

Date: February 22, 2016
To: Mayor and City Council
From: City Manager
By: Director of Finance
Subject: 2015 Fourth 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 October 1 – December 31, 2015 (4Q2015). The City's Investment Advisory Committee (IAC) reviewed this report during their quarterly meeting held on January 25, 2016. The attached reports provide 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 \$213.8 million as of December 31, 2015; \$121.2 million was invested through the City's investment advisor, The PFM Group; \$78.5 million was on deposit in the Local Agency Investment Fund (LAIF); and the remaining portfolio balance of \$14.1 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 on the City's portfolio slightly exceeded the benchmark used for comparison (1-3 Year U.S. Treasury Index), and is beginning to slowly demonstrate some improvement over the previous years. For 4Q2015, the funds on deposit with LAIF earned 0.37%. For the previous 12 months, the portion of the portfolio actively managed by The PFM Group earned about 0.62%, while the benchmark earned 0.54% over the same period. While the periodic rate of return dropped for the City's portfolio in 4Q2015, this was reflective of market conditions and investment holdings during the quarter, and does not impact the long-term security of the City's principal invested, which continues to see overall growth. 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 December 31, 2015, approximately 3% of the portfolio managed by The PFM Group fell into a maturity range of 4-5 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:

Fourth Quarter 2015 Performance Investment Report by The PFM Group
Fourth Quarter 2015 LAIF Performance Report



City of Hayward

Performance Review Fourth Quarter 2015

Nancy Jones, Managing Director
jonesn@pfm.com
415-982-5544
www.pfm.com

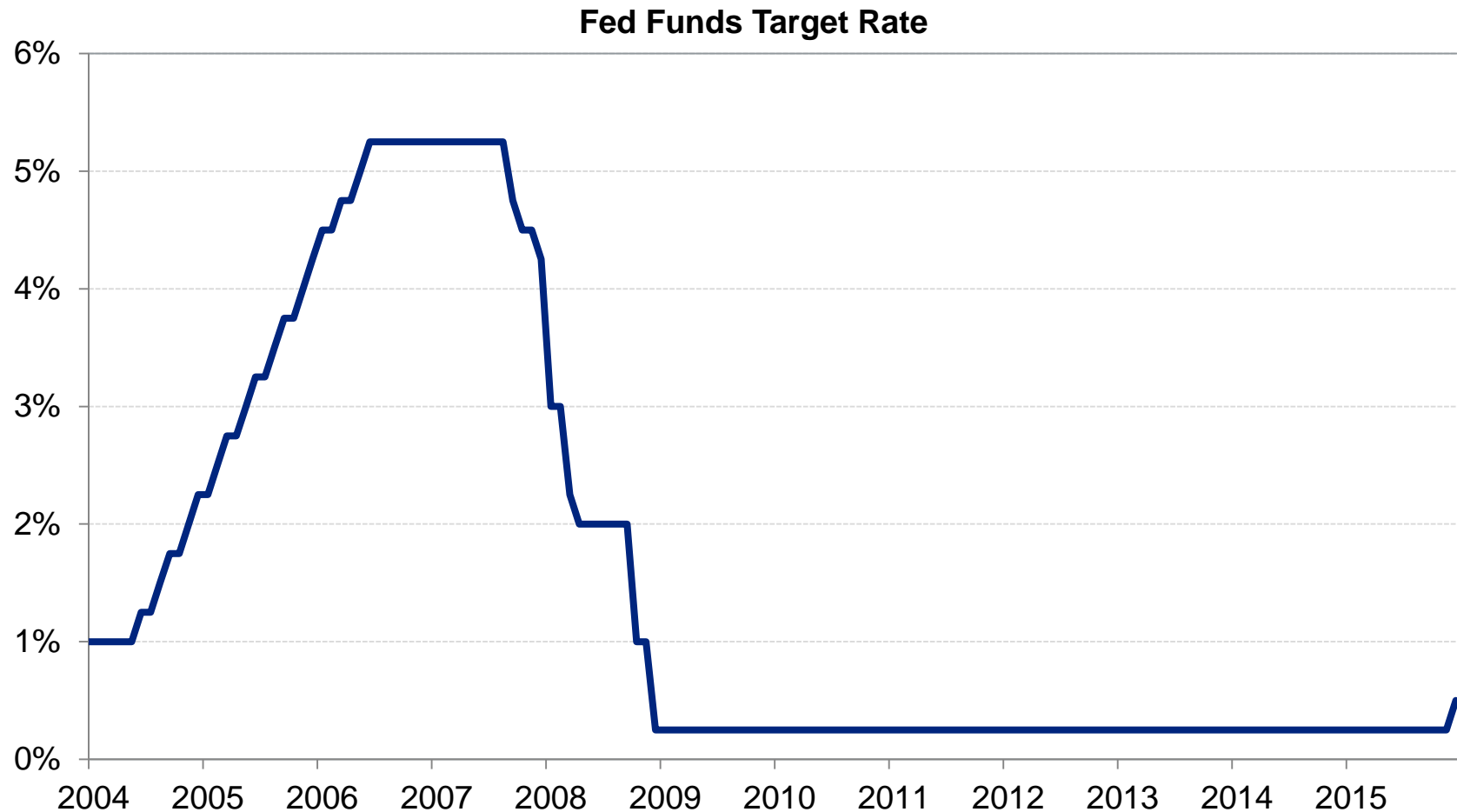
Monique Spyke, Director
spykem@pfm.com



The PFM Group
Financial & Investment Advisors

At Last! An Increase in the Fed Funds Target Rate

- After being stuck near 0% for 7 years, the fed raised the fed funds rate in December.



Source: Bloomberg

Details from the Fed's Statement

December

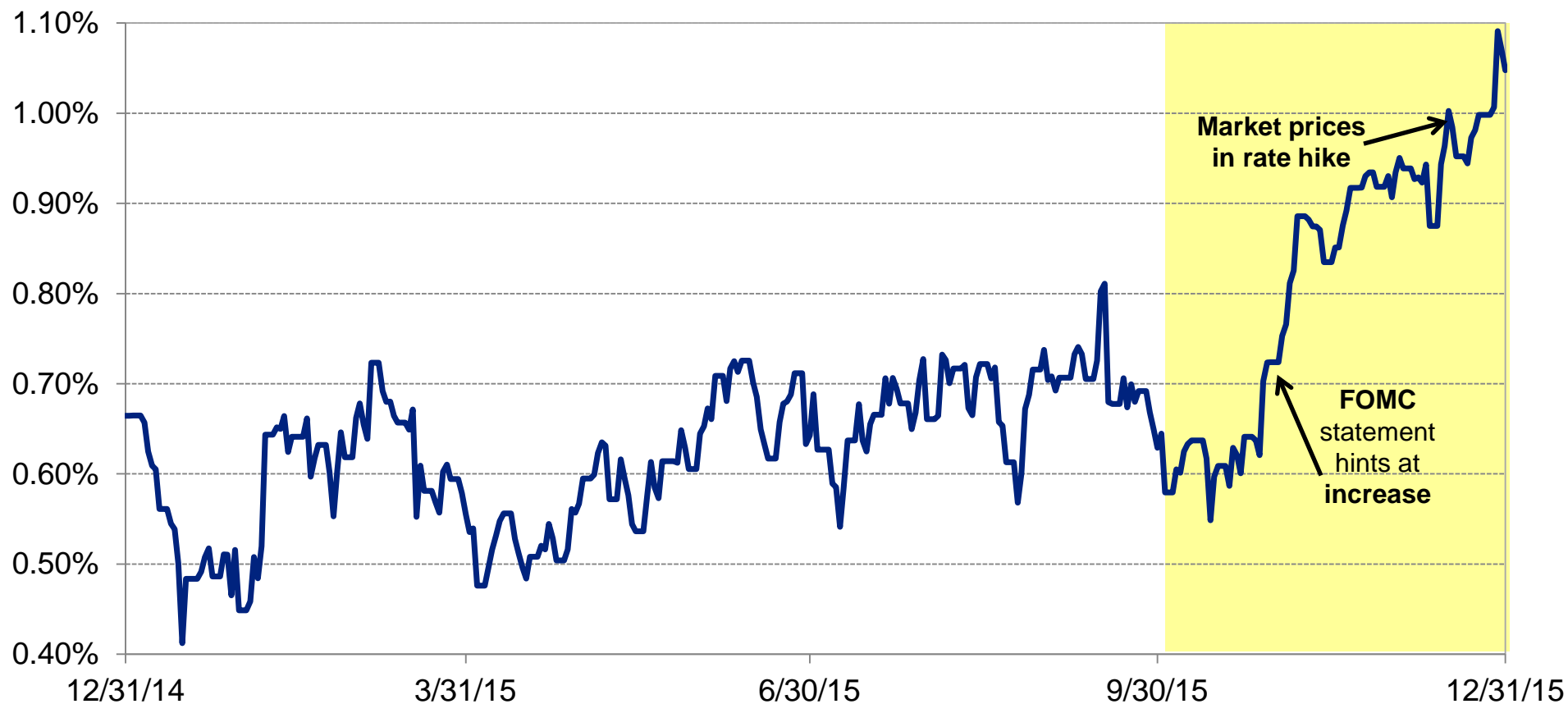
16

- A range of recent labor market indicators, including ongoing job gains and declining unemployment, shows further improvement and ***confirms that underutilization of labor resources has diminished appreciably since early this year.***
- Inflation has continued to run below the Committee's 2% longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports . . . Some survey-based measures of longer-term inflation expectations have edged down . . . [the Committee] ***is reasonably confident that inflation will rise, over the medium term, to its 2% objective.***
- Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, ***the Committee decided to raise the target range for the federal funds rate to 0.25 – 0.50% . . . the stance of monetary policy remains accommodative.***
- In light of the current shortfall of inflation from 2%, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant ***only gradual increases in the federal funds rate.***

2-Year U.S. Treasury Yields Climb Higher

- Yields on 2-year Treasuries increased dramatically during the fourth quarter as the market priced in an increase in the fed funds target rate.

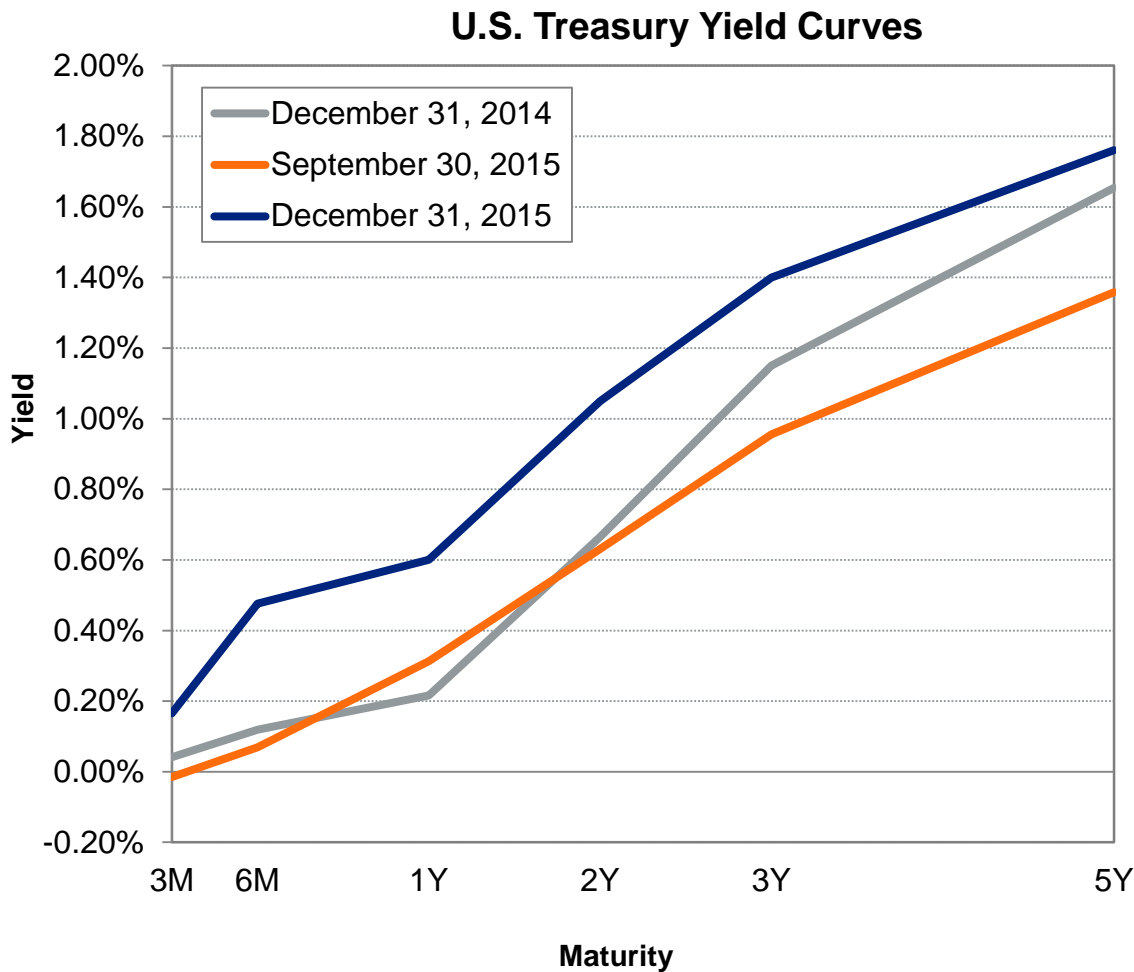
2-Year U.S. Treasury Yield
December 31, 2014 – December 31, 2015



Source: Bloomberg

U.S. Treasury Yields Increased Across the Curve

- Yields across the curve increased leading up to the fed rate hike. Yields in the 2-5 year range had the largest changes.



	12/31/14	9/30/15	12/31/15	4 th Quarter Change
3 Month	0.04%	-0.02%	0.17%	+0.19%
6 Month	0.12%	0.07%	0.48%	+0.41%
1 Year	0.22%	0.31%	0.60%	+0.29%
2 Year	0.67%	0.63%	1.05%	+0.42%
3 Year	1.15%	0.96%	1.40%	+0.44%
5 Year	1.65%	1.36%	1.76%	+0.40%
10 Year	2.17%	2.04%	2.27%	+0.23%
30 Year	2.75%	2.85%	3.02%	+0.17%

Source: Bloomberg

Corporates Continue to Provide Value

- In 2015, corporates provided higher returns than government securities.
- Over the past 5 years, corporate notes have outperformed U.S. Treasury securities by 1.15%.

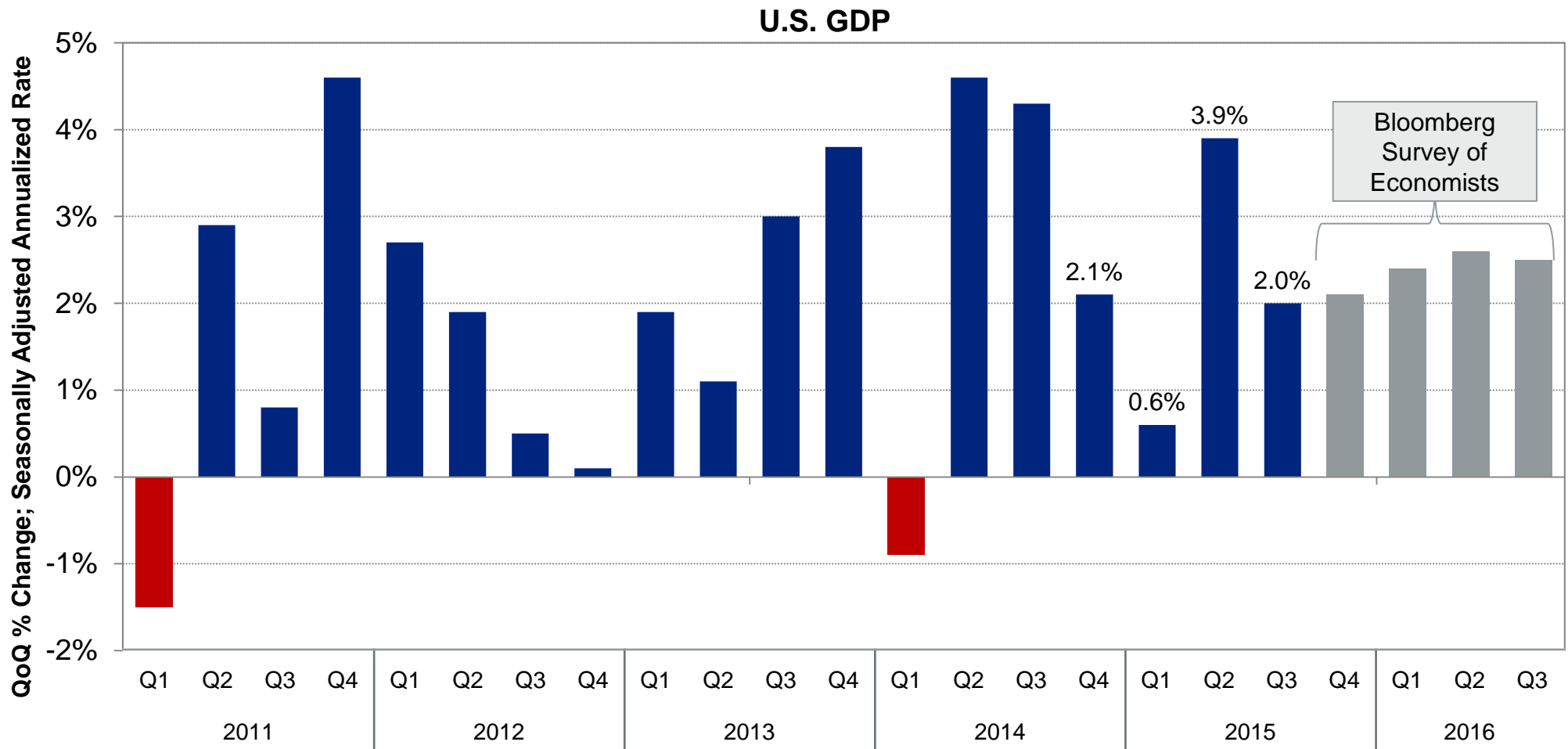
1-3 Year Index Returns
For Periods Ending December 31, 2015

	Effective Duration	3 Month Return	1 Year Return	3 Year Return	5 Year Return
U.S. Treasury	1.87	(0.44%)	0.54%	0.51%	0.70%
Federal Agency	1.73	(0.37%)	0.69%	0.61%	0.84%
Corp A-AAA	1.90	(0.05%)	1.16%	1.22%	1.85%

Source: Bank of America Merrill Lynch Indices. Returns greater than on year are annualized.

U.S. Economic Growth Slowed in Third Quarter

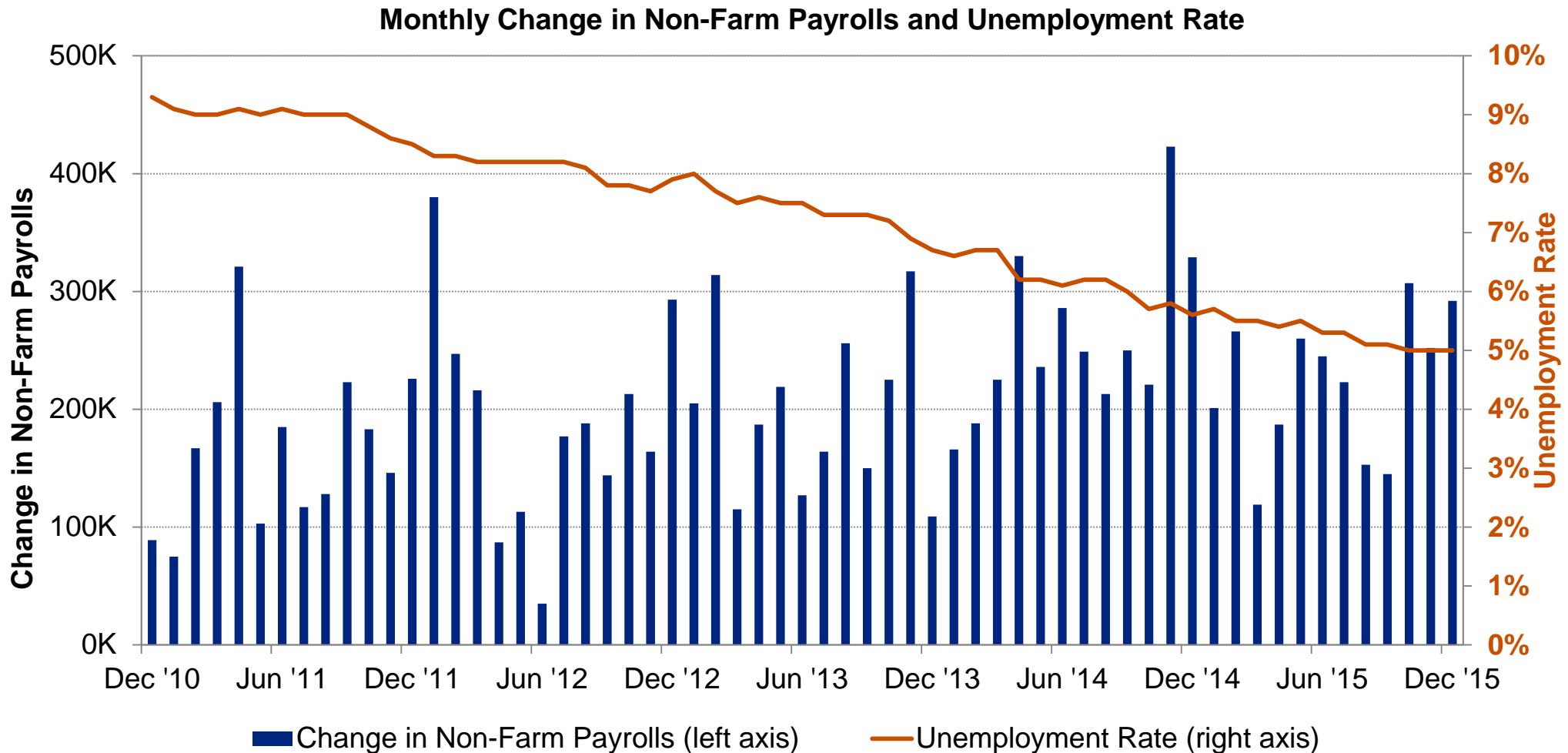
- U.S. GDP growth slowed to an estimated 2.0% in the third quarter after the strong growth of 3.9% in the second quarter.
- While consumer spending showed continued strength, with an increase of 3.0%, declines in inventory growth and a widening trade deficit detracted from GDP.



Source: Bureau of Economic Analysis; Bloomberg

U.S. Job Market Close to Full Employment

- The U.S. labor market added an average 221,000 jobs per month in 2015.
- The unemployment rate is at 5%, which is considered to be near “full employment.”



Source: Bureau of Labor Statistics, Bloomberg

Fourth Quarter 2015 Recap

- PFMAM maintained a modestly defensive duration position for much of the quarter as rates trended higher. As rates approached the upper end of recent ranges ahead of the FOMC meeting, we extended the portfolio duration from short of the benchmark's duration to a neutral position; this more closely aligned the portfolio duration with the duration of the benchmark.
- We maintained a slight underweight of securities in the 1.0- to 2.5 -year duration range, compared to the benchmark, as we viewed this area of the curve to be most susceptible to rising rates.
- The yield relationship between U.S. Treasury and federal agency securities remained stable throughout the fourth quarter. Our relative value analysis of these sectors continued to favor investments in U.S. Treasuries.
- The mortgage-backed securities sector (MBS) produced strong performance during the quarter as the slow rise in long-term rates helped to mitigate prepayment risk (prepayments typically occur when mortgage holders exercise the option to refinance, which can hurt bondholders). We selectively added MBS issues that are expected to have limited sensitivity to interest rate volatility.

Fourth Quarter Trade Activity

Trade Type	Settle Date	Sector	Issuer	Maturity Date	Par Value (000)	Yield to Maturity (Market)	Realized Gain/Loss
BUY	10/8/2015	10/9/2015	US TREASURY NOTES	9/30/2018	5,225	0.94%	-
SELL	10/8/2015	10/9/2015	FHLB NOTES	9/28/2016	915	0.40%	\$1,805
SELL	10/8/2015	10/9/2015	US TREASURY NOTES	6/30/2016	1,525	0.27%	\$2,842
SELL	10/8/2015	10/9/2015	US TREASURY NOTES	7/31/2016	2,775	0.31%	\$6,890
BUY	10/7/2015	10/30/2015	FANNIE MAE SERIES 2015-M13 ASQ2	9/1/2019	1,125	1.27%	-
SELL	10/26/2015	10/30/2015	US TREASURY NOTES	11/30/2016	525	0.41%	\$586
SELL	10/26/2015	10/30/2015	US TREASURY NOTES	11/30/2016	600	0.41%	\$1,379
BUY	11/5/2015	11/9/2015	US TREASURY NOTES	11/30/2018	5,250	1.18%	-
SELL	11/5/2015	11/9/2015	FHLB NOTES	9/28/2016	2,000	0.55%	\$989
SELL	11/5/2015	11/9/2015	FARMER MAC AGENCY NOTES	2/11/2016	2,100	0.29%	\$315
SELL	11/5/2015	11/9/2015	FNMA NOTES	9/28/2016	1,200	0.53%	\$2,499
BUY	11/6/2015	11/30/2015	FNMA SERIES 2015-M15 ASQ2	1/1/2019	515	1.45%	-
SELL	11/25/2015	11/30/2015	US TREASURY NOTES	11/30/2016	400	0.70%	(\$324)
BUY	12/1/2015	12/4/2015	US TREASURY NOTES	12/31/2018	6,425	1.22%	-
SELL	12/2/2015	12/4/2015	FNMA NOTES	9/28/2016	975	0.70%	\$486
SELL	12/2/2015	12/4/2015	FNMA NOTES	9/28/2016	5,500	0.70%	(\$8,820)
BUY	12/28/2015	12/30/2015	US TREASURY NOTES	5/31/2018	6,000	1.21%	-
SELL	12/28/2015	12/30/2015	US TREASURY NOTES	11/30/2016	3,775	0.75%	(\$6,156)
SELL	12/28/2015	12/30/2015	US TREASURY NOTES	11/30/2016	1,380	0.75%	(\$1,640)
SELL	12/28/2015	12/30/2015	US TREASURY NOTES	12/31/2016	825	0.77%	(\$610)
							\$241

Total Return

- A conservative duration bias mitigated the impact of rising rates on the market value of the City's portfolio and aided the portfolio's performance relative to the benchmark this past quarter.
- The City's portfolio continues to outperform the benchmark over the long term.

Total Return Period Ended December 31, 2015

	Duration	Periodic	Annualized			
		Past Quarter	Past Year	Past 2 Years	Past 3 Years	Since Inception ⁵
City of Hayward ^{1,2,3,4}	1.80	-0.37%	0.62%	0.63%	0.51%	0.51%
<i>Merrill Lynch 1-3 Year U.S. Treasury Index</i>	<i>1.80</i>	<i>-0.44%</i>	<i>0.54%</i>	<i>0.58%</i>	<i>0.51%</i>	<i>0.49%</i>
<i>LAIF</i> ⁶	<i>0.00</i>	<i>0.10%</i>	<i>0.31%</i>	<i>0.27%</i>	<i>0.27%</i>	<i>0.27%</i>

1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

2. Merrill Lynch Indices provided by Bloomberg Financial Markets.

3. Quarterly returns are presented on an unannualized basis.

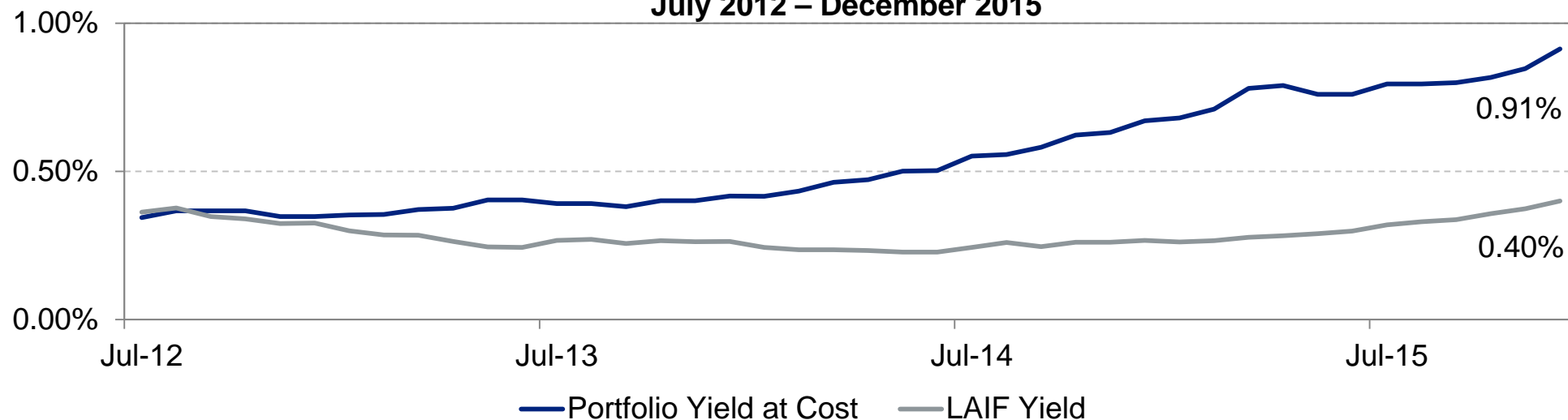
4. Excludes LAIF and cash balance in performance, duration, and yield computations.

5. Inception date is September 30, 2012.

6. California State Treasurer LAIF website.

Portfolio Earnings Remain Strong

Portfolio Yield vs. LAIF Yield and 2-Year Treasury
July 2012 – December 2015



Portfolio Earnings:	October-15	November-15	December-15	Quarter End
Ending Amortized Cost of Securities	\$121,830,102	\$121,794,616	\$121,598,329	\$121,598,329
Plus Proceeds on Sales	\$6,428,906	\$5,712,422	\$12,512,746	\$24,654,074
Plus Proceeds of Maturities	\$100,420	\$77,488	\$91,144	\$269,052
Plus Coupons Received	\$52,522	\$144,481	\$161,810	\$358,813
Less Cost of New Purchases	-\$6,431,469	-\$5,810,649	-\$12,495,731	-\$24,737,849
Less Beginning Amortized Cost of Securities	-\$121,884,722	-\$121,830,102	-\$121,794,616	-\$121,884,722
Total Portfolio Accrual Basis Earnings	\$95,758	\$88,256	\$73,683	\$257,697

Source: Bloomberg, California State Treasurer LAIF website

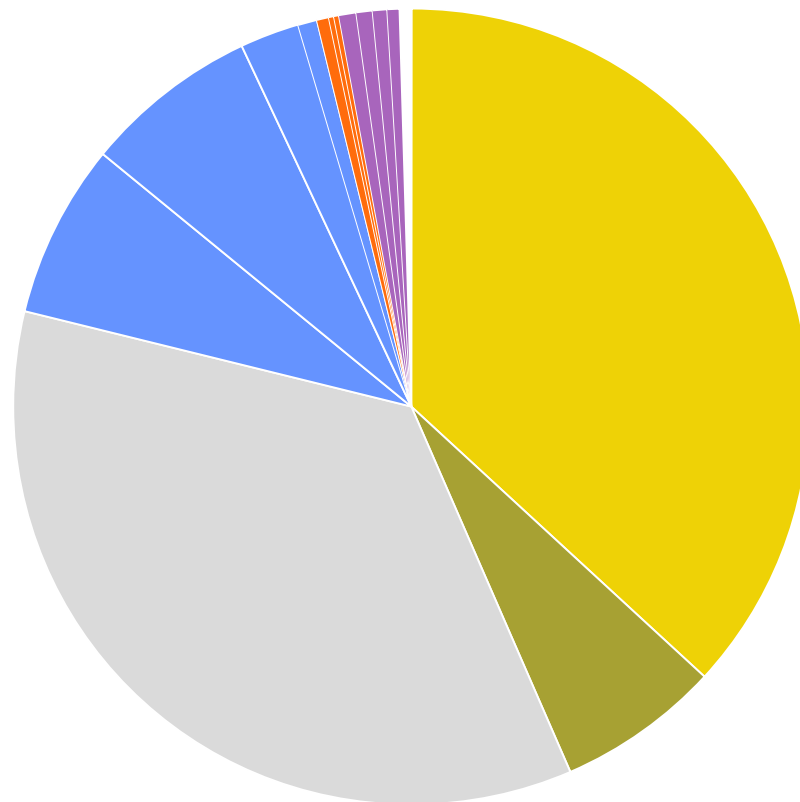
Portfolio Complies with Government Code and the City's Investment Policy

Security Type	Market Value 12/31/15	% of Portfolio	Change Since 09/30/15	% Permitted by Policy	In Compliance
U.S. Treasuries	\$75,367,272	35%	3%	100%	✓
Federal Agencies	\$28,918,891	14%	-7%	100%	✓
<i>Non-Callable</i>	\$27,267,586	13%	-7%		
<i>Callable</i>	\$1,651,306	1%	0.0%		
Supranationals	\$1,002,044	0.5%	-0.03%	30%	✓
Municipal Bonds	\$1,915,743	0.9%	0.0%	20%	✓
Asset-Backed Securities	\$8,802,840	4%	1%	20%	✓
Corporate Notes	\$5,201,405	2.4%	-0.1%	30%	✓
Total Securities	\$121,208,195	57%			
LAIF	\$78,473,307	37%	11%	\$50 Million per Account ¹	✓
Cash Deposits	\$14,110,941	7%	-7%	100%	✓
Total Liquidity	\$92,584,248	43%			
Total Investments	\$213,792,443	100%			

- Numbers may not add to 100% due to rounding.
- 1. City maintains three separate LAIF accounts.

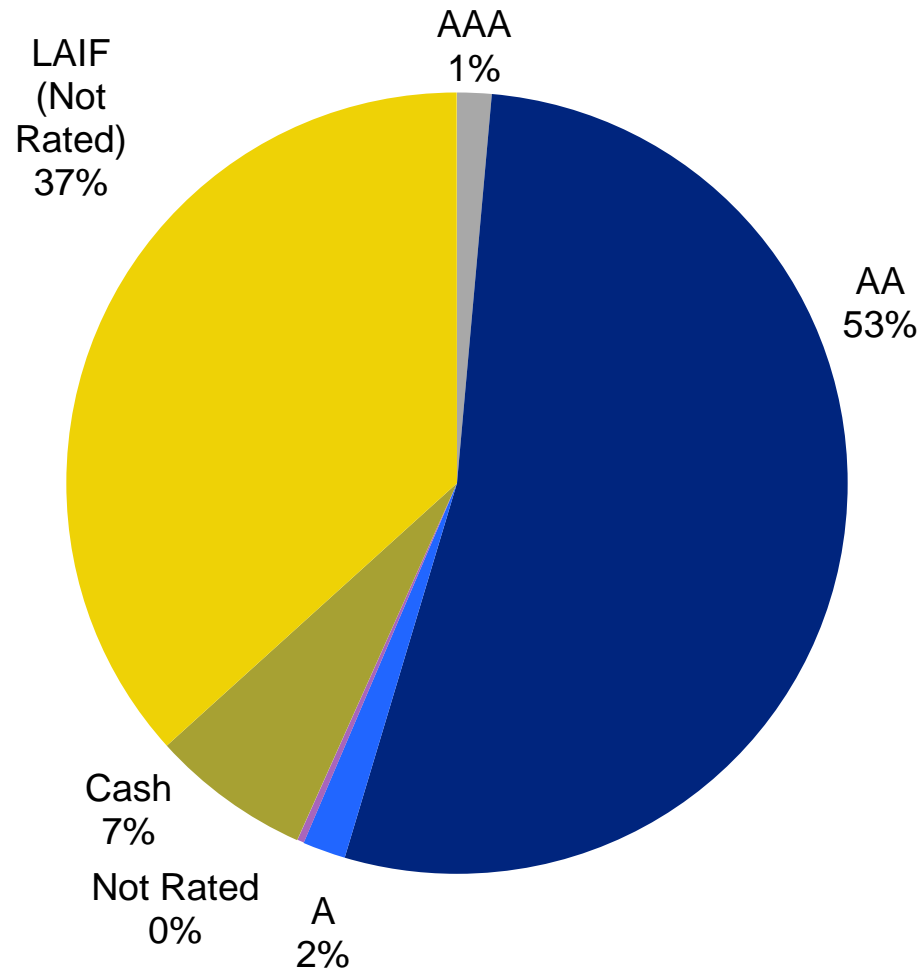
Portfolio Issuer Distribution

Issuer	Amount	%
LAIF	\$78,473,307	37%
Cash	\$14,110,941	7%
U.S. Treasury	\$75,367,272	35%
FHLB	\$15,070,941	7%
FNMA	\$15,090,843	7%
FHLMC	\$5,129,677	2%
Tennessee Valley Authority	\$1,648,800	1%
Orange County, CA	\$1,038,754	0%
CA Earthquake Authority	\$444,617	0%
State of Connecticut	\$432,372	0%
Walt Disney Co.	\$1,496,632	1%
Exxon Mobil	\$1,403,612	1%
Wells Fargo	\$1,253,269	1%
Bank of New York Mellon	\$1,047,893	0.5%
IBRD	\$1,002,044	0.5%
Ford Credit Auto Owner Trust	\$781,470	0.4%
	\$213,792,443	100%



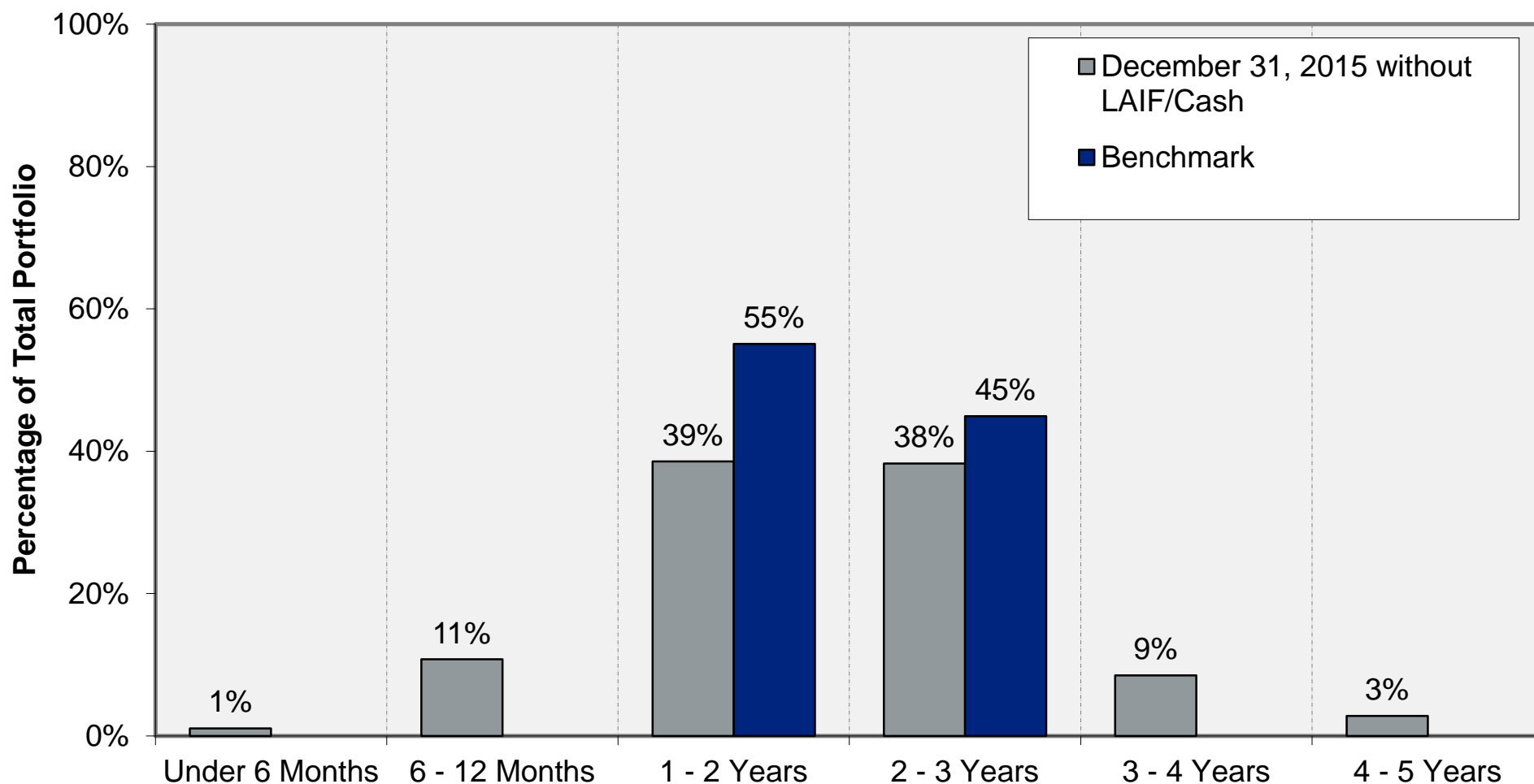
- As of December 31, 2015.
- Numbers may not add to 100% due to rounding.

Portfolio Credit Distribution



- As of December 31, 2015.
- Ratings by Standard & Poor's.
- Numbers may not add to 100% due to rounding.

Maturity Distribution vs. Benchmark Distribution



- Excludes cash and LAIF balances.
- Benchmark represents Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- Numbers may not add to 100% due to rounding.

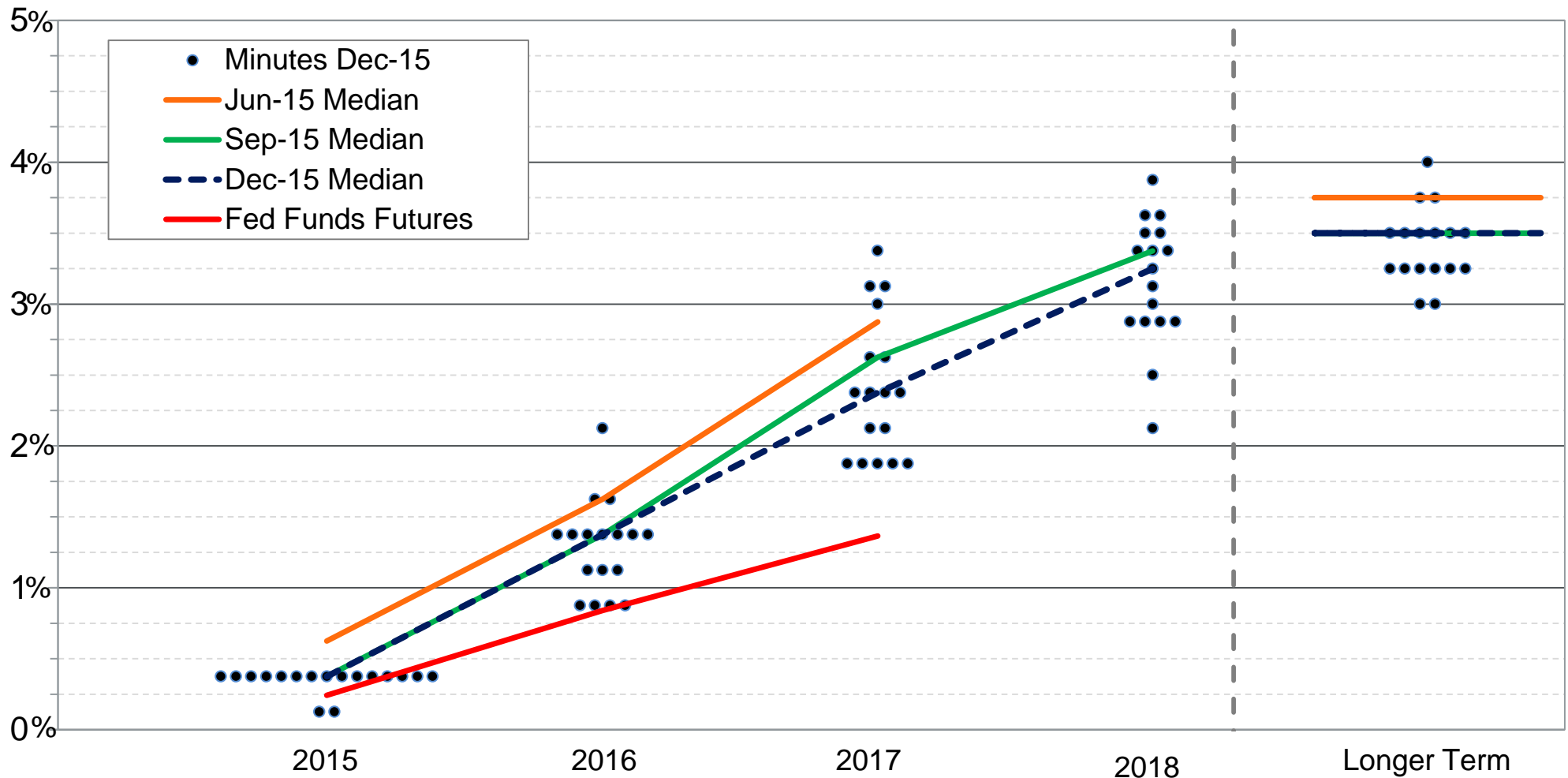
2016 Investment Outlook and Strategy

- We expect that the U.S. economy will continue to expand at a moderate pace, bolstered by gains in the job market and consumer spending. However, the global economy faces significant headwinds, particularly in emerging market economies.
- The Federal Reserve has signaled that future rate increases will be gradual and likely tied to “actual progress” towards the fed’s inflation target.
- We will continue to manage duration with a conservative bias in an effort to protect the market value of the portfolio in light of the bias toward higher rates by the end of 2016.
- The corporate sector continues to add significant value to the City’s portfolio. We will maintain the portfolio’s allocation near the upper end of the City’s policy limits to maximize the benefit from this sector. We will continue to carefully monitor the impact of global growth concerns on the corporate sector as a whole and on specific issuers.
- We will continue to monitor the yield relationship between federal agency and Treasury securities, looking to add federal agencies when their additional yields over Treasuries offer value.

FOMC “Dot Plot” from December Meeting

- The “Dot Plot” shows expectations for four 0.25% hikes in 2016. However, the dots have consistently overstated actual movements.

FOMC “Dot Plot” from December Meeting



Source: FOMC; Fed Funds Futures as of 12/17/2015.

Credit Review Philosophy

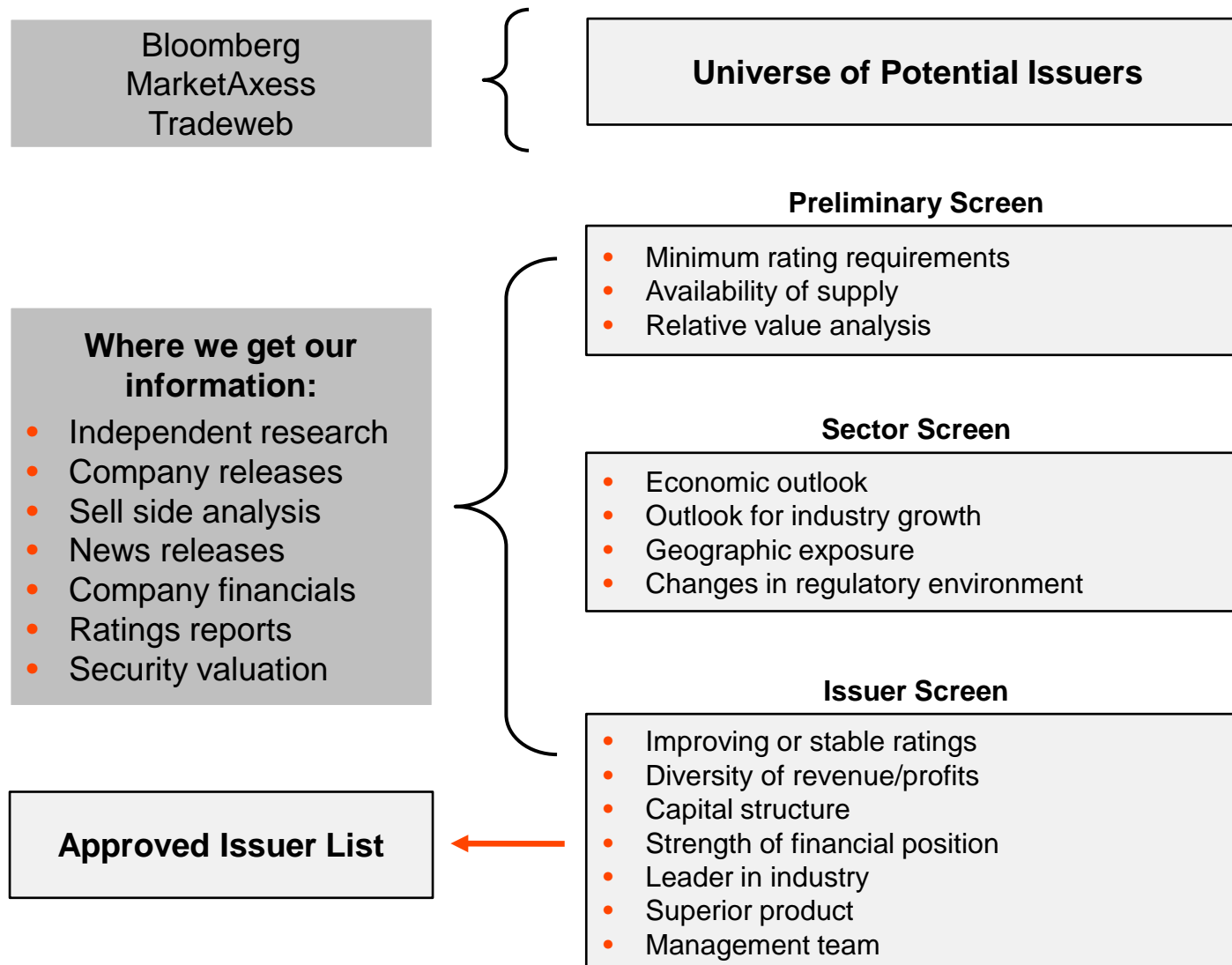
- Utilize credit in seeking to generate above benchmark returns with minimum volatility.
- Integrate into broader investment process.
- Research conducted “on the desk” by portfolio managers and traders.
- Emphasize emerging industry and macro trends.
- Build in a “margin of safety.”

Issuer Analysis	Macro/Industry Analysis
<ul style="list-style-type: none">✓ Balance sheet: ratios and analysis✓ Earnings: actual and projections✓ Asset quality and impairments✓ Debt and liquidity levels✓ Corporate governance✓ Prices of bonds, equity, and credit default swaps✓ Supply and trading volume✓ Analysts' recommendations	<ul style="list-style-type: none">✓ Macro-economic conditions✓ Industry trends✓ Competitive environment✓ Business cycle✓ Regulatory environment✓ Rating agency actions✓ Sovereign credit developments✓ Geopolitical risks

Credit Committee

- Develops and maintains approved credit list.
- Monitors credit on an ongoing basis.
- Focuses on emerging industry trends and market event risk.
- Expands the credit analysis beyond published credit ratings.

Credit Research Process



Ideal Credit Characteristics

- Leader in its industry
- Diverse revenue and profit streams
- Healthy financial condition, debt levels, and profitability
- Improving or stable credit ratings
- A reputation for transparency
- Ideal business conditions

Successful Outcomes from Our Credit Process



2000-2001 California Energy Crisis

After 1998 de-regulation, avoided California utility sector

Owned no PG&E, So. California Edison, or Enron



2007 Residential Mortgage Deterioration

July 2007: Liquidated entire holdings of asset-backed commercial paper (over \$2 billion)

2007 Q3/Q4: Ceased purchase of issuers with exposure to MBS (Bear Stearns, Lehman Brothers, Merrill Lynch, and RBS)



2008-2009 Credit Crisis

Owned no Lehman Brothers, Washington Mutual, IndyMac, AIG, CIT Group, MBIA

Portfolio management team focused on safety and liquidity



2011 Japanese Tsunami

March 2011: Credit Committee placed all Japanese issuers on hold

As conditions improved, issuers are re-approved



2011-2012 European Debt Crisis

Monitored developments in Europe on an ongoing basis

Some issuers are removed from credit list, others are placed on hold or restricted by maturity

No exposure to Greece, Portugal, Italy, or Ireland

Fixed-Income Index Returns

December 31, 2015	Effective Duration	Yield	YTD	1 Month	3 Month	1 Year	3 Years	5 Years
1-3 Year Indices								
U.S. Treasury	1.87	1.06%	0.54%	(0.09%)	(0.44%)	0.54%	0.51%	0.70%
Agency	1.73	1.14%	0.69%	(0.13%)	(0.37%)	0.69%	0.61%	0.84%
Corp A-AAA	1.90	1.82%	1.16%	(0.16%)	(0.05%)	1.16%	1.22%	1.85%
MBS (0 to 3 Years)	1.89	1.46%	1.68%	0.10%	0.98%	1.68%	1.20%	1.67%
Municipals	1.84	0.96%	0.76%	(0.02%)	(0.08%)	0.76%	0.85%	1.19%
1-5 Year Indices								
U.S. Treasury	2.70	1.29%	0.98%	(0.15%)	(0.66%)	0.98%	0.67%	1.25%
Agency	2.20	1.31%	0.97%	(0.16%)	(0.49%)	0.97%	0.76%	1.22%
Corp A-AAA	2.71	2.13%	1.52%	(0.26%)	(0.16%)	1.52%	1.59%	2.62%
MBS (0 to 5 Years)	3.35	2.23%	1.22%	(0.04%)	0.16%	1.22%	1.69%	2.52%
Municipals	2.52	1.15%	1.20%	0.03%	0.08%	1.20%	1.24%	1.80%

• Source: BofA Merrill Lynch Indices. Returns greater than on year are annualized.

Disclaimer

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guarantee of future results. The information contained in this presentation is not an offer to purchase or sell any securities.



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 01/03/2012 0.875% 12/31/2016	912828RX0	1,000,000.00	AA+	Aaa	12/05/14	12/09/14	1,003,750.00	0.69	24.04	1,001,822.61	1,000,625.00
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	2,705,000.00	AA+	Aaa	10/02/14	10/06/14	2,718,208.01	0.80	6,873.36	2,711,657.92	2,709,225.21
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	3,450,000.00	AA+	Aaa	03/19/14	03/21/14	3,457,951.17	0.92	8,766.39	3,453,299.10	3,455,388.90
US TREASURY NOTES DTD 04/30/2012 0.875% 04/30/2017	912828SS0	7,500,000.00	AA+	Aaa	05/04/15	05/04/15	7,538,671.88	0.61	11,177.88	7,525,900.50	7,496,775.00
US TREASURY NOTES DTD 05/31/2012 0.625% 05/31/2017	912828SY7	4,450,000.00	AA+	Aaa	06/02/14	06/03/14	4,425,316.41	0.81	2,431.69	4,438,272.47	4,430,357.70
US TREASURY NOTES DTD 07/02/2012 0.750% 06/30/2017	912828TB6	2,800,000.00	AA+	Aaa	10/30/14	11/03/14	2,797,156.25	0.79	57.69	2,798,393.11	2,791,250.00
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	820,000.00	AA+	Aaa	07/01/14	07/07/14	808,628.91	0.96	1,715.76	814,094.28	813,786.04
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	1,115,000.00	AA+	Aaa	02/06/15	02/10/15	1,105,679.30	0.84	2,333.02	1,109,016.20	1,106,550.53
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	2,750,000.00	AA+	Aaa	02/02/15	02/04/15	2,741,298.83	0.63	5,754.08	2,744,455.92	2,729,160.50
US TREASURY NOTES DTD 08/31/2012 0.625% 08/31/2017	912828TM2	7,500,000.00	AA+	Aaa	05/04/15	05/04/15	7,478,027.34	0.75	15,839.63	7,484,251.43	7,451,955.00
US TREASURY NOTES DTD 09/30/2010 1.875% 09/30/2017	912828PA2	1,190,000.00	AA+	Aaa	09/02/14	09/04/14	1,219,842.97	1.04	5,669.57	1,207,081.62	1,206,781.38
US TREASURY NOTES DTD 01/31/2013 0.875% 01/31/2018	912828UJ7	1,850,000.00	AA+	Aaa	12/29/14	12/31/14	1,831,210.94	1.21	6,774.12	1,837,246.41	1,840,750.00
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	825,000.00	AA+	Aaa	03/26/15	03/27/15	819,038.09	0.99	1,572.23	820,536.91	817,620.38
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	3,500,000.00	AA+	Aaa	02/26/15	02/27/15	3,469,101.56	1.04	6,670.08	3,477,435.75	3,468,692.50



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	4,600,000.00	AA+	Aaa	03/26/15	03/27/15	4,566,578.13	1.00	8,766.39	4,574,980.23	4,558,853.00
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	1,100,000.00	AA+	Aaa	04/28/15	04/30/15	1,091,148.44	0.90	1,171.02	1,093,106.42	1,085,862.80
US TREASURY NOTES DTD 05/31/2013 1.000% 05/31/2018	912828VE7	5,000,000.00	AA+	Aaa	05/04/15	05/04/15	4,999,804.69	1.00	4,371.58	4,999,852.45	4,974,415.00
US TREASURY NOTES DTD 05/31/2013 1.000% 05/31/2018	912828VE7	6,000,000.00	AA+	Aaa	12/28/15	12/30/15	5,970,234.38	1.21	5,245.90	5,970,300.96	5,969,298.00
US TREASURY NOTES DTD 07/31/2013 1.375% 07/31/2018	912828VO0	400,000.00	AA+	Aaa	07/01/15	07/06/15	403,218.75	1.11	2,301.63	402,715.26	401,531.20
US TREASURY NOTES DTD 09/30/2011 1.375% 09/30/2018	912828RH5	5,225,000.00	AA+	Aaa	10/08/15	10/09/15	5,291,945.31	0.94	18,255.38	5,286,843.26	5,241,328.13
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	5,250,000.00	AA+	Aaa	11/05/15	11/09/15	5,260,664.06	1.18	5,737.70	5,260,176.23	5,241,180.00
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	6,425,000.00	AA+	Aaa	12/01/15	12/04/15	6,479,461.91	1.22	264.77	6,478,155.25	6,454,111.68
Security Type Sub-Total		75,455,000.00					75,476,937.33	0.94	121,773.91	75,489,594.29	75,245,497.95
Supra-National Agency Bond / Note											
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 04/30/2015 1.000% 06/15/2018	459058EJ8	1,010,000.00	AAA	Aaa	04/22/15	04/30/15	1,008,272.90	1.06	448.89	1,008,640.55	1,001,594.78
Security Type Sub-Total		1,010,000.00					1,008,272.90	1.06	448.89	1,008,640.55	1,001,594.78
Municipal Bond / Note											
ORANGE CNTY, CA TXBL REV PO BONDS DTD 01/13/2015 0.780% 05/02/2016	68428LDJ0	1,035,000.00	AA	NR	01/09/15	01/13/15	1,035,000.00	0.78	3,318.90	1,035,000.00	1,035,434.70
CA EARTHQUAKE AUTH TXBL REV BONDS DTD 11/06/2014 1.194% 07/01/2016	13017HACO	250,000.00	NR	A3	10/29/14	11/06/14	250,000.00	1.19	1,492.50	250,000.00	250,462.50



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Municipal Bond / Note											
CA EARTHQUAKE AUTH TXBL REV BONDS DTD 11/06/2014 1.824% 07/01/2017	13017HAD8	190,000.00	NR	A3	10/29/14	11/06/14	190,000.00	1.82	1,732.80	190,000.00	190,929.10
CT ST TXBL GO BONDS DTD 03/25/2015 1.422% 03/15/2018	20772JZJ4	430,000.00	AA	Aa3	03/13/15	03/25/15	430,000.00	1.42	1,800.41	430,000.00	430,571.90

Security Type Sub-Total		1,905,000.00					1,905,000.00	1.08	8,344.61	1,905,000.00	1,907,398.20
--------------------------------	--	---------------------	--	--	--	--	---------------------	-------------	-----------------	---------------------	---------------------

Federal Agency Collateralized Mortgage Obligation											
FNMA SERIES 2015-M1 ASQ2 DTD 01/15/2015 1.626% 02/01/2018	3136AMKW8	445,000.00	AA+	Aaa	01/15/15	01/30/15	449,446.66	1.26	602.98	447,866.24	446,350.98
FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	385,000.00	AA+	Aaa	04/15/15	04/30/15	388,848.61	0.83	497.29	387,828.26	384,625.63
FNMA SERIES 2015-M3 FA DTD 02/01/2015 0.447% 06/01/2018	3136AMMC0	282,992.66	AA+	Aaa	02/12/15	02/27/15	282,918.72	0.39	105.47	282,949.71	282,905.16
FNMA SERIES M4 FA DTD 03/01/2015 0.437% 09/01/2018	3136AMTM1	256,300.44	AA+	Aaa	03/12/15	03/31/15	256,234.77	0.38	93.31	256,279.82	256,019.23
FNMA SERIES 2015-M15 ASQ2 DTD 11/01/2015 1.898% 01/01/2019	3136AOSW1	515,000.00	AA+	Aaa	11/06/15	11/30/15	520,149.95	1.20	814.60	520,149.95	518,281.89
FNMA SERIES 2015-M10 FA DTD 06/01/2015 0.478% 03/01/2019	3136ANA98	2,216,540.44	AA+	Aaa	06/12/15	06/30/15	2,215,898.97	0.43	883.33	2,216,069.20	2,213,896.33
FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AODO0	1,125,000.00	AA+	Aaa	10/07/15	10/30/15	1,136,265.64	1.08	1,543.13	1,135,704.44	1,123,284.83
FREDDIE MAC SERIES 4459 NB DTD 04/01/2015 4.500% 01/01/2020	3137BHU39	980,590.46	AA+	Aaa	06/08/15	06/11/15	1,028,087.81	0.77	3,677.21	1,020,772.76	1,015,392.99
FNMA SERIES 2015-M12 FA DTD 09/01/2015 0.571% 04/01/2020	3136AP3Z3	1,781,429.14	AA+	Aaa	09/10/15	09/30/15	1,780,787.82	0.54	847.99	1,780,787.83	1,771,547.20
Security Type Sub-Total		7,987,853.14					8,058,638.95	0.70	9,065.31	8,048,408.21	8,012,304.24

Federal Agency Bond / Note											
-----------------------------------	--	--	--	--	--	--	--	--	--	--	--



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	2,000,000.00	AA+	Aaa	05/04/15	05/04/15	2,020,760.00	0.50	6,458.33	2,011,015.12	2,007,248.00
FHLB NOTES DTD 11/17/2014 0.625% 11/23/2016	3130A3J70	7,500,000.00	AA+	Aaa	05/04/15	05/04/15	7,507,500.00	0.56	4,947.92	7,504,329.53	7,485,307.50
FHLB NOTES DTD 11/09/2010 1.625% 12/09/2016	313371PV2	3,500,000.00	AA+	Aaa	05/05/15	05/05/15	3,557,505.00	0.59	3,475.69	3,533,927.92	3,525,886.00
FHLB GLOBAL NOTES (CALLABLE) DTD 03/24/2015 0.840% 03/24/2017	3130A4QV7	1,650,000.00	AA+	Aaa	03/17/15	03/24/15	1,650,000.00	0.84	3,734.50	1,650,000.00	1,647,571.20
FHLB GLOBAL NOTES DTD 05/15/2015 0.625% 05/30/2017	3130A5EP0	2,410,000.00	AA+	Aaa	05/14/15	05/15/15	2,407,999.70	0.67	1,297.05	2,408,611.33	2,398,721.20
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	1,400,000.00	AA+	Aaa	03/19/15	03/20/15	1,404,760.00	0.85	5,950.00	1,403,195.04	1,397,671.80
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	2,700,000.00	AA+	Aaa	08/12/14	08/14/14	2,699,819.10	1.00	11,475.00	2,699,904.42	2,695,509.90
TENNESSEE VALLEY AUTHORITY NOTES DTD 12/22/1997 6.250% 12/15/2017	880591CU4	1,500,000.00	AA+	Aaa	08/18/15	08/19/15	1,679,964.00	1.01	4,166.67	1,651,842.47	1,644,633.00
FNMA BENCHMARK NOTE DTD 09/01/2015 1.125% 10/19/2018	3135G0E58	6,100,000.00	AA+	Aaa	08/27/15	09/01/15	6,090,118.00	1.18	13,725.00	6,091,135.54	6,061,112.50
Security Type Sub-Total		28,760,000.00					29,018,425.80	0.80	55,230.16	28,953,961.37	28,863,661.10
Corporate Note											
WALT DISNEY CORP NOTES DTD 11/30/2012 1.100% 12/01/2017	25468PCV6	1,500,000.00	A	A2	11/04/14	11/07/14	1,490,565.00	1.31	1,375.00	1,494,061.59	1,495,257.00
WELLS FARGO & COMPANY GLOBAL NOTES DTD 12/26/2012 1.500% 01/16/2018	94974BFG0	1,250,000.00	A	A2	05/05/15	05/08/15	1,252,550.00	1.42	8,593.75	1,251,950.89	1,244,675.00
EXXON MOBIL CORP NOTES DTD 03/06/2015 1.305% 03/06/2018	30231GAL6	1,400,000.00	AAA	Aaa	03/04/15	03/06/15	1,400,000.00	1.31	5,836.25	1,400,000.00	1,397,775.40



Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF HAYWARD

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
BANK OF NEW YORK MELLON CORP (CALLABLE) DTD 05/29/2015 1.600% 05/22/2018	06406HDB2	1,050,000.00	A	A1	05/22/15	05/29/15	1,049,905.50	1.60	1,820.00	1,049,922.83	1,046,073.00
Security Type Sub-Total		5,200,000.00					5,193,020.50	1.39	17,625.00	5,195,935.31	5,183,780.40
Asset-Backed Security / Collateralized Mortgage Obligation											
FORD ABS 2015-A A2A DTD 03/24/2015 0.810% 01/15/2018	34530OAB6	163,966.96	NR	Aaa	03/17/15	03/24/15	163,965.88	0.81	59.03	163,966.22	163,827.92
FORD ABS 2015-C A3 DTD 09/22/2015 1.410% 02/15/2020	34530YAD5	620,000.00	AAA	Aaa	09/15/15	09/22/15	619,879.35	1.42	388.53	619,887.78	617,194.93
Security Type Sub-Total		783,966.96					783,845.23	1.29	447.56	783,854.00	781,022.85
Managed Account Sub-Total		121,101,820.10					121,444,140.71	0.91	212,935.44	121,385,393.73	120,995,259.52
Securities Sub-Total		\$121,101,820.10					\$121,444,140.71	0.91%	\$212,935.44	\$121,385,393.73	\$120,995,259.52
Accrued Interest											\$212,935.44
Total Investments											\$121,208,194.96





**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
02/04/16	0.46	0.45	165
02/05/16	0.46	0.45	166
02/06/16	0.46	0.45	166
02/07/16	0.46	0.45	166
02/08/16	0.46	0.45	164
02/09/16	0.46	0.45	163
02/10/16	0.46	0.45	162
02/11/16	0.46	0.45	161
02/12/16	0.47	0.45	162
02/13/16	0.47	0.45	162
02/14/16	0.47	0.45	162
02/15/16	0.47	0.45	162
02/16/16	0.47	0.45	158
02/17/16	0.47	0.45	161

*Daily yield does not reflect capital gains or losses

LAIF Performance Report

Quarter Ending 12/31/15

Apportionment Rate: 0.37%
 Earnings Ratio: 0.00001006140492611
 Fair Value Factor: 0.999186963
 Daily: 0.43%
 Quarter to Date: 0.38%
 Average Life: 179

**PMIA Average Monthly
Effective Yields**

JAN 2016 0.446%
 DEC 2015 0.400%
 NOV 2015 0.374%

**Pooled Money Investment Account
Portfolio Composition
1/31/16
\$65.3 billion**

