



THE IOWA INVESTOR

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

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 feel free to contact IPAIT at 800-872-4024.

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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 Tools

January marked Governor Culver's Condition of the State address, and this upcoming legislative session will greatly impact Iowa cities, counties, and municipalities. I wanted to provide some useful links and tools our sponsoring associations provide to their members highlighting the legislation that will impact our local governments. These tools are a great way to stay current on the happenings that take place on Capitol Hill.

IAMU – www.iamu.org – under member services then legislative and regulatory
ISAC – www.iowacounties.org – under inside ISAC government relations link
ILC – www.iowaleague.org – under the legislative link

Upcoming Events

Upcoming events in the first quarter of 2010 include the ISAC Supervisor's annual meeting February 11th, the IAMU winter meeting on February 9-10th, and ISAC Spring School March 24-25th. IPAIT will have a booth or table set up at all three meetings, so feel free to come by and see us.

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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The Iowa Investor

COMPARATIVE ANALYSIS

Fed Funds remained at zero percent to 0.25 percent throughout the quarter and Treasury securities range from 0.04 percent (3-month) to 2.35 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>Jan. 25, 2010</u>	<u>Investment Type</u>	<u>Jan. 25, 2010</u>
IPAIT Diversified Fund	Daily yield	0.10%	Federal Funds (overnight rate)	0-0.25%
	Seven-day yield	0.11%	3-month Treasury Bill	0.04%
IPAIT Direct Government Obligation Fund	Daily yield	0.002%	6-month Treasury Bill	0.13%
	Seven-day yield	0.001%	2-year Treasury Note	0.80%
iMoneyNet Yield (comparable money market index)		0.01%	5-year Treasury Note	2.35%

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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