



● **Treasurer's Monthly Report**

Summary

The attached Treasurer's monthly report provides Metropolitan's investments, as well as portfolio compliance with Metropolitan's Statement of Investment Policy and investment programs.

Purpose

Administrative Code Requirement Section 5114

Attachments

- | | |
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| Attachment 1: | Portfolio Performance Report – August 2013 |
| Attachment 2 & 2a: | Portfolio Summary Report – August 2013 |
| Attachment 3: | Summary Report of Investment & Cash Activity – August 2013 |
| Attachment 4: | Duration Report – August 2013 |



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: September 9, 2013
To: Finance and Insurance Committee
From: Gary Breaux, Assistant General Manager/Chief Financial Officer
Subject: Treasurer's Monthly Report August 2013

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 10, 2013. Metropolitan has sufficient liquidity to pay for the next six months of expenditures.

As of August 31, 2013, Metropolitan posted \$3.52 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

A handwritten signature in black ink, appearing to read "Gary Breaux".

Gary Breaux

GB/mt

Attachments

Attachment 1
The Metropolitan Water District of Southern California (MWD)
Portfolio Performance Report
August 31, 2013

		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)	\$ 684,504	0.24	0.24	(0.24%)	0.01%	(2.85%)	0.06%	2.22%	1.68%
Long-Term	(2)	325,334	2.85	2.73	(0.22%)	(0.25%)	(2.55%)	(2.96%)	4.14%	3.62%
Total Core Funds		\$ 1,009,838								
Other Funds	(3)	124,481	7.64		(0.99%)		(11.23%)		7.93%	
Total		<u>\$ 1,134,319</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, 2013

(\$ 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"	\$ 207,992	\$ 203,888	18.34%	100%
Gov't National Mtge Assoc.	(1)	"AAA"	10	9	0.00%	100%
Federal Agencies	(2,3)	"AAA"	330,048	337,047	29.10%	100%
Repurchase Agreements	(4)	"AAA"	-	-	0.00%	50%
Bankers' Acceptances		"F1 or higher"	1,859	1,859	0.16%	40%
Commercial Paper		"A1/P1 or higher"	239,294	239,303	21.09%	25%
Negotiable Certificates of Deposit		"F1 or higher"	79,999	80,000	7.05%	30%
Time Deposits		"F1 or better"	-	-	0.00%	N/A
Shares of Beneficial Interest		"AAA"	835	835	0.07%	20%
California Local Agency Investment Fund			50,000	50,000	4.41%	N/A
Medium Term Notes	(6)	"A or higher"	73,379	73,358	6.47%	30%
Asset & Mortgage-Backed Securities		"AAA"	67,457	68,062	5.95%	20%
Municipals	(5)	"A or higher"	83,446	81,548	7.36%	30%
Total Portfolio			<u>\$ 1,134,319</u>	<u>\$ 1,135,909</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, 2013, Metropolitan posted \$3.52 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.
- (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) \$18.562 million (market value) of the municipal bond portfolio was rated AAA.
- (6) Please see attachment 2a for medium term notes that are rated less than A.

Portfolio Summary Report
Attachment 2a
August 31, 2013
(\$ in Thousands)

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
A3	BBB+	Hartford Life Global - Float	6/16/2014	1,224	1,209

Attachment 3
Summary Report of Investment & Cash Activity
August 31, 2013

(Shown at Book Value and \$ in Thousands)

	Beginning Balance	Purchases	Sales	Maturities	Ending Balance
United States Treasuries	\$ 212,505	\$ 2,582	\$ 6,199	\$ 5,000	\$ 203,888
Gov't National Mtge Assoc.	9	-	-	-	9
Federal Agencies	(1) 374,056	59,811	38,536	58,284	337,047
Repurchase Agreements	-	-	-	-	-
Bankers' Acceptances	-	1,859	-	-	1,859
Commercial Paper	145,959	415,140	-	321,796	239,303
Negotiable Certificates of Deposit	52,000	55,000	-	27,000	80,000
Time Deposits	-	-	-	-	-
Shares of Beneficial Interest	1,073	2,986	3,224	-	835
California Local Agency Investment Fund	50,000	4,148	4,148	-	50,000
Medium Term Notes	81,540	38,246	17,568	28,860	73,358
Asset & Mortgage-Backed Securities	65,629	4,876	2,443	-	68,062
Municipals	81,423	3,013	2,888	-	81,548
Subtotals	\$ 1,064,194	\$ 587,661	\$ 75,006	\$ 440,940	\$ 1,135,909
	Beginning Balance	Deposits		Withdrawals	Ending Balance
Cash					
Demand Accounts	\$ 178	688			866
Petty Cash & Payroll	15				15
Overnight Investment	-				-
Subtotals	\$ 193	\$ 688	\$ -	\$ -	\$ 881
Total	\$ 1,064,387	\$ 588,349	\$ 75,006	\$ 440,940	\$ 1,136,790

(1) As of August 31, 2013, Metropolitan posted \$3.52 million in federal agency securities as collateral with Morgan Stanley, pursuant to various swap agreements.

Attachment 4
Duration Report
August 31, 2013

(\$ in Thousands)

Securities Available for Metropolitan's Self-Liquidity Program	Market Value	Duration (1)
US Treasury Bills	\$ 32,123	0.068
US Treasury Notes	110,285	2.172
US Treasury Strips	12,086	12.471
Federal Agency Coupons	259,576	0.541
Federal Agency Strips	5,814	3.789
Federal Agency Discount Notes	13,621	0.015
Shares of Beneficial Interest	733	0.000
California Local Agency Investment Fund	43,899	0.000
Commercial Paper	210,095	0.042
Bankers' Acceptances	1,632	0.064
Negotiable Certificates of Deposit	70,237	0.051
Medium Term Notes	63,757	2.588
Municipals	-	-
Gov't National Mtge Assoc.	9	4.653
Asset Backed	-	-
Mortgage Backed	59,226	3.752
Total	\$ 883,093	
Weighted Average Duration		1.081

- (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.