Treasury Pool Update

as of January 31, 2010

Presented March 3, 2010 by:

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Global Economic Growth: Escape Velocity Unlikely

Headwinds to Recovery in Final Demand

- High consumer debt levels leading to higher savings
- Government exit strategies
- Banking sector deleveraging & tight credit conditions
- Stubbornly high unemployment

Economic Activity

2H 2009

1H 2010

2H 2010 and beyond

Global stimulus provides short-term growth... ...but longer term headwinds likely to constrain growth to low levels
“It’s the levels stupid - it’s not the growth rates, it’s the levels that matter here.”
- Mervyn King, August 12, 2009

_PIMCO Consensus Survey, Consensus Economics_
Sustainable Recovery or Sugar High?

**Stimulus and Inventory Correction Drove the Bulk of Q3 and Q4 GDP Growth**

- Cash for Clunkers and Home Buyer’s Tax Credit boosted key sectors in Q3 and Q4
- Inventory levels continued to be reduced, but at a slower rate driving more than 2/3 of Q4’s 5.74% growth
- Without stimulus and inventory adjustments, growth would have been materially lower

**Graph:**
- Q3’s Stimulus
- Q4’s Inventory, Rebuild
- Other, 2.13
- Nonfarm Inventory Rebuild, 3.61
- 2/3 of Q4 GDP

**Contributions to GDP (%):**
- Motor Vehicle Output, 1.45
- 80% of 3Q GDP
- Other, 0.36

**Source:** PIMCO, Congressional Budget Office, New York Times (Krugman)

1 Estimated using Q1 ’09 GDP
Unemployment and Deleveraging Dynamics Remain Headwinds to Growth

As of December 31, 2009

- Weak labor market points to large out, ut_a, and beni_n inflationar, pressures

- Core inflation remains below trend

- Private sector deleveraging likely to constrain growth through 2010

SOURCE: PIMCO, Bloomberg, US Federal Reserve
As of December 31, 2009

- Industrialized countries are experiencing their indebtedness at an unprecedented pace ...

- ...while their capacity to finance fiscal expansion is reduced

- Germany has recently passed a law making it illegal, from 2016 for the federal government to run a deficit of more than 0.35% of GDP

SOURCE: PIMCO, IMF
Fed Influence on Market Conditions

As of December 31, 2009

**Agency Mortgages**
- Agency MBS spreads are near their lowest levels ever, averaging less than 20 bps in the fourth quarter.
- The Fed has purchased more than $1.1 trillion of its allotted $1.25 trillion; the program is scheduled to end in March.

**Corporate Securities**
- Corporate spreads have fallen across the board in 2009 despite weak labor markets and excess industrial capacity.

**Record Yield Curve Steepness**
- Intermediate and long Treasury rates have risen year-to-date alongside the rally in U.S. equities.
- Yield curve steepness presents price appreciation opportunities for rolling down the curve.

SOURCE: PIMCO, Barclays Capital, Bloomberg
## Portfolio Asset Summary

*as of January 31, 2010 (Unaudited)*

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Book Value</th>
<th>Market Value ($000)</th>
<th>Unrealized Gain/Loss ($000)</th>
<th>Book Yield</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Equivalents</td>
<td>2,402,000</td>
<td>2,402,000</td>
<td>0</td>
<td>.09%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Reverse Repurchase</td>
<td>(46,916)</td>
<td>(46,916)</td>
<td>0</td>
<td>-.01%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>666,966</td>
<td>666,966</td>
<td>0</td>
<td>.14%</td>
<td>2.7%</td>
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<tr>
<td>Treasuries</td>
<td>14,143,438</td>
<td>14,199,123</td>
<td>55,685</td>
<td>.72%</td>
<td>59.3%</td>
</tr>
<tr>
<td>Agency Discount Notes</td>
<td>299,959</td>
<td>300,000</td>
<td>41</td>
<td>.90%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Agency Notes</td>
<td>2,177,479</td>
<td>2,202,126</td>
<td>24,647</td>
<td>2.29%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Mortgage-Backed Securities</td>
<td>1,829,292</td>
<td>1,898,237</td>
<td>68,945</td>
<td>4.40%</td>
<td>7.9%</td>
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<tr>
<td>Asset Backed Securities</td>
<td>959,671</td>
<td>964,728</td>
<td>5,057</td>
<td>2.10%</td>
<td>4.0%</td>
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<tr>
<td>FDIC Insured Corporate</td>
<td>107,189</td>
<td>107,347</td>
<td>158</td>
<td>.33%</td>
<td>0.5%</td>
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<tr>
<td>Corporate Bonds</td>
<td>639,330</td>
<td>641,015</td>
<td>1,685</td>
<td>.82%</td>
<td>2.7%</td>
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<tr>
<td>Bank Deposits</td>
<td>569,962</td>
<td>569,962</td>
<td>0</td>
<td>.46%</td>
<td>2.4%</td>
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<tr>
<td>Other</td>
<td>43,150</td>
<td>43,036</td>
<td>(114)</td>
<td>2.97%</td>
<td>0.2%</td>
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<tr>
<td><strong>Total Portfolio</strong></td>
<td>23,791,520</td>
<td>23,947,624</td>
<td>156,104</td>
<td>1.11%</td>
<td>100%</td>
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<tr>
<td><strong>Lottery</strong></td>
<td>1,105,699</td>
<td>1,151,657</td>
<td>45,958</td>
<td>6.23%</td>
<td></td>
</tr>
</tbody>
</table>
Treasury Pool Characteristics
as of January 31, 2010

Portfolio Composition
- Treasuries: 59%
- Cash & Equivalents: 10%
- Corporate Bonds: 3%
- Asset Backed: 4%
- Agencies: 11%
- Mortgage Backed Securities: 8%
- Commercial Paper: 3%
- Other: 2%

Maturity Structure
- 1 - 3 Years: 22%
- > 3 Years: 8%
- < 30 Days: 14%
- 31 - 90 Days: 6%
- 91-180 Days: 8%
- 181-365 Days: 42%
Comparative Benchmark Yields
Period Ending January 31, 2010