



To: First 5 Alameda County Commission

From: Patricia Zapanta, Acting Finance and Administration Director

Date: May 28, 2009

Subject: Investment Report: July 1, 2008 – March 31, 2009

REQUESTED ACTION

To review the Investment report for July 1, 2009 – March 31, 2009.

BACKGROUND

The Investment Report shows the performance of funds that are invested in the Alameda County pool and with two outside money managers: MBIA Municipal Investors and Chandler Asset Management.

- At 2007-08 year-end, the market value of the funds with MBIA and Chandler was \$38,227,901
- As of March 31, 2009, the market value of the funds with MBIA and Chandler was \$39,968,650, an increase since the beginning of the fiscal year of \$1,740,749

PORTFOLIO HIGHLIGHTS

The financial crisis has created tremendous stress in the debt markets particularly in the banking industry. In an effort to rebuild confidence in our banking system, the Federal Government has created TLGP (Temporary Liquidity Guarantee Program) notes issues insured by FDIC (Federal Deposit Insurance Corporation). Due to the FDIC guarantee, corporate notes issued under the TLGP are secure and backed by the full faith and credit of the U.S. government. Chandler Asset Management purchased more than \$1,500,000 FDIC corporate notes and commercial paper for us. These assets are highlighted in bright yellow in the March 31st Holdings Report.

Some of our assets are on rating watch to notify us that a rating change is imminent and is likely to occur in the next one to three months. They are: 1. Household Finance which is owned by HSBC, Europe's largest bank, 2. Berkshire Hathaway, a conglomerate holding company chaired by Warren Buffet and its core business is insurance, 3.

Wachovia Bank which is owned by Wells Fargo Bank is on potential sale and 4. a \$1 million General Electric note which has been downgraded from AAA to AA2. Our money managers are doing their best to be strategic with regards to selling these assets and are always mindful of our goals of safety, liquidity and yield.

INVESTMENT REPORT

Investment Income

The first section reports on Investment Income, which is primarily determined by the interest or yield payments. For each asset, the payments are received every six months.

The report represents nine months (July 1, 2008 – March 31, 2009) of the money managers' investment earnings (\$1,343,276), earnings from interest on our funds at Union Bank (\$9,238), and earnings from the Alameda County investment pool (\$186,135). Total earnings received are \$1,538,650.

The reversal of the accrual occurs each year. These are funds received in the first quarter that were actually earned, and thus credited, to the prior quarter. They were recognized as revenue in 2007-08 (\$417,881) so must be deducted from the funds recognized for the first quarter. This makes the report look very low in this period, but this is a typical occurrence. It is important to note that the 2008-09 earnings will include much of the first quarter's earnings of 2009-2010.

The total Investment income after the reversal of the accrual was \$1,120,768.
Investment Fees

Fees include nine months' worth of fees of the money managers (MBIA and Chandler) and the fees of the account custodian (Union Bank of California). The total fees paid during this period were \$37,535.

Investment Activity

The Investment Activity shows all transactions affecting our portfolio. It is important to note that despite the \$89,451 loss from the sale of American General Finance in January 2009, we have maintained a net gain of \$226,302 due to strategic sales by our money managers during 2009.

Market Value and Unrealized Gains and Losses

This section reports on Market Value. It shows the value of the portfolio at the beginning of the period, and the value of the portfolio at the end of the period. It is a snapshot of portfolio value, if the portfolio was liquidated. Since the portfolio is not being liquidated, this section is of limited value. However, showing unrealized gains and losses on investment reports is a legal requirement for government agencies.

Yield Benchmarks

The Yield section shows the yield of the investment earnings, and compares those amounts to several benchmarks. In addition, the yield helps to evaluate the money manager performance compared to each other. MBIA and Chandler’s yields (3.800% and 4.020%, respectively) have exceeded the LAIF benchmark (1.916%).

Only the Alameda County Treasury Investment Pool is net of fees.

FISCAL IMPACT

The total investment earnings through March 31st are \$1,120,768.

RECOMMENDATION

To review the Investment report for July 1, 2009 – March 31, 2009.

Submitted by:

Reviewed by:

Patricia Zapanta, Acting Director
Finance & Administration

Mark Friedman,
Chief Executive Officer

**First 5 Alameda County
Investment Report
For the Period July 1 - March 31, 2009**

	<u>Union Bank</u>	<u>MBIA Municipal Investors</u>	<u>Chandler Asset Management</u>	<u>Total</u>
INVESTMENT INCOME:				
Interest Received	9,238	790,817	552,459	1,352,515
Income from Alameda County Treasurer				186,135 as of 12/31/08
Reversal of 2007-08 Accrual				(417,881)
Total Investment Earnings				<u>1,120,768</u>
Investment Fees Paid	(4,986)	(17,626)	(14,923)	(37,535)
Net Investment Income (Net of Fees)				<u>1,083,233</u>
INVESTMENT ACTIVITY:				
Portfolios at 7/01/08		21,834,156	15,917,262	37,751,418
Purchases		6,772,081	9,935,621	16,707,702
Sales		(929,661)	(7,578,046)	(8,507,706)
Maturities		(5,464,261)	(1,149,981)	(6,614,242)
Full Call		(2,451,706)	(351,873)	(2,803,578)
Principal Pay Down		(44,040)	(24,941)	(68,982)
Gain (Loss) on Disposal		10,814	215,487	226,302
Net Cash Management		2,905,779	(295,606)	2,610,173
Portfolios at 3/31/09		<u>22,633,163</u>	<u>16,667,925</u>	<u>39,301,087</u>
COST VS. MARKET VALUE:				
Portfolios at Market 3/31/09		23,028,218	16,940,432	39,968,650
Portfolios at Cost 3/31/09		22,633,163	16,667,925	39,301,088
Unrealized Gain (Loss) at 3/31/09		<u>395,055</u>	<u>272,508</u>	<u>667,562</u>
YIELD AND BENCHMARKS:				
MBIA Municipal Investors (Current yield)				3.800%
Chandler Asset Management (Current yield)				4.020%
Local Agency Investment Fund (LAIF)				1.916%
1-5 Government Index (Total rate of return)				4.910%
Alameda County Treasurer (net of fees)				2.130%


**First 5 Alameda County
Investment Holdings Report
As of March 31, 2009**

Agenda Item 5

<u>Holder</u>	<u>Asset Name</u>	<u>Shares / Units</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>
CHANDLER	BERKSHIRE HATHAWAY 4.125% 1/15/10	325,000.00	\$332,689.50	\$330,343.00	Corporate Obligations	AAA	AA2
CHANDLER	BK OF AMERICA BDS 3.125% 6/15/12	335,000.00	\$347,518.95	\$346,574.25	Corporate Obligations	AAA	AAA
MBIA	BOFA CORP NTS 7.400% 1/15/11	300,000.00	\$321,864.00	\$279,678.00	Corporate Obligations	A-	A3
MBIA	FFCB 6.750% 7/07/09	900,000.00	\$957,825.00	\$915,192.00	Government Obligations	AAA	AAA
MBIA	FFCB BDS 3.000% 12/19/11	1,000,000.00	\$1,000,000.00	\$1,001,250.00	Government Obligations	AAA	AAA
CHANDLER	FFCB BDS 3.750% 12/06/10	425,000.00	\$443,090.98	\$441,868.25	Government Obligations	AAA	AAA
CHANDLER	FFCB BDS 4.500% 10/17/12	150,000.00	\$154,407.00	\$160,687.50	Government Obligations	AAA	AAA
CHANDLER	FFCB BDS 4.875% 2/18/11	600,000.00	\$640,033.80	\$638,250.00	Government Obligations	AAA	AAA
MBIA	FFCB BDS 4.875% 4/04/12	1,000,000.00	\$1,027,780.00	\$1,082,810.00	Government Obligations	AAA	AAA
MBIA	FFCB BDS 5.000% 8/16/10	1,000,000.00	\$1,033,580.00	\$1,051,880.00	Government Obligations	AAA	AAA
CHANDLER	FFCB BDS 5.375% 7/18/11	450,000.00	\$488,335.95	\$486,985.50	Government Obligations	AAA	AAA
CHANDLER	FHLB 3.875% 6/14/13	250,000.00	\$247,290.00	\$265,470.00	Government Obligations	AAA	AAA
MBIA	FHLB BDS 3.250% 3/11/11	2,000,000.00	\$2,001,040.00	\$2,069,380.00	Government Obligations	AAA	AAA
MBIA	FHLB BDS 3.375% 10/06/10	1,000,000.00	\$999,687.50	\$1,010,310.00	Government Obligations	AAA	AAA
CHANDLER	FHLB BDS 3.625% 5/29/13	350,000.00	\$342,595.40	\$368,266.50	Government Obligations	AAA	AAA
CHANDLER	FHLB BDS 3.750% 8/18/09	225,000.00	\$229,341.83	\$227,742.75	Government Obligations	AAA	AAA
MBIA	FHLB BDS 3.875% 1/15/10	1,500,000.00	\$1,513,860.00	\$1,534,215.00	Government Obligations	AAA	AAA
CHANDLER	FHLB BDS 4.625% 2/18/11	500,000.00	\$531,331.00	\$529,845.00	Government Obligations	AAA	AAA
CHANDLER	FHLB BDS 4.875% 11/18/11	325,000.00	\$350,857.65	\$351,913.25	Government Obligations	AAA	AAA
CHANDLER	FHLMC 4.500% 7/15/13	675,000.00	\$711,770.50	\$735,959.25	Government Obligations	AAA	AAA
CHANDLER	FHLMC NTS 3.250% 2/25/11	150,000.00	\$151,762.50	\$154,828.50	Government Obligations	AAA	AAA
MBIA	FHLMC NTS 4.375% 3/01/10	1,000,000.00	\$1,011,030.00	\$1,029,870.00	Government Obligations	AAA	AAA
CHANDLER	FHLMC NTS 4.500% 1/15/13	395,000.00	\$402,816.49	\$429,068.75	Government Obligations	AAA	AAA
CHANDLER	FHLMC NTS 4.750% 3/05/12	275,000.00	\$298,979.45	\$297,946.00	Government Obligations	AAA	AAA
CHANDLER	FHLMC NTS 5.125% 4/18/11	200,000.00	\$210,335.20	\$214,376.00	Government Obligations	AAA	AAA
MBIA	FHLMC NTS 5.125% 10/23/12	1,000,000.00	\$1,015,030.00	\$1,022,320.00	Government Obligations	AAA	AAA
CHANDLER	FNMA NOTES 3.875% 7/12/13	425,000.00	\$427,212.95	\$453,555.75	Government Obligations	AAA	AAA
CHANDLER	FNMA NTS 3.625% 2/12/13	150,000.00	\$148,160.85	\$158,812.50	Government Obligations	AAA	AAA
CHANDLER	FNMA NTS 3.625% 8/15/11	400,000.00	\$419,114.80	\$419,500.00	Government Obligations	AAA	AAA
MBIA	FNMA NTS 4.000% 8/26/11	500,000.00	\$505,150.00	\$505,940.00	Government Obligations	AAA	AAA
CHANDLER	FNMA NTS 5.000% 2/16/12	500,000.00	\$546,647.50	\$546,405.00	Government Obligations	AAA	AAA
CHANDLER	FNMA NTS 6.000% 5/15/11	235,000.00	\$241,803.25	\$257,691.60	Government Obligations	AAA	AAA
MBIA	FNMA NTS 6.000% 5/15/11	850,000.00	\$895,636.50	\$932,076.00	Government Obligations	AAA	AAA
MBIA	G E CAP CORP MTN 5.250% 10/19/12	1,000,000.00	\$1,029,100.00	\$962,720.00	Corporate Obligations	AA+	AA2
CHANDLER	GE CAPITAL CORP FDIC DC/P 6/17/09	400,000.00	\$399,750.00	\$399,016.00	Cash & Cash Equivalents		
CHANDLER	GECC NTS 4.875% 10/21/10	175,000.00	\$179,284.00	\$173,957.00	Corporate Obligations	AA+	AA2
CHANDLER	GECC NTS 5.875% 2/15/12	100,000.00	\$101,505.00	\$99,268.00	Corporate Obligations	AA+	AA2
CHANDLER	GECC NTS 6.000% 6/15/12	180,000.00	\$182,665.80	\$177,467.40	Corporate Obligations	AA+	AA2
CHANDLER	GEN ELEC CAP CO NTS 3.000% 12/09/11	335,000.00	\$346,748.45	\$344,929.40	Corporate Obligations	AAA	AAA
CHANDLER	GENL DYNAMICS CORP 4.500% 8/15/10	160,000.00	\$163,561.60	\$164,472.00	Corporate Obligations	A	A2
CHANDLER	GNR 2004-61-VA 5.000% 5/16/10	39,519.18	\$39,049.88	\$40,146.74	Government Obligations	N/A	N/A
CHANDLER	GOLDMAN SACHS 6.875% 1/15/11	50,000.00	\$52,615.50	\$50,527.50	Corporate Obligations	A	A1

**First 5 Alameda County
Investment Holdings Report
As of March 31, 2009**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares / Units</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>
MBIA	GOLDMAN SACHS 6.875% 1/15/11	120,000.00	\$125,967.60	\$121,266.00	Corporate Obligations	A	A1
CHANDLER	GOLDMAN SACHS GR BDS 3.250% 6/15/12	330,000.00	\$331,884.30	\$344,447.40	Corporate Obligations	AAA	AAA
CHANDLER	HIGHMARK 100% US TREASURY MONEY MKT	229,496.71	\$229,496.71	\$229,496.71	Cash & Cash Equivalents		
MBIA	HIGHMARK 100% US TREASURY MONEY MKT	2,972,206.53	\$2,972,206.53	\$2,972,206.53	Cash & Cash Equivalents		
CHANDLER	HOUSEHOLD FIN CORP 7.000% 5/15/12	75,000.00	\$79,566.00	\$60,202.50	Corporate Obligations	A	A3
MBIA	HOUSEHOLD FIN NT 6.375% 10/15/11	175,000.00	\$182,155.75	\$151,292.75	Corporate Obligations	A	A3
CHANDLER	IBM 4.250% 9/15/09	175,000.00	\$174,478.50	\$176,485.75	Corporate Obligations	A+	A1
CHANDLER	JPMORGAN CHASE & CO 2.125% 6/22/12	340,000.00	\$342,363.00	\$341,638.80	Corporate Obligations	AAA	AAA
CHANDLER	JPMORGAN CHASE & CO 4.750% 5/01/13	170,000.00	\$171,691.50	\$164,784.40	Corporate Obligations	A+	AA3
MBIA	NATL CTY BK KEN NTS 6.300% 2/15/11	125,000.00	\$128,517.50	\$122,792.50	Corporate Obligations	A	A2
CHANDLER	PHILLIPS PETE 8.750% 5/25/10	145,000.00	\$159,990.10	\$155,071.70	Corporate Obligations	A	A1
CHANDLER	TARGET CORP 6.350% 1/15/11	175,000.00	\$178,776.50	\$185,361.75	Corporate Obligations	A+	A2
CHANDLER	TENN VY AUTH SER A 6.790% 5/23/12	640,000.00	\$700,943.70	\$728,915.20	Government Obligations	AAA	AAA
CHANDLER	TOYOTA MOTOR CREDIT CO DC/P 5/04/09	400,000.00	\$399,923.33	\$399,732.00	Cash & Cash Equivalents		
CHANDLER	TOYOTA MTR CR CORP 5.450% 5/18/11	310,000.00	\$319,713.00	\$316,748.70	Corporate Obligations	AA	AA1
CHANDLER	TVA SER C 4.750% 8/01/13	600,000.00	\$638,422.85	\$645,120.00	Government Obligations	AAA	AAA
CHANDLER	U S TREAS NTS 3.375% 11/30/12	450,000.00	\$451,371.09	\$482,872.50	Government Obligations	AAA	AAA
CHANDLER	U S TREAS NTS 3.500% 2/15/10	450,000.00	\$453,128.91	\$461,340.00	Government Obligations	AAA	AAA
MBIA	U S TREAS NTS 3.625% 7/15/09	2,100,000.00	\$2,041,648.44	\$2,120,664.00	Government Obligations	AAA	AAA
CHANDLER	U S TREAS NTS 4.750% 3/31/11	200,000.00	\$197,492.19	\$215,812.00	Government Obligations	AAA	AAA
MBIA	U S TREAS NTS 4.750% 3/31/11	1,370,000.00	\$1,358,147.67	\$1,478,312.20	Government Obligations	AAA	AAA
CHANDLER	UNITED TECH CORP 6.500% 6/01/09	160,000.00	\$166,355.20	\$161,001.60	Corporate Obligations	A	A2
CHANDLER	US TREAS NTS 3.625% 10/31/09	450,000.00	\$453,726.56	\$458,140.50	Government Obligations	AAA	AAA
CHANDLER	US TREAS NTS 4.000% 9/30/09	625,000.00	\$646,093.75	\$636,106.25	Government Obligations	AAA	AAA
CHANDLER	US TREAS NTS 4.375% 12/15/10	300,000.00	\$310,417.97	\$318,669.00	Government Obligations	AAA	AAA
CHANDLER	US TREAS NTS 4.500% 4/30/12	300,000.00	\$298,804.69	\$329,814.00	Government Obligations	AAA	AAA
MBIA	US TREAS NTS 4.500% 11/15/10	925,000.00	\$931,250.97	\$983,025.25	Government Obligations	AAA	AAA
CHANDLER	US TREAS NTS 4.750% 5/31/12	400,000.00	\$395,937.51	\$443,592.00	Government Obligations	AAA	AAA
MBIA	US TREAS NTS 4.875% 7/31/11	550,000.00	\$556,412.10	\$601,177.50	Government Obligations	AAA	AAA
MBIA	US TREAS NTS 5.000% 2/15/11	1,000,000.00	\$1,025,273.44	\$1,079,840.00	Government Obligations	AAA	AAA
CHANDLER	WACHOVIA CORP BDS 5.500% 5/01/13	175,000.00	\$183,659.00	\$161,358.75	Corporate Obligations	AA	A1
CHANDLER	WAL-MART STORES 4.125% 7/01/10	250,000.00	\$252,412.50	\$257,847.50	Corporate Obligations	AA	AA2

 - FDIC insured asset

Please see next page for Investment rating scales

Long Term Issuer Credit Rating Definitions

S&P	Moody's	
AAA	Aaa	Investment Grade
AA+	Aa1	
AA	Aa2	
AA-	Aa3	
A+	A1	
A	A2	
A-	A3	
BBB+	Baa1	
BBB	Baa2	
BBB-	Baa3	
BB+	Ba1	Below Investment Grade
BB	Ba2	
BB-	Ba3	
B+	B1	
B	B2	
B-	B3	
CCC+	Caa1	
CCC	Caa2	
CCC-	Caa3	
CC	Ca	
C	C	
D		

Rating Outlook - An outlook indicates the direction a rating is likely to move over a one or two year period. A specific rating outlook does not imply a rating change is inevitable. Outlooks are classified as 'Stable', 'Positive', 'Negative', or 'Developing'.

Rating Watch - Ratings are placed on 'Rating Watch' to notify investors that a rating change is imminent and is likely to occur in the next one to three months. Watches are classified as 'Stable', 'Positive', 'Negative', or 'Developing'.