



Metropolitan Water District

Insights and Review

September 9, 2013



REAMS ASSET MANAGEMENT

A Division of Scout Investments

Agenda

- Financial Market Overview

- Portfolio Overview



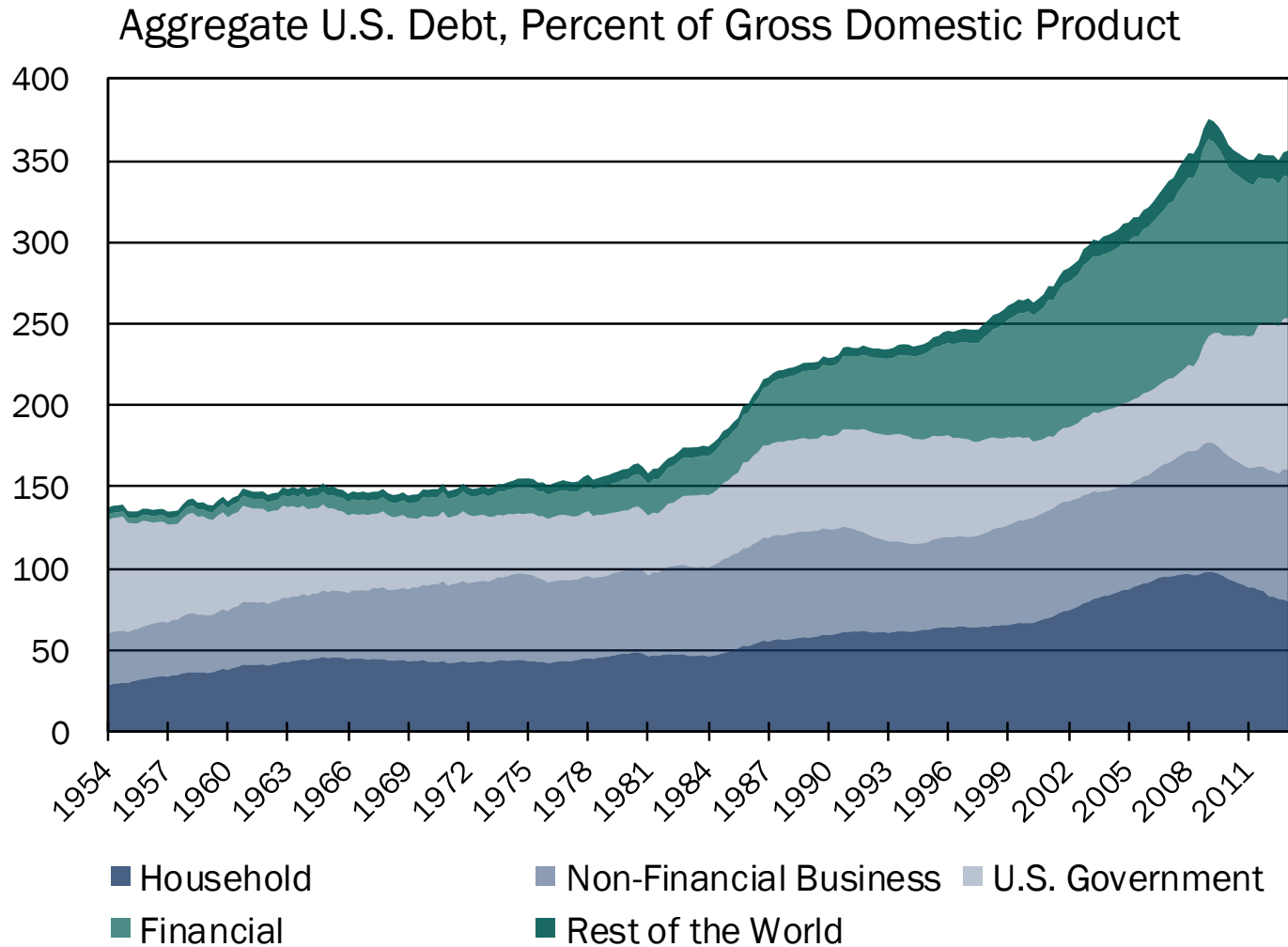
Financial Market Overview



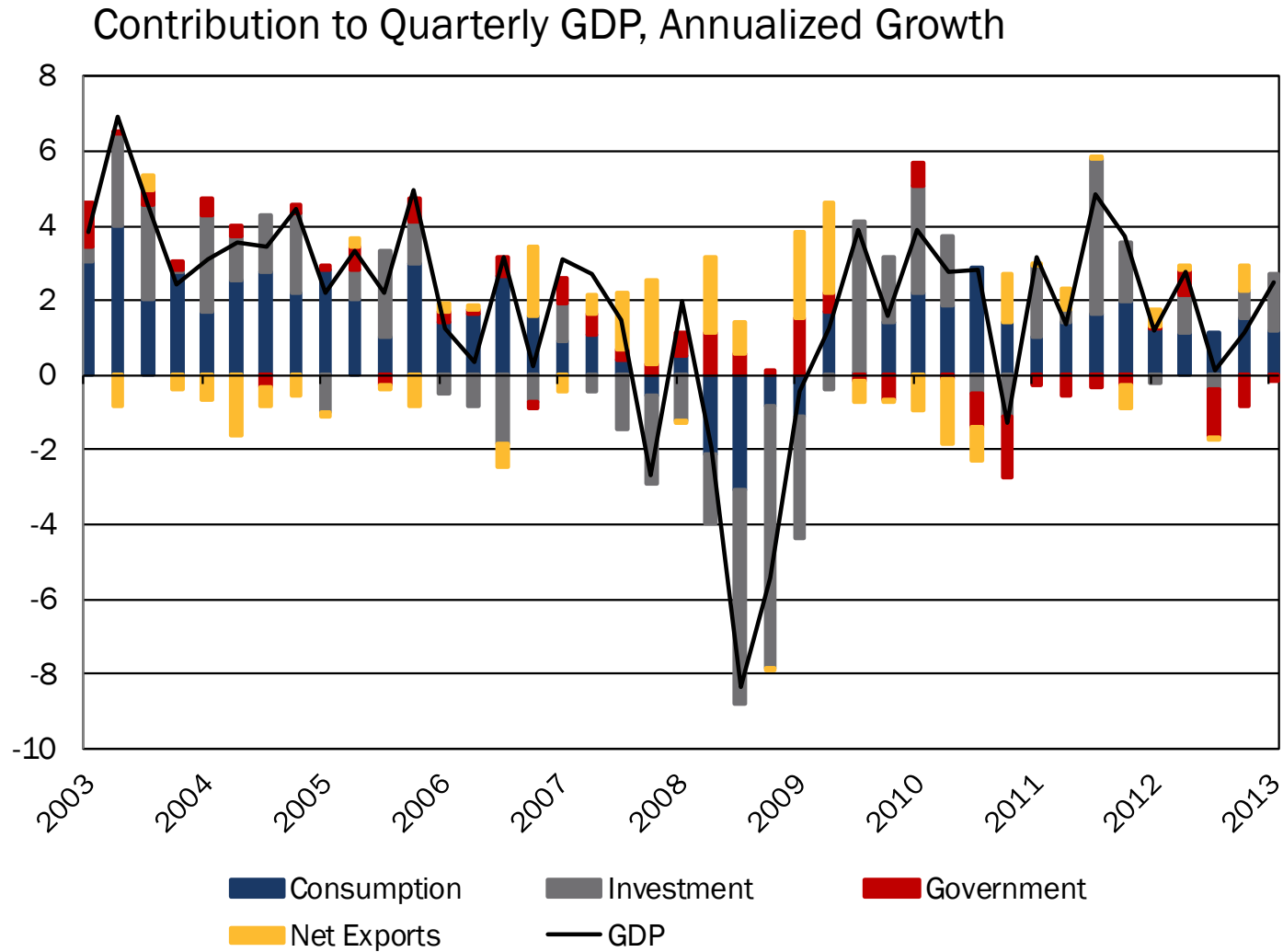
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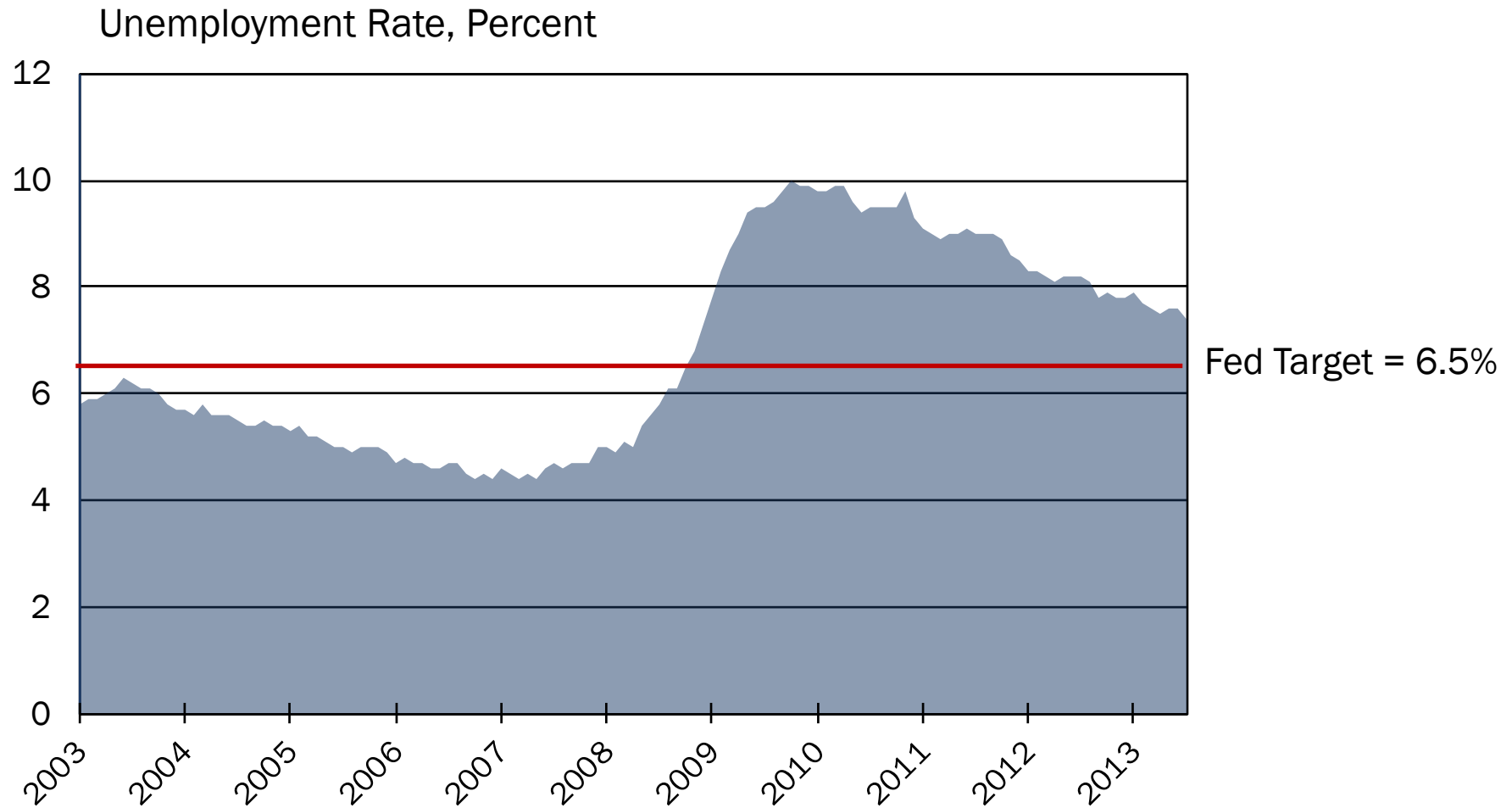
Aggregate U.S. Debt



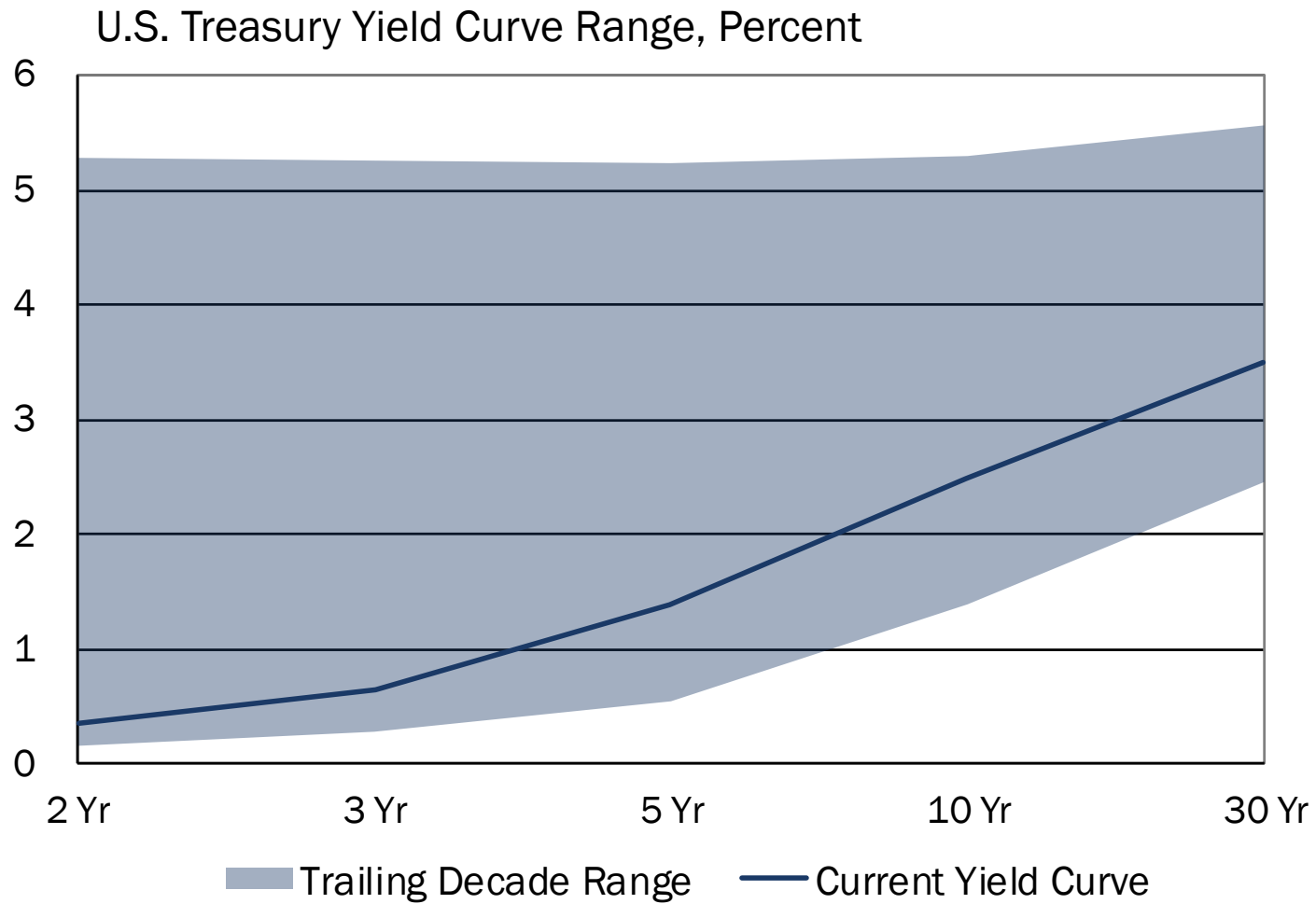
Contribution to GDP



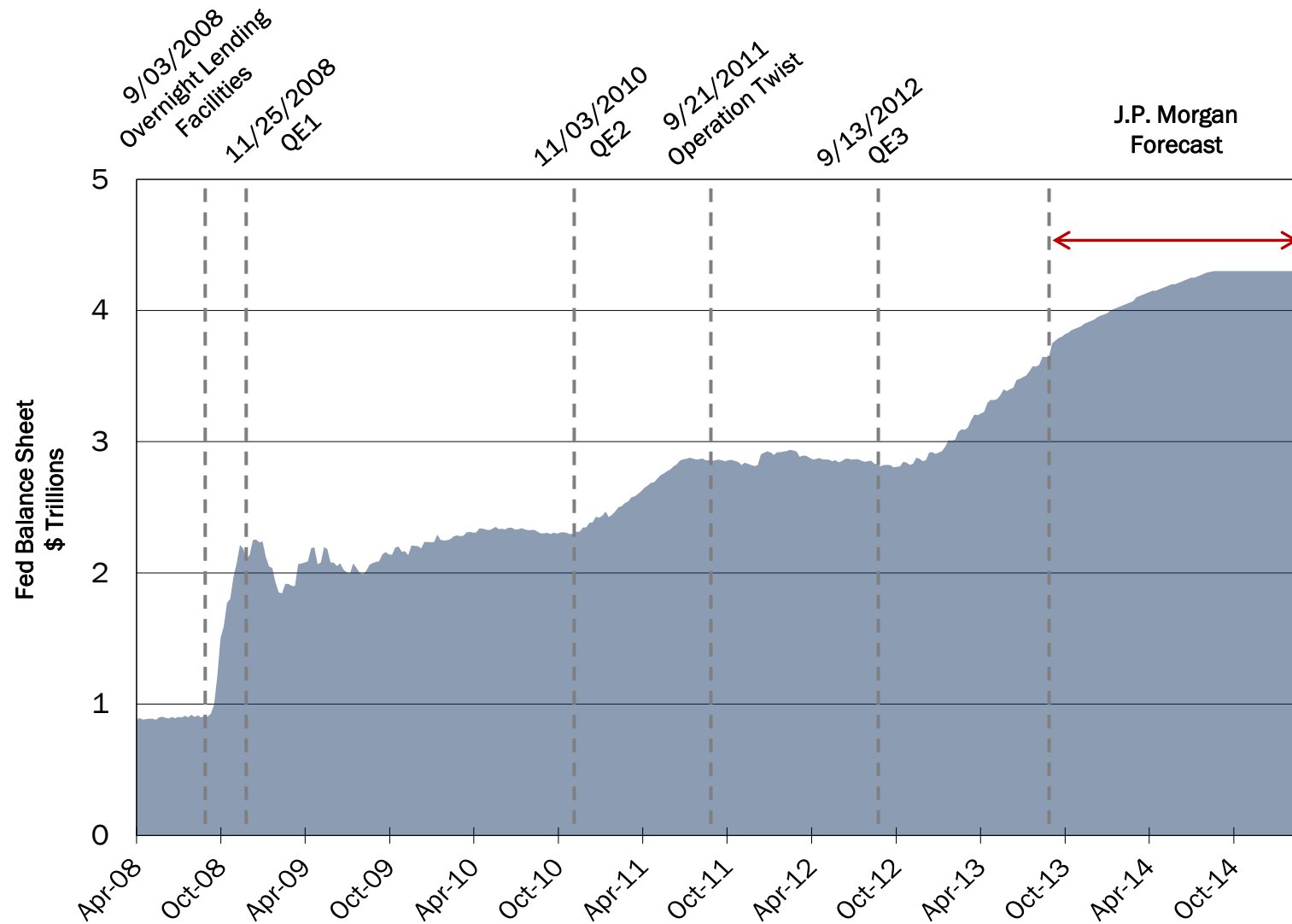
Unemployment



Yield Curve



Fed Balance Sheet



Source: Federal Reserve Database



Portfolio Overview



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Performance

	Year To Date 8/31/13	Last 12 Months 8/31/13	Two Years (annualized) 8/31/13	Three Years (annualized) 8/31/13	Five Years (annualized) 8/31/13	Since Inception (annualized) 5/1/02-8/31/13
Metropolitan Water District Portfolio	(0.23)	0.50	1.73	2.00	4.15	4.32
Merrill Lynch Gov't/Corp, 1-5 Yrs, A Rated and Above Index	(0.48)	(0.21)	0.79	1.42	2.89	3.62



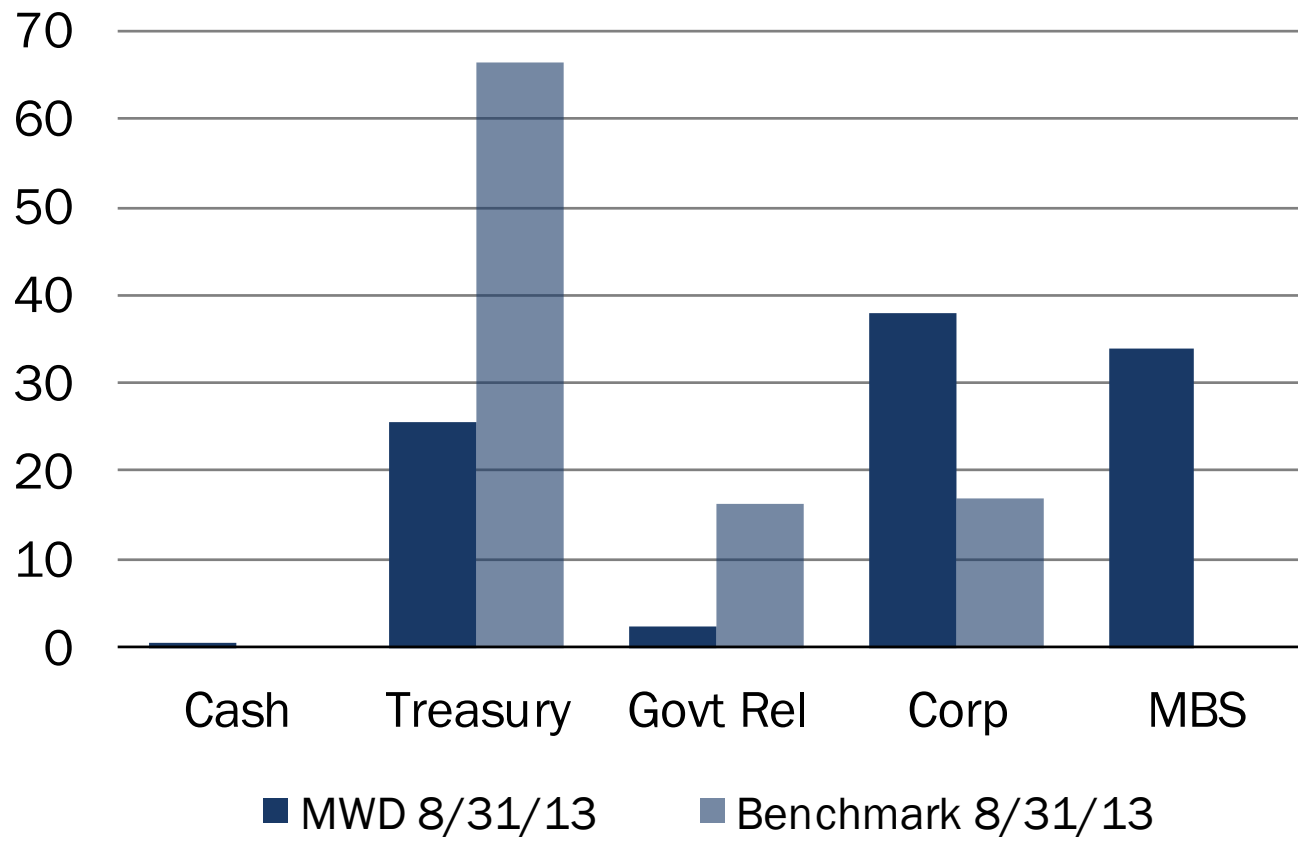
Current Portfolio Themes

- Defensive position in regard to duration exposure
- Overweight to the corporate sector based on strong fundamentals
- Overweight to ABS and MBS securities that will perform well in volatile market conditions
- Underweight government debt and the debt of Government Sponsored Entities owing to rich valuations

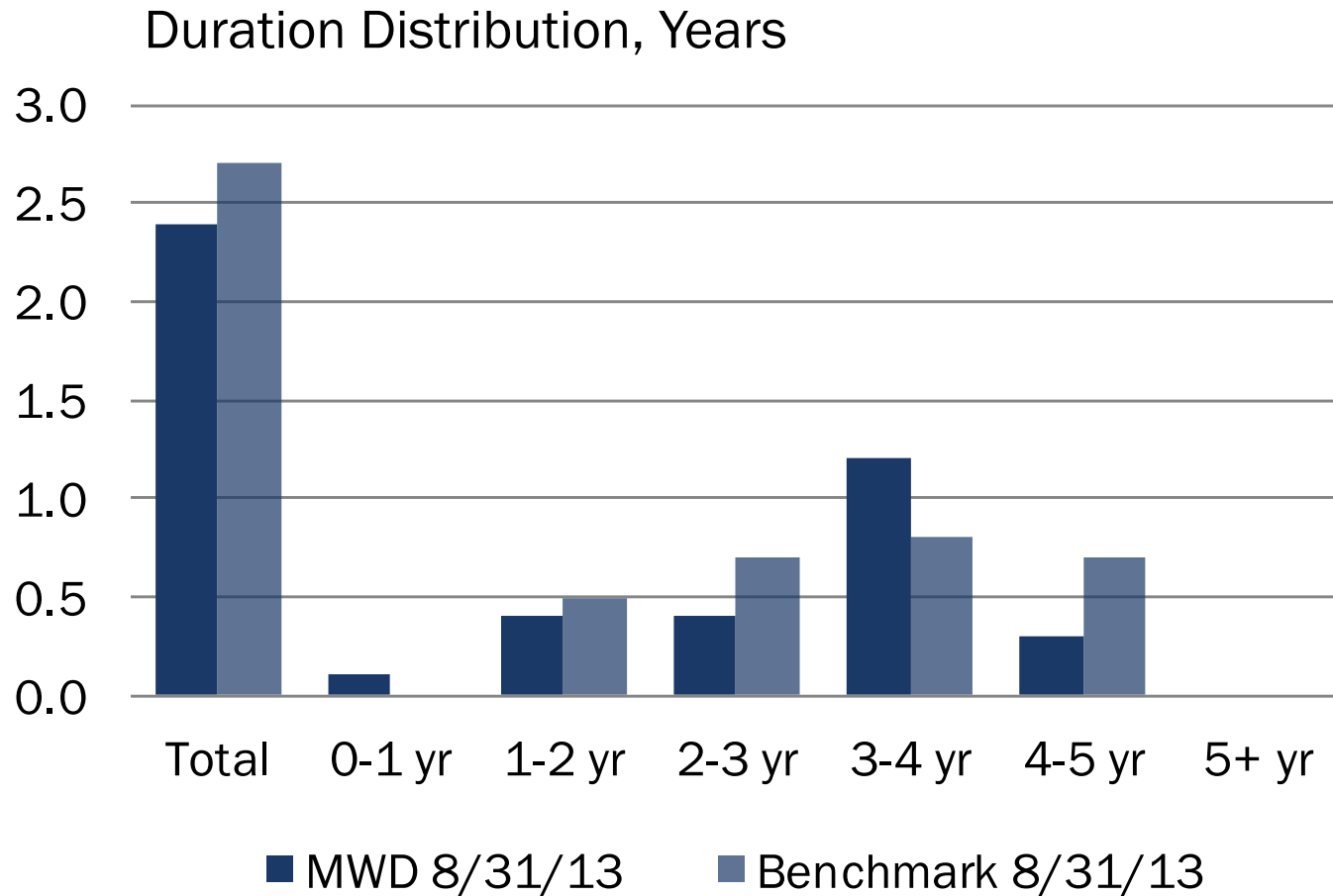


Sector Structure

Sector Distribution, Percent



Curve Exposure



MBS/ABS Overview

- Used in lieu of agency debentures
- Focus on niche part of the market: DUS
 - Delegated Underwriting and Servicing (DUS): guaranteed by Fannie Mae and Freddie Mac
 - Typically issued as 10-year securities
 - Backed by multifamily properties
 - Most attractive feature: call protection
 - Eight basis points added year-to-date from prepayment penalties

