



● **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 – September 2012

Attachment 2: Portfolio Summary Report – September 2012

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

Attachment 4: Duration Report – September 2012



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: October 8, 2012
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report September 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 September 30, 2012, Metropolitan posted collateral totaling \$26.252 million pursuant to various swap agreements. \$21.536 million and \$4.716 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively. .

Gary Breaux

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Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
September 30, 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)	\$ 598,111	0.23	0.24	0.04%	0.01%	0.52%	0.14%	2.49%	1.82%
Long-Term	(2)	326,702	2.65	2.70	0.18%	0.11%	2.22%	1.36%	4.58%	3.98%
Total Core Funds		\$ 924,813								
Other Funds	(3)	136,181	6.80		0.22%		2.66%		9.30%	
Total		<u>\$ 1,060,994</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
September 30, 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"	\$ 192,161	\$ 181,269	18.11%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	12	11	0.00%	100%
Federal Agencies	(2,3)	"AAA"	372,997	370,024	35.16%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	135,004	135,009	12.72%	25%
Negotiable Certificates of Deposit		"F1 or higher"	40,001	40,001	3.77%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	809	809	0.08%	20%
California Local Agency Investment Fund			50,000	50,000	4.71%	N/A
Medium Term Notes	(5)	"A or higher"	119,329	117,531	11.25%	30%
Asset & Mortgage-Backed Securities		"AAA"	58,004	56,914	5.47%	20%
Municipals	(6)	"A or higher"	92,677	87,077	8.73%	30%
Total Portfolio			<u>\$ 1,060,994</u>	<u>\$ 1,038,645</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 September 30, 2012, Metropolitan posted collateral totaling \$26.252 million pursuant to various swap agreements. \$21.536 million and \$4.716 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) \$34.872 million (market value) of the municipal bond portfolio was rated AAA.

Portfolio Summary Report
Attachment 2a
September 30, 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	2,148	2,024
Baa1	A-	Morgan Stanley 4.10%	1/26/2015	2,532	2,438
				\$ 4,680	\$ 4,462

Attachment 3
Summary Report of Investment & Cash Activity
September 30, 2012

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 187,117	\$ 2,905	\$ 5,503	\$ 3,250	\$ 181,269
Gov't National Mtge Assoc.	11	-	-	-	11
Federal Agencies	(1) 409,206	92,162	128,344	3,000	370,024
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	-	-	-	-
Commercial Paper	68,834	633,560	-	567,385	135,009
Negotiable Certificates of Deposit	-	55,251	-	15,250	40,001
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	856	4,296	4,343	-	809
California Local Agency Investment Fund	50,000	-	-	-	50,000
Medium Term Notes	120,208	9,704	1,944	10,437	117,531
Asset & Mortgage-Backed Securities	54,107	3,364	557	-	56,914
Municipals	86,977	6,650	6,550	-	87,077
Subtotals	\$ 977,316	\$ 807,892	\$ 147,241	\$ 599,322	\$ 1,038,645
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 119	107			226
Petty Cash & Payroll	15				15
Overnight Investment	(2) -			72	(72)
Subtotals	\$ 134	\$ 107	\$ -	\$ 72	\$ 169
Total	\$ 977,450	\$ 807,999	\$ 147,241	\$ 599,394	\$ 1,038,814

(1) As of September 30, 2012, Metropolitan posted collateral totaling \$26.252 million pursuant to various swap agreements. \$21.536 million and \$4.716 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

(2) Includes investment of outstanding checks.

Attachment 4
Duration Report
September 30, 2012

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ -	-
US Treasury Notes	126,224	1.541
US Treasury Strips	14,601	14.069
Federal Agency Coupons	281,313	0.576
Federal Agency Strips	6,055	4.714
Federal Agency Discount Notes	24,336	0.086
Shares of Beneficial Interest	742	0.000
California Local Agency Investment Fund	45,846	0.000
Commercial Paper	123,557	0.031
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	36,677	0.018
Medium Term Notes	109,183	1.279
Municipals	-	-
Gov't National Mtge Assoc.	11	4.933
Asset Backed	2,315	2.860
Mortgage Backed	50,870	3.366
Total	<u>\$ 821,730</u>	
Weighted Average Duration		1.113

- (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.