Local Government Investment Pool/U.S. Credit Analysis

Riverside County Treasurer's Pooled Investment Fund

Ratings

Security Class	Current Ratings
Riverside County Treasurer's Pooled Investment Fund	AAA/V1+

Analysts

Viktoria Baklanova, CFA
+1 212 908-9162
viktoria.baklanova@fitchratings.com

Daniel Rodriguez
+1 212 908-9177
daniel.rodriguez@fitchratings.com

Riverside County, California

Summary

Riverside County Treasurer's Pooled Investment Fund, a local government investment pool with approximately $5.3 billion in assets, is rated 'AAA/V1+' by Fitch Ratings. The pool's 'AAA' rating reflects the high credit quality and diversification of the underlying assets and appropriate management and operational capabilities. The pool's 'V1+' volatility rating reflects low market risk and a capacity to return stable principal values to participants, as well as to meet anticipated cash flow requirements, even in severely adverse interest rate environments. Portfolio valuation reports are submitted to Fitch on a monthly basis.

Rating Considerations

- The pool invests primarily in U.S. government obligations, and corporate debt securities rated at least 'A/F1' by Fitch or of a comparable credit quality by other global ratings agencies. The pool also invests in nonrated obligations issued by pool participants located in Riverside County and approved by the board of supervisors.
- A predominantly captive participant base that includes the county and all school districts.
- The diversified nature of the pool's investments.
- Sufficient liquidity to meet projected cash needs of the pool's participants.
- Management oversight and operational controls consistent with the assigned ratings.

Overview

The county of Riverside is located in Southern California. The Riverside County Treasurer's Pooled Investment Fund is managed by the Riverside County treasurer on behalf of the county, school districts, transportation commission, and other special districts. The pool's primary investment objectives are the safety and preservation of investment principal, liquidity sufficient to meet scheduled cash flow requirements, and reasonable rates of return or yields consistent with these objectives. The portfolio is actively managed to be consistent with California law.

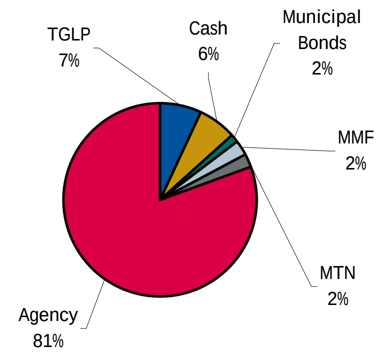
Investment Practices

Composition

The pool seeks to pursue its investment objective by investing in a diverse portfolio of high quality securities rated at least 'A/F1' by Fitch or of a comparable credit quality by other global ratings agencies. Permitted investments include U.S. Treasury notes and bills, U.S. agency securities, commercial paper, medium term notes (MTNs), corporate notes, bankers' acceptances, certificates of deposit, money-market funds (MMFs), repurchase agreements, and municipal securities. By its investment policy, the pool is permitted to enter into repurchase agreements with counterparties rated at least 'A/F1' by Fitch or of a comparable credit quality by other global ratings agencies and overcollateralized by at least 102%. Repurchase agreement collateral is restricted to the U.S. Treasury and government agency securities, commercial paper, and banker's acceptance. As of

July 31, 2009, the pool did not hold any repurchase agreements and did not plan to invest in repurchase agreements in the near term. As of July 31, 2009, approximately 79% of the pool's total assets were invested in the U.S. agency securities, 7% in corporate notes issued under the Treasury Guarantee Liquidity Program (TLGP), and 2.4% in MMFs.

Portfolio Composition
(As of June 30, 2009)

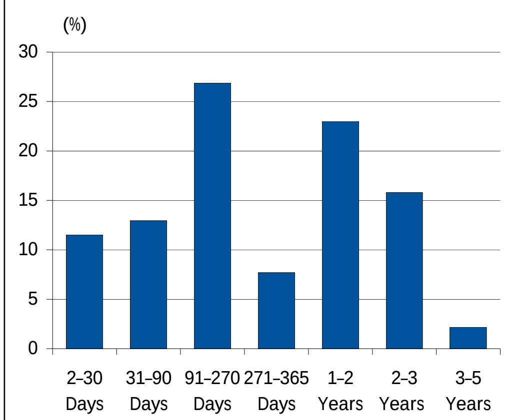


Market Risk

The weighted average maturity (WAM) of securities held in the portfolio was approximately 365 days, or one year as of July 31, 2009. WAM is a measure of a portfolio's sensitivity to changing interest rates. By policy, the pool maintains a WAM of less than 541 days, or 1.5 years. As of that same date, approximately 55% of the pool's total assets were invested in securities having maturities of one year or less. This is consistent with the pool's investment policy mandating allocation of at least 40% of the pool's total assets in securities maturing within one year.

The pool is prohibited from investments in inverse floaters, range notes, interest-only strips derived from a pool of mortgages, any derivatives, or other investments that could result in zero interest if held to maturity.

Portfolio Maturity Profile
(As of June 30, 2009)



Leverage

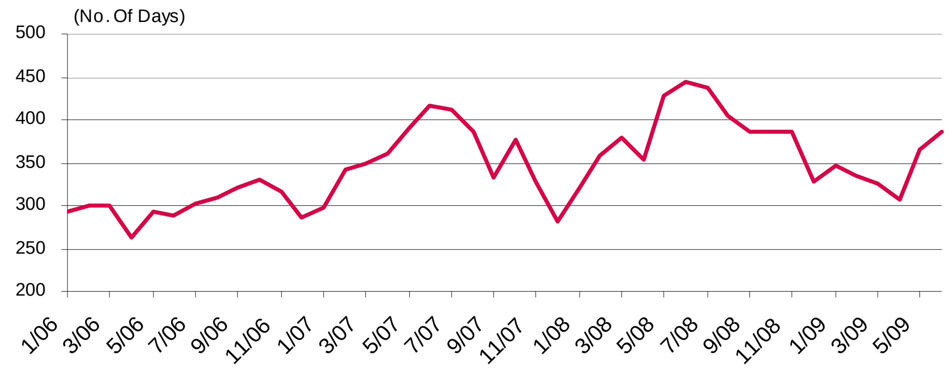
The pool does not currently engage in securities lending or reverse repurchase agreements, although these types of investment activities are approved under the pool's investment policy. The ability to use leverage is retained only to meet unanticipated cash flow requirements. The pool did not make use of these programs during the last year.

Liquid Management

The pool seeks to manage its liquidity position by aligning its asset maturity profile with the composition of its participants. Pool cash flows are forecast on the basis of the prior year's cash flows, which are updated accordingly to include any identifiable changes in the forecast period. Approximately 86% of the pool participants are county entities required to maintain funds in the pool, thus lending stability to cash flow projections. Any withdrawal by a local agency for the purpose of investing or depositing those funds outside the pool must be made with a 30-day written notice and receive an approval of the county's treasurer in accordance with California Government Code.

The portfolio is structured to seek to ensure that withdrawals are met by maturing investments. Moreover, investments in MMFs and overnight repurchase agreements provide additional sources of liquidity to meet daily cash outflows. As of July 31, 2009, approximately 4.8% of the portfolio was invested in securities with maturities of 30 days or less. In addition, the pool maintains a significant position (79% of total assets) in the U.S. Treasury and government agency securities that are expected to demonstrate secondary market liquidity even during periods of market stress.

Historical Changes in Weighted Average Maturity



The pool's management recently adjusted its cash flow model projections to reflect a 10% decrease in the county's expected future revenues, relative to the same period of the prior year. The pool's management also increased expected future redemption requests by 10%. The adjustments reflect an attempt by the pool's management to ensure that adequate liquidity is maintained to meet possible future increases in cash outflows, in light of the current budgetary constraints in the state of California.

Credit Quality

The pool invests in a diversified portfolio of securities issued by highly rated entities. Approximately 79% of the portfolio as of July 31, 2009 was invested in 'AAA' quality U.S. agency securities. As of that same date, approximately 7% of the portfolio was invested in corporate notes guaranteed and covered by the Federal Deposit Insurance Corporation's TLGP program. The balance of the pool was invested in various money market securities issued by highly rated entities. The pool restricts concentrations in any one issuer (other than the U.S. government and its agencies) to a maximum of 5% of total assets to minimize single issuer exposure. Repurchase agreements are entered into only with highly rated counterparties and are fully collateralized with U.S. government securities.

In accordance with California Government Code, an investment oversight committee, composed of representatives of pool participants and the public, reviews the pool's investment practices and policies on a regular basis. The committee is required to initiate the performance of an annual audit to ensure compliance with established investment policies. Investments and collateral are held in custody by the county's custodial bank, Union Bank of California, N.A.

Organization

The Riverside County Treasurer's Pooled Investment Fund is managed by the Riverside

County treasurer/tax collector on behalf of the county, school districts, and other special districts. The pool's primary investment objectives are the safety and preservation of investment principal, liquidity sufficient to meet daily cash flow requirements, and reasonable rates of return or yields consistent with these objectives. The treasurer/tax collector's office is composed of approximately 110 employees in four office locations.

Don Kent, the Riverside County's treasurer/tax collector is responsible for overseeing the pool's investments and operations. Kent joined the Riverside County treasurer/tax collector's office as assistant investment officer in May 1997 and has been promoted to various positions, including chief deputy treasurer/tax collector, assistant treasurer, and assistant treasurer/tax collector. Kent was appointed treasurer/tax collector on Oct. 28, 2008.

For more than 11 years, Kent has been directly involved in the daily investment operations of the department's $5 billion treasurer's pooled investment fund. During his tenure, the pool increased to a record size of $6.5 billion in April 2008 from $1.1 billion in 1997, producing in excess of $1.1 billion in interest earnings for its depositors. Kent earned a Bachelor's of Science degree in Business Administration with an emphasis in finance from California State University, San Bernardino.