

THE I/FAX



ADMINISTERED BY THE ILLINOIS STATE TREASURER

Contact us at www.illinoisfunds.com or 1-800-346-7414

AUGUST 2010

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Yesterday's Rate 8/11/10

Money Market Fund

0.168%

Public Investors' Fall Financial Symposiums

Watch your inbox for your invitation to the Public Investors' Fall Financial Symposiums. This year, in an effort to better serve our attendees, we have made a change to the format. Whereas in the past, the fall symposium was a two-day event, we are now offering two one-day symposiums in the Chicago suburbs.

On Wednesday, October 20, the first symposium will take place at the Doubletree Chicago Arlington Heights. On Thursday, October 21, the second symposium will take place at the Hickory Ridge Marriott Conference Hotel in Lisle. Both symposiums will go from 8:30 AM to 3:30 PM.

We hope this year's attendees find this format to be a more convenient way to learn about all of the latest trends in public finance today.

If you have any questions about the fall symposiums, please do not hesitate to call Josh Potts of The Illinois Funds at (800) 346-7414.

MARKET PERSPECTIVE

By Mark Polistina

I think I've finally figured out the classic paradox of "What happens when an unstoppable force meets an immovable object." Before I answer, let me explain how I came to this conclusion.

For all its misgivings our country, The United States of America, is the greatest place on earth. The 230-plus year experiment of democracy has proven time and again it will not go down. War, famine, flood, hurricane and even man-made disasters cannot bring this great nation to its knees. Many, inside and out, have given their all to destroy the will and resolve to continue on; however, all have failed. Regardless of the issue we eventually overcome it and get even stronger. I say this country is an immovable object.

Though many times throughout history man has declared victory over recessions they still occur. There was any number of "experts" that exalted the former Federal Reserve Chairman for his abilities to stave off recessions; that is, until we had one. In the past 77 years, since the Great Depression, we have had 13 recessions lasting from 6 months to the current 2-plus years for an average of 11 months each. The average time between these recessions is 60 months. To my way of thinking the ebbs and flows of an economic cycle and thus recessions are unstoppable.

As I stated above this nation (immovable), has experience 13 recessions (unstoppable), and the resultant affect in each case has been an increase in unemployment.

It isn't a new phenomenon, just one we choose to forget for those 60 months or so between recessions. The good news is that unemployment rates will come down; they always do. For the past two recessions, unemployment rates peaked about 2 years after the declared beginning. If the January peak holds that means 25 months this time. The bad news is it will take some time to get back to our starting point. For unemployment rates to fall back to the level of the first month of the past 2 recessions, it took an average of 5 years. We're at about 2½ years into this recession, so we're half way home. Patience is a bitter pill to swallow sometimes.

Markets

We still feel that the Federal Reserve will remain on hold for as much as six or more months; however, the market may not. Again as a note: keep an eye on the U.S. Treasury yield curve. At what point does the issuance of Treasury securities become so large that market participants begin to require higher yields/lower prices to take on the excess volume?

Mark Polistina is the Portfolio Manager for The Illinois Funds.

Labor Day Schedule

In observance of Labor Day, the Illinois Funds will be closed on Monday, September 6.

All of us in the Office of the State Treasurer would like to wish you and yours a very happy and safe Labor Day weekend.



Safety, Liquidity and Yield



Illinois Funds yields for the period ending 7/31/10

Money Market Fund (Daily Liquidity)

Net Portfolio Assets (in millions)	\$5,016
Monthly Investment Earnings (in 1000's)	\$798
7 Day Yield*	0.18%
One Month Yield*	0.18%
Net Asset Value (per share)	\$1.00
Weighted Average Maturity	30
<small>*Yield Net of Fees</small>	

Monthly Public Sector Rate Comparison

The Illinois Funds, Money Market Fund		0.18%	
S&P Govt Inv Pool-Govt Fund Index	0.15%	S&P Govt Inv Pool-Taxable Funds Index	0.20%
IL School Dist Liquid Asset	0.02%	IL School Dist Liquid Asset Max	0.13%
3 Month Treasury Bill	0.15%	6 Month Treasury Bill	0.20%

Monthly Private Sector Rate Comparison

The Illinois Funds, Money Market Fund		0.18%	
IMoneynet™ - Govt. Institutional	0.02%	Federated Govt Obligations	0.07%
Fidelity - 695 Treas Fund	0.04%	Fidelity - 57 Govt Fund	0.08%
Goldman Fin Sq Treas Fund - 468	0.02%	Goldman Fin Sq Govt Fund - 465	0.11%
30 Day Time Deposit	0.17%	90 Day Time Deposit	0.44%

MONEY MARKET FUND COMPOSITION

- 62.8% - Repurchase Agreements
- 7.9% - Money Market Funds
- 0.8% - Certificates of Deposit
- 18.9% - Commercial Paper
- 7.6% - US Government Agencies
- 2.0% - FDIC Insured Account

E-Pay Account Rate

0.168% 8/11/10

1-866-831-5240

www.illinoisepay.com

Rapid Revenue Acct. Rate

0.168% 8/11/10

1-800-346-7414

Visit our website at www.illinoisfunds.com for further information.