

City of Santa Rosa Monthly Investment Report

April 30, 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

- Geopolitical risk concerning military action in Syria, nuclear development efforts in North Korea, and the consolidation of power by the Turkish president triggered investors in all markets to reduce risk, with equity prices and treasury yields moving lower and credit spreads widening.
- In France, first-round election results on April 23 set up a run-off vote between liberal/globalist Emmanuel Macron and nationalist Marine Le Pen. The results prompted a rally in stocks, the Euro, and bond yields as investors gained confidence that Macron would prevail. His election in the second round on May 7 proved to be anti-climactic for investors who anticipated his win after the first round.
- U.S. real gross domestic product (GDP) grew 0.7% in the first quarter of 2017 according to the first estimate released by the Bureau of Economic Analysis—the slowest pace since the first quarter of 2014. Business investment in buildings and equipment accelerated but was largely offset by low consumer spending, government spending, and inventories.
- Housing is providing a strong tailwind for the economy, with existing home sales in March rising to their highest level since the beginning of 2007 and new home sales increasing at their second highest rate since 2008.

Market Reaction

- Domestic bond markets quieted after an active first quarter; volatilities and risk premiums are lower, and the yield curve flattened as investors increased positions in long-duration securities.
- The two-year Treasury yield ended the month unchanged at 1.26%, while the yield on the 10-year Treasury fell 11 basis points (bps) to 1.83%—the largest monthly decline since June 2016.
- Federal agency yield spreads remained near historically narrow levels as demand remained strong amid constrained supply. Agency index returns were largely in line with those of comparable-maturity Treasury indices.
- French elections did little to rattle investment grade corporates as yield spreads widened modestly at the beginning of April and tightened back up following the first round results. Consequently, the month ended largely unchanged.
- Yields on money market securities were largely unchanged during the month as investors continue to expect tightening monetary policy through the rest of the year.

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 a 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

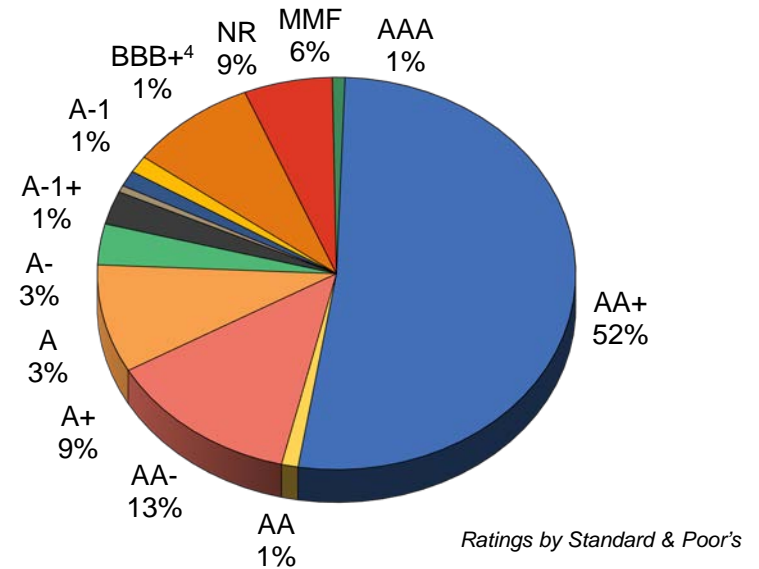
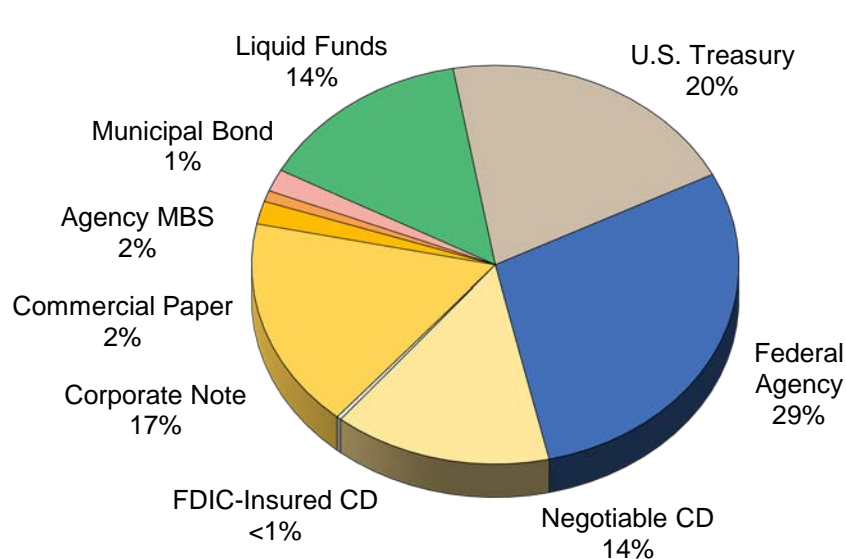
- The maturity distribution of the City's funds (market value plus accrued interest) from one day to the five-year mandated limit.
- The change in by percentage in maturity distribution month-over-month is shown in the table.
- Demonstrates level of diversification by maturity date. Shows placement of 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	April 30, 2017 % of Portfolio ³
U.S. Treasury	\$78,930,000	\$79,315,669	\$79,313,943	20%
Federal Agency	\$113,728,000	\$113,839,770	\$113,087,572	29%
Federal Agency Mortgage-Backed	\$7,056,003	\$7,102,177	\$7,068,303	2%
Negotiable CD	\$56,250,000	\$56,486,666	\$56,634,349	14%
FDIC-Insured CD	\$1,176,880	\$1,178,290	\$1,173,940	<1%
Corporate Notes	\$66,199,000	\$66,604,235	\$66,633,097	17%
Commercial Paper	\$7,305,000	\$7,282,335	\$7,283,044	2%
Municipal Bond	\$3,525,000	\$3,539,295	\$3,501,013	1%
Liquid Funds²	\$56,151,347	\$56,151,347	\$56,151,347	14%
Total Value	\$390,321,230	\$391,499,784	\$390,846,608	100%



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

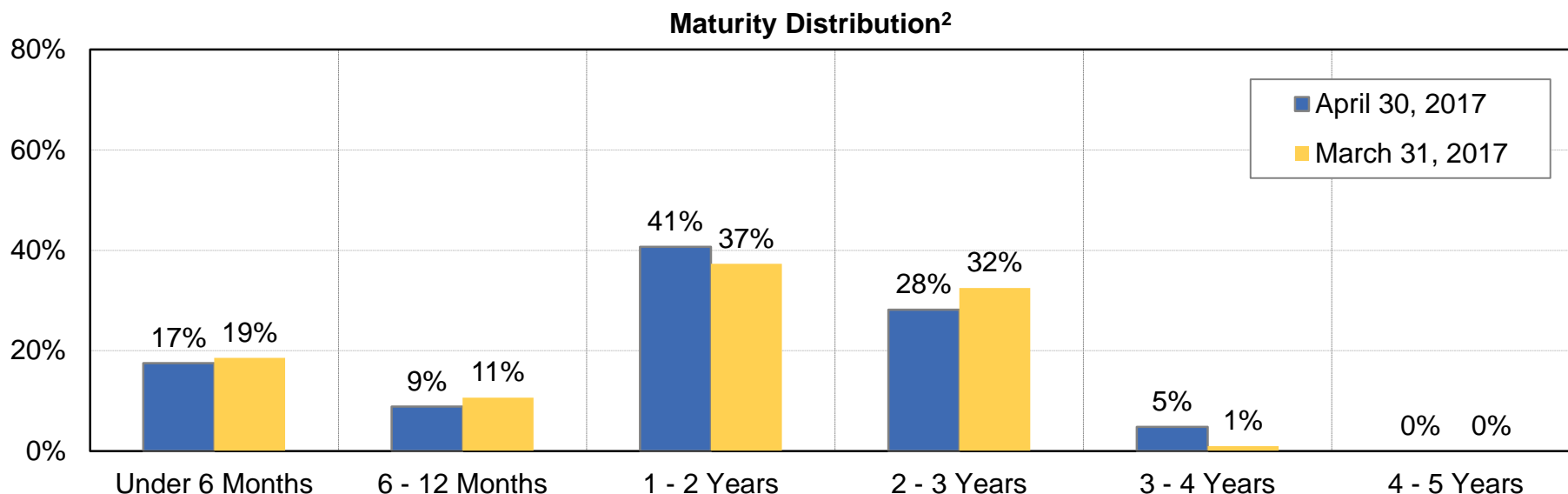
2. Liquid Funds include the City's LAIF, PFM Funds-Prime Money Market Fund, Wells Fargo Peg & Sweep, and custody account cash balances.

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

4. 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	April 30, 2017 % of Portfolio	March 31, 2017 % of Portfolio
Under 6 Months	\$68,397,950	17%	19%
6 - 12 Months	\$34,526,609	9%	11%
1 - 2 Years	\$159,075,107	41%	37%
2 - 3 Years	\$110,011,848	28%	32%
3 - 4 Years	\$18,835,095	5%	1%
4 - 5 Years	\$0	0%	0%
Total Market Value	\$390,846,608	100%	100%

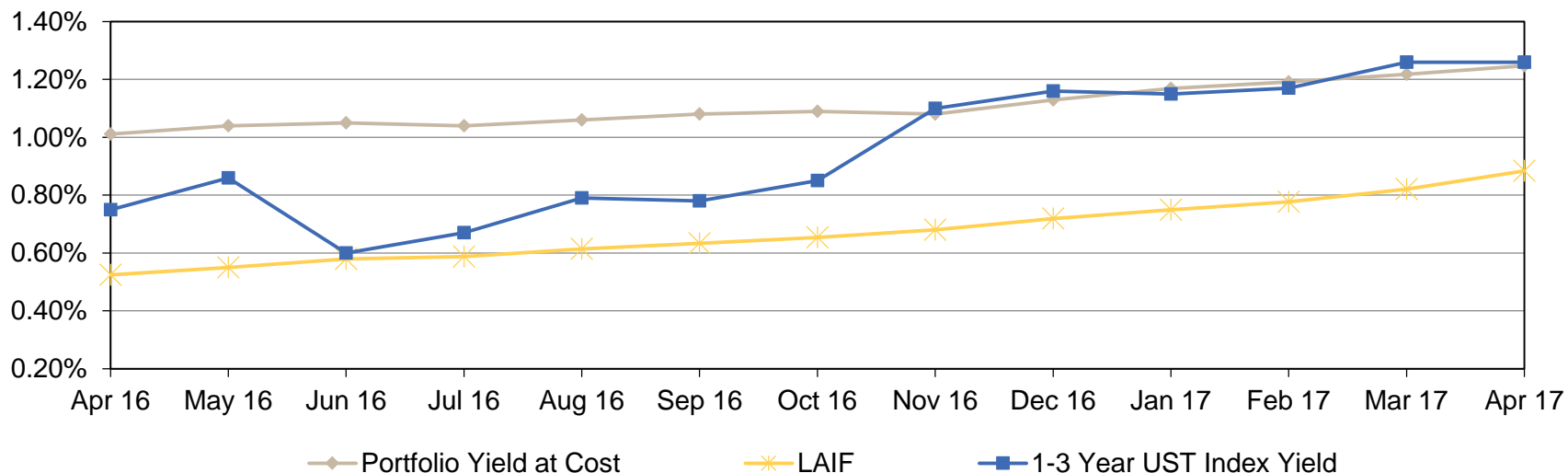


1. Funds held in LAIF are included in the under 6 month range because they can be accessed within one day.
2. Security market values include accrued interest as of trade date. Values may not sum exactly to 100% due to rounding.

Portfolio Yield Summary

Date	Market Value ¹	Portfolio Duration	Portfolio Yield (Cost)	LAIF Yield (Monthly Effective) ²	1-3 Year Treasury Index Yield ²
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%
Feb-17	\$371,278,723	1.52	1.19%	0.78%	1.17%
Mar-17	\$371,292,136	1.47	1.22%	0.82%	1.26%
Apr-17	\$390,846,608	1.51	1.25%	0.88%	1.26%

Comparison of Combined Portfolio Yield, BAML 1-3 Year Treasury Index², and LAIF³



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 **April 30, 2017**

CITY OF SANTA ROSA

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										
04/03/17	04/05/17	US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	5,000,000.00	(4,977,539.06)	(29,627.07)	(5,007,166.13)			
04/05/17	04/06/17	BANK OF NOVA SCOTIA HOUSTON LT CD DTD 04/06/2017 1.910% 04/05/2019	06417GUE6	5,850,000.00	(5,850,000.00)	0.00	(5,850,000.00)			
04/07/17	04/10/17	US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	3,950,000.00	(3,929,632.81)	(24,155.56)	(3,953,788.37)			
04/10/17	04/10/17	US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	6,250,000.00	(6,219,482.42)	(38,220.82)	(6,257,703.24)			
04/10/17	04/10/17	US TREASURY NOTES DTD 07/31/2013 1.375% 07/31/2018	912828V00	7,425,000.00	(7,444,142.58)	(19,459.86)	(7,463,602.44)			
04/10/17	04/10/17	FREDDIE MAC AGENCY NOTE DTD 01/17/2017 1.500% 01/17/2020	3137EAEE5	6,250,000.00	(6,242,562.50)	(21,614.58)	(6,264,177.08)			
04/11/17	04/17/17	TOYOTA MOTOR CREDIT CORP DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	475,000.00	(474,781.50)	0.00	(474,781.50)			
04/27/17	05/02/17	PEPSICO INC DTD 05/02/2017 1.550% 05/02/2019	713448DR6	1,550,000.00	(1,548,837.50)	0.00	(1,548,837.50)			
Transaction Type Sub-Total				36,750,000.00	(36,686,978.37)	(133,077.89)	(36,820,056.26)			
INTEREST										
04/01/17	04/01/17	MS ST TXBL GO BONDS DTD 02/18/2015 1.090% 10/01/2017	605581FX0	350,000.00	0.00	1,907.50	1,907.50			
04/01/17	04/01/17	FHLB GLOBAL NOTE DTD 08/26/2016 0.875% 10/01/2018	3130A9AE1	6,110,000.00	0.00	26,731.25	26,731.25			
04/01/17	04/25/17	FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AODO0	2,490,038.82	0.00	3,415.50	3,415.50			
04/01/17	04/25/17	FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	1,280,000.00	0.00	1,747.05	1,747.05			
04/01/17	04/25/17	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			
04/01/17	04/25/17	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			
04/04/17	04/04/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	33.83	33.83			



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2017**

CITY OF SANTA ROSA

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										
04/04/17	04/04/17	PEPSICO, INC CORP NOTES DTD 10/06/2016 1.350% 10/04/2019	713448DJ4	645,000.00	0.00	4,305.38	4,305.38			
04/12/17	04/12/17	FHLMC REFERENCE NOTE DTD 09/16/2016 0.875% 10/12/2018	3137EAED7	7,100,000.00	0.00	35,549.31	35,549.31			
04/15/17	04/15/17	FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	7,000,000.00	0.00	39,375.00	39,375.00			
04/15/17	04/15/17	JOHN DEERE CAPITAL CORP DTD 01/06/2017 1.650% 10/15/2018	24422ETM1	1,140,000.00	0.00	5,172.75	5,172.75			
04/15/17	04/15/17	FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	275,000.00	0.00	1,546.88	1,546.88			
04/22/17	04/22/17	WELLS FARGO & COMPANY DTD 04/22/2014 2.125% 04/22/2019	94974BFU9	1,614,000.00	0.00	17,148.75	17,148.75			
04/25/17	04/25/17	GOLDMAN SACHS GRP INC CORP NT (CALLABLE) DTD 04/25/2016 2.000% 04/25/2019	38141GVT8	390,000.00	0.00	3,900.00	3,900.00			
04/25/17	04/25/17	GOLDMAN SACHS GRP INC CORP NT (CALLABLE) DTD 04/25/2016 2.000% 04/25/2019	38141GVT8	2,500,000.00	0.00	25,000.00	25,000.00			
04/30/17	04/30/17	US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	5,000,000.00	0.00	34,375.00	34,375.00			
04/30/17	04/30/17	US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	6,250,000.00	0.00	42,968.75	42,968.75			
04/30/17	04/30/17	US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019	912828D23	7,200,000.00	0.00	58,500.00	58,500.00			
04/30/17	04/30/17	US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	3,950,000.00	0.00	27,156.25	27,156.25			
04/30/17	04/30/17	AMERICAN EXPRESS CREDIT CORP DTD 10/31/2016 1.700% 10/30/2019	0258M0EC9	500,000.00	0.00	4,250.00	4,250.00			
Transaction Type Sub-Total				57,104,038.82	0.00	338,116.14	338,116.14			
PAYDOWNS										
04/01/17	04/25/17	FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AQDQ0	3,991.54	3,991.54	0.00	3,991.54	(39.97)	0.00	



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2017**

CITY OF SANTA ROSA

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
PAYDOWNS										
04/01/17	04/25/17	FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	20,044.57	20,044.57	0.00	20,044.57	(200.37)	0.00	
Transaction Type Sub-Total				24,036.11	24,036.11	0.00	24,036.11	(240.34)	0.00	
SELL										
04/03/17	04/05/17	FEDERAL HOME LOAN BANKS AGCY DTD 05/27/2016 0.875% 06/29/2018	3130A8BD4	2,490,000.00	2,481,185.40	5,810.00	2,486,995.40	(2,813.70)	(5,255.07)	FIFO
04/03/17	04/05/17	FEDERAL HOME LOAN BANKS AGCY DTD 05/27/2016 0.875% 06/29/2018	3130A8BD4	1,950,000.00	1,943,097.00	4,550.00	1,947,647.00	(7,644.00)	(7,392.39)	FIFO
04/03/17	04/05/17	BOEING CO GLOBAL NOTES DTD 05/03/2013 0.950% 05/15/2018	097023BE4	400,000.00	398,400.00	1,477.78	399,877.78	1,100.00	(622.40)	FIFO
04/05/17	04/05/17	US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	25,000.00	25,111.33	98.41	25,209.74	(100.58)	(9.46)	FIFO
04/05/17	04/06/17	BANK OF NOVA SCOTIA HOUSTON YCD DTD 11/09/2015 1.560% 11/06/2017	06417GAS7	5,500,000.00	5,507,150.00	35,750.00	5,542,900.00	7,150.00	7,150.00	FIFO
04/05/17	04/06/17	TEXAS INSTRUMENTS CORP NOTE DTD 05/08/2013 1.000% 05/01/2018	882508AV6	350,000.00	348,509.00	1,506.94	350,015.94	2,418.50	(125.37)	FIFO
04/07/17	04/10/17	MERCK & CO GLOBAL NOTES DTD 05/20/2013 1.300% 05/18/2018	58933YAG0	3,900,000.00	3,897,855.00	19,998.33	3,917,853.33	(351.00)	(1,511.41)	FIFO
04/11/17	04/17/17	TOYOTA MOTOR CREDIT CORP NOTE DTD 01/12/2015 1.450% 01/12/2018	89236TCA1	475,000.00	475,456.00	1,817.53	477,273.53	1,106.75	618.28	FIFO
04/27/17	05/02/17	US TREASURY NOTES DTD 01/31/2014 1.500% 01/31/2019	912828B33	1,400,000.00	1,406,507.81	5,279.01	1,411,786.82	1,367.19	3,566.90	FIFO
Transaction Type Sub-Total				16,490,000.00	16,483,271.54	76,288.00	16,559,559.54	2,233.16	(3,580.92)	
Managed Account Sub-Total					(20,179,670.72)	281,326.25	(19,898,344.47)	1,992.82	(3,580.92)	
Total Security Transactions					(20,179,670.72)	\$281,326.25	(19,898,344.47)	\$1,992.82	(3,580.92)	

Bolded items are forward settling trades.



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2017**

CITY OF SANTA ROSA

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										
04/20/17	04/20/17	WELLS FARGO BANK NA FDIC CD DTD 09/20/2016 0.420% 09/20/2018	RE1253765	187,647.00	0.00	66.94	66.94			
Transaction Type Sub-Total				187,647.00	0.00	66.94	66.94			
Managed Account Sub-Total					0.00	66.94	66.94			
Total Security Transactions					\$0.00	\$66.94	\$66.94			



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 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										
04/03/17	04/03/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.60	0.60			
Transaction Type Sub-Total				0.00	0.00	0.60	0.60			
Managed Account Sub-Total					0.00	0.60	0.60			
Total Security Transactions					\$0.00	\$0.60	\$0.60			



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2017**

SANTA ROSA SKYHAWK 2011A 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										
04/03/17	04/03/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.31	0.31			
Transaction Type Sub-Total				0.00	0.00	0.31	0.31			
Managed Account Sub-Total					0.00	0.31	0.31			
Total Security Transactions					\$0.00	\$0.31	\$0.31			



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2017**

SANTA ROSA WATER 2008 RSV AC

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										
04/03/17	04/03/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.40	0.40			
Transaction Type Sub-Total				0.00	0.00	0.40	0.40			
Managed Account Sub-Total					0.00	0.40	0.40			
Total Security Transactions					\$0.00	\$0.40	\$0.40			



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2017**

SANTA ROSA 2014A WASTEWATER PROJECT 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										
04/04/17	04/04/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	47.34	47.34			
Transaction Type Sub-Total				0.00	0.00	47.34	47.34			
Managed Account Sub-Total					0.00	47.34	47.34			
Total Security Transactions					\$0.00	\$47.34	\$47.34			



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2017**

SANTA ROSA WSTWTR REV BDS COM RES

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										
04/03/17	04/03/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.39	0.39			
Transaction Type Sub-Total				0.00	0.00	0.39	0.39			
Managed Account Sub-Total					0.00	0.39	0.39			
Total Security Transactions					\$0.00	\$0.39	\$0.39			