City of San Diego

Pooled Investment Fund Quarterly Review

Quarter ended

9/30/14

Publication Date: 10/30/14

Office of the City Treasurer—Investments Division

Economic Commentary

Quarterly Economic Highlights

- The U.S. Unemployment Rate reached a new post-crisis low of 5.9%
- The U.S. stock market, as measured by the S&P 500 index, rose 0.615% for the quarter
- The U.S. Dollar index surged by 7.72% versus a basket of trade-weighted currencies
- Crude Oil futures dropped by 11.48% during the quarter to close at $91.16/barrel

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The U.S. economy continued to generally improve over the past quarter. The September jobs report showed a strong increase of 248,000 non-farm jobs, and the unemployment rate dropped to 5.9%, the lowest level in six years. There were a few caution signs in the report such as the average hourly earnings remaining flat month over month, and the labor force participation rate dropping to 62.7%, a 36-year low.

Other gauges of economic activity, such as the ISM surveys and the GDP reports were encouraging. Generally, the housing market indicators were a little below analysts' expectations and the continued low level of mortgage applications raises some concern about the strength of the housing recovery.

All eyes were on the FOMC this past quarter for clues about its eventual exit from the historically easy monetary policy it has undertaken since the 2008 financial crisis.

At the September 17 FOMC meeting, the Fed indicated that it will likely end its quantitative easing program at the October meeting. Once that occurs, the next step would be to start raising short-term interest rates, which is widely expected to occur in June 2015.

Indeed, even though the statement by the FOMC retained the "considerable time" language in referring to the length of time that the Fed Funds rate will remain at its current level, the Summary of Economic Projections showed an increase in the median Fed Funds forecast for both the end of 2015 and 2016. The median forecasted rate for the 2015 increased from 1.125% to 1.375%. To reach this level, assuming increases of .25% at each meeting, the FOMC would need to start raising interest rates at the June 2015 meeting.

Economies outside the U.S. were mostly weaker over the past quarter, and several large central banks embarked upon additional quantitative easing measures. As a result of this and in anticipation of rate hikes in the U.S., the dollar soared this past quarter versus world currencies (Chart 1).

The surge in dollar strength could make things tricky for the Fed going forward, as it would mean a decrease in the price of imported goods and thus potentially lower inflation, which is important as they are trying to increase inflation to a target level of 2%. Additionally, lower sales of U.S. goods abroad (due to these goods being relatively more expensive versus local alternatives) could hurt the export economy and negatively affect GDP in future quarters.

Other things to watch over the next quarter are conflicts in the Middle East, the continued Ukraine-Russia crisis, a potential triple-dip recession in Europe, economic slowdown in Asia, and the Ebola virus outbreak. Any of these have the potential to roil world financial markets and slow the U.S. economic expansion.

Chart 1: U.S. Dollar Index (Sept 2013— Sept 2014) (Source: Bloomberg)

Hot Topic Corner— If It Ain't Broke, Fix It Anyway: New Money Market Fund Regulations

Despite having already fixed the problems that resulted in the failure of one money market fund in 2008 with a successful set of reforms in 2010, the Securities and Exchange Commission was at it again this past quarter. After several years of hearings, debate, and seeking out and then largely ignoring input from industry participants, the SEC passed a new set of money market reforms by a 3 –2 vote on July 23. The new reforms affect the money market mutual fund industry in several ways.

First, institutional prime and municipal funds will be forced to adopt variable Net Asset Value (NAV) pricing, meaning that these funds will trade at prices that will fluctuate daily, as opposed to the $1 constant Net Asset Value level at which all funds have historically priced. It is important to note that the variable NAV requirement does not apply to retail money funds (defined as those funds owned solely by "natural persons").

Government funds, both retail and institutional, are also exempt from the variable NAV requirement. The definition of Government fund was changed, now requiring such funds to invest at least 99.5% in cash, government securities and repurchase agreements (up from 80% previously).

The new regulations also give the boards of nongovernment funds the discretion to impose a liquidity fee of up to 2% and to suspend redemptions under certain circumstances.

Additionally, the new regulations require additional website disclosures of NAV, liquidity levels and net fund flows. There are also new requirements regarding the aggregation of corporate affiliates and Asset-Backed Security sponsors when considering total fund exposure to a corporate entity.

The money market fund industry has stated that they can live with these new regulations. The largest changes were also granted a two-year implementation period. As such, there weren't any large fund outflows right after the new rules passed. However, one implication of the new rules could be a flight to government funds, which would exacerbate an already sizeable paucity of short-term government securities. Additionally, if a large amount of institutional money is moved from prime funds, this would hurt corporations who are trying to fund operations via commercial paper and other short-term instruments.

With yields having remained at historical lows, we have not invested in money market mutual funds for several years, and will likely not consider investing in these until rates begin normalizing. As such, these new regulations do not directly affect us right now.

Though neither California Government Code nor our own Investment Policy preclude us from investing in a variable NAV money market fund, we will assess whether or not to consider investing in these based on our investment accounting system capabilities, as well as whether doing so is consistent with our investment objectives of safety of principal and liquidity.

We will also monitor how these rules affect Local Government Investment Pools. As of right now, they do not, but some of these pools may decide to adopt these rules to maintain consistency with the money market fund industry. This could potentially affect our investment in LAIF, the State of California Local Agency Investment Fund.

-Tom Williams, Investment Officer

Key Economic Indicators

Indicator	*Period*	*Report Current*	*As Reported Last Quarter*	*Difference*
Federal Funds Rate	9/17/2014	0-0.25%	0-0.25%	0%
Consumer Price Index (MoM)	SEP	0.1%	0.3%	(0.2%)
Consumer Price Index (YoY)	SEP	1.7%	2.1%	(0.4%)
Producer Price Index (MoM)	SEP	(0.1%)	0.2%	(0.3%)
Producer Price Index (YoY)	SEP	1.6%	1.9%	(0.3%)
Durable Goods Orders	SEP	(1.3%)	0.7%	(2.0%)
ISM (Manufacturing)	SEP	56.6	55.3	1.3
ISM (Non-manufacturing)	SEP	58.6	56.0	2.6
Retail Sales	SEP	(0.3%)	0.2%	(0.5%)
Unemployment Rate	SEP	5.9%	6.1%	(0.2%)
Change in Non-farm Payrolls	SEP	248,000	288,000	(40,000)
Consumer Confidence (Univ. of Michigan)	OCT (P)	86.4	81.3	5.1
Existing Home Sales	SEP	5.17(mil)	5.04(mil)	0.13(mil)
New Home Sales	SEP	0.467(mil)	0.406(mil)	0.061(mil)
Housing Starts	SEP	1.017(mil)	0.893(mil)	0.124(mil)
Median Home Price (existing) [EHSLMP]	SEP	$210,300	$224,300	($14,000)
NYMEX WTI CRUDE OIL (barrel)	9/30/14	$91.16	$105.37	($14.21)
S&P 500 Stock Index	9/30/14	1,972.29	1,960.23	12.06

Portfolio Performance

The Core Portfolio outperformed its benchmark, the Bank of America Merrill Lynch 1-3 year Treasury Index, returning 0.042% versus index performance of 0.032%.

Chart 2 shows a yield curve that flattened over the past quarter, as yields in the 2-year through 7-year parts of the curve increased, while maturities further out decreased in yield.

Yields near the front of the curve increased over the past quarter as a mostly strengthening economy led market participants to believe that the FOMC would begin normalizing interest rates in the middle of 2015.

The September 2014 FOMC meeting did little to dissuade these views, even though some interpreted the language regarding inflation to be a bit dovish. The Summary of Economic Projections showed an increase in the median Fed Funds rate forecast for both the end of 2015 and 2016.

Though interest rates in the front and middle of the curve were up during the quarter, "Effective Duration Effect" had virtually no impact on performance. 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 slightly during the quarter, negating the duration effect of being short other parts of the curve.

However, "Non-parallel Duration Effect" added 4.3 basis points of positive performance versus the index. Since we were short the 2-year and 3-year portions of the curve versus our index, and those maturity points increased in yield, we captured positive relative performance.

"Sector/Quality Effect" and "Selection Effect" combined to subtract about 1.5 basis points from performance as our non-Treasury securities underperformed Treasuries.

"Roll Effect" subtracted 1.7 basis points of performance versus the index. This is due to our being short the 2-year and 3-year parts of the curve, which are some of the steepest parts of the yield curve. As such, our securities did not roll down the yield curve as effectively as securities in the index.

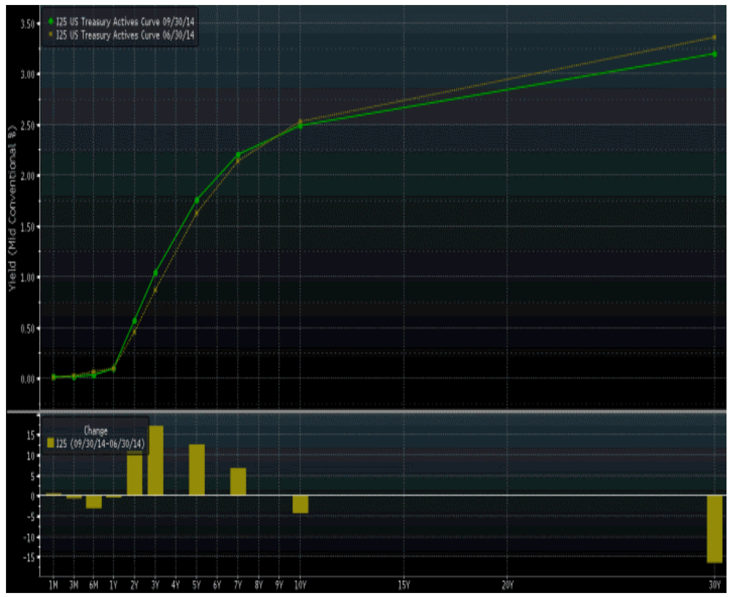


Chart 2: U.S. Treasury Yield Curve 6/30/14—9/30/14 (Source: Bloomberg)

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*

	Q3 2014	Q2 2014	Q1 2014	FYTD 2015	1 Year	3 Year
Total Pooled Investment Fund	0.52%	0.41%	0.47%	0.52%	0.47%	0.59%
Core Portfolio	0.66%	0.55%	0.56%	0.66%	0.59%	0.70%
Liquidity Portfolio	0.24%	0.19%	0.31%	0.24%	0.26%	0.38%

Total Return—Core Portfolio

	Q3 2014	Q2 2014	Q1 2014	FYTD 2015	1 Year	3 Year*
Core Portfolio	0.04%	0.27%	0.17%	0.04%	0.56%	0.52%
BAML 1 - 3 Year Treasury Index	0.03%	0.27%	0.14%	0.03%	0.50%	0.47%
Difference	0.01%	0.00%	0.03%	0.01%	0.06%	0.05%

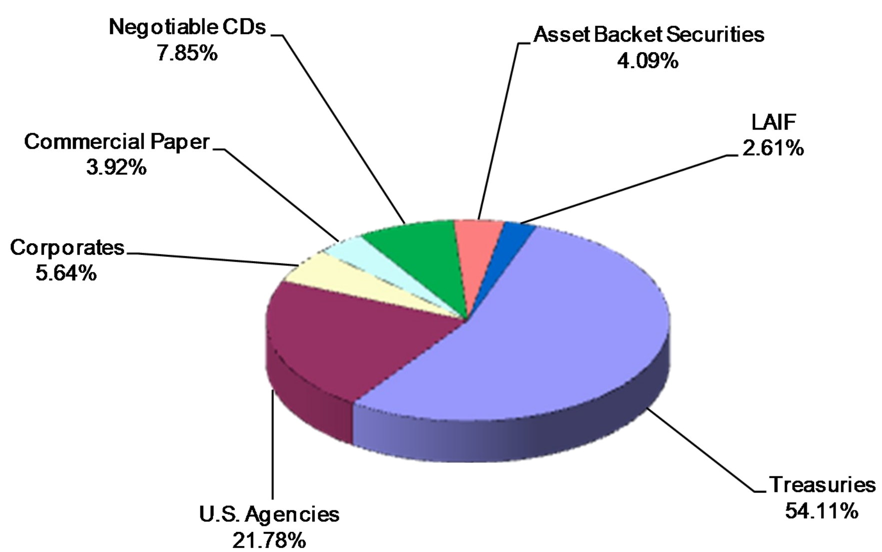
***Annualized Returns**

Portfolio Profile as of September 30, 2014

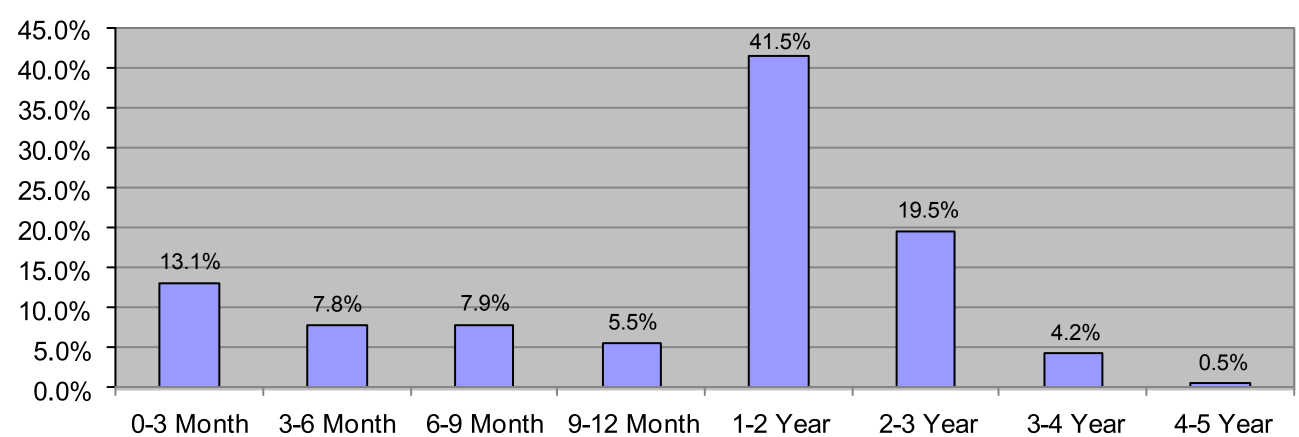
	Liquidity	*Core*
Portfolio Size*	$586,098,592	$1,324,828,612
% of total pool	30.67%	69.33%
Portfolio Duration**	0.382	1.674
Index Duration**	0.36	1.904
% of index	106.22%	87.92%
Weighted Average Days to Maturity	139.51	696.92

* 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 September 30, 2014

Credit Ratings

Ratings Buckets	% of Portfolio
U.S. Treasury (AAA)	54.12%
Agencies (AAA)	21.78%
AAA/A1	16.12%
AA	2.87%
A	2.51%
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
- LAIF and money market funds are not included
- Municipal security not included in above chart as it is rated on a municipal rating scale

Top Issuer Exposures

Issuer	% of Portfolio
U.S. Treasury	54.12%
Federal Home Loan Bank	10.80%
Fannie Mae	4.18%
Freddie Mac	3.14%
Federal Farm Credit Bank	2.62%
General Electric	1.57%
Swedbank NY	1.31%
Svenska Handelsbanken NY	1.31%
Bank of Nova Scotia/Houston	1.31%
Rabobank NA	1.31%
SEB NY	1.31%
Toronto-Dominion Bank NY	1.31%
Chase Issuance Trust	1.31%
The Coca-Cola Co.	1.31%
Toyota Motor Credit Corp.	1.31%
Wells Fargo Bank NA	1.05%

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	25.01	-16.66%	$100.75	8.41%	1,311 days
Bank of Nova Scotia/Houston	P-1	A-1	A1	N/A	N/A	$61.85	-7.13%	80 days
Cisco Systems Inc.	A1	AA-	AA	42.50	20.29%	$25.17	1.29%	1,613 days
The Coca-Cola Co.	P-1	A-1+	A1+	24.00	17.07%	$42.66	0.71%	66 days
Deere & Co.	A2	A	A+	39.08	46.59%	$81.99	-9.45%	479 days
General Electric Co.	Aa3	AA+	AA+	61.82	27.46%	$25.62	-3.06%	471 days
IBM Corp.	Aa3	AA-	AA+	43.50	9.38%	$189.83	4.72%	1,227 days
JP Morgan Chase	A3	A (-)	A	65.51	14.93%	$60.24	4.55%	514 days
Johnson & Johnson	Aaa	AAA	AA+	16.20	4.52%	$106.59	1.88%	790 days
Merck & Co. Inc.	A2	AA	A+	15.01	-6.25%	$59.28	2.47%	1,326 days
Oracle Corp.	A-1	A+	AA	39.01	12.58%	$38.28	-5.55%	1,111 days
PepsiCo Inc.	A1	A	A	42.29	12.77%	$93.09	4.20%	303 days
Rabobank NA	P-1	A-1+	A1	48.01	-0.97%	N/A	N/A	108days
SEB NY	P-1	A-1	N/A	49.28	-3.39%	$13.36	0.07%	122 days
Swedbank NY	P-1	A-1	N/A	56.70	-10.01%	$25.18	-4.95%	136 days
Svenska Handelsbanken NY	P-1	A-1+	N/A	43.66	13.37%	$47.04	-3.83%	177 days
Texas Instruments Inc.	A1	A+	AA-	42.41	8.72%	$47.69	-0.21%	1,309 days
Toronto-Dominion Bank NY	P-1	A-1+	A1	N/A	N/A	$49.39	-3.93%	150 days
Toyota Motor Credit Corp.	P-1	A-1+	A1+	54.18	8.60%	$117.53	-1.78%	38 days
US Bancorp	A1	A+	A+	65.32	24.42%	$41.83	-3.44%	853 days
Wells Fargo & Co.	A2	A+ (-)	A	51.82	24.84%	$51.87	-1.31%	611 days
S&P 500 Index						**1,972.29**	**0.62%**	
CDX IG22 Index				**64.47**	**9.81%**			

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

In anticipation of rate hikes that are widely expected to begin in June of 2015, Treasury securities in the "belly" of the yield curve, which consists of the two– through seven-year maturities rose in yield over the past quarter. 2-year rates rose 11 basis points, 3-year rates rose 17 basis points and 5-year rates rose 13 basis points.

At the September FOMC meeting, the median Fed Funds rate forecast for the end of 2015 was raised from 1.13% to 1.38% and the median forecast was raised from 2.50% to 2.88% for the end of 2016. To meet these forecasted rates, the FOMC will need to start hiking rates by June, assuming that they will hike slowly in 25 basis point increments.

As such, we expect rates in the belly of the curve to continue rising as we get closer to June. Obviously, anything can happen over the next few months, and there are numerous crises in the world that could escalate, resulting in falling yields.

That said, 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 87% of index duration, and will decrease that to 80% over the next few quarters in an effort to not only outperform the index, but more importantly to mitigate portfolio losses as rates rise.

Additionally, depending upon how the steepness of the yield curve evolves, we may 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 allow the portfolio to capture the rise in rates quickly while maintaining a fair amount of yield.

Due to the extremely low rates available for overnight investments, we will minimize overnight cash invested by managing liquidity through portfolio sales where possible and by investing out to future known cash outflows such as payroll and debt service payment dates. Any un-invested frictional cash stays at the depository bank and earns an Earnings Credit Rate currently much higher than rates available on overnight repurchase agreements or commercial paper.

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. Corporate spreads versus treasuries have increased a bit over the past quarter, so we will look for potentially attractive corporate bonds both in the new-issue and secondary markets.

We will also look to invest in new-issue auto receivable asset-backed securities to replace the amounts that have paid down from the portfolio (as consumers pay off their auto loans or trade in their vehicles, principal is returned to the investors). As we have mentioned previously, we like these securities due to their liquidity, structural protection versus loss, and the incremental yield they provide over other similar duration securities.

Also, as property tax is received over the next several quarters, we will invest out where possible to pre-fund the large pension ARC payment due on July 1, 2015.

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
October	281	255	26	26
November	236	259	(23)	3
December	347	212	135	138
January	350	266	84	222
February	210	248	(38)	184
March	218	212	6	190

(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) Duration (Liquidity)	BAML 1-3 Year +/-20% BAML US T-bill 3-6 months +/-40%	Complies – 87.92% Complies - 106.22%
Maximum Maturity	5 years	Complies
U.S. Agency Securities	100% maximum	Complies – 21.78%
FNMA	33.3% maximum	Complies– 4.18%
FHLMC	33.3% maximum	Complies – 3.14%
FHLB	33.3% maximum	Complies – 10.80%
FFCB	33.3% maximum	Complies – 2.62%
Callable Securities	30% maximum	Complies – 5.76%
MBS/CMO's	5 yr maximum- 20% max.	Complies – None in Portfolio
Asset-backed	5 yr maximum- 20% max.	Complies – 4.09%
Commercial Paper	A1/P1- 5% per issuer	Complies
	25% maximum	Complies – 3.92%
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 – 5.64%
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 – 7.85%
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 September 30, 2014

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
US Treasury Note	US Treasury	0.25	10/31/2014	$25,000,000.00	$24,992,176.78	$25,004,000.00
US Treasury Note	US Treasury	0.125	12/31/2014	$25,000,000.00	$24,983,687.94	$25,004,000.00
US Treasury Note	US Treasury	0.125	4/30/2015	$25,000,000.00	$24,968,697.44	$25,009,750.00
US Treasury Note	US Treasury	0.375	6/30/2015	$25,000,000.00	$25,003,422.66	$25,057,500.00
US Treasury Note	US Treasury	0.25	7/31/2015	$10,000,000.00	$9,981,250.00	$10,014,100.00
US Treasury Note	US Treasury	0.375	8/31/2015	$25,000,000.00	$24,995,117.19	$25,063,500.00
US Treasury Note	US Treasury	0.25	9/30/2015	$25,000,000.00	$24,960,937.50	$25,029,250.00
US Treasury Note	US Treasury	0.25	10/31/2015	$25,000,000.00	$24,970,703.13	$25,027,250.00
US Treasury Note	US Treasury	0.375	11/15/2015	$25,000,000.00	$25,036,132.81	$25,050,750.00
US Treasury Note	US Treasury	0.25	11/30/2015	$25,000,000.00	$24,983,398.44	$25,015,750.00
US Treasury Note	US Treasury	0.25	12/15/2015	$25,000,000.00	$24,928,710.94	$25,008,750.00
US Treasury Note	US Treasury	0.25	12/31/2015	$25,000,000.00	$24,937,500.00	$25,008,750.00
US Treasury Note	US Treasury	0.375	1/15/2016	$5,000,000.00	$5,000,585.94	$5,007,200.00
US Treasury Note	US Treasury	0.375	1/15/2016	$20,000,000.00	$19,989,062.50	$20,028,800.00
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	$25,031,250.00
US Treasury Note	US Treasury	0.25	2/29/2016	$25,000,000.00	$24,964,843.75	$24,979,500.00
US Treasury Note	US Treasury	0.375	3/15/2016	$25,000,000.00	$24,968,750.00	$25,011,750.00
US Treasury Note	US Treasury	0.375	3/31/2016	$25,000,000.00	$24,960,937.50	$25,005,750.00
US Treasury Note	US Treasury	0.25	4/15/2016	$25,000,000.00	$24,937,500.00	$24,950,250.00
US Treasury Note	US Treasury	0.375	4/30/2016	$25,000,000.00	$24,968,750.00	$24,990,250.00
US Treasury Note	US Treasury	0.25	5/15/2016	$25,000,000.00	$24,814,453.13	$24,931,750.00
US Treasury Note	US Treasury	0.375	5/31/2016	$25,000,000.00	$25,000,512.29	$24,974,500.00
US Treasury Note	US Treasury	0.5	6/15/2016	$25,000,000.00	$24,880,859.38	$25,023,500.00
US Treasury Note	US Treasury	0.5	6/30/2016	$25,000,000.00	$25,023,437.50	$25,014,750.00
US Treasury Note	US Treasury	0.625	7/15/2016	$25,000,000.00	$24,995,117.19	$25,057,500.00
US Treasury Note	US Treasury	0.5	7/31/2016	$25,000,000.00	$24,971,042.80	$25,003,000.00
US Treasury Note	US Treasury	0.625	8/15/2016	$25,000,000.00	$24,893,554.69	$25,036,000.00
US Treasury Note	US Treasury	0.5	8/31/2016	$25,000,000.00	$25,002,643.74	$24,974,500.00
US Treasury Note	US Treasury	0.875	9/15/2016	$25,000,000.00	$25,178,710.94	$25,135,750.00
US Treasury Note	US Treasury	0.5	9/30/2016	$25,000,000.00	$24,955,078.13	$24,959,000.00
US Treasury Note	US Treasury	0.625	10/15/2016	$25,000,000.00	$25,034,179.69	$24,990,250.00
US Treasury Note	US Treasury	0.625	11/15/2016	$25,000,000.00	$25,056,640.63	$24,968,750.00
US Treasury Note	US Treasury	0.625	12/15/2016	$25,000,000.00	$24,983,398.44	$24,947,250.00
US Treasury Note	US Treasury	0.75	1/15/2017	$25,000,000.00	$25,024,414.06	$24,984,500.00
US Treasury Note	US Treasury	0.625	2/15/2017	$25,000,000.00	$24,968,750.00	$24,892,500.00
US Treasury Note	US Treasury	0.75	3/15/2017	$25,000,000.00	$24,898,437.50	$24,953,250.00
US Treasury Note	US Treasury	0.875	4/15/2017	$25,000,000.00	$24,976,082.23	$25,000,000.00
US Treasury Note	US Treasury	0.875	5/15/2017	$25,000,000.00	$25,077,021.06	$24,968,750.00
US Treasury Note	US Treasury	0.875	6/15/2017	$25,000,000.00	$24,982,042.99	$24,941,500.00
US Treasury Note	US Treasury	0.875	7/15/2017	$25,000,000.00	$24,902,683.43	$24,914,000.00
US Treasury Note	US Treasury	0.875	8/15/2017	$25,000,000.00	$24,968,707.54	$24,880,750.00
US Treasury Note	US Treasury	1	9/15/2017	$25,000,000.00	$24,966,413.81	$24,961,000.00
US Treasury Total			***54.12%***	***$1,035,000,000.00***	***$1,034,112,712.89***	***$1,034,846,850.00***
Agency Discount Note	Fannie Mae	0.1	10/10/2014	$15,000,000.00	$14,990,000.00	$15,000,000.00
Agency Note	Federal Farm Credit Bank	0.27	11/19/2014	$25,000,000.00	$24,995,979.73	$25,006,750.00
Agency Note	Federal Home Loan Bank	0.15	3/12/2015	$25,000,000.00	$24,997,000.00	$24,999,750.00
Agency Discount Note	Federal Home Loan Bank	0.115	5/7/2015	$26,500,000.00	$26,470,879.15	$26,492,845.00
Agency Note	Federal Home Loan Bank	0.125	5/21/2015	$25,000,000.00	$24,998,750.00	$24,996,750.00

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

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
Agency Note	Federal Home Loan Bank	0.125	6/5/2015	$25,000,000.00	$24,997,000.00	$24,989,250.00
Agency Note	Federal Farm Credit Bank	0.5	6/23/2015	$15,000,000.00	$14,985,023.98	$15,037,500.00
Agency Note	Federal Farm Credit Bank	0.35	7/30/2015	$10,000,000.00	$9,994,500.00	$10,017,100.00
Agency Note	Federal Home Loan Bank	0.24	9/24/2015	$20,000,000.00	$20,000,000.00	$19,998,200.00
Agency Note	Federal Home Loan Bank	0.21	10/9/2015	$25,000,000.00	$24,993,879.25	$24,994,000.00
Agency Note	Federal Home Loan Bank	0.23	12/18/2015	$25,000,000.00	$24,994,132.50	$24,976,250.00
Agency Note	Freddie Mac	0.5	1/28/2016	$10,000,000.00	$10,000,000.00	$10,004,000.00
Agency Note	Fannie Mae	0.5	4/29/2016	$10,000,000.00	$10,000,000.00	$9,995,900.00
Agency Note	Freddie Mac	0.5	5/13/2016	$20,000,000.00	$19,998,800.00	$20,011,000.00
Agency Note	Intl Bank Recon & Develop	0.5	5/16/2016	$20,000,000.00	$19,990,200.00	$19,952,200.00
Agency Note	Fannie Mae	0.625	8/26/2016	$25,000,000.00	$24,919,750.00	$25,013,500.00
Agency Note	Federal Home Loan Bank	0.5	9/28/2016	$25,000,000.00	$24,953,250.00	$24,926,750.00
Agency Note	Freddie Mac	0.75	10/5/2016	$10,000,000.00	$10,000,000.00	$9,989,500.00
Agency Note	Freddie Mac	1	4/28/2017	$10,000,000.00	$10,000,000.00	$9,987,300.00
Agency Note	Freddie Mac	1.25	9/29/2017	$10,000,000.00	$10,000,000.00	$9,984,300.00
Agency Note	Fannie Mae	1	10/24/2017	$10,000,000.00	$10,000,000.00	$9,916,000.00
Agency Note	Fannie Mae	0.7	12/13/2017	$10,000,000.00	$10,000,000.00	$9,943,400.00
Agency Note	Fannie Mae	1	12/28/2017	$10,000,000.00	$10,000,000.00	$9,820,100.00
Agency Note	Federal Home Loan Bank	1.2	5/24/2018	$10,000,000.00	$9,999,000.00	$9,853,400.00
Agency Total			***21.78%***	***$416,500,000.00***	***$416,278,144.61***	***$415,905,745.00***
LAIF	California State Pool	0.22	10/1/2014	$49,788,253.04	$49,788,253.04	$49,788,253.04
Commercial Paper	General Electric Capital	0.18	10/24/2014	$25,000,000.00	$24,975,250.00	$24,997,923.61
Commercial Paper	Toyota Motor Credit Corp.	0.2	11/7/2014	$25,000,000.00	$24,970,555.56	$24,996,659.72
Commercial Paper	The Coca-Cola Co.	0.18	12/5/2014	$25,000,000.00	$24,975,125.00	$24,992,326.39
Negotiable CD	Bank of Nova Scotia/Houston	0.21	12/19/2014	$25,000,000.00	$25,000,000.00	$25,008,329.69
Negotiable CD	Rabobank NA	0.24	1/16/2015	$25,000,000.00	$25,000,000.00	$25,008,235.15
Negotiable CD	SEB NY	0.23	1/30/2015	$25,000,000.00	$25,000,000.00	$25,008,464.20
Negotiable CD	Swedbank NY	0.21	2/13/2015	$25,000,000.00	$25,001,179.44	$25,007,549.41
Negotiable CD	Toronto-Dominion Bank NY	0.22	2/27/2015	$25,000,000.00	$25,000,000.00	$25,009,352.22
Negotiable CD	Svenska Handelsbanken NY	0.22	3/26/2015	$25,000,000.00	$25,000,641.75	$25,011,054.65
MMKT, Repo, CP, CD			***14.38%***	***$274,788,253.04***	***$274,711,004.79***	***$274,828,148.08***
Medium Term Note	John Deere Capital Corp.	0.3331	10/8/2014	$5,000,000.00	$5,000,000.00	$5,000,150.00
Medium Term Note	IBM Corp.	0.875	10/31/2014	$5,000,000.00	$5,011,089.79	$5,002,700.00
Medium Term Note	Wells Fargo Bank NA	0.75	7/20/2015	$10,000,000.00	$9,996,500.00	$10,031,500.00
Medium Term Note	PepsiCo Inc.	0.4361	7/30/2015	$5,000,000.00	$5,000,000.00	$5,005,900.00
Medium Term Note	General Electric Capital	0.4636	1/14/2016	$5,000,000.00	$5,000,000.00	$5,008,950.00
Medium Term Note	John Deere Capital Corp.	0.75	1/22/2016	$3,000,000.00	$2,996,820.00	$3,007,380.00
Medium Term Note	JP Morgan Chase	1.125	2/26/2016	$5,000,000.00	$4,993,950.00	$5,020,600.00
Medium Term Note	Wells Fargo Bank NA	0.3836	6/2/2016	$10,000,000.00	$10,000,000.00	$9,996,600.00
Medium Term Note	Johnson & Johnson	0.3081	11/28/2016	$5,000,000.00	$5,000,000.00	$5,008,650.00
Medium Term Note	US Bancorp	0.4661	1/30/2017	$15,000,000.00	$15,000,000.00	$15,009,900.00
Medium Term Note	Oracle Corp.	1.2	10/15/2017	$10,000,000.00	$9,970,166.67	$9,927,900.00
Medium Term Note	IBM Corp.	1.25	2/8/2018	$5,000,000.00	$4,977,100.00	$4,954,000.00
Medium Term Note	Texas Instruments Inc.	1	5/1/2018	$5,000,000.00	$4,953,500.00	$4,880,300.00
Medium Term Note	Apple Inc.	1	5/3/2018	$10,000,000.00	$9,833,811.11	$9,753,200.00
Medium Term Note	Merck & Co. Inc.	1.3	5/18/2018	$5,000,000.00	$4,988,450.00	$4,934,800.00
Medium Term Note	Cisco Systems Inc.	0.7346	3/1/2019	$5,000,000.00	$5,000,000.00	$5,037,000.00
MTN Total			***5.64%***	***$108,000,000.00***	***$107,721,387.57***	***$107,579,530.00***

City of San Diego Pooled Investment Fund Holdings as of September 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	$10,025,700.00
Asset Backed Security	Honda Auto Receivables Trust	0.37	10/17/2015	$2,390,994.90	$2,390,149.90	$2,390,149.90
Asset Backed Security	VW Auto Loan Enhanced Trust	0.37	1/20/2016	$2,216,372.18	$2,215,521.98	$2,215,521.98
Asset Backed Security	BMW Vehicle Owner Trust	0.41	2/25/2016	$2,676,625.16	$2,676,445.66	$2,676,445.66
Asset Backed Security	Honda Auto Receivables Trust	0.45	4/18/2016	$5,075,530.39	$5,075,140.39	$5,075,140.39
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	0.2836	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	$4,748,870.88	$4,748,532.38	$4,748,532.38
Asset Backed Security	Chase Issuance Trust	1.15	1/15/2019	$5,000,000.00	$4,999,095.50	$4,999,095.50
Asset Backed Total			***4.09%***	***$78,108,393.51***	***$78,103,953.61***	***$78,129,653.61***
Grand Total			***100.00%***	***$1,912,396,646.55***	***$1,910,927,203.47***	***$1,911,289,926.69***

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.