Exhibit A

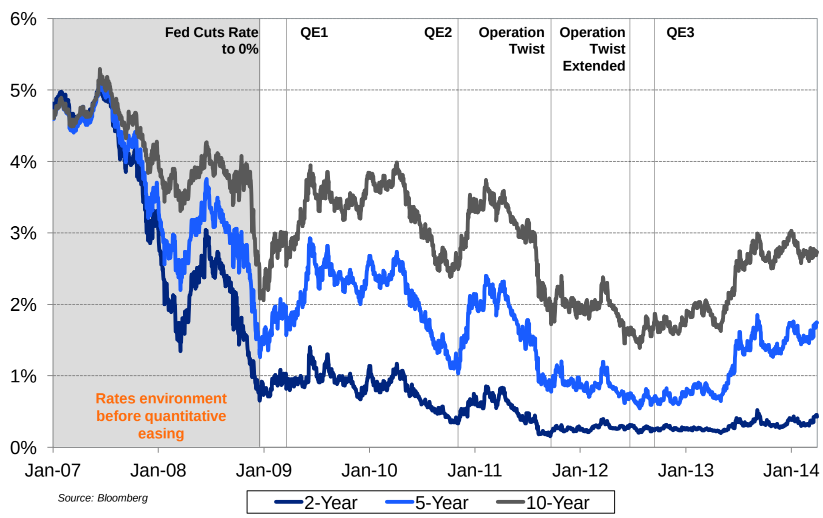
Investment Portfolio Review
Quarter Ending March 31, 2014

<u>OVERVIEW</u> – January 1 – March 31, 2014

During the January to March quarter, the Treasury yield curve flattened moderately, with longer maturities showing a decrease in yield, while short Treasury bills gained 3 to 5 basis points. The changes have been caused by multiple economic factors. At the start of the quarter, Treasury yields increased in response to Congress' successful avoidance of the worst of the fiscal cliff and a subsequent agreement to suspend the debt limit until March of 2015. Later in the quarter the economy continued to show small improvement and labor markets continued their trend of modest expansion. Towards the end of the quarter, a bipartisan Senate proposal that outlines the framework for the elimination of government participation in housing markets through the eventual dissolution of Fannie Mae and Freddie Mac was introduced. The combination of the positive economic news and uncertainty of a bond market without Freddie and Fannie resulted in the changes to bond yields across all maturities.

A Longer View of Treasury Yields

- Despite the increase in rates over the past year, Treasury yields still remain low relative to historical averages.



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The County Treasury continued to outperform all of the portfolio benchmarks due to a consistent investment strategy that 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 – The U.S. Treasury continues to issue substantial amounts of debt instruments. The continued large issuance is due to efforts to stimulate the economy by providing funding for financial institutions, social programs, and ongoing military funding requirements. 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 January through March.

   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
4.95%	33.76%	6.91%	54.38%

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, (5 %) is rated in the higher levels of investment grade. All federal agency securities have AA ratings, or are guaranteed by the U.S. Treasury.

   The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition					
AA+	AA-	A-1+ (Short Term)	Not Rated (LAIF/Blackrock)	AAAm	Amf/S1 (Cal Trust)
63%	2%	1%	15%	10%	9%

4. Liquidity Risk – Liquidity risk, as measured by the ability of the county's Treasury to meet withdrawal demands on invested assets, was adequately managed during the January to March quarter. The portfolio's average weighted maturity was 485 days, and large percentages (33.76%) of assets are held in immediately available funds.

PORTFOLIO CHARACTERISTICS

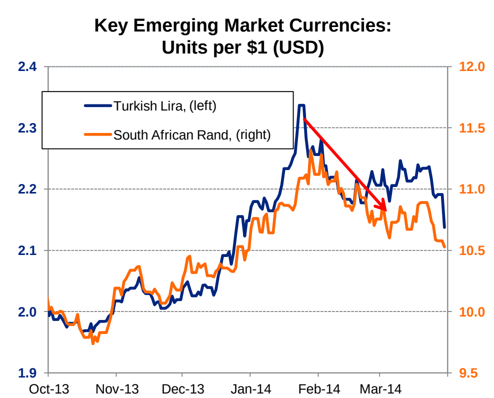
	December 31, 2013	March 31, 2014
Total Assets	$1,049,985,939	$1,013,345,699
Market Value	$1,046,087,332	$1,010,766,674
Days to Maturity	496	485
Yield	0.50%	0.47%
Estimated Earnings	$1,220,716	$1,190,018

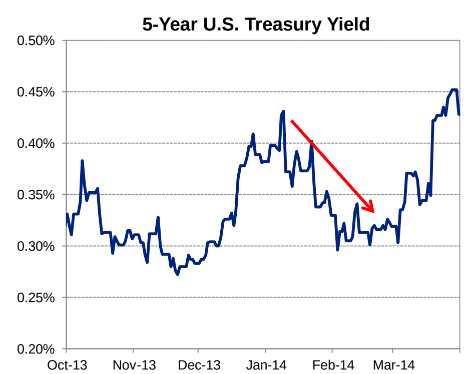
FUTURE STRATEGY

The U.S. Treasury will continue a policy of heavy borrowing for stimulus programs, military funding and other additional needs. The continued improvement in our economy has given the Federal Reserve an opportunity to continue to taper their Quantitative Easing program by $10 billion a month, which may make securities easier to obtain, but will have little effect on short term rates in the near term. The consistent improvement has also ensured that investors will continue to prefer the safety of U.S. debt to other investment options.

Emerging Market Weakness Drove Flight to Quality

- With the Federal Reserve tapering its bond purchase program, the U.S. dollar has been appreciating in value against currencies in emerging markets which have been weakening in value.
- Some of the countries impacted by weakening currencies include Turkey, South Africa, Argentina, and Russia. Weaker currencies threatened economic growth in emerging markets, which sparked a flight-to-quality into U.S. Treasuries.





Source: Bloomberg.

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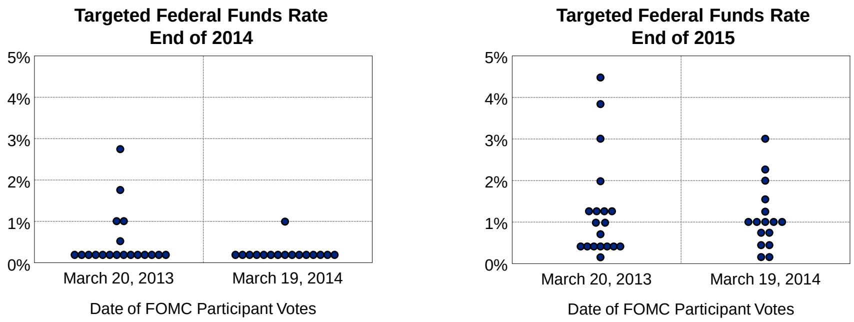
FOMC Expectations for Federal Funds Rate Then vs. Now



● *Individual FOMC participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year.*

Source: Federal Reserve Open Market Committee.

In the near term the Treasurer continues to believe rates will not begin to rise until there is a longer history of consistent improvement in the unemployment rate, or the Federal Reserve starts to see significant inflation in the core Consumer Price Index. The Treasurer's rolling investment ladder will access short term Treasury and Agency markets with expected yields of less than one-quarter percent. In our efforts to continue to provide the safest vehicles for Treasury investments, the Treasurer will maintain a portfolio weighted with U.S. Treasuries, Federal Agency securities, and other highly liquid assets.