



● **Treasurer's Monthly Report**

Summary

The attached Treasurer's monthly report, as required by Section 5114 of the Metropolitan Administrative Code, provides Metropolitan's investments, as well as portfolio compliance with Metropolitan's Statement of Investment Policy and investment programs.

Attachments

Attachment 1: Portfolio Performance Report – November 2011

Attachment 2: Portfolio Summary Report – November 2011

Attachment 3: Summary Report of Investment & Cash Activity – November 2011

Attachment 4: Duration Report – November 2011



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: December 12, 2011
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report November 2011

This letter transmits a summary report of investments, cash balances and performance report with total return, and duration comparisons for the end of the current month. A detailed report of investments is filed each month with the Executive Secretary. These reports are required by Section 5114 of the MWD Administrative Code. All of the investments comply with Chapter 5101 of the MWD Administrative Code and the Investment Policy dated June 14, 2011 with the exception of the Lehman corporate notes previously reported to the Board at the September 23, 2008 meeting of the Executive Committee. The Board approved holding these notes, in recognition of market conditions and Lehman's bankruptcy filing, in order to sell these securities in an orderly fashion. Attachment 2a shows the market value of the Lehman corporate notes. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of November 30, 2011, Metropolitan had \$.716 and \$26.895 million in federal agency securities posted as collateral with JP Morgan Chase and Morgan Stanley, respectively, pursuant to various swap agreements.

A handwritten signature in black ink, appearing to read 'Gary Breaux'.

Gary Breaux

GB-mt

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Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
November 30, 2011

		Market Value		Duration		Monthly Return		Annualized Monthly Return		Annualized Return *Inception-to-Date	
		(\$ in Thousands)		MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	(1)	\$	656,557	0.27	0.23	0.11%	0.00%	1.30%	(0.01%)	2.64%	1.98%
Long-Term	(2)		317,297	2.78	2.64	0.03%	(0.13%)	0.35%	(1.55%)	4.68%	4.11%
Total Core Funds		\$	973,854								
Other Funds	(3)		124,707	6.57		0.76%		9.47%		9.15%	
Total		\$	1,098,561								

(1) The Short-Term Portfolio Benchmark is the Merrill Lynch, Three Month Treasury Bill Index.

(2) The Long-Term Portfolio Benchmark is the Merrill Lynch, Corporate and Government, 1 to 5 years, A Rated and Higher Index.

(3) Debt Service Reserve Funds and Lake Mathews Trust.

* Inception Date 5/01/2002

Attachment 2
Portfolio Summary Report
November 30, 2011

(\$ in Thousands)

<u>Securities</u>		<u>Credit Quality</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Percent of Portfolio Market Value</u>	<u>Investment Policy Limits</u>
United States Treasuries	(1,2)	"AAA"	\$ 204,412	\$ 195,126	18.61%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	15	13	0.00%	100%
Federal Agencies	(2,3)	"AAA"	536,605	533,734	48.85%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	109,137	109,146	9.93%	25%
Negotiable Certificates of Deposit		"F1 or higher"	-	-	0.00%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	645	645	0.06%	20%
Local Agency Investment Fund			50,000	50,000	4.55%	N/A
Medium Term Notes	(5)	"A or higher"	66,059	69,288	6.01%	30%
Asset & Mortgage-Backed Securities		"AAA"	42,733	42,776	3.89%	20%
Municipals	(6)	"A or higher"	88,955	88,639	8.10%	30%
Total Portfolio			\$ 1,098,561	\$ 1,089,367	100.00%	

- (1) Securities have an explicit United States Government guarantee.
- (2) United States Treasuries and Federal Agencies are rated 'AAA' by two nationally recognized rating agencies and 'AA+' by one nationally recognized rating agency.
- (3) As of November 30, 2011, Metropolitan had \$.716 and \$26.895 million in federal agency securities posted as collateral with JP Morgan Chase and Morgan Stanley, respectively, pursuant to various swap agreements.
- (4) Repurchase agreements can only be executed with primary dealers and collateral consists of Treasuries and/or Federal Agencies with maturities under 5 years.
- (5) Please see attachment 2a for medium term notes that are rated less than A.
- (6) \$41.851 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
November 30, 2011
(\$ in Thousands)

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
*	*	Lehman Corporate Floating Rate Note	10/22/2008	\$ 73	\$ 287
*	*	Lehman 3.60%	3/13/2009	\$ 1,288	\$ 4,989
				\$ 1,361	\$ 5,276
Baa1	A-	Bank of America 6.5%	8/1/2016	\$ 967	\$ 1,062
A2	BBB+	Hewlett Parkard 2.2%	12/1/2015	\$ 1,008	\$ 999
Baa1	A	Merrill Lynch Corporation 5.0%	1/15/2015	\$ 1,910	\$ 2,033
				\$ 3,885	\$ 4,094

* Note: Securities are in default and credit ratings are no longer provided by the various rating agencies.

Attachment 3
Summary Report of Investment & Cash Activity
November 30, 2011

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 203,589	\$ 494	\$ 8,957	\$ -	\$ 195,126
Gov't National Mtge Assoc.	13	-	-	-	13
Federal Agencies	(1) 408,559	292,843	167,668	-	533,734
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	1,074	-	-	1,074	-
Commercial Paper	113,288	402,961	-	407,103	109,146
Negotiable Certificates of Deposit	1,000	34,553	-	35,553	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	556	1,415	1,326	-	645
Local Agency Investment Fund - California	50,000	-	-	-	50,000
Medium Term Notes	94,025	6,480	8	31,209	69,288
Asset & Mortgage-Backed Securities	43,690	-	914	-	42,776
Municipal Bonds	108,279	360	20,000	-	88,639
Subtotals	\$ 1,024,073	\$ 739,106	\$ 198,873	\$ 474,939	\$ 1,089,367
	Beginning				Ending
Cash	Balance	Deposits		Withdrawals	Balance
Demand Accounts	\$ 349	566			915
Petty Cash	5				5
Overnight Investment	-				-
Subtotals	\$ 354	\$ 566	\$ -	\$ -	\$ 920
Total	\$ 1,024,427	\$ 739,672	\$ 198,873	\$ 474,939	\$ 1,090,287

(1) As of November 30, 2011, Metropolitan had \$.716 and \$26.895 million in federal agency securities posted as collateral with JP Morgan Chase and Morgan Stanley, respectively, pursuant to various swap agreements.

Attachment 4
Duration Report
November 30, 2011

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ -	-
US Treasury Notes	141,437	1.769
US Treasury Strips	9,958	12.204
Federal Agency Coupons	434,231	0.593
Federal Agency Strips	7,421	4.358
Federal Agency Discount Notes	7,646	0.088
Money Market Fund	583	0.000
California Local Agency Investment Fund	45,175	0.000
Commercial Paper	98,606	0.035
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	-	-
Corporates	58,432	2.387
California Municipal VRDOs - 7 day put	8,926	0.007
GNMA	14	5.046
Asset Backed	-	-
Mortgage Backed	38,609	3.733
Total	\$ 851,038	
 Weighted Average Duration		 1.116

- (1) Duration is a measure of the sensitivity in the price of a bond to changes in interest rates, so it is a measure of risk in a fixed income portfolio. As a rule of thumb, a fixed income portfolio with a duration of 5 (years) will decline 5% in value for every 1% upward movement in comparable interest rates.