

Customer Service is our number one priority!

For Pool-related inquiries, please visit our website at www.sdtreastax.com under the "Treasurer" tab, or call us at 619.531.5015.

All Treasury investment functions are transacted at our main office in the County Administration Center.

County Administration Center
Treasury & Investment Division
1600 Pacific Highway, Room 102
San Diego, CA 92101

Supporting San Diego...

In April 2006, the Treasurer's Office initiated the Local Banking Initiative, which is an effort to invest Pool monies in local banks.

The Initiative promotes economic development and improves the quality of life for residents in the County by supplying the local banks with additional monies to fund mortgage, auto, small business and personal loans to County residents.

The goal of the Initiative is to provide economic stimulus for the residents of the County of San Diego. To date, the County has invested \$100 million dollars into this pioneering program.

San Diego County Investment Pool



Dan McAllister
San Diego County
Treasurer-Tax Collector



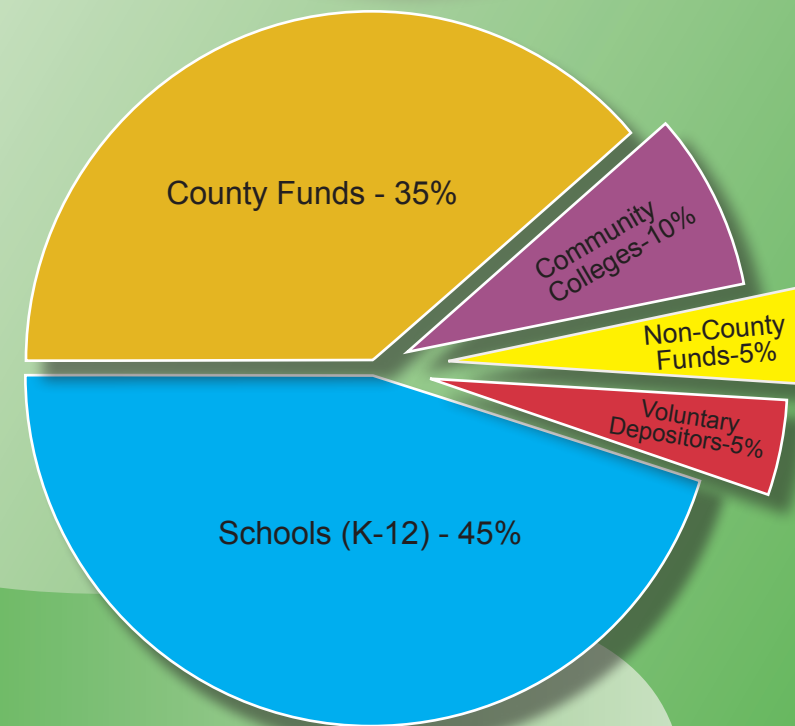
www.sdtreastax.com

The San Diego County Investment Pool is a local government money fund which ranges in size from \$3.7 to \$6.3 billion in assets on an annual basis. The Pool was originally created in 1853 by the County Board of Supervisors to invest the assets of the County and other public agencies located within the County.

The three primary objectives of the Investment Pool are:

- 1 - To safeguard principal;
- 2 - To meet liquidity needs of Pool participants; and
- 3 - To achieve an investment return on the funds within the guidelines of prudent risk management.

Investment Pool Participants*



*Percentages are subject to change on a daily basis.

1. WHO IS INVESTED IN THE POOL?

A The Pool is comprised of monies deposited by mandatory and voluntary participants. Mandatory participants include the County of San Diego, K-12 school districts, community college districts and fire districts. In addition to investment management, the Treasurer's Office provides banking services to mandatory Pool participants.

Voluntary participants are those agencies that are not required to invest their monies in the County Pool and do so only as an investment option. Voluntary participants include cities and various special districts. The Treasurer encourages voluntary participants to use the Pool as a long-term investment vehicle.

Accordingly, the Treasurer ensures that all proposed withdrawals and deposits by voluntary participants will not adversely affect the interests of the other depositors.

2. WHAT ARE THE TYPES OF INVESTMENTS / SECURITIES IN THE POOL?

A The Treasurer invests the Pool monies in accordance with standards set forth by the California Government Code and the County Investment Policy.

The Pool monies are safeguarded through a minimum investment of 67% in AAA-rated paper. The AAA rating indicates extremely strong protection against losses from credit defaults for those securities. The County does not invest in any securities that receive lower than an A rating.

The County of San Diego Pool Investments	
•	U.S. Treasuries
•	Federal Agency Securities
•	Negotiable CDs
•	Collateralized CDs
•	Repurchase Agreements
•	Commercial Paper
•	Medium Term Notes
•	Money Market Funds

3. WHO OVERSEES THE POOL?

A In accordance with State law, the authority to manage the County Pool assets is delegated to the County Treasurer's Office. The Pool's investment team, which has over 75 years of investment experience, reports directly to the County Treasurer. A ten-member Oversight Committee, comprised of County officials, school district officials, a special district official and up to five public members, meets regularly to review the Pool's investment strategy.

In addition, the County Investment Policy is reviewed and approved annually by the Oversight Committee and then approved by the County Board of Supervisors. The Policy focuses on risk management by setting limits on principal exposure and liquidity.

4. HOW IS THE POOL'S SAFETY MEASURED?

A For the past eight years, the Pool has received the highest rating, **AAAF**, from Standard & Poor's, a nationally recognized, independent credit rating agency. The AAAF rating indicates extremely strong protection against credit losses associated with the

Pool's investments. Standard & Poor's also assigns the Pool an **S1** rating for volatility. The volatility rating represents the Pool's sensitivity to changing market conditions. The S1 rating indicates that the Pool possesses low sensitivity to changing market conditions due to its low risk profile and conservative investment policies.

5. HOW DOES THE POOL MAINTAIN STABILITY?

A The Pool maintains stability through its recent adoption of the Benchmark Portfolio. In April 2007, approximately \$1 billion of the Pool's assets were allocated to the Benchmark Portfolio, which is treated as a sub-portfolio of the Pool. The duration of the Benchmark Portfolio tracks a custom benchmark, which provides added stability and a degree of consistency for Pool projections.

The table below provides the composition of the custom benchmark.

%	Index Name
30%	Merrill Lynch 0-1 Year Treasury
30%	Merrill Lynch 0-5 Year Treasury
30%	Merrill Lynch 1-5 Year US Agencies
10%	Merrill Lynch 1-5 Year US Corporates

6. DOES THE POOL INVEST ANY MONIES LOCALLY?

A **Yes.** Please refer to the back panel of this brochure to see how the Pool promotes economic development through the reinvestment of Pool monies into the communities of San Diego County.

7. WHAT RISKS DOES THE POOL FACE?

A As mandated by State law, the County Pool is invested in a conservative manner and limits the investments to fixed-income securities. Therefore, the Pool is prohibited from investing in equities (stocks), index funds and any of the following derivative notes: inverse floaters, range notes, interest-only strips derived from a pool of mortgages, and any security that could result in a zero interest accrual.

Although many risks are mitigated by a strict adherence to the State law and the County's Investment Policy, some risks still remain. The three main risk factors facing many investment pools are:

- **Credit risk:** The Pool's exposure to credit risk is lessened by diligent compliance to established credit guidelines and by limiting the allocation to certain types of securities.
- **Liquidity risk:** The Pool seeks to reduce the amount of liquidity risk and to provide the necessary liquidity to Pool participants by limiting both the maturity length of securities and the allocation to moderately liquid and illiquid securities. Specifically, a minimum of 50% of the Pool is invested in securities that mature in one year or less and at least half of those securities mature within 90 days.
- **Interest rate risk:** The effects of interest rate risk are managed in the Pool by limiting the Pool's maximum duration and implementing a "buy-and-hold" investment strategy. By employing this strategy, the Pool is able to avoid realized losses resulting from a rise in interest rates.