R-16

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6169 • Fax (562) 570 -5836

February 19, 2013

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Investment Report for Quarter Ending December 31, 2012. (Citywide)

DISCUSSION

The Department of Financial Management, City Treasurer's Office, invests the City's funds in compliance with the California Government Code, Section 53600 et. seq., and the City's Investment Policy. As of December 31, 2012, these funds had a book value of approximately $1.545 billion.

Approximately $695 million of the total investment pool, or approximately 45 percent of funds, will mature within six months, ensuring that sufficient funds are available to meet the City's liquidity needs.

**Statutory Compliance**

All investment transactions have been executed in conformance with the City's Investment Policy and the California Government Code. According to the California Government Code, the maturity term of all investments is limited to a maximum of five years, unless the local agency legislative body gives prior approval to exceed this limitation. The City's Investment Policy currently requires that all funds invested in the City's investment pool not exceed a weighted average maturity of three years. In addition, the Investment Advisory Committee, composed of the Assistant City Manager, the Deputy City Auditor, Assistant City Attorney, Director of Financial Management, City Treasurer, City Controller, Budget and Performance Management Bureau staff, and designated representatives from the Harbor and Water departments, meets monthly, or as needed, to review investment policies, strategies and performance.

**Investment Pool Rating**

Standard and Poor's rates the City's investment portfolio rating at AAAf and one of the lowest volatility ratings of S1. This rating confirms the safety of the City's invested funds and qualifies the investment pool as an alternative investment for proceeds from bonds issued by the City.

**Investment Performance**

The City Treasurer's Office invests in a variety of fixed-income securities that vary in maturity from one day to five years (excluding the Health Select Auction Variable Rate Securities loan) as authorized by the City's Investment Policy and the California Government Code. The City's adopted 2013 Investment Policy divides the City's investment portfolio into a short-term, intermediate-term and a long-term portfolio whose benchmarks are the Three-Month Treasury Bill, One-Year Constant Maturity Treasury (CMT) and the Merrill Lynch One-to-Five Year Treasury/Agency Index, respectively. All are market indices that change daily; therefore, actual returns can vary depending on book yields and security calls before the final maturity date. The weighted average book yield for the period was 0.32 percent (annualized). Book yield represents the return received on the total investment portfolio on an annualized basis.

On December 31, 2012, the City's investment pool market yield was 0.30 percent (annualized) with a Weighted Average Maturity of 0.96 years. The Weighted Average Maturity assumes securities are not called or sold prior to the actual maturity date. During the quarter, the benchmark indices were virtually unchanged from the previous quarter. The following table summarizes the City's investment pool market yield and performance for the quarter ending December 31, 2012:

Overall Investment Pool Performance

| Investment Portfolio Funds | Amount of Funds | Quarter End Values | | |
|---|---|---|---|---|
| | | Benchmark Return* | Market Yield* | Over/(Under) Benchmark |
| Short-Term Pool | $ 532,481,655 | 0.09 percent | 0.36 percent | 0.27 percent |
| Intermediate-Term Pool | $ 594,899,130 | 0.17 percent | 0.24 percent | 0.07 percent |
| Long-Term Pool | $ 421,541,383 | 0.27 percent | 0.32 percent | 0.05 percent |
| Total Pool | $ 1,548,922,168 | 0.17 percent | 0.13 percent | 0.30 percent |

** Benchmark Return and Market Yield of Portfolio are at quarter end.*

The following table summarizes the purchase yield of new investments versus the average benchmark yield in the short-term portfolio by month for the quarter ending December 31, 2012:

New Investments – Short Term Portfolio

| Month | Amount of Funds Invested | Benchmark vs. Purchase Yield Analysis | | |
|---|---|---|---|---|
| | | Benchmark Return* | Purchase Yield** | Over/(Under) Benchmark* |
| October, 2012 | $ 85,000,000 | 0.10 percent | 0.11 percent | 0.01 percentage points |
| November, 2012 | $ 81,000,000 | 0.09 percent | 0.26 percent | 0.17 percentage points |
| December, 2012 | $ 8,000,000 | 0.06 percent | 0.50 percent | 0.44 percentage points |
| **Total Funds** | $ 174,000,000 | 0.09 percent | 0.20 percent | 0.10 percentage points |

** 91-Day T-Bill and other returns listed are weighted averages for the period. **Purchase Yields stated to maturity assume the securities are not called or sold prior to the maturity date.*

The following table summarizes the purchase yield of new investments versus the average benchmark yield in the intermediate-term portfolio by month for the quarter ending December 31, 2012:

New Investments – Intermediate Term Portfolio

| Month | Amount of Funds Invested | Benchmark vs. Purchase Yield Analysis | | |
|---|---|---|---|---|
| | | Benchmark Return* | Purchase Yield** | Over/(Under) Benchmark* |
| October, 2012 | $ 15,000,000 | 0.18 percent | 0.31 percent | 0.13 percentage points |
| November, 2012 | $ 71,930,000 | 0.18 percent | 0.22 percent | 0.04 percentage points |
| December, 2012 | $ 0 | N/A | N/A | N/A |
| **Total Funds** | $ 86,930,000 | 0.18 percent | 0.24 percent | 0.06 percentage points |

** One Year CMT and other returns listed are weighted averages for the period. **Purchase Yields stated to maturity assume the securities are not called or sold prior to the maturity date.*

The following table summarizes the purchase yield of new investments versus the average benchmark yield in the long-term portfolio by month for the quarter ending September 30, 2012. Our Investment Advisor, Chandler Asset Management, manages the long-term portfolio through activity pre-approved by the City Treasurer or a designated representative before execution.

New Investments – Long Term Portfolio

| Month | Amount of Funds Invested | Benchmark vs. Purchase Yield Analysis | | |
|---|---|---|---|---|
| | | Benchmark Return* | Purchase Yield** | Over/(Under) Benchmark* |
| October, 2012 | $ 11,000,000 | 0.29 percent | 0.48 percent | 0.19 percentage points |
| November, 2012 | $ 10,000,000 | 0.28 percent | 0.39 percent | 0.11 percentage points |
| December, 2012 | $ 19,550,000 | 0.27 percent | 0.33 percent | 0.06 percentage points |
| **Total Funds** | $ 40,550,000 | 0.28 percent | 0.39 percent | 0.11 percentage points |

** Merrill Lynch One-to-Three Year Treasury/Agency Index and other returns listed are weighted averages for the period. **Yields are stated to maturity and assume the securities are not called or sold prior to the maturity date.*

As of December 31, 2012, the City's investment in the State Treasurer's Local Agency Investment Fund (LAIF) pool was approximately $56.0 million.

The City's investment pool consists of all City funds except certain bond and special assessment district proceeds. The non-pooled investments are invested separately in accordance with bond indenture provisions or other legal requirements. A complete listing of investment balances, portfolio distribution and performance values can be found in Attachment A.

**Unrealized Gains And Losses**

Unrealized gains or losses are the difference between market value and book value, and result from changing investment values during the period they are held in the portfolio. Unrealized gains or losses are only recognized when the investment is sold prior to the maturity date. Since the City usually holds securities to maturity, unrealized gains or losses are rarely realized. As of December 31, 2012, market value of the total investment portfolio was $1.549 billion and book value was $1.545 billion, a difference of $3.5 billion (unrealized gain) that represents future above market interest earnings. The difference is not expected to have a significant impact in the current interest rate environment.

**Short-Term Strategy**

The City has adopted an investment strategy for the short-term portfolio that maintains sufficient liquidity within a rolling 12-month period to satisfy the City's cash needs.

**Intermediate-Term Strategy**

The City has adopted an investment strategy for the intermediate-term portfolio that maintains a weighted maturity of one year and provides cash needs for maturities greater than six months.

**Long-Term Investment Strategy**

Chandler Asset Management manages the long-term portfolio and, given historically low interest rates, the Investment Advisory Committee has recommended a temporary strategy to benchmark the long-term portfolio to the One-Three Year Treasury/Agency Index.

**Cash Management Goals**

The City's cash management goals are to maintain and preserve the safety of funds in custody and provide adequate liquidity for anticipated expenditure needs.

This matter was reviewed by Assistant City Attorney Charles Parkin on January 31, 2013 and Budget Management Officer Victoria Bell on January 25, 2013.

<u>TIMING CONSIDERATIONS</u>

This item is not time critical.

<u>FISCAL IMPACT</u>

There is no fiscal impact or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG:DSN:DT
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ATTACHMENT A – INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2012

APPROVED:

PATRICK H. WEST
CITY MANAGER

ATTACHMENT A
City of Long Beach, CA
Investment Portfolio
As of December 31, 2012

| INVEST. NO. | SECURITY DESCRIPTION | CUSIP | S&P | PAR VALUE | BOOK VALUE | MARKET VALUE | ACCRUED INTEREST | MATURITY DATE | MKT YIELD |
|---|---|---|---|---|---|---|---|---|---|
| | UNION BANK N.A. | | | 186,923,985 | 186,923,985 | 186,923,985 | 0 | 01/02/13 | 0.60 |
| | BANK OF AMERICA | | | 23,110,491 | 23,110,491 | 23,110,491 | 0 | 01/02/13 | 0.35 |
| | LOCAL AGENCY INVESTMENT FUND | | | 56,161,799 | 56,161,799 | 56,161,799 | 52,377 | 01/01/13 | 0.33 |
| | | | | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| | TOTAL CASH AND EQUIVALENTS | | | 266,196,275 | 266,196,275 | 266,196,275 | 52,377 | 1 | 0.52 |

SHORT TERM - PORTFOLIO

| INVEST. NO. | SECURITY DESCRIPTION | CUSIP | S&P RATING | PAR VALUE | BOOK VALUE | MARKET VALUE | ACCRUED INTEREST | MATURITY DATE | MKT YIELD |
|---|---|---|---|---|---|---|---|---|---|
| 14557 | U.S. TREASURY BILL | 9127957D7 | AA+ | 25,000,000 | 24,997,813 | 24,999,500 | 0 | 01/31/13 | 0.02 |
| 14404 | U.S. TREASURY NOTE | 912828PR5 | AA+ | 12,000,000 | 12,004,414 | 12,004,680 | 31,386 | 01/31/13 | 0.16 |
| 14515 | U.S. TREASURY BILL | 9127957F2 | AA+ | 10,000,000 | 9,998,258 | 9,999,600 | 0 | 02/14/13 | 0.03 |
| 14569 | FED NATIONAL MORTG ASSOC | 31359MQV8 | AA+ | 10,000,000 | 10,063,636 | 10,062,400 | 171,528 | 02/21/13 | 0.25 |
| 14468 | FED NATIONAL MORTG ASSOC | 3135G0AK9 | AA+ | 7,000,000 | 7,005,662 | 7,006,580 | 18,229 | 02/26/13 | 0.13 |
| 14516 | FEDERAL HOME LOAN BANK | 313378D24 | AA+ | 10,000,000 | 10,000,328 | 10,001,400 | 6,389 | 03/06/13 | 0.12 |
| 14581 | U.S. TREASURY BILL | 9127957L9 | AA+ | 20,000,000 | 19,995,200 | 19,998,600 | 0 | 03/14/13 | 0.03 |
| 14552 | FED NATIONAL MORTG ASSOC | 313589DP5 | AA+ | 15,000,000 | 14,994,688 | 14,998,200 | 0 | 03/27/13 | 0.05 |
| 14431 | FEDERAL HOME LOAN BANK | 313378X30 | AA+ | 7,000,000 | 7,000,000 | 7,002,590 | 3,646 | 04/16/13 | 0.12 |
| 14385 | U.S. TREASURY NOTE | 912828QE3 | AA+ | 10,000,000 | 10,014,959 | 10,017,600 | 10,704 | 04/30/13 | 0.09 |
| 14465 | U.S. TREASURY BILL | 9127956L0 | AA+ | 25,000,000 | 24,984,455 | 24,993,000 | 0 | 05/02/13 | 0.08 |
| 14466 | U.S. TREASURY BILL | 9127956L0 | AA+ | 12,000,000 | 11,992,538 | 11,996,640 | 0 | 05/02/13 | 0.08 |
| 14490 | U.S. TREASURY NOTE | 912828JD3 | AA+ | 6,000,000 | 6,092,300 | 6,096,120 | 559 | 06/30/13 | 0.17 |
| 14384 | U.S. TREASURY NOTE | 912828QW3 | AA+ | 10,000,000 | 10,010,365 | 10,014,100 | 15,693 | 07/30/13 | 0.13 |
| 14587 | FED HOME LOAN MTG CORP | 3137EACX5 | AA+ | 10,000,000 | 10,014,748 | 10,015,300 | 6,354 | 10/30/13 | 0.19 |
| 14588 | U.S. TREASURY NOTE | 912828RS1 | AA+ | 7,000,000 | 7,003,165 | 7,004,130 | 1,538 | 11/30/13 | 0.19 |
| 14430 | FED HOME LOAN MTG CORP | 3134G3HN3 | AA+ | 10,000,000 | 10,001,243 | 10,002,300 | 21,806 | 01/24/14 | 0.48 |
| 14539 | FED NATIONAL MORTG ASSOC | 3135G0JW4 | AA+ | 6,000,000 | 6,007,050 | 6,007,740 | 6,800 | 10/23/14 | 0.53 |
| 14538 | FED NATIONAL MORTG ASSOC | 3135G0KV4 | AA+ | 10,000,000 | 10,011,959 | 10,009,600 | 5,556 | 11/21/14 | 0.45 |
| 14582 | FED NATIONAL MORTG ASSOC | 3135G0KK8 | AA+ | 8,000,000 | 8,010,896 | 8,011,200 | 8,811 | 04/30/15 | 0.59 |
| 14583 | FED NATIONAL MORTG ASSOC | 3135G0MF7 | AA+ | 9,000,000 | 9,013,104 | 9,018,360 | 750 | 06/26/15 | 0.52 |
| 14580 | FED NATIONAL MORTG ASSOC | 3135G0NQ2 | AA+ | 5,000,000 | 5,002,144 | 5,002,700 | 10,917 | 08/20/15 | 0.58 |
| 14577 | FED HOME LOAN MTG CORP | 3134G3V23 | AA+ | 7,000,000 | 7,004,865 | 7,008,540 | 4,225 | 11/20/15 | 0.49 |
| 14576 | FED HOME LOAN MTG CORP | 3134G3W89 | AA+ | 8,000,000 | 8,000,000 | 8,005,680 | 3,444 | 11/24/15 | 0.48 |
| 14592 | FED HOME LOAN MTG CORP | 3134G3Y20 | AA+ | 7,000,000 | 7,003,486 | 7,008,820 | 3,306 | 11/27/15 | 0.46 |
| | | | | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| | SHORT-TERM PORTFOLIO | | | 266,000,000 | 266,227,276 | 266,285,380 | 331,641 | 296 | 0.20 |
| | | | | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| | SUB TOTAL CASH AND SHORT - TERM PORTFOLIO | | | 532,196,275 | 532,423,552 | 532,481,655 | 384,018 | 149 | 0.36 |

**INTERMEDIATE TERM PORTFOLIO**

| INVEST. NO. | SECURITY DESCRIPTION | CUSIP | S&P RATING | PAR VALUE | BOOK VALUE | MARKET VALUE | ACCRUED INTEREST | MATURITY DATE | MKT YIELD |
|---|---|---|---|---|---|---|---|---|---|
| 14140 | FED HOME LOAN MTG CORP | 3137EACG2 | AA+ | 10,000,000 | 10,001,517 | 10,002,400 | 65,694 | 01/09/13 | 0.29 |
| 14331 | U.S. TREASURY NOTE | 912828MG2 | AA+ | 10,000,000 | 10,004,608 | 10,004,300 | 63,519 | 01/15/13 | 0.32 |
| 14329 | FEDERAL HOME LOAN BANK | 3133XW7L7 | AA+ | 10,000,000 | 10,005,310 | 10,005,400 | 68,750 | 01/16/13 | 0.20 |
| 14188 | FED NATIONAL MORTG ASSOC | 31398AME9 | AA+ | 10,000,000 | 10,025,830 | 10,027,000 | 170,000 | 01/28/13 | 0.39 |
| 14339 | U.S. TREASURY NOTE | 912828AU4 | AA+ | 12,000,000 | 12,054,148 | 12,054,360 | 175,639 | 02/15/13 | 0.25 |
| 14361 | FEDERAL FARM CREDIT BANK | 31331KCP3 | AA+ | 7,000,000 | 7,006,745 | 7,007,560 | 22,400 | 02/22/13 | 0.14 |
| 14335 | FED NATIONAL MORTG ASSOC | 31398AE24 | AA+ | 7,750,000 | 7,766,263 | 7,767,515 | 48,599 | 02/22/13 | 0.15 |
| 14344 | FED NATIONAL MORTG ASSOC | 3135G0AK9 | AA+ | 10,000,000 | 10,007,422 | 10,009,400 | 26,042 | 02/26/13 | 0.13 |
| 14205 | FEDERAL HOME LOAN BANK | 3133XWX87 | AA+ | 8,500,000 | 8,518,459 | 8,523,800 | 46,691 | 03/08/13 | 0.24 |
| 14337 | FED HOME LOAN MTG CORP | 3137EACS6 | AA+ | 7,007,000 | 7,014,838 | 7,017,511 | 13,576 | 03/28/13 | 0.13 |
| 14434 | FEDERAL FARM CREDIT BANK | 3133EALN6 | AA+ | 6,000,000 | 5,999,773 | 6,001,740 | 2,713 | 04/16/13 | 0.12 |
| 14109 | FED HOME LOAN MTG CORP | 3134G1VX9 | AA+ | 5,000,000 | 4,999,165 | 5,008,750 | 8,000 | 04/19/13 | 0.22 |
| 14237 | FEDERAL FARM CREDIT BANK | 31331KQF0 | AA+ | 10,000,000 | 9,999,374 | 10,009,100 | 6,778 | 04/29/13 | 0.12 |
| 14378 | U.S. TREASURY NOTE | 912828QE3 | AA+ | 15,000,000 | 15,022,313 | 15,026,400 | 16,057 | 04/30/13 | 0.09 |
| 14336 | FEDERAL HOME LOAN BANK | 313376A96 | AA+ | 7,000,000 | 7,001,090 | 7,005,880 | 4,173 | 05/03/13 | 0.12 |
| 14342 | FED NATIONAL MORTG ASSOC | 31398AJ94 | AA+ | 6,000,000 | 6,030,312 | 6,032,880 | 15,750 | 05/07/13 | 0.18 |
| 14388 | U.S. TREASURY NOTE | 912828BA7 | AA+ | 10,000,000 | 10,126,241 | 10,128,900 | 47,065 | 05/15/13 | 0.17 |
| 14338 | U.S. TREASURY NOTE | 912828NC0 | AA+ | 7,000,000 | 7,029,501 | 7,032,550 | 12,497 | 05/15/13 | 0.13 |
| 14413 | U.S. TREASURY NOTE | 912828NC0 | AA+ | 8,000,000 | 8,032,525 | 8,037,200 | 14,282 | 05/15/13 | 0.13 |
| 14414 | U.S. TREASURY NOTE | 912828NC0 | AA+ | 7,000,000 | 7,028,460 | 7,032,550 | 12,497 | 05/15/13 | 0.13 |
| 14350 | FEDERAL FARM CREDIT BANK | 31331K2J8 | AA+ | 7,000,000 | 7,000,000 | 7,003,570 | 1,750 | 05/24/13 | 0.12 |
| ***14226*** | ***FED HOME LOAN BANK ( Pledged to Consent Agreement)*** | ***3133XYHD0*** | ***AA+*** | ***3,000,000*** | ***3,014,912*** | ***3,020,130*** | ***2,302*** | ***06/14/13*** | ***0.14*** |
| 14226 | FEDERAL HOME LOAN BANK | 3133XYHD0 | AA+ | 5,000,000 | 5,024,854 | 5,033,550 | 3,837 | 06/14/13 | 0.14 |
| 14365 | FEDERAL FARM CREDIT BANK | 31331K3X6 | AA+ | 5,000,000 | 4,998,820 | 5,000,100 | 389 | 06/20/13 | 0.28 |
| 14382 | U.S. TREASURY NOTE | 912828RA0 | AA+ | 15,000,000 | 15,014,291 | 15,018,750 | 155 | 06/30/13 | 0.12 |
| 14377 | U.S. TREASURY NOTE | 912828NN6 | AA+ | 10,000,000 | 10,042,026 | 10,046,100 | 46,196 | 07/15/13 | 0.15 |
| 14443 | FEDERAL FARM CREDIT BANK | 3133EACJ5 | AA+ | 6,000,000 | 5,996,115 | 5,999,940 | 4,290 | 08/07/13 | 0.18 |
| 14572 | FED NATIONAL MORTG ASSOC | 3135G0BR3 | AA+ | 10,000,000 | 10,017,981 | 10,019,300 | 19,722 | 08/09/13 | 0.18 |
| 14482 | U.S. TREASURY NOTE | 912828NU0 | AA+ | 10,000,000 | 10,031,529 | 10,037,500 | 28,329 | 08/15/13 | 0.15 |
| 14439 | FEDERAL HOME LOAN BANK | 313376XY6 | AA+ | 8,000,000 | 7,996,763 | 8,001,520 | 6,113 | 08/20/13 | 0.18 |
| 14467 | U.S. TREASURY NOTE | 912828NY2 | AA+ | 12,000,000 | 12,041,498 | 12,050,160 | 26,851 | 09/15/13 | 0.16 |
| 14483 | U.S. TREASURY NOTE | 912828NY2 | AA+ | 10,000,000 | 10,034,725 | 10,041,800 | 22,376 | 09/15/13 | 0.16 |
| 14383 | U.S. TREASURY NOTE | 912828RK8 | AA+ | 7,000,000 | 6,995,895 | 6,998,110 | 2,236 | 09/30/13 | 0.16 |
| 14489 | U.S. TREASURY NOTE | 912828RK8 | AA+ | 10,000,000 | 9,989,937 | 9,997,300 | 3,194 | 09/30/13 | 0.16 |
| 14548 | U.S. TREASURY NOTE | 912828JM3 | AA+ | 10,000,000 | 10,217,395 | 10,218,400 | 79,842 | 09/30/13 | 0.20 |
| 14433 | FED HOME LOAN MTG CORP | 3134G2U42 | AA+ | 7,000,000 | 7,003,698 | 7,010,710 | 5,542 | 10/15/13 | 0.18 |
| 14436 | FED HOME LOAN MTG CORP | 3134G23H3 | AA+ | 8,000,000 | 8,013,278 | 8,020,080 | 8,444 | 10/15/13 | 0.18 |
| 14455 | FEDERAL HOME LOAN BANK | 3133XSAE8 | AA+ | 8,000,000 | 8,213,362 | 8,217,360 | 58,806 | 10/18/13 | 0.21 |
| 14573 | FEDERAL HOME LOAN BANK | 3133793Y3 | AA+ | 10,000,000 | 10,007,766 | 10,004,800 | 6,083 | 10/18/13 | 0.24 |
| 14437 | FED HOME LOAN MTG CORP | 3137EACX5 | AA+ | 7,000,000 | 7,005,270 | 7,010,710 | 4,448 | 10/30/13 | 0.19 |

ATTACHMENT A
City of Long Beach, CA
Investment Portfolio
As of December 31, 2012

## INTERMEDIATE TERM PORTFOLIO

| INVEST. NO. | SECURITY DESCRIPTION | CUSIP | S&P RATING | PAR VALUE | BOOK VALUE | MARKET VALUE | ACCRUED INTEREST | MATURITY DATE | MKT YIELD |
|---|---|---|---|---|---|---|---|---|---|
| 14550 | U.S. TREASURY NOTE | 912828RN2 | AA+ | 10,000,000 | 10,003,106 | 10,006,300 | 4,282 | 10/31/13 | 0.17 |
| 14574 | U.S. TREASURY NOTE | 912828JQ4 | AA+ | 10,000,000 | 10,211,119 | 10,212,100 | 47,099 | 10/31/13 | 0.20 |
| 14585 | FEDERAL HOME LOAN BANK | 313379FB0 | AA+ | 10,000,000 | 10,006,697 | 10,009,500 | 3,786 | 11/14/13 | 0.18 |
| 14477 | U.S. TREASURY NOTE | 912828PU8 | AA+ | 22,000,000 | 22,048,837 | 22,060,940 | 14,282 | 11/15/13 | 0.18 |
| 14486 | U.S. TREASURY NOTE | 912828PU8 | AA+ | 10,000,000 | 10,018,584 | 10,027,700 | 6,492 | 11/15/13 | 0.18 |
| 14491 | U.S. TREASURY NOTE | 912828BR0 | AA+ | 7,000,000 | 7,240,686 | 7,246,610 | 38,626 | 11/15/13 | 0.21 |
| 14458 | FEDERAL FARM CREDIT BANK | 3133EAQT8 | AA+ | 8,000,000 | 7,996,477 | 8,006,400 | 2,340 | 11/21/13 | 0.18 |
| 14549 | U.S. TREASURY NOTE | 912828RS1 | AA+ | 8,000,000 | 8,002,420 | 8,004,720 | 1,758 | 11/30/13 | 0.19 |
| 14551 | U.S. TREASURY NOTE | 912828JT8 | AA+ | 10,000,000 | 10,162,902 | 10,164,800 | 17,582 | 11/30/13 | 0.20 |
| 14590 | U.S. TREASURY NOTE | 912828RW2 | AA+ | 10,000,000 | 9,991,223 | 9,993,800 | 35 | 12/31/13 | 0.19 |
| 14589 | U.S. TREASURY NOTE | 912828SB7 | AA+ | 7,000,000 | 7,002,725 | 7,004,410 | 7,323 | 01/31/14 | 0.19 |
| 14398 | FED HOME LOAN MTG CORP | 3134G3MM9 | AA+ | 5,000,000 | 5,000,000 | 5,002,300 | 6,889 | 02/27/14 | 0.36 |
| 14591 | FED NATIONAL MORTG ASSOC | 3135G0AP8 | AA+ | 6,930,000 | 7,011,492 | 7,022,446 | 29,838 | 02/27/14 | 0.09 |
| 14446 | FEDERAL HOME LOAN BANK | 3133XWKV0 | AA+ | 6,000,000 | 6,147,309 | 6,155,760 | 42,354 | 03/14/14 | 0.21 |
| 14402 | FEDERAL FARM CREDIT BANK | 3133EABW7 | AA+ | 5,000,000 | 4,994,663 | 5,000,100 | 3,114 | 05/01/14 | 0.38 |
| 14526 | FEDERAL HOME LOAN BANK | 313380FJ1 | AA+ | 7,000,000 | 6,999,047 | 7,003,710 | 1,925 | 05/28/14 | 0.26 |
| 14497 | FEDERAL FARM CREDIT BANK | 3133EAYV4 | AA+ | 5,000,000 | 4,997,073 | 5,000,100 | 7,196 | 07/23/14 | 0.33 |
| 14512 | FEDERAL HOME LOAN BANK | 313380A64 | AA+ | 7,000,000 | 6,997,822 | 7,005,110 | 8,727 | 08/15/14 | 0.28 |
| 14528 | FEDERAL HOME LOAN BANK | 313380A64 | AA+ | 5,000,000 | 5,000,000 | 5,003,650 | 6,233 | 08/15/14 | 0.28 |
| 14506 | FEDERAL HOME LOAN BANK | 3.13E+65 | AA+ | 5,000,000 | 5,000,000 | 5,001,350 | 6,550 | 08/20/14 | 0.34 |
| 14519 | FED NATIONAL MORTG ASSOC | 3135G0CU5 | AA+ | 3,445,000 | 3,451,468 | 3,453,716 | 6,519 | 09/12/14 | 0.48 |
| 14425 | FED NATIONAL MORTG ASSOC | 3135G0JW4 | AA+ | 8,000,000 | 8,000,000 | 8,010,320 | 9,067 | 10/23/14 | 0.53 |
| 14444 | FED NATIONAL MORTG ASSOC | 3135G0KL6 | AA+ | 6,000,000 | 6,000,000 | 6,004,200 | 5,083 | 10/30/14 | 0.46 |
| 14447 | FED NATIONAL MORTG ASSOC | 3135G0KL6 | AA+ | 5,000,000 | 4,999,835 | 5,003,500 | 4,236 | 10/30/14 | 0.46 |
| 14578 | FED HOME LOAN MTG CORP | 3134G3W71 | AA+ | 8,000,000 | 8,000,000 | 7,999,520 | 2,722 | 11/26/14 | 0.35 |
| 14488 | FED NATIONAL MORTG ASSOC | 3135G0LL5 | AA+ | 11,880,000 | 11,884,189 | 11,894,375 | 4,901 | 12/04/14 | 0.49 |
| 14426 | FED HOME LOAN MTG CORP | 3134G3GG9 | AA+ | 5,000,000 | 5,000,317 | 5,000,600 | 20,306 | 01/09/15 | 0.84 |
| 14521 | FEDERAL HOME LOAN BANK | 313380F44 | AA+ | 5,000,000 | 4,998,361 | 5,000,300 | 6,889 | 02/27/15 | 0.40 |
| 14536 | FED NATIONAL MORTG ASSOC | 3135G0PE7 | AA+ | 7,000,000 | 6,997,433 | 7,002,310 | 7,000 | 03/25/15 | 0.36 |
| 14562 | FED NATIONAL MORTG ASSOC | 3135G0JZ7 | AA+ | 10,000,000 | 10,014,306 | 10,010,800 | 16,875 | 04/10/15 | 0.70 |
| 14570 | FED NATIONAL MORTG ASSOC | 3135G0JZ7 | AA+ | 8,300,000 | 8,311,318 | 8,308,964 | 14,006 | 04/10/15 | 0.70 |
| 14566 | FED HOME LOAN MTG CORP | 3134G3P20 | AA+ | 5,000,000 | 5,001,202 | 5,007,750 | 5,694 | 10/09/15 | 0.44 |
| 14471 | FED NATIONAL MORTG ASSOC | 3136G0MR9 | AA+ | 4,770,000 | 4,770,000 | 4,785,884 | 1,487 | 12/20/16 | 0.93 |
| | | | | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| | INTERMEDIATE PORTFOLIO | | | 592,582,000 | 594,594,617 | 594,899,130 | 1,532,839 | 315 | 0.24 |

## LONG TERM TERM PORTFOLIO

| INVEST. NO. | SECURITY DESCRIPTION | CUSIP | S&P RATING | PAR VALUE | BOOK VALUE | MARKET VALUE | ACCRUED INTEREST | MATURITY DATE | MKT YIELD |
|---|---|---|---|---|---|---|---|---|---|
| 14250 | WFC Advantage Govt Money Mkt | VP4560000 | AA+ | 131,010 | 131,010 | 131,010 | 0 | 01/01/13 | 0.00 |
| 13841 | FED HOME LOAN MTG CORP | 3137EACG2 | AA+ | 10,165,000 | 10,164,636 | 10,167,440 | 66,778 | 01/09/13 | 0.29 |

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**LONG TERM TERM PORTFOLIO**

| INVEST. NO. | SECURITY DESCRIPTION | CUSIP | S&P RATING | PAR VALUE | BOOK VALUE | MARKET VALUE | ACCRUED INTEREST | MATURITY DATE | MKT YIELD |
|---|---|---|---|---|---|---|---|---|---|
| 13936 | U.S. TREASURY NOTE | 912828MG2 | AA+ | 10,600,000 | 10,599,720 | 10,604,558 | 67,330 | 01/15/13 | 0.32 |
| 13847 | FED NATIONAL MORTG ASSOC | 31398AKY7 | AA+ | 9,700,000 | 9,721,211 | 9,737,539 | 135,766 | 02/12/13 | 0.22 |
| 13911 | U.S. TREASURY NOTE | 912828MN7 | AA+ | 11,000,000 | 10,998,014 | 11,016,720 | 57,130 | 02/15/13 | 0.16 |
| 13843 | FEDERAL FARM CREDIT BANK | 31331JBV4 | AA+ | 9,920,000 | 9,921,567 | 9,940,634 | 62,207 | 02/21/13 | 0.25 |
| 14129 | FEDERAL HOME LOAN BANK | 3133XX7F8 | AA+ | 10,000,000 | 10,013,913 | 10,032,600 | 45,590 | 03/20/13 | 0.14 |
| 13965 | FEDERAL FARM CREDIT BANK | 31331JPK3 | AA+ | 10,000,000 | 9,997,037 | 10,063,000 | 1,910 | 06/25/13 | 0.07 |
| 14142 | FED HOME LOAN MTG CORP | 3137EABS7 | AA+ | 9,650,000 | 9,860,505 | 9,931,394 | 103,939 | 09/27/13 | 0.17 |
| 14037 | FEDERAL FARM CREDIT BANK | 31331GCS6 | AA+ | 9,350,000 | 9,558,192 | 9,613,577 | 83,533 | 10/07/13 | 0.19 |
| 13992 | FEDERAL HOME LOAN BANK | 3133XSAE8 | AA+ | 9,500,000 | 9,667,757 | 9,758,115 | 69,832 | 10/18/13 | 0.21 |
| 14013 | U.S. TREASURY NOTE | 912828JT8 | AA+ | 11,000,000 | 11,111,313 | 11,181,280 | 19,341 | 11/30/13 | 0.20 |
| 14143 | FED NATIONAL MORTG ASSOC | 31398A5W8 | AA+ | 10,500,000 | 10,449,966 | 10,560,480 | 2,844 | 12/18/13 | 0.15 |
| 14127 | FED HOME LOAN MTG CORP | 3137EABX6 | AA+ | 9,965,000 | 10,064,294 | 10,202,964 | 120,410 | 01/07/14 | 0.15 |
| 14128 | FED NATIONAL MORTG ASSOC | 31398AVD1 | AA+ | 10,000,000 | 10,127,918 | 10,286,400 | 111,528 | 02/05/14 | 0.13 |
| 14168 | FEDERAL FARM CREDIT BANK | 31331GTJ8 | AA+ | 10,000,000 | 10,163,683 | 10,226,000 | 53,229 | 04/17/14 | 0.86 |
| 14056 | FED HOME LOAN MTG CORP | 3137EACB3 | AA+ | 10,000,000 | 10,203,382 | 10,301,300 | 47,222 | 04/23/14 | 0.20 |
| 14235 | U.S. TREASURY NOTE | 912828QM5 | AA+ | 10,500,000 | 10,551,184 | 10,612,350 | 13,633 | 05/15/14 | 0.22 |
| 14255 | FEDERAL HOME LOAN BANK | 313373JR4 | AA+ | 9,900,000 | 9,985,012 | 10,069,290 | 12,478 | 05/28/14 | 0.16 |
| 14173 | FED HOME LOAN MTG CORP | 3137EACD9 | AA+ | 9,950,000 | 10,182,025 | 10,369,890 | 126,863 | 07/28/14 | 0.31 |
| 14311 | FED HOME LOAN MTG CORP | 3134G2UA8 | AA+ | 10,000,000 | 10,037,614 | 10,116,700 | 36,389 | 08/20/14 | 0.28 |
| 14254 | FED NATIONAL MORTG ASSOC | 31398AYY2 | AA+ | 9,325,000 | 9,648,169 | 9,767,565 | 81,594 | 09/16/14 | 0.22 |
| 14355 | U.S. TREASURY NOTE | 912828RL6 | AA+ | 10,200,000 | 10,226,627 | 10,246,206 | 10,929 | 10/15/14 | 0.25 |
| 14213 | FEDERAL FARM CREDIT BANK | 31331KHW3 | AA+ | 10,700,000 | 10,751,991 | 10,972,101 | 19,802 | 11/19/14 | 0.27 |
| 14283 | U.S. TREASURY NOTE | 912828MH0 | AA+ | 11,000,000 | 11,400,333 | 11,450,340 | 103,573 | 01/31/15 | 0.28 |
| 14169 | FEDERAL HOME LOAN BANK | 3133XWX95 | AA+ | 5,000,000 | 5,098,109 | 5,264,700 | 41,250 | 03/13/15 | 0.33 |
| 14340 | FEDERAL HOME LOAN BANK | 3133XWX95 | AA+ | 1,000,000 | 1,041,892 | 1,052,940 | 8,250 | 03/13/15 | 0.33 |
| 14401 | FEDERAL HOME LOAN BANK | 313376ZQ1 | AA+ | 10,500,000 | 10,446,421 | 10,510,395 | 11,813 | 03/13/15 | 0.33 |
| 14596 | U.S. TREASURY NOTE | 912828SP6 | AA+ | 10,550,000 | 10,572,300 | 10,568,990 | 8,478 | 04/15/15 | 0.30 |
| 14300 | FED NATIONAL MORTG ASSOC | 31398AU34 | AA+ | 9,600,000 | 9,983,222 | 10,093,056 | 96,900 | 07/28/15 | 0.37 |
| 14310 | U.S. TREASURY NOTE | 912828NP1 | AA+ | 9,950,000 | 10,206,543 | 10,313,772 | 72,868 | 07/31/15 | 0.33 |
| 14445 | FEDERAL FARM CREDIT BANK | 3133EADW5 | AA+ | 10,900,000 | 10,884,096 | 10,915,587 | 22,148 | 08/17/15 | 0.50 |
| 14299 | FED HOME LOAN MTG CORP | 3137EACM9 | AA+ | 9,425,000 | 9,655,403 | 9,770,332 | 50,856 | 09/10/15 | 0.38 |
| 14387 | FED NATIONAL MORTG ASSOC | 31398A4M1 | AA+ | 10,225,000 | 10,452,081 | 10,577,865 | 30,000 | 10/26/15 | 0.39 |
| 14586 | FEDERAL HOME LOAN BANK | 313380L96 | AA+ | 9,925,000 | 9,957,504 | 9,962,417 | 5,652 | 11/20/15 | 0.37 |

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| LONG TERM TERM PORTFOLIO | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| INVEST. NO. | SECURITY DESCRIPTION | CUSIP | S&P RATING | PAR VALUE | BOOK VALUE | MARKET VALUE | ACCRUED INTEREST | MATURITY DATE | MKT YIELD |
| 14594 | FED HOME LOAN MTG CORP | 3134A4ZT4 | AA+ | 9,000,000 | 10,188,923 | 10,184,850 | 192,375 | 01/19/16 | 0.40 |
| 14356 | FEDERAL HOME LOAN BANK | 3133XFGT7 | AA+ | 8,700,000 | 9,866,835 | 10,019,529 | 142,885 | 03/11/16 | 0.58 |
| 14462 | U.S. TREASURY NOTE | 912828QA1 | AA+ | 9,875,000 | 10,416,242 | 10,463,649 | 56,768 | 03/31/16 | 0.40 |
| 14542 | FED NATIONAL MORTG ASSOC | 3135G0BA0 | AA+ | 9,300,000 | 9,853,661 | 9,884,133 | 49,083 | 04/11/16 | 0.44 |
| 14494 | FED HOME LOAN MTG CORP | 3137EACT4 | AA+ | 9,490,000 | 10,091,979 | 10,125,356 | 22,407 | 05/27/16 | 0.51 |
| 14560 | U.S. TREASURY NOTE | 912828RF9 | AA+ | 11,000,000 | 11,207,510 | 11,209,660 | 37,376 | 08/31/16 | 0.47 |
| 14416 | FED NATIONAL MORTG ASSOC | 3135G0CM3 | AA+ | 10,500,000 | 10,501,555 | 10,772,370 | 33,906 | 09/28/16 | 0.55 |
| 14523 | FEDERAL HOME LOAN BANK | 3133XHZK1 | AA+ | 9,250,000 | 10,693,491 | 10,729,168 | 18,307 | 12/16/16 | 0.65 |
| | | | | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| | LONG-TERM PORTFOLIO | | | 407,246,010 | 416,654,839 | 419,778,219 | 2,355,170 | 660 | 0.32 |
| 14352 | Health Savors Loan | 99999 | N/R | 1,763,164 | 1,763,164 | 1,763,164 | 691 | 2303 | 0.47 |
| | | | | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| | TOTAL PORTFOLIO | | | 1,533,787,449 | 1,545,436,171 | 1,548,922,168 | 4,272,718 | 354 | 0.30 |
| | | | | ====== | ====== | ====== | ====== | ====== | ====== |
| | Unrealized gain/(loss) | | | | | 3,485,997 | | | |