



# City of San Diego

## Pooled Investment Fund Quarterly Review

Quarter ended

6/30/2009

Publication Date: 8/25/2009

### Office of the City Treasurer—Investments Division

#### Economic Commentary

Though the economic environment remained pretty bleak during the last quarter, signs of a nascent recovery have started to appear.

For instance, the ISM Manufacturing and Non-Manufacturing indices, which measure activity in the goods and services areas of the economy, both appear to have bottomed and showed month-over-month increases in their June readings. Though both indices are still below 50, which signals economic contraction, the bottoming and subsequent improvement in these indices has occurred at the bottom of past economic cycles, and can be seen as a potential harbinger of recovery in the current cycle.

Other economic figures have also turned “less bad” recently, including some relating to the housing market. The S&P Case-

Shiller 20-city home price index came in at -18.1% year-over-year for April, the slowest pace of decline since October. Pending and existing home sales figures have also bounced off of their cycle lows, which may indicate at least a beginning of a stabilization in the housing market.

Labor markets have sent mixed signals lately. Though the unemployment rate stands at a decades-high reading of 9.5% (see Chart 1), the pace of job losses has slowed, with the latest quarterly average non-farm payroll loss decreasing from 691,000 jobs lost per month on average during Q1 2009 to 436,000 jobs lost per month on average last quarter. Additionally, while the weekly jobless claims number have shown improvement over the past month, and may have peaked in March, the continuing claims figure

continues to set record highs.

The 3-month LIBOR (London Interbank Offer Rate), which is the rate banks will loan to each other for a 3-month tenor and is seen as a gauge for the health of the banking system, continued its slide from the highs reached in the fall of 2008, and closed the quarter at roughly 0.60%. This is important because it signals lower perceived counterparty risk as banks are willing to lend to each other at lower rates. Also, since many consumer loans are tied to LIBOR, the cost of consumer credit has also declined.

The past quarter also saw the rotation of investor money from risk-free U.S. Treasury debt into risky asset classes such as corporate bonds, asset-backed securities and equities. The S&P 500 stock index was higher by almost 16% for the quarter, as investors bought up shares in hopes that the worst of the current recession may have passed.

Many economists are calling for economic expansion as early as this quarter, as consumers become more confident with their own financial situation and production of goods ramps up to replenish depleted inventories. It is expected that the stimulus package passed by Congress in Q1 2009 will continue to bolster the economy for the next several quarters, though some legislators have already begun calling for a second stimulus package.

#### Quarterly Economic Highlights

- The U.S. unemployment rate reached 9.5% in June, the highest level since 1983.
- General Motors and Chrysler both filed for Chapter 11 bankruptcy protection.
- 10-year U.S. Treasury rates rose from 2.67% to 3.54% on concerns about the large upcoming Treasury supply needed to finance the budget deficit.
- Crude oil rose to \$69.89 per barrel, an increase of 29% for the quarter, though well below its 2008 high of \$145.29.

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Chart 1: U.S. Unemployment Rate June 1979-June 2009

(Source: Bloomberg)

## Hot Topic Corner— Year End Review

As we enter into a new fiscal year, it seems only appropriate to reflect back on the roller coaster previous year. I love new fiscal years since it is a kind of restart. Budgets get replenished and everyone's outlook becomes a little more optimistic.

This last fiscal year seemed more like a chapter from Alice in Wonderland or Charlie and the Chocolate Factory with all the lunacy that happened. Who would have guessed that the top 4 investment banks would be gone, 2 American car companies would be in bankruptcy, Fannie & Freddie put in conservatorship, and that is sadly only the tip of the iceberg.

What should people look for in FY10? While the economy has made great strides toward a recovery, the damage to the economy was in the trillions of dollars. This huge blow to the consumer, which represents about 65% of GDP, has been devastating. Just look at the savings rate jumping to over 5% from essentially 0% and consumer confidence shattering through previous all time record lows. Also, this recession is global so the U.S. will not be able to simply export its way out. The key will be job growth since this recession has seen over six million people lose their jobs. It is not enough for job losses to stop, but new

hiring must also occur. Without job growth, consumers will not feel secure in their spending and we'll continue to see sub par spending and income reports. The good news is with this employment slack and overcapacity in production, inflation should not be a primary concern in the near future. The US economy is likely to have a very slow recovery with bumps along the way but the good news is the bottom of the recession has likely occurred and we are on our way to a slow recovery.

On a brighter note, FY09 was a very good year for the Investments Division. Despite record volatility, the core portfolio recorded an impressive

64 basis point outperformance over its benchmark and the overall pool earned a remarkable total rate of return of 5.02%. The division also created and fully tested its own business continuity plan to assure the City's monies will still be invested in the event of a short or long term disruption to the division's operations. Additionally, the format for the quarterly report was revised and brought into the 21st century. We also participated in the development and implementation of the OneSD FLO project and were on the City's financing team for the plethora of bond/note issues brought to market this year.

-Kent J Morris, CIO

## Key Economic Indicators

| <i>Indicator</i>                        | <i>Period</i> | <i>Report Current</i> | <i>As Reported Last Quarter</i> | <i>Difference</i> |
|---|---------------|-----------------------|---------------------------------|-------------------|
| Federal Funds Rate                      | 6/24/09       | 0-0.25%               | 0-0.25%                         | 0%                |
| Consumer Price Index (MoM)              | JUN           | 0.7%                  | (0.1%)                          | 0.8%              |
| Consumer Price Index (YoY)              | JUN           | (1.4%)                | (0.4%)                          | (1.0%)            |
| Producer Price Index (MoM)              | JUN           | 1.8%                  | (1.2%)                          | 3.0%              |
| Producer Price Index (YoY)              | JUN           | (4.6%)                | (3.5%)                          | (1.1%)            |
| Durable Goods Orders                    | JUN           | (2.5%)                | (0.8%)                          | (1.7%)            |
| Gross Domestic Product (Annualized)     | Q2A           | (1.0%)                | (6.1%)                          | 5.1%              |
| ISM (Manufacturing)                     | JUN           | 44.8                  | 36.3                            | 8.5               |
| ISM (Non-manufacturing)                 | JUN           | 47.0                  | 40.8                            | 6.2               |
| Retail Sales                            | JUN           | 0.3%                  | (1.1%)                          | 1.4%              |
| Unemployment Rate                       | JUN           | 9.5%                  | 8.5%                            | 1.0%              |
| Change in Non-farm Payrolls             | JUN           | (467,000)             | (663,000)                       | 196,000           |
| Consumer Confidence (Univ. of Michigan) | JUN (Final)   | 66.0                  | 61.9                            | 4.1               |
| Existing Home Sales                     | JUN           | 4.89(mil)             | 4.57(mil)                       | .32(mil)          |
| New Home Sales                          | JUN           | 0.384(mil)            | 0.356(mil)                      | .028(mil)         |
| Housing Starts                          | JUN           | 582(mil)              | 510(mil)                        | 72(mil)           |
| Median Home Price (existing)            | JUN           | \$181,900             | \$174,900                       | \$7,000           |
| NYMEX WTI CRUDE OIL (barrel)            | 6/30/09       | \$69.89               | \$49.66                         | \$20.23           |
| S&P 500 Stock Index                     | 6/30/09       | 919.32                | 797.87                          | 121.45            |

## Portfolio Performance

The Core Portfolio outperformed its benchmark, the Merrill Lynch 1-3 year Treasury index, by 34 basis points over the past quarter, posting a return of 0.23% versus -0.11% for the index.

Chart 2 shows a bear steepening curve, with long end rates rising substantially over the past quarter. This was a result of both increased supply of Treasuries as well as a shift of investment monies from risk-free Treasury securities into more risky assets such as corporate bonds and equities.

For the quarter, positive contributors to portfolio performance relative to the benchmark included “amortization and roll effect,” which contributed 29 basis points of excess return, “sector effect,” which contributed 19 basis points of excess return, and “selection effect,” which

contributed 32 basis points of excess return.

Negative contributors of excess return for the quarter included “parallel duration effect,” which contributed -33 basis points of excess return and “income effect,” which contributed -14 basis points of excess returns. Note that the negative parallel duration effect contribution is a result of our analytics system using the 10-year treasury note as the pivot point for the calculation, and not reflective of our portfolio duration positioning, since we remained neutral to our benchmark duration during the quarter.

For the full fiscal year, the Core Portfolio outperformed the benchmark by 64 basis points. “Selection effect” provided 91 basis points of excess return versus the index and “amortization and roll effect” contributed 81 basis points of excess return. The largest

negative contributors of excess return for the fiscal year include “parallel duration effect” of -38 basis points, for the same reason previously mentioned, and

“income effect,” which contributed -47 basis points due to the portfolio being invested in more newly-issued and very liquid securities, which have lower coupons than the index average.

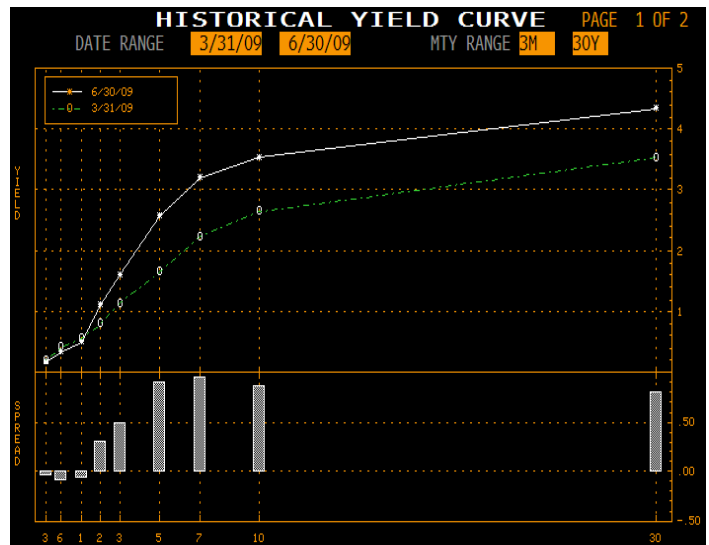


Chart 2: Treasury Yield Curve 3/31/09–6/30/09 (Source: Bloomberg)

## Returns

The City’s Total Pooled Investment fund is broken into a Liquidity portfolio, which is short-term in nature (0-1 year) and managed on an Earned Income Yield basis, and a Core portfolio, which is longer in maturity (0-5 years) and managed on a total-return basis versus an index (Merrill Lynch 1-3 Year Treasury Index).

### Earned Income Yield\*

|                                     | Q2 2009 | Q1 2009 | Q4 2008 | FYTD 2009 | 1 Year | 3 Year |
|-------------------------------------|---------|---------|---------|-----------|--------|--------|
| <b>Total Pooled Investment Fund</b> | 2.36%   | 3.51%   | 4.52%   | 3.59%     | 3.59%  | 4.39%  |
| <b>Core Portfolio</b>               | 3.07%   | 4.55%   | 5.83%   | 4.55%     | 4.55%  | 4.80%  |
| <b>Liquidity Portfolio</b>          | 1.12%   | 1.73%   | 2.34%   | 1.90%     | 1.90%  | 3.68%  |

### Total Return—Core Portfolio

|  | Q2 2009 | Q1 2009 | Q4 2008 | FYTD 2009 | 1 Year | 3 Year* |
|--|---------|---------|---------|-----------|--------|---------|
| <b>Core Portfolio</b>                          | 0.23%   | 0.21%   | 3.18%   | 5.02%     | 5.02%  | 5.91%   |
| <b>Merrill Lynch 1 - 3 Year Treasury Index</b> | (0.11%) | 0.09%   | 2.68%   | 4.38%     | 4.38%  | 5.59%   |
| <b>Difference</b>                              | 0.34%   | 0.12%   | 0.49%   | 0.64%     | 0.64%  | 0.32%   |

\*Annualized Returns

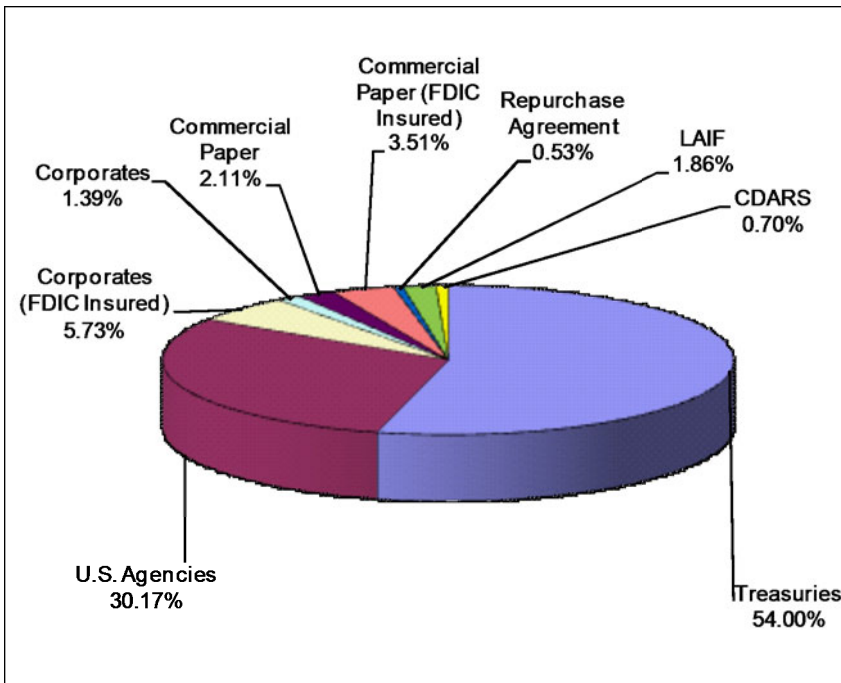
## Portfolio Profile

as of June 30, 2009

|                                   | <b>Liquidity</b> | <b>Core</b>     |
|-----------------------------------|------------------|-----------------|
| Portfolio Size                    | \$710,178,680    | \$1,420,569,082 |
| % of total pool                   | 33.33%           | 66.67%          |
| Portfolio Duration*               | 0.376            | 1.822           |
| Index Duration*                   | 0.375            | 1.896           |
| % of index                        | 100.27%          | 96.10%          |
| Weighted Average Days to Maturity | 138              | 698             |

\* Macaulay's Duration for fund 9997 and Effective Duration for fund 9998; Note: Portfolio durations do not include trades that settled 7/1/09.

### Asset Allocation



### Top Issuer Exposures

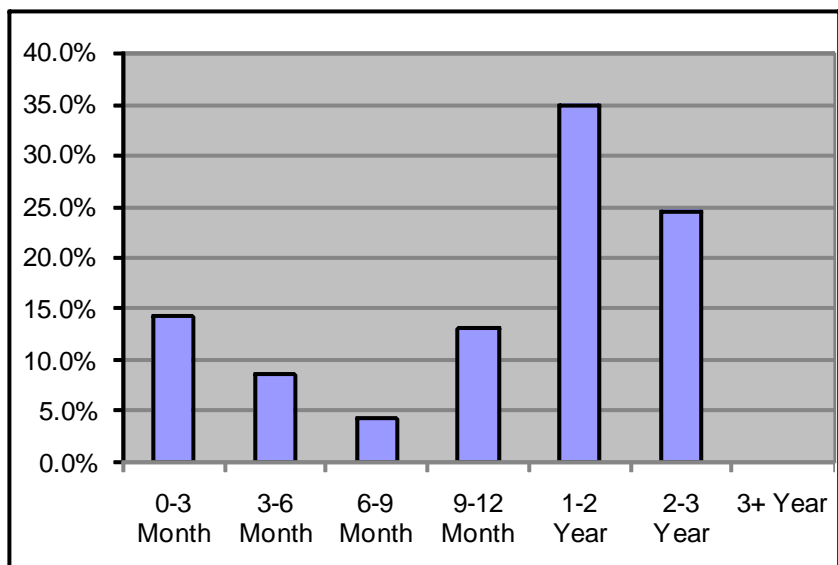
| Issuer                   | % of Portfolio |
|--------------------------|----------------|
| US Treasury              | 54.00%         |
| Federal Home Loan Bank   | 13.17%         |
| Fannie Mae               | 7.64%          |
| Freddie Mac              | 5.84%          |
| Federal Farm Credit Bank | 3.52%          |
| Citigroup Inc.           | 2.81%          |
| General Electric         | 2.57%          |
| JP Morgan Chase          | 1.51%          |
| Societe Generale         | 1.17%          |
| Toyota Motor Credit      | 0.94%          |
| Morgan Stanley           | 0.70%          |
| Walmart Inc.             | 0.59%          |
| Cisco Systems Inc.       | 0.50%          |
| Bank of America Corp.    | 0.47%          |
| Wells Fargo Corp.        | 0.47%          |
| Chevron Corp.            | 0.24%          |

### Credit Ratings

| Ratings Bucket    | % of Portfolio |
|-------------------|----------------|
| US Treasury (AAA) | 54.00%         |
| Agency (AAA)      | 30.17%         |
| AAA/A1            | 11.35%         |
| AA                | 0.84%          |
| A                 | 0.55%          |
| Below A           | 0.00%          |

- Commercial Paper is all rated A1 or A1+ and is included in the AAA/A1 bucket
- Repurchase agreement is not included, though it is collateralized at 102% by AAA-rated collateral with an A-rated counterparty
- CDARS is not included as it is comprised of FDIC-insured CDs
- LAIF is not included

### Pool Maturity Distribution



## Portfolio Strategy

Though the economic environment and financial markets have improved dramatically since the fall of 2008, we still find ourselves in a very challenging investment environment going forward.

Currently, short-term interest rates remain historically low, and the last Federal Open Market Committee meeting statement indicated that it is likely that rates will be kept exceptionally low for an extended period. In such an environment, the Liquidity portfolio yield will continue to move lower as higher-yielding investments mature and are replaced with new lower-yielding instruments.

Adding to the challenge is the fact that spreads of U.S. Agency securities are currently at or near all-time record tight levels versus Treasury securities. While this is good news since it indicates the government's efforts to restore investor confidence in these institutions have worked, it creates a substantial headwind to overall portfolio yield as well as to performance of the Core portfolio relative to our benchmark.

In this environment, some of the strategies we may undertake to maximize yield, while still adhering to our primary objectives of principal safety and liquidity, include

investing in callable agency structures and high-grade corporate names.

Agency callable securities allow us to realize extra yield while still maintaining the safety and liquidity of agency securities, and also tend to outperform bullet securities when interest rate volatility is low.

We also have begun looking at high-quality corporate names. With the exception of FDIC-insured issues, we have not invested in the bonds of financial issuers, and will probably avoid these issuers in the short term due to continued headline risk. However, we have recently invested in some industrial names like Cisco

Systems, Hewlett Packard and Chevron Corp., which have stable business models and strong credit metrics while providing additional yield for the portfolio.

We have taken a modest short duration position versus the index in our Core portfolio. While we do expect rates to remain range-bound near term, we feel downside risk is low as rates are currently at historical lows, and if they do begin to rise, we will be positioned to outperform our index as well as minimize losses to the portfolio in a rising rate environment. We will most likely increase our duration underweight over the next few quarters.

## Projected Portfolio Cash Flows

The Investment staff has reviewed and the City Treasurer has affirmed that the Pooled Investment Fund has sufficient maturities and liquidity to meet the City's expenditure requirements for the next six months per California Government Code §53646.

| MONTH     | CASH INFLOWS | CASH OUTFLOWS | NET MONTHLY CASH-FLOWS | CUMULATIVE NET CASHFLOWS |
|-----------|--------------|---------------|------------------------|--------------------------|
| July      | 407          | 375           | 32                     | 32                       |
| August    | 252          | 186           | 66                     | 98                       |
| September | 211          | 177           | 34                     | 132                      |
| October   | 265          | 202           | 63                     | 195                      |
| November  | 230          | 204           | 26                     | 221                      |
| December  | 312          | 237           | 75                     | 296                      |

(All dollar amounts in millions)

**Legend:**

Cash Inflows- All revenues, reimbursements, interest receipts and investment maturities.

Cash Outflows- All disbursements to include payroll, pension payroll, accounts payable and wire transfer payments (e.g. water payments, IRS taxes & bond payments).

Cumulative Net Cashflow- All future cumulative net flows available for reinvestment. Since the target duration of the Liquidity Portfolio is approximately .33 years it will not be unusual for the cumulative net Cashflow figure to equal or closely approximate the size of the Liquidity Portfolio.

Cashflows based on Actual Cashflows where applicable, otherwise, based on quarterly updated projection Cashflows.

## Portfolio Compliance with Investment Policy

The City of San Diego Pooled Investment Fund is in full compliance with the City Treasurer's Investment Policy, which is more restrictive than the California Government Code. The Investment Policy is reviewed annually by the City's Investment Advisory Committee and approved by the City Council.

| Category                                | Standard   | Comment                      |
|---|--|------------------------------|
| Duration (Core)                         | ML 1-3 Year +/-20%   | Complies - 96.10 %           |
| Duration (Liquidity)                    | US T-bill 3-6 months +/-40%  | Complies - 100.27 %          |
| Maximum Maturity                        | 5 years  | Complies                     |
| Agency Securities                       | 100% maximum   | Complies - 30.17%            |
| FNMA                                    | 33.3% maximum  | Complies- 7.64%              |
| FHLMC                                   | 33.3% maximum  | Complies - 5.84%             |
| FHLB                                    | 33.3% maximum  | Complies - 13.17%            |
| FFCB                                    | 33.3% maximum  | Complies - 3.52%             |
| Callable Securities                     | 30% maximum  | Complies - 8.82%             |
| MBS/CMO's                               | 5 yr maximum- 20% max.   | Complies - None in Portfolio |
| Asset-backed                            | 5 yr maximum- 20% max.   | Complies - None in Portfolio |
| Commercial Paper                        | A1/P1- 5% per issuer   | Complies                     |
|   | 25% maximum  | Complies - 5.62%             |
| Banker's Acceptances                    | A1/P1- 5% per issuer   | Complies - None in Portfolio |
|   | 40% maximum  | Complies - None in Portfolio |
| Medium Term Notes (includes Bank Notes) | 'A' Rating' by at least two agencies   | Complies                     |
|   | 3 year maximum   | Complies                     |
|   | 30% maximum  | Complies - 7.11%             |
| Mutual Funds                            | 20% maximum  | Complies - None in Portfolio |
| FDIC-insured Certificates of Deposit    | 1% maximum   | Complies - None in Portfolio |
| Certificate and Public Deposits         | 30% maximum  | Complies - None in Portfolio |
| Reverse Repos                           | 20% maximum  | Complies - None in Portfolio |
| Futures and Options                     | Prohibited   | Complies - None in Portfolio |
| Custody                                 | Bank trust dept.   | Complies - Bank of NY        |
| Exposure per issuer<br>(corporate)      | 5% of total portfolio  | Complies                     |
| Structured Notes                        | 8% maximum/no multiple index structures.   | Complies                     |
| Municipal Securities                    | 'A' Issuer Rating by an NRSRO  | Complies - None in Portfolio |
|   | 20% maximum  | Complies - None in Portfolio |
|   | 5% of total portfolio exposure per<br>Issuer or Insurer, excluding California Gen-<br>eral Obligations | Complies - None in Portfolio |



## City of San Diego Pooled Investment Fund Holdings as of June 30, 2009

| Security Type    | Issuer                 | Coupon | Maturity   | Par                       | Book                      | Market Value              |
|------------------|------------------------|--------|------------|---------------------------|---------------------------|---------------------------|
| US Treasury Bill | US Treasury            | 1.798  | 7/2/2009   | \$25,000,000.00           | \$24,650,388.89           | \$25,000,000.00           |
| US Treasury Bill | US Treasury            | 0.761  | 7/30/2009  | \$30,000,000.00           | \$29,840,824.17           | \$30,000,000.00           |
| US Treasury Bill | US Treasury            | 2.103  | 8/27/2009  | \$25,500,000.00           | \$24,959,266.13           | \$25,492,031.76           |
| US Treasury Bill | US Treasury            | 0.351  | 10/1/2009  | \$25,000,000.00           | \$24,957,343.75           | \$24,984,376.00           |
| US Treasury Bill | US Treasury            | 1.251  | 10/22/2009 | \$30,000,000.00           | \$29,631,997.50           | \$29,981,251.20           |
| US Treasury Bill | US Treasury            | 0.605  | 10/22/2009 | \$30,000,000.00           | \$29,880,512.50           | \$29,981,251.20           |
| US Treasury Note | US Treasury            | 4.625  | 11/15/2009 | \$25,000,000.00           | \$25,958,984.38           | \$25,398,438.00           |
| US Treasury Bill | US Treasury            | 0.285  | 11/27/2009 | \$25,000,000.00           | \$24,963,979.17           | \$24,968,750.00           |
| US Treasury Note | US Treasury            | 2.625  | 5/31/2010  | \$30,000,000.00           | \$30,004,687.50           | \$30,581,251.20           |
| US Treasury Note | US Treasury            | 2.625  | 5/31/2010  | \$15,000,000.00           | \$15,435,351.56           | \$15,290,625.60           |
| US Treasury Note | US Treasury            | 2.875  | 6/30/2010  | \$30,000,000.00           | \$30,133,593.75           | \$30,693,748.80           |
| US Treasury Note | US Treasury            | 2.875  | 6/30/2010  | \$20,000,000.00           | \$20,125,000.00           | \$20,462,499.20           |
| US Treasury Note | US Treasury            | 2.875  | 6/30/2010  | \$40,000,000.00           | \$41,246,875.00           | \$40,924,998.40           |
| US Treasury Note | US Treasury            | 2.375  | 8/31/2010  | \$25,000,000.00           | \$24,994,439.50           | \$25,515,624.00           |
| US Treasury Note | US Treasury            | 2.375  | 8/31/2010  | \$30,000,000.00           | \$30,869,531.25           | \$30,618,748.80           |
| US Treasury Note | US Treasury            | 2      | 9/30/2010  | \$10,000,000.00           | \$10,051,171.88           | \$10,171,875.20           |
| US Treasury Note | US Treasury            | 2      | 9/30/2010  | \$25,000,000.00           | \$25,119,140.63           | \$25,429,688.00           |
| US Treasury Note | US Treasury            | 1.5    | 10/31/2010 | \$55,000,000.00           | \$54,957,031.25           | \$55,618,750.00           |
| US Treasury Note | US Treasury            | 1.25   | 11/30/2010 | \$15,000,000.00           | \$15,055,078.12           | \$15,112,500.00           |
| US Treasury Note | US Treasury            | 0.875  | 12/31/2010 | \$35,000,000.00           | \$35,084,765.62           | \$35,043,750.00           |
| US Treasury Note | US Treasury            | 4.25   | 1/15/2011  | \$5,000,000.00            | \$4,954,492.18            | \$5,259,375.20            |
| US Treasury Note | US Treasury            | 4.25   | 1/15/2011  | \$50,000,000.00           | \$50,175,781.25           | \$52,593,752.00           |
| US Treasury Note | US Treasury            | 0.875  | 1/31/2011  | \$10,000,000.00           | \$10,004,625.62           | \$10,006,249.60           |
| US Treasury Note | US Treasury            | 0.875  | 3/31/2011  | \$25,000,000.00           | \$24,978,744.50           | \$24,968,750.00           |
| US Treasury Note | US Treasury            | 0.875  | 3/31/2011  | \$5,000,000.00            | \$4,998,341.44            | \$4,993,750.00            |
| US Treasury Note | US Treasury            | 0.875  | 4/30/2011  | \$65,000,000.00           | \$64,935,529.90           | \$64,817,188.80           |
| US Treasury Note | US Treasury            | 0.875  | 5/31/2011  | \$45,000,000.00           | \$44,955,372.69           | \$44,831,250.00           |
| US Treasury Note | US Treasury            | 0.875  | 5/31/2011  | \$25,000,000.00           | \$24,858,297.05           | \$24,906,250.00           |
| US Treasury Note | US Treasury            | 1.125  | 6/30/2011  | \$100,000,000.00          | \$99,820,733.00           | \$100,000,000.00          |
| US Treasury Note | US Treasury            | 4.875  | 7/31/2011  | \$30,000,000.00           | \$31,753,125.00           | \$32,268,748.80           |
| US Treasury Note | US Treasury            | 4.5    | 9/30/2011  | \$20,000,000.00           | \$21,070,312.50           | \$21,431,249.60           |
| US Treasury Note | US Treasury            | 1.375  | 2/15/2012  | \$35,000,000.00           | \$34,992,597.55           | \$34,967,186.80           |
| US Treasury Note | US Treasury            | 1.375  | 3/15/2012  | \$35,000,000.00           | \$35,230,044.16           | \$34,934,373.60           |
| US Treasury Note | US Treasury            | 1.375  | 4/15/2012  | \$15,000,000.00           | \$15,005,500.76           | \$14,943,750.00           |
| US Treasury Note | US Treasury            | 1.375  | 5/15/2012  | \$135,000,000.00          | \$134,917,000.68          | \$134,240,630.40          |
|                  | <b>Treasury Total</b>  |        |            | <b>\$1,145,500,000.00</b> | <b>\$1,150,570,460.83</b> | <b>\$1,156,432,662.16</b> |
| US Agency        | Fannie Mae             | 1.8    | 8/14/2009  | \$40,000,000.00           | \$39,452,000.00           | \$40,000,000.00           |
| US Agency        | Freddie Mac            | 2.55   | 9/14/2009  | \$25,000,000.00           | \$24,357,187.50           | \$24,992,187.50           |
| US Agency        | Freddie Mac            | 4.625  | 9/28/2009  | \$5,000,000.00            | \$5,000,000.00            | \$5,051,562.50            |
| US Agency        | Federal Home Loan Bank | 1.15   | 12/11/2009 | \$25,000,000.00           | \$25,086,310.00           | \$25,109,375.00           |
| US Agency        | Freddie Mac            | 0.34   | 1/4/2010   | \$30,000,000.00           | \$29,937,666.67           | \$29,953,125.00           |

## City of San Diego Pooled Investment Fund Holdings as of June 30, 2009 (continued)

| Security Type           | Issuer   | Coupon | Maturity   | Par                     | Book                    | Market Value            |
|-------------------------|--|--------|------------|-------------------------|-------------------------|-------------------------|
| US Agency               | Federal Home Loan Bank                         | 3.75   | 1/8/2010   | \$25,000,000.00         | \$25,823,958.33         | \$25,437,500.00         |
| US Agency               | Federal Home Loan Bank                         | 1.05   | 2/17/2010  | \$15,000,000.00         | \$15,000,000.00         | \$15,060,937.50         |
| US Agency               | Federal Home Loan Bank                         | 0.84   | 3/30/2010  | \$20,000,000.00         | \$19,830,600.00         | \$19,943,750.00         |
| US Agency               | Federal Home Loan Bank                         | 0.8    | 4/30/2010  | \$20,000,000.00         | \$20,000,000.00         | \$20,056,250.00         |
| US Agency               | Federal Home Loan Bank                         | 0.5    | 5/5/2010   | \$25,000,000.00         | \$25,000,000.00         | \$25,007,812.50         |
| US Agency               | Federal Farm Credit Bank                       | 0.65   | 5/18/2010  | \$20,000,000.00         | \$20,000,000.00         | \$20,006,250.00         |
| US Agency               | Federal Home Loan Bank                         | 0.5    | 6/1/2010   | \$20,000,000.00         | \$19,992,800.00         | \$20,000,000.00         |
| US Agency               | Federal Farm Credit Bank                       | 0.59   | 6/15/2010  | \$25,000,000.00         | \$25,000,000.00         | \$25,007,812.50         |
| US Agency               | Federal Home Loan Bank                         | 0.5    | 6/30/2010  | \$20,000,000.00         | \$20,000,000.00         | \$19,987,500.00         |
| US Agency               | Fannie Mae                                     | 3      | 7/12/2010  | \$25,000,000.00         | \$24,982,250.00         | \$25,632,812.50         |
| US Agency               | Federal Home Loan Bank                         | 3.5    | 7/16/2010  | \$25,000,000.00         | \$24,971,250.00         | \$25,632,812.50         |
| US Agency               | Fannie Mae                                     | 4.25   | 8/15/2010  | \$25,000,000.00         | \$25,522,250.00         | \$26,015,625.00         |
| US Agency               | Federal Home Loan Bank                         | 4.5    | 9/10/2010  | \$20,000,000.00         | \$20,074,800.00         | \$20,900,000.00         |
| US Agency               | Fannie Mae                                     | 2      | 2/11/2011  | \$25,000,000.00         | \$25,000,000.00         | \$25,171,875.00         |
| US Agency               | Fannie Mae                                     | 2      | 3/2/2011   | \$15,000,000.00         | \$14,997,000.00         | \$15,107,812.50         |
| US Agency               | Freddie Mac                                    | 1.75   | 4/20/2011  | \$15,000,000.00         | \$15,000,000.00         | \$15,075,000.00         |
| US Agency               | Federal Farm Credit Bank                       | 2.625  | 4/21/2011  | \$20,000,000.00         | \$19,937,000.00         | \$20,518,750.00         |
| US Agency               | Federal Home Loan Bank                         | 1.625  | 7/27/2011  | \$20,000,000.00         | \$19,981,000.00         | \$20,112,500.00         |
| US Agency               | Freddie Mac                                    | 2      | 1/27/2012  | \$15,000,000.00         | \$14,985,000.00         | \$15,018,750.00         |
| US Agency               | Fannie Mae                                     | 2.5    | 3/2/2012   | \$17,550,000.00         | \$17,847,306.75         | \$17,604,843.75         |
| US Agency               | Freddie Mac                                    | 2.125  | 3/23/2012  | \$25,000,000.00         | \$25,037,384.03         | \$25,226,562.50         |
| US Agency               | Freddie Mac                                    | 2.125  | 4/2/2012   | \$10,000,000.00         | \$10,047,395.83         | \$10,040,625.00         |
| US Agency               | Federal Home Loan Bank                         | 2.25   | 4/13/2012  | \$20,000,000.00         | \$19,980,000.00         | \$20,243,750.00         |
| US Agency               | Fannie Mae                                     | 1.875  | 4/20/2012  | \$15,000,000.00         | \$14,981,100.00         | \$15,060,937.50         |
| US Agency               | Federal Farm Credit Bank                       | 2.25   | 4/24/2012  | \$10,000,000.00         | \$9,999,800.00          | \$10,112,500.00         |
| US Agency               | Federal Home Loan Bank                         | 1.875  | 6/20/2012  | \$25,000,000.00         | \$24,978,000.00         | \$24,968,750.00         |
|                         | <b>U.S. Agency Total</b>                       |        |            | <b>\$642,550,000.00</b> | <b>\$642,802,059.11</b> | <b>\$648,057,968.75</b> |
| LAIF                    | California State Pool                          | 1.91   | 7/1/2009   | \$39,666,571.24         | \$39,666,571.24         | \$39,666,571.24         |
| Repurchase Agreement    | Overnight Repo                                 | 0.07   | 7/1/2009   | \$11,388,026.00         | \$11,388,026.00         | \$11,388,026.00         |
| Commercial Paper        | Toyota Motor Credit Corp.                      | 0.25   | 7/1/2009   | \$20,000,000.00         | \$19,999,027.78         | \$20,000,000.00         |
| Commercial Paper        | Societe Generale NA                            | 0.12   | 7/1/2009   | \$25,000,000.00         | \$24,999,916.67         | \$25,000,000.00         |
| Commercial Paper (FDIC) | Citigroup Funding Inc.                         | 0.2    | 7/13/2009  | \$15,000,000.00         | \$14,996,250.00         | \$14,998,500.00         |
| Commercial Paper (FDIC) | General Electric Capital Corp.                 | 0.75   | 7/17/2009  | \$25,000,000.00         | \$24,885,937.50         | \$24,996,666.67         |
| Commercial Paper (FDIC) | Citigroup Funding Inc.                         | 0.75   | 9/4/2009   | \$10,000,000.00         | \$9,943,958.33          | \$9,992,055.56          |
| Commercial Paper (FDIC) | General Electric Capital Corp.                 | 0.25   | 10/16/2009 | \$25,000,000.00         | \$24,975,173.61         | \$24,962,104.17         |
| Non-Negotiable CDs      | First Business Bank CDARS                      | 2.2    | 4/29/2010  | \$10,000,000.00         | \$10,000,000.00         | \$10,000,000.00         |
| Non-Negotiable CDs      | NNB CDARS                                      | 2.21   | 5/6/2010   | \$5,000,000.00          | \$5,000,000.00          | \$5,000,000.00          |
|                         | <b>Repo, BA's, CD's, CP, LAIF, Funds Total</b> |        |            | <b>\$186,054,597.24</b> | <b>\$185,854,861.13</b> | <b>\$186,003,923.64</b> |
| Medium Term Note        | Wal-Mart                                       | 6.875  | 8/10/2009  | \$10,000,000.00         | \$10,503,300.00         | \$10,061,000.00         |
| Medium Term Note        | Wal-Mart                                       | 6.875  | 8/10/2009  | \$2,000,000.00          | \$2,082,680.00          | \$2,012,200.00          |



## City of San Diego Pooled Investment Fund Holdings as of June 30, 2009 (continued)

| Security Type      | Issuer                                       | Coupon | Maturity  | Par                       | Book                      | Market Value              |
|--------------------|--|--------|-----------|---------------------------|---------------------------|---------------------------|
| MTN (FDIC Insured) | Morgan Stanley                               | 2.9    | 12/1/2010 | \$5,000,000.00            | \$4,997,000.00            | \$5,140,625.00            |
| MTN (FDIC Insured) | General Electric Capital Corp.               | 1.625  | 1/7/2011  | \$5,000,000.00            | \$4,996,600.00            | \$5,048,150.00            |
| Medium Term Note   | Cisco Systems Inc.                           | 5.25   | 2/22/2011 | \$10,000,000.00           | \$10,727,266.67           | \$10,543,750.00           |
| MTN (FDIC Insured) | JP Morgan Chase & Co.                        | 1.65   | 2/23/2011 | \$2,000,000.00            | \$1,999,220.00            | \$2,017,040.00            |
| MTN (FDIC Insured) | State Street Bank and Trust                  | 1.85   | 3/15/2011 | \$5,000,000.00            | \$4,997,600.00            | \$5,057,031.25            |
| MTN (FDIC Insured) | Citibank NA                                  | 1.625  | 3/30/2011 | \$5,000,000.00            | \$4,998,750.00            | \$5,039,100.00            |
| MTN (FDIC Insured) | Citigroup Funding Inc.                       | 1.375  | 5/5/2011  | \$5,000,000.00            | \$4,998,550.00            | \$5,007,031.25            |
| Medium Term Note   | Hewlett-Packard Co.                          | 2.25   | 5/27/2011 | \$1,000,000.00            | \$999,670.00              | \$1,003,050.00            |
| MTN (FDIC Insured) | Citigroup Funding Inc.                       | 1.25   | 6/3/2011  | \$5,000,000.00            | \$4,991,400.00            | \$4,990,625.00            |
| MTN (FDIC Insured) | PNC Funding Corp.                            | 1.875  | 6/22/2011 | \$5,000,000.00            | \$4,991,000.00            | \$5,035,950.00            |
| MTN (FDIC Insured) | Citibank NA                                  | 1.5    | 7/12/2011 | \$5,000,000.00            | \$4,996,500.00            | \$4,996,500.00            |
| MTN (FDIC Insured) | Morgan Stanley                               | 2      | 9/22/2011 | \$5,000,000.00            | \$4,995,550.00            | \$5,061,718.75            |
| MTN (FDIC Insured) | JP Morgan Chase & Co.                        | 3.125  | 12/1/2011 | \$5,000,000.00            | \$4,996,900.00            | \$5,172,250.00            |
| MTN (FDIC Insured) | Wells Fargo & Company                        | 3      | 12/9/2011 | \$5,000,000.00            | \$4,994,150.00            | \$5,166,700.00            |
| MTN (FDIC Insured) | American Express Bank FSB                    | 3.15   | 12/9/2011 | \$5,000,000.00            | \$4,996,050.00            | \$5,177,343.75            |
| Medium Term Note   | Chevron Corp.                                | 3.45   | 3/3/2012  | \$5,000,000.00            | \$5,207,600.00            | \$5,157,500.00            |
| MTN (FDIC Insured) | Morgan Stanley                               | 2.25   | 3/13/2012 | \$5,000,000.00            | \$4,992,950.00            | \$5,043,750.00            |
| MTN (FDIC Insured) | Citigroup Funding Inc.                       | 2      | 3/30/2012 | \$5,000,000.00            | \$4,986,550.00            | \$5,011,300.00            |
| MTN (FDIC Insured) | Bank of America NA                           | 2.1    | 4/30/2012 | \$5,000,000.00            | \$4,995,450.00            | \$5,007,600.00            |
| MTN (FDIC Insured) | Bank of America NA                           | 2.1    | 4/30/2012 | \$5,000,000.00            | \$5,031,500.00            | \$5,007,600.00            |
| MTN (FDIC Insured) | Citibank NA                                  | 1.875  | 5/7/2012  | \$5,000,000.00            | \$4,986,950.00            | \$4,980,468.75            |
| MTN (FDIC Insured) | Citibank NA                                  | 1.875  | 6/4/2012  | \$5,000,000.00            | \$4,984,950.00            | \$4,986,718.75            |
| MTN (FDIC Insured) | JP Morgan Chase & Co.                        | 2.2    | 6/15/2012 | \$5,000,000.00            | \$4,996,900.00            | \$5,025,300.00            |
| MTN (FDIC Insured) | Wells Fargo & Company                        | 2.125  | 6/15/2012 | \$5,000,000.00            | \$4,998,700.00            | \$5,014,843.75            |
| MTN (FDIC Insured) | JP Morgan Chase & Co.                        | 2.125  | 6/22/2012 | \$20,000,000.00           | \$20,076,644.44           | \$20,067,200.00           |
|                    | <b>Corporate MTN's and Other Notes Total</b> |        |           | <b>\$150,000,000.00</b>   | <b>\$151,520,381.11</b>   | <b>\$151,832,346.25</b>   |
|                    | <b>Grand Total</b>                           |        |           | <b>\$2,124,104,597.24</b> | <b>\$2,130,747,762.18</b> | <b>\$2,142,326,900.80</b> |

Market Values are determined by using Sungard pricing as the primary source. CMS Bondedge, Bloomberg, Custody Bank (BNY Mellon) and pricing provided by broker/dealers are all used to reconcile and determine correct prices.