



New Mexico LGIP Stakeholder Meeting 2016

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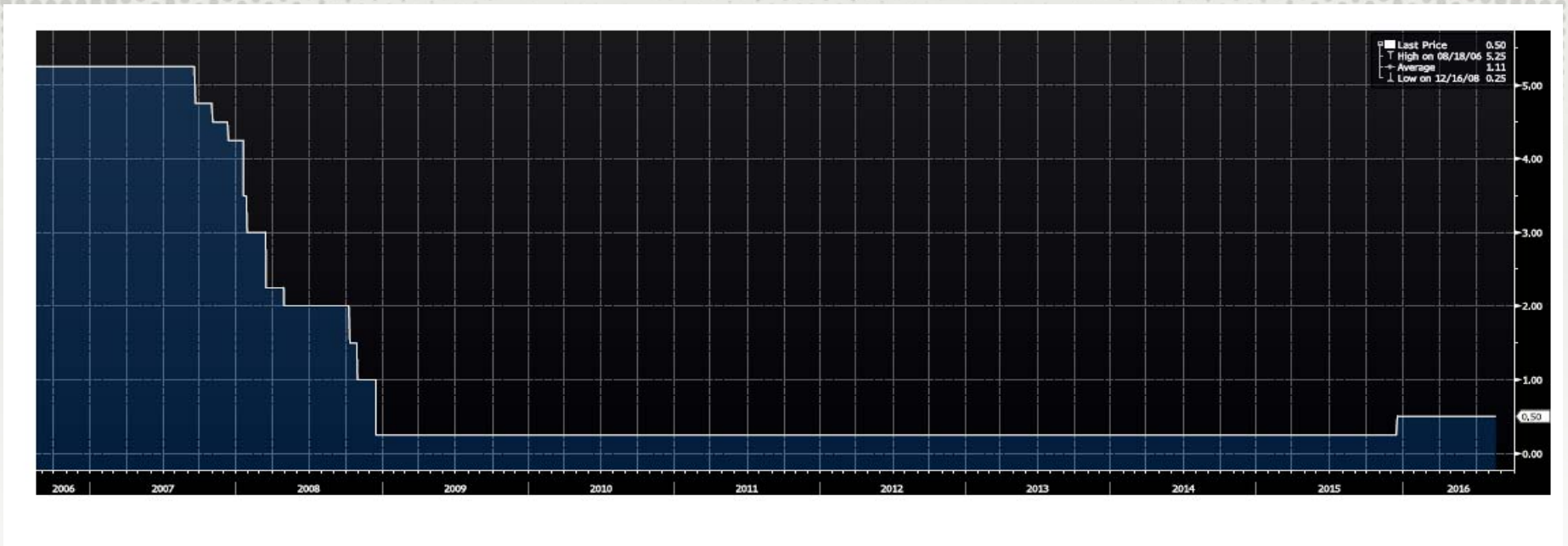
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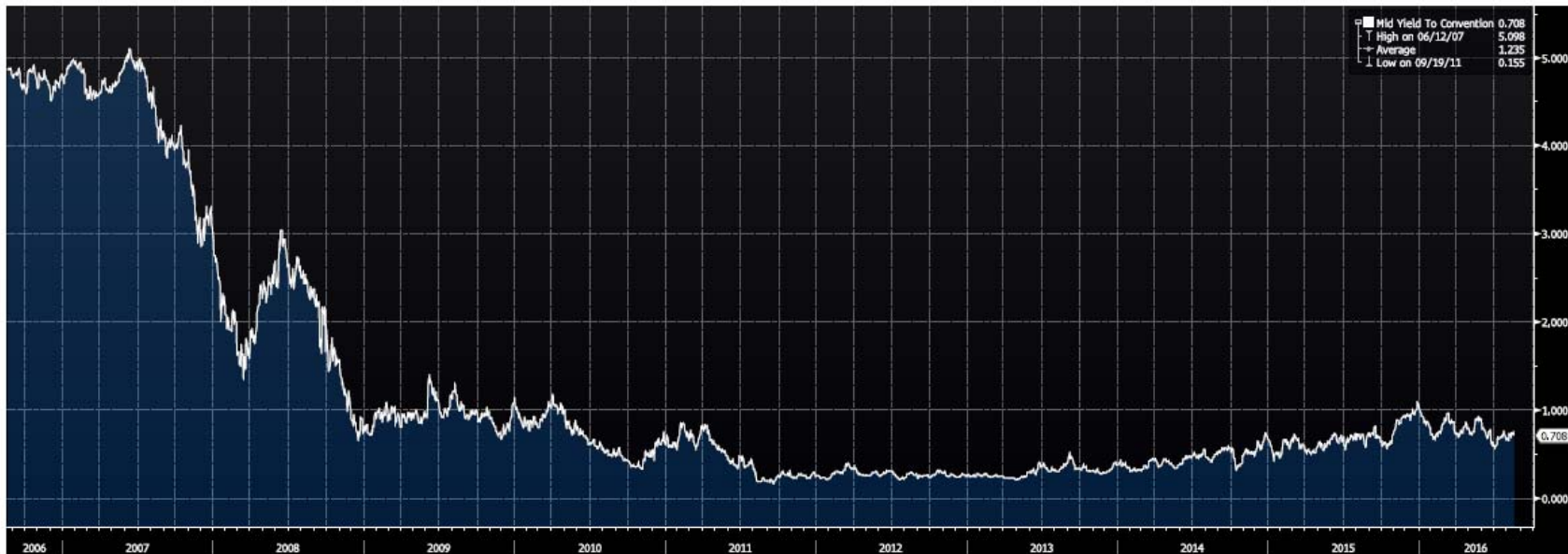
Overview of Market Conditions

- FOMC continues to hold rates at .25-.50%
- Rates in the front end of the yield curve have increase by 20 basis point this year versus last year.
- Expectation is for rates remain relatively stable in the front end with a trend upwards.

Short Term Rates – Under 60 day rates



2 Year Note – Investment Rate For Core Components



Source: Bloomberg

The Three Primary Objectives of the Investment Pool

The New Mexico Investment Pool is a local government investment fund which ranges in size from \$500MLN to \$800MLN in assets on an annual basis. The Pool was created by Statute to invest the assets of the State Funds and other public agencies and districts within the State of New Mexico.

To safeguard the principal assets of the investment pool

To meet liquidity needs of Pool participants; and

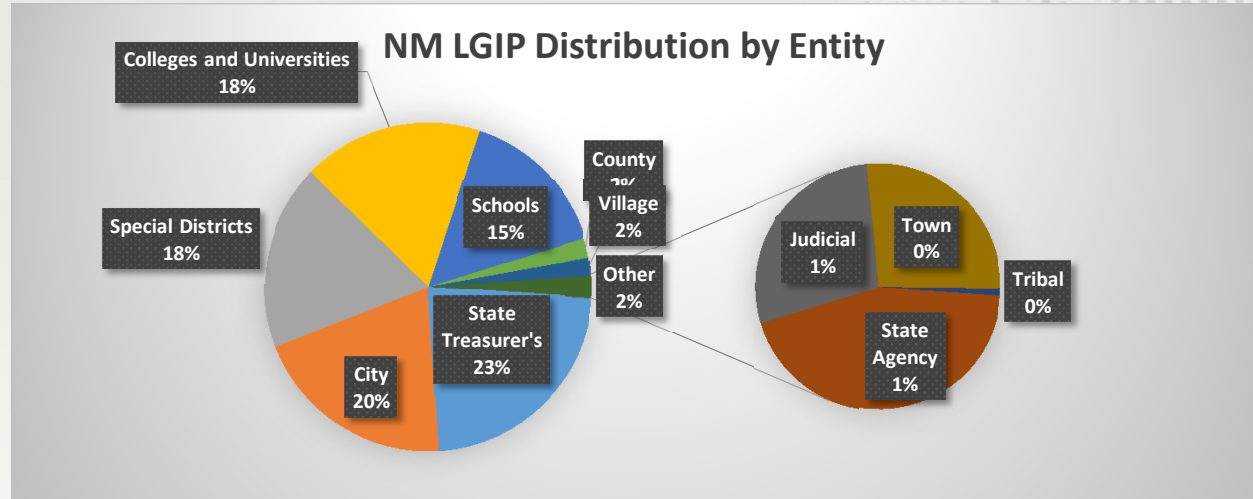
To achieve an investment return on the funds within the guidelines of prudent risk management.

Q: Who is Invested in the Pool?

A: The pool is comprised of monies of various New Mexico entities. All entities are voluntary participants.

NM LGIP FUND DISTRIBUTION BY TYPE OF LOCAL GOVERNMENT
As of 6/30/16

Entity	Fund Amount	% of Pool
State Treasurer's	\$171,554,632.84	22.86%
City	\$150,789,808.00	20.10%
Special Districts	\$136,795,534	18.23%
Colleges and Universities	\$133,329,420.00	17.77%
Schools	\$113,203,570	15.09%
County	\$14,744,627	1.96%
Village	\$13,316,762	1.77%
State Agency	\$7,345,246	0.98%
Judicial	\$4,705,227	0.63%
Town	\$4,450,150	0.59%
Tribal	\$147,066	0.02%
Total	\$750,382,042.84	100.00%



Q: What are the types of investment securities in the Pool?

A: The Treasurer invests the Pool monies in accordance with the statutes set forth by the New Mexico Statute Code and the NM STO – LGIP Investment Policy. Further constraints are followed to provide for the AAAM rating by S&P.

As of 6/30/16	
Repo	31.31%
Bank Deposits Fully Collateralized	22.79%
Agency Securities	43.89%
Treasury	2.01%

Q: Who oversees the Pool?

A: In accordance with State law, the authority to manage the LGIP assets is delegated to the State Treasurers Office. The Pool's investment portfolio management team at STO has extensive investment expertise. The oversight committee, comprised of State Officials and appointed board members meet monthly to review the Pool's investment strategy. In addition, the LGIP investment policy is reviewed and updated by STO , the STIC committee and then approved by the State Treasurer and DFA. The policy focuses on the Risk management by setting limits on principal exposure and liquidity factors. S&P is also sent a report weekly for monitoring of the AAAM rating.

Q: How is the Pool's Safety Measured?

A: The Pool is rated by S&P and currently has a AAAm rating. This requires the weighted average maturity of the pool to remain under 60 days. The funds are invested in high quality US Treasury and Agency securities, fully collateralized bank deposits and fully collateralized repurchase agreements. The maximum maturity of the pool at 60 days, provides for the stability of the NAV to remain at \$1.00. The maturity structure of the portfolio as of 6/30/15 was as follows:

:				
<u>MATURITY</u>		<u>MARKET VALUE</u>	<u>% HOLDINGS</u>	<u>AVERAGE MATURITY</u>
1 day		\$289,692,757	38.5%	1 day
Between 1 day and 60 days		\$460,906,194	61.5%	71 days
Total Principal Value		\$750,598,951	100%	44 days

Weighted Averages 6/30/15			Weighted Averages 6/30/16	
Book Yield	.12%		Book Yield Net	.39%
Maturity	55 days		Maturity	44 days

- Source: STIC report –
- Days based on floating rate maturity reset dates

Q: How Does the Pool Maintain Stability?

A: The Pool maintains stability through the short maturity constraint of 60 days. In addition, the Pool is tracking the NAV weekly. This is a measure of market value of the underlying assets relative to the dollar value of the Participants holdings. The intent is to maintain a \$1.00 factor for pricing of inflows and outflows, however, given the nature of the investment profile, the NAV is expected to range between \$99.85 and \$100.15. As an LGIP managed fund all participants should be aware of the NAV value as a measure of price sensitivity.



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Total Net Assets As of 6/30/16	\$742MM
Weighted Average Maturity Years	44 days
Weighted Average Effective Duration	40 days
Weighted Average Yield to Maturity Net	.389%
Number of Holdings	51
NAV Range 99.85 to 100.15	100



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SENSITIVITY ANALYSIS

As of 7/4/16

Weighted Average Maturity:	44
Shares Outstanding:	\$ 741,942,197 Participant Share as of 7/4/16
Market Value (NAV):	0.999999
Total \$ Unrealized Loss:	(\$742)
Total \$ Unrealized Gain	\$0
Market Value - JP Morgan Price	\$ 741,930,000 As of July 4, 2016

Basis Point Shift								Unrealized Gain (Loss)
150	0.997415	0.997990	0.998096	0.998191	0.998277	0.998355	0.998608	\$ (1,342,336)
125	0.997846	0.998325	0.998413	0.998492	0.998564	0.998629	0.998840	\$ (1,118,737)
100	0.998276	0.998659	0.998730	0.998794	0.998851	0.998903	0.999072	\$ (895,138)
75	0.998707	0.998994	0.999047	0.999095	0.999138	0.999177	0.999304	\$ (671,539)
50	0.999138	0.999329	0.999364	0.999396	0.999425	0.999451	0.999536	\$ (447,940)
25	0.999568	0.999664	0.999682	0.999698	0.999712	0.999725	0.999767	\$ (224,341)
0	0.999999	0.999999	0.999999	0.999999	0.999999	0.999999	0.999999	\$ (742)
-25	1.000429	1.000334	1.000316	1.000300	1.000286	1.000273	1.000231	\$ 222,857
-50	1.000860	1.000669	1.000633	1.000602	1.000573	1.000547	1.000463	\$ 446,456
-75	1.001290	1.001003	1.000951	1.000903	1.000860	1.000821	1.000695	\$ 670,055
-100	1.001721	1.001338	1.001268	1.001204	1.001147	1.001095	1.000927	\$ 893,654
-125	1.002151	1.001673	1.001585	1.001506	1.001434	1.001369	1.001158	\$ 1,117,253
-150	1.002582	1.002008	1.001902	1.001807	1.001721	1.001643	1.001390	\$ 1,340,852

Redemption/Inflow	-30%	-10%	-5%	0%	5%	10%	30%
O/S Shares	519,359,538	667,747,977	704,845,087	741,942,197	779,039,307	816,136,416	964,524,856

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

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

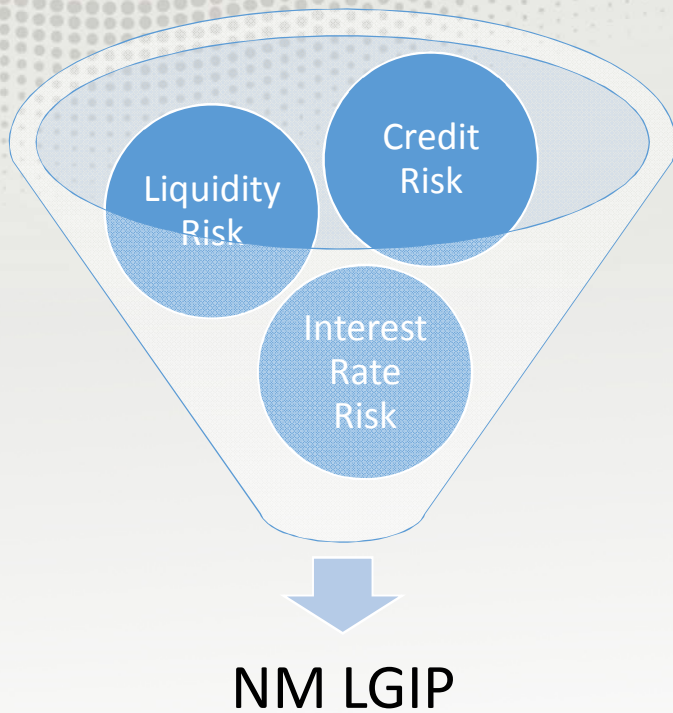
* Source: S&P rating matrix

** Provided by STO on S&P Report

Note: Market Value of LGIP differs on S&P report from JP Morgan report

Q: What Risks Does the Pool Face?

A: As mandated by State law, the Pool is invested in a conservative manner and limits the investments to fixed income securities with a maximum average maturity of 60 days. The Pool is prohibited from buying equities (Stocks), long term fixed income securities and derivatives that may negatively impact the fund by principal losses. Although many risks are mitigated by the strict adherence to the State law and the NMSTO LGIP investment Policy, some risks still remain. The three main risk factors facing the investment pool are:



Credit risk: The Pool's exposure to credit risk is lessened by diligent compliance to established credit guidelines and by limiting the allocation to certain types of securities.

Liquidity Risk: The Pool seeks to reduce the amount of liquidity risk and to provide the necessary liquidity to the Pool participants by limiting both the maturity length of securities and the allocation to moderately liquid and illiquid securities. Specifically, a minimum of 100% of the Pool is invested in securities that mature or reset under 60 days.

Interest Rate Risk: The effects of interest rate risk are managed in the Pool by limiting the Pool's maximum duration and implementing a liquidity/core fund strategy based on historical cash balances. By employing this strategy, the Pool's intent is to avoid realized losses resulting from a rise in interest rates.

Other risks disclosed shall include:

Income Risk: The impact on earnings from market interest rate changes.

Counterparty Risk: The impact of a counterparty failing to deliver on a commitment.

No Guarantee: Participants in the Pool hold a pro-rata percent of the underlying assets of the Pool. The County does not guarantee the return of principal or the earnings on the Pool.

Management or Portfolio Selection Risk: The investments strategy may be incorrect in a particular period due to market changes or unforeseen volatility.

Corrective Actions: The Treasurer retains the ability to take corrective action to provide for the best interests of the participants of the Pool.

Q: What is the Role of the Investment Consultant?

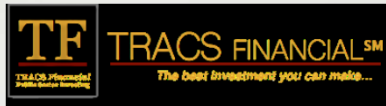
A: An investment consultant provides input in regards to investment strategy and oversight. STO has engaged Government Portfolio Advisors, the Consultant, to provide the following services:

Services Include:

- Investment Policy review and updates
- Portfolio Performance tracking
- Investment Strategy oversight

Q: How does the pool compare to other states?

A:



Some Primes in the lower quartiles are paying half of what the top tier Primes are paying.

By the Numbers

	<u>As of 6/30/2016</u>		
	Daily	7 Day	Monthly
Utah Public Treasurers Investment Fund			0.91%
Oregon Short-Term Fund			0.88%
	1st Quartile	0.67%	
Maine State Treasurer's Pooled Cash			0.67%
Texas CLASS		0.65%	
	2nd Quartile	0.52%	
California PFM Asset Mgmt Program			0.51%
Florida FLGIT Local Govt Day to Day Fund*			0.50%
Washington LGIP			0.50%
Illinois Metro Investment Convenience Fund	0.48%		
Michigan PFM Schl Dist Liq Asset Fund+ - Max*		0.48%	
Virginia LGIP		0.48%	
Kansas Municipal Investment Pool	0.39%		
New Mexico MexiGROW LGIP			0.38%
Texas Lone Star Govt Overnight		0.38%	
Wyoming Government Investment Fund		0.38%	
Illinois Funds Money Market Fund		0.37%	
Missouri PFM Securities Investment Program		0.37%	
Pennsylvania PFM PLGIT ARM		0.37%	
Texas TexPool		0.37%	
	Median		
	3rd Quartile	0.36%	

Q: What are local governments doing in their Investment Programs?

A: Core/Liquidity Strategies

BENCHMARK COMPARISON BASED ON VARIOUS MATURITY STRUCTURES					
Benchmarks	Date	Core Fund Size			
NM LGIP	6/30/2016	\$ 20,000,000.00			
G1QA					
GVQA					
Annualized Returns (%)					
Benchmark	Duration	Last Quarter	Last Year	3 Year	5 Year
NM LGIP	0.1	0.320%	0.290%	0.150%	0.140%
USTreasury 0-3 Year	1.43	0.412%	1.012%	0.745%	0.623%
USTreasury 0-5 Year	2.239	0.669%	1.977%	1.346%	1.163%
Historical Returns for Invested Core Portfolio					
Benchmark	Duration	Last Quarter	Last Year	3 Year	5 Year
NM LGIP	0.1	\$ 64,000.00	\$ 58,000.00	\$ 90,135.07	\$ 140,392.55
USTreasury 0-3 Year	1.43	\$ 82,305.26	\$ 202,474.09	\$ 450,142.71	\$ 631,284.51
USTreasury 0-5 Year	2.239	\$ 133,788.94	\$ 395,413.77	\$ 818,301.63	\$ 1,189,904.04

Current Trends in Public Fund Investing

- Fiduciaries are becoming more interested in how investments are being managed and want to be included in the process
- Creating a forum for them to provide input is important.
- Having an understanding of the investment strategy will assist in communicating why the Pool is paying the current market rate.



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