

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



FROM: Don Kent, Treasurer-Tax Collector

SUBMITTAL DATE:
June 12, 2013

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 May 2013.

BACKGROUND: 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".

Jon Christensen on behalf of Don Kent,
Treasurer-Tax Collector

Don Kent, Treasurer-Tax Collector

FINANCIAL DATA	Current F.Y. Total Cost: Current F.Y. Net County Cost: Annual Net County Cost:	\$ \$ 0 \$ 0	In Current Year Budget: Budget Adjustment: For Fiscal Year:	Yes No 2012-2013
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SOURCE OF FUNDS:	Positions To Be Deleted Per A-30 <input type="checkbox"/>
	Requires 4/5 Vote <input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:

County Executive Office Signature

Positions To Be Deleted Per A-30 <input type="checkbox"/>
Requires 4/5 Vote <input type="checkbox"/>

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Jeffries and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley

Nays: None

Absent: None

Date: June 18, 2013

XC: Treasurer

RECEIVED RIVERSIDE COUNTY CLERK'S OFFICE
RECEIVED RIVERSIDE COUNTY CLERK'S OFFICE

Kecia Harper-Ihem

Clerk of the Board

By:
Deputy

Prev. Agn. Ref.:

ATTACHMENTS ALLED

WITH THE CLERK OF THE BOARD

Agenda Number:

2-7

Departmental Concurrence

Policy Policy

Consent Consent

Consent

Dept Recomm.:
Per Exec. Ofc.:



2013

May

County of Riverside Treasurer's Pooled Investment Fund

"Taper Talk"

Taper talk has been bantered about in the financial news headlines recently, but what does it mean? Not to confuse it with a tapir, the large pig-like mammal living in the jungles of South America and Asia, taper is the process Fed Chairman Bernanke intimated at a recent hearing in which they may begin to slow or reduce purchases of U.S. treasuries and federal agency securities in the open market. The Fed's \$85 billion dollar a month program we know as quantitative easing (QE), has been the main catalyst for record highs in the equity markets over the last several months as well as record low interest rates.

The Fed made the following changes in their statement at the regularly scheduled meeting on May 1st, "Fiscal policy is restraining economic growth." Furthermore, they stated, "The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes." Moreover, at a hearing before Congress on May 22nd Bernanke elaborated on the changes to QE in this way, that the FOMC had changed its philosophy on QE, although QE1 and 2 were based on fixed quantities of bond purchases which resulted in stopping Treasury purchases abruptly, this new and improved version of QE is based on the "flow rate." Moreover, this flow rate will be modified, up or down, in response to incoming economic data such as unemployment and inflation. In other words, they will taper off or add to purchases depending on economic conditions.

The market gyrations throughout Bernanke's speech were classic. The DJIA jumped more than 100 points as Bernanke's prepared remarks hit the news, and then fell

by the same amount when he mentioned the possibility of tapering off purchases of securities over the next two Fed meetings, only then to move upwards again. At the same time, the ride in the usually benign bond market was much the same; the yield on the 10-year Treasury surged past 2%, dropped back below, and then moved higher as well.

The fears of immediate tapering and the resulting rate hike were abated somewhat by Bernanke after he stated, "Withdrawing policy accommodation at this juncture would be highly unlikely to produce such conditions. A premature tightening of monetary policy could lead interest rates to rise temporarily but would also carry a substantial risk of slowing or ending the economic recovery and causing inflation to fall further. Such outcomes tend to be associated with extended periods of lower, not higher, interest rates, as well as poor returns on other assets. Moreover, renewed economic weakness would pose its own risks to financial stability." In other words, the Fed will wait and see what the economic tealeaves will bring, but we know they will be watching unemployment and inflation numbers closely along with the rest of us.

As taper talk continues over the weeks and months ahead, we can expect more volatility as the financial markets try to sort out the true strength of the U.S. economy. We will continue to watch these and other economic events closely and invest accordingly.

Don Kent

Treasurer-Tax Collector

Capital Markets Team

Don Kent

Treasurer-Tax Collector

Jon Christensen

Asst. Treasurer-Tax Collector

Giovane Pizano

Investment Manager

Erika Clark

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**

	Market Value (\$)	Value (\$)	Loss (\$)	% Loss (%)	Yield (%)	Maturity	Duration
May	4,972,954,339.95	4,974,590,624.04	(1,636,284.09)	(0.03)	0.38	1.31	1.29
April	5,582,276,144.63	5,577,075,042.55	5,201,102.08	0.09	0.37	1.20	1.18
March	5,129,896,695.89	5,125,734,196.18	4,162,499.71	0.08	0.37	1.21	1.20
February	4,898,119,579.11	4,893,898,502.93	4,221,076.18	0.09	0.38	1.20	1.18
January	5,090,799,909.66	5,086,685,931.93	4,113,977.73	0.08	0.37	1.24	1.23
December	5,999,501,448.83	5,993,822,631.12	5,678,817.71	0.09	0.32	1.01	1.00

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	Description	Previous	Actual
05/03/2013	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.	153,000	165,000
05/03/2013	Employment Situation: Measures the number of unemployed as a percentage of the labor force.	7.6%	7.5%
05/24/2013	Durable Goods Orders - M/M change: Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	1.1%	3.3%
05/30/2013	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.	2.5%	2.4%
05/28/2013	Consumer Confidence: Measures consumer attitudes on present economic conditions and expectations of future conditions.	71.5	76.2
05/03/2013	Factory Orders M/M change: Represents the dollar level of new orders for both durable and nondurable goods.	-2.8%	-4.0%
05/16/2013	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.	-0.3%	-0.4%

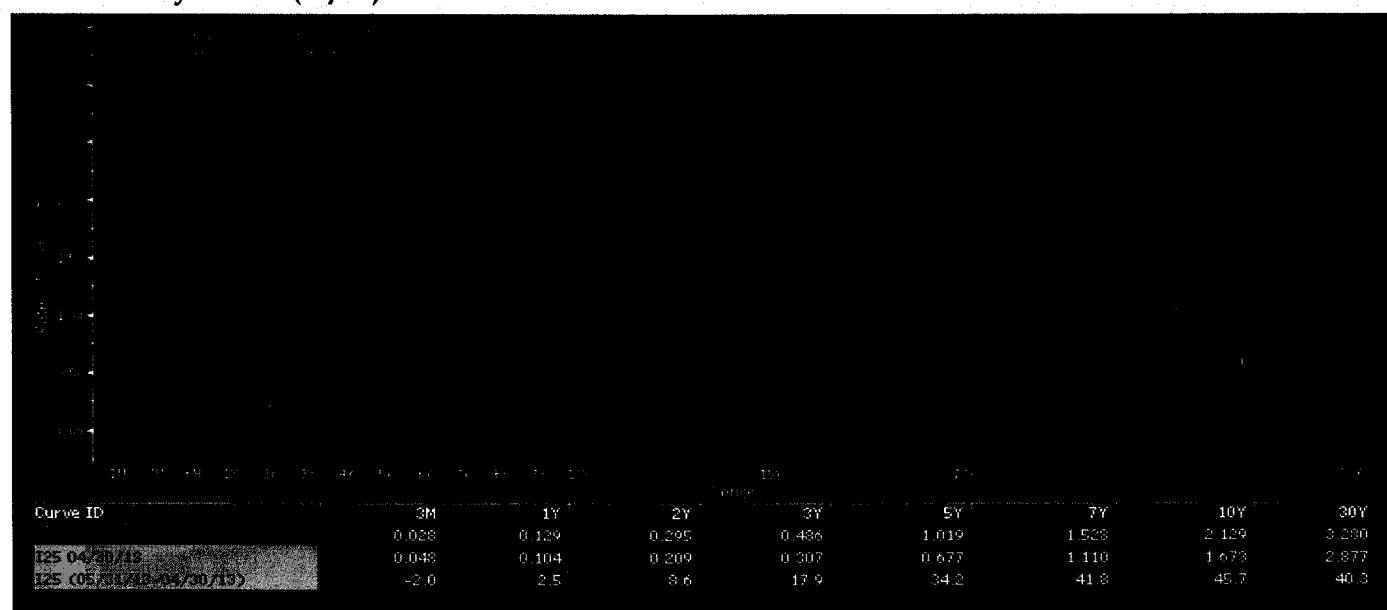
Stock Indices

Index	Open	Close	Change
Dow Jones (DJIA)	15,115.57	275.77	
S&P 500 Index	1,630.74	33.17	
NASDAQ (NDX)	3,455.91	127.12	
Commodities			
Nymex Crude	\$ 91.97	\$ (1.49)	
Gold (USD/OZ)	\$ 1,387.92	\$ (88.83)	

Fed Funds Target Rate

Rate Change	Open	Close
Decrease to 0.00%	56.0%	56.0%
Increase to 0.25%	44.0%	44.0%
Increase to 0.50%	0.0%	0.0%
Increase to 0.75%	0.0%	0.0%
Increase to 1%	0.0%	0.0%

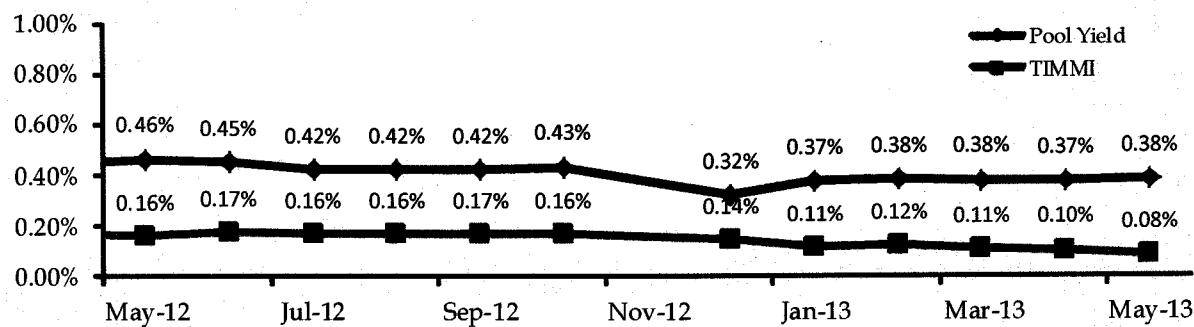
US Treasury Curve (M/M)



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 five 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.

AS OF MAY 13, 2013		
Fund Name	Symbol	Yield (%)
Fidelity Prime Institutional MMF	FIPXX	0.08%
Federated Prime Obligations Fund	POIXX	0.05%
Wells Fargo Advantage Heritage	WFJXX	0.07%
Morgan Stanley Institutional Prime Liquidity Fund	MPFXX	0.08%
BlackRock Prime Cash Fund	BPIXX	0.12%



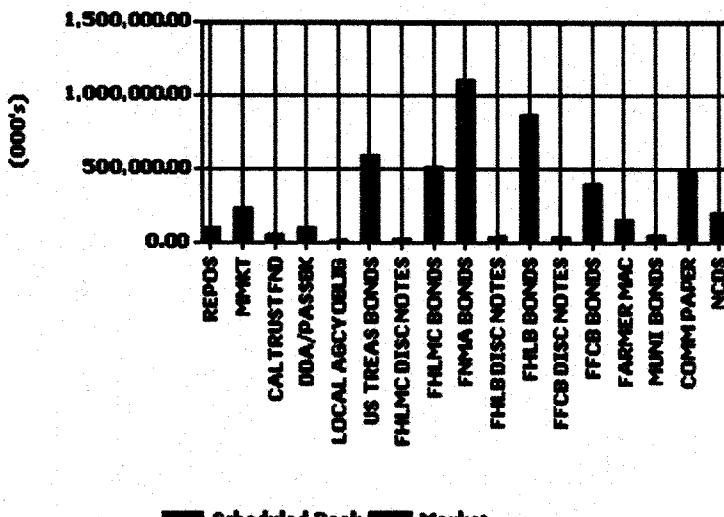
Cash Flows

Month	Monthly	Monthly	Difference	Required	Actual	Available
	Receipts	Disbursements		Matured Investments	Balance	Investments to Maturing
06/2013					152.49	
06/2013	589.54	1,114.19	(524.65)	372.16	-	1,004.63
07/2013	868.06	913.40	(45.34)	45.34	-	292.99
08/2013	668.62	717.29	(48.67)	48.67	-	227.50
09/2013	675.66	752.21	(76.55)	76.55	-	185.00
10/2013	665.00	801.26	(136.26)	136.26	-	285.00
11/2013	862.54	710.00	152.54		152.54	104.60
12/2013	1,539.11	813.41	725.70		878.24	95.10
01/2014	676.58	1,293.98	(617.40)		260.84	365.00
02/2014	560.00	820.00	(260.00)		0.84	250.00
03/2014	839.70	820.45	19.25		20.09	65.00
04/2014	1,320.00	738.06	581.94		602.03	82.11
05/2014	550.00	1,190.04	(640.04)	38.01	-	242.00
TOTALS	9,814.81	10,684.29	(869.48)	716.99	3,198.93	4,256.01
				14.42%	64.33%	85.58%

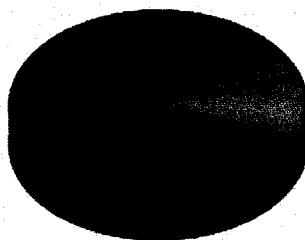
The Pooled Investment Fund cash flow requirements are based upon a 12 month historical cash flow model. Based upon projected cash receipts and maturing investments, there are sufficient funds to meet future cash flow disbursements over the next 12 months.

Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Mkt/Sch Book	Yield	WAL (Yr)	Mat (Yr)
REPOS	100,000.00	100,000.00	100,000.00	100.00%	0.10%	.011	.011
MMKT	236,000.00	236,000.00	236,000.00	100.00%	0.08%	.003	.003
CALTRUST FND	54,000.00	54,000.00	54,000.00	100.00%	0.30%	.003	.003
DDA/PASSBK	100,000.00	100,000.00	100,000.00	100.00%	0.08%	.003	.003
LOCAL AGCY OBLIG	510.00	510.00	510.00	100.00%	0.87%	7.047	7.047
US TREAS BONDS	590,000.00	590,162.11	590,454.20	100.05%	0.21%	.687	.687
FHLMC DISC NOTES	25,000.00	24,965.78	24,986.00	100.08%	0.16%	.625	.625
FHLMC BONDS	513,725.00	513,656.99	514,373.41	100.14%	0.54%	1.070	1.599
FNMA BONDS	1,111,027.00	1,111,351.48	1,108,763.52	99.77%	0.70%	.712	3.263
FHLB DISC NOTES	40,000.00	39,924.42	39,995.42	100.18%	0.19%	.285	.285
FHLB BONDS	867,970.71	868,125.55	867,836.80	99.97%	0.40%	.617	1.020
FFCB DISC NOTES	35,000.00	34,962.42	34,993.00	100.09%	0.15%	.358	.358
FFCB BONDS	398,895.00	398,988.50	399,047.59	100.01%	0.33%	.983	1.008
FARMER MAC	157,568.00	157,546.99	157,554.37	100.00%	0.29%	1.015	1.397
MUNI BONDS	51,400.00	51,523.52	51,523.52	100.00%	0.44%	1.162	1.162
COMM PAPER	493,000.00	492,866.38	492,910.01	100.01%	0.11%	.107	.107
NCDS	200,000.00	200,006.49	200,006.49	100.00%	0.17%	.105	.105
Total Assets	1,974,065.00	1,991,212.00	1,995,292	0.98%	0.38%		



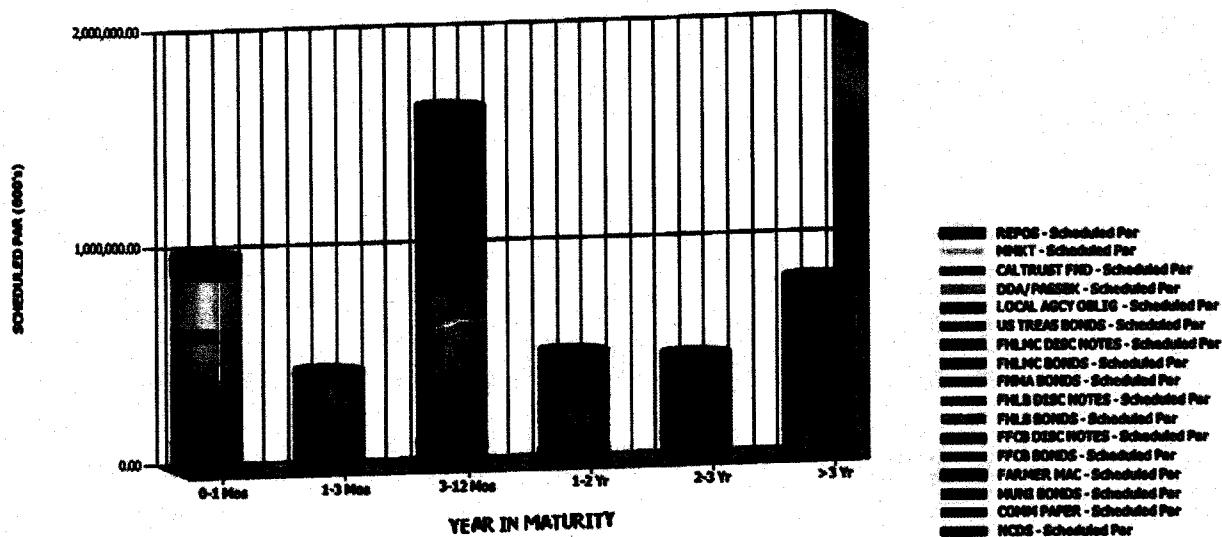
Scheduled Book Market SCHEDULED PAR %



- REPOS - 2%
- MMKT - 5%
- CALTRUST FND - 1%
- DDA/PASSBK - 2%
- LOCAL AGCY OBLIG - 0%
- US TREAS BONDS - 12%
- FHLMC DISC NOTES - 1%
- FHLMC BONDS - 17%
- FNMA BONDS - 22%
- FHLB DISC NOTES - 1%
- FHLB BONDS - 17%
- FFCB DISC NOTES - 1%
- FFCB BONDS - 8%
- FARMER MAC - 3%
- MUNI BONDS - 1%
- COMM PAPER - 2%
- NCDS - 4%

Maturity Distribution

	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yr	2-3 Yr	>3 Yr	
REPOS	100,000.00	0.00	0.00	0.00	0.00	0.00	100,000.00
MMKT	236,000.00	0.00	0.00	0.00	0.00	0.00	236,000.00
CALTRUST FND	54,000.00	0.00	0.00	0.00	0.00	0.00	54,000.00
DDA/PASSBK	100,000.00	0.00	0.00	0.00	0.00	0.00	100,000.00
LOCAL AGCY OBLIG	0.00	0.00	0.00	0.00	0.00	510.00	510.00
US TREAS BONDS	0.00	0.00	450,000.00	140,000.00	0.00	0.00	590,000.00
FHLMC DISC NOTES	0.00	0.00	25,000.00	0.00	0.00	0.00	25,000.00
FHLMC BONDS	0.00	5,000.00	213,100.00	85,000.00	181,000.00	29,625.00	513,725.00
FNMA BONDS	0.00	25,000.00	105,000.00	55,000.00	236,850.00	689,177.00	1,111,027.00
FHLB DISC NOTES	0.00	0.00	40,000.00	0.00	0.00	0.00	40,000.00
FHLB BONDS	80,000.00	167,585.00	444,000.00	70,000.00	5,000.00	101,385.71	867,970.71
FFCB DISC NOTES	0.00	0.00	35,000.00	0.00	0.00	0.00	35,000.00
FFCB BONDS	20,000.00	22,900.00	225,995.00	95,000.00	35,000.00	0.00	398,895.00
FARMER MAC	0.00	0.00	50,000.00	75,000.00	22,568.00	10,000.00	157,568.00
MUNI BONDS	11,630.00	0.00	25,700.00	2,000.00	12,070.00	0.00	51,400.00
COMM PAPER	253,000.00	240,000.00	0.00	0.00	0.00	0.00	493,000.00
NCDS	150,000.00	0.00	50,000.00	0.00	0.00	0.00	200,000.00

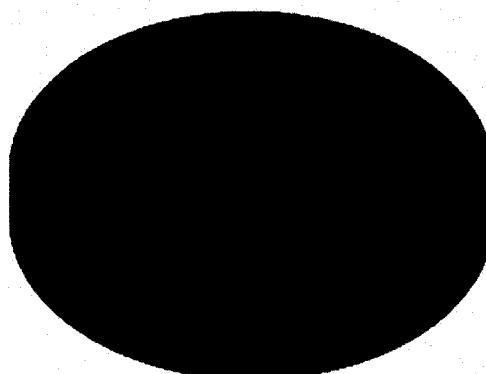


Credit Quality

Aaa	3,988,317.71	3,988,832.13	3,987,148.29	99.96%	0.43%
Aa	5,000.00	4,998.50	4,994.55	99.92%	1.01%
Aa1	252,000.00	251,995.38	251,994.93	100.00%	0.14%
Aa2	73,700.00	73,811.02	73,810.41	100.00%	0.22%
Aa3	297,000.00	296,896.60	296,941.79	100.02%	0.15%
NR	358,078.00	358,056.99	358,064.37	100.00%	0.18%

MOODY'S

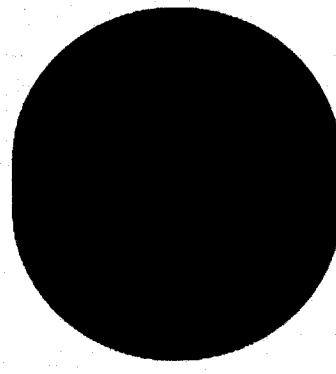
BOOK %



■ Aaa - 0.0%
 ■ Aa1 - 5%
 ■ Aa3 - 6%
■ Aa - 0%
 ■ Aa2 - 1%
 ■ NR - 7%

S & P

BOOK %



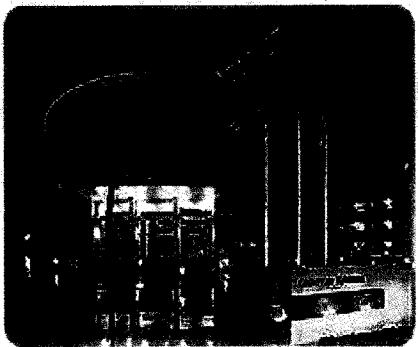
■ AAA - 15%
 ■ AA - 7%
■ AA+ - 6%
 ■ NR - 7%
■ AA- 4%

AAA	743,500.00	744,407.44	744,839.91	100.06%	0.47%
AA+	3,346,817.71	3,346,360.81	3,344,282.76	99.94%	0.41%
AA	177,700.00	177,799.91	177,798.86	100.00%	0.15%
AA-	348,000.00	347,965.46	347,968.44	100.00%	0.15%
NR	358,078.00	358,056.99	358,064.37	100.00%	0.18%



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 TYPE	MATURITY	PERCENTAGE	RATING	YIELD (%)
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	
REVERSE REPOS	92 DAYS	20%	NA	
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	
CALTRUST SHORT TERM FUND	NA	NA	NA	
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	
CASH/DEPOSIT ACCOUNT	NA	NA	NA	
			INVESTMENT GRADE	
	3 YEARS	15%	AA-/Aa3/AA-	1.04%
	5 YEARS	100%	NA	11.86%
	3 YEARS	2.5%	INVESTMENT GRADE	0.01%
	5 YEARS	100%	NA	63.31%
	270 DAYS	40%	A1/P1/F1	9.91%
	1 YEAR	25% Combined	A1/P1/F1	4.02%
	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	2.01%
	60 DAYS	10%	NA	0.00%
	3 YEARS	20%	AA/Aa2/AA	0.00%
	DAILY LIQUIDITY	1.0%	NA	1.09%
	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	4.74%
	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
	NA	NA	NA	2.01%

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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