



County of Riverside

Treasurer's Pooled Investment Fund

2012
September

"QE3 to Infinity and Beyond"

For the better part of this year, the capital markets have been expecting quantitative easing, part three (QE3) from the FED, from one meeting to the next, depending on the most current economic indicators. As we moved into August, our stock markets were rallying strongly on the hope of further balance sheet expansion programs based on their comments.

At its regularly scheduled meeting on August 1st, the FED stated, "Economic activity decelerated somewhat over the first half of this year. Despite some further signs of improvement, the housing sector remains depressed." The biggest surprise was the statement "The Committee will closely monitor incoming information on economic and financial developments and will provide additional accommodation as needed". This was the wind up before the pitch.

Some thought Bernanke & Co. would wait a bit longer reasoning that they should keep the powder dry and for the dust to clear from the upcoming and contentious presidential election. Clearly, the FED felt differently and on September 13th at its regularly scheduled meeting launched QE3, a \$40 billion a month open-ended mortgage backed securities (MBS) bond buying program "to infinity and beyond."

The FED stated, "The Committee is concerned that, without further policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions." In other words, until

employment begins to show signs of recovery. Furthermore, "To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the economic recovery strengthens." They've suggested through 2015.

The FEDs' statement also suggests that with the QE3 launch, they have clearly shifted away from concern about inflation to a no-holds barred slugfest on maximizing employment. However, many capital markets observers wonder, will buying MBS bonds promote real employment and economic growth? Moreover, will this program continue to support the emerging housing recovery that we so desperately need, or was this politics at its finest a couple of months before a very important election? Only time will tell as the concern is that markets are too reliant and accustomed to FOMC intervention.

Next up, cooler temperatures as we welcome the fall season that is upon us, the elections, and, the looming debate of the fiscal cliff prior to year-end. Stay tuned to your business news; you can be assured that we will in managing the assets of the Pool on behalf of our depositors.

Don Kent
Treasurer-Tax Collector

Capital Markets Team

Treasurer-Tax Collector

Don Kent

Asst. Treasurer-Tax Collector

Jon Christensen

Investment Manager

Giovane Pizano

Asst. Investment Manager

Angela Tressler

Investment Objectives

*The primary objective of the treasurer shall be to **safe-guard the principal** of the funds under the treasurer's control, meet the **liquidity needs** of the depositor, and achieve a **return on the funds** under his or her control.*

RIVERSIDE COUNTY TREASURER'S POOLED INVESTMENT FUND IS CURRENTLY RATED:

Aaa-bf BY MOODY'S INVESTOR'S SERVICE AND AAA/V1 BY FITCH RATINGS

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	Yrs to Maturity	Modified Duration
September	5,020,304,807.84	5,013,573,226.55	6,731,581.29	0.13	0.42	1.13	1.11
August	5,187,622,985.61	5,179,796,928.68	7,826,056.93	0.15	0.42	1.13	1.12
July	5,159,646,617.47	5,152,181,840.02	7,464,777.45	0.14	0.42	1.09	1.07
June	4,648,181,202.16	4,642,625,742.15	5,555,460.01	0.12	0.45	1.18	1.16
May	5,245,880,345.96	5,239,604,956.51	6,275,389.45	0.12	0.46	1.16	1.15
April	5,926,568,258.87	5,920,236,964.13	6,331,294.74	0.11	0.44	1.10	1.08

The Treasurer's Pooled Investment Fund is comprised of the County, Schools, Special Districts, and other Discretionary Depositors.

Current Market Date

Economic Indicators

Released on:	Indicator	Definition	Consensus	Actual
10/5/2012	Nonfarm Payrolls - M/M change	Counts the number of paid employees working part-time or full-time in the nation's business and government establishments.	113,000	114,000
10/5/2012	Unemployment Rate	Measures the number of unemployed as a percentage of the labor force.	8.1%	7.8%
9/27/2012	Durable Goods Orders - M/M change	Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	-5.0%	-13.2%
9/27/2012	Real Gross Domestic Product - Q/Q change	The broadest measure of aggregate economic activity and encompasses every sector of the economy. GDP is the country's most comprehensive economic scorecard.	1.7%	1.3%
9/25/2012	Consumer Confidence	Measures consumer attitudes on present economic conditions and expectations of future conditions.	64.8	70.3
10/4/2012	Factory Orders - M/M change	Represents the dollar level of new orders for both durable and nondurable goods.	-6.0%	-5.2%
9/14/2012	Consumer Price Index - M/M change	The Consumer Price Index is a measure of the average price level of a fixed basket of goods and services purchased by consumers.	0.6%	0.6%

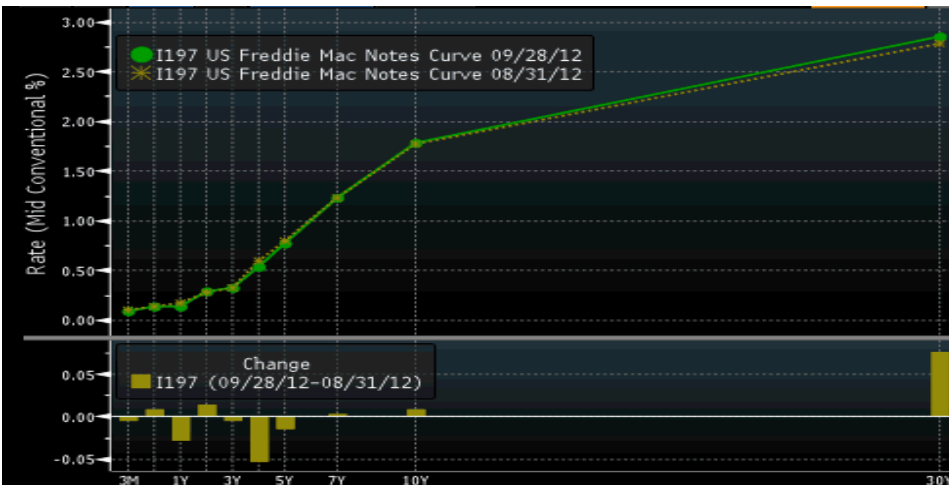
Stock Indices

	Value	Change
Dow Jones (DJIA)	13,437.13	346.29
S&P 500 Index	1,440.67	34.09
NASDAQ	2,799.19	26.95

Commodities

	Value	Change
Nymex Crude	\$ 92.19	\$ (4.28)
Gold (USD/OZ)	\$ 1,772.10	\$ 80.09

U.S. Treasuries



	Yield (%)	Change (%)
3-Month	0.09	0.02
6-Month	0.13	-
12-Month	0.16	(0.01)
2-Year	0.23	0.01
3-Year	0.31	0.02
5-Year	0.63	0.04
7-Year	1.05	0.05
10-Year	1.16	(0.39)
30-Year	2.82	0.15

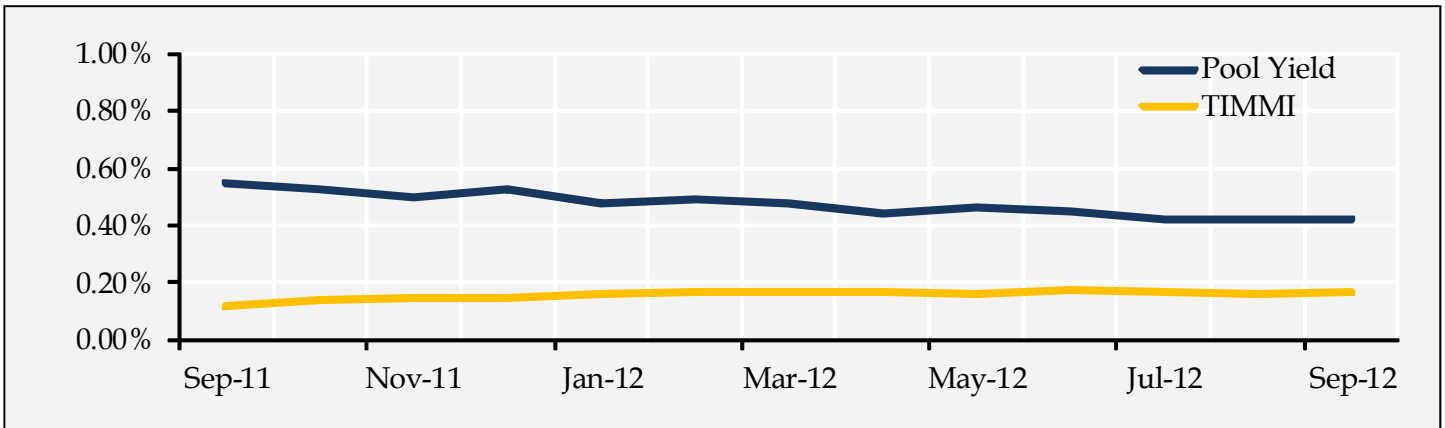
Fed Funds Target Rate

Current Fed Funds Rate: 0-0.25%		
	Probability for FOMC Date	Probability for FOMC Date
Fed Move	10/24/2012	12/12/2012
Decrease to 0.00%	42.0%	44.1%
Increase to 0.25%	58.0%	55.9%
Increase to 0.50%	0.0%	0.0%
Increase to 0.75%	0.0%	0.0%
Increase to 1%	0.0%	0.0%

TIMMI

AAA Rated Prime Institutional Money-Market Funds		
Fund	Symbol	7 Day Yield
Fidelity Prime Institutional MMF	FIPXX	0.16%
Federated Prime Obligations Fund	POIXX	0.15%
Wells Fargo Advantage Heritage	WFJXX	0.15%
Morgan Stanley Institutional Prime Liquidity Fund	MPFXX	0.16%
BlackRock Prime Cash Fund	BPIXX	0.21%

The Treasurer’s Institutional Money Market Index (TIMMI) is compiled and reported by the Riverside County Treasurer’s Capital Markets division. It is a composite index derived from five AAA rated prime institutional money market funds. Similar to the Treasurer’s Office, prime money market funds invest in a diversified portfolio of U.S. dollar denominated money market instruments including U.S. Treasuries, government agencies, commercial paper, certificates of deposits, repurchase agreements, etc. TIMMI is currently comprised of the five multi billion dollar funds listed to the left.



Cash Flows

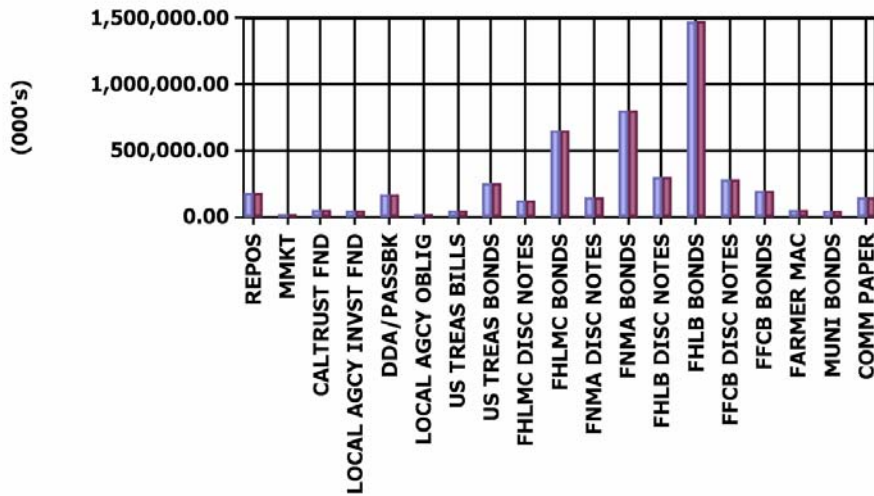
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
10/2012					237.47		
10/2012	697.00	812.58	(115.58)		121.89	733.80	
11/2012	775.00	706.19	68.81		190.70	164.12	
12/2012	1,459.00	809.82	649.18		839.88	90.00	
01/2013	695.00	1,259.52	(564.52)		275.36	433.11	
02/2013	638.00	900.45	(262.45)		12.91	274.40	
03/2013	841.00	851.75	(10.75)		2.16	125.00	
04/2013	1,379.60	821.92	557.68		559.84	108.30	
05/2013	663.29	1,199.59	(536.30)		23.54	477.99	
06/2013	589.54	1,114.19	(524.65)	501.11	-	364.63	
07/2013	868.06	913.40	(45.34)	45.34	-	175.09	
08/2013	668.62	717.29	(48.67)	48.67	-	127.50	
09/2013	675.66	752.21	(76.55)	76.55	-	220.00	
TOTALS	9,949.77	10,858.91	(909.14)	671.67		3,293.93	4,341.90
				13.40%		65.70%	86.60%

* All values reported in millions (\$).

The Pooled Investment Fund cash flow requirements are based upon a 12 month historical cash flow model. Based upon projected cash receipts and maturing investments, there are sufficient funds to meet future cash flow disbursements over the next 12 months.

Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr)	Mat (Yr)
REPOS	180,000.00	180,000.00	180,000.00	100.00%	0.13%	.003	.003
MMKT	10,000.00	10,000.00	10,000.00	100.00%	0.03%	.003	.003
CALTRUST FND	54,000.00	54,000.00	54,000.00	100.00%	0.41%	.003	.003
LOCAL AGCY INVST	50,000.00	50,000.00	50,000.00	100.00%	0.36%	.003	.003
DDA/PASSBK	170,000.00	170,000.00	170,000.00	100.00%	0.08%	.003	.003
LOCAL AGCY	535.00	535.00	535.00	100.00%	0.92%	7.712	7.712
US TREAS BILLS	50,000.00	49,915.47	49,981.78	100.13%	0.19%	.356	.356
US TREAS BONDS	255,000.00	255,415.62	255,241.35	99.93%	0.21%	.840	.840
FHLMC DISC NOTES	125,000.00	124,819.35	124,928.25	100.09%	0.18%	.473	.473
FHLMC BONDS	653,871.00	653,703.34	655,626.74	100.29%	0.63%	1.390	2.033
FNMA DISC NOTES	150,000.00	149,787.15	149,937.50	100.10%	0.15%	.374	.374
FNMA BONDS	804,420.00	804,860.41	806,837.88	100.25%	0.80%	.862	2.681
FHLB DISC NOTES	302,000.00	301,478.18	301,785.34	100.10%	0.18%	.526	.526
FHLB BONDS	1,480,140.00	1,480,423.46	1,481,860.62	100.10%	0.34%	.657	.798
FFCB DISC NOTES	285,000.00	284,534.61	284,903.45	100.13%	0.19%	.401	.401
FFCB BONDS	196,000.00	196,099.16	196,479.72	100.19%	0.51%	.948	1.145
FARMER MAC	52,500.00	52,491.38	52,586.90	100.18%	0.61%	.987	1.321
MUNI BONDS	45,515.00	45,635.78	45,635.78	100.00%	0.47%	.813	.813
COMM PAPER	150,000.00	149,874.33	149,964.48	100.06%	0.22%	.090	.090
Totals (000's):	5,013,981.00	5,013,573.23	5,020,304.81	100.13%	0.41%	.696	1.125

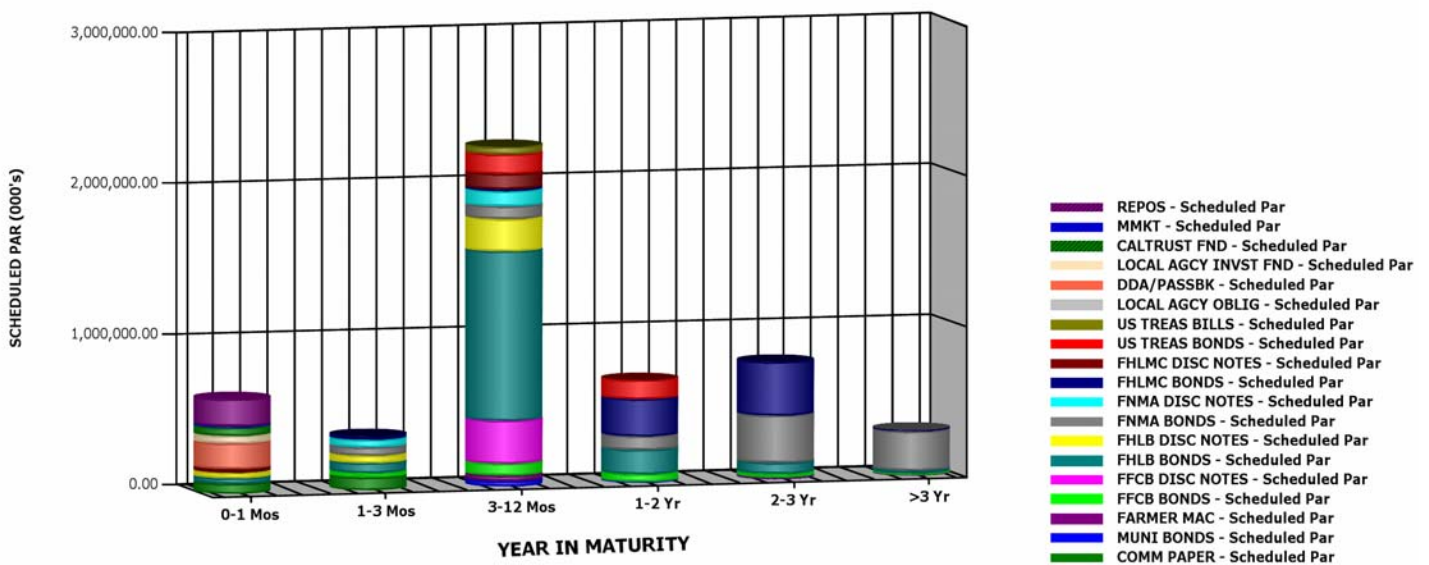


SCHEDULED PAR %



Maturity Distribution

Scheduled Par (000's)	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yr	2-3 Yr	>3 Yr	Totals (000's)
REPOS	180,000.00	-	-	-	-	-	180,000.00
MMKT	10,000.00	-	-	-	-	-	10,000.00
CALTRUST FND	54,000.00	-	-	-	-	-	54,000.00
LOCAL AGCY INVST FND	50,000.00	-	-	-	-	-	50,000.00
DDA/PASSBK	170,000.00	-	-	-	-	-	170,000.00
LOCAL AGCY OBLIG	-	-	-	-	-	535.00	535.00
US TREAS BILLS	-	-	50,000.00	-	-	-	50,000.00
US TREAS BONDS	-	-	130,000.00	125,000.00	-	-	255,000.00
FHLMC DISC NOTES	25,000.00	-	100,000.00	-	-	-	125,000.00
FHLMC BONDS	-	24,121.00	15,000.00	248,000.00	356,750.00	10,000.00	653,871.00
FNMA DISC NOTES	-	50,000.00	100,000.00	-	-	-	150,000.00
FNMA BONDS	-	55,000.00	85,000.00	90,000.00	314,740.00	259,680.00	804,420.00
FHLB DISC NOTES	37,000.00	50,000.00	215,000.00	-	-	-	302,000.00
FHLB BONDS	37,800.00	65,000.00	1,122,590.00	162,000.00	72,750.00	20,000.00	1,480,140.00
FFCB DISC NOTES	-	-	285,000.00	-	-	-	285,000.00
FFCB BONDS	-	30,000.00	80,000.00	51,000.00	25,000.00	10,000.00	196,000.00
FARMER MAC	-	-	37,500.00	-	10,000.00	5,000.00	52,500.00
MUNI BONDS	-	-	35,920.00	7,595.00	2,000.00	-	45,515.00
COMM PAPER	65,000.00	85,000.00	-	-	-	-	150,000.00
Totals (000's):	628,800.00	359,121.00	2,256,010.00	683,595.00	781,240.00	305,215.00	5,013,981.00
%	12.54%	7.16%	44.99%	13.63%	15.58%	6.09%	
Cumulative %	12.54%	19.70%	64.70%	78.33%	93.91%	100.00%	

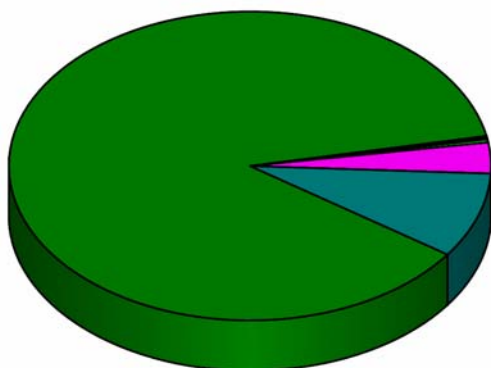


Credit Quality

Moody (000's)	Par	Book	Market	MKT/Book	Yield
Aaa	4,370,591.00	4,370,197.40	4,376,744.64	100.15%	0.44%
Aa	10,000.00	9,999.35	10,005.85	100.07%	0.47%
Aa1	7,140.00	7,140.00	7,140.00	100.00%	0.87%
Aa2	15,915.00	16,038.52	16,038.52	100.00%	0.40%
Aa3	162,300.00	162,171.59	162,261.74	100.06%	0.23%
NR	448,035.00	448,026.38	448,114.05	100.02%	0.19%
Totals (000's):	5,013,981.00	5,013,573.24	5,020,304.80	100.13%	0.41%

MOODY'S

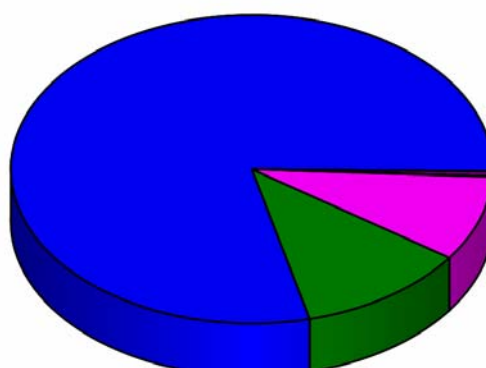
BOOK %



■ Aaa - 87%
 ■ Aa1 - 0%
 ■ Aa3 - 3%
■ Aa - 0%
 ■ Aa2 - 0%
 ■ NR - 9%

S & P

BOOK %



■ AAA - 11%
 ■ AA - 0%
■ AA+ - 79%
 ■ NR - 9%
■ AA - 0%

S&P (000's)	Par	Book	Market	MKT/Book	Yield
AAA	571,621.00	572,593.40	574,899.78	100.40%	0.80%
AA+	3,966,110.00	3,964,617.67	3,968,955.19	100.11%	0.38%
AA	23,930.00	24,050.78	24,050.78	100.00%	0.38%
AA-	4,285.00	4,285.00	4,285.00	100.00%	0.23%
NR	448,035.00	448,026.38	448,114.05	100.02%	0.19%
Totals (000's):	5,013,981.00	5,013,573.23	5,020,304.80	100.13%	0.41%

Full Compliance

The Treasurer's Pooled Investment Fund was in **FULL COMPLIANCE** with the Treasurer's Statement of Investment Policy. The County's Investment Policy is more restrictive than the California Government Code. This policy is reviewed annually by the County's Investment Oversight Committee and approved by the County Board of Supervisors.



Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual Riverside Portfolio %
	Maximum Maturity	Authorized % Limit	Quality S&P/ Moody's	Maximum Maturity	Authorized % Limit	Quality S&P/ Moody's	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	3 YEARS	15%	AA- / Aa3/ AA-	0.91%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	6.09%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.5%	INVESTMENT GRADE	0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	80.74%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	2.99%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7	A1/P1/F1	3.59%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/ AA	0.00%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.0%	NA	1.08%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS	0.20%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.01%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	3.39%

¹ Mutual Funds maturity may be interpreted as weighted average maturity not exceeding 60 days.

² Or must have an investment advisor with not less than 5 years experience and with assets under management of \$500,000,000.

THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646



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