IDAHO STATE TREASURER'S OFFICE
LGIP & DBF 1ST QUARTER 2011
REVIEW & OUTLOOK

ECONOMIC HIGHLIGHTS

- What has happened:
  - Federal Reserve has continued as planned on the second round of quantitative easing
    - Starting to see dissenting views between Fed governors
  - Congress finally agreed on the FY2011 budget
    - Still an apparent lack of bipartisanship
  - Foreign events catching the attention of the world
    - Political unrest in Middle Eastern/African countries
    - Earthquakes and nuclear problems in Japan
    - Continued risk of debt contagion spreading in “PIGS” in Europe
  - Risks of inflation and an economic slowdown have increased:
    - Jobs market continuing to show signs of improvement (albeit slowly)
    - Consumers losing confidence in economic recovery
    - Manufacturing and consumer spending are the bright spots
    - Seeing inflationary pressures from commodities (starting to feel it at the gas pump)

ECONOMIC HIGHLIGHTS

- What is going to happen:
  - Equity markets will continue to show resilience
  - Continue to see pressure from markets, monetary policy, and FDIC assessment changes
    - Cash rates remain historically low
  - Congress will have to decide what to do with the debt ceiling
    - Our country could run the risk of defaulting on its debt
    - Continue to see the battle in Congress on reducing the budget for FY 2012
  - Continue to see inflation expectations increase and improvement in the economy
    - Putting pressure on the FOMC to raise rates sooner, rather than later
    - Expectations are increasing for the Fed to raise rates in the Q1 2012
    - European Central Bank recently raised rates 0.25% to curb inflation

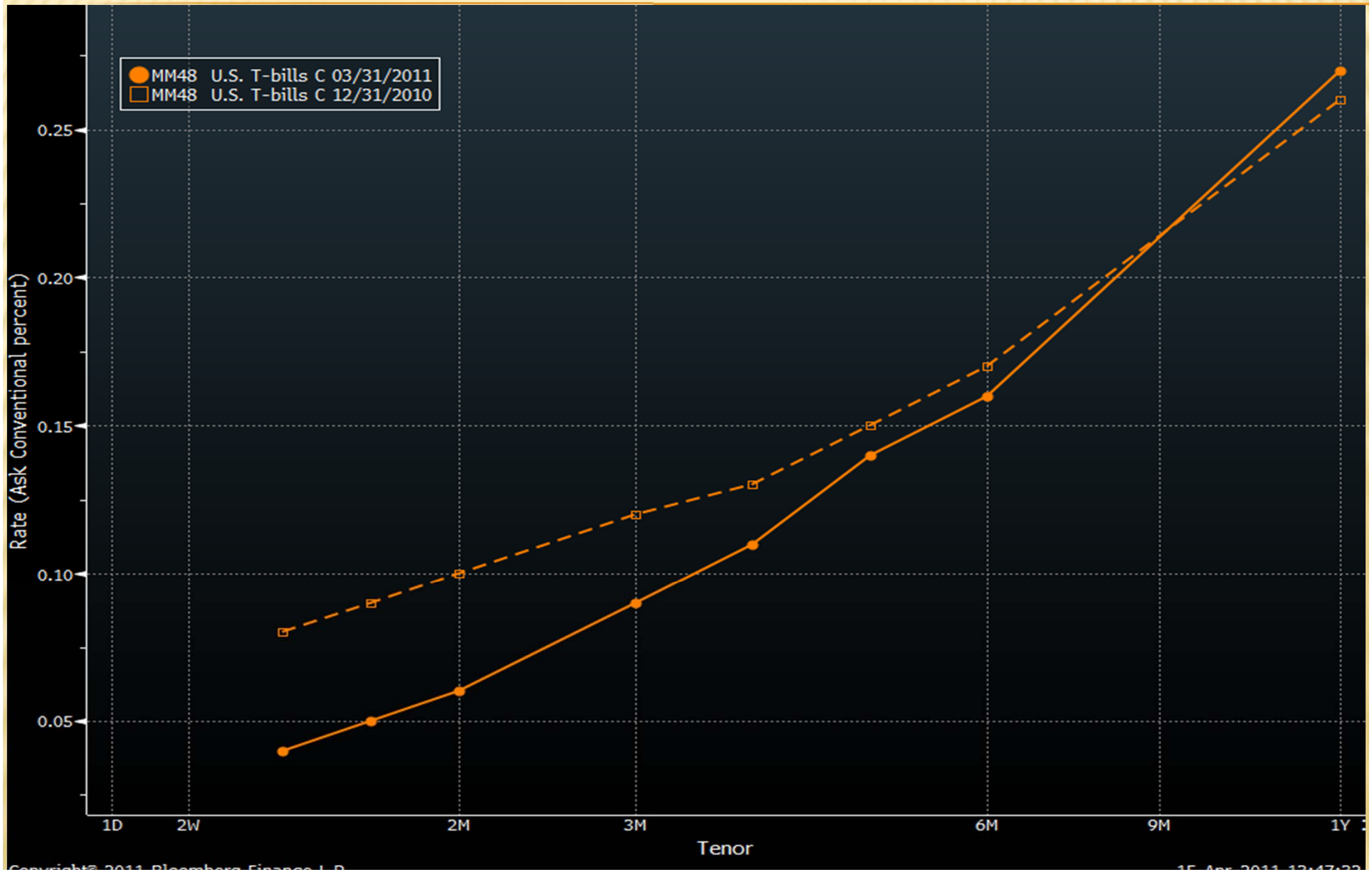
LOCAL GOVERNMENT INVESTMENT POOL

SHORT-TERM INTEREST RATES

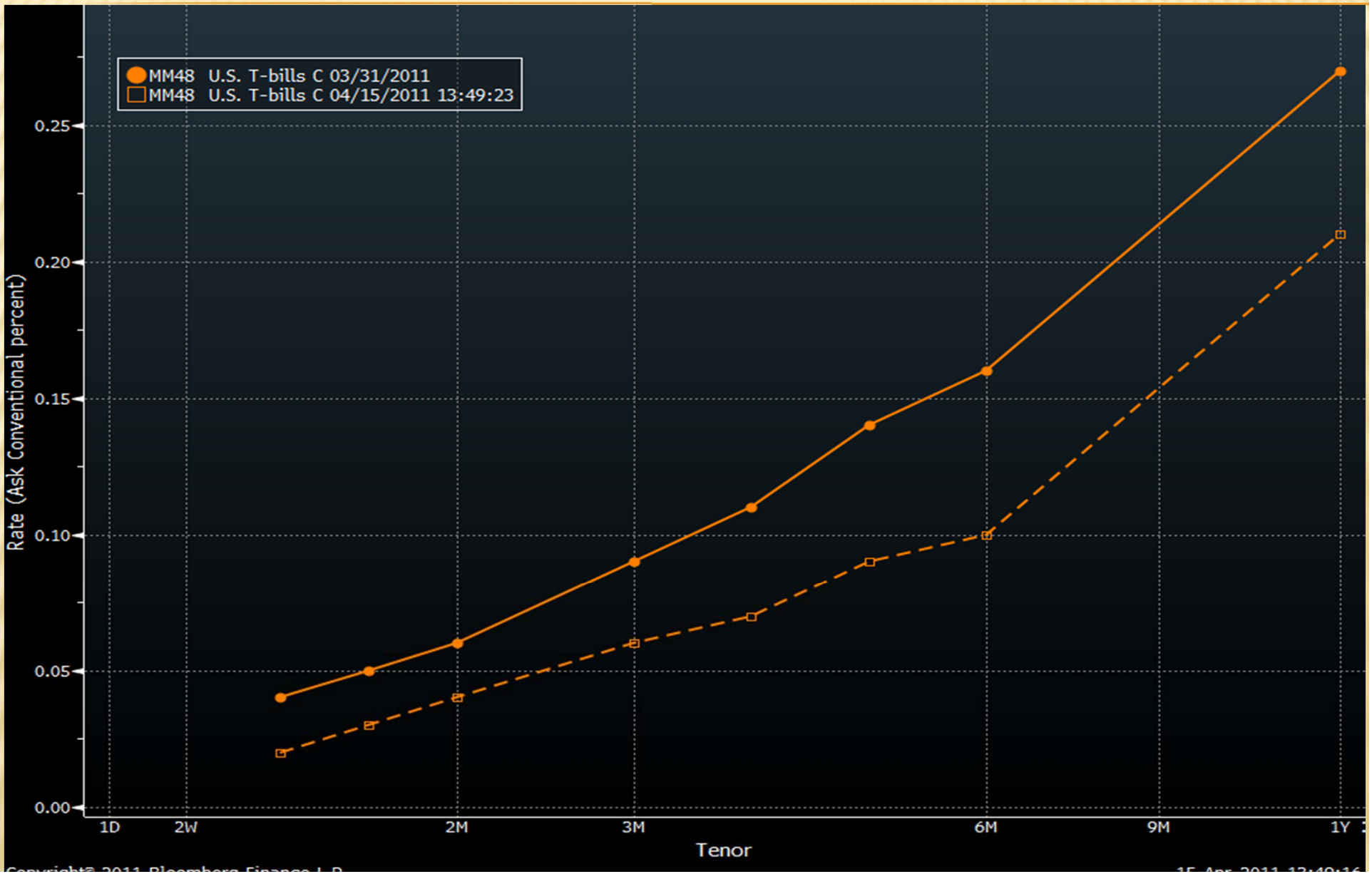
- Change in short-term rates over the 1st Quarter
  - 3-month: -3 bps
  - 6-month: -1 bps
  - 1-year: +1 bps
    - Continued to see a steepening of the short end
- Current Rates as of 4/15/11:

Term	T-Bills	Agency Disco's
3-Month	0.06%	0.08%
6-Month	0.10%	0.14%
1-Year	0.21%	0.21%

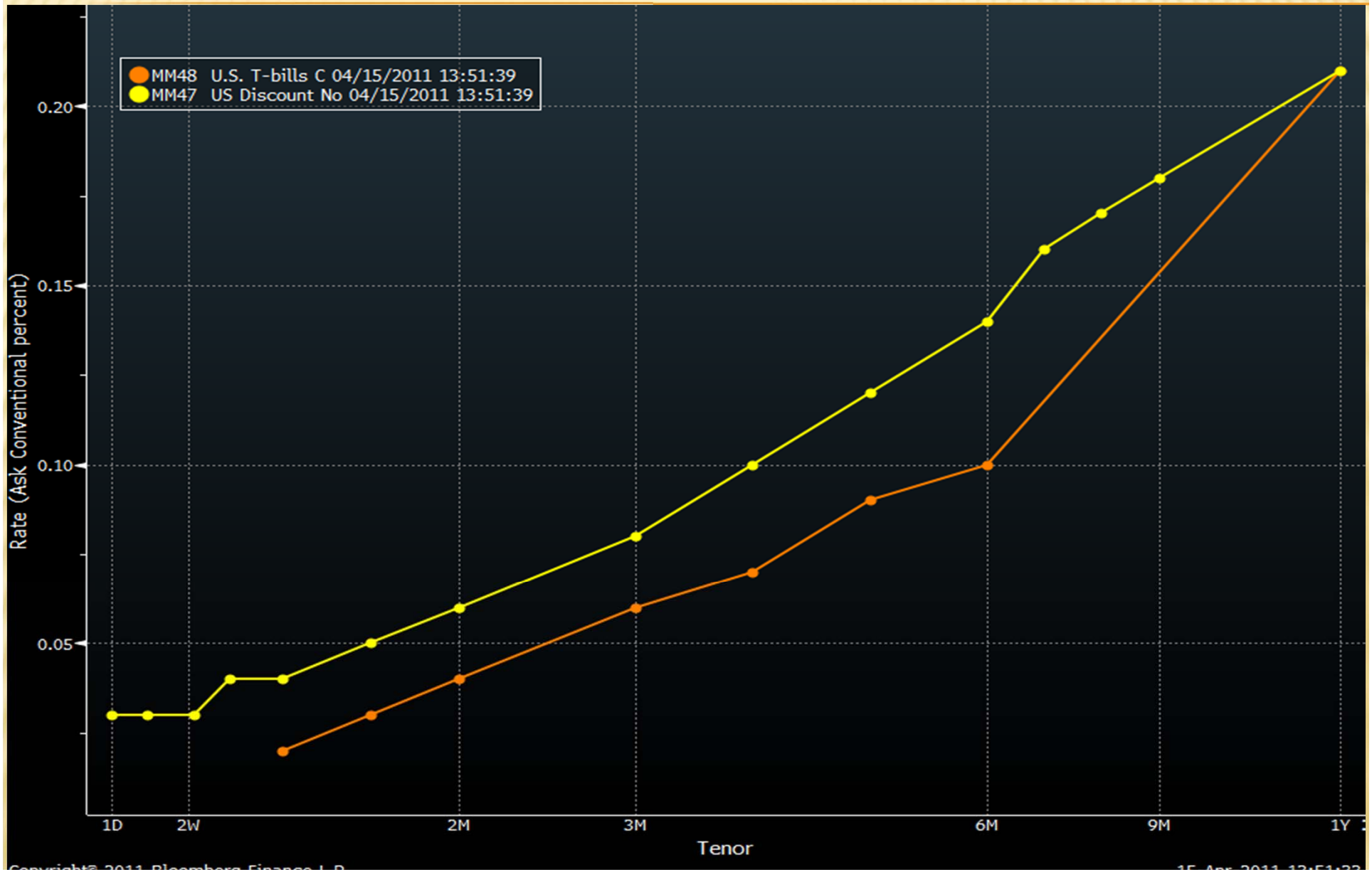
CHANGE IN T-BILL RATES



IMPACT FROM "NEW" FDIC ASSESSMENT



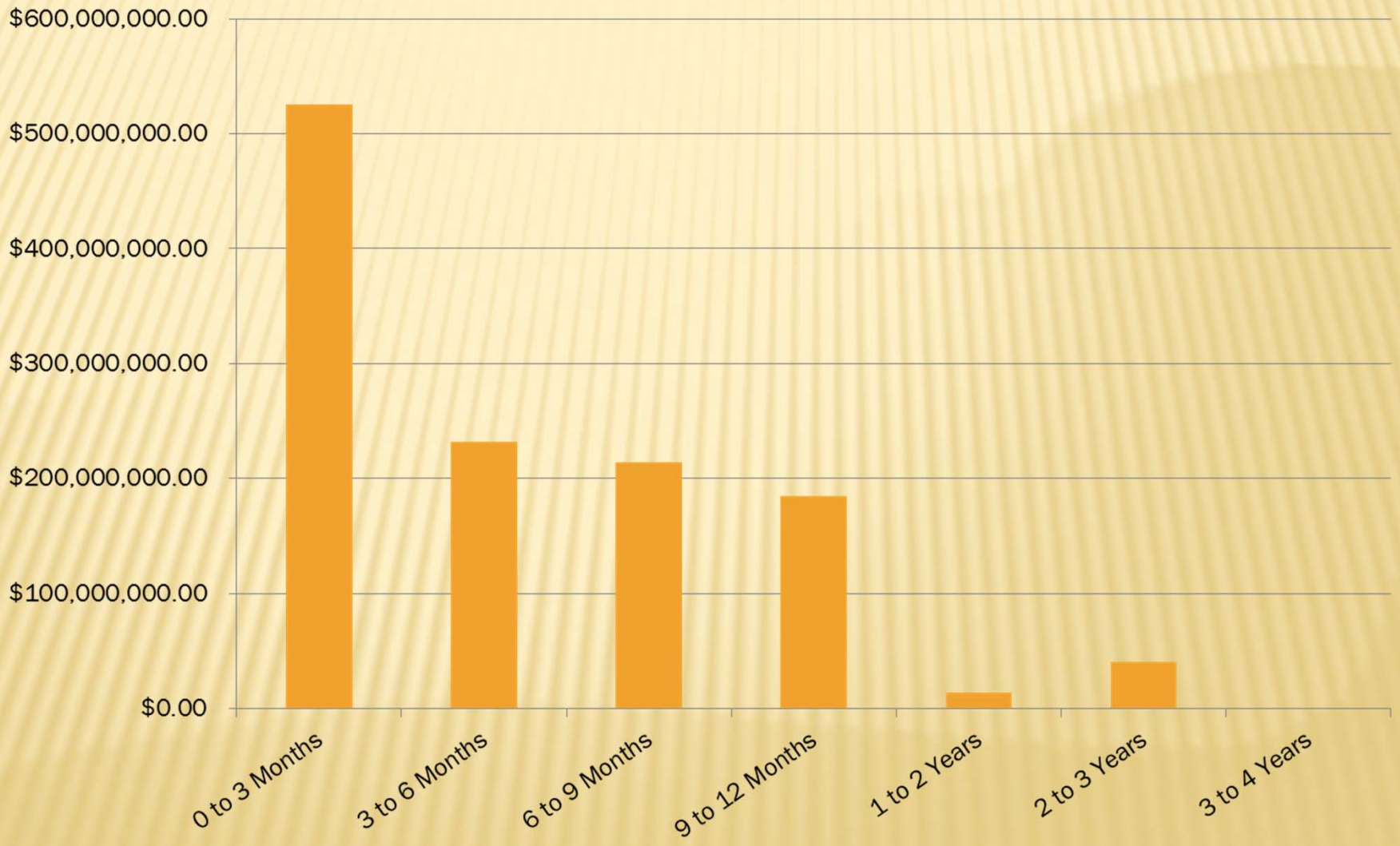
CURRENT YIELD CURVES



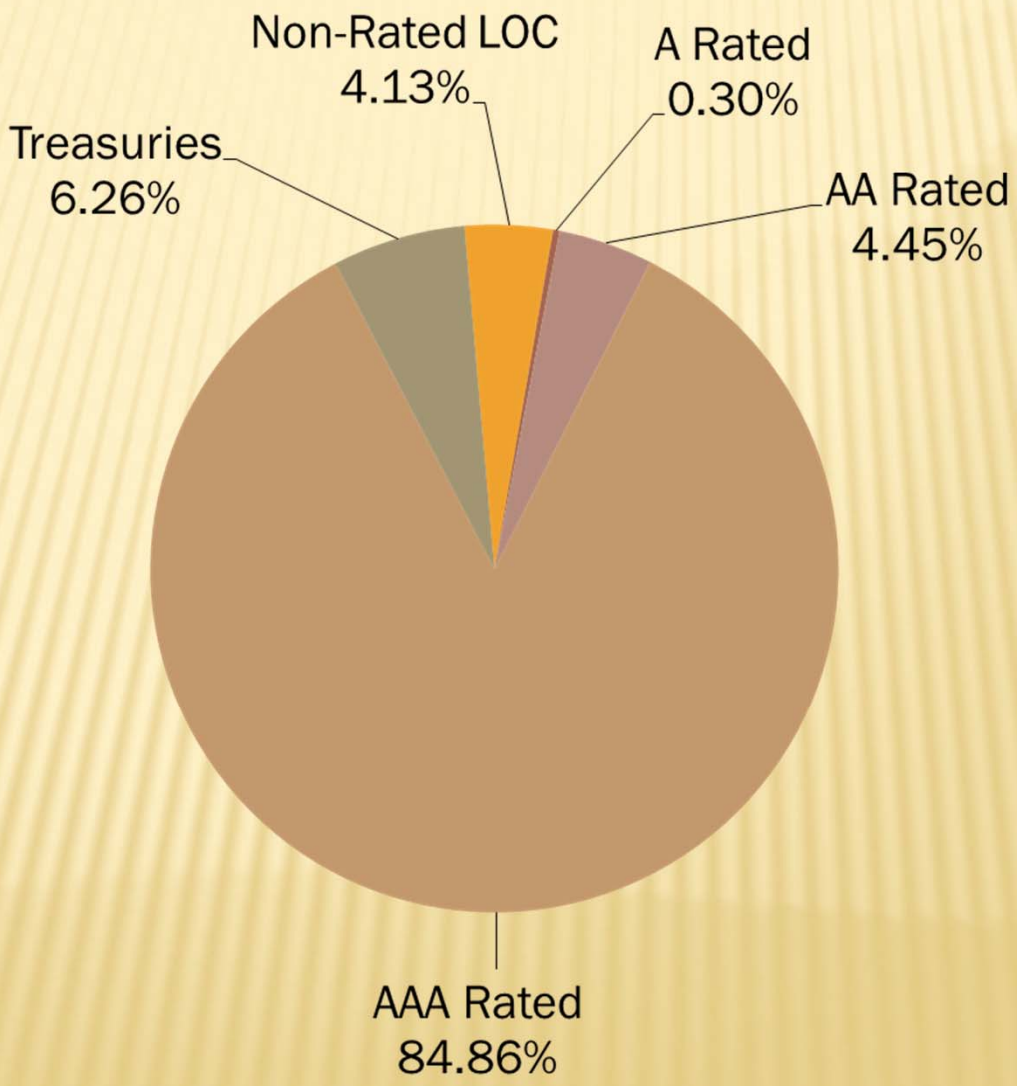
LGIP ATTRIBUTES

As of March 31st, 2011		
	LGIP	90 DAY CONSTANT MATURITY
Yield to Maturity	0.30%	0.09%
Weighted Average Maturity	124 days	90 days
Effective Duration	0.33 years	0.25 years
Amortized Book Value	$1,208,007,726.00	
Market Value	$1,210,906,953.00	
Net Asset Value	1.0024	

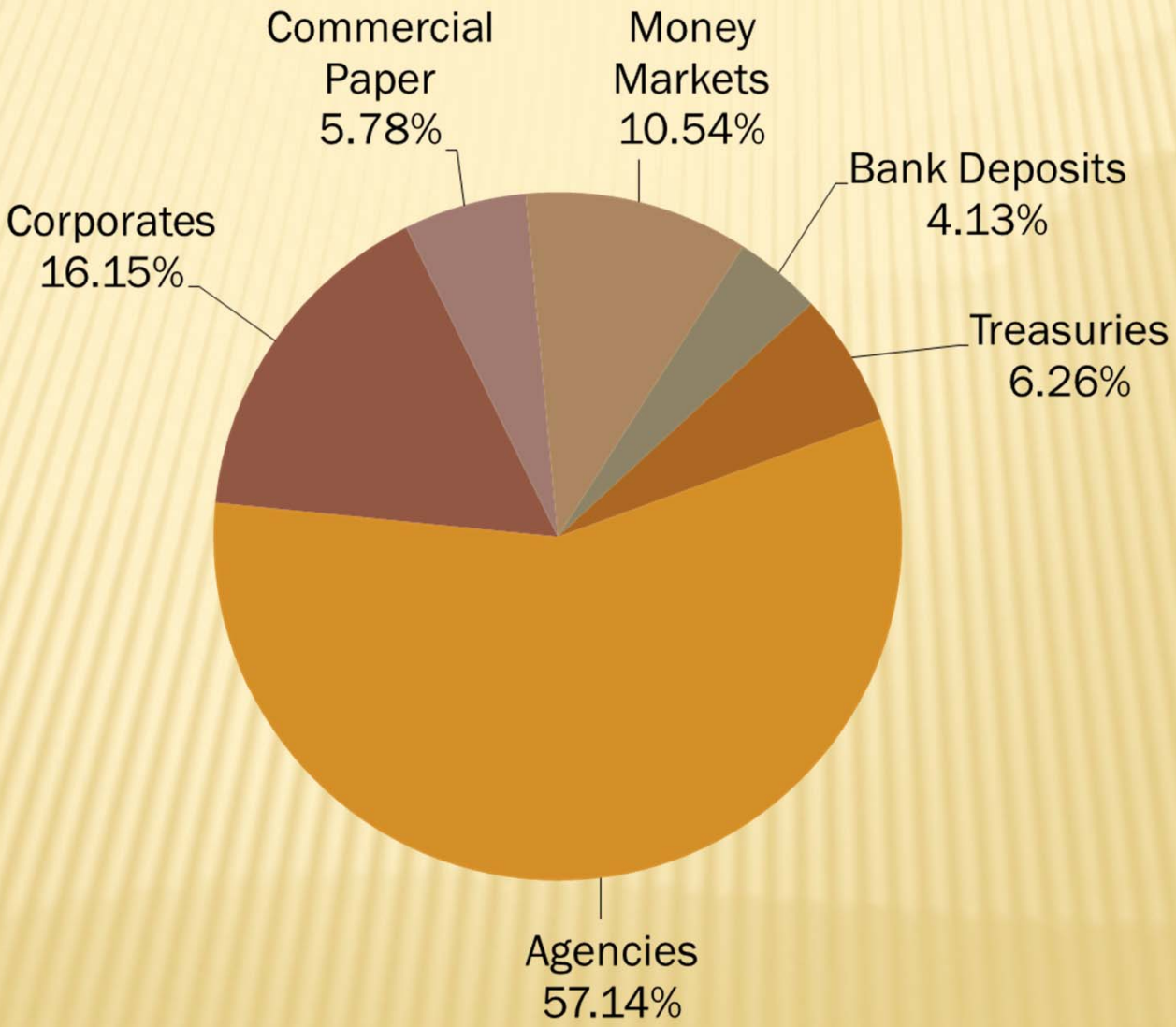
LGIP DURATION DISTRIBUTION



LGIP QUALITY DISTRIBUTION



LGIP SECTOR DISTRIBUTION



PORTFOLIO STRATEGY

- Corporate exposure will not be maintained
  - Remaining issues outstanding in FDIC program not as attractive
- Continue to look for high quality floating rate securities 2 to 3 years out
  - Defensive against rising rates
  - Maintain 5% exposure
- Continue to add Treasury and Agency bullets out to March and April 2012
  - Historically have a net $100MM plus cash outflow out of the portfolio each month
- Maintain weighted average maturity around 120 days
- Continue to maintain 5% to 10% cash to meet distributions
- Continue to look into alternative money market like and cash instruments to remain “nimble”

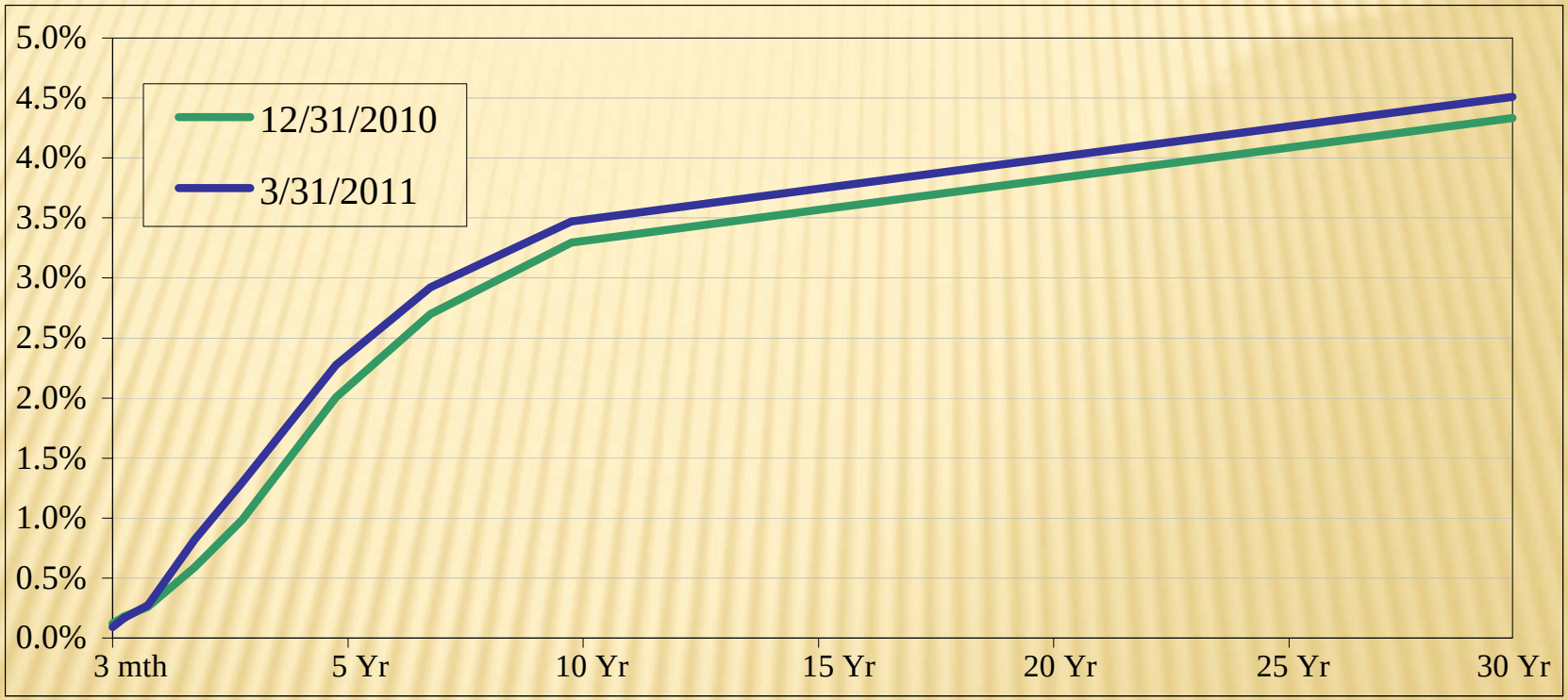
DIVERSIFIED BOND FUND

Intermediate-Term Interest Rates

- Change in rates over the 1st Quarter
  - 3 year: +31 bps
  - 5 year: +27 bps
  - 10 year: +18 bps
- Current Rates as of April 20, 2011

Term	Treasuries	Agencies
3 Year	1.16%	1.31%
5 Year	2.11%	2.36%
10 Year	3.39%	3.65%

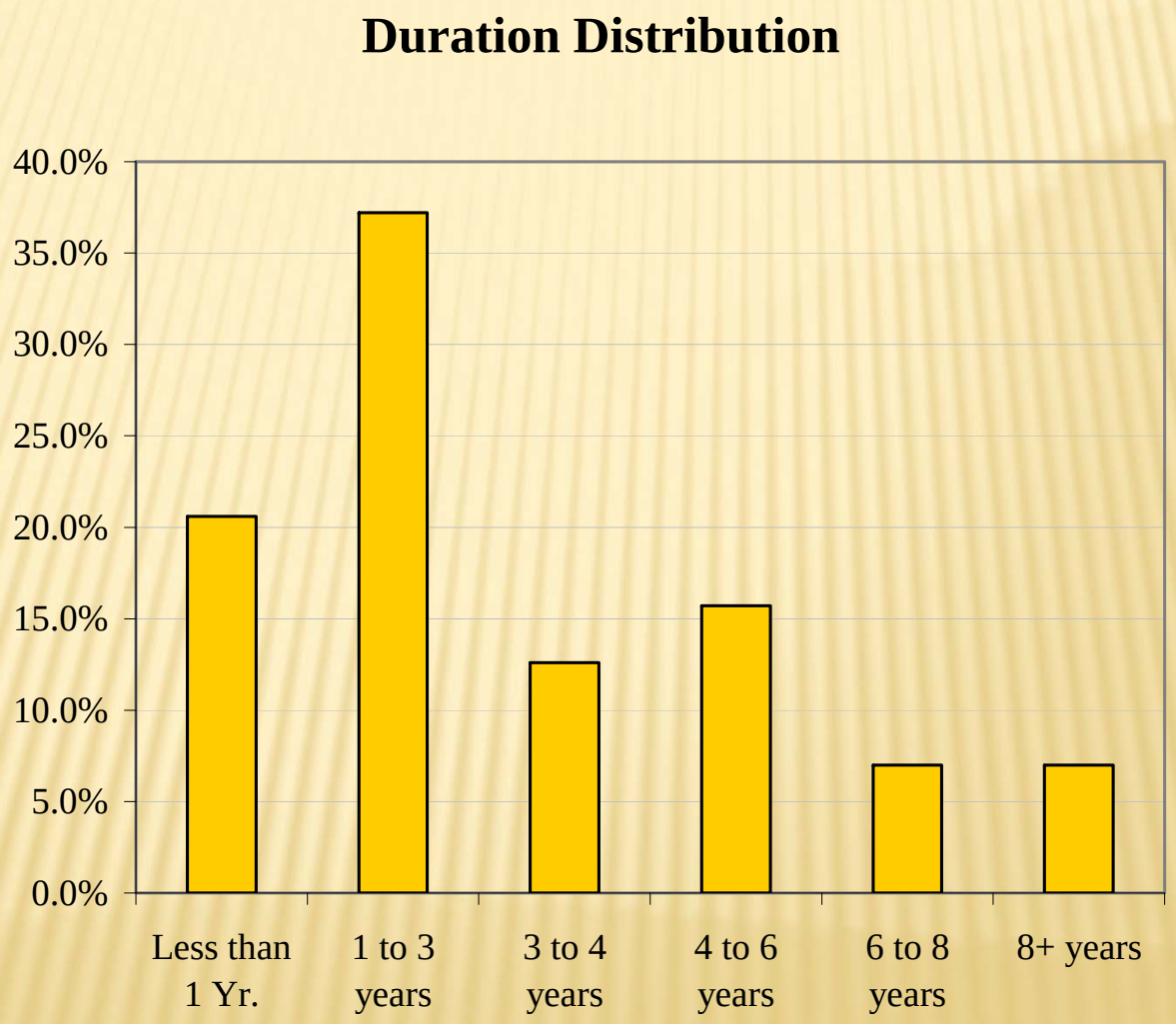
YIELD CURVE


5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
12/31/2010
3/31/2011
3 mth
5 Yr
10 Yr
15 Yr
20 Yr
25 Yr
30 Yr

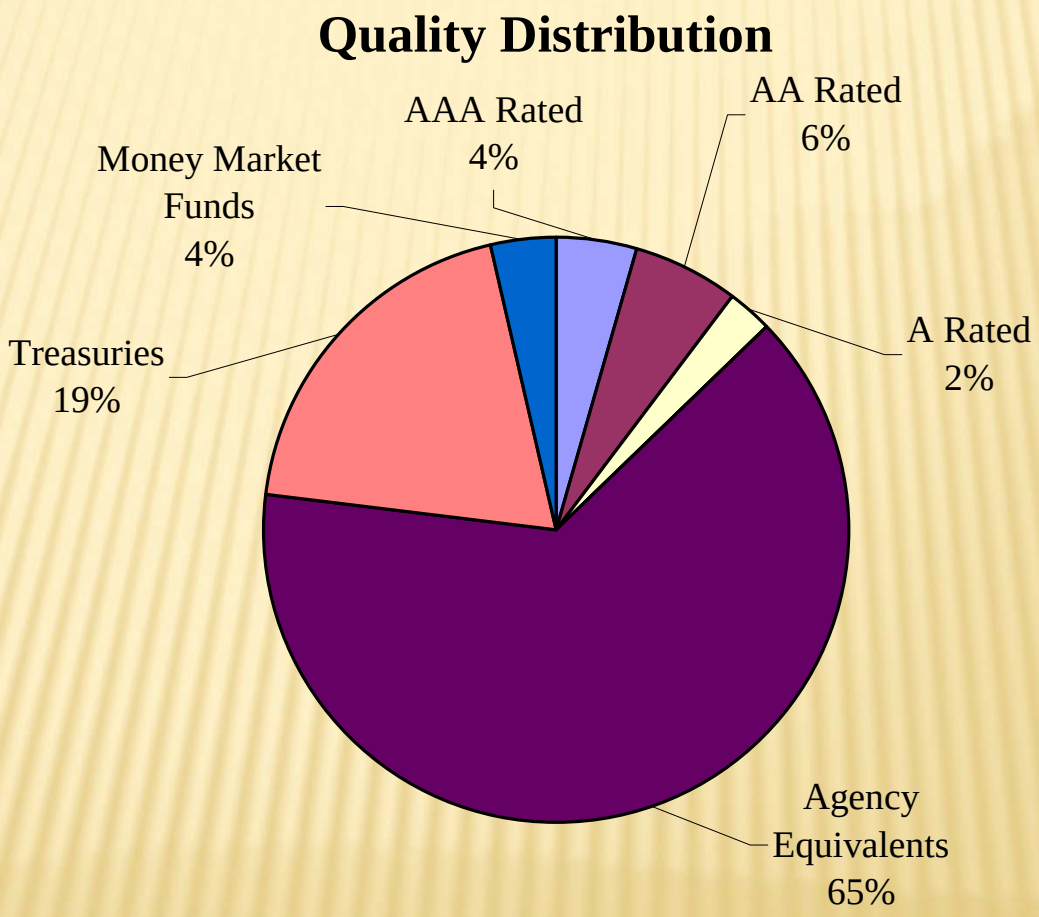
Diversified Bond Fund

MARCH 2011		
	DBF	Barclay's Cap. Int. Agg. A Or Better Index
Yield to Maturity	2.4%	2.6%
Weighted Average Maturity	3.9 years	4.7 years
Effective Duration	3.2 years	3.9 years
Amortized Book Value	$439,773,024.43	
Market Value	$452,001,531.65	

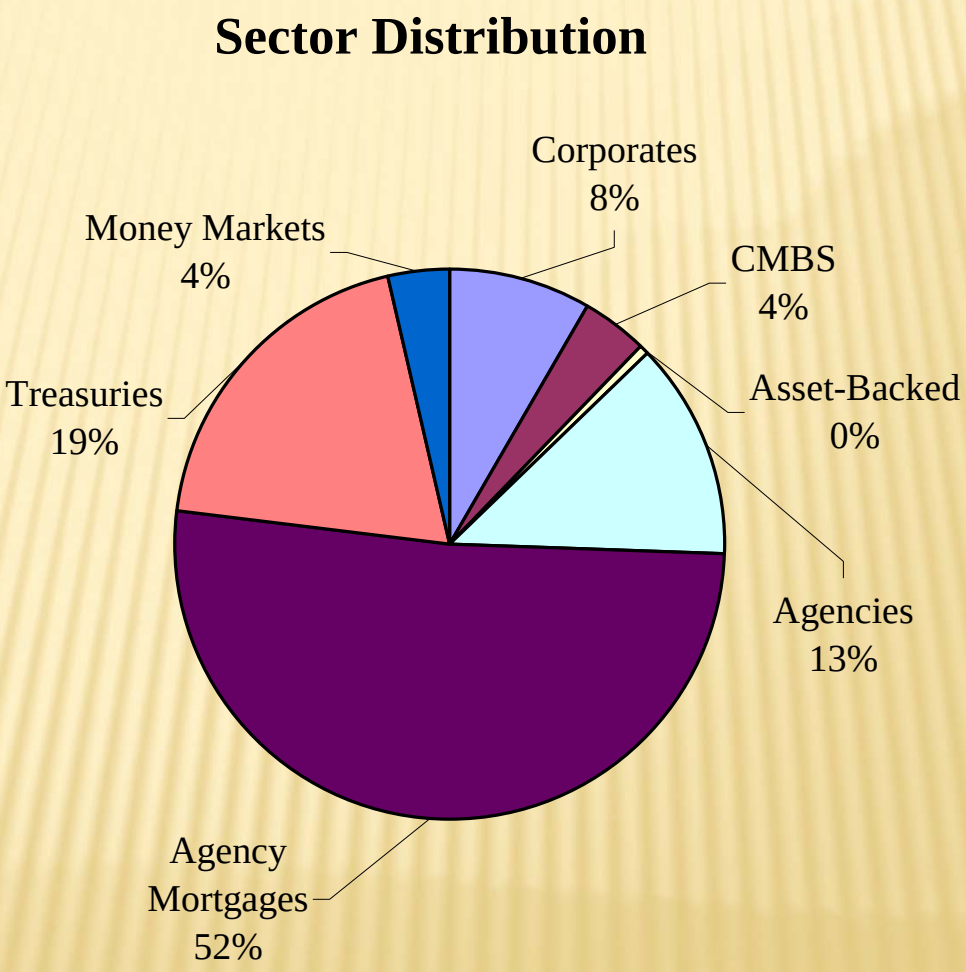
DBF DURATION DISTRIBUTION



DBF QUALITY DISTRIBUTION



DBF SECTOR DISTRIBUTION



PORTFOLIO STRATEGY

- Maintain relatively “short duration” stance
- Look for relative value opportunities (Example: Agency Mortgages, Corporate Securities)
- Maintain conservative quality position while underweighting Treasuries
- Particular focus on structure (both credit and interest rate emphasis)
- Protect against undue “extension risk”

CONTACT US ANYTIME

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