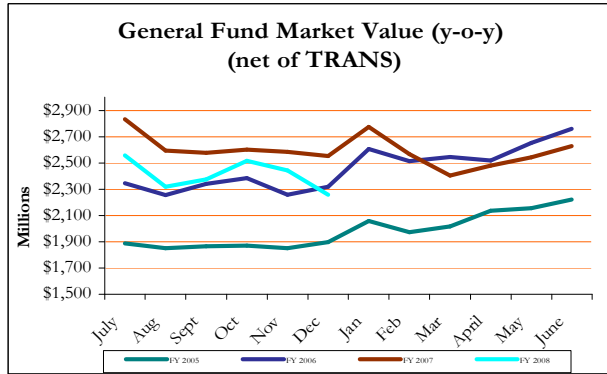


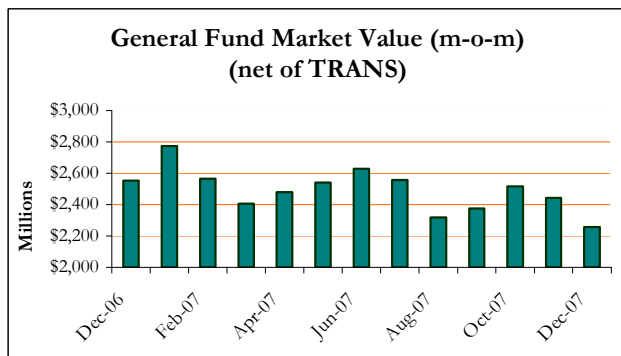
NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2007

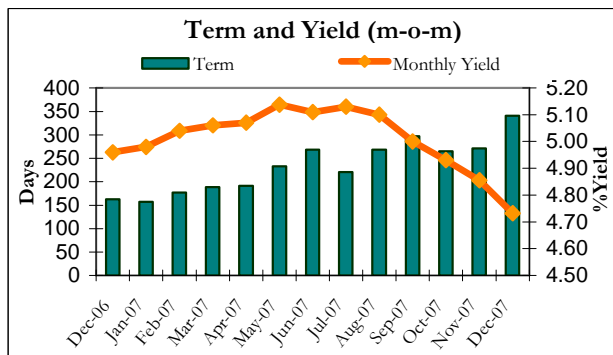
GENERAL FUND INVESTMENT PORTFOLIO



- The market value of the General Fund Investment Portfolio, net of TRANS, on December 31, 2007 was \$2.25 billion compared to \$2.55 billion at the same point last year and \$2.31 billion at the same point two years ago.



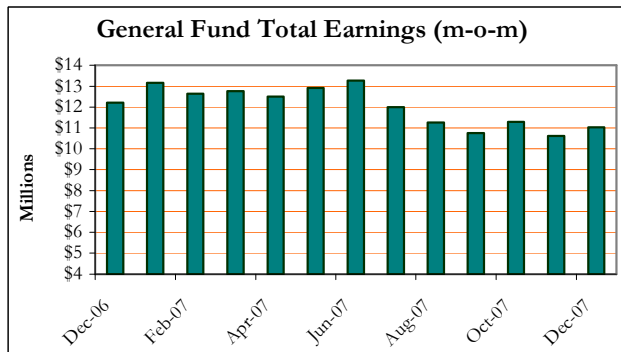
- During the month the market value of the portfolio decreased 7.6% to \$2.25 billion from \$2.44 billion on November 30.



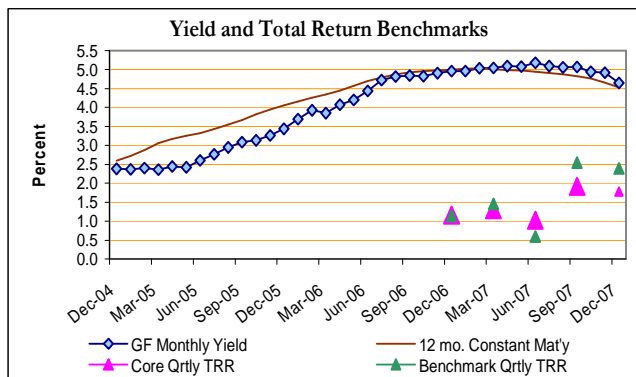
- Fund yield was 4.73% at month-end, down from 4.86% at November 30. The average term of the portfolio increased to 340 days from 271 days in November. CORE WAM was increased significantly with the purchase of four and five year Treasury securities totaling \$130 million

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Agencies	5.02%	\$1,692,428,467	55.52%	456
Repurchase Pool	4.45%	\$255,178,577	8.37%	1
Certificates of Deposit	4.22%	\$313,000,000	10.26%	183
Money Market Fund	5.02%	\$520,000,000	17.05%	1
US Treasury Bills & Notes	3.50%	\$135,699,150	4.46%	1505
Corporate Bonds	5.27%	\$132,012,624	4.34%	1196
Total:	4.73%	\$3,048,318,818	100.0%	340

- Month-end holdings included U.S. Agency bonds (55.5%), units of the overnight repurchase pool (8.3%), certificates of deposit (10.2%), money market funds (17%), US Treasury Bills and Notes (4.4%) and corporate bonds (4.43%).
- \$130 million in US Treasuries were purchased during December for the CORE portfolio. This trade increased the portfolio duration to better match its benchmark duration while profiting from the continued flight to quality market dynamic.



- December earnings were \$11.03 million, a 4% increase from November's earnings of \$10.60 million. Fiscal year-to-date earnings totaled \$66.94 million compared to \$71.36 million through the same period last fiscal year.



- On a yield basis, the General Fund remains above its yield-based benchmark with an earned yield of 4.65% and a purchase yield of 4.73% (this compares to a 4.53% 2yr CMA/CMT month-end yield). On a total return basis, the Core lagged its benchmark for December with an annualized total return of 5.54% versus the benchmark's 5.75%. Extending the CORE's duration has increased the portfolio's upside return potential and helped to lessen the gap in returns versus the benchmark during this period of continued declining interest rates.

NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2007

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 generally cash-matched to known liabilities.

For the core portfolio, extending duration by purchasing longer dated high quality assets took precedence and directed much of the trading activity, especially in December. The core portfolio had been substantially 'short' its benchmarks and thus substantially underperforming its benchmark on a total return basis during the last half of 2007's declining rate environment. The purchase of \$130 million in four and five year Treasuries has helped substantially to close the core/benchmark mismatches between both duration and returns.

Investment Strategy Plan For the Next Quarter

- **General Fund:** As the new year and quarter begin, core investments beyond 3yrs will continue, mainly by purchasing high quality assets such as Agency bullets and Treasuries. As the economic and corporate environment evolves, credit assets and spreads will likely cheapen/widen and core money will 'dollar' into corporate securities on a very selective basis if at all.

The liquidity portfolio will carry excess dollar reserves for the next quarter as a) it is anticipated that the CD program, which draws cash out of the liquidity pool, will grow to its limit of \$350mm and b) State agencies utilize new SHARE based ACH functions, which can cause unexpected draws on the liquidity pool's cash. Until a clearer picture of the nature of this dynamic emerges, the liquidity pool will remain largely in cash (i.e., overnight and money market funds).

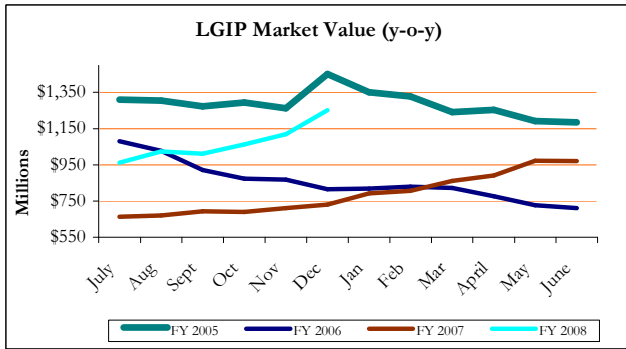
Asset Mix and Maturity Targets

- **General Fund:** Again, the core portfolio has been significantly under weight its maturity and duration targets since inception. This quarter we will finally 'put on' trades that close tracking errors or gaps relative to its benchmark. The end of December's trades have already taken WAM (effective duration) to 1.8 yrs (1.39) from 1.4 yrs (1.06) at the end of September. A more timely extension of duration and an even distribution of assets along the targeted ladder is enabled by the decision to purchase large quantities of high quality assets during a period that promises a continued flight to quality trade, and by waiting to purchase credit assets until the economic/corporate picture stabilizes somewhat.

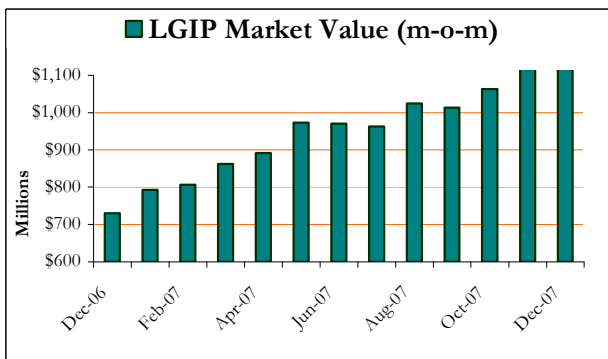
NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2007

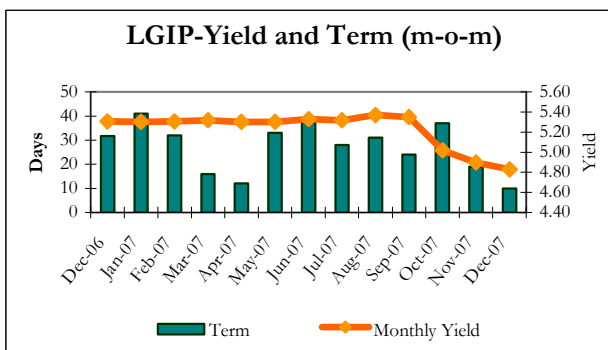
NEW MEXIGROW LOCAL GOVERNMENT INVESTMENT POOL (LGIP)



- The year-over-year market value of the LGIP portfolio as of December 31 was \$1.25 billion, compared to a market value of \$730 million at the same period last year and \$815 million at the same period two years ago.



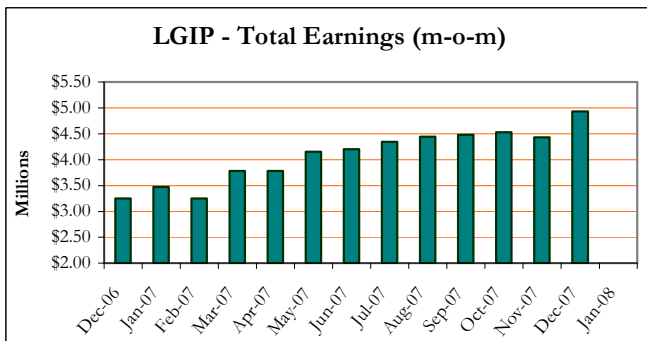
- During the month the market value of the portfolio increased 10%, from \$1.12 billion in November to \$1.25 billion. Participant contributions for December were \$165 million; withdrawals totaled \$36 million for the month.



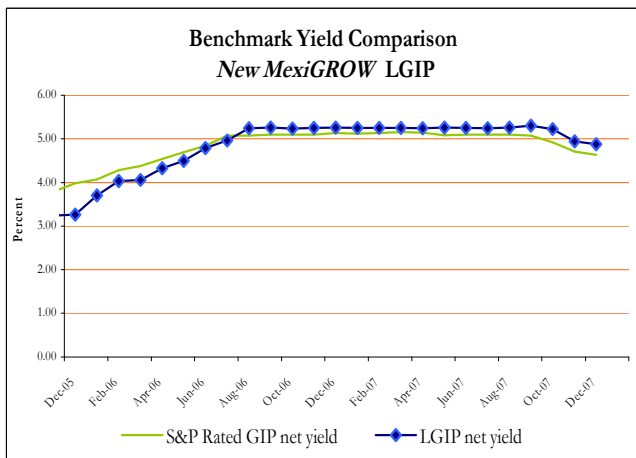
- The gross yield was 4.83% at December 31, a 1.24% decrease from November month-end of 4.89%. The weighted average maturity at December 31 was 10 days, down from the November 30 weighted average maturity of 19 days and within the S&P rating limit of 60 days.

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
Agencies	4.50%	\$143,431,000	11.45%	36.9
Commercial Paper	4.91%	\$119,441,281	9.53%	35.1
Money Market Funds	4.86%	\$989,210,000	78.97%	1.21
LGIP Bank Account	4.21%	\$579,450	.05%	2
Total:	4.83%	\$1,252,661,731	100.0%	10

- The month-end portfolio holdings were 11.45% in U.S. government agency securities, 9.53% in A-1+ commercial paper, 78.97% in AAA money market funds, and .05% in the bank account balance.
- There were no purchases during the month of December.



- LGIP earnings for December totaled \$4.93 million, a 9.9% increase from November earnings of \$4.44 million. Fiscal year-to-date earnings totaled \$27 million compared to \$18 million through the same period last fiscal year.



- The 30-day net yield of the LGIP as of December 7 was 4.87%, outperforming the 30-day net S&P Rated Government Investment Pool (GIP) index (4.63%) by 24 basis points. The 30-day gross yield of the LGIP at December 7, 4.92%, surpassed the 30-day gross S&P Rated GIP index of 4.86%. The administrative fee assessed to participants for December was 3.2 basis points; fees collected through December 31 totaled \$192,013.

NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2007

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. The weighted average maturity (WAM) was maintained at 50 days or less, averaging a 22 day WAM during the quarter. Money market funds have outperformed the overnight repo rate, therefore money market funds were utilized for investment and, as a result, the LGIP WAM decreased. In mid-October STO analyzed and compiled an approved DOCP list for LGIP investment. The list is systematically reviewed and submitted to a due diligence process in order to provide the highest possible safety level for LGIP investment. Maturity dates of purchased securities were laddered by week to provide constant cash inflows; however, the money market funds continued to be the primary instrument used for liquidity needs due to their competitive short-term rates. As a result of headlines regarding the Florida LGIP program, STO received numerous inquiries during the quarter concerning credit risk within the NM LGIP. Two published articles (Albuquerque Journal and Business Week) emphasized that the *New MexiGROW* LGIP does not invest in sub-prime investments. An announcement was also sent to all LGIP participants providing information of the types of investments held in the *New MexiGROW* LGIP and indicating that *New MexiGROW* LGIP does not invest in any type of sub-prime investment or any type of mortgage security.

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 agency discount notes will be utilized for shorter-term investments, callable agency securities will be utilized to enhance yields and extend WAM, and AAA rated money market funds will continue to be used for liquidity cash flows. An overnight repurchase program has been established with Columbia Management, however the LGIP will continue to utilize money market funds due to the higher returns. More active investment in fixed income securities is planned for the next quarter in order to redirect liquidity from the money market funds. On-going investment training of the LGIP Portfolio Manager will continue into the second quarter. STO has contracted with PFM for investment advisory services and the LGIP will be utilizing their services for direction during this turbulent market.

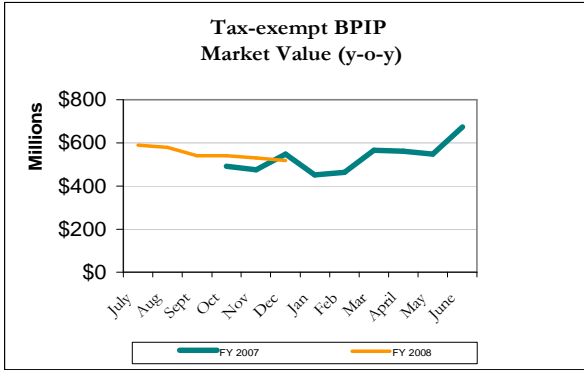
Asset Mix and Maturity Targets

- **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. Commercial paper and agency discount notes will be utilized for shorter-term maturities, agency callable securities for longer-term maturities, and money markets for liquidity needs.

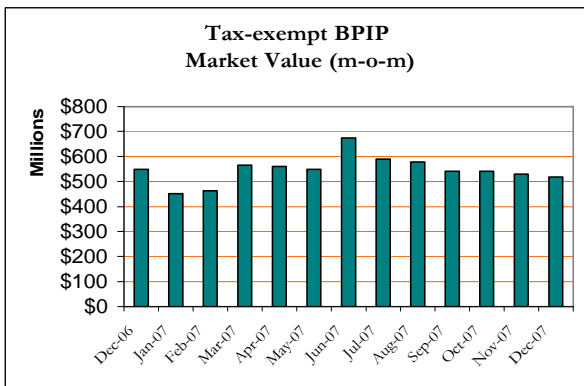
NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2007

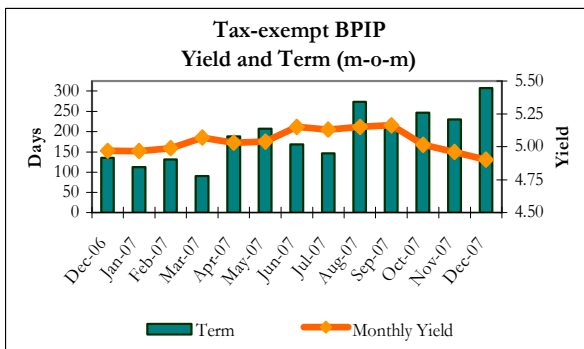
TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL (BPIP)



- The market value of the Tax-exempt BPIP as of December 31, 2007, was \$518.4 million. This compares to a market value of \$547.6 million one year ago.



- During December, the market value of the fund decreased 2.1%, to \$518.4 million from \$529.8 million at November month end. The approximate \$11 million decrease was the net result of property tax revenues, interest earnings, project expenditure draws, project 'reversions'.

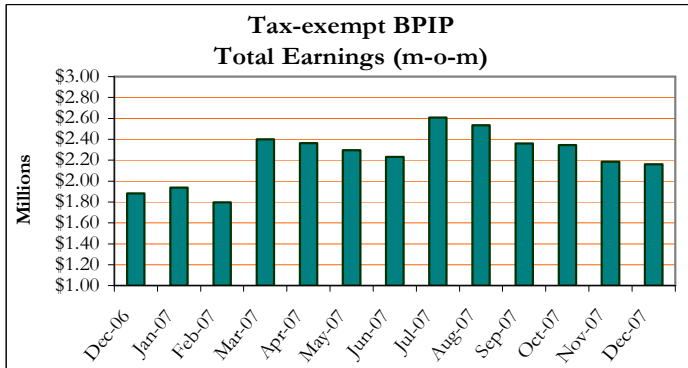


- The Tax-exempt BPIP month-end yield and term were 4.90% and 307 days. The month-end yield was 54 basis points above the selected benchmark yield, 4.36%, which is the highest arbitrage yield limit of any bond issue in the fund.

TAX-EXEMPT BOND PROCEEDS INVESTMENT POOL

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
U.S. Agencies	4.90%	\$ 247,965,770	47.83%	510
Money Market Fund	5.02%	\$ 130,000,000	25.07%	1
U.S. Treasuries	4.93%	\$ 91,102,005	17.58%	177
Corporate Bonds	4.55%	\$ 29,667,000	5.73%	560
Overnight Repo Pool	4.45%	\$ 19,676,413	3.79%	1
Total:	4.90 %	\$ 518,411,188	100%	307

- Month-end portfolio holdings included U.S. Agency Bonds (47.8%); shares in AAA rated institutional money market funds (25.0%); U.S. Treasury Bills and Notes (17.5%); U.S. Corporate Bonds (5.7%); and units in the overnight repurchase pool (3.7%).
- \$38.9 million in US Agency callables were purchased during December. Generally the securities were characterized by deep 'in the money' coupons, trading to their call dates in late 2008 to early 2009 yielding a substantial 'pick' to similar maturity discos or bullets.

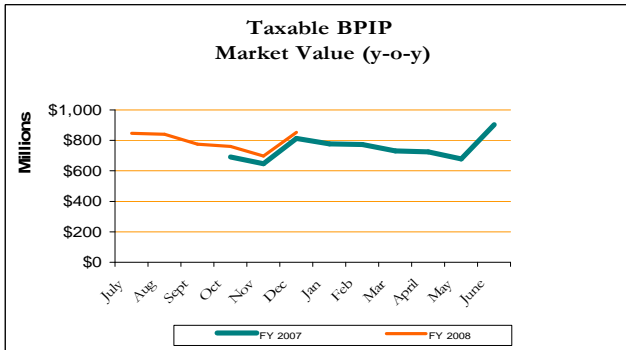


- Interest earnings for the month totaled \$2.16 million, down from November earnings of \$2.18 million. Fiscal year to date earnings totaled \$14.19 million.

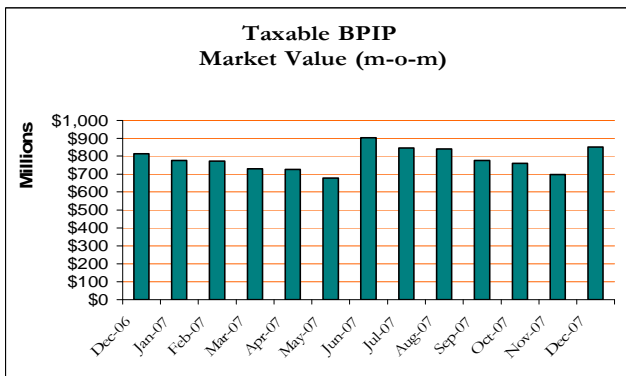
NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2007

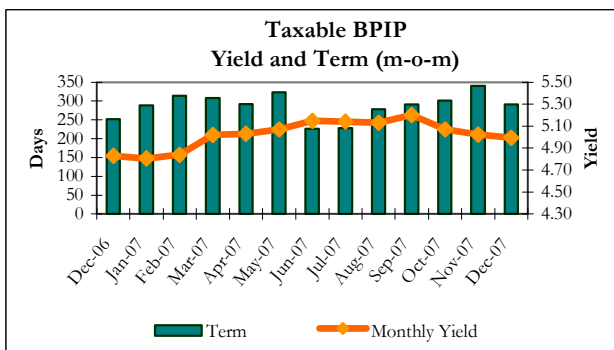
TAXABLE BOND PROCEEDS INVESTMENT POOL (BPIP)



- The market value of the Taxable BPIP as of December 31, 2007, was \$851.4 million. This compares to a market value of \$813.02 million one year ago.



- During December, the market value of the fund increased 21%, to \$851.4 million from \$698.27 million at November 30. The approximate \$153 million increase was the net result of monthly project expenditure draws; project 'reversion', and new issue proceeds that totaled \$153.7 million.



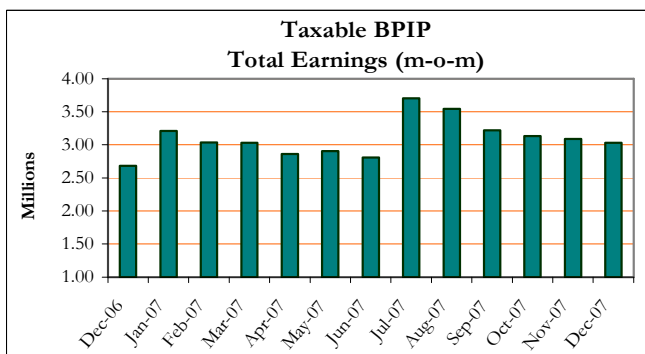
- The Taxable BPIP month-end yield and term were 4.99 % and 291 days.
- The month-end yield was 127 basis points above the 2-year CMA 12 m.a. index (3.72%); and 135 basis points above the Merrill Lynch 10%, 0-3 year Treasury/90%, 1-3 year Agency custom index (3.64%).

TAXABLE BOND PROCEEDS INVESTMENT POOL

Asset Type	Yield	Market Value	% of Portfolio	Term (days)
US Agency Notes/Bonds	5.04%	\$ 464,663,966	54.57%	344
Money Market Fund	5.02%	\$ 290,600,000	34.13%	1
Corporate Bonds	5.09%	\$ 69,219,400	8.13%	3.1 yrs
US Treasury Notes	4.79%	\$ 15,198,400	1.78%	360
Asset Backed Securities	4.69%	\$ 10,084,512	1.19%	2.6 yrs
Overnight Repo Pool	4.55%	\$ 1,642,014	.20%	1
Total:	5.02%	\$ 698,277,198	100%	340

- Month-end portfolio holdings included U.S. Agency Notes and Bonds (54.5%); AAA rated institutional money market fund shares (34.1%); Corporate Bonds (8.1%); U.S. Treasury Bills and Notes (1.7%); Asset Backed Securities (1.1%); and units of the overnight repurchase pool (.2%);

- Investment activity during December included the purchase of one \$5mm Agency bullet and \$21 million in Agency callables. As with the tax-exempt trades, these callables are generally characterized by deep 'in the money' coupons, trading to call dates in late 2008 and early 2009 yielding substantial 'picks' to similar maturity discos and bullets.



- Interest earnings for the month totaled \$3.03 million, down from November earnings of \$3.09 million. Fiscal year to date earnings total \$19.66 million.

NEW MEXICO STATE TREASURER'S EXECUTIVE SUMMARY OF INVESTMENT ACTIVITY

As of December 31, 2007

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, determine the maturity schedule (i.e., ladder) as well as the target weighted average maturity (WAM) of the portfolio. By the end of the quarter both pools met or exceeded their WAM targets as aggressive investment of July's new issue proceeds totaling \$369 million took place through the last half of the year. The overarching investment consideration during the last quarter was to lock in rates on short, high quality government securities as a) investors flocked to quality during this time and b) the FOMC implemented a series of rate cuts with the promise of more to come.

Investment Strategy Plan For the Next Quarter

- **BPIP:** The end of December brought \$154 million of new issue proceeds into the Taxable BPIP. The previous months' worth of aggressive extension paid off, in that the cash infusion from proceeds has only shortened WAM to 291 days from 340 days and lessened purchase yield to 4.99% from 5.02% at the end of November. The investment strategy for the next quarter is to abide by the disciplined approach outlined in the BPIP's investment plan, which is to take new issue proceeds and invest along the entire 0 – 3 year curve in proportions or amounts matching new projected liabilities or cash outflows for projects. In this way, on a six month cycle, investment is along the whole curve so that turnover of the portfolio occurs within every market environment and will lessen the inherent risk of market timing.

Asset Mix and Maturity Targets

- **BPIP:** The Taxable BPIP targets will be recalibrated to reflect the new bond issue's projected liabilities. In early January this process will be complete and trades will be 'put on' to affect an increase in WAM and a precise asset-liability match with a bullish focus on Treasuries. The Tax-exempt BPIP will be paying out a large debt service liability in March. The pool has received a proportional cash infusion from the severance tax bonding fund to pay for this as well as the July and Sept. debt service liabilities. Aside from matching this money to the next debt service payment, assets are invested or matched to their farthest liability with yields are well above arbitrage limits. As a result, future work on this portfolio will include estimating and reserving amounts for arbitrage rebate liabilities expected to come due over the next few years. If there's anything nobody likes, it's unexpected payments to the IRS!