Exhibit A

Investment Portfolio Review
Quarter Ending June 30, 2010

<u>**OVERVIEW**</u> – April 1 – June 30, 2010

During the April to June quarter the treasury yield curve began to flatten as the European credit crisis and multiple domestic economic indicators caused most investors to continue the flight to safety by investing in US Treasuries. Much of the increase in unemployment can be directly attributed to the loss of temporary jobs that were created by the hiring of US census workers, but the slowing in other areas of the economy, such as lower manufacturing, construction spending and home sales continue to keep investors out of the stock markets. Financial institutions continue to be wary of the increase in "strategic defaulting", where homeowners default on homes they can still afford, simply because they have become bad investments. These issues continue to be a factor in the 45 additional regional banks that have failed since our last report.

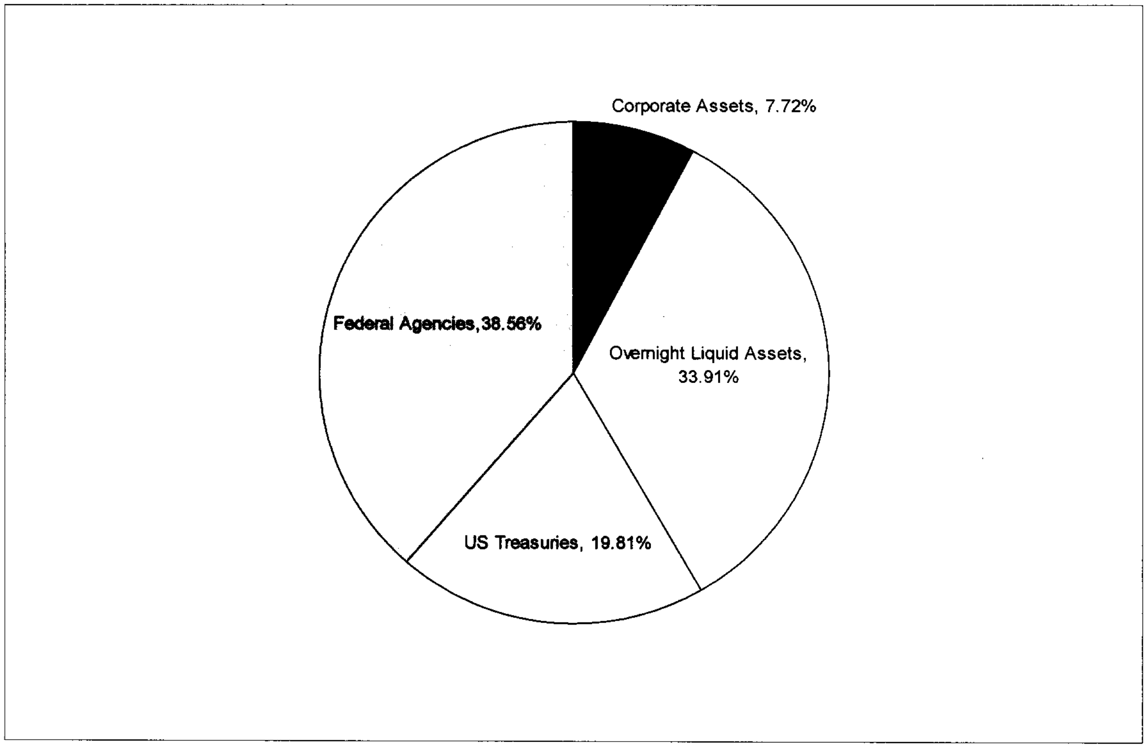
Even with the recent bad global economic news, economists continue to be optimistic in the short run about the US economy. There is still half of the original $787 billion economic stimulus package that has yet to be distributed. Since the funds are targeted towards specific projects, they should help in prohibiting increases in unemployment. With these factors in mind and in the absence of any significant inflation, the Fed has continued to maintain their position that they will keep rates at their historic lows "for an extended period of time". The following indicators reflect key aspects of the County's investment portfolio in light of the above noted conditions:

1. <u>Market Access</u> – The U.S. Treasury continues to issue substantial amounts of debt instruments. This is due to continued efforts to stimulate the economy by providing funding for financial institutions and ongoing military funding requirements. Access to U.S. Treasuries is plentiful, but investor's ongoing desire for safe havens to store funds has continued to force yields down on Treasury bonds. Investors continue to be wary of any negative economic news, global and domestic, and prefer the safety of U.S. Treasuries to any potential gains in other markets.

   During the quarter, the majority of County investment purchases continue to be in U.S. Treasury and Agency markets, with some additional investments in shorter term, highly rated (AA or better) Corporate bonds and highly rated (A1, P1), short term Commercial Paper. In addition, the Treasurer continued to keep a high level of overnight liquid assets, reflecting the need to maintain increased levels of available cash to ensure our ability to meet any cash flow needs.

2. Diversification - The Monterey County Treasurer's portfolio consists of several different types of fixed income investments, all of which are authorized by the State of California Government Code 53601.

The portfolio asset spread is noted in the pie chart below:



3. Credit Risk – Approximately 92.3% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities and other liquid funds. All of those assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. The corporate debt (7.72%) is rated in the higher levels of investment grade. All federal agency securities have AAA ratings or they are guaranteed by the U.S. Treasury.

4. Liquidity Risk – Liquidity risk, as measured by the ability of the county's treasury to meet withdrawal demands on invested assets, was adequately managed during the April to June quarter. This is due to an average maturity of 226 days and the large percentage (33.91%) of assets held in immediately available funds.

PORTFOLIO CHARACTERISTICS

	March 31, 2010	**June 30, 2010**
Total Assets	$1,038,544,130	$966,849,153.33
Market Value	$1,046,366,514	$967,564,072.28
Days to Maturity	174	226
Yield	0.53%	0.57%
Estimated Earnings	$ 1,378,395.72	$ 1,507,934.11

FUTURE STRATEGY

The U.S. Treasury has continued a policy of heavy borrowing for stimulus programs, military funding and other additional needs. We continue to believe this policy will lead to higher interest rates in the future. In order to mitigate the risk of incurring market value losses when yields begin to rise, the Treasurer will maintain a ladder of rolling asset maturities that ensure the safety and continued liquidity of the overall portfolio in any market environment. With the current uncertainty about the California State budget, and because of low rates in the short term US Treasury bond markets, the Treasurer has begun to shorten the portfolio ladder and increase overnight funds in defense against unknown decreases in state funding.

In the near term the Treasurer believes short term yields will remain extremely low and will not begin to rise until we see consistent improvement in the unemployment rate. The Treasurer's rolling investment ladder will access the short term Treasury and Agency market with expected yields over the next 90 days of less than one-half percent. In our efforts to continue to provide the safest vehicles for Treasury investments, the Treasurer will maintain a portfolio weighted with U.S. Treasuries, Federal Agency securities, and highly liquid funds.

Finally, the Treasurer continues to aggressively pursue recovery of the defaulted Lehman Brothers and Washington Mutual bonds ($24.375 million). Monterey County and other similarly impacted public agencies continue recovery efforts through a combination of legislative & litigious actions.