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February 8, 2002

TO: Board of Supervisors
Michael Schumacher, County Executive Officer
Treasury Oversight Committee
Treasurer's Advisory Committee
Participants

FROM: John M. W. Moorlach, C.P.A., CFP™
Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for January 31, 2002

Attached please find the Treasurer's Management Report for the County of Orange for the month ended January 31, 2002. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website **http://www.oc.ca.gov/treas/**.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending January 31. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of $0.9950 and $1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's December 2001 interest apportionment. November's interest apportionment was posted to the County general ledger on February 7. We anticipate posting the December interest apportionment to participants' cash accounts in the County general ledger by approximately February 28, 2002.

ECONOMIC OBSERVATIONS

As was widely expected by financial markets and the Treasurer's Investment Management Committee, the Federal Open Market Committee (FOMC) decided to keep its target for the fed funds rate unchanged at 1.75% at its January 30 meeting. This provided the FOMC's first pause in a rate change for more than a year. The FOMC policymakers, however, did not close the door to further reductions in interest rates by maintaining the "easing bias."

"Signs that weakness in demand is abating and economic activity is beginning to firm have become more prevalent," the FOMC said in a statement accompanying its decision. This decision may bring an end to the most aggressive series of rate reductions in Alan Greenspan's 14-year tenure as FOMC chairman. During 2001, the FOMC had decreased interest rates 11 times, at every scheduled meeting and twice inter-meeting.

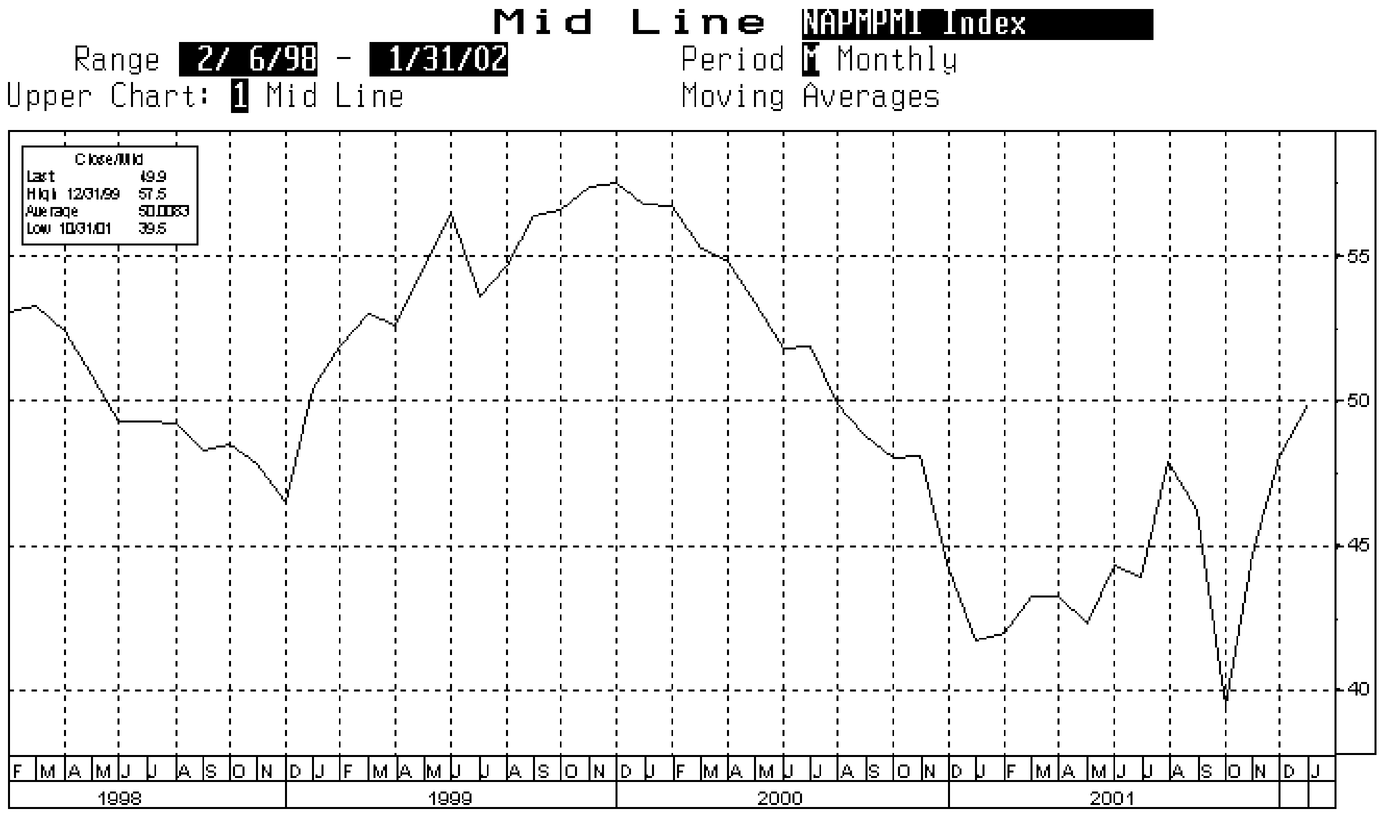
A potential "bottoming" may be seen in manufacturing and services as solid advances are reported in the Institute for Supply Manager's (formerly National Association of Purchasing Managers) indices. (Exhibit 1 & 2) Various surveys point to increasing optimism by consumers, homebuilders and small businesses. Positive signs are also reflected in the firming of industrial commodity prices and growing orders for semiconductors and telecom equipment. Although not expected to occur any time soon, initial jobless claims remaining below 400,000 would be considered solid economic growth.

Though recent statistics may not yet be conclusive on the recovery, collectively, a slowing of the downward momentum is unmistakable. A sustained recovery depends, most critically, on the strength in consumer demand. As inventory rebuilding spurs production increases, new jobs will be created, leading to higher incomes and, ultimately, resulting in a more confident and eager to spend consumer.

With significant monetary stimulus already in the pipeline, government sponsored programs increasing, and the absence of any inflation pressure, the FOMC is now able to adjust interest rates at a leisurely pace. The Treasurer's Investment Management Committee along with the majority of the fixed income markets continue to hold a positive outlook for the economic recovery. Accordingly, the FOMC is not expected to change interest rates any time soon.

Please call if you have any questions.

Institute for Supply Managers Manufacturing



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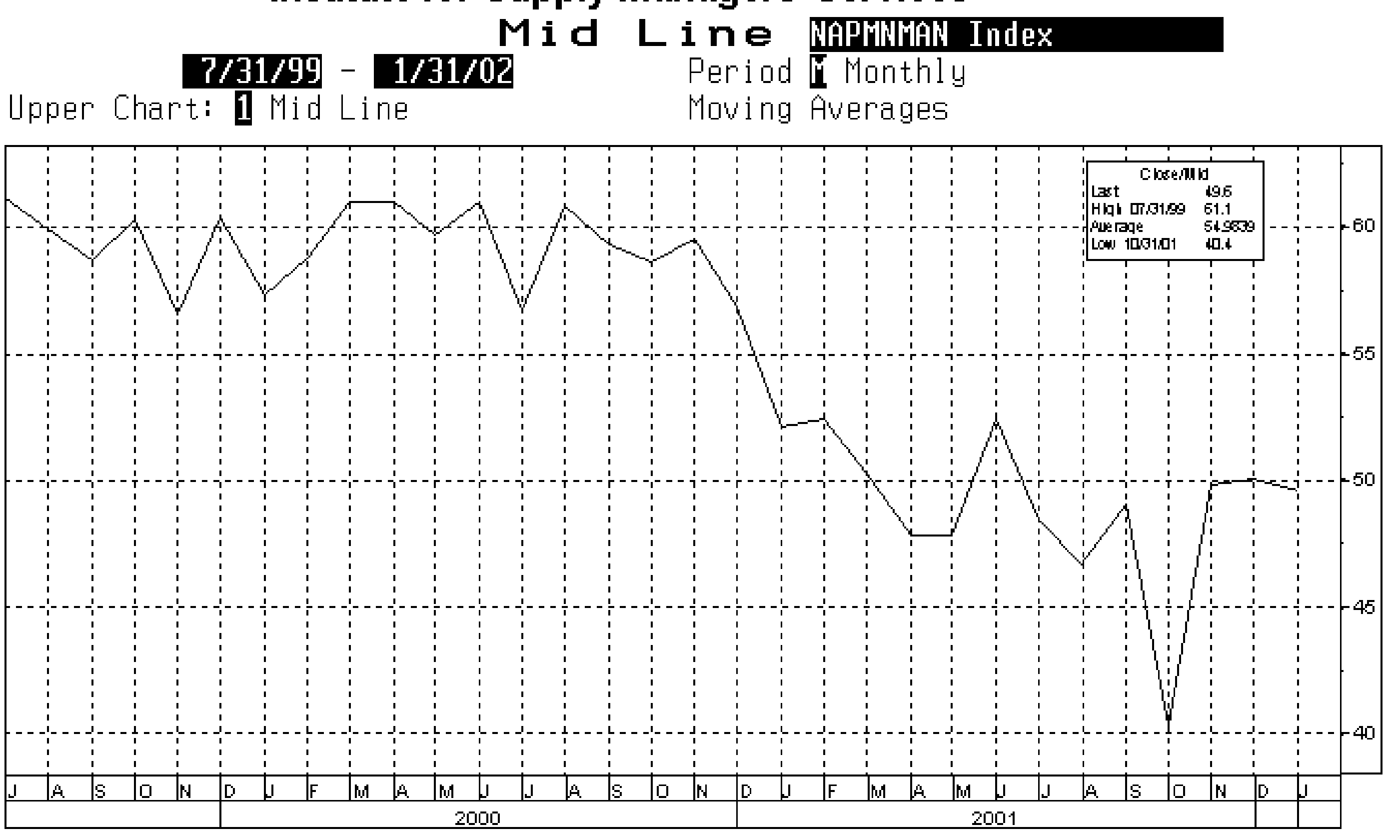
Institute for Supply Managers Services



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