

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

330A



FROM: Don Kent, Treasurer-Tax Collector

SUBMITTAL DATE:
July 15, 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 June 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".


Don Kent, Treasurer-Tax Collector

FINANCIAL DATA

Current F.Y. Total Cost:	\$	In Current Year Budget:	Yes
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
Annual Net County Cost:	\$ 0	For Fiscal Year:	2012-2013

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

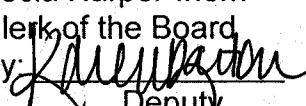
BY: 
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Ashley 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

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

Date: July 30, 2013
xc: Treasurer

RECEIVED
COUNTY OF RIVERSIDE
SECRETARY

2-26

Prev. Agn. Ref.: ATTACHMENTS FILED WITH THE CLERK OF THE BOARD District: ALL Agenda Number:

Departmental Concurrence

Policy
 Policy
 Consent
 Consent

Dep't Recomm.:
 Per Exec. Ofc.:



2013
June

County of Riverside Treasurer's Pooled Investment Fund

"Taper Tantrum"

In a negative response to comments by Fed Chairman Bernanke after the FOMC's June 18-19 meeting, volatility surged worldwide in the financial markets; in the two days that followed, the selloff was impressive with the DJIA shedding nearly 560 points in an overdue stock market correction, with longer-term U.S. interest rates surging. About \$5.3 trillion was erased from global equities between May 21 and June 24 after he signaled they could start tapering asset purchases this year.

June marked the worst two-month stretch for U.S. government bonds since 2008 with the 10 year Treasury note closing out the month at 2.49%, the highest rate on the widely watched benchmark security since August 2011. That's nearly 100 basis points (bps) higher than the lows this year alone, which just happened to be in the prior month. And so herein lies the problem with rising interest rates, as it really is twofold. Not only was there a large increase, the rate or speed of the increase in such a short period of time is what really shook the markets. For homebuyers, the real significance is that for every 1-percentage point (100 bps) move upward in mortgage rates, that translates into nearly a 10% increase in the cost of buying a home.

Clearly, this taper tantrum by investors that spilled over to the ticker tape led to eight of the Fed-heads being out in full force to clarify the central bank's policy stance and to calm the tattered nerves of bond market participants. The main message was that there is no predetermined timeline for tapering, or even tightening the Fed Funds and/or discount rate, and that the future path of monetary policy will largely depend on the economy's progress from this point forward. Sounds reasonable but only time will tell as to the road the Fed will take us down to slowly unwind the great-est balance sheet expansion in the history of central banks.

Housing remains the strongest component of the recovery, and June brought further confirmation of the upward national trend in both prices and sales levels. New home sales

for May rose by 2.1% to an annual rate of 476,000. Rising prices continue to motivate the release of pent-up demand from buyers and sellers, with the Case-Shiller indices showing double-digit price gains; the 20-city index climbed by 12.1% YoY through April, its largest annual percentage gain since March 2006.

On another note, but related to rising interest rates and the Treasurer's Pooled Investment Fund is a mention to our readers about the difference between realized vs. un-realized gain or loss. On the bottom of this report, you will see two columns labeled "Paper Gain or Loss," expressed in dollars, and, as a percentage of the total. When interest rates decline, there is a gain in the underlying value of the securities; the reverse is also true with rising rates and a loss in underlying value. June marks the second straight month you will have seen a negative number in a long while and expect that to continue in a rising rate environment.

The difference between having to realize a loss vs. not having to, is a function of understanding the cash flows of the County Treasury and having ample liquidity on hand to meet the needs of our depositors. Our Capital Markets team utilizes a twelve-month historical cash flow model and makes adjustments along the way to revenues and disbursements if they come in higher or lower than expected. Our major cash outflows are prefunded months in advance to negate the need to ever sell a security before maturity. We will continue to adhere to our investment objectives of safety, liquidity and return, and will be on the lookout for more ticker tape taper tantrums!

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**

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	Yes to Maturity	Modified Duration
June	4,955,274,812.46	4,969,751,125.22	(14,476,312.76)	(0.29)	0.39	1.41	1.39
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

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
6/7/2013	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.	167,000	175,000
6/7/2013	Employment Situation: Measures the number of unemployed as a percentage of the labor force.	7.5%	7.6%
6/25/2013	Durable Goods Orders - M/M change: Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	3.3%	3.6%
6/26/2013	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.	2.4%	1.8%
6/25/2013	Consumer Confidence: Measures consumer attitudes on present economic conditions and expectations of future conditions.	75.0	81.4
6/5/2013	Factory Orders M/M change: Represents the dollar level of new orders for both durable and nondurable goods.	1.4%	1.0%
6/18/2013	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.	0.2%	0.1%

Stock Indices

	Value	Change
Dow Jones (DJIA)	14,909.60	(205.97)
S&P 500 Index	1,606.28	(24.46)
NASDAQ (NDX)	3,403.25	(52.66)

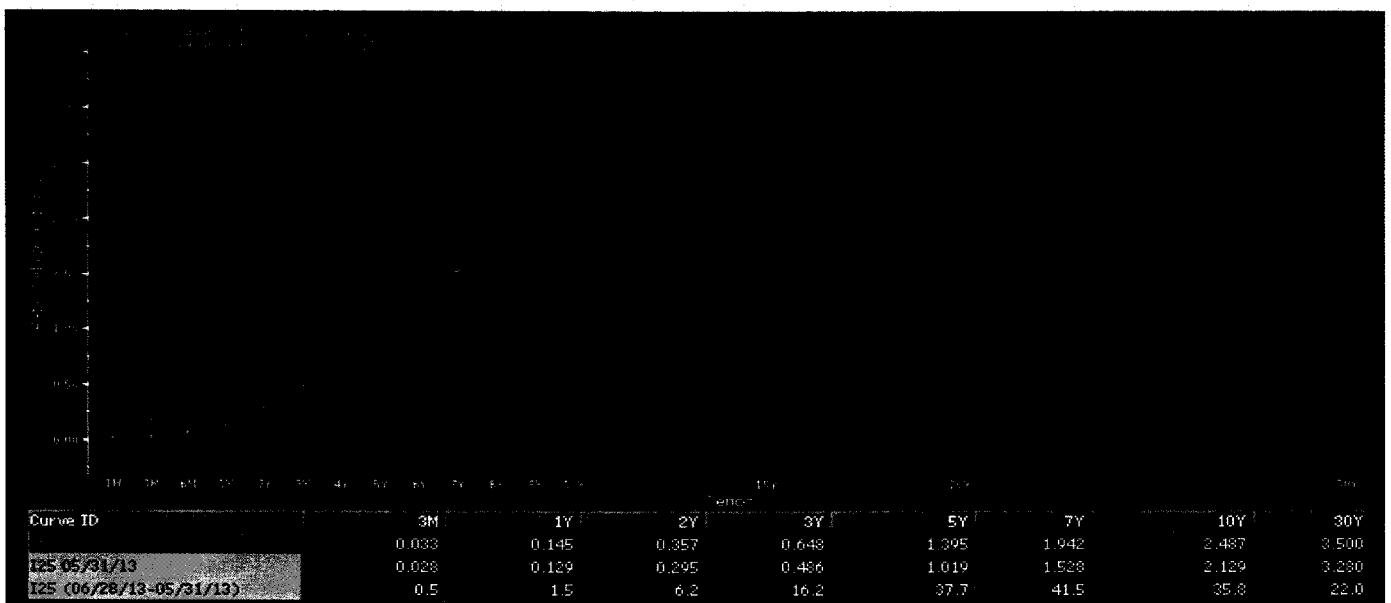
Commodities

	Value	Change
Nymex Crude	\$ 96.56	\$ 4.59
Gold (USD/OZ)	\$ 1,234.57	\$ (153.35)

Fed Funds Target Rate

Fed Move	Probability for FOMC Dates:	
	7/31/2013	9/18/2013
Decrease to 0.00%	58.0%	53.4%
Increase to 0.25%	42.0%	43.3%
Increase to 0.50%	0.0%	3.3%
Increase to 0.75%	0.0%	0.0%
Increase to 1%	0.0%	0.0%

US Treasury Curve (M/M)

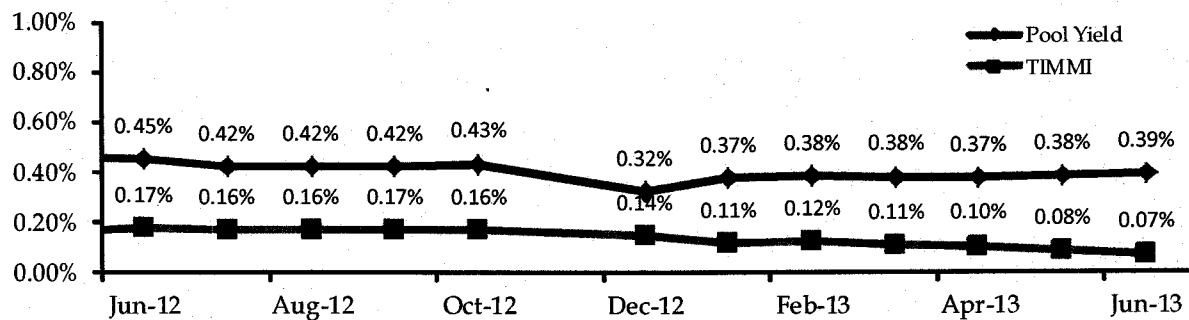


TIMMI

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.

AAA Rated Prime Institutional Money-Market Funds

Fidelity Prime Institutional MMF	FIPXX	0.07%
Federated Prime Obligations Fund	POIXX	0.05%
Wells Fargo Advantage Heritage	WFJXX	0.07%
Morgan Stanley Institutional Prime Liquidity Fund	MPFXX	0.07%



Cash Flows

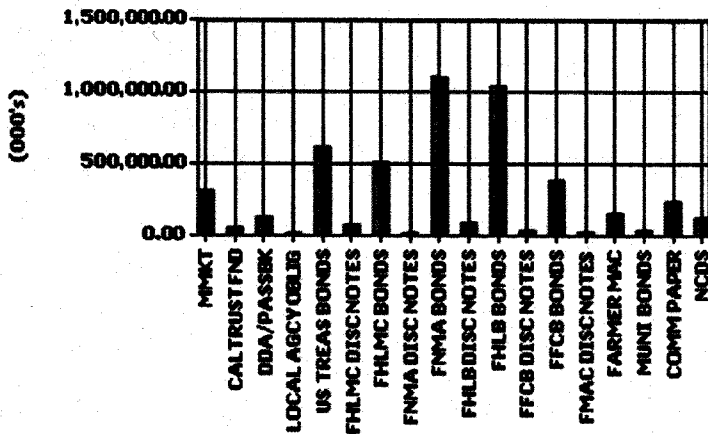
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
07/2013					133.43		
07/2013	868.06	913.40	(45.34)		88.09	764.09	
08/2013	668.62	717.29	(48.67)		39.42	227.50	
09/2013	675.66	752.21	(76.55)	37.13	-	269.00	
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	-	372.35	
06/2014	542.82	1,124.81	(581.99)	581.99	-	292.00	
TOTALS	9,768.09	10,694.91	(926.82)	793.39	2,175.52	3,171.75	4,176.36
				15.96%		63.82%	84.04%

* 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.

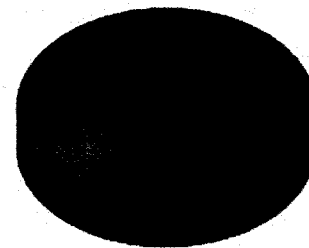
Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Alt. Sch. Book	Yield	WAL (Yr)	Mat (Yr)
MMKT	315,000.00	315,000.00	315,000.00	100.00%	0.07%	.003	.003
CALTRUST FND	54,000.00	54,000.00	54,000.00	100.00%	0.34%	.003	.003
DDA/PASSBK	130,000.00	130,000.00	130,000.00	100.00%	0.08%	.003	.003
LOCAL AGCY OBLG	485.00	485.00	485.00	100.00%	0.88%	6.964	6.964
US TREAS BONDS	615,000.00	615,148.44	615,330.40	100.03%	0.21%	.624	.624
FHLMC DISC NOTES	75,000.00	74,887.86	74,923.75	100.05%	0.17%	.773	.773
FHLMC BONDS	513,725.00	513,656.99	513,647.02	100.00%	0.54%	1.105	1.516
FNMA DISC NOTES	10,000.00	9,998.08	9,999.30	100.01%	0.10%	.181	.181
FNMA BONDS	1,111,027.00	1,111,351.48	1,100,332.58	99.01%	0.70%	.648	3.181
FHLB DISC NOTES	91,000.00	90,936.00	90,954.54	100.02%	0.12%	.451	.451
FHLB BONDS	1,045,970.71	1,045,926.10	1,042,243.79	99.65%	0.41%	.628	1.441
FFCB DISC NOTES	35,000.00	34,962.42	34,995.50	100.09%	0.15%	.276	.276
FFCB BONDS	386,345.00	386,214.89	386,339.85	100.03%	0.32%	1.009	1.035
FMAC DISC NOTES	25,000.00	24,959.75	24,969.00	100.04%	0.18%	.874	.874
FARMER MAC	157,568.00	157,546.99	157,314.18	99.85%	0.29%	.933	1.315
MUNIBONDS	39,770.00	39,770.00	39,770.00	100.00%	0.46%	1.419	1.419
COMM PAPER	240,000.00	239,907.13	239,969.90	100.03%	0.13%	.075	.075
NCDS	125,000.00	125,000.00	125,000.00	100.00%	0.15%	.170	.170
Total (000's)	4,568,890.71	4,568,781.13	4,558,274.81	99.71%			



SCHEDULED PAR %

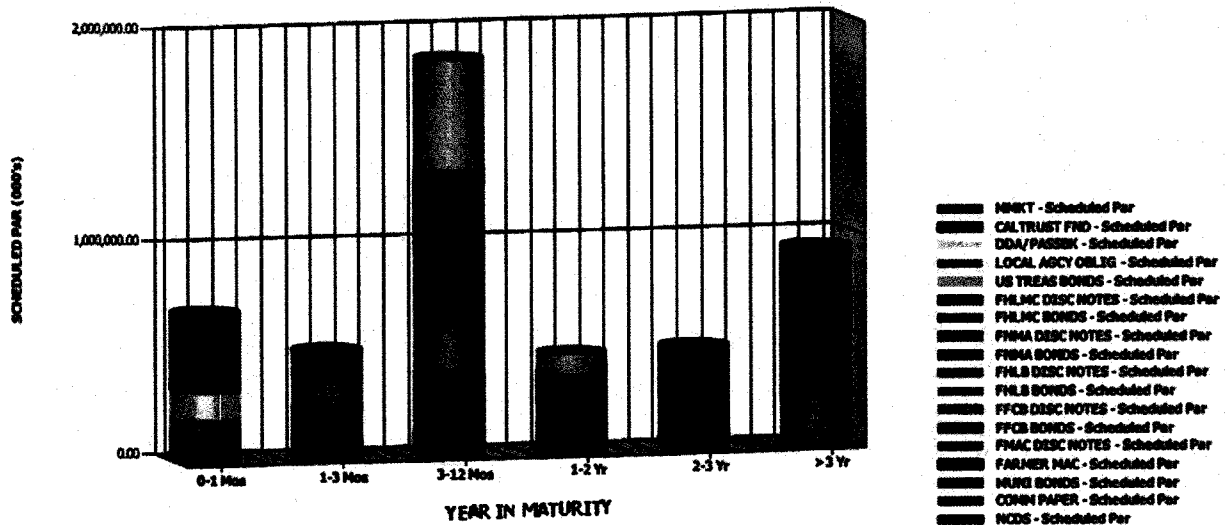
■ Scheduled Book ■ Market



- MMKT - 6%
- CALTRUST FND - 1%
- DDA/PASSBK - 3%
- LOCAL AGCY OBLG - 0%
- US TREAS BONDS - 12%
- FHLMC DISC NOTES - 2%
- FHLMC BONDS - 10%
- FNMA DISC NOTES - 0%
- FNMA BONDS - 22%
- FHLB DISC NOTES - 2%
- FHLB BONDS - 21%
- FFCB DISC NOTES - 1%
- FFCB BONDS - 8%
- FMAC DISC NOTES - 1%
- FARMER MAC - 3%
- MUNI BONDS - 1%
- COMM PAPER - 5%
- NCDS - 3%

Maturity Distribution

MMKT	315,000.00	0.00	0.00	0.00	0.00	0.00	315,000.00
CALTRUST FND	54,000.00	0.00	0.00	0.00	0.00	0.00	54,000.00
DDA/PASSBK	130,000.00	0.00	0.00	0.00	0.00	0.00	130,000.00
LOCAL AGCY OBLIG	0.00	0.00	0.00	0.00	0.00	485.00	485.00
US TREAS BONDS	0.00	0.00	520,000.00	95,000.00	0.00	0.00	615,000.00
FHLMC DISC NOTES	0.00	0.00	75,000.00	0.00	0.00	0.00	75,000.00
FHLMC BONDS	0.00	5,000.00	213,100.00	85,000.00	181,000.00	29,625.00	513,725.00
FNMA DISC NOTES	0.00	10,000.00	0.00	0.00	0.00	0.00	10,000.00
FNMA BONDS	0.00	55,000.00	75,000.00	66,850.00	231,250.00	682,927.00	1,111,027.00
FHLB DISC NOTES	0.00	64,000.00	27,000.00	0.00	0.00	0.00	91,000.00
FHLB BONDS	55,085.00	127,500.00	549,000.00	95,000.00	5,000.00	214,385.71	1,045,970.71
FFCB DISC NOTES	0.00	10,000.00	25,000.00	0.00	0.00	0.00	35,000.00
FFCB BONDS	0.00	20,000.00	236,345.00	95,000.00	35,000.00	0.00	386,345.00
FMAC DISC NOTES	0.00	0.00	25,000.00	0.00	0.00	0.00	25,000.00
FARMER MAC	0.00	0.00	95,000.00	30,000.00	22,568.00	10,000.00	157,568.00
MUNI BONDS	0.00	0.00	25,700.00	2,000.00	12,070.00	0.00	39,770.00
COMM PAPER	120,000.00	120,000.00	0.00	0.00	0.00	0.00	240,000.00
NCDS	25,000.00	100,000.00	0.00	0.00	0.00	0.00	125,000.00

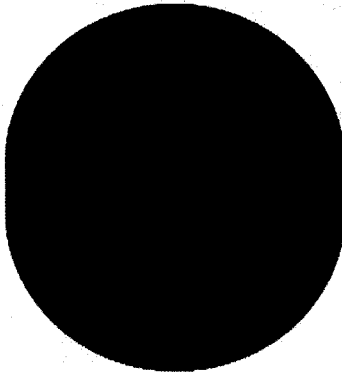


Credit Quality

Aaa	4,268,767.71	4,268,783.76	4,254,542.03	99.67%	0.42%
Aa	5,000.00	4,998.50	4,924.70	98.52%	1.01%
Aa1	127,000.00	127,000.00	127,000.00	100.00%	0.16%
Aa2	62,070.00	62,057.50	62,063.15	100.01%	0.19%
Aa3	194,000.00	193,919.63	193,976.74	100.03%	0.15%
NR	313,053.00	312,991.74	312,768.18	99.93%	0.20%

MOODY'S

BOOK %

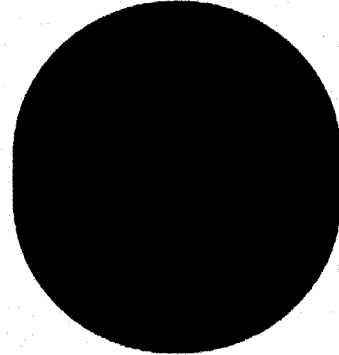


Aaa - 86%
 Aa1 - 3%
 Aa3 - 4%

 Aa - 6%
 Aa2 - 1%
 NR - 6%

S & P

BOOK %



AAA - 14%
 AA - 5%

 AA+ - 73%
 NR - 6%

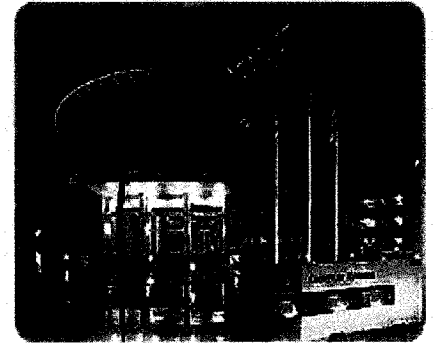
 AA- - 1%

AAA	687,500.00	688,040.56	688,623.57	100.08%	0.46%
AA+	3,653,267.71	3,652,698.32	3,637,835.64	99.59%	0.41%
AA	66,070.00	66,057.50	66,063.15	100.01%	0.21%
AA-	250,000.00	249,963.00	249,984.27	100.01%	0.13%
NR	313,053.00	312,991.74	312,768.18	99.93%	0.20%



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.



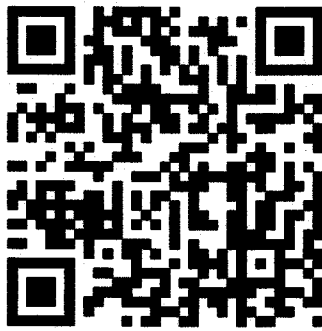
	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	3 YEARS	15%	AA-/Aa3/AA-	0.80%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	12.38%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.5%	INVESTMENT GRADE	0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	69.43%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	4.83%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	2.52%
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	1.09%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	6.34%
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	2.62%

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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