OFFICE OF THE TREASURER-TAX COLLECTOR



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December 8, 2006

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TO: Board of Supervisors

Thomas G. Mauk, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

Participants

FROM: Chriss W. Street

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for November 30, 2006

Attached please find the Treasurer's Management Report for the County of Orange for the month ended November 30, 2006. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website www.ocgov.com/treas/.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending November 30. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Investment Pool's September and October 2006 interest apportionments. We anticipate posting the September and October 2006 interest apportionments to participants' cash accounts in the County general ledger by approximately November 20 and December 26, 2006, respectively.

CHANGES IN ELIGIBLE CREDITS

In the month of November, there were no changes to the Treasurer's approved eligibility list.

MARKET OBSERVATIONS

The Bond Market demonstrated a sustained rise as interest rates declined during the month of November in response to a slowing US manufacturing sector and a continued contraction in the housing market. Meanwhile, equity markets rose in response to strong corporate profitability during a period of falling interest rates. The Treasurer's office successfully positioned portfolios to take advantage of this situation and continues to generate superior yields and the highest level of liquidity as measured by the respected rating agencies of Moody's and Fitch.

The premier challenge facing investors today is whether inflation will decline over the coming months or remain at levels the Federal Reserve has stated are above their comfort level. As the US has exported more of its manufacturing, it has become increasingly sensitive to pricing pressures outside our national borders. The treasurer's investment team forecasts the probable outcome for the global economy is continued growth which will provide pressure for inflation to remain at or near current levels. Therefore, unlike in past cycles, as domestic growth drops below trend levels, inflation is unlikely to recede. Market participants are pricing in three rate cuts by the Federal Reserve next year beginning in the first quarter. Our team is not convinced this is a foregone conclusion and is looking to selectively extend durations as interest rates backup.

The Treasurer's Office appreciates your continued confidence and looks forward to providing you exemplary portfolio and cash management services in the future.

Please call with any questions.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY

December 1, 2005 - November 30, 2006

PERIOD ENDING - MONTH / YEAR	N	MONTH END IARKET VALUE	ΕA	ARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - November 2006						
County Pool - Money Market Fund	\$	1,834,087,894	\$	7,897,248	5.39%	61
Educational Pool - Money Market Fund	\$	1,913,967,546	\$	8,281,668	5.36%	62
Extended Fund	\$	1,971,569,719	\$	8,216,199	4.99%	457
October 2006	Ψ	1,971,509,719	Ψ	0,210,199	4.5570	701
	\$	1 700 100 070	Ф	7 560 049	E 200/	57
County Pool - Money Market Fund		1,792,188,272	\$	7,569,048	5.39%	
Educational Pool - Money Market Fund	\$	1,923,791,277	\$	9,185,841	5.35%	60
Extended Fund	\$	1,944,745,354	\$	7,841,267	4.80%	483
September 2006						
County Pool - Money Market Fund	\$	1,615,083,076	\$	7,236,374	5.41%	60
Educational Pool - Money Market Fund	\$	1,948,311,050	\$	8,808,477	5.40%	66
Extended Fund	\$	1,903,965,350	\$	7,429,388	4.78%	454
August 2006						
County Pool - Money Market Fund	\$	1,614,920,265	\$	6,811,792	5.40%	63
Educational Pool - Money Market Fund	\$	2,035,802,849	\$	9,180,864	5.38%	64
Extended Fund	\$	1,895,848,400	\$	7,712,637	4.60%	414
July 2006		, , ,		, ,		
County Pool - Money Market Fund	\$	1,584,726,279	\$	7,778,613	5.29%	57
Educational Pool - Money Market Fund	\$	2,135,846,766	\$	8,849,641	5.24%	50
Extended Fund	\$	1,777,440,895	\$	6,516,407	4.45%	376
June 2006	φ	1,777,440,695	φ	0,510,407	4.40 /0	370
	Φ.	4 000 404 005	Φ	7.044.477	E 400/	
County Pool - Money Market Fund	\$	1,802,431,285	\$	7,644,477	5.18%	55
Educational Pool - Money Market Fund	\$	1,877,538,725	\$	8,917,379	5.09%	50
Extended Fund	\$	1,695,053,655	\$	6,274,458	4.48%	335
May 2006						
County Pool - Money Market Fund	\$	1,818,302,640	\$	8,544,307	4.98%	29
Educational Pool - Money Market Fund	\$	2,235,054,471	\$	9,348,439	4.93%	39
Extended Fund	\$	1,713,197,862	\$	6,308,786	4.27%	317
April 2006						
County Pool - Money Market Fund	\$	2,369,981,051	\$	9,761,165	4.80%	25
Educational Pool - Money Market Fund	\$	2,240,609,358	\$	8,117,151	4.81%	40
Extended Fund	\$	1,702,966,857	\$	5,973,981	4.13%	287
March 2006	ų v	1,1 02,000,001	Ψ	0,010,00		
County Pool - Money Market Fund	\$	1,953,949,036	\$	7,465,041	4.60%	30
		1,975,163,364		8,072,937	4.60%	47
Educational Pool - Money Market Fund	\$		\$, ,		
Extended Fund February 2006	\$	1,691,008,075	\$	5,134,439	3.82%	267
County Pool - Money Market Fund	\$	1,928,205,781	\$	6,203,227	4.48%	32
Educational Pool - Money Market Fund	\$	2,156,578,419	\$	7,413,028	4.47%	54
Extended Fund	\$	1,542,707,130	\$	4,883,504	3.97%	263
January 2006		, , ,		, ,		
County Pool - Money Market Fund	\$	1,730,807,314	\$	7,288,808	4.33%	28
Educational Pool - Money Market Fund	\$	2,229,871,926	\$	7,906,726	4.30%	38
Extended Fund	\$	1,667,664,958	\$	5,031,447	3.52%	267
December 2005	Φ.	0.070.550.400	φ	0.070.050	4.0004	00
County Pool - Money Market Fund	\$	2,273,556,493	\$	8,272,353	4.20%	36
Educational Pool - Money Market Fund Extended Fund	\$ \$	2,251,869,796 1,666,951,795	\$	7,013,914 4,806,291	4.17% 3.44%	45 264
CUMULATIVE BALANCES - 12 MONTHS	φ	AVERAGE	Ψ	TOTAL	AVERAGE	AVERAGE
		BALANCES		EARNINGS	YIELD	WAM
December 1, 2005 - November 30, 2006 County Pool - Money Market Fund	\$	1,859,853,282	Ф	92,472,454	4.95%	44
Educational Pool - Money Market Fund	\$	2,077,033,796	\$	101,096,065	4.93%	51
Extended Fund	\$	1,764,426,671	\$	76,128,803	4.27%	349