

City of Santa Rosa

Monthly Investment Report

November 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

- A revised third quarter gross domestic product (GDP) indicated a 3.3% annualized growth pace, the fastest in three years, reflecting strong consumer spending and private investment. An uptick existing and new home sales affirmed the strength of the housing sector.
- Recent labor market trends remain intact. Including the November jobs report, the economy has created an average of 178,000 new jobs per month since June. The unemployment rate is at or near long-term lows, while wage growth is a bit disappointing.
- The Federal Reserve (Fed) acknowledged that recent inflation weakness may not be transitory, reflecting investor surveys projecting lower inflation over the next five to ten years. Nevertheless, because of labor market strength and optimism about economic growth, the Federal Open Market Committee rose rates for a third time this year at their meeting on December 13th.
- Low market volatility has characterized the current U.S. business cycle state, thus far the third longest expansionary phase on record. Enduring market tranquility has been a constant theme this year. This has spawned the notion that the U.S. economy may have evolved to a post business cycle state where business conditions have reached a sort of steady-state equilibrium.
- Synchronized global economic expansion in both developed and emerging markets has created a helpful macroeconomic backdrop.

Market Reaction

- Short-term rates continued to rise in anticipation of a December Fed rate hike and an elevated supply of short-term U.S. Treasury debt. Two-year Treasury rates rose the most, up 18 basis points (bps) in November. Short-term Treasury yields appear to have already fully priced in three or four Fed rate hikes in 2018, despite Fed funds futures indicating otherwise.
- Institutional demand for long-duration bonds has pushed longer-term yields lower, partially fueled by the benign inflation outlook. Ten-year Treasuries rose three bps last month and the spread between 10- and 2-year Treasuries narrowed to a decade low.
- Short/intermediate government benchmarks posted modest positive returns in November with the Barclays 1-3 year Treasury up 0.03%. Long-maturity Treasuries returned 0.33% for the month.
- Corporate sectors generally produced strong returns as yield spreads continued to narrow, reaching a new post-recession low.
- The mortgage-backed securities (MBS) landscape remained stable despite initiation of the Fed's balance sheet reduction measures. Once the pace of tapering increases in future months, the MBS sector may underperform.

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 is 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

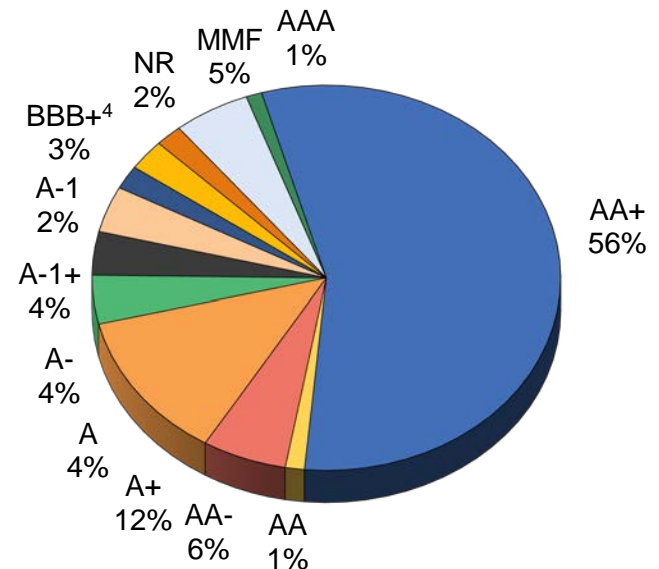
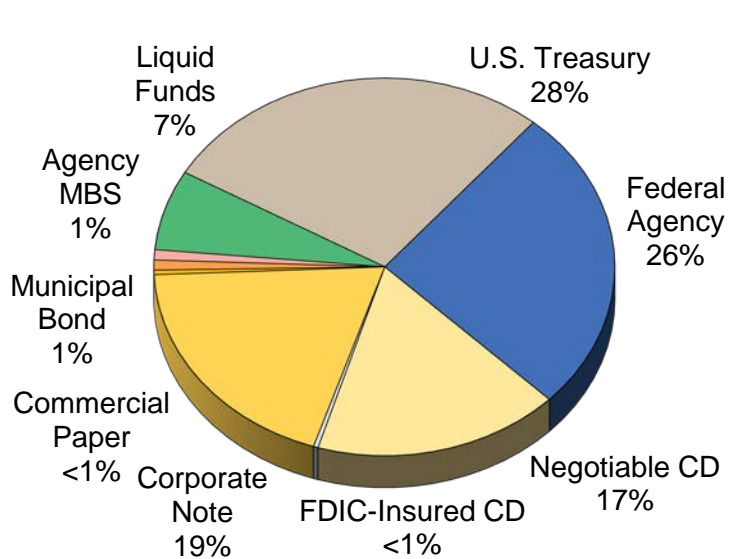
- The maturity distribution of the City's funds (market value plus accrued interest) from one day to the five-year mandated limit.
- The percentage change in maturity distribution month-over-month is shown in the table.
- Demonstrates level of diversification by maturity date. Shows placement of funds 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	November 30, 2017 % of Portfolio ³
U.S. Treasury	\$102,205,000	\$102,624,763	\$101,848,563	28%
Federal Agency	\$96,983,000	\$97,194,291	\$96,166,829	26%
Federal Agency Mortgage-Backed	\$3,221,599	\$3,236,309	\$3,220,736	1%
Negotiable CD	\$63,115,000	\$63,394,578	\$63,355,743	17%
FDIC-Insured CD	\$1,176,880	\$1,180,723	\$1,179,639	<1%
Corporate Notes	\$70,804,000	\$71,164,652	\$70,828,843	19%
Commercial Paper	\$1,437,000	\$1,435,257	\$1,435,303	<1%
Municipal Bond	\$3,175,000	\$3,191,089	\$3,140,512	1%
Liquid Funds²	\$25,192,456	\$25,192,456	\$25,192,456	7%
Total Value	\$367,309,935	\$368,614,118	\$366,368,625	100%

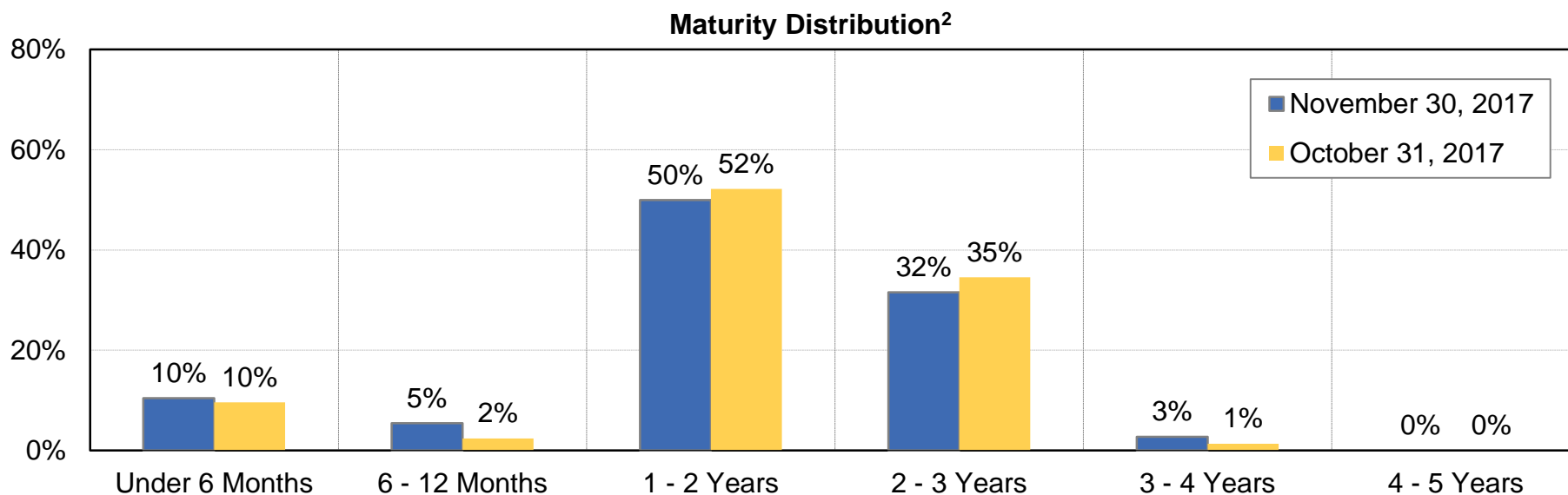


Ratings by Standard & Poor's

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	November 30, 2017 % of Portfolio	October 31, 2017 % of Portfolio
Under 6 Months	\$38,054,177	10%	10%
6–12 Months	\$19,787,837	5%	2%
1–2 Years	\$183,087,692	50%	52%
2–3 Years	\$115,486,973	32%	35%
3–4 Years	\$9,951,947	3%	1%
4–5 Years	\$0	0%	0%
Total Market Value	\$366,368,625	100%	100%

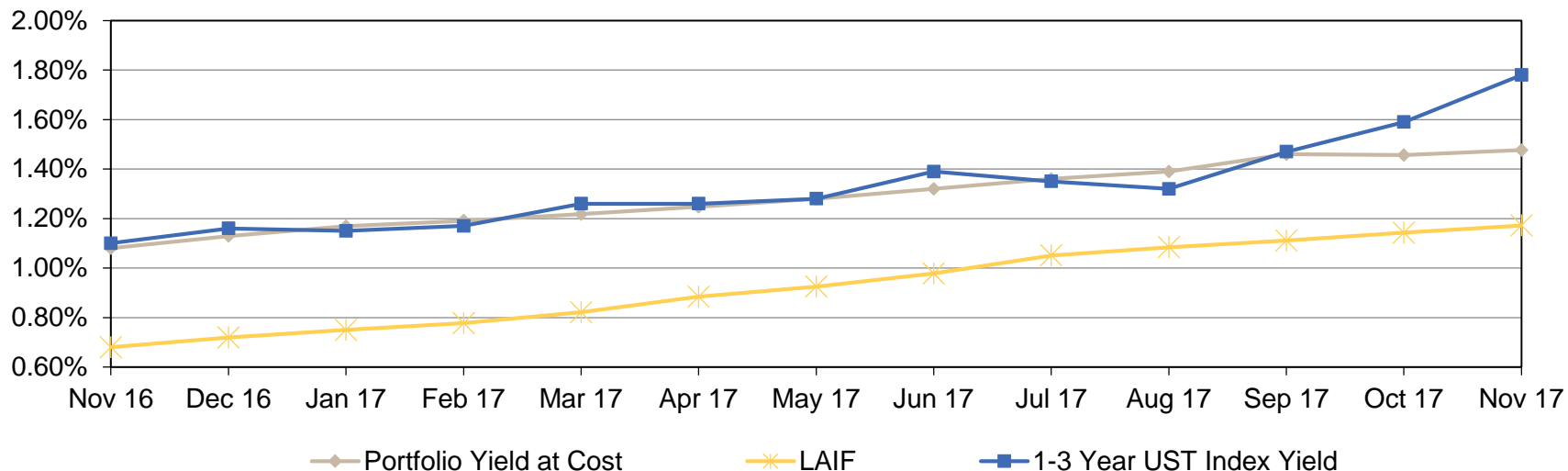


1. Funds held in LAIF are included in the under 6-month range because they can be accessed within one day.
2. Security market values include accrued interest as of trade date. Values may not sum exactly to 100% due to rounding.

Portfolio Yield Summary

Date	Market Value ¹	Portfolio Duration	Portfolio Yield (Cost)	LAIF Yield (Monthly Effective) ²	1-3 Year Treasury Index Yield ²
May-17	\$398,552,784	1.50	1.28%	0.93%	1.28%
Jun-17	\$398,160,931	1.55	1.32%	0.98%	1.39%
Jul-17	\$381,000,613	1.61	1.36%	1.05%	1.35%
Aug-17	\$383,250,622	1.66	1.39%	1.08%	1.32%
Sep-17	\$354,966,663	1.78	1.46%	1.11%	1.47%
Oct-17	\$360,515,977	1.69	1.46%	1.14%	1.59%
Nov-17	\$366,368,625	1.65	1.48%	1.17%	1.78%

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 **November 30, 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										
11/01/17	11/03/17	GOLDMAN SACHS GROUP INC CORP NOTES DTD 01/23/2015 2.600% 04/23/2020	38148LAA4	360,000.00	(362,714.40)	(260.00)	(362,974.40)			
11/01/17	11/03/17	US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	6,250,000.00	(6,222,900.39)	(43,288.93)	(6,266,189.32)			
11/06/17	11/13/17	PACCAR FINANCIAL CORP NOTES DTD 11/13/2017 2.050% 11/13/2020	69371RN85	910,000.00	(909,918.10)	0.00	(909,918.10)			
11/08/17	11/10/17	JOHNSON & JOHNSON CORP NOTE DTD 11/10/2017 1.950% 11/10/2020	478160CH5	695,000.00	(694,256.35)	0.00	(694,256.35)			
11/09/17	11/14/17	UNITED PARCEL SERVICE CORPORATE BOND DTD 11/14/2017 2.050% 04/01/2021	911312BP0	1,935,000.00	(1,931,942.70)	0.00	(1,931,942.70)			
11/13/17	11/16/17	AMERICAN HONDA FINANCE DTD 11/16/2017 2.000% 11/13/2019	02665WBZ3	1,200,000.00	(1,199,328.00)	0.00	(1,199,328.00)			
11/16/17	11/17/17	SWEDBANK (NEW YORK) CERT DEPOS DTD 11/17/2017 2.270% 11/16/2020	87019U6D6	3,250,000.00	(3,250,000.00)	0.00	(3,250,000.00)			
11/16/17	11/20/17	BRANCH BANKING & TRUST (CALLABLE) NOTES DTD 10/26/2017 2.150% 02/01/2021	05531FAZ6	350,000.00	(348,180.00)	(501.67)	(348,681.67)			
Transaction Type Sub-Total				14,950,000.00	(14,919,239.94)	(44,050.60)	(14,963,290.54)			
INTEREST										
11/01/17	11/01/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	246.93	246.93			
11/01/17	11/25/17	FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AODO0	1,748,360.90	0.00	2,735.70	2,735.70			
11/01/17	11/25/17	FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	547,845.76	0.00	707.63	707.63			
11/01/17	11/25/17	FNMA SERIES 2015-M15 ASQ2 DTD 11/01/2015 1.898% 01/01/2019	3136AOSW1	729,149.92	0.00	1,262.58	1,262.58			
11/01/17	11/25/17	FNMA SERIES 2016-M9 ASQ2 DTD 06/01/2016 1.785% 06/01/2019	3136ASPX8	777,894.19	0.00	1,208.51	1,208.51			
11/02/17	11/02/17	PEPSICO INC CORP NOTE DTD 05/02/2017 1.550% 05/02/2019	713448DR6	1,550,000.00	0.00	12,012.50	12,012.50			



Managed Account Security Transactions & Interest

For the Month Ending **November 30, 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										
11/03/17	11/03/17	SUMITOMO MITSUI BANK NY CD DTD 05/04/2017 2.050% 05/03/2019	86563YVNO	6,500,000.00	0.00	67,735.42	67,735.42			
11/05/17	11/05/17	UNILEVER CAPITAL CORP BONDS DTD 05/05/2017 1.800% 05/05/2020	904764AV9	750,000.00	0.00	6,750.00	6,750.00			
11/11/17	11/11/17	INTEL CORP NOTES DTD 05/11/2017 1.850% 05/11/2020	458140AZ3	1,650,000.00	0.00	15,262.50	15,262.50			
11/17/17	11/17/17	IBM CORP NOTES DTD 02/19/2016 1.800% 05/17/2019	459200JE2	5,750,000.00	0.00	51,750.00	51,750.00			
11/30/17	11/30/17	US TREASURY NOTES DTD 12/01/2014 1.500% 11/30/2019	912828G61	13,300,000.00	0.00	99,750.00	99,750.00			
11/30/17	11/30/17	US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	3,630,000.00	0.00	29,493.75	29,493.75			
11/30/17	11/30/17	CANADIAN IMPERIAL BANK NY CD DTD 12/05/2016 1.760% 11/30/2018	13606A5Z7	5,800,000.00	0.00	51,040.00	51,040.00			
11/30/17	11/30/17	NORDEA BANK FINLAND NY CD DTD 12/05/2016 1.760% 11/30/2018	65558LWA6	5,800,000.00	0.00	52,174.22	52,174.22			
Transaction Type Sub-Total				48,533,250.77	0.00	392,129.74	392,129.74			
PAYDOWNS										
11/01/17	11/25/17	FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	51,582.48	51,582.48	0.00	51,582.48	(515.64)	0.00	
11/01/17	11/25/17	FNMA SERIES 2016-M9 ASQ2 DTD 06/01/2016 1.785% 06/01/2019	3136ASPX8	6,469.22	6,469.22	0.00	6,469.22	(64.69)	0.00	
11/01/17	11/25/17	FNMA SERIES 2015-M15 ASQ2 DTD 11/01/2015 1.898% 01/01/2019	3136AOSW1	227,425.79	227,425.79	0.00	227,425.79	(2,274.23)	0.00	
11/01/17	11/25/17	FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AODO0	296,174.77	296,174.77	0.00	296,174.77	(2,965.86)	0.00	
Transaction Type Sub-Total				581,652.26	581,652.26	0.00	581,652.26	(5,820.42)	0.00	
SELL										
11/01/17	11/03/17	US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	1,180,000.00	1,176,773.44	6,286.89	1,183,060.33	(5,623.44)	(4,078.85)	FIFO



Managed Account Security Transactions & Interest

For the Month Ending **November 30, 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										
11/01/17	11/03/17	US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	5,000,000.00	4,986,328.12	26,639.34	5,012,967.46	(66,406.26)	(35,857.08)	FIFO
11/06/17	11/10/17	JOHN DEERE CAPITAL CORP DTD 01/06/2017 1.650% 10/15/2018	24422ETM1	475,000.00	475,156.75	544.27	475,701.02	465.50	321.86	FIFO
11/06/17	11/13/17	US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	300,000.00	299,847.66	1,663.04	301,510.70	(2,695.31)	(1,098.81)	FIFO
11/08/17	11/10/17	US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	695,000.00	691,796.48	5,029.73	696,826.21	(190.04)	(209.10)	FIFO
11/09/17	11/14/17	US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	1,925,000.00	1,916,427.73	14,273.14	1,930,700.87	(225.59)	(308.51)	FIFO
11/13/17	11/16/17	US TREASURY NOTES DTD 12/01/2014 1.500% 11/30/2019	912828G61	1,200,000.00	1,195,171.88	8,311.48	1,203,483.36	(6,703.12)	(6,117.12)	FIFO
11/16/17	11/17/17	ROYAL BANK OF CANADA NY CD DTD 03/15/2016 1.700% 03/09/2018	78009NZZ2	3,200,000.00	3,201,536.29	10,275.56	3,211,811.85	1,536.29	1,536.29	FIFO
11/16/17	11/20/17	US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	350,000.00	349,494.14	2,040.08	351,534.22	(3,472.66)	(1,591.65)	FIFO
Transaction Type Sub-Total				14,325,000.00	14,292,532.49	75,063.53	14,367,596.02	(83,314.63)	(47,402.97)	
Managed Account Sub-Total					(45,055.19)	423,142.67	378,087.48	(89,135.05)	(47,402.97)	
Total Security Transactions					(45,055.19)	\$423,142.67	\$378,087.48	(\$89,135.05)	(\$47,402.97)	



Managed Account Security Transactions & Interest

For the Month Ending **November 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										
11/20/17	11/20/17	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 **November 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										
11/01/17	11/01/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	1.22	1.22			
Transaction Type Sub-Total				0.00	0.00	1.22	1.22			
Managed Account Sub-Total					0.00	1.22	1.22			
Total Security Transactions					\$0.00	\$1.22	\$1.22			



Managed Account Security Transactions & Interest

For the Month Ending **November 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										
11/01/17	11/01/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	0.57	0.57			
Transaction Type Sub-Total				0.00	0.00	0.57	0.57			
Managed Account Sub-Total					0.00	0.57	0.57			
Total Security Transactions					\$0.00	\$0.57	\$0.57			



Managed Account Security Transactions & Interest

For the Month Ending **November 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										
11/01/17	11/01/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	84.65	84.65			
Transaction Type Sub-Total				0.00	0.00	84.65	84.65			
Managed Account Sub-Total					0.00	84.65	84.65			
Total Security Transactions					\$0.00	\$84.65	\$84.65			



Managed Account Security Transactions & Interest

For the Month Ending **November 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										
11/01/17	11/01/17	MONEY MARKET FUND	MONEY0002	0.00	0.00	73.73	73.73			
Transaction Type Sub-Total				0.00	0.00	73.73	73.73			
Managed Account Sub-Total					0.00	73.73	73.73			
Total Security Transactions					\$0.00	\$73.73	\$73.73			