Exhibit A

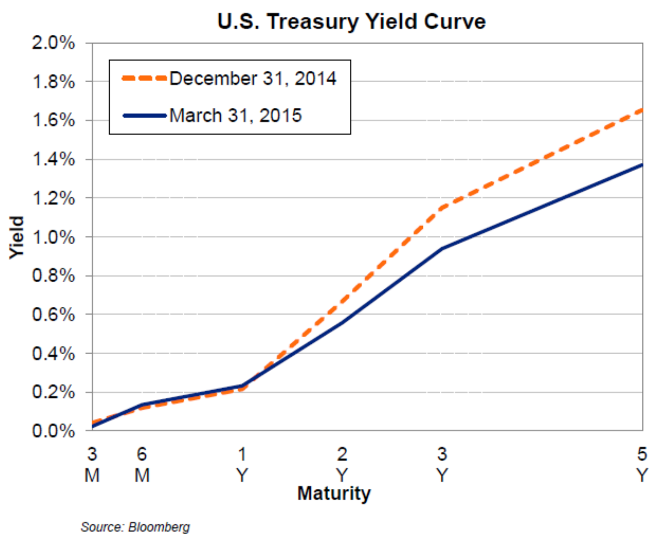
Investment Portfolio Review
Quarter Ending March 31, 2015

<u>OVERVIEW</u> – January 1 – March 31, 2015

During the January to March quarter, short term Treasury yields moved lower with yields decreasing by as much as 28 basis points in the 5 year range. At the March Federal Open Market Committee (FOMC) meeting, language was revised indicating the Federal Reserve may consider rate increases by mid 2015; however, this decision remains dependent on positive U.S. economic data in the months to come. Improving statistics in employment coupled with a rise in inflation are important factors in the FOMC's decision to raise rates.

<u>INTEREST RATES FALLING IN THE 2- TO 5-YEAR RANGE</u>

- The portion of the yield curve 1-year and under remained relatively unchanged during the quarter as short-term rates are anchored by Federal Reserve policy.
- Yields on securities with maturities 2 years and over fell moderately.



	12/31/14	3/31/15
3 Month	0.04%	0.02%
6 Month	0.12%	0.14%
1 Year	0.22%	0.23%
2 Year	0.67%	0.56%
3 Year	1.15%	0.94%
5 Year	1.65%	1.37%

The County Treasury outperformed or matched all 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. <u>Market Access</u> – 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
7.71%	34.30%	1.80%	56.16%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 92% 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 (7.71%) 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-	A-1 (Short Term)	Not Rated (LAIF/BlackRock)	AAAm	Aaf/S1+ (CalTrust)
1%	61%	3%	1%	12%	9%	13%

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 466 days, and large percentages (34.30%) of assets are held in immediately available funds.

PORTFOLIO CHARACTERISTICS

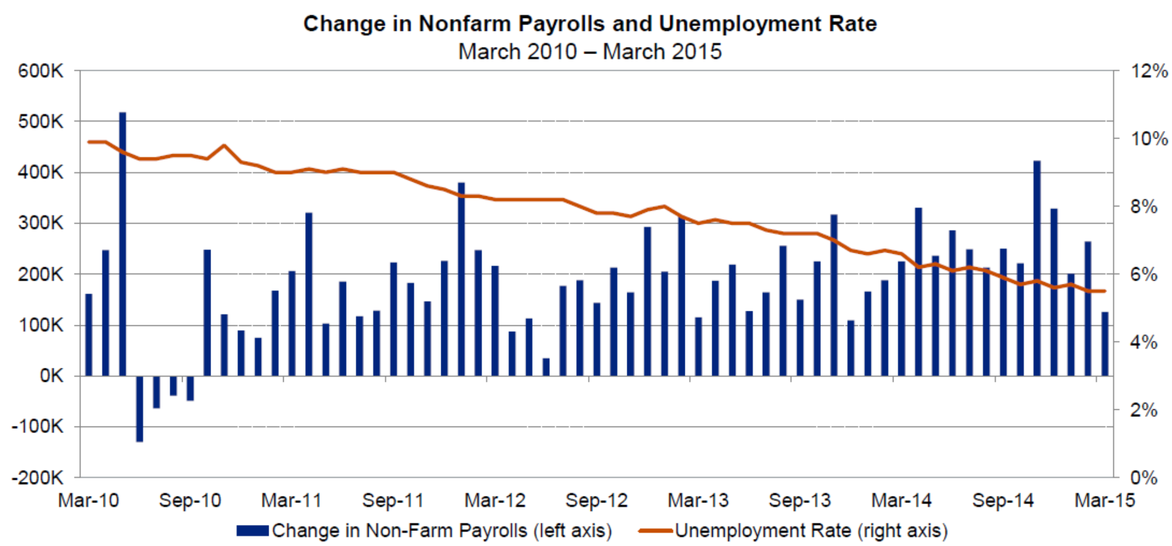
	December 31, 2014	**March 31, 2015**
Total Assets	$1,077,198,451	$1,105,343,895
Market Value	$1,075,788,040	$1,106,386,623
Days to Maturity	392	466
Yield	0.45%	0.57%
Estimated Earnings	$1,129,532	$1,528,658

FUTURE STRATEGY

The U.S. Treasury's Quantitative Easing (QE) ended during the September to December 2014 quarter. Ongoing improvement in employment data, along with other factors, prompted the FOMC in March 2015 to provide language that indicates they may be more willing to increase rates slightly within the next several quarters.

LABOR MARKET CONTINUES TO STRENGTHEN

- The U.S. Labor market added 591,000 jobs during the first quarter of 2015. The March job growth of 126,000 broke a twelve-month streak of monthly job growth over 200,000.
- The unemployment rate moved down 0.1% from 5.6% to 5.5%. The U-6 unemployment rate, commonly called the underemployment rate, declined from 11.2% to 10.9%.



Source: Bureau of Labor Statistics

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. The portfolio is adequately positioned to take advantage of changing market conditions.