



City of Hayward

2016-2017 Year-End Portfolio Review

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PFM Asset
Management LLC

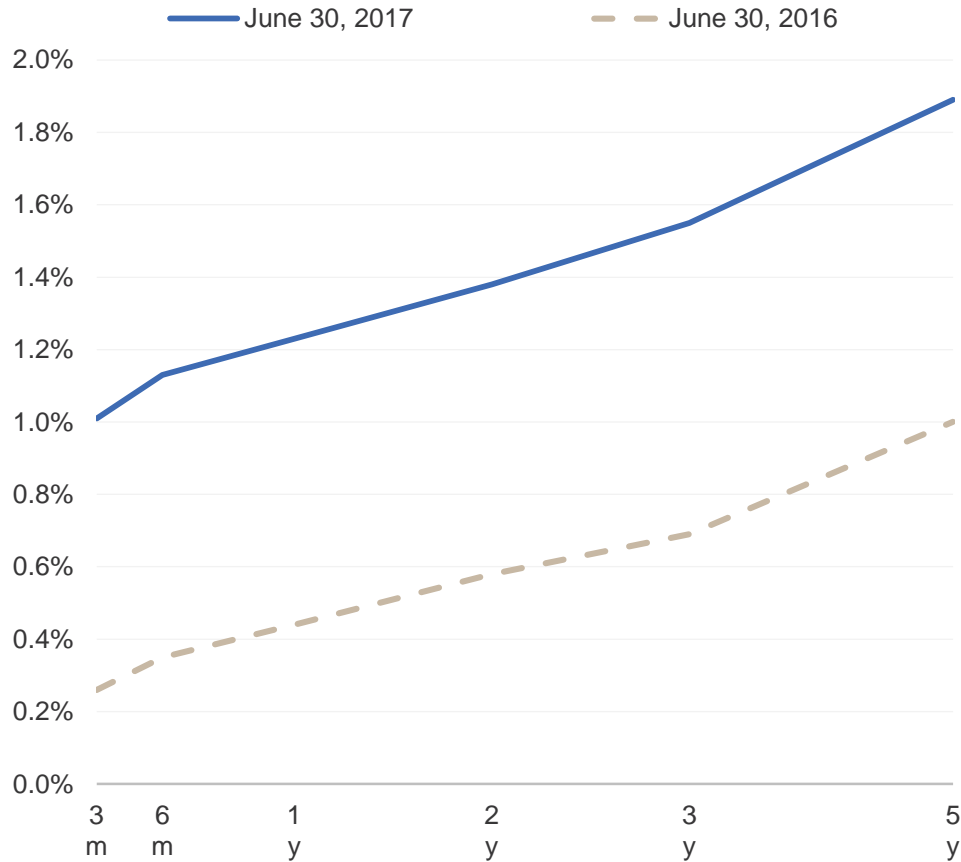
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Yield Curve Substantially Higher

U.S. Treasury Yield Curve

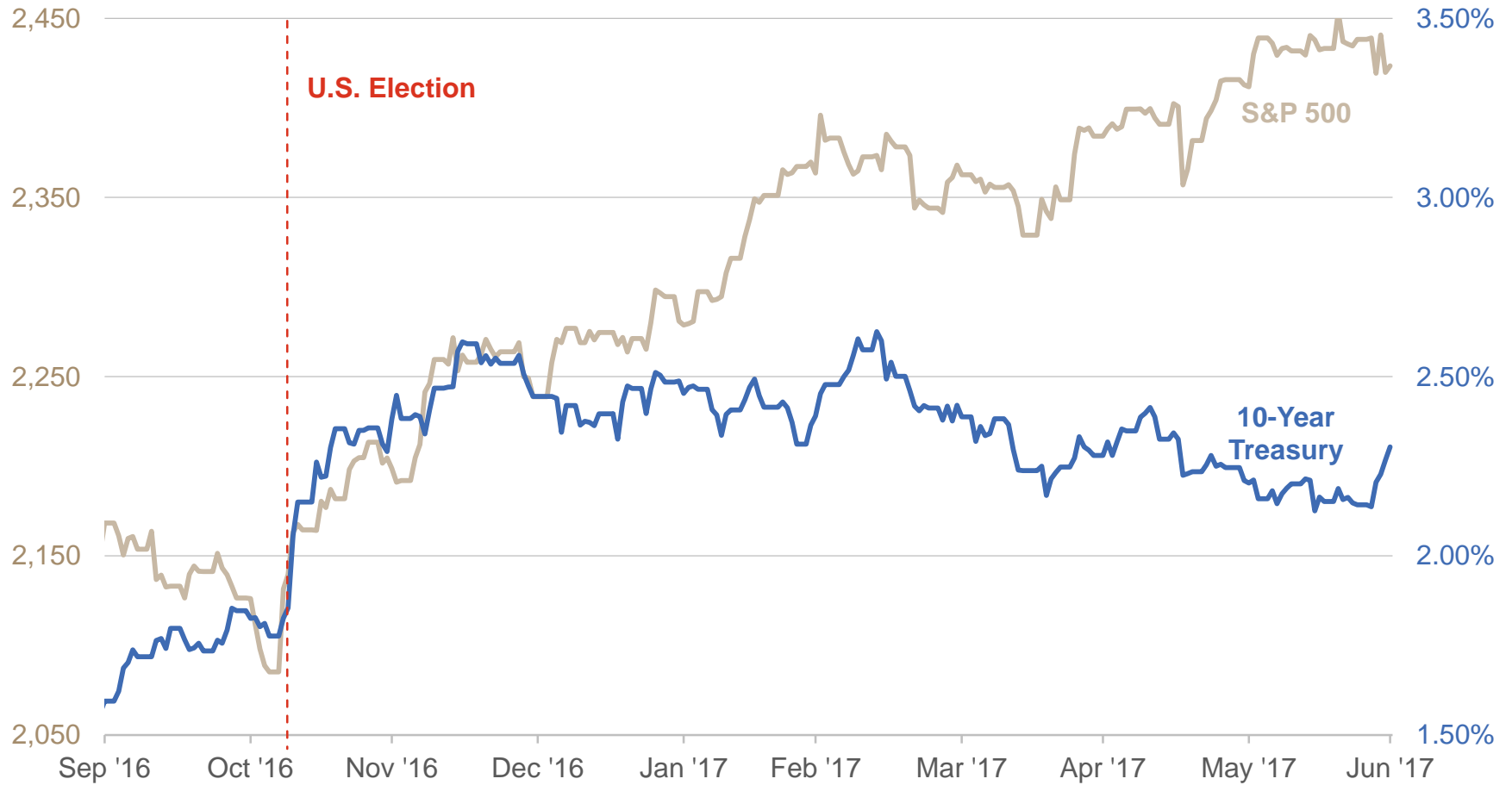


Source: Bloomberg, as of 06/30/17.

Maturity	Change
1-Mo.	+0.67%
3-Mo.	+0.75%
6-Mo.	+0.78%
1-Yr.	+0.79%
2-Yr.	+0.80%
3-Yr.	+0.86%
5-Yr.	+0.89%
7-Yr.	+0.86%
10-Yr.	+0.84%
30-Yr.	+0.55%



A Tale of Two Markets



Source: The WSJ Daily Shot, Bloomberg, as of 06/30/17.



Fiscal Year 2017 Accomplishments

- ◆ Enhanced earnings¹
 - Investment income rose to **\$1.36 million**
 - Portfolio yield rose to **1.26%**
- ◆ Outperformed performance benchmark by **+34** basis points²
- ◆ Maintained a well diversified portfolio
- ◆ Maintained compliance with City's investment policy
- ◆ Kept City staff informed of events impacting investment program
- ◆ Added dedicated staff resources to work with the City

Key Investment Strategies

- ✓ Downside risk management
 - Invest in high quality assets
 - Continued to diversify into allowable sectors
 - Duration management
- ✓ Sector rotation

1. As of 06/30/17. Aggregate fiscal year income on an accrual (amortized cost) basis. Yield to maturity at cost.

2. Hayward one year total return versus the performance benchmark, which is the Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index.



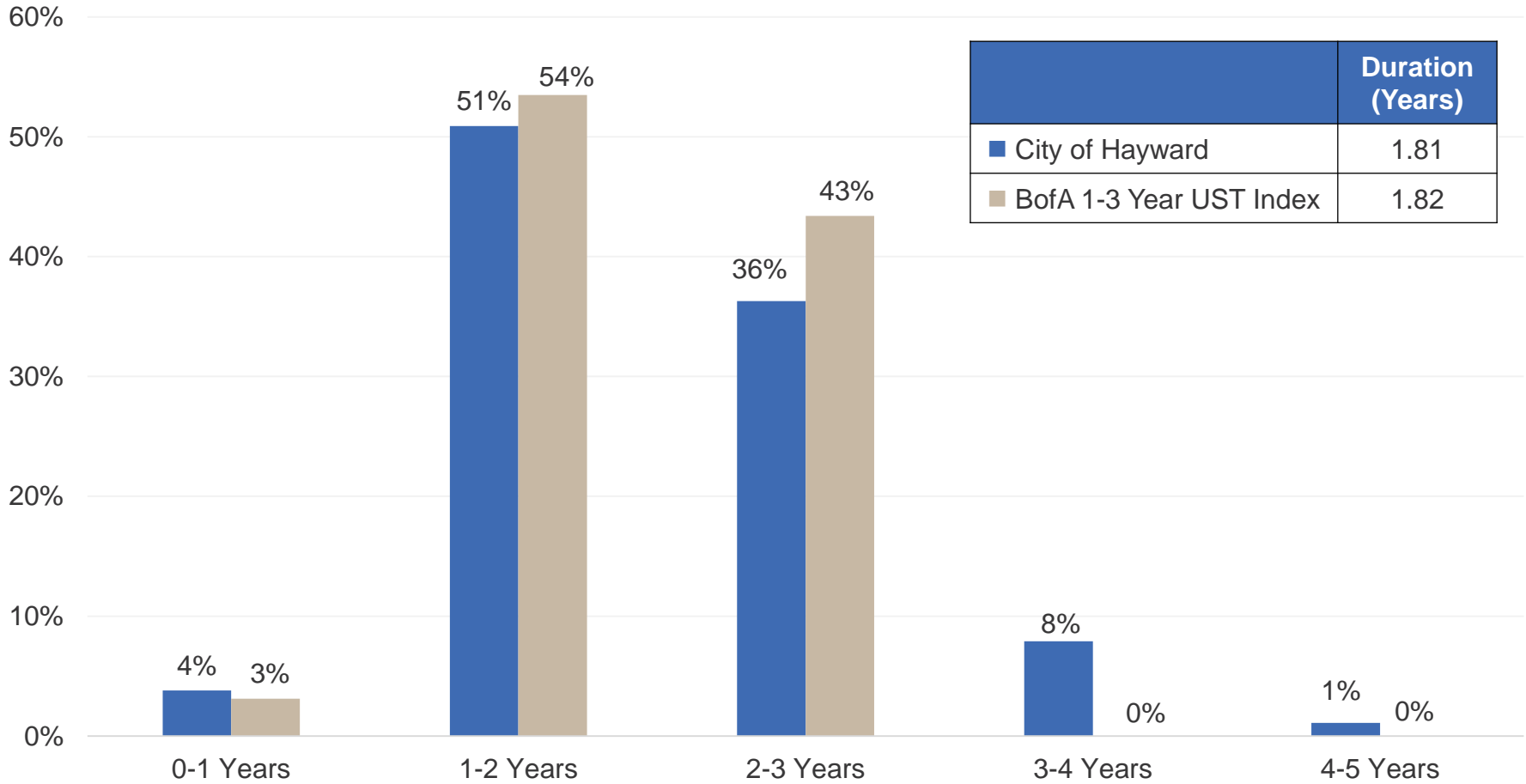
Portfolio Composition

Security Type	Market Values as of 6/30/17	Percent of Portfolio	Permitted by Policy	In Compliance
U.S. Treasury	\$32,203,413	11%	100%	✓
Federal Agencies	\$52,570,668	19%	100%	✓
Federal Agency CMOs	\$7,389,926	3%	20%	✓
Supranational	\$6,347,645	2%	30%	✓
Negotiable CDs	\$6,013,063	2%	30%	✓
Corporate Notes	\$8,476,853	3%	30%	✓
Municipal	\$4,105,643	1%	20%	✓
Asset-Backed Securities	\$3,333,020	1%	20%	✓
Security Sub-Total	\$120,440,231	43%		
Accrued Interest	\$344,907			
Securities Total	\$120,785,139			
LAIF	\$130,267,607	46%	\$195 Million ¹	✓
Bank of West	\$31,713,248	11%	100%	✓
Total Investments	\$282,765,994	100%		

1. The maximum allowable LAIF balance is \$65 million per account. LAIF City: \$58.1 million. LAIF HPFA: \$47.1 million. LAIF Housing: \$25.1 million. Detail may not add to total due to rounding.



Portfolio Maturity Distribution

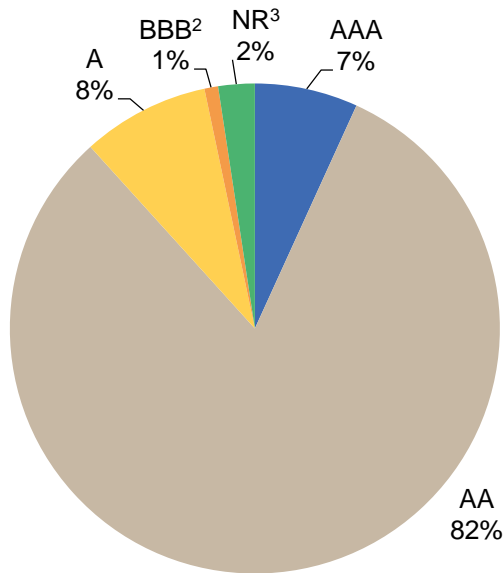


Source: Bloomberg, as of 06/30/17. Excludes holdings in LAIF, Bank of West and the money market fund.



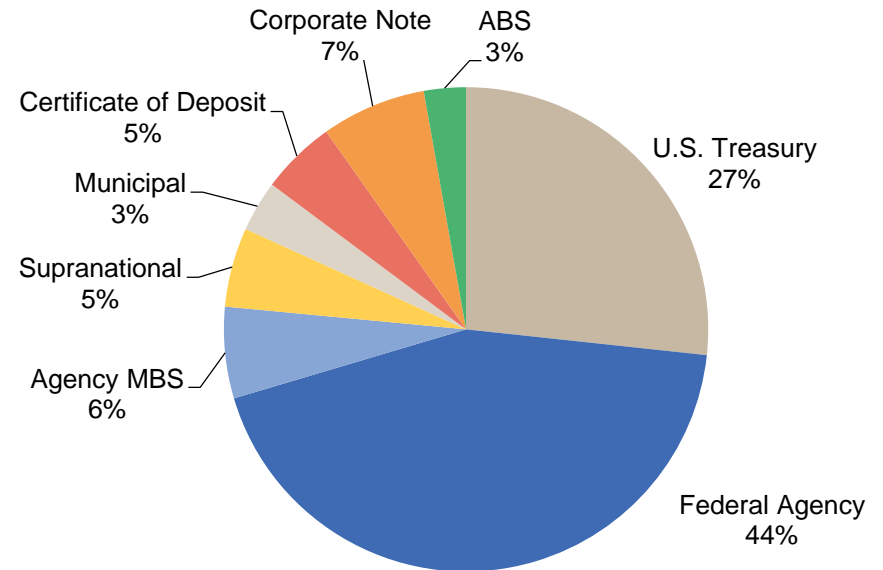
Portfolio Characteristics as of June 30, 2017

Credit Quality¹



Average Credit: AA⁴

Sector Allocation



Portfolio Compliant with Investment Policy

Percentages may not sum to 100% due to rounding.

1. Ratings are based on Standard & Poor's, if provided. If Standard & Poor's ratings are not provided, ratings by Moody's and/or Fitch are used.

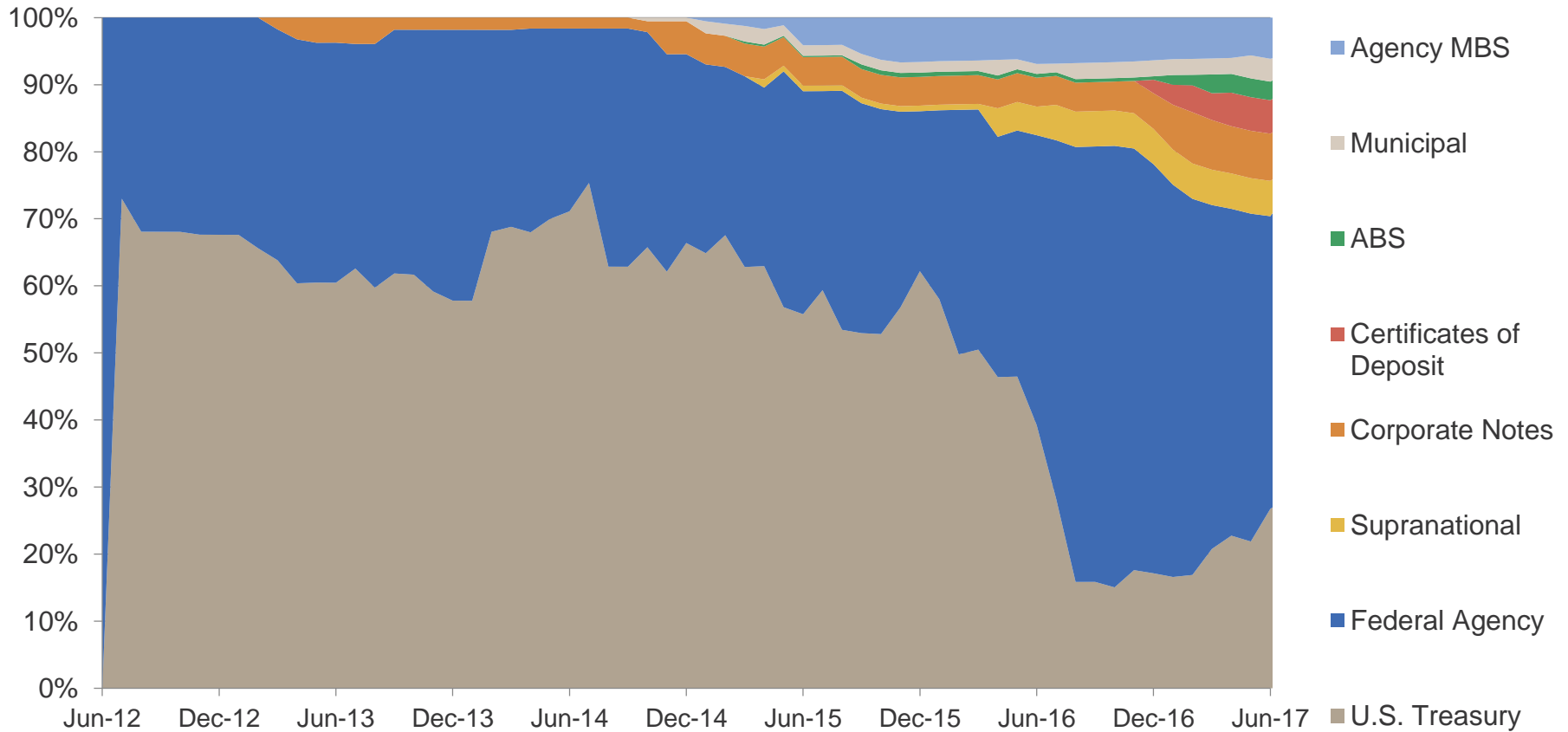
2. Citigroup rated A by Fitch. Goldman Sachs rated A3 by Moody's.

3. CA Earthquake Authority rated A3 by Moody's. Carmax Auto Owner Trust, John Deere Owner Trust, Honda Auto Receivables, Nissan Auto Receivables, and Ally Auto Receivables Trust rated Aaa by Moody's.

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



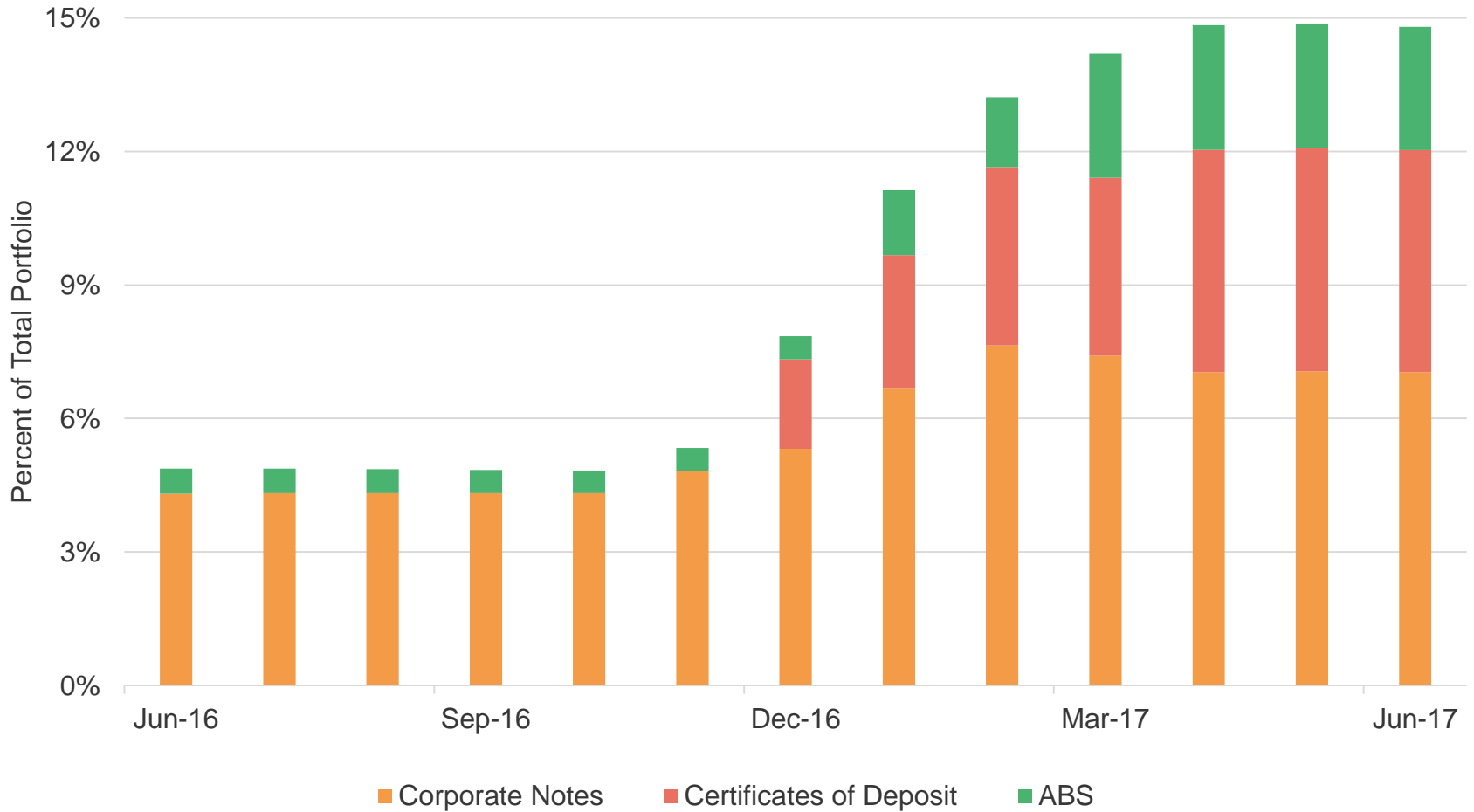
Adding Value Through Sector Allocation



*Percents exclude accrued interest as of trade date. Portfolio holdings as of 06/30/17.
Portfolio inception date: 6/30/12.*



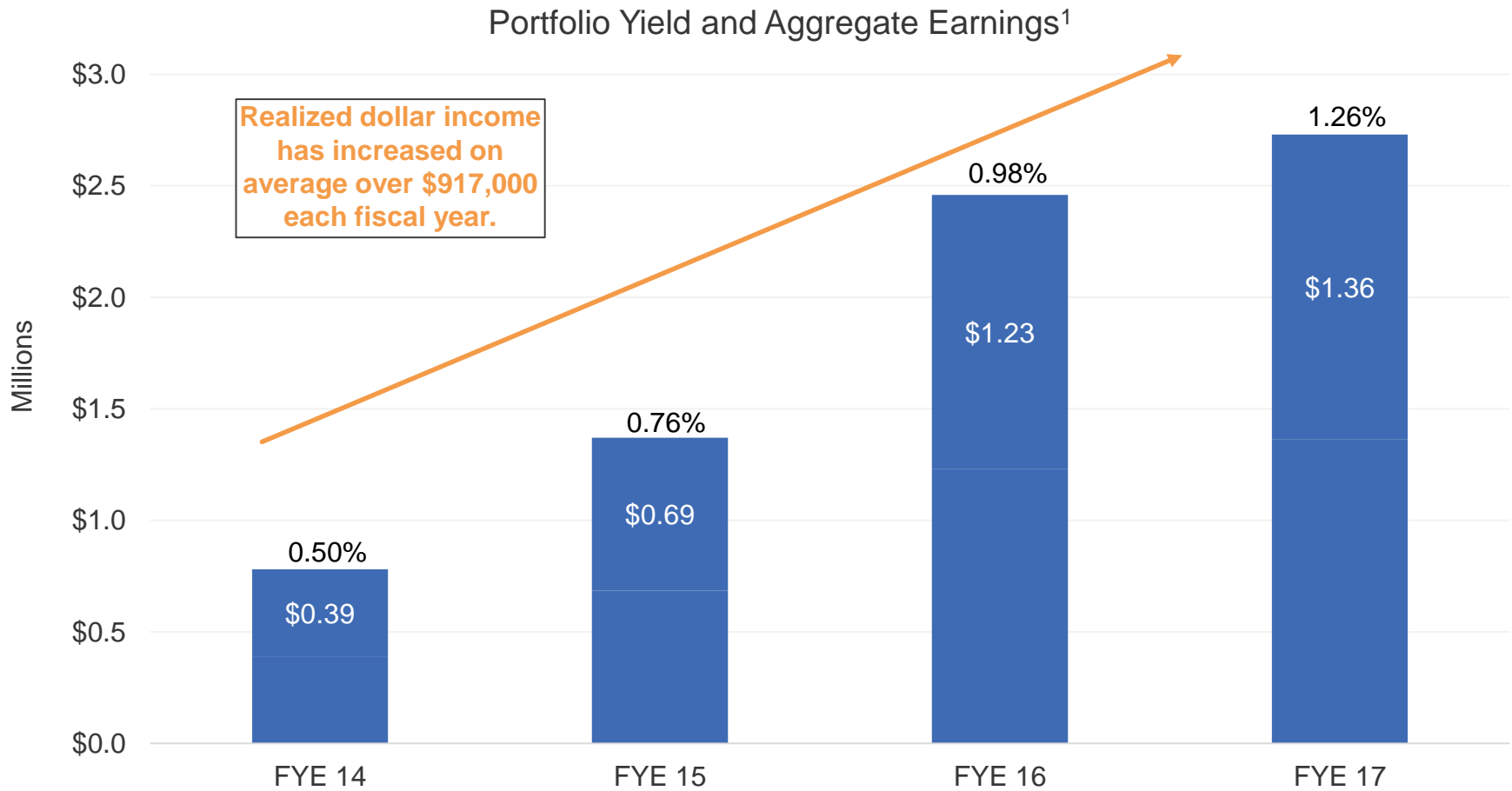
Increased Corporate Allocation



Percents exclude accrued interest as of trade date. Portfolio holdings as of 06/30/17.



Portfolio Income Continues to Increase

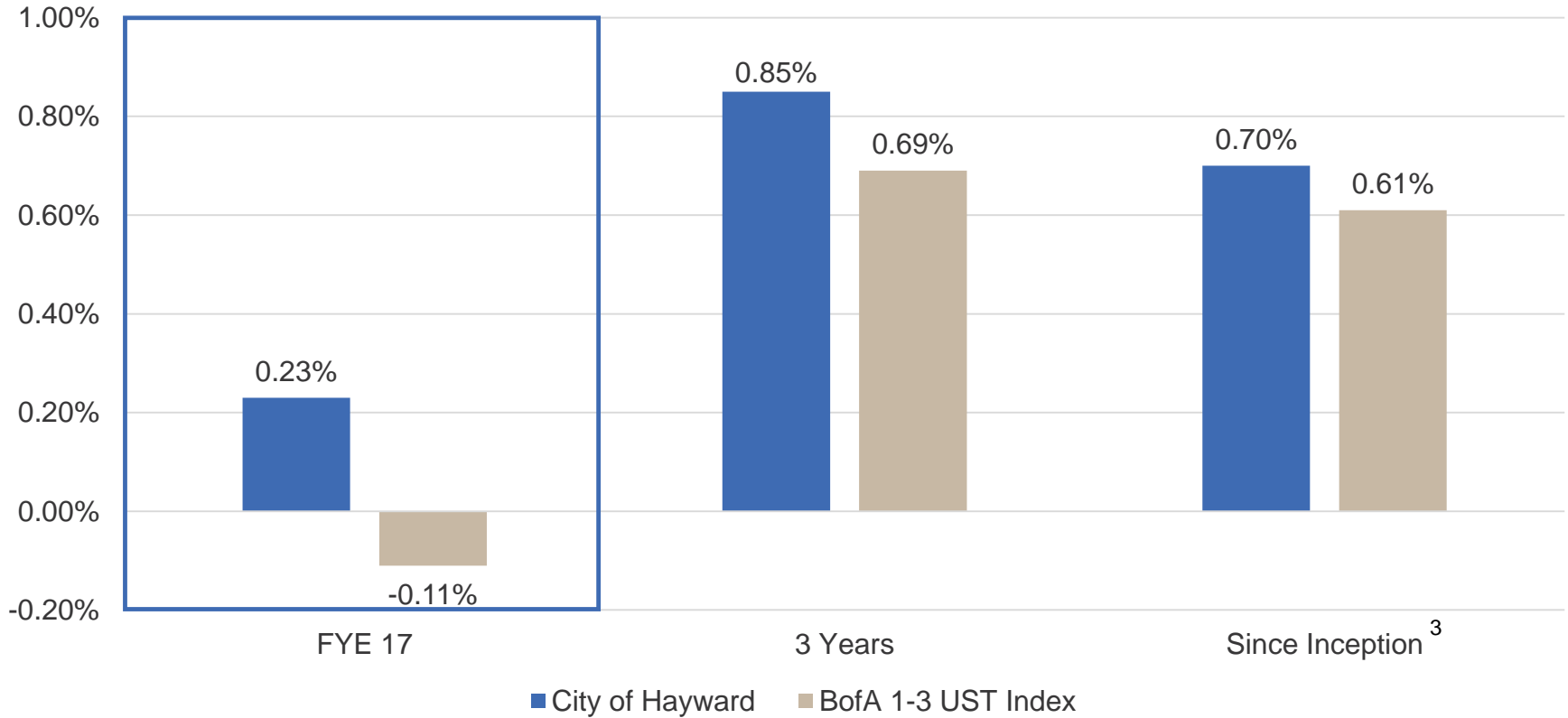


1. Aggregate fiscal year income on an accrual (amortized cost) basis. Yield to maturity at cost.



Portfolio Generated Strong Returns

Annualized Returns^{1,2}
As of June 30, 2017



1. Source: Bloomberg, as of 06/30/17.

2. Performance on trade date basis. Excludes holdings in LAIF, Bank of West and the money market fund..

3. Portfolio inception date as of 06/30/12.



Outlook and Strategy

- ◆ We expect modest economic growth.
- ◆ Increased probability of continued rate hikes.

Probability of Fed Rate Hike

Meeting	06/30/17	09/30/17
11/01/17	17%	1%
12/13/17	52%	70%
1/31/18	45%	68%

Strategy Highlights

- ✓ Assess impact of future fiscal and monetary policy
- ✓ Maintain a neutral duration position
- ✓ Identify market opportunities

Source: Bloomberg, based on Fed Funds Futures (Effective Rate) by Bloomberg.



Disclosures

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