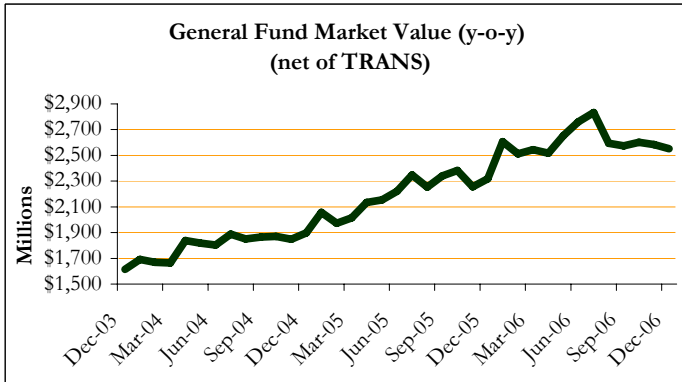


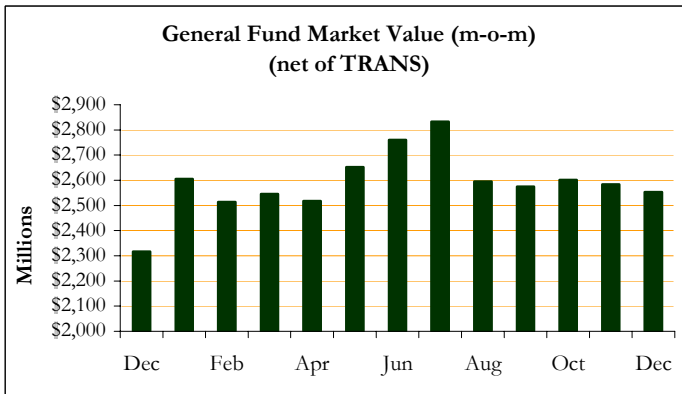
NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2006

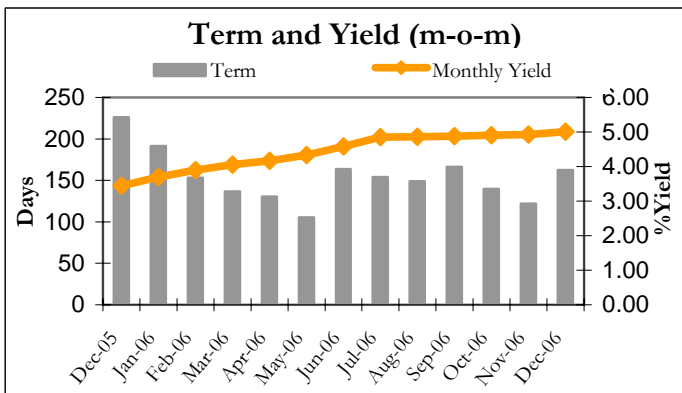
GENERAL FUND INVESTMENT PORTFOLIO



- The market value, net of TRANS, of the General Fund Investment Portfolio on December 31, 2006, was \$2.55 billion compared to \$2.34 billion at the same point last year and \$1.94 billion at the same point two years ago.



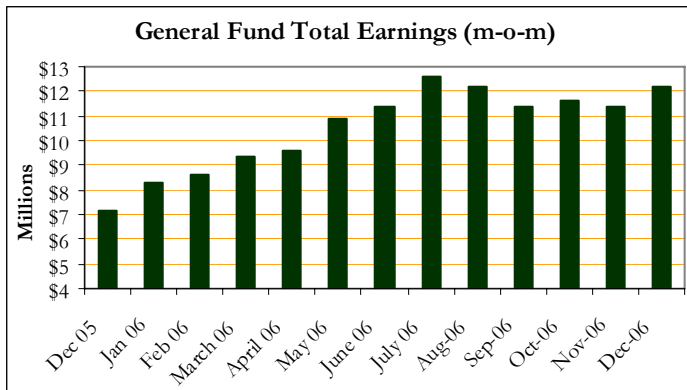
- The market value of the General Fund at month-end was \$2.55 billion, a decrease of 0.77% from November's \$2.58 billion and a decrease of 1.5% from October's \$2.60 billion.



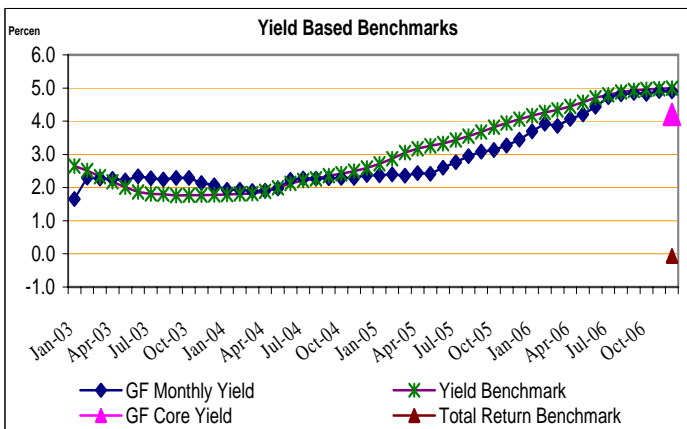
- The yield on the General Fund was 5.01% at month-end, up from 4.93% at the end of November. The average term of the portfolio increased to 156.8 days from 122.1 days in November.

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Agencies	4.79%	\$1,832,495,328	56.4%	257
Repurchase Pool	5.28%	\$104,231,147	3.2%	1
Certificates of Deposit	4.93%	\$248,000,000	7.6%	102
Money Market Fund	5.27%	\$100,000,000	3.1%	1
Commercial Paper	5.40%	\$967,999,713	29.8%	14
Total:	5.01%	\$3,252,726,188	100.0%	157

- The month-end portfolio holdings of the General Fund were 56.4% in U.S. agency bonds, 3.2% in the overnight repurchase pool, 7.6% in certificates of deposit, 29.8% in commercial paper, and 3.07% in money market mutual funds.
- \$1.4 billion of investments were purchased for the month. \$35.5 million of certificates of deposit were purchased or renewed for the CD portfolio. \$1 billion of commercial paper was purchased to both cash match disbursements in the Liquidity portfolio and to continue building the Core portfolio. \$200 million of U.S. Agency securities with maturities ranging from September 2008 to December 2009 were also added to the Core portfolio during December.



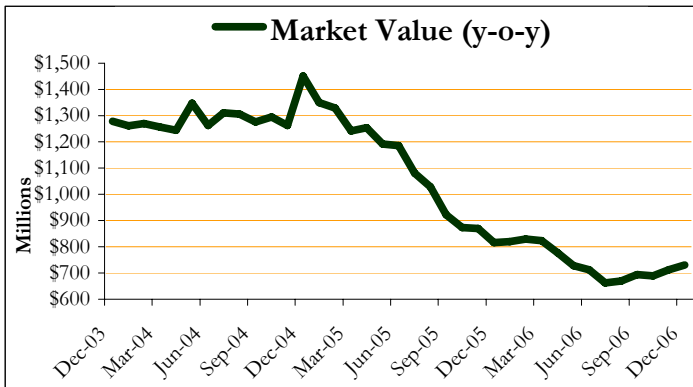
- The General Fund earnings for December were \$12.21 million, an increase of 6.8% over November earnings of \$11.4 million and an increase of 70.5% over December 2005 earnings of \$7.16 million. Fiscal year-to-date earnings totaled \$71.37 million compared to \$39.19 million through the same period last fiscal year.



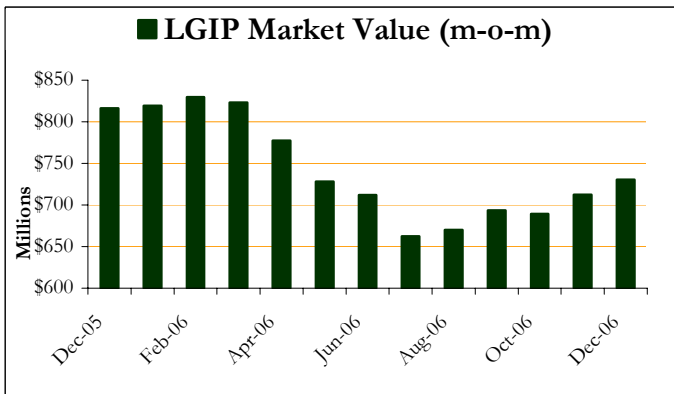
NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2006

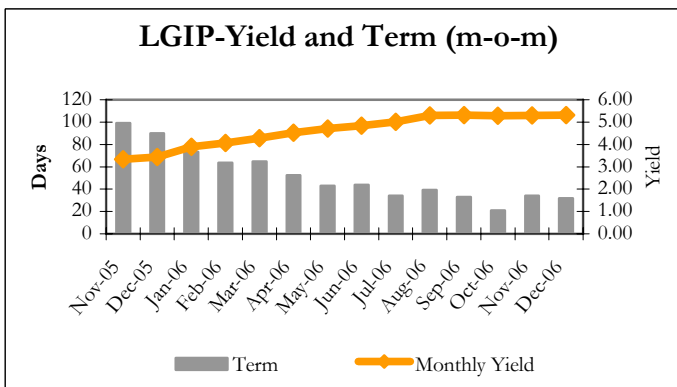
NEW MEXIGROW LOCAL GOVERNMENT INVESTMENT POOL (LGIP)



- The year-over-year market value of the LGIP portfolio as of December 31 was \$730.54 million, compared to a market value of \$815.72 million at the same period last year and \$1.46 billion at the same period two years ago.



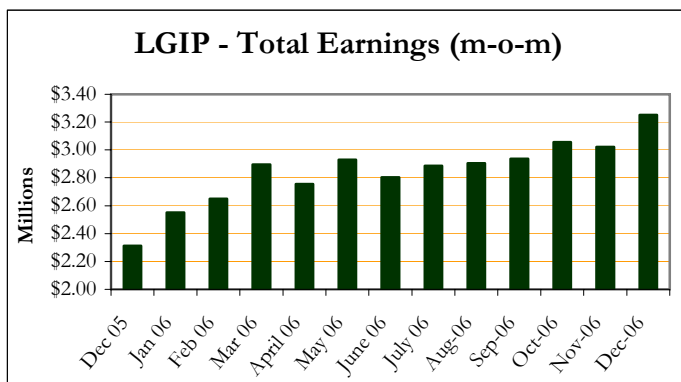
- The month-over-month market value of the portfolio as of December 31 was \$730.54 million, an increase of 2.5% from the \$712.24 million market value at November 30. The increasing pool balance is a continuing trend attributable to positive reaction by participants to the competitive yields earned by the pool.



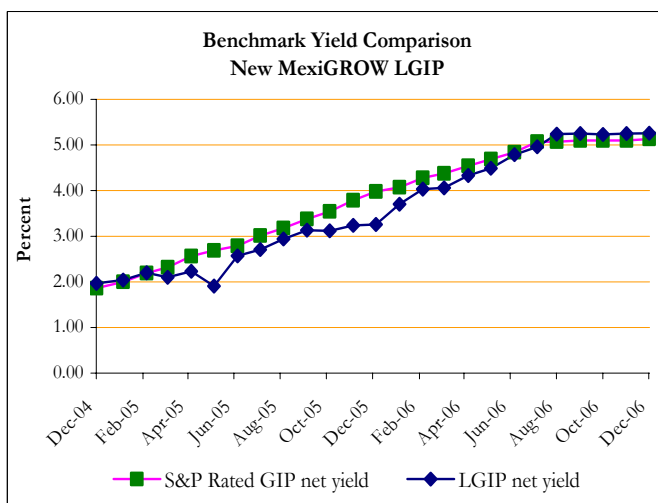
- The gross yield of the LGIP portfolio increased one basis point to 5.31% at December 31. The weighted average maturity at December 31 was 32 days, down slightly from the November 30 weighted average maturity of 34 days, and still within the allowable limit of 50 days.

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Agencies	5.27%	\$220,055,363	30.1%	64
Commercial Paper	5.37%	\$268,258,911	36.7%	31
Money Market Funds	5.29%	\$242,000,000	33.1%	1
LGIP Bank Account	5.02%	\$ 233,881	0.3%	1
Total:	5.31%	\$730,548,155	100.0%	32

- The month-end portfolio holdings were 30.1% in U.S. government agency securities, 36.7% in A-1+ commercial paper, 33.1% in AAA money market funds, and 0.3% in the bank account balance.
- December investment activity in the LGIP portfolio included the purchase of \$112 million in A-1+ commercial paper with an average yield of 5.39% and average term of 93.7 days. Additionally, \$93.16 million in agency discount notes was purchased with an average yield of 5.27 and average term of 101 days.



- Total LGIP earnings for December were \$3.25 million, an increase from November earnings of \$3.03 million. Fiscal year-to-date earnings for the LGIP totaled \$18.2 million compared to \$15.2 million through the same period last fiscal year.



- The 30-day net yield of the LGIP as of December 3 was 5.26%, outperforming the 30-day net S&P Rated Government Investment Pool index (5.13%) by 13 basis points. However, the 30-day gross yield of the *New MexiGROW* LGIP at month-end, 5.31%, trailed the 30-day gross S&P Rated GIP index of 5.33% by 2 basis points. The administrative fee assessed to participants for December was 5.2 basis points. Participant contributions were \$64.5 million and withdrawals were \$32.2 million for the month of December.

NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2006

TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL

- The market value of the Tax-exempt BPIP as of December 31, 2006, was \$457.6 million.
- During December the market value of the fund decreased 3.5% from \$474.9 million to \$457.6 million.
- At month-end, the yield and term were 4.97% and 134.7 days, respectively.

TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL				
Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Overnight Repo Pool	5.28%	\$ 108,218,137	23.6%	1
Flex Repos	2.99%	\$ 35,236,122	7.7%	166
U.S. Treasuries	5.05%	\$ 259,597,050	56.7%	167
U.S. Agencies	5.26%	\$ 54,600,000	11.9%	219
Total:	4.97%	\$ 457,651,309	100%	135

PORTFOLIO SUMMARY

- The breakdown of month-end portfolio holdings was 56.7% in U.S. Treasury notes and bills, 11.9% in U.S. Agency securities, 23.6% in the overnight repurchase pool, and 7.7% in flexible repurchase agreements.
- Approximately \$30 million was invested in U.S. Agency bonds (two \$15 million increments) maturing December 2007 and January 2008 and yielding 5.23% and 5.19%, respectively.
- Earnings for the month were \$1.88 million.
- The Tax-exempt BPIP yield at December 31 was 4.97%, 35 basis points above the highest arbitrage yield limit 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 December 31, 2006

TAXABLE BOND PROCEEDS INVESTMENT POOL

- The market value of the Taxable BPIP as of December 31, 2006, was \$813 million.
- During December the market value of the fund increased 25.6%, from \$647.0 million to \$813.0 million. The dramatic rise in market value is primarily explained by a \$170 million cash infusion from December's sponge bond issuance.
- At month-end, the yield and term were 4.83% and 251.9 days, respectively.

TAXABLE BOND PROCEEDS INVESTMENT POOL				
Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Overnight Repo Pool	5.28%	\$ 41,711,780	5.1%	1
Flex Repos	2.83%	\$ 130,856,731	16.1%	264
US Agency Notes/Bonds	5.06%	\$ 295,802,111	36.4%	568
Commercial Paper	5.41%	\$ 25,649,838	3.2%	26
Money Market Fund	5.31%	\$ 319,000,000	39.2%	1
Total:	4.83%	\$ 813,020,460	100%	252

PORTFOLIO SUMMARY

- The breakdown of month-end portfolio holdings was 39.2% in money market mutual fund shares, 36.4% in U.S. Agency bonds, 16.1% in flex repurchase agreements, 5.1% in the overnight repurchase pool, and 3.2% in commercial paper.
- Approximately \$130 million of U.S. Agency bonds was purchased during December. Maturities were laddered in \$10 million (par) increments over thirteen months - October 2008 through December 2009. The yield on these investments ranged from 4.83% to 5.06%.
- Interest earnings for December totaled \$2.68 million.
- December 31 benchmark yields were:

4.89%: 2-year CMA 12-month moving average

4.98%: Merrill Lynch custom index:10% 0-3yr Trsy and 90% 1-3yr Agcy

NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2006

Investment Strategy Employed During The Past Quarter

- **General Fund:** STO continued implementation of a portfolio ladder strategy for the Core portfolio. Agency purchases were equally dollar weighted at \$20 million each and ranged in maturity from September 2008 to December 2009. Core benchmark indices were finalized during the quarter. The State Treasurer's Investment Committee selected a benchmark with 5-year final maturities which was subsequently approved by the State Board of Finance.

The Liquidity Management portfolio continued to cash match commercial paper investment to known cash disbursement dates. High levels of excess reserves were held in the Liquidity portfolio during the quarter to buffer against unforeseen draws or cash flow timing issues. These excess reserves were held in the money market mutual fund and overnight repurchase agreement.

- **New MexiGROWLIP:** In compliance with the S&P AAAm rating maintenance criteria that the asset mix and asset types purchased for the portfolio be at least 50% A-1+ (or AAA) rated with the remaining 50% being A-1 (or AA) rated, the portfolio maintained at least 95% of A-1+ rated investments. The weighted average maturity was maintained at 50 days or less. Maturities were laddered by week to provide constant cash inflows and were used in combination with the money market funds for liquidity needs.
- **BPIP:** During the quarter both bond pools (Taxable and Tax-exempt) moved from all cash positions to partially invested positions. Approximately \$195 million of the Tax-exempt pool was invested, primarily in U.S. Treasury bills and notes. This investment was both an asset-liability match for scheduled 2007 debt service payments and a one-year ladder of maturities for expected project draws. Additionally, \$378 million of the Taxable pool was invested in U.S. Agency bonds over a three-year maturity ladder.

Investment Strategy Planned For The Next Quarter

- **General Fund:** STO will continue to extend portfolio duration in both the Core and Liquidity portfolios. It is anticipated that excess reserves will be drawn down in favor of building the Core portfolio, thereby protecting the State from a falling interest rate environment.

Investment for the Core portfolio will place maturities to fill in a portfolio ladder slightly biased to a 2- to 3-year time horizon. At this juncture, STO will not deploy assets into the 4- and 5-year time horizon.

The Liquidity portfolio will continue cash matching recurring monthly expenditures while maintaining a \$100 million to \$200 million buffer.

- **New MexiGROWLGIP:** Compliance with rating criteria will continue to mandate the investing strategy for the LGIP. Investment in high-quality commercial paper will be utilized to the maximum allowable, in percentage and per-issuer limits, in order to take advantage of the higher yields offered by CP. Investment in agency discount notes will be utilized for longer term investments and/or when investment in CP is maximized. AAA rated money market funds will be used for improved yield (and liquidity) to take advantage of the favorable current short-term rates.
- **BPIP:** Investment for the Tax-exempt fund will further match liabilities for the remaining debt service payments through 2008. Investment for the Taxable fund will increase the monthly holdings in the existing three-year maturity ladder which will decrease the cash holdings and extend both weighted average maturity and duration.

Asset Mix and Maturity Targets

- **General Fund:** Pursuant to the State Treasurer's Investment Committee's benchmark selection, the weighted average maturity target for the Core portfolio has been extended to 1.9 to 2.1 years. This minor modification has been made to ensure that target maturities are congruent with STO benchmark guidelines. The weighted average maturities of the Core and Liquidity portfolios are 337 days and 33.3 days, respectively.
- **New MexiGROWLGIP:** The WAM for the LGIP will be maintained at 50 days or less. Asset allocation will fluctuate between commercial paper, agency discount notes, and money market funds depending on the most favorable yield and portfolio investment compliance limits. Commercial paper will be utilized for shorter-term maturities, agency discount notes for longer-term maturities, and money markets for liquidity and investment when advantageous.
- **BPIP:** The target weighted average maturity for the Tax-exempt pool increased over the quarter and will approach its one-year target WAM within the next two quarters. The asset mix is largely U.S. Treasury securities as returns in this sector have been sufficient to earn enough positive arbitrage in excess of the maximum pool's maximum arbitrage yield limit of 4.623%. Similarly, the target get WAM for the Taxable pool increased over the quarter and will approach its 18-month target within the next two quarters. The asset mix is largely U.S. Agency securities and future investment will include the purchase of securities paying liquidity premiums, as the portfolio is "buy and hold." Consideration also will be given to the introduction of one-time callable agency securities to the portfolio.

NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2006

MOVING FORWARD

The new STO administration is in place and Treasurer Lewis is establishing his agenda for the remainder of the 2007 fiscal year. In addition to the proposed legislation regarding the Local Government Investment Pool, the Treasurer is evaluating the need for other legislation which may be necessary to redefine STO's statutorily-defined duties. Workflow changes resulting from the implementation of the new SHARE system as well as organizational restructuring within STO may have made existing statute obsolete and in need of some revision. The new administration also is evaluating internal STO workflows and staffing needs in order to improve efficiencies within the office.

Also planned is an extensive outreach program directed at New Mexico's local governments, special districts, and tribes. This program will include regional educational investment seminars and LGIP marketing in coordination with statewide events offered by the NM Municipal League, Association of Counties, the NM Banker's Association, and the NM Public School Business Manager's Association. The new administration is committed to communication, cooperation, and collaboration in order to achieve and provide excellent customer relations.

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>Dec-06</u>	<u>YTD Total</u>	<u>Percent</u>
Bank of America	147,313	49,426	70,694	-	74,079	102,007	\$ 443,519	9.2%
Citigroup	320,564	92,955	-	47,116	94,523	226,075	\$ 781,233	16.2%
Merrill Lynch	205,051	105,792	202,697	122,674	156,431	209,729	\$ 1,002,374	20.8%
Morgan Stanley	149,455	24,672	133,077	19,664	110,335	60,753	\$ 497,956	10.3%
UBS	-	52,251	-	-	-	40,230	\$ 92,481	1.9%
FTN	-	-	86,072	-	54,688	20,000	\$ 160,760	3.3%
Lehman	154,349	-	20,327	-	93,398	221,457	\$ 489,531	10.2%
Bear Stearns	-	-	-	-	60,005	20,000	\$ 80,005	1.7%
Goldman Sachs	106,093	11,940	-	59,934	20,059	143,060	\$ 341,086	7.1%
CS First Boston	159,504	-	54,469	89,755	84,223	161,464	\$ 549,415	11.4%
JP Morgan/Chase	-	-	-	-	-	84,418	\$ 84,418	1.8%
Vining Sparks	-	-	-	-	-	20,000	\$ 20,000	0.4%
Cantor Fitzgerald	-	-	-	-	-	79,895	\$ 79,895	1.7%
Direct Purchase	19,884	-	-	34,864	8,945	131,000	\$ 194,693	4.0%
Total	\$ 1,262,213	\$ 337,036	\$ 567,336	\$ 374,007	\$ 756,686	\$ 1,520,088	\$ 4,817,366	100.0%

Purchases: