



● **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 – August 2012

Attachment 2: Portfolio Summary Report – August 2012

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

Attachment 4: Duration Report – August 2012



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: September 10, 2012
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report August 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 12, 2012. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of August 31, 2012, Metropolitan posted collateral totaling \$25.383 million pursuant to various swap agreements. \$21.512 million and \$3.871 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively. During August, Metropolitan also posted collateral with Citigroup Financial, pursuant to various swap agreements. However, as of August 31, 2012 no collateral was posted with Citigroup Financial.

Gary Breaux

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Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
August 31, 2012

		Market Value (\$ in Thousands)	Duration		Monthly Return		Annualized Monthly Return		Annualized Return *Inception-to-Date	
			MWD	Benchmark	MWD	Benchmark	MWD	Benchmark	MWD	Benchmark
Short-Term	(1)	\$ 537,247	0.29	0.24	0.03%	0.01%	0.31%	0.16%	2.50%	1.84%
Long-Term	(2)	326,440	2.64	2.69	0.30%	0.15%	3.70%	1.80%	4.62%	4.00%
Total Core Funds		\$ 863,687								
Other Funds	(3)	136,007	6.85		0.30%		3.70%		9.39%	
Total		<u>\$ 999,694</u>								

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

(2) The Long-Term Portfolio Benchmark is the Bank of America 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
August 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"	\$ 198,562	\$ 187,117	19.86%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	13	11	0.00%	100%
Federal Agencies	(2,3)	"AAA"	412,275	409,206	41.24%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	68,831	68,834	6.89%	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"	856	856	0.09%	20%
California Local Agency Investment Fund			50,000	50,000	5.00%	N/A
Medium Term Notes	(5)	"A or higher"	121,928	120,208	12.20%	30%
Asset & Mortgage-Backed Securities		"AAA"	54,835	54,107	5.48%	20%
Municipals	(6)	"A or higher"	92,394	86,977	9.24%	30%
Total Portfolio			<u>\$ 999,694</u>	<u>\$ 977,316</u>	<u>100.00%</u>	

- (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 August 31, 2012, Metropolitan posted collateral totaling \$25.383 million pursuant to various swap agreements. \$21.512 million and \$3.871 million 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) \$30.478 million (market value) of the municipal bond portfolio was rated AAA.

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

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
Baa2	A-	Merrill Lynch Corporation 5.0%	1/15/2015	2,110	2,025
Baa1	A-	Morgan Stanley 4.10%	1/26/2015	2,502	2,437
				\$ 4,612	\$ 4,462

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

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 201,144	\$ 18,851	\$ 3,738	\$ 29,140	\$ 187,117
Gov't National Mtge Assoc.	11	-	-	-	11
Federal Agencies	(1) 361,545	165,061	104,765	12,635	409,206
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	55,138	567,699	-	554,003	68,834
Negotiable Certificates of Deposit	-	-	-	-	-
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	411	722	277	-	856
California Local Agency Investment Fund	50,000	-	-	-	50,000
Medium Term Notes	133,170	5,333	-	18,295	120,208
Asset & Mortgage-Backed Securities	54,551	-	444	-	54,107
Municipals	86,872	105	-	-	86,977
Subtotals	\$ 942,842	\$ 757,771	\$ 109,224	\$ 614,073	\$ 977,316
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 246			127	119
Petty Cash & Payroll	5	10			15
Overnight Investment	-				-
Subtotals	\$ 251	\$ 10	\$ -	\$ 127	\$ 134
Total	\$ 943,093	\$ 757,781	\$ 109,224	\$ 614,200	\$ 977,450

(1) As of August 31, 2012, Metropolitan posted collateral totaling \$25.383 million pursuant to various swap agreements. \$21.512 million and \$3.871 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

Attachment 4
Duration Report
August 31, 2012

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 2,978	0.013
US Treasury Notes	129,105	1.582
US Treasury Strips	14,430	14.024
Federal Agency Coupons	317,564	0.624
Federal Agency Strips	6,046	4.798
Federal Agency Discount Notes	24,321	0.168
Shares of Beneficial Interest	785	0.000
California Local Agency Investment Fund	45,822	0.000
Commercial Paper	63,080	0.013
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	-	-
Medium Term Notes	111,740	1.206
Municipals	-	-
Gov't National Mtge Assoc.	12	4.954
Asset Backed	2,316	2.938
Mortgage Backed	47,937	3.485
Total	\$ 766,136	
 Weighted Average Duration		 1.237

- (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.