

Honorable Mayor and Members
of City Council
City Hall
Torrance, California

Members of Council:

SUBJECT: Finance - Accept and File Investment Report for June 2019. Expenditure: None.

RECOMMENDATION

Recommendation of the Finance Director that City Council accept and file the Investment Report for the month of June 2019.

FUNDING

None required for this item.

BACKGROUND

On December 12, 2017, Your Honorable Body, through passage of Resolution No. 2017-109, adopted an official "Statement of Investment Policy" as recommended by the City Treasurer. The City's Statement of Investment Policy requires the City Treasurer to report a monthly statement of investment activity.

On November 27, 2018, Your Honorable Body, adopted Resolution No. 2018-112, that found and determined the absence of the City Treasurer from the office and the vacant Deputy City Treasurer position constituted a fiscal emergency that required the City Council to take immediate action to protect the City of Torrance's investments, accounts, and funds. City Council authorized the City Manager, the Finance Director, and the City Manager's Designee to provide backup coverage and signatory authority to all matters within the purview of the City Treasurer.

On December 4, 2018, Your Honorable Body, adopted Resolution No. 2018-116, that designated the Finance Director or Finance Director's Designee as Interim Deputy City Treasurer to allow for the duties and functions of the City Treasurer be performed during the City Treasurer's absence from the office until such time when the City Treasurer returns and the Deputy City Treasurer position is no longer vacant.

On December 18, 2018, Your Honorable Body, adopted Resolution No. 2018-122, to temporarily transfer investment trades, wires and bank transfers from the City Treasurer to the Finance Director or the Finance Director's designee during the City Treasurer's absence.

Monthly June 2019 Investment Report Summary

The investment activity for June included redemptions of Local Agency Investment Funds (LAIF). Nine investments were purchased, which consisted of five bonds and four certificate of deposits with a total par amount of \$7,500,000 and \$980,000, respectively. 11 investments were redeemed, which consisted of two calls and nine maturities with a total par value amount of \$4,000,000 and \$8,735,000, respectively. For a listing of purchases and redemptions, see Attachment A.

As of June 30, 2019, the total funds ending balance was \$148.5M, a decrease of approximately \$37.4M from the previous month. Of the \$148.5M balance; the investments per portfolio was \$132.9M and cash in bank was \$15.6M. The decrease is primarily due to the LAIF balance decreasing approximately \$38M due to funds being transferred from LAIF in order to pay for the FY2018-2019 TRAN principal and interest of approximately \$35.3M. As a result, the LAIF balance was \$21.3M and yielded 2.428%, compared to \$59.3M and a yield of 2.449%, in May, a decrease of 2.1 basis points.

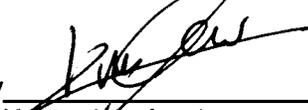
The yield for the City's portfolio was 2.106%, compared to 2.145% for the month of May, a decrease of 3.9 basis points. Even though the purchases for June yielded higher than the maturities, the lower balances in the higher yielding LAIF (2.428% LAIF vs 2.145% City) resulted in lowering the yield of the City's portfolio.

Investment Committee Note

The Investment Committee members are the City Manager, City Attorney, Finance Director, City Treasurer (absent), and Interim Deputy City Treasurer as created by your Honorable Body, has reviewed the attached report (Attachment B).

Respectfully submitted,

ERIC E. TSAO
FINANCE DIRECTOR

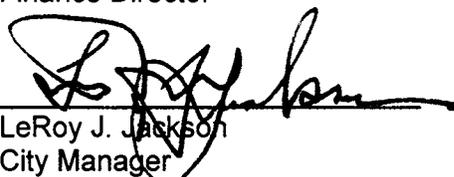
By 

Kristopher Awshee
Interim Deputy City Treasurer

CONCUR:



Eric E. Tsao
Finance Director



LeRoy J. Jackson
City Manager

Attachments:

- A) Detail Listings of Purchases and Redemptions
- B) Monthly Investment Report for June 2019



City of Torrance, California
 Monthly Investment Portfolio Report
 June 30, 2019

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Summary

As of June 30, 2019 the ending balance of total funds was \$148,503,652, resulting in a decrease of approximately \$37.4M from the previous month; which included investments per portfolio of \$132,889,241 and cash in bank of \$15,614,411. The large decrease is primarily due to the LAIF balance decreasing approximately \$38M due to funds being transferred from LAIF in order to pay for the previous year FY2017-2018 TRAN payment of approximately \$35.3M.

The portfolio yielded 2.106% for June, a decrease of 3.9 basis points over previous month of May. The fiscal year-to-date yield is 2.060% compared to 1.640% a year ago.

The investment activity for June 2019 included redemptions of Local Agency Investment Funds. Nine new fixed income instruments were purchased during the month. Two fixed income instruments were called and nine matured as follows:

Purchases

| Purchase Issuer | Rating | Par Value (000's) | Purchase Date | Maturity Date | Term Yr | Coupon | YTM | Disc/Par/Prem | Price | Structure | Broker |
|---------------------------------|--------|-------------------|---------------|---------------|---------|--------|-------|---------------|----------|-------------------------------|----------------------------|
| Ally Bank | FDIC | \$245 | 06/06/2019 | 06/06/2022 | 3.0 | 2.50% | 2.50% | Par | 100.000% | CD | Higgins Capital |
| Wex Bank | FDIC | \$245 | 06/07/2019 | 12/07/2020 | 1.5 | 2.50% | 2.50% | Par | 100.000% | CD | Multi-Bank Securities |
| Flagstar Bank FSB | FDIC | \$245 | 06/12/2019 | 06/13/2022 | 3.0 | 2.50% | 2.50% | Par | 100.000% | CD | Multi-Bank Securities |
| Morgan Stanley Pvt Bk | FDIC | \$245 | 06/13/2019 | 06/13/2024 | 5.0 | 2.60% | 2.60% | Par | 100.000% | CD | Higgins Capital |
| Federal Farm Credit Bank | AA+ | \$1,000 | 06/13/2019 | 09/13/2023 | 4.3 | 2.49% | 2.50% | Discount | 99.950% | Agency, 3mo NC, Cont. Calls | Stifel, Nicolaus & Co Inc. |
| Federal Farm Credit Bank | AA+ | \$1,000 | 06/13/2019 | 09/13/2023 | 4.3 | 2.49% | 2.52% | Discount | 99.900% | Agency, 3mo NC, Cont. Calls | Wedbush |
| Federal Home Loan Mortgage Corp | AA+ | \$1,000 | 06/20/2019 | 06/20/2023 | 4.0 | 2.50% | 2.50% | Discount | 99.995% | Agency, 3mo NC, Qrtly Calls | Higgins Capital |
| Federal Farm Credit Bank | AA+ | \$1,000 | 06/21/2019 | 06/21/2024 | 5.0 | 2.22% | 2.22% | Par | 100.000% | Agency, 2year NC, Cont. Calls | Vining Sparks |
| Federal Home Loan Mortgage | AA+ | \$1,500 | 06/26/2019 | 06/26/2024 | 5.0 | 2.38% | 2.38% | Par | 100.000% | Agency, 1year NC, Qrtly Calls | Multi-Bank Securities |
| | | <u>\$6,480</u> | | | | | | | | | |

Redemptions

| Redemption Issuer | Rating | Par Value (000's) | Purchase Date | Maturity Date | Term Yr | Coupon | YTM | Disc/Par/Prem | Structure | Broker | Called/Matured |
|----------------------------|--------|-------------------|---------------|---------------|---------|--------|-------|---------------|-----------|--------------------------|----------------|
| Wells Fargo Bank | FDIC | \$245 | 06/01/2016 | 06/03/2019 | 3.0 | 1.25% | 1.25% | Par | CD | Stifel Nicholas & Co | Matured |
| Connectone Bank | FDIC | \$245 | 06/05/2015 | 06/05/2019 | 4.0 | 1.50% | 1.50% | Par | CD | Higgins Capital | Matured |
| Federal Home Loan Bank | AA+ | \$1,000 | 05/22/2015 | 06/07/2019 | 4.0 | 1.24% | 1.42% | Discount | Agency | Wedbush | Matured |
| Farmer Mac | IMP | \$2,000 | 06/07/2016 | 06/07/2019 | 3.0 | 1.11% | 1.11% | Par | Agency | Great Pacific Securities | Matured |
| Federal Home Loan Mortgage | AA+ | \$1,000 | 02/09/2017 | 06/11/2019 | 2.3 | 1.35% | 1.31% | Premium | Agency | Wedbush | Matured |
| Federal Home Loan Bank | AA+ | \$2,000 | 09/14/2015 | 06/14/2019 | 3.8 | 1.63% | 1.37% | Premium | Agency | Wedbush | Matured |
| Celtic Bank | FDIC | \$245 | 06/15/2016 | 06/14/2019 | 3.0 | 1.20% | 1.20% | Par | CD | Stifel Nicholas & Co | Matured |
| Federal Home Loan Mortgage | AA+ | \$1,000 | 04/29/2015 | 06/27/2019 | 3.1 | 1.50% | 1.29% | Premium | Agency | Wedbush | Matured |
| Federal Home Loan Mortgage | AA+ | \$1,000 | 09/25/2015 | 06/27/2019 | 3.1 | 1.50% | 1.26% | Premium | Agency | Vining Sparks | Matured |
| Federal Home Loan Mortgage | AA+ | \$1,000 | 12/28/2017 | 06/28/2021 | 3.5 | 2.05% | 2.05% | Par | Agency | Stifel Nicholas & Co | Called |
| Federal Home Loan | AA+ | \$3,000 | 06/28/2018 | 06/28/2022 | 4.0 | 3.00% | 3.00% | Par | Agency | Stifel Nicholas & Co | Called |
| | | <u>\$12,735</u> | | | | | | | | | |

Liquidity of the Portfolio

- ❖ The current goal is to purchase investments up to five years maximum maturity, earning higher than the current LAIF rate of 2.428%, which is higher than the benchmark of the 2 year U.S. Constant Maturing Treasury (CMT) at 1.75%. Current average maturity increased 177-days from the previous month, which is primarily due to the LAIF balance decreasing approximately \$38M as stated above.
- ❖ The City is in compliance with California Government Code Section 53646 which requires local agency to report its ability to meet pooled expenditure requirements for the next six (6) months. Over the next 6 months, cash, cash equivalents (LAIF) and inflows including maturities exceed cash outflows by

\$56.9M. Large cash inflows and outflows anticipated, consists of the \$45.1M TRAN receipt in July 2019, as well as the anticipated prepayment of PERS, OPEB and PARS also in July 2019, totaling \$31.1M.

Cash Activity/Balances over next 6 months:

| | |
|----------------------------------|-------------------|
| Cash Balance as of June 30, 2019 | \$15.6M |
| LAIF Balance as of June 30, 2019 | \$21.3M |
| Cash Inflows | \$212.4M |
| Cash outflows | <u>(\$192.4M)</u> |
| Net cash inflow | \$56.9M |

Investment Comparison to Benchmark

As stated above for the month of June, the City's portfolio yielded 2.106%; a decrease of 3.9 basis points or 0.039% over May. The effective rate of return for fiscal year-to-date is 2.060%. The 1 year U.S. Constant Maturing Treasury (CMT) is 1.92% and the 2 year U.S. CMT is 1.75%. The city's portfolio yield is 2.106% with a current average maturity of 655 days or 1.79 years. We are experiencing a flat yield curve which is a yield curve in which there is little difference between short-term and long-term interest rates for bonds.

In a rising interest environment, it is expected the City's portfolio will underperform to its benchmark primarily due to the City's investment policy of buying and holding the investment to maturity. As interest rates rise the City is not able to take full advantage of the higher rates of return until an investment matures or new funds become available. The priorities of the City's Investment portfolio are 1) Safety; 2) Liquidity; and 3) Yield. The City's portfolio will stay the course based on the current economic trends.

**Investment Report
June 2019**

Portfolio Highlights

| RETURN | Current Month | Prior Month |
|--|----------------------------|----------------------------|
| City Portfolio YTM | 2.106% | 2.145% |
| U.S. Treasury Constant Maturity (2 year) | 1.750% | 1.950% |
| LAIF Monthly Return | 2.428% | 2.449% |
| INCOME | Current Month | Prior Month |
| Fiscal Year to Date | \$2,894,168.64 | \$2,607,029.84 |
| Current Month | \$286,565.72 | \$293,027.32 |
| MATURITY | Current Month | Prior Month |
| Days to Maturity | 655 | 478 |
| Days to Maturity (Prior Year) | 905 | 818 |
| Average Maturity (Years) | 1.79 | 1.31 |
| VOLUMES | Total Volume (\$)* | # of Transactions** |
| Purchases/Deposits* | \$23,981,175.98 | 9 |
| Maturities/Redemptions* | \$59,213,450.00 | 11 |
| EFFECTIVE RATE OF RETURN | Fiscal Year to Date | Prior Year to Date |
| Effective Rate of Return | 2.060% | 1.640% |

*Includes LAIF and MMA activity

**Transaction count does not include LAIF or MMA activity

***City Portfolio YTM on June 30, 2018 was 1.987%

Portfolio Activity Summary

| Month End | Year | # of Securities | Average Balance | Yield to Maturity 365 (%) | LAIF Rate | # of Investments Purchased | # of Investments Redeemed | Average Term | Average Days to Maturity |
|-----------------|------|-----------------|-----------------------|---------------------------|---------------|----------------------------|---------------------------|--------------|--------------------------|
| June | 2018 | 145 | 139,881,386.75 | 1.987 | 1.854 | 3 | 6 | 1,418 | 905 |
| July | 2018 | 139 | 144,243,300.81 | 2.016 | 1.944 | 0 | 0 | 1,523 | 964 |
| August | 2018 | 138 | 128,668,649.25 | 2.033 | 1.998 | 0 | 4 | 1,393 | 897 |
| September | 2018 | 134 | 120,819,742.38 | 2.042 | 2.063 | 0 | 1 | 1,393 | 874 |
| October | 2018 | 133 | 127,372,155.02 | 2.049 | 2.144 | 0 | 0 | 1,421 | 862 |
| November | 2018 | 133 | 123,250,740.80 | 2.046 | 2.208 | 0 | 2 | 1,534 | 911 |
| December | 2018 | 131 | 118,575,549.33 | 2.045 | 2.291 | 0 | 0 | 1,558 | 894 |
| January | 2019 | 131 | 135,221,074.97 | 2.094 | 2.355 | 0 | 1 | 1,224 | 673 |
| February | 2019 | 130 | 147,928,817.73 | 2.113 | 2.392 | 0 | 1 | 1,159 | 611 |
| March | 2019 | 129 | 152,262,360.13 | 2.101 | 2.436 | 0 | 5 | 1,099 | 545 |
| April | 2019 | 125 | 155,308,031.13 | 2.128 | 2.445 | 0 | 3 | 1,036 | 500 |
| May | 2019 | 123 | 164,161,516.71 | 2.145 | 2.449 | 2 | 2 | 1,011 | 478 |
| June | 2019 | 130 | 160,915,988.63 | 2.106 | 2.428 | 9 | 11 | 1,257 | 655 |
| Average: | | 132 | 140,505,847.20 | 2.070% | 2.231% | 1 | 3 | 1,310 | 751 |

**Investment Report
June 2019**

Portfolio Summary

| | Book Value (\$) | BV % of Portfolio * | Market Value (\$) | MV % of Portfolio * | S&P Rating | \$/% per Policy | Modified Duration | Days to Maturity | Maximum Term | YTM |
|---|--------------------------|---------------------|--------------------------|---------------------|------------|-----------------|-------------------|------------------|--------------|---------------|
| Local Agency Investment Fund (LAIF) | \$ 21,315,409.43 | 16.04% | \$ 21,315,409.43 | 16.03% | LAIF | \$65Mil | 0.000 | 1 | N/A | 2.428% |
| Union Bank Custodial - Money Market Account | \$ 8,082,374.18 | 6.08% | \$ 8,082,374.18 | 6.08% | A-1 | 100% | 0.000 | 1 | N/A | 2.070% |
| U.S. Treasury Securities | \$ 5,918,985.23 | 4.45% | \$ 5,953,420.00 | 4.48% | AA+ | 100% | 2.280 | 852 | 5-Year | 1.964% |
| Federal Agency Issues | \$ 68,094,007.14 | 51.24% | \$ 68,092,907.25 | 51.20% | | 75% | 2.334 | 889 | 5-Year | 2.004% |
| Farmer Mac | \$ 14,374,862.04 | 10.82% | \$ 14,339,406.50 | 10.78% | NR/IMP | 30% | 0.840 | 314 | 5-Year | 1.672% |
| Federal Farm Credit Bank | \$ 9,979,666.98 | 7.51% | \$ 9,993,090.00 | 7.51% | AA+ | 30% | 3.487 | 1,342 | 5-Year | 2.309% |
| Federal Home Loan Bank | \$ 20,954,527.74 | 15.77% | \$ 21,023,740.00 | 15.81% | AA+ | 30% | 2.561 | 973 | 5-Year | 2.085% |
| Federal Home Loan Mortgage Corporation | \$ 11,759,950.38 | 8.85% | \$ 11,756,032.00 | 8.84% | AA+ | 30% | 2.912 | 1,114 | 5-Year | 2.090% |
| Federal National Mortgage Association | \$ 11,025,000.00 | 8.30% | \$ 10,980,638.75 | 8.26% | AA+ | 30% | 2.184 | 829 | 5-Year | 1.917% |
| Negotiable Certificates of Deposit | \$ 15,062,991.36 | 11.33% | \$ 15,055,255.20 | 11.32% | FDIC | 20% | 2.263 | 864 | 5-Year | 2.142% |
| Medium-Term Notes | \$ 14,415,473.46 | 10.85% | \$ 14,494,480.00 | 10.90% | | 20% | 1.550 | 581 | 5-Year | 2.150% |
| Apple Inc. | \$ 4,429,091.88 | 3.33% | \$ 4,516,430.00 | 3.40% | AA+ | 5% | 2.293 | 868 | 5-Year | 2.473% |
| Chevron Corp. | \$ 3,007,530.19 | 2.26% | \$ 3,001,600.00 | 2.26% | AA | 5% | 0.767 | 285 | 5-Year | 1.936% |
| IBM | \$ 1,992,973.17 | 1.50% | \$ 1,988,520.00 | 1.50% | AA- | 5% | 0.858 | 319 | 5-Year | 2.050% |
| MicroSoft Corporation | \$ 3,985,878.22 | 3.00% | \$ 3,982,180.00 | 2.99% | AAA | 5% | 1.676 | 629 | 5-Year | 1.922% |
| Toronto Dominion Bank | \$ 1,000,000.00 | 0.75% | \$ 1,005,750.00 | 0.76% | AA- | 5% | 1.419 | 532 | 5-Year | 2.473% |
| Total Investments: | \$ 132,889,240.80 | 100.00% | \$ 132,993,846.06 | 100.00% | | | 1.723 | 655 | | 2.106% |
| Cash In Bank (General): | \$ 10,967,267.47 | | | | | | | | | |
| Cash In Bank (Housing): | \$ 4,647,143.89 | | | | | | | | | |
| LAIF-TRANS Funds: | \$ - | | | | | | | | | |
| Total Funds: | \$ 148,503,652.16 | | | | | | | | | |

* Line items are calculated by formulas. There might be immaterial discrepancy between the summation of line items and the subtotal or grand total due to rounding issue.

I certify that this report accurately reflects all pooled investments and is in conformity with the City of Torrance Investment Policy Statement adopted by Resolution 2019-57 on June 11, 2019, per California Government Code §53601. A copy of this policy is available at the office of the City Clerk.

Fiscal YTD
2.060%

Effective Rate of Return

Not Present

Dana Cortez
City Treasurer

Kristopher Awshee
Kristopher Awshee
Interim Deputy City Treasurer

7/23/19
Date

**Investment Report
June 2019**

Portfolio Monthly Activity Detail

| Purchases | Broker | Purchase Date | Description | Quality Rating | Maturity Date | Term | Coupon (%) | YTM 365 (%) | Par Value (\$) | Book Value (\$) | Market Value (\$) |
|--------------------------|----------------------------|---------------|-------------------------------|----------------|---------------|--------|------------|-------------|-----------------|-----------------|-------------------|
| Investment Number | | | | | | | | | | | |
| 11309 | Multi-Bank Securities | 6/7/2019 | WEX BK MIDVALE UTAH | FDIC | 12/7/2020 | 1.5 YR | 2.500% | 2.500% | \$ 245,000.00 | \$ 245,000.00 | \$ 246,085.35 |
| 11311 | Higgins Capital | 6/13/2019 | Morgan Stanley Private Bank | FDIC | 6/13/2024 | 5 YR | 2.600% | 2.600% | \$ 245,000.00 | \$ 245,000.00 | \$ 244,370.35 |
| 11312 | Multi-Bank Securities | 6/12/2019 | Flagstar Bank | FDIC | 6/13/2022 | 3 YR | 2.500% | 2.500% | \$ 245,000.00 | \$ 245,000.00 | \$ 246,680.70 |
| 11313 | Higgins Capital | 6/20/2019 | FEDERAL HOME LOAN MORTGAGE CO | AA+ | 6/20/2023 | 4 YR | 2.500% | 2.501% | \$ 1,000,000.00 | \$ 999,950.87 | \$ 1,000,090.00 |
| 11314 | Stifel, Nicolaus & Company | 6/13/2019 | FEDERAL FARM CREDIT BANK | AA+ | 9/13/2023 | 4.3 YR | 2.490% | 2.503% | \$ 1,000,000.00 | \$ 999,510.46 | \$ 998,600.00 |
| 11316 | Higgins Capital | 6/6/2019 | Ally Bank | FDIC | 6/6/2022 | 3 YR | 2.500% | 2.502% | \$ 245,000.00 | \$ 245,000.00 | \$ 246,675.80 |
| 11317 | Wedbush Securities | 6/13/2019 | FEDERAL FARM CREDIT BANK | AA+ | 9/13/2023 | 4.3 YR | 2.490% | 2.515% | \$ 1,000,000.00 | \$ 999,020.92 | \$ 998,600.00 |
| 11318 | Multi-Bank Securities | 6/26/2019 | FEDERAL HOME LOAN MORTGAGE CO | AA+ | 6/26/2024 | 5 YR | 2.375% | 2.375% | \$ 1,500,000.00 | \$ 1,500,000.00 | \$ 1,500,510.00 |
| 11319 | Vining Sparks | 6/21/2019 | FEDERAL FARM CREDIT BANK | AA+ | 6/21/2024 | 5 YR | 2.220% | 2.220% | \$ 3,000,000.00 | \$ 3,000,000.00 | \$ 3,005,370.00 |

Average Coupon Rate / Totals 2.468% \$ 8,480,000.00 \$ 8,478,482.25 \$ 8,485,982.20

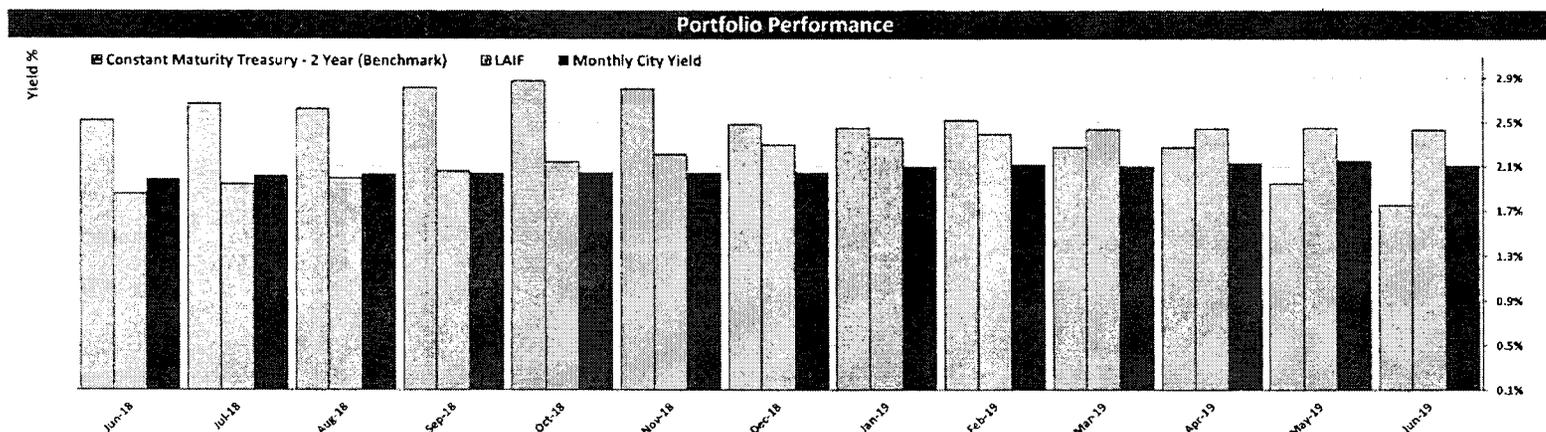
| Maturities/Calls /Sales | Broker | Purchase Date | Description | Quality Rating | Maturity/Sale Date | Days Held/Days to Maturity/Sale | Coupon (%) | YTM 365 (%) | Par Value (\$) | Book Value (\$) | Market Value (\$) |
|--------------------------|----------------------------|---------------|-------------------------------|----------------|--------------------|---------------------------------|------------|-------------|-----------------|-----------------|-------------------|
| Investment Number | | | | | | | | | | | |
| 11214 | Great Pacific Securities | 6/7/2016 | FARMER MAC | IMP | 6/7/2019 | 1095/1095 | 1.110% | 1.110% | \$ 2,000,000.00 | \$ 2,000,000.00 | \$ 2,000,000.00 |
| 11161 | Wedbush Securities | 5/22/2015 | FEDERAL HOME LOAN BANK | AA+ | 6/7/2019 | 1477/1477 | 1.240% | 1.420% | \$ 1,000,000.00 | \$ 1,000,000.00 | \$ 1,000,000.00 |
| 11238 | Wedbush Securities | 2/9/2017 | FEDERAL HOME LOAN MORTGAGE CO | AA+ | 6/11/2019 | 852/852 | 1.350% | 1.310% | \$ 1,000,000.00 | \$ 1,000,000.00 | \$ 1,000,000.00 |
| 11189 | Wedbush Securities | 9/14/2015 | FEDERAL HOME LOAN BANK | AA+ | 6/14/2019 | 1369/1369 | 1.625% | 1.371% | \$ 2,000,000.00 | \$ 2,000,000.00 | \$ 2,000,000.00 |
| 11155 | Wedbush Securities | 4/29/2015 | FEDERAL HOME LOAN MORTGAGE CO | AA+ | 6/27/2019 | 1520/1520 | 1.500% | 1.290% | \$ 1,000,000.00 | \$ 1,000,000.00 | \$ 1,000,000.00 |
| 11190 | Vining Sparks | 9/25/2015 | FEDERAL HOME LOAN MORTGAGE CO | AA+ | 6/27/2019 | 1371/1371 | 1.500% | 1.263% | \$ 1,000,000.00 | \$ 1,000,000.00 | \$ 1,000,000.00 |
| 11274 | Stifel, Nicolaus & Company | 12/28/2017 | FEDERAL HOME LOAN MORTGAGE CO | AA+ | 6/28/2021 | 1278/1278 | 2.050% | 2.050% | \$ 1,000,000.00 | \$ 1,000,000.00 | \$ 1,000,000.00 |
| 11308 | Stifel, Nicolaus & Company | 6/28/2018 | FEDERAL HOME LOAN MORTGAGE CO | AA+ | 6/28/2022 | 1461/1461 | 3.000% | 3.000% | \$ 3,000,000.00 | \$ 3,000,000.00 | \$ 3,000,000.00 |
| 11210 | Stifel, Nicolaus & Company | 6/1/2016 | Wells Fargo Bank | FDIC | 6/3/2019 | 1097/1097 | 1.250% | 1.250% | \$ 245,000.00 | \$ 245,000.00 | \$ 245,000.00 |
| 11165 | Higgins Capital | 6/5/2015 | CONNECTONE BANK | FDIC | 6/5/2019 | 1461/1461 | 1.500% | 1.501% | \$ 245,000.00 | \$ 245,000.00 | \$ 245,000.00 |
| 11213 | Stifel, Nicolaus & Company | 6/15/2016 | CELTIC BANK | FDIC | 6/14/2019 | 1094/1094 | 1.200% | 1.200% | \$ 245,000.00 | \$ 245,000.00 | \$ 245,000.00 |

Annualized Yield / Totals 1.524% \$ 12,735,000.00 \$ 12,735,000.00 \$ 12,735,000.00

| UBOC | Beginning Balance | Coupon (%) | Yield (%) | Deposits (\$) | Withdrawals (\$) | Ending Balance (\$) |
|--------------|-------------------|------------|-----------|------------------|------------------|---------------------|
| Money Market | \$ 1,058,098.20 | 2.070% | 2.070% | \$ 15,502,725.98 | \$ 8,478,450.00 | \$ 8,082,374.18 |

| LAIF | Beginning Balance | Coupon (%) | Yield (%) | Deposits (\$) | Withdrawals (\$) | Interest Earned (\$) | Ending Balance (\$) |
|---------------|-------------------------|---------------|---------------|---------------|-------------------------|----------------------|-------------------------|
| General | \$ 59,315,409.43 | 2.428% | 2.428% | \$ - | \$ 38,000,000.00 | \$ - | \$ 21,315,409.43 |
| Totals | \$ 59,315,409.43 | 2.428% | 2.428% | \$ - | \$ 38,000,000.00 | \$ - | \$ 21,315,409.43 |

**Investment Report
June 2019**



| Portfolio Earnings Summary | Current Month | Fiscal YTD |
|--|----------------------|-----------------------|
| CD/Coupon/Discount Investments: | | |
| Interest Collected | 261,589.79 | 2,221,668.64 |
| Plus Interest at End of Period | 400,679.99 | 387,025.20 |
| Less Accrued Interest* at Beginning of Period | (491,673.23) | (396,863.47) |
| Interest Earned during this Period | \$170,596.55 | \$2,211,830.37 |
| Adjusted By Premiums/Discounts | 6,345.10 | 88,874.98 |
| Adjusted by Capital Gains or Losses (Unrealized) | 0.00 | (6,423.07) |
| Earnings during Periods | \$176,941.65 | \$2,294,282.28 |
| Cash/Checking Accounts: | | |
| Interest Collected | 6,136.19 | 185,664.87 |
| Plus Accrued Interest* at End of Period | 575,731.68 | 575,731.68 |
| Less Interest at Beginning of Period | (472,243.80) | (161,510.19) |
| Interest Earned this Period | \$109,624.07 | \$599,886.36 |
| Total Interest Earned | \$280,220.62 | \$2,811,716.73 |
| Total Adjustments from Premium and Discounts | 6,345.10 | 88,874.98 |
| Total Capital Gains or Loss (Unrealized) | 0.00 | (6,423.07) |
| Total Earnings this Period | \$286,565.72 | \$2,894,168.64 |

Notes:

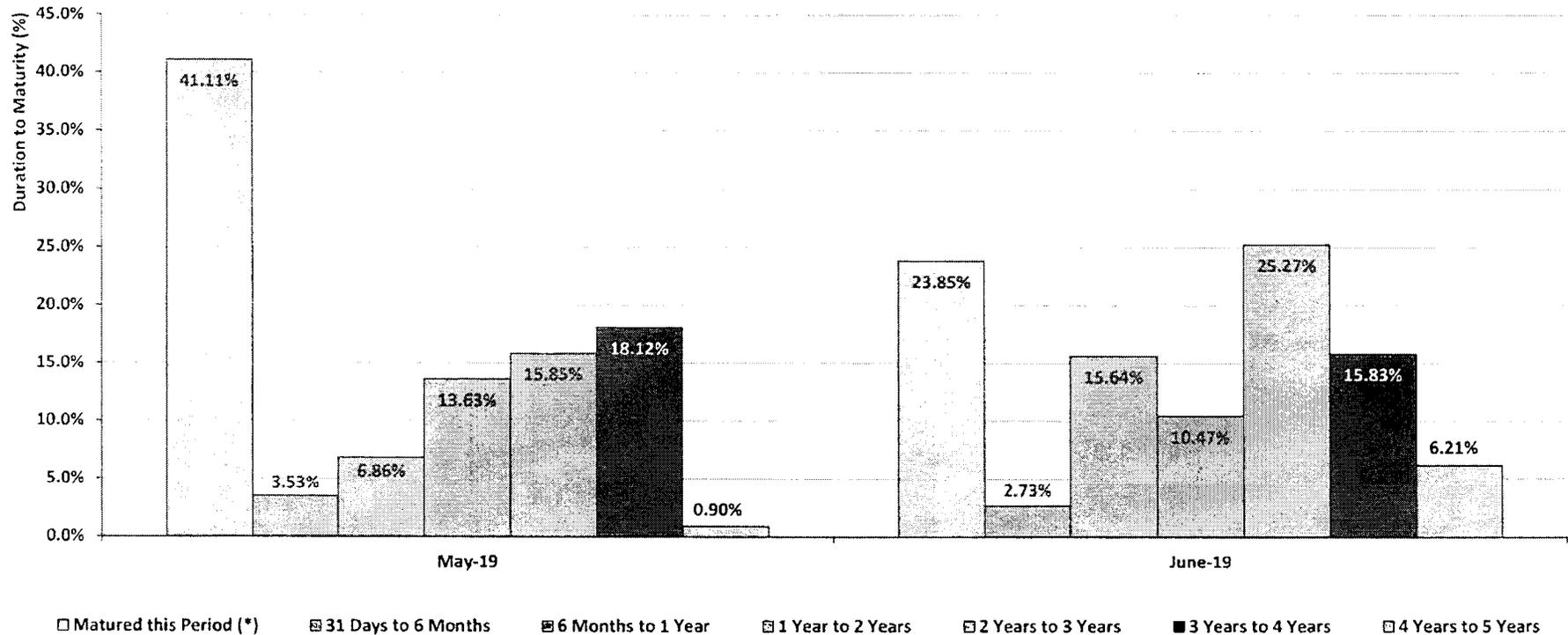
*Accrued Interest: Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives \$40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller \$10 as the latter's proportion of interest earned.)

Adjusted by Premiums/Discounts represents the premium or discount cost involved to secure higher or lower yield securities. The cost of the premium or discount is amortized down or up respectively to par over the life of the bond until reaching maturity. By amortizing, the amount of taxable interest is reduced for each year the city owns the bond. This is because the amortized premium or discounts offsets the ordinary income of the coupon payment.

As long as a bond is held to maturity there will be no capital loss or gain to report.

Investment Report June 2019

Maturity Distribution



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NOTE: SB 564 passed in 1995, effective February 1, 1996, requires that local agencies submit a quarterly report to the legislative body containing detailed information on all securities, investments, and monies of the local agency was eliminated by AB 2853 on September 29, 2004 .

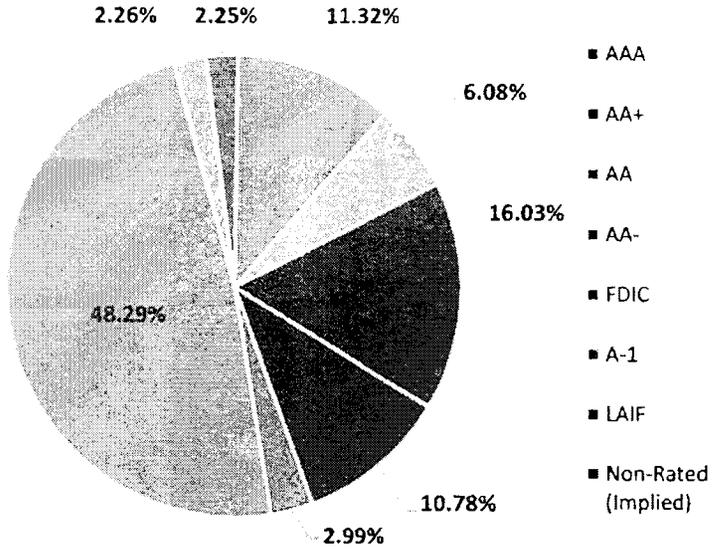
CA GC §53646(b)(3) requires a statement of compliance of the portfolio with the statement of investment policy and a statement of the local agency's ability to meet the expenditure requirements of the pool for the next six months. We are in compliance with the section.

* - includes LAIF and Money Market Account

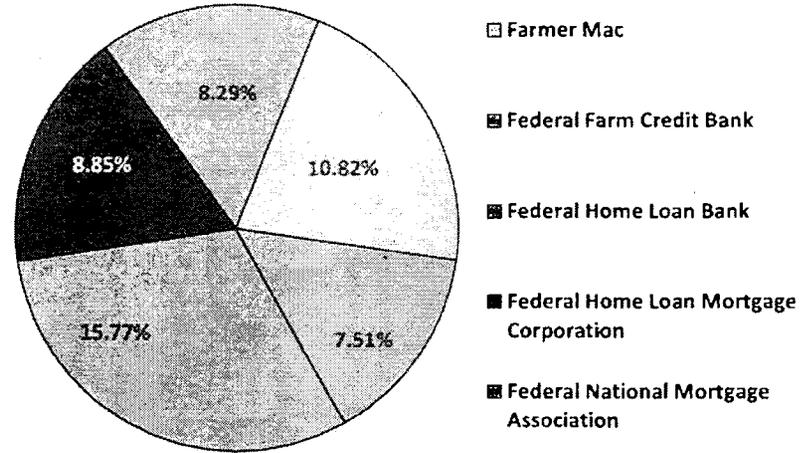
Investment Report June 2019

Portfolio Distribution

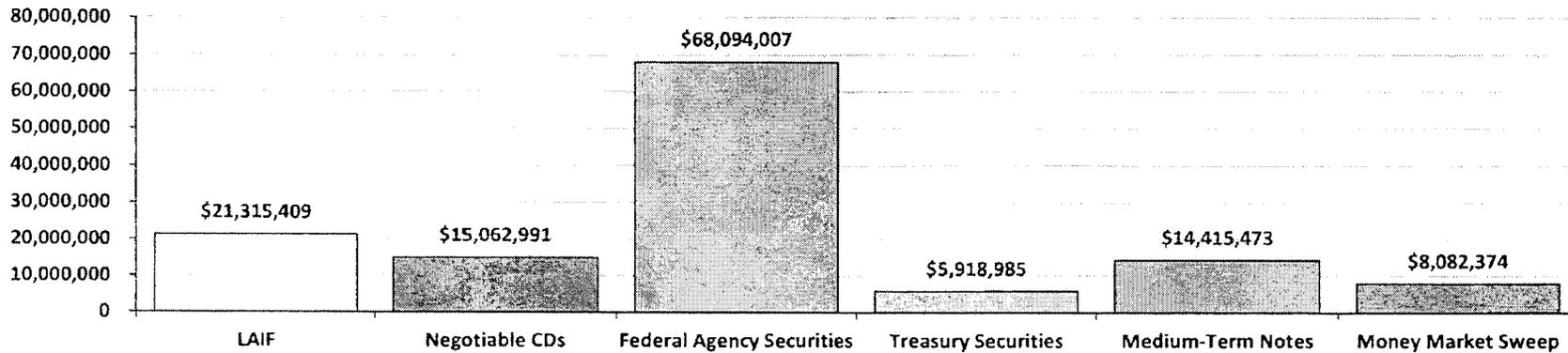
Assigned Credit Ratings of Investments (Total Portfolio)



Federal Agencies Distribution (51.24% of Total Portfolio Book Value)



Portfolio Sectors (Book Value)



**Investment Report
June 2019**

Value of Portfolio per GASB 31

| | Beginning Investment Value As of July 1, 2018 | Purchase / Redemption of Principal | Change in Market Value | Ending Investment Value As of June 30, 2019 |
|------------------------------------|--|------------------------------------|------------------------|--|
| U.S. Treasury Securities | 10,750,320.00 | (4,996,718.76) | 199,818.76 | 5,953,420.00 |
| Federal Agency (Coupon) | 80,226,366.30 | (13,501,950.00) | 1,368,490.95 | 68,092,907.25 |
| Negotiable Certificate of Deposits | 16,155,056.05 | (1,474,000.00) | 374,199.15 | 15,055,255.20 |
| Medium-Term Notes | 17,667,255.00 | (3,495,850.00) | 323,075.00 | 14,494,480.00 |
| Municipal Bonds | | | | - |
| Sub-total per GASB 31: | 124,798,997.35 | (23,468,518.76) | \$2,265,583.86 | 103,596,062.45 |
| Non-GASB | | | | |
| Local Agency Investment Funds | 14,500,000.00 | 6,815,409.43 | - | 21,315,409.43 |
| Money Market | 26,978.69 | 8,055,395.49 | - | 8,082,374.18 |
| Federal Agency – Disc. | - | - | - | - |
| Treasury Security – Disc. | - | - | - | - |
| Certificate of Deposits -Disc. | - | - | - | - |
| Commercial paper | - | - | - | - |
| Sub-total Non-GASB: | 14,526,978.69 | 14,870,804.92 | - | 29,397,783.61 |
| Total Portfolio: | 139,325,976.04 | (8,597,713.84) | 2,265,583.86 | 132,993,846.06 |

The Governmental Accounting Standards Board (GASB) has established Statement No. 31 for setting investment valuation standards. We report the unrealized gain/(loss) monthly and book realized gain/(loss) at year end as a GASB 31 requirement.

GASB 31 is a reporting requirement that reports the "Fair Value" of investments held in our portfolio. Fair value is the amount at which a financial instrument (investment) could be exchanged in a current transaction between willing parties at current market prices. It is important to understand the relationship between prevailing interest rates and fixed coupon investments. As market interest rates fall, the "Fair Value" of held securities will rise (unrealized Gains). The opposite occurs as market interest rates rise (market prices of held investments will fall). It should be noted that investments held in the city pool are to be held until maturity so both gains and losses (unrealized) will not be taken.

I certify that this report accurately reflects all pooled investments and is in conformity with the City of Torrance Investment Policy Statement adopted by Resolution 2019-57 on June 11, 2019, per California Government Code §53601. A copy of this policy is available at the office of the City Clerk.

Reviewed by the Investment Advisory Committee

Not Present

Dana Cortez
City Treasurer Date: _____

Kristopher Awshee
Kristopher Awshee
Interim Deputy City Treasurer Date: 7/24/19

LeRoy J. Jackson
LeRoy J. Jackson
City Manager Date: 7/24/19

Eric E. Tsao
Eric E. Tsao
Finance Director Date: 7/24/19

Patrick Q. Sullivan
Patrick Q. Sullivan
City Attorney Date: 7/24/19

Deputy Treasurer Monthly Reports
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Portfolio Details - Investments
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| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|---------------------------------------|--------------|--------------------------------|----------------------|---------------|----------------------|----------------------|----------------------|-------------|------|--------------|------------------|---------------|
| Local Agency Investment Funds | | | | | | | | | | | | |
| SYS10000 | 10000 | Local Agency Invest Fund GEN'L | | | 21,315,409.43 | 21,315,409.43 | 21,315,409.43 | 2.428 | LAIF | 2.428 | 1 | |
| Subtotal and Average | | | 51,015,409.43 | | 21,315,409.43 | 21,315,409.43 | 21,315,409.43 | | | 2.428 | 1 | |
| Money Market Sweep Account | | | | | | | | | | | | |
| 316175108S | 10001 | Union Bank | | | 8,082,374.18 | 8,082,374.18 | 8,082,374.18 | 2.070 | A-1 | 2.070 | 1 | |
| Subtotal and Average | | | 4,084,124.21 | | 8,082,374.18 | 8,082,374.18 | 8,082,374.18 | | | 2.070 | 1 | |
| Federal Agency Issues - Coupon | | | | | | | | | | | | |
| 3132X0BG5 | 11181 | FARMER MAC | | 07/15/2015 | 1,000,000.00 | 994,790.00 | 1,000,000.00 | 1.750 | IMP | 1.750 | 350 | 06/15/2020 |
| 3132X0JT9 | 11227 | FARMER MAC | | 09/20/2016 | 1,000,000.00 | 997,710.00 | 1,000,000.00 | 1.160 | IMP | 1.160 | 81 | 09/20/2019 |
| 3132X0MT5 | 11235 | FARMER MAC | | 12/29/2016 | 3,000,000.00 | 2,990,040.00 | 3,000,000.00 | 2.000 | IMP | 2.000 | 564 | 01/15/2021 |
| 3132X0NK3 | 11239 | FARMER MAC | | 02/10/2017 | 2,300,000.00 | 2,298,735.00 | 2,300,000.00 | 1.400 | IMP | 1.400 | 22 | 07/23/2019 |
| 3132X0SA0 | 11247 | FARMER MAC | | 04/19/2017 | 2,000,000.00 | 1,993,740.00 | 1,999,862.04 | 1.640 | IMP | 1.649 | 291 | 04/17/2020 |
| 3132X0SY8 | 11248 | FARMER MAC | | 05/18/2017 | 2,075,000.00 | 2,070,061.50 | 2,075,000.00 | 1.750 | IMP | 1.750 | 322 | 05/18/2020 |
| 3132X0UC3 | 11256 | FARMER MAC | | 07/28/2017 | 3,000,000.00 | 2,994,330.00 | 3,000,000.00 | 1.650 | IMP | 1.659 | 364 | 06/29/2020 |
| 3133EFX36 | 11206 | FEDERAL FARM CREDIT BANK | | 04/05/2016 | 1,000,000.00 | 993,780.00 | 1,000,000.00 | 1.680 | AA+ | 1.680 | 644 | 04/05/2021 |
| 3133EH3Y7 | 11280 | FEDERAL FARM CREDIT BANK | | 12/22/2017 | 1,000,000.00 | 999,190.00 | 1,000,000.00 | 2.230 | AA+ | 2.283 | 904 | 12/21/2021 |
| 3133EGQMO | 11281 | FEDERAL FARM CREDIT BANK | | 12/22/2017 | 1,000,000.00 | 995,830.00 | 1,000,000.00 | 1.620 | AA+ | 2.306 | 955 | 02/10/2022 |
| 3133EHLH4 | 11295 | FEDERAL FARM CREDIT BANK | | 04/05/2018 | 1,000,000.00 | 1,001,580.00 | 981,393.38 | 1.875 | AA+ | 2.551 | 1,066 | 06/01/2022 |
| 3133EKMK9 | 11310 | FEDERAL FARM CREDIT BANK | | 05/29/2019 | 1,000,000.00 | 1,000,140.00 | 999,755.96 | 2.590 | AA+ | 2.598 | 1,332 | 02/22/2023 |
| 3133EKQT6 | 11314 | FEDERAL FARM CREDIT BANK | | 06/13/2019 | 1,000,000.00 | 998,600.00 | 999,505.88 | 2.490 | AA+ | 2.503 | 1,535 | 09/13/2023 |
| 3133EKQT6 | 11317 | FEDERAL FARM CREDIT BANK | | 06/13/2019 | 1,000,000.00 | 998,600.00 | 999,011.76 | 2.490 | AA+ | 2.515 | 1,535 | 09/13/2023 |
| 3133EKRP3 | 11319 | FEDERAL FARM CREDIT BANK | | 06/21/2019 | 3,000,000.00 | 3,005,370.00 | 3,000,000.00 | 2.220 | AA+ | 2.220 | 1,817 | 06/21/2024 |
| 313383HU8 | 11172 | FEDERAL HOME LOAN BANK | | 06/12/2015 | 2,000,000.00 | 1,994,960.00 | 1,999,545.33 | 1.750 | AA+ | 1.775 | 347 | 06/12/2020 |
| 3130A8QS5 | 11221 | FEDERAL HOME LOAN BANK | | 08/25/2016 | 2,000,000.00 | 1,975,080.00 | 1,995,466.98 | 1.125 | AA+ | 1.240 | 744 | 07/14/2021 |
| 3130A8QS5 | 11230 | FEDERAL HOME LOAN BANK | | 09/30/2016 | 1,000,000.00 | 987,540.00 | 997,925.15 | 1.125 | AA+ | 1.230 | 744 | 07/14/2021 |
| 3130AABG2 | 11234 | FEDERAL HOME LOAN BANK | | 12/16/2016 | 1,000,000.00 | 1,002,110.00 | 993,179.65 | 1.875 | AA+ | 2.175 | 882 | 11/29/2021 |
| 313378CR0 | 11246 | FEDERAL HOME LOAN BANK | | 03/29/2017 | 2,000,000.00 | 2,024,660.00 | 2,000,000.00 | 2.250 | AA+ | 2.010 | 984 | 03/11/2022 |
| 3130ABMB9 | 11255 | FEDERAL HOME LOAN BANK | | 07/13/2017 | 1,000,000.00 | 999,130.00 | 999,034.27 | 2.050 | AA+ | 2.084 | 1,094 | 06/29/2022 |
| 3130ACBF6 | 11263 | FEDERAL HOME LOAN BANK | | 08/24/2017 | 1,000,000.00 | 1,000,260.00 | 1,000,000.00 | 2.000 | AA+ | 2.000 | 1,150 | 08/24/2022 |
| 3130ACBK9 | 11264 | FEDERAL HOME LOAN BANK | | 08/30/2017 | 1,000,000.00 | 999,880.00 | 1,000,000.00 | 1.750 | AA+ | 2.326 | 1,149 | 08/23/2022 |
| 3130ACKG8 | 11270 | FEDERAL HOME LOAN BANK | | 10/24/2017 | 1,000,000.00 | 1,000,180.00 | 1,000,000.00 | 2.200 | AA+ | 2.200 | 1,211 | 10/24/2022 |
| 3130ACKK9 | 11271 | FEDERAL HOME LOAN BANK | | 10/25/2017 | 2,000,000.00 | 2,001,440.00 | 2,000,000.00 | 2.000 | AA+ | 2.000 | 1,029 | 04/25/2022 |
| 3130ACTS3 | 11272 | FEDERAL HOME LOAN BANK | | 11/29/2017 | 2,000,000.00 | 2,000,940.00 | 2,000,000.00 | 2.000 | AA+ | 2.323 | 1,058 | 05/24/2022 |
| 3130ADUD2 | 11294 | FEDERAL HOME LOAN BANK | | 03/19/2018 | 1,500,000.00 | 1,519,170.00 | 1,499,739.91 | 2.500 | AA+ | 2.510 | 697 | 05/28/2021 |
| 313379Q69 | 11305 | FEDERAL HOME LOAN BANK | | 05/31/2018 | 2,000,000.00 | 2,017,400.00 | 1,969,783.78 | 2.125 | AA+ | 2.670 | 1,075 | 06/10/2022 |
| 3130AGG82 | 11315 | FEDERAL HOME LOAN BANK | | 05/29/2019 | 1,500,000.00 | 1,500,990.00 | 1,499,852.67 | 2.650 | AA+ | 2.652 | 1,794 | 05/29/2024 |
| 3134G9AY3 | 11207 | FEDERAL HOME LOAN MORTGAGE CO | | 04/28/2016 | 1,000,000.00 | 994,890.00 | 1,000,000.00 | 1.350 | AA+ | 1.376 | 302 | 04/28/2020 |

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| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|---------------------------------------|--------------|--------------------------------|----------------------|---------------|----------------------|----------------------|----------------------|-------------|------|--------------|------------------|---------------|
| Federal Agency Issues - Coupon | | | | | | | | | | | | |
| 3134G9SA6 | 11215 | FEDERAL HOME LOAN MORTGAGE CO | | 06/23/2016 | 1,000,000.00 | 996,010.00 | 1,000,000.00 | 1.500 | AA+ | 1.500 | 358 | 06/23/2020 |
| 3134GBTH5 | 11250 | FEDERAL HOME LOAN MORTGAGE CO | | 06/29/2017 | 1,000,000.00 | 1,000,330.00 | 1,000,000.00 | 2.000 | AA+ | 2.000 | 912 | 12/29/2021 |
| 3134GBWJ7 | 11252 | FEDERAL HOME LOAN MORTGAGE CO | | 07/03/2017 | 3,000,000.00 | 3,003,180.00 | 3,000,000.00 | 2.125 | AA+ | 2.013 | 1,094 | 06/29/2022 |
| 3134GBF49 | 11266 | FEDERAL HOME LOAN MORTGAGE CO | | 09/28/2017 | 1,000,000.00 | 1,000,570.00 | 1,000,000.00 | 2.070 | AA+ | 2.070 | 1,185 | 09/28/2022 |
| 3134GB6Y3 | 11279 | FEDERAL HOME LOAN MORTGAGE CO | | 12/28/2017 | 2,260,000.00 | 2,260,452.00 | 2,260,000.00 | 2.450 | AA+ | 2.450 | 1,276 | 12/28/2022 |
| 3134GTTN3 | 11313 | FEDERAL HOME LOAN MORTGAGE CO | | 06/20/2019 | 1,000,000.00 | 1,000,090.00 | 999,950.38 | 2.500 | AA+ | 2.501 | 1,450 | 06/20/2023 |
| 3134GTTK9 | 11318 | FEDERAL HOME LOAN MORTGAGE CO | | 06/26/2019 | 1,500,000.00 | 1,500,510.00 | 1,500,000.00 | 2.375 | AA+ | 2.375 | 1,822 | 06/26/2024 |
| 3136G3N92 | 11220 | FEDERAL NATIONAL MORT ASSOC | | 07/29/2016 | 2,525,000.00 | 2,503,158.75 | 2,525,000.00 | 1.350 | AA+ | 1.350 | 757 | 07/27/2021 |
| 3136G04T5 | 11222 | FEDERAL NATIONAL MORT ASSOC | | 08/25/2016 | 1,000,000.00 | 995,590.00 | 1,000,000.00 | 1.500 | AA+ | 1.055 | 318 | 05/14/2020 |
| 3135G0K69 | 11223 | FEDERAL NATIONAL MORT ASSOC | | 08/25/2016 | 2,000,000.00 | 1,979,460.00 | 2,000,000.00 | 1.250 | AA+ | 1.230 | 675 | 05/06/2021 |
| 3136G4LX9 | 11240 | FEDERAL NATIONAL MORT ASSOC | | 02/28/2017 | 2,000,000.00 | 2,000,540.00 | 2,000,000.00 | 2.125 | AA+ | 2.125 | 973 | 02/28/2022 |
| 3136G4RJ4 | 11298 | FEDERAL NATIONAL MORT ASSOC | | 04/24/2018 | 2,000,000.00 | 2,000,900.00 | 2,000,000.00 | 2.550 | AA+ | 2.991 | 1,309 | 01/30/2023 |
| 3136G4SA2 | 11299 | FEDERAL NATIONAL MORT ASSOC | | 04/30/2018 | 1,500,000.00 | 1,500,990.00 | 1,500,000.00 | 2.650 | AA+ | 2.650 | 669 | 04/30/2021 |
| Subtotal and Average | | | 70,543,827.94 | | 68,160,000.00 | 68,092,907.25 | 68,094,007.14 | | | 2.004 | 889 | |
| Treasury Securities - Coupon | | | | | | | | | | | | |
| 912828S27 | 11233 | U.S.TREASURY NOTE | | 12/15/2016 | 2,000,000.00 | 1,975,460.00 | 1,969,317.33 | 1.125 | AA+ | 1.930 | 730 | 06/30/2021 |
| 912828S27 | 11237 | U.S.TREASURY NOTE | | 02/09/2017 | 2,000,000.00 | 1,975,460.00 | 1,976,041.18 | 1.125 | AA+ | 1.750 | 730 | 05/30/2021 |
| 912828XW5 | 11273 | U.S.TREASURY NOTE | | 11/29/2017 | 1,000,000.00 | 1,001,250.00 | 992,743.34 | 1.750 | AA+ | 2.004 | 1,095 | 06/30/2022 |
| 912828XW5 | 11286 | U.S.TREASURY NOTE | | 01/31/2018 | 1,000,000.00 | 1,001,250.00 | 980,883.38 | 1.750 | AA+ | 2.426 | 1,095 | 06/30/2022 |
| Subtotal and Average | | | 5,917,550.64 | | 6,000,000.00 | 5,953,420.00 | 5,918,985.23 | | | 1.964 | 852 | |
| Medium Term Notes | | | | | | | | | | | | |
| 037833AX8 | 11198 | Apple Inc | | 10/30/2015 | 2,000,000.00 | 1,991,680.00 | 1,999,536.24 | 1.550 | AA+ | 1.590 | 221 | 02/07/2020 |
| 037833AK6 | 11301 | Apple Inc | | 05/04/2018 | 2,500,000.00 | 2,524,750.00 | 2,429,555.64 | 2.400 | AA+ | 3.200 | 1,402 | 05/03/2023 |
| 166764AN0 | 11156 | Chevron Corp | | 04/28/2015 | 1,000,000.00 | 999,760.00 | 1,002,234.70 | 2.193 | AA | 1.569 | 137 | 11/15/2019 |
| 166764AG5 | 11182 | Chevron Corp | | 07/31/2015 | 2,000,000.00 | 2,001,840.00 | 2,005,295.49 | 2.427 | AA | 2.120 | 359 | 06/24/2020 |
| 459200HM6 | 11183 | IBM | | 08/18/2015 | 2,000,000.00 | 1,988,520.00 | 1,992,973.17 | 1.625 | AA- | 2.050 | 319 | 05/15/2020 |
| 594918BG8 | 11199 | MicroSoft Corp | | 11/05/2015 | 2,000,000.00 | 1,999,200.00 | 2,000,000.00 | 2.000 | AAA | 1.944 | 491 | 11/03/2020 |
| 594918BP8 | 11265 | MicroSoft Corp | | 08/28/2017 | 2,000,000.00 | 1,982,980.00 | 1,985,878.22 | 1.550 | AAA | 1.900 | 769 | 08/08/2021 |
| 89114QBC1 | 11201 | Toronto Dominion Bank | | 12/14/2015 | 1,000,000.00 | 1,005,750.00 | 1,000,000.00 | 2.500 | AA- | 2.473 | 532 | 12/14/2020 |
| Subtotal and Average | | | 14,414,587.77 | | 14,500,000.00 | 14,494,480.00 | 14,415,473.46 | | | 2.150 | 581 | |
| Negotiable CD | | | | | | | | | | | | |
| 319141GV3 | 11254 | First Bank of Highland | | 07/19/2017 | 245,000.00 | 244,073.90 | 245,000.00 | 2.150 | FDIC | 2.150 | 1,114 | 07/19/2022 |
| 33767A4N8 | 11262 | First Bank of Puerto Rico | | 08/25/2017 | 245,000.00 | 244,196.40 | 245,000.00 | 2.200 | FDIC | 2.201 | 1,151 | 08/25/2022 |
| 31938QP24 | 11186 | First Business Bank | | 09/16/2015 | 161,000.00 | 160,803.58 | 161,000.00 | 1.700 | FDIC | 1.701 | 77 | 09/16/2019 |
| 32056GCS7 | 11277 | First Internet Bank of Indiana | | 12/18/2017 | 245,000.00 | 244,598.20 | 245,000.00 | 2.350 | FDIC | 2.350 | 1,267 | 12/19/2022 |

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| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|----------------------|--------------|--------------------------------|-----------------|---------------|------------|--------------|------------|-------------|------|-------|------------------|---------------|
| Negotiable CD | | | | | | | | | | | | |
| 33583FAC6 | 11275 | First Northeast Bk of Nebraska | | 12/15/2017 | 245,000.00 | 243,811.75 | 245,000.00 | 2.250 | FDIC | 2.251 | 1,263 | 12/15/2022 |
| 32110YFW0 | 11163 | First National Bank of America | | 05/29/2015 | 245,000.00 | 243,713.75 | 245,000.00 | 1.600 | FDIC | 1.600 | 333 | 05/29/2020 |
| 33715LAV2 | 11268 | First Tech Credit Union | | 10/16/2017 | 245,000.00 | 244,225.80 | 245,000.00 | 2.250 | FDIC | 2.252 | 1,204 | 10/17/2022 |
| 02587CFU9 | 11261 | American Express | | 08/29/2017 | 245,000.00 | 244,414.45 | 245,000.00 | 2.400 | FDIC | 2.401 | 1,155 | 08/29/2022 |
| 01748DBA3 | 11283 | Allegiance Bank | | 02/07/2018 | 245,000.00 | 246,362.20 | 245,000.00 | 2.600 | FDIC | 2.601 | 1,317 | 02/07/2023 |
| 02007GKC6 | 11316 | Ally Bank | | 06/06/2019 | 245,000.00 | 246,675.80 | 245,000.00 | 2.500 | FDIC | 2.502 | 1,071 | 06/06/2022 |
| 02587DV47 | 11257 | American Express Cent #27471 | | 08/08/2017 | 245,000.00 | 244,225.80 | 245,000.00 | 2.350 | FDIC | 2.351 | 1,134 | 08/08/2022 |
| 06610TDN2 | 11226 | Bankers Bank of the West | | 09/14/2016 | 245,000.00 | 244,402.20 | 245,000.00 | 1.150 | FDIC | 1.150 | 74 | 09/13/2019 |
| 08173QBX3 | 11269 | Beneficial Bank | | 10/18/2017 | 245,000.00 | 243,441.80 | 245,000.00 | 2.150 | FDIC | 2.151 | 1,205 | 10/18/2022 |
| 06251AK58 | 11196 | Bank Hapoalim BM NY | | 10/29/2015 | 245,000.00 | 244,559.00 | 245,000.00 | 1.650 | FDIC | 1.651 | 120 | 10/29/2019 |
| 05580ACP7 | 11184 | BMW Bank of No America #35141 | | 08/14/2015 | 245,000.00 | 245,328.30 | 245,000.00 | 2.250 | FDIC | 2.253 | 410 | 08/14/2020 |
| 108622FT3 | 11251 | Bridgewater Bank | | 06/29/2017 | 245,000.00 | 243,133.10 | 245,000.00 | 2.000 | FDIC | 2.002 | 1,094 | 06/29/2022 |
| 12325EHV7 | 11258 | Business Bank | | 07/20/2017 | 245,000.00 | 243,346.25 | 245,000.00 | 2.050 | FDIC | 2.051 | 1,114 | 07/19/2022 |
| 14042RHM6 | 11259 | Capital One#4297 | | 08/23/2017 | 245,000.00 | 245,320.95 | 245,000.00 | 2.350 | FDIC | 2.351 | 1,149 | 08/23/2022 |
| 140420TE0 | 11176 | Capital One Bank USA #33954 | | 07/08/2015 | 247,000.00 | 247,434.72 | 247,000.00 | 2.350 | FDIC | 2.353 | 373 | 07/08/2020 |
| 17312QJ26 | 11297 | CITIBANK na | | 04/11/2018 | 245,000.00 | 248,621.10 | 245,000.00 | 2.900 | FDIC | 2.900 | 1,380 | 04/11/2023 |
| 20033ASX5 | 11231 | Comenity Capital Bank | | 10/31/2016 | 245,000.00 | 240,707.60 | 245,000.00 | 1.750 | FDIC | 1.751 | 851 | 10/29/2021 |
| 061785DD0 | 11211 | Bank of Deerfield | | 06/07/2016 | 245,000.00 | 243,343.80 | 245,000.00 | 1.300 | FDIC | 1.301 | 281 | 04/07/2020 |
| 254672NC8 | 11160 | Discover Bank #5649 | | 05/06/2015 | 245,000.00 | 244,414.45 | 245,000.00 | 1.900 | FDIC | 1.902 | 310 | 05/06/2020 |
| 27113PCE9 | 11285 | EAST BOSTON SAVINGS BANK MA | | 01/30/2018 | 245,000.00 | 245,563.50 | 245,000.00 | 2.500 | FDIC | 2.501 | 1,309 | 01/30/2023 |
| 29278TAH3 | 11290 | ENERBANK usa | | 02/16/2018 | 245,000.00 | 246,737.05 | 245,000.00 | 2.650 | FDIC | 2.650 | 1,326 | 02/16/2023 |
| 29976DZD5 | 11177 | EverBank #34775 | | 07/14/2015 | 245,000.00 | 244,556.55 | 245,000.00 | 2.000 | FDIC | 2.002 | 379 | 07/14/2020 |
| 307811BR9 | 11278 | Farmers and Merchants BK of WI | | 12/21/2017 | 245,000.00 | 243,767.65 | 245,000.00 | 2.250 | FDIC | 2.252 | 1,269 | 12/21/2022 |
| 33847E2J5 | 11312 | Flagstar Bank | | 06/12/2019 | 245,000.00 | 246,680.70 | 245,000.00 | 2.500 | FDIC | 2.500 | 1,078 | 06/13/2022 |
| 38148JSU6 | 11159 | Goldman Sachs Bank #33124 | | 05/06/2015 | 245,000.00 | 244,414.45 | 245,000.00 | 1.900 | FDIC | 1.902 | 310 | 05/06/2020 |
| 40434AP45 | 11202 | Household Finance Co | | 03/10/2016 | 245,000.00 | 247,467.15 | 245,000.00 | 2.750 | FDIC | 2.024 | 618 | 03/10/2021 |
| 40434YGK7 | 11242 | Household Finance Co | | 03/24/2017 | 245,000.00 | 245,095.55 | 245,000.00 | 2.450 | FDIC | 2.451 | 994 | 03/21/2022 |
| 45581EAS0 | 11296 | INDUSTRIAL COM BK CHINA USA | | 04/05/2018 | 245,000.00 | 248,699.50 | 245,000.00 | 2.900 | FDIC | 2.903 | 1,367 | 03/29/2023 |
| 45581EAR2 | 11288 | INDUSTRIAL & COMMERCIAL BK OF | | 02/14/2018 | 245,000.00 | 246,749.30 | 245,000.00 | 2.650 | FDIC | 2.653 | 1,324 | 02/14/2023 |
| 464209CJ2 | 11225 | ISABELLa BANK | | 09/07/2016 | 245,000.00 | 244,436.50 | 245,000.00 | 1.150 | FDIC | 1.149 | 70 | 09/09/2019 |
| 499724AA0 | 11276 | Knoxville TVA Credit Union | | 12/07/2017 | 245,000.00 | 244,274.80 | 245,000.00 | 2.300 | FDIC | 2.302 | 1,255 | 12/07/2022 |
| 51507LBD5 | 11232 | Landmark Community Bank | | 11/10/2016 | 245,000.00 | 240,690.45 | 245,000.00 | 1.600 | FDIC | 1.601 | 863 | 11/10/2021 |
| 538036CP7 | 11243 | Live Oak Banking Company | | 04/08/2017 | 245,000.00 | 244,588.40 | 245,000.00 | 2.100 | FDIC | 2.102 | 646 | 04/07/2021 |
| 549103YK9 | 11224 | Luana Savings Bank | | 09/09/2016 | 245,000.00 | 240,986.90 | 245,000.00 | 1.350 | FDIC | 1.351 | 801 | 09/09/2021 |
| 62384RAB2 | 11267 | MOUNTAIN AMERICA CREDIT UNION | | 10/12/2017 | 245,000.00 | 244,647.20 | 245,000.00 | 2.300 | FDIC | 2.303 | 1,199 | 10/12/2022 |
| 57116AQV3 | 11284 | MARLIN BUSINESS BANK | | 01/30/2018 | 245,000.00 | 245,568.40 | 245,000.00 | 2.500 | FDIC | 2.503 | 1,309 | 01/30/2023 |
| 55266CRZ1 | 11212 | MB Financial Bank | | 06/10/2016 | 245,000.00 | 243,142.90 | 245,000.00 | 1.350 | FDIC | 1.351 | 345 | 06/10/2020 |
| 583626AE6 | 11287 | MECHANICS COOP BANK | | 02/05/2018 | 245,000.00 | 245,945.70 | 245,000.00 | 2.550 | FDIC | 2.550 | 1,316 | 02/06/2023 |

Data Updated: SET_TRE: 07/12/2019 08:44
Run Date: 07/12/2019 - 08:44

Deputy Treasurer Monthly Reports
Portfolio Management
Portfolio Details - Investments
June 30, 2019

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|-----------------------------|--------------|--------------------------------|-----------------------|---------------|-----------------------|-----------------------|-----------------------|-------------|------|--------------|------------------|---------------|
| Negotiable CD | | | | | | | | | | | | |
| 58733ADJ5 | 11229 | mercantil Commercebank Naciona | | 09/28/2016 | 245,000.00 | 240,891.35 | 245,000.00 | 1.650 | FDIC | 1.651 | 820 | 09/28/2021 |
| 59013JJE0 | 11187 | Merrick Bank | | 09/21/2015 | 245,000.00 | 244,887.30 | 245,000.00 | 1.600 | FDIC | 1.601 | 81 | 09/20/2019 |
| 61747MH46 | 11282 | Morgan Stanley Bank | | 01/25/2018 | 245,000.00 | 246,844.85 | 245,000.00 | 2.650 | FDIC | 2.426 | 1,304 | 01/25/2023 |
| 61760AG52 | 11311 | Morgan Stanley Private Bank | | 06/13/2019 | 245,000.00 | 244,370.35 | 245,000.00 | 2.600 | FDIC | 2.600 | 1,809 | 06/13/2024 |
| 55406JAK8 | 11185 | M Y SAFRA Bank | | 09/11/2015 | 245,000.00 | 244,928.95 | 244,991.36 | 1.600 | FDIC | 1.630 | 46 | 08/16/2019 |
| 67054NAK9 | 11249 | Numerica Credit Union | | 06/21/2017 | 245,000.00 | 245,276.85 | 245,000.00 | 2.300 | FDIC | 2.301 | 1,086 | 06/21/2022 |
| 63970QFD3 | 11188 | Nebraskaland National Bank | | 09/25/2015 | 245,000.00 | 244,897.10 | 245,000.00 | 1.500 | FDIC | 1.501 | 86 | 09/25/2019 |
| 66612ACG1 | 11289 | NORTHFIELD BANK | | 02/21/2018 | 245,000.00 | 246,303.40 | 245,000.00 | 2.450 | FDIC | 2.450 | 967 | 02/22/2022 |
| 71270QLZ7 | 11153 | Peoples United Bank | | 02/04/2015 | 245,000.00 | 245,053.90 | 245,000.00 | 1.750 | FDIC | 1.751 | 218 | 02/04/2020 |
| 700654AY2 | 11245 | The Park National Bank | | 03/30/2017 | 245,000.00 | 244,296.85 | 245,000.00 | 1.950 | FDIC | 1.952 | 457 | 09/30/2020 |
| 74160NFN5 | 11253 | Prime Alliance Bank | | 07/05/2017 | 245,000.00 | 243,125.75 | 245,000.00 | 2.000 | FDIC | 2.001 | 1,095 | 06/30/2022 |
| 74267GVT1 | 11244 | Private Bank & Trust Co #33506 | | 03/30/2017 | 245,000.00 | 244,686.40 | 245,000.00 | 2.200 | FDIC | 2.201 | 1,003 | 03/30/2022 |
| 795450D36 | 11260 | Sallie Mae Bank | | 08/23/2017 | 245,000.00 | 245,320.95 | 245,000.00 | 2.350 | FDIC | 2.351 | 1,149 | 08/23/2022 |
| 8562846V1 | 11241 | STATE BANK of INDIA | | 03/14/2017 | 245,000.00 | 245,671.30 | 245,000.00 | 2.350 | FDIC | 2.351 | 987 | 03/14/2022 |
| 87164YGD0 | 11157 | Synchrony Bank Retail | | 04/28/2015 | 245,000.00 | 244,649.65 | 245,000.00 | 1.900 | FDIC | 1.902 | 287 | 04/13/2020 |
| 90348JCR9 | 11303 | UBS Bank | | 05/30/2018 | 245,000.00 | 250,693.80 | 245,000.00 | 3.150 | FDIC | 3.152 | 1,429 | 05/30/2023 |
| 91435LAG2 | 11302 | University of Iowa | | 05/15/2018 | 245,000.00 | 249,838.75 | 245,000.00 | 3.050 | FDIC | 3.052 | 1,414 | 05/15/2023 |
| 92937CJP4 | 11309 | WEX BK MIDVALE UTAH | | 06/07/2019 | 245,000.00 | 246,085.35 | 245,000.00 | 2.500 | FDIC | 2.500 | 525 | 12/07/2020 |
| 949763BH8 | 11228 | Wells Fargo Bank | | 09/28/2016 | 245,000.00 | 242,216.80 | 245,000.00 | 1.700 | FDIC | 1.701 | 820 | 09/28/2021 |
| 981571BP6 | 11180 | WORLD FOREMOST BANK | | 07/16/2015 | 200,000.00 | 200,048.00 | 200,000.00 | 2.400 | FDIC | 2.403 | 381 | 07/16/2020 |
| Subtotal and Average | | | 14,940,488.64 | | 15,063,000.00 | 15,055,255.20 | 15,062,991.36 | | | 2.142 | 864 | |
| Total and Average | | | 160,915,988.63 | | 133,120,783.61 | 132,993,846.06 | 132,889,240.80 | | | 2.106 | 655 | |

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CITY OF TORRANCE

CASH AND INVESTMENTS RECONCILIATION AS OF JUNE 30, 2019

| | | |
|--|-------------------|--------------------------|
| INVESTMENTS PER PORTFOLIO SUMMARY | | \$ 132,889,240.80 |
| Cash in Bank of America General Account | \$ 10,967,267.47 | |
| Cash in Bank of America Housing Account | 4,647,143.89 | |
| | | 15,614,411.36 |
| TOTAL FUNDS PER INVESTMENT REPORT | | \$ 148,503,652.16 |
| OUTSTANDING WARRANTS: | | |
| General Account | \$ (2,063,005.13) | |
| Payroll Account | (139,856.37) | |
| Workers' Compensation Account | (248,458.41) | |
| Housing Account | (5,898.00) | |
| | | (2,457,217.91) |
| DEPOSITS IN TRANSIT: | | |
| June 2019 Cash deposits | \$ 44,988.53 | |
| June 2019 Minor cash collection | 319,442.08 | |
| June 2019 Credit card receipts | 53,399.73 | |
| | | 417,830.34 |
| TOTAL CASH AND INVESTMENTS PER BOOKS | | \$ 146,464,264.59 |

Notes to Investment Report

1. REPORTING ENTITY

City of Torrance was established May 31, 1921 and adopted a city charter form of government on January 7, 1947.

Under City Charter section 630 CITY TREASURER. It shall be the duty of the City Treasurer to receive and safely keep all moneys which shall come into his/her hands as City Treasurer. He/She shall comply with all provisions of law governing the deposit and securing of public funds. He/She shall also comply with all the provisions of the general laws of the State governing the handling of such trust funds as may come into his/her possession. He/She shall pay out moneys only on warrants signed by persons designated by law, or ordinance, as the proper persons to sign warrants and as to trust funds which may come into his/her possession or control by virtue of some law, ordinance or resolution, by warrant or other order, in accordance with the provisions of such law, ordinance or resolution. He/She shall at regular intervals, at least once each month, submit to the Director of Finance a written report and accounting of all receipts, disbursements and fund balances, a copy of which report he/she shall file with the City Council.

The City Treasurer may appoint a deputy, or deputies, from an eligible list to be prepared in accordance with the proceedings prescribed in the civil service system of the City, such deputy or deputies to receive such compensation as may be provided by the City Council. (Ratified Gen. Mun. Elec. 4/10/56, Amend. No. 8; Approved by State Legislature Concurrent Res. No. 3 on 1/9/57).

2. BASIS FOR REPORTING

This Investment Report has been prepared in accordance with the State of California Government Code §53600 and City of Torrance Investment Policy as noted in the City Charter. The City of Torrance Investment Policy is approved and adopted annually by City Council. The Investment Policy is annually submitted by the City Treasurer to the Investment Advisory Committee for review before being forwarded to the City Council. The investment Advisory Committee is made up of City Treasurer, City Manager, City Attorney, Finance Director, and Deputy City Treasurer.

3. ASSUMPTIONS

The Investment Report represents a specific snapshot in time and is compared to other market performers during that same period which includes but is not limited to: Constant Maturing Treasury 2-year term rates, Local Agency Investment Fund (State of California), and prior year performance. All investment activity calculations are results from SymPro portfolio management software v7.3.6.

Adjusted by Premiums/Discounts represent the premium/discount cost involved to secure higher or lower yield securities. The cost of the premium or discount is amortized down or up to par over the life of the bond until reaching maturity. By amortizing, the amount of taxable interest is reduced for each year the city owns the bond. This is because the amortized premium or discount offsets the ordinary income of the coupon payment.

There is no capital loss or gain to report if bonds are kept to maturity.

Notes to Investment Report

4. COMPLIANCE

The Investment Report is required to be submitted to City Council on a monthly basis. State of California statutes requires quarterly reporting. GASB 31 section requires market changes be booked annually but reported monthly as part of this report. SB 564 requires quarterly reporting to the legislative body.

5. LAIF RISK

LAIF statute §16429.3 Deposits; prohibited transfers and loans; impoundment or seizure:

Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

- a. Transfer or loan pursuant to Section 16310, 16312, or 16313.
- b. Impoundment or seizure by any state official or state agency

LAIF statute §16429.4 Right of withdrawal:

The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

Additional information about LAIF may be found on the California State Treasurer Website:
<http://www.treasurer.ca.gov/pmia-laif/answer/laifstatutes.asp>

Glossary

ACCRUED INTEREST. Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives \$40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller \$10 as the latter's proportion of interest earned.)

AGENCIES. Also referred to as Federal Agencies or Fed Agencies and include such organizations or enterprises as the: Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Banks (FFCB), and Government National Mortgage Association (GNMA). See FEDERAL AGENCIES or the specific organization/enterprise in this glossary for additional information.

AMORTIZATION. The spreading out of capital expenses for intangible assets over a specific period of time (usually over the asset's useful life) for accounting and tax purposes. Amortization is similar to depreciation, which is used for tangible assets, and to depletion, which is used with natural resources.

ASKED. The price at which securities are offered.

BANKER'S ACCEPTANCE ("BA"). A draft, bill, or exchange accepted by a bank or a trust company. Both the issuer and the accepting institution guarantee payment of the bill.

BASIS POINT. Common unit of measure used for expressing changes in interest rates; one basis point equates to 1/100th of 1%. (i.e. 0.1% equals 10 basis points.)

BID. The price offered by a buyer of securities (when one sells securities, one asks for a bid). See "Offer".

BOND. Bonds are commonly referred to as fixed-income securities and are one of the three main generic asset classes, along with stocks (equities) and cash equivalents. Many corporate and government bonds are publicly traded on exchanges, while others are traded only over-the-counter (OTC).

BROKER. A broker is an individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor. It is also the role of a firm when it acts as an agent for a customer and charges the customer a commission for its services.

BULLET BOND. Bullet Bonds are non-callable bonds, which cannot be redeemed early by the issuer.

CALLABLE BOND. A bond that can be redeemed by the issuer earlier than the bond's maturity date. Callable bonds with specific details as to when the bond may be called back are noted. Embedded options attached to callable bonds detail how the issuer may "call" back the security. Three forms of embedded options for callable bonds are:

- *American Option:* Bond may be called back by the issuer at any time after the lockout period expires. (continuously callable)
- *Bermudian Option:* The issuer has the right to call the bond on the predetermined interest payment dates only.
- *European Option:* Allows the holder to exercise the option (i.e. to buy) only on the option expiration date.
- *1X:* One time callable only
- *6M:* Callable only after predetermined 6 month lockout period.

CERTIFICATE OF DEPOSIT ("CD"). A time deposit with a specific maturity, as evidenced by a certificate. Large-

Glossary

denomination CDs are typically negotiable. A certificate of deposit (CD) is a savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC. The term of a CD generally ranges from one month to five years.

COLLATERAL. Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT ("CAFR"). The official annual report for the City of Torrance. It includes combined statements for each individual fund and account group, which are prepared in conformity with GAAP. It also includes supporting schedules that are necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

CORPORATE BOND/NOTES. A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.

COUPON. The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. It can also be a certificate attached to a bond, which evidences interest due on a payment date. The annual interest rate paid on a bond, expressed as a percentage of the face value.

DEALER. A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT. There are two methods of delivery of securities: (1) delivery versus payment (DVP); and (2) delivery versus receipt (DVR). DVP is delivery of securities with an exchange of money for the securities. DVR is delivery of securities with an exchanged of a signed receipt for the securities.

DERIVATIVES. (1) Financial instruments that are linked to, or derived from, the movement of one or more underlying indexes or securities, and may include a leveraging factor; or (2) financial contracts based upon a notional amount whose value is derived from an underlying index or security (e.g., interest rates, foreign exchange rates, equities, or commodities).

DISCOUNT. The difference between the acquisition cost of a security and its value at maturity, when quoted at lower than face value. A security that sells below original offering price shortly after sale is also considered to be at a discount. In finance, discount refers to the condition of the price of a bond that is lower than par, or face value. The discount equals the difference between the price paid for a security and the security's par value.

DISCOUNT SECURITIES. Non-interest bearing money market instruments that are issued a discount and that are redeemed at maturity for full face value (e.g., U.S. Treasury Bills).

DIVERSIFICATION. Dividing investment funds among a variety of securities that offer independent returns.

FEDERAL AGENCIES. Special government organizations set up for a specific purpose such as the management of resources, financial oversight of industries or national security issues. These organizations are typically created by legislative action, but may initially be set up by a Presidential Order as well. The directors of these agencies are typically selected by Presidential appointment. A number of these organizations issue securities such as stocks and bonds that have been historically popular with investors. Agencies of the Federal Government that were established to supply credit to various classes of institutions and individuals (e.g., S&Ls, small business firms,

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students, farmers, farm cooperative, and exporters).

FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"). A federal agency that insures bank deposits, currently up to \$ 250,000.00 per deposit.

FEDERAL FARM CREDIT BANK ("FFCB"). In the United States, a network of federally-chartered financial institutions designed to provide credit-related services to the agricultural and farming sectors of the economy. In total, this government-sponsored enterprise comprises approximately 100 financial institutions that serve all 50 states and Puerto Rico

FEDERAL FUNDS RATE. The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS ("FHLB"). Government-sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing-related assets of its member, who must purchase stock in their District Bank. FHLB - An organization created by the Federal Home Loan Bank Act of 1932 to increase the amount of funds available for lending institutions who provide mortgages and similar loan agreements to individuals. This system was created in response to the depressive economic conditions of the era, which had impaired the U.S. banking system.

FEDERAL HOME LOAN MORTGAGE CORP ("Freddie Mac or FHLMC"). FHLMC is a stockholder-owned, government-sponsored enterprise (GSE) chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle income Americans. The FHLMC purchases, guarantees and securitizes mortgages to form mortgage-backed securities. The mortgage-backed securities that it issues tend to be very liquid and carry a credit rating close to that of U.S. Treasuries.

FEDERAL NATIONAL MORTGAGE ASSOCIATION ("FNMA"). FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act of 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assures and guarantees that all security holders will receive timely payment of principal and interest. Fannie Mae is a publicly-traded company which operates under a congressional charter that directs Fannie Mae to channel its efforts into increasing the availability and affordability of homeownership for low-, moderate- and middle-income Americans.

FEDERAL OPEN MARKET COMMITTEE ("FOMC"). The FOMC consist of seven members of the Federal Reserve Board and five of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM. Also known as "The Fed." The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks, and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATIONS ("GNMA" or "Ginnie Mae"). Securities that influence the volume of bank credit that is guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan

Glossary

associations, and other institutions. The full faith and credit of the U.S. Government protect a security holder. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term "pass-through" is often used to describe Ginnie Maes.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD ("GASB"). An organization whose main purpose is to improve and create accounting reporting standards or generally accepted accounting principles (GAAP). These standards make it easier for users to understand and use the financial records of both state and local governments. The Government Accounting Standards Board (GASB) is funded and monitored by the Financial Accounting Foundation (FAF).

IMPLIED RATING ("IMP"). Government Sponsored Enterprises ex: Federal Home Loan Bank, Federal Home Loan Mortgage Corp, Federal National Mortgage Association each carrier the rate of the US Treasury. There are GSE that are not officially rated by a credit rating agency but carry an implied rating because they are GSE. An example of this is Farmer Mac.

LIQUIDITY. A Liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow, and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND ("LAIF"). Monies from local governmental units may be remitted to the California State Treasurer for deposit in this special fund for the purpose of investment.

LOCKOUT (BOND FEATURE). The period of time when a security may not be redeemed by the issuer.

MARKET VALUE. The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT. A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer (lender) to liquidate the underlying securities in the event of default by the seller (borrower).

MATURITY. The date upon which the principal or stated value of an investment becomes due and payable.
Medium Term Notes - A corporate note continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.

MONEY MARKET. The market in which short-term debt instruments (e.g., bills, commercial paper, and banker's acceptances) are issued and traded.

NOT RATED ("NR"). GSE (government sponsored enterprises) or any security that are not officially rated by a credit rating agency.

OFFER. The price asked by a seller of securities (when one buys securities, one asks for an offer). See "Asked" and "Bid."

OPEN MARKET OPERATIONS. Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank, as directed by the FOMC in order to influence the volume of money and credit in the economy.

Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Glossary

PORTFOLIO. A collection of securities that an investor holds.

PREMIUM - A premium is the total cost of an option. The difference between the higher price paid for a fixed-income security and the security's face amount at issue.

PRIMARY DEALER. A group of government securities dealers that submit daily reports of market activity and positions, and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) — registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT INVESTOR RULE. An investment standard. A fiduciary, such as a trustee, may invest in a security if it is one that would be bought by a prudent investor acting in like capacity, who is seeking reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES. A financial institution that: (1) does not claim exemption from the payment of any sales, compensating use, or ad valorem taxes under the laws of this State; (2) has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability; and (3) has been approved by the Public Deposit Protections Commission to hold public deposits.

RATE OF RETURN. The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT ("RP" OR "REPO"). A holder of securities sells them to an investor with an agreement to repurchase the securities at a fixed price on a fixed date. The security "buyer" in effect, lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: when the Fed is said to be doing RP, it is lending money (increasing bank reserves).

SAFEKEEPING. A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET. A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION. An agency created by Congress to administer securities legislation for the purpose of protecting investors in securities transactions.

SEC RULE 15c3-1. See "Uniform Net Capital Rule." SEC Rule 15c3-1 requires broker-dealers to maintain the following minimum net capital requirements in order to offer sufficient protection for the firm's customers:

- \$250,000 for broker-dealers who conduct general securities business and carry customer funds and securities
- \$50,000 for broker-dealers who introduce accounts to another broker-dealer on a fully disclosed basis, receive but do not hold customer securities for delivery to the clearing broker-dealer and do not carry customer accounts
- \$25,000 for broker-dealers that only handle mutual fund transactions and do not hold customer funds or securities
- \$5,000 for broker-dealers who do not directly or indirectly receive securities from customers (known as introducing brokers)

Glossary

STEP-UP BOND. A bond that pays an initial coupon rate for the first period, and then a higher coupon rate for the following periods. A step-up bond is one in which subsequent future coupon payments are received at a higher, predetermined amount than previous or current periods. These bonds usually have a callable component.

STRUCTURED NOTES. Notes issued by instrumentalities (e.g., FHLB, FNMA, SLMA) and by corporations, that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) in their debt structure. The market performance of structured notes is affected by fluctuating interest rates; the volatility of imbedded options; and shifts in the yield curve.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of receiving future tax receipts and revenues at a future date.

TREASURY BILLS. A non-interest-bearing discount security that is issued by the U.S. Treasury to finance the national debt. Most T-bills are issued to mature in three months, six months, or one year.

TREASURY BONDS. Long-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of more than 10 years.

TREASURY NOTES. Medium-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of two to 10 years. U S Notes - A treasury note is a marketable U.S. government debt security with a fixed interest rate and a maturity between one and 10 years. Treasury notes can be bought either directly from the U.S. government or through a bank.

UNIFORM NET CAPITAL RULE. SEC requirement that member firms, as well as non-member broker-dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to one. Also called net capital rule and net capital ratio. Indebtedness covers all money that is owed to a firm, including margin loans and commitments to purchase securities (one reason that new public issues are spread among members of underwriting syndicates). Liquid capital includes cash and assets easily converted to cash.

YIELD. The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD OR YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

YIELD TO MATURITY (YTM). The percentage rate of return paid on a bond or note if the investor buys and holds it to its maturity date. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the bond will be reinvested at the same rate.

Sources:

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