



Town of Atherton

FINANCE COMMITTEE STAFF REPORT

TO: FINANCE COMMITTEE

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: NOVEMBER 14, 2017

SUBJECT: PRESENTATION BY INSIGHT ASSET MANAGEMENT INVESTMENT PROGRAM REVIEW OF THE TOWN. REVIEW STATEMENT OF INVESTMENT POLICY AND IF APPROPRIATE MAKE RECOMMENDATIONS OF CHANGES TO STATEMENT OF INVESTMENT POLICY FOR CITY COUNCIL APPROVAL

RECOMMENDATION

Review the investment program with Insight Asset Management Group and review statement of investment policy and if appropriate discuss any recommendation of changes to the Statement of Investment Policy for city council approval.

BACKGROUND

Insight Investment Asset Management is in attendance to review the Town portfolio of investments and discuss the Town Investment policy. As of September 30, 2017, the total investment portfolio for the Town is \$18,976,169 as illustrated in the Insight investment review book. The Town has an additional \$13,068,972 in LAIF and operating account of \$2,218,723 with an approximate total cash and investment of \$34,263,864. 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 also returns with the Investment Policy for review by the Finance Committee. Staff is returning with the Investment Policy for review as is required at least annually, to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. It is also done for possible recommendations of changes to the policy. *This does not constitute that changes need to take place within the policy.*

The Town investment policy is well positioned. It is good fiscal practice to review for any potential increase in investment opportunities. Investment of Town funds is important for not only interest earnings but also for liquidity. Investment diversification is a key component of the policy. Staff engaged the advice of Insight Investments as they serve as our asset manager for our portfolio. The Town Investment Policy is attached for Committee review. *Staff recommends discussion on one minor change of the policy in the area of Medium-term corporate investments.*

- Discussion is to update the minimum investment requirement on investing in AA for Medium-Term Notes to “A” ratings (page 3 of policy). This rating covers the entire range of A rated securities from A1, A2, A3. This is important as this gives the town the maximum flexibility with the corporate notes.

The Town looks for investment opportunities that are diversified, consistent with safety risk and flexible depending upon the outlook for the economy, and cash needs of the Town. *Staff is not recommending significant changes to the policy except for discussion of possible improvements to the policy as outlined above within our current investment instruments.*

Our current portfolio market value is approximately \$19 Million as of October 2017. As major capital improvement projects moved forward, any maturing investments will not be 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. 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 will slow down the reinvestment of funds to more liquid instruments.

The longest we hold an investment is approximately 3 years to maturity. We do not invest in securities that mature more than five years. As the Town Civic center construction project approaches, town staff expects to not reinvest maturing investments as we prepare for a 24 to 27 construction project. Cash flow needs will be a major component during this time and it is anticipated that the investment portfolio will decrease over time as investments are moved to more liquid instruments.

For maintenance of sufficient liquidity for major capital projects, staff has reviewed the duration of investments and will adjust reinvestment of maturing securities in the coming year. Below is a list of security instruments that are maturing in the next twelve months.

Description	Maturity	Value
Microsoft-Corporate Bond	11/15/2017	\$500,000
Unites States Treasury Bond-Government Bonds	11/15/2017	\$500,000
Federal Farm Credit Banks-Government Agencies	12/1/2017	\$500,000
Merck & Co.-Corporate Bond	1/31/2018	\$500,000
Unites States Treasury Bond-Government Bonds	1/31/2018	\$500,000
Federal National Mort. Assoc.-Government Agencies	2/15/2018	\$500,000
Pfizer-Corporate Bond	3/1/2018	\$500,000
Unites States Treasury Bond-Government Bonds	3/15/2018	\$500,000
Federal Home Loan Banks-Government Agencies	3/29/2018	\$500,000
Coca Cola- Corporate Bond	4/1/2018	\$500,000
Walmart Stores-Corporate Bond	4/11/2018	\$500,000
Bershire Hathaway-Corporate Bond	5/15/2018	\$500,000
Chevron Corp-Corporate Bond	6/24/2018	\$500,000
3M Co-Corporate Bond	8/7/2018	\$500,000
Federal National Mort. Assoc.-Government Agencies	9/18/2018	\$500,000
Federal National Mort. Assoc.-Government Agencies	10/27/2018	\$500,000
Unites States Treasury Bond-Government Bonds	11/30/2018	\$500,000
Federal Home Loan Mort. Corp-Government Agencies	12/14/2018	\$1,000,000
Total of Securities Maturing		\$9,500,000

By mid-April 2018, it is anticipated the Town will have \$5,500,000 of investments matured and moved to more liquid instruments in preparation for major capital projects in the horizon.

FISCAL IMPACT

None.

ATTACHMENTS

Insight Investment -Town Investment Review Book
 Statement of Investment Policy



Town of Atherton

Statement of Investment Policy

The City Council of the Town of Atherton (the Town) has adopted this Investment Policy (the Policy) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the Town. All Town funds will be invested in accordance with this Policy and with applicable sections of the California Government Code.

This Investment Policy was endorsed and adopted by the City Council on March 19, 2014. It replaces any previous investment policy or investment procedures of the Town.

SCOPE

The provisions of this Policy shall apply to all financial assets of the Town as accounted for in the Town's Comprehensive Annual Financial Report.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds not less than annually.

OBJECTIVES

The Town's funds shall be invested in accordance with all applicable Town codes and resolutions, California statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

The management responsibility for the Town's investment program is delegated annually by the City Council to the Treasurer, as provided for in California Government Code Section 53607. The Town's City Manager serves as the Treasurer shall work in conjunction with the Finance Director to conduct investment transactions and to manage the operation of the investment portfolio. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The City Manager or designee shall develop administrative procedures and internal controls, consistent with this Policy, for the operation of the Town's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the Town.

The Town may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources.

PRUDENCE

The standard of prudence to be used for managing the Town's investment program is California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The Town's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally without risk and that the investment activities of the Town are a matter of public record. Accordingly, the Town recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.

The City Manager or designee and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the Town's investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall subordinate their personal investment transactions to those of the Town. In addition, Town City Council members, the City Manager, and the Finance Director shall file a Statement of Economic Interests each year as required by California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the Town shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Any revisions or extensions of these code sections will be assumed to be part of this Policy immediately upon being enacted.

The Town has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes or bonds with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement.

No more than 25% of the Town's total portfolio shall be invested in any one instrumentality issuer.

3. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at least AA or the equivalent by a nationally recognized statistical rating organization (NRSRO). The aggregate investment in medium-term notes shall not exceed 30% of the Town's total portfolio. In addition, **AA** "A" rated FDIC guaranteed corporate bonds are herein authorized, within the aforementioned diversification and maturity requirements.

No more than 5% of the Town's portfolio shall be invested in any one corporate issuer.

4. Negotiable Certificates of Deposit with a maturity not exceeding five years from the date of trade settlement, in state or nationally chartered banks or savings banks that are insured by the FDIC, subject to the limitations of California Government Code Section 53638. Certificates of Deposits may be purchased only from financial institutions that meet the credit criteria set forth in the section of this Investment Policy, "Selection of Banks and Savings Banks." Depending on their maturity, Negotiable Certificates of Deposit shall have a short-term rating of at least A-1+ or the equivalent by a NRSRO at the time of purchase.

5. Non-negotiable Certificates of Deposit and savings deposits with a maturity not exceeding five years from the date of trade settlement, in FDIC insured state or nationally chartered banks or savings banks that qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5. Deposits exceeding the FDIC insured amount shall be secured pursuant to California Government Code Section 53652.

The Town will limit its investment in certificates of deposit to \$250,000 per issuer.

No more than 10% of the portfolio shall be invested in any one issuer of certificates of deposit.

6. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated at least A or the equivalent by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated at least A-1 or the equivalent by a NRSRO.

No more than 5% of the Town's total portfolio shall be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 25% of the Town's total portfolio.

7. Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2 above with the maturity of the collateral not exceeding five years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the Town's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the Town's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers and who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Primary Dealers approved as Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent. Repurchase agreement counterparties shall execute a Town approved Master Repurchase Agreement with the Town. The City Manager or designee shall

maintain a copy of the Town's approved Master Repurchase Agreement and a list of the broker/dealers who have executed same.

8. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The aggregate investment in the pool shall not exceed 50% of the Town's total portfolio.
9. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in the applicable California statutes and (4) have a rating of at least AAAM or the equivalent by at least two NRSROs. The aggregate investment in money market funds shall not exceed 20% of the Town's total portfolio.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the City's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be preapproved by resolution of the City Council.

INVESTMENT DIVERSIFICATION

The Town shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the Town's anticipated cash flow needs.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The Town will not invest in securities maturing more than five years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

SELECTION OF BROKER/DEALERS

The City Manager or designee shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the Town to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code.

To be eligible, a firm must meet at least one of the following criteria:

1. be recognized as Primary Dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure, or

2. report voluntarily to the Federal Reserve Bank of New York, or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The City Manager or designee will select broker/dealers on the basis of their expertise in public cash management and their ability to provide service to the Town's account.

The City may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved broker/dealers. Such broker/dealers will comply with the selection criteria above and the list of approved firms shall be provided to the City on an annual basis or upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in the Town's portfolio, each authorized broker/dealer shall submit and annually update a Town approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

The Town may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 4 of the Authorized Securities and Transactions section of this Investment Policy.

COMPETITIVE TRANSACTIONS

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded.

If the Town is offered a security for which there is no other readily available competitive offering, then the City Manager or designee will document quotations for comparable or alternative securities.

SELECTION OF BANKS

The City Manager or designee shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the Town. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

SAFEKEEPING AND CUSTODY

The City Manager or designee shall select one or more banks to provide safekeeping and custodial services for the Town. A Safekeeping Agreement approved by the Town shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the Town's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the Town. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the Town will be delivered by either book entry and will be held in third-party safekeeping by a Town approved custodian bank, or its Depository Trust Company (DTC) participant account.

PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the Town's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the Town's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

Quarterly, the City Manager or designee shall submit to the City Council a report of the investment earnings and performance results of the Town's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the Town;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;

4. A statement of compliance with this Policy or an explanation for non-compliance; and
5. A statement of the Town's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

POLICY REVIEW

This Investment Policy shall be adopted annually by resolution of the City Council. It shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to this Investment Policy shall be approved by resolution of the City Council.

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Town of Atherton Investment management program review

David Witthohn, CFA, CIPM, Senior Portfolio Manager

November 2017

➤ A BNY MELLON COMPANYSM



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Market environment and strategies

US Fixed Income commentary

Third quarter 2017



US economic activity during the third quarter remained supportive, permitting the Federal Reserve (Fed) to further normalize monetary policy. The second quarter GDP reading rebounded to 3.1% from 1.2% in the first quarter. The labor market also remains “tight” with an unemployment rate well below 5%. Manufacturing surveys and confidence indicators are furthermore at or near cycle highs. The lingering challenge for the Fed is that inflationary price pressures have yet to surface. Their dual mandate is to pursue full employment and stable prices. Yet the latest reading for core personal consumption expenditures decelerated to 1.3% annually to close September, compared to their inflation target of 2.0%.

At least for this quarter, the Fed achieved the next step in their normalization quest by initiating the process to shrink balance sheet assets. Under their asset purchase program known as Quantitative Easing, the Fed purchased Treasury, agency and agency mortgage backed securities to stabilize the market during the financial crisis. Nearly ten years later, there is enough economic stability and forward guidance from the Fed so that this action was generally well-received by fixed income markets. Long-term Treasury yields remain low and somewhat range bound, with the 10-year Treasury note closing the quarter at 2.33%.

Rationale for normalizing monetary policy despite the Fed missing the price stability targets mostly leans on the crutch of accommodative “financial conditions”. While traditional inflation measurements are low, financial asset inflation as measured by stock market returns and corporate bond risk premiums are making new highs. This is occurring despite two previous rate increases in March and June. The Fed further relied on their narrative that the balance sheet unwind is not intended to be used as a policy tool. Therefore removing this element of the emergency

policy stance should have little effect on the long run economic outlook or the dual mandate, at least in their view.

The Fed appears committed to policy normalization as the most influential members, such as Fed Chair Yellen and NY Fed Governor Dudley, have been focusing on financial conditions and forward expectations for inflation rather than current inflation. Hurricanes Harvey and Irma will likely provide enough economic noise for the Fed to dismiss inconsistent data by the December meeting. Should the Fed raise rates again, it would be the first year since the financial crisis that their interest rate projections come to fruition.

Interestingly and as we think forward, Fed policy changes may be overshadowed by politics in the upcoming quarter. The administration is expected to nominate a new Fed chair and possibly pass corporate and personal income tax reform. Both events may be more market noteworthy. Additionally while geopolitical flash points are difficult to predict, the trend direction has undeniably been deteriorating and could be a source of market volatility. It would not be surprising then if markets in the fourth quarter respond to a different cue before returning to clearer Fed, economic and (hopefully) geopolitical pictures in 2018.

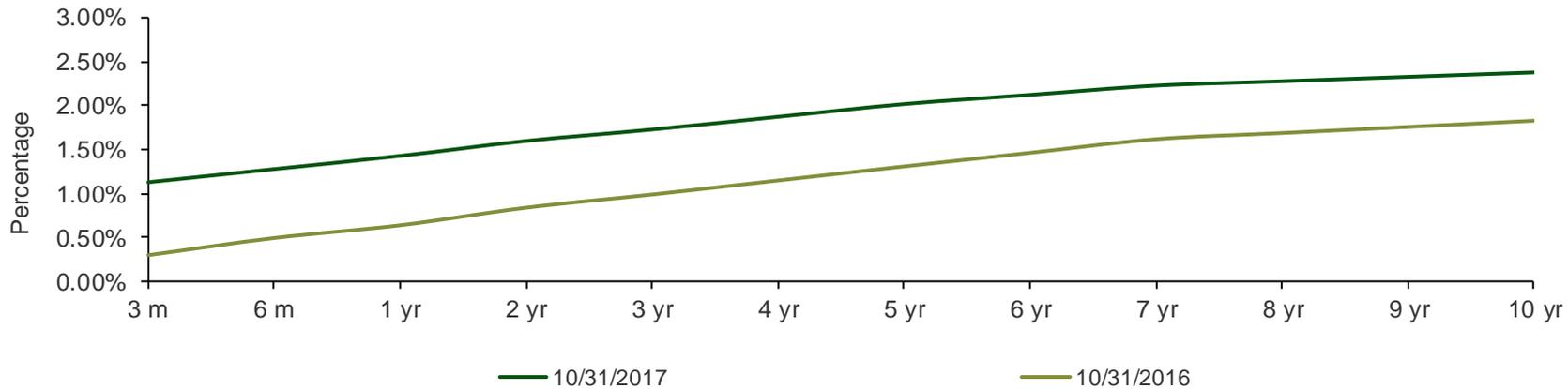
As of September 30, 2017.

Market environment and strategies

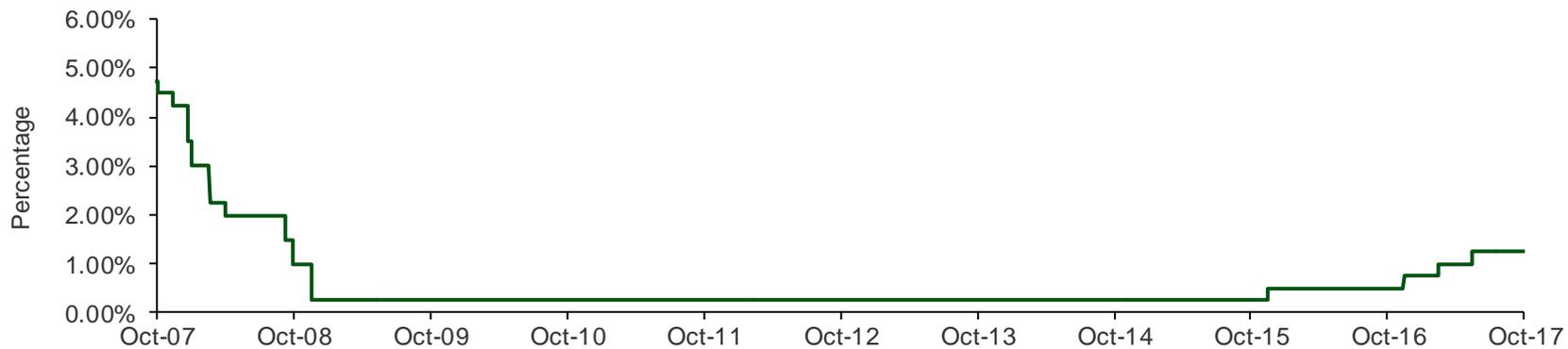
US economic indicators



Comparative historical yield curves¹



Fed funds target rate²



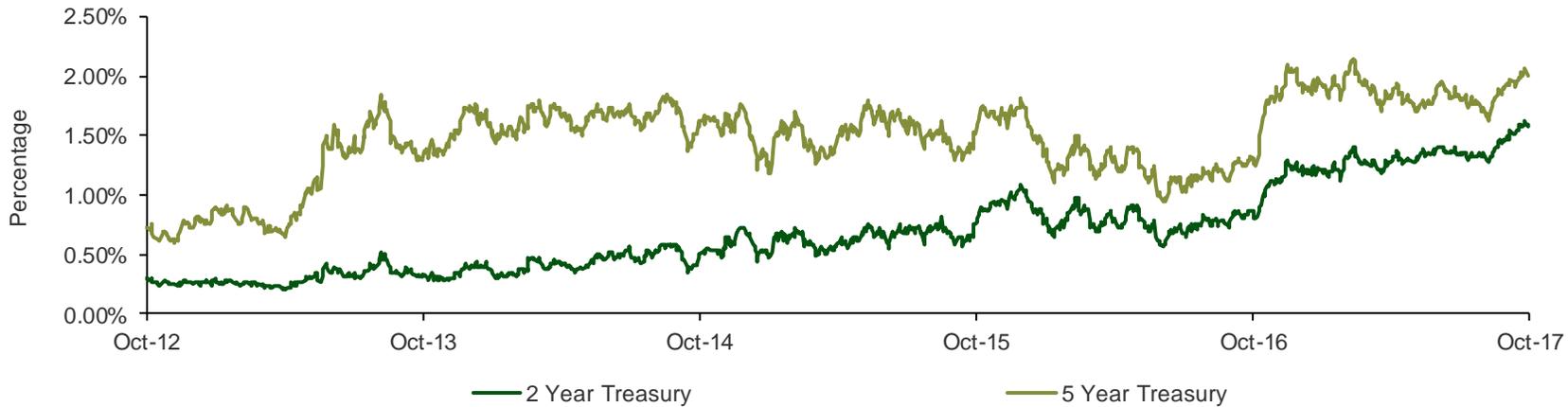
Source: Bloomberg LP, ¹ October 31, 2016, September 30, 2017, ² September 30, 2017.

Market environment and strategies

US economic indicators



Two-year and five-year treasury yields: September 2012–2017¹



Gross domestic product (GDP)²



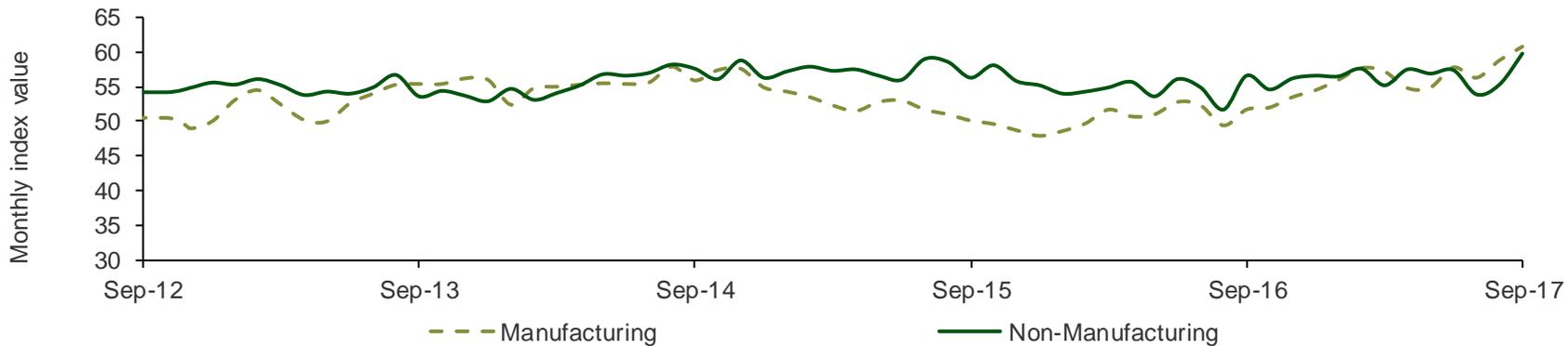
Source: Bloomberg LP, ¹ October 31, 2017, ² September 30, 2017.

Market environment and strategies

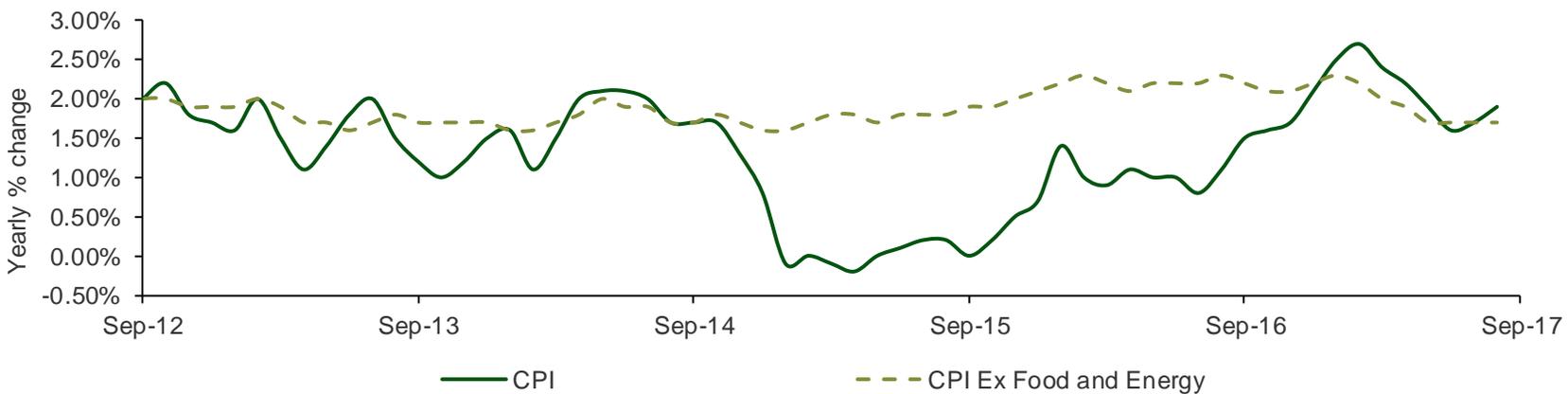
US economic indicators



Institute for supply management manufacturing and non-manufacturing business activity



Consumer Price Index (CPI)



Source: Bloomberg LP, September 30, 2017.

Market environment and strategies

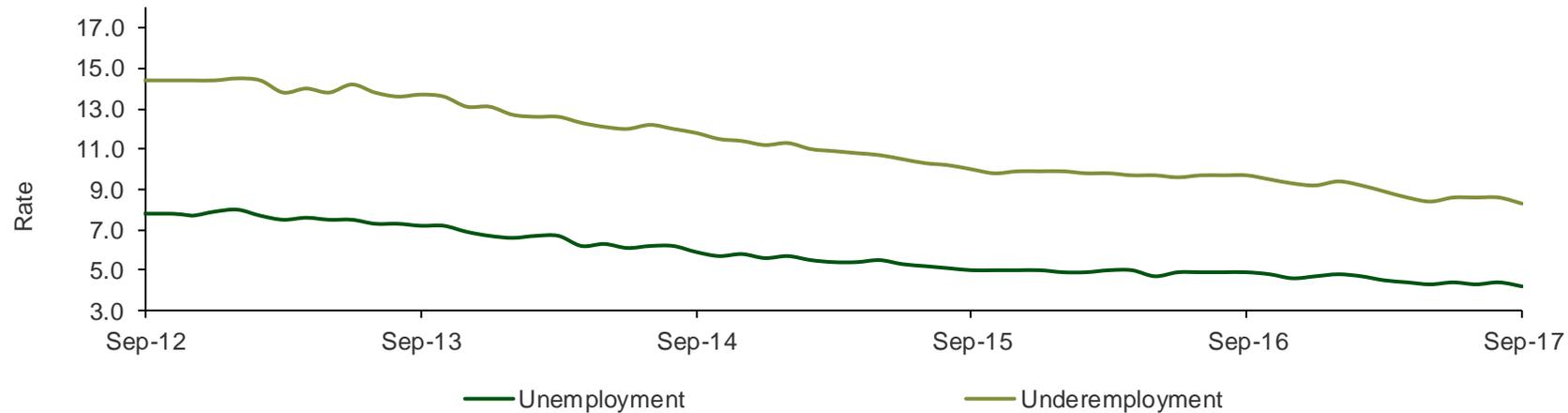
US economic indicators



Crude oil



Unemployment and underemployment



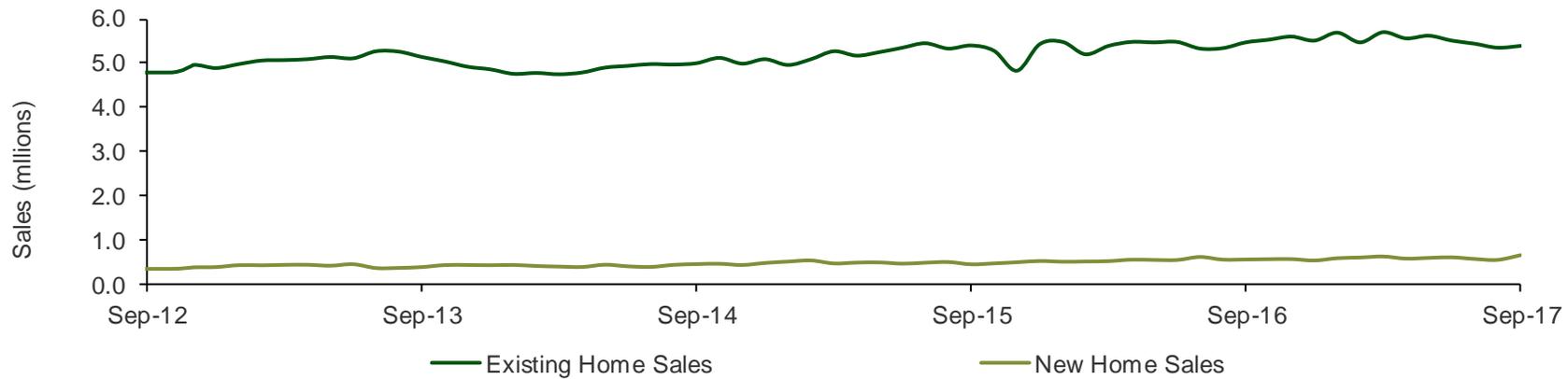
Source: Bloomberg LP, September 30, 2017.

Market environment and strategies

US economic indicators



New and existing home sales



Source: Bloomberg LP, September 30, 2017.



Comparison annualized yields

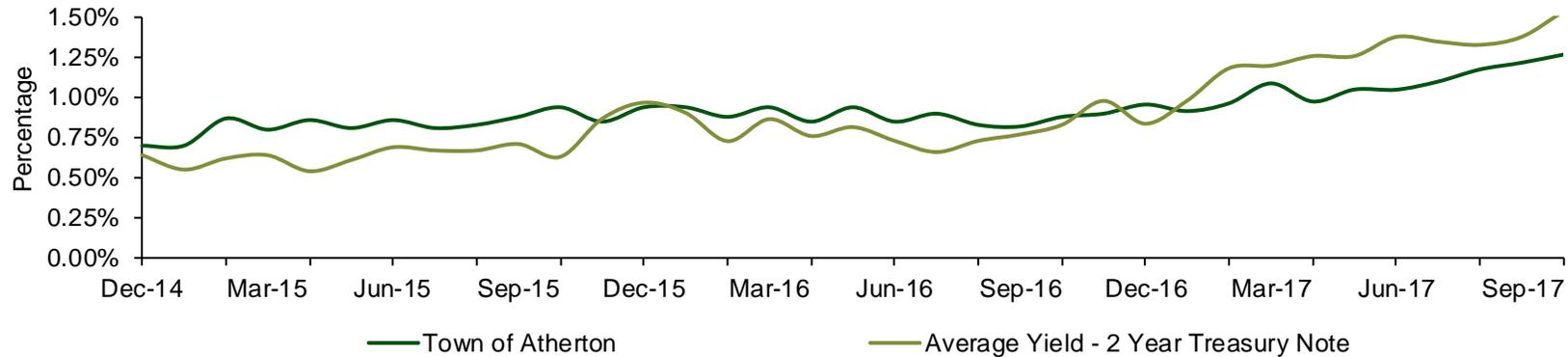
Town of Atherton

Comparison annualized yields

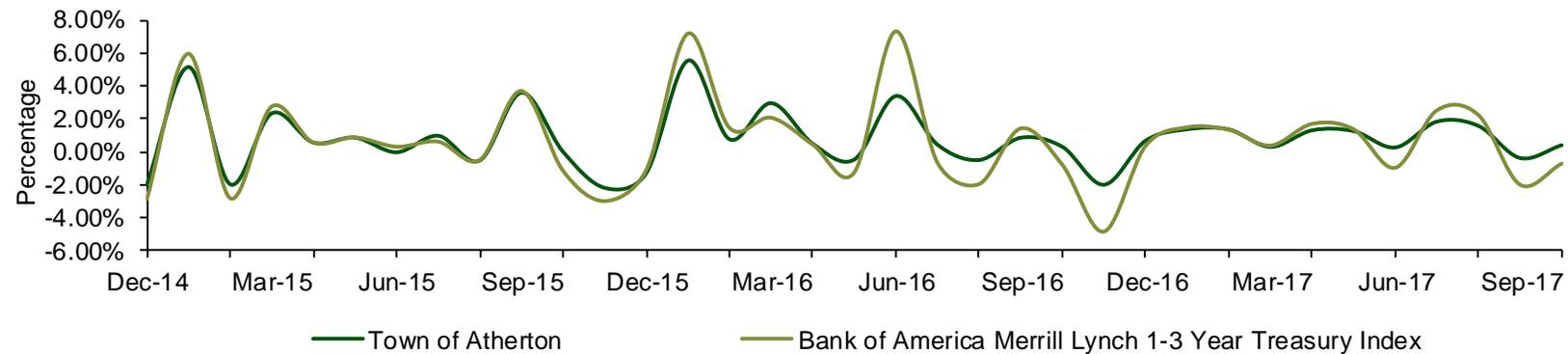
December 2014 through October 2017



Annualized return: Amortized cost basis



Annualized return: Fair value basis



As of September 30, 2017. **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

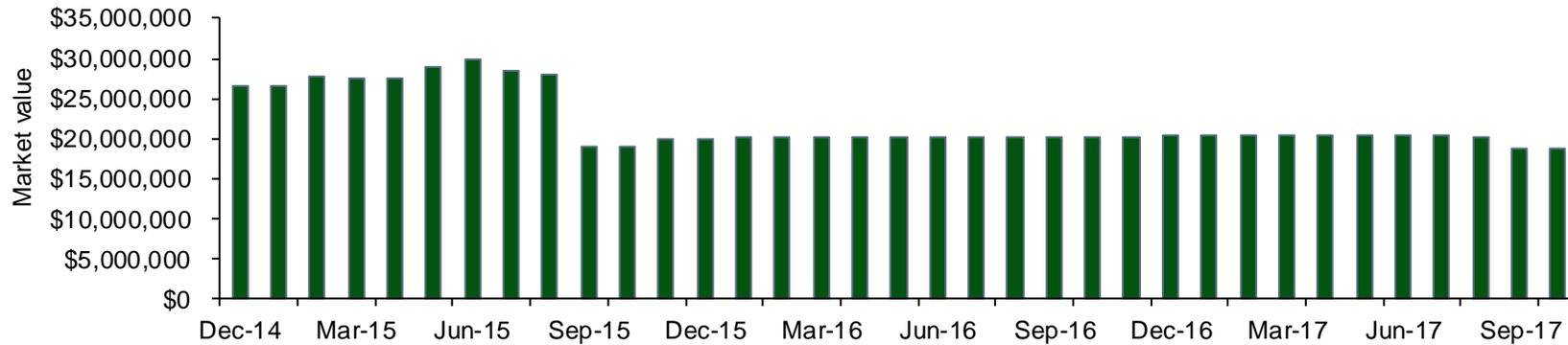
Town of Atherton

Portfolio size and duration

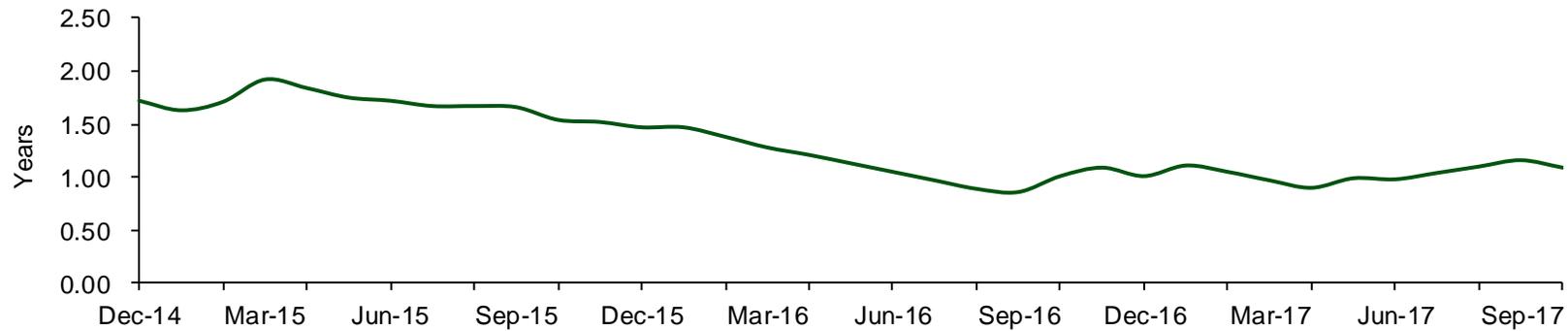
December 2014 through October 2017



Portfolio balance: Ending market value



Portfolio duration



As of October 16, 2017.



Performance versus benchmark

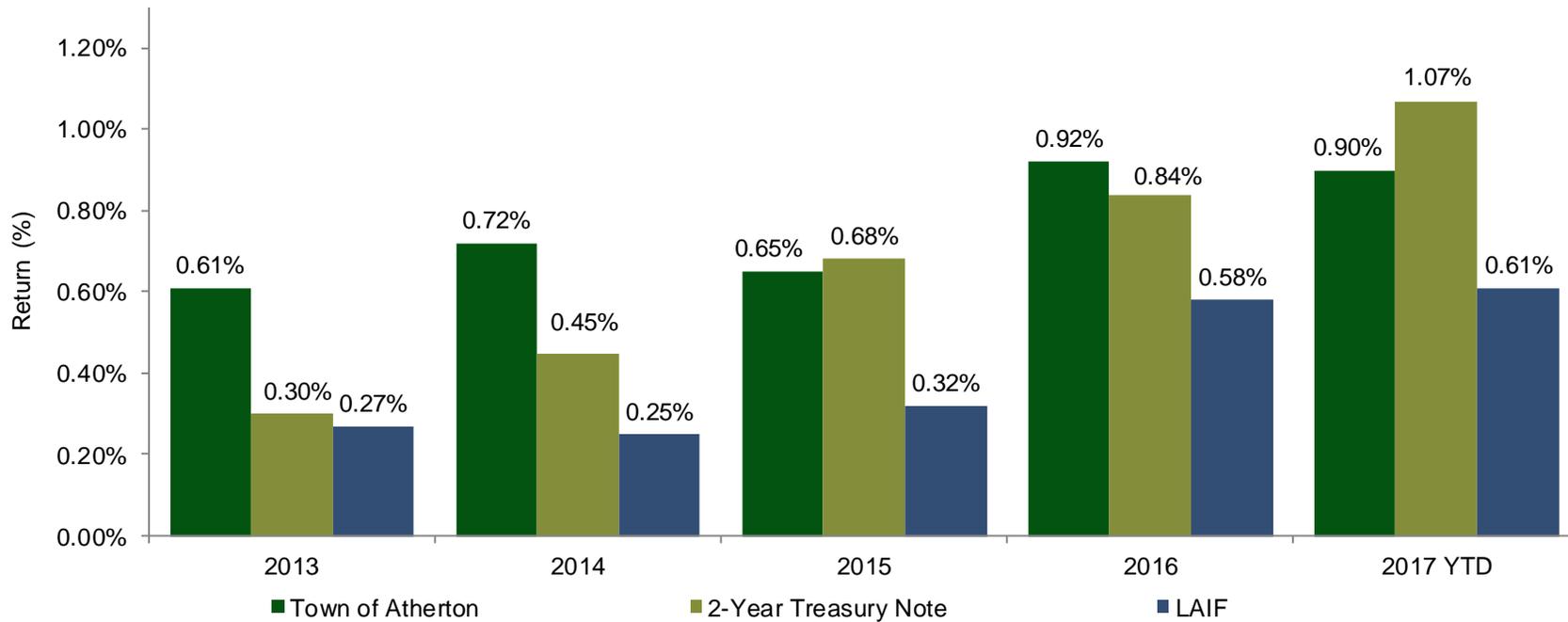
Town of Atherton

Performance versus benchmark

January 2013 through October 2017



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



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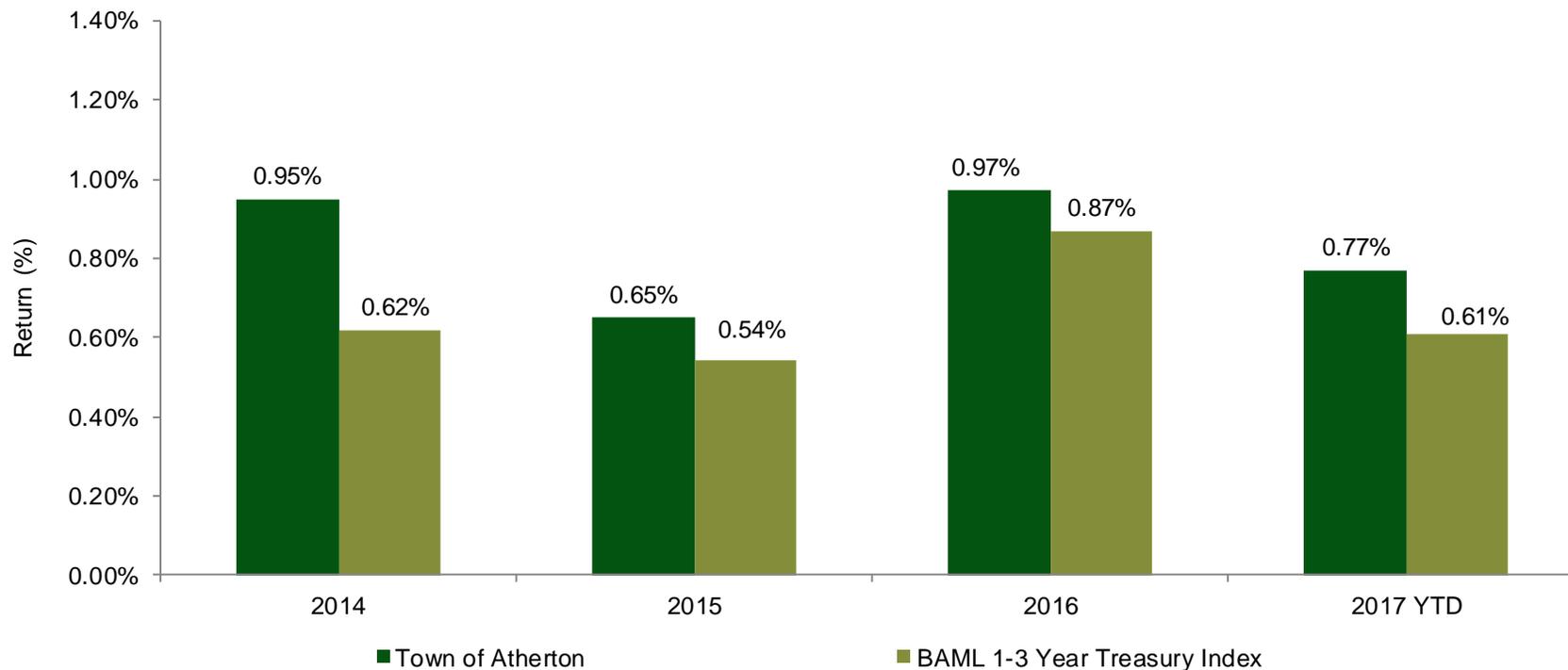
Town of Atherton

Performance versus benchmark

January 2014 through October 2017



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



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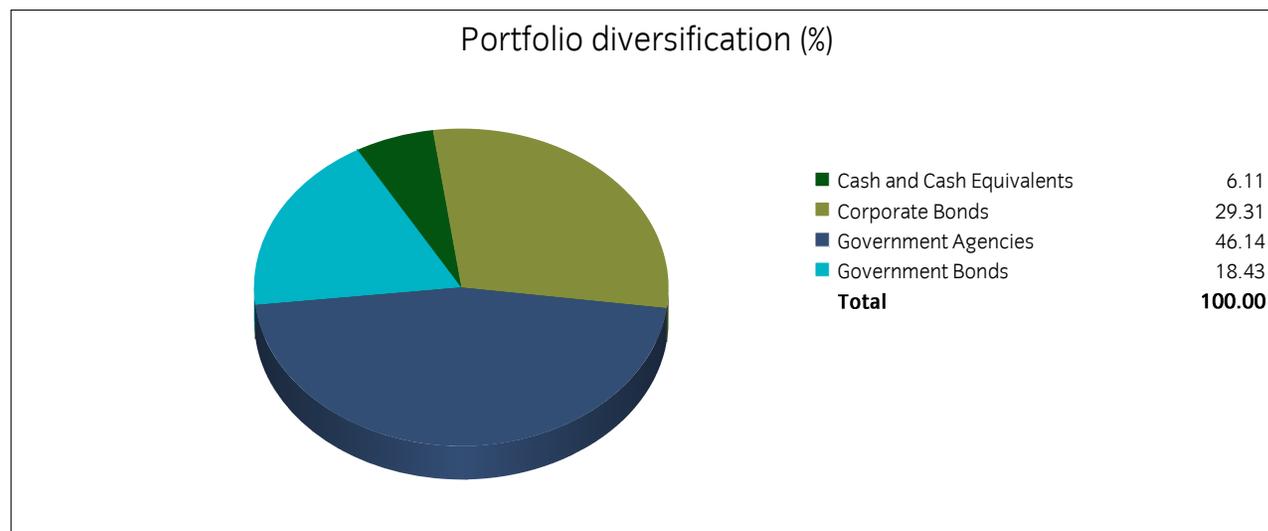


Portfolio diversification

RECAP OF SECURITIES HELD

As of October 31, 2017

	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	1,160,331.84	1,160,331.84	1,160,331.84	0.00	1	6.11	0.00
Corporate Bonds	5,561,795.00	5,513,510.20	5,508,668.50	(4,841.70)	279	29.31	0.75
Government Agencies	8,756,191.50	8,700,828.44	8,660,202.50	(40,625.94)	579	46.14	1.45
Government Bonds	3,497,851.56	3,496,968.14	3,488,418.02	(8,550.12)	403	18.43	1.08
Total	18,976,169.90	18,871,638.62	18,817,620.86	(54,017.76)	423	100.00	1.09





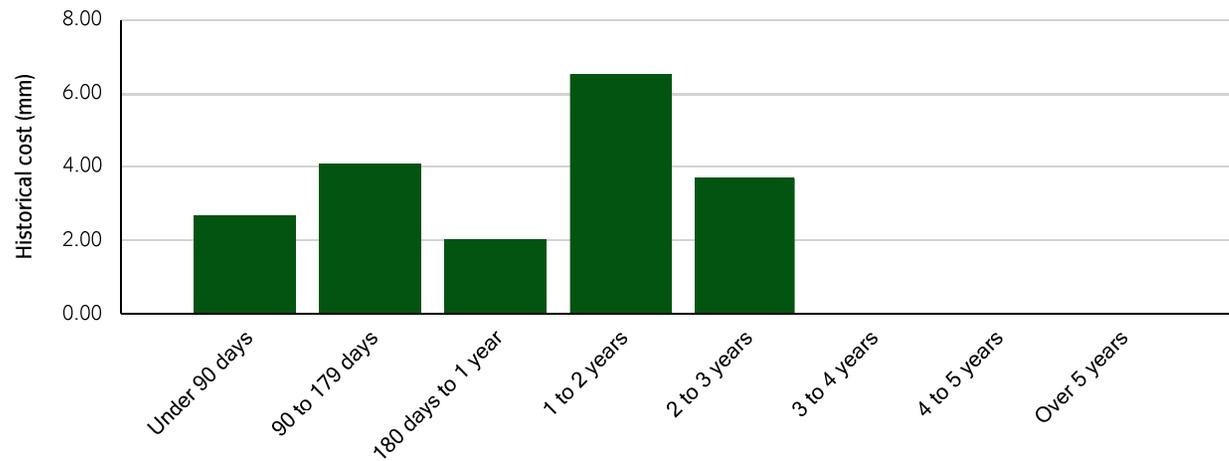
Maturity distribution

MATURITY DISTRIBUTION OF SECURITIES HELD

As of October 31, 2017

Maturity	Historic cost	Percent
Under 90 days	2,670,848.09	14.08
90 to 179 days	4,091,488.75	21.56
180 days to 1 year	2,017,965.00	10.63
1 to 2 years	6,503,575.75	34.27
2 to 3 years	3,692,292.31	19.46
3 to 4 years	0.00	0.00
4 to 5 years	0.00	0.00
Over 5 years	0.00	0.00
	18,976,169.90	100.00

Maturity distribution





Yield report

The following list of holdings is only valid as of October 31, 2017 and should not be relied upon as a complete listing of 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.

SECURITIES HELD

As of October 31, 2017

Cusip	Description	Coupon	Maturity	Par value or shares	Historical cost	Trade date	Purchase yield	% Portfolio hist cost
Cash and Cash Equivalents								
	Cash and Cash Equivalents			1,160,331.84	1,160,331.84			6.11
Total Cash and Cash Equivalents				1,160,331.84	1,160,331.84			6.11
Corporate Bonds								
594918AP9	MICROSOFT CORP	0.875	11/15/2017	500,000.00	492,105.00	10/01/2013	1.27	2.59
58933YAC9	MERCK & CO INC	1.100	01/31/2018	500,000.00	500,580.00	02/04/2015	1.06	2.64
717081AQ6	PFIZER INC	4.650	03/01/2018	500,000.00	552,500.00	02/04/2015	1.15	2.91
191216BA7	COCA-COLA CO/THE	1.150	04/01/2018	500,000.00	498,645.00	03/02/2015	1.24	2.63
931142DF7	WAL-MART STORES INC	1.125	04/11/2018	500,000.00	499,450.00	03/02/2015	1.16	2.63
084664BW0	BERKSHIRE HATHAWAY FINANCE CORP	1.300	05/15/2018	500,000.00	500,730.00	03/02/2015	1.25	2.64
166764AE0	CHEVRON CORP	1.718	06/24/2018	500,000.00	507,585.00	02/04/2015	1.25	2.67
88579YAP6	3M CO	1.375	08/07/2018	500,000.00	501,100.00	01/06/2016	1.29	2.64
19416QEF3	COLGATE-PALMOLIVE CO	1.750	03/15/2019	500,000.00	504,345.00	11/14/2016	1.37	2.66
037833AQ3	APPLE INC	2.100	05/06/2019	500,000.00	504,675.00	05/09/2017	1.62	2.66
94988J5G8	WELLS FARGO BANK NA	2.150	12/06/2019	500,000.00	500,080.00	01/18/2017	2.14	2.64
Total Corporate Bonds				5,500,000.00	5,561,795.00		1.34	29.31
Government Agencies								
31331J3S0	FEDERAL FARM CREDIT BANKS	2.500	12/01/2017	500,000.00	517,630.00	07/21/2015	0.98	2.73
31398AMD1	FEDERAL NATIONAL MORTGAGE ASSOCIATION	4.065	02/15/2018	500,000.00	537,785.00	08/10/2015	1.00	2.83
3130A5PE3	FEDERAL HOME LOAN BANKS	1.125	03/29/2018	500,000.00	502,060.00	09/11/2015	0.96	2.65
3135G0YM9	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.875	09/18/2018	500,000.00	508,550.00	11/18/2015	1.26	2.68
3134GAFJ8	FEDERAL HOME LOAN MORTGAGE CORP	1.000	12/14/2018	1,000,000.00	999,650.00	09/08/2016	1.02	5.27
3133EHPW7	FEDERAL FARM CREDIT BANKS	1.420	07/03/2019	500,000.00	499,471.00	07/21/2017	1.47	2.63
3130ABZX7	FEDERAL HOME LOAN BANKS	1.410	08/07/2019	500,000.00	499,805.00	08/08/2017	1.43	2.63
3135G0P49	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.000	08/28/2019	500,000.00	498,640.00	10/27/2016	1.10	2.63
3133EG2D6	FEDERAL FARM CREDIT BANKS	1.550	09/27/2019	500,000.00	501,520.00	01/18/2017	1.44	2.64
3133EGYP4	FEDERAL FARM CREDIT BANKS	1.050	10/17/2019	1,000,000.00	997,741.00	10/27/2016	1.13	5.26
3130ABTD8	FEDERAL HOME LOAN BANKS	1.450	10/18/2019	500,000.00	499,760.00	07/20/2017	1.47	2.63
3130AA2H0	FEDERAL HOME LOAN BANKS	1.125	11/29/2019	500,000.00	495,305.00	11/30/2016	1.45	2.61
3133EHET6	FEDERAL FARM CREDIT BANKS	1.580	03/03/2020	500,000.00	499,714.50	05/11/2017	1.60	2.63
3134GBN40	FEDERAL HOME LOAN MORTGAGE CORP	1.625	06/29/2020	1,200,000.00	1,198,560.00	09/28/2017	1.67	6.32
Total Government Agencies				8,700,000.00	8,756,191.50		1.29	46.14
Government Bonds								
912828G20	UNITED STATES TREASURY NOTE/BOND	0.875	11/15/2017	500,000.00	500,781.25	05/28/2015	0.81	2.64
912828UJ7	UNITED STATES TREASURY NOTE/BOND	0.875	01/31/2018	500,000.00	500,000.00	05/28/2015	0.88	2.63

SECURITIES HELD

As of October 31, 2017

Cusip	Description	Coupon	Maturity	Par value or shares	Historical cost	Trade date	Purchase yield	% Portfolio hist cost
912828J68	UNITED STATES TREASURY NOTE/BOND	1.000	03/15/2018	500,000.00	500,468.75	08/10/2015	0.96	2.64
912828RT9	UNITED STATES TREASURY NOTE/BOND	1.375	11/30/2018	500,000.00	501,855.47	01/27/2017	1.17	2.64
912828TC4	UNITED STATES TREASURY NOTE/BOND	1.000	06/30/2019	500,000.00	496,113.28	05/09/2017	1.37	2.61
912828U73	UNITED STATES TREASURY NOTE/BOND	1.375	12/15/2019	500,000.00	499,550.78	07/20/2017	1.41	2.63
912828V31	UNITED STATES TREASURY NOTE/BOND	1.375	01/15/2020	500,000.00	499,082.03	06/21/2017	1.45	2.63
Total Government Bonds				3,500,000.00	3,497,851.56		1.15	18.43
Grand Total				18,860,331.84	18,976,169.90		1.20	100.00



GASB 40

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GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of October 31, 2017

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												
912828G20	USA TREASURY 0.875%	0.875	11/15/2017		AA+	Aaa	500,000.00	500,781.25	2.64	499,966.00	2.66	0.04
912828UJ7	USA TREASURY 0.875%	0.875	01/31/2018		AA+	Aaa	500,000.00	500,000.00	2.63	499,596.00	2.65	0.25
912828J68	USA TREASURY 1%	1.000	03/15/2018		AA+	Aaa	500,000.00	500,468.75	2.64	499,490.50	2.65	0.36
912828RT9	USA TREASURY 1.375%	1.375	11/30/2018		AA+	Aaa	500,000.00	501,855.47	2.64	499,277.50	2.65	1.06
912828TC4	USA TREASURY 1%	1.000	06/30/2019		AA+	Aaa	500,000.00	496,113.28	2.61	495,478.52	2.63	1.64
912828U73	USA TREASURY 1.375%	1.375	12/15/2019		AA+	Aaa	500,000.00	499,550.78	2.63	497,461.00	2.64	2.07
912828V31	USA TREASURY 1.375%	1.375	01/15/2020		AA+	Aaa	500,000.00	499,082.03	2.63	497,148.50	2.64	2.16
Issuer total							3,500,000.00	3,497,851.56	18.43	3,488,418.02	18.54	1.08
Federal Farm Credit Banks												
31331J350	FEDERAL FARM CREDIT	2.500	12/01/2017		AA+	Aaa	500,000.00	517,630.00	2.73	500,575.00	2.66	0.08
3133EHPW7	FEDERAL FARM CREDIT	1.420	07/03/2019		AA+	Aaa	500,000.00	499,471.00	2.63	497,555.00	2.64	1.47
3133EG2D6	FEDERAL FARM CREDIT	1.550	09/27/2019		AA+	Aaa	500,000.00	501,520.00	2.64	498,970.00	2.65	1.87
3133EGYP4	FEDERAL FARM CREDIT	1.050	10/17/2019		AA+	Aaa	1,000,000.00	997,741.00	5.26	987,840.00	5.25	1.93
3133EHET6	FEDERAL FARM CREDIT	1.580	03/03/2020		AA+	Aaa	500,000.00	499,714.50	2.63	497,970.00	2.65	2.28
Issuer total							3,000,000.00	3,016,076.50	15.89	2,982,910.00	15.85	1.58
Federal Home Loan Mortgage Corp												
3134GAFJ8	FREDDIE MAC 1%	1.000	12/14/2018		AA+	Aaa	1,000,000.00	999,650.00	5.27	992,450.00	5.27	1.10
3134GBN40	FREDDIE MAC 1.625%	1.625	06/29/2020	06/29/2018	AA+	Aaa	1,200,000.00	1,198,560.00	6.32	1,195,032.00	6.35	1.89
Issuer total							2,200,000.00	2,198,210.00	11.58	2,187,482.00	11.62	1.53
Federal Home Loan Banks												
3130A5PE3	FEDERAL HOME LOAN	1.125	03/29/2018		AA+	Aaa	500,000.00	502,060.00	2.65	499,740.00	2.66	0.40
3130ABZX7	FEDERAL HOME LOAN	1.410	08/07/2019		AA+	Aaa	500,000.00	499,805.00	2.63	497,790.00	2.65	1.73
3130ABTD8	FEDERAL HOME LOAN	1.450	10/18/2019		AA+	Aaa	500,000.00	499,760.00	2.63	497,420.00	2.64	1.93

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

TOWN OF ATHERTON

As of October 31, 2017

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 Home Loan Banks												
3130AA2H0	FEDERAL HOME LOAN	1.125	11/29/2019		AA+	Aaa	500,000.00	495,305.00	2.61	494,630.00	2.63	2.03
Issuer total							2,000,000.00	1,996,930.00	10.52	1,989,580.00	10.57	1.52
Federal National Mortgage Association												
31398AMD1	FANNIE MAE 4.065%	4.065	02/15/2018		AA+	Aaa	500,000.00	537,785.00	2.83	504,085.00	2.68	0.29
3135G0YM9	FANNIE MAE 1.875%	1.875	09/18/2018		AA+	Aaa	500,000.00	508,550.00	2.68	501,721.00	2.67	0.87
3135G0P49	FANNIE MAE 1%	1.000	08/28/2019		AA+	Aaa	500,000.00	498,640.00	2.63	494,424.50	2.63	1.79
Issuer total							1,500,000.00	1,544,975.00	8.14	1,500,230.50	7.97	0.97
Cash and Cash Equivalent												
	INVESTED CASH	0.000					1,160,331.84	1,160,331.84	6.11	1,160,331.84	6.17	0.00
Issuer total							1,160,331.84	1,160,331.84	6.11	1,160,331.84	6.17	0.00
Pfizer Inc												
717081AQ6	PFIZER INC 4.65%	4.650	03/01/2018		AA	A1	500,000.00	552,500.00	2.91	505,395.00	2.69	0.33
Issuer total							500,000.00	552,500.00	2.91	505,395.00	2.69	0.33
Apple Inc												
037833AQ3	APPLE INC 2.1%	2.100	05/06/2019		AA+	Aa1	500,000.00	504,675.00	2.66	503,290.50	2.67	1.47
Issuer total							500,000.00	504,675.00	2.66	503,290.50	2.67	1.47
Wells Fargo Bank NA												
94988J5G8	WELLS FARGO BANK NA	2.150	12/06/2019		AA-	Aa2	500,000.00	500,080.00	2.64	501,801.50	2.67	2.03
Issuer total							500,000.00	500,080.00	2.64	501,801.50	2.67	2.03
Colgate-Palmolive Co												
19416QEF3	COLGATE-PALMOLIVE CO	1.750	03/15/2019		AA-	Aa3	500,000.00	504,345.00	2.66	500,698.00	2.66	1.34
Issuer total							500,000.00	504,345.00	2.66	500,698.00	2.66	1.34

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

TOWN OF ATHERTON

As of October 31, 2017

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)
Chevron Corp												
166764AE0	CHEVRON CORP 1.718%	1.718	06/24/2018	05/24/2018	AA-	Aa2	500,000.00	507,585.00	2.67	500,280.50	2.66	0.63
Issuer total							500,000.00	507,585.00	2.67	500,280.50	2.66	0.63
Microsoft Corp												
594918AP9	MICROSOFT CORP 0.875%	0.875	11/15/2017		AAA	Aaa	500,000.00	492,105.00	2.59	499,924.00	2.66	0.04
Issuer total							500,000.00	492,105.00	2.59	499,924.00	2.66	0.04
Berkshire Hathaway Finance Corp												
084664BW0	BERKSHIRE HATHAWAY	1.300	05/15/2018		AA	Aa2	500,000.00	500,730.00	2.64	499,699.50	2.66	0.53
Issuer total							500,000.00	500,730.00	2.64	499,699.50	2.66	0.53
Merck & Co Inc												
58933YAC9	MERCK & CO INC 1.1%	1.100	01/31/2018		AA	A1	500,000.00	500,580.00	2.64	499,520.00	2.65	0.25
Issuer total							500,000.00	500,580.00	2.64	499,520.00	2.65	0.25
Wal-Mart Stores Inc												
931142DF7	WAL-MART STORES INC	1.125	04/11/2018		AA	Aa2	500,000.00	499,450.00	2.63	499,384.50	2.65	0.44
Issuer total							500,000.00	499,450.00	2.63	499,384.50	2.65	0.44
Coca-Cola Co/The												
191216BA7	COCA-COLA CO/THE	1.150	04/01/2018		AA-	Aa3	500,000.00	498,645.00	2.63	499,346.00	2.65	0.41
Issuer total							500,000.00	498,645.00	2.63	499,346.00	2.65	0.41
3M Co												
88579YAP6	3M COMPANY 1.375%	1.375	08/07/2018		AA-	A1	500,000.00	501,100.00	2.64	499,329.00	2.65	0.76
Issuer total							500,000.00	501,100.00	2.64	499,329.00	2.65	0.76
Grand total							18,860,331.84	18,976,169.90	100.00	18,817,620.86	100.00	1.09



Important disclosures



Important disclosures

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