

# NEW HAMPSHIRE Public Deposit Investment Pool

NHPDIP Board Meeting

September 9, 2011

Presented by:

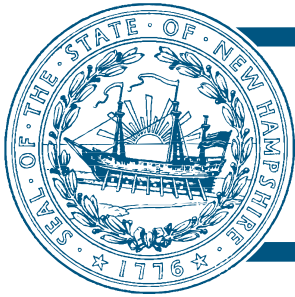
**Jo Ann Klatskin**  
*Regional Director*



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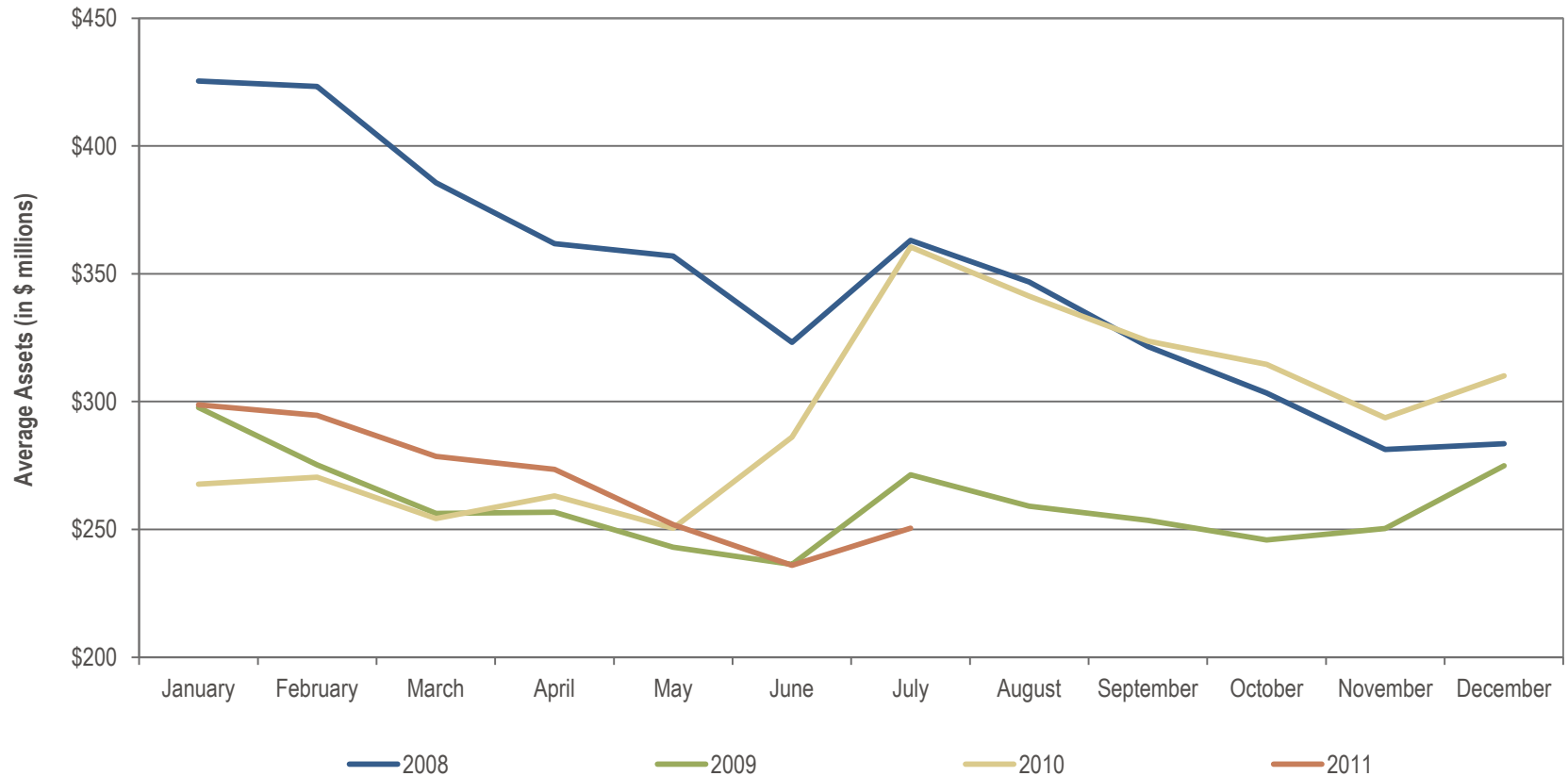


# NEW HAMPSHIRE Public Deposit Investment Pool

Quarterly Update



# Assets Under Management

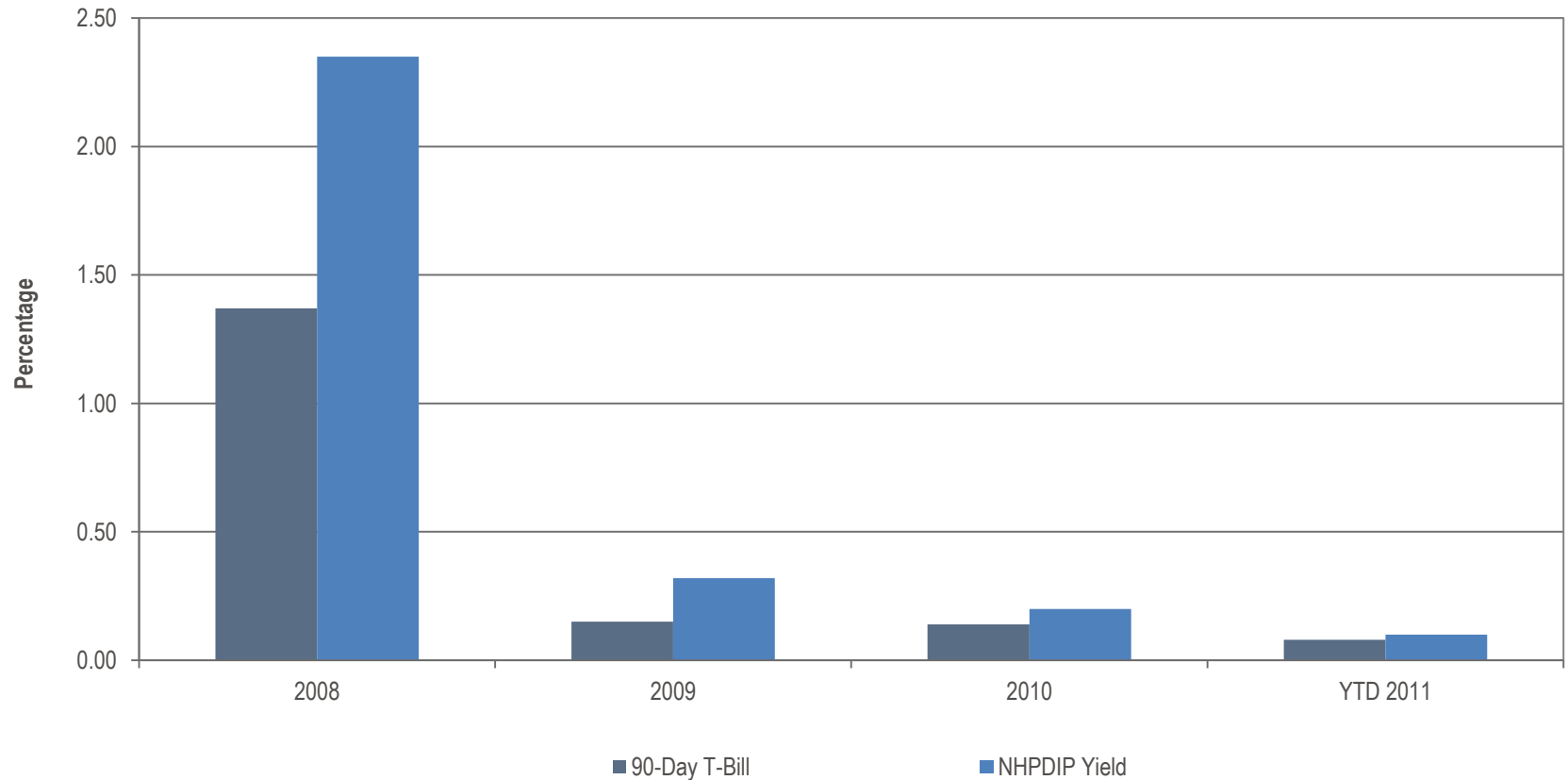


As of 7/31/2011  
Source: Cutwater Asset Management





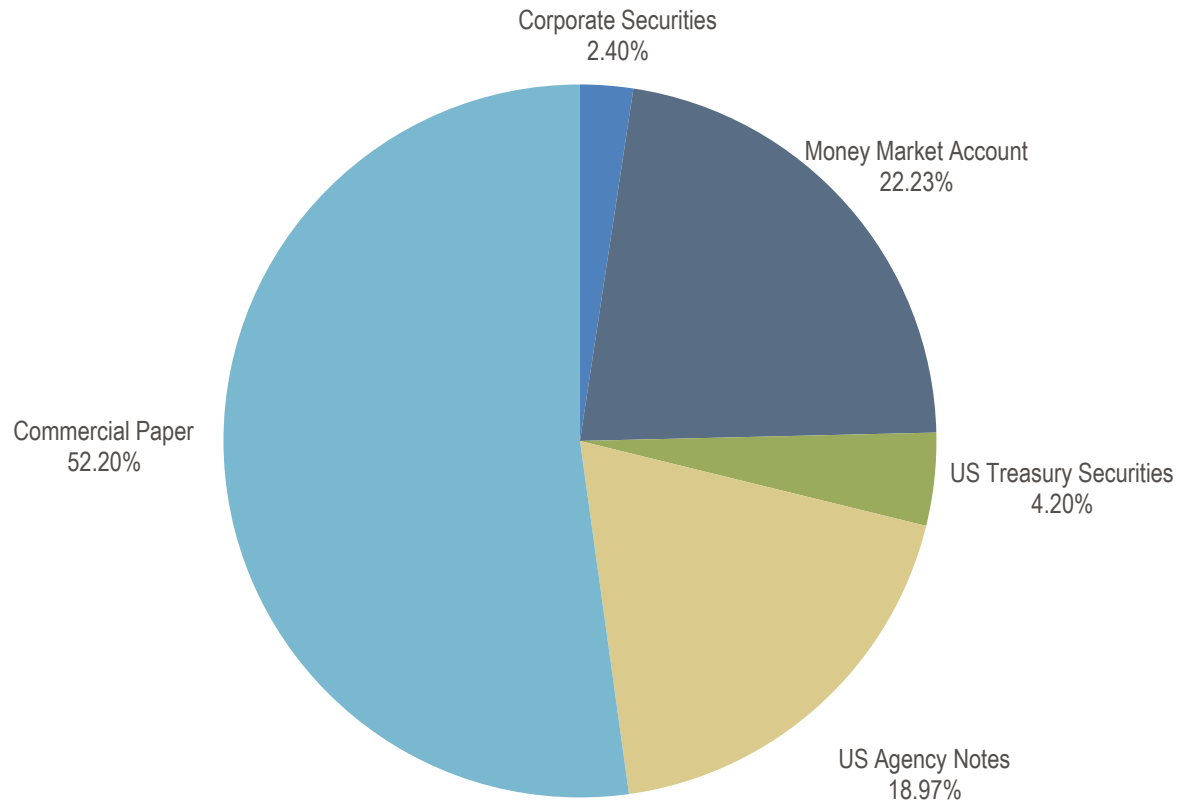
## YTD NHPDIP Yield vs. 90 Day T-Bill Yield



As of 7/31/2011  
Source: Cutwater Asset Management  
<http://www.federalreserve.gov/releases/h15/data.htm>



# Asset Allocation



As of 7/31/2011  
Source: Cutwater Asset Management  
Data may not total 100% due to rounding.





## Portfolio Holdings

Portfolio Holdings	New Hampshire PDIP	% Portfolio	Portfolio % Limit
Corporate Securities	\$6,000,000	2.40%	50%
Money Market Account	\$55,678,000	22.23%	30%
US Treasury Securities	\$10,529,543	4.20%	None
US Treasury Agency Notes	\$47,521,966	18.97%	50%
Commercial Paper	\$130,719,094	52.20%	75%



## Asset Growth

Asset Data	New Hampshire PDIP	% Growth
Net Assets as of June 30, 2011	\$235,919,877	
Net Assets as of July 31, 2011	\$250,483,592	
Net Increase / Decrease	\$14,563,715	6.173%
Average Share Balance for Month	\$239,814,238	



## Investment Performance

### For the month of July 2011

Interest Income	\$19,460
Accretion / Amortization	\$17,813
Gain / Loss	\$0
Total Income	\$37,273
Less Advisory Fees Accrued for the Month	\$28,435
Net Income Available to Participants	\$8,839
Average Share Balance for Month	\$239,814,238
Investment Return for month (gross)	0.18%
Investment Return for month (net)	0.04%
Monthly Weighted Average Maturity	36

### As of July 31, 2011

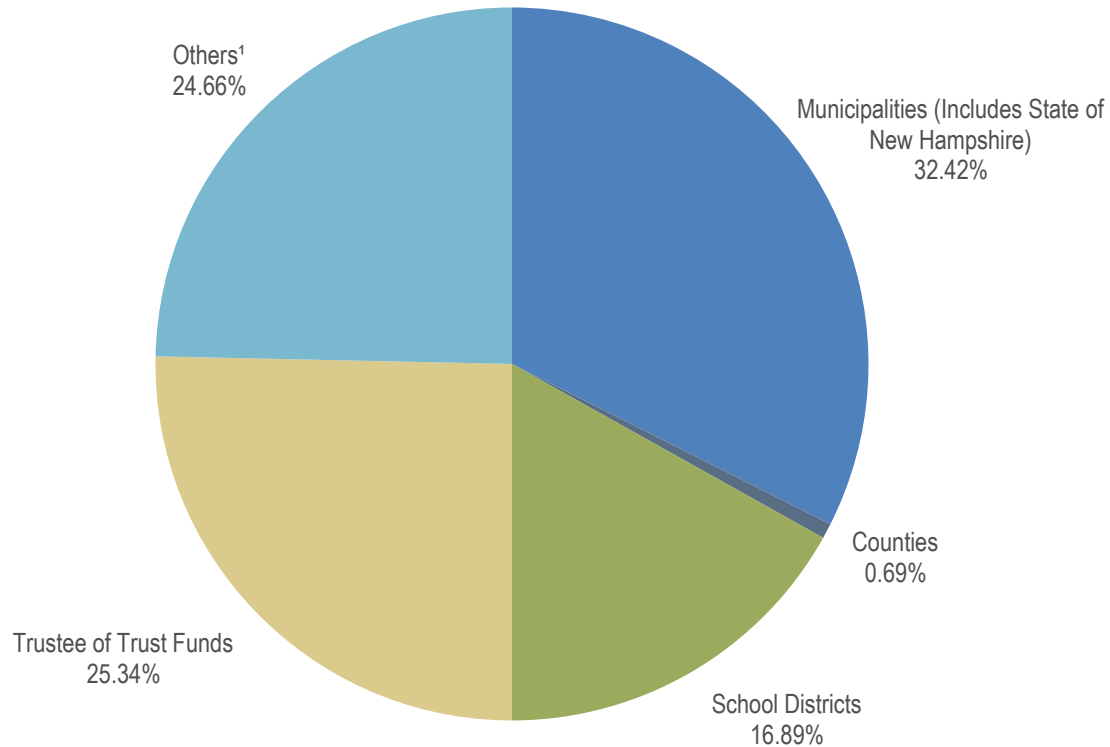
7-day Yield (effective)	0.03%
30-day Yield (effective)	0.04%
Average Year to Date Yield	0.04%

Source: PAM, STARS

Past performance is not a guarantee of future results.



## Accounts by Entity Type

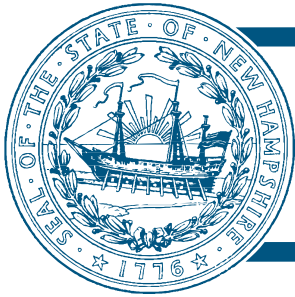


As of 7/31/2011

Source: Cutwater Asset Management

Data may not total 100% due to rounding.

<sup>1</sup> Other includes: Associations, Authorities, Commissions, Libraries, Utility Districts.



# NEW HAMPSHIRE Public Deposit Investment Pool

Economic Overview

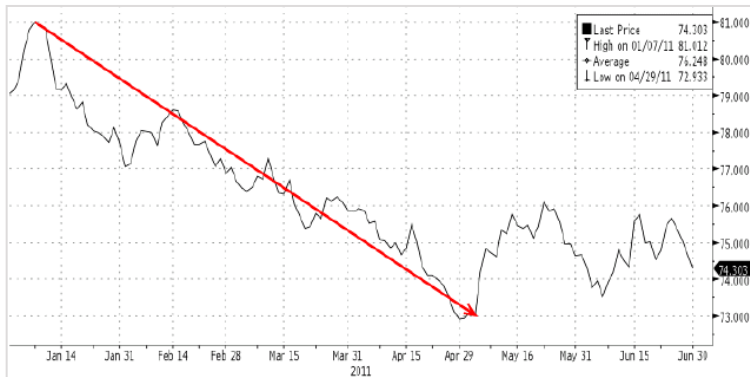


# Economic Overview

## Second Quarter 2011 Review and Outlook

It was not long ago that Federal Reserve Chairman Bernanke hammered home his message that the current spate of higher inflation was “transitory”. This message was most prominently communicated during the April 27th meeting minutes and the following press conference, which was the first of its kind. This meeting was so highly anticipated that the five year Treasury auction was moved earlier in the day to accommodate the new schedule. Chairman Bernanke emphasized his “transitory” message on the most visible of stages despite oil eclipsing \$110 per barrel, consumer prices less food and energy climbing consistently to twelve month highs, a weakening US dollar (Figure 1), a zero percent interest rate policy and three trillion dollars of assets purchased through quantitative easing.

Figure 1. Trade Weighted US Dollar Fell 7.7 Percent through April 30<sup>th</sup>



Source: Bloomberg, 6/30/11

Our commentary last quarter highlighted our concerns that the current economic cycle was aging and that the market was failing to appreciate lurking global risks. Internally, we were

becoming concerned that the Federal Reserve did not have any policy flexibility available to address a meaningful economic downturn. We debated the merits of the Fed actually selling balance sheet assets to strengthen the dollar, lower food and energy costs and add policy effectiveness for a potential 2012 trouble spot. After all, it is reasonable to predict that lower prices on milk and gas would have a more meaningful effect on the income statement of the consumer majority than the “wealth effect” of the elevated stock portfolios benefitting the consumer minority.

Fortunately, we kept this discussion internal at least up until now. Chairman Bernanke is known as “Helicopter Ben” because he famously claimed to be willing to drop money from a helicopter to avoid the deleterious effects of deflation. Swelling the Federal Reserve balance sheet through a second round of quantitative easing appears to have accomplished that mission as the risk of deflation has meaningfully declined (Figure 2, Figure 3 – next page). Additionally, slowing global growth expectations and the re-inflammation of the European sovereign and bank debt crisis has precipitated another flight to quality into the US dollar. It also seems that Mr. Bernanke proved to be correct so far in his “transitory” characterization. Indeed, we think given the choice, the Fed will err toward easier monetary policy at least until the unemployment rate improves meaningfully from 9.1 percent. Thus, it is likely that any policy change will not occur before 2012.

Beyond our Federal Reserve expectations, our first quarter commentary proved somewhat clairvoyant as non-Treasury financial assets finally began to appreciate the known growth and sovereign market risks. As European debt woes reemerged, ten year Treasury yields tipped below 2.87 percent in front of the Greece votes of confidence and austerity. Risk assets suffered as high yield underperformed Treasuries by 1.10 percent resulting in an option adjusted spread of 5.32 percent (Barclays Capital). The commercial mortgage-backed sector, a long-time outperformer within the Aggregate index, also underperformed Treasuries by 54 basis points. Alternatively, taxable and tax-exempt municipal obligations performed well as the Local Authority component of the index bested Treasuries by 13 basis points.

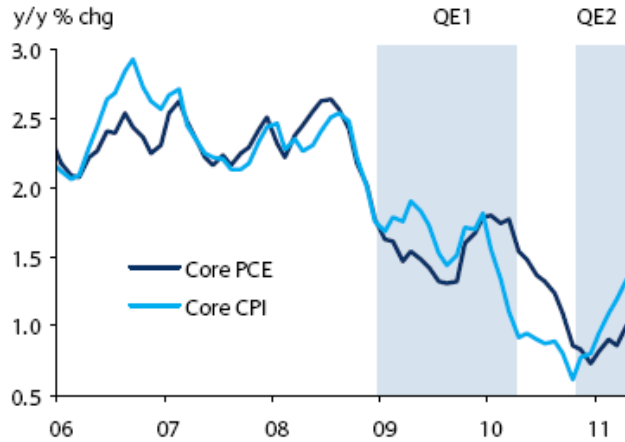
The above content is the opinion of Cutwater Asset Management, the Program Administrator of the New Hampshire Public Deposit Investment Pool.





## Economic Overview *(continued)*

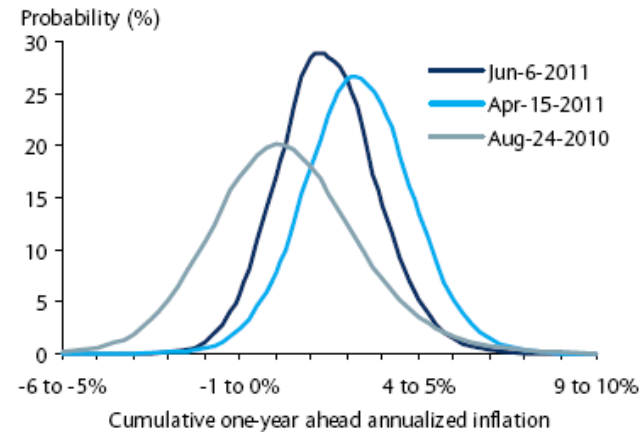
Figure 2. QE2 Has Stabilized Core Inflation



Source: BEA, BLS, Haver Analytics

We predict going forward that US investors will become increasingly focused on economic data during the third quarter to determine if the second quarter slowdown (1.9 percent GDP) was transitory. The successful Greek austerity vote temporarily reduced market volatility as the EU and the IMF will likely approve another installment of financial support. Market participants are also finally appreciating that the Japan earthquake meaningfully affected second quarter GDP. With investment grade credit spreads only modestly wider, the risks to the fixed income investor remains biased to the downside as the market is quietly building in stronger expectations for third quarter growth. Any downside surprise with this data will be troublesome for credit spreads. As for Cutwater, we continue to believe that the recovery is following a "check mark" pattern of steady but below trend growth of around 2.0 to 2.5 percent.

Figure 3. Risks of Deflation have Waned



Source: Barclays Capital

Strategically, we continue to improve overall portfolio credit quality and liquidity to weather these bouts of volatility. We remain sensitive to higher Treasury yields and we look for opportunities to add investments that will generate fixed income-like returns with limited exposure to changes in interest rates. The floating rate and municipal sectors have been less sensitive to these changes as have mortgage securitizations, albeit to a lesser degree. With the Aggregate index now yielding only 2.83 percent, closer attention must be paid to protect the portfolio from potential rate re-pricing.

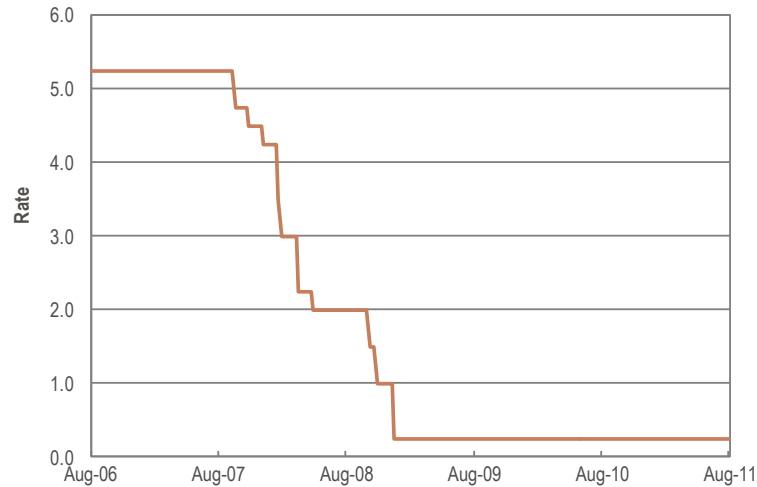
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# Economic Overview

**Fed Funds Target Rate**



**FOMC ANNOUNCEMENT DATES**

Historical Change In Monetary Policy and Yield Curve Reaction

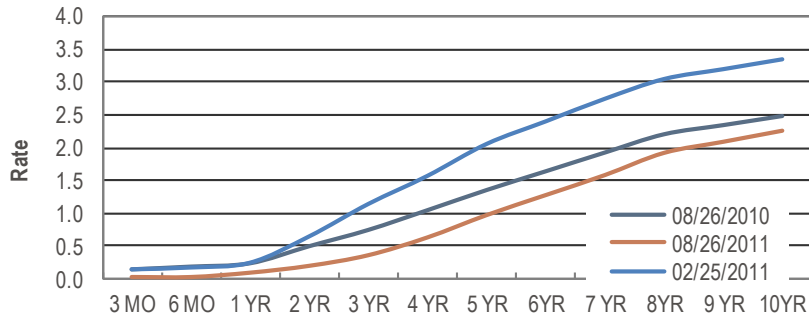
2010 FOMC Schedule of Meetings				2011 FOMC Schedule of Meetings			
Date	Rate %	Risk Assessment	Time	Date	Rate %	Risk Assessment	Time
1) Jan 27	0-.25	Risk to Growth	2:16	9) Jan 26	0-.25	Risk to Growth	2:15
2) Mar 16	0-.25	Risk to Growth	2:13	10) Mar 15	0-.25	Risk to Growth	2:14
3) Apr 28	0-.25	Risk to Growth	2:14	11) Apr 27	0-.25	Risk to Growth	12:33
4) Jun 23	0-.25	Risk to Growth	2:15	12) Jun 22	0-.25	Risk to Growth	12:27
5) Aug 10	0-.25	Risk to Growth	2:14	13) Aug 09	0-.25	Risk to Growth	2:18
6) Sep 21	0-.25	Risk to Growth	2:15	14) Sep 21	----	----	----
7) Nov 03	0-.25	Risk to Growth	2:16	15) Nov 02	----	----	----
8) Dec 14	0-.25	Risk to Growth	2:15	16) Dec 13	----	----	----





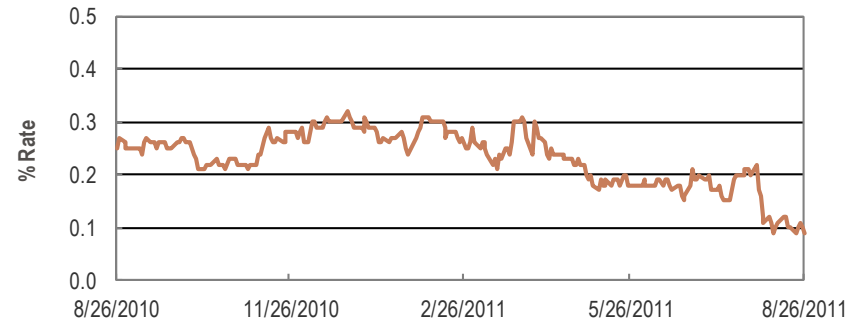
# Economic Overview

### Comparative Historical Yield Curves



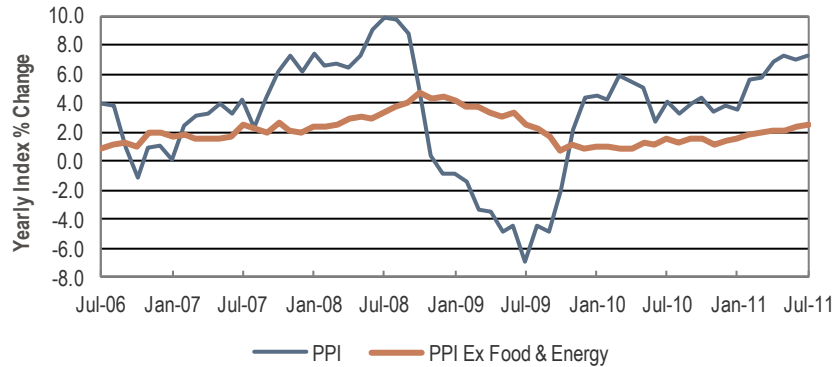
As of 8/26/2011

### Daily Yield One Year Treasury Bill



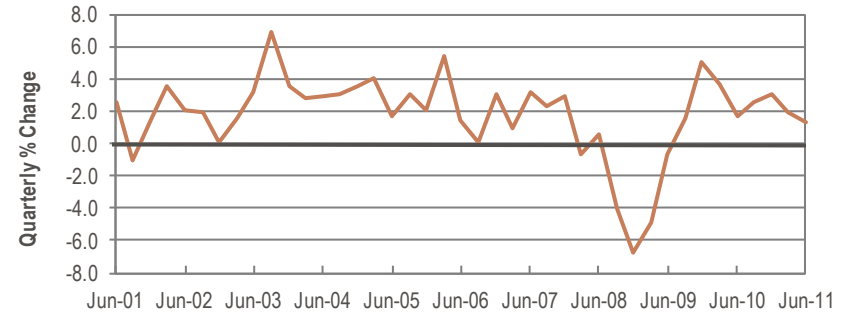
As of 8/26/2011

### Producer Price Index



As of 7/31/2011

### Gross Domestic Product



As of 6/30/2011

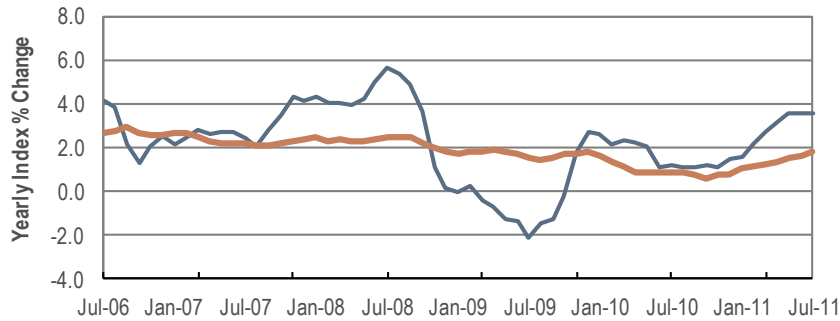
Source: Bloomberg





# Economic Overview

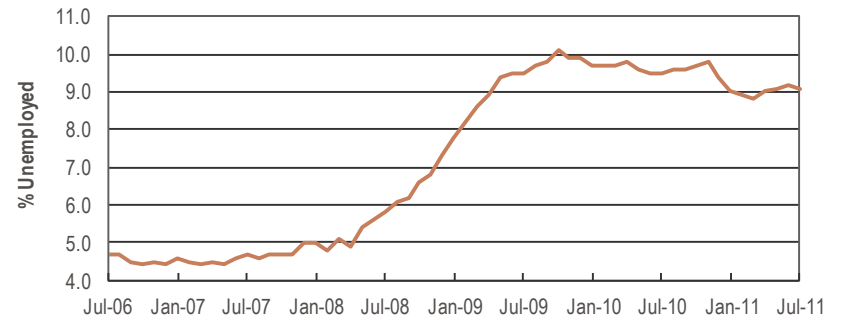
### Consumer Price Index



As of 7/31/2011

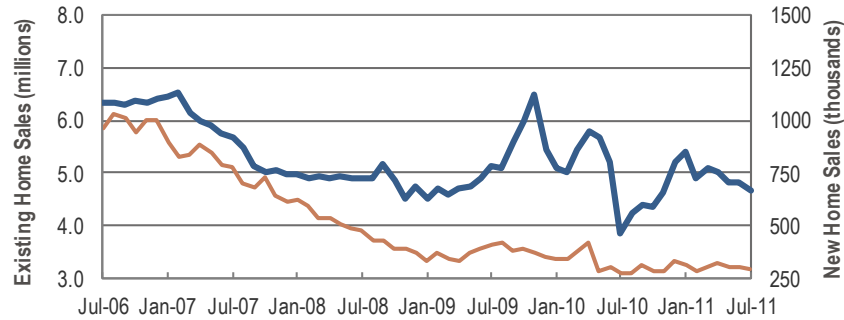
— CPI      — CPI Ex Food & Energy

### Unemployment



As of 7/31/2011

### Existing Home and New Home Sales



As of 7/31/2011

— Existing Home Sales      — New Home Sales

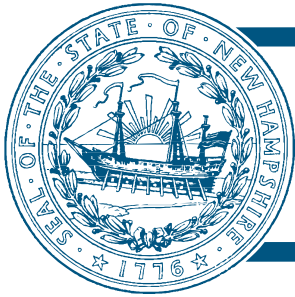
### Retail Sales



As of 7/31/2011

Source: Bloomberg





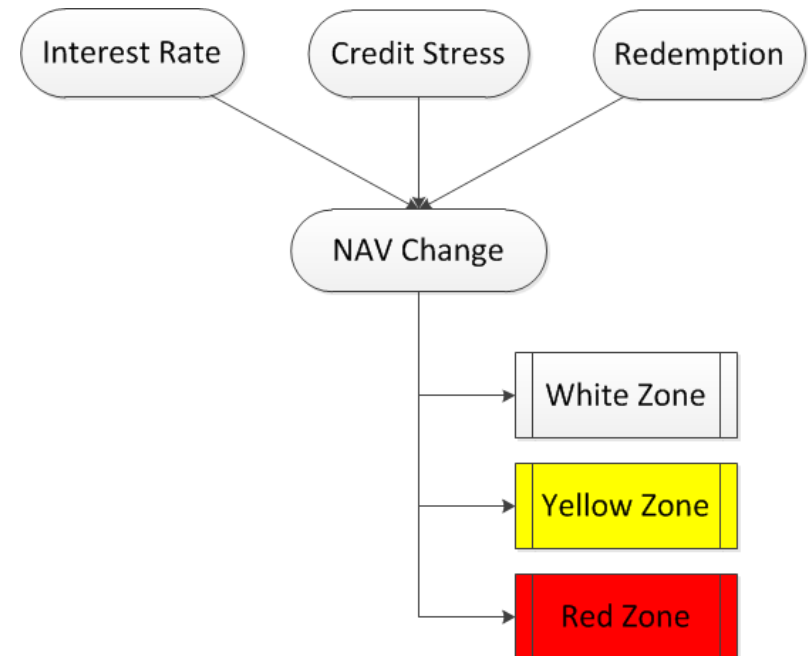
# NEW HAMPSHIRE Public Deposit Investment Pool

Stress Test



## Cutwater's Cash Pool Stress Test Process

- Stress test template was designed based on S&P's LGIP cash pool stress test model
- Data is collected in a uniform and consistent way from accounting based sources
- Stress test can identify combinations of interest rate, credit spread, redemption shocks that put a CLASS portfolio into distress
- New Hampshire's Portfolio is actively monitored by the Risk Management Team
- Twice monthly stress tests and monitoring





## NAV Calculation Analytics

$$NAV_{new} = [NAV_0 - \underbrace{\frac{WAM_R}{365} \cdot \frac{\Delta BP}{10000}}_{\text{Interest rate shock}} - \underbrace{(w_{credit} - w_{floater}) \cdot \frac{WAM_R}{365} \cdot \frac{\Delta CS}{10000}}_{\text{Credit spread shock to non-floaters}} - \underbrace{w_{floater} \cdot \frac{WAM_F}{365} \cdot \frac{\Delta CS}{10000}}_{\text{Credit spread shock to credit floaters}} - \underbrace{R}_{\text{Redemption Effect}}] / (1 - R)$$

Inputs	
Parameter	Description
$NAV_0$	Original NAV of a share(\$)
$R$	Redemption rate
$WAM_R$	WAM to reset (day)
$WAM_F$	WAM to final (day)
$\Delta BP$	Interest rate shock (bp)
$\Delta CS$	Credit spread shock (bp)
$w_{Credit}$	Weights of credit securities
$w_{Floater}$	Weights of credit floaters

- Linear equation – no convexity effects
- No actual default shocks
- We apply this to multiple scenarios in table form



# NAV Calculation Example for Stress Test

- For one CLASS portfolio as of a given date, we show how to calculate impact of interest rate, credit spread, redemption shocks
- WAM is a good linear approximation to duration

## An Example

Inputs		
Parameter	Value	Description
NAV <sub>0</sub>	1.00004	Original NAV of a share(\$)
R	48%	Redemption rate
WAM <sub>R</sub>	44.3	WAM to reset (day)
WAM <sub>F</sub>	48.9	WAM to final (day)
ΔBP	100	Interest rate shock (bp)
ΔCS	50	Credit spread shock (bp)
w <sub>Credit</sub>	61.0%	Weights of credit securities
w <sub>Floater</sub>	1.8%	Weights of credit floaters
Output		
NAV <sub>new</sub>	0.9970	NAV of a share after shocks(\$)

**Principal Stability Fund Rating Sensitivity Matrix:**

As of Data:	3/31/2011
WAM (R):	44.3
WAM (F):	48.9
Shares Outstanding:	79,406,884
Total Fund Assets:	\$ 79,409,853
Market Value (NAV):	1.00004
%Total Credit Securities (of portfolio):	61.0%
%Corp Floaters (of portfolio):	1.8%
Historical Largest 5-Day Redemption(%)	48%
Total \$ Loss	\$0
Total \$ Gain	\$2,969

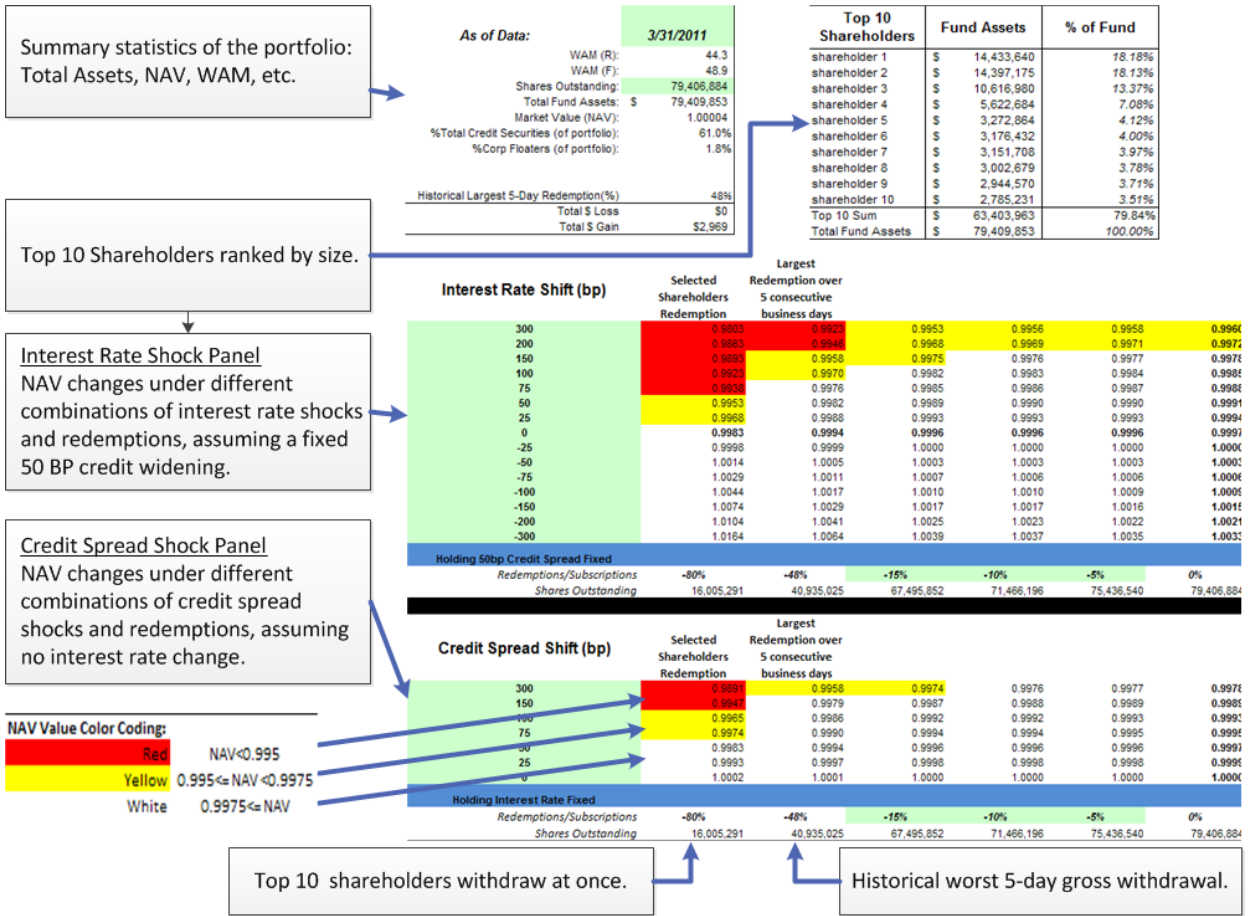
Interest Rate Shift (bp)	Selected Shareholders Redemption	Largest Redemption over 5 consecutive business days	
		Selected Shareholders Redemption	Largest Redemption over 5 consecutive business days
300	0.9803	0.9803	0.9923
200	0.9863	0.9863	0.9946
150	0.9893	0.9893	0.9958
100	0.9923	0.9923	0.9970
75	0.9933	0.9933	0.9976
50	0.9953	0.9953	0.9982
25	0.9968	0.9968	0.9988
0	0.9983	0.9983	0.9994
-25	0.9998	0.9998	0.9999
-50	1.0014	1.0014	1.0005
-75	1.0029	1.0029	1.0011
-100	1.0044	1.0044	1.0017
-150	1.0074	1.0074	1.0029
-200	1.0104	1.0104	1.0041
-300	1.0164	1.0164	1.0064

**Holding 50bp Credit Spread Fixed**

Redemptions/Subscriptions	-80%	-48%
Shares Outstanding	16,005,291	40,935,025



# How to Read the Stress Test





# New Hampshire Pool Stress Test

Cash Pool Sensitivity Matrix:		New Hampshire Public Deposit Investment Pool (61)			Version 1.06		Cutwater Asset Management	
<b>As of Data:</b> 7/29/2011		<b>Top 10 Shareholders</b>			<b>Fund Assets</b>	<b>% of Fund</b>		
WAM (R):	37.0	NH-01-0040	\$	13,516,633	5.40%	All inputs in green cells.		
WAM (F):	40.1	NH-01-0005	\$	12,888,660	5.07%	NAV Value Color Coding:		
Shares Outstanding:	250,481,027	NH-01-0572	\$	11,880,565	4.66%	Red	NAV < 0.995	
Total Fund Assets:	\$ 250,480,583	NH-01-0014	\$	10,581,294	4.22%	Yellow	0.995 <= NAV < 0.9975	
Market Value (NAV):	1.00000	NH-01-0015	\$	9,313,859	3.72%	White	0.9975 <= NAV	
%Total Credit Securities (of portfolio):	54.6%	NH-01-0663	\$	9,238,955	3.69%			
%Corp Floaters (of portfolio):	3.6%	NH-01-0303	\$	7,270,372	2.90%			
Historical Largest 5-Day Redemption(%):	17%	NH-01-0612	\$	6,749,059	2.69%			
Total \$ Loss:	\$445	NH-01-0022	\$	5,952,099	2.38%			
Total \$ Gain:	\$0	NH-01-0010	\$	4,523,620	1.81%			
		Top 10 Sum	\$	91,515,424	36.54%			

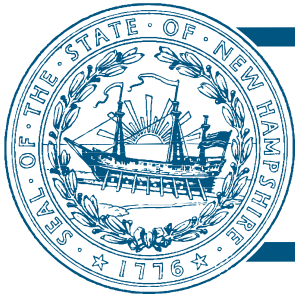
Interest Rate Shift (bp)	Selected Shareholders Redemption	Largest Redemption over 5 consecutive business days								Gain(Loss) at 0 Redemption
		0.9946	0.9960	0.9961	0.9963	0.9965	0.9967	0.9968	0.9972	
300	0.9946	0.9960	0.9961	0.9963	0.9965	0.9967	0.9968	0.9972	\$ (831,628)	
200	0.9964	0.9972	0.9973	0.9974	0.9976	0.9977	0.9978	0.9981	\$ (577,790)	
150	0.9972	0.9978	0.9979	0.9980	0.9981	0.9982	0.9983	0.9985	\$ (450,872)	
100	0.9980	0.9984	0.9985	0.9986	0.9986	0.9987	0.9988	0.9989	\$ (323,953)	
75	0.9984	0.9987	0.9988	0.9988	0.9989	0.9990	0.9990	0.9991	\$ (260,494)	
50	0.9988	0.9991	0.9991	0.9991	0.9992	0.9992	0.9993	0.9993	\$ (197,035)	
25	0.9992	0.9994	0.9994	0.9994	0.9994	0.9995	0.9995	0.9996	\$ (133,575)	
0	0.9996	0.9997	0.9997	0.9997	0.9997	0.9997	0.9997	0.9998	\$ (70,116)	
-25	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	\$ (6,657)	
-50	1.0004	1.0003	1.0003	1.0003	1.0002	1.0002	1.0002	1.0002	\$ 56,803	
-75	1.0008	1.0006	1.0006	1.0006	1.0005	1.0005	1.0005	1.0004	\$ 120,262	
-100	1.0012	1.0009	1.0009	1.0009	1.0008	1.0007	1.0007	1.0006	\$ 183,721	
-150	1.0020	1.0015	1.0015	1.0014	1.0013	1.0012	1.0012	1.0010	\$ 310,640	
-200	1.0028	1.0021	1.0021	1.0019	1.0018	1.0017	1.0017	1.0015	\$ 437,558	
-300	1.0043	1.0033	1.0032	1.0031	1.0029	1.0028	1.0026	1.0023	\$ 691,395	
<b>Holding 50bp Credit Spread Fixed</b>										
Redemptions/Subscriptions	-37%	-17%	-15%	-10%	-5%	0%	5%	20%		
Shares Outstanding	158,965,441	207,634,449	212,908,873	225,432,925	237,956,976	250,481,027	263,005,079	300,577,233		

Credit Spread Shift (bp)	Selected Shareholders Redemption	Largest Redemption over 5 consecutive business days								Gain(Loss) at 0 Redemption
		0.9974	0.9980	0.9981	0.9982	0.9983	0.9984	0.9986	0.9988	
300	0.9974	0.9980	0.9981	0.9982	0.9983	0.9984	0.9986	0.9988	\$ (418,472)	
150	0.9987	0.9990	0.9990	0.9991	0.9992	0.9992	0.9992	0.9993	\$ (209,458)	
100	0.9991	0.9993	0.9993	0.9994	0.9994	0.9994	0.9995	0.9995	\$ (139,787)	
75	0.9993	0.9995	0.9995	0.9995	0.9996	0.9996	0.9996	0.9997	\$ (104,952)	
50	0.9996	0.9997	0.9997	0.9997	0.9997	0.9997	0.9997	0.9998	\$ (70,116)	
25	0.9998	0.9998	0.9998	0.9998	0.9999	0.9999	0.9999	0.9999	\$ (35,280)	
0	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	\$ (445)	
<b>Holding 0bp Interest Shock Fixed</b>										
Redemptions/Subscriptions	-37%	-17%	-15%	-10%	-5%	0%	5%	20%		
Shares Outstanding	158,965,441	207,634,449	212,908,873	225,432,925	237,956,976	250,481,027	263,005,079	300,577,233		

Source: Cutwater Asset Management, 7/29/2011





# NEW HAMPSHIRE Public Deposit Investment Pool

New S&P Guidelines



## Comparison of Revised S&P PSFR Criteria & Revised 2a-7

Guidelines	Revised AAAM Criteria <sup>1</sup>	Revised 2a-7
<b>Maturity</b>		
Max Fund WAM to Reset	60 days	60 days
Max Fund WAM to Final (WAL)	90-120 days	120 days
Max maturity per security (Floating - Government)	2 years	None
Max maturity per security (Fixed & Floating - Corp)	397 days	397 days
<b>Credit Quality</b>		
Minimum A-1+ allocation <sup>2</sup>	50%	N/A
Maximum A-1 allocation	50%	N/A
Maximum A-2 allocation	0%	3%
Minimum Repo Counterparty Rating	A-1	Undefined
<b>Pricing</b>		
Frequency of Market to Market Calculation	Weekly	Minimum Monthly
NAV Reporting (Format / Frequency)	\$0.997251 (weekly)	\$0.997 (w/ 60 day lag)
<b>Diversification</b>		
Max per Issuer	5%	5%
Max per Repo Counterparty	Restricted	Restricted
<b>Minimum Liquidity</b>		
Overnight / 7 days	None	10%/30%

Source: S&P

1. Effective November 1, 2011.

2. Includes A-1 investments maturing within five business days.



## Diversification Subfactors

Maximum per issuer (including debt guaranteed by the same issuer) – except for items listed below	5%
Maximum per sovereign (i.e. national government) entity rated AA- or higher	100%
Maximum per sovereign entity rated A-1 or A+ and that matures in one business day	25%
Maximum per sovereign entity rated A-1 or A+ and that matures between two and five business days	10%
Maximum per sovereign entity rated A-1 or A+ and that matures in more than five business days	5%
Maximum per bank rated A-1 or higher or A+ or higher for uncollateralized overnight bank deposits, including uninvested cash	10%
Maximum exposure per sovereign government related/guaranteed entity rated AA- or higher <sup>1</sup>	33%
Maximum exposure to another Standard & Poor's rated fund	10%

Source: S&P

1. GRE or government-guaranteed investments rated AA- or higher with final maturities of 30 days or less are excluded from these limits.



## Maturity Subfactors

Maximum WAM ( R ) ( days) <sup>1</sup>	60
Maximum WAM ( F ) ( days) <sup>2</sup>	90
Maximum final maturity per fixed-rate investment, non-sovereign government floating-rate investment, and sovereign floating-rate investments rated below AA-	13 months (397 days)
Maximum final maturity per sovereign government (including sovereign government related / guaranteed) floating-rate security rated AA- or higher	Two years (762 days)

Source: S&P

1. The maximum WAM ( R ) and WAM ( F ) limits may be reduced for funds with certain characteristics (such as limited operating history or start-up funds, small asset size, a concentrated shareholder base, or a new shareholder base with uncertain liquidity needs).
2. May be adjusted upward by 30 days if invested only in government / GSE floaters rated AA- or higher. If a fund invests in a combination of government floaters rated AA- or higher and non-government floating-rate instruments (or sovereigns rated below AA-), the maximum is based on the weighted average of exposure to each type of floater.



## Portfolio Credit Quality Metrics

Minimum A-1+ and A-1 investments maturing within five business days	50%
Maximum A-1 investments maturing in more than five business days <sup>1</sup>	50%
Maximum exposure to unrated municipal bonds secured by escrow account	25%
Maximum exposure to municipal securities rated only by Moody's or Fitch <sup>2</sup>	15%
Maximum exposure to unrated credit-enhanced variable-rate demand obligations (VRDOs)	10%

Source: S&P

1. Exposures to securities rated below A-1 are "higher-risk investments."

2. This limit does not apply to securities that possess a direct pay letter of credit that Standard & Poor's rates A-1+ or A-1.



## Suggested Changes to Exhibit E: Investment Criteria NHPDIP List of Permitted Investments

<u>Type</u>	<u>Portfolio % Limit</u>	<u>Maximum Maturity</u>	<u>Investment Selection Criteria</u>	<u>Additional Qualifications and Comments</u>
A. U.S. Treasuries-Bills, Notes, and Bonds	None	397 days		
B. U.S. Government Agencies (Fixed Rate)	None	397 days	Restricted to: FNMA, FHLB, SLMA, FHLMC, FFCB, TVA	
C. U.S. Government Agencies (Floating Rate – quarterly or shorter resets)	50%	2 years	Restricted to: FNMA, FHLB, SLMA, FHLMC, FFCB, TVA.  <del>Restricted to single index "par-centric" floaters pegged off money-market indices.</del>	The following floaters are prohibited: Range, inverse or leveraged floaters; capped floaters; COFI or CMT floaters.  <b>Indices not at least 95% correlated to Fed Funds rate and three-month LIBOR for the past five years are "higher-risk investments"</b>
D. Asset-backed Securities	10% 5% per issuer	397 days	2a-7 eligible only. AAA/Aaa rated by S&P and Moody's or equivalent short term rating (A1+/P1).  Credit card and auto loan receivable backed deals only.	"Final maturity date" means unconditional payment of principal and interest prior to that date.
E. State of New Hampshire and New Hampshire municipality obligations	20%	1 year	A-/A3 or better rated by S&P and Moody's.	



## Suggested Changes to Exhibit E: Investment Criteria NHPDIP List of Permitted Investments *(continued)*

<b>Type</b>	<b>Portfolio % Limit</b>	<b>Maximum Maturity</b>	<b>Investment Selection Criteria</b>	<b>Additional Qualifications and Comments</b>
F. Money Market Mutual Funds	20% <del>30%*</del> 10% per issuer		Limited to those money market funds whose investments conform to the New Hampshire PDIP List of Permitted Investments. Government only money market funds	*The Portfolio % Limit has been increased to 30% for as long as the Money Market Investor Funding Facility Program is in effect. Upon termination of the MMIFF program by the Federal Reserve, the Portfolio % Limit will revert back to 20%.
G. Short Term Corporate Obligations	75%		Overall limit includes domestic and yankee issues.	CP issuer min. net worth of \$100 MM. Portfolio must not own more than 40% of outstanding (CP) of an issuer.
<u>Commercial Paper (CP)</u>	75%		A1/P1 or better (except where noted below)	Negotiable CDs permitted.
Domestic CP	75% <del>40%</del> 5% per issuer	180 days	Overall limit includes domestic and yankee issues. A1/P1 or better (except where noted below). Bank assets must be in excess of \$500 MM.	Japanese BAs, CDs permitted up to 5% of holdings, 30 days to maturity. A1/P1 or better only. Program Administrator approved names only.
<u>Certificates of Deposit (CDs)</u> <u>Bankers Acceptances (BAs)</u>	25%		Equity capital to asset ratio must equal or exceed 6%.	Program Administrator approved names only.
Domestic CDs, BAs	25% <del>40%</del> 5% per issuer	120 days		



## Suggested Changes to Exhibit E: Investment Criteria NHPDIP List of Permitted Investments *(continued)*

Type	Portfolio % Limit	Maximum Maturity	Investment Selection Criteria	Additional Qualifications and Comments
<p>In addition, the following limits apply for corporate debt obligations:</p> <ul style="list-style-type: none"> <li>• Yankee CP</li> <li>• <b>Yankee CDs, BAs</b></li> <li>• <del>A2/P2 or split rated (e.g. A2/P1 or A1/P2) CP, CDs or BAs</del></li> </ul>	<p>20% 5% per issuer</p> <p>5% 1% per issuer</p>	<p><del>90</del> 180 days</p> <p>120 days</p> <p>30 days</p>	<p>Non-performing assets to equity ratio may <u>not</u> exceed 35%.</p> <p>A1/P1 or better only.</p> <p>Domestic issuers only.</p>	
<p>H. Repurchase Agreements</p> <p>Counterparty must be explicitly rated A-1 or higher by S&amp;P, or possess guarantee that has been reviewed by S&amp;P from a rated parent.</p>	<p>None 25%</p>	<p>&lt;7 days &gt;7 days in no case greater than 30 days</p>	<p>102% collateralized by U.S. Treasury or Government Agency obligations.</p> <p>ARMs, CMOs, and structured notes not permitted.</p> <p>Deliverable (DVP) or Tri-Party permitted.</p> <p>Term repo must be marked to market daily. The Program Administrator must have record.</p>	<p><del>May be executed with primary dealers rated A1/P1 or better.</del></p> <p><b>Counterparty must be explicitly rated A-1 or higher by S&amp;P or possess guarantee that has been reviewed by S&amp;P from a rated parent.</b></p> <p>Limited to 15% per counterparty for repos greater than overnight.</p> <p>PSA Master Repurchase Agreements and Tri-Party documentation must be on file with the Program Administrator prior to execution of any transaction.</p> <p>Quarterly evaluations of counterparties must be on file with the Program Administrator as well as annual review of custodian.</p>



## Suggested Changes to Exhibit E: Investment Criteria NHPDIP List of Permitted Investments *(continued)*

<b>Type</b>	<b>Portfolio % Limit</b>	<b>Maximum Maturity</b>	<b>Investment Selection Criteria</b>	<b>Additional Qualifications and Comments</b>
I. Reverse Repurchase Agreements	25%	"Overnight" or "Open"	Cash collateral must equal 98% of securities reversed at all time, marked to market daily.	<p>May be executed only with primary dealers rated A1/P1 or better.</p> <p>Limited to 15% per counterparty.</p> <p>Reverses will be used for economic value or for liquidity purposes. Cash will only be invested overnight.</p>
J. Collateralized Deposits	<del>20%</del> 40%  20% per A-1+ issuer 10% per A-1 issuer	Overnight	Acceptable collateral: <ul style="list-style-type: none"> <li>• FHLB LOC</li> <li>• U.S. Treasuries-Bills, Notes, and Bonds</li> <li>• U.S. Government Agencies (Fixed Rate), restricted to: FNMA, FHLB, SLMA, FHLMC, FFCB, TVA</li> <li>• Tri-Party</li> </ul>	<p>Agreement Letter and Tri-Party Documentation must be on file with the Program Administrator prior to execution of the transaction.</p> <p>Quarterly evaluations of counterparties must be on file with the Program Administrator as well as annual review of custodian.</p>
K. Temporary Liquidity Guarantee Program (TLGP)	50%	Final Maturities of 2 years or less	Direct investment or Repurchase Agreement with TLGP as collateral.	<p>This is a temporary investment option for so long as the investments are guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program and backed by the full faith and credit of the United States.</p> <p>The FDIC guarantee is expected to expire with the final maturity date of <del>6/30/2012</del>, unless extended: <b>12/31/2012</b>.</p> <p>No more than 5% invested with any one issuer.</p>



## Suggested Changes to Exhibit E: Investment Criteria NHPDIP List of Permitted Investments *(continued)*

### Additional Guidelines Pertaining to All Securities Positions

No security with a maturity greater than 397 days may be purchased except for floating rate securities as described below.

The weighted average maturity **to reset** (effective duration) of the entire portfolio may not exceed 60 days **and weighted average maturity to final maturity may not exceed 90 days.**

45% of the portfolio must be invested in "overnight" or other "immediately liquid" instruments.

**Daily liquidity: Minimum 10% asset allocation in cash/US Treasury or securities that can be converted to cash/mature within one day.**

**Weekly liquidity: Minimum 30% asset allocation in cash/US Treasury, certain government agencies (Discount Notes that mature within 60 days or less) or securities that can be converted to cash/mature within one week.**

The reset frequency of variable rate U.S. Government Agency obligations, rather than their nominal maturities, shall be used when calculating the weighted average maturity of the portfolio. Only those floaters which reset no less than quarterly and have final maturities of two years or less may be purchased henceforth.

~~Floaters which were purchased prior to 11/29/94 and do not conform to this List of Permitted Investments may continue to be held in the NHPDIP portfolio but should be sold if and when market conditions permit. If such a sale would cause the portfolio to realize a loss, the Program Administrator must be consulted, and its approval must be obtained before effecting the transaction.~~

Except for U.S. Treasury and U.S. Government Agency obligations and repo collateralized by U.S. Treasury or U.S. Government Agency obligations, **collateralized deposits**, no more than ~~40~~**5%** of the portfolio may be invested in the obligations of any one issuer. (Letters of Credit and other guarantees shall be considered obligations of an issuer for purposes of this requirement.)

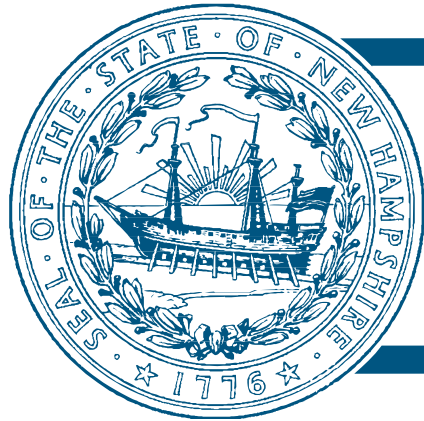
**Stress Testing done at a minimum on a monthly basis. The stress test should show the impact in each of the following scenarios (and a combination of those scenarios): Parallel interest-rate shifts of plus/minus 200bps in 25-basis point increments. Asset decreases (i.e., redemptions) of 10%, 15%, 20%, 25% and the percentage of the largest historical five business day net redemptions for the fund.**



## Additional Disclosure

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1. The investment adviser providing these advisory services is Cutwater Investor Services Corp., which is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended.
2. Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. **Past performance is not a guarantee of future results.**



**NEW HAMPSHIRE**  
**Public Deposit**  
**Investment Pool**