



● **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 2012

Attachment 2: Portfolio Summary Report – November 2012

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

Attachment 4: Duration Report – November 2012



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: December 10, 2012
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report November 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 November 30, 2012, Metropolitan posted collateral totaling \$26.461 million pursuant to various swap agreements. \$22.175 million and \$4.286 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
November 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)	\$ 681,106	0.24	0.23	0.04%	0.02%	0.53%	0.19%	2.45%	1.80%
Long-Term	(2)	328,193	2.63	2.70	0.24%	0.20%	2.88%	2.45%	4.54%	3.94%
Total Core Funds		\$ 1,009,299								
Other Funds	(3)	135,958	7.23		1.28%		16.52%		9.33%	
Total		<u>\$ 1,145,257</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
November 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"	\$ 224,703	\$ 213,678	19.62%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	12	10	0.00%	100%
Federal Agencies	(2,3)	"AAA"	402,326	399,093	35.13%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	-	-	0.00%	40%
Commercial Paper		"A1/P1 or higher"	164,572	164,574	14.37%	25%
Negotiable Certificates of Deposit		"F1 or higher"	59,351	59,350	5.18%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	616	616	0.05%	20%
California Local Agency Investment Fund			50,000	50,000	4.37%	N/A
Medium Term Notes		"A or higher"	79,921	78,296	6.98%	30%
Asset & Mortgage-Backed Securities		"AAA"	63,268	62,439	5.52%	20%
Municipals	(5)	"A or higher"	100,488	93,887	8.78%	30%
Total Portfolio			<u>\$ 1,145,257</u>	<u>\$ 1,121,943</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 November 30, 2012, Metropolitan posted collateral totaling \$26.461 million pursuant to various swap agreements. \$22.175 million and \$4.286 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) \$38.384 million (market value) of the municipal bond portfolio was rated AAA.

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

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 186,286	\$ 68,000	\$ 8,642	\$ 31,966	\$ 213,678
Gov't National Mtge Assoc.	10	-	-	-	10
Federal Agencies	(1) 343,254	335,694	247,543	32,312	399,093
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	1,007	-	1,007	-
Commercial Paper	192,196	812,868	-	840,490	164,574
Negotiable Certificates of Deposit	5,000	71,700	-	17,350	59,350
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	782	1,234	1,400	-	616
California Local Agency Investment Fund	50,000	-	-	-	50,000
Medium Term Notes	100,349	9,273	-	31,326	78,296
Asset & Mortgage-Backed Securities	58,143	4,970	674	-	62,439
Municipals	91,341	5,071	2,425	100	93,887
Subtotals	\$ 1,027,361	\$ 1,309,817	\$ 260,684	\$ 954,551	\$ 1,121,943
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 171			5	166
Petty Cash & Payroll	15				15
Overnight Investment	-				-
Subtotals	\$ 186	\$ -	\$ -	\$ 5	\$ 181
Total	\$ 1,027,547	\$ 1,309,817	\$ 260,684	\$ 954,556	\$ 1,122,124

(1) As of November 30, 2012, Metropolitan posted collateral totaling \$26.461 million pursuant to various swap agreements. \$22.175 million and \$4.286 million in federal agencies were posted with Morgan Stanley and JP Morgan Chase, respectively.

Attachment 4
Duration Report
November 30, 2012

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 5,161	0.052
US Treasury Notes	152,043	1.409
US Treasury Strips	14,098	13.720
Federal Agency Coupons	329,539	0.564
Federal Agency Strips	6,113	4.550
Federal Agency Discount Notes	4,461	0.068
Shares of Beneficial Interest	568	0.000
California Local Agency Investment Fund	46,085	0.000
Commercial Paper	151,685	0.035
Bankers' Acceptances	-	-
Negotiable Certificates of Deposit	54,703	0.084
Medium Term Notes	73,245	1.869
Municipals	7,779	0.052
Gov't National Mtge Assoc.	11	4.876
Asset Backed	2,312	2.703
Mortgage Backed	56,002	3.114
Total	\$ 903,805	
 Weighted Average Duration		 1.051

- (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.