



**Date:** January 6, 2016  
**To:** Mayor and City Council  
**From:** City Manager  
**By:** Director of Finance  
**Subject:** 2015 Third Quarter Investment Report

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In accordance with California Government Code and the City's Statement of Investment Policy, I am transmitting for your review the quarterly investment report for the period of July 1 – September 30, 2015 (3Q2015). The City's Investment Advisory Committee (IAC) reviewed this report during their quarterly meeting held on October 26, 2015. The attached reports provide a summary of market and economic conditions, the composition of the City's portfolio, investment performance and investment strategy. Monthly summaries of all of the City's account holdings along with the quarterly reports are posted on the Finance Department's web page: <http://www.hayward-ca.gov/CITY-GOVERNMENT/DEPARTMENTS/FINANCE/> under the "Documents" tab.

The City's investment portfolio (pooled cash) totaled \$203 million as of September 30, 2015; \$122.2 million was invested through the City's investment advisor, The PFM Group; \$52.4 million was on deposit in the Local Agency Investment Fund (LAIF); and the remaining portfolio balance of \$28.4 million resided in the City's general checking account. Cash flow needs cause the balances of the LAIF and general checking accounts to fluctuate monthly.

The interest earned on the City's portfolio slightly exceeded the benchmark used for comparison (1-3 Year U.S. Treasury Index), and is reflective of the prolonged low interest conditions in the market. For 3Q2015, the funds on deposit with LAIF earned 0.33% and the portion of the portfolio actively managed by The PFM Group earned about 1.19% over the previous 12 months. The balance held in the City's general checking account does not earn interest. The City's investments are generally within a 1-3 year range and are consistent with the City's Investment Policy.

At its July meeting the IAC approved investing a portion of the City's portfolio (up to a maximum of 5% of portfolio managed by The PFM Group) in longer-term holdings (4 and 5 year range) as appropriate and in accordance with the City's investment policy. As of September 30, 2015, approximately 3% of the portfolio managed by The PFM Group fell into a maturity range of 4-5 years.

Pursuant to provision (3) of California Government Code section 53646, the City establishes that it is able to meet its pooled expenditure requirements for the next six months.

**Attachments:**

Third Quarter 2015 Performance Investment Report by The PFM Group  
Third Quarter 2015 LAIF Performance Report



# City of Hayward Performance Review Third Quarter 2015

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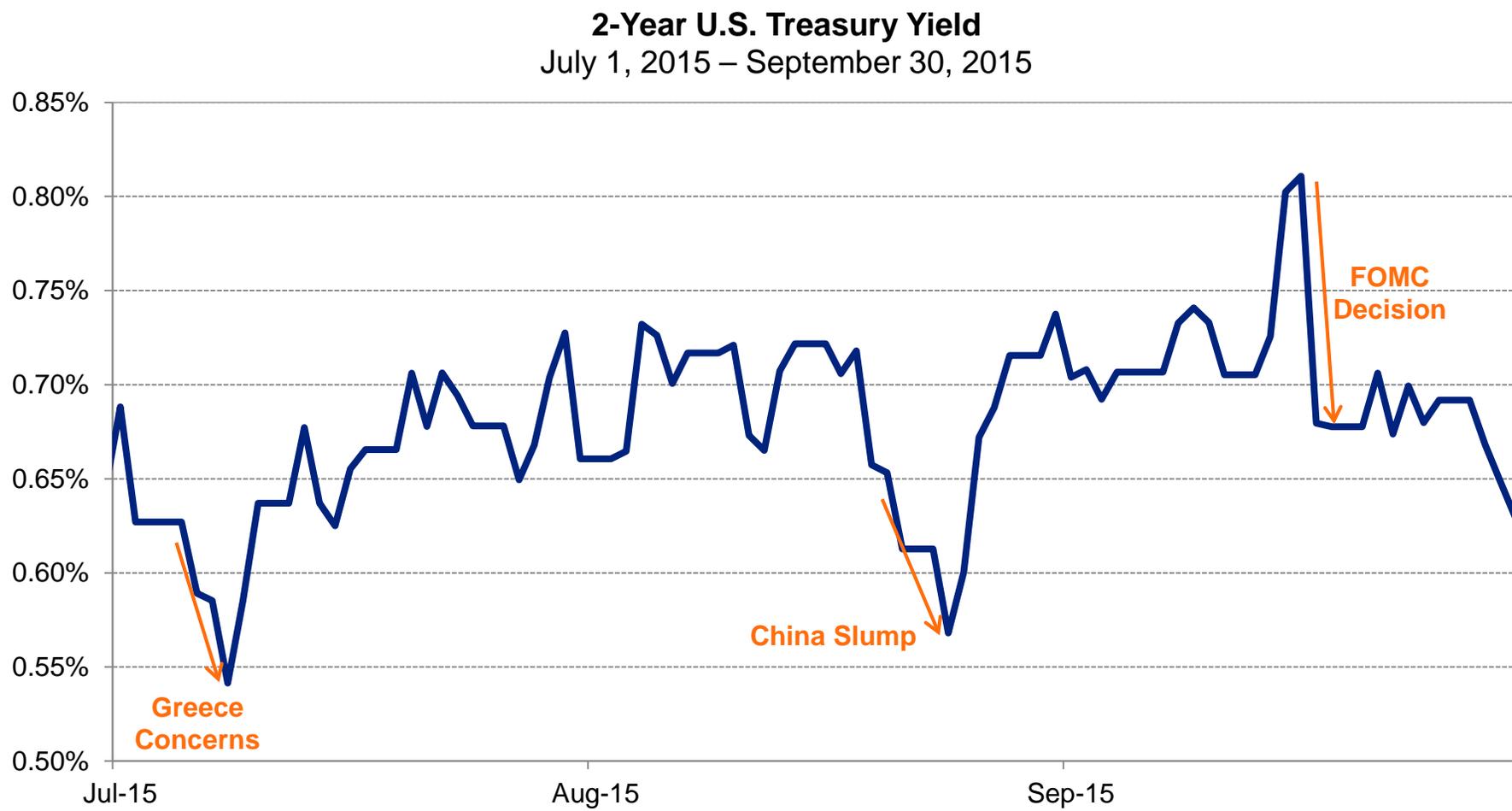
Monique Spyke, Director  
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**The PFM Group**  
Financial & Investment Advisors

# U.S. Treasury Yields Experience Volatility

- Despite significant volatility in the quarter ended September 30, 2-year Treasury yields ended September roughly at the same level as they were at the end of June.

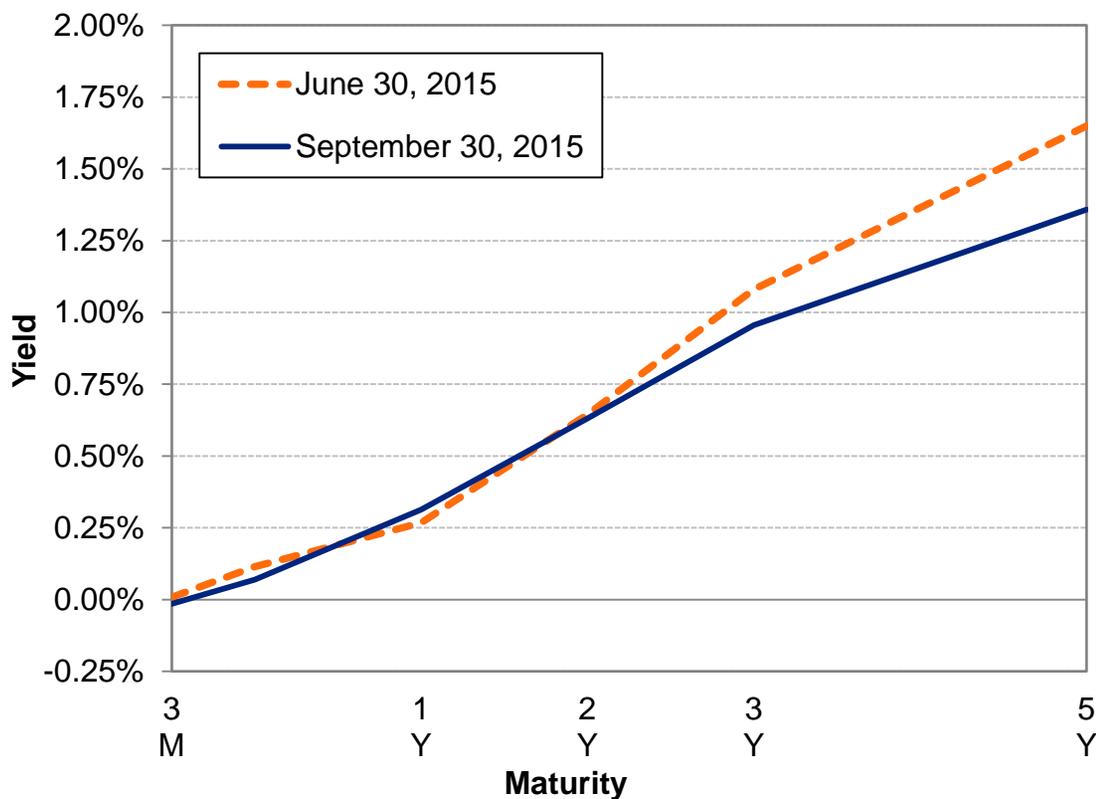


Source: Bloomberg

# Interest Rates Decreased in 2- to 5-Year Range

- Yields on securities longer than one year decreased during the third quarter as concerns over a global slowdown drove money into U.S. Treasuries.

**U.S. Treasury Yield Curve**



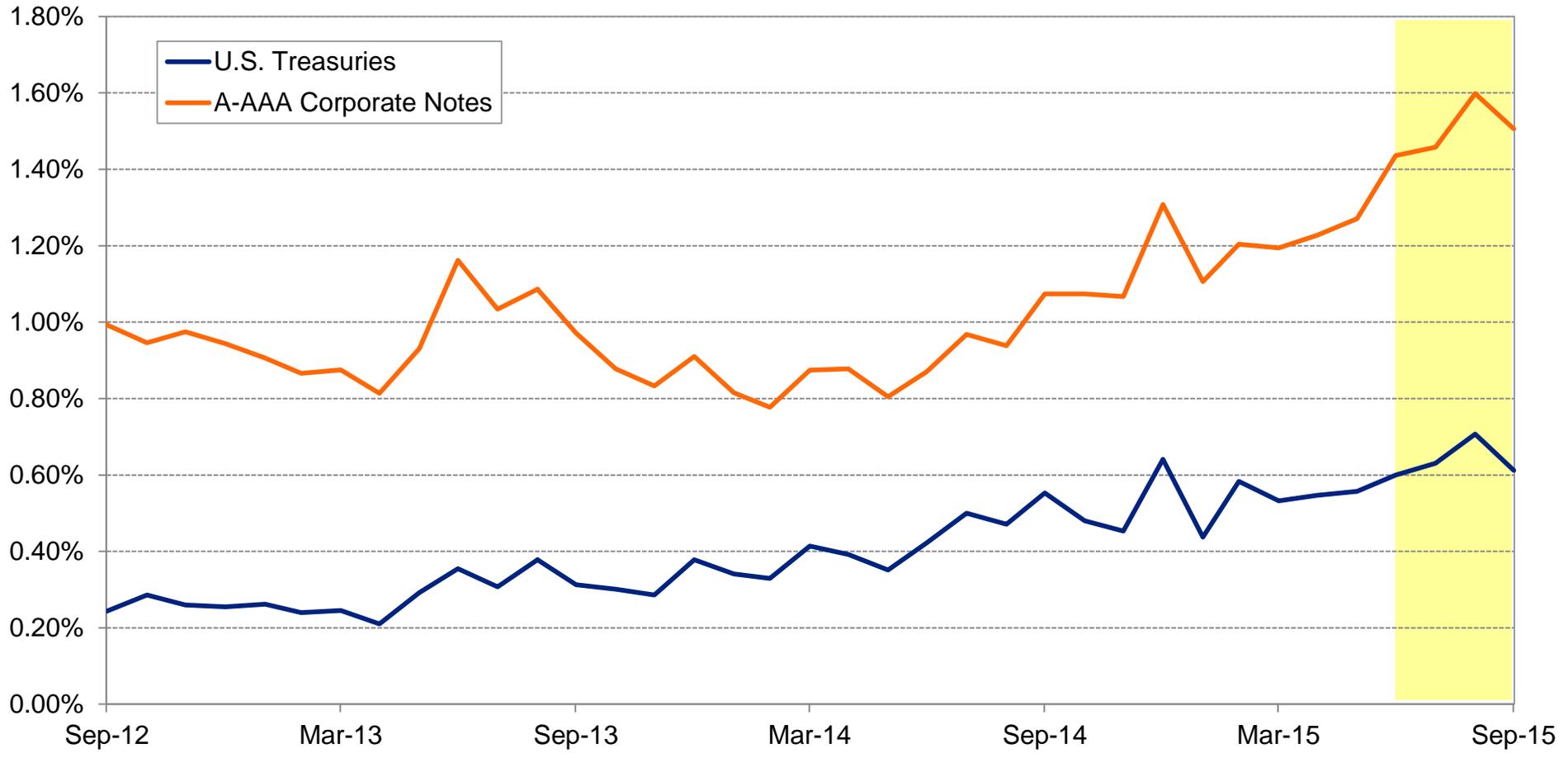
Source: Bloomberg

	6/30/15	9/30/15	Change
3 Month	0.01%	-0.02%	-0.03%
6 Month	0.11%	0.07%	-0.04%
1 Year	0.27%	0.31%	+0.04%
2 Year	0.65%	0.63%	-0.02%
3 Year	1.08%	0.96%	-0.12%
5 Year	1.65%	1.36%	-0.29%

# Corporate Spreads Continue To Widen

- During the quarter ended September 30, yields on corporate securities rose while yields on comparable U.S. Treasury notes remained relatively flat.

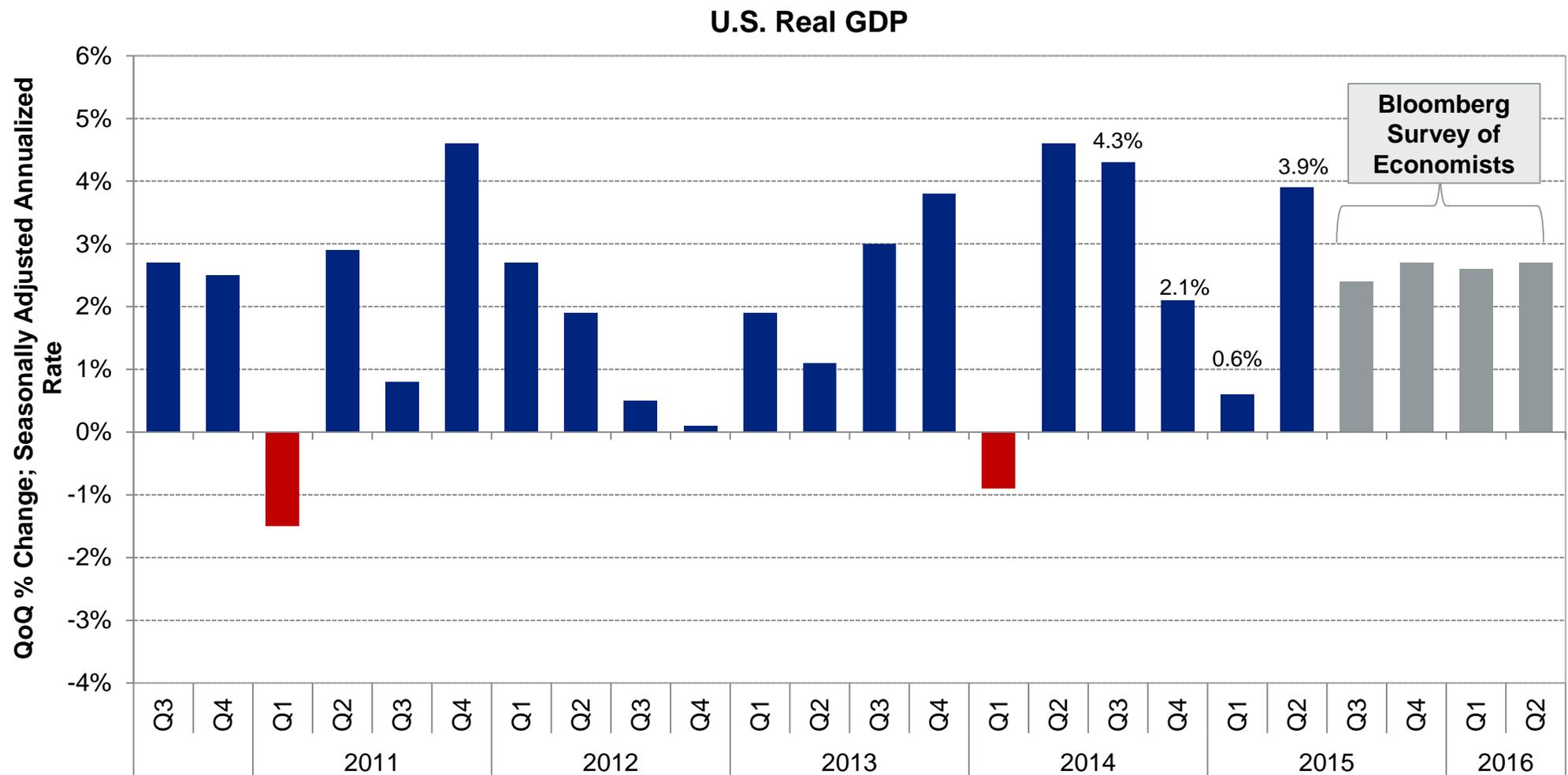
### 1-3 Year Index Yields



Source: Bank of America Merrill Lynch Indices: 1-3 Year U.S. Treasury and Federal Agency Indices.

# U.S. Economy Strongly Grew in the Second Quarter

- U.S. GDP grew at an estimated 3.9% in the second quarter, revised higher from the initial reading of 2.3%.
- Second quarter strength was broad-based, driven by inventories, fixed investment, and exports.

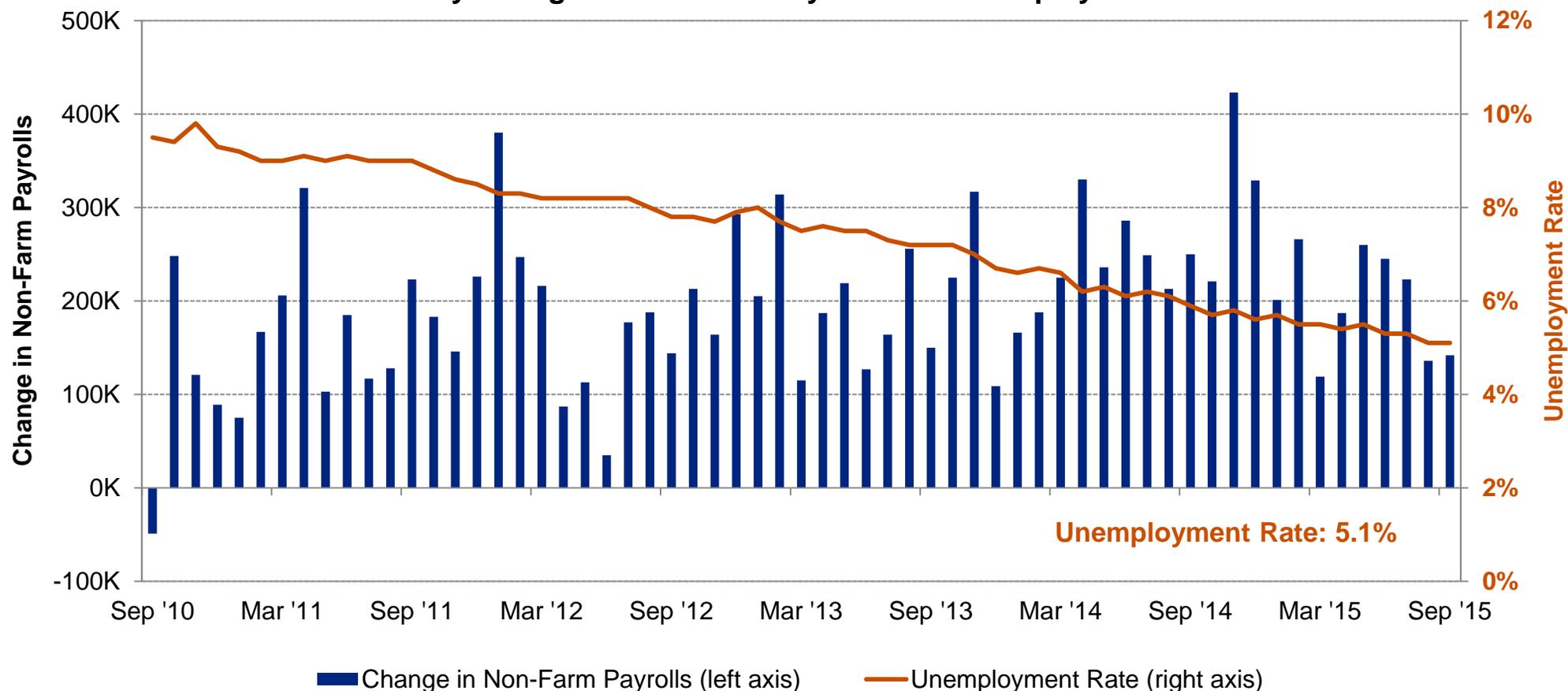


Source: Bureau of Economic Analysis; Bloomberg survey results as of September 30, 2015.

# U.S. Job Creation Cools

- The jobs reports in August and September showed signs of slowing growth as the number of jobs added came in under expectations. Total growth for the quarter was 501,000 jobs.
- The unemployment rate fell from 5.3% to 5.1% during the quarter.

Monthly Change in Non-Farm Payrolls and Unemployment Rate

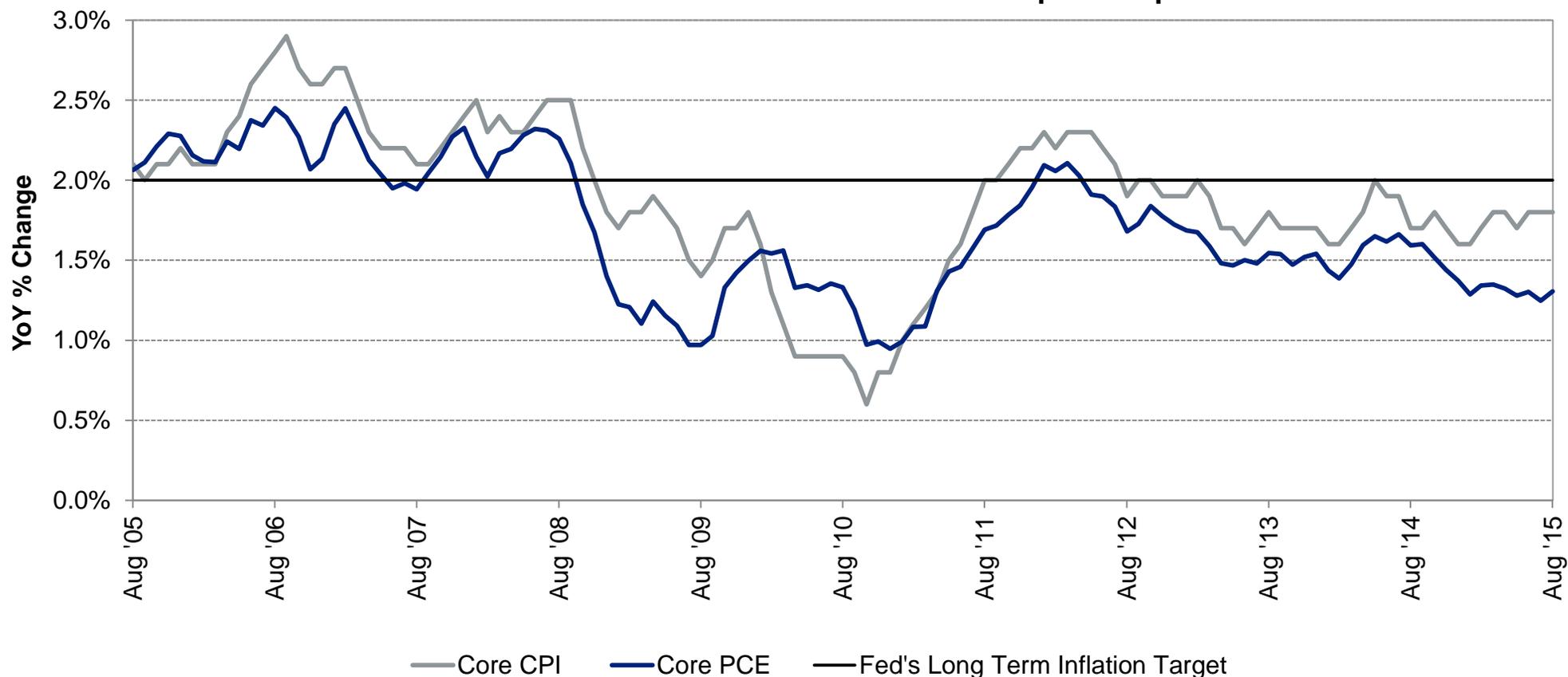


Source: Bureau of Labor Statistics

# Inflation Remains Muted

- The personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, remains under the 2% target; it advanced just 1.3% year-over-year through August.
- The Federal Reserve is waiting to raise interest rates until they are "reasonably confident that inflation will move back to its 2% objective."

**Inflation Measures**  
**Consumer Price Index vs. Personal Consumption Expenditures**



Source: Bloomberg

# Total Return

## Total Return Period Ended September 30, 2015

	Duration	Periodic	Annualized		
		Past Quarter	Past Year	Past Two Years	Since Inception <sup>5</sup>
<b>City of Hayward<sup>1,2,3,4</sup></b>	<b>1.63</b>	<b>0.32%</b>	<b>1.19%</b>	<b>0.85%</b>	<b>0.67%</b>
<i>Merrill Lynch 1-3 Year U.S. Treasury Index</i>	<i>1.79</i>	<i>0.31%</i>	<i>1.16%</i>	<i>0.83%</i>	<i>0.67%</i>
<i>LAIF<sup>6</sup></i>	<i>0.00</i>	<i>0.08%</i>	<i>0.28%</i>	<i>0.26%</i>	<i>0.26%</i>

1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

2. Merrill Lynch Indices provided by Bloomberg Financial Markets.

3. Quarterly returns are presented on an unannualized basis.

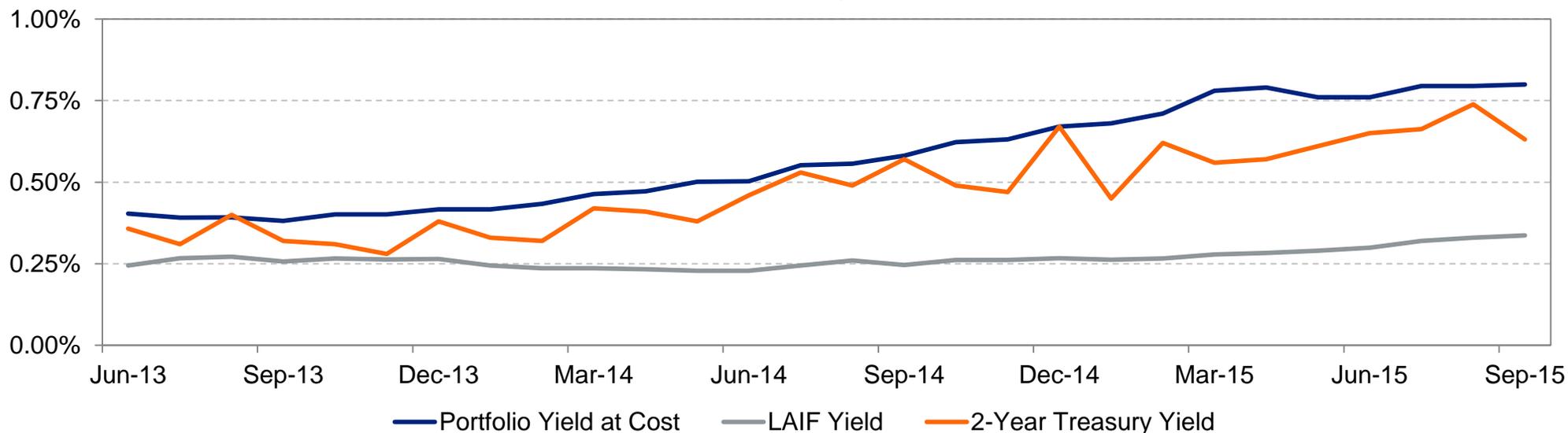
4. Excludes LAIF and cash balance in performance, duration, and yield computations.

5. Inception date is September 30, 2012.

6. California State Treasurer LAIF website.

# Portfolio Earnings Remain Strong

**Portfolio Yield vs. LAIF Yield and 2-Year Treasury**  
June 2013 – September 2015



Portfolio Earnings:	July-15	August-15	September-15	Quarter End
<i>Ending Amortized Cost of Securities</i>	\$121,959,159	\$121,960,739	\$121,884,722	\$121,884,722
<i>Plus Proceeds on Sales</i>	\$6,497,075	\$1,695,889	\$6,690,736	\$14,883,699
<i>Plus Proceeds of Maturities</i>	\$27,317	\$584,435	\$3,454,509	\$4,066,260
<i>Plus Coupons Received</i>	\$124,620	\$40,733	\$175,835	\$341,188
<i>Less Cost of New Purchases</i>	\$(6,489,423)	\$(2,222,200)	\$(10,165,073)	\$(18,876,696)
<i>Less Beginning Amortized Cost of Securities</i>	\$(122,024,528)	\$(121,959,159)	\$(121,960,739)	\$(122,024,528)
<b>Total Portfolio Accrual Basis Earnings</b>	\$94,220	\$100,436	\$79,989	\$274,646

Source: Bloomberg, California State Treasurer LAIF website

# Portfolio Complies with Government Code and the City's Investment Policy

Security Type	Market Value 09/30/15	% of Portfolio	Change Since 06/30/15	% Permitted by Policy	In Compliance
U.S. Treasuries	\$64,700,285	32%	-2%	100%	✓
Federal Agencies	\$41,901,874	21%	1%	100%	✓
<i>Non-Callable</i>	\$40,247,141	20%	2%		
<i>Callable</i>	\$1,654,733	1%	-1.1%		
Supranationals	\$1,013,299	0%	0.0%	30%	✓
Municipal Bonds	\$1,911,038	0.9%	0.0%	20%	✓
Asset-Backed Securities	\$7,460,882	4%	1%	20%	✓
Certificates of Deposit	\$0	0%	0%	30%	✓
Corporate Notes	\$5,216,452	2.6%	0.0%	30%	✓
Commercial Paper	\$0	0%	0%	25%	✓
<b>Total Securities</b>	<b>\$122,203,830</b>	<b>60%</b>			
LAIF	\$52,425,776	26%	-7%	\$50 Million per Account <sup>1</sup>	✓
Money Market Fund	\$0	0%	0%	20%	✓
Cash Deposits	\$28,394,674	14%	7%	100%	✓
<b>Total Liquidity</b>	<b>\$80,820,449</b>	<b>40%</b>			
<b>Total Investments</b>	<b>\$203,024,279</b>	<b>100%</b>			

- Numbers may not add to 100% due to rounding.
- 1. City maintains three separate LAIF accounts.

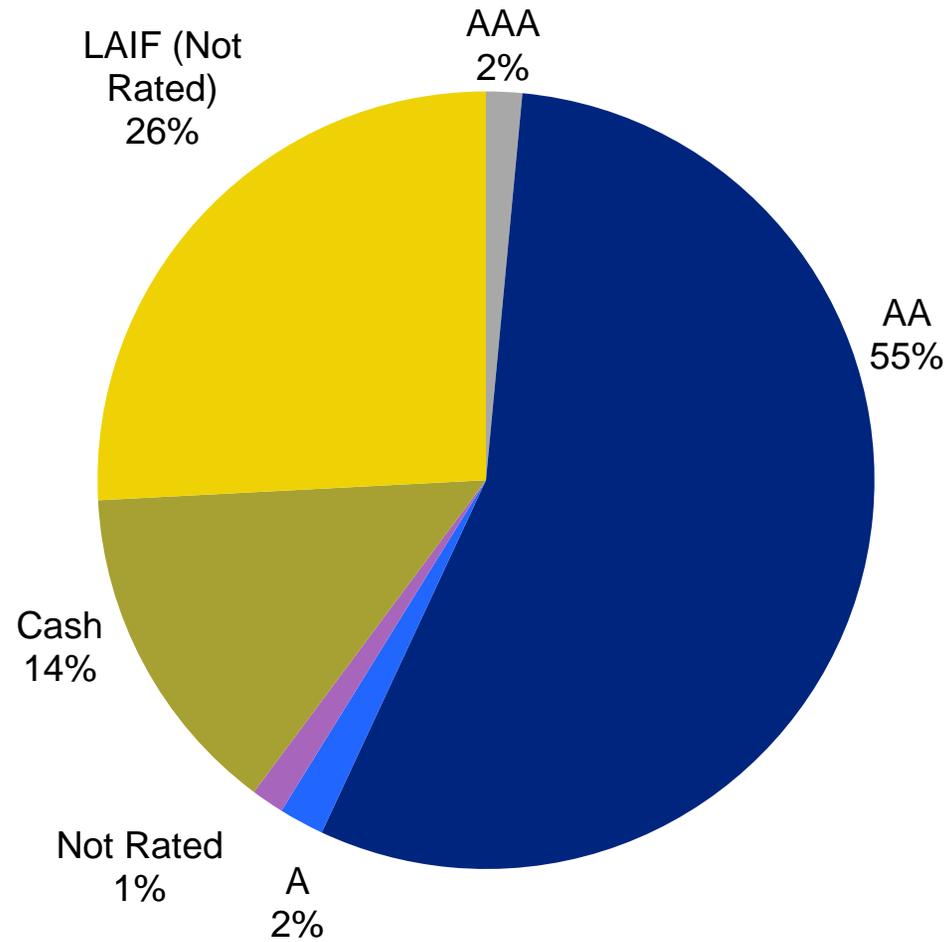
# Third Quarter 2015 Strategy Recap

- After keeping the duration of the portfolio close to the duration of the benchmark's earlier in the year, during the third quarter, we moved the portfolio duration to be modestly shorter than the benchmark in anticipation of a Fed rate hike sometime before the end of this year.
- The yield relationship between U.S. Treasury and Federal agency securities remained near historically narrow levels throughout the third quarter. However, we sought opportunities to capture value from minor shifts in that relationship, favoring agencies only when they offered yields in excess of the recent narrow spread levels.
- Heightened volatility adversely impacted mortgage-backed securities (MBS) throughout the quarter, as investors worried about the effect that large interest rate changes could have on MBS cash flows. MBS cash flows are driven, in part, on the behavior of mortgage holders, who have the option to refinance at a disadvantage to bond holders if long-term rates fall. Where permitted, we selectively added shorter and more stable issues during the quarter.

# Third Quarter Trade Activity

Trade Date	Trade Type	Issuer	Sector	Maturity Date	Par (000s)	Yield	G/L on Sale
7/1/2015	Buy	U.S. Treasury	U.S. Treasuries	7/31/2018	6,400	1.11%	
7/1/2015	Sell	Freddie Mac	Federal Agencies	5/27/2016	2,325	0.36%	\$1,224
7/1/2015	Sell	Fannie Mae	Federal Agencies	3/30/2016	2,040	0.29%	\$4,460
7/1/2015	Sell	U.S. Treasury	U.S. Treasuries	6/30/2016	975	0.34%	\$1,611
7/1/2015	Sell	U.S. Treasury	U.S. Treasuries	5/31/2016	1,120	0.31%	\$779
8/18/2015	Buy	Tennessee Valley Authority	Federal Agencies	12/15/2017	1,500	1.01%	
8/18/2015	Sell	U.S. Treasury	U.S. Treasuries	12/31/2017	1,700	0.90%	\$4,500
8/27/2015	Buy	U.S. Treasury	U.S. Treasuries	11/30/2016	525	0.51%	
8/27/2015	Maturity	Federal Home Loan Bank	Federal Agencies	8/27/2015	530	0.00%	
8/27/2015	Buy	Fannie Mae	Federal Agencies	10/19/2018	6,100	1.18%	
8/26/2015	Sell	U.S. Treasury	U.S. Treasuries	7/31/2018	6,000	1.03%	\$13,890
9/16/2015	Buy	Federal Home Loan Bank	Federal Agencies	9/30/2015	1,650	0.10%	
9/17/2015	Maturity	Federal Home Loan Bank	Federal Agencies	9/17/2015	1,650	0.00%	
9/15/2015	Buy	Ford	Asset-Backed Securities	2/15/2020	620	1.42%	
9/15/2015	Sell	U.S. Treasury	U.S. Treasuries	11/30/2016	620	0.59%	\$245
9/10/2015	Buy	Fannie Mae	Federal Agency CMO	4/25/2020	1,805	0.54%	
9/30/2015	Maturity	Federal Home Loan Bank	Federal Agencies	9/30/2015	1,650	0.00%	
							<b>\$26,709</b>

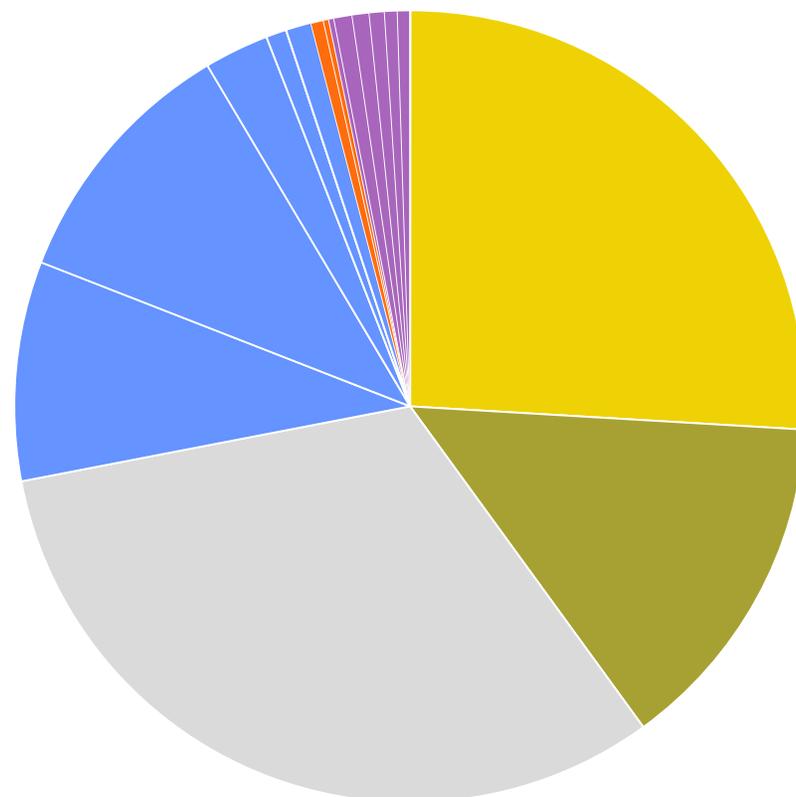
# Portfolio Credit Distribution



- As of September 30, 2015.
- Ratings by Standard & Poor's.
- Numbers may not add to 100% due to rounding.

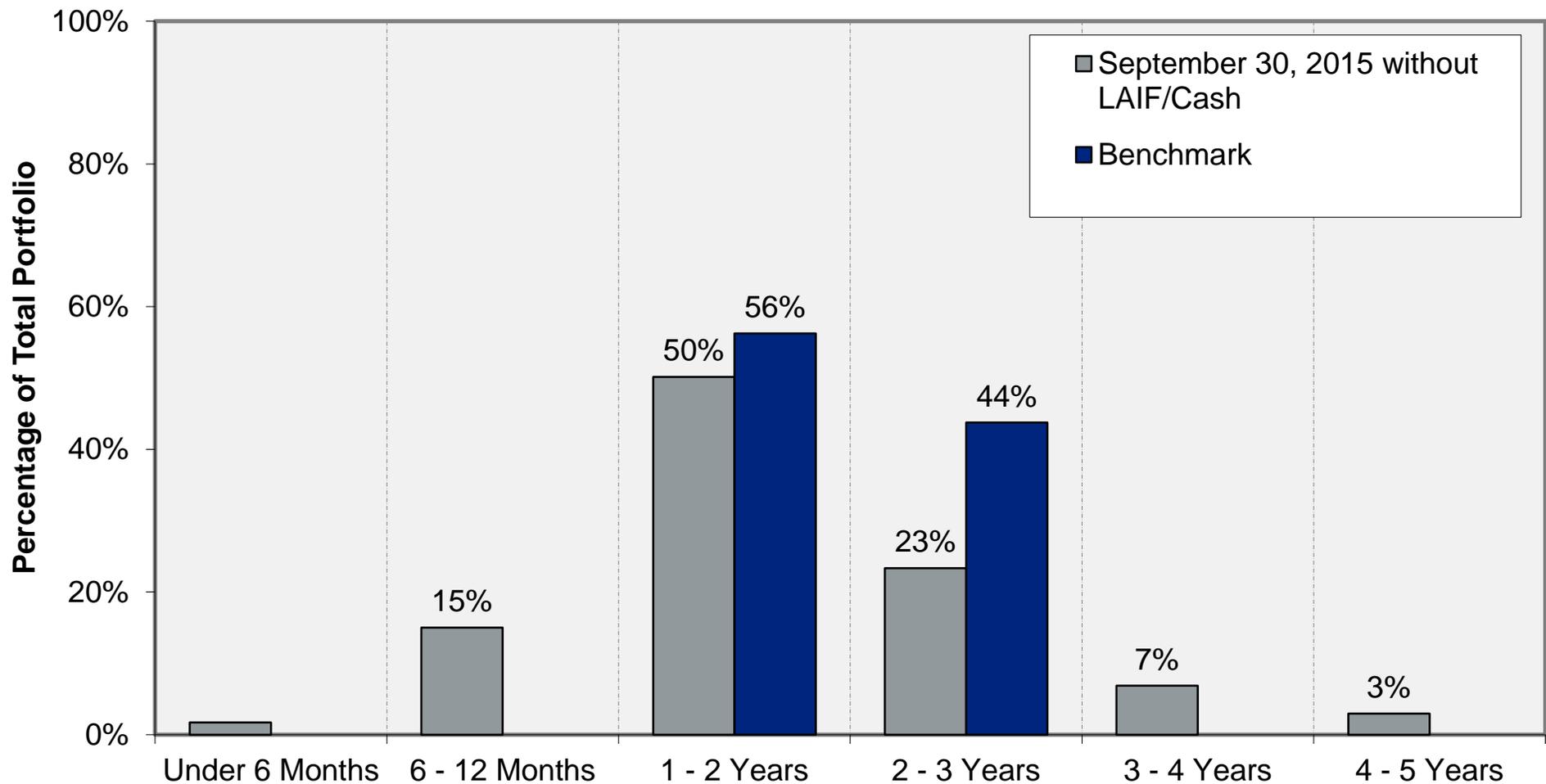
# Portfolio Issuer Distribution

Issuer	Amount	%
LAIF	\$52,425,776	26%
Cash	\$28,394,674	14%
U.S. Treasury	\$64,700,285	32%
FHLB	\$18,078,295	9%
FNMA	\$21,306,513	10%
FHLMC	\$5,325,901	3%
Federal Agricultural Mortgage Corp	\$2,102,100	1%
Tennessee Valley Authority	\$1,701,952	1%
Orange County, CA	\$1,038,133	1%
CA Earthquake Authority	\$443,356	0%
State of Connecticut	\$429,549	0%
Walt Disney Co.	\$1,505,553	1%
Exxon Mobil	\$1,404,573	1%
Wells Fargo	\$1,252,720	1%
Bank of New York Mellon	\$1,053,607	1%
Ford Credit Auto Owner Trust	\$847,994	0.4%
IBRD	\$1,013,299	0.5%
	<b>\$203,024,279</b>	<b>100%</b>



- As of September 30, 2015.
- Numbers may not add to 100% due to rounding.

# Maturity Distribution vs. Benchmark Distribution



- Excludes cash and LAIF balances.
- Benchmark represents Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- Numbers may not add to 100% due to rounding.

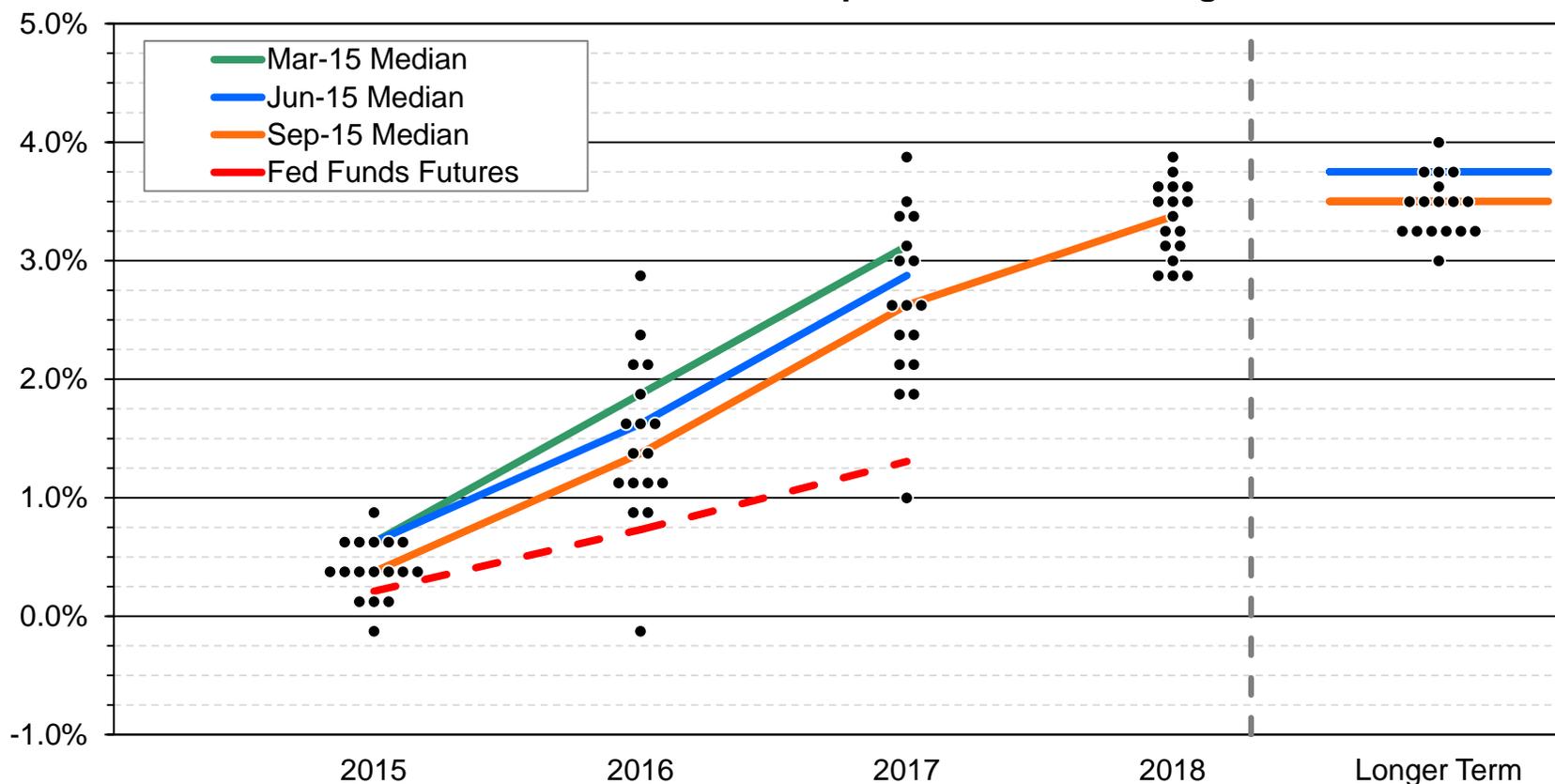
# Current Strategy

- We expect economic conditions to continue to expand, but at a slightly slower pace:
  - Rising consumer confidence (positive)
  - Increased personal spending (positive)
  - International economic uncertainty (uncertain)
- Closely monitor FOMC and International economic developments:
  - We expect at least one FOMC rate hike in late 2015 or early 2016
  - Subsequent trajectory tempered
  - Short yields have the potential to move higher; longer yields likely range bound
- Expected drivers of performance:
  - Sector/security selection
    - Non-Government sector exposure
  - Yield Curve Placement
    - Underweight shorter end of curve

# FOMC “Dot Plot” After September Meeting

- The median September forecast continued the trend of lowering the trajectory of rate hike projections and coming closer to market expectations as observed by Fed Funds futures.
- The new dot plot showed that one FOMC member thinks interest rates should be negative at the end of 2015 and 2016.
- The overall dot plot supports Janet Yellen’s statements that the Fed will begin to raise rates this year.

Dot Plot from FOMC’s September 16-17 Meeting

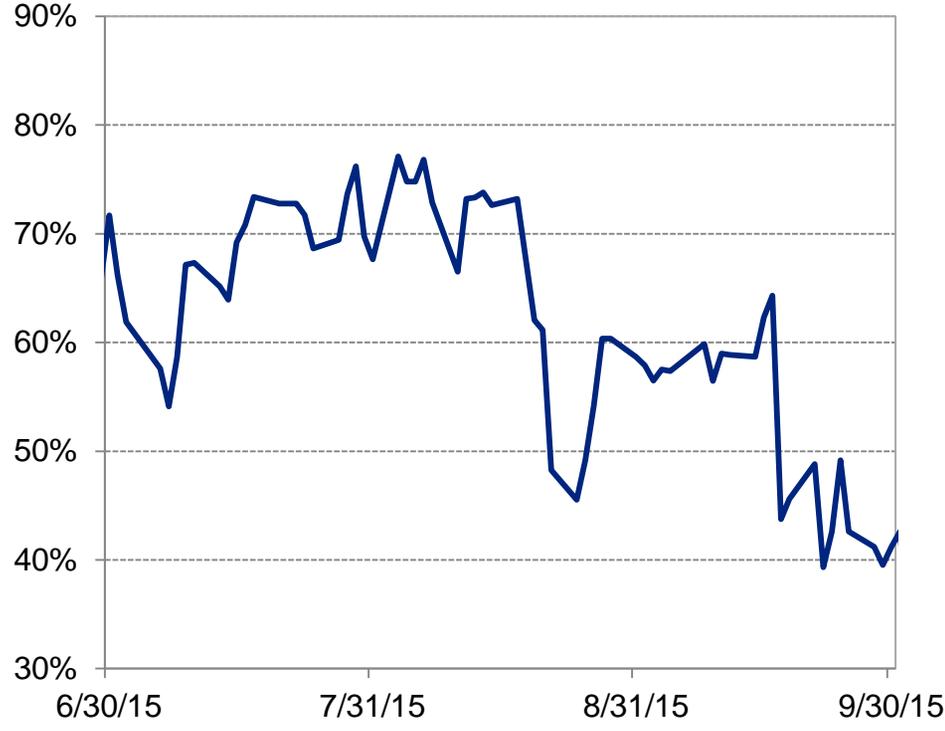


Source: Federal Reserve

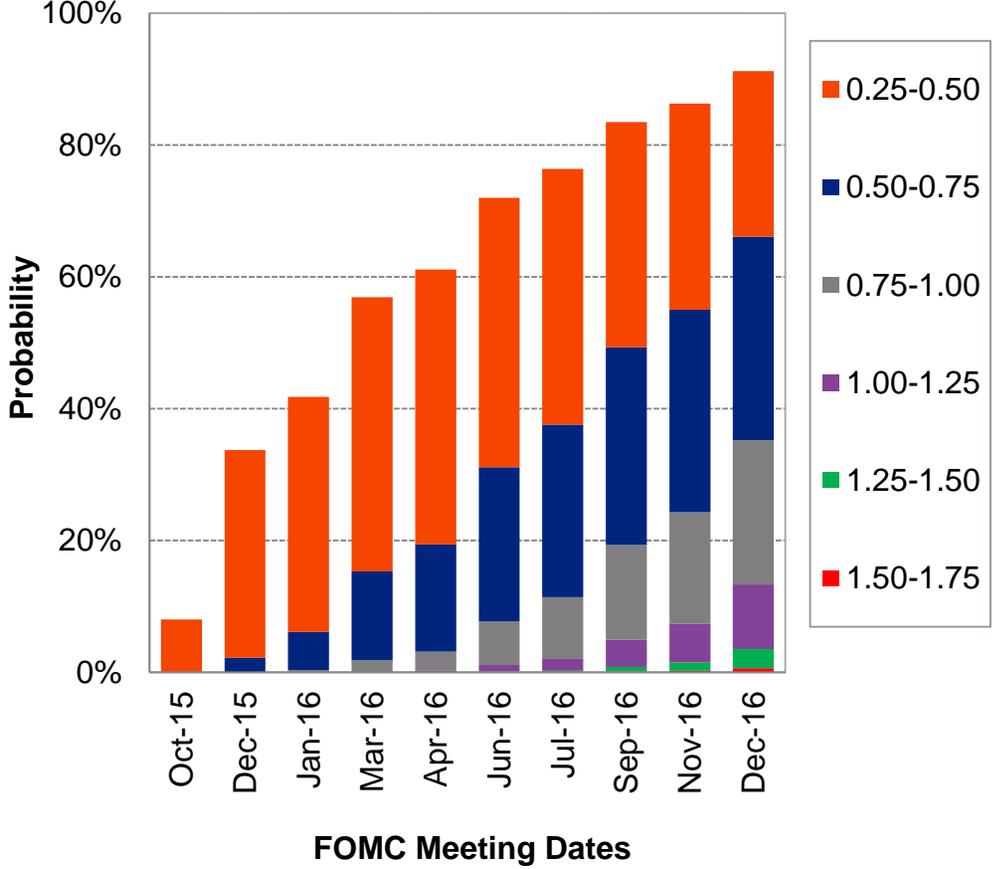
# Outlook for the Fed Funds Target Rate

- As of the end of September, the market had an implied probability of 41% for a rate increase in December.

**Probability of December Rate Hike**



**Current Outlook for Fed Funds Target Range**



Source: Bloomberg, "Current Outlook" as of October 7, 2015.

# We See Tremendous Value in Corporate Sector

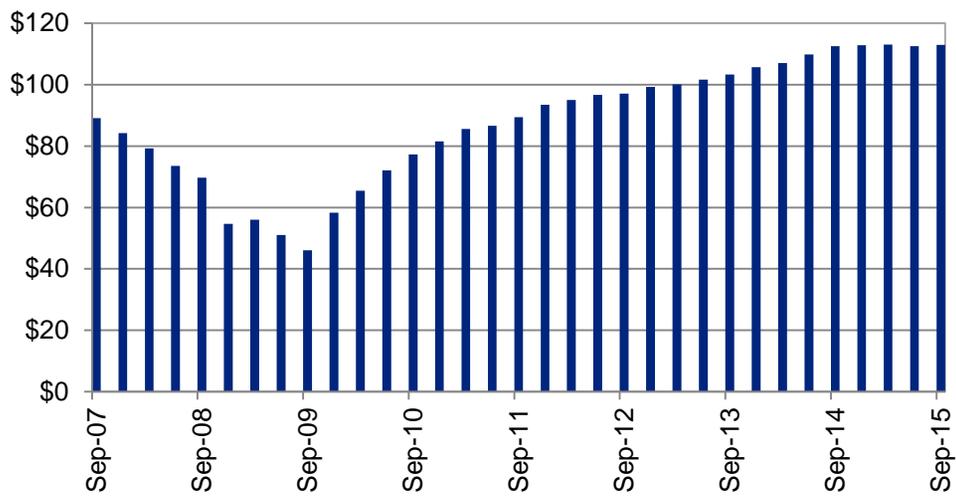
Sector	PFMAM Investment Preference
MMF/LGIP	
Commercial Paper/CDs	
Treasury: T-Bill	
T-Note	
Agency: <= 3 years	
> 3 Years	
Corporates: Financials	
Industrials	
Municipal Bonds	
Asset-Backed	
Mortgage-Backed	

- A key element of our recent strategy has been to emphasize corporate securities. Corporates offered higher yields at a time when economic conditions and corporate fundamentals were reasonably strong, making them look attractive relative to other fixed-income security types. Despite favorable conditions, yield spreads on corporate securities widened over the quarter, which hurt performance relative to other sectors. This was caused primarily by an apparent slowdown in economic growth in China and other emerging market economies, which triggered increased volatility, risk aversion, and, therefore, less demand for investments with credit risk. As we believe the market's reaction did not fundamentally alter our view on the sector, PFMAM continues to favor the corporate sector as a key vehicle for generating incremental performance over the longer term.

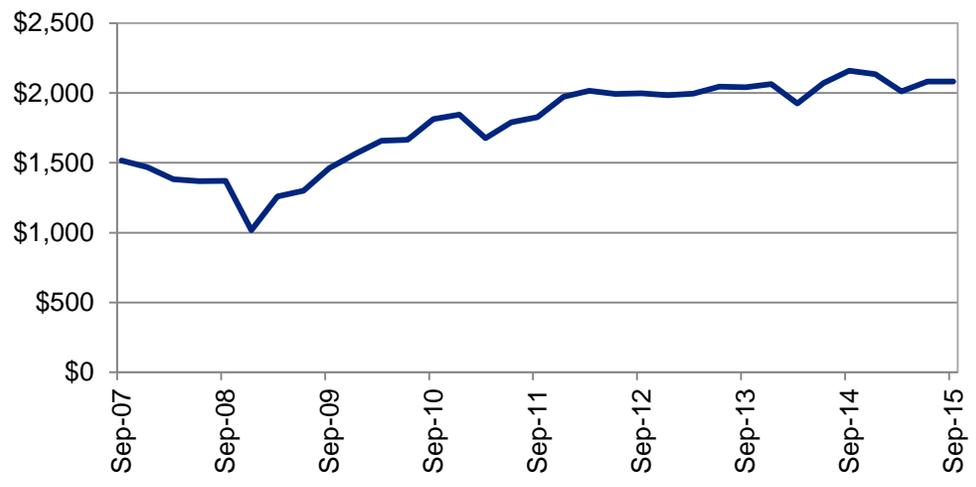
Source: PFMAM, as of September 30, 2015. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. Analysis is subject to changes in the market environment, and may vary based on the client's particular circumstances.

# Corporate Fundamentals

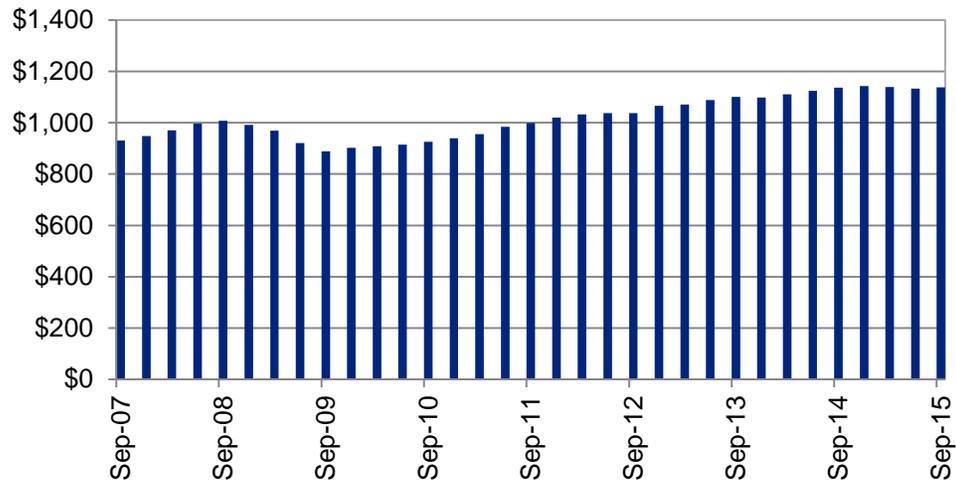
**S&P 500 Earnings per Share**



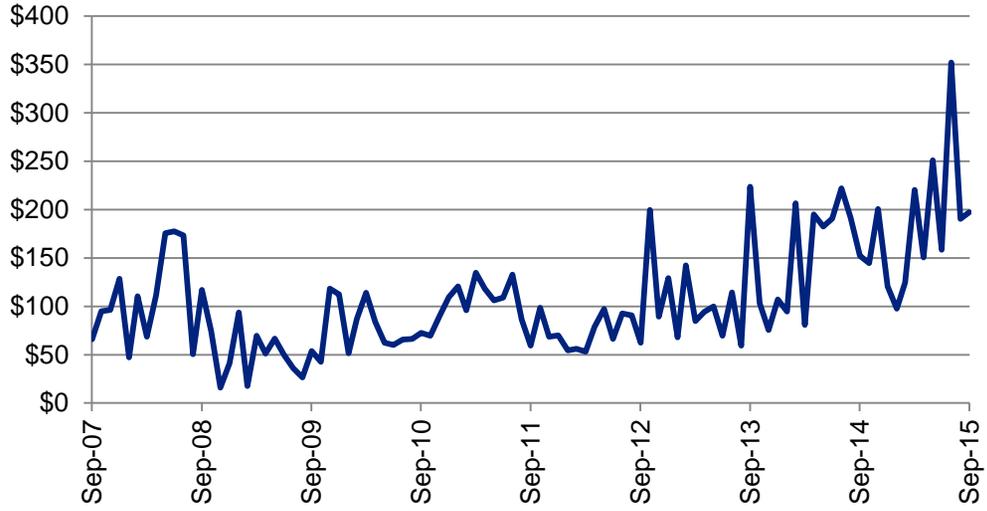
**Corporate Profits (\$ bn)**



**S&P 500 Trailing 12-Month Sales per Share**

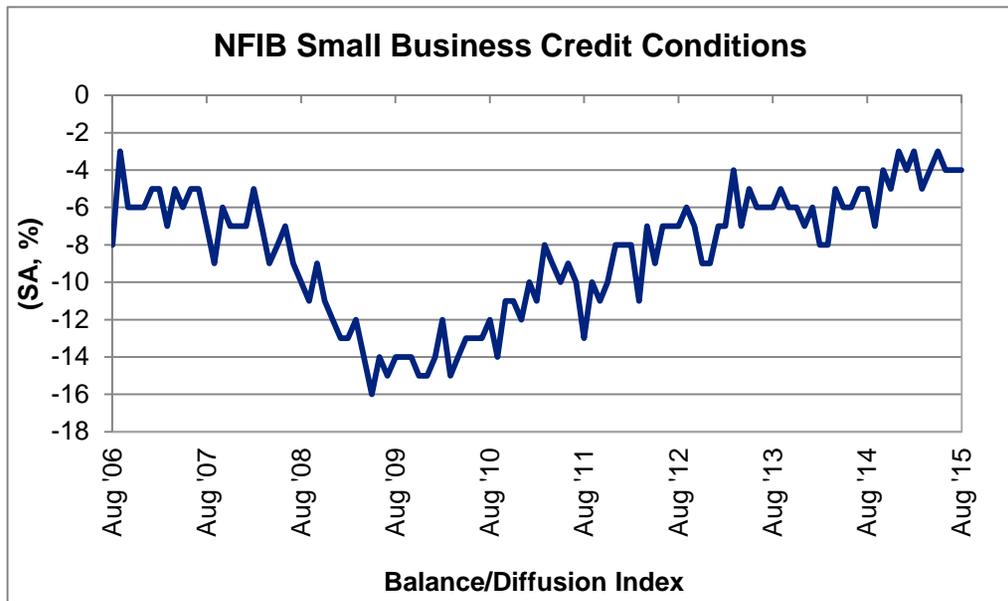
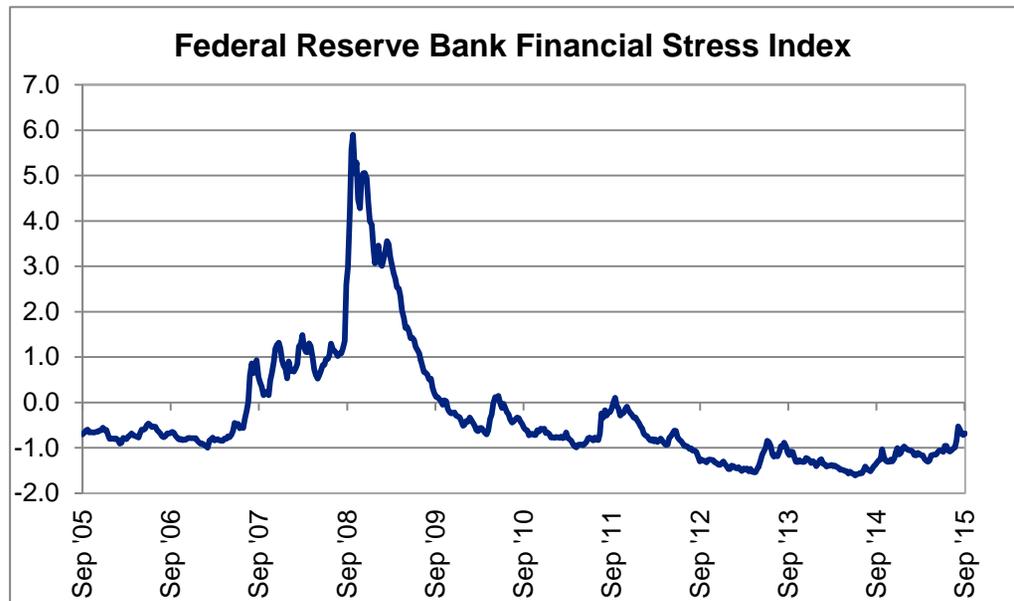
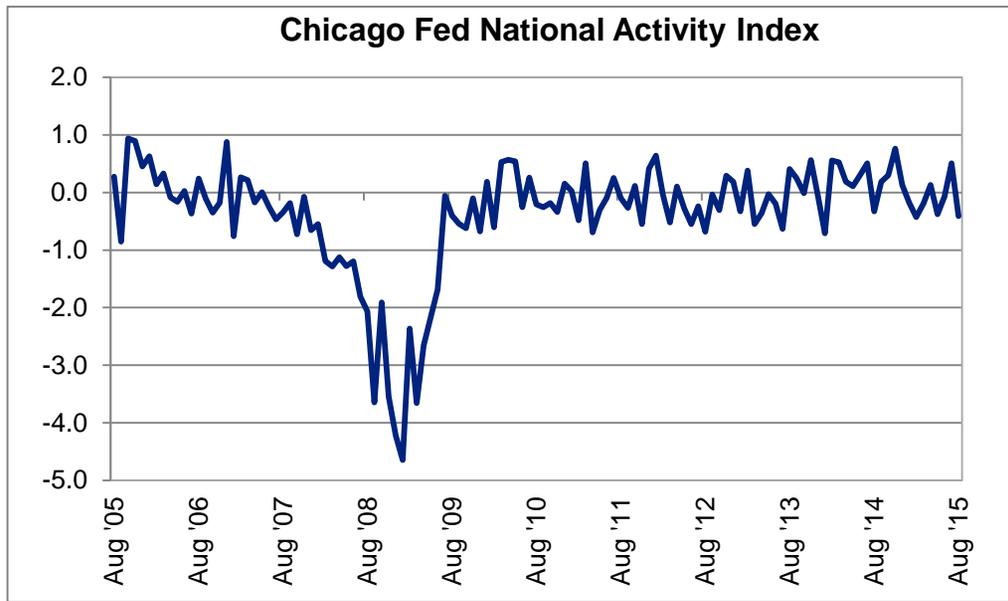
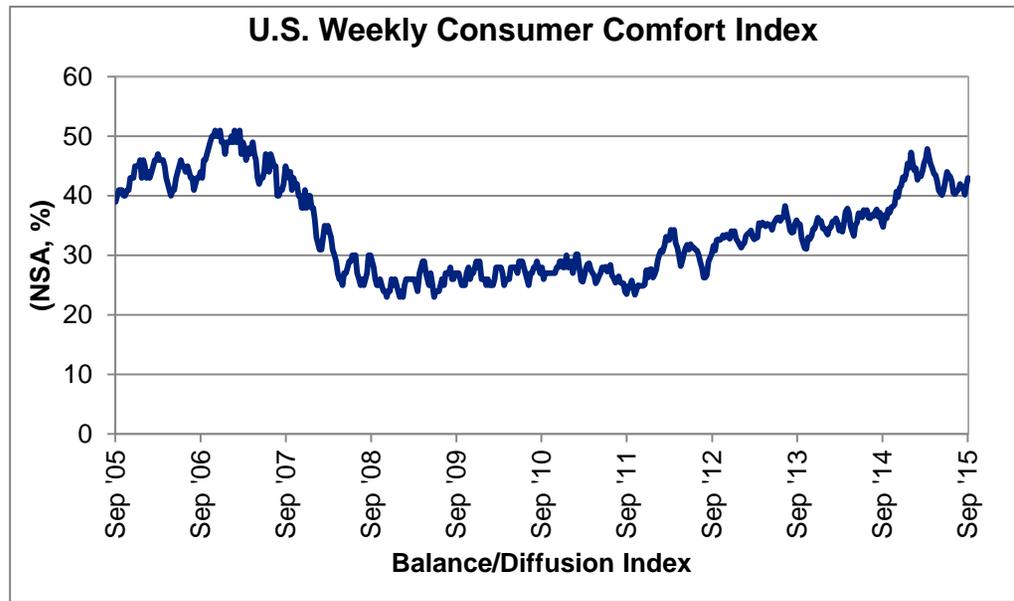


**M&A Transaction Value (\$ Billions)**



Source: Bloomberg

# U.S. Business Conditions Continue to Improve



Source: Bloomberg

# Credit Review Philosophy

- Utilize credit in seeking to generate above benchmark returns with minimum volatility.
- Integrate into broader investment process.
- Research conducted “on the desk” by portfolio managers and traders.
- Emphasize emerging industry and macro trends.
- Build in a “margin of safety.”

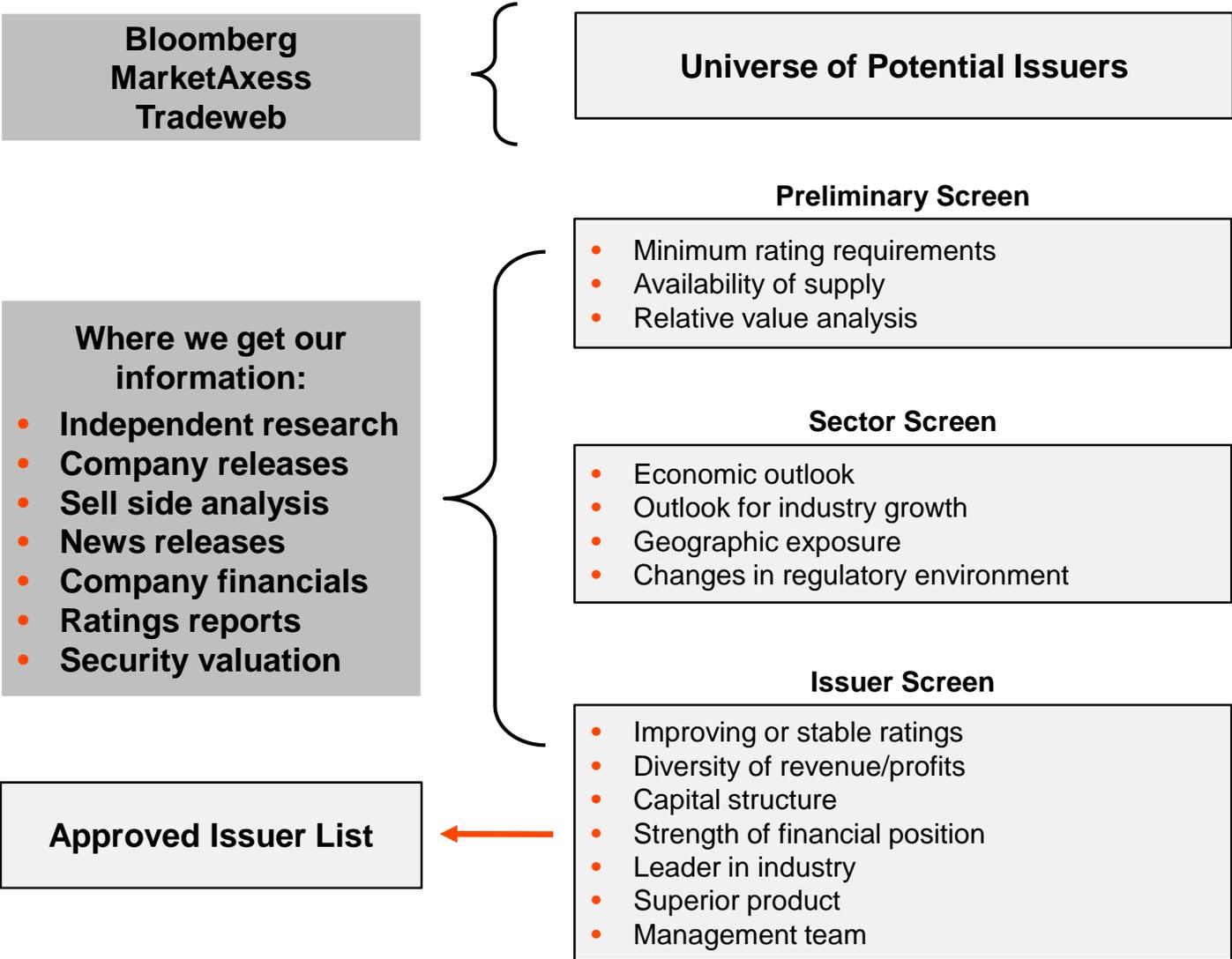
Issuer Analysis	Macro/Industry Analysis
<ul style="list-style-type: none"><li>✓ Balance sheet: ratios and analysis</li><li>✓ Earnings: actual and projections</li><li>✓ Asset quality and impairments</li><li>✓ Debt and liquidity levels</li><li>✓ Corporate governance</li><li>✓ Prices of bonds, equity, and credit default swaps</li><li>✓ Supply and trading volume</li><li>✓ Analysts' recommendations</li></ul>	<ul style="list-style-type: none"><li>✓ Macro-economic conditions</li><li>✓ Industry trends</li><li>✓ Competitive environment</li><li>✓ Business cycle</li><li>✓ Regulatory environment</li><li>✓ Rating agency actions</li><li>✓ Sovereign credit developments</li><li>✓ Geopolitical risks</li></ul>

# Credit Committee

- Develops and maintains approved credit list.
- Monitors credit on an ongoing basis.
- Focuses on emerging industry trends and market event risk.
- Expands the credit analysis beyond published credit ratings.

Credit Committee	Role at PFM
Marty Margolis	Chief Investment Officer and Managing Director
Robert Cheddar, CFA	Chief Credit Analyst and Senior Portfolio Manager
Ken Schiebel, CFA	Managing Director and Senior Portfolio Manager
Richard Michael, Esq.	Compliance Counsel
Michael Varano	Senior Portfolio Manager and Managing Director
Gregg Manjerovic, CFA	Senior Portfolio Manager

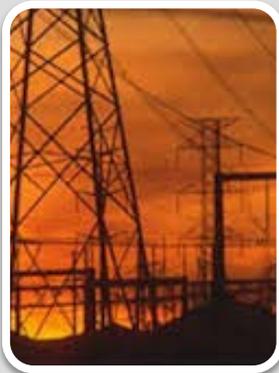
# Credit Research Process



# Ideal Credit Characteristics

- Leader in its industry
- Diverse revenue and profit streams
- Healthy financial condition, debt levels, and profitability
- Improving or stable credit ratings
- A reputation for transparency
- Ideal business conditions

# Successful Outcomes from Our Credit Process



**2000-2001**  
**California Energy Crisis**

After 1998 de-regulation, avoided California utility sector

Owned no PG&E, So. California Edison, or Enron

**2007**  
**Residential Mortgage Deterioration**

July 2007: Liquidated entire holdings of asset-backed commercial paper (over \$2 billion)

2007 Q3/Q4: Ceased purchase of issuers with exposure to MBS (Bear Stearns, Lehman Brothers, Merrill Lynch, and RBS)

**2008-2009**  
**Credit Crisis**

Owned no Lehman Brothers, Washington Mutual, IndyMac, AIG, CIT Group, MBIA

Portfolio management team focused on safety and liquidity

**2011**  
**Japanese Tsunami**

March 2011: Credit Committee placed all Japanese issuers on hold

As conditions improved, issuers are re-approved

**2011-2012**  
**European Debt Crisis**

Monitored developments in Europe on an ongoing basis

Some issuers are removed from credit list, others are placed on hold or restricted by maturity

No exposure to Greece, Portugal, Italy, or Ireland

# Fixed-Income Index Returns

September 30, 2015	Effective Duration	Yield	YTD	1 Month	3 Month	1 Year	3 Years	5 Years
<b>1-3 Year Indices</b>								
U.S. Treasury	1.87	0.63%	0.98%	0.30%	0.31%	1.16%	0.67%	0.76%
Agency	1.64	0.70%	1.07%	0.29%	0.36%	1.29%	0.77%	0.90%
Corp A-AAA	1.98	1.53%	1.21%	0.36%	0.36%	1.37%	1.38%	1.88%
MBS (0 to 3 Years)	1.92	1.58%	0.69%	0.18%	0.35%	1.11%	0.77%	1.67%
Municipals	1.87	0.74%	0.84%	0.20%	0.57%	0.85%	0.88%	1.13%
<b>1-5 Year Indices</b>								
U.S. Treasury	2.71	0.87%	1.65%	0.53%	0.70%	2.15%	0.91%	1.25%
Agency	2.07	0.86%	1.47%	0.39%	0.58%	1.90%	0.98%	1.26%
Corp A-AAA	2.76	1.83%	1.68%	0.52%	0.61%	2.18%	1.83%	2.54%
MBS (0 to 5 Years)	3.40	2.10%	1.06%	0.32%	0.69%	2.23%	1.55%	2.62%
Municipals	2.58	1.01%	1.12%	0.33%	0.78%	1.09%	1.18%	1.62%
<b>Master Indices (Maturities 1 Year and Greater)</b>								
U.S. Treasury	6.20	1.42%	1.78%	0.90%	1.90%	4.10%	1.38%	2.63%
Agency	3.68	1.29%	1.65%	0.60%	1.05%	2.93%	1.35%	2.07%
Corp A-AAA	6.70	2.88%	0.76%	0.84%	1.23%	2.82%	2.27%	4.03%
MBS (0 to 30 Years)	4.34	2.39%	1.52%	0.58%	1.31%	3.34%	1.93%	3.01%
Municipals	6.93	2.38%	1.80%	0.67%	1.70%	3.16%	2.94%	4.32%

- Source: Bank of America Merrill Lynch Indices. Returns for periods greater than one year are annualized.
- Returns for periods ending September 30, 2015.

# Disclaimer

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



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2015**

### CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	1,525,000.00	AA+	Aaa	05/24/13	05/31/13	1,651,884.77	0.53	12,525.31	1,555,939.73	1,558,418.85
US TREASURY NOTES DTD 08/01/2011 1.500% 07/31/2016	912828QX1	2,775,000.00	AA+	Aaa	07/22/13	07/22/13	2,848,385.74	0.62	7,012.91	2,795,305.98	2,801,448.53
US TREASURY NOTES DTD 12/01/2014 0.500% 11/30/2016	912828G46	525,000.00	AA+	Aaa	08/27/15	08/27/15	524,938.48	0.51	882.17	524,943.26	525,382.73
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	2,380,000.00	AA+	Aaa	10/31/13	11/01/13	2,398,407.82	0.62	6,998.57	2,386,999.20	2,392,054.70
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	3,775,000.00	AA+	Aaa	12/03/13	12/04/13	3,808,768.55	0.57	11,100.67	3,788,216.73	3,794,120.38
US TREASURY NOTES DTD 01/03/2012 0.875% 12/31/2016	912828RX0	1,825,000.00	AA+	Aaa	12/05/14	12/09/14	1,831,843.75	0.69	4,035.58	1,829,155.94	1,834,148.73
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	2,705,000.00	AA+	Aaa	10/02/14	10/06/14	2,718,208.01	0.80	73.91	2,712,994.74	2,724,724.86
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	3,450,000.00	AA+	Aaa	03/19/14	03/21/14	3,457,951.17	0.92	94.26	3,453,961.05	3,475,157.40
US TREASURY NOTES DTD 04/30/2012 0.875% 04/30/2017	912828SS0	7,500,000.00	AA+	Aaa	05/04/15	05/04/15	7,538,671.88	0.61	27,462.64	7,530,784.35	7,537,500.00
US TREASURY NOTES DTD 05/31/2012 0.625% 05/31/2017	912828SY7	4,450,000.00	AA+	Aaa	06/02/14	06/03/14	4,425,316.41	0.81	9,346.82	4,436,200.06	4,453,301.90
US TREASURY NOTES DTD 07/02/2012 0.750% 06/30/2017	912828TB6	2,800,000.00	AA+	Aaa	10/30/14	11/03/14	2,797,156.25	0.79	5,307.07	2,798,126.86	2,807,691.60
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	820,000.00	AA+	Aaa	07/01/14	07/07/14	808,628.91	0.96	690.76	813,169.18	818,483.82
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	1,115,000.00	AA+	Aaa	02/06/15	02/10/15	1,105,679.30	0.84	939.27	1,108,077.82	1,112,938.37
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	2,750,000.00	AA+	Aaa	02/02/15	02/04/15	2,741,298.83	0.63	2,316.58	2,743,584.75	2,744,915.25



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2015**

### CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 08/31/2012 0.625% 08/31/2017	912828TM2	7,500,000.00	AA+	Aaa	05/04/15	05/04/15	7,478,027.34	0.75	3,992.10	7,481,872.80	7,499,707.50
US TREASURY NOTES DTD 09/30/2010 1.875% 09/30/2017	912828PA2	1,190,000.00	AA+	Aaa	09/02/14	09/04/14	1,219,842.97	1.04	60.96	1,209,519.02	1,218,789.67
US TREASURY NOTES DTD 01/31/2013 0.875% 01/31/2018	912828UJ7	1,850,000.00	AA+	Aaa	12/29/14	12/31/14	1,831,210.94	1.21	2,727.24	1,835,736.74	1,854,913.60
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	825,000.00	AA+	Aaa	03/26/15	03/27/15	819,038.09	0.99	16.91	820,042.88	823,818.60
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	3,500,000.00	AA+	Aaa	02/26/15	02/27/15	3,469,101.56	1.04	71.72	3,474,939.41	3,494,988.00
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	4,600,000.00	AA+	Aaa	03/26/15	03/27/15	4,566,578.13	1.00	94.26	4,572,210.80	4,593,412.80
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	1,100,000.00	AA+	Aaa	04/28/15	04/30/15	1,091,148.44	0.90	2,877.04	1,092,369.39	1,094,357.00
US TREASURY NOTES DTD 05/31/2013 1.000% 05/31/2018	912828VE7	5,000,000.00	AA+	Aaa	05/04/15	05/04/15	4,999,804.69	1.00	16,803.28	4,999,837.30	5,018,295.00
US TREASURY NOTES DTD 07/31/2013 1.375% 07/31/2018	912828VO0	400,000.00	AA+	Aaa	07/01/15	07/06/15	403,218.75	1.11	926.63	402,974.02	405,359.20
<b>Security Type Sub-Total</b>		<b>64,360,000.00</b>					<b>64,535,110.78</b>	<b>0.80</b>	<b>116,356.66</b>	<b>64,366,962.01</b>	<b>64,583,928.49</b>
<b>Supra-National Agency Bond / Note</b>											
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 04/30/2015 1.000% 06/15/2018	459058EJ8	1,010,000.00	AAA	Aaa	04/22/15	04/30/15	1,008,272.90	1.06	2,973.89	1,008,502.56	1,010,325.22
<b>Security Type Sub-Total</b>		<b>1,010,000.00</b>					<b>1,008,272.90</b>	<b>1.06</b>	<b>2,973.89</b>	<b>1,008,502.56</b>	<b>1,010,325.22</b>
<b>Municipal Bond / Note</b>											
ORANGE CNTY, CA TXBL REV PO BONDS DTD 01/13/2015 0.780% 05/02/2016	68428LDJ0	1,035,000.00	AA-	NR	01/09/15	01/13/15	1,035,000.00	0.78	1,300.65	1,035,000.00	1,036,831.95



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2015**

### CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Municipal Bond / Note</b>											
CA EARTHQUAKE AUTH TXBL REV BONDS DTD 11/06/2014 1.194% 07/01/2016	13017HAC0	250,000.00	NR	A3	10/29/14	11/06/14	250,000.00	1.19	746.25	250,000.00	250,590.00
CA EARTHQUAKE AUTH TXBL REV BONDS DTD 11/06/2014 1.824% 07/01/2017	13017HAD8	190,000.00	NR	A3	10/29/14	11/06/14	190,000.00	1.82	866.40	190,000.00	191,153.30
CT ST TXBL GO BONDS DTD 03/25/2015 1.422% 03/15/2018	20772JZJ4	430,000.00	AA	Aa3	03/13/15	03/25/15	430,000.00	1.42	271.76	430,000.00	429,277.60

<b>Security Type Sub-Total</b>		<b>1,905,000.00</b>					<b>1,905,000.00</b>	<b>1.08</b>	<b>3,185.06</b>	<b>1,905,000.00</b>	<b>1,907,852.85</b>
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<b>Federal Agency Collateralized Mortgage Obligation</b>											
FNMA SERIES 2015-M1 ASQ2 DTD 01/15/2015 1.626% 02/01/2018	3136AMKW8	445,000.00	AA+	Aaa	01/15/15	01/30/15	449,446.66	1.26	602.98	448,297.27	449,854.06
FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	385,000.00	AA+	Aaa	04/15/15	04/30/15	388,848.61	0.83	497.29	388,210.15	388,231.31
FNMA SERIES 2015-M3 FA DTD 02/01/2015 0.424% 06/01/2018	3136AMMC0	283,999.76	AA+	Aaa	02/12/15	02/27/15	283,925.56	0.39	100.39	283,925.55	283,833.90
FNMA SERIES M4 FA DTD 03/01/2015 0.414% 09/01/2018	3136AMTM1	257,056.88	AA+	Aaa	03/12/15	03/31/15	256,991.01	0.38	88.65	257,019.42	257,240.42
FNMA SERIES 2015-M10 FA DTD 06/01/2015 0.455% 03/01/2019	3136ANA98	2,239,809.60	AA+	Aaa	06/12/15	06/30/15	2,239,161.40	0.43	849.60	2,239,234.06	2,236,082.56
FREDDIE MAC SERIES 4459 NB DTD 04/01/2015 4.500% 01/01/2020	3137BHU39	1,139,104.93	AA+	Aaa	06/08/15	06/11/15	1,194,280.32	0.77	4,271.64	1,189,523.29	1,186,721.79
FNMA SERIES 2015-M12 FA DTD 09/01/2015 0.540% 04/25/2020	3136AP3Z3	1,805,000.00	AA+	Aaa	09/10/15	09/30/15	1,804,350.20	0.54	162.45	1,804,350.20	1,804,350.20

<b>Security Type Sub-Total</b>		<b>6,554,971.17</b>					<b>6,617,003.76</b>	<b>0.60</b>	<b>6,573.00</b>	<b>6,610,559.94</b>	<b>6,606,314.24</b>
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<b>Federal Agency Bond / Note</b>											
FARMER MAC AGENCY NOTES DTD 08/11/2014 0.350% 02/11/2016	31315PT74	2,100,000.00	NR	NR	08/06/14	08/11/14	2,100,000.00	0.35	1,020.83	2,100,000.00	2,101,079.40



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2015**

### CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	2,175,000.00	AA+	Aaa	10/01/13	10/03/13	2,206,254.75	0.76	226.56	2,185,458.42	2,192,415.23
FHLB NOTES DTD 08/07/2014 0.500% 09/28/2016	3130A2T97	2,915,000.00	AA+	Aaa	08/06/14	08/07/14	2,908,441.25	0.61	121.46	2,911,951.49	2,917,221.23
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	7,500,000.00	AA+	Aaa	05/04/15	05/04/15	7,577,850.00	0.50	781.25	7,555,206.68	7,560,052.50
FHLB NOTES DTD 11/17/2014 0.625% 11/23/2016	3130A3J70	7,500,000.00	AA+	Aaa	05/04/15	05/04/15	7,507,500.00	0.56	16,666.67	7,505,535.83	7,511,070.00
FHLB NOTES DTD 11/09/2010 1.625% 12/09/2016	313371PV2	3,500,000.00	AA+	Aaa	05/05/15	05/05/15	3,557,505.00	0.59	17,694.44	3,542,927.89	3,545,482.50
FHLB GLOBAL NOTES (CALLABLE) DTD 03/24/2015 0.840% 03/24/2017	3130A4OV7	1,650,000.00	AA+	Aaa	03/17/15	03/24/15	1,650,000.00	0.84	269.50	1,650,000.00	1,654,463.25
FHLB GLOBAL NOTES DTD 05/15/2015 0.625% 05/30/2017	3130A5EP0	2,410,000.00	AA+	Aaa	05/14/15	05/15/15	2,407,999.70	0.67	5,062.67	2,408,367.18	2,410,243.41
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	1,400,000.00	AA+	Aaa	03/19/15	03/20/15	1,404,760.00	0.85	2,450.00	1,403,698.09	1,409,469.60
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	2,700,000.00	AA+	Aaa	08/12/14	08/14/14	2,699,819.10	1.00	4,725.00	2,699,889.38	2,718,262.80
TENNESSEE VALLEY AUTHORITY NOTES DTD 12/22/1997 6.250% 12/15/2017	880591CU4	1,500,000.00	AA+	Aaa	08/18/15	08/19/15	1,679,964.00	1.01	27,604.17	1,671,021.93	1,674,348.00
FNMA BENCHMARK NOTE DTD 09/01/2015 1.125% 10/19/2018	3135G0E58	6,100,000.00	AA+	Aaa	08/27/15	09/01/15	6,090,118.00	1.18	5,718.75	6,090,364.44	6,125,424.80
<b>Security Type Sub-Total</b>		<b>41,450,000.00</b>					<b>41,790,211.80</b>	<b>0.72</b>	<b>82,341.30</b>	<b>41,724,421.33</b>	<b>41,819,532.72</b>
<b>Corporate Note</b>											
WALT DISNEY CORP NOTES DTD 11/30/2012 1.100% 12/01/2017	25468PCV6	1,500,000.00	A	A2	11/04/14	11/07/14	1,490,565.00	1.31	5,500.00	1,493,298.23	1,500,052.50
WELLS FARGO & COMPANY GLOBAL NOTES DTD 12/26/2012 1.500% 01/16/2018	94974BFG0	1,250,000.00	A+	A2	05/05/15	05/08/15	1,252,550.00	1.42	3,906.25	1,252,185.65	1,248,813.75



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2015**

### CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate Note</b>											
EXXON MOBIL CORP NOTES DTD 03/06/2015 1.305% 03/06/2018	30231GAL6	1,400,000.00	AAA	Aaa	03/04/15	03/06/15	1,400,000.00	1.31	1,268.75	1,400,000.00	1,403,304.00
BANK OF NEW YORK MELLON CORP DTD 05/29/2015 1.600% 05/22/2018	06406HDB2	1,050,000.00	A+	A1	05/22/15	05/29/15	1,049,905.50	1.60	5,693.33	1,049,915.30	1,047,913.65
<b>Security Type Sub-Total</b>		<b>5,200,000.00</b>					<b>5,193,020.50</b>	<b>1.39</b>	<b>16,368.33</b>	<b>5,195,399.18</b>	<b>5,200,083.90</b>
<b>Asset-Backed Security / Collateralized Mortgage Obligation</b>											
FORD ABS 2015-A A2A DTD 03/24/2015 0.810% 01/15/2018	34530OAB6	225,900.73	NR	Aaa	03/17/15	03/24/15	225,899.24	0.81	81.32	225,899.56	225,990.64
FORD ABS 2015-C A3 DTD 09/22/2015 1.410% 02/15/2020	34530YAD5	620,000.00	AAA	Aaa	09/15/15	09/22/15	619,879.35	1.42	218.55	619,879.35	621,703.76
<b>Security Type Sub-Total</b>		<b>845,900.73</b>					<b>845,778.59</b>	<b>1.26</b>	<b>299.87</b>	<b>845,778.91</b>	<b>847,694.40</b>
<b>Managed Account Sub-Total</b>		<b>121,325,871.90</b>					<b>121,894,398.33</b>	<b>0.80</b>	<b>228,098.11</b>	<b>121,656,623.93</b>	<b>121,975,731.82</b>
<b>Securities Sub-Total</b>		<b>\$121,325,871.90</b>					<b>\$121,894,398.33</b>	<b>0.80%</b>	<b>\$228,098.11</b>	<b>\$121,656,623.93</b>	<b>\$121,975,731.82</b>
<b>Accrued Interest</b>											<b>\$228,098.11</b>
<b>Total Investments</b>											<b>\$122,203,829.93</b>



**JOHN CHIANG  
TREASURER  
STATE OF CALIFORNIA**



**PMIA Performance Report**

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/30/15	0.35	0.33	210
10/01/15	0.36	0.36	225
10/02/15	0.36	0.36	224
10/03/15	0.36	0.36	224
10/04/15	0.36	0.36	224
10/05/15	0.36	0.36	224
10/06/15	0.36	0.36	221
10/07/15	0.35	0.36	218
10/08/15	0.35	0.36	216
10/09/15	0.36	0.36	218
10/10/15	0.36	0.36	218
10/11/15	0.36	0.36	218
10/12/15	0.36	0.36	215
10/13/15	0.36	0.36	214

\*Daily yield does not reflect capital gains or losses

**LAIF Performance Report**

**Quarter Ending 06/30/15**

Apportionment Rate: 0.28%  
 Earnings Ratio: 0.00000776875573384  
 Fair Value Factor: 1.000375979  
 Daily: 0.31%  
 Quarter to Date: 0.29%  
 Average Life: 239

**PMIA Average Monthly  
Effective Yields**

**SEP 2015 0.337%**  
 AUG 2015 0.330%  
 JUL 2015 0.320%

**Pooled Money Investment Account  
Portfolio Composition  
09/30/15  
\$66.5 billion**

