THE CITY OF

BRENTWOOD

HERITAGE ▪ VISION ▪ OPPORTUNITY

# Investment Performance Review
# Second Quarter 2009

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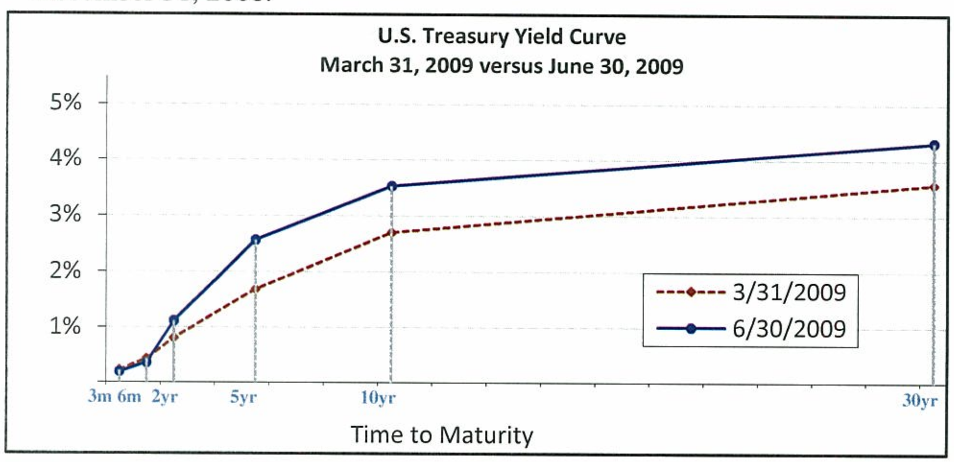
Strong performance by Federal Agency and corporate securities boosted second quarter fixed-income portfolio returns in a period when money market yields hovered near zero, and returns of longer-duration Treasuries were depressed by rising long-term interest rates.

As the economy showed signs of bottoming and the stresses that wracked the financial markets seemed to subside, risk-adverse investors increased holdings of Federal Agency securities and began once again to buy corporates. These actions produced a sharp contraction in the spreads of these securities relative to risk-free U.S. Treasury obligations and boosted the returns of sectors other than Treasuries.

In markets like this, asset allocation and duration management are unusually powerful forces in producing excess returns. PFM's disciplined strategy—recognizing that the market distortions of 2008 would unwind as market conditions returned toward normal—resulted in strong performance in the second quarter, as it did in the first three months of the year.

## INTEREST RATES AND RETURNS

The rise in long-term rates reflected improving prospects for the economy and an outlook for record U.S. Treasury borrowings. As illustrated in the following chart, higher long-term rates caused the U.S. Treasury yield curve to steepen to record levels. The spread between the 2-year and 10-year U.S. Treasury notes ended the quarter at approximately 240 basis points (2.40%), up from about 185 basis points on March 31 and 145 basis points on December 31, 2008.



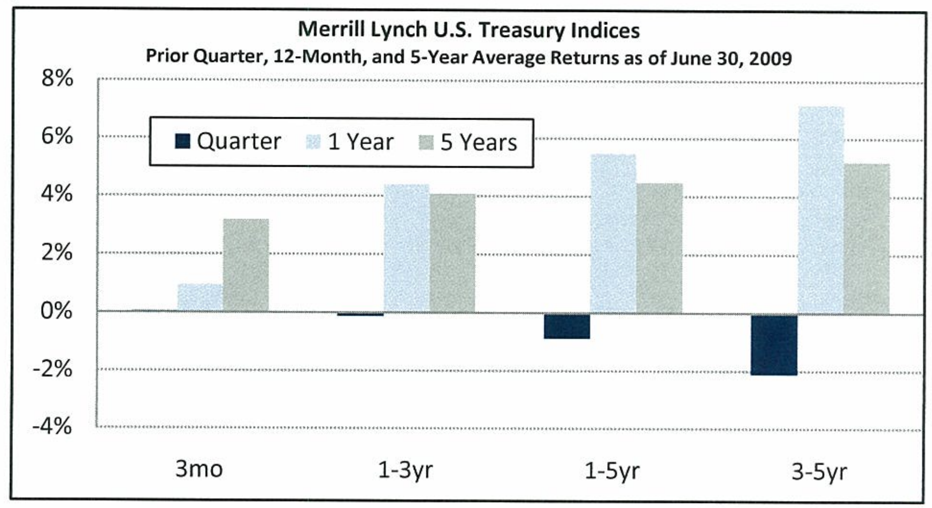

*Source: Bloomberg*

Higher long-term rates signal investor concern that once an economic recovery is firmly underway the Federal Reserve will be less accommodative and price pressures could return to the economy as demand for goods and services accelerate. Investors in intermediate- and longer-term securities demanded compensation for such risks and pushed the yield on the 10-year U.S. Treasury up from 2.21% at the end of last year to a high of 3.95% in mid-June.

The market has had to absorb a large volume of U.S. Treasury issuances in the second quarter. In the final week of the quarter, the U.S. Treasury auctioned $104 billion in U.S. Treasury notes, a then record for issuance in a single week. U.S. Treasury borrowing has surged as it is estimated that the U.S. Treasury will issue almost $2 trillion in debt during the fiscal year ending this September. Market participants have begun to question the U.S. Treasury's ability to continue to successfully sell such a record volume.

With short-term yields tied to the low Fed Funds target rate and longer-term yields influenced by expectations of an economic recovery in the next few years, intermediate-term interest rates were range bound for most of the quarter, with the 2-year U.S. Treasury trading between 0.80% and 1.10%.

Even a modest rise in rates from their current low levels can erode income earned. Thus, as the following chart shows, most U.S. Treasury benchmarks generated negative returns for the quarter, giving back some of the strong positive results that were realized in 2008.




*Source: Bloomberg*

Short-duration U.S. Treasury benchmarks, like the Merrill Lynch 3-month U.S. Treasury Index, outperformed longer-term benchmarks during the quarter as intermediate- and longer-term interest rates rose and short-term interest rates remained near zero. However, returns on longer-duration benchmarks over the past one and five years continued to outperform as they benefited the most from the sharp declines in interest rates and the appreciation in market values over these periods.

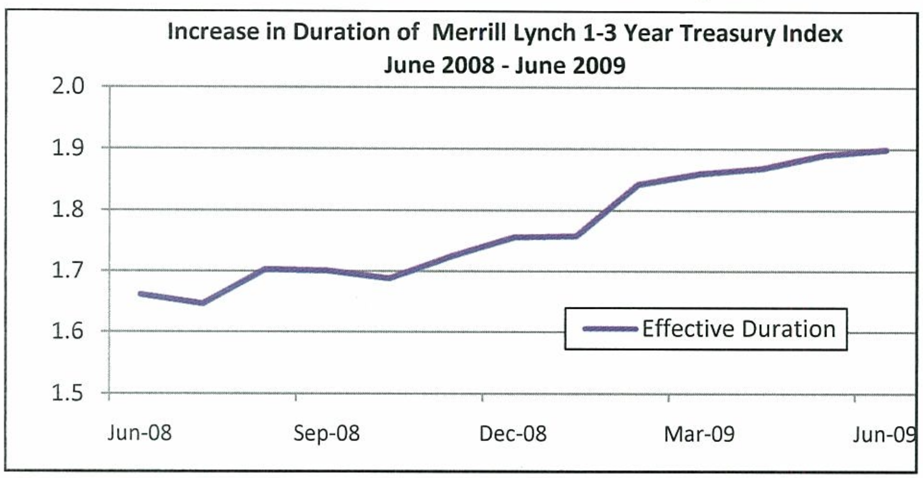
| Merrill Lynch U.S. Treasury Index Return | 3m | 6m | 1-3 yr | 1-5 yr | 3-5 yr | 1-10 yr |
|---|---|---|---|---|---|---|
| Quarterly | 0.05% | 0.20% | -0.11% | -0.87% | -2.10% | -2.12% |
| Per Unit of Risk** | 0.22% | 0.41% | -0.06% | -0.33% | -0.54% | -0.54% |
| Last 12 Months | 0.95% | 2.24% | 4.39% | 5.48% | 7.18% | 6.12% |
| Per Unit of Risk** | 4.10% | 4.66% | 2.31% | 2.07% | 1.85% | 1.56% |

*Source: Bloomberg*

***Return per unit of risk equals the periodic return divided by index duration.*

## DURATION MANAGEMENT

Duration management played a large role in portfolio performance in the second quarter. As the U.S. Treasury finances its deficit and increases the federal debt burden, the volume of new-issue U.S. Treasury securities has caused the durations of U.S. Treasury benchmarks to increase. As shown in the following graph, the duration of the Merrill Lynch 1-3 Year U.S. Treasury Index has steadily lengthened by over 14% in the past year alone.

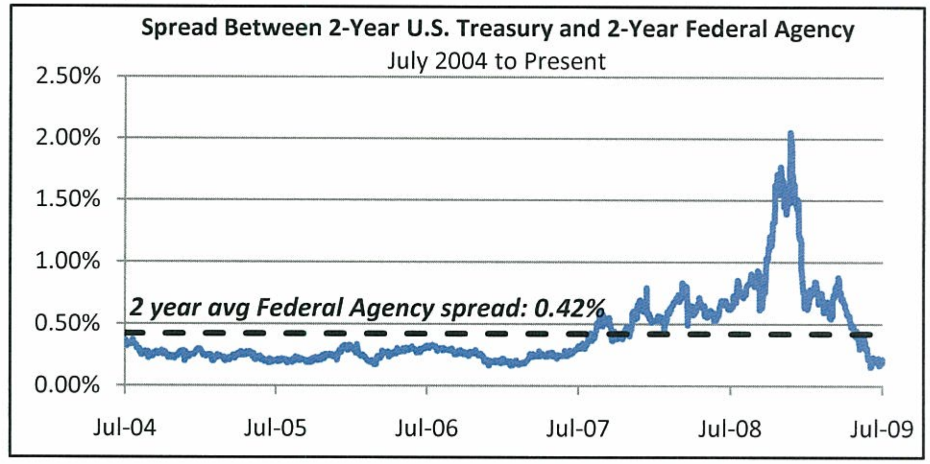



*Source: Bloomberg*

PFM anticipated the higher likelihood of rising rates and the greater sensitivity of benchmarks to rising rates, and actively and prudently positioned portfolio durations short of the benchmark.

## SECTOR ALLOCATION

As U.S. Treasury yields rose, intermediate-term Federal Agency and corporate rates fell, driving spreads to more neutral valuations. Interest rates *declined* by approximately 20 basis points for 2-year Federal Agencies, and dropped by approximately 200 basis points for 2-year AA corporate securities. Spreads between 2-year U.S. Treasury and Federal Agency securities ended the quarter under 30 basis points (see following chart). The spread was nearly 200 basis points (2.00%) in November of 2008 and has now collapsed to pre-credit crisis levels.




*Source: Bloomberg*

By the end of the quarter, short-term Agency securities (i.e., discount notes) traded with essentially no yield benefit relative to comparable maturity U.S. Treasury bills. Factors of the remarkable decline in Agency spreads include:

- (i) stabilization of the overall financial markets;
- (ii) confidence in the federal government's increased support for Fannie Mae and Freddie Mac;
- (iii) the market's improving appetite for risk;
- (iv) the Federal Reserve's purchase program for Federal Agency debt and mortgage-backed securities; and
- (v) light issuance by the government sponsored enterprises.

At current spreads, PFM has begun to favor Treasuries over Agencies for maturities two years and under.

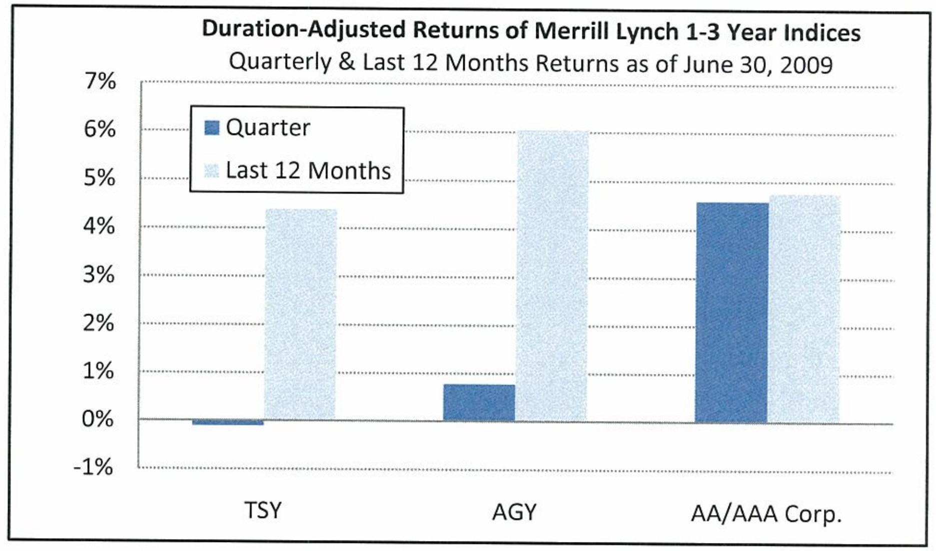
In the second quarter, investment-grade corporate bond spreads to comparable Treasuries narrowed even more than Federal Agency spreads. Corporate bond yields and benchmark rates, such as 3-month LIBOR, experienced significant drops during the quarter as some of the heightened premium for credit risk disappeared. The efforts of central banks and financial institutions from around the world to stabilize the financial markets appeared to be somewhat successful.

With deposits up by approximately $400 billion over the past six months, U.S. banks are now flush with liquidity. This has reduced their dependence on short-term funding markets and interbank lending. Outstanding commercial paper has declined from $1.8 trillion a year ago to $1.3 trillion on June 30. Financial firms have also been helped by the steepening U.S. Treasury yield curve, which has improved their net interest margins, as they pay near zero for deposits and other liquid funds, and then invest them in longer-maturity securities.

Some peril remains in corporate credit, however, as the true value of illiquid securities is not known, and prolonged weakness in the economy could raise default rates on housing and commercial loans.

With tightening spreads and higher initial yields, Federal Agency and corporate indices outperformed similar duration U.S. Treasury indices by considerable margins. Investment-grade corporate securities, especially those issued by corporations considered systemically vital, experienced exceptionally strong performance. Easing credit conditions brought banks and other financial firms back into the capital markets as issuers of non-guaranteed debt, a strong signal to the markets that the financial system may soon not need the federal government's life support.

As the following chart illustrates, while high quality corporate benchmarks outperformed Agencies and Treasuries for the quarter, over the past year Federal Agencies still performed best.



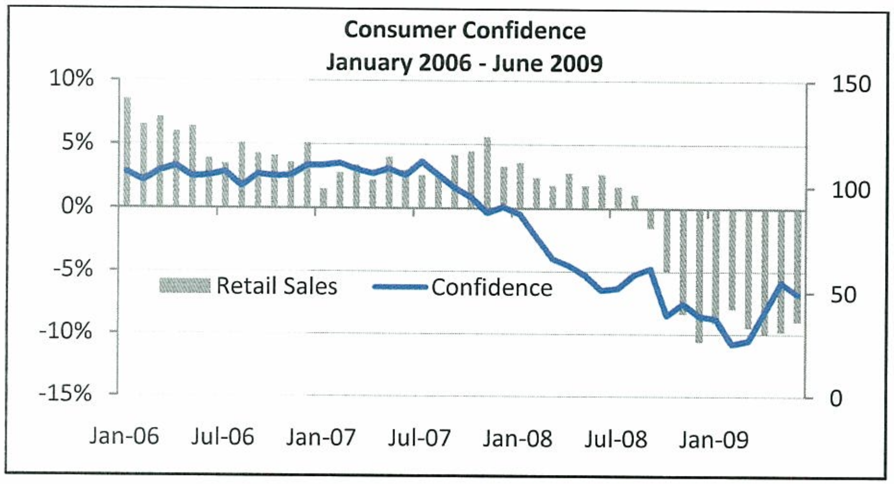

*Source: Bloomberg*

## SIGNS OF STABILIZATION IN THE SECOND QUARTER OF 2009

The rise in intermediate- and longer-term rates implies that market participants saw hope for the economy on the horizon. The federal stimulus package has helped to plant seeds for an economic recovery and provided much needed support to the financial system. No systemically vital financial institutions failed during the quarter, although Chrysler and General Motors were forced into bankruptcy, as largely expected.

The release of stress tests clarified the capital needs of some banks. With a semblance of normalcy in the capital markets, banks issued new common equity and converted preferred shares to common in order to insulate their balance sheets from potentially higher capital losses. Investor perception that the financial system is healing and that bank balance sheets are strengthening resulted in tightening corporate spreads.

Even with mounting job losses, consumers are growing less pessimistic on current conditions and the outlook for the future. Employment is a lagging indicator of economic vitality and the labor market is expected to be weak well into any economic recovery. However, the market is finding hope in recent consumer confidence reports. Retail sales have also improved somewhat modestly, and consumer confidence tends to move in tandem with retail sales, as the following chart illustrates.




*Source: Bloomberg*

## U.S. ECONOMY STILL HAS A DISTANCE TO GO…

Though there were recent signs of stabilization, a recovery of 5-6% annual growth in GDP, typical in the recovery of a business cycle, is unlikely this time around. Meanwhile, the economy continued to lose jobs, with the number of unemployed persons in the U.S. reaching 14.7 million in June. Thirty percent of those unemployed have been unemployed for six months or longer. Further compounding problems is the fact that those with incomes are reluctant to spend it, spiking the savings rate to 6.9%, its highest level since 1993.

The housing market will continue to dampen a rebound, as this market is expected to take five or more years to revive. Furthermore, if long-term interest rates rise in reaction to positive economic prospects, a rebound in the housing market will be delayed by higher mortgage rates.

## OUTLOOK

The market expects a gradual economic recovery over the next year or two. At some point, the Fed will have to unwind its extraordinary efforts to liquefy the markets. The Fed will be challenged to do this early enough to avoid stoking inflation and without causing undue harm that could quench a recovery or cause financial market dislocation. The hope is that excess capacity will dampen future inflation and offer a window of opportunity for the Fed to unwind positions. Thus, short- and intermediate-term rates are likely to be range bound for the next three to six months as these theories are tested. However, as the theory of an economic recovery continues to gain momentum, risks, such as interest rate risk, may force returns on intermediate- and long-term fixed-income portfolios to be low or negative. Duration management will become even more critical in this phase of the economic/interest rate cycle.

## Portfolio Summary

| Total Portfolio Value | June 30, 2009 | March 31, 2009 |
|---|---|---|
| Market Value | **$194,610,386.79** | $178,059,419.58 |
| Amortized Cost | **$192,857,372.96** | $175,512,743.40 |

## PORTFOLIO RECAP

- The portfolio complies with the City's investment policy and the California Government Code.
- The portfolio performed extremely well in the second quarter: the issuers of the securities in the portfolio are the U.S. Treasury, Federal agencies, and financially strong companies; the portfolio is well diversified; and the total return for the quarter exceeded the return of the benchmark by 99 basis points (0.99%) unannualized.
- This performance was achieved through a disciplined, long-term investment approach. During the quarter, we took advantage of changes between sectors or issuers to lock in realized gains and to pick up additional return for the portfolio.
  - We continued to focus on safety and liquidity in the portfolio.
  - We managed the portfolio's duration in response to changing interest rates. At the start of the quarter, with interest rates near historical lows, we maintained a defensive posture with the portfolio's duration positioned well short of the target duration. When yields rose sharply later in the quarter, we extended the portfolio's duration closer to the benchmark's duration. This duration extension further benefitted the portfolio's performance when interest rates fell at the end of the quarter.
  - We utilized the steepness of the yield curve to employ a "roll down the yield curve" investment strategy to keep the portfolio's duration close to the target—we sold shorter-term securities before their maturity and invested the proceeds farther out on the yield curve.
  - We managed sector allocations to take advantage of changes in relative value between sectors. Earlier in the year when the yield differential (spread) between Federal agency and U.S. Treasury securities was well above historical averages, we over-weighted the portfolio's allocation to Federal agency securities. When yield spreads narrowed significantly during the second quarter, we sold Federal agencies to capture their appreciated value, and we purchased Treasury securities, which on a relative basis had become very cheap.
  - We continued to closely monitor the corporate securities in the portfolio. The performance of the corporate sector improved over the quarter as corporate issuers benefitted from improved stability in the financial markets. As we were able to identify an issue that offered good relative value, we maintained the portfolio's allocation to corporate securities.
- The portfolio's excellent performance during the second quarter was enhanced by PFM's analysis and quick reaction to short-lived anomalies in the market, which arose from such events as the issuance of a new investment type (FDIC-Guaranteed corporates), Federal Reserve interventions, and the overall high degree of economic uncertainty.

**Portfolio Summary - continued**

## PORTFOLIO STRATEGY

- While recent economic news has been less negative, there is no consistent evidence that the economy has begun its recovery. At its August meeting, the Federal Open Market Committee reiterated its position that it "continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the Federal Funds rate for an extended period." We are unlikely to see any significant increase in rates until there are clear signs of economic recovery.
- We will maintain the disciplined long-term focus to managing the portfolio, which has safely provided the City's portfolio with good long-term performance relative to the performance benchmark.
- Compared to the start of the first quarter when we had shortened the portfolio's duration to around 85% of the benchmark's duration, we started the third quarter with a more neutral duration target that is around 90-95% of the benchmark's duration. This target should help the portfolio's returns remain in line with the benchmark.
- The benchmark's duration has increased compared to previous quarters because of the increased issuance of longer-term U.S. Treasury securities—there are now more longer-term securities in the index than before so the duration of the index has lengthened. Because we strive to keep the portfolio's duration close to the duration of the benchmark, we will likely lengthen the duration of the portfolio, which will make it more sensitive to interest rate risk and return volatility than it was a year or two ago.
- We will maintain a well-diversified portfolio, evaluating all investment types allowed by the City's investment policy. Over the past quarter, Federal Agencies lost much of their yield advantage relative to Treasuries. As a result, we will likely maintain a higher allocation to Treasury securities than in the recent past. We also anticipate reducing the portfolio's exposure to callable agencies and floating-rate notes, as they do not offer the same value they had in recent quarters.
- We will continue to closely monitor developments in the credit markets. We believe the corporate securities in the portfolio remain appropriate investments for the City. We may even modestly increase the portfolio's corporate exposure if we find securities that meet our stringent credit criteria and offer good value.
- We will continue to look for opportunities to safely enhance the portfolio's long-term performance by taking advantage of changes between sectors and maturities. We expect the portfolio's return will be closer to the return of the benchmark in the third quarter as it is impossible to replicate the significant outperformance we generated during the second quarter. As interest rates remain very low, we also expect that total returns will remain very low, or may even be negative if rates rise in the near future.

## Year-To-Date Cash-Basis Earnings Analysis (Monthly)[1,2,3,4]

| Month | Fiscal Year 2007/08 Actual | Fiscal Year 2008/09 Budget | Fiscal Year 2008/09 Year-To-Date Actual | Fiscal Year 2008/09 Current Forecast | Fiscal Year 2008/09 Actual/Forecast vs. Budget | Current Forecast FY 2008/09 vs. FY 2007/08 | Fiscal Year 2007/08 Par Value of Portfolio | Fiscal Year 2008/09 Par Value of Portfolio |
|---|---|---|---|---|---|---|---|---|
| July | 550,478 | 838,900 | 864,915 | 864,915 | 26,015 | 314,437 | 148,400,000 | 156,280,000 |
| August | 657,816 | 1,040,900 | 1,073,240 | 1,073,240 | 32,340 | 415,425 | 150,430,000 | 157,890,000 |
| September | 885,045 | 442,200 | 455,891 | 455,891 | 13,691 | (429,154) | 150,817,917 | 157,583,000 |
| October | 236,856 | 209,200 | 173,715 | 173,715 | (35,485) | (63,141) | 150,992,917 | 157,680,000 |
| November | 703,236 | 345,000 | 355,981 | 355,981 | 10,981 | (347,255) | 151,715,000 | 158,125,000 |
| December | 598,885 | 708,100 | 1,953,746 | 1,953,746 | 1,245,646 | 1,354,862 | 152,035,000 | 163,265,000 |
| January | 932,603 | 848,800 | 1,189,246 | 1,189,246 | 340,446 | 256,643 | 152,351,667 | 162,570,000 |
| February | 911,960 | 946,600 | 1,150,355 | 1,150,355 | 203,755 | 238,395 | 156,758,000 | 163,700,000 |
| March | 924,634 | 289,800 | 475,981 | 475,981 | 186,181 | (448,653) | 158,603,000 | 164,390,000 |
| April | 546,321 | 263,100 | 313,086 | 313,086 | 49,986 | (233,235) | 154,415,000 | 165,185,000 |
| May | 619,795 | 351,600 | 1,012,903 | 1,012,903 | 661,303 | 393,108 | 158,000,000 | 166,460,000 |
| June | 823,352 | 715,700 | 567,393 | 567,393 | (148,308) | (255,960) | 161,325,000 | 167,720,000 |
| Total | 8,390,980 | 6,999,900 | 9,586,452 | 9,586,452 | 2,586,552 | 1,195,472 | 153,820,292 | 161,737,333 |
| Cash Return | 5.46% | 4.33% | | 5.93% | | | | |

Notes:

1. Earnings based on the City's cash receipt based (non GAAP) accounting methodology.
2. Monthly volatility reflects actual and expected timing of receipt of coupon payments and other cash-based earnings.
3. Cash return is total cash earnings divided by average portfolio balance.
4. Earnings do not include LAIF.

## Year-To-Date Cash-Basis Earnings Analysis (Cumulative)[1,2,3,4]

| Month | Fiscal Year 2007/08 Actual | Fiscal Year 2008/09 Budget | Fiscal Year 2008/09 Year-To-Date Actual | Fiscal Year 2008/09 Current Forecast | Fiscal Year 2008/09 Actual/Forecast vs. Budget | Current Forecast FY 2008/09 vs. FY 2007/08 | Fiscal Year 2007/08 Par Value of Portfolio | Fiscal Year 2008/09 Par Value of Portfolio |
|---|---|---|---|---|---|---|---|---|
| July | 550,478 | 838,900 | 864,915 | 864,915 | 26,015 | 314,437 | 148,400,000 | 156,280,000 |
| August | 1,208,294 | 1,879,800 | 1,938,155 | 1,938,155 | 58,355 | 729,862 | 150,430,000 | 157,890,000 |
| September | 2,093,339 | 2,322,000 | 2,394,046 | 2,394,046 | 72,046 | 300,707 | 150,817,917 | 157,583,000 |
| October | 2,330,195 | 2,531,200 | 2,567,761 | 2,567,761 | 36,561 | 237,566 | 150,992,917 | 157,680,000 |
| November | 3,033,431 | 2,876,200 | 2,923,742 | 2,923,742 | 47,542 | (109,689) | 151,715,000 | 158,125,000 |
| December | 3,632,315 | 3,584,300 | 4,877,489 | 4,877,489 | 1,293,189 | 1,245,173 | 152,035,000 | 163,265,000 |
| January | 4,564,919 | 4,433,100 | 6,066,734 | 6,066,734 | 1,633,634 | 1,501,816 | 152,351,667 | 162,570,000 |
| February | 5,476,878 | 5,379,700 | 7,217,089 | 7,217,089 | 1,837,389 | 1,740,211 | 156,758,000 | 163,700,000 |
| March | 6,401,512 | 5,669,500 | 7,693,071 | 7,693,071 | 2,023,571 | 1,291,558 | 158,603,000 | 164,390,000 |
| April | 6,947,833 | 5,932,600 | 8,006,156 | 8,006,156 | 2,073,556 | 1,058,323 | 154,415,000 | 165,185,000 |
| May | 7,567,628 | 6,284,200 | 9,019,060 | 9,019,060 | 2,734,860 | 1,451,431 | 158,000,000 | 166,460,000 |
| June | 8,390,980 | 6,999,900 | 9,586,452 | 9,586,452 | 2,586,552 | 1,195,472 | 161,325,000 | 167,720,000 |
| Total | 8,390,980 | 6,999,900 | 9,586,452 | 9,586,452 | 2,586,552 | 1,195,472 | 153,820,292 | 161,737,333 |
| Cash Return | 5.46% | 4.33% | | 5.93% | | | | |

Notes:

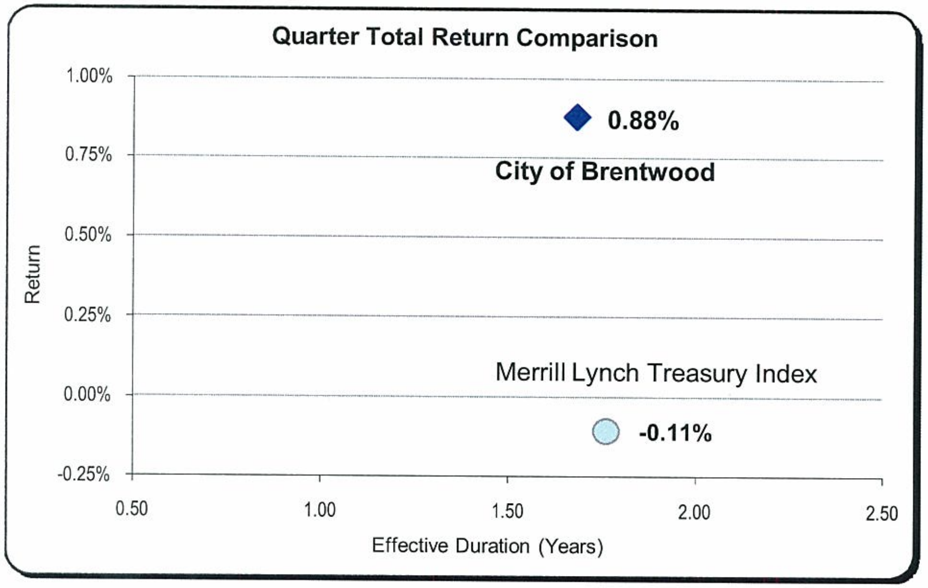
1. Earnings based on the City's cash receipt based (non GAAP) accounting methodology.
2. Monthly volatility reflects actual and expected timing of receipt of coupon payments and other cash-based earnings.
3. Cash return is total cash earnigns divided by average portfolio balance.
4. Earnings do not include LAIF.

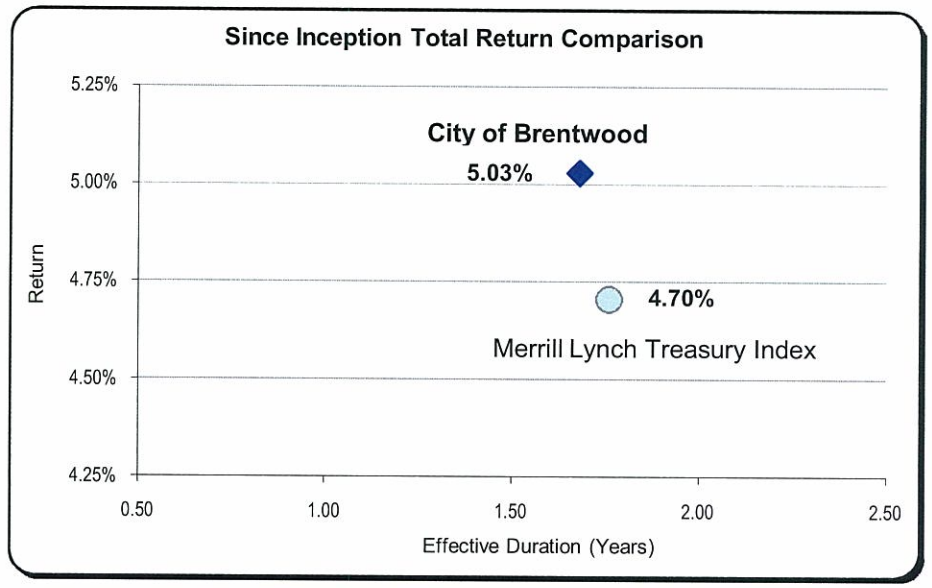
## Portfolio Performance

| Total Return[1,2,3,4,5] | Quarter Ended June 30, 2009 | Past Year | Past 3 Years | Past 5 Years | Since Inception |
|---|---|---|---|---|---|
| **City of Brentwood** | **0.88%** | **5.87%** | **6.02%** | **4.48%** | **5.03%** |
| Merrill Lynch Treasury Index | -0.11% | 4.39% | 5.58% | 4.07% | 4.70% |

| Effective Duration[4,5,6] | June 30, 2009 | March 31, 2009 |
|---|---|---|
| **City of Brentwood** | **1.68** | **1.46** |
| Merrill Lynch Treasury Index | 1.81 | 1.76 |

| Yields | June 30, 2009 | March 31, 2009 |
|---|---|---|
| Yield at Market | **1.57%** | 1.83% |
| Yield on Cost | **2.30%** | 2.95% |



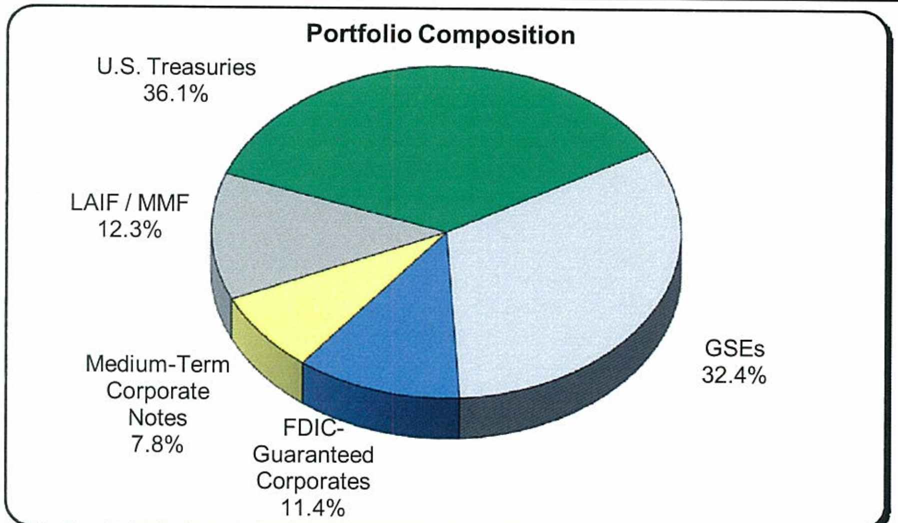



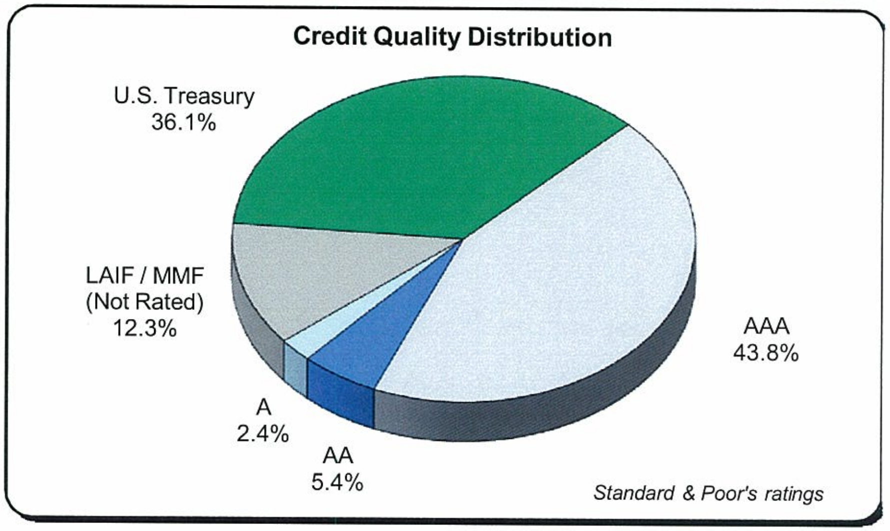

Notes:

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.
3. Merrill Lynch Indices provided by Bloomberg Financial Markets.
4. Includes money market fund/cash in performance and duration computations and excludes LAIF from performance, yield and duration computations.
5. Short-term funds are not included in performance and duration calculations.
6. Merrill Lynch 9-12 Month U.S. Treasury Bill Index for quarters through March 31, 2001, Merrill Lynch 9-12 Month U.S. Treasury Note Index ending June 30, 2002 and Merrill Lynch 1-3 Year U.S. Treasury Note Index beginning July 1, 2002.
7. Inception date is 12/31/92.

## Portfolio Composition and Credit Quality Characteristics

| Security Type[1] | June 30, 2009 | % of Portfolio | March 31, 2009 | % of Portfolio | Permitted by Policy |
|---|---|---|---|---|---|
| **U.S. Treasuries** | **$70,283,377.84** | **36.1%** | $25,026,174.73 | 14.1% | **100%** |
| **Federal Agencies** | **$85,150,082.94** | **43.8%** | $128,475,910.86 | 72.2% | **100%** |
| *GSEs[2]* | *$63,045,648.95* | *32.4%* | *$103,783,331.51* | *58.3%* | *100%* |
| *FDIC-Guaranteed Corporates[3]* | *$22,104,433.99* | *11.4%* | *$24,692,579.35* | *13.9%* | *100%* |
| **Commercial Paper** | **$0.00** | **0.0%** | $0.00 | 0.0% | **25%** |
| **Certificates of Deposit** | **$0.00** | **0.0%** | $0.00 | 0.0% | **30%** |
| **Bankers' Acceptances** | **$0.00** | **0.0%** | $0.00 | 0.0% | **40%** |
| **Repurchase Agreements** | **$0.00** | **0.0%** | $0.00 | 0.0% | **100%** |
| **California Municipal Obligations** | **$0.00** | **0.0%** | $0.00 | 0.0% | **100%** |
| **Medium-Term Corporate Notes** | **$15,207,728.56** | **7.8%** | $15,696,922.45 | 8.8% | **30%** |
| **Money Market Fund/Cash** | **$178,490.47** | **0.1%** | $793,325.96 | 0.4% | **15%** |
| **LAIF** | **$23,790,706.98** | **12.2%** | $8,067,085.58 | 4.5% | **$40 Million** |
| **Totals** | **$194,610,386.79** | **100.0%** | $178,059,419.58 | 100.0% | |



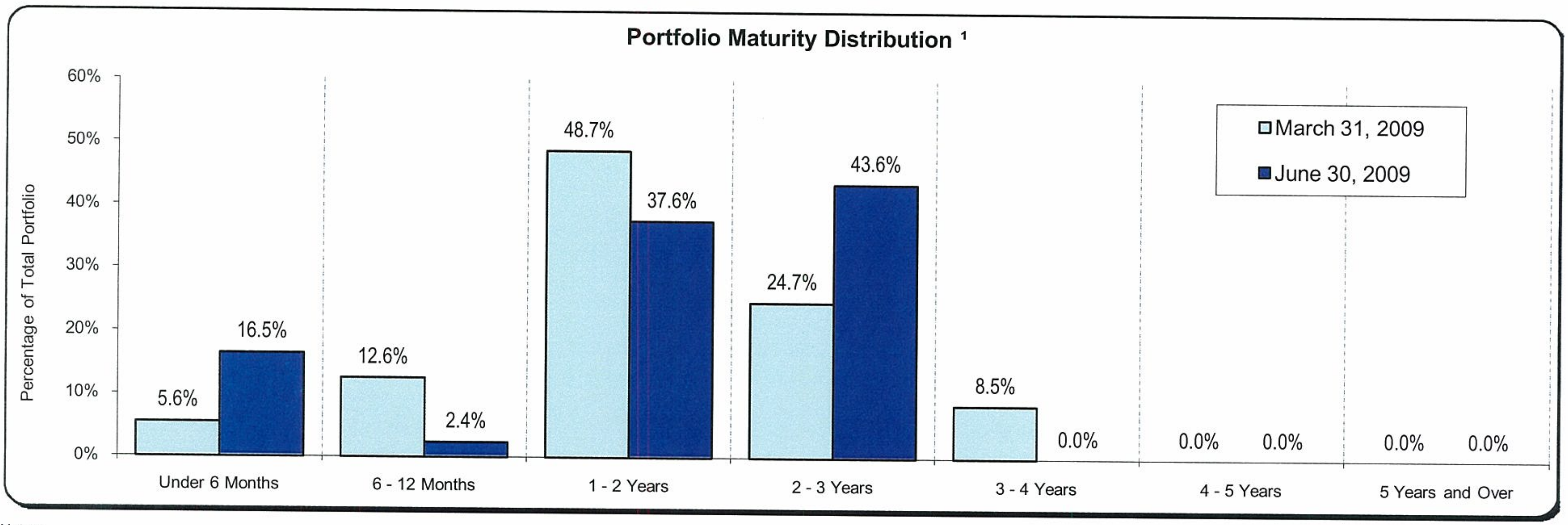




Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government sponsored enterprises including, but not limited to Fannie Mae, Freddie Mac, Federal Home Loan Bank system and Federal Farm Credit Banks.
3. Debt guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program and backed by the full faith and credit of the United States.

## Portfolio Maturity Distribution

| Maturity Distribution[1] | June 30, 2009 | March 31, 2009 |
|---|---|---|
| Under 6 Months | **$32,103,352.45** | $9,888,493.76 |
| 6 - 12 Months | **$4,617,815.83** | $22,425,443.68 |
| 1 - 2 Years | **$73,097,832.62** | $86,726,314.74 |
| 2 - 3 Years | **$84,791,385.89** | $43,915,520.66 |
| 3-4 Years | **$0.00** | $15,103,646.74 |
| 4 - 5 Years | **$0.00** | $0.00 |
| 5 Years and Over | **$0.00** | $0.00 |
| **Totals** | **$194,610,386.79** | $178,059,419.58 |




Notes:

1. Callable securities in portfolio, if any, are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

## Managed Account Detail of Securities Held

For the Month Ending **June 30, 2009**

CITY OF BRENTWOOD - 09900003

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **U.S. Treasury Bond / Note** | | | | | | | | | | | |
| US TREASURY NOTES DTD 08/15/2005 4.125% 08/15/2010 | 912828ED8 | 9,300,000.00 | TSY | TSY | 05/27/09 | 05/28/09 | 9,700,335.94 | 0.57 | 144,124.31 | 9,669,583.21 | 9,669,461.10 |
| US TREASURY NOTES DTD 11/30/2008 1.250% 11/30/2010 | 912828JS0 | 1,965,000.00 | TSY | TSY | 12/19/08 | 12/22/08 | 1,984,650.00 | 0.73 | 2,080.43 | 1,979,366.43 | 1,979,501.70 |
| US TREASURY NOTES DTD 12/31/2008 0.875% 12/31/2010 | 912828JV3 | 5,000,000.00 | TSY | TSY | 04/29/09 | 04/30/09 | 5,003,710.94 | 0.83 | 118.89 | 5,003,341.55 | 5,006,835.00 |
| US TREASURY NOTES DTD 03/31/2009 0.875% 03/31/2011 | 912828KH2 | 5,000,000.00 | TSY | TSY | 04/02/09 | 04/07/09 | 4,999,414.06 | 0.88 | 10,997.27 | 4,999,482.95 | 4,993,165.00 |
| US TREASURY NOTES DTD 06/30/2006 5.125% 06/30/2011 | 912828FK1 | 4,000,000.00 | TSY | TSY | 07/18/08 | 07/23/08 | 4,248,593.75 | 2.90 | 557.07 | 4,171,356.60 | 4,314,688.00 |
| US TREASURY NOTES DTD 10/31/2006 4.625% 10/31/2011 | 912828FW5 | 1,410,000.00 | TSY | TSY | 10/14/08 | 10/17/08 | 1,510,682.81 | 2.18 | 10,986.89 | 1,487,847.12 | 1,518,173.79 |
| US TREASURY NOTES DTD 11/15/2008 1.750% 11/15/2011 | 912828JU5 | 5,120,000.00 | TSY | TSY | 11/26/08 | 12/02/08 | 5,173,400.00 | 1.39 | 11,443.48 | 5,163,074.51 | 5,174,425.60 |
| US TREASURY NOTES DTD 02/15/2009 1.375% 02/15/2012 | 912828KC3 | 7,600,000.00 | TSY | TSY | 03/02/09 | 03/03/09 | 7,626,718.75 | 1.25 | 39,259.67 | 7,623,776.98 | 7,593,471.60 |
| US TREASURY NOTES DTD 03/15/2009 1.375% 03/15/2012 | 912828KG4 | 6,940,000.00 | TSY | TSY | 04/13/09 | 04/14/09 | 6,972,260.16 | 1.21 | 28,005.16 | 6,969,961.02 | 6,926,446.18 |
| US TREASURY NOTES DTD 04/15/2009 1.375% 04/15/2012 | 912828KK5 | 2,625,000.00 | TSY | TSY | 05/04/09 | 05/07/09 | 2,624,794.92 | 1.38 | 7,593.49 | 2,624,807.14 | 2,615,361.00 |
| US TREASURY NOTES DTD 05/15/2009 1.375% 05/15/2012 | 912828KP4 | 4,030,000.00 | TSY | TSY | 06/05/09 | 06/09/09 | 3,988,598.05 | 1.74 | 7,077.14 | 3,989,425.76 | 4,007,351.40 |
| US TREASURY NOTES DTD 05/15/2009 1.375% 05/15/2012 | 912828KP4 | 2,500,000.00 | TSY | TSY | 06/03/09 | 06/04/09 | 2,493,847.66 | 1.46 | 4,390.29 | 2,493,998.98 | 2,485,950.00 |
| US TREASURY NOTES DTD 05/15/2009 1.375% 05/15/2012 | 912828KP4 | 7,000,000.00 | TSY | TSY | 06/01/09 | 06/04/09 | 6,982,773.44 | 1.46 | 12,292.80 | 6,983,197.13 | 6,960,660.00 |
| US TREASURY NOTES DTD 06/15/2009 1.875% 06/15/2012 | 912828KX7 | 5,640,000.00 | TSY | TSY | 06/10/09 | 06/15/09 | 5,621,273.44 | 1.99 | 4,622.95 | 5,621,539.60 | 5,681,002.80 |
| **Security Type Sub-Total** | | **68,130,000.00** | | | | | **68,931,053.92** | **1.34** | **283,549.84** | **68,780,758.98** | **68,926,493.17** |

## Managed Account Detail of Securities Held

For the Month Ending **June 30, 2009**

CITY OF BRENTWOOD - 09900003

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **U.S. Treasury Bill** | | | | | | | | | | | |
| US TREASURY BILL -- 0.000% 12/17/2009 | 912795S69 | 1,075,000.00 | TSY | TSY | 06/30/09 | 06/30/09 | 1,073,337.48 | 0.33 | 0.00 | 1,073,347.26 | 1,073,334.83 |
| **Security Type Sub-Total** | | **1,075,000.00** | | | | | **1,073,337.48** | **0.33** | **0.00** | **1,073,347.26** | **1,073,334.83** |
| **Federal Agency Bond / Note** | | | | | | | | | | | |
| FHLMC MTN (CALLED, OMD 1/7/2011) DTD 01/07/2009 2.000% 07/07/2009 | 3128X8CV2 | 4,000,000.00 | AAA | Aaa | 01/02/09 | 01/07/09 | 4,001,000.00 | 1.99 | 38,666.67 | 4,000,000.00 | 4,000,716.00 |
| FHLB BONDS (CALLED, OMD 4/9/2012) DTD 01/09/2009 3.000% 07/10/2009 | 3133XSOY7 | 3,000,000.00 | AAA | Aaa | 12/16/08 | 01/09/09 | 3,000,000.00 | 3.00 | 20,500.00 | 3,000,000.00 | 3,000,937.50 |
| FHLMC GLOBAL REFERENCE NOTES DTD 06/21/2005 4.125% 07/12/2010 | 3134A4VB7 | 2,140,000.00 | AAA | Aaa | 10/04/07 | 10/04/07 | 2,120,799.92 | 4.47 | 41,440.21 | 2,132,635.23 | 2,223,593.75 |
| FHLB GLOBAL BONDS DTD 07/28/2008 3.375% 08/13/2010 | 3133XRWL0 | 4,160,000.00 | AAA | Aaa | 07/31/08 | 08/01/08 | 4,169,692.80 | 3.25 | 53,820.00 | 4,165,379.50 | 4,290,000.00 |
| FHLB TAP BONDS DTD 08/10/2005 4.500% 09/10/2010 | 3133XCUR2 | 1,680,000.00 | AAA | Aaa | 04/08/08 | 04/11/08 | 1,749,844.32 | 2.71 | 23,310.00 | 1,715,042.13 | 1,755,600.00 |
| FHLMC MTN (CALLABLE) DTD 04/20/2009 1.375% 10/20/2010 | 3128X8WX6 | 2,550,000.00 | AAA | Aaa | 04/14/09 | 04/20/09 | 2,549,745.00 | 1.38 | 6,915.10 | 2,549,778.30 | 2,551,392.30 |
| FHLMC MTN (CALLABLE) DTD 04/27/2009 1.375% 10/27/2010 | 3128X8XK3 | 1,450,000.00 | AAA | Aaa | 04/14/09 | 04/27/09 | 1,450,000.00 | 1.38 | 3,544.44 | 1,450,000.00 | 1,451,081.70 |
| FHLB TAP BONDS DTD 11/03/2005 4.750% 12/10/2010 | 3133XDTA9 | 2,995,000.00 | AAA | Aaa | 01/04/08 | 01/08/08 | 3,100,064.60 | 3.48 | 8,298.65 | 3,048,180.21 | 3,160,660.94 |
| FHLMC MTN (CALLABLE) DTD 01/20/2009 2.000% 01/20/2011 | 3128X8EB4 | 4,200,000.00 | AAA | Aaa | 01/07/09 | 01/20/09 | 4,200,000.00 | 2.00 | 37,566.67 | 4,200,000.00 | 4,203,061.80 |
| FNMA NOTES (CALLABLE) DTD 02/11/2009 2.000% 02/11/2011 | 3136FHAA3 | 2,790,000.00 | AAA | Aaa | 02/03/09 | 02/11/09 | 2,790,000.00 | 2.00 | 21,700.00 | 2,790,000.00 | 2,809,181.25 |
| FHLB TAP BONDS DTD 02/22/2008 3.250% 03/11/2011 | 3133XPWW0 | 2,575,000.00 | AAA | Aaa | 11/06/08 | 11/07/08 | 2,576,810.23 | 3.22 | 25,571.18 | 2,576,373.30 | 2,669,148.44 |
| FHLB TAP BONDS DTD 02/22/2008 3.250% 03/11/2011 | 3133XPWW0 | 4,100,000.00 | AAA | Aaa | 04/29/08 | 04/30/08 | 4,099,385.00 | 3.25 | 40,715.28 | 4,099,693.61 | 4,249,906.25 |

# Managed Account Detail of Securities Held

For the Month Ending **June 30, 2009**

CITY OF BRENTWOOD - 09900003

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Federal Agency Bond / Note** | | | | | | | | | | | |
| FNMA NOTES (CALLABLE) DTD 08/18/2008 4.000% 08/18/2011 | 31398ATD4 | 5,180,000.00 | AAA | Aaa | 11/20/08 | 11/21/08 | 5,180,000.00 | 4.00 | 76,548.89 | 5,180,000.00 | 5,204,281.25 |
| FHLB TAP BONDS DTD 08/05/2008 3.750% 09/09/2011 | 3133XRY46 | 1,500,000.00 | AAA | Aaa | 11/04/08 | 11/05/08 | 1,515,108.00 | 3.37 | 17,500.00 | 1,511,786.58 | 1,574,531.25 |
| FHLMC GLOBAL NOTES DTD 02/19/2009 2.125% 03/23/2012 | 3137EABY4 | 5,175,000.00 | AAA | Aaa | 02/18/09 | 02/19/09 | 5,169,255.75 | 2.16 | 40,321.88 | 5,169,951.17 | 5,221,898.44 |
| FHLMC GLOBAL NOTES (CALLABLE) DTD 03/23/2009 2.500% 03/23/2012 | 3128X8SK9 | 5,000,000.00 | AAA | Aaa | 05/26/09 | 05/28/09 | 5,037,000.00 | 2.23 | 34,027.78 | 5,032,887.35 | 5,032,935.00 |
| FHLMC GLOBAL NOTES (CALLABLE) DTD 03/23/2009 2.500% 03/23/2012 | 3128X8SK9 | 1,500,000.00 | AAA | Aaa | 05/12/09 | 05/13/09 | 1,511,670.00 | 2.22 | 10,208.33 | 1,509,873.36 | 1,509,880.50 |
| FHLMC GLOBAL NOTES DTD 05/21/2009 1.750% 06/15/2012 | 3137EACC1 | 7,650,000.00 | AAA | Aaa | 05/19/09 | 05/21/09 | 7,642,656.00 | 1.78 | 14,875.00 | 7,642,923.37 | 7,621,312.50 |
| **Security Type Sub-Total** | | **61,645,000.00** | | | | | **61,863,031.62** | **2.62** | **515,530.08** | **61,774,504.11** | **62,530,118.87** |
| **Corporate Note - Temp. Liq. Guar. Prog.** | | | | | | | | | | | |
| JPMORGAN CHASE & CO (FDIC) NOTE DTD 02/23/2009 1.650% 02/23/2011 | 481247AG9 | 4,190,000.00 | AAA | Aaa | 02/19/09 | 02/23/09 | 4,188,365.90 | 1.67 | 24,581.33 | 4,188,652.79 | 4,225,711.37 |
| CITIBANK NA (FDIC) NOTE DTD 03/30/2009 1.625% 03/30/2011 | 17314JAA1 | 2,480,000.00 | AAA | Aaa | 05/26/09 | 05/27/09 | 2,500,839.44 | 1.16 | 10,186.94 | 2,499,782.86 | 2,499,403.52 |
| SUNTRUST BANK (FDIC) GLOBAL BANK NOTE DTD 12/16/2008 3.000% 11/16/2011 | 86801BAB1 | 4,000,000.00 | AAA | Aaa | 12/09/08 | 12/16/08 | 3,987,880.00 | 3.11 | 15,000.00 | 3,989,999.88 | 4,126,964.00 |
| MORGAN STANLEY (FDIC) GLOBAL NOTE DTD 12/02/2008 3.250% 12/01/2011 | 61757UAB6 | 4,350,000.00 | AAA | Aaa | 11/26/08 | 12/02/08 | 4,348,521.00 | 3.26 | 11,781.25 | 4,348,794.14 | 4,512,620.40 |
| REGIONS BANK (FDIC) GLOBAL NOTE DTD 12/11/2008 3.250% 12/09/2011 | 7591EAAB9 | 4,000,000.00 | AAA | Aaa | 12/08/08 | 12/11/08 | 3,996,280.00 | 3.28 | 7,944.44 | 3,996,938.84 | 4,150,264.00 |
| CITIGROUP INC (FDIC) GLOBAL NOTE DTD 01/30/2009 2.125% 04/30/2012 | 17313UAE9 | 2,500,000.00 | AAA | Aaa | 01/23/09 | 01/30/09 | 2,495,150.00 | 2.19 | 9,001.74 | 2,495,726.30 | 2,510,975.00 |

## Managed Account Detail of Securities Held

For the Month Ending **June 30, 2009**

CITY OF BRENTWOOD - 09900003

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Security Type Sub-Total** | | **21,520,000.00** | | | | | **21,517,036.34** | **2.57** | **78,495.70** | **21,519,894.81** | **22,025,938.29** |
| **Corporate Note** | | | | | | | | | | | |
| WELLS FARGO & COMPANY GLOBAL SR NOTES DTD 12/06/2004 4.200% 01/15/2010 | 949746JJ1 | 3,000,000.00 | AA- | A1 | 09/01/06 | 09/07/06 | 2,908,170.00 | 5.20 | 58,100.00 | 2,984,206.83 | 3,034,551.00 |
| MORGAN STANLEY GLOBAL SR NOTES DTD 05/07/2003 4.250% 05/15/2010 | 61744AAN0 | 1,500,000.00 | A | A2 | 08/23/07 | 08/28/07 | 1,455,195.00 | 5.45 | 8,145.83 | 1,484,938.70 | 1,517,019.00 |
| US BANCORP SR MTN DTD 07/29/2005 4.500% 07/29/2010 | 91159HGJ3 | 2,000,000.00 | A+ | Aa3 | 08/30/07 | 09/05/07 | 1,969,420.00 | 5.07 | 38,000.00 | 1,988,157.08 | 2,059,480.00 |
| GENERAL ELEC CAP CORP (FLOATING) NOTE DTD 01/29/2007 1.142% 01/26/2011 | 36962G2E3 | 2,200,000.00 | AA+ | Aa2 | 05/13/09 | 05/18/09 | 2,064,326.00 | 4.97 | 4,466.02 | 2,073,574.18 | 2,117,049.00 |
| CREDIT SUISSE USA INC GL FRN (LIB3+19) DTD 03/02/2006 0.846% 03/02/2011 | 225434AE9 | 1,000,000.00 | A+ | Aa1 | 04/08/08 | 04/11/08 | 976,705.00 | 4.12 | 681.70 | 976,705.00 | 981,988.00 |
| GENERAL ELECTRIC CAPITAL CORP (FLOAT) DTD 12/06/2006 0.709% 06/06/2011 | 36962GZ80 | 5,650,000.00 | AA+ | Aa2 | 05/13/09 | 05/18/09 | 5,221,210.77 | 5.28 | 2,560.66 | 5,242,558.73 | 5,385,687.35 |
| **Security Type Sub-Total** | | **15,350,000.00** | | | | | **14,595,026.77** | **5.13** | **111,954.21** | **14,750,140.52** | **15,095,774.35** |
| **Managed Account Sub-Total** | | **167,720,000.00** | | | | | **167,979,486.13** | **2.30** | **989,529.83** | **167,898,645.68** | **169,651,659.51** |
| **Securities Sub-Total** | | **$167,720,000.00** | | | | | **$167,979,486.13** | **2.30%** | **$989,529.83** | **$167,898,645.68** | **$169,651,659.51** |
| **Accrued Interest** | | | | | | | | | | | **$989,529.83** |
| **Total Investments** | | | | | | | | | | | **$170,641,189.34** |