



# City of San Diego

## Pooled Investment Fund Quarterly Review

Quarter ended  
**12/31/2011**

Publication Date: 1/30/2012

### Office of the City Treasurer—Investments Division

#### Economic Commentary

Two major investment themes that plagued investors during the year continued through last quarter: the European debt crisis and U.S. Congressional dysfunction.

There were many twists and turns in the European debt saga throughout the quarter. A \$1 trillion bailout plan was agreed to then was almost immediately cast in doubt as the Greek Prime Minister decided to hold a public referendum on the plan. After the predictable outrage from the rest of Europe, the PM canceled the vote and resigned from office.

The debt crisis also toppled the governments of Spain and Italy, and even European stalwarts such as Germany and France saw an increase in the cost to insure their sovereign debt (Chart 1) against default.

In the U.S., the political environment remained as toxic as ever. First, the Congressional budget “Super Committee” failed to agree on a deficit reduction package by its November 23 deadline, resulting in an automatic \$1.2 trillion in budget cuts beginning in 2013. Also, even though Democrats and Republicans both agreed that the payroll tax cut of 2011 needed extension, they were only able to come up with a last-minute two month extension.

Despite these headwinds, the U.S. economy continued on its path of moderate recovery during the quarter.

The labor market displayed marked improvement. Initial jobless claims dropped below 400,000 and stayed below that level for most of the quarter. Additionally, non-farm payrolls

increased modestly each month and the unemployment rate dropped from 9.0% to 8.5%, the lowest level since 2009.

Even housing numbers showed some improvement, with modest increases in new home sales, existing home sales, and builder sentiment. Sharp increases in rental costs and historically low mortgage rates have made for a favorable buying climate, though the shadow inventory of foreclosed and distressed properties should serve as a medium-term anchor on home prices.

With Europe almost undoubtedly in the midst of a recession and China attempting to curb inflation without slowing its economy too much, it remains to be seen whether the U.S. can continue to decouple from these forces and maintain its path of moderate growth.

#### Quarterly Economic Highlights

- The U.S. unemployment rate dipped to 8.5% in December, the lowest level since February 2009
- Congress passed a last-minute temporary extension to the payroll tax cut that takes it through February
- The U.S. stock market, as measured by the S&P 500 index, was up 11.15% during the quarter
- Yields on Italian 10 year bonds surged as high as 7.5% during the quarter as concerns arose about the country’s fiscal sustainability

#### Contents:

Key Economic Indicators	2
Portfolio Performance	3
Portfolio Profile	4
Portfolio Strategy	5
Projected Cash Flows	5
Portfolio Compliance	6
Portfolio Holdings	7-9

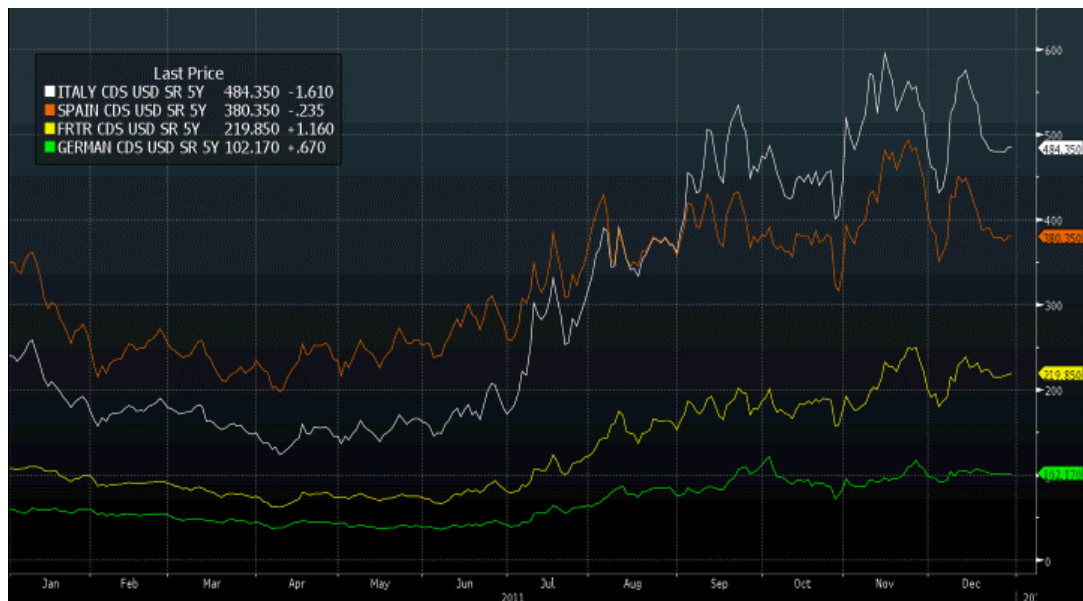


Chart 1: Select European Sovereign Credit Default Swap Levels Jan–Dec 2011 (Source: Bloomberg)

## Hot Topic Corner– RISK ON!!!

On January 25 2012, Ben Bernanke let investors know that the Federal Reserve will be leaving the Federal Funds rate at the exceptionally low rate of 0-.25% until the end of 2014, which is nearly a year and a half longer than previously expressed. This decision could be seen as a positive for stock and bond prices, but most of all, it is a personal invitation from the Federal Reserve Chairman himself to you to invest in risky assets.

Historically, an accommodative or low fed funds rate is a very positive elixir for the U.S. economy. Most major borrowing/saving rates are directly or indirectly linked to the Fed's monetary policy (car loans, lines of credit, mortgages, savings accounts, CD rates, etc.).

Corporations have taken

advantage of these low borrowing rates to refinance existing debt and even take on new long term debt at historically low rates, as recently seen with Cisco, Google, and Microsoft. Normally, this borrowing activity results in a new renaissance of economic activity, however, it hasn't quite worked out that way, as corporations are hoarding cash.

While corporations have benefitted from this cheap money, savers have seen their rates of return drop dramatically. Astonishingly, the three month Treasury bill has earned approximately .05% annually for the LAST THREE YEARS. While this provides safety, it is not much return, which has been a common theme across all money market instruments for some time. This ultra-low interest rate environment has also been a very destructive time for savers since

many fixed income instruments have a negative "real" yield.

Most people understand the term total rate of return, which essentially measures how fast your investment or cash is growing. However, what a lot of people don't realize is that this metric is generally reported on a nominal rate basis (real rate + inflation rate). I like to look at the "real" rate of return since it removes the inflation rate and represents the increase or decrease of purchasing power. Unfortunately, most safe fixed income products are producing negative real rates of returns so presently the US consumer is slowly losing purchasing power. For example, a 10 year Treasury is yielding 1.83% and the 10 year inflation outlook is about 2.10%, so an investor that purchases a 10 year Treasury Note is losing

0.27% of its purchasing power each year for 10 years...OUCH!!!

One alternative for investors is to move out on the risk spectrum, which has its own risks since investing is a net sum zero game. This means that what benefits one party will hurt another.

Mr. Bernanke's hope is that investors will refinance existing debt and invest in risky assets, which will drive the economy forward, creating substantial wealth for investors and encouraging the consumer to spend more. If consumers don't spend and/or the stock market stalls or drops, then we could be looking at more government support, which smells a lot like where Japan has been for the past couple of decades.

—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	12/13/2011	0-0.25%	0-0.25%	0%
Consumer Price Index (MoM)	DEC	0.0%	0.3%	(0.3%)
Consumer Price Index (YoY)	DEC	3.0%	3.9%	(0.9%)
Producer Price Index (MoM)	DEC	(0.1%)	0.8%	(0.9%)
Producer Price Index (YoY)	DEC	4.8%	6.9%	(2.1%)
Durable Goods Orders	DEC	3.0%	(0.8%)	3.8%
Gross Domestic Product (Annualized)	Q4A	2.8%	2.5%	0.3%
ISM (Manufacturing)	DEC	53.9	51.6	2.3
ISM (Non-manufacturing)	DEC	52.6	53.0	(0.4)
Retail Sales	DEC	0.1%	1.1%	(1.0%)
Unemployment Rate	DEC	8.5%	9.1%	(0.6%)
Change in Non-farm Payrolls	DEC	200,000	103,000	97,000
Consumer Confidence (Univ. of Michigan)	JAN (Final)	75.0	59.4	15.6
Existing Home Sales	DEC	4.61(mil)	4.19(mil)	0.42(mil)
New Home Sales	DEC	0.307(mil)	0.313(mil)	(0.006)(mil)
Housing Starts	DEC	0.657(mil)	0.658(mil)	(0.001)(mil)
Median Home Price (existing) [EHSLMP]	DEC	\$165,100	\$165,600	(\$500)
NYMEX WTI CRUDE OIL (barrel)	12/30/11	\$98.83	\$79.20	\$19.63
S&P 500 Stock Index	12/30/11	1,257.60	1,131.42	126.18

## Portfolio Performance

The Core Portfolio matched the performance of its benchmark, the Merrill Lynch 1-3 year Treasury Index, with both returning 0.191% for the quarter.

Chart 2 shows a slight bull flattening curve, with longer end rates decreasing more than shorter rates, particularly in the belly of the curve (5-10 year maturities). This was partially the result of continued flight to quality buying of Treasuries due to investor concern about the European debt crisis as well as investor speculation of additional quantitative easing by the Fed that would entail them buying agency mortgage-backed securities.

In contrast to the Fed's "Maturity Extension Program," which is focusing on maturities of 10+ years, a program focusing on mortgage-backed

securities would have more effect on the medium-term maturities.

"Income effect" was once again a major detractor from performance, contributing -18 basis points of excess return. As explained in prior reports, since the portfolio is more heavily invested in on-the-run, lower coupon securities than the index, the portfolio doesn't earn as much in coupon yield.

"Amortization and Roll effect" offset the income effect as the portfolio contains lower-priced securities than the index, resulting in less negative price movement. These effects added 19 basis points of outperformance versus the index.

"Duration effect" subtracted over 3 basis points of relative performance as the portfolio was short duration during the

modest rally in rates. However, this was offset by "non-parallel duration effect" due to the heavier portfolio weighting in 3 year securities versus 2 year securities.

Other effects such as "sector effect" and "selection effect" did not contribute materially to the portfolio performance versus the index this past quarter.

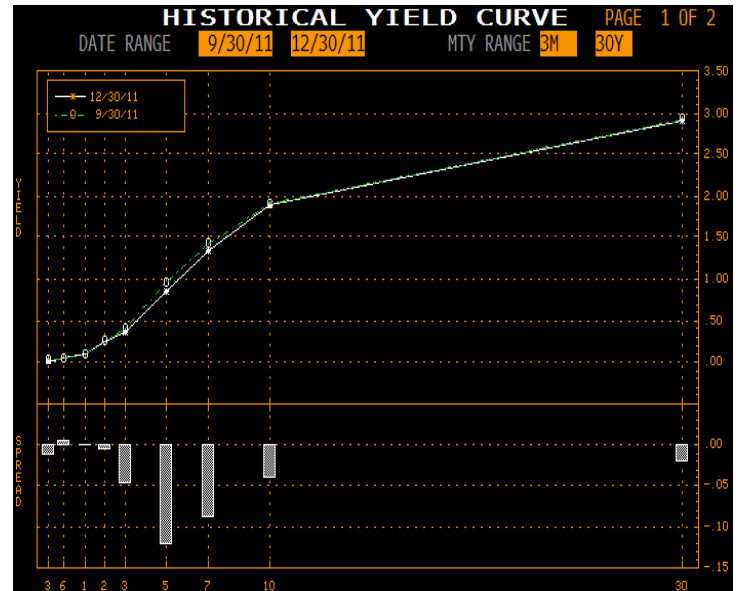


Chart 2: U.S. Treasury Yield Curve 9/30/11–12/31/11

## 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\*

	Q4 2011	Q3 2011	Q2 2011	FYTD 2012	1 Year	3 Year
<b>Total Pooled Investment Fund</b>	0.95%	1.41%	1.21%	1.18%	1.12%	1.72%
<b>Core Portfolio</b>	1.25%	1.98%	1.66%	1.61%	1.52%	2.32%
<b>Liquidity Portfolio</b>	0.45%	0.36%	0.38%	0.41%	0.41%	0.62%

### Total Return—Core Portfolio

	Q4 2011	Q3 2011	Q2 2011	FYTD 2012	1 Year	3 Year*
<b>Core Portfolio</b>	0.19%	0.42%	0.89%	0.61%	1.62%	1.84%
<b>BAML 1 - 3 Year Treasury Index</b>	0.19%	0.49%	0.83%	0.68%	1.55%	1.56%
<b>Difference</b>	0.00%	(0.07%)	0.05%	(0.07%)	0.07%	0.28%

\*Annualized Returns

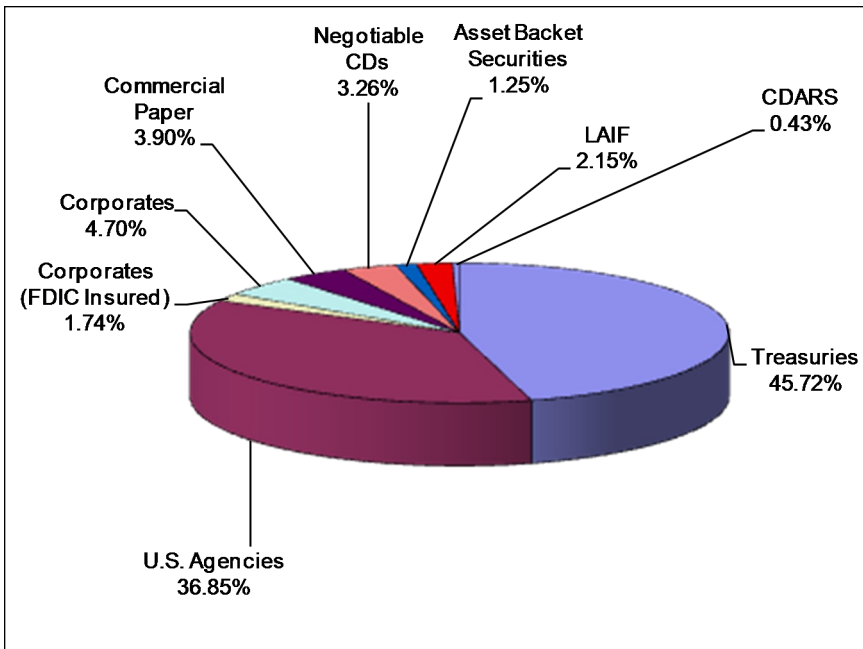
## Portfolio Profile

as of December 31, 2011

	<b>Liquidity</b>	<b>Core</b>
Portfolio Size*	\$851,718,169	\$1,448,240,365
% of total pool	37.03%	62.97%
Portfolio Duration**	0.429	1.745
Index Duration**	0.368	1.888
% of index	116.51%	92.43%
Weighted Average Days to Maturity	173	692

\* Book Value \*\* Macaulay's Duration for the Liquidity Portfolio and Effective Duration for the Core Portfolio  
 Note: Portfolio durations do not include the effect of trades settling over month end.

### Asset Allocation



### Top Issuer Exposures

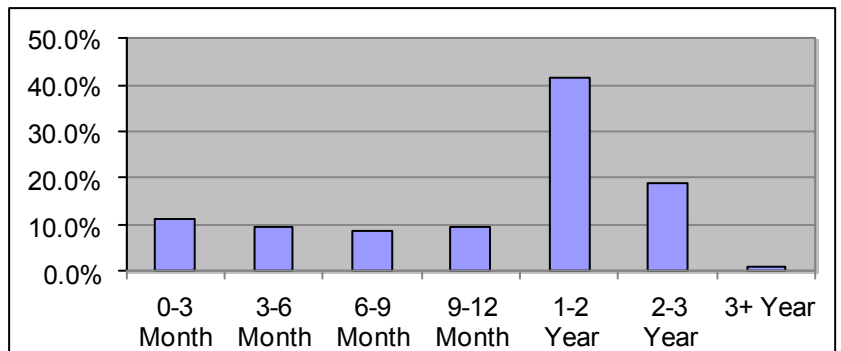
Issuer	% of Portfolio
U.S. Treasury	45.72%
Federal Home Loan Bank	12.75%
Freddie Mac	9.28%
Fannie Mae	6.68%
Federal Farm Credit Bank	6.19%
General Electric	1.53%
JP Morgan Chase	1.09%
Rabobank USA	1.09%
Svenska Handelsbanken NY	1.09%
Royal Bank of Canada NY	1.09%
Nestle Capital Corp	1.09%
Chase Issuance Trust	1.09%
Int'l Bank Recon & Develop	1.09%
Natl Credit Union Admin.	0.87%
The Procter & Gamble Co.	0.74%
Toyota Motor Credit Corp.	0.65%

### Credit Ratings

Ratings Buckets	% of Portfolio
U.S. Treasury (AAA)	45.72%
U.S. Agencies (AAA)	36.85%
AAA/A1	9.34%
AA	3.17%
A	0.92%
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

As long as the European debt crisis persists, the U.S. economy continues to grow below potential and inflation stays contained, the FOMC will most likely keep interest rates historically low for the foreseeable future.

While the prospect of low rates for a more extended period does make managing the portfolio easier from a duration positioning perspective, it does lead to the challenge of trying to find incremental yield in the interim.

To address this, we have begun buying some different types of investments that yield more than traditional U.S. Treasury and Agency securities. These new investments are permitted within California Government Code and the City Treasurer's

Investment Policy, and meet the objectives of safety of principal and liquidity.

Last quarter we purchased a couple of asset-backed securities (ABS): one backed by credit card receivables and another backed by auto loans.

The credit card ABS was issued by the Chase Issuance Trust and is backed by receivables of JP Morgan Chase credit card customers. It pays interest monthly and has a stated maturity date of two years and a legal maturity of four years. The trust has never had to extend the maturity of any of its notes past the stated date, even through the 2008-2009 credit crisis.

The auto ABS was issued by the Honda Auto Receivables Owners

Trust, and is backed by auto loans made to customers who purchase Honda automobiles. This security has a one year stated maturity but pays principal in addition to interest each month so it should mature prior to then.

Both structures are further protected by credit enhancements such as overcollateralization, cash reserves and subordination, resulting in triple A ratings by both Moody's and Standard & Poor's. We will continue to look for investments like these that meet our investment objectives.

Floating rate notes we had purchased in past quarters proved beneficial last quarter as both 1 month and 3 month LIBOR rose due to fears stemming from the Euro debt

crisis. As the coupons on these securities are tied to LIBOR, they have also risen, resulting in increased income to the Pool.

Though we believe interest rates will remain low for the foreseeable future, we maintain a slightly lower-than-benchmark duration. This is because while rates should stay low, they can be unpredictable and subject to rapid rise. In such an instance, the lower duration will help mitigate portfolio losses.

Additionally, we monitor the Treasury curve daily in order to find securities mispriced by the Fed's Maturity Extension Program. In doing so, we have found opportunities where we sold rich securities and replaced them with cheaper securities and increased yield.

## 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
January	361	344	17	17
February	230	197	33	50
March	236	222	14	64
April	322	217	105	169
May	412	363	49	218
June	204	194	10	228

(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 and 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)	ML 1-3 Year +/-20%	Complies - 92.43%
Duration (Liquidity)	US T-bill 3-6 months +/-40%	Complies - 116.51%
Maximum Maturity	5 years	Complies
U.S. Agency Securities	100% maximum	Complies - 36.85%
FNMA	33.3% maximum	Complies- 6.68%
FHLMC	33.3% maximum	Complies - 9.28%
FHLB	33.3% maximum	Complies - 12.75%
FFCB	33.3% maximum	Complies - 6.19%
Callable Securities	30% maximum	Complies - 11.45%
MBS/CMO's	5 yr maximum- 20% max.	Complies - None in Portfolio
Asset-backed	5 yr maximum- 20% max.	Complies - 1.25%
Commercial Paper	A1/P1- 5% per issuer	Complies
	25% maximum	Complies - 3.90%
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 - 6.44%
Mutual Funds	20% maximum; 5% maximum per fund	Complies - None in Portfolio
FDIC-insured Certificates of Deposit	2% maximum	Complies - 0.43%
Certificate and Public Deposits	30% maximum	Complies - 3.26%
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 (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 Issuer or Insurer, excluding California Gen- eral Obligations	Complies - None in Portfolio

## City of San Diego Pooled Investment Fund Holdings as of December 31, 2011

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
US Treasury Note	US Treasury	1.375	3/15/2012	\$15,000,000.00	\$15,015,022.59	\$15,040,500.00
US Treasury Note	US Treasury	0.75	5/31/2012	\$30,000,000.00	\$30,167,578.13	\$30,087,000.00
US Treasury Note	US Treasury	0.5	11/30/2012	\$30,000,000.00	\$30,025,781.25	\$30,096,000.00
US Treasury Note	US Treasury	1.125	12/15/2012	\$30,000,000.00	\$29,759,765.63	\$30,276,000.00
US Treasury Note	US Treasury	0.625	12/31/2012	\$25,000,000.00	\$25,000,976.56	\$25,117,500.00
US Treasury Note	US Treasury	0.625	1/31/2013	\$25,000,000.00	\$24,981,404.25	\$25,122,500.00
US Treasury Note	US Treasury	1.375	2/15/2013	\$25,000,000.00	\$25,019,531.25	\$25,332,500.00
US Treasury Note	US Treasury	0.625	2/28/2013	\$25,000,000.00	\$24,932,617.19	\$25,130,000.00
US Treasury Note	US Treasury	1.375	3/15/2013	\$25,000,000.00	\$24,841,796.88	\$25,357,500.00
US Treasury Note	US Treasury	0.75	3/31/2013	\$25,000,000.00	\$24,958,984.38	\$25,175,000.00
US Treasury Note	US Treasury	0.625	4/30/2013	\$40,000,000.00	\$40,000,000.00	\$40,232,000.00
US Treasury Note	US Treasury	1.375	5/15/2013	\$15,000,000.00	\$15,077,343.75	\$15,238,500.00
US Treasury Note	US Treasury	0.5	5/31/2013	\$40,000,000.00	\$40,015,625.00	\$40,168,000.00
US Treasury Note	US Treasury	1.125	6/15/2013	\$25,000,000.00	\$24,948,581.00	\$25,330,000.00
US Treasury Note	US Treasury	1.125	6/15/2013	\$20,000,000.00	\$19,957,812.50	\$20,264,000.00
US Treasury Note	US Treasury	0.375	6/30/2013	\$15,000,000.00	\$14,968,359.38	\$15,036,000.00
US Treasury Note	US Treasury	0.375	6/30/2013	\$10,000,000.00	\$9,978,125.00	\$10,024,000.00
US Treasury Note	US Treasury	1	7/15/2013	\$40,000,000.00	\$39,959,339.20	\$40,476,000.00
US Treasury Note	US Treasury	0.375	7/31/2013	\$40,000,000.00	\$40,006,657.61	\$40,096,000.00
US Treasury Note	US Treasury	0.75	8/15/2013	\$10,000,000.00	\$9,984,154.20	\$10,083,000.00
US Treasury Note	US Treasury	0.75	8/15/2013	\$20,000,000.00	\$19,937,500.00	\$20,166,000.00
US Treasury Note	US Treasury	0.125	8/31/2013	\$25,000,000.00	\$24,961,023.35	\$24,955,000.00
US Treasury Note	US Treasury	0.125	9/30/2013	\$25,000,000.00	\$24,931,896.77	\$24,950,000.00
US Treasury Note	US Treasury	0.25	10/31/2013	\$25,000,000.00	\$24,967,773.44	\$25,005,000.00
US Treasury Note	US Treasury	0.5	11/15/2013	\$25,000,000.00	\$25,122,789.33	\$25,115,000.00
US Treasury Note	US Treasury	2	11/30/2013	\$25,000,000.00	\$25,882,812.50	\$25,825,000.00
US Treasury Note	US Treasury	2	11/30/2013	\$25,000,000.00	\$25,860,741.12	\$25,825,000.00
US Treasury Note	US Treasury	0.25	11/30/2013	\$100,000,000.00	\$100,000,683.06	\$100,010,000.00
US Treasury Note	US Treasury	0.75	12/15/2013	\$25,000,000.00	\$25,243,164.06	\$25,242,500.00
US Treasury Note	US Treasury	1.25	2/15/2014	\$25,000,000.00	\$25,049,804.69	\$25,515,000.00
US Treasury Note	US Treasury	1.25	3/15/2014	\$20,000,000.00	\$19,996,093.75	\$20,424,000.00
US Treasury Note	US Treasury	1.25	4/15/2014	\$25,000,000.00	\$24,956,013.75	\$25,541,000.00
US Treasury Note	US Treasury	0.625	7/15/2014	\$25,000,000.00	\$24,986,328.13	\$25,192,500.00
US Treasury Note	US Treasury	0.5	8/15/2014	\$25,000,000.00	\$25,133,704.13	\$25,112,500.00
US Treasury Note	US Treasury	0.25	9/15/2014	\$25,000,000.00	\$24,944,335.94	\$24,937,500.00
US Treasury Note	US Treasury	0.5	10/15/2014	\$25,000,000.00	\$24,967,311.06	\$25,102,500.00
US Treasury Note	US Treasury	0.375	11/15/2014	\$25,000,000.00	\$24,993,164.06	\$25,015,000.00
US Treasury Note	US Treasury	0.25	12/15/2014	\$25,000,000.00	\$24,921,875.00	\$24,917,500.00
US Treasury Note	US Treasury	0.25	12/15/2014	\$25,000,000.00	\$24,909,788.04	\$24,917,500.00
<b>Treasury Total</b>			<b>45.71%</b>	<b>\$1,050,000,000.00</b>	<b>\$1,051,366,257.93</b>	<b>\$1,057,450,500.00</b>
US Agency	Federal Farm Credit Bank	0.3	2/1/2012	\$25,000,000.00	\$25,011,000.00	\$25,000,000.00
US Agency	Federal Home Loan Bank	0.15	2/17/2012	\$25,000,000.00	\$24,997,475.00	\$25,000,000.00
US Agency	Federal Farm Credit Bank	0.28	3/1/2012	\$25,000,000.00	\$24,998,875.00	\$25,007,812.50
US Agency	Federal Home Loan Bank	0.28	3/28/2012	\$25,000,000.00	\$24,997,500.00	\$25,007,812.50
US Agency	Federal Farm Credit Bank	0.2	4/4/2012	\$12,500,000.00	\$12,476,666.67	\$12,500,000.00
US Agency	Federal Home Loan Bank	2.25	4/13/2012	\$20,000,000.00	\$19,996,775.33	\$20,118,750.00
US Agency	Fannie Mae	1.875	4/20/2012	\$15,000,000.00	\$14,996,892.45	\$15,079,687.50
US Agency	Federal Farm Credit Bank	2.25	4/24/2012	\$10,000,000.00	\$9,999,968.31	\$10,065,625.00
US Agency	Freddie Mac	1.125	4/25/2012	\$23,550,000.00	\$23,749,704.00	\$23,623,593.75
US Agency	Fannie Mae	0.19	5/11/2012	\$25,000,000.00	\$24,962,923.61	\$25,000,000.00
US Agency	Fannie Mae	0.18	5/25/2012	\$18,600,000.00	\$18,569,310.00	\$18,600,000.00
US Agency	Federal Home Loan Bank	0.35	7/17/2012	\$20,000,000.00	\$20,000,000.00	\$20,000,000.00
US Agency	Freddie Mac	0.15	7/20/2012	\$25,000,000.00	\$24,965,625.00	\$24,992,187.50

## City of San Diego Pooled Investment Fund Holdings as of December 31, 2011 (continued)

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
US Agency	Federal Home Loan Bank	0.35	7/25/2012	\$20,000,000.00	\$20,000,000.00	\$20,000,000.00
US Agency	Federal Home Loan Bank	0.4	8/17/2012	\$10,000,000.00	\$10,000,000.00	\$10,003,125.00
US Agency	Federal Home Loan Bank	0.28	9/7/2012	\$20,000,000.00	\$20,000,000.00	\$20,006,250.00
US Agency	Federal Home Loan Bank	0.35	9/18/2012	\$13,333,333.34	\$13,333,333.34	\$13,337,500.01
US Agency	Federal Home Loan Bank	0.23	10/24/2012	\$25,000,000.00	\$24,991,477.25	\$24,992,187.50
US Agency	Federal Home Loan Bank	0.2	11/7/2012	\$25,000,000.00	\$25,000,000.00	\$24,992,187.50
US Agency	Federal Home Loan Bank	0.18	11/23/2012	\$25,000,000.00	\$24,994,250.00	\$24,984,375.00
US Agency	Federal Home Loan Bank	0.3	12/10/2012	\$20,000,000.00	\$20,000,000.00	\$19,993,750.00
US Agency	Freddie Mac	0.35	12/14/2012	\$20,000,000.00	\$20,000,000.00	\$20,000,000.00
US Agency	Intl Bank Recon & Develop	0.46	1/2/2013	\$25,000,000.00	\$25,000,000.00	\$24,966,750.00
US Agency	Federal Home Loan Bank	0.25	1/8/2013	\$25,000,000.00	\$25,000,000.00	\$24,992,187.50
US Agency	Freddie Mac	0.5	2/15/2013	\$10,000,000.00	\$10,000,000.00	\$10,003,125.00
US Agency	Federal Farm Credit Bank	1.75	2/21/2013	\$20,000,000.00	\$19,947,400.00	\$20,306,250.00
US Agency	NCUA Guaranteed	0.296	6/12/2013	\$20,000,000.00	\$20,000,000.00	\$20,000,000.00
US Agency	Federal Farm Credit Bank	1.375	6/25/2013	\$25,000,000.00	\$24,922,000.00	\$25,406,250.00
US Agency	Freddie Mac	0.5	8/23/2013	\$10,000,000.00	\$10,000,000.00	\$9,984,375.00
US Agency	Fannie Mae	0.55	8/23/2013	\$10,000,000.00	\$10,005,000.00	\$10,006,250.00
US Agency	Fannie Mae	0.55	9/6/2013	\$10,000,000.00	\$10,000,000.00	\$9,990,625.00
US Agency	Freddie Mac	0.5	10/15/2013	\$15,000,000.00	\$14,996,700.00	\$14,976,562.50
US Agency	Fannie Mae	0.625	10/25/2013	\$10,000,000.00	\$10,000,000.00	\$10,003,125.00
US Agency	Federal Home Loan Bank	0.375	11/27/2013	\$20,000,000.00	\$19,947,800.00	\$19,975,000.00
US Agency	Freddie Mac	0.375	11/27/2013	\$25,000,000.00	\$24,942,750.00	\$24,960,937.50
US Agency	Fannie Mae	0.65	11/29/2013	\$10,000,000.00	\$10,000,000.00	\$9,987,500.00
US Agency	Fannie Mae	0.75	12/6/2013	\$10,000,000.00	\$10,000,416.67	\$9,996,875.00
US Agency	Federal Farm Credit Bank	1.125	2/27/2014	\$25,000,000.00	\$24,950,750.00	\$25,343,750.00
US Agency	Freddie Mac	1	8/27/2014	\$25,000,000.00	\$24,967,000.00	\$25,242,187.50
US Agency	Fannie Mae	0.85	9/12/2014	\$10,000,000.00	\$10,000,000.00	\$9,987,500.00
US Agency	Freddie Mac	1	11/3/2014	\$10,000,000.00	\$9,997,500.00	\$10,015,625.00
US Agency	Freddie Mac	0.95	11/10/2014	\$15,000,000.00	\$15,005,937.50	\$15,018,750.00
US Agency	Fannie Mae	0.75	12/19/2014	\$25,000,000.00	\$24,999,250.00	\$25,078,125.00
US Agency	Freddie Mac	0.625	12/29/2014	\$35,000,000.00	\$34,904,450.00	\$34,978,125.00
US Agency	Fannie Mae	0.9	12/29/2014	\$10,000,000.00	\$10,000,000.00	\$9,984,375.00
<b>U.S. Agency Total</b>			<b>36.85%</b>	<b>\$847,983,333.34</b>	<b>\$847,628,730.13</b>	<b>\$849,509,093.76</b>
LAIF	California State Pool	0.38	1/1/2012	\$49,381,492.37	\$49,381,492.37	\$49,381,492.37
Negotiable CD	Rabobank NY	0.25	1/6/2012	\$25,000,000.00	\$25,000,000.00	\$25,000,290.76
Negotiable CD	Svenska Handelsbanken NY	0.31	1/20/2012	\$25,000,000.00	\$25,000,000.00	\$25,001,801.84
Commercial Paper	Toyota Motor Credit	0.37	1/27/2012	\$15,000,000.00	\$14,977,183.33	\$14,977,200.00
Non-Negotiable CDs	BSBB CDARS	1.25	2/16/2012	\$10,000,000.00	\$10,000,000.00	\$10,000,000.00
Negotiable CD	Royal Bank of Canada NY	0.544	6/7/2012	\$25,000,000.00	\$25,000,000.00	\$25,012,551.17
Commercial Paper	General Electric Capital	0.38	7/6/2012	\$25,000,000.00	\$24,945,902.78	\$24,902,604.17
Commercial Paper	Nestle Capital Corp.	0.2	8/3/2012	\$25,000,000.00	\$24,966,666.67	\$24,888,020.83
Commercial Paper	Bank of Nova Scotia NY	0.495	8/31/2012	\$25,000,000.00	\$24,907,875.00	\$24,844,750.00
<b>Repo, BA's, CD's, CP, LAIF, Funds Total</b>			<b>9.75%</b>	<b>\$224,381,492.37</b>	<b>\$224,179,120.15</b>	<b>\$224,008,711.14</b>
Medium Term Note	Berkshire Hathaway Inc.	1.4	2/10/2012	\$10,000,000.00	\$9,998,359.40	\$10,009,375.00
Medium Term Note	The Walt Disney Co.	6.375	3/1/2012	\$10,000,000.00	\$10,539,690.00	\$10,090,625.00
MTN (FDIC Insured)	Citibank NA	1.875	5/7/2012	\$5,000,000.00	\$4,997,832.94	\$5,028,906.25
MTN (FDIC Insured)	Citibank NA	1.875	6/4/2012	\$5,000,000.00	\$4,997,487.09	\$5,035,937.50
MTN (FDIC Insured)	JP Morgan Chase & Co.	2.2	6/15/2012	\$5,000,000.00	\$4,999,530.38	\$5,047,656.25
MTN (FDIC Insured)	Wells Fargo & Company	2.125	6/15/2012	\$5,000,000.00	\$4,999,797.19	\$5,045,312.50
MTN (FDIC Insured)	JP Morgan Chase & Co.	2.125	6/22/2012	\$20,000,000.00	\$20,011,302.94	\$20,193,750.00
Medium Term Note	Procter & Gamble Co.	1.375	8/1/2012	\$10,000,000.00	\$9,992,700.00	\$10,048,437.50
Medium Term Note	Berkshire Hathaway Inc.	5.125	9/15/2012	\$4,500,000.00	\$4,883,220.00	\$4,644,843.75



**City of San Diego Pooled Investment Fund Holdings as of December 31, 2011 (continued)**

Security Type	Issuer	Coupon	Maturity	Par	Book	Market Value
Medium Term Note	3M Company	4.65	12/15/2012	\$10,000,000.00	\$10,715,400.00	\$10,409,375.00
Medium Term Note	General Electric Capital	2.8	1/8/2013	\$10,000,000.00	\$10,318,853.33	\$10,190,625.00
Medium Term Note	General Dynamics Corp.	4.25	5/15/2013	\$10,000,000.00	\$10,649,900.00	\$10,487,500.00
Medium Term Note	Wal-Mart Stores Inc.	0.75	10/25/2013	\$10,000,000.00	\$9,965,700.00	\$10,046,875.00
Medium Term Note	Wal-Mart Stores Inc.	1.625	4/15/2014	\$3,000,000.00	\$2,991,900.00	\$3,066,093.75
Medium Term Note	Colgate-Palmolive Co.	1.25	5/1/2014	\$4,000,000.00	\$3,994,160.00	\$4,054,375.00
Medium Term Note	Johnson & Johnson	1.2	5/15/2014	\$10,000,000.00	\$9,988,300.00	\$10,154,687.50
Medium Term Note	Google Inc.	1.25	5/19/2014	\$7,000,000.00	\$6,998,390.00	\$7,105,000.00
Medium Term Note	Procter & Gamble Co.	0.7	8/15/2014	\$7,000,000.00	\$6,971,230.00	\$7,033,906.25
<b>Corporate MTN's and Other Notes Total</b>			<b>6.44%</b>	<b>\$145,500,000.00</b>	<b>\$148,013,753.27</b>	<b>\$147,693,281.25</b>
Asset Backed Security	Honda Auto Receivables Trust	0.398	10/22/2012	\$3,770,673.10	\$3,770,673.10	\$3,770,673.10
Asset Backed Security	Chase Issuance Trust	0.412	12/15/2015	\$25,000,000.00	\$25,000,000.00	\$25,000,000.00
<b>Asset Backed Securities Total</b>			<b>1.25%</b>	<b>\$28,770,673.10</b>	<b>\$28,770,673.10</b>	<b>\$28,770,673.10</b>
<b>Grand Total</b>			<b>100.00%</b>	<b>\$2,296,635,498.81</b>	<b>\$2,299,958,534.58</b>	<b>\$2,307,432,259.25</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.