



County of Orange
California

Robert J. Franz
Chief Financial Officer

January 14, 2010

TO: Board of Supervisors
Thomas G. Mauk, County Executive Officer
Treasury Oversight Committee
Treasurer's Advisory Committee
Participants

FROM: Robert Franz 
Chief Financial Officer

SUBJECT: Treasurer's Management Report for Month & Year ended December 31, 2010

Attached please find the Treasurer's Management Report for the County of Orange for the month & year ended December 31, 2010. 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 www.ttc.ocgov.com.

CHIEF FINANCIAL OFFICER'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 December 31, 2010. Each money market fund has an average maturity of less than sixty days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%. 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 cost and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. 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 Investment Pool's September 2010, October 2010, November 2010 and December 2010 interest apportionments. We have posted the September 2010 and October 2010 interest apportionment to participants' cash accounts in the County general ledger on January 13 and January 14, 2011 respectively. We anticipate posting the November 2010 and

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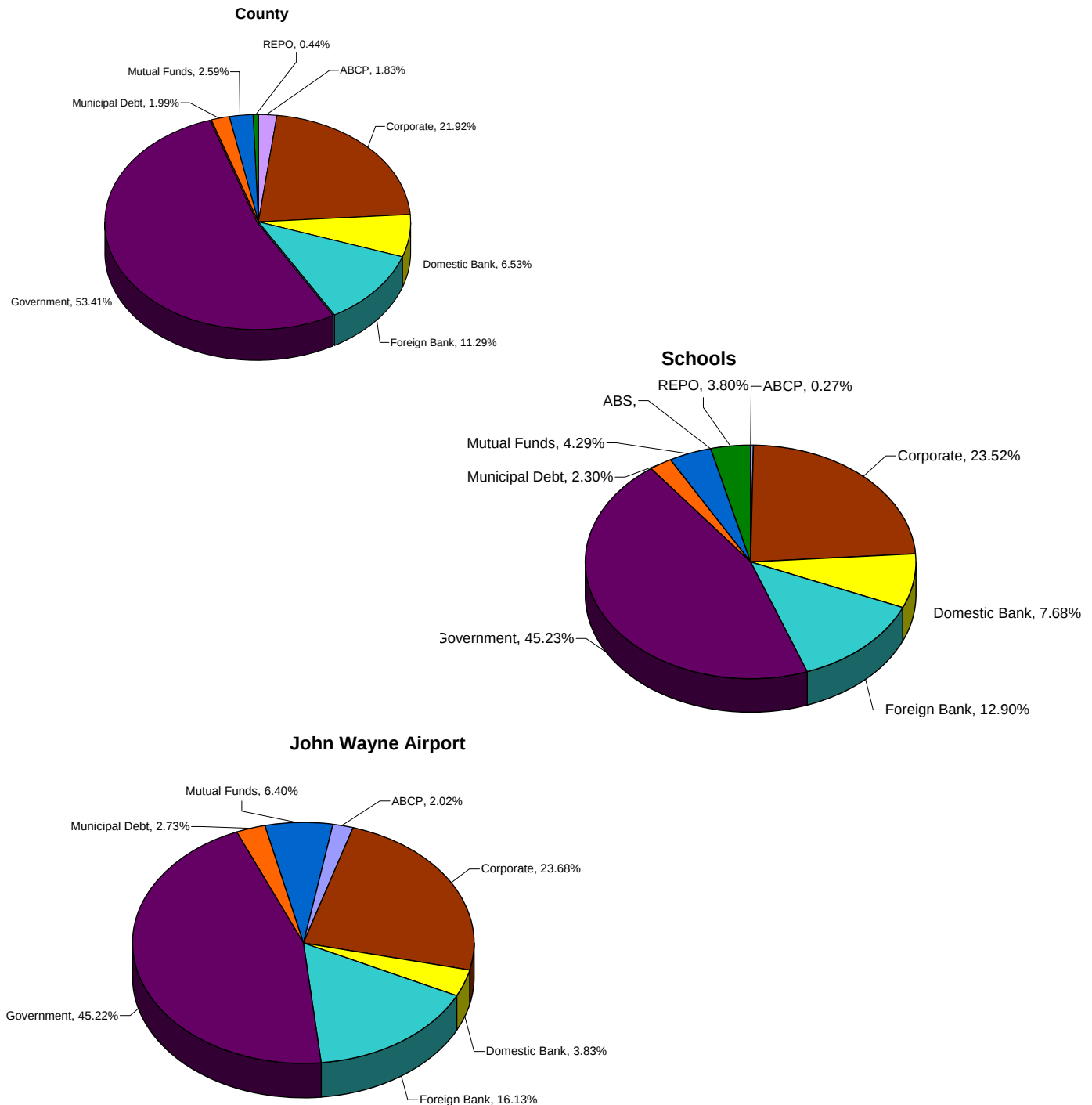
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December 2010 interest apportionments to participants' cash accounts in the County general ledger by approximately February 11 and February 17, 2011 respectively.

PORTFOLIO COMPOSITION:

The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Funds (Exhibit 1)

EXHIBIT 1: Investment Pool Composition



MARKET OBSERVATIONS

Good news surrounded the Christmas retail sales season, but everyone on Wall Street had already put 2010 to bed and gone home for the holidays. So instead of reflecting on the past year, let's look at the year to come and what might transpire.

I'll posit three fearless predictions for the coming year (begin each with "For the foreseeable future," :

1.) Unemployment will not see 4.5%. In fact market participants should get used to an unemployment level closer to 7%. It has only been in the sub 5% range seven years out of the past 20. Remember this coincides with the "Tech Bubble", "irrational exuberance" and ended in tears with the "subprime mortgage" mess. To put this in perspective, during the recession, the economy lost somewhere between 8 million and 9 million jobs. Let's say it has clawed back an even 1 million in 2010. If payrolls were to advance at about 250k each month, it will take all of 2011 and all of 2012 just to get back to 2008 levels.

2.) The Federal Reserve isn't going to raise rates anytime soon. Their quantitative easing program doesn't wind down until mid 2011 and they have the dual mandate of low inflation and maximum employment (see first fearless predication). If conditions warrant and they do begin raising rates in the second half of 2011, they are not going to raise them to 5% right away. Think something more on the order of inflation plus 1%, say 3%.

3.) Gross Domestic Product (GDP) will not average 6% growth for the year. Who said steady, solid, unspectacular 3.5 % to 4.5% growth is not acceptable for an economy as large as ours? Global growth will continue to improve and so will growth in the United States. Just don't look for anything spectacular.

Three fearless predictions, nothing earth shattering and no new ground broken. Seems like a pretty good place for the US economy and global economies to be.

Our forecast for 2011 continues to be one of slow growth in the economy, coupled with an unemployment rate in the high 8% range. This coupled with a diminishing of government spending programs should keep a lid on inflation. Although our opinion is short term rates will remain low, we believe there will continue to be upward pressure on rates and are leery of locking in longer maturities.

Based on the above observations, our office will continue to take advantage of moves in the marketplace to selectively reduce our duration, while investing in securities that will protect us from higher short-term interest rates.

Interest Rate Forecast

For the fiscal year 2010-2011, we are estimating an average interest yield of 1.20%.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you exemplary portfolio and cash management services in the future.

ORANGE COUNTY TREASURER-TAX COLLECTOR

EXECUTIVE SUMMARY

January 1, 2010 - December 31, 2010

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET	EARNINGS FOR MONTH	AVERAGE YIELD FOR	MONTH END WAM
<i>Current Month - December 2010</i>				
County Pool - Money Market Fund	\$ 1,836,629,503	\$ 433,027	0.31%	54
Educational Pool - Money Market Fund	\$ 2,319,553,991	\$ 382,323	0.34%	58
Extended Fund	\$ 3,066,158,602	\$ 2,163,193	0.83%	682
<i>November 2010</i>				
County Pool - Money Market Fund	\$ 1,909,825,613	\$ 332,186	0.25%	56
Educational Pool - Money Market Fund	\$ 1,294,299,746	\$ 397,543	0.37%	60
Extended Fund	\$ 3,076,938,355	\$ 4,333,834	1.72%	746
<i>October 2010</i>				
County Pool - Money Market Fund	\$ 1,391,396,900	\$ 310,354	0.30%	57
Educational Pool - Money Market Fund	\$ 1,388,575,150	\$ 348,236	0.31%	54
Extended Fund	\$ 3,083,068,752	\$ 3,326,034	1.27%	736
OC Extended Fund B (Sold Serpentine)	\$ -	\$ (7,622,716)	-	-
<i>September 2010</i>				
County Pool - Money Market Fund	\$ 1,271,251,788	\$ 299,296	0.27%	57
Educational Pool - Money Market Fund	\$ 1,392,597,482	\$ 388,992	0.33%	60
Extended Fund	\$ 3,072,503,395	\$ 4,110,010	1.61%	795
OC Extended Fund B	\$ 34,698,134	\$ -	N/A	248
<i>August 2010</i>				
County Pool - Money Market Fund	\$ 1,416,333,828	\$ 505,251	0.44%	54
Educational Pool - Money Market Fund	\$ 1,432,155,046	\$ 475,517	0.41%	53
Extended Fund	\$ 3,065,956,379	\$ 3,341,027	1.27%	710
OC Extended Fund B	\$ 34,698,134	\$ -	N/A	278
<i>July 2010</i>				
County Pool - Money Market Fund	\$ 1,315,009,875	\$ 552,598	0.42%	54
Educational Pool - Money Market Fund	\$ 1,392,481,613	\$ 459,872	0.42%	52
Extended Fund	\$ 3,060,507,013	\$ 3,191,055	1.23%	511
OC Extended Fund B	\$ 33,248,593	\$ -	N/A	309
<i>June 2010</i>				
County Pool - Money Market Fund	\$ 1,706,187,007	\$ 497,327	0.34%	58
Educational Pool - Money Market Fund	\$ 1,349,698,395	\$ 450,241	0.39%	55
Extended Fund	\$ 2,799,555,894	\$ 3,590,484	1.55%	557
OC Extended Fund B	\$ 33,560,112	\$ -	N/A	340
<i>May 2010</i>				
County Pool - Money Market Fund	\$ 2,041,335,609	\$ 593,058	0.32%	55
Educational Pool - Money Market Fund	\$ 1,593,064,172	\$ 511,916	0.35%	57
Extended Fund	\$ 2,759,762,530	\$ 6,645,732	2.85%	584
OC Extended Fund B	\$ 34,559,137	\$ -	N/A	5
<i>April 2010</i>				
County Pool - Money Market Fund	\$ 2,259,602,732	\$ 592,006	0.24%	57
Educational Pool - Money Market Fund	\$ 1,835,314,711	\$ 348,913	0.31%	57
Extended Fund	\$ 2,734,552,743	\$ 4,265,867	1.88%	622
OC Extended Fund B	\$ 35,324,110	\$ -	N/A	36
<i>March 2010</i>				
County Pool - Money Market Fund	\$ 2,181,831,316	\$ 541,843	0.31%	53
Educational Pool - Money Market Fund	\$ 1,378,158,717	\$ 401,715	0.33%	58
Extended Fund	\$ 2,728,999,199	\$ 3,579,192	1.55%	631
OC Extended Fund B	\$ 36,096,323	\$ -	N/A	66
<i>February 2010</i>				
County Pool - Money Market Fund	\$ 2,091,943,820	\$ 421,985	0.26%	57
Educational Pool - Money Market Fund	\$ 1,443,531,370	\$ 365,965	0.31%	51
Extended Fund	\$ 2,618,244,956	\$ 3,680,403	1.82%	511
OC Extended Fund B	\$ 36,578,163	\$ -	N/A	97
<i>January 2010</i>				
County Pool - Money Market Fund	\$ 2,108,614,594	\$ 508,703	0.27%	55
Educational Pool - Money Market Fund	\$ 1,759,715,627	\$ 369,528	0.26%	57
Extended Fund	\$ 2,599,819,873	\$ 3,353,439	1.49%	489
OC Extended Fund B	\$ 37,098,503	\$ -	N/A	125
January 1, 2010 - December 31, 2010	Annual Average	Total for Year	Annual Average	Annual Average
County Pool - Money Market Fund	\$ 1,794,163,549	\$ 5,587,634	0.31%	56
Educational Pool - Money Market Fund	\$ 1,548,262,168	\$ 4,900,762	0.34%	56
Extended Fund	\$ 2,888,838,974	\$ 45,580,271	1.59%	631
OC Extended Fund B	\$ 26,321,767	\$ (7,622,716)	N/A	187