Exhibit A

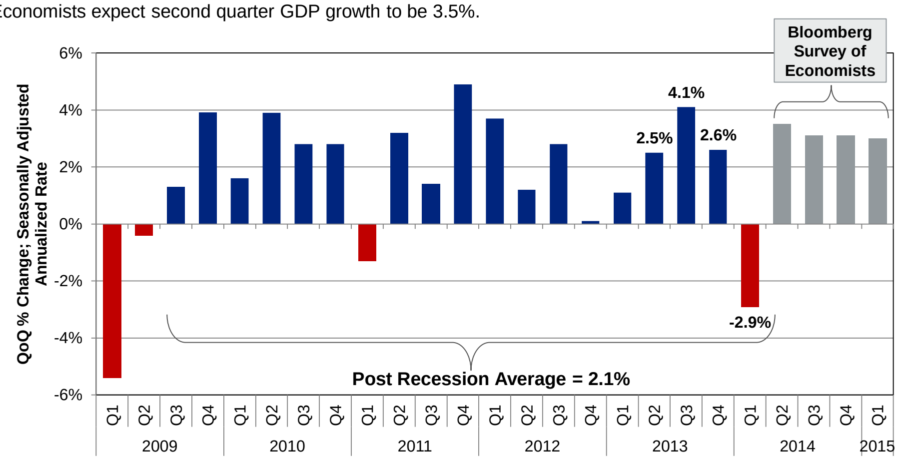
Investment Portfolio Review
Quarter Ending June 30, 2014

<u>OVERVIEW</u> – April 1 – June 30, 2014

During the April to June quarter, Treasury yields paused from their slow, upward climb and there was very little change in the yield of maturities of 5 years and under. In April, the first quarter U.S. Gross Domestic Product (Jan – March) had a reported growth rate of only 0.1%, which was far below the consensus estimate of 1.1%. In June, the rate was revised to -2.9%, which marked the first economic contraction in three years. When combined with other positive economic indicators such as increases in new and existing home sales in April, the economic news continued to reinforce a "wait and see" approach with investors. In June, the European Central bank cut its main interest rate to a record low of 0.15% and cut its interest rate on deposits to -0.1%, effectively charging the region's banks to hold their reserves. The combination of mixed economic indicators in the U.S. and increased efforts to lower interest rates in the European Union continues to make U.S. bonds attractive to all investors and kept rates low during the quarter under report.

Economy Contracted in First Quarter

- The economy declined at a 2.9% rate in the first quarter, the first quarter of negative growth in 3 years.
  - This decline reflects a combination of reduced business inventories, a weak pace of healthcare spending, and adverse weather conditions.
- Economists expect second quarter GDP growth to be 3.5%.



Source: Bureau of Economic Analysis

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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 April through June.

   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%	34%	7%	54%

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 (CalTrust)
63%	2%	1%	14%	10%	10%

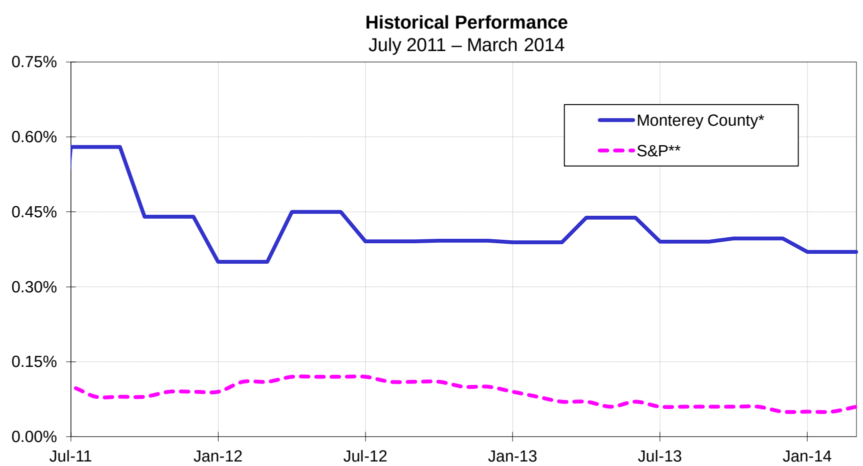
4. Liquidity Risk – Liquidity risk, as measured by the ability of the County's Treasury to meet withdrawal demands on invested assets, was adequately managed during the April to June quarter. The portfolio's average weighted maturity was 461 days, and large percentages (34%) of assets are held in immediately available funds.

PORTFOLIO CHARACTERISTICS

	March 31, 2014	June 30, 2014
Total Assets	$1,013,345,699	$987,543,563
Market Value	$1,010,766,674	$986,698,521
Days to Maturity	485	461
Yield	0.47%	0.51%
Estimated Earnings	$1,190,018	$1,341,687

Portfolio Performance

- The County Pool yield has historically been higher than the yield of the S&P Government Investment Pool Index.



*Quarterly Apportionment Rate provided by the County. Data is presented on a three month lag due to 3/31/14 data being unavailable as of the completion of this report.
**Benchmark source: S&P Rated Government Investment Pool Index/Prime; Bloomberg

Note: Historical net yield performance provided for informational purposes only. The net yields of each portfolio are not necessarily comparable due to potential differences including permitted investments and additional investment guidelines or restrictions.

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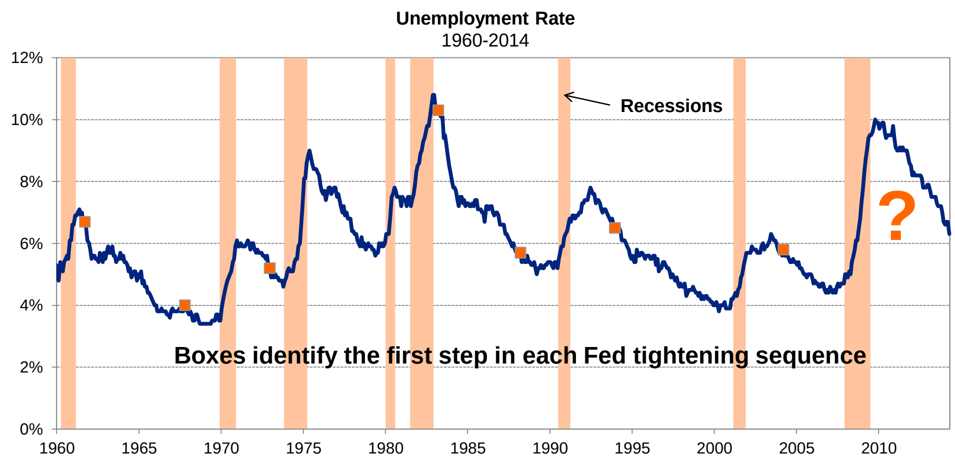
FUTURE STRATEGY

The U.S. Treasury will continue a policy of heavy borrowing for stimulus programs, 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.

When Will Fed Respond to Falling Unemployment?

- In previous recessions, the FOMC began tightening monetary policy as the unemployment rate showed signs of recovery.
- While significant strides have been made, the Fed Funds rate remains at a targeted range of 0-0.25%.



Source: Federal Reserve; Bloomberg. Vertical bars denote recessions and are designated by the NBER. Updated through April 2014.

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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.