



**FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
January 14, 2015
9:00 AM
Approximate Meeting Time: 2 Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE DECEMBER 17, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

PRESENTATION ITEMS

4. Quarterly Investment Report - Chandler Asset Management

DISCUSSION ITEMS

5. Personnel & Salary Policy Revisions and MOU Side Letters
6. Rebate Application for Turf Removal and Synthetic Turf

INFORMATION ITEMS

7. Enterprise Resource Planning (ERP) Update

8. Monthly Financial Report

- a. Summary of Financial Results
- b. Budget Comparison Report
- c. Financial Statements
- d. Restricted Cash and Investments with Fiscal Agent
- e. Unrestricted and Restricted Fund Balances
- f. Summary of Disbursements December 2014

9. Late Items (Appropriate Findings to be Made)

- a. Need to take immediate action; and
- b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

ADJOURNMENT

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at www.mnwd.com.



DRAFT
MINUTES OF THE REGULAR MEETING OF THE
FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT

December 17, 2014

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on December 17, 2014. There were present and participating:

DIRECTORS

Duane Cave	Director
Scott Colton	Director
Donald Froelich	President
Gary Kurtz	Director
Larry Lizotte	Director
Brian Probolsky	Vice President/Chair (arrived at 9:13 a.m.)

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Marc Serna	Director of Engineering & Operations
Gina Hillary	Director of Human Resources
Kelly Winsor	Assistant to the General Manager
Paige Gulck	Board Secretary
Ruth Zintzun	Finance Manager
Michael Bell	Public Financial Management
Kelly Salt	Best, Best, and Krieger
Mark Hildebrand	MWH
Brian Shafia	Lance, Soll & Lunghard
Carole Wayman-Piascik	MNWD
Paul Neidnagel	Member of the Public
Gary Wise	Member of the Public

1. CALL MEETING TO ORDER

The meeting was called to order by Donald Froelich at 9:02 a.m.

#2.

2. APPROVE THE MINUTES OF THE NOVEMBER 19, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY DUANE CAVE AND SECONDED BY SCOTT COLTON, MINUTES OF THE NOVEMBER 19, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, SCOTT COLTON, DONALD FROELICH, GARY KURTZ, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

3. PUBLIC COMMENTS

Public comments were taken after Item 4 was discussed.

Paul Neidnagel and Gary Wise commented on the Consideration of Public Hearing for Adopting Rate Increases in Water, Sewer, and Proposition 218 requirements.

DISCUSSION ITEMS

4. Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014

Ruth Zintzun presented the item. Discussion ensued regarding the comprehensive annual financial report for fiscal year ending June 30, 2014.

Brian Probolsky arrived at 9:13 a.m.

5. Consideration of Public Hearing for Adopting Rate Increases in Water, Sewer, and Recycled Water Service Fees

Joone Lopez presented the red-lined version of the Proposition 218 Notice. Discussion ensued regarding analysis of methodology, current and proposed rate structures, and Proposition 218 requirements.

6. San Juan Capistrano Meter Reading Request for Proposal

Joone Lopez and Matt Collings provided background on the item. Discussion ensued regarding the scope of work described in the request for proposal. Staff will provide further information to the Board in January 2015.

INFORMATION ITEMS

7. Monthly Financial Report

Ruth Zintzun presented the monthly financial report.

8. Late Items (Appropriate Findings to be Made)

Staff has none.

ADJOURNMENT

The meeting was adjourned at 11:16 a.m.

Respectfully submitted,

Paige Gulck
Board Secretary

DRAFT

Moulton Niguel Water District

Period Ending
December 31, 2014



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#4.

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Account Profile

SECTION 2

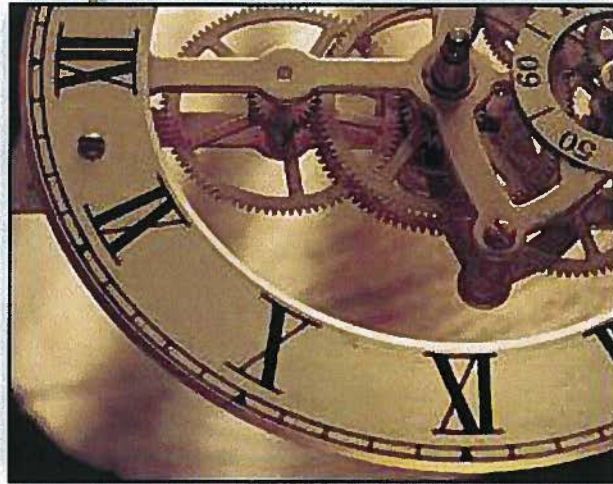
Portfolio Holdings

SECTION 3

Economic Update

SECTION 1

Account Profile





Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into two categories, the Liquid Fund and the Operating Reserve Fund. The investment goals of the Liquid Fund are to provide liquidity for operating expenses and current capital requirements, preserve principal, and earn a total rate of return commensurate with the first two goals.

The investment goals of the Operating Reserve Fund are to preserve real capital and provide growth over the long term by earning the rate of return which is available from longer term investments permitted under the California Government Code.

Chandler Asset Management Performance Objectives

The performance objective for the Liquid Fund is to earn a return in excess of the return on 90-day Treasury bills.

The investment performance objective of the Operating Reserve Fund is to earn a total rate of return over a market cycle which exceeds the return on a market index of government securities with maturities of one to ten years (the Bank of America Merrill Lynch 1-10 Year Government Index).

Strategy

In order to meet its goals, the Liquid Fund is invested in short term securities and LAIF. The average maturity of the Liquid Fund may not exceed 90 days, and the maximum maturity of individual securities in the fund shall be one year. In order to meet its goals, the Operating Reserve Fund is invested in a diversified portfolio of high quality fixed income securities with a maximum maturity of ten years. No more than 40% of the fund may be invested in securities with maturities in excess of five years.



Moulton Niguel Water District Operating Reserve

December 31, 2014

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the District's investment policy.

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 2.4%
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤1 year	Complies
Rev. Repo Agreements	≤10%; ≤90 days	Complies - 0.0%
Time CDs	110% collateral over \$100,000 or insured	Complies - 0.0%
Negotiable CDs	30% max; ≤2 yrs	Complies - 0.0%
Medium Term Notes	"A"-rated; 30% max	Complies - 26.1%
Mutual Funds	≤20%	Complies - 0.1%
LAIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies
Mortgage Pass Through, including CMOs and ABS	"AA"-rated; 20% Maximum	Complies - 8.6%
Money Market Funds	"AAA"-rated or SEC reg.; 20% Maximum	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Per issuer max	5% (except gov'ts)	Complies
Modified duration	+/- 20% of 1-10 Year benchmark duration	Complies - 3.66
% invested less than 2 years	≥10%	Complies - 16.0%
% invested beyond 5 years	≤40%	Complies - 27.0%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies



PORTFOLIO CHARACTERISTICS

Liquid Fund

	3-month T-Bills Benchmark* G001	
	12/31/2014	Liquid Fund
	12/31/2014	9/30/2014
Portfolio book value	--	\$7,160,715
Market value	--	\$7,169,070
Average book yield	--	0.24%
Average maturity (yrs)	0.16	0.00
Modified duration	0.16	0.00
\$ change in value for 1% change in rates	--	\$0
% maturing within one year	100%	100%
Average credit quality	AAA	Not Rated

Operating Reserve Fund

	1-10 year Govt. Benchmark* G5A0	
	12/31/2014	Operating Reserve Fund
	12/31/2014	9/30/2014
Portfolio book value	--	\$124,378,953
Market value	--	\$125,184,597
Average book yield	--	2.18%
Average maturity (yrs)	3.97	4.05
Modified duration	3.69	3.66
\$ change in value for 1% change in rates	--	\$4,569,238
% maturing within two years	23.7%	16.0%
Average credit quality	AAA	AA

During the last quarter, our portfolio maturity and duration positioning remained close to that of the benchmark index with rebalancing and re-investment purchases totaling \$8.6 million.

Operating Reserve Fund

40- Trading Activity -9/30/2014 -12/31/2014

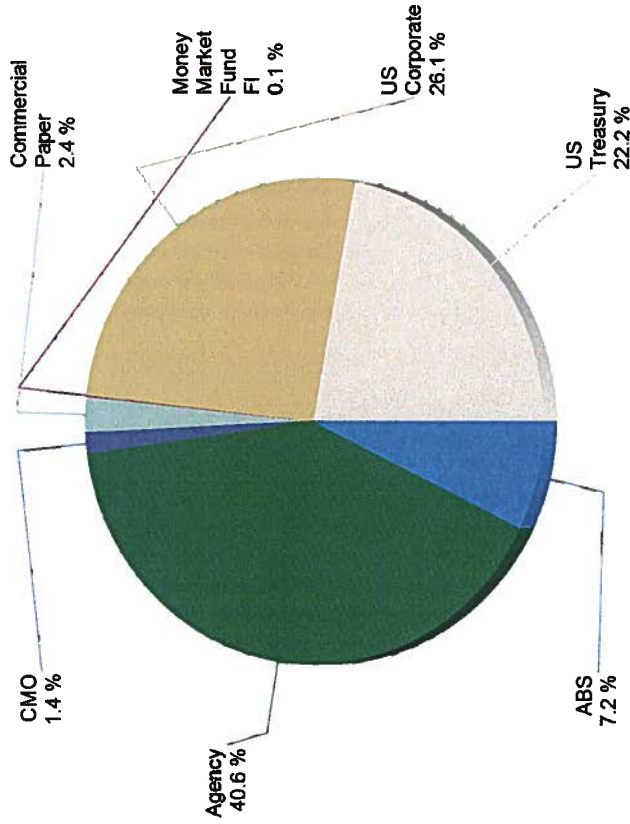
Settle Date	Description	MIG	Mat Date	Amount	Book Value	Market Value	Gain/Loss	Duration	Yield
Purchase									
10/21/2014	Bank of Tokyo Mitsubishi NY	Commercial Paper	02/20/2015	\$1,550,000.00	\$1,548,896.91	\$1,548,896.91	\$0.00	0.334	0.213
10/30/2014	FNMA	Agency	09/06/2024	\$1,400,000.00	\$1,393,896.00	\$1,393,896.00	\$0.00	8.593	2.675
12/29/2014	FNMA	Agency	11/26/2019	\$1,575,000.00	\$1,568,841.75	\$1,568,841.75	\$0.00	4.674	1.834
12/08/2014	John Deere Owner Trust	Asset Backed Security	11/15/2018	\$590,000.00	\$589,815.63	\$589,815.63	\$0.00	2.024	1.088
11/24/2014	Bank of New York	US Corporate	09/11/2019	\$1,650,000.00	\$1,653,729.00	\$1,653,729.00	\$0.00	4.499	2.250
11/24/2014	Toyota Motor Credit Corp	US Corporate	01/17/2019	\$1,715,000.00	\$1,721,499.85	\$1,721,499.85	\$0.00	3.926	2.004
11/07/2014	Intel Corp	US Corporate	12/15/2017	\$125,000.00	\$124,723.75	\$124,723.75	\$0.00	3.014	1.423
				\$8,605,000.00	\$8,601,402.89	\$8,601,402.89	\$0.00		
Sale									
10/30/2014	FNMA	Agency	04/11/2016	\$1,245,000.00	\$1,238,438.85	\$1,281,469.79	\$43,030.94	1.428	0.344
12/05/2014	US Treasury	US Treasury	02/15/2017	\$350,000.00	\$336,519.53	\$380,391.41	\$43,871.88	2.084	0.636
11/07/2014	FHLB	Agency	07/29/2021	\$50,000.00	\$51,336.50	\$53,551.50	\$2,215.00	5.958	2.352
11/20/2014	FFCB	Agency	12/22/2015	\$450,000.00	\$451,629.00	\$460,152.00	\$8,523.00	1.070	0.274
11/21/2014	FFCB	Agency	12/16/2015	\$2,500,000.00	\$2,595,126.00	\$2,623,475.00	\$28,349.00	1.034	0.248
				\$4,595,000.00	\$4,673,049.88	\$4,799,039.70	\$125,989.82		

During the fourth quarter of 2014, our portfolio investment and re-balancing activity included purchases totaling \$8.6 million. Recent purchases included Commercial Paper along with Corporate and Agency securities with maturities ranging from February 2015 through November 2024. Our transactions adjusted the portfolio duration very close to that of the benchmark index duration. Our cumulative sales transactions realized a net gain of \$125,989.

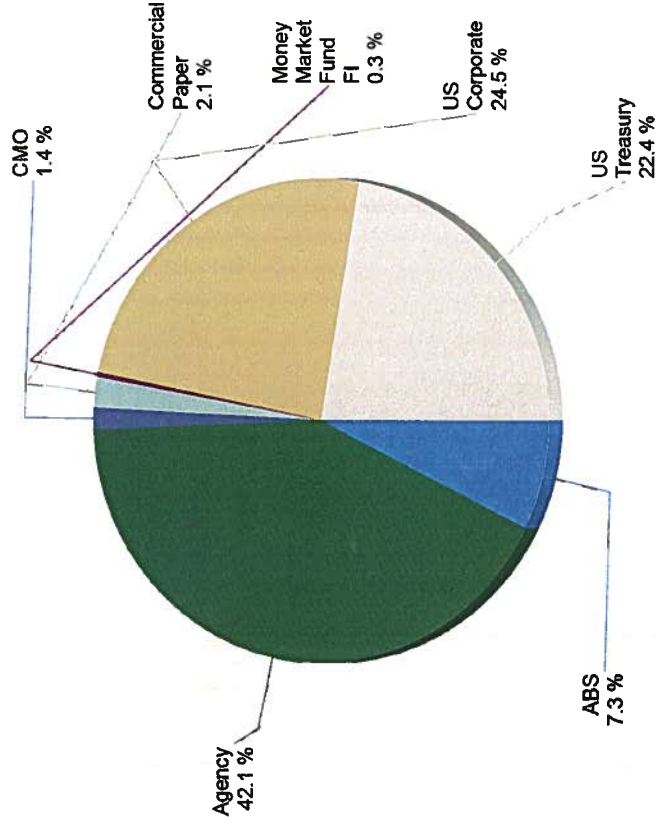
CAI Sector Distribution

Moulton Niguel Water District Operating Reserve

December 31, 2014

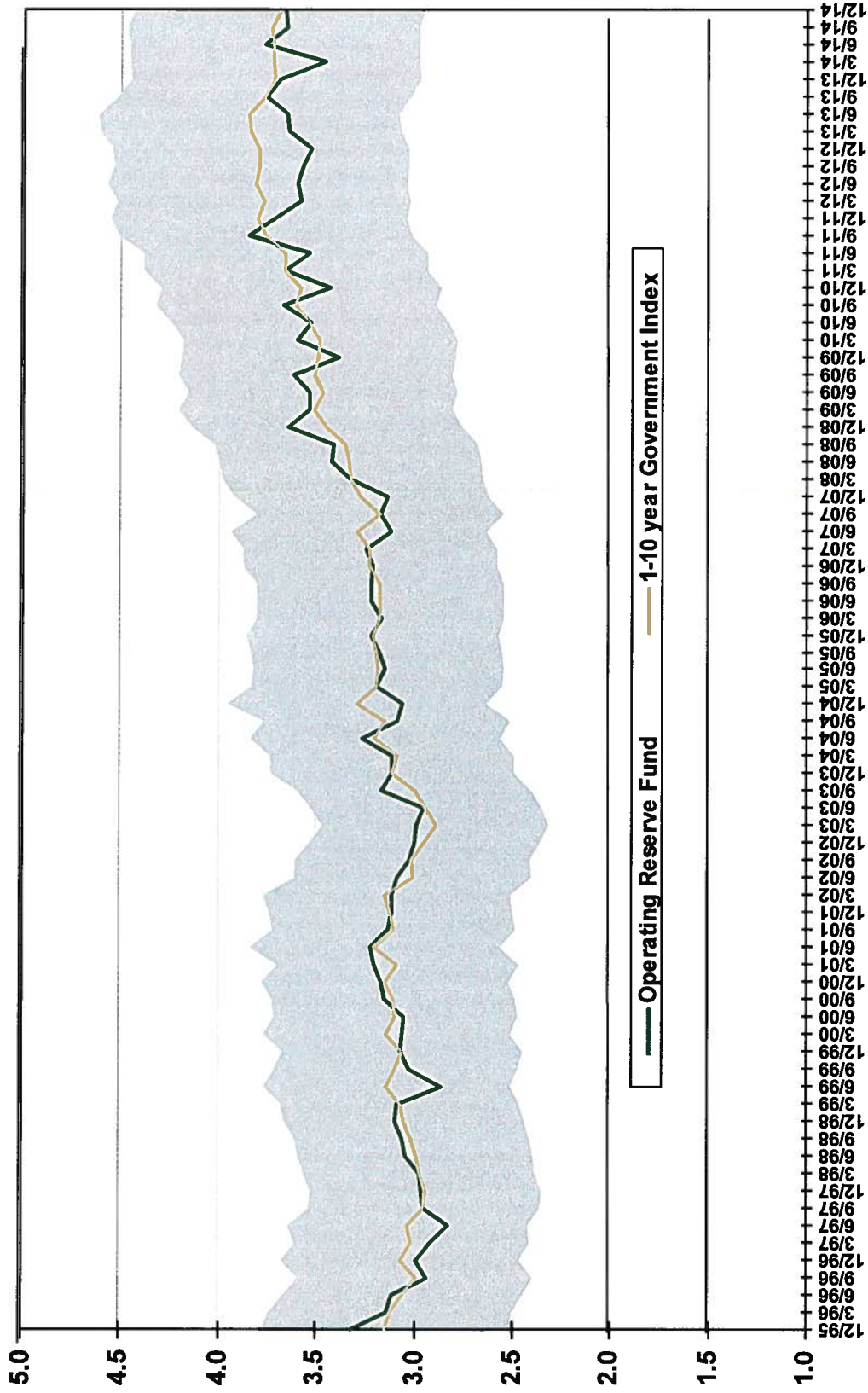


September 30, 2014



The portfolio sector allocation experienced small increases in Corporate and Commercial Paper sectors, and was offset with small decreases in the Agency and Treasury sectors.

**Operating Reserve Fund Duration Compared to
1 - 10 Year Government Index Duration**



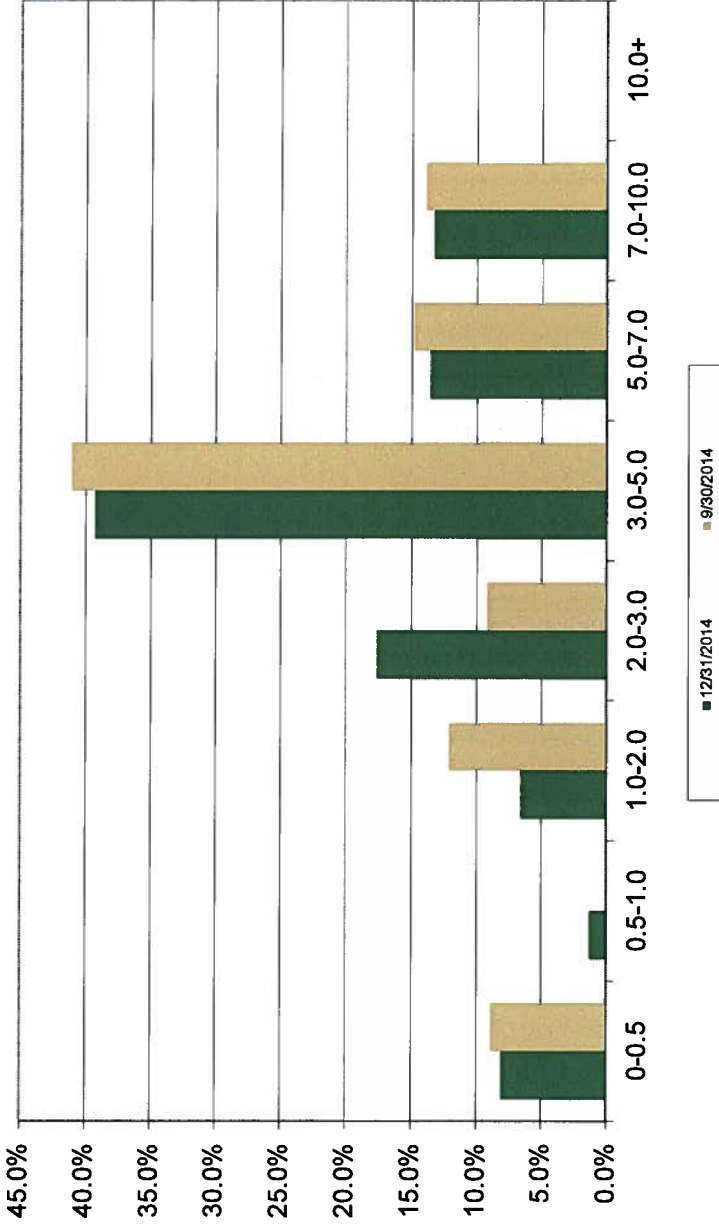


Maturity Distribution

#4.

MATURITY DISTRIBUTION

Operating Reserve Fund
December 31, 2014 vs. September 30, 2014



	0-0.5	0.5-1.0	1.0-2.0	2.0-3.0	3.0-5.0	5.0-7.0	7.0-10.0	10.0+
12/31/2014	8.1%	1.3%	6.6%	17.6%	39.3%	13.6%	13.3%	0.0%
9/30/2014	8.9%	0.0%	12.1%	9.2%	41.1%	14.8%	13.9%	0.0%

The Federal Reserve completed its bond purchases in October and the market is moving closer to the eventual "lift off" date for the initial change to the Fed Funds rate, likely increasing interest rate volatility going forward. We anticipate the "lift-off" date for a change to the Fed Funds rate is in the 2nd half of 2015 and therefore will keep the duration of the portfolio close to the District's 1-10 Year Government benchmark in the upcoming quarter.



Investment Performance

Moulton Niguel Water District Operating Reserve

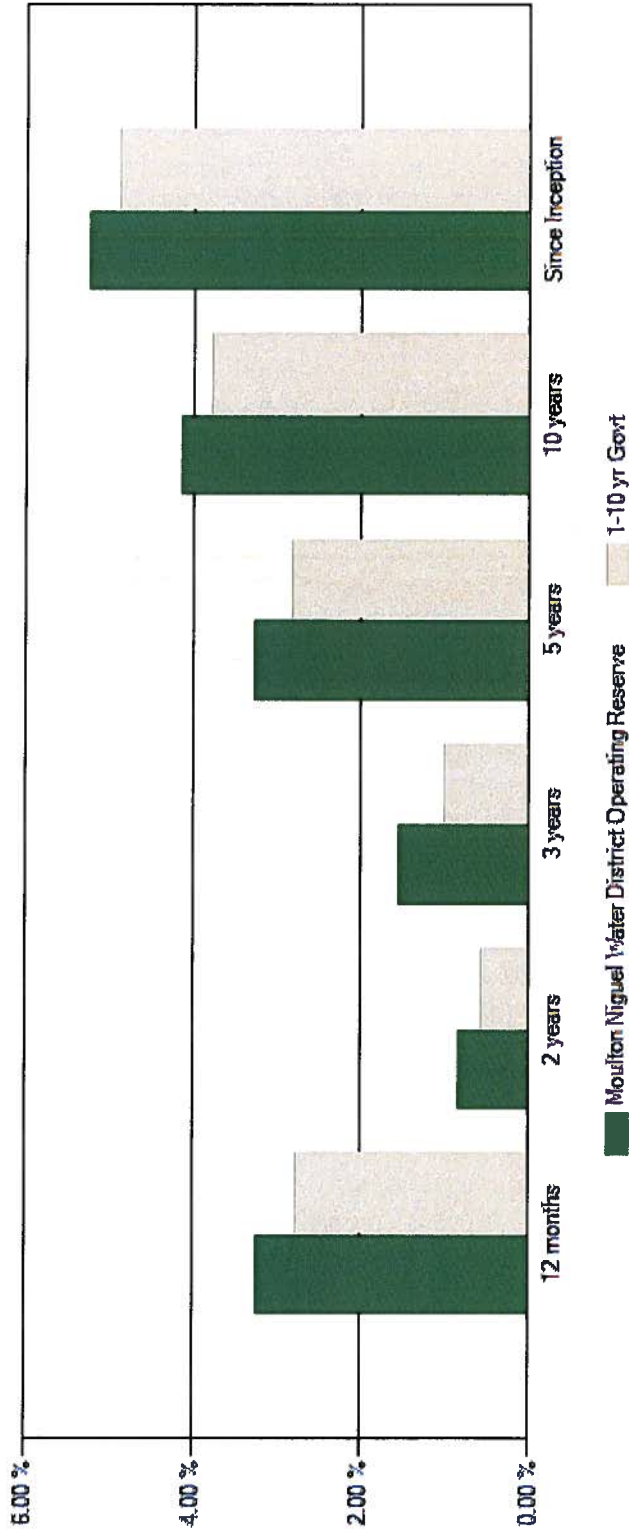
Period Ending

December 31, 2014

Total Rate of Return

Annualized Since Inception

September 30, 1995



Annualized

	3 months	12 months	2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Operating Reserve	1.11 %	3.26 %	0.86 %	1.56 %	3.28 %	4.15 %	5.25 %
1-10 yr Govt	1.02 %	2.77 %	0.58 %	1.01 %	2.84 %	3.78 %	4.89 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

Growth Over Time

#4.

Operating Reserve Fund Growth of \$1 Million

The chart displays the growth of three investment options over time, starting from \$1.00 million in September 1995. The Operating Reserve Fund (green line) shows the most significant growth, reaching approximately \$2.7 million by September 2014. The 1-10 Govt Index (yellow line) reaches about \$2.4 million, and LAIF (purple line) reaches about \$1.8 million.

Date	Operating Reserve Fund	1-10 Govt Index	LAIF
Sep-95	\$1.00	\$1.00	\$1.00
Jan-00	\$1.20	\$1.20	\$1.20
Jan-04	\$1.60	\$1.60	\$1.60
Jan-08	\$2.10	\$2.00	\$1.70
Jan-12	\$2.50	\$2.30	\$1.75
Sep-14	\$2.70	\$2.40	\$1.80

Historical return on \$1 million invested in September 1995

Operating Reserve Fund
1-10 Govt Index
LAIF

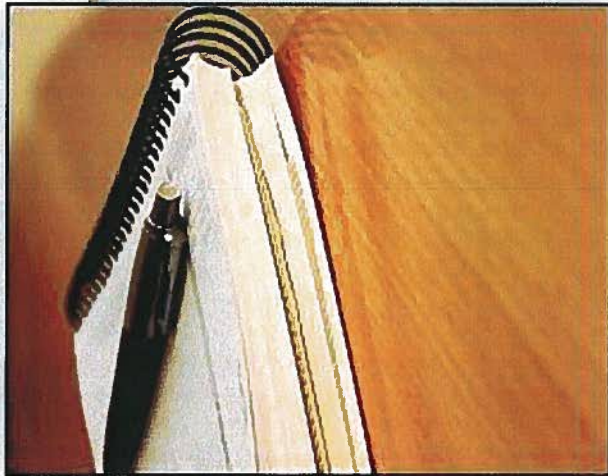
12/31/2014	Return
\$2,678,800	5.25%
\$2,506,025	4.89%
\$1,794,859	3.09%

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SECTION 2

Portfolio Holdings




**Moulton Niguel Water District Operating Reserve
Account #40**
**Issuer Report
As of 12/31/2014**

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	22.15 %
Federal Home Loan Mortgage Corp	Agency	10.74 %
Federal National Mortgage Association	Agency	10.67 %
Federal Home Loan Bank	Agency	8.06 %
Tennessee Valley Authority	Agency	8.04 %
Federal Farm Credit Bank	Agency	3.14 %
John Deere ABS	ABS	2.94 %
Bank of New York	US Corporate	2.49 %
Honda ABS	ABS	2.07 %
IBM Corp	US Corporate	1.58 %
Deere & Company	US Corporate	1.58 %
Wells Fargo Corp	US Corporate	1.47 %
Cisco Systems	US Corporate	1.44 %
Federal Home Loan Mortgage Corp	CMO	1.41 %
Apple Inc	US Corporate	1.40 %
General Electric Co	US Corporate	1.40 %
Toyota Motor Corp	US Corporate	1.37 %
Berkshire Hathaway	US Corporate	1.34 %
Ebay	US Corporate	1.30 %
JP Morgan Chase & Co	US Corporate	1.28 %
Honda Motor Corporation	US Corporate	1.28 %
Pepsico Inc	US Corporate	1.24 %
Intel Corp	US Corporate	1.24 %
Toyota Motor Corp	Commercial Paper	1.22 %
Bank of Tokyo-Mit UFJ	Commercial Paper	1.22 %
ChevronTexaco Corp	US Corporate	1.21 %
Toyota ABS	ABS	1.15 %
JP Morgan ABS	ABS	0.99 %
Oracle Corp	US Corporate	0.91 %
Coca Cola Co.	US Corporate	0.86 %
US Bancorp	US Corporate	0.80 %
Google Inc	US Corporate	0.79 %
Wal-Mart Stores	US Corporate	0.66 %



Issuers Continued



Moulton Niguel Water District Operating Reserve
Account #40

Issuer Report
As of 12/31/2014

Issue Name	Investment Type	% Portfolio
Praxair	US Corporate	0.40 %
United Technology Corp	US Corporate	0.09 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund F1	0.06 %
Total		100.00 %

Moulton Niguel Water District Operating Reserve
Account #40

Holdings Report
As of 12/31/14



CUSIP	Security Description	Par Value/Units	Purchase Date	Book Yield	Cost Value	Book Value	Mkt Price	Mkt YTM	Market Value	Accrued Int.	% of Port. Gain/Loss	Moody/S&P	Fitch	Maturity
89231NAC7	Toyota Auto Receivable 2012-B A3 0.46% Due 7/15/2016	485,428.78	09/18/2012	0.46 %	485,382.62	485,382.62	100.02	0.41 %	485,524.41	99.24	0.38 % 141.79	Aaa / AAA	NR	1.54 0.37
47787RAC4	John Deere Owner Trust 2012-B A3 0.53% Due 7/15/2016	592,717.81	03/28/2014	0.47 %	593,088.26	593,088.26	100.01	0.48 %	592,795.46	139.62	0.47 % (292.80)	Aaa / NR	AAA	1.54 0.27
43813CAC4	Honda Auto Receivables 2012-4 A3 0.52% Due 8/18/2016	595,672.13	10/11/2012	0.52 %	595,614.47	595,614.47	100.01	0.50 %	595,719.78	111.85	0.47 % 105.31	Aaa / AAA	NR	1.63 0.35
161571FL3	Chase CHAIT Pool #2012-A5 0.59% Due 8/15/2017	1,255,000.00	03/19/2013	0.59 %	1,255,000.00	1,255,000.00	100.03	0.53 %	1,255,395.33	329.09	0.99 % 395.33	NR / AAA	AAA	2.62 0.60
477879AC4	John Deere Owner Trust 2013-B A3 0.87% Due 8/15/2017	500,000.00	08/27/2013	0.88 %	499,931.85	499,931.85	100.21	0.61 %	501,043.00	193.33	0.40 % 1,111.15	Aaa / NR	AAA	2.62 0.80
89231MAC9	Toyota Auto Receivables Owner 2014-A 0.67% Due 12/15/2017	975,000.00	03/11/2014	0.69 %	974,819.82	974,819.82	99.89	0.75 %	973,931.40	290.33	0.77 % (888.42)	Aaa / AAA	NR	2.96 1.45
43814GAC4	Honda Auto Receivables 2014-2 A3 0.77% Due 3/19/2018	1,020,000.00	05/13/2014	0.78 %	1,019,877.40	1,019,877.40	99.78	0.91 %	1,017,749.88	283.62	0.80 % (2,127.52)	Aaa / AAA	NR	3.22 1.63
47787VAC5	John Deere Owner Trust 2014-A A3 0.92% Due 4/16/2018	1,455,000.00	04/02/2014	0.93 %	1,454,766.91	1,454,766.91	99.95	0.95 %	1,454,333.61	594.93	1.15 % (433.30)	Aaa / NR	AAA	3.29 1.50
43814HAC2	Honda Auto Receivables 2014-3 A3 0.88% Due 6/15/2018	1,015,000.00	08/12/2014	0.89 %	1,014,804.21	1,014,804.21	99.66	1.08 %	1,011,594.68	396.98	0.80 % (3,209.53)	Aaa / AAA	AAA	3.46 1.73
47787AD6	John Deere Owner Trust 2014-B A3 1.07% Due 11/15/2018	1,170,000.00	Various	1.08 %	1,169,688.96	1,169,688.96	99.61	1.27 %	1,165,413.60	556.40	0.92 % (4,275.36)	Aaa / NR	AAA	3.88 1.95
Total ABS		9,063,818.72	0.77 %	9,062,974.50	9,062,974.50	9,062,974.50	0.81 %	7.15 %	9,053,501.15	2,995.39	(9,473.35)	Aaa / AAA	Aaa	2.89 1.21
AGENCY														
31331V2U9	FFCB Note 5.125% Due 8/25/2016	1,950,000.00	08/30/2011	1.14 %	2,324,887.50	2,324,887.50	107.40	0.61 %	2,094,331.20	34,978.13	1.68 % (230,556.30)	Aaa / AA+	AAA	1.65 1.58
3135G0UY7	FNMA Callable Note 1X 2/27/15 1% Due 2/27/2017	1,150,000.00	04/23/2013	0.75 %	1,160,925.00	1,160,925.00	100.00	0.99 %	1,150,011.50	3,961.11	0.91 % (10,913.50)	Aaa / AA+	AAA	2.16 0.88
31359M7X5	FNMA Note 5% Due 5/11/2017	1,550,000.00	12/31/2009	3.68 %	1,680,508.45	1,680,508.45	109.41	0.96 %	1,695,920.10	10,763.89	1.35 % 15,411.65	Aaa / AA+	AAA	2.36 2.24
31398ADM1	FNMA Note 5.375% Due 6/12/2017	1,200,000.00	Various	3.58 %	1,341,020.65	1,341,020.65	110.56	1.00 %	1,326,679.20	3,404.16	1.05 % (14,341.45)	Aaa / AA+	AAA	2.45 2.32
880591EA6	Tennessee Valley Authority Note 5.5% Due 7/18/2017	2,460,000.00	Various	4.32 %	2,660,209.76	2,660,209.76	111.16	1.05 %	2,734,531.08	61,260.84	2.21 % 74,321.32	Aaa / AA+	AAA	2.55 2.36
3137EABA6	FHLMC Note 5.125% Due 11/17/2017	1,400,000.00	02/03/2011	3.13 %	1,569,204.00	1,569,204.00	111.32	1.12 %	1,558,429.60	8,769.44	1.24 % (10,774.40)	Aaa / AA+	AAA	2.88 2.69
313372C36	FHLB Note 3.125% Due 12/8/2017	1,150,000.00	03/18/2011	2.87 %	1,167,848.00	1,167,848.00	105.31	1.28 %	1,211,012.10	2,296.01	0.96 % 43,164.10	Aaa / AA+	AAA	2.94 2.81
880591CU4	Tennessee Valley Authority Note 6.25% Due 12/15/2017	1,890,000.00	Various	4.27 %	2,157,081.80	2,157,081.80	114.61	1.20 %	2,166,172.47	5,249.99	1.72 % 9,090.67	NR / AA+	AAA	2.96 2.74



**Moulton Niguel Water District Operating Reserve
Account #40**

Holdings Report
As of 12/31/14

CUSIP	Security Description	Par Value/Units	Purchase Date	Book Yield	Cost Value	Book Value	Mkt Price	Market Value	% of Port.	Moody/S&P	Maturity
AGENCY							Mkt YTM	Accrued Int.	Gain/Loss	Fitch	Duration
3135G0TC8	FNMA Note 0.875% Due 2/8/2018	1,660,000.00	Various	1.15 %	1,640,685.20	1,640,685.20	98.85	1,640,983.04	1.30 %	Aaa / AA+	3.11
							1.25 %	5,769.66	297.84	AAA	3.04
880591EC2	Tennessee Valley Authority Note 4.5% Due 4/1/2018	285,000.00	02/03/2010	3.90 %	296,826.36	296,826.36	110.12	313,843.71	0.25 %	Aaa / AA+	3.25
							1.31 %	3,206.25	17,017.35	AAA	3.02
313331YF21	FFCB Note 4.25% Due 4/16/2018	650,000.00	07/15/2010	2.98 %	706,634.50	706,634.50	109.41	711,168.90	0.57 %	Aaa / AA+	3.29
							1.32 %	5,755.21	4,534.40	AAA	3.07
3135G0WJ8	FNMA Note 0.875% Due 5/21/2018	2,340,000.00	Various	1.42 %	2,285,340.25	2,285,340.25	98.34	2,301,090.48	1.82 %	Aaa / AA+	3.39
							1.38 %	2,275.00	15,750.23	AAA	3.32
3137EABP3	FHLMC Note 4.875% Due 6/13/2018	1,950,000.00	Various	2.67 %	2,224,649.10	2,224,649.10	111.79	2,179,856.25	1.73 %	Aaa / AA+	3.45
							1.37 %	4,753.13	(44,792.85)	AAA	3.20
3135G0ZA4	FNMA Note 1.875% Due 2/19/2019	2,300,000.00	Various	1.74 %	2,314,350.50	2,314,350.50	101.52	2,334,900.20	1.86 %	Aaa / AA+	4.14
							1.49 %	15,812.50	20,549.70	AAA	3.94
3137EADG1	FHLMC Note 1.75% Due 5/30/2019	2,345,000.00	04/27/2012	1.66 %	2,358,760.46	2,358,760.46	100.55	2,358,000.68	1.87 %	Aaa / AA+	4.41
							1.62 %	3,533.78	(759.78)	AAA	4.23
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	2,250,000.00	Various	1.48 %	2,219,414.80	2,219,414.80	98.15	2,208,456.00	1.75 %	Aaa / AA+	4.59
							1.67 %	11,718.75	(10,958.80)	AAA	4.41
3133X8AS1	FHLB Note 5.125% Due 8/15/2019	2,000,000.00	06/07/2011	3.02 %	2,303,860.00	2,303,860.00	114.60	2,292,034.00	1.84 %	Aaa / AA+	4.62
							1.82 %	38,722.22	(11,826.00)	AAA	4.10
137EADM8	FHLMC Note 1.25% Due 10/2/2019	1,425,000.00	Various	1.60 %	1,396,312.75	1,396,312.75	97.84	1,394,178.68	1.10 %	Aaa / AA+	4.76
							1.73 %	4,403.64	(2,134.07)	AAA	4.57
3135G0ZY2	FNMA Note 1.75% Due 11/26/2019	1,575,000.00	12/23/2014	1.83 %	1,568,841.75	1,568,841.75	100.06	1,575,945.00	1.25 %	Aaa / AA+	4.91
							1.74 %	2,679.69	7,103.25	AAA	4.67
3137EADR7	FHLMC Note 1.375% Due 5/1/2020	1,575,000.00	04/17/2014	2.18 %	1,503,983.25	1,503,983.25	97.52	1,535,886.45	1.22 %	Aaa / AA+	5.34
							1.87 %	3,609.38	31,903.20	AAA	5.10
3133ECPD0	FFCB Note 1.42% Due 5/13/2020	1,165,000.00	05/22/2013	1.63 %	1,148,561.85	1,148,561.85	96.69	1,126,437.34	0.89 %	Aaa / AA+	5.37
							2.07 %	2,205.73	(22,124.51)	AAA	5.12
3133XDV57	FHLB Note 5.25% Due 12/11/2020	2,600,000.00	07/07/2011	3.54 %	2,953,808.00	2,953,808.00	118.25	3,074,432.40	2.43 %	Aaa / AA+	5.95
							1.98 %	7,583.33	120,624.40	AAA	5.19
880591EL2	Tennessee Valley Authority Note 3.875% Due 2/15/2021	2,120,000.00	04/06/2011	3.87 %	2,121,611.20	2,121,611.20	110.13	2,334,783.56	1.87 %	Aaa / AA+	6.13
							2.10 %	31,034.44	213,172.36	AAA	5.42
31333752P1	FHLB Note 3.5% Due 7/29/2021	3,250,000.00	08/03/2011	3.19 %	3,336,872.50	3,336,872.50	108.53	3,527,199.00	2.82 %	Aaa / AA+	6.58
							2.10 %	48,027.78	190,326.50	AAA	5.82
3137EADR2	FHLMC Note 2.375% Due 1/13/2022	2,275,000.00	Various	2.28 %	2,291,259.33	2,291,259.33	101.03	2,298,418.85	1.84 %	Aaa / AA+	7.04
							2.22 %	25,214.58	7,159.52	AAA	6.38
880591EN8	Tennessee Valley Authority Note 1.875% Due 8/15/2022	2,585,000.00	Various	2.03 %	2,550,760.80	2,550,760.80	96.90	2,504,759.02	1.99 %	Aaa / AA+	7.63
							2.32 %	18,310.42	(46,001.78)	AAA	7.00

Moulton Niguel Water District Operating Reserve
Account #40

Holdings Report
 As of 12/31/14



CUSIP	Security Description	Par Value/Units	Purchase Date	Book Yield	Cost Value	Book Value	Mkt Price	Mkt YTM	Market Value	Accrued Int.	% of Port. Gain/Loss	Moody/S&P	Fitch	Maturity
AGENCY														Duration
3135G0ZR7	FNMA Note 2.625% Due 9/6/2024	1,400,000.00	10/29/2014	2.68 %	1,393,896.00	1,393,896.00	101.27	2.48 %	1,417,809.40	11,535.42	1.13 %	Aaa / AA+	AAA	9.69
											23,913.40			8.45
Total Agency		48,500,000.00	2.56 %		50,678,113.76	50,678,113.76	1.61 %		51,067,270.21	376,834.48	40.64 %	Aaa / AA+	Aaa	4.56
											389,156.45			4.17
CMO														
3137AH6Q6	FHLMC K704 A2 2.412% Due 8/25/2018	1,745,000.00	03/06/2014	1.68 %	1,798,576.95	1,798,576.95	102.43	1.65 %	1,787,318.00	701.49	1.41 %	NR / NR	AAA	3.65
											(11,258.95)			3.32
Total CMO		1,745,000.00	1.68 %		1,798,576.95	1,798,576.95	1.65 %		1,787,318.00	701.49	1.41 %	NR / NR	Aaa	3.65
											(11,258.95)			3.32
COMMERCIAL PAPER														
89233HN59	Toyota Motor Credit Discount CP 0.2% Due 1/5/2015	1,550,000.00	Various	0.20 %	1,548,245.55	1,549,965.56	100.00	0.20 %	1,549,965.56	0.00	1.22 %	P-1 / A-1+	F-1	0.01
06538CPL9	Bank of Tokyo Mitsubishi NY Discount CP 0.21% Due 2/20/2015	1,550,000.00	10/20/2014	0.21 %	1,548,896.91	1,549,547.91	99.97	0.21 %	1,549,547.91	0.00	1.22 %	P-1 / A-1	F-1	0.14
											0.00			0.14
Total Commercial Paper		3,100,000.00	0.21 %		3,097,142.46	3,099,513.47	0.21 %		3,099,513.47	0.00	2.45 %	P-1 / A-1	F-1	0.08
											0.00			0.08
MONEY MARKET FUND FI														
94975J466	Wells Fargo Advantage Government MMF	72,675.48	Various	0.01 %	72,675.48	72,675.48	1.00	0.01 %	72,675.48	0.00	0.06 %	Aaa / NR	AAA	0.00
											0.00			0.00
Total Money Market Fund FI		72,675.48	0.01 %		72,675.48	72,675.48	0.01 %		72,675.48	0.00	0.06 %	Aaa / NR	Aaa	0.00
											0.00			0.00
US CORPORATE														
713448BM9	Pepsico Inc. Note 3.1% Due 1/15/2015	1,550,000.00	Various	2.10 %	1,614,584.35	1,614,584.35	100.08	1.02 %	1,551,243.10	22,156.38	1.24 %	A1 / A-	A	0.04
											(63,341.25)			0.04
94980VA66	Wells Fargo Bank Note 4.75% Due 2/9/2015	1,825,000.00	Various	3.52 %	1,914,016.00	1,914,016.00	100.40	0.95 %	1,832,272.63	34,193.41	1.47 %	A1 / A+	A+	0.11
											(81,743.37)			0.11
084670AV0	Berkshire Hathaway Note 3.2% Due 2/11/2015	1,665,000.00	Various	3.12 %	1,670,612.45	1,670,612.45	100.29	0.62 %	1,669,763.57	20,720.00	1.34 %	Aa2 / AA	A+	0.12
											(848.88)			0.11
06406JHB4	Bank of New York Mellon Note 4.95% Due 3/15/2015	1,445,000.00	Various	2.11 %	1,620,058.00	1,620,058.00	100.80	1.05 %	1,456,520.99	21,060.88	1.17 %	A2 / A	A+	0.20
											(163,537.01)			0.21
74005PAR5	Praxair Note 4.625% Due 3/30/2015	490,000.00	Various	2.58 %	534,803.30	534,803.30	101.01	0.57 %	494,950.96	5,728.58	0.40 %	A2 / A	NR	0.24
											(39,852.34)			0.25
27864ZAB9	Ebay Inc Note 1.625% Due 10/15/2015	1,625,000.00	10/22/2010	1.66 %	1,622,156.25	1,622,156.25	100.77	0.64 %	1,637,514.13	5,574.65	1.30 %	A2 / A	A-	0.79
											15,357.88			0.78



**Moukton Niguel Water District Operating Reserve
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Holdings Report
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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
459200G09	IBM Corp Note 2% Due 1/5/2016	1,950,000.00	Various 2.77 %	1,882,374.00 1,882,374.00	101.47 0.54 %	1,978,614.30 19,066.66	1.58 % 96,240.30	Aa3 / AA- A+	1.01 0.99
24422ERZ4	John Deere Capital Corp Note 0.75% Due 1/22/2016	475,000.00	01/17/2013 0.79 %	474,496.50 474,496.50	99.98 0.77 %	474,900.73 1,573.44	0.38 % 404.23	A2 / A NR	1.06 1.05
38259PAC6	Google Inc Note 2.125% Due 5/19/2016	975,000.00	11/15/2012 0.75 %	1,021,108.20 1,021,108.20	102.15 0.56 %	995,957.63 2,417.19	0.79 % (25,150.57)	Aa2 / AA NR	1.38 1.36
191216AU4	Coca Cola Company Note 1.8% Due 9/1/2016	1,070,000.00	08/13/2013 0.98 %	1,096,225.70 1,096,225.70	101.67 0.79 %	1,087,845.46 6,420.00	0.86 % (8,380.24)	Aa3 / AA A+	1.67 1.63
36962G5W0	General Electric Capital Corp Note 2.3% Due 4/27/2017	1,720,000.00	03/07/2013 1.44 %	1,778,875.60 1,778,875.60	102.43 1.24 %	1,761,710.00 7,032.89	1.40 % (17,165.60)	A1 / AA+ NR	2.32 2.25
913017BU2	United Tech Corp Note 1.8% Due 6/1/2017	115,000.00	05/24/2012 1.82 %	114,901.10 114,901.10	101.31 1.25 %	116,503.28 172.50	0.09 % 1,602.18	A2 / A A	2.42 2.36
68389XAN5	Oracle Corp Note 1.2% Due 10/15/2017	1,150,000.00	08/28/2013 1.87 %	1,119,421.50 1,119,421.50	99.64 1.33 %	1,145,907.15 2,913.33	0.91 % 26,485.65	A1 / A+ A+	2.79 2.73
166764AA8	Chevron Corp. Callable Note Cont 11/5/17 1.104% Due 12/5/2017	535,000.00	Various 1.19 %	533,208.75 533,208.75	99.38 1.32 %	531,692.63 426.58	0.42 % (1,516.12)	Aa1 / AA NR	2.93 2.79
58140AL4	Intel Corp Note 1.35% Due 12/15/2017	1,570,000.00	Various 1.30 %	1,574,038.30 1,574,038.30	99.85 1.40 %	1,567,701.52 942.00	1.24 % (6,336.78)	A1 / A+ A+	2.96 2.89
931142DF7	Wal-Mart Stores Note 1.125% Due 4/11/2018	840,000.00	04/04/2013 1.14 %	839,227.20 839,227.20	98.85 1.48 %	830,366.88 2,100.00	0.66 % (8,860.32)	Aa2 / AA AA	3.28 3.20
037833AJ9	Apple Inc Note 1% Due 5/3/2018	1,800,000.00	Various 1.29 %	1,776,528.00 1,776,528.00	98.52 1.46 %	1,773,288.00 2,900.00	1.40 % (3,240.00)	Aa1 / AA+ NR	3.34 3.26
166764AE0	Chevron Corp. Callable Note Cont 5/24/2018 1.718% Due 6/24/2018	1,000,000.00	03/28/2014 1.71 %	1,000,470.00 1,000,470.00	100.51 1.56 %	1,005,055.00 334.06	0.79 % 4,585.00	Aa1 / AA NR	3.48 3.29
02665WAC5	American Honda Finance Note 2.125% Due 10/10/2018	1,600,000.00	03/28/2014 1.99 %	1,609,232.00 1,609,232.00	100.61 1.96 %	1,609,736.00 7,650.00	1.28 % 504.00	A1 / A+ NR	3.78 3.60
91159HHE3	US Bancorp Callable Note Cont 10/15/2018 1.95% Due 11/15/2018	1,010,000.00	11/19/2013 1.86 %	1,014,082.85 1,014,082.85	100.30 1.86 %	1,013,072.42 2,516.58	0.80 % (1,010.43)	A1 / A+ AA-	3.88 3.63
24422ESF7	John Deere Capital Corp Note 1.95% Due 12/13/2018	1,520,000.00	Various 2.00 %	1,516,398.40 1,516,398.40	99.98 1.96 %	1,519,642.80 1,482.00	1.20 % 3,244.40	A2 / A NR	3.95 3.78
89236TBB0	Toyota Motor Credit Corp Note 2.1% Due 1/17/2019	1,715,000.00	11/19/2014 2.00 %	1,721,499.85 1,721,499.85	100.42 1.99 %	1,722,194.43 16,406.83	1.37 % 694.58	Aa3 / AA- A	4.05 3.82
46625HJR2	JP Morgan Chase Note 2.35% Due 1/28/2019	1,600,000.00	04/02/2014 2.32 %	1,601,856.00 1,601,856.00	100.65 2.18 %	1,610,438.40 15,980.00	1.28 % 8,582.40	A3 / A A+	4.08 3.83
17275RAR3	Cisco Systems Note 2.125% Due 3/1/2019	1,800,000.00	Various 2.05 %	1,806,359.70 1,806,359.70	100.47 2.01 %	1,808,469.00 12,750.01	1.44 % 2,109.30	A1 / AA- NR	4.17 3.94

Moulton Niguel Water District Operating Reserve
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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
06406HCW7	Bank of New York Callable Note Cont 8/11/2019 2.3% Due 9/11/2019	1,650,000.00	11/19/2014 2.25%	1,653,729.00 1,653,729.00	100.50 2.19%	1,658,167.50 11,595.83	1.32% 4,438.50	A1/A+ AA-	4.70 4.33
Total US Corporate		32,695,000.00	1.98%	33,110,263.00 33,110,263.00	1.35%	32,853,528.51 224,113.80	26.13% (256,734.49)	A1/AA- A+	2.39 2.28
US TREASURY									
912828GH7	US Treasury Note 4.625% Due 2/15/2017	450,000.00	07/12/2007 5.14%	432,667.97 432,667.97	108.19 0.73%	486,843.75 7,861.24	0.39% 54,175.78	Aaa/AA+ AAA	2.13 2.01
912828HH6	US Treasury Note 4.25% Due 11/15/2017	1,850,000.00	12/05/2007 3.94%	1,896,755.86 1,896,755.86	109.05 1.04%	2,017,511.95 10,208.22	1.60% 120,756.09	Aaa/AA+ AAA	2.88 2.72
912828SD3	US Treasury Note 1.25% Due 1/31/2019	2,335,000.00	05/29/2012 1.09%	2,359,362.67 2,359,362.67	99.04 1.49%	2,312,562.99 12,214.33	1.84% (46,799.68)	Aaa/AA+ AAA	4.09 3.94
912828SX9	US Treasury Note 1.125% Due 5/31/2019	2,475,000.00	01/30/2013 1.23%	2,459,444.48 2,459,444.48	98.23 1.54%	2,431,108.35 2,447.80	1.92% (28,336.13)	Aaa/AA+ AAA	4.42 4.28
912828TH3	US Treasury Note 0.875% Due 7/31/2019	2,300,000.00	10/25/2012 1.21%	2,249,696.70 2,249,696.70	96.90 1.58%	2,228,663.20 8,421.88	1.77% (21,033.50)	Aaa/AA+ AAA	4.58 4.45
912828UB4	US Treasury Note 1% Due 11/30/2019	2,400,000.00	Various 1.91%	2,271,415.85 2,271,415.85	96.99 1.64%	2,327,812.80 2,109.89	1.84% 56,396.95	Aaa/AA+ AAA	4.92 4.76
912828PX2	US Treasury Note 3.625% Due 2/15/2021	1,425,000.00	06/02/2011 2.95%	1,505,662.92 1,505,662.92	110.16 1.86%	1,569,725.85 19,511.46	1.26% 64,062.93	Aaa/AA+ AAA	6.13 5.46
912828RC6	US Treasury Note 2.125% Due 8/15/2021	1,650,000.00	02/28/2014 2.23%	1,637,953.86 1,637,953.86	101.18 1.93%	1,669,465.05 13,243.72	1.33% 31,511.19	Aaa/AA+ AAA	6.63 6.11
912828RR3	US Treasury Note 2% Due 11/15/2021	2,300,000.00	01/18/2012 1.90%	2,320,313.90 2,320,313.90	100.37 1.94%	2,308,445.60 5,972.38	1.83% (11,868.30)	Aaa/AA+ AAA	6.88 6.38
912828SF8	US Treasury Note 2% Due 2/15/2022	2,025,000.00	07/31/2014 2.33%	1,978,970.99 1,978,970.99	100.25 1.96%	2,030,062.50 15,297.55	1.62% 51,091.51	Aaa/AA+ AAA	7.13 6.56
912828SV3	US Treasury Note 1.75% Due 5/15/2022	2,400,000.00	07/29/2013 2.41%	2,275,134.60 2,275,134.60	98.30 2.00%	2,359,312.80 5,453.04	1.87% 84,178.20	Aaa/AA+ AAA	7.38 6.86
912828TJ9	US Treasury Note 1.625% Due 8/15/2022	2,450,000.00	Various 2.15%	2,342,880.91 2,342,880.91	97.27 2.01%	2,383,007.20 15,037.87	1.89% 40,126.29	Aaa/AA+ AAA	7.63 7.08
912828TY6	US Treasury Note 1.625% Due 11/15/2022	2,600,000.00	Various 2.43%	2,437,783.83 2,437,783.83	97.01 2.04%	2,522,202.80 5,485.49	2.00% 84,418.97	Aaa/AA+ AAA	7.88 7.32
912828VB3	US Treasury Note 1.75% Due 5/15/2023	1,300,000.00	06/26/2014 2.42%	1,230,688.80 1,230,688.80	97.37 2.09%	1,265,773.60 2,953.73	1.00% 35,084.80	Aaa/AA+ AAA	8.38 7.72
Total US Treasury		27,960,000.00	2.15%	27,398,733.34 27,398,733.34	1.75%	27,912,498.44 126,218.60	22.15% 513,765.10	Aaa/AA+ Aaa	5.94 5.56
TOTAL PORTFOLIO		123,136,494.20	2.11%	125,218,479.49 125,220,850.50	1.48%	125,846,305.26 730,863.76	100.00% 625,454.76	Aa1/AA Aaa	4.05 3.66

TOTAL MARKET VALUE PLUS ACCRUED

126,577,169.02



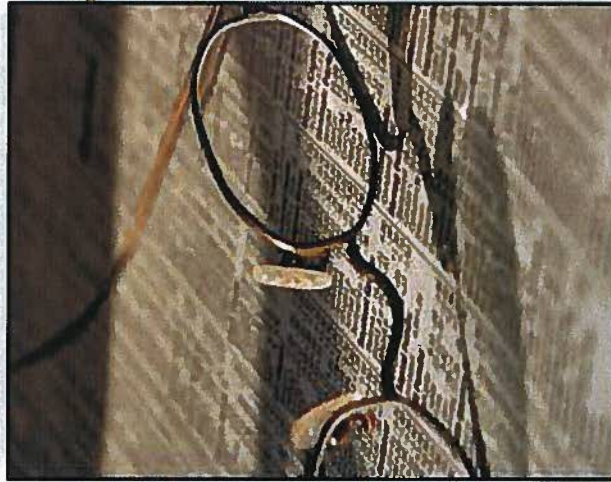
Moulton Niguel Water District Liquid Fund
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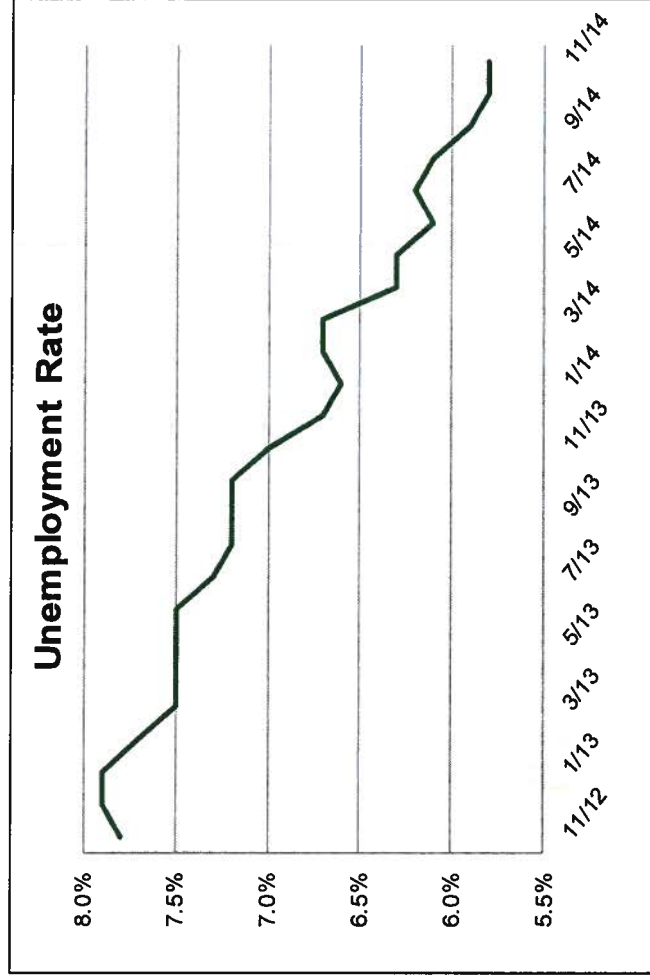
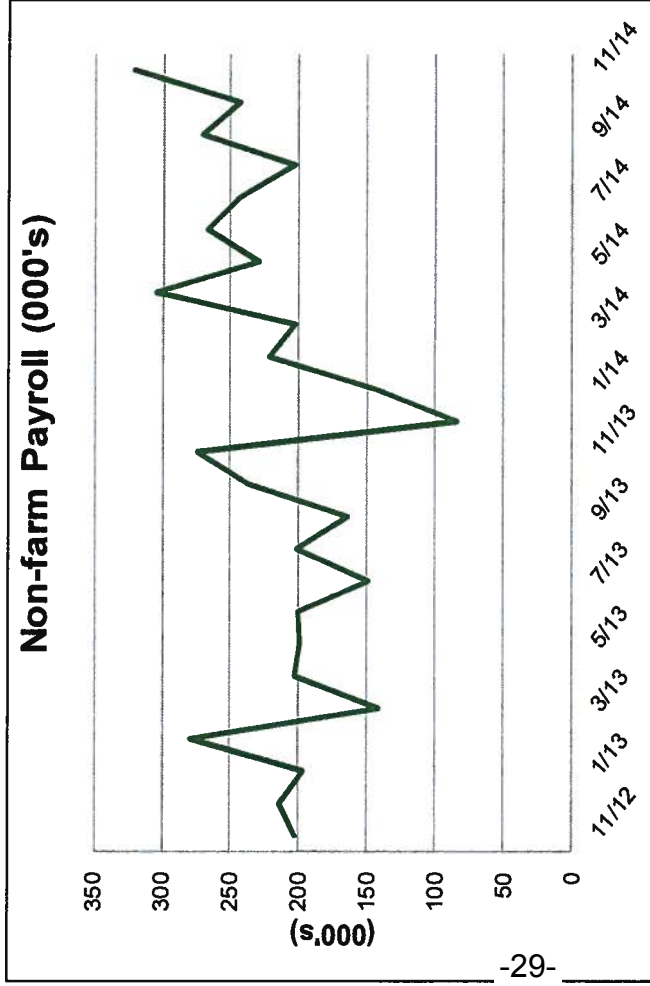
CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
90LAIF\$00	Local Agency Investment Fund State Pool	22,018,700.76	Various 0.27 %	22,018,700.76 22,018,700.76	1.00 0.27 %	22,018,700.76 6,274.75	100.00 % 0.00	NR / NR NR	0.00 0.00
Total LAIF		22,018,700.76	0.27 %	22,018,700.76	0.27 %	22,018,700.76 6,274.75	100.00 % 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		22,018,700.76	0.27 %	22,018,700.76	0.27 %	22,018,700.76 6,274.75	100.00 % 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						22,024,975.51			

SECTION 3

Economic Update



- The November employment report was much stronger than expected. Nonfarm payrolls rose by 321,000 in the month, significantly above the consensus forecast of 230,000. However, the unemployment rate was unchanged at 5.8% and the labor participation rate held steady at 62.8%. Wages increased 0.4% in November, exceeding expectations, after edging up 0.1% in October. The labor market is clearly improving which should benefit overall economic growth and support consumer spending. We believe consumer spending is also getting a boost from lower gas prices. The manufacturing sector continues to show strength. Meanwhile, the housing sector remains volatile and continues to lag behind other sectors of the economy.
- The Federal Open Market Committee (FOMC) left policy rates unchanged at its final meeting of 2014. The FOMC indicated that it will take a “patient” approach toward normalizing monetary policy, and implied that the first rate hike is likely to be in (or around) mid-2015 based on the Fed’s current economic forecasts. Overall, the FOMC’s guidance on policy action was consistent with its previous guidance but the Committee is moving away from its “considerable time” language and emphasizing that policy changes will be data-dependent. During her post-meeting press conference, Fed Chair Yellen indicated that policy rates would likely remain unchanged for at least the next couple of FOMC meetings, which suggests that a rate hike is unlikely to happen any sooner than April, unless there is an unexpected change in economic data. The FOMC generally expects that there will be some further decline in unemployment and that core inflation will be near current levels when the first rate hike happens. The Committee also expects the fed funds rate to approach a more normalized level by the end of 2017, which suggests that any rate increases are likely to be gradual over the next few years.
- During the past three months, the yield curve flattened. Concerns about weak global economic growth has kept downward pressure on longer US Treasury yields, even as the Fed has signaled the possibility of a fed funds rate hike this year.



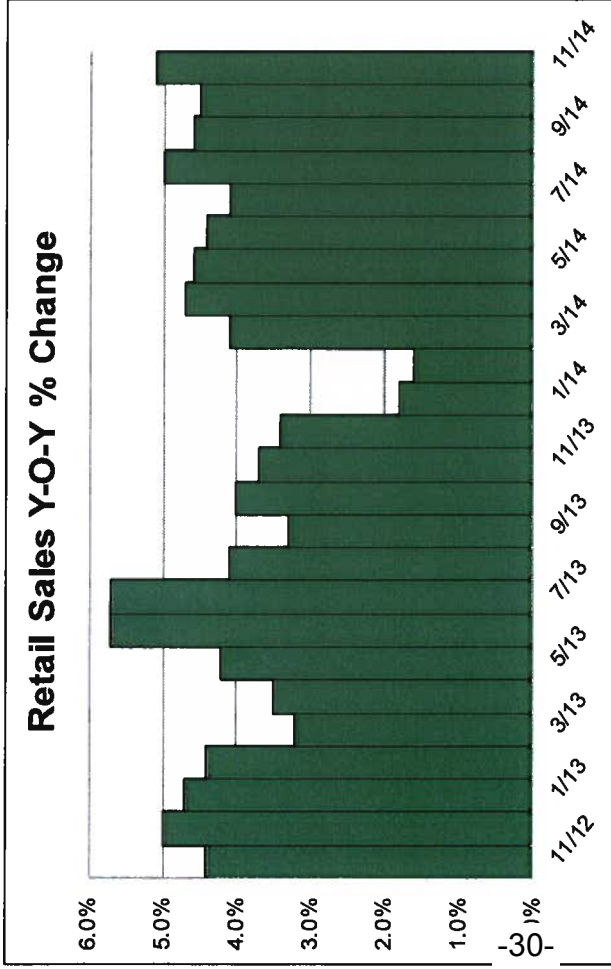
Source: U.S. Department of Labor

The November employment report was much stronger than expected. Nonfarm payrolls rose by 321,000 in the month, significantly above the consensus forecast of 230,000. However, the unemployment rate was unchanged at 5.8%. The labor participation rate also held steady at 62.8%. The net revisions in nonfarm payrolls for October and September were +44,000 (with gains of 243,000 and 271,000 in October and September, respectively). Private payrolls rose by 314,000 in November while government jobs rose by 7,000. Wages increased 0.4% in November, exceeding expectations, after edging up 0.1% in October.

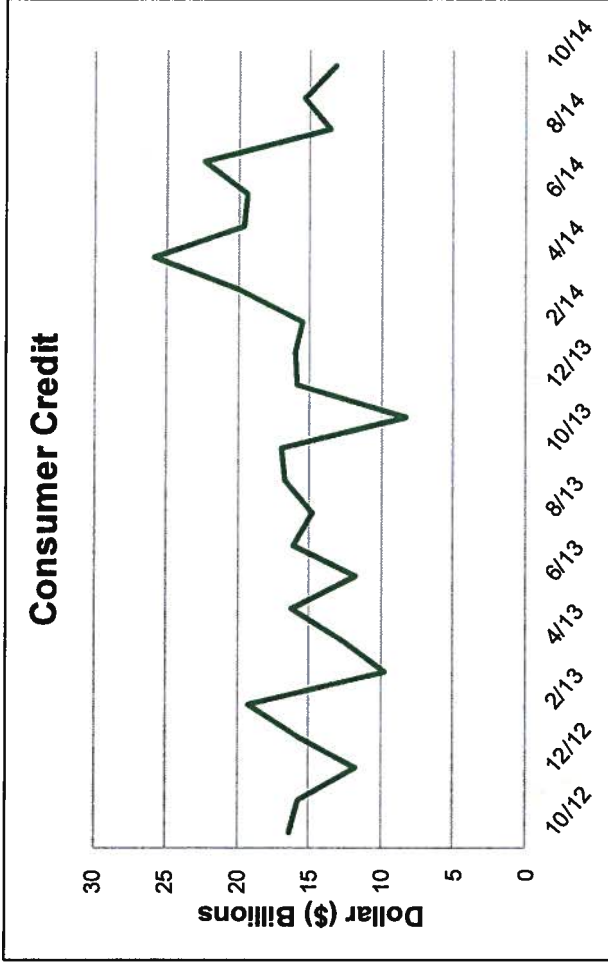


Consumer

#4.

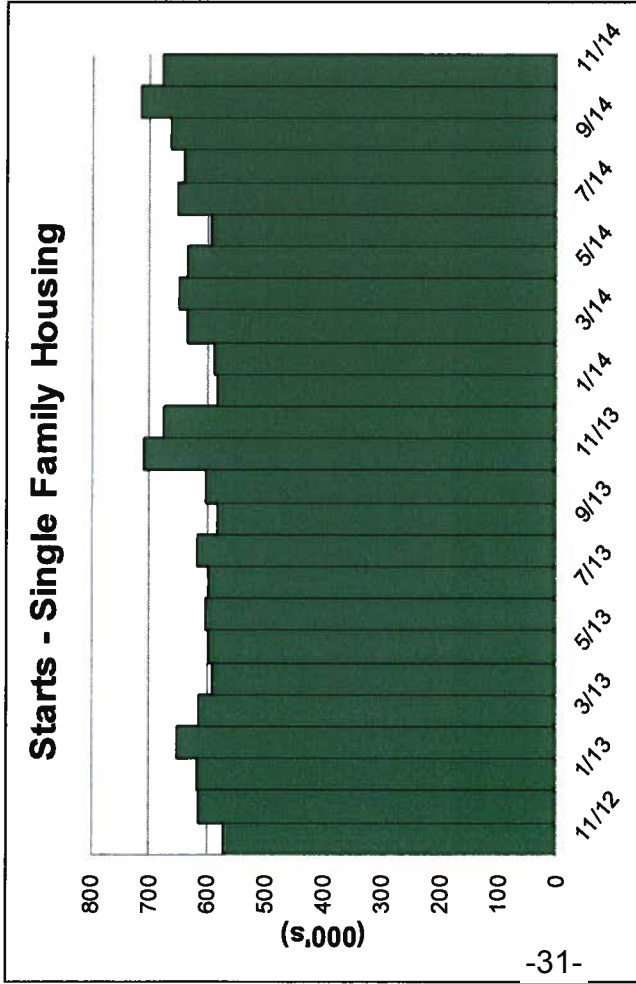


Source: U.S. Department of Commerce

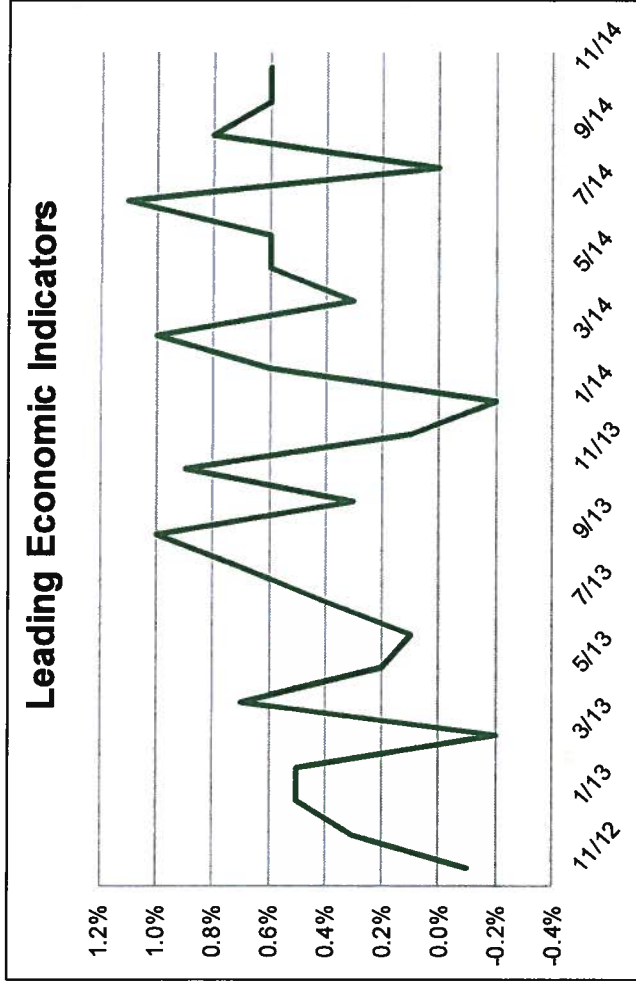


Source: Federal Reserve

In November, Retail Sales rose 5.1% on a year-over-year basis versus a gain of 4.5% in October. On a month-over-month basis, retail sales rose 0.7% in November after increasing 0.5% in October, exceeding expectations. Gasoline sales were a drag on retail sales in both months due to lower prices. Overall, consumer spending is showing positive momentum. Consumer Credit rose by \$13.2 billion in October versus a gain of \$15.4 billion in September. The gain was primarily fueled by nonrevolving credit (student and auto loans) which rose \$12.3 billion in October, while revolving credit (credit cards) rose by just \$0.9 billion.



Source: US Department of Commerce



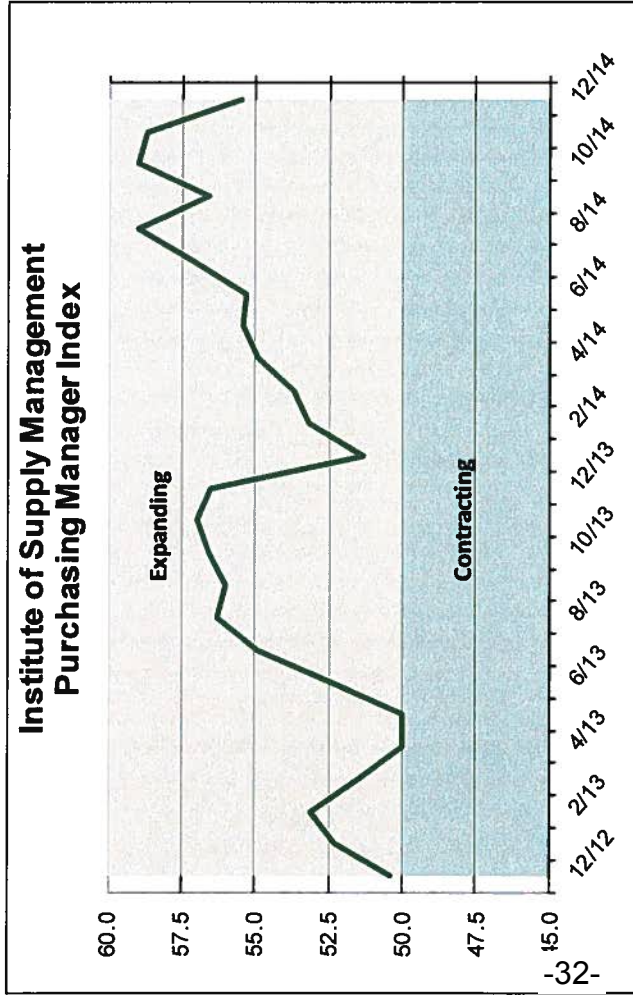
Source: The Conference Board

Housing data remains volatile. Single-family housing starts fell 5.4% in November after increasing 8.0% in October. The index of Leading Economic Indicators (LEI) rose 0.6% in November after a 0.6% gain in October. Overall, the LEI index continues to point to modest economic growth.

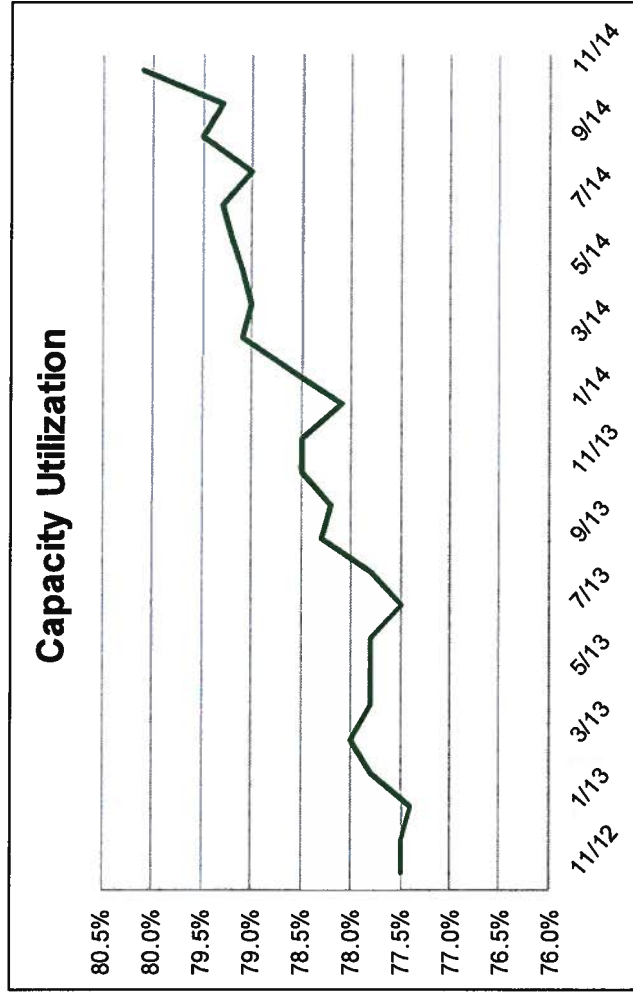


Manufacturing

#4.

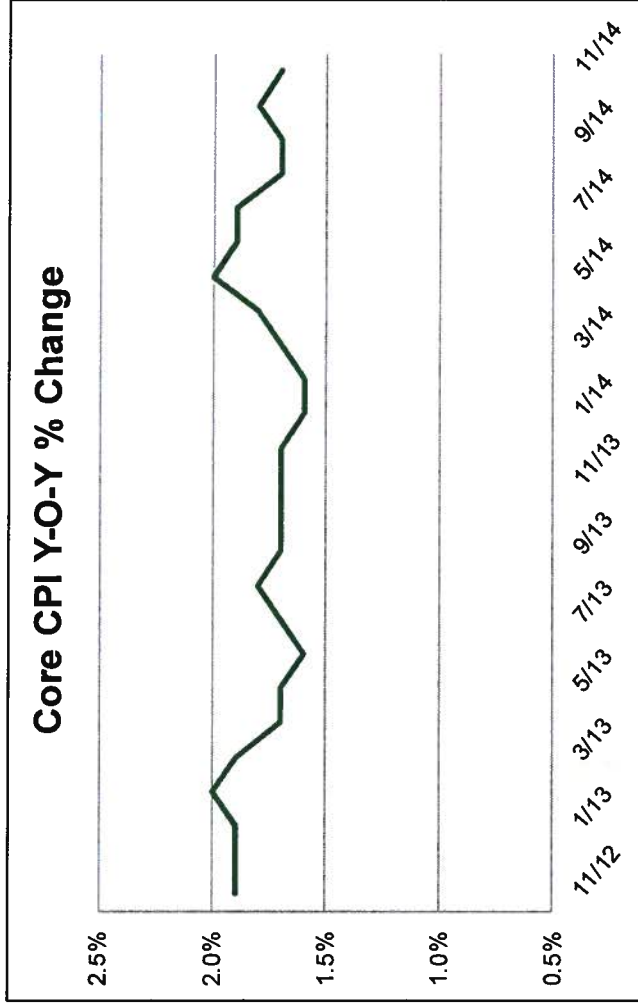
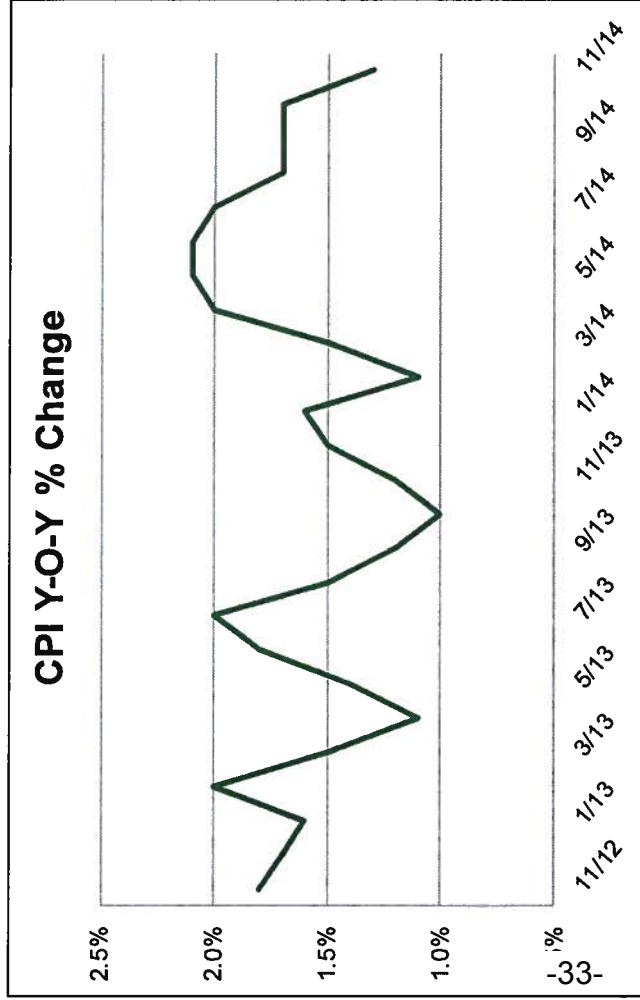


Source: Institute for Supply Management



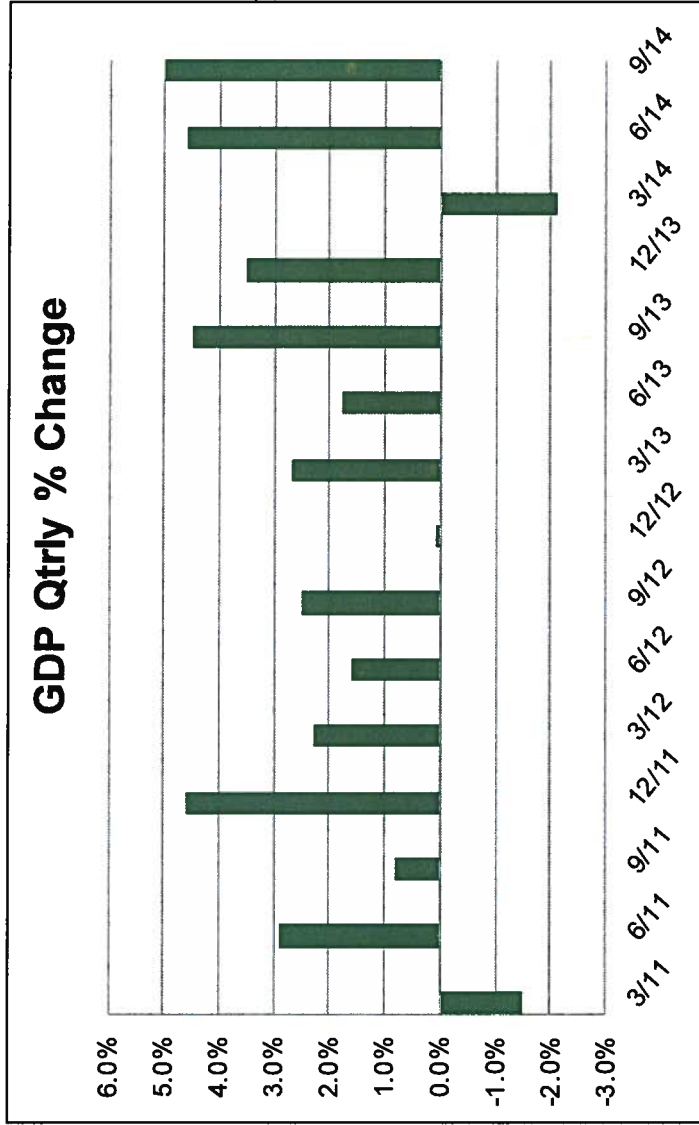
Source: Federal Reserve

During December, the ISM Manufacturing Index declined to 55.5 from 58.7 in November. Nevertheless, the December reading continued to signal ongoing growth in the manufacturing sector. A reading above 50.0 is viewed as expansionary in the manufacturing sector, while a reading below 50.0 suggests contraction. Capacity Utilization, which is production divided by capacity, increased to 80.1% in November from 79.3% in October. The Capacity Utilization rate is now in line with the long-run average of 80.1% (1972-2013).



Source: US Department of Labor

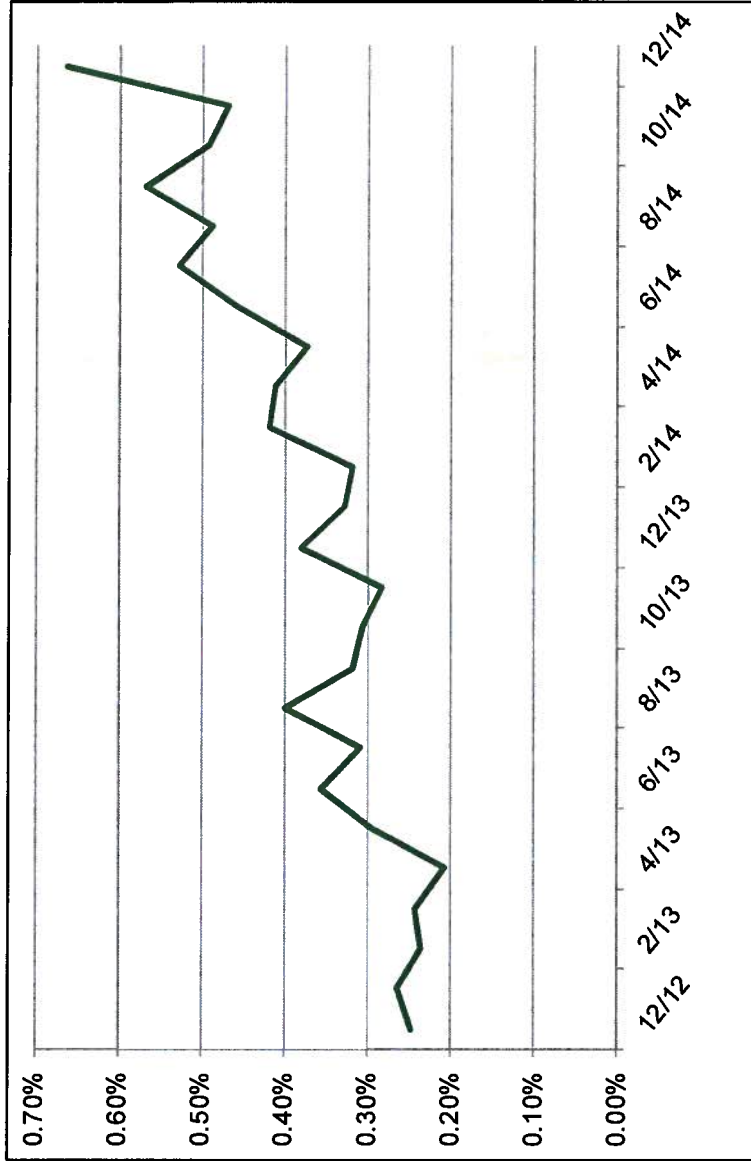
In November, overall CPI inflation declined to at 1.3% on a year-over-year basis from 1.7% in October. The year-over-year Core CPI (CPI less food and energy) also declined to 1.7% in November from 1.8% in October.



Source: U.S. Department of Commerce

Real annualized GDP growth for the third quarter of 2014 was revised up to 5.0% from the second estimate of 3.9%. Personal consumption expenditures (particularly in the Services sector) and nonresidential fixed investment increased more than previously estimated. The third quarter gain follows GDP growth of 4.6% in the second quarter, and a 2.1% decline in GDP during the first quarter.

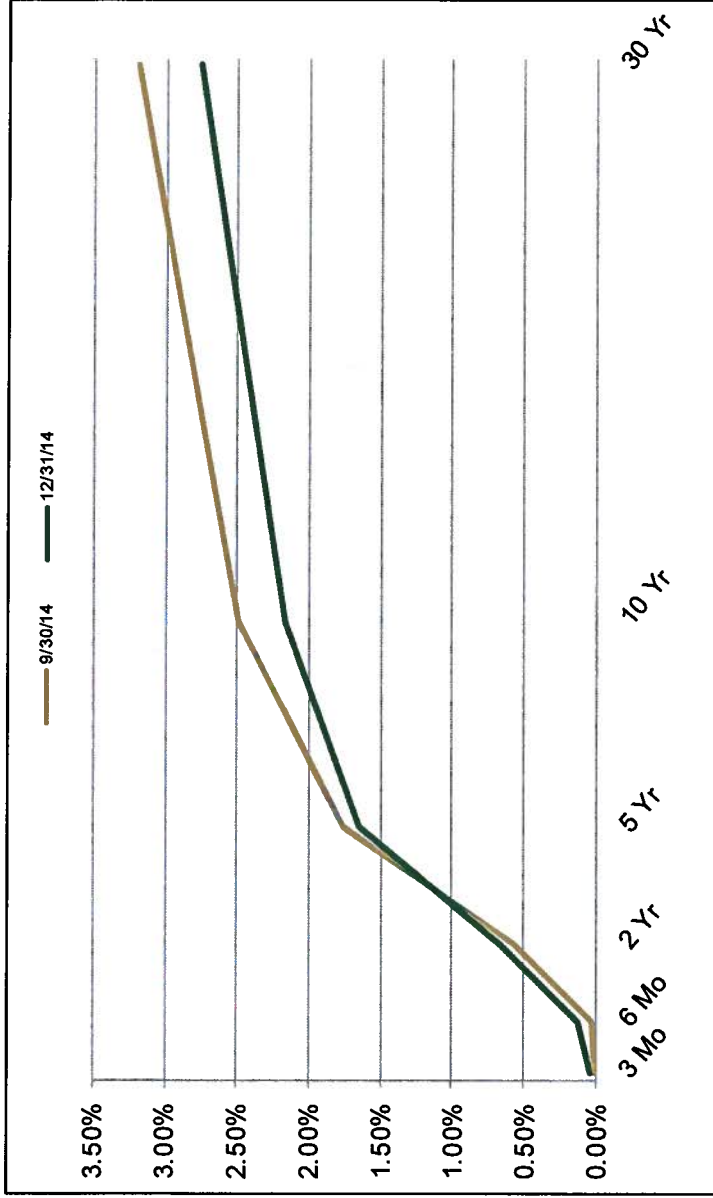
Yield on the Two-Year Note
December 2012 through December 2014



Source: Bloomberg

The yield on the two-year Treasury note increased in December, following two months of declines. Domestic economic data continued to be fairly solid in December, but concerns about weak global economic growth (particularly in Europe) remained elevated.

September 30, 2014 and December 31, 2014



Source: Bloomberg

During the past three months, the yield curve flattened. Concerns about weak global economic growth has kept downward pressure on longer US Treasury yields, even as the Fed has signaled the possibility of a fed funds rate hike this year.