

# Department of Finance

## MARK NORRIS, DIRECTOR OF FINANCE

# POOLED INVESTMENT FUND

## Monthly Review — January 2005

### PORTFOLIO COMPLIANCE

Based on the Director of Finance Review Group Month-End Report, the entire portfolio was in *full compliance* with the Sacramento County Annual Investment Policy for the Pooled Investment Fund for Calendar Year 2005 and California Government Code.<sup>1</sup>

### PORTFOLIO STATISTICS

Portfolio's Month-End Balance	\$2,527,710,537
<i>Earned Interest Yield for the Month</i>	<i>2.295%</i>
Weighted Average Maturity (Days)	185
Estimated Duration (Years)	.499
Historical Book Value	\$2,523,195,777
Month-End Market Value	\$2,523,686,832
Percent of Market to Book Value <sup>2</sup>	100.02%

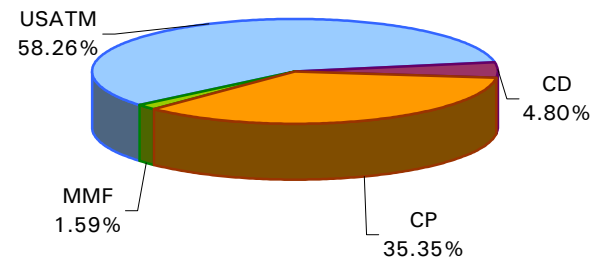
#### Investment Objectives

- **Safety of Principal**
- **Liquidity**
- **Public Trust**
- **Maximum Rate of Return**

External third party Investment Manager(s) at month end:

State Treasurer's Office (LAIF) \$40,000,000

Percentage Portfolio Structure by Asset Class



### PORTFOLIO STRUCTURE

Investment Description	Portfolio at Cost	Yield at Month End
<b>US Agency, Treasury &amp; Municipal Notes (USATM):</b>		
US Agency Notes	57.55%	2.343%
US Treasury Notes	0.00%	0.000%
Municipal Notes	0.71%	3.697%
<b>Total USATM</b>	<b>58.26%</b>	<b>2.360%</b>
<b>Certificates of Deposit (CD)</b>	<b>4.80%</b>	<b>2.260%</b>
<b>Commercial Paper (CP)</b>	<b>35.35%</b>	<b>2.430%</b>
<b>LAIF/Money Market Funds (MMF)</b>	<b>1.59%</b>	<b>2.134%</b>
<b>Repurchase Agreements (REPO)</b>	<b>0.00%</b>	<b>0.000%</b>
<b>Average Yield to Maturity</b>		<b>2.295%</b>

US Agency Notes Breakdown Percent of Portfolio at Cost	
FFCB Notes/Discount Notes	3.94%
FHLB Notes/Discount Notes	19.59%
FNMA Notes/Discount Notes	16.24%
FHLMC Notes/Discount Notes	17.78%
<b>Total US Agency Notes</b>	<b>57.55%</b>

<sup>1</sup> This monthly review complies with all of the elements required by California Government Code §53646(b), with the exception of a detailed listing of each investment. A complete copy of the *Quarterly Pooled Investment Fund Report*, including a detailed listing of each investment, is available on the Department of Finance, Investment Division Web page at <http://www.finance.saccounty.net/Investments/RptQuarterly.asp>.

<sup>2</sup> Market prices remain above par due in part to the containment of general price inflation and the U.S. economy slowing down in the 4<sup>th</sup> quarter of 2004. During the last FOMC meeting on February 2, 2005, the Federal Reserve increased the Fed Funds Rate to 2.50% from 2.25%. The FOMC reiterated their belief any future increases in interest rates will be at a "measured" pace.

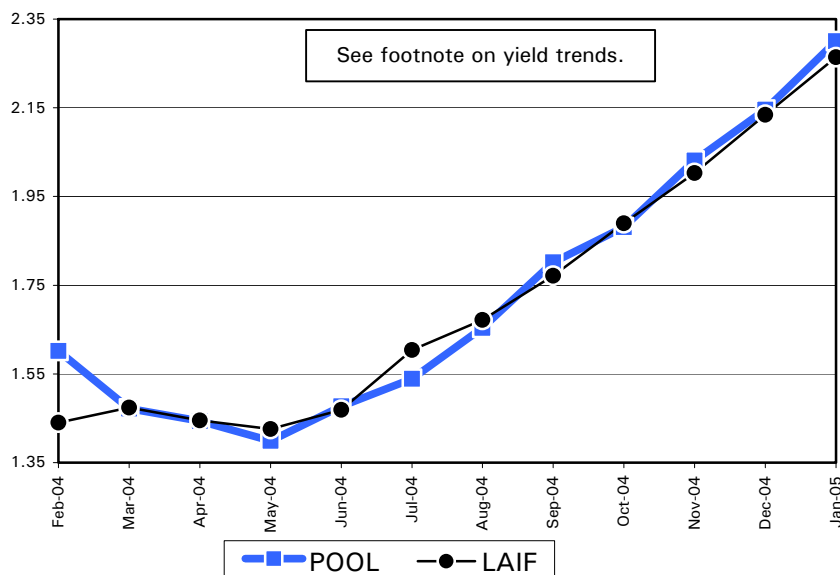
## YIELD HISTORY

The earned interest yield history represents gross yields; **costs have not been deducted**. The estimated investment management costs in the prior year were approximately 15 basis points or 0.15%. The quarterly apportionment of earnings to participating funds will be made on a **cash basis** (as opposed to an accrual basis) for the first three quarters of the fiscal year. Earnings to participating funds will be annualized over the fiscal year based on a fund's cumulative average daily cash balance at each quarter end and fiscal year end. At fiscal year end (fourth quarter), the earnings of the pool will be converted to an accrual basis for the fourth quarter earnings' allocation.

## YIELD TRENDS<sup>3</sup>

### Earned Interest Yield Over Last 12 Months

Earned Interest Yield History		
MONTH	POOL	LAIF
Feb-04	1.60%	1.44%
Mar-04	1.47%	1.47%
Apr-04	1.44%	1.45%
May-04	1.40%	1.43%
Jun-04	1.48%	1.47%
July-04	1.54%	1.60%
Aug-04	1.65%	1.67%
Sep-04	1.80%	1.77%
Oct-04	1.88%	1.89%
Nov-04	2.03%	2.00%
Dec-04	2.15%	2.13%
Jan-05	2.30%	2.26%



## CASH FLOW PROJECTION

The Pooled Investment Fund cash requirements are based on a 14-month historical cash flow model. The model has been adjusted for expected non-reoccurring participant liquidity needs. This projection, updated on February 7, 2005, is sufficient to meet cash flow expenditures for the next six months.

Month	Beginning Bank Balance	Receipts & Maturities	Disbursements	Difference	Less Investments Beyond 1 year	Funds Available to Invest for Future Cash Flow Needs <sup>4</sup>
<i>Dollar amounts represented in millions</i>						
Feb-05	\$ 5.0	\$ 677.2	\$ 436.0	\$ 241.2	\$ 30	\$ 211.2
Mar-05	\$ 5.0	\$ 891.1	\$ 502.2	\$ 312.1	\$ 35	\$ 353.9
Apr-05	\$ 5.0	\$ 813.2	\$ 433.5	\$ 340.8	\$ 30	\$ 349.7
May-05	\$ 5.0	\$ 807.1	\$ 582.5	\$ 146.5	\$ 35	\$ 189.6
Jun-05	\$ 5.0	\$ 875.9	\$ 717.9	\$ -0.3	\$ 30	\$ 128.0
Jul-05	\$ 5.0	\$ 675.4	\$ 526.5	\$ -17.2	\$ 35	\$ 113.9

If you have any questions about the Pooled Investment Fund, please call Chief Investment Officer Mari Lynn Shimamoto at (916) 874-6089 or Investment Officer Bernard Santo Domingo at (916) 874-7320.

<sup>3</sup>The earned income yield is the total net earnings divided by the average daily portfolio balance multiplied by 365-day basis and then divided by the actual number of days in the month. The reported yield fluctuates based upon the number of days in the month, thus resulting in the anomaly of higher yields being reported for months with fewer days. February's yield is a prime example of such an anomaly.

<sup>4</sup>Any excess net cash flow amounts in this column will be used to fund the negative cash flow positions in later months.