



SAN DIEGO
HOUSING
COMMISSION

INFORMATIONAL REPORT

DATE ISSUED: May 14, 2010
REPORT NO: HCR 10-053
SUBJECT: Third Quarter FY 2010 Investment Report

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY:

Attachment 1 reflects the status of the San Diego Housing Commission's (SDHC) investment portfolio as of March 31, 2010 and includes information on each account, issuer, amount, percentage of total portfolio, term, unrealized gain or loss, yield and remaining days to maturity. For comparative purposes, Attachment 2 reflects the status of the investment portfolio as of December 31, 2009. Overall portfolio yield in the last quarter has increased from 1.23% to 1.56%.

BACKGROUND:

On August 19, 2005 SDHC approved an Investment Policy which provides the surplus funds, not required for the immediate necessities of the local agency, may be invested in accordance within the provisions of U.S. Department of Housing & Urban Development (HUD) Notice PIH 96-33 and California Government Code Sections 5922 and 53601. The approved Investment Policy contains provisions concerning the Standard of Care that include Prudence, Ethics, Conflict of Interest and Delegation of Authority. Additional provisions of the Investment Policy covered the General Objectives of Safety, Liquidity, Yield and Local Considerations, Authorized Financial Institutions, Depositories and Broker/Dealers, Safekeeping assets and Custody of Investment Instruments, Authorized and Suitable Investments and Collateralization and Diversification.

DISCUSSION:

The March 31, 2010 ending portfolio balance was 125.93 million. This is down \$15.40 million from the December 31, 2010 ending balance of \$141.33 million. The December balance included an uncharacteristically early deposit of HUD's normal monthly subsidy and all the Fannie Mae loan proceeds. As expected, HUD funding was used on the first day in January and the loan proceeds invested in prudent short term securities or used on project acquisitions throughout the period.

This report includes all money under the direction or care of the SDHC. As of March 31, 2010, the monies are invested in the following manner:

1. \$3.33 million is held in SDHC's main authorized checking account that provides earnings credits utilized to pay for normal banking services. The current rate of return dropped slightly to 0.32% over last quarter's 0.33%.
2. \$0.76 million is held in various other SDHC authorized interest earning accounts. Accounts include those required by lending institutions and SDHC's safekeeping investment account with Merrill Lynch. The quarter ending blended rate of return was 0.13% compared to last quarter's 0.23%.
3. \$52.39 million is held in pooled investment funds. Return on pooled investments is up this quarter to 0.76% over the previous quarter's return of 0.60%. The increase comes from the addition of the San Diego County Investment Pool (SDCIP) to SDHC's portfolio.
4. \$67.20 million is held in Agency Debentures, Mortgage-Backed Securities (MBS) and Federal Deposit Insurance Corporation (FDIC) Corporate Floating Rate Bonds. The blended rate of return on bonds for the period was 2.27%. This is just slightly less than the previous period of 2.33%.
5. \$2.26 million is held in FDIC insured or collateralized Certificates of Deposit. The return on CDs remains the same this period closing at 1.34%.

CONCLUSION:

Changes in portfolio structure increased the blended yield to maturity this period though we continue to experience low rates of return in most asset classes due to the current interest rate environment. Despite maximizing deposit limits in Local Agency Investment Fund (LAIF), the early HUD funding and Fannie Mae loan closings on the last few days of December inflated low yielding cash account balances to over 24% of the overall portfolio last quarter. Given time to invest these funds into higher yielding prudent investments, cash balances have been reduced to only 3.25% while overall yield increased 33 Basis Points (BP) over the prior period.

The introduction of SDCIP as a new investment option under pooled investments is the other contributing factor to increased yields. This San Diego County run investment pool increased the blended yield of pooled investments from 0.60% to 0.76% this period. Although slightly less liquid than LAIF, SDCIP offers SDHC an excellent investment option for loan proceeds with an expected near term use. Given current market conditions, SDCIP outperforms other fixed income securities inside of one year.

As we continue to see signs of a recovering economy, our strategy moving forward is to ensure liquidity is maintained to support SDHC efforts to acquire new affordable housing units and maintaining adequate cash to meet normal operating expenditures while relentlessly searching the market for the right opportunities that will maximize potential yield.

Respectfully submitted,



John Pfeiffer
Vice President of Finance &
Chief Financial Officer

Approved by,



Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

- Attachment(s):
1. Summary of Portfolio Balances as of March 31, 2010
 2. Summary of Portfolio Balances as of December 31, 2009

San Diego Housing Commission
Cash and Investment Report
As of March 31, 2010

A. Description of Investment Portfolio

The San Diego Housing Commission regularly invests monies in excess of prudently estimated needs in HUD approved investments for both HUD and Non-HUD

B. Summary of Investment Portfolio for Quarter Ending 03/31/2010

	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Cash Accounts									
SDHC Operating Account	U.S. Bank	\$3.33	2.64%	\$3.33	100.00%	\$0.00	1	0.32%	1
Belden LLC Operating	U.S. Bank	\$0.02	0.02%	\$0.02	100.00%	\$0.00	1	0.00%	1
Belden LLC Security Deposit	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
Central LLC Operating	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
Central LLC Security Deposit	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
North LLC Operating	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
North LLC Security Deposit	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
CDBG Loan Loss Res.	Wells Fargo	\$0.08	0.06%	\$0.08	100.00%	\$0.00	1	0.05%	1
Maya Cap Repl. Res	JPM	\$0.65	0.52%	\$0.65	100.00%	\$0.00	1	0.15%	1
Investment Safekeeping	Merrill Lynch	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.05%	1
Sub-Total Cash Accounts		\$4.09	3.25%	\$4.09	100.00%	\$0.00	1	0.29%	1
Pooled Investments									
LAIF	State of CA	\$32.39	25.72%	\$32.39	100.00%	\$0.00	1	0.55%	1
SDCIP	County of SD	\$20.00	15.88%	\$20.00	100.00%	\$0.00	1	1.11%	1
Sub-Total Pooled Investments		\$52.39	41.60%	\$52.39	100.00%	\$0.00	1	0.76%	1
Bond Investments (CUSIP)									
Agency Debentures									
31398AD33	FNMA	\$1.01	0.80%	\$1.00	100.25%	-\$0.01	1,082	1.70%	1,031
3136FJ4DO	FNMA	\$2.01	1.59%	\$2.00	99.81%	-\$0.01	1,096	1.77%	1,056
3128X9S27	FHLMC	\$4.01	3.18%	\$3.99	99.76%	-\$0.02	1,094	2.04%	1,093
Mortgage-Backed Securities									
31402CYT3	FNMA	\$2.92	2.32%	\$2.93	101.78%	\$0.01	677	2.71%	215
31377PYD0	FNMA	\$1.41	1.12%	\$1.39	102.67%	-\$0.01	790	2.56%	335
31377PR22	FNMA	\$2.46	1.95%	\$2.37	100.59%	-\$0.09	731	2.54%	276
31377QJ29	FNMA	\$0.36	0.29%	\$0.37	104.34%	\$0.00	823	2.73%	396
31377RHR4	FNMA	\$3.79	3.01%	\$3.83	106.11%	\$0.04	1,067	3.03%	641
31377EXN4	FNMA	\$3.04	2.41%	\$3.08	109.15%	\$0.04	1,206	3.41%	793
31377PR22	FNMA	\$0.80	0.63%	\$0.79	103.35%	-\$0.01	676	2.68%	276
31377RPS3	FNMA	\$0.43	0.34%	\$0.43	106.82%	\$0.00	1,088	3.06%	701
31385HWW8	FNMA	\$0.38	0.30%	\$0.37	104.31%	\$0.00	967	2.90%	580
31385HYT3	FNMA	\$0.14	0.11%	\$0.14	103.93%	\$0.00	967	2.91%	580
31385H6G2	FNMA	\$0.30	0.24%	\$0.32	111.85%	\$0.02	1,059	3.06%	672
31385JBQ0	FNMA	\$0.25	0.20%	\$0.25	106.72%	\$0.00	1,088	3.05%	701
31385H6G2	FNMA	\$0.59	0.47%	\$0.63	111.85%	\$0.04	1,051	3.10%	672
31385HWW8	FNMA	\$0.60	0.48%	\$0.61	106.47%	\$0.01	959	3.01%	580
31384WJF8	FNMA	\$0.59	0.47%	\$0.59	102.18%	-\$0.01	775	2.78%	396
31282SB92	FHLMC	\$0.54	0.43%	\$0.53	102.67%	\$0.00	1,037	2.32%	672
31377T2H8	FNMA	\$1.27	1.01%	\$1.27	102.79%	\$0.00	756	2.38%	427
31381GRA8	FNMA	\$1.44	1.14%	\$1.43	104.69%	\$0.00	817	2.58%	488
31385HVB5	FNMA	\$0.92	0.73%	\$0.92	104.69%	\$0.00	878	2.59%	549
31385H6G2	FNMA	\$0.32	0.26%	\$0.32	103.46%	-\$0.01	987	2.81%	672
31385H6G2	FNMA	\$3.60	2.86%	\$3.60	106.25%	\$0.00	974	2.55%	672
31385HVA7	FNMA	\$4.24	3.37%	\$4.25	105.64%	\$0.01	851	2.30%	549
31385H6G2	FNMA	\$1.09	0.86%	\$1.07	104.81%	-\$0.01	967	2.61%	672
31377PPX6	FNMA	\$1.01	0.80%	\$0.99	101.36%	-\$0.01	563	2.55%	276
31385JA40	FNMA	\$0.90	0.72%	\$0.93	108.81%	\$0.02	954	2.71%	672
31409KTN7	FNMA	\$0.62	0.49%	\$0.62	103.65%	\$0.00	709	2.74%	427
31385HWT5	FNMA	\$1.84	1.46%	\$1.84	105.09%	\$0.01	861	2.71%	580
31385JA40	FNMA	\$1.39	1.10%	\$1.41	107.88%	\$0.02	953	2.75%	672
31384WJN1	FNMA	\$0.21	0.16%	\$0.20	102.54%	\$0.00	670	2.85%	396
31385HUC4	FNMA	\$0.37	0.29%	\$0.36	104.69%	\$0.00	780	2.61%	519
31384WJF8	FNMA	\$0.75	0.60%	\$0.74	101.61%	-\$0.02	657	2.44%	396
31403C7G0	FNMA	\$0.52	0.41%	\$0.51	103.78%	-\$0.01	1,169	2.72%	915
31377RQY9	FNMA	\$0.63	0.50%	\$0.63	106.38%	\$0.00	919	2.58%	672
31377SBQ0	FNMA	\$0.80	0.63%	\$0.81	107.78%	\$0.01	1,132	2.79%	885
31385JA40	FNMA	\$1.39	1.11%	\$1.37	104.87%	-\$0.02	918	2.55%	672
31377SAE8	FNMA	\$0.52	0.41%	\$0.52	107.36%	\$0.00	1,070	2.71%	823
31384WJF8	FNMA	\$0.56	0.44%	\$0.57	105.80%	\$0.01	635	2.70%	396
31377SQX9	FNMA	\$1.50	1.19%	\$1.50	106.73%	\$0.00	1,128	2.40%	1,007
31377PXX7	FNMA	\$0.88	0.70%	\$0.88	103.23%	\$0.00	452	2.73%	335
3133XAKZ9	FHLB	\$1.97	1.56%	\$1.97	105.49%	\$0.00	744	1.53%	665
31282SB50	FHLMC	\$1.05	0.84%	\$1.04	103.48%	-\$0.01	749	1.74%	672

San Diego Housing Commission
Cash and Investment Report
As of March 31, 2010

A. Description of Investment Portfolio

The San Diego Housing Commission regularly invests monies in excess of prudently estimated needs in HUD approved investments for both HUD and Non-HUD

B. Summary of Investment Portfolio for Quarter Ending 03/31/2010

	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
31385JHW1	FNMA	\$0.58	0.46%	\$0.58	107.80%	\$0.00	898	2.61%	823
31385H4D1	FNMA	\$0.25	0.20%	\$0.25	105.70%	\$0.00	657	2.01%	610
31385H6G2	FNMA	\$0.40	0.32%	\$0.38	100.91%	-\$0.02	719	2.12%	672
31385HUC4	FNMA	\$1.47	1.17%	\$1.46	104.69%	-\$0.02	524	2.21%	519
FDIC Insured Corporate Bonds									
06050BAE1	BAC	\$3.02	2.40%	\$3.03	100.84%	\$0.00	1,172	0.65%	814
17314AAB8	C	\$1.01	0.80%	\$1.01	100.69%	\$0.00	1,118	0.58%	761
36967HAC1	GE	\$1.02	0.81%	\$1.02	101.61%	\$0.00	970	1.18%	618
59157CAA8	MET	\$1.01	0.80%	\$1.01	100.78%	\$0.00	1,102	0.61%	821
61757UAL4	MS	\$1.01	0.80%	\$1.01	100.59%	\$0.00	962	0.53%	681
446436AB3	HBAN	\$1.02	0.81%	\$1.01	100.93%	-\$0.01	842	0.65%	793
481247AF1	JPM	\$1.02	0.81%	\$1.01	100.86%	-\$0.01	863	0.65%	814
Sub-Total Bond Investments		\$67.20	53.36%	\$67.14	103.96%	-\$0.06	920	2.27%	650
Certificate of Deposit (CD)									
CD Escrow funds									
Matures 04/01/2010	U.S. Bank	\$0.26	0.21%	\$0.26	100.00%	\$0.00	30	0.10%	1
CD Collateralized									
Matures 08/26/2010	NNB	\$2.00	1.59%	\$2.00	100.00%	\$0.00	365	1.50%	148
Sub-Total Certificate of Deposits		\$2.26	1.79%	\$2.26	100.00%	\$0.00	327	1.34%	131
Total Cash & Investments		\$125.93	100.00%	\$125.87	102.11%	-\$0.06	497	1.56%	350

Statement of Compliance:

I certify to the best of my knowledge and belief that all investment transactions executed have been in full compliance with the investment policy of the San Diego Housing Commission. I further assert that sufficient investment liquidity and anticipated revenues and subsidies are available to meet the expected obligations of the San Diego Housing Commission expenditures for six months.



Kevin DeRieux
Investment Officer

5-14-10

Date

San Diego Housing Commission
Cash and Investment Report
As of December 31, 2009

A. Description of Investment Portfolio

The San Diego Housing Commission regularly invests monies in excess of prudently estimated needs in HUD approved investments for both HUD and Non-HUD programs. The investment options currently utilized include the Local Agency Investment Fund of the State of California, Agency Bonds and certificates of deposits.

B. Summary of Investment Portfolio for Quarter Ending 12/31/2009

	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Checking Account									
SDHC Operating Account	U.S. Bank	\$33.18	23.48%	\$33.18	100.00%	\$0.00	1	0.33%	1
CDBG Loan Loss Res Acct.	Wells Fargo	\$0.08	0.06%	\$0.08	100.00%	\$0.00	1	0.05%	1
Maya Apartments Cap Repl. Res	JPMorgan	\$0.64	0.45%	\$0.64	100.00%	\$0.00	1	0.15%	1
Collateral Safekeeping Account	U.S. Bank	\$0.00	0.00%	\$0.00	100.00%	\$0.00	1	0.00%	1
Investment Safekeeping Account	Merrill Lynch	\$0.24	0.17%	\$0.24	100.00%	\$0.00	1	0.50%	1
Sub-total Checking Accounts		\$34.14	24.16%	\$34.14	100.00%	\$0.00	1	0.33%	1
Repurchase Agreement									
		\$0.00	0.00%	\$0.00	100.00%	\$0.00	0	0.00%	0
Local Agency Investment Fund	State of CA	\$49.83	35.26%	\$49.83	100.00%	\$0.00	1	0.60%	1
Agency Bonds									
3133XVFN6	FHLB	\$2.00	1.42%	\$2.00	100.00%	\$0.00	365	0.25%	301
31402CYT3	FNMA P	\$2.95	2.09%	\$2.97	102.55%	\$0.02	677	2.71%	305
31377PR22	FNMA P	\$2.50	1.77%	\$2.41	102.32%	-\$0.09	731	2.54%	366
31377PR22	FNMA P	\$0.81	0.57%	\$0.80	102.32%	-\$0.01	676	2.68%	366
31377PPX6	FNMA P	\$1.02	0.72%	\$1.01	102.51%	-\$0.01	563	2.55%	366
31377PYD0	FNMA P	\$1.42	1.01%	\$1.41	103.64%	-\$0.01	790	2.56%	425
31377PXX7	FNMA P	\$0.89	0.63%	\$0.89	104.20%	\$0.00	452	2.73%	425
31377QJ29	FNMA P	\$0.37	0.26%	\$0.37	105.14%	\$0.00	823	2.73%	486
31384WJF8	FNMA P	\$0.60	0.43%	\$0.59	103.88%	-\$0.01	775	2.78%	486
31384WJN1	FNMA P	\$0.21	0.15%	\$0.21	103.43%	\$0.00	670	2.85%	486
31384WJF8	FNMA P	\$0.76	0.54%	\$0.75	103.88%	-\$0.02	657	2.44%	486
31384WJF8	FNMA P	\$0.56	0.40%	\$0.58	103.88%	\$0.01	635	2.70%	486
31377T2H8	FNMA P	\$1.28	0.91%	\$1.28	103.21%	\$0.00	756	2.38%	517
31409KTN7	FNMA P	\$0.63	0.44%	\$0.63	104.30%	\$0.00	709	2.74%	517
31381GRA8	FNMA P	\$1.45	1.03%	\$1.44	105.34%	-\$0.01	817	2.58%	578
31385HUC4	FNMA P	\$0.37	0.26%	\$0.37	105.34%	\$0.00	780	2.61%	609
31385HVB5	FNMA P	\$0.93	0.66%	\$0.93	105.17%	\$0.00	878	2.59%	639
31385HVA7	FNMA P	\$4.30	3.04%	\$4.30	106.24%	\$0.00	851	2.30%	639
31385HWW8	FNMA P	\$0.38	0.27%	\$0.38	105.92%	\$0.00	967	2.90%	670
31385HYT3	FNMA P	\$0.14	0.10%	\$0.14	104.52%	\$0.00	967	2.91%	670
31385HWW8	FNMA P	\$0.61	0.43%	\$0.62	105.92%	\$0.01	959	3.01%	670
31385HWT5	FNMA P	\$1.86	1.32%	\$1.86	105.53%	\$0.00	861	2.71%	670
31377RHR4	FNMA P	\$3.84	2.72%	\$3.87	106.35%	\$0.02	1,067	3.03%	731
31282SB92	FHLMC	\$0.57	0.41%	\$0.57	102.83%	\$0.00	1,037	2.32%	762
31385JA40	FNMA P	\$0.92	0.65%	\$0.93	107.09%	\$0.02	954	2.71%	762
31385JA40	FNMA P	\$1.40	0.99%	\$1.42	107.09%	\$0.02	953	2.75%	762
31377RQY9	FNMA P	\$0.64	0.45%	\$0.63	106.52%	\$0.00	919	2.58%	762
31385JA40	FNMA P	\$1.41	1.00%	\$1.38	107.09%	-\$0.03	918	2.55%	762
31385H6G2	FNMA P	\$0.30	0.21%	\$0.30	106.53%	\$0.00	1,059	3.06%	762
31385H6G2	FNMA P	\$0.60	0.42%	\$0.60	106.53%	\$0.00	1,051	3.10%	762
31385H6G2	FNMA P	\$0.33	0.23%	\$0.30	106.53%	-\$0.03	987	2.81%	762
31385H6G2	FNMA P	\$3.64	2.58%	\$3.63	106.53%	-\$0.01	974	2.55%	762
31385H6G2	FNMA P	\$1.10	0.78%	\$1.13	106.53%	\$0.03	967	2.61%	762
31377RPS3	FNMA P	\$0.43	0.31%	\$0.44	106.89%	\$0.00	1,088	3.06%	791
31385JBQ0	FNMA P	\$0.27	0.19%	\$0.27	107.01%	\$0.00	1,088	3.05%	791
31377EXN4	FNMA P	\$3.10	2.19%	\$3.12	109.19%	\$0.02	1,206	3.41%	883
31377SAE8	FNMA P	\$0.53	0.37%	\$0.53	107.06%	\$0.00	1,070	2.71%	913
31377SBQ0	FNMA P	\$0.81	0.57%	\$0.81	107.34%	\$0.00	1,132	2.79%	975
31403C7G0	FNMA P	\$0.55	0.39%	\$0.54	103.72%	-\$0.01	1,169	2.72%	1,005
31377SQX9	FNMA P	\$1.52	1.08%	\$1.50	105.89%	-\$0.02	1,128	2.40%	1,097
Sub-total Agency Bonds		\$48.01	33.97%	\$47.90	105.23%	-\$0.12	875	2.59%	637
FDIC Insured Corporate Bonds									
36967HAC1, 90-day Libor +93	GE	\$1.02	0.72%	\$1.02	101.91%	\$0.00	970	1.19%	708
61757UAL4, 90-day Libor +28	Morgan Stanley	\$1.01	0.72%	\$1.01	100.69%	\$0.00	962	0.55%	771
17314AAB8, 90-day Libor +33	Citigroup	\$1.01	0.71%	\$1.01	100.86%	\$0.00	1,118	0.61%	851
06050BAE1, 90-day Libor +38	BAC	\$3.03	2.14%	\$3.02	100.57%	-\$0.01	1,172	0.63%	904
59157CAA8, 90-day Libor +32	MetLife	\$1.01	0.72%	\$1.01	100.88%	\$0.00	1,102	0.57%	911
Sub-total Corporate Bonds		\$7.08	5.01%	\$7.06	100.87%	-\$0.02	1,095	0.69%	850
Certificate of Deposit (Escrow funds)	U.S. Bank	\$0.26	0.18%	\$0.26	100.00%	\$0.00	17	0.07%	4
Certificates of Deposit (Collateralized)									

San Diego Housing Commission
Cash and Investment Report
As of December 31, 2009

A. Description of Investment Portfolio


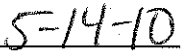
The San Diego Housing Commission regularly invests monies in excess of prudently estimated needs in HUD approved investments for both HUD and Non-HUD programs. The investment options currently utilized include the Local Agency Investment Fund of the State of California, Agency Bonds and certificates of deposits.

B. Summary of Investment Portfolio for Quarter Ending 12/31/2009

	Issuer	Book Value (millions)	Percent of Portfolio	Market Value (millions)	Market Price	Unrealized Gain/(Loss)	Original Term	Yield to Maturity	Days to Maturity
Matures 08/26/2010	NNB	\$2.00	1.42%	\$2.00	100.00%	\$0.00	365	1.50%	238
Sub-total Certificate of Deposits		\$2.00	1.42%	\$2.00	100.00%	\$0.00	365	1.50%	238
Total Cash & Investments		\$141.33	100.00%	\$141.19	101.82%	-\$0.12	358	1.23%	263

Statement of Compliance:

I certify to the best of my knowledge and belief that all investment transactions executed have been in full compliance with the investment policy of the San Diego Housing Commission. I further assert that sufficient investment liquidity and anticipated revenues and subsidies are available to meet the expected obligations of the San Diego Housing Commission expenditures for six months.



 Kevin DeRieux Date
 Investment Officer