Hugh L. Carey Battery Park City Authority

Review of Investment Performance

Quarter Ended October 31, 2008

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Section A –
Summary of Aggregate Portfolio

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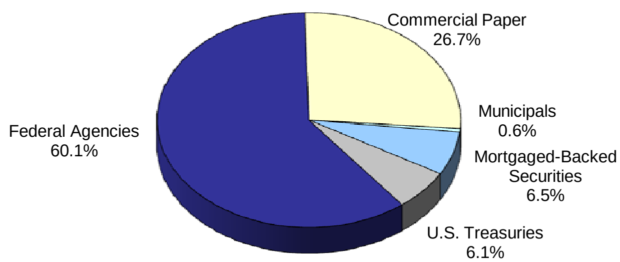
Aggregate Portfolio Composition and Credit Quality

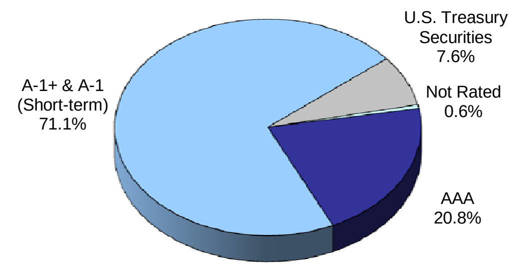
Security Type[1]	October 31, 2008	% of Portfolio	Effective Duration	July 31, 2008	% of Portfolio	Effective Duration
U.S. Treasuries	**$36,215,841**	**6.1%**	**5.53**	$40,498,260	7.6%	4.90
Federal Agencies	**$354,552,593**	**60.1%**	**0.70**	$343,624,825	64.9%	0.84
Commercial Paper	**$157,257,220**	**26.7%**	**0.07**	$101,119,588	19.1%	0.16
Municipals	**$3,294,091**	**0.6%**	**0.02**	$3,388,482	0.6%	0.02
Mortgaged-Backed Securities	**$38,371,051**	**6.5%**	**3.52**	$40,908,001	7.7%	3.52
Totals	**$589,690,796**	**100.0%**	**1.01**	**$529,539,157**	**100.0%**	1.22

Investment Policy Limits	October 31, 2008	July 31, 2008		October 31, 2008	July 31, 2008
Federal Agencies (includes Mortgaged-Backed Securities)[2]					
Freddie Mac	**$123,351,432**	$104,769,762	Ginnie Mae	**$8,398,778**	$8,957,652
Fannie Mae	**$128,661,252**	$178,209,413			
Federal Home Loan Bank	**$121,396,452**	$70,614,766			
Federal Farm Credit Bank	**$11,115,731**	$21,981,233			
Commercial Paper[2]					
Toyota Motor Credit Corporation	**$10,669,687**	$19,931,922	JP Morgan Chase	**$21,875,423**	$21,722,713
General Electric	**$4,070,343**	$21,375,571	Barclays	**$19,012,863**	$0
Bank of America	**$40,267,102**	$34,492,223	Wells Fargo	**$26,380,283**	$3,597,160
Municipal Issuers[2]					
NY State Housing Finance Authority	**$3,294,091**	$3,388,482			
New York City	**$0**	$0			

Portfolio Composition as of 10/31/08



Credit Quality Distribution as of 10/31/08

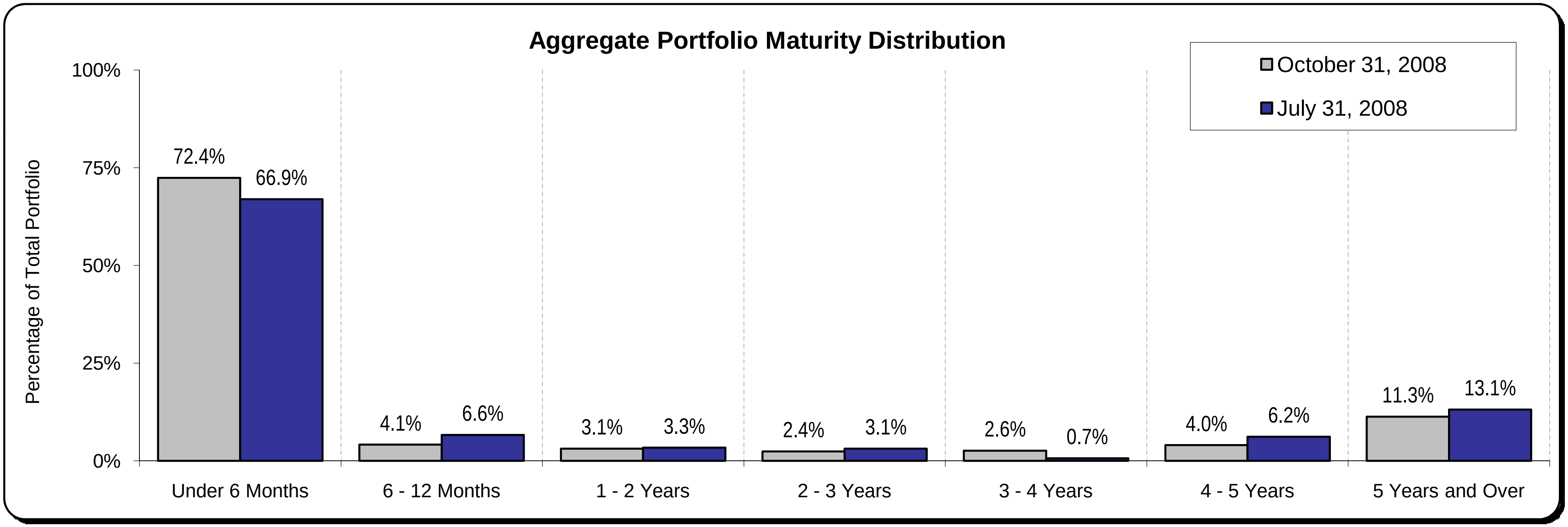


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Pursuant to the Authority Investment Policy, investments in obligations other than those backed by the full faith and credit of the U.S. Government are limited to a maximum of $250 million per issuer.

Aggregate Portfolio Maturity Structure

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio	Qtr-over-Qtr % Change
Under 6 Months	**$426,994,692**	**72.4%**	$354,526,012	66.9%	5.46%
6 - 12 Months	**$24,321,388**	**4.1%**	$35,106,278	6.6%	(2.51%)
1 - 2 Years	**$18,360,667**	**3.1%**	$17,709,785	3.3%	(0.23%)
2 - 3 Years	**$14,256,770**	**2.4%**	$16,469,488	3.1%	(0.69%)
3 - 4 Years	**$15,480,484**	**2.6%**	$3,551,167	0.7%	1.95%
4 - 5 Years	**$23,575,588**	**4.0%**	$32,678,014	6.2%	(2.17%)
5 Years and Over	**$66,701,206**	**11.3%**	$69,498,413	13.1%	(1.81%)
Totals	**$589,690,796**	**100.0%**	$529,539,157	100.0%	



Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Section B –
Performance Attributes

Hugh L. Carey
Battery Park
City Authority

Hugh L. Carey
Battery Park
City Authority

Information contained in Section B

Breakdown of Portfolio Value by Account

Total Return Accounts	October 31, 2008		July 31, 2008		
Longer Term Investment Strategy	**Market Value**	**Effective Duration**	Market Value	Effective Duration	Market Value Change
2003 Reserve Fund	**$69,271,687**	**3.62**	$76,900,652	3.47	($7,628,965)
BPCPC Operating Reserve	**$1,135,361**	**2.94**	$1,010,456	3.84	$124,905
BPCPC Operating Reserve Contingency	**$23,844,765**	**3.43**	$23,647,124	3.50	$197,641
Corporate Funds	**$6,464,988**	**3.55**	$6,427,850	3.66	$37,138
Insurance Fund	**$4,345,013**	**3.31**	$4,288,257	3.42	$56,756
Operating Budget Reserve	**$7,581,842**	**3.53**	$7,520,364	3.60	$61,477
BPCA Other Post Employment Benefits	**$15,429,806**	**3.28**	$15,645,938	3.30	($216,132)
Short Term Investment Strategy					
2003 Pledged Revenue	**$181,800,571**	**0.04**	$114,189,610	0.18	$67,610,961
2003 Project Operating Fund	**$12,077,573**	**0.03**	$6,926,213	0.02	$5,151,360
Joint Purpose Fund	**$116,636,773**	**0.12**	$115,892,201	0.15	$744,571
Subtotal of Total Return Accounts	**$438,588,377**	**1.08**	$372,448,665	1.37	$66,139,712

Other BPCA Accounts	October 31, 2008		July 31, 2008		
	Market Value	**Effective Duration**	Market Value	Effective Duration	Market Value Change
2000 Arbitrage Rebate	**$751,470**	**0.81**	$743,690	0.07	$7,780
1993 Unpledged Revenue	**$7,133,857**	**0.04**	$3,264,800	0.00	$3,869,057
2003 Debt Service Senior Payments	**$27,744,482**	**0.21**	$27,587,145	0.40	$157,336
2003 Project Costs Subaccount	**$10,197,160**	**0.20**	$21,327,729	0.23	($11,130,569)
2003 Residual Fund	**$5,510,616**	**4.72**	$5,459,058	4.94	$51,558
Debt Service Junior Payments	**$33,344,418**	**0.09**	$33,029,663	0.06	$314,755
Hudson View W Towers G	**$160,674**	**0.57**	$159,192	0.82	$1,483
Hudson Towers E/F	**$195,175**	**0.57**	$193,374	0.82	$1,801
Hudson View Towers C	**$175,460**	**0.57**	$173,841	0.82	$1,619
Liberty Terr Mariners Cove-K	**$577,639**	**0.57**	$572,309	0.82	$5,330
Liberty House Mariners J	**$506,667**	**0.57**	$501,991	0.82	$4,675
Liberty Ct Mariners Cove B	**$1,286,381**	**0.57**	$1,274,511	0.82	$11,870
Liberty Battery Place Assoc 4	**$468,223**	**0.57**	$463,902	0.82	$4,321
Millenium	**$3,429,364**	**0.57**	$3,397,719	0.82	$31,645
Rector Park L	**$91,673**	**0.57**	$90,827	0.82	$846
The Regatta Site 10	**$454,423**	**0.57**	$450,229	0.82	$4,193
Soundings Rector Park A	**$199,118**	**0.57**	$197,281	0.82	$1,837
South Cove Assoc 11	**$372,607**	**0.57**	$369,169	0.82	$3,438
Special Fund	**$47,219,979**	**1.59**	$48,595,187	1.76	($1,375,208)
BPCA Millenium Tower Security Fund 2A	**$2,864,539**	**0.57**	$2,849,061	0.18	$15,478
BPCA S 16/17 Riverhouse Security Fund	**$4,660,479**	**0.34**	$2,792,654	0.40	$1,867,825
BPCA Goldman Sachs Liberty Contribution Fund	**$3,618,824**	**0.91**	$3,597,160	0.04	$21,664
BPCA Visionaire Security Fund	**$139,192**	**0.53**	$0	0.00	$139,192
Subtotal of Other BPCA Accounts	**$151,102,419.16**	**0.82**	$157,090,492	0.88	($5,988,072)
Total	**$589,690,796**	**1.01**	$529,539,157	1.22	$60,151,640

Breakdown of Portfolio Value by Strategy

	October 31, 2008			July 31, 2008			
	Market Value	**Effective Duration**	**% of Total BPCA Portfolio**	Market Value	Effective Duration	% of Total BPCA Portfolio	Market Value Change
Total Return Accounts							
Longer Term Investment Strategy	**$128,073,461**	**3.52**	**21.7%**	$135,440,641	3.48	25.6%	($7,367,180)
Short Term Investment Strategy	**$310,514,916**	**0.07**	**52.7%**	$237,008,024	0.16	44.8%	$73,506,892
Subtotal of Total Return Accounts	**$438,588,377**	**1.08**	**74.4%**	$372,448,665	1.37	70.3%	$66,139,712
Other BPCA Accounts							
Subtotal of Other BPCA Accounts	**$151,102,419**	**0.82**	**25.6%**	$157,090,492	0.88	29.7%	($5,988,072)
Total BPCA Portfolio	**$589,690,796**	**1.01**	**100.0%**	$529,539,157	1.22	100.0%	$60,151,640

Portfolio Strategy Recap & Market Outlook

Portfolio Strategy Recap

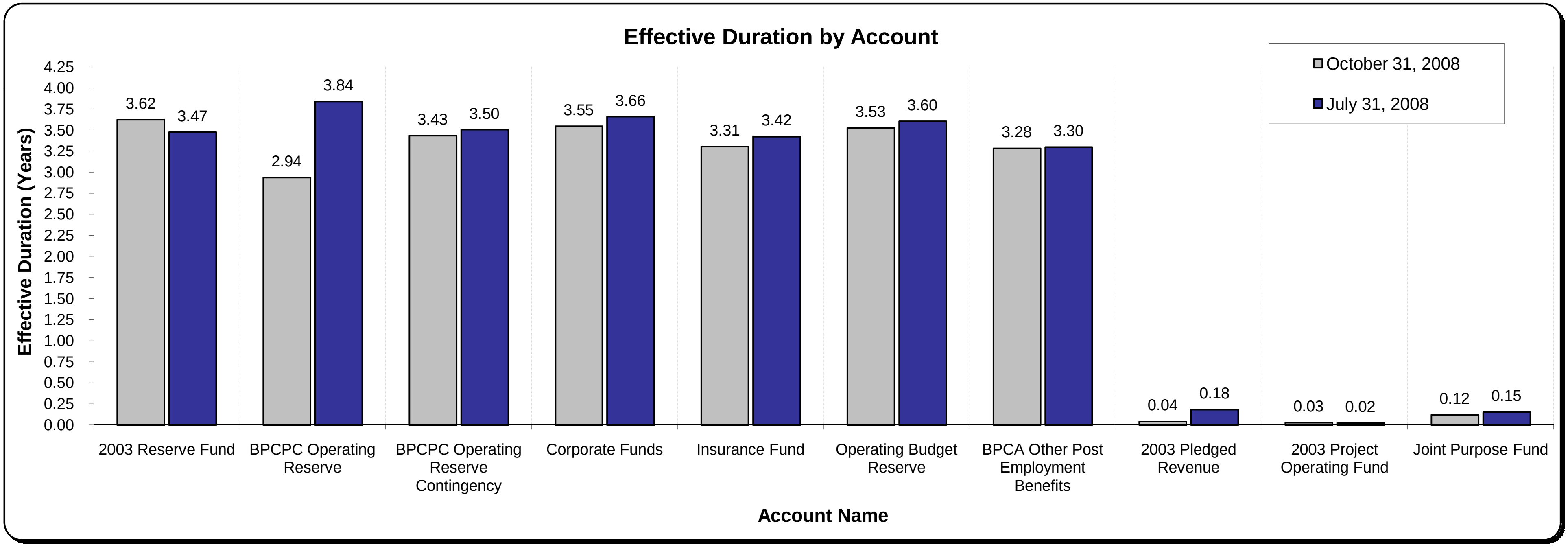
- The Battery Park City Authority portfolios are in compliance with the Authority's investment policy.
- The Authority's portfolios are of very high credit quality and remain well-diversified among issuers. The Investment Committee continues to restrict the purchase of commercial paper to a small group of highly-rated companies with superior finances that are beneficiaries of Federal Government support programs such as the FDIC Debt Guarantee Program.
- Market sentiment throughout the quarter was driven by continued and unprecedented disruptions in the credit markets. Poor economic data contributed to the dire mood as it became evident that economic growth was grinding to a halt. Equity markets around the world sold off dramatically while credit spreads in the corporate and agency sector reached historic wide levels. The U.S. Treasury market experienced significant outperformance as investors sought the safety and liquidity of the Treasury sector.
- BPCA portfolios continue to benefit from high absolute performance since inception as yields continue to decline. Short-term portfolios, accounting for roughly 70% of the Authority's assets, continue to outperform their respective benchmarks since inception as well. Additional income produced by wide agency and commercial paper spreads had a major positive impact on short-term returns during the quarter.
- Over time attractive agency spreads will prove to be a benefit for the long portfolios as well. In the short term, widening spreads continue to produce a negative impact on total returns. Because of spread widening in the agency sector, federal agency security price appreciation has not kept pace with U.S. Treasury security price appreciation. This has been the primary contributor to the long-term portfolios' underperformance to their respective benchmark.
- The Marina Towers escrow account, a portfolio previously managed according to the Short Term Investment Strategy, was liquidated in June 2008. Because the portfolio had a zero balance for both the quarter-ended October 31, 2008, and the quarter-ended July 31, 2008, we have removed the account from this quarterly performance report.
- The Visionaire Security Fund was funded in October 2008 and will be tracked as part of the non-total return, "Other BPCA Accounts" section of the quarterly performance report.

Market Outlook

It became evident in October that the difficulties in the credit markets were having a tangible effect on the economy. Retail sales and measurements of consumer confidence hit decade lows in October. Conditions in the job market continue to deteriorate, as evidenced by the increase in the unemployment rate and a string of negative non-farm payroll reports. The bleak economic news and frozen credit markets were contributing factors to the worldwide stock sell-off throughout the quarter. In response the FOMC cut rates an additional 1% in October in an effort to soften the economic slowdown. The credit markets did improve somewhat at the end of October as the various government support programs put into place began to take effect. Direct government involvement in the economy is likely to persist over the next several quarters as policy makers around the globe have deemed it essential to stabilize the financial markets while trying to promote economic growth. Additional rate cuts from Central Banks of the major global economies – including the Federal Reserve – are likely. It is also likely that new methods to assist troubled companies and consumers will be revealed in coming months. Short-term yields will most likely remain agonizingly low throughout 2009 with a relatively steep yield curve and wide credit spreads providing the only relief.

Total Return Portfolio Attributes

	Effective Duration (in years)		Yield To Maturity - At Market		Yield To Maturity - On Cost	
Yields	**October 31, 2008**	July 31, 2008	**October 31, 2008**	July 31, 2008	**October 31, 2008**	July 31, 2008
Longer Term Investment Strategy						
2003 Reserve Fund	**3.62**	3.47	**3.57%**	3.65%	**4.39%**	4.32%
BPCPC Operating Reserve	**2.94**	3.84	**3.10%**	3.90%	**3.26%**	4.48%
BPCPC Operating Reserve Contingency	**3.43**	3.50	**3.72%**	3.90%	**4.56%**	4.63%
Corporate Funds	**3.55**	3.66	**4.03%**	3.98%	**4.79%**	4.86%
Insurance Fund	**3.31**	3.42	**3.50%**	3.65%	**4.63%**	4.76%
Operating Budget Reserve	**3.53**	3.60	**3.89%**	3.99%	**4.74%**	4.89%
BPCA Other Post Employment Benefits	**3.28**	3.30	**3.44%**	3.51%	**4.12%**	4.18%
Short Term Investment Strategy						
2003 Pledged Revenue	**0.04**	0.18	**0.84%**	2.46%	**0.48%**	2.46%
2003 Project Operating Fund	**0.03**	0.02	**0.33%**	2.21%	**0.42%**	1.75%
Joint Purpose Fund	**0.12**	0.15	**1.78%**	2.44%	**2.08%**	2.55%

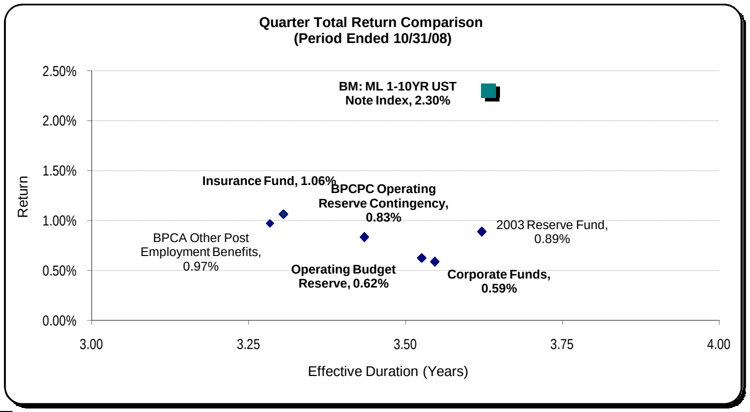


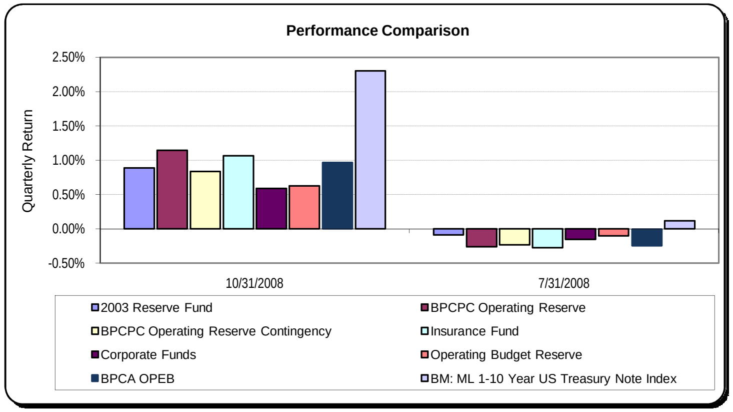
Portfolios managed with a Longer Term Investment Strategy

Longer Term Investment Strategy

Total Return[1,2,4,5]	October 31, 2008	Annualized Quarter	Since Inception[5]	Annualized Since Inception
2003 Reserve Fund	**0.89%**	3.57%	**15.63%**	5.42%
BPCPC Operating Reserve	**1.14%**	4.61%	**15.97%**	5.53%
BPCPC Operating Reserve Contingency	**0.83%**	3.35%	**16.89%**	5.84%
Corporate Funds	**0.59%**	2.35%	**17.51%**	6.04%
Insurance Fund	**1.06%**	4.29%	**18.03%**	6.21%
Operating Budget Reserve	**0.62%**	2.50%	**17.29%**	5.97%
BPCA Other Post Employment Benefits	**0.97%**	3.91%	**1.05%**	1.40%
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	**2.30%**	9.46%	**18.53%**	6.38%

Effective Duration (in years)[3]	October 31, 2008	July 31, 2008
2003 Reserve Fund	**3.62**	3.47
BPCPC Operating Reserve	**2.94**	3.84
BPCPC Operating Reserve Contingency	**3.43**	3.50
Corporate Funds	**3.55**	3.66
Insurance Fund	**3.31**	3.42
Operating Budget Reserve	**3.53**	3.60
BPCA Other Post Employment Benefits	**3.28**	3.30
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	**3.63**	3.61



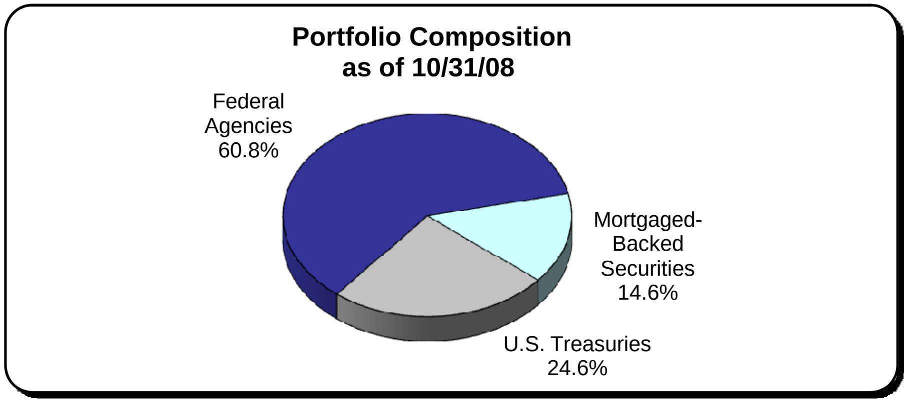


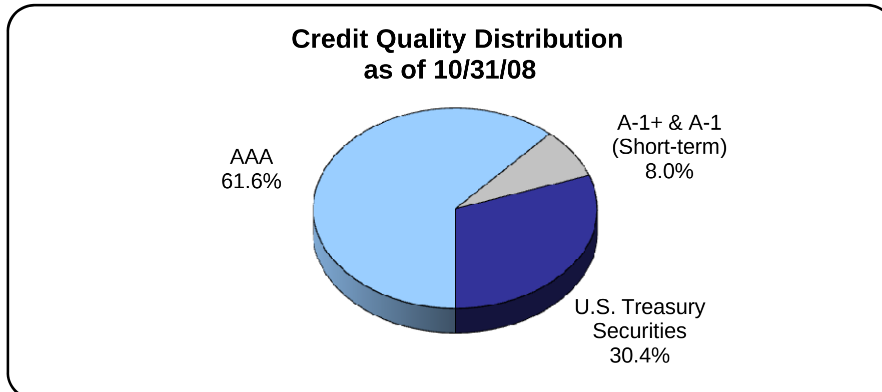
Notes:

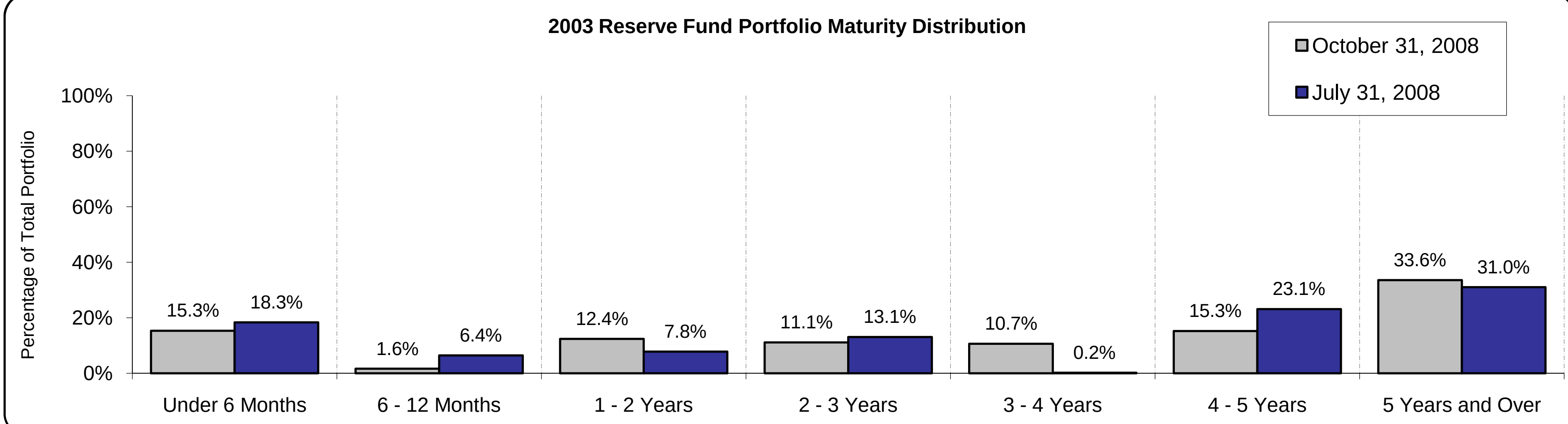
1. Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards
2. Merrill Lynch Indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
3. Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
4. Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
5. Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' is calculated from January 31, 2006 to present. Since inception performance for the BPCA Other Post Employment Benefits performance is calculated from January 31, 2008 to present.

2003 Reserve Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$17,067,377**	**24.6%**	$17,755,487	23.1%
Federal Agencies	**$42,099,817**	**60.8%**	$38,847,666	50.5%
Commercial Paper	**$0**	**0.0%**	$9,596,639	12.5%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$10,104,493**	**14.6%**	$10,700,860	13.9%
Totals	**$69,271,687**	**100.0%**	**$76,900,652**	**100.0%**





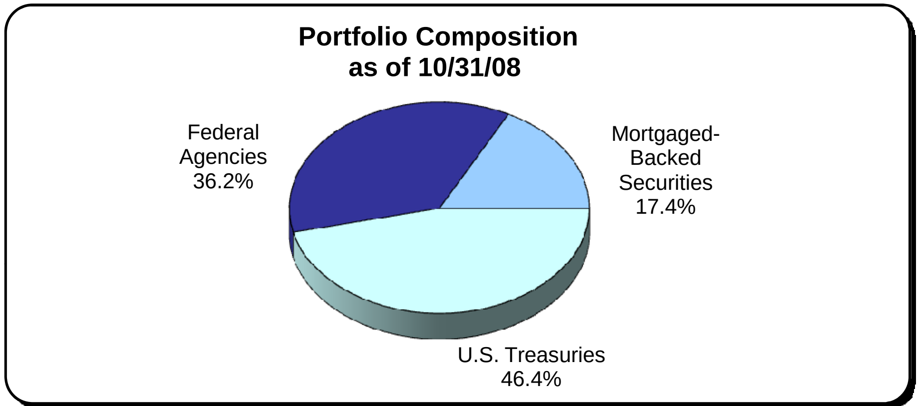


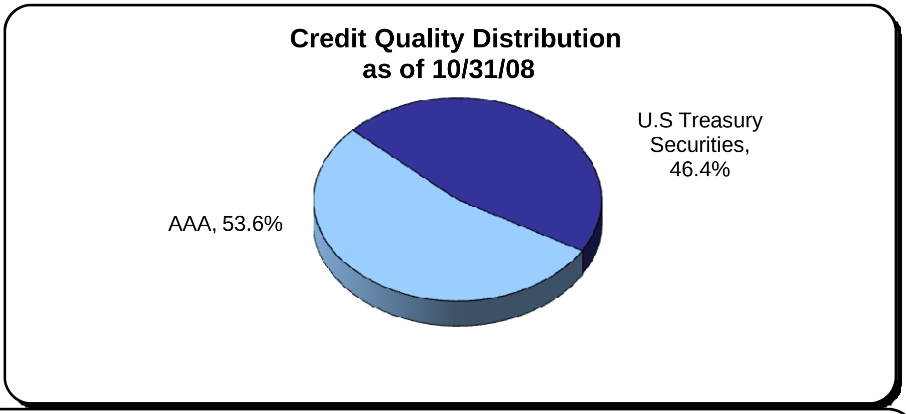
Notes:

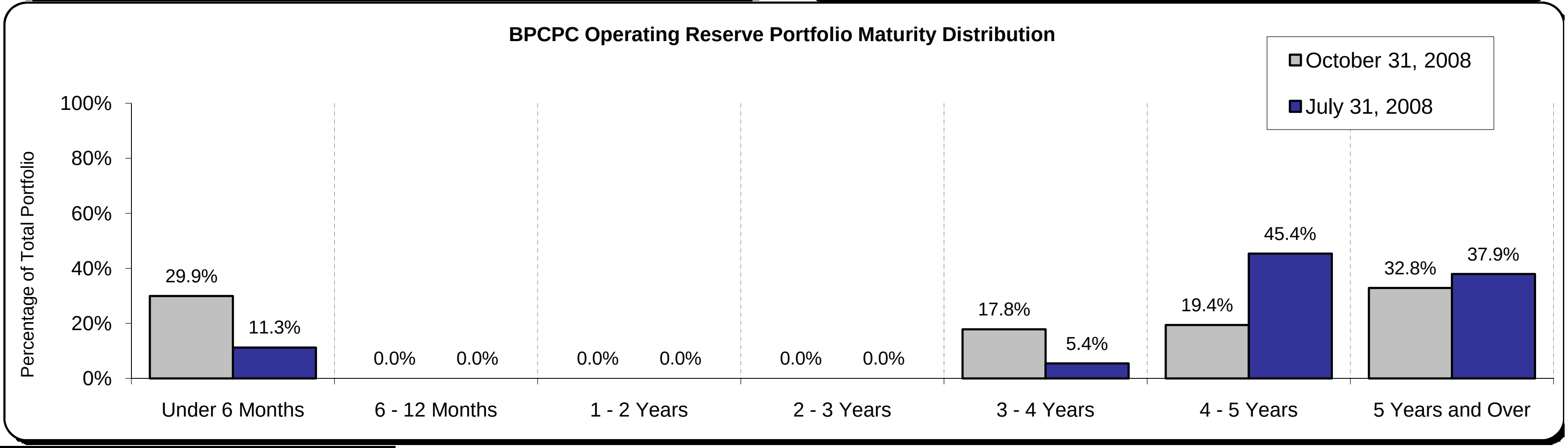
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

BPCPC Operating Reserve Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$526,411**	**46.4%**	$337,349	33.4%
Federal Agencies	**$411,420**	**36.2%**	$466,751	46.2%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$197,530**	**17.4%**	$206,356	20.4%
Totals	**$1,135,361**	**100.0%**	**$1,010,456**	**100.0%**





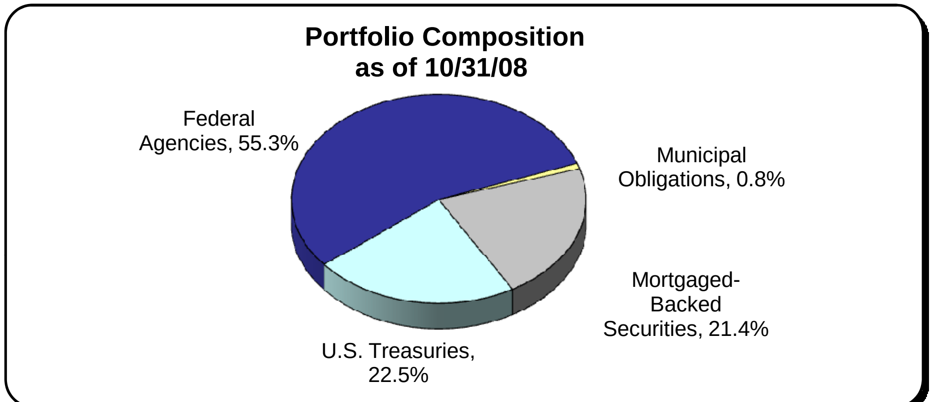


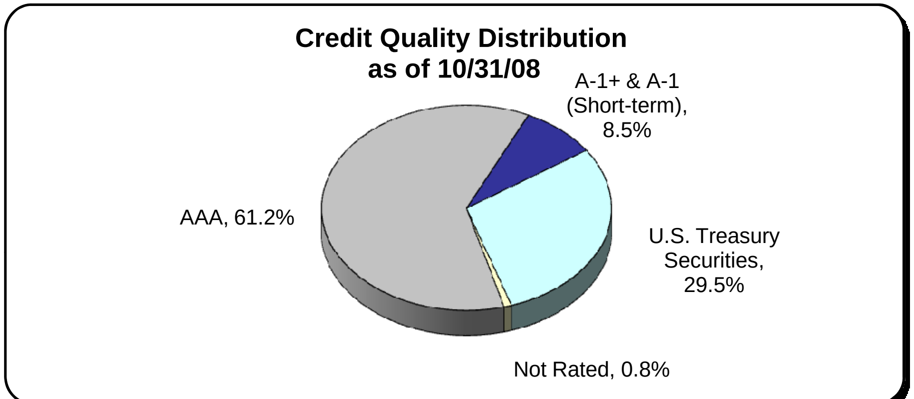
Notes:

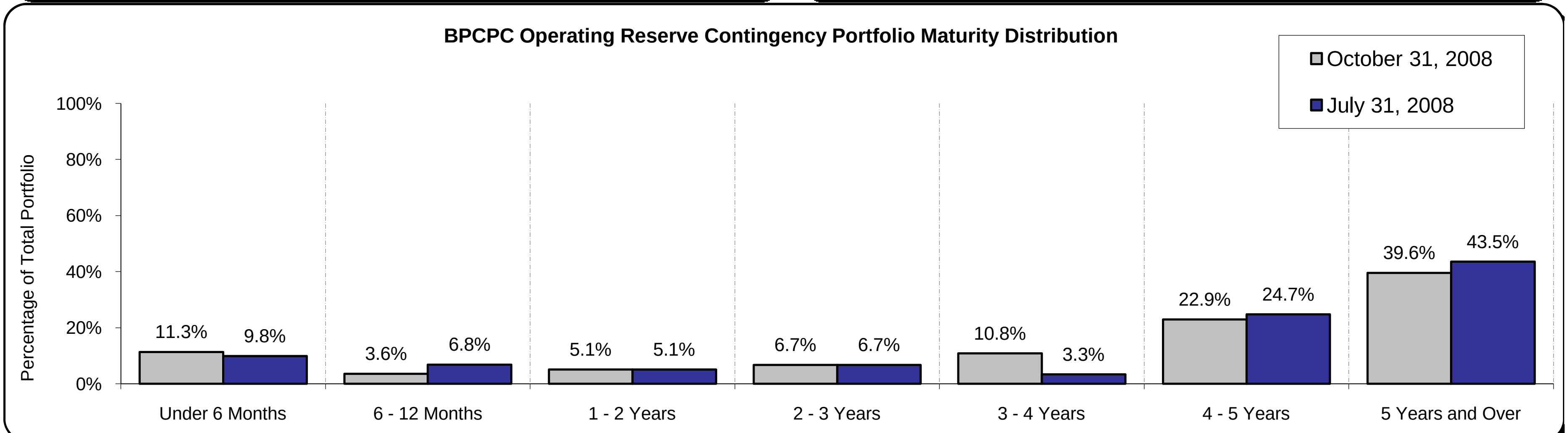
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

BPCPC Operating Reserve Contingency Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$5,365,478**	**22.5%**	$5,147,202	21.8%
Federal Agencies	**$13,174,970**	**55.3%**	$12,966,484	54.8%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$200,233**	**0.8%**	$200,228	0.8%
Mortgaged-Backed Securities	**$5,104,085**	**21.4%**	$5,333,210	22.6%
Totals	**$23,844,765**	**100.0%**	**$23,647,124**	**100.0%**







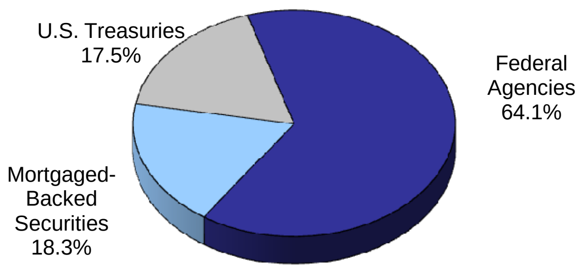
Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

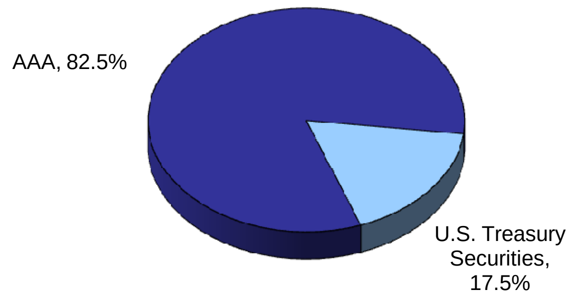
Corporate Funds Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$1,134,261**	**17.5%**	$1,021,981	15.9%
Federal Agencies	**$4,145,547**	**64.1%**	$4,167,735	64.8%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$1,185,180**	**18.3%**	$1,238,133	19.3%
Totals	**$6,464,988**	**100.0%**	**$6,427,850**	**100.0%**

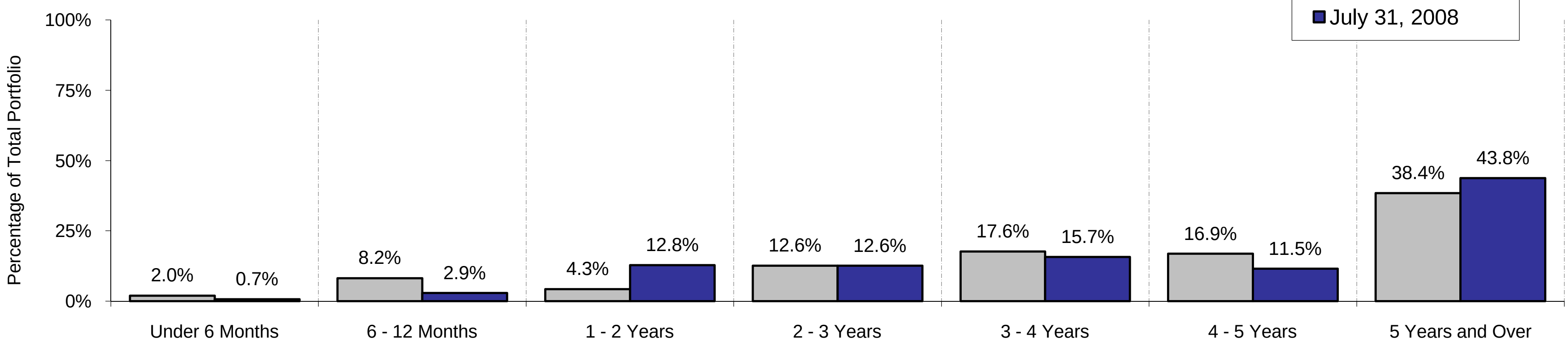
Portfolio Composition as of 10/31/08



Credit Quality Distribution as of 10/31/08



Corporate Funds Portfolio Maturity Distribution

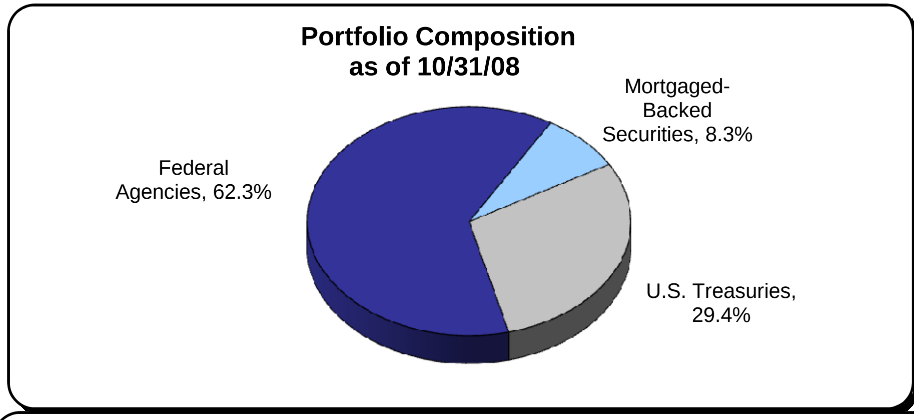


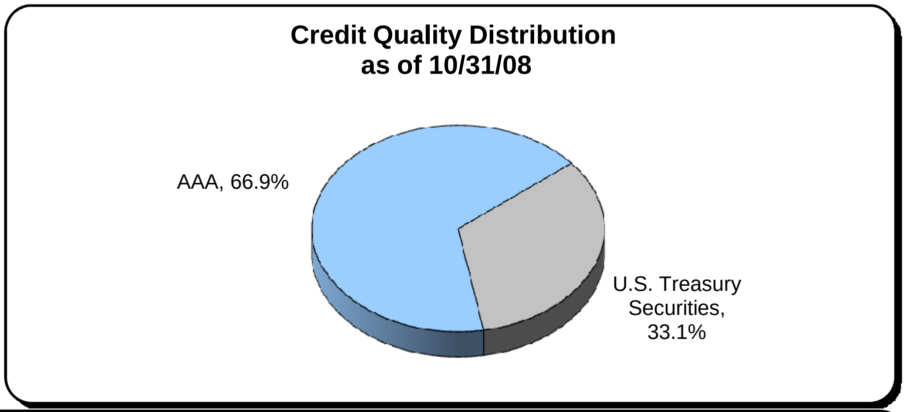
Notes:

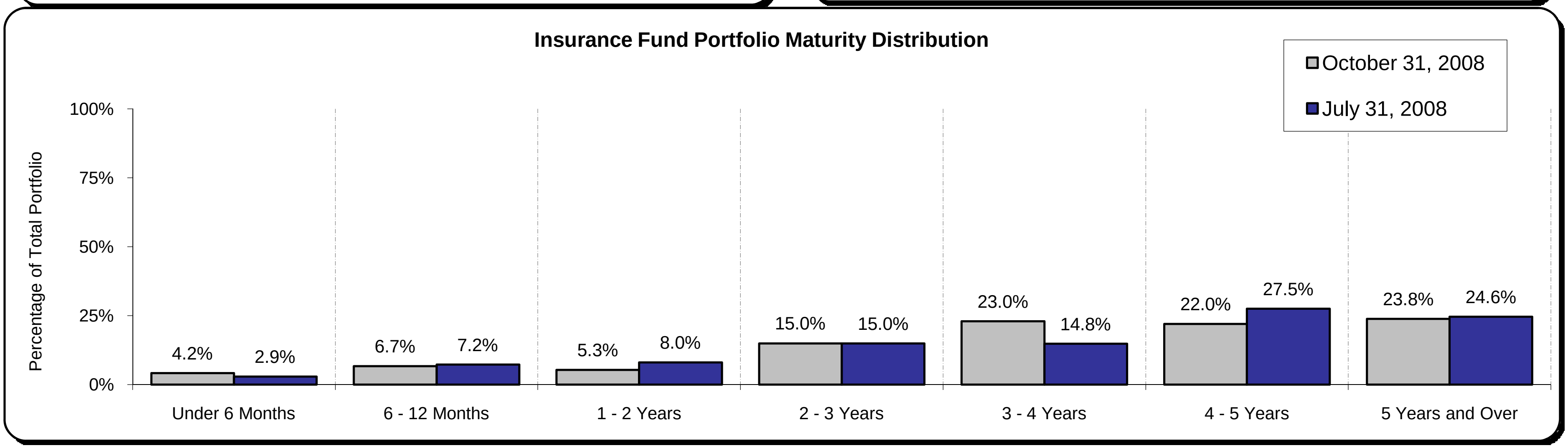
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Insurance Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$1,277,780**	**29.4%**	$1,190,371	27.8%
Federal Agencies	**$2,708,609**	**62.3%**	$2,723,227	63.5%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$358,624**	**8.3%**	$374,660	8.7%
Totals	**$4,345,013**	**100.0%**	**$4,288,257**	**100.0%**





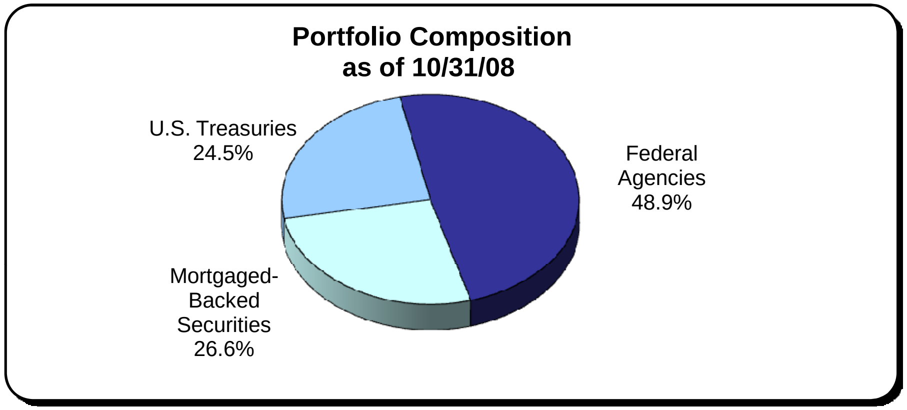


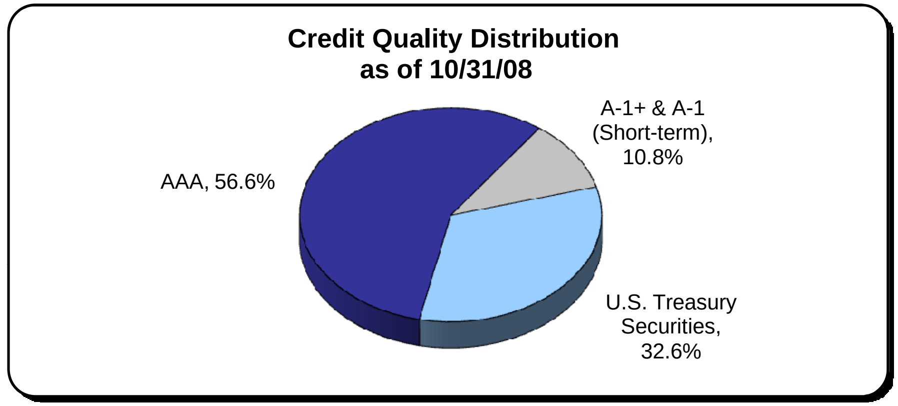
Notes:

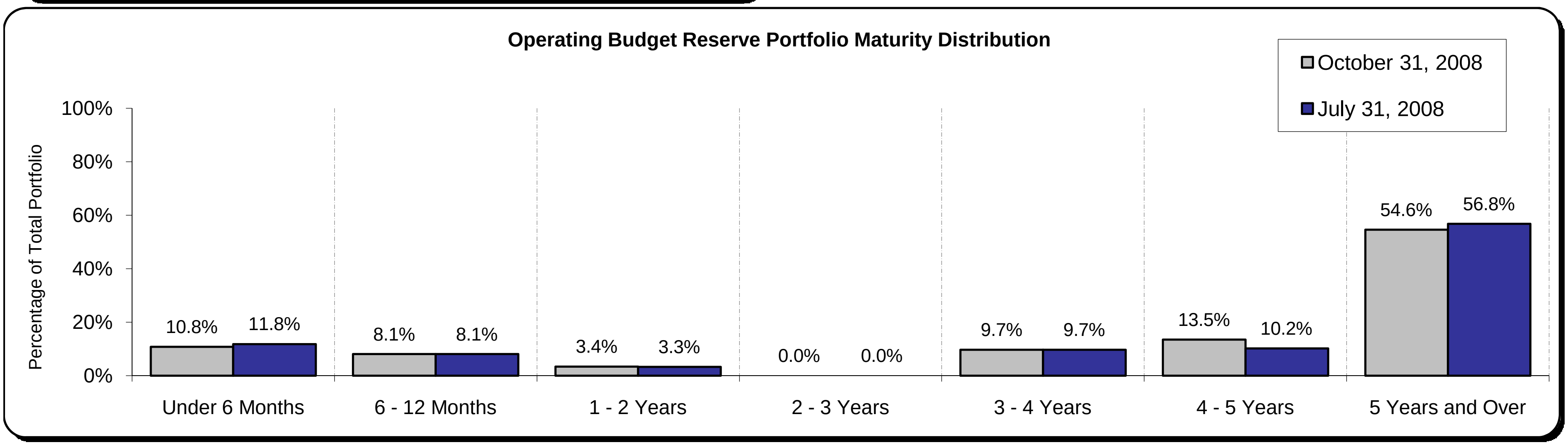
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Operating Budget Reserve Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$1,855,749**	**24.5%**	$1,832,623	24.4%
Federal Agencies	**$3,709,751**	**48.9%**	$3,571,837	47.5%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$2,016,341**	**26.6%**	$2,115,904	28.1%
Totals	**$7,581,842**	**100.0%**	**$7,520,364**	**100.0%**





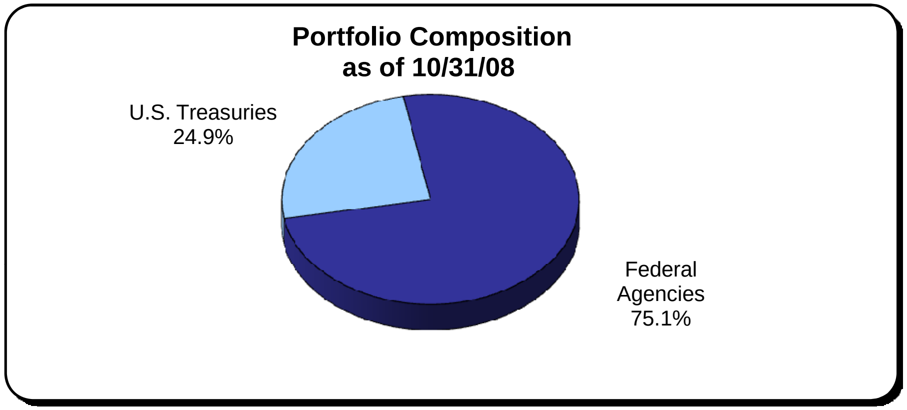


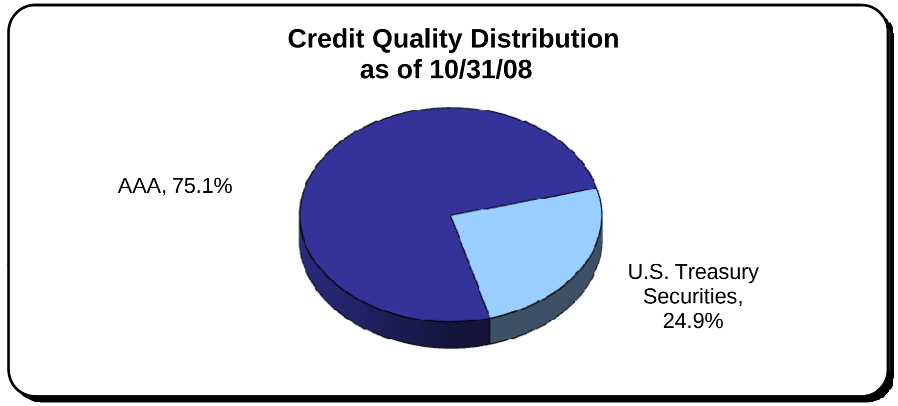
Notes:

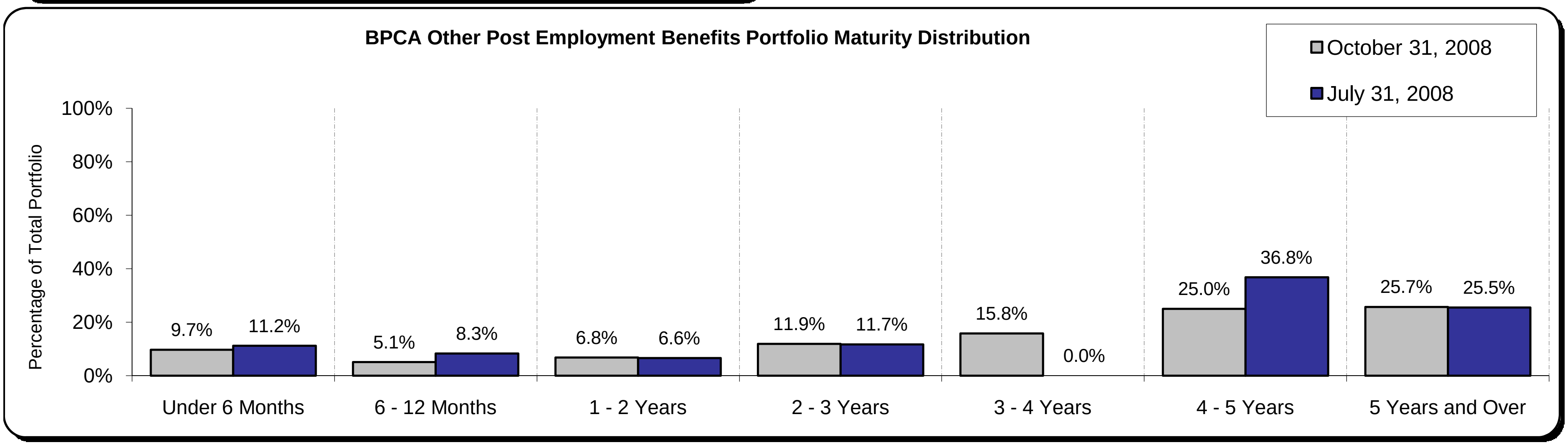
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Operating Budget Reserve Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$3,837,273**	**24.9%**	$3,427,996	21.9%
Federal Agencies	**$11,592,533**	**75.1%**	$12,217,942	78.1%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	0.0%
Totals	**$15,429,806**	**100.0%**	**$15,645,938**	**100.0%**







Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Portfolios managed with a Short Term Investment Strategy

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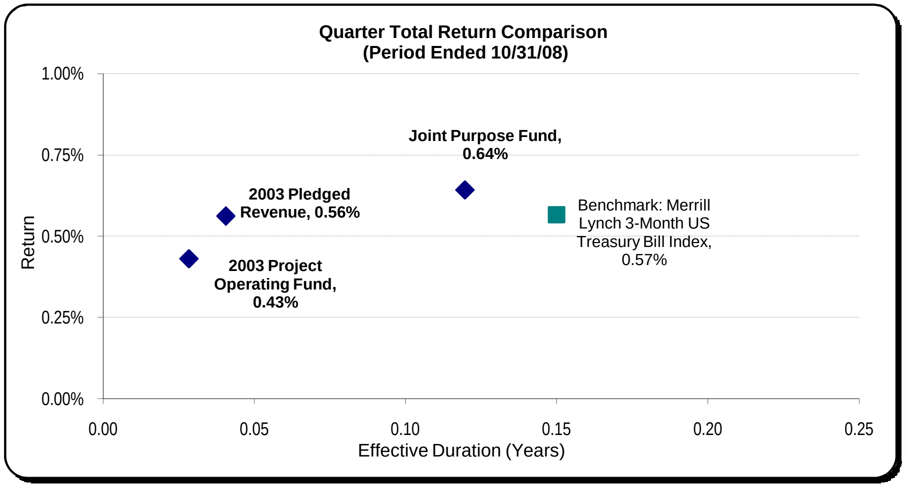
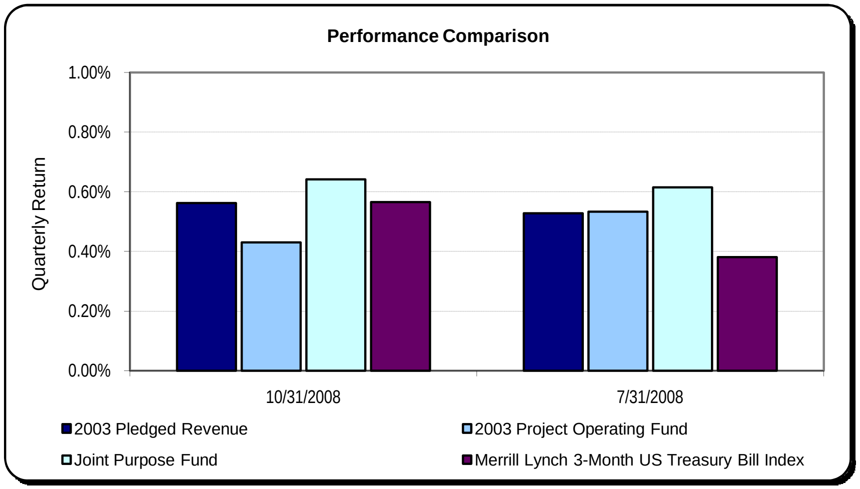
Short Term Investment Strategy

Total Return[1,2,4,5]	October 31, 2008	Annualized Quarter	Since Inception[5]	Annualized Since Inception
2003 Pledged Revenue	**0.56%**	2.25%	12.28%	4.30%
2003 Project Operating Fund	**0.43%**	1.72%	12.21%	4.28%
Joint Purpose Fund	**0.64%**	2.57%	12.69%	4.44%
Benchmark: Merrill Lynch 3 Month US Treasury Bill Index	**0.57%**	2.26%	11.90%	4.17%

Effective Duration (in years)[3]	October 31, 2008	July 31, 2008
2003 Pledged Revenue	0.04	0.18
2003 Project Operating Fund	0.03	0.02
Joint Purpose Fund	0.12	0.15
Benchmark: Merrill Lynch 3-Month US Treasury Bill Index	**0.15**	**0.24**



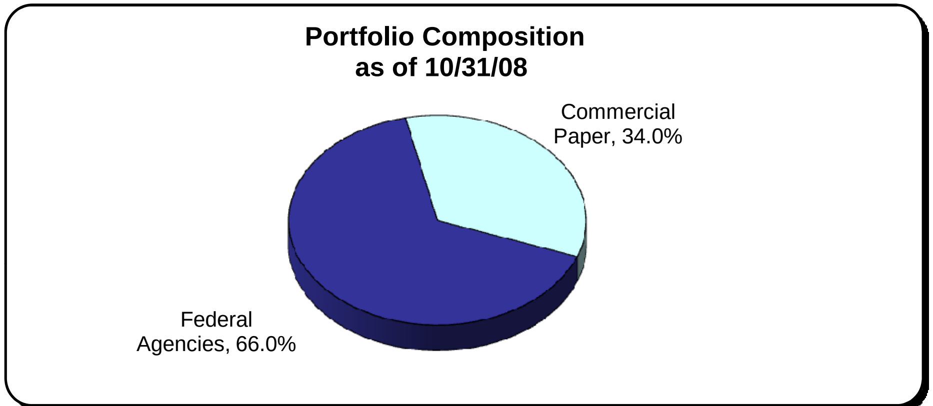


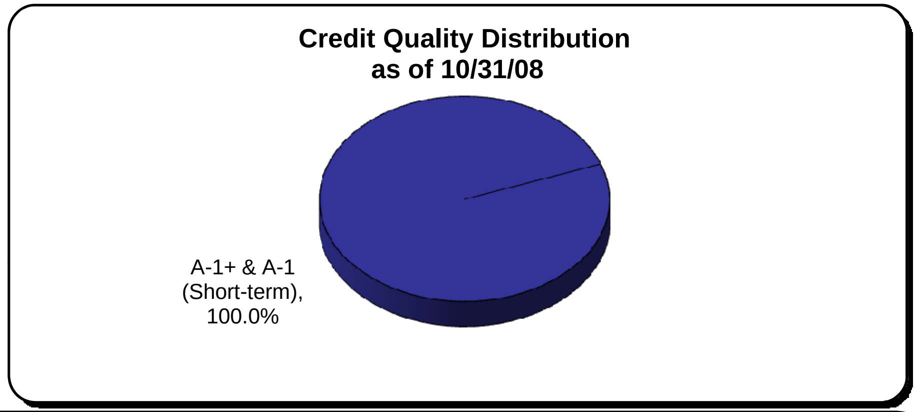
Notes:

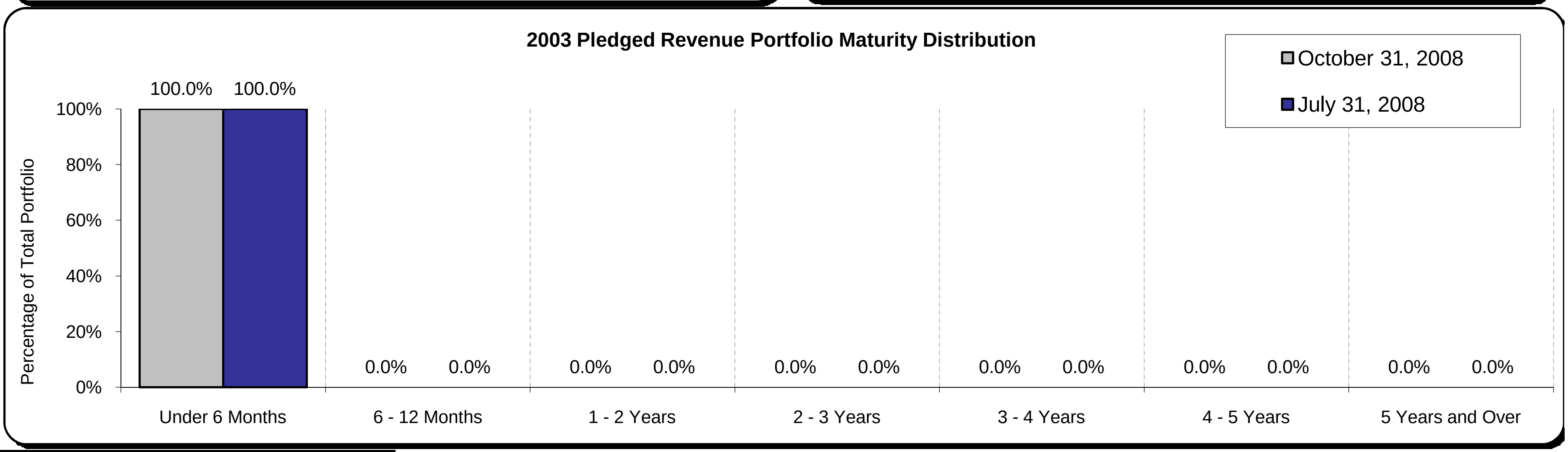
1. Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards
2. Merrill Lynch Indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
3. Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
4. Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
5. Since inception performance is calculated from January 31, 2006 to present.

2003 Pledged Revenue Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$0**	**0.0%**	$2,510,732	2.2%
Federal Agencies	**$119,965,462**	**66.0%**	$99,551,840	87.2%
Commercial Paper	**$61,835,109**	**34.0%**	$12,127,038	10.6%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	0.0%
Totals	**$181,800,571**	**100.0%**	**$114,189,610**	**100.0%**





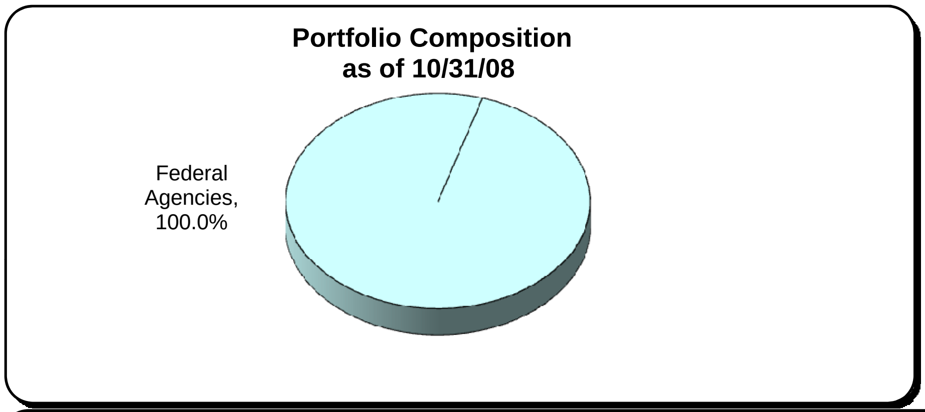


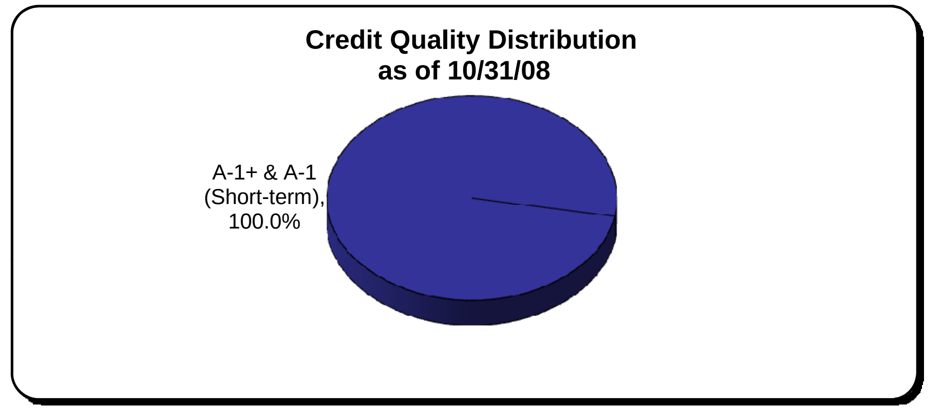
Notes:

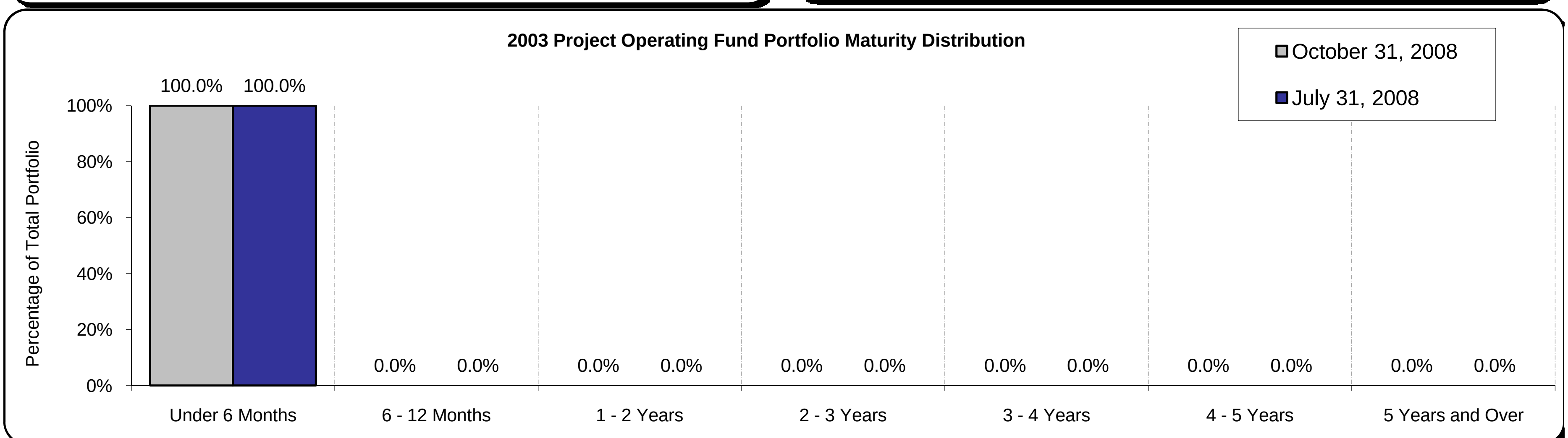
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

2003 Project Operating Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$0**	**0.0%**	$0	0.0%
Federal Agencies	**$12,077,573**	**100.0%**	$2,270,488	32.8%
Commercial Paper	**$0**	**0.0%**	$4,655,725	67.2%
Municipal Obligations	**$0**	**0.0%**	$0	n/a
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	n/a
Totals	**$12,077,573**	**100.0%**	**$6,926,213**	**100.0%**





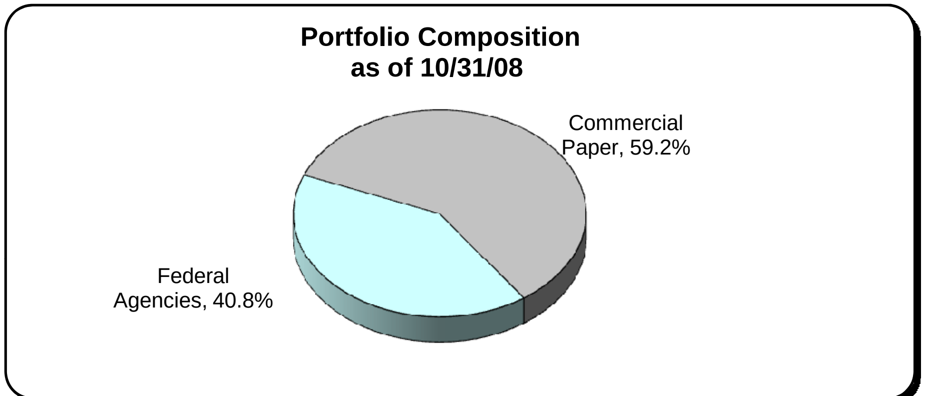


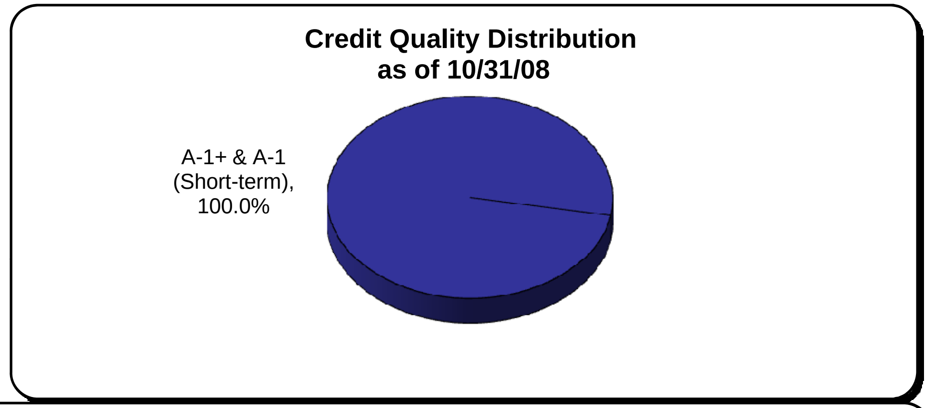
Notes:

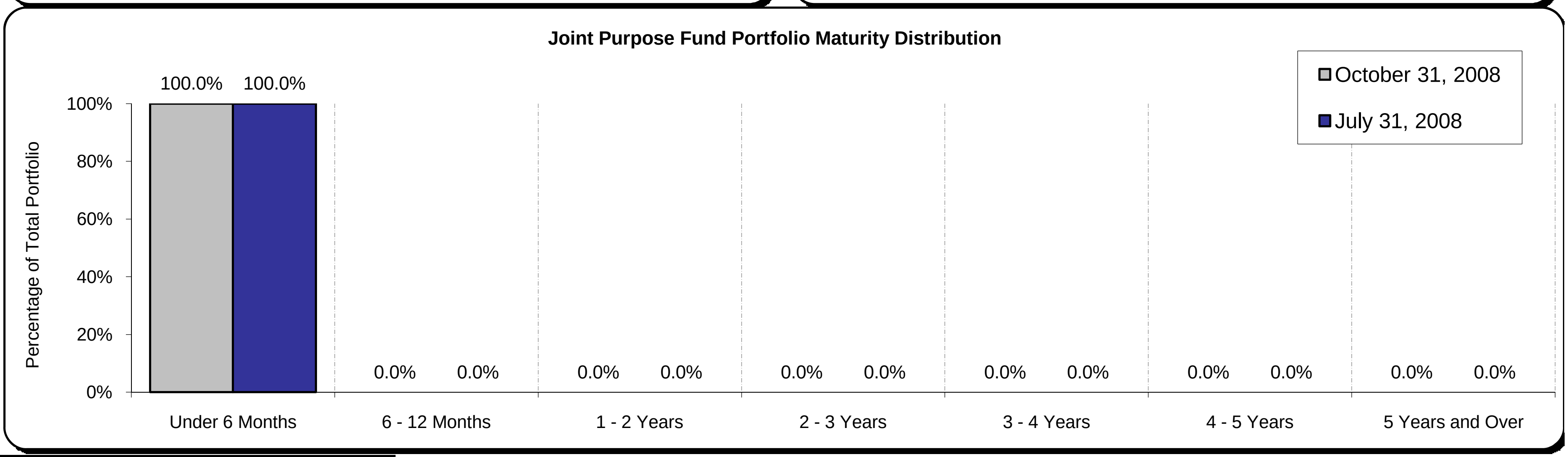
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Joint Purpose Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2008	% of Portfolio	July 31, 2008	% of Portfolio
U.S. Treasuries	**$0**	**0.0%**	$0	0.0%
Federal Agencies	**$47,594,944**	**40.8%**	$46,207,177	39.9%
Commercial Paper	**$69,041,829**	**59.2%**	$69,685,024	60.1%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	0.0%
Totals	**$116,636,773**	**100.0%**	**$115,892,201**	**100.0%**







Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Section C –
Market Commentary

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Market Review

After more than a year of increasing turbulence, the credit crunch reached crisis proportions during the quarter-ended October 31, 2008 and crashed down on the U.S. economy like a tidal wave, washing away hundreds of billions of dollars of asset value and causing the credit markets to seize up. In its continuing wake the U.S. economy experienced the failure of several very significant financial institutions, continued declines in home values, near-frozen municipal borrowing markets, and rising unemployment.

Investors fled to the high ground and safety of U.S. Treasury securities, which pushed the yields on these securities, and their returns, into unchartered waters. For example, during the quarter, yields on some short-term U.S. Treasury bills fell below 0%, meaning that investors were willing to accept a negative return for peace of mind. On the whole, short- and intermediate-term U.S. Treasury yields fell sharply, producing exceptional returns for U.S. Treasury benchmark portfolios, while returns in other sectors were hampered by widening spreads.

In an attempt to navigate the floodwaters, the Federal Reserve injected hundreds of billions of dollars of liquidity into the markets. Even so, the effects of the added cash were limited, as lending among financial institutions remained nearly frozen. Investors increased their desire for safety, and continued their preference for U.S. Treasury securities over all other asset classes.

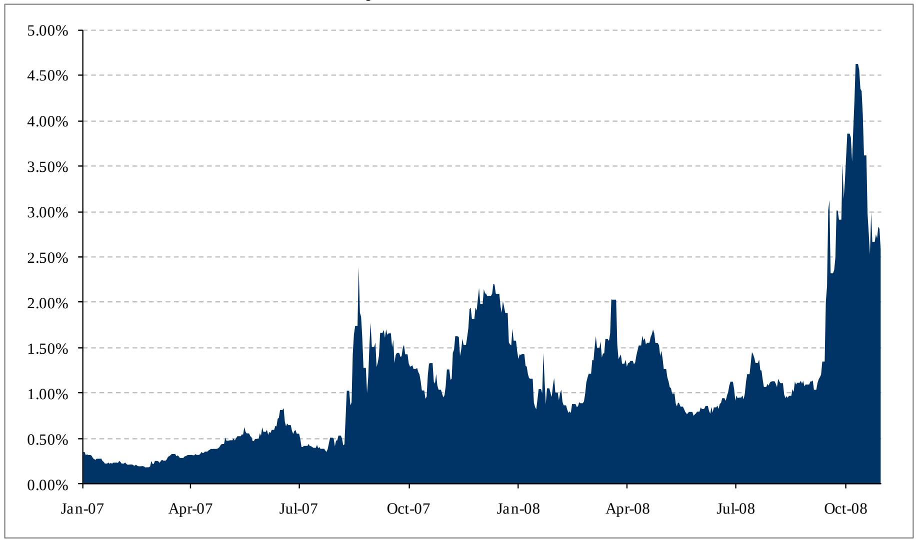
Yields and Returns

During the quarter, yields were volatile, cresting and falling with the release of each day's market news. For example, the two-year U.S. Treasury note reached a high of 2.58% and a low of 1.43%, a difference of 1.15%. This is an especially large range given both the relatively low level of interest rates and the fact that the Federal Open Market Committee lowered the Fed funds target rate to 1.00%. By quarter end, the two-year U.S. Treasury yield was nearly 96 basis points (0.96%) lower than its close on July 31st.

Corporate securities took on the brunt of the credit storm, and yields on corporate securities were higher as banks stopped lending and corporations found trouble accessing capital. Even AAA rated firms like General Electric and Toyota experienced substantially higher borrowing costs. As many investors abandoned corporate holdings for the safety of U.S. Treasury securities, the yield spread between U.S. Treasuries and even the highest rated corporate holdings widened to historic levels.

One way to look at credit spreads is to compare the difference between short-term U.S. Treasury rates and short-term corporate borrowing rates. The chart below shows the ratio of Treasury bill to Eurodollar rates (the TED spread), which tracks the difference between the rates on the 3-month U.S. Treasury bill (considered a risk-free investment) and 3-month LIBOR (reflects short-term corporate borrowing yields). A rising or elevated TED spread indicates some combination of increased credit or default risk and a flight to quality in the markets, whereas a low TED spread shows improving credit conditions. During the quarter, the TED spread widened to an all-time high of 4.64%.

TED Spread
January 2007 – October 2008

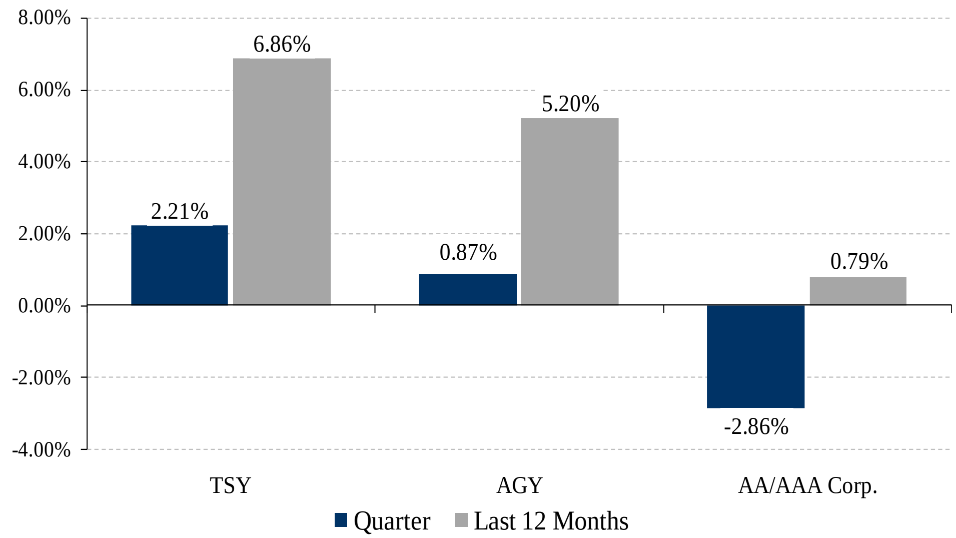


Source: Bloomberg

Widening spreads between U.S. Treasury and other fixed income securities rewarded holders of U.S. Treasuries by reducing the returns on non-Treasury sectors which usually out-perform comparable maturity Treasuries. For example, the spread between two-year Agencies and Treasuries widened from 87 basis points (0.87%) to 161 basis points (1.61%) by quarter end, over four times the historic average of approximately 35 basis points (0.35%).

The chart below shows the returns for the Merrill Lynch 1-3 year U.S. Treasury, Federal Agency, and AA-AAA rated Corporate Indices over the past quarter and 12 months.

Merrill Lynch 1-3 Year Indices
Quarterly & Last 12 Months Returns as of October 31, 2008



Source: Merrill Lynch Indices provided by Bloomberg Financial Markets

During the quarter, U.S. Treasuries outperformed Federal Agencies and high-quality corporates by the largest margins since the late 1970s. Historically, adding Federal Agency and high quality corporate notes to a portfolio enhances returns when compared to 100% U.S. Treasury portfolios. From the second quarter of 1976 to July 2007 (the beginning of the mortgage-induced market meltdown), the 1-3 year Merrill Lynch Federal Agency and the AA-AAA Corporate Indices outperformed the Merrill Lynch 1-3 year U.S. Treasury index by 20 and 57 basis points (0.20% and 0.57%), respectively, per annum.

To put the recent Treasury rally into perspective, the highly unusual performance of the most recent five quarters caused the 1-3 year Treasury index to gain 6 and 20 basis points (0.06% and 0.20%) per annum against the return since the inception of the 1-3 year Federal Agency and AA-AAA Corporate Indices, respectively. Since inception, the 1-3 year U.S. Treasury Index underperformed the Federal Agency and AA/AAA Corporate Index by 13 and 36 basis points (0.13% and 0.36%) as of October 31, 2008 compared to underperformance of 20 and 57 basis points (0.20% and 0.57%) as of June 30, 2007.

A Horizon Analysis: Expected Returns of Treasury and Agency Portfolios Going Forward

Total return consists of two components – (1) income return (interest earned) and (2) price return (change in market value). In recent quarters, U.S. Treasuries had a higher price return when compared to Federal Agencies, due to the spread widening. This significant price appreciation far outweighed any Agency income advantage, and has enabled Treasuries to outperform Agencies on a total return basis over this time period.

The yield spread between 2-year Federal Agencies and U.S. Treasuries ended the quarter at approximately 161 basis points (1.61%), over four times the historical 10-year average of approximately 35 basis points (0.35%). Going forward, this Treasury out-performance is likely to be reversed even if spreads remain elevated or widen further. The following chart suggests how Federal Agency securities may perform under different market scenarios versus U.S. Treasury securities over the next two quarters.

As shown in the analysis below, the extraordinary underperformance of Agency benchmarks should reverse itself and result in outperformance of portfolios that now hold Agency securities in coming quarters. Investors may anticipate Federal Agencies outperforming U.S. Treasury securities in the foreseeable future.

	Performance (Annualized)		
	TSY[1]	AGY[2]	Agency Over/Under
Past 6 months	0.75%	-0.02%	-0.78%
Forecast return over next 6 months if Spreads[3]			
Widen by 0.50%	1.25%	2.03%	0.79%
Widen by 0.25%	1.25%	2.54%	1.29%
Are Unchanged	1.25%	3.05%	1.80%
Narrow by 0.25%	1.25%	3.56%	2.31%
Narrow by 0.50%	1.25%	4.08%	2.38%
Narrow by 0.75%	1.25%	4.59%	3.35%

Source Data: Bloomberg

[1] *U.S. Treasury Security:*
Maturity: April 30, 2010; Coupon: 2.13%; Settlement Date: May 1, 2008; Yield at Settlement: 2.37%

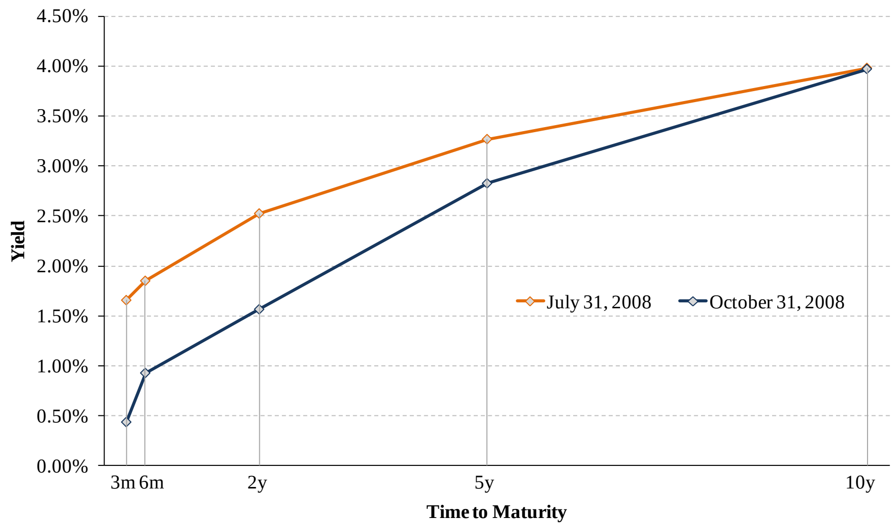
[2] *Federal Agency Security:*
Maturity: April 30, 2010; Coupon: 2.88%; Settlement Date: May 1, 2008; Yield at Settlement: 2.88%

[3] *Yield on U.S. Treasury security assumed to remain constant. Spread between U.S. Treasury and Agency investments assumed to change.*

Yield Curve

The chart below illustrates how, due to the sharp increase in the price of short and intermediate term Treasuries (see chart below), the yield curve steepened during the quarter. As investors placed their money in the safest and most-liquid securities available, short-term rates plummeted faster and farther than intermediate- and long-term rates.

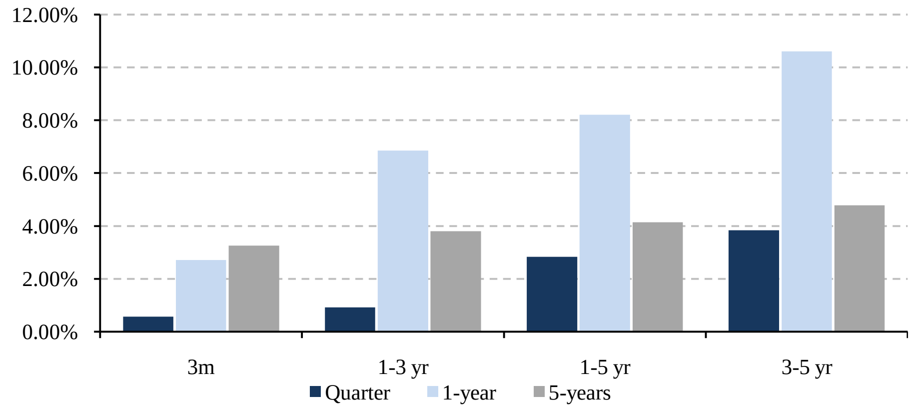
U.S. Treasury Yield Curve
July 31, 2008 vs. October 31, 2008



Source: Bloomberg

On an absolute basis, intermediate and long-term benchmark portfolios outperformed short-term benchmarks for the past quarter, one year, and five years, with the contribution of portfolio duration (long-term portfolios out-performing) in the past year also unusually strong.

Merrill Lynch U.S. Treasury Indices
Quarter vs. 12 Months vs. 5 Year Average Returns (as of October 31, 2008)



On a risk-adjusted basis, however, short-term portfolios performed well. In general, due to market value risk, long-term portfolios experience greater price volatility than short-term portfolios. To gauge a portfolio's risk-adjusted return, an investor should consider the portfolio's duration[4]. During the quarter, based on return per unit of risk[5], short-term indices outperformed intermediate- and long-term indices by a large margin.

As the following table shows, for the quarter, the Merrill Lynch 3-month U.S. Treasury bill Index (duration of 0.25 years) returned 2.26% per unit of duration while the Merrill Lynch 3-5 year U.S. Treasury Index (duration of 3.67 years) returned approximately 0.63% per unit of duration.

Merrill Lynch U.S. Treasury Index Return

	3m	6m	1-3yr	1-5yr	1-10yr	3-5yr
Quarterly	0.57%	1.08%	2.21%	2.83%	2.68%	2.30%
Per Unit of Risk	2.26%	2.16%	1.38%	1.17%	0.73%	0.63%
Last 12 Months	2.72%	4.04%	6.86%	8.21%	9.29%	8.35%
Per Unit of Risk	10.86%	8.09%	4.28%	3.38%	2.53%	2.29%

Source: Bloomberg

[4]*Duration is the average weighted life of the present value of portfolio cash flows.*
[5]*Return per unit of risk equals the periodic return divided by index duration.*

The Effect of the Credit Storm on Financial Institutions

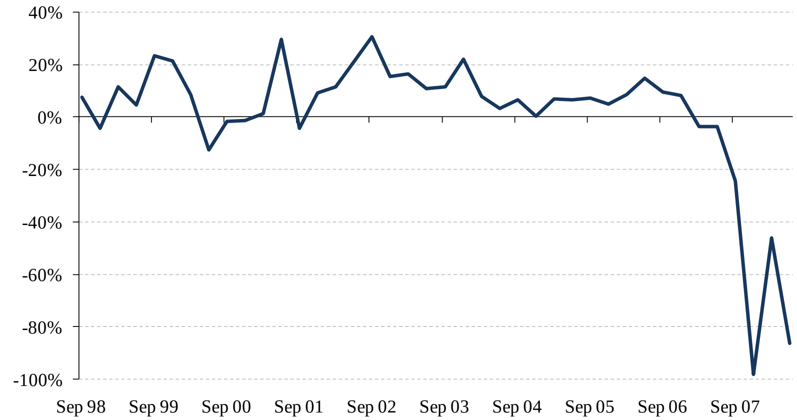
As the credit crunch intensified and crashed down on the U.S. economy, the financial storm battered and eventually washed away several financial institutions. Increased borrowing costs, lack of liquidity in the markets, highly-leveraged balance sheets, and short-selling brought down several banks and widely-recognized Wall Street firms.

September brought the most riveting chain of events in modern financial times. A day did not pass without major news affecting financial institutions, the economy, or both. The timeline at the bottom of this page highlights some of the major events that occurred during the month.

Problems in the housing market, including the devaluation of mortgage-related securities, continued to hamper FDIC-insured institutions. As the market for these securities went from weak to non-existent, the securities became increasingly difficult to price and nearly impossible to sell.

The chart at the top of the next column shows the deterioration in net income of FDIC-insured banking institutions. The 4th quarter of 2007 and the 2nd quarter of 2008 brought the lowest earnings for these institutions since the 4th quarter of 1991. In fact, out of approximately 8,000 FDIC-insured institutions, over 1,500 had negative net income for the 2nd quarter.

Net Income of FDIC Insured Institutions
Change Over Previous Year
September 1998 – June 2008



Source Data: FDIC

By the end of October, 17 FDIC-insured institutions have failed: four having failed in the month of October. The quarter began with the failure of IndyMac, at the time the largest U.S. bank failure in history. IndyMac only held this record for a brief time. In late September, the financial credit wave sank Washington Mutual, which then became the largest FDIC-insured institution to fail. The FDIC has placed 117 banks on its unpublished "watch list."

When the quarter ended, one thing was clear – the financial markets as we knew them had changed.

September 08

September 7th – Fannie Mae and Freddie Mac seized by the Fed, placed into conservatorship

September 10th – Lehman puts itself up for sale

September 14th – Merrill Lynch arranges to be bought by Bank of America

September 15th – Lehman Brothers files for bankruptcy

September 17th – Fed forces AIG into liquidation

September 17th – The Reserve fund "breaks the buck", priced at 97 cents at close of business

September 25th –Washington Mutual is seized by the FDIC and becomes the largest bank failure in U.S. history

October 08

October 3rd –Wells Fargo acquires Wachovia?

October 29th – Fed cuts rates to 1% in effort to avoid prolonged recession

As shown in the timeline on the previous page, U.S. investment banks and insurance companies were not immune to the financial tidal wave. The credit market crisis reached global proportions.

In an effort to shore up the beleaguered financial sector and restore confidence in the markets, U.S. Treasury Secretary, Henry Paulson, presented a $700 billion dollar rescue plan to Congress in late September; the Emergency Economic Stabilization Act was signed into law on October 3rd, although market values around the globe continued to reflect near hysteria.

Equity Markets Under Water

The past few quarters have been remarkably challenging for equity investors as well. During the previous quarter, equities continued to retreat from their highs reached less than one year ago. Year-over-year, as of October 31st, the Dow Jones Industrial Average was down nearly 45.78%, while the S&P 500 had lost nearly 51.43%.

The effect of financial instability spilled over to the general economy – what began on Wall Street is now hitting Main Street. As the rescue plan made its way through Congress in late September, it was estimated that Americans lost nearly $1 trillion in wealth, exceeding the original $700 billion rescue plan.

Consumers

The past months of treading through turbulent markets exhausted consumers and the global economy in general. Year-to-date, the U.S. economy did not produce a single month with positive job growth. Through October 31th, 1,004,000 jobs (nonfarm payrolls) were lost while the unemployment rate climbed to 6.50%, its highest level since September 2003, up from 5.00% to start the year.

Consumers' confidence in the economy has fallen to levels comparable to the worst points during the recessions of 1980, 1981-82, and 1990-91, and below the low points seen in the wake of the last recession during 2001. Economists anticipate consumer confidence will remain depressed as long as energy prices remain elevated and the housing and labor markets remain weak.

Low consumer confidence has affected retail sales, which experienced the lowest growth (year over year) since November 2002 as many consumers closed their wallets on non-essential items. Since consumer spending on goods and services supports two-thirds of the GDP, this pull-back is expected to hinder economic growth.

Inflation

On July 15th, Federal Reserve Chairman Ben Bernanke stated there are "significant downside risks to the outlook for growth … [and] upside risks to the inflation outlook have intensified." By quarter end, however, talk of inflation seemed irrelevant.

Early on, commodity prices experienced significant gains, with the Standard & Poor's Global Commodity Index reaching 10,898 points during the quarter, a rise of over 6,000 points from its average of approximately 4,800 over the past 10 years.

On July 3rd, oil reached an all-time high of nearly $148 per barrel. Consumers surely felt the brunt of this increase. In July 2007, it cost the average consumer $61 to fill up a 20-gallon gas tank. In contrast, by July 2008, filling up the same 20-gallon tank cost an average of $82, an increase of nearly 35%. The run-up in oil forced consumers to pinch costs elsewhere, including non-essentials. Some economists attributed the run-up in oil prices to a weak U.S. dollar, traders placing bets on oil futures contracts, global demand exceeding supply, and investors seeking safeguards against increasing inflation.

The credit market turmoil and growing economic weakness quickly overwhelmed any inflation concerns, as economists and market participants shifted their attention to the outlook for economic growth and market stability. Commodity and oil prices decreased significantly from their highs earlier in the quarter. For example, oil ended the quarter at $68.48 per barrel – a 48.42% decline from the start of the quarter.

Portfolio Strategy and Outlook

At quarter end, the market outlook remained murky. In addition to the rescue plan passed in early October 2008, to calm the uneasy waters, the markets also called for the Fed to reduce short-term rates. On October 8th, in an unscheduled meeting, the Federal Open Market Committee reduced the Fed funds target rate by 50 basis points (0.50%) to 1.50%. The rate was again lowered another 50 basis points (0.50%) on October 29th to 1.00%. Fed funds futures contracts show that investors expect the Fed to reduce rates further in the coming months.

With inflation moving to the back burner, and a lackluster outlook for economic growth, the Fed now has more room to lower short-term rates compared to the previous quarter. The effects of the rescue plan and reductions in the overnight rate did not immediately impact the choppy markets; it will take time for calm to return.

Because of the steep yield curve and outlook for economic weakness in the coming months, PFMAM will target portfolio durations that are neutral to benchmarks. Given the lack of liquidity and pricing inequities in the credit markets, we will continue to underweight corporate securities in portfolios where they are permitted. With Agency/Treasury spreads at extraordinary levels, and given the government's explicit commitment to back Fannie Mae and Freddie Mac, we expect to continue to over-weight Federal Agencies in portfolios.

Going forward, we expect the markets to settle and spreads to narrow; at that time, we would look to increase holdings in select corporate and other less liquid securities such as taxable municipal and mortgage-backed securities where appropriate. In the meantime, the yield benefit of Federal Agencies will provide an extraordinary boost to current income relative to U.S. Treasury securities.