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San Mateo County Investment Portfolio Rated 'AAAf/S1'

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NEW YORK (Standard & Poor's) July 15, 2009--Standard & Poor's Ratings Services said today that it assigned its 'AAAf' fund credit quality and 'S1' volatility rating to the San Mateo County Investment Portfolio.

To meet liquidity and long-term investing needs, San Mateo County has established the San Mateo County Investment Pool. This fund is suitable for planned expenditures or capital funds. Individual securities in this pool may have maturities longer than two years, but the overall portfolio will have a dollar-weighted average maturity of no more than two years. It is the San Mateo County Treasurer's policy to invest public funds in a manner that will provide maximum security of principal invested, with secondary emphasis on providing adequate liquidity to pool participants, achieving the highest possible yield while conforming to all applicable statutes and resolutions governing the investment of public funds. Holdings are typically comprised of highly rated securities, including money-market instruments such as commercial paper and repurchase agreements, U.S. Treasury and Agency securities, and corporate securities rated 'A' or better by at least nationally recognized rating services.

The County Board of Supervisors and the Treasury Oversight Committee approve the San Mateo County Treasurer's Investment Policy annually, as required by the California Government Code. The Investment Policy sets clear guidelines and procedures on diversification, maturity limits, security selection, internal controls, repurchase agreements, performance standards,

and reporting.

The responsibility for conducting the County's investment program resides with the Treasurer, Lee Buffington, who supervises the investment program within the guidelines set forth in this policy. The Assistant Treasurer, Charles Tovstein, handles day-to-day investment activity. The Board of Supervisors, in consultation with the Treasurer, has established an eight-member County Treasury Oversight Committee. This committee meets quarterly to evaluate general strategies, monitor results, and discuss the economic outlook, portfolio diversification, maturity structure, and potential risks to the funds.

As of June 30, 2009, the portfolio's total assets were approximately 2.4 billion. The pool consists of both mandatory and voluntary participants. Voluntary participants are accepted in the San Mateo County Pooled Fund so long as they are a public agency, are domiciled in the County of San Mateo, agree to abide by the approved San Mateo County Pooled Fund Investment Policy, acknowledge changes to the policy annually in writing, and meet the minimum balance requirements. Agencies whose jurisdiction includes San Mateo County but are not domiciled in San Mateo County may participate in the San Mateo County Pooled Fund with the approval of the Treasurer and the County Treasury Oversight Committee.

At this time, the portfolio is comprised of approximately 84.2% in securities rated or assessed 'AAA/A-1+', with the balance in securities rated or assessed 'A' or better.

Our credit quality and volatility ratings are based on our analysis of a fund's eligible portfolio investments and strategy, historical return volatility, and management. The 'AAAf' rating signifies the portfolio holdings provide extremely strong protection against losses from credit defaults. The fund credit quality rating scale ranges from 'AAAf' (highest level of protection) to 'CCCf' (least protection). The ratings from 'AAf' to 'CCCf' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

The 'S1' volatility rating signifies that a portfolio possesses low sensitivity to changing market conditions, and a level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years. Volatility ratings range from lowest volatility ('S1', with certain funds designated a plus sign [+]) to highest volatility ('S6'). The ratings are based on analysis of a fund's investment strategy and portfolio risk, including interest rate risk, credit quality, liquidity, concentration, call and option risk.

We monitor fixed-income funds monthly to ensure the consistency of the funds' credit quality and volatility profiles with the assigned ratings.

RELATED RESEARCH

- "Criteria | Financial Institutions | Fixed-Income Funds: Fund Credit Quality Rating Criteria," Feb. 2, 2007
- "Criteria | Financial Institutions | Fixed-Income Funds: Fund Volatility Rating Criteria," Feb. 2, 2007

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