



Robert J. Franz Chief Financial Officer 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 ended May 31, 2010

Attached please find the Treasurer's Management Report for the County of Orange for the month ended May 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 May 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 April 2010 interest apportionment. We have posted the April 2010 interest apportionment to participants' cash accounts in the County general ledger on June 11, 2010.

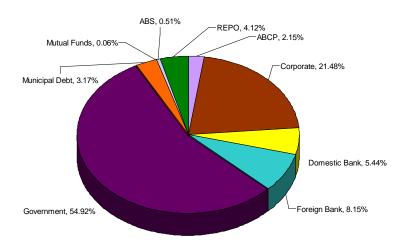
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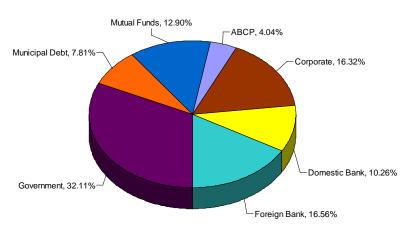
PORTFOLIO COMPOSITION

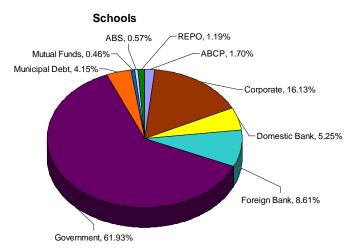
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

Exhibit 1: County



John Wayne Airport





MARKET OBSERVATIONS

The summer doldrums may have come early this year to bond investors as markets in May are little changed from the prior month. Interest rates continue to grind lower across all maturities in our investable universe. The primary driver of this trend is investors fixating on bad news emanating from Europe, BP's crisis in the gulf and concerns about the sustainability of growth in China. This continues to create a desire to sell risk and purchase only the most secure asset classes. Much to the dismay of many market pundits the most preferred assets continue to be US Treasuries and agencies. With the increase in volatility our office has been selectively selling into this demand with the intention of purchasing treasury and agency debt when rates back up.

Our forecast for the remainder of 2010 is for continued sluggish growth in the economy. Unemployment will remain elevated at current levels and diminishing government intervention in the economy should keep a lid on inflation. Because of this we anticipate longer term rates to remain within a range of +/- .50% of current levels. Although we believe 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 (any changes resulting in higher rates will be postponed until more clarity is forth coming in regards to Greece and the rest of the European Union's sovereign debt concerns).

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

INTEREST RATE FORECAST

The Treasurer's Investment Committee is currently estimating an average interest yield of 1.35% for 2009-2010.

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

June 1, 2009 - May 31, 2010

| June 1, 2009 - May 31, 2010 | | | | | | |
|--------------------------------------|-----|----------------|----|---------------|-----------|---------|
| PERIOD ENDING - MONTH / YEAR | I N | MONTH END | | EARNINGS | AVERAGE | MONTH |
| | | MARKET | Ĭ | OR MONTH | YIELD FOR | END WAM |
| Current Month - May 2010 | • | 0.044.00=.000 | • | | 2 220/ | |
| 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 |
| April 2010 | Φ. | 0.050.000.700 | Φ. | 500,000 | 0.040/ | |
| 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 |
| March 2010 | Φ. | 0.404.004.040 | Φ | 544.040 | 0.040/ | 50 |
| 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 |
| February 2010 | Φ. | 0.004.040.000 | Φ. | 404.005 | 0.000/ | |
| 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 |
| January 2010 | _ | 0.400.5= | _ | | | _ |
| 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 |
| December 2009 | | | | | | |
| County Pool - Money Market Fund | \$ | 2,463,159,678 | \$ | 615,490 | 0.24% | 57 |
| Educational Pool - Money Market Fund | \$ | 2,071,614,454 | \$ | 380,114 | 0.37% | 43 |
| Extended Fund | \$ | 2,592,000,368 | \$ | 3,029,087 | 1.35% | 408 |
| OC Extended Fund B | \$ | 37,405,659 | \$ | - | N/A | 156 |
| November 2009 | | | | | | |
| County Pool - Money Market Fund | \$ | 2,213,498,431 | \$ | 507,764 | 0.29% | 52 |
| Educational Pool - Money Market Fund | \$ | 1,157,124,969 | \$ | 375,995 | 0.41% | 60 |
| Extended Fund | \$ | 2,595,489,296 | \$ | 6,021,428 | 2.78% | 340 |
| OC Extended Fund B | \$ | 37,545,360 | \$ | - | N/A | 187 |
| October 2009 | | | | | | |
| County Pool - Money Market Fund | \$ | 2,129,243,138 | \$ | 560,511 | 0.33% | 53 |
| Educational Pool - Money Market Fund | \$ | 1,322,589,455 | \$ | 407,887 | 0.44% | 59 |
| Extended Fund | \$ | 2,566,724,258 | \$ | 3,600,287 | 1.62% | 498 |
| OC Extended Fund B | \$ | 38,277,435 | \$ | - | N/A | 217 |
| September 2009 | | | | | | |
| County Pool - Money Market Fund | \$ | 1,970,027,204 | \$ | 583,000 | 0.35% | 54 |
| Educational Pool - Money Market Fund | \$ | 1,368,057,984 | \$ | 517,448 | 0.56% | 57 |
| Extended Fund | \$ | 2,531,354,790 | \$ | 3,569,904 | 1.71% | 486 |
| OC Extended Fund B | \$ | 38,725,414 | \$ | - | N/A | 248 |
| August 2009 | | | | | | |
| County Pool - Money Market Fund | \$ | 2,106,086,758 | \$ | 915,879 | 0.50% | 57 |
| Educational Pool - Money Market Fund | \$ | 1,419,464,342 | \$ | 769,121 | 0.58% | 60 |
| Extended Fund | \$ | 2,443,068,280 | \$ | 8,317,118 | 4.02% | 476 |
| OC Extended Fund B | \$ | 38,891,543 | \$ | | N/A | 278 |
| July 2009 | | | | | | |
| County Pool - Money Market Fund | \$ | 2,426,411,208 | \$ | 951,216 | 0.51% | 53 |
| Educational Pool - Money Market Fund | \$ | 1,664,060,971 | \$ | 763,406 | 0.62% | 59 |
| Extended Fund | \$ | 2,202,254,242 | \$ | 8,680,964 | 3.98% | 578 |
| OC Extended Fund B | \$ | 39,228,860 | \$ | - | N/A | 309 |
| June 2009 | 7 | | | | | |
| County Pool - Money Market Fund | \$ | 1,715,299,012 | \$ | 953,720 | 0.64% | 48 |
| Educational Pool - Money Market Fund | \$ | 1,403,295,309 | \$ | 870,875 | 0.65% | 52 |
| Extended Fund | \$ | 2,717,967,912 | \$ | 5,043,252 | 2.32% | 491 |
| OC Extended Fund B | \$ | 39,948,442 | \$ | - | N/A | 340 |
| | | | | | Annual | Annual |
| June 1, 2009 - May 31, 2010 | A | Annual Average | | otal for Year | Average | Average |
| County Pool - Money Market Fund | \$ | 2,142,254,458 | \$ | 7,745,175 | 0.35% | 54 |
| Educational Pool - Money Market Fund | \$ | 1,534,666,007 | \$ | 6,082,883 | 0.43% | 56 |
| Extended Fund | \$ | 2,628,326,450 | \$ | 59,786,673 | 2.28% | 510 |
| | _ | | | | | |