

Third Quarter Investment Update

Audit and Finance Committee
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Assistant Treasurer



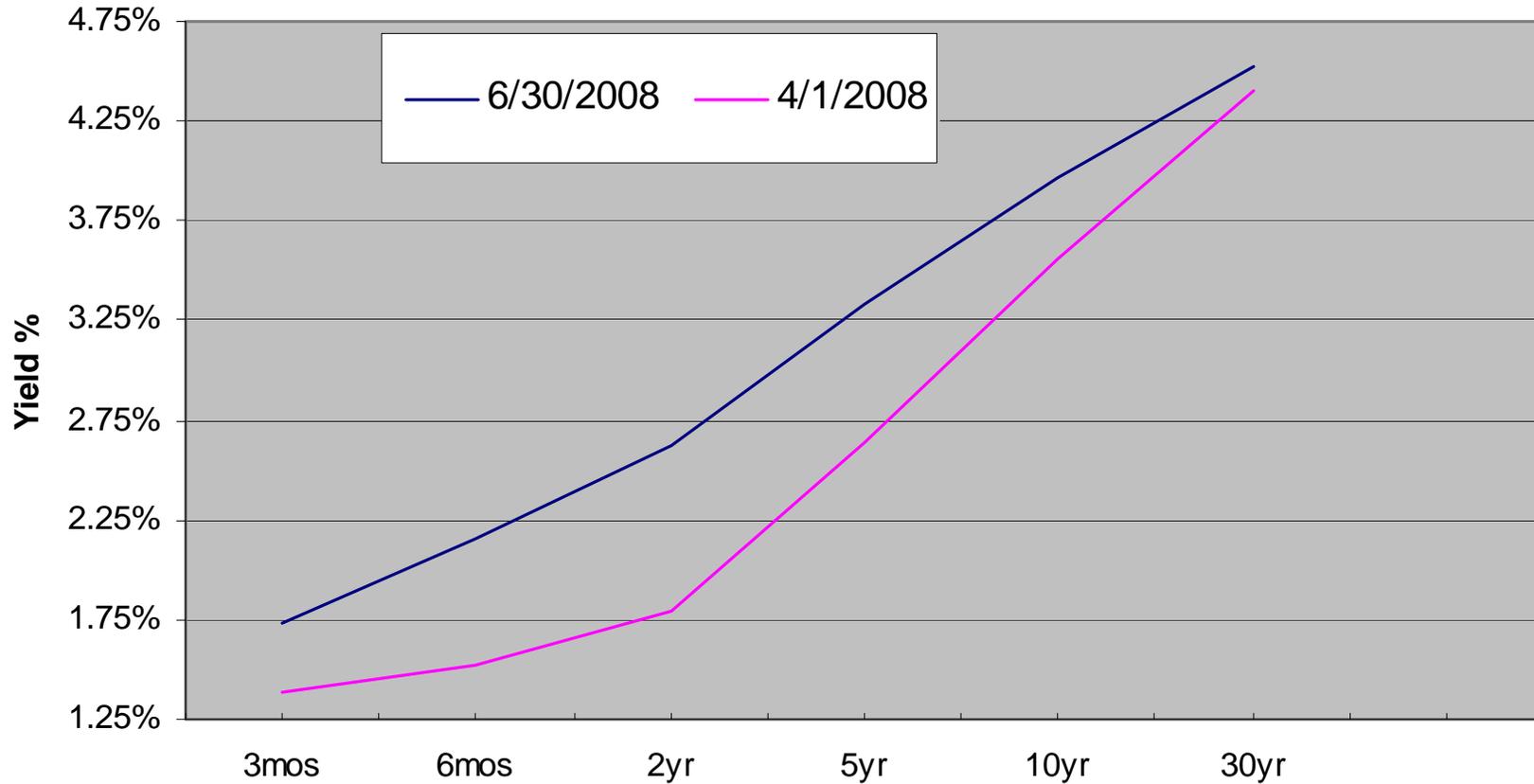
3rd Qtr Portfolio Summary

- Collected Ad-Valorem (99%) \$542M
- Investments at 6-30-08 \$460M
- Cash at 6-30-08 \$234M
- Interest Earnings \$19.7M
- Est. FY 08 Interest Earnings \$25M

Market Environment

- Fed had been lowering rates since Sept. 2007
- Fed Funds rate down from a high of 5.25%, now at 2%
- Fed is under pressure to raise rates due to concerns over high inflation but is on hold
- Overall market environment have been volatile
- Inflation projected to be higher this year than previously anticipated
- Short rates avg. 2-2.5%, long term rates avg. 4-5%

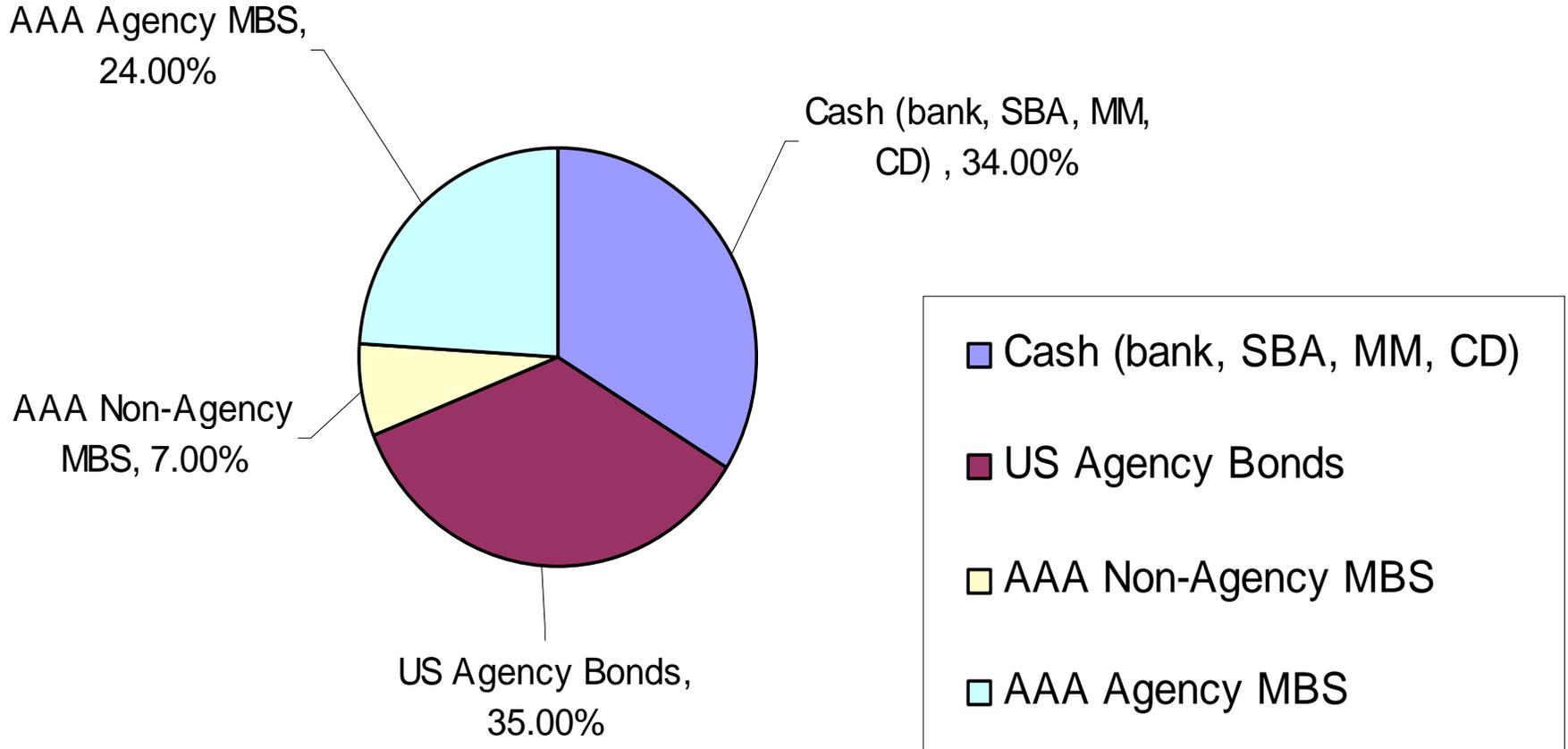
U.S. Treasury Yield Curve 3rd quarter



Investment Highlights

- **AAA Rated**
- **Agencies (Fannie, Freddie) now have direct US Govt. Guarantee**
- **Highly Liquid**
- **Mortgage investments provide cashflow and additional yield**
- **No sub-prime exposure!!!**

Portfolio Sector Allocation June 30, 2008



State Board Administration

- SBA returning to normal. Now AAA rated by S&P!
- Improvements to fund include: New external fund managers, new staff, tighter policy controls, increased communication with investors & better reporting
- \$89.9M in Pool A (\$48M available) - \$4.4M in Pool B
- Yield 2.34%

Performance Review

- **Investment Earnings - \$19.7M YTD**
- **Total Portfolio Book Yield** (cash & investments) - **3.94%**
- **Duration 2.51** – measures risk and average maturity
- **Maintained safety of all investments and met all liquidity needs in a volatile market**

Benchmark Comparison Yields

SHORT TERM (cash)

- SFWMD 2.31%
- S&P Govt. Investment Pool Index 2.30%

LONG TERM (investments)

- SFWMD Market Yield 4.21% Duration 2.37
- Merrill Lynch 1-3 Index 2.49% Duration 1.59

Benchmark Comparisons (...cont)

Total Return for the 3rd Quarter

- **SFWMD** **1.64%**
- **Merrill Lynch 1-3** **(-1.06%)**

Investment of COPS Proceeds

- Original COPS Proceeds \$572M
- Remaining Balance \$293.8M
- Invested in Repo Agreements 4.67%
- Interest Earned for FY08 \$12.3M
- Interest Earned lifetime \$31.3M