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STATE TREASURER'S INVESTMENT COMMITTEE
Treasurer's Conference Room
Wednesday, May 9, 2012, 9:00 a.m.

MEETING AGENDA (5 Min)

Roll Call

Introduction of Guests and Presenters

1. Approval of May 9, 2012 Agenda
2. Approval of April 11, 2012 Minutes
3. Public Member Update: Approval Mr. Paul Cassidy

Action
Action
Informational

INVESTMENT REPORTS (60 min)

4. Executive Summary
5. Investment Policy Compliance Report
6. Quarterly Investment Strategy
7. Portfolio Summary – General Fund and Cash Projection
8. Portfolio Summary -- Local Government Investment Pool (LGIP)
9. Portfolio Summary -- Tax-Exempt Bond Proceeds Investment Pool
10. Portfolio Summary -- Taxable Bond Proceeds Investment Pool
11. Portfolio Summary -- Severance Tax Bonding Fund
12. Broker Dealer Activities

Month Ended
March 31, 2012

Informational
Informational
Informational
Informational
Informational
Informational
Informational
Informational/Action

CASH MANAGEMENT
& COLLATERAL REPORTS (10 Min)

13. State Agency Deposit Balances
14. Collateral Report on Agency Deposits & CD

Month Ended
March 31, 2012

Informational
Informational

COMMITTEE REPORTS (50 min)

15. Benchmark Memo
16. State Bond Issue Participation
17. 3/2012 Quarterly Report, Deanne Woodring, DFI
18. STIC Open Discussion
19. LGIP Process Review FY 2012
20. Audit FY 2011
21. Question Period
22. Next Meeting –Wednesday, June 13, 2012, 9:00 am
23. Adjournment

Discussion/Action
Informational
Informational
Information
Informational
Informational

New Mexico State Treasurer's Office

STIC Committee Meeting

Meeting Minutes

Wednesday, April 11, 2012

I. Call to order

Madame Chair, Linda Roseborough called to order the meeting of the **STIC Committee** at **9:00 am** on **April 11, 2012** in **NMSTO Conference Room**.

II. Roll call

The following Committee Members were present:

Deputy Treasurer, Mark Valdes for the Honorable Treasurer, James B. Lewis

Madame Chair, Linda Roseborough STO Chief Investment Officer

Paul Boushelle, Public Member

Paul Cassidy, Public Member

Stephanie Schardin Clarke, Board of Finance Director

Presenters

Spencer Wright, STO Portfolio Manager (PM)

Vikki Hanges, STO Portfolio Manager (PM)

Sam Collins, STO State Cash Manager

Other Attendees

Kirene Bargas Guardado, STO

Amy Aguilar, STO

Yasmin Dennig, STO General Counsel

Deanne Woodring, Davidson Fixed Income Management (Via Teleconference)

III. Approval of Agenda

Madame Chair Roseborough asked for changes or objections to the agenda. The agenda was moved by Member Boushelle and seconded by Deputy Treasurer Valdes and was unanimously approved and adopted.

No questions, comments, or discussion.

IV. Approval of Minutes

Madame Chair Linda Roseborough asked for a motion to approve the prior meeting minutes with revisions by Member Cassidy that were cosmetic in nature.

Member Boushelle noted that on page 9 of the minutes Member Cassidy asked for an update of the Compliance Officer position. Member Boushelle noted that in his opinion, the Compliance Officer should not be reporting to the Treasurer. He noted that an auditor typically only reports to the board in business, and that he would assume that the STO Compliance Officer should report to an audit committee of the STIC made up of two public members and Member Schardin Clarke. He recommended the independent members of the STIC as these individuals which are individuals that have nothing to do with the internal workings of the organization, and therefore should be able to be quite

objective about occurrences, and would give the Compliance Officer someone to report to in tricky situations.

Member Boushelle also noted that Treasurer Lewis is the most honorable person he has ever known, but within the past 30 years there have been a number of not so honorable state treasurers. So the Compliance Officer, which he felt that STO really needs, should report to someone independent of the control of the office.

Member Schardin Clarke noted that a subcommittee should not be large enough to be a quorum, 3 out of 5 would be majority, so there could only be 2 on this committee.

Member Boushelle noted that it should only be one public member, in his opinion; and Member Schardin Clarke who should be on the committee because of her knowledge.

Member Boushelle noted that he did not remember a discussion regarding lines of reporting for a potential auditor being discussed in the last meeting.

Secretary Bargas stated that the information was recorded, and it was addressed by the Treasurer.

Deputy Treasurer Valdes stated that the STIC committee is not statutorily created, that it was set up in the investment policy.

He added that the original intent of the Compliance Officer is to report to the Treasurer, although, in addition to the Treasurer, if anything that was found, the Compliance Officer could automatically go to the Director of the Board of Finance, the State Auditor, or the Attorney General. That is how the position was originally set up in around 2006 when Doug Brown was Treasurer.

Deputy Treasurer Valdes also noted that he thinks it is difficult to have a permanent position reporting strictly to this committee because this is an advisory type committee and doesn't really have any statutory responsibilities, so it would be difficult to have the Compliance Officer report to this committee. It could be one of the entities they report to, but, that was not the original intent of the office when the position was first created. He also noted for the committee's benefit that the position has been vacant probably for almost 3 years.

Member Boushelle then noted that he understood Deputy Treasurer Valdes' comments, but, if that were actually the case then there was no point of Member Cassidy and he being a part of the STIC Committee. He added his concern that if the committee member's opinions or recommendations were unimportant and that if the STIC had no power within the office then his participation was unnecessary. He noted that he did not believe this was the reason that the STIC committee was designed to accomplish.

Madame Chair Roseborough then thanked Member Boushelle, and noted that she would like to take his concerns under advisement. Further, that she would not entertain a motion regarding the auditor position or the role of the STIC. She asked that she be allowed to have a discussion with the Treasurer and STO staff and she would come back to the committee with thoughts or a recommendation on how the future potential position could be created and structured. Member Boushelle then asked why there was no desire on the part of STO to fill the position.

Madame Chair Roseborough answered that she believed that the position could not be filled due to budgetary pressures. She followed up by asking Deputy Treasurer Valdes to comment further.

Deputy Treasurer Valdes noted that at this point and time we do have the budget and authority to hire and fill probably two vacant positions. In his opinion, the Treasurer has not actively directed to move forward with filling the audit position.

Deputy Treasurer Valdes noted he would discuss this with the Treasurer upon the Treasurer's return to the office. He also added that it possibly would also be discussed at the next upcoming STO executive meeting, and would discuss the fact that there is budget for the position, and will ask if he would like to proceed with hiring the position. Deputy Treasurer Valdes also noted that he would definitely remind him because we do have in the budget and will propose a hire date of May for budget purposes. So it would definitely be brought to the Treasurer's attention for proceeding.

Member Boushelle asked if there was a formal job description written for the Compliance Officer or Audit position.

Deputy Treasurer Valdes noted that there is one, and that an employee performance document had been written previously, and that at one point it was a Compliance Officer. Later an internal audit function was added, but, the individual in the position did not have the background to be an auditor, so it was taken out in a subsequent year, but it is in place, and the position is General Manager, which is a very high level position. But an Accountant/Auditor type position would probably be used, if it was filled.

Member Boushelle noted that he is bringing this up because it was brought up two or three months in a row by Member Cassidy, and he has as well, and he really wishes the problem be resolved.

Madame Chair Roseborough again thanked Member Boushelle and stated the conversation will be part of the records in next month meeting minutes, and that staff will take this forward, speak to the Treasurer, and come back to the committee with a recommendation or plan of action; and, or comments.

Member Cassidy noted that he would like to echo what Member Boushelle is saying, and that he appreciates the thoughtful manner in which Member Boushelle has approached this issue, and that he believes that Member Boushelle is absolutely right in his concerns.

Member Cassidy added that an independent auditor should not report to the person that heads up the entity. It should be to the independent members. Member Cassidy also noted that we are not an independent board, however, organized under state law, as Deputy Treasurer Valdes suggests we is strictly advisory, so that is a conundrum, so he looks forward to a report back.

Deputy Treasurer Valdes noted that if that Compliance Officer discovered an issue with the Deputy Treasurer or the Treasurer; then if the Treasurer is on this board then they possibly may not be comfortable coming to this board. Deputy Treasurer Valdes indicated that in that case he could see that the individual may have to make the decision to contact Member Schardin Clarke for example. Deputy Treasurer Valdes noted that the Treasurer is on that board, so the individual may make the decision to go up a little bit more to the Attorney General or the State Auditor.

Deputy Treasurer Valdes stated that it depends on what the report is, but I think this board is one of the places this individual could report to, depending on who it involves, and depending on what the issue was.

Member Schardin Clarke noted that the State Treasurer adopted a whistle blower policy that would apply to any employee, not just the Compliance Officer.

Deputy Treasurer Valdes noted the statement Member Schardin is correct.

Member Boushelle noted that he still he agrees that going directly to the State Treasurer or to the Deputy Treasurer for example, is why if we could resolve this as Member Schardin Clarke has brought up, to say that this committee exists, but have an audit committee. There is no reason why I can't see why we exist as a committee, why we can't say as a committee, we have an audit committee.

Madame Chair Roseborough noted the comments are very sound, thanked the committee and proposed that we come back to the committee with feedback from Treasurer Lewis

Member Schardin Clarke noted that the discussion about the committee being advisory was correct, but suggested that there were a certain few things that need to be approved by this committee before they go to the Board of Finance for approval. For example, the STO Investment Policy, the STO Broker Dealer List. She added that the Investment Policy was approved by this committee. She also added that while the Board of Finance doesn't approve individual transactions in the investment of funds; anything that is invested does have to conform to the Investment Policy and be traded with someone on the Broker Dealer List.

Member Schardin Clark agreed that it is an advisory role that this committee has, but in some ways it extends beyond that through those approval authorities.

Madame Chair Roseborough addressed the committee and asked if there was further discussion regarding this issue.

The minutes were moved by Member Schardin Clarke and seconded by Member Boushelle subject to the changes proposed by Member Cassidy.

No questions, comments, or discussion.

A vote was taken and all present members voted yes.

No questions, comments, or discussion.

V. Executive Summary, PM Wright

The executive summary contents were presented in its entirety.

PM Wright noted that there is a minor typo on the second page related to the Fiscal Agent Bank balances of approximately \$122 million should have been \$130 million.

PM Wright asked for any questions.

Member Cassidy asked if the PMs could comment on the shape of the yield curve.

PM Hanges responded that in her expectation, the yield curve would remain steep, probably until the Fed start raising rates.

PM Wright also responded by noting that the 5-year area the long ascent of our maturity spectrum, which is the pivot point for the yield curve. The curve through the 2 year area is really flat, and picks up within the three to four to five year area. He noted that STO's strategy for investing in that five year area has been a good strategy. In February and throughout the month of March we have taken advantage of the steepness of the curve and we have actually been able to sell securities in the short end, and securities which are

now a one-year security, we have reinvested it at a longer end, booking a profit, as well as increasing the over- all portfolio yield.

Madame Chair Roseborough noted that it has been nice because of Sam Collins and his group have tightened up the cash management forecast, which enables us to lower the liquidity dollars and increase the core dollars.

Member Cassidy asked if Cash Manager Collins was going to do a follow up with the LFC to try and tighten that up due to last month's comments from LFC.

State Cash Manager Sam Collins noted that he is following up with LFC.

Cash Manager Collins noted that he has met with David Abby and his staff, and with Scott Smith and have gone through, with what they do, and they showed us the projection, where they project where the year is going to come up. So I can more intelligently answer your question from last month, and it will tell us how we will look at the end of Fiscal Year.

PM Wright complimented Cash Manager Collins and his group for pulling the numbers together, which has allowed us to see how we can change our ratio, as the Madame Chair Roseborough mentioned, between the General Fund and CORE fund. He added that this work has allowed more to be invested in the CORE Fund, without sacrificing safety and liquidity.

Member Cassidy asked another question, on the investment strategy regarding the relative weighting of ABS and MBS in the portfolio. He wondered if it would be possible to estimate the investment returns that we may be giving up as a result of the under-weight situation.

PM Wright addressed the committee and noted that in those sectors there is potential that we are giving up something; and that the MBS market has been really smacked around by what has been going on in the housing market, although, their issuance is dramatically lower. One of the things that is happening in the home lending market place is there has been a marked pull back from private lenders, and we have seen the ratio of private lending vs. government lending unchanged in the housing market. Investors have been frightened by some of the sweeping negotiations that have been happening with the banks.

Member Cassidy mentioned Fannie and Freddie.

PM Wright responded exactly; Fannie and Freddie.

No further questions, comments, or discussion.

VI. Investment Policy Compliance Report, PM Wright

The investment policy compliance report contents were presented in its entirety.

PM Wright asked for any questions.

No further questions, comments, or discussion.

VII. General Fund and Cash projections, PM Wright

The general fund and cash projection contents were presented in its entirety.

PM Wright called the Committee's attention to page 25 and noted the summary chart of the General Fund balances, breaking out the CORE portion; the liquidity portion; and the

amount that we have at our fiscal agent bank. We have changed the ratio of core to liquidity. Our low point over the past year as Cash Manager Collins's group projections affirm that our low point of the year is in the middle of March, so we are through that point for the year. PM Wright was asked why the General Fund has higher balance from last year.

He responded that there are a number of factors, which are good tax returns, a much more grasp stance by the State Cash Manager on overdraft accounts, where we have lent money to agencies in the anticipation of collections from the feds.

He noted that the Cash Manager Collins and his group have really worked hard to get those collections to come in so much faster.

PM Wright asked for any questions.

Member Schardin Clarke asked about the balance at January month-end being about \$300 million higher than the balance at December month-end, but now has come back down by about the same amount. She wondered if that was a timing issue that was going on at January month-end.

PM Wright responded that March is traditionally the low point for the year and would expect to see a build up over the next few months.

Member Schardin Clarke asked about a particularly high spike in balances for January. In her opinion, it seemed that January would benefit from the time between retail gross receipts tax vs. income tax returns starting to go out, so it would make sense that there would be little bit of a peak in January. But in her opinion, it looked particularly high.

Cash Manager Collins responded, yes, and noted that he saw it was Christmas gross receipts tax that would have been collected in December, and then remitted in January

Member Schardin Clarke noted that maybe it was a good retail season.

Deputy Treasurer Valdes noted that he is consistently seeing when compared to last year we have higher balances. For example, he noted that as of March 31st we are half a billion up from the prior year, so it looks like state revenues are in somewhat of a recovery mode. He also noted that the increase in cash balances have been pretty consistent now for about four or five months.

PM Wright noted that, as this chart says we are up 400 at the end of February, and up 500 at the end of March, so it is good.

Member Cassidy asked for clarification; that when the Gross Receipts are collected do they need to be remitted to the political sub-divisions to which they are due? Or, does all that money land in the General Fund?

Cash Manager Collins responds, it is collected in the General Fund and there is a lot of accounting that goes on. There is an accrual based accounting method in SHARE so they are going back and trying to apply that back to the period where it belongs to.

Member Schardin Clarke noted that, there is an interim time where the whole amount of tax due to the state and local government all comes in to TRDs suspense account and then, like Sam mentioned, there is an accrual period where it is all matched back to the correct period. But ultimately, there is at least 20 days or so, between the 25th, one month when it is due, and the 15th of the next month when it is distributed to local governments, so the State holds on to the local share for at least 20 days.

Member Cassidy asked if it lands in the General Fund, not a liability account.

PM Wright responded; no it is in TRD's tax account, their suspense account. That account is at Wells Fargo.

Member Schardin Clarke noted that it is in the General Fund pool.

Member Cassidy noted that when we talk about the General Fund, we are talking about all the collected balances, whether it is Highway, DOT, it all lands in what we call the General Fund, as opposed to how the Legislature budgets the State's General Fund.

Deputy Treasurer Valdes noted that the term General Fund Portfolio is not a proper term. It should be like the State's Pool or something like that.

Member Cassidy agreed.

Deputy Treasurer Valdes also noted that it is because it has much more than the State's General Fund in it.

PM Wright noted that if the board would like we could change how we describe the General Fund because in our accounting statement it says the State Investment Pool. Maybe it would be appropriate to make it consistent with that.

Member Cassidy noted that maybe he is the only one confused, so do whatever it is you need to do. But, I understand now.

Member Schardin Clarke noted that, it is probably adequately titled by calling it the Investment Pool, suggesting that there are all these different funds pooled together. So it is the General Fund as well as the self earning accounts.

PM Wright noted that one thing that we could break out and maybe report on a monthly basis are the sub-components, which are the self earning accounts and the various reserve accounts that exist. That would be interesting; maybe we can consider doing that.

Member Cassidy asked if that was creating too much work. He noted that it would be helpful, to him certainly.

PM Wright noted that we look at the General Fund here and we say, oh we have plenty of cash, although that is true, it is not really in the General Fund. There are claims against that money.

Member Cassidy agreed and noted that he knew that DOT was going to soon collect 60 million dollars that they are owed by the Feds. So that will go into this, but it is really not General Fund money. It is DOT money.

Madam Chair Roseborough asked for further questions, then thanked PM Wright, and noted that our portfolio managers YTD have earned \$8.9 million which is pretty substantial, so thank you for that.

Member Schardin Clarke asked if that was fiscal year or calendar year.

PM Wright responded, fiscal year. It is roughly about a million a month.

Deputy Treasurer Valdes noted that he was looking back to 2009 when we were at about 68 million dollars. The year when you would compare what the performance of all the investment agencies. They lost like 29% of their market value, where we had some major earnings. We really did well in that year.

PM Wright noted that it is all about fixed income securities versus equities.

Member Cassidy mentioned that 52% is now in CORE vs. 43% a year ago, and asked; what is an appropriate percentage for the portfolios?

PM Wright, noted, generally we would like to have the CORE portion as large as possible. He added that the STIC reports are snapshots of the state's balances at a particular moment in time. He noted that within the month, the swings in balances are fairly significant.

He noted that the Legislature had instructions to the Treasurer that STO should determine how much is needed for liquidity, and the balance should be invested. That in a way is how we have divided these portfolios, the difference between the liquidity portfolio, and of course the bank balances, and the core piece. The goal is to have the ratio as high as possible, but we ultimately have to pay the bills.

Member Cassidy noted; I imagine you are continuing to learn as Cash Manager Collins and his group continuing to better understand the cash flows. Member Cassidy, noted that 1.15 yield in the core is terrific.

PM Wright noted we have been able to grow this ratio in our current environment and have continued to not see significant decreases in yields in the investment of the portfolio.

Deputy Treasurer Valdes pointed out we have had a lot of negative balances over the past several years. Those negative balances have really come down, but we have some really good cooperation from the DFA controller who finally sent out letters to at least two major agencies, that I know, saying we will not be processing any more vouchers until you get your drawdown from the Feds. He pretty much said that they are sending back all vouchers until they get their reimbursement and they are up-to-date, and their account is no longer negative. So that really helps us because we do not have the ability to do that, and he does and has done it for us and we really appreciate that.

Member Schardin Clarke noted that one of those entities that received that letter was the Public School Facilities Authority which is the entity that submits draws for all the supplemental bond money. We received a bond draw for about 12 million dollars or so, about a day after the letter went out. Now instead of letting their balances shrink for 3 months and submitting draws quarterly, they're going to be expected to submit draws twice a month. That should really help with the consequence.

Member Schardin Clarke, also noted that, the core vs. liquidity, it looks like the liquidity balance has stayed pretty much even right around the 400 million dollar range, and I always think about the rule of thumb that balances fluctuate about 400 million per month. So, as reserves continue to build and as the entire investment pool gains size, is it fair to say that the liquidity pool probably will probably always stay around 400 million?

PM Wright answered yes.

Cash Manager Collins answered yes, at month end. But that is the trick like he said, we only have that low water mark mid month, each month. That is what we are managing to and then collaborating with the Investment Division by looking at how much we can invest. What we have talked about in our cash flow group is to document a percentage as a target. We haven't talked to you guys about it yet; but we need to have a target rather than kind of looking at it and saying I think that's enough.

PM Wright noted; I don't know what that ratio is. Is it roughly 70/30. It is certainly not 50/50.

Deanne Woodring noted that, looking at history, and we have had a lot of discussions over the years at why is the portfolio looked at as liquidity and core. I think the cycle that this portfolio has gone through is really adamant as to why, because you work very hard at maintaining and working to forecast the balances and it feels like at about 400 million is where it will stabilize. So, as your balances start to increase again you are able to allocate more of the core, but there is much clearer lines and reasoning now, as we have gone through the cycle as to why. So when your balances drop down close to a billion, that core hasn't shrunk and the portfolio core was managed in that perceptive and got very short to provide for that. Now as you get more stability in your over all fund you are able to extend out and use the market to your benefit.

No further questions, comments, or discussion.

VIII.LGIP, PM Hanges

The STIC binder LGIP contents were presented in its entirety.

PM Hanges noted that we discussed the reduction of BVA /Compass collateralized deposits from 25% to 10% in the last meeting.

PM Hanges also noted that, referring to the fifth bulleted paragraph on page 28, where she tried to quantify what we tried to do with the redeployment of the assets, so really, it was only a loss of 5 basis points in the whole transaction, but we did have to lengthen the portfolio in order to do that.

PM Hanges also noted that we discussed the sixth bulleted paragraph in the last meeting.

PM Hanges noted, after reading the last bulleted paragraph on page 29, that she was trying to prepare the board for lower yields, but she checked the 7 day yield going back to current day and it is pretty much at 32 basis points. So we have managed to keep that pretty consistent, without taking out any additional risk, just a length of maturity, not giving up credit quality.

Member Boushelle asked, out of curiosity you are going to monitor the over- night in one week, return repo rates, what kind of volume is that right now?

PM Hanges responded that it has been pretty small, but the rates were pretty attractive towards the end of March. We are able to do, at one point we were up to 60 million, but really is not a really significant amount, but we were getting about 19 or 20 basis points for that, and we were getting collateral view scope of agencies that were shorter than one year. So they were very nice, they are very positive investments. Instead of having it in Wells Fargo at 10 basis points, or US Treasuries at 10 basis points, we were getting 19 or 20, and then when month end came at the end of the quarter, a lot of the dealers stepped back. So we put them back in the overnight deposits. Then in April we started up again, but now we are down to \$20 million. We did not do it today because I found another investment that is more attractive. So I lengthened down a little bit, so today we did not do a repo. But it was running at the high point, about \$60 million. Now, towards 25 to 30.

PM Hanges asked for any questions.

No further questions, comments, or discussion.

Madame Chair Roseborough added one comment, in a report that was issued, reporting at the end February, on nationally ranked LGIPs, we have to commend this group in the fact that the LGIP for New MexiGROW is ranked in the top quartile as far as performance, and they were ranked number 11th year end FY2011, and in February they moved up a notch to being ranked 10th nationally. So that is great for the PMs, great recognition for the State Treasurer's Office.

Madame Chair Roseborough thanked the PMs.

IX. Tax-Exempt BPIP, PM Hanges

The STIC binder Tax-Exempt BPIP contents were presented in its entirety.

PM Hanges commented on the 7th bulleted paragraph on page 40, noting that we did sell some Bank of America TLGIP 2012s.

PM Hanges asked for any questions.

No further questions, comments, or discussion.

X. Taxable BPIP, PM Hanges

The STIC binder Taxable BPIP contents were presented in its entirety.

Member Schardin Clark had a question regarding the \$21million discrepancy regarding the taxable and tax exempt portfolios and asked for clarification regarding the issue.

PM Hanges responded that we had received an e-mail from Sharon who had separated out the draw vouchers that were coming to STO. So it was originally \$21 million for the taxable bonds proceeds pool, and \$4 million for tax exempt pool; but when the vouchers came in the numbers were reversed. So, I left the \$32 million in the repo that I had already raised the BVA Compass by selling it to cover the larger withdrawal. Then when the difference came in, I left it there, but am now in the repo pool. The security was sold to cover the tax-exempt.

PM Wright noted that ordinarily it would be an issue because we typically would have greater liquidity, but we are going through and truing up these accounts. So the cash balances in these accounts have been pretty low.

PM Wright noted that the liquidity is not in those accounts and they would normally be there. The majority of it has to do with the cleanups, which are ongoing and will continue to be ongoing.

Member Cassidy noted that just looking at the taxable and tax exempt investment returns, as well as the composition of portfolios, could we talk about why they are different, is it because of time when money was invested? Remind me what the performance of the taxable vs. tax exempt is.

PM Hanges responded that the difference between the performances of the taxable vs. tax exempt, well the tax exempt got hit really hard with liquidity withdrawals last year, so we have had a lot more upfront, so the portfolio is much shorter.

Member Cassidy noted that there is a lot more TLGP in the tax exempt.

PM Hanges noted that, there in the tax exempt there is a much shorter duration. It was 1 year vs. 1.5 so, we weren't able to take advantage of the steeper yield curve right there, so mostly we've been meeting liquidity needs, as opposed to reinvesting. Where as in the

taxable the portfolio has been much longer. It has been able to take advantage of the higher yields at the longer end.

PM Wright noted that, there was not any issuance of GO Debt last year.

Member Cassidy commented that the GO Debt goes in the tax exempt and the taxable portfolios in the form the sponge bonds and wanted clarification of the Severance Tax taxable sponge bonds?

Member Schardin Clarke noted that, it is a combination of the withdrawals that PM Hanges is mentioning and the GOs that we would have issued, but they were much smaller because the Higher Ed ballot failed and that did not add to the tax-exempt pool. But also, the failure to pass a Capital Bill in 2011 in the regular session, noting that we did not issue long-term Severance Tax Bonds, but the sizing of the sponge notes were basically unchanged because senior sponge was still issued for the Water Trust Board, and any additional senior capacity rolled over into the supplemental sponge for Public Schools, so over all the amount that the taxable pool got was unchanged.

Member Cassidy asked, where does the debt service money go, does it go into the tax exempt?

PM Wright responded it depends on the series of bonds.

Member Cassidy asked, so you keep it whether it is taxable or tax exempt debt?

PM Wright responded, so every bond series has essentially, a project fund, cost of issuance account, if there is a cost of issuance account depends on the debt of issuance, debt service fund, and a rebate fund if it is a tax exempt that needs rebate. So we track each one of those separately, and then they are all rolled up into either the tax exempt or the taxable pool. We track it that way for arbitrage purposes on the tax exempt side, but STO's QED accounting system does a great job of treating each one of those as bond funds as a participant in either the tax exempt pool or the taxable pool. It is allocating the interest down to each level. So, it is the same math essentially that we use for the LGIP, with entities as participants. We use the entities in the BPIPs which are essentially bond series.

No further questions, comments, or discussion.

XI.STBF, PM Wright

The STIC binder STBF contents were presented in its entirety.

No further questions, comments, or discussion.

XII.Summary of Broker Participation, PM Hanges

The STIC binder Broker Participation contents were presented in its entirety.

No further questions, comments, or discussion.

XIII.State Agency Deposit Balances, Cash Manager Collins

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

Cash Manager Collins noted that by showing the trend lines that you can see that there is a significant drop in the LGIP cash balances, which the PMs have talked about. Cash Manager Collins also noted the movement away from the BVA Compass.

No further questions, comments, or discussion.

XIV. Collateral Report, PM Wright

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

PM Wright noted that the First National Bank of Clayton was slightly under collateralized as of the end of February, indicating that Collateral Manager Garduno notified them that their collateral was slightly deficient, and they corrected that deficiency. So everybody is in compliance at this time.

PM Wright asked if there were questions or comments.

No questions, comments, or discussion.

XV. Audit FY 2011, Chair Roseborough

Madame Chair Roseborough asked if Deanne Woodring had any updates or comments on the discussion items from the last STIC meeting.

Madame Chair Roseborough noted that the audit for FY2011 will be covered and reported during the State Board of Finance next week. That is the only update we have right now.

XVI. Broker/Dealer application & Process Update, Chair Roseborough

Madame Chair Roseborough noted that 90 individual dealers which are broken up into 37 broker agencies are being reviewed through the Broker/Dealer RFI process. The FINRA and the RLD background checks are required for each of the brokers, and the dealers, so that is taking a little bit of time. The RLDs were submitted for all the background checks for all 90 dealers and 37 broker agencies this week. All FINRA reports should be completed by the end of the week. We anticipate verification of qualifications will be complete by next week. So with that being said, we are still on schedule to provide the approval list at the May STIC, and Board of Finance meetings.

Member Cassidy asked if the Financial Institutions Division did the FINRA exams.

Compliance Officer Kirene Guardado responded that the FINRA reports are taken directly from the FINRA web-site and allows downloading for both the broker and dealer information. Then RLD does the background checks, and verifies if the broker dealers are certified in the state of New Mexico.

Member Boushelle asked, what happened to the benchmark discussion?

Madame Chair Roseborough responded that the discussion continues. We will be prepared to present to this committee in the month of May. Our internal investment team has met and we have prepared our due diligence and now that Ms. Woodring is back from vacation, we are bringing her into the loop; we will continue to vet it internally, and will discuss with Treasurer Lewis and we will come back to this committee with recommendations.

Member Cassidy asked, does the audit for the State Treasurer's Office roll up into the State CAFR?

Member Schardin Clarke responded, yes.

Member Cassidy asked if the audit was out.

Madame Chair Roseborough responded, yes.

Member Cassidy responded, STO's audit was out, but not the State's?

Member Schardin Clarke responded that she checked about 2 weeks earlier with the CAFR unit at DFA and she thought that the CAFR would be out by the end of April.

No questions, comments, or discussion.

Member Schardin Clarke announced that next week's Board of Finance meeting may be postponed by a few business days. We are checking board member availability for the rest of that week, and see if we get a quorum on a different day. There is an issue with some board members not being able to attend on Tuesday. So, if the regular meeting is canceled we'll call a special meeting with at least three days notice and you will receive notice.

XVII.Question Period, Chair Roseborough

Madame Chair Roseborough asked if there were questions or comments.

No further questions, comments, or discussion.

XVIII.Next Meeting- Wednesday, May 09, 2012 @ 9:00 a.m. at STO.

Madame Chair Roseborough noted the date and time of meeting.

No further questions, comments, or discussion.

XIX.Adjournment

Madame Chair Roseborough adjourned the meeting at 10:25 am.

Minutes were taken by Amy Aguilar and Kirene Bargas Guardado, on April 11, 2012.

Minutes approved by: Linda Roseborough on May 04, 2012.

Minutes revised as of May 16, 2012 by Amy Aguilar.



State of New Mexico
Office of the State Treasurer
James B. Lewis, Treasurer

May 9, 2012
State Treasurer's Investment Council
Monthly Investment Report as of:

March 2012

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Executive Summary

- Major Stock Market Indexes performed well during the Month of March, adding to the gains on a year-to-date basis.
- The S&P 500 Index reached the 1,400 mark – its best performance since May of 2008, at the start of the financial crisis.
- The Eurozone backed away from a Greek-based collapse, the US Economy showed continued signs of strength and central banks unified behind a liquidity plan that will help Europe considerably.
- International attention has fixed upon developments in Spain, with a decline in the rating of the country during the last week of April by Standard & Poor's.
- Strong domestic corporate earnings bolstered US Equity returns.
- In the domestic fixed income market, bond prices fell and long term yields rose during March.
- US long-term Treasury prices fell sharply over the month, pulling returns on bonds into negative territory for the year to date.
- Most major sectors showed declines, although the mortgage and high yield sectors were roughly flat on the year.
- The Fed remained in an accommodative mode with Fed officials reporting that "economic conditions...are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014."
- In New Mexico, the municipal market had an extremely strong month, with considerable tightening versus relative benchmark securities. We saw the beginning of school-district related issuance in the marketplace.
- General Fund balances continued to improve after the low point of March.
- Over our maturity sector, we have seen continued improvement in rate levels, with rate increases in the 3-5 year area.

- The short-term sector remained stubbornly low with the two-year yield increasing by only 3 basis points.
- During the month, we saw significant volatility on the 5 year area, suggesting that the market believes any backup will not be led by the Federal Reserve Bank and will, in our opinion be quick and severe.
- The two to five year area of the US Treasury yield curve has remained steep allowing for some roll-down in the various portfolios.

<i>US Treasury Yields</i>		
<i>Maturity</i>	<i>February 29</i>	<i>March 30</i>
<i>3-Month</i>	0.08%	0.07%
<i>6-Month</i>	0.12%	0.12%
<i>2-Year</i>	0.29%	0.33%
<i>5-Year</i>	0.85%	1.03%
<i>10-Year</i>	1.97%	2.21%
<i>30-Year</i>	3.08%	3.33%

Source: Bloomberg LP

Portfolio Mark to Market

As detailed more fully on the next page, the portfolios all reported positive balances on a mark-to-market basis. With the backup in rates, we have seen a decrease in unrealized gains in the various STO portfolios included in this report.

For each of the portfolios:

<i>Fund</i>	<i>Unrealized Gains¹</i>
<i>General Funds</i>	\$4.6 million.
<i>Bond Proceeds Funds</i>	\$3.7 million.
<i>Local Government Investment Pool</i>	Flat
<i>Severance Tax Bonding Fund</i>	Flat

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

Portfolio Yields

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

<u>Fund</u>	<u>Portfolio Yield²</u>
General Fund Liquidity	0.24%
General Fund CORE	1.22%
Bond Proceeds - Tax Exempt	1.14%
Bond Proceeds - Taxable	1.05%
Local Government Investment Pool	0.26%
Severance Tax Bonding Fund	0.26%

Investment Earnings

Investment Earnings for the month of March are summarized in the table below.

To date, STO has booked over \$1MM in gains for the general fund, while not impacting carrying yield.

For each of the portfolios:

<u>Fund</u>	<u>Monthly Earnings³</u>
General Funds	\$1,255,506
Bond Proceeds Funds	877,765
LGIP	191,145
Severance Tax Bonding Fund	46,186

Compensating Balances at Fiscal Agent Bank

During March, STO maintained Average Daily Collected Balances at the Fiscal Agent Bank of approximately \$127 million. This balance earned a "soft-dollar" credit against processing fees assessed by the bank.

Fiscal Agent Bank Summary:

Average Collected Balance	\$126,824,210
Earnings Credit Rate	0.50%
Estimated Monthly Earnings	\$52,843
Estimated Fiscal Year Earnings	\$439,905

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

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

Monthly Economic Summary and Investment Outlook

Unemployment Persists as a Continuing Problem

At the end of March, Fed Chairman Ben Bernanke said that the Fed's low interest rate policy is expected to remain in place a while longer to combat lingering problems in the labor market. The jobs market has been strengthening in recent months, but the unemployment rate is still high, and it may not fall much lower without stronger, sustainable economic growth.

The March rate released early in April had a chilling effect on the market, as stocks sold off and the bond market rallied.

The economic situation calls for "more rapid expansion of production and demand from consumers and businesses," according to Bernanke, "a process that can be supported by continued accommodative policies."

Underscoring Bernanke's delicate tightrope walk, February durable goods orders rose 2.2%, with shipments of core capital goods, excluding defense and aircraft, contributing 1.2% to the total advance.

Consumer spending also increased in February by the largest amount in several months, but incomes barely grew, and the savings rate fell to its lowest level in more than two years.

Other data indicate that the second quarter of the year might produce stronger economic growth than the first quarter, largely due to an improvement in capital equipment spending.

Continued Concerns Overseas – Spain and Italy

At the end of April, Standard & Poor's downgraded the sovereign debt of Spain. This follows a downgrade earlier this year.

While reminiscent of the situation in Greece and Ireland, the Spanish economy is much larger and likely will affect the economy of Italy as a major trade partner. There may be affects on the German domestic economy as well, as Germany is the largest holder of Spanish debt.

The Spanish economy is less leveraged than Greece, with debt as a percentage of GDP at significantly lower ratios. In addition, since the

Greek restructuring, the ECB's Longer Term Refinancing Operations (LTRO), have significant liquidity as well as pledges from other non-euro countries such as the United States. This program should limit any systemic risk.

However, it is clear that the ECB nations are still under stress at this time. Policymakers had been slow to react to the evolving crisis in Greece and unfortunately will most likely wait until the parameters of the crisis are understood. The effects on the international markets will likely be felt here as well.

Investment Outlook

We continue to expect anemic growth throughout the year, with a bias toward slightly higher rates as the year progresses and into 2013.

Although the investment environment has improved in recent months, we believe that there are three major risks that will probably keep rates low for some time – Energy prices, specifically the persistently high cost of oil and the resultant pressure on gasoline prices; Ongoing fiscal challenges in the US and Europe, without congressional action in the later part of this year, tax rates will rise significantly into 2013 and the election will overshadow any reconciliation, leaving lawmakers little time to address the fiscal situation; and overall volatility in the markets.

Investment Update and Strategy for the Quarter

STO feels that rates will remain in this range for the next 2-3 quarters. Given that backdrop, we generally “stay the course” and continue to follow our disciplined strategy for the investment of the state portfolios.

STO will continue to work on liability modeling for the portfolios in order to better manage and minimize the amount of liquid cash in the portfolios.

With significant cash balances, staff continues to explore alternative investments in the short end of the curve to increase portfolio yield without sacrificing safety or liquidity.

With regard to specific funds:

- *General Fund – Liquidity and CORE Accounts* – Continue to maintain a laddered portfolio with regard to CORE investments. Continue to evaluate and manage the amount necessary to be held in cash and cash-like investments. Fully Invest CORE Balances. Shorten the duration of the CORE to match the duration of the index to safeguard against rising rates.
- *Bond Proceeds Accounts* – Continue to maintain sufficient liquidity to meet capital draws and the increased drawdown activity associated with investment accounting reconciliation to the statewide SHARE system balances. Identify large withdrawals for capital spending and monitor planned issuance in order to invest bond proceeds on a slightly longer basis for a portion of the funds. Ensure sufficient cash is available for upcoming debt service payments in July. Plan for projected inflow in association with the issuance of Severance Tax and Supplemental Severance Tax bonds and notes.
- *LGIP* – Further drive opportunities to grow the LGIP.
- *Severance Tax Bonding Fund* – Continue to utilize the LGIP to invest STBF funds, ensuring that LGIP staff is aware of the significant swings that may occur in cash balances. Proactively invest if and where alternative investments may be appropriate, subject to semi-annual maturity restrictions and transfers.

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

Investment Policy Compliance Review

Primary and Secondary Bond Purchases and Sales

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

Primary Bond Volume	\$ 23,250,000	26%
Secondary Bond Volume	<u>173,505,000</u>	<u>74%</u>
Total	\$196,755,000	100%

The primary market purchases were in Commercial Paper and NM Municipal bonds.

Commissions Paid

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

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

Variable Rate and Structured Note Holdings

As of month end, total holdings of Variable Rate Notes were \$242,700,000.

General Fund Liquidity	\$ 20,000,000
BPIP Tax-Exempt	55,000,000
LGIP	<u>167,700,000</u>
Total Holdings	\$242,700,000

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

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

Transaction Variances and Inter-Portfolio Transactions

- During March, 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-fund transactions during the month of March.

Quarterly Investment Strategy Review

Investment Strategy Employed During the Past Quarter

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

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

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

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

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

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

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

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

demonstrating openness regarding monetary policy.

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

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

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

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

What are our options working within our policy guidelines of Safety, Liquidity and Yield?

Maximize Investment Balances

In connection with Cash Management, LFC, and DFA, we have significantly refined our cash projection abilities over the past year. We have a projection model that is now fairly robust at predicting cash balances. We have recently rolled that model out with a 6 month horizon and are working to predict cash on an annual basis with some accuracy and we will continue to refine and enhance the model over time.

Along with having a good model, we also need to "put it to the acid test", and use it to book slightly longer investment maturities with better timing toward anticipated draws. The outcome of the modeling has enabled us to better optimize cash by being able to change the percentage of assets which are in the liquidity portfolio and move them to the CORE portfolio of the General Fund with a longer duration.

In the BPIPs, we began to look at the way that the funds flow over time and realized that both BPIP funds receive capital funding on a fairly

regular basis through the issuance of bonds and notes.

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

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

Credit

We are moving to develop a credit process in order to invest a portion of the portfolios in the corporate space. We have developed a framework towards monitoring and approving credit borrowers and will explore utilizing credit products in accordance with the Investment Policy as we gain access to tools needed and develop the internal infrastructure and risk management required.

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

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

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

On a per-fund basis:

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

Investment Strategy Planned for the Next Quarter

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

With regard to specific funds:

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

STO Investment Division Staff

Portfolio Summary – General Fund

Summary

- The General Fund (Liquidity and Core Portfolios) closed the month of March at \$1.5 Billion.
- Average Collected Balance at our Fiscal Agent bank was \$127 Million for the month.

Portfolio Mix

- 100% of the General Fund Core portfolio is invested in fixed income securities; 35% in Treasury securities; 58% in Agency Securities; 2% in TLGP Securities backed by the FDIC; 7% in New Mexico Municipal Bonds; 2% in Corporate Bonds, and the balance in Cash. 22% of the portfolio is invested in securities that mature in one year; 22% in securities that mature from 1-2 years; 31% in 2-4 years and 24% invested in securities that mature within 5 years.
- The General Fund held positions in 93 securities.
- The Weighted Average Life of the CORE portion of the general fund is 2.8 years. The Weighted Average duration is 2.5 years.
- The benchmark duration for the portfolio was 1.8 years. We have exceeded the duration based on an expectation that rates will remain stable for the next several quarters.
- We will bring in this duration over the next quarter to more closely match the benchmark duration. This will be accomplished by taking profits in the longer end of the curve and reinvesting in shorter duration securities. We will also invest any deposits into the CORE portfolio in shorter duration securities.
- The maximum security term for the CORE portfolio is 5 years.

Market Value and Investment Earnings

- Unrealized gains in the Core Portfolio were \$4.6 million as of March 29th.
- Monthly Earnings on the General Fund Portfolios were \$1.2 million.

- Year to date, the General Fund has earned \$10.2 million.
- Earnings on the General Fund are used to offset General Fund Spending.

Investment Highlights

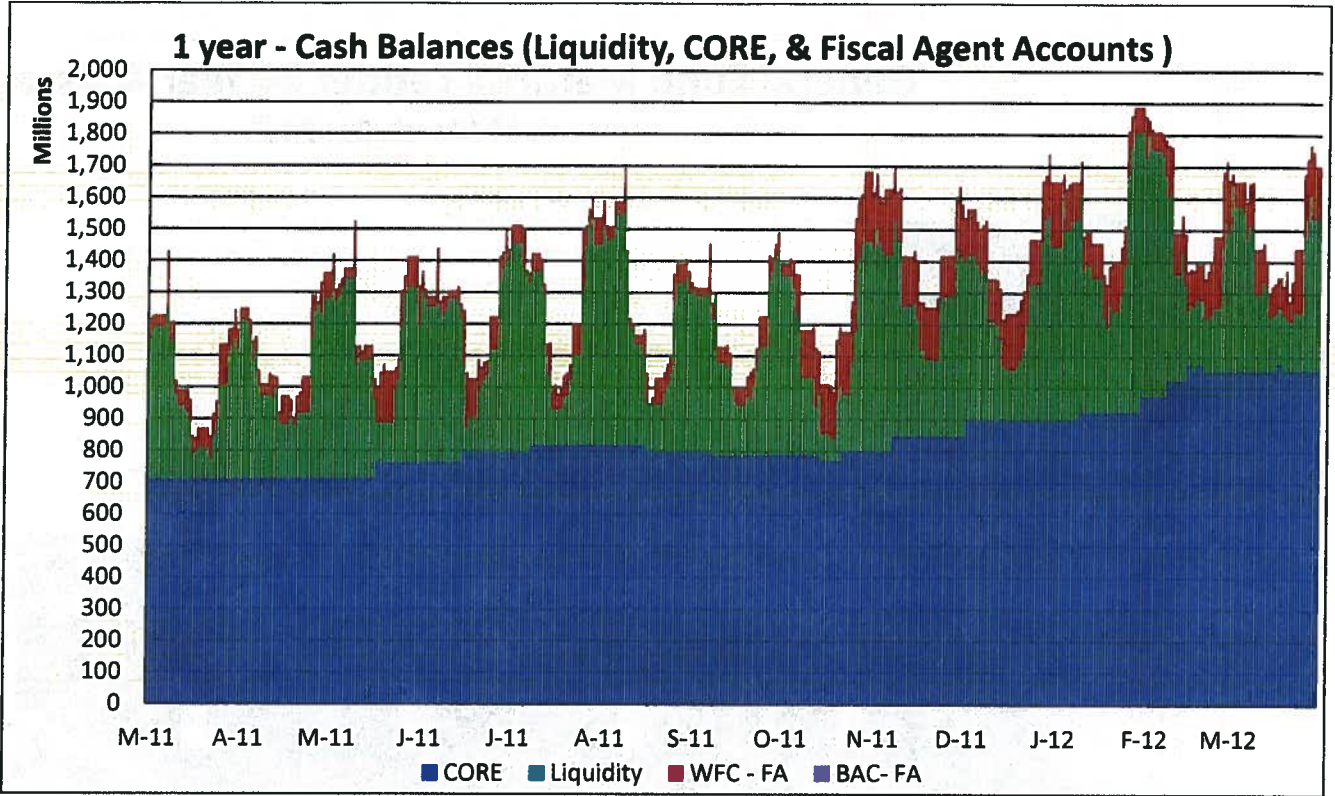
- Final maturity emphasis was on 2017 to maintain laddered structure of portfolio.
- Completed extension trades to extend duration, booking profits and increasing portfolio yield.
- Maturing assets will decrease portfolio yield.

Compensating Balances at Fiscal Agent Bank

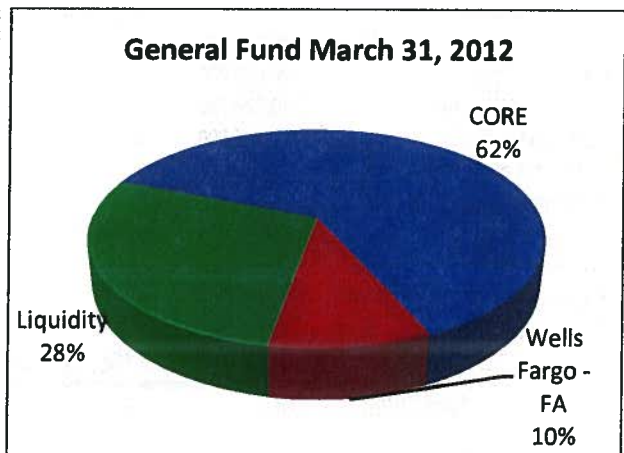
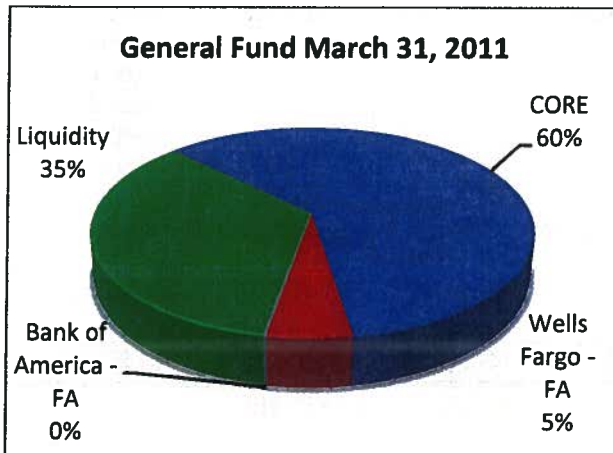
During March, STO maintained Average Daily Collected Balances at the Fiscal Agent Bank of approximately \$127 million. This balance earned a “soft-dollar” credit against processing fees assessed by the bank.

Fiscal Agent Bank Summary:

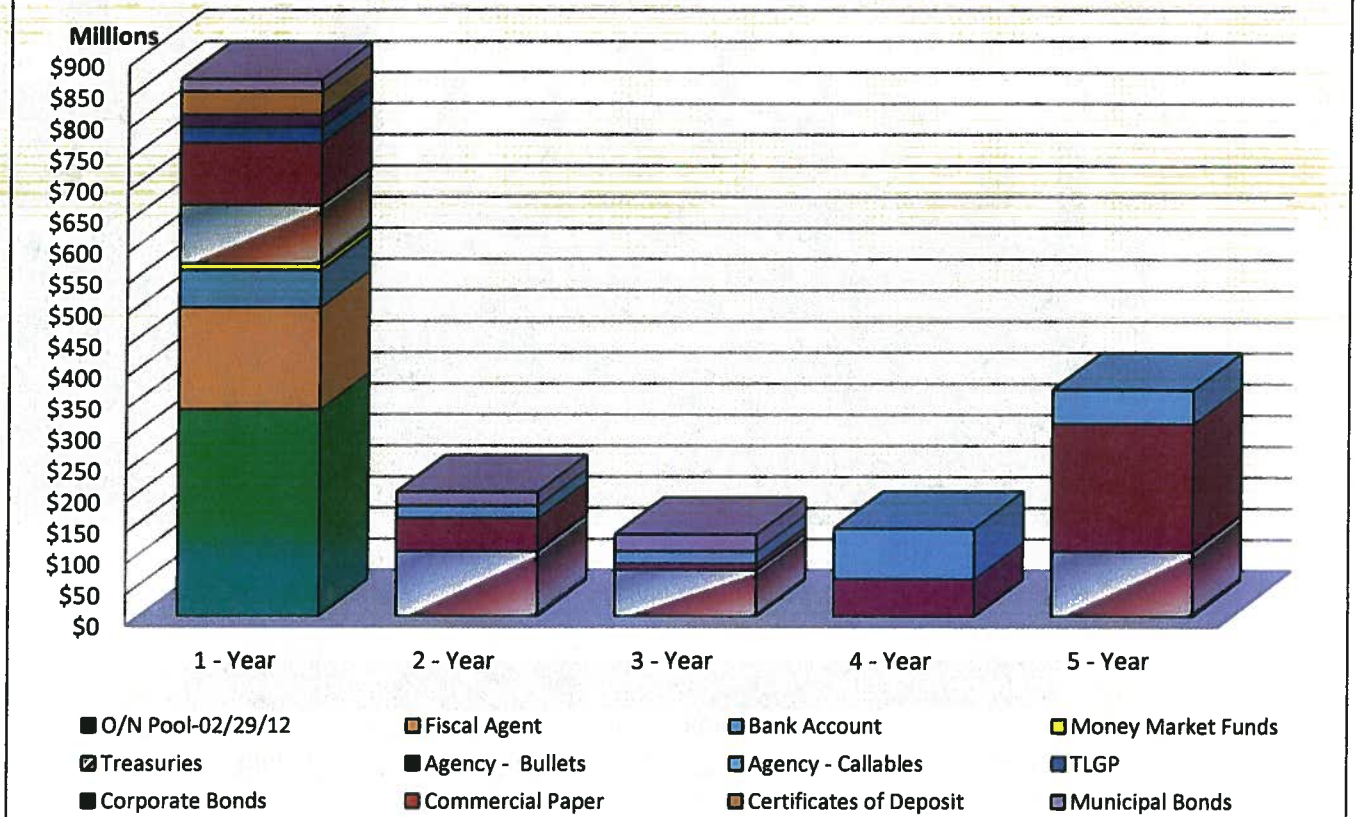
<i>Average Collected Balance</i>	\$126,824,210
<i>Earnings Credit Rate</i>	0.50%
<i>Estimated Monthly Earnings</i>	\$52,843
<i>Estimated Fiscal Year Earnings</i>	\$439,905



GENERAL FUND	Mar-11	Mar-12	Difference
Liquidity	408,089,826	479,600,259	71,510,434
CORE	712,046,302	1,058,480,130	346,433,827
Wells Fargo - FA	61,747,272	164,300,659	102,553,387
Bank of America - FA	1,679,331		(1,679,331)
	1,183,562,731	1,702,381,047	518,818,317



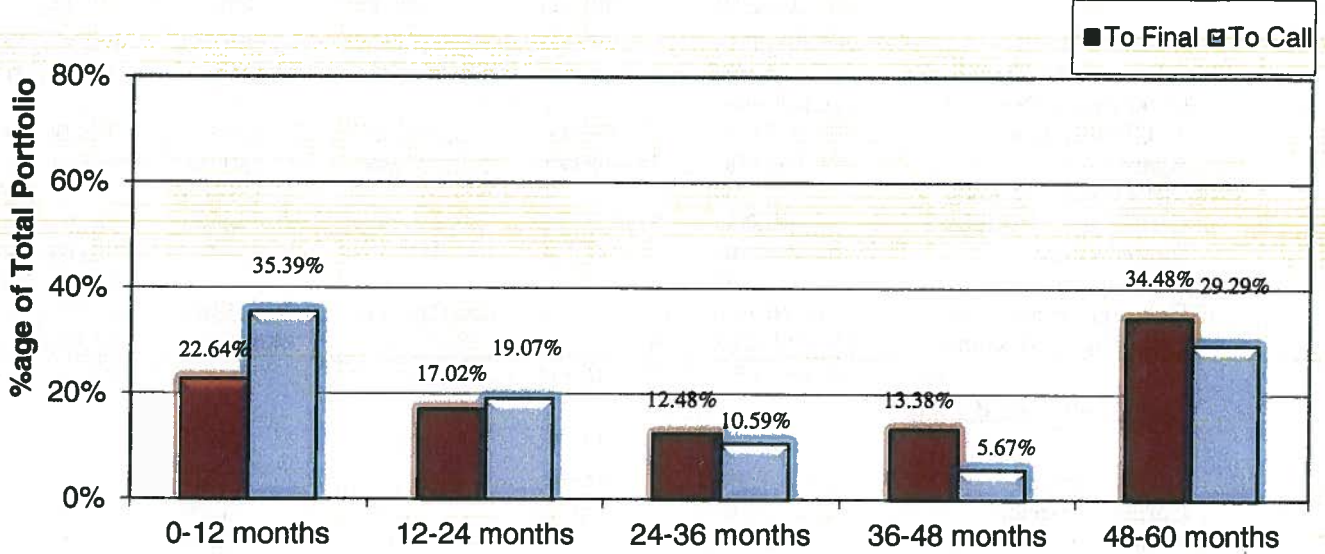
General Fund Maturity Ladder by Year & Asset Type as of March 31, 2012



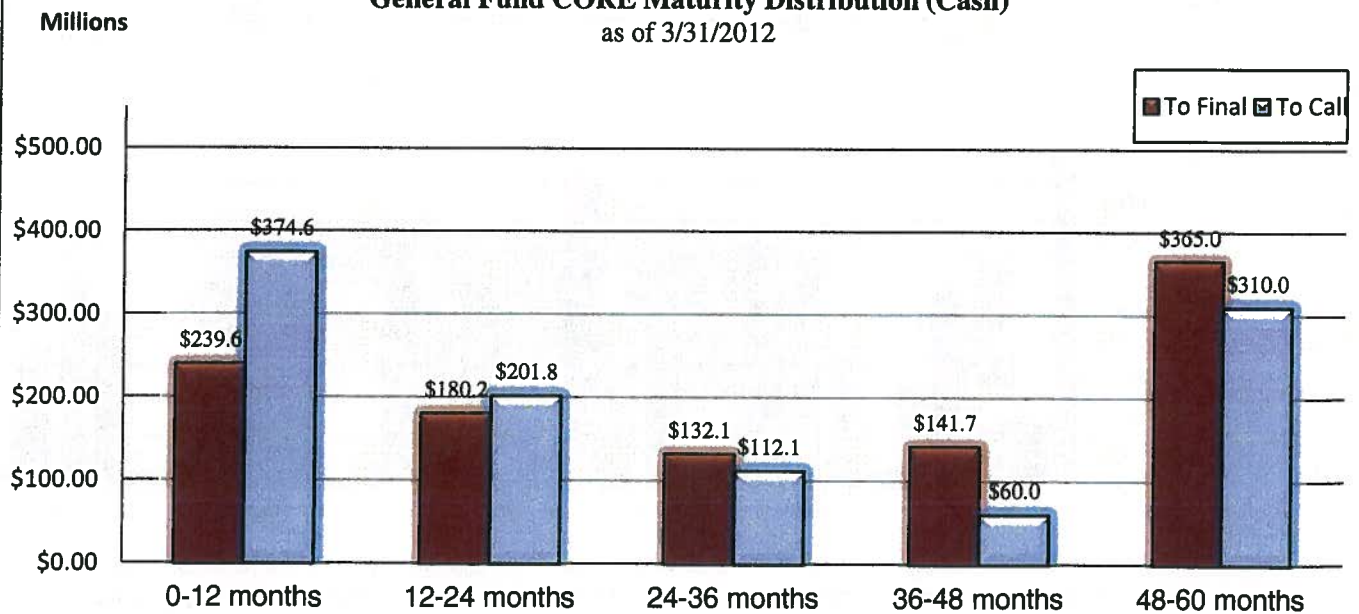
Asset Allocation	1 - Year	2 - Year	3 - Year	4 - Year	5 - Year	Total	%
Agency - Bullets	99,880,000	53,000,000	10,000,000	60,000,000	205,000,000	427,880,000	25%
Agency - Callables		20,000,000	20,000,000	81,660,000	55,000,000	176,660,000	10%
TLGP	25,000,000					25,000,000	1%
Corporate Bonds	20,000,000					20,000,000	1%
Money Market Funds	10,027,792					10,027,792	1%
Municipal Bonds	19,585,000	22,165,000	27,055,000			68,805,000	4%
Certificates of Deposit	37,250,000					37,250,000	2%
Commercial Paper						0	0%
Treasuries	95,000,000	105,000,000	75,000,000		105,000,000	380,000,000	22%
Bank Account	60,017,370					60,017,370	4%
Fiscal Agent	164,300,659					164,300,659	10%
O/N Pool-02/29/12	332,440,227					332,440,227	20%
Total:	863,501,047	200,165,000	132,055,000	141,660,000	365,000,000	1,702,381,047	100%
% of Total:	51%	12%	8%	8%	21%		



General Fund CORE, Maturity Distribution
as of 3/31/2012



General Fund CORE Maturity Distribution (Cash)
as of 3/31/2012



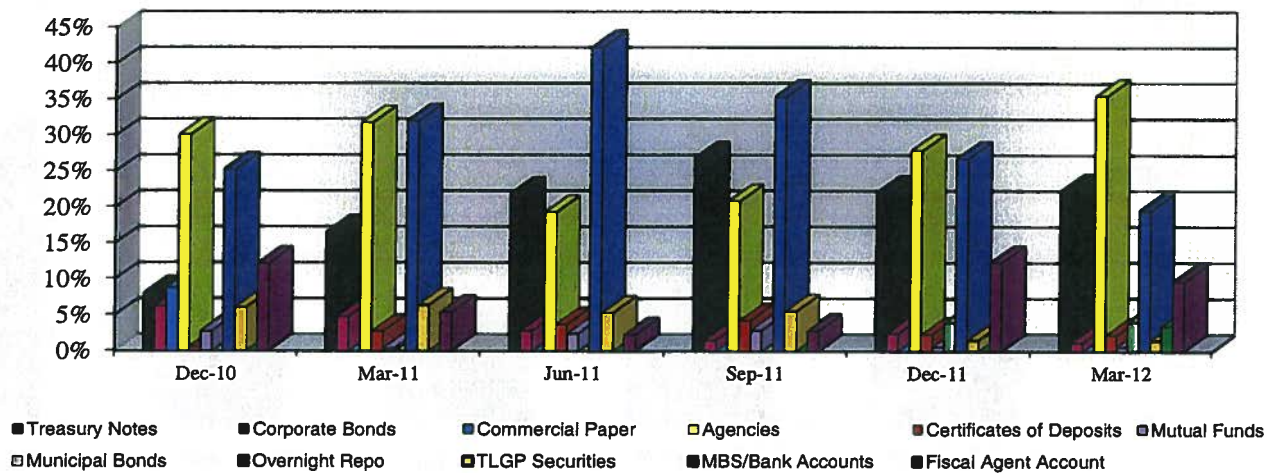
General Fund Portfolio Allocation - Month ending March 31, 2012

Allocation by Amount

Number of Items	78	69	70	85	84	111
	<u>Dec-10</u>	<u>Mar-11</u>	<u>Jun-11</u>	<u>Sep-11</u>	<u>Dec-11</u>	<u>Mar-12</u>
Treasury Notes	100,000,000	195,000,000	310,000,000	365,000,000	365,000,000	380,000,000
Corporate Bonds	77,860,000	55,935,000	39,935,000	20,000,000	40,000,000	20,000,000
Commercial Paper	110,000,000	0	0	0	0	0
TLGP Securities	75,000,000	75,000,000	75,000,000	75,000,000	25,000,000	25,000,000
Agencies	374,405,000	374,405,000	273,495,000	283,380,000	461,040,000	604,540,000
MBS/Bank Accounts	0	0	0	0	0	60,017,370
Certificates of Deposits	7,100,000	32,100,000	52,100,000	57,250,000	38,250,000	37,250,000
Mutual Funds	34,354,946	4,327,110	34,349,111	39,354,901	10,026,496	10,027,792
Municipal Bonds	0	0	0	0	65,655,000	68,805,000
Overnight Repo	314,676,169	377,569,018	600,037,008	481,795,465	443,273,557	332,440,228
Fiscal Agent Account	151,660,940	63,426,603	32,154,835	38,007,813	203,859,418	164,300,659
Total :	1,245,057,055	1,177,762,731	1,417,070,954	1,359,788,179	1,652,104,471	1,702,381,049

Allocation by Percent

	<u>Dec-10</u>	<u>Mar-11</u>	<u>Jun-11</u>	<u>Sep-11</u>	<u>Dec-11</u>	<u>Mar-12</u>
Treasury Notes	8.0%	16.6%	21.9%	26.8%	22.1%	22.3%
Corporate Bonds	6.3%	4.7%	2.8%	1.5%	2.4%	1.2%
Commercial Paper	8.8%	0.0%	0.0%	0.0%	0.0%	0.0%
TLGP Securities	6.0%	6.4%	5.3%	5.5%	1.5%	1.5%
Agencies	30.1%	31.8%	19.3%	20.8%	27.9%	35.5%
Certificates of Deposits	0.6%	2.7%	3.7%	4.2%	2.3%	2.2%
MBS/Bank Accounts	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%
Mutual Funds	2.8%	0.4%	2.4%	2.9%	0.6%	0.6%
Municipal Bonds	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%
Overnight Repo	25.3%	32.1%	42.3%	35.4%	26.8%	19.5%
Fiscal Agent Account	12.2%	5.4%	2.3%	2.8%	12.3%	9.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



STATE OF NEW MEXICO

GENERAL FUND (1000)

Portfolio Classification Summary

Positions Held as of 3/31/12

TXN BASIS: TRADE

MKT-SOURCE: IDC-PREFERED+

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	2	.2502	.00550	332,306,395	332,306,395	332,306,395		68.863
CERTIFICATES OF DEPOSIT	8	.5726	.55891	35,250,000	35,250,000	35,250,000		7.305
LINKED-CERTIFICATE OF DEPOSIT	1	.3500	.04660	2,000,000	2,000,000	2,000,000		.414
FED HOME LOAN BANKS	1	.4565	.46580	20,000,000	20,062,076	20,065,800	3,724	4.158
FNMA VAR RT NOTE 4X	1	.1777	.72330	20,000,000	20,036,813	20,028,200	-8,613	4.150
MONEY MARKET	1		.00274	2,870,674	2,870,674	2,870,674		.595
UNITS - INVESTMENT POOL 1	1			10,026,495	10,026,495	10,026,495		2.078
CASH ACCOUNT	1			60,017,370	60,017,370	60,017,370		12.437
	<u>16</u>	<u>.2420</u>	<u>.11011</u>	<u>482,470,934</u>	<u>482,569,823</u>	<u>482,564,934</u>	<u>-4,889</u>	<u>100.000</u>

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND (1000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>REPURCHASE AGREEMENTS (0/ (10)</u>												
16338	0402RP	9	1000	10	OVERNIGHT REPO	.260	4/02/12		.260	259,306,394.66	259,306,394.66	4/02/12
16339	0402RP	9	1000	10	OVERNIGHT REPO	.200	4/02/12		.200	73,000,000.00	73,000,000.00	4/02/12

2 Items in subtotal for: REPURCHASE AGREEMENTS (0/N) (Type 10)

332,306,394.66 332,306,394.66

Market: 332,306,394.66 (2 priced @ cost)

68.863% Total

Cpn: .247

Term: .005

S&P: N/R

Yld: .247

Dur: .005

Moody: N/R

<u>CERTIFICATES OF DEPOSIT (30)</u>												
15768	01709924	9	1000	30	CENTURY BANK	.400	12/27/12		.400	8,000,000.00	8,000,000.00	12/28/11
15307	1622495	9	1000	30	BANK OF LAS VEGAS	.550	5/07/12		.550	2,000,000.00	2,000,000.00	5/11/11
15395	16225130	9	1000	30	BANK OF LAS VEGAS	1.000	6/29/12		1.000	3,000,000.00	3,000,000.00	6/29/11
15578	16225630	9	1000	30	BANK OF LAS VEGAS	.755	9/21/12		.755	5,000,000.00	5,000,000.00	9/21/11
16319	17099245	9	1000	30	CENTURY BANK SANTA FE	.400	3/28/13		.400	8,000,000.00	8,000,000.00	3/28/12
15389	17099247	9	1000	30	CENTURY BAN SANTA FE	.590	6/28/12		.590	8,000,000.00	8,000,000.00	6/28/11
16302	735605	9	1000	30	GUADALUPE CREDIT UNION	.750	3/26/13		.750	250,000.00	250,000.00	3/26/12
15442	85212970	9	1000	30	FARMERS & STOCKMENS	1.000	7/20/12		1.000	1,000,000.00	1,000,000.00	7/20/11

8 Items in subtotal for: CERTIFICATES OF DEPOSIT (Type 30)

35,250,000.00 35,250,000.00

Market: 35,250,000.00 (8 priced @ cost)

7.305% Total

Cpn: .573

Term: .559

S&P: N/R

Yld: .573

Dur: .559

Moody: N/R

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND (1000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>LINKED-CERTIFICATE OF DEP (31)</u>												
15272	63000013	9		1000	31 MY BANK BELEN	.350	4/17/12	.350	2,000,000.00		2,000,000.00	4/20/11
1 Item in subtotal for: LINKED-CERTIFICATE OF DEPOSIT (Type 31)									2,000,000.00		2,000,000.00	
Market: 2,000,000.00 (1 priced @ cost)									.414% Total			
Cpn: .350			Term: .047			S&P: N/R						
Yld: .350			Dur: .047			Moody: N/R						
<u>FED HOME LOAN BANKS (260)</u>												
15719	313374CD	1		1000	260 FED HOME LOAN BANK	1.125	9/17/14 @	.450	20,000,000.00		20,062,076.18	12/05/11
1 Item in subtotal for: FED HOME LOAN BANKS (Type 260)									20,000,000.00		20,062,076.18	
Market: 20,065,800.00									4.158% Total			
Cpn: 1.125			Term: 2.463 (OA .466)			S&P: N/R						
Yld: .450 (OA .448)			Dur: 2.438			Moody: N/R						

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND (1000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>FNMA VAR RT NOTE 4X (284)</u>												
15728	31398A7F	1		1000 284	FED NATIONAL MTG ASSN Float	.434	12/20/12	.175	20,000,000.00		20,036,813.14	12/09/11
1 Item in subtotal for: FNMA VAR RT NOTE 4X (Type 284)									20,000,000.00		20,036,813.14	
Market: 20,028,200.00								4.150% Total				
Cpn:		.434		Term:		.723		S&P: N/R				
Yld:		.175		Dur:		.723		Moody: N/R				
<u>MONEY MARKET (315)</u>												
11320	GFRESERV	1		1000 315	THE RESERVE GF MMKT				2,870,674.23		2,870,674.23	8/06/10
1 Item in subtotal for: MONEY MARKET (Type 315)									2,870,674.23		2,870,674.23	
Market: 2,870,674.23								.595% Total				
<u>UNITS - INVESTMENT POOL 1 (7110)</u>												
16431	UNITS001	2		1000 7110	UNITS - INVESTMENT POOL 1				10,026,494.94		10,026,494.94	10/14/11
1 Item in subtotal for: UNITS - INVESTMENT POOL 1 (Type 7110)									10,026,494.94		10,026,494.94	

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

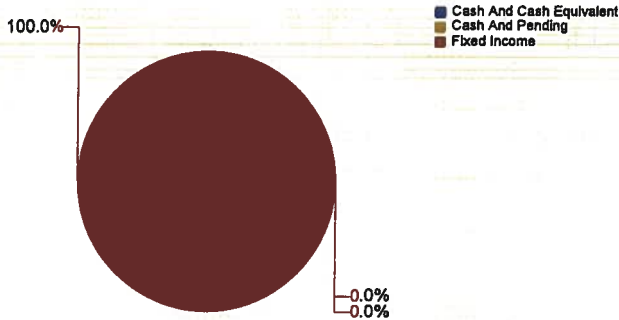
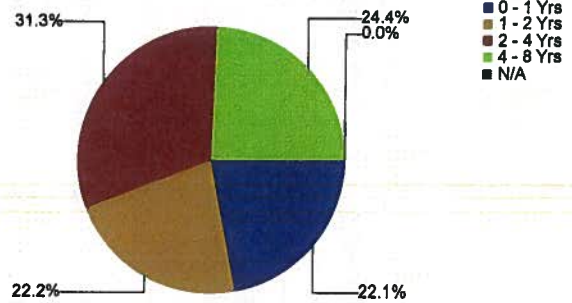
GENERAL FUND (1000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY	
Market: 10,026,494.94									2.078% Total				
						<u>CASH ACCOUNT</u>			(9300)				
16155	COMPASBA	1		1000 9300	COMPASS BANK DEPOSIT	.250			60,017,369.66		60,017,369.66	4/25/12	
1 Item in subtotal for: CASH ACCOUNT (Type 9300)									60,017,369.66		60,017,369.66		
Market: 60,017,369.66									12.437% Total				
16 Items in subtotal for: GENERAL FUND (Fund 1000)									482,470,933.49		482,569,822.81		
Market: 482,564,933.49 (11 priced @ cost)									100.000% Total				
Cpn:		.327		Term:		.208 (OA .111)		S&P: N/R					
Yld:		.282		Dur:		.208		Moody: N/R					

Portfolio Characteristics

Duration Mix

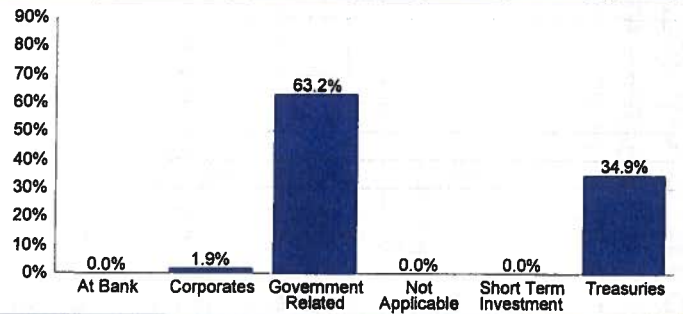
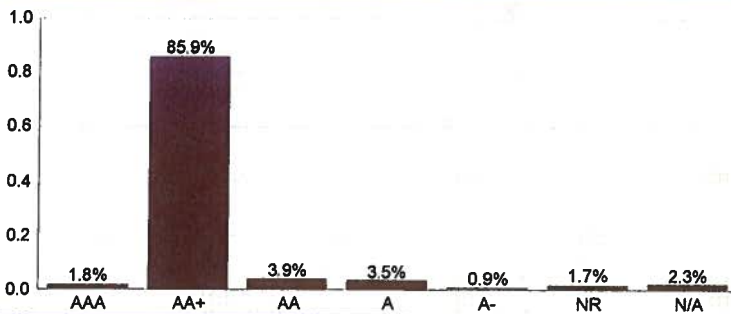
Total Net Assets (Millions)	1,107.0
Weighted Average Life (Years)	2.79
Weighted Avg. Effective Duration (Years)	2.46
Weighted Average Coupon (%)	2.07
Weighted Average Current Yield (%)	0.67
Weighted Average Yield to Maturity (%)	0.70
Weighted Average Rating	AA
Number of Holdings	93



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
3135G0GY3	FEDERAL NATIONAL MORTGAGE ASSOC 1.25% MTG BDS	5.45%	1.25	30/1/2017
912828KF8	US 1.87500 '14	3.72%	1.88	28/2/2014
912828SJ0	US 0.87500 '17	3.58%	0.88	28/2/2017
17313YAL5	CITIGROUP FUNDING INC 1.875% 22/OCT/2012	2.30%	1.89	22/10/2012
912828MB3	UNITED STATES TREAS NTS 1.125% 15/DEC/2012	2.28%	1.12	15/12/2012
912828KX7	UNITED STATES TREAS NTS 1.875% 15/JUN/2012	2.28%	1.88	15/6/2012
912828LM0	USA TREASURY NTS 1.3750% NT 15/SEP/2012 USD1000	2.27%	1.38	15/9/2012
31315PB73	FEDERAL AGRIC MTG CORP MTNS B FR 0.9%09/JUN/2016	2.28%	0.90	9/6/2016
912828RX0	US 0.87500 '16	2.25%	0.88	31/12/2016
31359MNU3	FANNIE MAE 5.25% 01/AUG/2012	2.18%	5.25	1/8/2012

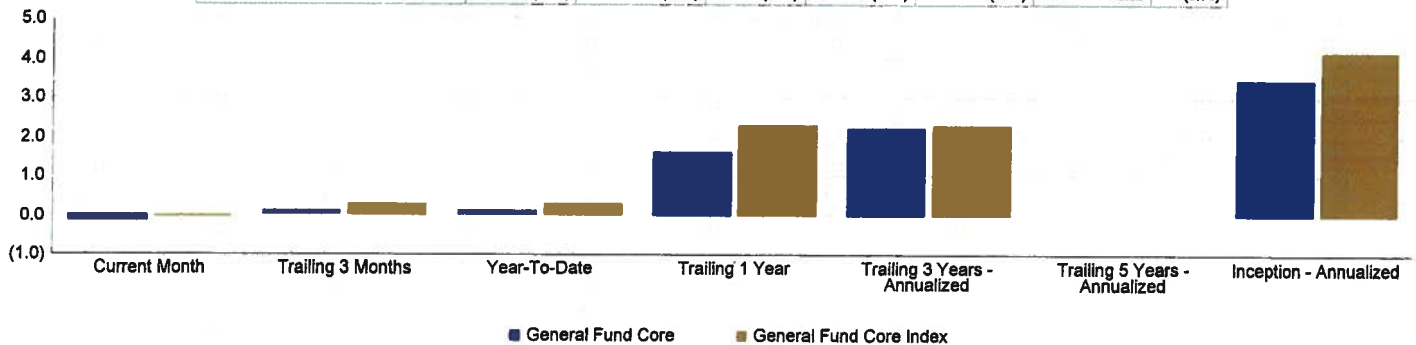
Quality/Rating Weightings

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 Core	(0.16)	0.10	0.10	1.61	2.20		3.43
General Fund Core Index	(0.04)	0.29	0.29	2.29	2.28		4.18
Excess	(0.12)	(0.19)	(0.19)	(0.68)	(0.07)	0.00	(0.75)



STATE OF NEW MEXICO

GENERAL FUND CORE (1001)

Portfolio Classification Summary

Positions Held as of 3/31/12

TXN BASIS: TRADE

MKT-SOURCE: IDC-PREFERED+

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (0/N)	1	.2636	.00550	133,833	133,833	133,833		.012
U.S. TREASURY NOTES	18	1.0412	2.40020	380,000,000	382,305,249	384,848,300	2,543,051	35.523
CORPORATE BONDS	2	5.4286	.33560	20,000,000	19,997,316	20,303,300	305,984	1.874
FED FARM CR BKS CONS LONG TERM	1	3.5425	.54790	5,000,000	5,026,815	5,116,950	90,135	.472
FED FARM CR BKS CALLABLE	2	1.2685	.65890	40,000,000	39,963,091	40,071,600	108,509	3.699
FED HOME LOAN BANKS	6	2.8922	.79734	70,380,000	70,734,248	71,831,802	1,097,554	6.630
FED AGRIC MTG CORP	1	.9125	4.19180	25,000,000	25,000,000	24,971,000	-29,000	2.305
FED HOME LOAN MORTGAGE CORP BDS	10	1.0742	3.37972	171,660,000	176,183,303	176,390,083	206,780	16.282
FED HOME LOAN MORTGAGE CALL 4X	1	1.0000	.68220	20,000,000	20,000,000	20,033,600	33,600	1.849
FED NATL MORTGAGE ASSN DEBS	11	.9917	2.72542	231,500,000	240,908,780	240,998,691	89,911	22.245
FED NATL MORTGAGE ASSN MEDTRM NT	1	3.6592	.33970	1,000,000	1,004,521	1,015,880	11,359	.094
TLGP SECURITIES - FDIC	1	.7890	.56160	25,000,000	25,152,422	25,231,000	78,578	2.329
MONEY MARKET	2		.00274	1,457,733	1,457,733	1,457,733		.135
MUNICIPAL BOND	27	.6789	1.16602	46,410,000	47,149,675	47,241,916	92,241	4.361
MUNICIPAL BOND REVENUE	9	.5863	1.80943	22,395,000	23,675,366	23,723,058	47,692	2.190
UNITS - INVESTMENT POOL 1	1			1,297	1,297	1,297		
	<u>94</u>	<u>1.2238</u>	<u>2.30444</u>	<u>1,059,937,863</u>	<u>1,078,693,649</u>	<u>1,083,370,043</u>	<u>4,676,394</u>	<u>100.000</u>

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
16337	0402RP	9		1001 10	OVERNIGHT REPO	.260	4/02/12	.260	133,832.51		133,832.51	4/02/12
1 Item in subtotal for: REPURCHASE AGREEMENTS (0/N) (Type 10)									133,832.51		133,832.51	

Market: 133,832.51 (1 priced @ cost) .012% Total

Cpn: .260	Term: .005	S&P: N/R
Yld: .260	Dur: .005	Moody: N/R

U.S. TREASURY NOTES (130)

15419	912828JZ	1		1001 130	US TREASURY NOTE	1.750	1/31/14	.666	20,000,000.00		20,394,053.48	7/08/11
15184	912828KF	1		1001 130	US TREASURY NOTES	1.875	2/28/14	1.048	40,000,000.00		40,624,995.49	7/08/11
15416	912828KJ	1		1001 130	US TREASURY NOTE	1.750	3/31/14	.729	15,000,000.00		15,303,114.37	7/08/11
15183	912828KN	1		1001 130	US TREASURY NOTES	1.875	4/30/14	1.476	20,000,000.00		20,162,583.34	2/15/11
15182	912828KV	1		1001 130	US TREASURY NOTES	2.250	5/31/14	1.509	20,000,000.00		20,314,117.18	2/15/11
14561	912828KX	1		1001 130	US TREASURY NOTE	1.875	6/15/12	1.084	25,000,000.00		25,040,115.58	3/19/10
15195	912828LC	1		1001 130	US TREASURY NOTE	2.625	7/31/14	1.513	15,000,000.00		15,380,533.56	2/18/11
14562	912828LM	1		1001 130	US TREASURY NOTE	1.375	9/15/12	1.231	25,000,000.00		25,016,142.94	3/19/10
14550	912828MB	1		1001 130	US TREASURY NOTE	1.125	12/15/12	1.327	25,000,000.00		24,964,638.70	3/09/10
15420	912828NY	1		1001 130	US TREASURY NOTE	.750	9/15/13	.541	10,000,000.00		10,030,177.86	9/06/11
15311	912828PR	1		1001 130	US TREASURY NOTES	.625	1/31/13	.450	10,000,000.00		10,014,500.36	9/06/11
15185	912828QH	1		1001 130	US TREASURY NOTE	1.250	2/15/14	1.413	20,000,000.00		19,939,919.17	2/15/11
15312	912828QK	1		1001 130	US TREASURY NOTES	.625	2/28/13	.478	10,000,000.00		10,013,391.56	9/06/11
15351	912828QS	1		1001 130	US TREASURY NOTE	.750	6/15/14	.771	20,000,000.00		19,990,749.86	6/15/11

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
15510	912828RF	1		1001 130	US TREASURY NOTE	1.000	8/31/16	.929	20,000,000.00		20,060,810.20	8/31/11
15905	912828RX	1		1001 130	US TREASURY NOTES	.875	12/31/16	1.105	25,000,000.00		25,000,000.00	3/19/12
16185	912828SC	1		1001 130	US TREASURY NOTES	.875	1/31/17	.846	20,000,000.00		20,027,710.73	3/06/12
16138	912828SJ	1		1001 130	US TREASURY NOTES	.875	2/28/17	.861	40,000,000.00		40,027,692.34	3/06/12

18 Items in subtotal for: U.S. TREASURY NOTES (Type 130)

380,000,000.00 **382,305,246.72**

Market: 384,848,300.00

35.523% Total

Cpn: 1.373

Term: 2.400

S&P: N/R

Yld: 1.041

Dur: 2.350

Moody: N/R

CORPORATE BONDS (215)

11292	002819AA	1		1001 215	ABBOTT LABORATORIES	5.150	11/30/12	5.158	10,000,000.00		9,997,316.45	11/09/07
11123	617446HC	1		1001 215	MORGAN STANLEY	6.600	4/01/12	5.550	10,000,000.00		10,000,000.00	4/01/12

2 Items in subtotal for: CORPORATE BONDS (Type 215)

20,000,000.00 **19,997,316.45**

Market: 20,303,300.00

1.874% Total

Cpn: 5.875

Term: .336

S&P: N/R

Yld: 5.354

Dur: .341

Moody: N/R

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY	@	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>FED FARM CR BKS CONS LONG (232)</u>													
11476	31331X3S	1		1001 232	FEDERAL FARM CREDIT BANK	4.500	10/17/12		3.494	5,000,000.00		5,026,815.32	1/17/08
1 Item in subtotal for: FED FARM CR BKS CONS LONG TERM (Type 232)										5,000,000.00		5,026,815.32	
Market: 5,116,950.00										.472% Total			
Cpn: 4.500				Term: .548				S&P: N/R					
Yld: 3.494				Dur: .548				Moody: N/R					
<u>FED FARM CR BKS CALLABLE (233)</u>													
15723	31331KS9	1		1001 233	FEDERAL FARM CR BANKS CALLABLE	1.120	11/16/15	@	1.172	20,000,000.00		19,963,090.78	12/07/11
15718	31331KZ2	1		1001 233	FEDERAL FARM CR BANKS CALLABLE	1.330	12/07/15	@	1.330	20,000,000.00		20,000,000.00	12/07/11
2 Items in subtotal for: FED FARM CR BKS CALLABLE (Type 233)										40,000,000.00		39,963,090.78	
Market: 40,071,600.00										3.699% Total			
Cpn: 1.225				Term: 3.656 (OA .659)				S&P: N/R					
Yld: 1.251 (OA 1.373)				Dur: 3.572				Moody: N/R					

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>FED HOME LOAN BANKS (260)</u>												
15265	313371UC	1		1001 260	FEDERAL HOME LOAN BANK	.875	12/27/13	1.095	10,000,000.00		9,962,205.27	4/19/11
11477	3133XDTB	1		1001 260	FEDERAL HOME LOAN BANK	4.875	12/14/12	3.611	15,000,000.00		15,129,662.59	1/17/08
11473	3133XKSK	1		1001 260	FEDERAL HOME LOAN BANK	4.875	6/08/12	3.496	10,000,000.00		10,024,504.83	1/17/08
11475	3133XLX7	1		1001 260	FEDERAL HOME LOAN BANK	5.000	9/14/12	3.589	20,380,000.00		20,507,321.05	4/25/08
11673	3133XPNZ	1		1001 260	FEDERAL HOME LOAN BANK	3.500	3/08/13	3.829	5,000,000.00		4,984,915.77	4/25/08
15266	3133XXYX	1		1001 260	FEDERAL HOME LOAN BANK	1.875	6/21/13	.839	10,000,000.00		10,125,637.91	4/19/11

6 Items in subtotal for: FED HOME LOAN BANKS (Type 260)

70,380,000.00

70,734,247.42

Market: 71,831,801.60

6.630% Total

Cpn: 3.819

Term: .797

S&P: N/R

Yld: 2.853

Dur: .794

Moody: N/R

FED AGRIC MTG CORP (267)

16016	31315PB7	1		1001 267	FEDERAL AGRICULTURAL MORTG CORP	.900	6/09/16	.900	25,000,000.00		25,000,000.00	2/09/12
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1 Item in subtotal for: FED AGRIC MTG CORP (Type 267)

25,000,000.00

25,000,000.00

Market: 24,971,000.00

2.305% Total

Cpn: .900

Term: 4.192

S&P: N/R

Yld: .900

Dur: 4.112

Moody: N/R

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY	@	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>FED HOME LOAN MORTGAGE CO (270)</u>													
16067	3133786Q	1		1001	270 FED HOME LOAN MORTGAGE CORP BDS	1.000	2/13/17		1.030	20,000,000.00		19,971,110.01	2/14/12
15615	3134A4VC	1		1001	270 FREDDIE MAC	4.375	7/17/15		.952	20,000,000.00		22,215,269.21	10/12/11
15777	3134G3CB	1		1001	270 FED HOME LOAN MORTGAGE CORP BDS	1.625	12/05/16	@	1.180	20,000,000.00		20,059,847.53	1/09/12
15732	3134G3EG	1		1001	270 FEDERAL HOME LOAN MTG CORP	1.150	12/30/15	@	1.150	11,660,000.00		11,660,000.00	12/30/11
15734	3134G3FA	1		1001	270 FEDERAL HOME LOAN MTG CORP	1.100	12/30/15	@	1.100	10,000,000.00		10,000,000.00	12/30/11
15616	3137EACM	1		1001	270 FREDDIE MAC	1.750	9/10/15		1.001	20,000,000.00		20,505,451.47	10/12/11
15530	3137EACT	1		1001	270 FREDDIE MAC	2.500	5/27/16		1.080	20,000,000.00		21,150,627.20	9/06/11
15529	3137EACW	1		1001	270 FEDERAL HOME LOAN MTG CORP	2.000	8/25/16		1.152	20,000,000.00		20,725,614.04	9/06/11
15613	3137EACY	1		1001	270 FREDDIE MAC	.750	11/25/14		.761	10,000,000.00		9,997,106.91	10/06/11
16186	3137EADC	1		1001	270 FED HOME LOAN MORTGAGE CORP DBS	1.000	3/08/17		1.106	20,000,000.00		19,898,274.74	3/08/12

10 Items in subtotal for: FED HOME LOAN MORTGAGE CORP BDS (Type 270)

171,660,000.00

176,183,301.11

Market: 176,390,083.20

16.282% Total

Cpn: 1.846

Term: 4.098 (OA 3.380)

S&P: N/R

Yld: 1.059 (OA 1.060) Dur: 3.948

Moody: N/R

FED HOME LOAN MORTGAGE CA (276)

15716	3134G3BL	1		1001	276 FED HOME LN MTG CALL 4X	1.000	12/05/14	@	1.000	20,000,000.00		20,000,000.00	12/05/11
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1 Item in subtotal for: FED HOME LOAN MORTGAGE CALL 4X (Type 276)

20,000,000.00

20,000,000.00

Market: 20,033,600.00

1.849% Total

Cpn: 1.000

Term: 2.679 (OA .682)

S&P: N/R

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
					Yld: 1.000	Dur: 2.647		Moody: N/R				

FED NATL MORTGAGE ASSN DE (280)

15555	31359MH8	1		1001	280 FANNIE MAE	5.000	3/15/16	1.012	20,000,000.00		23,084,542.71	9/08/11
16079	31359MNU	1		1001	280 FEDERAL NATL MTG ASSN DEBS	5.250	8/01/12	.304	23,500,000.00		23,886,806.17	2/15/12
15554	31359MS6	1		1001	280 FANNIE MAE	5.375	7/15/16	1.126	20,000,000.00		23,547,887.81	9/08/11
15493	31359MTP	1		1001	280 FEDERAL NATL MTG ASSN DEBS	5.125	1/02/14	.817	13,000,000.00		13,972,583.22	8/18/11
15364	3135G0BR	1		1001	280 FANNIE MAE	.500	8/09/13	.580	20,000,000.00		19,978,444.11	6/17/11
15673	3135G0CM	1		1001	280 FANNIE MAE	1.250	9/28/16	1.201	20,000,000.00		20,042,909.92	11/07/11
16187	3135G0GY	1		1001	280 FED NATL MORTGAGE ASSN DEBS	1.250	1/30/17	1.059	40,000,000.00		40,358,621.46	3/06/12
15531	3135GOBA	9		1001	280 FANNIE MAE	2.375	4/11/16	1.043	20,000,000.00		21,047,710.79	9/06/11
15565	3136FR3F	1		1001	280 FANNIE MAE	.950	9/08/15 @	.950	20,000,000.00		20,000,000.00	9/15/11
15691	3136FTQJ	1		1001	280 FED NATIONAL MTG ASSN DEBS	1.625	11/21/16 @	1.627	20,000,000.00		19,998,007.89	11/21/11
15797	3136FTYG	1		1001	280 FED NATL MORTGAGE ASSN DEBS	1.000	1/30/17 @	1.012	15,000,000.00		14,991,256.98	1/30/12

11 Items in subtotal for: FED NATL MORTGAGE ASSN DEBS (Type 280)

231,500,000.00 240,908,771.06

Market: 240,998,690.79 (1 priced @ cost)

22.245% Total

Cpn: 2.577

Term: 3.546 (OA 2.725)

S&P: N/R

Yld: .978 (OA .983)

Dur: 3.406

Moody: N/R

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>FED NATL MORTGAGE ASSN ME (283)</u>												
11474	3136F7GV	1		1001 283	FANNIE MAE	5.000	8/02/12	3.609	1,000,000.00		1,004,520.81	1/17/08
1 Item in subtotal for: FED NATL MORTGAGE ASSN MEDTRM NT (Type 283)									1,000,000.00		1,004,520.81	
Market: 1,015,880.00								.094% Total				
Cpn: 5.000			Term: .340			S&P: N/R						
Yld: 3.609			Dur: .340			Moody: N/R						
<u>TLGP SECURITIES - FDIC (287)</u>												
14882	17313YAL	1		1001 287	CITIGROUP FUNDING INC	1.875	10/22/12	.778	25,000,000.00		25,152,421.71	8/20/10
1 Item in subtotal for: TLGP SECURITIES - FDIC (Type 287)									25,000,000.00		25,152,421.71	
Market: 25,231,000.00								2.329% Total				
Cpn: 1.875			Term: .562			S&P: N/R						
Yld: .778			Dur: .562			Moody: N/R						
<u>MONEY MARKET (315)</u>												
15350	GFCORE	1		1001 315	GF CORE AS LGIP POOL PARTICIPAN	.258			1,297.37		1,297.37	4/02/12

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
11394	RESCORE	1		1001 315	GF CORE MONEY MKT	5.030			1,456,435.81		1,456,435.81	8/05/10
2 Items in subtotal for: MONEY MARKET (Type 315)									1,457,733.18		1,457,733.18	

Market: 1,457,733.18

.135% Total

MUNICIPAL BOND (810)

15608	085275B5	1		1001 810	BERNALILLO COUNTY	4.000	2/01/13	.500	550,000.00		565,984.60	10/05/11
15609	085275B6	1		1001 810	BERNALILLO COUNTY	3.000	2/01/14	.700	570,000.00		593,835.97	10/05/11
16122	149321CH	1		1001 810	CATRON & CIBOLA COUNTY ISD 2	2.000	8/01/14	.500	140,000.00		144,864.36	3/27/12
15319	20772JBS	1		1001 810	STATE OF CONNECTICUT-GO BONDS	1.720	5/15/13	.989	5,000,000.00		5,040,689.02	5/31/11
15628	29662RAJ	1		1001 810	ESPANOLA NM PSD	2.000	9/01/12	.381	570,000.00		573,837.02	11/08/11
15632	29662RAK	1		1001 810	ESPANOLA NM PSD	2.000	9/01/13	.700	1,100,000.00		1,120,114.74	11/08/11
15631	29662RAL	1		1001 810	ESPANOLA NM PSD	2.000	9/01/14	.950	1,120,000.00		1,148,026.05	11/08/11
15588	36255OKS	1		1001 810	GADSDEN NM ISD	2.000	8/15/12	.301	2,385,000.00		2,400,058.39	10/26/11
15589	36255OKT	1		1001 810	GADSDEN NM ISD	2.000	8/15/13	.600	2,245,000.00		2,287,878.17	10/26/11
15590	36255OKU	1		1001 810	GADSDEN NM ISD	2.000	8/15/14	.850	2,005,000.00		2,059,012.33	10/26/11
15426	54422NCN	1		1001 810	LOS ALAMOS NM PSD	2.000	8/01/12	.400	1,100,000.00		1,105,852.56	8/17/11
15427	54422NCP	1		1001 810	LOS ALAMOS NM PSD	2.000	8/01/13	.550	475,000.00		484,134.49	8/17/11
15428	54422NCQ	1		1001 810	LOS ALAMOS NM PSD	2.000	8/01/14	.800	325,000.00		333,993.78	8/17/11
15669	547473DA	1		1001 810	LOVINGTON NM PSD	2.000	10/01/12	.501	525,000.00		528,924.95	11/15/11

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
15670	547473DB	1		1001 810	LOVINGTON NM PSD	2.000	10/01/13	.700	900,000.00		917,423.49	11/15/11
15671	547473DC	1		1001 810	LOVINGTON NM PSD	2.000	10/01/14	1.000	935,000.00		958,025.69	11/15/11
15301	64711NNU	1		1001 810	NMFA SENIOR LIEN	2.000	6/01/12	.500	2,890,000.00		2,897,202.94	5/19/11
15302	64711NNV	1		1001 810	NMFA SENIOR LIEN	2.000	6/01/13	1.000	2,000,000.00		2,023,121.38	5/19/11
15303	64711NNW	1		1001 810	NMFA SENIOR LIEN	3.000	6/01/14	1.470	3,060,000.00		3,159,433.51	5/19/11
15497	64711NPA	1		1001 810	NMFA REVENUE	2.000	6/01/13	.351	3,605,000.00		3,674,164.64	9/01/11
15496	64711NPB	1		1001 810	NMFA REVENUE	2.000	6/01/14	.450	3,615,000.00		3,735,663.39	9/01/11
15500	64711NPV	1		1001 810	NMFA REVENUE	2.000	6/01/12	.500	790,000.00		791,968.65	9/01/11
15499	64711NPW	1		1001 810	NMFA REVENUE	2.000	6/01/13	.651	760,000.00		771,898.07	9/01/11
15498	64711NPX	1		1001 810	NMFA REVENUE	2.000	6/01/14	1.000	770,000.00		786,457.48	9/01/11
15450	767171LG	1		1001 810	RIO RANCHO NM PSD	2.000	8/01/12	.350	2,675,000.00		2,689,683.25	8/23/11
15449	767171LH	1		1001 810	RIO RANCHO NM PSD	2.000	8/01/13	.550	500,000.00		509,614.94	8/23/11
15207	802088JT	1		1001 810	SANTA FE NM PSD G02011	3.000	8/01/12	.520	5,800,000.00		5,847,812.17	3/10/11

27 Items in subtotal for: MUNICIPAL BOND (Type 810)

46,410,000.00 47,149,676.03

Market: 47,241,914.30

4.361% Total

Cpn: 2.197

Term: 1.166

S&P: N/R

Yld: .670

Dur: 1.155

Moody: N/R

MUNICIPAL BOND REVENUE (850)

16191	64711NLW	1		1001 850	MUNICIPAL BOND REVENUE	2.000	6/01/13	.301	500,000.00		509,888.06	3/09/12
15702	647310N2	1		1001 850	NEW MEXICO STB REF A-1	2.000	7/01/12	.210	1,570,000.00		1,577,017.26	12/06/11

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
15703	647310N3	1		1001 850	NEW MEXICO STB REF A-1	4.000	7/01/13	.431	3,225,000.00		3,368,337.54	12/06/11
15704	647310N4	1		1001 850	NEW MEXICO STB REF A-1	4.000	7/01/14	.700	4,780,000.00		5,131,465.84	12/06/11
15705	647310P4	1		1001 850	NEW MEXICO STB REF A-1	4.000	7/01/14	.700	9,810,000.00		10,531,313.79	12/06/11
16108	914692M9	1		1001 850	UNIVERSITY OF NM-REFUNDING	2.000	6/01/12	.202	730,000.00		732,184.81	3/06/12
16107	914692N2	1		1001 850	UNIVERSITY OF NM-REFUNDING	2.000	6/01/13	.301	1,285,000.00		1,310,411.12	3/06/12
16106	914692N3	1		1001 850	UNIVERSITY OF NM-REFUNDING	2.000	6/01/14	.480	330,000.00		340,796.68	3/06/12
16101	914692Q6	1		1001 850	UNIVERSITY OF NM-REFUNDING	3.000	6/01/14	.480	165,000.00		173,949.79	3/06/12

9 Items in subtotal for: MUNICIPAL BOND REVENUE (Type 850)

22,395,000.00

23,675,364.89

Market: 23,723,055.75

2.190% Total

Cpn: 3.598

Term: 1.809

S&P: N/R

Yld: .578

Dur: 1.761

Moody: N/R

UNITS - INVESTMENT POOL 1 (7110)

16433 UNITS001 2

1001 7110 UNITS - INVESTMENT POOL 1

1,297.37

1,297.37

4/01/12

1 Item in subtotal for: UNITS - INVESTMENT POOL 1 (Type 7110)

1,297.37

1,297.37

Market: 1,297.37

% Total

94 Items in subtotal for: GENERAL FUND CORE (Fund 1001)

1059937863.06

1078693635.36

Market: 1,083,370,038.70 (2 priced @ cost)

100.000% Total

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

GENERAL FUND CORE (1001)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Cpn:</td> <td style="width: 25%;">2.050</td> <td style="width: 15%;">Term:</td> <td style="width: 25%;">2.755 (OA 2.308)</td> <td style="width: 20%;">S&P:</td> <td>N/R</td> </tr> <tr> <td>Yld:</td> <td>1.214 (OA 1.220)</td> <td>Dur:</td> <td>2.679</td> <td>Moody:</td> <td>N/R</td> </tr> </table>													Cpn:	2.050	Term:	2.755 (OA 2.308)	S&P:	N/R	Yld:	1.214 (OA 1.220)	Dur:	2.679	Moody:	N/R
Cpn:	2.050	Term:	2.755 (OA 2.308)	S&P:	N/R																			
Yld:	1.214 (OA 1.220)	Dur:	2.679	Moody:	N/R																			

Portfolio Summary - Local Government Investment Pool (LGIP)

Summary

- Ending March Market Value for the LGIP was \$798MM, unchanged from March 29th.
- The LGIP maintains an AAAM rating by Standard & Poor's.
- Weighted Average Maturity of the LGIP was 59 days, below the rule 2(a)-7 requirements of 60 days for short-term funds.

Portfolio Mix

- 32% of the portfolio is invested in fixed income securities, 21% in floating rate notes, 42% of the portfolio is invested in demand deposit accounts with qualified banking institutions, 2% in commercial paper and 3% in Agency discount notes.
- The LGIP held positions in 32 securities.

Investment Earnings

- In March, the fund earned \$191,145 for its participants.
- Since June, the fund has earned \$1.8 million.
- Earnings in the LGIP are retained by participants after a management fee of 0.05% which is paid to the General Fund.

Performance

- Gross Yield on the LGIP was 0.299% at month-end.
- Net yield to participants was 0.249%.

Investment Highlights

- For the LGIP, the WAM(R), 59 days, and WAM (F), 102 days, are within their maximums of 60 and 120 days respectively.
- LGIP security purchases for the month of March were mainly in the fixed rate segment of the TLGP and FDIC guaranteed sectors.
- Yields obtained were wrapped around 0.21%.
- The most attractive risk/reward maturities were in the eight month area, considering that

the WAM(R) at 59 days prevents longer term investments.

- LGIP was able to reinvest in Straight-A CP for a three month maturity at 0.18%, an attractive yield for shorter paper.
- LGIP was able to take advantage of temporarily high overnight repo rates backed by US Treasury and Agency collateral versus investments in lower yielding bank deposits.
- The IBRD security, \$20mil, was called in March; this security had a purchase yield of 0.46% that could not be replaced.
- All floating rate notes held in LGIP had their interest rates reset in March, collectively declining by .10 to .15%.
- Three month Libor has been slowly receding with the improved liquidity situation in Europe, stabilizing at around .465% in April.

Investment Strategy

- LGIP WAMs continue to be and will most likely remain close to their maximum allowable terms of 60 and 120 days, for the WAM(R) and WAM (F) respectively.
- LGIP will maintain a longer WAM (R) as the curve remains positive between 3 and 13 month maturities.
- Shorter term investments, less than three months, do not provide attractive alternatives to the overnight bank deposits we currently hold.
- LGIP has been able to purchase six to seven month TLGP and FDIC guaranteed securities at around 0.20% collectively.
- FDIC SSGN (Structured Sale Guaranteed Notes), whose timely payment of principal and interest is guaranteed by the FDIC and backed by the full faith and credit of the US Government were purchased in the secondary market.

- In addition to the above mentioned guarantees, the FDIC SSGNs are backed by pools of residential mortgage-backed securities from failed bank receiverships.
- The investments in FDIC SSGNs total \$14.3mil face amount and were 5 to 10 bps cheap to other US Treasury and Agency securities.
- International Finance Corp, a member of the World Bank Group, and rated AAA/Aaa wrote a 13-month fixed rate security at 0.30% for LGIP.
- LGIP will continue to focus on diversification while maximizing safety of principal through investments in US Government and Agency securities, FDIC guaranteed and quasi-sovereign issues.

STATE OF NEW MEXICO

LGIP FUND (4101)

Portfolio Classification Summary

Positions Held as of 3/31/12

TXN BASIS: TRADE

MKT-SOURCE: IDC-PREFERRED+

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	5	.2228	.00550	312,823,907	312,823,907	312,823,907		39.179
COMMERCIAL PAPER-DISCOUNT BASED	1	.1826	.19730	15,000,000	14,994,673	14,994,673		1.878
GOV AGENCY PAPER-DISCOUNT BASED	1	.1115	.03560	20,000,000	19,999,267	19,999,267		2.505
U.S. TREASURY NOTES	5	.2288	.23318	90,000,000	90,105,060	90,118,550	13,490	11.287
TEMP CORP CU STABILIZATION FND	2	.2083	.59180	19,350,000	19,524,788	19,522,409	-2,379	2.445
FED FARM CR BANKS - FLOAT	1	.3903	1.19730	50,000,000	50,013,814	49,955,000	-58,814	6.256
FED HOME LOAN BANKS	1	.2064	.39450	25,000,000	25,065,677	25,070,500	4,823	3.140
FED NATL MORTGAGE ASSN DEBS	2	.3376	.33700	40,000,000	40,654,488	40,637,600	-16,888	5.090
FNMA VAR RT NOTE 4X	1	.1777	.72330	21,000,000	21,038,654	21,029,610	-9,044	2.634
TLGP SECURITIES - FDIC	6	.1667	.40312	81,602,000	82,288,461	82,268,406	-20,055	10.303
TLGP SECURITIES-FDIC VAR RT NT4X	6	.0301	.52409	96,700,000	96,985,628	96,909,286	-76,342	12.137
CASH ACCOUNT	1			25,125,000	25,125,000	25,125,000		3.147
	<u>32</u>	<u>.1980</u>	<u>.28491</u>	<u>796,600,907</u>	<u>798,619,417</u>	<u>798,454,208</u>	<u>-165,209</u>	<u>100.000</u>

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

LGIP FUND (4101)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
14791	BKOFWEST	9	4101	10	BANK OF THE WEST	.250	4/02/12	.250	199,224,585.98	199,224,585.98	4/01/12	
14652	COMPASBA	9	4101	10	BBVA COMPASS BANK ACCOUNT	.200	4/02/12	.200	75,652,930.91	75,652,930.91	4/01/12	
16190	ONMRCH12	9	4101	10	WF CHECKING MARCH 2012	.100	4/02/12	.100	30,504,868.48	30,504,868.48	4/01/12	
15222	USBANK	9	4101	10	US BANK	.100	4/02/12	.100	5,084,484.22	5,084,484.22	4/01/12	
14744	WFSAVING	9	4101	10	WELLS FARGO SAVINGS ACCT	.100	4/02/12	.100	2,357,038.13	2,357,038.13	4/01/12	

5 Items in subtotal for: REPURCHASE AGREEMENTS (O/N) (Type 10)

312,823,907.72 312,823,907.72

Market: 312,823,907.72 (5 priced @ cost)

39.179% Total

Cpn: .220

Term: .005

S&P: N/R

Yld: .220

Dur: .005

Moody: N/R

COMMERCIAL PAPER-DISCOUNT (22)

16230	86257YCT	9	4101	22	STRAIGHT- A	.180	6/11/12	.180	15,000,000.00	14,994,672.63	3/13/12
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1 Item in subtotal for: COMMERCIAL PAPER-DISCOUNT BASED (Type 22)

15,000,000.00 14,994,672.63

Market: 14,994,672.63 (1 priced @ cost)

1.878% Total

Cpn: .180

Term: .197

S&P: N/R

Yld: .180

Dur: .197

Moody: N/R

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

LGIP FUND (4101)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>GOV AGENCY PAPER-DISCOUNT (27)</u>												
16097	459516VN	9		4101	27 INTERNATIONAL FINANCE CORP	.110	4/13/12	.110	20,000,000.00		19,999,266.54	4/13/12
1 Item in subtotal for: GOV AGENCY PAPER-DISCOUNT BASED (Type 27)									20,000,000.00		19,999,266.54	
Market: 19,999,266.54 (1 priced @ cost)								2.505% Total				
Cpn: .110			Term: .036			S&P: N/R						
Yld: .110			Dur: .036			Moody: N/R						
<u>U.S. TREASURY NOTES (130)</u>												
15402	912828KP	1		4101	130 US TREASURY NOTE 2ND	1.375	5/15/12	.200	25,000,000.00		25,035,467.31	7/01/11
15258	912828NB	1		4101	130 US TREASURY NOTE 2ND	1.000	4/30/12	.286	20,000,000.00		20,011,359.24	4/15/11
15401	912828NQ	1		4101	130 US TREASURY NOTE 2ND	.625	7/31/12	.238	10,000,000.00		10,012,837.23	7/06/11
15400	912828NS	1		4101	130 US TREASURY NOTE 2nd	.625	6/30/12	.225	25,000,000.00		25,024,701.75	7/01/11
16082	912828PV	1		4101	130 US TREASURY NOTE	.500	11/30/12	.188	10,000,000.00		10,020,694.58	2/15/12
5 Items in subtotal for: U.S. TREASURY NOTES (Type 130)									90,000,000.00		90,105,060.11	
Market: 90,118,550.00								11.287% Total				
Cpn: .903			Term: .233			S&P: N/R						
Yld: .229			Dur: .233			Moody: N/R						

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

LGIP FUND (4101)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>TEMP CORP CU STABILIZATIO (218)</u>												
16096	95806AAB	1		4101 218	WESTERN CORP FED CREDIT UNION	1.750	11/02/12	.194	8,650,000.00		8,729,057.33	2/17/12
16333	95806AAB	1		4101 218	WESTERN CORP FED CREDIT UNION	1.750	11/02/12	.215	10,700,000.00		10,795,730.48	3/30/12
2 Items in subtotal for: TEMP CORP CU STABILIZATION FND (Type 218)									19,350,000.00		19,524,787.81	
Market: 19,522,408.50						2.445% Total						
Cpn: 1.750			Term: .592			S&P: N/R						
Yld: .205			Dur: .592			Moody: N/R						
<u>FED FARM CR BANKS - FLOAT (234)</u>												
15667	31331KF6	1		4101 234	FEDERAL FARM CR BK FLOATER	.410	6/12/13	.385	50,000,000.00		50,013,814.25	11/22/11
1 Item in subtotal for: FED FARM CR BANKS - FLOAT (Type 234)									50,000,000.00		50,013,814.25	
Market: 49,955,000.00						6.256% Total						
Cpn: .410			Term: 1.197			S&P: N/R						
Yld: .385			Dur: 1.197			Moody: N/R						

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

LGIP FUND (4101)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>FED HOME LOAN BANKS (260)</u>												
15509	3133XYWB	1		4101 260	FHLB	.875	8/22/12	.204	25,000,000.00		25,065,676.40	8/26/11
1 Item in subtotal for: FED HOME LOAN BANKS (Type 260)									25,000,000.00		25,065,676.40	
Market: 25,070,500.00						3.140% Total						
Cpn: .875			Term: .395			S&P: N/R						
Yld: .204			Dur: .395			Moody: N/R						
<u>FED NATL MORTGAGE ASSN DE (280)</u>												
15583	31359MNU	1		4101 280	FEDERAL NATL MTG ASSN DEBS	5.250	8/01/12	.362	20,000,000.00		20,325,292.48	9/27/11
16081	31359MNU	1		4101 280	FEDERAL NATL MTG ASSN DEBS	5.250	8/01/12	.304	20,000,000.00		20,329,196.74	2/15/12
2 Items in subtotal for: FED NATL MORTGAGE ASSN DEBS (Type 280)									40,000,000.00		40,654,489.22	
Market: 40,637,600.00						5.090% Total						
Cpn: 5.250			Term: .337			S&P: N/R						
Yld: .333			Dur: .337			Moody: N/R						

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

LGIP FUND (4101)

POS#	SEC-ID	\$ POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>FNMA VAR RT NOTE 4X (284)</u>											
15726	31398A7F	1	4101 284	FED NATIONAL MTG ASSN Float	.434	12/20/12	.175	21,000,000.00		21,038,653.80	12/09/11
								21,000,000.00		21,038,653.80	
1 Item in subtotal for: FNMA VAR RT NOTE 4X (Type 284)											
Market: 21,029,610.00					2.634% Total						
			Cpn: .434	Term: .723	S&P: N/R						
			Yld: .175	Dur: .723	Moody: N/R						
<u>TLGP SECURITIES - FDIC (287)</u>											
16139	06050BAA	1	4101 287	BANK OF AMERICA	3.125	6/15/12	.142	15,000,000.00		15,091,911.57	2/28/12
16120	06050BAJ	1	4101 287	BANK OF AMERICA CORP	2.375	6/22/12	.138	22,948,000.00		23,063,431.25	2/23/12
16310	17313YAN	1	4101 287	CITIGROUP FUNDING TLGP	1.875	11/15/12	.214	11,000,000.00		11,113,530.20	3/28/12
16332	17313YAN	1	4101 287	CITIGROUP FUNDING TLGP	1.875	11/15/12	.204	4,750,000.00		4,799,318.25	3/30/12
16095	36186CBF	1	4101 287	ALLY FINANCIAL INC	2.200	12/19/12	.194	17,300,000.00		17,548,449.62	2/17/12
16121	38146FAA	1	4101 287	GOLDMAN SACHS GROUP INC.	3.250	6/15/12	.136	10,604,000.00		10,671,819.72	2/23/12
								81,602,000.00		82,288,460.61	
6 Items in subtotal for: TLGP SECURITIES - FDIC (Type 287)											
Market: 82,268,406.08					10.303% Total						
			Cpn: 2.493	Term: .403	S&P: N/R						
			Yld: .164	Dur: .404	Moody: N/R						

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

LGIP FUND (4101)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
Market: 798,454,206.47 (7 priced @ cost)						100.000% Total						
Cpn:		.936		Term:		.285		S&P: N/R				
Yld:		.202		Dur:		.285		Moody: N/R				

Portfolio Summary – Tax Exempt Bond Proceeds Investment Pool

Summary

- The Tax Exempt Bond Proceeds Investment Pool closed the month of March at \$377mil, considerably lower than \$476mil at the end of February.
- The Pool continued to experience withdrawals in March to meet debt service and capital project payments.

Portfolio Mix

- 90% of the Tax-Exempt BPIP portfolio is invested in fixed income securities and 8% in floating rate; 53% in TLGP Securities which are backed by the FDIC, 35% in Treasury and Agency Securities, and the balance, approximately 2%, held in cash equivalents.
- At the time of purchase, TLGP holdings, backed by the FDIC, were within the parameters of the investment policy. As balances have come down, due to spending on capital projects, the percentage of TLGP holdings relative to all holdings in the portfolio has increased. The TLGP program will expire at the end of 2012.
- 67% of the portfolio is invested in securities that mature in one year, 19% in securities that mature from 1-2 years, 6% in securities that mature from 2-4 years and 8% in securities out to 5 years.
- The Tax-Exempt BPIP held positions in 23 securities.
- Weighted Average Life of the Tax Exempt BPIP is 1.26 years. The Weighted Average duration is 1.09 years.
- The maximum security term for the BPIP portfolio is 5 years.

Investment Highlights

- The Tax-Exempt BPIP made a \$67mil+ debt service payment on March 1st.
- The Tax-Exempt BPIP experienced approximately \$32mil in withdrawals for capital projects during the month of March.

- Securities sold in late February, \$25mil Morgan Stanley TLGP maturing March 13, 2012 and \$20mil Straight-A CP maturing March 8, 2012, provided sufficient liquidity.

Market Value and Investment Earnings

- Unrealized gains in the Tax-Exempt BPIP Portfolio were \$1.1mil as of March 31st.
- Monthly Earnings on the portfolio were \$362,443.
- During this fiscal year, we have earned approximately \$3.5mil in this pool.
- Earnings on the Bond Proceeds Investment Pool are used to offset capital and debt service spending.

Performance

- The purchase yield was higher, 1.14%, at the end of March vs. 0.95% the previous month. The yield-to-worst is 0.33%.
- The average term of the fund increased to 1.26 years from 0.88 years as cash was withdrawn, effectively lengthening the portfolio.
- The Tax-Exempt BPIP returned (0.04)% for the month of March and 0.09% for the three months ended March 31, 2012, vs. index returns of 0.00% and 0.25% respectively.
- The portfolio is somewhat “barbelled” as there is a concentration in very short term securities held to provide liquidity in conjunction with longer term assets to provide yield.
- Interest rates were higher in March with the five year segment of the yield curve underperforming, declining by 18bp, and creating a drag on performance.
- The very high concentration of maturities in the 0-1 year area in the Pool, 67%, has also been detrimental to performance.

Investment Strategy

- The Tax-Exempt BPIP is continuing to experience a high level of withdrawals.
- The current market value of the Pool is \$345mil, about \$32mil lower than at month end March.
- TLGP fixed rate securities were sold in April to provide liquidity for capital project withdrawals.
- Bank of America, 2.10% maturing 4/30/12, \$25mil, and Citigroup, 2.125% maturing 4/30/12, \$25mil, were sold at gains.
- Current cash position is close to \$25mil.
- The callable agency position in this portfolio is 11% of the total market value. As the assets in the Pool have been declining due to withdrawals, the percentage of callable securities has increased.
- In the event that we move out of the current stable interest rate environment, callable securities would have an effect on the overall portfolio duration.
- If interest rates rise, the portfolio duration has the potential to lengthen and the reverse is true. If interest rates fall the portfolio duration would shorten.
- Currently, the Pool has a duration of 1.05 years versus the Index at 1.44 years. For a point of reference, if interest rates rose 100 bp, the duration of the portfolio would lengthen to about 1.23 years. The Index duration would move out to 1.71% for the same 100 bp increase.

STATE OF NEW MEXICO
BOND PROCEEDS INV POOL1 TAX EX (4000)

Portfolio Classification Summary

Positions Held as of 3/31/12

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

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	.2636	.00550	1,269,985	1,269,985	1,269,985		.336
U.S. TREASURY NOTES	3	.7334	1.31716	40,000,000	40,432,955	40,705,150	272,195	10.767
FED FARM CR BKS CALLABLE	2	1.1330	.65590	16,110,000	16,113,227	16,127,803	14,576	4.266
FED HOME LOAN MORTGAGE CORP BDS	2	1.1455	3.51777	30,000,000	30,732,311	30,784,300	51,989	8.143
FED NATL MORTGAGE ASSN DEBS	4	.9230	1.99849	48,495,000	49,670,050	49,727,518	57,468	13.153
TLGP SECURITIES - FDIC	6	1.3711	.43288	200,000,000	201,279,569	201,902,000	622,431	53.405
TLGP SECURITIES-FDIC VAR RT NT4X	1	.8169	.22190	30,000,000	30,000,000	30,045,900	45,900	7.947
MONEY MARKET	2		.00274	1,854,490	1,854,490	1,854,490		.491
UNITS - INVESTMENT POOL 1	1			637,397	637,397	637,397		.169
CASH ACCOUNT	1			5,006,572	5,006,572	5,006,572		1.324
	<u>23</u>	<u>1.1400</u>	<u>.97781</u>	<u>373,373,444</u>	<u>376,996,556</u>	<u>378,061,115</u>	<u>1,064,559</u>	<u>100.000</u>

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL1 TAX EX (4000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
16335	0402RP	9		4000 10	OVERNIGHT REPO	.260	4/02/12	.260	1,269,985.16		1,269,985.16	4/02/12
1 Item in subtotal for: REPURCHASE AGREEMENTS (0/N) (Type 10)											1,269,985.16	1,269,985.16

Market: 1,269,985.16 (1 priced @ cost) .336% Total

Cpn:	.260	Term:	.005	S&P:	N/R
Yld:	.260	Dur:	.005	Moody:	N/R

<u>U.S. TREASURY NOTES (130)</u>												
14921	912828KF	1		4000 130	US TREASURY NOTES	1.875	2/28/14	.986	15,000,000.00		15,252,112.57	9/07/10
14923	912828MX	1		4000 130	US TREASURY NOTES	1.750	4/15/13	.715	15,000,000.00		15,160,230.73	9/07/10
15412	912828PR	1		4000 130	US TREASURY NOTES	.625	1/31/13	.377	10,000,000.00		10,020,612.20	7/08/11
3 Items in subtotal for: U.S. TREASURY NOTES (Type 130)											40,000,000.00	40,432,955.50

Market: 40,705,150.00 10.767% Total

Cpn:	1.516	Term:	1.317	S&P:	N/R
Yld:	.733	Dur:	1.309	Moody:	N/R

<u>FED FARM CR BKS CALLABLE (233)</u>												
15738	31331K2S	1		4000 233	FED FARM CR BKS CALLABLE	1.170	12/14/15 @	1.170	10,000,000.00		10,000,000.00	12/14/11

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL1 TAX EX (4000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
15745	3136FTDU	1		4000 233	FED FARM CR BKS CALLABE	1.125	10/26/15 @	1.031	6,110,000.00		6,113,226.64	12/16/11
2 Items in subtotal for: FED FARM CR BKS CALLABLE (Type 233)									16,110,000.00		16,113,226.64	

Market: 16,127,802.50 **4.266% Total**

Cpn: 1.153	Term: 3.653 (OA .656)	S&P: N/R
Yld: 1.117 (OA 1.118)	Dur: 3.575	Moody: N/R

FED HOME LOAN MORTGAGE CO (270)

15735	3134G3FA	1		4000 270	FEDERAL HOME LOAN MTG CORP	1.100	12/30/15 @	1.100	10,000,000.00		10,000,000.00	12/30/11
15558	3137EACW	1		4000 270	FEDERAL HOME LOAN MTG CORP	2.000	8/25/16	1.144	20,000,000.00		20,732,312.94	9/09/11

2 Items in subtotal for: FED HOME LOAN MORTGAGE CORP BDS (Type 270) **30,000,000.00** **30,732,312.94**

Market: 30,784,300.00 **8.143% Total**

Cpn: 1.700	Term: 4.184 (OA 3.518)	S&P: N/R
Yld: 1.130	Dur: 4.051	Moody: N/R

FED NATL MORTGAGE ASSN DE (280)

15494	31359MRK	1		4000 280	FEDERAL NATL MTG ASSN DEBS	4.625	5/01/13	.542	25,000,000.00		26,101,069.91	8/17/11
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STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL1 TAX EX (4000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>TLGP SECURITIES-FDIC VAR (288)</u>												
12317	61757UAJ	1	4000	288	MORGAN STANLEY	.824	6/20/12	.806	30,000,000.00		30,000,000.00	1/20/09
1 Item in subtotal for: TLGP SECURITIES-FDIC VAR RT NT4X (Type 288)									30,000,000.00		30,000,000.00	
Market: 30,045,900.00								7.947% Total				
Cpn:		.824		Term:		.222		S&P: N/R				
Yld:		.806		Dur:		.222		Moody: N/R				
<u>MONEY MARKET (315)</u>												
15403	BP1LGIP	1	4000	315	BPIP#1 TA AS LGIP POOL PARTICIP	.258			637,397.22		637,397.22	4/02/12
11085	BPIPXX02	1	4000	315	THE RESERVE	5.340			1,217,093.13		1,217,093.13	8/05/10
2 Items in subtotal for: MONEY MARKET (Type 315)									1,854,490.35		1,854,490.35	
Market: 1,854,490.35								.491% Total				
<u>UNITS - INVESTMENT POOL 1 (7110)</u>												
16435	UNITS001	2	4000	7110	UNITS - INVESTMENT POOL 1				637,397.22		637,397.22	4/01/12

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL1 TAX EX (4000)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
1 Item in subtotal for: UNITS - INVESTMENT POOL 1 (Type 7110)									637,397.22		637,397.22	
								Market: 637,397.22			.169% Total	
<u>CASH ACCOUNT (9300)</u>												
16152	COMPASBA 1		4000	9300	COMPASS BANK DEPOSIT	.250			5,006,572.46		5,006,572.46	3/30/12
1 Item in subtotal for: CASH ACCOUNT (Type 9300)									5,006,572.46		5,006,572.46	
								Market: 5,006,572.46			1.324% Total	
23 Items in subtotal for: BOND PROCEEDS INV POOL1 TAX EX (Fund 4000)									373,373,445.19		376,996,557.73	
								Market: 378,061,115.94 (1 priced @ cost)			100.000% Total	
Cpn: 2.143			Term: 1.278 (OA .981)			S&P: N/R						
Yld: 1.148			Dur: 1.255			Moody: N/R						

Portfolio Summary – Taxable Bond Proceeds Investment Pool

Summary

- The Taxable Bond Proceeds Investment Pool closed the month of March at \$571mil, lower than \$596mil on February 29th.
- The Pool experienced some withdrawals during the month.

Portfolio Mix

- 92% of the Taxable BPIP portfolio is invested in fixed income securities; 72% in US Treasury and Agency securities, 17% in securities that are backed by the FDIC, 3% in corporates, and the balance, approximately 8%, is held in cash equivalents such as the LGIP and NM CDs.
- 29% of the portfolio is invested in securities that mature in one year, 39% in securities that mature from 1-2 years, 25% in securities that mature from 2-4 years and 7% out to 5 years.
- The Taxable BPIP held positions in 50 securities.
- Weighted Average Life of the Taxable BPIP is 2.17 years. The Weighted Average duration is 1.72 years.
- The maximum security term for the BPIP portfolio is 5 years.

Investment Highlights

- The Taxable BPIP sold \$16.555mil face amount of FHLB 3.25% maturing March 9, 2012 at a gain to facilitate capital project withdrawals.
- The Pool experienced approximately \$25mil in withdrawals for capital projects.
- US Treasury yields were higher for the month of March with two, three and five year Treasuries higher by 4, 9 and 18 bp respectively.

Market Value and Investment Earnings

- The unrealized gains in the Taxable BPIP Portfolio were \$2.6mil as of March 31st.

- Monthly earnings on the portfolio were \$515,322.
- Fiscal YTD earnings are \$5.3 Million.
- Earnings on the Bond Proceeds Investment Pool are used to offset capital and debt service spending.

Performance

- Purchase Yield decreased to 1.05% from 1.12%.
- Average Term of the fund shortened slightly from 2.20 to 2.17 years.
- The Taxable BPIP returned (0.03)% for the month of March and 0.19% for the three months ended March 31, 2012, in line with the index returns of 0.00% and 0.25% respectively.

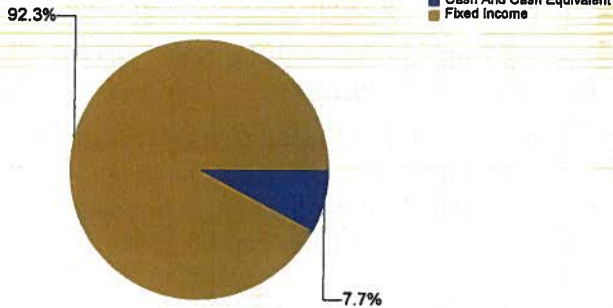
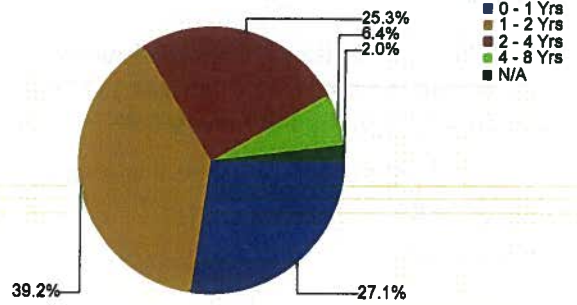
Investment Strategy

- The Taxable BPIP has been experiencing some withdrawals.
- The current market value of the Pool is approximately \$549mil, \$22mil lower than the end of March.
- The portfolio is fully invested with a duration slightly longer than the benchmark, 1.53 years versus 1.44 years.
- The current cash position in the Pool is \$17mil.
- The callable agency position in this portfolio is 20% of the total market value. As the assets in the Pool have been declining due to withdrawals, the percentage of callable securities has increased.
- Currently, the Pool has a duration of 1.51 years versus the Index at 1.44 years. For a point of reference, if interest rates rose 100 bp, the duration of the portfolio would lengthen to about 1.88 years. The Index duration would move out to 1.71% for the same 100 bp increase.

Portfolio Characteristics

Duration Mix

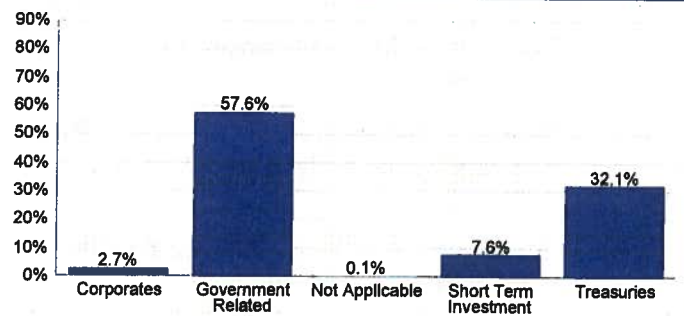
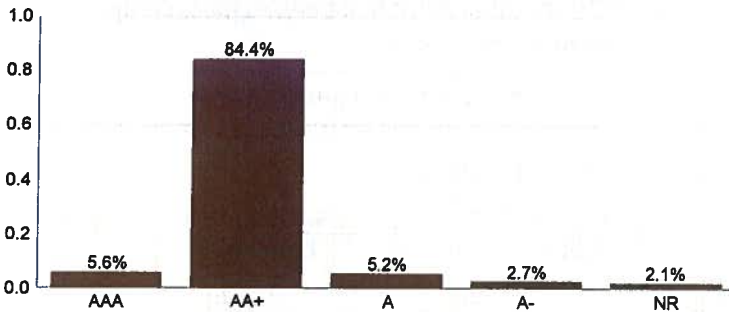
Total Net Assets (Millions)	571.3
Weighted Average Life (Years)	2.17
Weighted Avg. Effective Duration (Years)	1.72
Weighted Average Coupon (%)	1.68
Weighted Average Current Yield (%)	0.54
Weighted Average Yield to Maturity (%)	0.57
Weighted Average Rating	AA
Number of Holdings	44



Security ID	Security Name	% of Assets	Coupon Rate	Maturity Date
912828KF6	US 1.87500 '14	7.22%	1.88	28/2/2014
912828NU0	US 0.75000 '13	5.29%	0.75	15/8/2013
3137EACW7	FED HOME LOAN MTG 2% BDS 25/AUG/2016 USD1000	4.56%	2.00	25/8/2016
36967HAV9	GENERAL ELECTRIC CAPITAL CORP SER 'G' 2.125% NTS	4.49%	2.12	21/12/2012
3136FR3N1	FEDERAL NATIONAL MORTGAGE ASSOC 1.35% NTS	4.39%	1.35	20/9/2016
31359MTP8	FED NATL MTG ASSN 5.12% 02/JAN/2014	4.33%	5.12	2/1/2014
31398A4M1	FEDERAL NATL MTG ASSN FR 1.625% 28/OCT/2015	3.83%	1.62	28/10/2015
17313YAJ0	CITIGROUP FUNDING INC 2.25% BDS 10/DEC/2012	3.57%	2.25	10/12/2012
3135G0AP8	FEDERAL NATL MTG ASSN FR 1.25% 27/FEB/2014	3.57%	1.25	27/2/2014
90345AAC6	US CENTRAL FEDERAL CRED 1.90% 19/OCT/2012	3.56%	1.90	19/10/2012

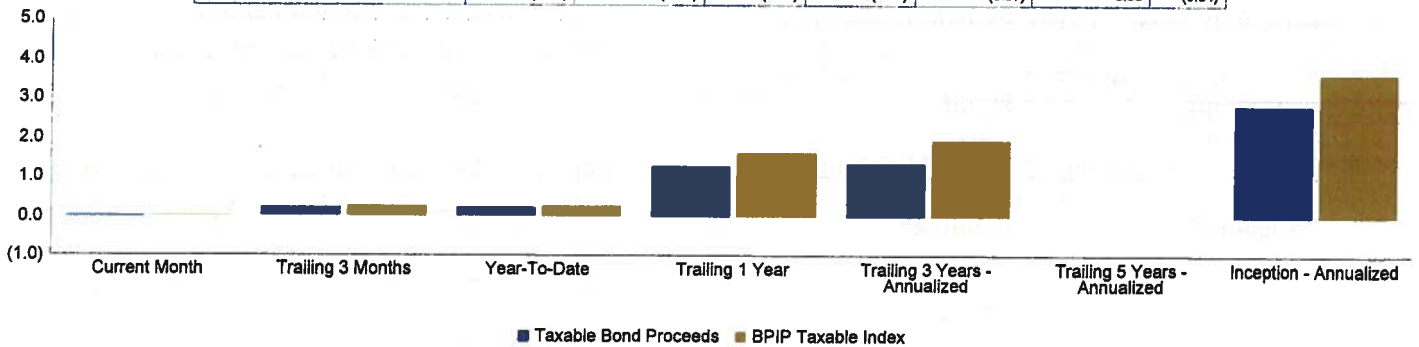
Quality/Rating Weightings

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	(0.03)	0.19	0.19	1.27	1.35		2.79
BPIP Taxable Index	0.00	0.25	0.25	1.62	1.92		3.63
Excess	(0.03)	(0.05)	(0.05)	(0.35)	(0.57)	0.00	(0.84)



STATE OF NEW MEXICO
BOND PROCEEDS INV POOL2 TAXABL (4002)

Portfolio Classification Summary

Positions Held as of 3/31/12

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

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	.2636	.00550	20,777,352	20,777,352	20,777,352		3.638
CERTIFICATES OF DEPOSIT	6	.7299	.33057	7,700,000	7,700,000	7,700,000		1.348
LINKED-CERTIFICATE OF DEPOSIT	2	.5500	.32330	4,000,000	4,000,000	4,000,000		.700
U.S. TREASURY NOTES	13	.7817	1.86927	180,000,000	181,675,362	182,847,400	1,172,038	32.013
CORPORATE BONDS	2	5.3744	.42100	15,000,000	15,022,524	15,286,150	263,626	2.676
TEMP CORP CU STABILIZATION FND	2	1.9051	.56620	30,000,000	29,995,201	30,274,100	278,899	5.300
FED FARM CR BKS CALLABLE	1	1.1928	.70680	4,365,000	4,363,969	4,365,437	1,468	.764
FED HOME LOAN MORTGAGE CORP BDS	4	1.3492	2.06718	72,300,000	73,120,971	73,394,675	273,704	12.850
FED NATL MORTGAGE ASSN DEBS	12	.9970	1.58641	150,110,000	152,740,775	153,134,504	393,729	26.811
TLGP SECURITIES - FDIC	3	.7587	.72265	65,155,000	65,758,387	66,004,520	246,133	11.556
MONEY MARKET	2		.00274	2,080,636	2,080,636	2,080,636		.364
UNITS - INVESTMENT POOL 1	1			292,403	292,403	292,403		.051
CASH ACCOUNT	1			11,004,272	11,004,272	11,004,272		1.927
	<u>50</u>	<u>1.0540</u>	<u>1.45409</u>	<u>562,784,663</u>	<u>568,531,852</u>	<u>571,161,449</u>	<u>2,629,597</u>	<u>100.000</u>

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL2 TAXABL (4002)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
16336	0402RP	9	4002	10	OVERNIGHT REPO	.260	4/02/12	.260	20,777,352.00		20,777,352.00	4/02/12
1 Item in subtotal for: REPURCHASE AGREEMENTS (0/N) (Type 10)									20,777,352.00		20,777,352.00	

Market: 20,777,352.00 (1 priced @ cost) 3.638% Total

Cpn: .260	Term: .005	S&P: N/R
Yld: .260	Dur: .005	Moody: N/R

CERTIFICATES OF DEPOSIT (30)

15767	08118544	9	4002	30	WESTERN BANK ALAMOGORDO	.700	12/27/12	.700	1,100,000.00		1,100,000.00	12/27/11
15444	10000000	9	4002	30	WESTERN BANK ALAMOGORDO	.750	7/26/12	.750	1,000,000.00		1,000,000.00	7/26/11
15409	15866000	9	4002	30	WESTERN BANK CLOVIS	.750	7/05/12	.750	2,000,000.00		2,000,000.00	7/06/11
15441	15894000	9	4002	30	WESTERN BANK CLOVIS	.750	7/19/12	.750	600,000.00		600,000.00	7/19/11
15397	2012462	9	4002	30	WESTERN COMMERCE BANK	.700	6/15/12	.700	2,000,000.00		2,000,000.00	6/30/11
15430	81186340	9	4002	30	WESTERN BANK ALAMOGORDO	.750	7/13/12	.750	1,000,000.00		1,000,000.00	7/13/11

6 Items in subtotal for: CERTIFICATES OF DEPOSIT (Type 30) **7,700,000.00** **7,700,000.00**

Market: 7,700,000.00 (6 priced @ cost) 1.348% Total

Cpn: .730	Term: .331	S&P: N/R
Yld: .730	Dur: .331	Moody: N/R

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL2 TAXABL (4002)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>LINKED-CERTIFICATE OF DEP (31)</u>												
15445	20124770	9	4002	31	WESTERN COMMERCE BANK	.550	7/27/12	.550	2,000,000.00		2,000,000.00	7/27/11
15446	20124780	9	4002	31	WESTERN COMMERCE BANK	.550	7/27/12	.550	2,000,000.00		2,000,000.00	7/27/11

2 Items in subtotal for: LINKED-CERTIFICATE OF DEPOSIT (Type 31)

4,000,000.00 4,000,000.00

Market: 4,000,000.00 (2 priced @ cost)

.700% Total

Cpn: .550

Term: .323

S&P: N/R

Yld: .550

Dur: .323

Moody: N/R

<u>U.S. TREASURY NOTES (130)</u>												
14918	912828KF	1	4002	130	US TREASURY NOTES	1.875	2/28/14	1.007	40,000,000.00		40,655,946.11	1/20/11
15242	912828KN	1	4002	130	US TREASURY NOTES	1.875	4/30/14	1.298	10,000,000.00		10,118,068.48	3/29/11
15241	912828KV	1	4002	130	US TREASURY NOTES	2.250	5/31/14	1.346	10,000,000.00		10,192,001.20	3/29/11
15239	912828NN	1	4002	130	US TREASURY NOTES	1.000	7/15/13	.914	10,000,000.00		10,010,987.33	3/29/11
15806	912828NP	1	4002	130	US TREASURY NOTES	1.750	7/31/15	.453	10,000,000.00		10,428,445.03	1/17/12
14919	912828NU	1	4002	130	US TREASURY NOTES	.750	8/15/13	.789	20,000,000.00		19,989,319.99	9/07/10
15240	912828NU	1	4002	130	US TREASURY NOTES	.750	8/15/13	.946	10,000,000.00		9,973,307.08	3/29/11
15413	912828PB	1	4002	130	US TREASURY NOTES	.500	10/15/13	.575	5,000,000.00		4,994,299.89	7/08/11
15206	912828QK	1	4002	130	US TREASURY NOTES	.625	2/28/13	.724	5,000,000.00		4,995,520.22	6/09/11
15807	912828QR	1	4002	130	US TREASURY NOTES	1.500	6/30/16	.656	10,000,000.00		10,353,022.57	1/17/12

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL2 TAXABL (4002)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
14347	95806AAB	1		4002 218	WESTERN CORP FED CREDIT UNION	1.750	11/02/12	1.793	10,000,000.00		9,997,547.90	11/02/09
2 Items in subtotal for: TEMP CORP CU STABILIZATION FND (Type 218)											30,000,000.00	29,995,200.45
Market: 30,274,100.00						5.300% Total						
Cpn: 1.850			Term: .566			S&P: N/R						
Yld: 1.879			Dur: .566			Moody: N/R						
<u>FED FARM CR BKS CALLABLE (233)</u>												
15744	31331K2S	1		4002 233	FED FARM CR BKS CALLABLE	1.170	12/14/15 @	1.176	4,365,000.00		4,363,968.83	12/16/11
1 Item in subtotal for: FED FARM CR BKS CALLABLE (Type 233)											4,365,000.00	4,363,968.83
Market: 4,365,436.50						.764% Total						
Cpn: 1.170			Term: 3.704 (OA .707)			S&P: N/R						
Yld: 1.176 (OA 1.204)			Dur: 3.625			Moody: N/R						
<u>FED HOME LOAN MORTGAGE CO (270)</u>												
15693	3134G3BT	1		4002 270	FEDERAL HOME LOAN MTG CORP	1.625	11/23/16 @	1.635	20,000,000.00		19,990,553.45	11/23/11

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL2 TAXABL (4002)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY	@	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
15775	3134G3CB	1		4002 270	FED HOME LOAN MORTGAGE CORP BDS	1.625	12/05/16	@	1.180	20,000,000.00		20,059,847.53	1/09/12
15733	3134G3FA	1		4002 270	FEDERAL HOME LOAN MTG CORP	1.100	12/30/15	@	1.100	7,300,000.00		7,300,000.00	12/30/11
15517	3137EACW	1		4002 270	FEDERAL HOME LOAN MTG CORP	2.000	8/25/16		1.277	25,000,000.00		25,770,574.74	8/30/11
4 Items in subtotal for: FED HOME LOAN MORTGAGE CORP BDS (Type 270)										72,300,000.00		73,120,975.72	

Market: 73,394,675.00

12.850% Total

Cpn: 1.702

Term: 4.482 (OA 2.067)

S&P: N/R

Yld: 1.331 (OA 1.349) Dur: 4.316 (OA 3.271)

Moody: N/R

FED NATL MORTGAGE ASSN DE (280)

15585	31359MNU	1		4002 280	FEDERAL NATL MTG ASSN DEBS	5.250	8/01/12		.362	5,000,000.00		5,081,323.12	9/27/11
15492	31359MTP	1		4002 280	FEDERAL NATL MTG ASSN DEBS	5.125	1/02/14		.817	14,260,000.00		15,326,848.98	8/18/11
15495	31359MTP	1		4002 280	FEDERAL NATL MTG ASSN DEBS	5.125	1/02/14		.842	8,450,000.00		9,078,342.02	8/18/11
15434	3135GOAP	9		4002 280	FEDERAL NATL MTG ASSN DEBS	1.250	2/27/14		.715	6,000,000.00		6,060,580.80	7/12/11
15435	3135GOAP	9		4002 280	FEDERAL NATL MTG ASSN DEBS	1.250	2/27/14		.715	14,000,000.00		14,141,355.20	7/12/11
11995	3136F9DU	1		4002 280	FEDERAL NATL MTG ASSN DEBS	4.000	4/15/13		4.079	2,400,000.00		2,398,060.47	8/22/08
15569	3136FR3N	1		4002 280	FEDERAL NATL MTG ASSN DEBS	1.350	9/20/16	@	1.350	25,000,000.00		25,000,000.00	9/20/11
15746	3136FTUZ	1		4002 280	FED NATL MORTGAGE ASSN DEBS	1.400	12/30/16	@	1.400	10,000,000.00		10,000,000.00	12/30/11
15750	3136FTUZ	1		4002 280	FED NATL MORTGAGE ASSN DEBS	1.400	12/30/16	@	1.400	5,000,000.00		5,000,000.00	12/30/11
15798	3136FTYG	1		4002 280	FED NATL MORTGAGE ASSN DEBS	1.000	1/30/17	@	1.012	20,000,000.00		19,988,342.63	1/30/12
15421	31398A2S	1		4002 280	FEDERAL NATL MTG ASSN DEBS	1.000	9/23/13		.564	20,000,000.00		20,128,173.55	7/12/11
15776	31398A4M	1		4002 280	FED NATL MORTGAGE ASSN DEBS	1.625	10/26/15		.858	20,000,000.00		20,537,746.58	1/09/12

12 Items in subtotal for: FED NATL MORTGAGE ASSN DEBS (Type 280)

150,110,000.00

152,740,773.35

Market: 153,134,503.80 (2 priced @ cost)

26.811% Total

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL2 TAXABL (4002)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
						Cpn: 2.028	Term: 3.086 (OA 1.586)	S&P: N/R				
						Yld: .983 (OA .990)	Dur: 2.988	Moody: N/R				
<u>TLGP SECURITIES - FDIC (287)</u>												
14897	17313YAJ	1	4002	287	CITIGROUP INC	2.250	12/10/12	.747	20,000,000.00		20,206,850.14	8/26/10
14896	17314JAT	1	4002	287	CITIGROUP INC	1.750	12/28/12	.749	20,000,000.00		20,147,674.62	8/26/10
14895	36967HAV	1	4002	287	GENERAL ELECTRIC CAP CORP	2.125	12/21/12	.748	25,155,000.00		25,403,861.89	8/26/10
3 Items in subtotal for: TLGP SECURITIES - FDIC (Type 287)									65,155,000.00		65,758,386.65	
						Market: 66,004,520.40			11.556% Total			
						Cpn: 2.048	Term: .723	S&P: N/R				
						Yld: .748	Dur: .723	Moody: N/R				
<u>MONEY MARKET (315)</u>												
15404	BP2LGIP	1	4002	315	BPIP#2 TE AS LGIP POOL PARTICIP	.258			292,402.73		292,402.73	4/02/12
11122	BPIP2RES	1	4002	315	THE RESERVE	5.430			1,788,233.27		1,788,233.27	8/05/10
2 Items in subtotal for: MONEY MARKET (Type 315)									2,080,636.00		2,080,636.00	
						Market: 2,080,636.00			.364% Total			

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL2 TAXABL (4002)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @ YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
<u>UNITS - INVESTMENT POOL 1 (7110)</u>											
16436	UNITS001	2	4002	7110	UNITS - INVESTMENT POOL 1			292,402.73		292,402.73	4/01/12
1 Item in subtotal for: UNITS - INVESTMENT POOL 1 (Type 7110)								292,402.73		292,402.73	
Market: 292,402.73						.051% Total					
<u>CASH ACCOUNT (9300)</u>											
16153	COMPASBA	1	4002	9300	COMPASS BANK DEPOSIT	.250		11,004,271.85		11,004,271.85	4/03/12
1 Item in subtotal for: CASH ACCOUNT (Type 9300)								11,004,271.85		11,004,271.85	
Market: 11,004,271.85						1.927% Total					
50 Items in subtotal for: BOND PROCEEDS INV POOL2 TAXABL (Fund 4002)								562,784,662.58		568,531,857.98	
Market: 571,161,448.28 (11 priced @ cost)						100.000% Total					
Cpn: 1.688			Term: 2.210 (OA 1.459)			S&P: N/R					

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

BOND PROCEEDS INV POOL2 TAXABL (4002)

POS#	SEC-ID	\$	POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
					Yld: 1.068 (OA 1.073)		Dur: 2.158	(OA 2.021)			Moody: N/R	

Portfolio Summary – Severance Tax Bonding Fund

Summary

- The Severance Tax Bonding Fund closed the month of March at \$248 Million.

Portfolio Mix

- Severance Tax Bonding Fund Proceeds are invested in the LGIP (53%), collateralized bank accounts (30%) and the overnight repurchase agreement pool (16%).
- Severance Taxes are remitted to the Treasury on a monthly basis and are approximately \$35MM per month.
- Severance Tax Bonding Fund holdings are pledged and used to pay debt service on Severance Tax and Supplemental Severance Tax Bonds.
- Once debt service needs are met, the balance in the Severance Tax Bonding Fund is transferred to the Severance Tax Permanent Fund.
- STBF balances will be decreased at the end of June to meet Debt Service Costs and also transferred to the State Investment Council.

Investment Strategy

- We continue to utilize the LGIP for STBF proceeds.
- As an alternative to repurchase agreements, we have utilized collateralized local bank deposits for the STBF.
- As we are getting closer to planned withdrawals in June, we have shifted the asset allocation toward more liquid instruments.
- Due to its short-term nature, investments of three to six month maturities are viable investments for the STBF pool.

STATE OF NEW MEXICO

STB FUND (4001)

Portfolio Classification Summary

Positions Held as of 3/31/12

TXN BASIS: TRADE

MKT-SOURCE: IDC-PREFERED+

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
UNITS - INVESTMENT POOL 1	1			132,200,196	132,200,196	132,200,196		53.114
UNITS - REPURCHASE POOL	1	.2600	.00274	40,595,125	40,595,125	40,595,125		16.310
CASH ACCOUNT	1			76,104,146	76,104,146	76,104,146		30.576
	<u>3</u>	<u>.0424</u>	<u>.00274</u>	<u>248,899,467</u>	<u>248,899,467</u>	<u>248,899,467</u>		<u>100.000</u>

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

STB FUND (4001)

POS#	SEC-ID	\$ POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @ YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
16469	UNITS001	2	4001 7110	UNITS - INVESTMENT POOL 1			132,200,196.23		132,200,196.23	4/01/12
1 Item in subtotal for: UNITS - INVESTMENT POOL 1 (Type 7110)							132,200,196.23		132,200,196.23	
Market: 132,200,196.23							53.114% Total			
<u>UNITS - REPURCHASE POOL (8100)</u>										
15651	UNITREPO	2	4001 8100	REPO UNITS FBO STB FUND			40,595,124.67		40,595,124.67	4/02/12
1 Item in subtotal for: UNITS - REPURCHASE POOL (Type 8100)							40,595,124.67		40,595,124.67	
Market: 40,595,124.67							16.310% Total			
<u>CASH ACCOUNT (9300)</u>										
16154	COMPASBA	1	4001 9300	COMPASS BANK DEPOSIT	.250		76,104,145.89		76,104,145.89	2/29/12
1 Item in subtotal for: CASH ACCOUNT (Type 9300)							76,104,145.89		76,104,145.89	
Market: 76,104,145.89							30.576% Total			

STATE OF NEW MEXICO

Position Holdings

TRADED POSITIONS HELD AS OF 3/31/12

STB FUND (4001)

POS#	SEC-ID	\$ POOL#	FUND TYPE	DESCRIPTION	RATE	MATURITY @	YIELD	PAR/SHARES	#	BOOK-VALUE	LAST-QTY
3 Items in subtotal for: STB FUND (Fund 4001)								248,899,466.79		248,899,466.79	
Market: 248,899,466.79					100.000% Total						

Broker-Dealer Activities

Broker Dealer List May 2012

Primary and Secondary Bond Purchases and Sales

Commissions Paid

Variable Rate and Structured Note Holdings

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

Fiscal Year 2011-2012

(\$ in thousands)

Volume at Par	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	YTD Total	YTD Percent
Broker/Dealer:														
Bank of America/MILPFS	35,000	58,450	50,029	20,000	22,300	25,045	-	10,000	40,000	-	-	-	260,804	10.3%
Bank of Oklahoma (BK ABQ)	20,000	-	2,790	50,000	2,700	148,000	-	7,010	-	-	-	-	9,800	0.4%
Barclays	-	-	56,750	-	-	-	-	20,000	4,750	-	-	-	302,200	11.9%
BB&T	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
BMO Capital Markets	70,000	-	20,000	-	20,000	20,000	40,000	-	-	-	-	-	170,000	6.7%
BNP Paribas	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Camor Fitzgerald	20,000	27,260	51,635	50,000	20,000	45,000	-	45,000	16,555	-	-	-	275,450	10.8%
Chigroup	110,000	-	20,000	20,000	-	4,365	10,000	20,000	35,000	-	-	-	199,365	7.8%
Credit Suisse Securities	10,000	24,950	10,000	-	-	-	-	-	-	-	-	-	44,950	1.8%
Deutsche Bank	25,000	-	11,120	-	20,000	-	-	-	-	-	-	-	56,120	2.2%
FTN Financial	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Gleacher Securities	5,000	-	80,000	-	-	-	-	-	-	-	-	-	85,000	3.3%
Goldman Sachs	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Great Pacific Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
HSBC	-	-	-	55,000	-	-	-	40,950	-	-	-	-	95,950	3.8%
JP Morgan	55,000	20,000	40,000	-	19,385	25,000	55,000	63,500	20,000	-	-	-	114,385	4.5%
Jefferies	-	-	-	-	40,000	-	-	-	20,000	-	-	-	243,500	9.6%
MFR	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Miller, Tabak Roberts	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Mitsubishi UFJ (Repo)	1,900	9,540	-	2,360	-	-	-	765	500	-	-	-	15,065	0.6%
Morgan Keegan	-	25,000	-	10,000	50,000	-	10,000	58,552	31,700	-	-	-	175,252	6.9%
Morgan Stanley	-	-	-	10,000	-	-	-	-	20,000	-	-	-	10,000	0.4%
Mutual Siebert & Co.	20,000	-	-	7,000	-	-	-	-	-	-	-	-	47,000	1.9%
Nomura Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Northern Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Oppenheimer	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Piper Jaffrey	-	-	2,790	-	-	-	-	-	-	-	-	-	-	0.0%
RBS Greenwich Capital	20,000	-	-	-	-	-	-	-	-	-	-	-	20,000	0.8%
South Street (Repo Only)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Stifel Financial	3,175	-	20,000	-	-	20,000	-	-	-	-	-	-	43,175	1.7%
Stone & Youngberg	20,000	-	-	3,000	-	-	-	-	-	-	-	-	119,905	4.7%
UBS Financial	-	-	-	-	20,000	11,660	-	-	-	-	-	-	31,660	1.2%
Vining Sparks	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Williams Capital Group	-	250	8,000	-	-	124,263	-	-	8,250	-	-	-	140,763	5.5%
Direct Purchase	-	-	-	-	-	-	-	-	-	-	-	-	80,000	3.1%
Interfund	-	-	-	80,000	-	-	-	-	-	-	-	-	-	0.0%
Total	415,075	165,450	350,324	297,360	214,385	470,238	165,000	265,777	196,755	-	-	-	2,540,364	100.0%
Market type:														
Primary Market	5,075	9,790	63,574	47,360	79,385	348,763	35,000	52,775	23,250	-	-	-	664,972	26.2%
Secondary Market	410,000	155,660	286,750	250,000	135,000	121,475	130,000	213,002	173,505	-	-	-	1,875,392	73.8%
Total	415,075	165,450	350,324	297,360	214,385	470,238	165,000	265,777	196,755	-	-	-	2,540,364	100.0%
Security type:														
CD's	-	250	8,000	-	-	9,100	-	-	8,250	-	-	-	25,600	1.0%
Corporate Bonds	-	-	-	-	40,000	-	-	-	10,700	-	-	-	50,700	2.0%
TLGP	-	-	36,750	200,000	5,000	-	-	90,852	11,000	-	-	-	343,602	13.5%
Agencies	60,000	135,660	185,000	60,000	150,000	198,930	115,000	117,150	61,305	-	-	-	1,083,045	42.6%
Commercial Paper	-	-	25,029	35,000	-	147,045	-	20,000	15,000	-	-	-	242,074	9.5%
MBS	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Treasuries	350,000	20,000	85,000	2,360	-	115,163	50,000	30,000	90,000	-	-	-	625,000	24.6%
Municipal/Sponge	5,075	9,540	10,545	-	19,385	-	-	7,775	500	-	-	-	170,343	6.7%
ABS	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Money Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Total	415,075	165,450	350,324	297,360	214,385	470,238	165,000	265,777	196,755	-	-	-	2,540,364	100.0%

STATE OF NEW MEXICO

Summary of Fixed-Income Purchases and Sales

TRADES During The Period 3/01/12 Through 3/31/12

TXN-DATE	CUSIP#	ASSET-TYPE	INVT#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NDT-CALL
<u>PURCHASE TRANSACTIONS</u>													
3/13/12	86257YCT	COMMERCIAL PAPE	16230	STRAIGHT- A	.180	6/11/12	.1801	BANK OF AMERICA	4101	15,000,000.00	14,993,250.00		
3/26/12	735605	CERTIFICATES OF	16302	GUADALUPE CREDIT UNION	.750	3/26/13	.7500	SYSTEM - UNIDEN	1000	250,000.00	250,000.00		
3/28/12	17099245	CERTIFICATES OF	16319	CENTURY BANK SANTA FE	.400	3/28/13	.4000	SYSTEM - UNIDEN	1000	8,000,000.00	8,000,000.00		
3/05/12	912828SC	U.S. TREASURY N	16185	US TREASURY NOTES	.875	1/31/17	.8456	CREDIT SUISSE	1001	20,000,000.00	20,028,125.00		
3/05/12	912828SJ	U.S. TREASURY N	16138	US TREASURY NOTES	.875	2/28/17	.8606	BANK OF AMERICA	1001	20,000,000.00	20,014,062.50		
3/19/12	912828RX	U.S. TREASURY N	15905	US TREASURY NOTES	.875	12/31/16	1.1053	BANK OF AMERICA	1001	5,000,000.00	4,946,484.38		
3/30/12	95806AAB	TEMP CORP CU ST	16333	WESTERN CORP FED CREDIT	1.750	11/02/12	.2148	MORGAN STANLEY	4101	10,700,000.00	10,796,621.00		
3/05/12	3137EADC	FED HOME LOAN M	16186	FED HOME LOAN MORTGAGE	1.000	3/08/17	1.1061	CITI GROUP	1001	20,000,000.00	19,897,000.00		
3/05/12	3135G0GY	FED NATL MORTGA	16187	FED NATL MORTGAGE ASSN	1.250	1/30/17	1.0590	JEFFRIES & CO	1001	20,000,000.00	20,181,936.49		
3/05/12	3135G0GY	FED NATL MORTGA	16187	FED NATL MORTGAGE ASSN	1.250	1/30/17	1.0597	J.P. MORGAN SEC	1001	20,000,000.00	20,181,320.00		
3/27/12	17313YAN	TLGP SECURITIES	16310	CITIGROUP FUNDING TLGP	1.875	11/15/12	.2141	MORGAN STANLEY	4101	11,000,000.00	11,115,060.00		
3/29/12	17313YAN	TLGP SECURITIES	16332	CITIGROUP FUNDING TLGP	1.875	11/15/12	.2043	BARCLAYS	4101	4,750,000.00	4,799,542.50		
3/06/12	64711NLW	MUNICIPAL BOND	16191	MUNICIPAL BOND REVENUE	2.000	6/01/13	.3005	MORGAN KEEGAN	1001	500,000.00	510,405.00		
13 PURCHASES DURING PERIOD TOTAL.....										155,200,000.00	155,713,806.87		
<u>SALE TRANSACTIONS</u>													
3/05/12	912828NC	U.S. TREASURY N	15315	US TREASURY NOTE	1.375	5/15/13	.2228	MORGAN STANLEY	1001	10,000,000.00	10,137,109.38	39,076.58	
3/05/12	912828QE	U.S. TREASURY N	15314	US TREASURY NOTE	.625	4/30/13	.2170	NOMURA	1001	20,000,000.00	20,093,750.00	73,467.68	
3/05/12	912828QL	U.S. TREASURY N	15313	US TREASURY NOTE	.750	3/31/13	.2079	CREDIT SUISSE	1001	15,000,000.00	15,086,718.75	47,843.83	
3/05/12	3133XPXS	FED HOME LOAN B	11931	FEDERAL HOME LOAN BANK	3.250	3/09/12		CITI GROUP	4002	16,555,000.00	16,559,370.52	5,549.09	
4 SALES DURING PERIOD TOTAL.....										61,555,000.00	61,876,948.65	165,937.18	
=== GRAND-TOTAL ===>										216,755,000.00	217,590,755.52	165,937.18	

*** END-OF-REPORT ***



James B. Lewis
State Treasurer

STATE OF NEW MEXICO
OFFICE OF THE TREASURER


Mark F. Valdes
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: May 1, 2012

To: James B. Lewis, State Treasurer

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

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

Subject: State Fund Deposit Activity for the month ending March 31, 2012

Pursuant to section 8-6-3.1 NMSA 1978, the State Cash Manager shall submit to the State Board of Finance a report showing state fund balances in each Financial Institution. Attached for your review is a summary of State fund balances in each institution through the month ending March 31, 2012.

Additionally, the State Treasurer's Office is required to report to the State Board of Finance any Financial Institution that exceeds certain equity capital and deposit ratios and notify all state agencies who maintain State Fund Deposits within those institutions of the violation. The agencies are advised not to make any new deposits to those accounts until the violations are corrected. Pursuant to section 6-10-24.1 NMSA 1978 there were no Financial Institutions exceeding the statutory limitations on equity capital and deposit ratios for the month ending March 31, 2012.

(Attachments)

Depository Account Summary by Agency

March 2012

STATE FUNDS

NON-STATE FUNDS

AGENCY	# OF ACCTS.	BALANCE	AGENCY	# OF ACCTS.	BALANCE
AOC (fines, fees etc.)	50	\$3,554,987	AOC (Bonds)		
BERN. CO. METRO COURT	2	\$386,862	1ST JUDICIAL DIST. COURT	3	\$2,301,113
1-13 DISTRICT ATTORNEY	6	\$68,829	2ND JUDICIAL DIST. COURT	2	\$840,659
EDUCATION RETIREMENT BOARD	1	\$17,889	3RD JUDICIAL DIST. COURT	2	\$1,319,202
TAXATION & REVENUE DEPT.	30	\$187,085	4TH JUDICIAL DIST. COURT	4	\$157,160
PUBLIC SCHOOL INS. AUTHORITY	6	\$24,607,427	5TH JUDICIAL DIST. COURT	3	\$2,467,926
PUBLIC DEFENDER	9	\$10,588	6TH JUDICIAL DIST. COURT	3	\$198,273
SECRETARY OF STATE	1	\$0	7TH JUDICIAL DIST. COURT	4	\$600,455
STATE TREASURER (JDC)	29	\$195,597	8TH JUDICIAL DIST. COURT	4	\$728,140
STATE TREASURER (OTHER INVEST)	4	\$152,147,494	9TH JUDICIAL DIST. COURT	4	\$572,018
NM RACING COMMISSION	7	\$174,572	10TH JUDICIAL DIST. COURT	2	\$100,910
SPACEPORT AUTHORITY	1	\$1,625,016	11TH JUDICIAL DIST. COURT	10	\$1,323,547
DEPT. OF GAME & FISH	2	\$79,011	12TH JUDICIAL DIST. COURT	8	\$1,511,672
SOUTHWEST REGION ED.	1	\$1,886,130	13TH JUDICIAL DIST. COURT	61	\$2,855,359
ENERGY & MINERALS	4	\$688,475	BERNALILLO CO. METRO COURT	2	\$800,059
COMMISSION PUBLIC LAND	2	\$20,263	6TH DISTRICT ATTORNEY	3	\$35,251
STATE ENGINEER'S OFFICE	3	\$92,831	7TH DISTRICT ATTORNEY	1	\$1,765
IRRG WKS CONST	1	\$252,211	10TH DISTRICT ATTORNEY	1	\$2,653
COMMISSION FOR THE BLIND	3	\$100,584	11TH JUDICIAL DIST. ATTORNEY	1	\$14,548
HUMAN SERVICES DEPT.	6	\$24,761	LGIP	5	\$312,823,825
WORKFORCE SOLUTIONS	6	\$1,526,964	PUBLIC REG. COMMISSION	3	\$839,740
DIVISION OF VOCATIONAL REHAB	1	\$0	NM STATE FAIR	5	\$1,298,114
MINER'S HOSPITAL	1	\$1,271,007	SOUTHWEST REGION ED.	1	\$15
DEPARTMENT OF HEALTH	75	\$1,179,179	COMM STATUS OF WOMEN	1	\$0
ENVIRONMENT DEPARTMENT	1	\$0	COMM FOR THE BLIND	1	\$0
CORRECTIONS DEPARTMENT	5	\$1,617	WORKFORCE SOLUTIONS	1	\$0
DEPT. OF PUBLIC SAFETY	2	\$17,907	MINER'S HOSPITAL	1	\$2,111
HIGHWAY & TRANSPORTATION	5	\$1,768	DEPARTMENT OF HEALTH	10	\$886,849
CENTRAL REGIONAL CO-OP	1	\$517,665	CHILDREN, YOUTH & FAMILIES	5	\$97,365
			CORRECTIONS DEPARTMENT	11	\$2,202,428
			DEPT. OF PUBLIC SAFETY	2	\$29,405
			CENTRAL REGION CO-OP	1	\$583,286

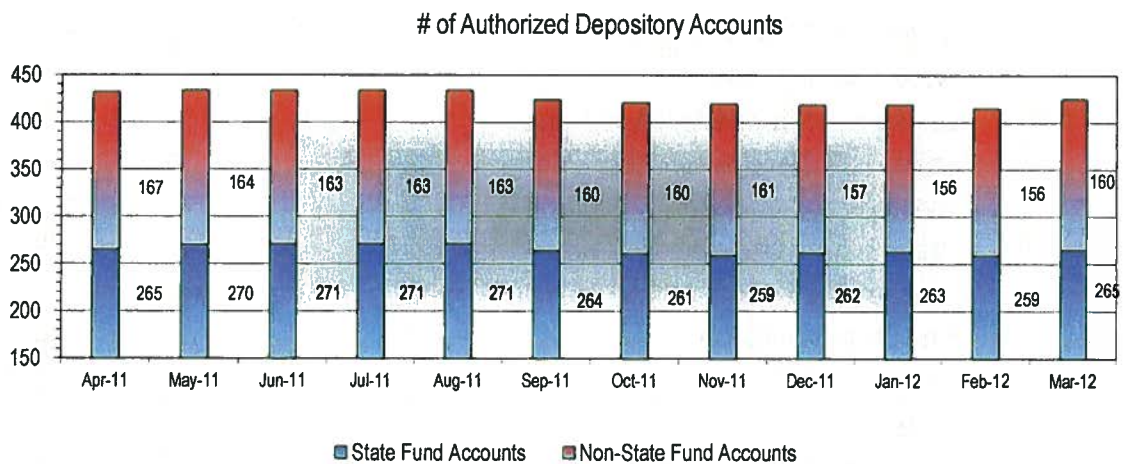
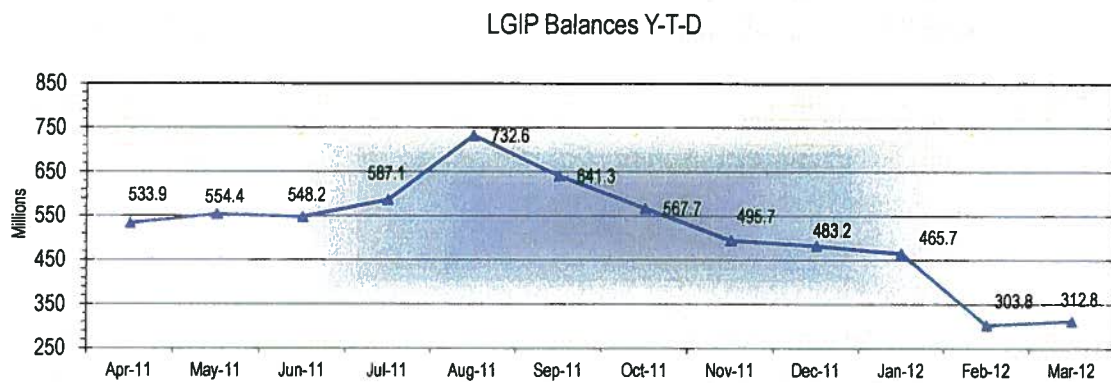
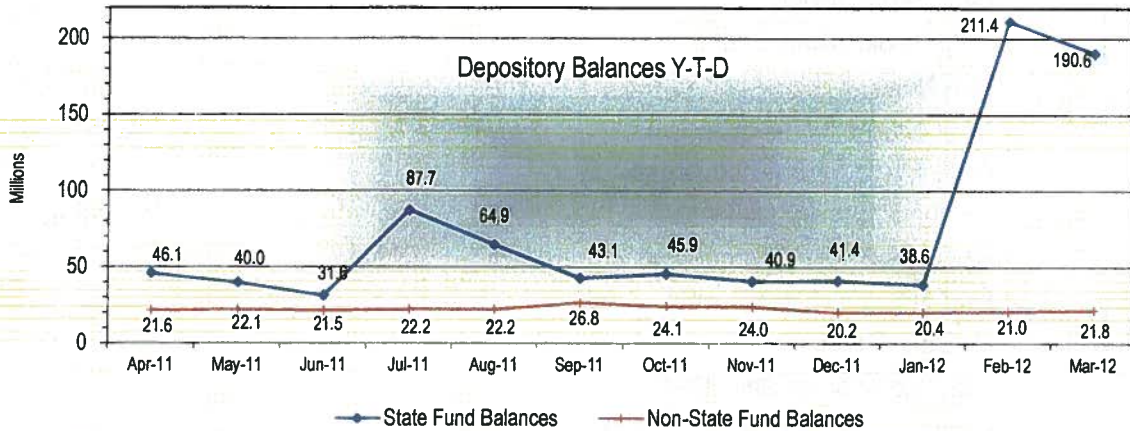
Total: 265 \$190,636,719

Total: 160 \$334,593,848

Total Depository Balances: \$525,230,567

Total Depository Accounts: 425

Depository Account Summary - March 2012



Depository accounts authorized in March 2012 pursuant to Section 6-1-13 NMSA : 4 13th Judicial Dist Court (2)
 Tax & Revenue (1)
 Children Youth and Families (1)

Depository accounts closed in March 2012: 0

State Fund Balances by Financial Institution

March - 2012

Bank 34/Alamogordo	0
Century Bank/Santa Fe	0
First National Bank/Alamogordo	106,000
Bank of America/Albuquerque	2,969,608
Wells Fargo Bank/Albuquerque	29,574,605
Compass Bank/Albuquerque	154,193,465
Bank of the West/Albuquerque	585
First American Bank/Artesia	54,427
My Bank/Belen	9,736
Carlsbad National Bank/Carlsbad	3,403
Western Commerce Bank/Carlsbad	54,869
Farmers/Stockmens Bank/Clayton	27,765
First National Bank/Clayton	1,286,332
Bank of Clovis/Clovis	0
Citizens Bank/Clovis	27,501
NM Bank & Trust/Albuquerque	291,325
Community Bank/Santa Fe	4,090
Valley National Bank/Espanola	209
Pinnacle Bank/Gallup	1,850
Grants State Bank/Grants	100
Lea County State Bank/Hobbs	141,083
Citizens Bank/Las Cruces	0
Southwest Capital/Las Vegas	169,593
Community 1st Bank/Las Vegas	879,320
Western Bank/Lordsburg	82,557
Los Alamos National Bank/Los Alamos	47,391
James Polk Stone National Bank/Portales	63,114
International Bank/Raton	105,228
Valley Bank of Commerce/Roswell	79,867
First National Bank of Santa Fe/Santa Fe	0
First State Bank/Socorro	18,687
Centinel Bank/Taos	131,977
US Bank/Albuquerque	125,558
Bank of the Southwest/Roswell	134,470
People's Bank	32,377
AmBank	19,627
Total:	\$190,636,719



Office of the Treasurer
Collateral Review
 Accumulated Total by Institution
 March 31, 2012

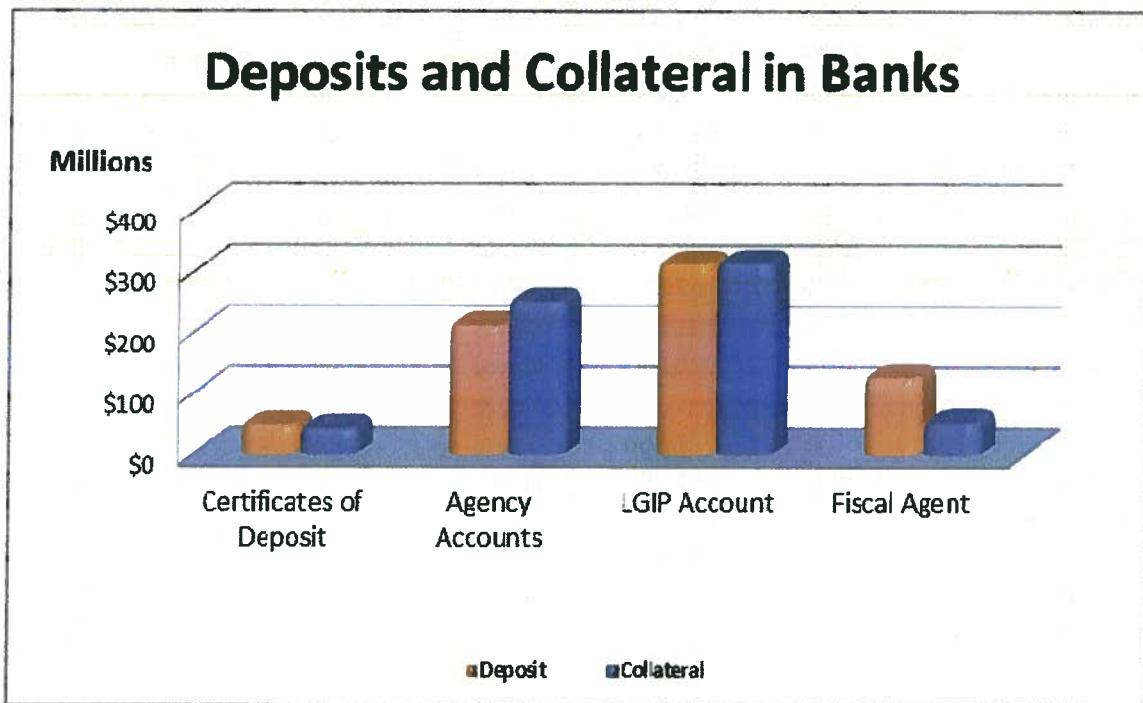
FINANCIAL INSTITUTION	%	TOTAL DEPOSITS	FDIC / NCUA INSURANCE	LESS INSURANCE COVERAGE	SUBJECT TO BE COLLATERALIZED	COLLATERAL PLEDGED	EXCESS (UNDER)
First National - Alamogordo	50%	505,435	250,000	255,435	127,717	549,313	421,596
Western - Alamogordo	75%	3,100,000	250,000	2,850,000	2,137,500	3,129,887	992,387
Bank of America	50%	3,802,096	1,352,561	2,449,535	1,224,767	14,773,911	13,549,143
Bank of the West	50%	200,540,756	250,585	200,290,171	100,145,086	207,375,377	107,230,291
BBVA Compass	102%	229,846,411	2,141,675	227,704,736	232,258,830	281,292,625	49,033,795
US Bank	50%	6,567,875	290,337	6,277,538	3,138,769	5,000,000	1,861,231
Wells Fargo	50%	75,060,277	8,722,892	66,337,385	33,168,692	51,247,215	18,078,523
First American	50%	54,427	54,427	0	0	0	0
My Bank	102%	2,444,802	259,736	2,185,066	2,228,767	2,230,000	1,233
Carlsbad National	50%	3,403	3,403	0	0	0	0
Western Commerce	50%	6,054,869	283,998	5,770,871	2,885,435	3,433,264	547,828
Farmers & Stockmen	50%	1,369,367	269,067	1,100,300	550,150	2,379,170	1,829,020
First National - Clayton	50%	1,286,332	250,000	1,036,332	518,166	1,226,415	708,249
Bank of Clovis	50%	388,818	250,000	138,818	69,409	388,818	319,409
Citizens - Clovis	50%	27,504	27,504	0	0	0	0
NM Bank & Trust	50%	291,325	291,325	0	0	250,000	250,000
Western - Clovis	50%	2,600,000	250,000	2,350,000	1,175,000	1,193,059	18,059
Valley National	102%	209	209	0	0	0	0
Pinnacle	50%	1,850	1,850	0	0	0	0
Grants State	50%	131,982	131,982	0	0	0	0
Lea County State	50%	141,082	141,082	0	0	0	0
Citizens - Las Cruces	50%	3,586	3,586	0	0	0	0
Southwest Capital	50%	10,762,444	276,214	10,486,230	5,243,115	5,523,970	280,855
Community 1st - Las Vegas	50%	879,320	879,320	0	0	1,000,000	1,000,000
Western - Lordsburg	50%	101,167	101,167	0	0	0	0
Los Alamos National	75%	47,391	47,391	0	0	0	0
James Polk Stone Communi	50%	646,400	646,400	0	0	0	0
International	50%	188,862	188,862	0	0	450,000	450,000
Bank of the Southwest	50%	388,817	270,743	118,074	59,037	281,180	222,143
Valley Commerce	50%	79,867	79,867	0	0	0	0
Century	102%	24,627,769	250,000	24,377,769	24,865,325	25,539,818	674,493
Community	102%	183,724	183,724	0	0	0	0
First National - Santa Fe	50%	213,478	213,478	0	0	0	0
First State	50%	514,030	514,030	0	0	0	0
AM	50%	19,627	19,627	0	0	0	0
Centinel	50%	131,978	131,978	0	0	0	0
Peoples	102%	32,377	32,377	0	0	0	0
BANK'34	102%	892,419	250,000	642,419	655,267	834,522	179,254
Union Savings	102%	0	0	0	0	0	0
Guadalupe Credit	50%	250,000	250,000	0	0	0	0
574,182,077		19,811,399	554,370,678	410,451,034	608,098,544	197,647	110

Office of the Treasurer

Collateral Summary Review

March 31, 2012

All depository institutions holding public funds for the month ending March 31, 2012 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	\$ 49.0 Million	\$ 42.8 Million	84.4%
Agency Deposit	211.6 Million	251.6 Million	118.9%
LGIP Deposits	312.8 Million	313.9 Million	100.4%
Fiscal Agent	126.8 Million	52.9 Million	41.8%
Totals →	700.2 Million	666.2 Million	94.4%



*STATE OF NEW MEXICO
QUARTERLY STIC REPORT
MARCH 2012*

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

Contents

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- Executive Summary
- Market Overview
- Portfolio Summaries
 - Portfolio Summary
 - Performance Summary
 - Portfolio Activity
- Economic Report

Executive Summary

2

Total Portfolio Summary

Improvements in cash management forecasting have allowed the portfolio managers to lower the liquidity balances in all funds. The excess liquidity has been reinvested at higher rates than overnight paper, increasing the overall portfolio returns.

All the investment components of the portfolios are earning in excess of 1% yield, which is providing value to the overall fund balances.

The portfolios remain diversified in higher quality securities.

Total Portfolio Performance

Investment Performance

Portfolio managers are considering yield curve, asset classes and duration positioning when making investments. Each portfolio has a component of liquidity and investments. Maintaining appropriate balances of liquidity and investable funds is optimizing earnings of the general fund. The priority of all funds is safety and liquidity first and then return.

Performance: The portfolios performance is consistent with the average maturity and asset allocations of the total funds. The average earnings yield on the total invested portfolio is .569% with an average maturity of approximately nine months.

Total Portfolio Activity

Investment Activity

Portfolio managers are focused on optimizing the portfolios by managing minimal liquidity balances and remaining fully invested. The general fund and the BPIP funds were extending as liquidity balances were reduced and investments were purchased.

Performance: The portfolios performance are consistent with the average maturity and asset allocations.

Specific Investment Portfolios

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<i>PERIOD</i>		<i>Beginning</i>	<i>End</i>			
		<i>12/31/2011</i>	<i>3/31/2012</i>			
<i>Portfolio Name</i>	<i>Market Value- End</i>	<i>Duration - End</i>	<i>Quarter Return</i>	<i>Fiscal YTD Return</i>	<i>Earnings Yield- End</i>	<i>Percent</i>
New MexiGrow	\$ 799,827,298.00	0.16	0.05%	0.02%	0.26%	23.97%
Fund Benchmark		0.12	0.01%	0.04%	0.06%	
<i>Portfolio Name</i>	<i>Market Value</i>	<i>Duration - End</i>	<i>Quarter Return</i>	<i>Fiscal YTD Return</i>	<i>Earnings Yield-End</i>	<i>Percent</i>
General Fund Liquidity	\$ 479,819,968.00	0.08	0.07%	0.130%	0.24%	14.38%
Fund Benchmark		0.12	0.01%	0.04%	0.06%	
<i>Portfolio Name</i>	<i>Market Value</i>	<i>Duration - End</i>	<i>Quarter Return</i>	<i>Fiscal YTD Return</i>	<i>Earnings Yield-End</i>	<i>Percent</i>
General Fund Core	\$ 1,107,026,585.00	2.47	0.10%	0.80%	1.22%	33.18%
Fund Benchmark		1.85	0.29%	1.31%		
<i>Portfolio Name</i>	<i>Market Value</i>	<i>Duration - End</i>	<i>Quarter Return</i>	<i>Fiscal YTD Return</i>	<i>Earnings Yield-End</i>	<i>Percent</i>
BPIP Tax Exempt	\$ 378,600,173.00	1.09	0.09%	0.44%	1.14%	11.35%
Fund Benchmark		1.45	0.25%	0.81%		
<i>Portfolio Name</i>	<i>Market Value</i>	<i>Duration - End</i>	<i>Quarter Return</i>	<i>Fiscal YTD Return</i>	<i>Earnings Yield-End</i>	<i>Percent</i>
BPIP Taxable	\$ 571,345,721.00	1.72	0.19%	0.64%	1.05%	17.12%
Fund Benchmark		1.45	0.25%	0.81%		
TOTAL STO FUNDS	\$ 3,336,619,745.00	0.823	0.079%	0.298%	0.582%	

Data Source: JP Morgan Custodial Reports

The FOMC statement on March 13th was a bit of surprise as the Fed changed its outlook for growth and inflation. The Fed hinted that they were easing on their commitment to retain its extremely accommodative stance for an extended period (mid 2014). The biggest unknown is the conclusion by the fed on Operation Twist. Operation Twist occurs when the Fed buys longer bonds in an attempt to keep long term rates low. They may or may not continue this after June. If they don't, we could see a dramatic steepening of the yield curve as the government removes itself as a buyer of long term debt.

Fed Policy Outlook:

The Fed reiterated that the economy has been expanding moderately, but stated that *“labor market conditions have improved further; the unemployment rate has **declined notably** in recent months but remains elevated.”* It also dropped its reference to *“notwithstanding some slowing growth.”* Housing remains *“depressed.”* The Fed also indicated that *“Strains in global financial markets have eased, though they continue to pose significant downside risks to the economic outlook.”*

On the Economy:

The biggest item of importance out of the statement was the Fed's change in their unemployment outlook: *“Information received since the FOMC met in January suggests that the economy has been expanding moderately. Labor market conditions have improved further; the unemployment rate has declined notably in recent months but remains elevated. Household spending and business fixed investment continue to advance.”*

On its Balance Sheet:

Guidance on reinvestment remained identical: *“The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies 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.”*

Policy guidance:

Remaining the same, this pre-commitment is starting to appear stretched relative to the Fed's own changes above: "To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014."

Source: Action Economics

Indicator	2008	2009	2010	2011	2012 est	2013 est
Real GDP	0.40	-2.40	2.80	1.70	2.30	2.50
CPI (YOY)	3.85	-0.30	1.60	3.17	2.40	1.80
Unemployment	5.80	9.30	9.70	9.00	8.20	7.80

Composite Economist's Rate Projections: No change is projected for overnight rates through Q1 2013. Rates in the 2 year and 10 year are not expected to rise until the end of the year. Implementing yield curve strategies in portfolio management this year should add value to returns.

	2010	2011	Q1	Q2	Q3	Q4	Q1
Maturity	Ending	Ending	2012	2012 est	2012 est	2012 est	2013 est
Fed Bank Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
2 Year	0.60	0.24	0.27	0.35	0.40	0.47	0.57
10 Year	3.33	1.92	1.98	2.28	2.42	2.57	2.70

STRATEGY RECOMMENDATIONS:

- Continue to manage the liquidity funds on the lower side.
- Adding maturities out longer has added earnings and will lock those rates in for the near future, however, they are adding additional price exposure if rates should rise dramatically within the year.
- Maintain the duration of the fund within 10%-20% of the benchmarks and allow duration to drift shorter into the end of 2013.
- Continue to look at other opportunities in asset classes not being utilized.
- Continue to use the volatility in the market to adjust positions in the portfolio; when beneficial to the duration, asset allocation or overall positioning of the portfolio.

Changes in the Treasury Market:

	<u>12/31/10</u>	<u>12/31/11</u>	<u>3/31/12</u>	<u>Change Last Qtr</u>
3-month bill	0.13	0.01	0.06	0.05
6-month bill	0.18	0.05	0.13	0.08
2-year note	0.59	0.25	0.32	0.07
5-year note	2.00	0.87	1.03	0.16
10-year note	3.30	1.95	2.20	0.25

Source: Bloomberg

□

New MexiGrow LGIP

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Portfolio Summary	The portfolio is rated AAAm from S&P and meets their investment quality criteria. The portfolio manager continues to diversify the portfolio in allowable investments, reducing the bank deposit allocation to 46.62% down from 58% last quarter and increasing the full faith and credit component from 26.5% last quarter to 31% this quarter. Additionally, floating rate notes make up approximately 21% of the fund, which adds yield to the fund. The current WAM is at the maximum of 60 days and the WAL is 85% of the maximum (120 days) at 102 days.
Portfolio Performance	The pool continues to perform in the top quartile of state pool funds as tracked by Tracsfinancial. Pool net earnings to participants averaged .25% last quarter compared to the S&P GIP benchmark of .01%
Portfolio Activity	The portfolio was extended slightly from 57 days to 60 days. TLGP corporate names were increased through the purchase of financial floating rate. The bonds have the full faith and credit of the US govt. In addition, \$20MM more of an FNMA subordinated debenture, note was purchased it is rated Aa2/A/AA- versus senior debt at AAA/AA+/AAA. Exposure was decreased in BBVA Compass Bank deposits and Bank of the West Deposits. The Bank Deposits are 102% collateralized as required by S&P.

New MexiGrow LGIP

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LIQUIDITY VS INVESTMENT	MARKET VALUE	% FUND
Bank/Repo	\$ 372,943,546	46.62%
Invested Component	\$ 426,943,752	53.38%
Total Fund	\$ 799,887,298	100%

ASSET ALLOCATION	MARKET VALUE	% FUND
Bank Deposits - 5 Banks	\$ 337,948,817	42.25%
Money Market Funds	\$ -	0.00%
Discount Notes	\$ 19,999,219	2.50%
Bank CDs	\$ -	0.00%
Commercial Paper	\$ 14,995,509	1.87%
US Treasury Notes/Bills	\$ 90,399,708	11.30%
GSE Agency Issues	\$ 137,078,699	17.14%
TLGP Notes/Variable	\$ 162,456,051	20.31%
Municipals	\$ -	0.00%
Corporate Bonds	\$ 37,009,294	4.63%
Total Fund	\$ 799,887,298	100.00%

WAM (Reset)	MAXIMUM	CURRENT	% OF MAXIMUM
Days	60	59.9	100%

WAL	MAXIMUM	CURRENT	% OF MAXIMUM
Days	120	102.2	85%

New MexiGrow LGIP

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COMPARISON OF LGIP HOLDINGS TO THE BENCHMARK

LGIP	% Allocation	S&P GIP Pools	% Allocation	Difference
Agency *includes TLGP	37.45%	Agency	42.59%	-5.14%
Bank Deposits	42.25%	Bank Deposits	12.49%	29.76%
Corporates/Supranational	4.63%	Corporates	0.00%	4.63%
Commercial Paper	1.87%	Commercial Paper	0.00%	1.87%
Money Market Funds	0%	Money Market Funds	1.31%	-1.31%
Municipal Debt	0.00%	Municipal Debt	0.42%	-0.42%
Treasury	11.30%	Treasury	5.91%	5.39%
Repurchase Securities	0.00%	Repurchase Securities	37.08%	-37.08%
Average Maturity to Reset	59.9	Average Maturity	45	14.9

PERFORMANCE ANALYSIS FOR PERIOD

	<u>3/31/2012</u>	<u>Quarter</u>	<u>Prev. Quarter</u>	<u>12 month</u>
LGIP - Gross 30 day	0.30%	0.31%	0.26%	0.29%
LGIP - Net 30 day	0.25%	0.25%	0.21%	0.24%
S&P GIP Govt - Gross	0.16%	0.10%	0.15%	0.17%
S&P GIP Govt - Net	0.06%	0.01%	0.06%	0.08%
T Bill 3 month	0.10%	0.06%	0.01%	0.04%

* Source QED & S&P

Portfolio Review – General Fund

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Portfolio Summary	<p>The overall general fund balance increased by \$107MM this quarter. Liquidity balances were reduced to 30% of the overall portfolio and the invested component was increased to 70%. It has been determined through the cash flow analysis that balances between \$400MM and \$500MM should remain in liquidity for State cash funding purposes. Therefore, if the total balances continue to increase, excess liquidity can be invested into longer maturities. If rates remain the same or rise, added earnings can be expected.</p>
Portfolio Performance	<p>The overall general fund earnings is a .79%. This is 50 basis points over the LGIP. This earnings difference is consistent with the current market conditions. Interest rates remain low, but it is important to maintain a focus on relative value of the added return that the core fund is providing, while being managed within the constraints of the policy and cash flow demands. The total return of the core fund under-performed the benchmark by 19 basis points due to the longer duration of the investments relative to the benchmark.</p>
Portfolio Activity	<p>The portfolio was extended this quarter from 2.12 years duration to 2.46 years in duration. Maturities in the 4-5 year sector were increased from 13.8% to 24.4% of the portfolio, and the exposure in the 2-4 year sector was decreased from 39% to 31%. Cash balances in the core fund are at a minimum. Purchases were made in treasury and agency securities with the inflow of total general funds and liquidity and cash balances were decreased.</p>

Portfolio Review – General Fund

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TOTAL PORTFOLIO

LIQUIDITY VS INVESTMENT

Component	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Liquidity Component	\$ 551,442,887	37%	\$ 479,819,968	30%	\$ (71,622,919)
Invested Component	\$ 928,349,393	63%	\$ 1,107,026,585	70%	\$ 178,677,192
Total Portfolio	\$ 1,479,792,280		\$ 1,586,846,552		\$ 107,054,272

CORE FUND

ASSET ALLOCATION

Security Type	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Treasuries	\$ 372,092,750	40.1%	\$ 385,812,589	34.9%	\$ 13,719,839
Agencies	\$ 463,221,921	49.9%	\$ 628,680,455	56.8%	\$ 165,458,534
Corporates	\$ 20,503,200	2.2%	\$ 20,806,397	1.9%	\$ 303,197
Municipals	\$ 67,983,150	7.3%	\$ 71,460,761	6.5%	\$ 3,477,611
Cash and Cash Equivalent	\$ 4,548,372	0.5%	\$ 266,382	0.0%	\$ (4,281,990)
Total Fund	\$ 928,349,393	100%	\$ 1,107,026,585		\$ 110,714,825

CORE FUND

MATURITY

	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Effective Duration	2.12	113%	2.46	132%	19%
Benchmark Duration	1.88		1.86		-0.02
WAM	2.47		2.76		0.29

PERFORMANCE

Earnings Yield	12/31/2011	3/31/2012
	Last Quarter	This Quarter
Earnings Yield General Total	0.82%	0.79%
Earnings Yield Core Investments	1.25%	1.22%

Total Return	12/31/2011	3/31/2012
	Last Quarter	This Quarter
Return of Total Portfolio	0.26%	0.06%
Return of Total GF Benchmark	0.14%	0.15%
Return of Core Investments	0.34%	0.10%
Return of Benchmark	0.27%	0.29%

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

Source: JP Morgan Data and QED

Portfolio Review – BPIP Taxable Fund

12

Portfolio Summary	The portfolio decreased by \$60MM this quarter compared to last quarter. This was a partial contributor to the decrease in liquidity but an additional \$60MM was moved from liquidity to the investment component. At the end of the quarter liquidity balances were 8% of the total fund versus 26% last quarter and the investment component was 92% versus 74% last quarter. The portfolio is primarily invested in treasury and agency securities.
Portfolio Performance	The earnings rate on the portfolio increased from .97% to 1.05% with the addition of investments and the reduction of liquidity balances. The total return of the fund slightly underperformed the benchmark by 6 basis points due to the longer duration of the portfolio. Given the cash flow variances in this portfolio, the stabilization of duration is more difficult relative to the benchmark. For example: 10% of the fund was withdrawn from the account this quarter, this withdrawal extends the duration without the portfolio manager doing anything. A variance of duration to the benchmark of up to 40% would be normal in this account due to cash flow volatility.
Portfolio Activity	Treasury and Agency securities were purchased this quarter and cash balances were decreased. The duration of the portfolio moved from 63% of the benchmark to 104% of the benchmark due to the withdrawal of liquidity balances and the increase in investments. Continued efforts to understand the future cash flows of this fund will provide the portfolio manager with information to optimize the investments.

Portfolio Review – Taxable

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TAXABLE PORTFOLIO

LIQUIDITY VS INVESTMENT

Component	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Liquidity Component	\$ 165,110,681	26%	\$ 43,826,715	8%	\$ (121,283,966)
Invested Component	\$ 466,718,751	74%	\$ 527,519,006	92%	\$ 60,800,255
Total Portfolio	\$ 631,829,432		\$ 571,345,721		\$ (60,483,711)

ASSET ALLOCATION

Security Type	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Treasuries	\$ 152,734,950	24.17%	\$ 183,258,072	32.07%	\$ 30,523,122
Agencies	\$ 298,743,501	47.28%	\$ 328,900,930	57.57%	\$ 30,157,429
Corporates	\$ 15,240,300	2.41%	\$ 15,360,004	2.69%	\$ 119,704
Municipals	\$ -	0.00%	\$ -	0.00%	\$ -
Cash and Cash Equivalent	\$ 165,110,681	26.13%	\$ 43,826,715	7.67%	\$ (121,283,966)
Total Fund	\$ 631,829,432		\$ 571,345,721		\$ (60,483,711)

MATURITY

	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Effective Duration	1.06	63%	1.72	104%	41%
Benchmark Duration	1.69		1.66		-0.03
WAM	1.24		2.21		0.97

PERFORMANCE

Earnings Yield	12/31/2011	3/31/2012
	Last Quarter	This Quarter
Earnings Yield Taxable Total	0.97%	1.05%
Total Return	12/31/2011	3/31/2012
	Last Quarter	This Quarter
Return of Taxable Portfolio	0.20%	0.19%
Return of Benchmark	0.19%	0.25%

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

Source: JP Morgan Data & QED

Review – BPIP Tax-Exempt Fund

14

Portfolio Summary	The portfolio balances declined by \$100MM, which is approximately 20% of the overall fund balance. Funds were pulled from both the liquidity balances and the investment balances by selling securities. The liquidity component dropped from 17% to 2% of the total fund. Cash flow volatility is impacting the characteristics of the portfolio without the portfolio making adjustments. Consideration to increasing liquidity balances is under review to prevent the need to sell securities to provide for liquidity.
Portfolio Performance	The portfolio yield is 1.14% at quarter end, increasing from .96% in the previous quarter. The main contributor to the increase in yield is the reduction in liquid balances. The portfolio underperformed the longer duration benchmark, primarily due to the timing of liquidations required to provide for liquidity.
Portfolio Activity	The primary activity in the portfolio was driven from liquidity needs in the portfolio. These withdrawals in combination with the selling of longer securities, resulted in a reduction in duration to 1.09 versus 1.31 last quarter. In this portfolio cash flow demands is the primary objective.

Portfolio Review – Tax Exempt

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TAX EXEMPT PORTFOLIO

LIQUIDITY VS INVESTMENT

Component	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Liquidity Component	\$ 83,719,182	17%	\$ 6,914,044	2%	\$ (76,805,138)
Invested Component	\$ 395,867,674	83%	\$ 371,686,129	98%	\$ (24,181,545)
Total Portfolio	\$ 479,586,856		\$ 378,600,173		\$ (100,986,683)

ASSET ALLOCATION

Security Type	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Treasuries	\$ 40,857,300	8.52%	\$ 40,861,289	10.79%	\$ 3,989
Agencies	\$ 355,010,374	74.02%	\$ 330,824,840	87.38%	\$ (24,185,534)
Corporates	\$ -	0.00%	\$ -	0.00%	\$ -
Municipals	\$ -	0.00%	\$ -	0.00%	\$ -
Cash and Cash Equivalent	\$ 83,719,182	17.46%	\$ 6,914,044	1.83%	\$ (76,805,138)
Total Fund	\$ 479,586,856		\$ 378,600,173		\$ 15,712,164

MATURITY

	12/31/2011		3/31/2012		Difference
	Market Value	% Fund	Market Value	% Fund	
Effective Duration	1.32	78%	1.09	66%	-12%
Benchmark Duration	1.69		1.66		-0.03
WAM	1.09		1.27		0.18

PERFORMANCE

Earnings Yield	12/31/2011	3/31/2012
	Last Quarter	This Quarter
Earnings Yield Tax Exempt	0.96%	1.14%

Total Return	12/31/2011	3/31/2012
	Last Quarter	This Quarter
Return of Tax Exempt Portfolio	0.20%	0.09%
Return of Benchmark	0.19%	0.25%

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

Source: JP Morgan Data and QED Reports from STO

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



U.S. Economic and Fixed Income Market Review for Q1 2012

Prepared April 6, 2012

Europe Cools Down and U.S. Heats Up

While markets were cautious into year-end as Europe's liquidity squeeze played out in the financial sector, the first quarter of 2012 proved bountiful for equities. The combination of a second ECB 3-year liquidity injection and steadily improving U.S. fundamentals served to inspire stock investors. Yet these gains were not at the expense of bond holders, who continued to remain skeptical over each twist and turn in the eurozone. Fed language was consistent with ongoing extreme accommodation and, moreover, that institution made some historic changes to its transparency and rate forecasting that resonated for much of the quarter.



The FOMC followed through on its promise of significant changes to its communications policy in the first meeting of 2012, having debated and set in motion those changes in December. The Committee underscored its "highly accommodative stance" by extending its stated assumption of exceptionally low rates out to "late-2014" from mid-2013. The Fed remained dissatisfied with the global imbalance of "significant downside risks," even as the U.S. economy continued to grow "modestly" and inflation "settled at or below" levels implied by their dual mandate. Chairman Bernanke kept all his options open in terms of further QE3 purchases.

Significantly, the Fed adopted an inflation target of 2%, though deciding against an equivalent employment mandate, which was not seen as appropriate given non-monetary factors involved. It viewed the inflation target as helping to keep inflation in check, while still pursuing maximum employment implied in their projections, and the Fed continued to adopt notably low-balled inflation estimates to justify the stated 2%. Given the extremely easy and extended policy stance, this move was designed to enhance Fed credibility even as its independence became an easy target for critics in an election year.



From November lows the S&P 500 ramped higher for almost the entire quarter with very little retracement whatsoever. From October the S&P surged over 30% for an over 12% gain YTD, setting a blistering pace for Europe and Asia too. The VIX equity volatility index on the S&P began the quarter near 25.0, but persistent equity gains saw the "fear gauge" dip under 15.0 by quarter-end. It was clear that the "Bernanke and Draghi Puts" under the stock market were taken at face value – central banks would ensure that any downdrafts on stocks and the economy were met with fresh stimulus. However, complacency is not always the best guide for future returns.



By and large the ECB was given credit in Q1 for riding to the rescue on the European financial system and, thereby, staunching year-end outflows from the region into dollar-based assets. The dollar index reflected this turn of events; after peaking near 82.0 in January, it retreated as low as 78.0 in late February before recovering back toward 80.0 in March. Still, that's well above the 74.0 area in late-October, which indicates that there remain lingering doubts about Europe's piecemeal solutions and austerity without growth.

The dollar, which had previously benefitted from capital flight and had been punished when risk-premiums declined, enjoyed some decoupling from risk. The strong performance of the U.S. stock market and improving fundamental picture began to see relative growth priced into the buck. This explains why the dollar essentially held its own in a quarter when the VIX sank from 25.0 to 15.0 and stocks surged. In terms of bilateral pairings, the euro bounced from lows near \$1.26 in January to finish Q1 near \$1.34, but the dollar ramped up from lows near 76 yen to highs over 84. This reflected the re-risking in the equity market, before the pair stalled out into fiscal year-end.

Americas - Market Quotes					
3/30/2012	current level	Chg Over			
		1 wk	4 wks	13 wks	1 year
S&P 500	1408.5	0.4%	3.1%	12.0%	6.2%
Dow Indust.	13212.0	0.5%	2.0%	8.1%	7.2%
Nasdaq Comp.	3091.6	-0.1%	4.2%	18.7%	11.2%
S&P/TSE Comp.	12392.2	0.4%	-2.0%	3.7%	-12.2%
Mex Bolsa	39521.2	1.0%	4.5%	6.6%	5.6%
US 1yr yld	1.05	0.00	-0.01	-0.08	0.27
Canada 1yr yld	1.92	0.00	0.02	0.10	0.02
US 10yr yld	2.21	0.05	0.24	0.33	-1.26
Canada 10yr yld	2.11	0.03	0.12	0.17	-1.24
USD-MXP	12.81	0.1%	-0.4%	-8.1%	7.6%
USD-CAD	0.999	0.2%	0.9%	-2.2%	2.9%

Commodities - Market Quotes					
3/30/2012	current level	Chg Over			
		1 wk	4 wks	13 wks	1 year
CRB	308.5	0.8%	-4.3%	1.0%	-14.2%
GSCI	688.7	0.7%	-2.1%	6.8%	-5.1%
Oil	103.02	0.2%	-3.8%	4.2%	-3.5%
Gold	1668.35	0.4%	-1.7%	6.7%	16.5%
Copper	390.70	1.4%	-1.1%	12.2%	-9.6%

Commodities: Growth Signal or Tax?

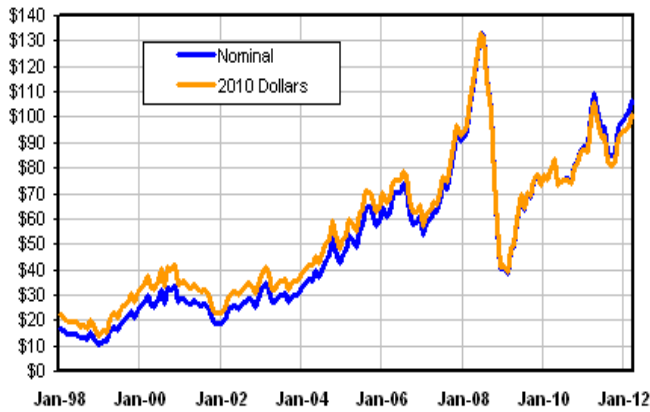
Commodity prices have been a persistent wildcard dealt against the pat hand of a sustained recovery. At once symptomatic of the better tone for growth in the U.S., the nascent global slowdown appears to have helped cap prices in Q1. Gold in Q1 nearly made a round trip complete after finishing the year on the defensive near lows of \$1520. It firmed up through much of the quarter to highs of \$1790 before stalling out and sinking to \$1675. Gold plunged nearly \$100 in late-Feb on the advent of the ECB's second 3-year LTRO liquidity injection, which relieved some risk aversion via Europe.



Sharp energy price gains on escalating tensions between Iran and the West over the former's nuclear program also represent a tax on the recovery. That helped convince the swing producer Saudi Arabia to make up for production shortfalls as sanctions clamped down on Iranian oil exports. Accordingly, the CRB future bounced from the 560 area at the beginning of the quarter to probe highs of 605 before drifting back down to 560 once again.

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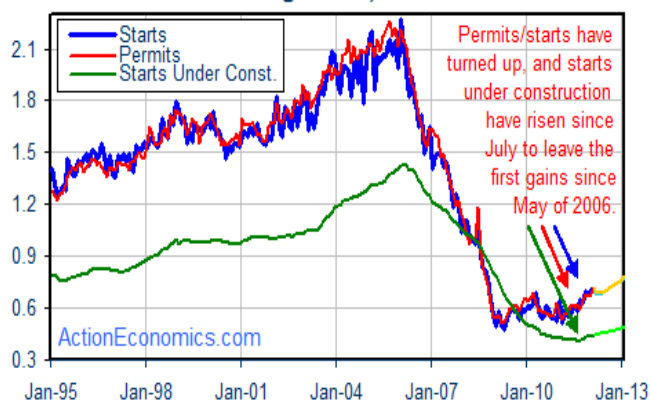
WTI Oil Price: Nominal and "Real" 2010 Dollars



Housing Conundrum

The Fed has been sensitive to the sluggish housing sector early this year and recent lean housing data for February were disappointing, though the shortfall appears to reflect a diminishing lift from mild weather, and the key leading indicators of a cyclical turn for housing continued to climb as expected through February. The sustained up-turn in starts under construction and the general rise in nearly every housing measure over the past year still suggests a cyclical turn, though home prices may well set new cycle-lows in 2012 as prices continue to lag the improved market conditions overall.

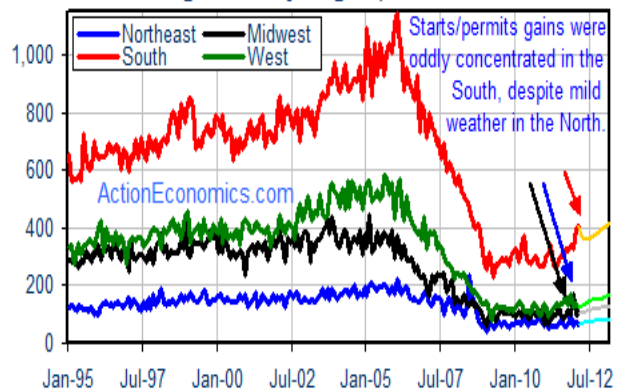
Housing Starts, in Mlns



This cyclical turn in starts under construction accompanies a 35% y/y rise in starts and 34% y/y rise in permits from recent-lows last February, and respective climbs from the cyclical bottoms in early-2009 of 46% and 40%. The levels are still weak, but the trend is clearly upward. The broad cyclical downturn in starts since 2006 was fairly evenly spread across

regions, as shown below. The 2011 rebound was initially led by the South and West but with late-year bounces in the Midwest and Northeast that appeared to reflect the mild winter. Since December however, strength in starts has been led by the South, where mild winter weather should have been less significant, while the weather-lift in the Midwest and Northeast petered out. It's a good sign that the South has led the gains for starts, as this region accounts for 58% of the total, and the South should prove more resilient to a possible Q2 weather give-back.

Housing Starts by Region, in Thousands



Treasury Yields Still "Twisted"

The short-end of the Treasury curve was on lockdown through the back end of 2011, but began to loosen up a bit to start off 2012. Not only did the U.S. recovery begin to solidify around the turn of the year, but Europe cleared a couple more hurdles in their drawn-out fiscal drama as Greece got a second rescue package and the ECB liquefied the banking system for a second time. On the Fed front, the doves appeared to remain in control and skeptical over the sustainability of the recovery, especially on the employment front as the Twist Operation (selling at the short-end and buying long bonds) appeared likely to expire unrenewed in Q2.

2-yr Note: Constant Maturity Yield



From historic lows of 0.142% in September, the 2-year yield found support above 0.20% and rebounded over 0.40% late in the quarter as the Mar-13 FOMC statement turned a little less dovish and sparked a break over 0.30%, which had largely capped the 2-year yield for over 8-months. Fed Chairman Bernanke attempted to defuse this break by expressing some doubts about unemployment declines given sub-par GDP growth. Though edging away from QE3 as the economy grudgingly sputters forward, the Fed hasn't ruled it out.

30-yr Bond: Constant Maturity Yield



The 30-year cash bond charted a similar course, beginning the quarter near 2.90% before breaking back above 3.0% as the T-note cleared 2.0%. A lid on that move was kept under 3.20% for much of Q1 before the Mar-13 FOMC had the market aggressively downgrading the potential for QE3. The bond yield subsequently ramped as high as 3.48% before being thwarted by 3.50%. Asset allocation continued to favor stocks over the quarter, though bonds balked at that trend until the very end.

10-yr Note: Constant Maturity Yield



The surprising development during the quarter was the stubborn resistance of yields to the persistent rally on stocks. Not only did the “Bernanke Put” appear to keep a floor under stocks, but a cap on yields while the Fed is determined to twist the curve and allow the recovery room to breathe. The 10-year yield was trapped in a less than 30 basis point range for much of the quarter, spending the majority of the time below the psychological 2.0% level, before the Mar-13 breakout. But that merely widened out the range as the new ceiling shifted out to 2.40%, which has since held.

Spread of 10-yr Yield vs. 2-yr Note (Constant Maturity Yield)



The 2s-10s spread began the year around the +160 basis point level, averaging +180 bp until the March FOMC inspired a breakout to 200 bp wide. It is curious that the steepening of the curve over this period came against the grain of the Fed's Op-Twist, though perhaps the Fed's artificial management helped contain the break to +200 bp. The 10s-30s spread widened from +102 bp to +110 bp.

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Treasury Yield Curve (Constant Maturities)

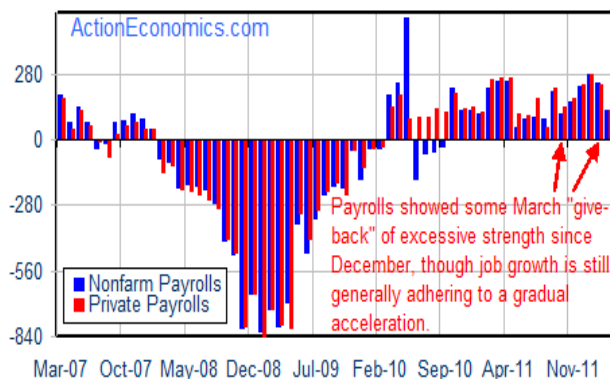
current level	Change Over				
	1 wk	4 wks	13 wks	1 year	
3-mth	0.08	0.01	-0.01	0.06	0.04
6-mth	0.14	-0.01	0.01	0.09	0.02
1-yr	0.19	0.00	0.01	0.07	-0.08
2-yr	0.35	0.02	0.02	0.10	-0.48
5-yr	1.01	-0.03	0.11	0.15	-1.30
10-yr	2.19	-0.04	0.15	0.21	-1.40
30-yr	3.32	-0.03	0.13	0.30	-1.31

Unemployment and Okun's Law

Among the many topics tackled at quarter-end by Fed Chairman Bernanke, his discussion of unemployment was perhaps the most instructive heading into the March payrolls report. Indeed, he expressed puzzlement over the apparent repeal of "Okun's Law," referring to the relationship between GDP growth and the unemployment rate, such that a rise in real GDP of 2% above trend is needed to achieve a 1% decline in the jobless rate. In 2011, real GDP growth averaged 1.6%, while the jobless rate fell from roughly 10% to 8.5%, not at all consistent with Professor Okun's observation, and hence Bernanke's skepticism. Either Okun's Law has been repealed or some other explanation was due. Perhaps discouraged workers are leaving the workforce or current jobs gains are just a mirror image of the shocking losses at the peak of the Great Recession? While the Fed chief didn't really resolve the riddle, it is integral to understanding his patience with the recovery and doubts over its durability.

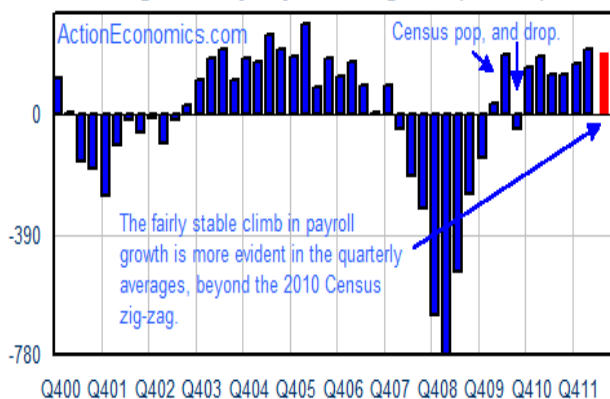
Indeed, Bernanke's skepticism proved prescient at least for the March jobs report, which provided a big headline payrolls letdown with a gain of just 120k compared to "whispers" of 300k, followed by tiny back-revisions. The winter updraft lost steam in March as feared, though the news wasn't all bad. The workweek sat a firm 34.5 in March following an upward February bump to 34.6, and the 0.2% March rise in hourly earnings followed a big upward back-revision. We also saw a drop in the jobless rate to 8.2%, though this again reflected a labor market contraction with a bigger drop for the labor force than civilian jobs.

Total and Private Payroll Changes (1000s)



For weather effects, we saw gains for goods payrolls of 31k overall with a 37k rise for factory employment and a 1k rise for mining, though we faced a 7k drop for construction jobs. Yet, the goods sector hours-worked data were less encouraging, as we saw March drops of 0.6% for goods overall, 0.5% for factories, 0.8% for construction, and 1.7% for mining, with upward February adjustments aggravating these declines.

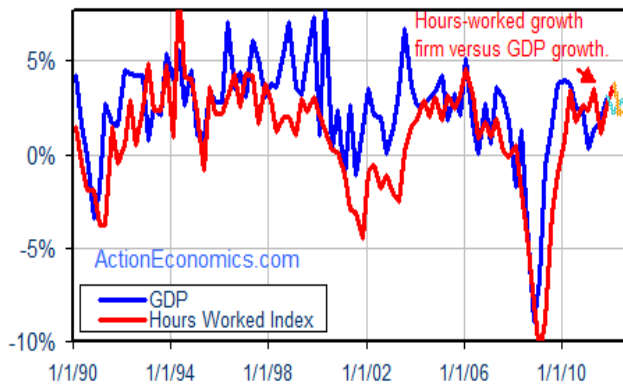
Average Monthly Payroll Change/Qtr (thsnd's)



Jobs Data and Q1

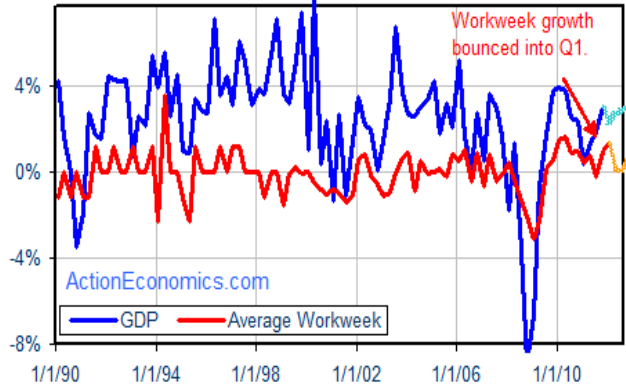
For the quarterly outlook, we left our Q1 GDP growth forecast at 2.3%, following the 3.0% Q4 clip. We saw a disappointing 0.2% March drop for hours-worked but a hefty February boost to 0.5% from 0.2% to beat assumptions, following a 0.2% gain in January and a 0.5% December pop. The mix left a surprisingly encouraging recent hours-worked trend relative to GDP, as shown below.

Real GDP vs Hours Worked Growth



The Q1 mix left 3.7% hours-worked growth, versus prior rates of 2.6% in Q4, 1.1% in Q3, and 2.5% for 2011 overall. Our Q1 GDP forecast implies a 1.0% productivity contraction rate that follows the 0.9% Q4 gain. For Q2, we expect 2.7% GDP growth with 2.3% hours-worked growth and a 1.0% productivity growth rate. Payroll growth has lagged the GDP growth path since the bottom of the last recession, as shown below.

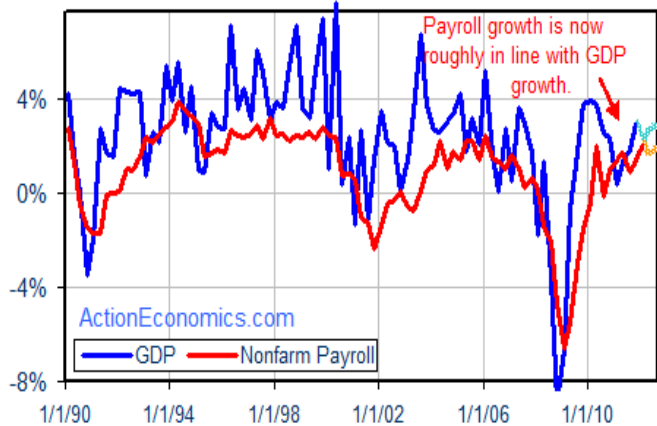
Real GDP vs Workweek Growth



Jobs Data and the January Forecasts

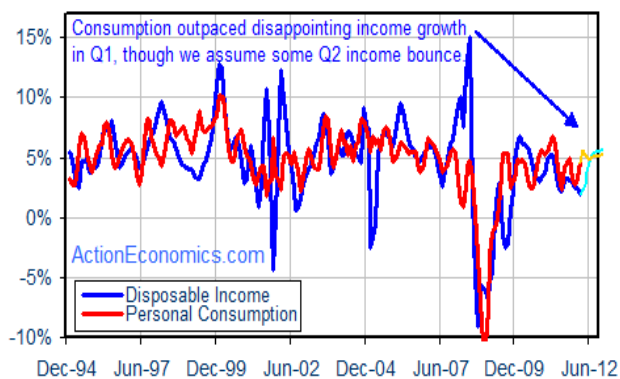
For the other March reports, we expect a 0.3% personal income gain that follows lean 0.2% increases in the prior two months, but a larger 0.5% December increase. Our forecast is consistent with Q1 growth of 3.0% for total income and 2.0% for disposable income, which marks a modest slowdown from respective Q4 rates of 3.4% and 2.8%. For Q2, we expect respective growth rates of 5.4% and 4.6%.

Real GDP vs Nonfarm Payroll Growth



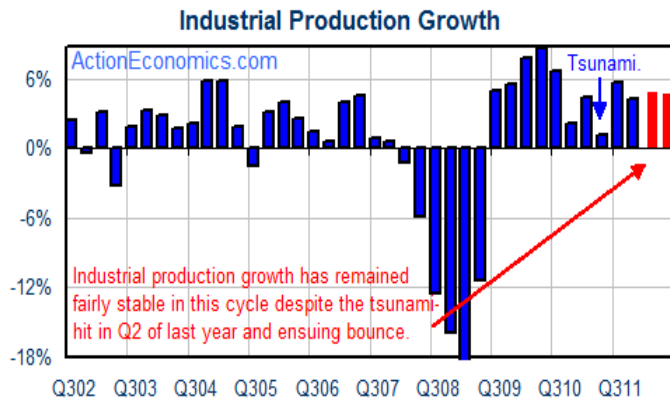
The workweek, shown below, has climbed respectably in this cycle from the 33.8 cyclical bottom in October of 2009, though we saw a March drop to the 34.5 level of December and January following the February boost to 34.6 (was 34.5). The workweek is now well above the 34.1 level that prevailed in December of 2008 when the last recession began.

Consumption vs. Disposable Income Growth

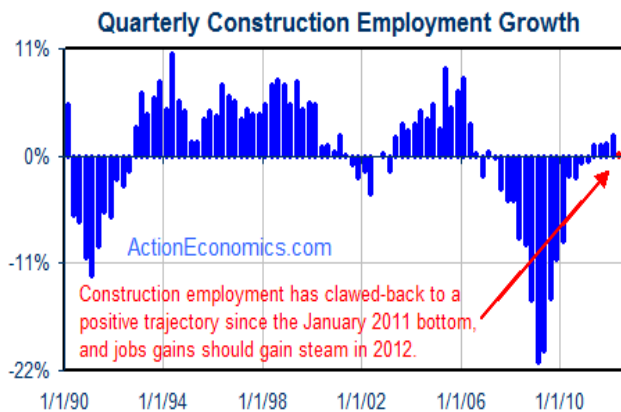


Industrial production should post a utility-led 0.3% March gain, following a flat February figure but prior gains of 0.5% in January and 0.9% in December. Utility output likely rose 2%-3% in March despite mild weather, given the hefty 5.5% drop over the prior three-months and the larger 8.6% decline since the peak in utility output last July. Though we saw March hours-worked drops of 0.5% for factories and 1.7% for mining, output should be supported by a 1% March rise in vehicle assemblies to a 10.2 mln rate, as assembly rates have stabilized over the past two months after a big

13% December-January climb. For the quarterly figures, we expect 5% industrial production growth in both Q1 and Q2, following prior 2011 rates of 4.3% in Q4, 5.6% in Q3 and a tsunami-depressed 1.2% in Q2, as shown below.

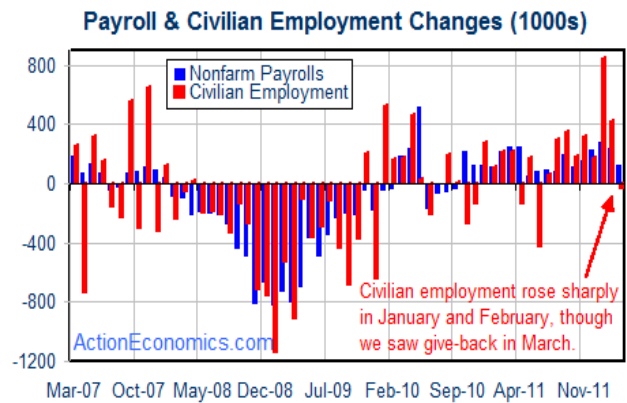


For construction, hours-worked fell by 0.8% in March with a 7k construction payroll drop, though we will still assume a 0.5% March construction spending gain that partly reverses the big 1.1% February drop, with risk that the February data are revised upward to leave a weaker March percentage change.

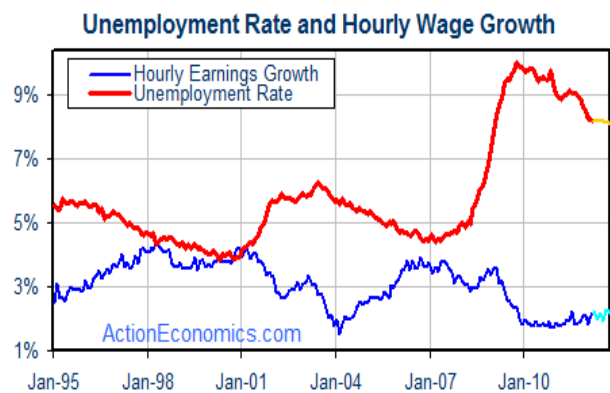


The January Household Data

For today's household data, we saw March declines of 31k for civilian employment and 164k for the labor forces that trimmed prior larger respective gains of 428k and 476k in February and 847k and 508k in January, as shown below.

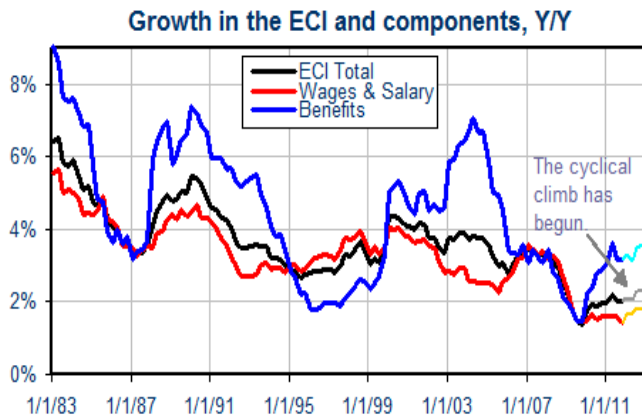


The jobless rate fell to 8.2% from 8.3% in January and February, following the plunging jobless rate through Q4 from the 9.0% rate as recently as September, though the recent drop, as in Q4, mostly reflected a disturbing downtrend in the labor force rather than an encouraging civilian jobs trajectory. The 0.2% March average hourly earnings gain followed a 0.3% (was 0.1%) gain in February and 0.1% gains in the prior three months. The March rise left a climb in the y/y growth clip to 2.2% from 2.0% (was 1.9%) in February and 1.8% in January, versus 2.1% in November and December. The y/y rate continues to slowly rise above the 1.7% cycle-low in September, November, and December of 2010, as shown below.

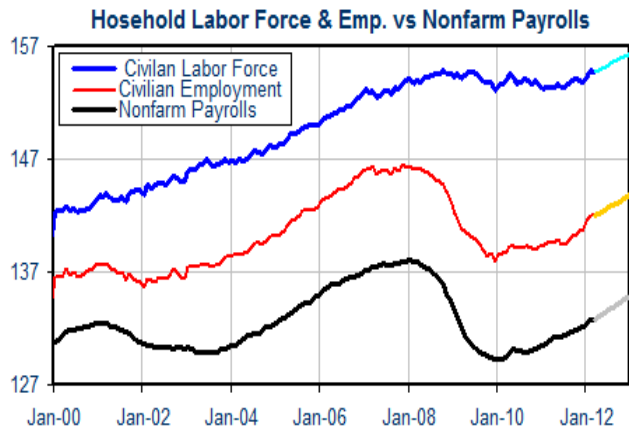


The y/y figures may slip back to 2.1% through Q2 as wage gains show only a modest upward tilt toward the 3.8% peak in June of 2007 that should take about five years to reclaim. We also have a cyclical climb in total labor costs as gauged by the quarterly ECI figures, given the rise to a 2.0% y/y rate in Q3 and Q4 from the 1.4% cycle-low back in

Q4 of 2009. The upward tilt for that measure is due to benefit costs, which have climbed from 1.5% y/y back in Q4 of 2009 to 3.2% y/y growth in Q3 and Q4. We typically see big benefit cost pops in Q1, and this year's Q1 pop will be revealed in the April 27 Q1 report.



More generally, we've seen a downward ratcheting in labor force participation in this cycle that has allowed a drop of 93k since the cyclical peak way back in May of 2009, which reflects a 0.06% labor force decline. This has occurred despite ongoing 1%-1.5% annual growth in the working age population that leaves a "hole" of roughly 3%. Presumably these workers will reappear as job growth gains steam in this cycle, and the labor force re-acceleration will provide a headwind for jobless rate declines.



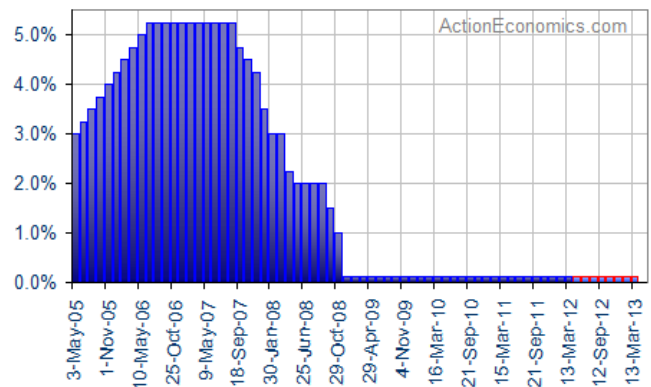
Despite the March payroll disappointment, the encouraging growth path for hours-worked is consistent with GDP growth that modestly outpaces the Fed's downwardly-revised forecasts from the January 24-25 FOMC meeting, hence implying room for small

forecast boosts at the April 24-25 meeting. The Fed's downwardly-revised jobless rate estimates from January will need to be lowered further, as the Fed's 8.2%-8.5% central tendency for Q4 of 2012 now implies a rise from the current 8.2%. We assume an 8.1% jobless rate at year-end. For inflation, ongoing commodity price firmness suggests that we will see the usual round of upward current-year inflation forecast adjustments at the April 24-25 meeting, though the Fed will presumably sustain its pattern of low-balled inflation forecasts beyond the current year.

Fed Policy Outlook

Few expected the March 13 FOMC statement to contain anything other than subtle changes to the outlook on jobs, growth and inflation, especially hot on the heels of the transformational January statement. But the Fed did overtly upgrade aspects of its growth and inflation outlooks, seemingly at odds with its simultaneous commitment to retain its extremely accommodative stance for an extended period. The Fed rhetorically flip-flopped on a number of important counts in the statement. Notably absent were hints about the prospect or shape of QE3 or the conclusion of Op-Twist in June. Dissent from hawk Lacker continued to be voiced. He still preferred omission of the reference to extremely low rates "at least through late-2014."

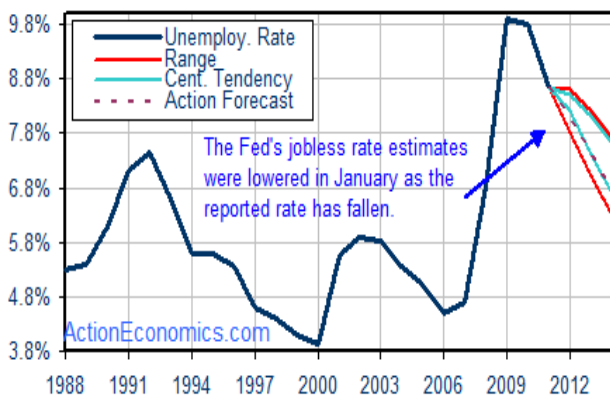
Fed Funds Targets at FOMC Meeting Dates



While the FOMC left its policy stance unchanged, and there were no hints to QE, several important tweaks were incorporated into the first two paragraphs -- where all the major adjustments took place. The Fed reiterated that the economy has been

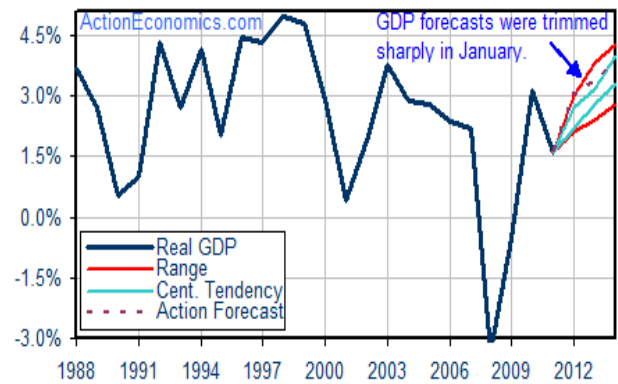
expanding moderately, but stated that "labor market conditions have improved further; the unemployment rate has **declined notably** in recent months but remains elevated." It also dropped its reference to "notwithstanding some slowing in global growth" in the first paragraph and removed "some" from "some further improvement." The Fed also flipped business fixed investment back to "continued to advance" from "has slowed." Housing remained "depressed," though previously subdued inflation was qualified by "inflation has been subdued in recent months, although prices of crude oil and gasoline have increased lately. Longer-term inflation expectations have remained stable."

U.S. Unemployment Rate & Fed Forecasts, Q4/Q4



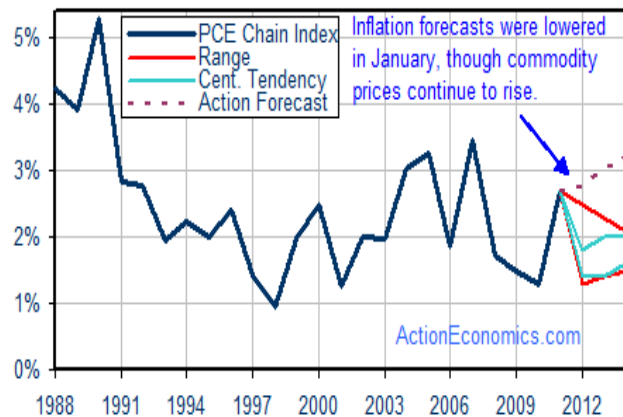
On the outlook in paragraph two the Fed also indicated that "Strains in global financial markets have eased, though they continue to pose significant downside risks to the economic outlook." That was definitely an upgrade following recent more positive developments in Europe, including the ECB's LTRO II and Greek Bailout II. It also made a second reference to upside risks to inflation from energy price gains: "The recent increase in oil and gasoline prices will push up inflation temporarily, but the Committee anticipates that subsequently inflation will run at or below the rate that it judges most consistent with its dual mandate." The adjustments reflected grudging acknowledgment of labor improvement and energy price hikes, but with ongoing caveats.

U.S. Real GDP Growth & Fed Forecasts, Q4/Q4

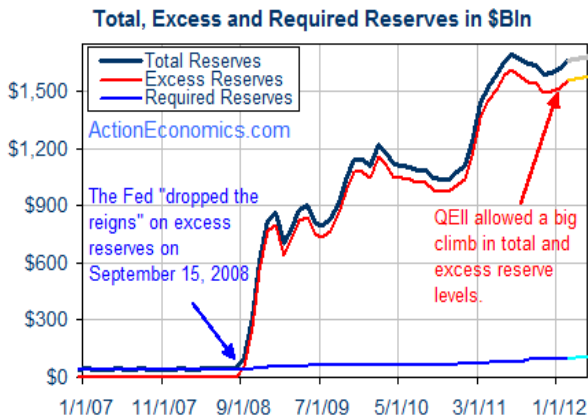


On the economy: the main news here were the adjustments for the improved employment tone: "Information received since the Federal Open Market Committee met in January suggests that the economy has been expanding moderately. Labor market conditions have improved further; the unemployment rate has declined notably in recent months but remains elevated. Household spending and business fixed investment have continued to advance. The housing sector remains depressed. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects moderate economic growth over coming quarters and consequently anticipates that the unemployment rate will decline gradually toward levels that the Committee judges to be consistent with its dual mandate. Strains in global financial markets have eased, though they continue to pose significant downside risks to the economic outlook."

U.S. PCE Inflation & Fed Forecasts, Q4/Q4



On inflation: as expected the Fed was forced to acknowledge higher energy prices: *"Inflation has been subdued in recent months, although prices of crude oil and gasoline have increased lately. Longer-term inflation expectations have remained stable. The recent increase in oil and gasoline prices will push up inflation temporarily, but the Committee anticipates that subsequently inflation will run at or below the rate that it judges most consistent with its dual mandate."* But of course, this will remain a temporary blip.

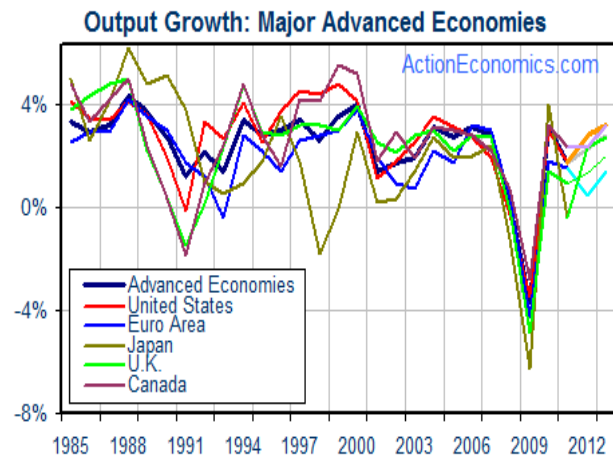


On its balance sheet: guidance on reinvestment remained identical: *"The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its 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 will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate to promote a stronger economic recovery in a context of price stability."*

Policy guidance: remaining the same, this pre-commitment is starting to appear stretched relative to the Fed's own changes above: *"To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions--including low rates of resource utilization*

and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014."

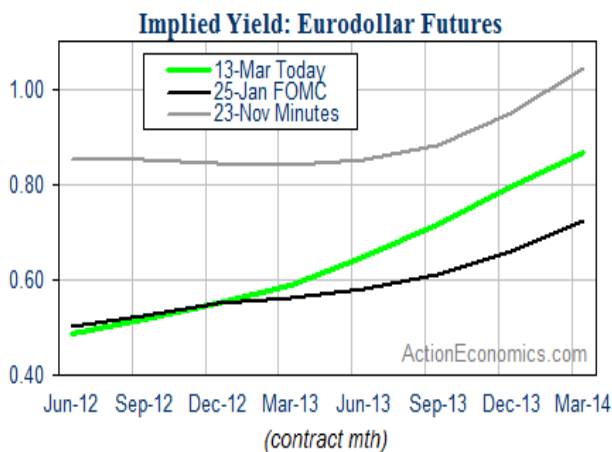
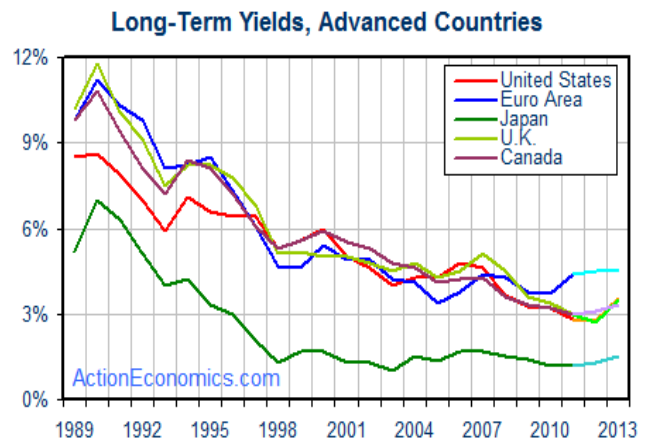
Economic Backdrop: Notwithstanding the shortfall in March, the improved employment trajectory over the past several months has placed the Fed in a more awkward position relative to its highly accommodative policy stance with what seems an exaggerated low-rate commitment even compared to its own Fed funds rate forecasts. Though Bernanke has acknowledged an improvement, he has stubbornly stuck to his view that unemployment remains elevated even as the rate has declined steadily from over 9% in September to 8.2% presently. He appears to remain doubtful that GDP growth, averaging sub-2.0% the past four quarters, will be able to sustain much further progress on jobs, along with the declining labor force participation rate that has flattered declines in the jobless rate.



Yet, consumer confidence has rebounded above 70.0, and February retail sales cleared 1.0% thanks partly to rising auto and construction material sales and higher gasoline prices at the pump. Rising consumer credit appears to be lubricating these trends as well, which marks a sign that demand for credit is gaining some footing. A rebound from supply disruptions in Japan and Thailand has given vehicle sales a boost, while home sales have shown signs of resilience. Inflation as measured by core PCE prices have been on the rise from the 1.7% area y/y back toward the Fed's 2.0% hardened

inflation target, and actual inflation as gauged by inflation headlines continues to steadily outpace Fed assumptions.

Risk indicators: Dollar swap spreads extended their narrowing track in the first quarter of 2012, having been capped in late Q4 by the extended central bank swap agreement and further propelled to the downside by two rounds of ECB LTRO 3-year liquidity injections, which bought the financial system some time. The 2-year swap spread had peaked near +55 basis points near the end of last year and continued tightening since the January 24-25 meeting when they were around +33 basis points to late-March narrows of +24 basis points.



Likewise, the 10-year swap spread peaked near +23 basis points in October before narrowing to +6.5 basis points in late March as Greece's favorable bargain with private investors was followed with a second bailout from the EU. The VIX equity volatility index has notably been coaxed lower by these developments and the perceived "Bernanke Put" under stocks, given low returns available elsewhere. The VIX has ground lower from October highs near 45.0 to 19.0 at the time of the last meeting to take a fresh dive below 15.0, before rebounding with the Mar jobs shortfall. In fact, gold remains well supported as a risk hedge, having galloped from December lows of \$1,522 to February highs of \$1,790 before returning to \$1,660 in March.

Fed funds futures gyrated on the FOMC statement, but traded back near unchanged to slightly lower levels. Though policymakers acknowledged a "notable" drop in the unemployment rate and some "easing" in strains in global financial markets, the policy statement tone was only modestly altered. As has been often noted in the past, the unemployment rate is still too high. Additionally, the Fed still believes global financial problems pose "significant downside risks to the economic outlook." Hence, the Fed reiterated that conditions warrant low rates through late 2014, and that fact is keeping a stranglehold on the Fed funds market. Talk of the Fed considering MBS purchases over extending the Twist also continues to make the rounds.

While there has been rotation in terms of global financial and economic trends in Q1, asset allocation favored stocks for most of the period. But this was not necessarily at the expense of Treasuries, still which remained resilient given doubts about the progress of the recovery and patience by the Fed in allowing it to play out and gather sustainable momentum. Heading into Q2 the Fed will want to see more tangible gains in housing and employment before considering revising its late-2014 policy tightening guidance. Such progress will also need to be accompanied by calm in Europe and Mid-East before the Fed can fully exhale.



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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday																																																																																				
1	2 10:00 AM ISM (Mfg) MAR 10:00 AM Construction Spending FEB Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	3 7:45 AM ICSC-Goldman Sachs 03/31 8:55 AM Redbook 03/31 10:00 AM Factory Orders FEB 2:00 PM FOMC Minutes for Mar 13 Meeting Unit Vehicle Sales MAR Tsy Auctions 4-Wk Bills Tsy Auctions 52-Wk Bills	4 7:00 AM MBA Mortgage Applications 03/30 8:15 AM ADP Employment Survey MAR* 10:00 AM ISM-NMI MAR 10:30 AM EIA Crude Oil Stocks 03/30	5 7:30 AM Challenger MAR 8:30 AM Initial Claims 03/31 9:45 AM Bloomberg Consumer Comfort 04/01 4:30 PM Weekly Money Supply 03/26 Tsy Announces 3&6 Mth Bills Tsy Announces 3-Yr Notes Tsy Announces 10-Yr Notes Reopen Tsy Announces 30-Yr Bonds Reopen	6 6:00 AM Monster Employment Index MAR 8:30 AM Employment Report MAR 3:00 PM Consumer Credit FEB <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Good Friday Treasury market half day CAN/FRA/GER/TAU/J.K. Markets Closed</div>	7																																																																																				
8	9 Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Easter Monday FRA/GER/TAU/J.K. Markets Closed</div>	10 7:45 AM ICSC-Goldman Sachs 04/07 8:55 AM Redbook 04/07 10:00 AM Wholesale Trade FEB 10:00 AM JOLTS Job Openings FEB Tsy Auctions 4-Wk Bills Tsy Auctions 3-Yr Notes	11 7:00 AM MBA Mortgage Applications 04/06 8:30 AM Trade Price Indexes MAR 10:30 AM EIA Crude Oil Stocks 04/06 2:00 PM Beige Book for April 24-25 FOMC Meeting 2:00 PM Treasury Budget MAR Tsy Auctions 10-Yr Notes Reopen	12 8:30 AM PPI MAR 8:30 AM U.S. Trade FEB 8:30 AM Initial Claims 04/07 9:45 AM Bloomberg Consumer Comfort 04/08 4:30 PM Weekly Money Supply 04/02 Tsy Auctions 30-Yr Bonds Reopen Tsy Announces 3&6 Mth Bills Tsy Announces 5-Yr TIPS	13 8:30 AM CPI MAR 9:55 AM Consumer Sentiment Pre APR	14																																																																																				
15	16 8:30 AM Retail Sales MAR 8:30 AM Empire State Index APR 10:00 AM Business Inventories FEB 1:00 PM NAHB Housing Market Index APR Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	17 7:45 AM ICSC-Goldman Sachs 04/14 8:30 AM Housing Starts MAR 8:55 AM Redbook 04/14 9:00 AM Treasury Intl Capital FEB 9:15 AM Industrial Production MAR Tsy Auctions 4-Wk Bills	18 7:00 AM MBA Mortgage Applications 04/13 10:30 AM EIA Crude Oil Stocks 04/13	19 8:30 AM Initial Claims 04/14 9:45 AM Bloomberg Consumer Comfort 04/15 10:00 AM Philadelphia Fed Index APR 10:00 AM Existing Home Sales MAR 10:00 AM Leading Indicators MAR 4:30 PM Weekly Money Supply 04/09 Tsy Auctions 5-Yr TIPS Tsy Announces 3&6 Mth Bills Tsy Announces 2, 5 & 7-Yr Notes	20	21																																																																																				
22	23 Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills	24 7:45 AM ICSC-Goldman Sachs 04/21 8:55 AM Redbook 04/21 9:00 AM S&P/Case-Shiller Home Price Index FEB 10:00 AM New Home Sales MAR 10:00 AM Consumer Confidence APR 10:00 AM Mass Layoffs MAR* 10:00 AM Richmond Fed Index APR FOMC 2-Day Meeting Begins Tsy Auctions 4-Wk Bills Tsy Auctions 2-Yr Notes	25 7:00 AM MBA Mortgage Applications 04/20 8:30 AM Durable Orders MAR 10:30 AM EIA Crude Oil Stocks 04/20 12:30 PM FOMC Policy Announcement Tsy Auctions 5-Yr Notes	26 8:30 AM Initial Claims 04/21 9:45 AM Bloomberg Consumer Comfort 04/22 10:00 AM Pending Home Sales Index MAR 4:30 PM Weekly Money Supply 04/16 Tsy Auctions 7-Yr Notes Tsy Announces 3&6 Mth Bills Tsy Announces 52-Wk Bills	27 8:30 AM GDP Advance Q1 8:30 AM Employment Cost Index Q1 9:55 AM Consumer Sentiment Fin APR	28																																																																																				
29	30 8:30 AM Personal Income & PCE MAR 9:45 AM Chicago ISM APR 10:30 AM Dallas Fed Index APR 3:00 PM Agricultural Prices APR Tsy Auctions 3&6 Mth Bills Tsy Announces 4-Wk Bills <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Showa Day Observed JPN Markets Closed</div>	<div style="display: flex; justify-content: space-around; margin-bottom: 10px;"> <table border="1" style="border-collapse: collapse;"> <caption>March</caption> <thead> <tr><th>S</th><th>M</th><th>T</th><th>W</th><th>T</th><th>F</th><th>S</th></tr> </thead> <tbody> <tr><td></td><td></td><td></td><td></td><td>1</td><td>2</td><td>3</td></tr> <tr><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td>14</td><td>15</td><td>16</td><td>17</td></tr> <tr><td>18</td><td>19</td><td>20</td><td>21</td><td>22</td><td>23</td><td>24</td></tr> <tr><td>25</td><td>26</td><td>27</td><td>28</td><td>29</td><td>30</td><td>31</td></tr> </tbody> </table> <table border="1" style="border-collapse: collapse;"> <caption>May</caption> <thead> <tr><th>S</th><th>M</th><th>T</th><th>W</th><th>T</th><th>F</th><th>S</th></tr> </thead> <tbody> <tr><td></td><td></td><td></td><td></td><td>1</td><td>2</td><td>3</td></tr> <tr><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td>14</td><td>15</td><td>16</td><td>17</td></tr> <tr><td>18</td><td>19</td><td>20</td><td>21</td><td>22</td><td>23</td><td>24</td></tr> <tr><td>25</td><td>26</td><td>27</td><td>28</td><td>29</td><td>30</td><td>31</td></tr> </tbody> </table> </div>					S	M	T	W	T	F	S					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	S	M	T	W	T	F	S					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
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FIXED INCOME BENCHMARK RETURNS

March 31, 2012

	<u>Duration</u>	<u>Month Ending</u> <u>3/31/2012</u>	<u>Quarter Ending</u> <u>3/31/2012</u>	<u>Last</u> <u>Year</u>	<u>Last</u> <u>3 Years</u>	<u>Last</u> <u>5 Years</u>	<u>Last</u> <u>10 Years</u>
<u>U.S. TREASURY BENCHMARKS</u>							
US Treasury 90 Day Bill	0.24	0.01	0.01	0.07	0.36	1.23	1.91
US Treasury 0-1 Year	0.52	0.01	0.01	0.23	0.36	1.72	2.17
US Treasury 0-3 Year	1.45	-0.04	-0.05	1.06	1.18	2.82	2.87
US Treasury 1-3 Year	1.90	-0.06	-0.08	1.43	1.50	3.38	3.24
US Treasury 0-5 Year	2.24	-0.16	-0.15	2.49	1.94	3.76	3.51
US Treasury 1-5 Year	2.71	-0.21	-0.19	3.13	2.32	4.41	3.97
US Treasury 1-10 Year	4.06	-0.57	-0.51	6.22	3.39	5.63	4.82
<u>TIPS BENCHMARKS</u>							
TIPS 1-3 Year	0.22	-0.07	1.40	1.86	4.03	4.09	N/A
TIPS 1-5 Year	1.50	-0.14	1.46	3.93	5.40	5.27	N/A
TIPS 3-5 Year	2.69	-0.20	1.45	5.75	6.56	6.65	5.88
TIPS 1-10 Year	3.30	-0.46	1.38	8.06	7.17	6.65	6.59
<u>AGENCY BENCHMARKS</u>							
US Agency 1-3 Year	1.69	0.01	0.28	1.68	2.00	3.70	3.55
US Agency 1-5 Year	2.20	-0.05	0.33	2.65	2.58	4.31	4.06
US Agency 1-10 Year	2.74	-0.13	0.30	3.90	3.28	4.99	4.76
<u>AGENCY BULLET</u>							
US Agency 1-3 Year Bullet	1.82	-0.01	0.30	1.77	2.18	4.01	3.78
US Agency 1-5 Year Bullet	2.41	-0.08	0.36	2.87	2.85	4.75	4.37
US Agency 3-5 Year Bullet	3.81	-0.24	0.55	6.37	4.85	6.67	5.81
US Agency 1-10 Year Bullet	3.02	-0.18	0.32	4.27	3.64	5.52	5.14
<u>AGENCY CALLABLE</u>							
US Agency 1-3 Year Callable	1.22	0.06	0.21	1.28	1.30	2.66	2.78
US Agency 1-5 Year Callable	1.44	0.06	0.22	1.72	1.55	2.91	3.09
US Agency 3-5 Year Callable	2.12	0.07	0.24	2.93	2.27	3.55	3.71
US Agency 1-10 Year Callable	1.57	0.06	0.21	2.19	1.84	3.26	3.49
<u>CORPORATE</u>							
1-3 Year Corp A-AAA	1.95	0.24	1.68	2.72	6.34	4.16	4.14
1-5 Year Corp A-AAA	2.74	0.19	2.32	4.02	7.83	4.77	4.82
1-10 Year Corp A-AAA	4.27	-0.05	2.68	6.36	10.28	5.38	5.59



WHAT'S HOT AND WHAT'S NOT

QUARTERLY PERFORMANCE RANKINGS

March 31, 2012

