



# County of Riverside

## Treasurer's Pooled Investment Fund

# 2012

October

### "Living in Interesting Times"

The month of October rolled in with a breeze and blew out with a hurricane. Superstorm Sandy was the largest Atlantic hurricane on record, as well as the second costliest in U.S. history, exceeded only by Katrina in 2005 in both scope and cost. The freak late season storm devastated portions of the Caribbean, as well as New Jersey and New York; at least twenty two other states from Florida to Maine, west to Michigan and as far north as Canada felt her fury.

The storm surge hit New York City on October 29th, flooding streets, tunnels and subway lines along with vast areas of the Atlantic coastline knocking out power throughout the region, causing an unheard of closing of the New York Stock Exchange for two days. Thankfully, per our investment objectives, the County Treasury had ample liquidity on hand to fund our operations here in Riverside County as well as that of our depositors since there was an inability to transact business as we would normally do. Sandy left hundreds dead, thousands upon thousands homeless and millions without electricity and other essential services. Cost estimates exceed \$50 billion with impacts to be felt for years to come.

Just as with other disasters, Riverside County has answered the call for help. The Board of Supervisors will be sending financial assistance as well as county employees, at their option, can donate through this year's Employee Campaign. Our hearts, thoughts and prayers go out to the victims of this horrible storm.

We are gearing up for one of the most contentious presidential elections in modern history on November 6<sup>th</sup> along with some races and ballot initiatives that could change the political and economic landscape closer to home. The CBO estimates that the economy could go back into recession next year if we slide off the fiscal cliff without compromise on both sides of the aisle. Furthermore, Moody's has

threatened to cut the U.S. government's credit rating if some agreement is not made. Standard and Poor's made good on that promise last year. Meanwhile, economic news continues to show the economy recovering while the housing market keeps on moving in a positive direction as well.

The FOMC echoed most of the economic news on Oct 24<sup>th</sup> at its regularly scheduled meeting stating, "Economic activity has continued to expand at a moderate pace in recent months. Growth in employment has been slow, and the unemployment rate remains elevated. Household spending has advanced a bit more quickly, but growth in business fixed investment has slowed. The housing sector has shown some further signs of improvement, albeit from a depressed level. Inflation recently picked up somewhat, reflecting higher energy prices." The Fed also stated "The Committee remains concerned that, without sufficient policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions. Furthermore, strains in global financial markets continue to pose significant downside risks to the economic outlook." In other words, the Fed will continue to provide stimulus to the markets for the foreseeable future.

Just as the late Robert Kennedy said at his Cape Town speech in June 1966, "There is a Chinese curse which says, may he live in interesting times. They are times of danger and uncertainty; Like it or not we live in interesting times. They are times of danger and uncertainty; but they are also more open to the creative energy of men than any other time in history." Let us hope he was right as we are surely living in a time of volatility; politically, socially and economically.

**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
October	4,739,722,977.79	4,734,136,679.88	5,586,297.91	0.12	0.42	1.17	1.15
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

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

# Current Market Data

## Economic Indicators

Released on:	Indicator	Definition	Consensus	Actual
11/2/2012	<b>Nonfarm Payrolls - M/M change</b>	Counts the number of paid employees working part-time or full-time in the nation's business and government establishments.	125,000	<b>171,000</b>
11/2/2012	<b>Unemployment Rate</b>	Measures the number of unemployed as a percentage of the labor force.	7.9%	<b>7.9%</b>
10/25/2012	<b>Durable Goods Orders - M/M change</b>	Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	7.0%	<b>9.9%</b>
10/26/2012	<b>Real Gross Domestic Product - Q/Q change</b>	The broadest measure of aggregate economic activity and encompasses every sector of the economy. GDP is the country's most comprehensive economic scorecard.	1.9%	<b>2.0%</b>
11/1/2012	<b>Consumer Confidence</b>	Measures consumer attitudes on present economic conditions and expectations of future conditions.	74.0	<b>72.2</b>
11/2/2012	<b>Factory Orders - M/M change</b>	Represents the dollar level of new orders for both durable and nondurable goods.	4.9%	<b>4.8%</b>
10/16/2012	<b>Consumer Price Index - M/M change</b>	The Consumer Price Index is a measure of the average price level of a fixed basket of goods and services purchased by consumers.	0.5%	<b>0.6%</b>

## Stock Indices

	Value	Change
Dow Jones (DJIA)	13,096.46	(340.67)
S&P 500 Index	1,412.16	(28.51)
NASDAQ	2,647.92	(151.27)

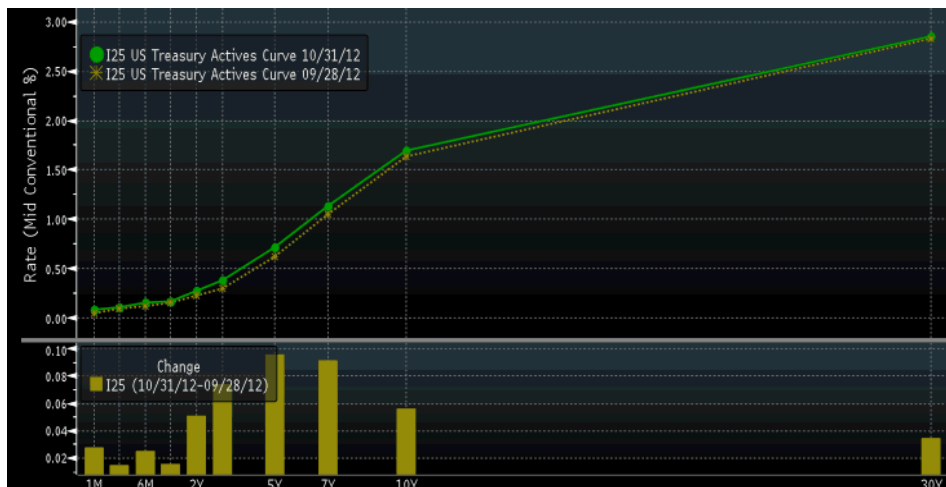
## Commodities

	Value	Change
Nymex Crude	\$ 88.73	\$ (3.46)
Gold (USD/OZ)	\$ 1,720.65	\$ (51.45)

## Fed Funds Target Rate

Current Fed Funds Rate: 0-0.25%		
Fed Move	Probability for FOMC Date 12/12/2012	Probability for FOMC Date 01/30/2013
Decrease to 0.00%	44.0%	44.6%
Increase to 0.25%	56.0%	55.4%
Increase to 0.50%	0.0%	0.0%
Increase to 0.75%	0.0%	0.0%
Increase to 1%	0.0%	0.0%

## U.S. Treasuries



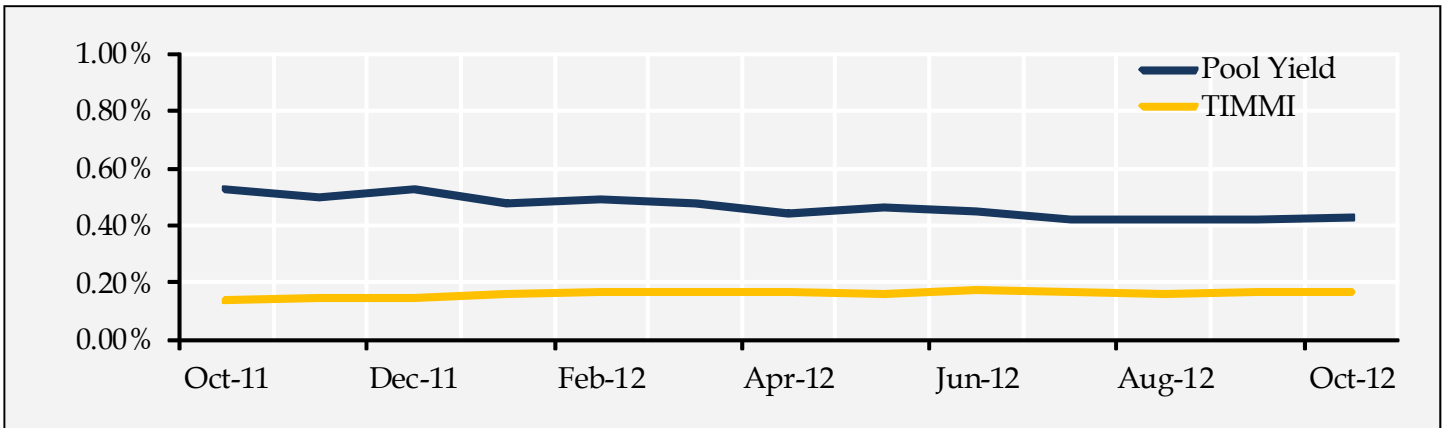
	Yield (%)	Change (%)
3-Month	0.11	0.02
6-Month	0.16	0.03
12-Month	0.17	0.02
2-Year	0.28	0.05
3-Year	0.38	0.08
5-Year	0.72	0.10
7-Year	1.14	0.09
10-Year	1.69	0.53
30-Year	2.86	0.03

# 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	0.13%
Wells Fargo Advantage Heritage	WFJXX	0.16%
Morgan Stanley Institutional Prime Liquidity Fund	MPFXX	0.15%
BlackRock Prime Cash Fund	BPIXX	0.22%

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

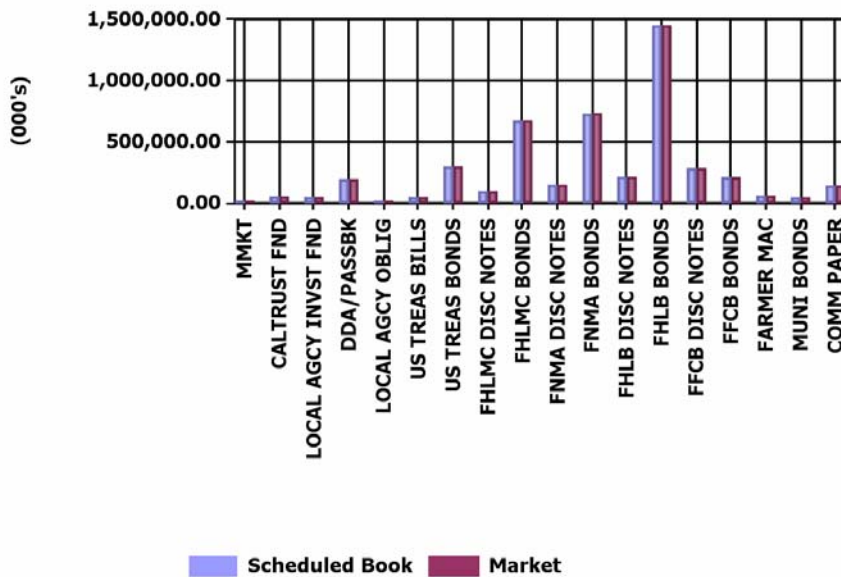
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
11/2012					260.08		
11/2012	775.00	706.19	68.81		328.89	459.00	
12/2012	1,459.00	809.82	649.18		978.07	104.12	
01/2013	695.00	1,259.52	(564.52)		413.55	417.81	
02/2013	638.00	900.45	(262.45)		151.10	269.40	
03/2013	841.00	851.75	(10.75)		140.35	125.00	
04/2013	1,379.60	821.92	557.68		698.03	108.30	
05/2013	663.29	1,199.59	(536.30)		161.73	477.99	
06/2013	589.54	1,114.19	(524.65)	362.92	-	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	
10/2013	665.00	801.26	(136.26)	136.26	-	146.00	
<b>TOTALS</b>	<b>9,917.77</b>	<b>10,847.59</b>	<b>(929.82)</b>	<b>669.74</b>		<b>2,994.84</b>	<b>4,064.40</b>
				<b>14.15%</b>		<b>63.26%</b>	<b>85.85%</b>

\* All values reported in millions (\$).

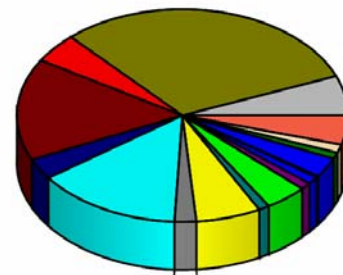
The Pooled Investment Fund cash flow requirements are based upon a 12 month historical cash flow model. Based upon projected cash receipts and maturing investments, there are sufficient funds to meet future cash flow disbursements over the next 12 months.

# Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr)	Mat (Yr)
MMKT	10,000.00	10,000.00	10,000.00	100.00%	0.04%	.003	.003
CALTRUST FND	54,000.00	54,000.00	54,000.00	100.00%	0.35%	.003	.003
LOCAL AGCY INVST	50,000.00	50,000.00	50,000.00	100.00%	0.36%	.003	.003
DDA/PASSBK	195,000.00	195,000.00	195,000.00	100.00%	0.08%	.003	.003
LOCAL AGCY	535.00	535.00	535.00	100.00%	0.91%	7.627	7.627
US TREAS BILLS	50,000.00	49,915.47	49,984.50	100.14%	0.19%	.271	.271
US TREAS BONDS	300,000.00	300,229.88	300,117.40	99.96%	0.22%	1.025	1.025
FHLMC DISC NOTES	100,000.00	99,828.54	99,932.00	100.10%	0.19%	.496	.496
FHLMC BONDS	673,971.00	673,849.40	675,311.85	100.22%	0.62%	1.390	1.988
FNMA DISC NOTES	150,000.00	149,787.15	149,937.50	100.10%	0.15%	.289	.289
FNMA BONDS	734,420.00	734,829.32	736,522.14	100.23%	0.82%	.878	2.749
FHLB DISC NOTES	215,000.00	214,577.01	214,805.92	100.11%	0.20%	.628	.628
FHLB BONDS	1,455,340.00	1,455,685.65	1,456,820.39	100.08%	0.35%	.645	.792
FFCB DISC NOTES	285,000.00	284,534.61	284,886.25	100.12%	0.19%	.316	.316
FFCB BONDS	211,000.00	211,093.16	211,426.03	100.16%	0.49%	.888	1.072
FARMER MAC	60,068.00	60,054.34	60,150.59	100.16%	0.59%	.902	1.445
MUNI BONDS	45,515.00	45,635.78	45,635.78	100.00%	0.47%	.728	.728
COMM PAPER	144,700.00	144,581.38	144,657.63	100.05%	0.21%	.121	.121
<b>Totals (000's):</b>	<b>4,734,549.00</b>	<b>4,734,136.68</b>	<b>4,739,722.98</b>	<b>100.12%</b>	<b>0.42%</b>	<b>.730</b>	<b>1.166</b>



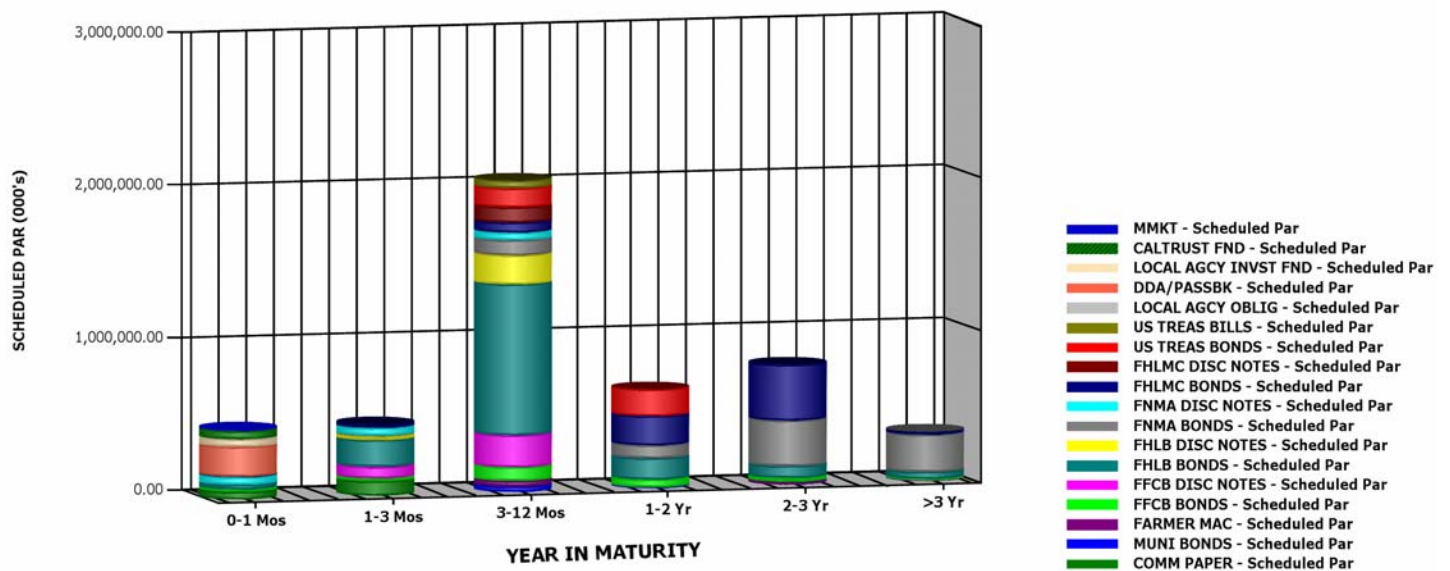
SCHEDULED PAR %



- MMKT - 0%
- FNMA DISC NOTES - 3%
- CALTRUST FND - 1%
- FNMA BONDS - 16%
- LOCAL AGCY INVST FND - 1%
- FHLB DISC NOTES - 5%
- DDA/PASSBK - 4%
- FHLB BONDS - 31%
- LOCAL AGCY OBLIG - 0%
- FFCB DISC NOTES - 6%
- US TREAS BILLS - 1%
- FFCB BONDS - 4%
- US TREAS BONDS - 6%
- FARMER MAC - 1%
- FHLMC DISC NOTES - 2%
- MUNI BONDS - 1%
- FHLMC BONDS - 14%
- COMM PAPER - 3%

# 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)
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	195,000.00	-	-	-	-	-	195,000.00
LOCAL AGCY OBLIG	-	-	-	-	-	535.00	535.00
US TREAS BILLS	-	-	50,000.00	-	-	-	50,000.00
US TREAS BONDS	-	-	125,000.00	175,000.00	-	-	300,000.00
FHLMC DISC NOTES	-	-	100,000.00	-	-	-	100,000.00
FHLMC BONDS	5,000.00	24,121.00	66,000.00	192,100.00	366,750.00	20,000.00	673,971.00
FNMA DISC NOTES	50,000.00	50,000.00	50,000.00	-	-	-	150,000.00
FNMA BONDS	-	5,000.00	100,000.00	85,000.00	299,740.00	244,680.00	734,420.00
FHLB DISC NOTES	-	25,000.00	190,000.00	-	-	-	215,000.00
FHLB BONDS	30,000.00	175,000.00	987,590.00	140,000.00	77,750.00	45,000.00	1,455,340.00
FFCB DISC NOTES	-	75,000.00	210,000.00	-	-	-	285,000.00
FFCB BONDS	15,000.00	20,000.00	90,000.00	51,000.00	25,000.00	10,000.00	211,000.00
FARMER MAC	-	-	37,500.00	-	17,568.00	5,000.00	60,068.00
MUNI BONDS	-	-	35,920.00	7,595.00	2,000.00	-	45,515.00
COMM PAPER	50,000.00	94,700.00	-	-	-	-	144,700.00
<b>Totals (000's):</b>	<b>459,000.00</b>	<b>468,821.00</b>	<b>2,042,010.00</b>	<b>650,695.00</b>	<b>788,808.00</b>	<b>325,215.00</b>	<b>4,734,549.00</b>
%	9.69%	9.90%	43.13%	13.74%	16.66%	6.87%	
<b>Cumulative %</b>	<b>9.69%</b>	<b>19.60%</b>	<b>62.73%</b>	<b>76.47%</b>	<b>93.13%</b>	<b>100.00%</b>	

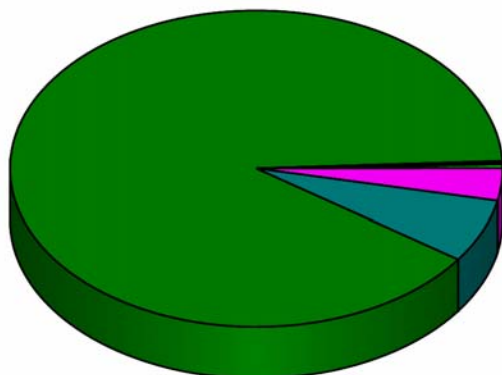


# Credit Quality

Moody (000's)	Par	Book	Market	MKT/Book	Yield
Aaa	4,238,891.00	4,238,490.83	4,243,899.47	100.13%	0.44%
Aa	10,000.00	9,999.35	10,004.50	100.05%	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	157,000.00	156,878.64	156,954.90	100.05%	0.22%
NR	305,603.00	305,589.34	305,685.59	100.03%	0.23%
<b>Totals (000's):</b>	<b>4,734,549.00</b>	<b>4,734,136.68</b>	<b>4,739,722.98</b>	<b>100.12%</b>	<b>0.42%</b>

MOODY'S

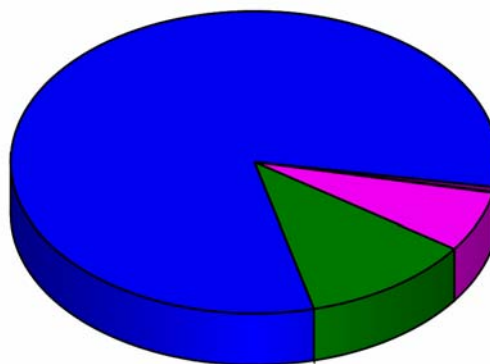
BOOK %



■ Aaa - 90%   
 ■ Aa1 - 0%   
 ■ Aa3 - 3%  
■ Aa - 0%   
 ■ Aa2 - 0%   
 ■ NR - 6%

S & P

BOOK %



■ AAA - 11%   
 ■ AA- - 0%  
■ AA+ - 82%   
 ■ NR - 6%  
■ AA - 1%

S&P (000's)	Par	Book	Market	MKT/Book	Yield
AAA	536,621.00	537,614.40	539,543.85	100.36%	0.81%
AA+	3,864,110.00	3,862,597.16	3,866,157.76	100.09%	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%	0.45%
NR	305,603.00	305,589.34	305,685.59	100.03%	0.23%
<b>Totals (000's):</b>	<b>4,734,549.00</b>	<b>4,734,136.68</b>	<b>4,739,722.98</b>	<b>100.12%</b>	<b>0.42%</b>

## 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-	0.96%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	7.40%
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	82.05%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	3.05%
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	0.00%
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	1.14%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS <sup>(1)</sup>	20%	AAA/ Aaa <sup>(2)</sup>	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS	0.21%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	1.06%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	4.12%

<sup>1</sup> Mutual Funds maturity may be interpreted as weighted average maturity not exceeding 60 days.

<sup>2</sup> 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**



County of Riverside  
Treasurer-Tax Collector  
Capital Markets  
4080 Lemon Street, 4th Floor  
Riverside, CA 92502-2205

[www.treasurer-tax.co.riverside.ca.us](http://www.treasurer-tax.co.riverside.ca.us)

(951) 955-3967