



WEALTH MANAGEMENT GROUP

BANK OF STOCKTON

Objective: To design an investment strategy that aligns with the “*Local Agency Investment Guidelines*” as released by the California Debt and Investment Advisory Commission and to the City of Angels Investment Policy Statement. Consistent with this goal, the portfolio will seek to maximize yield, keep high levels of liquidity and protect principal.

Proposed Portfolio Outcomes	
Expected Yield (Gross of Fee) ¹	4.9%
Expected Yield (Net of Fee) ²	4.3%
Expected Long-Term Annual Return (Net of Fee) ³	4.9%

The proposed portfolio is designed to maximize yield for a longer period of time and supporting the programs of the pool of assets for a longer duration than would be available using just money market investments.

That is done by investing a significant percentage of the assets on the back ½ of the 5-year maturity cap while maximizing both yield and liquidity.

¹ - This is the expected yield for year 1. Future periods yield will be a combination of current yields available and the yields available for assets that are reinvested (reinvestment risk) that may be lower than current rates.

² - Assumes a fee of 0.6% per annum.

³ - Expected Long-Term Annual Return is based on JP Morgan’s Capital Market Expectations and the expected return of the assets in the portfolio. It is projected as the expected returns over a 10-year period and is not guaranteed. This expected return will change as market conditions change.

How will the Assets be Invested?

Investment	Range	Liquidity	Expected Current Yield	Notes
Investment Grade Corporate Bonds (Rated A or Better)	25% - 30%	Medium	5.4%	1/3 maturing in year 3, 4 and 5.
Taxable Municipal Bonds	15% - 25%	Medium	5.1%	1/3 maturing in year 3, 4 and 5.
US Agency Bonds	10% - 30%	Medium	5.3%	1/3 maturing in year 3,4 and 5.
Non-negotiable Certificates of Deposit	10% - 30%	None	5.3%	1/5 maturing in each year
Equity Mutual Funds	10% - 15%	High	1%	
Money Market	5% - 7%	High	5.25%	
Short-Term US Treasuries	0 – 15%	High	5.1%	Less than 1 Yr to Maturity

SOME OF THE INVESTMENTS PURCHASED THROUGH THE BANK OF STOCKTON WEALTH MANAGEMENT GROUP ARE NOT INSURED BY THE FDIC AND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED BY, THE BANK OF STOCKTON, OR ANY AFFILIATE. INVESTMENTS INVOLVE RISK, AND MAY LOSE VALUE