



2013  
August

# County of Riverside

## Treasurer's Pooled Investment Fund

### "Syria(s) Stuff"

Crude oil, gold, silver and other commodities' prices have advanced while equity and bond prices have retreated in August amid concern that both the FED will begin tapering off its bond purchases and that the United States is unilaterally moving closer to striking Syria in the Middle East.

President Obama announced on August 31 that he would seek support from Congress for a military strike in Syria. The proposed retaliatory strike is due in large part to the alleged use of chemical weapons on civilians by Syrian government forces on August 21. The President is seeking Congressional approval as the British Parliament firmly rejected military action by the U.K. as well as other European nations; NATO has also ruled out the use of force. So, at this point, it's looking like the U.S. may go at it alone with all the social and economic uncertainty that comes with military intervention.

With the aforementioned issues affecting financial markets, skittish investors have pulled money from the S&P 500 SPDR ETF (exchange-traded fund) at the fastest rate since 2010; according to Bloomberg, withdrawals approached \$14 billion. Furthermore, the DJIA started the month of August at 15,628 and ended down at 14,810, or -5.2%, with the S&P 500 going from 1706 to 1632, or -4.3%. Many of these outflows have moved into cash and treasuries as a flight to safety. These actions may be short lived as

interest rates have moved higher recently as the FED discussed its options for reducing asset purchases.

Chairman Bernanke has said they may taper if employment numbers improve substantially and the economy grows in line with or exceeds forecasts, as is the case with manufacturing and housing. ISM numbers beat the forecast in August with the best showing since the summer of 2011. This is important as manufacturing accounts for upwards of 12% of our economy and provides high paying jobs. The Department of Commerce's report showed construction spending increased in July to the highest level in almost four years.

Many investors, and even some FED members, have been concerned that the quantitative easing operations of QE1, 2 & 3 will lead to inflationary pressures. Consequently, timing for the FED to scale back has become less certain but all eyes are on the next regularly scheduled September 17-18 FOMC meeting where they will decide if and when to slow the pace of its bond buying program. Stay tuned for an interesting ride for the remainder of the 3<sup>rd</sup> and 4<sup>th</sup> quarter as geopolitical, monetary and fiscal events are sure to make its mark worldwide in the financial markets.

**Don Kent**

**Treasurer-Tax Collector**

### Capital Markets Team

**Don Kent**

Treasurer-Tax Collector

**Jon Christensen**

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**Giovane Pizano**

Investment Manager

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### 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 (%)	Yrs to Maturity	Modified Duration
<b>August</b>	5,126,815,145.73	5,143,739,370.71	(16,924,224.98)	(0.33)	0.38	1.31	1.28
<b>July</b>	5,056,902,977.23	5,068,151,243.56	(11,248,266.33)	(0.22)	0.37	1.32	1.30
<b>June</b>	4,955,274,812.46	4,969,751,125.22	(14,476,312.76)	(0.29)	0.39	1.41	1.39
<b>May</b>	4,972,954,339.95	4,974,590,624.04	(1,636,284.09)	(0.03)	0.38	1.31	1.29
<b>April</b>	5,582,276,144.63	5,577,075,042.55	5,201,102.08	0.09	0.37	1.20	1.18
<b>March</b>	5,129,896,695.89	5,125,734,196.18	4,162,499.71	0.08	0.37	1.21	1.20

*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
9/6/2013	<b>Non-Farm Payrolls M/M change:</b> Counts the number of paid employees working part-time or full-time in the nation's business and government establishments.	175,000	<b>169,000</b>
9/6/2013	<b>Employment Situation:</b> Measures the number of unemployed as a percentage of the labor force.	7.4%	<b>7.3%</b>
8/26/2013	<b>Durable Goods Orders - M/M change:</b> Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	-7.2%	<b>4.2%</b>
8/29/2013	<b>Real Gross Domestic Product - Q/Q change:</b> The broadest measure of aggregate economic activity and encompasses every sector of the economy. GDP is the country's most comprehensive economic scorecard.	2.0%	<b>2.5%</b>
8/30/2013	<b>Consumer Confidence:</b> Measures consumer attitudes on present economic conditions and expectations of future conditions.	79.0	<b>82.1</b>
9/5/2013	<b>Factory Orders M/M change:</b> Represents the dollar level of new orders for both durable and nondurable goods.	-3.4%	<b>-2.4%</b>
8/15/2013	<b>Consumer Price Index - M/M change:</b> 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%	<b>0.2%</b>

## Stock Indices

	Value	Change
Dow Jones (DJIA)	14,810.31	(689.23)
S&P 500 Index	1,632.97	(52.76)
NASDAQ (NDX)	3,589.87	(36.50)

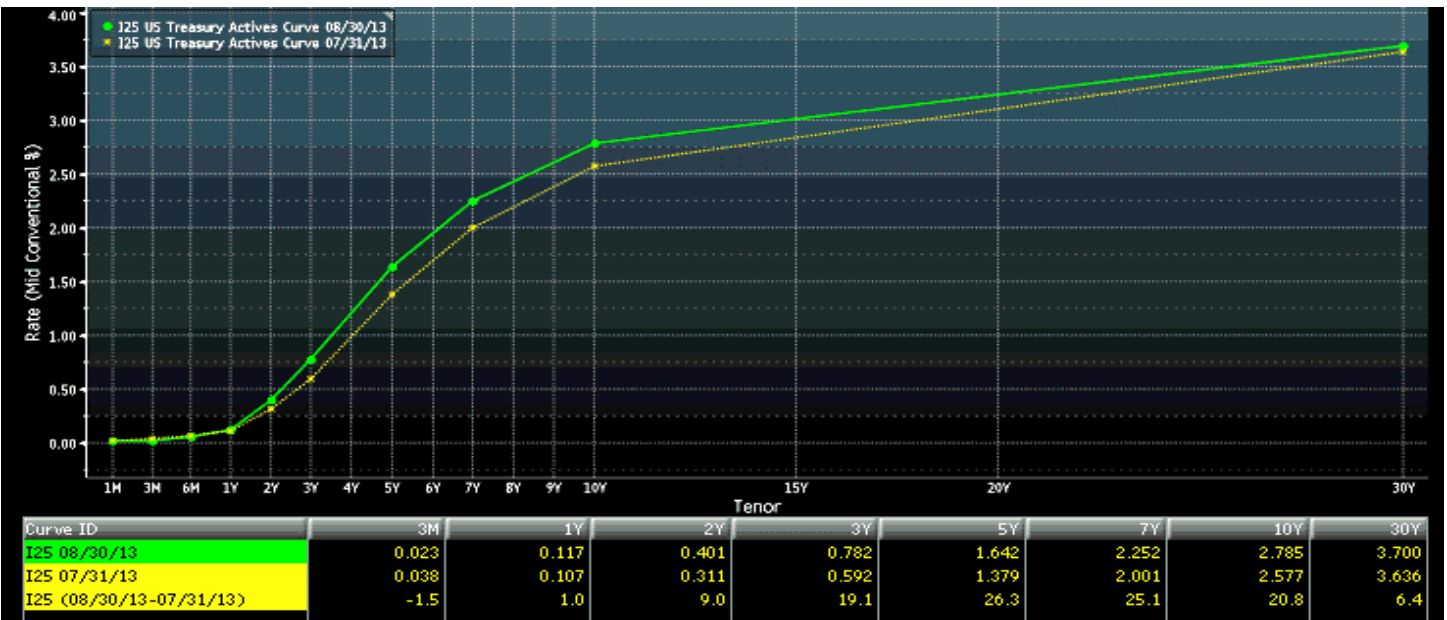
## Commodities

Nymex Crude	\$	107.65	\$	2.62
Gold (USD/OZ)	\$	1,395.15	\$	69.90

## Fed Funds Target Rate

Current Fed Funds Rate: 0-0.25%		
Probability for FOMC Dates:		
Fed Move	9/18/2013	10/30/2013
Decrease to 0.00%	60.0%	57.6%
Increase to 0.25%	40.0%	40.8%
Increase to 0.50%	0.0%	1.6%
Increase to 0.75%	0.0%	0.0%
Increase to 1%	0.0%	0.0%

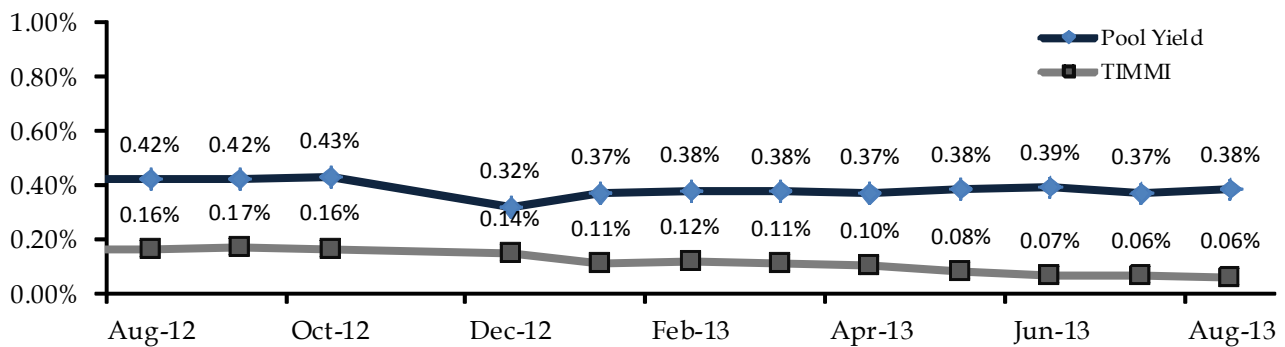
## US Treasury Curve (M/M)



# 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		
Fund	Symbol	7 Day Yield
Fidelity Prime Institutional MMF	FIPXX	0.06%
Federated Prime Obligations Fund	POIXX	0.03%
Wells Fargo Advantage Heritage	WFJXX	0.08%
Morgan Stanley Institutional Prime Liquidity Fund	MPFXX	0.06%



## Cash Flows

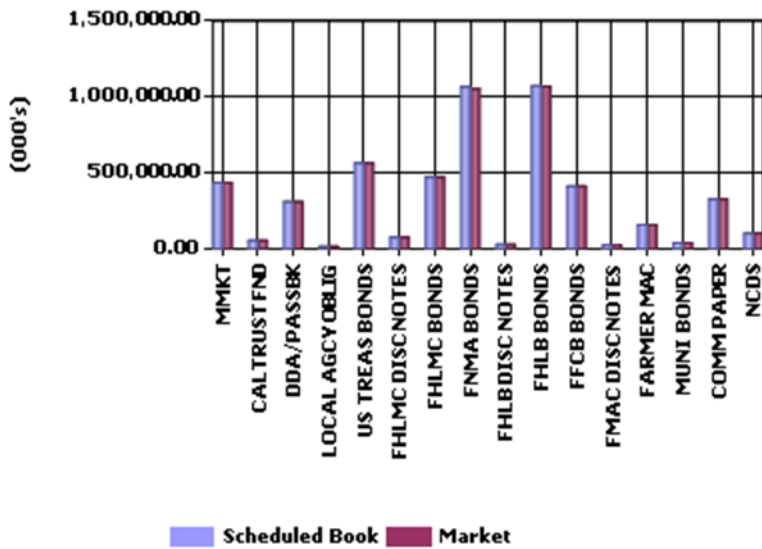
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Maturesd Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
09/2013					142.94		
09/2013	675.66	752.21	(76.55)		66.39	1,079.00	
10/2013	665.00	801.26	(136.26)	69.87	-	437.00	
11/2013	862.54	710.00	152.54		152.54	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	-	277.00	
07/2014	1,000.00	950.00	50.00		50.00	121.70	
08/2014	600.00	725.41	(125.41)	75.41	-	175.00	
<b>TOTALS</b>	<b>9,831.41</b>	<b>10,739.63</b>	<b>(908.22)</b>	<b>689.87</b>	<b>2,173.91</b>	<b>3,423.86</b>	<b>4,453.83</b>
				<b>13.41%</b>		<b>66.56%</b>	<b>86.59%</b>

\* All values reported in millions (\$).

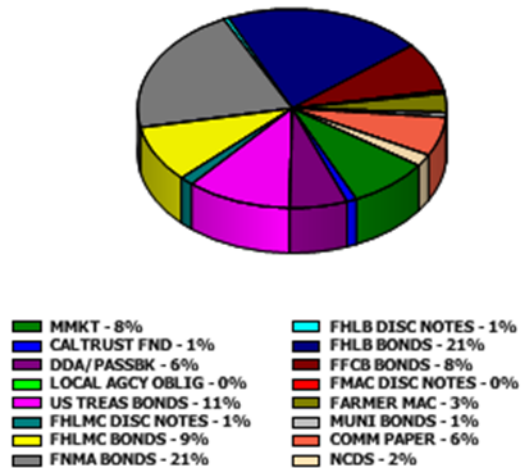
The Pooled Investment Fund cash flow requirements are based upon a 12 month historical cash flow model. Based upon projected cash receipts and maturing investments, there are sufficient funds to meet future cash flow disbursements over the next 12 months.

# Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr)	Mat (Yr)
MMKT	435,000.00	435,000.00	435,000.00	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	310,000.00	310,000.00	310,000.00	100.00%	0.12%	.003	.003
LOCAL AGCY OBLIG	485.00	485.00	485.00	100.00%	0.87%	6.795	6.795
US TREAS BONDS	565,000.00	565,188.67	565,383.50	100.03%	0.21%	.487	.487
FHLMC DISC NOTES	75,000.00	74,887.86	74,961.25	100.10%	0.17%	.603	.603
FHLMC BONDS	473,725.00	473,480.24	473,250.49	99.95%	0.62%	1.250	1.637
FNMA BONDS	1,068,004.00	1,068,224.06	1,055,831.34	98.84%	0.72%	.928	3.160
FHLB DISC NOTES	27,000.00	26,951.81	26,976.24	100.09%	0.18%	.795	.795
FHLB BONDS	1,075,085.71	1,075,119.08	1,070,330.08	99.55%	0.39%	.820	1.499
FFCB BONDS	411,345.00	411,214.89	411,453.33	100.06%	0.31%	.848	.872
FMAC DISC NOTES	25,000.00	24,959.75	24,982.25	100.09%	0.18%	.704	.704
FARMER MAC	157,568.00	157,546.99	157,434.87	99.93%	0.29%	.763	1.145
MUNIBONDS	39,770.00	39,770.00	39,770.00	100.00%	0.46%	1.249	1.249
COMM PAPER	327,000.00	326,911.03	326,956.80	100.01%	0.12%	.089	.089
NCDS	100,000.00	100,000.00	100,000.00	100.00%	0.15%	.100	.100
<b>Totals (000's):</b>	<b>5,143,982.71</b>	<b>5,143,739.37</b>	<b>5,126,815.15</b>	<b>99.67%</b>	<b>0.38%</b>	<b>.659</b>	<b>1.313</b>

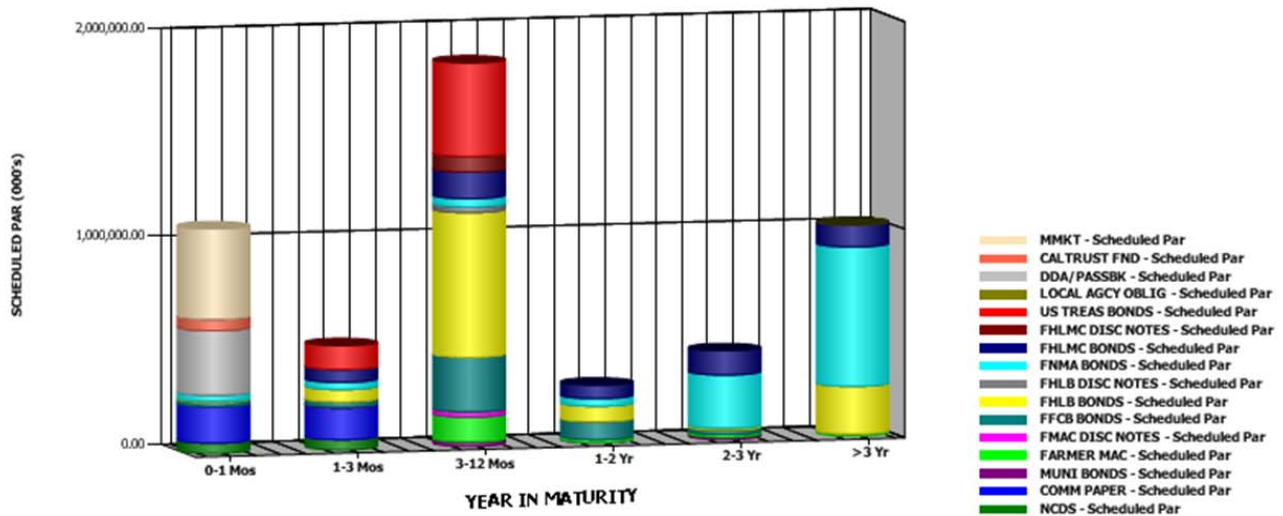


SCHEDULED PAR %



# Maturity Distribution

Scheduled Par (000's)	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yr	2-3 Yr	>3 Yr	Totals (000's)
MMKT	435,000.00	-	-	-	-	-	435,000.00
CALTRUST FND	54,000.00	-	-	-	-	-	54,000.00
DDA/PASSBK	310,000.00	-	-	-	-	-	310,000.00
LOCAL AGCY OBLIG	-	-	-	-	-	485.00	485.00
US TREAS BONDS	-	115,000.00	450,000.00	-	-	-	565,000.00
FHLMC DISC NOTES	-	-	75,000.00	-	-	-	75,000.00
FHLMC BONDS	-	61,000.00	127,100.00	65,000.00	116,000.00	104,625.00	473,725.00
FNMA BONDS	30,000.00	35,000.00	40,000.00	36,850.00	256,250.00	669,904.00	1,068,004.00
FHLB DISC NOTES	-	-	27,000.00	-	-	-	27,000.00
FHLB BONDS	5,000.00	60,000.00	695,700.00	75,000.00	10,000.00	229,385.71	1,075,085.71
FFCB BONDS	20,000.00	25,000.00	261,345.00	85,000.00	20,000.00	-	411,345.00
FMAC DISC NOTES	-	-	25,000.00	-	-	-	25,000.00
FARMER MAC	-	-	120,000.00	15,000.00	12,568.00	10,000.00	157,568.00
MUNI BONDS	-	3,595.00	22,105.00	2,000.00	12,070.00	-	39,770.00
COMM PAPER	175,000.00	152,000.00	-	-	-	-	327,000.00
NCDS	50,000.00	50,000.00	-	-	-	-	100,000.00
<b>Totals (000's):</b>	<b>1,079,000.00</b>	<b>501,595.00</b>	<b>1,843,250.00</b>	<b>278,850.00</b>	<b>426,888.00</b>	<b>1,014,399.71</b>	<b>5,143,982.71</b>
<b>%</b>	<b>20.98%</b>	<b>9.75%</b>	<b>35.83%</b>	<b>5.42%</b>	<b>8.30%</b>	<b>19.72%</b>	
<b>Cumulative %</b>	<b>20.98%</b>	<b>30.73%</b>	<b>66.56%</b>	<b>71.98%</b>	<b>80.28%</b>	<b>100.00%</b>	



# Credit Quality

Moody (000's)	Par	Book	Market	MKT/Book	Yield
Aaa	4,202,859.71	4,202,767.71	4,185,970.39	99.60%	0.43%
Aa	5,000.00	4,998.50	4,915.35	98.34%	1.01%
Aa1	102,000.00	102,000.00	102,000.00	100.00%	0.17%
Aa2	137,070.00	137,046.83	137,059.06	100.01%	0.14%
Aa3	204,000.00	203,934.59	203,968.23	100.02%	0.15%
NR	493,053.00	492,991.74	492,902.12	99.98%	0.18%
<b>Totals (000's):</b>	<b>5,143,982.71</b>	<b>5,143,739.37</b>	<b>5,126,815.15</b>	<b>99.67%</b>	<b>0.38%</b>

## MOODY'S

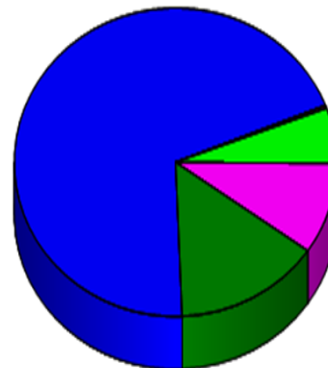
BOOK %



■ Aaa - 82%   
 ■ Aa1 - 2%   
 ■ Aa3 - 4%  
■ Aa - 0%   
 ■ Aa2 - 3%   
 ■ NR - 10%

## S & P

BOOK %



■ AAA - 15%   
 ■ AA - 6%  
■ AA+ - 70%   
 ■ NR - 10%  
■ AA- - 0%

S&P (000's)	Par	Book	Market	MKT/Book	Yield
AAA	752,000.00	752,549.30	752,792.62	100.03%	0.38%
AA+	3,582,859.71	3,582,193.74	3,565,082.18	99.52%	0.43%
AA	16,070.00	16,070.00	16,070.00	100.00%	0.54%
AA-	300,000.00	299,934.59	299,968.23	100.01%	0.14%
NR	493,053.00	492,991.74	492,902.12	99.98%	0.18%
<b>Totals (000's):</b>	<b>5,143,982.71</b>	<b>5,143,739.37</b>	<b>5,126,815.15</b>	<b>99.67%</b>	<b>0.38%</b>















## Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Maturity To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
89112TAC8	TORONTO DOMINION	09/26/2013	.140	.140	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.071	.071
89112TCH5	TORONTO DOMINION	10/17/2013	.150	.150	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.128	.129
			.145	.145	100,000,000.00	100,000,000.00	100.000000	100,000,000.00	0.00	.100	.100
	<b>Total Fund</b>		.383	.380	5,143,982,714.00	5,143,739,370.71	99.666259	5,126,815,145.73	-16,924,224.98	1.284	1.303
<b>Grand Total</b>			.383	.380	5,143,982,714.00	5,143,739,370.71	99.666259	5,126,815,145.73	-16,924,224.98	1.284	1.303

# 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 Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Maturity	Authorized % Limit	S&P/ Moody's	Maximum Maturity	Authorized % Limit	S&P/ Moody's	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	3 YEARS	15%	AA-/Aa3/AA-	0.77%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	10.99%
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	64.40%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	6.36%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	1.94%
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	1.07%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS <sup>(1)</sup>	20%	AAA/Aaa <sup>(2)</sup>	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	8.45%
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	6.01%

<sup>1</sup> Mutual Funds maturity may be interpreted as weighted average maturity not exceeding 60 days.

<sup>2</sup> 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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