



Town of Atherton

FINANCE COMMITTEE STAFF REPORT

TO: FINANCE COMMITTEE

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: JANUARY 10, 2017

SUBJECT: REVIEW AND DISCUSSION OF CASH FLOW NEEDS FOR CAPITAL PROJECTS. PRESENTATION BY INSIGHT ASSET MANAGEMENT INVESTMENT PROGRAM REVIEW OF THE TOWN.

RECOMMENDATION

Review the investment program with Insight Investment and discussion of cash flow needs for future capital projects.

BACKGROUND

As of September 30, 2016 the total investment portfolio for the Town is \$20,401,221 as illustrated in the Insight investment review book. The Town has an additional \$10,037,713 in LAIF and \$1,592,992 in General operating account, with an approximate total cash and investment of \$32,031,926.

As the Committee is aware, the Town has a robust capital improvement program that will require necessary cash flow to pay for projects. The Town just completed the Marsh Road Retaining Wall project. This project had been in the forefront of the capital improvement program for quite some time. It took years to embark on the project as it involved some careful planning for the design, review, necessary permits, and logistics to carry out the completion of the project. The total cost of the project was approximately \$4.5 million to complete. It is the Town's largest capital expenditure in recent memory. The Town maintains a five year Capital Improvement Program that is updated every fiscal year due to changing needs, priorities, and funding. The Town continues to follow the "Save then Spend" approach for capital projects over multiple years, since most major capital projects have significant costs. The current FY 16/17 capital projects includes approximately \$6 million in projects that will occur within the next twelve months. They range from drainage, transportation and street, and park projects.

Attached within this report is a map of the FY 16/17 capital projects, descriptions of the projects and estimated costs. These are the capital projects on the horizon within the year, however the Five Year Capital improvement program (CIP) through FY 2020/21 totals nearly \$46 Million and *comes from various funding sources*. The \$46 Million includes the Civic Center but does not include all of the identified projects from various master plans. We have a drainage master plan that includes approximately \$49 Million in projects, of which included the Marsh Road Project. The Bike|Pedestrian Master plan includes approximately \$13 Million in Projects. The Park Master plan include approximately \$2 million in projects.

The CIP is used to identify anticipated capital improvement needs and funding sources. It does not appropriate funds past the budget year; rather, it functions as a budgeting and planning tool. With the current \$6 million of projects that will occur within the year, staff is preparing for the expenditure of funds and ensuring there is enough liquidity of cash available. We are in current review of our investment portfolio with our asset manager (Insight Investments) and looking for ways to continue optimum investments within our portfolio while ensuring liquidity.

The main objectives of Town investments include preservation of capital and protection of investment, maintenance of sufficient liquidity to meet cash flow needs, attainment of market rate of return, and diversification. The Town's main types of instruments for investments include United States Treasury Bills, Federal Instrumentality, Medium Term Notes (corporate bonds), and State of California's Local Agency Investment Fund (LAIF).

Our current portfolio market value is approximately \$20 Million as of October 2016. The value was approximately \$25 Million on July 2015. As the Marsh road project and other capital improvement projects moved forward, any maturing investments were not reinvested as quickly and or transferred to LAIF. *Usually when investments mature, it is policy to reinvest funds within our current investment instruments of our Investment Policy*. The Town's portfolio duration is currently getting shorter and is approximately 1 year. In July 2015 is was approximately 2 years. Normal practice is to get the portfolio duration out a little longer between 2 to 3 years to get higher yields.

Town investments are matched with anticipated cash flow requirements. As cash flow becomes more important for operational needs, the investment portfolio is reduced, as well as the duration. In observing the needs of cash resources for Town capital projects on the horizon, staff is slowing down the reinvestment of funds to more liquid instruments. As investments mature they are held on hand and transferred to LAIF and some are reinvested in securities that have a shorter maturity duration. The longest we hold an investment is approximately 3 years to maturity. We do not invest in securities that mature more than five years. *In response for maintenance of sufficient liquidity for capital projects, staff has reviewed the duration of investments and seeks to adjust reinvestment of maturing securities in the coming year.* Below is a list of security instruments that are maturing in the next six months.

Description	Maturity	Value
US Bank –Corporate Bond	01/30/2017	\$615,000
US Treasury Note	01/31/2017	\$500,000
FNMA-US Instrumentality Securities	03/14/2017	\$500,000
US Treasury Note	04/30/2017	\$500,000
Apple_ Corporate Note	05/05/2017	\$500,000
FHLMC- US Instrumentality Securities	05/12/2017	\$500,000
FHLMC- US Instrumentality Securities	06/21/2017	\$500,000
FHLMC- US Instrumentality Securities	06/29/2017	\$500,000
Total of Securities		\$4,115,000

Dave Witthohn, Senior Portfolio Manager for Insight investment, is here today to discuss our investment program, outlook of the economy, and suggestions to accommodate Town liquidity needs for capital projects. *Staff recommends discussion on upcoming Town capital improvement projects within the next year and the investments of Town funds for preservation of liquidity and market rate of return.* As we move further along the year in preparation for FY 17-18 budget, we will continue discussions on the five year capital improvement program.

FISCAL IMPACT

None at this time

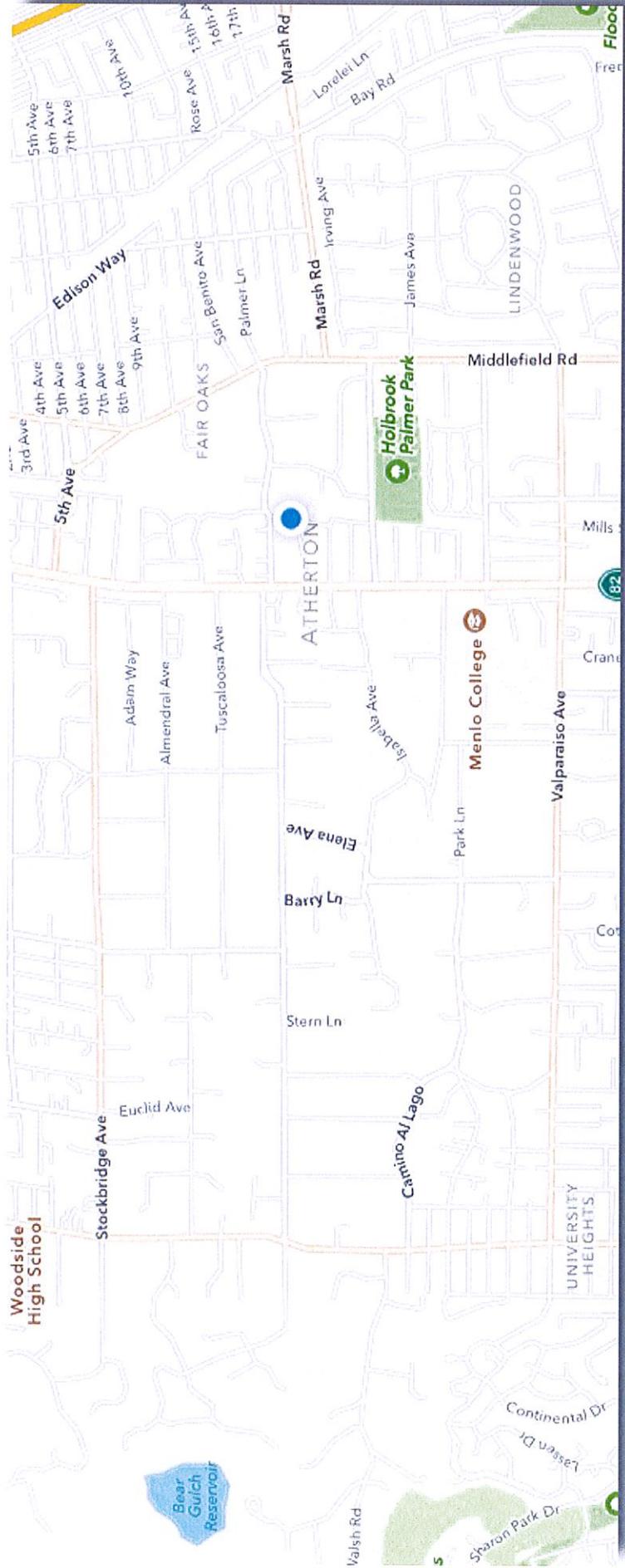
ATTACHMENTS

FY 16/17 Capital Improvement Program Map
 Insight-Town Investment Review Book



Town of Atherton Capital Projects Fiscal Year 2016/17

Current year capital projects are approved as part of the Town's annual budget process. The timing for each project within the fiscal year depends largely on the type of project. Most projects related to streets, drainage, and buildings will occur during the March-October period – outside of the rain season. The projects highlighted below are those where actual construction (as opposed to studies/planning) will occur during the next 12 months.



For more information, visit the Town's Capital Projects website at <http://www.ci.atherton.ca.us/capitalprojects>

- Belbrook Way Culvert Repair - CIP#56076 - \$330,000
- Slurry Seal Project on Alameda de las Pulgas from Stockbridge to Camino Al Lago - CIP#56003 - \$325,000
- Repairs to Concrete Swales and Drainage - CIP#56034 - \$195,000
- Road Maintenance - Overlay Camino por los Arboles to Barney - CIP#56003 - \$200,000; and repairs to Concrete Swales and Drainage - CIP#56034 - \$195,000
- Slurry Seal Project on Faxon cul de sac - CIP#56034 - \$325,000
- Stockbridge Regrade ECR to Serrano - CIP#56003 - \$300,000
- Repairs to Concrete Swales and Drainage - CIP#56034 - \$330,000
- HAWK Beacon Installation at Almendral and El Camino Real - CIP#56074 - \$350,000
- Pathway Improvement Watkins to Felton Gables Gate - Safe Routes to School - CIP#56069 - \$50,000
- Replacement of approximately 40 high-voltage series street lights with LED in Lindenwood & Lloydden Park - CIP#56068 - \$753,000
- Pedestrian Circulation Improvements - CIP#56063 - \$235,000
- Improvements to Safe Routes 2 School on Middlefield - Bicycle and Pedestrian Routes - CIP#56069 - \$295,000
- Installation of Class II Bike Route on Middlefield & Green Lanes at Intersections - CIP#56069 - \$1,550,000
- Marsh Road Retaining Wall Repair Project - CIP#54020 - \$4,183,168
- Replacement of approximately 40 high-voltage series street lights with LED in Lindenwood & Lloydden Park - CIP#56068 - \$753,000

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Town of Atherton Investment management program review

David Witthohn, CFA, CIPM, Senior Portfolio Manager

October 2016

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Insight
INVESTMENT

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Market environment and strategies

Market environment and strategies

Global economic commentary

Third quarter 2016



Weak international trade and the negative impact of falling commodity prices gave the Federal Reserve (Fed) reasons to relent from rate hikes so far this year. Although housing activity has been resilient and wage growth has started to pick up from low levels, inflation indicators remain too weak to warrant immediate changes to monetary policy. Furthermore, the US presidential election in November is moving into focus and a rate hike in November could be construed as being politically motivated. The reduced expectations of Fed hikes have weakened the US dollar, which should support the external sector going forward. These factors suggest that we could see some acceleration in underlying activity towards the end of the year. The final growth rate is likely to remain heavily influenced by the potential for a normalization of inventory levels, as well as the valuation effect of oil prices on these inventories.

In Europe, initial economic data following the UK Brexit referendum have confounded expectations of a sharp deterioration in activity. Given the Bank of England's accommodative stance and that the flow of goods and services will likely be unaffected until after triggering Article 50, it may be some time before we see an economic impact of the political changes. In the meantime, we expect both private and government consumption on the continent to continue improving in 2016 as the European Central Bank (ECB) remains accommodative.

Elsewhere, activity in Japan remains disappointing in the absence of progress on structural reforms. The Bank of Japan (BOJ) announced an attempt to steepen their yield curve by targeting 10-year government bonds at current yields. Chinese management of the yuan is also likely to remain in focus this year. The return to

investment-led growth, much of it linked to resurgent property investment, has put a floor under economic activity for this year. However it is not clear that this will provide the opportunities to attract foreign capital or limit domestic capital outflows in a sustainable way.

Interest rate summary

Last year, expected tightening in the US contrasted with easing biases from both the ECB and the BOJ. In 2016, monetary policy has generally converged as central banks leaned dovish in the face of weaker global growth and heightened political uncertainty. In combination with the potentially radical changes to global trade arrangements coming out of the US and UK, this gives central banks plenty of reasons to remain dovish and "behind the curve" once inflation resurfaces.

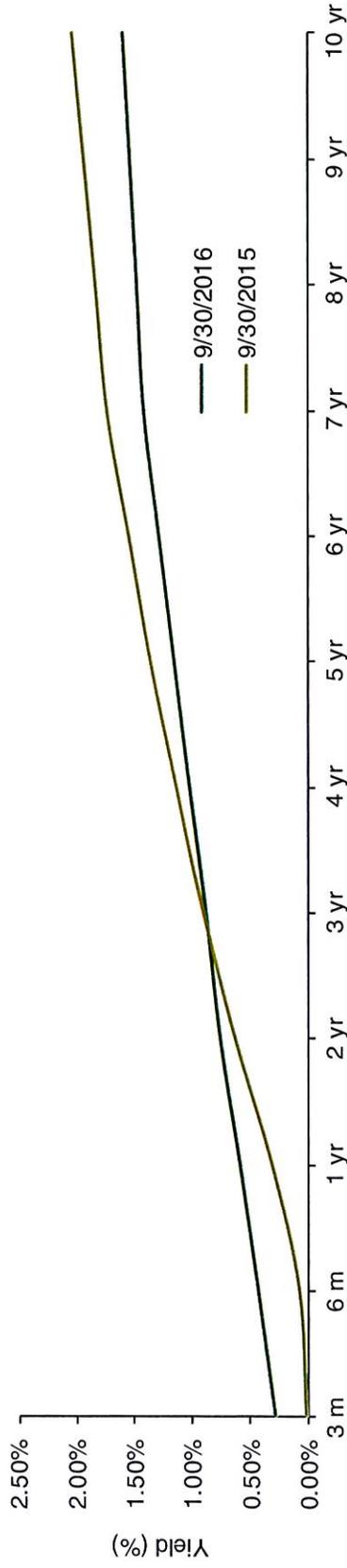
Fundamentally, the economy remains steady and some Fed speakers maintain that the case to raise rates has strengthened over the summer. Fed governor John Williams recently reiterated the benefits of central bank flexibility if inflation were to be guided to a higher level. Stresses in credit markets have prompted a tightening of lending conditions in the Fed's senior loan officer survey, but US defaults this year have been concentrated in energy-related sectors. The impact of energy prices on inventories has the potential to weigh further on real growth rates over the next year, but the main watch factors remain wage growth, consumption and housing. These latter factors could permit the Fed to raise the overnight Fed Funds rate by another 25bp later this year.

Market environment and strategies

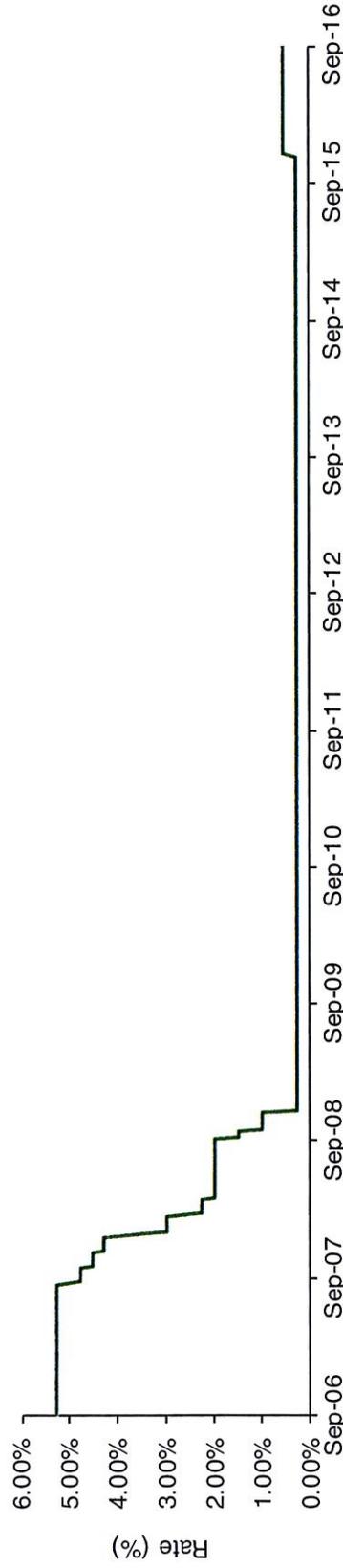
US economic indicators



Comparative historical yield curves^{1, 2}



Fed funds target rate²

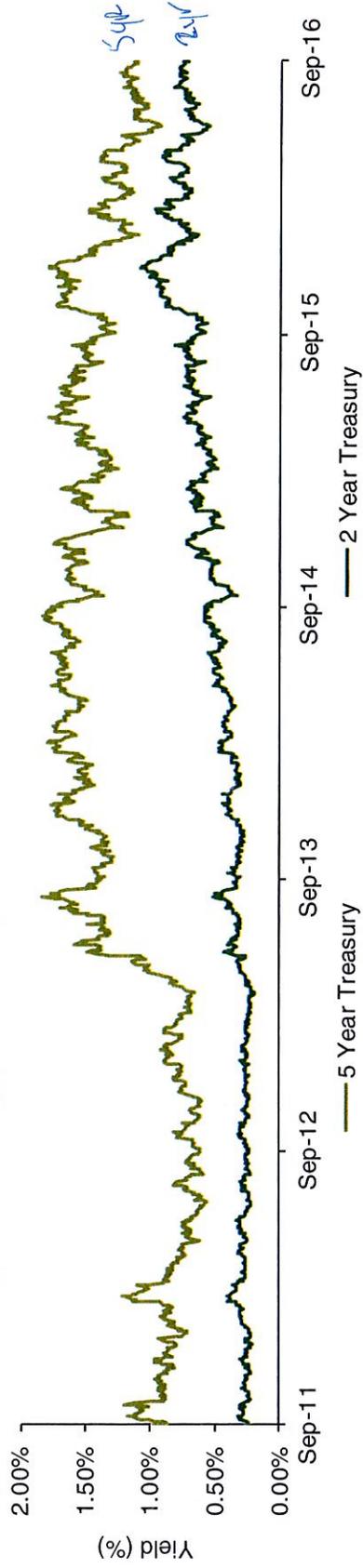


Source: Bloomberg LP, ¹ September 30, 2015, ² September 30, 2016.

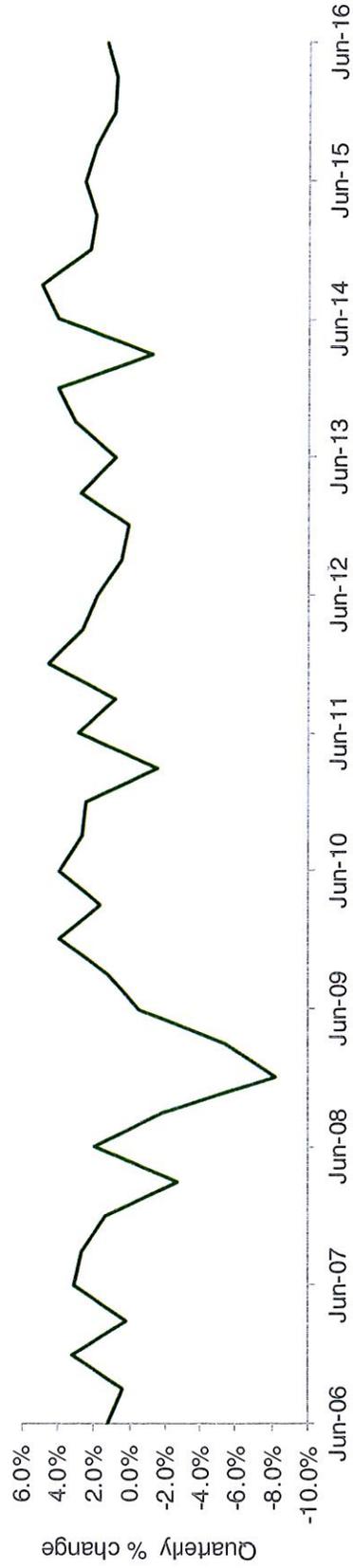
Market environment and strategies

US economic indicators

Two-year and five-year treasury yields: September 2011–2016¹



Gross domestic product (GDP)²



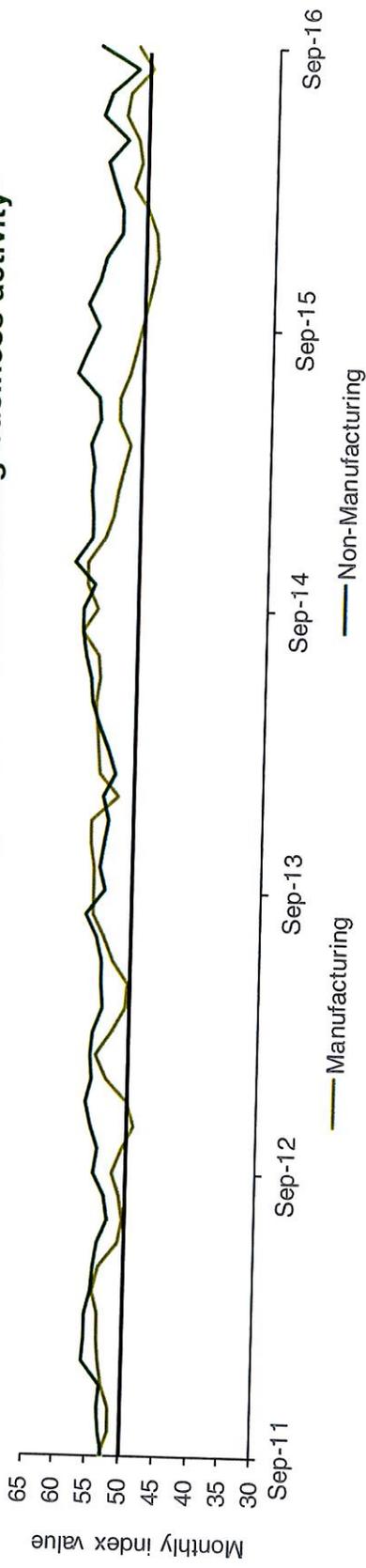
Source: Bloomberg LP, ¹ September 30, 2016, ² June 30, 2016.

Market environment and strategies

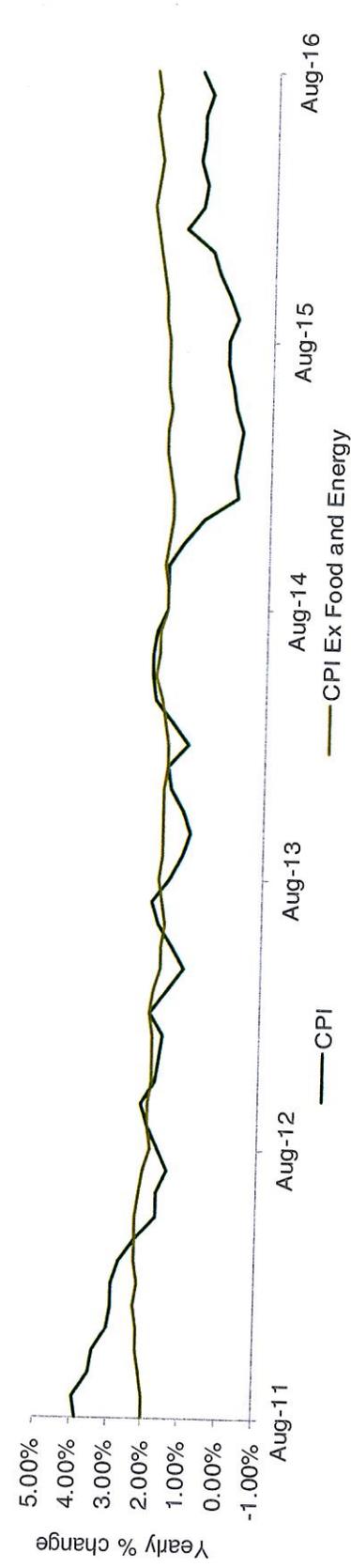
US economic indicators



Institute for supply management manufacturing and non-manufacturing business activity¹



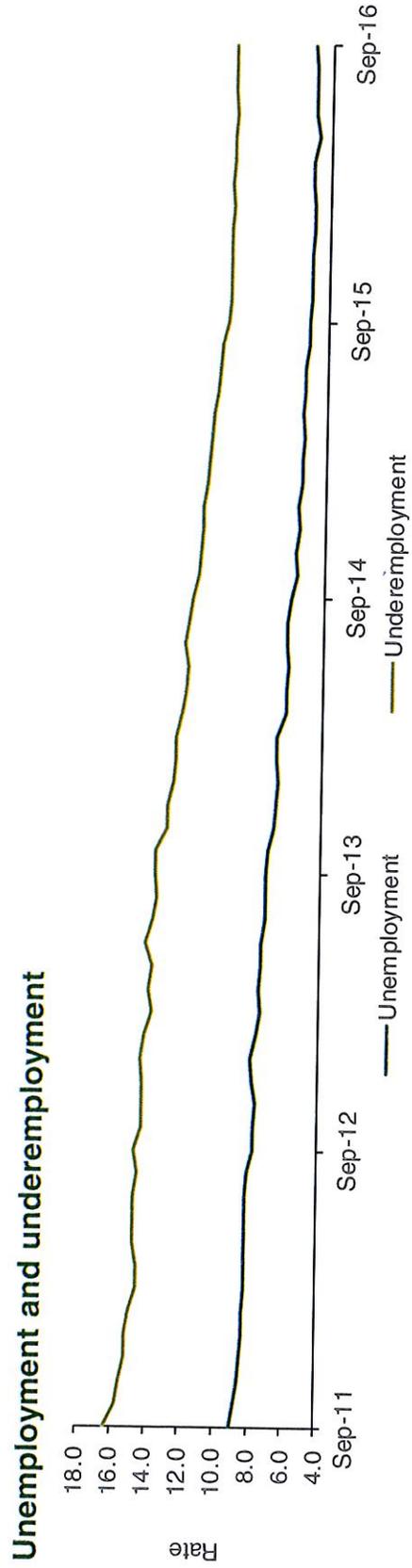
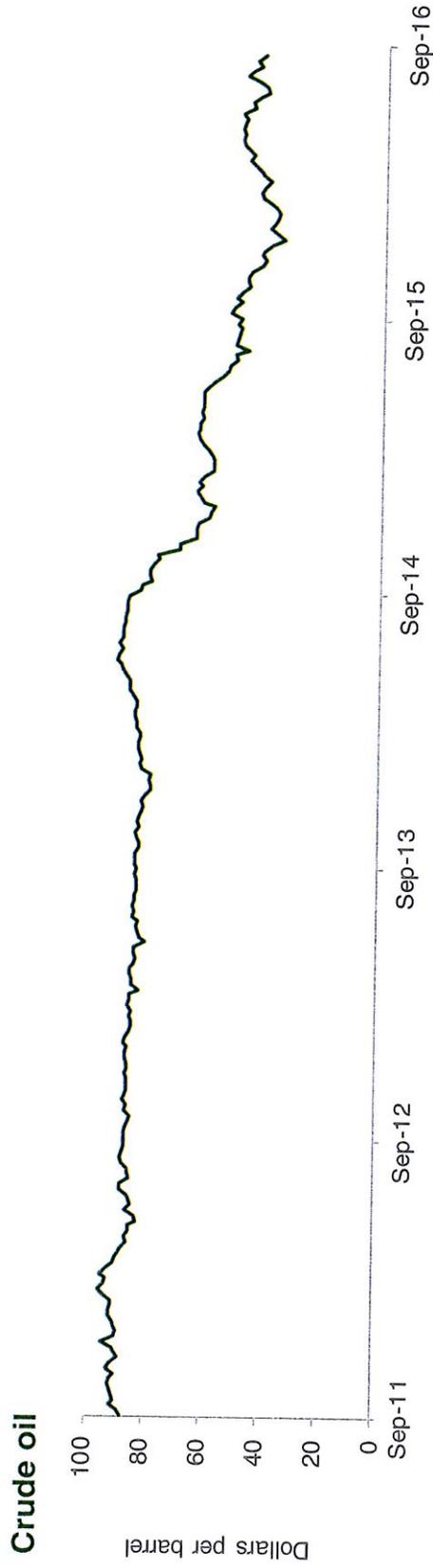
Consumer Price Index (CPI)²



Source: Bloomberg LP, ¹ September 30, 2016, ² August 31, 2016.

Market environment and strategies

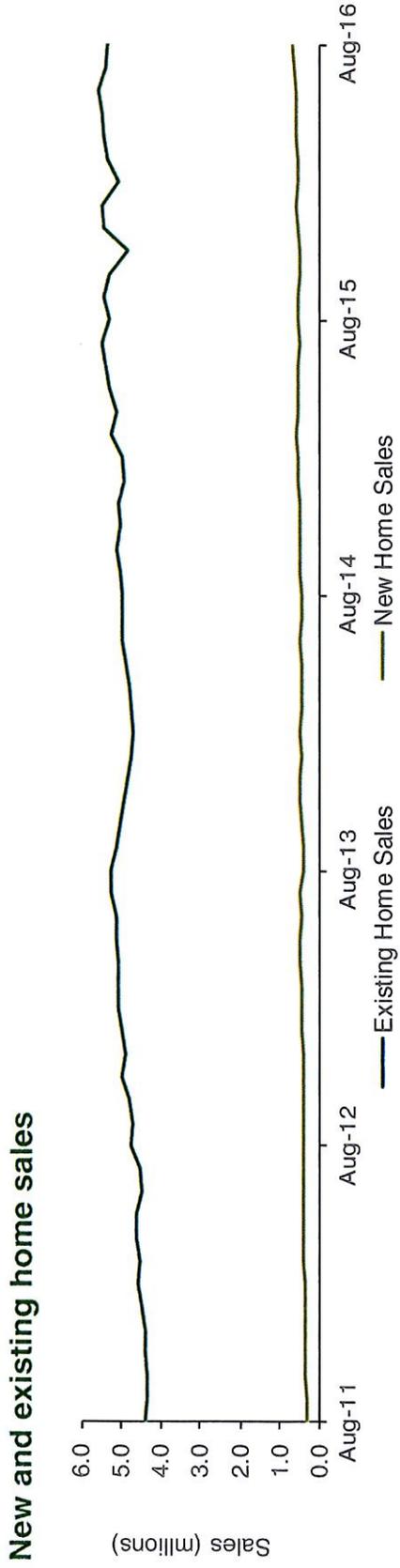
US economic indicators



Source: Bloomberg LP, September 30, 2016.

Market environment and strategies

US economic indicators



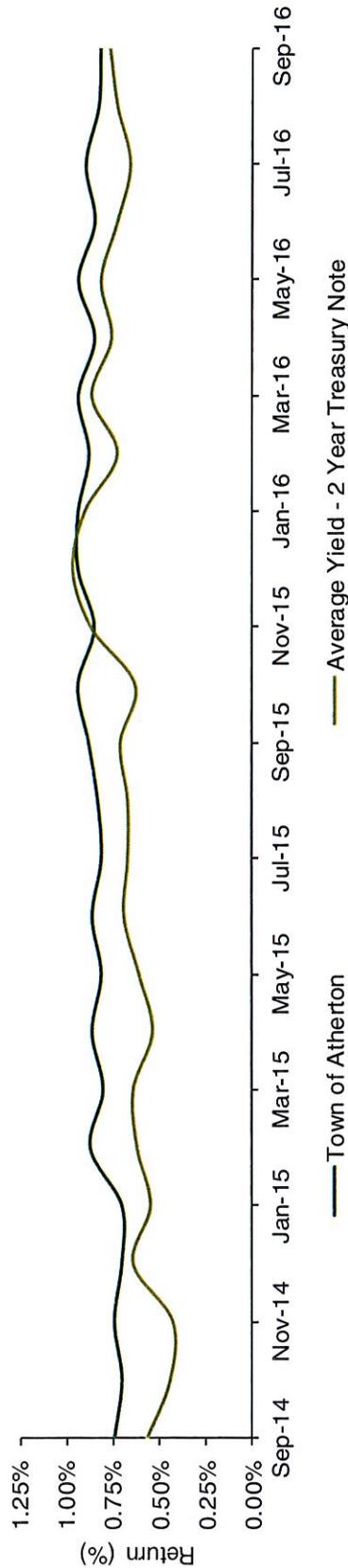
Source: Bloomberg LP, August 31, 2016.

Comparison annualized yields

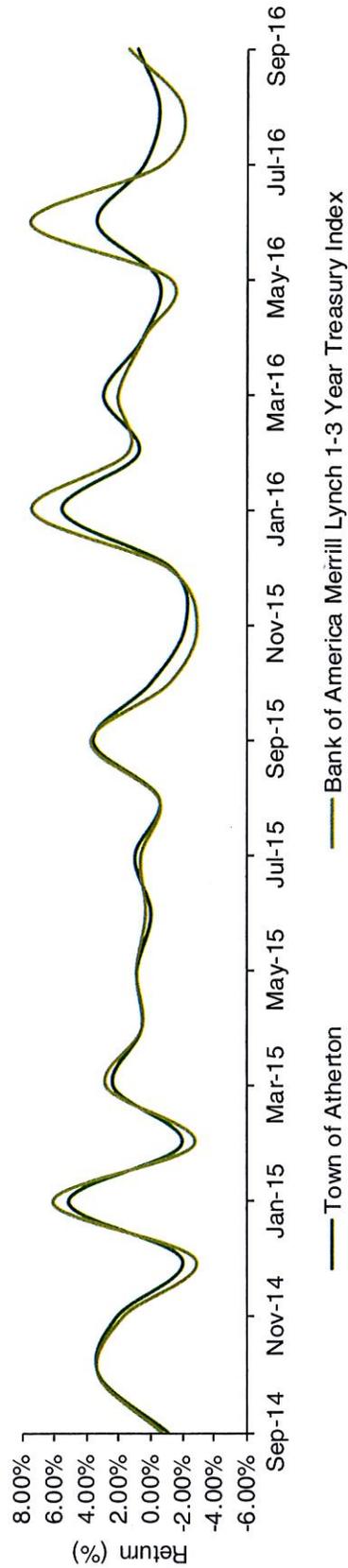
Town of Atherton

Comparison annualized yields September 2014 through September 2016

Annualized return: Amortized cost basis



Annualized return: Fair value basis



As of September 30, 2016. Past performance is not indicative of future results. Investment in any strategy involves a risk of loss. Returns are gross of fees. Performance results do not reflect the deduction of investment advisory fees. Client's returns will be reduced by the investment advisory fees and other expenses. Please refer to the important disclosures and index definition at the back of this presentation.



Portfolio size and duration

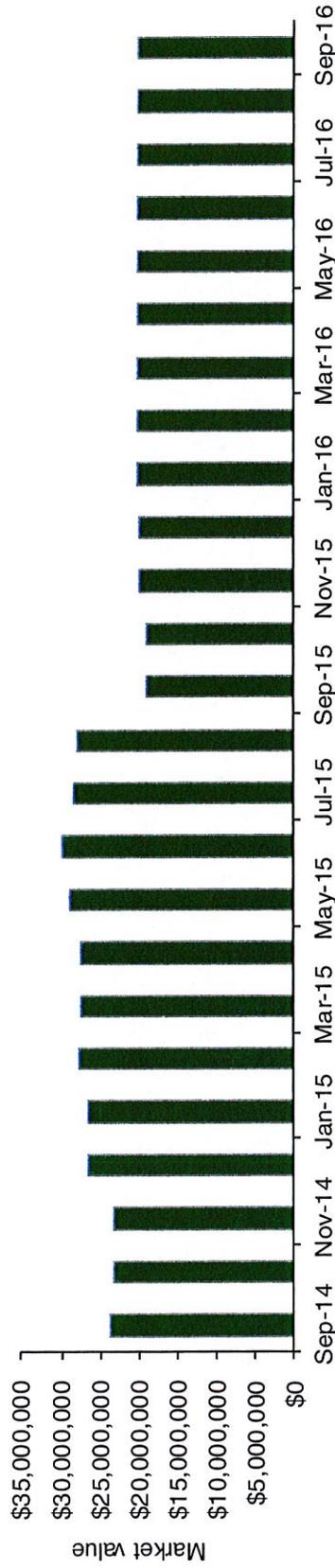
Town of Atherton

Portfolio size and duration

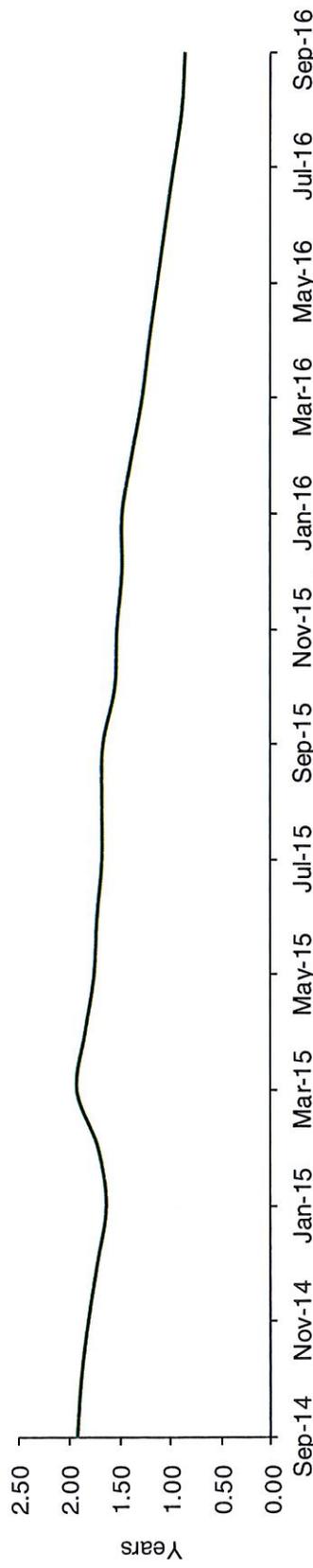
September 2014 through September 2016



Portfolio balance: Ending market value



Portfolio duration



As of September 30, 2016.

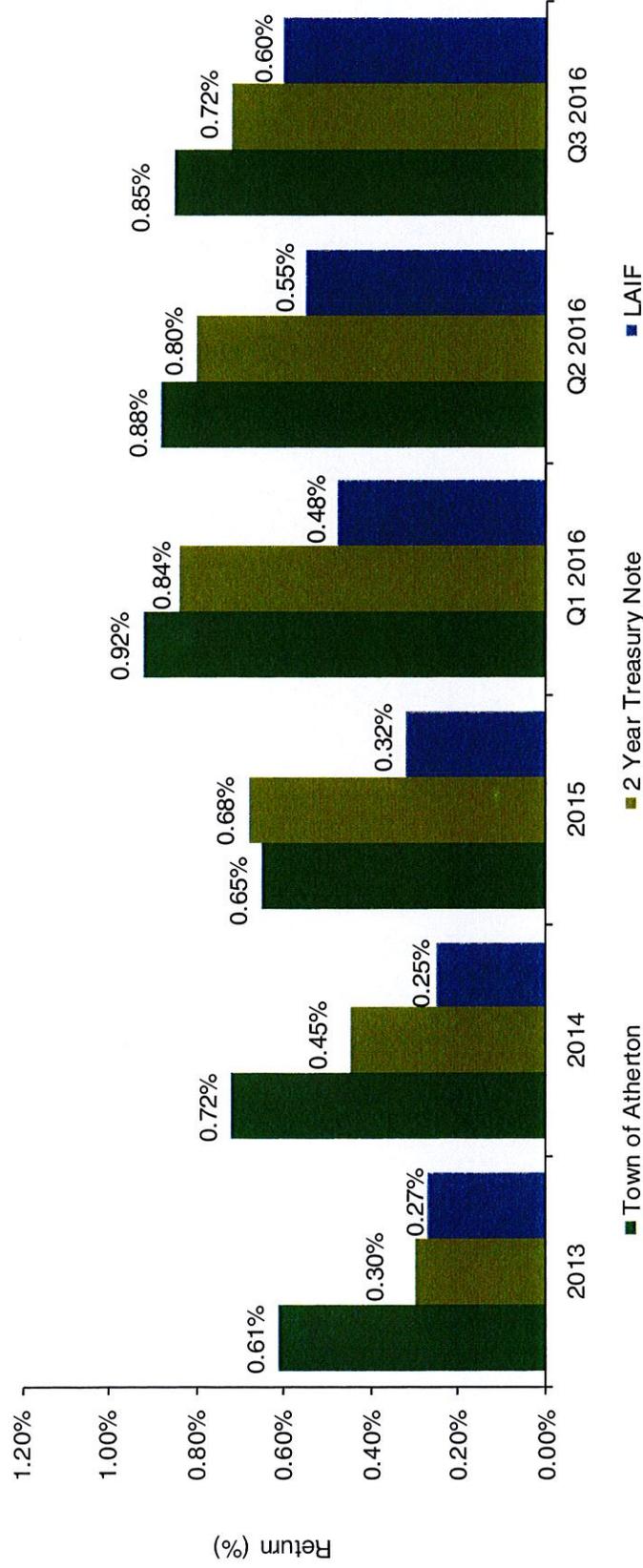


Performance versus benchmark

Town of Atherton
 Performance versus benchmark
 January 2013 through September 2016



Town of Atherton amortized cost return versus 2 Year Treasury Note and California Local Agency Investment Fund (LAIF)



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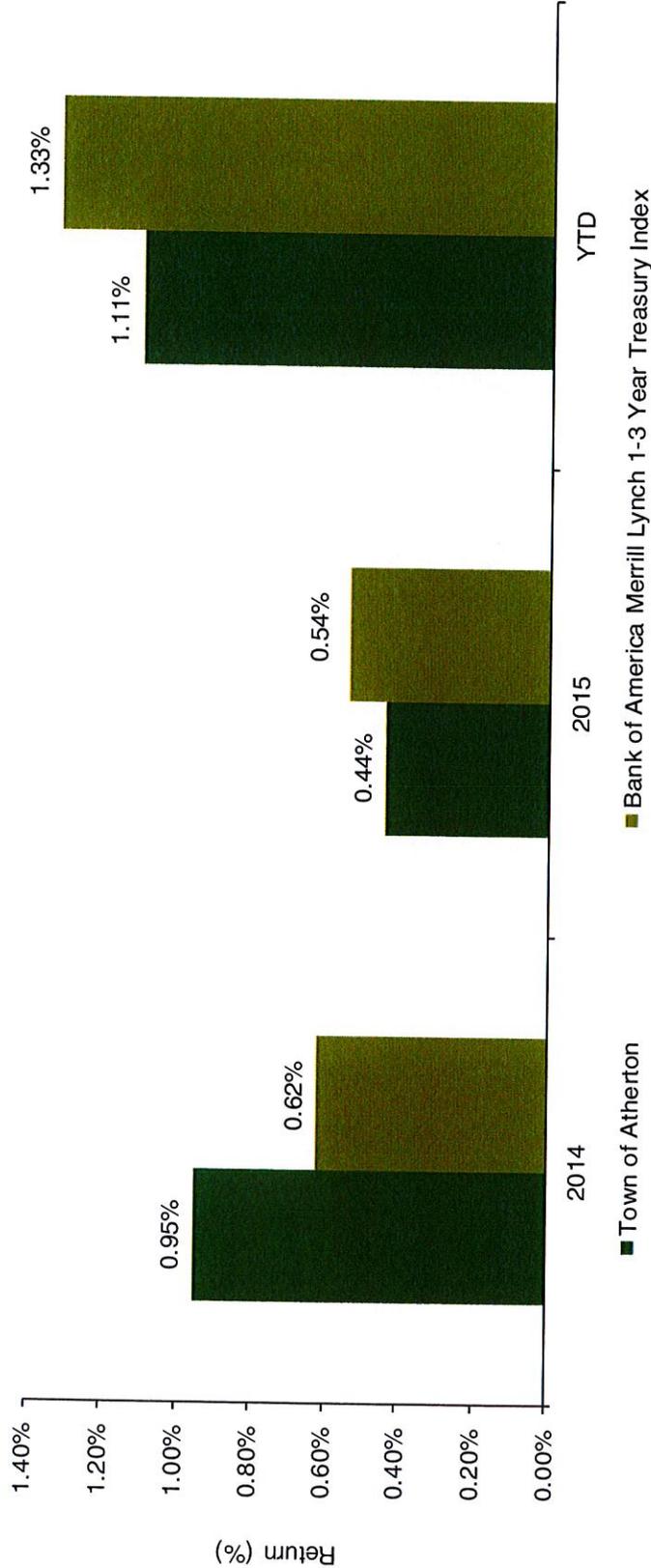
Town of Atherton

Performance versus benchmark

January 2014 through September 2016



Town of Atherton fair value return versus Bank of America Merrill Lynch 1-3 Year Treasury Index



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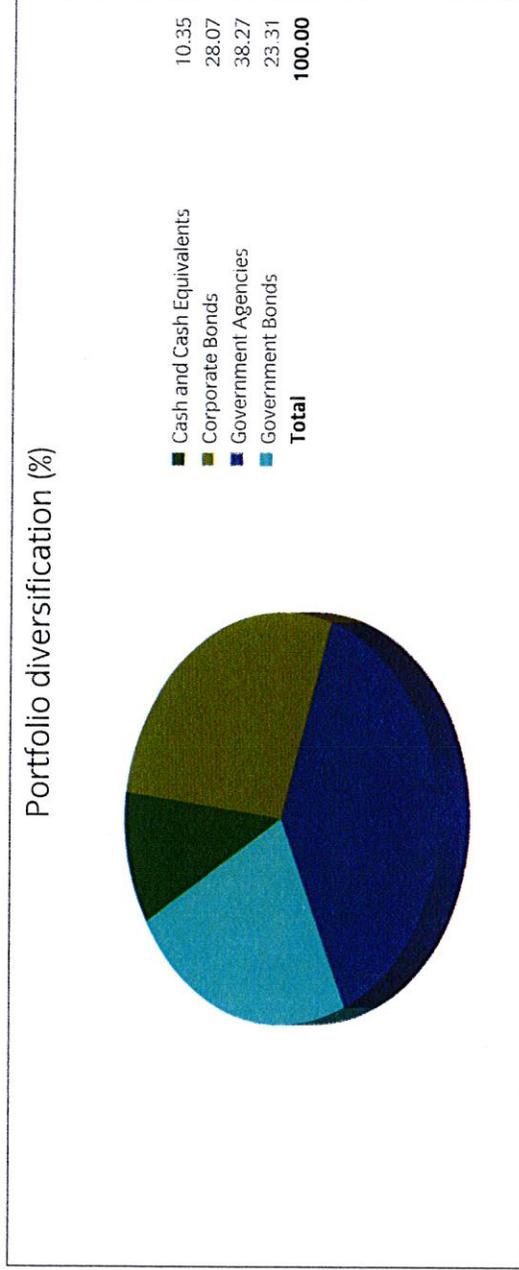


Portfolio diversification

Town of Atherton Recap of securities held As of September 30, 2016



	Historical cost	Amortized cost	Fair value	Unrealized gain (loss)	Weighted average final maturity (days)	Percent of portfolio	Weighted average effective duration (years)
Cash and Cash Equivalents	2,111,354.27	2,111,354.27	2,111,354.27	0.00	1	10.35	0.00
Corporate Bonds	5,726,540.75	5,643,858.51	5,652,813.90	8,955.39	427	28.07	1.14
Government Agencies	7,806,871.00	7,745,935.94	7,763,188.40	17,252.46	429	38.27	1.02
Government Bonds	4,756,455.09	4,751,314.60	4,757,533.75	6,219.15	234	23.31	0.63
Total	20,401,221.11	20,252,463.32	20,284,890.32	32,427.00	339	100.00	0.86



Data may not total 100% due to rounding. The above list of holdings is only valid as of September 30, 2016 and should not be relied upon as a complete listing of the account's past investment decisions. Holdings are subject to change without notice, may not represent current or future decisions and should not be construed as investment recommendations.



Maturity distribution

Town of Atherton

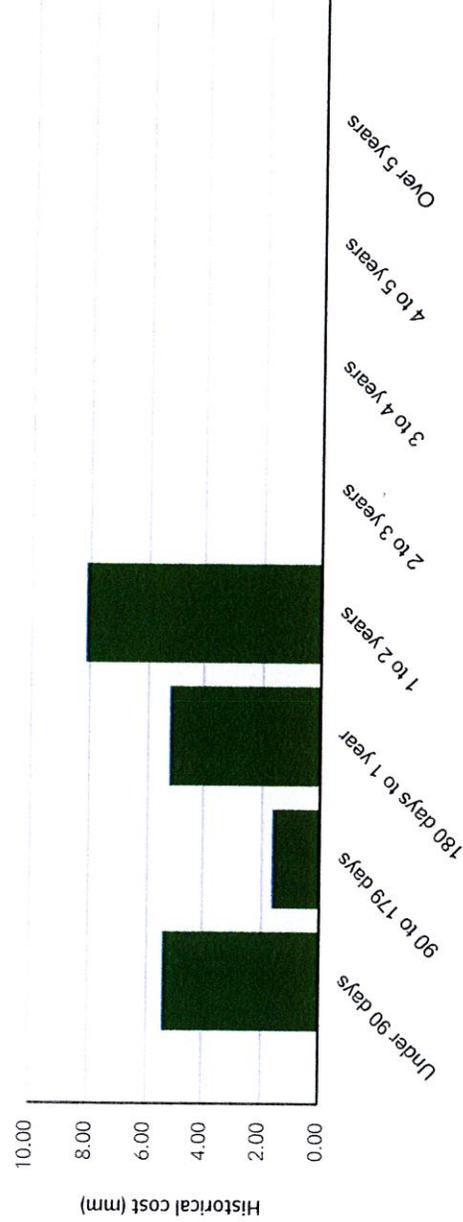
Maturity distribution

As of September 30, 2016



Maturity	Historic cost	Percent
Under 90 days	5,419,761.23	26.57
90 to 179 days	1,620,147.94	7.94
180 days to 1 year	5,227,101.94	25.62
1 to 2 years	8,134,210.00	39.87
2 to 3 years	0.00	0.00
3 to 4 years	0.00	0.00
4 to 5 years	0.00	0.00
Over 5 years	0.00	0.00
Total	20,401,221.11	100.00

Maturity distribution



As of September 30, 2016. Data may not total 100% due to rounding.



GASB 40

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GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

TOWN OF ATHONTON

As of September 30, 2016

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
United States Treasury Note/Bond												
912828WA4	USA TREASURY 0.625%	0.625	10/15/2016		AA+	Aaa	500,000.00	499,882.81	2.45	500,081.00	2.47	0.04
912828RU6	USA TREASURY 0.875%	0.875	11/30/2016		AA+	Aaa	500,000.00	502,734.38	2.46	500,542.00	2.47	0.16
912828A59	USA TREASURY 0.625%	0.625	12/15/2016		AA+	Aaa	750,000.00	749,384.77	3.67	750,530.25	3.70	0.20
912828SC5	USA TREASURY 0.875%	0.875	01/31/2017		AA+	Aaa	500,000.00	501,367.19	2.46	500,903.00	2.47	0.33
912828SS0	USA TREASURY 0.875%	0.875	04/30/2017		AA+	Aaa	500,000.00	502,578.13	2.46	500,986.50	2.47	0.58
912828TB6	USA TREASURY 0.75%	0.750	06/30/2017		AA+	Aaa	500,000.00	499,257.81	2.45	500,546.00	2.47	0.74
912828G20	USA TREASURY 0.875%	0.875	11/15/2017		AA+	Aaa	500,000.00	500,781.25	2.45	500,957.00	2.47	1.11
912828UJ7	USA TREASURY 0.875%	0.875	01/31/2018		AA+	Aaa	500,000.00	500,000.00	2.45	501,054.50	2.47	1.32
912828J68	USA TREASURY 1%	1.000	03/15/2018		AA+	Aaa	500,000.00	500,468.75	2.45	501,933.50	2.47	1.44
Issuer total							4,750,000.00	4,756,455.09	23.31	4,757,533.75	23.45	0.63
Federal Home Loan Mortgage Corp												
3137EADF3	FREDDIE MAC 1.25%	1.250	05/12/2017		AA+	Aaa	500,000.00	511,200.00	2.51	502,068.00	2.48	0.61
3137EADH9	FREDDIE MAC 1%	1.000	06/29/2017		AA+	Aaa	500,000.00	504,650.00	2.47	501,408.50	2.47	0.74
3137EADJ5	FREDDIE MAC 1%	1.000	07/28/2017		AA+	Aaa	500,000.00	499,965.00	2.45	501,552.00	2.47	0.82
3134G3M31	FREDDIE MAC 1%	1.000	09/27/2017		AA+	Aaa	1,200,000.00	1,203,276.00	5.90	1,203,320.40	5.93	0.98
3134GAFJ8	FREDDIE MAC 1%	1.000	12/14/2018	12/14/2016	AA+	Aaa	1,000,000.00	999,650.00	4.90	1,000,000.00	4.93	1.07
Issuer total							3,700,000.00	3,718,741.00	18.23	3,708,348.90	18.28	0.90
Cash and Cash Equivalents												
	INVESTED CASH	0.000					2,111,354.27	2,111,354.27	10.35	2,111,354.27	10.41	0.00
Issuer total							2,111,354.27	2,111,354.27	10.35	2,111,354.27	10.41	0.00
Federal National Mortgage Association												
3135GOVM2	FANNIE MAE 0.75%	0.750	03/14/2017		AA+	Aaa	500,000.00	501,290.00	2.46	500,630.00	2.47	0.45
3136FPTQ0	FANNIE MAE 2.2%	2.200	10/27/2017		AA+	Aaa	500,000.00	514,240.00	2.52	507,595.00	2.50	1.05

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of September 30, 2016

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Federal National Mortgage Association												
31398AMD1	FANNIE MAE 4.065%	4.065	02/15/2018		AA+	Aaa	500,000.00	537,785.00	2.64	522,145.00	2.57	1.34
313560YM9	FANNIE MAE 1.875%	1.875	09/18/2018		AA+	Aaa	500,000.00	508,550.00	2.49	510,202.00	2.52	1.93
Issuer total							2,000,000.00	2,061,865.00	10.11	2,040,572.00	10.06	1.20
Federal Home Loan Banks												
313379DD8	FEDERAL HOME LOAN	1.000	06/21/2017		AA+	Aaa	500,000.00	507,000.00	2.49	501,432.50	2.47	0.72
3130A6SV0	FEDERAL HOME LOAN	0.840	08/15/2017		AA+	Aaa	500,000.00	499,575.00	2.45	500,710.00	2.47	0.87
3130A5PE3	FEDERAL HOME LOAN	1.125	03/29/2018		AA+	Aaa	500,000.00	502,060.00	2.46	502,190.00	2.48	1.48
Issuer total							1,500,000.00	1,508,635.00	7.39	1,504,332.50	7.42	1.02
US Bank NA/Cincinnati OH												
90331HMC4	US BANK NA CINCINNATI	1.100	01/30/2017	12/30/2016	AA-	A1	615,000.00	617,490.75	3.03	615,098.40	3.03	0.32
Issuer total							615,000.00	617,490.75	3.03	615,098.40	3.03	0.32
Pfizer Inc												
717081AQ6	PFIZER INC 4.65%	4.650	03/01/2018		AA	A1	500,000.00	552,500.00	2.71	524,845.50	2.59	1.38
Issuer total							500,000.00	552,500.00	2.71	524,845.50	2.59	1.38
Federal Farm Credit Banks												
31331J350	FEDERAL FARM CREDIT	2.500	12/01/2017		AA+	Aaa	500,000.00	517,630.00	2.54	509,935.00	2.51	1.15
Issuer total							500,000.00	517,630.00	2.54	509,935.00	2.51	1.15
Chevron Corp												
166764AE0	CHEVRON CORP 1.718%	1.718	06/24/2018	05/24/2018	AA-	Aa2	500,000.00	507,585.00	2.49	504,406.50	2.49	1.64
Issuer total							500,000.00	507,585.00	2.49	504,406.50	2.49	1.64

➤ A BNY MELLON COMPANYSM

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

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As of September 30, 2016

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
3M Co												
88579YAP6	3M COMPANY 1.375%	1.375	08/07/2018		AA-	A1	500,000.00	501,100.00	2.46	502,028.50	2.47	1.82
							Issuer total	501,100.00	2.46	502,028.50	2.47	1.82
Colgate-Palmolive Co												
19416QDH0	COLGATE-PALMOLIVE CO	5.200	11/07/2016		AA-	Aa3	500,000.00	556,755.00	2.73	502,020.00	2.47	0.10
							Issuer total	556,755.00	2.73	502,020.00	2.47	0.10
Berkshire Hathaway Finance Corp												
084664BW0	BERKSHIRE HATHAWAY	1.300	05/15/2018		AA	Aa2	500,000.00	500,730.00	2.45	501,667.00	2.47	1.59
							Issuer total	500,730.00	2.45	501,667.00	2.47	1.59
Wal-Mart Stores Inc												
931142DF7	WAL-MART STORES INC	1.125	04/11/2018		AA	Aa2	500,000.00	499,450.00	2.45	501,073.00	2.47	1.50
							Issuer total	499,450.00	2.45	501,073.00	2.47	1.50
Apple Inc												
037833AM2	APPLE INC 1.05%	1.050	05/05/2017		AA+	Aa1	500,000.00	499,600.00	2.45	500,600.00	2.47	0.59
							Issuer total	499,600.00	2.45	500,600.00	2.47	0.59
Coca-Cola Co/The												
191216BA7	COCA-COLA CO/THE	1.150	04/01/2018		AA-	Aa3	500,000.00	498,645.00	2.44	500,529.00	2.47	1.49
							Issuer total	498,645.00	2.44	500,529.00	2.47	1.49
Merck & Co Inc												
58933YAC9	MERCK & CO INC 1.1%	1.100	01/31/2018		AA	A1	500,000.00	500,580.00	2.45	500,520.50	2.47	1.32
							Issuer total	500,580.00	2.45	500,520.50	2.47	1.32

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of September 30, 2016

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Microsoft Corp												
594918AP9	MICROSOFT CORP 0.875%	0.875	11/15/2017		AAA	Aaa	500,000.00	492,105.00	2.41	500,025.50	2.47	1.11
Issuer total							500,000.00	492,105.00	2.41	500,025.50	2.47	1.11
Grand total							20,176,354.27	20,401,221.11	100.00	20,284,890.32	100.00	0.86



Yield report

Town of Atherton

Yield report

As of September 30, 2016



CUSIP	Description	Coupon	Maturity	Call Date	Par Value	Historical Cost	Yield	% Portfolio
Cash and Cash Equivalents								
Cash-USD		Cash Account	0.000		2,111,354.27	2,111,354.27	0.00	10.35%
US Treasury Securities								
912828WA4	T Note	0.625	10/15/2016		500,000.00	499,882.81	0.63	2.45%
912828RU6	T Note	0.875	11/30/2016		500,000.00	502,734.38	0.66	2.46%
912828A59	T Note	0.625	12/15/2016		750,000.00	749,384.77	0.71	3.67%
912828SC5	T Note	0.875	1/31/2017		500,000.00	501,367.19	0.77	2.46%
912828SS0	T Note	0.875	4/30/2017		500,000.00	502,578.13	0.63	2.46%
912828TB6	T Note	0.750	6/30/2017		500,000.00	499,257.81	0.81	2.45%
912828G20	T Note	0.875	11/15/2017		500,000.00	500,781.25	0.81	2.45%
912828UJ7	T Note	0.875	1/31/2018		500,000.00	500,000.00	0.88	2.45%
912828J68	T Note	1.000	3/15/2018		500,000.00	500,468.75	0.96	2.45%
Total					4,750,000.00	4,756,455.09	0.76	23.31%
US Instrumentality Securities								
3135G0VM2	FNMA	0.750	3/14/2017		500,000.00	501,290.00	0.75	2.46%
3137EADF3	FHLMC	1.250	5/12/2017		500,000.00	511,200.00	0.77	2.51%
313379DD8	FHLB	1.000	6/21/2017		500,000.00	507,000.00	0.69	2.49%
3137EADH9	FHLMC	1.000	6/29/2017		500,000.00	504,650.00	0.81	2.47%
3137EADJ5	FHLMC	1.000	7/28/2017		500,000.00	499,965.00	1.00	2.45%
3130A6SV0	FHLB	0.840	8/15/2017		500,000.00	499,575.00	0.89	2.45%
3134G3MB1	FHLMC	1.000	9/27/2017		1,200,000.00	1,203,276.00	1.00	5.90%

As of September 30, 2016. Past performance is not indicative of future results. Investment in any strategy involves a risk of loss. Returns are gross of fees. Performance results do not reflect the deduction of investment advisory fees. Client's returns will be reduced by the investment advisory fees and other expenses. Please refer to the important disclosures at the back of this presentation.

Town of Atherton Yield report

As of September 30, 2016



CUSIP	Description	Coupon	Maturity	Call Date	Par Value	Historical Cost	Yield	% Portfolio
								Hist Cost
3136FPTQ0	FNMA	2.200	10/27/2017		500,000.00	514,240.00	0.92	2.52%
31331J3S0	FFCB	2.500	12/1/2017		500,000.00	517,630.00	0.98	2.54%
31398AMD1	FNMA	4.065	2/15/2018		500,000.00	537,785.00	1.00	2.64%
3130A5PE3	FHLB	1.125	3/29/2018		500,000.00	502,060.00	0.96	2.46%
3135G0YM9	FNMA	1.875	9/18/2018		500,000.00	508,550.00	1.26	2.49%
3134GAFJ8	FHLMC	1.000	12/14/2018		1,000,000.00	999,650.00	1.02	4.90%
Total						7,806,871.00	0.94	38.27%
Corporate Bonds								
19416QDH0	Colgate Palmolive	5.200	11/7/2016		500,000.00	556,755.00	0.78	2.73%
90331HMC4	US Bank	1.100	1/30/2017		615,000.00	617,490.75	0.95	3.03%
037833AM2	Apple Inc	1.050	5/5/2017		500,000.00	499,600.00	1.08	2.45%
594918AP9	Microsoft	0.875	11/15/2017		500,000.00	492,105.00	1.27	2.41%
58933YAC9	Merck	1.100	1/31/2018		500,000.00	500,580.00	1.06	2.45%
717081AQ6	Pfizer	4.650	3/1/2018		500,000.00	552,500.00	1.15	2.71%
191216BA7	Coca-Cola	1.150	4/1/2018		500,000.00	498,645.00	1.24	2.44%
931142DF7	Wal-mart	1.125	4/11/2018		500,000.00	499,450.00	1.16	2.45%
084664BW0	Berkshire Hathaway	1.300	5/15/2018		500,000.00	500,730.00	1.25	2.45%
166764AE0	Chevron Corp	1.718	6/24/2018		500,000.00	507,585.00	1.25	2.49%
88579YAP6	3M Company	1.375	8/7/2018		500,000.00	501,100.00	1.29	2.46%
Total						5,615,000.00	1.13	28.07%
Grand Total						20,401,221.11	0.85	100.00%

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Important disclosures

Important disclosures

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