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City of Hayward

Update on Portfolio, Strategy, and Market Conditions

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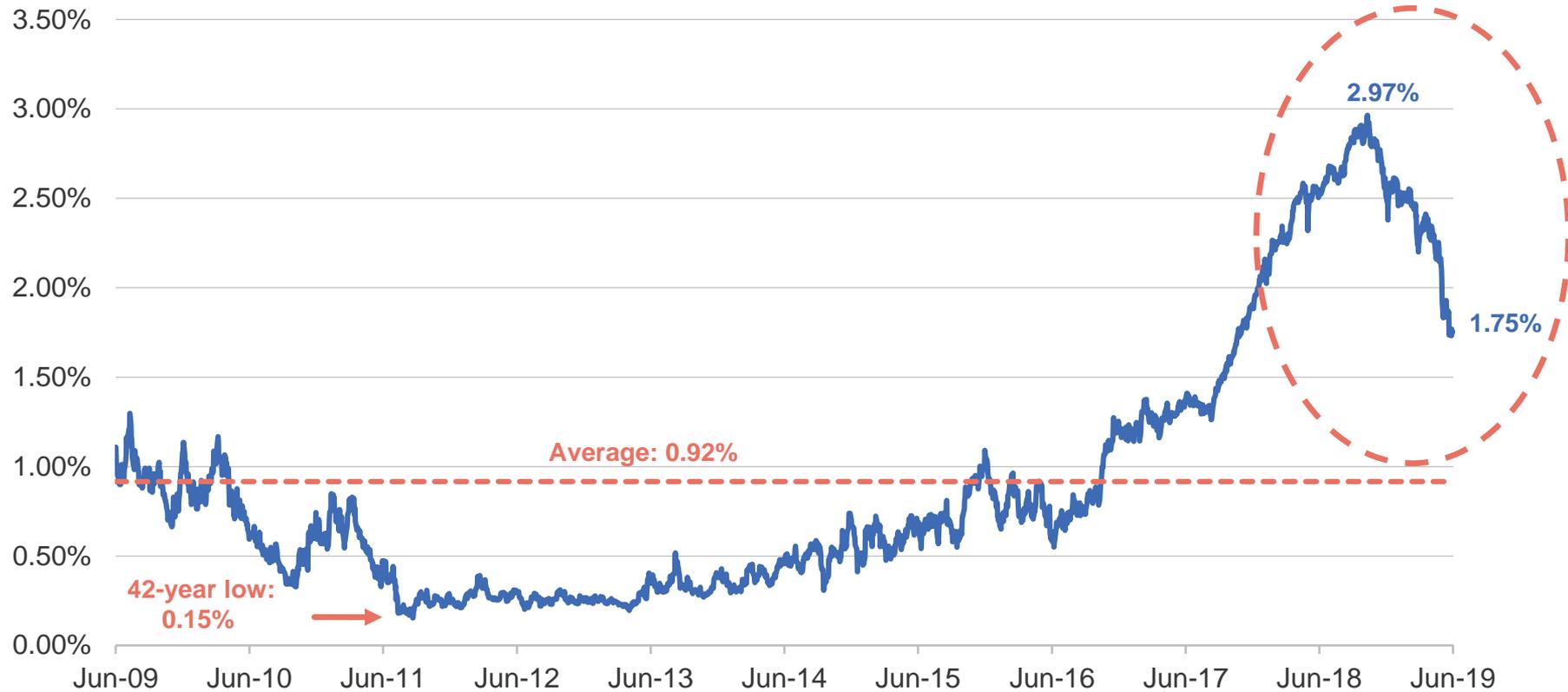
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Yields Have Fallen Over The Year

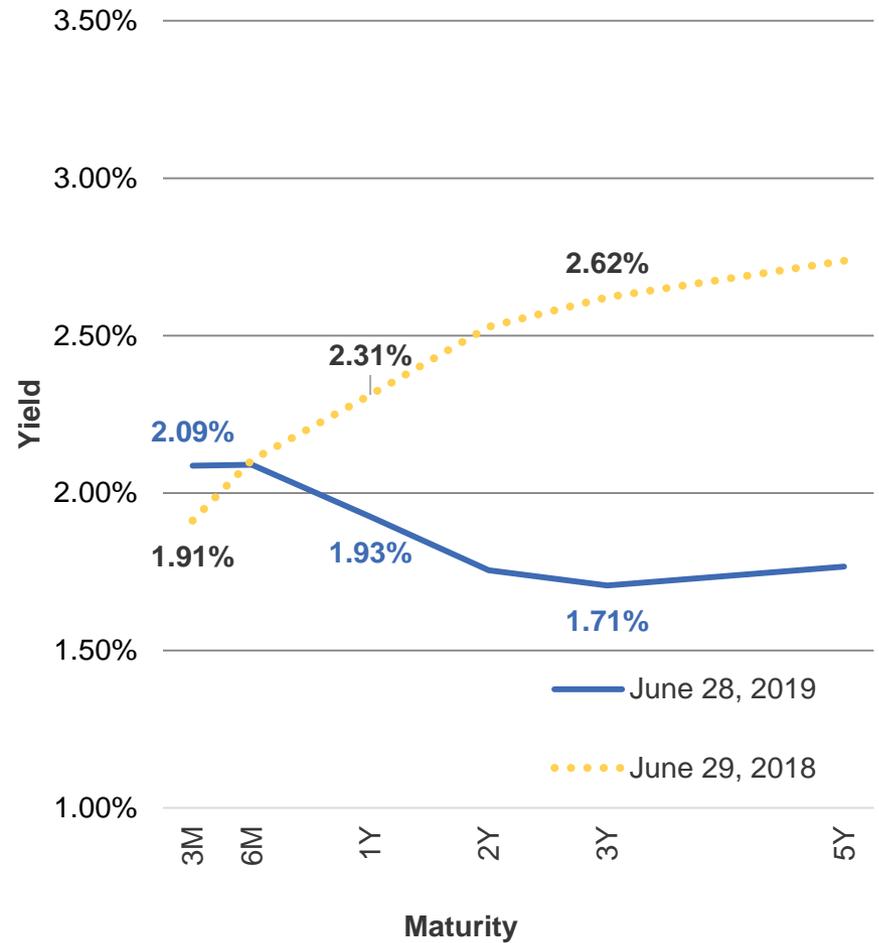


Source: Bloomberg as of 6/28/2019.



U.S. Treasury Yield Curve

	FYE 2019	FYE 2018	Change YoY
3-month	2.09%	1.91%	0.18%
6-month	2.09%	2.10%	-0.01%
1-year	1.93%	2.31%	-0.38%
2-year	1.75%	2.53%	-0.78%
3-year	1.71%	2.62%	-0.91%
5-year	1.77%	2.74%	-0.97%



Source: Bloomberg as of 6/28/2019.



Fiscal Year 2019 Accomplishments

- ◆ Increased Portfolio Earnings
 - Investment income of \$2.1 million
 - Portfolio yield rose to 2.38%
- ◆ Outperformed performance benchmark by +9 basis points²
- ◆ Maintained diversified portfolio
- ◆ Maintained compliance with City's investment policy
- ◆ Kept City staff informed of events impacting investment program

Key Investment Strategies

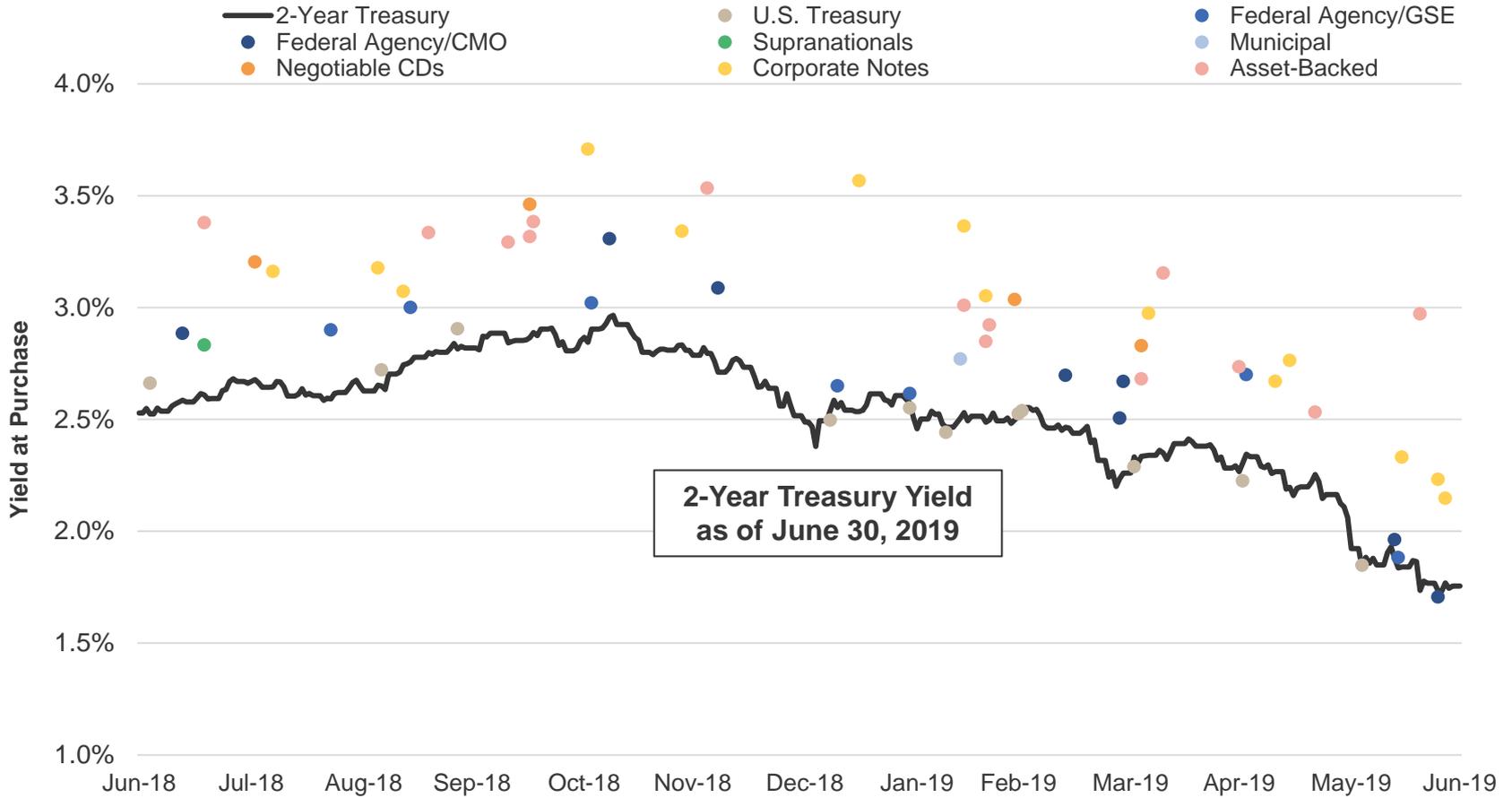
- ✓ Risk Mitigation
- ✓ Sector Allocation
- ✓ Opportunistic Management
- ✓ Neutral Duration

1. As of June 30, 2019. Aggregate fiscal year income on an accrual (amortized cost) basis. Yield to maturity at cost.

2. City of Modesto one year total return, gross of fees, versus the performance benchmark which is the ICE BofAML 1-3 Year U.S. Treasury Index.



Consistent Investment Approach Captured Attractive Investments

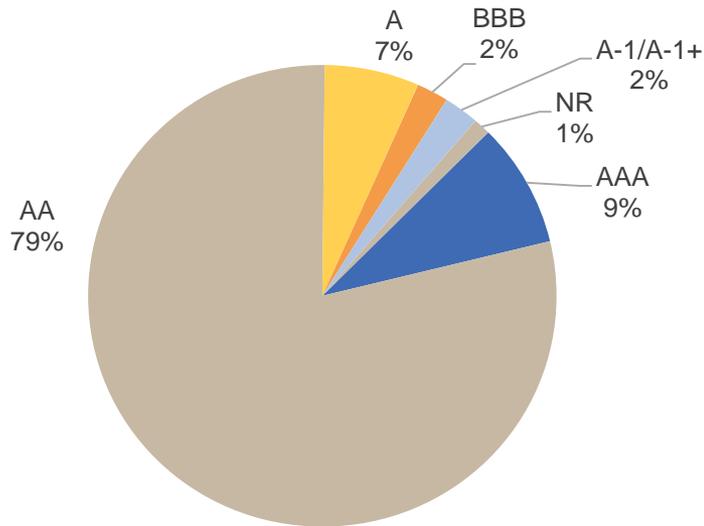


Source: U.S. Treasury yields from Bloomberg as of 6/28/2019.



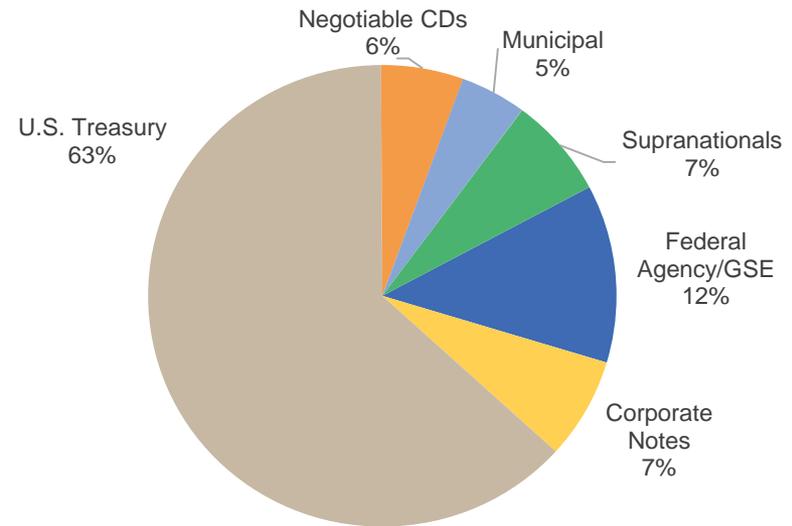
Portfolio Characteristics as of June 30, 2019

Credit Quality (S&P Ratings)



Average Credit Quality¹ AA

Sector Allocation



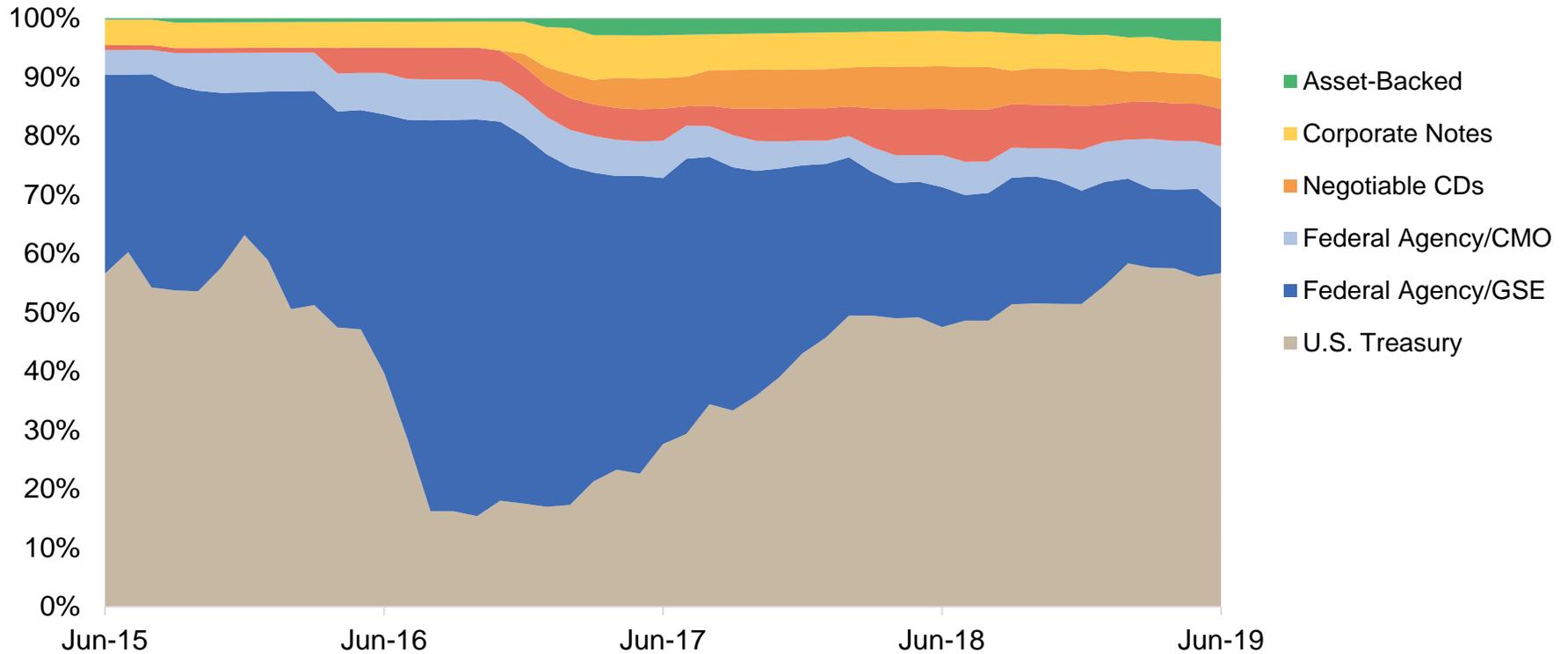
Portfolio Compliant with Investment Policy

1. An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.



Active Sector Allocation Over Time

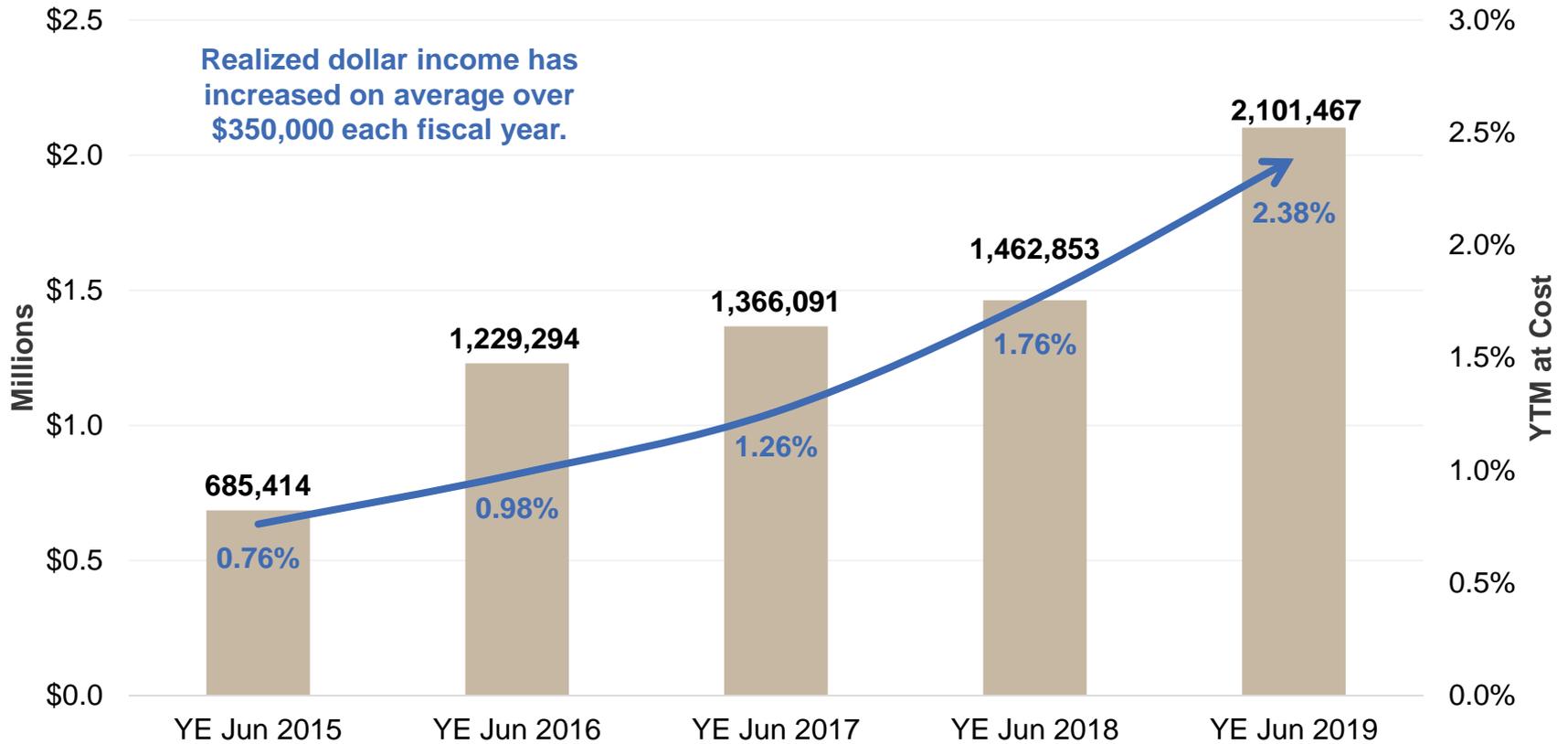
Historical Sector Allocation for Trailing Five Years Ending June 30, 2019





Portfolio Income & Yield Have Increased

Portfolio Yield and Aggregate Earnings¹

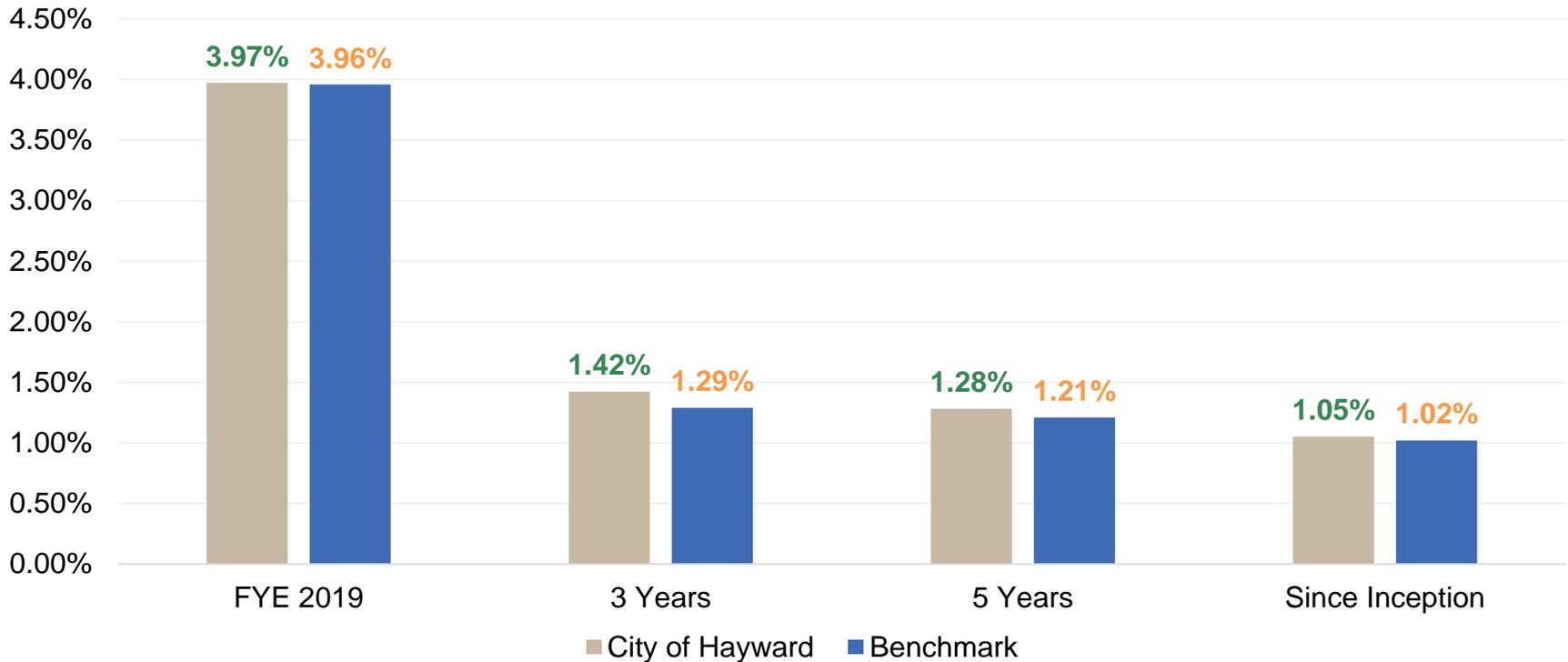


1. Aggregate fiscal year income on an accrual (amortized cost) basis. Yield to maturity at cost.



Portfolio Performance Is Strong

Annualized Returns Net of Management Fees^{1,2,3} As of June 30, 2019



1. Performance on trade date basis, net of portfolio management fees.

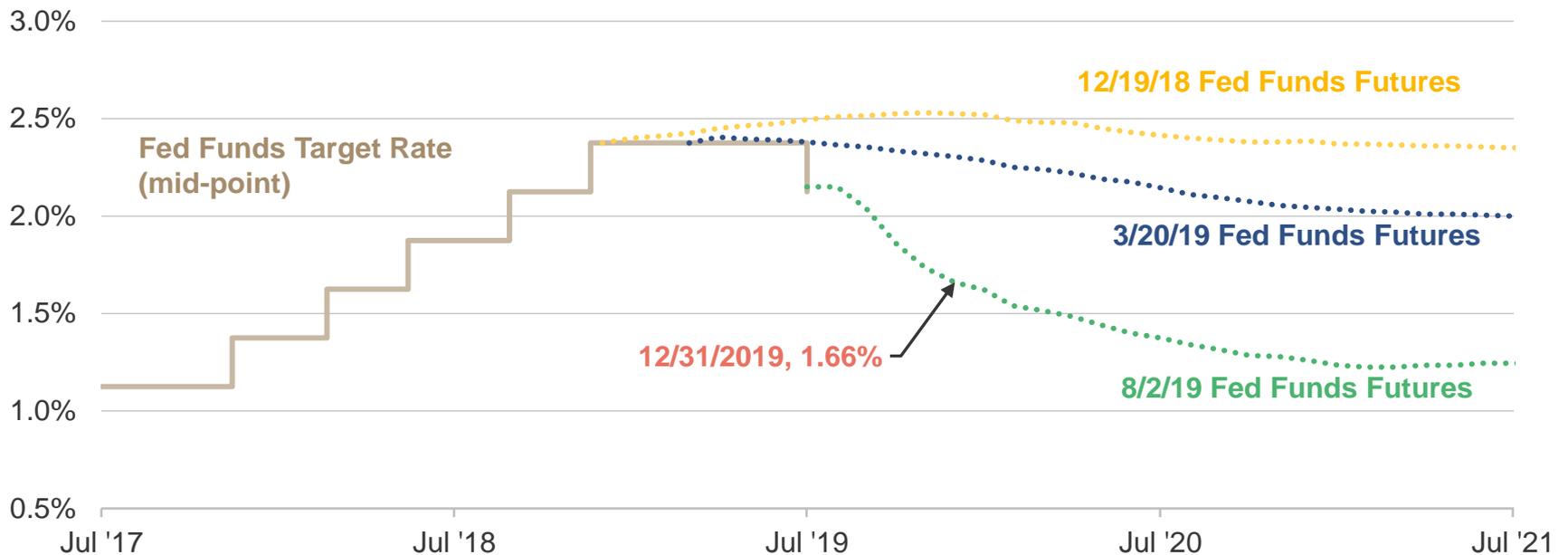
2. The benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. ICE BofAML indices provided by Bloomberg Financial Markets.

3. Portfolio inception date as of September 30, 2012.



Outlook and Strategy

Outlook Highlights	Strategy Highlights
✓ Economic Indicators showing weakness	✓ Maintain sector and issuer diversification
✓ Global growth projected to slow down	✓ Maintain a neutral duration stance
✓ Market expecting aggressive rate cuts	✓ Selectively add attractive corporates & ABS



Source: Federal Reserve and Bloomberg.



Disclosures

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