Exhibit A

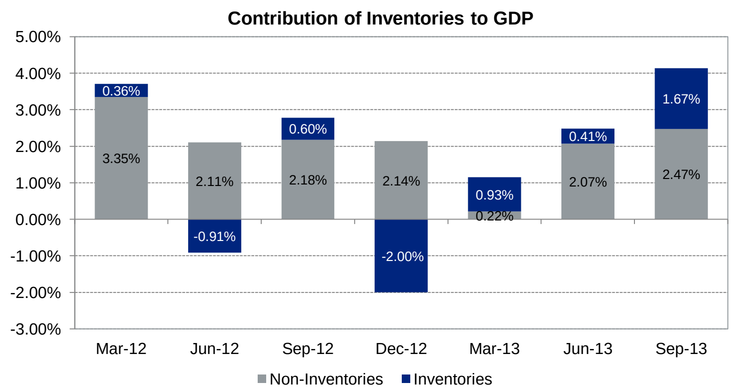
Investment Portfolio Review
Quarter Ending December 31, 2013

OVERVIEW – October 1 – December 31, 2013

During the October to December quarter, Treasury yields continued to rise. Yield increases were more significant in the 5+ year range, while rate increases in shorter term issues remained quite modest. The majority of the increase in yield was caused by positive economic data that generally signaled continued improvement in the U.S. economy. The preliminary U.S. GDP report in November on the June – September quarter showed a greater than expected 2.8% increase in GDP, but much of it was attributed to an increase in inventory, rather than increases in sales. In the period under review, yield spreads between Treasury, Agency and Corporate issues remained narrow. Although rates could continue to move higher, the rate for short-term investments remains near zero, which will continue the trend of very low returns in overnight funds and shorter term securities.

Inventory Build-Up Overstates Economic Strength

- The third quarter growth rate may have overstated the underlying strength of the economy as nearly half of the growth was attributable to a 1.7% growth in inventories.
- If consumers' purchases don't accelerate enough to justify the third quarter's 1.7% inventory growth, then companies may slow production in the coming quarters to decrease inventories. This could result in inventories being a negative contributor to GDP growth.



Source: Bureau of Economic Analysis, Bloomberg

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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 September 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
5.72%	33.23%	0.95%	60.10%

3. Credit Risk – Approximately 94.28% 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 (5.72%) 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)
64.00%	2.00%	1.00%	14.00%	10.00%	9.00%

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 September to December quarter. The portfolio's average weighted maturity was 496 days, and large percentages (33.23%) of assets are held in immediately available funds.

PORTFOLIO CHARACTERISTICS

	September 30, 2013	December 31, 2013
Total Assets	$925,323,720	$1,049,985,939
Market Value	$922,151,473	$1,046,087,332
Days to Maturity	603	496
Yield	0.49%	0.50%
Estimated Earnings	$1,202,998	$1,220,716

FUTURE STRATEGY

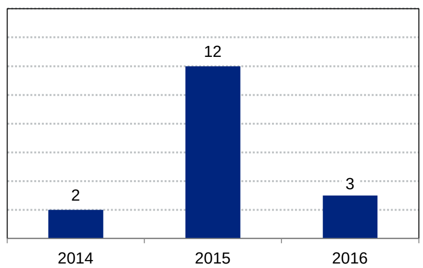
The U.S. Treasury has continued a policy of heavy borrowing for stimulus programs, military funding and other additional needs. The continued improvement in our economy has given the Federal Reserve an opportunity to taper their Quantitative Easing program by $10 billion a month, which may make securities 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.

By the end of the quarter, the U.S. Government passed a budget that will extend until 2015 which should help alleviate some of the uncertainty in Treasury and Agency markets. It is important to note; given all the market concern about tapering of the Federal Reserve's QE program, they are nowhere near their previously stated comfort level to consider increasing short term rates. Although the tapering of the QE program is a good signal of increased confidence in our economic recovery, it is the belief of the Monterey County Treasurer that the current round of tapering (or buying less than the current $85 Billion per month), will not have a dramatic effect on short term rates. As long as the Federal Treasury remains actively engaged in the fixed income markets, and 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.

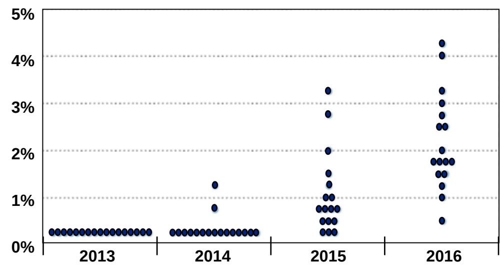
Fed Rate Guidance Indicates Continued Low Rates Through at Least 2015

- At its December meeting, the Federal Reserve announced the first taper of its $85 billion bond purchase program. Beginning in January, the Fed will purchase $5 billion fewer long-term Treasuries and $5 billion fewer mortgage-backed securities each month.
- Despite this taper, the Federal Reserve is not expected to raise its target range for the federal funds rate until at least 2015.

FOMC Participant Votes on Appropriate Timing of Policy Firming
as of December 18, 2013



Targeted Federal Funds Rate at Year-End FOMC Participant Forecasts
as of December 18, 2013



● *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.

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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.