



Item No. 5 Town of Atherton

FINANCE COMMITTEE STAFF REPORT

TO: FINANCE COMMITTEE

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: JANUARY 14, 2020

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, if appropriate discuss and make recommendation of changes to the Statement of Investment Policy for city council approval.

BACKGROUND

Dave Witthohn, Senior Portfolio Manager for Insight investment is here today to discuss our fourth quarter investment portfolio program, and outlook of the economy. Staff also returns with the Investment Policy for review by the Finance Committee as to ensure investment objectives are consistently met. As of December 31, 2019, the total investment portfolio for the Town is \$17,514,480 as illustrated in the Insight investment review book. The Town has an additional \$18,580,276 in LAIF and operating account of \$4,473,865 with an approximate total cash and investment of \$40,568,621.

Staff is returning with the Investment Policy for review as is required at least annually, for possible recommendations of changes to the policy. The Town investment policy is well positioned. **Staff does not believe any changes to the investment policy needs to be made at this time.**

The main objectives of Town investments include preservation of capital and protection of investment, maintenance of appropriate 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).

The committee may recall that last year it was recommended that minor changes to the Medium-Term corporate investments be made. This was part of staff's review with our asset manager (Insight Investments) looking for opportunities to continue optimum investments withing our

portfolio. Staff felt that making minor changes to the Medium-term corporate investments was appropriate for diversification and liquidity needs in the portfolio. ***Staff recommended and the minor change to the Medium-Term notes was approved to the following:***

- updated 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.

The ability to invest in “A” ratings allows for greater flexibility in diversification and interest earnings. Staff is preparing for the expenditure of funds and ensuring there is enough liquidity of cash available for the Civic Center project. Our current portfolio market value is approximately \$17.5 Million as of December 2019. In observing the needs of cash resources for the Civic Center project in the next 24 to 27 months, staff is investing in shorter duration of investments and shifting funds to more liquid instruments. For maintenance of suitable liquidity for Civic Center project, staff has reviewed the duration of investments in the coming year. During the 2020 calendar year \$11.7 million investments mature.

Below is a list of security instruments that are maturing within the year.

Description	Maturity	Value
US Treasury	1/15/2020	\$500,000
America Honda Finance	2/14/2020	\$500,000
Chevron	3/3/2020	\$500,000
Federal Farm Credit	3/3/2020	\$500,000
Fannie Mae	3/30/2020	\$690,000
Toyota	4/17/2020	\$600,000
Freddie Mac	4/20/2020	\$1,000,000
Federal Home Loan Bank	5/28/2020	\$800,000
US Treasury	5/31/2020	\$500,000
US Treasury	6/15/2020	\$500,000
Freddie Mac	6/29/2020	\$1,200,000
US Treasury	6/30/2020	\$500,000
JP Morgan	7/22/2020	\$600,000
Fannie Mae	8/25/2020	\$500,000
American Express	9/14/2020	\$600,000
Freddie Mac	9/29/2020	\$400,000
Federal Home Loan Bank	10/1/2020	\$500,000
Freddie Mac	11/17/2020	\$700,000
IBM	11/30/2020	\$600,000
Total of Securities Maturing		\$11,690,000

If appropriate, staff is recommending the Finance Committee review the policy and also recommends no changes to the investment policy at this time.

ATTACHMENTS

Insight Investment -Town Investment Review Book
 Statement of Investment Policy

FOR PROFESSIONAL CLIENTS ONLY
NOT TO BE REPRODUCED WITHOUT PRIOR WRITTEN APPROVAL
PLEASE REFER TO ALL RISK DISCLOSURES AT THE BACK OF THIS DOCUMENT

Town of Atherton

Investment management program review

David Witthohn, CFA, CIPM, Senior Portfolio Manager

December 2019



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Performance presented is that of Insight Investment and should not specifically be viewed as the performance of Insight North America LLC. Please refer to the important disclosures at the back of this document.

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Market environment and strategies

Q4 2019 summary

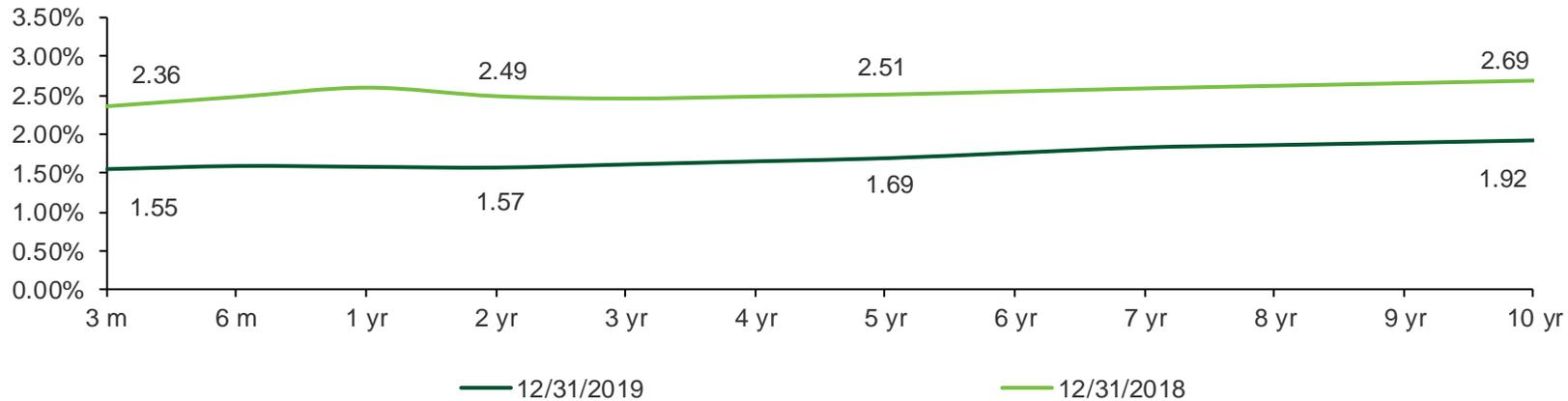
- **Global central bank easing appears to have worked:** With global economic data stabilizing over the quarter and the outlook for inflation still benign, it appears that global central banks may have successfully navigated the economic slowdown. The ‘dot plot’ released after the December Federal Open Market Committee (FOMC) meeting indicated that most members expect interest rates to remain unchanged through 2020. The committee noted that “the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee’s symmetric 2 percent objective”.
- **Global tail risks have faded:** The US and China have reached a Phase One trade agreement, and while tariff rollback is modest, this agreement stands in strong contrast to the spiraling escalation experienced in Q3. Additionally, an agreement on the USMCA was reached and passed by the House of Representatives. Elections in the UK have also averted a potential crash out Brexit.
- **The yield curve steepened:** The US Treasury curve steepened in Q4, with 2-year Treasury yields falling by 5bp, 10-year yields rising by 25bp and 30-year yields rising by 28bp.
- **Credit outperformed Treasuries:** Corporate credit spreads contracted with the Bloomberg Barclays Corporate Index spread declining from 115bp to 93bp. Spreads at the longer end of the curve outperformed, as the Bloomberg Barclays Long Corporate Index spread contracted by 30bp and the Intermediate Corporate Index spread contracted by 18bp. Within investment grade issuers, BBB-rated issues tightened by 34bp over the quarter and by a significant 76bp over the year.
- **Risk assets continued to rally:** US equity markets performed well, with the S&P 500 Index reaching record highs and experiencing over 30% increase in 2019, buoyed by lower bond yields and monetary stimulus. Equity market volatility remained low.
- **Risks include:**
 - Trade tensions re-escalate to a point where they have a severe impact on the global growth outlook
 - Inflationary pressures unexpectedly turn upwards, forcing the Fed to abruptly change position again
 - European growth slows further, leading to more radical policy responses, with implications for global bond and credit markets

Market environment and strategies

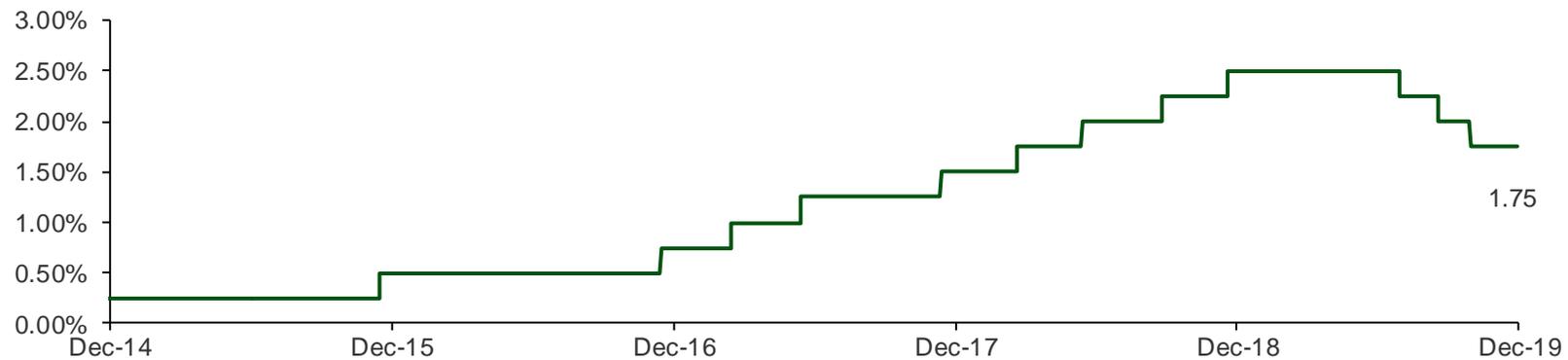
US economic indicators



Comparative historical yield curves



Fed funds target rate



Source: Bloomberg LP, December 31, 2019.

Market environment and strategies

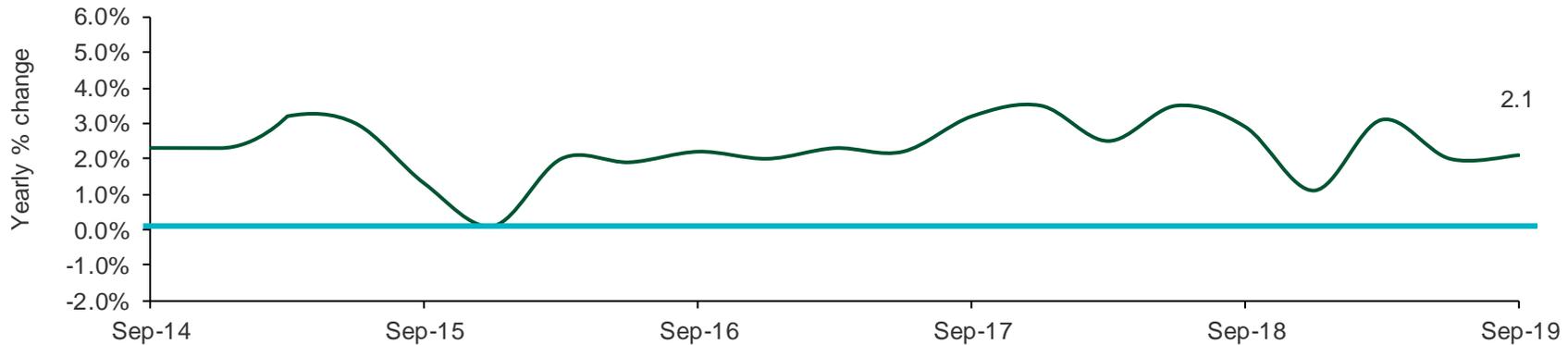
US economic indicators



Two-year and five-year Treasury yields: December 2014–2019¹



Gross domestic product (GDP)²



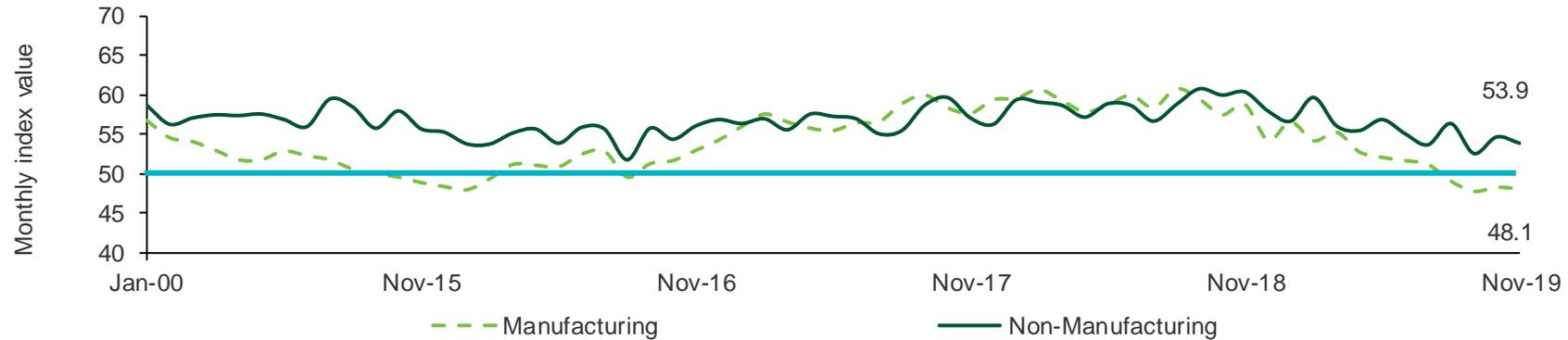
Source: Bloomberg LP. 1 December 31, 2019. 2 September 30, 2019.

Market environment and strategies

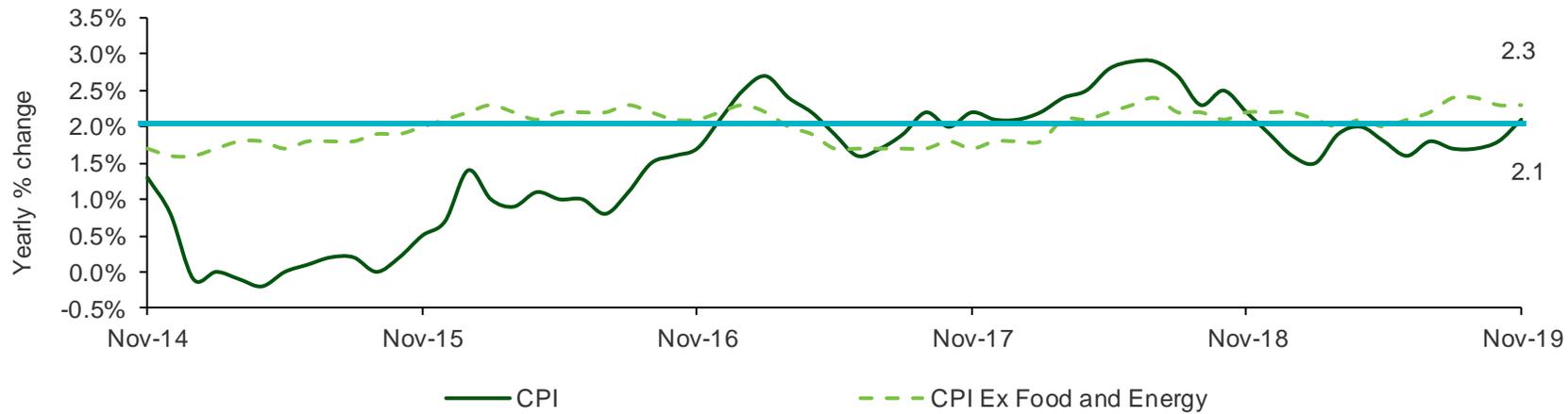
US economic indicators



Institute for supply management manufacturing and non-manufacturing business activity



Consumer price index (CPI)



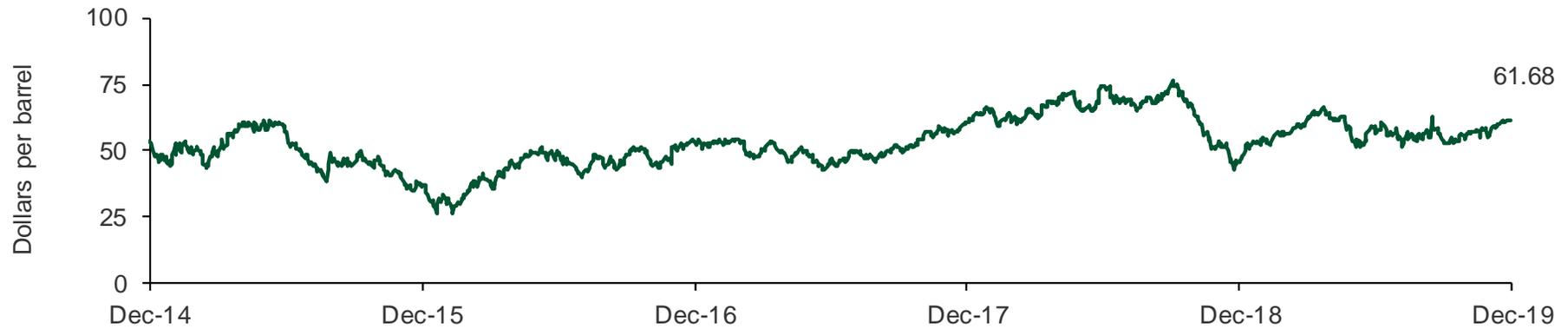
Source: Bloomberg LP, November 30, 2019.

Market environment and strategies

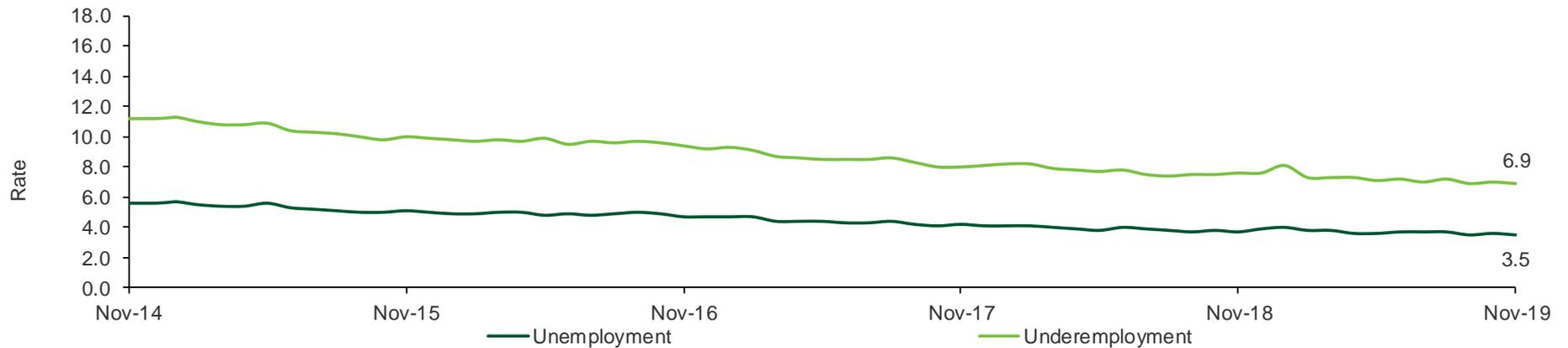
US economic indicators



Crude oil¹



Unemployment and underemployment²



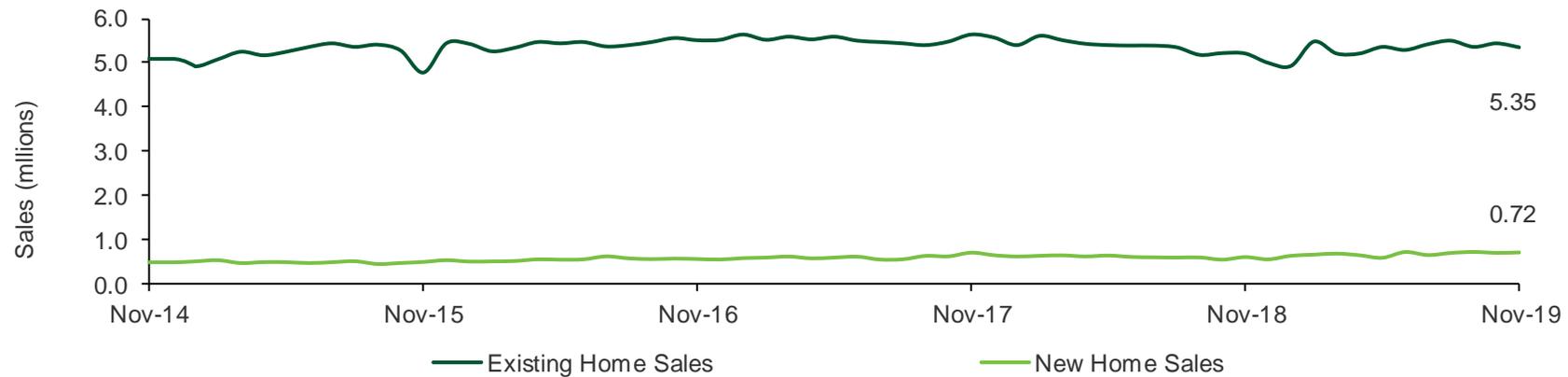
Source: Bloomberg LP, 1 December 31, 2019. 2 November 30, 2019

Market environment and strategies

US economic indicators



New and existing home sales



Source: Bloomberg LP, November 30, 2019.

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Comparison annualized yields

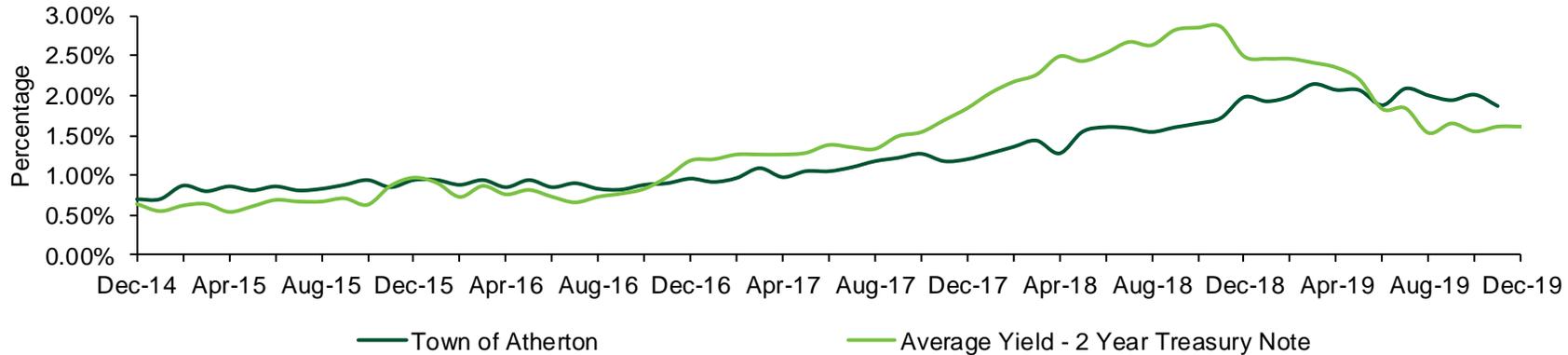
Town of Atherton

Comparison annualized yields

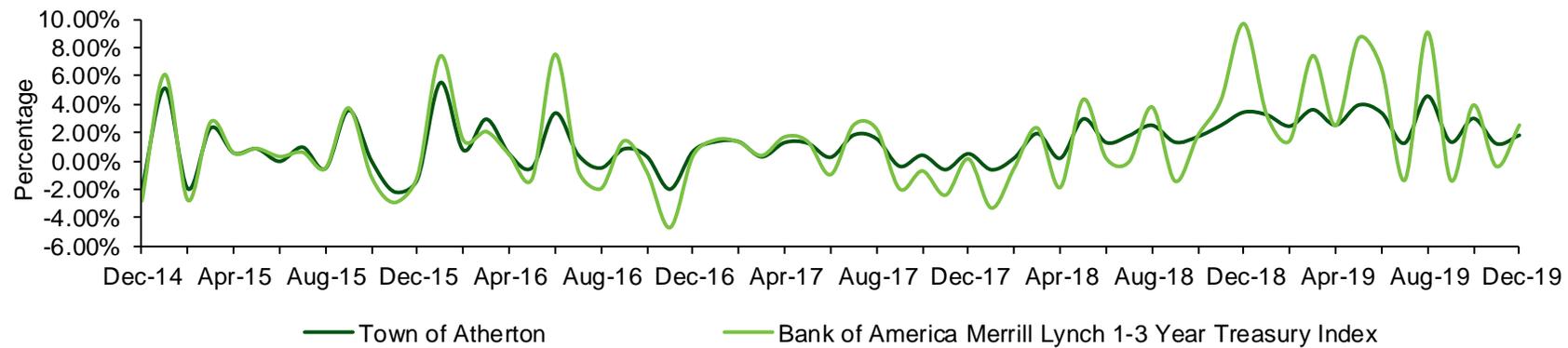
December 2014 through December 2019



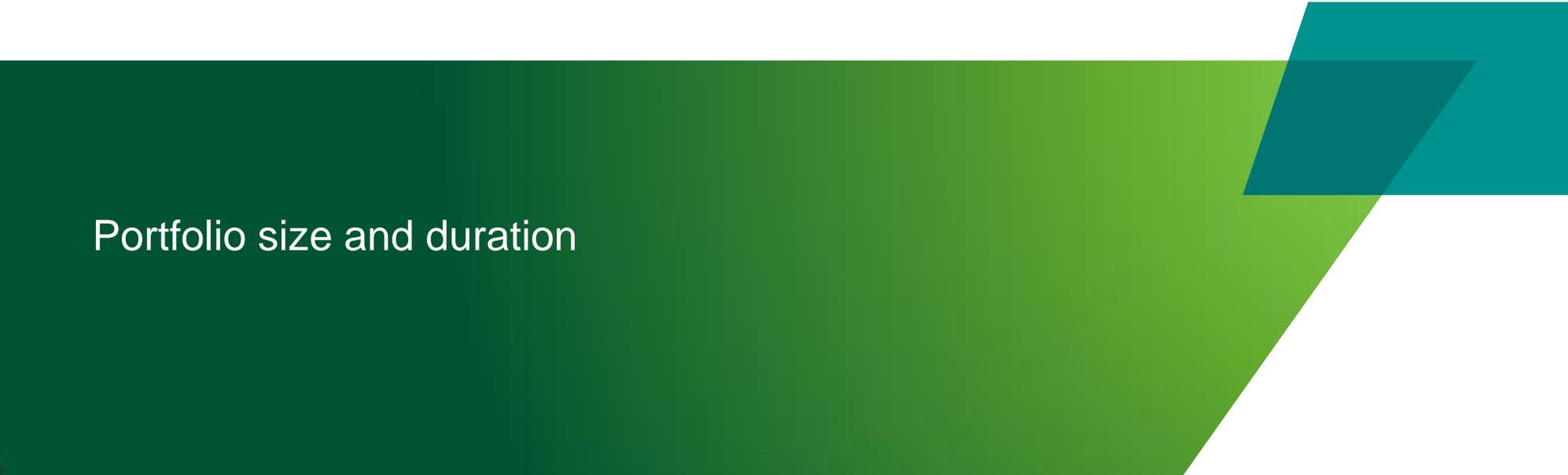
Annualized return: Amortized cost basis



Annualized return: Fair value basis



As of December 31, 2019. **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.

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Portfolio size and duration

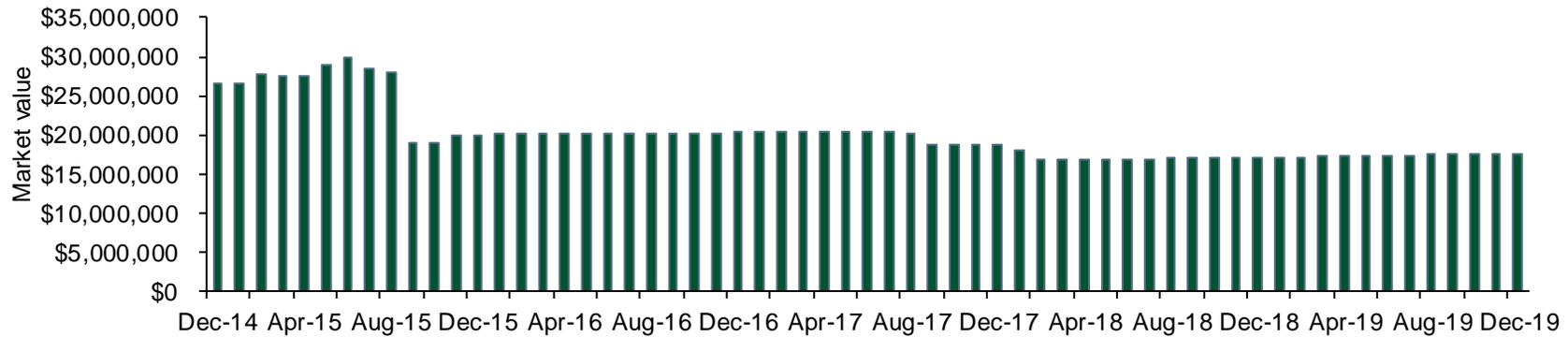
Town of Atherton

Portfolio size and duration

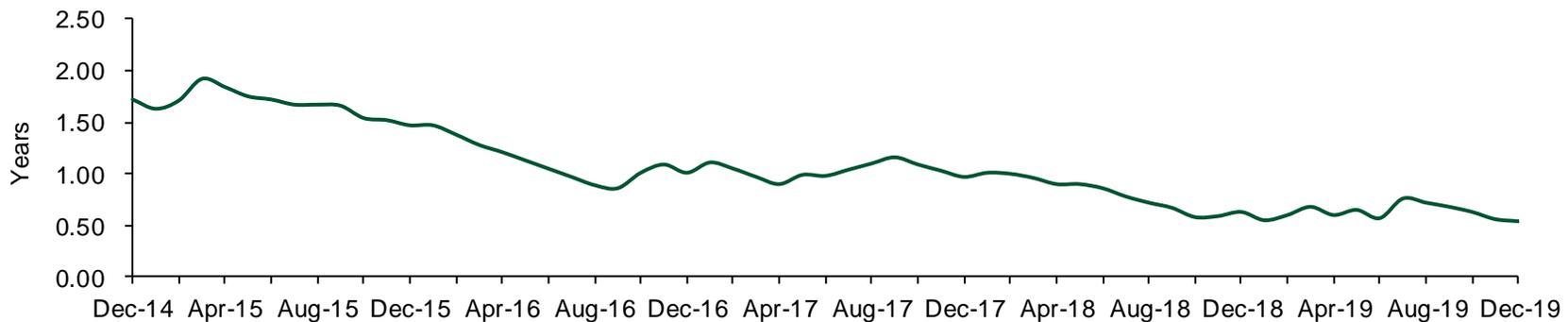
December 2014 through December 2019



Portfolio balance: Ending market value



Portfolio duration



As of December 31, 2019.

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Performance versus benchmark

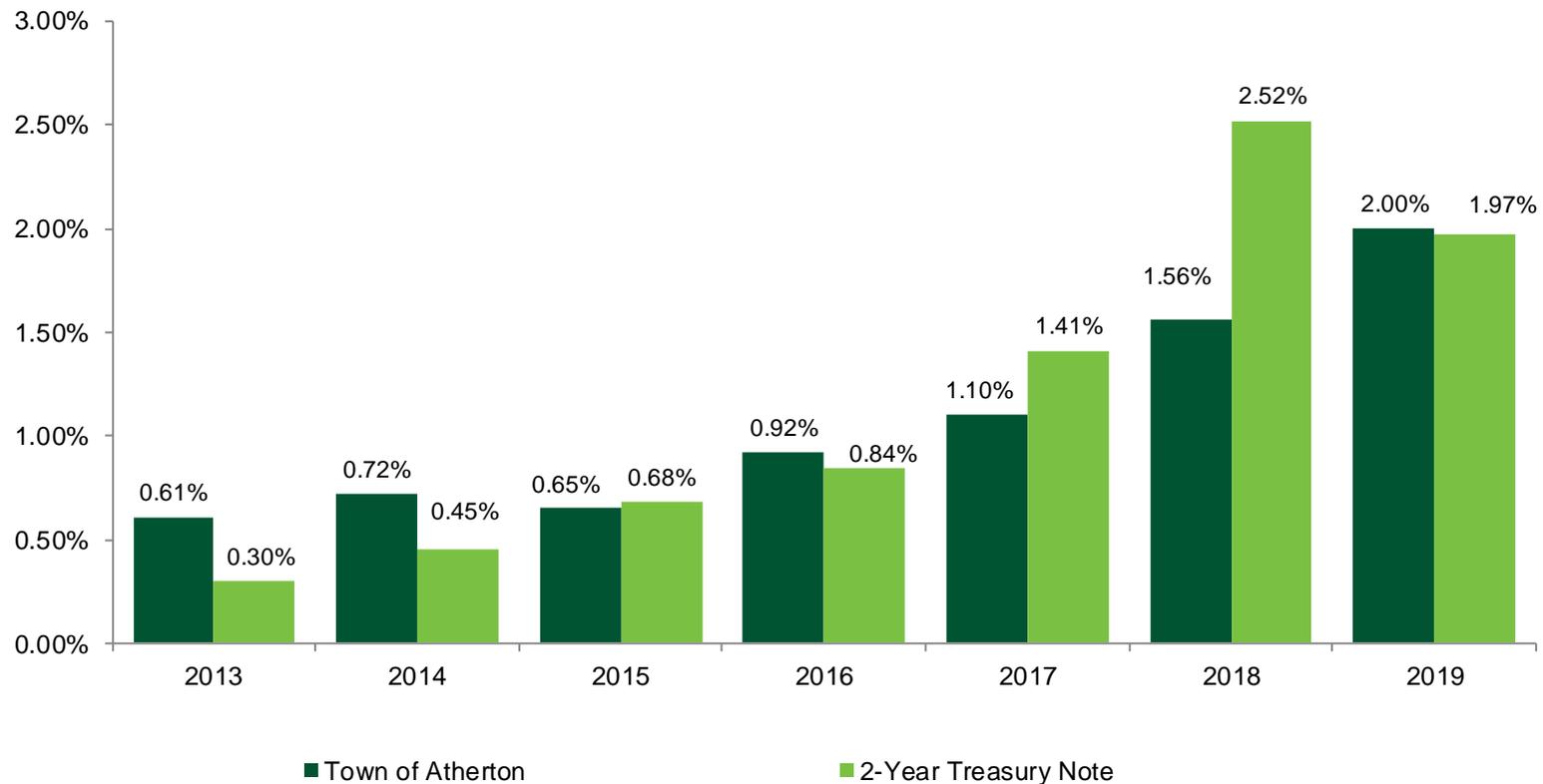
Town of Atherton

Performance versus benchmark

January 2013 through December 2019



Town of Atherton amortized cost return versus 2 Year Treasury Note



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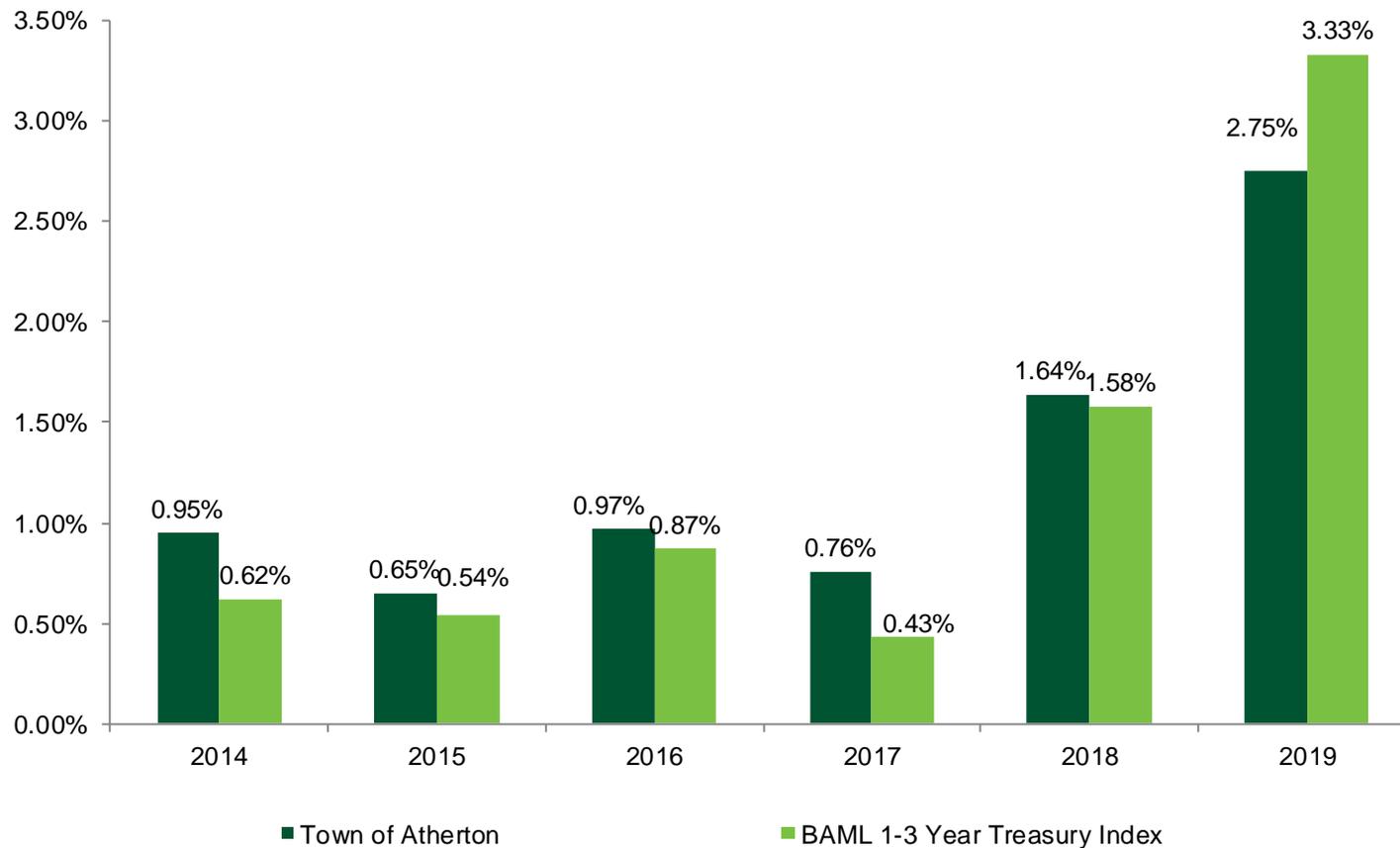
Town of Atherton

Performance versus benchmark

January 2014 through December 2019



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



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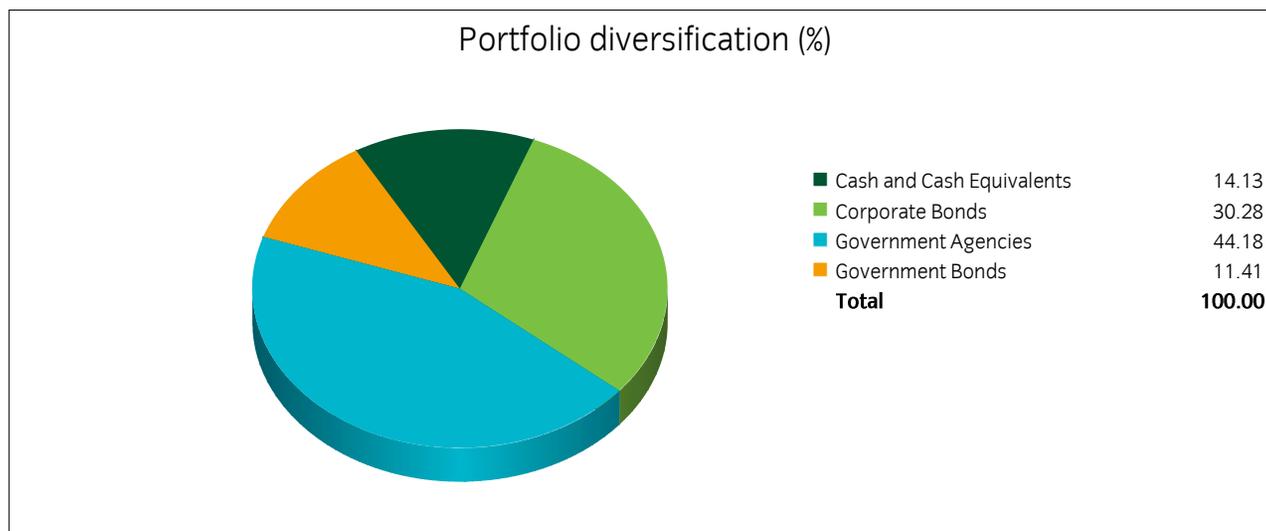
Portfolio diversification

The following data may not total 100% due to rounding. The list of holdings is only valid as of December 31, 2019 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.

RECAP OF SECURITIES HELD

As of December 31, 2019

	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	2,473,970.53	2,473,970.53	2,473,970.53	0.00	1	14.13	0.00
Corporate Bonds	5,303,358.55	5,293,487.29	5,307,653.46	14,166.17	273	30.28	0.70
Government Agencies	7,738,519.08	7,751,389.82	7,781,075.16	29,685.34	239	44.18	0.64
Government Bonds	1,998,632.81	1,999,582.26	1,999,497.99	(84.27)	129	11.41	0.35
Total	17,514,480.97	17,518,429.90	17,562,197.14	43,767.24	203	100.00	0.54



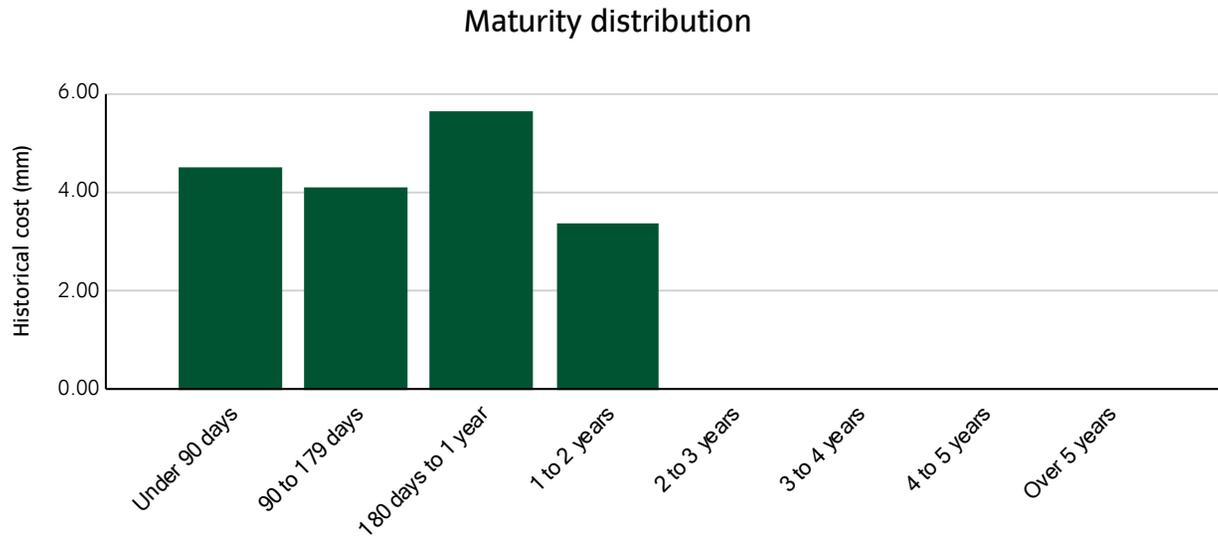
Maturity distribution

The following data is only valid as of December 31, 2019 and may not total 100% due to rounding.

MATURITY DISTRIBUTION OF SECURITIES HELD

As of December 31, 2019

Maturity	Historic cost	Percent
Under 90 days	4,473,147.06	25.54
90 to 179 days	4,088,686.60	23.35
180 days to 1 year	5,603,178.51	31.99
1 to 2 years	3,349,468.80	19.12
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
	17,514,480.97	100.00



Holdings

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SECURITIES HELD

As of December 31, 2019

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Cash and Cash Equivalents											
Cash and Cash Equivalents	0.000		2,473,970.53	2,473,970.53 0.00	2,473,970.53 0.00	2,473,970.53 0.00	0.00	0.00	0.00	0.00	14.13
Total Cash and Cash Equivalents			2,473,970.53	2,473,970.53 0.00	2,473,970.53 0.00	2,473,970.53 0.00	0.00	0.00	0.00	0.00	14.13
Corporate Bonds											
02665WBM2 AMERICAN HONDA FINANCE 2% 14FEB2020	2.000	02/14/2020	500,000.00	500,155.00 0.00	500,059.82 (40.79)	499,980.93 (64.50)	(78.89)	0.00	861.12	3,805.56	2.86
166764AR1 CHEVRON CORP 1.961% 03MAR2020 (CALLABLE 06FEB20)	1.961	03/03/2020 02/03/2020	500,000.00	500,225.00 0.00	500,072.09 (65.53)	499,911.32 (68.62)	(160.77)	0.00	844.32	3,213.86	2.86
89236TDU6 TOYOTA MOTOR CREDIT CORP 1.95% 17APR2020	1.950	04/17/2020	600,000.00	598,992.00 0.00	599,622.88 105.73	599,987.66 (157.99)	364.78	0.00	1,007.50	2,405.00	3.42
46625HHS2 JPMORGAN CHASE & CO 4.4% 22JUL2020	4.400	07/22/2020	600,000.00	613,302.00 0.00	607,052.50 (1,047.41)	608,266.16 (942.94)	1,213.66	0.00	2,273.33	11,660.00	3.50
0258MODX4 AMERICAN EXPRESS CREDIT 2.6% 14SEP2020 (CALLABLE 14AUG20)	2.600	09/14/2020 08/14/2020	600,000.00	602,592.00 0.00	601,440.71 (192.96)	602,209.05 (422.64)	768.34	0.00	1,343.34	4,636.67	3.44
44932HAK9 IBM CREDIT LLC 3.45% 30NOV2020	3.450	11/30/2020	600,000.00	610,218.75 0.00	606,625.12 (602.29)	609,262.12 (334.85)	2,637.00	10,350.00	1,725.00	1,725.00	3.48
037833BS8 APPLE INC 2.25% 23FEB2021 (CALLABLE 23JAN21)	2.250	02/23/2021 01/23/2021	550,000.00	547,712.00 0.00	548,541.75 105.92	553,273.34 480.70	4,731.59	0.00	1,065.62	4,400.00	3.13

SECURITIES HELD

As of December 31, 2019

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Corporate Bonds											
084670BQ0	2.200	03/15/2021	680,000.00	681,604.80	681,171.85	682,630.74	1,458.89	0.00	1,288.22	4,404.89	3.89
BERKSHIRE HATHAWAY INC 2.2% 15MAR2021 (CALLABLE 15FEB21)		02/15/2021		0.00	(83.70)	(796.49)					
69353REW4	2.150	04/29/2021	650,000.00	648,557.00	648,900.57	652,132.14	3,231.57	0.00	1,203.41	2,406.81	3.70
PNC BANK NA 2.15% 29APR2021 (CALLABLE 30MAR21)		03/30/2021		0.00	66.42	162.44					
Total Corporate Bonds			5,280,000.00	5,303,358.55	5,293,487.29	5,307,653.46	14,166.17	10,350.00	11,611.86	38,657.79	30.28
Government Agencies											
3133EHET6	1.580	03/03/2020	500,000.00	499,714.50	499,982.24	500,102.43	120.19	0.00	680.27	2,589.44	2.85
FEDERAL FARM CREDIT BANK 1.58% 03MAR2020				0.00	8.45	114.15					
3136G3UB9	1.200	03/30/2020	690,000.00	688,625.52	689,226.86	689,278.54	51.68	0.00	690.00	2,070.00	3.93
FANNIE MAE 1.2% 30MAR2020 CALLABLE				0.00	257.72	256.35					
3137EAEF2	1.375	04/20/2020	1,000,000.00	997,373.36	998,791.09	999,200.00	408.91	0.00	1,184.03	2,711.81	5.69
FREDDIE MAC 1.375% 20APR2020				0.00	329.71	394.83					
3130AECJ7	2.625	05/28/2020	800,000.00	804,184.00	802,608.44	803,126.75	518.31	0.00	1,808.33	1,925.00	4.59
FEDERAL HOME LOAN BANK 2.625% 28MAY2020				0.00	(507.68)	(581.71)					
3134GBN40	1.625	06/29/2020	1,200,000.00	1,198,560.00	1,199,740.16	1,199,981.46	241.30	9,750.00	1,679.16	108.33	6.84
FREDDIE MAC 1.625% 29JUN2020 CALLABLE #0001				0.00	43.55	(334.37)					
3136G3U86	1.300	08/25/2020	500,000.00	490,420.00	495,986.99	498,828.87	2,841.88	0.00	559.72	2,275.00	2.80
FANNIE MAE 1.3% 25AUG2020 CALLABLE				0.00	512.30	208.38					

SECURITIES HELD

As of December 31, 2019

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Government Agencies											
3137EAEJ4 FREDDIE MAC 1.625% 29SEP2020	1.625	09/29/2020	400,000.00	394,404.00 0.00	397,377.48 292.47	399,975.03 2.88	2,597.55	0.00	559.72	1,661.11	2.25
3130AEWA4 FEDERAL HOME LOAN BANK 2.625% 01OCT2020	2.625	10/01/2020	500,000.00	500,495.00 0.00	500,224.70 (24.87)	503,611.78 (291.86)	3,387.08	0.00	1,130.21	3,281.25	2.86
3137EAEK1 FREDDIE MAC 1.875% 17NOV2020	1.875	11/17/2020	700,000.00	693,147.70 0.00	696,403.68 340.35	701,374.09 (30.40)	4,970.41	0.00	1,130.21	1,604.17	3.96
3133EJJD2 FEDERAL FARM CREDIT BANK 2.54% 05APR2021	2.540	04/05/2021	800,000.00	800,831.20 0.00	800,509.70 (33.60)	809,720.08 624.70	9,210.38	0.00	1,749.78	4,854.22	4.57
3130A1W95 FEDERAL HOME LOAN BANK 2.25% 11JUN2021 #0000	2.250	06/11/2021	670,000.00	670,763.80 0.00	670,538.48 (31.01)	675,876.13 191.70	5,337.65	7,537.50	1,298.12	837.50	3.83
Total Government Agencies			7,760,000.00	7,738,519.08 0.00	7,751,389.82 1,187.39	7,781,075.16 554.65	29,685.34	17,287.50	12,469.55	23,917.83	44.18
Government Bonds											
912828V31 USA TREASURY 1.375% 15JAN2020	1.375	01/15/2020	500,000.00	499,082.03 0.00	499,985.32 30.34	499,949.60 130.82	(35.72)	0.00	579.14	3,157.27	2.85
912828XE5 USA TREASURY 1.5% 31MAY2020	1.500	05/31/2020	500,000.00	499,746.09 (327.87)	499,772.97 26.88	499,724.17 (21.92)	(48.80)	0.00	307.38	635.25	2.85
912828XU9 USA TREASURY 1.5% 15JUN2020	1.500	06/15/2020	500,000.00	499,765.63 (20.49)	499,788.43 22.80	499,824.22 58.59	35.79	0.00	307.38	327.87	2.85

SECURITIES HELD

As of December 31, 2019

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Government Bonds											
912828XH8 USA TREASURY 1.625% 30JUN2020	1.625	06/30/2020	500,000.00	500,039.06 (3,731.32)	500,035.54 (3.52)	500,000.00 (39.06)	(35.54)	4,062.50	331.18	0.00	2.86
Total Government Bonds			2,000,000.00	1,998,632.81 (4,079.68)	1,999,582.26 76.50	1,999,497.99 128.43	(84.27)	4,062.50	1,525.08	4,120.39	11.41
Grand total			17,513,970.53	17,514,480.97 (4,079.68)	17,518,429.90 (490.72)	17,562,197.14 (1,461.81)	43,767.24	31,700.00	25,606.49	66,696.01	100.00

Yield report

The following list of holdings is only valid as of December 31, 2019 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

TOWN OF ATHERTON

As of December 31, 2019

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			2,473,970.53	2,473,970.53			14.13
Total Cash and Cash Equivalents				2,473,970.53	2,473,970.53			14.13
Corporate Bonds								
02665WBM2	AMERICAN HONDA FINANCE CORP	2.000	02/14/2020	500,000.00	500,155.00	10/21/2019	1.84	2.86
166764AR1	CHEVRON CORP-ARRANGING BROKER	1.961	03/03/2020	500,000.00	500,225.00	10/21/2019	1.80	2.86
89236TDU6	TOYOTA MOTOR CREDIT CORP	1.950	04/17/2020	600,000.00	598,992.00	07/02/2019	2.16	3.42
46625HHS2	JP MORGAN CHASE & CO	4.400	07/22/2020	600,000.00	613,302.00	07/02/2019	2.25	3.50
0258MODX4	AMERICAN EXPRESS CREDIT CORP	2.600	09/14/2020	600,000.00	602,592.00	07/02/2019	2.23	3.44
44932HAK9	IBM CREDIT LLC	3.450	11/30/2020	600,000.00	610,218.75	07/02/2019	2.21	3.48
037833BS8	APPLE INC	2.250	02/23/2021	550,000.00	547,712.00	05/06/2019	2.48	3.13
084670BQ0	BERKSHIRE HATHAWAY INC	2.200	03/15/2021	680,000.00	681,604.80	07/30/2019	2.05	3.89
69353REW4	PNC BANK NA	2.150	04/29/2021	650,000.00	648,557.00	07/30/2019	2.28	3.70
Total Corporate Bonds				5,280,000.00	5,303,358.55		2.15	30.28
Government Agencies								
3133EHET6	FEDERAL FARM CREDIT BANKS FUNDING CORP	1.580	03/03/2020	500,000.00	499,714.50	05/11/2017	1.60	2.85
3136G3UB9	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.200	03/30/2020	690,000.00	688,625.52	10/21/2019	1.64	3.93
3137EAEF2	FEDERAL HOME LOAN MORTGAGE COR	1.375	04/20/2020	1,000,000.00	997,373.36	08/22/2019	1.78	5.69
3130AECJ7	FEDERAL HOME LOAN BANKS	2.625	05/28/2020	800,000.00	804,184.00	09/30/2019	1.82	4.59
3134GBN40	FEDERAL HOME LOAN MORTGAGE COR	1.625	06/29/2020	1,200,000.00	1,198,560.00	09/28/2017	1.67	6.84
3136G3U86	FEDERAL NATIONAL MORTGAGE ASSOCIATION	1.300	08/25/2020	500,000.00	490,420.00	02/05/2019	2.57	2.80
3137EAEJ4	FEDERAL HOME LOAN MORTGAGE COR	1.625	09/29/2020	400,000.00	394,404.00	02/26/2019	2.54	2.25
3130AEWA4	FEDERAL HOME LOAN BANKS	2.625	10/01/2020	500,000.00	500,495.00	02/05/2019	2.57	2.86
3137EAEK1	FEDERAL HOME LOAN MORTGAGE COR	1.875	11/17/2020	700,000.00	693,147.70	03/14/2019	2.47	3.96
3133EJJD2	FEDERAL FARM CREDIT BANKS FUNDING CORP	2.540	04/05/2021	800,000.00	800,831.20	03/14/2019	2.48	4.57
3130A1W95	FEDERAL HOME LOAN BANKS	2.250	06/11/2021	670,000.00	670,763.80	05/23/2019	2.19	3.83
Total Government Agencies				7,760,000.00	7,738,519.08		2.05	44.18
Government Bonds								
912828V31	UNITED STATES TREASURY NOTE/BOND	1.375	01/15/2020	500,000.00	499,082.03	06/21/2017	1.45	2.85
912828XE5	UNITED STATES TREASURY NOTE/BOND	1.500	05/31/2020	500,000.00	499,746.09	12/13/2019	1.61	2.85
912828XU9	UNITED STATES TREASURY NOTE/BOND	1.500	06/15/2020	500,000.00	499,765.63	12/13/2019	1.59	2.85
912828XH8	UNITED STATES TREASURY NOTE/BOND	1.625	06/30/2020	500,000.00	500,039.06	12/13/2019	1.61	2.86
Total Government Bonds				2,000,000.00	1,998,632.81		1.57	11.41
Grand Total				17,513,970.53	17,514,480.97		1.74	100.00

GASB 40

The following list of holdings is only valid as of December 31, 2019 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.

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

TOWN OF ATHERTON

As of December 31, 2019

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 Mortgage Corp												
3137EAEF2	FREDDIE MAC 1.375%	1.375	04/20/2020		AA+	Aaa	1,000,000.00	997,373.36	5.69	999,200.00	5.69	0.30
3134GBN40	FREDDIE MAC 1.625%	1.625	06/29/2020		AA+	Aaa	1,200,000.00	1,198,560.00	6.84	1,199,981.46	6.83	0.49
3137EAEJ4	FREDDIE MAC 1.625%	1.625	09/29/2020		AA+	Aaa	400,000.00	394,404.00	2.25	399,975.03	2.28	0.74
3137EAEK1	FREDDIE MAC 1.875%	1.875	11/17/2020		AA+	Aaa	700,000.00	693,147.70	3.96	701,374.09	3.99	0.87
Issuer total							3,300,000.00	3,283,485.06	18.75	3,300,530.58	18.79	0.54
Cash and Cash Equivalents												
	INVESTED CASH	0.000					2,473,970.53	2,473,970.53	0.00	2,473,970.53	14.09	0.00
Issuer total							2,473,970.53	2,473,970.53	0.00	2,473,970.53	14.09	0.00
United States Treasury Note/Bond												
912828V31	USA TREASURY 1.375%	1.375	01/15/2020		AA+	Aaa	500,000.00	499,082.03	2.85	499,949.60	2.85	0.04
912828XE5	USA TREASURY 1.5%	1.500	05/31/2020		AA+	Aaa	500,000.00	499,746.09	2.85	499,724.17	2.85	0.41
912828XU9	USA TREASURY 1.5%	1.500	06/15/2020		AA+	Aaa	500,000.00	499,765.63	2.85	499,824.22	2.85	0.45
912828XH8	USA TREASURY 1.625%	1.625	06/30/2020		AA+	Aaa	500,000.00	500,039.06	2.86	500,000.00	2.85	0.49
Issuer total							2,000,000.00	1,998,632.81	11.41	1,999,497.99	11.39	0.35
Federal Home Loan Banks												
3130AECJ7	FEDERAL HOME LOAN	2.625	05/28/2020		AA+	Aaa	800,000.00	804,184.00	4.59	803,126.75	4.57	0.40
3130AEWA4	FEDERAL HOME LOAN	2.625	10/01/2020		AA+	Aaa	500,000.00	500,495.00	2.86	503,611.78	2.87	0.74
3130A1W95	FEDERAL HOME LOAN	2.250	06/11/2021		AA+	Aaa	670,000.00	670,763.80	3.83	675,876.13	3.85	1.42
Issuer total							1,970,000.00	1,975,442.80	11.28	1,982,614.66	11.29	0.83
Federal Farm Credit Banks Funding Corp												
3133EHET6	FEDERAL FARM CREDIT	1.580	03/03/2020		AA+	Aaa	500,000.00	499,714.50	2.85	500,102.43	2.85	0.17
3133EJJD2	FEDERAL FARM CREDIT	2.540	04/05/2021		AA+	Aaa	800,000.00	800,831.20	4.57	809,720.08	4.61	1.23
Issuer total							1,300,000.00	1,300,545.70	7.43	1,309,822.51	7.46	0.82

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

TOWN OF ATHERTON

As of December 31, 2019

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												
3136G3UB9	FANNIE MAE 1.2%	1.200	03/30/2020		AA+	Aaa	690,000.00	688,625.52	3.93	689,278.54	3.92	0.25
3136G3U86	FANNIE MAE 1.3%	1.300	08/25/2020		AA+	Aaa	500,000.00	490,420.00	2.80	498,828.87	2.84	0.64
Issuer total							1,190,000.00	1,179,045.52	6.73	1,188,107.41	6.77	0.41
Berkshire Hathaway Inc												
084670BQ0	BERKSHIRE HATHAWAY	2.200	03/15/2021	02/15/2021	AA	Aa2	680,000.00	681,604.80	3.89	682,630.74	3.89	1.11
Issuer total							680,000.00	681,604.80	3.89	682,630.74	3.89	1.11
PNC Bank NA												
69353REW4	PNC BANK NA 2.15%	2.150	04/29/2021	03/30/2021	A	A2	650,000.00	648,557.00	3.70	652,132.14	3.71	1.24
Issuer total							650,000.00	648,557.00	3.70	652,132.14	3.71	1.24
IBM Credit LLC												
44932HAK9	IBM CREDIT LLC 3.45%	3.450	11/30/2020		A	A2	600,000.00	610,218.75	3.48	609,262.12	3.47	0.90
Issuer total							600,000.00	610,218.75	3.48	609,262.12	3.47	0.90
JPMorgan Chase & Co												
46625HHS2	JPMORGAN CHASE & CO	4.400	07/22/2020		A-	A2	600,000.00	613,302.00	3.50	608,266.16	3.46	0.54
Issuer total							600,000.00	613,302.00	3.50	608,266.16	3.46	0.54
American Express Credit Corp												
0258M0DX4	AMERICAN EXPRESS	2.600	09/14/2020	08/14/2020	A-	A2	600,000.00	602,592.00	3.44	602,209.05	3.43	0.62
Issuer total							600,000.00	602,592.00	3.44	602,209.05	3.43	0.62
Toyota Motor Credit Corp												
89236TDU6	TOYOTA MOTOR CREDIT	1.950	04/17/2020		AA-	Aa3	600,000.00	598,992.00	3.42	599,987.66	3.42	0.29
Issuer total							600,000.00	598,992.00	3.42	599,987.66	3.42	0.29

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of December 31, 2019

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)
Apple Inc												
037833BS8	APPLE INC 2.25%	2.250	02/23/2021	01/23/2021	AA+	Aa1	550,000.00	547,712.00	3.13	553,273.34	3.15	1.05
Issuer total							550,000.00	547,712.00	3.13	553,273.34	3.15	1.05
American Honda Finance Corp												
02665WBM	AMERICAN HONDA	2.000	02/14/2020		A	A2	500,000.00	500,155.00	2.86	499,980.93	2.85	0.12
Issuer total							500,000.00	500,155.00	2.86	499,980.93	2.85	0.12
Chevron Corp												
166764AR1	CHEVRON CORP 1.961%	1.961	03/03/2020	02/03/2020	AA	Aa2	500,000.00	500,225.00	2.86	499,911.32	2.85	0.14
Issuer total							500,000.00	500,225.00	2.86	499,911.32	2.85	0.14
Grand total							17,513,970.53	17,514,480.97	100.00	17,562,197.14	100.00	0.54

A large decorative graphic consisting of a dark green horizontal bar on the left, which transitions into a lighter green bar that tapers to a point on the right. A teal-colored shape, resembling a stylized arrow or a folded piece of paper, is positioned on the right side, overlapping the lighter green bar.

Important disclosures

Index descriptions

Information about the index shown here is provided to allow for comparison of the performance of the strategy to that of a certain well-known and widely recognized index. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the index represented does not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the index may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the index shown.

Index	Description
BofA Merrill Lynch 1-3 US Year Treasury Index	The BofA Merrill Lynch 1-3 US Year Treasury Index is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years.



Other disclosures

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The information shown is derived from a representative account deemed to appropriately represent the management styles herein. Each investor's portfolio is individually managed and may vary from the information shown. The mention of a specific security is not a recommendation to buy or sell such security. The specific securities identified are not representative of all the securities purchased, sold or recommended for advisory clients. It should not be assumed that an investment in the securities identified will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed.

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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. 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 "A" 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, "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.