



# New Mexico Local Government Investment Pool (LGIP)

August 25, 2016

New Mexico State Treasurer's Office



# The LGIP Team

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<http://sffed-education.org/chairthefed/WebGamePlay.html>



# The NM State Treasurer's Office (STO)

- What We Do
  - Act as the State's Bank
  - Active Investment Management
    - Over \$3.0 Billion in Total Assets Managed
    - NM Local Government Investment Pool (LGIP)
    - General Fund Investment Pool
    - Bond Proceeds Investment Pools
    - Severance Tax Bonding Fund
    - Repurchase Pool
- Paying Agent for Outstanding Bond Issues
- Collateral Manager



# The LGIP Introduction

- Short-Term Investment Pool created by NM State Statute.
- Provides a voluntary investment alternative for local and quasi-governmental entities seeking a safe and liquid cash equivalent.
- A pooled fund with qualified and experienced investment management at the State Treasurer's Office.



# Market Overview

- Yield on the Pool closely associated with the level of Fed Funds
- FOMC raised short term interest rates in December 2015 to 0.25% - 0.50%
- Headwinds to higher interest rates
  - Global equity market weakness
  - Negative interest rates overseas
  - Brexit created some volatility
  - Presidential election year
- Fed dual objectives of maximum employment and 2% inflation
  - Unemployment rate at 4.9%
  - Payroll employment coming in at 200,000+ per month
- Inflation still below long run objective
  - Oil prices recovered to \$50/barrel after reaching \$26 low in 2016
  - US dollar strength and effect on import prices



# LGIP Introduction

- Safety
- Maintain Stable Net Asset Value
- Put a Dollar In; Get a Dollar Out + Interest
- Highest S&P AAAm Rating – Statute Requires AA
- Liquidity
- Cash Available within 24 Hours Notice
- Yield
- NOT at the expense of the two objectives above



# LGIP Characteristics

- Safety
  - Short Portfolio Average Maturity - Maximum 60 Days;
  - Treasury & Agency Securities Only;
  - Strong Governance - STIC, Board of Finance, Investment Advisor
- Liquidity
  - Daily Liquidity vs. “locked up” CD or Treasury Bill Alternatives
- Yield
  - Low Fees and Expenses;
  - Reinvestment Advantage in Rising Interest Rate Environment;
  - Attractive Yield vs. Privately Managed Money Market Funds
- Recent Money Market Reforms for Prime Funds Don’t Apply:
  - No Floating NAV;
  - No Liquidity Fee on Redemptions During Times of Stress;
  - No Redemption Gates



# Disclaimer

- NM LGIP is not a registered Money Market Fund;
- NM LGIP is not regulated by the SEC;
- Past performance does *not* guarantee future results;
- Risks:
  - Interest rate
  - Credit
  - Counterparty
  - Management
  - NAV not guaranteed
  - The Treasurer has the ability to take measures in order to protect the NAV of the Pool

