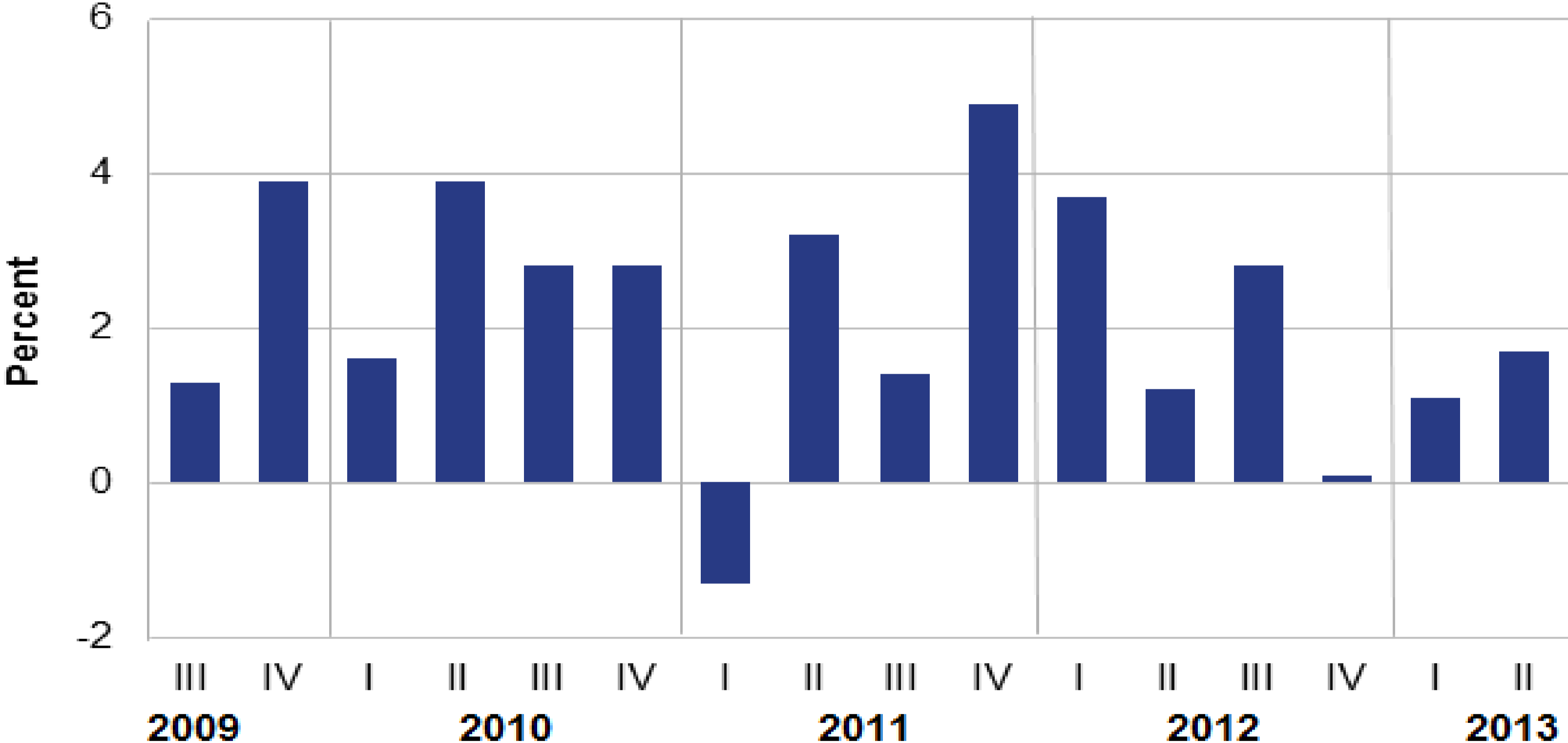


# **2Q13 Investment Results for the Management Committee**

**08-14-13**

# Gross Domestic Product

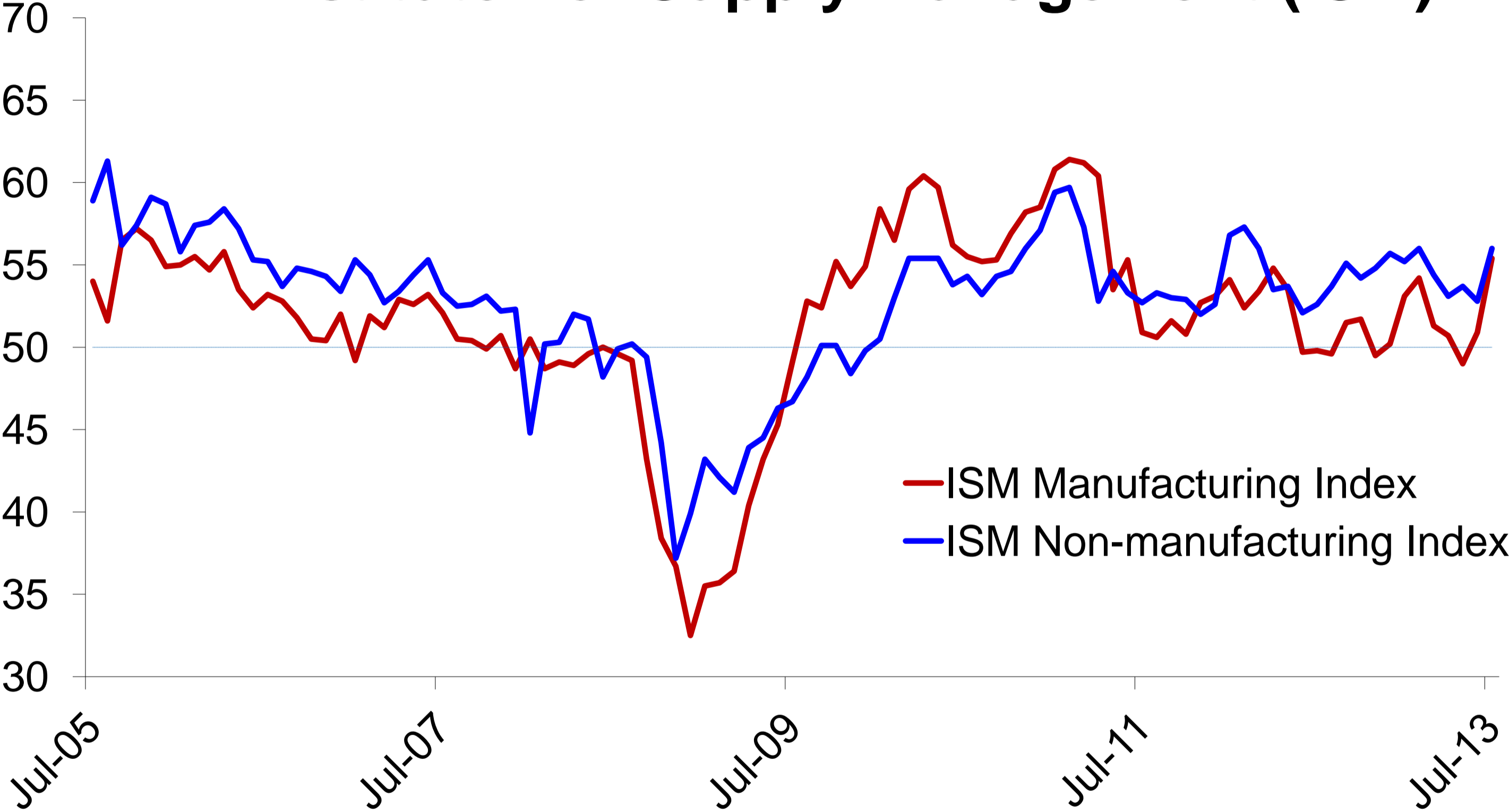
### Quarter-to-Quarter Growth in Real GDP



*Real GDP growth is measured at seasonally adjusted annual rates.*

# Manufacturing

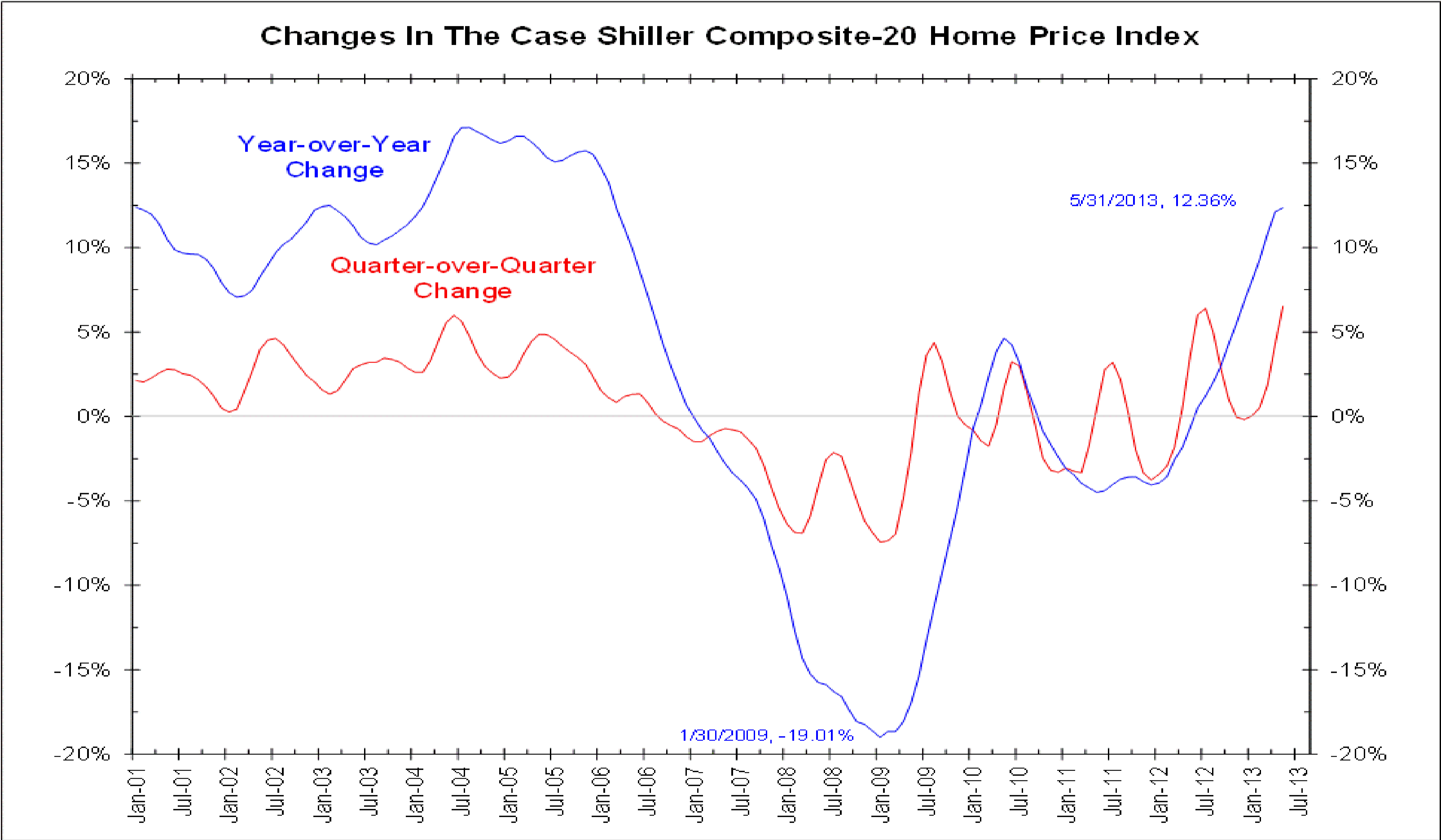
## Institute For Supply Management (ISM)



Source: Metropolitan Council, Bloomberg



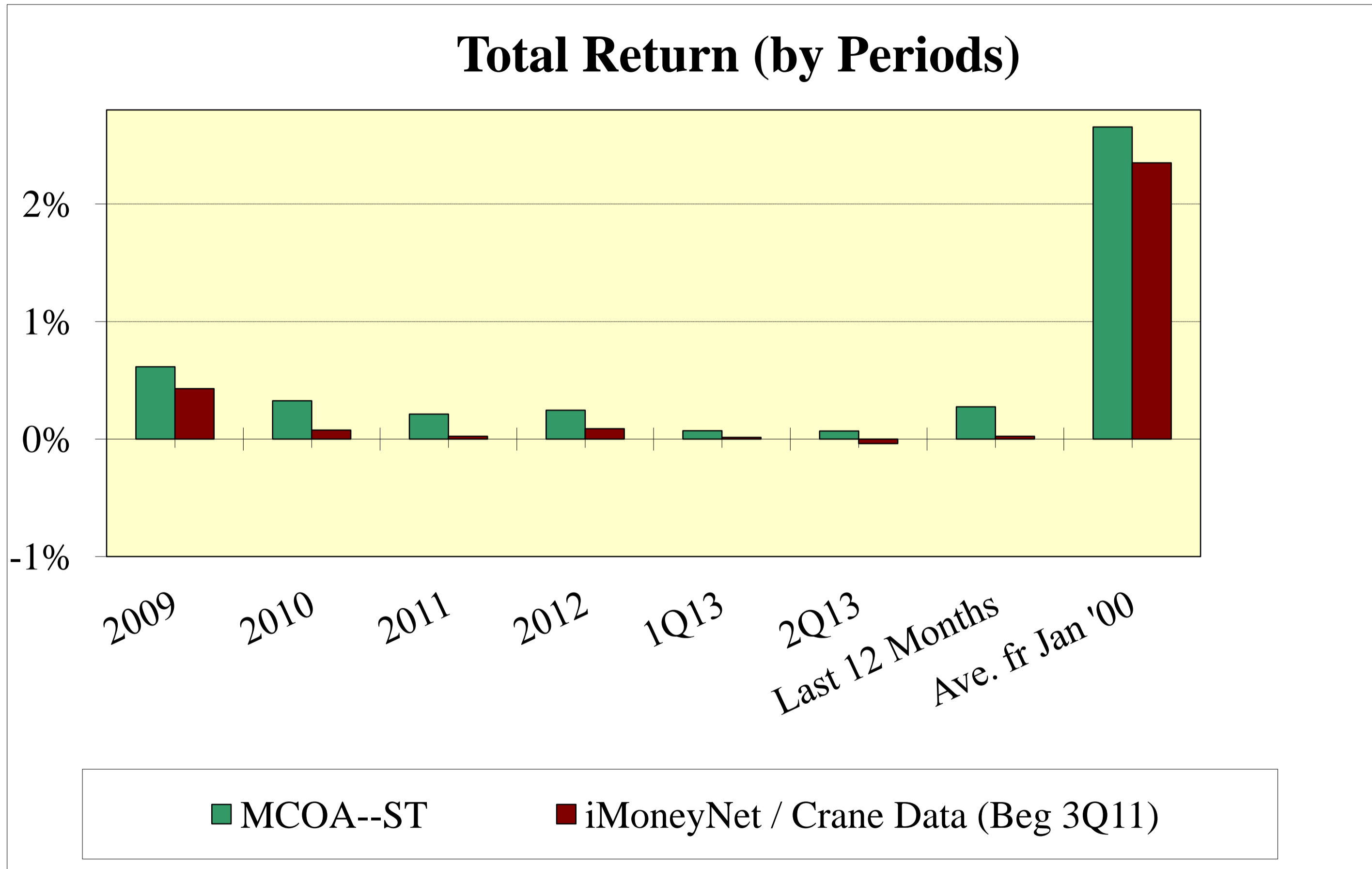
# S&P/Case-Schiller Index



Source: Metropolitan Council, Bloomberg



# Total Return, ST Portfolio



Source: Metropolitan Council, Bloomberg

# Short Term Yields

Rates	<u>06-30-13</u>	<u>08-08-13</u>
30-Day Commercial Paper	0.16%	0.10%
Federated Prime/Govt. Fund	0.05/0.01%	0.04/0.01%
Goldman Sachs Prime/Govt. Fund	0.05/0.01%	0.02/0.01%
US Bank ECR	0.22%	0.22%

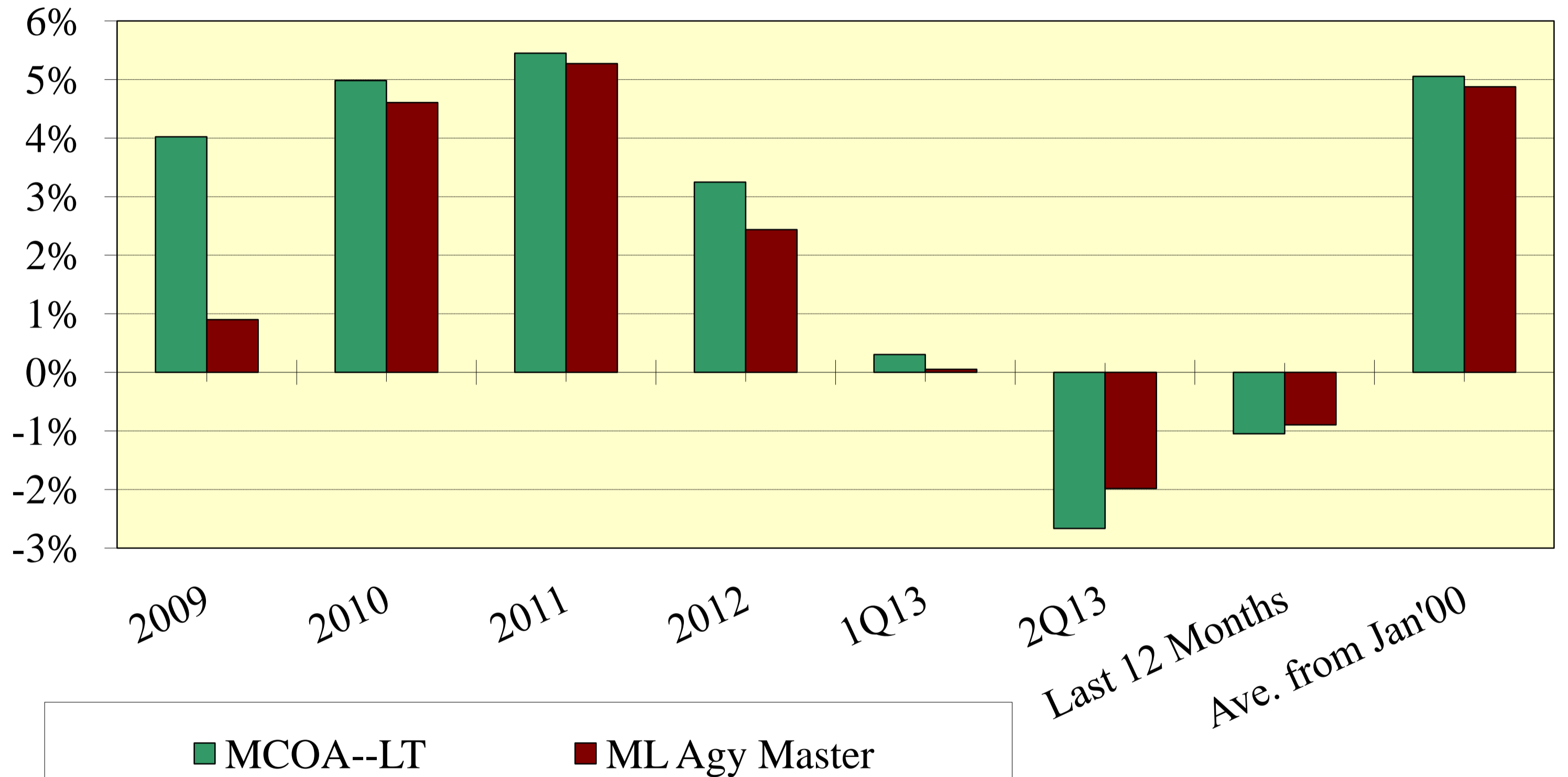
Source: Goldman Sachs, US Bank, Bloomberg

# Expectations: ST Port

- Short rates stay low until FRB reverses course.
- Search for alternative investments to replace Prime MMF asset class
- Continue to invest in short munis, commercial paper and Government MMFs.

# Total Return, LT Portfolio

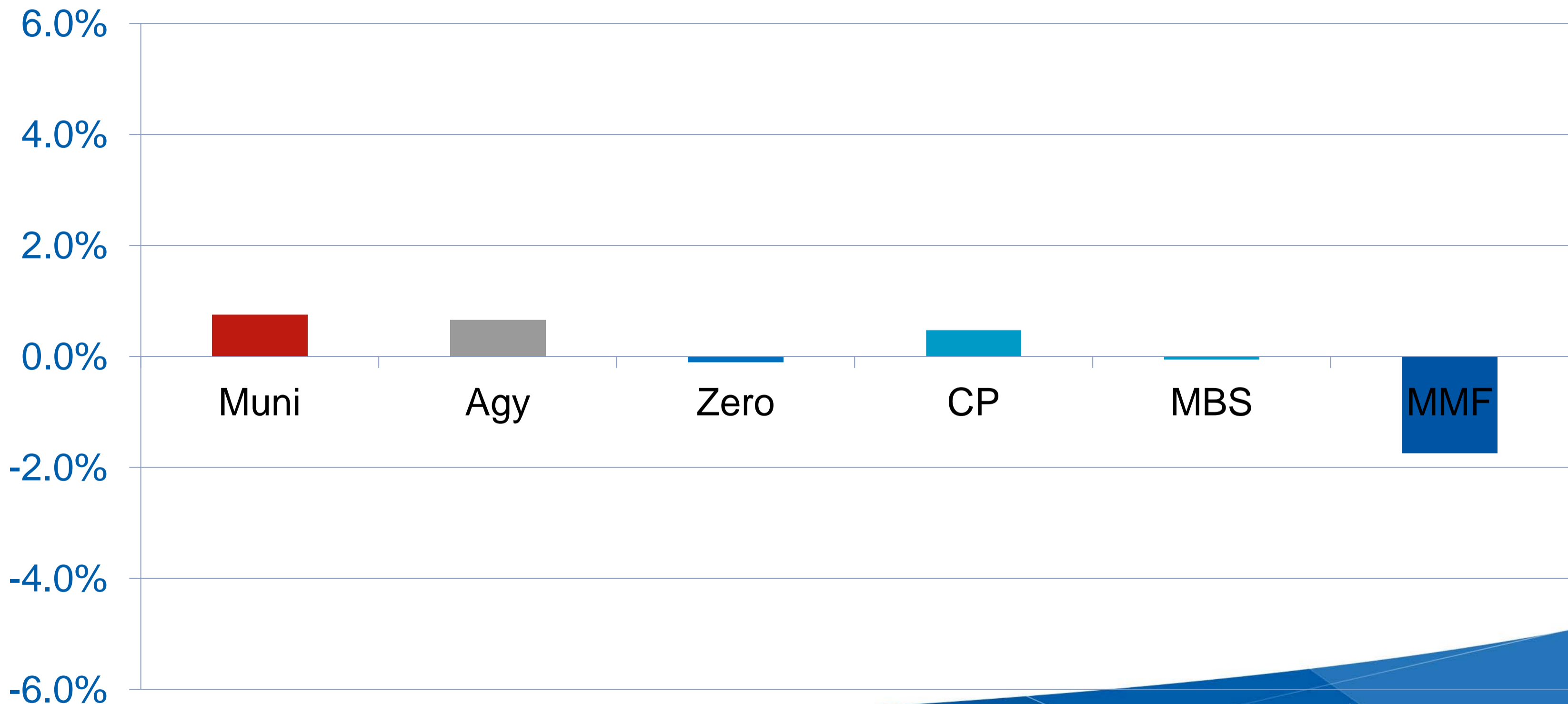
Total Return (by Periods)



Source: Metropolitan Council, Bloomberg



# Changes to Sector Allocation, 2Q13 vs. 1Q13



Source: Metropolitan Council

# Future Economic Environment

- LT rates have inched up a bit and may continue to rise but will be constrained by the economy's low growth expectations.
- Inflation concerns: Watch capacity utilization, unemployment reductions, growth in average hourly wages, influences of international markets; and, commodity inflation.

# Investment Plans for Long-term Portfolio

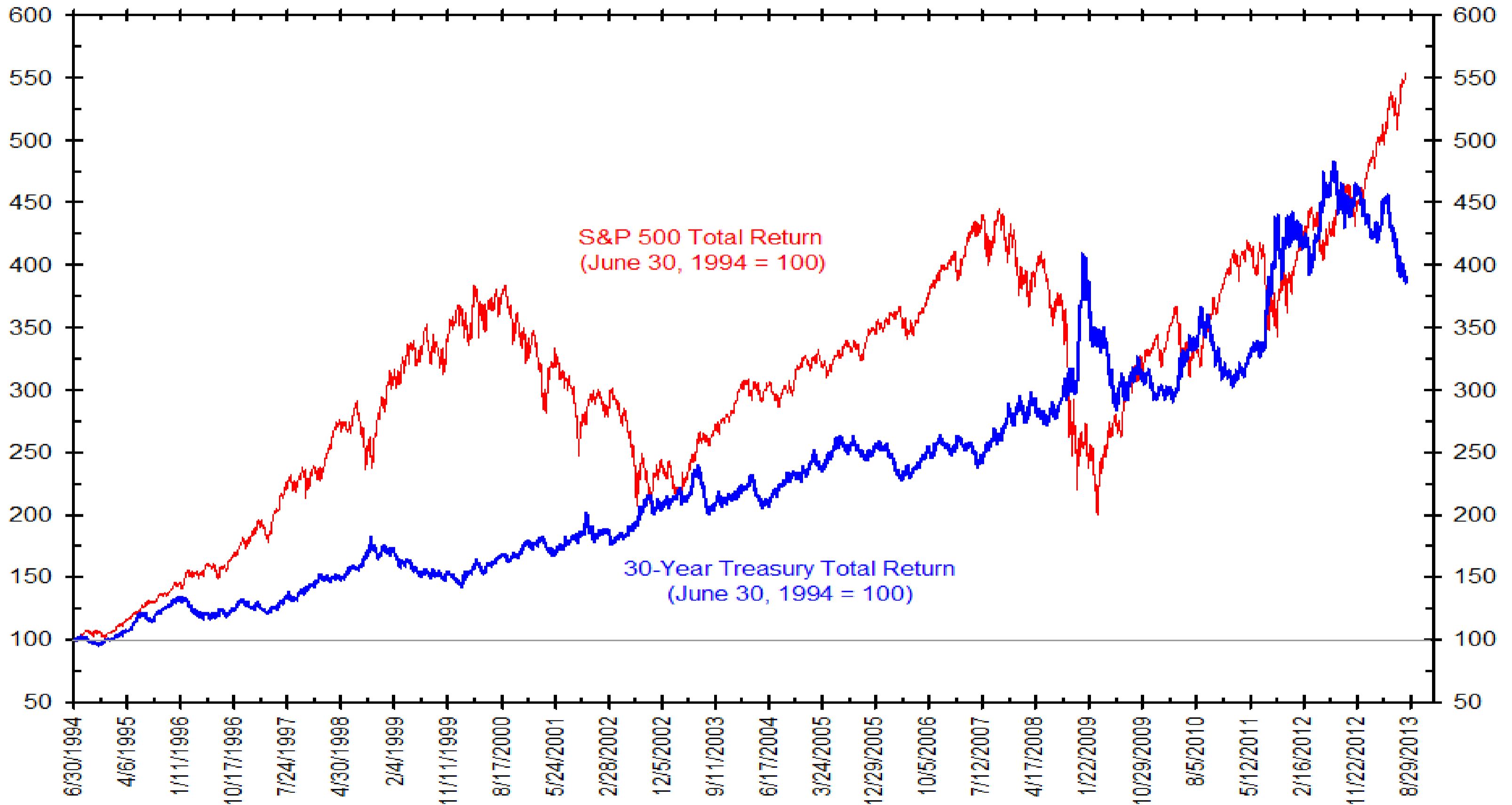
- Maintain adequate liquidity to fund shortfalls in the short term portfolio.
- As rates rise, invest in some mortgage backed securities, CP's and good credit quality municipal bonds.

# OPEB 2Q13 Port Results

- S&P 500 Index @ 2.91%; OPEB @ 2.89%
- 2Q13 unrealized gain is \$ 3.45M
- Value: 03-31-13: \$ 145.80MM  
06-30-13: \$ 151.5MM  
08-08-13: \$ 160.9MM
- 100% allocation to equities

# S&P vs. Bonds

Stocks Vs Bonds Since *Stocks For The Long Run* Was Published



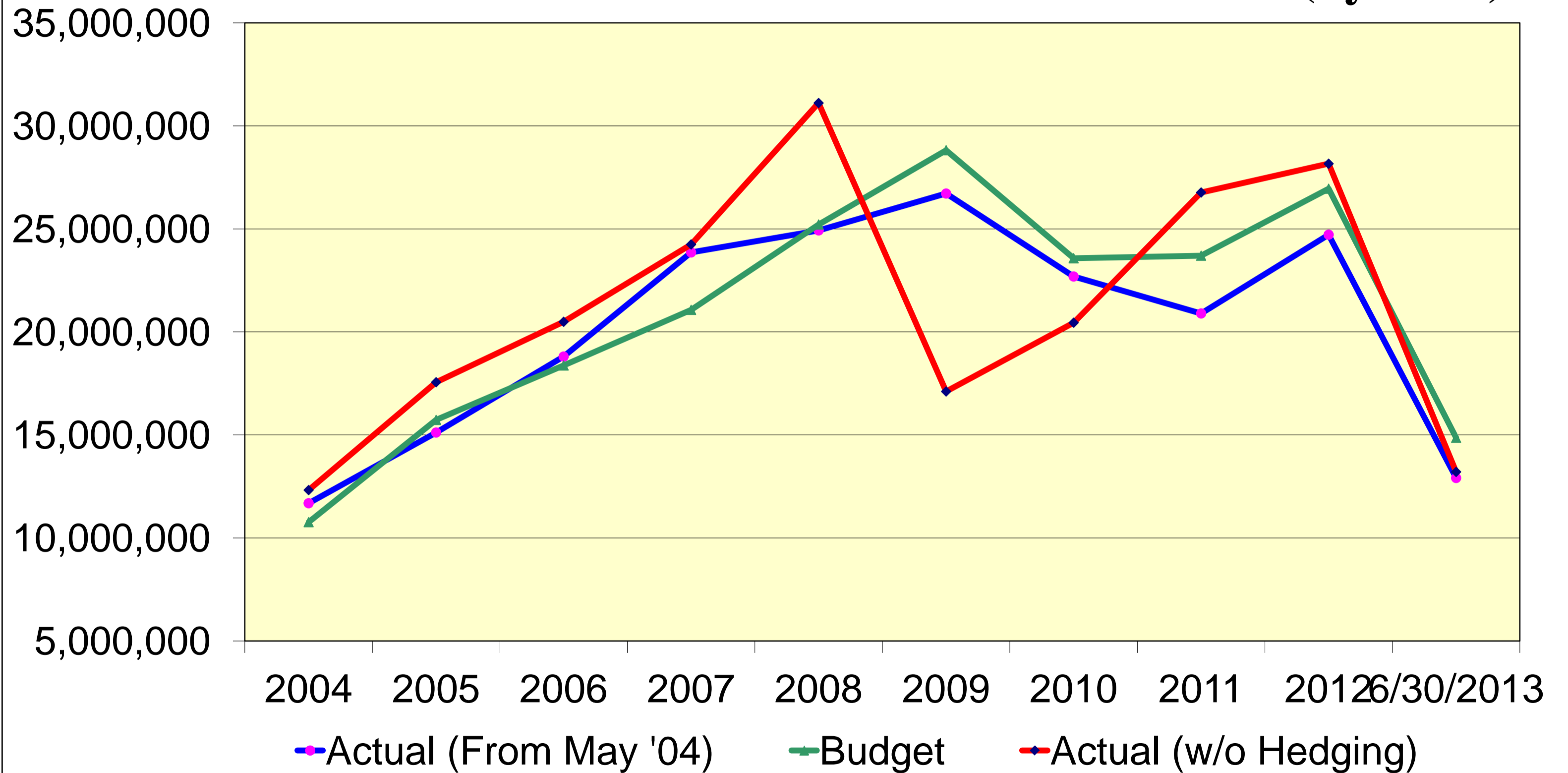
Source: Bianco Research

# Expectations: OPEB

- Stay primarily invested in equities in 2013.
- Cash and long bonds have low yields; long bonds have price risk if rates rise.

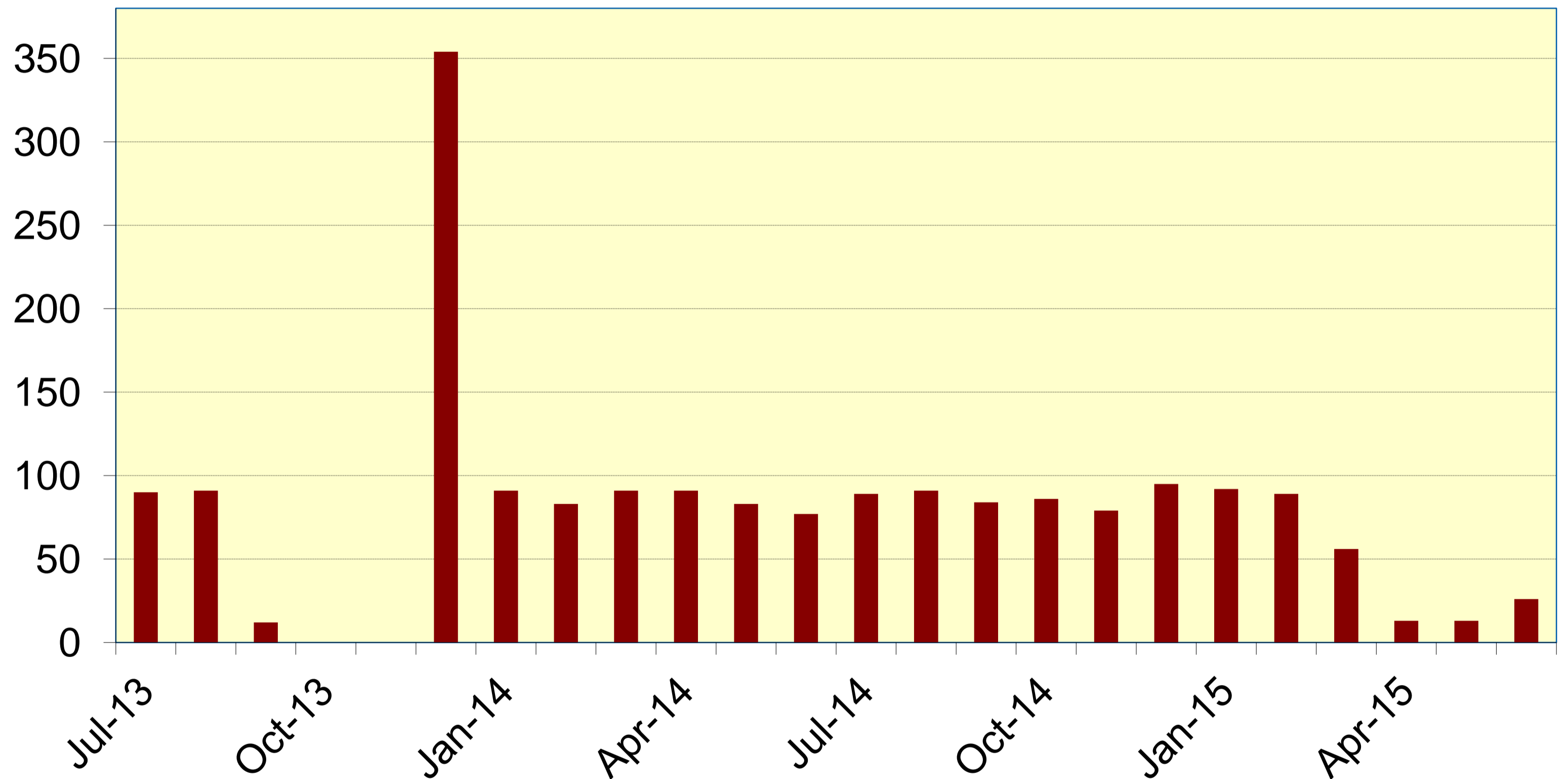
# Diesel Hedging— Budget vs. Actual

## DIESEL HEDGING IMPACT ON BUDGET (by Year)



Source: Metropolitan Council

# Monthly Hedged Ratios, Heating Oil Fut. Contracts



Source: Metropolitan Council



# Expectations: HO (diesel)

- In the short-run, price will remain volatile due to ever changing supply and demand factors.
- Later in 2013, some price decline is expected as global economic growth slows down.

# Questions

