

FIRST 5 INVESTMENT POLICY

Investment Framework:

- Objective:* Investment in high quality securities while maximizing yield in a portfolio with limited needs. In order of importance: Safety, Liquidity and Return.
- Portfolios:* Operating Fund: Portfolio used to fund current cash flow needs of First 5 programs.
Sustainability Fund / Reserve Fund: Portfolio used to fund longer term program needs.
- Constraints:*
- Risk Tolerance: Client understands unrealized losses may occur.
- Credit Quality: Target short term: A-1 rating, Long term: AAA rating
- Liquidity: Cash flow model provided by First 5 Commission staff, extending into out years, will be the San Diego County Treasurer-Tax Collector's Investment Staff's sole input in developing liquidity needs.
- Time Horizon: Specific Board of Supervisors approval has been granted, extending permitted maturities up to 20 years in the Sustainability Fund. The Operating Fund is subject to a maximum final maturity of 5 years.
- Taxes: Not applicable
- Other: Not applicable

Profile:

Portfolio Structure:
 Portfolios will invest primarily in the County Investment Pool, Commercial Paper, Negotiable CD, Medium Term Notes, and US Agencies and Treasuries. The portfolio maturity structure will be driven by the cash flow needs of First 5, as provided by staff members (see Expectations below), and accommodations for appropriate levels of liquidity.

Permissible Investment:

Funds to be invested in the County Investment Pool ("Pool") or any investment authorized pursuant to Sections 53601 and 53635 of the Government Code pursuant to Constraints listed above.

Primary Risks:

Interest Rate Risk:

As interest rates rise, the value of fixed income securities held by the portfolio is likely to decrease. Securities with longer dated maturities tend to be more sensitive to changes in interest rates, usually making them more volatile and

