



Legislation Details (With Board Report)

File #: 13-0356 **Name:** Treasurer's Report of Investments Ending 03-31-2013

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Title: Receive and Accept the Treasurer's Report of Investments for the quarter ending March 31, 2013

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit A - Portfolio Review03.31.pdf, 2. Exhibit B - Portfolio Management Report 03.31.13, 3. Exhibit C - Quarterly Yield Review 03.31.pdf, 4. Exhibit D - Aging Summary 04.01.pdf, 5. Exhibit E - MMF Pie Charts, 6. Completed Board Order

Date	Ver.	Action By	Action	Result
4/23/2013	1	Board of Supervisors	approved	

Receive and Accept the Treasurer's Report of Investments for the quarter ending March 31, 2013

RECOMMENDATION:

It is recommended that the Board of Supervisors:
Receive and accept the Treasurer's Report of Investments for the quarter ending March 31, 2013.

SUMMARY:

Government Code Section 53646 (b)(1) states the Treasurer may submit a quarterly report of investments. The attached Exhibit A provides a narrative portfolio review of economic and market conditions that support the investment activity during the January - March period. Exhibit B describes the investment portfolio position by investment type as of March 31, 2013. Exhibit C is a listing of historical Monterey County Treasury Pool yields versus benchmarks. Exhibit D describes the investment portfolio by maturity range, and Exhibit E is an overview of the short term funds that the Treasurer invests in overnight, liquid assets.

DISCUSSION:

During the January to March quarter the Treasury bond curve changed very little in the 1 month - 5 year term. Yields in maturities of six months to three years were down slightly, while very short term bonds with maturity dates under six months and longer term maturities of five years and over were slightly higher. The Federal Reserve continued their plans to expand their Quantitative Easing program, and continued their assurances that they will keep the Fed Funds Rate at or below 0.25. During January and February, the federal government was unable to come to an agreement on budget cuts, which caused the automatic sequestration of \$85 billion in federal spending at the beginning of March and furthered the perception that they are unable to develop solutions to an already difficult recovery. At the end of March, the ongoing financial issues in the EU flared up again, this time in Cyprus. After the Cyprian government refused to adopt the originally proposed austerity measures to receive a bailout from the EU, they later enacted legislation that will break up their second largest bank and restructure the largest. The measures will also allow them to impose large losses on bank deposits larger than \$100,000 Euros. They also placed capitol controls on the amount of

funds that could be withdrawn from the banks each day, as well as the amount of funds that each person is allowed to carry out of the country. All of these factors helped contribute to a continued flight to safety and increased investment in U.S. fixed income securities.

On March 31, 2013 the Monterey County investment portfolio contained an amortized cost basis of \$980,877,313 spread among 78 separate securities and funds. The par value of those funds was \$979,715,931, with a market value of \$982,078,321 or 100.12% of amortized book value. The portfolio's net earned income yield for the period was 0.49%. The portfolio produced estimated income of \$1,224,338 for the quarter which will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 514 days.

The investment portfolio was in compliance with all applicable provisions of state law and the adopted investment policy, and contained sufficient liquidity to meet all projected outflows over the next six months. Market value pricings were obtained through Bloomberg LLP, Union Bank of California and included live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the County investment pool and the Treasury Oversight Committee. In addition, the report will be published on the County Treasurer's web site. A monthly report of investment transactions is provided to the Board of Supervisors as required by GC 53607.

FINANCING:

The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. We estimate that the investment earnings in the General Fund will be consistent with budgeted revenue, but at historically low levels, as the Federal Reserve is expected to continue keeping short term interest rates at the current rate of 0.00 - 0.25%.

Prepared by: Eamonn M. Mahar, Investment Officer, x5490

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5474

cc:

County Administrative Office
County Counsel
Auditor-Controller - Internal Audit Section
All depositors
Treasury Oversight Committee

Attachments:

Exhibit A - Investment Portfolio Review - 03.31.13
Exhibit B - Portfolio Management Report - 03.31.13
Exhibit C - Monterey County Historical Yields vs. Benchmarks
Exhibit D - Aging Report - 04.01.13

Exhibit E - Overnight (Liquid) Asset Distribution