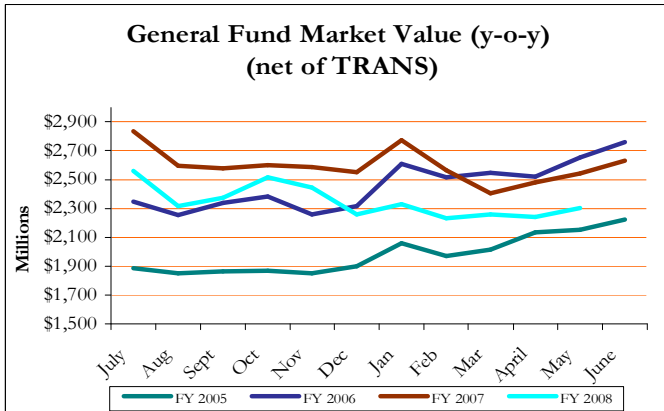


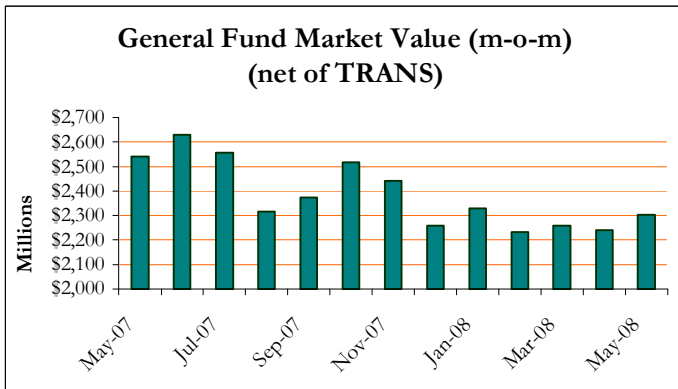
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2008

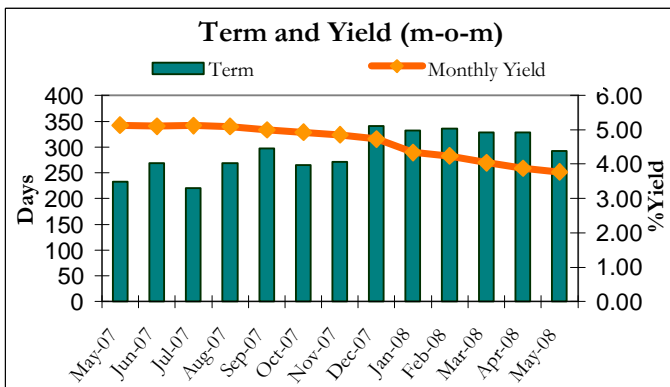
## GENERAL FUND INVESTMENT PORTFOLIO



- The market value of the General Fund Investment Portfolio, net of TRANS, on March 31, 2008, was \$2.25 billion, this compares to \$2.40 billion at the same point last year and \$2.54 billion at the same point two years ago.



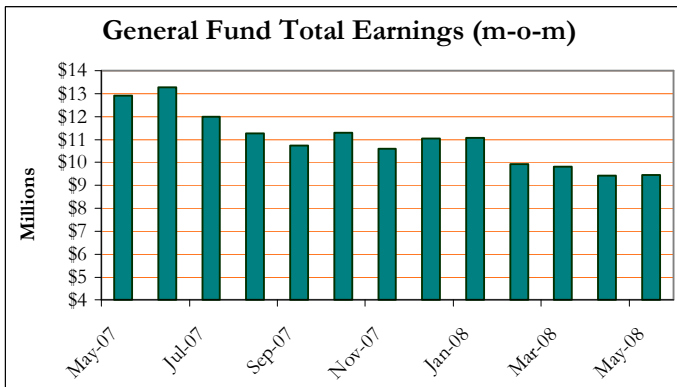
- During the month the market value of the portfolio increased .8% to \$2.25 billion from \$2.23 billion at February month-end.



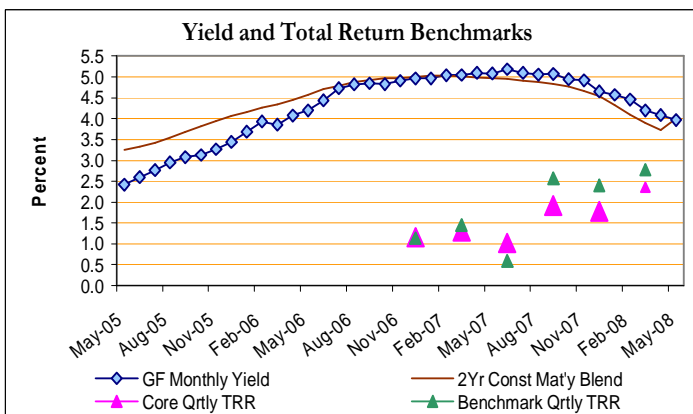
- Purchase yield was 4.04% at March month-end, down from 4.25% at February month-end. The weighted average term of the portfolio decreased to 328 days from 336 during the same period. Effective duration of the CORE segment increased to 1.77 years, which is 95% of the benchmark's duration.

General Fund (including TRANS)				
Asset Type	Yield	Market Value	% of Portfolio	Term (Years)
Agencies	4.42%	\$ 1,578,419,358	51.21%	1.017
Repurchase Pool	2.35%	\$ 663,748,096	21.54%	0.003
Certificate of Deposit	3.58%	\$ 215,800,000	7.00%	0.383
Money Market Fund	2.91%	\$ 359,200,000	11.65%	0.003
Commercial Paper	0.00%	\$ -	0.00%	0.000
US Treasury Bills & Notes	3.50%	\$ 135,984,500	4.41%	3.709
Corporate Bonds	5.27%	\$ 128,849,455	4.18%	2.862
<b>Total:</b>	<b>3.77%</b>	<b>\$ 3,082,001,409</b>	<b>100%</b>	<b>0.812</b>

- During March approximately \$35 million worth of Agency bullet securities were purchased for the CORE portfolio. The trades were implemented in order to increase the duration of the CORE and thus better match its index. All investments in the LIQUIDITY portfolio remained in either the overnight repo pool or money market mutual funds as STO continues to closely monitor the liquidity needs of the State.



- March earnings were \$9.82 million, a 1.1% decrease from February earnings of \$9.93 million. Fiscal year-to-date earnings totaled \$97.88 million, compared to \$109.91 million through the same period last fiscal year.



- On a yield basis, the General Fund remains above its benchmark with an earned yield of 4.19%, which compares to a 3.89% 2yr CMA/CMT 12 mo. m.a. month-end yield.
- On a total return basis, the CORE lagged its benchmark during the first quarter of 2008 with an annualized total return of 9.73%, compared to 11.58% for the benchmark. Extending the CORE's duration has increased the portfolio's upside return potential and helped to lessen the gap in return versus the benchmark during this period of continued declining rates.

# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2008

## Investment Strategy Employed During the Past Quarter

- **General Fund:** General Fund CORE investments during the quarter were 'laddered out' to five years and LIQUIDITY portfolio investments were allowed to mature into cash.

For the CORE portfolio, extending duration by purchasing longer dated high quality assets took precedence and directed much of the trading activity during the first quarter. The CORE portfolio had been substantially 'short' its benchmark and thus substantially underperforming on a total return basis during the last half of 2007's declining rate environment. To date, the CORE portfolio has finally reached about 95% of its benchmark's duration, which will allow for closer performance tracking of the benchmark.

For the LIQUIDITY portfolio, managing declining balances with increasing State expenditures took precedence, which ultimately led to the decision to 1) temporarily discontinue investment in the CD program and 2) allow all other investments to mature and remain in cash products.

## Investment Strategy Plan For the Next Quarter

- **General Fund:** As the second quarter begins, CORE investments beyond 3 years will continue, mainly through the purchase of high quality assets such as Agency bullet securities. Financial markets have made much of their painful adjustments from credit expansion to credit contraction so we expect volatility and uncertainty to subside somewhat. The real economy, however, has yet to feel the full effects of these recent adjustments. As such, we expect consumer confidence and main street level outlooks to worsen substantially, ameliorated only by the effectiveness of recent monetary and fiscal policy intervention (the effectiveness of which is unknowable at this time). In so far as corporate credit assets are correlated with their equity counterparts we expect prices to fall. As such, we are unlikely to invest in such assets until the real economy picture clears and we can assess risk more precisely.

Similar to last quarter, the LIQUIDITY portfolio will carry excess dollar reserves in the next quarter. We will, however, begin to invest in 7-21 day term investments. This is substantially shorter than the 30-45 day term investments of the past but still appropriate given the potential to earn more using short commercial paper rather than the overnight repurchase pool and also the uncertainty of declining balances.

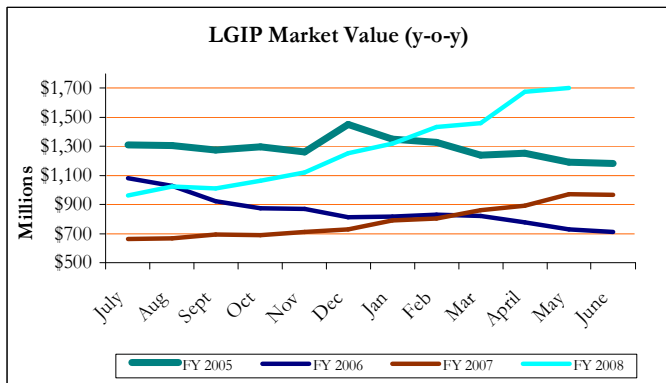
## Asset Mix and Maturity Targets

- **General Fund:** Last quarter's progress has resulted in the CORE portfolio reaching 95% of its benchmark's duration. We have taken WAM (effective duration) to 2.2 yrs (1.77) as of March month-end from 1.8 yrs (1.39) at December month end and 1.4 yrs (1.06) at September month end. Finally, trading in the CORE portfolio can be guided more by the search for relative value along the 0-5 year curve and less by the necessity to simply extend duration. We will likely search for such value opportunities in government and government related securities.
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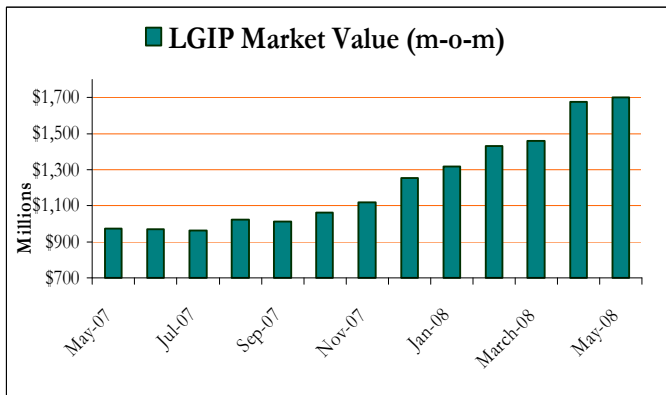
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2008

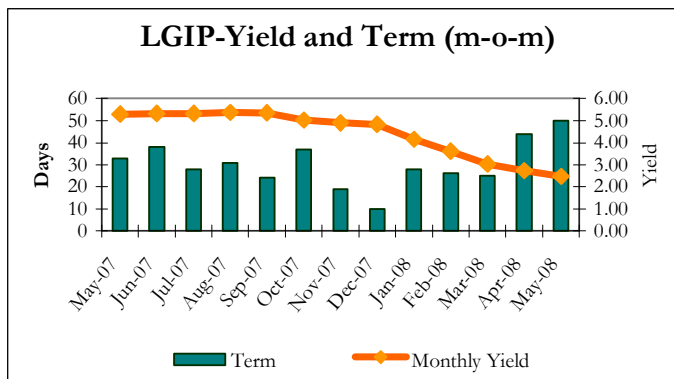
## NEW MEXIGROW LOCAL GOVERNMENT INVESTMENT POOL (LGIP)



- The market value of the LGIP portfolio as of March 31 was \$1.46 billion, compared to a market value of \$861 million at the same period last year and \$823 million at the same period two years ago.



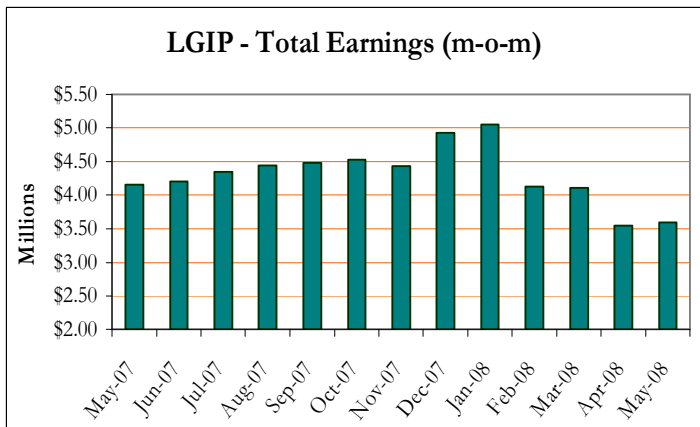
- During the month the market value of the portfolio increased 2.1%, from \$1.43 billion at February month end to \$1.46 billion. Participant contributions for March were \$92 million; withdrawals totaled \$67 million.



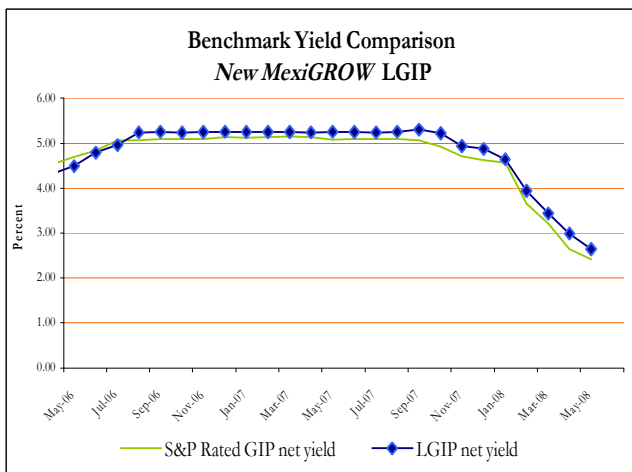
- The gross yield was 3.03% at March 31, a 16% decrease from February month-end of 3.61%. The weighted average maturity at March 31 was 25 days, down from the February 29 weighted average maturity of 26 days consistent with the rule 2a-7 required 60 days or less.

Local Government Investment Pool				
Asset Type	Yield	Market Value	% of Portfolio	Term (Days)
Agencies	2.30%	\$ 587,721,767	34.56%	124
Money Market Funds	2.54%	\$ 899,510,000	52.89%	1.21
Commercial Paper	2.65%	\$ 212,914,963	12.52%	51
LGIP Bank Account	1.88%	\$ 682,942	0.04%	2
<b>Total:</b>	<b>2.48%</b>	<b>\$ 1,700,829,672</b>	<b>100%</b>	<b>50</b>

- March investment activity in the LGIP portfolio totaled \$90 million. Purchases included \$10 million in A-1+ commercial paper with an annualized yield of 2.7% and average term of 85 days; and \$80 million of U.S. agency securities with an average annualized yield of 2.16% and an average term of 130.20 days.



- LGIP earnings for March totaled \$4.103 million, a .55% decrease from February earnings of \$4.126 million. Fiscal year-to-date earnings totaled \$40.4 million compared to \$28.6 million through the same period last fiscal year.



- The 30-day net yield of the LGIP as of March 21 was 3.44%, outperforming the 30-day net S&P Rated Government Investment Pool (GIP) index (3.21%) by 23 basis points. The 30-day gross yield of the LGIP at March 21, 3.49%, surpassed the 30-day gross S&P Rated GIP index of 3.41%. The administrative fee assessed to participants for March was 2.6 basis points; fees collected through March 31 totaled \$288,014.

# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2008

## Investment Strategy Employed During the Past Quarter

- **New MexiGROW LGIP:** Asset mix and asset types purchased for the portfolio maintained a 99% level of A-1+ rated investments and the weighted average maturity (WAM) was maintained at 50 days or less, averaging 27 days. Money market funds continued to outperform most short term investment alternatives so the LGIP took advantage of those investments for higher yields during the quarter. The due diligence process on commercial paper continued through the quarter with LGIP purchases restricted to only those names on the approved list.
- Overall investment strategy changed during the quarter as the yield curve began to normalize and the pool continued to experience more inflows than outflows. Less attention was given to laddering maturities for cash flow and more was given to extending maturities (WAM) in order to lock in yields in the 2.7% range. Consistent, disciplined investment throughout the quarter totaled \$521.2 million in fixed income securities.

## Investment Strategy Plan For the Next Quarter

- **New MexiGROW LGIP:** Compliance with rating criteria will continue to mandate the investing strategy for the LGIP. Investment in callable and bullet agency securities will be utilized to enhance yields and extend WAM. The fund will transition out of AAA rated prime money market funds and into their more conservative counterparts: government funds. The overnight repurchase program will be reintroduced into the LGIP portfolio when yields are more competitive than money market fund alternatives.
- Investment will continue on a consistent basis to aggressively place cash positions into fixed income holdings.
- On-going investment training of the LGIP Portfolio Manager will continue into the third quarter. STO will continue to utilize PFM for investment advisory services for direction in maneuvering through an unprecedented economic scenario.

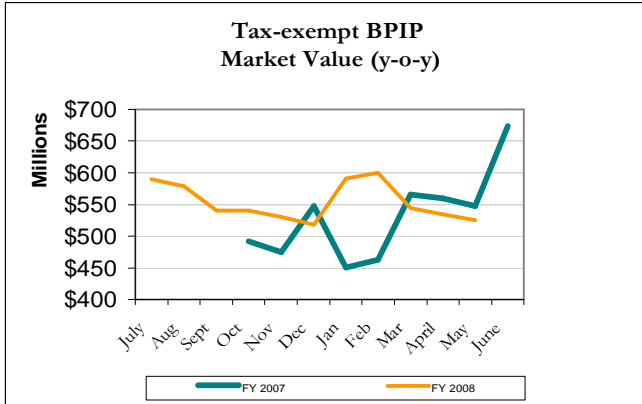
## Asset Mix and Maturity Targets

- **New MexiGROW LGIP:** The WAM for the LGIP will be maintained at 60 days or less. Asset allocation will fluctuate between direct issue commercial paper, agency discount notes and callable bonds, money market funds, and the overnight repurchase pool depending on the most favorable yield and portfolio investment compliance limits.
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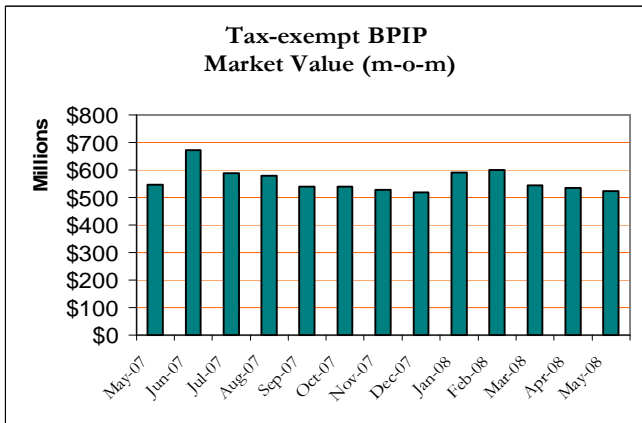
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2008

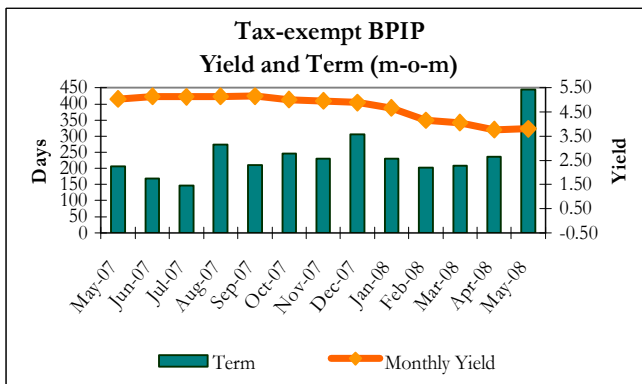
## TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL (BPIP)



- The market value of the Tax-exempt BPIP as of March 31, 2008, was \$544.2 million. This compares to a market value of \$565.4 million one year ago.



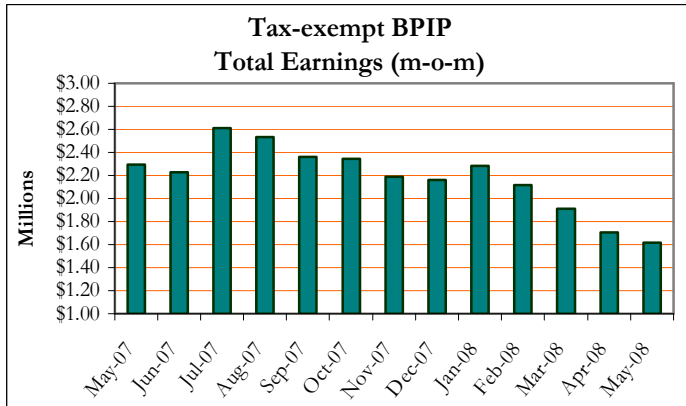
- During March, the market value of the fund decreased 9.3%, to \$544.2 million from \$600.2 million at February month end. The approximate \$56 million decrease was the net result of debt service payments, property tax revenues, interest earnings, and project expenditure draws.



- The Tax-exempt BPIP month-end purchase yield and term were 4.05% and 209 days. The month-end yield was 31 basis points below the selected benchmark yield, 4.36%, which is the highest arbitrage yield limit of any bond issue in the fund.

Tax-exempt Bond Proceeds Investment Pool				
Asset Type	Yield	Market Value	% of Portfolio	Term (Days)
Agencies	4.89%	\$ 258,085,116	49.16%	1.32 yrs
Money Market Funds	2.91%	\$ 194,183,000	36.99%	161
US Treasuries	4.80%	\$ 40,114,388	7.64%	177
Corporate Bonds	4.62%	\$ 29,979,700	5.71%	1.1 yrs
Repurchase Pool	2.35%	\$ 2,578,838	0.49%	1
<b>Total:</b>	<b>3.80%</b>	<b>\$ 524,941,042</b>	<b>100%</b>	<b>1.2 yrs</b>

- There were no purchases for the Tax-exempt pool during March. Re-entry into commercial paper investments will likely commence in April.

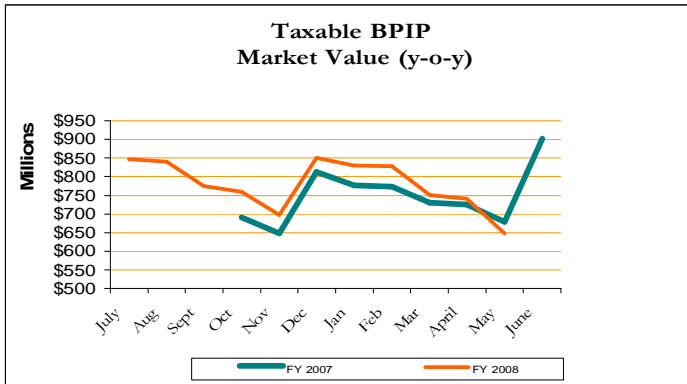


- Interest earnings for the month totaled \$1.91 million, a decrease of 9.4% from February earnings of \$2.11 million. Fiscal year to date earnings totaled \$20.49 million.

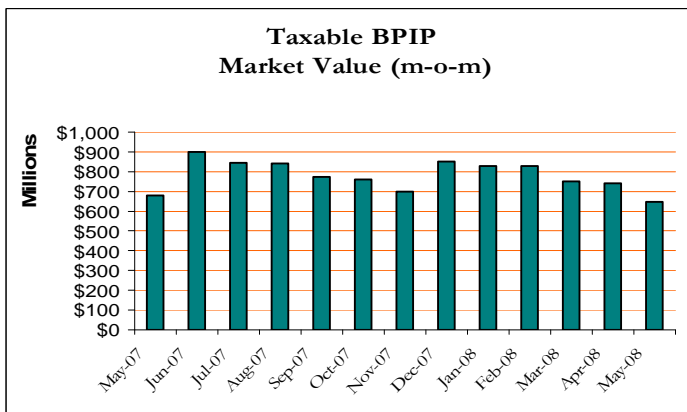
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2008

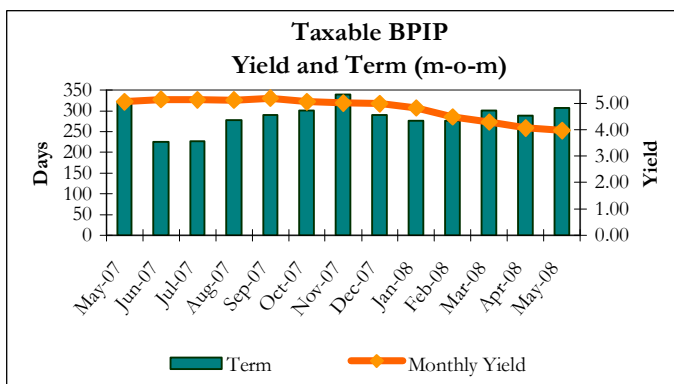
## TAXABLE BOND PROCEEDS INVESTMENT POOL (BPIP)



- The market value of the Taxable BPIP as of March 31, 2008, was \$751.9 million. This compares to a market value of \$729.9 million one year ago.



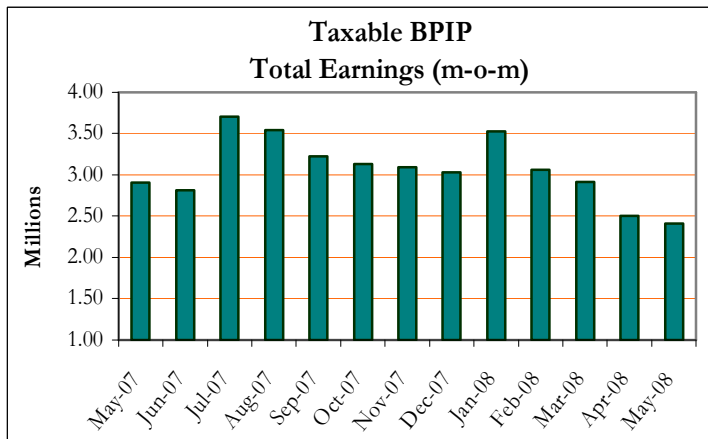
- During March, the market value of the fund decreased 9.1%, to \$751.9 million from \$827.5 million at February month end. The approximate \$75 million decrease was the net result of monthly project expenditure draws.



- The Taxable BPIP month-end purchase yield and term were 4.30 % and 302 days.
- The month-end yield was 8 basis points above 4.22%, which is the month-end yield for the 2-year CMA 12 month moving average index.

Taxable Bond Proceeds Investment Pool				
Asset Type	Yield	Market Value	% of Portfolio	Term (Days)
Agencies	4.94%	\$ 311,489,820	48.05%	360
Money Market Funds	2.91%	\$ 215,400,000	33.23%	1
US Treasuries	4.79%	\$ 15,223,050	2.35%	208
Corporate Bonds	4.83%	\$ 69,017,586	10.65%	2.61
Asset-backed Sec.	4.77%	\$ 10,064,865	1.55%	2.6
Repurchase Pool	2.35%	\$ 27,010,535	4.17%	1
<b>Total:</b>	<b>3.97%</b>	<b>\$ 648,205,856</b>	<b>100%</b>	<b>308</b>

- During March, approximately \$15.56 million worth of Agency bullet securities were purchased, increasing weighted average maturity to 302 days from 277 days.



- March interest earnings totaled \$2.91 million, a 4.9% decrease from February earnings of \$3.06 million. Fiscal year to date earnings totaled \$29.14 million

# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2008

## Investment Strategy Employed During the Past Quarter

- **BPIP:** Both Bond Proceeds Investment Pools invested assets to either a) match debt service liabilities, or b) match estimated project draw liabilities. The amount and timing of outstanding bond issues determine the 'liability schedule' which, in turn, determines the maturity schedule (i.e., ladder) as well as the target weighted average maturity (WAM) of the portfolio. New issue proceeds in the TAXABLE BPIP, and a large money transfer for debt service payment into the TAXEXEMPT BPIP shortened both portfolio WAMs early in the first quarter. Since then investment has proceeded in the Taxable pool such that at March month-end WAM is now 302 days, just short of its 320-360 day target. While investment in the Tax-exempt pool has not proceeded as quickly- due to forecasting adjustments related to the size and timing of STB transfers- both pools are longer than other bond proceeds pools, which are today yielding money market rates between 3 and 3.5% compared to 4.05% and 4.30% for the Tax-exempt and Taxable pools respectively.

## Investment Strategy Plan For the Next Quarter

- **BPIP:** The ability to better forecast liabilities allows for the investment of bond proceeds farther out the curve. Coupled with the ability to read the market's signals (the inverted yield curve) and the discipline to take the medicine and invest in what was even the 'belly of the curve' in 2006 and 2007, means that today the pools enjoy substantial gains and returns from locking in yields and prices before rates on the very front end began their precipitous decline. We will continue implementing our target portfolios and aggressively investing excess cash despite the 2-2.5% yield range on the front end of the yield curve—although the Fed has introduced a number of new liquidity facilities, the Fed Funds target rate could still come down to 1.5%.

## Asset Mix and Maturity Targets

- **BPIP:** Although most of the financial market disruptions are out of the way, we expect the real economy to slow and even contract. As a result, we are likely to invest exclusively in government and GSE securities until the extent of GDP contraction becomes clear and proper assessment of corporate risk more certain and transparent.
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