



THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

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M E M O R A N D U M

DATE: July 21, 2016

TO: Members, Planning and Budget Committee Members, Board of Trustees

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Investment Report for the Second Quarter Ended June 30, 2016

Attached is the quarterly investment report for the State Bar of California as of June 30, 2016. The report is presented in a format that conforms to the investment policy adopted by the Board of Governors in May 2005. As of the end of June, the market value of the State Bar's investment portfolio totaled \$145.5 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.65%, compared to 0.27% in 2015. Actual investment earnings increased approximately 230.45% from \$137,265 at the second quarter in 2015 to \$453,597 in 2016. The increase in investment earnings is due to a larger investment portfolio after receiving the \$44.7 million settlement grant from Bank of America. The higher rate of return is due to investments in bonds with longer durations compared to the prior year.

The unrealized gain for the reporting quarter is \$78,654, which will be amortized over the life of the bonds. This unrealized gain will eventually offset the effect on investment income when the bonds mature. An unrealized gain is a bond discount incurred when a bond is purchased at a price less than its face value. A bond is traded at a discount when it offers a coupon rate that is below their prevailing interest rates, a reflection of rising interest rates in the existing bond market. This unrealized gain is considered to be a "paper gain" because all investments are held to maturity.

The State Bar of California
Investment Report Summary
June 30, 2016

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Wells Fargo Custody Account:				
- Government Bonds	77,358,294	77,431,248	53.23%	0.75%
- Corporate Bonds	2,999,250	3,004,950	2.07%	1.12%
- Common Stock-Metlife Inc.	116,941	116,941	0.08%	N.A
- Interest Receivable	-	144,693	0.10%	N.A
Subtotal-Securities, Bonds and Notes	80,474,485	80,697,832	55.47%	
Local Agency Investment Fund	64,730,632	64,778,563	44.53%	0.51%
Subtotal-Other Investments	64,730,632	64,778,563	44.53%	
Grand Total	145,205,117	145,476,395	100%	0.65%

Unrealized Gain/(Loss)-Securities, Bonds and Notes:

Market Value of Portfolio	80,553,139
Original Cost of Portfolio	80,474,485
Unrealized Gain/(Loss):	<u>78,654</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of June 30, 2016

Issuer	CUSIP #	S&P Rating	Type	Par Value	Cost	Mkt Value	Interest Receivable	Unrealized Gain/(Loss)	*Yield	Trade/ Purchase Date	Maturity Date
FED FARM CREDIT BANK	3133EDMB5	AA+	Government Agency	3,000,000	3,003,720	3,000,630	5,333	(3,090)	0.41%	03/30/15	08/23/16
FED FARM CREDIT BANK	3133EEZB9	AA+	Government Agency	3,000,000	3,002,520	3,000,060	3,938	(2,460)	0.39%	04/14/15	09/16/16
FED HOME LN MTG CORP	3134G6PJ6	AA+	Government Agency	3,000,000	3,006,090	3,001,440	97	(4,650)	0.46%	04/14/15	12/29/16
FED HOME LN MTG CORP	3137EADU0	AA+	Government Agency	3,000,000	2,999,970	2,999,850	6,417	(120)	0.50%	03/30/15	01/27/17
FED HOME LOAN BANK	3130A4M41	AA+	Government Agency	3,000,000	3,011,880	3,005,880	4,875	(6,000)	0.55%	04/14/15	04/13/17
FED HOME LOAN BANK	3130A4U42	AA+	Government Agency	3,000,000	3,005,580	3,007,560	67	1,980	0.65%	03/29/16	06/30/17
FED FARM CREDIT BANK	3133EFK30	AA+	Government Agency	3,000,000	3,000,780	3,004,260	7,315	3,480	0.75%	03/09/16	07/07/17
FED HOME LN MTG CORP	3137EADV8	AA+	Government Agency	3,000,000	2,995,050	3,004,470	10,438	9,420	0.86%	01/08/16	07/14/17
FED FARM CREDIT BANK	3133EE4K3	AA+	Government Agency	3,000,000	3,003,810	3,002,490	9,600	(1,320)	0.63%	02/16/16	07/21/17
FED HOME LOAN BANK	3130A62S5	AA+	Government Agency	2,000,000	1,995,480	2,003,220	5,125	7,740	0.89%	01/11/16	08/28/17
FED FARM CREDIT BANK	3133EFPH4	AA+	Government Agency	3,000,000	2,999,970	3,012,360	3,410	12,390	0.93%	01/11/16	11/17/17
FED HOME LOAN BANK	313381B20	AA+	Government Agency	3,000,000	2,999,970	3,004,500	1,438	4,530	0.75%	02/19/16	12/08/17
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	3,002,820	3,005,130	10,563	2,310	0.70%	02/16/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	2,997,780	3,005,130	10,563	7,350	0.79%	03/08/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	1,800,000	1,799,514	1,803,078	6,338	3,564	0.77%	03/29/16	01/12/18
FED FARM CREDIT BANK	3133EFV87	AA+	Government Agency	3,000,000	3,004,140	3,010,590	6,708	6,450	0.81%	03/29/16	03/29/18
FED HOME LN MTG CORP	3137EAEA3	AA+	Government Agency	5,000,000	4,995,300	5,005,750	8,750	10,450	0.80%	05/17/16	04/09/18
FED FARM CREDIT BANK	3133EGAF2	AA+	Government Agency	5,000,000	4,995,050	5,005,900	4,688	10,850	0.80%	05/17/16	05/16/18
FED HOME LN MTG CORP**	3134G8Y60	AA+	Government Agency	3,500,000	3,500,000	3,502,030	6,222	2,030	1.00%	04/28/16	07/27/18
FED HOME LN MTG CORP**	3134G8XA2	AA+	Government Agency	5,000,000	5,000,000	5,005,750	8,889	5,750	1.00%	04/28/16	07/27/18
FED FARM CREDIT BANK	3133EGFQ3	AA+	Government Agency	3,000,000	3,010,170	3,007,350	1,240	(2,820)	0.72%	06/24/16	09/14/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	5,000,000	5,010,550	5,019,450	11,467	8,900	0.87%	05/17/16	10/05/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	3,000,000	3,018,150	3,011,670	6,880	(6,480)	0.69%	06/29/16	10/05/18
FED HOME LN MTG CORP	3134G9HV2	AA+	Government Agency	2,000,000	2,000,000	2,002,700	1,944	2,700	1.00%	05/17/16	11/26/18
TOTAL GOVERNMENT BONDS AND NOTES:				77,300,000	77,358,294	77,431,248	142,301	72,954	0.75%		
CHEVRON CORP	166764AA8	AA-	Corporate Bonds	3,000,000	2,999,250	3,004,950	2,392	5,700	1.12%	05/17/16	12/05/17
TOTAL CORPORATE BONDS :				3,000,000	2,999,250	3,004,950	2,392	5,700	1.12%		
METLIFE INC	59156R108	N/A	Common Stock	-	-	116,941	-	116,941			
TOTAL COMMON STOCKS:				-	-	116,941	-	116,941			
TOTAL INVESTMENT HELD BY WELLS FARGO:				80,300,000	80,357,544	80,553,139	144,693	195,595			

Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]:

80,697,832