

TO: Financial Commission
FROM: Russell J. Morreale, Staff Liaison
SUBJECT: Investment Portfolio Update

RECOMMENDATION:

Accept the presentation of Investment Portfolio through December 31, 2013

BACKGROUND

The Financial Commission periodically reviews quarterly updates of the City's investment portfolio performance as a precursor to its delivery to City Council.

DISCUSSION

The attached internal report presents an update through December 31, 2013 bringing the Commission up to date on the latest quarter of reporting. This report is also augmented by the attached portfolio presentation provided by the City's investment consultant, Carlos Oblites of PFM as a basis for discussion and questions. The presentation by PFM will provide a market update and illustrate the investments in place and made to date as well as a discussion of a forward looking posture.

Attachments:

- A. City Wide Holdings and Investment Ladder December 31, 2013, 2013
- B. Investment Performance Review Fourth Quarter 2013 - PFM

Attachment A

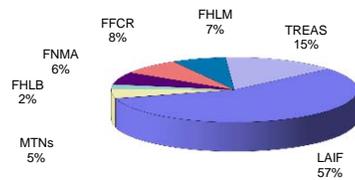
City Wide Holdings and Investment Ladder
December 31, 2013

Attachments A
Citywide Holdings and Investment Ladder
December 31, 2013

31-Dec-13

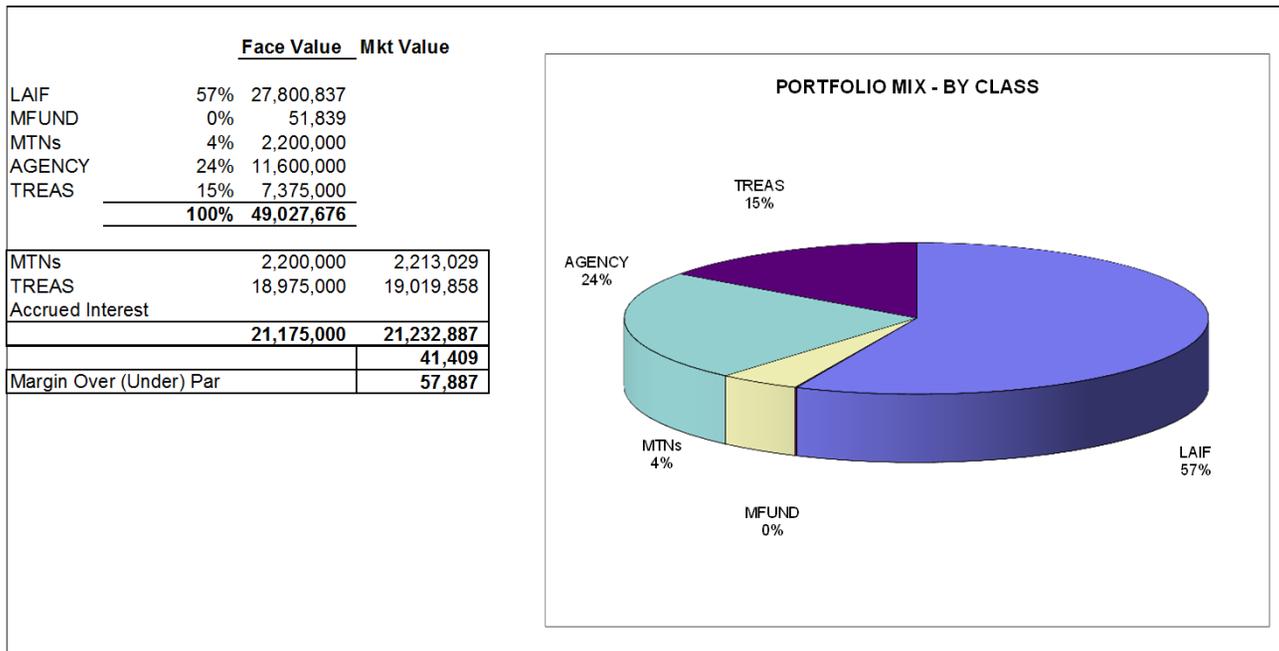
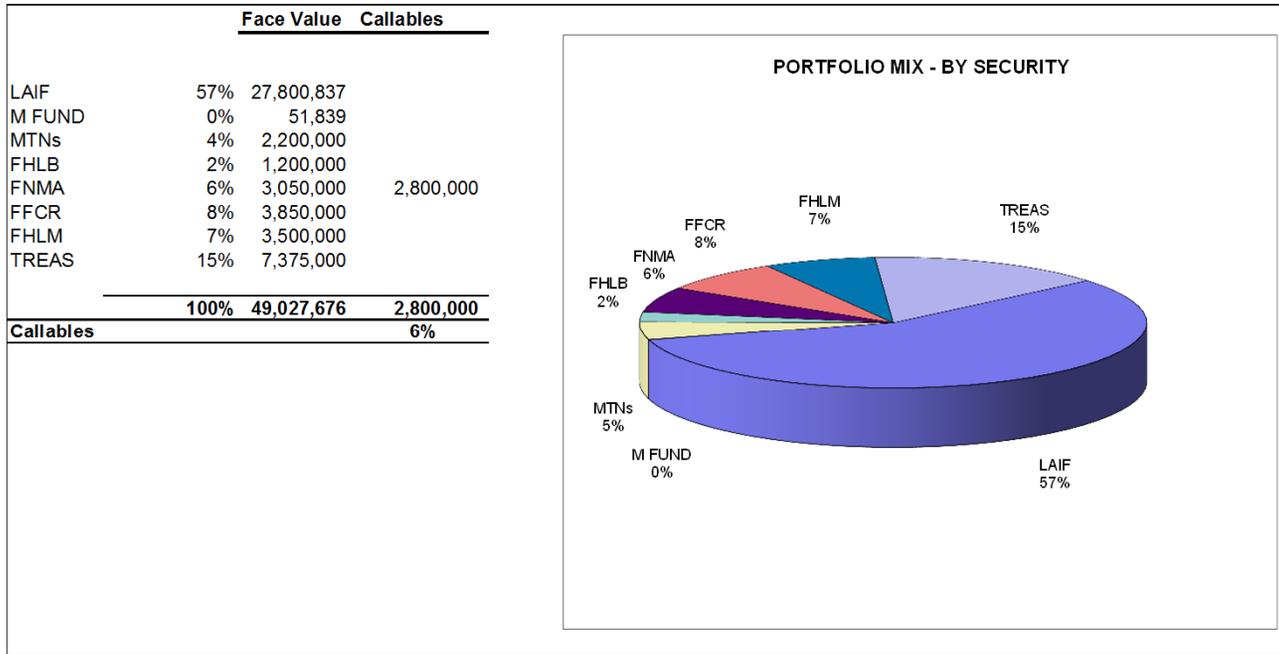
Month	2013				2014				2015				2016			
	YTM	Sec	Call Date	Amount	YTM	Sec	Call Date	Amount	YTM	Sec	Call Date	Amount	YTM	Sec	Call Date	Amount
LAIF	0.26%			27,800,837												
MMKT	0.01%			51,839												
Jan													1/15/2016	0.36%	UT	300,000
Feb													3/30/2016	0.52%	FNMA	750,000
Mar								7/2/2015	0.61%	FNMA	900,000	4/25/2016	0.55%	FNMA	01/25/14	650,000
Apr													4/11/2016	0.52%	Wmart	800,000
May													5/13/2016	0.41%	FHLMC	500,000
Jun													5/13/2016	0.72%	FHLMC	2,000,000
													6/15/2016	0.50%	UT	1,150,000
													6/24/2016	0.77%	FHLB	1,200,000
Jul								7/15/2015	0.38%	UT	750,000	7/15/2016	0.59%	UT	350,000	
								7/15/2015	0.40%	UT	1,000,000					
Aug													8/31/2016	0.60%	UT	525,000
Sep													9/29/2016	0.70%	3M	750,000
								9/8/2015	0.59%	FHLMC	03/18/14	1,000,000				
Oct					10/15/2014	0.49%	UT	1,700,000	10/9/2015	0.78%	CP GE	650,000				
Nov					11/10/2014	0.67%	FFCB	1,000,000	11/16/2015	0.45%	FFCB	1,600,000				
Dec					12/31/2014	0.53%	UT	1,600,000	12/21/2015	0.40%	FNMA	750,000				
													12/28/2015	0.41%	FFCB	1,250,000
Total				\$0				\$4,300,000				\$7,900,000				\$8,975,000
Count/Percent	0		0	0.00%	3		0	35.25%	8		1	64.75%	11		1	73.57%
Avg YTM/Days	0.00%		0		0.56%		322		0.50%		633		0.57%		798	
Total Face Value				\$ -				\$ 4,300,000				\$ 12,200,000				\$ 21,175,000

PORTFOLIO MIX - BY SECURITY



	No of Inv	Ladder Yield	Spread Over LAIF	%	Avg Mat	# of Callables	Face Value
LAIF	1	0.260%	0.000%	57%	0		27,800,837
\$ Mkt Fund	0	0.010%	-0.250%	0%	0		51,839
2010	0	0.000%		0%	0	0	0
2013	0	0.000%	-0.260%	0%	0	0	0
2014	3	0.563%	0.303%	9%	28	0	4,300,000
2015	8	0.503%	0.243%	16%	102	1	7,900,000
2016	11	0.567%	0.307%	18%	146	1	8,975,000
Total	23	0.38%	0.15%	100%	276	2	\$49,027,676
						6%	

Portfolio Mix Charts -December 31, 2013



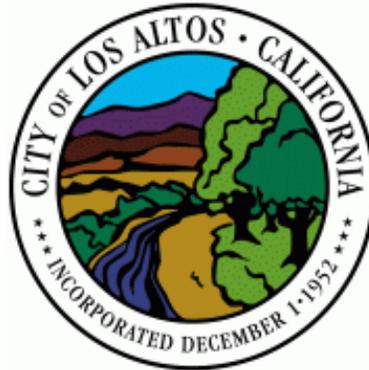
Investment Policy Compliance Chart - December 31, 2013

City Investment	% Mix	Par Value	Latest Term	City Policy \$ Limitation	City Policy % Limitation	CAPACITY	\$ Compliance Yes/No	% Compliance Yes/No	Term Compliance Yes/No
LAIF	57%	27,800,837	04/29/10	50,000,000	100%	22,199,163	Yes	Yes	Yes
M FUND	0%	51,839	08/03/12						
MTNs	4%	2,200,000	01/00/00		15%	5,154,151	Yes	Yes	Yes
FHLB	2%	1,200,000	10/29/12		20%	8,605,535	Yes	Yes	Yes
FNMA	6%	3,050,000	04/05/12		20%	6,755,535	Yes	Yes	Yes
FFCB	8%	3,850,000	01/00/00		20%	5,955,535	Yes	Yes	Yes
FHLM	7%	3,500,000	12/05/11		20%	6,305,535	Yes	Yes	Yes
All Agencies	24%				100%		Yes	Yes	
TREAS	15%	7,375,000	08/05/12		100%	41,652,676	Yes	Yes	Yes
	100%	49,027,676							
All Agencies		24% 11,600,000			100%	37,427,676		Yes	
Callables		6% 2,800,000			35%	14,359,686		Yes	

Attachment B
Investment Performance Review Fourth Quarter 2013 - PFM



City of Los Altos



Investment Performance Review Fourth Quarter 2013

PFM Asset Management LLC

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Summary

- Over the quarter, the labor and housing markets showed signs of considerable improvement, reflecting a strengthening economic recovery and absorbing less of an impact from the temporary government shutdown than what was previously anticipated.
- Yields on intermediate- and longer-term bonds rose as the Federal Reserve (Fed) decided to begin reducing its monthly bond purchases.
- The U.S. Senate confirmed Janet Yellen, current vice chair of the Fed, to succeed Ben Bernanke when his term expires at the end of January 2014.

Economic Snapshot

- Third-quarter U.S. gross domestic product (GDP) growth was 4.1%, marking its fastest pace in two years as personal consumption and inventories exceeded expectations. Inflation, as measured by the Personal Consumption Expenditures (PCE) index, was mostly unchanged at an annualized rate of 0.9%.
- U.S. retail sales were strong, increasing by 0.7% in November and marking the largest gain in five months.
- In the housing market, new home sales, housing starts, and building permits all reached five-year highs during the quarter. Home prices also marched higher, with the S&P Case-Shiller Index reporting that prices for homes in 20 U.S. cities had increased 13.6% year over year in October—the largest 12-month gain since February 2006.
- In the euro zone, the pace of economic activity picked up, with December results from the Markit purchasing managers index (PMI) showing the second-largest increase in business activity since June 2011 and the best quarter in two-and-a-half years.

Interest Rates

- At its December 17-18 meeting, the Federal Open Market Committee (FOMC) announced that it would begin tapering its bond-buying programs. The FOMC decided it would reduce its purchases of Treasuries and mortgage-backed securities each by \$5 billion a month beginning in January. Throughout 2013, the FOMC has bought \$85 billion of these securities each month to keep downward pressure on long-term interest rates. The FOMC announcement left the federal funds target rate unchanged.
- The FOMC's outlook seemed to take its cue from the flow of positive economic data, as the Committee raised its GDP forecasts for the coming years and reduced its projections for the unemployment rate.
- Interest rates seem to be on a path towards normalization from record lows as the Fed gradually unwinds its unprecedented monetary policy actions.

Sector Performance

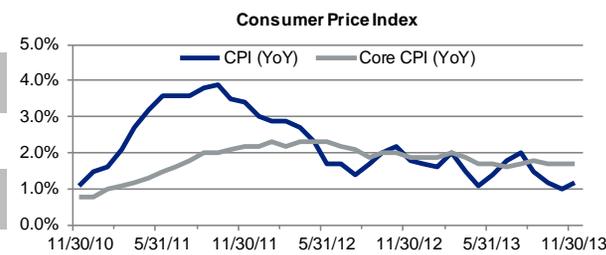
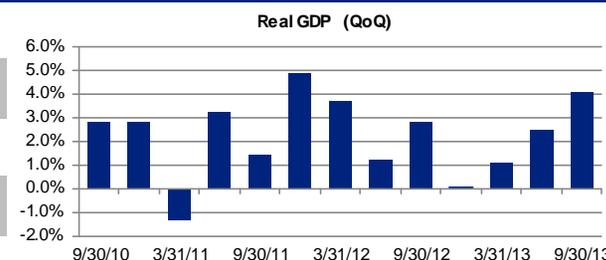
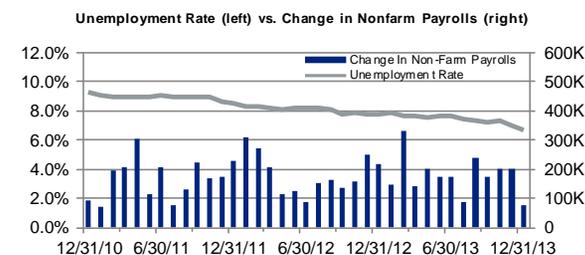
- Treasuries sold off during the quarter as interest rates resumed their move to higher levels.
- As was the case last quarter, fixed-income securities that were perceived to have the most risk (such as corporate bonds with the lowest credit ratings) performed best. On the other hand, U.S. Treasuries were the worst performers, with longer-term Treasuries hit especially hard.
- Within short to intermediate maturities, municipal bonds performed best in December due to a lack of supply and an increase in demand.

Economic Snapshot

Labor Market		Latest	Sep 2013	Dec 2012
Unemployment Rate	Dec'13	6.7%	7.2%	7.8%
Change In Non-Farm Payrolls	Dec'13	74,000	175,000	219,000
Average Hourly Earnings (YoY)	Dec'13	1.8%	2.1%	2.1%
Personal Income (YoY)	Nov'13	2.3%	3.9%	7.9%
Initial Jobless Claims (week)	Dec 27	339,000	308,000	372,000

Growth				
Real GDP (QoQ SAAR)	2013 Q3	4.1%	2.5% ¹	0.1% ²
GDP Personal Consumption (QoQ SAAR)	2013 Q3	2.0%	1.8% ¹	1.7% ²
Retail Sales (YoY)	Nov'13	4.7%	3.5%	5.2%
ISM Manufacturing Survey (month)	Dec'13	57.0	56.2	50.2
Existing Home Sales SAAR (month)	Nov'13	4.90 mil.	5.29 mil.	4.90 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Nov'13	0.9%	0.9%	1.5%
Consumer Price Index (YoY)	Nov'13	1.2%	1.2%	1.7%
Consumer Price Index Core (YoY)	Nov'13	1.7%	1.7%	1.9%
Crude Oil Futures (WTI, per barrel)	Dec 31	\$98.42	\$102.33	\$91.82
Gold Futures (oz)	Dec 31	\$1,202	\$1,327	\$1,676



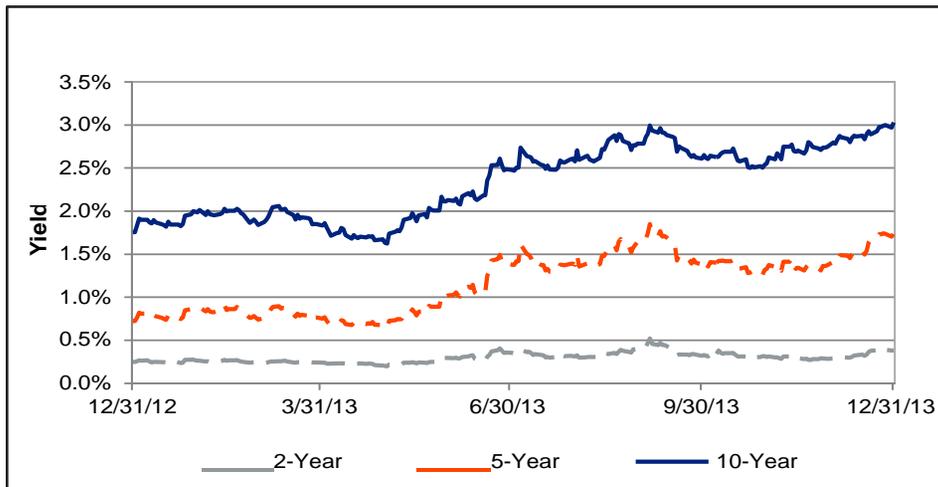
1. Data as of Second Quarter 2013 2. Data as of Fourth Quarter 2012

Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

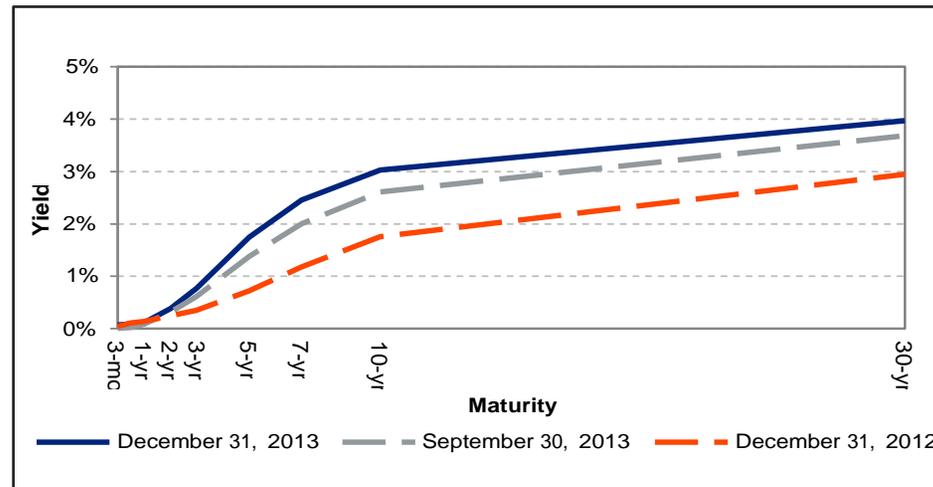
Source: Bloomberg

Interest Rate Overview

U.S. Treasury Note Yields



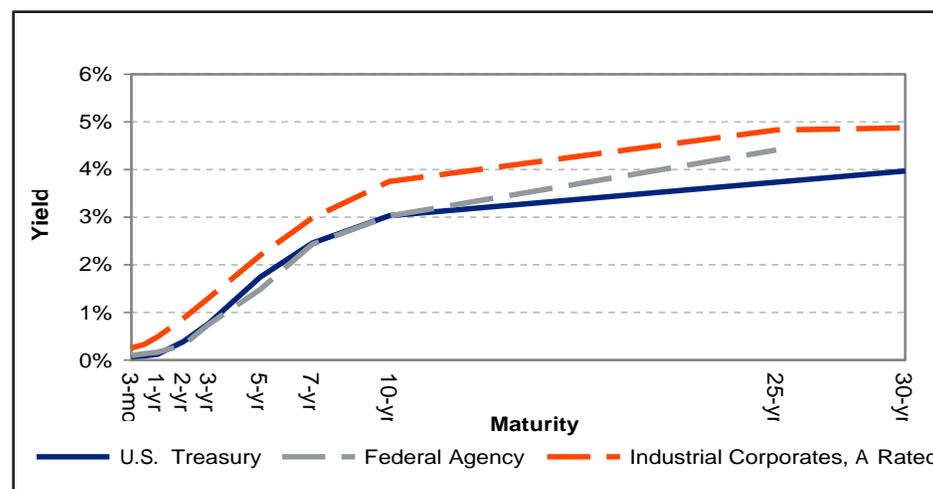
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	12/31/13	9/30/13	Change over Quarter	12/31/12	Change over Year
3-month	0.07%	0.01%	+0.06%	0.04%	+0.03%
1-year	0.14%	0.11%	+0.03%	0.14%	+0.00%
2-year	0.36%	0.32%	+0.04%	0.27%	+0.09%
5-year	1.76%	1.39%	+0.37%	0.74%	+1.02%
10-year	3.11%	2.67%	+0.44%	1.81%	+1.30%
30-year	3.97%	3.68%	+0.29%	2.94%	+1.03%

Yield Curves as of 12/31/13



Source: Bloomberg

BofA Merrill Lynch Index Returns

	As of 12/31/2013		Returns for Periods ended 12/31/2013		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.91	0.40%	0.06%	0.36%	0.78%
Federal Agency	1.77	0.49%	0.15%	0.42%	0.93%
U.S. Corporates, A-AAA rated	1.85	0.91%	0.46%	1.41%	2.34%
Agency MBS (0 to 3 years)	1.80	1.06%	0.82%	0.85%	1.87%
Municipals	1.81	0.59%	0.34%	1.07%	1.49%
1-5 Year Indices					
U.S. Treasury	2.70	0.76%	(0.11%)	(0.19%)	1.35%
Federal Agency	2.48	0.83%	0.11%	0.03%	1.28%
U.S. Corporates, A-AAA rated	2.76	1.46%	0.52%	1.14%	3.16%
Agency MBS (0 to 5 years)	3.42	2.55%	0.49%	0.00%	2.51%
Municipals	2.55	0.93%	0.55%	1.24%	2.17%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	5.61	1.64%	(0.92%)	(3.35%)	2.72%
Federal Agency	3.97	1.47%	(0.20%)	(1.79%)	1.93%
U.S. Corporates, A-AAA rated	6.40	2.86%	0.63%	(1.87%)	4.70%
Agency MBS (0 to 30 Years)	5.57	3.18%	(0.47%)	(1.39%)	2.40%
Municipals	8.09	3.50%	0.37%	(2.89%)	5.01%

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Index System

PFM[®] Quarterly Commentary

Fourth Quarter 2013

Fixed Income
Management

Disclosures

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PFM Asset Management LLC

Portfolio Summary

<u>Total Portfolio Value</u>	<u>December 31, 2013</u>
Market Value	\$49,107,103.57
Amortized Cost	\$49,076,918.54

PORTFOLIO RECAP

- Our investment strategy was based on the view that interest rates would eventually rise in anticipation of a tapering of the Federal Reserve's large-scale bond purchase program, after being surprised by no such action in Q3. We expected that growth in the U.S. economy would be sufficient to support such a move in late 2013 or early 2014. The key pillars of our strategy for Q4 included:
 - Maintaining a defensive posture, positioning portfolio durations shorter than benchmarks
 - Continuing to emphasize investment-grade credit instruments (e.g., corporates, bank CDs) that benefit from favorable credit market conditions that include strong balance sheets, historically low funding rates, and strengthening economic conditions in the U.S. and most developed markets around the globe
 - Generally cautious toward investments with optionality that could underperform if rates spiked and make duration management
 - Maintaining a more laddered maturity distribution in recognition of the potential for the yield curve to steepen
 - Carefully monitoring yield spreads, which caused some sectors and maturities to narrow to a point where it no longer made sense to hold them
- Yields drifted modestly lower in October and November, then jumped sharply in anticipation of the Fed's tapering of bond purchases. Longer-term yields ended the quarter near their highs for the year. Our shorter-duration strategy was the right one, but the magnitude of the yield increases in December dampened all fixed-income returns for the quarter.
- Corporates performed well again in Q4, benefitting from higher initial yields and modest spread compression. While we maintained appropriate diversification, we continued to emphasize issuers in the banking and financial sectors, which offered the best return potential. Strong demand for the sector's incremental yield constrained supply, making it difficult to meet targeted allocations. Corporate spreads ended the quarter at their tightest levels of the year, which further narrowed the universe of securities with attractive valuations.
- Agency yield spreads continued to contract from already record tight levels. At the beginning of Q4, value could still be found in Agency bonds maturing in 3 years, but by the end of the quarter, yield spreads on Agencies 3 years and shorter were close to zero. Additionally, average daily trading volume of Agency debt declined by 32% in 2013 compared to 2012, creating something of a scarcity premium that decreased the sector's relative value.
- For short maturities (under 1 year), we found value in commercial paper and Negotiable CDs. Where feasible, we looked for opportunities to swap low-yielding Treasury and Agency holdings into higher-yielding securities in various money market sectors.
- Although we have been avoiding securities with imbedded call options all year, we did reestablish small positions in callable agencies when our analysis indicated the additional yield compensated for the call risk under expected market conditions.

Portfolio Summary

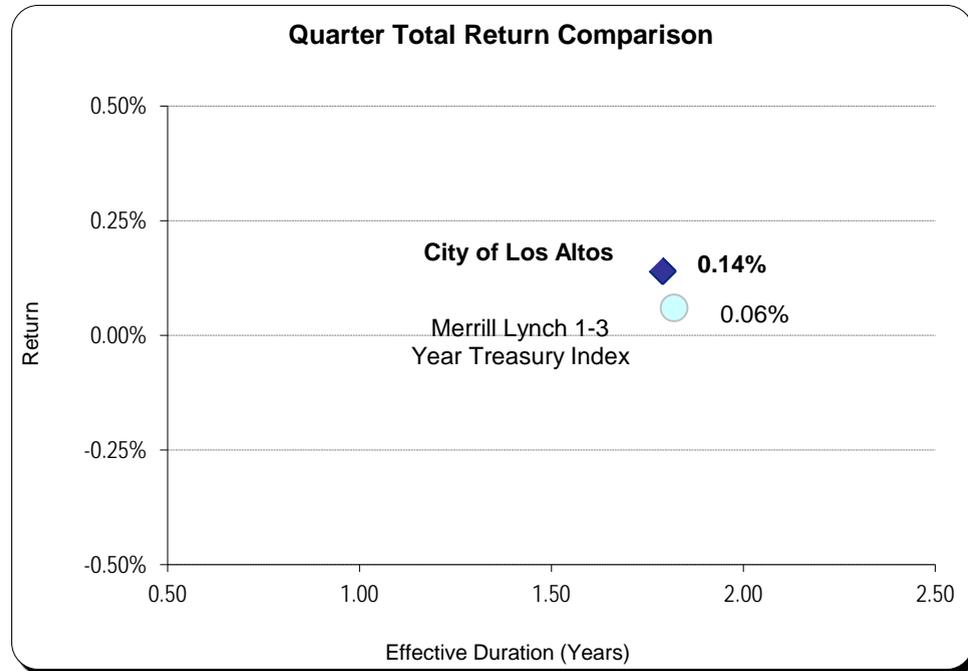
PORTFOLIO STRATEGY

- It is our expectation that the sources of excess return in 2014 will differ from those that drove relative performance in 2013.
- If rates rise as the Fed withdraws its extraordinary monetary stimulus, negative returns on longer maturities may become unavoidable for short periods. After the adjustment, portfolios will be in a much better position to generate higher earnings going forward. Active duration management will be a critical aspect of our strategy in early 2014 to mitigate the effects of rate normalization and to maximize relative performance. This will be balanced, however, by recognizing the enhanced earnings potential imbedded in a steeper yield curve.
- Agency yields spreads have little value in most shorter maturities, so the search for value will need to encompass a wider net amongst the universe of high quality investments.
- Corporate bonds were a primary source of outperformance in 2013 due to both higher initial yields (so called “positive carry”) and capital appreciation from spread tightening. With corporate spreads now at the tightest levels in recent years, further improvement is unlikely. Corporates should, however, continue to provide superior income return in 2014 and benefit from rolling down the yield curve.
- Abundant supply was rare in municipals even as local governments rushed to take advantage of historically low rates. If rates climb further, municipal issuance is likely to slow further. In 2014, opportunities in municipals may become more sporadic if net issuance declines.
- As always, we seek to maximize portfolio value through careful and prudent active management. Our strategy will remain flexible and may change in response to changes in interest rates, emerging economic data, or our market outlook.

Portfolio Performance

Total Return ^{1,2,3,4}	Quarter Ended 12/31/2013	Past 12 Months	Past 2 Years	Since Inception
City of Los Altos	0.14%	0.40%	0.51%	0.77%
Merrill Lynch 1-3 Year Treasury Index	0.06%	0.36%	0.40%	0.88%

<u>Effective Duration</u> ⁴	<u>December 31, 2013</u>	<u>September 30, 2013</u>	<u>Yields</u> ⁴	<u>December 31, 2013</u>	<u>September 30, 2013</u>
City of Los Altos	1.79	1.78	Yield on Cost	0.55%	0.59%
Merrill Lynch 1-3 Year Treasury Index	1.83	1.82	ML 1-3 Year Yield on Cost	0.38%	0.25%

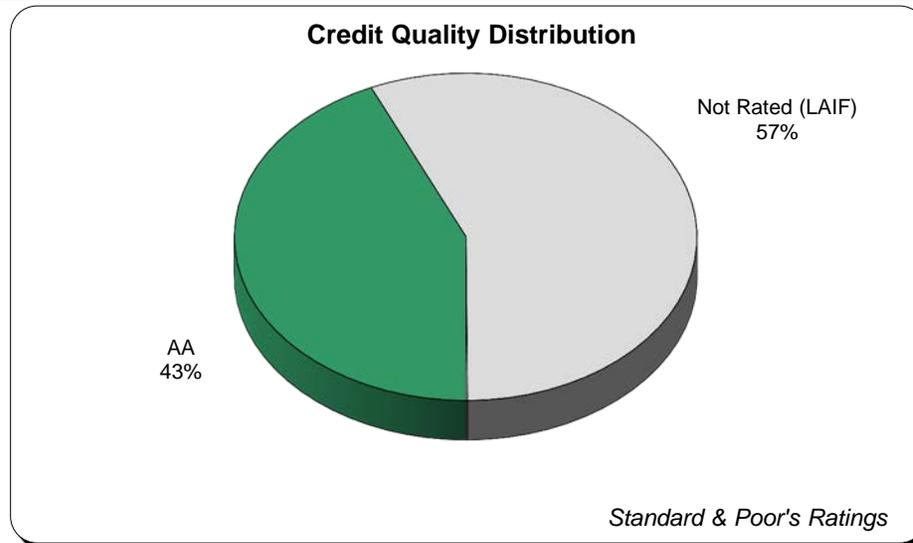
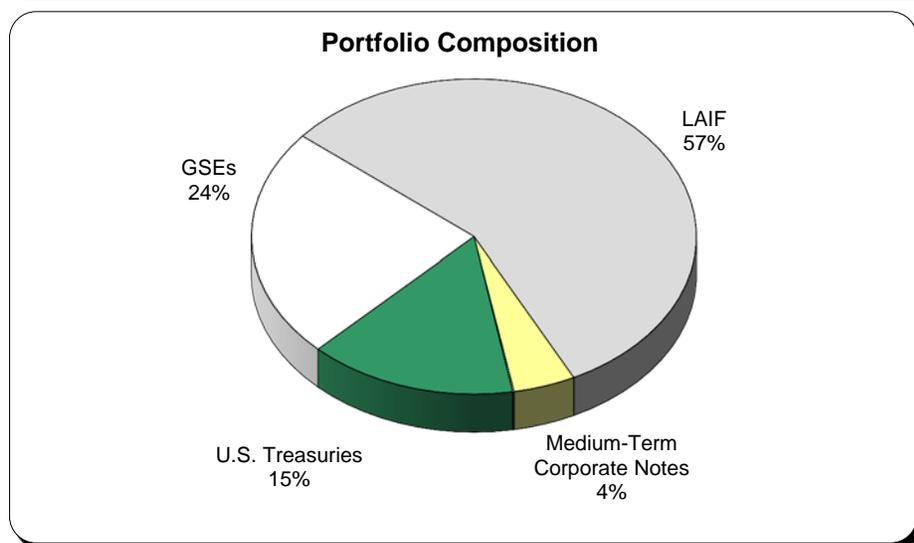


Notes:

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
3. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than 1 year are presented on an annualized basis.
4. Inception date is 6/30/2010

Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>December 31, 2013</u>	<u>% of Portfolio</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>	<u>Permitted by Policy</u>
U.S. Treasuries	\$7,430,338.45	15.1%	\$7,275,184.45	14.7%	100%
Federal Agencies	\$11,606,099.87	23.6%	\$12,005,227.52	25.7%	100%
LAIF	\$27,800,836.68	56.6%	\$28,281,300.61	57.1%	100%
Medium-Term Corporate Notes	\$2,217,989.91	4.5%	\$1,453,136.64	2.9%	30%
Money Market Fund	\$51,838.66	0.1%	\$542,295.10	1.1%	20%
Totals	\$49,107,103.57	100%	\$49,557,144.32	100.0%	

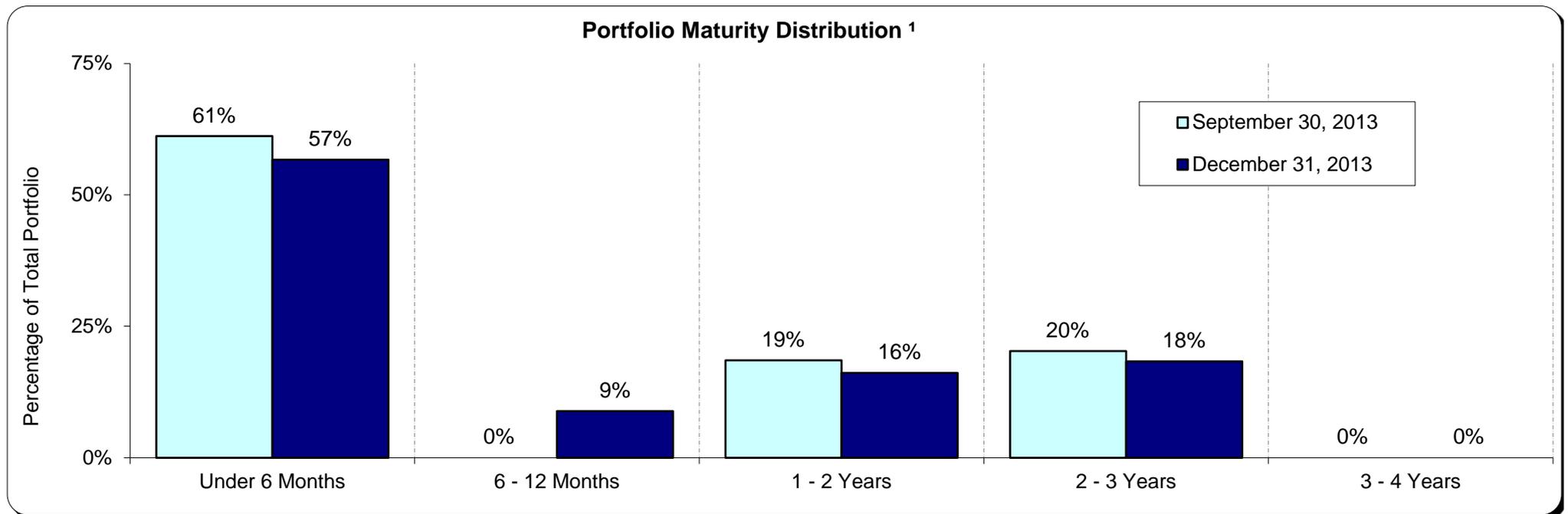


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government sponsored enterprises including, but not limited to Fannie Mae, Freddie Mac, Federal Home Loan Bank system and Federal Farm Credit Banks.
3. Debt guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program and backed by the full faith and credit of the United States.
4. Excludes LAIF

Portfolio Maturity Distribution

<u>Maturity Distribution</u> ¹	<u>December 31, 2013</u>	<u>September 30, 2013</u>
Under 6 Months	\$27,852,675.34	\$30,328,187.86
6 - 12 Months	\$4,350,031.85	\$0.00
1 - 2 Years	\$7,914,306.15	\$9,182,501.51
2 - 3 Years	\$8,990,090.23	\$10,046,454.95
3 - 4 Years	\$0.00	\$0.00
4 - 5 Years	\$0.00	\$0.00
5 Years and Over	\$0.00	\$0.00
Totals	\$49,107,103.57	\$49,557,144.32



Notes:

1. Callable securities, if any, in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2013**

CITY OF LOS ALTOS INVESTMENT PORTFOLIO

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 10/17/2011 0.500% 10/15/2014	912828RL6	1,700,000.00	AA+	Aaa	03/23/12	03/26/12	1,700,531.25	0.49	1,821.43	1,700,164.22	1,704,780.40
US TREASURY NOTES DTD 12/31/2009 2.625% 12/31/2014	912828ME7	1,600,000.00	AA+	Aaa	03/23/12	03/26/12	1,691,937.50	0.53	116.02	1,633,330.69	1,638,875.00
US TREASURY NOTES DTD 07/16/2012 0.250% 07/15/2015	912828TD2	750,000.00	AA+	Aaa	06/27/13	06/28/13	748,007.81	0.38	866.17	748,501.76	750,029.25
US TREASURY NOTES DTD 07/16/2012 0.250% 07/15/2015	912828TD2	1,000,000.00	AA+	Aaa	08/20/12	08/22/12	995,625.00	0.40	1,154.89	997,670.89	1,000,039.00
US TREASURY NOTES DTD 01/15/2013 0.375% 01/15/2016	912828UG3	300,000.00	AA+	Aaa	01/15/13	01/17/13	300,128.91	0.36	519.70	300,087.89	299,882.70
US TREASURY NOTES DTD 06/17/2013 0.500% 06/15/2016	912828VG2	1,150,000.00	AA+	Aaa	12/19/13	12/24/13	1,150,134.77	0.50	268.54	1,150,133.58	1,148,831.60
US TREASURY NOTES DTD 07/15/2013 0.625% 07/15/2016	912828VL1	350,000.00	AA+	Aaa	07/22/13	07/23/13	350,382.81	0.59	1,010.53	350,326.69	350,437.50
US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	525,000.00	AA+	Aaa	10/21/13	10/22/13	530,947.27	0.60	1,783.84	530,542.34	529,921.88
Security Type Sub-Total		7,375,000.00					7,467,695.32	0.48	7,541.12	7,410,758.06	7,422,797.33
Federal Agency Bond / Note											
FEDERAL FARM CREDIT BANK BONDS DTD 11/10/2011 0.600% 11/10/2014	31331K086	1,000,000.00	AA+	Aaa	11/14/11	11/16/11	998,030.00	0.67	850.00	999,429.36	1,003,589.00
FANNIE MAE GLOBAL NOTES DTD 05/21/2012 0.500% 07/02/2015	3135G0LN1	900,000.00	AA+	Aaa	05/24/12	05/25/12	896,958.00	0.61	2,237.50	898,519.22	902,151.90
FREDDIE MAC GLOBAL NOTES (CALLABLE) DTD 09/18/2013 0.550% 09/18/2015	3134G4G36	1,000,000.00	AA+	Aaa	09/10/13	09/18/13	999,200.00	0.59	1,573.61	999,313.94	1,000,611.00
FEDERAL FARM CREDIT BANK BONDS DTD 12/27/2012 0.430% 11/16/2015	3133ECBJ2	1,600,000.00	AA+	Aaa	12/19/12	12/27/12	1,599,264.00	0.45	860.00	1,599,520.37	1,600,742.40
FANNIE MAE GLOBAL NOTES DTD 11/16/2012 0.375% 12/21/2015	3135G0SB0	750,000.00	AA+	Aaa	01/15/13	01/17/13	749,415.00	0.40	78.13	749,605.30	748,852.50



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2013**

CITY OF LOS ALTOS INVESTMENT PORTFOLIO

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FEDERAL FARM CREDIT BANK BONDS DTD 12/28/2012 0.440% 12/28/2015	3133ECBD5	1,250,000.00	AA+	Aaa	01/15/13	01/17/13	1,251,122.50	0.41	45.83	1,250,760.21	1,250,770.00
FANNIE MAE GLOBAL NOTES DTD 02/15/2013 0.500% 03/30/2016	3135G0VA8	750,000.00	AA+	Aaa	10/21/13	10/22/13	749,587.50	0.52	947.92	749,619.84	749,193.75
FANNIE MAE (CALLABLE) GLOBAL NOTES DTD 04/25/2013 0.580% 04/25/2016	3135G0WF6	650,000.00	AA+	Aaa	04/17/13	04/25/13	650,650.00	0.55	691.17	650,000.00	648,247.60
FREDDIE MAC GLOBAL NOTES DTD 03/07/2013 0.500% 05/13/2016	3137EADQ9	500,000.00	AA+	Aaa	04/17/13	04/18/13	501,325.00	0.41	333.33	501,023.01	499,395.00
FREDDIE MAC GLOBAL NOTES DTD 03/07/2013 0.500% 05/13/2016	3137EADQ9	2,000,000.00	AA+	Aaa	06/27/13	06/28/13	1,987,780.00	0.72	1,333.33	1,989,924.54	1,997,580.00
FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 05/10/2013 0.375% 06/24/2016	3133834R9	1,200,000.00	AA+	Aaa	06/27/13	06/28/13	1,186,020.00	0.77	87.50	1,188,375.28	1,195,928.40
Security Type Sub-Total		11,600,000.00					11,569,352.00	0.57	9,038.32	11,576,091.07	11,597,061.55
Corporate Note											
GENERAL ELECTRIC CO NOTES DTD 10/09/2012 0.850% 10/09/2015	369604BE2	650,000.00	AA+	Aa3	10/19/12	10/24/12	651,287.00	0.78	1,258.47	650,774.70	653,035.50
WAL-MART STORES INC GLOBAL NOTES DTD 04/11/2013 0.600% 04/11/2016	931142DE0	800,000.00	AA	Aa2	04/17/13	04/22/13	801,848.00	0.52	1,066.67	801,420.14	798,837.60
3M CORP NOTES DTD 09/29/2011 1.375% 09/29/2016	88579YAD3	750,000.00	AA-	Aa2	12/19/13	12/24/13	763,755.00	0.70	2,635.42	763,659.23	761,156.25
Security Type Sub-Total		2,200,000.00					2,216,890.00	0.66	4,960.56	2,215,854.07	2,213,029.35
Managed Account Sub-Total		21,175,000.00					21,253,937.32	0.55	21,540.00	21,202,703.20	21,232,888.23
Securities Sub-Total		\$21,175,000.00					\$21,253,937.32	0.55%	\$21,540.00	\$21,202,703.20	\$21,232,888.23
Accrued Interest											\$21,540.00
Total Investments											\$21,254,428.23