James B. Lewis
State Treasurer

STATE OF NEW MEXICO
OFFICE OF THE TREASURER
2055 South Pacheco St. Bldg. 100
Santa Fe, New Mexico 87505

Phone: (505) 955-1120
FAX (505) 955-1195

Mark F. Valdes
Deputy State Treasurer

STATE TREASURER'S INVESTMENT COMMITTEE

Treasurer's Conference Room

Wednesday, February 08, 2012, 9:00 a.m.

MEETING AGENDA (5 Min)

Roll Call
Introduction of Guests and Presenters

1.	Approval of February 08, 2012 Agenda	Action
2.	Approval of January 11, 2012 Minutes	Action

INVESTMENT REPORTS (40 min)		**Month Ended December 31, 2011**
3.	Executive Summary	Informational
4.	Investment Policy Compliance Report	Informational
5.	Quarterly Investment Review	Informational
6.	Portfolio Summary – General Fund and Cash Projection	Informational
7.	Portfolio Summary -- Local Government Investment Pool (LGIP)	Informational
8.	Portfolio Summary -- Tax-Exempt Bond Proceeds Investment Pool	Informational
9.	Portfolio Summary -- Taxable Bond Proceeds Investment Pool	Informational
10.	Portfolio Summary -- Severance Tax Bonding Fund	Informational
11.	Summary of Broker Participation	Informational
12.	Quarterly Financial Advisory Report - Davidson Fixed Income Management	Informational

CASH MANAGEMENT & COLLATERAL REPORTS (10 Min)		**Month Ended December 31, 2011**
13.	State Agency Deposit Balances	Informational
14.	Collateral Report on Agency Deposits & CD	Informational

COMMITTEE REPORTS

OTHER (5 min)

15. Broker/Dealer Application & Process Update
16. Question Period
17. Next Meeting –Wednesday, March 14, 2012, 9:00 am
18. Adjournment

New Mexico State Treasurer's Office

STIC Committee Meeting

Meeting Minutes

Wednesday, January 11, 2012

I. Call to order

Chairman, Spencer Wright called to order the meeting of the **STIC Committee** at **9:00 am** on **January 11, 2012** in **NMSTO Conference Room**.

II. Roll call

The following Committee Members were present:
Deputy Treasurer Mark Valdez, Representing Treasurer James B. Lewis
Spencer Wright, Chairman
Paul Boushelle, Public Member
Paul Cassidy, Public Member
Stephanie Schardin Clarke, Board of Finance Member (Left meeting at 10:00 am)

Presenters

Vikki Hanges, STO Portfolio Manager (PM)
Arsenio Garduno, STO Collateral Manager
Sam Collins, STO State Cash Manager

Other Attendees

Linda Roseborough, STO Chief Investment Officer
Kirene Bargas Guardado, STO
Virginia Murray, STO
Yasmin Dennig, STO General Counsel

III. Approval of Agenda

Chairman Spencer Wright asked for a motion for approval of the agenda. The agenda was moved by Stephanie Schardin Clarke, seconded by Paul Cassidy and unanimously adopted.

No questions, comments, or discussion.

IV. Approval of Minutes

Chairman Spencer Wright asked for a motion to approve the meeting minutes.

The minutes were moved by Paul Boushelle and seconded by Paul Cassidy with a minor change to Stephanie Schardin Clarke position as Board of Finance Member.

No questions, comments, or discussion.

V. Approval of Work Plan, Spencer Wright

Chairman Spencer Wright provided a brief summary of the information presented. He noted that the work plan outlines a breakdown of deliverables during future STIC meeting agendas.

Chairman Spencer Wright asked for a motion to approve the work plan

The work plan was moved for approval by Stephanie Schardin Clarke subject to moving the review of any plan changes to legislation concerning investments from the October STIC meeting to the March STIC meeting. The action item was seconded by Paul Cassidy and unanimously adopted.

No questions, comments, or discussion.

VI. Executive Portfolio Summaries, Vikki Hanges

The STIC binder contents were presented within the Executive Summary portion of the presentation. Below is a summary of discussion.

There was discussion between Paul Boushelle and Vikki Hanges of the bank account collateral being set at 100%.Member Boushelle followed up asking with the planned restrictions under Dodd-Frank being implemented at the end of 2012, whether there had been discussion on what the banks plan on doing once the required 100% collateralization policy regarding public deposits is implemented.

Portfolio Manager Hanges noted that the banks are aware of the planned future restriction and that currently, due to S&P requirements on the LGIP positions, all banks currently are holding a minimum of 100% collateral using government securities.

A brief discussion was held about the relative merit of lines of credit versus full collateralization. The other NM STO portfolios are permitted to use bank accounts collateralized by lines of credit. Member Cassidy noted that adding lines of credit adds on new counter party risks.

Member Cassidy asked for clarification regarding the STO policy regarding commercial bank lines of credit. Portfolio Manager Hanges noted that we do not use commercial bank line of credit we use government agency lines of credit only.

Member Boushelle commented about the issues concerning bank exposure to commercial real estate. He noted that several large commercial real estate projects in New Mexico are struggling to deal with potential refinancing despite having positive cash flow. He noted the frustrations that banks are currently experiencing with regulators and the treatment of current loans that may not meet the financial requirements of the bank regulators. It was further noted that there are no financing tools available to support the commercial real estate market at this time and that there may be additional pressures on bank balance sheets dealing with this issue, especially as the regulators are pushing to reduce overall bank balance sheets..

Chairman Wright noted that performance numbers are not available for the next several months of reports due to the fact that NMSTO is working with JP Morgan to address the effects of the Reserve Primary Fund writedown during FY11.

No further questions, comments, or discussion.

VII. General Fund Investments, Vikki Hanges

The STIC binder General Fund contents were presented within the Executive Summary portion of the presentation.

VIII. LGIP, Vikki Hanges

The STIC binder LGIP contents were presented within the Executive Summary portion of the presentation.

IX. Tax-Exempt BPIP, Vikki Hanges

The STIC binder Tax-Exempt BPIP contents were presented within the Executive Summary portion of the presentation.

X. Taxable BPIP, Vikki Hanges

The STIC binder Taxable BPIP contents were presented within the Executive Summary portion of the presentation.

STBF, Vikki Hanges

The STIC binder STBF contents were presented within the Executive Summary portion of the presentation.

XI. Investment Accounting Reports, Vikki Hanges

The STIC binder Investment Accounting Report contents were presented within the Executive Summary portion of the presentation.

XII. Investment Policy Compliance Report, Vikki Hanges

The STIC binder Investment Policy Compliance Report contents were presented within the Executive Summary portion of the presentation.

XIII. Summary of Broker Participation, Vikki Hanges

The STIC binder Broker Participation contents were presented within the Executive Summary portion of the presentation.

XIV. Economic and Investment Outlook, Vikki Hanges

The STIC binder Economic and Investment Outlook contents were presented within the Executive Summary portion of the presentation.

XV. State Agency Deposit Balances, Sam Collins

The STIC binder state agency deposit balances contents were presented in its entirety.

Cash Manager Collins noted a status of the General Fund historical data included within the presentation. Chairman Wright noted that the blue portion of the chart displays the CORE portion of theGeneral Fund, the green portion is the Liquidity portion, and the red displays the amount on deposit with the fiscal agent bank. The cash management area and collateral have worked closely to attain a better projection of the amounts needed for cash flow needs.

Despite a dramatic increase in the CORE percentage in the portfolio, STO has been able to selectively add investments without dramatically reducing the overall yield of the portfolio.

Member Schardin Clarke asked for clarification on the Bank of America accounts reflected on the chart, as the Fiscal Agent Bank agreement ended before June 30, 2011 and there appears to be activity after that date.

Cash Manager Collins noted that there are still sub-accounts of the previous fiscal agent accounts which receive frequent direct deposit activity. There has been an order from NM STO to use the current custody bank, there seems to be a few who have not followed such order. Member Schardin Clarke reiterated that after a particular date we no longer have a contract with the bank therefore, we need to be careful of using the accounts as there are no contracts in place. .

Member Cassidy whether there was a policy on the state balances at the fiscal agent bank and further whether there had been discussions with therating agencies regarding bank balances. Member Schardin Clarke noted that there is a bucket structure involving general fund reserves. It is a policy decision and not a statutory requirement with regard to the targeted account balance. .

Chairman Wright asked if there were questions or comments.

XVI. Collateral Report, Arsenio Garduno

The STIC binder collateral report contents were presented in its entirety.

In response to a question regarding the aforementioned Dodd-Frank requirements, Collateral Manager Garduno addressed Member Boushelle that any policy changes to collateral must be submitted through the Board of Finance. Member Boushelle noted that when the collateral policy changes nationwide, that NMSTO should continue quarterly assessments. Collateral Manager Garduno added that when the Dodd-Frank restrictions are adopted, they will be in excess of the current collateral policy.

Collateral Manager Garduno asked if there were questions or comments.

No questions, comments, or discussion.

XVII. Audit Information, (Presented after Reserve Primary Fund) Spencer Wright

The STIC binder audit information contents were presented in its entirety.
Spencer Wright asked if there were questions or comments.
No questions, comments, or discussion.

XVIII. Reserve Primary Fund, (Presented before Audit Information) Spencer Wright

The STIC binder Reserve Primary Fund contents were presented in its entirety.
Spencer Wright asked if there were questions or comments.
No questions, comments, or discussion.

XIX. Question Period, Spencer Wright

Chair Spencer Wright asked if there were questions or comments.

No further questions, comments, or discussion.

XX. Next Meeting- Wednesday, March February 08, 2012 @ 9:00 a.m. at STO.

Chair Spencer Wright noted the date and time of meeting.

No further questions, comments, or discussion.

XXI. Adjournment

Chairman Spencer Wright adjourned the meeting at 10:45 am.

The adjournment was moved by Paul Cassidy and seconded by Paul Boushelle.

Minutes were taken by Kirene Bargas Guardado, on January 11, 2012.

Minutes approved by: Linda Roseborough on January 30, 2012.

State of New Mexico
Office of the State Treasurer

James B. Lewis, Treasurer

December 2011

State Treasurer's Investment Council
Monthly Investment Report

February 8, 2012

Executive Summary

- December saw relative calm compared with the volatility we have seen earlier this year.
- In the domestic fixed-income markets, US Treasury yields moved lower in December.
- The five year US Treasury closed the month at 0.83% after opening close to 1.00%.
- For the calendar year, the five year US Treasury declined 117 basis points from 2.00%, a decrease of over 50%.
- During the month of December, domestic equity markets were relatively stable, with the S&P 500 Index up less than 1%.
- Despite the volatility of the year, the S&P 500 Index ended virtually unchanged from the beginning of 2011.
- The European debt crisis has subsided somewhat as the European Central Bank and the Federal Reserve have provided liquidity to banks unable to fund themselves.
- Short-term LIBOR rates have started to slowly retreat as a result of the increased funding commitments.
- Domestic economic indicators continued to show promise for recovery as December nonfarm payroll employment came in better than expected.
- The unemployment rate dropped to 8.5% from 8.6% in November.
- With regard to monetary policy, the Federal Reserve is still keeping interest rates low.
- The Fed recently publically stated its intent to keep domestic short-term rates extremely low until 2014.
- Unfortunately, this will continue to keep pressure on General Fund and Bond Proceeds earnings due to this extended period of low rates.
- The State Treasurer's Office will continue to explore alternative investments in order to enhance yield, but we are constrained by our priorities of Safety, Liquidity and Yield, in that order.

Mark to Market

As detailed more fully on the next page, the portfolios all reported gains on a mark-to-market basis. Lower rates and a steep yield curve have contributed to these levels.

For each of the portfolios:

Fund	*Unrealized Gains*[1]
General Funds	$7.1 million.
Bond Proceeds Funds	$4.9 million.
Local Government Investment Pool	Not Meaningful
Severance Tax Bonding Fund	Not Meaningful

Portfolio Yields

As of the end of December, the portfolios had the following purchase yields:

Fund	*Portfolio Yield*[2]
General Fund Liquidity	*0.10%*
General Fund CORE	*1.25%*
Bond Proceeds - Tax Exempt	*0.96%*
Bond Proceeds – Taxable	*0.97%*
Local Government Investment Pool	*0.26%*
Severance Tax Bonding Fund	*0.21%*

As more fully detailed in this report, the portfolios have been able to maintain their purchase yields despite the overall low rates that we have seen in the domestic fixed income markets.

---

[1] Calculated Unrealized Gains represent the market "value" of the portfolios as compared to their accounting book value. As such, they approximate the values if they were to be liquidated on the day that the calculation was performed. Market conditions change on a daily basis and the resulting calculations will also change with market movements. STO mark-to-market is performed using an outside pricing service that updates pricing on a weekly basis and may vary considerably from market conditions at the projected date.

[2] Portfolio yields are calculated at a moment in time, specifically at month end. Each of these funds has considerable inflows and outflows during the month. As such, purchase yields during the month will vary with money flows and short-term investment rates.

Investment Earnings

Investment Earnings for each of the funds for the month of December is summarized below.

For each of the portfolios:

Fund	*Monthly Earnings*[3]
General Funds	$981,642
Bond Proceeds Funds	856,890
LGIP	209,987
Severance Tax Bonding Fund	38,306

Compensating Balances at Fiscal Agent Bank

During December, STO maintained Average Daily Collected Balances at the Fiscal Agent Bank of approximately $158 million. This balance earned a "soft-dollar" credit against processing fees assessed by the bank.

Fiscal Agent Bank Summary:

Average Collected Balance	$157,977,095
Earnings Credit Rate	0.50%
Estimated Monthly Earnings	$67,075
Estimated Fiscal Year Earnings	$280,683

[3] Each fund is managed using different objectives, as more fully detailed in this report. As such, returns and earnings on the funds will vary on a month to month basis.

New Mexico State Treasurer

Monthly Fund Summary Report

(Unaudited)

As of December 31, 2011

General Fund

Account	***Holdings*** *Cost Basis*	*Market Value*	*Unrealized Gain/Loss*	***Earnings*** *Monthly Earnings*	*YTD Earnings*
Liquidity	$ 551,475,530	$ 551,442,887	$ (32,643)	$ 55,424	$ 364,463
CORE	921,167,254	928,349,393	7,182,139	926,218	6,458,289
TRAN	-	-	-	-	-
Totals	$ 1,472,642,784	$ 1,479,792,280	$ 7,149,496	$ 981,642	$ 6,822,752

Bond Proceeds Investment Pool (BPIP)

Account	*Cost Basis*	*Market Value*	*Unrealized Gain/Loss*	*Monthly Earnings*	*YTD Earnings*
Tax-Exempt	$ 477,837,706	$ 479,586,856	$ 1,749,150	$ 352,036	$ 2,365,842
Taxable	628,671,422	631,829,432	3,158,010	504,854	3,720,141
Totals	$ 1,106,509,128	$ 1,111,416,288	$ 4,907,160	$ 856,890	$ 6,085,983

Local Government Investment Pool (New MexiGrow LGIP)

	Cost Basis	*Market Value*	*Unrealized Gain/Loss*	*Monthly Earnings*	*YTD Earnings*
LGIP	$ 881,166,136	$ 881,205,992	$ 39,856	$ 209,987	$ 1,172,558

Severance Tax Bonding Fund

	Cost Basis	*Market Value*	*Unrealized Gain/Loss*	*Monthly Earnings*	*YTD Earnings*
STBF	$ 132,235,946	$ 132,235,946	$ -	$ 38,306	$ 131,157

Notes:

(1) These figures are generated using a combination of accrued earnings and unrealized gains. They are unaudited and may be subject to revision.

(2) Account balances fluctuate during the month. Yield is calcuated on combined balances and also includes fund flows during the month.

(3) Source: STO Records, QED Financial Systems, JPMorgan Custody Reporting

Investment Policy Compliance Review

Primary and Secondary Bond Purchases and Sales

During the month of December, the following were the ratio of primary and secondary bond purchases in the portfolios:

Primary Bond Volume	$348,763,000	74%
Secondary Bond Volume	121,475,000	26%
Total	$470,238,000	100%

The primary market purchases were mainly in Commercial Paper and Callable Agency Securities.

Commissions Paid

As counterparty, the state transacts in purchase or sale sizes sufficient to achieve competitive results in the bidding or offering process. Implied in the market-clearing prices that we are offered is some form of dealer markup.

With regard to specific transactions, we process the bulk of our trades using an electronic trading platform. As such, we understand, and document, the market at the time of transaction. These trade terms are held as a part of our trade documentation as approved by STIC.

Variable Rate and Structured Note Holdings

As of month end, total holdings of Variable Rate Notes were $261,700,000.

General Fund Liquidity	$ 20,000,000
BPIP Taxable	15,000,000
BPIP Tax-Exempt	55,000,000
LGIP	177,700,000
Total Holdings	$267,700,000

The Variable Rate positions are in TLGP paper, which is backed by the FDIC, and US Government Agency securities.

We did not hold any structured notes.

Transaction Variances and Inter-Portfolio Transactions

During December, there were no transaction variances which posed compliance issues.

All trade information was entered correctly in our internal systems and in the systems used by our custody bank.

All transactions for the month settled successfully. There were no price discrepancies.

There were no interfund transactions during the month of December.

Quarterly Investment Review

Investment Strategy Employed During the Past Quarter

The fourth quarter of 2011 was marked by relative calm compared to the previous quarters of disarray.

Domestic rates remained low and the economy struggled to regain strength in difficult economic times. Companies continue to enjoy record profits and the stock market has rallied with the financial results.

Despite the good news out of Wall Street, Main Street continues to suffer -- unemployment remains relatively high, home prices remain depressed and a general malaise seems to grip the country.

The Federal Reserve remains accommodative, with a well communicated stance towards low rates now through the end of 2014 – for at least 2 ½ more years.

With regard to monetary policy, we have seen several significant items out of the Federal Reserve.

First, the unprecedented amount of liquidity which has flooded the system. That has driven rates lower and basically liquidity costs are close to zero. We have now seen the Fed join with European Central Banks to ensure that dollar-denominated liquidity is available to them in the event of a credit squeeze.

Second, the unusual frankness with which the Fed has communicated its intentions toward the markets. We saw the first communication regarding the Fed's intent to keep rates low for the foreseeable future (generally expected to be through 2013). The Fed generally does not signal its intentions and this newfound open communication has done a lot to calm the markets.

We also saw the first press briefing on monetary policy, another significant step toward signaling its intentions. In January, the Fed released its projections on market rates, another significant amount of openness regarding monetary policy.

The Fed has also communicated that the targeted end date of its "significant easing" stance is now 2014.

Third, the Fed has embarked on two rounds of Quantitative Easing and is openly discussing the intent to move into a third round of easing.

Fourth, the Fed has allowed for the movement of significant amounts of securities onto its balance sheet, now moving through "Operation Twist" and the Fed has recently notified the market that it will selectively purchase mortgage securities, providing another outlet for those issues which could help the housing market.

Unfortunately, the issues in the domestic fixed-income securities market and the other issues in the global economy have all led to lower interest rates. As short-duration fixed income investors, we are squarely in the sights of each of these moves and STO earnings have dropped as a result.

What options do we have?

We are constrained by the constraints of *Safety, Liquidity* and *Yield*, **in that order**. So, we at STO need to refine our strategy to closer match these stated goals.

Here are the procedural areas where we are trying to enhance returns:

Maximize Investment Balances

In connection with LFC and Cash Management, we have significantly refined our cash projection abilities over the past year. We have a projection model that is now fairly robust at predicting cash balances. We have recently rolled that model out toward a 6 month horizon and have the goal of predicting at least 12 months with some accuracy and we will continue to refine and enhance the model over time.

Along with having a good model, we also need to "put it to the acid test", and use it to book slightly longer investment maturities with better timing toward anticipated draws. The outcome of the modeling has enabled us to reduce cash balances and invest the portfolio with a slightly longer duration.

We have also been able to significantly change the percentage of assets which are in the liquidity portfolio and move them to the CORE portfolio of the General Fund.

In the BPIPs, we began to look at the way that the funds flow over time and realized that both BPIP funds receive capital funding on a fairly regular basis through the issuance of bonds and notes.

This longer-term view allows us to understand that the liquidity needs of the fund are not based upon a single issuance, rather a series of future issuances.

That understanding has allowed us to structure the portfolios so that the investments in the portfolio can be laddered along the curve, and invested on a slightly longer basis, with future issuances being able to be matched against future liquidity needs.

We have also moved aggressively to address accounting "slippage" in several areas:

- General Fund Negative Balances – We have moved to work with agencies to ensure that the cash positions of the agencies is not negative and that they are drawing down reimbursement balances from the Federal Government on a timely basis. This ensures that the General Fund is not in a position of "lending" (unintentionally) balances to agencies, decreasing the potential for interest earnings.
- BPIP Balances – We have moved to identify discrepancies between capital funds in the SHARE system and BPIP balances. When those accounts are "out of balance", that results in another unintentional loan by the General Fund and likewise decreases general fund earnings. In 2011, we identified approximately $50MM of balances that needed to be adjusted and addressed that issue. We currently estimate that there is approximately $20MM that is yet to be released and we are working diligently to bring those accounts into line.
- Decrease Reliance on Overnight Investments.

Utilize Structural Enhancements in the Market

Most issuers of debt in the Agency market are financing liabilities against variable rate assets. In terms of their asset/liability matching, they routinely use interest rate swaps to hedge their longer-term fixed-rate exposure into variable rate liabilities.

The great majority of those swaps are based on LIBOR, the London Interbank Offered Rate, a European rate that has been affected by the situation overseas.

Frequently, as recent history has shown, the European markets and the US markets will move in different directions. This contrary movement can create opportunities for higher-than- average rates to be paid under swap-based structures as opposed to so-called "bullet" maturities.

As these situations have occurred, we have moved to take advantage of these dislocations in the market, picking up securities that would otherwise not be available to us.

Credit

We also are moving to develop a credit process in order to invest a portion of the portfolios in the corporate space. We have developed a framework towards monitoring and approving credit borrowers and will explore utilizing credit products in accordance with the Investment Policy.

As we refine our framework over the next few months, we will present to this committee our thoughts for your review.

We continue to take advantage of the relative dislocation of the New Mexico Municipal Bond marketplace, investing in local communities and school districts where they offer a yield pickup over alternative investments. It is important to note that we are not sacrificing return over alternative investments, despite the overwhelming support that comes from the "social good" of providing inexpensive financing to New Mexico communities that would otherwise have to pay higher rates.

The aggressive purchases of TLGP fixed and floating rate securities in 2008 and 2009 is also continuing to serve us well. The federal guarantee on those securities will expire at the end of 2012 and they have consistently provided above-average returns for our portfolios.

We have seen less reliance on our Certificate of Deposit program over the past quarter as regulators seem focused on decreasing the relative size of bank balance sheets. Several banks came to us at the end of the calendar year seeing to reduce their CD balances which we accommodated.

On a per-fund basis:

- *General Fund – Liquidity and CORE Accounts* – We have maintained a laddered portfolio of investments, with a bias toward longer duration securities. Credit quality in the funds remains high as we primarily hold federally backed TLGP securities and US Treasury and Agency securities. We have purchased municipal bonds where they make sense relative to alternative investments, with a bias toward supporting the New Mexico marketplace. Consistent with Treasurer Lewis's Certificate of Deposit Program with local banks and financial institutions, we hold bank CDs in the General fund as well as in Bond Proceeds accounts. Earnings on the General Fund investments are reinvested in the general fund.
- *Bond Proceeds Accounts* – Bond Proceeds accounts have been invested toward expected draws for capital spending as well as expectations of debt service payments to bondholders. Investment earnings on the Tax-Exempt Bond Proceeds Accounts are reinvested in those accounts and are spent on capital projects. Investment Earnings on the Taxable Bond Proceeds are deposited in the Severance Tax Bonding Fund.
- *LGIP* –Significant changes in the LGIP fund occurred with the revised S&P rating guidelines that became effective in November. The LGIP is also constrained by a Weighted Average Maturity restriction, a maximum maturity restriction. Earnings on the LGIP are paid out on a pro-rata basis to pool participants.
- *Severance Tax Bonding Fund* – The Severance Tax Bonding Fund is invested by the Treasurer's Office which is held separately from other fund balances. During the quarter, we moved to invest STBF balances in the Local Government Investment Pool. Earnings on the Severance Tax Bonding Fund are retained within the fund and used to pay debt service on outstanding Severance Tax Bonds or transferred on a semi-annual basis to the Severance Tax Permanent Fund at SIC.

Investment Strategy Planned for the Next Quarter

Given the publically stated stability articulated by the Federal Reserve, we will continue to pursue a laddered strategy for the portfolios, with a bias toward building the ladder using longer duration securities.

With regard to specific funds:

- *General Fund* – Liquidity and CORE Accounts – Continue to maintain a laddered portfolio with regard to CORE investments. Continue to evaluate and manage the amount necessary to be held in cash and cash-like investments. Continue to work with the Cash Management Division to refine expectations regarding spending to allow for the minimization of Liquidity Balances. Continue to purchase New Mexico municipal securities where appropriate. Continue to provide support for Bank CD investments. Continue to work with STO and DFA staff to manage and document capital spending from the BPIP balances to repay General Fund. Explore credit products where appropriate. Fully Invest CORE Balances.
- *Bond Proceeds Accounts* – Invest the Bond Proceeds accounts on a slightly longer duration basis, maintaining appropriate cash balances in the LGIP for future spending. Identify large withdrawals for capital spending and monitor planned issuance in order to invest bond proceeds on a slightly longer basis for a portion of the funds. Explore credit products for possible inclusion.
- *LGIP* –Diminish reliance on the demand deposit balances at local banks. Continue to identify opportunities to use floating rate notes in order to capitalize on fund dislocation. Continue to support opportunities to grow the LGIP.
- *Severance Tax Bonding Fund* – Continue to utilize the LGIP to invest STBF funds, ensuring that LGIP management and staff are aware of the significant swings that may occur in cash balances. Proactively invest if and where alternative investments may be appropriate, subject to semi-annual maturity restrictions and transfers.

Spencer Wright, Portfolio Manager
General Funds, STBF

Portfolio Summary – General Fund

Summary

- The General Fund (Liquidity and Core Portfolios) closed the month of December at $1.48 Billion.
- Average Collected Balance at our Fiscal Agent bank was $158 Million for the month.

Portfolio Mix

- 99% of the General Fund Core portfolio is invested in fixed income securities; 40% in Treasury securities; 47% in Agency Securities; 3% in TLGP Securities backed by the FDIC; 7% in New Mexico Municipal Bonds; 2% in Corporate Bonds, and the balance in Cash.
- 23% of the portfolio is invested in securities that mature in one year; 15% in securities that mature from 1-2 years; 41% in 2-4 years and 21% invested in securities that mature within 5 years.
- The General Fund held positions in 100 securities.
- The Weighted Average Life of the CORE portion of the general fund is 2.3 years. The Weighted Average duration is 2.0 years.
- The maximum security term for the CORE portfolio is 5 years.

Market Value and Investment Earnings

- Unrealized gains in the Core Portfolio were $7.2 million as of December 31st.
- Monthly Earnings on the General Fund Portfolios were $981,642.
- Year to date, the General Fund has earned $6.8 million.
- Earnings on the General Fund are used to offset General Fund Spending.

Investment Highlights

- Overnight repurchase agreement rates were extremely low especially toward the end of December as broker-dealers were light on available collateral.
- This repo rate phenomenon was a drag on overall portfolio yields listed above as the calculation only takes into account the rate obtained on the last day of the month, 0.03%.
- The General Fund Liquidity was able to roll over one maturing CD for a one year time frame at an attractive yield.
- Other shorter term investments for yield enhancement in the Liquidity Fund included a high coupon cushion callable FHLB that will most likely be called in September 2012 and a FNMA floating rate note that resets its coupon quarterly with 3-month Libor.
- The General Fund Core received a $50Mil. transfer from the Liquidity portfolio.
- The Core portfolio invested over $60Mil in various callable US Government Agency securities with emphasis on one and two year call lockouts.
- Final maturity emphasis was on 2015 to maintain laddered structure of portfolio in the event the securities are not called.
- Utilized FFCB as diversification away from FNMA and FHLMC without giving up yield.

Compensating Balances at Fiscal Agent Bank

During December, STO maintained Average Daily Collected Balances at the Fiscal Agent Bank of approximately $158 million. This balance earned a "soft-dollar" credit against processing fees assessed by the bank.

Average Collected Balance	$157,977,095
Earnings Credit Rate	0.50%
Estimated Monthly Earnings	$67,075
Estimated Year-to-Date Earnings	$280,683

Investment Strategy

- The General Fund Core portfolio purchase yield is relatively unchanged. The portfolio duration has remained relatively stable at 2.0 years vs. the benchmark at 1.9 years.
- We will strive to maintain overnight balances of approximately $130 million at our Fiscal Agent Bank.

- The Core Fund purchased NM municipal securities that settled in December for approximately $20mil. The total municipal exposure in the Fund is now $68mil.
- The General Fund Liquidity was able to roll over one maturing CD for a one year time frame at an attractive yield.
- Other shorter term investments for yield enhancement in the Liquidity Fund included a high coupon cushion callable FHLB that will most likely be called in September 2012 and a FNMA floating rate note that resets its coupon quarterly with 3-month Libor.
- The General Fund Core received a $50mil. transfer from the Liquidity portfolio. We will continue to move cash from the Liquidity portfolio to the Core when we feel we have sufficient balances to cover estimated cash flows.
- The Core portfolio invested over $60Mil in various callable US Government Agency securities with emphasis on one and two year call lockouts.
- Final maturity emphasis was on 2015 to maintain laddered structure of portfolio in the event the securities are not called.
- Utilized FFCB as diversification away from FNMA and FHLMC without giving up yield.

STATE OF NEW MEXICO

GENERAL FUND (1000)

Portfolio Classification Summary

Positions Held as of 12/31/11

TXN BASIS: TRADE
MKT-SOURCE: IDC-PREFERED+
AMTZ ADDED: NO

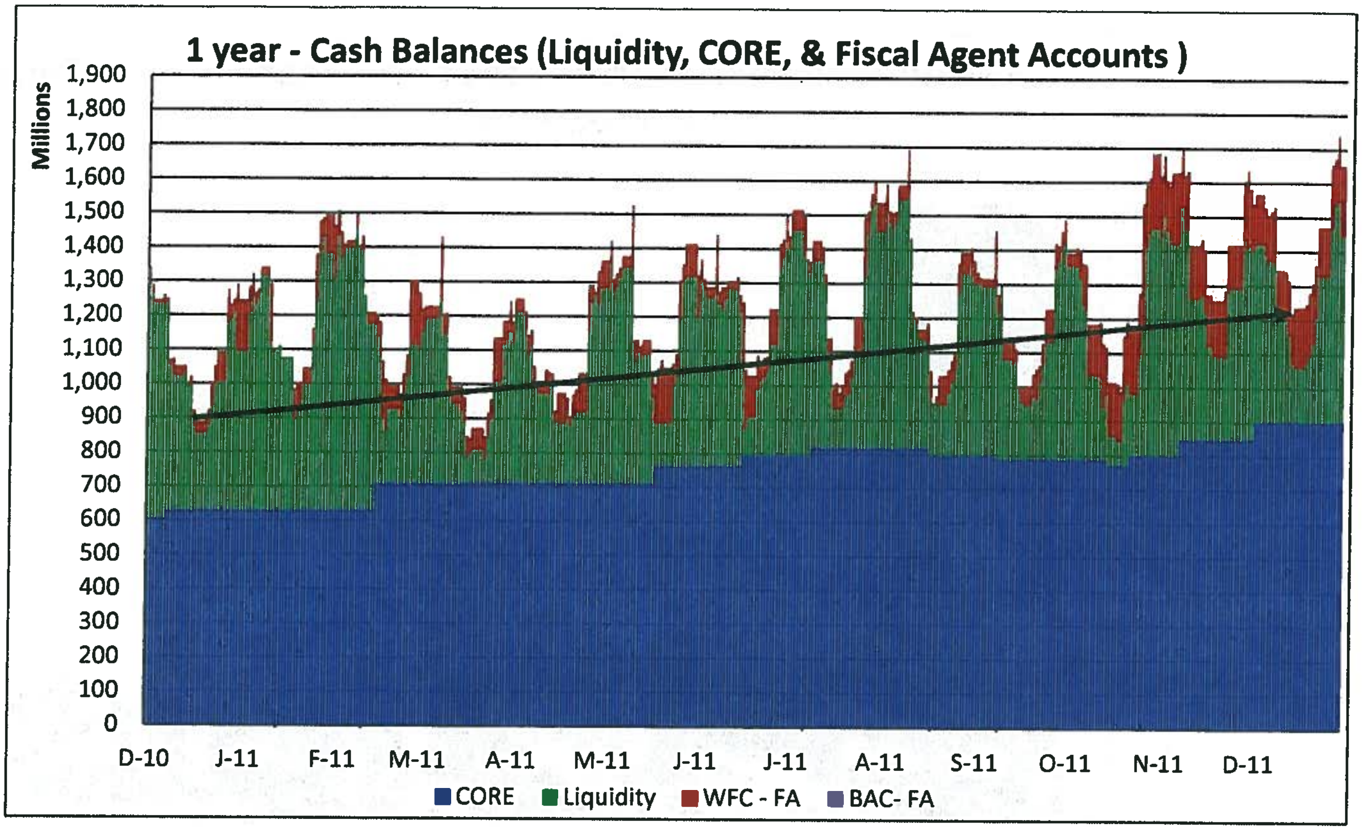
ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
CERTIFICATES OF DEPOSIT	9	.6119	.55986	36,250,000	36,250,000	36,250,000		6.574
LINKED-CERTIFICATE OF DEPOSIT	1	.3500	.29590	2,000,000	2,000,000	2,000,000		.363
CORPORATE BONDS (FRN QUARTERLY)	1	.4639	.21640	20,000,000	20,000,000	20,000,000		3.627
FED HOME LOAN BANKS	1	.4565	.71510	20,000,000	20,095,415	20,088,200	-7,215	3.643
FNMA VAR RT NOTE 4X	1	.0538	.97260	20,000,000	20,050,028	20,024,600	-25,428	3.631
MONEY MARKET	2	.1749	.00274	12,897,169	12,897,169	12,897,169		2.339
UNITS - REPURCHASE POOL	1	.0300	.00274	440,182,918	440,182,918	440,182,918		79.824
	16	.1049	.11118	551,330,087	551,475,530	551,442,887	-32,643	100.000

12

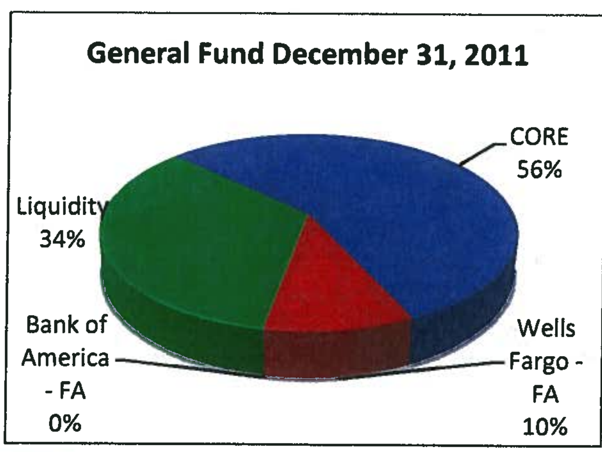
STATE OF NEW MEXICO
GENERAL FUND CORE (1001)
Portfolio Classification Summary
Positions Held as of 12/31/11

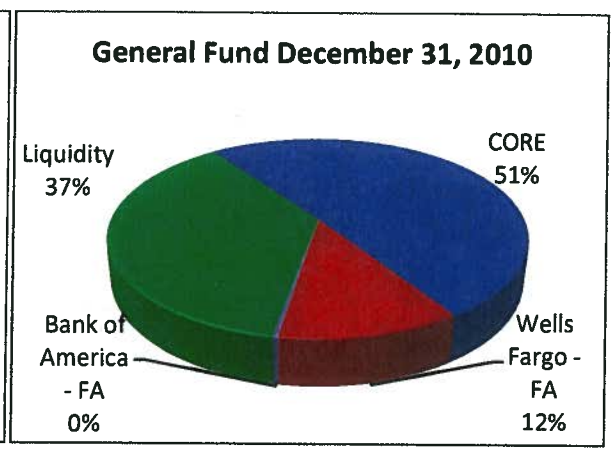
TXN BASIS: TRADE
MKT-SOURCE: IDC-PREFERED+
AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
U.S. TREASURY NOTES	20	.9953	1.74295	365,000,000	367,751,352	372,092,750	4,341,398	40.081
CORPORATE BONDS	2	5.4288	.58495	20,000,000	20,020,909	20,503,200	482,291	2.209
FED FARM CR BKS CONS LONG TERM	1	3.5425	.79730	5,000,000	5,038,350	5,167,350	129,000	.557
FED FARM CR BKS CALLABLE	3	1.1602	.64933	60,000,000	59,925,152	60,115,400	190,248	6.476
FED HOME LOAN BANKS	7	2.8932	1.04648	70,380,000	70,894,556	72,367,754	1,473,198	7.795
FED HOME LOAN MORTGAGE CORP BDS	7	1.0500	3.56566	111,660,000	116,560,344	116,793,933	233,589	12.581
FED HOME LOAN MORTGAGE CALL 4X	1	1.0000	.93150	20,000,000	20,000,000	20,021,800	21,800	2.157
FED NATL MORTGAGE ASSN DEBS	8	1.0688	2.97461	153,000,000	162,259,808	162,384,274	124,466	17.492
FED NATL MORTGAGE ASSN MEDTRM NT	1	3.6592	.58900	1,000,000	1,007,861	1,027,410	19,549	.111
TLGP SECURITIES - FDIC	1	.7890	.81100	25,000,000	25,219,870	25,344,000	124,130	2.730
MONEY MARKET	2	.0002	.00274	1,457,733	1,457,733	1,457,733		.157
MUNICIPAL BOND	26	.6792	1.41174	46,270,000	47,178,992	47,208,005	29,013	5.085
MUNICIPAL BOND REVENUE	4	.6272	2.17048	19,385,000	20,761,688	20,775,145	13,457	2.238
UNITS - REPURCHASE POOL	1	.0300	.00274	3,090,639	3,090,639	3,090,639		.333
	84	1.2503	1.95800	901,243,372	921,167,254	928,349,393	7,182,139	100.000

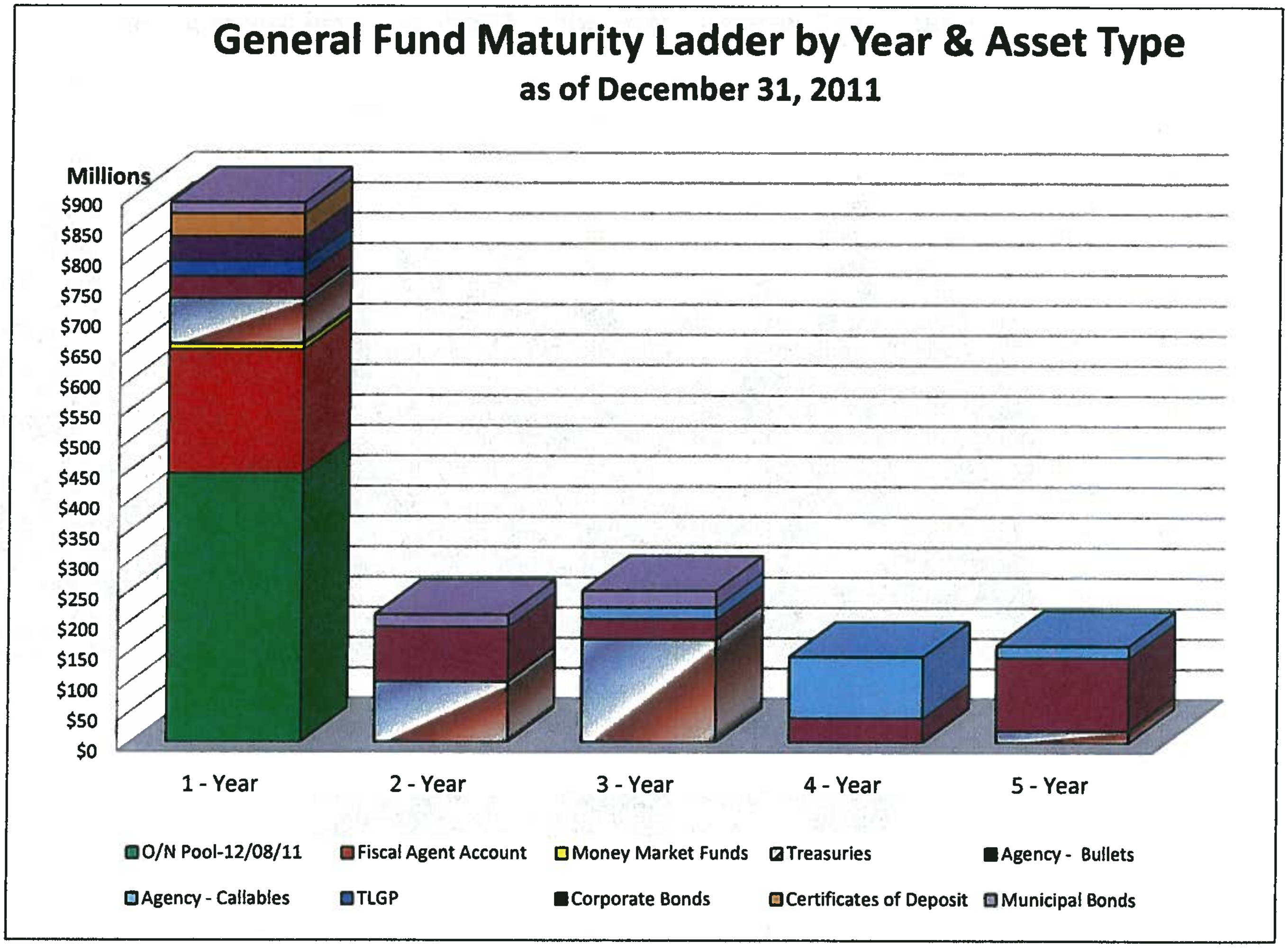


GENERAL FUND	Dec-11	Dec-10
Liquidity	548,359,413	462,987,946
CORE	899,785,639	630,408,168
Wells Fargo - FA	203,859,418	147,181,063
Bank of America - FA	0	4,479,877
	1,652,004,470	1,245,057,054





Arsenio Garduño



Asset Allocation	1 - Year	2 - Year	3 - Year	4 - Year	5 - Year	Total	%
Agency - Bullets	36,380,000	90,000,000	33,000,000	40,000,000	120,000,000	319,380,000	19%
Agency - Callables			20,000,000	101,660,000	20,000,000	141,660,000	9%
TLGP	25,000,000					25,000,000	2%
Corporate Bonds	40,000,000					40,000,000	2%
Money Market Funds	10,026,495					10,026,495	1%
Municipal Bonds	18,305,000	20,360,000	26,990,000			65,655,000	4%
Certificates of Deposit	38,250,000					38,250,000	2%
Fiscal Agent Account	203,859,418					203,859,418	12%
Treasuries	75,000,000	100,000,000	170,000,000		20,000,000	365,000,000	22%
O/N Pool-12/08/11	443,273,557					443,273,557	27%
Total:	890,094,470	210,360,000	249,990,000	141,660,000	160,000,000	1,652,104,470	100%
% of Total:	54%	13%	15%	9%	10%	100%	

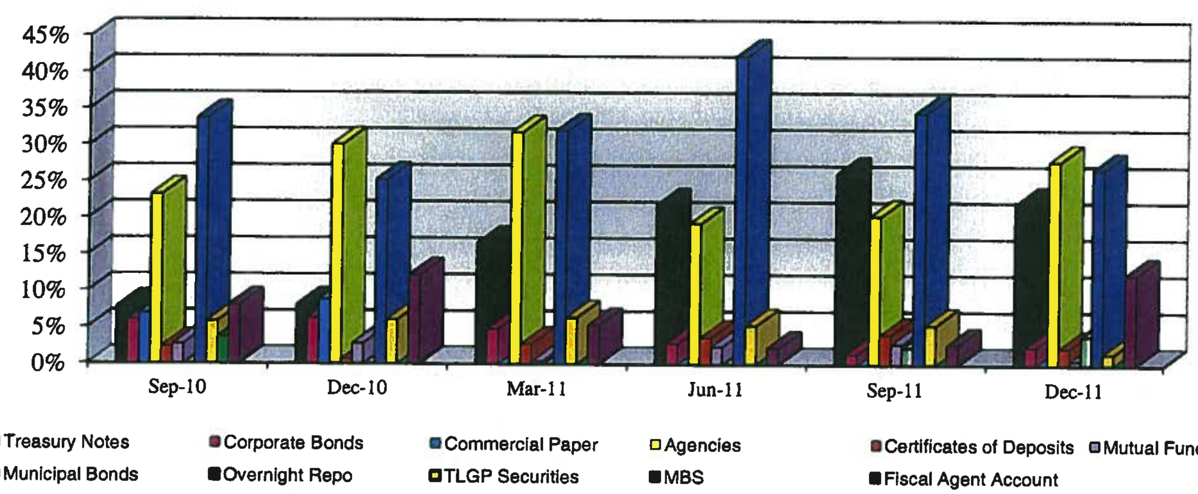
General Fund Portfolio Allocation - Month ending December 31, 2011

Allocation by Amount

Number of Items	67	78	54	70	85	84
	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Treasury Notes	100,000,000	100,000,000	195,000,000	310,000,000	365,000,000	365,000,000
Corporate Bonds	77,860,000	77,860,000	55,935,000	39,935,000	20,000,000	40,000,000
Commercial Paper	90,000,000	110,000,000	0	0	0	0
TLGP Securities	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000	25,000,000
Agencies	301,380,000	374,405,000	374,405,000	273,495,000	283,380,000	461,040,000
MBS	48,218,847	0	0	0	0	0
Certificates of Deposits	29,700,000	7,100,000	32,100,000	52,100,000	57,250,000	38,250,000
Mutual Funds	34,344,309	34,354,946	4,327,110	34,349,111	39,354,901	10,026,496
Municipal Bonds	0	0	0	0	33,365,000	65,655,000
Overnight Repo	437,821,328	314,676,169	377,569,018	600,037,008	481,795,465	443,273,557
Fiscal Agent Account	103,918,391	151,660,940	63,426,603	32,154,835	38,007,813	203,859,418
Total :	1,298,242,875	1,245,057,055	1,177,762,731	1,417,070,954	1,393,153,179	1,652,104,471

Allocation by Percent

	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Treasury Notes	7.7%	8.0%	16.6%	21.9%	26.2%	22.1%
Corporate Bonds	6.0%	6.3%	4.7%	2.8%	1.4%	2.4%
Commercial Paper	6.9%	8.8%	0.0%	0.0%	0.0%	0.0%
TLGP Securities	5.8%	6.0%	6.4%	5.3%	5.4%	1.5%
Agencies	23.2%	30.1%	31.8%	19.3%	20.3%	27.9%
Certificates of Deposits	2.3%	0.6%	2.7%	3.7%	4.1%	2.3%
MBS	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Mutual Funds	2.6%	2.8%	0.4%	2.4%	2.8%	0.6%
Municipal Bonds	0.0%	0.0%	0.0%	0.0%	2.4%	4.0%
Overnight Repo	33.7%	25.3%	32.1%	42.3%	34.6%	26.8%
Fiscal Agent Account	8.0%	12.2%	5.4%	2.3%	2.7%	12.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:06
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
2,870,674	THE RESERVE GF MMKT	GFRESERV	5.090			1.000000	2,870,674.23	2,870,674.00
10,026,495	GF LIQ AS LGIP POOL PARTICIPANT	GFINLGIP	.234			1.000000	10,026,494.94	10,026,495.00
440,182,918	REPO UNITS FBO GENERAL FUND	UNITREPO				1.000000	440,182,917.57	440,182,918.00
453,080,087							453,080,086.74	453,080,087.00

===> 0003 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> NO-MEANINGFUL-DATE <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
1,000,000	FARMERS & STOCKMENS BANK	85212490	.800	1/20/12	.800	100.000000	1,000,000.00	1,000,000.00
250,000	GUADALUPE CREDIT UNION	73560500	.750	3/26/12	.750	100.000000	250,000.00	250,000.00
8,000,000	CENTURY BANK SANTA FE	17099245	.550	3/28/12	.550	100.000000	8,000,000.00	8,000,000.00
2,000,000	MY BANK BELEN	63000013	.350	4/17/12	.350	100.000000	2,000,000.00	2,000,000.00
2,000,000	BANK OF LAS VEGAS	1622495	.550	5/07/12	.550	100.000000	2,000,000.00	2,000,000.00
8,000,000	CENTURY BAN SANTA FE	17099247	.590	6/28/12	.590	100.000000	8,000,000.00	8,000,000.00
3,000,000	BANK OF LAS VEGAS	16225130	1.000	6/29/12	1.000	100.000000	3,000,000.00	3,000,000.00
1,000,000	FARMERS & STOCKMENS	85212970	1.000	7/20/12	1.000	100.000000	1,000,000.00	1,000,000.00
5,000,000	BANK OF LAS VEGAS	16225630	.755	9/21/12	.755	100.000000	5,000,000.00	5,000,000.00
20,000,000	FED NATIONAL MTG ASSN Float	31398A7F	.311	12/20/12	.054	100.265200	20,049,977.54	20,024,600.00
8,000,000	CENTURY BANK	01709924	.400	12/27/12	.400	100.000000	8,000,000.00	8,000,000.00
58,250,000					.411		58,299,977.54	58,274,600.00

===> 0011 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2012 <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:06
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
TREASURER'S OFFICE

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	INTL BK RECON & DEVELOP CB QRTLY	45905UJZ	.460	1/02/13	.466	100.000000	20,000,000.00	20,000,000.00
20,000,000					.466		20,000,000.00	20,000,000.00

===> 0001 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2013 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	FED HOME LOAN BANK	313374CD	1.125	9/17/14	.456	100.527000	20,095,456.50	20,088,200.00
20,000,000					.456		20,095,456.50	20,088,200.00

===> 0001 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2014 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
551,330,087					.077		551,475,520.78	551,442,887.00

===> 0016 ITEMS IN SUBTOTAL FOR ===> FUND-NAME....... ===> GENERAL FUND <===

18

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:06
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
551,330,087					.077		551,475,520.78	551,442,887.00

===> 0016 ITEMS IN SUBTOTAL FOR ===> REPORT......... ===> GRAND-TOTAL <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:26
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
1,456,436	GF CORE MONEY MKT	RESCORE	5.030			1.000000	1,456,435.81	1,456,436.00
1,297	GF CORE AS LGIP POOL PARTICIPANT	GFCORE	.237			.999661	1,296.56	1,297.00
3,090,639	GENERAL FUND CORE	UNITREPO				1.000000	3,090,638.50	3,090,639.00
4,548,372							4,548,370.87	4,548,372.00

===> 0003 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> NO-MEANINGFUL-DATE <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
25,000,000	US TREASURY NOTE	912828MQ	.875	2/29/12	.909	99.933594	24,998,491.31	25,033,250.00
10,000,000	MORGAN STANLEY	617446HC	6.600	4/01/12	5.627	104.142000	10,022,083.70	10,083,200.00
2,890,000	NMFA SENIOR LIEN	64711NNU	2.000	6/01/12	.507	101.544000	2,907,974.56	2,901,762.30
790,000	NMFA REVENUE	64711NPV	2.000	6/01/12	.507	101.121000	794,913.46	794,179.10
10,000,000	FEDERAL HOME LOAN BANK	3133XKSK	4.875	6/08/12	3.545	105.578000	10,057,803.81	10,186,700.00
25,000,000	US TREASURY NOTE	912828KX	1.875	6/15/12	1.084	101.746094	25,089,685.24	25,204,000.00
1,570,000	NEW MEXICO STB REF A-1	647310N2	2.000	7/01/12	.213	101.018000	1,584,027.43	1,583,031.00
5,800,000	SANTA FE NM PSD GO2011	802088JT	3.000	8/01/12	.527	103.434000	5,883,569.36	5,893,148.00
1,100,000	LOS ALAMOS NM PSD	54422NCN	2.000	8/01/12	.406	101.524000	1,110,230.52	1,110,186.00
2,675,000	RIO RANCHO NM PSD	767171LG	2.000	8/01/12	.355	101.545000	2,700,668.45	2,699,770.50
1,000,000	FANNIE MAE	3136F7GV	5.000	8/02/12	3.659	105.777000	1,007,861.88	1,027,410.00
2,385,000	GADSDEN NM ISD	362550KS	2.000	8/15/12	.305	101.361000	2,410,147.05	2,408,539.95
570,000	ESPANOLA NM PSD	29662RAJ	2.000	9/01/12	.386	101.314000	576,131.22	576,013.50
13,380,000	FEDERAL HOME LOAN BANK	3133XLX7	5.000	9/14/12	3.578	106.282000	13,513,404.52	13,813,244.40
7,000,000	FEDERAL HOME LOAN BANK	3133XLX7	5.000	9/14/12	3.757	105.203000	7,061,149.66	7,226,660.00
25,000,000	US TREASURY NOTE	912828LM	1.375	9/15/12	1.231	100.351562	25,025,102.44	25,219,750.00
525,000	LOVINGTON NM PSD	547473DA	2.000	10/01/12	.508	101.311000	530,874.83	531,210.75

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:26
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
5,000,000	FEDERAL FARM CREDIT BANK	31331X3S	4.500	10/17/12	3.543	104.377000	5,038,350.42	5,167,350.00
25,000,000	CITIGROUP FUNDING INC	17313YAL	1.875	10/22/12	.789	102.358000	25,219,908.98	25,344,000.00
10,000,000	ABBOTT LABORATORIES	002819AA	5.150	11/30/12	5.230	99.961000	9,998,838.57	10,420,000.00
15,000,000	FEDERAL HOME LOAN BANK	3133XDTB	4.875	12/14/12	3.661	105.654000	15,174,226.20	15,643,500.00
25,000,000	US TREASURY NOTE	912828MB	1.125	12/15/12	1.327	99.453125	24,952,133.20	25,230,500.00
214,685,000					2.031		215,657,576.81	218,097,405.50

===> 0022 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2012 <===

21

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
10,000,000	US TREASURY NOTES	912828PR	.625	1/31/13	.450	100.296875	10,018,901.84	10,048,800.00
550,000	BERNALILLO COUNTY	085275B5	4.000	2/01/13	.507	104.606000	570,761.95	571,521.50
10,000,000	US TREASURY NOTES	912828QK	.625	2/28/13	.478	100.261719	10,017,046.94	10,051,900.00
5,000,000	FEDERAL HOME LOAN BANK	3133XPNZ	3.500	3/08/13	3.882	98.546700	4,980,376.63	5,188,150.00
15,000,000	US TREASURY NOTE	912828QL	.750	3/31/13	.506	100.453125	15,045,480.82	15,104,250.00
20,000,000	US TREASURY NOTE	912828QE	.625	4/30/13	.536	100.171875	20,023,582.41	20,116,400.00
10,000,000	US TREASURY NOTE	912828NC	1.375	5/15/13	.549	101.636719	10,112,862.73	10,158,600.00
5,000,000	STATE OF CONNECTICUT-GO BONDS	20772JBS	1.720	5/15/13	1.003	101.410000	5,049,535.14	5,084,000.00
2,000,000	NMFA SENIOR LIEN	64711NNV	2.000	6/01/13	1.014	102.007000	2,028,000.77	2,024,180.00
3,605,000	NMFA REVENUE	64711NPA	2.000	6/01/13	.356	102.875000	3,688,892.94	3,684,201.85
760,000	NMFA REVENUE	64711NPW	2.000	6/01/13	.660	102.344000	774,418.37	773,041.60
10,000,000	FEDERAL HOME LOAN BANK	3133XXYX	1.875	6/21/13	.851	102.225000	10,151,022.51	10,223,500.00
3,225,000	NEW MEXICO STB REF A-1	647310N3	4.000	7/01/13	.437	105.577000	3,396,867.52	3,395,441.25
475,000	LOS ALAMOS NM PSD	54422NCP	2.000	8/01/13	.558	102.816000	485,834.65	486,618.50
500,000	RIO RANCHO NM PSD	767171LH	2.000	8/01/13	.558	102.792000	511,404.89	511,835.00

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:26
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	FANNIE MAE	3135G0BR	.500	8/09/13	.588	99.830000	19,974,133.15	20,047,200.00
2,245,000	GADSDEN NM ISD	362550KT	2.000	8/15/13	.608	102.506000	2,295,618.83	2,299,216.75
1,100,000	ESPANOLA NM PSD	29662RAK	2.000	9/01/13	.710	102.338000	1,123,627.49	1,124,112.00
10,000,000	US TREASURY NOTE	912828NY	.750	9/15/13	.541	100.453125	10,035,432.31	10,085,500.00
900,000	LOVINGTON NM PSD	547473DB	2.000	10/01/13	.710	102.420000	920,292.91	923,940.00
10,000,000	FEDERAL HOME LOAN BANK	313371UC	.875	12/27/13	1.110	99.419000	9,956,529.60	10,086,000.00
140,360,000					.733		141,160,624.40	141,988,408.45

===> 0021 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2013 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
13,000,000	FEDERAL NATL MTG ASSN DEBS	31359MTP	5.125	1/02/14	.828	110.102000	14,109,930.52	14,056,900.00
20,000,000	US TREASURY NOTE	912828JZ	1.750	1/31/14	.666	102.750000	20,447,960.23	20,611,000.00
570,000	BERNALILLO COUNTY	085275B6	3.000	2/01/14	.710	105.288000	597,053.51	598,602.60
20,000,000	US TREASURY NOTE	912828QH	1.250	2/15/14	1.413	99.523438	19,931,908.53	20,411,000.00
20,000,000	US TREASURY NOTES	912828KF	1.875	2/28/14	1.398	101.414063	20,202,589.94	20,681,200.00
20,000,000	US TREASURY NOTES	912828KF	1.875	2/28/14	.703	103.066406	20,502,646.57	20,681,200.00
15,000,000	US TREASURY NOTE	912828KJ	1.750	3/31/14	.729	102.753906	15,340,895.39	15,490,950.00
20,000,000	US TREASURY NOTES	912828KN	1.875	4/30/14	1.476	101.242188	20,182,145.62	20,725,000.00
20,000,000	US TREASURY NOTES	912828KV	2.250	5/31/14	1.509	102.367188	20,350,088.55	20,923,400.00
3,060,000	NMFA SENIOR LIEN	64711NNW	3.000	6/01/14	1.490	104.522000	3,170,605.39	3,179,034.00
3,615,000	NMFA REVENUE	64711NPB	2.000	6/01/14	.456	104.231000	3,749,475.24	3,731,222.25
770,000	NMFA REVENUE	64711NPX	2.000	6/01/14	1.014	102.705000	788,315.48	786,955.40
20,000,000	US TREASURY NOTE	912828QS	.750	6/15/14	.771	99.937500	19,989,788.63	20,217,200.00
4,780,000	NEW MEXICO STB REF A-1	647310N4	4.000	7/01/14	.710	108.388000	5,170,140.69	5,174,111.00

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:26
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
9,810,000	NEW MEXICO STB REF A-1	647310P4	4.000	7/01/14	.710	108.388000	10,610,686.24	10,622,562.30
15,000,000	US TREASURY NOTE	912828LC	2.625	7/31/14	1.513	103.722656	15,421,068.70	15,880,050.00
325,000	LOS ALAMOS NM PSD	54422NCQ	2.000	8/01/14	.811	103.497000	334,943.53	335,861.50
2,005,000	GADSDEN NM ISD	362550KU	2.000	8/15/14	.862	103.177000	2,064,610.90	2,060,097.40
1,120,000	ESPANOLA NM PSD	29662RAL	2.000	9/01/14	.963	102.908000	1,150,857.32	1,151,158.40
935,000	LOVINGTON NM PSD	547473DC	2.000	10/01/14	1.014	102.829000	960,267.27	967,594.10
10,000,000	FREDDIE MAC	3137EACY	.750	11/25/14	.772	99.966000	9,996,628.40	10,017,600.00
20,000,000	FED HOME LN MTG CALL 4X	3134G3BL	1.000	12/05/14	1.000	100.000000	20,000,000.00	20,021,800.00
239,990,000					1.050		245,072,606.65	248,324,498.95

===> 0022 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2014 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	FEDERAL FARM CR BANKS CALLABLE	31331KU2	.875	2/17/15	.944	99.825000	19,964,997.50	20,002,200.00
20,000,000	FREDDIE MAC	3134A4VC	4.375	7/17/15	.965	112.629400	22,379,792.80	22,482,400.00
20,000,000	FANNIE MAE	3136FR3F	.950	9/08/15	.963	100.000000	20,000,000.00	19,944,600.00
20,000,000	FREDDIE MAC	3137EACM	1.750	9/10/15	1.015	102.865900	20,540,913.15	20,634,600.00
20,000,000	FEDERAL FARM CR BANKS CALLABLE	31331KS9	1.120	11/16/15	1.188	99.800000	19,960,003.67	20,035,600.00
20,000,000	FEDERAL FARM CR BANKS CALLABLE	31331KZ2	1.330	12/07/15	1.348	100.000000	20,000,000.00	20,077,600.00
11,660,000	FEDERAL HOME LOAN MTG CORP	3134G3EG	1.150	12/30/15	1.166	100.000000	11,660,000.00	11,689,733.00
10,000,000	FEDERAL HOME LOAN MTG CORP	3134G3FA	1.100	12/30/15	1.115	100.000000	10,000,000.00	9,990,600.00
141,660,000					1.079		144,505,707.12	144,857,333.00

===> 0008 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2015 <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:26
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	FANNIE MAE	31359MH8	5.000	3/15/16	1.026	117.575100	23,274,899.70	23,306,400.00
20,000,000	FANNIE MAE	3135GOBA	2.375	4/11/16	1.057	105.962900	21,110,953.27	21,110,953.27
20,000,000	FREDDIE MAC	3137EACT	2.500	5/27/16	1.095	106.523800	21,217,929.58	21,181,600.00
20,000,000	FANNIE MAE	31359MS6	5.375	7/15/16	1.142	120.015700	23,749,096.77	23,810,000.00
20,000,000	FEDERAL HOME LOAN MTG CORP	3137EACW	2.000	8/25/16	1.168	104.085938	20,764,956.78	20,797,400.00
20,000,000	US TREASURY NOTE	912828RF	1.000	8/31/16	.929	100.343750	20,064,627.77	20,218,800.00
20,000,000	FANNIE MAE	3135GOCM	1.250	9/28/16	1.218	100.233200	20,044,276.38	20,081,200.00
20,000,000	FED NATIONAL MTG ASSN DEBS	3136FTQJ	1.625	11/21/16	1.650	99.990000	19,997,112.06	20,027,400.00
160,000,000					1.156		170,223,852.31	170,533,753.27

24

===> 0008 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2016 <===

POSITION-SIZ	YIELD	CURRENT BK	LOC-MKT-VALUE
901,243,372	1.250	921,168,738.16	928,349,771.17

===> 0084 ITEMS IN SUBTOTAL FOR ===> FUND-NAME....... ===> GENERAL FUND CORE <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:26
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
901,243,372					1.250		921,168,738.16	928,349,771.17

===> 0084 ITEMS IN SUBTOTAL FOR ===> REPORT......... ===> GRAND-TOTAL <===

Portfolio Summary – Local Government Investment Pool (LGIP)

Summary

- Ending December Market Value for the LGIP was $881Mil, unchanged from November 30th.
- The LGIP maintains an AAAm rating by Standard & Poor's.
- Weighted Average Maturity of the LGIP was 56 days, below the rule 2(a)-7 requirement of 60 days for short-term funds.

Portfolio Mix

- 22% of the portfolio is invested in fixed income securities, 20% in floating rate notes, 55% of the portfolio is invested in demand deposit accounts with qualified banking institutions, and 3% in commercial paper.
- The LGIP held positions in 27 securities.

Investment Earnings

- In December, the fund earned $209,987 for its participants.
- Since June, the fund has returned $1.1 million.
- Earnings in the LGIP are retained by participants after a management fee of 0.05% which is paid to the General Fund.

Performance

- Gross Yield on the LGIP was 0.274% at month-end.
- Net yield to participants was 0.224%.

Investment Highlights

- For the LGIP, the WAM(R), 56 days, and WAM(F), 110 days, are close to their maximums of 60 and 120 days respectively.
- LGIP was able to roll over maturities of Straight-A Funding for 90 day terms to maintain some diversification away from bank deposits.
- LGIP purchased a 3-month Libor floating rate FNMA, and is now at the maximum allowable exposure to floaters.

Investment Strategy

- For the LGIP, the WAM(R), 56 days, and WAM(F), 110 days, are close to their maximums of 60 and 120 days respectively.
- LGIP was able to roll over maturities of Straight-A Funding for 90 day terms to maintain some diversification away from bank deposits.
- LGIP purchased a 3-month Libor floating rate FNMA, and is now at the maximum allowable exposure to floaters.
- We will continue to lengthen the WAM on the LGIP as over time it will drift lower. The alternatives of Wells Fargo and US Bank overnight deposits are not attractive as they are yielding 0.10%.
- With the Fed on hold until the end of 2014 we can take advantage of the slight steepness in the yield curve through WAM extension.
- Credit will also play a part in the investments going forward.
- S&P had indicated we needed to change the collateral we receive for BBVA/Compass overnight deposits in LGIP. Letters of Credit issued by FHLB have been deemed to be unacceptable. We were successful in setting up receipt of actual US Government Agency securities as a replacement using US Bank as the collateral custodial. We were able to complete this within the cure period allowed by S&P.

STATE OF NEW MEXICO

LGIP FUND (4101)

Portfolio Classification Summary

Positions Held as of 12/31/11

TXN BASIS: TRADE
MKT-SOURCE: IDC-PREFERED+
AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	5	.2215	.06976	482,098,813	482,098,813	482,098,813		54.709
COMMERCIAL PAPER-DISCOUNT BASED	2	.1927	.22965	30,045,000	30,031,710	30,031,710		3.408
U.S. TREASURY NOTES	8	.2699	.33720	125,000,000	125,288,301	125,361,350	73,049	14.226
CORPORATE BONDS (FRN QUARTERLY)	1	.4639	.21640	20,000,000	20,000,000	20,000,000		2.270
FED FARM CR BANKS - FLOAT	1	.3882	1.44660	50,000,000	50,018,996	49,951,000	-67,996	5.668
FED HOME LOAN BANKS	1	.2064	.64380	25,000,000	25,107,436	25,101,250	-6,186	2.849
FED NATL MORTGAGE ASSN DEBS	1	.3666	.58630	20,000,000	20,568,925	20,553,200	-15,725	2.332
FNMA VAR RT NOTE 4X	1	.2676	.97260	21,000,000	21,052,527	21,025,830	-26,697	2.386
TLGP SECURITIES-FDIC VAR RT NT4X	7	.3382	.71966	106,700,000	106,999,428	107,082,839	83,411	12.152
	27	.2606	.32321	879,843,813	881,166,136	881,205,992	39,856	100.000

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:51
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
10,577,195	WF CHECKING DECEMBER 2011	ONDEC11	.150	1/02/12	.122	100.000001	10,577,195.12	10,577,195.12
10,000,000	US TREASURY NOTE	912828KB	1.125	1/15/12	.397	100.761719	10,002,958.55	10,003,500.00
213,540,511	BBVA COMPASS BANK ACCOUNT	COMPASBA	.250	1/30/12	.203	100.000000	213,540,511.18	213,540,511.18
39,851,626	WELLS FARGO SAVINGS ACCT	WFSAVING	.400	1/30/12	.193	100.000000	39,851,625.98	39,851,625.98
213,051,888	BANK OF THE WEST	BKOFWEST	.150	1/30/12	.253	100.000000	213,051,887.85	213,051,887.85
5,077,593	US BANK	USBANK	.200	1/30/12	.101	99.999994	5,077,592.70	5,077,592.70
10,000,000	US TREASURY NOTE	912828KC	1.375	2/15/12	.326	101.105468	10,013,086.16	10,015,600.00
5,045,000	STRAIGHT-A FUNDING LLC	86257M6X	.190	3/08/12	.193	99.952500	5,043,189.41	5,043,189.41
10,000,000	MORGAN STANLEY	61757UAN	.538	3/13/12	.190	100.138000	10,013,800.00	10,013,000.00
25,000,000	STRAIGHT-A FUNDING LLC	86257FDV	.190	3/27/12	.193	99.952500	24,988,520.83	24,988,520.83
15,000,000	US TREASURY NOTE	912828MU	1.000	3/31/12	.320	100.734375	15,025,310.52	15,034,500.00
10,000,000	US TREASURY NOTE	912828MU	1.000	3/31/12	.300	100.738281	10,017,372.66	10,023,000.00
20,000,000	US TREASURY NOTE 2ND	912828NB	1.000	4/30/12	.286	100.742188	20,047,392.31	20,062,600.00
25,000,000	US TREASURY NOTE 2ND	912828KP	1.375	5/15/12	.200	101.023438	25,109,638.36	25,122,000.00
30,000,000	MORGAN STANLEY	61757UAJ	.701	6/20/12	.257	100.329000	30,098,700.00	30,105,600.00
10,000,000	BANK OF NY MELLO BK FLOAT	06405TAA	.406	6/29/12	.310	100.213700	10,021,370.00	10,029,200.00
25,000,000	US TREASURY NOTE 2nd	912828NS	.625	6/30/12	.225	100.398438	25,049,943.81	25,069,250.00
10,000,000	US TREASURY NOTE 2ND	912828NQ	.625	7/31/12	.238	100.417969	10,022,578.31	10,030,900.00
20,000,000	FEDERAL NATL MTG ASSN DEBS	31359MNU	5.250	8/01/12	.367	104.118000	20,568,873.62	20,553,200.00
25,000,000	FHLB	3133XYWB	.875	8/22/12	.207	100.663000	25,107,360.41	25,101,250.00
2,700,000	ALLY FINANCIAL INC FLOAT	36186CBG	.350	12/19/12	.377	100.185200	2,705,000.40	2,698,866.00
21,000,000	FED NATIONAL MTG ASSN Float	31398A7F	.311	12/20/12	.268	100.265200	21,052,518.48	21,025,830.00
17,250,000	GEN ELEC CAP CRP GE FLOAT	36967HAU	.247	12/21/12	.449	100.122027	17,271,049.60	17,293,987.50
7,000,000	GEN ELEC CAP CRP GE FLOAT	36967HAU	.247	12/21/12	.481	100.091100	7,006,377.00	7,017,850.00
29,750,000	JPMORGAN CHASE FLOAT	481247AN	.608	12/26/12	.378	100.447500	29,883,131.25	29,924,335.00
809,843,813					.248		811,146,984.51	811,254,991.57

===> 0025 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2012 <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:51
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
TREASURER'S OFFICE

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	INTL BK RECON & DEVELOP CB QRTLY	45905UJZ	.460	1/02/13	.466	100.000000	20,000,000.00	20,000,000.00
50,000,000	FEDERAL FARM CR BK FLOATER	31331KF6	.184	6/12/13	.388	100.043700	50,018,938.06	49,951,000.00
70,000,000					.410		70,018,938.06	69,951,000.00

===> 0002 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2013 <===

POSITION-SIZ					YIELD		CURRENT BK	LOC-MKT-VALUE
879,843,813					.261		881,165,922.57	881,205,991.57

===> 0027 ITEMS IN SUBTOTAL FOR ===> FUND-NAME....... ===> LGIP FUND <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:56:51
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
879,843,813					.261		881,165,922.57	881,205,991.57

===> 0027 ITEMS IN SUBTOTAL FOR ===> REPORT.......... ===> GRAND-TOTAL <===

30

Portfolio Summary – Tax Exempt Bond Proceeds Investment Pool

Summary

- The Tax Exempt Bond Proceeds Investment Pool closed the month of December at $479Mil, higher than $428Mil at the end of November due to the deposit of proceeds from bond issuance.
- The Pool continues to experience withdrawals in early 2012.

Portfolio Mix

- 83% of the Tax-Exempt BPIP portfolio is invested in fixed income securities; 54% in TLGP Securities which are backed by the FDIC, 29% in Treasury and Agency Securities, and the balance, approximately 17%, held in cash equivalents.
- At the time of purchase, TLGP holdings, backed by the FDIC, were within the parameters of the investment policy. As balances have come down, due to spending on capital projects, the percentage of TLGP holdings relative to all holdings in the portfolio has increased. The TLGP program will expire at the end of 2012.
- 70% of the portfolio is invested in securities that mature in one year, 11% in securities that mature from 1-2 years, 9% in securities that mature from 2-4 years and 10% in securities out to 5 years.
- The Tax-Exempt BPIP held positions in 23 securities.
- Weighted Average Life of the Tax Exempt BPIP is 1.10 years. The Weighted Average duration is 1.03 years.
- The maximum security term for the BPIP portfolio is 5 years.

Investment Highlights

- BPIP funds were invested in US Government Agency callable securities with 2015 and 2016 final maturities with one or two years of lockout protection.
- BPIP funds also rolled over maturing Straight-A Funding commercial paper as a higher yielding alternative to repo.

Market Value and Investment Earnings

- Unrealized gains in the Tax-Exempt BPIP Portfolio were $1.7 million as of December 31st.
- Monthly Earnings on the portfolio were approximately $352,036.
- During this fiscal year, we have earned approximately $2.3MM in this pool.
- Earnings on the Bond Proceeds Investment Pool are used to offset capital and debt service spending.

Performance

- The purchase yield declined slightly as overall lower rates have decreased portfolio returns.
- The average term of the fund increased as longer maturity investments were purchased with additional capital deposited from bond proceeds.

Investment Strategy

- We maintain a target of $50 to $75mil in liquidity for the Bond Proceeds Pools utilizing a combination of LGIP holdings, repurchase agreements and highly rated commercial paper.
- Funds were invested in US Government Agency callable securities with 2015 and 2016 final maturities with one or two years of lockout protection.
- The Funds also rolled over maturing Straight-A Funding commercial paper as a higher yielding alternative to repurchase agreements.
- The funds have experienced some withdrawals in 2012 and are fully invested as a result.

STATE OF NEW MEXICO

BOND PROCEEDS INV POOL1 TAX EX (4000)

Portfolio Classification Summary

Positions Held as of 12/31/11

TXN BASIS: TRADE
MKT-SOURCE: IDC-PREFERED+
AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
COMMERCIAL PAPER-DISCOUNT BASED	1	.1927	.18630	20,000,000	19,992,822	19,992,822		4.169
U.S. TREASURY NOTES	3	.7336	1.56471	40,000,000	40,510,570	40,857,300	346,730	8.519
FED FARM CR BKS CALLABLE	2	1.1329	.90526	16,110,000	16,114,457	16,143,923	29,466	3.366
FED HOME LOAN MORTGAGE CORP BDS	2	1.1455	3.76717	30,000,000	30,772,140	30,788,000	15,860	6.420
FED NATL MORTGAGE ASSN DEBS	4	.9212	2.24782	48,495,000	49,926,335	49,915,601	-10,734	10.408
TLGP SECURITIES - FDIC	6	1.3701	.68218	200,000,000	201,795,022	203,024,750	1,229,728	42.333
TLGP SECURITIES-FDIC VAR RT NT4X	2	.6330	.34793	55,000,000	55,000,000	55,138,100	138,100	11.497
MONEY MARKET	2	.2502	.00274	53,835,996	53,835,996	53,835,996		11.225
UNITS - REPURCHASE POOL	1	.0300	.00274	9,890,364	9,890,364	9,890,364		2.062
	23	.9588	1.08987	473,331,360	477,837,706	479,586,856	1,749,150	100.000

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
1,217,093	THE RESERVE	BPIPXX02	5.340			1.000000	1,217,093.13	1,217,093.00
52,618,903	BPIP#1 TA AS LGIP POOL PARTICIP	BP1LGIP	.225			1.000000	52,618,902.57	52,618,903.00
9,890,364	REPO UNITS FBO BOND PROCEEDS INV	UNITREPO				1.000000	9,890,363.68	9,890,364.00
63,726,360							63,726,359.38	63,726,360.00

===> 0003 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> NO-MEANINGFUL-DATE <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	STRAIGHT-A FUNDING LLC	86257M6X	.190	3/08/12	.193	99.952500	19,992,822.22	19,992,822.22
25,000,000	MORGAN STANLEY	61757UAN	1.526	3/13/12	.542	100.000000	25,000,000.00	25,032,500.00
25,000,000	BANK OF AMERICA	06050BAG	2.100	4/30/12	1.982	100.399000	25,011,438.58	25,171,000.00
25,000,000	CITIGROUP INC	17313UAE	2.125	4/30/12	1.976	100.480700	25,014,000.48	25,166,750.00
25,000,000	BANK OF AMERICA	06050BAA	3.125	6/15/12	2.004	103.285000	25,127,897.99	25,336,250.00
25,000,000	WELLS FARGO & COMPANY	949744AC	2.125	6/15/12	1.995	100.447800	25,016,155.20	25,225,750.00
30,000,000	MORGAN STANLEY	61757UAJ	1.573	6/20/12	.709	100.000000	30,000,000.00	30,105,600.00
50,000,000	CITIGROUP INC	17313YAJ	2.250	12/10/12	.759	103.400000	50,701,761.06	50,928,500.00
10,000,000	FED FARM CR BKS CALLABLE	31331K2S	1.170	12/14/12	1.186	100.000000	10,000,000.00	10,009,300.00
50,000,000	GENERAL ELECTRIC CAP CORP.	36967HAY	2.625	12/28/12	.759	104.341000	50,923,934.93	51,196,500.00
285,000,000					1.140		286,788,010.46	288,164,972.22

===> 0010 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2012 <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
TREASURER'S OFFICE

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
10,000,000	US TREASURY NOTES	912828PR	.625	1/31/13	.377	100.386719	10,026,804.92	10,048,800.00
15,000,000	US TREASURY NOTES	912828MX	1.750	4/15/13	.715	102.664063	15,198,882.06	15,297,600.00
25,000,000	FEDERAL NATL MTG ASSN DEBS	31359MRK	4.625	5/01/13	.550	106.923000	26,353,693.54	26,335,000.00
50,000,000					.565		51,579,380.52	51,681,400.00

===> 0003 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2013 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
15,000,000	US TREASURY NOTES	912828KF	1.875	2/28/14	.986	103.035156	15,284,850.85	15,510,900.00
15,000,000					.986		15,284,850.85	15,510,900.00

===> 0001 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2014 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
6,110,000	FED FARM CR BKS CALLABE	3136FTDU	1.125	10/26/15	1.045	100.080000	6,114,479.19	6,134,623.30
10,000,000	FEDERAL HOME LOAN MTG CORP	3134G3FA	1.100	12/30/15	1.115	100.000000	10,000,000.00	9,990,600.00
16,110,000					1.088		16,114,479.19	16,125,223.30

===> 0002 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2015 <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	FEDERAL HOME LOAN MTG CORP	3137EACW	2.000	8/25/16	1.160	104.117000	20,772,343.09	20,797,400.00
10,000,000	FEDERAL NATL MTG ASSN DEBS	3135G0ES	1.375	11/15/16	1.227	100.786600	10,077,461.78	10,088,300.00
10,000,000	FED NATL MORTGAGE ASSN DEBS	3136FTUZ	1.400	12/30/16	1.419	100.000000	10,000,000.00	9,998,000.00
3,495,000	FED NATL MORTGAGE ASSN DEBS	3136FTUZ	1.400	12/30/16	1.419	100.000000	3,495,000.00	3,494,301.00
43,495,000					1.254		44,344,804.87	44,378,001.00

===> 0004 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2016 <===

35

POSITION-SIZ					YIELD		CURRENT BK	LOC-MKT-VALUE
473,331,360					.930		477,837,885.27	479,586,856.52

===> 0023 ITEMS IN SUBTOTAL FOR ===> FUND-NAME....... ===> BOND PROCEEDS INV POOL1 TAX EX <

Portfolio Summary – Taxable Bond Proceeds Investment Pool

Summary

- The Taxable Bond Proceeds Investment Pool closed the month of December at $631Mil, higher than $522Mil on November 30th due to a capital infusion with the issuance of bonds.

Portfolio Mix

- 74% of the Taxable BPIP portfolio is invested in fixed income securities; 54% in US Treasury and Agency securities, 18% in securities that are backed by the FDIC, 2% in corporates, and the balance, approximately 26%, is held in cash equivalents such as the LGIP and NM CDs.
- The high cash balance at the end of the month was due to a receipt of approximately $115mil in new funds on December 30th.
- 33% of the portfolio is invested in securities that mature in one year, 35% in securities that mature from 1-2 years, 18% in securities that mature from 2-4 years and 14% out to 5 years.
- The Taxable BPIP held positions in 45 securities.
- Weighted Average Life of the Taxable BPIP is 1.46 years. The Weighted Average duration is 1.25 years.
- The maximum security term for the BPIP portfolio is 5 years.

Market Value and Investment Earnings

- The unrealized gains in the Taxable BPIP Portfolio were $3.2 million as of December 31st.
- Monthly Earnings on the portfolio were $504,854.
- Fiscal YTD earnings are $3.7 Million.
- Earnings on the Bond Proceeds Investment Pool are used to offset capital and debt service spending.

Performance

- Purchase Yield declined as a result of the influx of cash at month end that was invested in overnight repo at a reduced yield.
- Average Term of the fund shortened as well as a result of the month end deposit.

Investment Highlights

- BPIP #2 Taxable received $115Mil at the end of December.
- BPIP funds were invested in US Government Agency callable securities with 2015 and 2016 final maturities with one or two years of lockout protection.
- BPIP funds also rolled over maturing Straight-A Funding commercial paper as a higher yielding alternative to repo.

Investment Strategy

- BPIP #2 Taxable received $115Mil at the end of December.
- We are targeting $50 to $75mil in liquidity for these portfolios utilizing a combination of LGIP holdings, repurchase agreements and highly rated (A1/P1) commercial paper.
- BPIP funds were invested in US Government Agency callable securities with 2015 and 2016 final maturities with one or two years of lockout protection.
- Deposits received in December have been fully invested in January.
- Average Portfolio Duration has been lengthened to 1.6 years, similar to the Benchmark.

STATE OF NEW MEXICO

BOND PROCEEDS INV POOL2 TAXABL (4002)

Portfolio Classification Summary

Positions Held as of 12/31/11

TXN BASIS: TRADE
MKT-SOURCE: IDC-PREFERED+
AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
CERTIFICATES OF DEPOSIT	6	.7299	.57988	7,700,000	7,700,000	7,700,000		1.219
LINKED-CERTIFICATE OF DEPOSIT	2	.5500	.57260	4,000,000	4,000,000	4,000,000		.633
U.S. TREASURY NOTES	11	.8431	1.80574	150,000,000	151,027,263	152,734,950	1,707,687	24.173
CORPORATE BONDS	2	5.3744	.67030	15,000,000	15,037,602	15,240,300	202,698	2.412
TEMP CORP CU STABILIZATION FND	2	1.9051	.81550	30,000,000	29,974,700	30,404,300	429,600	4.812
FED FARM CR BKS CALLABLE	1	1.1928	.95620	4,365,000	4,363,772	4,369,059	5,287	.691
FED HOME LOAN BANKS	1	4.0961	.18900	16,555,000	16,527,355	16,649,860	122,505	2.635
FED HOME LOAN MORTGAGE CORP BDS	3	1.4070	2.84617	52,300,000	53,101,310	53,317,888	216,578	8.439
FED NATL MORTGAGE ASSN DEBS	10	1.0140	1.61078	110,110,000	112,561,458	112,683,011	121,553	17.834
TLGP SECURITIES - FDIC	3	.7587	.97195	65,155,000	65,967,281	66,299,883	332,602	10.493
TLGP SECURITIES-FDIC VAR RT NT4X	1	.5424	.20000	15,000,000	15,000,000	15,019,500	19,500	2.377
MONEY MARKET	2	.2472	.00274	52,062,273	52,062,273	52,062,273		8.240
UNITS - REPURCHASE POOL	1	.0300	.00274	101,348,408	101,348,408	101,348,408		16.040
	45	.9686	1.24235	623,595,681	628,671,422	631,829,432	3,158,010	100.000

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
1,788,233	THE RESERVE	BPIP2RES	5.430			1.000000	1,788,233.27	1,788,233.00
50,274,040	BPIP#2 TE AS LGIP POOL PARTICIP	BP2LGIP	.225			1.000000	50,274,039.60	50,274,040.00
101,348,408	REPO UNITS BPIP #2	UNITREPO				1.000000	101,348,408.08	101,348,408.00
153,410,681							153,410,680.95	153,410,681.00

===> 0003 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> NO-MEANINGFUL-DATE <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
16,555,000	FEDERAL HOME LOAN BANK	3133XPCS	3.250	3/09/12	4.096	97.381000	16,527,356.32	16,649,860.15
15,000,000	MORGAN STANLEY	61757UAN	1.526	3/13/12	.542	100.000000	15,000,000.00	15,019,500.00
2,000,000	WESTERN COMMERCE BANK	2012462	.700	6/15/12	.700	100.000000	2,000,000.00	2,000,000.00
2,000,000	WESTERN BANK CLOVIS	15866000	.750	7/05/12	.750	100.000000	2,000,000.00	2,000,000.00
1,000,000	WESTERN BANK ALAMOGORDO	81186340	.750	7/13/12	.750	100.000000	1,000,000.00	1,000,000.00
600,000	WESTERN BANK CLOVIS	15894000	.750	7/19/12	.750	100.000000	600,000.00	600,000.00
1,000,000	WESTERN BANK ALAMOGORDO	10000000	.750	7/26/12	.750	100.000000	1,000,000.00	1,000,000.00
2,000,000	WESTERN COMMERCE BANK	20124770	.550	7/27/12	.550	100.000000	2,000,000.00	2,000,000.00
2,000,000	WESTERN COMMERCE BANK	20124780	.550	7/27/12	.550	100.000000	2,000,000.00	2,000,000.00
5,000,000	FEDERAL NATL MTG ASSN DEBS	31359MNU	5.250	8/01/12	.367	104.118000	5,142,218.40	5,138,300.00
5,000,000	MORGAN STANLEY	617446V8	5.750	8/31/12	5.364	101.963000	5,014,423.62	5,064,200.00
10,000,000	GOLDMAN SACHS GROUP INC	38141GCG	5.700	9/01/12	5.380	101.670000	10,023,160.81	10,176,100.00
20,000,000	US CENTRL FEDCU TEMP CU STBL FND	90345AAC	1.900	10/19/12	1.949	99.936000	19,987,200.00	20,279,000.00
10,000,000	WESTERN CORP FED CREDIT UNION	95806AAB	1.750	11/02/12	1.818	99.875000	9,987,500.00	10,125,300.00
20,000,000	CITIGROUP INC	17313YAJ	2.250	12/10/12	.757	103.404000	20,281,084.34	20,371,400.00
25,155,000	GENERAL ELECTRIC CAP CORP	36967HAV	2.125	12/21/12	.758	103.160000	25,489,362.29	25,622,883.00
1,100,000	WESTERN BANK ALAMOGORDO	08118544	.700	12/27/12	.700	100.000000	1,100,000.00	1,100,000.00

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
20,000,000	CITIGROUP INC	17314JAT	1.750	12/28/12	.759	102.316000	20,197,003.25	20,305,600.00
158,410,000					1.716		159,349,309.03	160,452,143.15

===> 0018 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2012 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
5,000,000	US TREASURY NOTES	912828QK	.625	2/28/13	.724	99.804688	4,994,262.40	5,025,950.00
2,400,000	FEDERAL NATL MTG ASSN DEBS	3136F9DU	4.000	4/15/13	4.136	99.668600	2,397,253.40	2,514,024.00
20,000,000	US TREASURY NOTES	912828QZ	.500	5/31/13	.454	100.085938	20,012,956.39	20,084,400.00
20,000,000	US TREASURY NOTES	912828RA	.375	6/30/13	.474	99.804688	19,970,440.22	20,047,600.00
10,000,000	US TREASURY NOTES	912828NN	1.000	7/15/13	.914	100.195313	10,013,119.37	10,119,100.00
20,000,000	US TREASURY NOTES	912828NU	.750	8/15/13	.789	99.886719	19,987,402.83	20,166,400.00
10,000,000	US TREASURY NOTES	912828NU	.750	8/15/13	.946	99.539063	9,968,450.91	10,083,200.00
20,000,000	FEDERAL NATL MTG ASSN DEBS	31398A2S	1.000	9/23/13	.572	100.951000	20,149,369.54	20,206,800.00
5,000,000	US TREASURY NOTES	912828PB	.500	10/15/13	.575	99.832031	4,993,328.50	5,021,700.00
112,400,000					.719		112,486,583.56	113,269,174.00

===> 0009 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2013 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
14,260,000	FEDERAL NATL MTG ASSN DEBS	31359MTP	5.125	1/02/14	.828	110.102000	15,477,508.40	15,419,338.00
8,450,000	FEDERAL NATL MTG ASSN DEBS	31359MTP	5.125	1/02/14	.854	110.040000	9,167,037.37	9,136,985.00
6,000,000	FEDERAL NATL MTG ASSN DEBS	3135GOAP	1.250	2/27/14	.725	101.387600	6,068,406.18	6,068,406.18

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
14,000,000	FEDERAL NATL MTG ASSN DEBS	3135G0AP	1.250	2/27/14	.725	101.387600	14,159,614.42	14,159,614.42
20,000,000	US TREASURY NOTES	912828KF	1.875	2/28/14	.985	103.039063	20,380,233.60	20,681,200.00
20,000,000	US TREASURY NOTES	912828KF	1.875	2/28/14	1.030	102.578125	20,360,783.75	20,681,200.00
10,000,000	US TREASURY NOTES	912828KN	1.875	4/30/14	1.298	101.742188	10,132,074.27	10,362,500.00
10,000,000	US TREASURY NOTES	912828KV	2.250	5/31/14	1.346	102.796875	10,214,071.02	10,461,700.00
102,710,000					.974		105,959,729.01	106,970,943.60

===> 0008 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2014 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
4,365,000	FED FARM CR BKS CALLABLE	31331K2S	1.170	12/14/15	1.192	99.975000	4,363,842.74	4,369,059.45
7,300,000	FEDERAL HOME LOAN MTG CORP	3134G3FA	1.100	12/30/15	1.115	100.000000	7,300,000.00	7,293,138.00
11,665,000					1.144		11,663,842.74	11,662,197.45

===> 0002 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2015 <===

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
25,000,000	FEDERAL HOME LOAN MTG CORP	3137EACW	2.000	8/25/16	1.295	103.481700	25,812,415.75	25,996,750.00
25,000,000	FEDERAL NATL MTG ASSN DEBS	3136FR3N	1.350	9/20/16	1.369	100.000000	25,000,000.00	25,042,750.00
20,000,000	FEDERAL HOME LOAN MTG CORP	3134G3BT	1.625	11/23/16	1.658	99.950000	19,989,613.46	20,028,000.00
10,000,000	FED NATL MORTGAGE ASSN DEBS	3136FTUZ	1.400	12/30/16	1.419	100.000000	10,000,000.00	9,998,000.00
5,000,000	FED NATL MORTGAGE ASSN DEBS	3136FTUZ	1.400	12/30/16	1.419	100.000000	5,000,000.00	4,999,000.00
85,000,000					1.423		85,802,029.21	86,064,500.00

===> 0005 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> 2016 <===

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
623,595,681					.943		628,672,174.50	631,829,639.20

===> 0045 ITEMS IN SUBTOTAL FOR ===> FUND-NAME....... ===> BOND PROCEEDS INV POOL2 TAXABL <

Portfolio Summary – Severance Tax Bonding Fund

Summary

- The Severance Tax Bonding Fund closed the month of December at $132 Million.

Portfolio Mix

- Severance Tax Bonding Fund Proceeds are invested in the LGIP and overnight repurchase agreement pool.
- Severance Taxes are remitted to the Treasury on a monthly basis and are approximately $35MM per month.
- Severance Tax Bonding Fund holdings are pledged and used to pay debt service on Severance Tax and Supplemental Severance Tax Bonds.
- Once debt service needs are met, the balance in the Severance Tax Bonding Fund is transferred to the Severance Tax Permanent Fund.

Investment Strategy

- At the end of December the Severance Tax Bonding Fund saw significant withdrawls to pay debt service costs.
- The remaining core balance was almost fully invested in the LGIP.
- January's Severance Tax receipt of approximately $36 million is currently in overnight repo.
- Due to its short-term nature, Credit investments of three to six month maturities are also viable investmentsfor the STBF pool.

STATE OF NEW MEXICO

STB FUND (4001)

Portfolio Classification Summary

Positions Held as of 12/31/11

TXN BASIS: TRADE
MKT-SOURCE: IDC-PREFERED+
AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
MONEY MARKET	1	.0027		132,103,197	132,103,197	132,103,197		99.900
UNITS - REPURCHASE POOL	1	.0300	.00274	132,749	132,749	132,749		.100
	2	.0028	.00274	132,235,946	132,235,946	132,235,946		100.000

SOURCE: VisualQED
MODEL: INVENTORY
USER: HANGES
RUN: 1/30/12 @ 14:45:44
BASIS: TRADE (SIC FROM QMARKET-LIBRARY)
AS-OF: 12/30/11
AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/30/11

STATE OF NEW MEXICO
T R E A S U R E R ' S   O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-COST	CURRENT BK	LOC-MKT-VALUE
132,103,197	STBF AS LGIP POOL PARTICIPANT	STBFLGIP	.003			1.000000	132,103,197.24	132,103,197.00
132,749	REPO UNITS FBO STB FUND	UNITREPO				1.000001	132,749.17	132,749.00
132,235,946							132,235,946.41	132,235,946.00

===> 0002 ITEMS IN SUBTOTAL FOR ===> FINAL-MATURITY.. ===> NO-MEANINGFUL-DATE <===

POSITION-SIZ					YIELD		CURRENT BK	LOC-MKT-VALUE
132,235,946							132,235,946.41	132,235,946.00

===> 0002 ITEMS IN SUBTOTAL FOR ===> FUND-NAME....... ===> STB FUND <===

Broker-Dealer Activities

The attached summaries detail activities by STO with our Broker-Dealer counterparties. Activities by dealer and by security type are summarized.

New Mexico State Treasurer's
Executive Summary of Investment Activity
Summary of Broker Participation
Purchases and Sales By Broker, Market & Security Type
All Funds
Fiscal Year 2011-2012

Volume at Par *($ in thousands)*

Broker/Dealer:	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	YTD Total	YTD Percent
Bank of America/MLPFS	35,000	58,450	50,029	20,000	22,300	25,045	-	-	-	-	-	-	210,824	11.0%
Bank of Oklahoma (Bk ABQ)			2,790										2,790	0.1%
Barclays	20,000	-	56,750	50,000	2,700	148,000	-	-	-	-	-	-	277,450	14.5%
BB&T	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
BMO Capital Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
BNP Paribas	70,000	-	20,000	-	20,000	20,000	-	-	-	-	-	-	130,000	6.8%
Cantor Fitzgerald	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Citigroup	20,000	27,260	51,635	50,000	20,000	45,000	-	-	-	-	-	-	213,895	11.2%
Credit Suisse Securities	110,000	-	-	20,000	-	4,365	-	-	-	-	-	-	134,365	7.0%
Deutsche Bank	10,000	24,950	10,000	-	-	-	-	-	-	-	-	-	44,950	2.3%
FTN Financial	25,000	-	11,120	-	20,000	-	-	-	-	-	-	-	56,120	2.9%
Gleacher Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Goldman Sachs	5,000	-	80,000	-	-	-	-	-	-	-	-	-	85,000	4.4%
Great Pacific Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
HSBC	-	-	-	55,000	-	-	-	-	-	-	-	-	55,000	2.9%
JP Morgan	55,000	20,000	-	-	19,385	-	-	-	-	-	-	-	94,385	4.9%
Jefferies	-	-	40,000	-	40,000	25,000	-	-	-	-	-	-	105,000	5.6%
MFR	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Miller, Tabak Roberts	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Mitsubishi UFJ (Repo)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Morgan Keegan	1,900	9,540	-	2,360	-	-	-	-	-	-	-	-	13,800	0.7%
Morgan Stanley	-	25,000	-	-	50,000	-	-	-	-	-	-	-	75,000	3.9%
Muriel Siebert & Co.	-	-	-	10,000	-	-	-	-	-	-	-	-	10,000	0.5%
Nomura Securities	20,000	-	-	7,000	-	-	-	-	-	-	-	-	27,000	1.4%
Northern Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Oppenheimer	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Piper Jaffrey	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
RBS Greenwich Capital	20,000	-	-	-	-	-	-	-	-	-	-	-	20,000	1.0%
South Street (Repo Only)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Stifel Financial	3,175	-	20,000	-	-	20,000	-	-	-	-	-	-	43,175	2.3%
Stone & Youngberg	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
UBS Financial	20,000	-	-	3,000	-	46,905	-	-	-	-	-	-	69,905	3.7%
Vining Sparks	-	-	-	-	20,000	11,660	-	-	-	-	-	-	31,660	1.7%
Williams Capital Group	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Direct Purchase	-	250	8,000	-	-	124,263	-	-	-	-	-	-	132,513	6.9%
Interfund	-	-	-	80,000	-	-	-	-	-	-	-	-	80,000	4.2%
Total	415,075	165,450	350,324	297,360	214,385	470,238	-	-	-	-	-	-	1,912,832	100.0%

Market type:	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	YTD Total	YTD Percent
Primary Market	5,075	9,790	63,574	47,360	79,385	348,763	-	-	-	-	-	-	553,947	29.0%
Secondary Market	410,000	155,660	286,750	250,000	135,000	121,475	-	-	-	-	-	-	1,358,885	71.0%
Total	415,075	165,450	350,324	297,360	214,385	470,238	-	-	-	-	-	-	1,912,832	100.0%

Security type:	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	YTD Total	YTD Percent
CD's	-	250	8,000	-	-	9,100	-	-	-	-	-	-	17,350	0.9%
Corporate Bonds	-	-	-	-	40,000	-	-	-	-	-	-	-	40,000	2.1%
TLGP	-	-	36,750	200,000	5,000	-	-	-	-	-	-	-	241,750	12.6%
Agencies	60,000	135,660	185,000	60,000	150,000	198,930	-	-	-	-	-	-	789,590	41.3%
Commercial Paper	-	-	25,029	35,000	-	147,045	-	-	-	-	-	-	207,074	10.8%
MBS	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Treasuries	350,000	20,000	85,000	-	-	-	-	-	-	-	-	-	455,000	23.8%
Municipal/Sponge	5,075	9,540	10,545	2,360	19,385	115,163	-	-	-	-	-	-	162,068	8.5%
ABS	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Money Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	415,075	165,450	350,324	297,360	214,385	470,238	-	-	-	-	-	-	1,912,832	100.0%

STATE OF NEW MEXICO

Summary of Fixed-Income Purchases and Sales

TRADES During The Period 12/01/11 Through 12/31/11

TXN-DATE	CUSIP#	ASSET-TYPE	INVST#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
				PURCHASE TRANSACTIONS									
12/08/11	86257M6X	COMMERCIAL PAPE	15730	STRAIGHT-A FUNDING LLC	.190	3/08/12	.1901	BANK OF AMERICA	4000	20,000,000.00	19,990,500.00		
12/09/11	86257M6X	COMMERCIAL PAPE	15729	STRAIGHT-A FUNDING LLC	.190	3/08/12	.1901	BANK OF AMERICA	4101	5,045,000.00	5,042,603.63		
12/21/11	06737JZW	COMMERCIAL PAPE	15754	BARCLAYS US FUNDING	.100	12/30/11	.1000	BARCLAYS	1000	25,000,000.00	24,999,444.44		
12/21/11	06737JZW	COMMERCIAL PAPE	15753	BARCLAYS US FUNDING	.100	12/30/11	.1000	BARCLAYS	1001	24,000,000.00	23,999,466.67		
12/21/11	06737JZW	COMMERCIAL PAPE	15755	BARCLAYS US FUNDING	.100	12/30/11	.1000	BARCLAYS	4000	23,000,000.00	22,999,488.89		
12/21/11	06737JZW	COMMERCIAL PAPE	15756	BARCLAYS US FUNDING	.100	12/30/11	.1000	BARCLAYS	4002	25,000,000.00	24,999,444.45		
12/28/11	86257FDV	COMMERCIAL PAPE	15761	STRAIGHT-A FUNDING LLC	.190	3/27/12	.1901	CITI GROUP	4101	25,000,000.00	24,988,125.00		
12/27/11	08118544	CERTIFICATES OF	15767	WESTERN BANK ALAMOGORDO	.700	12/27/12	.7000	SYSTEM - UNIDEN	4002	1,100,000.00	1,100,000.00		
12/28/11	01709924	CERTIFICATES OF	15768	CENTURY BANK	.400	12/27/12	.4000	SYSTEM - UNIDEN	1000	8,000,000.00	8,000,000.00		
12/05/11	31331KU2	FED FARM CR BKS	15725	FEDERAL FARM CR BANKS C	.875	2/17/15	.9307	BNP PARIBAS	1001	20,000,000.00	19,965,000.00		2/17/12
12/06/11	31331KS9	FED FARM CR BKS	15723	FEDERAL FARM CR BANKS C	1.120	11/16/15	1.1721	CITI GROUP	1001	20,000,000.00	19,960,000.00		11/16/12
12/13/11	31331K2S	FED FARM CR BKS	15738	FED FARM CR BKS CALLABL	1.170	12/14/12	1.1700	JEFFRIES & CO	4000	10,000,000.00	10,000,000.00		
12/15/11	31331K2S	FED FARM CR BKS	15744	FED FARM CR BKS CALLABL	1.170	12/14/15	1.1764	CREDIT SUISSE	4002	4,365,000.00	4,363,908.75		12/14/12
12/15/11	3136FTDU	FED FARM CR BKS	15745	FED FARM CR BKS CALLABE	1.125	10/26/15	1.0314	UBS	4000	6,110,000.00	6,114,888.00		10/26/12
12/02/11	313374CD	FED HOME LOAN B	15719	FED HOME LOAN BANK	1.125	9/17/14	.4503	STIFFEL NICOLAU	1000	20,000,000.00	20,105,400.00		9/17/12
12/06/11	3134G3EG	FED HOME LOAN M	15732	FEDERAL HOME LOAN MTG C	1.150	12/30/15	1.1500	VINING SPARKS	1001	11,660,000.00	11,660,000.00		12/30/13
12/07/11	3134G3FA	FED HOME LOAN M	15734	FEDERAL HOME LOAN MTG C	1.100	12/30/15	1.1000	JEFFRIES & CO	1001	10,000,000.00	10,000,000.00		12/30/13
12/07/11	3134G3FA	FED HOME LOAN M	15735	FEDERAL HOME LOAN MTG C	1.100	12/30/15	1.1000	UBS	4000	10,000,000.00	10,000,000.00		12/30/13
12/07/11	3134G3FA	FED HOME LOAN M	15733	FEDERAL HOME LOAN MTG C	1.100	12/30/15	1.1000	UBS	4002	7,300,000.00	7,300,000.00		12/30/13
12/13/11	3135G0ES	FED NATL MORTGA	15737	FEDERAL NATL MTG ASSN D	1.375	11/15/16	1.2099	BARCLAYS	4000	10,000,000.00	10,078,660.00		
12/16/11	3136FTUZ	FED NATL MORTGA	15747	FED NATL MORTGAGE ASSN	1.400	12/30/16	1.4000	UBS	4000	10,000,000.00	10,000,000.00		12/30/13
12/16/11	3136FTUZ	FED NATL MORTGA	15746	FED NATL MORTGAGE ASSN	1.400	12/30/16	1.4000	UBS	4002	10,000,000.00	10,000,000.00		12/30/13
12/19/11	3136FTUZ	FED NATL MORTGA	15749	FED NATL MORTGAGE ASSN	1.400	12/30/16	1.4000	UBS	4000	3,495,000.00	3,495,000.00		12/30/13
12/19/11	3136FTUZ	FED NATL MORTGA	15750	FED NATL MORTGAGE ASSN	1.400	12/30/16	1.4000	JEFFRIES & CO	4002	5,000,000.00	5,000,000.00		12/30/13
12/08/11	31398A7F	FNMA VAR RT NOT	15728	FED NATIONAL MTG ASSN F	.311	12/20/12	.0531	BARCLAYS	1000	20,000,000.00	20,053,040.00		
12/08/11	31398A7F	FNMA VAR RT NOT	15726	FED NATIONAL MTG ASSN F	.311	12/20/12	.0531	BARCLAYS	4101	21,000,000.00	21,055,692.00		
12/29/11	SSTB11SD	MUNICIPAL BOND	15766	SUPP SEV TAX BOND 2011	.335	12/30/11	.3344	SYSTEM - UNIDEN	1000	98,718,500.00	98,718,500.00		
12/29/11	STB11SC	MUNICIPAL BOND	15765	SEV TAX BOND 2011 SC	.335	12/30/11	.3344	SYSTEM - UNIDEN	1000	16,444,400.00	16,444,400.00		
28 PURCHASES DURING PERIOD TOTAL...........										470,237,900.00	470,433,561.83		
=== GRAND-TOTAL ==>										470,237,900.00	470,433,561.83		

*** END-OF-REPORT ***

QUARTERLY STIC REPORT
DECEMBER 2011

STATE OF NEW MEXICO TREASURER
CASH MANAGEMENT PORTFOLIOS

Davidson Fixed Income Management, Inc.
Deanne Woodring, CFA Managing Director
1-866-999-2374 dwoodring@dadco.om

TABLE OF CONTENTS

Executive Summary

Purpose and Scope

Provide the State Treasurer, STIC members and STO staff with a review of investment strategy and portfolio performance relative to the established benchmarks.

Review the management, risk and investment strategies that are employed to meet the investment policy objectives.

Evaluate the performance of the portfolios relative to established benchmarks.

Key Points

Investment Strategy

Objectives: The policy objectives of safety, liquidity and return are being met through effective strategies emphasizing: diversification, credit quality and maturity constraints.

Performance: The performance numbers are not available from JP Morgan for the quarter. Therefore, information is missing in this report and will be reported in the next quarterly report.

Projects

Looking to start standard bi-weekly meetings to provide for guidance and accountability of projects to be completed by STO staff and management. Custodial bank reporting versus QED reporting continues to be a priority to reconcile.

Benchmark review and recommendations are in this report.

Inconsistencies have been found in the investment policy and it is recommended to review the entire policy for updates and clarification of the investment grade terminology.

Review credit process documentation.

Market Overview

As we review the market in 2012, it is important to keep our perspective regarding the significant issues that affected interest rates this year. Just one year ago, ten year treasury yields were trading at 3.30%. Then came the Arab Spring, the Japanese earthquake and tsunami, the debt ceiling debacle, double-dip fears and the mess in Europe. In the middle of all this, S&P downgraded the US debt and yields on Treasury and Agency securities still reached their lowest yields in history. All these crisis points forced investors to flee to quality and that quality remains the US Treasury and GSE debt securities. The significance of the 10-year yield collapse is that longer term yields tend to tell us what the market expects in the future. 10-year treasuries hit a low of 1.695% in mid-September and ended the year just under 2%. This low yield outlook does not give us great hope to see significantly higher yields in the immediate future.

Important considerations for the coming year

- Investment Strategy: It is important to evaluate the purpose of each investment fund to ensure that the investment strategy meets the investment objectives. Longer-term portfolios may perform well in a sustained low rate environment. Balancing risk and return in these longer funds will be critical.
- Credit Default Risk: Was 2008 the worst ever? Does too big to fail to exist? How are municipals really protected? Will the pension exposure be too much for some? Stay tuned and choose wisely.
- Best Practices: Never before have oversight boards been more interested in the investment side of the balance sheet. Investment income is 1/5th of what it was just 5 years ago. Is it the investment strategy or the market or a combination of both. Being transparent, accountable and efficient are key themes.

Fed Policy:

The Fed acknowledges the ongoing difficulties of Europe, saying strains in global financial markets continue to pose significant downside risks to the economic outlook. But they did acknowledge that the domestic economy continues to improve. Housing prices are stabilizing, unemployment remains elevated but confidence is improving. The Fed expects inflation to remain below its long-term target over the next several quarters. The most significant comments from the fed is their continued bias towards easing, a conclusion reinforced by its again mentioning its dual mandate of promoting full employment and price stability. We are not sure how they will ease further. Fed funds remain at 0% and if they add to operation twist, longer-term rates could be significantly impacted.

Source: Action Economics report: Third party provider to DFIM.

Economic Indicators and Composite Economist Outlook : Bloomberg composite economic projections are for growth of GDP, with controlled inflation and improved unemployment

Source: Bloomberg Fed Forecasts

Indicator	2007	2008	2009	2010	2011	2012 est	2013 est
Real GDP	2.10	0.40	-2.40	2.80	1.80	2.30	2.45
CPI (YOY)	2.87	3.85	-0.30	1.60	3.20	2.10	2.10
Unemployment	4.60	5.80	9.30	9.70	9.00	8.50	8.20

Market Overview

Composite Economist's Rate Projections: No change is projected for overnight rates through Q3 2014. Rates in the 2 year and 10 year are not expected to rise until the end of the year.

Maturity	2010 Ending	2011 Ending	Q1 2012 est	Q2 2012 est	Q3 2012 est	Q4 2012 est	Q1 2013 est
Fed Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month	0.30	0.10	0.20	0.25	0.25	0.25	0.25
2 year	0.60	0.24	0.29	0.36	0.45	0.56	0.72
10 year	3.33	1.92	2.04	2.20	2.38	2.59	2.77

Strategy for the New Year 2012

- Keep fully invested and keep liquidity balances minimized
- Move and hold the portfolio durations close to benchmark durations
- Use the yield curve when possible

Portfolio Review – New MexiGrow LGIP

Compliance	Observations
Sector Allocation	The portfolio is compliant with policy and meets the standards of the AAA rating by S&P. The exposure to bank deposits was reduced this quarter to 54%. Note that on STO holdings report lists the bank deposits are listed as Repurchase Agreements instead of Bank Deposits. STO is working on correcting the software to accept Bank Deposits.
Credit Quality	The portfolio remains in high quality securities as 26.3% is in US treasury holdings and TLGP paper. TLGP holdings were increased this quarter. Also purchased this quarter was a AAA rated Supranational World Bank bond– also know as International Bank for Reconstruction & Development. The sponsor of this bond is multi-government and the mission of the Supranational is to provide development financings, advisory services and other financial services to member countries to achieve overall goal of improving living standards through sustainable economic growth. Par amount of the IBRD bond is $20,000,000.00.
Maturity Sector	The maturity is weighted to overnight holdings and the weighted average maturity is 56 days. The portfolio manager has added floating and variable rate notes with longer stated maturities. S&P and 2a7 rule, state that the Weighted Average Maturity is measured to the reset date of these securities and Weighted Average Life (WAL) is measured to the final maturity date. The current WAL is 111.6 days versus the maximum allowable of 120 days.

Portfolio Review- New MexiGrow LGIP

Objectives	*Observations*
Safety	The portfolio is maintaining its AAA rating by S&P and had the highest quality investments in the portfolio. The bank collateral is being monitored closely by STO to ensure safety of those assets.
Liquidity	Liquidity is being provided through bank deposits and 56% of the fund in these positions
Return	The portfolio is providing a yield which is consistent with the investment parameters.

Portfolio Review – New MexiGrow LGIP

Performance	*Observations*
Yield	The Gross Yield on the pool is .26% and .21 Net Yield for the quarter.
Comparison to Benchmark	The benchmark is the S&P GIP AAA rated government funds. This consists of funds that invest similar to the LGIP and are rated AAA by S&P. The return of the benchmark for the quarter was .10% Gross Yield and .01% Net Yield. The primary difference in performance was the LGIP's allocation in bank deposits versus the benchmark allocation in repurchase agreements and the fees charged by S&P GIPS.
Outlook	The floating rate notes are adding yield through the reset rates on those securities. The outlook for interest rates remains low, therefore, the portfolio managers strategy of maximizing the WAM and WAL will continue to add value to the fund. Diversifying the portfolio with the use of the IBRD (World Bank) note is adding value as well. World Bank is currently selling more issues to US investors because they can be more competitive in rates with the decline in issuance by other GSEs.

Asset Allocation – New MexiGrow LGIP

LIQUIDITY VS INVESTMENT	MARKET VALUE	% FUND
Liquid Component- Bank/Repo	$512,130,523	58.12%
Invested Component	$369,075,469	41.88%
Total Fund	$881,205,992	100%

ASSET ALLOCATION	MARKET VALUE	% FUND
Bank Deposits - 5 Banks	$482,098,813	54.71%
LGIP Bank Account	$0	0.00%
Money Market Funds	$0	0.00%
Bank CDs	$0	0.00%
Commercial Paper	$30,031,710	3.41%
US Treasury Notes/Bills	$125,361,350	14.23%
GSE Agency Issues	$116,631,280	13.24%
TLGP Notes/Variable	$107,082,839	12.15%
Municipals	$0	0.00%
Corporate Bonds-Supranational	$20,000,000	2.27%
Total Fund	$881,205,992	100.00%

WAM	MAXIMUM	CURRENT	% OF MAXIMUM
Days	60	57	95%

WAL	MAXIMUM	CURRENT	% OF MAXIMUM
Days	111.7	120	93%

Source: STO Reports

Performance Analysis –New MexiGrow LGIP

Period Ending		12/31/2011		
LGIP	% Allocation	S&P GIP Pools	% Allocation	Difference
Agency *includes TLGP	25.39%	Agency	36.51%	-11.12%
Bank Deposits	54.71%	Bank Deposits	13.34%	41.37%
Corporates-Supranational	2.27%	Corporates	0.00%	2.27%
Commercial Paper	3.41%	Commercial Paper	0.00%	3.41%
Money Market Funds	0.00%	Money Market Funds	5.14%	-5.14%
Municipal Debt	0.00%	Municipal Debt	0.39%	-0.39%
Treasury	14.23%	Treasury	3.46%	10.77%
Repurchase Securities	0.00%	Repurchase Securities	40.93%	-40.93%
Average Maturity to Reset	57	Average Maturity	41	16

	12/31/2011	Quarter	Prev. Quarter	12 month
LGIP - Gross 30 day	0.279%	0.26%	0.28%	0.28%
LGIP - Net 30 day	0.229%	0.21%	0.23%	0.23%
S&P GIP Govt - Gross	0.20%	0.10%	0.15%	0.17%
S&P GIP Govt - Net	0.08%	0.01%	0.06%	0.08%
T Bill 3 month	0.01%	0.00%	0.02%	0.05%

Source: S&P and STO reports

Portfolio Review – General Fund

Compliance	*Observations*
Sector Allocation	GSE and Municipal securities were added this quarter as overall general funds increased. JP Morgan data was not available for this report, therefore, DFIM switched back to using QED data. Several New Mexico school bonds were purchased this quarter and they have only one rating by Moody's. None are rated by S&P, therefore, they do show as non-rated on the JP report from November 2011. The investment policy regarding the ratings of New Mexico political subdivisions is unclear on rating requirements for these bonds.
Credit Quality	The corporate holdings are down to $20,000,000 in the general fund with positions in Morgan Stanley due 4/12 and Abbott Labs due in 11/12 remaining. The book yield on these securities are 5.37% as they were purchased several years ago.
Maturity Sector	Duration was extended in the general core fund this quarter and the maturities are within the 5 year maximum policy constraint. The QED system has the duration at 2.34 years, but DFIM believes this is the duration to maturity versus OAS duration. OAS duration is what JP Morgan reports provide, therefore, the duration of 2.34 years may be overstated.

Portfolio Review – General Fund

Objectives	*Observations*
Safety	The portfolio remains diversified among allowable sectors. GSE and Municipal securities were increased and cash was decreased.
Liquidity	The liquidity component of the fund represented 37% of the total fund balance on 12/31/11. The portfolio managers continue to focus on keeping these balances at a minimum while meeting the cash flow demands of the state. The liquidity funds book yield on 12/31/11 was .10%.
Return	The earnings rate on the core fund balance was 1.25% down from 1.39% the previous quarter. The average earnings on the total portfolio at quarter end was .82%.

Portfolio Review – General Fund

Performance	Observations
Yield	The yield is consistent with the type of maturities in the portfolio and the average maturity. The core fund portfolio ended the quarter at an earnings yield of 1.35%.
Total Return Comparison to Benchmark	Total Return performance numbers are not available from JP Morgan at this time. These numbers will be reported next quarter.
Outlook	The General Fund is benefiting from the portfolio managers extending the duration and remaining fully invested. Continued efforts on reducing the dependence on repurchase agreements and managing cash flow would assist in some of the accounting issues. Additionally, consideration to adding corporate quality credits may provide earnings benefits to the portfolio.

Portfolio Review – General Fund

TOTAL PORTFOLIO	12/31/2011						
LIQUIDITY VS INVESTMENT	MARKET VALUE	% FUND					DIFFERENCE
	9/30/2011		12/31/2011				
Liquidity Component	$ 565,564,913	41%	$ 551,442,887	37%		$ (14,122,026)	
Invested Component	$ 817,634,568	59%	$ 928,349,393	63%		$ 110,714,825	
Total Portfolio	$ 1,383,199,481	100%	$ 1,479,792,280			$ 96,592,799	
	** JP Morgan Data						

CORE FUND	9/30/2011		12/31/2011		
ASSET ALLOCATION	MARKET VALUE	% FUND	MARKET VALUE	% FUND	DIFFERENCE
Treasuries	$ 373,452,633.89	45.7%	$ 372,092,750	40.1%	$ (1,359,884)
Agencies	$ 375,784,571.40	46.0%	$ 463,221,921	49.9%	$ 87,437,350
Corporates	$ 21,267,897.22	2.6%	$ 20,503,200	2.2%	$ (764,697)
Municipals	$ 45,103,866.78	5.5%	$ 67,983,150	7.3%	$ 22,879,283
Cash and Cash Equivalent	$ 2,025,598.54	0.2%	$ 4,548,372	0.5%	$ 2,522,773
Total Fund	$ 817,634,567.83	100%	$ 928,349,393	100%	$ 110,714,825
	** JP Morgan Data		QED Data - STO		

CORE FUND	9/30/2011	12/31/2011		
MATURITY/DURATION	YEARS	YEARS	% of BENCHMARK	DIFFERENCE
Effective Duration	1.95	n/a	n/a	n/a
Benchmark Duration	1.96	1.96		
WAM	2.08	2.47		0.39
		* QED Duration		

PERFORMANCE	9/30/2011	12/31/2011
Book Yield		
Earnings Yield General Total	0.90%	0.82%
Earnings Yield Core Investments	1.39%	1.25%
	Current Qtr	Fiscal YTD
Total Return		
Return of Total Portfolio	n/a	n/a
Return of Total GF Benchmark	n/a	n/a
Return of Core Investments	n/a	n/a
Return of Benchmark	n/a	n/a

* Benchmark - 15% -0-1 year/70% 1-5 Agency Bullet / 15% 1-5 Callable Agency

Portfolio Review – BPIP Taxable Fund

Compliance	Observations
Sector Allocation	The fund decreased by $46,299,582 in total balances, securities were sold and cash balanced increased to meet expected cash flows.
Credit Quality	The portfolio has two corporate financial bonds in the portfolio, Goldman due 9/1/12 and Morgan Stanley due 8/31/12. These bonds have been exposed to the volatility of the financial markets. There are two Credit Union Stabilization bonds that have the implied support of the US government in the fund.
Maturity Sector	The average maturity of the overall fund decreased with the increase in cash and decrease in investments.

Objectives	Observations
Safety	The portfolio remains well diversified between issuers and high quality.
Liquidity	Liquidity increases will protect against having to sell securities for liquidity purposes.
Return	The yield of .97% is consistent with the maturity structure and quality of the holdings in the portfolio.

Portfolio Review – Taxable

Performance	Observations
Yield	The yield in the portfolio dropped this quarter given the changes to the structure of the portfolio. Last quarter the earnings rate was 1.09%, while this quarter it ended at .97%.
Total Return Comparison to Benchmark	The performance data is not available from JP Morgan.
Outlook	Continue to balance the cash flow needs of the portfolio while remaining fully invested. The portfolio is positioned well going into future lower rates.

Portfolio Review – Taxable

TAXABLE PORTFOLIO	9/30/2011		12/31/2011		
LIQUIDITY VS INVESTMENT	MARKET VALUE	% FUND	MARKET VALUE	% FUND	DIFFERENCE
Liquidity Component	$56,834,078	8%	$ 165,110,681	26%	$108,276,602.80
Invested Component	$621,294,937	92%	$ 466,718,751	74%	($154,576,185.67)
Total Portfolio	$678,129,015	100%	$ 631,829,432		($46,299,582.87)
	** JP Morgan Data		QED Reports		

	9/30/2011		12/31/2011		
ASSET ALLOCATION	MARKET VALUE	% FUND	MARKET VALUE	% FUND	DIFFERENCE
Treasuries	$153,205,101	22.59%	$ 152,734,950	24.17%	$ (470,150.59)
Agencies	$452,587,079	66.74%	$ 298,743,501	47.28%	$ (153,843,578.14)
Corporates	$15,502,757	2.29%	$ 15,240,300	2.41%	$ (262,456.94)
Municipals	$0	0.00%	$ -	0.00%	$ -
Cash and Cash Equivalent	$56,834,078	8.38%	$ 165,110,681	26.13%	$ 108,276,602.80
Total Fund	$678,129,015	100%	$ 631,829,432		$ (46,299,582.87)
	** JP Morgan Data		QED Reports		

	9/30/2011	12/31/2011		
MATURITY/DURATION	YEARS	YEARS	% of BENCHMARK	DIFFERENCE
Effective Duration	1.24	n/a		
Benchmark Duration	1.69	1.69		
WAM	1.36	1.24		

PERFORMANCE	9/30/2011	12/31/2011	
Book Yield: Period Ending			
Earnings Yield Taxable Total	1.09%	0.97%	
	Current Qtr		Fiscal YTD
Total Return			
Return of Taxable Portfolio	n/a	n/a	n/a
Return of Benchmark	n/a	na	n/a

* Benchmark - 10% -0-3 Treasury/90% 1-3 Agency Total

Source: JP Morgan Data

Portfolio Review – BPIP Tax-Exempt Fund

Compliance	*Observations*
Sector Allocation	Asset Allocation is in policy compliance. This quarter the total balances of the fund declined by only $15,712,164 versus $177,925,132 last quarter. The cash balances increased.
Credit Quality	The portfolio remains invested in high quality US Treasury and GSE agency securities only.
Maturity Sector	The maturity of the overall fund declined with the increase in cash and limited activity.

Objectives	Observations
Safety	Due to the high weighting in US Treasury backed securities the fund is very high quality.
Liquidity	Continue to track cash flow needs to prevent from being required to sell investment holdings.
Return	The return of the portfolio is consistent with the maturity and securities in the portfolio.

Portfolio Review – BPIP Tax-Exempt Fund

Performance	Observations
Yield	The earnings yield on the portfolio at the end of the quarter was .96%.
Total Return Comparison to Benchmark	The portfolio performance is not available at this time.
Outlook	Continue to track cash flow demands, while keeping fully invested. This portfolio is primarily a cash managed portfolio and the benchmark will provide performance perspective on the portfolio, but the priority is to manage the cash flows in the fund.

Portfolio Review – Tax Exempt

TAX EXEMPT PORTFOLIO	9/30/2011		12/31/2011			
LIQUIDITY VS INVESTMENT	MARKET VALUE	% FUND	MARKET VALUE	% FUND	DIFFERENCE	
Liquidity Component	$ 59,053,148	13%	$ 63,726,360		$	4,673,212
Invested Component	$ 404,821,544	87%	$ 415,860,496		$	11,038,952
Total Portfolio	$ 463,874,692	100%	$ 479,586,856		$	15,712,164
	** JP Morgan Data		QED data			

	9/30/2011		12/31/2011			
ASSET ALLOCATION	MARKET VALUE	% FUND	MARKET VALUE	% FUND	DIFFERENCE	
Treasuries	$41,091,042	8.86%	$ 40,857,300	8.52%	$	(233,742)
Agencies	$363,730,503	78.41%	$ 355,010,374	74.02%	$	(8,720,129)
Corporates	$0	0.00%	$ -	0.00%	$	-
Municipals	$0	0.00%	$ -	0.00%	$	-
Cash and Cash Equivalent	$59,053,148	12.73%	$ 83,719,182	17.46%	$	24,666,034
Total Fund	$463,874,692	100%	$ 479,586,856		$	15,712,164
	** JP Morgan Data		QED data			

	9/30/2011		12/31/2011	
MATURITY/DURATION	YEARS	% of BENCHMARK		DIFFERENCE
Effective Duration	1.24	74%	n/a	0.55
Benchmark Duration	1.69		n/a	0.02
WAM	1.36		1.09	0.31

PERFORMANCE	9/30/2011	12/31/2011	
Book Yield: Period Ending			
Earnings Yield Tax Exempt	0.98%	0.96%	
	9/30/2011	12/31/2011	Fiscal YTD
Total Return			
Return of Tax Exempt Portfolio	0.15%		n/a
Return of Benchmark	0.37%		n/a

* Benchmark - 10% -0-3 year/90% 1-3 Agency All

DFIM Disclosures:

- This report is provided for the purpose of assisting in the monitoring of the portfolios.
- The data is provided by JP Morgan and STO internal reports from QED
- Additional, data is used from reports provided by STO reports.
- The information contained herein has been obtained from, or is based upon, sources believed by us to be reliable but no representation or warranty is made as to its accuracy or completeness.
- Opinions expressed are solely those of DFIM and its employees .

Purpose of a benchmark

Benchmarks are utilized for several reasons: 1) To provide for more effective accountability to investment decisions of the portfolio managers; 2) To ensure the assets in the portfolio are performing in a manner that is consistent with market returns; and 3) To provide for more effective tools for portfolio managers and oversight committees to assess risk and return expectations.

Basis for selecting a benchmark: The benchmark should represent the risk and return expectations of each fund in a normal interest and credit rate environment. It provides the starting point for the portfolio manager to construct and change the portfolio on an ongoing basis from the perspective of risk and return.

What is a Benchmark: In most cases investors choose a market "index" or combination of indices, as their portfolio benchmark. An index tracks the performance of a broad asset class, such as the Barclays Aggregate (treasury, agency, corporate and mortgages) or a narrower slice of the market such as all non-callable agency bonds. Indices track returns on a buy-and-hold basis and make no attempt to determine which securities are the most attractive, therefore, they represent a "passive" investment approach and can provide a good benchmark against which to compare the performance of a portfolio that is actively managed. Using an index, it is possible to see how much value an active manager adds, but it also supports the manager's decisions to adjust the portfolio in high risk and low risk environments.

Properties

Properties of a valid benchmark

Unambiguous: The identities and weights of securities or factor exposures constituting the benchmark are clearly defined.

Investable: It is possible to forgo active management and simply hold the benchmark.

Measurable: The benchmark's return is readily calculable on a reasonably frequent basis.

Appropriate: The benchmark is consistent with the manager's investment style or area of expertise.

Reflective of current investment opinions: The manager has current investment knowledge (be it positive, negative, or neutral) of the securities or factor exposures within the benchmark.

Specified in advance: The benchmark is specified prior to the start of an evaluation period and known to all interested parties.

Owned: The investment manager should be aware of and accept accountability for the constituents and performance of the benchmark. It is encouraged that the benchmark be embedded in and integral to the investment process and procedures of the investment manager.

Source: CFA Institute

Tests of benchmark quality

Appropriate benchmarks increase the proficiency of performance evaluation, highlighting the contributions of skillful managers. Poor benchmarks obscure manager skills. Good benchmarks enhance the capability to manage investment risk. Poor benchmarks promote inefficient manager allocations and ineffective risk management. They also increase the likelihood of unpleasant surprises, which can lead to counter-productive actions and unnecessary expense on the part of the fund sponsor. There are several tests that can be done to evaluate the quality of the benchmark, such as tracking historical returns and standard deviations.

Properties

TYPES OF BENCHMARKS

Cash Management Benchmarks – tend to be used as a reference point to the risk free (treasury) market or 100% Treasury indices. When these indices are utilized, portfolio managers and oversight committee can accurately measure the impact of cash flows, liquidity demands and investment choices relative to return. For example: If the portfolio was invested in 100% agency securities with the exact same duration as the index, added performance would be due asset allocation choice of the higher yielding agency securities versus treasury securities. If the portfolio was invested in 100% agency securities, with duration at 80% of the benchmark, then the portfolio characteristics relative to the benchmark reflect a lower interest rate risk (duration) and higher credit risk profile. If the returns are the same over a stated period, then it could be assessed that the portfolio generated a higher risk adjusted return if the credit risk was considered less than the duration risk.

When the asset allocation choices are removed from the benchmark selection equation, it comes down to determining the appropriate duration of the benchmark (market price risk).

Total Return Benchmarks – tend to be used by investment managers that are not impacted by variable cash flows. The portfolio size and requirements remain relatively stable and the objective of the fund is to grow and maximize returns. Typically, a total return manager is active in buying and selling securities to make market adjustments based on expected outcomes and to weight the portfolio classes relative to the benchmark. Blended customized benchmark, which have various asset structures, are more difficult to interpret portfolio manager value.

Investment Policy Reference to Performance Benchmarks

O. Selection of Investment Advisors, Consultants/Managers

5. The investment advisor, consultant or manager shall report quarterly, in writing, to the investment committee. The report shall (i) establish performance benchmarks for the state treasurer's portfolios, if performance benchmarks are not established by the state treasurer, and (ii) review recommended investments, portfolio strategies and/or performance against the benchmarks. The report shall be included in the state treasurer's next monthly report to the state board of finance. Performance benchmarks established by the state treasurer or the investment advisor, consultant and /or manager must be approved by the state board of finance.

P. Performance Benchmarks: The investment portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the *investment risk constraints of cash flow needs of the state.*

1. *Short-term funds and funds that must maintain a high degree of liquidity will be compared to an appropriate short-term index that has been approved by the board of finance.*
2. *Medium term investments and other funds that have longer terms shall be compared to indices of similar duration that have been approved by the state board of finance.*
3. *Investment returns (to include total return) shall be calculated by the state treasurer and reported to the investment committee and state board of finance on a quarterly basis. Returns will be reported and compared to appropriate benchmarks for the most recent period and the trailing twelve months.*
4. *Upon sufficient appropriation by the state legislature, an independent investment consultant, selected by the state treasurer and approved by the board of finance shall calculate quarterly investment performance against established benchmarks and report the evaluation results to the investment committee and the state board of finance.*

DFA Performance Benchmark for Total General Funds

DFA has an established benchmark performance target for the STO General Funds to outperform the designated benchmark by 5 basis points.

This past fiscal year on a blended basis the Total General Fund total return was 1.05% versus the blended benchmark of .983% resulting in a positive variance of 6.7basis points.

When reviewing current benchmarks consideration to the overall fund benchmark should be incorporated.

Total Fund Balance		1 Year Period		
Annual Wgt Balance	% Holdings	Weighted Return	Benchmark Return	Difference
$ 548,375,622.64	45%			
$ 667,867,618.72	55%			
$ 1,216,243,241.36		1.05%	0.983%	6.7 bp

STO Benchmark for General Fund

LIQUIDITY FUND: The current benchmark is the S&P GIP's Benchmark.

Recommendation: Keep this as the benchmark for liquidity.

CORE FUND: The current benchmarks at STO are customized and represent specific maturity buckets as well as asset allocation structure. Consideration should be given to the type of management that occurs in the fund.

Alternative. #1: Total Return Benchmark Recommendation

Current Benchmark –General Fund Core –(BB Code)
15% 0-1 Treasury BofA ML index (GOQA)
70% 0-5 Agency Bullet BofA ML Index (GVPB)
15% 0-5 Agency Callable BofA ML Index (GVPC)

Duration 12/31/11 - 1.96Years

Alternative # 2: Cash Management Benchmark

Treasury Benchmark
100% 1-3 Year Index (G1O2)
Duration 12/31/11 1.88 Years
or
100% 0-5 US Treasury Index (GVQA)
Duration 12/31/11 – 2.14 years

Recommendation: Discuss at STIC Meeting

TOTAL GENERAL FUND BENCHMARK: This is the benchmark that will be presented to DFA annually and their objective is for the total general fund to outperform the benchmark by 5 basis points.

Recommendation: 50% S&P GIPS's
50% CORE FUND BENCHMARK

STO Benchmark for General Fund Historical Analysis

The investment policy (P.3.) requires that the portfolio be compared to the benchmark for the current quarter and the trailing 12 months.

As of 6/30/11			
GENERAL FUND ALTERNATIVES			
	1 Year	3 Year	Duration
General Fund Core	1.65	3.26	1.48
Current Benchmark	1.91	3.75	1.87
ML 1-3 Treasury Index	1.33	2.80	1.88
ML 0-5 Treasury Index	2.14	3.30	2.17

STO Benchmark for BPIP Funds

The BPIP funds are managed to provide cash flow for scheduled project and bond proceeds. Additionally, the tax-exempt funds earnings yield is currently tracked against the weighted issuance rate. Consideration of the objectives of the BPIP funds as total return funds versus cash managed assets must be determined to assist in selecting the most appropriate benchmark.

Alternative. #1: Total Return Benchmark

Current Benchmark – BPIP – Project Funds
10% 0-1 Treasury BofA ML Index (GOQA)
90% 0-3 All Agency BofA ML Index (G1P0)

Duration 12/31/11 – 1.65 Years

Alternative # 2: Cash Management Benchmark
100% Treasury 0-3

Duration 12/31/11 – 1.42 years

Recommendation: to be discussed at the STIC meeting

Benchmark Review

STO Benchmark for LGIP

The LGIP fund is currently benchmarks to the S&P GIP all government index. This is a representation of all Government Investment Pools that are rated by S&P.

Current Benchmark – LGIP
100% S&P GIPS all government funds

Duration 12/31/11 – .41 days

Recommendation: Continue to use this benchmark

Benchmark Review

STO Summary of benchmarks and sample report for future quarterly executive summary.

Sample report for future executive summary page of the quarterly report to provide to the state board of finance. The data in the table is for quarter ending 6/30/11 and for the fiscal year period with current benchmarks.

PORTFOLIO PERFORMANCE	Current Quarter	Trailing 1 Year	Difference
Total General Fund	.58	1.05	
Total General Fund Benchmark	.49	.983	.067
General Fund Core	.84	1.59	
General Fund Benchmark	.97	1.70	-.11
BPIP Taxable	.69	.80	
BPIP Taxable Benchmark	.80	1.47	-.67
BPIP Tax Exempt	.58	.93	
BPIP TaxExempt Benchmark	.80	1.47	-.54
LGIP Pool -Gross	.28	.28	
LGIP Pool Benchmark -Gross	.18	.25	.03

The data in the table is for quarter ending 6/30/11 and for the fiscal year period with cash management benchmarks.

PORTFOLIO PERFORMANCE	Current Quarter	Trailing 1 Year	Difference
Total General Fund	.58	1.05	
Total General Fund Benchmark	.49	.72	.33
General Fund Core	.84	1.59	
Treasury 1-3 Benchmark	.95	1.33	.26
BPIP Taxable	.69	.80	
Treasury 0-3 Benchmark	.76	1.06	-.26
BPIP Tax Exempt	.58	.93	
Treasury 0-3 Benchmark	.76	1.06	-.13
LGIP Pool	.28	.28	
LGIP Pool Benchmark	.18	.25	.03

DAVIDSON COMPANIES

Davidson Fixed Income Management

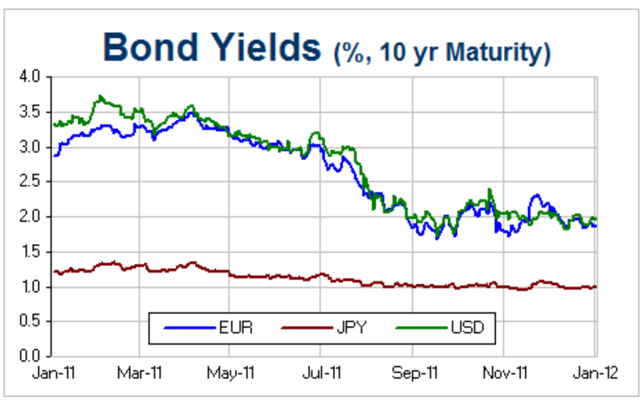
REGISTERED INVESTMENT ADVISER

U.S. Economic and Fixed Income Market Review for Q4 2011

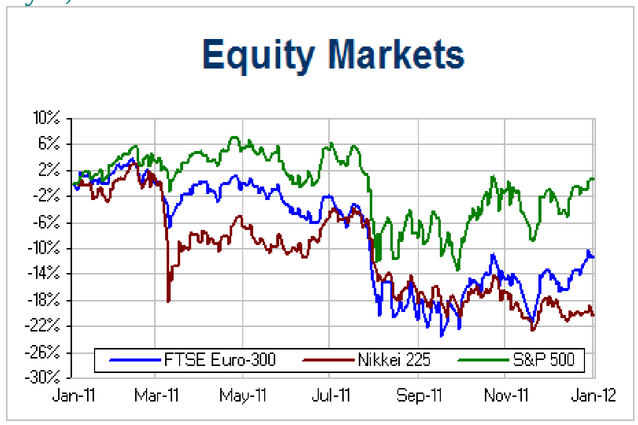
Prepared January 6, 2012

Treasury Market Held Hostage by Europe

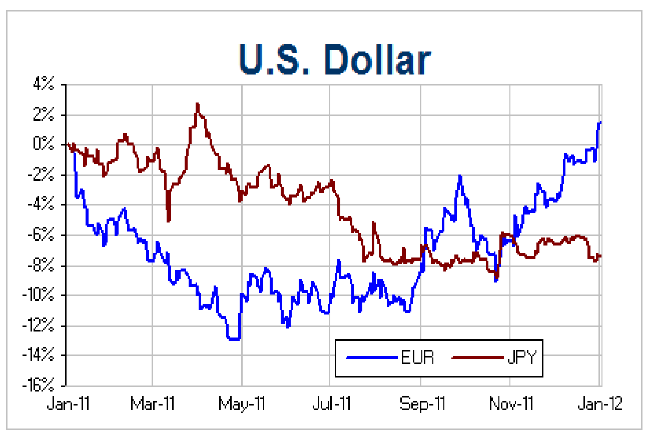
Europe remained in myopic focus in the fourth quarter of 2011. Tension lifted in October as the Eurozone came up with a fresh "Master Plan" to avoid mass default and credit default swap (CDS) haircuts in the region. The announcement effect of that plan was sufficient to drive yields to the highest level of the quarter. But cold, hard, reality set in over the span of the period and credit contagion was supplanted by a year-end liquidity squeeze. Yields subsequently drifted lower and Eurozone credit spreads erupted again before those trends were arrested by a fresh "temporary" bilateral dollar swap agreement in late November among six central banks at sharply discounted rates aimed at restoring some semblance of calm.



According to the Fed, the coordinated action was "to enhance their capability to provide liquidity support to the global financial system. The purpose of these actions is to ease strains in financial markets and thereby mitigate the effects of such strains on the supply of credit to households and businesses and so help foster economic activity." The banks also retained the option of offering non-dollar liquidity in a pinch.

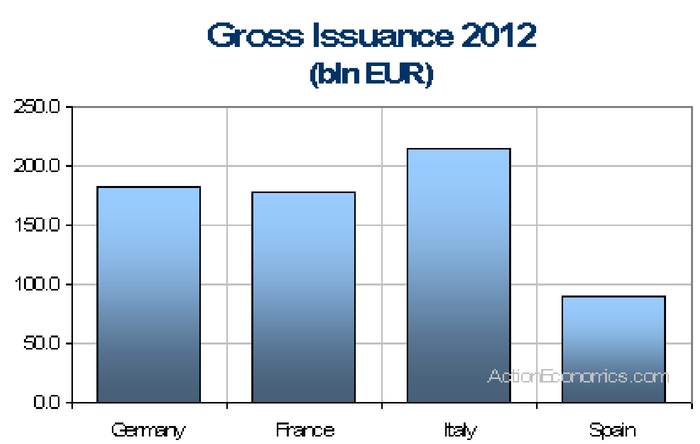


The S&P 500 began the quarter in panic mode as risk-off was the preferred investor stance with Greece, Spain and Italy elbowing each other on the podium of the ugly pageant. From lows under 1,100 the equity index made a steady ascent before stalling under 1,300 again into year-end. Likewise, the VIX equity volatility index began the quarter over 45.0, priced for high risk in Europe, virtually cutting that in half by December before bottoming out ahead of 20.0 and beginning the New Year around 22.0.



The dollar index initially retreated sharply to start off October, having been beaten back by EU proposals aimed at restoring investor confidence. But it quickly based near 75.0 after it became clear that the ECB's 3-year long-term refinancing operations (LTROs) were virtual quantitative easing in drag. Bank balance sheets were not repaired in Europe and, in fact, deposits at the ECB surged rather than the fresh funding being recycled in higher yielding Italian, Spanish or Portuguese debt as planned. This was taken as a sign of euro weakness instead, helping propel the dollar back over 80.0 late in the year. Conversely, from highs of over $1.42 in October the euro sank to year-end lows near $1.2850 and carried lower into January.

Persistent rumors of bank failures in Europe and sovereign ratings downgrade threats continued to plague the markets. Even bouts of optimism appeared to be constrained by these ever-present threats. The ECB has been also forced to regularly smooth the jerky price action in European bonds, even potentially running into the limits of sterilization on these operations. That has placed some estimates of the ECB's balance sheet well in excess of the Fed's. Ratings agencies warned that individual countries and their collective safety mechanisms, such as the European Financial Stability Facility (EFSF) were under negative watch. Critically, a potential downgrade on either France or Germany from an AAA-rating could tip the scales over future funding costs of even these core countries at a very inopportune time.



Estimates suggest that eurozone refinancing needs amount to around EUR 865 bln this year, and the heavy redemption schedule in Q1 could become a Sisyphean uphill struggle, especially for Italy. But European sovereigns are not the only ones facing high redemptions and financing needs. Estimates suggest that European banks are facing nearly EUR 800 bln of debt that comes due in 2012 and which largely needs to be rolled over. That at a time when markets remain nervous about the stability of the Eurozone boosted break up speculation. Banks are the main holders of eurozone sovereign debt and if one country defaults or leaves the eurozone it will have considerable knock-on effects. New capital rules, which will be enforced by the EBA and come into effect in the middle of next year, seek to improve the capital position of banks partly as a back up for this eventuality, but this alone will not be sufficient.

It is clear that the ECB has a crucial role in all of this and the 3-year cash injection has helped to stabilize demand for sovereign bonds somewhat and bring short-term rates down. There is another 3-year auction in March and banks will need collateral for these auctions. In the past banks used their own debt as collateral, but the ECB has limited this possibility, so the ECB's auctions should support demand for eurozone bonds at least from European banks, which can quickly flip them into cash again.

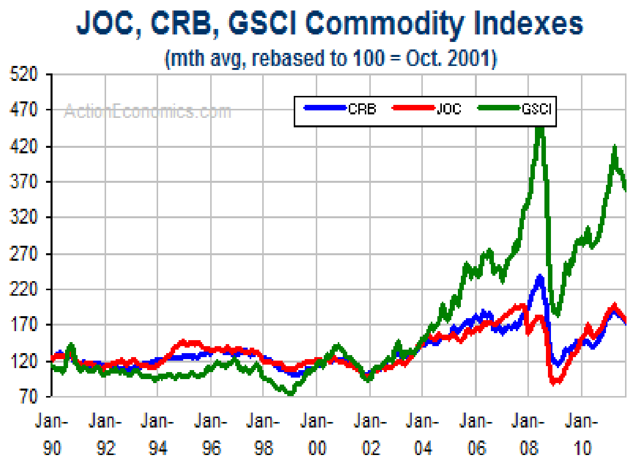
However, what the ECB cannot ensure is that these funds will also be passed on in the form of loans. So far banks are still hoarding most of the additional cash in the ECB's deposit facility. With more stringent capital requirements looming on the horizon, the risk of a full blown credit crunch is rising. At the same time it remains to be seen if the ECB's actions so far can prevent a funding crisis for sovereigns amid the heavy redemption schedule. With Italy's Monti at the ECB's helm, and a Belgian as the new chief economist, odds favor the ECB doing even more to support governments.

Commodities - Market Quotes

1/6/2012	current level	Chg Over			
		1 wk	4 wks	13 wks	1 year
CRB	309.5	0.3%	-0.2%	2.0%	-4.5%
GSCI	661.9	0.1%	1.3%	9.1%	7.2%
Oil	101.56	-0.2%	1.1%	22.4%	15.4%
Gold	1617.95	-0.3%	-7.1%	-1.2%	18.1%
Copper	346.59	0.6%	-3.7%	3.6%	-19.9%

Over the back half of the year commodity prices were tamed by slowing of global growth and deleveraging of long-held macro-bets in the sector. In some perverse reciprocity, elevated commodities earlier in the year likely contributed to the slowdown as well, taxing consumers and squeezing producers alike. From the high 660.0 area in

September the CRB future tumbled 100 points to 560.0 by October before stabilizing then diving again into year-end.



However, friction over Iran sanctions due to its nuclear policy has manifested in the Straits of Hormuz and saber-rattling vs. the U.S. Fleet boosted crude oil prices back above $100 barrel in January. NYMEX crude began the quarter near $75 as Europe appeared on the brink of implosion, before safety lines thrown from the ECB and the gang of six central banks revived growth hopes once more.

As an indicator of credit risk, 2-year dollar swap spread blew through 2010 wides near +50 basis points (bp) to climb as high as +55 bp just prior to the central bank swap agreement before consolidating back below 50.0 again – still about a third of 2008 crisis highs. Less drama on the 10-year swap spread saw a narrowing from the +20 bp area to +15 bp.

Americas - Market Quotes

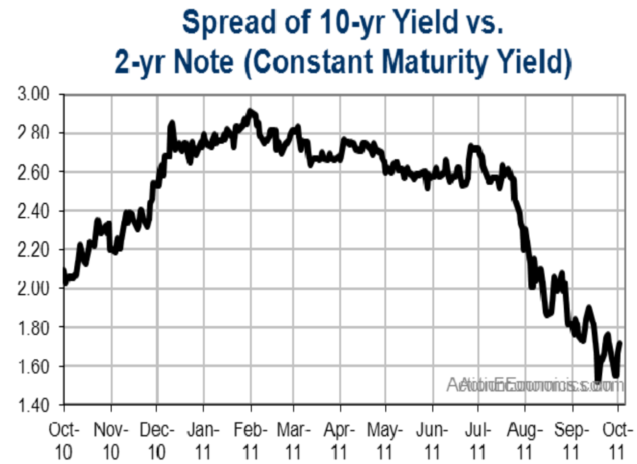
1/6/2012	current level	Chg Over 1 wk	4 wks	13 wks	1 year
S&P 500	1277.8	-0.3%	1.3%	10.6%	0.5%
Dow Indust.	12359.9	-0.4%	1.3%	11.3%	5.9%
Nasdaq Comp.	2674.2	0.2%	0.9%	7.9%	-1.1%
S&P/TSE Comp.	12188.6	-0.4%	0.3%	5.2%	-8.2%
Mex Bolsa	36804.1	-0.6%	-0.7%	11.5%	-4.7%
US 1yr yld	1.13	0.00	0.05	0.24	0.34
Canada 1yr yld	1.82	0.00	0.05	0.16	-0.08
US 10yr yld	1.96	-0.04	-0.07	-0.12	-1.37
Canada 10yr yld	1.94	-0.04	-0.12	-0.30	-1.25
USD-MXP	13.74	-0.2%	1.7%	2.1%	12.3%
USD-CAD	1.028	0.8%	1.8%	-1.1%	3.5%

Gold in Q4 was not the one-way bet it appeared to be in Q3 when it hit historic highs of $1,920 amid central bank reflationary leanings. With economic demand cooling in Asia and Europe, that left gold vulnerable to joining the commodity-led correction. In addition, rumors of European national central banks (NCBs) selling gold to help finance their domestic banking systems persisted, along with deleveraging. From highs over $1,800 this quarter the metal slumped to lows of $1,520 at year-end before bubbling back over $1,600 on risk factors in North Korea and Iran.

The 2-year note yield bubbled back up from historic lows of 0.142% set in September, pivoting around 0.25% for much of the quarter. Fed Op-Twist selling helped keep a floor under the short yield along with improved U.S. data, while the steady Fed at 0-0.25% and global credit/liquidity stress helped cap it. FOMC minutes of the Dec-13 meeting intriguingly revealed that the Fed is considering releasing individual forecasts of its target rate, and targeting ultra-low rates past mid-2013, among other new transparency steps. This could be a precursor to another round of quantitative easing (QE3) if the economy stumbles.

Longer yields blew out early in the quarter after the EU made big promises about leveraging its way out of its debt problems in order to halt centrifugal forces on the union. But mean reversion was swift as the ECB struggled to keep the Eurozone flush with dollars, as U.S. lenders pulled back in order to avoid being drawn more deeply into the debt quagmire. Ratings threats in Europe and euro weakness put the shoe on the other foot so to speak. And a return of the safety premium into year-end was merely amplified by the Fed's Operation Twist, which purchased long-dated Treasuries with the stated goal of flattening the curve.

The 10-year yield peaked near 2.40% in October and was inevitably drawn back down to the 2.0% psychological area, before stretching as low as 1.81% in mid-December. The cash bond likewise topped 3.45% in October and sank as low as 2.80% in December before returning to form and gravitating back above 3.0% again.



The curve by and large responded to the Fed's persistent prodding, narrowing from wides near +208 bp in late October to +155 bp in mid-December. Few were willing to fight the Fed while a paucity of year-end liquidity and rising risk aversion played into its strategy. It has since widened back out to +175 bp into the New Year. The 10s-30s spread narrowed from +110 basis points to trade inside 100 basis points on more than one occasion.

Treasury Yield Curve (Constant Maturities)

	current level	Change Over 1 wk	4 wks	13 wks	1 year
3-th	0.02	0.00	0.01	0.01	-0.12
6-th	0.07	0.01	0.02	0.03	-0.11
		-			
1-yr	0.11	0.01	0.00	0.00	-0.18
2-yr	0.27	0.02	0.05	-0.03	-0.33
5-yr	0.88	0.05	-0.01	-0.20	-1.08
10-yr	2.02	0.13	-0.05	-0.08	-1.32
30-yr	3.06	0.17	-0.04	0.04	-1.42

The Economy and Fed

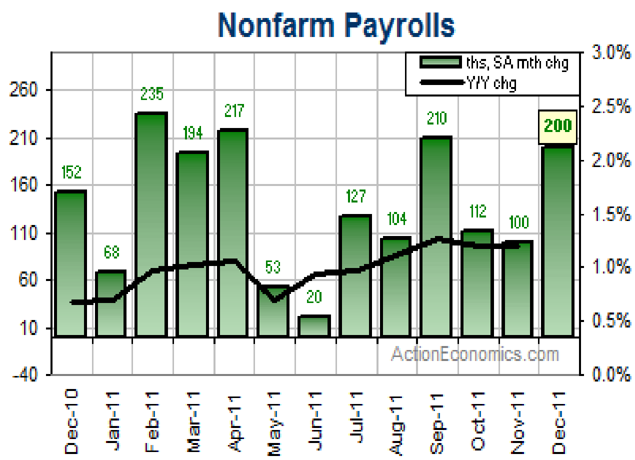
The Fed chose to refrain from signaling any incremental policy easing heading into the final days of a rough and tumble 2011, evidently satisfied that it had done enough to shepherd the markets into the New Year. As expected, there was no major change in rates or guidance per se. The Fed statement said "the economy has been expanding moderately, notwithstanding some apparent slowing in global growth." The statement acknowledged that the labor market has improved, though the FOMC is still concerned about the high jobless rate. The statement also said that there are still "significant downside risks to the economy" from the strains in the global financial markets. The 0%-0.25% target rate remained intact through mid-2013, with "operation twist" still in effect, along with prevailing reinvestment policies. The Chicago Fed's Evans dissented again in favor of more accommodation.

There had been widespread speculation that QE3 hints might be hidden somewhere in the subtext, but it was scrupulously clean. Though there was plenty of press in advance that new communication policies were under construction, no hints at all of changes to come were buried in the statement. This was subsequently rectified in the FOMC minutes of the December meeting. An enhanced communication strategy will include Fed funds forecasts, starting with the January policy meeting.

A potential precursor to QE3, a "number" of members suggested additional stimulus could be more effective if accompanied by enhanced communications. Among these, quarterly economic forecasts will include rate expectations for Q4 of the current year as well as the next few years. Additional steps could include inflation and unemployment targeting, while some members also mulled the need to extend ultra-low rates past their current guidance of mid-2013. Others were more reluctant to endorse further cuts.

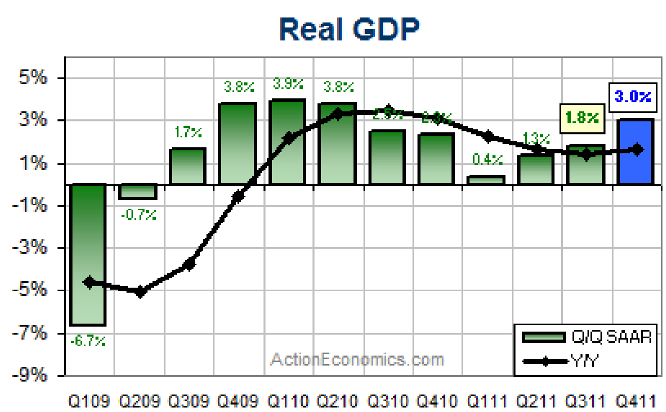
The Fed statement was unexpectedly dour on the economy, downgrading "strengthening somewhat" from November to "expanding moderately, notwithstanding some apparent slowing in global growth" in December. This retuned the emphasis to the downside, along with the view that "business fixed investment appears to be increasing less rapidly." On the flip-side the Fed gave a qualified upgrade to employment, as they referenced "some improvement in overall labor market conditions, but the unemployment rate remains elevated." It is noteworthy that the majority of the statement dealt with the economic risks, rather than any major inflation threat, which kept policy clearly biased toward accommodation.

Moreover, “strains in global financial markets continue to pose *significant downside risks* to the economic outlook." Clearly the Fed has been bracing for more contagion from Europe, through the transmission mechanism of the financial markets. Even in the face of criticism that its extended swap agreements were a thinly disguised bailout of Europe, Chairman Bernanke has remained steadfast that the risks of spillover from Europe are material and significant.

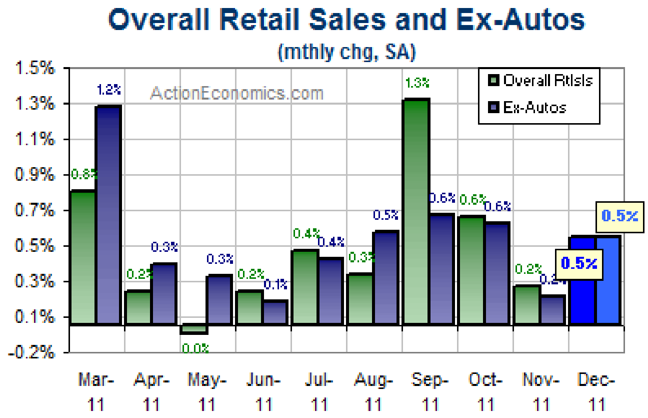


The U.S. December jobs report revealed a 200k payroll gain though with a surprising 8k in downward back-revisions that bucked the pattern of upward adjustments to leave the December jobs level roughly in line with assumptions. More importantly, the workweek rose to its 34.4 cycle-high from 34.3 in November, but an upwardly-revised 34.4 (was 34.3) in October left a stronger than expected hours-worked trend. The workweek has now regained the 34.4 level from last April and May, and big hours-worked gains were seen in the factory, construction and mining sectors alongside big job gains of 23k, 17k, and 7k respectively. A drop in the jobless rate to 8.5% also attracted attention, after annual back-revisions that smoothed the decline to 8.7% (actually, 8.65% from a revised 8.64%) in November from 8.9% (was 9.0%) in October, though the decline remains largely a reflection of a contracting labor force, which fell another 50k in December alongside a 176k civilian employment increase. Overall, labor market conditions tightened into the end of 2011 just as most December indicators had suggested.

The U.S. December payroll surge largely reflected a new seasonal pattern in the transportation component of payrolls in December and January, however, as was seen last year. And it apparently needs to be factored into payroll forecasts each December and January until the BLS seasonals "catch up" with the trend in holiday sales toward online purchases. The BLS reported a 42k pop in employment at "courier services" that boosted December payrolls (more Fedex/UPS drivers to deliver growing online purchases), and we saw an associated 50k surge in transportation employment that exactly matched a 50k pop in December of 2010, even though monthly gains in this component usually track a fairly stable 7k-8k monthly pace. We saw a big 47k drop in the transportation component last January as the holiday effect was reversed, and a similar drop should be seen this year given this new seasonal pattern that economists will need to incorporate into their December-January forecasts.



Most indicators have generally beat assumptions, though Q3 GDP growth was revised down to 1.8% from 2.5%. Later this month we expect Q4 GDP headline growth to be 3.0% in the first release, following the finalized Q3 growth rate of 1.8%. Personal consumption should grow at a stronger pace than Q3, up 2.6% versus 1.7% in Q3 and only 0.7% in Q2. Final sales growth should be 3.0%, just slightly slower from 3.2% in Q3. Fixed investment growth is expected to slow to a still positive 7% for the quarter following 13.0% in Q3. Equipment and Software growth popped 16.2% in Q3 but is seen slowing back to 6.0% growth in Q4. We expect net exports to pick up to a $19 bln pace from $13.7 bln in Q3. The export growth rate should be 4.1% following 4.7% in Q3. Inventories are expected to decline by $3 bln following the large $41.1 bln subtraction in Q3. Government spending fell 0.1% in Q3, and should decline by another 1.5% in Q4. The Q3 GDP chain price index climbed at a 2.6% rate, Q4's should grow 0.7%.

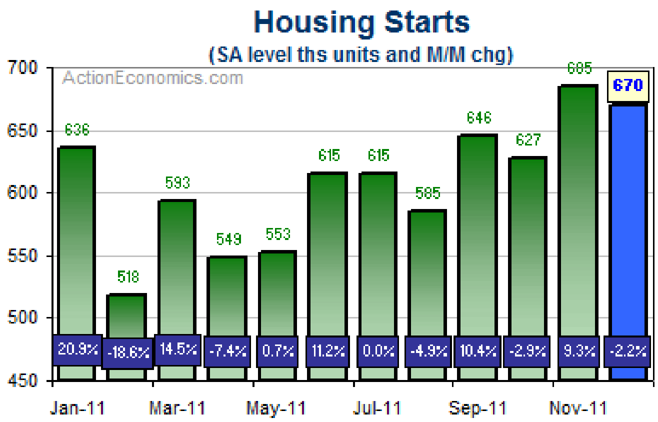


Anecdotal holiday retail sales data was mixed, with some increased volumes undermined by shrinking margins due to early and heavy discounting. December retail sales are expected to increase a modest 0.4% (median 0.2%), while the ex-auto aggregate is expected to grow by 0.5% (median 0.3%). December unit vehicle sales are expected to decline to 13.3 mln for the month after beating expectations in November with 13.6 mln sales. Without the "Hormuz effect," gas prices appear set to continue their recent run of declines adding downside risk to the gas station sales component. The PCE price index is expected to grow by 0.1% in December with the core rate growing by 0.1%. The data should be in line with a 2.6%, personal consumption growth rate for Q4.

Monthly U.S. New Home Sales Data

	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
Level (ths)	303	295	290	306	310	315
mthly chg	-1.6%	-2.6%	-1.7%	5.5%	1.3%	1.6%
Northeast	-15.8%	43.8%	0.0%	-13.0%	-5.0%	-26.3%
Midwest	9.8%	2.2%	4.3%	-4.2%	15.2%	7.5%
South	-1.7%	-4.7%	-4.3%	12.2%	-11.4%	12.9%
West	-4.1%	-11.3%	0.0%	3.2%	27.7%	-16.9%
Invent. Y/Y	-21.6%	-21.4%	-21.5%	-20.1%	-19.6%	-19.0%
mths-supply	6.6	6.8	6.7	6.3	6.2	6.0
Med. Price (ths)	$240.2	$229.9	$219.6	$215.1	$222.6	$214.1
Y/Y chg	9.4%	8.4%	-3.1%	-5.7%	9.0%	-2.5%
Avg. Price (ths)	$273.1	$270.3	$259.3	$253.5	$253.2	$242.9
Y/Y chg	6.4%	7.2%	-3.5%	-6.4%	-0.5%	-13.8%

The Fed remains morose about the housing sector which "remains depressed," though housing starts and other measures have strengthened in recent months. It even went so far as to issue a "White Paper" to Congress, arguing for more direct action on widening GSE refinancing availability to non-conforming borrowers, reforming the housing agencies with the aim of resurrecting demand. Additionally, doves Dudley and Rosengren appeared to be advocating more purchases of mortgage-backed securities (MBS).



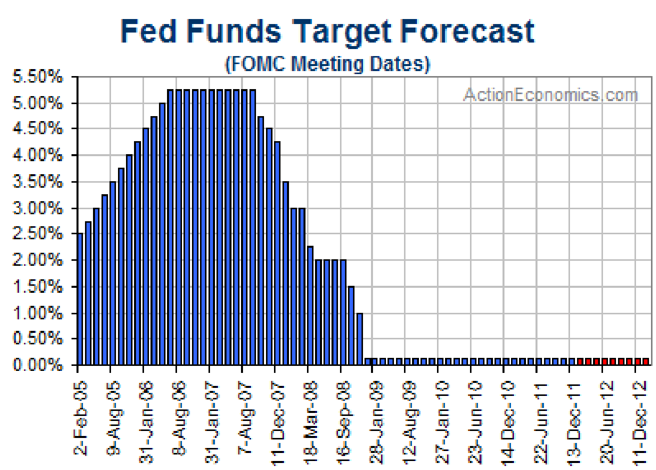
Housing starts are expected to fall 3.6% to a 660k unit pace in December following the 9.3% surge to a 685k unit clip in November. Permits are expected at 660k as well, from 681k permits in November and completions are expected at 550k from 542k. Starts have been on a firmer footing since June with August the only month dipping below 600k, an November setting a high back to March of 2010. Permits posted strong growth in November, growing by 5.7% to 681k. After three months of declines starting in July single-family starts grew 3.6% in October and another 2.3% in November. Much of the November jump was attributable to the 25.3% pop in multi-unit starts for the month. Both starts and permits are slowly recovering from last year's tax credit hangover.

U.S. Consumer Sentiment/Confidence Data						
	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12
Mich Sent.	55.7	59.4	60.9	64.1	69.9	**70.5**
Current	68.7	74.9	75.1	77.6	79.6	**80.1**
Expectations	47.4	49.4	51.8	55.4	63.6	**64.1**
Cons. Conf.	45.2	46.4	40.9	55.2	64.5	**65.0**
Current	34.3	33.3	27.1	38.3	46.7	**45.0**
Expectations	52.4	55.1	50.0	66.4	76.4	**78.4**
IBD/TIPP	35.8	39.9	40.3	40.6	42.8	**43.5**
RBC CASH	40.1	40.2	39.2	39.6	40.3	45.8
BBRG (mth-avg)	-48.5	-51.0	-50.9	-50.4	-47.3	**-45.5**

Consumer confidence has managed to rebound over recent months, and consumer credit appears to be loosening up as well. December Consumer Confidence surged past expectations to 64.5 (median 59.0) from 55.2 (was 56.0) in November. Expectations led the increase, rising to 76.4 from 66.4 (was 67.8) in November. Current conditions also gained, rising to 46.7 from 38.3 for November. The six month employment outlook rose to 13.3 from 12.4 (was 12.9) in November. This bounce brings confidence to the highest since April and is not far from our post-recession peak which was 72.0 in February. The pull-back over the summer reflected rising U.S. and European sovereign debt fears and the associated market collapse, the U.S. ratings downgrade, and high food and energy prices.

Fed Policy Outlook

It's a lock that the Fed will make significant, though nuanced, changes via increased transparency on the Fed funds target and economic projections starting in January -- they've told us so in the FOMC minutes. In terms of policy, for now we expect the Fed to adhere to the guidance in the last four FOMC statements. As a baseline, we anticipate status quo on ultra-low rate policy, reinvestment of maturing assets to maintain the elevated balance sheet and ongoing Op-Twist activity.



Several doves and board members have started the year off with a push to reform the giant housing

This publication was authored by a third party, Action Economics, LLC. This article does not necessarily reflect the expertise of Davidson Fixed Income Management, Inc. or its employees.

agencies to unblock the housing sector. Some even suggested that the restoration of financial well-being at Fannie Mae and Freddie Mac should be secondary to restructuring mortgages and other market-clearing practices. Potential further MBS purchases also appear to remain a distinct possibility, along with potentially extending the horizon on low rates past the middle of 2013.

Hawks no doubt would like to see an exit to begin in the first half of 2013, with outright rate hikes in the second half of that year. But just how Europe shakes out early this year and, indeed, over the next several years could well determine how durable and strong the U.S. recovery proves to be. At some stage if the Fed manages to navigate these turbulence financial seas an exit will appear on the horizon. Only then will the Fed likely first end its practice of principal reinvestment and switch from the 0-0.25% range for the Fed funds rate to a reference to the 0.25% interest on excess reserve (IOER) rate. Then begins a multi-year process of unwinding its massive portfolio, presumably before the upward inflation pressure normally seen in the later years of a cycle starts to kick in.

This publication was authored by a third party, Action Economics, LLC. This article does not necessarily reflect the expertise of Davidson Fixed Income Management, Inc. or its employees.

U.S. Economic Calendar
January 2012

Davidson Companies — Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 New Year's Day Observed U.S./CAN Markets Closed Bank Holiday JPN/U.K. Markets Closed	3 10:00 AM ISM (Mfg) DEC 10:00 AM Construction Spending NOV 2:00 PM FOMC Minutes for Dec 13 Meeting Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills Bank Holiday JPN Markets Closed	4 7:00 AM MBA Mortgage Applications 12/30 7:45 AM ICSC-Goldman Sachs 12/31 8:15 AM ADP Employment Survey DEC (est) 8:55 AM Redbook 12/31 10:00 AM Factory Orders NOV Unit Vehicle Sales DEC Tsy Auctions 4-Wk Bills	5 7:30 AM Challenger DEC 8:30 AM Initial Claims 12/31 9:45 AM Bloomberg Consumer Comfort 01/01 10:00 AM ISM-NMI DEC 11:00 AM EIA Crude Oil Stocks 12/30 4:30 PM Weekly Money Supply 12/26 Tsy Announces 3&6 Mth Bills Tsy Announces 52-Wk Bills Tsy Announces 3-Yr Notes Tsy Announces 30-Yr Bonds Reopen Tsy Announces 10-Yr Notes Reopen	6 6:00 AM Monster Employment Index DEC 8:30 AM Employment Report DEC	7
8	9 3:00 PM Consumer Credit NOV Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills Coming-of-Age Day JPN Markets Closed	10 7:45 AM ICSC-Goldman Sachs 01/07 8:55 AM Redbook 01/07 10:00 AM Wholesale Trade NOV 10:00 AM JOLTS Job Openings NOV Tsy Auctions 4-Wk Bills Tsy Auctions 52-Wk Bills Tsy Auctions 3-Yr Notes	11 7:00 AM MBA Mortgage Applications 01/06 10:30 AM EIA Crude Oil Stocks 01/06 2:00 PM Beige Book for Jan 24-25 FOMC Meeting Tsy Auctions 10-Yr Notes Reopen	12 8:30 AM Retail Sales DEC 8:30 AM Initial Claims 01/07 9:45 AM Bloomberg Consumer Comfort 01/08 10:00 AM Business Inventories NOV 2:00 PM Treasury Budget DEC 4:30 PM Weekly Money Supply 01/02 Tsy Auctions 30-Yr Bonds Reopen Tsy Announces 3&6 Mth Bills Tsy Announces 10-Yr TIPS	13 8:30 AM U.S. Trade NOV 8:30 AM Trade Price Indexes DEC 9:55 AM Consumer Sentiment Pre JAN	14
15	16 Martin Luther King, Jr. Day U.S. Markets Closed	17 8:30 AM Empire State Index JAN Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	18 7:00 AM MBA Mortgage Applications 01/13 7:45 AM ICSC-Goldman Sachs 01/14 8:30 AM PPI DEC 8:55 AM Redbook 01/14 9:00 AM Treasury Intl Capital NOV 9:15 AM Industrial Production DEC 1:00 PM NAHB Housing Market Index JAN Tsy Auctions 4-Wk Bills	19 8:30 AM CPI DEC 8:30 AM Housing Starts DEC 8:30 AM Initial Claims 01/14 9:45 AM Bloomberg Consumer Comfort 01/15 10:00 AM Philadelphia Fed Index JAN 11:00 AM EIA Crude Oil Stocks 01/13 4:30 PM Weekly Money Supply 01/09 Tsy Auctions 10-Yr TIPS Tsy Announces 3&6 Mth Bills Tsy Announces 2, 5 & 7-Yr Notes	20 10:00 AM Existing Home Sales DEC	21
22	23 Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	24 7:45 AM ICSC-Goldman Sachs 01/21 8:55 AM Redbook 01/21 10:00 AM Richmond Fed Index JAN FOMC 2-Day Meeting Begins Tsy Auctions 4-Wk Bills Tsy Auctions 2-Yr Notes	25 7:00 AM MBA Mortgage Applications 01/20 10:00 AM Pending Home Sales Index DEC 10:30 AM EIA Crude Oil Stocks 01/20 **12:30 PM FOMC Policy Announcement** Tsy Auctions 5-Yr Notes	26 8:30 AM Durable Orders DEC 8:30 AM Initial Claims 01/21 9:45 AM Bloomberg Consumer Comfort 01/22 10:00 AM New Home Sales DEC 10:00 AM Leading Indicators DEC 4:30 PM Weekly Money Supply 01/16 Tsy Auctions 7-Yr Notes Tsy Announces 3&6 Mth Bills	27 8:30 AM GDP Advance Q4 9:55 AM Consumer Sentiment Fin JAN 10:00 AM Mass Layoffs DEC*	28
29	30 8:30 AM Personal Income & PCE DEC 10:30 AM Dallas Fed Index JAN Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	31 7:45 AM ICSC-Goldman Sachs 01/28 8:30 AM Employment Cost Index Q4 8:55 AM Redbook 01/28 9:00 AM S&P/Case-Shiller Home Price Index NOV 9:45 AM Chicago ISM JAN 10:00 AM Consumer Confidence JAN 3:00 PM Agricultural Prices JAN Tsy Auctions 4-Wk Bills				

December 11

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February 12

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29			

Please, visit our website at www.davidsoncompanies.com/fim *Estimated date

This publication was authored by a third party, Action Economics, LLC. This article does not necessarily reflect the expertise of Davidson Fixed Income Management, Inc. or its employees.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

FIXED INCOME BENCHMARK RETURNS

December 31, 2011

	Duration	Month Ending 12/31/2011	Quarter Ending 12/31/2011	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
U.S. TREASURY BENCHMARKS							
US Treasury 90 Day Bill	0.22	0.00	0.00	0.10	0.40	1.48	1.95
US Treasury 0-1 Year	0.51	0.01	0.06	0.31	0.40	1.97	2.20
US Treasury 0-3 Year	1.43	0.04	0.15	1.17	1.23	3.11	2.89
US Treasury 1-3 Year	1.89	0.05	0.20	1.55	1.56	3.69	3.25
US Treasury 0-5 Year	2.21	0.13	0.34	2.69	2.00	4.09	3.52
US Treasury 1-5 Year	2.71	0.17	0.42	3.36	2.39	4.77	3.97
US Treasury 1-10 Year	4.10	0.58	0.75	6.76	3.46	6.07	4.83
TIPS BENCHMARKS							
TIPS 1-3 Year	1.55	-0.40	0.57	2.77	4.74	4.25	N/A
TIPS 1-5 Year	1.82	-0.46	0.88	5.00	6.41	5.47	N/A
TIPS 3-5 Year	2.02	-0.51	1.12	6.95	7.84	6.92	N/A
TIPS 1-10 Year	2.73	-0.04	1.75	9.16	8.43	6.92	6.67
AGENCY BENCHMARKS							
US Agency 1-3 Year	1.73	0.07	0.19	1.53	2.01	3.93	3.53
US Agency 1-5 Year	2.17	0.18	0.31	2.44	2.65	4.55	4.04
US Agency 1-10 Year	2.66	0.29	0.45	3.82	3.27	5.24	4.73
AGENCY BULLET							
US Agency 1-3 Year Bullet	1.89	0.07	0.19	1.60	2.17	4.25	3.76
US Agency 1-5 Year Bullet	2.41	0.20	0.32	2.62	2.89	4.99	4.34
US Agency 3-5 Year Bullet	3.82	0.57	0.71	5.89	4.96	6.90	5.75
US Agency 1-10 Year Bullet	2.99	0.32	0.49	4.17	3.57	5.76	5.10
AGENCY CALLABLE							
US Agency 1-3 Year Callable	1.22	0.08	0.23	1.21	1.37	2.89	2.79
US Agency 1-5 Year Callable	1.31	0.11	0.28	1.67	1.68	3.16	3.10
US Agency 3-5 Year Callable	1.65	0.24	0.45	2.95	2.51	3.81	3.72
US Agency 1-10 Year Callable	1.34	0.13	0.30	2.19	2.02	3.52	3.50
CORPORATE							
1-3 Year Corp A-AAA	1.85	0.27	0.52	1.61	5.76	4.13	3.97
1-5 Year Corp A-AAA	2.68	0.59	0.62	2.55	6.88	4.64	4.57
1-10 Year Corp A-AAA	4.21	1.30	1.15	4.54	8.71	5.18	5.30

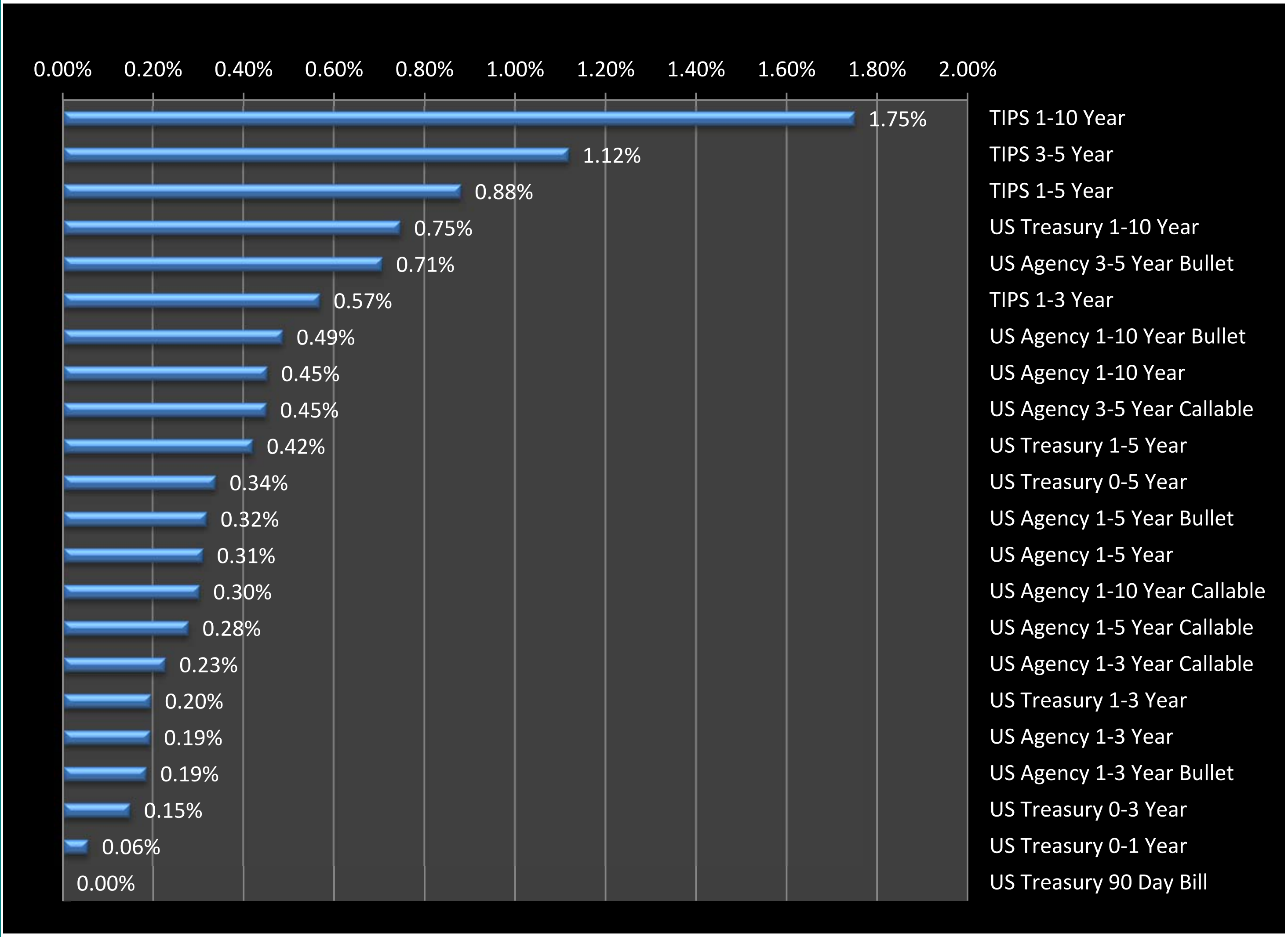
Data source: Merrill Lynch Global Index System on Bloomberg.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

WHAT’S HOT AND WHAT’S NOT

QUARTERLY PERFORMANCE RANKINGS

December 31, 2011



Data source: Merrill Lynch Global Index System on Bloomberg.

QUARTERLY LGIP REPORT
DECEMBER 2011

STATE OF NEW MEXICO TREASURER

Davidson Fixed Income Management, Inc.
Deanne Woodring, CFA Managing Director
1-866-999-2374 dwoodring@dadco.om

TABLE OF CONTENTS

Market Overview

As we review the market in 2012, it is important to keep our perspective regarding the significant issues that affected interest rates this year. Just one year ago, ten year treasury yields were trading at 3.30%. Then came the Arab Spring, the Japanese earthquake and tsunami, the debt ceiling debacle, double-dip fears and the mess in Europe. In the middle of all this, S&P downgraded the US debt and yields on Treasury and Agency securities still reached their lowest yields in history. All these crisis points forced investors to flee to quality and that quality remains the US Treasury and GSE debt securities. The significance of the 10-year yield collapse is that longer term yields tend to tell us what the market expects in the future. 10-year treasuries hit a low of 1.695% in mid-September and ended the year just under 2%. This low yield outlook does not give us great hope to see significantly higher yields in the immediate future.

Important considerations for the coming year

- Investment Strategy: It is important to evaluate the purpose of each investment fund to ensure that the investment strategy meets the investment objectives. Longer-term portfolios may perform well in a sustained low rate environment. Balancing risk and return in these longer funds will be critical.
- Credit Default Risk: Was 2008 the worst ever? Does too big to fail to exist? How are municipals really protected? Will the pension exposure be too much for some? Stay tuned and choose wisely.
- Best Practices: Never before have oversight boards been more interested in the investment side of the balance sheet. Investment income is 1/5th of what it was just 5 years ago. Is it the investment strategy or the market or a combination of both. Being transparent, accountable and efficient are key themes.

Fed Policy:

The Fed acknowledges the ongoing difficulties of Europe, saying strains in global financial markets continue to pose significant downside risks to the economic outlook. But they did acknowledge that the domestic economy continues to improve. Housing prices are stabilizing, unemployment remains elevated but confidence is improving. The Fed expects inflation to remain below its long-term target over the next several quarters. The most significant comments from the fed is their continued bias towards easing, a conclusion reinforced by its again mentioning its dual mandate of promoting full employment and price stability. We are not sure how they will ease further. Fed funds remain at 0% and if they add to operation twist, longer-term rates could be significantly impacted.

Source: Action Economics report: Third party provider to DFIM.

Economic Indicators and Composite Economist Outlook : Bloomberg composite economic projections are for growth of GDP, with controlled inflation and improved unemployment

Source: Bloomberg Fed Forecasts

Indicator	2007	2008	2009	2010	2011	2012 est	2013 est
Real GDP	2.10	0.40	-2.40	2.80	1.80	2.30	2.45
CPI (YOY)	2.87	3.85	-0.30	1.60	3.20	2.10	2.10
Unemployment	4.60	5.80	9.30	9.70	9.00	8.50	8.20

Market Overview

Composite Economist's Rate Projections: No change is projected for overnight rates through Q3 2014. Rates in the 2 year and 10 year are not expected to rise until the end of the year.

Maturity	2010 Ending	2011 Ending	Q1 2012 est	Q2 2012 est	Q3 2012 est	Q4 2012 est	Q1 2013 est
Fed Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month	0.30	0.10	0.20	0.25	0.25	0.25	0.25
2 year	0.60	0.24	0.29	0.36	0.45	0.56	0.72
10 year	3.33	1.92	2.04	2.20	2.38	2.59	2.77

Strategy for the New Year 2012

- Keep fully invested and keep liquidity balances minimized
- Move and hold the portfolio durations close to benchmark durations
- Use the yield curve when possible

Portfolio Review – New MexiGrow LGIP

Compliance	*Observations*
Sector Allocation	The portfolio is compliant with policy and meets the standards of the AAA rating by S&P. The exposure to bank deposits was reduced this quarter to 54%. Note that on STO holdings report lists the bank deposits are listed as Repurchase Agreements instead of Bank Deposits. STO is working on correcting the software to accept Bank Deposits.
Credit Quality	The portfolio remains in high quality securities as 26.3% is in US treasury holdings and TLGP paper. TLGP holdings were increased this quarter. Also purchased this quarter was a AAA rated Supranational World Bank bond– also know as International Bank for Reconstruction & Development. The sponsor of this bond is multi-government and the mission of the Supranational is to provide development financings, advisory services and other financial services to member countries to achieve overall goal of improving living standards through sustainable economic growth. Par amount of the IBRD bond is $20,000,000.00.
Maturity Sector	The maturity is weighted to overnight holdings and the weighted average maturity is 56 days. The portfolio manager has added floating and variable rate notes with longer stated maturities. S&P and 2a7 rule, state that the Weighted Average Maturity is measured to the reset date of these securities and Weighted Average Life (WAL) is measured to the final maturity date. The current WAL is 111.6 days versus the maximum allowable of 120 days.

Portfolio Review- New MexiGrow LGIP

Objectives	*Observations*
Safety	The portfolio is maintaining its AAA rating by S&P and had the highest quality investments in the portfolio. The bank collateral is being monitored closely by STO to ensure safety of those assets.
Liquidity	Liquidity is being provided through bank deposits and 56% of the fund in these positions
Return	The portfolio is providing a yield which is consistent with the investment parameters.

Portfolio Review – New MexiGrow LGIP

Performance	Observations
Yield	The Gross Yield on the pool is .26% and .21 Net Yield for the quarter.
Comparison to Benchmark	The benchmark is the S&P GIP AAA rated government funds. This consists of funds that invest similar to the LGIP and are rated AAA by S&P. The return of the benchmark for the quarter was .10% Gross Yield and .01% Net Yield. The primary difference in performance was the LGIP's allocation in bank deposits versus the benchmark allocation in repurchase agreements and the fees charged by S&P GIPS.
Outlook	The floating rate notes are adding yield through the reset rates on those securities. The outlook for interest rates remains low, therefore, the portfolio managers strategy of maximizing the WAM and WAL will continue to add value to the fund. Diversifying the portfolio with the use of the IBRD (World Bank) note is adding value as well. World Bank is currently selling more issues to US investors because they can be more competitive in rates with the decline in issuance by other GSEs.

Asset Allocation – New MexiGrow LGIP

LIQUIDITY VS INVESTMENT	MARKET VALUE	% FUND
Liquid Component- Bank/Repo	$512,130,523	58.12%
Invested Component	$369,075,469	41.88%
Total Fund	$881,205,992	100%

ASSET ALLOCATION	MARKET VALUE	% FUND
Bank Deposits - 5 Banks	$482,098,813	54.71%
LGIP Bank Account	$0	0.00%
Money Market Funds	$0	0.00%
Bank CDs	$0	0.00%
Commercial Paper	$30,031,710	3.41%
US Treasury Notes/Bills	$125,361,350	14.23%
GSE Agency Issues	$116,631,280	13.24%
TLGP Notes/Variable	$107,082,839	12.15%
Municipals	$0	0.00%
Corporate Bonds-Supranational	$20,000,000	2.27%
Total Fund	$881,205,992	100.00%

WAM	MAXIMUM	CURRENT	% OF MAXIMUM
Days	60	57	95%

WAL	MAXIMUM	CURRENT	% OF MAXIMUM
Days	111.7	120	93%

Source: STO Reports

Performance Analysis –New MexiGrow LGIP

Period Ending		12/31/2011		
LGIP	% Allocation	S&P GIP Pools	% Allocation	Difference
Agency *includes TLGP	25.39%	Agency	36.51%	-11.12%
Bank Deposits	54.71%	Bank Deposits	13.34%	41.37%
Corporates-Supranational	2.27%	Corporates	0.00%	2.27%
Commercial Paper	3.41%	Commercial Paper	0.00%	3.41%
Money Market Funds	0.00%	Money Market Funds	5.14%	-5.14%
Municipal Debt	0.00%	Municipal Debt	0.39%	-0.39%
Treasury	14.23%	Treasury	3.46%	10.77%
Repurchase Securities	0.00%	Repurchase Securities	40.93%	-40.93%
Average Maturity to Reset	57	Average Maturity	41	16

	12/31/2011	Quarter	Prev. Quarter	12 month
LGIP - Gross 30 day	0.279%	0.26%	0.28%	0.28%
LGIP - Net 30 day	0.229%	0.21%	0.23%	0.23%
S&P GIP Govt - Gross	0.20%	0.10%	0.15%	0.17%
S&P GIP Govt - Net	0.08%	0.01%	0.06%	0.08%
T Bill 3 month	0.01%	0.00%	0.02%	0.05%

Source: S&P and STO reports

DFIM Disclosures:

- This report is provided for the purpose of assisting in the monitoring of the portfolios.
- The data is provided by JP Morgan and STO internal reports from QED
- Additional, data is used from reports provided by STO reports.
- The information contained herein has been obtained from, or is based upon, sources believed by us to be reliable but no representation or warranty is made as to its accuracy or completeness.
- Opinions expressed are solely those of DFIM and its employees .

DAVIDSON COMPANIES

Davidson Fixed Income Management

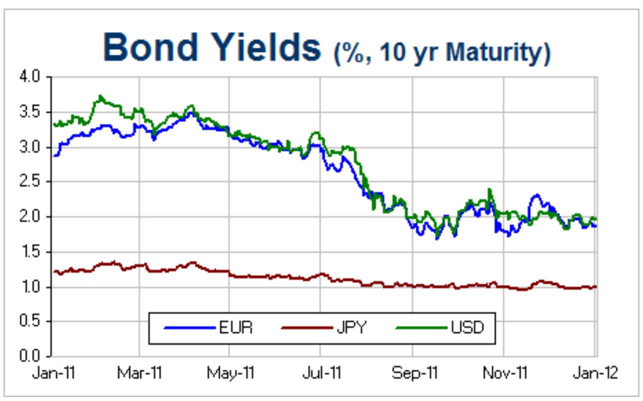
REGISTERED INVESTMENT ADVISER

U.S. Economic and Fixed Income Market Review for Q4 2011

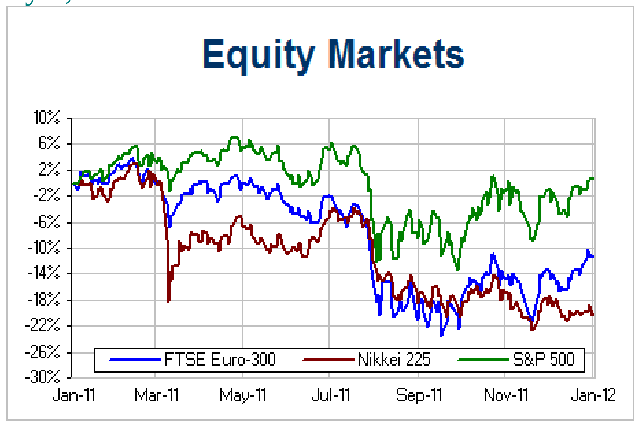
Prepared January 6, 2012

Treasury Market Held Hostage by Europe

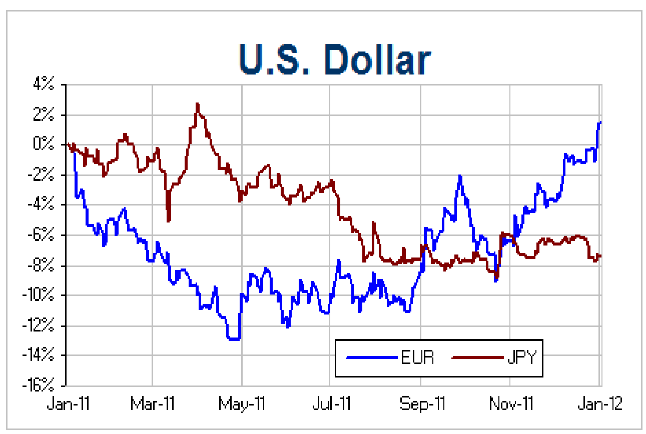
Europe remained in myopic focus in the fourth quarter of 2011. Tension lifted in October as the Eurozone came up with a fresh “Master Plan” to avoid mass default and credit default swap (CDS) haircuts in the region. The announcement effect of that plan was sufficient to drive yields to the highest level of the quarter. But cold, hard, reality set in over the span of the period and credit contagion was supplanted by a year-end liquidity squeeze. Yields subsequently drifted lower and Eurozone credit spreads erupted again before those trends were arrested by a fresh “temporary” bilateral dollar swap agreement in late November among six central banks at sharply discounted rates aimed at restoring some semblance of calm.



According to the Fed, the coordinated action was “to enhance their capability to provide liquidity support to the global financial system. The purpose of these actions is to ease strains in financial markets and thereby mitigate the effects of such strains on the supply of credit to households and businesses and so help foster economic activity.” The banks also retained the option of offering non-dollar liquidity in a pinch.



The S&P 500 began the quarter in panic mode as risk-off was the preferred investor stance with Greece, Spain and Italy elbowing each other on the podium of the ugly pageant. From lows under 1,100 the equity index made a steady ascent before stalling under 1,300 again into year-end. Likewise, the VIX equity volatility index began the quarter over 45.0, priced for high risk in Europe, virtually cutting that in half by December before bottoming out ahead of 20.0 and beginning the New Year around 22.0.

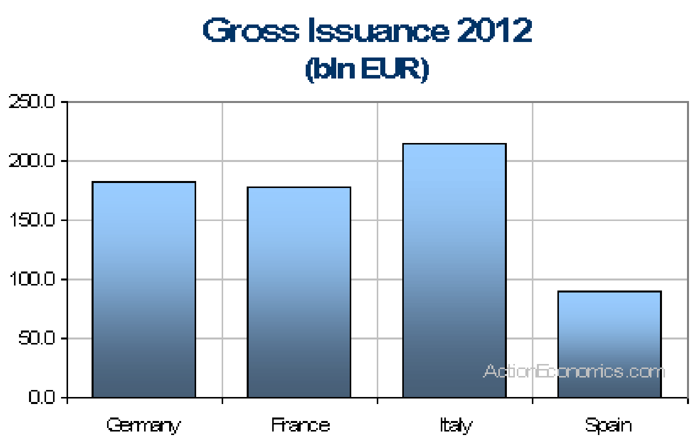


The dollar index initially retreated sharply to start off October, having been beaten back by EU proposals aimed at restoring investor confidence. But it quickly based near 75.0 after it became clear that the ECB’s 3-year long-term refinancing

This publication was authored by a third party, Action Economics, LLC. This article does not necessarily reflect the expertise of Davidson Fixed Income Management, Inc. or its employees.

operations (LTROs) were virtual quantitative easing in drag. Bank balance sheets were not repaired in Europe and, in fact, deposits at the ECB surged rather than the fresh funding being recycled in higher yielding Italian, Spanish or Portuguese debt as planned. This was taken as a sign of euro weakness instead, helping propel the dollar back over 80.0 late in the year. Conversely, from highs of over $1.42 in October the euro sank to year-end lows near $1.2850 and carried lower into January.

Persistent rumors of bank failures in Europe and sovereign ratings downgrade threats continued to plague the markets. Even bouts of optimism appeared to be constrained by these ever-present threats. The ECB has been also forced to regularly smooth the jerky price action in European bonds, even potentially running into the limits of sterilization on these operations. That has placed some estimates of the ECB's balance sheet well in excess of the Fed's. Ratings agencies warned that individual countries and their collective safety mechanisms, such as the European Financial Stability Facility (EFSF) were under negative watch. Critically, a potential downgrade on either France or Germany from an AAA-rating could tip the scales over future funding costs of even these core countries at a very inopportune time.



Estimates suggest that eurozone refinancing needs amount to around EUR 865 bln this year, and the heavy redemption schedule in Q1 could become a Sisyphean uphill struggle, especially for Italy. But European sovereigns are not the only ones facing high redemptions and financing needs. Estimates suggest that European banks are facing nearly EUR 800 bln of debt that comes due in 2012 and which largely needs to be rolled over. That at a time when markets remain nervous about the stability of the Eurozone boosted break up speculation. Banks are the main holders of eurozone sovereign debt and if one country defaults or leaves the eurozone it will have considerable knock-on effects. New capital rules, which will be enforced by the EBA and come into effect in the middle of next year, seek to improve the capital position of banks partly as a back up for this eventuality, but this alone will not be sufficient.

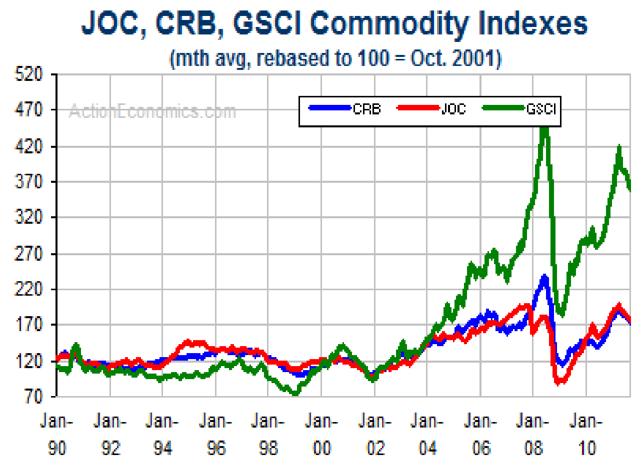
It is clear that the ECB has a crucial role in all of this and the 3-year cash injection has helped to stabilize demand for sovereign bonds somewhat and bring short-term rates down. There is another 3-year auction in March and banks will need collateral for these auctions. In the past banks used their own debt as collateral, but the ECB has limited this possibility, so the ECB's auctions should support demand for eurozone bonds at least from European banks, which can quickly flip them into cash again.

However, what the ECB cannot ensure is that these funds will also be passed on in the form of loans. So far banks are still hoarding most of the additional cash in the ECB's deposit facility. With more stringent capital requirements looming on the horizon, the risk of a full blown credit crunch is rising. At the same time it remains to be seen if the ECB's actions so far can prevent a funding crisis for sovereigns amid the heavy redemption schedule. With Italy's Monti at the ECB's helm, and a Belgian as the new chief economist, odds favor the ECB doing even more to support governments.

Commodities - Market Quotes					
1/6/2012	current level	Chg Over			
		1 wk	4 wks	13 wks	1 year
CRB	309.5	0.3%	-0.2%	2.0%	-4.5%
GSCI	661.9	0.1%	1.3%	9.1%	7.2%
Oil	101.56	-0.2%	1.1%	22.4%	15.4%
Gold	1617.95	-0.3%	-7.1%	-1.2%	18.1%
Copper	346.59	0.6%	-3.7%	3.6%	-19.9%

Over the back half of the year commodity prices were tamed by slowing of global growth and deleveraging of long-held macro-bets in the sector. In some perverse reciprocity, elevated commodities earlier in the year likely contributed to the slowdown as well, taxing consumers and squeezing producers alike. From the high 660.0 area in

September the CRB future tumbled 100 points to 560.0 by October before stabilizing then diving again into year-end.



However, friction over Iran sanctions due to its nuclear policy has manifested in the Straits of Hormuz and saber-rattling vs. the U.S. Fleet boosted crude oil prices back above $100 barrel in January. NYMEX crude began the quarter near $75 as Europe appeared on the brink of implosion, before safety lines thrown from the ECB and the gang of six central banks revived growth hopes once more.

As an indicator of credit risk, 2-year dollar swap spread blew through 2010 wides near +50 basis points (bp) to climb as high as +55 bp just prior to the central bank swap agreement before consolidating back below 50.0 again – still about a third of 2008 crisis highs. Less drama on the 10-year swap spread saw a narrowing from the +20 bp area to +15 bp.

Americas - Market Quotes

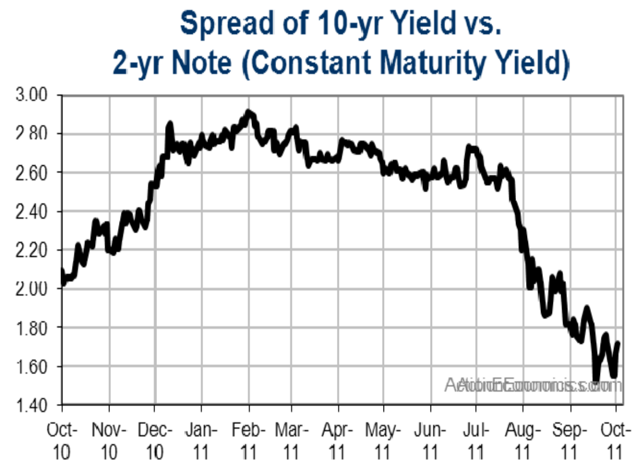
1/6/2012	current level	Chg Over 1 wk	4 wks	13 wks	1 year
S&P 500	1277.8	-0.3%	1.3%	10.6%	0.5%
Dow Indust.	12359.9	-0.4%	1.3%	11.3%	5.9%
Nasdaq Comp.	2674.2	0.2%	0.9%	7.9%	-1.1%
S&P/TSE Comp.	12188.6	-0.4%	0.3%	5.2%	-8.2%
Mex Bolsa	36804.1	-0.6%	-0.7%	11.5%	-4.7%
US 1yr yld	1.13	0.00	0.05	0.24	0.34
Canada 1yr yld	1.82	0.00	0.05	0.16	-0.08
US 10yr yld	1.96	-0.04	-0.07	-0.12	-1.37
Canada 10yr yld	1.94	-0.04	-0.12	-0.30	-1.25
USD-MXP	13.74	-0.2%	1.7%	2.1%	12.3%
USD-CAD	1.028	0.8%	1.8%	-1.1%	3.5%

Gold in Q4 was not the one-way bet it appeared to be in Q3 when it hit historic highs of $1,920 amid central bank reflationary leanings. With economic demand cooling in Asia and Europe, that left gold vulnerable to joining the commodity-led correction. In addition, rumors of European national central banks (NCBs) selling gold to help finance their domestic banking systems persisted, along with deleveraging. From highs over $1,800 this quarter the metal slumped to lows of $1,520 at year-end before bubbling back over $1,600 on risk factors in North Korea and Iran.

The 2-year note yield bubbled back up from historic lows of 0.142% set in September, pivoting around 0.25% for much of the quarter. Fed Op-Twist selling helped keep a floor under the short yield along with improved U.S. data, while the steady Fed at 0-0.25% and global credit/liquidity stress helped cap it. FOMC minutes of the Dec-13 meeting intriguingly revealed that the Fed is considering releasing individual forecasts of its target rate, and targeting ultra-low rates past mid-2013, among other new transparency steps. This could be a precursor to another round of quantitative easing (QE3) if the economy stumbles.

Longer yields blew out early in the quarter after the EU made big promises about leveraging its way out of its debt problems in order to halt centrifugal forces on the union. But mean reversion was swift as the ECB struggled to keep the Eurozone flush with dollars, as U.S. lenders pulled back in order to avoid being drawn more deeply into the debt quagmire. Ratings threats in Europe and euro weakness put the shoe on the other foot so to speak. And a return of the safety premium into year-end was merely amplified by the Fed's Operation Twist, which purchased long-dated Treasuries with the stated goal of flattening the curve.

The 10-year yield peaked near 2.40% in October and was inevitably drawn back down to the 2.0% psychological area, before stretching as low as 1.81% in mid-December. The cash bond likewise topped 3.45% in October and sank as low as 2.80% in December before returning to form and gravitating back above 3.0% again.



The curve by and large responded to the Fed's persistent prodding, narrowing from wides near +208 bp in late October to +155 bp in mid-December. Few were willing to fight the Fed while a paucity of year-end liquidity and rising risk aversion played into its strategy. It has since widened back out to +175 bp into the New Year. The 10s-30s spread narrowed from +110 basis points to trade inside 100 basis points on more than one occasion.

Treasury Yield Curve (Constant Maturities)

	current level	Change Over 1 wk	4 wks	13 wks	1 year
3-th	0.02	0.00	0.01	0.01	-0.12
6-th	0.07	0.01	0.02	0.03	-0.11
		-			
1-yr	0.11	0.01	0.00	0.00	-0.18
2-yr	0.27	0.02	0.05	-0.03	-0.33
5-yr	0.88	0.05	-0.01	-0.20	-1.08
10-yr	2.02	0.13	-0.05	-0.08	-1.32
30-yr	3.06	0.17	-0.04	0.04	-1.42

The Economy and Fed

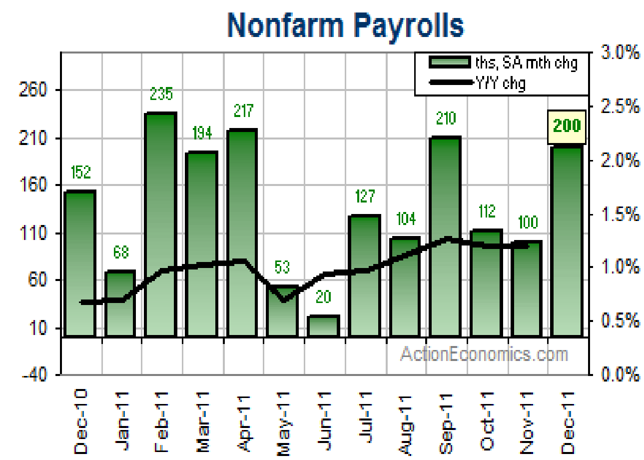
The Fed chose to refrain from signaling any incremental policy easing heading into the final days of a rough and tumble 2011, evidently satisfied that it had done enough to shepherd the markets into the New Year. As expected, there was no major change in rates or guidance per se. The Fed statement said "the economy has been expanding moderately, notwithstanding some apparent slowing in global growth." The statement acknowledged that the labor market has improved, though the FOMC is still concerned about the high jobless rate. The statement also said that there are still "significant downside risks to the economy" from the strains in the global financial markets. The 0%-0.25% target rate remained intact through mid-2013, with "operation twist" still in effect, along with prevailing reinvestment policies. The Chicago Fed's Evans dissented again in favor of more accommodation.

There had been widespread speculation that QE3 hints might be hidden somewhere in the subtext, but it was scrupulously clean. Though there was plenty of press in advance that new communication policies were under construction, no hints at all of changes to come were buried in the statement. This was subsequently rectified in the FOMC minutes of the December meeting. An enhanced communication strategy will include Fed funds forecasts, starting with the January policy meeting.

A potential precursor to QE3, a "number" of members suggested additional stimulus could be more effective if accompanied by enhanced communications. Among these, quarterly economic forecasts will include rate expectations for Q4 of the current year as well as the next few years. Additional steps could include inflation and unemployment targeting, while some members also mulled the need to extend ultra-low rates past their current guidance of mid-2013. Others were more reluctant to endorse further cuts.

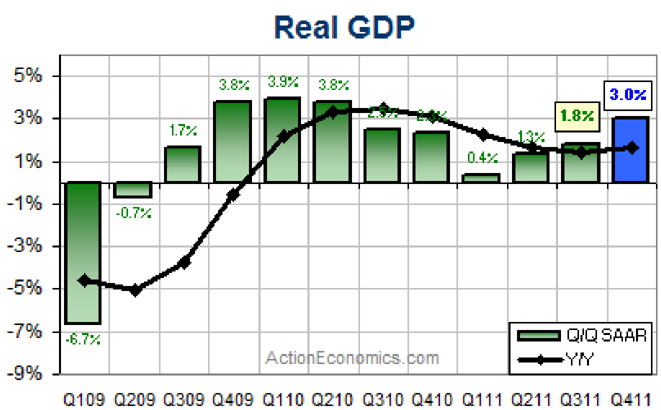
The Fed statement was unexpectedly dour on the economy, downgrading "strengthening somewhat" from November to "expanding moderately, notwithstanding some apparent slowing in global growth" in December. This retuned the emphasis to the downside, along with the view that "business fixed investment appears to be increasing less rapidly." On the flip-side the Fed gave a qualified upgrade to employment, as they referenced "some improvement in overall labor market conditions, but the unemployment rate remains elevated." It is noteworthy that the majority of the statement dealt with the economic risks, rather than any major inflation threat, which kept policy clearly biased toward accommodation.

Moreover, “strains in global financial markets continue to pose *significant downside risks* to the economic outlook." Clearly the Fed has been bracing for more contagion from Europe, through the transmission mechanism of the financial markets. Even in the face of criticism that its extended swap agreements were a thinly disguised bailout of Europe, Chairman Bernanke has remained steadfast that the risks of spillover from Europe are material and significant.

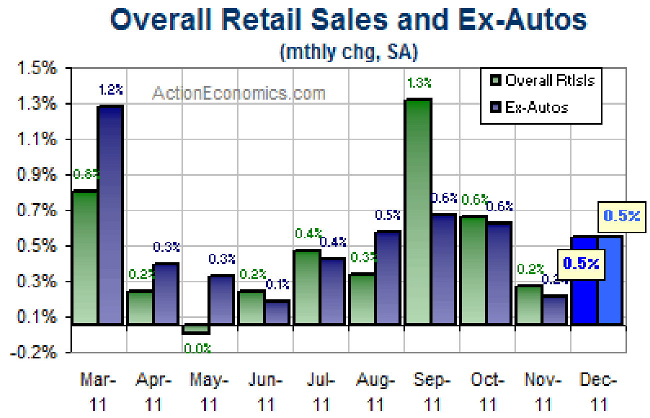


The U.S. December jobs report revealed a 200k payroll gain though with a surprising 8k in downward back-revisions that bucked the pattern of upward adjustments to leave the December jobs level roughly in line with assumptions. More importantly, the workweek rose to its 34.4 cycle-high from 34.3 in November, but an upwardly-revised 34.4 (was 34.3) in October left a stronger than expected hours-worked trend. The workweek has now regained the 34.4 level from last April and May, and big hours-worked gains were seen in the factory, construction and mining sectors alongside big job gains of 23k, 17k, and 7k respectively. A drop in the jobless rate to 8.5% also attracted attention, after annual back-revisions that smoothed the decline to 8.7% (actually, 8.65% from a revised 8.64%) in November from 8.9% (was 9.0%) in October, though the decline remains largely a reflection of a contracting labor force, which fell another 50k in December alongside a 176k civilian employment increase. Overall, labor market conditions tightened into the end of 2011 just as most December indicators had suggested.

The U.S. December payroll surge largely reflected a new seasonal pattern in the transportation component of payrolls in December and January, however, as was seen last year. And it apparently needs to be factored into payroll forecasts each December and January until the BLS seasonals "catch up" with the trend in holiday sales toward online purchases. The BLS reported a 42k pop in employment at “courier services” that boosted December payrolls (more Fedex/UPS drivers to deliver growing online purchases), and we saw an associated 50k surge in transportation employment that exactly matched a 50k pop in December of 2010, even though monthly gains in this component usually track a fairly stable 7k-8k monthly pace. We saw a big 47k drop in the transportation component last January as the holiday effect was reversed, and a similar drop should be seen this year given this new seasonal pattern that economists will need to incorporate into their December-January forecasts.



Most indicators have generally beat assumptions, though Q3 GDP growth was revised down to 1.8% from 2.5%. Later this month we expect Q4 GDP headline growth to be 3.0% in the first release, following the finalized Q3 growth rate of 1.8%. Personal consumption should grow at a stronger pace than Q3, up 2.6% versus 1.7% in Q3 and only 0.7% in Q2. Final sales growth should be 3.0%, just slightly slower from 3.2% in Q3. Fixed investment growth is expected to slow to a still positive 7% for the quarter following 13.0% in Q3. Equipment and Software growth popped 16.2% in Q3 but is seen slowing back to 6.0% growth in Q4. We expect net exports to pick up to a $19 bln pace from $13.7 bln in Q3. The export growth rate should be 4.1% following 4.7% in Q3. Inventories are expected to decline by $3 bln following the large $41.1 bln subtraction in Q3. Government spending fell 0.1% in Q3, and should decline by another 1.5% in Q4. The Q3 GDP chain price index climbed at a 2.6% rate, Q4's should grow 0.7%.

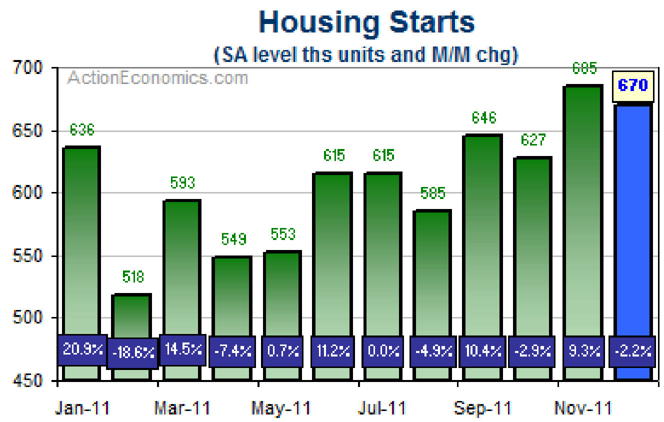


Anecdotal holiday retail sales data was mixed, with some increased volumes undermined by shrinking margins due to early and heavy discounting. December retail sales are expected to increase a modest 0.4% (median 0.2%), while the ex-auto aggregate is expected to grow by 0.5% (median 0.3%). December unit vehicle sales are expected to decline to 13.3 mln for the month after beating expectations in November with 13.6 mln sales. Without the “Hormuz effect,” gas prices appear set to continue their recent run of declines adding downside risk to the gas station sales component. The PCE price index is expected to grow by 0.1% in December with the core rate growing by 0.1%. The data should be in line with a 2.6%, personal consumption growth rate for Q4.

Monthly U.S. New Home Sales Data

	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
Level (ths)	303	295	290	306	310	315
mthly chg	-1.6%	-2.6%	-1.7%	5.5%	1.3%	1.6%
Northeast	-15.8%	43.8%	0.0%	-13.0%	-5.0%	-26.3%
Midwest	9.8%	2.2%	4.3%	-4.2%	15.2%	7.5%
South	-1.7%	-4.7%	-4.3%	12.2%	-11.4%	12.9%
West	-4.1%	-11.3%	0.0%	3.2%	27.7%	-16.9%
Invent. Y/Y	-21.6%	-21.4%	-21.5%	-20.1%	-19.6%	-19.0%
mths-supply	6.6	6.8	6.7	6.3	6.2	6.0
Med. Price (ths)	$240.2	$229.9	$219.6	$215.1	$222.6	$214.1
Y/Y chg	9.4%	8.4%	-3.1%	-5.7%	9.0%	-2.5%
Avg. Price (ths)	$273.1	$270.3	$259.3	$253.5	$253.2	$242.9
Y/Y chg	6.4%	7.2%	-3.5%	-6.4%	-0.5%	-13.8%

The Fed remains morose about the housing sector which "remains depressed," though housing starts and other measures have strengthened in recent months. It even went so far as to issue a "White Paper" to Congress, arguing for more direct action on widening GSE refinancing availability to non-conforming borrowers, reforming the housing agencies with the aim of resurrecting demand. Additionally, doves Dudley and Rosengren appeared to be advocating more purchases of mortgage-backed securities (MBS).



Housing starts are expected to fall 3.6% to a 660k unit pace in December following the 9.3% surge to a 685k unit clip in November. Permits are expected at 660k as well, from 681k permits in November and completions are expected at 550k from 542k. Starts have been on a firmer footing since June with August the only month dipping below 600k, an November setting a high back to March of 2010. Permits posted strong growth in November, growing by 5.7% to 681k. After three months of declines starting in July single-family starts grew 3.6% in October and another 2.3% in November. Much of the November jump was attributable to the 25.3% pop in multi-unit starts for the month. Both starts and permits are slowly recovering from last year's tax credit hangover.

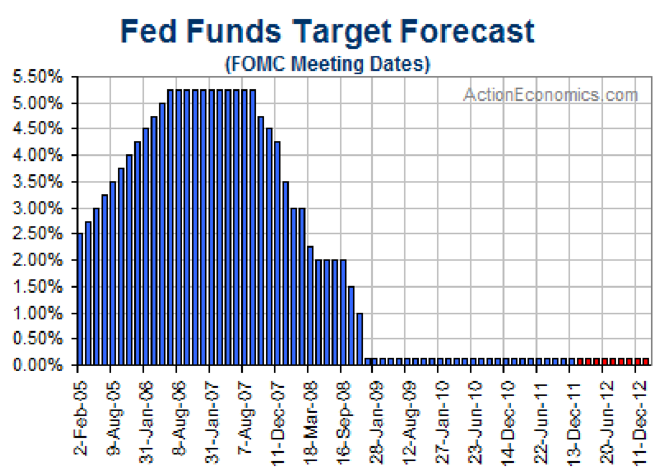
U.S. Consumer Sentiment/Confidence Data

	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12
Mich Sent.	55.7	59.4	60.9	64.1	69.9	70.5
Current	68.7	74.9	75.1	77.6	79.6	80.1
Expectations	47.4	49.4	51.8	55.4	63.6	64.1
Cons. Conf.	45.2	46.4	40.9	55.2	64.5	65.0
Current	34.3	33.3	27.1	38.3	46.7	45.0
Expectations	52.4	55.1	50.0	66.4	76.4	78.4
IBD/TIPP	35.8	39.9	40.3	40.6	42.8	43.5
RBC CASH	40.1	40.2	39.2	39.6	40.3	45.8
BBRG (mth-avg)	-48.5	-51.0	-50.9	-50.4	-47.3	-45.5

Consumer confidence has managed to rebound over recent months, and consumer credit appears to be loosening up as well. December Consumer Confidence surged past expectations to 64.5 (median 59.0) from 55.2 (was 56.0) in November. Expectations led the increase, rising to 76.4 from 66.4 (was 67.8) in November. Current conditions also gained, rising to 46.7 from 38.3 for November. The six month employment outlook rose to 13.3 from 12.4 (was 12.9) in November. This bounce brings confidence to the highest since April and is not far from our post-recession peak which was 72.0 in February. The pull-back over the summer reflected rising U.S. and European sovereign debt fears and the associated market collapse, the U.S. ratings downgrade, and high food and energy prices.

Fed Policy Outlook

It's a lock that the Fed will make significant, though nuanced, changes via increased transparency on the Fed funds target and economic projections starting in January -- they've told us so in the FOMC minutes. In terms of policy, for now we expect the Fed to adhere to the guidance in the last four FOMC statements. As a baseline, we anticipate status quo on ultra-low rate policy, reinvestment of maturing assets to maintain the elevated balance sheet and ongoing Op-Twist activity.



Several doves and board members have started the year off with a push to reform the giant housing agencies to unblock the housing sector. Some even suggested that the restoration of financial well-being at Fannie Mae and Freddie Mac should be secondary to restructuring mortgages and other market-clearing practices. Potential further MBS purchases also appear to remain a distinct possibility, along with potentially extending the horizon on low rates past the middle of 2013.

Hawks no doubt would like to see an exit to begin in the first half of 2013, with outright rate hikes in the second half of that year. But just how Europe shakes out early this year and, indeed, over the next several years could well determine how durable and strong the U.S. recovery proves to be. At some stage if the Fed manages to navigate these turbulence financial seas an exit will appear on the horizon. Only then will the Fed likely first end its practice of principal reinvestment and switch from the 0-0.25% range for the Fed funds rate to a reference to the 0.25% interest on excess reserve (IOER) rate. Then begins a multi-year process of unwinding its massive portfolio, presumably before the upward inflation pressure normally seen in the later years of a cycle starts to kick in.

This publication was authored by a third party, Action Economics, LLC.
This article does not necessarily reflect the expertise of Davidson Fixed Income Management, Inc. or its employees.

U.S. Economic Calendar
January 2012

Davidson Companies — Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 New Year's Day Observed U.S./CAN Markets Closed Bank Holiday JPN/U.K. Markets Closed	3 10:00 AM ISM (Mfg) DEC 10:00 AM Construction Spending NOV 2:00 PM FOMC Minutes for Dec 13 Meeting Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills Bank Holiday JPN Markets Closed	4 7:00 AM MBA Mortgage Applications 12/30 7:45 AM ICSC-Goldman Sachs 12/31 8:15 AM ADP Employment Survey DEC (est) 8:55 AM Redbook 12/31 10:00 AM Factory Orders NOV Unit Vehicle Sales DEC Tsy Auctions 4-Wk Bills	5 7:30 AM Challenger DEC 8:30 AM Initial Claims 12/31 9:45 AM Bloomberg Consumer Comfort 01/01 10:00 AM ISM-NMI DEC 11:00 AM EIA Crude Oil Stocks 12/30 4:30 PM Weekly Money Supply 12/26 Tsy Announces 3&6 Mth Bills Tsy Announces 52-Wk Bills Tsy Announces 3-Yr Notes Tsy Announces 30-Yr Bonds Reopen Tsy Announces 10-Yr Notes Reopen	6 6:00 AM Monster Employment Index DEC 8:30 AM Employment Report DEC	7
8	9 3:00 PM Consumer Credit NOV Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills Coming-of-Age Day JPN Markets Closed	10 7:45 AM ICSC-Goldman Sachs 01/07 8:55 AM Redbook 01/07 10:00 AM Wholesale Trade NOV 10:00 AM JOLTS Job Openings NOV Tsy Auctions 4-Wk Bills Tsy Auctions 52-Wk Bills Tsy Auctions 3-Yr Notes	11 7:00 AM MBA Mortgage Applications 01/06 10:30 AM EIA Crude Oil Stocks 01/06 2:00 PM Beige Book for Jan 24-25 FOMC Meeting Tsy Auctions 10-Yr Notes Reopen	12 8:30 AM Retail Sales DEC 8:30 AM Initial Claims 01/07 9:45 AM Bloomberg Consumer Comfort 01/08 10:00 AM Business Inventories NOV 2:00 PM Treasury Budget DEC 4:30 PM Weekly Money Supply 01/02 Tsy Auctions 30-Yr Bonds Reopen Tsy Announces 3&6 Mth Bills Tsy Announces 10-Yr TIPS	13 8:30 AM U.S. Trade NOV 8:30 AM Trade Price Indexes DEC 9:55 AM Consumer Sentiment Pre JAN	14
15	16 Martin Luther King, Jr. Day U.S. Markets Closed	17 8:30 AM Empire State Index JAN Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	18 7:00 AM MBA Mortgage Applications 01/13 7:45 AM ICSC-Goldman Sachs 01/14 8:30 AM PPI DEC 8:55 AM Redbook 01/14 9:00 AM Treasury Intl Capital NOV 9:15 AM Industrial Production DEC 1:00 PM NAHB Housing Market Index JAN Tsy Auctions 4-Wk Bills	19 8:30 AM CPI DEC 8:30 AM Housing Starts DEC 8:30 AM Initial Claims 01/14 9:45 AM Bloomberg Consumer Comfort 01/15 10:00 AM Philadelphia Fed Index JAN 11:00 AM EIA Crude Oil Stocks 01/13 4:30 PM Weekly Money Supply 01/09 Tsy Auctions 10-Yr TIPS Tsy Announces 3&6 Mth Bills Tsy Announces 2, 5 & 7-Yr Notes	20 10:00 AM Existing Home Sales DEC	21
22	23 Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	24 7:45 AM ICSC-Goldman Sachs 01/21 8:55 AM Redbook 01/21 10:00 AM Richmond Fed Index JAN FOMC 2-Day Meeting Begins Tsy Auctions 4-Wk Bills Tsy Auctions 2-Yr Notes	25 7:00 AM MBA Mortgage Applications 01/20 10:00 AM Pending Home Sales Index DEC 10:30 AM EIA Crude Oil Stocks 01/20 **12:30 PM FOMC Policy Announcement** Tsy Auctions 5-Yr Notes	26 8:30 AM Durable Orders DEC 8:30 AM Initial Claims 01/21 9:45 AM Bloomberg Consumer Comfort 01/22 10:00 AM New Home Sales DEC 10:00 AM Leading Indicators DEC 4:30 PM Weekly Money Supply 01/16 Tsy Auctions 7-Yr Notes Tsy Announces 3&6 Mth Bills	27 8:30 AM GDP Advance Q4 9:55 AM Consumer Sentiment Fin JAN 10:00 AM Mass Layoffs DEC*	28
29	30 8:30 AM Personal Income & PCE DEC 10:30 AM Dallas Fed Index JAN Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	31 7:45 AM ICSC-Goldman Sachs 01/28 8:30 AM Employment Cost Index Q4 8:55 AM Redbook 01/28 9:00 AM S&P/Case-Shiller Home Price Index NOV 9:45 AM Chicago ISM JAN 10:00 AM Consumer Confidence JAN 3:00 PM Agricultural Prices JAN Tsy Auctions 4-Wk Bills				

December 11

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February 12

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29			

Please, visit our website at www.davidsoncompanies.com/fim *Estimated date

This publication was authored by a third party, Action Economics, LLC. This article does not necessarily reflect the expertise of Davidson Fixed Income Management, Inc. or its employees.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

FIXED INCOME BENCHMARK RETURNS

December 31, 2011

	Duration	Month Ending 12/31/2011	Quarter Ending 12/31/2011	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
U.S. TREASURY BENCHMARKS							
US Treasury 90 Day Bill	0.22	0.00	0.00	0.10	0.40	1.48	1.95
US Treasury 0-1 Year	0.51	0.01	0.06	0.31	0.40	1.97	2.20
US Treasury 0-3 Year	1.43	0.04	0.15	1.17	1.23	3.11	2.89
US Treasury 1-3 Year	1.89	0.05	0.20	1.55	1.56	3.69	3.25
US Treasury 0-5 Year	2.21	0.13	0.34	2.69	2.00	4.09	3.52
US Treasury 1-5 Year	2.71	0.17	0.42	3.36	2.39	4.77	3.97
US Treasury 1-10 Year	4.10	0.58	0.75	6.76	3.46	6.07	4.83
TIPS BENCHMARKS							
TIPS 1-3 Year	1.55	-0.40	0.57	2.77	4.74	4.25	N/A
TIPS 1-5 Year	1.82	-0.46	0.88	5.00	6.41	5.47	N/A
TIPS 3-5 Year	2.02	-0.51	1.12	6.95	7.84	6.92	N/A
TIPS 1-10 Year	2.73	-0.04	1.75	9.16	8.43	6.92	6.67
AGENCY BENCHMARKS							
US Agency 1-3 Year	1.73	0.07	0.19	1.53	2.01	3.93	3.53
US Agency 1-5 Year	2.17	0.18	0.31	2.44	2.65	4.55	4.04
US Agency 1-10 Year	2.66	0.29	0.45	3.82	3.27	5.24	4.73
AGENCY BULLET							
US Agency 1-3 Year Bullet	1.89	0.07	0.19	1.60	2.17	4.25	3.76
US Agency 1-5 Year Bullet	2.41	0.20	0.32	2.62	2.89	4.99	4.34
US Agency 3-5 Year Bullet	3.82	0.57	0.71	5.89	4.96	6.90	5.75
US Agency 1-10 Year Bullet	2.99	0.32	0.49	4.17	3.57	5.76	5.10
AGENCY CALLABLE							
US Agency 1-3 Year Callable	1.22	0.08	0.23	1.21	1.37	2.89	2.79
US Agency 1-5 Year Callable	1.31	0.11	0.28	1.67	1.68	3.16	3.10
US Agency 3-5 Year Callable	1.65	0.24	0.45	2.95	2.51	3.81	3.72
US Agency 1-10 Year Callable	1.34	0.13	0.30	2.19	2.02	3.52	3.50
CORPORATE							
1-3 Year Corp A-AAA	1.85	0.27	0.52	1.61	5.76	4.13	3.97
1-5 Year Corp A-AAA	2.68	0.59	0.62	2.55	6.88	4.64	4.57
1-10 Year Corp A-AAA	4.21	1.30	1.15	4.54	8.71	5.18	5.30

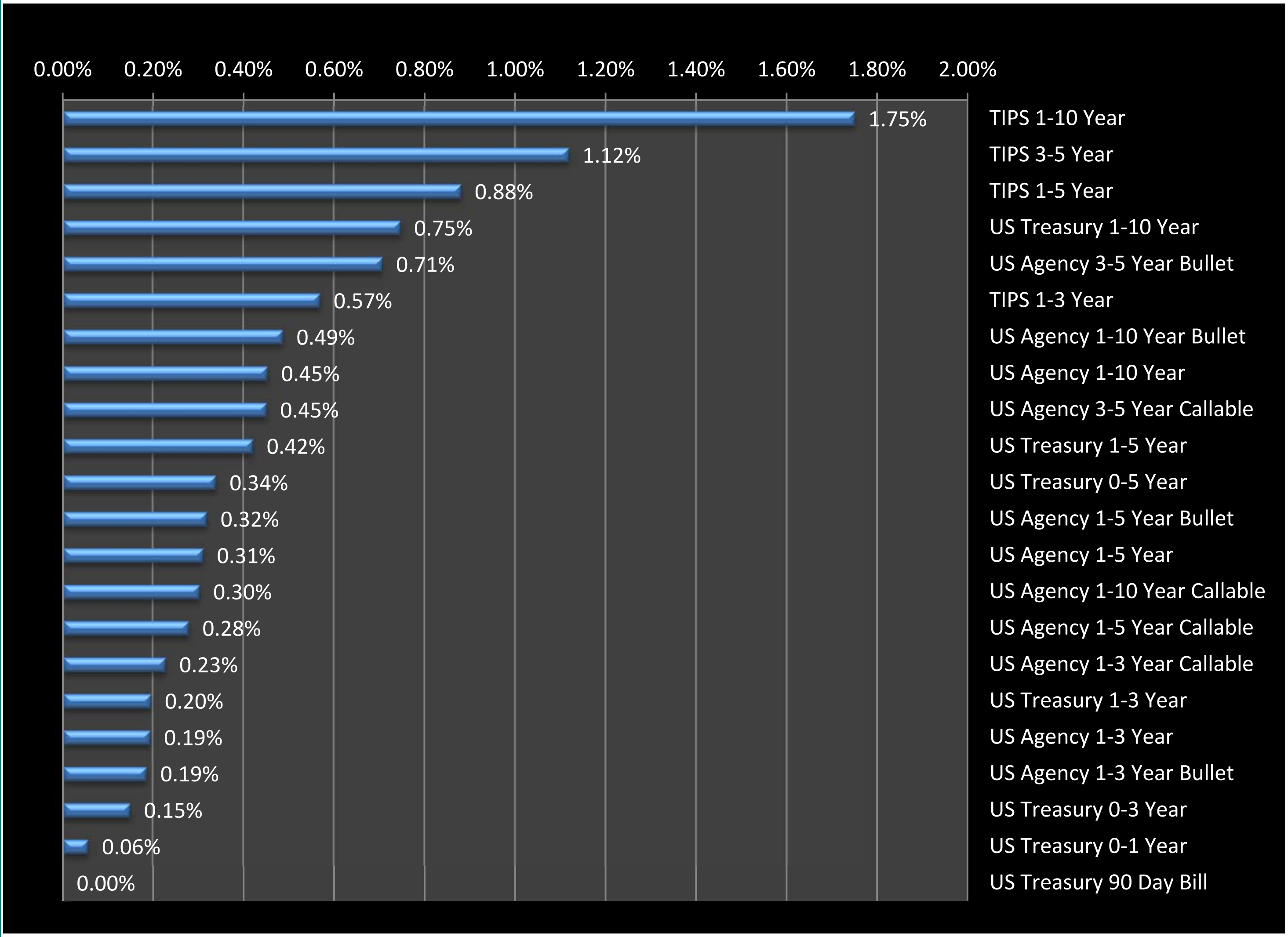
Data source: Merrill Lynch Global Index System on Bloomberg.

Davidson Fixed Income Management
REGISTERED INVESTMENT ADVISER

WHAT'S HOT AND WHAT'S NOT

QUARTERLY PERFORMANCE RANKINGS

December 31, 2011



Data source: Merrill Lynch Global Index System on Bloomberg.

James B. Lewis
State Treasurer

STATE OF NEW MEXICO
OFFICE OF THE TREASURER
P. O. Box 5135
2055 South Pacheco, Suite 100
Santa Fe, New Mexico 87505
Phone: (505) 955-1120
FAX (505) 955-1195

Mark F. Valdes
Deputy State Treasurer

Date: January 24, 2012

To: James B. Lewis, State Treasurer

For: Governor Martinez and Members of the State Board of Finance

From: Samuel K. Collins, Jr., State Cash Manager

Subject: State Fund Deposit Activity for the month ending December 30, 2011

Pursuant to section 8-6-3.1 NMSA 1978, the State Cash Manager shall submit to the State Board of Finance a report showing state fund balances in each Financial Institution. Attached for your review is a summary of State fund balances in each institution through the month ending December 31, 2011.

Additionally, the State Treasurer's Office is required to report to the State Board of Finance any Financial Institution that exceeds certain equity capital and deposit ratios and notify all state agencies who maintain State Fund Deposits within those institutions of the violation. The agencies are advised not to make any new deposits to those accounts until the violations are corrected. Pursuant to section 6-10-24.1 NMSA 1978 there were no Financial Institutions exceeding the statutory limitations on equity capital and deposit ratios for the month ending December 31, 2011.

(Attachments)

State Agency Depository Account Summary

December-11

STATE FUNDS

AGENCY	# OF ACCTS.	BALANCE
AOC (fines, fees etc.)	50	$3,194,352
BERN. CO. METRO COURT	2	$320,481
1-13 DISTRICT ATTORNEY	7	$68,617
TAXATION & REVENUE DEPT.	30	$153,282
PUBLIC SCHOOL INS. AUTHORITY	6	$27,998,508
PUBLIC DEFENDER	9	$7,629
SECRETARY OF STATE	1	$0
STATE TREASURER (JDC)	29	$204,700
NM RACING COMMISSION	6	$610,136
SPACEPORT AUTHORITY	1	$1,705,554
DEPT. OF GAME & FISH	2	$71,742
SOUTHWEST REGION ED.	1	$1,970,154
ENERGY & MINERALS	4	$543,886
COMMISSION PUBLIC LAND	2	$7,385
STATE ENGINEER'S OFFICE	3	$92,510
IRRG WKS CONST	1	$252,186
COMMISSION FOR THE BLIND	3	$95,214
HUMAN SERVICES DEPT.	5	$24,386
WORKFORCE SOLUTIONS	8	$2,395,740
DIVISION OF VOCATIONAL REHAB	1	$0
MINER'S HOSPITAL	1	$831,947
DEPARTMENT OF HEALTH	75	$477,548
ENVIRONMENT DEPARTMENT	1	$0
CORRECTIONS DEPARTMENT	6	$2,044
DEPT. OF PUBLIC SAFETY	2	$32,354
HIGHWAY & TRANSPORTATION	5	$1,753
CENTRAL REGIONAL CO-OP	1	$334,723
		$41,396,831
Total:	262	**$41,396,831**

NON-STATE FUNDS

AGENCY	# OF ACCTS.	BALANCE
AOC (Bonds)	55	
1ST JUDICIAL DIST. COURT	3	$2,309,726
2ND JUDICIAL DIST. COURT	2	$912,636
3RD JUDICIAL DIST. COURT	2	$1,025,567
4TH JUDICIAL DIST. COURT	4	$149,845
5TH JUDICIAL DIST. COURT	3	$2,313,995
6TH JUDICIAL DIST. COURT	3	$136,887
7TH JUDICIAL DIST. COURT	4	$208,665
8TH JUDICIAL DIST. COURT	4	$661,658
9TH JUDICIAL DIST. COURT	4	$585,469
10TH JUDICIAL DIST. COURT	3	$113,153
11TH JUDICIAL DIST. COURT	10	$1,382,334
12TH JUDICIAL DIST. COURT	7	$1,523,515
13TH JUDICIAL DIST. COURT	56	$2,505,992
BERNALILLO CO. METRO COURT	2	$805,695
6TH DISTRICT ATTORNEY	3	$31,396
7TH DISTRICT ATTORNEY	1	$1,679
10TH DISTRICT ATTORNEY	1	$662
11TH JUDICIAL DIST. ATTORNEY	1	$15,462
EDUCATION RETIREMENT BOARD	1	$12,946
LGIP	5	$483,208,575
PUBLIC REG. COMMISSION	4	$850,902
NM STATE FAIR	5	$1,173,293
SOUTHWEST REGION ED.	1	$15
COMM STATUS OF WOMEN	1	$0
COMM FOR THE BLIND	1	$0
WORKFORCE SOLUTIONS	1	$0
MINER'S HOSPITAL	1	$2,082
DEPARTMENT OF HEALTH	11	$923,495
CHILDREN, YOUTH & FAMILIES	4	$94,705
CORRECTIONS DEPARTMENT	11	$2,069,848
DEPT. OF PUBLIC SAFETY	2	$30,586
CENTRAL REGION CO-OP	1	$403,680
Total:	157	**$503,454,463**

Total Depository Balances: **$544,851,294**

Total Depository Accounts: **419**

Accounts Opened: 1 13TH JDC (1)

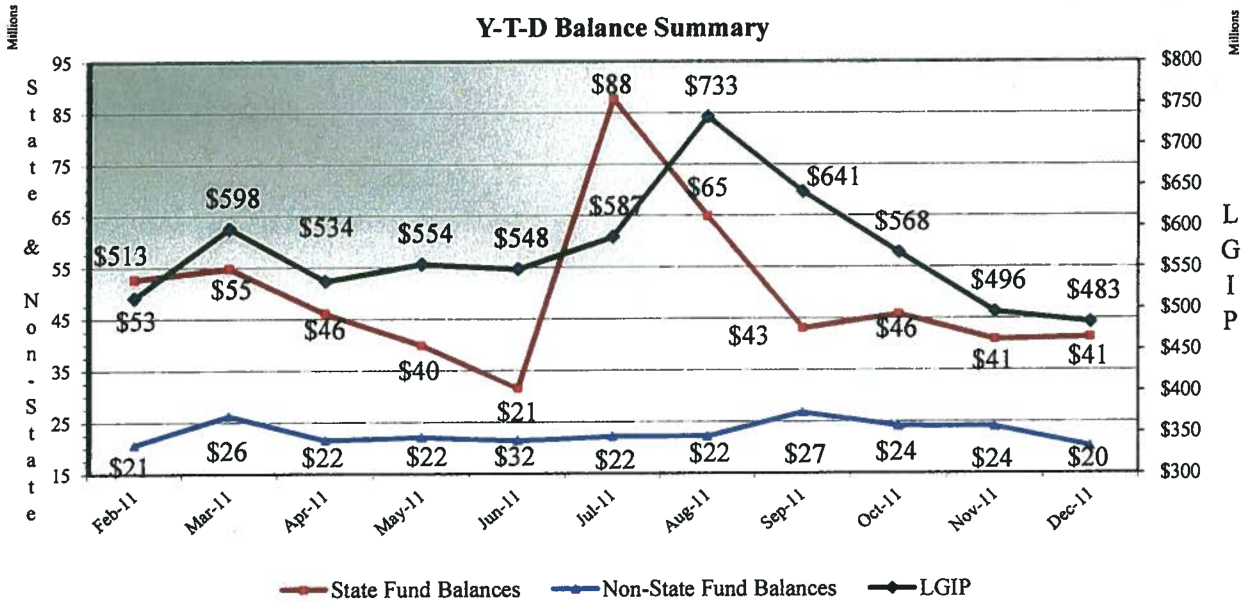
Accounts Closed: 6 13TH JDC (1)

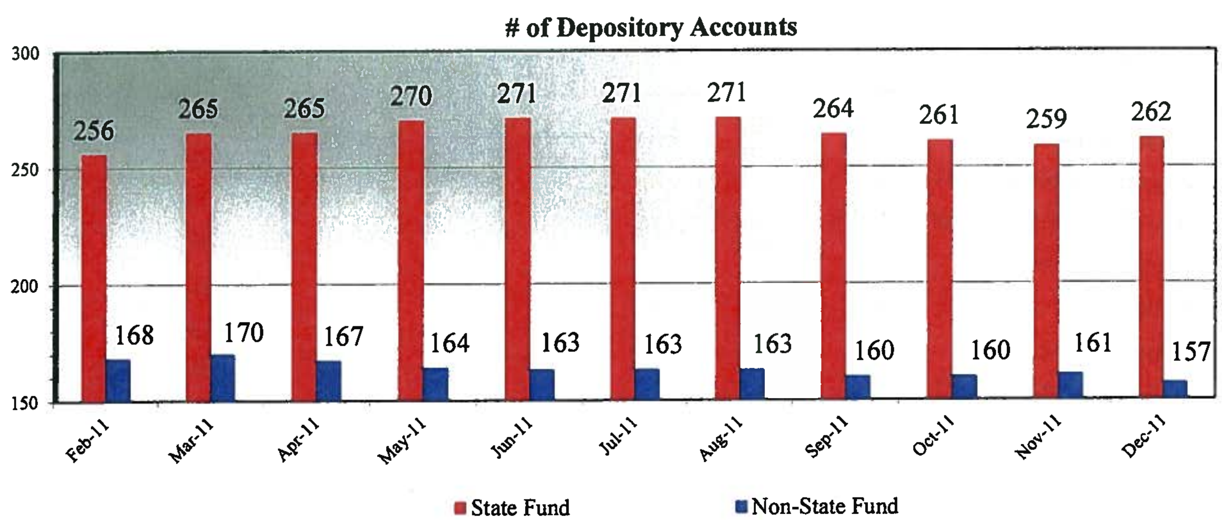
Financial Institutions - State Fund Balances
December-11

Bank 34/Alamogordo	0
Century Bank/Santa Fe	0
First National Bank/Alamogordo	121,154
Bank of America/Albuquerque	2,834,505
Wells Fargo Bank/Albuquerque	33,756,757
Compass Bank/Albuquerque	2,406,493
Bank of the West/Albuquerque	611
First American Bank/Artesia	54,497
My Bank/Belen	5,724
Carlsbad National Bank/Carlsbad	2,901
Western Commerce Bank/Carlsbad	67,703
Farmers/Stockmens Bank/Clayton	30,666
First National Bank/Clayton	840,984
Bank of Clovis/Clovis	0
Citizens Bank/Clovis	20,180
NM Bank & Trust/Albuquerque	247,380
Community Bank/Santa Fe	9,522
Valley National Bank/Espanola	408
Pinnacle Bank/Gallup	1,900
Grants State Bank/Grants	127
Lea County State Bank/Hobbs	95,962
Citizens Bank/Las Cruces	0
Bank of Las Vegas/Las Vegas	119,667
Community 1st Bank/Las Vegas	182,871
Western Bank/Lordsburg	74,597
Los Alamos National Bank/Los Alamos	45,935
James Polk Stone National Bank/Portales	53,488
International Bank/Raton	51,038
Valley Bank of Commerce/Roswell	82,470
First National Bank of Santa Fe/Santa Fe	0
First State Bank/Socorro	11,905
Centinel Bank/Taos	78,261
US Bank/Albuquerque	89,333
Bank of the Southwest/Roswell	83,161
People's Bank	8,102
AmBank	18,529
	$41,396,831

Depository Account Summary

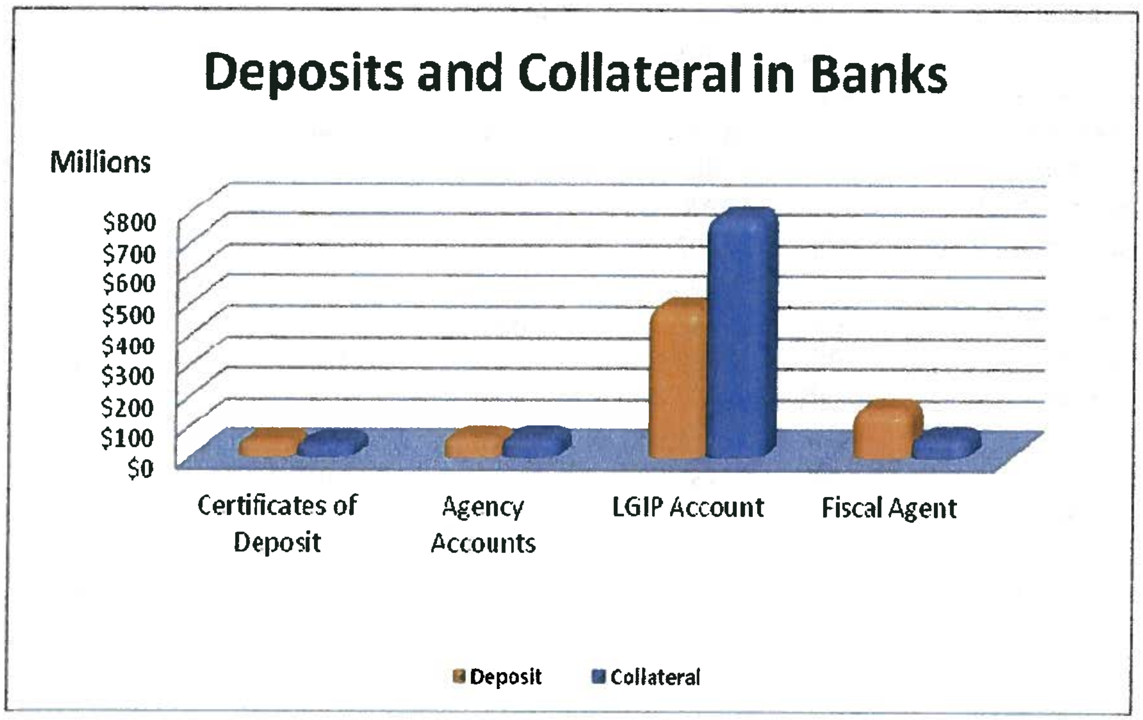
Month	State Fund	Non-State Fund	State Fund Balances	Non-State Fund Balances	LGIP
Feb-11	256	168	$ 52,796,028	$ 20,673,281	$ 513,365,560
Mar-11	265	170	$ 54,889,486	$ 26,270,580	$ 597,839,633
Apr-11	265	167	$ 46,120,030	$ 21,551,792	$ 533,900,227
May-11	270	164	$ 39,980,717	$ 22,124,899	$ 554,409,531
Jun-11	271	163	$ 31,593,841	$ 21,458,284	$ 548,165,074
Jul-11	271	163	$ 87,722,811	$ 22,216,670	$ 587,054,705
Aug-11	271	163	$ 64,904,777	$ 22,210,123	$ 732,637,676
Sep-11	264	160	$ 43,143,399	$ 26,794,894	$ 641,328,822
Oct-11	261	160	$ 45,866,719	$ 24,145,373	$ 567,715,366
Nov-11	259	161	$ 40,948,947	$ 24,036,129	$ 495,721,589
Dec-11	262	157	$ 41,396,831	$ 20,245,888	$ 483,208,575





Office of the Treasurer
Collateral Summary Review
December 31, 2011

All depository institutions holding public funds for the month ending December 2011 met the minimum collateral requirements. The required ratio of collateral for each depository institution holding public funds is determined by a statutorily defined quarterly risk assessment and is not intended as an opinion as to the financial health of the subject institution.



Balances

	Deposit	Collateral	Percentage
Certificate of Deposit	$ 50.0 Million	$ 42.0 Million	84.1%
Agency Deposit	60.8 Million	60.5 Million	99.4%
LGIP Deposits	483.2 Million	777.1 Million	160.8%
Fiscal Agent	157.1 Million	62.3 Million	39.7%
Totals →	751.0 Million	941.8 Million	125.4%

Office of the Treasurer

Collateral Review

Accumulated Total by Institution

December 31, 2011

FINANCIAL INSTITUTION	%	TOTAL DEPOSITS	FDIC / NCUA INSURANCE	LESS INSURACE COVERAGE	SUBJECT TO BE COLLATERALIZED	COLLATERAL PLEDGED	EXCESS (UNDER)
First National - Alamogordo	50%	515,498	250,000	265,498	132,749	572,137	439,387
Western - Alamogordo	75%	3,100,000	250,000	2,850,000	2,137,500	2,724,894	587,394
Bank of America	50%	3,599,814	1,257,856	2,341,958	1,170,979	7,606,539	6,435,560
Bank of the West	75%	214,119,688	250,618	213,869,070	160,401,802	228,214,416	67,812,614
BBVA Compass	102%	215,982,000	2,156,274	213,825,726	218,102,241	474,507,294	256,405,054
US Bank	50%	6,724,629	468,138	6,256,491	3,128,245	40,000,000	36,871,755
Wells Fargo	50%	97,232,229	11,527,288	85,704,941	42,852,470	80,788,548	37,936,078
First American	50%	54,497	54,497	0	0	0	0
My Bank	50%	2,241,879	255,440	1,986,439	993,220	1,410,000	416,780
Carlsbad National	50%	2,901	2,901	0	0	0	0
Western Commerce	50%	6,067,703	284,883	5,782,820	2,891,410	3,586,552	695,142
Farmers & Stockmen	102%	2,383,444	270,134	2,113,310	2,155,576	2,604,099	448,523
First National - Clayton	50%	840,984	250,000	590,984	295,492	730,000	434,508
Bank of Clovis	50%	402,386	250,000	152,386	76,193	402,386	326,193
Citizens - Clovis	50%	20,181	20,181	0	0	0	0
NM Bank & Trust	50%	247,381	247,381	0	0	250,000	250,000
Western - Clovis	50%	2,600,000	250,000	2,350,000	1,175,000	1,297,992	122,992
Valley National	102%	408	408	0	0	0	0
Pinnacle	50%	1,900	1,900	0	0	0	0
Grants State	50%	131,900	131,900	0	0	0	0
Lea County State	50%	95,963	95,963	0	0	100,000	100,000
Citizens - Las Cruses	50%	3,585	3,585	0	0	0	0
Bank of Las Vegas	50%	10,748,116	277,254	10,470,862	5,235,431	5,532,535	297,104
Community 1st - Las Vegas	50%	182,871	182,871	0	0	1,000,000	1,000,000
Western - Lordsburg	50%	86,712	86,712	0	0	0	0
Los Alamos National	50%	45,935	45,935	0	0	0	0
James Polk Stone Communi	50%	457,168	457,168	0	0	0	0
International	75%	96,088	96,088	0	0	450,000	450,000
Bank of the Southwest	50%	339,644	263,619	76,025	38,013	283,910	245,897
Valley Commerce	50%	82,470	82,470	0	0	0	0
Century	102%	24,627,513	250,000	24,377,513	24,865,063	25,500,000	634,937
Community	50%	185,574	332,309	-146,735	-73,368	953,789	1,027,156
First National - Santa Fe	50%	213,390	213,390	0	0	0	0
First State	50%	119,880	119,880	0	0	0	0
AM	50%	18,529	18,529	0	0	0	0
Centinel	50%	78,260	78,260	0	0	0	0
Peoples	102%	8,102	8,102	0	0	0	0
BANK'34	102%	891,974	250,000	641,974	654,813	887,740	232,926
Union Savings	102%	0	0	0	0	0	0
Guadalupe Credit	50%	250,000	250,000	0	0	0	0
		594,801,195	21.291,934	573,509,261	466,232,830	879,402,831	413,170,001