



Investing in the New Economic Environment

Changes in Investment Behavior in California Public Entities

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Respondents

Entity	3 Questions	Portfolio Info*	Yes Answers		
			Have your agency's investment practices changed in the last couple of years?	Has your agency's investment policy changed in the last couple of years?	Have there been any changes in staffing size, functions or new technology?
Authority / District	5	1	60%	40%	40%
City	17	7	65%	24%	24%
County	8	7	38%	38%	25%
SF	1	1	100%	100%	100%
ALL	31	16	60%	33%	20%

* *Portfolio Info:*

For 6/07,06/08,6/09 & 12/09:

WAM, WAM time buckets, YTM, Asset Allocation

Have your agency's investment practices changed in the last couple of years?

- Although our investment policy has seen only minor changes our actual investment practices have changed substantially.
- A year ago we discontinued investing in commercial paper, bankers acceptances and negotiable CD's .
- We currently only invest in Federal Agencies, LAIF and State of California bonds.
- We changed our practices because of current market conditions.
- The rating agencies became unreliable and the failure of companies and banks happened very quickly, from double A rating to bankruptcy within a week.
- The turmoil in the investment markets along with a lot of unknowns regarding these markets led us to seek a high degree of safety in our investments.

Have your agency's investment practices changed in the last couple of years?

San Francisco:

- Focus on highest quality since 2008: Fixed Rate Callable Agencies, Treasuries, TLGP
- Mostly absent from CP market
- Short the 0-1 year and 3-5 year parts of the curve, long 1-3 year part
- Betting against the forward curve due to employment & mortgage concerns

Has your agency's investment policy changed in the last couple of years?

- We increased the amount that we can have in LAIF.
- Yes, we raised the limit for CAMP, our secondary liquidity fund, since we have been accumulating resources for large capital projects.
- We added TLGP (Treasury Liquidity Guaranty Program) and Municipal Bonds/State of California I.O.U.s
- We added CDARS.
- We added a 5% (non-government backed) corporate issuer limitation.
- We have established approved lists for our investments in commercial paper, banker's acceptances and negotiable CD's, which have seen changes in company names approved for investment
- Yes. I am able to sell securities if needed.

Has your agency's investment policy changed in the last couple of years?

San Francisco:

- Removed a WAM constraint on Agencies
- Lengthened CP to 270 from 180 days
- Added TLGP to the approved investment list.

Have there been any changes in staffing size, functions or new technology?

From the manager's of small portfolios:

- Treasury Accounting system upgrade
- Stopped using treasury accounting system and started using excel
- There has been a decrease in the amount of time that limited staff can devote to managing investments because other areas have increased in priority.
- Prior to 2007, the City lost our revenue manager who was in charge of investments. This position has not been filled yet and the investment duties have fallen to the Finance Director. This, coupled with the economic fallout, has provided the City with a strategy of reducing term investments and to rely more on LAIF and its size for safety of capital.

Have there been any changes in staffing size, functions or new technology?

From the manager's of large portfolios:

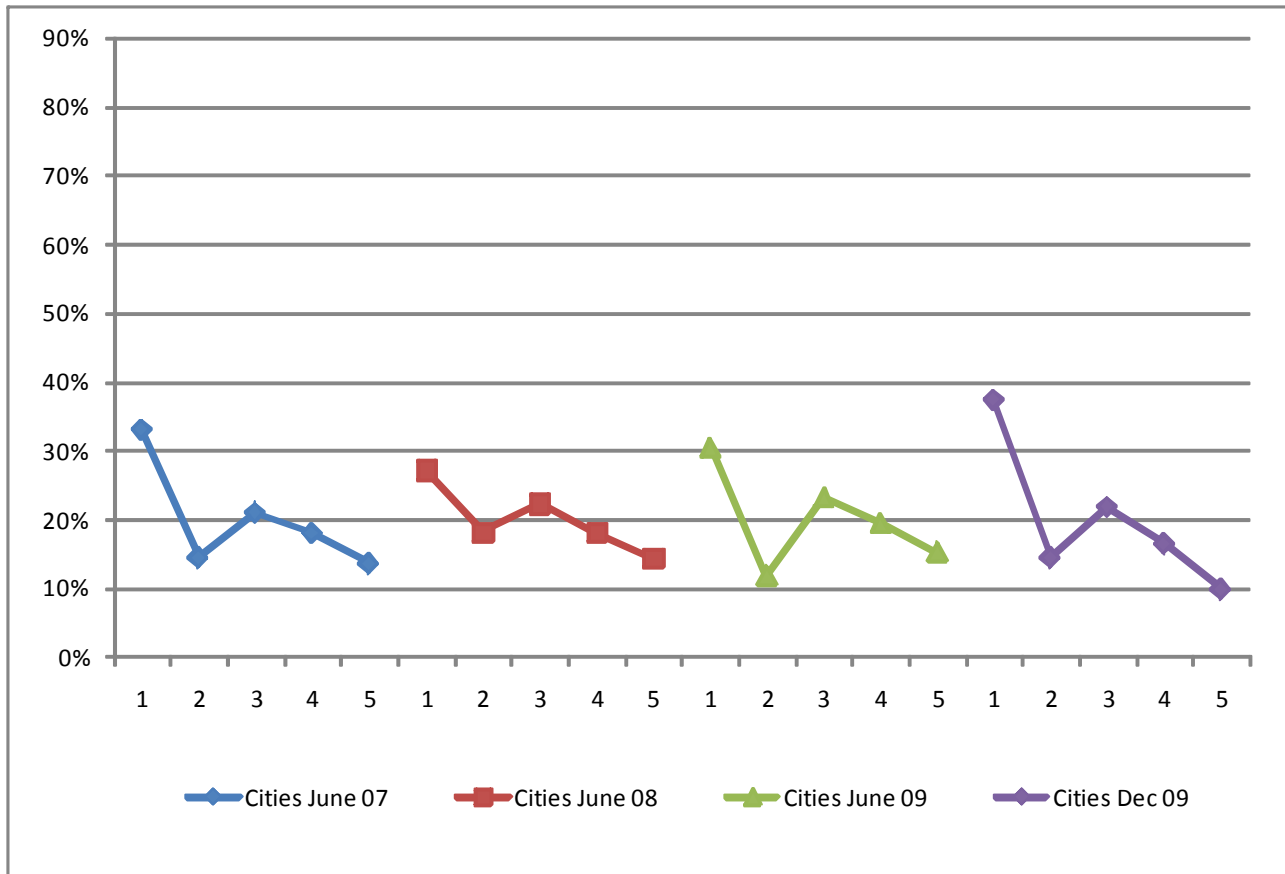
- We are hoping to add another Assistant Investment Officer within the next 6 months. We currently utilize the various Bloomberg inventory and trading functions (FIT, BOOM, DOCP) as well as a dealer-provided online money market fund platform.
- We have also automated much of our issuer financial analysis (number crunching...) using the Bloomberg Data License service. This allows our analysts the opportunity to spend more time “analyzing” the calculated data and issuer news, rather than spending the majority of their time gathering data, sorting, and inputting...etc.
- We are looking to move to the web version of Sungard that will provide a greater amount of flexibility in our reporting as well as in business continuity planning. We have fully equipped our office laptop with all the necessary tools (wireless modem, Bloomberg Anywhere Access, Citrix access, etc.) to implement our comprehensive business continuity plan.

Have there been any changes in staffing size, functions or new technology?

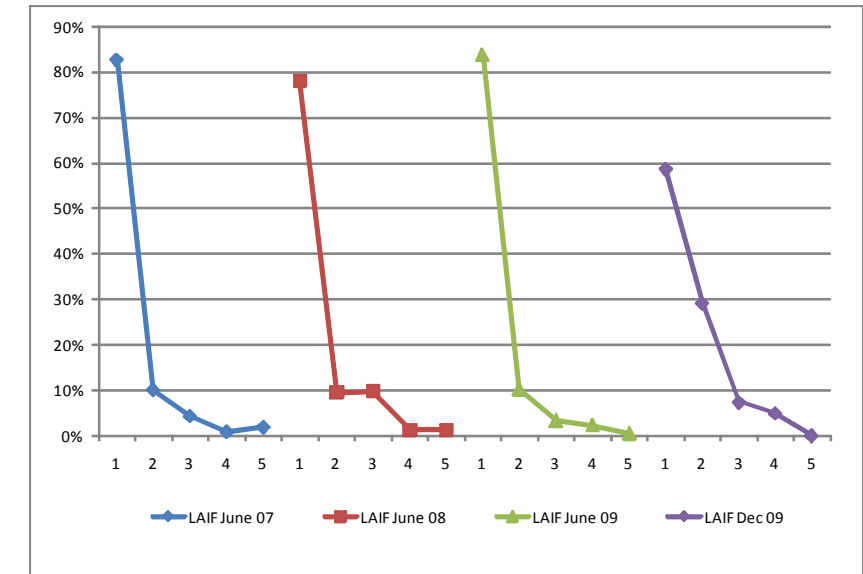
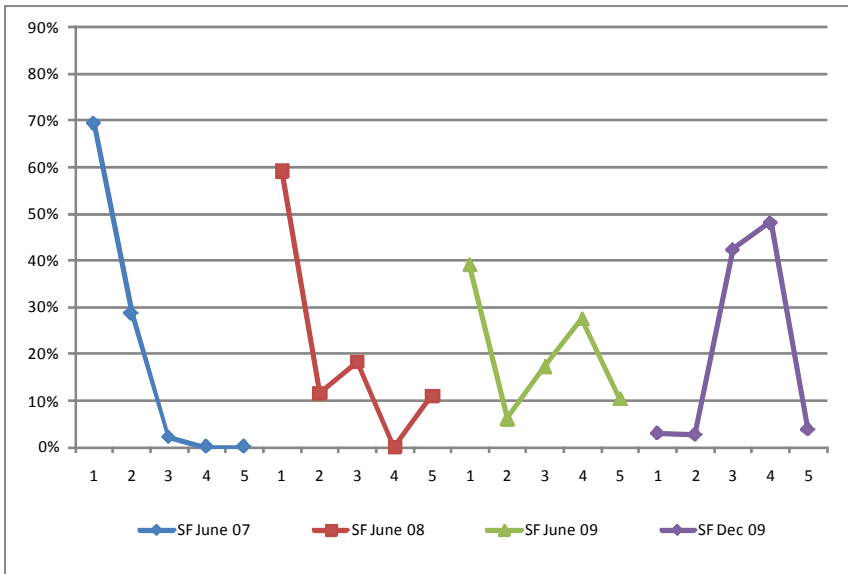
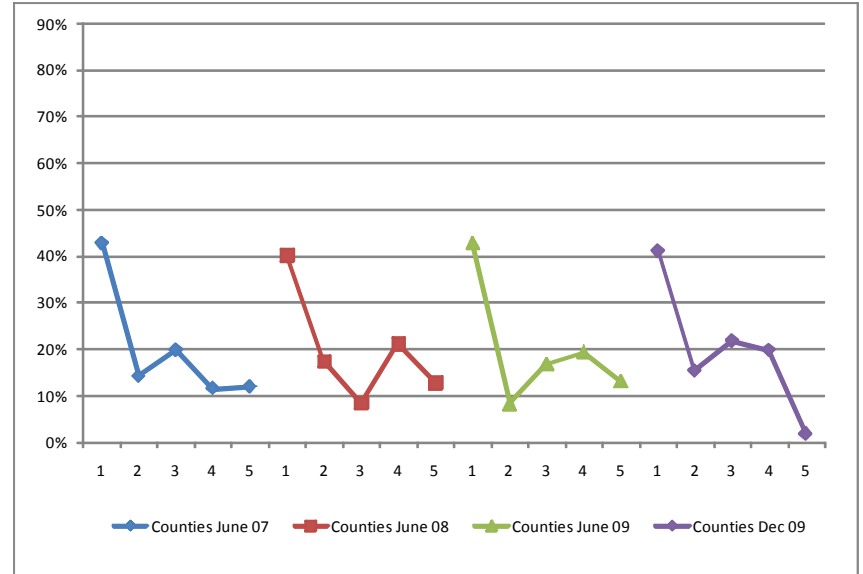
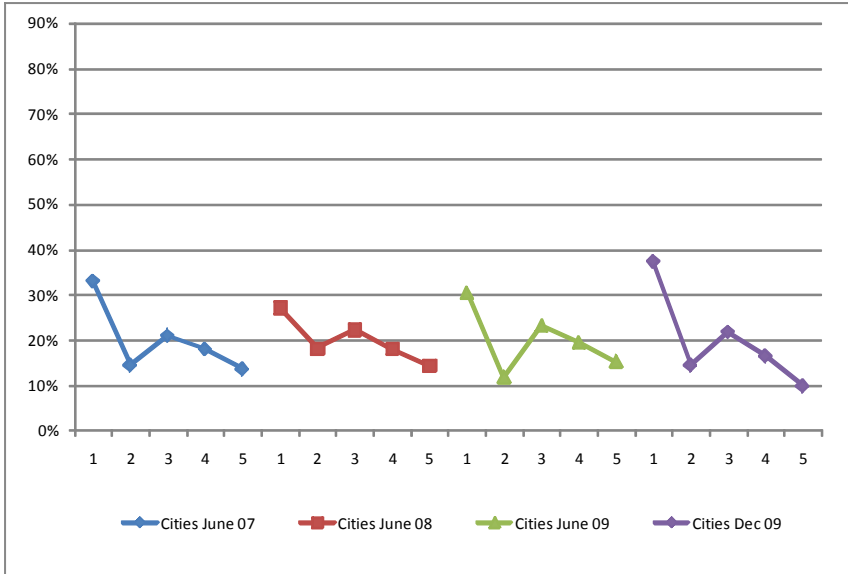
San Francisco:

- New CIO in 11/07
- New assistant in 2/09
- Constructed new in-house portfolio management & reporting system
- Changed custodian 08/09
- Expanded use of Bloomberg/Excel connections.
- Awaiting implementation of new Treasury Workstation.

WAM Bucket Allocation

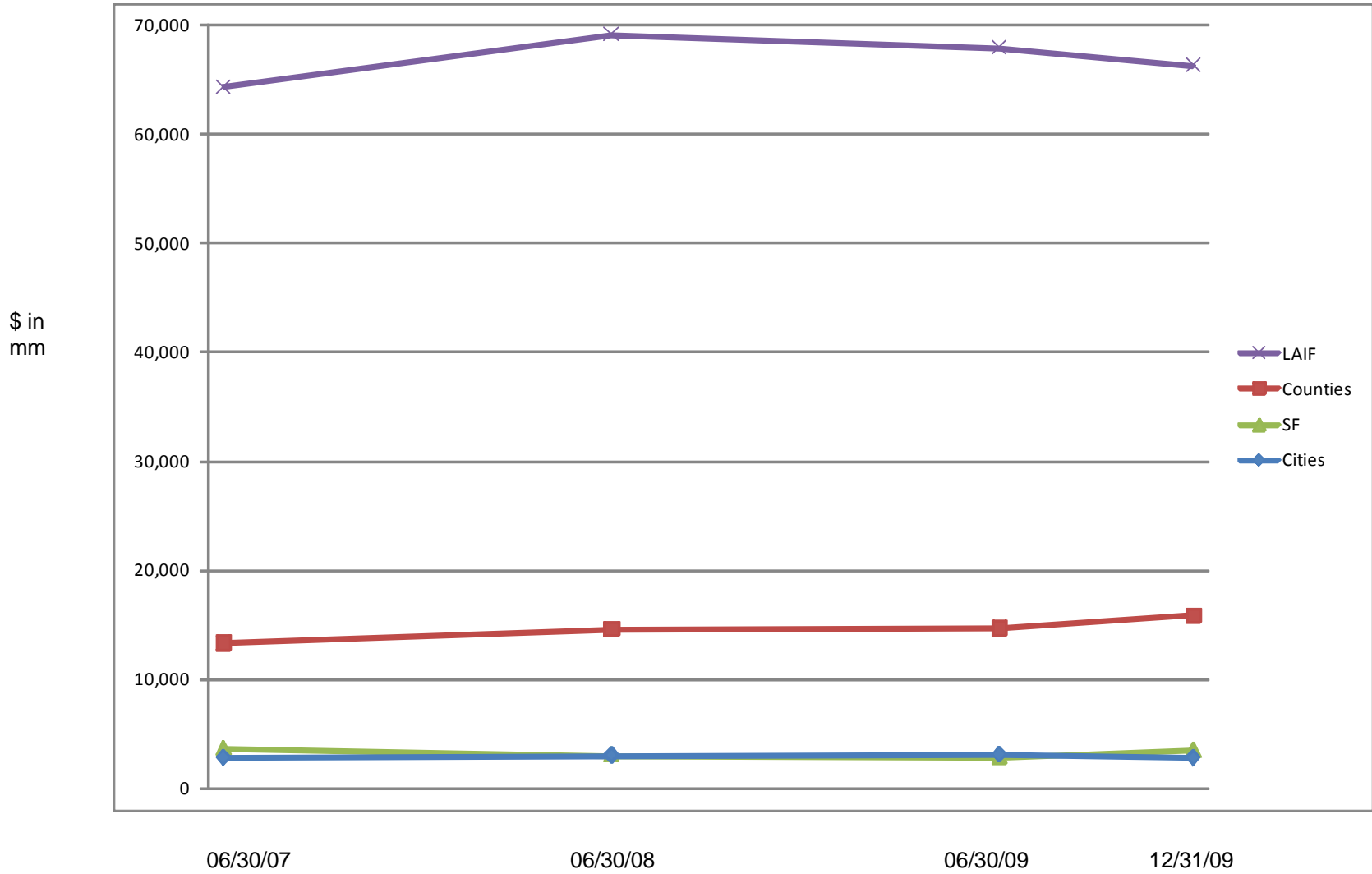


WAM Bucket Allocation



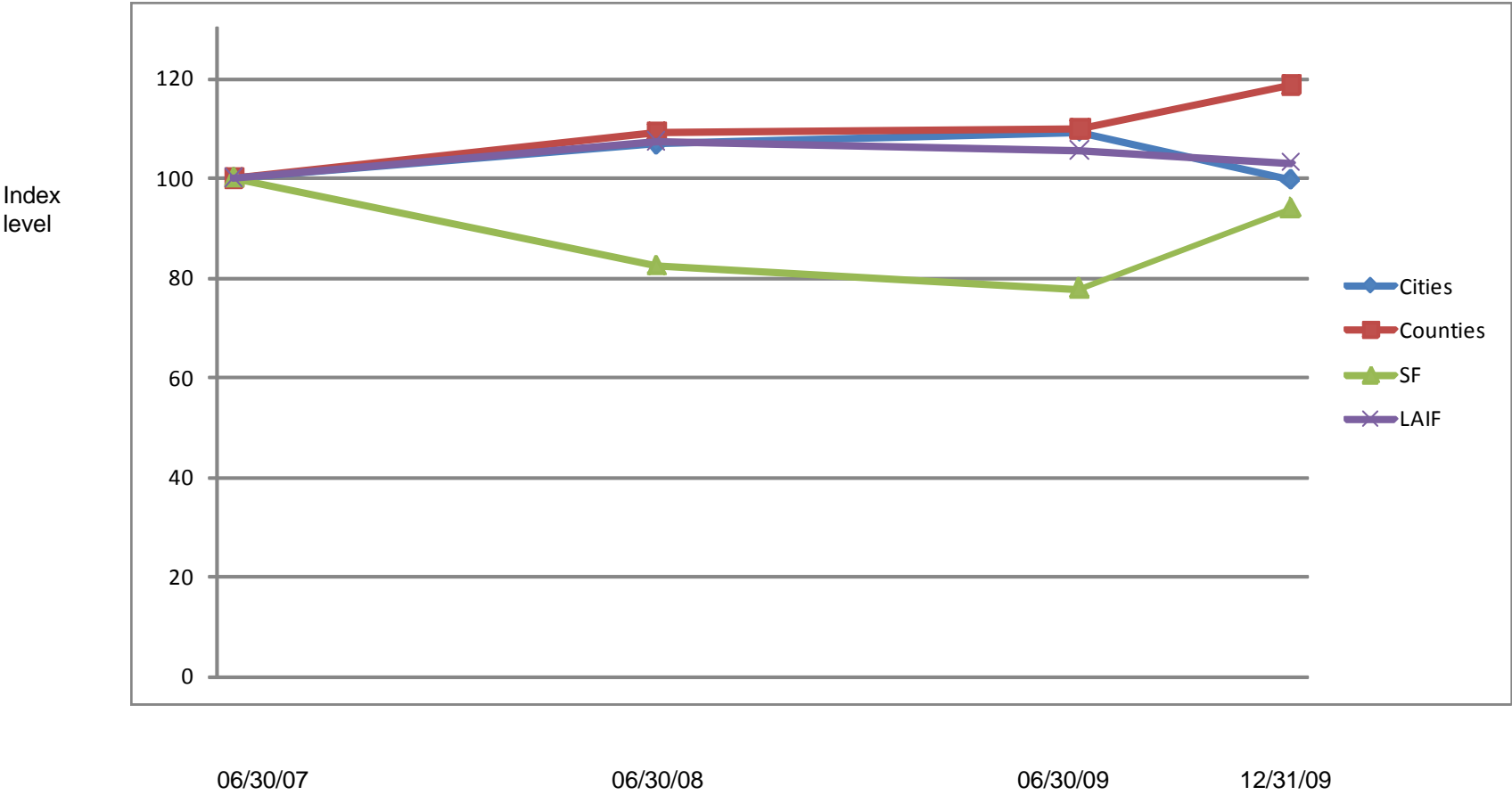
1= Up to 6 Months | 2 = 6 Months to 1 Year | 3 = 1 Year to 2 Years | 4 = 2 Years to 3 Years | 5 = 3 Years to 5 Years

Reported Investments



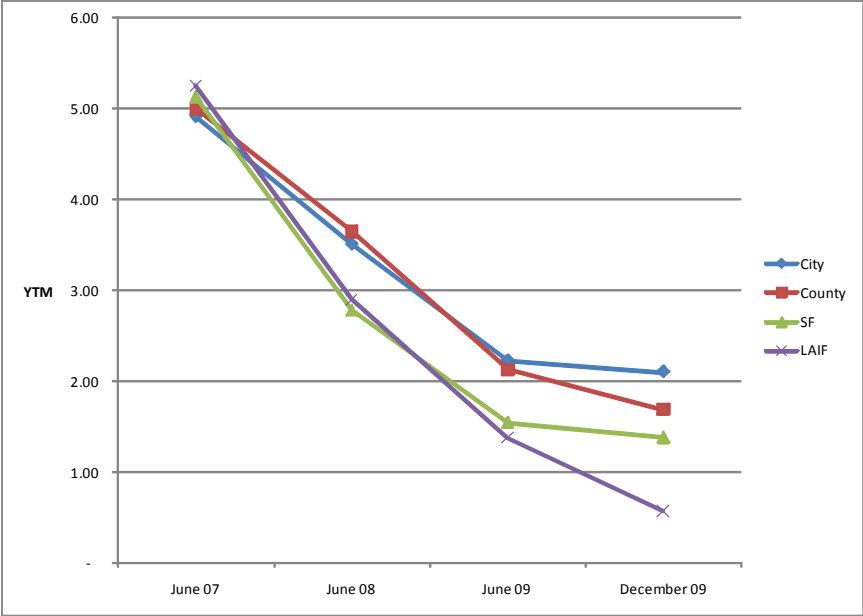
Indexing of Reported Investments

(6/30/07 = 100)

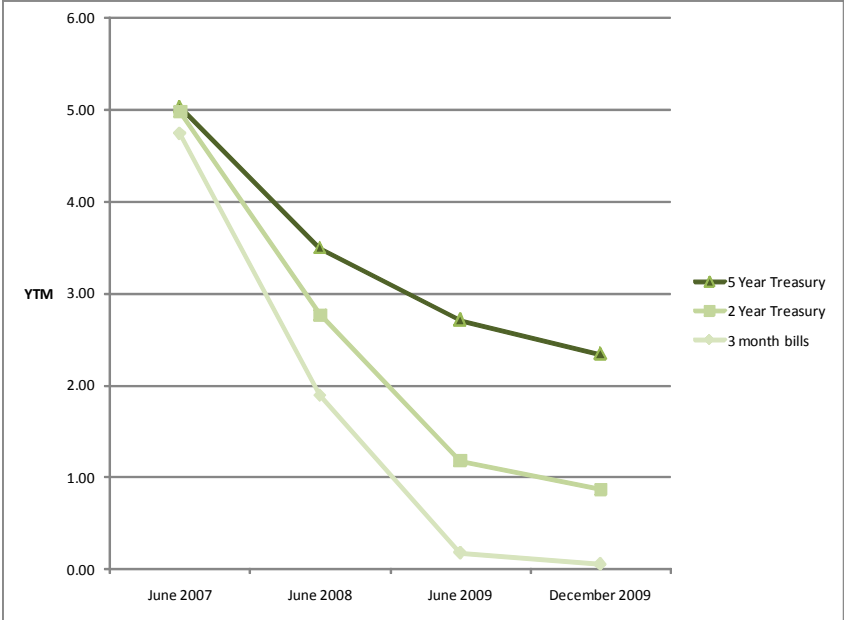


Change in Yields

Respondents

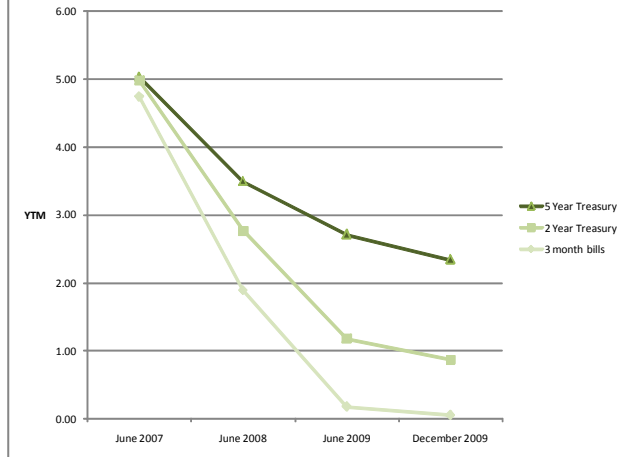
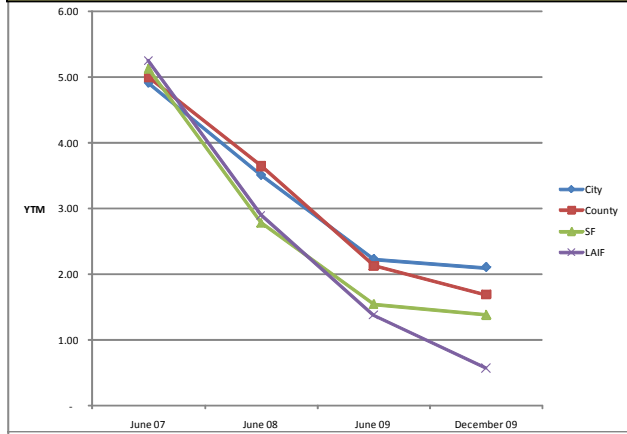


Treasury Rates

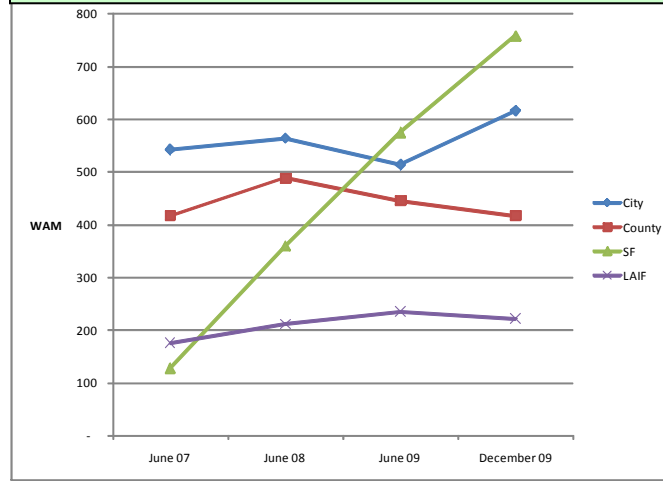


Change in Yields and WAM

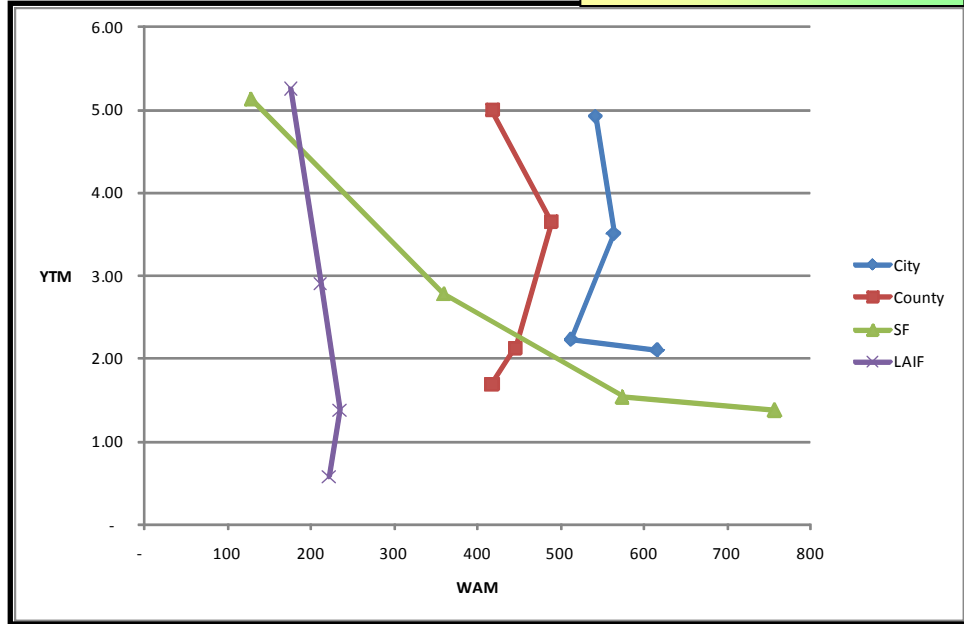
Changes in Yield



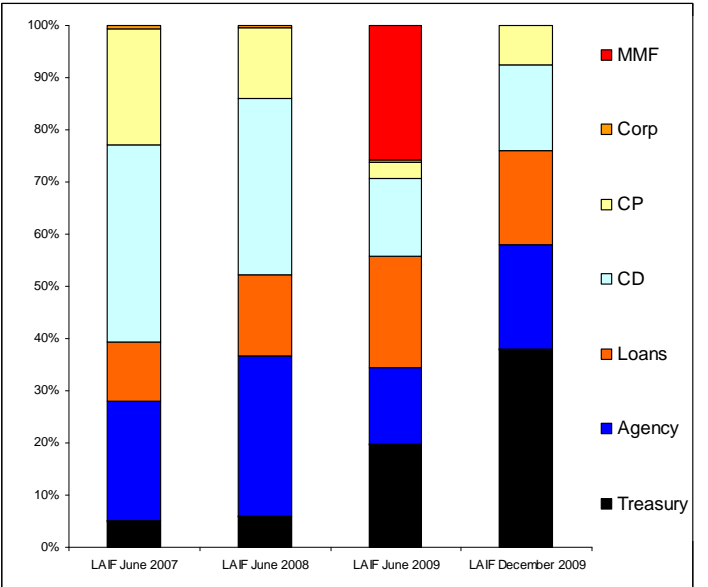
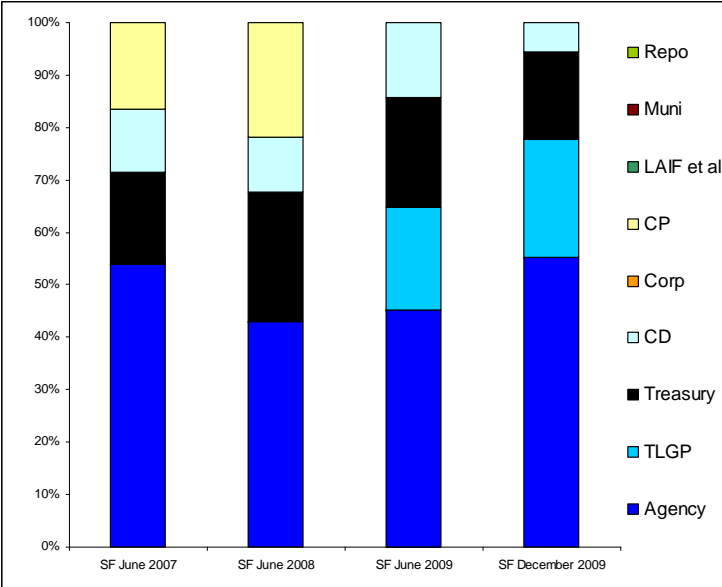
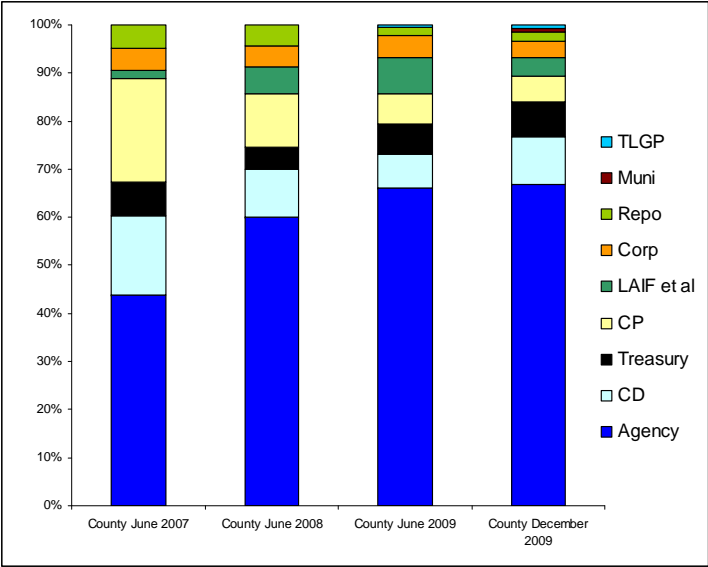
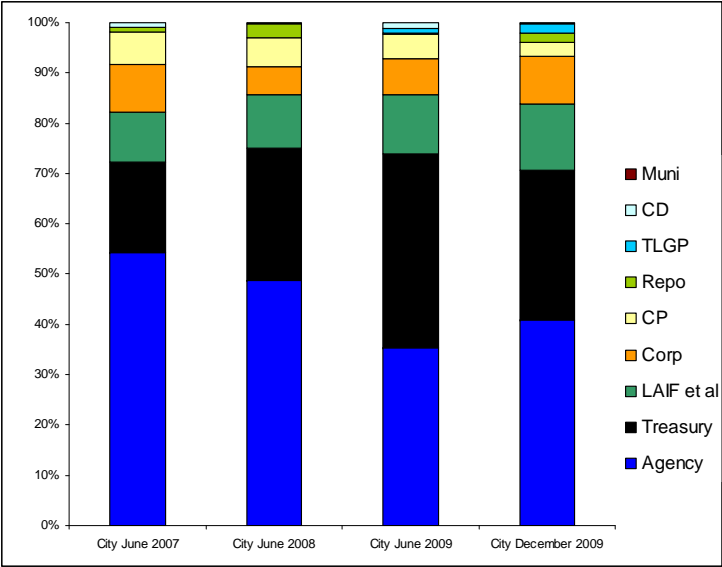
Changes in WAM



Yields & WAM Combined



Changes in Asset Allocation



Changes in Asset Allocation

