

A newsletter published for Iowa schools by IPASeducation

## INVESTMENT COMMENTARY - BY LAURIE MARDIS

If investors are to be believed, the U.S. economy is heading for a vigorous recovery. Equities delivered their second consecutive return in excess of 15 percent in the third quarter, and all bond risk sectors continued their strong outperformance. Although we agree that the economy is on the road to recovery, our enthusiasm is tempered by the potential for potholes as government support is replaced by private investment.

Evidence of positive momentum can be seen in a variety of data. The ISM (Institute for Supply Management) indexes for both the manufacturing and service sectors have both popped above 50, indicating expansion on the business side. Low interest rates, declining home prices, and the first-time homebuyer credit have boosted housing activity. And, initial jobless claims have declined suggesting an improvement in the labor outlook.

Unfortunately, there is also substantial evidence that the economy has yet to regain solid footing. First and foremost is the unemployment rate which has skyrocketed to 9.8 percent and continues to move higher. The recession that began in December 2007 has resulted in job losses totaling 7.2 million, the highest number of losses since the Great Depression. And credit is not yet flowing freely to small business, despite the Federal Reserve's efforts to inject substantial liquidity for "toxic" assets on bank balance sheets.

The net result is that the economic boost provided by the various stimulus programs and monetary policies will not be withdrawn any time soon. In fact, extensions of unemployment benefits and the first-time homeowner tax credit are already being discussed. These tactics will allow the economy to generate positive growth, though the

rate of growth will be modest compared to past recoveries.

The IPASeducation portfolio continues to enjoy high credit quality and safety of principal in this difficult time. Low yields in the money market space are challenging to both portfolio managers and participants, and we look forward to rising rates though they will not likely materialize for an extended period. Until then, we continue to place the highest value on safety and liquidity, and appreciate the opportunity to provide a high quality yield in this volatile environment.

If you have any questions please feel free to contact IPASeducation at.

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## OVERVIEW - BY BRYANT SHERIFF

### Program Overview

The majority of 2009 is in the rearview mirror now, and as the year draws to a close, I wanted to shed some light on public fund depositories and their ability/willingness to bid on school district dollars. Several State of Iowa regulations govern the ability of banks to bid on public fund investments.

- The state has requirements for collateralization of public fund investments which tie up the bank's assets.
- The state sets a minimum rate of interest which public funds must be paid, but this rate is not always quickly adjusted to reflect market rate changes, leaving banks in the unwelcome position of paying more for public funds than they can earn on the deposits.  
<http://www.treasurer.state.ia.us/rates/>
- Public funds are backed by the state sinking fund which leaves banks exposed to potential assessments. If a bank fails, all the other banks which have public funds on deposit are assessed to pay for the public fund

deposits in the failed bank (after FDIC insurance is used up). So if assessments are levied to cover bank failures, a bank with significant public fund deposits will pay a higher assessment than a bank with very little in public fund deposits.

Furthermore the Fed Funds rate remains extremely low, so banks have other sources of cheap funding. It has been almost a full calendar year (December 16, 2008) since the Federal Reserve last moved the Fed Funds rate (0-0.25%). Constrained lending activity in this environment has also contributed to banks having fewer options for generating income off public fund deposits.

While the current environment remains difficult, annual conventions are a great way to stay up-to-date on a wide range of topics that influence school districts. IPASeducation, like in year's past, will have a booth at these events to meet school officials and answer questions that may come up. One event that has occurred already, The School

Administrators of Iowa Annual Conference, held in August at the Polk County Convention Complex was once again a great show!

### Upcoming Events

IASB is right around the corner on November 19th at a new location, Hy-Vee Hall in the Iowa Events Center. IPASeducation will be there, so stop by grab some goodies and say hello.

### 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 staff, thank you and I hope to see you soon.

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**COMPARATIVE ANALYSIS**

Fed Funds remained at zero percent to 0.25 percent throughout the first quarter and Treasury securities ranged from 0.06 percent (3-month) to 2.32 percent (5-year). Comparative information including the IPASeducation Money Market Fund yield, the iMoneyNet benchmark index, and various U.S. Treasuries follows:

Investment Type	Oct. 28, 2009	Investment Type	Oct. 28, 2009
IPASeducation Institutional Money Market Fund	Daily yield 0.19%	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)	0.18%	3-month Treasury Bill*	0.06%
		6-month Treasury Bill*	0.16%
		2-year Treasury Note*	0.94%
iMoneyNet Yield (comparable money market index)***	0.02%	5-year Treasury Note*	2.32%

\*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, WB Capital Management 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



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