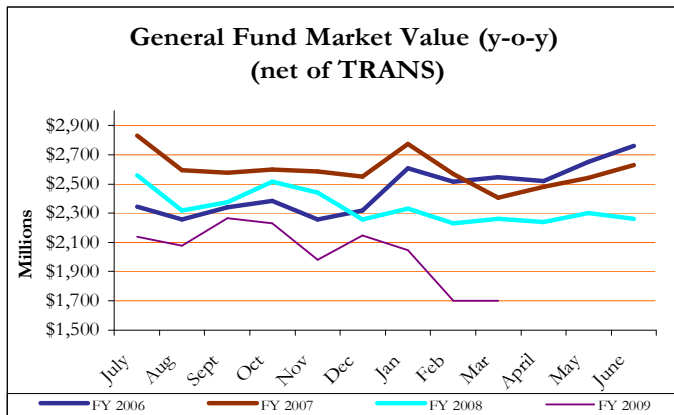


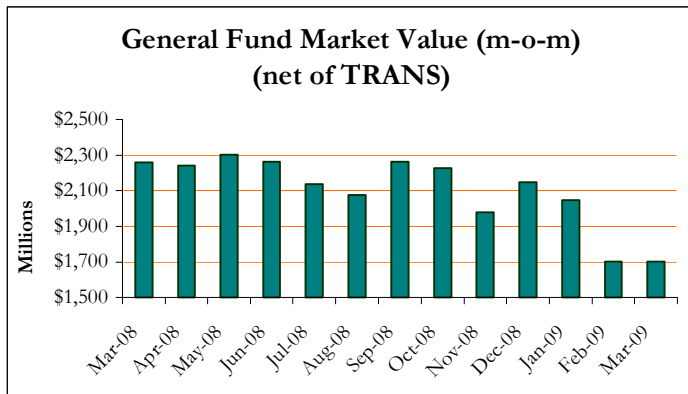
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2009

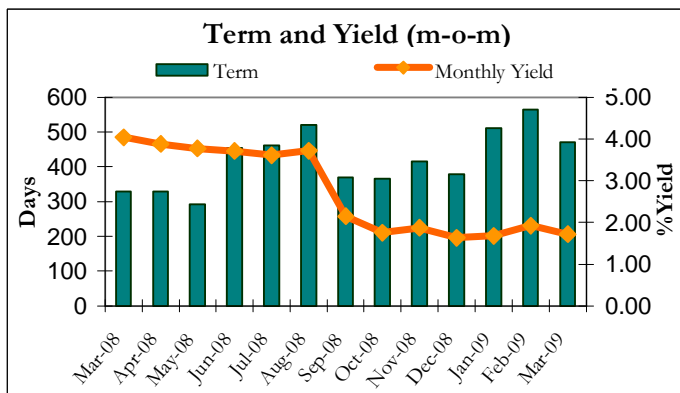
## GENERAL FUND INVESTMENT PORTFOLIO



- The market value of the General Fund Investment Portfolio, net of TRANS, on March 31, 2009 was \$1.701 billion which was roughly unchanged from February 28 levels. This compares to \$2.26 billion at the same point last year and \$2.41 billion at the same point two years ago.



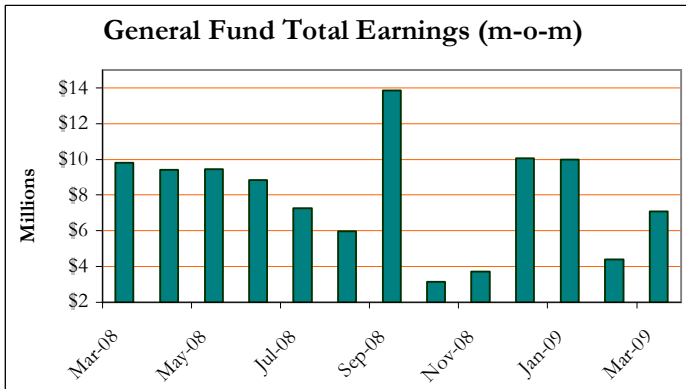
- The market value of the portfolio decreased by \$111,033 or 0.01% from February 28 levels.



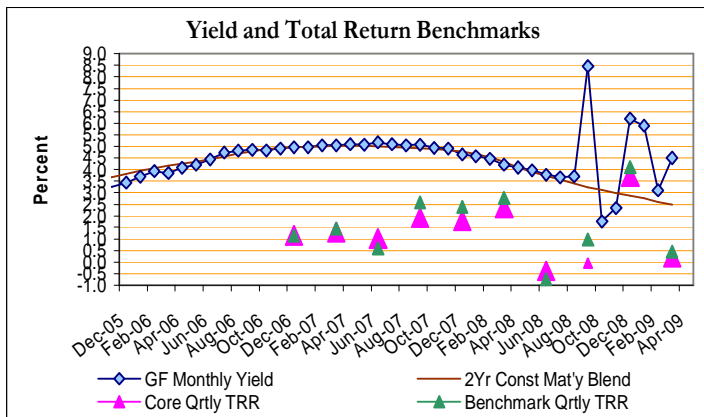
- Purchase yield was 1.72% at month-end, down from 1.93% in February. The weighted average term of the portfolio decreased to 471 days. Effective duration of the CORE segment was 1.15 years, which is 58% of the benchmark's duration, 1.98 years. This shortening of duration is associated with selling longer term fixed rate assets and replacing them with floating rate instruments.

General Fund (including TRANS)				
Asset Type	Yield	Market Value	% of Portfolio	Term (Years)
Agencies	3.23%	\$ 173,887,672	10.22%	2.554
TLGP Securities - FDIC	1.88%	\$ 500,325,050	29.41%	2.537
Repurchase Pool	0.25%	\$ 421,733,839	24.79%	0.003
Certificate of Deposit	2.00%	\$ 170,100,000	10.00%	0.484
LGIP Put Agreement	0.00%	\$ -	-	-
Money Market Fund	0.00%	\$ 65,218,800	3.83%	unknown
Municipal Bonds	1.78%	\$ 153,076,834	9.00%	0.334
MBS	3.80%	\$ 41,361,366	2.43%	2.409
US Treasury Bills & Notes	0.47%	\$ 74,842,750	4.40%	0.479
Corporate Bonds	4.89%	\$ 100,444,665	5.91%	2.199
<b>Total:</b>	<b>1.71%</b>	<b>\$ 1,700,990,976</b>	<b>100.00%</b>	<b>1.297</b>

During March, there were five purchases for the CORE portfolio with an aggregate par value of \$165 million. Both floating rate TLG securities and short fixed rate agency mortgage backed securities were purchased. Additionally, eleven securities were sold during the period, realizing gains of \$4.95 million. These sales amounted to an aggregate par amount of \$238.5 million. Fixed rate TLG securities were sold, gains realized and proceeds were reinvested into the aforementioned floating rate TLG paper. Additionally, treasuries and agencies were sold for liquidity purposes. There were two purchases of Certificates of Deposit in the LIQUIDITY portfolio with an aggregate par value of \$8 million.



March earnings were \$7.07 million representing a 61% increase from February earnings of \$4.40 million. This increase was due to gains realized on the sales of securities. Fiscal year earnings total \$64.83 million, compared to \$97.79 million through the same period last fiscal year.



The General Fund outperformed its benchmark with an earned yield of 4.50%, compared to a 2.35% 2yr CMA/CMT 12 month moving average month-end yield.

Annualized total return for the CORE was 0.00% for the month of March while the benchmark realized an annualized total return of 5.59%. The underperformance of the CORE was due, in part, to its shorter duration but more significantly to its exposure to non-guaranteed corporates that experienced dramatic spread widening during the month.

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

As of March 31, 2009

## Investment Strategy Employed During the Past Quarter

- **General Fund:** It would not be an exaggeration to say that we are living in extraordinary times as the first quarter of 2009 was marked by continued US governmental investment in publicly traded companies, record budget deficits and uncertainty within financial markets. After slashing the target Fed Funds rate to a range of 0 to 25 basis points, the FOMC has embarked on a campaign of quantitative easing that has more than tripled the size of the Fed's balance sheet. While the Fed continues to pump liquidity into the system, the resulting upward pressure on rates in a stagnant economy, has caused the Fed to begin buying Treasury securities, in an effort to lower long term rates. The result is a slightly higher and steeper yield curve.
- Investment activity during the quarter was dominated by investment in TLGP securities. STO was rewarded for its early participation in this market. Initial concessions in the form of extraordinarily wide spreads have ground away. While initial issuance saw spreads of greater than 200 basis points to Treasuries, spreads have found a relatively stable and significantly lower range. We believe that the excess returns that fixed rate TLGP have provided since issuance will not continue and future investment will be more dependent on our outlook for rates. As such, we have begun divesting our portfolios of fixed rate TLGP, harvesting gains and reinvesting proceeds in floating rate TLGP.
- The barbell structure of the CORE portfolio has filled in somewhat over the past quarter. Assets maturing within a year make up 32.09% of the portfolio, while those maturing within two years increased to 20.19% from 9.15% at the end of Q2. This has resulted in a longer WAM, but because of the shift from fixed to floating rate assets, the effective duration of the portfolio has been reduced. Asset weights have shifted. Cash positions have been reduced, as have Treasury positions, while TLGP exposure has increased.

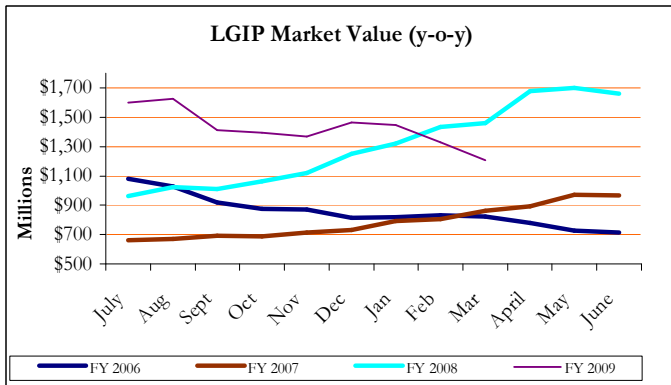
## Investment Strategy Planned for the Next Quarter

- **General Fund:** STO has reduced its reliance on money market funds and is instead using Treasury Bills, overnight repo and collateralized bank deposits for liquidity. In light of a steeper curve and having a stable to upward bias towards future rates, STO will continue to build a short ladder of Treasury securities. STO will continue to look to take TLGP gains off the table and look to position those assets in Treasury securities. We continue to expect rates to increase rapidly with the economy's first sign of recovery and as such, will continue to position the portfolio and will continue to buy structure and quality on weakness.
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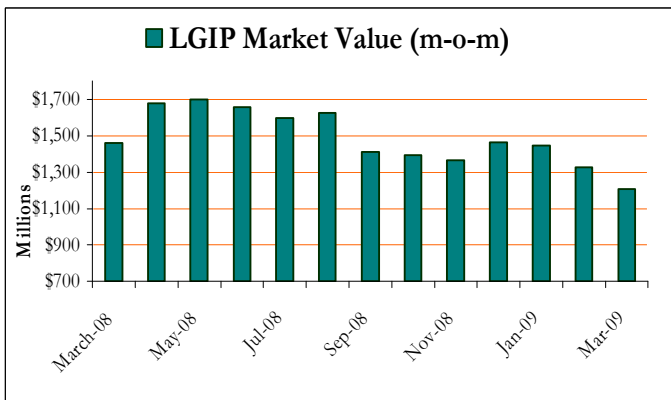
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2009

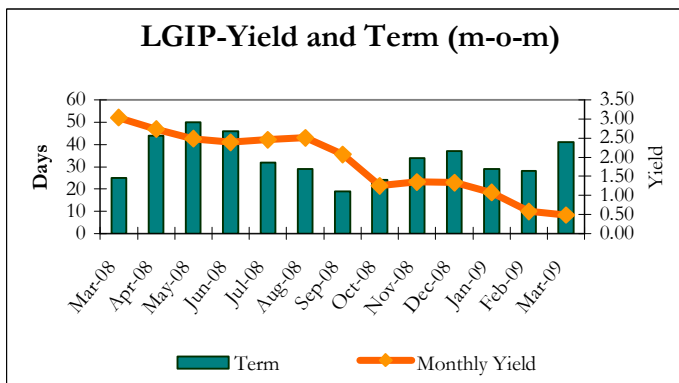
## NEW MEXIGROW LOCAL GOVERNMENT INVESTMENT POOL (LGIP)



- The market value of the LGIP portfolio as of March 31 was \$1.207 billion, compared to a market value of \$1.46 billion at the same period last year and \$861 million at the same period two years ago.



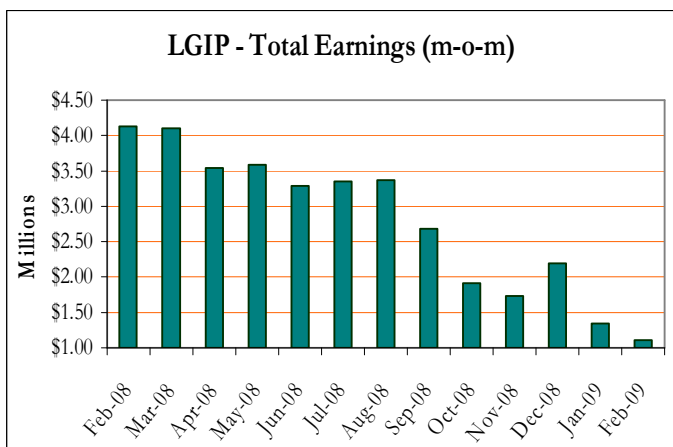
- During the month the market value of the portfolio decreased 8.5%, from \$1.32 billion at February month end to \$1.207 billion. Participant contributions for March totaled \$36 million and withdrawals totaled \$218 million. There were 22 participant accounts closed for the month of March with a total withdrawal of \$34.6 million.



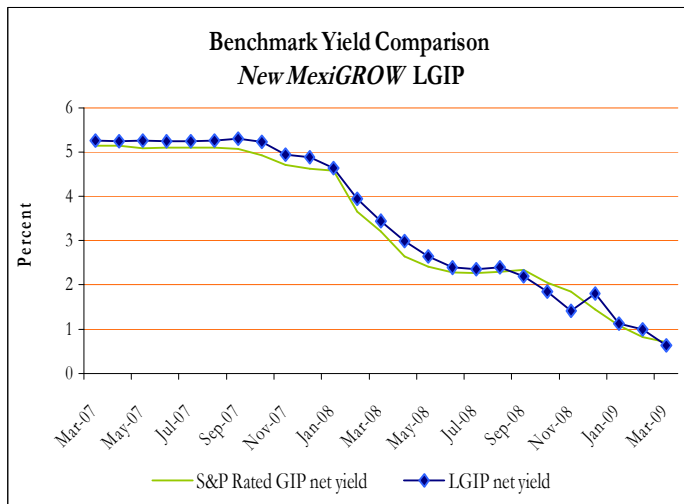
- The gross yield was .4813% at March 31, a 22% decrease from February month-end of .61%. The weighted average maturity at March 31 was 41 days, down from the February 28 weighted average maturity of 43 days and within the rule 2a-7 requirement of 60 days or less.

Local Government Investment Pool				
Asset Type	Yield	Market Value	% of Portfolio	Term (Days)
Agencies	2.53%	\$ 125,056,750	10.35%	12
Commercial CP- TLGP	1.03%	\$ 49,762,931	4.12%	168
Corporate Bonds	1.49%	\$ 15,410,550	1.28%	165
Certificates of Deposit	1.86%	\$ 40,000,000	3.31%	266
Treasury Bills	0.11%	\$ 849,882,140	70.37%	30
LGIP Bank Account	0.16%	\$ 127,640,341	10.57%	0.98
<b>Total:</b>	<b>0.48%</b>	<b>\$ 1,207,752,712</b>	<b>100%</b>	<b>41</b>

- March investment activities in the LGIP portfolio totaled \$1.3 billion in purchases and \$61 million in sales. Purchases include Treasury Bills. During the month there was an agency security sale of \$61 million.



- LGIP earnings for March totaled \$573 thousand, a 47% decrease from February earnings of \$1.1 million. Fiscal year-to-date earnings totaled \$17.9 million compared to \$40 million through the same period last fiscal year.



- The 30-day net yield of the LGIP as of March 20 was 0.63%, underperforming the 30-day net S&P Rated Government Investment Pool (GIP) index (0.70) by 7 basis points. The 30-day gross yield of the LGIP at March 20, 0.68%, underperformed the 30-day gross S&P Rated GIP index of 0.90%.
- The administrative fee assessed for March was 2.9 basis points. The total fees collected through March 2009 was \$224,002.93

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

For Quarter Ended March 31, 2009

## Investment Strategy Employed During the Past Quarter

- **New MexiGROW LGIP:** Quarterly activity in the LGIP was dominated by the announcement by the Reserve Primary Fund of its intention to create a special reserve against pending litigation of \$3.5 billion of undistributed participant balances. In response, STO suspended its loss amortization plan, put the Reserve Primary Fund position held in the CORE portfolio back to the LGIP and bifurcated the pool to create the Reserve Contingency Fund. S&P responded by simultaneously downgrading the LGIP to Dm and upgrading it back to AAAM. The LGIP will continue to be managed within the guidelines that govern AAAM 2a-7 money market funds.
- STO continues to evaluate information received from the Reserve Primary Fund to determine whether it has any recourse in light of its actions.
- In conjunction with the suspension of the loss amortization plan, the LGIP was divested of all money market funds. Liquidity needs are now being met by a ladder of Treasury Bills and collateralized bank deposits. At quarter end, all assets of the LGIP carry either an explicit or implicit US government guarantee.
- During the quarter, 28 accounts were closed resulting in withdrawals of approximately \$35 million. Assets under management decreased from \$1.4 billion to \$1.2 billion at quarter end.

## Investment Strategy Planned for the Next Quarter

- **New MexiGROW LGIP:** As evidenced by the actions of Q3, the focus of LGIP portfolio management strategy is on safety and liquidity. We will continue to invest in Treasury and TLGP securities, as available. We continue to research other asset classes, including those guaranteed under the TALF program and when and if we become comfortable with them will consider them for investment.

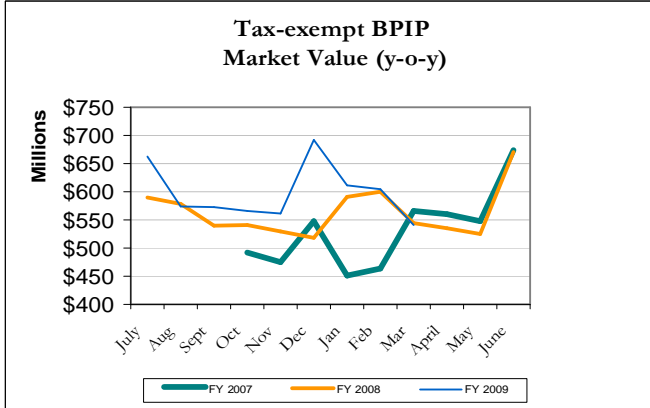
## Asset Mix and Maturity Targets

- **New MexiGROW LGIP:** The LGIP portfolio continues to maintain a weighted average maturity within the guidelines that govern AAAM 2a-7 money market funds of 60 days or less. Use of Treasury Bills for liquidity has increased the WAM slightly.
  - At quarter end, the portfolio held commercial paper guaranteed under the TLGP, CDs, Treasury Bills, corporate bonds and agency securities. Those agency securities will mature in April and May. At this point, we anticipate reinvesting those proceeds in Treasury securities.
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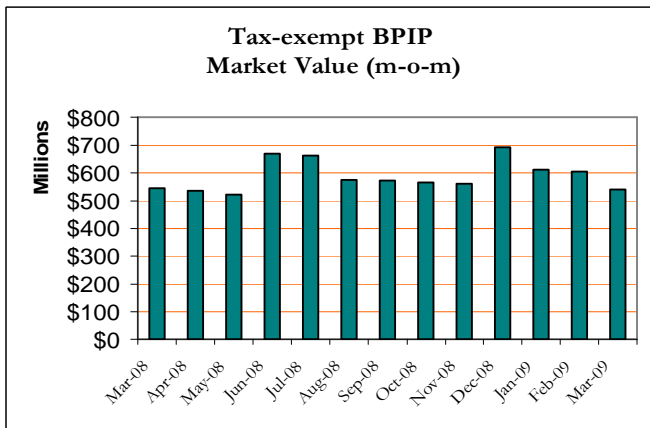
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2009

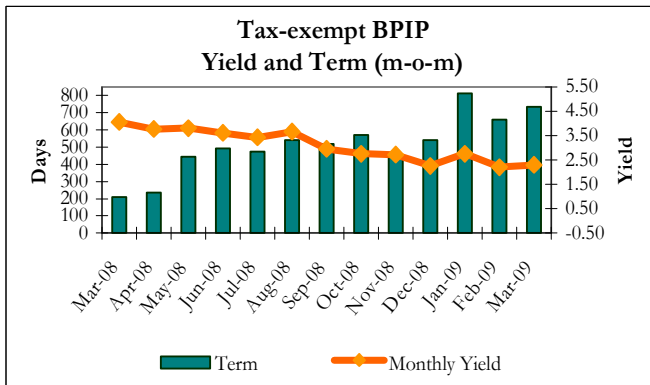
## TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL (BPIP)



- The market value of the Tax-exempt BPIP as of March 31, 2009, was \$540.9 million. This compares to a market value of \$544.2 million one year ago and \$565.4 million two years ago.



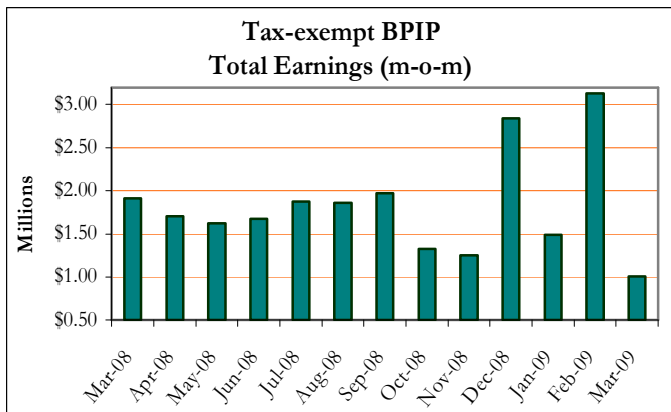
- During March, the market value of the fund decreased by 10.5% to \$540.9 million from \$604 million at February month end.



- The Tax-exempt BPIP month-end purchase yield and term were 2.30% and 2.01 years. The month-end yield was 42 basis points below the 2-year constant maturity agency index (12 month moving average) 2.72%.

Tax-exempt Bond Proceeds Investment Pool				
Asset Type	Yield	Market Value	% of Portfolio	Term
Agencies	4.01%	\$ 109,626,548	20.20%	1.32 yrs
Mmkt Funds & Cash	0.00%	\$ 18,344,196	3.39%	0
TLGP CORP	1.88%	\$ 385,383,546	71.20%	2.38 yrs
Corporate Bonds	4.61%	\$ 19,974,000	3.69%	182 days
Repurchase Pool	0.25%	\$ 7,614,151	1.40%	1 day
<b>Total:</b>	<b>2.30%</b>	<b>\$ 540,942,441</b>	<b>100%</b>	<b>2.01 yrs</b>

- There were six sales of FDIC insured corporate bonds (TLGP), realizing a net loss of \$54,414 on an aggregate par amount of \$110million. Proceeds were reinvested into TLGP floating rate notes.

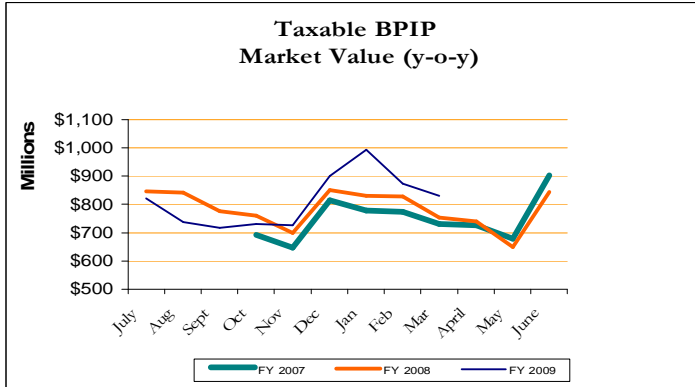


- Interest earnings for the month totaled \$1.01 million, a decrease from February earnings of \$3.13 million. Fiscal year to date earnings totaled \$16.67 million.

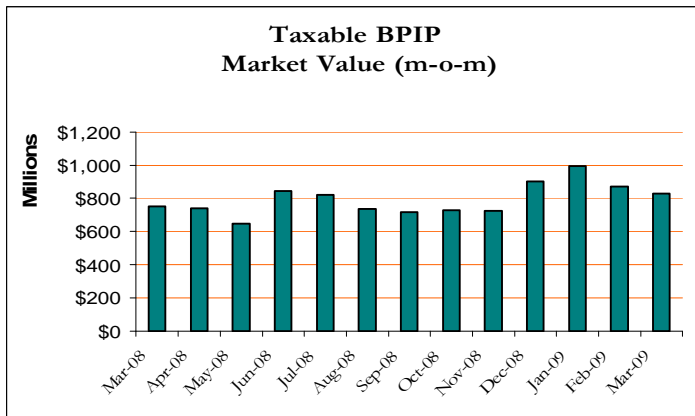
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of March 31, 2009

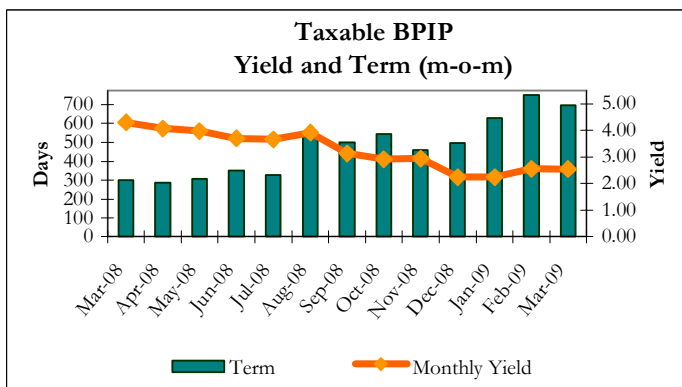
## TAXABLE BOND PROCEEDS INVESTMENT POOL (BPIP)



- The market value of the Taxable BPIP as of March 31, 2009, was \$830.6 million. This compares to a market value of \$751.9 million one year ago and \$729.9 million two years ago.



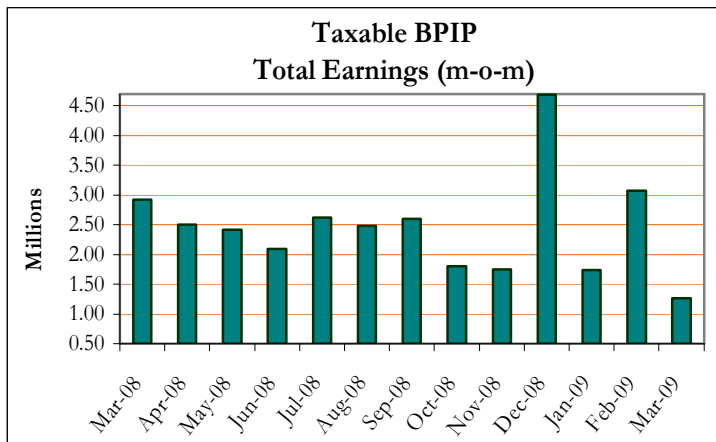
- During March, the market value of the fund decreased to \$830.6 million from \$873.2 million at February month end.



- The Taxable BPIP month-end purchase yield and term were 2.55% and 1.91 years.
- The month-end yield was 17 basis points below 2.72%, which is the month-end yield for the 2-year Constant Maturity Agency 12 month moving average index.

Taxable Bond Proceeds Investment Pool				
Asset Type	Yield	Market Value	% of Portfolio	Term (Days)
Agencies	3.43%	\$ 228,859,248	20.26%	1.35 yrs
Mmkt Funds & Cash	0.00%	\$ 26,952,499	3.24%	0
CORP TGLP	1.80%	\$ 484,476,800	71.24%	2.35 yrs
Corporate Bonds	4.25%	\$ 67,189,327	3.69%	1.78 yrs
Asset-backed Sec.	4.77%	\$ 10,179,748	1.22%	1.28 yrs
Repurchase Pool	0.25%	\$ 13,026,800	1.56%	1
<b>Total:</b>	<b>2.55%</b>	<b>\$ 830,684,422</b>	<b>100%</b>	<b>1.91 yrs</b>

- There were four purchases of floating rate TLGP notes and five sales of fixed rate TLGP notes during February with an aggregate par amount of \$275 million. In short, these trades realized losses (~\$484K) in fixed rate bonds while repositioning into floating rate bonds in an up-rate environment.



- March interest earnings totaled \$1.27 million, a decrease from February earnings of \$3.06 million. Fiscal year to date earnings totaled \$21.90 million.

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

As of March 31, 2008

## Investment Strategy Employed During the Past Quarter

- **BPIP:**

The past quarter was largely a story of increased government participation in the fixed income markets. Banks continued to issue debt guaranteed by the FDIC, the Federal Reserve finally went operational with its Term Asset-backed Lending Facility program, and the Federal Open Market Committee committed to increase their purchases of mortgage backed securities and to begin purchasing US Treasury obligations.

During this time the BPIP portfolios have enjoyed the spread tightening of TLGP holdings but also hurt by volatile interest rates. Generally, during this time, interest rate products (agencies, treasuries, and now TLGP paper) wax and waned according to the size and timing of the Fed's purchase programs. For example, after a week of mostly selling from institutional and foreign government funds, which decreases values/increases interest rates, the Fed will come in and buy agencies and treasuries, which increases values/decreases interest rates. The market is forced into a low rate environment but everyone has their eyes set on higher rates: you can't fight the FED- they can spend infinitely to keep rates down- but at some point rates can only go up.

Because TLGP holdings were issued and purchased with wide concessions priced in (i.e., positive spread to Libor), much of the past quarter was spent swapping out of fixed coupons into floating rate coupons in order to maintain that positive spread to the libor curve when rates do up.

## Investment Strategy Planned for the Next Quarter and Asset Mix and Maturity Targets

- **BPIP:**

The BPIP portfolios will remain focused on maintaining some positive spread to the Libor curve but will more actively take gains off the table and even reinvest at sub-libor levels in order to restructure the portfolio into a more defensive position that has the ability to wait-out the choppiness associated with selling pressure on one hand and the FED's purchase program on the other. PMs will achieve this by a) swapping some fixed bonds to floating rate bonds, b) rebuilding the BPIP ladders, and c) decreasing concentration to certain financial names that absent the FDIC's guarantee could trade poorly because of solvency issues.

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