

A newsletter published for Iowa schools by IPASeducation

## INVESTMENT COMMENTARY - BY LAURIE MARDIS

Economic growth turned positive in the third quarter and we believe economic momentum improved even more in the fourth quarter. Positive U.S. growth is surely a response to massive policy easing, improving (albeit slowly) consumer confidence, and global economic strength, especially in Asia. We expect the ongoing recovery to be slow for a variety of reasons. However, we are also aware that slow growth in 2010 and beyond is an opinion shared by many investors, and many times the consensus opinion is wrong.

Stubbornly high unemployment, combined with sluggish consumer spending is our primary economic worry. The current unemployment rate around 10 percent is similar to only two previous economic periods. First is the 1982 recession, which was brought on by the successful attempt to stem inflation with high interest rates; second is the mid 70's, when the U.S. was feeling the effects of

stagflation (low growth and high inflation). Neither period is readily comparable to the current environment. Today consumer credit, which over time has supported greater and greater consumer spending, is shrinking rapidly. Since consumer spending drives two-thirds of the U.S. economy such a drastic change in spending and savings habits is having a significant effect on growth and employment. Economists have preached for years about the need for more savings and less dependence on debt at the consumer level – sometimes you have to be careful what you wish for.

With massive spare capacity in the U.S. and globally, we expect core measures of inflation to continue to drop in most countries. In addition, we also expect that any Fed monetary tightening is a long way off and will be dictated by the speed of recovery for the overall economy and particularly the financial sector. However, we expect the Fed to lead Europe in

eventually raising rates as Europe has been slower in dealing with its damaged banking sector.

One counter-trend to consider: Since the early part of 2009, the stock market has acted more positively than current economic data warrants. Considering the historical resilience of the U.S. economy, it may be that predictions for a sluggish recovery turn out to be overly-cautious, and we suggest that investors remain alert to signs of improving economic conditions.

If you have any questions please contact IPASeducation at 866-720-2995.

Laurie Mardis  
Director, Fixed Income  
866-720-2995 - toll free  
515-224-2719 - direct  
lmardis@miles-capital.com

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## OVERVIEW - BY BRYANT SHERIFF

### Rewind

The fourth quarter of 2009 brought an end to the first decade of the 21st Century. With that, I wanted to reflect on some significant moments of the first ten years. The 2000's were overseen by two presidents, George W. Bush and Barack Obama, the first African-American to be elected president of the United States. Another momentous date influencing the decade was September 11th, 2001. This date is remembered much like November 22, 1963, the assassination of President John F. Kennedy, in that people recall exactly where they were when news of the terrorist attacks broke. The 2000's also saw natural disasters that included a tsunami in Indonesia, Hurricane Katrina decimating the Gulf Coast, and catastrophic flooding in the Midwest.

The end of the decade will be remembered in expressions of government bailouts, the credit crunch and foreclosures. These terms signified the economy worsening and dipping into a recession.

Although we are not out of the recession quite yet, optimism and the recent signs of economic growth are great indicators as we enter the new decade and 2010.

### Legislative Update

The legislative session started off fast and furious with Governor Culver signing a couple bills directly pertaining to Iowa school districts. The Race to the Top legislation moved through quickly due to a deadline for a federal grant of up to the \$175 million. Iowa school districts have some of the requirements already in place for this grant, but turnaround strategies for the lowest achieving schools could result in comprehensive reform. Another bill signed into law was House File 2030, which requires school districts to use their excess reserves before increasing local property taxes to cover budget shortfalls. Although the session has just started, education and Iowa schools remain top priorities and will continue to be going forward.

### Upcoming Events

Upcoming events in the first quarter of 2010 include the Iowa Association of School Business Officials annual conference March 25th. IPASeducation will have a booth set up at this conference, so feel free to come by and see us.

### Contact IPASeducation

If you would like to schedule a meeting in person, or have any questions or concerns about the IPASeducation program, feel free to contact me. On behalf of the IPASeducation program, thank you and I hope to see you soon.

Bryant Sheriff  
Public Funds Marketing Representative  
800-872-4024 - toll free  
515-224-2763 - direct  
bsheriff@miles-capital.com

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COMPARATIVE ANALYSIS

Fed Funds remained at zero percent to 0.25 percent throughout the quarter and Treasury securities ranged from 0.04 percent (3-month) to 2.35 percent (5-year). Comparative information including the IPASeducation Money Market Fund yield, the iMoneyNet benchmark index, and various U.S. Treasuries follows:

Investment Type	Jan. 25, 2010	Investment Type	Jan. 25, 2010
IPASeducation Institutional Money Market Fund	0.17%	Federal Funds (overnight rate)	0-0.25%
Seven-day yield (the 7-day SEC yield quotation more closely reflects the current earnings of the Money Market Fund)		3-month Treasury Bill*	0.04%
		6-month Treasury Bill*	0.13%
		2-year Treasury Note*	0.80%
iMoneyNet Yield (comparable money market index)***	0.01%	5-year Treasury Note*	2.35%

\*Government bonds and Treasury Bills are guaranteed as to the timely payment of principal and interest, if held to maturity.

\*\*Bank CD's are insured by the FDIC up to \$250,000

\*\*\*iMoneyNet is a leading provider of Money Market Fund data.

**Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund. Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value will fluctuate so that investor's shares, when redeemed may be worth more or less than the original cost. To obtain performance information current to the most recent month end, please visit [www.IPASeducation.org](http://www.IPASeducation.org).**

Money market yields are reported daily on [www.IPASeducation.org](http://www.IPASeducation.org). CD's and other securities may be seen by clicking on the Fixed Rate Investments tab. Please call if you would like to discuss IPASeducation returns or other investments in more detail.

*The IPASeducation Program's money market investment vehicle is the Institutional Money Market Fund (the Fund). The WB Capital Mutual Funds are distributed by Foreside Distribution Services, LP, Miles Capital, Inc. is the investment advisor.*

*Shares of the Fund are not deposits of, or obligations of, or guaranteed by, any bank or its affiliates, nor are they federally insured by the FDIC. Investment in the Fund involves risk, including the possible loss of principal.*

*An investment in the Fund is not insured or guaranteed by the FDIC or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00/share, it is possible to lose money by investing in the Fund.*

**An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the investment company can be found in the Fund's prospectus. To obtain a prospectus, please call 866-720-2995 or visit [www.IPASeducation.org](http://www.IPASeducation.org). Please read the prospectus carefully before investing.**

Mutual Funds are: Not FDIC Insured / May Lose Value / No Bank Guarantee



www.IPASeducation.org Phone: 866-720-2995 Fax: 866-260-0246

Miles Capital, Inc.  
 Investment Advisor  
 Laurie Mardis, CFA  
 Director, Fixed Income  
 Imardis@miles-capital.com  
**Marketing**  
 Bryant Sheriff  
 Public Funds Marketing Consultant  
 bsheriff@miles-caoptial.com  
**Administration**  
 Anita Tracy  
 Senior Fund Services Administrator  
 atracy@miles-capital.com

FIRST-CLASS MAIL  
 US Postage Paid  
 Des Moines, IA  
 Permit No. 4824