Exhibit A

Investment Portfolio Review
Quarter Ending March 31, 2012

OVERVIEW – January 1 – March 31, 2012

During the January to March quarter Treasury bond yields were up slightly in the 0 – 5 year term. The increase was due to Greece completing the largest ever sovereign debt restructuring, as well as positive economic data in the U.S. The net effect was a move to investment in equity markets, causing bond yields to increase despite the Fed's assurances that they will continue to keep the Fed Funds Rate at or below 0.25 percent.

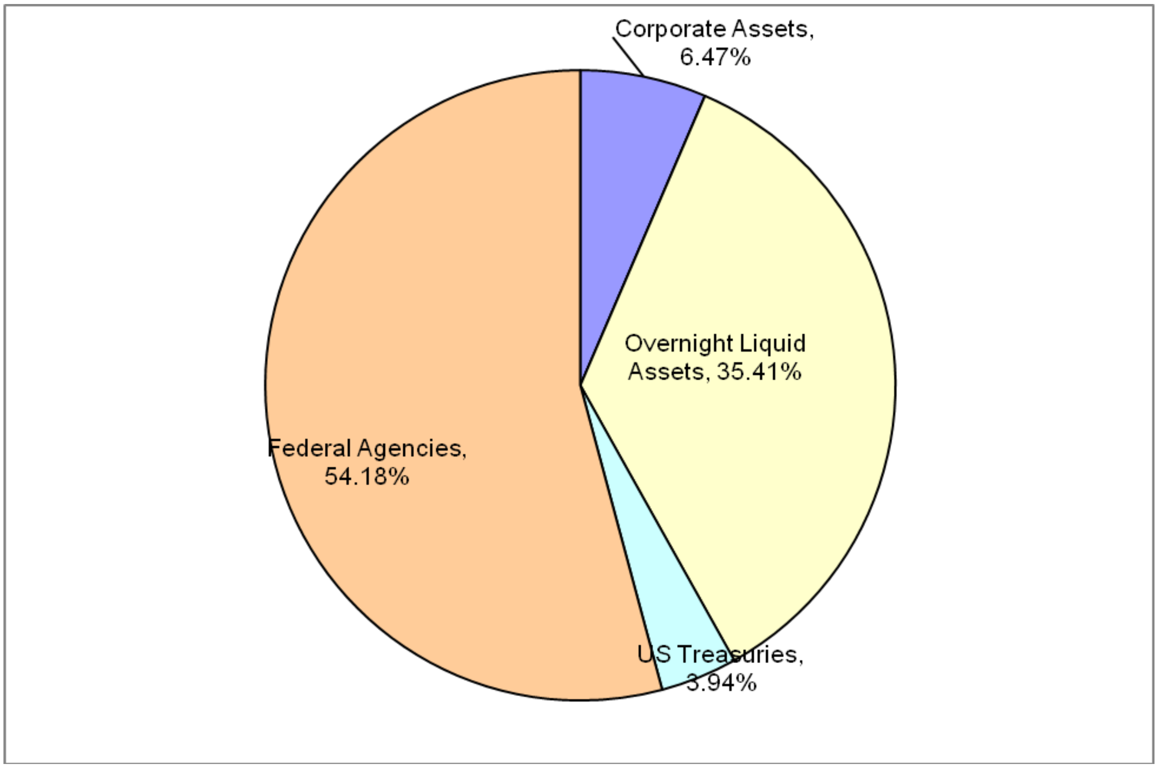
The County Treasury was able to outperform all of the portfolio benchmarks due to a consistent investment strategy that ladders short term debt to provide liquidity, while also taking advantage of higher rates by buying small amounts of longer term corporate and callable debt structures. The following indicators reflect key aspects of the County's investment portfolio in light of the above noted conditions:

1. Market Access – The U.S. Treasury continued to issue substantial amounts of debt instruments. The continued large issuance is due to their efforts to stimulate the economy by providing funding for financial institutions, social programs, and ongoing military funding requirements. Access to U.S. Treasuries 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 our ability to meet any 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 pie chart below:



3. <u>Credit Risk</u> – Approximately 93.5% 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 (6.47%) is rated in the higher levels of investment grade. All federal agency securities have AA ratings, or they are guaranteed by the U.S. Treasury.

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 January to March quarter. The portfolio's average weighted maturity was 307 days, and a large percentage (35.41%) of assets was held in immediately available funds.

PORTFOLIO CHARACTERISTICS

	December 31, 2012	March 31, 2012
Total Assets	$1,073,218,806	$1,017,030,070
Market Value	$1,073,644,404	$1,017,633,053
Days to Maturity	373	307
Yield	0.51%	0.43%
Estimated Earnings	$1,295,745	$1,120,246

FUTURE STRATEGY

The U.S. Treasury has continued a policy of heavy borrowing for stimulus programs, military funding and other additional needs. Despite the downgrade of U.S. debt by Standard and Poor's last year and the continued uncertainty in global markets; investors continue to prefer the safety of U.S. debt to other investment options.

There has been recent positive economic news in the U.S., as well as a reduction in the amount of negative news about European markets. Although it would appear that the economy is improving, there are still strong headwinds facing our economic recovery. Many economists agree that the recent reduction in unemployment figures, coupled with low job creation figures are an indicator that more people have stopped looking for work, rather than an indicator that things have improved substantially. The U.S. and European economies still have several years of modest improvement ahead of them before it will be safe to assume that our economies are healthy and robust again. The stabilization of the U.S. economy over the past year has continued to ensure that our debt products are likely to remain a safe haven for investors for the foreseeable future, which is good for our overall economic outlook, but ensures continued low rates.

In the near term the Treasurer believes short term yields will remain extremely low and 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 the short term Treasury and Agency market with expected yields over the next 90 days of less than one-half 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 funds.