



James B. Lewis
State Treasurer

STATE OF NEW MEXICO
OFFICE OF THE TREASURER
2055 South Pacheco St. Suite 100 & 200
P.O. Box 5135
Santa Fe, New Mexico 87505

Marilyn L. Hill
Deputy State Treasurer

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

STATE TREASURER'S INVESTMENT COMMITTEE

TREASURER'S CONFERENCE ROOM



"Albuquerque Aquarium." - New Mexico Tourism Department

WEDNESDAY, FEBRUARY 12, 2014
9:00AM

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1. Approval of February 12, 2014 Agenda



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STATE TREASURER'S INVESTMENT COMMITTEE
Treasurer's Conference Room
Wednesday, February 12, 2014, 9:00 a.m.

MEETING AGENDA (5 Min)

Roll Call

Introduction of Presenters and Guest

1. Approval of February 12, 2014 Agenda
2. Approval of January 8, 2014 Minutes

Action

Action

INVESTMENT REPORTS (45 min)

3. Executive Summary
4. Investment Compliance Report
5. Investment Accounting Report
6. Davidson- December 2013 Quarterly Investment Report
7. Quarterly Investment Review
8. Cash Projection
9. Portfolio Summary -- General Fund
10. Portfolio Summary -- Local Government Investment Pool (LGIP)
11. Portfolio Summary -- Tax-Exempt Bond Proceeds Investment Pool
12. Portfolio Summary -- Taxable Bond Proceeds Investment Pool
13. Portfolio Summary -- Severance Tax Bonding Fund
14. Broker Dealer Activities

Month Ended
December 31, 2013

Informational
Informational
Informational
Informational
Informational
Informational
Informational
Informational
Informational
Informational
Informational
Informational

CASH MANAGEMENT
& COLLATERAL REPORTS (10 Min)

15. State Agency Deposit Balances
16. Collateral Report on Agency Deposits & CDs

Month Ended
December 31, 2013

Informational
Informational

COMMITTEE REPORTS (5 min)

17. Question Period
18. Next Meeting --Wednesday, March 12, 9:00 am
19. Adjournment

Action



2. Approval of January 8, 2014 Minutes

***New Mexico State Treasurer's Office
STIC Committee Meeting
Meeting Minutes
Wednesday, January 8, 2014***

ROLL CALL- QUORUM PRESENT:

A regular meeting of the New Mexico State Treasurer's Investment Committee (STIC) was called to order this date at 9:03 a.m. in the conference room of The State Treasurer's Office (STO), 2055 South Pacheco Street, Santa Fe, New Mexico 87505.

Members Present:

Ms. Marilyn Hill designee for The Honorable James B. Lewis, State Treasurer
Ms. Linda Roseborough, Chair
Mr. Andrew Jacobson designee for Ms. Stephanie Schardin Clarke, Board of Finance Director
Mr. Mark Pike, Public Member

Staff Present:

Ms. Vikki Hanges, Portfolio Manager
Mr. Spencer Wright, Portfolio Manager
Mr. Sam Collins, Cash Manager
Ms. Cindy Cordova, General Counsel
Ms. Kirene Bargas, Investment Transaction Bureau Chief & Trade Compliance
Mr. Arsenio Garduño, Collateral Manager
Mr. Steve Vigil, Investment Accounting Bureau Chief
Ms. Hannah Chavez, STIC Secretary
Mr. Heinrich Edimo, Quality Assurance & Compliance Officer
Mr. Clarence Smith, Operations Director

Guest Present:

Ms. Deanne Woodring, Davidson Fixed Income Management (via phone)

1. Approval of January 8, 2014 Agenda:

Ms. Hill moved approval of the Agenda. Motion was seconded by Mr. Jacobson and passed unanimously by voice vote.

2. Approval of December 11, 2013 Minutes:

Ms. Hill moved approval of the Minutes. Motion was seconded by Mr. Jacobson and passed unanimously by voice vote.

3. Executive Summary, Mr. Wright:

Highlights of the Executive Summary report were presented.

4. Investment Policy Compliance Report, Ms. Bargas:

Highlights of the Investment Policy Compliance report were presented.

5. Investment Accounting Report, Mr. Vigil:

Highlights of the Investment Accounting report were presented.

- Mr. Vigil announced that the SHARE investment accounting transaction accounts; numbers and names that were recommended by the STO Investment Division to DFA have been set-up in SHARE. STO is awaiting feedback from DFA providing directive to begin posting to SHARE. STO's auditors support STO's recommendations regarding the accounts/structure/process of monthly investment accounting transaction entries into SHARE.

6. Cash Projection, Mr. Collins and Mr. Garduño:

The STIC Cash Projections were presented entirely.

7. Portfolio Summary- General Fund, Mr. Wright:

Highlights of the Portfolio Summary General Fund report were presented.

8. Portfolio Summary- Local Government Investment Pool (LGIP), Ms. Hanges:

Highlights of the Portfolio Summary Local Government Investment Pool report were presented.

- Discussion was held regarding future STO outreach initiatives which are to include tribal communities. The outreach initiatives will begin after the conclusion of the 2014 Legislative session.

9. Portfolio Summary- Tax-Exempt Bond Proceeds Investment Pool, Ms. Hanges:

Highlights of the Portfolio Summary Tax-Exempt Bond Proceeds Investment Pool report were presented.

- Ms. Hanges requested from DFA updated projections for property taxes.

10. Portfolio Summary-Taxable Bond Proceeds Investment Pool, Ms. Hanges:

Highlights of the Portfolio Summary Taxable Bond Proceeds Investment Pool report were presented.

11. Portfolio Summary- Severance Tax Bonding Fund, Mr. Wright:

Highlights of the Portfolio Summary Severance Tax Bonding Fund report were presented.

12. Broker Dealer Activities: Mr. Wright:

The Broker Dealer Activities Report was presented.

13. State Agency Deposit Balances, Mr. Collins:

Highlights of the State Agency Deposit Balance Report were presented.

14. Collateral Report on Agency Deposits & CDs, Mr. Garduño:

Highlights of the Collateral Report on Agency Deposits and CDs were presented.

15. STO Investment Policy, Member Roseborough:

- Chair Roseborough noted that the STO Investment Policy is under review by STIC members and will go to the State Board of Finance for approval once all stakeholders have had an opportunity to review and when the policy has final approval from the Treasurer.

16. Community Custody Bank Authorizations, Mr. Garduño:

- Mr. Garduño presented handouts that refer to the statutory authority regarding depository bank requirements, collateral level requirements, and custodial bank requirements along with a call report. It was decided that the information regarding the establishment of a new collateral bank would be shared with the Board of Finance Director and together we will establish the process for new set-ups.

17. Next Meeting- Wednesday, February 12, 2013, 9:00am

Chair Roseborough noted the date and time of next STIC meeting.

18. Adjournment

The adjournment was moved by Ms. Hill. Motion was seconded by Member Pike. Chair Roseborough adjourned the meeting at 10:41 a.m.

Minutes were taken by Ms. Hannah Chavez on January 8, 2014.

Minutes approved by Ms. Roseborough on January 30, 2014.



3. Executive Summary

Executive Summary

- At the end of December, the State Treasurer managed \$3.9 billion in assets.
- During the month, the office earned approximately \$1.5 million on its investment positions.
- US Treasury yields were somewhat higher in December and into January as the Federal Reserve announced that it would begin to taper its asset purchases beginning in January 2014.
- The Fed also indicated that it would keep overnight rates close to 0.00% “well past” the time when unemployment rates touch 6.5%, its previous target. This had the effect of “locking” short-term rates at the zero level for the foreseeable future.
- The Fed’s announcement had the effect of “steepening” the yield curve in our investment area.
- Being short to the indices helped the STO portfolios to perform well versus our portfolio benchmarks.
- Economic indexes were slightly stronger, suggesting some growth in the general economy.
- Equity indices continued to improve throughout December with the DJIA closing at a 29% improvement for the year. The broader market indexes showed additional improvement with the S&P up 32% and the Russell 2000 up over 38%. Equity markets in January came off these highs levels.
- Unemployment rate dropped from 7.3% to 7.0% in December with nonfarm payroll employment adding more jobs than anticipated.
- GDP for the 3rd quarter 2013 was revised higher to 4.1% and inflation remained below the Fed’s long-term run rate of 2%.
- The US debt ceiling remains of concern, but the political chatter seems much more muted than previous negotiations.
- The Treasury currently expects to hit the “debt ceiling” at the end of February absent an increase in borrowing ability.
- Janet Yellen was confirmed as the incoming Federal Reserve Bank Chairperson, and will succeed Chairman Ben Bernanke, viewed by the markets as a continuation of the current monetary policy thought process.
- The Fed’s “test” overnight reverse repurchase facility, was viewed as a mechanism for setting the floor for short-term interest rates, and a more far reaching tool for monetary policy than the Fed Funds rate.
- Overnight rates traded in a disappointing 3-5 basis point range for much of the month, showing how the Fed’s facility can anchor overnight rates.

Table 1 – Comparative Interest Rates

<u>US Treasury Yields</u>			
<u>Maturity</u>	<u>November 30</u>	<u>December 31</u>	<u>Change</u>
3-Month	0.06%	0.07%	0.01%
6-Month	0.10%	0.09%	(0.01%)
2-Year	0.28%	0.38%	0.10%
5-Year	1.37%	1.75%	0.38%
10-Year	2.75%	3.04%	0.29%
30-Year	3.81%	3.97%	0.16%

Source: Bloomberg LP

Portfolio Mark-to-Market and Monthly Change

With the slight strengthening of market yields in the two and three year maturity segment, the STO portfolios¹ had positive results on a mark-to-market basis. Rates in the longer end of our maturity area, five years, increased while short-term yields traded in a very narrow range.

Table 2 - Unrealized Gains and Losses

<u>Fund</u>	<u>Unrealized Gain/Loss²</u>	<u>Monthly Change in Unrealized Gain/Loss³</u>
General Funds	\$2.0 million	Decreased \$3.8 million
Bond Proceeds Funds	\$0.9 million	Increased \$1.0 million
Local Government Investment Pool	Not Material	Not Material
Severance Tax Bonding Fund	Not Material	Not Material

Source: QED

Portfolio Yields and Duration

As of the end of December, the portfolios had the following weighted average purchase yields and durations:

Table 3 - Portfolio Yields and Duration

<u>Fund</u>	<u>Portfolio Yield⁵</u>	<u>Duration⁴</u>		
		<u>Portfolio</u>	<u>Benchmark</u>	<u>Percentage</u>
General Fund Liquidity	0.03%	18 Days		
General Fund CORE	0.79%	2.22 Years	2.16 Years	103%
Bond Proceeds - Tax Exempt	0.33%	1.10 Years	1.39 Years	79%
Bond Proceeds - Taxable	0.44%	1.04 Years	1.39 Years	75%
Local Government Investment Pool	0.14%	58 Days		
Severance Tax Bonding Fund	0.102%	1 Day		

Source: QED, JPMorgan

On a "book yield" comparison, each of the STO portfolios exceeds the yield on their respective benchmark portfolios.

Interest Rate Risk Exposure and Projected "Shock" Analysis

As mentioned above, STO Portfolios are managed to perform relative to the performance of benchmark durations.

¹ This report does not include balances in or earnings on the Reserve Contingency Fund ("RCF"). The RCF was created in 2009 by the State Treasurer's Office as a vehicle to hold Reserve Primary Fund ("Primary Fund") assets of various LGIP participants after the Reserve Primary Fund encountered difficulties in the latter part of 2008 and entered into a process of liquidation.

² 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.

³ Unaudited. Mark-to-market values are calculated using the QED system and weekly securities pricing from IDC. Market values are compared to carrying values which are adjusted for amortization/accretion of premium/discount. Securities, such as Certificates of Deposits, for which there is no quoted market price, are carried at cost basis (amortized through the holding date).

⁴ Portfolio durations are calculated as of moment in time, specifically at month end.

⁵ 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. Monthly earnings as included in this report take these fund flows into consideration.

As such, we understand that interest rates will change and the value of the portfolio will change with the underlying changes in market rates. Should interest rates increase, generally the market value of the portfolios will decrease. Should rates decline, we would expect that the value of the portfolios will increase.

As investors, we are looking to outperform our benchmarks on a relative basis. Factors which can impact relative market performance include securities selection, duration management, credit allocation and to some degree, timing. Against this backdrop are the stated policy goals of safety, liquidity and yield, in that order.

In addition to changes the overall rates, the shape of the yield curve can change, affecting the value of the STO portfolios. Changes in underlying credit spreads will also impact market value.

Each of the STO portfolios' performance is affected by a variable known as convexity. Convexity essentially predicts the potential change in a portfolio's duration given an assumed shift in rates. Portfolios with significant embedded optionality can perform differently under interest rate modeling. For the purposes of this analysis, we have assumed that there are no convexity changes to the portfolios.

Given these factors, we would expect the following potential market value changes in the portfolio and the benchmark given an instantaneous "shock" of a parallel shift in interest rates.

For each of the portfolios:

Table 4 - Portfolio Shock Analysis - Interest Rate Changes

Portfolio	Expected Portfolio Gains/Losses Parallel Shifts in Yield Curve (Millions of Dollars)													
	Shift (in Basis Points)													
	+100 Bps		+50 Bps		+25 Bps		No Change		-25 Bps		-50 Bps		-100 Bps	
	\$	%	\$	%	\$	%	\$		\$	%	\$	%	\$	%
General Fund CORE	(\$28.6)	2.2	(\$14.3)	1.1	(\$7.1)	0.5	\$1,326		\$7.3	0.6	\$14.5	1.1	\$29.1	2.2
BAML 0-5 Index		2.2		1.1		0.6				0.6		1.1		2.3
BPIP Tax-Exempt	(\$5.3)	1.1	(\$2.5)	0.5	(\$1.2)	0.3	\$468		\$1.2	0.3	\$2.3	0.5	\$4.3	0.9
BPIP Taxable	(\$8.2)	1.2	(\$4.0)	0.6	(\$1.9)	0.3	\$671		\$1.9	0.3	\$3.7	0.5	\$7.0	1.1
BAML 0-3 Index		1.4		0.7		0.4				0.4		0.7		1.4

It is important to recognize that the portfolios have a lower bound of rates which is effectively 0.00%. While the analysis presented above assumes projected decreases in rates, any interest rate decreases will effectively be limited by the lower bound. As such, the 50 and 100 bps decrease projections indicated above would be limited by that bound.

Benchmark Performance Comparisons

As of the end of December, the STO portfolios had the following performance numbers relative to their respective benchmarks:

Table 5 - Relative Performance of STO Funds

Fund	Performance ⁶		
	1 Month	3 Months	12 Months
General Fund Liquidity	0.01%	0.03%	0.14%
S&P Government Bond Index (Gross)	0.01%	0.03%	0.12%
Relative Performance (BPs)	0.00%	0.00%	0.02%

⁶ Relative performance is periodic total return compared to the return of the portfolio benchmarks. The Severance Tax Bonding Fund is not separately tracked at this time, although is expected to be broken out as of December 2013.

<i>Relative Performance (%)</i>	100%	100%	117%
<i>General Fund CORE</i>	(0.22%)	0.13%	0.19%
<i>BAML 0-5 US Treasury</i>	<u>(0.37%)</u>	<u>(0.08%)</u>	<u>(0.11%)</u>
<i>Relative Performance (BPs)</i>	0.15%	0.21%	0.30%
<i>Relative Performance (%)</i>	140%	262%	272%
<i>Fund</i>	<i>1 Month</i>	<i>3 Months</i>	<i>12 Months</i>
<i>Bond Proceeds - Tax Exempt</i>	(0.05%)	0.08%	0.19%
<i>BAML 0-3 US Treasury</i>	<u>(0.09%)</u>	<u>0.05%</u>	<u>0.30%</u>
<i>Relative Performance (BPs)</i>	0.04%	0.03%	(0.11%)
<i>Relative Performance (%)</i>	144%	160%	63%
<i>Bond Proceeds - Taxable</i>	(0.06%)	0.09%	0.25%
<i>BAML 0-3 US Treasury</i>	<u>(0.09%)</u>	<u>0.05%</u>	<u>0.30%</u>
<i>Relative Performance (BPs)</i>	0.03%	0.04%	(0.05%)
<i>Relative Performance (%)</i>	133%	180%	83%
<i>Local Government Investment Pool</i>	0.01%	0.03%	0.18%
<i>S&P Government Bond Index (Gross)</i>	<u>0.01%</u>	<u>0.03%</u>	<u>0.13%</u>
<i>Relative Performance (BPs)</i>	0.00%	0.00%	0.06%
<i>Relative Performance (%)</i>	100%	100%	138%

Source: JPMorgan, STO Calculations

Investment Earnings

Investment earnings for December are summarized in the table below.

Table 6 - Investment Earnings

<i>Fund</i>	<i>Investment Earnings⁷</i>		
	<i>MTD</i>	<i>YTD</i>	<i>FY'13 YTD</i>
<i>General Funds</i>	\$949,875	\$5,461,831	\$7,404,087
<i>Bond Proceeds Funds</i>	\$485,822	\$2,753,971	\$3,850,004
<i>Local Government Investment Pool⁸</i>	\$75,920	\$452,171	\$715,199
<i>Severance Tax Bonding Fund</i>	\$13,826	\$54,565	\$133,365

Source: QED

The overall decrease in rates resulted in decreased investment income as compared to a year ago, particularly in the shorter end of the curve.

Projected Investment Income

In December, the Legislative Finance Committee released its most recent Consensus Revenue Estimate, projecting earnings on the STO portion of the General Fund Investment Pool of approximately \$12.1 million.

⁷ 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.

⁸ Gross Earnings, Participant Earnings reflect 0.05% reduction for management fees.

Several components of the General Fund Investment Pool are deemed “Self-Earning Accounts”. As such, a portion of the General Fund Investment Pool Earnings is credited to the beneficiaries of these accounts on a monthly basis. For those beneficiaries, earnings are stated as interest income.

Adjusting for the effect of Self-Earning Account balances, we currently estimate that the interest earnings on the STO portion of the General Fund Investment Pool will be approximately \$8.8 Million.

Table 7 - Projected Investment Income on STO Balances of the General Fund Investment Pool

<i>Fund</i>	<i>YTD⁹</i>	<i>Projected FY</i>
General Fund Investment Pool ¹⁰	\$5.5MM	\$11.0MM
<u>Less Self-Earnings Account Offsets¹¹</u>	<u>(\$1.1MM)</u>	<u>(\$ 2.2MM)</u>
Projected Net Earnings on STO Balances	\$4.4MM	\$ 8.8MM
<i>LFC Revenue Projection (as of Dec 2013)</i>		\$12.1MM
<i>STO Projection as a % of LFC Revenue Projection</i>		73%

Source: QED, LFC, DFA, STO Calculation

Many variables effect estimated interest income for the STO portion of the General Fund Investment Pool, including performance and tax collections by the State and timing of collections and expenditures of the state budget. These projections may vary substantially from actual results.

The State Treasurer does not participate in the development of the Consensus Revenue Estimate and therefore cannot comment on the various factors included in the estimate of revenue on the STO balances as compiled by the LFC.

Compensating Balances at Fiscal Agent Bank

During December, STO maintained Average Daily Collected Balances at the Fiscal Agent Bank of approximately \$137 million versus a target balance established by the State Board of Finance of \$125 million. This balance earned a credit against processing fees assessed by the bank.

Table 8 - Compensating Balances at Fiscal Agent Bank

<i>Average Collected Balance</i>	\$137,230,072
<i>Earnings Credit Rate</i>	0.50%
<i>Estimated Monthly Earnings</i>	\$57,179
<i>Estimated Fiscal YTD Earnings</i>	\$339,018

Source: Wells, Fargo & Co.

Reserve Primary Fund Update

In January , the federal judge in the Reserve Primary Fund lawsuit brought by the SEC awarded \$750,000 in fines to the commission, ending the civil case against the Reserve. Still unresolved is the award of balances retained by the fund and not paid out to beneficiaries. Investors have recouped over 99% of the original balances that were invested in the Reserve during 2008. The Reserve maintains that it is due additional fees and expense reimbursement from the retained balances.

⁹ Gross of Self-Earning Account Income. Self-Earnings Account Income is deducted from STO interest earnings and credited by beneficiaries by DFA.

¹⁰ Does not include Fiscal Agent Bank balances that earn credits against bank fees levied by the Fiscal Agent Bank.

¹¹ Estimated, based on historical norms.

LGIP shareholders of record in 2008 when the Reserve Primary Fund was frozen are participants in a fund managed by the STO called the Reserve Contingency Fund.

Monthly Investment Outlook

The fixed income markets have reacted negatively to the Federal Reserve's move to "taper" Treasury and mortgage-backed securities purchases by \$5bil each, reducing the total purchases per month to \$75bil from \$85bil.

The Federal Reserve reaffirmed its view that monetary policy will remain highly accommodative even after the asset purchase program ends.

The 6.5% unemployment rate, if achieved, was originally the level the FOMC had set for increasing the target Fed Funds rate. At the January meeting, the wording was changed to indicate that the unemployment rate could fall below 6.5% without affecting the target rate as long as inflation continues to run below the 2% longer-run goal.

Although budget negotiation concerns have been alleviated in the short term, the issue of spending outpacing revenue will continue to pressure the economy and bond yields.

The cost of the Affordable Care Act as a drag on the economy is still a variable.

Implications for the Foreseeable Future

The Federal Reserve has announced that they will keep short term interest rates low for an extended period time, possibly through 2015, and increasingly dependent on economic data. As such, we will try and use the curve to our advantage. With the recent back up in yields STO will use the opportunity to maintain and extend durations of the portfolios closer to the benchmarks.

We continue to try and add value where/when it becomes available, through selective credit additions as well as active duration management relative to established benchmarks.

*Spencer Wright, Portfolio Manager –
General and STBF Funds*

New Mexico State Treasurer
Monthly Fund Summary Report
(Unaudited)

As of December 31, 2013

General Fund	Holdings			Performance				Earnings	
	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Monthly Earnings	YTD Earnings
Account									
Cash Balances	\$ 137,230,072	\$ 137,230,072	\$ -						
Liquidity	595,719,796	595,721,430	1,634	0.14%	S&P LGIP Gross	0.12%	0.02%	\$ 39,102	\$ 232,721
CORE	1,321,781,735	1,323,778,481	1,996,746	0.16%	ML Treasury 0-5	-0.11%	0.27%	910,772	5,229,110
TRAN	-	-	-	0.00%	All-In Tran TIC	0.00%	0.00%	-	-
Totals	\$ 2,054,731,603	\$ 2,056,729,983	\$ 1,998,380	0.15%	Blended	-0.07%	0.22%	\$ 949,875	\$ 5,461,831
Bond Proceeds Investment Pool (BPIP)									
Account	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Monthly Earnings	YTD Earnings
Tax-Exempt	\$ 464,432,023	\$ 464,562,093	\$ 130,070	0.19%	ML Treasury 0-3	0.30%	-0.11%	\$ 159,537	\$ 891,173
Taxable	788,974,798	789,694,337	719,539	0.25%	ML Treasury 0-3	0.30%	-0.05%	326,286	1,862,798
Totals	\$ 1,253,406,821	\$ 1,254,256,430	\$ 849,609	0.23%	Blended	0.30%	-0.07%	\$ 485,822	\$ 2,753,971
Local Government Investment Pool (New MexiGrow LGIP)									
Account	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Monthly Earnings	YTD Earnings
LGIP	\$ 609,998,552	\$ 610,081,154	\$ 82,602	0.18%	S&P LGIP Gross	0.13%	0.05%	\$ 75,920	\$ 452,171
Severance Tax Bonding Fund									
Account	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Monthly Earnings	YTD Earnings
STBF	\$ 138,664,144	\$ 138,660,508	\$ (3,636)	0.14%	S&P LGIP Gross	0.13%	0.01%	\$ 13,826	\$ 54,565

Notes:

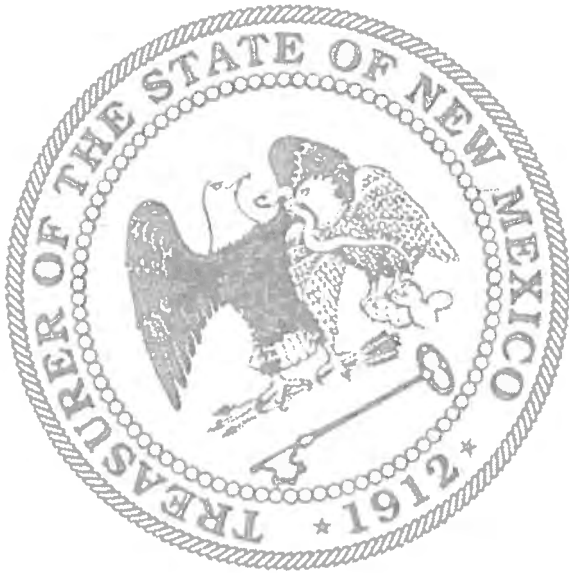
- (1) These figures are generated using a combination of accrued earnings and unrealized gains. They are unaudited and may be subject to revision.
- (2) Account balances fluctuate during the month, holdings are calculated as of month-end. Performance includes adjustments for fund flows during the month.
- (3) Holdings are reported on a "Trade Basis"
- (4) Cash Balances are average cash balances at Fiscal Agent Bank (Wells Fargo)
- (5) Source: STO Records, Wells Fargo Bank Statements, QED Financial Systems, JPMorgan Custody Reporting

New Mexico State Treasurers Office

Performance
As of December 2013

Account ID	Portfolio Name	Market Value	Month	Trailing 3M	Fiscal YTD	YTD	1 YR	Since Inception	Inception Date
10933300	Local Government Investment Pool	610,311,354	0.01	0.03	0.08	0.18	0.18	1.03	01-Jul-2007
10933400	Overnight Repo Pool	271,754,439	0.01	0.02	0.04	0.12	0.12	0.82	01-Jul-2007
10933500	Tax Exempt Bond Proceeds	466,114,694	(0.05)	0.08	0.31	0.19	0.19	2.06	01-Jul-2007
10933900	Taxable Bond Proceeds	792,200,695	(0.06)	0.09	0.30	0.25	0.25	2.18	01-Jul-2007
00667701	General Fund	1,975,362,659	(0.16)	0.13	0.47	0.19	0.19	2.12	01-Jul-2007
10933700	General Fund Core	1,329,682,823	(0.22)	0.16	0.60	0.16	0.16	2.73	01-Jul-2007
10933600	General Fund Liquidity	645,679,836	0.01	0.03	0.05	0.14	0.14	0.79	01-Jul-2007
06677-BEN-0006	S&P Govt Pools Net yield		0.00	0.01	0.02	0.04	0.04	0.84	01-Jul-2007
06677-BEN-0012	BPIP Index ML 0-3 Treasury		(0.09)	0.05	0.27	0.30	0.30	2.10	01-Jul-2007
06677-BEN-0013	General Core Index ML 0-5 Treasury		(0.37)	(0.08)	0.29	(0.11)	(0.11)	2.91	01-Jul-2007
06677-BEN-0016	S&P LGIP Gross yield		0.01	0.03	0.05	0.12	0.12	0.14	01-Jun-2012
06677-BEN-0017	General Fund Total		(0.22)	(0.05)	0.18	(0.05)	(0.05)	0.11	30-Jun-2012

Performance shown is gross of manager fees



4. Investment Compliance Report

Investment Compliance Review

Primary and Secondary Bond Purchases/ Sales

During the month of December, the following were the ratios of primary and secondary bond transactions in the portfolios:

Table 9 - Primary/Secondary Market Volume

Primary Bond Volume	\$ 154,565,000	47%
Secondary Bond Volume	<u>171,500,000</u>	<u>53%</u>
Total	\$326,065,000	100%

The totals above exclude overnight repurchase agreement volume which is approximately \$500MM/day.

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

At the end of December, total holdings of Variable Rate Notes were \$101,454,000.

Table 10 - Variable Rate Note Holdings

General Fund Liquidity	\$ 20,000,000
Taxable BPIP	7,000,000
Tax Exempt BPIP	7,934,000
LGIP	<u>66,520,000</u>
Total Holdings	\$101,454,000

The Variable Rate positions are primarily in US Government Agency securities.

We did not hold any structured notes during the month of December.

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 inter-portfolio trades during the month.

Unrealized Gains and Losses

The current version of the STO Investment Policy requires separate reporting of all investment mark to market gains and losses calculated versus book values during the period. The investment policy requires detailed reporting on a securities holding basis.

The Executive Summary of this report includes a tabular reference to the aggregate mark-to-market per portfolio. In the section detailing each specific portfolio, a further summary of mark to market calculations are included.

In the listing of the specific portfolio holdings, a position level mark-to market calculation is included as required by the current State Treasurer’s Investment Policy.

Realized Gains and Losses

Sale proceeds are compared to the amortized basis for each position and the differential is booked as a realized gain or loss for the appropriate period. Securities are sold in order to effect changes in the overall fund’s duration and liquidity in light of overall changes in rates and economic outlook.

Table 3 - Realized Gains and Losses

There were no realized gains or losses during the month of December.

Investment Statute Compliance

There are no investment statute compliance issues to report.

Trade Documentation Compliance¹

Reporting for the month of: December 2013

Purchase/Sales²

There were a total of 29 security trades that consist of 0 sales and 23 purchases.

All portfolios	Par-Value	Cost/Proceeds	Gain/Loss
Purchase	\$ 331,855,855.00	\$ 332,935,588.60	.00
Sale	.00	.00	.00
Total	\$ 331,855,855.00	\$ 332,935,588.60	.00

There was a purchase of \$110,000,000.00 in the month of December for the Sponge Sizing transaction for STN Series 2013 S-E.

Sale: There were no sale transactions within any portfolios for the month of December.

Trade documentation

All trades have been accounted for and written documentation has been audited for compliance.

¹ QED Summary of Fixed-Income Purchase and Sales on the Settlement date during the specified month.

² Excludes O/N REPO & Includes Certificate of Deposit

Transaction Activity

All trades settled accordingly and there were no failed trades for the month of December 2013.

										<u>PURCHASE TRANSACTIONS</u>		
12/17/13	1623135	CERTIFICATES OF	20513	SOUTHWEST CAPTIAL BANK	.250	6/17/14	.2500	SYSTEM - UNIDEN	1000	10,000,000.00	10,000,000.00	
12/30/13	17099248	CERTIFICATES OF	20595	CENTURY BANK SANTA FE	.300	12/30/14	.3000	SYSTEM - UNIDEN	4002	4,000,000.00	4,000,000.00	
12/30/13	17099249	CERTIFICATES OF	20596	CENTURY BANK SANTA FE	.350	3/30/15	.3500	SYSTEM - UNIDEN	4002	4,000,000.00	4,000,000.00	
12/26/13	912828PJ	US TREASURY NOT	20571	UNITED STATES TREASURY	1.375	11/30/15	.3518	CITI GROUP	4000	15,000,000.00	15,294,726.56	
12/26/13	912828PJ	US TREASURY NOT	20572	UNITED STATES TREASURY	1.375	11/30/15	.3518	CITI GROUP	4002	15,000,000.00	15,294,726.56	
12/31/13	912828RU	US TREASURY NOT	20608	UNITED STATES TREASURY	.875	11/30/16	.7514	UBS	4002	20,000,000.00	20,071,093.75	
12/31/13	912828SY	US TREASURY NOT	20609	UNITED STATES TREASURY	.625	5/31/17	1.0088	BANK OF AMERICA	1001	20,000,000.00	19,742,968.75	
12/06/13	313382M4	AGENCY US BOND	20458	FEDERAL HOME LOAN BANKS	.125	3/27/14	.1104	BARCLAYS	4101	5,000,000.00	5,000,225.00	
12/09/13	313382M4	AGENCY US BOND	20458	FEDERAL HOME LOAN BANKS	.125	3/27/14	.1103	BARCLAYS	4101	5,000,000.00	5,000,220.00	
12/13/13	3133ECL7	AGENCY US BOND	20495	FEDERAL FARM CREDIT BAN	.200	10/15/14	.1773	STIFFEL NICOLAU	4101	1,331,000.00	1,331,252.89	
12/17/13	313383QC	AGENCY US BOND	20503	FEDERAL HOME LOAN BANKS	.190	7/24/14	.1463	BARCLAYS	4101	5,000,000.00	5,001,315.00	
12/02/13	3133EDAW	AGENCY US DISC	20387	FEDERAL FARM CREDIT BAN	.200	12/02/15	.0049	DAIWA CAPITAL M	4101	20,000,000.00	19,998,000.00	
12/04/13	313385XJ	AGENCY US DISC	20443	FEDERAL HOME LOAN BANKS		5/28/14	.1221	TD SECURITIES	4101	7,500,000.00	7,495,552.08	
12/06/13	313397XT	AGENCY US DISC	20457	FEDERAL HOME LOAN MORTG		6/06/14	.1351	GOLDMAN SACHS	4101	2,400,000.00	2,398,362.00	
12/20/13	313385UL	AGENCY US DISC	20556	FEDERAL HOME LOAN BANKS		3/19/14	.1100	NOMURA	4101	10,000,000.00	9,997,280.56	
12/31/13	31358C7G	AGENCY US DISC	20610	FEDERAL NATIONAL MORTGA		11/15/14	.2265	WELLS FARGO SEC	4101	9,000,000.00	8,981,973.45	
12/04/13	3137EADC	AGENCY US NOTES	20441	FEDERAL HOME LOAN MORTG	1.000	3/08/17	.7559	BMO CAPTIAL MAR	4000	10,000,000.00	10,078,500.00	
12/04/13	3137EADC	AGENCY US NOTES	20442	FEDERAL HOME LOAN MORTG	1.000	3/08/17	.7559	BMO CAPTIAL MAR	4002	10,000,000.00	10,078,500.00	
12/31/13	3137EACH	AGENCY US NOTES	20606	FEDERAL HOME LOAN MORTG	1.750	9/10/15	.3408	DEUTSCHE BANK S	4002	15,000,000.00	15,356,835.00	
12/31/13	3137EACY	AGENCY US NOTES	20607	FEDERAL HOME LOAN MORTG	.750	11/25/14	.1744	BMO CAPTIAL MAR	4002	15,000,000.00	15,077,850.00	
12/13/13	80004PDM	MUNI US 30/360	20309	SANDOVAL CNTY N MEX	2.000	8/01/15	.4902	ROBERT W BAIRD	1001	200,000.00	204,906.00	
12/13/13	80004PDP	MUNI US 30/360	20310	SANDOVAL CNTY N MEX	2.000	8/01/16	.7101	ROBERT W BAIRD	1001	225,000.00	232,557.75	
12/18/13	364010QJ	MUNI US 30/360	20524	GALLUP MC KINLEY CNTY N	2.000	8/01/16	.7102	MORGAN STANLEY	4002	250,000.00	258,352.50	
12/23/13	517534SC	MUNI US 30/360	20369	LAS CRUCES N MEX SCH DI	2.000	8/01/15	.4504	MORGAN STANLEY	4002	550,000.00	563,618.00	
12/23/13	517534SD	MUNI US 30/360	20371	LAS CRUCES N MEX SCH DI	3.000	8/01/16	.6501	MORGAN STANLEY	4002	475,000.00	503,789.75	
12/23/13	767171ME	MUNI US 30/360	20372	RIO RANCHO N MEX PUB SC	2.000	8/01/15	.4504	MORGAN STANLEY	4002	1,100,000.00	1,127,236.00	
12/23/13	767171MF	MUNI US 30/360	20370	RIO RANCHO N MEX PUB SC	2.000	8/01/16	.6500	MORGAN STANLEY	4002	600,000.00	620,892.00	
12/30/13	STN2013S	MUNICIPAL BOND	20514	STN SERIES 2013S-D	.210	12/31/13		BROKER DIRECT	1000	15,224,855.00	15,224,855.00	
12/30/13	STN2013S	MUNICIPAL BOND	20515	STN SERIES 2013S-E	.210	12/31/13		BROKER DIRECT	1000	110,000,000.00	110,000,000.00	
29 PURCHASES DURING PERIOD TOTAL.....										331,855,855.00	332,935,588.60	
*** GRAND-TOTAL ***>										331,855,855.00	332,935,588.60	

Portfolio Information

On November 6, 2013 the Annual S&P review was completed. All necessary documentation and questions were addressed. A letter was received on January 7, 2014 from S&P affirming "AAAm" Principal Stability Fund Rating for the Local Government Investment Pool.

This concludes the trade documentation compliance report.



5. Investment Accounting Report



James B. Lewis
State Treasurer

STATE OF NEW MEXICO
OFFICE OF THE TREASURER
2055 South Pacheco Street, (Suite 100 & 200)
P.O. Box 5135
Santa Fe, New Mexico 87505

Marilyn L. Hill
Deputy State
Treasurer

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

MEMORANDUM

DATE: January 17, 2014
TO: Linda Roseborough, Chief Investment Officer & Investments Division Director
FROM: Steve Vigil, Investment Accounting Bureau Chief *SV*
CC: STO Investments Division
SUBJECT: Weekly S&P Reconciliation and December 2013 Investments Reconciliation

Weekly S&P Reconciliation

All weekly S&P reconciliations were completed timely for December 2013. The reconciliations and accompanying data were submitted to S&P timely in order for the Office of the State Treasurer (STO) to maintain its rating affirmation.

December 2013 Investments Reconciliation

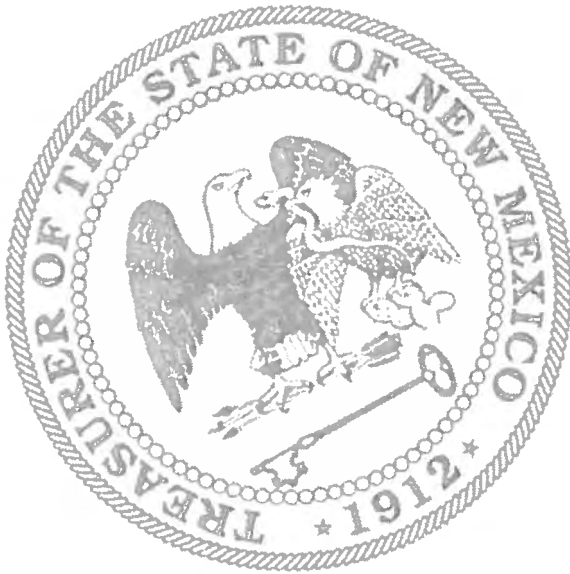
The Investment Accounting Bureau (IAB) completed the December 2013 investments reconciliation that included the following:

1. Asset and liabilities proofs to verify accuracy of the net asset value for all investment accounts.
2. Trial balance proofs to validate the change in transaction activity between October 31st and November 30th.
3. Cash proofs to verify cash transaction activity.
4. Earned income proof to validate the income earned for November 2013.
5. Proof of change in cost to corroborate that the historical cost of investments rolled forward correctly.
6. Verification that multiple cash transactions of the same investment holding have not been duplicated in error.
7. JP Morgan to QED inventory reconciliation.
8. JP Morgan to QED income reconciliation.

The IAB identified two material differences in the amount of \$49.9MM in the General Fund Liquidity and Overnight REPO accounts while completing the December 2013 investments reconciliation. Research indicated that on December 31, 2013 AVM misallocated the REPO amounts by directing \$49.9MM to the General Fund Liquidity account instead of the Overnight REPO account. A review of the December 31, 2013 cash transaction activity showed that the misallocation error

was corrected on December 31, 2013. A contribution in the amount of \$49.9MM posted in the Overnight REPO account, and a withdrawal in the amount of \$49.9MM in the General Fund Liquidity account.

IAB has provided the Budget and Finance Division memoranda of action to prepare journal entries to record the investment transaction activity. The investment transaction activity includes the June 2013 through December 2013.



6. Davidson- December 2013 Quarterly Investment Report



**STATE OF NEW MEXICO
QUARTERLY STIC REPORT
DECEMBER, 2013**

Davidson Fixed Income Management, Inc.
Deanne Woodring, CFA, Managing Director
(866) 999-2374 dwoodring@dadco.com

- **Market Overview**
- **Executive Summary**
- **Portfolio Summaries**
 - Performance**
 - Allocation**
- **Strategy Evaluation**
- **Project List**
- **Economic Report**



DFIM QUARTERLY OBSERVATIONS: ENDING DECEMBER 31, 2013

Market Commentary

- **Market Yields:** Yields increased across the curve with larger increases in longer maturities. This resulted in a steeper curve with the 2-5 year curve moving to +136 basis points from 106 basis points at the end of Q3.
- **FOMC:** The Fed announced the long anticipated start to their tapering of asset purchases with a small decrease of 10 billion monthly. They will now purchase \$75 billion per month down from \$85 billion monthly.
- **Employment:** The unemployment rate announced in December dropped to the lowest level in years (7%) while nonfarm payroll grew to 203 thousand.
- **GDP:** Real GDP is expected to decline to 1.5% in Q4 from a growth rate of 4.1% in Q3. Q1 2014 is forecasted at 2.6%.

Quarterly Changes in Yields

	3/31/13	6/30/13	9/30/13	12/31/13
3-month bill	.07	.03	.01	.06
2- year note	.24	.36	.32	.38
5 -year note	.77	1.39	1.38	1.74
10- year note	1.85	2.49	2.61	3.03

Sources: Bloomberg, Action Economics

Market Outlook

- **Fed Funds:** The Fed Funds futures market is 25 basis points or lower out to April 2015 and slowly increases to 73 basis points at the end of 2015.
- **2 year:** The 2 year treasury note traded during the quarter with a low of 27 basis points to a high of 41 basis points and closed the quarter at 38 basis points.
- **Portfolio Positioning:** DFIM is focused on moving portfolio durations from neutral to slightly shorter than the established benchmark durations. We believe the curve will continue to steepen with attractive opportunities developing in future barbell trades with overweighting in long and short maturities while underweighting the middle maturities.

Economist's Survey Projections for Rates

	Q3-13	Q4-13est	Q1-14 est	Q2-14 est
Fed Funds	.25	.25	.25	.25
2 Year	.32	.42	.50	.60
10 year	2.61	2.82	2.96	3.09

Economist's Survey Projections

	Q1 14	Q2 14	Q3 14	Q4 14
Real GDP	2.60	2.80	2.90	3.00
CPI	1.40	1.85	1.80	1.90
Unemployment	7.00	6.90	6.70	6.60

Executive Summary

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- The General Fund core duration was shortened this quarter to 2.01 years from the previous quarter of 2.31 years. The duration is now shorter than the benchmark and is a defensive position relative to the benchmark to protect principal value change if rates rise. The quarter performance of the core funds outperformed by benchmark due to the shorter duration and allocation to Agency securities.
- The LGIP earnings rate remains consistent with the earnings of AAAM rated funds. Repurchase agreements were added and bank deposits were increased from last quarter. The overnight balances increased to 61% from last month 32%. The balances increased by over \$50MM in the LGIP from last quarter end.
- The BPIP taxable fund increased by approximately \$100MM and those funds were placed primarily in overnight holdings, which moved the duration of the fund to 1.10 years. The Tax Exempt funds balances declined by \$20MM and the quarter end duration was at 1.04. Both funds duration are shorter than the established benchmarks and all funds are in line with the market exposure of each fund and their established benchmarks.
- Specific transactions were reviewed for diversification of broker dealer executions and asset allocation adjustments.
- The JP Morgan reports are showing descriptions on two line items that DFIM has requested clarification: Repo – Lehman Brothers and the LGIP fund description for the Wells Fargo deposit is listed on the JP Morgan report as maturing in 2049.

Investment Allocation

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ALLOCATION REPORT									
<i>Portfolio Name</i>	<i>Market Value+int</i>	<i>% Fund</i>	<i>Repo</i>	<i>Bank</i>	<i>Treasury</i>	<i>Agency</i>	<i>Corp/CP</i>	<i>Other</i>	
Total LGIP	\$ 610,311,353.64	100%	8.19%	49.66%	2.50%	39.65%			
Liquidity	\$ 373,003,074.83	61%							
Investments	\$ 237,308,278.81	39%							
LGIP GIP Index			29.54%	6.54%	8.58%	51.23%	0.06%	4.05%	
<i>Portfolio Name</i>	<i>Market Value+Int</i>	<i>% Fund</i>	<i>Repo</i>	<i>CD/Other</i>	<i>Treasury</i>	<i>Agency</i>	<i>Corp/CP</i>	<i>LGIP</i>	<i>Muni</i>
Total General Fund	\$ 1,975,362,659.44	100%							
Liquidity	\$ 645,679,836.20	33%	90.56%	6.31%		3.10%		0.00%	0.03%
Investment Core	\$ 1,329,682,823.24	67%	1.75%	1.64%	28.25%	66.15%		0.000%	2.21%
<i>Portfolio Name</i>	<i>Market Value+Int</i>	<i>% Fund</i>	<i>Repo</i>	<i>CD/Other</i>	<i>Treasury</i>	<i>Agency</i>	<i>Corp/CP</i>	<i>LGIP</i>	<i>Muni</i>
Total Tax Exempt	\$ 466,114,694.02	100%	2.56%	0.62%	37.71%	49.23%		4.73%	5.16%
Liquidity	\$ 73,427,989.18	16%							
Investments	\$ 392,686,704.84	84%							
<i>Portfolio Name</i>	<i>Market Value+Int</i>	<i>% Fund</i>	<i>Repo</i>	<i>CD/Other</i>	<i>Treasury</i>	<i>Agency</i>	<i>Corp/CP</i>	<i>LGIP</i>	<i>Muni</i>
Total Taxable	\$ 792,200,694.54	100%	17.93%	2.30%	41.84%	35.32%	0.89%	0.17%	3.80%
Liquidity	\$ 155,449,249.79	20%							
Investments	\$ 636,751,444.75	80%	* -2.25% in cash pending - \$17,787,855.34						
TOTAL STO									
FUNDS									
	<u>\$ 3,233,678,048.00</u>								

Source : JP Morgan Reports

Performance Reports

PERFORMANCE REPORT

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<i>Portfolio Name</i>	<i>Market Value</i>	<i>Yield</i>	
		<i>12/31/2013</i>	<i>9/30/13-12/31/13</i>
		<i>Earnings Rate</i>	<i>Quarter End Yield</i>
LGIP * Gross Yield	\$ 610,311,353.64	0.11	0.142%
Fund Benchmark Gross Return		0.10	0.100%
LGIP Net Yield		0.06	0.092%
Fund Benchmark Net Return		0.03	0.030%

STO FUNDS

<i>Portfolio Name</i>	<i>Market Value</i>	<i>Total Return</i>			
		<i>12/31/2013</i>	<i>9/30/13-12/31/13</i>	<i>6/30/12-12/31/13</i>	
		<i>Duration - End</i>	<i>Quarter Return</i>	<i>Fiscal Year</i>	<i>Percent</i>
General Fund Liquidity	\$ 645,679,836.20	0.05	0.03%	0.05%	19.97%
Fund Benchmark		0.01	0.01%	0.02%	
General Fund Core	\$ 1,329,682,823.24	2.01	0.16%	0.60%	41.12%
Fund Benchmark		2.25	-0.08%	0.29%	
BPIP Tax Exempt	\$ 466,114,694.02	1.04	0.08%	0.31%	14.41%
Fund Benchmark		1.45	0.05%	0.27%	
BPIP Taxable	\$ 792,200,694.54	1.10	0.09%	0.30%	24.50%
Fund Benchmark		1.45	0.05%	0.27%	
Total STO Investment Funds	\$ 3,233,678,048.00	1.256	0.105%	0.375%	100.00%

* Data Source: JP Morgan Custodial Reports
 JP is based on trade date and includes accrued interest

* Provided by STO

Shock Analysis

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Given the current market environment, it is important to monitor the expected price movement of security holdings given changes in rates. The industry calls this “Shock Analysis.”

DFIM is providing a shock analysis for STO accounts and the LGIP. It is important to note the following:

- Assumes rates move up in a parallel shift on the yield curve.
- Assumes rates move at one point in time.
- Change in market values are not realized gains or losses.
- Provides an indication of the expected market value change given a 50 basis point and a 100 basis point rate increase.

Shock Analysis

SHOCK ANALYSIS

Review of price sensitivity of the investment portfolio given an upward movement in rates. Based on durations as of 9/30/13

Assumptions:

1. Assumes parallel yield curve shift
2. Assume point in time change
3. Represents market value change that is unrealized

STO FUNDS		RISK	Up 50 Basis Pts	Up 100 Basis Pts
Portfolio Name	Market Value	Duration - End	Market Change	Market Change
General Fund Core	\$ 1,329,682,823.24	2.01	\$ (13,363,312.37)	\$ (26,726,624.75)
Fund Benchmark		2.25	\$ (14,958,931.76)	\$ (29,917,863.52)
Portfolio Name	Market Value	Duration - End	Market Change	Market Change
BPIP Tax Exempt	\$ 466,114,694.02	1.04	\$ (2,423,796.41)	\$ (4,847,592.82)
Fund Benchmark		1.45	\$ (3,379,331.53)	\$ (6,758,663.06)
Portfolio Name	Market Value	Duration - End	Market Change	Market Change
BPIP Taxable	\$ 792,200,694.54	1.10	\$ (4,357,103.82)	\$ (8,714,207.64)
Fund Benchmark		1.45	\$ (5,743,455.04)	\$ (11,486,910.07)
Total STO Investment Funds	\$ 2,587,998,211.80		\$ (20,144,212.60)	\$ (40,288,425.20)
Total Benchmark Change			\$ (24,081,718.33)	\$ (48,163,436.66)

* Data Source: JP Morgan Custodial Reports

EARNINGS COMPARISON OF PORTFOLIO TO CASH		RETURN	ESTIMATED COMPARISON	
Portfolio Name	Market Value	12/31/2013	1 year	3 year*
Portfolio Name	Market Value	Yield	Earnings	Earnings
General Fund Core	\$ 1,329,682,823.24	0.76%	\$ 10,065,698.97	\$ 30,197,096.92
Cash		0.15%	\$ 1,994,524.23	\$ 5,983,572.70
Portfolio Name	Market Value	Yield	Earnings	Earnings
BPIP Tax Exempt	\$ 466,114,694.02	0.39%	\$ 1,808,525.01	\$ 5,425,575.04
Cash		0.15%	\$ 699,172.04	\$ 2,097,516.12
Portfolio Name	Market Value	Yield	Earnings	Earnings
BPIP Taxable	\$ 792,200,694.54	0.50%	\$ 3,961,003.47	\$ 11,883,010.42
Cash		0.15%	\$ 1,188,301.04	\$ 3,564,903.13
Total STO Investment Funds	\$ 2,587,998,211.80		\$ 15,835,227.46	\$ 47,505,682.37

Data Source: JP Morgan Custodial Reports and QED reports

* 3 year returns assumes the same rate as of 12/31/13 for the next 3 years.

Disclosure- Analysis is estimates only

LGIP Shock Analysis

SENSITIVITY ANALYSIS

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Weighted Average Maturity:	60	Current Maturity
Shares Outstanding:	610,311,354	Book Value
Market Value (NAV):	0.999720	
Total \$ Unrealized Loss:	\$170,887	
Total \$ Unrealized Gain	\$0	

Basis Point Shift								Gain (Loss)
300	0.992555	0.994209	0.994514	0.994788	0.995037	0.995262	0.995991	\$ (3,180,642)
250	0.993729	0.995123	0.995379	0.995610	0.995819	0.996009	0.996623	\$ (2,679,016)
200	0.994903	0.996036	0.996245	0.996432	0.996602	0.996757	0.997256	\$ (2,177,390)
150	0.996077	0.996949	0.997110	0.997254	0.997385	0.997504	0.997888	\$ (1,675,764)
100	0.997252	0.997862	0.997975	0.998076	0.998168	0.998251	0.998520	\$ (1,174,139)
50	0.998426	0.998776	0.998840	0.998898	0.998951	0.998998	0.999152	\$ (672,513)
0	0.999600	0.999689	0.999705	0.999720	0.999733	0.999745	0.999785	\$ (170,887)
-50	1.000774	1.000602	1.000570	1.000542	1.000516	1.000493	1.000417	\$ 330,739
-100	1.001948	1.001515	1.001436	1.001364	1.001299	1.001240	1.001049	\$ 832,364
-150	1.003123	1.002429	1.002301	1.002186	1.002082	1.001987	1.001681	\$ 1,333,990
-200	1.004297	1.003342	1.003166	1.003008	1.002864	1.002734	1.002314	\$ 1,835,616
-250	1.005471	1.004255	1.004031	1.003830	1.003647	1.003481	1.002946	\$ 2,337,242
-300	1.006645	1.005168	1.004896	1.004652	1.004430	1.004229	1.003578	\$ 2,838,867

Redemption/Inflow	-30%	-10%	-5%	0%	5%	10%	30%
O/S Shares	427,217,948	549,280,218	579,795,786	610,311,354	640,826,921	671,342,489	793,404,760

Shift Upon NAV= NAV - (APM/365) * (Bp/10,000)

Dilution Upon NAV= (NAV + Change) / (1 + Change)

*For an AAAM fund, S&P becomes concerned if the fund changes from +/- 0.025% (i.e. a NAV variation from \$0.9975 to \$1.0025). \$0.9985 to \$1.0015)

They institute more analysis if a fund moves more than 0.15% (i.e. a NAV from \$0.9985 to \$1.0015)

** Source: S&P rating matrix

Benchmark Analysis

9

Annual Review of Fund Benchmarks: Evaluation of the market benchmark for each fund is important to ensure that the proper risk/return strategy is implemented by the portfolio managers. The four portfolios that utilize benchmarks for comparison of risk and return are the : General Fund Core, BPIP Taxable, BPIP Tax-Exempt and the LGIP Fund.

Benchmark Background for public funds:

Public entities utilize benchmarks 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 the market returns; and 3) To provide for more effective tools for portfolio managers and oversight committee's 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.

Consideration:

DFIM suggests to continue to evaluate combining that BPIP Taxable and Tax-Exempt funds for efficiencies and liquidity management. Legal considerations should be reviewed to ensure there is not a tax or legal issue blending these funds. Implementing a similar liquidity/core component as the general fund would allow the portfolio manager to more effectively manage the investment component without the influences of large cash flows.

Benchmark Recommendation

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Recommendation:

DFIM is recommending to maintain the current benchmarks for all four funds based on the current market conditions and the objectives of each fund. The use of 100% treasury indices allows for the ability to measure the impact of utilizing other asset classes for enhanced earnings.

2014 BENCHMARKS:

General Fund Core

BofA Merrill 0-5 year Treasury Index Duration 2.2 years

BPIP Taxable Fund

BofA Merrill 0-3 year Treasury Index Duration 1.46 years

BPIP Tax-Exempt Fund

BofA Merrill 0-3 year Treasury Index Duration 1.46 years

LGIP Fund

S&P Rated Government Investment Pool (GIP) Index

Disclosure Statement

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This report is provided for the purpose of assisting in the monitoring the performance and asset allocation of STO portfolios.

The data is provided by JP Morgan and STO internal reports from QED.

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.

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Davidson Fixed Income Management

REGISTERED INVESTMENT ADVISER

U.S. Economic and Fixed Income Market Review for Q4 2013

Prepared January 10, 2014

Fed Dectaper Charts Fresh Policy Unwind

A string of near 200k payrolls gains since the September FOMC meeting and 2-year fiscal deal in Congress finally put the Fed in the mood to follow through with its quantitative easing (QE) taper threat in December. The well-anticipated action merely punctuated a persistent rise in yields and curve steepening to round out the fourth quarter. The resilience of the stock market to this much dreaded event was perhaps the greatest surprise, as Fed accommodation continued to provide the jet fuel for the managed rally through year-end.

It seemed fitting that the architect of the QE program, Fed Chairman Bernanke, was also at the helm as it began to be wound down before handing over the reins to Chairwoman Yellen on February 1st. The Fed embarked on the process by trimming \$10 bln/month from QE, split between a \$5 bln reduction in Treasury and MBS purchases, which will now total \$75 bln/month starting in January, down from \$85 bln. The Fed plans to keep its options open to tweak QE each month, though its preference is obviously to wind it down steadily by similar margin over the course of the year if the economy evolves as anticipated.

Citing “more balanced” labor markets, the Fed wrote in an escape clause on low inflation, which it plans to “monitor carefully.” Bernanke also confirmed that a low range on the Fed funds target rate would be maintained “well past the time” the jobless rate declines below 6.5% -- in essence, putting a more dovish spin on its verbal guidance to take some of the sting out of the taper. It also anticipated that its “sizable and still increasing” holdings of longer-term securities would help maintain downward pressure on long-term interest rates. For the time being, the markets appeared to be calling the Fed’s bluff, as the T-note yield shot about a half percent higher over Q4 to finally clear 3.0%.

Meanwhile, Wall Street took the money and ran, as blue chip indices ramped up to fresh historic highs by year-end and the tech-laden NASDAQ complex marked the highest level since the Millennium bubble burst in 2000. The dollar index turned in a relatively lateral performance, orbiting the 80.0 area for the bulk of the quarter, even amid promises of more potential stimulus in Europe and Japan. The yen “carry trade” remained alive and well, as the yen weakened visibly, while the euro mostly strengthened and compounded stubborn euro-yen cross gains.

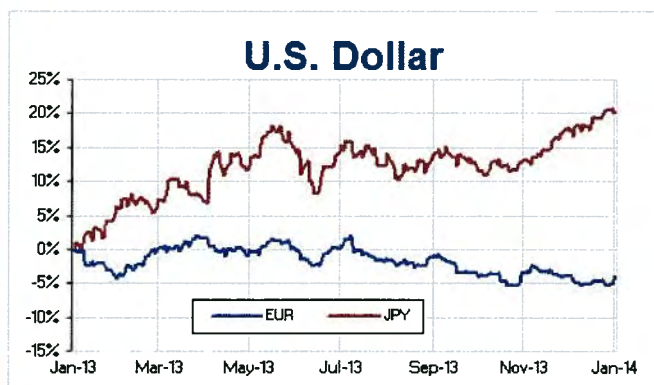
Curiously, the dollar hasn’t been an outright beneficiary of the policy divergence between the U.S., Europe and Asia. On balance, the 2-week moving average on the dollar index has gravitated toward 80.5 for much of the quarter, even as it has rallied significantly against the yen and steadied against the euro over \$1.36. Japan yields rebounded with those of the U.S. as the 10-year JGB yield bounced from October lows near 0.59% to highs at year-end near 0.745%. Meanwhile, the T-note/JGB spread widened from +188 bp to +229 bp – gapping out 40 bp in the dollar’s favor even as USD-JPY drove 9 yen higher to the Y105 area. European 10-year yields tagged along, rising from Oct lows near 1.65% to 1.97% by New Years. That sent the T-note/Bund spread from 82 bp out to +106 bp – a mere 24 bp shift.

From Federal shutdown lows of 1,646 in October the S&P 500 managed to repeatedly extend historical highs as the monetary pumps continued to be primed on a daily basis. The blue chip index cleared 1,800 by late in the year and set a high over 1,849 to ring in New Years Eve as the Waterford crystal ball descended on Times Square. The Dow likewise shot from Oct-9 lows of 14,719 to clear 16,000 then march right up to 16,588. NASDAQ

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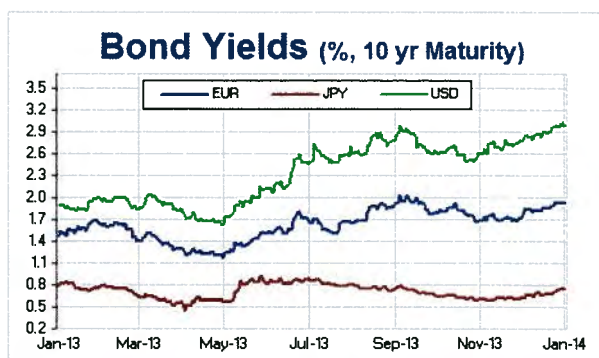
based at 3,650 and hit 4,177 by year-end. The question remains if there will be a hangover in 2014 as the Fed removes the punchbowl drip by drip.

While Europe officially on aggregate exited from recession last year, it has been a very fitful and uneven recovery for the haves and have-nots across the Continent. Germany and the UK have been pacing the gains, while France and the periphery have been slow to join the party and this has complicated the ECB's unenviable task. The ongoing declines in inflation in Europe and the divergent national paths remain a concern, in addition to lending quality. In China, mixed signals remain a challenge to read by the markets after plans to tighten up lending and slow the inflating property sector ran afoul of money market turbulence and backpedaling from these plans. Chinese GDP growth has settled under 8%, closer to first world levels, compared to cycle highs over 12%. Japan dropped the D-word (deflation) in Q4 as monetary expansion appeared to reward the country for avoiding this trap.



The dollar index on aggregate based at 79.0 in late October and launched to 81.50 highs by early November after the government shutdown was ended with a 2-year bipartisan budget agreement. But that medium-term fiscal clarity only provided a temporary reprieve and the index traded back down to the 80.0 area by quarter-end. With ongoing squabbles about extending unemployment insurance and a laundry list of other issues to be tackled in 2014 (or not), the FX market evidently sees limits to benefits from the fiscal truce. Not even the fact that Fed taper speculation led the surge in G-3 yields appeared to buy the dollar much credit against the euro as the yen, as bond spreads widened out in favor of the buck.

As the chart illustrates, despite the shifting monetary winds at the Fed toward unwinding QE and both the BoJ and ECB still leaning towards potential additional accommodation, there has been a strong divergence between the euro and yen. The buck rallied over 20% against the yen in 2013, even as it shed 5% against the euro. That's a combined 25% gain for euro-yen for the year, which was the big story for the FX majors. So, while the Nikkei rallied nearly 6,000 points, or nearly a 40% gain, unhedged it would have yielded about half of that windfall.



The U.S. 10-year yield climbed over a half-percent in the course of the quarter, as the chart above indicates as taper fever played out. This took place after a moderate dip in early October after the Fed failed to pull the trigger in September, compounded by the fiscal showdown. From there it was a lopsided move higher as the T-note yield migrated from 2.47% to a high of 3.03% on New Year's Eve. The Bund yield likewise clambered from Oct lows near 1.65% to 1.97% by year-end. Comparable JGB yields climbed from October lows near 0.59% to highs at quarter-end near 0.745%. The U.S. bond market clearly underperformed as its recovery appeared to advance, while those of its major trading partners lagged.

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In contrast, it was a banner year-end for equity investors, who braved geopolitical and fiscal challenges alike and put their faith in not fighting the Fed, BoJ or ECB. Sluggish global demand and some refinery supply returning in the Mideast helped cool crude oil prices, which also contributed to the underlying demand for equities. Mar crude fell back below \$100/bbl early in the quarter and finished out the year near \$95/bbl. Safe assets such as gold also suffered as the Fed geared up to reduce bond purchases, declining from quarter highs of \$1361 in late-Oct to a low of \$1184 by year-end. The VIX equity volatility index spiked to highs of 21.30 at the time of the Federal shutdown, skulking to lows of 11.60 by late-Dec as a result of the one-way bet on stocks.

Investors rewarded policy-makers for their reflationary policies, with Japan's Abe government determined to shake off the shackles of deflation and engineer a 2% inflation rate by committing to expand the monetary base by 60-70 tln yen annually. The BoJ is attempting front-load demand and the recovery before the fiscal boom drops with an 8% increase in the sales tax slated in April, which is expected to clip growth again. We predict that further stimulus measures will be required and that may be underpinning the over 50% returns on the N-225 this year. That paced the 24% gain in the S&P 500 over 2013 (8% of that coming in Q4). European stocks lagged with a 14% gain on the year on the Euro Stoxx 50, as the firmer euro appeared to crimp growth and earnings along with the disparate regional performance and reform shortfalls in some EU countries.

Americas - Market Quotes					
1/3/2014	current		Chg Over		
	level	1 wk	4 wks	13 wks	1 year
S&P 500	1831.4	-0.5%	2.6%	9.1%	24.9%
Dow Indust.	16470.0	-0.1%	4.1%	9.8%	22.6%
Nasdaq Comp.	4131.9	-0.6%	2.4%	9.5%	33.2%
S&P/TSE Comp.	13548.9	-0.3%	2.6%	6.4%	8.0%
Mex Bolsa	42065.0	-1.6%	0.4%	3.0%	-5.6%
US 1yr yld	0.58	0.00	0.01	-0.04	-0.25
Canada 1yr yld	1.79	0.00	0.00	0.00	-0.16
US 10yr yld	2.99	-0.01	0.12	0.39	1.10
Canada 10yr yld	2.75	-0.03	0.08	0.21	0.82
USD-MXP	13.11	0.4%	0.1%	-0.4%	2.9%
USD-CAD	1.064	-0.7%	-0.2%	2.9%	7.7%

The S&P/Toronto Stock Exchange posted a 6.4% gain for the quarter, though this was unflattered by 3% decline in the Canadian dollar, which cleared 1.07 late in the year against the USD. The Canadian 10-year yield backed up about 20 basis points to clear 2.75% by year-end for a 28 basis point gap with the T-note.

Canada's 45.9k drop in December employment had few redeeming details, with tendrils of disappointment spread throughout the report. Most prominently, full time jobs plunged 60.0k after the 1.4k rise in November that capped four months of gains. Part time jobs rose 14.2k. Private sector jobs fell 64.2k after the 50.5k bounce in November. Public sector hiring rose 18.2k. Goods sector jobs dropped 23.8k, although manufacturing improved 7.5k after the 24.9k bounce in November. Service producers saw 22.1k jobs eliminated, contrasting with gains from August to November. The unemployment rate's bounce to 7.2% from the 6.9% seen from September to November returns this measure to the level last seen in July of last year. And it gets worse, with a 0.2% drop in December hours worked pointing to a weak, at best, production after the strong start in October.

Bank of Canada Outlook

The swings in employment during 2013 left a trajectory of job creation that is consistent with an economy running somewhat below potential. Meanwhile, wage growth remains tame, consistent with a non-threatening compensation cost back drop. This scenario is supportive of the BoC

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maintaining steady rates for an extended period. Inflation remains well below target while the economy retains ample slack. Currently accommodative rates and a dovish tone remain appropriate, and we expect the 1.0% target to remain in place through 2014. Of course, the U.S. outlook continues to gradually improve (despite the disappointing December payroll figure), which should benefit Canadian growth. Our base scenario remains for a gradual reduction in spare capacity through next year and 2015, supportive of eventual modest rate hikes late in 2015. The drop in December employment, while attention grabbing, suggests the economy was running around where the BoC saw it in October.

The weakness in the Mexican Bolsa on the year reflected the underperformance of the emerging markets amid Fed tapering and growth concerns, even as commodity and oil prices eased.

Asia - Market Quotes					
1/3/2014	current	Chg Over			
	level	1 wk	4 wks	13 wks	1 year
Nikkei 225	16291.3	0.7%	7.3%	15.1%	52.4%
Hang Seng	22817.3	-1.8%	-3.8%	-1.7%	-2.2%
All Ordinanes	5351.8	0.5%	3.0%	2.3%	12.8%
Japan 1yr yld	0.37	0.00	0.01	-0.03	-0.11
Aussie 1yr yld	3.34	0.00	0.00	0.00	-0.35
Japan 10yr yld	0.74	0.04	0.11	0.10	-0.09
Aussie 10yr yld	4.35	0.07	-0.05	0.40	0.90
USD-JPY	104.8	-0.4%	2.9%	7.7%	18.9%
AUD-USD	0.895	0.8%	-1.3%	-4.8%	-14.6%
USD-KRW	1055.2	0.1%	-0.4%	-8.6%	-0.8%

The Bank of Japan's commitment to an extended period of aggressive easing stands in sharp contrast with the Fed policy outlook following the December taper. Consequently, Japan's government bonds (JGBs) have outperformed U.S. Treasuries. While the Fed is expected to taper by \$10 bln at each meeting ahead, we expect the BoJ to add stimulus around the middle of 2014 after the sales tax hike. Divergent policy expectations for the Fed and BoJ should maintain JGB outperformance over Treasuries.

JGB yields had tracked lower since late May, remaining under the sway of extraordinary accommodative measure by the Bank of Japan (BoJ). The 10-year JGB yield has nudged back to near 0.65% so far this month

from a month average of 0.60% in November. A year high of 0.92% was seen in late May, and a low of 0.44% was seen April 4th ahead of BoJ governor Kuroda's debut at the April 10th meeting.

Treasury underperformance left the spread between the 10-year U.S. Treasury and the 10-year JGB wider at 219 basis points from 190 basis points in late October. The widening stalled just shy of 224 basis points in Dec, eclipsing the previous near term wide of 222 basis points seen in early September.

Fed tapering has been beneficial for the BoJ's stimulus plans, as the yen has weakened back to the 105 level not seen since mid-May. The yen had firmed to 97 yen per U.S. dollar in October. The exchange rate remains a source of risk to the BoJ's stimulus aspirations -- aggressive bond buying drives rates lower in order to stimulate the economy and bring about the end of deflation. But global events have aligned to make JGB's very attractive to foreign investors, boosting yen demand. However, tapering from the Fed provides a strong offset in the form of dollar strength, leaning against the yen and providing a shot in the arm for BoJ policy aspirations.

Japan's economic data remain consistent with an extended period of aggressive stimulus from the BoJ. GDP is front and center, as the slowing to a 1.1% rate in Q3 from 3.6% in Q2 and 4.5% in Q1 provided a reminder of the still fragile nature of Japan's growth and inflation improvements this year. We expect GDP to pick-up in Q4 of this year and Q1 of 2014 as consumers make purchases ahead of the April consumption tax hike. Of course, the hike will harm growth in Q2, when GDP is seen falling 4.0%.

Overall, Japan's economy has improved this year, as BoJ stimulus lifts domestic growth, spurs exports and returns annual CPI growth to positive territory. Yet these developments, while encouraging, leave the economy well short of the ultimate goal of sustainable growth. Hence, the BoJ will be compelled to expand the scope of current aggressive easing measures. Meanwhile, the Federal Reserve's gradual process of exiting unconventional policy

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should be supportive of ongoing JGB outperformance.

Europe - Market Quotes					
1/3/2014	current		Chg Over		
	level	1 wk	4 wks	13 wks	1 year
FTSE Euro 300	1312.2	-0.2%	4.0%	5.6%	12.4%
FTSE UK-100	6730.7	-0.3%	3.6%	4.4%	10.5%
Euro 1yr yld	0.51	-0.02	0.05	0.05	0.07
U.K. 1yr yld	0.91	-0.00	0.03	0.03	-0.11
Swiss 1yr yld	0.21	0.00	0.01	-0.03	-0.05
Euro 10yr yld	1.94	-0.01	0.08	0.15	0.41
U.K. 10yr yld	3.02	-0.05	0.11	0.35	0.91
Swiss 10yr yld	1.26	0.16	0.27	0.22	0.68
EUR-USD	1.359	-1.2%	-0.6%	-0.2%	4.0%
GBP-USD	1.641	-0.4%	0.5%	1.6%	2.1%
USD-CHF	0.905	1.5%	0.9%	0.6%	-2.1%

The German economy is gaining strength and for once the main impulses for the recovery have come from robust domestic demand last year, rather than net exports, which actually detracted from overall growth in 2013. Still, the stabilization in the overall Eurozone economy and the improved outlook for the U.S. will help German exports to rise further this year and support what is expected to be a pick up in GDP growth to a robust 1.7%. Risks remain though and much will depend on the situation in the rest of the Eurozone, with the ECB's asset quality review and stress tests still a risk to financial stability overall.

German manufacturing confidence ended the year on a high, with the December PMI reading revised slightly higher to 54.3 from 54.2, a sharp jump from the 52.7 in November and in fact the highest reading since June 2011. This suggests that industrial production, which dropped sharply in October, picked up again in the last months of the year. Indeed, as the Bundesbank highlighted in its latest monthly report, the decline in production in October was partly due to special factors, and the winter half is likely to be very strong.

ZEW and Ifo surveys also picked up further in recent months. ZEW jumped to 62.0 in December, the highest reading since at least the beginning of 2008. True, this is investor confidence, which is partly boosted by the improved outlook in the U.S., but the Ifo also jumped to the highest reading since July 2011, backing expectations for an acceleration in overall growth.

The general elections in 2013 ended with a Pyrrhic victory for Chancellor Merkel, who remained in office for another term, but had to negotiate a grand coalition with the opposition SPD that resulted in some compromises, which some fear may have a negative impact on Germany's competitive strength. Some already warn, for example, that the agreed introduction of a minimum wage may lead to a loss of jobs. Still, while wage growth is likely to pick up next year, unit labor costs are expected to rise only moderately, so that Germany's competitive edge is likely to be maintained.

Assuming a continuing improvement in U.S. and Eurozone growth, the German economy could reach growth of up to 1.7% this year, after a modest 0.5% in 2013. The latter was weighed down by statistical effects from the weak end of 2012, which meant a low starting base for this year. With growth expected to have picked up in Q4 2013, the opposite effect will boost the official growth number this year, so that the overall trend is not quite as buoyant as the expected marked acceleration in the official number would suggest. A further acceleration is expected for 2015, although much will depend on developments outside of Germany. At the same time inflation is expected to fall somewhat this year, partly due to base effects, before picking up again in 2015. Still, at 1.5% even the headline rate expected for 2015 will remain considerably below the ECB's 2% upper limit for price stability, indicating price risks remain very modest.

Commodities - Market Quotes					
1/3/2014	current		Chg Over		
	level	1 wk	4 wks	13 wks	1 year
CRB	276.5	-2.7%	-0.4%	-3.2%	-6.0%
GSCI	614.4	-4.1%	-2.5%	-3.4%	-5.0%
Oil	94.17	-6.1%	-3.3%	-8.8%	1.2%
Gold	1237.06	2.0%	1.0%	-6.1%	-25.3%
Copper	339.93	-0.5%	3.5%	1.6%	-8.3%

Commodity prices continued to skid into year-end before basing in November and rebounding in December. The RJ/CRB began the quarter near 284 before slumping to lows near 272 on Nov-19, then snapping back to 284.6 highs by Dec-27. Overall for the quarter, crude oil paced losses in the sector with an 8.8% decline, though copper managed a

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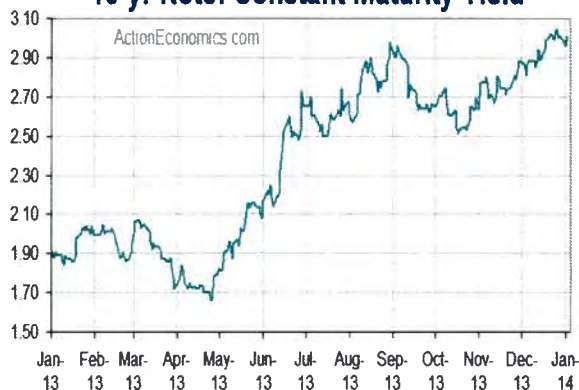
1.6% rebound. Gold remained the red headed step child of the commodity world for the year with a deep 25.3% decline. From late-Oct highs of \$1361.6, gold fell to \$1184.50 lows on the Eve of 2014 as deflation, not inflation, remained the focus of the markets. Given the Fed taper, there was little to inspire confidence in precious metals.

2-yr Note: Constant Maturity Yield



The 2-year yield has been on a reflexive pattern in the back half of the year, rising from lows in May after Bernanke introduced the idea of a QE reduction, then spiking at the time of the ill-fated Septaper. After drifting as low as 0.26% in late-Nov, the short yield rebounded over 0.30% into the Dec FOMC meeting, then continued to climb as jobs data firmed before probing over 0.41% around Christmastime. The Fed promised low rates for the foreseeable future and that tapering was not the same as tightening policy, which seemed to placate the market into the backend of 2013. But heavily bullish positioning in the short-end could be its own worst enemy if bearish momentum gathers strength.

10-yr Note: Constant Maturity Yield



From Oct-23 post-shutdown lows near 2.47%, the 10-year yield never looked back until probing 3.03% just before year-end. This fit with the prevalence of favored curve steepening bets, banking on the economic recovery gradually spreading even as the Fed remained stubbornly committed to holding short-rates low for as long as necessary. This appeared more to price in the Fed taper and rationale for doing so. Though the Dec FOMC statement did reference “more nearly balanced” economic and labor conditions, it did introduce more dovish caveats about the unemployment and inflation thresholds. Having begun the year near 1.90% and then dipping to 1.63% 2013 lows, the rate nearly doubled by year-end from those lows.

30-yr Bond: Constant Maturity Yield



For the quarter, the bond yield was a little more volatile, though the same pattern fit as it rose from 3.56% October lows to highs of 3.97% by the last trading day of the year. That was over a percent higher than May-2 lows of 2.82%, which seemed like a distant memory heading into 2014. In terms of yield spreads, the 2s-10s spread climbed from +217 bp narrows in Oct to +265 bp by the yield peak in late-Dec. The 2s-30s spread ramped out from +326 bp in Oct to +368 bp. The 10s-30s spread actually narrowed from +109 bp to +94 bp, showing the first signs of the curve unwind that spilled over into the New Year.

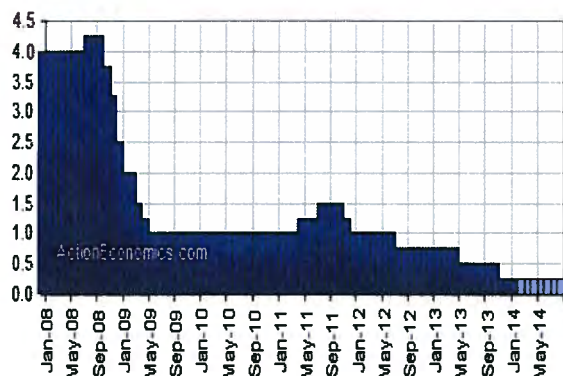
ECB Strengthens Forward Guidance

ECB and BoE left policy rates on hold at the January meeting, as widely expected. Draghi

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affirmed the central bank's easing bias in even stronger terms, although he remained tight-lipped on what measures the ECB still has in store and played down the importance of the December inflation drop. Clearly, the central bank is eager to stress its independence from the Fed, but while the ECB maintains it is ready to act if needed, we would likely have to see a renewed deterioration in the inflation and/or growth outlook to trigger further steps and that is currently not the central scenario.

ECB Refi Rate: Actual and Forecast



The drop in December headline inflation this week had rekindled hopes of further policy action from the central bank, especially after Draghi said that a rate cut was discussed at last month's meeting. However, the improvement in confidence indicators always made it more likely that the central bank would keep its remaining powder dry. So the outcome was pretty much as expected although Draghi did affirm the ECB's forward guidance and easing bias in even stronger terms than last month.

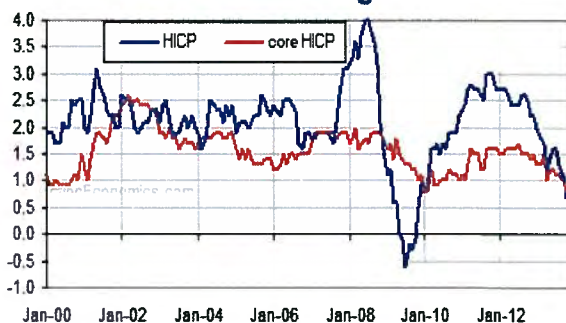
However, that was likely also designed to assure markets that the central bank acts independently from the Fed, which already started to taper its policy last month. The situation is different in the Eurozone and today's press conference made it clear that the ECB can still implement further easing as other central banks start to reduce the amount of monetary accommodation.

At the same time the underlying picture has not changed much. Draghi said data since the last meeting confirmed the ECB's central assessment. The central bank noted the improvement in confidence indicators, but the risks to the growth outlook remain on the

downside and Draghi said during the Q&A that it is still too early to declare victory over the crisis, as there are still many things that have the potential to undermine the outlook. He added that unemployment remains unacceptably high, even if rates have started to stabilize, and said the ECB would like to see confidence maintained at high levels for a prolonged period before relaxing on the growth outlook.

Interestingly he seemed to defend Germany against the ongoing criticism of its export and current account surplus, saying that you don't strengthen weak countries by undermining the basis of strength in others. Thus, no backing from the ECB for the calls on Germany to boost internal demand.

Eurozone Inflation Y/Y Change



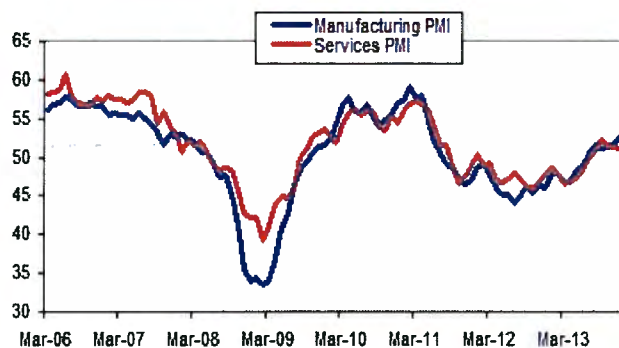
Draghi also played down the importance of the drop in headline inflation in December, saying that this was to a large extent due to a statistical effect from a change in the seasonal adjustment process for services in Germany, which won't have an impact in January. He also repeated that there is no Japanese style deflation in the Eurozone and that negative inflation rates in some countries may also be a reflection of the necessary rebalancing process after a marked loss in competitiveness. Still, the ECB repeated that the Eurozone is likely to see a prolonged period of low inflation and Draghi also suggested that lengthy times of ultra-low inflation come with their own risks.

While the easing bias remained in place, Draghi was very eager to stress that the ECB is monitoring the situation carefully and is ready to use all available measures if necessary, though he

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remained mum on what these measures could be. That a negative deposit rate has been discussed is no secret, but Draghi refused to be drawn into a discussion on the possibility of large scale asset purchases and merely said that all measures that are not prohibited by the ECB's mandate are eligible.

Eurozone PMIs



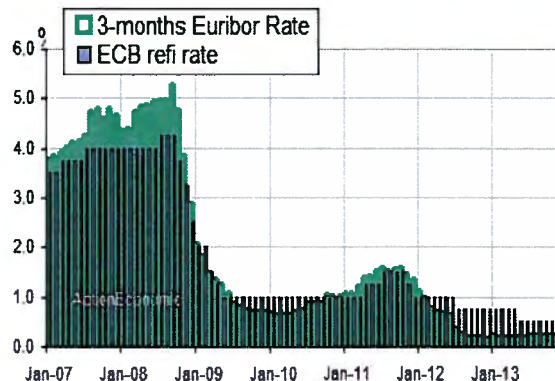
No new details then on possible further action and in our view we will need to see a renewed deterioration in the growth and inflation outlook to prompt additional measures from the ECB and that is not the central scenario. The ESI confidence indicator jumped to the highest reading since July 2011. German confidence indicators continue to improve strongly, but PMI numbers also signal a return to growth in Spain, suggesting that the reform process is starting to have a positive effect on the overall outlook.

France and Italy remain a problem amid a general lack of structural reforms. At least in Italy there is willingness to tackle underlying problems, with calls for a reform of the electoral process getting louder. France on the other hand risks falling behind as politicians remain inactive and reluctant to tackle controversial issues. At the same time the ECB's asset quality review and stress tests will mean additional pressure on the banking system and could mean a renewed widening of spreads if banks review their bond holdings.

Draghi confirmed that government bonds will be zero risk weighted in the Asset Quality Review, but that government bonds will be "stressed" in line with other assets. So there still is some risk that holdings of government bonds from crisis countries will be

reduced. So far though there is no sign of that. Ireland's return to market financing seems to have gone without a hitch and Italian (and especially Spanish) bond yields continue to decline sharply.

3M Euribor vs ECB Refi Rate



There's some reason for cautious optimism, even if we agree with Draghi that it is too early to declare victory over the crisis. As long as downside risks remain, the ECB's easing bias will stay in place, although in the central scenario of gradual stabilizing growth the central bank is likely to remain on hold this year. If the stress tests and asset quality reviews go without a hitch, the Eurozone's banking system should be stronger by the end of the year and this would mean the monetary union can look with relative optimism ahead into 2015.

For now, though, uncertainty remains high and that leaves the ECB under pressure to re-assure markets that it stands ready to once again play the fire-fighter should things start to go wrong again.

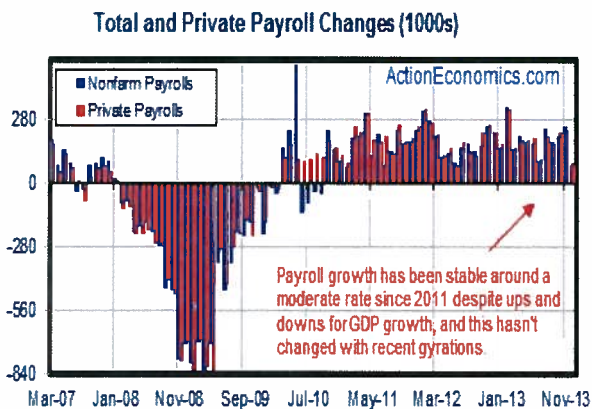
Turning to the U.K., the BoE also left monetary policy unchanged in January as was widely expected. This leaves the repo rate at its record low of 0.5% (in place since March 2009) and the QE unchanged at GBP 375 bln. Ostensibly at least, the BoE remains committed forward guidance and for unemployment to reach 7% (currently 7.6%) before it considers a repo rate hike. We expect the BoE to leave the repo rate at its historical low of 0.5% (in place since March 2009) until at least late 2014 and to also leave the QE total at GBP 375 bln (unchanged since July 2012). Markets are discounting a 25bp hike by mid-to-late 2015.

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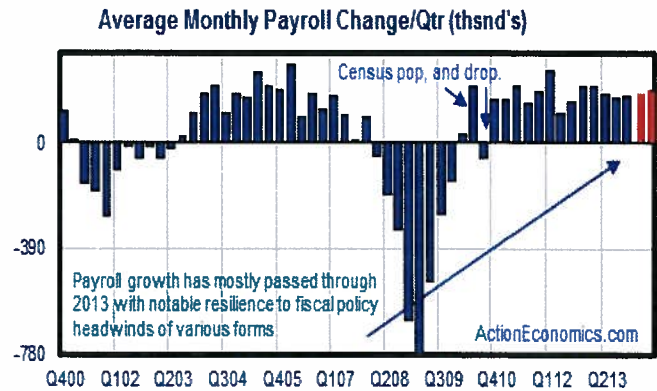
U.S. Jobs Data Squelch Market Optimism

The U.S. jobs report revealed disappointing data across the board that lowered our other December forecasts and capped the market's growing optimism about the economy. Payrolls rose only 74k in December and the workweek fell to 34.4 to leave a 0.2% December hours-worked drop, and average hourly-earnings rose by a lean 0.1%. The jobless rate plunge to 6.7% (6.68%) unfortunately reflected a civilian job gain of just 143k alongside a big 347k labor force drop. The labor force participation rate fell back to its 62.8% 35-year low from 63.0% in November.

The 74k December nonfarm payroll gain included an 87k private payroll rise and a 13k drop for government jobs. We saw a small 38k October-November boost for total payrolls with component boosts of 33k for private payrolls and 5k for government jobs.



Goods employment fell by 3k in December thanks to a 16k construction drop, a 9k factory increase and a 4k mining rise. We saw a 0.3% drop in hours-worked for the goods sector, with a 0.8% construction drop, a flat factory figure, and a 1.4% mining surge.



The workweek fell to 34.4, were it sat in September and October, after the November up-tick to 34.5, versus a cycle-high 34.6 last March. We saw a 34.5 average in both 2012 and 2013. Hours-worked fell by 0.2% in December, following an unrevised 0.5% November pop but a lean 0.1% October rise.

Jobs Data and Q4

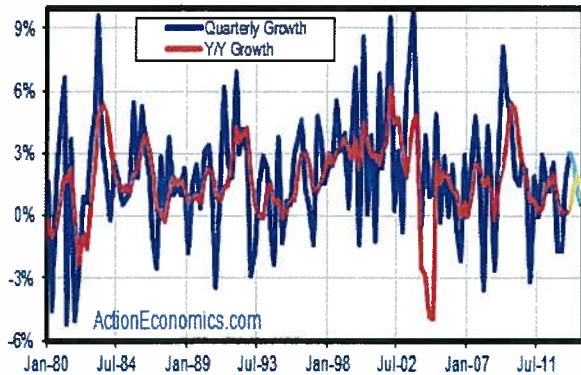
For the jobs data impact on quarterly forecasts, we still expect 3.3% Q4 real GDP growth after a 4.1% Q3 rate. We saw hours-worked growth of just 1.9% in Q4, however, after a 1.0% Q3 rate.



Our GDP forecasts imply a productivity growth rate of 2.5% in Q4 after an expected boosted in Q3 productivity growth to 3.8% from 3.0%.

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Nonfarm Productivity Growth: Qtrly vs YY



Real GDP vs Nonfarm Payroll Growth



For 2013 overall, we expect 2.8% Q4/Q4 growth for real GDP with a 1.6% hours-worked gain, following the 2012 mix of 2.0% and 2.1%. We expect a 1.5% productivity rise for 2013 Q4/Q4 following a 0.9% 2012 gain.

The workweek has climbed substantially from the 33.8 cycle-low in October of 2009 and 34.1 in December of 2008 when the last recession began, though the climb has plateaued since Q1 and closed 2013 on a sour note.

Real GDP vs Hours Worked Growth



Real GDP vs Workweek Growth



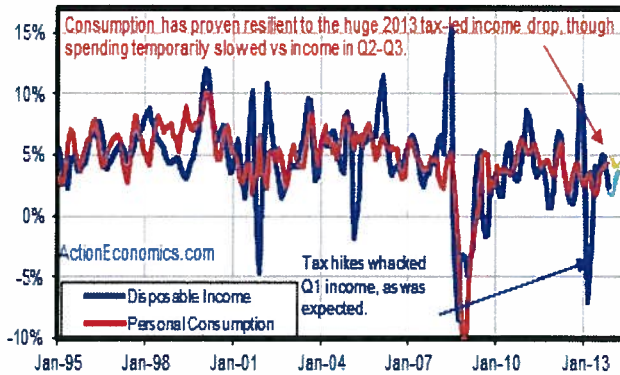
Nonfarm payroll growth has generally proved surprisingly stable over the last four quarters, and with gyrations that have run counter to GDP, as payroll growth was highest in Q1 with an average of 208k when GDP was at a low 1.1%, and payroll growth was lowest in Q3 at 167k when GDP growth spiked to 4.1%.

Jobs Data and the December Forecasts

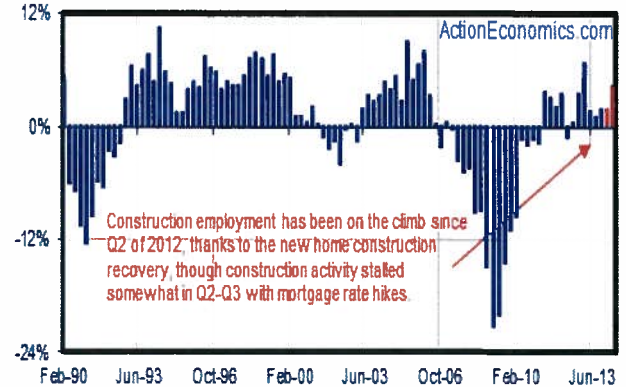
For the jobs data impact on other December reports, we assume a 0.3% personal income gain after the 0.2% rise in November. Our estimate is consistent with lean Q4 growth of 2.5% for income and 2.1% for disposable income, following higher respective Q3 rates of 4.0% and 5.0%, and respective Q2 rates of 4.7% and 4.0%.

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Consumption vs. Disposable Income Growth



Quarterly Construction Employment Growth

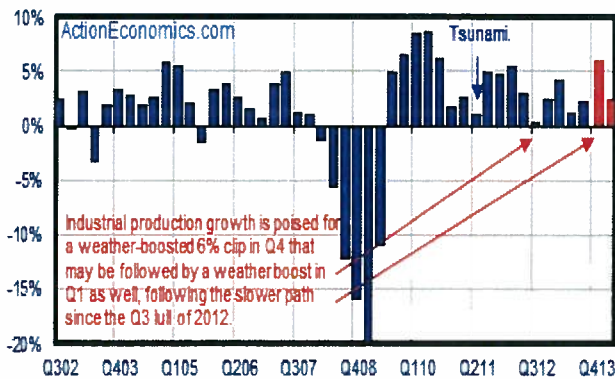


Industrial production should post a 0.2% auto and utility-led December rise, following a larger November boost from these sectors that left a big 1.1% gain. We saw a flat December factory hours-worked figure, though with a 1.4% rise for mining. The vehicle assembly rate likely rose 1% to a cycle-high 11.7 mln December clip from 11.6 mln in November and 11.1 mln in October. We expect a small 0.5% December utility rise after the 3.9% November surge. We're poised for a 6% growth rate for industrial production in Q4, following rates of 2.3% in Q3, 1.2% in Q2, and 4.1% in Q1.

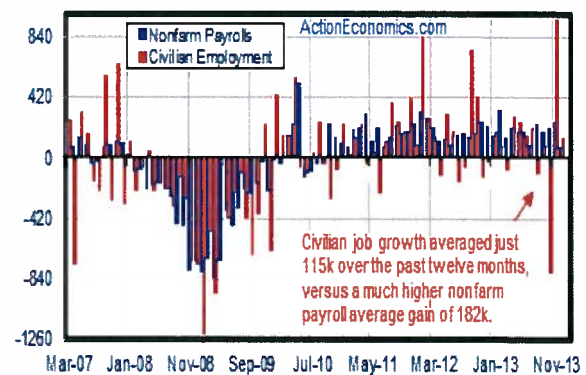
The December Household Data

For Dec's household survey data, we saw a modest December gain of 143k for civilian employment and a 347k drop for the labor force, following big November bounces of 818k and 445k respectively, but respective October declines of 735k and 720k. For Q4 overall we have an average monthly civilian employment gain of 105k but a an average drop for the labor force of 179k, following average monthly Q3 swings of an 65k rise for civilian employment but a 116k labor force drop. The cycle continues to display moves into and out of negative growth territory for the household employment and labor force data.

Industrial Production Growth



Payroll & Civilian Employment Changes (1000s)



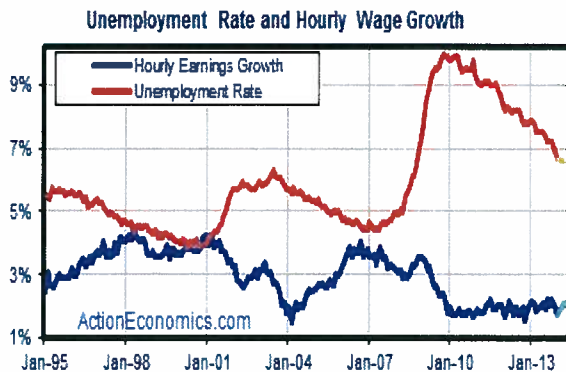
For construction, hours-worked fell 0.8% in December with a 16k construction payroll drop. We assume a 0.2% December construction spending decline that is impacted by cold weather after the 1.0% November climb, though the updraft in many of the important housing market indicators into year-end alongside the cold snap suggests significant two-sided risk to the December data.

The jobless rate fell to a cycle-low 6.68% in December from 6.98% (was 7.02%) in November and 7.20% (was 7.28%) in October, as the rate fluctuates below the 10.0% cycle-high in October of 2009. The labor force participation rate fell back to

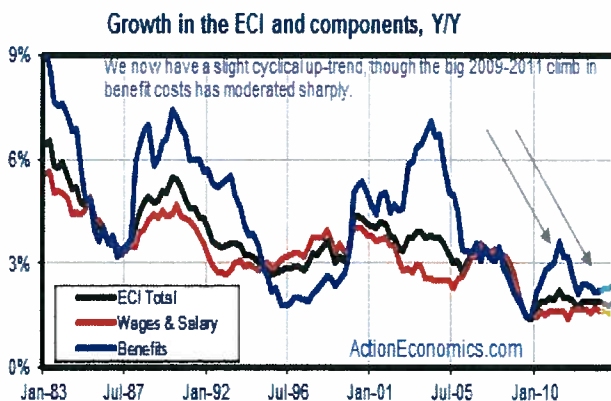
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the 62.8% October figure that marked the lowest rate since August of 1978, following November's 63.0%.

The 0.1% December average hourly earnings rise followed unrevised gains of 0.2% in November and 0.1% in October. The y/y wage gain fell to 1.8% from 2.0% in November and 2.2% in October, versus a 1.6% cycle-low in October of 2012, as shown below.



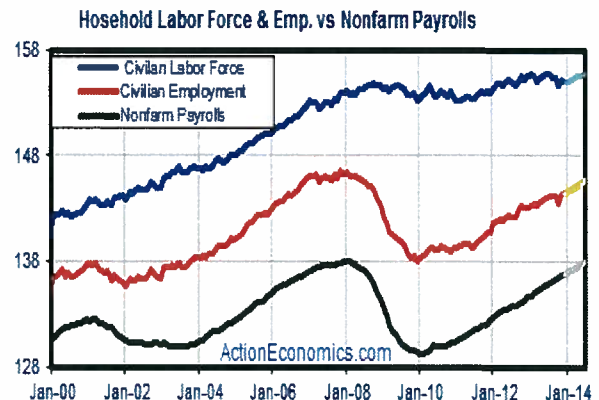
The y/y figures should fluctuate around 2% through 2014, as wage gains likely take years to reclaim the 3.8% peak in June of 2007. We have a slight cyclical climb in costs as gauged by the [ECI](#) figures thanks to firmness in benefit costs early in this expansion, though this firming has given back ground since 2011. ECI y/y growth slowed to 1.9% over the five quarters ending in Q3 with a 2.3% Q2 y/y benefit cost rise, following respective cycle-highs of 2.2% and 3.6% in May of 2011 and prior respective cycle-lows of 1.4% and 1.5% in Q4 of 2009.



For the cycle as a whole we've seen a downward ratcheting in labor force participation that has allowed

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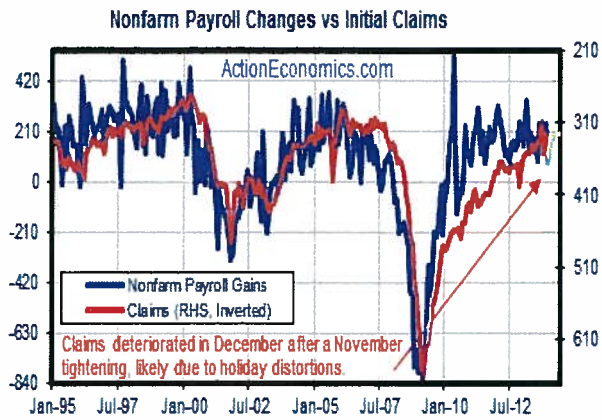
just a small rise of 195k since the cyclical peak back in May of 2009, which reflects a tiny 0.1% four year labor force increase. This has occurred despite ongoing 1%-1.5% annual growth in the working age population that leaves a "hole" of about 5%. Presumably these workers will reappear later in this cycle, and any labor force climb will provide a headwind for jobless rate declines.



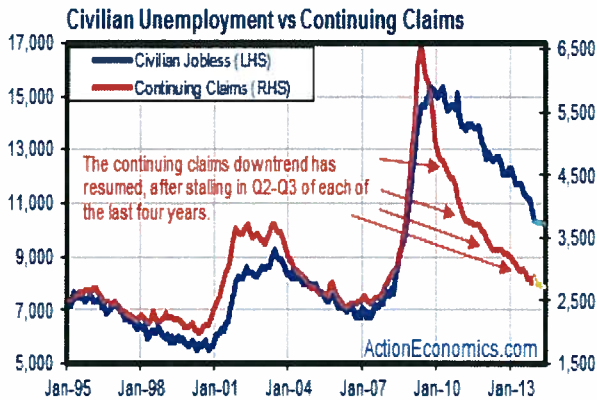
Payrolls vs Other December Labor Market Indicators

Payroll weakness tracked the December rise in [initial claims](#) and weak component data in most of the producer sentiment reports, alongside the Q4 drop in [confidence](#) that was partly reversed in December likely due to rising stock prices rather than a better jobs market. Payrolls surprised the markets by defying the firm [ISM](#), ADP, and vehicle assembly figures for December.

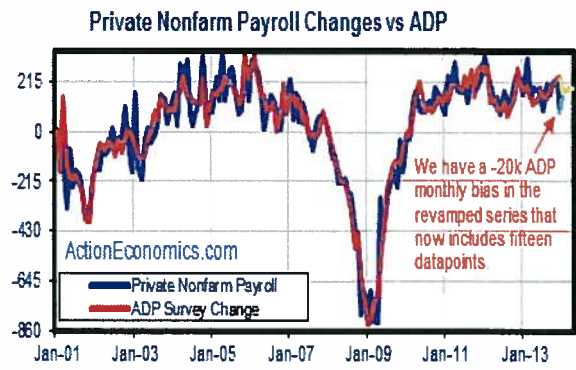
[Initial claims](#) rose substantially through early-December after a tight round of figures in November to suggest downside payroll risk even though holiday volatility discounted the significance of the move. Claims averaged 356k in December following a lean 325k November average, and a prior 332k two-month average. The 379k December BLS survey week reading exceeded prior BLS readings of 326k in November, 362k in October, and 311k in September.



The cyclical downtrend reversed course somewhat in December alongside the December initial claims rise, following the stalling through Q2-Q3 that has now been seen in each of the last four years, as shown below.

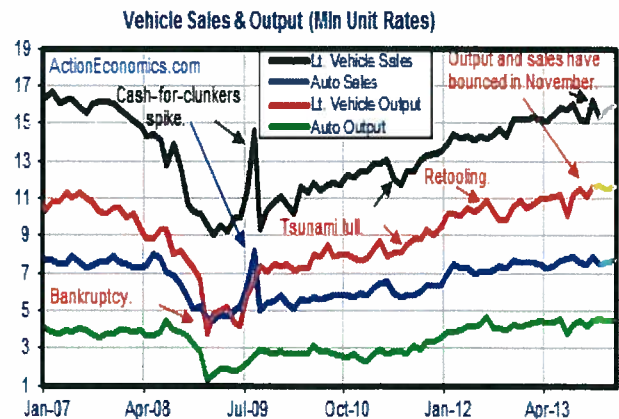


A general firming in the ADP data since May, and a solid 238k December reading, has trimmed the prior downward bias in the as-reported ADP figures since the methodology change of October 2012. Yet, we still have a 20k average undershoot for the fifteen month period that will be exacerbated by the annual revisions in January. We saw a huge 151k ADP overshoot in December after undershoots of 11k in November, 87k in October, 2k in September, and 30k in August.



We've seen a reduction in ADP average errors since October of last year, but this mostly reflects less erratic payroll gyrations rather than a better ADP performance. We have a ratio of absolute errors for ADP and the median of 1.44 since October, versus a similar 1.46 ratio if we look back to the prior methodology change in November of 2008.

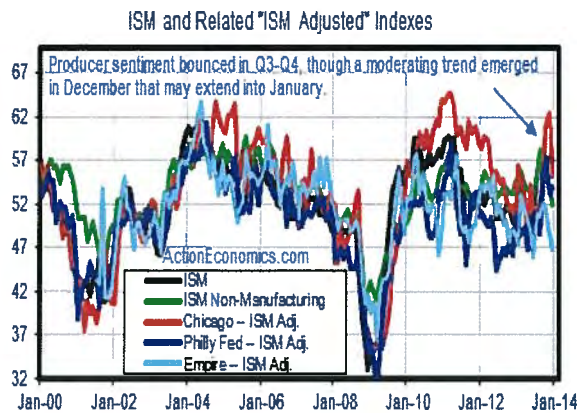
The [AutoNews](#) vehicle assembly figures signal a 1% rise in December to a cycle-high 11.7 mln clip from rates of 11.6 in November but a lean 11.1 mln in October. Vehicle sales moderated in December by 6.2% to a 15.3 mln clip however, and this combined with rising auto inventories suggests a likely moderation in vehicle output into Q1, as shown below.



The major factory sentiment surveys mostly moderated in December following surprisingly firm readings over the July-November period. Yet, some surveys, such as the [ISM](#) survey, strengthened on the month, and some of the employment gauges were also firm. The ISM-adjusted average of the

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major reports fell to 53 in December from 55 in November and a recent-high 56 in October, versus a 58 cycle-high in February of 2011.



The FOMC

The Fed's choice to commence the taper at the December 17-18 [FOMC meeting](#) was accompanied by reference that the FOMC would "reduce the pace of asset purchases in further measure steps at future meetings" if incoming information meets the Committee's expectations. Though today's jobs data were disappointing, most economic reports have beat expectations since the December meeting, and we still assume a \$10 bln taper at the January 28-29 meeting.

We expect 2013 Q4/Q4 GDP growth of 2.8% that sharply exceeds the Fed's 2.2%-2.3% central tendency, and growth is on track to hit the Fed's 2014 central tendency of 2.8%-3.2%. The 7.0% average jobless rate in Q4 was in the Fed's 7.0%-7.1% 2013 central tendency, and the December drop to 6.7% leaves the Fed easily on track to meet its 6.3%-6.6% forecast for Q4 of 2014. The 2013 inflation figures should sit at the low-end of the Fed's central tendency estimates of 0.9%-1.0% for the PCE headline and 1.1%-1.2% for the PCE core, and the Fed likely sees little need to adjust its 2014 central tendencies of 1.4%-1.6% for both.

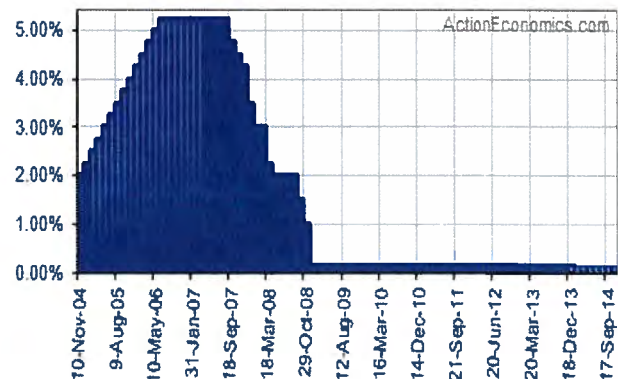
In short, recent data have mostly implied a firm 2013 close for the U.S. economy despite today's data, and most of the numbers have reinforced the Fed's optimistic estimates for 2014. We assume we would need further economic surprises to warrant a change in the pace of taper from the Fed's current \$10 bln pace per meeting.

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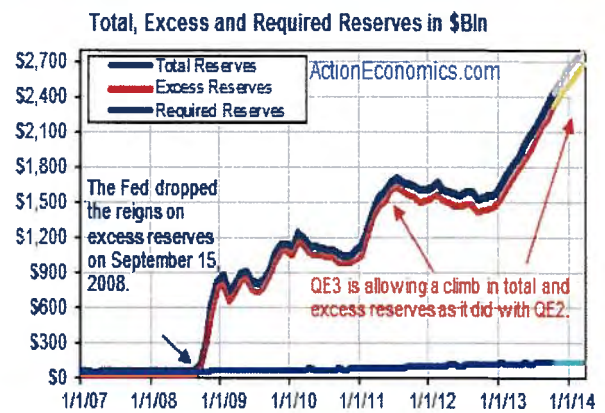
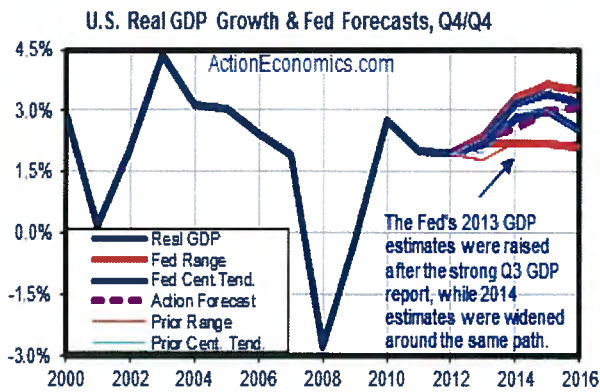
Fed Unleashes the Taper

The Fed decision to embark on a taper was finally seen in December, after much hand-wringing since June. The Fed agreed to reduce the QE package by \$10 bln to \$75 bln/month, with a \$5 bln decline in MBS and Treasury purchases apiece, to \$35 bln and \$40 bln respectively. That move was Bernanke's Christmas present to incoming Chairwoman Yellen, who can now follow through when she takes the helm in January.

Fed Funds Targets at FOMC Meeting Dates

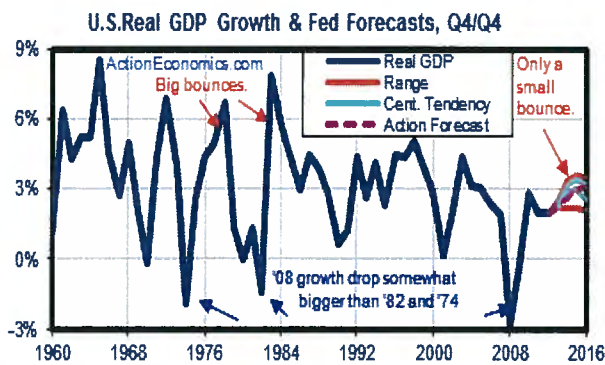


In conjunction, the [Fed statement](#) said that the outlook on the economy and labor market had become "more nearly balanced," while upgrading its vigilance on inflation developments, which it plans to "monitor carefully" as a concession to the doves. Moreover, the Fed indicated that it will likely maintain the low Fed funds target range "well past the time" that the jobless rate declines below 6.5%, especially if inflation remains below 2%. In essence, in place of expected threshold changes this more dovish verbal guidance easily offset the token tapering of monetary expansion.



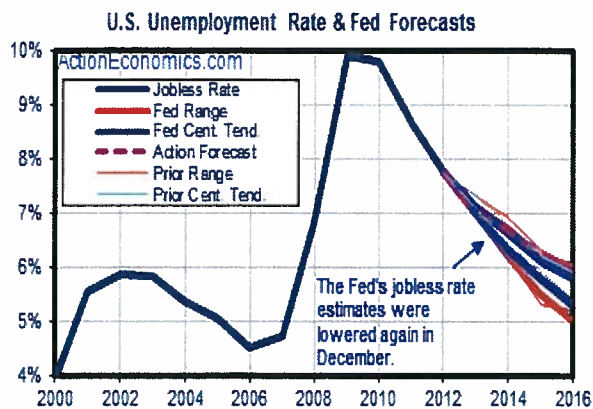
The Fed's statement also indicated that "further measured steps" are possible. The exceptionally low rate stance until the jobless rate falls "well below" 6.5% was also noted, and emphasized as "strengthened guidance" in Q&A. The Fed said the labor market had shown further improvement, while the extent of fiscal policy restraint may be diminishing. Also the Committee said "the risks to the outlook for the economy and the labor market [have] become more nearly balanced." Inflation continues to run persistently below the 2% target, and could pose risks to the economy, and will be "monitored carefully."

On QE: The Fed finally pulled the trigger - "Taking into account the extent of federal fiscal retrenchment since the inception of its current asset purchase program, the Committee sees the improvement in economic activity and labor market conditions over that period as consistent with growing underlying strength in the broader economy. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions, the Committee decided to modestly reduce the pace of its asset purchases. Beginning in January, the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$35 billion per month rather than \$40 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$40 billion per month rather than \$45 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. **The Committee's sizable and still-increasing holdings of longer-term securities should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate.**"



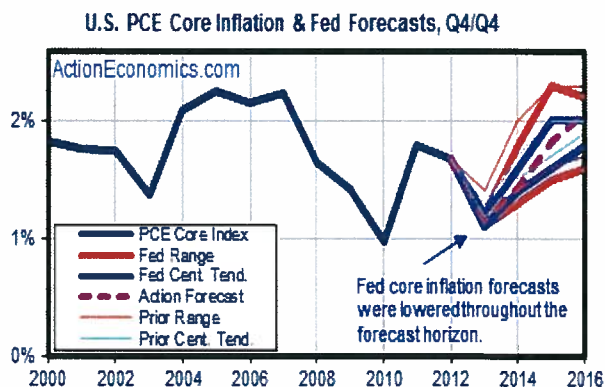
The Fed tried to offset taper angst somewhat by stating "the sizable and still-increasing holdings of longer-term securities should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative." Additionally, the Fed reminded that asset purchases are not on a preset course. It said that if incoming data support policymakers' forecasts of ongoing improvement in the labor market with inflation moving toward the 2% level, it would likely reduce asset purchases further in "measured steps."

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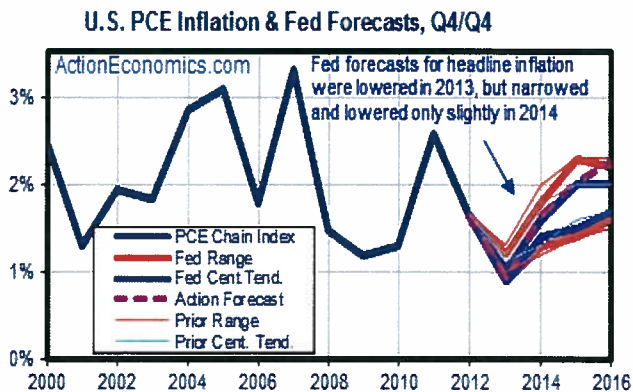


On the economy: the committee was comfortable with the assumption of firmer growth, especially with some fiscal restraint possibly diminishing - "Information received since the Federal Open Market Committee met in October indicates that economic activity is expanding at a moderate pace. Labor market conditions have shown further improvement; the unemployment rate has declined but remains elevated. Household spending and business fixed investment advanced, while the recovery in the housing sector slowed somewhat in recent months. Fiscal policy is restraining economic growth, although the extent of restraint may be diminishing. (sic) Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will pick up from its recent pace and the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate. The Committee sees the risks to the outlook for the economy and the labor market as having become more nearly balanced."

On inflation: not only did the Fed strengthen its guidance on unemployment, but it also put inflation on notice, which it plans to closely monitor - *Inflation has been running below the Committee's longer-run objective, but longer-term inflation expectations have remained stable. (sic) The Committee recognizes that inflation persistently below its 2 percent objective could pose risks to economic performance, and it is monitoring inflation developments carefully for evidence that inflation will move back toward its objective over the medium term.*



Policy guidance: "The Committee will closely monitor incoming information on economic and financial developments in coming months and will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. If incoming information broadly supports the Committee's expectation of ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings. However, asset purchases are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases."



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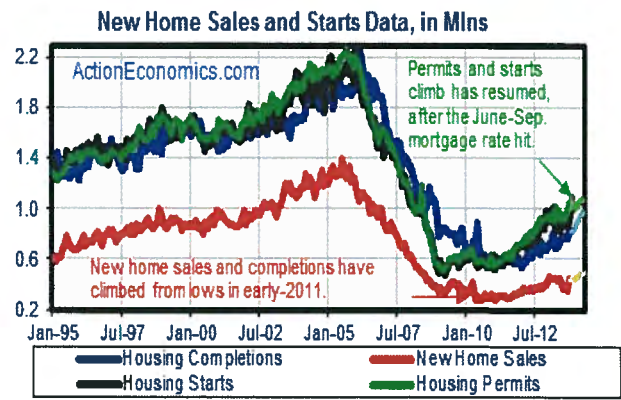
**FOMC Projections at the Dec 17-18 Meeting vs Sep 17-18
 Revealed at the Dec 18 Press Conference, vs Our Own Foreca**

Q4/Q4 Figures	Fed Fore. Range	Fed Cent. Tendency	Sep, 13 Range	Sep, 13 Cent.Tend.	Action Fore.
2013					
Real GDP	2.2% 2.4%	2.2% 2.3%	1.8% 2.4%	2.0% 2.3%	2.6%
Unemp Rate (Q4)	7.0% 7.1%	7.0% 7.1%	6.9% 7.3%	7.1% 7.3%	7.0%
PCE Prices	0.9% 1.2%	0.9% 1.0%	1.0% 1.3%	1.1% 1.2%	0.9%
PCE Core Prices	1.1% 1.2%	1.1% 1.2%	1.2% 1.4%	1.2% 1.3%	1.1%
Fed Funds Rate*	0.2% 0.2%	0.2% 0.2%	0.2% 0.2%	0.2% 0.2%	0.2%
2014					
Real GDP	2.2% 3.3%	2.8% 3.2%	2.2% 3.3%	2.9% 3.1%	2.8%
Unemp Rate (Q4)	6.2% 6.7%	6.3% 6.6%	6.2% 6.9%	6.4% 6.8%	6.5%
PCE Prices	1.3% 1.8%	1.4% 1.6%	1.2% 2.0%	1.3% 1.8%	1.7%
PCE Core Prices	1.3% 1.8%	1.4% 1.6%	1.4% 2.0%	1.5% 1.7%	1.4%
Fed Funds Rate*	0.2% 0.2%	0.2% 0.2%	0.2% 0.2%	0.2% 0.2%	0.2%
2015					
Real GDP	2.2% 3.6%	3.0% 3.4%	2.2% 3.7%	3.0% 3.5%	3.0%
Unemp Rate (Q4)	5.5% 6.2%	5.8% 6.1%	5.3% 6.3%	5.9% 6.2%	6.2%
PCE Prices	1.4% 2.3%	1.5% 2.0%	1.4% 2.3%	1.6% 2.0%	2.0%
PCE Core Prices	1.5% 2.3%	1.6% 2.0%	1.6% 2.3%	1.7% 2.0%	1.7%
Fed Funds Rate*	0.2% 3.2%	0.5% 1.5%	0.2% 3.2%	0.7% 1.5%	1.3%
2016					
Real GDP	2.1% 3.5%	2.5% 3.2%	2.2% 3.5%	2.5% 3.3%	3.1%
Unemp Rate (Q4)	5.0% 6.0%	5.3% 5.8%	5.2% 6.0%	5.4% 5.9%	5.9%
PCE Prices	1.6% 2.2%	1.7% 2.0%	1.5% 2.3%	1.7% 2.0%	2.3%
PCE Core Prices	1.6% 2.2%	1.8% 2.0%	1.7% 2.3%	1.9% 2.0%	1.9%
Fed Funds Rate*	0.5% 4.2%	1.5% 3.0%	0.5% 4.2%	1.7% 2.7%	2.5%
Longer Run					
Real GDP	1.8% 2.5%	2.2% 2.4%	2.1% 2.5%	2.2% 2.5%	2.6%
Unemp Rate (Avg)	5.2% 6.0%	5.2% 5.8%	5.2% 6.0%	5.2% 5.8%	6.0%
PCE Prices	2.0%	2.0%	2.0%	2.0%	3.0%
Fed Funds Rate*	3.5% 4.2%	3.5% 4.0%	3.2% 4.5%	4.0% 4.2%	4.5%

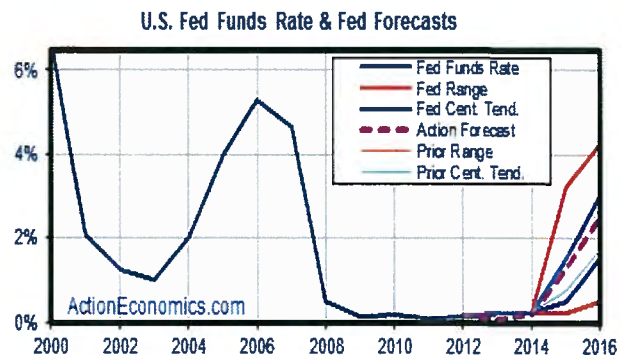
Action Economics, LLC, Red = Upward Rev., Blue = Downward Rev.
 * Ranges and Central Tendencies that are "backed out" of the graph provided in the Fed report on the official projections

"To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to 1/4 percent will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and

inflation expectations, and readings on financial developments. The Committee now anticipates, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below 6-1/2 percent, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent."



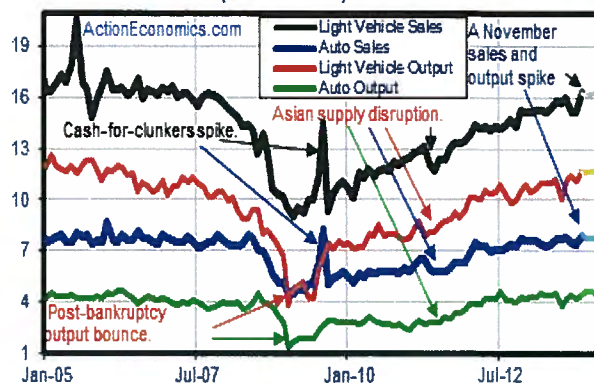
On dissent: George dropped her hawkish dissent and dove Rosengren jumped back in against the move: "Voting against the action was Eric S. Rosengren, who believes that, with the unemployment rate still elevated and the inflation rate well below the federal funds rate target, changes in the purchase program are premature until incoming data more clearly indicate that economic growth is likely to be sustained above its potential rate."



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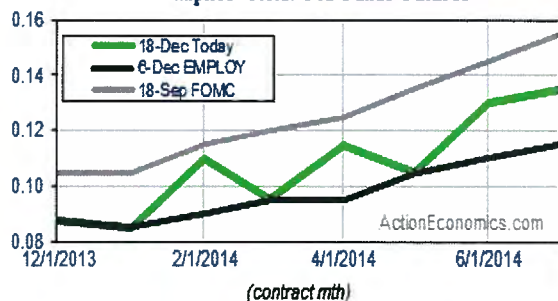
Market reaction: Treasury yields bolted higher on the taper headlines, before quickly coming back down again in a typical knee-jerk fashion. Much will depend now on how well the markets can digest this \$10 bln move that wasn't quite the package deal that some had anticipated, as the Fed thresholds remained intact and there were no moves on the IOER, etc. The T-note yield briefly cleared 2.90% before flipping back to 2.83% then to 2.88% again, while the 2-year yield stalled over 0.35% and eased to 0.32% on the low rate verbal guidance. That steepened the 2s-10s spread several points to +256 basis points. Stocks snapped higher and the dollar was mixed versus the yen and euro. The dollar fell for an instant after the FOMC announcement, though quickly rebounded on the back of the \$10 bln taper. USD-JPY snapped down to 102.70 from 103.02, before launching over 104.00 as the BoJ expected easing ahead contrasts. EUR-USD meanwhile, popped to 1.3807 from 1.3760, and then stumbled to 1.3650. The dollar index surged 0.6% to 80.50 overall.

Vehicle Sales & Output: Total & Trucks
(Min Unit Rate)



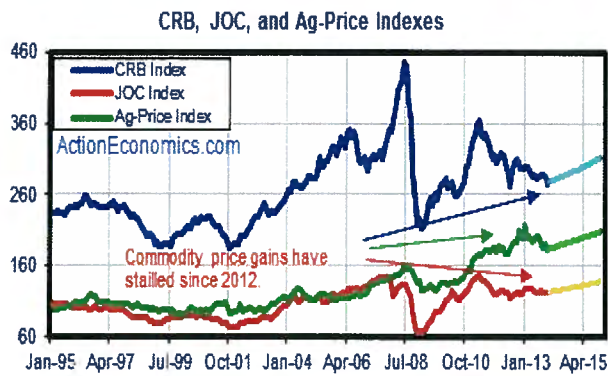
Intermeeting economic growth: November payrolls increased +203k, on top of a 200k increase in October and 176k rise in September, and the government shutdown took a much smaller bite out of growth than advertised in the media. While laudable, this still may not fit every Fed member's definition of "substantial improvement," though hawks and doves have generally been content to continue to debate just where to draw that line. The jobless rate fell from 7.28% in October to 7.02% in November, but it's clear that the shrinking participation rate remains a conundrum. Q3 GDP growth was revised up to a lofty 3.6%, but the sizable inventory contribution to this reading is expected to have robbed growth from Q4, and some payback is inevitable. Retail sales have had a much better run this fall, averaging 0.45% ex-autos over the past three months. Consumer confidence has been on the defensive through the shutdown and healthcare headwinds, but could turn the corner from November 70.4 lows and recover to 75.0 in December by our estimates. The saving rate had been on the rise into this fall, before slumping to 4.8% in October, while core PCE prices have fallen back to 1.1% y/y -- some distance from the 2.0% Fed target rate. Housing starts surged 22.7% in November to top 1.09 mln after a 1.8% gain in October.

Implied Yield: Fed Funds Futures

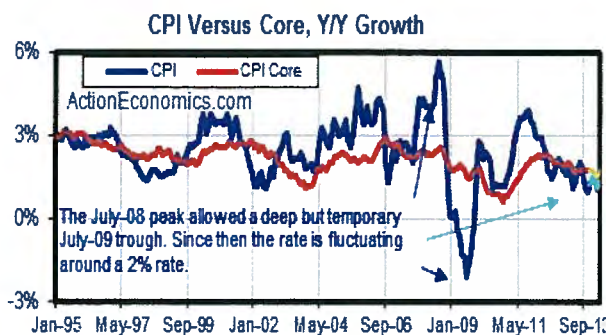


Fed fund futures: round-tripped on the FOMC statement, particularly longer dated contracts. Prices initially dropped on the news that the Fed began tapering QE purchases, but rebounded and gained ground amid the Fed's seemingly more dovish policy guidance, as the exceptionally low rate stance will remain in place until the jobless rate falls "well below" 6.5%. The futures aren't pricing in the first rate hike until midway through 2015.

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Intermeeting market moves: Since the October 29-30 meeting, equities enjoyed a substantial relief rally following the government shutdown, with the recent 2-year budget agreement providing some icing on the fiscal cake. The S&P 500 marked a fresh record high over 1,813, as both the monetary and fiscal horizons seemed to turn a bit more investor-friendly amid talk of IOER cuts and the like. The Dow likewise ramped higher from 14,719 lows in October to clear 16,174 highs in late-November before easing back below 16k. NASDAQ comp cleared 4,000 for the first time since the Millennium tech bubble. The VIX has been stubbornly complacent, falling from 21.34 October shutdown highs to ludicrous lows of 11.99 in November before rebounding back to more sensible levels near 16.0. On the day, it sank 13% to 14.10. Risk proxy gold has continued to lose traction amid investor exuberance, taper expectations, fund liquidations, etc., easing from \$1,359 at the time of the October meeting to December lows of \$1,211 before steadying near \$1,235, then diving to \$1,216 session lows. The dollar index traded under 79.0 at the time of the last meeting, before reviving to 81.5 in November and then easing to 80.0.



FOMC Forecast revisions revealed smaller than expected boosts in the Fed's 2013 [GDP](#) forecasts that imply a lean 1.5% real Q4 growth clip, followed by an odd widening of the GDP central tendency for 2014 around the same 3.0% median estimate -- as the Fed apparently sees a modest boost in uncertainty just as many of the policy hurdles for the year seem behind us. We saw smaller than expected downward bumps in the [PCE chain price](#) headline and core estimates for 2013 that imply a firm close for the inflation figures into year-end, alongside a narrowing in headline inflation forecasts for 2014 around small downward bumps in the core price assumptions. The [jobless rate](#) estimates were trimmed modestly for 2013, and for the entire 2014-16 forecast horizon, though with the same 5.2%-6.0% long-run central tendency assumptions. The federal funds rate central tendency assumptions were trimmed only slightly for 2015, and were actually widened slightly for 2016 around the same 2.25% median. A table of the Fed's revised forecasts alongside our own estimates can always be found on our [policy outlook](#) page.

Bernanke Q&A:

Bernanke said that the taper process will be deliberate and still also will be data-dependent, though he otherwise expects "further measured steps," which implied moves on the order of today's \$10 bln decrease in QE. If the economy changes tack, however, the Fed could stop purchases or pick them up depending on its performance. He also underscored the fresh guidance that the Fed will hold rates low "well past the time" that the jobless rate drops below 6.5% to take into account the overall employment picture at that time, along with other labor indicators. It's clear he wanted the markets to interpret this as dovish guidance in the interim.

Bernanke said the FOMC debated the policy decision "quite extensively." He said inflation is more than a "bit of a concern," and they are taking the low inflation rate very seriously, as was indicated in the statement. If inflation doesn't pick-up, then the Fed will take appropriate action. If the economy were to stumble again, the Fed chief noted a variety of tools that could be used, and he

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suggested something akin to the U.K.'s funding-for-lending program could be introduced.

Bernanke stressed "we're not doing less" in answering a question on why the Fed might not be doing more after two failed attempts to get the economy going. Bernanke disputed the notion the Fed wasn't doing enough to stimulate growth. The Fed hasn't ruled out strengthening guidance. He outlined a number of factors for slower than expected growth over the past few years, including continuing financial disturbances, the housing bust, and very tight fiscal policy (which has been underappreciated).

Costs, benefits of Fed policies: Bernanke views asset purchases as a second tool behind interest rate policy. He said it's been effective, but as the balance sheet gets large, it become less favorable and the costs of managing the exit increase (that's why the Fed views QE as a supplementary tool). Bernanke said it's unlikely the Fed will suffer any losses from the program, and indeed the Fed actually has been making a good bit of money for the government. If interest rates rise and Fed has to stop remittances to the Treasury for awhile, that could cause problems. Additionally, asset purchases affect term premium, and Bernanke suggested he and other economists aren't real sure about what moves the term premium. So while asset purchases have been effective and are important, they aren't as effective as interest rate policy.

Bernanke's advice to Yellen regarding Congress: "remember, they're our boss." He said the Fed needs to explain itself to Congress, and they have every right to set the terms of which the Federal Reserve operates.

Bernanke said some of the decline in labor participation rate is demographic and structural. But some is also due to the fact that workers have become discouraged, or their job skills have been eroded by long time unemployment. So, one factor that can be controlled and affected by policy is training the workforce to meet the needs of the 21st century. With that, he concluded his FOMC press conference -- the final one of his career.

Conclusion: Bernanke and company finally seized the moment to taper QE amid the broadening and deepening of the economic recovery since the last

meeting. The \$10 bln margin of the reduction to \$75 bln in monthly MBS and Treasury purchases was predictable, even if the timing was missed by the majority of economists in advance. This essentially gave his successor Yellen a leg up to get her leadership house in order, while "strengthening" dovish guidance on closely monitoring inflation developments and holding the low inflation target well beyond the point at which the jobless rate eases below 6.5%. Though other steps such as an IOER cut or movement in the thresholds themselves remain an option in the event of renewed economic declines, the Fed deferred any such action. Now that the Fed has set its taper course, all else equal we would expect regular QE cuts ahead until brought down to zero.

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U.S. Economic Calendar January 2014



Davidson Fixed Income Management

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Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
		New Year's Day All Markets Closed	7:00 AM MBA Mortgage Applications 12/27 8:30 AM Initial Claims 12/28 8:58 AM Manuf PMI DEC 9:45 AM Bloomberg Consumer Comfort 12/29 10:00 AM ISM (Mfg) DEC 10:00 AM Construction NOV 4:30 PM Money Supply 12/23 Tsy Announces 52-Wk Bills Tsy Announces 3&6-Mth Bills Tsy Announces 3-Yr, 10-Yr Reopen & 30-Yr Reopen	11:00 AM EIA Crude Oil Stocks 12/28 Light Vehicle Sales DEC
6	7	8	9	10
10:00 AM ISM-NMI DEC 10:00 AM Factory Orders NOV Tsy Auctions 3&6-Mth Bills Tsy Announces 4-Wk Bills	7:45 AM ICSC-Goldman Sachs 01/04 8:30 AM U.S. Trade NOV 8:55 AM Redbook 01/04 Tsy Auctions 4-Wk Bills Tsy Auctions 52-Wk Bills Tsy Auctions 3-Yr Notes	7:00 AM MBA Mortgage Applications 01/03 8:15 AM ADP Employment Survey DEC 10:30 AM EIA Crude Oil Stocks 01/03 2:00 PM FOMC Minutes for Dec 17-18 Meeting 3:00 PM Consumer Credit NOV Tsy Auctions 10-Yr Notes Reopen	8:30 AM Initial Claims 01/04 9:45 AM Bloomberg Consumer Comfort 01/05 4:30 PM Money Supply 12/30 Tsy Auctions 30-Yr Bonds Reopen Tsy Announces 3&6-Mth Bills	8:30 AM Employment Report DEC 10:00 AM Wholesale Trade NOV
13	14	15	16	17
2:00 PM Treasury Budget DEC Tsy Auctions 3&6-Mth Bills Tsy Announces 4-Wk Bills	7:45 AM ICSC-Goldman Sachs 01/11 8:30 AM Retail Sales DEC 8:30 AM Trade Price Indexes DEC 8:55 AM Redbook 01/11 10:00 AM Business Inventories NOV Tsy Auctions 4-Wk Bills	7:00 AM MBA Mortgage Applications 01/10 8:30 AM PPI DEC 8:30 AM Empire State Index JAN 10:30 AM EIA Crude Oil Stocks 01/10 2:00 PM Beige Book for Jan 28-29 FOMC Meeting	8:30 AM CPI DEC 8:30 AM Initial Claims 01/11 9:00 AM Treasury Inlt Capital NOV 9:45 AM Bloomberg Consumer Comfort 01/12 10:00 AM Philadelphia Fed Index JAN 10:00 AM NAHB Housing Market Index JAN 4:30 PM Money Supply 01/06 Tsy Announces 3&6-Mth Bills Tsy Announces 10-Yr TIPS	8:30 AM Housing Starts DEC 9:15 AM Industrial Production DEC 9:55 AM Consumer Sentiment Pre JAN 10:00 AM JOLTS Job Openings NOV
20	21	22	23	24
Martin Luther King, Jr. Day U.S. Markets Closed	Tsy Auctions 3&6-Mth Bills Tsy Announces 4-Wk Bills	7:00 AM MBA Mortgage Applications 01/17 7:45 AM ICSC-Goldman Sachs 01/18 8:55 AM Redbook 01/18 Tsy Auctions 4-Wk Bills	8:30 AM Chicago Fed National Activity Index DEC 8:30 AM Initial Claims 01/18 8:58 AM Manuf PMI Flash JAN 9:00 AM FHFA HPI NOV 9:45 AM Bloomberg Consumer Comfort 01/19 10:00 AM Exist Home Sta DEC 10:00 AM Leading Indicators DEC 11:00 AM EIA Crude Oil Stocks 4:30 PM Money Supply 01/13 Tsy Auctions 10-Yr TIPS Tsy Announces 3&6-Mth Bills Tsy Announces 2-Yr, 5-Yr & 7-Yr Notes, 2-Yr FRN	
27	28	29	30	31
10:00 AM New Home Sales DEC 10:30 AM Dallas Fed Index JAN Tsy Auctions 3&6-Mth Bills Tsy Announces 4-Wk Bills	7:45 AM ICSC-Goldman Sachs 01/25 8:30 AM Durable Orders DEC 8:55 AM Redbook 01/25 9:00 AM S&P/Case-Shiller Home Price Index NOV 10:00 AM Consumer Confidence JAN 10:00 AM Richmond Fed Index JAN FOMC 2-Day Meeting Begins Tsy Auctions 4-Wk Bills Tsy Auctions 2-Yr Notes	7:00 AM MBA Mortgage Applications 01/24 10:30 AM EIA Crude Oil Stocks 01/24 2:00 PM FOMC Policy Statement Tsy Auctions 2-Yr FRN	8:30 AM GDP Advance Q4 8:30 AM Initial Claims 01/25 9:45 AM Bloomberg Consumer Comfort 01/26 10:00 AM Pending Home Sales Index DEC 4:30 PM Money Supply 01/20 Tsy Auctions 5-Yr Notes Tsy Auctions 7-Yr Notes Tsy Announces 3&6-Mth Bills Tsy Announces 52-Wk Bills	8:30 AM Employment Cost Index Q4 8:30 AM Personal Income & PCE DEC 9:45 AM Chicago ISM JAN 9:55 AM Consumer Sentiment Fin JAN 3:00 PM Agricultural Prices JAN

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FIXED INCOME BENCHMARK RETURNS

December 31, 2013

	Duration	Month Ending <u>12/31/2013</u>	Quarter Ending <u>12/31/2013</u>	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<u>U.S. TREASURY BENCHMARKS</u>							
US Treasury 90 Day Bill	0.23	0.01	0.02	0.07	0.22	0.12	1.67
US Treasury 0-1 Year	0.51	0.02	0.01	0.17	0.22	0.31	1.88
US Treasury 0-3 Year	1.47	-0.09	0.05	0.30	0.60	0.87	2.34
US Treasury 1-3 Year	1.91	-0.14	0.06	0.36	0.78	1.09	2.56
US Treasury 0-5 Year	2.24	-0.37	-0.08	-0.12	1.10	1.32	2.81
US Treasury 1-5 Year	2.70	-0.48	-0.11	-0.19	1.10	1.57	3.09
US Treasury 1-10 Year	3.93	-0.89	-0.56	-1.65	2.27	2.10	3.73
<u>TIPS BENCHMARKS</u>							
TIPS 1-3 Year	1.91	-0.07	0.06	-0.98	1.15	2.96	N/A
TIPS 1-5 Year	2.94	-0.54	-0.26	-2.02	1.84	3.92	N/A
TIPS 3-5 Year	3.92	-1.00	-0.59	-3.12	2.35	4.79	4.05
TIPS 1-10 Year	5.09	-1.23	-1.30	-5.62	2.68	4.79	4.39
<u>AGENCY BULLET</u>							
US Agency 1-3 Year Bullet	1.94	-0.12	0.15	0.43	0.97	1.56	2.97
US Agency 1-5 Year Bullet	2.59	-0.38	0.11	0.03	1.38	2.04	3.40
US Agency 3-5 Year Bullet	3.63	-0.77	0.07	-0.54	2.71	3.42	4.47
US Agency 1-10 Year Bullet	3.10	-0.52	-0.01	-0.65	1.87	2.43	3.88
<u>AGENCY CALLABLE</u>							
US Agency 1-3 Year Callable	1.15	-0.06	0.18	0.40	0.76	1.04	2.32
US Agency 1-5 Year Callable	2.11	-0.34	0.11	-0.01	0.83	1.17	2.48
US Agency 3-5 Year Callable	3.41	-0.76	0.02	-0.49	1.22	1.65	2.87
US Agency 1-10 Year Callable	3.02	-0.52	-0.05	-0.88	0.73	1.21	2.68
<u>CORPORATE</u>							
1-3 Year Corp A-AAA	1.85	-0.06	0.46	1.41	2.34	4.53	3.40
1-5 Year Corp A-AAA	2.76	-0.36	0.52	1.15	3.16	5.50	3.85
1-10 Year Corp A-AAA	4.17	-0.44	0.57	-0.15	4.24	6.84	4.41

Data source: Merrill Lynch Global Index System on Bloomberg.



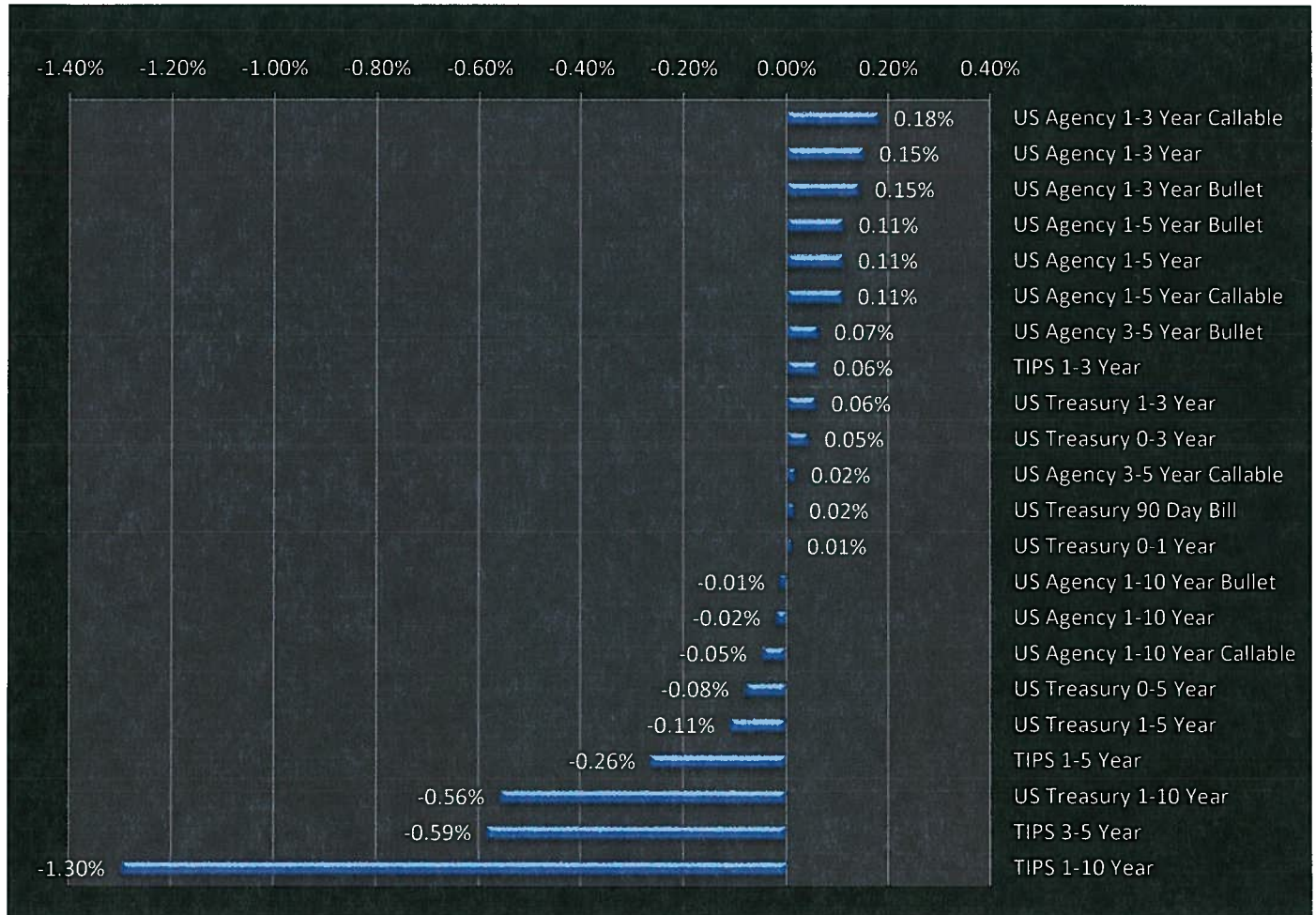
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WHAT'S HOT AND WHAT'S NOT

QUARTERLY PERFORMANCE RANKINGS

December 31, 2013



Data source: Merrill Lynch Global Index System on Bloomberg.



7. Quarterly Investment Review

Quarterly Investment Review

Investment Strategy Employed During the Past Quarter

The quarter was marked by increased turbulence in the fixed income marketplace as investors attempted to divine the strength of the economy and predict the future actions of the Federal Reserve. Perhaps the signature moment in the quarter was the Federal Reserve meeting in Mid-December. At that meeting, the Federal Reserve Board members voted to begin their tapering of monthly securities purchases. The monthly purchase of US Treasury and Mortgage backed securities were pared from \$85 Billion/month to \$75 Billion/Month. This marked the beginning of a withdrawal from its accommodative stance that we have seen for the past 5 years.

Equity markets closed a fantastic year with solid gains of over 29% in the Dow Jones Industrial Average. The broader market indices fared even better with returns of over 30% in the S&P 500 and Russell 2000 indexes. Broad signs that the economy was strengthening including strong numbers in October and November helped the markets. Corporate profits also fared better which helped to drive stocks.

On the employment front, the composition of the unemployment rate changed as the economy added jobs rather than the result of people leaving the labor pool. December and January numbers were somewhat weaker, testifying to the fragility of this recovery. In December, GDP was shown to have risen by 4.1%, a dramatic increase over previously reported numbers.

Despite the good news, during the 1st quarter of 2014 we will need to deal, yet again, with a debt ceiling increase. In addition, emerging markets are a potential drag on the markets.

On the fixed income front, rates increased later in the quarter once the Federal Reserve announced that it would begin the process of “tapering” off its monthly purchases of treasury and agency securities. This confirmation that the Fed would back off of its accommodative stance pushed the fixed income markets lower into December and into January.

The attached chart compares the daily yield on the five year treasury to the two year treasury over the past 12 months (and into January). As you can see, the two year treasury has traded in a range from twenty to fifty basis points. During the quarter, the 5 year note saw violent swings, ranging from a low of 1.30% to approximately 1.75% on the high side in late December. Quarter end saw 5-year levels at the high of approximately 1.75% and they have firmed into the month of January.

As fixed income investors, we welcome higher rates; however the volatility we have seen has caused portfolio values to swing dramatically, especially on a mark-to-market basis.

In our last quarterly review, we discussed how we had been generally reducing duration of the portfolios, from a position of overweighting to underweighting. That strategy worked well during the quarter and protected the STO portfolios from some of the backup.

After quarter-end, the market was focused on weak economic numbers, the potential debt ceiling discussion and some weakness in the equity markets.

Over the past several quarters, our general strategy has been to be slightly long to our indexes. That strategy has served us well over the past three years, but we continue to believe that we will see pressures on rates as the economy improves. Regardless, we commented that the recent moves by the Federal Reserve -- QE, QE2 and QE3 -- seemed to be less effective as time went on. We felt, and continue to feel, that rates would begin to move up during 2014. As such, we were less aggressive in placing the

portfolios long to our benchmark durations and had begun moves to bring the durations in relative to benchmark levels.

During the fourth quarter, we moved to shorten our durations relative to our benchmarks. That strategy worked very well as the quarter went on and rates increased. Our positioning helped our performance relative to our portfolio benchmarks.

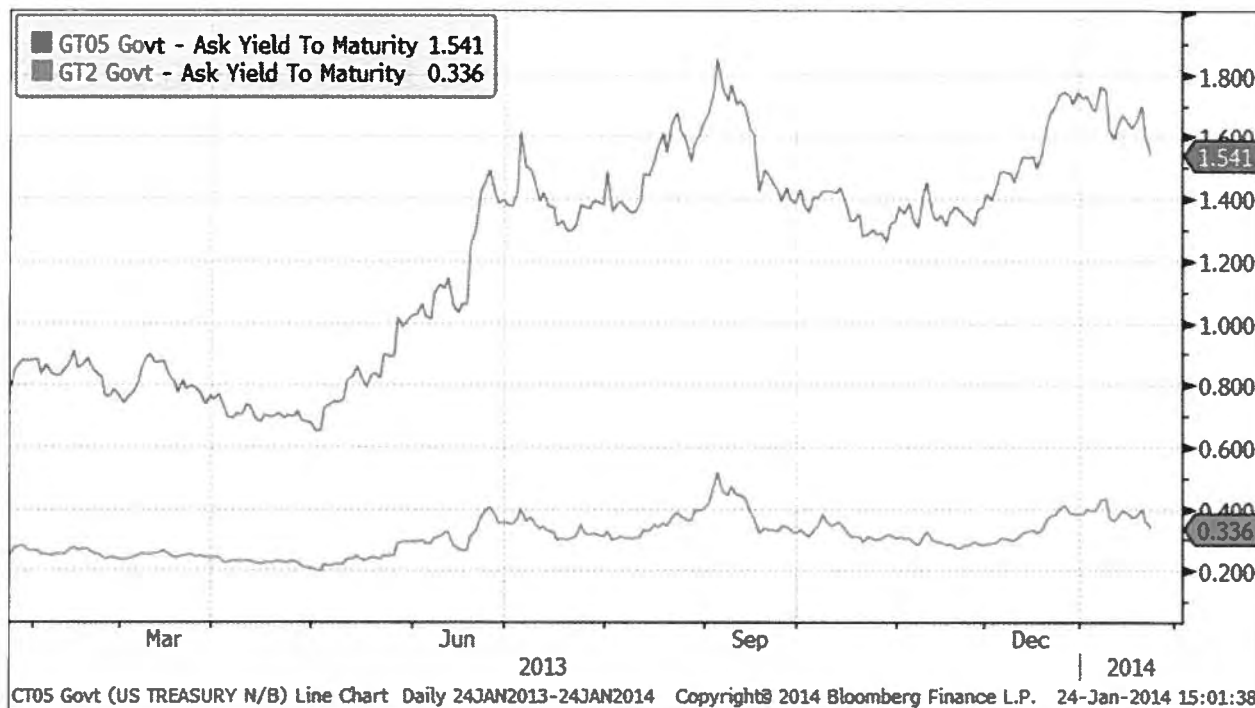


Figure 1- 12 Month Comparison of 2 Year and 5 Year US Treasury Yield

The difference between 2-year and 5-year rates has widened considerably with these moves in the market. That difference, or the “steepness” of the curve, has moved in our favor as short-term rates are somewhat locked into the low overnight rates, while longer rates have moved upward. As holders of securities, this steepness in the curve benefits us, as long as we have invested appropriately in the longer end of the curve. As detailed below, we had some continued success in this area during the quarter.

In terms of relative effectiveness, in the chart on the next page you can see on a 5 year basis, how compressed our area of the curve has been over the past two years, with 5-year rates being very closely tied to 2-year levels. The chart below shows dramatically the steepness of the curve and we have placed our portfolios to try and capitalize on this steepness. Before the steepening, we focused on high-coupon short-duration maturities in the 3-4 year area. Into the first quarter of 2014, we have been moving our investments back into the the 4-5 year area of the curve which shows the most steepness.

On a relative basis, our strategy has resulted in outperformance relative to our benchmarks. We do not attempt to “time” the market or “trade” the portfolios, but we are sensitive to where we can add additional performance through the addition of duration, credit or other methods.

As always, we are limited by the goals of safety, liquidity and yield. The development of better cash forecasting models has helped the relative performance of the STO portfolios.

One area of continued pressure is the return which we realize on our overnight investment balances. On a daily basis, we invest anywhere from \$500 million to \$1 Billion in the overnight markets. Due to the Fed's stance, returns are in the 3-5 basis point range. This has placed considerable pressure on earnings and the modeling has allowed us to mitigate these risks somewhat.

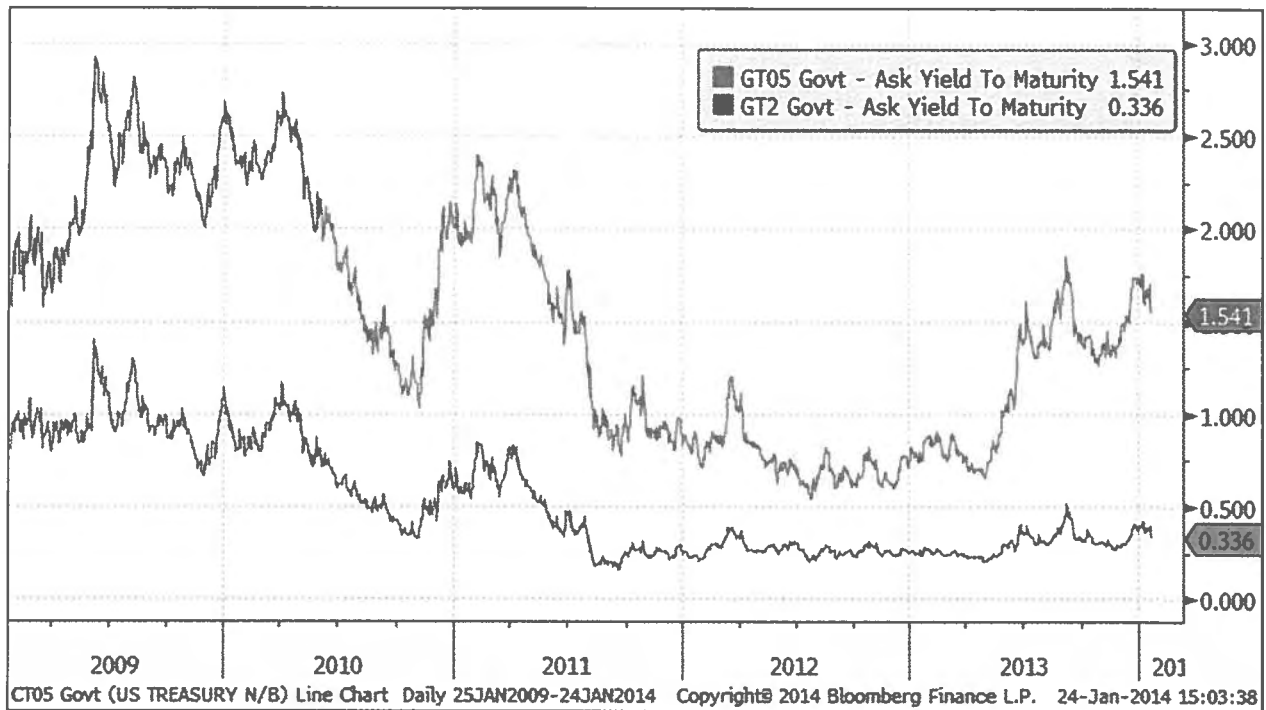


Figure 2 - 5 Year Comparison of 2Year and 5 Year US Treasury Yield

With regard to specific funds, we have utilized strategies which complement each fund's particular cash needs.

General Fund Investment Pool

As showed in the consolidated charts in the General Fund section of this monthly report, the General Fund Investment pool has stabilized in size from the lows seen in FY08. Given this stability, and especially given the backdrop of a steep yield curve, it forces us to consider well our ratio of CORE to Liquidity balances in the General Fund Investment Pool.

The work done by the investment division as well as the cash management division has enabled us to project those balances with increased accuracy and our models have continued to perform well. Projections by this group show that our next low point should be in the middle of March 2014. We continue to place a targeted balance of the Liquidity Account with our fiscal agent bank and expect to do so throughout the fiscal year.

With the increased accuracy of our projections, we believe that short-term cash could be deployed more effectively and that the bias towards liquidity has left between 15 and 45 basis points of opportunity cost, or approximately \$450 thousand annually per hundred million. The differential between overnight and longer term rates - especially given a curve steepening - has increased the relative "cost" of having high liquidity balances.

In January, we moved to begin to address this differential, transferring \$100MM between the Liquidity and CORE portions of the portfolios. Given the total size of the General Fund Liquidity Pool of approximately \$2Billion, this places approximately 70% in the longer markets and 30% of the balance in “cash-ready” liquid securities.

With regard to performance, the General Fund CORE portion outperformed its benchmark for the quarter and for the last 12 months. The relative outperformance is due to 2 factors – duration performance over the year as well as the addition of agency and municipal securities which have added additional portfolio yield.

Table 14 - General Fund Investment Pool Relative Performance

<i>Fund</i>	<i>Performance</i>	
	<i>Quarter</i>	<i>12 Months</i>
<i>General Fund Liquidity</i>	0.03%	0.12%
<i>S&P Government Bond Index (Gross)</i>	<u>0.03%</u>	<u>0.12%</u>
<i>Relative Performance (BPs)</i>	0.00%	0.00%
<i>Relative Performance (%)</i>	100%	100%
<i>General Fund CORE</i>	0.16%	0.16%
<i>BAML 0-5 US Treasury</i>	<u>(0.08%)</u>	<u>(0.11%)</u>
<i>Relative Performance (BPs)</i>	0.24%	0.27%
<i>Relative Performance (%)</i>	NM	NM

Source: JP Morgan

With regard to positioning, as discussed above, we are right on top of our benchmark duration at the end of the quarter, at 100% of benchmark duration. During the quarter, we continued to shorten that duration by booking gains in the 5 year area and reinvesting shorter on the curve, while maintaining portfolio duration within the +/- 20% band as articulated in the investment policy.

On a current yield basis, we are well positioned, decreasing the positive differential between ourselves and the benchmark.

Table 15 - General Fund Investment Pool Positioning versus Benchmark

<i>Fund</i>	<i>Yield</i>			<i>Duration</i>		
	<i>Portfolio</i>	<i>Benchmark</i>	<i>Percentage</i>	<i>Portfolio</i>	<i>Benchmark</i>	<i>Percentage</i>
<i>General Fund Liquidity</i>	0.03%			22 Days		
<i>General Fund CORE</i>	0.79%	0.63%	125%	2.01 Years	2.16 Years	93%

Source: QED, JPMorgan

Bond Proceeds Funds

During the quarter, we saw significant movements in the bond proceeds accounts. Debt service payments were made on January 1st from the taxable and tax-exempt accounts. In late December, we received a significant deposit from the settlement of severance tax bonds. Monthly capital flows offset the increases and averaged approximately \$25-\$30MM per month.

With regard to relative performance, the Bond Proceeds Investment Pool underperformed the benchmark performance for the quarter. On a 12-month basis, the BPIPs lagged benchmark performance. Given the significant swings in balances, performance was somewhat impaired. In addition, new capital spending

rules circulated by the Governor forced us to move to a more liquid position. This forced us to be short to our benchmarks and into the toughest area of the curve to invest.

Table 16 Bond Proceeds Investment Pool Relative Performance

<u>Fund</u>	<u>Performance</u>	
	<u>Quarter</u>	<u>12 Months</u>
<i>Bond Proceeds - Tax Exempt</i>	0.08%	0.19%
<i>BAML 0-3 US Treasury</i>	<u>0.05%</u>	<u>0.30%</u>
<i>Relative Performance (BPs)</i>	0.03%	(0.21%)
<i>Relative Performance (%)</i>	160%	63%
<i>Bond Proceeds - Taxable</i>	0.09%	0.25%
<i>BAML 0-3 US Treasury</i>	<u>0.05%</u>	<u>0.30%</u>
<i>Relative Performance (BPs)</i>	0.04%	(0.05%)
<i>Relative Performance (%)</i>	180%	83%

Source: JPMorgan

On a current yield basis, the portfolios compared favorably to the benchmark at year end. Cash receipts were deployed early in the first quarter, locking in higher rates.

Table 17 Bond Proceeds Investment Pool Positioning versus Benchmark

<u>Fund</u>	<u>Yield</u>			<u>Duration</u>		
	<u>Portfolio</u>	<u>Benchmark</u>	<u>Percentage</u>	<u>Portfolio</u>	<u>Benchmark</u>	<u>Percentage</u>
<i>Bond Proceeds - Tax Exempt</i>	0.33%	0.32%	103%	1.10 Years	1.39 Years	79%
<i>Bond Proceeds - Taxable</i>	0.44%	0.32%	138%	1.04 Years	1.39 Years	95%

Source: QED, JPMorgan

Local Government Investment Pool

The LGIP remained under pressure during the quarter. Balances ranged between \$500 and \$600MM and performance was muted due to the overall level of short-term rates.

On a comparative basis, the fund has performed well relative to its peers, but given the overall level of rates and the restrictions placed on the fund by the overnight repo collateral policy, managing the fund is increasingly difficult.

Table 18 - Local Government Investment Pool Relative Performance

<u>Fund</u>	<u>Performance</u>	
	<u>Quarter</u>	<u>12 Months</u>
<i>Local Government Investment Pool</i>	0.03%	0.18%
<i>S&P Government Bond Index (Gross)</i>	<u>0.03%</u>	<u>0.12%</u>
<i>Relative Performance (BPs)</i>	0.00%	0.06%
<i>Relative Performance (%)</i>	100%	150%

Source: JPMorgan

Severance Tax Bonding Fund

The Severance Tax Bonding Fund grew over the quarter by approximately \$30MM/month with the receipt of severance taxes. Balances built throughout the quarter and were withdrawn to cover debt

service payments on outstanding severance tax bonds on January 1 and to retire severance tax and supplemental severance tax notes issued late in the quarter.

The Severance Tax Bonding Fund is primarily invested in overnight repurchase agreements which remain competitive relative to short-term investment alternatives.

Expectations for the Upcoming Quarter and Year

General Outlook

We believe that the Federal Reserve will carefully manage its withdrawal of stimulus. We also believe that the Fed will want to ensure that any recovery is on solid footing, therefore they will err on the side of caution rather than aggressively tapering.

With regard to spreads, we believe that US Agency products will continue to be under pressure. Given the additional limitations on investment alternatives, we believe that the percentage of US Treasury holdings will be greater at the end of the calendar year.

We believe that the Federal Reserve will continue its stance of accommodation and purchase of securities through the quarter, and into the second quarter of 2014. As such, we expect short term rates to continue to be under pressure and that the curve will continue to remain steep.

General Fund Investment Pool

The General Fund Investment Pool will remain fully invested. Given the outlook articulated above, reinvestment of maturing bonds will be at or slightly long to the benchmark duration, utilizing securities that we expect will continue to outperform to the curve on a relative basis.

Due to continued monthly purchase activities by the Federal Reserve, we believe that the overnight market will remain under pressure. As such, we will attempt to manage the expected balances in the liquidity portfolio to in order to minimize our exposures to these markets. Building on the CORE increase in Early January, we would anticipate having additional CORE deposits after the low point in March.

Bond Proceeds Pools

During the next quarter, the Bond Proceeds pools will remain fairly steady in size, decreasing as monthly draws are processed. Depending on the issuance of new GO debt, we may see an increase in balances into the second quarter of 2014. Significant debt service payments on March 1 will decrease the size of the Tax-Exempt pool.

Local Government Investment Pool

We continue to expect that the LGIP will remain under pressure, both in terms of overall yield as well as the relative size of the fund. We expect that pressure on the short end of the curve will continue.

Severance Tax Bonding Fund

The Severance Tax Bonding Fund will see generally increasing balances over the quarter as fund additions will be made on a monthly basis. Once debt service needs are covered for the July payment, we will explore investing in the January area in order to address some of the short-term pressures in the overnight market.

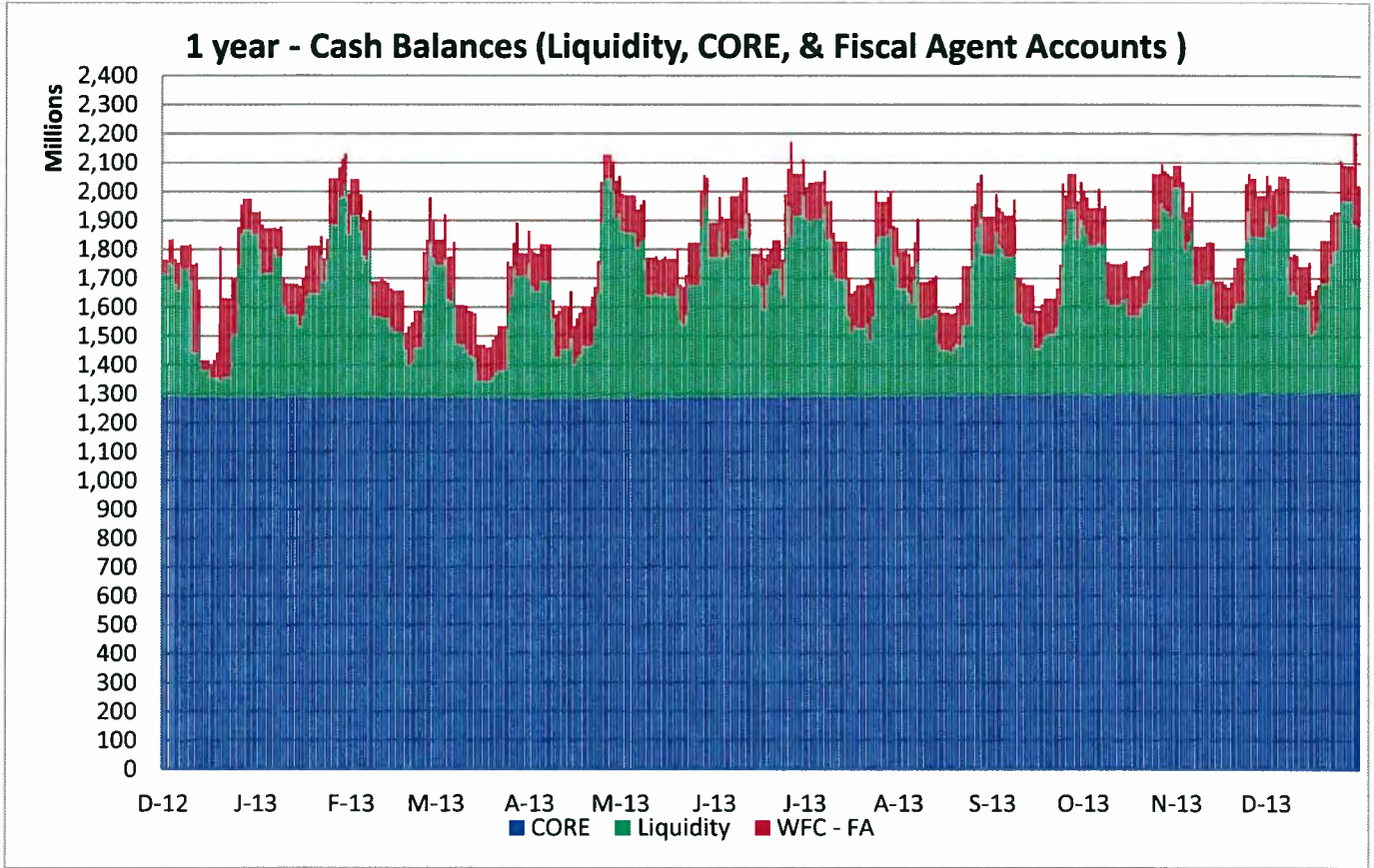
At the end of the second quarter, we project that the STBF will have approximately \$200MM in the fund.

Spencer Wright
Portfolio Manager

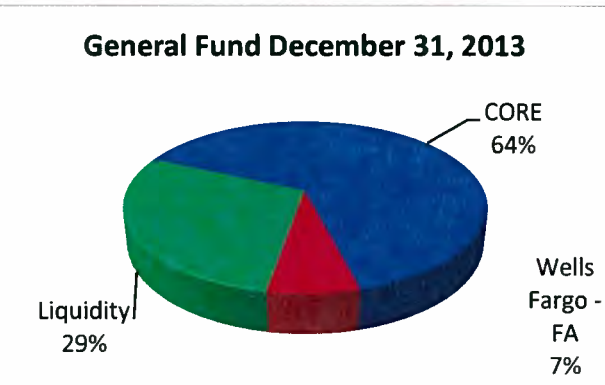
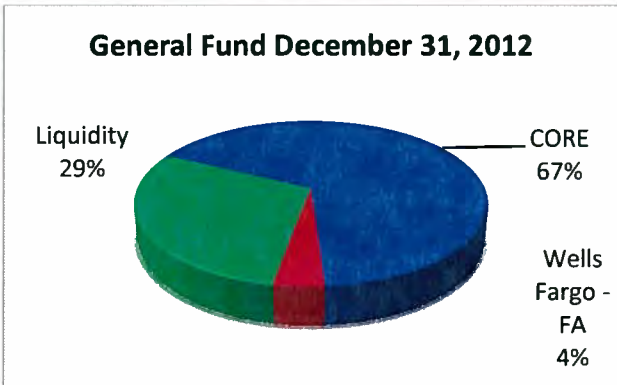


8. Cash Projections

GFIP Cash Flows



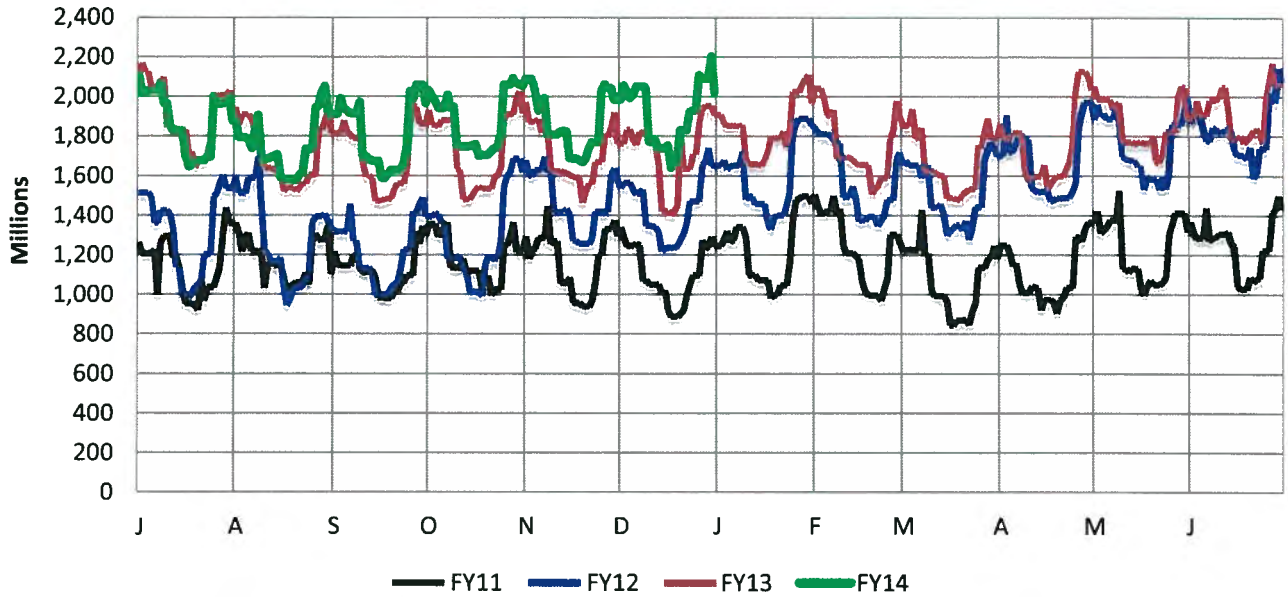
GENERAL FUND	Dec-12	Dec-13	Difference
Liquidity	569,762,472	595,716,168	25,953,696
CORE	1,284,503,958	1,298,535,360	14,031,402
Wells Fargo - FA	73,606,297	137,755,614	64,149,317
	1,927,872,727	2,032,007,142	104,134,415



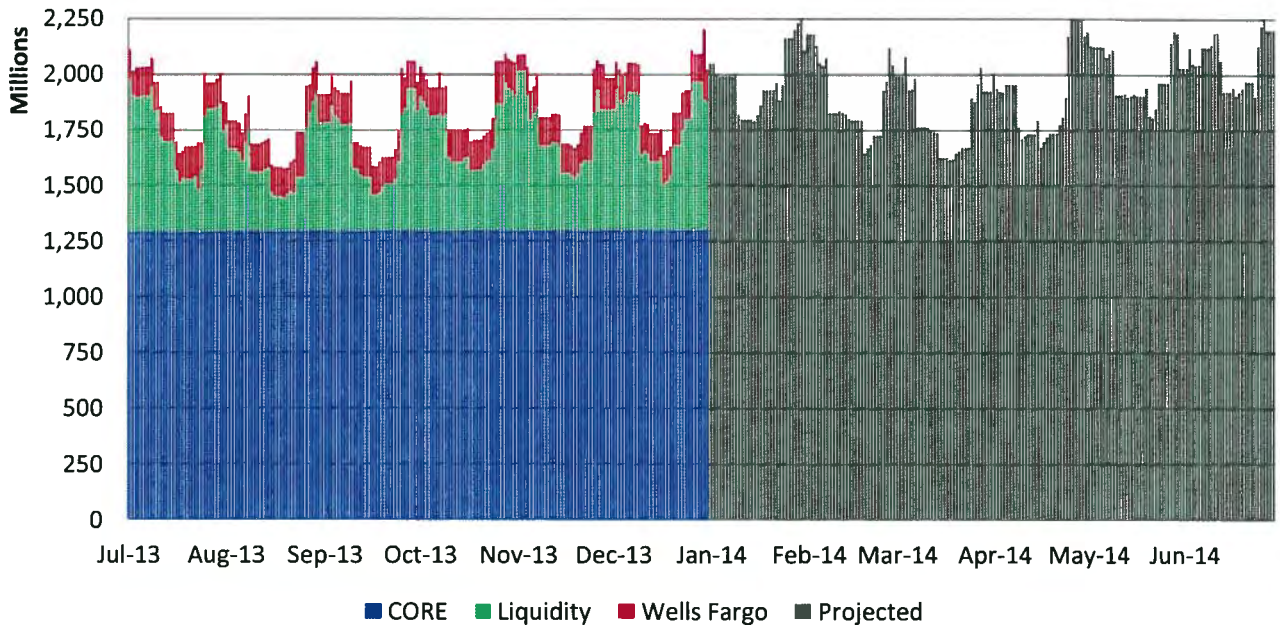
* These projections are based upon numerous source elements (General Fund Revenue Consensus Group Estimates, HB2 as adopted, LFC Estimates, Fiscal Agent Bank Statements, TRD Estimates, DFA Estimates, Market & Economic Conditions, and Historical Trends) as such represent estimates only.



General Fund Investment Pool Historical Balance

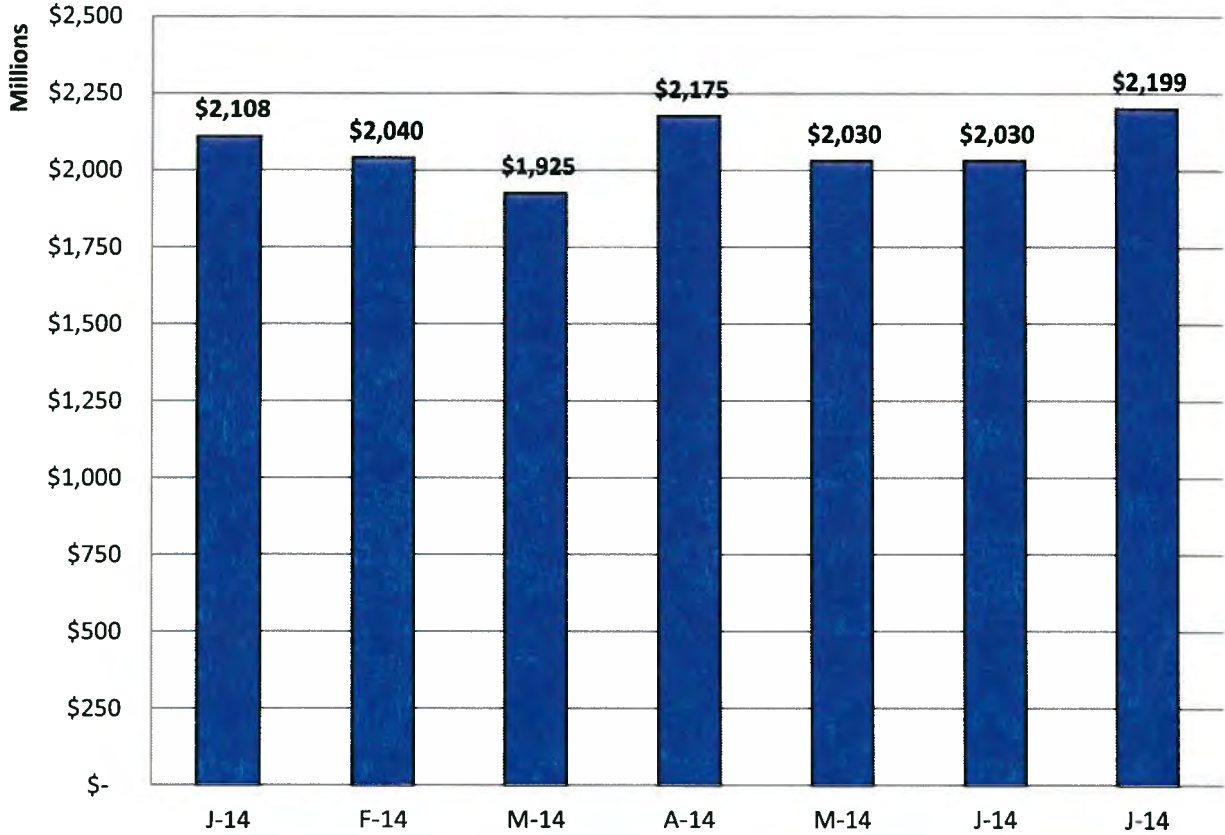


FY - 14 GFIP Balance Projections



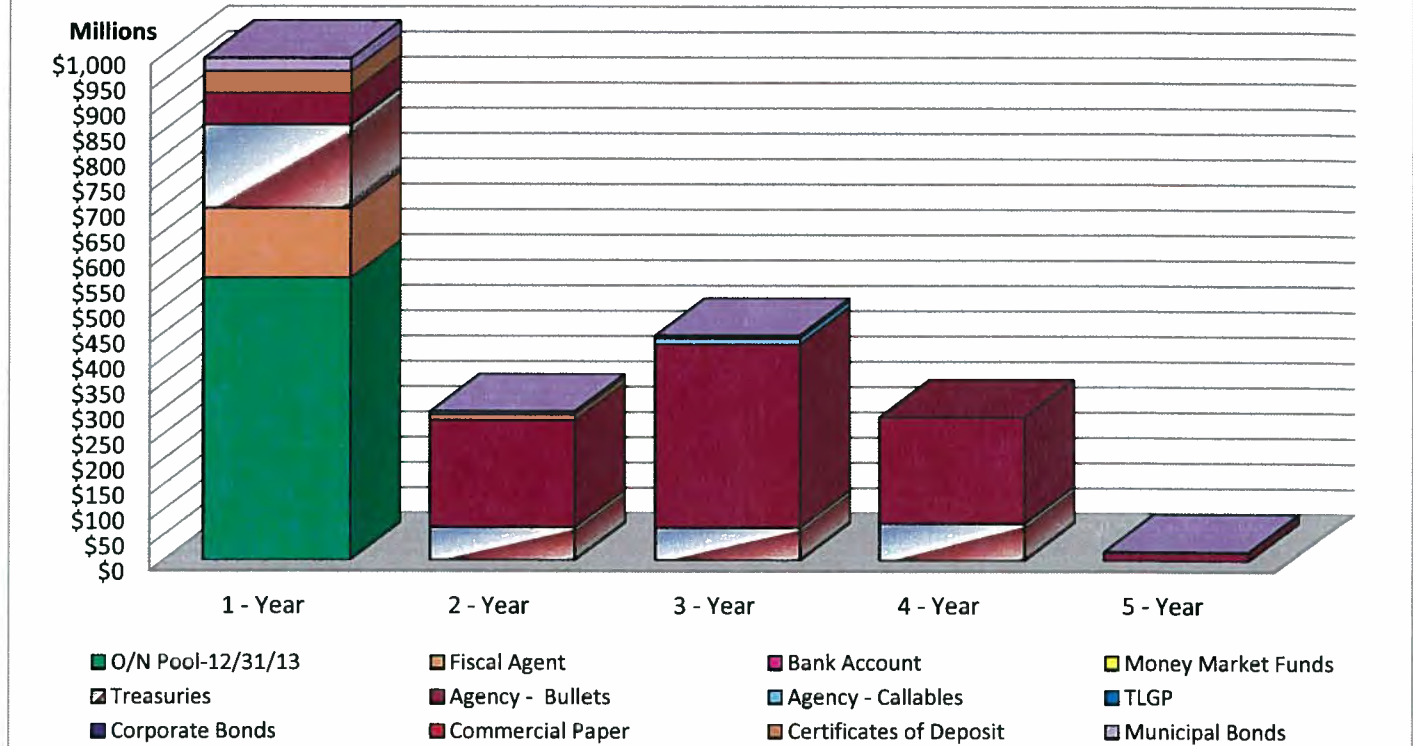


GFIP Projected Month-Ending Balances FY-14



Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
\$ 2,108,394,449	\$ 2,039,833,452	\$ 1,924,601,114	\$ 2,174,994,490	\$ 2,030,156,026	\$ 2,199,107,229

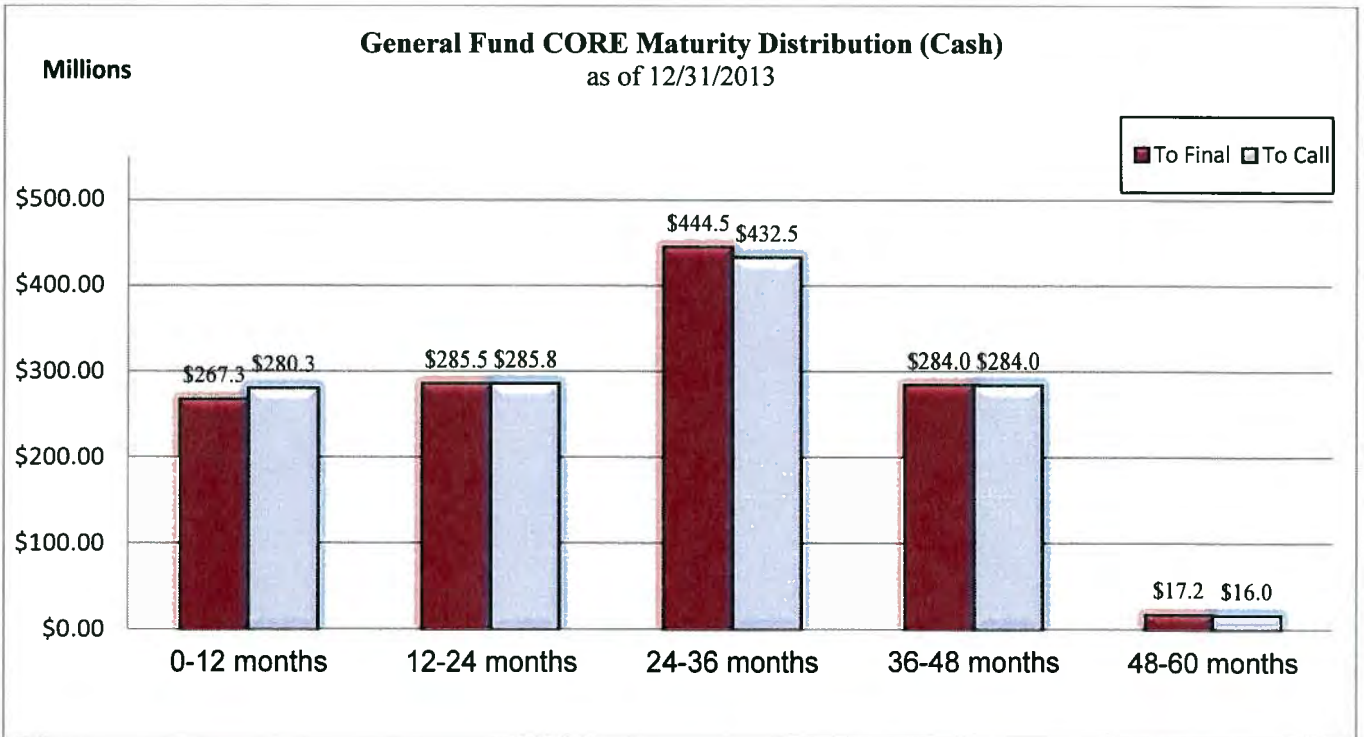
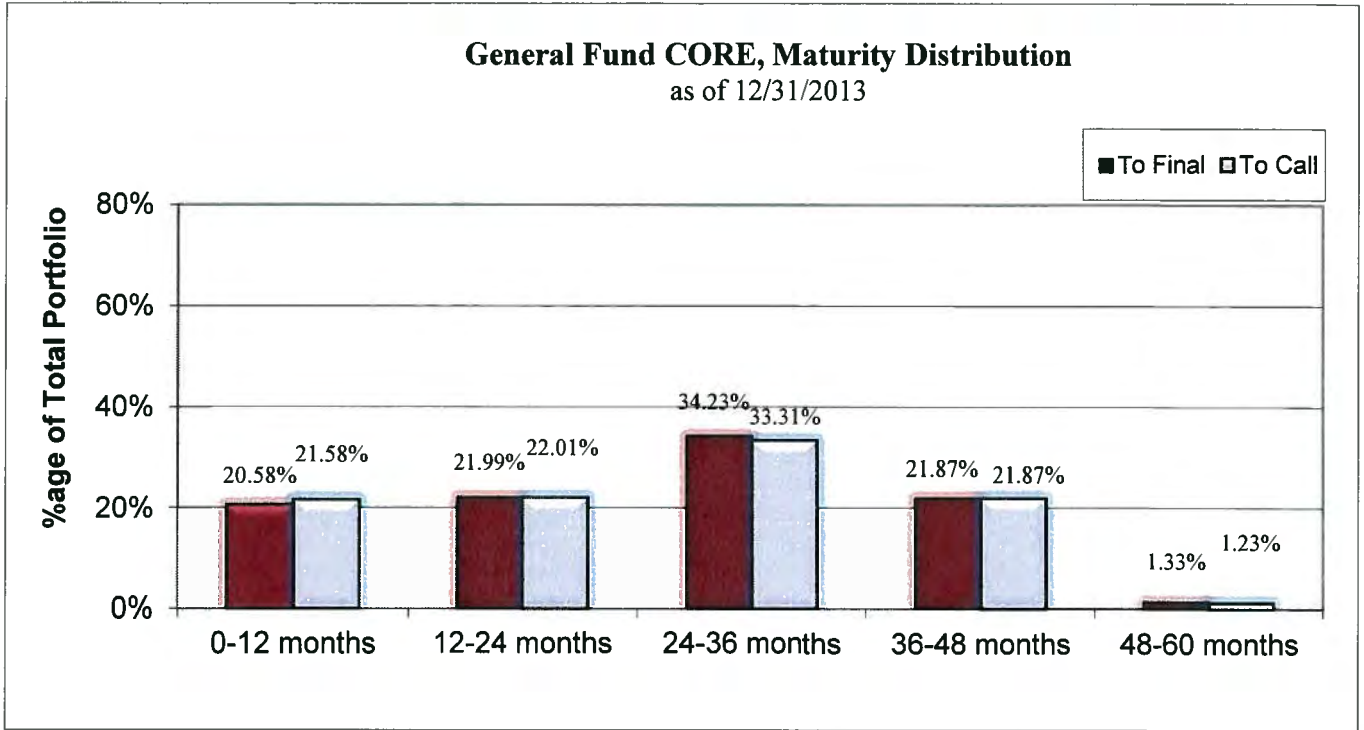
General Fund Maturity Ladder by Year & Asset Type as of December 31, 2013



Asset Allocation	1 - Year	2 - Year	3 - Year	4 - Year	5 - Year	Total	%
Agency - Bullets	63,000,000	211,250,000	363,000,000	210,500,000	16,000,000	863,750,000	43%
Agency - Callables			12,000,000			12,000,000	1%
TLGP						0	0%
Corporate Bonds						0	0%
Money Market Funds	1,301					1,301	0%
Municipal Bonds	25,965,412	5,625,000	3,710,000		1,220,000	36,520,412	2%
Certificates of Deposit	42,000,000	11,750,000	1,000,000			54,750,000	3%
Commercial Paper						0	0%
Treasuries	165,000,000	65,650,000	65,000,000	73,500,000		369,150,000	18%
Bank Account						0	0%
Fiscal Agent	137,755,614					137,755,614	7%
O/N Pool-12/31/13	558,079,815					558,079,815	27%
Total:	991,802,142	294,275,000	444,710,000	284,000,000	17,220,000	2,032,007,142	100%
% of Total:	49%	14%	22%	14%	1%		

*Note-New Mexico St Fin Auth Pub Proj Revolving FD-Ser C maturity 6/1/2022 for \$970,000. Trade date of 10/24/13, Settle date of 10/29/13. Security has a prerefunded date of 6/1/14 @ 100%.

**Note-Rio Rancho NM Event Center Revenue Taxable-sub Lien Gross Receipt mat 6/1/2020 for \$250,000 Trade date of 11/1/13, Settle date 11/4/13. Security has a prerefunded date of 6/1/15 @ 100%.



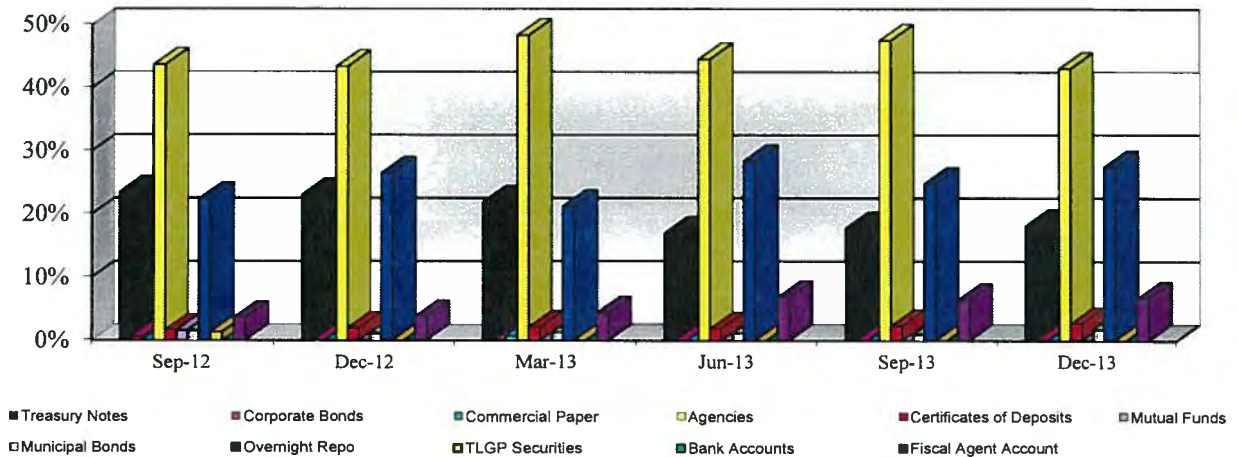
General Fund Portfolio Allocation - Month ending December 31, 2013

Allocation by Amount

Number of Items	115	100	86	84	91	119
	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Treasury Notes	436,850,000	440,600,000	391,250,000	350,650,000	349,150,000	369,150,000
Corporate Bonds	10,000,000	0	0	0	0	0
Commercial Paper	0	0	13,500,000	0	0	0
TLGP Securities	25,000,000	0	0	0	0	0
Agencies	814,410,000	827,910,000	863,210,000	917,910,000	933,910,000	875,750,000
Bank Accounts	0	0	0	0	0	0
Certificates of Deposits	30,750,000	37,750,000	37,750,000	38,750,000	45,750,000	54,750,000
Money Market	30,027,794	1,299	1,300	1,300	1,300	1,301
Municipal Bonds	30,765,000	22,880,000	22,880,000	24,967,000	20,630,412	36,520,412
Overnight Repo	417,064,988	505,125,131	378,964,188	585,859,446	488,183,824	558,079,815
Fiscal Agent Account	68,293,650	73,606,297	77,984,704	141,908,562	127,565,471	137,755,614
Total	1,863,161,432	1,907,872,727	1,785,540,192	2,060,046,308	1,965,191,007	2,032,007,142

Allocation by Percent

	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Treasury Notes	23.4%	23.1%	21.9%	17.0%	17.8%	18.2%
Corporate Bonds	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial Paper	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%
TLGP Securities	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Agencies	43.7%	43.4%	48.3%	44.6%	47.5%	43.1%
Certificates of Deposits	1.7%	2.0%	2.1%	1.9%	2.3%	2.7%
Bank Accounts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mutual Funds	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Municipal Bonds	1.7%	1.2%	1.3%	1.2%	1.0%	1.8%
Overnight Repo	22.4%	26.5%	21.2%	28.4%	24.8%	27.5%
Fiscal Agent Account	3.7%	3.9%	4.4%	6.9%	6.5%	6.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%





9. Portfolio Summary- General Fund

Portfolio Summary – General Fund Investment Pool

Summary

- The General Fund Investment Pool (Bank, Liquidity and Core Portfolios) closed the month of December at \$2.0 Billion.

Portfolio Mix

- At month end, 99% of the General Fund CORE portfolio was invested in fixed income securities; 28% in US Government Securities; 71% in Government Related Securities (Municipal Bonds and Agency Securities), and the balance ~1% in Cash.
- 20% of the portfolio was invested in securities that mature in one year; 23% in securities that mature from 1-2 years; 56% in 2-4 years and 1% within 5 years.
- The General Fund Core portfolio held positions in 102 securities at the end of December.
- The Weighted Average Life of the CORE portion of the general fund was 2.08 years. The Weighted Average duration was 2.01 years.
- The benchmark duration for the CORE portfolio was 2.16 years.
- The maximum security term for the CORE portfolio is 5 years.

Performance

- For December, the General Fund CORE portfolio outperformed its benchmark by twelve basis points, 0.12%. The general fund lost 0.22% and the benchmark lost 0.37%.
- For the last 3 months, the general fund outperformed its benchmark by twenty four basis points, 0.24%. The general fund gained 0.16% while the benchmark lost 0.08%.
- For the last 12-months, the general fund outperformed its benchmark by thirty basis points (0.30%). The general fund gained 0.19% while the benchmark lost 0.11%.

Market Value and Investment Earnings

- Unrealized gains in the Core Portfolio at the end of December were \$2.0 million.
- Over the month, the unrealized value of the portfolio decreased by \$3.8 million due to an increase in relative interest rates.
- Monthly Earnings for December on the General Fund Portfolios were \$0.9 million.
- Year-to-date earnings were over \$5.4 million.
- The most recent LFC Consensus Revenue Estimate projected the STO portion of General Fund Investment Pool earnings at \$12.1 Million.
- STO projection of those earnings for FY14 is \$8.8 million.
- Earnings on the General Fund are used to offset General Fund Spending.

Investment Highlights

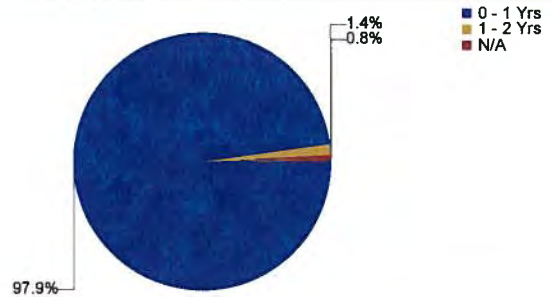
- Maturing securities and free cash are invested to the benchmark duration.

Portfolio Characteristics

Total Net Assets (Millions)
Weighted Average Life (Years)
Weighted Avg. Effective Duration (Years)
Weighted Average Coupon (%)
Weighted Average Current Yield (%)
Weighted Average Yield to Maturity (%)
Weighted Average Rating
Number of Holdings

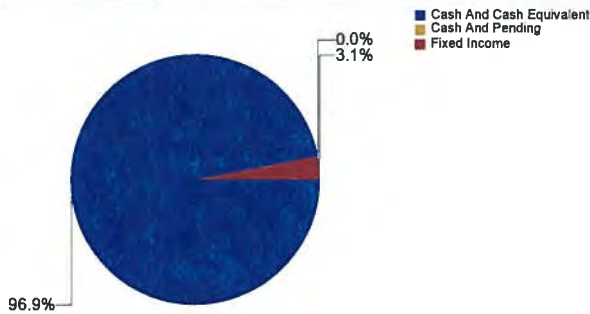
645.7
0.05
0.05
0.03
0.02
0.02
AA+
33

Duration Mix



Asset Mix

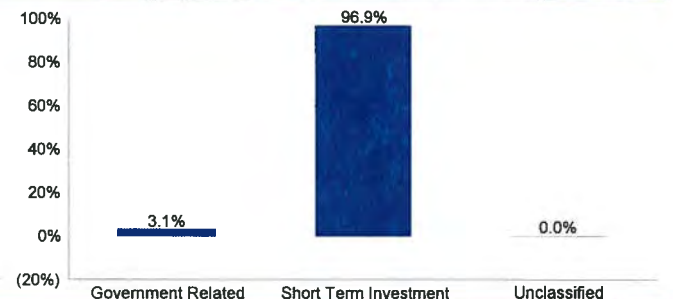
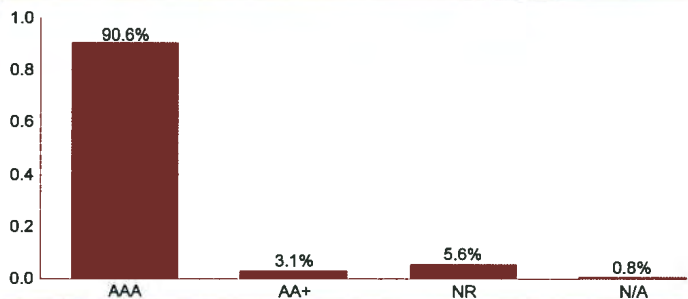
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
99D*50057	REPO NOMURA SECURITIES/FIXED INCOME 123113T	7.74%	0.01	2/1/2014
99D*50068	REPO NOMURA SECURITIES/FIXED INCOME 123113S	7.74%	0.01	2/1/2014
99D*50059	REPO BANK OF NEW YORK (BARCLAYS)	6.42%	0.01	2/1/2014
99D*50056	REPO MITSUBISHI UFJ SECURITIES (USA) INC 123113X	6.42%	0.01	2/1/2014
99D*50085	REPO MITSUBISHI UFJ SECURITIES (USA) INC 123113Y	6.42%	0.01	2/1/2014
99D*50052	REPO NOMURA SECURITIES/FIXED INCOME 123113V	6.18%	0.01	2/1/2014
99D*50055	REPO NOMURA SECURITIES/FIXED INCOME 123113W	6.18%	0.01	2/1/2014
99D*50061	REPO BANK OF NEW YORK/SOUTH STREET SECS 123113R	5.51%	0.01	2/1/2014
99D*50051	REPO BANK OF NEW YORK/SOUTH STREET SECS 123113Q	4.84%	0.01	2/1/2014
99D*50049	REPO MITSUBISHI UFJ SECURITIES (USA) INC 123113AH	4.33%	0.01	2/1/2014

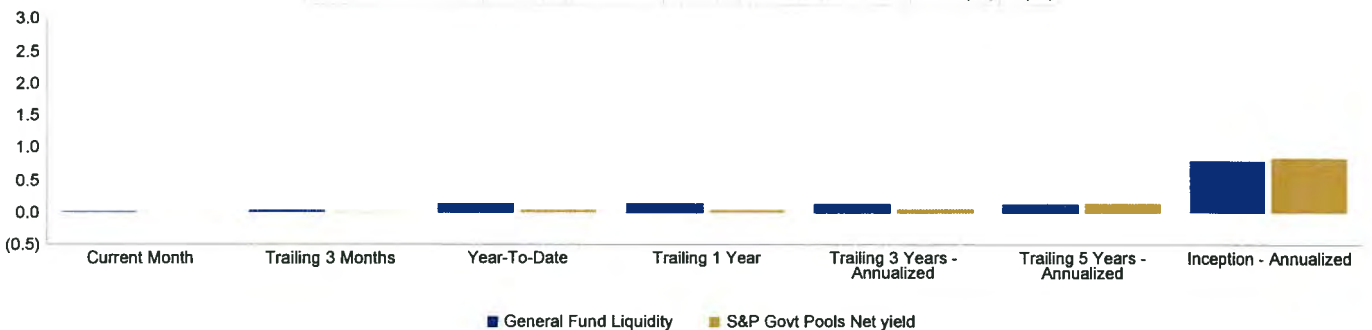
Quality/Rating Weightings

Sector Weightings (as % of Market Value)



Returns Series

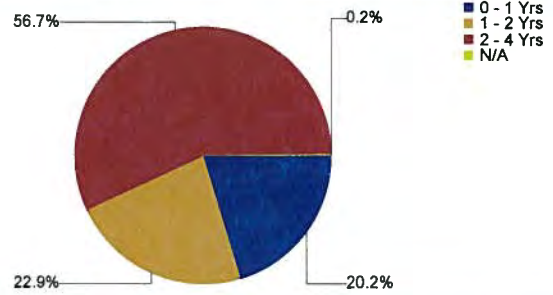
	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Inception
General Fund Liquidity	0.01	0.03	0.14	0.14	0.13	0.13	0.79
S&P Govt Pools Net yield	0.00	0.01	0.04	0.04	0.08	0.14	0.84
Excess	0.00	0.02	0.10	0.10	0.08	(0.01)	(0.05)



Portfolio Characteristics

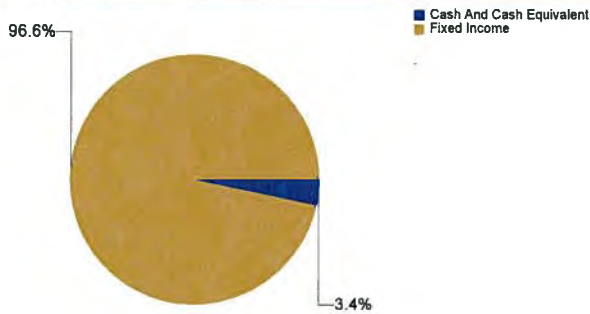
Total Net Assets (Millions) **1,329.7**
 Weighted Average Life (Years) **2.08**
 Weighted Avg. Effective Duration (Years) **2.01**
 Weighted Average Coupon (%) **1.79**
 Weighted Average Current Yield (%) **0.58**
 Weighted Average Yield to Maturity (%) **0.58**
 Weighted Average Rating **AA**
 Number of Holdings **102**

Duration Mix



Asset Mix

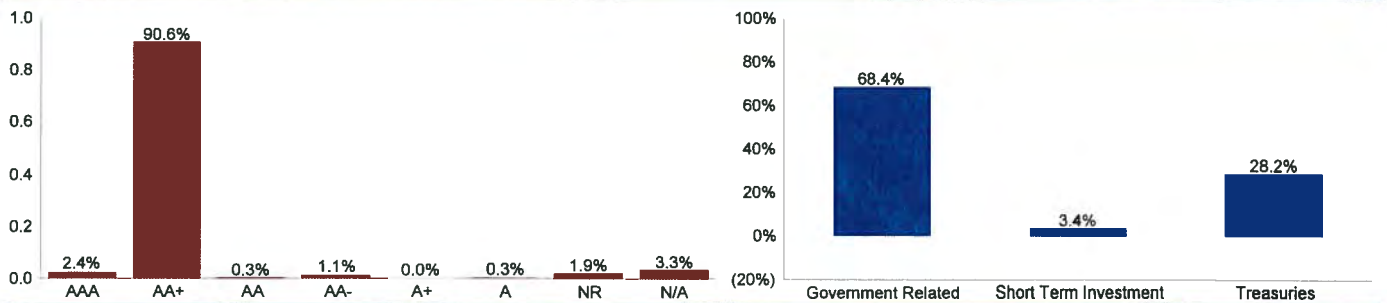
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
3135GDLN1	FEDERAL NATIONAL MORTGAGE ASSOC 0.5% NTS	4.53%	0.50	2/7/2015
31359MH89	FEDERAL NATIONAL MORTGAGE ASSOC 5% BDS 15/MAR/2016	3.35%	5.00	15/3/2016
3137EACW7	FEDERAL HOME LOAN MORTGAGE CORP 2% BDS 25/AUG/2016	3.13%	2.00	25/8/2016
3135GOGY3	FEDERAL NATIONAL MORTGAGE ASSOC 1.25% MTG BDS	3.06%	1.25	30/1/2017
912828KF8	UNITED STATES OF AMER TREAS NOTES 1.875% TB	3.04%	1.88	28/2/2014
3135GOSB0	FEDERAL NATIONAL MORTGAGE ASSOC 0.375% BDS	3.00%	0.38	21/12/2015
31359M2D4	FEDERAL NATIONAL MORTGAGE ASSOC 4.875% BDS	2.87%	4.88	15/12/2016
3133834R8	FEDERAL HOME LOAN BANKS 0.375% BDS 24/JUN/2018	2.81%	0.38	24/6/2018
3135G0BA0	FEDERAL NATIONAL MORTGAGE ASSOC 2.375% NTS	2.80%	2.38	11/4/2018
9128285J0	US 0 87500 '17	2.53%	0.88	28/2/2017

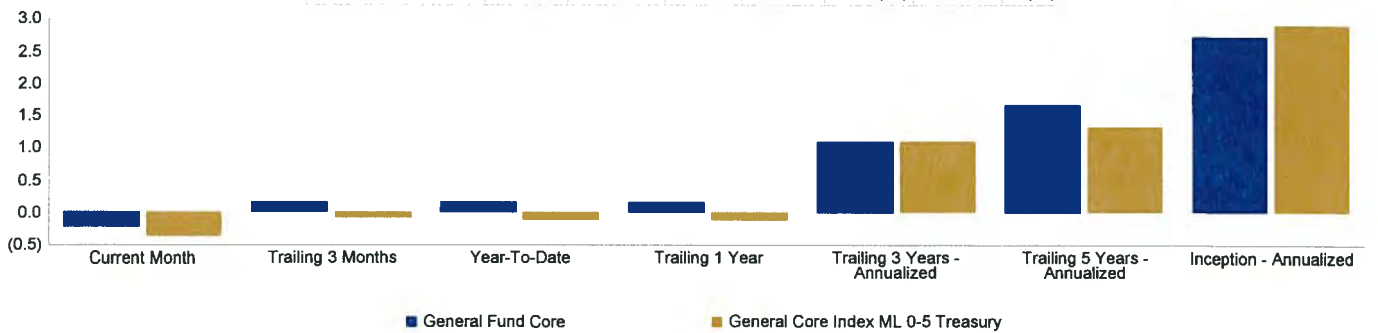
Quality/Rating Weightings

Sector Weightings (as % of Market Value)



Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 2 Years	Trailing 5 Years	Inception
General Fund Core	(0.22)	0.16	0.18	0.16	1.08	1.85	2.73
General Core Index ML 0-5 Treasury	(0.37)	(0.08)	(0.11)	(0.11)	1.10	1.32	2.91
Excess	0.15	0.24	0.27	0.27	(0.02)	0.33	(0.18)



STATE OF NEW MEXICO
GENERAL FUND (1000)
Portfolio Classification Summary
Positions Held as of 12/31/13 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	3	.0101	.00550	534,800,756	534,800,756	534,800,756		89.774
CERTIFICATES OF DEPOSIT	10	.3681	.74453	35,750,000	35,750,000	35,750,000		6.001
AGENCY US VARIABLE ACT/360 4X	1	.1000	.06300	20,000,000	19,999,739	20,001,400	1,661	3.358
MUNI US 30/360 2X	1	.3549	.41640	200,000	203,868	203,862	-6	.034
MUNICIPAL BOND REVENUE	1	.3537	.49590	4,965,412	4,965,412	4,965,412		.834
	<u>16</u>	<u>.0376</u>	<u>.05601</u>	<u>595,716,168</u>	<u>595,719,775</u>	<u>595,721,430</u>	<u>1,655</u>	<u>100.000</u>

STATE OF NEW MEXICO
GENERAL FUND CORE (1001)
Portfolio Classification Summary
Positions Held as of 12/31/13 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	.0101	.00550	23,279,059	23,279,059	23,279,059		1.759
CERTIFICATES OF DEPOSIT	5	.4579	1.05161	19,000,000	19,000,000	19,000,000		1.435
U.S. TREASURY BONDS	1	.3822	1.87400	15,000,000	17,650,803	17,653,200	2,397	1.334
US TREASURY NOTE ACT/ACT 2X	17	.9106	1.51392	354,150,000	355,568,356	356,263,271	694,915	26.913
AGENCY US BOND 30/360 2X	6	.5704	2.41149	121,500,000	122,582,506	122,590,065	7,559	9.261
AGENCY 30/360 2X	3	.9672	2.71497	66,000,000	65,983,654	66,429,690	446,036	5.018
AGENCY US NOTES 30/360 2X	21	.8310	2.46478	488,250,000	505,535,734	506,207,733	671,999	38.240
FED NATL MORTGAGE ASSN DEBS	7	.7125	2.13601	180,000,000	180,233,430	180,390,250	156,820	13.627
MUNI US 30/360 2X	35	.6516	.92382	29,715,000	30,280,532	30,296,868	16,336	2.289
MUNICIPAL BOND REVENUE	5	.4757	.95018	1,640,000	1,666,359	1,667,044	685	.126
UNITS - INVESTMENT POOL 1	1			1,301	1,301	1,301		
	102	.7885	2.05884	1,298,535,360	1,321,781,734	1,323,778,481	1,996,747	100.000

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
20,000,000	FEDERAL HOME LOAN BANKS	3133804M	.273	1/23/14	.100	99.998693100	19,999,738.62	20,001,400.00
10,000,000	SOUTHWEST CAPTIAL BANK	1623135	.250	6/17/14	.250	100.000000000	10,000,000.00	10,000,000.00
3,000,000	CENTURY BANK SANTA FE	17099251	.270	6/18/14	.270	100.000000000	3,000,000.00	3,000,000.00
4,965,412	STN SERIES 2013S-C	STN20135	.350	6/30/14	.354	100.000008257	4,965,412.41	4,965,412.41
2,000,000	UNION SAVINGS BANK	00015400	.400	7/08/14	.400	100.000000000	2,000,000.00	2,000,000.00
2,000,000	UNION SAVINGS BANK	00156000	.600	8/27/14	.600	100.000000000	2,000,000.00	2,000,000.00
2,000,000	Bank 34	01010047	.550	8/28/14	.550	100.000000000	2,000,000.00	2,000,000.00
8,000,000	CENTURY BANK SANTA FE	17099245	.400	9/29/14	.400	100.000000000	8,000,000.00	8,000,000.00
51,965,412					.040		51,965,151.03	51,966,812.41

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

5,000,000	CENTURY BANK SANTA FE	17099253	.370	3/18/15	.370	100.000000000	5,000,000.00	5,000,000.00
250,000	GUADALUPE CREDIT UNION	735605	1.000	3/26/15	1.000	100.000000000	250,000.00	250,000.00
3,000,000	FARMERS & STOCKMEN'S BANK	8521510	.400	4/23/15	.400	100.000000000	3,000,000.00	3,000,000.00
500,000	WESTERN BANK CLOVIS	0.515981	.500	6/03/15	.500	100.000000000	500,000.00	500,000.00
8,750,000					.235		8,750,000.00	8,750,000.00

====> 0004 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2015 <====

200,000	GALLUP N MEX JT UTIL REV JT UTIL	364046EA	5.000	6/01/17	.355	101.934070000	203,868.14	203,862.00
200,000					10.089		203,868.14	203,862.00

SOURCE: VisualQED
 MODEL: INVENTORY
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 RUN: 1/17/14 @ 10:07:30
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 AS-OF: 12/31/13
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STATE OF NEW MEXICO
 T R E A S U R E R ' S O F F I C E

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POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-BOOK	CURRENT BK	LOC-MKT-VALUE
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====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

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60,915,412					.034		60,919,019.17	60,920,674.41

====> 0013 ITEMS IN SUBTOTAL FOR ====> FUND-NAME..... ====> GENERAL FUND <====

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
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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-BOOK	CURRENT BK	LOC-MKT-VALUE
1,301 UNITS -	INVESTMENT POOL 1	UNITS001				.999853959	1,300.81	1,301.00
1,301					1581.2		1,300.81	1,301.00

====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> NO-MEANINGFUL-DATE <====

1,000,000	UNIVERSITY N MEX UNIV REVS REV B	914692ZS	5.000	1/01/14	.254	100.000000000	1,000,000.00	1,000,000.00
13,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MTP	5.125	1/02/14	.828	100.011909692	13,001,548.26	13,001,690.00
20,000,000	UNITED STATES TREASURY NOTES	912828JZ	1.750	1/31/14	.666	100.087905600	20,017,581.12	20,026,600.00
20,000,000	UNITED STATES TREASURY NOTES	912828QH	1.250	2/15/14	1.413	99.979311850	19,995,862.37	20,027,400.00
40,000,000	UNITED STATES TREASURY NOTES	912828KF	1.875	2/28/14	1.048	100.131259675	40,052,503.87	40,112,400.00
15,000,000	UNITED STATES TREASURY NOTES	912828KJ	1.750	3/31/14	.729	100.248398933	15,037,259.84	15,060,300.00
2,075,000	NEW MEXICO ST UNIV REVS	647429V5	.300	4/01/14	.304	100.000000000	2,075,000.00	2,074,398.25
20,000,000	UNITED STATES TREASURY NOTES	912828KN	1.875	4/30/14	1.476	100.128843100	20,025,768.62	20,114,800.00
20,000,000	UNITED STATES TREASURY NOTES	912828KV	2.250	5/31/14	1.509	100.302202600	20,060,440.52	20,175,000.00
3,060,000	NEW MEXICO FIN AUTH REV	64711NNW	3.000	6/01/14	1.490	100.632032026	3,079,340.18	3,088,121.40
3,615,000	NEW MEXICO FIN AUTH REV	64711NPB	2.000	6/01/14	.456	100.644279115	3,638,290.69	3,640,305.00
770,000	NEW MEXICO FIN AUTH REV	64711NPX	2.000	6/01/14	1.014	100.414209091	773,189.41	774,350.50
165,000	UNIVERSITY OF NM-REFUNDING	914692Q6	3.000	6/01/14	.487	101.047266667	166,727.99	166,818.30
330,000	UNIVERSITY OF NM-REFUNDING	914692N3	2.000	6/01/14	.487	100.631666667	332,084.50	332,310.00
250,000	MC KINLEY CNTY N MEX GROSS RCP R	581615CZ	4.500	6/01/14	.356	101.725736000	254,314.34	253,975.00
395,000	NEW MEXICO MILITARY INST AT ROSW	647183BT	.456	6/01/14	.462	100.000000000	395,000.00	394,976.30
15,000,000	UNITED STATES TREASURY NOTES	912828QS	.750	6/15/14	.771	99.990339800	14,998,550.97	15,043,350.00
200,000	ALBUQUERQUE N MEX ARPT REV SUB L	013538KJ	5.000	7/01/14	.406	102.295390000	204,590.78	204,692.00
15,000,000	UNITED STATES TREAS NTS	912828LC	2.625	7/31/14	1.513	100.640476933	15,096,071.54	15,217,950.00

SOURCE: VisualQED
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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-BOOK	CURRENT BK	LOC-MKT-VALUE
2,175,000	BELEN N MEX CONS SCH DIST NO 2 G	077581NT	2.000	8/01/14	.356	100.960188506	2,195,884.10	2,196,554.25
1,310,000	ARTESIA N MEX SPL HOSP DIST GO B	04310KAW	3.000	8/01/14	.407	101.512440458	1,329,812.97	1,330,160.90
120,000	BELEN N MEX CONS SCH DIST NO 2 G	077581NM	2.500	8/01/14	.406	101.222133333	121,466.56	121,430.40
3,785,000	GALLUP N MEX POLLUTION CTL REV R	364070BD	5.000	8/15/14	.406	102.855191810	3,893,069.01	3,889,730.95
1,750,000	GADSDEN INDEPENDENT SCHOOL DIST	GISD14R1	.600	8/15/14	.608	100.000000000	1,750,000.00	1,750,000.00
20,000,000	FED NATL MORTGAGE ASSN DEBS	3135G0BY	.875	8/28/14	.457	100.278024900	20,055,604.98	20,094,000.00
10,000,000	FIRST NATIONAL BANK SANTA FE	01033690	.550	10/15/14	.550	100.000000000	10,000,000.00	10,000,000.00
10,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACY	.750	11/25/14	.772	99.990046300	9,999,004.63	10,052,900.00
5,000,000	CENTURY BANK SANTA FE	17099243	.350	12/15/14	.350	100.000000000	5,000,000.00	5,000,000.00
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244,000,000					.008		244,548,967.25	245,144,213.25

====> 0028 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2014 <====

24,000,000	FEDERAL HOME LOAN BANK	313381YP	.250	2/20/15	.297	99.951054792	23,988,253.15	24,005,040.00
20,000,000	FED NATL MORTGAGE ASSN DEBS	3135G0HG	.375	3/16/15	.541	99.808896300	19,961,779.26	20,032,200.00
540,000	NEW MEXICO ST UNIV REVS	647429V6	.800	4/01/15	.811	100.000000000	540,000.00	539,600.40
20,000,000	UNITED STATES TREAS NTS	912828SP	.375	4/15/15	.387	99.984704600	19,996,940.92	20,046,000.00
1,000,000	FARMERS AND STOCKMENS BANK	8521543	.300	4/29/15	.300	100.000000000	1,000,000.00	1,000,000.00
400,000	NEW MEXICO MILITARY INST AT ROSW	647183BU	.751	6/01/15	.761	100.000000000	400,000.00	399,376.00
200,000	NEW MEXICO FIN AUTH REV	64711NTU	.950	6/15/15	.963	100.000000000	200,000.00	199,554.00
1,500,000	ALBUQUERQUE BERNALILLO CNTY WT J	013493ER	5.000	7/01/15	.467	106.777970667	1,601,669.56	1,605,510.00
60,000,000	FED NATL MORTGAGE ASSN DEBS	3135G0LN	.500	7/02/15	.511	99.993895050	59,996,337.03	60,143,400.00
10,500,000	UNITED STATES TREASURY NOTES	912828TD	.250	7/15/15	.320	99.893316572	10,488,798.24	10,500,420.00
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134A4VC	4.375	7/17/15	.965	105.235937600	21,047,187.52	21,258,400.00

SOURCE: VisualQED
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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-BOOK	CURRENT BK	LOC-MKT-VALUE
25,000	SOUTHERN SANDOVAL CNTY N MEX A	843789FH	2.000	8/01/15	.710	102.042840000	25,510.71	25,578.25
500,000	BELEN N MEX CONS SCH DIST NO 2 G	077581NU	2.000	8/01/15	.507	102.362070000	511,810.35	512,605.00
250,000	BERNALILLO NM MUNI SCH DIST #1	85279PF8	3.130	8/01/15	.512	104.133880000	260,334.70	260,334.70
500,000	ALBUQUERQUE N MEX MUN SCH DIST S	01359SRX	2.000	8/01/15	.456	102.442180000	512,210.90	512,605.00
150,000	TRUTH OR CONSEQUENCES N MEX MU G	898439EE	2.000	8/01/15	.608	102.201993333	153,302.99	153,469.50
125,000	BERNALILLO N MEX MUN SCH DIST GO	085279RU	2.000	8/01/15	.507	102.362408000	127,953.01	128,391.25
200,000	SANDOVAL CNTY N MEX	80004PDN	2.000	8/01/15	.497	102.378260000	204,756.52	204,562.00
20,150,000	UNITED STATES TREAS NTS	912828EE	4.250	8/15/15	.346	106.309617271	21,421,387.88	21,436,980.50
1,000,000	GADSDEN INDEPENDENT SCHOOL DIST	GISD15R2	.800	8/15/15	.811	100.000000000	1,000,000.00	1,000,000.00
235,000	DONA ANA CNTY N MEX	257579CM	2.000	9/01/15	.477	102.536655319	240,961.14	241,272.15
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACM	1.750	9/10/15	1.015	101.252660850	20,250,532.17	20,466,400.00
14,250,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135GONV	.500	9/28/15	.503	100.006862386	14,250,977.89	14,275,222.50
2,000,000	FARMERS AND STOCKMENS BANK	8521544	.350	10/29/15	.350	100.000000000	2,000,000.00	2,000,000.00
15,000,000	UNITED STATES TREASURY BONDS	912810DT	9.875	11/15/15	.382	117.672024067	17,650,803.61	17,653,200.00
13,000,000	FEDERAL HOME LOAN BANKS	313380L9	.500	11/20/15	.432	100.139208769	13,018,097.14	13,016,380.00
40,000,000	FNMA	3135G0SB	.375	12/21/15	.439	99.887111875	39,954,844.75	39,938,800.00
285,525,000					.007		290,804,449.44	291,555,301.25

====> 0027 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2015 <====

12,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0TZ	.450	1/29/16	.456	100.000000000	12,000,000.00	11,990,520.00
40,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MH8	5.000	3/15/16	.763	109.271605200	43,708,642.08	43,962,800.00
580,000	NEW MEXICO ST UNIV REVS	647429V7	1.000	4/01/16	1.014	100.000000000	580,000.00	575,394.80
35,500,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0BA	2.375	4/11/16	.804	103.564665690	36,765,456.32	36,978,930.00

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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-BOOK	CURRENT BK	LOC-MKT-VALUE
1,000,000	FARMERS AND STOCKMENS BANK	8521545	.450	4/29/16	.450	100.000000000	1,000,000.00	1,000,000.00
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACT	2.500	5/27/16	1.095	103.361623000	20,672,324.60	20,931,800.00
100,000	NEW MEXICO MILITARY INST AT ROSW	647183BV	1.182	6/01/16	1.198	100.000000000	100,000.00	99,579.00
25,000,000	FEDERAL AGRICULTURAL MORTG CORP	31315PB7	.900	6/09/16	.913	100.000000000	25,000,000.00	25,255,750.00
100,000	NEW MEXICO FIN AUTH REV	64711NTV	1.250	6/15/16	1.267	100.000000000	100,000.00	99,353.00
37,500,000	FEDERAL HOME LOAN BANK	3133834R	.375	6/24/16	.438	99.859176267	37,447,191.10	37,372,875.00
180,000	NEW MEXICO ST SEVERANCE TAX	647310Q4	5.000	7/01/16	.709	110.639822222	199,151.68	200,102.40
1,000,000	ALBUQUERQUE BERNALILLO CNTY WT J	013493ES	5.000	7/01/16	.842	110.295658000	1,102,956.58	1,109,200.00
500,000	ALBUQUERQUE BERNALILLO CNTY WT J	013493DW	4.000	7/01/16	.842	107.826604000	539,133.02	541,570.00
200,000	RUIDOSO N MEX WASTEWATER REV REF	781324AC	2.000	7/01/16	.811	102.963925000	205,927.85	204,528.00
15,000,000	FANNIE MAE .0375 MAT 7/8/2016	3135G0XP	.375	7/05/16	.493	99.723093800	14,958,464.07	14,896,050.00
20,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MS6	5.375	7/15/16	1.142	110.604780050	22,120,956.01	22,381,400.00
16,000,000	FARMER MAC	31315PR8	.770	8/01/16	.821	99.897838813	15,983,654.21	15,985,440.00
500,000	BELEN N MEX CONS SCH DIST NO 2 G	077581NV	2.000	8/01/16	.781	103.139810000	515,699.05	518,305.00
125,000	TRUTH OR CONSEQUENCES N MEX MU G	898439EF	2.000	8/01/16	1.014	102.543160000	128,178.95	129,315.00
225,000	SANDOVAL CNTY N MEX	80004PDP	2.000	8/01/16	.720	103.295897778	232,415.77	232,357.50
20,000,000	UNITED STATES TREASURY NOTES	912828VR	.625	8/15/16	.620	100.013584400	20,002,716.88	20,004,600.00
40,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACW	2.000	8/25/16	.844	103.054804400	41,221,921.76	41,364,400.00
20,000,000	UNITED STATES TREASURY NOTES	912828RF	1.000	8/31/16	.929	100.184620700	20,036,924.14	20,187,600.00
20,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0CM	1.250	9/28/16	1.218	100.131879650	20,026,375.93	20,285,600.00
30,000,000	FEDERAL HOME LOAN MORTGAGE CORP.	3137EADS	.875	10/14/16	.874	100.036669667	30,011,000.90	30,103,800.00
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EAAJ	5.125	10/18/16	.561	112.671694950	22,534,338.99	22,419,000.00
34,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359M2D	4.875	12/15/16	.590	112.561717912	38,270,984.09	38,031,040.00
10,000,000	FEDERAL HOME LOAN BANKS	3133XHZK	4.750	12/16/16	.704	111.855025000	11,185,502.50	11,168,700.00
25,000,000	UNITED STATES TREAS NTS	912828RX	.875	12/31/16	.776	100.293115040	25,073,278.76	25,054,750.00
444,510,000					.004		461,723,195.24	463,084,759.70

====> 0029 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2016 <====

SOURCE: VisualQED
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 T R E A S U R E R ' S O F F I C E

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-BOOK	CURRENT BK	LOC-MKT-VALUE
25,000,000	FEDERAL AGRICULTURAL MORTGAGE CO	31315PN8	1.100	1/26/17	1.115	100.000000000	25,000,000.00	25,188,500.00
40,000,000	FED NATL MORTGAGE ASSN DEBS	3135G0GY	1.250	1/30/17	1.069	100.591462075	40,236,584.83	40,481,200.00
20,000,000	UNITED STATES TREAS NTS	912828SC	.875	1/31/17	.846	100.089010000	20,017,802.00	20,018,800.00
20,000,000	FEDERAL HOME LOAN BANK	3133786Q	1.000	2/13/17	1.044	99.906595050	19,981,319.01	20,112,000.00
33,500,000	UNITED STATES TREAS NTS	912828SJ	.875	2/28/17	.872	100.009836896	33,503,295.36	33,497,320.00
20,000,000	FED HOME LOAN MORTGAGE CORP DBS	3137EADC	1.000	3/08/17	1.121	99.668314600	19,933,662.92	20,032,600.00
10,000,000	FED NATL MORTGAGE ASSN DEBS	3135G0JA	1.125	4/27/17	1.064	100.246659700	10,024,665.97	10,038,900.00
20,000,000	UNITED STATES TREASURY NOTES	912828SY	.625	5/31/17	1.009	98.715857150	19,743,171.43	19,739,000.00
30,000,000	FEDERAL HOME LN MTG CORP	3137EADH	1.000	6/29/17	.995	100.066221467	30,019,866.44	29,820,000.00
25,500,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADJ	1.000	7/28/17	.932	100.285074667	25,572,694.04	25,338,840.00
25,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0MZ	.875	8/28/17	.799	100.313633720	25,078,408.43	24,683,000.00
15,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADL	1.000	9/29/17	.900	100.410685933	15,061,602.89	14,824,350.00

284,000,000					.007		284,173,073.32	283,774,510.00

====> 0012 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

15,000,000	FED NAT'L MORTGAGE ASSN DEB	3136G1EN	1.100	3/13/18	1.115	100.000000000	15,000,000.00	14,704,500.00
1,000,000	FEDERAL FARM CREDIT BANKS	3133EATP	1.500	6/11/18	1.626	99.554905000	995,549.05	981,310.00

16,000,000					.129		15,995,549.05	15,685,810.00

====> 0002 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2018 <====

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
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 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
250,000	RIO RANCHO NM EVENT	76717PAJ	5.000	6/01/20	3.859	106.739124000	266,847.81	264,592.50
250,000					7.708		266,847.81	264,592.50
====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2020 <====								
970,000	NEW MEXICO FIN AUTH REV PUB PROJ	64711MZR	5.000	6/01/22	.224	101.989235052	989,295.58	988,934.40
970,000					2.079		989,295.58	988,934.40
====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2022 <====								
1275256301					.002		1298502678.50	1300499422.10
====> 0101 ITEMS IN SUBTOTAL FOR ====> FUND-NAME..... ====> GENERAL FUND CORE <====								



10. Portfolio Summary- Local Government Investment Pool (LGIP)

Portfolio Summary – Local Government Investment Pool (LGIP)

Summary

- Ending December market value for the LGIP was \$610mil, higher than the \$590mil reported at the end of November.
- The LGIP maintains an AAAM rating by Standard & Poor's.
- At the end of December the STO LGIP participant balance was \$4,327,006 or 0.7% of the Pool.
- At the end of December the Judicial District Court LGIP participant balance was \$7,268,971 or 1.2% of the Pool.

Portfolio Mix

- At the end of December 2013 the portfolio was invested as follows: 2% in US Treasuries, 27% in US Government Agencies, 53% in collateralized demand deposit accounts with qualified banking institutions, 10% in floating rate securities, and 8% in overnight repurchase agreements.
- At month-end, the LGIP held positions in 38 securities.

Investment Earnings

- In December, the fund earned \$75,920.
- For Fiscal Year 2014, the fund has earned \$452,171.
- Earnings in the LGIP are retained by participants after a management fee of 0.05% is paid to the General Fund.

Performance

- Gross Yield on the LGIP was 0.144% at the end of December.
- Net yield to participants was 0.094%.

Investment Highlights

- For the LGIP, the WAM(R) of 58 days, and WAM (F) of 104 days, were within their maximums of 60 and 120 days respectively.
- The LGIP experienced net subscriptions for the month of December, \$20mil.
- Maturities for December totaled \$103.504mil face amount.
- The LGIP purchased \$45mil US Government Agency securities maturing between three months and one year at yields ranging from 0.11% to 0.22%.
- The LGIP added \$20mil in collateralized bank deposits to each of the existing accounts: Bank of the West and US Bank.
- LGIP utilized term investments to reduce exposure to lower yielding overnight investments.
- LGIP utilized overnight and one week repo to maintain portfolio diversification.
- The LGIP continued to keep WAM(R) close to the maximum allowable 60 days.

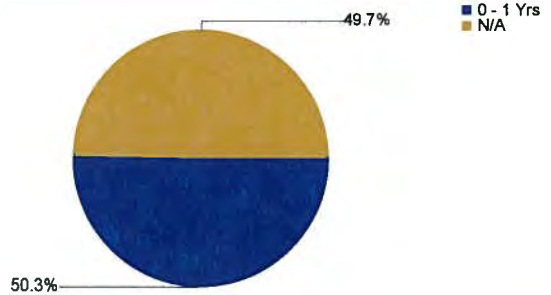
Investment Strategy

- LGIP WAMs are currently 56 and 100 days for WAM(R) and WAM (F) respectively.
- The LGIP has experienced net redemptions in January so far, ~ \$37mil.
- Maturities will total \$20mil in January.
- The LGIP was expecting a \$70mil withdrawal in the first week of January that is now scheduled to occur on the 28th.
- For the month of January thus far, interest rates have fallen with 1, 2, 3 and 5 year maturities lower by 1, 4, 7 and 17 basis points respectively.
- The fixed income markets initially had reacted negatively to the Federal Reserve's move to "taper" Treasury and mortgage-backed securities purchases by \$5bil each, reducing the total purchases per month to \$75bil from \$85bil.
- The December employment data, that was released in January, showed a much weaker than expected increase in nonfarm payroll employment, reversing the upward interest rate trend.
- It appears that short term interest rates, maturities where the LGIP invests, may remain low for some time.
- As WAMs recede and maturities occur, the LGIP will invest in securities that are longer dated and attractive vs. overnight collateralized bank deposits and repo.
- The LGIP will take advantage of attractive rates for treasuries maturing in February and March 2014, if they become available, due to the uncertainty of the increase in the debt ceiling.
- LGIP will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of conservative investments.

Portfolio Characteristics

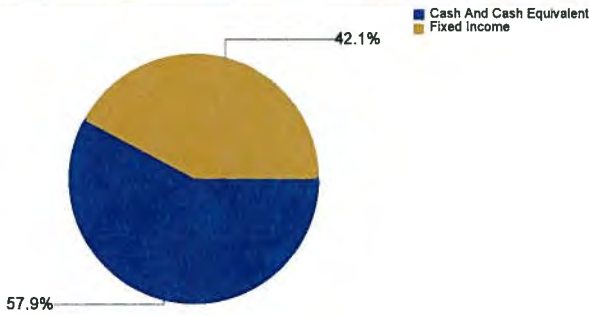
Total Net Assets (Millions) 610.3
Weighted Average Life (Years) 0.29
Weighted Avg. Effective Duration (Years) 0.17
Weighted Average Coupon (%) 0.21
Weighted Average Current Yield (%) 0.06
Weighted Average Yield to Maturity (%) 0.10
Weighted Average Rating AA+
Number of Holdings 39

Duration Mix



Asset Mix

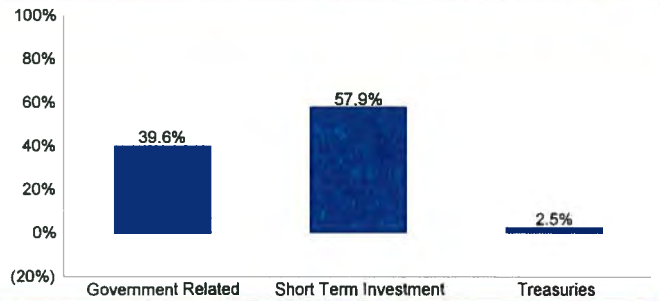
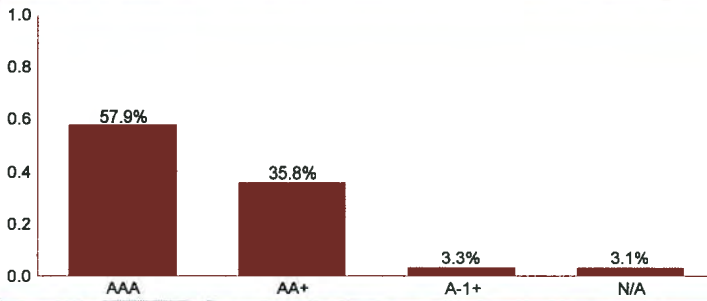
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
89498LC10	BANK OF THE WEST	22.72%	0.00	1/1/2014
894983C02	WELLS FARGO CHECKING 0.15% 31/DEC/2049	21.82%	0.15	1/1/2014
99D*40123	REPO BANK OF NEW YORK/SOUTH STREET SECS 888123013	7.22%	0.10	2/1/2014
89498LC36	US BANK	4.93%	0.00	1/1/2014
3133804M6	FEDERAL HOME LOAN BANKS CONS BD FLT 14 23/JAN/2014	3.28%	0.08	23/1/2014
31338DAW2	FEDERAL FARM FLT 12/15	3.28%	0.20	2/12/2015
313383RX1	FEDERAL HOME LOAN BANKS CONS BD 0.13% 22/APR/2014	3.11%	0.13	22/4/2014
3135G0BY8	FEDERAL NATIONAL MORTGAGE ASSOC 0.875% BDS	2.08%	0.88	28/8/2014
31338CVA8	FEDERAL FARM CR BKS CONS BD FLT 14 22/JUL/2014	2.05%	0.17	22/7/2014
3135G0B05	FEDERAL NATIONAL MORTGAGE ASSOC VAR MTG BDS	2.02%	0.36	23/8/2014

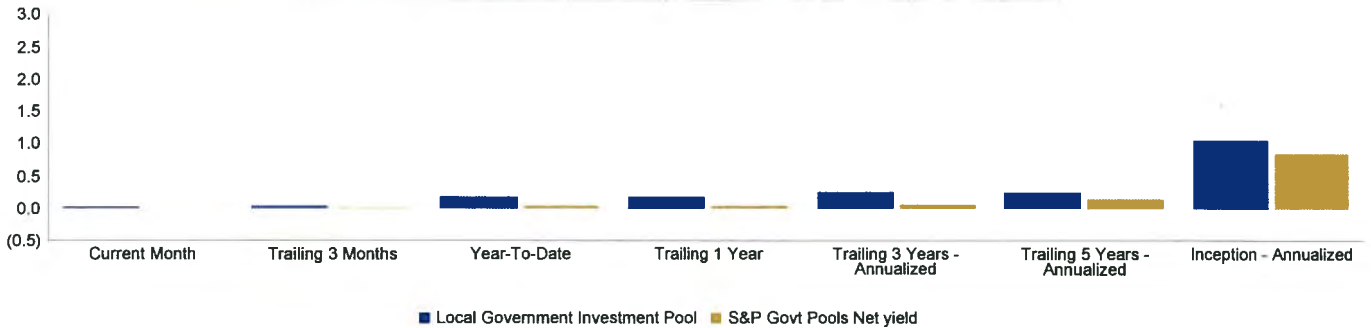
Quality/Rating Weightings

Sector Weightings (as % of Market Value)



Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 2 Years	Trailing 5 Years	Inception
Local Government Investment Pool	0.01	0.03	0.18	0.18	0.25	0.24	1.03
S&P Govt Pools Net yield	0.00	0.01	0.04	0.04	0.06	0.14	0.84
Excess	0.01	0.03	0.14	0.14	0.20	0.10	0.19



STATE OF NEW MEXICO
LGIP FUND (4101)
Portfolio Classification Summary
Positions Held as of 12/31/13 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	.1014	.00550	50,000,000	50,000,000	50,000,000		8.196
US TREASURY NOTE ACT/ACT 2X	2	.1582	.58080	15,000,000	15,183,250	15,186,100	2,850	2.489
AGENCY US BOND 30/360 2X	12	.1557	.54811	84,950,000	85,074,882	85,075,765	883	13.945
AGENCY US DISC ACT/360 360 DAY	6	.1038	.98543	57,935,000	57,895,508	57,888,416	-7,092	9.489
AGENCY 30/360 2X	1	.1326	.40270	10,000,000	9,999,561	9,999,600	39	1.639
AGENCY US NOTES 30/360 2X	3	.1661	.73828	22,132,000	22,266,312	22,265,777	-535	3.650
AGENCY US VARIABLE ACT/360 4X	9	.1537	.61098	66,520,000	66,548,224	66,558,903	10,679	10.910
CASH ACCOUNT	4	.1641		303,106,593	303,106,593	303,106,593		49.683
	38	.1503	.56649	609,643,593	610,074,330	610,081,154	6,824	100.000

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
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 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
20,000,000	FEDERAL HOME LOAN BANKS	3133804M	.273	1/23/14	.074	99.998803550	19,999,760.71	20,001,400.00
4,000,000	FEDERAL HOME LOAN BANKS	3133783D	.300	2/13/14	.142	100.018650000	4,000,746.00	4,000,760.00
10,000,000	FEDERAL HOME LOAN BANKS	313385UL		3/19/14	.112	99.972805600	9,997,280.56	9,999,200.00
10,000,000	FEDERAL HOME LOAN BANKS	313382M4	.125	3/27/14	.112	100.003493200	10,000,349.32	9,999,900.00
5,000,000	UNITED STATES TREASURY NOTES	912828KJ	1.750	3/31/14	.116	100.399364000	5,019,968.20	5,020,100.00
19,000,000	FEDERAL HOME LOAN BANKS	313383RX	.130	4/22/14	.139	99.997950790	18,999,610.65	19,000,000.00
10,000,000	FEDERAL HOME LOAN BANK	3130A0DP	.120	5/27/14	.133	99.995613400	9,999,561.34	9,999,600.00
7,500,000	FEDERAL HOME LOAN BANKS	313385XJ		5/28/14	.124	99.940694400	7,495,552.08	7,497,900.00
2,400,000	FEDERAL HOME LOAN MORTGAGE CORPO	313397XT		6/06/14	.137	99.931750000	2,398,362.00	2,399,184.00
2,700,000	FEDERAL FARM CREDIT BANKS	3133EATL	.250	6/11/14	.165	100.038616667	2,701,042.65	2,701,728.00
12,320,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0BQ	.360	6/23/14	.172	100.090213799	12,331,114.34	12,334,660.80
9,035,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313586QR		7/05/14	.163	99.882009408	9,024,339.55	9,025,061.50
12,500,000	FEDERAL FARM CR BKS	3133ECVA	.170	7/22/14	.176	99.996745520	12,499,593.19	12,499,593.19
5,000,000	FEDERAL HOME LOAN BANKS	313383QG	.190	7/24/14	.148	100.024600000	5,001,230.00	5,001,100.00
12,500,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0BY	.875	8/28/14	.163	100.469630080	12,558,703.76	12,558,750.00
2,700,000	FEDERAL HOME LOAN BANKS	313383XP	.125	9/03/14	.172	99.969770000	2,699,183.79	2,699,352.00
10,000,000	FEDERAL HOME LOAN BANKS	3130A03D	.125	9/12/14	.185	99.959984100	9,995,998.41	9,997,300.00
5,375,000	FEDERAL HOME LOAN BANKS	3130A02A	.170	9/18/14	.154	100.012843163	5,375,690.32	5,375,161.25
4,490,000	FEDERAL FARM CREDIT BANKS	31331GL8	3.000	9/22/14	.162	102.056765702	4,582,348.78	4,582,089.90
10,000,000	FEDERAL HOME LOAN BANKS	3130A04R	.125	9/23/14	.174	99.965634200	9,996,563.42	9,996,900.00
10,000,000	UNITED STATES TREASURY NOTES	912828LQ	2.375	9/30/14	.179	101.632820400	10,163,282.04	10,166,000.00
1,331,000	FEDERAL FARM CREDIT BANKS	3133ECL7	.200	10/15/14	.179	100.017857250	1,331,237.68	1,331,266.20
10,000,000	FEDERAL FARM CREDIT BANKS	3133ED5P	.160	10/24/14	.177	99.987797500	9,998,779.75	9,998,600.00
7,456,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0DW	.625	10/30/14	.167	100.381894313	7,484,474.04	7,483,438.08
9,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31358C7G		11/15/14	.229	99.799705000	8,981,973.45	8,980,470.00
3,054,000	FEDERAL FARM CREDIT BANKS	31331KHW	1.625	11/19/14	.174	101.281676817	3,093,142.41	3,093,335.52
2,176,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31398AZV	2.625	11/20/14	.179	102.166163143	2,223,135.71	2,223,589.12

217,537,000					.009		217,953,024.15	217,966,439.56

SOURCE: VisualQED
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 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
=====> 0027 ITEMS IN SUBTOTAL FOR ==> FINAL-MATURITY.. ==> 2014 <===								
2,000,000	FEDERAL FARM CREDIT BANKS	3133EAYU	.320	1/20/15	.145	100.121385000	2,002,427.70	2,003,580.00
4,000,000	FEDERAL FARM CREDIT BANKS	3133ECBF	.250	1/26/15	.228	100.025689500	4,001,027.58	4,003,520.00
2,000,000	FEDERAL FARM CREDIT BANKS	3133ECLM	.230	3/16/15	.202	100.037591500	2,000,751.83	2,001,180.00
7,000,000	FEDERAL FARM CREDIT BANKS	3133EANP	.350	5/01/15	.210	100.189175286	7,013,242.27	7,014,560.00
4,000,000	FEDERAL FARM CREDIT BANKS	3133ED5G	.210	10/22/15	.223	99.981612500	3,999,264.50	3,998,680.00
20,000,000	FEDERAL FARM CREDIT BANK	3133EDAW		12/02/15	.005	99.990000000	19,998,000.00	19,986,600.00
-----					-----			
39,000,000					.053		39,014,713.88	39,008,120.00

====> 0006 ITEMS IN SUBTOTAL FOR ==> FINAL-MATURITY.. ==> 2015 <===

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256,537,000					.008		256,967,738.03	256,974,559.56

====> 0033 ITEMS IN SUBTOTAL FOR ==> FUND-NAME..... ==> LGIP FUND <===



11. Portfolio Summary- Tax-Exempt Bond Proceeds Investment Pool

Portfolio Summary – Tax Exempt Bond Proceeds Investment Pool

Summary

- The Tax Exempt Bond Proceeds Investment Pool closed the month of December at \$464mil vs. \$468mil at the end of November.
- The Pool paid out \$4mil for capital spending in December 2013.

Portfolio Mix

- 98% of the Tax-Exempt BPIP portfolio was invested in fixed income securities and 2% in floating rate notes: 43% in Treasuries, 34% in Agency Securities, 2% in Supranational, 5% in NM municipal securities, 1% in NM bank collateralized CDs and the balance, approximately 15%, held in cash equivalents.
- 58% of the portfolio was invested in securities that mature in one year, 24% in securities that mature from 1-2 years, 18% in securities that mature from 2-4 years and 0% in securities out to 5 years.
- The Tax-Exempt BPIP held positions in 51 securities.
- Weighted Average Life of the Tax Exempt BPIP was 1.10 years. The Weighted Average duration was 1.04 years.
- The maximum security term for the BPIP portfolio is 5 years.

Investment Earnings

- Unrealized gains in the Tax-Exempt BPIP Portfolio were \$130,070 as of December 31st.
- Monthly Earnings on the portfolio for December were \$159,537.
- Earnings for FY2014 were \$891,173.
- Earnings on the Bond Proceeds Investment Pool are used to offset capital and debt service spending.

Investment Highlights

- The duration of the Tax-Exempt BPIP at the end of December was unchanged (1.04 yrs.) vs. November (1.04 yrs.) and shorter than the Benchmark (1.38 yrs.).
- The Tax-Exempt BPIP had maturities of \$0mil in the month of December.
- The Pool had \$67mil in Agency securities called during the month of December.
- The Pool purchased \$15mil of a two year Treasury at a yield of 0.35% and \$10mil of a three year Agency at 0.76%.
- The Pool received a deposit of \$16.4mil in December to pay debt service due on January 1, 2014.
- The Pool duration remained low in order to meet liabilities without the need to sell securities.

Performance

- The purchase yield was 0.33% at the end of December, lower than the yield reported for November, 0.41%.
- The Tax-Exempt BPIP returned (0.05)% for the month of December and 0.08% for the three months ended December 31, 2013, vs. Index returns of (0.09)% and 0.05% respectively. For the trailing 12 mos. the Pool returned 0.19% vs. 0.30% for the benchmark.

- US Treasury yields were higher by 10 and 22 basis points for two to three year maturities in December.
- The Tax-Exempt BPIP had a shorter duration and was underweight in the two to three year segment of the yield curve vs. the benchmark and as a result outperformed.
- Cash flows (debt service payments, capital project withdrawals, bond sale proceeds) have been the key driver of the portfolio's structure and performance for year-to-date 2013.

Investment Strategy

- The option-adjusted duration of the Tax-Exempt BPIP portfolio is currently 1.21 yrs. vs. 1.39 yrs. for the benchmark.
- For the month of January there will be \$18mil maturities scheduled in the Pool.
- Capital project withdrawals will be \$9mil in January.
- The Tax-Exempt BPIP paid out \$16.9mil for debt service due on Jan 1, 2014.
- The Tax-Exempt BPIP will need to pay out \$69mil for debt service due on March 1, 2014.
- The investment priority continues to be maintaining liquidity in a volatile interest rate environment.
- Capital project withdrawals have been relatively light allowing the Pool to purchase \$65mil one to three year US Treasury and Agency securities with yields ranging between 0.16% and 0.52%.
- The Pool will continue to purchase one to three year Treasury and Agency securities as maturities and cash flows allow.
- The Tax-Exempt BPIP will maintain duration shorter than that of the benchmark. Project withdrawals will have the effect of lengthening duration and as they have had a high degree of variability month-to-month, cash flow management has been a key factor during the year and will continue to be so going forward.

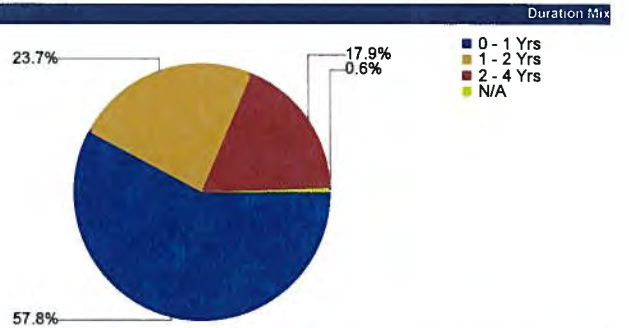
STATE OF NEW MEXICO
BOND PROCEEDS INV POOL1 TAX EX (4000)
Portfolio Classification Summary
Positions Held as of 12/31/13 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	.0101	.00550	67,409,241	67,409,241	67,409,241		14.510
CERTIFICATES OF DEPOSIT	2	.6000	.51510	3,000,000	3,000,000	3,000,000		.646
U.S. TREASURY BONDS	1	.2045	.91510	10,000,000	10,174,904	10,177,300	2,396	2.191
US TREASURY NOTE ACT/ACT 2X	13	.3103	1.11644	170,000,000	172,230,079	172,182,100	-47,979	37.063
US TREASURY (STRIP/ZERO) 30/360	3	.3740	1.35396	16,034,000	15,914,229	15,894,241	-19,988	3.421
AGENCY US BOND 30/360 2X	2	.2486	.86302	25,000,000	24,984,975	24,984,100	-875	5.378
AGENCY US NOTES 30/360 2X	11	.5280	1.53301	117,837,000	119,560,517	119,705,885	145,368	25.767
FED NATL MORTGAGE ASSN DEBS	2	.6176	2.17170	15,000,000	15,260,789	15,302,400	41,611	3.294
AGENCY US VARIABLE ACT/360 4X	1	.1887	.38360	7,934,000	7,949,152	7,946,774	-2,378	1.711
MUNI US 30/360 2X	12	.4419	.80100	23,160,000	23,608,518	23,620,459	11,941	5.084
MUNICIPAL BOND REVENUE	2	.4119	1.15131	1,300,000	1,322,064	1,322,039	-25	.285
UNITS - INVESTMENT POOL 1	1			3,017,554	3,017,554	3,017,554		.650
	51	.3342	1.05208	459,691,795	464,432,022	464,562,093	130,071	100.000

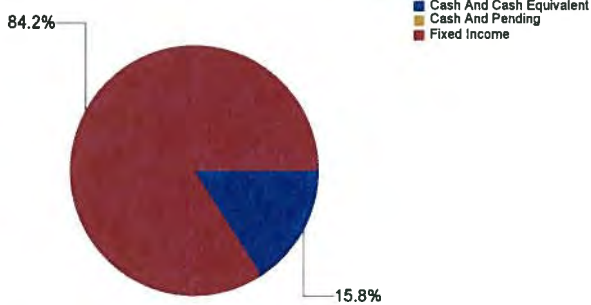
Portfolio Characteristics

Total Net Assets (Millions)	466.1
Weighted Average Life (Years)	1.10
Weighted Avg. Effective Duration (Years)	1.04
Weighted Average Coupon (%)	1.37
Weighted Average Current Yield (%)	0.37
Weighted Average Yield to Maturity (%)	0.38
Weighted Average Rating	AA
Number of Holdings	53



Asset Mix

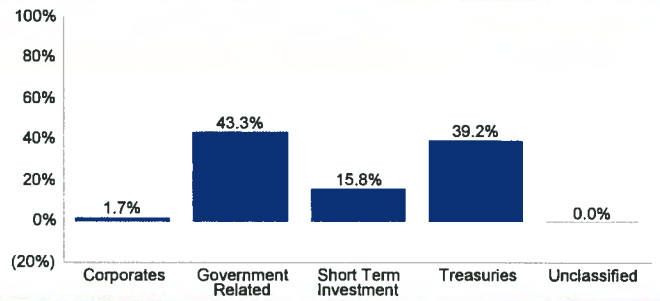
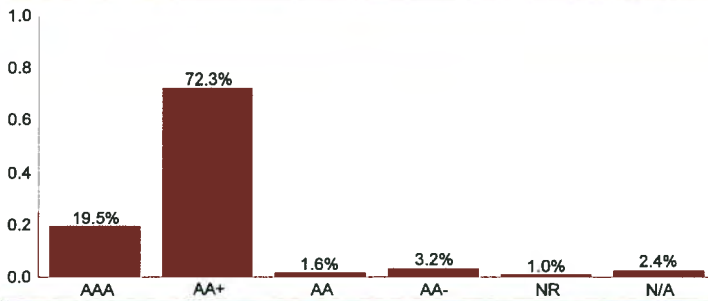
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
99D*50069	REPO BANK OF NEW YORK/SOUTH STREET SECS 123113J	6.78%	0.01	2/1/2014
3134G3N10	FEDERAL HOME LOAN MORTGAGE CORP 0.5% MTG BDS	4.50%	0.50	24/2/2015
3137EACW7	FEDERAL HOME LOAN MORTGAGE CORP 2% BDS 25/AUG/2018	4.47%	2.00	25/8/2018
99D*50078	REPO LEHMAN BROS INC	4.07%	0.95	2/1/2004
99D*50078	REPO LEHMAN BROS INC	3.81%	0.95	2/1/2004
912828PM5	US 2.12500 '15	3.33%	2.12	31/12/2015
912828LQ1	US 2.37500 '14	3.28%	2.38	30/9/2014
912828LS7	US 2.37500 '14	3.28%	2.38	31/10/2014
912828PJ3	US 1.37500 '15	3.28%	1.38	30/11/2015
912828KY5	UNITED STATES TREAS NTS 2.825% 30/JUN/2014	3.28%	2.82	30/6/2014

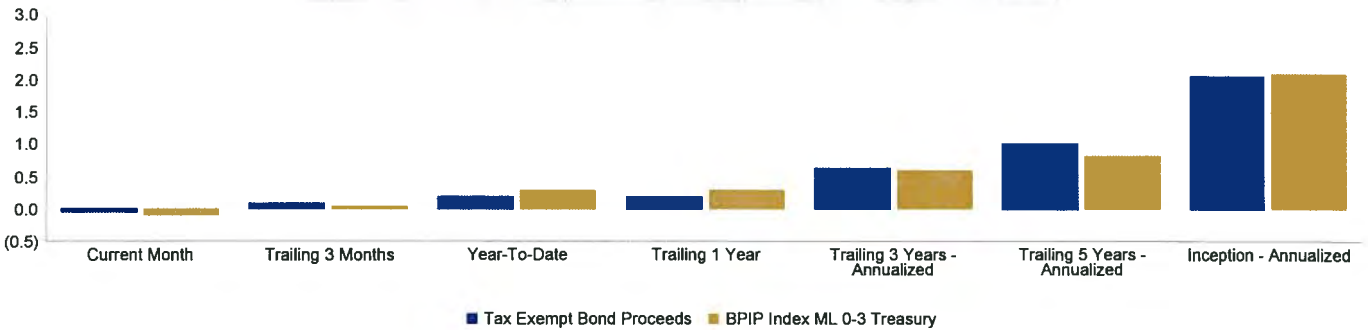
Quality/Rating Weightings

Sector Weightings (as % of Market Value)



Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 2 Years	Trailing 5 Years	Inception
Tax Exempt Bond Proceeds	(0.05)	0.08	0.19	0.19	0.63	1.00	2.06
BPIP Index ML 0-3 Treasury	(0.08)	0.05	0.30	0.30	0.61	0.83	2.10
Excess	0.04	0.04	(0.10)	(0.10)	0.03	0.18	(0.04)



SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
3,017,554	UNITS - INVESTMENT POOL 1	UNITS001				.999999854	3,017,553.56	3,017,554.00
3,017,554					.682		3,017,553.56	3,017,554.00

====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> NO-MEANINGFUL-DATE <====

11,997,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MTP	5.125	1/02/14	.208	100.013651996	11,998,637.83	11,998,559.61
6,000,000	FEDERAL HOME LOAN BANKS	313383M2	.100	1/06/14	.103	99.999968167	5,999,998.09	6,000,000.00
15,000,000	FEDERAL HOME LOAN BANKS	313383W4	.100	2/14/14	.110	99.998997333	14,999,849.60	14,999,400.00
15,000,000	UNITED STATES TREASURY NOTES	912828KF	1.875	2/28/14	.986	100.141242867	15,021,186.43	15,042,150.00
5,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3NS	.300	3/21/14	.133	100.037451200	5,001,872.56	5,002,300.00
15,000,000	UNITED STATES TREASURY NOTES	912828SR	.250	4/30/14	.122	100.041895067	15,006,284.26	15,007,650.00
400,000	TORRANCE ETC CNTYS N MEX MUN S	891400NA	1.000	5/15/14	.356	100.241197500	400,964.79	401,060.00
1,190,000	RIO RANCHO N MEX WTR & WASTEWT	767175GD	2.000	5/15/14	.254	100.650164706	1,197,736.96	1,197,413.70
10,000,000	UNITED STATES TREASURY NOTES	912828QM	1.000	5/15/14	.128	100.322565700	10,032,256.57	10,033,200.00
7,934,000	INTER-AMERICAN DEVELOPMENT BANK	45818WAE	.739	5/20/14	.189	100.190970003	7,949,151.56	7,946,773.74
15,000,000	UNITED STATES TREASURY NOTES	912828KY	2.625	6/30/14	.137	101.236149200	15,185,422.38	15,186,300.00
6,485,000	NEW MEXICO ST SEVERANCE TAX	647310P4	4.000	7/01/14	.406	101.796238551	6,601,486.07	6,608,020.45
4,780,000	NEW MEXICO ST SEVERANCE TAX	647310N4	4.000	7/01/14	.406	101.796238494	4,865,860.20	4,864,414.80
2,000,000	FARMERS & STOCKMENS BANK	8521444	.600	7/07/14	.600	100.000000000	2,000,000.00	2,000,000.00
1,000,000	FARMERS & STOCKMENS BANK	8521448	.600	7/07/14	.600	100.000000000	1,000,000.00	1,000,000.00
500,000	ALBUQUERQUE N MEX MUN SCH DIST	013595RR	2.000	8/01/14	.466	100.895744000	504,478.72	504,955.00
5,570,000	ALBUQUERQUE N MEX MUN SCH DIST	013595RE	3.000	8/01/14	.456	101.483388869	5,652,624.76	5,660,623.90
270,000	CLOUDCROFT N MEX MUN SCH DIST	189134ET	2.000	8/01/14	.406	100.930888889	272,513.40	272,440.80
420,000	ALBUQUERQUE N MEX MUN SCH DIST	013595QT	4.000	8/01/14	.406	102.094947619	428,798.78	429,286.20

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
15,000,000	UNITED STATES TREASURY NOTES	912828RB	.500	8/15/14	.160	100.211432133	15,031,714.82	15,035,100.00
15,000,000	UNITED STATES TREASURY NOTES	912828LQ	2.375	9/30/14	.176	101.635293933	15,245,294.09	15,249,000.00
15,000,000	UNITED STATES TREASURY NOTES	912828LS	2.375	10/31/14	.190	101.808115867	15,271,217.38	15,274,800.00
10,000,000	UNITED STATES TREASURY NOTES	912828LZ	2.125	11/30/14	.205	101.749038200	10,174,903.82	10,177,300.00
178,546,000					.011		179,842,253.07	179,890,748.20

====> 0023 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2014 <====

20,940,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3NL	.500	2/24/15	.253	100.036716332	20,947,688.40	20,947,538.40
10,000,000	UNITED STATES TREASURY NOTES	912828UT	.250	3/31/15	.207	100.053252200	10,005,325.22	10,005,500.00
7,306,000	FINANCING-FED BK ENTY CPN STRP	31771JLV		4/06/15	.363	99.308000000	7,255,442.48	7,248,720.96
6,400,000	FEDERAL AGRICULTURAL MORTGAGE CO	31315PWM	.270	4/17/15	.292	99.976885000	6,398,520.64	6,398,912.00
5,888,000	FINANCING CORP CPN FICO STRIPS	31771CS5		6/06/15	.383	99.207000000	5,841,308.16	5,832,358.40
2,840,000	FINANCING CORP CPN FICO STRIPS	31771DKR		6/06/15	.383	99.207000000	2,817,478.80	2,813,162.00
900,000	ALBUQUERQUE NM GROSS RECPTS.TAX	01354PDX	2.000	7/01/15	.436	102.344287778	921,098.59	920,979.00
550,000	ALBUQUERQUE N MEX MUN SCH DIST	013595RS	2.000	8/01/15	.598	102.218180000	562,199.99	563,865.50
550,000	CLOUDCROFT N MEX MUN SCH DIST	189134EU	2.000	8/01/15	.497	102.378101818	563,079.56	562,721.50
15,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3ZA	.500	8/28/15	.450	100.091824533	15,013,773.68	15,030,300.00
10,000,000	UNITED STATES TREASURY NOTES	912828TP	.250	9/15/15	.278	99.952582600	9,995,258.26	9,991,800.00
10,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31398A4M	1.625	10/26/15	.318	102.375694000	10,237,569.40	10,218,500.00
15,000,000	UNITED STATES TREASURY NOTES	912828PJ	1.375	11/30/15	.352	101.948092400	15,292,213.86	15,290,100.00
10,000,000	FNMA	3135G0SB	.375	12/21/15	.457	99.851248000	9,985,124.80	9,984,700.00
15,000,000	UNITED STATES TREAS NTS	912828PM	2.125	12/31/15	.433	103.360158867	15,504,023.83	15,515,700.00
130,374,000					.016		131,340,105.67	131,324,857.76

====> 0015 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2015 <====

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
10,000,000	UNITED STATES TREASURY NOTES	912828KS	2.625	2/29/16	.395	104.792812800	10,479,281.28	10,475,000.00
7,500,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MH8	5.000	3/15/16	.551	109.757650800	8,231,823.81	8,243,025.00
400,000	TORRANCE ETC CNTYS N MEX MUN S	891400NC	1.000	5/15/16	.560	101.054627500	404,218.51	405,028.00
1,220,000	RIO RANCHO N MEX WTR & WASTEWT	767175GF	3.000	5/15/16	.558	105.765668853	1,290,341.16	1,287,917.40
10,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACT	2.500	5/27/16	.486	104.828273300	10,482,827.33	10,465,900.00
1,225,000	SANTA FE N MEX GROSS RCPTS TAX	802072RG	2.000	6/01/16	.639	103.279975510	1,265,179.70	1,263,771.25
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACW	2.000	8/25/16	1.160	102.226915950	20,445,383.19	20,682,200.00
10,000,000	UNITED STATES TREASURY NOTES	912828RM	1.000	10/31/16	.428	101.606010800	10,160,601.08	10,075,800.00
5,000,000	FEDERAL NATL MTG ASSN DEBS	3135G0ES	1.375	11/15/16	1.227	100.464392400	5,023,219.62	5,083,900.00

65,345,000					.030		67,782,875.68	67,982,541.65
====> 0009 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2016 <====								
10,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADC	1.000	3/08/17	.767	100.766904600	10,076,690.46	10,016,300.00
5,000,000	FEDERAL AGRICULTURAL MORTGAGE CO	31315PZT	.650	7/10/17	.874	99.266043600	4,963,302.18	4,920,850.00

15,000,000					.137		15,039,992.64	14,937,150.00
====> 0002 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====								

392,282,554					.005		397,022,780.62	397,152,851.61

SOURCE: VisualQED

MODEL: INVENTORY

USER: SVIGIL

RUN: 1/17/14 @ 10:07:30

BASIS: TRADE (SIC FROM SECURITY-MASTER)

AS-OF: 12/31/13

AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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

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POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-BOOK	CURRENT BK	LOC-MKT-VALUE
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====> 0050 ITEMS IN SUBTOTAL FOR ====> FUND-NAME..... ====> BOND PROCEEDS INV POOL1 TAX EX <



12. Portfolio Summary- Taxable Bond Proceeds Investment Pool

Portfolio Summary – Taxable Bond Proceeds Investment Pool

Summary

- The Taxable Bond Proceeds Investment Pool closed the month of December at \$790mil vs. \$671mil at the end of November 2013.
- The Pool paid out approximately \$7mil for capital spending in December 2013.

Portfolio Mix

- 99% of the Taxable BPIP portfolio was invested in fixed income securities and 1% in floating rate securities; 42% in US Treasuries, 35% in Agency securities, 1% in Supranational, 4% in NM municipal securities and the balance, approximately 18%, was held in cash equivalents and collateralized NM bank CDs.
- 52% of the portfolio was invested in securities that mature in one year, 29% in securities that mature from 1-2 years, 19% in securities that mature from 2-4 years and 0% in securities out to 5 years.
- The Taxable BPIP held positions in 81 securities.
- Weighted Average Life of the Taxable BPIP was 1.12 years. The Weighted Average duration was 1.10 years.
- The maximum security term for the BPIP portfolio is 5 years.

Investment Earnings

- The unrealized gains in the Taxable BPIP Portfolio were \$719,539 as of December 31st.
- Monthly earnings on the portfolio for December were \$326,286.
- For fiscal year 2014, the fund has earned \$1,862,798.
- Earnings on the Bond Proceeds Investment Pool are used to offset capital and debt service spending.

Investment Highlights

- The duration of the Taxable BPIP at the end of December was 1.10 yrs. vs. 1.13 yrs. for month end November, and was shorter than the Benchmark (1.38 yrs.).
- Maturities totaled \$8.0mil in the month of December 2013.
- The Taxable BPIP had \$62.3mil Agency securities called in the month of December 2013.
- The Pool received a \$125mil deposit on December 31, 2013.
- The Taxable BPIP purchased \$4mil each of NM collateralized CDs for one year and 15 month maturities yielding, 0.30% and 0.35%, respectively.
- The Pool purchased \$2.61mil NM municipals maturing in one to three years at yields ranging from 0.25% to 0.71%.
- The Pool purchased \$90mil US Treasury and Agency securities maturing in one to three years at yields ranging from 0.16% and 0.75%.

Performance

- Purchase Yield at the end of December was 0.44%, lower than 0.54% reported for November.

- The Taxable BPIP returned (0.06)% for the month of December and 0.09% for the three months ended December 31, 2013, vs. Index returns of (0.09)% and 0.05% respectively. For the trailing 12 mos. the Pool returned 0.25% vs. 0.30% for the benchmark.
- US Treasury yields were higher by 10 and 22 basis points for two to three year maturities in December.
- The Taxable BPIP had a shorter duration and was underweight in the two to three year segment of the yield curve vs. the benchmark and as a result outperformed.
- Cash flows (debt service payments, capital project withdrawals, bond sale proceeds) have been the key driver of the portfolio's structure and performance for year-to-date 2013.

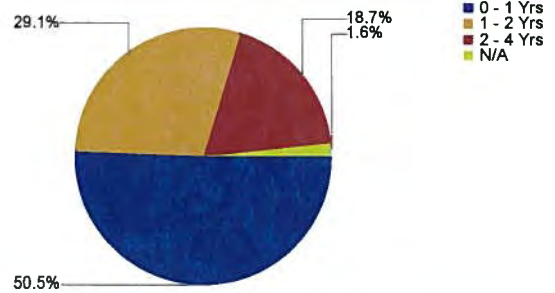
Investment Strategy

- The option adjusted duration of the portfolio is currently 1.30 yrs. vs. 1.39 yrs. for the benchmark.
- The Pool has \$26.71mil in maturities scheduled for January.
- Capital project withdrawals will be \$9.6mil in January.
- The investment priority continues to be maintaining liquidity in a volatile interest rate environment.
- Capital project withdrawals have been relatively light allowing the Pool to purchase \$113mil one to two year US Treasury and Agency securities at yields ranging from 0.19% to 0.52%.
- The Pool reinvested \$4mil maturing NM collateralized bank CDs for 2 years at 0.45%.
- The Pool will purchase one to three year Treasury and Agency securities as maturities and cash flows allow.
- The Taxable BPIP will maintain duration shorter than that of the benchmark. Project withdrawals will have the effect of lengthening duration and as they have had a high degree of variability month-to-month, cash flow management has been a key factor during the year and will continue to be so going forward.

Portfolio Characteristics

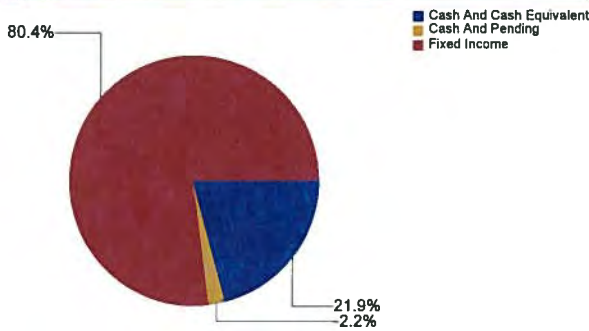
Total Net Assets (Millions) **792.2**
 Weighted Average Life (Years) **1.12**
 Weighted Avg. Effective Duration (Years) **1.10**
 Weighted Average Coupon (%) **1.56**
 Weighted Average Current Yield (%) **0.41**
 Weighted Average Yield to Maturity (%) **0.41**
 Weighted Average Rating **AA-**
 Number of Holdings **80**

Duration Mix



Asset Mix

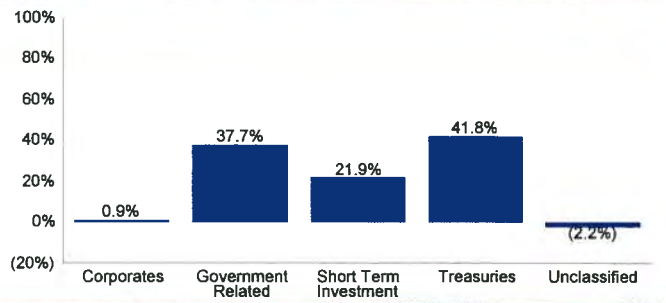
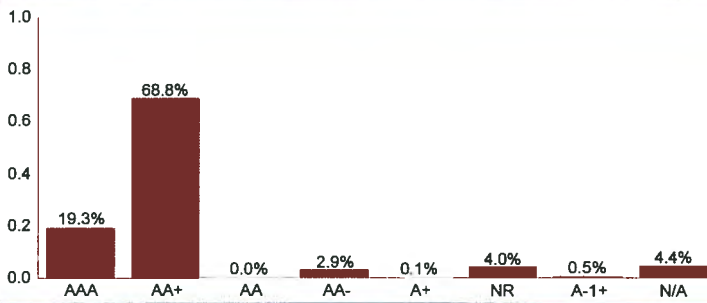
Top Ten Portfolio Holdings



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
99D50072	REPO MERRILL LYNCH, PIERCE, FENNER & SMITH	6.17%	0.99	2/1/2004
99D50068	REPO UBS SECURITIES LLC	6.17%	0.83	2/1/2004
99D50070	REPO CREDIT SUISSE FIRST BOSTON LLC	5.20%	0.01	2/1/2014
912828KF8	UNITED STATES OF AMER TREAS NOTES 1.875% TB	4.98%	1.88	28/2/2014
3137EACW7	FEDERAL HOME LOAN MORTGAGE CORP 2% BDS 25/AUG/2016	3.21%	2.00	25/8/2016
31358MTP6	FED NATL MTG ASSN 5.12% 02/JAN/2014	2.88%	5.13	2/1/2014
912828DV9	US 4.125000 '15	2.81%	4.12	15/5/2015
912828MV7	US 2.500000 '15	2.56%	2.50	31/3/2015
912828MZ0	US 2.500000 '15	2.55%	2.50	30/4/2015
31396A4M1	FED NATL MORT ASSC 1.625% BDS 28/OCT/2015 USD1000	2.53%	1.62	28/10/2015

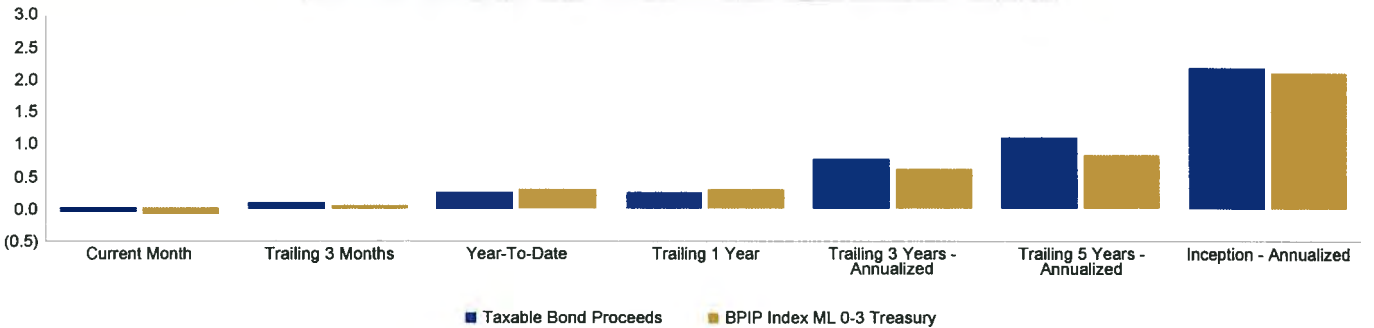
Quality/Rating Weightings

Sector Weightings (as % of Market Value)



Returns Series

	Current Month	Trailing 3 Months	Year-To-Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Inception
Taxable Bond Proceeds	(0.08)	0.09	0.25	0.25	0.78	1.08	2.18
BPIP Index ML 0-3 Treasury	(0.08)	0.05	0.30	0.30	0.81	0.83	2.10
Excess	0.03	0.04	(0.05)	(0.05)	0.18	0.26	0.07



STATE OF NEW MEXICO
BOND PROCEEDS INV POOL2 TAXABL (4002)
Portfolio Classification Summary
Positions Held as of 12/31/13 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	2	.0101	.00550	142,051,311	142,051,311	142,051,311		17.592
CERTIFICATES OF DEPOSIT	5	.3852	.90501	14,200,000	14,200,000	14,200,000		1.759
LINKED-CERTIFICATE OF DEPOSIT	2	.5000	.04110	4,000,000	4,000,000	4,000,000		.495
US TREASURY NOTE ACT/ACT 2X	19	.4786	1.14866	325,000,000	330,108,146	330,476,600	368,454	40.927
AGENCY US BOND 30/360 2X	4	.5653	2.34174	53,500,000	53,552,181	53,402,570	-149,611	6.613
AGENCY US DISC ACT/360 360 DAY	3	.1520	.45220	12,772,000	12,758,080	12,761,129	3,049	1.580
AGENCY US NOTES 30/360 2X	12	.6237	1.69694	168,710,000	171,434,370	171,739,163	304,793	21.268
FED NATL MORTGAGE ASSN DEBS	2	.7984	.98905	40,000,000	40,292,615	40,471,200	178,585	5.012
AGENCY US VARIABLE ACT/360 4X	1	.1887	.38360	7,000,000	7,013,368	7,011,270	-2,098	.868
MUNI US 30/360 2X	26	.4571	.93738	27,420,000	27,853,845	27,868,566	14,721	3.451
MUNICIPAL BOND REVENUE	3	.3059	.54697	2,180,000	2,207,664	2,209,310	1,646	.274
UNITS - INVESTMENT POOL 1	1			1,308,153	1,308,153	1,308,153		.162
CASH ACCOUNT	1			-14,904	-14,904	-14,904		-.002
	<u>81</u>	<u>.4375</u>	<u>1.09634</u>	<u>798,126,560</u>	<u>806,764,829</u>	<u>807,484,368</u>	<u>719,539</u>	<u>100.000</u>

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
1,308,153	UNITS - INVESTMENT POOL 1	UNITS001				.999999687	1,308,152.59	1,308,153.00
1,308,153					1.572		1,308,152.59	1,308,153.00

====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> NO-MEANINGFUL-DATE <====

14,260,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MTP	5.125	1/02/14	.828	100.011909678	14,261,698.32	14,261,853.80
8,450,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MTP	5.125	1/02/14	.854	100.011838698	8,451,000.37	8,451,098.50
2,000,000	WESTERN COMMERCE BANK	2012477	.500	1/15/14	.500	100.000000000	2,000,000.00	2,000,000.00
2,000,000	WESTERN COMMERCE BANK	2012634	.500	1/15/14	.500	100.000000000	2,000,000.00	2,000,000.00
2,300,000	FEDERAL HOME LOAN MORTGAGE CORPO	313397TM		2/24/14	.101	99.948610870	2,298,818.05	2,299,908.00
20,000,000	FED NATIONAL MTG ASSN DEB	3135G0AP	1.250	2/27/14	.725	100.082576300	20,016,515.26	20,034,200.00
3,500,000	FEDERAL FARM CREDIT BANKS	31331KAH	1.125	2/27/14	.103	100.158991143	3,505,564.69	3,505,320.00
40,000,000	UNITED STATES TREASURY NOTES	912828KF	1.875	2/28/14	1.007	100.137792950	40,055,117.18	40,112,400.00
10,000,000	UNITED STATES TREASURY NOTES	912828KN	1.875	4/30/14	1.298	100.187657700	10,018,765.77	10,057,400.00
200,000	SANTA ROSA N MEX CONS SCH DIST	802751DL	1.000	5/15/14	.507	100.185500000	200,371.00	200,418.00
7,000,000	INTER-AMERICAN DEVELOPMENT BANK	45818WAE	.739	5/20/14	.189	100.190970143	7,013,367.91	7,011,270.00
10,000,000	UNITED STATES TREASURY NOTES	912828KV	2.250	5/31/14	1.346	100.369233300	10,036,923.33	10,087,500.00
1,325,000	CLOVIS N MEX GROSS RCPTS TAX R	189387CV	2.000	6/01/14	.659	100.560409057	1,332,425.42	1,332,936.75
420,000	NEW MEXICO FIN AUTH REV	64711NTE	3.000	6/15/14	.356	101.204795238	425,060.14	424,888.80
200,000	NEW MEXICO FIN AUTH REV	64711NTT	.600	6/15/14	.608	100.000000000	200,000.00	199,960.00
20,000,000	UNITED STATES TREASURY NOTES	912828KY	2.625	6/30/14	.189	101.210045950	20,242,009.19	20,248,400.00
350,000	SANTA FE CNTY N MEX	801889MX	2.000	7/01/14	.304	100.848682857	352,970.39	352,971.50
11,675,000	ALBUQUERQUE NM 2013C	ABQ2013C	.350	7/01/14	.355	100.000000000	11,675,000.00	11,675,000.00
9,175,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313586QR		7/05/14	.164	99.874000000	9,163,439.50	9,164,907.50

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
2,600,000	WESTERN BANK CLOVIS	15985	.450	7/15/14	.450	100.000000000	2,600,000.00	2,600,000.00
2,500,000	WESTERN BANK ALAMOGORDO	78945612	.350	7/22/14	.350	100.000000000	2,500,000.00	2,500,000.00
10,000,000	UNITED STATES TREAS NTS	912828LC	2.625	7/31/14	.201	101.408239700	10,140,823.97	10,145,300.00
1,297,000	FEDERAL AGRICULTURAL MORTGAGE CO	31315LA2	.155	7/31/14	.157	99.909152660	1,295,821.71	1,296,312.59
500,000	RIO RANCH NM PUBLIC SCH DIST 94	767171JU	3.000	8/01/14	.406	101.513034000	507,565.17	507,840.00
435,000	ALAMOGORDO NM MUNI SCH DIST #1	011464HB	2.000	8/01/14	.406	100.931002299	439,049.86	439,310.85
725,000	TRUTH OR CONSEQUENCES N MEX MU G	898439ED	2.000	8/01/14	.508	100.872089655	731,322.65	731,554.00
1,560,000	SAN JUAN CNTY N MEX CENT CONS IN	798359KA	3.000	8/01/14	.254	101.449000000	1,582,604.40	1,584,460.80
2,005,000	GADSDEN N MEX INDPT SCH DIST N	362550KU	2.000	8/15/14	.507	100.930277307	2,023,652.06	2,024,328.20
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACV	1.000	8/27/14	.279	100.474283650	20,094,856.73	20,116,200.00
20,000,000	UNITED STATES TREASURY NOTES	912828TQ	.250	9/30/14	.216	100.025627550	20,005,125.51	20,016,400.00
20,000,000	UNITED STATES TREASURY NOTES	912828LS	2.375	10/31/14	.220	101.783014600	20,356,602.92	20,366,400.00
15,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACY	.750	11/25/14	.176	100.517378067	15,077,606.71	15,079,350.00
10,000,000	UNITED STATES TREAS NTS	912828RV	.250	12/15/14	.330	99.924248600	9,992,424.86	10,008,200.00
4,000,000	CENTURY BANK SANTA FE	17099248	.300	12/30/14	.300	100.000000000	4,000,000.00	4,000,000.00
1,100,000	WESTERN BANK ALAMOGORDO	81185441	.750	12/31/14	.750	100.000000000	1,100,000.00	1,100,000.00
15,000,000	UNITED STATES TREASURY NOTES	912828ME	2.625	12/31/14	.167	102.441406267	15,366,210.94	15,364,500.00
-----					-----			
289,577,000					.007		291,062,714.01	291,300,589.29

====> 0036 ITEMS IN SUBTOTAL FOR ==== FINAL-MATURITY.. ====> 2014 <====

20,000,000	UNITED STATES TREASURY NOTES	912828RZ	.250	1/15/15	.263	99.986813000	19,997,362.60	20,016,400.00
650,000	NEW MEXICO ST	647293NQ	5.000	3/01/15	.426	105.323976923	684,605.85	686,088.00
4,000,000	CENTURY BANK SANTA FE	17099249	.350	3/30/15	.350	100.000000000	4,000,000.00	4,000,000.00

SOURCE: VisualQED

MODEL: INVENTORY

USER: SVIGIL

RUN: 1/17/14 @ 10:07:30

BASIS: TRADE (SIC FROM SECURITY-MASTER)

AS-OF: 12/31/13

AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

STATE OF NEW MEXICO
TREASURER'S OFFICE

POSITION-SIZ	DESCRIPTION	CUSIP#	RATE	MATURITY	YIELD	UNIT-BOOK	CURRENT BK	LOC-MKT-VALUE
20,000,000	UNITED STATES TREASURY NOTES	912828MW	2.500	3/31/15	.316	102.709887550	20,541,977.51	20,568,000.00
20,000,000	UNITED STATES TREASURY NOTES	912828MZ	2.500	4/30/15	.346	102.853308900	20,570,661.78	20,603,800.00
225,000	SANTA ROSA N MEX CONS SCH DIST	802751DM	1.000	5/15/15	.659	100.476946667	226,073.13	226,536.75
20,000,000	UNITED STATES TREASURY NOTES	912828DV	4.125	5/15/15	.311	105.210124450	21,042,024.89	21,064,000.00
1,350,000	CLOVIS N MEX GROSS RCPTS TAX R	189387CW	2.000	6/01/15	.760	101.757440741	1,373,725.45	1,375,974.00
20,000,000	UNITED STATES TREASURY NOTES	912828NL	1.875	6/30/15	.327	102.309704700	20,461,940.94	20,484,400.00
500,000	SANTA FE CNTY N MEX	801889KB	5.500	7/01/15	.436	107.571738000	537,858.69	539,055.00
275,000	SANTA FE CNTY N MEX	801889MY	2.000	7/01/15	.406	102.389821818	281,572.01	281,613.75
405,000	RUIDOSO N MEX WASTEWATER REV	781324AB	2.000	7/01/15	.710	101.936276543	412,841.92	412,921.80
10,000,000	UNITED STATES TREAS NTS	912828NP	1.750	7/31/15	.453	102.041370700	10,204,137.07	10,233,200.00
400,000	RUIDOSO N MEX MUN SCH DIST NO	781338HY	2.000	8/01/15	.568	102.266222500	409,064.89	410,212.00
200,000	ALBUQUERQUE N MEX MUN SCH DIST	013595QU	5.000	8/01/15	.507	107.087085000	214,174.17	214,850.00
350,000	ALAMOGORDO NM MUNI SCH DIST #1	011464HC	2.000	8/01/15	.558	102.282082857	357,987.29	358,935.50
550,000	LAS CRUCES N MEX SCH DIST NO 002	517534SC	2.000	8/01/15	.456	102.441880000	563,430.34	562,545.50
1,100,000	RIO RANCHO N MEX PUB SCH DIST NO	767171ME	2.000	8/01/15	.456	102.441880909	1,126,860.69	1,127,731.00
400,000	SAN JUAN CNTY N MEX CENT CONS IN	798359KB	3.000	8/01/15	.456	103.878000000	415,512.00	416,368.00
15,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3ZA	.500	8/28/15	.450	100.091824533	15,013,773.68	15,030,300.00
15,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACM	1.750	9/10/15	.346	102.374829267	15,356,224.39	15,349,800.00
20,000,000	FED NATL MORTGAGE ASSN DEBS	31398A4M	1.625	10/26/15	.870	101.380498500	20,276,099.70	20,437,000.00
15,000,000	UNITED STATES TREASURY NOTES	912828PJ	1.375	11/30/15	.352	101.948092400	15,292,213.86	15,290,100.00
20,000,000	FNMA	3135G0SB	.375	12/21/15	.457	99.851248000	19,970,249.60	19,969,400.00
15,000,000	UNITED STATES TREAS NTS	912828PM	2.125	12/31/15	.433	103.360158867	15,504,023.83	15,515,700.00

220,405,000					.009		224,834,396.28	225,174,931.30

====> 0025 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2015 <====

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
15,500,000	FEDERAL AGRICULTURAL MORTGAGE CO	31315PVS	.430	1/08/16	.470	99.932524129	15,489,541.24	15,503,875.00
12,500,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31359MH8	5.000	3/15/16	.551	109.757650880	13,719,706.36	13,738,375.00
15,000,000	FANNIE MAE	3135GOVA	.500	3/30/16	.544	99.917746667	14,987,662.00	14,983,800.00
10,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACT	2.500	5/27/16	.486	104.828273300	10,482,827.33	10,465,900.00
1,000,000	NEW MEXICO FIN AUTH REV	64711NSK	4.000	6/01/16	.578	108.219741000	1,082,197.41	1,084,530.00
1,075,000	NEW MEXICO FIN AUTH ST TRANSN	64711RAZ	5.250	6/15/16	.234	102.284000000	1,099,553.00	1,099,198.25
10,000,000	UNITED STATES TREAS NTS	912828QR	1.500	6/30/16	.656	102.087705800	10,208,770.58	10,230,500.00
600,000	RIO RANCHO N MEX PUB SCH DIST NO	767171MF	2.000	8/01/16	.659	103.452593333	620,715.56	621,966.00
475,000	LAS CRUCES N MEX SCH DIST NO 002	517534SD	3.000	8/01/16	.659	106.009802105	503,546.56	502,640.25
250,000	GALLUP MC KINLEY CNTY N MEX SCH	364010QJ	2.000	8/01/16	.720	103.295432000	258,238.58	258,175.00
400,000	SAN JUAN CNTY N MEX CENT CONS IN	798359KC	3.000	8/01/16	.659	105.882000000	423,528.00	424,864.00
25,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACW	2.000	8/25/16	1.295	101.876666000	25,469,166.50	25,852,750.00
20,000,000	UNITED STATES TREASURY NOTES	912828RU	.875	11/30/16	.751	100.355134200	20,071,026.84	20,064,000.00

111,800,000					.018		114,416,479.96	114,830,573.50

====> 0013 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2016 <====

10,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADC	1.000	3/08/17	.767	100.766904600	10,076,690.46	10,016,300.00
15,000,000	FEDERAL HOME LOAN BANKS	313379FW	1.000	6/09/17	.836	100.591363333	15,088,704.50	14,944,050.00
8,000,000	FEDERAL AGRICULTURAL MORTGAGE CO	31315PZT	.650	7/10/17	.874	99.266043625	7,941,283.49	7,873,360.00

33,000,000					.062		33,106,678.45	32,833,710.00

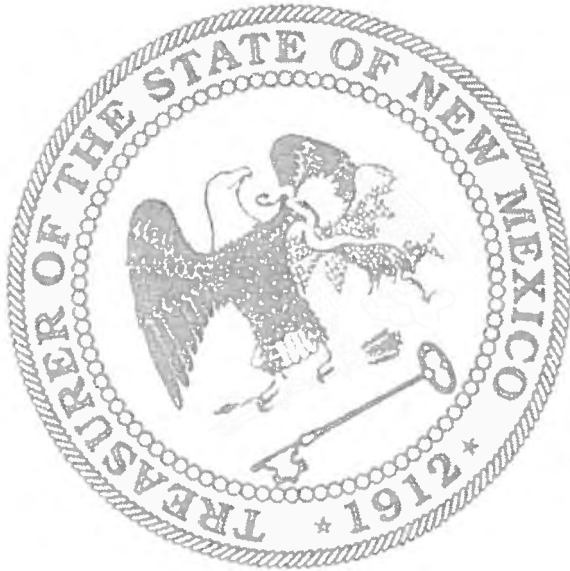
====> 0003 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
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 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
656,090,153					.003		664,728,421.29	665,447,957.09

====> 0078 ITEMS IN SUBTOTAL FOR ====> FUND-NAME..... ====> BOND PROCEEDS INV POOL2 TAXABL <



13. Portfolio Summary- Severance Tax Bonding Fund

Portfolio Summary – Severance Tax Bonding Fund

Summary

- The Severance Tax Bonding Fund¹³ closed the month of December at \$231 Million.
- The Severance Tax Bonding Fund earned over \$15,000 during December.
- The Severance Tax Bonding Fund earned over \$41,000 during FY2014.

Portfolio Mix

- Severance Tax Bonding Fund Proceeds are primarily invested in the overnight repurchase agreement pool.
- 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.
- Severance Taxes are remitted to the Treasury on a monthly basis and range between \$30 and \$35MM per month.
- On December 31st, the STBF will transfer available balances, in excess of debt service needs, to the Severance Tax Permanent Fund.

Investment Strategy

- Due to its short-term nature, investments of three to six month maturities are viable investments for the STBF pool.

¹³ The Severance Tax Bonding Fund as included in this report excludes debt service fund amounts on outstanding Severance Tax and Supplemental Severance Tax Bonds and Notes. Such debt service balances are included in, and reported on, the Tax-Exempt Bond Purchase Investment Pool.

STATE OF NEW MEXICO
STB FUND (4001)
Portfolio Classification Summary
Positions Held as of 12/31/13 (TRADE Basis)

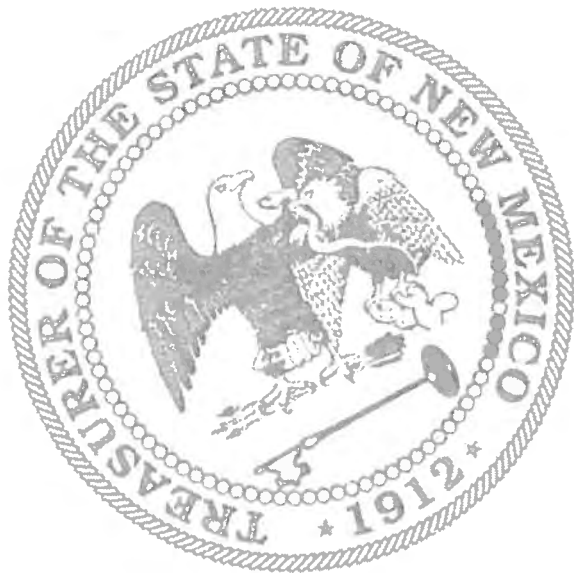
AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	2	.0101	.00550	118,410,789	118,410,789	118,410,789		85.396
US TREASURY NOTE ACT/ACT 2X	1	.0895	.49590	20,000,000	20,252,036	20,248,400	-3,636	14.603
UNITS - INVESTMENT POOL 1	1			1,319	1,319	1,319		.001
	<u>4</u>	<u>.0217</u>	<u>.07636</u>	<u>138,412,108</u>	<u>138,664,144</u>	<u>138,660,508</u>	<u>-3,636</u>	<u>100.000</u>

SOURCE: VisualQED
 MODEL: INVENTORY
 USER: SVIGIL
 RUN: 1/17/14 @ 10:07:30
 BASIS: TRADE (SIC FROM SECURITY-MASTER)
 AS-OF: 12/31/13
 AMRTZD: BOOK VALUES AMORTIZED THROUGH 12/31/13

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-BOOK	CURRENT BK	LOC-MKT-VALUE
1,319 UNITS -	INVESTMENT POOL 1	UNITS001				1.000242608	1,319.32	1,319.00
1,319					1559.0		1,319.32	1,319.00
====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> NO-MEANINGFUL-DATE <====								
20,000,000	UNITED STATES TREASURY NOTES	912828KY	2.625	6/30/14	.090	101.260180400	20,252,036.08	20,248,400.00
20,000,000					.102		20,252,036.08	20,248,400.00
====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2014 <====								
20,001,319					.102		20,253,355.40	20,249,719.00
====> 0002 ITEMS IN SUBTOTAL FOR ====> FUND-NAME..... ====> STB FUND <====								



14. Broker Dealer Activities

Broker-Dealer Activities

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

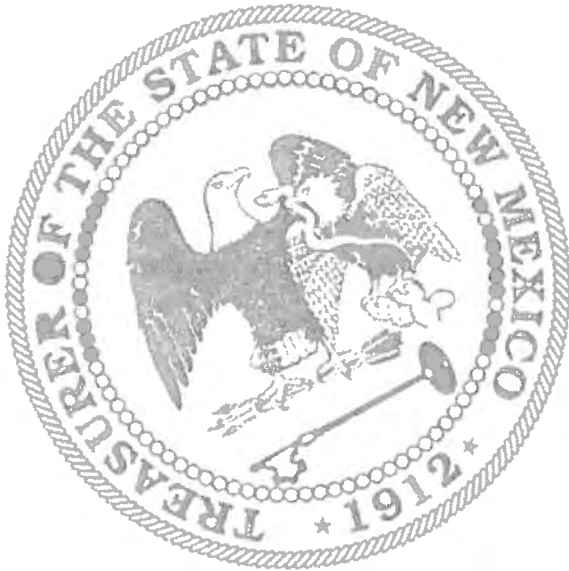
New Mexico Offices

As required by the investment policy, the following broker-dealers or associated companies maintain offices in New Mexico:

BNP Paribas	Bank of the West	Various Locations
BOSC	Bank of Albuquerque	Various Locations
Citigroup	OneMain Consumer Finance	Various Locations
Fidelity Capital Markets	Fidelity Investments	Albuquerque, NM
George K. Baum & Company		Albuquerque, NM
BA Merrill Lynch	Bank of America	Various Locations
Morgan Stanley		Various Locations
Raymond James & Associates		Various Locations
Southwest Securities		Albuquerque, NM
UBS		Various Locations
Wells Fargo Securities	Wells Fargo Bank	Various Locations

STATE OF NEW MEXICO
Summary of Fixed-Income Purchases and Sales
TRADES During The Period 12/01/13 Through 12/31/13

TXN-DATE	CUSIP#	ASSET-TYPE	INVT#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
PURCHASE TRANSACTIONS													
12/17/13	1623135	CERTIFICATES OF	20513	SOUTHWEST CAPTIAL BANK	.250	6/17/14	.2500	SYSTEM - UNIDEN	1000	10,000,000.00	10,000,000.00		
12/30/13	17099248	CERTIFICATES OF	20595	CENTURY BANK SANTA FE	.300	12/30/14	.3000	SYSTEM - UNIDEN	4002	4,000,000.00	4,000,000.00		
12/30/13	17099249	CERTIFICATES OF	20596	CENTURY BANK SANTA FE	.350	3/30/15	.3500	SYSTEM - UNIDEN	4002	4,000,000.00	4,000,000.00		
12/23/13	912828PJ	US TREASURY NOT	20571	UNITED STATES TREASURY	1.375	11/30/15	.3518	CITI GROUP	4000	15,000,000.00	15,294,726.56		
12/23/13	912828PJ	US TREASURY NOT	20572	UNITED STATES TREASURY	1.375	11/30/15	.3518	CITI GROUP	4002	15,000,000.00	15,294,726.56		
12/30/13	912828RU	US TREASURY NOT	20608	UNITED STATES TREASURY	.875	11/30/16	.7514	UBS	4002	20,000,000.00	20,071,093.75		
12/31/13	912828ME	US TREASURY NOT	20626	UNITED STATES TREASURY	2.625	12/31/14	.1670	WELLS FARGO SEC	4002	15,000,000.00	15,366,210.94		
12/31/13	912828SY	US TREASURY NOT	20609	UNITED STATES TREASURY	.625	5/31/17	1.0088	BANK OF AMERICA	1001	20,000,000.00	19,742,968.75		
12/06/13	313382M4	AGENCY US BOND	20458	FEDERAL HOME LOAN BANKS	.125	3/27/14	.1104	BARCLAYS	4101	5,000,000.00	5,000,225.00		
12/09/13	313382M4	AGENCY US BOND	20458	FEDERAL HOME LOAN BANKS	.125	3/27/14	.1103	BARCLAYS	4101	5,000,000.00	5,000,220.00		
12/12/13	3133ECL7	AGENCY US BOND	20495	FEDERAL FARM CREDIT BAN	.200	10/15/14	.1773	STIFFEL NICOLAU	4101	1,331,000.00	1,331,252.89		
12/16/13	313383QG	AGENCY US BOND	20503	FEDERAL HOME LOAN BANKS	.190	7/24/14	.1463	BARCLAYS	4101	5,000,000.00	5,001,315.00		
12/04/13	313385XJ	AGENCY US DISC	20443	FEDERAL HOME LOAN BANKS		5/28/14	.1221	TD SECURITIES	4101	7,500,000.00	7,495,552.08		
12/06/13	313397XT	AGENCY US DISC	20457	FEDERAL HOME LOAN MORTG		6/06/14	.1351	GOLDMAN SACHS	4101	2,400,000.00	2,398,362.00		
12/19/13	313385UL	AGENCY US DISC	20556	FEDERAL HOME LOAN BANKS		3/19/14	.1100	NOMURA	4101	10,000,000.00	9,997,280.56		
12/31/13	31358C7G	AGENCY US DISC	20610	FEDERAL NATIONAL MORTGA		11/15/14	.2265	WELLS FARGO SEC	4101	9,000,000.00	8,981,973.45		
12/03/13	3137EADC	AGENCY US NOTES	20441	FEDERAL HOME LOAN MORTG	1.000	3/08/17	.7559	BMO CAPTIAL MAR	4000	10,000,000.00	10,078,500.00		
12/03/13	3137EADC	AGENCY US NOTES	20442	FEDERAL HOME LOAN MORTG	1.000	3/08/17	.7559	BMO CAPTIAL MAR	4002	10,000,000.00	10,078,500.00		
12/30/13	3137EACY	AGENCY US NOTES	20607	FEDERAL HOME LOAN MORTG	.750	11/25/14	.1744	BMO CAPTIAL MAR	4002	15,000,000.00	15,077,850.00		
12/31/13	3137EACM	AGENCY US NOTES	20606	FEDERAL HOME LOAN MORTG	1.750	9/10/15	.3408	DEUTSCHE BANK S	4002	15,000,000.00	15,356,835.00		
12/17/13	364010QJ	MUNI US 30/360	20524	GALLUP MC KINLEY CNTY N	2.000	8/01/16	.7102	MORGAN STANLEY	4002	250,000.00	258,352.50		
12/17/13	798359KB	MUNI US 30/360	20543	SAN JUAN CNTY N MEX CEN	3.000	8/01/15	.4500	MORGAN STANLEY	4002	400,000.00	415,512.00		
12/17/13	798359KC	MUNI US 30/360	20544	SAN JUAN CNTY N MEX CEN	3.000	8/01/16	.6501	MORGAN STANLEY	4002	400,000.00	423,528.00		
12/16/13	STN2013S	MUNICIPAL BOND	20514	STN SERIES 2013S-D	.210	12/31/13		BROKER DIRECT	1000	15,224,855.00	15,224,855.00		
12/16/13	STN2013S	MUNICIPAL BOND	20515	STN SERIES 2013S-E	.210	12/31/13		BROKER DIRECT	1000	110,000,000.00	110,000,000.00		
12/17/13	798359KA	MUNICIPAL BOND	20545	SAN JUAN CNTY N MEX CEN	3.000	8/01/14	.2509	MORGAN STANLEY	4002	1,560,000.00	1,582,604.40		
26 PURCHASES DURING PERIOD TOTAL.....										326,065,855.00	327,472,444.44		
=== GRAND-TOTAL ==>										326,065,855.00	327,472,444.44		
*** END-OF-REPORT ***													



15. State Agency Deposit Balances




James B. Lewis
State Treasurer

STATE OF NEW MEXICO
OFFICE OF THE TREASURER

Marilyn L. Hill
Deputy State Treasurer

P. O. Box 5135
2055 South Pacheco, Suite 100
Santa Fe, New Mexico 87505
Phone: (505) 955-1120
FAX (505) 955-1195

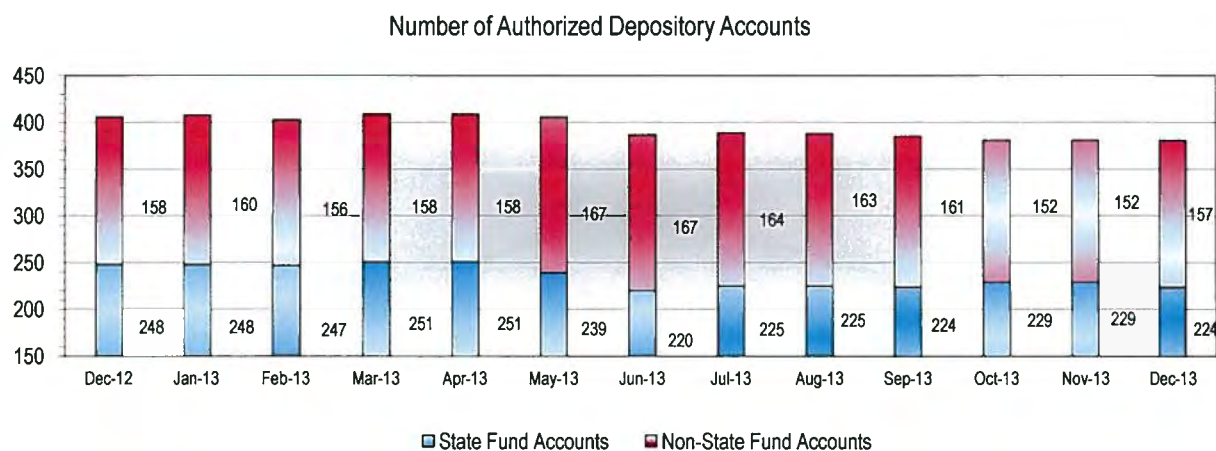
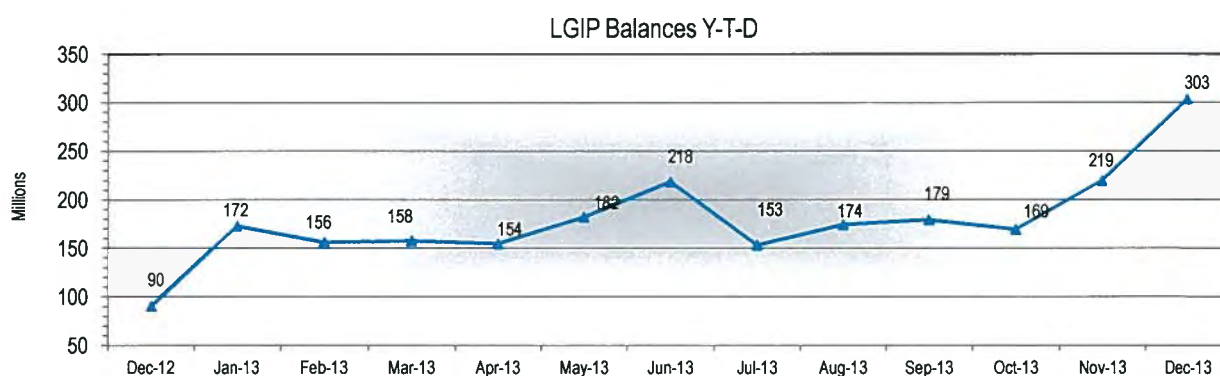
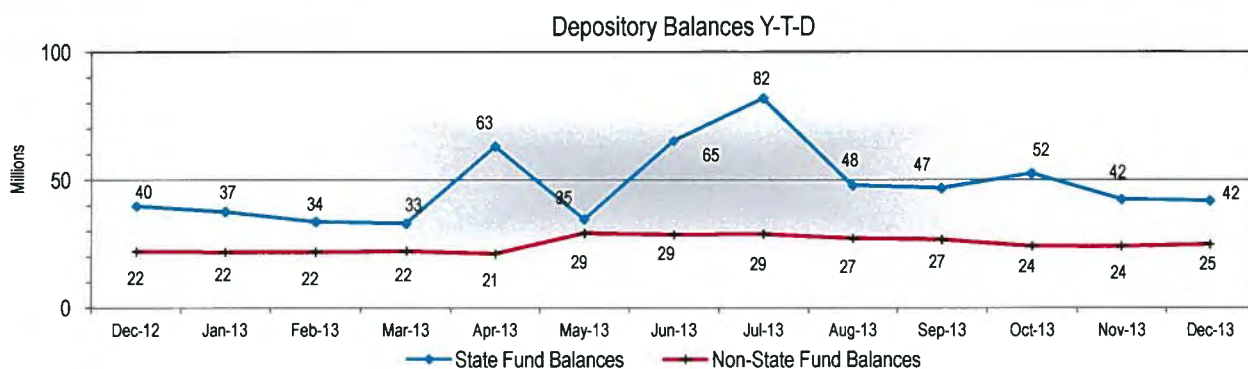
Date: Jan 27, 2014
To: James B. Lewis, State Treasurer
For: Governor Martinez and Members of the State Board of Finance
From: Samuel K. Collins, Jr., State Cash Manager 
Subject: State Fund Deposit Activity for the month ending December 31, 2013

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 December 31, 2013.

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. Agencies are also advised not to make any new deposits 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, 2013

(Attachments)

Depository Account Summary -December 2013



Depository accounts authorized in Dec 2013 pursuant to Section 6-1-13 NMSA :

Depository accounts opened in Dec 2013 1 13th Judicial District Court

Depository accounts closed in Dec 2013 2 Health Dept
 1 13th Judicial District Court

Depository Account Summary by Agency

December 2013

<u>STATE FUNDS</u>			<u>NON-STATE FUNDS</u>		
AGENCY	# OF ACCTS.	BALANCE	AGENCY	# OF ACCTS.	BALANCE
AOC (fines, fees etc.)	52	\$3,366,949	AOC	50	\$0
BERN. CO. METRO COURT	2	\$769,167	1ST JUDICIAL DIST. COURT	3	\$1,777,270
1-13 DISTRICT ATTORNEY	5	\$45,011	2ND JUDICIAL DIST. COURT	2	\$1,412,194
EDUCATION RETIREMENT BOARD	1	\$94,552	3RD JUDICIAL DIST. COURT	2	\$1,142,645
TAXATION & REVENUE DEPT.	31	\$128,088	4TH JUDICIAL DIST. COURT	4	\$73,240
PUBLIC SCHOOL INS. AUTHORITY	6	\$26,302,804	5TH JUDICIAL DIST. COURT	3	\$1,457,441
NMRHCA	1	\$0	6TH JUDICIAL DIST. COURT	3	\$319,926
PUBLIC DEFENDER	1	\$455	7TH JUDICIAL DIST. COURT	4	\$123,138
SECRETARY OF STATE	1	\$0	8TH JUDICIAL DIST. COURT	4	\$202,874
STATE TREASURER (JDC)	35	\$296,180	9TH JUDICIAL DIST. COURT	2	\$577,672
STATE TREASURER (OTHER INVEST)	0	\$0	10TH JUDICIAL DIST. COURT	2	\$487,556
NM RACING COMMISSION	6	\$94,614	11TH JUDICIAL DIST. COURT	10	\$1,880,924
SPACEPORT AUTHORITY	0	\$0	12TH JUDICIAL DIST. COURT	4	\$833,807
DEPT. OF GAME & FISH	2	\$91,296	13TH JUDICIAL DIST. COURT	60	\$9,312,741
SOUTHWEST REGION ED.	1	\$2,520,856	BERNALILLO CO. METRO COURT	2	\$137,212
ENERGY & MINERALS	4	\$386,478	6TH DISTRICT ATTORNEY	3	\$22,509
COMMISSION PUBLIC LAND	2	\$43,894	7TH DISTRICT ATTORNEY	1	\$1,701
STATE ENGINEER'S OFFICE	4	\$745,458	10TH DISTRICT ATTORNEY	1	\$273
IRRG WKS CONST	1	\$252,388	11TH JUDICIAL DIST. ATTORNEY	1	\$2,128
HUMAN SERVICES DEPT.	6	\$26,465	ATTORNEY GENERAL	1	\$2,331
WORKFORCE SOLUTIONS	5	\$859,307	LGIP	4	\$303,106,593
DIVISION OF VOCATIONAL REHAB	1	\$47,378	PUBLIC REG. COMMISSION	2	\$628,984
MINER'S HOSPITAL	5	\$4,432,785	NM STATE FAIR	5	\$1,244,568
DEPARTMENT OF HEALTH	39	\$818,210	SOUTHWEST REGION ED.	1	\$15
ENVIRONMENT DEPARTMENT	1	\$0	MINER'S HOSPITAL	1	\$2,074
CORRECTIONS DEPARTMENT	5	\$1,626	DEPARTMENT OF HEALTH	11	\$773,011
DEPT. OF PUBLIC SAFETY	2	\$32,351	CHILDREN, YOUTH & FAMILIES	6	\$92,488
HIGHWAY & TRANSPORTATION	4	\$1,055	CORRECTIONS DEPARTMENT	12	\$1,954,034
CENTRAL REGIONAL CO-OP	1	\$335,101	DEPT. OF PUBLIC SAFETY	2	\$22,507
			CENTRAL REGION CO-OP	1	\$326,284

sub-total: 157 \$327,918,140

sub-total: 224 \$41,692,468

Total Depository Balance: \$369,610,608
Total Depository Accounts: 381

State Fund Balances by Financial Institution

Dec-2013

First National Bank/Alamogordo	\$ 112,981
Bank of America/Albuquerque	\$ 895,360
Wells Fargo Bank/Albuquerque	\$ 31,698,505
Compass Bank/Albuquerque	\$ 2,610,049
Bank of the West/Albuquerque	\$ 603
First American Bank/Artesia	\$ 60,659
My Bank/Belen	\$ 6,894
Carlsbad National Bank/Carlsbad	\$ 800
Western Commerce Bank/Carlsbad	\$ 105,105
Farmers/Stockmens Bank/Clayton	\$ 31,915
First National Bank/Clayton	\$ 4,447,721
Citizens Bank/Clovis	\$ 117,731
NM Bank & Trust/Albuquerque	\$ 172,706
Community Bank/Santa Fe	\$ 1,677
Valley National Bank/Espanola	\$ 500
Grants State Bank/Grants	\$ -
Lea County State Bank/Hobbs	\$ 183,693
Southwest Capitol/Las Vegas	\$ 130,817
Community 1st Bank/Las Vegas	\$ 374,548
Western Bank/Lordsburg	\$ 48,537
Los Alamos National Bank/Los Alamos	\$ 44,217
International Bank/Raton	\$ 171,538
Valley Bank of Commerce/Roswell	\$ 116,588
First State Bank/Socorro	\$ 7,788
Centinel Bank/Taos	\$ 84,723
US Bank/Albuquerque	\$ 76,774
Bank of the Southwest/Roswell	\$ 152,247
People's Bank	\$ 17,337
AmBank	\$ 20,455

Total: \$ 41,692,468



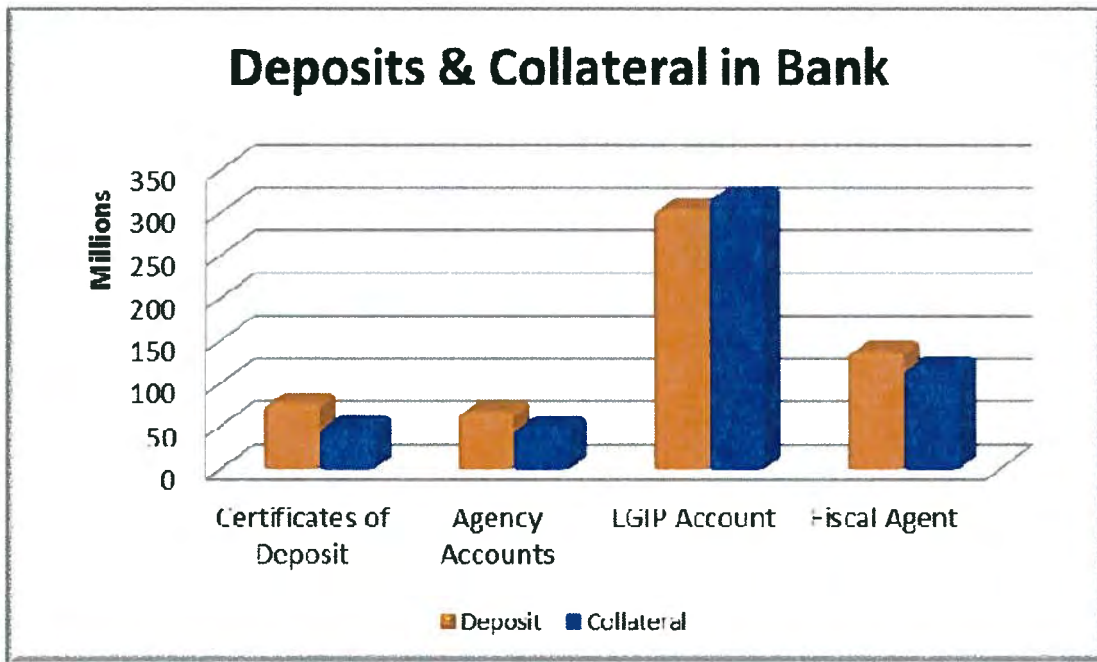
16. Collateral Report on Agency Deposits

Office of the Treasurer

Collateral Summary Review

December 31, 2013

All depository institutions holding public funds for the month ending December 2013 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

	<u>Deposit</u>	<u>Collateral</u>	<u>Percentage</u>
Certificate of Deposit	\$ 76.0 Million	\$ 49.0 Million	64.5%
Agency Deposit	65.9 Million	47.9 Million	72.6%
LGIP Deposits	303.1 Million	317.3 Million	104.7%
Fiscal Agent	136.9 Million	117.9 Million	86.1%
Totals →	581.9 Million	532.0 Million	91.4%



Office of the Treasurer

Collateral Review

Accumulated Total by Institution

December 31, 2013

FINANCIAL INSTITUTION	%	TOTAL DEPOSITS	FDIC / NCUA INSURANCE	LESS INSURANCE COVERAGE	SUBJECT TO BE COLLATERALIZED	COLLATERAL PLEDGED	EXCESS (UNDER)
First National - Alamogordo	50%	537,789	250,000	287,789	143,895	200,636	56,741
Western - Alamogordo	75%	3,600,000	250,000	3,350,000	2,512,500	3,278,903	766,403
Bank of America	50%	1,094,740	250,000	844,740	422,370	4,094,046	3,671,676
Bank of the West	50%	139,822,920	250,000	139,572,920	69,786,460	140,328,300	70,541,840
BBVA Compass	50%	2,610,064	250,000	2,360,064	1,180,032	4,303,262	3,123,230
US Bank	50%	31,167,819	250,000	30,917,819	15,458,910	35,000,000	19,541,091
Wells Fargo	50%	185,094,894	250,000	184,844,894	92,422,447	176,093,342	83,670,895
First American	50%	60,659	60,659	0	0	0	0
My Bank	102%	180,353	180,353	0	0	0	0
Carlsbad National	50%	800	800	0	0	0	0
Western Commerce	50%	4,105,105	250,000	3,855,105	1,927,553	2,283,042	355,490
Farmers & Stockmen	50%	10,065,028	250,000	9,815,028	4,907,514	5,118,633	211,119
First National - Clayton	50%	4,447,721	250,000	4,197,721	2,098,861	2,206,569	107,708
Bank of Clovis	50%	577,672	250,000	327,672	163,836	577,672	413,836
Citizens - Clovis	50%	117,731	117,731	0	0	0	0
NM Bank & Trust	50%	172,706	172,706	0	0	267,648	267,648
Western - Clovis	50%	3,100,000	250,000	2,850,000	1,425,000	2,205,816	780,816
Valley National	102%	500	500	0	0	0	0
Pinnacle	50%	0	0	0	0	0	0
Grants State	50%	88,284	88,284	0	0	0	0
Lea County State	102%	183,693	183,693	0	0	100,000	100,000
Citizens - Las Cruces	50%	3,596	3,596	0	0	0	0
Southwest Capital	50%	10,671,353	250,000	10,421,353	5,210,677	5,425,809	215,132
Community 1st - Las Vegas	102%	374,548	374,548	0	0	609,852	609,852
Western - Lordsburg	50%	98,650	98,650	0	0	0	0
Los Alamos National	102%	44,217	44,217	0	0	0	0
James Polk Stone Communi	50%	326,284	250,000	76,284	38,142	160,305	122,163
International	50%	201,911	201,911	0	0	0	0
Bank of the Southwest	50%	504,063	250,000	254,063	127,032	248,343	121,312
Valley Commerce	50%	116,588	116,588	0	0	0	0
Century	50%	29,628,984	250,000	29,378,984	14,689,492	18,367,280	3,677,788
Community	102%	187,715	187,715	0	0	0	0
First National - Santa Fe	50%	10,000,000	250,000	9,750,000	4,875,000	7,777,029	2,902,029
First State	50%	51,408	51,408	0	0	0	0
AM	75%	20,455	20,455	0	0	0	0
Centinel	50%	84,723	84,723	0	0	0	0
Peoples	102%	17,337	17,337	0	0	0	0
BANK'34	102%	2,000,000	250,000	1,750,000	1,785,000	2,330,951	545,951
Union Savings	50%	4,000,000	250,000	3,750,000	1,875,000	3,719,378	1,844,378
Guadalupe Credit	50%	250,000	250,000	0	0	0	0
		445,610,310	7,005,874	438,604,436	221,049,718	414,696,813	193,647,095

LGIP Bank Deposits December 31, 2013

<u>Financial Insitution</u>	<u>Percentage</u>	<u>Deposit</u>	<u>Collateral</u>
Bank of the West	100.4%	138,683,268	139,287,939
US Bank	116.2%	30,112,420	35,000,000
Wells Fargo	106.5%	134,310,904	143,021,240

