

# City of Winter Springs

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Investment Performance Review  
Quarter Ended March 31, 2010



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This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

With the Federal Reserve signaling no change in monetary policy for the immediate future and a mixed economic picture, yields on U.S. Treasuries were range-bound during the first quarter of 2010.

After three consecutive quarters of positive GDP growth, it appears that the economy is well on the path to recovery. However, there are still significant challenges to overcome, including high unemployment, elevated foreclosures, and subdued consumer confidence. This mixed bag of economic data has been positive enough to sustain increases in stock market prices, but bond yields were trendless during the first quarter.

With no single piece of economic data capturing the spotlight, the most notable change may have been the quiet unwinding of some of the extraordinary measures that were put in place during the height of the financial crisis. This may set the stage for the Federal Reserve to act in a more “normal” fashion later this year.

**Interest Rates and Returns**

In an interest rate environment where overnight yields are essentially zero, intermediate-term fixed-income portfolios generated strong returns during the period. During the first quarter, portfolios with longer durations outperformed portfolios with shorter durations because of the higher yields on longer-term securities. Although yields on U.S. Treasuries and Federal Agencies were essentially unchanged from the start of the quarter, investors also benefited from market value appreciation as securities “rolled down” the historically steep yield curve. With spreads between U.S. Treasuries and Federal Agencies quite narrow, these sectors performed in-line with one another, on a duration adjusted basis. However, increased confidence of business conditions helped to narrow corporate spreads and allowed corporate debt to post even higher total returns.

During the first quarter, the Federal Reserve began removing some of the extraordinary measures that stabilized the markets through the recent crisis. Among the Fed’s recent actions, its decision to raise the discount rate from 0.50% to 0.75% earned the most press.

The Fed also shortened the maximum maturity for primary credit loans from the discount window from 30 days to overnight. Additionally, the Fed closed numerous funding and liquidity measures during the quarter, including measures that provided liquidity to commercial paper issuers and one that supported asset-backed commercial paper of money market mutual funds.

Much of this news fell under the radar of national headlines with little, if any, impact on yields.

These measures are seen as the first steps that need to occur to return the markets to “normal.” These steps also needed to occur before the Federal Reserve would consider changing the federal funds target rate. The federal funds target rate remained unchanged with a range of 0.00% to 0.25%, and with the Fed reiterating that rates will remain low for “an extended period.”

Global markets were jittery throughout the quarter over the ability of European countries, specifically Greece and Portugal, to be able to pay debt. In early February, reluctance by European countries to help bail out Greece caused a flight-to-quality as investors sought the safety of U.S. Treasuries, temporarily pushing U.S. Treasury bond prices higher.

By the end of March, the markets grew optimistic that the upcoming jobs report would show a significant increase in employment. This was in fact the case, with the March employment report showing that 162,000 jobs were created during the month. As the following table shows, this resulted in yields increasing to levels near where they began the quarter.

**Summary of U.S. Treasury Security Yields**

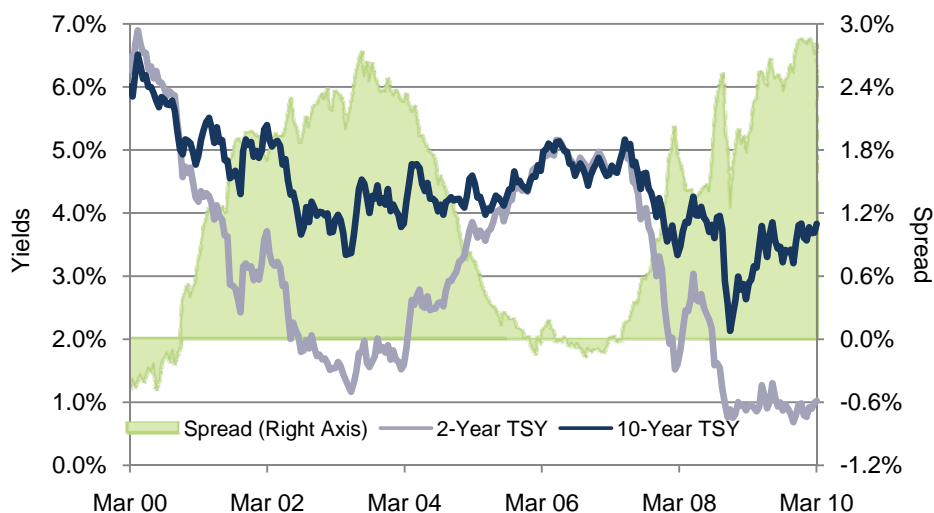
| Quarter Ending             | 3M            | 6M            | 1Y            | 2Y            | 3Y            | 5Y            | 10Y           |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| March 2010                 | 0.15%         | 0.23%         | 0.38%         | 1.02%         | 1.57%         | 2.54%         | 3.83%         |
| December 2009              | 0.05%         | 0.19%         | 0.44%         | 1.14%         | 1.68%         | 2.68%         | 3.84%         |
| <i>Change over Quarter</i> | <i>+0.10%</i> | <i>+0.05%</i> | <i>-0.06%</i> | <i>-0.12%</i> | <i>-0.11%</i> | <i>-0.14%</i> | <i>-0.01%</i> |
| March 2009                 | 0.20%         | 0.42%         | 0.54%         | 0.80%         | 1.12%         | 1.66%         | 2.66%         |
| <i>Change over Year</i>    | <i>-0.05%</i> | <i>-0.18%</i> | <i>-0.16%</i> | <i>+0.22%</i> | <i>+0.45%</i> | <i>+0.89%</i> | <i>+1.16%</i> |

Source data: Bloomberg

The difference in yields between short-term and long-term securities (curve steepness) reached its widest point in history during the quarter. Short-term rates remain anchored by an accommodative monetary policy (low federal funds rate, increased liquidity) while longer-term rates reflect the market’s perception of long-term growth and inflation expectations.

**U.S. Treasury Yields and Yield Curve Steepness**

March 2000 to March 2010



Source data: Bloomberg

The chart above shows yields on 2-year and 10-year U.S. Treasuries and the spread between the two securities. The spread, or difference, between 10-year and 2-year U.S. Treasury notes is used to determine the steepness of the yield curve.

The steep yield curve may be attributable to (1) a growing belief that the economy has stabilized and will continue to grow, (2) reluctance by the Federal Reserve to raise short-term rates, and (3) an increased supply of U.S. Treasuries to fund massive deficit spending.

**Market Volatility**

Despite intermediate- and longer-term interest rates moving generally higher over the last year, they remain low by historic standards. Investors should be cautious in this interest rate environment as a series of positive economic reports could quickly fuel optimism on the strength of the recovery, leading to a sharp rise in yields.

This risk was demonstrated during the quarter with 2 to 5 year securities fluctuating by as much as 45 basis points from their low to high.

**Quarterly High/Low of U.S. Treasury and Federal Agency Debt**

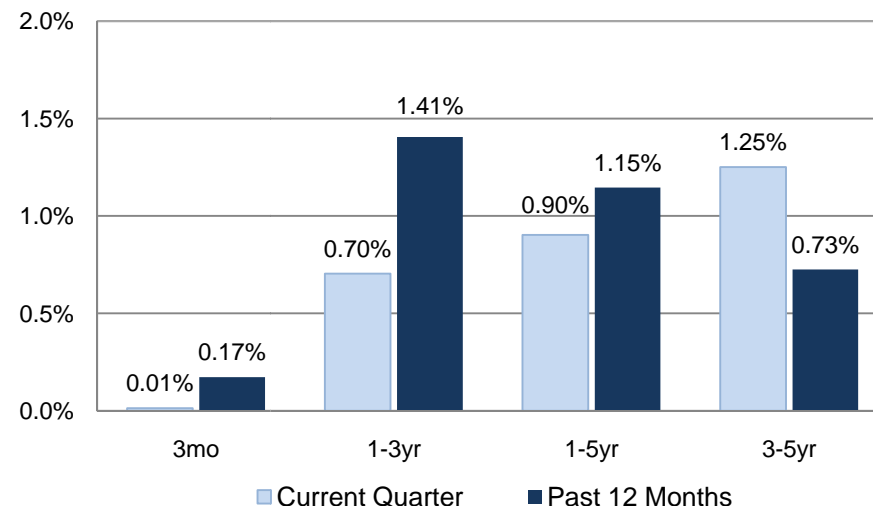
|                             | 1Y    | 2Y    | 3Y    | 5Y    | 10Y   |
|-----------------------------|-------|-------|-------|-------|-------|
| U.S. Treasury (Low Yield)   | 0.28% | 0.77% | 1.25% | 2.23% | 3.56% |
| U.S. Treasury (High Yield)  | 0.44% | 1.14% | 1.67% | 2.68% | 3.88% |
| Federal Agency (Low Yield)  | 0.30% | 0.93% | 1.56% | 2.43% | 3.67% |
| Federal Agency (High Yield) | 0.48% | 1.26% | 1.98% | 2.98% | 4.25% |

Source data: Bloomberg

The steep yield curve rewards investors for taking on some duration risk. In fact, we estimate that the steep yield curve and the corresponding “roll-down” effect added approximately 20 to 25 basis points (0.20% to 0.25%) to quarterly returns. This “roll-down” effect contributed to the Merrill Lynch 1-3 Year Treasury Index posting a 0.70% return (2.89% annualized) during a time period when the yield on any security in the benchmark was no higher than 1.67%.

**Merrill Lynch U.S. Treasury Indices**

Quarterly and 12-Month Annual Return as of March 31, 2010



Source data: Bloomberg

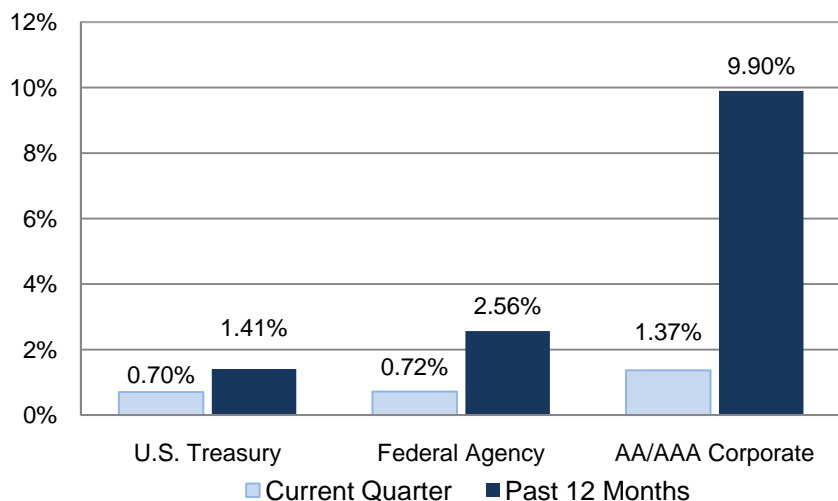
As the economy continues to strengthen, the day when the Federal Reserve will ultimately start raising interest rates comes nearer. Although we are mindful that higher interest rates would cause market values to erode, with today’s steep yield curve, an ultra-conservative strategy can forego significant investment earnings. With most market experts believing any change in monetary policy is still at least six months away, PFM is maintaining portfolio durations near those of the benchmarks by extending the duration of portfolios when yields reach the higher end of their current ranges.

*Sector Allocation*

After widening to all-time highs in October 2008, the spread between U.S. Treasury and Federal Agency obligations have narrowed. The Treasury Department’s commitment to the Government Sponsored Enterprises (GSEs), specifically Fannie Mae and Freddie Mac, have calmed any credit-related fears for the foreseeable future.

The spread between 2-year Federal Agency and U.S. Treasury notes ended the quarter at 0.17%, up somewhat from the beginning of the period, but still approximately half the average over the past 10 years.

**Duration Adjusted Returns of Merrill Lynch 1-3 Year Indices**  
*Quarterly and 12-Month Annual Return as of March 31, 2010*



Source data: Bloomberg

\* Duration-adjusted return incorporates an adjustment to the market value return (but not the income return) of each benchmark to account for their varied durations, making it easier for investors to assess the relative risk and return of benchmarks of different lengths.

As the accompanying chart shows, for shorter maturities, the narrow income advantage of Federal Agencies over U.S. Treasury securities, along with a small amount of spread widening, helped U.S. Treasury benchmarks to produce nearly the same return as Federal Agency benchmarks during the first quarter. Longer-term Agencies (3+ years) conversely experienced spread narrowing, lifting returns on these securities even higher over the period.

The credit markets continue to show signs of improvement, with corporate bond spreads narrowing during the period. Strong corporate earnings, low short-term borrowing rates, high levels of corporate balance sheet liquidity and a generally positive outlook for the world economy helped improve the fortunes of corporations. As the accompanying chart shows, high-quality (AA/AAA) corporate bonds outperformed U.S. Treasury and Federal Agency benchmarks of comparable duration by a significant margin.

**The Economy**

Although the economy expanded at a brisk 5.6% during the 4<sup>th</sup> quarter of 2009 and economists are forecasting growth of around 3.0% during the first three months of 2010, economic readings during the quarter were mixed.

The employment picture continues to weigh on Americans. Despite hope that there might have been jobs created in January and February, the initial reports released showed a continuation of job losses. Not until the March employment report did a noticeable number of new jobs materialize – 162,000 new jobs, the largest increase in almost three years. Skeptics on the health of the economy point out that roughly one-third (48,000) of the jobs were added to administer the decennial census and represent temporary positions lasting only a few months.

The unemployment rate ended the quarter at 9.7%. If the job picture improves, most economists expect the labor force to expand as discouraged workers who previously stopped looking for jobs return to the labor force. Therefore, even if the economy adds a significant number of new jobs, most believe the unemployment rate will remain elevated for some time.

Corporations continued to report strong earnings through the end of the period, a signal perhaps that the economy remains on the road to recovery. According to initial reports, the first quarter marked the fifth straight quarter with positive corporate earnings.

However, the U.S. banking sector still shows mixed signs of improvement. Although a recent government report showed that FDIC-insured commercial banks and savings institutions reported a profit of \$914 million in the fourth quarter of 2009, this is relatively small in comparison to the \$37.8 billion net loss in the fourth quarter of 2008. There is evidence that the asset quality of insured banks continues to deteriorate. Lastly, the number and total assets of institutions on the FDIC's problem list rose to 702 and \$402.8 billion, respectively. These figures are up from 552 and \$345.9 billion respectively, as of six months ago. In just the first three months of 2010, 41 institutions have failed – if this rate continues, the total for 2010 could be the highest since 1992.

### **Outlook**

Expectations for positive first quarter growth, strength in manufacturing, rising consumer spending, a small increase in job creation, and continued strength in the stock market, have led many economists to raise their forecasts of 2010 GDP. The consensus of estimates is now for GDP to expand at a rate of 3.0% to 3.5%, up one half percent to one percent over similar forecasts made at the end of 2009.

However, weak housing, declining state and local government spending, continued high unemployment, and tight bank lending could still stall the economic recovery.

With this backdrop, interest rates will likely remain range bound for the next three to six months. Meanwhile, the steep yield curve compensates investors for maintaining portfolios with extended durations. Most likely, interest rates will increase in the future. However, the magnitude and speed of any increase will depend greatly on the strength and speed of the economic recovery and the Fed's ability to raise the federal funds target rate without adversely stunting growth.

With yields between Federal Agencies and U.S. Treasuries very narrow, Federal Agencies hold less value and limited opportunity for further appreciation. Consequently, PFM will likely increase exposure to U.S. Treasury securities. The magnitude of spreads will be heavily influenced by the level of housing and mortgage activity, and ultimately by any government move to restructure the GSEs. If spreads widen, we will reposition the portfolios to take advantage of the incremental yield offered on Federal Agencies in the future.

Finally, as long as the economy continues to expand, credit spreads generally should narrow and risk premiums should shrink. Although corporate bonds still hold value at current spreads, the time will come when the risk will again outweigh the incremental return in this sector.

## Executive Summary

**PORTFOLIO STRATEGY**

- The City's General City Account portfolio is of high credit quality and maintains adequate liquidity. The portfolio is invested entirely in Federal Agency, U.S. Treasury, commercial paper and FDIC guaranteed corporate securities. The securities in the portfolio are allocated among high quality issuers rated AAA and A-1+.
- During the quarter, the Fed began allowing some of its stimulus programs to expire. At the March FOMC meeting, the Fed announced it would be ending its large agency and mortgage-backed agency purchase programs by the end of March. The Fed's language was mixed regarding the economic recovery, stating "that economic activity has continued to strengthen and that the labor market is stabilizing," but pointing to obstacles to recovery such as the current high level of unemployment and a struggling housing market. The Fed continues to believe that economic conditions merit a low fed funds target rate "for an extended period."
- In addition to removing some stimulus programs, the Fed raised the discount rate from 0.50% to 0.75% on February 18th. The discount rate is the rate that the Fed, the lender of last resort, charges banks to borrow money, whereas the Federal Funds rate is the rate that banks charge to lend to other banks. The Fed emphasized that this move was not a general tightening of credit. Rather, the increase in the discount rate showed the Fed felt ready to wean banks off increased use of Federal Reserve credit, encouraging banks to return to interbank borrowing as the main source of raising capital.
- Short-term rates rose over the quarter, with the 3-month T-bill moving from 0.06% on January 1, 2010 to 0.15% on March 31, 2010. We will continue to invest funds according to the Portfolio's liquidity needs. Over the quarter, short-term spreads of Agencies over Treasuries increased and we plan to purchase Agencies whenever they offer greater value. As well, commercial paper offers good value over Treasuries and Agencies with comparable maturities.
- The General City Account Portfolio continues to provide the City with favorable yield relative to the benchmark. Over the quarter, with interest rates hitting all time lows, the portfolio had a Yield to Maturity at Cost of 1.00%, exceeding the average Yield to Maturity of its benchmark the Merrill Lynch 6 Month U.S. Treasury Bill Index by 80 basis points (0.80%).
- PFM will continue to follow the prudent investment strategies that have safely provided the City with favorable yield and maintained adequate liquidity during this period of significant market and economic turmoil.

The City's Investment Statistics

| <u>Account Name</u>   | <u>Amortized Cost<sup>1,2,3</sup></u> | <u>Amortized Cost<sup>1,2,3</sup></u> | <u>Market Value<sup>1,2,3</sup></u> | <u>Market Value<sup>1,2,3</sup></u> | <u>Duration (Years)</u> |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------|
|   | <u>March 31, 2010</u>                 | <u>December 31, 2009</u>              | <u>March 31, 2010</u>               | <u>December 31, 2009</u>            | <u>March 31, 2010</u>   |
| General City Account Portfolio  | \$19,354,546.22                       | \$19,389,453.21                       | \$19,426,000.38                     | \$19,458,495.62                     | 0.92                    |
| Fidelity Institutional Money Market Fund Government Portfolio (Fund #257)                         | 6,412,148.09                          | 8,622,298.92                          | 6,412,148.09                        | 8,622,298.92                        | 0.003                   |
| Money Market Fund - State Board of Administration Pool A  | 0.18                                  | 0.29                                  | 0.18                                | 0.29                                | 0.122                   |
| Money Market Fund - State Board of Administration Pool B  | 874,557.33                            | 970,929.14                            | 874,557.33                          | 970,929.14                          | N/A                     |
| Bank of America Cash for Operation - depository   | 2,586,914.75                          | 2,998,958.33                          | 2,586,914.75                        | 2,998,958.33                        | 0.003                   |
| Water & Sewer 2000 - Fidelity Institutional Money Market Fund Government Portfolio (Account #364) | 716,530.34                            | 716,512.66                            | 716,530.34                          | 716,512.66                          | 0.003                   |
| Water & Sewer 2000 - Money Market Fund - State Board of Administration Pool A                     | 0.01                                  | 0.01                                  | 0.01                                | 0.01                                | 0.122                   |
| Water & Sewer 2000 - Money Market Fund - State Board of Administration Pool B                     | 25,381.96                             | 28,178.92                             | 25,381.96                           | 28,178.92                           | N/A                     |
| Water & Sewer Series 1992 Refunding Revenue Reserve - BONY  | 1,305,069.93                          | 1,305,069.93                          | 1,305,069.93                        | 1,305,069.93                        | 0.003                   |
| <b>Total</b>  | <b>\$31,275,148.81</b>                | <b>\$34,031,401.41</b>                | <b>\$31,346,602.97</b>              | <b>\$34,100,443.82</b>              |                         |

| <u>Account Name</u>   | <u>Yield to Maturity on Cost<sup>4</sup></u> | <u>Yield to Maturity on Cost<sup>4</sup></u> | <u>Yield to Maturity at Market</u> | <u>Yield to Maturity at Market</u> | <u>Duration (Years)</u>  |
|---|--|--|------------------------------------|------------------------------------|--------------------------|
|   | <u>March 31, 2010</u>                        | <u>December 31, 2009</u>                     | <u>March 31, 2010</u>              | <u>December 31, 2009</u>           | <u>December 31, 2009</u> |
| General City Account Portfolio  | 1.00%  | 1.12%  | 0.56%                              | 0.69%                              | 0.95                     |
| Fidelity Institutional Money Market Fund Government Portfolio (Fund #257)                         | 0.01%  | 0.01%  | 0.01%                              | 0.01%                              | 0.003                    |
| Money Market Fund - State Board of Administration Pool A  | 0.20%  | 0.21%  | 0.20%                              | 0.21%                              | 0.088                    |
| Money Market Fund - State Board of Administration Pool B  | 0.00%  | 0.00%  | 0.00%                              | 0.00%                              | N/A                      |
| Bank of America Cash for Operation - depository   | 0.30%  | 0.30%  | 0.30%                              | 0.30%                              | 0.003                    |
| Water & Sewer 2000 - Fidelity Institutional Money Market Fund Government Portfolio (Account #364) | 0.01%  | 0.01%  | 0.01%                              | 0.01%                              | 0.003                    |
| Water & Sewer 2000 - Money Market Fund - State Board of Administration Pool A                     | 0.20%  | 0.21%  | 0.20%                              | 0.21%                              | 0.088                    |
| Water & Sewer 2000 - Money Market Fund - State Board of Administration Pool B                     | 0.00%  | 0.00%  | 0.00%                              | 0.00%                              | N/A                      |
| Water & Sewer Series 1992 Refunding Revenue Reserve - BONY  | 0.00%  | 0.00%  | 0.00%                              | 0.00%                              | 0.003                    |
| <b>Weighted Average Yield</b>   | <b>0.65%</b>                                 | <b>0.67%</b>                                 | <b>0.37%</b>                       | <b>0.42%</b>                       |                          |

**Benchmarks**

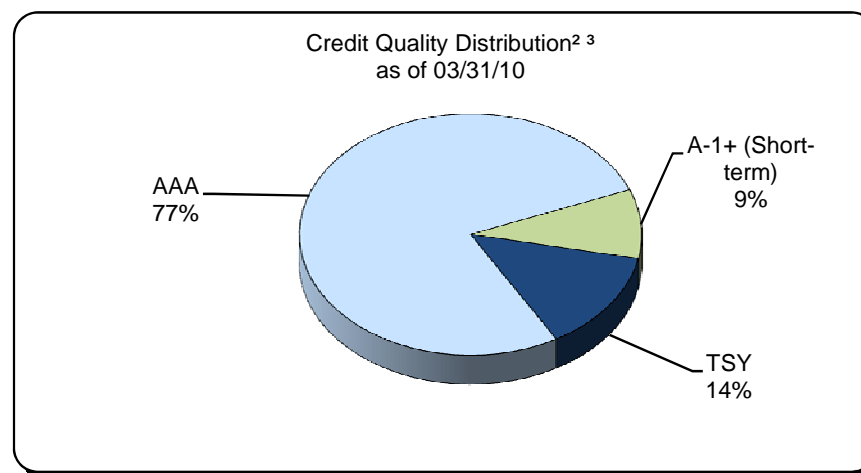
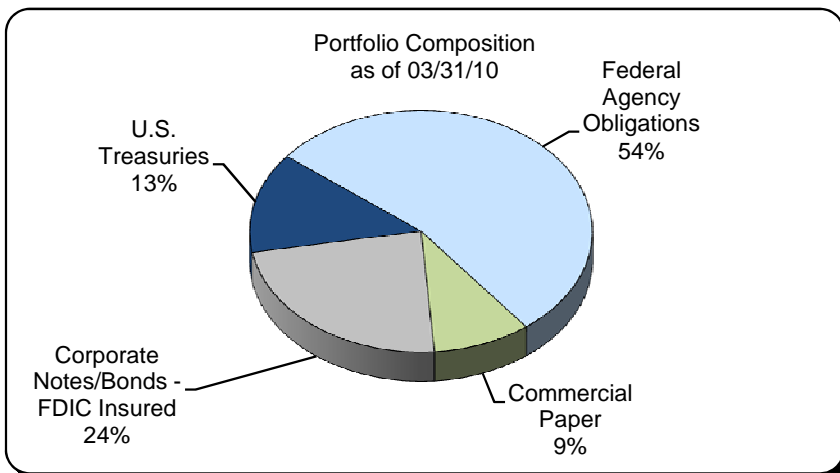
|   | <u>March 31, 2010</u> | <u>December 31, 2009</u> |
|---|-----------------------|--------------------------|
| 6 Month U.S. Treasury Bill Index <sup>5</sup> | 0.20%                 | 0.16%                    |

Notes:

1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. Source Bloomberg.

General City Account Portfolio Composition and Credit Quality Characteristics

| <u>Security Type<sup>1</sup></u>     | <u>March 31, 2010</u>  | <u>% of Portfolio</u> | <u>December 31, 2009</u> | <u>% of Portfolio</u> |
|--------------------------------------|------------------------|-----------------------|--------------------------|-----------------------|
| U.S. Treasuries                      | \$2,611,322.64         | 13.44%                | \$3,907,124.07           | 20.08%                |
| Federal Agencies                     | 10,458,200.27          | 53.84%                | 10,986,461.38            | 56.46%                |
| Commercial Paper                     | 1,798,750.80           | 9.26%                 | 0.00                     | 0.00%                 |
| Certificates of Deposit              | 0.00                   | 0.00%                 | 0.00                     | 0.00%                 |
| Bankers Acceptances                  | 0.00                   | 0.00%                 | 0.00                     | 0.00%                 |
| Repurchase Agreements                | 0.00                   | 0.00%                 | 0.00                     | 0.00%                 |
| Municipal Obligations                | 0.00                   | 0.00%                 | 0.00                     | 0.00%                 |
| Corporate Notes/Bonds                | 0.00                   | 0.00%                 | 0.00                     | 0.00%                 |
| Corporate Notes/Bonds - FDIC Insured | 4,557,726.67           | 23.46%                | 4,564,910.17             | 23.46%                |
| Mortgage Backed                      | 0.00                   | 0.00%                 | 0.00                     | 0.00%                 |
| Money Market Fund/Cash               | 0.00                   | 0.00%                 | 0.00                     | 0.00%                 |
| <b>Totals</b>                        | <b>\$19,426,000.38</b> | <b>100.00%</b>        | <b>\$19,458,495.62</b>   | <b>100.00%</b>        |

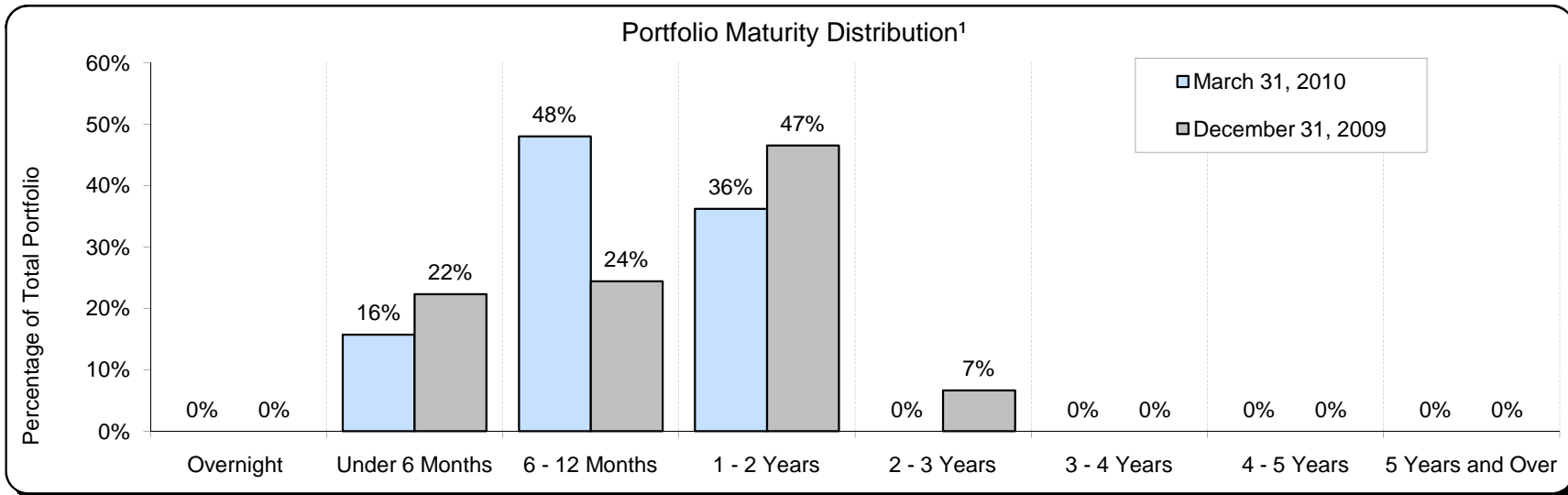


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

General City Account Portfolio Maturity Distribution

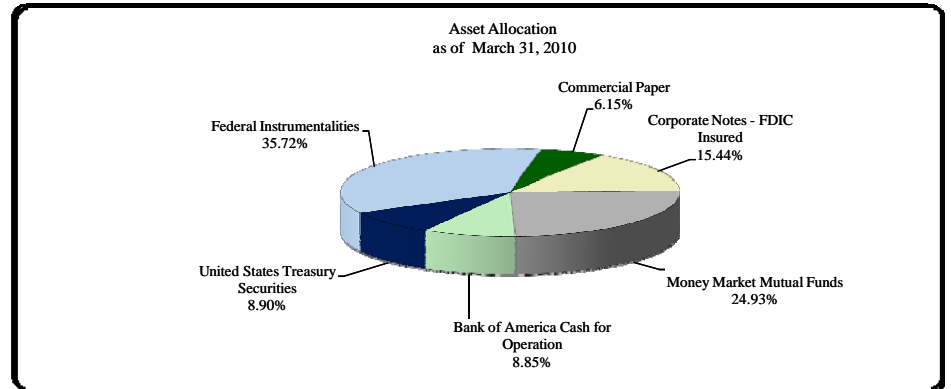
| <u>Maturity Distribution<sup>1</sup></u> | <u>March 31, 2010</u>  | <u>December 31, 2009</u> |
|--|------------------------|--------------------------|
| Overnight (Money Market Fund)            | \$0.00                 | \$0.00                   |
| Under 6 Months                           | 3,053,906.01           | 4,347,484.68             |
| 6 - 12 Months                            | 9,333,620.43           | 4,750,143.95             |
| 1 - 2 Years                              | 7,038,473.94           | 9,064,378.94             |
| 2 - 3 Years                              | 0.00                   | 1,296,488.05             |
| 3 - 4 Years                              | 0.00                   | 0.00                     |
| 4 - 5 Years                              | 0.00                   | 0.00                     |
| 5 Years and Over                         | 0.00                   | 0.00                     |
| <b>Totals</b>                            | <b>\$19,426,000.38</b> | <b>\$19,458,495.62</b>   |



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

| Security Type <sup>3</sup>                          | March 31, 2010 | March 31, 2010 | Notes | Permitted by Policy |
|---|----------------|----------------|-------|---------------------|
| United States Treasury Securities                   | 2,602,089.22   | 8.90%          |       | 100%                |
| United States Government Agency Securities          | -              | 0.00%          |       | 75%                 |
| Federal Instrumentalities                           | 10,440,425.82  | 35.72%         |       | 80%                 |
| Certificates of Deposit                             | -              | 0.00%          |       | 25%                 |
| Repurchase Agreements                               | -              | 0.00%          |       | 50%                 |
| Commercial Paper                                    | 1,798,515.00   | 6.15%          |       | 30%                 |
| Corporate Notes - FDIC Insured                      | 4,513,516.18   | 15.44%         |       | 50%                 |
| Mortgage-Backed Securities                          | -              | 0.00%          |       | 0%                  |
| Bankers' Acceptances                                | -              | 0.00%          |       | 30%                 |
| State and/or Local Government Debt (GO and Revenue) | -              | 0.00%          |       | 20%                 |
| Money Market Mutual Funds                           | 7,286,705.60   | 24.93%         | 2     | 100%                |
| Intergovernmental Investment Pool                   | -              | 0.00%          |       | 25%                 |
| Bank of America Cash for Operation                  | 2,586,914.75   | 8.85%          | 2     | 100%                |



| Individual Issuer Breakdown                     | March 31, 2010 | March 31, 2010 | Notes | Permitted by Policy |
|---|----------------|----------------|-------|---------------------|
| Government National Mortgage Association (GNMA) | -              | 0.00%          |       | 50%                 |
| US Export-Import Bank (Ex-Im)                   | -              | 0.00%          |       | 50%                 |
| Farmers Home Administration (FMHA)              | -              | 0.00%          |       | 50%                 |
| Federal Financing Bank                          | -              | 0.00%          |       | 50%                 |
| Federal Housing Administration (FHA)            | -              | 0.00%          |       | 50%                 |
| General Services Administration                 | -              | 0.00%          |       | 50%                 |
| New Communities Act Debentures                  | -              | 0.00%          |       | 50%                 |
| US Public Housing Notes & Bonds                 | -              | 0.00%          |       | 50%                 |
| US Dept. of Housing and Urban Development       | -              | 0.00%          |       | 50%                 |
| Federal Farm Credit Bank (FFCB)                 | -              | 0.00%          |       | 25%                 |
| Federal Home Loan Bank (FHLB)                   | 3,641,653.92   | 12.46%         |       | 25%                 |
| Federal National Mortgage Association (FNMA)    | 5,194,666.13   | 17.77%         |       | 25%                 |
| Federal Home Loan Mortgage Corporation (FHLMC)  | 1,604,105.77   | 5.49%          |       | 25%                 |
| Student Loan Marketing Association (SLMA)       | -              | 0.00%          |       | 25%                 |

| Individual Issuer Breakdown   | March 31, 2010 | March 31, 2010 | Notes | Permitted by Policy |
|---|----------------|----------------|-------|---------------------|
| CD - Bank A   | -              | 0.00%          |       | 15%                 |
| CD - Bank B   | -              | 0.00%          |       | 15%                 |
| Fully collateralized Repo - A   | -              | 0.00%          |       | 25%                 |
| Fully collateralized Repo - B   | -              | 0.00%          |       | 25%                 |
| Barclays CP   | 1,798,515.00   | 6.15%          |       | 10%                 |
| CP B  | -              | 0.00%          |       | 10%                 |
| General Electric Corporate Notes - FDIC insured                           | 1,501,550.03   | 5.14%          |       | 25%                 |
| JP Morgan Chase Corporate Notes - FDIC insured                            | 1,502,629.23   | 5.14%          |       | 25%                 |
| Bank of America Corporate Notes - FDIC insured                            | 1,509,336.92   | 5.16%          |       | 25%                 |
| Corporate Notes - FDIC insured D  | -              | 0.00%          |       | 25%                 |
| Corporate Notes - FDIC insured E  | -              | 0.00%          |       | 25%                 |
| BA Bank A   | -              | 0.00%          |       | 10%                 |
| BA Bank B   | -              | 0.00%          |       | 10%                 |
| BA Bank C   | -              | 0.00%          |       | 10%                 |
| Municipal Notes/Bonds   | -              | 0.00%          |       | 20%                 |
| Fidelity Institutional Money Market Fund Government Portfolio (Fund #257) | 6,412,148.09   | 21.94%         | 2     | 25%                 |
| Money Market Fund - State Board of Administration                         | 874,557.51     | 2.99%          | 2     | 25%                 |

Notes:  
 1. Does not include bond proceeds.  
 2. Managed by the City.  
 3. End of month trade-date amortized cost of portfolio holdings, including accrued interest.