

Date: July 29, 2016
To: Mayor and City Council
From: City Manager
By: Interim Director of Finance
Subject: 2016 Second Quarter Investment Report

In accordance with California Government Code and the City's Statement of Investment Policy, I am transmitting for your review the quarterly investment report for the period of April 1 – June 30, 2016 (2Q2016). The City's Investment Advisory Committee (IAC) reviewed this report (but took no formal action) during their quarterly meeting on July 25, 2016. The attached report provides a summary of market and economic conditions, the composition of the City's portfolio, investment performance and investment strategy. Monthly summaries of all of the City's account holdings along with the quarterly reports are posted on the Finance Department's web page: <http://www.hayward-ca.gov/CITY-GOVERNMENT/DEPARTMENTS/FINANCE/> under the "Documents" tab.

The City's investment portfolio (pooled cash) totaled \$245.8 million as of June 30, 2016; \$121.8 million was invested through the City's investment advisor, The PFM Group; \$94.6 million was on deposit in the Local Agency Investment Fund (LAIF); and the remaining portfolio balance of \$29.3 million resided in the City's general checking account. Cash flow needs cause the balances of the LAIF and general checking accounts to fluctuate monthly.

The interest earned during 2Q2016 on the City's portfolio managed by the PFM Group (excluding LAIF and cash accounts) demonstrated lower returns due to falling interest rates and the portfolio's sector diversification. The portfolio fell slightly the benchmark used for comparison (1-3 Year U.S. Treasury Index) – earning .50%, while the benchmark earned .53% over the same period. For 2Q2016, the funds on deposit with LAIF earned 0.58%, a big improvement over recent years. The balance held in the City's general checking account does not earn interest.

The City's investments are generally within a 1-3 year range, however, as of June 30, 2016, approximately 3.5% of the portfolio managed by The PFM Group fell into a maturity range of 3-5 years consistent with the City's Investment Policy.

Pursuant to provision (3) of California Government Code section 53646, the City establishes that it is able to meet its pooled expenditure requirements for the next six months.

Attachments:

Second Quarter 2016 Performance Investment Report by The PFM Group
Second Quarter 2016 LAIF Performance Report



PFM Asset Management LLC

CITY OF HAYWARD

Investment Performance Review For the Quarter Ended June 30, 2016

Client Management Team

Monique Spyke, Director

PFM Asset Management LLC

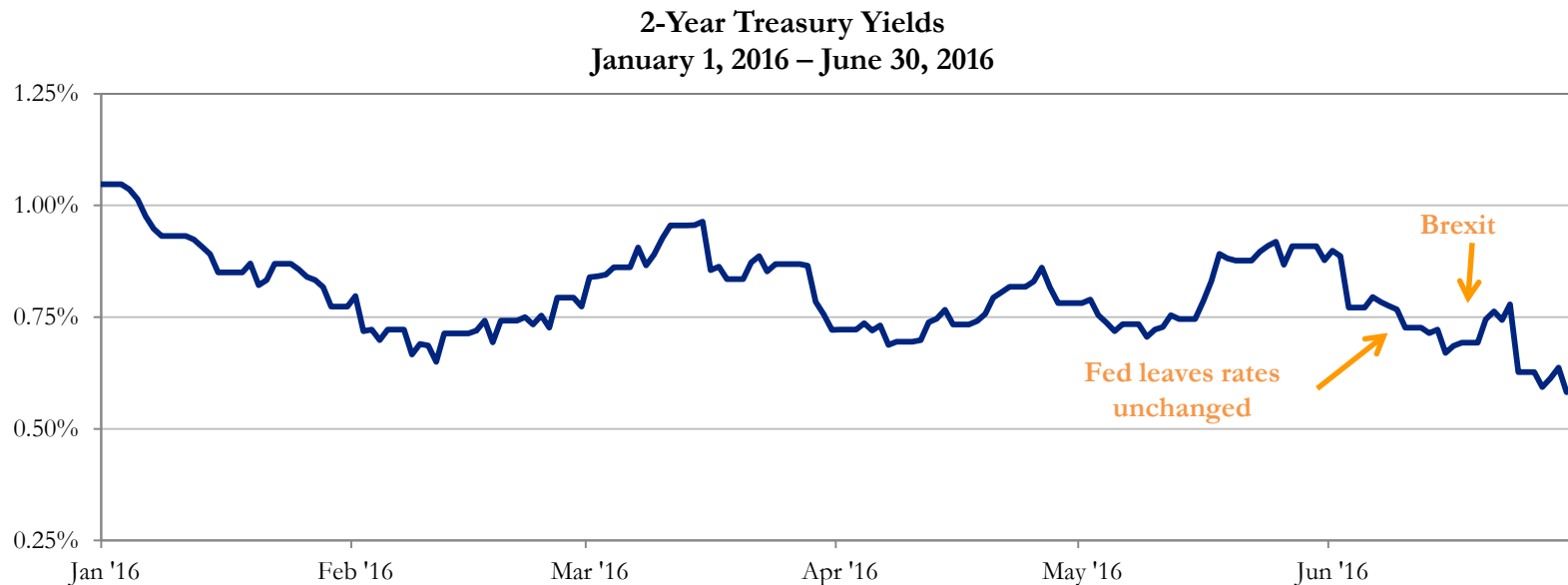
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Harrisburg, PA 17101-2044
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Market Update

Interest Rate Update

- On June 15, after the Fed decided not to raise the fed funds target range, yields on U.S. Treasuries fell modestly.
- Then, after the United Kingdom voted to leave the European Union (Brexit), yields across the yield curve fell to multi-year lows as investors sought the safety of U.S. Treasuries.
- The sharp decline in interest rates caused market value appreciation in the City's portfolio.

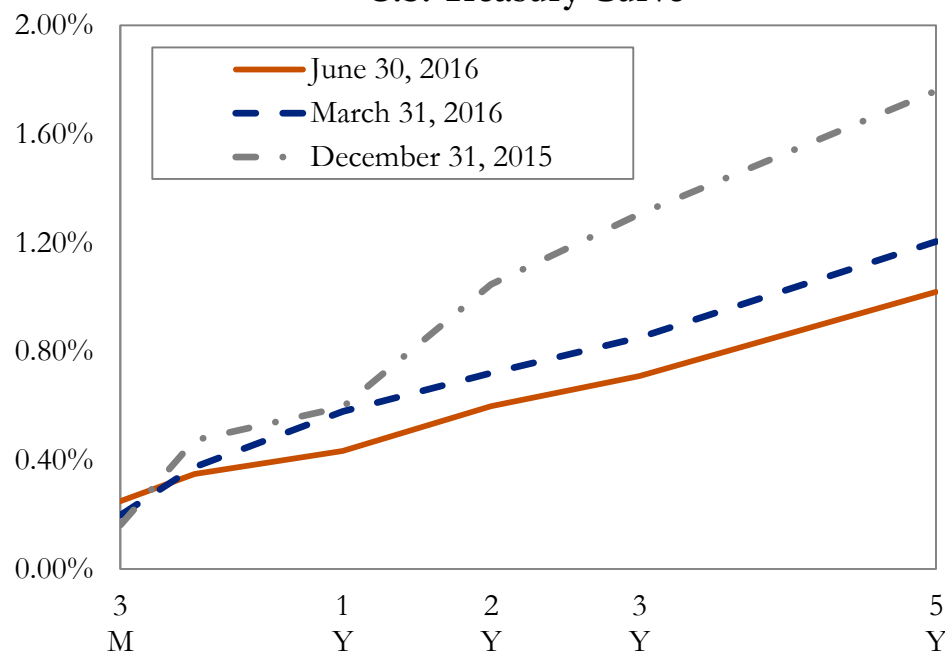


Source: Bloomberg.

Yield Curve Continues to Flatten

- Longer maturity treasury yields have fallen substantially this year over concerns about global growth and global demand given negative yields abroad.
- On the shorter end of the curve, rates were little changed from last quarter due to lower expectations for a Fed rate hike in the coming months.

U.S. Treasury Curve









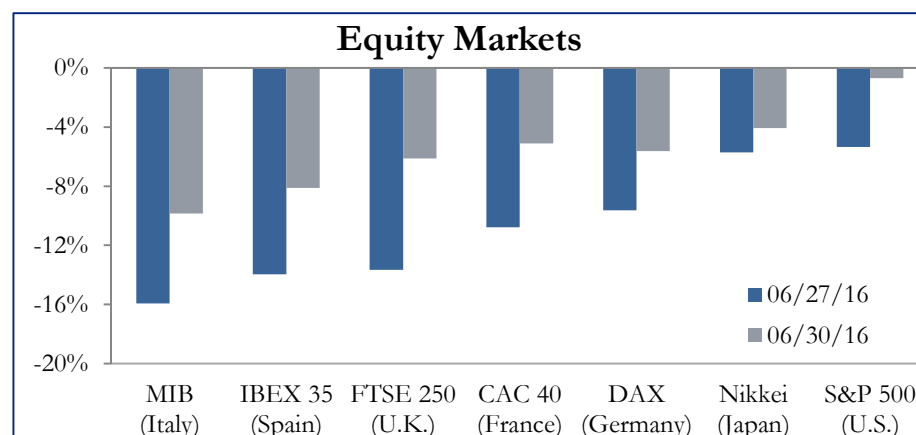
	6/30/16	3/31/16	12/31/15
3-month	0.25%	0.20%	0.16%
6-month	0.35%	0.38%	0.47%
1-year	0.44%	0.58%	0.60%
2-year	0.60%	0.72%	1.05%
3-year	0.71%	0.85%	1.31%
5-year	1.02%	1.20%	1.76%

Source: Bloomberg.

Post-Brexit Global Market Reaction

- A “flight-to-quality” occurred as investors shed risk assets (e.g., equities) in favor of safe-haven investments like U.S. Treasuries.
 - Stock prices tumbled and the yields of sovereign bonds fell across the entire global market.
 - Despite the sharp decline in U.S. Treasury yields, their rates remain among the highest of the developed world.
- The City’s portfolio was well-positioned for post-Brexit volatility given its high overall credit quality and strong emphasis on highly-liquid securities.

10-Year Government Bond Yields						
Country						
	U.K.	U.S.	Germany	France	Switz.	Japan
Yield (06/30/16)	0.87%	1.47%	-0.13%	0.18%	-0.58%	-0.22%
Change	-0.51%	-0.28%	-0.22%	-0.27%	-0.20%	-0.08%



Source: Bloomberg, as of 06/30/16. Change is from 06/23/16.

Fed Keeps Rates Unchanged

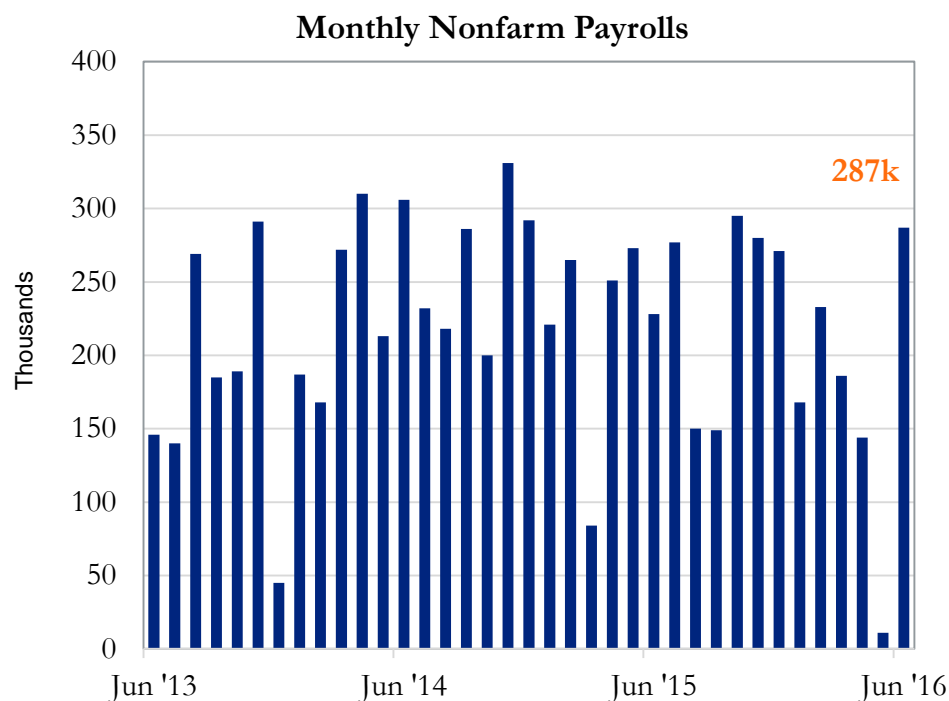
- At the Federal Reserve's June meeting, they voted to keep the fed funds target range at 0.25% to 0.50%.
- Janet Yellen's Press Conference:
 - “Recent economic indicators have been mixed...”
 - “Although recent labor market data have, on balance, been disappointing, it's important not to overreact to one or two monthly readings”
 - “It's fair to say that [Brexit] was one of the factors that factored into today's decisions...”
 - “There is no meeting that is off the table... the Committee will feel free to move in the coming months if we think it's appropriate.”

Probability of Fed Rate Hike			
Meeting	6/30/16	5/31/16	12/31/15
07/27/16	0%	57%	79%
09/21/16	0%	64%	87%
11/02/16	0%	67%	89%
12/14/16	9%	78%	93%
02/01/17	9%	81%	95%

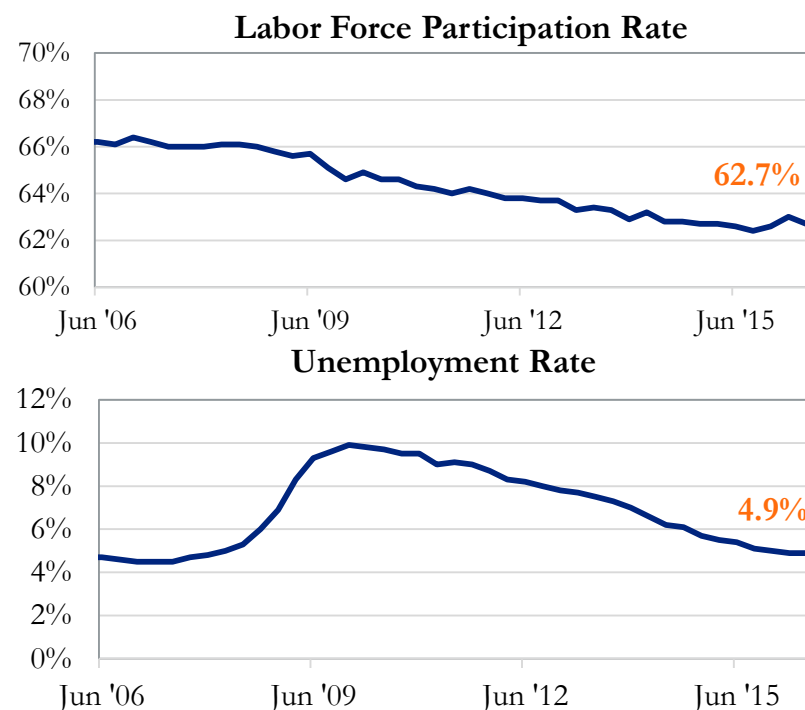
Source: Federal Reserve. Bloomberg. WIRP as of 6/30/16.

U.S. Labor Market Conditions

- Although Brexit decreased expectations for interest rate increases, a strengthening jobs market may impact the Fed's timeline.
- The labor market rebounded in June, adding 287,000 net new jobs. The job growth for the past 12 months has averaged more than 200,000 new jobs per month.



Source: Bloomberg.



Investment Strategy

Second Quarter 2016 Strategy Recap

- Given the high degree of uncertainty and volatility in the market, PFMAM maintained the City's portfolio duration near or neutral to the benchmark's throughout the quarter.
- New federal agency issue supply helped keep shorter-maturity yield spreads elevated at attractive levels and we purchased some attractive issues for the City's portfolio. We purchased agencies and supranationals for the portfolio, capturing the value presented by widening spreads.
- Corporate yield spreads continued to march tighter throughout the 2nd quarter as credit conditions improved from the 1st quarter slowdown in economic growth. The gradual increase in oil prices was the driving force behind sector spread tightening as energy firms recovered lock step with oil prices.
 - Following the Brexit vote, corporate yield spreads experienced a brief spike in spreads, but quickly retraced all of the widening by quarter end.
 - The sector generated strong outperformance relative to Treasuries, adding to its 2016 return advantage.
- Falling long-term interest rates adversely impacted mortgage-backed security (MBS) prices, as prepayments are expected to accelerate and negatively impact returns. This caused the MBS sector to underperform Treasuries for the quarter and through the first half of the year. We held only modest allocations to MBS with most holdings in issues that carry limited interest rate sensitivity.

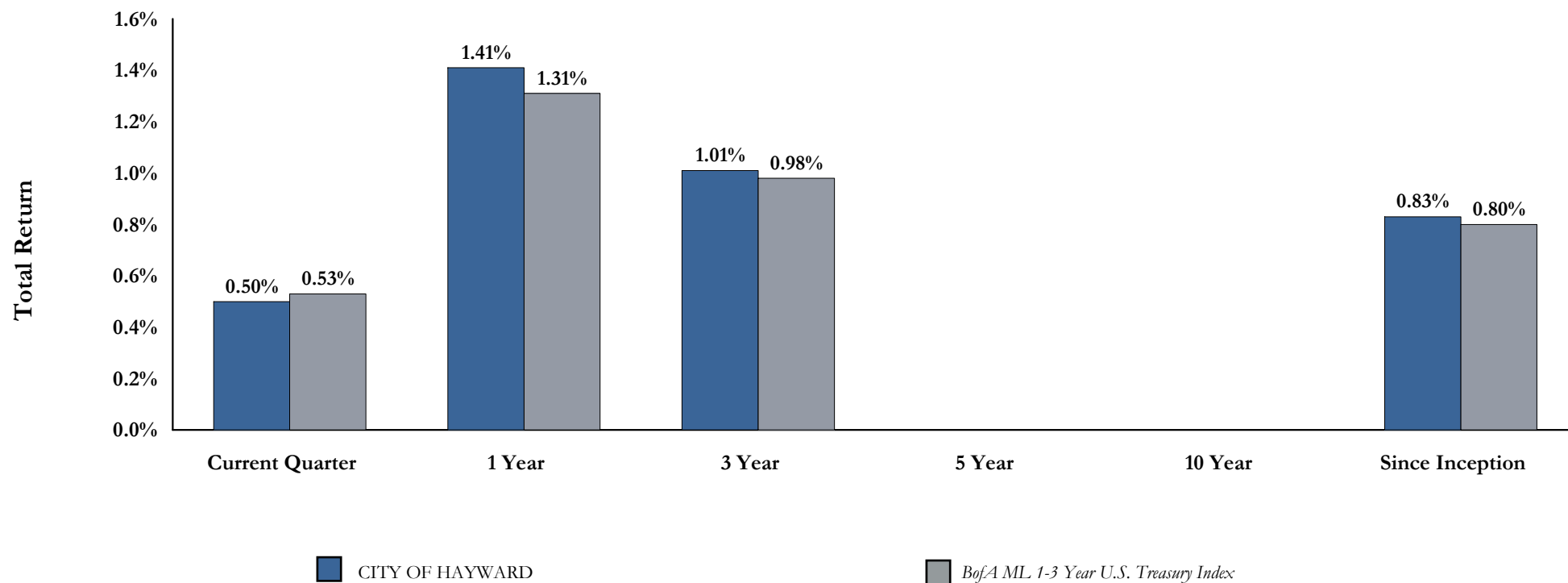
Third Quarter 2016 Outlook and Strategy

- We expect the U.S. economy to expand at a moderate pace in the second half of 2016, but concern about Brexit may be a marginal drag. We will be closely monitoring incoming economic data for any changes to that view.
- The Brexit vote changed the prospects for expected Fed action.
 - The market now expects no rate hikes until December at the earliest, or even into 2017.
 - Given the likelihood that rates will not move significantly higher in the near-term, we plan to keep the portfolio duration neutral to its benchmark, avoiding any significant mismatches.
- We will continue to utilize credit sectors, including corporates notes, commercial paper, and negotiable CDs.
 - But, we are taking our time to closely review issuers' exposure to the UK and Europe, and are being more cautious about adding credit exposure at this time.
 - We believe the best opportunities are currently with issuers in the U.S. financial industry, where capital is strong and spreads are wide.
 - We will continue to evaluate MBS and ABS on an issue-by-issue basis, purchasing only those issues we believe are well structured, offer adequate yield spreads, and which have limited duration variability.

Investment Performance Review

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	1 Year	Annualized Return			Since Inception (09/30/12) **
				3 Year	5 Year	10 Year	
CITY OF HAYWARD	1.83	0.50%	1.41%	1.01%	-	-	0.83%
<i>BofA ML 1-3 Year U.S. Treasury Index</i>	<i>1.83</i>	<i>0.53%</i>	<i>1.31%</i>	<i>0.98%</i>	-	-	<i>0.80%</i>
Difference		-0.03%	0.10%	0.03%	-	-	0.03%

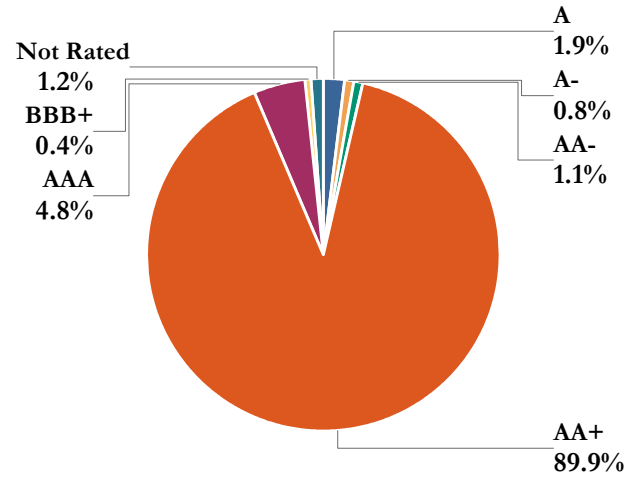
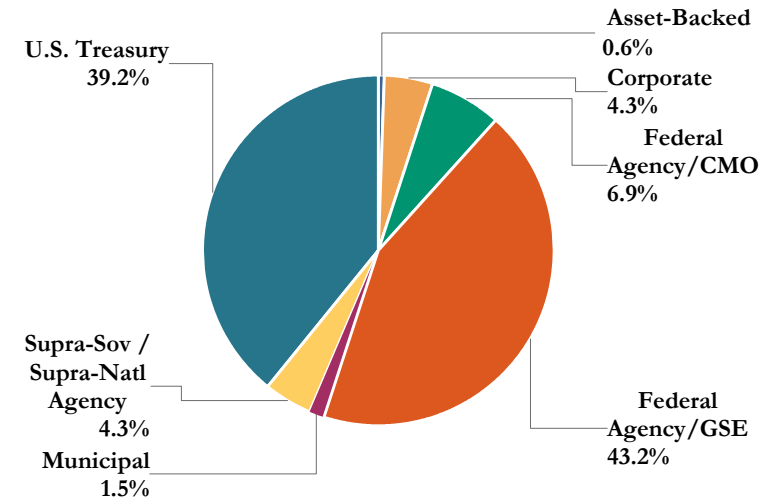
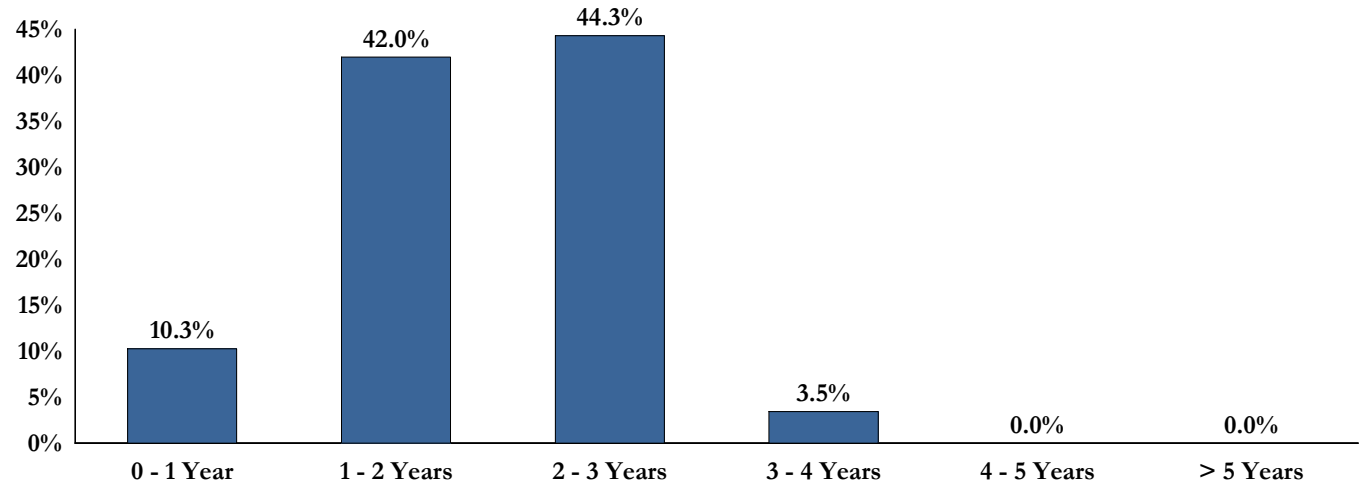


Portfolio performance is gross of fees unless otherwise indicated. **Since Inception performance is not shown for periods less than one year.

Portfolio Statistics

As of June 30, 2016

Par Value:	120,882,693
Total Market Value:	122,110,305
Security Market Value:	121,841,598
Accrued Interest:	268,707
Cash:	-
PFM	-
Amortized Cost:	121,167,571
Yield at Market:	0.73%
Yield at Cost:	0.98%
Effective Duration:	1.83 Years
Duration to Worst:	1.95 Years
Average Maturity:	2.01 Years
Average Credit: **	AA

Credit Quality (S&P Ratings)**Sector Allocation****Maturity Distribution**

** An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Compliance

Security Type	Market Value 06/30/16	% of Portfolio	Change Since 03/31/16	% Permitted by Policy	In Compliance
U.S. Treasuries	\$47,800,623	19%	-9%	100%	✓
Federal Agencies	\$52,679,168	21%	1%	100%	✓
<i>Non-Callable</i>	<i>\$52,679,168</i>	<i>21%</i>	<i>1%</i>		
<i>Callable</i>	<i>\$0</i>	<i>0%</i>	<i>0.0%</i>		
Supranationals	\$5,191,824	2%	2%	30%	✓
Municipal Bonds	\$1,804,661	1%	0%	20%	✓
Asset-Backed Securities	\$9,110,007	4%	0%	20%	✓
Corporate Notes	\$5,255,316	2%	0%	30%	✓
Portfolio Total	\$121,841,598	50%			
LAIF	\$94,617,450	39%	4%	\$50 Million per Account ¹	✓
Cash Deposits	\$29,300,532	12%	2%	100%	✓
Liquidity Total	\$123,917,982	50%			
Total Investments	\$245,759,581	100%			

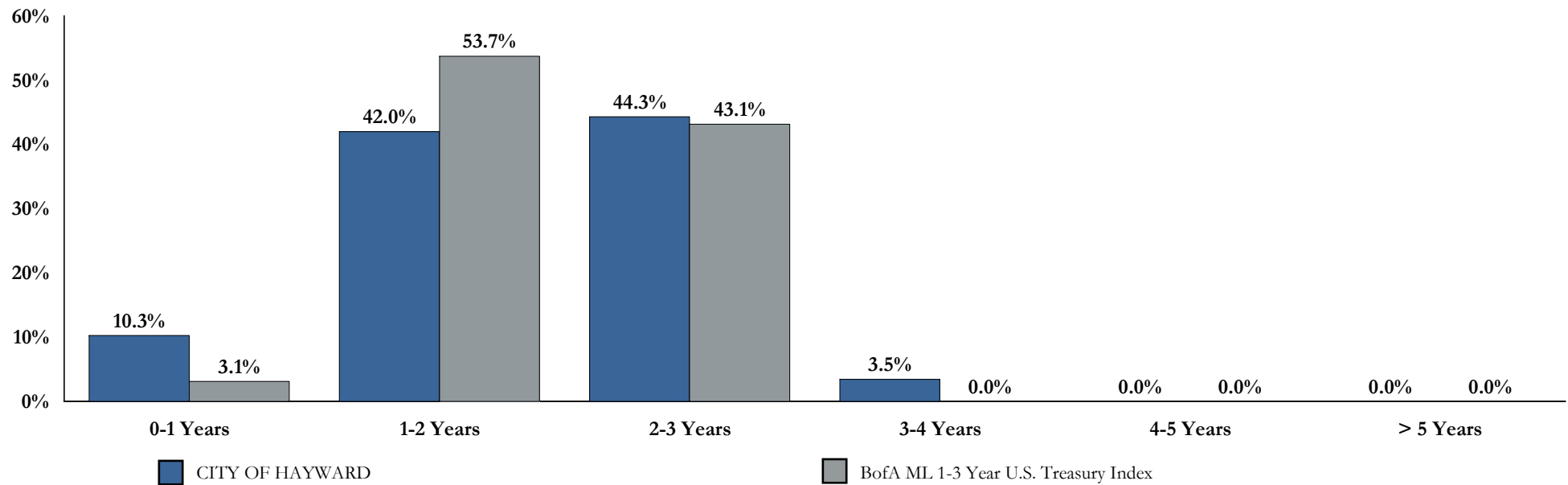
Portfolio Earnings
Quarter-Ended June 30, 2016

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (03/30/2016)	\$121,702,222.72	\$121,287,582.96
Net Purchases/Sales	(\$134,907.81)	(\$134,907.81)
Change in Value	\$274,283.56	\$14,895.95
Ending Value (06/30/2016)	\$121,841,598.47	\$121,167,571.10
Interest Earned	\$337,117.26	\$337,117.26
Portfolio Earnings	\$611,400.82	\$352,013.21

Maturity Distribution

As of June 30, 2016

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
CITY OF HAYWARD	0.73%	2.01 yrs	10.3%	42.0%	44.3%	3.5%	0.0%	0.0%
BofA ML 1-3 Year U.S. Treasury Index	0.60%	1.94 yrs	3.1%	53.7%	43.1%	0.0%	0.0%	0.0%

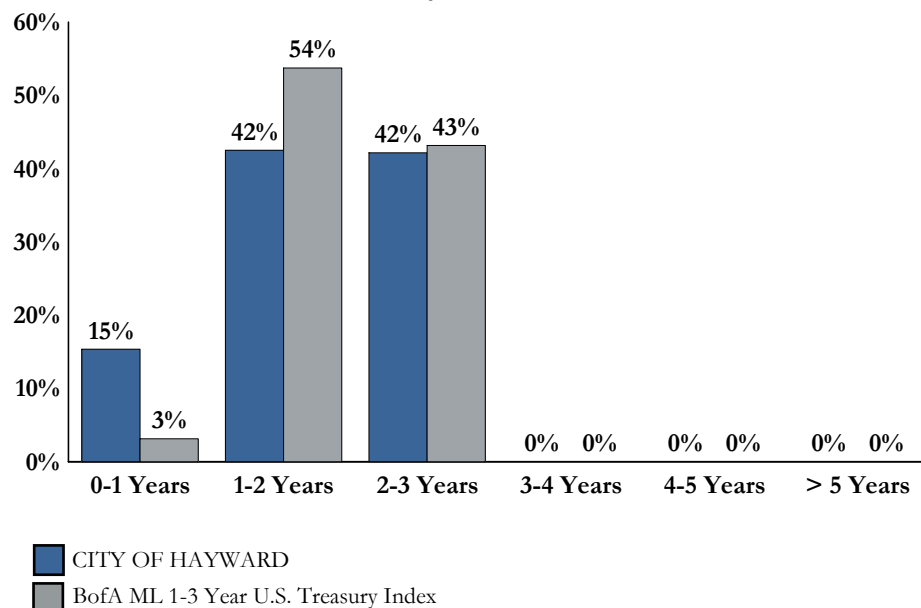


Duration Distribution

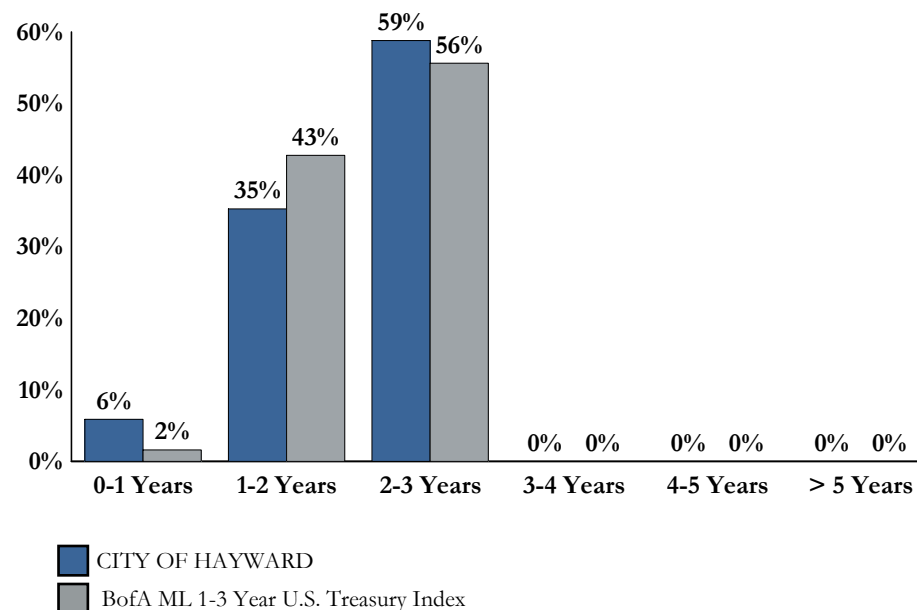
As of June 30, 2016

Portfolio / Benchmark	Effective Duration	0-1 YEARS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	> 5 YEARS
CITY OF HAYWARD	1.83	15.35%	42.49%	42.16%	0.00%	0.00%	0.00%
BofA ML 1-3 Year U.S. Treasury Index	1.83	3.12%	53.74%	43.15%	0.00%	0.00%	0.00%

Distribution by Effective Duration



Contribution to Portfolio Duration



Sector/Issuer Distribution

As of June 30, 2016

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Asset-Backed			
FORD CREDIT AUTO OWNER TRUST	684,895	100.0%	0.6%
Sector Total	684,895	100.0%	0.6%
Corporate			
BANK OF NEW YORK CO INC	1,060,448	20.2%	0.9%
CITIGROUP INC	468,201	8.9%	0.4%
EXXON MOBIL CORP	655,073	12.5%	0.5%
JP MORGAN CHASE & CO	909,325	17.3%	0.7%
TOYOTA MOTOR CORP	905,270	17.2%	0.7%
WELLS FARGO & COMPANY	1,257,000	23.9%	1.0%
Sector Total	5,255,316	100.0%	4.3%
Federal Agency/CMO			
FANNIE MAE	7,704,612	91.4%	6.3%
FREDDIE MAC	720,500	8.6%	0.6%
Sector Total	8,425,112	100.0%	6.9%
Federal Agency/GSE			
FANNIE MAE	21,619,978	41.0%	17.7%
FEDERAL HOME LOAN BANKS	20,230,623	38.4%	16.6%

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
FREDDIE MAC	9,210,454	17.5%	7.6%
TENNESSEE VALLEY AUTHORITY NOTES	1,618,113	3.1%	1.3%
Sector Total	52,679,168	100.0%	43.2%
Municipal			
CA EARTHQUAKE AUTH TXBL REV BOND	1,368,869	75.9%	1.1%
STATE OF CONNECTICUT	435,792	24.1%	0.4%
Sector Total	1,804,661	100.0%	1.5%
Supra-Sov / Supra-Natl Agency			
INTER-AMERICAN DEVELOPMENT BANK	1,720,874	33.1%	1.4%
INTL BANK OF RECONSTRUCTION AND DEV	3,470,950	66.9%	2.8%
Sector Total	5,191,824	100.0%	4.3%
U.S. Treasury			
UNITED STATES TREASURY	47,800,623	100.0%	39.2%
Sector Total	47,800,623	100.0%	39.2%
Portfolio Total	121,841,598	100.0%	100.0%

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
4/5/16	4/12/16	1,715,000	458182DX7	INTER-AMERICAN DEVELOPMENT BANK	1.00%	5/13/19	1,709,855.00	1.10%	
4/12/16	4/19/16	2,450,000	459058FE8	INTL BANK OF RECON AND DEV SN NOTES	0.87%	7/19/18	2,445,663.50	0.95%	
4/19/16	4/20/16	920,000	13017HAD8	CA EARTHQUAKE AUTH TXBL REV BONDS	1.82%	7/1/17	932,974.45	1.10%	
5/2/16	5/2/16	1,025,000	912828A34	US TREASURY NOTES	1.25%	11/30/18	1,039,920.35	0.88%	
5/3/16	5/6/16	2,500,000	912828WL0	US TREASURY NOTES	1.50%	5/31/19	2,560,231.49	0.92%	
5/3/16	5/6/16	4,300,000	912828UE8	US TREASURY NOTES	0.75%	12/31/17	4,314,107.53	0.71%	
5/17/16	5/20/16	900,000	46625HQU7	JP MORGAN CHASE & CORP NOTES (CALLABLE)	1.85%	3/22/19	906,587.25	1.69%	
5/17/16	5/20/16	900,000	89236TDE2	TOYOTA MOTOR CREDIT CORP NOTES	1.40%	5/20/19	899,397.00	1.42%	
5/26/16	5/27/16	3,835,000	3130A8BD4	FEDERAL HOME LOAN BANKS AGCY	0.87%	6/29/18	3,825,757.65	0.99%	
5/26/16	5/31/16	1,500,000	3137EADZ9	FREDDIE MAC NOTES	1.12%	4/15/19	1,504,436.25	1.10%	
6/2/16	6/3/16	2,550,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	2,548,929.00	1.14%	
6/2/16	6/9/16	465,000	172967KS9	CITIGROUP INC CORP NOTES	2.05%	6/7/19	464,758.20	2.07%	
6/9/16	6/30/16	920,000	3136ASPX8	FNMA SERIES 2016-M9 ASQ2	1.78%	6/1/19	930,522.42	1.05%	
6/27/16	6/29/16	5,325,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	5,374,594.28	0.82%	
Total BUY		29,305,000					29,457,734.37		

INTEREST

4/1/16	4/15/16	833,762	3137BHU39	FREDDIE MAC SERIES 4459 NB	4.50%	1/1/20	3,126.61		
4/1/16	4/25/16	1,774,941	3136AP3Z3	FNMA SERIES 2015-M12 FA	0.77%	4/1/20	1,177.64		
4/1/16	4/25/16	255,533	3136AMTM1	FNMA SERIES M4 FA	0.64%	9/1/18	140.94		
4/1/16	4/25/16	2,143,477	3136ANA98	FNMA SERIES 2015-M10 FA	0.68%	3/1/19	1,256.04		
4/1/16	4/25/16	515,000	3136AQSW1	FNMA SERIES 2015-M15 ASQ2	1.89%	1/1/19	814.59		
4/1/16	4/25/16	1,125,000	3136AQDQ0	FANNIE MAE SERIES 2015-M13 ASQ2	1.64%	9/1/19	1,543.13		
4/1/16	4/25/16	385,000	3136ANJY4	FNMA SERIES 2015-M7 ASQ2	1.55%	4/1/18	497.29		

CITY OF HAYWARD

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
4/1/16	4/25/16	281,074	3136AMMC0	FNMA SERIES 2015-M3 FA	0.65%	6/1/18	157.44		
4/1/16	4/25/16	445,000	3136AMKW8	FNMA SERIES 2015-M1 ASQ2	1.62%	2/1/18	602.98		
4/15/16	4/15/16	620,000	34530YAD5	FORD ABS 2015-C A3	1.41%	2/15/20	728.50		
4/15/16	4/15/16	111,375	34530QAB6	FORD ABS 2015-A A2A	0.81%	1/15/18	75.18		
4/19/16	4/19/16	6,100,000	3135G0E58	FNMA BENCHMARK NOTE	1.12%	10/19/18	34,312.50		
4/30/16	4/30/16	7,500,000	912828SS0	US TREASURY NOTES	0.87%	4/30/17	32,812.50		
5/1/16	5/25/16	275,106	3136AMMC0	FNMA SERIES 2015-M3 FA	0.65%	6/1/18	149.50		
5/1/16	5/25/16	1,767,185	3136AP3Z3	FNMA SERIES 2015-M12 FA	0.77%	4/1/20	1,137.04		
5/1/16	5/25/16	385,000	3136ANJY4	FNMA SERIES 2015-M7 ASQ2	1.55%	4/1/18	497.29		
5/1/16	5/25/16	2,053,622	3136ANA98	FNMA SERIES 2015-M10 FA	0.68%	3/1/19	1,167.31		
5/1/16	5/25/16	445,000	3136AMKW8	FNMA SERIES 2015-M1 ASQ2	1.62%	2/1/18	602.98		
5/1/16	5/25/16	1,125,000	3136AQDQ0	FANNIE MAE SERIES 2015-M13 ASQ2	1.64%	9/1/19	1,543.13		
5/1/16	5/25/16	515,000	3136AQSW1	FNMA SERIES 2015-M15 ASQ2	1.89%	1/1/19	814.59		
5/1/16	5/25/16	255,293	3136AMTM1	FNMA SERIES M4 FA	0.64%	9/1/18	136.60		
5/1/16	5/15/16	787,957	3137BHU39	FREDDIE MAC SERIES 4459 NB	4.50%	1/1/20	2,954.84		
5/2/16	5/2/16	1,035,000	68428LDJ0	ORANGE CNTY, CA TXBL REV PO BONDS	0.78%	5/2/16	1,995.82		
5/15/16	5/15/16	93,642	34530QAB6	FORD ABS 2015-A A2A	0.81%	1/15/18	63.21		
5/15/16	5/15/16	620,000	34530YAD5	FORD ABS 2015-C A3	1.41%	2/15/20	728.50		
5/22/16	5/22/16	1,050,000	06406HDB2	BANK OF NEW YORK MELLON CORP (CALLABLE)	1.60%	5/22/18	8,400.00		
5/30/16	5/30/16	2,410,000	3130A5EP0	FHLB GLOBAL NOTES	0.62%	5/30/17	7,531.25		
5/31/16	5/31/16	1,025,000	912828A34	US TREASURY NOTES	1.25%	11/30/18	6,406.25		
5/31/16	5/31/16	4,450,000	912828SY7	US TREASURY NOTES	0.62%	5/31/17	13,906.25		
5/31/16	5/31/16	2,500,000	912828WL0	US TREASURY NOTES	1.50%	5/31/19	18,750.00		
5/31/16	5/31/16	5,170,000	912828VE7	US TREASURY NOTES	1.00%	5/31/18	25,850.00		
6/1/16	6/25/16	272,865	3136AMMC0	FNMA SERIES 2015-M3 FA	0.65%	6/1/18	154.20		
6/1/16	6/25/16	247,104	3136AMTM1	FNMA SERIES M4 FA	0.64%	9/1/18	137.51		
6/1/16	6/25/16	1,734,712	3136AP3Z3	FNMA SERIES 2015-M12 FA	0.77%	4/1/20	1,159.54		
6/1/16	6/25/16	435,576	3136AMKW8	FNMA SERIES 2015-M1 ASQ2	1.62%	2/1/18	590.21		
6/1/16	6/25/16	1,125,000	3136AQDQ0	FANNIE MAE SERIES 2015-M13 ASQ2	1.64%	9/1/19	1,543.13		
6/1/16	6/25/16	2,050,936	3136ANA98	FNMA SERIES 2015-M10 FA	0.68%	3/1/19	1,211.97		

CITY OF HAYWARD

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
6/1/16	6/25/16	515,000	3136AQSW1	FNMA SERIES 2015-M15 ASQ2	1.89%	1/1/19	814.59		
6/1/16	6/25/16	385,000	3136ANJY4	FNMA SERIES 2015-M7 ASQ2	1.55%	4/1/18	497.29		
6/1/16	6/15/16	741,804	3137BHU39	FREDDIE MAC SERIES 4459 NB	4.50%	1/1/20	2,781.76		
6/15/16	6/15/16	1,010,000	459058EJ8	INTL BANK OF RECON AND DEV GLOBAL NOTES	1.00%	6/15/18	5,050.00		
6/15/16	6/15/16	1,500,000	880591CU4	TENNESSEE VALLEY AUTHORITY NOTES	6.25%	12/15/17	46,875.00		
6/15/16	6/15/16	77,746	34530QAB6	FORD ABS 2015-A A2A	0.81%	1/15/18	52.48		
6/15/16	6/15/16	620,000	34530YAD5	FORD ABS 2015-C A3	1.41%	2/15/20	728.50		
6/21/16	6/21/16	2,550,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	1,434.38		
6/29/16	6/29/16	3,835,000	3130A8BD4	FEDERAL HOME LOAN BANKS AGCY	0.87%	6/29/18	2,982.78		
6/30/16	6/30/16	1,875,000	912828TB6	US TREASURY NOTES	0.75%	6/30/17	7,031.25		
6/30/16	6/30/16	4,300,000	912828UE8	US TREASURY NOTES	0.75%	12/31/17	16,125.00		
6/30/16	6/30/16	2,500,000	912828A75	US TREASURY NOTES	1.50%	12/31/18	18,750.00		

Total INTEREST	73,828,710						277,799.49		
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MATURITY

5/2/16	5/2/16	1,035,000	68428LDJ0	ORANGE CNTY, CA TXBL REV PO BONDS	0.78%	5/2/16	1,035,000.00		0.00
Total MATURITY		1,035,000					1,035,000.00		0.00

PAYDOWNS

4/1/16	4/15/16	45,805	3137BHU39	FREDDIE MAC SERIES 4459 NB	4.50%	1/1/20	45,805.43		0.00
4/1/16	4/25/16	239	3136AMTM1	FNMA SERIES M4 FA	0.64%	9/1/18	239.43		0.00
4/1/16	4/25/16	5,968	3136AMMC0	FNMA SERIES 2015-M3 FA	0.65%	6/1/18	5,968.18		0.00
4/1/16	4/25/16	7,756	3136AP3Z3	FNMA SERIES 2015-M12 FA	0.77%	4/1/20	7,755.68		0.00
4/1/16	4/25/16	89,855	3136ANA98	FNMA SERIES 2015-M10 FA	0.68%	3/1/19	89,855.12		0.00
4/15/16	4/15/16	17,733	34530QAB6	FORD ABS 2015-A A2A	0.81%	1/15/18	17,733.33		0.00
5/1/16	5/15/16	46,153	3137BHU39	FREDDIE MAC SERIES 4459 NB	4.50%	1/1/20	46,152.94		0.00

CITY OF HAYWARD

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
5/1/16	5/25/16	9,424	3136AMKW8	FNMA SERIES 2015-M1 ASQ2	1.62%	2/1/18	9,424.16		0.00
5/1/16	5/25/16	8,189	3136AMTM1	FNMA SERIES M4 FA	0.64%	9/1/18	8,189.00		0.00
5/1/16	5/25/16	2,241	3136AMMC0	FNMA SERIES 2015-M3 FA	0.65%	6/1/18	2,240.77		0.00
5/1/16	5/25/16	32,473	3136AP3Z3	FNMA SERIES 2015-M12 FA	0.77%	4/1/20	32,473.34		0.00
5/1/16	5/25/16	2,686	3136ANA98	FNMA SERIES 2015-M10 FA	0.68%	3/1/19	2,686.42		0.00
5/15/16	5/15/16	15,896	34530QAB6	FORD ABS 2015-A A2A	0.81%	1/15/18	15,895.86		0.00
6/1/16	6/15/16	42,859	3137BHU39	FREDDIE MAC SERIES 4459 NB	4.50%	1/1/20	42,858.94		0.00
6/1/16	6/25/16	9,967	3136AMKW8	FNMA SERIES 2015-M1 ASQ2	1.62%	2/1/18	9,967.07		0.00
6/1/16	6/25/16	238	3136AMTM1	FNMA SERIES M4 FA	0.64%	9/1/18	238.09		0.00
6/1/16	6/25/16	3,991	3136AMMC0	FNMA SERIES 2015-M3 FA	0.65%	6/1/18	3,991.02		0.00
6/1/16	6/25/16	2,007	3136AP3Z3	FNMA SERIES 2015-M12 FA	0.77%	4/1/20	2,006.75		0.00
6/1/16	6/25/16	2,414	3136ANA98	FNMA SERIES 2015-M10 FA	0.68%	3/1/19	2,413.71		0.00
6/15/16	6/15/16	16,574	34530QAB6	FORD ABS 2015-A A2A	0.81%	1/15/18	16,573.54		0.00
Total PAYDOWNS		362,469					362,468.78		0.00

SELL

4/5/16	4/12/16	1,680,000	912828C65	US TREASURY NOTES	1.62%	3/31/19	1,717,579.46	0.88%	8,537.78
4/12/16	4/19/16	400,000	912828VQ0	US TREASURY NOTES	1.37%	7/31/18	406,412.43	0.80%	2,813.75
4/12/16	4/19/16	2,020,000	912828VE7	US TREASURY NOTES	1.00%	5/31/18	2,037,171.81	0.78%	9,442.18
4/19/16	4/20/16	925,000	912828TB6	US TREASURY NOTES	0.75%	6/30/17	928,597.01	0.62%	1,905.58
5/3/16	5/6/16	2,500,000	912828SM3	US TREASURY NOTES	1.00%	3/31/17	2,512,322.30	0.56%	8,130.40
5/3/16	5/6/16	3,500,000	313371PV2	FHLB NOTES	1.62%	12/9/16	3,546,358.96	0.50%	1,734.77
5/3/16	5/6/16	750,000	3130A3J70	FHLB NOTES	0.62%	11/23/16	752,677.40	0.49%	289.87
5/17/16	5/20/16	1,500,000	25468PCV6	WALT DISNEY CORP NOTES	1.10%	12/1/17	1,510,205.83	0.99%	7,214.31
5/18/16	5/20/16	300,000	30231GAL6	EXXON MOBIL CORP NOTES	1.30%	3/6/18	301,935.75	1.09%	1,131.00
5/26/16	5/27/16	830,000	912828VE7	US TREASURY NOTES	1.00%	5/31/18	835,907.34	0.89%	5,279.33
5/26/16	5/27/16	2,980,000	912828VE7	US TREASURY NOTES	1.00%	5/31/18	3,001,209.47	0.89%	6,708.61
5/26/16	5/31/16	950,000	912828SM3	US TREASURY NOTES	1.00%	3/31/17	954,106.78	0.68%	1,914.71

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
5/26/16	5/31/16	500,000	912828SM3	US TREASURY NOTES	1.00%	3/31/17	502,161.45	0.68%	503.67
6/2/16	6/3/16	2,500,000	912828WL0	US TREASURY NOTES	1.50%	5/31/19	2,534,975.35	1.03%	(8,296.48)
6/2/16	6/9/16	450,000	30231GAL6	EXXON MOBIL CORP NOTES	1.30%	3/6/18	452,916.56	1.12%	1,399.50
6/24/16	6/30/16	875,000	912828SM3	US TREASURY NOTES	1.00%	3/31/17	880,525.16	0.49%	2,048.40
6/27/16	6/29/16	1,330,000	912828SM3	US TREASURY NOTES	1.00%	3/31/17	1,338,257.99	0.50%	3,002.49
6/27/16	6/29/16	4,000,000	912828SS0	US TREASURY NOTES	0.87%	4/30/17	4,017,737.77	0.51%	3,323.81
Total SELL		27,990,000					28,231,058.82		57,083.68

Important Disclosures

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- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances and forward settling sales are excluded.
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- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount, expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

Glossary

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction occurs on a non-business day (i.e. coupon payments and maturity proceeds), the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred however the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return, based on the original cost, the annual interest receipts, maturity value and the time period from purchase date to maturity, stated as a percentage, on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return, based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
07/14/16	0.58	0.58	169
07/15/16	0.59	0.58	170
07/16/16	0.59	0.58	170
07/17/16	0.59	0.58	170
07/18/16	0.59	0.58	168
07/19/16	0.59	0.58	166
07/20/16	0.59	0.58	168
07/21/16	0.59	0.58	171
07/22/16	0.60	0.58	170
07/23/16	0.60	0.59	170
07/24/16	0.60	0.59	170
07/25/16	0.60	0.59	170
07/26/16	0.60	0.59	169
07/27/16	0.60	0.59	171

*Daily yield does not reflect capital gains or losses

LAIF Performance Report

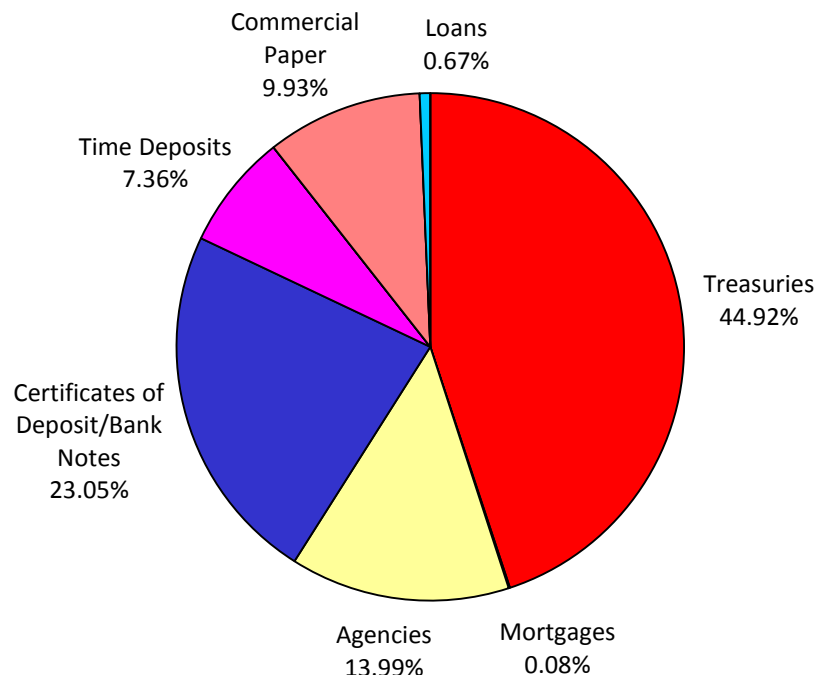
Quarter Ending 06/30/16

Apportionment Rate: 0.55%
 Earnings Ratio: 0.00001495296852820
 Fair Value Factor: 1.000621222
 Daily: 0.58%
 Quarter to Date: 0.55%
 Average Life: 167

**PMIA Average Monthly
Effective Yields**

Jun 2016 0.576%
 May 2016 0.552%
 APR 2016 0.525%

**Pooled Money Investment Account
Portfolio Composition
06/30/16
\$75.4 billion**



Based on data available as of 7/27/2016