



county of ventura

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December 15, 2009

Ventura County Board of Supervisors
County Government Center
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Discuss and File Report of Investments for the Month Ending
October 31, 2009, Including Market Values for Investments for the
Month

RECOMMENDATION: Discuss and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

The average daily portfolio balance for the month of October amounted to \$1.7 billion. The portfolio yield for the month of October was 2.22%. The weighted average days to maturity increased 27 days to 320 days. The total net monthly earnings were \$3.3 million. The portfolio has been structured to satisfy the anticipated cash flow needs of the participants. The investment practices and portfolio holdings are in compliance with the investment policy.

The portfolio has been managed with the stated objectives of safety, liquidity and earning a competitive rate of return, outlined in the Statement of Investment Policy. In striving to maintain the primary objective, safety of principal, the County portfolio has received a rating of AAf by Standard & Poor's, the highest possible ranking given by the agency. Regarding the secondary objective, maintaining sufficient liquidity to meet cash flow needs, the portfolio is rated S1+, also the highest ranking given by S&P. In light of the first two objectives, the portfolio has on balance outperformed its benchmarks, satisfying the final objective, that of earning a competitive rate of return.

The economy appeared to continue to stabilize during the month. The downward spiral of the last year appears to have stopped as various sectors of the economy seek firmer footing. Some of this is likely due to a strong rebound in the equity markets and stabilization, and in some instances growth in other economies around the world. The Federal Reserve appears prepared to keep short-term rates low for an extended period as it continues to provide liquidity to the economy.

The Beige Book, the report provided to the Federal Open Market Committee that reflects the overall economic condition across the country, had some hopeful signs for the economy. In the report the Fed made the following observations:

- Reports indicated either stabilization or modest improvements in many sectors but qualified as either small or scattered
- Retail and manufacturing conditions were mixed with some small pickups noted
- Services firms were mostly stable with some firms posting revenue gains
- Commercial real estate was the weakest sector with either weak or deteriorating conditions across the country
- Banking also faltered as credit quality eroded
- Labor markets were reported as either weak or mixed with some pockets of improvement

The economic reports released during the month provide a similar mixed view of things. The unemployment rate continues to climb as non-farm payrolls fell by 263,000 jobs. Data such as the index of Leading Economic Indicators, industrial production, capacity utilization, construction spending, personal income and the housing data were all up during the month. On the other hand, several reports came in weaker. In addition to the employment data, the consumer confidence and sentiment reports were weaker as were consumer credit, factory orders, orders for durable goods and business inventories.

Interest rates were generally higher during the month as the economy has begun to show signs that the worst is likely over. Interest rates in the short end of the market ranged from being down 5 basis points to up 5 basis points. Meanwhile, the longer-term part of the market had rates up 15 to 30 basis points.

Given the current interest rate environment, we anticipate the County's yield to drop modestly. Further, we continue to seek investment opportunities in order to optimize earnings (U. S. Treasury Market graph attached).

Attached is a listing of market values provided by our custodian, Wells Fargo Bank, for all investments for the month ending October 31, 2009. GASB Statement No. 31 states that variances between the cost of investments and the fair value of investments shall not be considered budgetary resources or uses of resources unless the value of investments is permanently impaired because of decreased issuer creditworthiness or it is determined that the Treasurer be unable to hold investments to maturity. Also, attached is a separate listing of the transactions for the month of October.

The following spreadsheets are also attached:


- Transactions for the month of October
- Investment Inventory by Type
- Summary of Government Agency Securities

The following is a list of attached graphs:

- Portfolio Average Monthly Balance
- Average Portfolio Maturity
- Balance Yield Comparison by Month
- Portfolio Holdings By Instrument Type
- Yield Curve, U. S. Treasury Market
- Maturity Distribution

This letter has been reviewed and approved as to form by the CEO, the Auditor-Controller, and County Counsel.

If you have any questions regarding this item, please call our Chief Investment Officer Robert A. Hansen at 654-3733.



LAWRENCE L. MATHENEY
Treasurer-Tax Collector

- Exhibit 1 – Market Values of Investments
- Exhibit 2 – Monthly Transactions
- Exhibit 3 – Investment Inventory by Type
- Exhibit 4 -- Summary of Government Agency Securities
- Exhibit 5 -- Graphs