



# City of San Diego

## Pooled Investment Fund Quarterly Review

Quarter ended

6/30/14

Publication Date: 07/30/14

### Office of the City Treasurer—Investments Division

#### Economic Commentary

##### ***Quarterly Economic Highlights***

- The U.S. Unemployment Rate reached a new post-crisis low of 6.1%
- The U.S. stock market, as measured by the S&P 500 index, rose 5.23% for the quarter
- The yield on the 10-year U.S. Treasury note dropped nearly 20 basis points during the quarter to end at 2.53%
- Crude Oil futures rose by 6.49% during the quarter to close at \$105.37/barrel

The past quarter was a mixed bag of economic news. Labor market indicators were mostly positive during the quarter, with nonfarm payrolls averaging a gain of 272,000 per month and the unemployment rate dropping to 6.1%, the lowest rate since September 2008. All was not rosy, however, as the labor participation rate remained at a historically low 62.8% and average hourly earnings came in at a tepid 2.0% year-over-year increase, a level at which it has hovered near for over 5 years (see Chart 1).

Q1 GDP was also very disappointing, with an initial estimate of a 0.1% quarter-over-quarter annualized change, revised later to -1.0% and then to a horrible -2.9%. The large drop from the initial estimate to the final revision had to do with a large downward revision in spending, particularly in

healthcare services. While many economists shrugged off the number as being the result of a cold winter, the fact remains that another negative number in the 2nd quarter would possibly mean the U.S. is currently in recession.

One interesting footnote to the quarterly economic figures was the May ISM Manufacturing Index, which was initially reported as 53.2. It was then changed later that day to 56.0 and changed yet again to 55.4. The explanation given was that an incorrect “seasonal factor” was used. But between this fiasco and the huge gap between initial and final Q1 GDP, one can certainly raise questions about the veracity of economic figures at times.

The FOMC met twice during the quarter, and both times they scaled down the Large Scale

Asset Purchase program by \$10 billion. At the June meeting the summary of economic projections were also released. In those projections, the median Fed Funds rate forecast for the end of 2015 rose from 1% to 1.13%, the median Fed Funds rate forecast for the end of 2016 rose from 2.25% to 2.5%, and the long-term Fed Funds rate forecast dropped from 4% to 3.75%. The FOMC also cut its forecast for 2014 GDP growth and raised its inflation forecast for 2014 and 2016.

Around the globe, the turmoil in Ukraine continued, there was yet another military coup in Thailand, and an insurgency in Iraq by Al Qaeda-linked Sunnis caused oil prices to spike. In an attempt to prevent deflation, the European Central Bank lowered its main Refinancing Rate to .15% and cut its Deposit Facility Rate to -0.10%.

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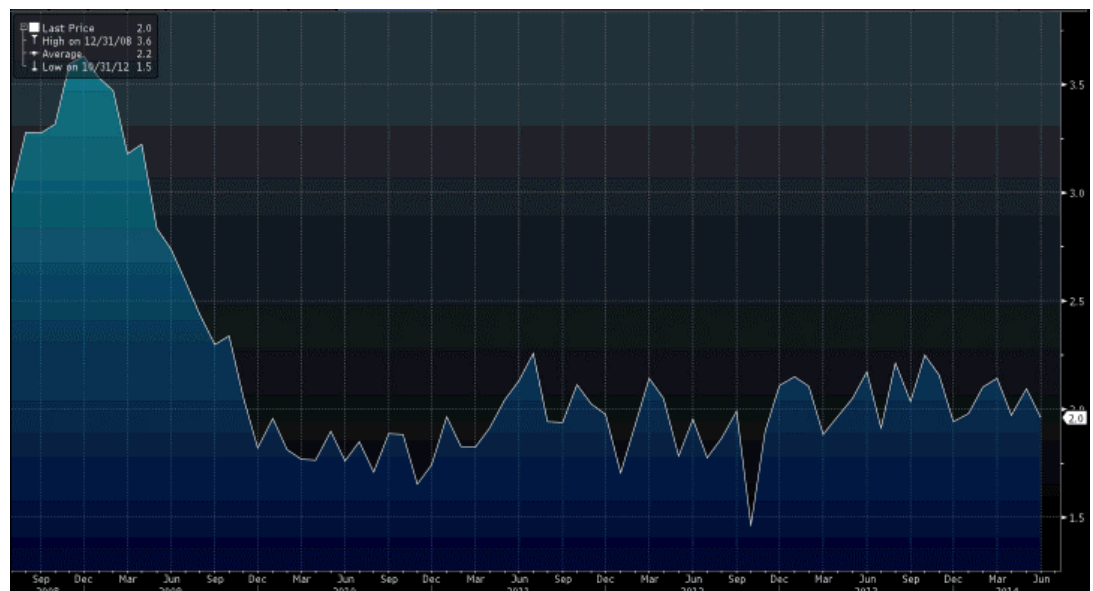


Chart 1: U.S. Average Hourly Earnings (July 2008–June 2014) (Source: Bloomberg)

## Hot Topic Corner— On Unintended Consequences: The Municipal Advisor Rule

The Dodd-Frank Act passed and was signed into law in 2010 in response to the financial crisis of 2008-2009. Since passage, this massive bill has spread its tentacles through much of the financial world and its implementation is still a work in progress 4 years later.

Like much legislation out of Washington, Dodd-Frank was ill-conceived, misguided, and overly burdensome. In many ways it is “the gift that keeps on giving” and is rife with many unintended consequences.

One such unintended consequence that affects the City is the SEC Municipal Advisor Rule, which went into effect July 1. The intent of this Rule was noble and crafted in response to certain Wall Street banks taking advantage of small, unsophisticated local governments. However, the rollout of this new Rule,

unsurprisingly, has not been smooth.

Essentially, what the Rule does, among other things, is require municipal advisors to register with the SEC and establish a fiduciary duty between municipal advisors and municipal entities when giving advice on the investment of municipal proceeds. Again, while this all seems well and good on the surface, digging into the details reveals ambiguities that are causing much confusion among broker/dealers and their government investor clients.

The law defines municipal proceeds as any monies resulting from the issuance of municipal debt or municipal escrow investments. In our case, since the City Treasurer’s Pooled Investment Fund does contain proceeds from bond issuances, and there is no way for us to segregate and invest them separately from the rest of the

Pool, any monies we do invest are technically deemed municipal proceeds. This means that by definition, any of our broker/dealers could be construed as acting as municipal advisors.

The definition of advice is very unclear and is causing the most confusion among our broker/dealers. As a large, sophisticated investor, we don’t take or even seek advice from broker/dealers on any of our securities transactions or strategies. Unfortunately, no distinction is made in the law exempting us from the standard, so the broker/dealer community must view us in the same lens as a small, unsophisticated investor.

Since we also do not seek counsel from any independent registered municipal advisory firm, which is one exemption provided for in the Rule, at least one broker/dealer has had to back away from covering us for the time being. Several others are in the process

of determining whether or not they need to drop us as a client.

Luckily, there is one exclusion in the law that may help us. The exclusion for general information allows broker/dealers to provide information factual in nature and includes such things as securities inventory lists, bid or offer prices on securities, and general research reports. Some of our broker/dealers have decided to use this exclusion to continue to provide us with service, and several others are considering it.

It remains to be seen how this legislation will ultimately affect us and other municipalities. Fortunately, at this point, it does not appear that it will have too much of an operational impact. However, it does prove yet again how dangerous and counterproductive legislation can be when not thought out carefully.

*Tom Williams, CFA Investment Officer*

## Key Economic Indicators

<i>Indicator</i>	<i>Period</i>	<i>Report Current</i>	<i>As Reported Last Quarter</i>	<i>Difference</i>
Federal Funds Rate	6/18/2014	0-0.25%	0-0.25%	0%
Consumer Price Index (MoM)	JUN	0.3%	0.2%	0.1%
Consumer Price Index (YoY)	JUN	2.1%	1.5%	0.6%
Producer Price Index (MoM)	JUN	0.2%	0.6%	(0.4%)
Producer Price Index (YoY)	JUN	1.9%	1.4%	0.5%
Durable Goods Orders	JUN	0.7%	2.6%	(1.9%)
ISM (Manufacturing)	JUN	55.3	53.7	1.6
ISM (Non-manufacturing)	JUN	56.0	53.1	2.9
Retail Sales	JUN	0.2%	1.1%	(0.9%)
Unemployment Rate	JUN	6.1%	6.7%	(0.6%)
Change in Non-farm Payrolls	JUN	288,000	192,000	96,000
Consumer Confidence (Univ. of Michigan)	JUL (P)	81.3	84.1	(2.8)
Existing Home Sales	JUN	5.04(mil)	4.59(mil)	0.45(mil)
New Home Sales	JUN	0.406(mil)	0.384(mil)	0.022(mil)
Housing Starts	JUN	0.893(mil)	0.946(mil)	(0.053)(mil)
Median Home Price (existing) [EHSLMP]	JUN	\$224,300	\$198,200	\$26,100
NYMEX WTI CRUDE OIL (barrel)	6/30/14	\$105.37	\$101.58	\$3.79
S&P 500 Stock Index	6/30/14	1,960.23	1,872.34	87.89

## Portfolio Performance

The Core Portfolio essentially matched its benchmark, the Bank of America Merrill Lynch 1-3 year Treasury Index, returning 0.267% versus index performance of 0.268%.

Chart 2 shows a yield curve that flattened over the past quarter, as yields in the 2-year part of the curve slightly increased, while maturities further out decreased in yield.

Yields ground lower across the curve during the first two months of the quarter on mixed economic figures and global tensions relating to the Russian/Ukrainian conflict, insurgency in Iraq, and yet another military coup in Thailand.

Yields did rise in June, however, as inflation came in higher than expected, consumer confidence rose to a cycle high, and the FOMC meeting resulted in slightly higher estimates for the

Fed Funds rate at the end of both 2015 and 2016.

“Effective Duration Effect” contributed -2.6 basis points of relative underperformance versus the index during the quarter. This is explained by nuances within the portfolio analytics software we use, which emphasizes the 10-year part of the yield curve. The 10-year yield decreased during the quarter, penalizing our portfolio even though the 2-year point of the yield curve actually increased in yield and the 3-year point remained flat.

However, “Non-parallel Duration Effect” added back 4.1 basis points of positive performance versus the index. Since we were short the 2-year portion of the curve versus our index, and that maturity point increased in yield, we captured relative outperformance there. Additionally, our exposure on the 5-year part of the curve,

which is not present in the index, also resulted in outperformance as that maturity point decreased in yield.

“Sector/Quality Effect” and “Selection Effect” combined

to provide zero net performance effect versus the index, and as usually is the case, “Income Effect” and “Amortization Effect” also largely netted each other out. “Roll Effect” subtracted 1.7 basis points of performance versus the index.



Chart 2: U.S. Treasury Yield Curve 3/31/14–6/30/14 (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\*

	Q2 2014	Q1 2014	Q4 2013	FYTD 2014	1 Year	3 Year
<b>Total Pooled Investment Fund</b>	0.41%	0.47%	0.49%	0.44%	0.44%	0.66%
<b>Core Portfolio</b>	0.55%	0.56%	0.58%	0.53%	0.53%	0.81%
<b>Liquidity Portfolio</b>	0.19%	0.31%	0.31%	0.27%	0.27%	0.38%

### Total Return—Core Portfolio

	Q2 2014	Q1 2014	Q4 2013	FYTD 2014	1 Year	3 Year*
<b>Core Portfolio</b>	0.27%	0.17%	0.08%	0.81%	0.81%	0.64%
<b>BAML 1 - 3 Year Treasury Index</b>	0.27%	0.14%	0.06%	0.76%	0.76%	0.62%
<b>Difference</b>	0.00%	0.03%	0.02%	0.05%	0.05%	0.02%

\*Annualized Returns

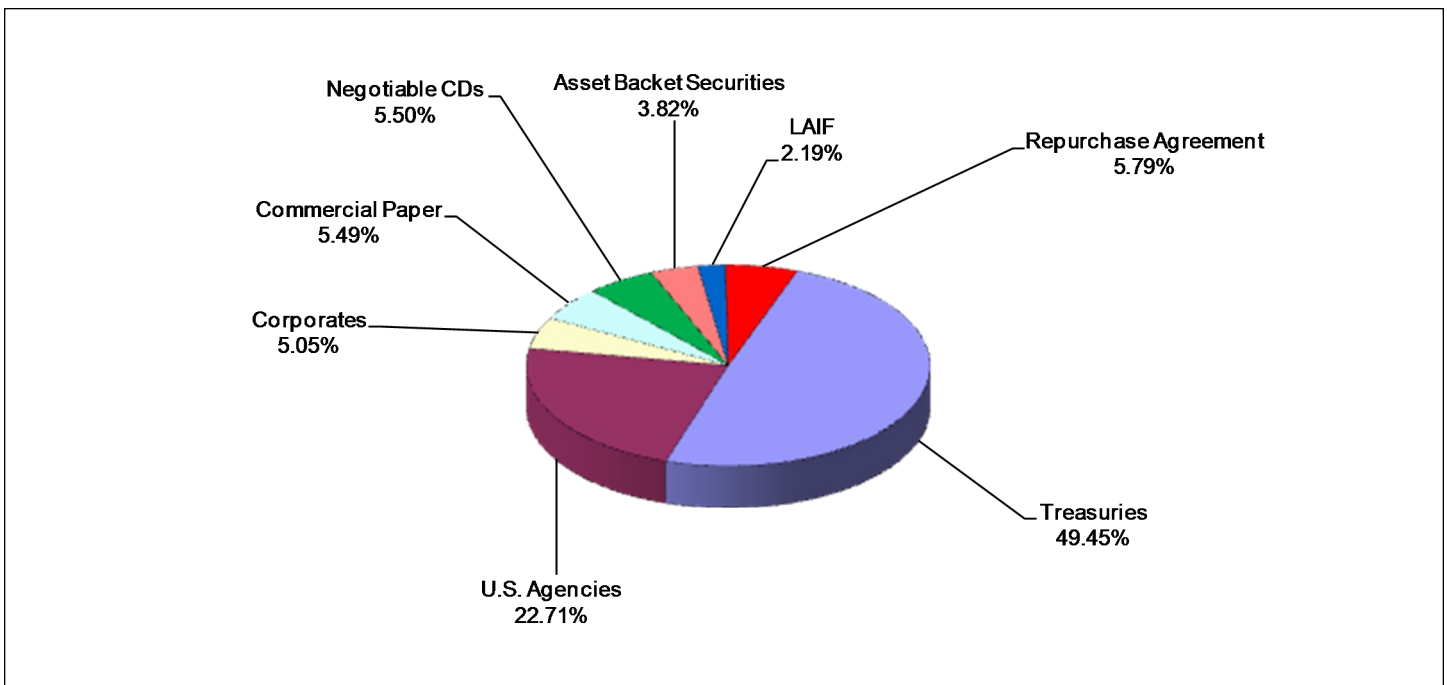
**Portfolio Profile**

**as of June 30, 2014**

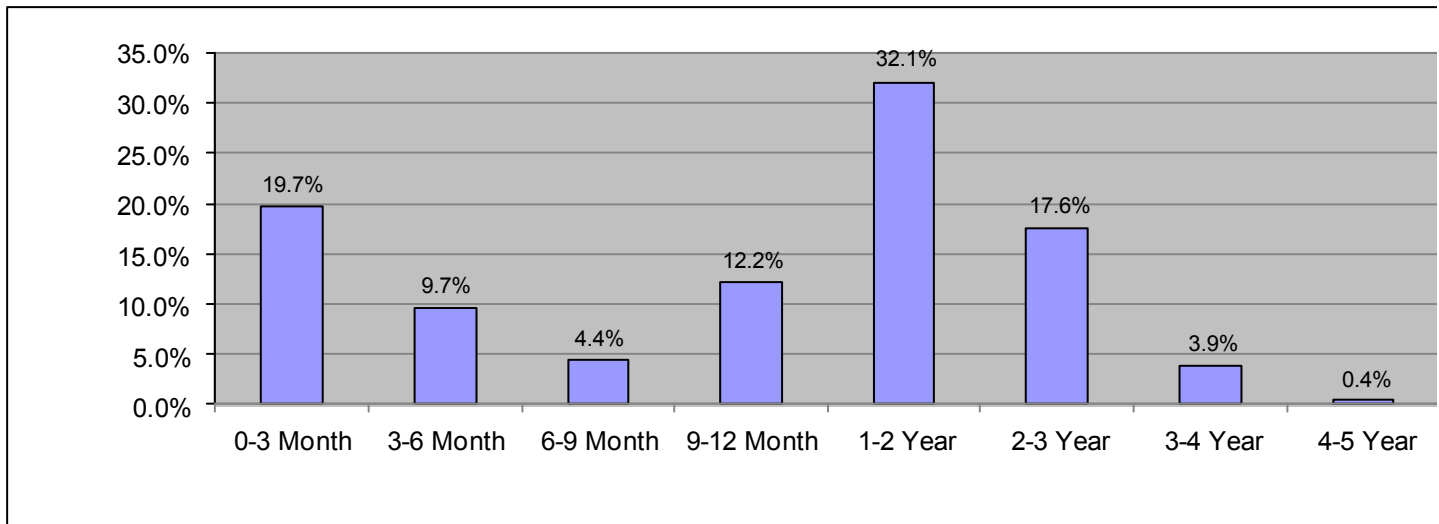
	<i>Liquidity</i>	<i>Core</i>
Portfolio Size*	\$897,675,953	\$1,375,662,053
% of total pool	39.49%	60.51%
Portfolio Duration**	0.333	1.667
Index Duration**	0.370	1.929
% of index	90.00%	86.42%
Weighted Average Days to Maturity	121.55	698.56

\* Book Value    \*\* Macaulay's Duration for the Liquidity Portfolio and Effective Duration for the Core Portfolio  
 Note: Portfolio durations do not include the effect of trades settling over month end.

**Asset Allocation**



**Pool Maturity Distribution**



**Credit Profile**

**as of June 30, 2014**

**Credit Ratings**

**Top Issuer Exposures**

Ratings Buckets	% of Portfolio
U.S. Treasury (AAA)	49.45%
Agencies (AAA)	22.71%
AAA/A1	15.03%
AA	2.72%
A	2.11%
Below A	0.00%

Issuer	% of Portfolio
U.S. Treasury	49.45%
Federal Home Loan Bank	9.96%
Freddie Mac	5.28%
Fannie Mae	3.52%
Federal Farm Credit Bank	2.20%
Int'l Bank for Recon & Development	1.76%
General Electric	1.32%
Swedbank NY	1.10%
SEB NY	1.10%
Bank of Nova Scotia/Houston	1.10%
Rabobank NA	1.10%
Toronto-Dominion Bank NY	1.10%
Chase Issuance Trust	1.10%
Nestle Capital Corp.	1.10%
The Coca-Cola Co.	1.10%
Toyota Motor Credit Corp.	1.10%

- 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
- LAIF and money market funds are not included
- Municipal security not included in above chart as it is rated on a municipal rating scale

**Pooled Fund Corporate Issuers**

Issuer	Moody's	S&P	Egan-Jones	5yr CDS level	Q/Q % change	Equity Price	Q/Q % change	Longest maturity
Apple Inc.	Aa1	AA+	AA	30.01	0.03%	\$92.93	21.20%	1,403 days
Bank of Nova Scotia/Houston	P-1	A-1	A1	N/A	N/A	\$66.60	14.79%	172 days
BNP Paribas	P-1	A-1	A1	75.31	-1.56%	\$34.03	-12.13%	1 day
Cisco Systems Inc.	A1	AA-	AA	35.33	0.83%	\$24.85	10.84%	1,705 days
The Coca-Cola Co.	P-1	A-1+	A1+	20.50	-8.89%	\$42.36	9.57%	158 days
Deere & Co.	A2	A	A+	26.66	-16.70%	\$90.55	-0.28%	571 days
General Electric Co.	Aa3	AA+	AA+	48.50	-18.65%	\$26.43	1.51%	563 days
IBM Corp.	Aa3	AA-	AA+	39.77	9.92%	\$181.27	-5.83%	1,319 days
JP Morgan Chase	A3	A (-)	A	57.00	1.14%	\$57.62	-5.09%	606 days
Johnson & Johnson	Aaa	AAA	AA+	15.50	1.91%	\$104.62	6.51%	882 days
Merck & Co. Inc.	A2	AA	AA-	16.01	36.14%	\$57.85	1.90%	1,418 days
Nestle Capital Corp.	P-1	A-1+	A1+	20.50	-11.52%	\$77.44	2.88%	1 day
Oracle Corp.	A-1	A+	AA	34.65	0.43%	\$40.53	-0.93%	1,203 days
PepsiCo Inc.	A1	A	A (-)	37.50	-7.40%	\$89.34	6.99%	395 days
Rabobank NA	P-1	A-1+	N/A	48.48	-27.64%	N/A	N/A	200 days
The Procter & Gamble Co.	Aa3	AA-	AA-	27.00	-2.00%	\$78.59	-2.49%	46 days
SEB NY	P-1	A-1	N/A	51.01	-21.52%	\$13.35	-2.70%	1 day
Swedbank NY	P-1	A-1	N/A	63.01	-12.49%	\$26.49	-1.23%	1 day
Texas Instruments Inc.	A1	A+	AA-	39.01	1.77%	\$47.79	1.34%	1,401 days
Toronto-Dominion Bank NY	P-1	A-1+	A1	N/A	N/A	\$51.41	9.50%	242 days
Toyota Motor Credit Corp.	P-1	A-1+	A1+	49.89	-1.95%	\$119.66	5.99%	130 days
US Bancorp	A1	A+	A+	52.50	-3.35%	\$43.32	1.07%	945 days
Wells Fargo & Co.	A2	A+ (-)	A (+)	41.51	10.46%	\$52.56	5.67%	703 days
<b>S&amp;P 500 Index</b>						<b>1,960.23</b>	<b>4.73%</b>	
<b>CDX IG22 Index</b>				<b>58.71</b>	<b>-15.11%</b>			

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.  
 (+) or (-) after rating indicates a credit rating that is under review for upgrade or downgrade

## Portfolio Strategy

It appears as though interest rates may have begun their long march upwards, particularly near the front of the yield curve, after years of being stuck at historically low levels.

Over the past quarter, 2-year rates rose almost 4 basis points while 3-year rates were unchanged. Further out on the yield curve, 5-year rates dropped by 9 basis points, 10-year rates fell by 19 basis points and 30-year rates were down 20 basis points. Longer rates are being held down by a combination of continued Fed purchases, foreign dollar reserve accumulation, pension demand and ongoing doubts about the economic recovery.

However, the FOMC has continued scaling back its Large Scale Asset Purchase program, reducing securities purchases by \$10 billion at both its April and June meetings. It is widely

expected this trend will continue until they formally end the program by October of this year. The end of this program will eliminate a large and important source of Treasury demand over the past couple of years.

Additionally, at the June FOMC meeting, the median Fed Funds rate forecast for the end of 2015 was raised from 1% to 1.13% and the median forecast was raised from 2.25% to 2.50% for the end of 2016.

As the first Fed rate hike draws nearer (some economists predict this is less than a year away), rates should begin to rise as the higher rates are incorporated into the yields of bonds with 2 or more years to maturity.

After several false alarms over the past few years, we feel that this may be the start of a sustained upward trend in rates that will last until the FOMC

reaches its terminal Fed Funds rate, which is currently projected at 3.75%.

We will continue to maintain a short duration position versus the index in anticipation of the interest rate increases. We are currently positioned at about 86% of index duration, and will decrease that to 80% over the next few quarters in an effort to not only outperform the index, but to more importantly mitigate portfolio losses as rates rise.

Additionally, depending upon how the steepness of the yield curve evolves, we may also look for opportunities to structure the portfolio in more of a barbell fashion, favoring short fixed and floating rate securities in the front end as well as 4-5 year securities in the long end. This will hopefully allow the portfolio to capture the rise in rates quickly while maintaining a fair amount of yield.

As a result of a large pension ARC payment on July 1 in the amount of \$263.6 million, we will focus over the next few months on providing liquidity from the portfolio as needed as well as investing out cash inflows to hit known outflows over the next year.

The percentage of agency and corporate notes in the portfolio has declined over the past few quarters due to lack of issuance in agency space, as well as rich levels for new-issue corporate bonds. One area where we have found some value is in the secondary corporate space, particularly in the 3-4 year part of the curve. The issues we have purchased are old 5 year bonds that have rolled down the curve. We feel these bonds provide further opportunity for roll-down and spread tightening while still providing for safety of principal and liquidity.

## 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
July	570	552	18	18
August	253	268	(15)	3
September	247	229	18	21
October	229	235	(6)	15
November	265	259	6	21
December	368	212	156	177

(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.

\* Cashflows based on Actual Cashflows where applicable, otherwise, based on quarterly updated projection Cashflows.

## 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)	BAML 1-3 Year +/-20%	Complies - 86.42%
Duration (Liquidity)	BAML US T-bill 3-6 months +/-40%	Complies - 90.00%
Maximum Maturity	5 years	Complies
U.S. Agency Securities	100% maximum	Complies - 22.71%
FNMA	33.3% maximum	Complies- 3.52%
FHLMC	33.3% maximum	Complies - 5.28%
FHLB	33.3% maximum	Complies - 9.96%
FFCB	33.3% maximum	Complies - 2.20%
Callable Securities	30% maximum	Complies - 5.50%
MBS/CMO's	5 yr maximum- 20% max.	Complies - None in Portfolio
Asset-backed	5 yr maximum- 20% max.	Complies - 3.82%
Commercial Paper	A1/P1- 5% per issuer	Complies
	25% maximum	Complies - 5.49%
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
	5 year maximum	Complies
	30% maximum	Complies - 5.05%
Mutual Funds	20% maximum; 5% maximum per fund	Complies - None in Portfolio
FDIC-insured Certificates of Deposit	2% maximum	Complies - None in Portfolio
Certificate and Public Deposits	30% maximum	Complies - 5.50%
Reverse Repos	20% maximum	Complies - None in Portfolio
Futures and Options	Prohibited	Complies - None in Portfolio
Custody	Bank trust dept.	Complies - Citigroup
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
	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 June 30, 2014

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
US Treasury Note	US Treasury	0.125	7/31/2014	\$25,000,000.00	\$24,975,585.94	\$25,000,000.00
US Treasury Note	US Treasury	0.5	8/15/2014	\$25,000,000.00	\$25,043,275.56	\$25,011,750.00
US Treasury Note	US Treasury	0.25	10/31/2014	\$25,000,000.00	\$24,992,176.78	\$25,012,750.00
US Treasury Note	US Treasury	0.125	12/31/2014	\$25,000,000.00	\$24,983,687.94	\$25,004,750.00
US Treasury Note	US Treasury	0.25	3/31/2015	\$25,000,000.00	\$25,003,906.25	\$25,028,250.00
US Treasury Note	US Treasury	0.375	4/15/2015	\$25,000,000.00	\$24,998,046.87	\$25,054,750.00
US Treasury Note	US Treasury	0.125	4/30/2015	\$25,000,000.00	\$24,968,697.44	\$25,004,750.00
US Treasury Note	US Treasury	0.25	5/15/2015	\$25,000,000.00	\$24,924,804.69	\$25,031,250.00
US Treasury Note	US Treasury	0.25	5/31/2015	\$25,000,000.00	\$24,978,515.63	\$25,031,250.00
US Treasury Note	US Treasury	0.375	6/15/2015	\$25,000,000.00	\$24,974,609.37	\$25,056,750.00
US Treasury Note	US Treasury	0.375	6/30/2015	\$25,000,000.00	\$25,003,422.66	\$25,058,500.00
US Treasury Note	US Treasury	0.25	7/15/2015	\$25,000,000.00	\$24,953,125.00	\$25,024,500.00
US Treasury Note	US Treasury	0.25	7/31/2015	\$25,000,000.00	\$24,953,125.00	\$25,026,250.00
US Treasury Note	US Treasury	0.375	8/31/2015	\$25,000,000.00	\$24,995,117.19	\$25,062,500.00
US Treasury Note	US Treasury	0.25	9/30/2015	\$25,000,000.00	\$24,960,937.50	\$25,026,250.00
US Treasury Note	US Treasury	0.25	10/31/2015	\$25,000,000.00	\$24,970,703.13	\$25,021,500.00
US Treasury Note	US Treasury	0.375	11/15/2015	\$25,000,000.00	\$25,036,132.81	\$25,056,750.00
US Treasury Note	US Treasury	0.25	11/30/2015	\$25,000,000.00	\$24,983,398.44	\$25,010,750.00
US Treasury Note	US Treasury	0.25	12/15/2015	\$25,000,000.00	\$24,928,710.94	\$25,004,000.00
US Treasury Note	US Treasury	0.25	12/31/2015	\$25,000,000.00	\$24,937,500.00	\$25,002,000.00
US Treasury Note	US Treasury	0.375	1/15/2016	\$5,000,000.00	\$5,000,585.94	\$5,007,800.00
US Treasury Note	US Treasury	0.375	1/15/2016	\$20,000,000.00	\$19,989,062.50	\$20,031,200.00
US Treasury Note	US Treasury	0.375	1/31/2016	\$25,000,000.00	\$25,006,835.94	\$25,036,000.00
US Treasury Note	US Treasury	0.375	2/15/2016	\$25,000,000.00	\$25,019,531.25	\$25,029,250.00
US Treasury Note	US Treasury	0.25	2/29/2016	\$25,000,000.00	\$24,964,843.75	\$24,975,500.00
US Treasury Note	US Treasury	0.375	3/15/2016	\$25,000,000.00	\$24,968,750.00	\$25,013,750.00
US Treasury Note	US Treasury	0.375	3/31/2016	\$25,000,000.00	\$24,960,937.50	\$25,004,750.00
US Treasury Note	US Treasury	0.25	4/15/2016	\$25,000,000.00	\$24,937,500.00	\$24,942,250.00
US Treasury Note	US Treasury	0.375	4/30/2016	\$25,000,000.00	\$24,968,750.00	\$24,992,250.00
US Treasury Note	US Treasury	0.25	5/15/2016	\$25,000,000.00	\$24,814,453.13	\$24,929,750.00
US Treasury Note	US Treasury	0.375	5/31/2016	\$50,000,000.00	\$50,001,024.59	\$49,955,000.00
US Treasury Note	US Treasury	0.5	6/15/2016	\$25,000,000.00	\$24,880,859.38	\$25,031,250.00
US Treasury Note	US Treasury	0.5	6/30/2016	\$25,000,000.00	\$25,023,437.50	\$25,021,500.00
US Treasury Note	US Treasury	0.625	7/15/2016	\$25,000,000.00	\$24,995,117.19	\$25,076,250.00
US Treasury Note	US Treasury	0.625	8/15/2016	\$25,000,000.00	\$24,893,554.69	\$25,060,500.00
US Treasury Note	US Treasury	0.875	9/15/2016	\$25,000,000.00	\$25,178,710.94	\$25,181,750.00
US Treasury Note	US Treasury	0.625	10/15/2016	\$25,000,000.00	\$25,034,179.69	\$25,025,500.00
US Treasury Note	US Treasury	0.625	11/15/2016	\$25,000,000.00	\$25,056,640.63	\$25,005,750.00
US Treasury Note	US Treasury	0.625	12/15/2016	\$25,000,000.00	\$24,983,398.44	\$24,986,250.00
US Treasury Note	US Treasury	0.75	1/15/2017	\$25,000,000.00	\$25,032,701.35	\$25,041,000.00
US Treasury Note	US Treasury	0.625	2/15/2017	\$25,000,000.00	\$24,974,361.19	\$24,937,500.00
US Treasury Note	US Treasury	0.75	3/15/2017	\$25,000,000.00	\$24,900,985.05	\$25,000,000.00
US Treasury Note	US Treasury	0.875	4/15/2017	\$25,000,000.00	\$24,976,082.23	\$25,060,500.00
US Treasury Note	US Treasury	0.875	5/15/2017	\$25,000,000.00	\$25,077,021.06	\$25,033,250.00
US Treasury Note	US Treasury	0.875	6/15/2017	\$25,000,000.00	\$24,982,042.99	\$25,009,750.00
<b>US Treasury Total</b>			<b>49.45%</b>	<b>\$1,125,000,000.00</b>	<b>\$1,124,186,846.07</b>	<b>\$1,125,917,500.00</b>
Agency Discount Note	Freddie Mac	0.13	7/1/2014	\$20,000,000.00	\$19,986,277.78	\$20,000,000.00
Agency Discount Note	Intl Bank Recon & Develop	0.14	7/3/2014	\$15,000,000.00	\$14,988,216.67	\$15,000,000.00
Agency Discount Note	Intl Bank Recon & Develop	0.115	7/3/2014	\$5,000,000.00	\$4,997,172.92	\$5,000,000.00
Agency Note	Federal Home Loan Bank	0.18	7/15/2014	\$20,000,000.00	\$20,003,600.00	\$20,000,800.00
Agency Note	Freddie Mac	1	8/27/2014	\$25,000,000.00	\$24,994,801.57	\$25,035,250.00
Agency Discount Note	Freddie Mac	0.13	9/12/2014	\$25,000,000.00	\$24,973,909.72	\$24,998,000.00
Agency Discount Note	Fannie Mae	0.1	10/10/2014	\$15,000,000.00	\$14,990,000.00	\$14,997,900.00
Agency Note	Federal Farm Credit Bank	0.27	11/19/2014	\$25,000,000.00	\$24,995,979.73	\$25,014,750.00



### City of San Diego Pooled Investment Fund Holdings as of June 30, 2014 (continued)

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
Agency Note	Federal Home Loan Bank	0.2	12/30/2014	\$20,000,000.00	\$20,000,000.00	\$20,002,200.00
Agency Note	Federal Home Loan Bank	0.15	3/12/2015	\$25,000,000.00	\$24,997,000.00	\$24,997,750.00
Agency Note	Federal Home Loan Bank	0.2	4/24/2015	\$25,000,000.00	\$25,000,000.00	\$24,996,250.00
Agency Discount Note	Federal Home Loan Bank	0.115	5/7/2015	\$26,500,000.00	\$26,470,879.15	\$26,474,825.00
Agency Note	Federal Home Loan Bank	0.125	5/21/2015	\$25,000,000.00	\$24,998,750.00	\$24,983,500.00
Agency Note	Federal Home Loan Bank	0.125	6/5/2015	\$25,000,000.00	\$24,997,000.00	\$24,971,750.00
Agency Note	Federal Farm Credit Bank	0.5	6/23/2015	\$15,000,000.00	\$14,985,023.98	\$15,048,900.00
Agency Note	Federal Farm Credit Bank	0.35	7/30/2015	\$10,000,000.00	\$9,994,500.00	\$10,015,600.00
Agency Note	Federal Home Loan Bank	0.23	12/18/2015	\$25,000,000.00	\$24,994,132.50	\$24,965,250.00
Agency Note	Freddie Mac	0.5	1/28/2016	\$10,000,000.00	\$10,000,000.00	\$10,003,900.00
Agency Note	Federal Home Loan Bank	0.375	2/19/2016	\$25,000,000.00	\$24,951,250.00	\$25,001,750.00
Agency Note	Fannie Mae	0.5	4/29/2016	\$10,000,000.00	\$10,000,000.00	\$9,985,800.00
Agency Note	Freddie Mac	0.5	5/13/2016	\$20,000,000.00	\$19,998,800.00	\$20,008,600.00
Agency Note	Intl Bank Recon & Develop	0.5	5/16/2016	\$20,000,000.00	\$19,990,200.00	\$20,008,200.00
Agency Note	Fannie Mae	0.625	8/26/2016	\$25,000,000.00	\$24,919,750.00	\$25,015,000.00
Agency Note	Freddie Mac	0.75	10/5/2016	\$10,000,000.00	\$10,000,000.00	\$10,000,600.00
Agency Note	Freddie Mac	1	4/28/2017	\$10,000,000.00	\$10,000,000.00	\$10,006,500.00
Agency Note	Fannie Mae	1	10/24/2017	\$10,000,000.00	\$10,000,000.00	\$9,951,400.00
Agency Note	Fannie Mae	0.7	12/13/2017	\$10,000,000.00	\$10,000,000.00	\$9,963,500.00
Agency Note	Fannie Mae	1	12/28/2017	\$10,000,000.00	\$10,000,000.00	\$9,896,100.00
Agency Note	Federal Home Loan Bank	1.2	5/24/2018	\$10,000,000.00	\$9,999,000.00	\$9,868,900.00
<b>Agency Total</b>			<b>22.71%</b>	<b>\$516,500,000.00</b>	<b>\$516,226,244.02</b>	<b>\$516,212,975.00</b>
LAIF	California State Pool	0.23	7/1/2014	\$49,760,807.76	\$49,760,807.76	\$49,760,807.76
Repo	Repurchase Agreement	0.05	7/1/2014	\$131,700,000.00	\$131,700,000.00	\$131,700,000.00
Commercial Paper	BNP Paribas Finance Inc.	0.33	7/1/2014	\$25,000,000.00	\$24,953,708.33	\$25,000,000.00
Commercial Paper	Nestle Capital Corp.	0.14	7/1/2014	\$25,000,000.00	\$24,983,958.33	\$25,000,000.00
Negotiable CD	Swedbank NY	0.19	7/1/2014	\$25,000,000.00	\$25,000,000.00	\$25,000,090.23
Negotiable CD	SEB NY	0.24	7/1/2014	\$25,000,000.00	\$25,000,000.00	\$25,000,124.95
Commercial Paper	General Electric Capital	0.18	10/24/2014	\$25,000,000.00	\$24,975,250.00	\$24,984,826.39
Commercial Paper	Toyota Motor Credit Corp.	0.2	11/7/2014	\$25,000,000.00	\$24,970,555.56	\$24,979,395.83
Commercial Paper	The Coca-Cola Co.	0.18	12/5/2014	\$25,000,000.00	\$24,975,125.00	\$24,974,923.61
Negotiable CD	Bank of Nova Scotia/Houston	0.21	12/19/2014	\$25,000,000.00	\$25,000,000.00	\$25,009,546.18
Negotiable CD	Rabobank NA	0.24	1/16/2015	\$25,000,000.00	\$25,000,000.00	\$25,001,368.61
Negotiable CD	Toronto-Dominion Bank NY	0.22	2/27/2015	\$25,000,000.00	\$25,000,000.00	\$24,998,293.27
<b>MMKT, Repo, CP, CD</b>			<b>18.97%</b>	<b>\$431,460,807.76</b>	<b>\$431,319,404.98</b>	<b>\$431,409,376.83</b>
Medium Term Note	Procter & Gamble Co.	0.7	8/15/2014	\$7,000,000.00	\$6,971,230.00	\$7,004,200.00
Medium Term Note	John Deere Capital Corp.	0.3296	10/8/2014	\$5,000,000.00	\$5,000,000.00	\$5,001,300.00
Medium Term Note	IBM Corp.	0.875	10/31/2014	\$5,000,000.00	\$5,011,089.79	\$5,009,900.00
Medium Term Note	Wells Fargo Bank NA	0.75	7/20/2015	\$10,000,000.00	\$9,996,500.00	\$10,041,500.00
Medium Term Note	PepsiCo Inc.	0.4249	7/30/2015	\$5,000,000.00	\$5,000,000.00	\$5,009,800.00
Medium Term Note	General Electric Capital	0.4571	1/14/2016	\$5,000,000.00	\$5,000,000.00	\$5,005,350.00
Medium Term Note	John Deere Capital Corp.	0.75	1/22/2016	\$3,000,000.00	\$2,996,820.00	\$3,013,020.00
Medium Term Note	JP Morgan Chase	1.125	2/26/2016	\$5,000,000.00	\$4,993,950.00	\$5,023,500.00
Medium Term Note	Wells Fargo Bank NA	0.3796	6/2/2016	\$10,000,000.00	\$10,000,000.00	\$10,003,700.00
Medium Term Note	Johnson & Johnson	0.2994	11/28/2016	\$5,000,000.00	\$5,000,000.00	\$5,004,850.00
Medium Term Note	US Bancorp	0.4549	1/30/2017	\$15,000,000.00	\$15,000,000.00	\$15,007,350.00
Medium Term Note	Oracle Corp.	1.2	10/15/2017	\$10,000,000.00	\$9,970,166.67	\$9,986,600.00
Medium Term Note	IBM Corp.	1.25	2/8/2018	\$5,000,000.00	\$4,977,100.00	\$4,975,550.00
Medium Term Note	Texas Instruments Inc.	1	5/1/2018	\$5,000,000.00	\$4,953,500.00	\$4,907,300.00
Medium Term Note	Apple Inc.	1	5/3/2018	\$10,000,000.00	\$9,833,811.11	\$9,779,600.00
Medium Term Note	Merck & Co. Inc.	1.3	5/18/2018	\$5,000,000.00	\$4,988,450.00	\$4,950,350.00
Medium Term Note	Cisco Systems Inc.	0.7274	3/1/2019	\$5,000,000.00	\$5,000,000.00	\$5,032,100.00
<b>MTN Total</b>			<b>5.05%</b>	<b>\$115,000,000.00</b>	<b>\$114,692,617.57</b>	<b>\$114,755,970.00</b>

## City of San Diego Pooled Investment Fund Holdings as of June 30, 2014 (continued)

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
Asset Backed Security	Chase Issuance Trust	0.79	6/15/2015	\$10,000,000.00	\$10,000,000.00	\$10,037,200.00
Asset Backed Security	Honda Auto Receivables Trust	0.37	10/17/2015	\$5,022,372.56	\$5,021,527.56	\$5,021,527.56
Asset Backed Security	VW Auto Loan Enhanced Trust	0.37	1/20/2016	\$5,033,074.03	\$5,032,223.83	\$5,032,223.83
Asset Backed Security	BMW Vehicle Owner Trust	0.41	2/25/2016	\$4,361,886.06	\$4,361,706.56	\$4,361,706.56
Asset Backed Security	Honda Auto Receivables Trust	0.45	4/18/2016	\$6,500,000.00	\$6,499,610.00	\$6,499,610.00
Asset Backed Security	Toyota Auto Rec Owners Trust	0.41	8/15/2016	\$15,000,000.00	\$14,999,904.00	\$14,999,904.00
Asset Backed Security	Honda Auto Receivables Trust	0.41	8/22/2016	\$8,000,000.00	\$7,999,395.20	\$7,999,395.20
Asset Backed Security	VW Auto Loan Enhanced Trust	0.42	3/20/2017	\$13,000,000.00	\$12,999,768.60	\$12,999,768.60
Asset Backed Security	Chase Issuance Trust	0.2818	8/15/2017	\$10,000,000.00	\$10,000,000.00	\$10,000,000.00
Asset Backed Security	Harley-Davidson Motorcycle Trust	0.49	4/15/2018	\$5,000,000.00	\$4,999,661.50	\$4,999,661.50
Asset Backed Security	Chase Issuance Trust	1.15	1/15/2019	\$5,000,000.00	\$4,999,095.50	\$5,014,650.00
<b>Asset Backed Total</b>			<b>3.82%</b>	<b>\$86,917,332.65</b>	<b>\$86,912,892.75</b>	<b>\$86,965,647.25</b>
<b>Grand Total</b>			<b>100.00%</b>	<b>\$2,274,878,140.41</b>	<b>\$2,273,338,005.39</b>	<b>\$2,275,261,469.08</b>

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