# City of San Diego

## Pooled Investment Fund Quarterly Review

**Quarter ended 12/31/08**

**Publication Date: 01/31/09**

## Office of the City Treasurer—Investments Division

### Economic Commentary

In December, the National Bureau of Economic Research declared that the United States economy has been in recession since December of 2007. Given the severe downturn in almost all economic activity, this news did not surprise investors. After all, during that period, the economy shed over 2.5 million jobs, causing the unemployment rate to spike to 7.2%, the highest levels since 1993 (Chart 1). In fact, most gauges of economic health and consumer activity plummeted during the year, with the most dramatic declines occurring in the last quarter of the year after the collapse of Lehman Bros.

Financial market volatility surged in October, as the Dow Jones experienced numerous days of 100-plus point swings, and spreads on non-Treasury bonds moved dramatically wider. Though paring some of its losses, the stock market, as measured by the S&P 500 Index, fell 23% for the quarter and 38% for the year.

This drop in the value of financial assets severely hurt the consumer, as the value of their retirement and personal wealth dropped precipitously. Combined with the ongoing decline in the value of homes, this has forced nearly all consumers to retrench. December's Retail Sales figures confirmed this point by declining by a 2.7%, much worse than expected, and delivering a severe blow to the hopes of a quick economic recovery.

The economic crisis has deeply affected the finances of state and local governments as well. Almost all sources of revenue have fallen as falling property values and reduced consumer spending lower tax receipts. Unlike the Federal government, which can run budget deficits, state and local governments must balance their budgets. The options to do so are either expense cuts, leading to a reduction in services, or a hike in taxes, which further burdens the consumer.

Help may be on the horizon. The Obama administration has been discussing a fiscal stimulus package of about $800 billion over the next two years, consisting of tax cuts, infrastructure spending and aid to state and local governments, among other things. The success of any such stimulus depends upon the quickness of its passage and enactment, as well as the size.

Throughout the past quarter and year, the federal government has put into place numerous measures in an attempt to revive the credit markets. Early in the last quarter, Congress voted for the controversial $700 billion Troubled Asset Relief Program (TARP), which was initially created to buy bad assets off of bank balance sheets. Instead, it has mainly been used to inject capital into banks directly. While this has stabilized the banking system, it has not spurred much increase in lending.

Additionally, the Federal Reserve and Treasury Department have begun several measures to bring down interest rates and reopen the credit pipelines. In its December meeting, the Fed lowered the key Fed Funds rate to a target range of 0-.25%, the lowest rate on record, and announced it will keep rates low for a long time. The Fed is also in the process of buying $500 billion of mortgage-backed securities in an effort to lower mortgage rates.

Whether or not these and other measures work remains to be seen.


Chart 1: United States Unemployment Rate 1990—2008 (Source: Bloomberg)

#### Quarterly Economic Highlights

- Congress approves the $700 billion Troubled Asset Relief Program (TARP)
- The job market declines dramatically as unemployment soars to 7.2%
- Stock markets around the world plunge during the quarter
- Barack Obama is elected as the next President and immediately begins work on drafting a massive economic stimulus package
- Housing prices continue to decline, though existing home sales pick up on buying of distressed properties

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## Hot Topic Corner— "Washington We Have A Problem"

"Failure is not an option"

Gene Kranz (Apollo 13 Mission Control Flight Director)

We are in the throes of the worst economic downturn since the Great Depression. We've had lots of recessions, 21 in fact, and some worse than others, but none with the synchronized tsunami effect of this downturn. It doesn't matter what economic report you look at - they all illustrate the same dismal picture: a deep and prolonged recession.

Does that mean we mean the US economy is doomed to repeat anemic growth for the next decade like Japan? Absolutely not! The good news is the Federal Reserve has a couple of case studies to learn from (Japan & Sweden) and the federal government has made it clear that meager efforts to revive the economy will not suffice and bold, immediate action is necessary. I expect even more liquidity programs and further substantial "Bailouts" moving forward, but the mammoth takeaway is "Failure is not an option".

At some point, hopefully in the near future, we will hit the bottom. The problem is that bottoms are recognized with a lag, so this dismal feeling is likely to persist for some time.

There is no question that change is coming. It's coming to our political system (new president, Congress, Councilmembers, City Attorney) and our financial system (huge government bailouts, guarantees, conservatorships, and loans). However, this is a global problem, not just an American one. I urge our lawmakers and corporate executives to embrace this change and don't just add rules to punish but instill and foster steadfast principles for future leaders to uphold.

There is no doubt new rules and regulations are on the horizon. Corporations need to embrace change and determine the ideal principles to guide their companies forward. New government regulation is a given, but rules don't form ethical business strategies. As the saying goes, "Rules are made to be broken" and don't kids always find a way around the family rules? Principle-based governance lays a culture and clear guidelines to the expectations on how to run the company. Principle-based governance is also much more adaptive to changing environments, as opposed to rules-based, which by its very definition, is rigid and inflexible.

I am confident that the American spirit of innovation and entrepreneurship will shine. Why does America's best innovation and leadership need to happen during cyclical booms? We stand in an ocean of uncertainty but it also presents a once in a lifetime opportunity for fundamental and historic change.

-Kent Morris, CIO

## Key Economic Indicators

| *Indicator* | *Period* | *Report Current* | *As Reported Last Quarter* | *Difference* |
|---|---|---|---|---|
| Federal Funds Rate | 12/16/08 | 0-0.25% | 2.0% | (2.0-1.75%) |
| Consumer Price Index (MoM) | DEC | (0.7%) | 0.0% | (0.7%) |
| Consumer Price Index (YoY) | DEC | 0.1% | 4.9% | (4.8%) |
| Producer Price Index (MoM) | DEC | (1.9%) | (0.4%) | (1.5%) |
| Producer Price Index (YoY) | DEC | (0.9%) | 8.7% | (9.6%) |
| Durable Goods Orders | DEC | (2.6%) | 0.8% | (3.4%) |
| Gross Domestic Product (Annualized) | Q4A | (3.8%) | (0.3%) | (3.5%) |
| ISM (Manufacturing) | DEC | 32.4 | 43.5 | (11.1) |
| ISM (Non-manufacturing) | DEC | 40.6 | 50.2 | (9.6) |
| Retail Sales | DEC | (2.7%) | (1.2%) | (1.5%) |
| Unemployment Rate | DEC | 7.2% | 6.1% | 1.1% |
| Change in Non-farm Payrolls | DEC | (524,000) | (159,000) | (365,000) |
| Consumer Confidence (Univ. of Michigan) | JAN | 61.2 | 57.6 | 3.6 |
| Existing Home Sales | DEC | 4.74(mil) | 5.18(mil) | (.44)(mil) |
| New Home Sales | DEC | 0.331(mil) | 0.464(mil) | (.133)(mil) |
| Housing Starts | DEC | 550(mil) | 817(mil) | (267)(mil) |
| Median Home Price (existing) | DEC | $174,700 | $190,600 | ($15,900) |
| NYMEX WTI CRUDE OIL (barrel) | 12/31/08 | $44.60 | $100.64 | ($56.04) |
| S&P 500 Stock Index | 12/31/08 | 903.25 | 1,166.36 | (263.11) |

# Portfolio Performance

The Core Portfolio outperformed its benchmark, the Merrill Lynch 1-3 year Treasury index, by 49 basis points over the past quarter, returning 3.17% versus 2.68% for the index.

Chart 2 shows a bull flattening curve, as rates on the long end of the curve dropped more than those in the short end. This can be attributed to multiple factors: the Fed aggressively lowering rates, the increasing risk of deflation to the US economy, and indications from the Fed that interest rates will stay low for some time.

For much of the quarter, swap and agency spreads remained near historical wides. However, they tightened sharply in December as both the Fed and Treasury announced several measures to lower mortgage rates. This tightening of spreads contributed positively to our performance as the portfolio's "sector quality" category contributed 6 basis points of excess return.

Also helping performance was 17 basis points of excess return due to the spread earned by non-Treasury securities, as well as the effect of the bonds rolling down the yield curve.

"Security selection" contributed 35 basis points of positive excess return. Much of this can be attributed to large positions in the on-the-run 2 and 3-year Treasury notes.

We remained fairly neutral in both our overall duration and the portfolio's key rate duration buckets during the quarter, though we did hold a 5 year Treasury note, which outperformed shorter points on the yield curve. Duration and yield curve exposure combined to contribute 1 basis point of excess return.

"Income effect" contributed negative 10 basis points of excess return as the average coupon of the portfolio was less than that of the index. This is a result of our successful strategy of rolling into new Treasury & Agency issues, which are more liquid securities, but offer a lower coupon rate in a falling interest rate environment.

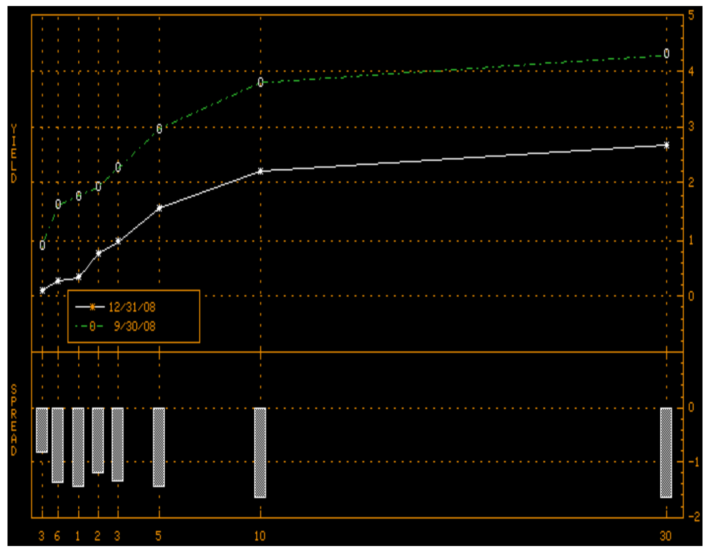



Chart 2: Treasury Yield Curve 09/30/08 - 12/31/08
(Source: Bloomberg)

# 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*

| | Q4 2008 | Q3 2008 | Q2 2008 | FYTD 2009 | 1 Year | 3 Year |
|---|---|---|---|---|---|---|
| **Total Pooled Investment Fund** | 4.52% | 4.04% | 3.56% | 4.28% | 4.62% | 4.61% |
| **Core Portfolio** | 5.83% | 4.89% | 3.69% | 5.35% | 5.54% | 4.80% |
| **Liquidity Portfolio** | 2.34% | 2.46% | 3.04% | 2.40% | 3.07% | 4.27% |

### Total Return—Core Portfolio

| | Q4 2008 | Q3 2008 | Q2 2008 | FYTD 2009 | 1 Year | 3 Year* |
|---|---|---|---|---|---|---|
| **Core Portfolio** | 3.18% | 1.34% | (0.71%) | 4.56% | 6.96% | 6.19% |
| **Merrill Lynch 1 - 3 Year Treasury Index** | 2.68% | 1.68% | (0.85%) | 4.41% | 6.61% | 5.96% |
| **Difference** | 0.49% | (0.34%) | 0.14% | 0.15% | 0.35% | 0.23% |

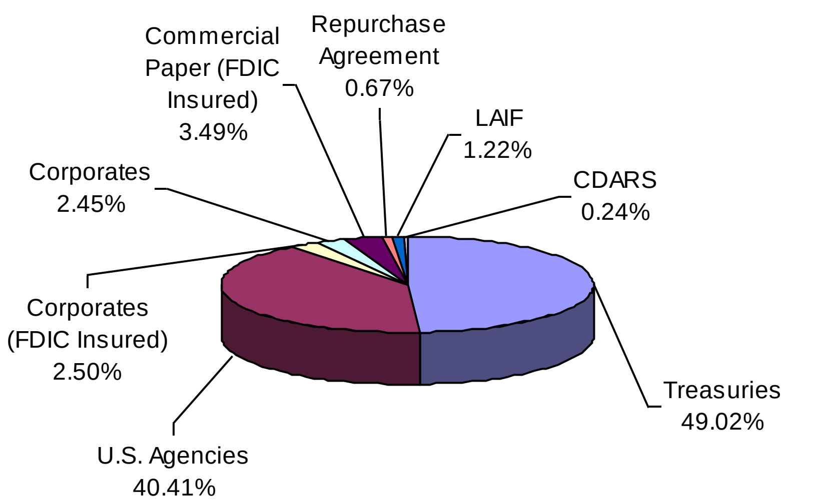
***Annualized Returns**

## Portfolio Profile as of December 31, 2008

| | *Liquidity* | *Core* |
|---|---|---|
| Portfolio Size | $708,089,498 | $1,297,244,002 |
| % of total pool | 35.12% | 64.89% |
| Portfolio Duration* | 0.385 | 1.649 |
| Index Duration* | 0.370 | 1.745 |
| % of index | 104.05% | 94.50% |
| Weighted Average Days to Maturity | 141 | 652 |

* Macaulay's Duration for fund 9997 and Effective Duration for fund 9998; Note: Core portfolio duration does not include trades that settled 1/2/09.

## Asset Allocation




## Issuer Exposure

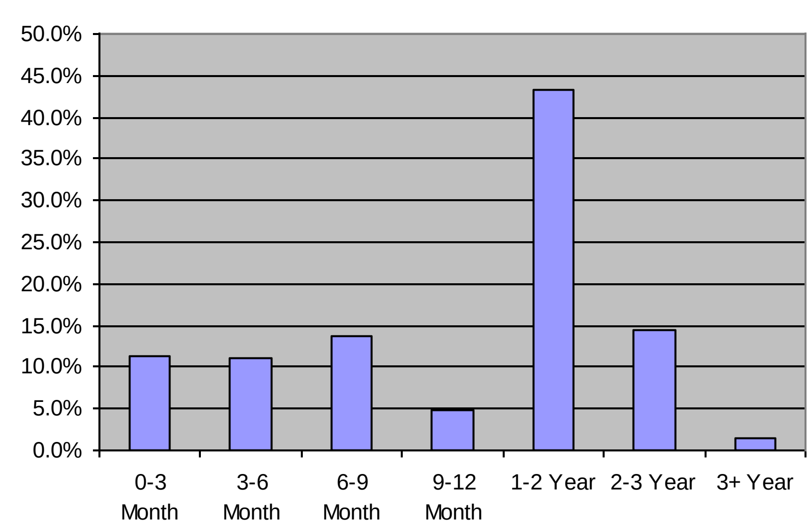
| Issuer | % of Portfolio |
|---|---|
| US Treasury | 49.02% |
| Freddie Mac | 12.44% |
| Fannie Mae | 12.39% |
| Federal Home Loan Bank | 12.30% |
| Federal Farm Credit Bank | 3.27% |
| Citigroup Funding Inc. | 2.00% |
| General Electric Capital | 1.99% |
| American Honda Finance | 0.76% |
| JP Morgan Chase | 0.75% |
| Wal-Mart | 0.63% |
| Wells Fargo Corp. | 0.57% |
| Morgan Stanley | 0.50% |
| Credit Suisse | 0.50% |
| Bank of America Corp. | 0.25% |
| American Express Bank | 0.25% |
| PNC Funding Corp. | 0.25% |

## Credit Ratings

| Ratings Bucket | % of Portfolio |
|---|---|
| US Treasury (AAA) | 49.02% |
| Agency (AAA) | 40.41% |
| AAA/A1 | 5.99% |
| AA | 1.69% |
| A | 0.76% |
| 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

Over the past quarter, interest rates have dropped considerably, due to a bleak economic outlook, a Fed which has lowered overnight rates to almost zero percent, and a realistic chance of deflation.

Additionally, swap spreads and spreads on Agencies have tightened dramatically since the Treasury and Fed both announced plans to buy hundreds of billions of dollars in Agency mortgages and debt.

While the stabilization of spreads is a welcome development, it does make for a very challenging yield environment. Specifically, since interest rates are already at record low yields, the earnings on the City's Pooled Investment Fund will be limited for the near future.

With interest rates at historical lows, we may begin to shorten the core portfolio's overall duration relative to the benchmark, in an effort mitigate capital losses once rates begin to rise. This will be a very gradual process, however, as we think rates will stay range bound for a considerable period of time.

Additionally, as the yield curve has flattened significantly, we plan to keep our yield curve exposure neutral relative to the benchmark. We may also consider implementing a curve steepening trade (lower exposure at the longer end of the yield curve) if we feel inflation will pick up.

In an effort to enhance portfolio yield, while still minding our primary objectives of safety and liquidity, we have begun purchasing corporate bonds and commercial paper issued under the Temporary Liquidity Guarantee Program (TLGP). These are bonds issued by various financial institutions, and are guaranteed for timely payment of principal and interest by the full faith and credit of the FDIC. These bonds offer an attractive spread to Treasuries, no credit risk, and have demonstrated to be very liquid in the secondary market.

While we will keep the portfolio's Agency exposure approximately the same, we will also look to sell some of our Agency bullet (fixed maturity) bonds and buy Agency callables. In a range-bound interest rate environment, these securities will add yield to the portfolio while retaining the same credit quality of the current Agency bonds we hold.

## 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 |
|---|---|---|---|---|
| January | 345 | 263 | 82 | 82 |
| February | 240 | 195 | 45 | 127 |
| March | 228 | 205 | 23 | 150 |
| April | 402 | 253 | 149 | 299 |
| May | 369 | 276 | 93 | 392 |
| June | 218 | 202 | 16 | 408 |

(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)<br>Duration (Liquidity) | ML 1-3 Year +/-20%<br>US T-bill 3-6 months +/-40% | Complies – 94.50 %<br>Complies - 104.05 % |
| Maximum Maturity | 5 years | Complies |
| Agency Securities | 100% maximum | Complies – 40.41% |
| FNMA | 33.3% maximum | Complies– 12.39% |
| FHLMC | 33.3% maximum | Complies – 12.44 % |
| FHLB | 33.3% maximum | Complies – 12.30 % |
| FFCB | 33.3% maximum | Complies – 3.27% |
| Callable Securities | 30% maximum | Complies – 2.69% |
| 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 – 3.49% |
| 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 – 4.95% |
| Mutual Funds | 20% maximum | Complies – None in Portfolio |
| FDIC-insured Certificates of Deposit | 1% maximum | Complies – 0.25% |
| 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 General Obligations | Complies – None in Portfolio |

# City of San Diego Pooled Investment Fund Holdings as of December 31, 2008

| 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 | $24,968,750.00 |
| US Treasury Bill | US Treasury | 0.761 | 7/30/2009 | $30,000,000.00 | $29,840,824.17 | $29,953,125.00 |
| US Treasury Bill | US Treasury | 2.103 | 8/27/2009 | $25,500,000.00 | $24,959,266.13 | $25,468,125.00 |
| US Treasury Note | US Treasury | 3.375 | 9/15/2009 | $20,000,000.00 | $20,486,718.75 | $20,425,000.00 |
| US Treasury Note | US Treasury | 3.375 | 9/15/2009 | $5,000,000.00 | $5,065,039.06 | $5,106,250.00 |
| US Treasury Note | US Treasury | 4 | 9/30/2009 | $5,000,000.00 | $5,006,640.63 | $5,134,375.00 |
| US Treasury Note | US Treasury | 4 | 9/30/2009 | $45,000,000.00 | $45,059,765.63 | $46,209,375.00 |
| US Treasury Bill | US Treasury | 1.251 | 10/22/2009 | $30,000,000.00 | $29,631,997.50 | $29,915,625.00 |
| US Treasury Note | US Treasury | 4.625 | 11/15/2009 | $25,000,000.00 | $26,038,835.90 | $25,906,250.00 |
| US Treasury Note | US Treasury | 1.75 | 3/31/2010 | $30,000,000.00 | $29,998,532.40 | $30,496,875.00 |
| US Treasury Note | US Treasury | 1.75 | 3/31/2010 | $50,000,000.00 | $50,871,694.71 | $50,828,125.00 |
| US Treasury Note | US Treasury | 2.125 | 4/30/2010 | $25,000,000.00 | $24,960,937.75 | $25,593,750.00 |
| US Treasury Note | US Treasury | 2.125 | 4/30/2010 | $50,000,000.00 | $49,750,000.00 | $51,187,500.00 |
| US Treasury Note | US Treasury | 2.125 | 4/30/2010 | $10,000,000.00 | $10,223,264.85 | $10,237,500.00 |
| US Treasury Note | US Treasury | 2.625 | 5/31/2010 | $30,000,000.00 | $30,004,687.50 | $30,909,375.00 |
| US Treasury Note | US Treasury | 2.625 | 5/31/2010 | $30,000,000.00 | $30,894,501.21 | $30,909,375.00 |
| US Treasury Note | US Treasury | 2.875 | 6/30/2010 | $30,000,000.00 | $30,133,593.75 | $31,068,750.00 |
| US Treasury Note | US Treasury | 2.875 | 6/30/2010 | $20,000,000.00 | $20,125,000.00 | $20,712,500.00 |
| US Treasury Note | US Treasury | 2.875 | 6/30/2010 | $40,000,000.00 | $41,246,875.00 | $41,425,000.00 |
| US Treasury Note | US Treasury | 2.375 | 8/31/2010 | $25,000,000.00 | $24,997,719.89 | $25,757,812.50 |
| US Treasury Note | US Treasury | 2.375 | 8/31/2010 | $30,000,000.00 | $31,070,290.92 | $30,909,375.00 |
| US Treasury Note | US Treasury | 2 | 9/30/2010 | $10,000,000.00 | $10,051,721.33 | $10,253,125.00 |
| US Treasury Note | US Treasury | 2 | 9/30/2010 | $25,000,000.00 | $25,141,118.65 | $25,632,812.50 |
| US Treasury Note | US Treasury | 1.5 | 10/31/2010 | $55,000,000.00 | $54,963,868.27 | $55,825,000.00 |
| US Treasury Note | US Treasury | 1.25 | 11/30/2010 | $100,000,000.00 | $100,227,909.07 | $101,062,500.00 |
| US Treasury Note | US Treasury | 1.25 | 11/30/2010 | $15,000,000.00 | $15,055,593.23 | $15,159,375.00 |
| US Treasury Note | US Treasury | 4.25 | 1/15/2011 | $10,000,000.00 | $9,908,984.37 | $10,756,250.00 |
| US Treasury Note | US Treasury | 4.25 | 1/15/2011 | $50,000,000.00 | $50,175,781.25 | $53,781,250.00 |
| US Treasury Note | US Treasury | 4.875 | 7/31/2011 | $30,000,000.00 | $31,757,099.18 | $33,112,500.00 |
| US Treasury Note | US Treasury | 4.5 | 9/30/2011 | $20,000,000.00 | $21,070,312.50 | $21,943,750.00 |
| US Treasury Note | US Treasury | 1.75 | 11/15/2011 | $45,000,000.00 | $45,558,634.75 | $46,026,562.50 |
| US Treasury Note | US Treasury | 1.75 | 11/15/2011 | $10,000,000.00 | $10,194,341.33 | $10,228,125.00 |
| US Treasury Note | US Treasury | 2.75 | 10/31/2013 | $15,000,000.00 | $15,609,867.06 | $15,946,875.00 |
| US Treasury Note | US Treasury | 2.75 | 10/31/2013 | $5,000,000.00 | $5,202,009.24 | $5,315,625.00 |
| | ***Treasury Total*** | | | ***$970,500,000.00*** | ***$979,933,814.87*** | ***$998,166,562.50*** |
| | | | | | | |
| US Agency | Federal Farm Credit Bank | 3.75 | 1/15/2009 | $25,000,000.00 | $25,218,250.00 | $25,031,250.00 |
| US Agency | Federal Home Loan Bank | 2.166 | 1/20/2009 | $20,000,000.00 | $19,614,933.33 | $20,000,000.00 |
| US Agency | Fannie Mae | 2.85 | 1/26/2009 | $25,000,000.00 | $24,764,479.17 | $25,000,000.00 |
| US Agency | Fannie Mae | 2.818 | 2/27/2009 | $37,329,000.00 | $36,797,190.33 | $37,329,000.00 |
| US Agency | Fannie Mae | 2.79 | 3/20/2009 | $3,000,000.00 | $2,952,802.50 | $3,000,000.00 |
| US Agency | Federal Home Loan Bank | 2.147 | 3/27/2009 | $25,000,000.00 | $24,506,488.19 | $24,992,187.50 |
| US Agency | Federal Home Loan Bank | 2.37 | 4/3/2009 | $25,000,000.00 | $24,672,479.17 | $24,992,187.50 |
| US Agency | Federal Home Loan Bank | 2.81 | 4/6/2009 | $27,489,000.00 | $27,029,826.80 | $27,480,409.69 |
| US Agency | Freddie Mac | 2 | 4/17/2009 | $25,000,000.00 | $24,736,111.11 | $24,992,187.50 |
| US Agency | Fannie Mae | 2.65 | 4/17/2009 | $25,000,000.00 | $24,639,305.56 | $24,992,187.50 |
| US Agency | Fannie Mae | 2.65 | 5/1/2009 | $25,000,000.00 | $24,613,541.67 | $24,976,562.50 |
| US Agency | Freddie Mac | 2.35 | 5/26/2009 | $25,000,000.00 | $24,662,187.50 | $24,976,562.50 |
| US Agency | Freddie Mac | 1.88 | 5/26/2009 | $25,000,000.00 | $24,736,277.78 | $24,976,562.50 |
| US Agency | Federal Home Loan Bank | 3 | 6/30/2009 | $25,000,000.00 | $25,156,000.00 | $25,320,312.50 |

# City of San Diego Pooled Investment Fund Holdings as of December 31, 2008 (continued)

| | | | | | | |
|---|---|---|---|---|---|---|
| US Agency | Fannie Mae | 1.8 | 8/14/2009 | $40,000,000.00 | $39,452,000.00 | $39,875,000.00 |
| US Agency | Freddie Mac | 2.55 | 9/14/2009 | $25,000,000.00 | $24,357,187.50 | $24,906,250.00 |
| US Agency | Freddie Mac | 4.625 | 9/28/2009 | $5,000,000.00 | $5,000,000.00 | $5,139,062.50 |
| US Agency | Federal Farm Credit Bank | 5 | 10/23/2009 | $20,000,000.00 | $20,243,600.00 | $20,706,250.00 |
| US Agency | Freddie Mac | 1.15 | 12/23/2009 | $20,000,000.00 | $20,000,000.00 | $20,006,250.00 |
| US Agency | Freddie Mac | 2.875 | 4/30/2010 | $25,000,000.00 | $25,155,000.00 | $25,546,875.00 |
| US Agency | Freddie Mac | 2.875 | 4/30/2010 | $25,000,000.00 | $24,989,000.00 | $25,546,875.00 |
| US Agency | Federal Home Loan Bank | 2.75 | 6/18/2010 | $25,000,000.00 | $24,976,500.00 | $25,671,875.00 |
| US Agency | Fannie Mae | 3 | 7/12/2010 | $25,000,000.00 | $24,982,250.00 | $25,765,625.00 |
| US Agency | Federal Home Loan Bank | 3.5 | 7/16/2010 | $25,000,000.00 | $24,971,250.00 | $25,789,062.50 |
| US Agency | Fannie Mae | 4.25 | 8/15/2010 | $25,000,000.00 | $25,814,437.50 | $26,296,875.00 |
| US Agency | Federal Home Loan Bank | 4.5 | 9/10/2010 | $20,000,000.00 | $20,074,800.00 | $21,137,500.00 |
| US Agency | Fannie Mae | 2.875 | 10/12/2010 | $25,000,000.00 | $24,989,750.00 | $25,789,062.50 |
| US Agency | Federal Home Loan Bank | 3.375 | 10/20/2010 | $35,000,000.00 | $34,986,000.00 | $36,400,000.00 |
| US Agency | Freddie Mac | 3.125 | 10/25/2010 | $25,000,000.00 | $24,945,500.00 | $25,882,812.50 |
| US Agency | Freddie Mac | 2.875 | 11/23/2010 | $15,000,000.00 | $14,978,700.00 | $15,468,750.00 |
| US Agency | Fannie Mae | 3 | 4/1/2011 | $19,000,000.00 | $18,744,260.00 | $19,095,000.00 |
| US Agency | Federal Farm Credit Bank | 2.625 | 4/21/2011 | $20,000,000.00 | $19,937,000.00 | $20,581,250.00 |
| US Agency | Federal Home Loan Bank | 3.375 | 6/24/2011 | $20,000,000.00 | $19,999,200.00 | $20,931,250.00 |
| US Agency | Freddie Mac | 4 | 7/28/2011 | $25,000,000.00 | $25,047,222.22 | $25,390,625.00 |
| US Agency | Freddie Mac | 5.3 | 1/9/2012 | $10,000,000.00 | $10,068,400.00 | $10,009,375.00 |
| | ***U.S. Agency Total*** | | | ***$811,818,000.00*** | ***$807,811,930.33*** | ***$823,995,034.69*** |
| | | | | | | |
| LAIF | California State Pool | 2.77 | 1/1/2009 | $24,395,388.06 | $24,395,388.06 | $24,395,388.06 |
| Repurchase Agreement | Overnight Repo | 0.01 | 1/2/2009 | $13,389,939.00 | $13,389,939.00 | $13,389,939.00 |
| Commercial Paper (FDIC) | Citigroup Funding Inc. | 0.4 | 1/12/2009 | $25,000,000.00 | $24,990,833.33 | $24,995,722.22 |
| Commercial Paper (FDIC) | General Electric Capital Corp. | 1.65 | 2/24/2009 | $10,000,000.00 | $9,958,750.00 | $9,991,600.00 |
| Commercial Paper (FDIC) | General Electric Capital Corp. | 0.75 | 7/17/2009 | $25,000,000.00 | $24,885,937.50 | $24,749,645.83 |
| Commercial Paper (FDIC) | Citigroup Funding Inc. | 0.75 | 9/4/2009 | $10,000,000.00 | $9,943,958.33 | $9,857,183.33 |
| Non-Negotiable CDs | NNB CDARS | 3.78 | 3/20/2009 | $5,000,000.00 | $5,000,000.00 | $5,000,000.00 |
| | ***Repo, BA's, CD's, CP, LAIF, Funds Total*** | | | ***$112,785,327.06*** | ***$112,564,806.22*** | ***$112,379,478.44*** |
| | | | | | | |
| Medium Term Note | Credit Suisse FB USA | 3.875 | 1/15/2009 | $10,000,000.00 | $9,961,767.07 | $10,012,500.00 |
| Medium Term Note | JP Morgan Chase & Co. | 3.5 | 3/15/2009 | $4,897,000.00 | $4,908,067.22 | $4,897,489.70 |
| Medium Term Note | Wells Fargo Bank | 3.125 | 4/1/2009 | $6,375,000.00 | $6,314,854.87 | $6,343,125.00 |
| Medium Term Note | American Honda Finance | 4.5 | 5/26/2009 | $15,000,000.00 | $15,228,900.00 | $15,112,500.00 |
| Medium Term Note | Wal-Mart | 6.875 | 8/10/2009 | $10,000,000.00 | $10,503,300.00 | $10,299,600.00 |
| Medium Term Note | Wal-Mart | 6.875 | 8/10/2009 | $2,000,000.00 | $2,082,680.00 | $2,059,920.00 |
| MTN (FDIC-Insured) | Morgan Stanley | 2.9 | 12/1/2010 | $5,000,000.00 | $4,997,000.00 | $5,130,468.75 |
| MTN (FDIC-Insured) | JP Morgan Chase & Co. | 2.625 | 12/1/2010 | $5,000,000.00 | $4,998,750.00 | $5,100,400.00 |
| MTN (FDIC-Insured) | Bank of America NA | 1.7 | 12/23/2010 | $5,000,000.00 | $5,000,000.00 | $5,014,843.75 |
| MTN (FDIC-Insured) | PNC Funding Corp. | 1.875 | 6/22/2011 | $5,000,000.00 | $4,991,000.00 | $5,040,200.00 |
| MTN (FDIC-Insured) | Morgan Stanley | 2 | 9/22/2011 | $5,000,000.00 | $4,995,550.00 | $5,031,250.00 |
| MTN (FDIC-Insured) | JP Morgan Chase & Co. | 3.125 | 12/1/2011 | $5,000,000.00 | $4,996,900.00 | $5,194,500.00 |
| MTN (FDIC-Insured) | Citigroup Inc. | 2.875 | 12/9/2011 | $5,000,000.00 | $4,987,600.00 | $5,155,850.00 |
| MTN (FDIC-Insured) | General Electric Capital Corp. | 3 | 12/9/2011 | $5,000,000.00 | $4,985,650.00 | $5,169,250.00 |
| MTN (FDIC-Insured) | Wells Fargo & Company | 3 | 12/9/2011 | $5,000,000.00 | $4,994,150.00 | $5,198,300.00 |
| MTN (FDIC-Insured) | American Express Bank FSB | 3.15 | 12/9/2011 | $5,000,000.00 | $4,996,050.00 | $5,039,843.75 |
| | ***Corporate MTN's and Other Notes Total*** | | | ***$98,272,000.00*** | ***$98,942,219.16*** | ***$99,800,040.95*** |
| | | | | | | |
| | ***Grand Total*** | | | ***$1,993,375,327.06*** | ***$1,999,252,770.58*** | ***$2,034,341,116.58*** |

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.