



● **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 – January 2012

Attachment 2: Portfolio Summary Report – January 2012

Attachment 3: Summary Report of Investment & Cash Activity – January 2012

Attachment 4: Duration Report – January 2012



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: February 13, 2012
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report January 2012

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. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of January 31, 2012, Metropolitan posted collateral totaling \$28.254 million pursuant to various swap agreements. \$27.557 million and \$697,000 in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

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
January 31, 2012

		Market Value		Duration		Monthly Return		Annualized Monthly Return		Annualized Return *Inception-to-Date	
		(\$ in Thousands)		<u>MWD</u>	<u>Benchmark</u>	<u>MWD</u>	<u>Benchmark</u>	<u>MWD</u>	<u>Benchmark</u>	<u>MWD</u>	<u>Benchmark</u>
Short-Term	(1)	\$	588,574	0.33	0.23	0.06%	0.00%	0.75%	(0.02%)	2.61%	1.94%
Long-Term	(2)		320,086	2.84	2.64	0.62%	0.56%	7.67%	6.96%	4.71%	4.13%
Total Core Funds		\$	908,660								
Other Funds	(3)		129,149	7.10		2.22%		30.16%		9.59%	
Total		\$	<u>1,037,809</u>								

(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
January 31, 2012

(\$ 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"	\$ 208,074	\$ 198,045	20.05%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	14	12	0.00%	100%
Federal Agencies	(2,3)	"AAA"	553,876	551,405	53.37%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	18,096	18,097	1.74%	25%
Negotiable Certificates of Deposit		"F1 or higher"	1,860	1,860	0.18%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	646	646	0.06%	20%
Local Agency Investment Fund			33,232	33,232	3.20%	N/A
Medium Term Notes	(5)	"A or higher"	96,568	95,068	9.31%	30%
Asset & Mortgage-Backed Securities		"AAA"	39,592	39,266	3.82%	20%
Municipals	(6)	"A or higher"	85,851	81,783	8.27%	30%
Total Portfolio			\$ 1,037,809	\$ 1,019,414	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 January 31, 2012, Metropolitan posted collateral totaling \$28.254 million pursuant to various swap agreements. \$27.557 million and \$697,000 in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.
- (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) \$28.721 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
January 31, 2012
(\$ in Thousands)

Credit Ratings Moody's S&P		Medium Term Notes	Maturity Date	Market Value	Book Value
Baa1	A-	Bank of America 6.5%	8/1/2016	\$ 1,066	\$ 1,060
Baa1	A-	Merrill Lynch Corporation 5.0%	1/15/2015	\$ 2,056	\$ 2,031
				\$ 3,122	\$ 3,091

Attachment 3
Summary Report of Investment & Cash Activity
January 31, 2012

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 198,210	\$ 21,490	\$ 21,655	\$ -	\$ 198,045
Gov't National Mtge Assoc.	13	-	-	1	12
Federal Agencies	(1) 579,114	169,780	185,326	12,163	551,405
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	150,194	270,564	-	402,661	18,097
Negotiable Certificates of Deposit	-	50,845	-	48,985	1,860
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	307	3,385	3,046	-	646
Local Agency Investment Fund - California	50,000	-	16,768	-	33,232
Medium Term Notes	68,701	36,242	8,161	1,714	95,068
Asset & Mortgage-Backed Securities	39,906	-	640	-	39,266
Municipals	86,568	15,105	19,890	-	81,783
Subtotals	\$ 1,173,013	\$ 567,411	\$ 255,486	\$ 465,524	\$ 1,019,414
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 88	1,829			1,917
Petty Cash	5				5
Overnight Investment	-				-
Subtotals	\$ 93	\$ 1,829	\$ -	\$ -	\$ 1,922
Total	\$ 1,173,106	\$ 569,240	\$ 255,486	\$ 465,524	\$ 1,021,336

(1) As of January 31, 2012, Metropolitan posted collateral totaling \$28.254 million pursuant to various swap agreements. \$27.557 million and \$697,000 in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

Attachment 4
Duration Report
January 31, 2012

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ -	-
US Treasury Notes	145,057	1.652
US Treasury Strips	12,183	13.804
Federal Agency Coupons	470,681	0.583
Federal Agency Strips	7,093	4.557
Federal Agency Discount Notes	-	-
Money Market Fund	596	0.000
California Local Agency Investment Fund	30,684	0.000
Commercial Paper	16,476	0.009
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	1,717	0.002
Corporates	89,011	1.713
Municipals	668	0.123
GNMA	13	5.030
Asset Backed	-	-
Mortgage Backed	36,556	3.970
Total	<u>\$ 810,735</u>	
Weighted Average Duration		1.249

- (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.