# City of San Diego

## Pooled Investment Fund Quarterly Review

Quarter ended

9/30/2010

Publication Date: 10/26/2010

## Office of the City Treasurer—Investments Division

### Quarterly Economic Highlights

- The U.S. stock market, as measured by the S&P 500, rose 10.72% on the hopes of additional Fed stimulus.
- The unemployment rate ticked slightly upward to finish the quarter at 9.6%.
- The Dodd-Frank Regulatory Reform act was signed into law, creating sweeping changes to the financial services industry.
- The National Bureau of Economic Research declared that the recent recession ended in June 2009.

**Contents:**



### Economic Commentary

The past quarter provided some tranquility compared to the financial storms that had marked the prior quarter.

The efforts of the European Central Bank and International Monetary Fund to calm fears about the sovereign credit quality of troubled European countries seemed to have worked, as several of the so-called PIIGS countries (Portugal, Ireland, Italy, Greece, Spain) were able to raise cash successfully in the public debt markets.

Additionally, some long-standing uncertainties and concerns in the financial markets were resolved over the past quarter.

For instance, financial regulatory reform in the U.S. was finally achieved with the passage of the Dodd-Frank Regulatory Reform Act. Though the passage of this legislation did have the unintended consequence of temporarily shutting down the securitization market due to one of its provisions, it wasn't as onerous to financial firms as initially feared.

Additionally, clarifications to the Basel III banking reforms were announced, and the phase-in period for banks to meet some of the capital and liquidity requirements was longer than expected, providing some breathing room to the financial sector.

Lastly, the Goldman Sachs SEC probe regarding its involvement in a questionable Collateralized Debt Obligation transaction was resolved, resulting in a fine of "only" $550 million.

Economic reports were very soft early in the quarter, which ignited fears of a possible double-dip recession or even a period of deflation. As a result, interest rates decreased and investors flocked into the perceived safety of gold, causing its price to rise to record levels (Chart 1).

However, the Fed brought some hope in July, as it announced that it would purchase more Treasuries with the proceeds from pay-downs and maturities in its Agency debt and mortgage-backed security portfolio.

This sparked speculation of a second round of quantitative easing, or QE2 (see Hot Topic, page 2), which would lower longer term interest rates even further. Many investors saw this potential action as a positive, and riskier assets rallied. U.S. stocks, as measured by the S&P 500 index, rose by 10.72 percent, and the credit spreads of corporate debt fell to very low levels.

The potential for lower interest rates decreased the value of the U.S. dollar, as investors sold it to invest in higher-yielding currencies. This caused the dollar price of most imported commodities to increase.


Chart 1: Gold Spot Price $/OZ : October 2007—September 2010 (Source: Bloomberg)

## Hot Topic Corner— QE2: What is it and Can it Help?

There has been a lot of talk recently about QE2, or an additional round of quantitative easing (QE) by the Federal Reserve (Fed). Based on the anticipation of an impending announcement by the Fed, U.S. interest rates have plummeted and the value of commodities and other risky assets has soared. The consensus among analysts calls for anywhere between $500 billion and $1.5 trillion of additional QE.

In essence, quantitative easing is the practice of the Fed buying longer-dated fixed income securities in an attempt to bring longer term rates down. Since the Fed has kept the Fed Funds rate near zero for almost two years now, they cannot provide additional stimulus by lowering short term yields. However, by buying longer term U.S. Treasuries, the Fed can try to bring yields on these instruments down to a point where they become unattractive to investors, who then hopefully invest in riskier assets.

Additionally, when the Fed buys a Treasury or any security in the open market, it credits the balance of a bank's Federal Reserve account, thus making more money available for that bank to lend. By creating, or "printing" money, the Fed hopes to increase lending by banks, which in turn increases economic activity.

The first round of quantitative easing took place in 2009, and saw the Fed buy nearly $2 trillion in securities, mainly U.S. agency debt and mortgage-backed securities (MBS). The intent of those purchases was to bring down mortgage rates by narrowing agency and MBS spreads over Treasuries, as well by bringing the overall level of interest rates down.

By most measures, the first round of QE was a success, as mortgage rates were brought down to very low levels, which did help homeowners buy houses and refinance existing mortgages.

A new round of QE may not be as successful. First off, interest rates are already at historic lows, and even if mortgage rates go lower, many people may be unable to refinance or obtain new mortgages due to extremely tight underwriting practices.

Additionally, though corporations have been able to issue debt at very low rates, small businesses are still unable to obtain credit or unwilling to borrow and expand due to regulatory uncertainty.

However, many see this next round of QE as something the Fed simply must do, if only to prove that it is not out of options to try to spur the economy. The Fed itself recognizes that it is currently accomplishing neither of its mandates of maintaining price stability or achieving full employment.

If everything goes perfectly, an additional round of QE can spark the economy to higher growth and quicker recovery. If not handled properly, it could result in a Japan-like decade of deflation and economic malaise.

## Key Economic Indicators

| *Indicator* | *Period* | *Report Current* | *As Reported Last Quarter* | *Difference* |
|---|---|---|---|---|
| Federal Funds Rate | 9/21/10 | 0-0.25% | 0-0.25% | 0% |
| Consumer Price Index (MoM) | SEP | 0.1% | (0.1%) | 0.2% |
| Consumer Price Index (YoY) | SEP | 1.1% | 1.1% | 0.0% |
| Producer Price Index (MoM) | SEP | 0.4% | (0.5%) | 0.9% |
| Producer Price Index (YoY) | SEP | 4.0% | 2.8% | 1.2% |
| Durable Goods Orders | SEP | 3.3% | (1.0%) | 4.3% |
| Gross Domestic Product (Annualized) | Q3A | 2.0% | 2.4% | (0.4%) |
| ISM (Manufacturing) | SEP | 54.4 | 56.2 | (1.8) |
| ISM (Non-manufacturing) | SEP | 53.2 | 53.8 | (0.6) |
| Retail Sales | SEP | 0.6% | (0.5%) | 1.1% |
| Unemployment Rate | SEP | 9.6% | 9.5% | 0.1% |
| Change in Non-farm Payrolls | SEP | (95,000) | (125,000) | 30,000 |
| Consumer Confidence (Univ. of Michigan) | SEP (Final) | 68.2 | 76.0 | (7.8) |
| Existing Home Sales | SEP | 4.53(mil) | 5.37(mil) | (0.84)(mil) |
| New Home Sales | SEP | 0.307(mil) | 0.330(mil) | (0.023)(mil) |
| Housing Starts | SEP | 0.610(mil) | 0.549(mil) | 0.061(mil) |
| Median Home Price (existing) [EHSLMP] | SEP | $172,600 | $184,200 | ($11,600) |
| NYMEX WTI CRUDE OIL (barrel) | 9/30/10 | $79.97 | $75.63 | $4.34 |
| S&P 500 Stock Index | 9/30/10 | 1,141.20 | 1,030.71 | 110.49 |

## Portfolio Performance

The Core Portfolio outperformed its benchmark, the Merrill Lynch 1-3 year Treasury Index, by 9 basis points over the past quarter, returning 0.71% versus 0.62% for the index.

Chart 2 shows a bull flattening curve, with longer end rates decreasing more than shorter rates. The 5-, 7-, and 10-year points on the curve did the best, as any potential quantitative easing by the Fed would most likely be concentrated in that area. The 30-year part of the curve didn't perform quite as well. This can partly be attributed to concerns about long-term inflation brought about by current and future Fed monetary stimulus.

In an ongoing theme, "Income effect" was the largest detractor of portfolio performance relative to the index, subtracting 15 basis points of return relative to the index. This is again due to the fact that the portfolio is more heavily invested in newly-issued, lower coupon securities than the index, which contains more older, higher coupon bonds that have rolled down the yield curve since their original issuance as 5-year and longer maturity bonds.

"Amortization and Roll effect" counterbalanced almost all of the negative effects of "Income effect", contributing 13 basis points of positive excess return. Since the index has many more higher coupon bonds, it experiences more negative price movement than the portfolio since the higher coupon, higher priced bonds move towards par as they mature.

"Selection effect" contributed almost 10 basis points of excess return, as our large positions in on-the-run 2 and 3 year Treasuries outperformed other index securities.

"Non-parallel Duration effect" contributed nearly 2 basis points of positive excess return. This is because the portfolio was more heavily weighted in 3 year securities versus 2 year securities, and the 3 year part of the curve outperformed during the period.

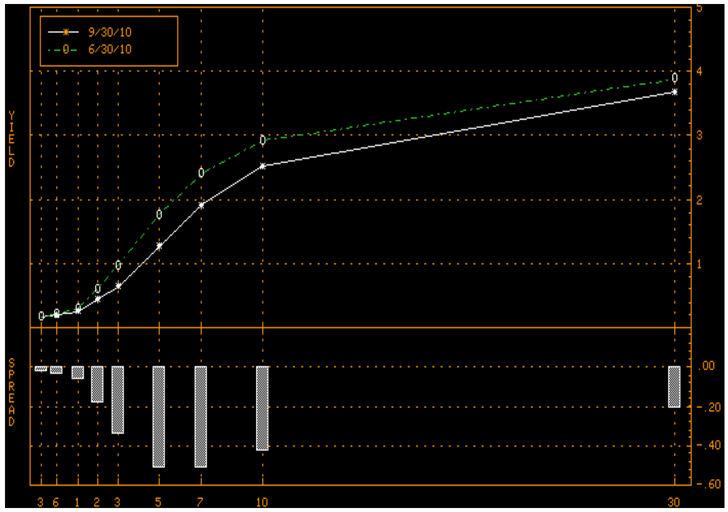



Chart 2: Treasury Yield Curve 6/30/10—9/30/10 (Source: Bloomberg)

## Returns

The City's Total Pooled Investment Fund is split into two portfolios. A Liquidity portfolio, which is short-term in nature 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 (Bank of America Merrill Lynch (BAML) 1-3 Year Treasury Index).

### Earned Income Yield*

| | Q3 2010 | Q2 2010 | Q1 2010 | FYTD 2011 | 1 Year | 3 Year |
|---|---|---|---|---|---|---|
| **Total Pooled Investment Fund** | 1.48% | 1.52% | 1.51% | 1.48% | 1.67% | 3.15% |
| **Core Portfolio** | 2.05% | 2.19% | 2.12% | 2.05% | 2.36% | 3.90% |
| **Liquidity Portfolio** | 0.41% | 0.39% | 0.43% | 0.41% | 0.42% | 1.82% |

### Total Return—Core Portfolio

| | Q3 2010 | Q2 2010 | Q1 2010 | FYTD 2011 | 1 Year | 3 Year* |
|---|---|---|---|---|---|---|
| **Core Portfolio** | 0.71% | 1.12% | 0.72% | 0.71% | 2.70% | 4.41% |
| **BAML 1 - 3 Year Treasury Index** | 0.62% | 1.16% | 0.71% | 0.62% | 2.54% | 4.08% |
| **Difference** | 0.09% | (0.04%) | 0.01% | 0.09% | 0.16% | 0.33% |

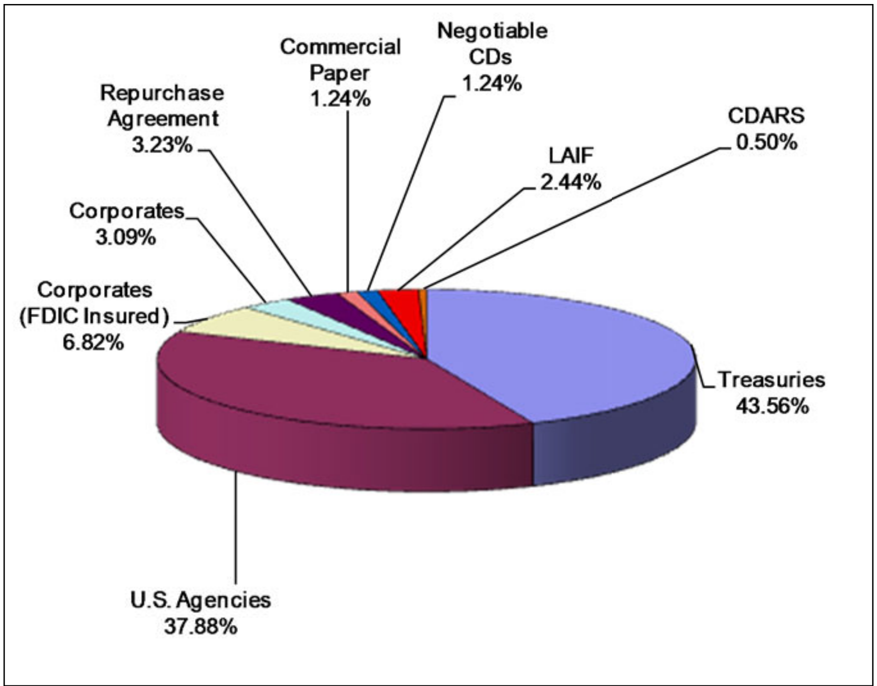
*Annualized Returns

## Portfolio Profile as of September 30, 2010

| | Liquidity | Core |
|---|---|---|
| Portfolio Size | $723,513,319 | $1,288,269,673 |
| % of total pool | 35.96% | 64.04% |
| Portfolio Duration* | 0.382 | 1.726 |
| Index Duration* | 0.369 | 1.868 |
| % of index | 103.52% | 92.40% |
| Weighted Average Days to Maturity | 140 | 671 |

* Macaulay's Duration for the Liquidity Portfolio and Effective Duration for the Core Portfolio

## Asset Allocation




## Top Issuer Exposures

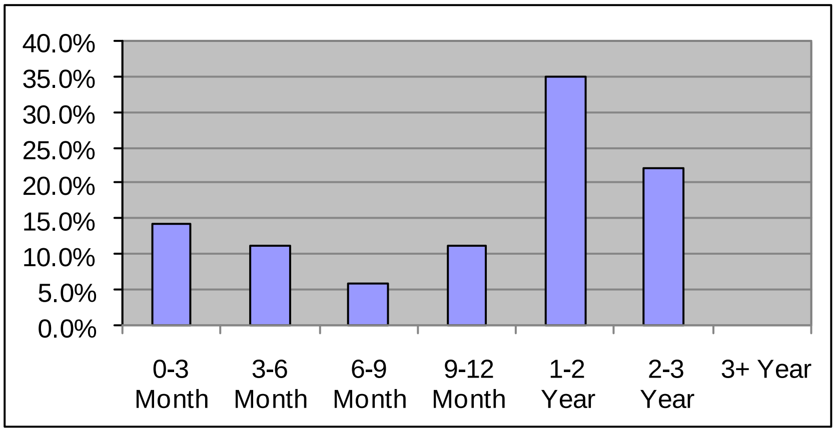
| Issuer | % of Portfolio |
|---|---|
| US Treasury | 43.56% |
| Freddie Mac | 11.54% |
| Federal Home Loan Bank | 11.20% |
| Fannie Mae | 10.43% |
| Federal Farm Credit Bank | 4.71% |
| Citigroup Inc. | 1.74% |
| JP Morgan Chase | 1.35% |
| Royal Bank of Canada | 1.24% |
| Toyota Motor Credit | 1.24% |
| General Electric | 1.01% |
| Bank of America | 0.75% |
| Procter & Gamble | 0.75% |
| Cisco Systems Inc. | 0.51% |
| Goldman Sachs | 0.50% |
| US Central FCU | 0.50% |
| Berkshire Hathaway Inc. | 0.50% |

## Credit Ratings

| Ratings Buckets | % of Portfolio |
|---|---|
| US Treasury (AAA) | 43.56% |
| Agency (AAA) | 37.88% |
| AAA/A1 | 9.30% |
| AA | 2.28% |
| A | 0.82% |
| Below A | 0.00% |

- All Commercial Paper is 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 and money market funds are not included

## Pool Maturity Distribution



## Portfolio Strategy

Yields on U.S. Treasury securities continued to fall over the past quarter, reaching all-time lows in several maturities. This happened as a result of the prospect of additional monetary easing from the Fed as well as foreign central bank buying of the dollar to protect their own currencies from dollar depreciation.

Additionally, investors have been reaching for yield in this low interest rate environment by buying spread product, which includes U.S. agency debt and corporate debt. This buying activity has lowered spreads and all-in yields on these investments to all-time lows.

This low-yield environment makes investing the Core portfolio challenging as the risk—reward proposition of agency and corporate securities becomes less appealing. With tighter spreads, the amount that spreads on these instruments can widen before underperforming similar-maturity Treasury securities become very low.

Nevertheless, we have continued to invest in these securities to earn additional yield, as we don't believe there are many catalysts to drive spreads wider at this point. Agency securities have the unlimited Treasury backstop through the end of 2012, and though there may be bouts of spread widening due to headlines about their potential future, we expect these to quickly reverse as buyers take advantage of the higher yields. We also continue to buy high rated corporate bonds from industrial issuers as they become available. We feel that these issues are very safe as corporate leverage (non-financial) is very low and cash balances are extremely high.

The front end of the yield curve is also trading very rich, which has a lot to do with the new money market regulations that limit the average maturity of money funds, thus placing a premium on issues with maturities of less than 6 months. The lower yields have also negatively impacted the income generating capabilities of the Liquidity portfolio.

However, as the Liquidity portfolio is not subject to the same restrictions as 2(a)7 money funds, we have been able to outperform these funds by a good margin. Our strategy of investing out to known cash outflows (ex. Payroll dates) all the way out to 12 months has helped gain some yield versus these money funds & the very front end of the curve.

Additionally, we have been investing and will continue to invest in short-maturity, short lockout callable agency structures, such as 1 year maturities callable in 3 or 6 months. These securities add incremental yield the Pool while not incurring too much extension risk if rates do rise.

## Projected Portfolio Cash Flows*

The Investment staff have 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 |
|---|---|---|---|---|
| October | 276 | 187 | 89 | 89 |
| November | 223 | 186 | 37 | 126 |
| December | 394 | 177 | 217 | 343 |
| January | 311 | 219 | 92 | 435 |
| February | 225 | 157 | 68 | 503 |
| March | 251 | 167 | 84 | 587 |

(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 current California Government Code. The Investment Policy is reviewed annually by the City's Investment Advisory Committee and accepted 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 – 92.40%<br>Complies - 103.52% |
| Maximum Maturity | 5 years | Complies |
| Agency Securities | 100% maximum | Complies – 37.88% |
| FNMA | 33.3% maximum | Complies– 10.43% |
| FHLMC | 33.3% maximum | Complies – 11.54% |
| FHLB | 33.3% maximum | Complies – 11.20% |
| FFCB | 33.3% maximum | Complies – 4.71% |
| Callable Securities | 30% maximum | Complies – 11.44% |
| 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 – 1.24% |
| 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 – 9.91% |
| Mutual Funds | 20% maximum; 5% maximum per fund | Complies – None in Portfolio |
| FDIC-insured Certificates of Deposit | 2% maximum | Complies – 0.50% |
| Certificate and Public Deposits | 30% maximum | Complies – 1.24% |
| Reverse Repos | 20% maximum | Complies – None in Portfolio |
| Futures and Options | Prohibited | Complies – None in Portfolio |
| Custody | Bank trust dept. | Complies – Bank of NY Mellon |
| Exposure per issuer<br>(corporate) | 5% of total portfolio | Complies |
| Structured Notes | 8% maximum/no multiple index structures. | Complies - None in Portfolio |
| 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 September 30, 2010

| Security Type | Issuer | Coupon | Maturity | Par | Book | Market Value |
|---|---|---|---|---|---|---|
| US Treasury Note | US Treasury | 4.875 | 7/31/2011 | $30,000,000.00 | $31,753,125.00 | $31,143,748.80 |
| US Treasury Note | US Treasury | 1 | 8/31/2011 | $25,000,000.00 | $25,008,789.06 | $25,164,062.00 |
| US Treasury Note | US Treasury | 1 | 9/30/2011 | $25,000,000.00 | $24,974,831.50 | $25,171,876.00 |
| US Treasury Note | US Treasury | 1 | 10/31/2011 | $25,000,000.00 | $24,957,194.25 | $25,187,500.00 |
| US Treasury Note | US Treasury | 0.75 | 11/30/2011 | $25,000,000.00 | $24,939,453.13 | $25,125,000.00 |
| US Treasury Note | US Treasury | 1 | 12/31/2011 | $35,000,000.00 | $34,949,923.05 | $35,295,313.20 |
| US Treasury Note | US Treasury | 1 | 12/31/2011 | $25,000,000.00 | $24,916,015.63 | $25,210,938.00 |
| US Treasury Note | US Treasury | 0.875 | 1/31/2012 | $15,000,000.00 | $15,005,859.37 | $15,107,812.80 |
| US Treasury Note | US Treasury | 0.875 | 2/29/2012 | $20,000,000.00 | $19,970,312.50 | $20,150,000.00 |
| US Treasury Note | US Treasury | 1.375 | 3/15/2012 | $35,000,000.00 | $35,207,812.50 | $35,535,936.80 |
| US Treasury Note | US Treasury | 1 | 3/31/2012 | $30,000,000.00 | $29,978,906.25 | $30,300,000.00 |
| US Treasury Note | US Treasury | 1 | 4/30/2012 | $25,000,000.00 | $25,013,756.79 | $25,250,000.00 |
| US Treasury Note | US Treasury | 1.875 | 6/15/2012 | $20,000,000.00 | $20,154,687.50 | $20,512,499.20 |
| US Treasury Note | US Treasury | 0.625 | 6/30/2012 | $30,000,000.00 | $30,010,394.02 | $30,121,874.40 |
| US Treasury Note | US Treasury | 0.625 | 7/31/2012 | $50,000,000.00 | $49,972,778.87 | $50,203,124.00 |
| US Treasury Note | US Treasury | 1.75 | 8/15/2012 | $15,000,000.00 | $15,116,015.62 | $15,375,000.00 |
| US Treasury Note | US Treasury | 0.375 | 8/31/2012 | $20,000,000.00 | $19,926,912.12 | $19,987,500.80 |
| US Treasury Note | US Treasury | 1.375 | 9/15/2012 | $25,000,000.00 | $24,945,312.50 | $25,460,938.00 |
| US Treasury Note | US Treasury | 1.375 | 9/15/2012 | $5,000,000.00 | $5,004,101.56 | $5,092,187.60 |
| US Treasury Note | US Treasury | 0.375 | 9/30/2012 | $50,000,000.00 | $49,919,921.88 | $49,937,500.00 |
| US Treasury Note | US Treasury | 1.375 | 10/15/2012 | $25,000,000.00 | $24,936,523.44 | $25,468,750.00 |
| US Treasury Note | US Treasury | 1.375 | 11/15/2012 | $25,000,000.00 | $25,193,359.37 | $25,484,376.00 |
| US Treasury Note | US Treasury | 1.125 | 12/15/2012 | $30,000,000.00 | $29,759,765.63 | $30,421,874.40 |
| US Treasury Note | US Treasury | 1.375 | 2/15/2013 | $25,000,000.00 | $25,019,531.25 | $25,500,000.00 |
| US Treasury Note | US Treasury | 1.375 | 3/15/2013 | $25,000,000.00 | $24,841,796.88 | $25,515,624.00 |
| US Treasury Note | US Treasury | 1.375 | 5/15/2013 | $15,000,000.00 | $15,092,476.22 | $15,314,062.80 |
| US Treasury Note | US Treasury | 1.125 | 6/15/2013 | $25,000,000.00 | $24,948,581.00 | $25,351,562.00 |
| US Treasury Note | US Treasury | 1.125 | 6/15/2013 | $20,000,000.00 | $19,961,501.02 | $20,281,249.60 |
| US Treasury Note | US Treasury | 1 | 7/15/2013 | $40,000,000.00 | $39,959,339.20 | $40,437,500.80 |
| US Treasury Note | US Treasury | 0.75 | 8/15/2013 | $35,000,000.00 | $34,945,253.02 | $35,131,250.00 |
| US Treasury Note | US Treasury | 0.75 | 8/15/2013 | $20,000,000.00 | $19,949,320.65 | $20,075,000.00 |
| US Treasury Note | US Treasury | 0.75 | 9/15/2013 | $60,000,000.00 | $59,944,954.80 | $60,206,251.20 |
| | ***Treasury Total*** | | | ***$875,000,000.00*** | ***$876,278,505.58*** | ***$884,520,312.40*** |
| | | | | | | |
| US Agency | Fannie Mae | 0.28 | 10/15/2010 | $25,000,000.00 | $24,961,305.56 | $25,000,000.00 |
| US Agency | Freddie Mac | 0.27 | 10/29/2010 | $25,000,000.00 | $24,962,875.00 | $25,000,000.00 |
| US Agency | Freddie Mac | 0.25 | 11/12/2010 | $25,000,000.00 | $24,965,972.22 | $25,000,000.00 |
| US Agency | Federal Home Loan Bank | 0.5 | 11/23/2010 | $25,000,000.00 | $25,038,675.00 | $25,007,812.50 |
| US Agency | Freddie Mac | 0.29 | 12/10/2010 | $25,000,000.00 | $24,955,895.83 | $24,992,187.50 |
| US Agency | Freddie Mac | 0.29 | 12/23/2010 | $25,000,000.00 | $24,957,305.56 | $24,992,187.50 |
| US Agency | Federal Home Loan Bank | 0.45 | 12/29/2010 | $20,000,000.00 | $19,994,000.00 | $20,012,500.00 |
| US Agency | Federal Farm Credit Bank | 0.45 | 1/4/2011 | $20,000,000.00 | $20,000,000.00 | $20,012,500.00 |
| US Agency | Freddie Mac | 1.5 | 1/7/2011 | $25,000,000.00 | $25,282,500.00 | $25,085,937.50 |
| US Agency | Freddie Mac | 4.75 | 1/18/2011 | $21,450,000.00 | $22,056,391.50 | $21,738,234.38 |
| US Agency | Fannie Mae | 0.31 | 2/4/2011 | $25,000,000.00 | $24,946,826.39 | $24,984,375.00 |
| US Agency | Freddie Mac | 0.21 | 2/18/2011 | $20,000,000.00 | $19,978,533.33 | $19,987,500.00 |
| US Agency | Fannie Mae | 0.22 | 3/31/2011 | $25,000,000.00 | $24,971,736.11 | $24,976,562.50 |
| US Agency | Fannie Mae | 0.225 | 4/11/2011 | $25,000,000.00 | $24,969,843.75 | $24,976,562.50 |
| US Agency | Federal Farm Credit Bank | 2.625 | 4/21/2011 | $20,000,000.00 | $19,937,000.00 | $20,262,500.00 |
| US Agency | Fannie Mae | 0.32 | 4/28/2011 | $25,000,000.00 | $24,937,777.78 | $24,976,562.50 |

# City of San Diego Pooled Investment Fund Holdings as of September 30, 2010 (continued)

| Security Type | Issuer | Coupon | Maturity | Par | Book | Market Value |
|---|---|---|---|---|---|---|
| US Agency | Federal Home Loan Bank | 0.5 | 5/17/2011 | $9,205,000.00 | $9,205,347.74 | $9,216,506.25 |
| US Agency | Federal Home Loan Bank | 3.375 | 6/24/2011 | $25,000,000.00 | $25,769,312.50 | $25,523,437.50 |
| US Agency | Federal Home Loan Bank | 0.5 | 7/15/2011 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 |
| US Agency | Federal Home Loan Bank | 0.5 | 7/29/2011 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 |
| US Agency | Federal Home Loan Bank | 0.4 | 8/16/2011 | $20,000,000.00 | $20,000,000.00 | $19,993,750.00 |
| US Agency | Freddie Mac | 0.4 | 9/22/2011 | $20,000,000.00 | $20,000,000.00 | $19,993,750.00 |
| US Agency | Federal Home Loan Bank | 0.4 | 9/26/2011 | $20,000,000.00 | $20,000,000.00 | $19,993,750.00 |
| US Agency | Federal Home Loan Bank | 0.45 | 9/26/2011 | $20,000,000.00 | $20,000,000.00 | $20,000,000.00 |
| US Agency | Fannie Mae | 0.75 | 12/30/2011 | $20,000,000.00 | $20,000,000.00 | $20,012,500.00 |
| US Agency | Freddie Mac | 2.125 | 3/23/2012 | $25,000,000.00 | $25,018,200.00 | $25,617,187.50 |
| US Agency | Federal Home Loan Bank | 2.25 | 4/13/2012 | $20,000,000.00 | $19,980,000.00 | $20,550,000.00 |
| US Agency | Fannie Mae | 1.875 | 4/20/2012 | $15,000,000.00 | $14,981,100.00 | $15,328,125.00 |
| US Agency | Federal Farm Credit Bank | 2.25 | 4/24/2012 | $10,000,000.00 | $9,999,800.00 | $10,268,750.00 |
| US Agency | Freddie Mac | 1 | 7/26/2012 | $10,000,000.00 | $10,000,000.00 | $10,015,625.00 |
| US Agency | Fannie Mae | 0.8 | 8/17/2012 | $20,000,000.00 | $19,992,000.00 | $20,025,000.00 |
| US Agency | Freddie Mac | 0.8 | 9/28/2012 | $10,000,000.00 | $10,000,000.00 | $10,015,625.00 |
| US Agency | Fannie Mae | 1 | 11/19/2012 | $20,000,000.00 | $20,000,000.00 | $20,012,500.00 |
| US Agency | Fannie Mae | 0.875 | 12/28/2012 | $10,000,000.00 | $10,000,000.00 | $9,984,375.00 |
| US Agency | Federal Home Loan Bank | 1.5 | 1/16/2013 | $15,000,000.00 | $15,264,225.00 | $15,290,625.00 |
| US Agency | Federal Farm Credit Bank | 1.75 | 2/21/2013 | $20,000,000.00 | $19,947,400.00 | $20,437,500.00 |
| US Agency | Federal Farm Credit Bank | 1.375 | 6/25/2013 | $25,000,000.00 | $24,922,000.00 | $25,437,500.00 |
| US Agency | Federal Home Loan Bank | 1.1 | 8/27/2013 | $10,000,000.00 | $10,000,000.00 | $10,003,125.00 |
| | ***U.S. Agency Total*** | | | ***$760,655,000.00*** | ***$761,996,023.27*** | ***$764,725,053.13*** |
| | | | | | | |
| LAIF | California State Pool | 0.56 | 10/1/2010 | $49,094,274.22 | $49,094,274.22 | $49,094,274.22 |
| Repurchase Agreement | Overnight Repo | 0.2 | 10/1/2010 | $65,053,888.00 | $65,053,888.00 | $65,053,888.00 |
| Non-Negotiable CDs | NNB CDARS | 1.4 | 2/3/2011 | $10,000,000.00 | $10,000,000.00 | $10,000,000.00 |
| Commercial Paper | Toyota Motor Credit | 0.39 | 3/4/2011 | $25,000,000.00 | $24,950,166.67 | $24,965,777.78 |
| Negotiable CD | Royal Bank of Canada NY | 0.25 | 3/18/2011 | $25,000,000.00 | $25,000,000.00 | $25,007,032.92 |
| | ***Repo, BA's, CD's, CP, LAIF, Funds Total*** | | | ***$174,148,162.22*** | ***$174,098,328.89*** | ***$174,120,972.92*** |
| | | | | | | |
| MTN (FDIC Insured) | Bank of America NA | 1.7 | 12/23/2010 | $5,000,000.00 | $5,042,274.41 | $5,017,187.50 |
| MTN (FDIC Insured) | General Electric Capital Corp. | 1.625 | 1/7/2011 | $5,000,000.00 | $4,999,141.84 | $4,999,141.84 |
| Medium Term Note | Cisco Systems Inc. | 5.25 | 2/22/2011 | $10,000,000.00 | $10,172,581.26 | $10,182,812.50 |
| MTN (FDIC Insured) | JP Morgan Chase & Co. | 1.65 | 2/23/2011 | $2,000,000.00 | $1,999,803.40 | $2,010,280.00 |
| MTN (FDIC Insured) | State Street Bank and Trust Co. | 1.85 | 3/15/2011 | $5,000,000.00 | $4,999,400.83 | $5,037,500.00 |
| MTN (FDIC Insured) | Citibank NA | 1.625 | 3/30/2011 | $5,000,000.00 | $4,999,690.07 | $5,035,900.00 |
| MTN (FDIC Insured) | Citigroup Funding Inc. | 1.375 | 5/5/2011 | $5,000,000.00 | $4,998,550.00 | $5,036,100.00 |
| Medium Term Note | Hewlett-Packard Co. | 2.25 | 5/27/2011 | $1,000,000.00 | $999,670.00 | $1,013,110.00 |
| MTN (FDIC Insured) | Citigroup Funding Inc. | 1.25 | 6/3/2011 | $5,000,000.00 | $4,991,400.00 | $5,031,250.00 |
| MTN (FDIC Insured) | PNC Funding Corp. | 1.875 | 6/22/2011 | $5,000,000.00 | $4,991,000.00 | $5,059,150.00 |
| MTN (FDIC Insured) | Citibank NA | 1.5 | 7/12/2011 | $5,000,000.00 | $4,996,500.00 | $5,045,350.00 |
| MTN (FDIC Insured) | Goldman Sachs | 1.625 | 7/15/2011 | $10,000,000.00 | $10,046,700.00 | $10,112,800.00 |
| Medium Term Note | Procter & Gamble Int'l Finance | 1.35 | 8/26/2011 | $5,000,000.00 | $4,996,300.00 | $5,042,400.00 |
| Medium Term Note | Northern Trust Corp. | 5.3 | 8/29/2011 | $5,000,000.00 | $5,247,800.00 | $5,217,968.75 |
| MTN (NCUA Insured) | US Central Federal Credit Union | 1.25 | 10/19/2011 | $10,000,000.00 | $9,994,900.00 | $10,085,937.50 |
| Medium Term Note | 3M Company | 4.5 | 11/1/2011 | $5,000,000.00 | $5,327,700.00 | $5,219,350.00 |
| Medium Term Note | General Electric Capital Corp. | 5.5 | 11/15/2011 | $10,000,000.00 | $10,229,722.22 | $10,044,000.00 |
| MTN (FDIC Insured) | Wells Fargo & Company | 3 | 12/9/2011 | $5,000,000.00 | $4,994,150.00 | $5,152,343.75 |
| MTN (FDIC Insured) | American Express Bank FSB | 3.15 | 12/9/2011 | $5,000,000.00 | $4,996,050.00 | $5,155,468.75 |

# City of San Diego Pooled Investment Fund Holdings as of September 30, 2010 (continued)

| Security Type | Issuer | Coupon | Maturity | Par | Book | Market Value |
|---|---|---|---|---|---|---|
| MTN (FDIC Insured) | General Electric Capital Corp. | 3 | 12/9/2011 | $5,000,000.00 | $5,186,350.00 | $5,151,850.00 |
| Medium Term Note | Berkshire Hathaway Inc. | 1.4 | 2/10/2012 | $10,000,000.00 | $9,993,500.00 | $10,091,200.00 |
| Medium Term Note | Chevron Corp. | 3.45 | 3/3/2012 | $5,000,000.00 | $5,173,100.00 | $5,192,200.00 |
| MTN (FDIC Insured) | Morgan Stanley | 2.25 | 3/13/2012 | $5,000,000.00 | $4,992,950.00 | $5,128,125.00 |
| MTN (FDIC Insured) | Citigroup Funding Inc. | 2 | 3/30/2012 | $5,000,000.00 | $4,986,550.00 | $5,104,750.00 |
| MTN (FDIC Insured) | Bank of America NA | 2.1 | 4/30/2012 | $5,000,000.00 | $4,995,450.00 | $5,123,200.00 |
| MTN (FDIC Insured) | Bank of America NA | 2.1 | 4/30/2012 | $5,000,000.00 | $5,031,500.00 | $5,123,200.00 |
| MTN (FDIC Insured) | Citibank NA | 1.875 | 5/7/2012 | $5,000,000.00 | $4,986,950.00 | $5,104,687.50 |
| MTN (FDIC Insured) | Citibank NA | 1.875 | 6/4/2012 | $5,000,000.00 | $4,984,950.00 | $5,107,450.00 |
| MTN (FDIC Insured) | JP Morgan Chase & Co. | 2.2 | 6/15/2012 | $5,000,000.00 | $4,996,900.00 | $5,141,600.00 |
| MTN (FDIC Insured) | Wells Fargo & Company | 2.125 | 6/15/2012 | $5,000,000.00 | $4,998,700.00 | $5,139,062.50 |
| MTN (FDIC Insured) | JP Morgan Chase & Co. | 2.125 | 6/22/2012 | $20,000,000.00 | $20,067,200.00 | $20,556,600.00 |
| Medium Term Note | Procter & Gamble Co. | 1.375 | 8/1/2012 | $10,000,000.00 | $9,992,700.00 | $10,135,937.50 |
| | ***Corporate MTN's and Other Notes Total*** | | | ***$198,000,000.00*** | ***$199,410,134.03*** | ***$201,597,913.09*** |
| | ***Grand Total*** | | | ***$2,007,803,162.22*** | ***$2,011,782,991.77*** | ***$2,024,964,251.54*** |

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.