CONSENT CALENDAR

Agenda Item # 3

AGENDA REPORT SUMMARY

Meeting Date: February 27, 2018

Subject: Quarterly Investment Portfolio Report – Quarter Ended September 2017

Prepared by: Sharif Etman, Administrative Services Director
Approved by: Chris Jordan, City Manager

Attachment(s):
1. Portfolio Mix Charts
2. Investment Policy Compliance Chart
3. Investment Performance Review Quarter Ended September 30, 2017

Initiated by: Staff

Fiscal Impact: None

Environmental Review: Not applicable

Policy Question(s) for Council Consideration:
- None

Summary:
- This report presents the status of the City's investment portfolio through September 30, 2017. The reporting model has been developed in coordination with PFM Asset Management LLC (PFM), the City's investment portfolio managers.

Staff Recommendation:
Receive the Investment Portfolio Report through September 30, 2017

Subject: Quarterly Investment Portfolio Report – Quarter Ended September 30, 2017

Purpose

These quarterly reports are presented to both the City Council and the Financial Commission to keep both bodies apprised as to the status of the City's investment holding and demonstrate compliance with the City's Investment Policy.

Background

A review of the Investment Portfolio Report Quarter Ended September 30, 2017 was presented and discussed by the Financial Commission.

Discussion/Analysis

The summary provided below presents the sum total of all City investment holdings. The City's portfolio book value, excluding operating cash and bond holdings as of September 30, 2017, was $61,398,295.

As of September 30, 2017, 18% of the City's portfolio was placed in Federal Agency Securities (Fannie Mae, Federal Home Loan Bank, Federal Home Loan Mortgage and Federal Farm Credit), 33% in US Treasuries, and 13% in medium-term corporate Notes and Commercial Paper, 15% in Certificate of Deposits, with the balance of 22% in LAIF. This portfolio mix is illustrated as part of Attachment 1.

Full compliance with the City's Investment Policy is monitored closely and on a per trade basis as illustrated in Attachment 2. In accordance with California Government Code 53646(b)(3), the City of Los Altos has the ability to meet its pool expenditure requirements for the next six months.

As part of these quarterly updates, a status report is prepared by PFM which is included as Attachment 3: Investment Performance Review for the Quarter Ended September 30, 2017. It is important to note that this report highlights the performance of City investments that fall outside its liquid holdings with LAIF. This has been intentionally crafted to isolate the performance of the City's independently managed investments. The total return of the portfolio since inception is 0.81%, which is highlighted on page 10, of the PFM Investment Review Report (Attachment 3).

Options

1. Receive the Investment Portfolio Report Quarter Ended September 30, 2017

Advantages: None

Disadvantages: None

2. Do not receive the Investment Portfolio Report Quarter Ended September 30, 2017

Advantages: None

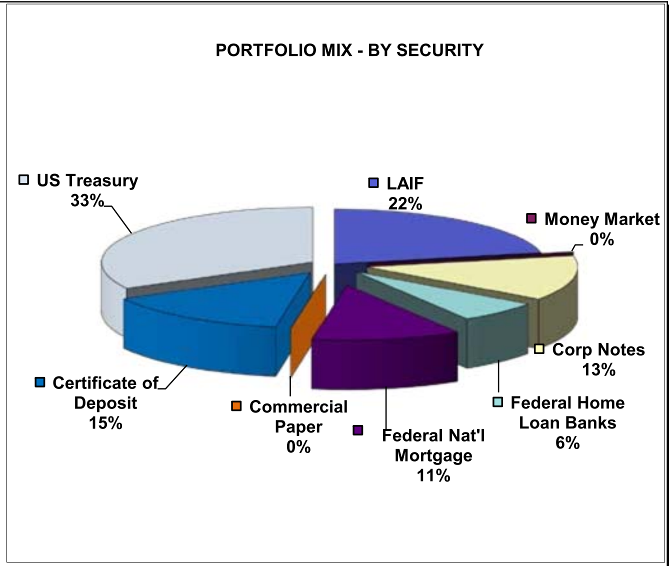
Disadvantages: None

Recommendation

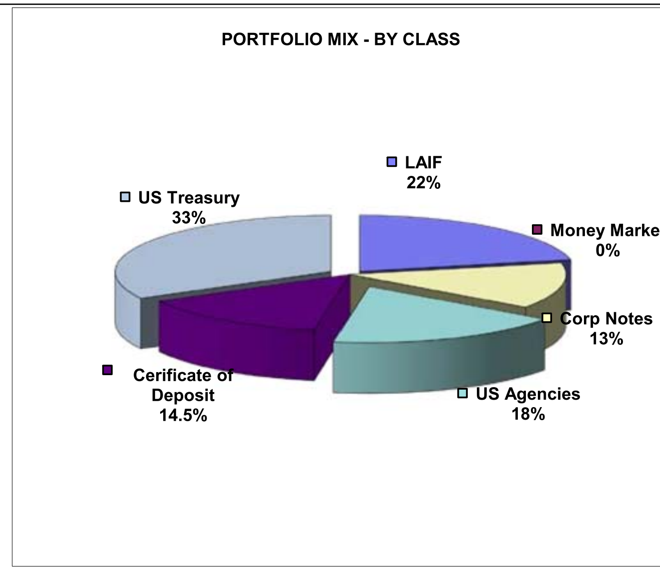
The staff recommends Option 1.

Attachment 1
Portfolio Mix Charts
Sept 2017

Security Type	% of Total	Portfolio Mix By Security
LAIF	22%	13,301,861
Money Market	0%	31,434
Corp Notes	13%	8,115,000
Federal Home Loan Banks	6%	**3,875,000**
Federal Nat'l Mortgage	11%	**6,975,000**
Commercial Paper	0%	-
Certificate of Deposit	15%	8,915,000
US Treasury	33%	20,185,000
	100%	**61,398,295**



Security Type	% of Total	Portfolio Mix Par Value	Market Value
LAIF	22%	13,301,861	13,301,861
Money Market	0%	31,434	31,434
Corp Notes	13%	8,115,000	8,127,490
US Agencies	18%	10,850,000	10,771,795
Cerificate of Deposit	15%	8,915,000	8,924,610
US Treasury	33%	20,185,000	20,157,354
	100%	**61,398,295**	**61,314,543**
Corp Notes		8,115,000	8,127,490
US Treasury/Agencies		31,035,000	30,929,149
Ceritifcate of Deposit		8,915,000	8,924,610
Accrued Interest		-	201,432
		48,065,000	**48,182,680**
Margin Over (Under) Par			**117,680**



Attachment 2
Investment Policy Compliance Chart
Sept 2017

City Investment	% Mix		Face Value	Latest Term	City Policy $ Limitation	City Policy % Limitation	CAPACITY	% Compliance Yes/No	Term Compliance Yes/No
LAIF	22%		13,301,861	09/30/22	50,000,000	100%	36,698,139	Yes	N/A
Money Market	0%		31,434	09/30/22		20%	12,248,225	Yes	N/A
Corp Notes	13%		8,115,000	09/30/22		15%	1,094,744	Yes	Yes
Federal Agencies	18%		10,850,000	09/30/22		100%	50,548,295	Yes	Yes
Commercial Paper	0%		-	09/30/22		15%	9,209,744.25	Yes	Yes
Certificate of Depos	15%		8,915,000	09/30/21		50%	21,784,147.52	Yes	Yes
US Treasury	33%		20,185,000	09/30/22		100%	14,198,045	Yes	Yes
	100%		**61,398,295**						
All Agencies		65%	39,950,000			100%	21,448,295.03	Yes	
Callables			650,000			35%	20,839,403	Yes	

pfm

CITY OF LOS ALTOS

Investment Performance Review
For the Quarter Ended September 30, 2017

Client Management Team

Monique Spyke, Managing Director

Izac Chyou, Senior Managing Consultant

PFM Asset Management LLC

50 California Street, Suite 2300
San Francisco, CA 94111
415-982-5544

One Keystone Plaza, Suite 300
Harrisburg, PA 17101-2044
717-232-2723

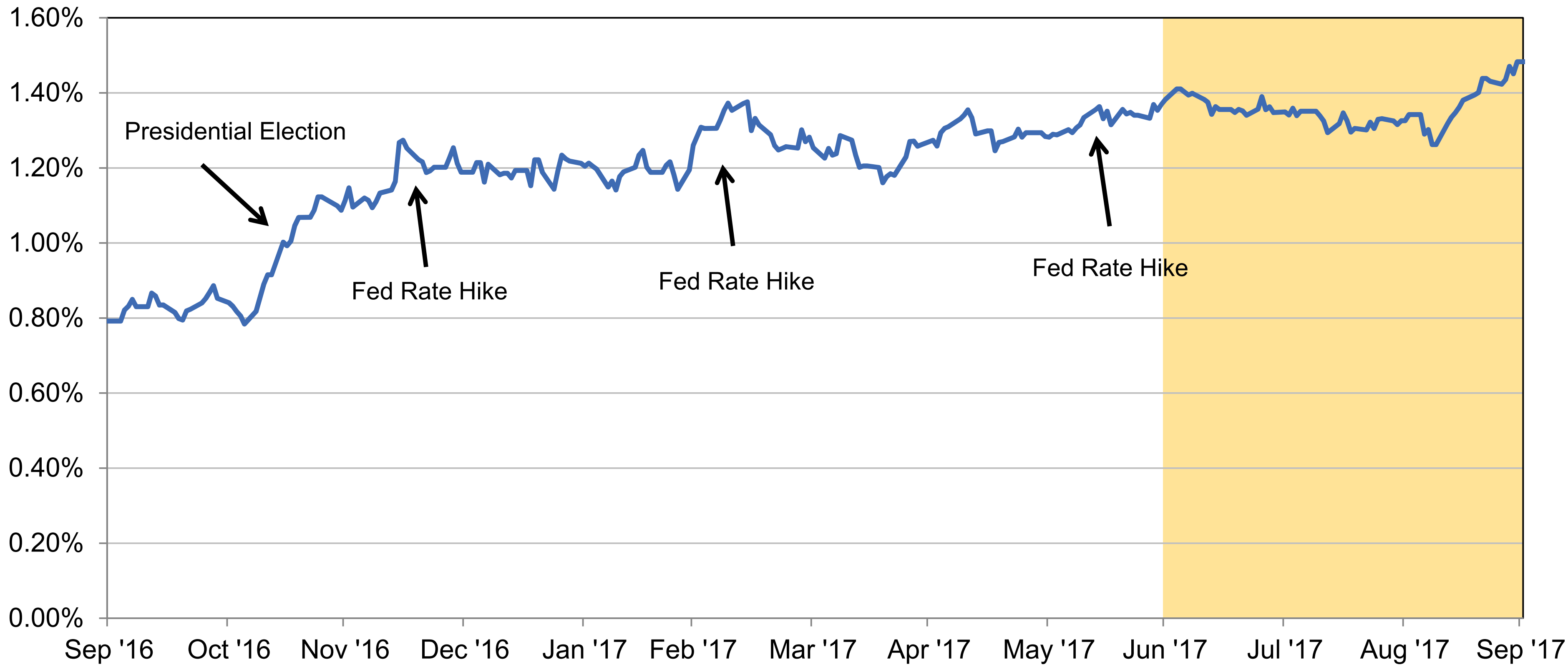
ATTACHMENT 3

Market Update

Interest Rate Update

- Two-year treasury yields moved modestly higher towards the end of the quarter, possibly due to heightened expectations of another rate hike and a tax overhaul that could increase government borrowing.

2-Year Treasury Yields
September 30, 2016 – September 30, 2017

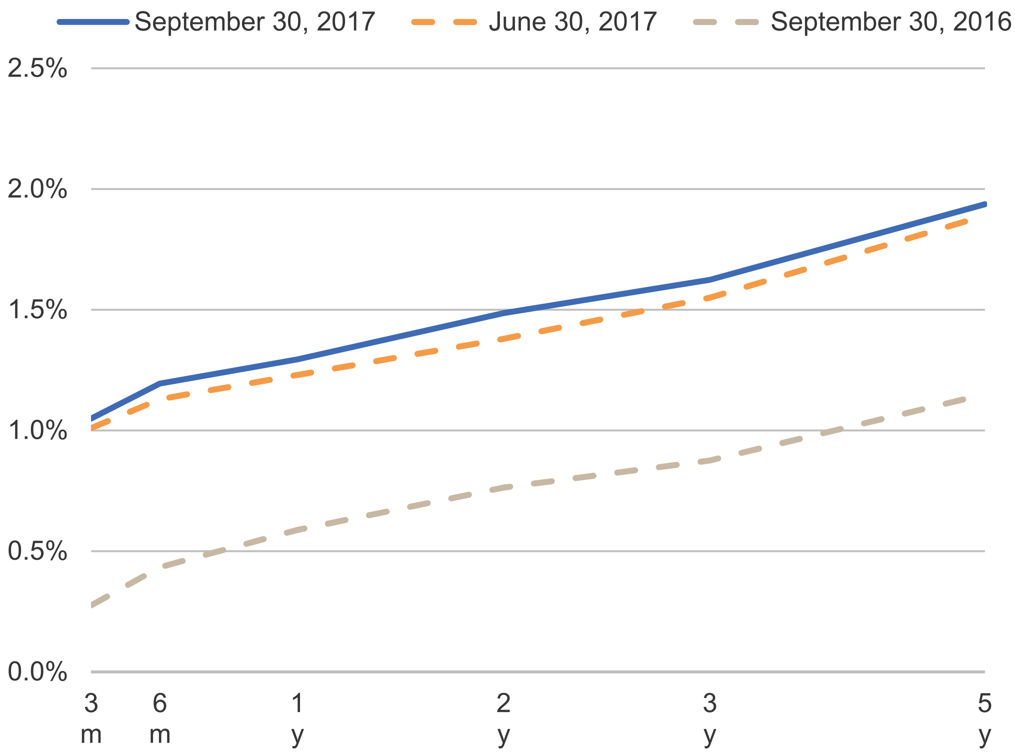


Source: Bloomberg, as of 9/30/17.

Short-Term Yields Higher but Curve Flatter in Third Quarter

- Treasury yields are substantially higher compared to a year ago. Short-term yields continue to rise in response to the Fed raising rates in their efforts to normalize policy. Longer-term yields still remain relatively low in response to lower inflation and growth expectations.

U.S. Treasury Yield Curve



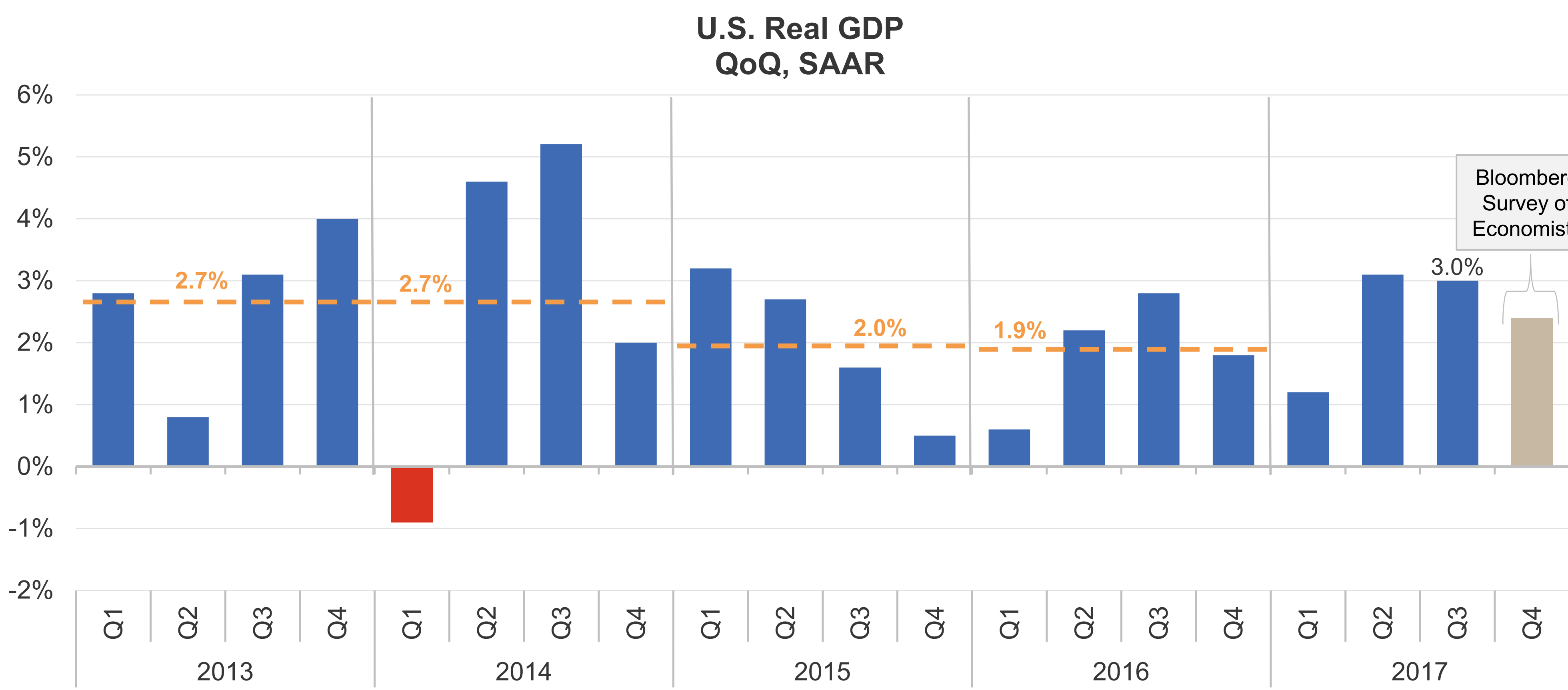
Yield Curve History

Maturity	6/30/17	9/30/17	Change
3-Mo.	1.01	1.05	0.04
6-Mo.	1.13	1.19	0.06
1-Yr.	1.23	1.29	0.06
2-Yr.	1.38	1.49	0.11
3-Yr.	1.55	1.62	0.07
5-Yr.	1.89	1.94	0.05
10-Yr.	2.31	2.33	0.02
20-Yr.	2.61	2.60	0.01
30-Yr.	2.84	2.86	0.02

Source: Bloomberg, as of 9/30/17.

Economic Growth

- Gross domestic product (GDP) increased at an annualized rate of 3.0% in the third quarter of 2017.
- Third quarter GDP remained strong, supported by an increase in consumer and business spending, despite the impact from hurricanes Harvey and Irma.

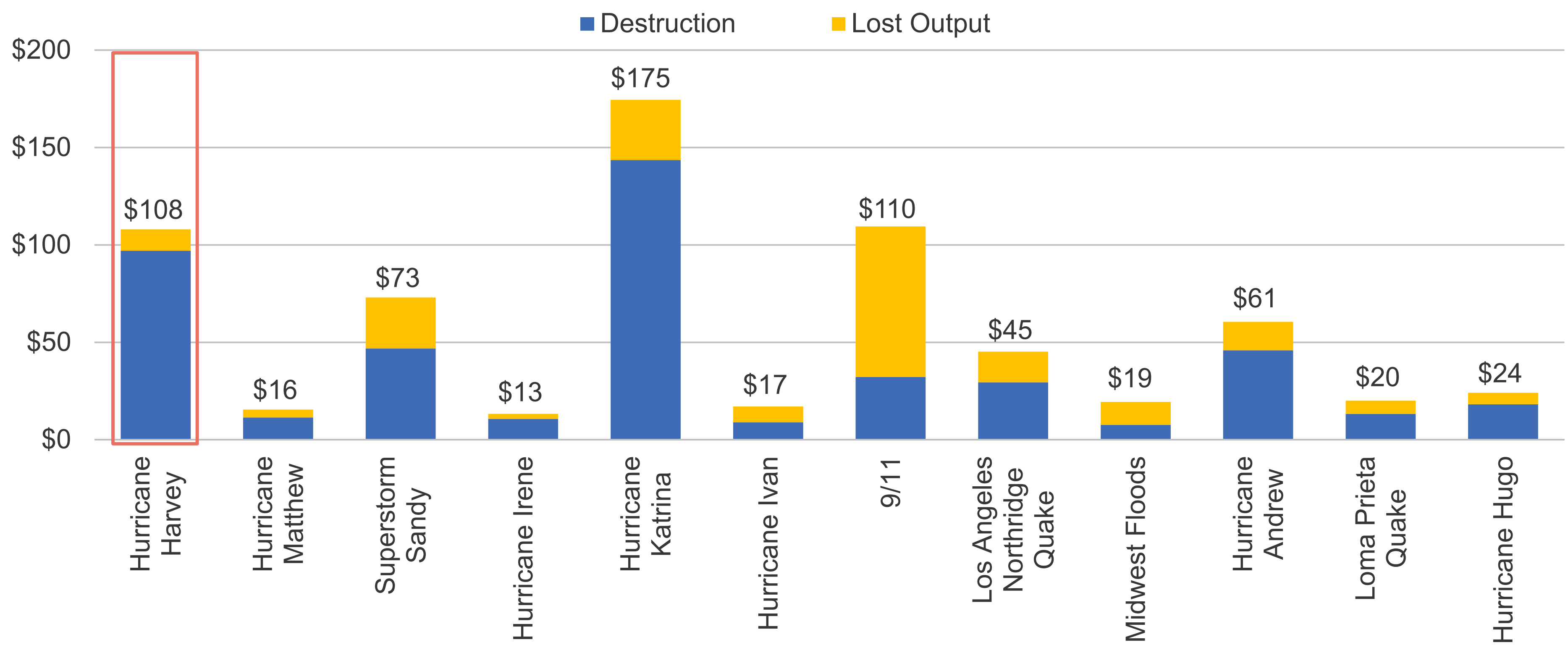


Source: Bloomberg, as of 9/30/17. SAAR is seasonally adjusted annualized rate. Orange dashes denotes four-quarter averages.

Hurricane Disruption

- Hurricane Harvey is expected to be the second most destructive natural disaster over the last three decades.
- Destruction to property caused by Hurricane Harvey is estimated to range from $77 to $97 billion. The lost economic output is forecasted to be $9 – $11 billion.

Total Economic Loss Due to Disasters
(Billions of Today's Dollars)

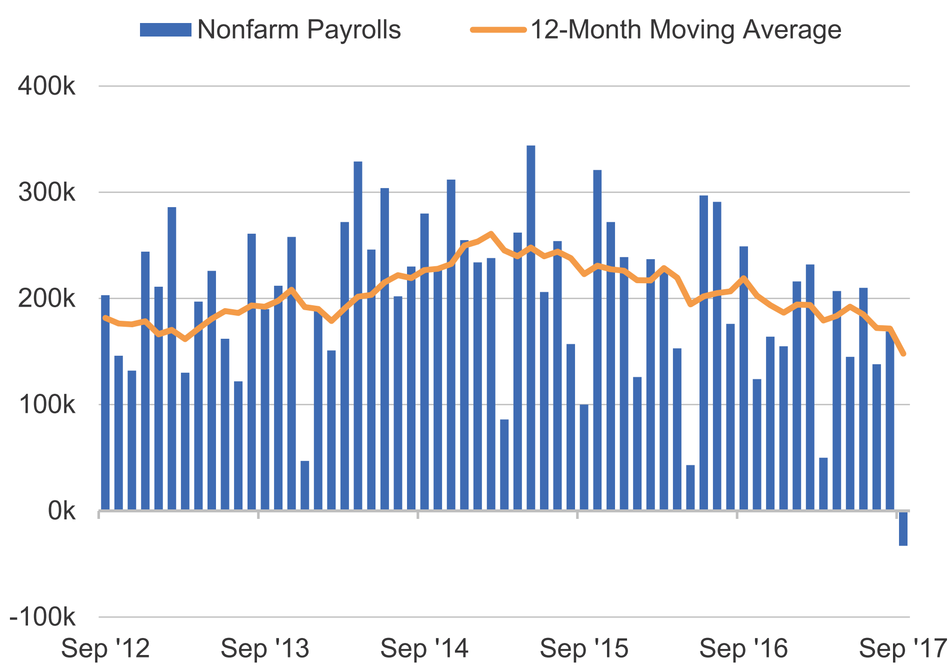


Hurricane Harvey estimates are preliminary and shown in the chart at the high end of the estimated range. Source: The Economic Impact of Hurricane Harvey, Moody's Analytics, 9/5/17.

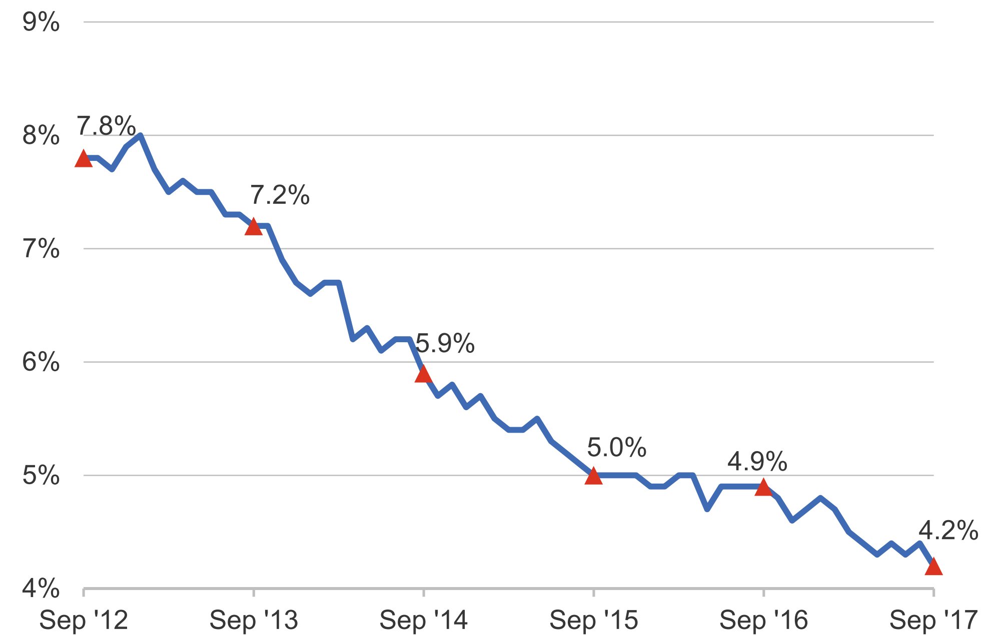
Labor Market Remains Strong Despite the Impact of Hurricanes

- The U.S. labor market lost 33,000 jobs in September. The first decline in U.S. nonfarm payrolls in seven years.
- Despite the impact of the hurricanes on the September job numbers, the headline unemployment rate ticked down to 4.2%, hitting the lowest level in more than 16 years. The U6 unemployment rate also decreased slightly from 8.6% in June to 8.3% in September, while the labor force participation rate ticked up from 62.8% in June to 63.1% in September.
- Average hourly earnings—an important gauge of wage growth—grew 2.9% over the past 12 months.

Monthly Change in Nonfarm Payrolls



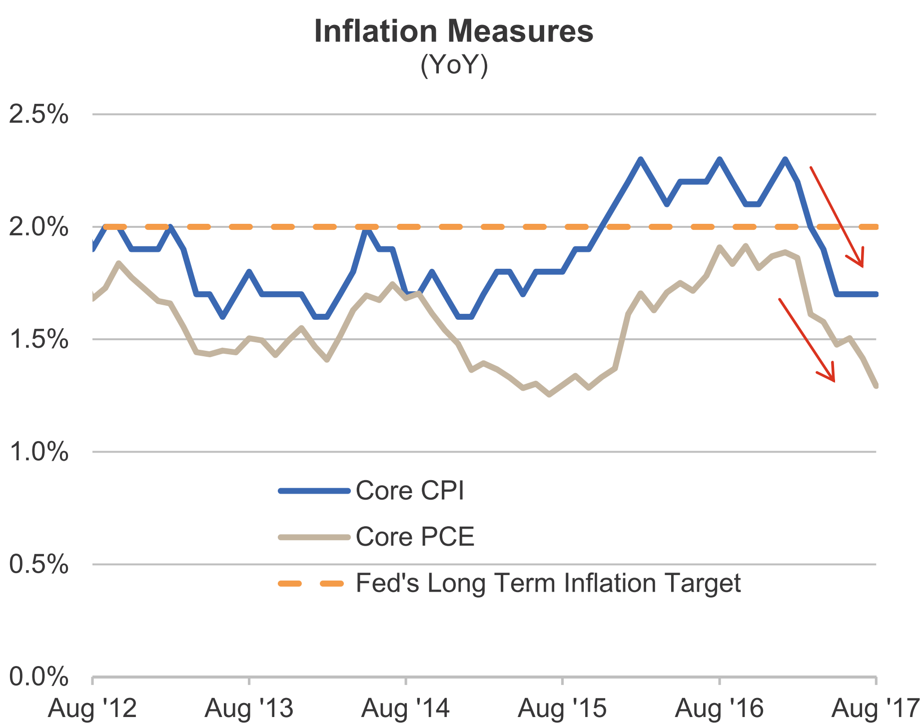
Unemployment Rate



Source: Bloomberg, as of 9/30/17.

Inflation Steadies but Outlook Remains Weak

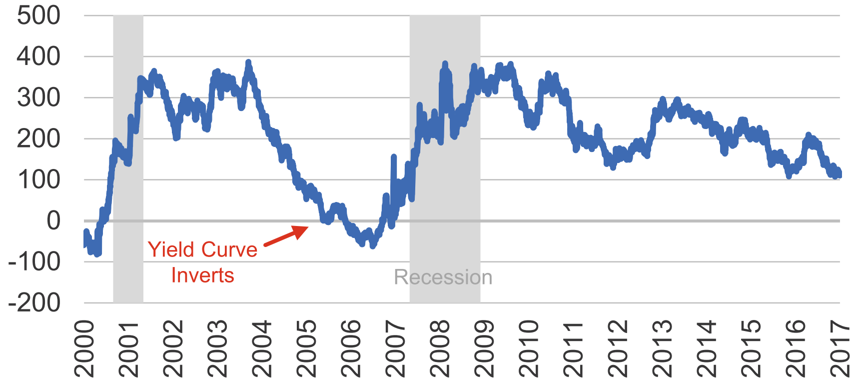
- Inflation pressures have declined from levels at the beginning of the year. The core personal consumption expenditures (PCE) price index, the Fed's preferred measure of inflation, slipped to 1.3% year-over-year in August. While some Fed officials expect this weakness to be transitory, the prospect for another rate hike in 2017 may be diminished should this trend continue.
- Although inflation expectations jumped following the U.S. election, the outlook has since softened, reflecting doubts in the administration's ability to implement its agenda.



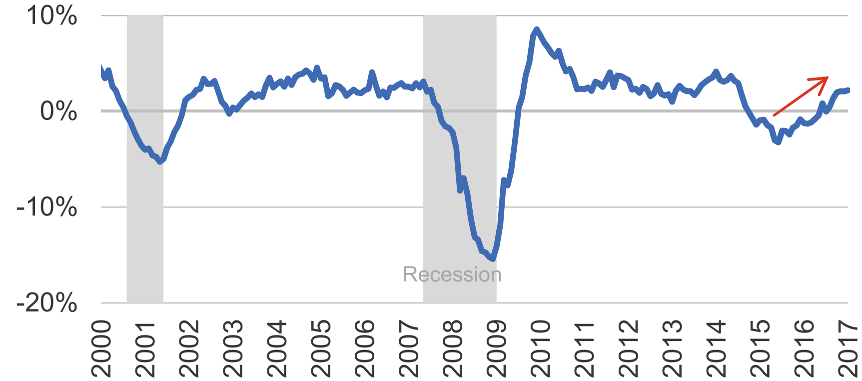
Source: Bloomberg, as of 9/30/17. Inflation expectations based on yield difference between 5-year Treasury note and 5-year Treasury Inflation Protected Securities (TIPS).

U.S. Recession Indicators: Low Risk in the Near-Term

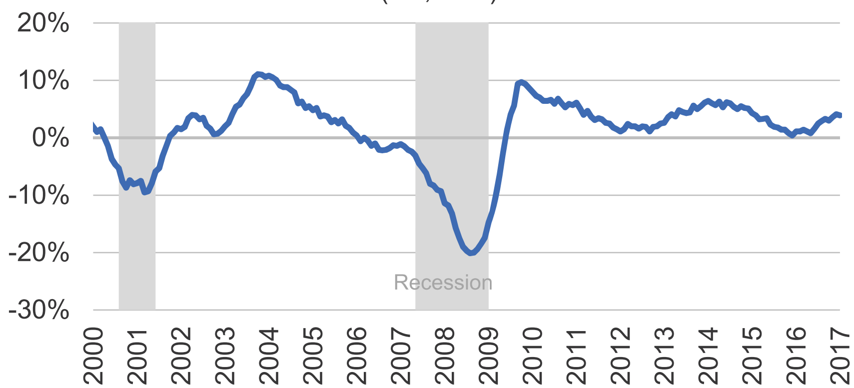
10 Year – 3 Month Treasury Yield Spread
(in bps)



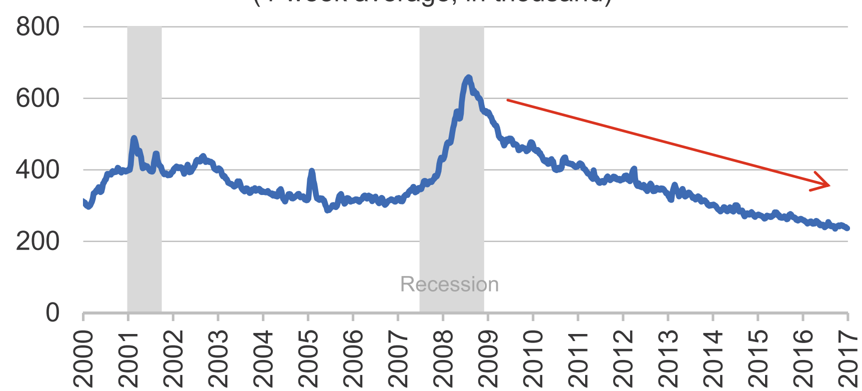
Industrial Production
(YoY)



Conference Board Leading Indicators
(SA, YoY)



Initial Jobless Claims
(4-week average, in thousand)

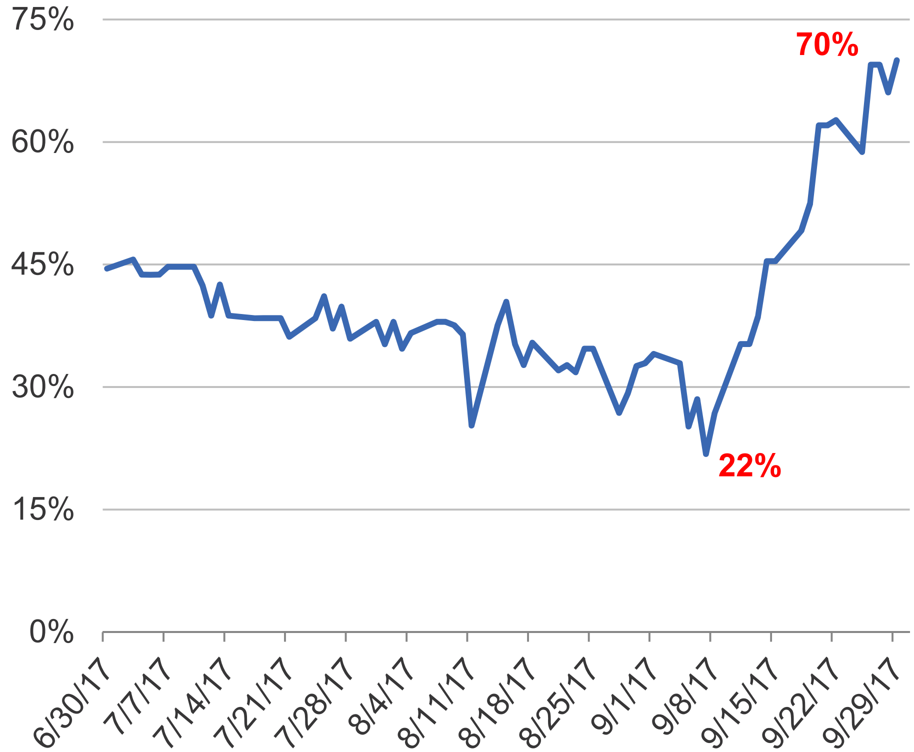


Source: Bloomberg, as of 8/31/17. SA is seasonally adjusted.

Probability of Fed Rate Hike at the December Meeting

- The probability of a third rate hike in 2017 at the FOMC's December meeting increased following their September meeting.
- The FOMC will initiate the balance sheet normalization program described in the June 2017 Addendum to the Committee's Policy Normalization Principles and Plans in October.

Historical Probability of December Rate Hike



Probability of Fed Rate Hike

Meeting	Probability (25bps)
12/13/2017	70%
1/31/2018	68%
3/21/2018	54%
5/2/2018	54%
6/13/2018	43%

Source: Bloomberg, as of 9/30/2017.

Investment Performance Review

Portfolio Recap

- Policy challenges in the U.S., combined with escalating tensions on the geopolitical front, led to bouts of uncertainty which triggered periods of "risk-off" and "risk-on" during the third quarter. Nonetheless, volatility remained low and equities continued to book new record highs, reflective of investor complacency.

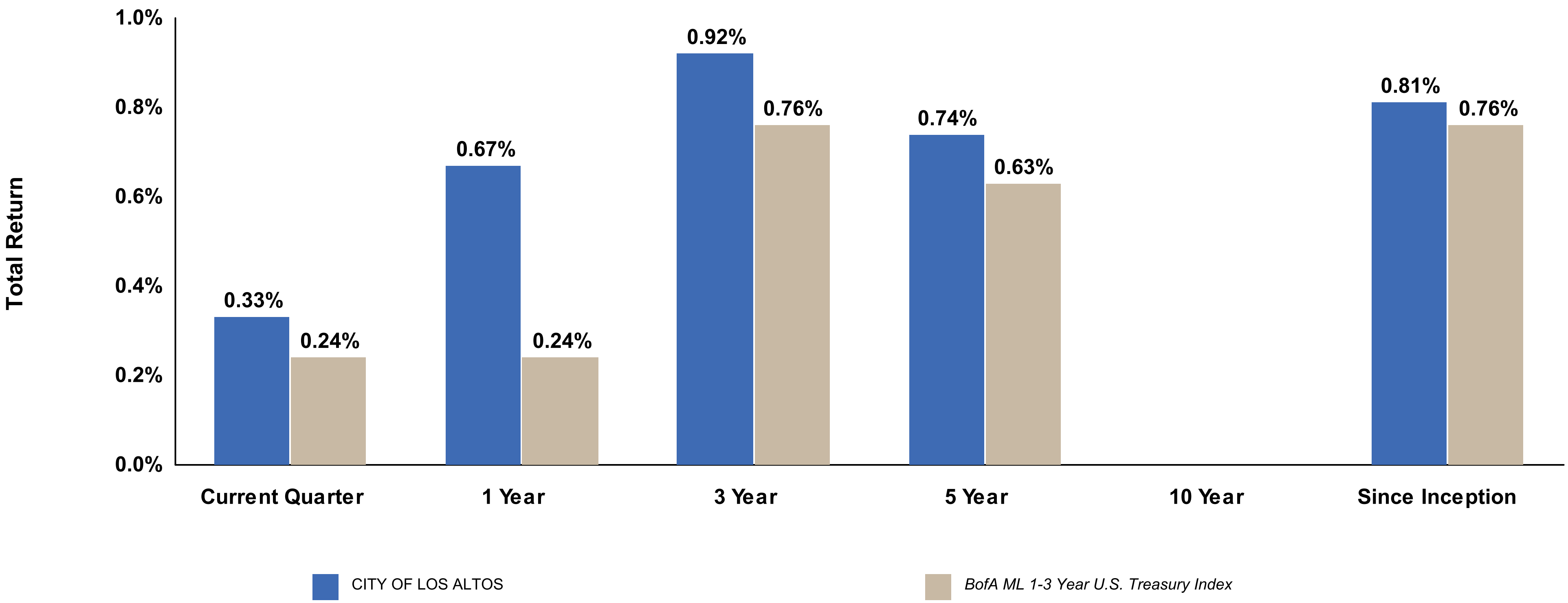
- After three rate hikes since December 2016, the Federal Reserve (Fed) shifted gears and announced the beginning of their program to reduce the central bank's enormous balance sheet. The plan is to gradually reduce the Fed's securities holdings by decreasing its reinvestment of the principal payments on its large holdings of Treasury and agency mortgage-backed securities. This had little impact on our strategy as the process was telegraphed well in advance and will be gradual and predictable.

- Strong investor appetite for high-quality bonds generally caused the yield spreads on investment-grade fixed income sectors (relative to U.S. Treasuries) to tighten over the quarter, resulting in strong relative performance for corporate, asset-backed (ABS), and supranational securities.
    - The yield spreads on federal agency securities vs. comparable-maturity Treasuries narrowed to historic lows, in some cases near zero, leading to diminished value of the agency sector.
    - Supranationals carried more yield spread and offered an attractive alternative in the high-quality government agency space.
    - Corporate yield spreads also tightened to multi-year lows as investors reaching for yield piled into a limited market supply of investment-grade securities.
    - Despite weakening collateral metrics in some higher risk areas of the ABS sector (e.g., subprime auto loans which PFM does not purchase), higher quality prime auto loan and credit-card-backed tranches performed well, benefitting from higher initial yields.

- Without a clear trend in the direction of interest rates, we maintained the portfolio duration in line with the benchmark to minimize return volatility.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	Annualized Return				
			1 Year	3 Year	5 Year	10 Year	Since Inception (06/30/10)
CITY OF LOS ALTOS *	1.81	0.33%	0.67%	0.92%	0.74%	-	0.81%
BofA ML 1-3 Year U.S. Treasury Index	*1.81*	*0.24%*	*0.24%*	*0.76%*	*0.63%*	-	*0.76%*
Difference		0.09%	0.43%	0.16%	0.11%	-	0.05%



* *Portfolio performance is gross of fees unless otherwise indicated.*

Portfolio Earnings

Quarter-Ended September 30, 2017

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2017)	$50,678,016.74	$50,806,469.00
Net Purchases/Sales	$3,158,398.35	$3,158,398.35
Change in Value	($17,773.23)	($26,466.90)
Ending Value (09/30/2017)	$53,818,641.86	$53,938,400.45
Interest Earned	$193,907.54	$193,907.54
Portfolio Earnings	$176,134.31	$167,440.64

Sector Allocation and Compliance

- The portfolio is in compliance with the City's Investment Policy and the California Government Code.

Security Type	Market Value	% of Portfolio	% Change vs. 6/30/17	Permitted by Policy	In Compliance
U.S. Treasury	$20,157,354	37.4%	+1.1%	100%	✓
Federal Agency	$10,771,795	20.0%	-9.0%	100%	✓
Supranationals	$1,362,899	2.5%	+2.5%	10%	✓
Negotiable CDs	$8,924,610	16.6%	+4.1%	30%	✓
Corporate Notes	$8,127,490	15.1%	-0.0%	30%	✓
Asset-Backed Securities	$4,474,494	8.3%	+1.3%	20%	✓
Securities Sub-Total	**$53,818,642**	**99.9%**			
Accrued Interest	$201,432				
Securities Total	**$54,020,074**				
Money Market Fund	$31,434	0.1%	-0.1%	20%	✓
Total Investments	**$54,051,507**	**100.0%**			

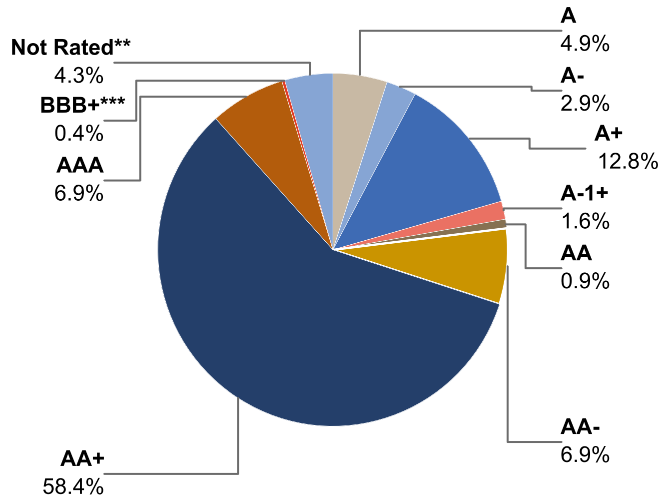
As of 9/30/2017. Detail may not add to total due to rounding.

Portfolio Statistics

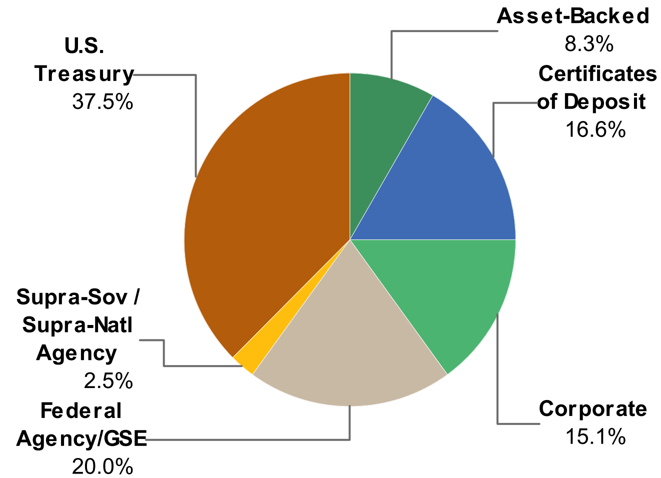
As of September 30, 2017

Par Value:	$53,916,532
Total Market Value:	$54,051,507
Security Market Value:	$53,818,642
Accrued Interest:	$201,432
Cash:	$31,434
Amortized Cost:	$53,938,400
Yield at Market:	1.57%
Yield at Cost:	1.48%
Effective Duration:	1.81 Years
Duration to Worst:	1.87 Years
Average Maturity:	2.01 Years
Average Credit: *	AA

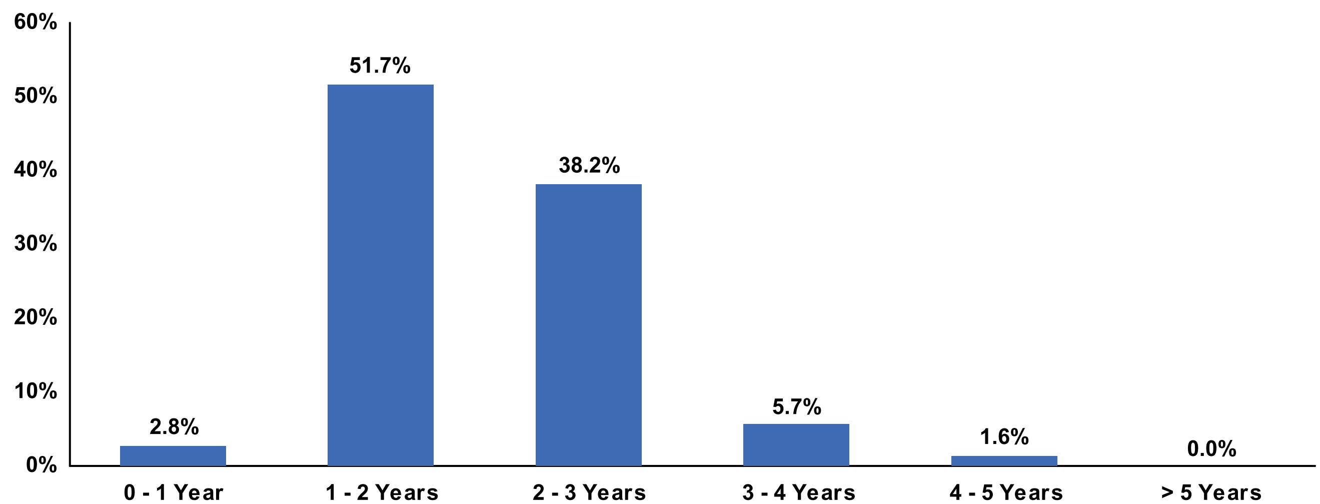
Credit Quality (S&P Ratings)



Sector Allocation



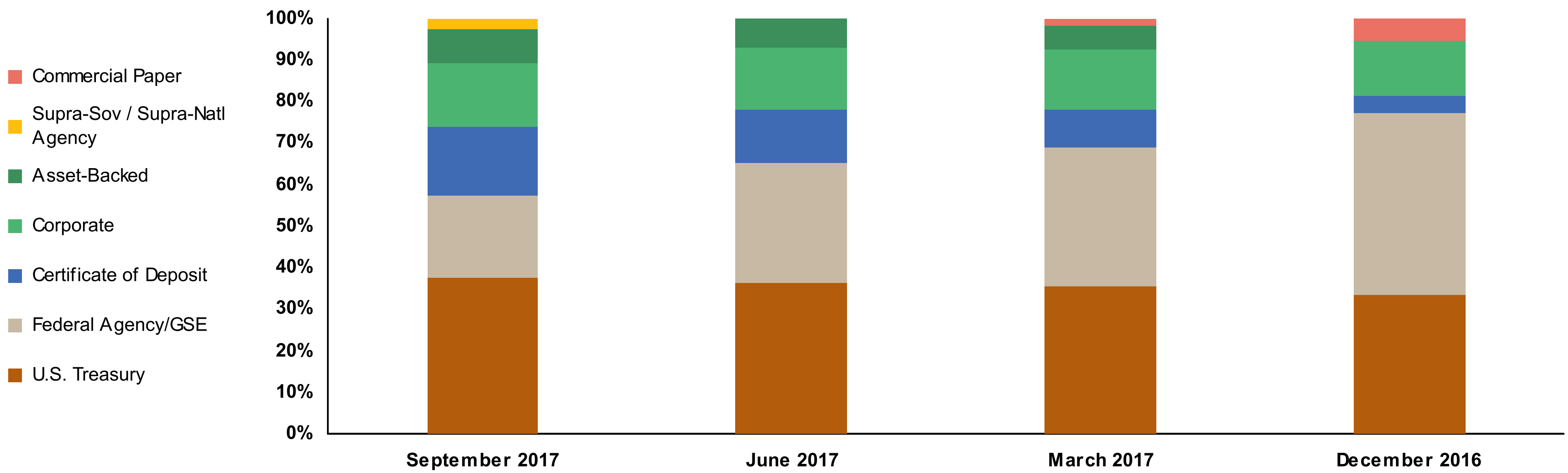
Maturity Distribution



** An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.*
*** The "Not Rated" category comprises asset-backed securities rated Aaa by Moody's.*
**** The "BBB+" category comprises securities rated A- or better by Moody's and/or Fitch.*

Sector Allocation

	September 30, 2017		June 30, 2017		March 31, 2017		December 31, 2016	
Sector	MV ($MM)	% of Total	MV ($MM)	% of Total	MV ($MM)	% of Total	MV ($MM)	% of Total
U.S. Treasury	20.2	37.5%	18.5	36.4%	17.3	35.5%	14.7	33.5%
Federal Agency/GSE	10.8	20.0%	14.7	29.0%	16.1	33.2%	19.2	43.8%
Certificate of Deposit	8.9	16.6%	6.3	12.5%	4.4	9.0%	1.8	4.0%
Corporate	8.1	15.1%	7.7	15.1%	7.1	14.6%	5.8	13.3%
Asset-Backed	4.5	8.3%	3.5	7.0%	2.9	6.0%	0.0	0.0%
Supra-Sov / Supra-Natl Agency	1.4	2.5%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Commercial Paper	0.0	0.0%	0.0	0.0%	0.8	1.7%	2.4	5.4%
Total	**$53.8**	**100.0%**	**$50.7**	**100.0%**	**$48.5**	**100.0%**	**$43.9**	**100.0%**

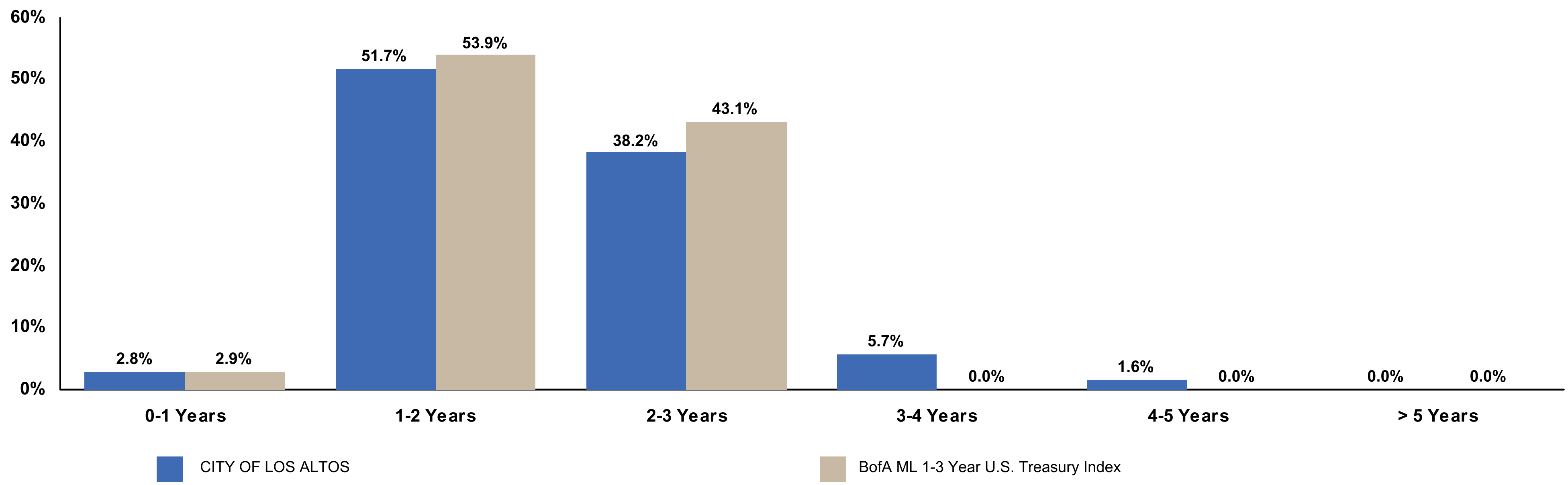


Detail may not add to total due to rounding.

Maturity Distribution

As of September 30, 2017

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
CITY OF LOS ALTOS	1.57%	2.01 yrs	2.8%	51.7%	38.2%	5.7%	1.6%	0.0%
BofA ML 1-3 Year U.S. Treasury Index	*1.48%*	*1.93 yrs*	*2.9%*	*53.9%*	*43.1%*	*0.0%*	*0.0%*	*0.0%*



Sector/Issuer Distribution

As of September 30, 2017

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
Asset-Backed			
ALLY AUTO RECEIVABLES TRUST	479,679	10.7%	0.9%
AMERICAN EXPRESS CO	189,772	4.2%	0.4%
CARMAX AUTO OWNER TRUST	376,635	8.4%	0.7%
CITIGROUP INC	650,432	14.5%	1.2%
CNH EQUIPMENT TRUST	350,078	7.8%	0.7%
FORD CREDIT AUTO OWNER TRUST	304,521	6.8%	0.6%
HONDA AUTO RECEIVABLES	359,734	8.0%	0.7%
HYUNDAI AUTO RECEIVABLES	434,436	9.7%	0.8%
JOHN DEERE OWNER TRUST	234,902	5.2%	0.4%
NISSAN AUTO RECEIVABLES	524,434	11.7%	1.0%
TOYOTA MOTOR CORP	569,872	12.7%	1.1%
Sector Total	**4,474,494**	**100.0%**	**8.3%**
Certificate of Deposit			
BANK OF MONTREAL	878,550	9.8%	1.6%
BANK OF NOVA SCOTIA	973,732	10.9%	1.8%
CANADIAN IMPERIAL BANK OF COMMERCE	877,206	9.8%	1.6%
MITSUBISHI UFJ FINANCIAL GROUP INC	549,825	6.2%	1.0%
NORDEA BANK AB	877,206	9.8%	1.6%
SKANDINAVISKA ENSKILDA BANKEN AB	1,074,022	12.0%	2.0%

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
SUMITOMO MITSUI FINANCIAL GROUP INC	976,823	10.9%	1.8%
SVENSKA HANDELSBANKEN AB	872,196	9.8%	1.6%
TORONTO-DOMINION BANK	875,376	9.8%	1.6%
WESTPAC BANKING CORP	969,674	10.9%	1.8%
Sector Total	**8,924,610**	**100.0%**	**16.6%**
Corporate			
AMERICAN EXPRESS CO	448,586	5.5%	0.8%
AMERICAN HONDA FINANCE	504,151	6.2%	0.9%
APPLE INC	220,099	2.7%	0.4%
BB&T CORPORATION	457,335	5.6%	0.8%
BERKSHIRE HATHAWAY INC	89,735	1.1%	0.2%
CATERPILLAR INC	408,108	5.0%	0.8%
CHEVRON CORPORATION	326,223	4.0%	0.6%
CISCO SYSTEMS INC	198,997	2.4%	0.4%
DEERE & COMPANY	540,954	6.7%	1.0%
EXXON MOBIL CORP	275,746	3.4%	0.5%
GOLDMAN SACHS GROUP INC	199,655	2.5%	0.4%
HOME DEPOT INC	235,172	2.9%	0.4%
IBM CORP	351,703	4.3%	0.7%
INTEL CORPORATION	250,528	3.1%	0.5%
INTERNATIONAL BUSINESS MACHINES	474,636	5.8%	0.9%
JP MORGAN CHASE & CO	627,730	7.7%	1.2%
MICROSOFT CORP	215,885	2.7%	0.4%
PEPSICO INC	234,800	2.9%	0.4%

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
PFIZER INC	373,797	4.6%	0.7%
THE BANK OF NEW YORK MELLON CORPORATION	477,281	5.9%	0.9%
THE WALT DISNEY CORPORATION	589,665	7.3%	1.1%
TOYOTA MOTOR CORP	475,173	5.8%	0.9%
VISA INC	151,532	1.9%	0.3%
Sector Total	**8,127,490**	**100.0%**	**15.1%**
Federal Agency/GSE			
FANNIE MAE	6,158,776	57.2%	11.4%
FEDERAL HOME LOAN BANKS	2,507,585	23.3%	4.7%
FREDDIE MAC	2,105,435	19.5%	3.9%
Sector Total	**10,771,795**	**100.0%**	**20.0%**
Supra-Sov / Supra-Natl Agency			
INTL BANK OF RECONSTRUCTION AND DEV	1,362,899	100.0%	2.5%
Sector Total	**1,362,899**	**100.0%**	**2.5%**
U.S. Treasury			
UNITED STATES TREASURY	20,157,354	100.0%	37.5%
Sector Total	**20,157,354**	**100.0%**	**37.5%**
Portfolio Total	**53,818,642**	**100.0%**	**100.0%**

Outlook and Strategy

- Although current low inflation is a conundrum, recent signaling from Fed officials boosted expectations for another rate hike this year, raising the market-implied probability of a December hike from 30% mid-third quarter to over 70%.
- With 2-year Treasury yields at the highest level since 2008, we plan to maintain the portfolio duration generally in line with the benchmark. However, the significant flattening of the yield curve since the beginning of the year has reduced the benefit of some maturity extensions, so we will carefully assess value along the yield curve.
- As we near the end of Janet Yellen's term as Chair of the Federal Reserve, which will expire early next year, we will assess the market implications of all new appointees to the Fed (there will be a total of 4 openings on the Fed's 7-member Board of Governors).
- Our prevailing economic theme includes moderate growth expectations in the U.S. and abroad, further improvements in the tightening U.S. labor market, healthy consumer demand, and a stable corporate backdrop.
- The impact from the recent Gulf Coast hurricanes will likely manifest itself in weaker economic data for September and early fourth quarter. However, history shows that the effects of weather-related events are typically short lived and may be smoothed over by the subsequent recovery and rebuilding activity.
- On the policy front, the potential for tax reform is worth watching, as will be the debt ceiling debate, which will resurface in December.

Outlook and Strategy

- Our outlook on each of the major investment-grade fixed income sectors is as follows:
    - Limited supply and robust demand are likely to keep yield spreads on federal agencies tight. Generally, we favor U.S. Treasuries over agencies, except for new issues that offer a fair yield concession. Supranationals remain an attractive alternative.
    - Corporate fundamentals remain stable, and we continue to view the sector positively. However, recent richness in the sector warrants being more selective with industries, issuers, and individual issues.
    - In the credit space, we find that negotiable certificates of deposit (CDs) offer the best value, especially in the 2-year and under maturity range.
    - Taxable municipal security yields spreads are low and offer limited value. New issue volume is also down relative to last year, constraining supply.
    - ABS continue to offer opportunity for modest incremental yield. We continue to closely monitor developments in the underlying collateral.
    - Our view is less optimistic on the MBS sector as the Fed's balance sheet reduction in this area should put upward pressure on yields. Shorter, more stable structures may offer opportunities, but supply is very limited.

Transactions & Account Holdings

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
BUY									
7/5/17	7/7/17	2,000,000	912828XM7	US TREASURY NOTES	1.62%	7/31/20	2,015,345.30	1.60%	
7/11/17	7/18/17	145,000	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	144,989.39	1.82%	
7/13/17	7/13/17	2,000,000	912828K58	US TREASURY NOTES	1.37%	4/30/20	1,997,639.27	1.52%	
7/13/17	7/13/17	875,000	9128282C3	US TREASURY N/B	0.75%	8/31/18	872,143.77	1.29%	
7/17/17	7/20/17	230,000	02665WBT7	AMERICAN HONDA FINANCE CORP NOTES	1.95%	7/20/20	229,767.70	1.98%	
7/19/17	7/24/17	200,000	38141GWP5	GOLDMAN SACHS GROUP INC	1.95%	7/23/19	199,976.00	1.96%	
8/3/17	8/4/17	1,075,000	83050FXT3	SKANDINAV ENSKILDA BANKEN NY CD	1.84%	8/2/19	1,074,580.75	1.85%	
8/3/17	8/7/17	965,000	96121T4A3	WESTPAC BANKING CORP NY CD	2.05%	8/3/20	965,000.00	2.05%	
8/9/17	8/16/17	230,000	44932GAD7	HYUNDAI ABS 2017-B A3	1.77%	1/15/22	229,960.14	1.78%	
8/14/17	8/15/17	275,000	30231GAG7	EXXON MOBIL CORP NOTE	1.91%	3/6/20	278,716.53	1.71%	
8/16/17	8/23/17	275,000	65478GAD2	NISSAN ABS 2017-B A3	1.75%	10/15/21	274,984.63	1.75%	
8/22/17	8/29/17	275,000	459058GA5	INTL BANK OF RECON AND DEV GLOBAL NOTES	1.62%	9/4/20	274,942.25	1.63%	
8/25/17	8/30/17	150,000	92826CAB8	VISA INC (CALLABLE) CORP NOTES	2.20%	12/14/20	152,346.67	1.85%	
8/28/17	8/30/17	550,000	459058FS7	INTL BANK OF RECON AND DEV GLOBAL NOTES	1.12%	11/27/19	546,908.36	1.51%	
8/31/17	9/1/17	1,075,000	3135G0T60	FNMA NOTES	1.50%	7/30/20	1,076,623.25	1.49%	
8/31/17	9/1/17	275,000	912828J50	US TREASURY NOTES	1.37%	2/29/20	274,999.71	1.38%	
9/5/17	9/7/17	410,000	14913Q2A6	CATERPILLAR FINL SERVICE NOTE	1.85%	9/4/20	409,655.60	1.88%	
9/5/17	9/8/17	475,000	44932HAA1	IBM CREDIT CORP	1.62%	9/6/19	474,639.00	1.66%	
9/12/17	9/19/17	550,000	45905UP32	INTL BANK OF RECONSTRUCTION AND DEV NOTE	1.56%	9/12/20	548,680.00	1.64%	
9/25/17	9/27/17	550,000	06539RGM3	BANK TOKYO MITSUBISHI UFJ LTD LT CD	2.07%	9/25/19	550,000.00	2.07%	
9/25/17	9/29/17	140,000	43814PAC4	HAROT 2017-3 A3	1.79%	9/18/21	139,984.84	1.94%	
9/25/17	10/2/17	200,000	17305EGH2	CCCIT 2017-A9 A9	1.80%	9/20/21	199,985.10	1.80%	
Total BUY		**12,920,000**					**12,931,868.26**		

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
INTEREST									
7/3/17	7/3/17	0	MONEY0002	MONEY MARKET FUND			14.64		
7/10/17	7/10/17	875,000	86958JHB8	SVENSKA HANDELSBANKEN NY LT CD	1.89%	1/10/19	8,222.81		
7/15/17	7/15/17	350,000	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	478.33		
7/15/17	7/15/17	305,000	34531EAD8	FORD ABS 2017-A A3	1.67%	6/15/21	424.46		
7/15/17	7/15/17	205,000	44931PAD8	HYUNDAI ABS 2017-A A3	1.76%	8/15/21	300.67		
7/15/17	7/15/17	120,000	89238MAD0	TOYOTA ABS 2017-A A3	1.73%	2/15/21	173.00		
7/15/17	7/15/17	190,000	02582JHG8	AMERICAN EXPRESS ABS 2017-4 A	1.64%	12/15/21	259.67		
7/15/17	7/15/17	420,000	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	539.00		
7/15/17	7/15/17	90,000	47787XAC1	JOHN DEERE ABS 2017-A A3	1.78%	4/15/21	133.50		
7/15/17	7/15/17	450,000	89190BAD0	TOYOTA ABS 2017-B A3	1.76%	7/15/21	660.00		
7/15/17	7/15/17	380,000	02007HAC5	ALLY ABS 2017-2 A3	1.78%	8/15/21	563.67		
7/15/17	7/15/17	250,000	654747AD6	NISSAN ABS 2017-A A3	1.74%	8/15/21	362.50		
7/15/17	7/15/17	100,000	02007PAC7	ALLY ABS 2017-1 A3	1.70%	6/15/21	141.67		
7/16/17	7/16/17	625,000	94974BFG0	WELLS FARGO & COMPANY GLOBAL NOTES	1.50%	1/16/18	4,687.50		
7/17/17	7/17/17	450,000	17305EGA7	CITIBANK ABS 2017-A2 A2	1.74%	1/17/21	3,719.25		
7/19/17	7/19/17	400,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	1,750.00		
7/19/17	7/19/17	950,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	4,156.25		
7/21/17	7/21/17	220,000	43814TAC6	HONDA ABS 2017-1 A3	1.72%	7/21/21	315.33		
7/23/17	7/23/17	500,000	46625HKA7	JPMORGAN CHASE & CO (CALLABLE)	2.25%	1/23/20	5,625.00		
7/31/17	7/31/17	1,575,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	9,843.75		
7/31/17	7/31/17	1,775,000	912828XM7	US TREASURY NOTES	1.62%	7/31/20	14,421.88		
8/1/17	8/1/17	0	MONEY0002	MONEY MARKET FUND			132.01		
8/2/17	8/2/17	1,000,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	4,375.00		
8/6/17	8/6/17	215,000	594918BV5	MICROSOFT CORP	1.85%	2/6/20	1,988.75		
8/7/17	8/7/17	875,000	06427KRC3	BANK OF MONTREAL CHICAGO CERT DEPOS	1.88%	2/7/19	8,133.61		
8/7/17	8/7/17	1,525,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	4,765.63		
8/10/17	8/10/17	440,000	24422ETA7	JOHN DEERE CAPITAL CORP NOTE	1.75%	8/10/18	3,850.00		
8/12/17	8/12/17	350,000	459200HT1	IBM CORP NOTE	1.95%	2/12/19	3,412.50		

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
8/15/17	8/15/17	350,000	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	478.33		
8/15/17	8/15/17	450,000	89190BAD0	TOYOTA ABS 2017-B A3	1.76%	7/15/21	660.00		
8/15/17	8/15/17	305,000	34531EAD8	FORD ABS 2017-A A3	1.67%	6/15/21	424.46		
8/15/17	8/15/17	90,000	47787XAC1	JOHN DEERE ABS 2017-A A3	1.78%	4/15/21	133.50		
8/15/17	8/15/17	380,000	02007HAC5	ALLY ABS 2017-2 A3	1.78%	8/15/21	563.67		
8/15/17	8/15/17	420,000	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	539.00		
8/15/17	8/15/17	205,000	44931PAD8	HYUNDAI ABS 2017-A A3	1.76%	8/15/21	300.67		
8/15/17	8/15/17	250,000	654747AD6	NISSAN ABS 2017-A A3	1.74%	8/15/21	362.50		
8/15/17	8/15/17	120,000	89238MAD0	TOYOTA ABS 2017-A A3	1.73%	2/15/21	173.00		
8/15/17	8/15/17	190,000	02582JHG8	AMERICAN EXPRESS ABS 2017-4 A	1.64%	12/15/21	259.67		
8/15/17	8/15/17	100,000	02007PAC7	ALLY ABS 2017-1 A3	1.70%	6/15/21	141.67		
8/15/17	8/15/17	90,000	084670BX5	BERKSHIRE HATHAWAY INC GLOBAL NOTES	1.15%	8/15/18	517.50		
8/21/17	8/21/17	220,000	43814TAC6	HONDA ABS 2017-1 A3	1.72%	7/21/21	315.33		
8/24/17	8/24/17	475,000	06406HCZ0	BNY MELLON (CALLABLE) CORP NOTE	2.15%	2/24/20	5,106.25		
8/26/17	8/26/17	950,000	3135G0J53	FNMA BENCHMARK NOTE	1.00%	2/26/19	4,750.00		
8/28/17	8/28/17	600,000	3135G0T29	FNMA NOTES	1.50%	2/28/20	4,500.00		
8/28/17	8/28/17	1,675,000	3135G0P49	FNMA NOTES	1.00%	8/28/19	8,375.00		
8/31/17	8/31/17	50,000	912828J50	US TREASURY NOTES	1.37%	2/29/20	343.75		
8/31/17	8/31/17	875,000	9128282C3	US TREASURY N/B	0.75%	8/31/18	3,281.25		
9/1/17	9/1/17	0	MONEY0002	MONEY MARKET FUND			34.17		
9/1/17	9/1/17	125,000	46623EKD0	JP MORGAN CHASE CORP NOTES (CALLABLE)	1.70%	3/1/18	1,062.50		
9/3/17	9/3/17	325,000	166764BP4	CHEVRON CORP CORP NOTES	1.99%	3/3/20	3,235.38		
9/4/17	9/4/17	90,000	25468PDP8	WALT DISNEY COMPANY CORP NOTES	1.95%	3/4/20	867.75		
9/6/17	9/6/17	275,000	30231GAG7	EXXON MOBIL CORP NOTE	1.91%	3/6/20	2,629.00		
9/15/17	9/15/17	205,000	44931PAD8	HYUNDAI ABS 2017-A A3	1.76%	8/15/21	300.67		
9/15/17	9/15/17	120,000	89238MAD0	TOYOTA ABS 2017-A A3	1.73%	2/15/21	173.00		
9/15/17	9/15/17	250,000	654747AD6	NISSAN ABS 2017-A A3	1.74%	8/15/21	362.50		
9/15/17	9/15/17	145,000	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	417.84		
9/15/17	9/15/17	100,000	02007PAC7	ALLY ABS 2017-1 A3	1.70%	6/15/21	141.67		
9/15/17	9/15/17	350,000	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	478.33		

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
9/15/17	9/15/17	305,000	34531EAD8	FORD ABS 2017-A A3	1.67%	6/15/21	424.46		
9/15/17	9/15/17	230,000	44932GAD7	HYUNDAI ABS 2017-B A3	1.77%	1/15/22	327.94		
9/15/17	9/15/17	409,894	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	526.03		
9/15/17	9/15/17	190,000	02582JHG8	AMERICAN EXPRESS ABS 2017-4 A	1.64%	12/15/21	259.67		
9/15/17	9/15/17	450,000	89190BAD0	TOYOTA ABS 2017-B A3	1.76%	7/15/21	660.00		
9/15/17	9/15/17	275,000	65478GAD2	NISSAN ABS 2017-B A3	1.75%	10/15/21	294.10		
9/15/17	9/15/17	90,000	47787XAC1	JOHN DEERE ABS 2017-A A3	1.78%	4/15/21	133.50		
9/15/17	9/15/17	380,000	02007HAC5	ALLY ABS 2017-2 A3	1.78%	8/15/21	563.67		
9/20/17	9/20/17	200,000	17275RBG6	CISCO SYSTEMS INC CORP NOTES	1.40%	9/20/19	1,400.00		
9/21/17	9/21/17	220,000	43814TAC6	HONDA ABS 2017-1 A3	1.72%	7/21/21	315.33		
9/26/17	9/26/17	825,000	3130A9EP2	FHLB GLOBAL NOTES	1.00%	9/26/19	4,125.00		
9/30/17	9/30/17	300,000	912828C65	US TREASURY NOTES	1.62%	3/31/19	2,437.50		
9/30/17	9/30/17	1,015,000	912828SN1	US TREASURY NOTES	1.50%	3/31/19	7,612.50		
Total INTEREST		**29,304,894**					**143,458.44**		
PAYDOWNS									
8/15/17	8/15/17	10,106	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	10,106.45		0.00
9/15/17	9/15/17	33,362	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	33,361.69		0.00
Total PAYDOWNS		**43,468**					**43,468.14**		**0.00**
SELL									
7/5/17	7/7/17	250,000	3130A8BD4	FEDERAL HOME LOAN BANKS AGCY	0.87%	6/29/18	249,033.61	1.29%	(731.26)
7/5/17	7/7/17	750,000	3130A8BD4	FEDERAL HOME LOAN BANKS AGCY	0.87%	6/29/18	747,100.83	1.29%	(3,194.41)
7/5/17	7/7/17	1,000,000	3130A8BD4	FEDERAL HOME LOAN BANKS AGCY	0.87%	6/29/18	996,134.45	1.29%	(4,575.33)
7/17/17	7/20/17	225,000	912828XM7	US TREASURY NOTES	1.62%	7/31/20	227,235.57	1.55%	379.09
7/19/17	7/24/17	200,000	912828D23	US TREASURY NOTES	1.62%	4/30/19	201,719.43	1.35%	(2,278.04)

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
8/3/17	8/4/17	400,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	398,505.17	1.31%	(2,319.06)
8/3/17	8/4/17	650,000	36962G6W9	GENERAL ELEC CAP CORP GLOBAL NOTES	1.62%	4/2/18	654,476.51	1.41%	125.59
8/3/17	8/7/17	350,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	347,564.00	1.33%	(2,084.59)
8/3/17	8/7/17	625,000	94974BFG0	WELLS FARGO & COMPANY GLOBAL NOTES	1.50%	1/16/18	625,665.63	1.46%	417.56
8/9/17	8/16/17	175,000	912828G61	US TREASURY NOTES	1.50%	11/30/19	176,058.11	1.37%	295.11
8/14/17	8/15/17	275,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	274,323.71	1.37%	945.99
8/16/17	8/23/17	275,000	912828G61	US TREASURY NOTES	1.50%	11/30/19	276,537.54	1.40%	262.36
8/22/17	8/29/17	275,000	912828XM7	US TREASURY NOTES	1.62%	7/31/20	276,651.96	1.46%	1,134.90
8/25/17	8/30/17	150,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	149,156.90	1.27%	(762.00)
8/28/17	8/30/17	550,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	546,952.62	1.27%	(2,750.01)
8/31/17	9/1/17	875,000	9128282C3	US TREASURY N/B	0.75%	8/31/18	870,814.03	1.24%	430.41
8/31/17	9/1/17	475,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	472,404.92	1.26%	(2,347.83)
9/6/17	9/7/17	400,000	3130A9AE1	FHLB GLOBAL NOTE	0.87%	10/1/18	399,768.67	1.29%	(1,608.71)
9/6/17	9/8/17	475,000	912828C65	US TREASURY NOTES	1.62%	3/31/19	481,030.18	1.26%	(1,580.03)
9/12/17	9/19/17	550,000	912828XM7	US TREASURY NOTES	1.62%	7/31/20	553,878.39	1.45%	2,340.58
9/25/17	9/27/17	500,000	3135G0P49	FNMA NOTES	1.00%	8/28/19	495,832.78	1.48%	(4,066.24)
9/26/17	9/29/17	100,000	912828T83	US TREASURY NOTES	0.75%	10/31/18	99,673.06	1.34%	(114.29)
9/26/17	10/2/17	200,000	3130A9AE1	FHLB GLOBAL NOTE	0.87%	10/1/18	199,020.86	1.37%	(918.86)
Total SELL		**9,725,000**					**9,719,538.93**		**-22,999.07**

CITY OF LOS ALTOS

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 10/31/2016 0.750% 10/31/2018	912828T83	1,075,000.00	AA+	Aaa	05/19/17	05/19/17	1,067,819.34	1.22	3,373.98	1,069,627.70	1,067,693.23
US TREASURY NOTES DTD 10/31/2016 0.750% 10/31/2018	912828T83	1,150,000.00	AA+	Aaa	03/02/17	03/02/17	1,140,835.94	1.24	3,609.38	1,144,021.89	1,142,183.45
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	1,250,000.00	AA+	Aaa	11/05/15	11/09/15	1,252,539.06	1.18	5,251.02	1,250,978.04	1,247,948.75
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	1,400,000.00	AA+	Aaa	05/03/16	05/06/16	1,414,765.63	0.83	5,881.15	1,406,730.44	1,397,702.60
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	1,025,000.00	AA+	Aaa	12/01/15	12/04/15	1,033,688.48	1.22	3,885.53	1,028,565.36	1,026,121.35
US TREASURY NOTES DTD 03/31/2014 1.625% 03/31/2019	912828C65	300,000.00	AA+	Aaa	03/02/16	03/04/16	305,203.13	1.05	13.39	302,555.78	300,879.00
US TREASURY NOTES DTD 04/02/2012 1.500% 03/31/2019	912828SN1	1,015,000.00	AA+	Aaa	03/02/17	03/02/17	1,018,132.23	1.35	41.83	1,017,266.31	1,016,189.58
US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019	912828D23	1,060,000.00	AA+	Aaa	11/10/16	11/14/16	1,074,492.19	1.06	7,208.29	1,069,355.21	1,062,980.72
US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019	912828D23	1,285,000.00	AA+	Aaa	06/27/16	06/29/16	1,318,329.69	0.70	8,738.35	1,303,662.65	1,288,613.42
US TREASURY NOTES DTD 10/31/2014 1.500% 10/31/2019	912828F62	1,250,000.00	AA+	Aaa	03/02/17	03/02/17	1,249,169.92	1.53	7,846.47	1,249,354.54	1,250,000.00
US TREASURY NOTES DTD 12/01/2014 1.500% 11/30/2019	912828G61	2,600,000.00	AA+	Aaa	12/01/16	12/05/16	2,604,062.50	1.45	13,106.56	2,602,962.02	2,599,594.40
US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020	912828H52	1,300,000.00	AA+	Aaa	01/03/17	01/05/17	1,289,640.63	1.52	2,737.77	1,292,094.73	1,291,469.40
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020	912828J50	50,000.00	AA+	Aaa	02/01/17	02/03/17	49,697.27	1.58	58.87	49,760.78	49,792.95
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020	912828J50	275,000.00	AA+	Aaa	08/31/17	09/01/17	274,989.26	1.38	323.81	274,989.61	273,861.23

CITY OF LOS ALTOS

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 04/30/2015 1.375% 04/30/2020	912828K58	2,000,000.00	AA+	Aaa	07/13/17	07/13/17	1,992,109.38	1.52	11,508.15	1,992,718.86	1,990,000.00
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	2,200,000.00	AA+	Aaa	06/26/17	06/28/17	2,207,906.25	1.50	9,034.65	2,207,240.27	2,201,804.00
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	950,000.00	AA+	Aaa	07/05/17	07/07/17	950,593.75	1.60	2,600.88	950,552.51	950,519.65
Security Type Sub-Total		**20,185,000.00**					**20,243,974.65**	**1.30**	**85,220.08**	**20,212,436.70**	**20,157,353.73**
Supra-National Agency Bond / Note											
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 10/27/2016 1.125% 11/27/2019	459058FS7	550,000.00	AAA	Aaa	08/28/17	08/30/17	545,308.50	1.51	2,131.25	545,486.94	543,673.90
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 08/29/2017 1.625% 09/04/2020	459058GA5	275,000.00	AAA	Aaa	08/22/17	08/29/17	274,942.25	1.63	397.22	274,943.96	273,914.30
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 09/19/2017 1.561% 09/12/2020	45905UP32	550,000.00	AAA	Aaa	09/12/17	09/19/17	548,680.00	1.64	286.18	548,694.43	545,311.25
Security Type Sub-Total		**1,375,000.00**					**1,368,930.75**	**1.59**	**2,814.65**	**1,369,125.33**	**1,362,899.45**
Federal Agency Bond / Note											
FHLB GLOBAL NOTE DTD 08/26/2016 0.875% 10/01/2018	3130A9AE1	925,000.00	AA+	Aaa	08/25/16	08/26/16	924,371.00	0.91	4,046.88	924,697.90	920,941.10
FNMA BENCHMARK NOTE DTD 09/01/2015 1.125% 10/19/2018	3135G0E58	850,000.00	AA+	Aaa	08/27/15	09/01/15	848,623.00	1.18	4,303.13	849,532.03	847,342.05
FNMA NOTES DTD 11/03/2015 1.125% 12/14/2018	3135G0G72	550,000.00	AA+	Aaa	08/16/16	08/16/16	552,816.00	0.90	1,839.06	551,462.90	548,088.75
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	950,000.00	AA+	Aaa	02/19/16	02/23/16	947,758.00	1.08	923.61	948,945.58	943,951.35

CITY OF LOS ALTOS

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											
FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	325,000.00	AA+	Aaa	05/26/16	05/31/16	325,250.25	1.10	1,685.94	325,135.56	323,349.33
FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	450,000.00	AA+	Aaa	03/29/16	03/29/16	450,301.50	1.10	2,334.38	450,153.39	447,714.45
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	775,000.00	AA+	Aaa	06/02/16	06/03/16	774,674.50	1.14	2,421.88	774,814.22	770,213.60
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	400,000.00	AA+	Aaa	09/01/16	09/02/16	398,076.00	1.04	700.00	398,791.68	395,369.20
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	950,000.00	AA+	Aaa	07/19/16	07/20/16	947,701.00	0.96	1,662.50	948,611.62	939,001.85
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	1,000,000.00	AA+	Aaa	07/29/16	08/02/16	998,320.00	0.93	1,434.03	998,966.36	988,209.00
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	1,175,000.00	AA+	Aaa	08/31/16	09/02/16	1,173,167.00	1.05	1,077.08	1,173,822.94	1,163,487.35
FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019	3130A9EP2	825,000.00	AA+	Aaa	10/03/16	10/05/16	824,711.25	1.01	114.58	824,806.60	816,429.90
FNMA NOTES DTD 02/28/2017 1.500% 02/28/2020	3135G0T29	600,000.00	AA+	Aaa	02/24/17	02/28/17	599,616.00	1.52	825.00	599,690.39	598,573.20
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	1,075,000.00	AA+	Aaa	08/31/17	09/01/17	1,075,279.50	1.49	2,687.50	1,075,272.34	1,069,124.05
Security Type Sub-Total		**10,850,000.00**					**10,840,665.00**	**1.10**	**26,055.57**	**10,844,703.51**	**10,771,795.18**
Corporate Note											
JP MORGAN CHASE CORP NOTES (CALLABLE) DTD 03/02/2015 1.700% 03/01/2018	46623EKD0	125,000.00	A-	A3	09/08/15	09/11/15	124,611.25	1.83	177.08	124,933.34	125,037.50
JOHN DEERE CAPITAL CORP NOTE DTD 09/11/2015 1.750% 08/10/2018	24422ETA7	440,000.00	A	A2	09/08/15	09/11/15	439,568.80	1.78	1,090.83	439,870.00	440,852.72

Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

CITY OF LOS ALTOS

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
Corporate Note											
BERKSHIRE HATHAWAY INC GLOBAL NOTES DTD 08/15/2016 1.150% 08/15/2018	084670BX5	90,000.00	AA	Aa2	08/08/16	08/15/16	89,989.20	1.16	132.25	89,995.26	89,735.49
AMERICAN HONDA FINANCE CORP DTD 11/21/2016 1.500% 11/19/2018	02665WBK6	275,000.00	A+	A1	11/16/16	11/21/16	274,887.25	1.52	1,512.50	274,935.49	274,541.85
IBM CORP NOTE DTD 02/12/2014 1.950% 02/12/2019	459200HT1	350,000.00	A+	A1	02/17/16	02/22/16	353,307.50	1.62	928.96	351,537.37	351,703.10
PEPSICO INC DTD 05/02/2017 1.550% 05/02/2019	713448DR6	235,000.00	A+	A1	04/27/17	05/02/17	234,823.75	1.59	1,507.59	234,859.79	234,800.49
PFIZER INC CORP NOTES DTD 06/03/2016 1.450% 06/03/2019	717081DU4	375,000.00	AA	A1	06/03/16	06/08/16	376,106.25	1.35	1,782.29	375,624.97	373,797.00
GOLDMAN SACHS GROUP INC DTD 07/24/2017 1.950% 07/23/2019	38141GWP5	200,000.00	BBB+	A3	07/19/17	07/24/17	199,976.00	1.96	725.83	199,978.19	199,654.80
IBM CREDIT CORP DTD 09/08/2017 1.625% 09/06/2019	44932HAA1	475,000.00	A+	A1	09/05/17	09/08/17	474,639.00	1.66	493.14	474,650.40	474,635.68
CISCO SYSTEMS INC CORP NOTES DTD 09/20/2016 1.400% 09/20/2019	17275RBG6	200,000.00	AA-	A1	09/20/16	09/23/16	200,216.00	1.36	85.56	200,143.22	198,996.80
AMERICAN EXPRESS CREDIT (CALLABLE) CORP DTD 10/31/2016 1.700% 10/30/2019	0258M0EC9	450,000.00	A-	A2	01/31/17	02/03/17	446,580.00	1.99	3,208.75	447,391.82	448,585.65
JPMORGAN CHASE & CO (CALLABLE) DTD 01/23/2015 2.250% 01/23/2020	46625HKA7	500,000.00	A-	A3	06/15/17	06/20/17	501,885.00	2.10	2,125.00	501,682.93	502,692.00
MICROSOFT CORP DTD 02/06/2017 1.850% 02/06/2020	594918BV5	215,000.00	AAA	Aaa	01/30/17	02/06/17	214,855.95	1.87	607.67	214,886.63	215,885.16
BNY MELLON (CALLABLE) CORP NOTE DTD 02/24/2015 2.150% 02/24/2020	06406HCZ0	475,000.00	A	A1	03/29/17	03/30/17	476,695.75	2.02	1,049.62	476,403.81	477,280.95
CHEVRON CORP CORP NOTES DTD 03/03/2017 1.991% 03/03/2020	166764BP4	325,000.00	AA-	Aa2	02/28/17	03/03/17	325,000.00	1.99	503.28	325,000.00	326,223.30
WALT DISNEY COMPANY CORP NOTES DTD 03/06/2017 1.950% 03/04/2020	25468PDP8	90,000.00	A+	A2	03/01/17	03/06/17	89,976.60	1.96	131.63	89,980.91	90,299.97

Managed Account Detail of Securities Held

CITY OF LOS ALTOS

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
Corporate Note											
EXXON MOBIL CORP NOTE DTD 03/06/2015 1.912% 03/06/2020	30231GAG7	275,000.00	AA+	Aaa	08/14/17	08/15/17	276,394.25	1.71	365.14	276,327.00	275,745.53
TOYOTA MOTOR CREDIT CORP DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	150,000.00	AA-	Aa3	04/12/17	04/17/17	150,045.00	1.94	1,332.50	150,038.33	150,054.75
TOYOTA MOTOR CREDIT CORP DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	325,000.00	AA-	Aa3	04/11/17	04/17/17	324,850.50	1.97	2,887.08	324,872.65	325,118.63
APPLE INC BONDS DTD 05/11/2017 1.800% 05/11/2020	037833CS7	220,000.00	AA+	Aa1	05/04/17	05/11/17	219,775.60	1.84	1,540.00	219,804.03	220,099.00
INTEL CORP NOTES DTD 05/11/2017 1.850% 05/11/2020	458140AZ3	250,000.00	A+	A1	05/08/17	05/11/17	249,905.00	1.86	1,798.61	249,917.03	250,527.50
HOME DEPOT INC CORP NOTES DTD 06/05/2017 1.800% 06/05/2020	437076BQ4	235,000.00	A	A2	05/24/17	06/05/17	234,863.70	1.82	1,363.00	234,878.01	235,171.79
WALT DISNEY COMPANY CORP NOTES DTD 06/06/2017 1.800% 06/05/2020	25468PDU7	500,000.00	A+	A2	06/01/17	06/06/17	499,420.00	1.84	2,875.00	499,480.35	499,365.00
JOHN DEERE CAPITAL CORP NOTES DTD 06/22/2017 1.950% 06/22/2020	24422ETS8	100,000.00	A	A2	06/19/17	06/22/17	99,939.00	1.97	536.25	99,944.46	100,101.00
BRANCH BANKING & TRUST (CALLABLE) CORP DTD 06/29/2015 2.625% 06/29/2020	05531FAU7	450,000.00	A-	A2	03/17/17	03/22/17	454,144.50	2.33	3,018.75	453,506.24	457,335.00
AMERICAN HONDA FINANCE CORP NOTES DTD 07/20/2017 1.950% 07/20/2020	02665WBT7	230,000.00	A+	A1	07/17/17	07/20/17	229,767.70	1.98	884.54	229,782.60	229,609.23
CATERPILLAR FINL SERVICE NOTE DTD 09/07/2017 1.850% 09/04/2020	14913Q2A6	410,000.00	A	A3	09/05/17	09/07/17	409,655.60	1.88	505.67	409,663.06	408,108.26
VISA INC (CALLABLE) CORP NOTES DTD 12/14/2015 2.200% 12/14/2020	92826CAB8	150,000.00	A+	A1	08/25/17	08/30/17	151,650.00	1.85	980.83	151,607.38	151,531.50
Security Type Sub-Total		**8,115,000.00**					**8,123,529.15**	**1.84**	**34,149.35**	**8,121,695.27**	**8,127,489.65**
Certificate of Deposit											

CITY OF LOS ALTOS

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
Certificate of Deposit											
TORONTO DOMINION BANK NY CERT DEPOS DTD 02/09/2017 1.480% 03/14/2018	89113WWJ1	875,000.00	A-1+	P-1	02/08/17	02/09/17	875,000.00	1.50	8,417.50	875,000.00	875,376.25
CANADIAN IMPERIAL BANK NY CD DTD 12/05/2016 1.760% 11/30/2018	13606A5Z7	875,000.00	A+	A1	12/01/16	12/05/16	874,317.50	1.78	5,176.11	874,599.92	877,205.88
NORDEA BANK FINLAND NY CD DTD 12/05/2016 1.760% 11/30/2018	65558LWA6	875,000.00	AA-	Aa3	12/01/16	12/05/16	875,000.00	1.74	5,304.44	875,000.00	877,205.88
SVENSKA HANDELSBANKEN NY LT CD DTD 01/12/2017 1.890% 01/10/2019	86958JHB8	875,000.00	AA-	Aa2	01/10/17	01/12/17	875,000.00	1.91	3,812.81	875,000.00	872,195.63
BANK OF MONTREAL CHICAGO CERT DEPOS DTD 02/09/2017 1.880% 02/07/2019	06427KRC3	875,000.00	A+	A1	02/08/17	02/09/17	875,000.00	1.90	2,467.50	875,000.00	878,549.88
BANK OF NOVA SCOTIA HOUSTON LT CD DTD 04/06/2017 1.910% 04/05/2019	06417GUE6	975,000.00	A+	A1	04/05/17	04/06/17	975,000.00	1.91	9,207.79	975,000.00	973,731.53
SUMITOMO MITSUI BANK NY CD DTD 05/04/2017 2.050% 05/03/2019	86563YVN0	975,000.00	A	A1	05/03/17	05/04/17	975,000.00	2.05	8,161.56	975,000.00	976,823.25
SKANDINAV ENSKILDA BANKEN NY CD DTD 08/04/2017 1.840% 08/02/2019	83050FXT3	1,075,000.00	A+	Aa3	08/03/17	08/04/17	1,074,580.75	1.85	3,186.78	1,074,614.15	1,074,021.75
BANK TOKYO MITSUBISHI UFJ LTD LT CD DTD 09/27/2017 2.070% 09/25/2019	06539RGM3	550,000.00	A+	A1	09/25/17	09/27/17	550,000.00	2.07	126.50	550,000.00	549,825.10
WESTPAC BANKING CORP NY CD DTD 08/07/2017 2.050% 08/03/2020	96121T4A3	965,000.00	AA-	Aa3	08/03/17	08/07/17	965,000.00	2.05	2,967.38	965,000.00	969,674.46
Security Type Sub-Total		**8,915,000.00**					**8,913,898.25**	**1.87**	**48,828.37**	**8,914,214.07**	**8,924,609.61**
Asset-Backed Security / Collateralized Mortgage Obligation											
CARMAX ABS 2017-1 A2 DTD 01/31/2017 1.540% 02/15/2020	14314JAB6	376,531.86	NR	Aaa	01/25/17	01/31/17	376,531.74	1.60	257.72	376,531.83	376,634.69
CNH 2017-A A2 DTD 03/22/2017 1.640% 07/15/2020	12636WAB2	350,000.00	AAA	NR	03/15/17	03/22/17	349,986.56	1.80	255.11	349,986.56	350,078.02

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
Asset-Backed Security / Collateralized Mortgage Obligation											
CITIBANK ABS 2017-A2 A2 DTD 01/26/2017 1.740% 01/17/2021	17305EGA7	450,000.00	AAA	Aaa	01/19/17	01/26/17	449,913.83	1.75	1,609.50	450,000.00	450,431.82
TOYOTA ABS 2017-A A3 DTD 03/15/2017 1.730% 02/15/2021	89238MAD0	120,000.00	AAA	Aaa	03/07/17	03/15/17	119,985.88	1.74	92.27	119,985.88	119,924.12
JOHN DEERE ABS 2017-A A3 DTD 03/02/2017 1.780% 04/15/2021	47787XAC1	90,000.00	NR	Aaa	02/22/17	03/02/17	89,987.18	1.79	71.20	89,987.18	89,997.94
ALLY ABS 2017-1 A3 DTD 01/31/2017 1.700% 06/15/2021	02007PAC7	100,000.00	NR	Aaa	01/24/17	01/31/17	99,991.26	1.70	75.56	99,992.67	99,874.67
FORD ABS 2017-A A3 DTD 01/25/2017 1.670% 06/15/2021	34531EAD8	305,000.00	NR	Aaa	01/18/17	01/25/17	304,998.87	1.67	226.38	304,999.13	304,520.75
TOYOTA ABS 2017-B A3 DTD 05/17/2017 1.760% 07/15/2021	89190BAD0	450,000.00	AAA	Aaa	05/09/17	05/17/17	449,965.49	1.76	352.00	449,965.49	449,947.62
HONDA ABS 2017-1 A3 DTD 03/28/2017 1.720% 07/21/2021	43814TAC6	220,000.00	NR	Aaa	03/21/17	03/28/17	219,986.91	1.72	105.11	219,986.91	219,877.99
HYUNDAI ABS 2017-A A3 DTD 03/29/2017 1.760% 08/15/2021	44931PAD8	205,000.00	AAA	NR	03/22/17	03/29/17	204,983.42	1.76	160.36	204,983.42	204,876.98
NISSAN ABS 2017-A A3 DTD 03/28/2017 1.740% 08/15/2021	654747AD6	250,000.00	NR	Aaa	03/21/17	03/28/17	249,973.53	1.74	193.33	249,973.53	249,846.40
ALLY ABS 2017-2 A3 DTD 03/29/2017 1.780% 08/15/2021	02007HAC5	380,000.00	NR	Aaa	03/21/17	03/29/17	379,955.20	1.79	300.62	379,955.20	379,804.68
HAROT 2017-3 A3 DTD 09/29/2017 1.790% 09/18/2021	43814PAC4	140,000.00	AAA	Aaa	09/25/17	09/29/17	139,984.84	1.94	13.92	139,984.85	139,855.56
CCCIT 2017-A9 A9 DTD 10/02/2017 1.800% 09/20/2021	**17305EGH2**	**200,000.00**	**NR**	**NR**	**09/25/17**	**10/02/17**	**199,985.10**	**1.80**	**0.00**	**199,985.10**	**200,000.00**
JOHN DEERE ABS 2017-B A3 DTD 07/15/2017 1.820% 10/15/2021	47788BAD6	145,000.00	NR	Aaa	07/11/17	07/18/17	144,989.39	1.82	117.29	144,990.07	144,904.52
NISSAN ABS 2017-B A3 DTD 08/23/2017 1.750% 10/15/2021	65478GAD2	275,000.00	NR	Aaa	08/16/17	08/23/17	274,984.63	1.75	213.89	274,984.99	274,587.83

Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

CITY OF LOS ALTOS

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
Asset-Backed Security / Collateralized Mortgage Obligation											
AMERICAN EXPRESS ABS 2017-4 A DTD 05/30/2017 1.640% 12/15/2021	02582JHG8	190,000.00	AAA	NR	05/22/17	05/30/17	189,969.56	1.65	138.49	189,971.54	189,771.56
HYUNDAI ABS 2017-B A3 DTD 08/16/2017 1.770% 01/15/2022	44932GAD7	230,000.00	AAA	Aaa	08/09/17	08/16/17	229,960.14	1.78	180.93	229,961.22	229,559.09
Security Type Sub-Total		**4,476,531.86**					**4,476,133.53**	**1.75**	**4,363.68**	**4,476,225.57**	**4,474,494.24**
Managed Account Sub-Total		**53,916,531.86**					**53,967,131.33**	**1.48**	**201,431.70**	**53,938,400.45**	**53,818,641.86**
Securities Sub-Total		**$53,916,531.86**					**$53,967,131.33**	**1.48%**	**$201,431.70**	**$53,938,400.45**	**$53,818,641.86**
Accrued Interest											**$201,431.70**
Total Investments											**$54,020,073.56**

Bolded items are forward settling trades.

IMPORTANT DISCLOSURES

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results.The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while ominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

GLOSSARY

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.