

FUND ANALYSIS

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Analyst Contacts:

NEW YORK	1.212.553.1653
Henry Shilling	1.212.553.1948
<i>Senior Vice President</i>	
Henry.Shilling@moodys.com	
Daniel Serrao	1.212.553.4352
<i>Senior Vice President</i>	
Daniel.Serrao@moodys.com	
Dagmar Silva	1.212.553.3683
<i>Vice President - Senior Analyst</i>	
Dagmar.Silva@moodys.com	

County of Riverside Pooled Investment Fund

Key Developments

The County of Riverside Treasurer's Pooled Investment Fund continues to pursue a conservative investment strategy, consistent with the County's Investment Policy, as illustrated by the Fund's very high credit quality, maturity and liquidity profiles.

Notwithstanding a challenging credit environment, the Fund has avoided credit defaults or loss of principal, either realized or unrealized gains(losses) on a month over month basis.

The Fund's management and investment team benefits from the stability of its four-person staff, led by the Riverside County Treasurer-Tax Collector who has held this position since November 2008, and previously in his capacity as Assistant Treasurer, combined with a rigorous adherence to investment guidelines that have been applied conservatively in a challenging credit and interest rate environment.

Investment Manager Profile

The County of Riverside Treasurer's Pooled Investment Fund is a \$5.5 billion (as of November 30, 2010) investment vehicle that invests cash balances for the benefit of the county, schools and special districts. The Fund is managed pursuant to an investment policy that conforms to California State law, reviewed annually by the County's Treasurer Oversight Committee and approved by the County Board of Supervisors. The County Treasurer is, in turn, responsible for the management and investment of the County Treasury Pool, which consists of commingled funds held and invested on behalf of the Riverside County, school districts, community college districts and certain special districts within the County.

26.5% of the Fund's participants are voluntary, representing various other discretionary depositors.

The investment fund is primarily managed by a professional team consisting of the County Treasurer, Assistant Treasurer, Investment Manager and Assistant Investment Manager, pursuant to an investment strategy that is formally adopted and includes an approved list of eligible securities, ratings and maturities.

The County retains the services of Teaman, Ramirez & Smith, Inc. (TRS), Certified Public Accountants, to perform an evaluation of the County's compliance with the Treasurer's annual investment policy and the California Government Code for the Treasurer's investment portfolio. No exceptions were reported for the fiscal year ended June 30, 2010.

Manager Attributes

The Fund's investment operation is guided by a formal investment process with checks and balances that are designed to ensure compliance with investment restrictions, investment strategy and the Pool's approved list of eligible securities.

The Treasurer's office recently upgraded its investment accounting and portfolio management capabilities and improved cash flows and operational controls with the upgrade to the Sungard AvantGard APS2 system.

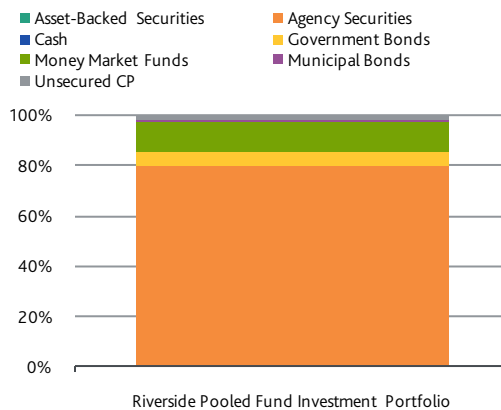
Ongoing cash flow analysis enables the Fund' to forecast liquidity needs of both its captive and growing external shareholder base, now at 26.5% of assets; and while liquidity is bolstered by the requirement to maintain a weighted average days to maturity of less than 541 days or 1.5 years, the Pool must also maintain at least 40% of assets in securities that mature within 12 months. These attributes allow the Pooled Investment Fund to operate on a "buy and hold" basis and mitigate the need to sell securities prior to maturity.

Fund Analysis

Rating Factors

FIGURE 1

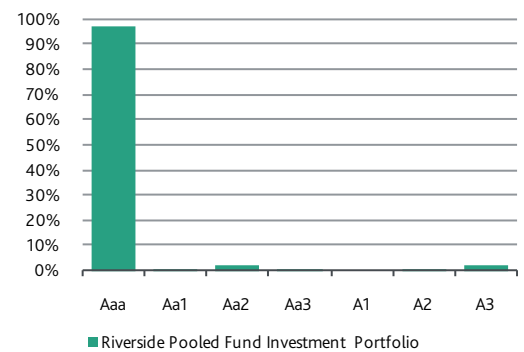
Asset Composition - October 2010



Source: Moody's Investors Service, Riverside County

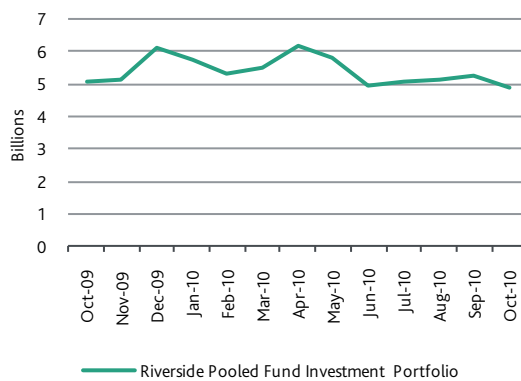
FIGURE 2

Credit Rating Distribution - October 2010



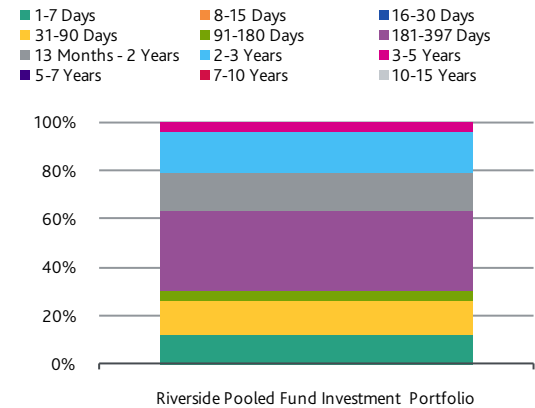
Source: Moody's Investors Service, Riverside County

FIGURE 3
Assets under Management - October 2010



*AUM expressed in each fund's base currency
Source: Riverside County

FIGURE 4
Asset Maturity Distribution - October 2010



Source: Moody's Investors Service, Riverside County

Portfolio Credit Quality

The Fund's maturity adjusted average weighted credit quality is consistent with a rating of Aaa. The portfolio's credit score, measured on the basis of expected loss, stands at a conservative 10.9% of the allowable 100% expected loss for a 3-year Aaa rated security. It has maintained this conservative risk profile throughout the past year and has operated within its investment guidelines, which conform to the California Government Code. The Fund's portfolio is further restricted by the County's investment policy which restricts the County to invest in U.S Treasury and government agency securities as well as Aaa rated corporate obligations, including financial institutions, with legal final maturities of up to 5 years.

Excluding money market and money market like funds as well as cash, about 90% of the Fund's assets is invested in securities rated Aaa, consisting largely of Treasury and U.S. government and agency securities, while 2.75% is invested in securities rated Aa1 or better and 0.1% in non-rated securities.

7.6% of the Fund consists of cash, Aaa rated money market funds or investments in State of California Local Agency Investment Fund (LAIF) and CalTRUST Short Term Fund (CLTR).

The Fund's credit profile is not likely to change at least until such time as market conditions and outlooks, including rating outlooks and corporate earnings, evidence strong and sustained improvements.

Portfolio Maturity

The Fund's WAM and modified duration were 1.19 years and 1.17, respectively. These have risen slightly since mid-year.

50% of assets are scheduled to mature within 12-months, while only about 4% extend beyond 3-years.

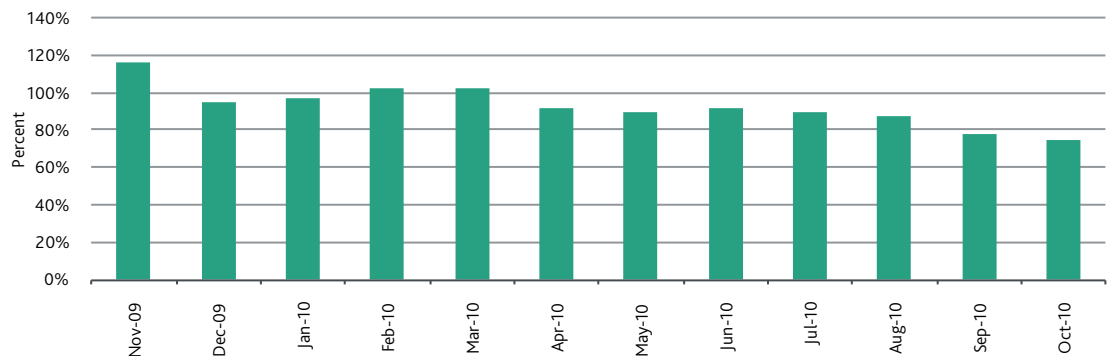
Portfolio Liquidity

The investment pool benefits from a largely captive shareholder base, consisting largely of funds deposited by county, schools and special districts, whose investable assets make up 73.5% or so of Pool balances. Ongoing cash flow analysis enables the Pool to effectively forecast liquidity needs of its shareholder base; and while liquidity is bolstered by the requirement to maintain an effective portfolio duration of 1.5 years, the Pool must also maintain at least 40% of assets in securities that mature within 12 months.

About 8% of Fund assets as of November 2010 are scheduled to mature within 30-days while another 16% matures within 90 days. That said, the Fund's significant exposure to U.S. Treasury and shorter dated government agency securities gives the Fund the option to liquidate these in the event of unexpected redemptions.

Portfolio Market Risk

FIGURE 5
Book Yields - October 2009-October 2010



Source: Riverside County

The Fund's investment guidelines, which conform to the California Government Code and are further restricted by the County's investment policy, permit the County to invest in U.S Treasury and government agency securities as well as Aaa rated corporate obligations, including financial institutions, with legal final maturities of up to 5 years. This exposes the Fund to market risk, which is captured in the Fund's companion MR1 market risk rating. The market risk of the Fund, which is calculated based on the volatility of the fund's total return, with an emphasis on downside loss, is judged to be very low. That is, the Fund's annualized semi-standard deviation of monthly returns is not expected to exceed 80 bps. Using book yields as a proxy for total return, for example, the Fund's trailing average monthly book yields during the previous 12-months were all positive, ranging from a low of 75 basis points as of October 2010 to 116 basis points as of November 2009. As a result, the semi-standard deviation over this time interval is 0, well below the 80 bps range for a rating of MR1. Still, the Fund's modified duration of 1.19 years exposes the Fund to some risk due to rapid and unexpected interest rate hikes. For example a parallel shift in short-to-intermediate term interest rates of 100 bps would have a correspondingly lower impact on the Fund's mark-to-market value as well as total return performance, all other things being equal. But given the Fund's ability to hold securities

to maturity due to its largely captive shareholder base and effective cash flow forecasting, the Fund's book yield should not be immediately impacted.

That said, the Fund operates on a "dollar in-dollar out basis." This is in large part possible due to the Fund's significant captive shareholder base and ability to forecast cash flows with a reasonable level of accuracy that, in turn, permits the fund to hold all securities to maturity and avoid the realization of capital losses.

Appendix: Fund Profile

County of Riverside Treasurer's Pooled Investment Fund	
Rating	Aaa/MR1
Investment Adviser	County Treasurer/Tax Collector
Domicile	U.S.
Administrator	County of Riverside
Custodian	Union Bank
Regulatory Regime	Sections 53646(a) and 27133, 53601 and 53635 of the California Government Code
Inception Date	1893*
AUM	\$5.5 billion (as of November 2010)

* County established in 1893

Moody's Related Research

Request for Comment:

- » [Moody's Proposes New Money Market Fund Rating Methodology and Symbols, September 2010 \(126642\)](#)

Industry Outlook:

- » [Money Market Funds: 2010 Outlook, April 2010 \(123802\)](#)

Rating Methodologies:

- » [Moody's Managed Funds Credit Quality Ratings Methodology, July 2004 \(81138\)](#)
- » [Moody's Money Market and Bond Fund Market Risk Ratings, July 2004 \(81135\)](#)

Special Comments:

- » [Sponsor Support Key to Money Market Funds, August 2010 \(126231\)](#)
- » [Default and Recovery Rates for Corporate Commercial Paper Issuers, 1972-2009, June 2010 \(125704\)](#)
- » [Structured Finance Short-Term Rating Transitions and Defaults: 1983-2009, August 2010 \(SF212518\)](#)
- » [Parental Support in Money Market Funds: Moody's Perspective, November 2008 \(112003\)](#)
- » [Frequently Asked Questions about Moody's Ratings of Managed Funds: Moody's Credit Matrix for Managed Funds, March 2006 \(SF69871\)](#)
- » [Frequently Asked Questions about Moody's Rating Managed Funds First of a Series, July 2005 \(SF59209\)](#)

Rating List:

- » [Global Managed Investments: Managed Funds Ratings List, August 2010 \(SF195869\)](#)

Website:

- » [Managed Investments on Moodys.com](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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Author
Henry Shilling

Production Associate
Amanda Ealla

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