




**The City of San Diego**

**M E M O R A N D U M**

DATE: September 29, 2021  
TO: Distribution  
FROM: Elizabeth Correia, City Treasurer   
SUBJECT: Monthly Investment Report – August 31, 2021

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Attached is the City Treasurer's Monthly Investment Report, which includes three schedules. As of August 31, 2021, the City's investments were in compliance with the City Treasurer's Investment Policy (Policy) with the single exception below and are sufficiently liquid to meet the City's expenditure requirements for the next six months, as required by California Government Code section 53646(b)(3). On August 31, 2021 the City slightly exceeded US Bank's single issuer exposure holding limit creating a temporary violation of the Investment Policy, as described below; this violation was an unforeseen anomaly and was corrected within one business day.

The Policy limits total exposure to a single issuer to five percent (5%) of the cost value of the portfolio. On August 31, 2021, the City held securities in US Bank of 5.59%, exceeding the Policy limit by 0.59%. On a daily basis, in addition to longer term investments in US Bank, the City also utilizes US Bank's overnight commercial paper sweep vehicle for uninvested residual cash. On August 31<sup>st</sup>, the City received a late, unanticipated inflow of cash which increased the amount invested in US Bank's Commercial Paper Sweep and consequently increased the total holdings in US Bank beyond the policy limit. On September 1, 2021, the holdings in US Bank were reduced to 4.04%, in compliance with the Policy.

In accordance with Section XII, Maturity and Credit Rating Criteria, of the City's Treasurer's Investment Policy, and CGC §§53601 et seq., all securities must meet a minimum rating requirement at the time of purchase. The following security was purchased in accordance with the Policy and was subsequently downgraded:

Issuer	Maturity	Par Amount	S&P Rating	Moody's	Fitch
Oracle Corporation Bond	10/15/2022	\$9,400,000	BBB+	Baa2	BBB+

Due to the persistent financial health of the issuer, as indicated by its large cash position, strong growth in revenue and net income, high profit margins, increasing stock price, together with the short maturity of the security in the portfolio, the Office of the City Treasurer continues to hold the security and closely monitor both the issuer and financial markets for any subsequent change.

Additionally, the Office of the City Treasurer discussed the disclosure of security downgrades at the most recent City Treasurer's Investment Advisory Committee (IAC) held on September 9, 2021. Based on feedback received from the IAC and in an effort to increase transparency of our Investment portfolio, going forward the City Treasurer will highlight any securities held that are downgraded below the "A" credit category by all of the Nationally Recognized Statistical Rating Organizations within this cover memo, when applicable.

The City Treasurer is committed to ensuring the securities held in our portfolio continue to support the City's Treasurer's Investment Policy objectives of preservation of principal, liquidity, and return.

If you have any questions, please contact Kent Morris, Chief Investment Officer, at (619) 533-6253.

EC/km

Attachments:

1. Schedule I:
  - a. City's pooled investment holdings
  - b. City's pooled investment maturity distribution schedule
  - c. City's pooled investment historical earned income yields and weighted average days to maturity
2. Schedule II: Pooled Portfolio Position Detail Report
3. Appendix: Glossary of Investment Terms

Distribution:

Honorable Mayor Todd Gloria  
Honorable Mara Elliott, City Attorney  
Honorable Council President Campbell and Members of the City Council  
Paola Avila, Chief of Staff, Office of the Mayor  
Jay Goldstone, Chief Operating Officer  
Andrea Tevlin, Independent Budget Analyst  
Deborah Higgins, Investment Advisory Committee  
Stefan Meierhofer, Investment Advisory Committee  
Jayson Schmitt, Investment Advisory Committee  
Matt Vespi, Chief Financial Officer and Investment Advisory Committee  
Lakshmi Kommi, Director, Debt Management and Investment Advisory Committee

cc: Jessica Lawrence, Director of Policy, Office of the Mayor  
Rolando Charvel, Director, Department of Finance and City Comptroller  
Kent J. Morris, Chief Investment Officer, Office of the City Treasurer  
Nicole LeClair-Miller, Deputy Director, Office of the City Treasurer  
Aisha Givens, Principal Accountant, Office of the City Treasurer



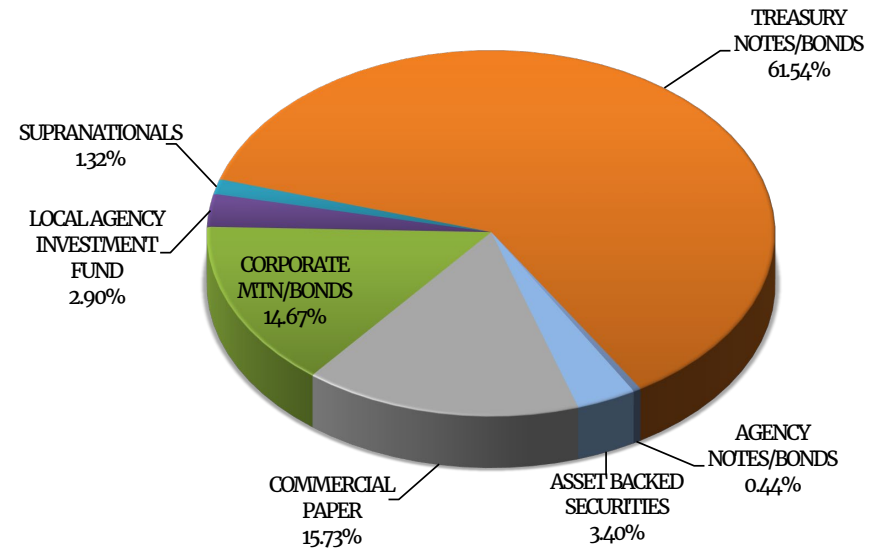
**ASSET ALLOCATION**

Assets (000's)	Current Par Value	Current Book Value	Market Value	Mkt/Book	Yield to Maturity
ASSET BACKED SECURITIES	76,500	77,075	77,518	100.57%	0.95%
COMMERCIAL PAPER	356,300	356,238	356,271	100.01%	0.06%
CORPORATE MTN/BONDS	330,362	332,416	335,392	100.90%	1.80%
LOCAL AGENCY INVESTMENT FUND	65,665	65,665	65,665	100.00%	0.33%
SUPRANATIONALS	30,000	29,972	30,199	100.76%	1.67%
TREASURY NOTES/BONDS	1,385,000	1,394,149	1,394,944	100.06%	0.59%
AGENCY NOTES/BONDS	10,000	9,997	10,061	100.64%	3.09%
<b>Totals (000's):</b>	<b>2,253,827</b>	<b>2,265,510</b>	<b>2,270,049</b>	<b>100.20%</b>	<b>0.71%</b>

**Portfolio Breakdown & Statistics**

	Liquidity	Core
Portfolio Size	\$605,481,126	\$1,660,029,073
% of total pool	26.73%	73.27%
Portfolio Duration*	0.19	1.73
Index Duration*	0.27	1.88
% of index	72.05%	92.02%
Weighted Average Days to Maturity	71	647
Earned Income Yield	0.879%	0.931%

\* Macaulay's Duration for Liquidity and Effective Duration for Core.



Pooled Portfolio Composition by Book Value

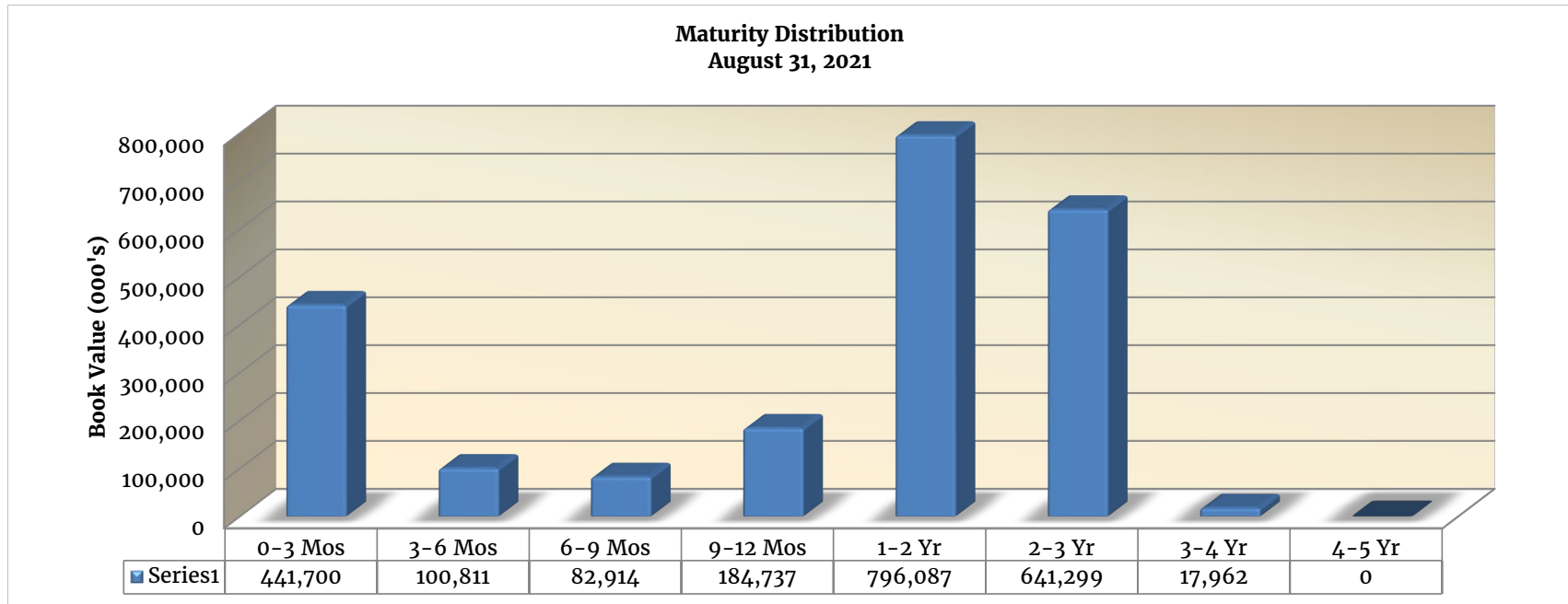
POOLED INVESTMENTS AT AUGUST 31, 2021 - MATURITY DISTRIBUTION

City of San Diego  
Office of the City Treasurer



**MATURITY DISTRIBUTION**

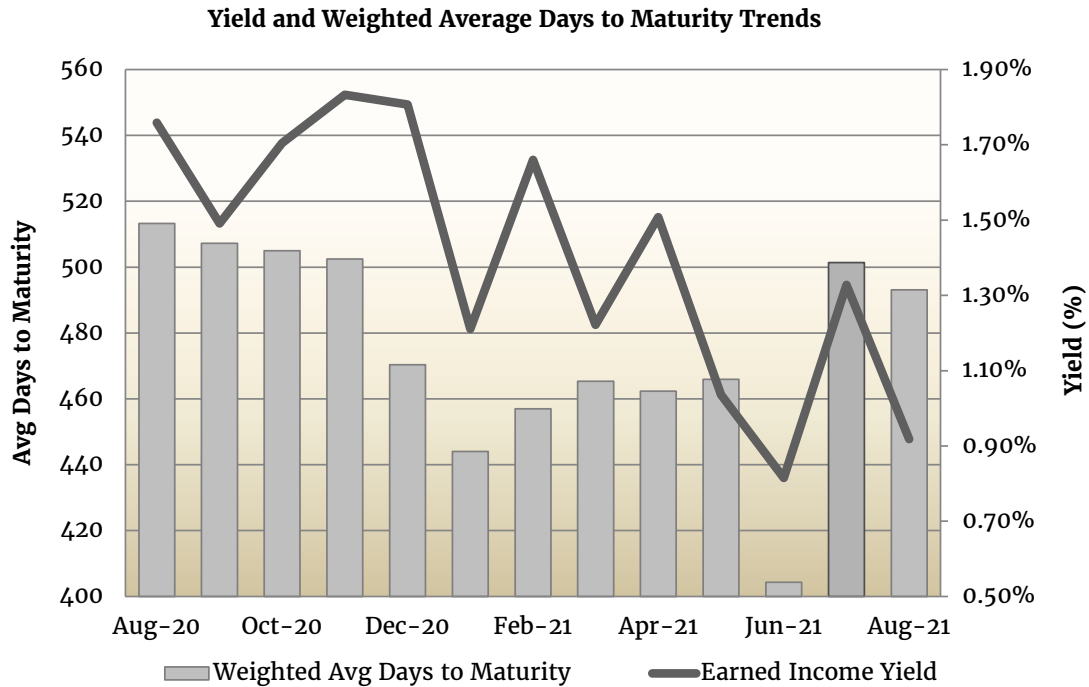
Current Book Value (000's)	0-3 Mos	3-6 Mos	6-9 Mos	9-12 Mos	1-2 Yr	2-3 Yr	3-4 Yr	4-5 Yr	Totals (000's)
ASSET BACKED SECURITIES					32,114	26,999	17,962		77,075
COMMERCIAL PAPER	356,238								356,238
CORPORATE MTN/BONDS	9,802	70,839	82,914	10,028	128,868	29,965			332,416
LOCAL AGENCY INVESTMENT FUND	65,665								65,665
SUPRANATIONALS		29,972							29,972
TREASURY NOTES/BONDS				174,709	635,104	584,335			1,394,149
AGENCY NOTES/BONDS	9,997								9,997
<b>Totals (000's):</b>	<b>441,700</b>	<b>100,811</b>	<b>82,914</b>	<b>184,737</b>	<b>796,087</b>	<b>641,299</b>	<b>17,962</b>	<b>0</b>	<b>2,265,510</b>
<b>% of Portfolio</b>	<b>19.50%</b>	<b>4.45%</b>	<b>3.66%</b>	<b>8.15%</b>	<b>35.14%</b>	<b>28.31%</b>	<b>0.79%</b>	<b>0.00%</b>	<b>100.00%</b>





**PORTFOLIO - EARNED INCOME YIELD**

Month	Earned Income Yield	Weighted Avg Days to Maturity
Aug-20	1.76%	513.27
Sep-20	1.49%	507.28
Oct-20	1.71%	504.99
Nov-20	1.83%	502.44
Dec-20	1.81%	470.36
Jan-21	1.21%	444.07
Feb-21	1.66%	457.02
Mar-21	1.22%	465.35
Apr-21	1.51%	462.35
May-21	1.04%	465.93
Jun-21	0.82%	404.34
Jul-21	1.33%	501.39
Aug-21	0.92%	493.08



POOLED INVESTMENTS AT AUGUST 31, 2021 - PORTFOLIO POSITION DETAIL



TREASURY NOTES/BONDS	Issuer	CUSIP	Coupon Rate	Yield to Maturity	Modified Duration	Purchase Date	Maturity Date	Current Par Value	Current Book Value	Market Value	Market Price	Price Source
US Treasury Note	US Treasury	912828XG0	2.125	2.858	0.828	12/3/2018	6/30/2022	25,000,000.00	24,380,859.38	25,423,750.00	101.695	IDC-FIS
US Treasury Note	US Treasury	9128287C8	1.750	1.609	0.868	12/4/2019	7/15/2022	50,000,000.00	50,179,687.50	50,722,500.00	101.445	IDC-FIS
US Treasury Note	US Treasury	912828YA2	1.500	1.448	0.952	9/4/2019	8/15/2022	100,000,000.00	100,148,437.50	101,344,000.00	101.344	IDC-FIS
US Treasury Note	US Treasury	912828YK0	1.375	0.212	1.112	5/1/2020	10/15/2022	125,000,000.00	128,559,570.31	126,777,500.00	101.422	IDC-FIS
US Treasury Note	US Treasury	912828TY6	1.625	1.604	1.194	1/3/2020	11/15/2022	75,000,000.00	75,043,945.31	76,365,000.00	101.820	IDC-FIS
US Treasury Note	US Treasury	912828TY6	1.625	0.917	1.194	3/2/2020	11/15/2022	75,000,000.00	76,415,039.06	76,365,000.00	101.820	IDC-FIS
US Treasury Note	US Treasury	912828Z29	1.500	1.332	1.361	2/3/2020	1/15/2023	75,000,000.00	75,363,281.25	76,412,250.00	101.883	IDC-FIS
US Treasury Note	US Treasury	912828Z29	1.500	0.180	1.361	6/1/2020	1/15/2023	125,000,000.00	129,311,523.44	127,353,750.00	101.883	IDC-FIS
US Treasury Note	US Treasury	912828ZU7	0.250	0.168	1.785	7/1/2020	6/15/2023	100,000,000.00	100,242,187.50	100,121,000.00	100.121	IDC-FIS
US Treasury Note	US Treasury	912828ZU7	0.250	0.123	1.785	8/3/2020	6/15/2023	25,000,000.00	25,090,820.31	25,030,250.00	100.121	IDC-FIS
US Treasury Note	US Treasury	912828ZU7	0.250	0.138	1.785	9/1/2020	6/15/2023	25,000,000.00	25,078,125.00	25,030,250.00	100.121	IDC-FIS
US Treasury Note	US Treasury	91282CAK7	0.125	0.153	2.036	10/1/2020	9/15/2023	50,000,000.00	49,958,984.38	49,898,500.00	99.797	IDC-FIS
US Treasury Note	US Treasury	91282CAK7	0.125	0.191	2.036	11/2/2020	9/15/2023	50,000,000.00	49,906,250.00	49,898,500.00	99.797	IDC-FIS
US Treasury Note	US Treasury	91282CAW1	0.250	0.186	2.199	12/1/2020	11/15/2023	50,000,000.00	50,093,750.00	50,000,000.00	100.000	IDC-FIS
US Treasury Note	US Treasury	91282CAW1	0.250	0.153	2.199	1/5/2021	11/15/2023	50,000,000.00	50,138,671.88	50,000,000.00	100.000	IDC-FIS
US Treasury Note	US Treasury	91282CBE0	0.125	0.174	2.369	2/1/2021	1/15/2024	50,000,000.00	49,927,734.38	49,806,500.00	99.613	IDC-FIS
US Treasury Note	US Treasury	91282CBE0	0.125	0.316	2.369	3/1/2021	1/15/2024	50,000,000.00	49,726,562.50	49,806,500.00	99.613	IDC-FIS
US Treasury Note	US Treasury	91282CBR1	0.250	0.334	2.530	4/1/2021	3/15/2024	60,000,000.00	59,859,273.10	59,901,600.00	99.836	IDC-FIS
US Treasury Note	US Treasury	91282CBV2	0.375	0.336	2.608	5/4/2021	4/15/2024	50,000,000.00	50,066,374.24	50,049,000.00	100.098	IDC-FIS
US Treasury Note	US Treasury	91282CCC3	0.250	0.296	2.696	5/28/2021	5/15/2024	75,000,000.00	74,904,084.58	74,798,250.00	99.731	IDC-FIS
US Treasury Note	US Treasury	91282CCG4	0.250	0.458	2.780	7/1/2021	6/15/2024	50,000,000.00	49,700,776.98	49,847,500.00	99.695	IDC-FIS
US Treasury Note	US Treasury	91282CCL3	0.375	0.346	2.858	8/3/2021	7/15/2024	50,000,000.00	50,052,649.46	49,992,000.00	99.984	IDC-FIS
Total	Count 22		0.854	0.587	1.765			1,385,000,000.00	1,394,148,588.06	1,394,943,600.00	100.718	

AGENCY NOTES/BONDS	Issuer	CUSIP	Coupon Rate	Yield to Maturity	Modified Duration	Purchase Date	Maturity Date	Current Par Value	Current Book Value	Market Value	Market Price	Price Source
Agency Note	Federal Farm Credit Bank	3133EJT74	3.050	3.086	0.208	11/15/2020	11/15/2021	10,000,000.00	9,996,503.19	10,060,800.00	100.608	IDC-FIS
Total	Count 1		3.050	3.086	0.208			10,000,000.00	9,996,503.19	10,060,800.00	100.608	

SUPRANATIONALS	Issuer	CUSIP	Coupon Rate	Yield to Maturity	Modified Duration	Purchase Date	Maturity Date	Current Par Value	Current Book Value	Market Value	Market Price	Price Source
Supranationals	Intl Bank of Reconstruction & Development	459058DY6	1.626	1.670	0.446	12/4/2019	2/10/2022	30,000,000.00	29,971,500.00	30,198,900.00	100.663	IDC-FIS
Total	Count 1		1.626	1.670	0.446			30,000,000.00	29,971,500.00	30,198,900.00	100.663	

LOCAL AGENCY INVESTMENT FUND	Issuer	CUSIP	Coupon Rate	Yield to Maturity	Modified Duration	Purchase Date	Maturity Date	Current Par Value	Current Book Value	Market Value	Market Price	Price Source
Local Agency Investment Fund	California State Pool		0.330	0.330	0.003	3/31/2003	9/1/2021	65,664,560.18	65,664,560.18	65,664,560.18	100.000	BOOK
Total	Count 1		0.330	0.330	0.003			65,664,560.18	65,664,560.18	65,664,560.18	100.000	

ASSET BACKED SECURITIES	Issuer	CUSIP	Coupon Rate	Yield to Maturity	Modified Duration	Purchase Date	Maturity Date	Current Par Value	Current Book Value	Market Value	Market Price	Price Source
Asset Backed Security	Chase Issuance Trust	161571FQ2	2.160	1.775	0.538	9/18/2019	9/15/2022	20,000,000.00	20,117,187.50	20,417,974.00	102.090	UPRICE
Asset Backed Security	Chase Issuance Trust	161571HP2	1.530	1.545	0.702	2/18/2020	1/17/2023	12,000,000.00	11,997,250.80	12,219,747.60	101.831	UPRICE
Asset Backed Security	Capital One	14041NFW6	0.550	0.553	1.429	7/22/2021	7/15/2024	27,000,000.00	26,998,906.50	27,059,945.40	100.222	UPRICE

POOLED INVESTMENTS AT AUGUST 31, 2021 - PORTFOLIO POSITION DETAIL



Asset Backed Security	Chase Issuance Trust	161571HP2	1.530	0.235	1.707	1/6/2021	1/15/2025	17,500,000.00	17,962,109.38	17,820,465.25	101.831	UPRICE
	Total	Count 4	1.351	0.952	1.146			76,500,000.00	77,075,454.18	77,518,132.25	101.331	
<b>COMMERCIAL PAPER</b>	<b>Issuer</b>	<b>CUSIP</b>	<b>Coupon Rate</b>	<b>Yield to Maturity</b>	<b>Modified Duration</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Current Par Value</b>	<b>Current Book Value</b>	<b>Market Value</b>	<b>Market Price</b>	<b>Price Source</b>
Commercial Paper	US Bank Commercial Paper Sweep		0.010	0.010	0.003	7/1/2019	9/1/2021	96,300,000.00	96,300,000.00	96,300,000.00	100.000	BOOK
Commercial Paper	Skandinaviska Enskilda	83050TW31	0.090	0.090	0.008	5/25/2021	9/3/2021	40,000,000.00	39,989,900.00	39,999,777.78	99.999	IDC-FIS
Commercial Paper	Exxon Mobil Corp.	30229AWW5	0.040	0.040	0.082	8/26/2021	9/30/2021	50,000,000.00	49,998,055.56	49,995,972.22	99.992	IDC-FIS
Commercial Paper	Toyota Motor Credit Corp.	89233GX19	0.070	0.070	0.085	6/1/2021	10/1/2021	50,000,000.00	49,988,138.89	49,995,833.33	99.992	IDC-FIS
Commercial Paper	MUFG Bank Ltd NY	62479LXF7	0.060	0.060	0.123	8/19/2021	10/15/2021	40,000,000.00	39,996,200.00	39,995,111.11	99.988	IDC-FIS
Commercial Paper	Société Générale	83369BXV3	0.100	0.100	0.162	6/7/2021	10/29/2021	40,000,000.00	39,984,000.00	39,993,555.56	99.984	IDC-FIS
Commercial Paper	Sumitomo Mitsui Trust Bank NY	86563GYN6	0.110	0.110	0.227	6/23/2021	11/22/2021	40,000,000.00	39,981,422.22	39,990,888.89	99.977	IDC-FIS
	Total	Count 7	0.059	0.059	0.083			356,300,000.00	356,237,716.67	356,271,138.89	99.992	
<b>CORPORATE MTN/BONDS</b>	<b>Issuer</b>	<b>CUSIP</b>	<b>Coupon Rate</b>	<b>Yield to Maturity</b>	<b>Modified Duration</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Current Par Value</b>	<b>Current Book Value</b>	<b>Market Value</b>	<b>Market Price</b>	<b>Price Source</b>
Medium Term Note	Honeywell International Inc.	438516BM7	1.850	2.093	0.170	11/1/2020	11/1/2021	9,825,000.00	9,801,540.94	9,838,557.12	100.138	UPRICE
Medium Term Note	UnitedHealth Group Inc.	91324PCH3	2.875	2.447	0.290	12/15/2020	12/15/2021	9,613,000.00	9,653,360.05	9,685,962.67	100.759	IDC-FIS
Medium Term Note	Pfizer Inc.	717081DZ3	2.200	2.231	0.290	12/15/2020	12/15/2021	14,907,000.00	14,992,390.97	14,997,932.70	100.610	IDC-FIS
Medium Term Note	US Bank NA	90331HPJ6	1.800	0.318	0.392	2/1/2021	1/21/2022	20,000,000.00	20,287,400.00	20,098,600.00	100.493	IDC-FIS
Medium Term Note	Bank of New York Mellon	06406RAA5	2.600	2.712	0.438	2/7/2021	2/7/2022	16,114,000.00	16,096,273.80	16,250,807.86	100.849	IDC-FIS
Medium Term Note	Apple Inc.	037833AY6	2.150	3.176	0.444	2/9/2021	2/9/2022	10,000,000.00	9,899,838.68	10,086,100.00	100.861	IDC-FIS
Medium Term Note	Home Depot Inc.	437076BV3	3.250	3.337	0.495	3/1/2021	3/1/2022	10,000,000.00	9,991,531.75	10,151,800.00	101.518	IDC-FIS
Medium Term Note	Chevron Corp.	166764BN9	2.498	1.816	0.499	3/3/2021	3/3/2022	12,000,000.00	12,080,798.12	12,116,640.00	100.972	IDC-FIS
Medium Term Note	Chevron Corp.	166764BN9	2.498	1.810	0.499	3/3/2021	3/3/2022	5,300,000.00	5,335,958.94	5,351,516.00	100.972	IDC-FIS
Medium Term Note	UnitedHealth Group Inc.	91324PBV3	2.875	2.102	0.532	3/15/2021	3/15/2022	10,679,000.00	10,760,266.59	10,759,733.24	100.756	IDC-FIS
Medium Term Note	Intel Corp.	458140BB5	2.350	3.216	0.689	5/11/2021	5/11/2022	13,156,000.00	13,044,713.88	13,330,317.00	101.325	IDC-FIS
Medium Term Note	Intel Corp.	458140BB5	2.350	2.317	0.689	5/11/2021	5/11/2022	5,756,000.00	5,757,877.60	5,832,267.00	101.325	IDC-FIS
Medium Term Note	IBM Corp.	459200JX0	2.850	2.041	0.693	5/13/2021	5/13/2022	10,000,000.00	10,079,636.36	10,187,900.00	101.879	IDC-FIS
Medium Term Note	Eli Lilly & Co.	532457BQ0	2.350	2.624	0.700	5/15/2021	5/15/2022	3,170,000.00	3,161,467.27	3,218,437.60	101.528	IDC-FIS
Medium Term Note	Eli Lilly & Co.	532457BQ0	2.350	2.060	0.700	5/15/2021	5/15/2022	4,710,000.00	4,723,440.63	4,781,968.80	101.528	IDC-FIS
Medium Term Note	United Parcel Service, Inc.	911312BC9	2.350	2.628	0.703	5/16/2021	5/16/2022	8,000,000.00	7,978,166.00	8,107,840.00	101.348	IDC-FIS
Medium Term Note	Home Depot Inc.	437076BG6	2.625	2.343	0.744	6/1/2021	6/1/2022	10,000,000.00	10,027,683.90	10,163,200.00	101.632	IDC-FIS
Medium Term Note	Oracle Corp.	68389XAP0	2.500	2.687	1.104	5/2/2019	10/15/2022	9,400,000.00	9,342,284.00	9,625,318.00	102.397	IDC-FIS
Medium Term Note	Visa Inc.	92826CAC6	2.800	2.567	1.266	5/2/2019	12/14/2022	15,000,000.00	15,119,700.00	15,434,250.00	102.895	IDC-FIS
Medium Term Note	US Bank NA	90331HPF4	1.950	1.978	1.341	12/9/2019	1/9/2023	10,000,000.00	9,991,600.00	10,209,800.00	102.098	IDC-FIS
Medium Term Note	Bank of America Corp.	06051GEU9	3.300	2.201	1.337	10/2/2019	1/11/2023	12,487,000.00	12,918,176.11	12,998,842.13	104.099	IDC-FIS
Medium Term Note	PepsiCo Inc.	713448EY0	0.750	0.273	1.656	3/12/2021	5/1/2023	16,000,000.00	16,162,400.00	16,139,520.00	100.872	IDC-FIS
Medium Term Note	Apple Inc.	037833AK6	2.400	1.884	1.637	10/2/2019	5/3/2023	8,895,000.00	9,052,331.00	9,212,017.80	103.564	IDC-FIS
Medium Term Note	Apple Inc.	037833AK6	2.400	0.314	1.638	9/18/2020	5/3/2023	9,338,000.00	9,846,734.24	9,670,806.32	103.564	IDC-FIS
Medium Term Note	JP Morgan Chase & Co.	46625HRL6	2.700	2.159	1.675	12/4/2019	5/18/2023	13,170,000.00	13,406,138.10	13,655,182.80	103.684	IDC-FIS
Medium Term Note	Toyota Motor Credit Corp.	89236THF5	0.500	0.327	1.945	2/23/2021	8/14/2023	15,000,000.00	15,063,900.00	15,053,700.00	100.358	IDC-FIS
Medium Term Note	Bank of New York Mellon	06406FAD5	2.200	2.011	1.926	11/4/2019	8/16/2023	17,842,000.00	17,964,217.70	18,454,337.44	103.432	IDC-FIS
Medium Term Note	PACCAR Financial Corp.	69371RR24	0.350	0.389	2.411	2/2/2021	2/2/2024	10,000,000.00	9,988,400.00	9,970,600.00	99.706	IDC-FIS
Medium Term Note	Bank of New York Mellon	06406RAS6	0.500	0.035	2.653	4/26/2021	4/26/2024	15,000,000.00	14,983,950.00	15,005,850.00	100.039	IDC-FIS
Medium Term Note	Amazon.com, Inc.	023135BW5	0.450	0.499	2.680	5/12/2021	5/12/2024	5,000,000.00	4,992,700.00	5,001,850.00	100.037	IDC-FIS
	Total	Count 30	2.116	1.800	1.104			330,362,000.00	332,415,876.63	335,391,654.48	101.522	
<b>Grand Total</b>								<b>2,253,826,560.18</b>	<b>2,265,510,198.91</b>	<b>2,270,048,785.80</b>		



<b>GLOSSARY OF INVESTMENT TERMS</b>
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**ASSET BACKED SECURITIES:** Securities, such as bonds or notes, collateralized by receivables such as credit card or auto loans.

**BOOK VALUE:** The original cost of the investment, plus accrued interest and amortization of any premium or discount.

**CERTIFICATE OF DEPOSIT (CD or NCD):** A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

**COUPON:** The annual rate at which a bond pays interest.

**CUSIP:** The number identifying all stocks and registered bonds, using the Committee on Uniform Securities Identification Procedures (CUSIP).

**DURATION:** Duration measures the price sensitivity of a bond to changes in interest rates.

(a) **EFFECTIVE DURATION** is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

(b) **MACAULAY'S DURATION** is the weighted average maturity of the bond's cash flows, where the present values of the cash flows serves as the weights. The greater the duration of the bond, the greater its percentage price volatility.

**LOCAL AGENCY INVESTMENT FUND (LAIF):** An investment pool sponsored by the State of California and administered/managed by the State Treasurer's Office. Local government units, with consent of the local governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**PAR VALUE:** The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

**REPURCHASE AGREEMENT (RP OR REPO):** The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities at a later date at a specified price that includes interest for the buyer's holding period. In essence, this is a collateralized investment whereby the security "buyer" lends the "seller" money for the period of the agreement.

**SUPRANATIONAL:** An entity formed by two or more central governments through international treaties, for the purpose of promoting economic development for member countries. Two examples of supranational institutions are the International Bank for Reconstruction and Development (World Bank) and the Inter-American Development Bank.

**U. S. GOVERNMENT AGENCY SECURITIES:** Debt securities issued by U. S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB); Federal Home Loan Mortgage Corporation (FHLMC, or "Freddie Mac"); Federal National Mortgage Association (FNMA, or "Fannie Mae"); Federal Farm Credit Banks (FFCB); and Tennessee Valley Authority (TVA).

**U. S. TREASURY SECURITIES:** Securities issued by the U. S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**WEIGHTED AVERAGE DAYS TO MATURITY:** The weighted average of the remaining term to maturity of all of the assets in an investment pool or securities portfolio, as expressed in days.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage.

(a) **EARNED INCOME YIELD** is the annual income from an investment divided by the current market value.

(b) **YIELD TO MATURITY** is the rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

For additional glossary terms, previous Investment Reports, and City Investment Policy, please visit the Office of the City Treasurer's website at: <http://www.sandiego.gov/treasurer/investments/>