$5,209,550.00	$5,027,350.00
Medium Term Note	Metlife Institutional Funding II	0.60525	4/3/2013	$11,500,000.00	$11,500,000.00	$11,498,620.00
Medium Term Note	Wal-Mart Stores Inc.	0.75	10/25/2013	$10,000,000.00	$9,965,700.00	$10,029,800.00
Medium Term Note	Procter & Gamble Co.	0.21	2/14/2014	$5,000,000.00	$5,000,000.00	$4,996,800.00
Medium Term Note	Wal-Mart Stores Inc.	1.625	4/15/2014	$3,000,000.00	$2,991,900.00	$3,049,680.00
Medium Term Note	General Electric Capital	1.01575	4/24/2014	$10,000,000.00	$10,000,000.00	$10,072,800.00
Medium Term Note	Colgate-Palmolive Co.	1.25	5/1/2014	$4,000,000.00	$3,994,160.00	$4,039,600.00
Medium Term Note	Johnson & Johnson	1.2	5/15/2014	$10,000,000.00	$9,988,300.00	$10,118,100.00
Medium Term Note	Google Inc.	1.25	5/19/2014	$7,000,000.00	$6,998,390.00	$7,086,380.00
Medium Term Note	Procter & Gamble Co.	0.7	8/15/2014	$7,000,000.00	$6,971,230.00	$7,045,010.00
Medium Term Note	John Deere Capital Corp.	0.44275	10/8/2014	$5,000,000.00	$5,000,000.00	$5,001,800.00
Medium Term Note	IBM Corp.	0.875	10/31/2014	$5,000,000.00	$5,049,000.00	$5,042,150.00
Corporate MTN's and Other Notes Total			***4.92%***	***$107,500,000.00***	***$108,069,780.59***	***$108,047,740.00***

City of San Diego Pooled Investment Fund Holdings as of December 31, 2012 (continued)

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
Asset Backed Security	Toyota Auto Receivables Owner Trust	0.57	10/15/2014	$8,635,088.70	$8,634,499.20	$8,644,155.54
Asset Backed Security	Honda Auto Receivables Trust	0.56	11/17/2014	$15,000,000.00	$14,999,943.00	$15,019,500.00
Asset Backed Security	Honda Auto Receivables Trust	0.4	4/20/2015	$7,000,000.00	$6,999,487.60	$6,999,487.60
Asset Backed Security	Chase Issuance Trust	0.79	6/15/2015	$10,000,000.00	$10,000,000.00	$10,064,200.00
Asset Backed Security	Chase Issuance Trust	0.329	12/15/2015	$25,000,000.00	$25,000,000.00	$25,029,250.00
Asset Backed Security	Chase Issuance Trust	0.339	8/15/2017	$10,000,000.00	$10,000,000.00	$10,000,000.00
Asset Backed Securities Total			***3.44%***	***$75,635,088.70***	***$75,633,929.80***	***$75,756,593.14***
Grand Total			***100.00%***	***$2,197,598,586.52***	***$2,197,741,604.10***	***$2,201,440,198.76***

Market Values are determined by using Sungard pricing as the primary source. CMS Bondedge, Bloomberg, Custody Bank (BNY Mellon) and pricing provided by broker/dealers are all used to reconcile and determine correct prices.