



# City of Casa Grande

## Investment Program Update

August 15, 2016

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**PFM Asset Management LLC**

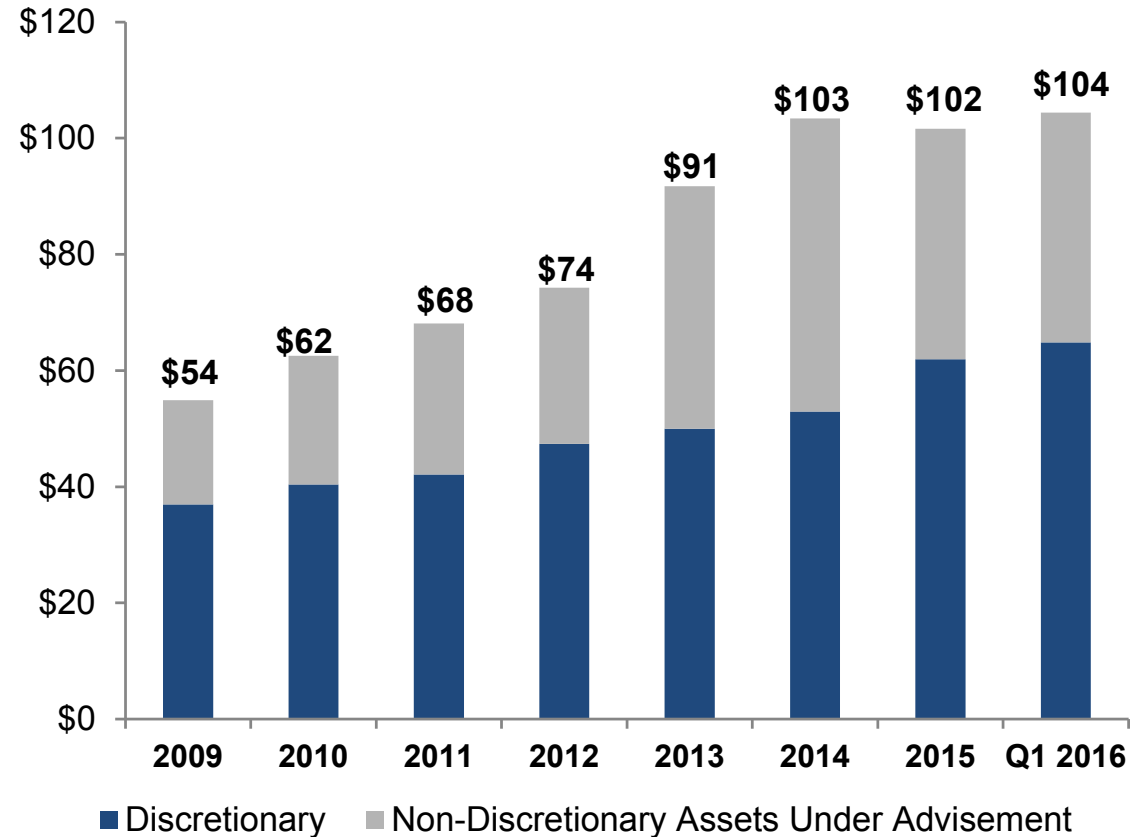
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# Overview of PFM Asset Management LLC

- Independent investment advisor
- Registered with the SEC
- Local public sector focus
- Over 35 years of asset management experience
- 200+ investment professionals\*

Assets Under Management and Advisement\*  
(\$ billions)



\*As of March 31, 2016.

# City's Investment Objectives

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The City's principal investment objectives are:

1. **Safety:** Ensure the preservation of capital in the overall portfolio.
2. **Liquidity:** Sufficient liquidity to meet all operating requirements.
3. **Yield:** Attainment of a market rate of return throughout budgetary and economic cycles within the parameters set forth by objectives (1) and (2) above.
4. **Local Considerations:** Funds may be invested for the betterment of the local economy or that of local entities within the State.

# Investment Program Achievements

- Managed portfolio to achieve the City's investment objectives.
- Maintained a high-quality, diversified portfolio.
- Generated \$609,801 in earnings since inception.\*
- Communicated with City regarding liquidity requirements.
- Monitored and managed portfolio holdings on a daily basis.
- Generated year-end GASB 40 notes.
- Provided timely economic, legislative, and market information.
- Acted as general financial resource.

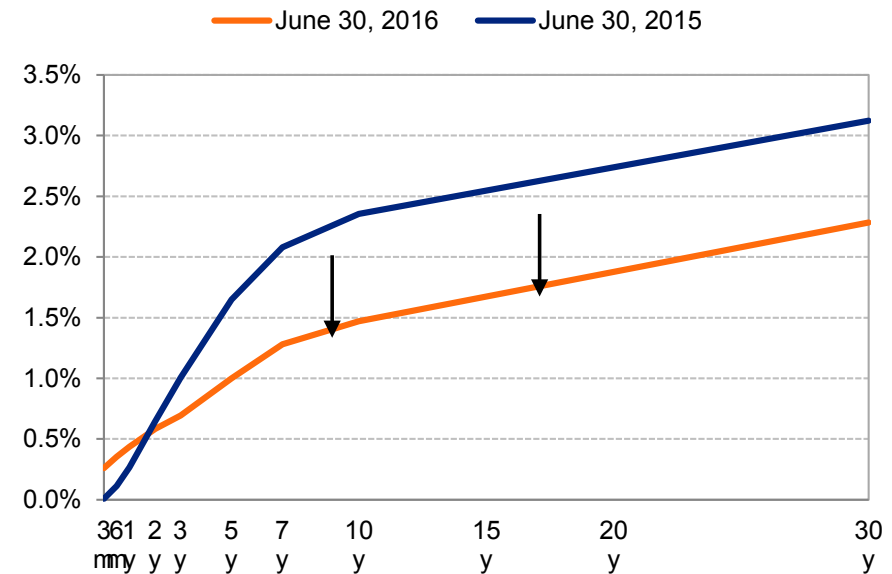


\* Earnings on accrual basis January 2015 – June 30, 2016. Earnings represent only PFM-managed portfolio (excludes City's LGIP holdings).

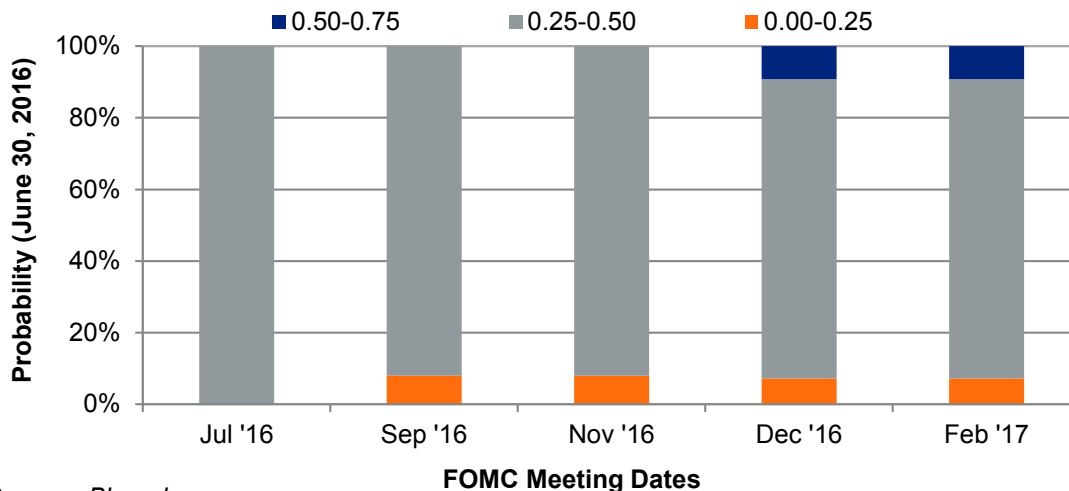
# Current Market Themes

- Modest domestic growth
- Fed rate hikes not expected until 2017
- Brexit and other global headwinds create a high degree of uncertainty
- U.S. yield curve is flattening
- More sovereign yields are in negative territory as we navigate the “newest normal”

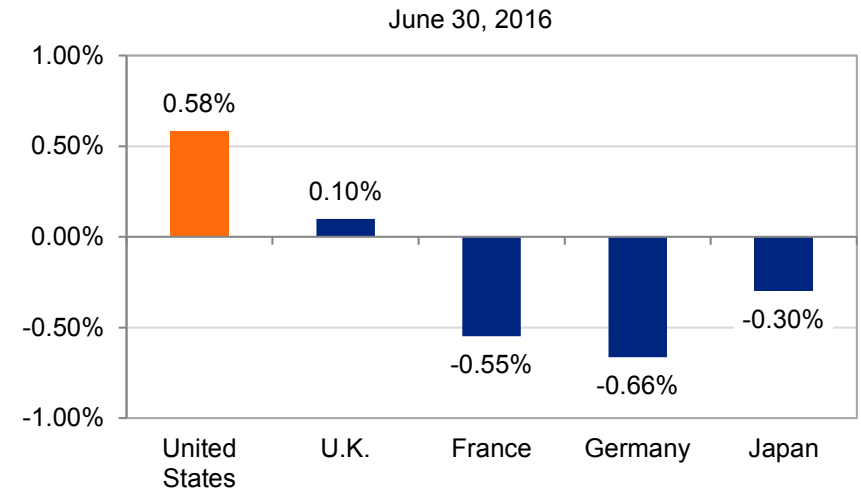
**U.S. Treasury Yield Curve**



**Current Outlook for Fed Funds Target Range**



**2-Year Government Yields**



Source: Bloomberg

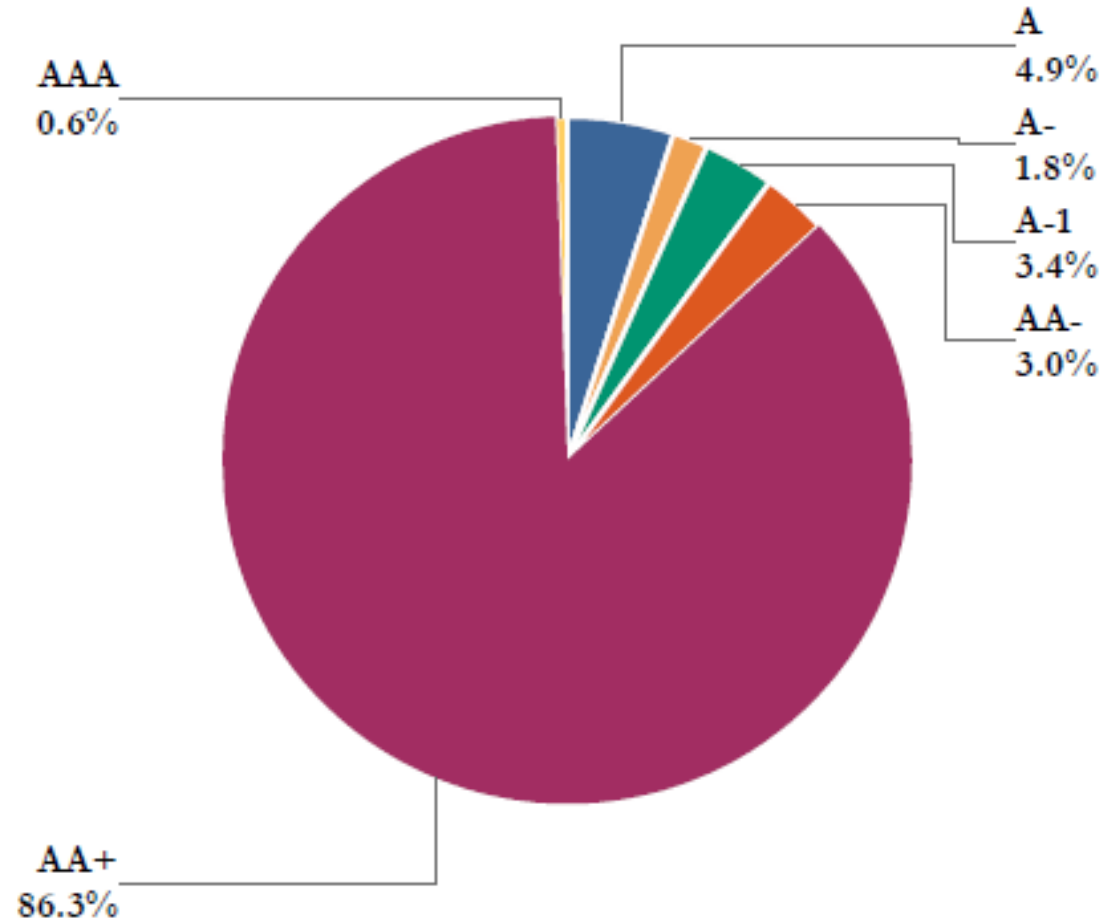
# PFM-Managed Portfolio Composition

- The City's portfolio is in compliance with Arizona Revised Statutes and the City's Investment Policy.
- The portfolio is well diversified by sector and issuer.

Security Type	Market Value as of June 30, 2016	Percentage of Portfolio	Permitted by Policy	In Compliance
U.S. Treasuries	\$17,821,574	35%	100%	✓
Federal Agencies	\$24,103,756	48%	100%	✓
Agency Mortgage-Backed Securities	\$686,680	1%	100%	✓
Supranational-Agency	\$296,335	1%	100%	✓
Negotiable Certificates of Deposit	\$1,702,389	3%	30%	✓
Corporate Notes	\$5,895,832	12%	30%	✓
<b>Totals</b>	<b>\$50,506,566</b>	<b>100%</b>		

# PFM-Managed Portfolio Credit Quality

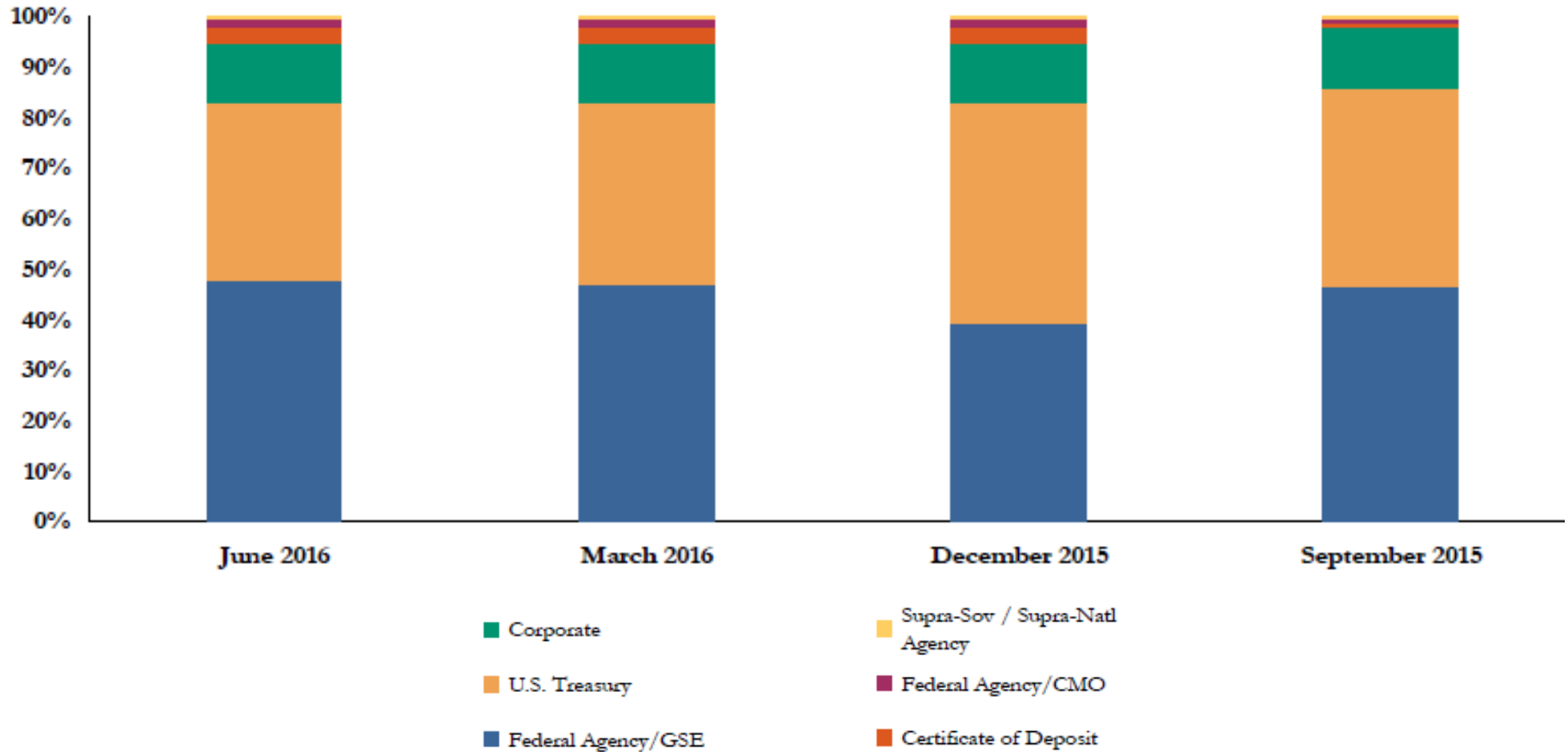
- The City's portfolio comprises only high-quality securities.



Ratings by Standard & Poor's

# Active Management Adds Value

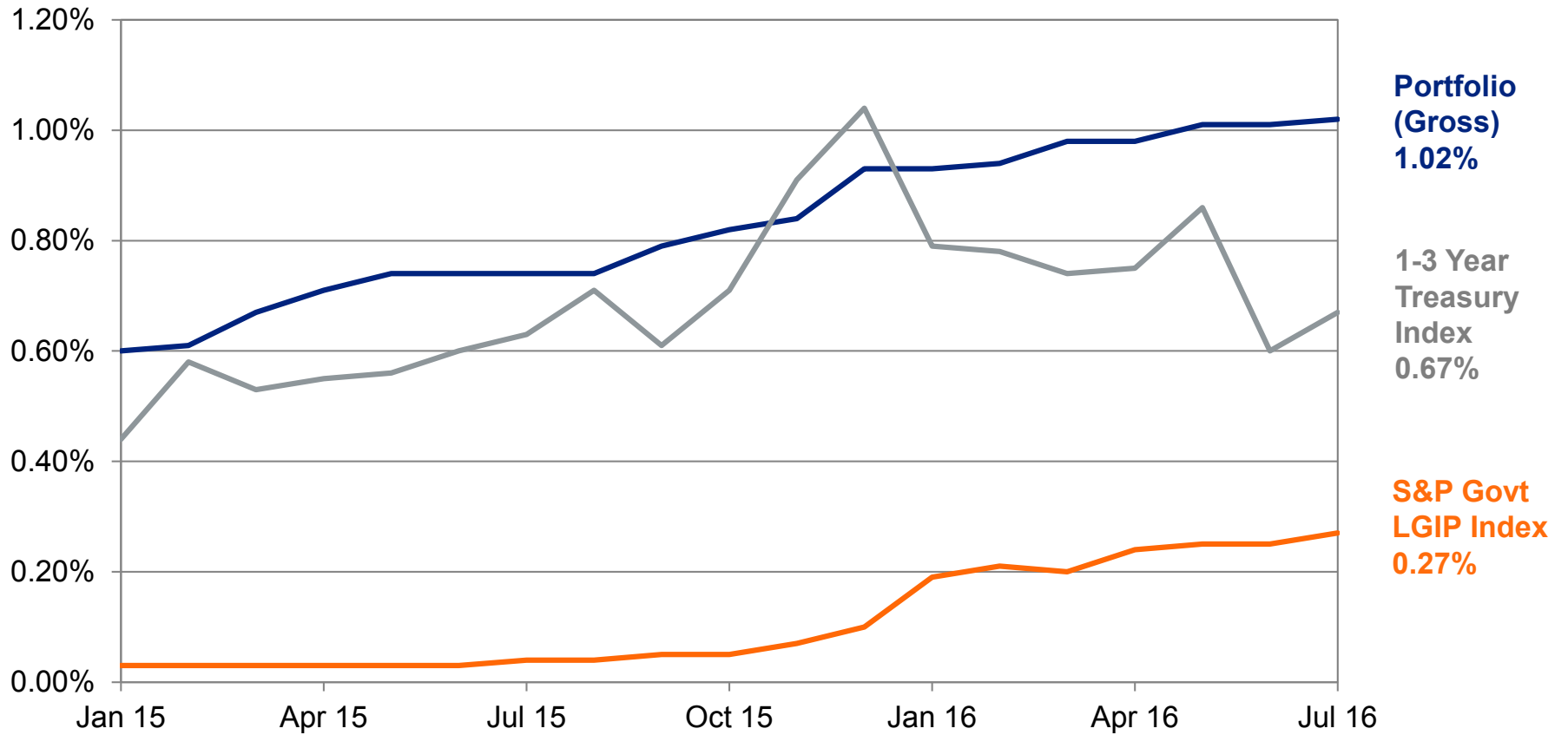
Portfolio Historical Sector Allocations  
Third Quarter 2015 – Second Quarter 2016





# Portfolio Maintains An Attractive Yield

Historical Yield Comparison  
January 2015 – July 2016



Source: Bloomberg

# Economic Outlook and Investment Strategies

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## Outlook

- Future interest rate increases are expected to be gradual and shallow.
- The market expects modest U.S. economic and employment growth.
- International slowdown and low energy prices are potential headwinds to domestic growth.

## Portfolio management strategies

- Take advantage of changes between sectors.
- Capture value in non-government securities.
- Manage portfolio's duration with a slight conservative bias relative to the benchmark.

# Disclaimer

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