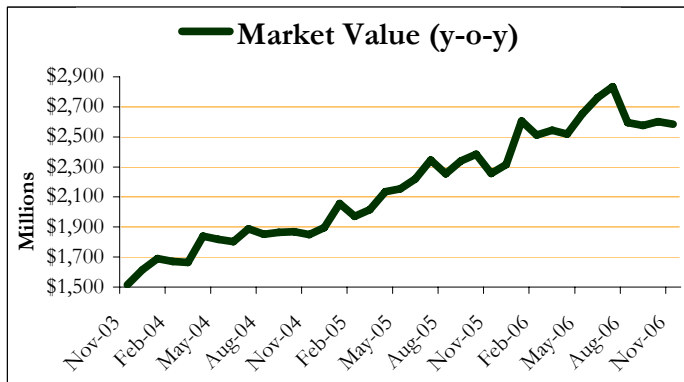


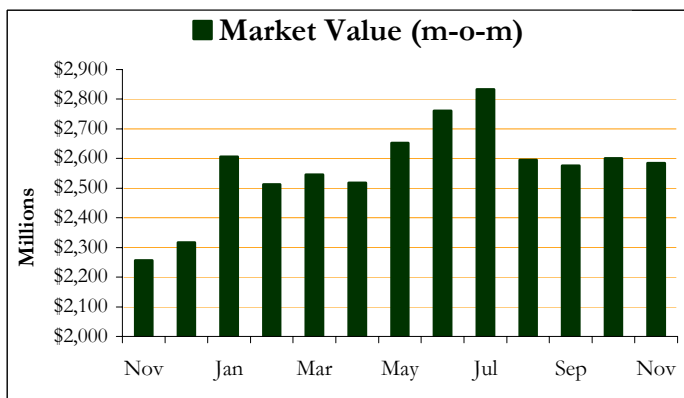
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of November 30, 2006

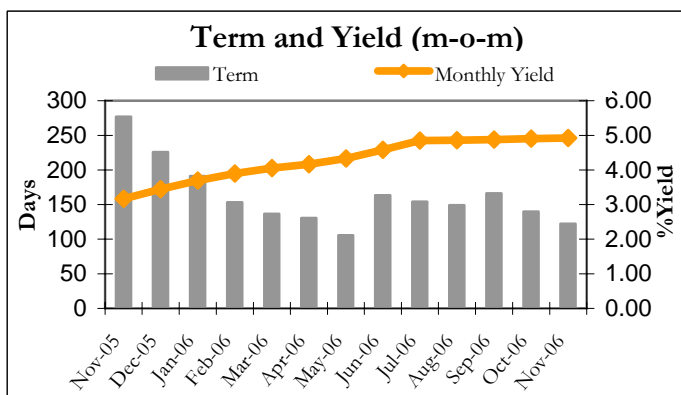
## GENERAL FUND INVESTMENT PORTFOLIO



- The market value, net of TRANs, of the General Fund Investment Portfolio on November 30, 2006, was \$2.58 billion compared to \$2.25 billion at the same point last year and \$2.17 billion at the same point two years ago.



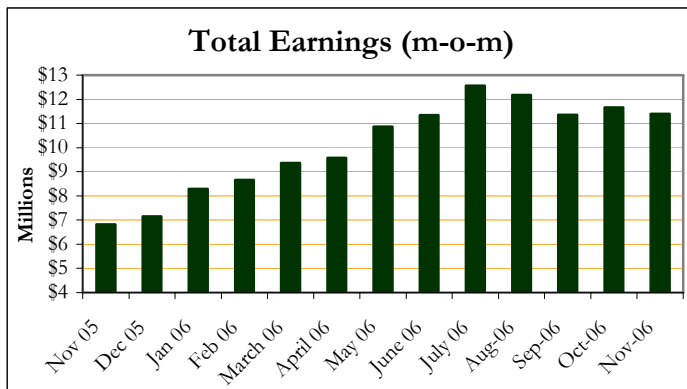
- The market value of the General Fund at month-end was \$2.58 billion, a decrease of 0.7% from October's \$2.60 billion and an increase of 0.3% from September's \$2.57 billion.



- The yield on the General Fund was 4.93% at month-end, up from 4.91% in October. The average term of the portfolio decreased to 122.1 days, down from 139.7 days in October.

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Agencies	4.74%	\$1,772,253,059	59.4%	189
Repurchase Pool	5.30%	\$859,734,073	28.8%	1
Certificates of Deposit	4.93%	\$252,000,000	8.5%	105
Money Market Fund	5.26%	\$100,000,000	3.3%	1
Commercial Paper		0		
<b>Total:</b>	<b>4.93%</b>	<b>\$2,983,987,132</b>	<b>100.0%</b>	<b>122</b>

- The month-end portfolio holdings of the General Fund were 59.4% in U.S. agency bonds, 28.8% in the overnight repurchase pool, 8.5% in certificates of deposit, and 3.3% in money market mutual funds.
- There was no investment activity during the month of November. Pursuant to Committee direction given at the November 15 State Treasurer’s Investment Committee meeting, portfolio analysis was performed and a model portfolio was designed for implementation beginning December 2006.

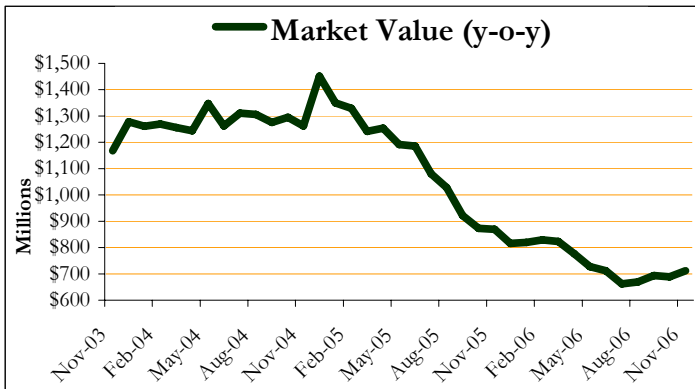


- The General Fund earnings for November were \$11.4 million, a decrease of 2.1% over October earnings of \$11.65 million and an increase of 67.1% over November 2005 earnings of \$6.82 million. Fiscal year-to-date earnings total \$59.2 million compared to \$32 million through the same period last fiscal year.

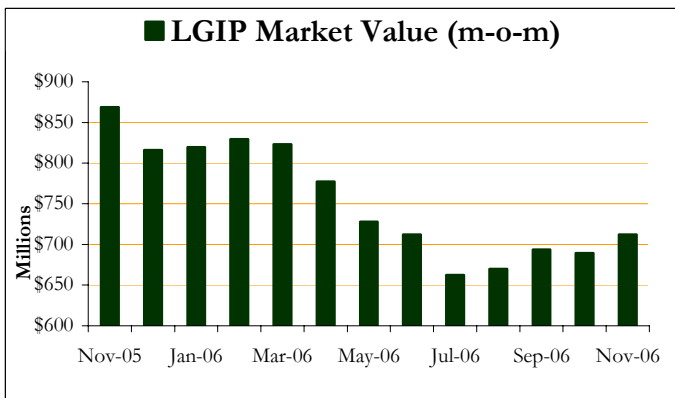
# NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of November 30, 2006

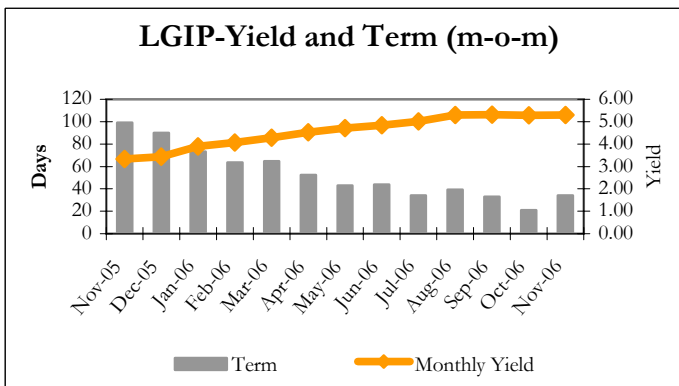
## NEW MEXIGROW LOCAL GOVERNMENT INVESTMENT POOL (LGIP)



- The year-over-year market value of the LGIP portfolio as of November 30 was \$712.24 million, compared to a market value of \$868.60 million at the same period last year and \$1.26 billion at the same period two years ago.



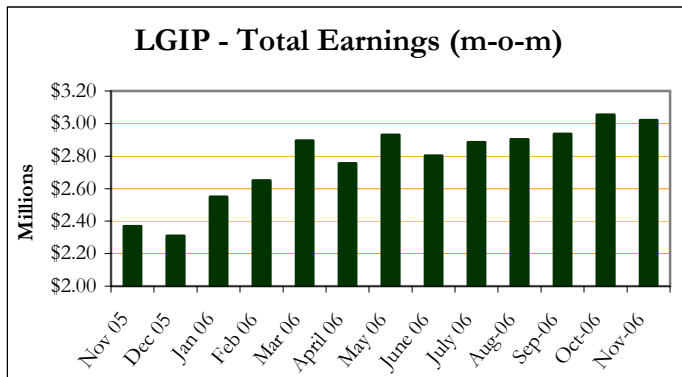
- The month-over-month market value of the portfolio as of November 30 was \$712.24 million, an increase of 3.3% from the \$689.39 million market value at October 31. The increase in pool balance is indicative of growing confidence in the Treasurer's Office as well as positive reaction by participants to the competitive yields earned by the pool.



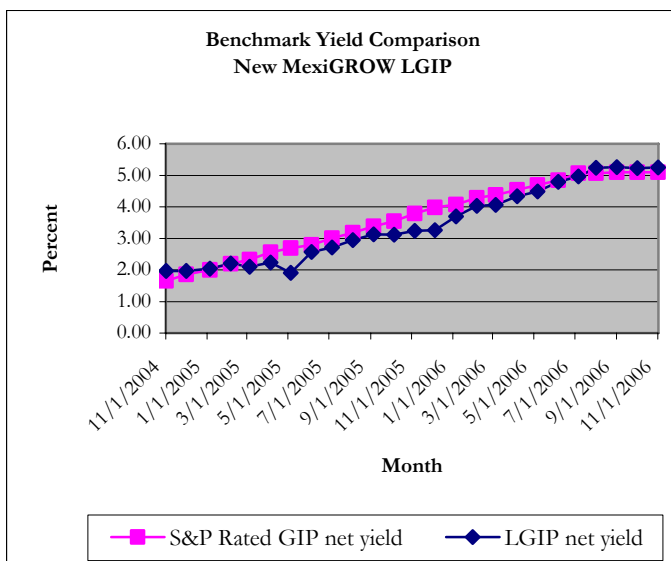
- The gross yield of the LGIP portfolio increased 2 basis points to 5.30% at November 30. The weighted average maturity at November 30 was 34 days, up from the October 31 weighted average maturity of 21 days, and still within the allowable limit of 50 days.

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Agencies	5.26%	\$318,599,591	44.7%	49
Commercial Paper	5.36%	\$238,528,350	33.5%	42
Money Market Funds	5.28%	\$148,500,000	20.9%	1
LGIP Bank Account	5.02%	\$ 6,609,934	0.9%	1
<b>Total:</b>	<b>5.30%</b>	<b>\$712,237,875</b>	<b>100.0%</b>	<b>34</b>

- The month end portfolio holdings were 44.7% in U.S. government agency securities, 33.5% in A-1+ commercial paper, 20.9% in AAA money market funds, and 0.93% in the bank account balance. The remaining two CDs matured during November.
- November investment activity in the LGIP portfolio included the purchase of \$240 million in A-1+ commercial paper with an average yield of 5.36% and average term of 57.5 days. Additionally, \$188.87 million in agency discount notes was purchased with an average yield of 5.25% and average term of 59 days.



- Total LGIP earnings for November were \$3.03 million, a slight decrease from October earnings of \$3.06 million. The decrease is attributable to the single day earning difference in the month compared to October. Fiscal year-to-date earnings for the LGIP totaled \$14.9 million compared to \$12.92 million through the same period last fiscal year.



- The 30-day net yield of the LGIP as of November 30 was 5.24%, outperforming the 30-day net S&P Rated Government Investment Pool index (5.10%) by 14 basis points. However, the 30-day gross yield of the *New MexiGROW* LGIP at month-end, 5.30%, trailed the 30-day gross S&P Rated GIP index of 5.33% by 3 basis points. The administrative fee assessed to participants for November was 5.5 basis points.

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

As of November 30, 2006

## TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL

- The market value of the Tax-exempt BPIP as of November 30, 2006, was \$474.9 million.
- During November the market value of the fund fell 3.4% from \$492.1 million to \$474.9 million. (Project draws totaled \$7.8 million for November. Additionally, the market value of the fund was revised downward by \$12.4 million due to a SHARE system delay of the 2005-2006 year-end bond reconciliation process.)
- At month-end, the yield and term were 4.66% and 132.2 days, respectively.

TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL				
Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Overnight Repo Pool	5.31%	\$ 45,541,106	9.8%	1
Flex Repos	3.37%	\$ 118,305,429	24.9%	60
U.S. Treasuries	5.05%	\$ 274,057,971	57.6%	250
U.S. Agencies	5.31%	\$ 36,065,320	7.7%	109
<b>Total:</b>	<b>4.66%</b>	<b>\$ 474,969,826</b>	<b>100%</b>	<b>132</b>

## PORTFOLIO SUMMARY

- The breakdown of month-end portfolio holdings was 57.6% in U.S. Treasury notes and bills, 24.9% in flexible repurchase agreements, 9.9% in the overnight repurchase pool, and 7.7% U.S. Agency securities.
- \$165 million was invested in U.S. Treasury bills and notes during November. Maturities were laddered in \$15 million (par) increments over eleven months - December 2006 through November 2007. The yield on these investments ranged from 4.96% to 5.15%.
- Earnings for the month were \$1.6 million.
- The Tax-exempt BPIP yield for November was 4.66%, 4 basis points above the highest arbitrage yield of any bond issue in the fund, 4.62%, which is also the selected benchmark.

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

As of November 30, 2006

## TAXABLE BOND PROCEEDS INVESTMENT POOL

- The market value of the Taxable BPIP as of November 30, 2006, was \$647 million.
- During November the market value of the fund fell 6.4% from \$691.7 million to \$647 million. Project draws totaling \$42.7 million explain much of this decline.
- At month-end, the yield and term were 4.77% and 162.8 days, respectively.

TAXABLE BOND PROCEEDS INVESTMENT POOL				
Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Overnight Repo Pool	5.31%	\$ 296,107,598	45.8%	1
Flex Repos	2.84%	\$ 131,554,784	20.3%	295
US Agency Notes/Bonds	5.15%	\$ 167,266,900	25.85%	380
Commercial Paper	5.39%	\$ 52,071,723	8.0%	34
<b>Total:</b>	<b>4.77%</b>	<b>\$ 647,001,005</b>	<b>100%</b>	<b>163</b>

## PORTFOLIO SUMMARY

- The breakdown of month-end portfolio holdings was 45.8% in the overnight repurchase pool, 25.9% in U.S. Agency bonds, and 20.3% in flex repurchase agreements, and 8.0% in commercial paper.
- \$170 million of U.S. Agency bonds was purchased during November. Maturities were laddered in \$10 million (par) increments over 17 months - February 2007 through September 2008. The yield on these investments ranged from 4.91% to 5.21%.
- Interest earnings for November totaled \$2.6 million.

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

As of November 30, 2006

## **ECONOMIC OUTLOOK**

Following the pattern of the past two months, November economic releases reflected continuing slower growth but also a trend toward stabilization in the decline. It is believed that this slowing growth rate is not expected to give way to recession and Federal Reserve Chairman Bernanke perceives most sectors expanding at a solid rate. Growth in these sectors may indicate inflationary risk, leading to the potential for a return to rate tightening by the FOMC. However, as growth continues to subside, inflationary pressures should eventually follow suit and it is expected that economic growth will continue to cool over the remainder of the year. The two-year Treasury has already priced in several rate cuts; currently at 4.51% compared to Fed funds of 5.25%.

In light of these factors, the STO is planning to extend durations on both the General Fund and Bond Proceeds Investment Pool portfolios. The BPIP portfolios began deployment of the ladders in November, locking in some temporarily higher yields and placing maturities throughout 2007. With the selection of two benchmarks for the General Fund, deployment of the Core portfolio ladder in the 18 to 60 month range will begin in December and continue through March with investment increments of \$200 million per month. To the extent possible within the allowable 50-day weighted average maturity, the LGIP portfolio will also extend duration where advantageous in the 30-day to 6-month range concentrating on high quality commercial paper to the permissible limit and, as necessary, utilizing US Agency securities for the remainder.

## **MOVING FORWARD**

The State Treasurer's Office would like to thank the commitment and dedication of the Board of Finance and State Treasurer's Investment Committee members and staff in bringing trust and confidence back to the Agency. We, at STO, could not have accomplished the many goals the office set out last January without the help and support of the Board and the Committee. We welcome the new administration of Treasurer Lewis and know that his administration will continue to bring integrity and confidence to the Agency and will move the office forward in many positive directions.

As the current administration wraps up this eventful calendar year, some additional programs have been identified that could help the Office's clients. These include the development of online banking services for participants in the Local Government Investment Pool, new investment accounting and reporting software systems, and the creation of a Local Government Investment Bond Proceeds Investment Pool.

**TABLE 1**  
**New Mexico State Treasurer**  
**Broker Participation - All Funds**  
Fiscal Year 2006-2007

**Volume**  
(\$ in thousands)

**FY07**

<u>Broker/Dealer</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>YTD Total</u>	<u>Percent</u>	
Bank of America	147,313	49,426	70,694	-	74,079	\$ 341,512	10.4%	Bank of America
Citigroup	320,564	92,955	-	47,116	94,523	\$ 555,158	16.8%	Citigroup
Merrill Lynch	205,051	105,792	202,697	122,674	156,431	\$ 792,645	24.0%	Merrill Lynch
Morgan Stanley	149,455	24,672	133,077	19,664	110,335	\$ 437,203	13.3%	Morgan Stanley
UBS	-	52,251	-	-	-	\$ 52,251	1.6%	UBS
FTN	-	-	86,072	-	54,688	\$ 140,760	4.3%	FTN
Lehman	154,349	-	20,327	-	93,398	\$ 268,074	8.1%	Lehman
Bear Stearns	-	-	-	-	60,005	\$ 60,005	1.8%	Bear Stearns
Goldman Sachs	106,093	11,940	-	59,934	20,059	\$ 198,026	6.0%	Goldman Sachs
CS First Boston	159,504	-	54,469	89,755	84,223	\$ 387,951	11.8%	CS First Boston
Direct Purchase	19,884	-	-	34,864	8,945	\$ 63,693	1.9%	Direct Purchase
<b>Total</b>	<b>\$ 1,262,213</b>	<b>\$ 337,036</b>	<b>\$ 567,336</b>	<b>\$ 374,007</b>	<b>\$ 756,686</b>	<b>\$ 3,297,278</b>	<b>100.0%</b>	

**Purchases:**

Primary Market	540,577	233,554	100,643	176,906	178,375	\$ 1,230,055	37.3%
Secondary Market	<u>721,636</u>	<u>103,482</u>	<u>466,693</u>	<u>197,101</u>	<u>578,311</u>	<u>\$ 2,067,223</u>	<u>62.7%</u>
<b>Total</b>	<b>\$ 1,262,213</b>	<b>\$ 337,036</b>	<b>567,336</b>	<b>374,007</b>	<b>756,686</b>	<b>\$ 3,297,278</b>	<b>100.0%</b>