



City of
Santa Rosa

City of Santa Rosa
Monthly Investment Report
January 31, 2017

City's Investment Objectives

- **Investment Objectives:** In accordance with the City's Investment Policy, the City's primary objectives in order of priority are:
 - **Safety** – Safety of principal is the foremost objective of the investment program. Investments for the City will be made in a manner that seeks to ensure the preservation of capital in the overall portfolio.
 - **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
 - **Yield** – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints, liquidity needs, and cash flow characteristics of the portfolio.
- **Certification:** The City has sufficient funds to meet expenditures for the following six-month period.

Investment Guidelines

- The City invests in permitted securities consistent with California Government Code sections §53601, 53635, and 16429.1. The City's Investment Policy includes additional sector allocation and maturity restrictions that reflect the City's risk tolerances.

Security Type	California Government Code	City's Investment Policy
U.S. Treasury Notes	✓	✓
Federal Agencies	✓	✓
International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank Bonds	✓	
CA Municipal Investments	✓	✓
State Municipals	✓	✓
Corporate Notes	✓	✓
Mortgage-Backed Securities	✓	✓
Commercial Paper	✓	✓
Time Certificates of Deposit	✓	✓
Negotiable Certificates of Deposit	✓	✓
Bankers' Acceptances	✓	✓
Repurchase Agreements	✓	✓
Reverse Repurchase Agreements	✓	
Mutual Funds	✓	✓
Money Market Funds	✓	✓
Local Government Pools	✓	✓
Local Agency Investment Fund (LAIF)	✓	✓

Market Summary

Economic Conditions

- An avalanche of executive orders from the new U.S. president, a flurry of meetings with business leaders, and a number of unexpected tweets did little to disrupt investor focus on pre-Inauguration Day economic trends: modest growth in the United States and continued improvement in other large global economies.
- The first estimate of fourth-quarter gross domestic product (GDP) growth showed that the U.S. economy expanded at a pace of 1.9%, slightly below expectations. Personal consumption, government consumption, and private investment contributed to growth. However, net exports subtracted the most from growth in any quarter since 2010.
- Retailers saw sales accelerate to end 2016 on the wings of the strongest annual automobile demand ever. The fourth straight month of retail sales increases demonstrated Americans' optimism about the economy, matching that of confidence readings which remain at or near decade highs.

Market Reaction

- Bond yields were range-bound in January, as investors digested President Trump's actions and their potential effects on economic growth and inflation.
- Treasury yields finished the month largely unchanged across the yield curve. The two-year Treasury yield increased 1 basis point (bp) to 1.21% while the 10-year yield rose 1 bp to 2.45%. Returns mostly reflected income earned. The 1-3 year Treasury index gained 0.13%, and the 1-10 year Treasury index gained 0.19%.
- Federal Agency spreads were mostly unchanged in January, near the tightest levels of the past year. As a result, Agencies slightly outperformed comparable-maturity Treasuries.
- Investment-grade corporate yield spreads remained at or near historically tight levels. Corporate bonds outperformed comparable-maturity Treasuries for the second month in a row, with their best absolute and relative (to Treasuries) monthly performance since July.
- Asset-backed securities (ABS) modestly outperformed comparable-maturity Treasuries, while mortgage-backed securities (MBS) underperformed Treasuries.
- Yields on money market securities remained elevated, with commercial paper and certificates of deposit (CDs) continuing to offer significant incremental yield compared to government securities.

Portfolio Information Summary

Funds Included in Report

- The following report includes the City's funds held in overnight investment vehicles (savings accounts, money market funds, and CA state investment pool) and portfolio of individual fixed-income securities (operating and bond proceeds).

Portfolio Summary and Characteristics

- Funds are shown on a par, amortized cost, and market value basis.
 - Par Value. Face value, stated value, or maturity value of a security.
 - Amortized Cost Value (Book Value). Represents the original cost of an investment adjusted for amortization of premium or accretion of discount.
 - Market Value. The current price at which that security is trading between buyers and sellers. Valuation highly dependent on interest rate movements.
- The investment sector and credit-ratings distribution is shown based on market value basis.
- Demonstrates level of diversification by investment type and credit quality. Additionally, illustrates active management of funds to optimize value in the current market.

Investment Program Maturity Summary

- The maturity distribution of the City's funds (market value plus accrued interest) from one day to the five-year mandated limit.
- The change in by percentage in maturity distribution month-over-month is shown in the table.
- Demonstrates level of diversification by maturity date. Shows placement of funds to take advantage of opportunities while ensuring that the City has funds to meet its cash flow needs.

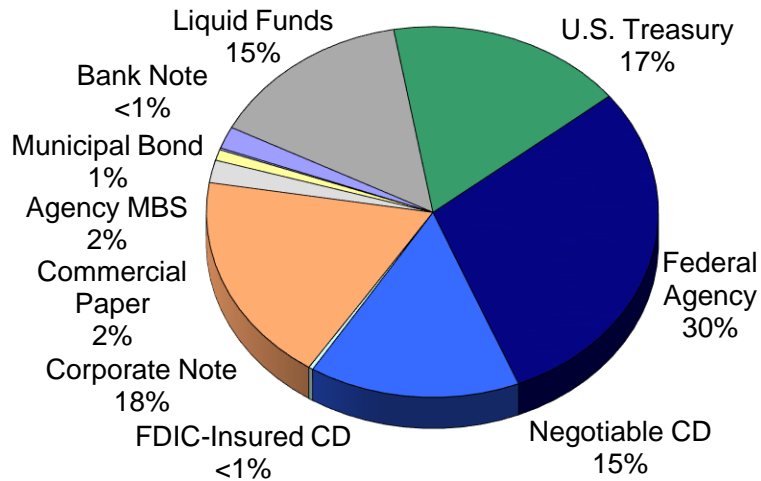
Portfolio Yield Summary

- The historical yield and duration of the City's funds, effective monthly yield for the California Local Government Investment Fund (LAIF), and the monthly yield for the Bank of America/Merrill Lynch 1-3 year Treasury Index is shown for the trailing six months.
- A historical record of the City's overall fund balance and earnings rates.

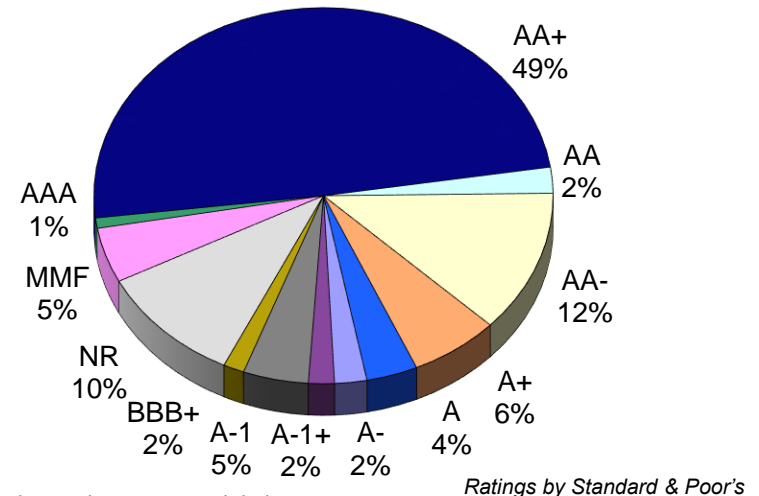
Portfolio Summary and Characteristics

Security Type	Par Value	Amortized Cost Value ¹	Market Value ¹	January 31, 2017 % of Portfolio ³
U.S. Treasury	\$62,930,000	\$63,243,887	\$63,180,327	17%
Federal Agency	\$110,408,000	\$110,652,790	\$109,873,491	30%
Federal Agency Mortgage-Backed	\$7,092,811	\$7,145,507	\$7,113,998	2%
Negotiable CD	\$55,550,000	\$55,861,926	\$55,981,557	15%
FDIC-Insured CD	\$1,176,880	\$1,177,275	\$1,172,224	<1%
Corporate Notes	\$67,889,000	\$68,231,528	\$68,121,270	18%
Commercial Paper	\$7,298,000	\$7,291,082	\$7,292,949	2%
Municipal Bond	\$3,525,000	\$3,550,905	\$3,491,782	1%
Bank Note	\$605,000	\$611,772	\$611,562	<1%
Liquid Funds ²	\$55,149,945	\$55,149,945	\$55,149,945	15%
Total Value	\$371,624,636	\$372,916,618	\$371,989,104	100%

Sector Distribution



Credit Quality Distribution



1. Security market values include accrued interest as of trade date.

2. Liquid Funds include the City's LAIF, PFM Funds-Prime Money Market Fund, Wells Fargo Peg & Sweep, and custody account cash balances.

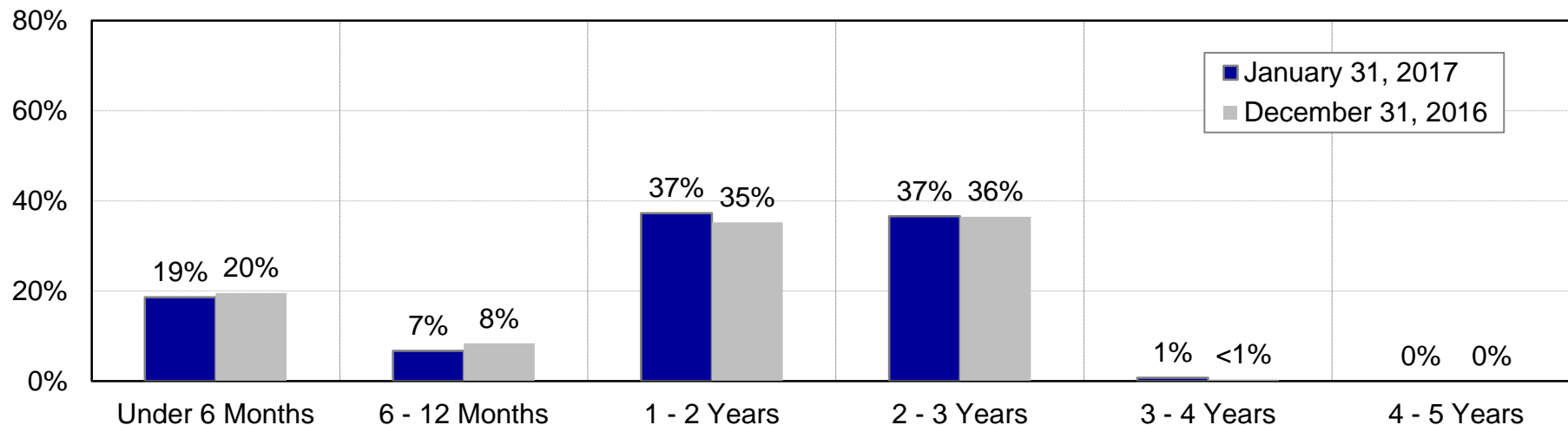
3. Based on market value plus accrued interest. Percentages may not add exactly to 100% due to rounding.

Credit rating for security was compliant at the time of purchase. City has elected to hold security until it is advantageous to sell or to maturity.

Investment Program Maturity Summary

Maturity ¹	Market Value ²	January 31, 2017 % of Portfolio	December 31, 2016 % of Portfolio
Under 6 Months	\$69,272,455	19%	20%
6 - 12 Months	\$25,085,213	7%	8%
1 - 2 Years	\$138,682,772	37%	35%
2 - 3 Years	\$136,197,822	37%	36%
3 - 4 Years	\$2,750,843	1%	<1%
4 - 5 Years	\$0	0%	0%
Total Market Value	\$371,989,104	100%	100%

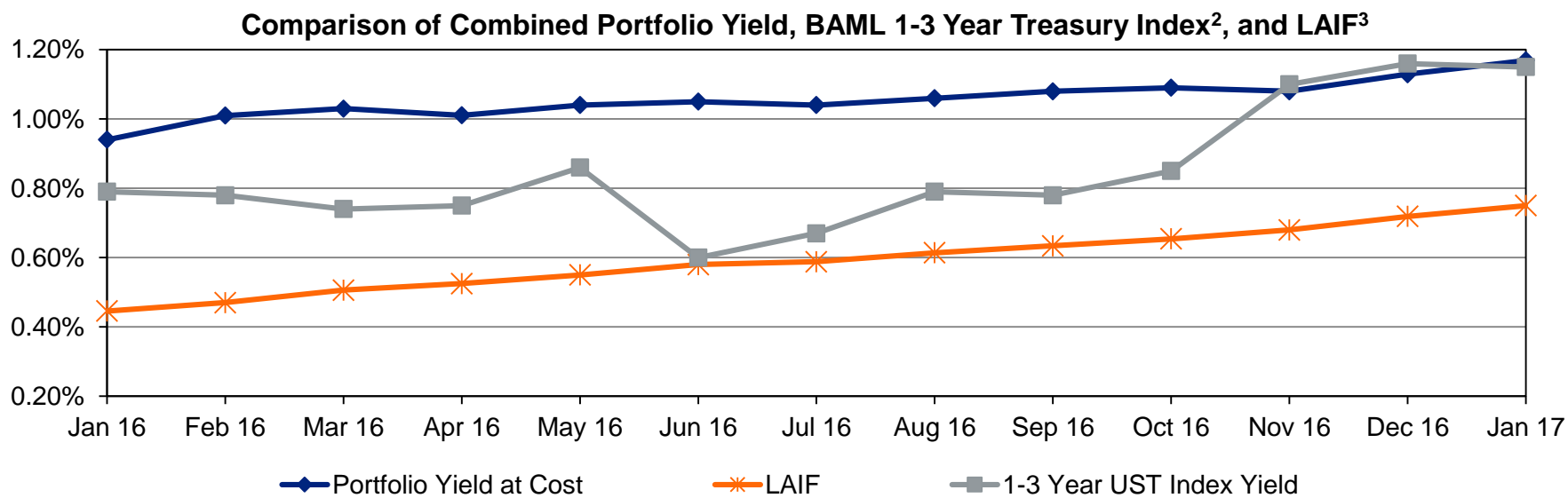
Maturity Distribution²



1. Funds held in LAIF are included in the under 6 month range because they can be accessed within one day.
 2. Security market values include accrued interest as of trade date. Values may not sum exactly to 100% due to rounding.

Portfolio Yield Summary

Date	Market Value ¹	Portfolio Duration	Portfolio Yield (Cost)	LAIF Yield (Monthly Effective) ²	1-3 Year Treasury Index Yield ²
Jul-16	\$365,692,556	1.56	1.04%	0.59%	0.67%
Aug-16	\$361,079,176	1.63	1.06%	0.61%	0.79%
Sep-16	\$348,357,010	1.64	1.08%	0.63%	0.78%
Oct-16	\$347,818,009	1.61	1.09%	0.65%	0.85%
Nov-16	\$353,779,162	1.53	1.08%	0.68%	1.10%
Dec-16	\$366,220,793	1.52	1.13%	0.72%	1.16%
Jan-17	\$371,989,104	1.54	1.17%	0.75%	1.15%



1. Security market values include accrued interest as of trade date.
2. Source: Bank of America/Merrill Lynch Global Bond Indices
3. Source: California State Treasurer's Website. Average monthly effective yield.



Managed Account Security Transactions & Interest

For the Month Ending **January 31, 2017**

CITY OF SANTA ROSA (PFM)

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
BUY										
01/03/17	01/05/17	US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020	912828H52	10,650,000.00	(10,565,132.81)	(57,156.93)	(10,622,289.74)			
01/03/17	01/06/17	JOHN DEERE CAPITAL CORP DTD 01/06/2017 1.650% 10/15/2018	24422ETM1	1,140,000.00	(1,139,259.00)	0.00	(1,139,259.00)			
01/10/17	01/12/17	SVENSKA HANDELSBANKEN NY LT CD DTD 01/12/2017 1.890% 01/10/2019	86958JHB8	5,850,000.00	(5,850,000.00)	0.00	(5,850,000.00)			
01/30/17	02/06/17	MICROSOFT CORP DTD 02/06/2017 1.850% 02/06/2020	594918BV5	1,405,000.00	(1,404,058.65)	0.00	(1,404,058.65)			
01/31/17	02/03/17	MORGAN STANLEY CORP BONDS DTD 01/27/2015 2.650% 01/27/2020	61747YDW2	1,450,000.00	(1,462,542.50)	(640.42)	(1,463,182.92)			
01/31/17	02/03/17	AMERICAN EXPRESS CREDIT CORP DTD 10/31/2016 1.700% 10/30/2019	0258M0EC9	500,000.00	(496,200.00)	(2,195.83)	(498,395.83)			
01/31/17	02/03/17	BB&T CORP NOTE DTD 12/08/2014 2.450% 01/15/2020	05531FAS2	605,000.00	(611,031.25)	(741.13)	(611,772.38)			
Transaction Type Sub-Total				21,600,000.00	(21,528,224.21)	(60,734.31)	(21,588,958.52)			
INTEREST										
01/01/17	01/25/17	FNMA SERIES 2016-M9 ASQ2 DTD 06/01/2016 1.785% 06/01/2019	3136ASPX8	2,150,000.00	0.00	3,198.13	3,198.13			
01/01/17	01/25/17	FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AODO0	2,525,000.00	0.00	3,680.63	3,680.63			
01/01/17	01/25/17	FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	1,280,000.00	0.00	1,653.33	1,653.33			
01/01/17	01/25/17	FNMA SERIES 2015-M15 ASQ2 DTD 11/01/2015 1.898% 01/01/2019	3136AQSW1	1,160,000.00	0.00	1,834.81	1,834.81			
01/04/17	01/04/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	5.66	5.66			
01/12/17	01/12/17	TOYOTA MOTOR CREDIT CORP NOTE DTD 01/12/2015 1.450% 01/12/2018	89236TCA1	1,705,000.00	0.00	12,361.25	12,361.25			
01/13/17	01/13/17	TOYOTA MOTOR CREDIT CORP DTD 07/13/2015 1.550% 07/13/2018	89236TCP8	1,300,000.00	0.00	10,075.00	10,075.00			



Managed Account Security Transactions & Interest

For the Month Ending **January 31, 2017**

CITY OF SANTA ROSA (PFM)

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
01/16/17	01/16/17	FHLB NOTES DTD 12/08/2016 1.250% 01/16/2019	3130AAE46	5,450,000.00	0.00	7,190.97	7,190.97			
01/19/17	01/19/17	FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	7,250,000.00	0.00	31,542.53	31,542.53			
01/31/17	01/31/17	US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020	912828H52	10,650,000.00	0.00	66,562.50	66,562.50			
01/31/17	01/31/17	US TREASURY NOTES DTD 01/31/2014 1.500% 01/31/2019	912828B33	3,600,000.00	0.00	27,000.00	27,000.00			
01/31/17	01/31/17	AMERICAN EXPRESS CRD CRP NT (CALLABLE) DTD 07/31/2015 1.800% 07/31/2018	0258MODV8	2,500,000.00	0.00	22,500.00	22,500.00			
Transaction Type Sub-Total				39,570,000.00	0.00	187,604.81	187,604.81			
PAYDOWNS										
01/01/17	01/25/17	FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AODO0	22,188.66	22,188.66	0.00	22,188.66	(222.20)	0.00	
Transaction Type Sub-Total				22,188.66	22,188.66	0.00	22,188.66	(222.20)	0.00	
SELL										
01/03/17	01/05/17	FNMA NOTE DTD 03/04/2016 0.875% 03/28/2018	3135G0J61	4,925,000.00	4,914,411.25	11,611.37	4,926,022.62	(738.75)	(4,697.81)	FIFO
01/03/17	01/06/17	FHLB GLOBAL NOTE DTD 08/26/2016 0.875% 10/01/2018	3130A9AE1	1,140,000.00	1,133,581.80	2,632.29	1,136,214.09	(5,643.00)	(5,774.07)	FIFO
01/04/17	01/05/17	RABOBANK NEDERLAND NV CERT DEPOS DTD 04/27/2015 1.070% 04/21/2017	21684BXH2	5,500,000.00	5,499,476.68	12,096.94	5,511,573.62	(523.32)	(523.32)	FIFO
01/10/17	01/12/17	SVENSKA HANDELSBANKEN NY FLT CERT DEPOS DTD 11/24/2015 1.375% 08/24/2017	86958DH54	5,500,000.00	5,507,865.00	10,082.09	5,517,947.09	7,865.00	7,865.00	FIFO
01/10/17	01/12/17	FHLB NOTES DTD 12/08/2016 1.250% 01/16/2019	3130AAE46	350,000.00	349,856.50	413.19	350,269.69	(129.50)	(129.50)	FIFO



Managed Account Security Transactions & Interest

For the Month Ending **January 31, 2017**

CITY OF SANTA ROSA (PFM)

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
SELL										
01/31/17	02/03/17	AMERICAN EXPRESS CREDIT CORP NOTES DTD 09/23/2014 1.550% 09/22/2017	0258M0DR7	1,755,000.00	1,755,877.50	9,898.69	1,765,776.19	3,229.20	1,385.77	FIFO
Transaction Type Sub-Total				19,170,000.00	19,161,068.73	46,734.57	19,207,803.30	4,059.63	(1,873.93)	
Managed Account Sub-Total					(2,344,966.82)	173,605.07	(2,171,361.75)	3,837.43	(1,873.93)	
Total Security Transactions					(\$2,344,966.82)	\$173,605.07	(\$2,171,361.75)	\$3,837.43	(\$1,873.93)	

Bolded items are forward settling trades.



Managed Account Security Transactions & Interest

For the Month Ending **January 31, 2017**

SANTA ROSA FNTNGROVE 2011 A RESERVE FUND

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
INTEREST										
01/03/17	01/03/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.20	0.20			
Transaction Type Sub-Total				0.00	0.00	0.20	0.20			
Managed Account Sub-Total					0.00	0.20	0.20			
Total Security Transactions					\$0.00	\$0.20	\$0.20			



Managed Account Security Transactions & Interest

For the Month Ending **January 31, 2017**

SANTA ROSA SKYHAWK 2011A RESERVE FUND

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
INTEREST										
01/03/17	01/03/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.13	0.13			
Transaction Type Sub-Total				0.00	0.00	0.13	0.13			
Managed Account Sub-Total					0.00	0.13	0.13			
Total Security Transactions					\$0.00	\$0.13	\$0.13			



Managed Account Security Transactions & Interest

For the Month Ending **January 31, 2017**

SANTA ROSA 2014A WASTEWATER PROJECT FUND

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
BUY										
01/03/17	01/03/17	JP MORGAN SECURITIES LLC COMM PAPER DTD 01/03/2017 0.000% 05/03/2017	46640PS38	500,000.00	(498,166.67)	0.00	(498,166.67)			
Transaction Type Sub-Total				500,000.00	(498,166.67)	0.00	(498,166.67)			
INTEREST										
01/04/17	01/04/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	28.74	28.74			
Transaction Type Sub-Total				0.00	0.00	28.74	28.74			
Managed Account Sub-Total					(498,166.67)	28.74	(498,137.93)			
Total Security Transactions					(\$498,166.67)	\$28.74	(\$498,137.93)			