Exhibit A

Investment Portfolio Review
Quarter Ending December 31, 2014

OVERVIEW – October 1 – December 31, 2014

During the October to December quarter, short term Treasury yields continued to move in a narrow range with yields rising slightly in the 2 to 5 year range. At the December Federal Open Market Committee (FOMC) meeting, language was revised indicating the Federal Reserve may consider rate increases by mid 2015; however, this decision remains largely dependent on positive U.S. economic data in the months to come.

The County Treasury continued to outperform all but one of the portfolio benchmarks this quarter. Our consistent investment strategy ladders short term debt to provide liquidity and takes advantage of available higher rates by buying small amounts of longer term corporate and non callable securities, while maintaining positions in currently held callable debt structures. The following indicators reflect key aspects of the County's investment portfolio in light of the above noted conditions:

1. Market Access –Access to U.S. Treasuries and Agency debt has been plentiful, but yields have continued to remain low as investors seek safe havens from an uncertain world market. These issues have continued to keep yields low on Treasury bonds from October through December.

   During the quarter, the majority of County investment purchases continue to be in U.S. Treasury and Agency markets with a continued small position in shorter term, highly rated (AA or better) Corporate bonds, Certificates of Deposits and highly rated (A1, P1), short term Commercial Paper. In addition, the Treasurer continues to keep a high level of overnight liquid assets, reflecting the need to maintain increased levels of available cash to ensure the ability to meet all cash flow needs.

2. Diversification - The Monterey County Treasurer's portfolio consists of fixed income investments, all of which are authorized by the State of California Government Code 53601.

   The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition			
Corporate Assets	Overnight Liquid Assets	US Treasuries	Federal Agencies
4.90%	34.78%	1.80%	58.50%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 95% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities and other liquid funds. All assets have an investment grade rating. U.S. Treasuries are not specifically rated,

but are considered the safest of all investments. The corporate debt (4.90%) is rated in the higher levels of investment grade. All federal agency securities have AA ratings, or are guaranteed by the U.S. Treasury.

<u>The portfolio credit composition is detailed in the table below:</u>

Portfolio Credit Composition					
AA+	AA-	A-1+ (Short Term)	Not Rated (LAIF/BlackRock)	AAAm	Amf/S1 (CalTrust)
61%	4%	1%	14%	10%	11%

- Total may not equal 100% due to rounding

4. <u>Liquidity Risk</u> – Liquidity risk, as measured by the ability of the County's Treasury to meet withdrawal demands on invested assets, was adequately managed during the July to September quarter. The portfolio's average maturity was 392 days, and large percentages (34.78 %) of assets are held in immediately available funds.

PORTFOLIO CHARACTERISTICS

	September 30, 2014	December 31, 2014
Total Assets	\$939,375,345	\$1,077,198,451
Market Value	\$937,625,316	\$1,075,788,040
Days to Maturity	486	392
Yield	0.49%	0.45%
Estimated Earnings	\$1,186,386	\$1,129,532

FUTURE STRATEGY

The continued improvement in our economy gave the Federal Reserve the opportunity to conclude their Quantitative Easing program in October. The consistent improvement has also ensured that investors will continue to prefer the safety of U.S. debt to other investment options.

As long as the Federal Treasury continues to target short term rates at 0%-0.25%, the returns on the investments in the County's pool will remain historically low. If the rate environment continues its trend, the portfolio is adequately positioned to take advantage of the changing market conditions.