

NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

For Quarter Ended March 31, 2010

Investment Strategy Employed During the Past Quarter

- **New MexiGROW**: The objective to manage LGIP as well as the other funds is under the parameters of safety, liquidity and yield. Due to the nature of LGIP being a short duration portfolio with a weighted average maturity of less than 60 days it has been a challenge. Over the past quarter, due to the economic environment, yields on Treasury securities have been historically low. Taking the current economic environment into account the primary strategy for the fund has been to invest in the safest securities. During the quarter the fund mainly focused on purchasing Treasury Bills. The market for short-term fixed income for Q1 2010 has been weak. For part most of the quarter yields in the one to three month range have been between 0-.17%. In order to increase yield a barbell strategy in maturities has been taken for most of the quarter. At the end of the quarter the yield curve had flattened out with yields on Treasury Bills from one week to three months providing a yield in the range of .13-.16% thus providing no or little benefit of continuing the barbell strategy. The current strategy, due to low yields has been to either deposited proceeds from maturities into the bank account at a .15% yield or invested out in a Treasury Bill or Straight A if providing a higher yield.

Investment Strategy Planned for the Next Quarter

- **New MexiGROW**: Given the current economic environment, yields on fixed income investments and depending on the shape of the yield curve. The barbell strategy may be recommended again. We have also done some looking into overnight repos with Treasuries or Agency collateral from firms with an AA rating as a possibility for the LGIP in case yields on Treasuries become negative again.

Asset Mix and Maturity Targets

- **New MexiGROW**: As securities mature, the proceeds will primarily be invested in Treasury Bills with the except of our investment in Straight A. There is currently \$40 million in Straight A, which comprises approximately 4.8% of the portfolio. Due to the increased yield over Treasuries and the safety of the investment we plan on continually rolling this position as long as the program is in existence and the security makes sense for the portfolio.
 - Our maturity target will be to have a weighted average maturity of between 40-58 days for this portfolio.
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Investment Strategy Employed During the Past Quarter

- **Tax Exempt:** Due to the economic environment of lower interest rates and the need for safety in the fund the strategy for Q1 2010 has been to increase liquidity. Due to this goal there has been a minimal amount of purchases in the past quarter.
- The cash flows over the last quarter were matched very well. At the beginning of March there was approximately \$80 million in distributions and at the end of March there was a bond issuance of approximately \$258 million. There was enough money in the account to match the liquidity needs without selling securities.

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

- **Tax Exempt:** The primary strategy for the fund is to work closely with issuing agencies and to match the duration of the investments with the cash flows of the agencies while focusing on safety and liquidity.
 - With the bond issuance the fund has more liquidity than what is currently needed. The plan for the next quarter will be to invest out a portion of these excess funds into securities with maturities ranging from two to three years.
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For Quarter Ended March 31, 2010

Investment Strategy Employed During the Past Quarter

- ***Taxable:*** Due to the economic environment of lower interest rates and the need for safety in the fund the strategy for Q1 2010 has been to increase liquidity. Due to this goal there has been a minimal amount of purchases in the past quarter.

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

- ***Taxable:*** The strategy for the fund is to work closely with issuing agencies and to match the duration of the investments with the cash flows of the agencies while focusing on safety and liquidity.
 - The fund has more liquidity than what is currently needed. The plan for the next quarter will be to invest out a portion of these excess funds into securities with maturities ranging from two to three years.
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