

THE IOWA INVESTOR

A newsletter published for Iowa Public Agency Investment Trust (IPAIT)

INVESTMENT COMMENTARY - BY LAURIE MARDIS

Although money market funds have struggled to provide yields above zero, the yields on the IPAIT Diversified and DGO funds have consistently exceeded benchmarks and peers over the past year, helping clients offset budget pressures that seem to have no end in sight. The economic downturn has led to stress on already strapped budgets, but the outlook is turning brighter and we expect change to be the hallmark of 2010. While the current low rate environment will persist for the remainder of the year, we appreciate the opportunity to help clients preserve capital to provide brighter community futures.

The Federal Reserve holds the key to better money market rates, and that key will likely remain under the doormat for the balance of 2010. The Fed is reluctant to raise rates because the economic recovery remains unsteady, but as time passes without a second economic

swoon, the recovery will gain traction and inflation concerns will increase. Once unemployment begins to drop, the Fed will start pulling levers behind the scenes to tighten monetary policy before raising rates outright. However, we have time before this becomes reality.

Consumers are holding tight to their purse strings in the face of 9.7% unemployment, so unemployment must decline before consumer spending picks up. While strong corporate profitability will allow companies to reinvest in capital, they are less likely to add to staff this early in the recovery. In this classic "chicken and egg" scenario, companies don't want to add jobs before consumers start spending, and consumers are reluctant to spend before the job market improves. However, better recent auto sales may signal a bit of consumer optimism. The simple passage of time without a "double-dip" may help lift our collective spirits, but

that means substantial economic improvement (and thus, rising money market rates) will be a long, slow road.

Money market investors will not see significantly better rates in 2010 because the Fed will stay on hold, but safety of principal is peace of mind in this time of troubled budgets. This year will be transitional for the markets as the economy shifts toward growth, and we appreciate the opportunity to help you navigate these waters.

If you have any questions please feel free to contact IPAIT at 800-872-4024.

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OVERVIEW - BY BRYANT SHERIFF

Update

So far 2010 is flying by and April is almost at its end. The lowest rate environment in history still persists, and at the end of each month I find myself double checking interest calculations wondering if they are correct. As the Fed keeps rates at an historical low, IPAIT continues to provide a safe alternative for public fund deposits. During property tax time, we especially want to make sure counties and cities alike know IPAIT is able to handle large deposits, even for a short period of time. Local institutions may have a depository maximum and not want to collateralize the extra funds, so IPAIT is a great way to diversify large tax orders or refunding bonds.

iCash Update

For those of you attending the IMFOA convention in April, I will be

around to answer any questions about IPAIT's function in the iCash program, but for those city officials not able to attend here is a short run-down:

IPAIT has been chosen by the ILC to be the depository of the electronic transactions your constituents utilize. This requires each city signed up with iCash, to also have an IPAIT account. Credit card transactions are processed and sent to IPAIT, where the funds will be distributed to each individual city. Once the funds reach your IPAIT account, you have the ability to transfer funds to your local bank or leave the funds invested with IPAIT. The ILC partnered with IPAIT to keep the operating costs of iCash at a minimum, as IPAIT doesn't charge money movement fees to transfer funds.

Upcoming Events

IMFOA – April 21-22 in Des Moines
ISCTA – May 12-13 in Clear Lake

I will be attending both events in the near future, so please stop by the booth and visit.

Contact IPAIT

If you would like to schedule a meeting in person, or have any questions or concerns about the IPAIT program, feel free to contact me. On behalf of the IPAIT program, 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 quarter and Treasury securities range from 0.15 percent (3-month) to 2.37 percent (5-year). Comparative information including the IPAIT Diversified Fund yield, the iMoneyNet benchmark index, and various U.S. Treasuries follows:

<u>Investment Type</u>	<u>April 15, 2010</u>	<u>Investment Type</u>	<u>April 15, 2010</u>
IPAIT Diversified Fund	Daily yield 0.076%	Federal Funds (overnight rate)	0-0.25%
	Seven-day yield 0.079%	3-month Treasury Bill	0.15%
IPAIT Direct Government Obligation Fund	Daily yield 0.005%	6-month Treasury Bill	0.23%
	Seven-day yield 0.004%	2-year Treasury Note	1.03%
iMoneyNet Yield (comparable money market index)	0.01%	5-year Treasury Note	2.37%

IPAIT's Sponsoring Associations



Iowa Association of Municipal Utilities
1735 NE 70th Avenue
Ankeny, IA 50021-9353
www.iamu.org



Iowa League of Cities
317 Sixth Avenue, Suite 800
Des Moines, IA 50309
www.iowaleague.org



Iowa State Association of Counties
501 SW Seventh Street, Suite Q
Des Moines, IA 50309-4540
www.iowacounties.org

*IPAIT was established in 1987. IPAIT provides two daily liquid portfolios - the Diversified Fund and the Direct Government Obligation Fund (DGO). IPAIT's unique, internet-based proprietary reporting system offers real-time account inquiry, and transaction capabilities via the internet. Participants may invest, withdraw funds, check balances and transaction history, and make vendor payments with this service. There is also toll-free phone access to experienced administrators who can personally assist you with any IPAIT-related inquiry. There is no limit on the number of individual accounts, no minimum balance requirement, and no limits on the number of transactions per month. Please contact us today to learn more about the additional benefits IPAIT has to offer you. **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. This newsletter must be accompanied by the Information Statement prior to investing. The Information Statement is available at www.IPAIT.org***



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