

Fund Management

A City's Perspective

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Financial Ratios

Any investor interested in the fundamentals should be able to calculate financial ratios from memory

Asset Turnover Ratio

Average Inventory Ratio

Cash Flow Ratio

Current Ratio

Debt Coverage Ratio

Debt to Equity Ratio

Gross Profit Margin Ratio

Gross Profit Ratio

Interest Coverage Ratio

Inventory Turnover Ratio

Market to Book Ratio

Net Profit Margin Ratio

Operating Profit Margin Ratio

PEG Ratio

Price/Earnings Ratio

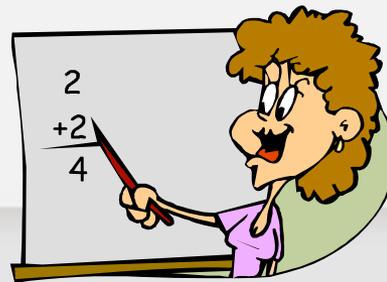
Quick Ratio

Receivable Turnover Ratio

Return on Assets Ratio

Return on Equity Ratio

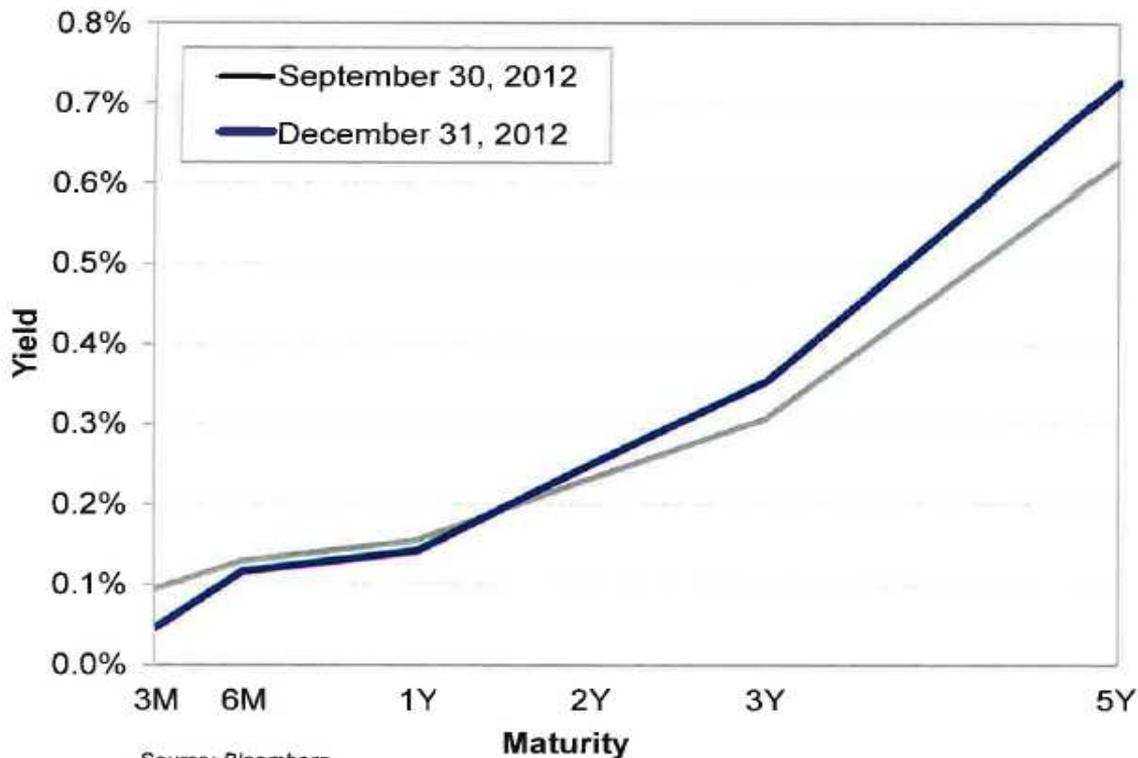
Working Capital Ratio





U.S. Treasury Yield Curve

U.S. Treasury Yield Curve
September 30, 2012 vs. December 31, 2012



Source: Bloomberg

	9/30/12	12/31/12	Change
3 Month	0.09%	0.04%	(0.05%)
6 Month	0.13%	0.11%	(0.02%)
1 Year	0.16%	0.14%	(0.02%)
2 Year	0.23%	0.25%	0.02%
3 Year	0.31%	0.35%	0.04%
5 Year	0.63%	0.72%	0.09%



City of Roseville Investment Policy

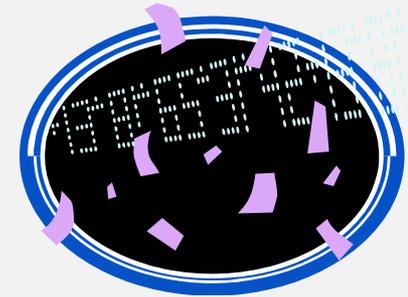
- California Government Code
 - Sections 53600-53659
- Objectives
 - Safety
 - Liquidity
 - Return on investment
- Permitted Investments
 - Minimum ratings
 - Issuer limits
- Prudent Investor
 - Act with care, skill, prudence, and diligence





Financial Advisor

- Philosophy
 - Job is not to “look good”
 - Independence, objectivity and focus
- Purpose
 - Look for new markets
 - Keep you out of trouble
- Duty of care
 - Suitable investments
- Track record
 - How did/do they handle headline exposure?





City of Roseville Portfolio Comparison

December 2005 - \$466m

Investments	Percent
Fed Agencies	63%
US Treasuries	22%
LAIF	7%
Corporate Notes	3%
Negotiable CDs	0%
Municipal Bonds	0%
Commercial Paper	2%
Collateralized CDs	<1%
Money Market	2%

December 2012 - \$467m

Investments	Percent
Fed Agencies	24%
US Treasuries	42%
LAIF	11%
Corporate Notes	12%
Negotiable CDs	7%
Municipal Bonds	<1%
Commercial Paper	<1%
Collateralized CDs	<1%
Money Market	<2%

Combined Holdings Are Well Diversified by Issuer

Corporate Issuers

• IBM	3%
• JP Morgan Chase	2%
• Wells Fargo	2%
• U.S. Bank	2%
• Caterpillar	1%
• Procter & Gamble	1%
• Walt Disney	<1%
• General Electric CC	<1%
• National Australia Bank	<1%
• Bank of New York	<1%
• Wal-Mart	<1%

CP Issuers

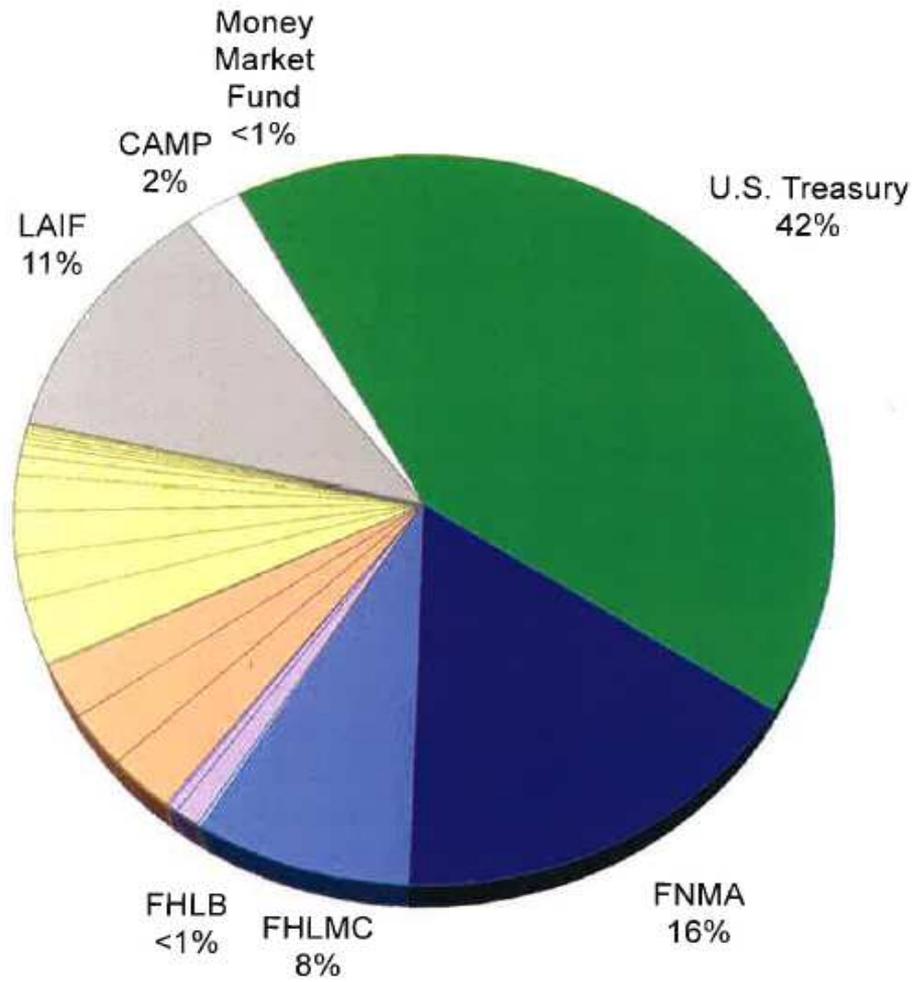
• Toyota Motor CC	<1%
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CD Issuers

• Westpac Banking Corp	3%
• Bank of Nova Scotia	2%
• Standard Chartered Bank	2%

Municipal Issuers

• State of California	1%
• California State Water Department	<1%
• Palo Alto School District	<1%



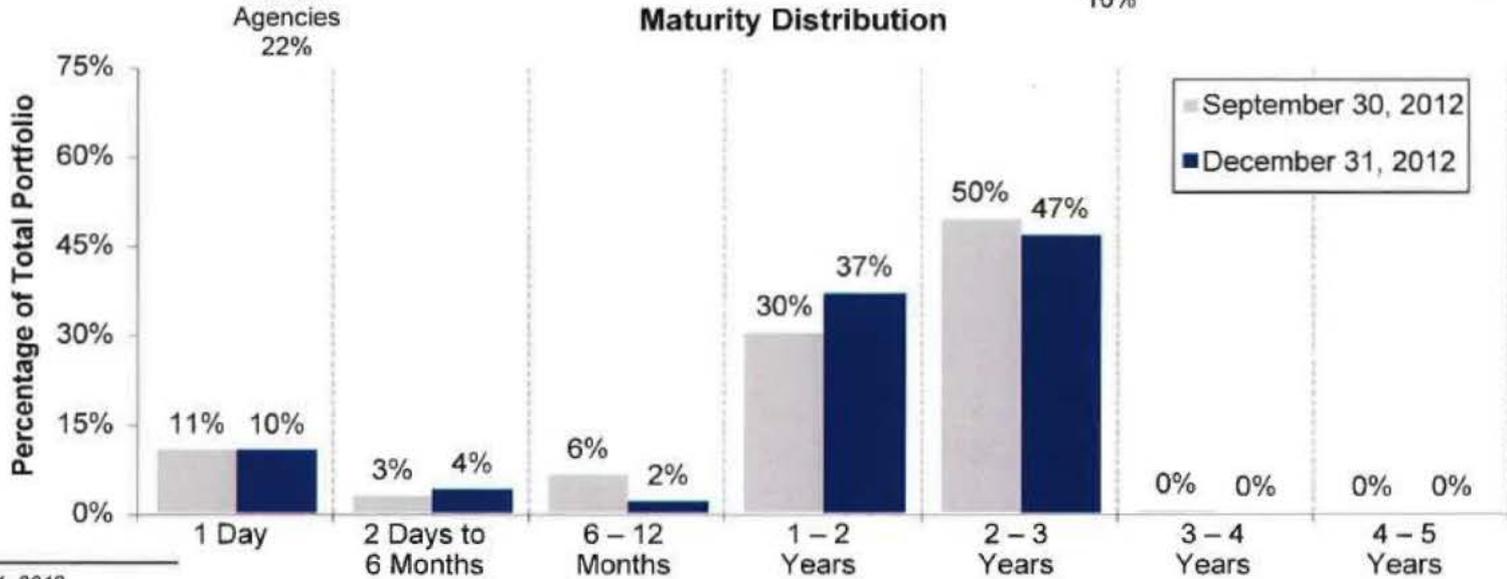
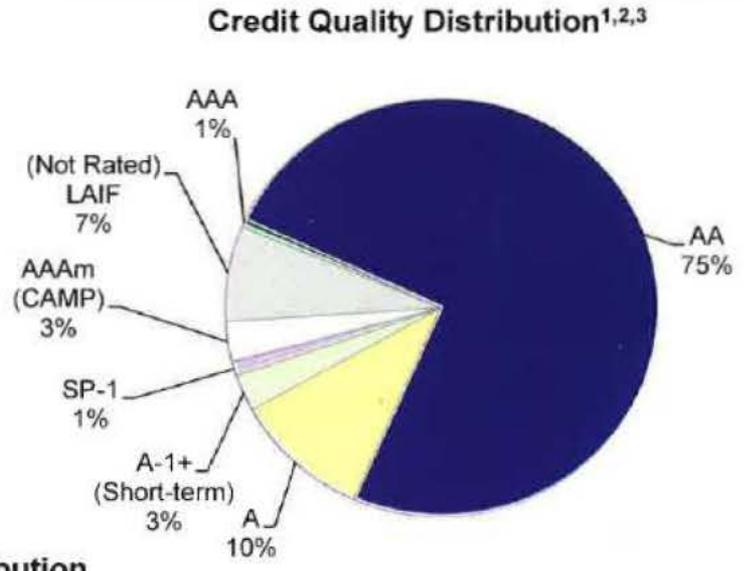
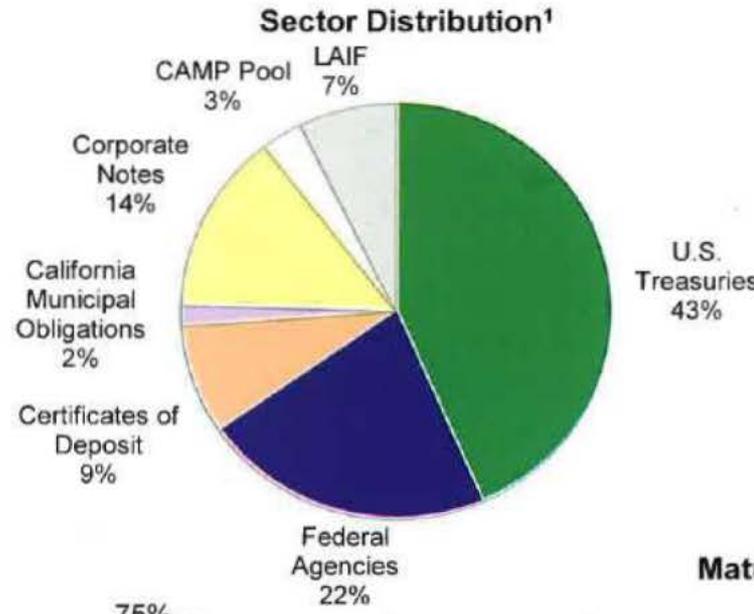


Portfolio Review

- Quarterly review
 - Market overview
 - Portfolio returns
 - Economic charts
 - Investment policy review
- Monthly market review newsletter
 - Commentary on economic highlights, bond markets, equity markets, PFM outlook, charts and graphs, etc.
- Conference calls – as needed
- General review of financial headlines (internal)



Pooled Fund Investments



1. As of December 31, 2012
 2. Standard & Poor's Ratings
 3. A-rated securities include JPMorgan, which was rated in the AA at the time of purchase, and US Bancorp, which is rated in the Aa category by Moody's
 4. SP-1 is Standard & Poor's rating for short-term municipal debt

Sample Trades – Strategic Swaps

Settle Date	Trade Type	Issuer	Par	Maturity	Yield to Maturity	Gain on Sale	Earnings to 12/13/13	Total Cash Flow
10/9/12	Sale	FHLB	\$4,220,000	12/13/13	0.24%	\$26,253	(\$38,447)	(\$12,194)
10/9/12	Sale	FHLB	\$5,000,000	1/29/14	0.25%	\$4,089	(\$18,149)	(\$14,060)
10/9/12	Purchase	U.S. Treasury	\$8,820,000	4/30/15	0.29%	-	\$32,046	\$32,046
Additional Net Benefit to 12/13/13								\$5,792

Settle Date	Trade Type	Issuer	Par	Maturity	Yield to Maturity	Gain on Sale	Earnings to 4/15/14	Total Cash Flow
10/9/12	Sale	FNMA	\$265,000	4/15/14	0.27%	\$3,634	(\$4,756)	(\$1,122)
10/9/12	Sale	FNMA	\$700,000	4/15/14	0.26%	\$9,663	(\$12,562)	(\$2,899)
10/9/12	Purchase	General Electric	\$265,000	10/9/15	0.86%	-	\$3,452	\$3,452
10/9/12	Purchase	General Electric	\$735,000	10/9/15	0.76%	-	\$8,447	\$8,447
Additional Net Benefit to 4/15/14								\$7,878

Pooled Fund Investments Earnings

Cumulative Monthly Amortized Cost Earnings Fiscal Year 12-13

	Initial Projection	Actual Earnings	Revised Projection
July 2012	\$174,000	\$276,000	
August 2012	\$348,000	\$490,000	
September 2012	\$516,000	\$772,000	
October 2012	\$690,000	\$1,035,000	
November 2012	\$858,000	\$1,339,000	
December 2012	\$1,032,000	\$1,501,000	
January 2013	\$1,206,000		\$1,666,000
February 2013	\$1,362,000		\$1,814,000
March 2013	\$1,535,000		\$1,977,000
April 2013	\$1,703,000		\$2,133,000
May 2013	\$1,877,000		\$2,295,000
June 2013	\$2,045,000		\$2,451,000
Earnings Target	\$2,045,000		\$2,451,000

Total Rate of Return

- The portfolios each outperformed the benchmark over the past quarter and year due to both sector allocations and yield curve placement.
- With current monetary policy anchoring interest rates for the next 2-3 years, we kept the duration of the Pooled Fund Investments and South Placer Wastewater Authority portfolios near the benchmark duration to take advantage of higher yields and the potential for the "roll down" effect.

Total Return

Total Return	Quarter Ended 12/31/12	Past Year	Past 3 Years	Past 5 Years	Since Inception
Pooled Fund Investments	0.12%	1.21%	1.74%	2.97%	3.26%
South Placer Wastewater Authority	0.10%	0.95%	1.15%	2.44%	3.05%
Citizens Benefit Trust Fund	0.16%	2.01%	2.75%	3.91%	3.80%
Merrill Lynch 1-3 Year UST Index	0.07%	0.43%	1.44%	2.32%	2.90%

Duration (years)

Effective Duration	December 31, 2012	September 30, 2012
Pooled Investment Fund	1.78	1.80
South Placer Wastewater Authority	1.80	1.79
Citizens Benefit Trust Fund	2.62	2.65
Merrill Lynch 1-3 Year UST Index	1.80	1.82

- Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Quarterly return numbers are unannualized. Performance numbers for periods greater than one year are presented on an annualized basis.
- Excludes CAMP and LAIF balances in performance calculation and duration computations.
- Inception date is June 30, 2002.



City of Roseville Fund Management

- Partnership with Financial Advisor
 - Reduce risk
 - Improve investment efficiency
 - Detailed course of planning
 - Monitoring factors that influence performance
 - Communication/education on changes in investment products
- Portfolio Structuring
 - Goals and oversight rules for each portfolio
- Performance Measurement
 - Measuring investment performance against industry benchmarks



Fund Management Workshop

Questions?

