



**IDAHO STATE TREASURER'S OFFICE
LGIP & DBF 3RD QUARTER 2011
REVIEW & OUTLOOK**

ECONOMIC HIGHLIGHTS

❖ What has happened:

- ❖ Congress raised the debt ceiling and agreed to form a committee to come up with a budget deficit reduction plan
 - ❖ Formed a so called “Super-Committee” with 6 members from Republicans and 6 members from the Democrats
- ❖ Europe still has not agreed on a solution to the debt crisis
- ❖ Federal Open Market Committee announced leaving rates unchanged till Mid-2013 at August 9th meeting
 - ❖ Announced “Operation Twist” at September 21st meeting
- ❖ U.S. Economy and Global Economy showing renewed signs of possible recession
 - ❖ Manufacturing data
 - ❖ Jobs data
 - ❖ Consumer confidence

ECONOMIC HIGHLIGHTS

❖ What we forecast:

- ❖ Equity markets will continue to focus on corporate earnings and merger & acquisition activity
 - ❖ Europe and US Budget Deficit likely to add volatility
- ❖ Fed will continue to monitor economy for further stimulus
- ❖ “Super-Committee” will meet the November 23rd deadline
 - ❖ Risk of failure to meet deadline too costly to U.S.
 - ❖ Potential downgrades from S&P, Fitch, and Moody’s
- ❖ Start to see economic activity stabilize
 - ❖ Economists have been raising 3rd Qtr. GDP numbers
 - ❖ Jobs market will continue to be a problem
 - ❖ Housing market will continue to be a problem

LOCAL GOVERNMENT INVESTMENT POOL

SHORT-TERM INTEREST RATES

- ❖ Change in T-Bill rates over the 3rd Quarter
 - ❖ 3-month: +.5 bps
 - ❖ 6-month: -5 bps
 - ❖ 1-year: -9 bps
- ❖ Current Rates as of 10/24/11:

Term	T-Bills	Agency Disco's
3-Month	0.005%	0.02%
6-Month	0.051%	0.06%
1-Year	0.107%	0.15%

3RD QUARTER SHORT-END YIELD CURVE CHANGE

<HELP> for explanation.

Corp C15

HISTORICAL YIELD CURVE

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DATE RANGE

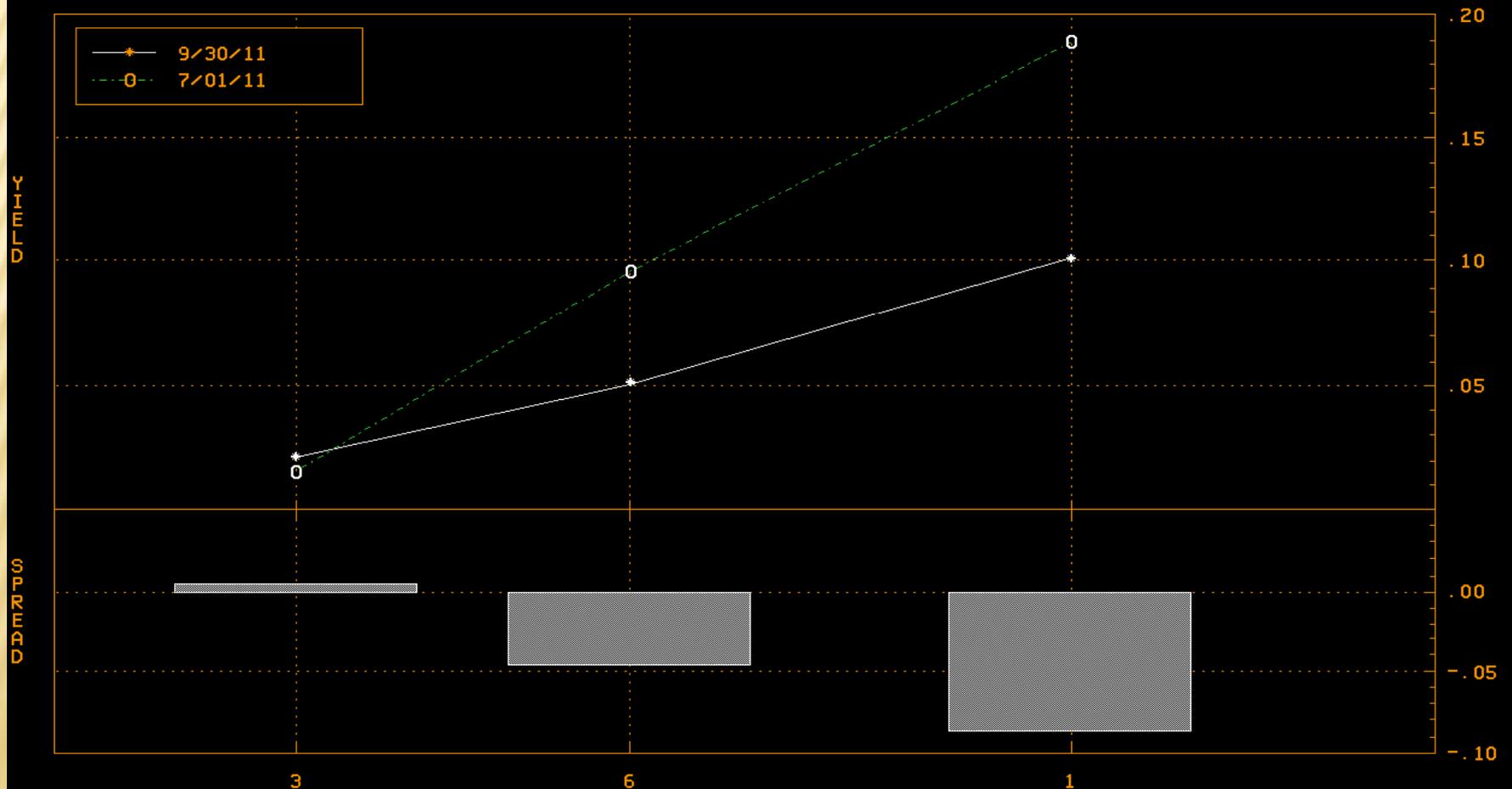
7/ 1/11

9/30/11

MTY RANGE

3M

1Y



3RD QUARTER YIELD CURVE CHANGE

<HELP> for explanation.

Corp C15

HISTORICAL YIELD CURVE

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DATE RANGE

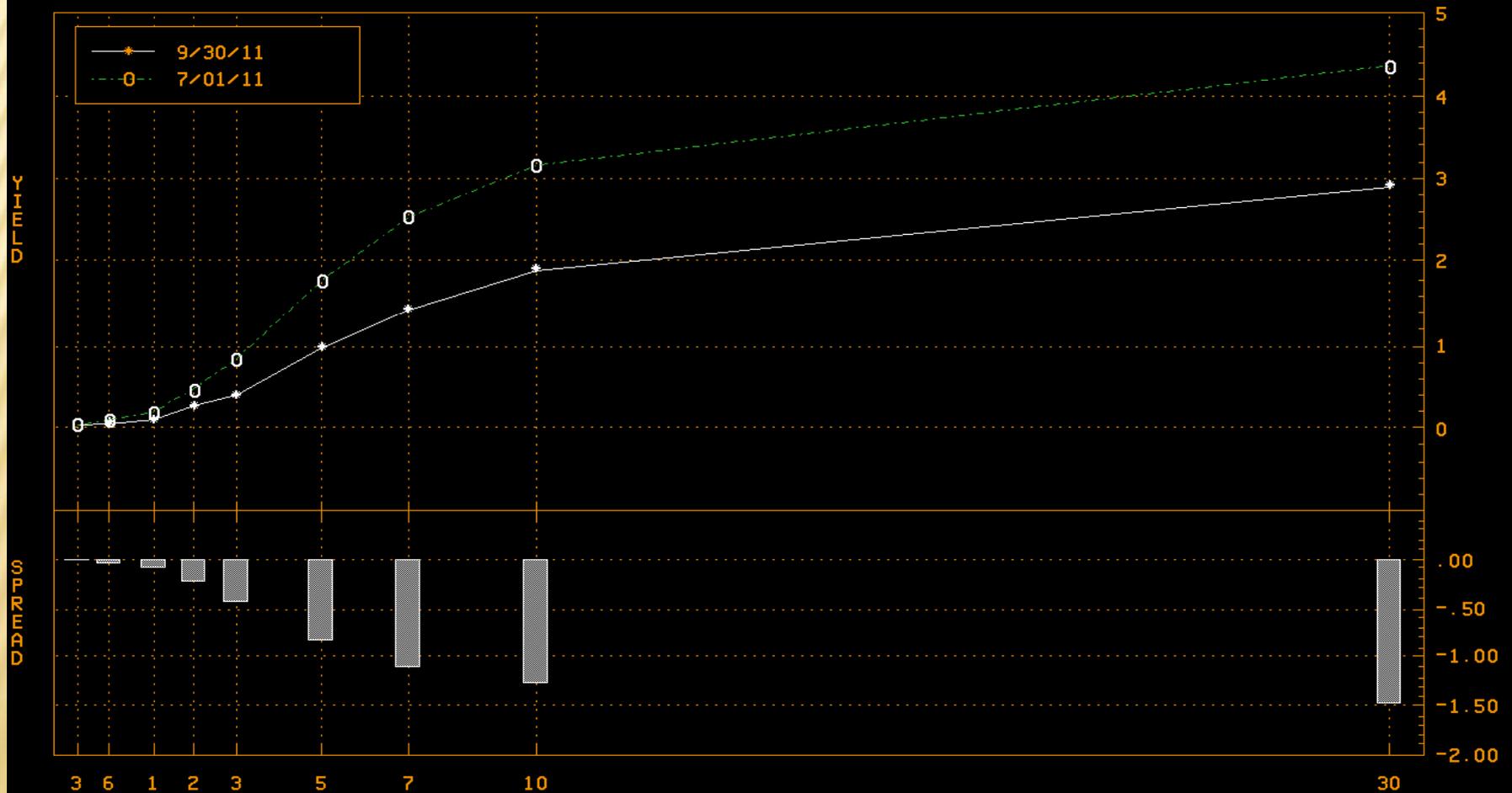
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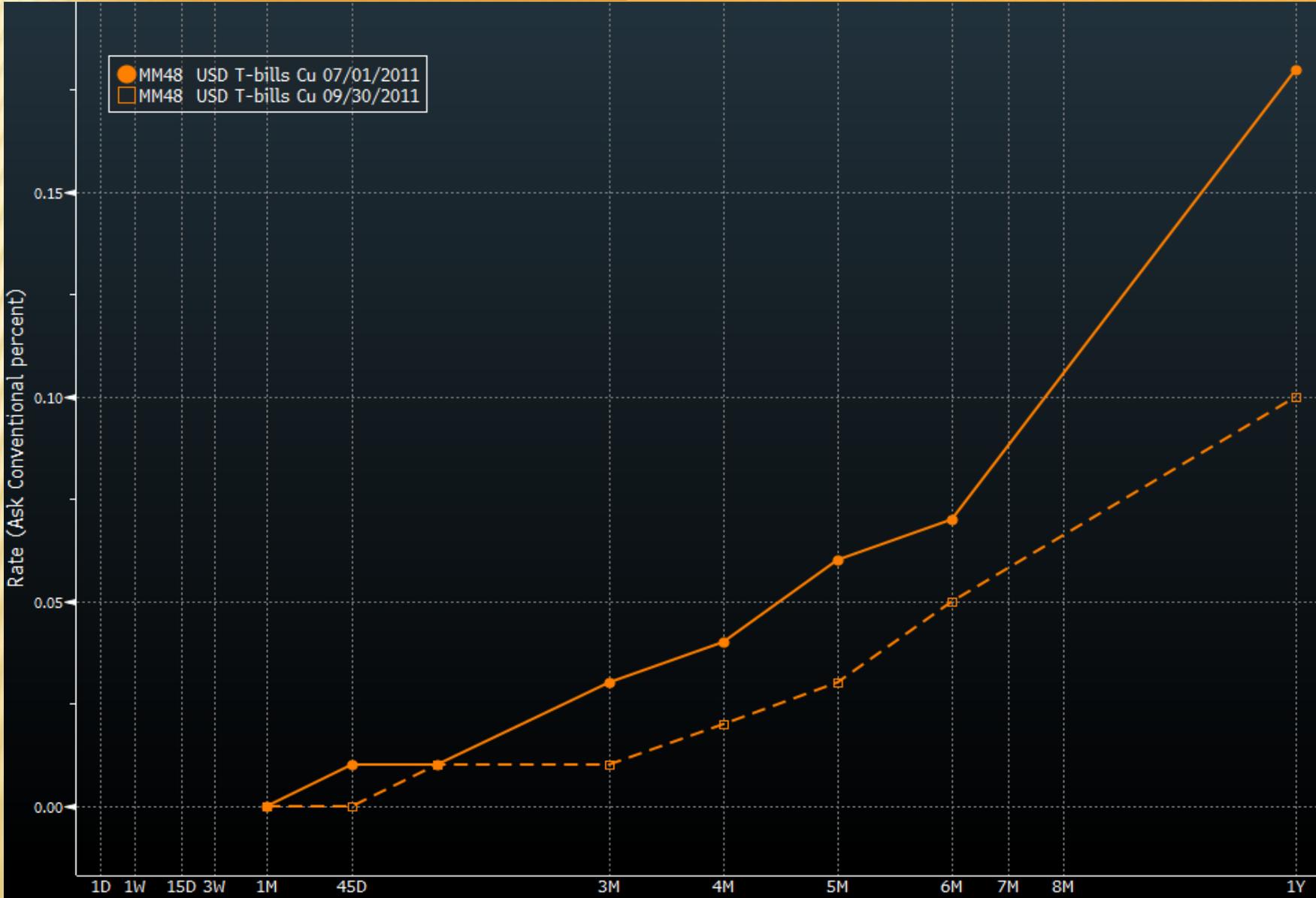
MTY RANGE

3M

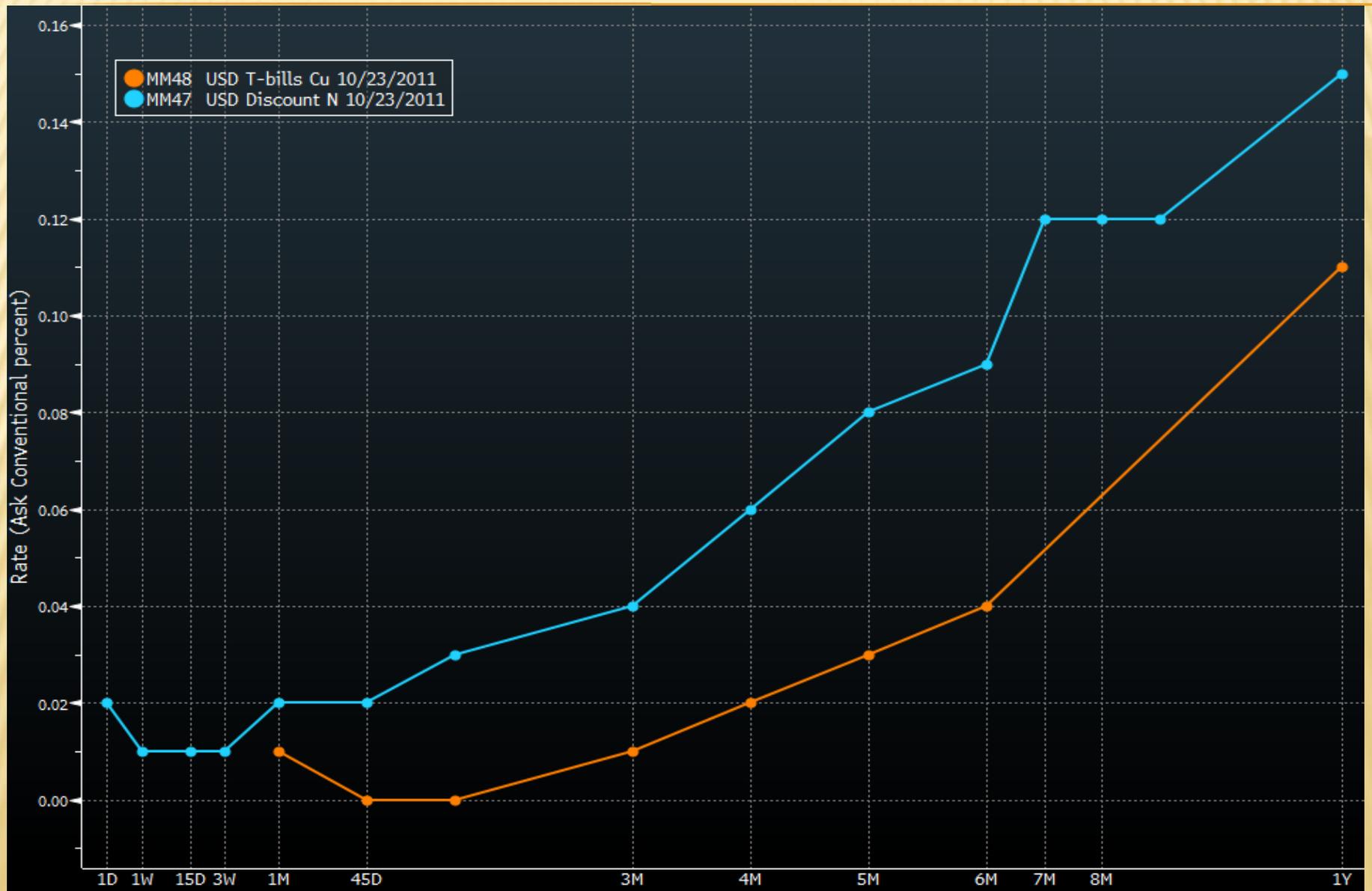
30Y



CHANGE IN T-BILL RATES



CURRENT YIELD CURVES

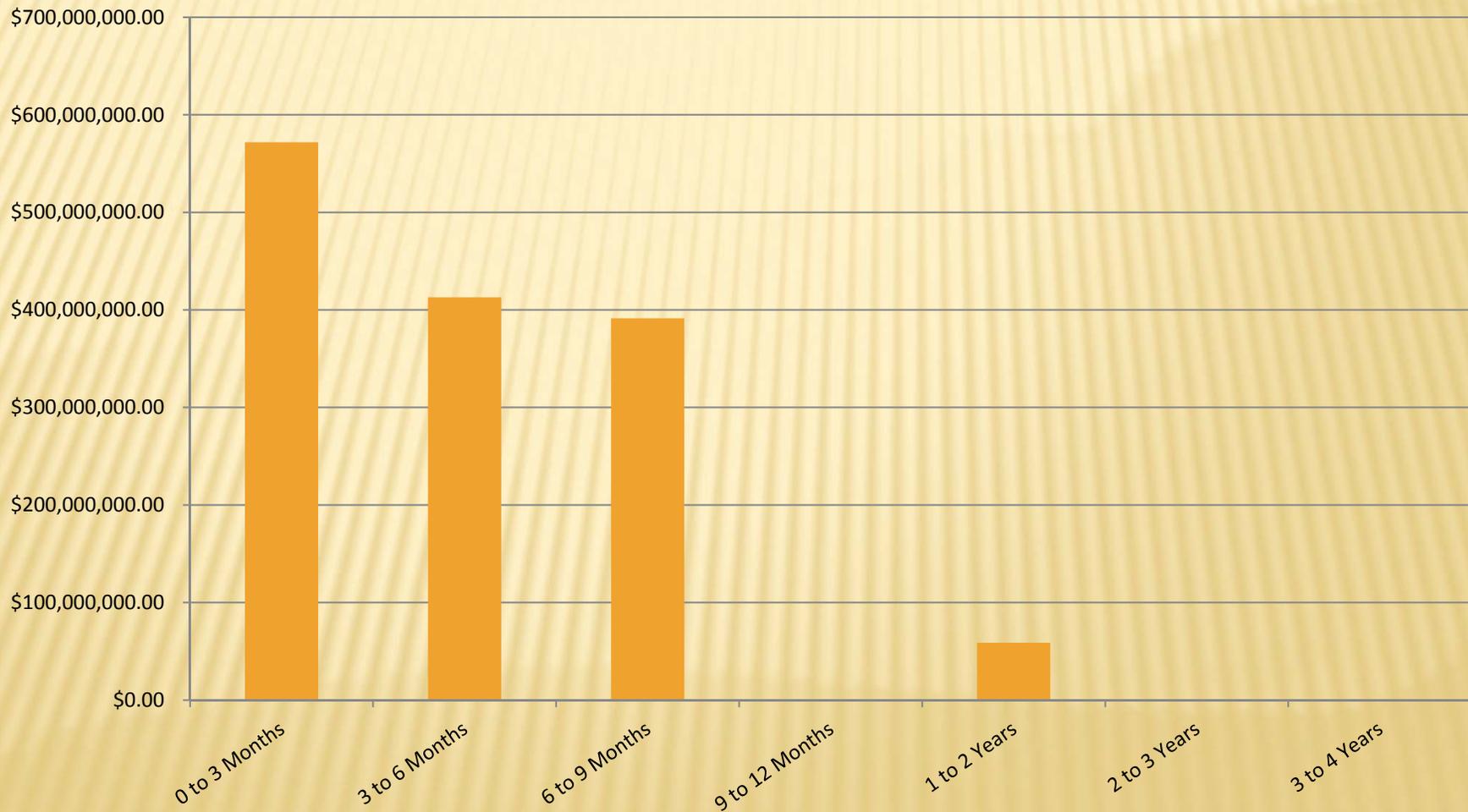


LGIP ATTRIBUTES

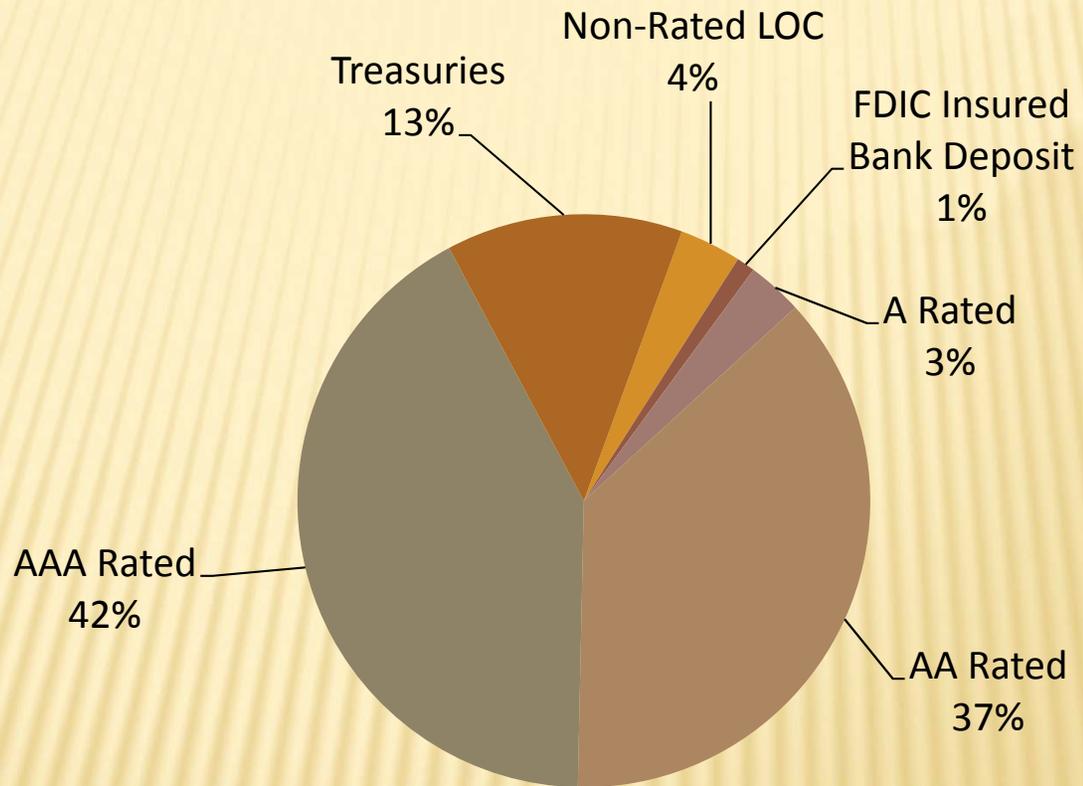
As of September 30th, 2011

	LGIP	90 DAY CONSTANT MATURITY
Yield to Maturity	0.22%	0.02%
Weighted Average Maturity	114 days	90 days
Effective Duration	0.30 years	0.25 years
Amortized Book Value	\$1,429,792,615.13	
Market Value	\$1,433,765,996.47	
Net Asset Value	1.00278	

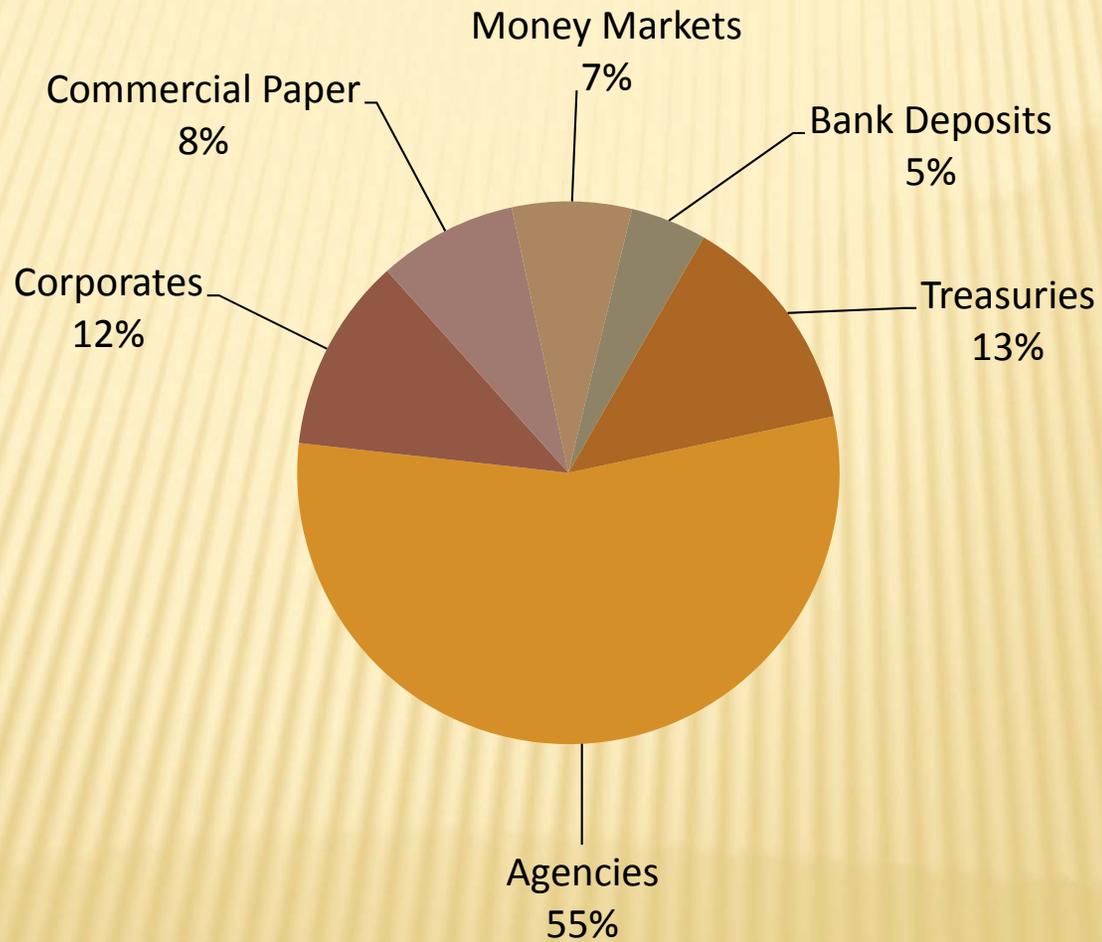
LGIP DURATION DISTRIBUTION



LGIP QUALITY DISTRIBUTION



LGIP SECTOR DISTRIBUTION



PORTFOLIO STRATEGY

- ❖ Continue to use government only money market funds
 - ❖ See continued stress in Europe as European Union members continue to figure out a “successful” plan to contain the debt contagion
- ❖ Continue to purchase overnight commercial paper
 - ❖ Investing in approved companies as they issue O/N CP
- ❖ Look to add secondary Agency bullets out to July and August 2012
 - ❖ Agencies spreads widened versus Treasuries making them attractive
 - ❖ With the Fed on hold till mid-2013 look to add maturities out to late 2012
- ❖ Maintain weighted average maturity around 120 days
- ❖ Maintain 10% in cash and O/N CP to meet distributions

DIVERSIFIED BOND FUND

Intermediate-Term Interest Rates

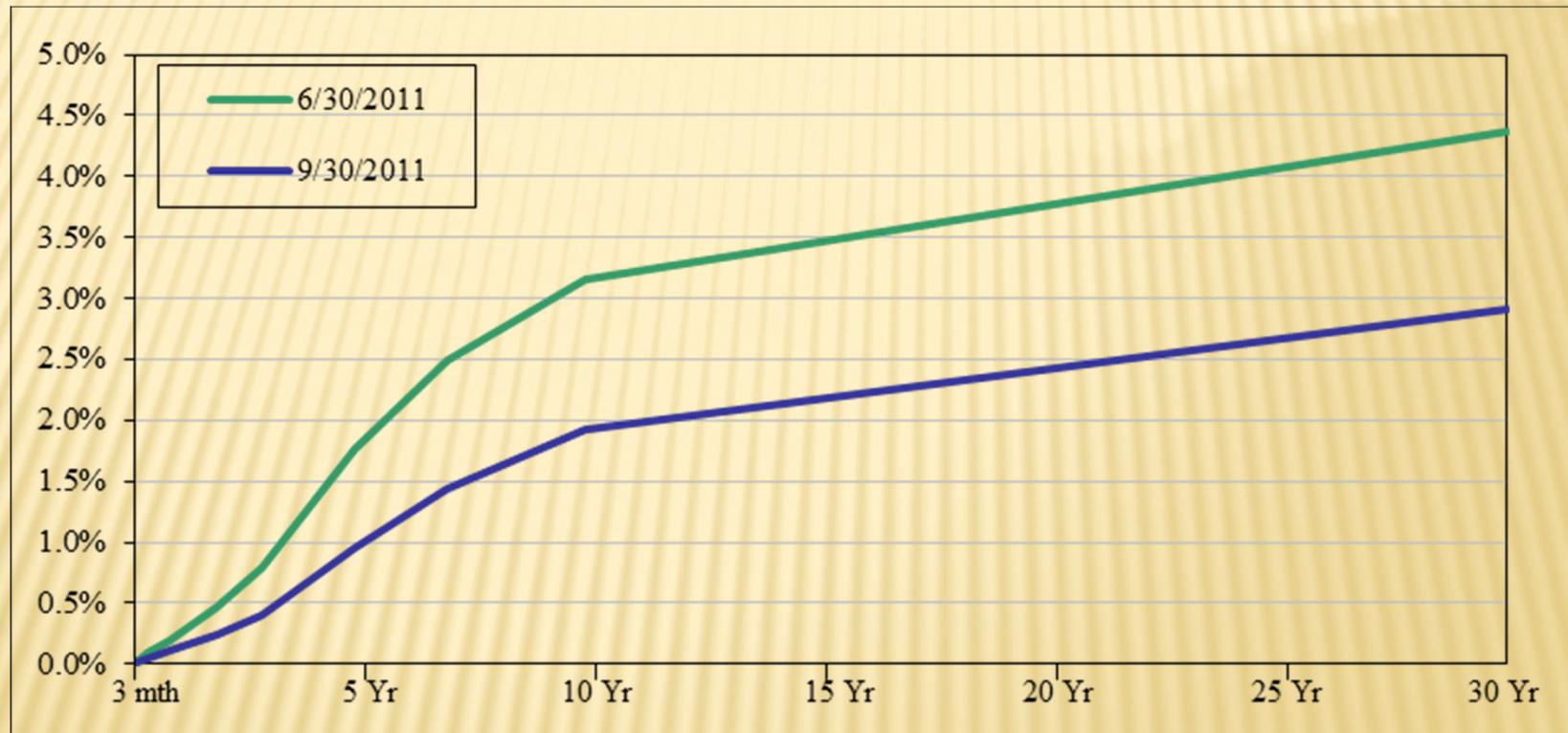
❖ Change in rates over the 3rd Quarter

- 3 year: -39 bps
- 5 year: -81 bps
- 10 year: -124 bps

❖ Current Rates as of October 20, 2011

Term	Treasuries	Agencies
3 Year	0.45%	0.71%
5 Year	1.02%	1.34%
7 Year	1.58%	1.88%

YIELD CURVE



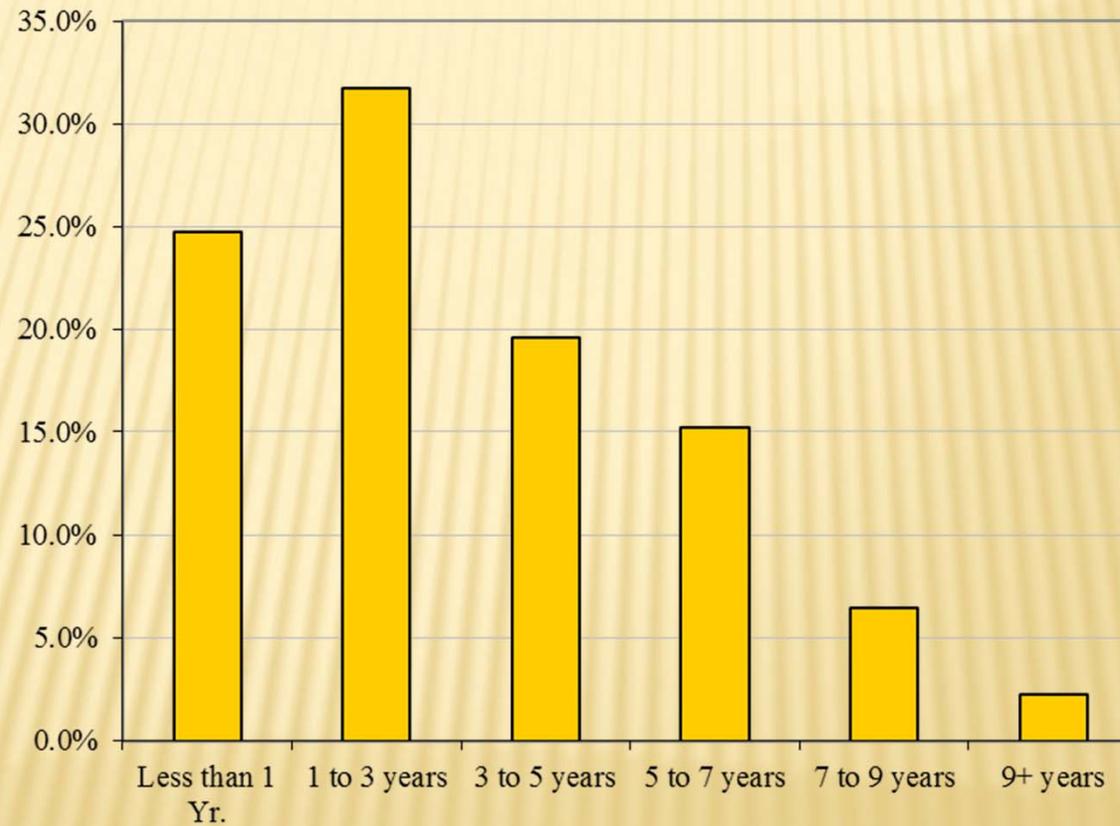
Diversified Bond Fund

SEPTEMBER 2011

	DBF	Barclay's Cap. Int. Agg. A Or Better Index
Yield to Maturity	1.8%	1.9%
Weighted Average Maturity	4.1 years	4.2 years
Effective Duration	3.0 years	3.3 years
Amortized Book Value	\$500,813,221.27	
Market Value	\$526,820,800.71	

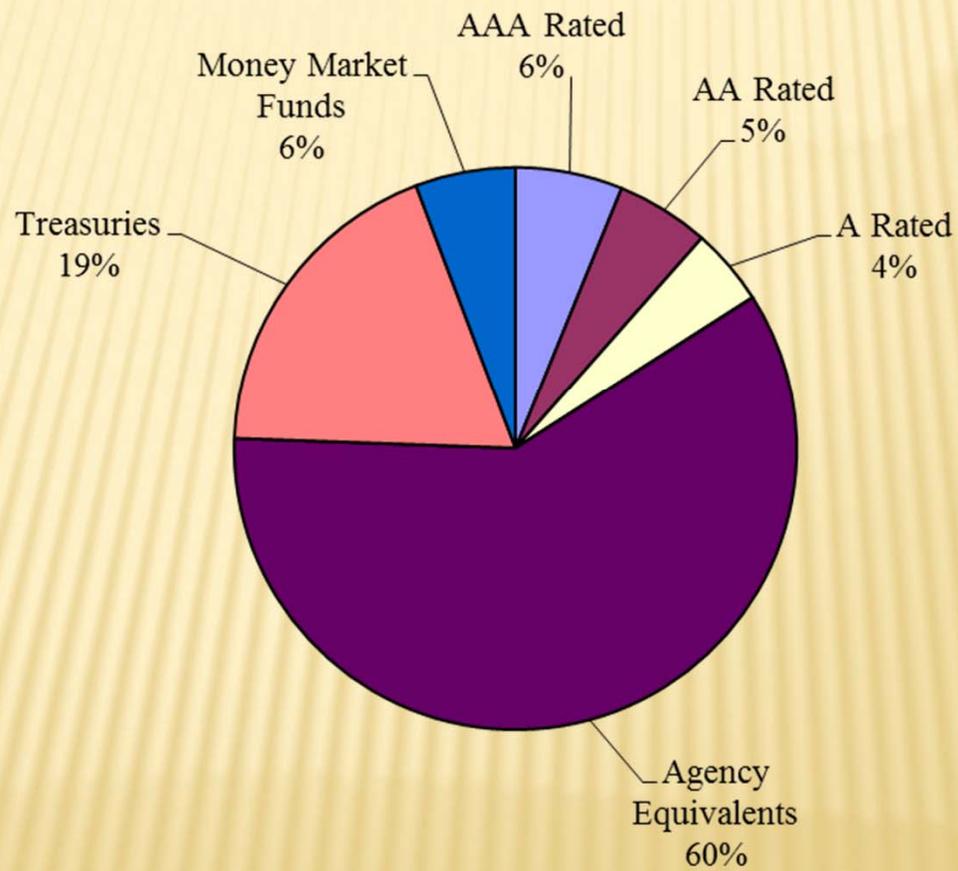
DBF DURATION DISTRIBUTION

Duration Distribution



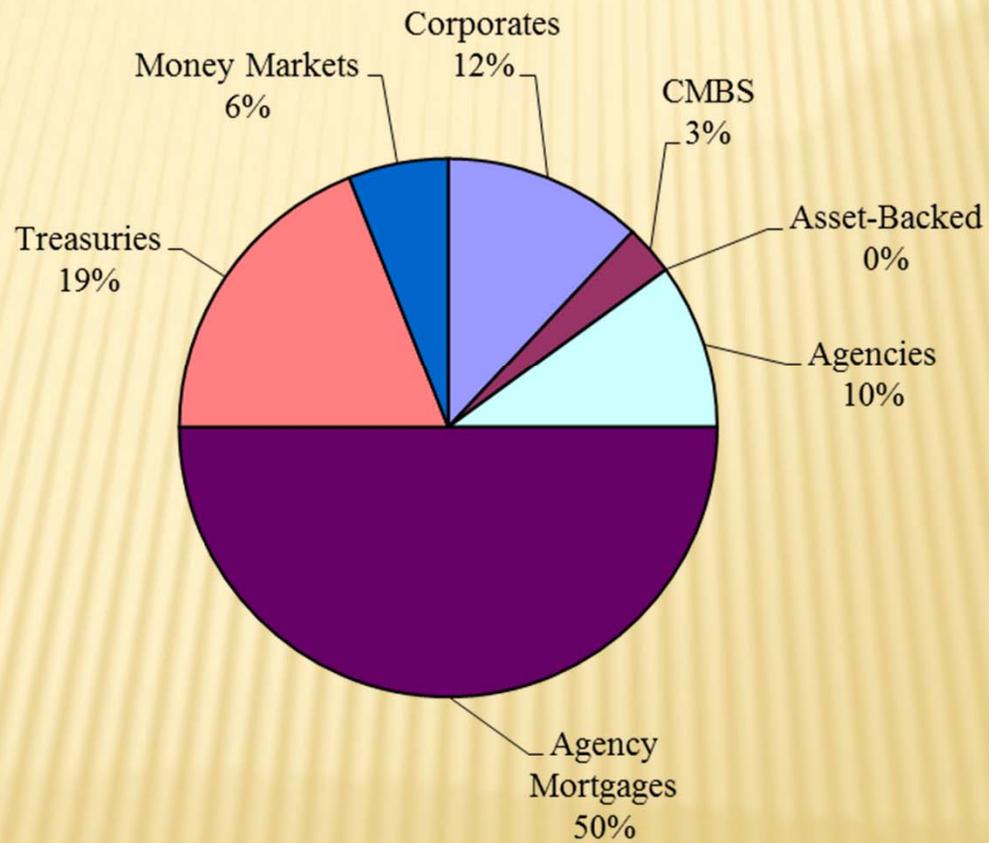
DBF QUALITY DISTRIBUTION

Quality Distribution



DBF SECTOR DISTRIBUTION

Sector Distribution



PORTFOLIO STRATEGY

- ❖ Relative value likely to be more important than relative duration in the short-term
- ❖ Maintain “conservative” stance both in quality/security selection and in regard to duration
- ❖ Look for relative value in Agency Mortgages and Corporate securities
- ❖ Particular focus on government and fed actions

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