



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Order

Upon motion of Supervisor Parker, seconded by Supervisor Phillips and carried by those members present, the Board of Supervisors hereby:

Received and accepted the Treasurer's Report of Investments for the quarter ending September 30, 2015.

PASSED AND ADOPTED on this 27th day of October 2015, by the following vote, to wit:

AYES: Supervisors Armenta, Phillips, Salinas, Parker and Potter
NOES: None
ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 78 for the meeting on October 27, 2015.

Dated: November 3, 2015
File ID: 15-1165

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By Denise Hancock
Deputy

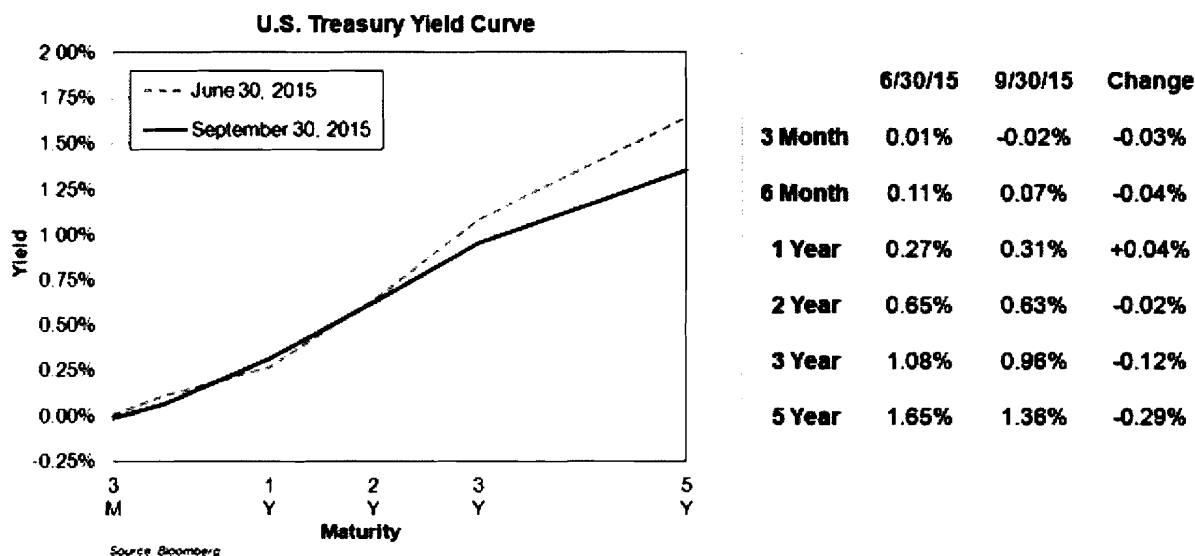
Investment Portfolio Review Quarter Ending September 30, 2015

OVERVIEW – July 1, 2015 – September 30, 2015

During the July to September quarter, despite significant volatility, the 2-year Treasury yields ended September roughly at the same level as they were at the end of June. The yield of the County Pool remains higher than the yield of the S&P Government Investment Pool Index. At the mid-September Federal Open Market Committee (FOMC) meeting, the Federal Reserve decided to wait to raise interest rates until they are “reasonably confident that inflation will move back to its 2% objective.”

INTEREST RATES DECREASED IN 2- TO 5-YEAR RANGE

- Yields on securities longer than one year decreased during the quarter as concerns over a global slowdown drove money into U.S. Treasuries
- Yields on corporate securities rose while yields on comparable U.S. Treasury notes remained relatively flat.



The County Treasury outperformed 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 continue to seek safe havens from an uncertain world market. These issues have continued to keep yields low on Treasury bonds.

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. In addition, the Treasurer continues to keep a high level

of 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	Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper
10%	35%	2%	53%	0%

3. Credit Risk – Approximately 90% 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 (10%) 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							
AAA	AA+	AA	AA-	A+	Not Rated (LAIF/MMF)	AAAm	Aaf/S1+ (CalTrust)
1%	57%	2%	3%	2%	11%	10%	14%

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 July to September quarter. The portfolio’s average weighted maturity was 407 days, and large percentages (35%) of assets are held in immediately available funds.

PORTFOLIO CHARACTERISTICS

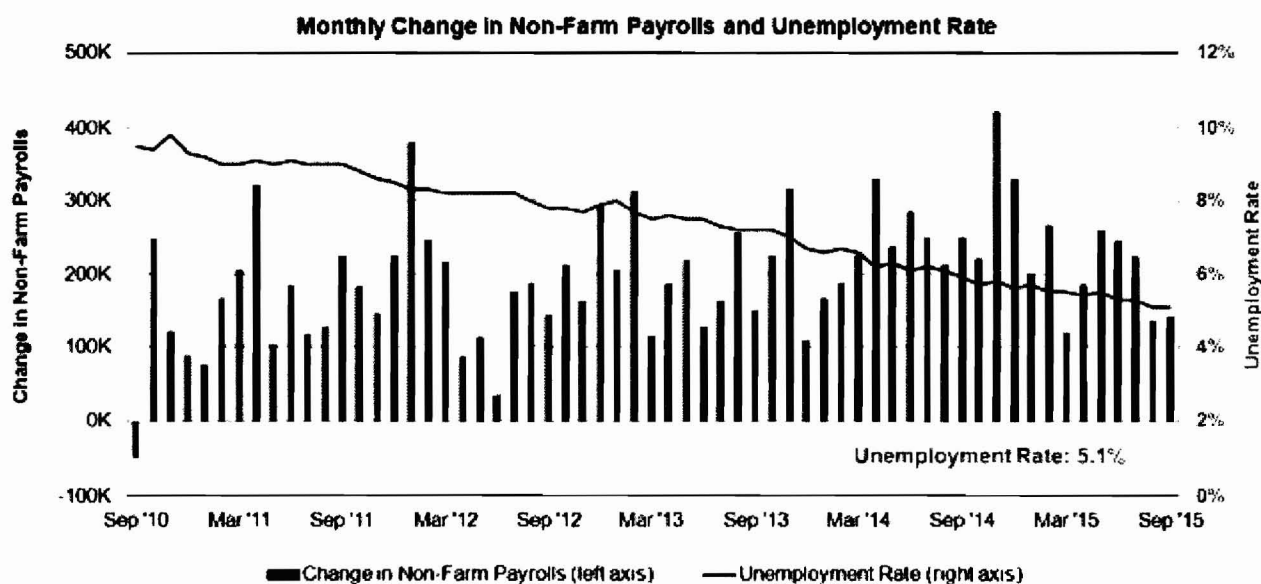
	<u>June 30, 2015</u>	<u>September 30, 2015</u>
Total Assets	\$1,120,854,255	\$983,156,386
Market Value	\$1,120,818,419	\$983,495,594
Days to Maturity	422	407
Yield	0.72%	0.69%
Estimated Earnings	\$2,061,464	\$1,755,644

FUTURE STRATEGY

Ongoing improvement in employment data and housing starts are positive economic news. However, inflation remains relatively static. These mixed economic signals and the ongoing instability in Greece, and the recent stock market slump in the Chinese market, may dampen the FOMC’s stated desire to increase rates before 2016. The portfolio remains in position to take advantage of an increasing rate environment.

U.S. ECONOMY GROWTH SLOWS DOWN

- The jobs reports in August and September showed signs of slowing growth as the number of jobs added came in under expectations. Total growth for the quarter ended September 30 was 501,000 jobs.
- The unemployment rate fell from 5.3% to 5.1% during the quarter.



Source: Bureau of Labor Statistics

Exhibit A

As long as the Federal Treasury continues to target short term rates at historically low levels, the returns on the investments in the County's pool will remain historically low. The portfolio is adequately positioned to take advantage of changing market conditions.

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments September 30, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	Days to Maturity	Maturity Date
Money Market Accts-GC 53601(k)(2)												
SYS11672	11672	BlackRock			57,475,829.71	57,475,829.71	57,475,829.71	0.098			1	
SYS11801	11801	CalTrust			140,000,000.00	140,000,000.00	140,000,000.00	0.507	Aaa	AAA	1	
SYS11830	11830	Federated		07/01/2015	0.00	0.00	0.00	0.101	Aaa	AAA	1	
SYS11578	11578	Fidelity Investments			46,232,312.88	46,232,312.88	46,232,312.88	0.133	Aaa	AAA	1	
Subtotal and Average			272,694,659.98		243,708,142.59	243,708,142.59	243,708,142.59				1	
State Pool-GC 53601(p)												
SYS11361	11361	LAIF			50,000,000.00	50,000,000.00	50,000,000.00	0.284			1	
Subtotal and Average			50,000,000.00		50,000,000.00	50,000,000.00	50,000,000.00				1	
CAMP-GC 56301(p)												
SYS10379	10379	Calif. Asset Mgmt			52,500,000.00	52,500,000.00	52,500,000.00	0.114		AAA	1	
SYS11961	11961	Calif. Asset Mgmt			378,627.29	378,627.29	378,627.29	0.115		AAA	1	
Subtotal and Average			24,163,409.90		52,878,627.29	52,878,627.29	52,878,627.29				1	
Medium Term Notes - GC 53601(k)												
084664BS9	12031	Berkshire Hathaway Finance		04/24/2015	10,000,000.00	10,107,400.00	10,140,758.97	1.600	Aa2	AA	592	05/15/2017
084670BD9	12036	Berkshire Hathaway Finance		09/16/2015	10,000,000.00	10,131,870.45	10,131,870.45	1.900	Aa2	AA	488	01/31/2017
36962G5W0	11855	General Electric		04/27/2012	5,000,000.00	5,097,650.00	4,997,940.39	2.300	A	AA	574	04/27/2017
36962G5W0	11856	General Electric		04/27/2012	5,000,000.00	5,097,650.00	5,002,358.33	2.300	A	AA	574	04/27/2017
369604BC6	12010	General Electric		01/23/2015	10,000,000.00	10,892,900.00	10,876,798.64	5.250	Aa	AA	797	12/06/2017
478160BF0	12000	Johnson & Johnson		12/23/2014	2,000,000.00	2,004,440.00	2,000,000.00	0.700	Aaa	AAA	424	11/28/2016
478160AY0	12004	Johnson & Johnson		01/08/2015	7,000,000.00	7,094,710.00	7,069,320.41	2.150	Aaa	AAA	227	05/15/2016
89233P5S1	11839	Toyota Motor Corporation		02/29/2012	5,000,000.00	5,079,250.00	5,028,835.51	2.050	Aa	AA	469	01/12/2017
89236TCA1	12009	Toyota Motor Corporation		01/16/2015	10,000,000.00	10,009,600.00	10,037,845.35	1.450	Aa	AA	834	01/12/2018
89233P6S0	12018	Toyota Motor Corporation		03/30/2015	10,000,000.00	10,025,500.00	10,028,320.00	1.250	Aaa	AA	735	10/05/2017
94974BFG0	12021	Wells Fargo & Company		04/07/2015	10,000,000.00	9,981,200.00	10,075,480.48	1.500	Aaa	AA	838	01/16/2018
94974BFL9	12025	Wells Fargo & Company		04/13/2015	10,000,000.00	10,042,400.00	10,043,571.33	1.250	A2	A+	293	07/20/2016
Subtotal and Average			91,501,603.27		94,000,000.00	95,564,570.45	95,433,099.86				600	
Commercial Paper Disc.- GC 53601(h)												
Subtotal and Average			869,548.31									

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments September 30, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	Days to Maturity	Maturity Date
Fed Agcy Coupon Sec - GC 53601(f)												
3133EDSU7	11985	Federal Farm Credit Bank		08/15/2014	10,000,000.00	10,038,200.00	10,000,000.00	1.000	Aaa	AA	684	08/15/2017
3133EEBU3	11996	Federal Farm Credit Bank		11/26/2014	10,000,000.00	10,007,100.00	10,003,301.41	0.600	Aaa	AA	410	11/14/2016
3133EEFE5	12008	Federal Farm Credit Bank		01/12/2015	10,000,000.00	10,039,800.00	10,032,604.55	1.125	Aaa	AA	809	12/18/2017
3133EEMA5	12011	Federal Farm Credit Bank		01/30/2015	10,000,000.00	9,985,200.00	10,008,120.11	1.500	Aaa	AA	1,551	12/30/2019
3133EELZ1	12012	Federal Farm Credit Bank		02/02/2015	10,000,000.00	9,983,800.00	10,027,011.08	1.000	Aaa	AA	910	03/29/2018
3133EESZ4	12016	Federal Farm Credit Bank		03/25/2015	10,000,000.00	10,017,900.00	10,005,415.42	0.460	Aaa	AA	285	07/12/2016
3133EDMB5	12017	Federal Farm Credit Bank		03/26/2015	10,000,000.00	10,010,800.00	10,001,327.38	0.500	Aaa	AA	327	08/23/2016
3133EETE0	12020	Federal Farm Credit Bank		04/01/2015	10,000,000.00	10,037,000.00	10,046,416.49	1.125	Aaa	AA	893	03/12/2018
3133EE7M6	12038	Federal Farm Credit Bank		09/30/2015	10,000,000.00	10,006,789.01	10,006,789.01	0.650	Aaa	AA+	627	06/19/2017
313380EC7	11878	Federal Home Loan Bank		09/17/2012	10,000,000.00	9,976,600.00	9,981,066.97	0.750	Aaa	AA	708	09/08/2017
313380XB8	11881	Federal Home Loan Bank		10/17/2012	10,000,000.00	10,000,500.00	9,999,216.67	0.625	Aaa	AA	382	10/17/2016
313370TW8	11888	Federal Home Loan Bank		12/05/2012	10,000,000.00	10,180,700.00	10,137,296.90	2.000	Aaa	AA	344	09/09/2016
313373SZ6	11913	Federal Home Loan Bank		04/02/2013	10,000,000.00	10,162,300.00	10,114,088.85	2.125	Aaa	AA	253	06/10/2016
313378A43	11925	Federal Home Loan Bank		05/02/2013	10,000,000.00	10,087,000.00	10,147,455.75	1.375	Aaa	AA	890	03/09/2018
313383A68	11928	Federal Home Loan Bank		06/13/2013	10,000,000.00	9,948,600.00	10,000,000.00	1.080	Aaa	AA	986	06/13/2018
313378QK0	11966	Federal Home Loan Bank		04/04/2014	10,000,000.00	10,188,000.00	10,018,616.71	1.875	Aaa	AA	1,254	03/08/2019
3130A3J70	11997	Federal Home Loan Bank		12/12/2014	10,000,000.00	10,006,100.00	10,001,698.54	0.625	Aaa	AA	419	11/23/2016
313371PV2	11998	Federal Home Loan Bank		12/12/2014	10,000,000.00	10,152,900.00	10,108,999.72	1.625	Aaa	AA	435	12/09/2016
313371PV2	11999	Federal Home Loan Bank		12/12/2014	10,000,000.00	10,152,900.00	10,108,999.72	1.625	Aaa	AA	435	12/09/2016
3130A3PT5	12001	Federal Home Loan Bank		12/23/2014	10,000,000.00	9,994,500.00	9,997,048.12	0.125	Aaa	AA	68	12/08/2015
3130A3UU6	12005	Federal Home Loan Bank		01/27/2015	10,000,000.00	10,026,800.00	10,000,000.00	0.875	Aaa	AA	484	01/27/2017
3130A4U42	12019	Federal Home Loan Bank		03/31/2015	10,000,000.00	10,009,100.00	10,009,473.83	0.800	Aaa	AA	638	06/30/2017
3130A2KD7	12028	Federal Home Loan Bank		04/09/2015	10,000,000.00	10,003,300.00	10,002,113.43	0.315	Aaa	AA+	98	01/07/2016
3130A3KK9	12029	Federal Home Loan Bank		04/17/2015	10,000,000.00	9,997,300.00	9,999,584.35	0.125	Aaa	AA	55	11/25/2015
3130A0SD3	12030	Federal Home Loan Bank		04/17/2015	10,000,000.00	10,005,700.00	10,005,181.85	0.375	Aaa	AA+	141	02/19/2016
3130A4Q70	12032	Federal Home Loan Bank		04/23/2015	10,000,000.00	10,031,500.00	10,039,709.31	1.000	Aaa	AA+	778	11/17/2017
3133834R9	12034	Federal Home Loan Bank		04/23/2015	10,000,000.00	9,999,300.00	10,001,086.98	0.375	Aaa	AA+	267	06/24/2016
3130A6JW8	12037	Federal Home Loan Bank		09/30/2015	10,000,000.00	10,001,265.02	10,001,265.02	0.318			258	06/15/2016
3134G3S50	11887	Federal Home Loan Mtg Corp		11/30/2012	10,000,000.00	10,019,000.00	10,006,952.23	0.625	Aaa	AA	397	11/01/2016
3134G42M9	11916	Federal Home Loan Mtg Corp		04/25/2013	10,000,000.00	9,987,100.00	10,000,000.00	0.700	Aaa	AA	572	04/25/2017
3134G42G2	11917	Federal Home Loan Mtg Corp		04/30/2013	10,000,000.00	9,998,000.00	10,000,000.00	1.050	Aaa	AA	942	04/30/2018
3134G43F3	11920	Federal Home Loan Mtg Corp		04/30/2013	10,000,000.00	9,936,400.00	10,000,000.00	1.020	Aaa	AA	942	04/30/2018
3134G43V8	11923	Federal Home Loan Mtg Corp		05/15/2013	10,000,000.00	9,977,100.00	9,999,475.56	1.050	Aaa	AA	957	05/15/2018
3137EADJ5	11970	Federal Home Loan Mtg Corp		04/09/2014	10,000,000.00	10,046,600.00	9,994,640.12	1.000	Aaa	AA	666	07/28/2017
3137EADL0	11987	Federal Home Loan Mtg Corp		08/25/2014	10,000,000.00	10,023,600.00	9,980,238.89	1.000	Aaa	AA	729	09/29/2017

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments September 30, 2015

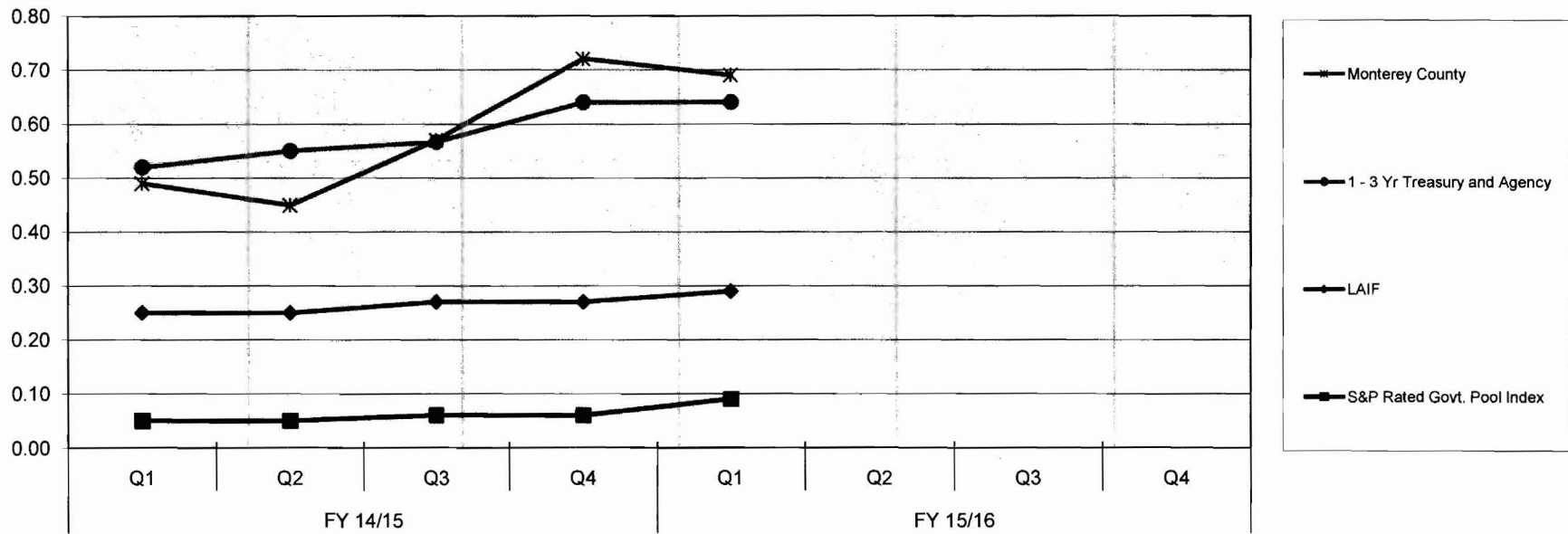
CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	Days to Maturity	Maturity Date
Fed Agcy Coupon Sec - GC 53601(f)												
3134G5RF4	12024	Federal Home Loan Mtg Corp		04/06/2015	10,000,000.00	9,998,900.00	10,002,957.18	0.400		AA	239	05/27/2016
3136G0B26	11874	Federal National Mtg Assn		09/27/2012	10,000,000.00	9,997,600.00	10,000,000.00	1.000	Aaa	AA	727	09/27/2017
3135G0NH2	11876	Federal National Mtg Assn		09/13/2012	10,000,000.00	9,999,100.00	9,997,701.12	0.950	Aaa	AA	692	08/23/2017
3136G14N6	11890	Federal National Mtg Assn		01/02/2013	10,000,000.00	9,985,800.00	9,997,090.04	0.750	Aaa	AA	636	06/28/2017
3135G0PP2	11903	Federal National Mtg Assn		01/18/2013	10,000,000.00	10,027,000.00	10,013,910.23	1.000	Aaa	AA	720	09/20/2017
3135G0UH4	11906	Federal National Mtg Assn		02/22/2013	10,000,000.00	9,960,800.00	10,000,000.00	1.200	Aaa	AA	875	02/22/2018
3135G0XA6	11924	Federal National Mtg Assn		05/21/2013	10,000,000.00	9,931,600.00	10,000,000.00	1.030	Aaa	AA	963	05/21/2018
3135G0XK4	11927	Federal National Mtg Assn		05/30/2013	10,000,000.00	9,952,300.00	10,000,000.00	1.050	Aaa	AA	967	05/25/2018
3135G0WJ8	11929	Federal National Mtg Assn		05/28/2013	10,000,000.00	9,940,100.00	9,956,394.31	0.875	Aaa	AA	963	05/21/2018
3135G0PQ0	11948	Federal National Mtg Assn		12/04/2013	10,000,000.00	10,004,600.00	9,962,585.27	0.875	Aaa	AA	756	10/26/2017
3135G0PQ0	12007	Federal National Mtg Assn		01/12/2015	10,000,000.00	10,004,600.00	9,994,879.98	0.875	Aaa	AA	756	10/26/2017
3136FTS67	12013	Federal National Mtg Assn		02/03/2015	10,000,000.00	10,107,900.00	10,180,047.81	1.700	Aaa	AA	1,245	02/27/2019
3135G0AL7	12022	Federal National Mtg Assn		04/06/2015	10,000,000.00	10,138,300.00	10,087,708.55	2.250	Aaa	AA	166	03/15/2016
3135G0VA8	12023	Federal National Mtg Assn		04/06/2015	10,000,000.00	10,013,900.00	10,008,924.72	0.500	Aaa	AA	181	03/30/2016
3135G0YM9	12033	Federal National Mtg Assn		04/23/2015	10,000,000.00	10,215,900.00	10,236,595.27	1.875	Aaa	AA+	1,083	09/18/2018
Subtotal and Average			518,387,471.28		500,000,000.00	501,317,154.03	501,223,989.45				631	
Federal Agency Disc.-GC 53601(f)												
313384ML0	12027	Federal Home Loan Bank		04/09/2015	10,000,000.00	9,997,400.00	9,999,961.11	0.140			1	10/02/2015
Subtotal and Average			18,475,228.49		10,000,000.00	9,997,400.00	9,999,961.11				1	
US Treasury Note-GC 53601(b)												
912828VR8	11940	U.S. Treasury		08/29/2013	10,000,000.00	10,028,100.00	9,986,640.77	0.625	Aaa	AA	319	08/15/2016
912828UJ7	11988	U.S. Treasury		08/25/2014	10,000,000.00	10,001,600.00	9,925,925.36	0.875	Aaa	AA	853	01/31/2018
Subtotal and Average			19,906,709.44		20,000,000.00	20,029,700.00	19,912,566.13				585	
Federal Agency Step Up-GC 53601(f)												
3134G7EQ0	12035	Federal Home Loan Mtg Corp		07/22/2015	10,000,000.00	10,000,000.00	10,000,000.00	1.500	Aaa	AA+	1,390	07/22/2019
Subtotal and Average			14,998,297.40		10,000,000.00	10,000,000.00	10,000,000.00				1,390	
Total and Average			1,010,996,928.08		980,586,769.88	983,495,594.36	983,156,386.43				407	

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Exhibit C Monterey County Historical Yields vs. Benchmarks



Quarterly Yield	FY 14/15				FY 15/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Monterey County	0.49	0.45	0.57	0.72	0.69			
1 - 3 Yr Treasury and Agency	0.52	0.55	0.57	0.64	0.64			
LAIF	0.25	0.25	0.27	0.27	0.29			
S&P Rated Govt. Pool Index	0.05	0.05	0.06	0.06	0.09			

The S&P Index yields are obtained from Bloomberg

The 1-3 Yr Treas and Agy yields are obtained from the B of A Merrill Lynch Global Bond Indices/Bloomberg



Exhibit D Monterey County Aging Report By Maturity Date As of October 1, 2015

Aging Interval:				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(10/01/2015 - 10/01/2015)	7 Maturities	346,586,769.88	35.34%	346,586,769.88	346,586,769.88
Aging Interval:	1 - 90 days	(10/02/2015 - 12/30/2015)	3 Maturities	30,000,000.00	3.06%	29,996,593.58	29,989,200.00
Aging Interval:	91 - 365 days	(12/31/2015 - 09/30/2016)	14 Maturities	137,000,000.00	13.97%	137,466,898.79	137,697,575.02
Aging Interval:	366 - 730 days	(10/01/2016 - 09/30/2017)	24 Maturities	217,000,000.00	22.13%	217,511,842.15	217,981,049.46
Aging Interval:	731 - 1095 days	(10/01/2017 - 09/30/2018)	21 Maturities	210,000,000.00	21.42%	211,387,497.40	210,959,900.00
Aging Interval:	1096 - 1460 days	(10/01/2018 - 09/30/2019)	3 Maturities	30,000,000.00	3.06%	30,198,664.52	30,295,900.00
Aging Interval:	1461 days and after	(10/01/2019 -)	1 Maturities	10,000,000.00	1.02%	10,008,120.11	9,985,200.00
			Total for 73 Investments		100.00%	983,156,386.43	983,495,594.36

