

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

847A



FROM: Don Kent, Treasurer-Tax Collector

SUBMITTAL DATE:
January 15, 2014

SUBJECT: Treasurer's Monthly Disclosure Report on Investments

RECOMMENDED MOTION: That the Board of Supervisors receives and files the Treasurer's "Monthly Disclosure Report on Investments" dated December 2014.

BACKGROUND:


Summary

The County Treasurer and Tax Collector is submitting the above noted report to the County Board of Supervisors in keeping with Section 53607 of the California Government Code, which requires a quarterly report on the status of investments. The practice has been to provide the Board with a monthly report. The report gives the various statistics on the portfolio as to overall composition, liquidity structure, credit quality on the various securities, and provides several trends on earning performance, average weighted maturity, and the portfolio's "paper loss or gain".


 Don Kent
 Treasurer-Tax Collector

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

SOURCE OF FUNDS:	Budget Adjustment: No
	For Fiscal Year: 2014/2015

C.E.O. RECOMMENDATION: APPROVE
 BY: 
 Samuel Wong
 County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.: | **District:** | **Agenda Number:**

2-26



County of Riverside

December 2014

Treasurer's Pooled Investment Fund

"An Oil Soaked Black Swan"

As discussed in our last quarterly commentary, one of the potential black swans we were watching just crash landed in a pool of crude oil; it was on our list along with Ebola, terrorism, and the anemic European economy. We did not, however, expect along with the rest of the financial community to see the swift and enormous price *collapse* in oil coming. The great news here is that for every dollar decline in gas prices it adds over \$100 billion dollars in savings for the fuel consuming public, creating a tailwind for U.S. economic growth, and higher GDP.

Supply, declining demand, U.S. dollar strength, OPEC (particularly Saudi) reluctance to cut production as well as investor sentiment shifting away from oil are all at play in this massive shift in prices. Oil has dropped over 40% from about \$90 in September to about \$53 at the end of December with further price drops likely, making this event one of the largest oil price declines in history.

Bond investors like the TPIF should now focus on how the collapse in oil prices will impact both the bond market and interest rates, as well as the concern that deflation will outweigh the potential economic benefits that lower oil prices will bring. As of this writing, it feels as if market jitters and fears of deflation are competing with the headlines for economic growth.

The down side to cheaper oil is many investments in oil and gas production made here in the USA had the expectation of being priced much higher than it is now. This could slow in-

vestments being made in the energy sector and cause defaults in the high yield bond market with a spillover into the equity markets. Over time it could harm domestic production with wells being idled, forgoing new drilling permits, and, cutting jobs. The million dollar questions are how low will crude oil go and for how long will it stay there? Will cheaper energy prices spur the economy enough to offset sliding oil prices and the trail of wreckage in the oil patch? Only time will tell.

Thanks to cheaper energy costs (as well as a decline in many other commodities), the FED thinks inflation will end up around 1.3% next year according to projections released on December 17th, and will not return to 2%, which had been the previous target. As a result, rates could rise slower and/or later than expected. The Fed has stated it would be "patient" about tightening. Chairwoman Yellen told reporters that she would like to see unemployment fall further and wages rise with the expectation that this might create more economic growth. For now we will continue to watch 2015 for what promises to bring heightened volatility and will invest accordingly. Happy New Year!

Don Kent

Treasurer-Tax Collector

Capital Markets Team

Don Kent

Treasurer-Tax Collector

Jon Christensen

Asst. Treasurer-Tax Collector

Giovane Pizano

Investment Manager

Isela Licea

Asst. Investment Manager

Investment Objectives

*The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the treasurer's control, meet the **liquidity needs** of the depositor, and achieve a **return on the funds** under his or her control.*

RIVERSIDE COUNTY TREASURER'S POOLED INVESTMENT FUND IS CURRENTLY RATED:

Aaa-bf BY MOODY'S INVESTOR'S SERVICE AND AAA/V1 BY FITCH RATINGS

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	Yrs to Maturity	Modified Duration
December	5,895,845,894.96	5,899,853,397.68	(4,007,502.72)	(0.07)	0.43	1.24	1.21
November	4,813,034,831.17	4,811,717,725.40	1,317,105.77	0.03	0.46	1.42	1.39
October	4,619,489,691.81	4,619,977,432.54	(487,740.73)	(0.01)	0.44	1.35	1.32
September	4,685,137,882.96	4,689,709,358.81	(4,571,475.85)	(0.10)	0.44	1.33	1.30
August	4,738,289,860.85	4,739,621,367.03	(1,331,506.18)	(0.03)	0.42	1.33	1.30
July	4,857,243,067.51	4,862,988,659.53	(5,745,592.02)	(0.12)	0.41	1.3	1.28

The Treasurer's Pooled Investment Fund is comprised of the County, Schools, Special Districts, and other Discretionary Depositors.



Current Market Data

Economic Indicators

Release Date	Indicator	Consensus	Actual
12/05/2014	Non-Farm Payrolls M/M change: Counts the number of paid employees working part-time or full-time in the nation's business and government establishments.	230,000	321,000
12/05/2014	Employment Situation: Measures the number of unemployed as a percentage of the labor force.	5.8%	5.8%
12/23/2014	Durable Goods Orders - M/M change: Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	0.3%	-0.7%
12/23/2014	Real Gross Domestic Product - Q/Q change: The broadest measure of aggregate economic activity and encompasses every sector of the economy. GDP is the country's most comprehensive economic scorecard.	4.3%	5.0%
12/30/2014	Consumer Confidence: Measures consumer attitudes on present economic conditions and expectations of future conditions.	93.9	92.6
12/05/2014	Factory Orders M/M change: Represents the dollar level of new orders for both durable and nondurable goods.	0.0%	-0.7%
12/17/2014	Consumer Price Index - M/M change: The Consumer Price Index is a measure of the average price level of a fixed basket of goods and services purchased by consumers.	-0.1%	-0.3%

Stock Indices

	Value	Change
Dow Jones (DJIA)	\$ 17,823.07	\$ (5.17)
S&P 500 Index	\$ 2,058.90	\$ (8.66)
NASDAQ (NDX)	\$ 4,236.27	\$ (101.48)

Commodities

	Value	Change
Nymex Crude	\$ 53.27	\$ (12.88)
Gold (USD/OZ)	\$ 1,184.86	\$ 17.45

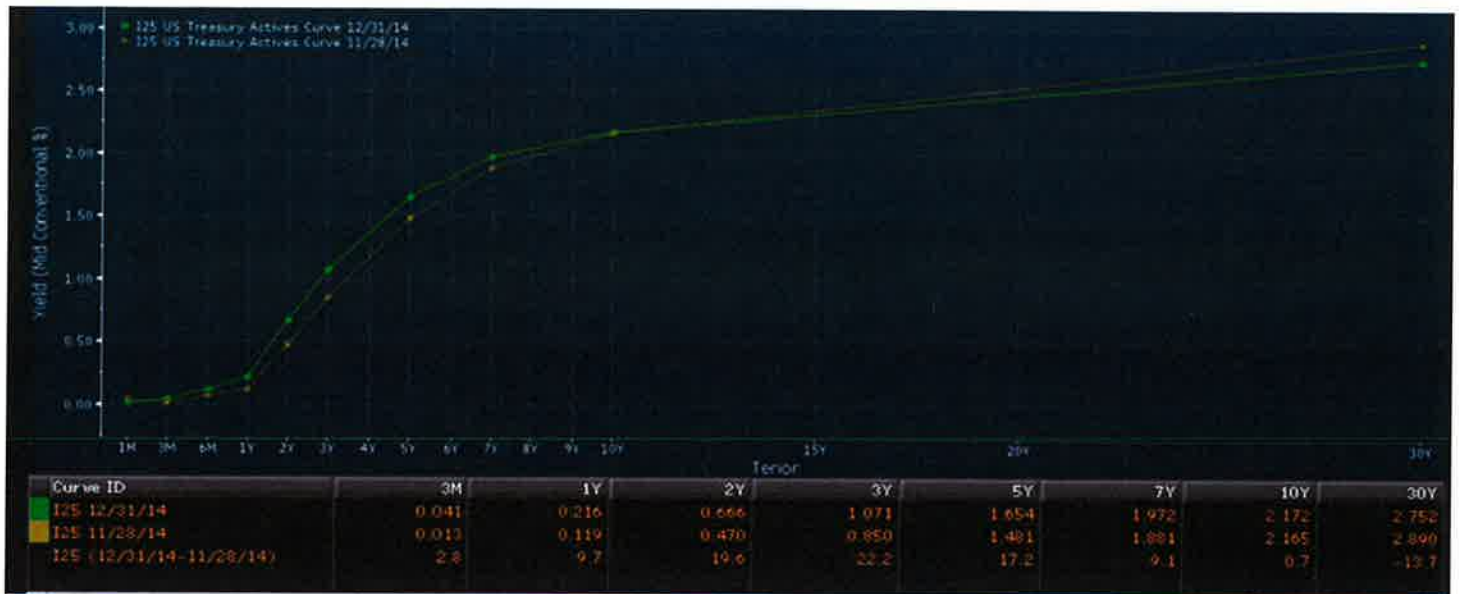
Fed Funds Target Rate

Current Fed Funds Rate: 0-0.25%		
Probability for FOMC Dates:		
Fed Move	01/28/2015	03/18/2015
Decrease to 0.00%	52.0%	49.9%
Increase to 0.25%	48.0%	48.2%
Increase to 0.50%	0.0%	1.9%
Increase to 0.75%	0.0%	0.0%
Increase to 1%	0.0%	0.0%

FOMC Meeting Schedule

Release	%	Risk Assessment
29-Oct	0-.25%	Growth
17-Dec	0-.25%	Growth

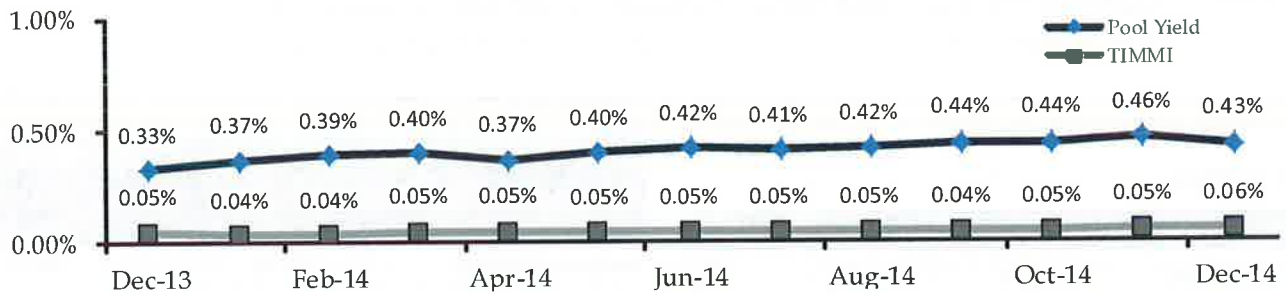
US Treasury Curve (M/M)



TIMMI

The Treasurer’s Institutional Money Market Index (TIMMI) is compiled and reported by the Riverside County Treasurer’s Capital Markets division. It is a composite index derived from four AAA rated prime institutional money market funds. Similar to the Treasurer’s Office, prime money market funds invest in a diversified portfolio of U.S. dollar denominated money market instruments including U.S. Treasuries, government agencies, commercial paper, certificates of deposits, repurchase agreements, etc. TIMMI is currently comprised of the five multi billion dollar funds listed below.

AAA Rated Prime Institutional Money-Market Funds		
Fund	Symbol	7 Day Yield
Fidelity Prime Institutional MMF	FIPXX	0.07%
Federated Prime Obligations Fund	POIXX	0.03%
Wells Fargo Advantage Heritage	WFJXX	0.08%
Morgan Stanley Institutional Prime Liquidity Fund	MPFXX	0.05%
JP Morgan	CJPXX	0.06%



Cash Flows

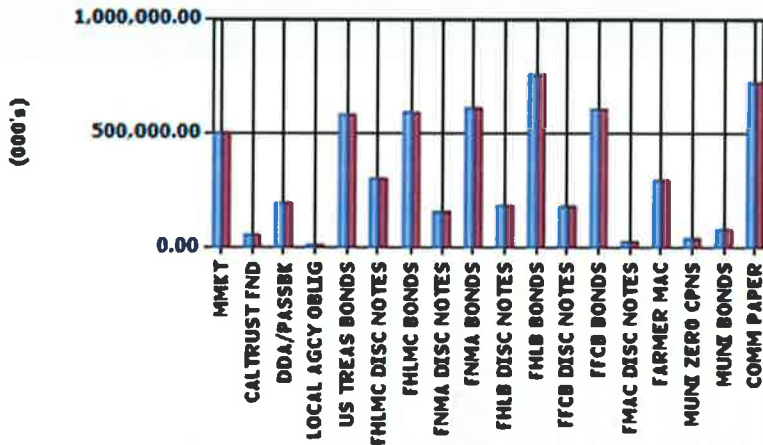
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
01/2015					411.00		
01/2015	650.00	1,289.48	(639.48)	228.48	-	1,306.70	
02/2015	650.00	910.86	(260.86)	260.86	-	296.35	
03/2015	1,000.00	920.00	80.00		80.00	197.00	
04/2015	1,375.00	950.00	425.00		505.00	178.45	
05/2015	520.00	1,185.89	(665.89)	160.89	-	594.15	
06/2015	750.00	1,220.61	(470.61)	470.61	-	443.02	
07/2015	1,100.00	1,050.00	50.00		50.00	90.06	
08/2015	725.00	850.00	(125.00)	75.00	-	197.34	
09/2015	800.00	1,000.00	(200.00)	200.00	-	10.00	
10/2015	975.00	1,150.00	(175.00)	175.00	-	88.16	
11/2015	1,150.00	900.00	250.00		250.00	0.00	
12/2015	1,900.00	975.00	925.00		1,175.00	125.00	
TOTALS	11,595.00	12,401.84	(806.84)	1,570.84	2,471.00	3,526.23	4,329.01
				26.63%		59.77%	73.37%

* All values reported in millions (\$).

The Pooled Investment Fund cash flow requirements are based upon a 12 month historical cash flow model. Based upon projected cash receipts and maturing investments, there are sufficient funds to meet future cash flow disbursements over the next 12 months.

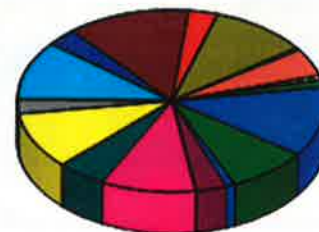
Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr)	Mat (Yr)
MMKT	505,000.00	505,000.00	505,000.00	100.00%	0.07%	.003	.003
CALTRUST FND	54,000.00	54,000.00	54,000.00	100.00%	0.39%	.003	.003
DDA/PASSBK	195,000.00	195,000.00	195,000.00	100.00%	0.08%	.003	.003
LOCAL AGCY OBLIG	395.00	395.00	395.00	100.00%	0.96%	5.460	5.460
US TREAS BONDS	585,000.00	584,885.55	584,298.10	99.90%	0.42%	1.411	1.411
FHLMC DISC NOTES	301,571.00	301,380.40	301,458.88	100.03%	0.10%	.385	.385
FHLMC BONDS	593,848.00	593,809.07	593,370.78	99.93%	1.11%	1.424	3.081
FNMA DISC NOTES	156,057.00	155,978.28	156,008.26	100.02%	0.10%	.341	.341
FNMA BONDS	613,699.00	613,445.48	611,550.85	99.69%	0.73%	2.464	2.470
FHLB DISC NOTES	185,100.00	184,968.80	185,043.77	100.04%	0.14%	.431	.431
FHLB BONDS	761,025.71	761,008.11	759,834.58	99.85%	0.69%	1.500	2.113
FFCB DISC NOTES	180,061.00	179,958.88	179,987.41	100.02%	0.10%	.425	.425
FFCB BONDS	607,220.00	607,226.17	607,074.66	99.98%	0.22%	.903	.903
FMAC DISC NOTES	25,000.00	24,974.99	24,991.75	100.07%	0.13%	.359	.359
FARMER MAC	293,850.00	293,831.79	293,703.75	99.96%	0.70%	.527	1.753
MUNI ZERO CPNS	38,450.00	38,432.50	38,435.13	100.01%	0.15%	.266	.266
MUNI BONDS	81,200.00	81,183.59	81,183.59	100.00%	0.27%	.483	.483
COMM PAPER	724,700.00	724,374.78	724,509.38	100.02%	0.14%	.140	.140
Totals (000's):	5,901,176.71	5,899,853.40	5,895,845.89	99.93%	0.42%	.935	1.243



■ Scheduled Book
 ■ Market

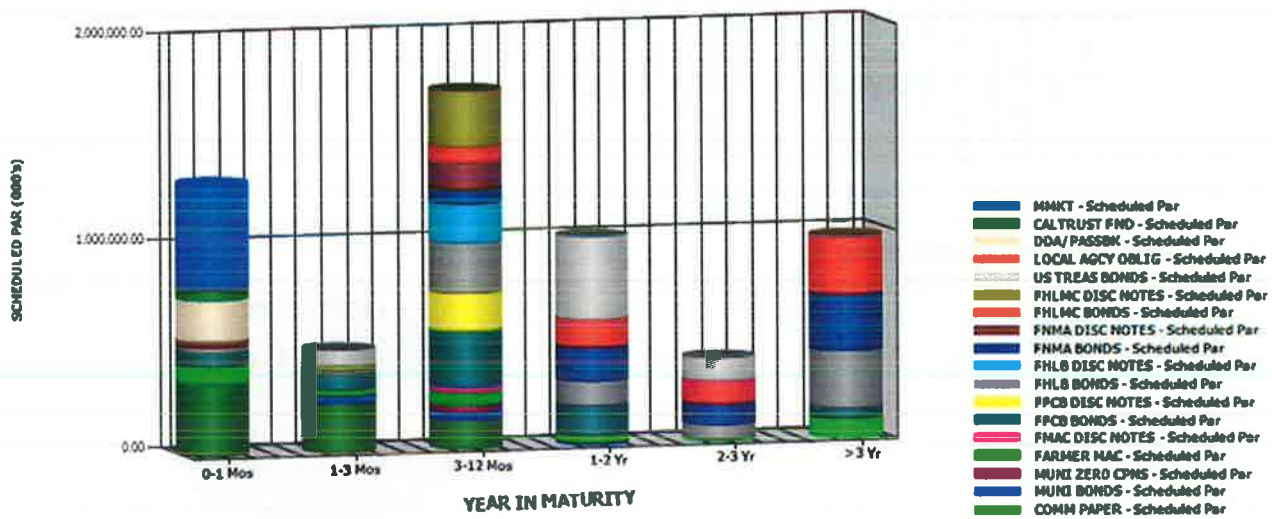
SCHEDULED PAR %



- MMKT - 9%
- CALTRUST FND - 1%
- DDA/PASSBK - 3%
- LOCAL AGCY OBLIG - 0%
- US TREAS BONDS - 10%
- FHLMC DISC NOTES - 5%
- FHLMC BONDS - 10%
- FNMA DISC NOTES - 3%
- FNMA BONDS - 10%
- FHLB DISC NOTES - 3%
- FHLB BONDS - 13%
- FFCB DISC NOTES - 3%
- FFCB BONDS - 10%
- FMAC DISC NOTES - 0%
- FARMER MAC - 5%
- MUNI ZERO CPNS - 1%
- MUNI BONDS - 1%
- COMM PAPER - 12%

Maturity Distribution

Scheduled Par (000's)	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yr	2-3 Yr	>3 Yr	Totals (000's)
MMKT	505,000.00	-	-	-	-	-	505,000.00
CALTRUST FND	54,000.00	-	-	-	-	-	54,000.00
DDA/PASSBK	195,000.00	-	-	-	-	-	195,000.00
LOCAL AGCY OBLIG	-	-	-	-	-	395.00	395.00
US TREAS BONDS	-	75,000.00	-	400,000.00	110,000.00	-	585,000.00
FHLMC DISC NOTES	5,000.00	25,000.00	271,571.00	-	-	-	301,571.00
FHLMC BONDS	-	-	75,000.00	130,625.00	110,705.00	277,518.00	593,848.00
FNMA DISC NOTES	25,000.00	-	131,057.00	-	-	-	156,057.00
FNMA BONDS	-	-	70,000.00	166,887.00	102,752.00	274,060.00	613,699.00
FHLB DISC NOTES	-	-	185,100.00	-	-	-	185,100.00
FHLB BONDS	30,000.00	20,000.00	245,000.00	118,685.71	69,500.00	277,840.00	761,025.71
FFCB DISC NOTES	-	-	180,061.00	-	-	-	180,061.00
FFCB BONDS	65,000.00	75,000.00	272,150.00	145,070.00	-	50,000.00	607,220.00
FMAC DISC NOTES	-	-	25,000.00	-	-	-	25,000.00
FARMER MAC	80,000.00	25,000.00	60,000.00	30,000.00	8,850.00	90,000.00	293,850.00
MUNI ZERO CPNS	-	-	38,450.00	-	-	-	38,450.00
MUNI BONDS	-	36,345.00	32,785.00	12,070.00	-	-	81,200.00
COMM PAPER	347,700.00	237,000.00	140,000.00	-	-	-	724,700.00
Totals (000's):	1,306,700.00	493,345.00	1,726,174.00	1,003,337.71	401,807.00	969,813.00	5,901,176.71
%	22.14%	8.36%	29.25%	17.00%	6.81%	16.43%	
Cumulative %	22.14%	30.50%	59.75%	76.76%	83.57%	100.00%	

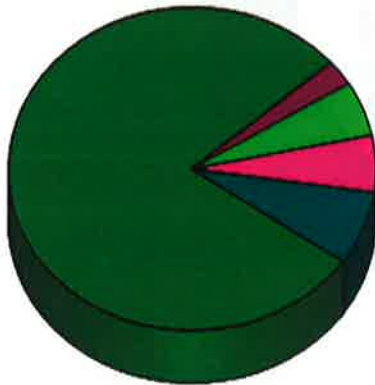


Credit Quality

Moody (000's)	Par	Book	Market	MKT/Book	Yield
Aaa	4,650,046.71	4,649,117.83	4,644,989.68	99.91%	0.49%
Aa	5,000.00	4,998.50	4,990.50	99.84%	1.01%
Aa1	152,125.00	152,091.34	152,105.56	100.01%	0.11%
Aa2	324,070.00	323,937.73	323,975.91	100.01%	0.16%
Aa3	335,690.00	335,506.22	335,590.50	100.03%	0.16%
NR	434,245.00	434,201.79	434,193.75	100.00%	0.20%
Totals (000's):	5,901,176.71	5,899,853.40	5,895,845.89	99.93%	0.42%

MOODY'S

BOOK %



■ Aaa - 79%
 ■ Aa1 - 3%
 ■ Aa3 - 6%
■ Aa - 0%
 ■ Aa2 - 5%
 ■ NR - 7%

S & P

BOOK %



■ AAA - 11%
 ■ AA- - 5%
■ AA+ - 71%
 ■ NR - 7%
■ AA - 6%

S&P (000's)	Par	Book	Market	MKT/Book	Yield
AAA	621,465.00	621,446.06	621,506.35	100.01%	0.11%
AA+	4,179,801.71	4,178,826.67	4,174,637.90	99.90%	0.54%
AA	359,975.00	359,857.73	359,914.77	100.02%	0.14%
AA-	305,690.00	305,521.15	305,593.12	100.02%	0.16%
NR	434,245.00	434,201.79	434,193.75	100.00%	0.20%
Totals (000's):	5,901,176.71	5,899,853.40	5,895,845.89	99.93%	0.42%



Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Maturity	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
91411UQQ1	UC REGENTS	03/24/2015	.125	.125	22,000,000.00	21,990,298.61	99.956722	21,990,478.89	180.28	.227	.227
89233HQJ6	TOYOTA MOTOR CORP	03/18/2015	.170	.170	25,000,000.00	24,985,833.33	99.959889	24,989,972.22	4,138.89	.210	.211
36959JQ55	GE CAPITAL CORP	03/26/2015	.140	.140	20,000,000.00	19,990,588.89	99.955667	19,991,133.33	544.44	.232	.233
91411UQ24	UC REGENTS	03/02/2015	.180	.180	25,000,000.00	24,988,750.00	99.968333	24,992,083.33	3,333.33	.167	.167
16677KNT6	CHEVRON	01/27/2015	.080	.080	50,000,000.00	49,993,888.89	99.989167	49,994,583.33	694.44	.074	.074
19121BRD3	COCA-COLA CO	04/13/2015	.150	.150	25,000,000.00	24,986,562.50	99.940500	24,985,125.00	-1,437.50	.282	.282
89233HR63	TOYOTA MOTOR CORP	04/06/2015	.180	.180	25,000,000.00	24,984,750.00	99.944583	24,986,145.83	1,395.83	.262	.263
36959JRD7	GE CAPITAL CORP	04/13/2015	.170	.170	40,000,000.00	39,976,955.56	99.940500	39,976,200.00	-755.56	.282	.282
89233HRH9	TOYOTA MOTOR CORP	04/17/2015	.200	.200	50,000,000.00	49,966,944.44	99.938167	49,969,083.33	2,138.89	.292	.293
			.136	.136	724,700,000.00	724,374,779.96	99.973696	724,509,377.89	134,597.93	.140	.140
	Total Fund		.426	.424	5,901,176,714.00	5,899,853,397.68	99.909665	5,895,845,894.96	-4,007,502.72	1.215	1.241
Grand Total			.426	.424	5,901,176,714.00	5,899,853,397.68	99.909665	5,895,845,894.96	-4,007,502.72	1.215	1.241



Full Compliance

The Treasurer's Pooled Investment Fund was in **FULL COMPLIANCE** with the Treasurer's Statement of Investment Policy. The County's Investment Policy is more restrictive than the California Government Code. This policy is reviewed annually by the County's Investment Oversight Committee and approved by the County Board of Supervisors.



Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Maturity	Authorized % Limit	S&P/ Moody's	Maximum Maturity	Authorized % Limit	S&P/ Moody's	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	3 YEARS	15%	AA-/Aa3/AA-	2.03%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	9.90%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.5%	INVESTMENT GRADE	0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	62.99%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	12.28%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	0.00%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.0%	NA	0.92%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	8.56%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	3.31%

¹ Mutual Funds maturity may be interpreted as weighted average maturity not exceeding 60 days.

² Or must have an investment advisor with not less than 5 years experience and with assets under management of \$500,000,000.



THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646



County of Riverside
Treasurer-Tax Collector
Capital Markets

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