



STATE OF NEW MEXICO  
OFFICE OF THE TREASURER

**THE HONORABLE TIM EICHENBERG**  
State Treasurer

**SAMUEL K. COLLINS, JR.**  
Deputy State Treasurers

**STATE TREASURER'S  
INVESTMENT COMMITTEE**

State Treasurer's conference room



"El Morro" - New Mexico Tourism Department (Mike Stauffer) When Spanish explorers ventured from Mexico into what is now New Mexico they stopped at the watering hole at the base of a huge sandstone wall. That wall, now known as Inscription Rock, in El Morro National Monument bears the etched names of more than 2000 history-making visitors who decided to leave their mark. The monument also contains ancient Puebloan ruins, showing that the explorers of four centuries ago were far from the first to appreciate the watering hole's location. On the Native Heritage Trail.

**Wednesday, October 11, 2017**

**9:00am**



1. Approval of October 11, 2017 Agenda



STATE OF NEW MEXICO  
OFFICE OF THE TREASURER

**Tim Eichenberg**  
The Honorable State Treasurer

**Sam Collins**  
Deputy State Treasurer

**STATE TREASURER'S INVESTMENT COMMITTEE**  
**Treasurer's Conference Room**  
Wednesday, October 11, 2017 9:00 a.m.

**MEETING AGENDA (5 Min)**

Roll Call

- |   |        |
|---|--------|
| 1. Approval of October 11, 2017 Agenda    | Action |
| 2. Approval of September 13, 2017 Minutes | Action |
| 3. Public Comments                        |        |

**INVESTMENT REPORTS (60 min)**

- |  |               |
|--|---------------|
| 4. Executive Summary (Vikki Hanges)  | Informational |
| 5. Investment Policy Compliance Report (Arsenio Garduño)                           | Informational |
| 6. Investment Accounting Report (David Mahooty)                                    | Informational |
| 7. Cash Projections (Arsenio Garduño)  | Informational |
| 8. Portfolio Summary -- General Fund Investment Pool (Vikki Hanges)                | Informational |
| 9. Portfolio Summary -- Local Government Investment Pool (LGIP) (Jeremy Landrum)   | Informational |
| 10. Portfolio Summary -- Tax-Exempt Bond Proceeds Investment Pool (Jeremy Landrum) | Informational |
| 11. Portfolio Summary -- Taxable Bond Proceeds Investment Pool (Jeremy Landrum)    | Informational |
| 12. Portfolio Summary -- Severance Tax Bonding Fund (Vikki Hanges)                 | Informational |
| 13. Broker Dealer Activities   | Informational |
| 14. Credit Investing -- Vikki Hanges   | Informational |
| 15. Annual Portfolio Benchmark Recommendation FY '18 -- Vikki Hanges               | Action        |
| 16. Investment Policy -- Vikki Hanges  | Informational |

**Month Ended**  
**August 31, 2017**

**CASH MANAGEMENT**  
**& COLLATERAL REPORTS (10 Min)**

- |  |               |
|--|---------------|
| 17. State Agency Deposit Balances (Arsenio Garduño)              | Informational |
| 18. Collateral Report on Agency Deposits & CDs (Arsenio Garduño) | Informational |

**Month Ended**  
**August 31, 2017**

**COMMITTEE REPORTS (5 min)**

19. Next Meeting -- Wednesday, November 8, 2017 9:00 am
20. Adjournment



## 2. Approval of September 13, 2017 Minutes

**New Mexico State Treasurer's Office  
STIC Committee Meeting  
Meeting Minutes  
Wednesday, September 13, 2017**

**ROLL CALL—QUORUM PRESENT:**

A regular meeting of the New Mexico State Treasurer's Investment Committee (STIC) was called to order this date at 9:00 a.m. in the conference room of the State Treasurer's Office (STO), 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505.

**Members Present**

New Mexico State Treasurer Tim Eichenberg  
Ms. Leila Kleats, State Board of Finance Director  
Mr. Paul Cassidy, Public Member  
Mr. Mark Pike, Public Member

**Staff Present**

Mr. Samuel Collins, Deputy State Treasurer  
Ms. Charmaine Cook, State Cash Manager  
Mr. David Mahooty, Investment Accounting and Debt Division Director  
Ms. Vikki Hanges, Portfolio Manager Supervisor  
Mr. Jeremy Landrum, Portfolio Manager  
Mr. Arsenio Garduño, Collateral Manager

**Guests Present**

Ms. Deanne Woodring, President, Government Portfolio Advisors (via telephone)

On behalf of State Treasurer Tim Eichenberg, Ms. Charmaine Cook called the meeting to order.

**1. Approval of September 13, 2017, Agenda**

Member Leila Kleats moved approval of the agenda. Motion was seconded by Member Mark Pike and passed unanimously by voice vote.

**2. Approval of July 12, 2017, Minutes**

Member Kleats moved approval of the minutes. Motion was seconded by Member Paul Cassidy and passed unanimously by voice vote.

**3. Public Comments**

None.

**4. Executive Summary**

Ms. Vikki Hanges presented highlights of the Executive Summary:

## June

- At the end of June, the State Treasurer managed \$3.6 billion in assets.
- During June, the office earned approximately \$3.0 million on its investment positions.
- On a mark-to-market basis the portfolios decreased by \$1.7 million in June.
- U.S. equity markets were higher in June, with the S&P 500 Index up 0.5%.
- U.S. Treasury yields were higher in June for all maturities except for the 30-year bond, with the belly of the curve underperforming.
- Oil prices declined by 4.7% during the month of June, closing at \$46.04/barrel.
- The US dollar was weaker vs. the euro at the end of June, down 1.6%, to 1.1426.

## July

- At the end of July, the State Treasurer managed \$3.5 billion in assets.
- During July, the office earned approximately \$3.0 million on its investment positions.
- On a mark-to-market basis the portfolios increased \$1.3 million in July.
- US equity markets were higher in July, with the S&P 500 Index up almost 2%.
- In July US Treasury yields were flat to lower for all maturities except the extremes of the very short and very long ends of the curve.
- Oil prices increased by 9% during the month of July, closing at \$50.17/barrel.
- The US dollar was weaker vs. the euro at the end of July, down 3.6%, to 1.1842.

Ms. Hanges discussed the possibility of a rate hike at the December Fed meeting and the impacts of the hurricanes and North Korea missiles on the market.

## 5. Investment Policy Compliance Report

Mr. Garduño presented highlights of the Investment Policy Compliance Report:

### June

- Bond Purchases/Sales for June: Primary \$304,209,200 (13% of total) and secondary \$680,192,000 (87% of total), for a total of \$984,401,200.
- Variable Rate Notes: \$227,040,000 at the end of June (\$0 in General Fund, \$28,000,000 in Taxable BPIP, \$0 in Tax-Exempt BPIP, \$199,040,000 in LGIP, and \$0 in STBF), primarily in corporate and agency variable-rate securities. No structured notes in June.
- Transaction Variances: 0 in July.
- Inter-Portfolio Transactions: 0 in July.
- Realized Gains (9 sales in June): \$4,077.44.
- Purchase/Sales Activity (57 = 48 purchases, par value \$895,141,200, + 9 sales, par value \$89,260,000). No noted violations or breaches.

## July

- Bond Purchases/Sales for July: Primary \$126,200,000 (15% of total) and secondary \$716,383,000 (85% of total), for a total of \$842,583,000.
- Variable Rate Notes: \$229,890,000 at the end of July (\$0 in General Fund, \$28,000,000 in Taxable BPIP, \$0 in Tax-Exempt BPIP, \$201,890,000 in LGIP, and \$0 in STBF), primarily in corporate and agency variable-rate securities. No structured notes in July.
- Transaction Variances: 0 in July.
- Inter-Portfolio Transactions: 0 in July.
- Realized Gains (3 sales in July): \$15,930.53.
- Purchase/Sales Activity (50 = 47 purchases, par value \$792,583,000, + 3 sales, par value \$50,000,000). No noted violations or breaches.

For the end of FY17, Mr. Garduño added two charts: Trade Volume Month by Month and Trade Asset Allocation by Month. Member Kleats noted that there was more activity in April, May, and June. Ms. Hanges said that this was due to short-term investments, rather than repo. Also, there were more commercial paper transactions. Ms. Woodring said the report was a good overview with transparent tracking. Member Pike said he appreciated the Portfolio Managers' work.

## 6. Investment Accounting Report

Mr. David Mahooty presented highlights of the Investment Accounting Reconciliation Report:

The **June 2017** investment reconciliation included the following to verify the completeness and accuracy of the JP Morgan reporting:

1. Net asset values of all investment accounts.
  2. Change in transaction activity between May 31 and June 30.
  3. Cash transaction activity proofs.
  4. Earned income proofs.
  5. Proof of change in cost.
  6. Duplicate cash activity.
  7. JPMorgan to QED inventory reconciliation.
  8. JPMorgan to QED income reconciliation.
- Market value materiality threshold is 5 basis points of the total market value of a JPMorgan account. One item exceed the threshold: P09334/1101 Overnight Repo—interest for the investing agencies is not distributed until the first or second day of the next month; \$56,895.95.
  - Earned interest materiality threshold is ½ basis point of the total market value of a JPMorgan account. One item exceed the threshold: P09336/1000 Sponge note—entered

into JPM with a trade date of 6/8/2017; should have been 6/29/2017, which caused JPM to understate earnings by \$116,746.35.

The **July 2017** investment reconciliation included:

### **Inventory Holdings**

- P09334/1101—July Overnight Repo interest for the investing agencies is not distributed until the first of the next month.
- P09335/4000—Based on a glitch in the system, QED reflects a \$3 million overstatement in July. This was corrected in August 2017.
- P09335/4000—Based on a glitch in the system, QED reflects a \$1.5 million overstatement in July. This was corrected in August 2017.

### **Income**

- P89523/4001—Difference derived by Compass Bank crediting earned interest on the first day of the following month instead of the last day of the month.
- P09337/1001—QED misstated amortization for a particular security, whereby the amortization of that security is understated in the amount of \$28,762.
- P09333/4101—QED misstated amortization for a particular security, whereby the amortization of that security is understated in the amount of \$11,792.

STO distributed \$1,415,943 to the State General Fund in July.

Member Pike asked if the QED issue was systemic. Mr. Mahooty said it was a one-time event. Member Pike asked if it was a system or a human error. Mr. Collins said he does not know, but we haven't had this problem before and it hasn't happened since; it was in the system's programming. Member Pike said if it happens again, he'd like a more detailed explanation. Member Kleats asked for an email from Hannah Chavez explaining it, because it impacted the Bond Proceeds Pool. Member Kleats asked about the misstatement of the amortization. Mr. Mahooty said it is just in the way amortization is treated differently between QED (asset type method) and JPMorgan (level yield method). Member Cassidy asked about Compass Bank being routinely one day late in posting interest. Mr. Mahooty said it is the way they do business (distribution on the first day of the year). Ms. Hanges said we are not out of interest for that day; we're accruing a whole month. Mr. Collins said no, Compass Bank does not compound interest, it uses simple interest. We do not earn interest on the interest from the month before for one day. Ms. Cook noted that this is a system configuration and Compass Bank is not able (nor willing) to change that. Mr. Collins noted that Compass Bank has a pretty aggressive rate and pledges collateral at 75%, so it does not hurt the yield very much.

## **7. Cash Projections**

Mr. Garduño presented highlights of Cash Projections:



## June

- General Fund was \$1,586,466,933.
- General Fund up \$36,991,581 year-over-year (2.4%).
- General Fund up \$92,295,063 month-over-month (6.2%).

## July

- General Fund was \$1,799,050,742.
- General Fund up \$347,179,173 year-over-year (23.9%).
- General Fund up \$212,583,809 month-over-month (13.4%).

Mr. Garduño presented FY17 highlights of the State General Fund Investment Pool:

- August 2016—Transferred \$100 million to cover State’s day-to-day operations.
- October 2016—Transferred \$200 million to cover projected low in December and ahead of Fed meeting (possible rate hike).
- January 2017—Transferred \$109 million from SIC Tobacco Settlement Fund (TSPF) to SGFIP appropriation account; necessary to meet FY16 appropriations authorized by law from general fund.
- April 2017—Transferred \$110 million from TSPF to appropriation account; to remain in the TSPF and be transferred to appropriation account only if FY17 revenues are insufficient to meet appropriations, and upon State Board of Finance (SBOF) approval.
- May 2017—Received \$96 million from Bureau of Land Management.
- June 2017—Transferred \$110 million from appropriation account back to SIC TSPF.

The low point was March 17, 2017 (\$828 million) and the high point was April 27, 2017 (\$1.718 million).

Member Cassidy asked where we are in terms of cash reserves (policy dictates 10% as a state). Member Kleats said that in August the Consensus Revenue Estimating Group (CREG)—comprised of the Legislative Finance Committee, Department of Finance and Administration, Taxation and Revenue Department, and Department of Transportation—projected that FY17 reserves would be 5.4% and FY18 reserves would be 3.5%. Rating agencies may want to see stronger reserves.

Member Kleats asked about the source of the increase for July revenues. Mr. Garduño said that \$100 million was bond money swept into the General Fund; the rest was tax revenue. Member Kleats asked if the tax revenue was from TRD. Mr. Collins answered the question.

## **8. June 2017 Quarterly Investment Report—Investment Advisor**

Ms. Deanne Woodring presented the year-end review:

- There is a 40% expectation that the Fed will move rates in December. The portfolio is positioned well for that.
- The 3-month bill was 0.75% in March and 1.01% in June. STO was able to benefit from that rise.
- STO has been leaning toward treasuries. The spreads have been very tight, but we're seeing some widening. We continue to look at the corporate market; spreads continue to be tight. The TIPS market—STO is allowed not to buy these, but Ms. Woodring tracks them.
- The Fixed-Income Asset Allocation Historical Performance table helps to explain the value of diversification. This year the treasury asset class underperformed all others. Callables did well (shorter duration) because they were more protected when prices went down. Weighting to treasuries gave STO safety and liquidity without giving up much performance.
- On \$1.8 billion, the annualized increase was up about 4.8 basis points (\$630,000).
- STO purchased 156 securities, mostly in the LGIP.
- Total fund balances are down -\$423,162,188 FY17 vs. FY16. Of that, the BPIP funds (combined) were down -\$374,995,643.
- Ranking on interest rate risk: neutral.
- Ranking on credit risk: low. High-quality accounts.
- Ranking on reinvestment risk rate: low.
- Ms. Woodring (under the contract) presents an annual performance disclosure for the Board of Finance. Cash flow is the driver, rather than return. General Fund Liquidity performed at 0.40% (vs. benchmark of 0.26%), Core performed at -0.16% (vs. benchmark of -0.64%), for a total of 0.07% (vs. benchmark of -0.2%). For the BPIP, the Tax Exempt performed at 0.37% (vs. benchmark of 0.10%) and the Taxable performed at 0.34% (vs. benchmark of 0.10%).
- Member Cassidy noted that the fiscal period (page 81 of the STIC binder) should read 6/30/16-6/30/17. Ms. Woodring agreed that this was a typo, but the rest of the information was correct.
- In the Investment Strategy Report, Ms. Woodring suggested keeping the portfolios within 85% to 90% to the benchmark. We may stay at these rates for a while or even see them come down.
- The annualized change for the BPIP Taxable is due to a need for greater liquidity, but this did not hurt the performance. There was a slight reduction in treasuries across the board. Mr. Landrum said that on June 30 there are funds that leave on July 1; so June 30 does not provide an accurate picture of the asset allocation. Ms. Hanges said the funds go from the Taxable to the STB to pay a super sponge.
- The focus continues to be on safety and liquidity, given the uncertainty of the fund balances. There was good protection in a rising-rate environment.
- Shock Analysis Report: We're constantly monitoring the mark-to-market value. The overall portfolio will fall about \$5 million for every 25-basis-point rise. The LGIP NAV is 0.9998. (If the LGIP had to be liquidated, STO could provide funds to all stakeholders.)

Member Cassidy noted that it was a terrific report. He had one question about municipal securities; are they contributing to yield takeup in this environment? Ms. Woodring said there is no benefit (on a yield basis) to munis right now. Member Cassidy concurred; right now, munis are expensive. He also wondered if the three-year maturity restriction is too conservative for the municipal portfolio.

### **9. Quarterly Investment Review—Portfolio Managers**

Ms. Hanges noted that per the chart on page 97, comparative quarterly interest rates, the yield curve flattened (short rates higher, longer rates lower) due to 25 basis point raise in June. The 5-year has outperformed the shorter durations (a bit challenging). To address Member Cassidy's question about municipal securities, in June STO put back the municipal variable rate demand notes. They were attractive vs. repo; but now they are giving up 25 basis points or more on overnight repo. We have not been active in adding munis, but we do still hold some. We have only been involved in new-issue corporates because secondary corporates continue to be extremely tight to treasuries. We use commercial paper vs. discount treasury bills. Agencies have been tight also. The debt ceiling made October treasury bills extremely cheap.

Mr. Landrum said that long-term, munis make some sense. We have a three-year limit where we could purchase five-year corporates (munis have a lower default risk). Diversification helps the portfolio.

Ms. Hanges said the statute doesn't limit munis to three years; it is in the investment policy (three years or longer: AA or better).

### **10. Portfolio Summary—General Fund Investment Pool**

Ms. Hanges presented highlights of the General Fund Investment Pool Portfolio Summary:

#### **June**

- The General Fund Investment Pool (bank balances, liquidity, and core portfolios) closed June at \$1.6 billion.
- In June the General Fund outperformed its benchmark, returning -0.04% vs. -0.10% as interest rates rose.
- For the 3 months (April-June), the General Fund underperformed its benchmark, returning 0.31% vs. 0.33%, due to the flattening of the yield curve, as five-year maturities outperformed.
- For the last 12 months, the General Fund outperformed its benchmark. The General Fund return was -0.16% while the benchmark fell -0.31%.
- The portfolio remained shorter than the benchmark duration to preserve principal in anticipation of liquidity needs and higher short-term interest rates.
- The Core portfolio will move closer to the benchmark duration as opportunities arise.

- During the month of June the General Fund Liquidity portfolio had sufficient funds to meet cash needs.

## July

- The General Fund Investment Pool (bank balances, liquidity, and core portfolios) closed July at \$1.8 billion.
- In July the General Fund underperformed its benchmark, returning 0.21% vs. 0.25% as interest rates fell.
- For the 3 months (May-July), the General Fund matched its benchmark, returning 0.32% vs. 0.32%, due to the flattening of the yield curve, as five-year maturities outperformed.
- For the last 12 months, the General Fund outperformed its benchmark. The General Fund return was 0.06% while the benchmark fell -0.04%.
- The portfolio remained shorter than the benchmark duration to preserve principal in anticipation of liquidity needs and higher short-term interest rates.
- The Core portfolio received \$100 million from the Liquidity portfolio in July due to higher balances.
- The Core portfolio duration moved closer to the benchmark duration in July.

Member Kleats asked what the General Fund was as of August. Mr. Garduño said it is \$1.45 billion today, but at the end of August it was \$1.8 billion. Ms. Hanges said the low point is at the middle of the month; it builds at the end. Treasurer Eichenberg asked if Member Kleats was on the email list for fund balances; Mr. Collins said yes.

## 11. Portfolio Summary—Local Government Investment Pool

Mr. Landrum presented highlights of the Local Government Investment Pool Portfolio Summary:

### June

- June's ending market value for the LGIP was \$885.1 million, representing a decrease relative to May's reported closing value of \$893.8 million.
- At the end of June the STO participant balance was \$26.8 million or 3% of the Pool; the Judicial District Court participant balance was \$2.6 million or 0.3% of the Pool; and the Educational Retirement Board participant balance was \$100.5 million or 11% of the Pool.
- The LGIP continues to maintain an AAAM rating by Standard & Poor's.
- In June the fund earned \$681,980.
- For FY17, the fund has earned \$4,599,656.
- Gross yield on the LGIP was 0.8970% at the end of June. Net yield to participants was 0.8470%.
- For the LGIP, the WAM(R) of 58 days and WAM(F) of 106 days were within their maximums of 60 and 120 days respectively.

- The LGIP purchased \$369.5 million in US agency securities during the month. Approximately \$236 million of these transactions were in securities that mature within one month or less.
- The LGIP engaged in 27 repo trades during the month, consisting of 15 overnight and 12 term trades. Trade amounts varied in size from \$15 million to \$75 million at rates spanning 0.76% to 1.08%.
- At the time of the meeting, LGIP WAMs were 51 days for WAM(R) and 111 days for WAM(F).

## July

- July's ending market value for the LGIP was \$865.2 million, representing a decrease relative to June's reported closing value of \$885.1 million.
- At the end of July the STO participant balance was \$26.8 million or 3% of the Pool; the Judicial District Court participant balance was \$2.6 million or 0.3% of the Pool; and the Educational Retirement Board participant balance was \$100.6 million or 11% of the Pool.
- The LGIP continues to maintain an AAAM rating by Standard & Poor's.
- In July the fund earned \$711,695.
- For FY18, the fund has earned \$711,695.
- Gross yield on the LGIP was 0.9430% at the end of July. Net yield to participants was 0.8390%.
- For the LGIP, the WAM(R) of 53 days and WAM(F) of 109 days were within their maximums of 60 and 120 days respectively.
- The LGIP purchased \$252.6 million in US agency securities during the month. Approximately \$176.6 million of these transactions were in securities that mature within one month or less (a substitute for overnight repo).
- The LGIP engaged in 23 repo trades during the month, consisting of 15 overnight and 8 term trades. Trade amounts varied in size from \$20 million to \$75 million at rates spanning 0.95% to 1.01%.
- At the time of the meeting, LGIP WAMs were 55 days for WAM(R) and 111 days for WAM(F).

ERB withdrew some funds, while APS deposited some; so the LGIP is about \$760 million now.

The annual S&P rating meeting will be September 21. We don't anticipate any changes.

Member Cassidy asked if we can invest on behalf of the New Mexico Finance Authority. Mr. Landrum said statute does permit it. Member Cassidy noted that many of his investment clients are required to leave their money with NMFA; perhaps STO should ask if NMFA needs a place to park cash. Mr. Landrum asked Ms. Woodring if she still works with the NMFA; Treasurer Eichenberg said she did not, and that he mentioned the LGIP's return at the last NMFA board meeting.

## 12. Portfolio Summary—Tax-Exempt Bond Proceeds Investment Pool

Mr. Landrum presented highlights of the Tax-Exempt Bond Proceeds Investment Pool Portfolio Summary:

### June

- The Tax-Exempt BPIP closed the month of June at \$556 million vs. \$433 million at the end of May.
- The Pool received \$19.2 million in draw requests for capital spending during June and paid out \$18.31 million for capital projects.
- Weighted Average Life of the Tax Exempt BPIP was 0.77 years. The Weighted Average duration was 0.75 years.
- Unrealized gains in the Tax-Exempt BPIP portfolio were -\$1,389,193 on June 30.
- Monthly net earnings on the portfolio for June were \$343,075.
- Net earnings for FY17 were \$5,071,908.
- The duration of the Tax-Exempt BPIP at the end of June was 1.12 years vs. the benchmark at 1.44 years.
- The purchase yield was 0.75% at the end of June vs. 0.97% reported for the previous month.
- The Tax-Exempt BPIP returned 0.03% for the month of June and 0.21% for the three months ended June 30, 2017, vs. index returns of -0.03% and 0.18% respectively. For the trailing 12 months the pool returned 0.37% vs. 0.10% for the benchmark.
- The option-adjusted duration of the Tax-Exempt BPIP portfolio was 1.12 vs. 1.36 years for the benchmark.

### July

- The Tax-Exempt BPIP closed the month of July at \$416.3 million vs. \$556 million at the end of June. (Cash flows to pay debt service.)
- The Pool received \$45.5 million in draw requests for capital spending during July and paid out \$23.7 million for capital projects.
- Weighted Average Life of the Tax Exempt BPIP was 1.16 years. The Weighted Average duration was 1.12 years.
- Unrealized gains in the Tax-Exempt BPIP portfolio were -\$1,092,880 on July 31.
- Monthly net earnings on the portfolio for July were \$354,923.
- Net earnings for FY18 were \$354,923.
- The duration of the Tax-Exempt BPIP at the end of July was 1.12 years vs. the benchmark at 1.44 years.
- The purchase yield was 1.02% at the end of July vs. 0.99% reported for the previous month.
- The Tax-Exempt BPIP returned 0.15% for the month of July and 0.27% for the three months ended July 31, 2017, vs. index returns of 0.18% and 0.25% respectively. For the trailing 12 months the pool returned 0.52% vs. 0.31% for the benchmark.

- The option-adjusted duration of the Tax-Exempt BPIP portfolio is currently 1.32 years vs. 1.38 years for the benchmark.

Member Pike asked how the Tax-Exempt BPIP fared during the May-July period (\$433 million > \$556 million > \$416 million). Mr. Garduño said STO did two term repos. Mr. Landrum said generally speaking, we had no problems; it was a movement between funds.

There were small total draw requests for the month of August.

### **13. Portfolio Summary—Taxable Bond Proceeds Investment Pool**

Mr. Landrum presented highlights of the Taxable Bond Proceeds Investment Pool Portfolio Summary:

#### **June**

- The Taxable BPIP closed the month of June at \$570.5 million vs. \$427.5 million in May.
- The Pool received \$22.9 million in draw requests for capital spending during the month and paid out \$20.8 million for capital projects.
- Weighted Average Life of the Taxable BPIP was 0.90 years. The Weighted Average duration was 0.86 years.
- The unrealized gains in the Taxable BPIP were -\$936,633 as of June 30.
- Monthly net earnings on the portfolio for June were \$377,876.
- FY17 net earnings were approximately \$5,216,159.
- The duration of the Taxable BPIP at the end of June was 0.86 years vs. the benchmark at 1.37 years.
- The pool purchased \$9.3 million in corporate securities, \$16.5 million in US agency securities, and \$1.1 million in a local CD. During the month the pool also sold \$4.2 million in municipal variable demand rate notes at par.
- Purchase yield at the end of June was 1.12% relative to 1.08% at the end of the prior month.
- The Taxable BPIP returned 0.02% for the month of June and 0.23% for the three months ended June 30, 2017, vs. index returns of -0.03% and 0.18% respectively. For the trailing 12 months the Pool returned 0.34% vs. 0.10% for the benchmark.
- The option-adjusted duration of the portfolio was 1.19 years vs. 1.36 years for the benchmark as of July 31.
- The Taxable BPIP has maintained duration shorter than the benchmark to provide adequate liquidity for project withdrawals while minimizing overnight cash positions.

#### **July**

- The Taxable BPIP closed the month of July at \$403.3 million vs. \$570.5 million in June (due to the super sponge going through).

- The Pool received \$44 million in draw requests for capital spending during the month and paid out \$25.9 million for capital projects.
- 100% of the Taxable BPIP portfolio was invested in fixed-income securities: 13% in US treasuries, 66% in US agency securities, 5% in commercial paper and corporate securities, 2% in NM municipal securities, and the balance (approximately 14%) was held in cash equivalents and collateralized NM bank CDs.
- 49% of the portfolio was invested in securities that mature in one year, 25% in securities that mature from 1-2 years, 26% in securities that mature from 2-4 years, and 0% in securities out to 5 years.
- Weighted Average Life of the Taxable BPIP was 1.30 years. The Weighted Average duration was 1.19 years.
- The unrealized gains in the Taxable BPIP were -\$686,496 as of July 31.
- Monthly net earnings on the portfolio for July were \$415,481.
- FY18 net earnings were approximately \$415,481.
- The duration of the Taxable BPIP at the end of June was 1.19 years vs. the benchmark at 1.44 years.
- The pool purchased \$4 million in 1- and 2-year local CDs. During the month the pool also sold \$30 million in short US treasury securities. All sales were executed at gains.
- Purchase yield at the end of July was 1.1% relative to 1.12% at the end of the prior month.
- The Taxable BPIP returned 0.16% for the month of July and 0.28% for the three months ended July 31, 2017, vs. index returns of 0.18% and 0.25% respectively. For the trailing 12 months the Pool returned 0.50% vs. 0.31% for the benchmark.
- The option-adjusted duration of the portfolio was 1.12 years vs. 1.38 years for the benchmark as of July 31.
- Capital project withdrawal requests have totaled \$5.3 million for August (pretty low).
- The Taxable BPIP has maintained duration shorter than the benchmark to provide adequate liquidity for project withdrawals while minimizing overnight cash positions.

#### **14. Portfolio Summary—Severance Tax Bonding Fund**

Ms. Hanges presented highlights of the Severance Tax Bonding Fund Portfolio Summary:

##### **June**

- The STB Fund closed June at \$17 million.
- Net earnings were \$212,087 for June.
- The STB Fund received \$30 million in June.

##### **July**

- The STB Fund closed July at \$47 million.
- Net earnings were \$26,230 for July.
- The STB Fund received \$30 million in July and \$31 million in August.



Member Kleats gave the Portfolio Managers kudos for the way they are managing this portfolio.

### **15. Broker-Dealer Activities**

Ms. Cook presented the Broker-Dealer Activities:

- There are no changes to report.

### **16. Credit Investing**

Ms. Hanges presented highlights of Credit Investing:

- A full list of corporate and money market issuers is included in the binder (eight corporate bond issuers and four commercial paper issuers are active). No changes.
- The STIC binder included a table of portfolio credit exposure (a total of: 4.22% across all STO portfolios in **June** and 4.94% across all STO portfolios in **July**).

### **17. Investment Policy**

Ms. Hanges presented an overview of the Investment Policy:

- The STIC binder contained a marked-up copy and a clean copy (all changes accepted for readability) of the Investment Policy and the LGIP Investment Policy. There are many small changes, but few material changes (some to hew more closely to statute).
- Regarding Portfolio Duration: Ms. Hanges believes we need not address the benchmarks annually (only when adding asset classes). Member Pike concurred with Ms. Hanges regarding asset mix. Member Kleats said she favored reviewing the benchmarks annually (due to the possibility of asset allocation changes) and asked Ms. Hanges to check the SBOF rule and statute to ensure that there is no such requirement. Ms. Woodring suggested procedural process annually; but do we need it fully in policy? She recommended an all-treasury benchmark as the true measure of performance because the duration is the key. A secondary benchmark can be monitored vis a vis assets.
- Ms. Cook noted that STIC has discussed before how cumbersome the broker-dealer selection process is. The policy does not require an annual process (although that has been the practice). Ms. Cook suggested leaving the policy as it is, then working out a reasonable solution (probably not a complete application process annually).
- Ms. Cook noted that when the last Investment Policy was approved, all who touched a transaction were in one division. STO is organized differently now, so the committee has changed some of the language. Hannah Chavez's group is considered to be part of Cash Management, for example. Member Kleats asked if we need a clear separation of power. Ms. Cook thinks STO has that handled; investment compliance is not part of investments, for example. Ms. Hanges gave a few examples of the separation.

There was a discussion about a policy vs. a procedural document, and how much detail to include or exclude. A prior version of the investment policy was very procedural, but more recently it was edited to be less granular and more an oversight document.

There was a discussion of whether the State Cash Manager, the CIO, or the Deputy Treasurer should approve the broker-dealer list. Ms. Cook said that the RFP process is more an operational duty; and the Treasurer, the Deputy Treasurer, and the State Cash Manager are involved in the selection and approval process. There was a discussion about prior troubles when STO officials were too cozy with some broker-dealers, and the importance of checks and balances. Ms. Hanges noted that STO needs to review the policies more often, especially if there is a change in administration. Ms. Cook noted that compliance is part of Cash Management, and part of compliance may be managing the broker-dealer list. Member Kleats reminded everyone to check the statutes and possibly remove the amendment dates (just refer to the statute). There was a discussion regarding primary and secondary issuers; commercial paper; rating agencies and criteria; accessibility of investment procedures to the public and robust storage of policies and procedures; etc.

Treasurer Eichenberg asked if the drafts were sent to clients; no, they were not.

Treasurer Eichenberg asked the committee members to send their review comments to Ms. Hanges, but not to discuss the changes with each other to prevent a rolling quorum. Ms. Hanges will distribute the review copies to staff. We hope to vote on the policies in the November STIC meeting. Treasurer Eichenberg asked Member Kleats if STO could send the policies to John Kormanik for review, given his previous position.

## **18. State Agency Deposit Balances**

Mr. Garduño presented highlights of the State Agency Deposit Balances:

### **June**

- No financial institutions exceeded the statutory limitations on equity capital and deposit ratios for the month of June.
- State Funds: 156 accounts totaling \$239,667,454.
- Non-State Funds: 156 accounts totaling \$45,843,693.
- Total: \$285,511,147 in 312 accounts.
- 6 depository accounts were opened in June (5 for the 13<sup>th</sup> District Court and 1 for the Educational Retirement Board) and 2 were closed (1 for the 13<sup>th</sup> District Court and 1 for the Human Services Department).

### **July**

- No financial institutions exceeded the statutory limitations on equity capital and deposit ratios for the month of July.
- State Funds: 156 accounts totaling \$218,138,240.
- Non-State Funds: 156 accounts totaling \$95,067,805.
- Total: \$313,206,045 in 312 accounts.

- LGIP's deposits increased by \$50 million between June and July. Wells Fargo pledged the collateral at that time.
- No accounts were closed nor opened in July.

### **19. Collateral Report on Agency Deposits & CDs**

Mr. Garduño presented highlights of the Collateral Report on Agency Deposits and CDs:

#### **June**

- One depository institution holding public funds for the month ending June 30, 2017, was deficient in its collateral levels by \$12,139. Once notified, Century Bank pledged additional collateral. All other institutions met minimum requirements.
- Certificates of Deposit: \$21 million; agency accounts, \$272.1 million; LGIP account, \$13.4 million; and fiscal agent, \$35.5 million, for a total of \$342 million.
- LGIP deposits were 834% collateralized.

#### **July**

- All depository institutions holding public funds for the month ending July 31, 2017, met the minimum collateral requirements.
- Certificates of Deposit: \$21 million; agency accounts, \$250.7 million; LGIP account, \$62.5 million; and fiscal agent, \$34.7 million, for a total of \$368.8 million.
- LGIP deposits were 92.7% collateralized.

### **20. Next Meeting—Wednesday, October 11, 2017, 9:00 a.m.**

### **21. Adjournment**

Meeting adjourned at 11:29 a.m.

*Minutes were taken by Ms. Julie Filatoff*



### 3. Public Comments



## 4. Executive Summary

## Executive Summary

- At the end of August, the State Treasurer managed \$3.7 billion in assets.
- During the month, the office earned approximately \$3.4 million on its investment positions.
- On a mark-to-market basis the portfolios increased \$1.9 million.
- US equity markets were slightly higher, with the S&P 500 Index up 0.05%.
- US Treasury yields were lower across all maturities with the curve continuing to flatten, as the yield decline in longer dated securities was greater in magnitude than shorter maturities.
- Oil prices fell by 6% during the month of August, closing at \$47.23/barrel.
- The US dollar was weaker vs. the euro at the end of August, down 0.5%, to 1.1910.

**Table 1 - Comparative Interest Rates**

### *US Treasury Yields*

			<i>Monthly</i>
<i>Maturity</i>	<i>7/31/2017</i>	<i>8/31/2017</i>	<i>Change</i>
3-Month	1.07%	0.99%	-0.08%
6-Month	1.13%	1.07%	-0.06%
1-Year	1.21%	1.21%	0.00%
2-Year	1.35%	1.33%	-0.02%
3-Year	1.51%	1.43%	-0.08%
5-Year	1.84%	1.70%	-0.13%
10-Year	2.29%	2.12%	-0.18%
30-Year	2.90%	2.73%	-0.17%

*Source: Bloomberg LP*

*Portfolio Mark-to-Market and Monthly Change*

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With lower market yields, the STO portfolios had positive results on a mark-to-market basis for the month of August.

**Table 2 - Unrealized Gains and Losses**

<u>Fund</u>	<u>Unrealized Gain/Loss<sup>1</sup></u>	<u>Monthly Change in Unrealized Gain/Loss<sup>2</sup></u>
<i>General Funds</i>	\$1.7 million	Increased \$1.2 million
<i>Bond Proceeds Funds</i>	\$(1.1) million	Increased \$0.7 million
<i>Local Government Investment Pool</i>	Not Material	Not Material
<i>Severance Tax Bonding Fund</i>	Not Material	Not Material

Source: QED

*Portfolio Purchase Yields and Durations*

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

**Table 3 - Portfolio Purchase Yields and Durations**

<u>Fund</u>	<u>Purchase Yield<sup>4</sup></u>	<u>Effective Duration<sup>3</sup></u>		
		<u>Portfolio</u>	<u>Benchmark</u>	<u>Percentage</u>
<i>General Fund Liquidity</i>	1.01%	0.01 Years		
<i>General Fund CORE</i>	1.55%	2.01 Years	2.14 Years	94%
<i>Bond Proceeds – Tax Exempt</i>	1.19%	1.27 Years	1.36 Years	93%
<i>Bond Proceeds – Taxable</i>	1.15%	1.12 Years	1.36 Years	82%
<i>Local Government Investment Pool</i>	1.00%	0.14 Years		

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<sup>1</sup> Calculated Unrealized Gains or Losses represent the “market value” of the portfolios as compared to their “net book value” as of the effective date of calculation. Net book value = original book value less amortization/plus accretion of premium/discount. As such, they approximate the values which could be realized/lost if the positions were to be liquidated at market prices 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.

<sup>2</sup> Unaudited. Change in Unrealized Gain/Loss from previous month. Mark-to-market values are calculated using the QED system and weekly securities pricing from IDC. Securities, such as Certificates of Deposits, for which there is no quoted market price, are carried at cost basis (amortized through the holding date).

<sup>3</sup> Effective Duration. Portfolio durations are calculated as of a moment in time, specifically at month end. Source: JP Morgan.

<sup>4</sup> Portfolio Purchase Yields are calculated at a moment in time, specifically at month end, reflecting the weighted average yield of all portfolio holdings at purchase.

## Benchmark Performance Comparisons

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

**Table 4 - Relative Performance of STO Funds**

<i>Fund</i>	<i>Performance<sup>5</sup></i>	
	<i>3 Months</i>	<i>12 Months</i>
<b>General Fund Liquidity</b>	0.22%	0.53%
S&P Government Pools Index (Gross)	<u>0.24%</u>	<u>0.67%</u>
Relative Performance (BPs)	(0.02)%	(0.14)%
<b>General Fund CORE</b>	0.44%	0.52%
BAML 0-5 US Treasury	<u>0.44%</u>	<u>0.49%</u>
Relative Performance (BPs)	0.00%	0.03%
<b>Bond Proceeds - Tax Exempt</b>	0.36%	0.74%
BAML 0-3 US Treasury	<u>0.31%</u>	<u>0.57%</u>
Relative Performance (BPs)	0.05%	0.17%
<b>Bond Proceeds - Taxable</b>	0.33%	0.70%
BAML 0-3 US Treasury	<u>0.31%</u>	<u>0.57%</u>
Relative Performance (BPs)	0.02%	0.13%
<b>Local Government Investment Pool</b>	0.26%	0.65%
S&P Government Pools Index (Gross)	<u>0.24%</u>	<u>0.67%</u>
Relative Performance (BPs)	0.02%	(0.02)%
<b>Severance Tax Bonding Fund</b>	0.37%	0.78%
S&P Government Pools Index (Gross)	<u>0.24%</u>	<u>0.67%</u>
Relative Performance (BPs)	0.13%	0.11%

Source: JPMorgan, STO Calculations

In our management of the STO funds, we try and exceed benchmarks on a 3-month and 12-month basis. Monthly market swings will affect our performance more dramatically on a short-term basis than on a longer investment horizon. We feel that longer horizons keep our focus on the investment goal which is to meet or exceed our benchmark levels.

<sup>5</sup> Relative performance is periodic total return compared to the return of the portfolio benchmarks.



## Earnings

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Investment net earnings for August are summarized in the table below.

**Table 5 - Investment Earnings – Periods ended August, 2017**

<i>Fund</i>	<i>Investment Net Earnings<sup>6</sup></i>		
	<i>Aug FY'18</i>	<i>FY'18 YTD</i>	<i>FY'17 YTD</i>
<i>General Funds</i>	\$1,693,890	\$3,216,626	\$2,400,510
<i>Bond Proceeds Funds</i>	\$941,633	\$1,712,038	\$1,785,934
<i>Local Government Investment Pool<sup>7</sup></i>	\$725,525	\$1,439,470	\$528,094
<i>Severance Tax Bonding Fund</i>	\$52,689	\$78,919	\$19,910

Source: QED

- The General Funds investment earnings increased by \$800,000 in FY2018 vs. the same period in FY2017 as a result of higher short term interest rates and larger balances. The GF Core is a smaller percentage of the total Pool, falling to 46% from 60%.
- Bond Proceeds funds have decreased investment earnings by less than \$100,000 as a result of lower balances.
- The LGIP increased investment earnings by more than \$900,000 vs. the same period in FY2017 as a result of higher interest rates and larger balances.
- The Severance Tax Bonding Fund increased earnings as a result of higher balances.

## Compensating Balances at Fiscal Agent Bank

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During August, STO maintained Average Daily Collected Balances at the Fiscal Agent Bank of approximately \$29 million. This balance earned a credit against processing fees assessed by the bank.

**Table 6 - Compensating Balances at Fiscal Agent Bank**

<i>Average Collected Balance</i>	\$34,168,724
<i>Earnings Credit Rate</i>	1.08%
<i>Monthly Earnings</i>	\$31,341
<i>Estimated Fiscal YTD Earnings</i>	\$62,546

Source: Wells, Fargo & Co.

<sup>6</sup> 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. Investment Net Earnings = Accrued income + realized gains and losses net of amortization/accretion for premiums/discounts.

<sup>7</sup> Gross Earnings, Participant Earnings reflect 0.05% reduction for management fees.

## *Monthly Investment Outlook*

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The fixed income markets had another positive month, continuing to confound investors. Several factors were at work during August as hurricanes whipped up interest in the safe haven of US Treasuries along with missile launchings heading toward Japan by North Korea. The debt ceiling was increased to December 8, 2017, kicking that can down the road a piece. The expectations for no Fed activity at the September meeting helped create a bullish atmosphere.

At the mid September meeting, the Fed did make the anticipated announcement that they would not reinvest \$10 billion of US Treasury and mortgage security cash flows. This process of unwinding the quantitative easing that ballooned the Fed's balance sheet, will begin in October. The dot-plot that depicts the Fed members' forecasts for the Federal Funds rate showed a December rate hike still viable, while 2018 was expected to bring three more, and capping 2019 at 2.7% vs. the 2.9% expected in June. The dot-plots, however, have been less than stellar in predicting Fed action.

Since the September Fed meeting interest rates have increased with investors adjusting to more hawkish rhetoric. With a back up in yields, the curve has been steepening, as short maturities have outperformed longer ones. Equity markets continued to reach record highs, putting even more pressure on bond yields. We have been lengthening the durations of the portfolios closer to 90% of their benchmarks as cash flows have stabilized and the slow, methodical movement of rate hikes will probably continue. As always the investment philosophy employed is to maintain safety, liquidity and yield, in that order.

*Vikki Hanges*  
*Portfolio Manager*

**New Mexico State Treasurer**  
Monthly Fund Summary Report  
(Unaudited)  
As of August 31, 2017

General Fund	Holdings			Performance				Monthly Earnings			YTD Earnings		
	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Earnings	Change in Gain/Loss	Total	Earnings	Change in Gain/Loss	Total
Sub-Account													
Cash Balances	\$ 28,674,367	\$ 28,674,367	\$ -										
Liquidity	944,981,427	944,981,597	170	0.53%	S&P LGIP Gross	0.67%	-0.14%	\$ 653,378	\$ (2,234)	\$ 651,144	\$ 1,286,549	\$ (4,430)	\$ 1,282,119
CORE	822,887,094	824,622,005	1,734,911	0.52%	ML Treasury 0-5	0.49%	0.03%	1,040,512	1,175,556	2,216,068	1,930,077	1,808,839	3,738,916
TRAN	-	-	-	0.00%	All-In Tran TIC	0.00%	0.00%	-	-	-	-	-	-
Totals	\$ 1,796,542,888	\$ 1,798,277,969	\$ 1,735,081	0.53%	Blended	0.59%	-0.06%	\$ 1,693,890	\$ 1,173,322	\$ 2,867,212	\$ 3,216,626	\$ 1,804,409	\$ 5,021,035

**Bond Proceeds Investment Pool (BPIP)**

Sub-Account	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Earnings	Change in Gain/Loss	Total	Earnings	Change in Gain/Loss	Total
	Tax-Exempt	\$ 632,225,485	\$ 631,575,776	\$ (649,709)	0.74%	ML Treasury 0-3	0.57%	0.17%	\$ 591,080	\$ 443,171	\$ 1,034,251	\$ 946,004	\$ 739,484
Taxable	363,434,706	362,962,965	(471,741)	0.70%	ML Treasury 0-3	0.57%	0.13%	350,553	214,755	565,308	\$ 766,034	464,892	1,230,926
Totals	\$ 995,660,191	\$ 994,538,741	\$ (1,121,450)	0.73%	Blended	0.57%	0.16%	\$ 941,633	\$ 657,926	\$ 1,599,559	\$ 1,712,038	\$ 1,204,376	\$ 2,916,414

**Local Government Investment Pool (LGIP)**

Sub-Account	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Earnings	Change in Gain/Loss	Total	Earnings	Change in Gain/Loss	Total
	LGIP (See Note 5)	\$ 827,108,409	\$ 827,077,079	\$ (31,330)	0.65%	S&P LGIP Gross	0.67%	-0.02%	\$ 725,525	\$ 75,436	\$ 800,961	\$ 1,439,470	\$ 157,120

**Severance Tax Bonding Fund**

Sub-Account	Cost Basis	Market Value	Unrealized Gain/Loss	12-Month Total Return	Benchmark	Index Return	Relative Performance	Earnings	Change in Gain/Loss	Total	Earnings	Change in Gain/Loss	Total
	STBF	\$ 79,847,586	\$ 79,845,861	\$ (1,725)	0.78%	S&P LGIP Gross	0.67%	0.11%	\$ 52,689	\$ 619	\$ 53,308	\$ 78,919	\$ 992
Estimated Totals (all funds)		\$ 3,699,739,650	\$ 580,576					3,413,737	\$ 1,907,303	\$ 5,321,040	\$ 6,447,052	\$ 3,166,897	\$ 9,613,949

Notes:

- (1) These figures are generated using a combination of accrued earnings, realized gains and losses and unrealized gains and losses. They are unaudited and may be subject to revision.
- (2) Account balances fluctuate during the month, holdings are calculated as of month-end. Performance includes adjustments for fund flows during the month.
- (3) Holdings are reported on a "Trade Basis".
- (4) Cash Balances are month-end cash balances at Fiscal Agent Bank (Wells Fargo).
- (5) LGIP Conforms to GASB 31, as such accounting and earnings are reported to participants on an amortized basis.
- (6) Source: STO Records, Fiscal Agent Bank Statements, QED Financial Systems, JPMorgan Custody Reporting.



## 5. Investment Policy Compliance Report

KEY		
FUND	1000	GENERAL FUND LIQUIDITY
FUND	1001	GENERAL FUND CORE
FUND	1101	OVERNIGHT REPO
FUND	4000	BPIP TAX EXEMPT
FUND	4001	SEVERANCE TAX BONDING FUND
FUND	4002	BPIP TAXABLE
FUND	4101	LGIP

## Investment Compliance Review

### **Primary and Secondary Bond Purchases/ Sales**

During the month of August

**Table 1 - Primary/Secondary Market Volume - August 2017**

Primary Bond Volume	\$248,400,000	23%
Secondary Bond Volume	<u>\$534,681,000</u>	<u>77%</u>
Total	\$783,081,000	100%

Source: QED

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

### **Commissions Paid**

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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**

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At the end of August, total holdings of Variable Rate Notes were \$216,480,000.

**Table 2 - Variable Rate Note Holdings - August, 2017**

General Fund	\$0
Tax Exempt BPIP	\$0
Taxable BPIP	\$23,000,000
LGIP	\$193,480,000
STBF	\$0
Total Holdings	\$216,480,000

Source: QED

These positions are held in corporate and agency variable rate securities.

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

### **Transaction Variances and Inter-Portfolio Transactions**

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During August, there were no transaction variances which posed any potential compliance issues. All trade information was entered correctly in our internal systems and in the systems used by our custody bank and were promptly reconciled by the Investment Transactions Bureau.

There were no price discrepancies reported and no balances left at the Custodial Bank.

There were 0 inter-portfolio trades during the month.

### **Unrealized Gains and Losses**

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The STO Investment Policy requires security-by-security reporting of all investment mark-to-market gains and losses calculated versus book values during the period.

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

In the listing of the specific portfolio holdings, a position level mark-to market calculation is included.

### ***Realized Gains and Losses***

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Realized gains/losses are a result of a difference between amortized cost and the sale proceeds for each position at the time of sale. This amount is booked against investment earnings in the respective accounting period. There was 1 sale which resulted in realized gains/losses.

**Table 1 - Realized Gains and Losses on Securities Sold – August 2017**

<b>Trade Date</b>	<b>Account</b>	<b>Par Amount</b>	<b>Security</b>	<b>Realized G/L</b>
8/7/2017	LGIP	3,000,000	FHLB .750 8/28/17	131.40
<b>Total Realized gain (loss)</b>				<b>131.40</b>

### ***Trade Documentation***

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#### ***Purchase/Sales Activity<sup>1</sup>***

There were a total of 66 security trades tracked during the month of August by the Trade Compliance Officer.

**Table 2 – Securities Trades – August 2017**

	<b>Quantity</b>	<b>Par-Value</b>	<b>Cost/Proceeds</b>	<b>Realized Gain/Loss</b>
Purchases	65	780,081,000	778,257,501	0
Sales	1	3,000,000	2,999,505	131
<b>Totals:</b>	<b>66</b>	<b>783,081,000</b>	<b>781,257,006</b>	<b>131</b>

### ***Trade documentation and Investment Processing Compliance***

All trades have been accounted for and written documentation has been reviewed for complete compliance with internal procedures and policies.

During the month of August, there were no noted violations or breaches.

All investment activity is in compliance with applicable investment statutes and the STO Investment Policy.

<sup>1</sup> Excludes daily repurchase agreement transactions.

**STATE OF NEW MEXICO**  
**Summary of Fixed-Income Purchases and Sales**  
**TRADES During The Period 8/01/17 Through 8/31/17**

TXN-DATE	CUSIP#	ASSET-TYPE	INVST#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
<b>PURCHASE TRANSACTIONS</b>													
8/02/17	7426M2ZN	COMMERCIAL PAPE	28429	PEFCO		12/22/17	1.2674	WILLIAMS CAPITA	4001	1,600,000.00	1,592,041.33		
8/07/17	89233GWS	COMMERCIAL PAPE	28461	TOYOTA MOTOR CREDIT		9/26/17	1.1719	ISSUER DIRECT	4000	15,000,000.00	14,976,112.50		
8/08/17	36960LW8	COMMERCIAL PAPE	28471	GECO - CP		9/08/17	1.1210	ISSUER DIRECT	1000	25,000,000.00	24,976,666.67		
8/11/17	89233GWD	COMMERCIAL PAPE	28504	TOYOTA MOTOR CREDIT COR		9/13/17	1.1411	ISSUER DIRECT	1000	25,000,000.00	24,976,250.00		
8/11/17	89233HB9	COMMERCIAL PAPE	28505	TOYOTA MOTOR CREDIT COR		2/09/18	1.3794	ISSUER DIRECT	1001	20,000,000.00	19,863,761.11		
8/16/17	36164KBD	COMMERCIAL PAPE	28530	GE CAPITAL US HOLDING I		2/13/18	1.3389	SYSTEM - UNIDEN	1001	20,000,000.00	19,867,000.00		
8/17/17	7426M3B8	COMMERCIAL PAPE	28538	PEFCO - CP		2/08/18	1.3285	WILLIAMS CAPITA	4000	15,000,000.00	14,904,300.00		
8/23/17	36164JZS	COMMERCIAL PAPE	28573	GE CAPITAL TREASURY LLC		12/26/17	1.2655	ISSUER DIRECT	4001	1,200,000.00	1,194,792.00		
8/25/17	7426M2ZT	COMMERCIAL PAPE	28588	PEFCO - CP		12/27/17	1.2250	WILLIAMS CAPITA	4001	1,200,000.00	1,195,079.33		
8/25/17	9033A0YQ	COMMERCIAL PAPE	28592	US BANK NAT'L ASSOC		11/24/17	1.1734	ISSUER DIRECT	1000	700,000.00	697,998.00		
8/25/17	9033A0YQ	COMMERCIAL PAPE	28590	US BANK NAT'L ASSOC		11/24/17	1.1734	ISSUER DIRECT	4001	3,000,000.00	2,991,420.00		
8/28/17	89233GZN	COMMERCIAL PAPE	28603	TOYCC CP		12/22/17	1.2550	ISSUER DIRECT	4001	1,200,000.00	1,195,208.33		
8/01/17	912796KR	U.S. TREASURY B	28408	UNITED STATES TREASURY		10/12/17	1.1094	MIZUHO SECURITI	4101	20,000,000.00	19,956,335.00		
8/09/17	912796LW	U.S. TREASURY B	28473	UNITED STATES TREASURY		10/05/17	1.0678	GUGGENHEIM SECU	4101	25,000,000.00	24,957,804.17		
8/16/17	912796LW	U.S. TREASURY B	28473	UNITED STATES TREASURY		10/05/17	1.0671	RBS	4101	5,000,000.00	4,992,600.69		
8/01/17	9128282K	US TREASURY NOT	28410	UNITED STATES TREASURY	1.375	7/31/19	1.3451	HSSBC	4000	20,000,000.00	20,011,718.75		
8/01/17	912828C2	US TREASURY NOT	28415	UNITED STATES TREASURY	1.500	2/28/19	1.3090	TD SECURITIES	4000	15,000,000.00	15,044,531.25		
8/01/17	912828L3	US TREASURY NOT	28411	UNITED STATES TREASURY	1.375	8/31/20	1.5182	BARCLAYS	4000	10,000,000.00	9,957,031.25		
8/01/17	912828N4	US TREASURY NOT	28413	UNITED STATES TREASURY	1.750	12/31/20	1.5850	BARCLAYS	4000	10,000,000.00	10,054,687.50		
8/01/17	912828Q3	US TREASURY NOT	28414	UNITED STATES TREASURY	1.250	3/31/21	1.6271	MORGAN STANLEY	4000	10,000,000.00	9,866,406.25		
8/01/17	912828ST	US TREASURY NOT	28412	UNITED STATES TREASURY	1.250	4/30/19	1.3319	TD SECURITIES	4000	20,000,000.00	19,971,875.00		
8/02/17	912828T3	US TREASURY NOT	28427	UNITED STATES TREASURY	1.125	9/30/21	1.7245	DEUTSCHE BANK S	1001	10,000,000.00	9,760,156.25		
8/03/17	912828U8	US TREASURY NOT	28439	UNITED STATES TREASURY	2.000	12/31/21	1.7304	MORGAN STANLEY	1001	10,000,000.00	10,114,062.50		
8/04/17	912828Q3	US TREASURY NOT	28414	UNITED STATES TREASURY	1.250	3/31/21	1.6363	MORGAN STANLEY	4000	10,000,000.00	9,863,671.88		
8/04/17	912828RT	US TREASURY NOT	28451	UNITED STATES TREASURY	1.375	11/30/18	1.2999	JEFFRIES & CO	4000	20,000,000.00	20,019,531.25		
8/07/17	912828XU	US TREASURY NOT	28280	UNITED STATES TREASURY	1.500	6/15/20	1.4846	WELLS FARGO SEC	4000	20,000,000.00	20,008,593.75		
8/08/17	912828TM	US TREASURY NOT	27573	UNITED STATES TREASURY	.625	8/31/17	1.0222	CASTLEOAK SECUR	4101	5,000,000.00	4,998,859.20		
8/08/17	3134GBB9	AGENCY US FLOAT	28472	FEDERAL HOME LOAN MORTG	1.149	2/14/19	1.1489	CASTLEOAK SECUR	4101	15,000,000.00	15,000,000.00		
8/02/17	3130A6G6	AGENCY US BOND	28426	FEDERAL HOME LOAN BANKS	.840	9/08/17	1.0800	WELLS FARGO SEC	4101	9,000,000.00	8,997,870.24		
8/04/17	3130A6SW	AGENCY US BOND	27768	FEDERAL HOME LOAN BANKS	1.000	12/19/17	1.0964	WELLS FARGO SEC	4101	3,250,000.00	3,248,838.91		
8/04/17	3133XM08	AGENCY US BOND	28441	FEDERAL HOME LOAN BANKS	5.000	11/17/17	1.1016	WELLS FARGO SEC	4101	1,040,000.00	1,051,192.44		
8/28/17	3133XM08	AGENCY US BOND	28602	FEDERAL HOME LOAN BANKS	5.000	11/17/17	1.1164	DEUTSCHE BANK S	4001	1,360,000.00	1,371,369.60		
8/31/17	313371N2	AGENCY US BOND	28622	FEDERAL HOME LOAN BANKS	2.125	12/08/17	1.1250	BOSC, INC	4101	1,000,000.00	1,002,671.50		
8/01/17	880590KL	AGENCY US DISC	28409	TENNESSEE VALLEY AUTHOR		8/15/17	1.0024	TD SECURITIES	4101	43,300,000.00	43,284,332.62		
8/02/17	313589LP	AGENCY US DISC	28386	FEDERAL NATIONAL MORTGA		9/11/17	1.0060	DEUTSCHE BANK S	1000	15,317,000.00	15,300,324.38		
8/04/17	313385KC	AGENCY US DISC	28450	FEDERAL HOME LOAN BANKS		8/07/17	.9701	WILLIAMS CAPITA	4101	25,000,000.00	24,997,979.17		
8/07/17	313385KF	AGENCY US DISC	28452	FEDERAL HOME LOAN BANKS		8/10/17	.9801	WILLIAMS CAPITA	4101	25,000,000.00	24,997,958.33		
8/08/17	880590KT	AGENCY US DISC	28463	TENNESSEE VALLEY AUTHOR		8/22/17	.9974	TD SECURITIES	4101	50,000,000.00	49,980,613.89		

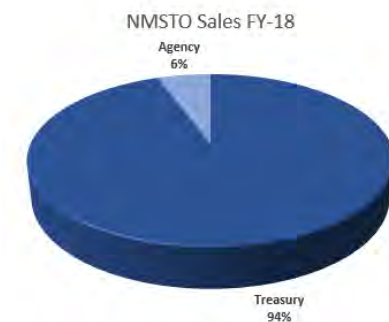
**STATE OF NEW MEXICO**  
**Summary of Fixed-Income Purchases and Sales**  
**TRADES During The Period 8/01/17 Through 8/31/17**

TXN-DATE	CUSIP#	ASSET-TYPE	INVST#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
8/09/17	313589NK	AGENCY US DISC	28474	FEDERAL NATIONAL MORTGA		10/25/17	1.0373	MIZUHO SECURITI	4101	6,600,000.00	6,585,389.25		
8/10/17	313385LJ	AGENCY US DISC	28485	FEDERAL HOME LOAN BANKS		9/06/17	1.0057	WELLS FARGO SEC	1000	28,000,000.00	27,979,676.67		
8/11/17	313313ZZ	AGENCY US DISC	28496	FEDERAL FARM CREDIT BAN		7/30/18	1.2553	MORGAN STANLEY	4101	6,000,000.00	5,927,046.67		
8/11/17	313385LL	AGENCY US DISC	28503	FEDERAL HOME LOAN BANKS		9/08/17	1.0057	BARCLAYS	1000	28,000,000.00	27,980,458.33		
8/11/17	313385ZV	AGENCY US DISC	28506	FEDERAL HOME LOAN BANKS	4.960	7/26/18	1.2550	JEFFRIES & CO	4101	10,000,000.00	9,880,822.22		
8/21/17	313589MV	AGENCY US DISC	28547	FEDERAL NATIONAL MORTGA		10/11/17	1.0014	DAIWA CAPITAL M	4101	7,286,000.00	7,275,678.17		
8/25/17	313385PU	AGENCY US DISC	28589	FEDERAL HOME LOAN BANKS		11/27/17	1.0427	JEFFRIES & CO	4001	3,100,000.00	3,091,850.44		
8/25/17	313385QT	AGENCY US DISC	28591	FEDERAL HOME LOAN BANKS		12/20/17	1.0434	WILLIAMS CAPITA	4001	10,000,000.00	9,967,066.67		
8/28/17	313397SP	AGENCY US DISC	28594	FEDERAL HOME LOAN MORTG		2/02/18	1.0750	RAMIREZ & CO, I	4101	20,000,000.00	19,906,077.78		
8/30/17	313385SC	AGENCY US DISC	28613	FEDERAL HOME LOAN BANKS		1/22/18	1.0847	RAMIREZ & CO, I	4101	20,000,000.00	19,913,000.00		
8/08/17	3137EAEH	AGENCY 30/360 2	28309	FHLMC	1.375	8/15/19	1.4356	KEYBANC CAPITAL	4000	20,000,000.00	19,976,000.00		
8/15/17	313586RC	AGENCY US BOND	23818	FEDERAL NATIONAL MORTGA		10/09/19	1.7673	MORGAN STANLEY	1001	10,000,000.00	9,634,400.00		
8/31/17	31358C7N	AGENCY US BOND	28631	FEDERAL NATIONAL MORTGA		11/15/17	1.0848	BB&T CAPITAL MA	4001	3,378,000.00	3,370,483.95		
8/04/17	3136G4AC	AGENCY US NOTES	28443	FEDERAL NATIONAL MORTGA	1.250	3/27/20	1.5601	BOSC, INC	4000	1,000,000.00	992,011.13		
8/07/17	3134G8VQ	AGENCY US NOTES	28462	FEDERAL HOME LOAN MORTG	.810	10/04/17	1.0903	BB&T CAPITAL MA	4101	12,610,000.00	12,604,451.60		
8/10/17	3136G3K4	AGENCY US NOTES	28492	FEDERAL NATIONAL MORTGA	1.260	8/02/19	3.0707	INTL FCSTONE PA	4000	10,525,000.00	10,482,163.25		11/02/17
8/17/17	3136G0T7	AGENCY US NOTES	28539	FEDERAL NATIONAL MORTGA	1.320	10/22/19	1.4234	BB&T CAPITAL MA	4000	2,000,000.00	1,995,580.00		
8/22/17	3132X0WS	AGENCY US NOTES	28564	FEDERAL AGRICULTURAL MT	1.900	9/01/22	1.9053	RAMIREZ & CO, I	1001	10,000,000.00	9,997,500.00		
8/22/17	3132X0WS	AGENCY US NOTES	28565	FEDERAL AGRICULTURAL MT	1.900	9/01/22	1.9053	RAMIREZ & CO, I	4000	5,000,000.00	4,998,750.00		
8/28/17	3134G9CG	AGENCY US NOTES	28604	FEDERAL HOME LOAN MORTG	.875	11/17/17	1.1350	BOSC, INC	4001	1,500,000.00	1,499,147.95		
8/28/17	3137EABA	AGENCY US NOTES	28601	FEDERAL HOME LOAN MORTG	5.125	11/17/17	1.0980	DEUTSCHE BANK S	4001	1,200,000.00	1,210,404.00		
8/31/17	3134G3M3	AGENCY US NOTES	28632	FEDERAL HOME LOAN MORTG	1.000	9/27/17	1.0509	BB&T CAPITAL MA	4101	1,000,000.00	999,960.00		
8/31/17	3134G8VP	AGENCY US NOTES	28633	FEDERAL HOME LOAN MORTG	.830	11/06/17	1.0878	BB&T CAPITAL MA	4101	23,195,000.00	23,184,771.01		
8/31/17	3135G0TG	AGENCY US NOTES	28623	FEDERAL NATIONAL MORTGA	.875	2/08/18	1.1250	BOSC, INC	4101	1,500,000.00	1,498,368.47		
8/02/17	3130AA5F	FED NATL MORTGA	28428	FEDERAL HOME LOAN BANKS	1.000	12/16/21	2.0413	RAMIREZ & CO, I	1001	6,750,000.00	6,741,562.50		9/16/17
8/09/17	3134GBWE	FED NATL MORTGA	28483	FEDERAL HOME LOAN MORTG	1.500	6/29/21	1.8229	ROBERT W BAIRD	1001	2,620,000.00	2,616,725.00		12/29/17
8/14/17	64711NA7	MUNI US 30/360	28508	NEW MEXICO FIN AUTH REV	5.000	6/15/20	1.8303	VINING SPARKS	1001	650,000.00	706,511.00		
<b>65 PURCHASES DURING PERIOD TOTAL.....</b>										<b>780,081,000.00</b>	<b>778,257,501.10</b>		
<b><u>SALE TRANSACTIONS</u></b>													
8/07/17	3130A62S	AGENCY US NOTES	28367	FEDERAL HOME LOAN BANKS	.750	8/28/17		JEFFRIES & CO	4101	3,000,000.00	2,999,505.00	131.40	
<b>1 SALES DURING PERIOD TOTAL.....</b>										<b>3,000,000.00</b>	<b>2,999,505.00</b>	<b>131.40</b>	
<b>=== GRAND-TOTAL ==&gt;</b>										<b>783,081,000.00</b>	<b>781,257,006.10</b>	<b>131.40</b>	

\*\*\* END-OF-REPORT \*\*\*

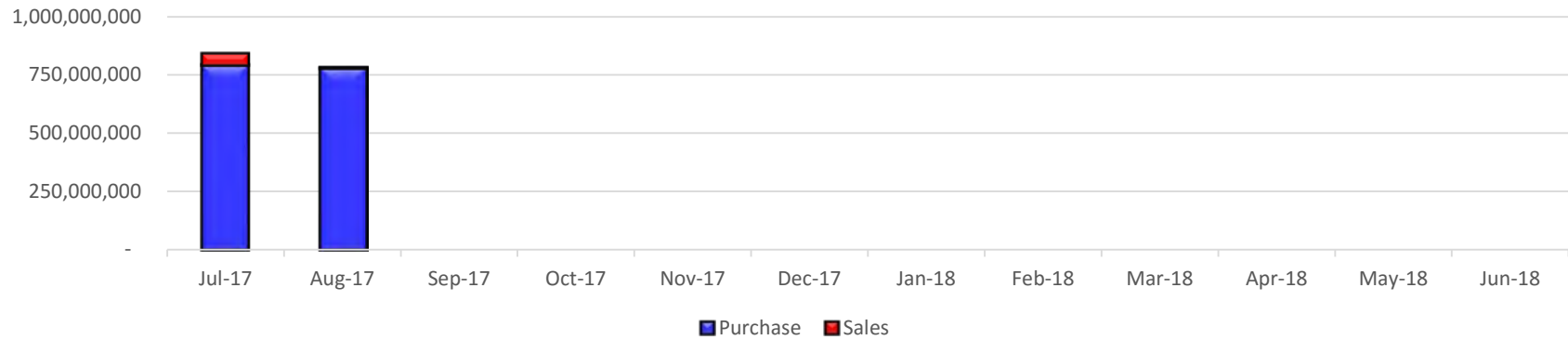


<b>NM STO Trade Activity FY 2018</b>			<b>Aug-17</b>	
<b>Purchase</b>	<b>Volume</b>	<b>Trades</b>	<b>Volume</b>	<b>Trades</b>
Treasury	383,000,000	24	210,000,000	15
Agency	899,019,000	61	420,636,000	34
Callable	34,895,000	4	19,895,000	3
CP	247,100,000	19	128,900,000	12
Corporate				
CD's	4,000,000	2		
Muni	4,650,000	2	650,000	1
<b>Total Purchase</b>	<b>1,572,664,000</b>	<b>112</b>	<b>780,081,000</b>	<b>65</b>
<b>Sale</b>	<b>Volume</b>	<b>Trades</b>	<b>Volume</b>	<b>Trades</b>
Treasury	50,000,000	3		
Agency	3,000,000	1	3,000,000	1
Callable				
CP				
Corporate				
Muni				
<b>Total Sale</b>	<b>53,000,000</b>	<b>4</b>	<b>3,000,000</b>	<b>1</b>
<b>Total Volume</b>	<b>1,625,664,000</b>	<b>116</b>	<b>783,081,000</b>	<b>66</b>
<b>LGIP Repo</b>			<b>LGIP Repo</b>	
Overnight	1,630,000,000	33	915,000,000	18
Term	985,000,000	17	440,000,000	9
	2,615,000,000	50	1,355,000,000	27



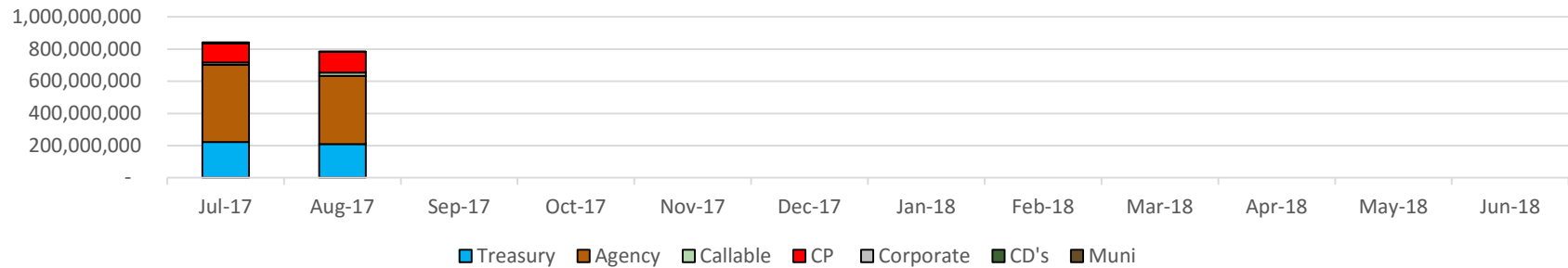
Purchase	GF LIQUIDITY (1000)		GF CORE (1001)		BPIP TE (4000)		BPIP TX (4002)		STB (4001)		LGIP (4101)	
	Volume	Trades	Volume	Trades	Volume	Trades	Volume	Trades	Volume	Trades	Volume	Trades
Treasury			20,000,000	2	135,000,000	9					55,000,000	4
Agency	71,317,000	3	20,000,000	2	28,000,000	4			20,538,000	6	280,781,000	19
Callable			9,370,000	2	10,525,000	1						
CP	50,700,000	3	40,000,000	2	30,000,000	2			8,200,000	5		
Corporate CD's												
Muni			650,000	1								
<b>Total Purchase</b>	<b>122,017,000</b>	<b>6</b>	<b>90,020,000</b>	<b>9</b>	<b>203,525,000</b>	<b>16</b>	<b>-</b>	<b>0</b>	<b>28,738,000</b>	<b>11</b>	<b>335,781,000</b>	<b>23</b>
<b>Sale</b>	<b>Volume</b>	<b>Trades</b>	<b>Volume</b>	<b>Trades</b>	<b>Volume</b>	<b>Trades</b>	<b>Volume</b>	<b>Trades</b>	<b>Volume</b>	<b>Trades</b>	<b>Volume</b>	<b>Trades</b>
Treasury												
Agency											3,000,000	1
Callable												
CP												
Corporate												
Muni												
<b>Total Sale</b>					<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>3,000,000</b>	<b>1</b>
<b>Total Volume</b>	<b>122,017,000</b>	<b>6</b>	<b>90,020,000</b>	<b>9</b>	<b>203,525,000</b>	<b>16</b>	<b>-</b>	<b>0</b>	<b>28,738,000</b>	<b>11</b>	<b>338,781,000</b>	<b>24</b>
LGIP												
Overnight											915,000,000	18
Term											440,000,000	9
											1,355,000,000	27

### Fiscal Year 18 Trade Volume by Month



	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
<b>Treasury</b>	223,000,000	210,000,000	-	-	-	-	-	-	-	-	-	-
<b>Agency</b>	478,383,000	423,636,000	-	-	-	-	-	-	-	-	-	-
<b>Callable</b>	15,000,000	19,895,000	-	-	-	-	-	-	-	-	-	-
<b>CP</b>	118,200,000	128,900,000	-	-	-	-	-	-	-	-	-	-
<b>Corporate</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>CD's</b>	4,000,000	-	-	-	-	-	-	-	-	-	-	-
<b>Muni</b>	4,000,000	650,000	-	-	-	-	-	-	-	-	-	-
	842,583,000	783,081,000	-	-	-	-	-	-	-	-	-	-

### Fiscal Year 18 Trade Asset Allocation by Month



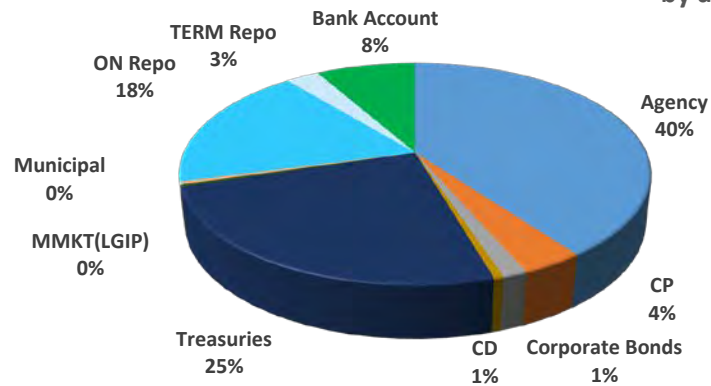
## NM State Treasurer Office Security Holding by Portfolio

August 31, 2017

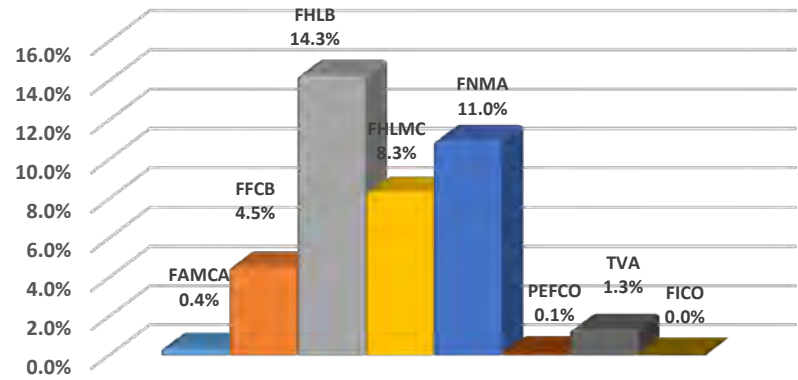
*Values are based on position holdings*

<b>Portfolio Balance</b>	<b>GF LIQ</b>	<b>GF CORE</b>	<b>BPIP TE</b>	<b>BPIP TX</b>	<b>STB</b>	<b>LGIP</b>	<b>STO Holdings</b>	
	<b>945,015,561</b>	<b>824,300,999</b>	<b>632,633,860</b>	<b>363,089,940</b>	<b>79,970,208</b>	<b>827,344,872</b>	<b>3,672,355,439</b>	
<b>Agency</b>	<b>84,105,000</b>	<b>293,974,000</b>	<b>294,930,000</b>	<b>252,995,000</b>	<b>17,160,000</b>	<b>522,849,000</b>	<b>1,466,013,000</b>	<b>39.9%</b>
FAMCA	-	13,000,000	-	-	-	-	13,000,000	0.4%
FFCB	-	8,000,000	20,000,000	15,500,000	-	123,385,000	166,885,000	4.5%
FHLB	56,000,000	61,250,000	91,085,000	110,000,000	14,460,000	191,485,000	524,280,000	14.3%
FHLMC	-	42,620,000	104,750,000	21,495,000	2,700,000	134,169,000	305,734,000	8.3%
FNMA	28,105,000	169,104,000	59,590,000	103,000,000	-	42,471,000	402,270,000	11.0%
PEFCO	-	-	5,000,000	-	-	-	5,000,000	0.1%
TVA	-	-	14,505,000	3,000,000	-	31,339,000	48,844,000	1.3%
FICO	-	-	-	1,000,000	-	-	1,000,000	0.0%
CP	50,700,000	40,000,000	30,000,000	-	11,400,000	-	132,100,000	3.6%
Corporate Bonds	-	17,500,000	14,500,000	19,773,000	-	-	51,773,000	1.4%
CD	-	7,500,000	1,500,000	11,700,000	-	-	20,700,000	0.6%
Treasuries	-	452,750,000	245,000,000	42,500,000	42,500,000	120,000,000	902,750,000	24.6%
Municipal	-	1,905,000	3,935,000	7,105,000	-	-	12,945,000	0.4%
MMKT(LGIP)	-	-	9,868,299	4,931,316	2,303	-	14,801,918	0.4%
ON Repo	518,474,327	10,671,999	32,900,561	23,085,624	8,844,217	75,000,000	668,976,728	18.2%
TERM Repo	-	-	-	-	-	100,000,000	100,000,000	2.7%
Bank Account	291,736,234	-	-	-	63,687	9,495,872	301,295,793	8.2%

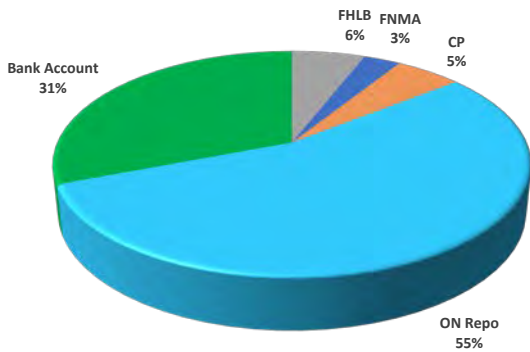
**STO Holdings  
by asset type**



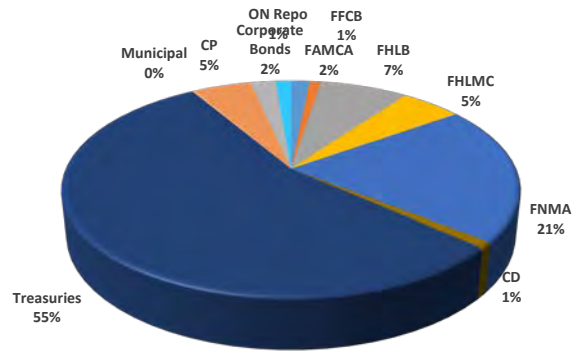
**STO US Agency Holdings**



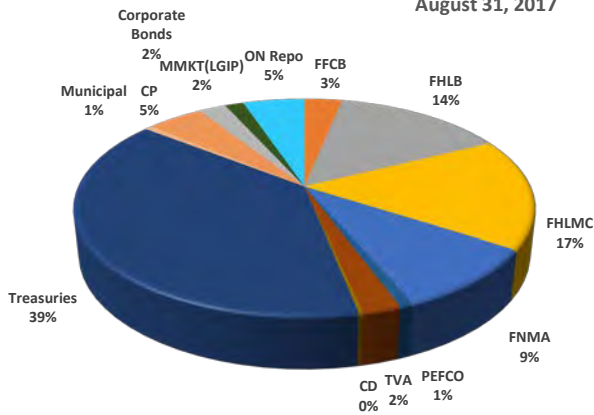
GF Liquidity Holdings  
August 31, 2017



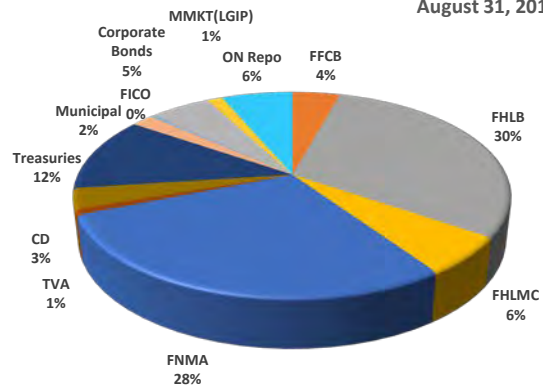
GF CORE Holdings  
August 31, 2017



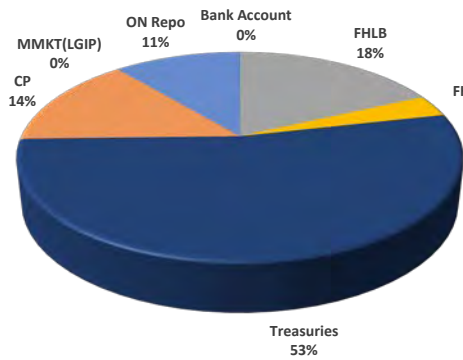
BPIP Tax-Exempt Holdings  
August 31, 2017



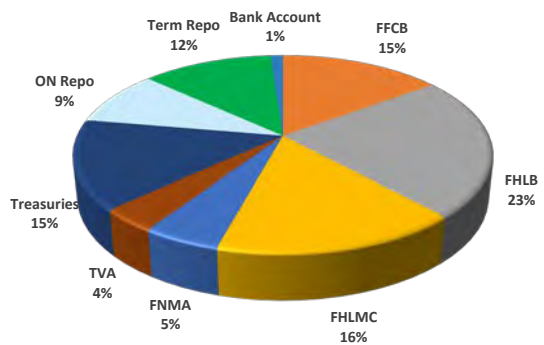
BPIP Taxable Holdings  
August 31, 2017



STB Holdings  
August 31, 2017



LGIP Holdings  
August 31, 2017





## 6. Investment Accounting Report

KEY		
FUND	1000	GENERAL FUND LIQUIDITY
FUND	1001	GENERAL FUND CORE
FUND	1101	OVERNIGHT REPO
FUND	4000	BPIP TAX EXEMPT
FUND	4001	SEVERANCE TAX BONDING FUND
FUND	4002	BPIP TAXABLE
FUND	4101	LGIP

# Interoffice Memorandum

**Date:** September 18, 2017  
**To:** Sam Collins, Deputy Treasurer  
**From:** David Mahooty, Investment Accounting & Debt Division Director  
**CC:** STO Investments Division; Leo Marquez II, STO Chief Financial Officer  
**Subject:** August 2017 Investment Reconciliation

The August 2017 investment reconciliation included the following to verify the completeness and accuracy of the JP Morgan reporting:

1. Net asset values of all investment accounts.
2. Change in transaction activity between July 31 and August 31.
3. Cash transaction activity proofs.
4. Earned income proofs.
5. Proof of change in cost.
6. Duplicate cash activity.
7. JP Morgan to QED inventory reconciliation.
8. JP Morgan to QED income reconciliation.

Below is the reconciliation for August 2017. The differences that exceed the BPS Dollar Threshold are explained below:

## Inventory Holdings

- P09334/1101: August Overnight Repo interest (\$41,280.75) for the investing agencies is not distributed until the 1st of the following month.
- P09333/4101: Securities totaling \$26,695,000 were purchased for the LGIP portfolio on 8/31 and was captured within QED the same day. Purchases did not post in JPM until the first week of the following month upon settlement.

JP Morgan to QED Inventory Reconciliations  
For Accounting Period Ended August 31, 2017

W/P Ref  
503

Market Value Reconciliation

JPM Account	Market Value	QED Fund #	Name	Market Value	Difference	BPS Dollar Threshold *
P 09336	944,980,666.77	1000	GF Liquidity	944,949,366.23	31,300.54	472,490.33
P 09337	834,649,729.29	1001	GF Core	834,594,720.30	55,008.99	417,324.86
P 09334	57,023,272.32	1101	ONREPO	57,064,553.07	(41,280.75)	28,511.64
P 89523	83,215,542.08	4001	STB	83,208,815.65	6,726.43	41,607.77
P 09335	636,588,970.87	4000	BPIP#1	636,555,122.13	33,848.74	318,294.49
P 09339	362,964,445.13	4002	BPIP#2	362,962,964.40	1,480.73	181,482.22
P 09333	827,145,812.25	4101	LGIP	853,836,502.12	(26,690,689.87)	413,572.91
<b>Total</b>	<b>3,746,568,438.71</b>			<b>3,773,172,043.90</b>	<b>(26,603,605.19)</b>	<b>1,873,284.22</b>

Cost Reconciliation

JPM Account	Cost	QED Fund #	Name	Cost	Difference	BPS Dollar Threshold *
P 09336	944,894,769.29	1000	GF Liquidity	944,894,717.29	52.00	472,447.38
P 09337	834,103,640.58	1001	GF Core	834,068,409.33	35,231.25	417,051.82
P 09334	57,023,272.32	1101	ONREPO	57,064,553.07	(41,280.75)	28,511.64
P 89523	83,136,314.70	4001	STB	83,136,314.40	0.30	41,568.16
P 09335	638,716,503.59	4000	BPIP#1	638,716,503.60	(0.01)	319,358.25
P 09339	364,230,577.64	4002	BPIP#2	364,230,577.11	0.53	182,115.29
P 09333	827,961,369.28	4101	LGIP	854,647,140.26	(26,685,770.98)	413,980.68
<b>Total</b>	<b>3,750,066,447.40</b>			<b>3,776,758,215.06</b>	<b>(26,691,767.66)</b>	<b>1,875,033.22</b>

Position Reconciliation

JPM Account	Position Size	QED Fund #	Name	Position Size	Difference	BPS Dollar Threshold *
P 09336	945,015,612.96	1000	GF Liquidity	945,015,560.96	52.00	472,507.81
P 09337	834,300,998.58	1001	GF Core	834,300,998.58	-	417,150.50
P 09334	57,023,272.32	1101	ONREPO	57,064,553.07	(41,280.75)	28,511.64
P 89523	83,348,207.90	4001	STB	83,348,207.60	0.30	41,674.10
P 09335	637,633,859.93	4000	BPIP#1	637,633,859.93	-	318,816.93
P 09339	363,089,940.56	4002	BPIP#2	363,089,940.06	0.50	181,544.97
P 09333	827,344,872.21	4101	LGIP	854,039,872.21	(26,695,000.00)	413,672.44
<b>Total</b>	<b>3,747,756,764.46</b>			<b>3,774,492,992.41</b>	<b>(26,736,227.95)</b>	<b>1,873,878.38</b>

\*Basis Point (BPS) Dollar Threshold

JPM Market Value x 5 BPS

JPM Cost x 5 BPS

JPM Position Size x 5 BPS

0.0005



JP Morgan to QED Income Reconciliation  
For Accounting Period Ended August 31, 2017

W/P Ref  
504

JPM Account	Earned Interest	QED Fund #	Name	Earned Interest	Difference	BPS Dollar Threshold *
P 09336	477,372.16	1000	GF Liquidity	458,606.58	18,765.58	47,249.03
P 09337	961,538.15	1001	GF Core	974,029.58	(12,491.43)	41,732.49
P 09334	44,399.65	1101	ONREPO	44,399.68	(0.03)	2,851.16
P 89523	6,746.34	4001	STB	6,643.67	102.67	4,160.78
P 09335	653,215.11	4000	BPIP#1	644,361.11	8,854.00	31,829.45
P 09339	403,748.48	4002	BPIP#2	400,963.22	2,785.26	18,148.22
P 09333	665,998.08	4101	LGIP	657,775.33	8,222.75	41,357.29
<b>Total</b>	<b>3,213,017.97</b>			<b>3,186,779.17</b>	<b>26,238.80</b>	<b>187,328.42</b>

JP Morgan to QED Amortization/Accretion Reconciliation

JPM Account	Amortization/Accretion	QED Fund #	Name	Amortization/Accretion	Difference
P 09336	194,887.02	1000	GF Liquidity	194,771.35	115.67
P 09337	64,435.49	1001	GF Core	66,482.26	(2,046.77)
P 09334	-	1101	ONREPO	-	-
P 89523	46,279.81	4001	STB	46,044.89	234.92
P 09335	(67,285.63)	4000	BPIP#1	(53,280.66)	(14,004.97)
P 09339	(48,758.61)	4002	BPIP#2	(50,410.20)	1,651.59
P 09333	62,090.73	4101	LGIP	66,385.64	(4,294.91)
<b>Total</b>	<b>251,648.81</b>			<b>269,993.28</b>	<b>(18,344.47)</b>

\* BPS Dollar Threshold

JPM Market Value x .5 Basis Points (BPS)  
0.005%

**Note:** QED uses multiple methods (referenced below) to compute amortization/accretion where the configuration is matched with an asset type. JP Morgan uses, but is not limited to, the pro rata, straight line, and level yield methods for amortization/accretion.

0 No Amortization (System Config Table Default)
1 Straight Line
<b>2 Scientific, Simple Approximation</b>
3 Constant Yield, Iterative with PSI effect
4 Level Yield, Smoothed
5 Cash Basis, Premium Offset by interest-rcvd
6 Sum of Years Digits
7 Straight Line Prem, Disc=Interest
8 Mod'd Cash Basis: Straight-Line-Prem up to Int-sold/rcvd
9 No Amortization (Explicit)



Mon 9/11/2017 3:54 PM

Mahooty, David, STO

August 2017 SGF Distribution

To Gonzales, Steve A., DFA

Cc Cook, Charmaine, STO; Marquez, Leo, STO; Burrows, Leila K, DFA; Clark, Jon; Spilman, Ronald, DFA; Kent, Heather, DFA; Collins, Sam, STO

Steve,

STO will make a distribution to the State General Fund for August 2017 in the amount of \$2,281,981.94.

Aug-17

State General Fund Distribution Worksheet

Section 6-10-2.1 Distribution Methodology

(Includes Accretion/Amortization) Component	General Fund		Self Earnings Amount	Total
	Liquidity Amount	Core Amount		
Earned Income*	\$ 672,259.18	\$ 1,025,973.64	\$ (627,500.20)	\$ 1,070,732.62
Realized Gains/(Losses)	-	-	-	-
Unrealized Gains/(Losses)	(1,621.12)	1,212,870.44	-	1,211,249.32
<b>Distribution Total</b>	<u>\$ 670,638.06</u>	<u>\$ 2,238,844.08</u>	<u>\$ (627,500.20)</u>	<u>\$ 2,281,981.94</u>

\* Earned Income is accrued investment income +/- accretion/amortization

Below is the FY18 distribution summary:

Fiscal Year 2018 SGF Distribution

Month	Amount
Jul-17	1,415,943.30
Aug-17	2,281,981.94
Sep-17	-
Oct-17	-
Nov-17	-
Dec-17	-
Jan-18	-
Feb-18	-
Mar-18	-
Apr-18	-
May-18	-
Jun-18	-
Total	<u>3,697,925.24</u>

Should you have any questions, please feel free to contact me.

Thanks,

David Mahooty

Investment Accounting & Debt Division Director

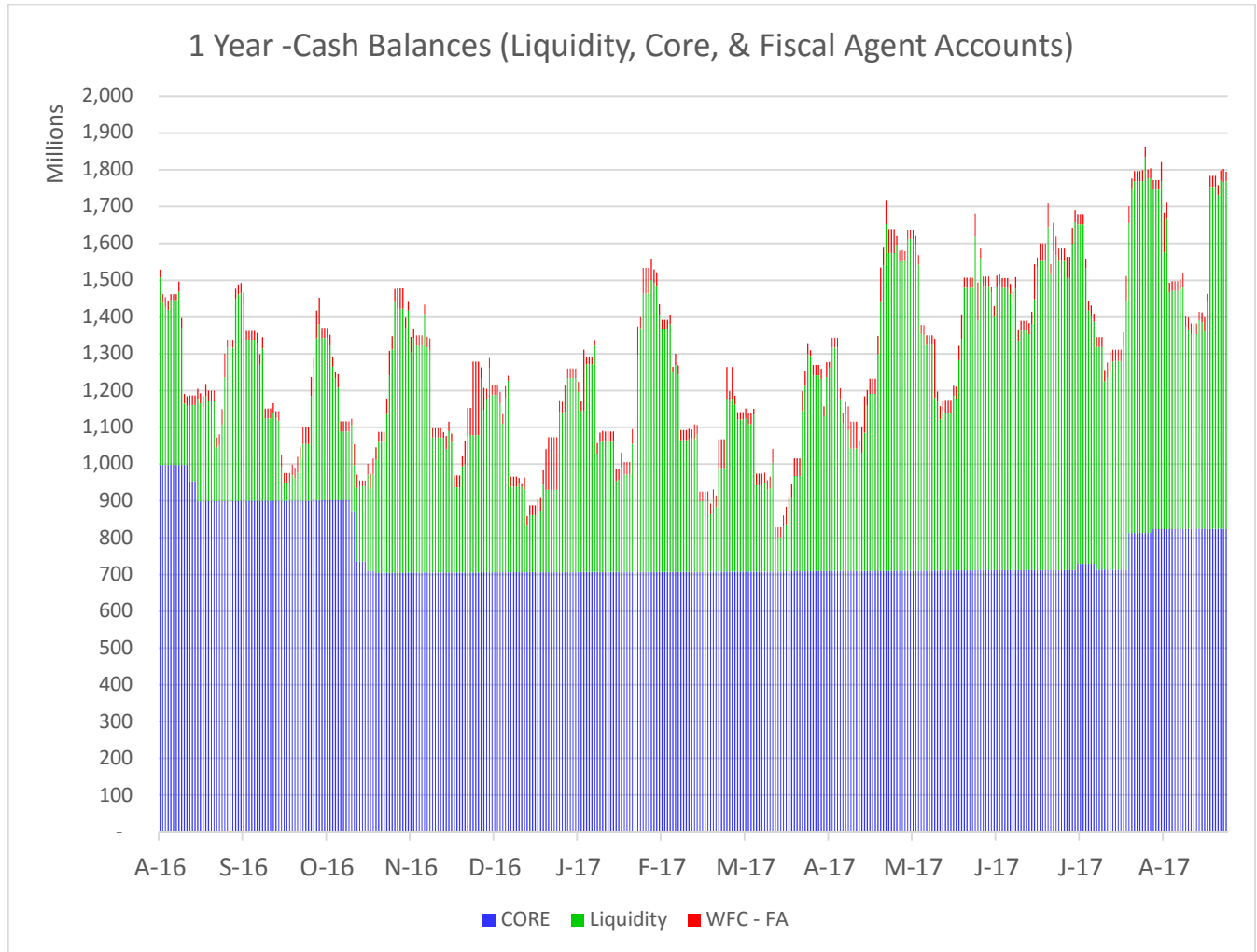
New Mexico State Treasurer's Office

2055 S Pacheco St | Suite 100 | Santa Fe, NM 87505

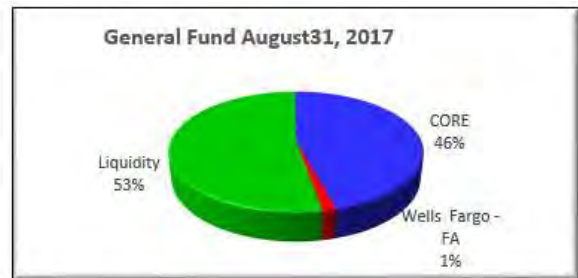
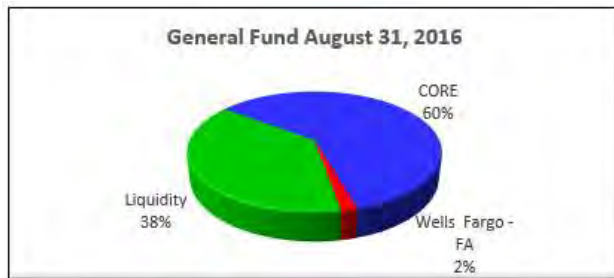
Direct: 505.955.1189 | Email: [david.mahooty@state.nm.us](mailto:david.mahooty@state.nm.us)

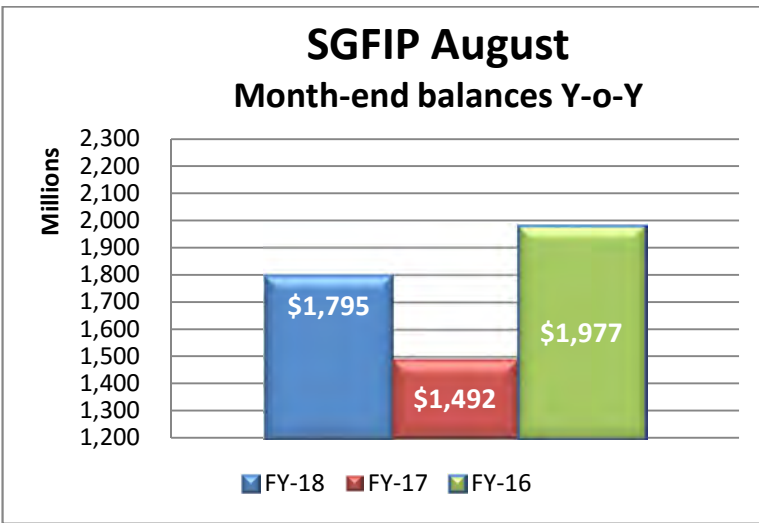
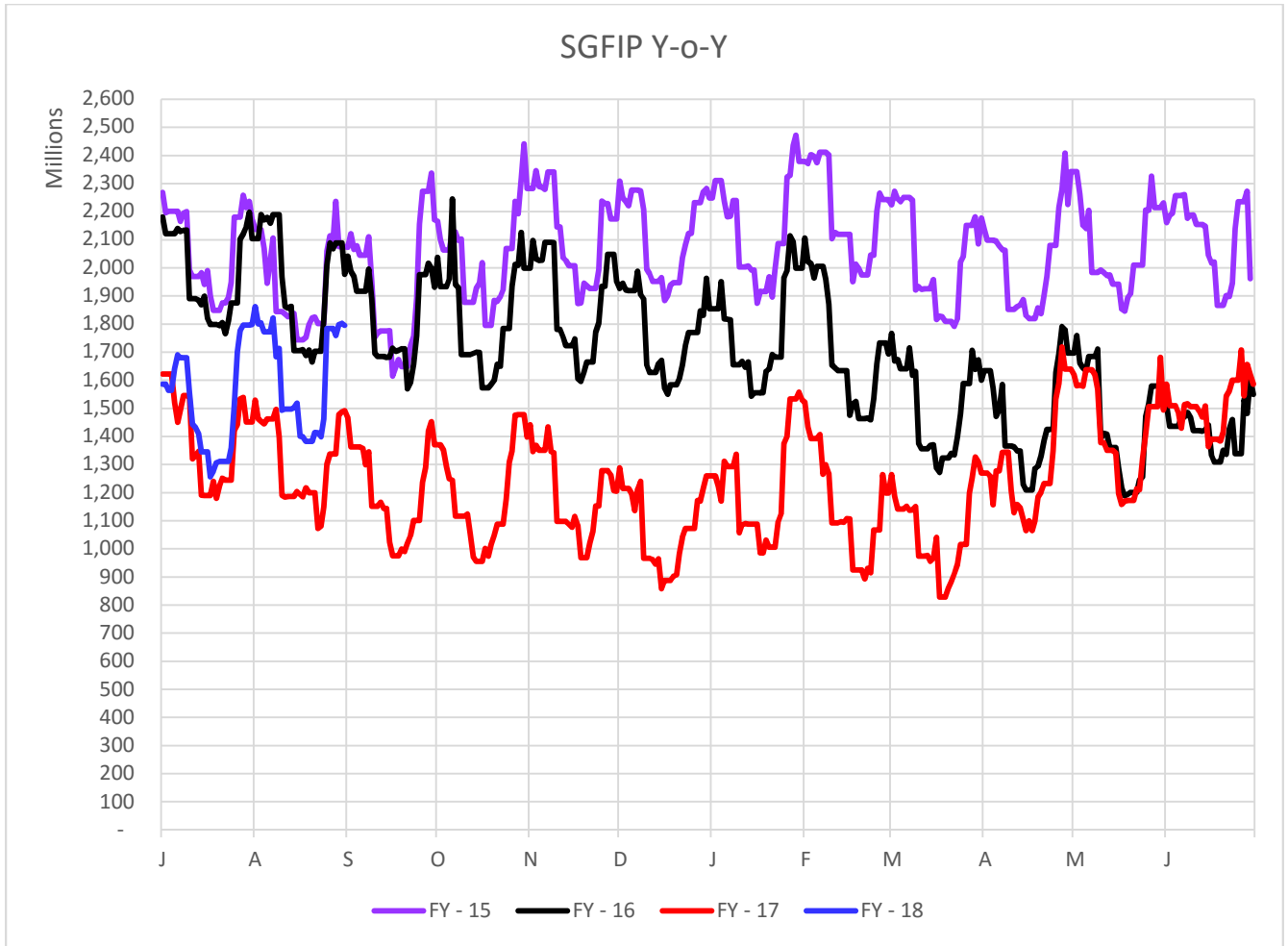


## 7. Cash Projections



GENERAL FUND	Aug-16	Jul-17	Aug-17	Y-o-Y Change	M-o-M Change
Liquidity	565,987,593	956,784,416	945,015,561	379,027,967	(11,768,855)
CORE	899,910,896	812,851,930	824,300,999	(75,609,897)	11,449,068
Wells Fargo - FA	26,063,748	29,414,396	25,847,853	(215,895)	(3,566,543)
	<b>1,491,962,237</b>	<b>1,799,050,742</b>	<b>1,795,164,412</b>	<b>303,202,175</b>	<b>(3,886,330)</b>



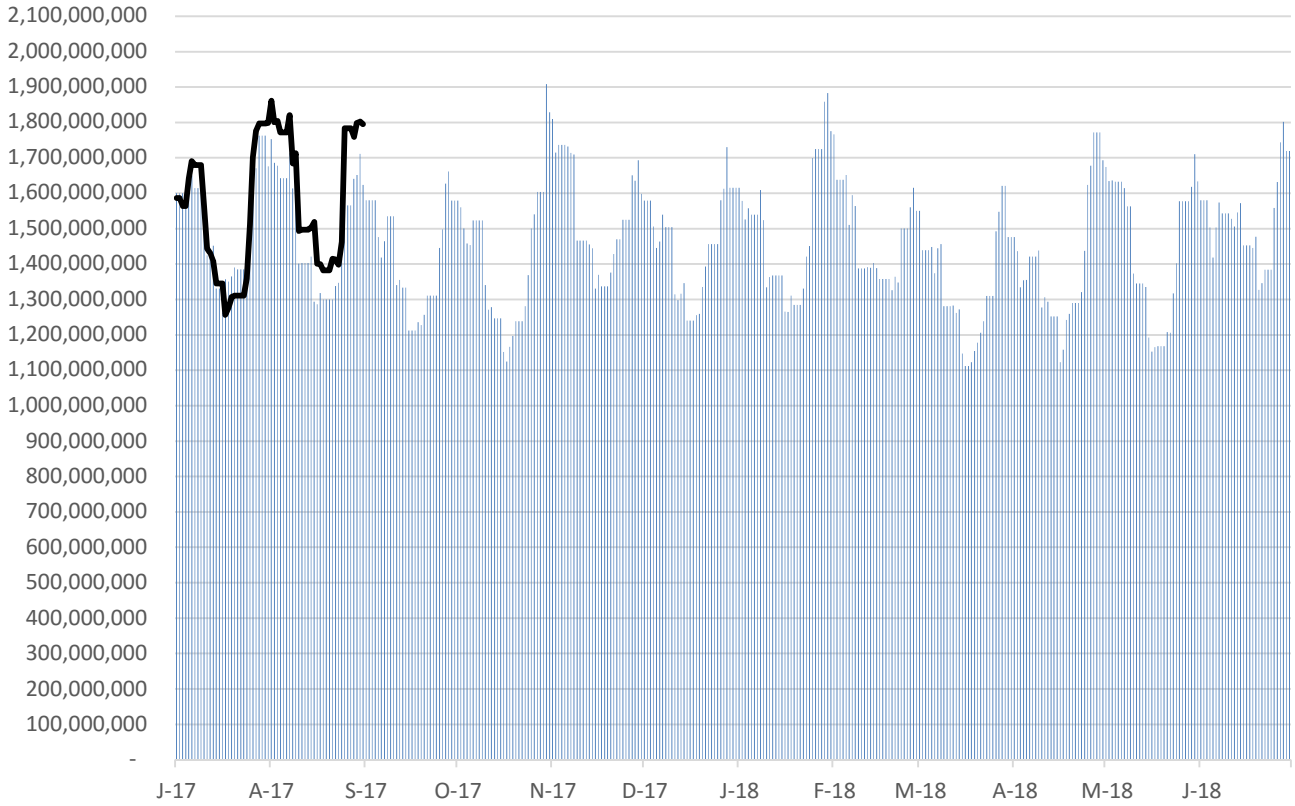


The balance as of August 31, 2017 of the State General Fund Investments Pool (SGFIP) Y-o-Y has increased 20.3% from August 31, 2016 and -9.2% decrease from August 31, 2015 . M-o-M SGFIP balances decreased to \$1.795 billion at August 31, 2017 from \$1.799 billion at July 31, 2017 a decrease of \$3.9 million or .2%

# SGFIP Cash Flows

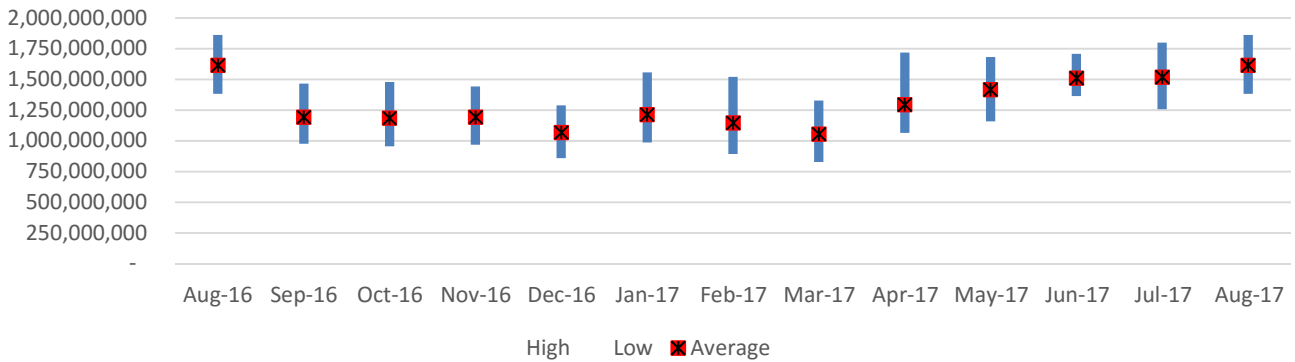


FY - 18 SGFIP Projections vs FY - 18 Actuals



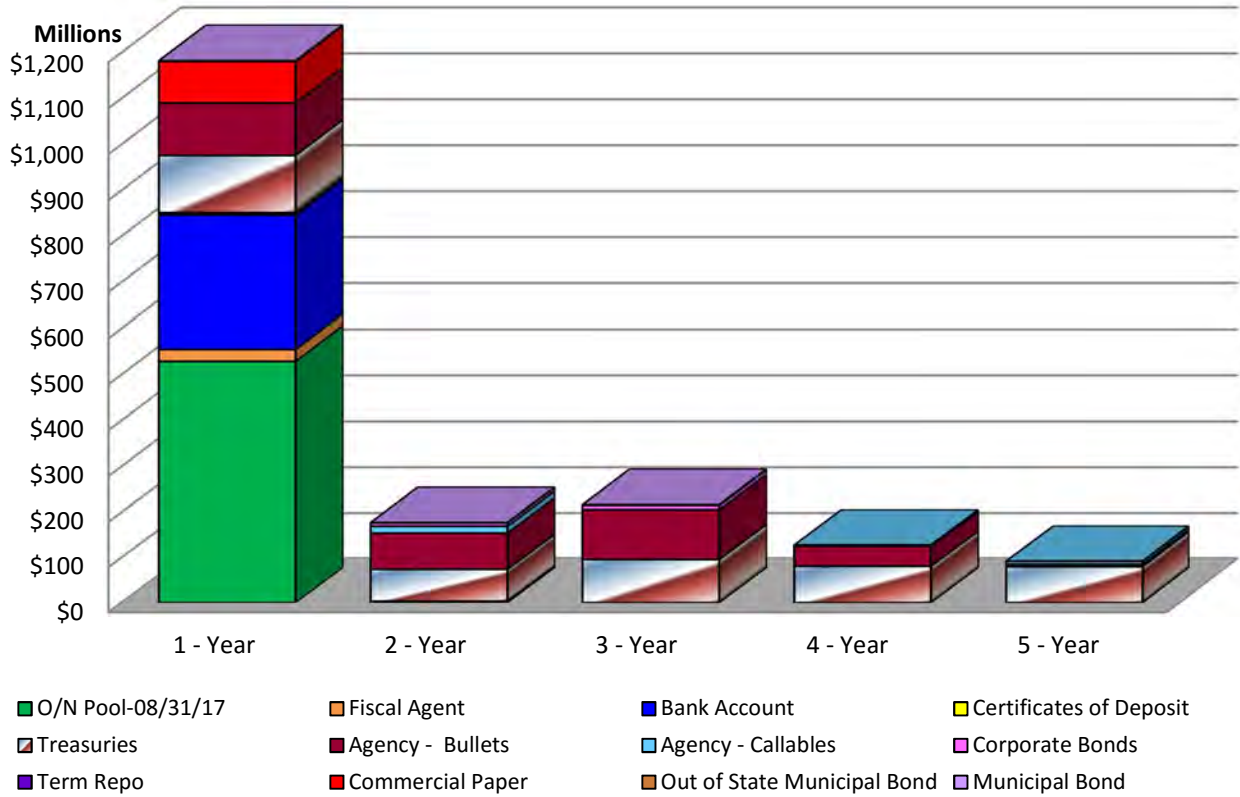
	Aug-17	Aug-16	Change
High	1,861,502,260.12	1,529,145,692.89	17.85%
Low	1,382,347,518.26	1,072,385,658.46	22.42%
Average	1,617,718,344.41	1,309,051,511.50	19.08%

SGFIP High & Lows

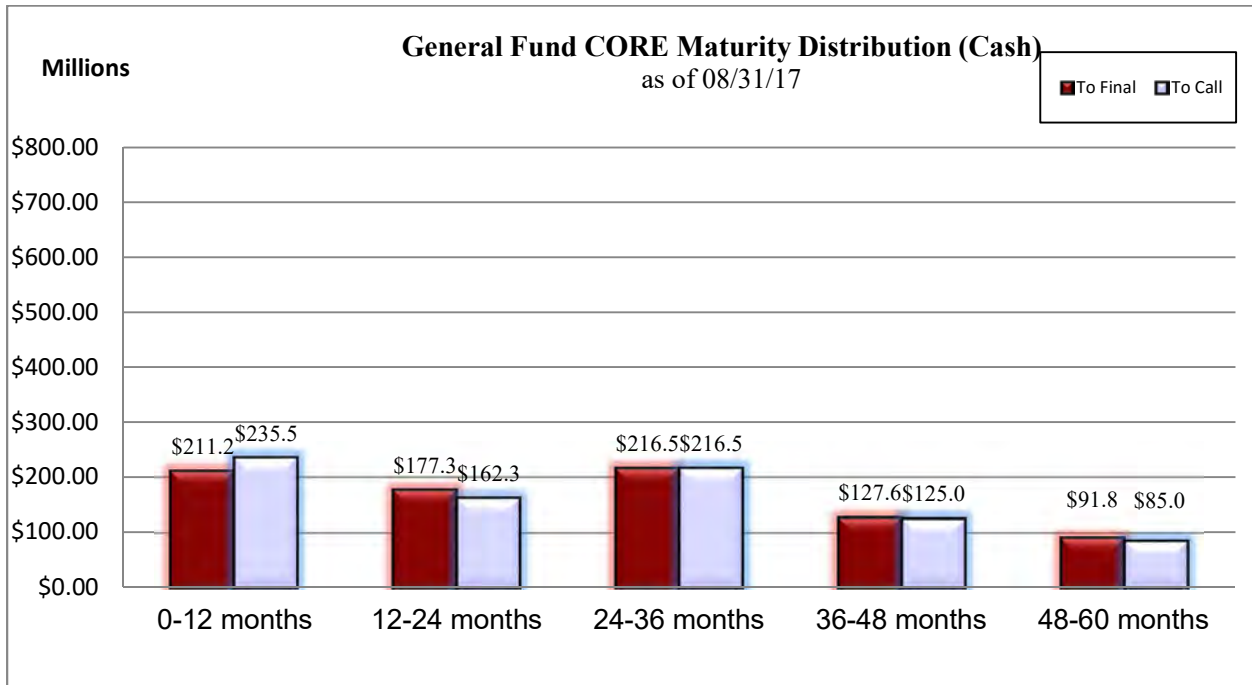
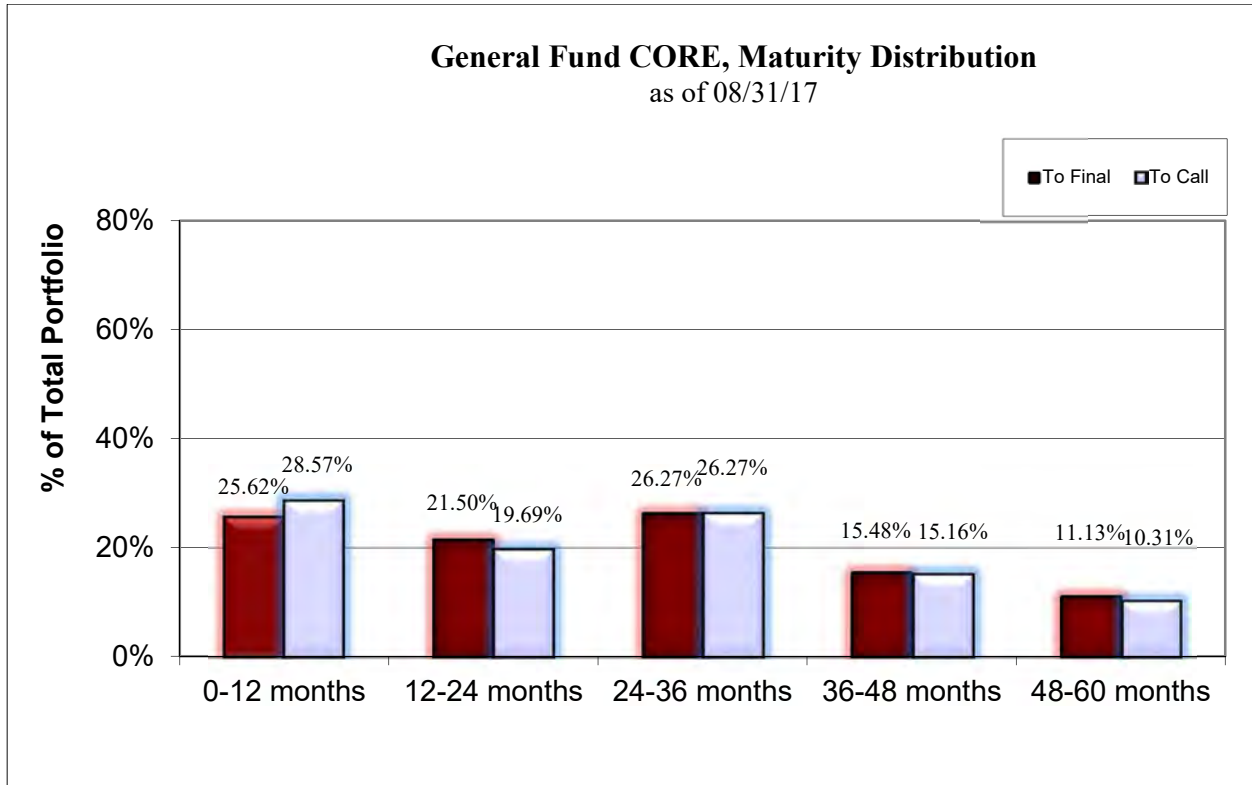




## General Fund Maturity Ladder by Year & Asset Type as of August 31, 2017



Asset Allocation	1 - Year	2 - Year	3 - Year	4 - Year	5 - Year	Total	%
Agency - Bullets	114,105,000	80,500,000	110,104,000	44,000,000	5,000,000	353,709,000	20%
Agency - Callables		15,000,000		2,620,000	6,750,000	24,370,000	1%
Corporate Bonds		7,500,000	10,000,000			17,500,000	1%
Term Repo						0	0%
Certificates of Deposit	4,500,000	3,000,000				7,500,000	0%
Municipal Bond	990,000	265,000	650,000			1,905,000	0%
Out of State Municipal Bond						0	0%
Commercial Paper	90,700,000					90,700,000	5%
Treasuries	125,000,000	71,000,000	95,750,000	81,000,000	80,000,000	452,750,000	25%
Bank Account	291,736,234					291,736,234	16%
Fiscal Agent	25,847,853					25,847,853	1%
O/N Pool-08/31/17	529,146,325					529,146,325	29%
<b>Total:</b>	<b>1,182,025,413</b>	<b>177,265,000</b>	<b>216,504,000</b>	<b>127,620,000</b>	<b>91,750,000</b>	<b>1,795,164,413</b>	<b>100%</b>
% of Total:	66%	10%	12%	7%	5%		







## 8. Portfolio Summary – General Fund Investment Pool

## Portfolio Summary – General Fund Investment Pool

### *Summary*

- The General Fund Investment Pool (Bank balances, Liquidity and Core Portfolios) closed the month of August at \$1.8 Billion.

### *Portfolio Mix*

- At month end, 100% of the General Fund CORE portfolio was invested in fixed income securities; 55% in US Government Securities; 37% in Government Related Securities (Municipal Bonds and Agency Securities), 2% in Corporate Securities and the balance ~6% in cash and cash equivalents.
- 27% of the portfolio was invested in securities that mature in one year; 22% in securities that mature from 1-2 years; 41% in 2-4 years and 10% within 5 years.
- The General Fund Core portfolio held positions in 63 securities at the end of August.
- The Weighted Average Life of the CORE portion of the General Fund was 2.12 years. The Weighted Average duration was 2.01 years.
- The benchmark duration for the CORE portfolio was 2.14 years.
- The maximum security term for the CORE portfolio is 5 years.

### *Performance*

- For the last month, the General Fund underperformed its benchmark, returning 0.27% vs. 0.29%, as interest rates fell.
- For the last 3 months, the General Fund matched its benchmark, returning 0.44% vs. 0.44%, as interest rates were mixed, with the five year maturity outperforming.
- For the last 12 months, the General Fund outperformed its benchmark. The General Fund return was 0.52% vs. 0.49% vs. the benchmark.

### *Market Value and Investment Earnings*

- Unrealized gains/losses in the Core Portfolio at the end of August were \$1,734,911.
- Over the month, the unrealized value of the portfolio increased \$1,173,322.
- Monthly net earnings for August on the General Fund Portfolios were \$1,693,890.
- Total monthly earnings including mark-to-market were \$2,867,212.
- Year-to-date net earnings were \$3,216,626.
- Total year-to-date earnings including mark-to-market were \$5,021,035.
- Earnings on the General Fund are used to offset General Fund Spending.

### *Investment Highlights*

- The Core portfolio received \$10 million from the Liquidity portfolio in August due to higher balances.
- The Core portfolio duration moved closer to the benchmark duration in August.

**STATE OF NEW MEXICO**  
**GENERAL FUND (1000)**  
**Portfolio Classification Summary**  
**Positions Held as of 8/31/17 (TRADE Basis)**

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	2	.9915	.00270	518,474,327	518,474,327	518,474,327		54.866
COMMERCIAL PAPER-DISCOUNT BASED	3	1.1474	.03157	50,700,000	50,683,145	50,683,145		5.363
AGENCY US DISC ACT/360 360 DAY	3	1.0198	.02281	84,105,000	84,087,721	84,087,891	170	8.898
CASH ACCOUNT	2			291,736,234	291,736,234	291,736,234		30.872
	<u>10</u>	<u>.6963</u>	<u>.00753</u>	<u>945,015,561</u>	<u>944,981,427</u>	<u>944,981,597</u>	<u>170</u>	<u>100.000</u>

**STATE OF NEW MEXICO**  
**GENERAL FUND CORE (1001)**  
Portfolio Classification Summary  
Positions Held as of 8/31/17 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	1.0240	.00270	10,671,999	10,671,999	10,671,999		1.294
COMMERCIAL PAPER-DISCOUNT BASED	2	1.3780	.44930	40,000,000	39,755,544	39,755,544		4.821
CERTIFICATES OF DEPOSIT	4	1.1600	.81971	7,500,000	7,500,000	7,500,000		.910
US TREASURY NOTE ACT/ACT 2X	23	1.4750	2.30513	452,750,000	453,198,479	454,267,140	1,068,661	55.088
AGENCY US BOND 30/360 2X	5	1.4882	2.58059	62,500,000	62,350,385	62,270,230	-80,155	7.551
AGENCY 30/360 2X	2	1.4897	2.71618	25,000,000	24,935,563	24,936,300	737	3.024
AGENCY US BOND 30/360 ZERO CPN	1	1.9949	2.10680	55,104,000	52,956,490	53,158,278	201,788	6.446
AGENCY US NOTES 30/360 2X	10	1.6367	1.61751	147,000,000	147,692,749	148,193,980	501,231	17.971
FED NATL MORTGAGE ASSN DEBS	3	1.5731	.10912	14,370,000	14,364,251	14,329,977	-34,274	1.738
CORP US NOTE 30/360 2X	5	1.8277	2.10137	17,500,000	17,483,229	17,561,150	77,921	2.130
MUNI US 30/360 2X	6	1.3489	1.53924	1,905,000	1,975,905	1,974,907	-998	.239
CASH ACCOUNT	1			-9,997,500	-9,997,500	-9,997,500		-1.212
	<u>63</u>	<u>1.5524</u>	<u>2.02820</u>	<u>824,303,499</u>	<u>822,887,094</u>	<u>824,622,005</u>	<u>1,734,911</u>	<u>100.000</u>

# STATE OF NEW MEXICO

## TREASURERS OFFICE

Position holdings as of 8/31/17 (Trade)

BOOK VALUES AMORTIZED THROUGH 8/31/17

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
151,000,000	OVERNIGHT REPO	0901RP	.900	9/01/17	.900	100.00000	151,000,000.00	151,000,000.00	
367,474,327	OVERNIGHT REPO	0901RP	1.010	9/01/17	1.010	100.00000	367,474,326.72	367,474,326.72	
28,000,000	FEDERAL HOME LOAN BANKS	313385LJ		9/06/17	1.006	99.98604	27,996,091.67	27,996,080.00	- 11.67
25,000,000	GECO - CP	36960LW8		9/08/17	1.121	99.97822	24,994,555.56	24,994,555.56	
28,000,000	FEDERAL HOME LOAN BANKS	313385LL		9/08/17	1.006	99.98046	27,994,528.33	27,994,680.00	151.67
28,105,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313589LP		9/11/17	1.006	99.97189	28,097,100.93	28,097,130.60	29.67
25,000,000	TOYOTA MOTOR CREDIT CORP	89233GWD		9/13/17	1.141	99.96200	24,990,500.00	24,990,500.00	
700,000	US BANK NAT'L ASSOC	9033A0YQ		11/24/17	1.173	99.72700	698,089.00	698,089.00	
<b>653,279,327</b>							<b>653,245,192.21</b>	<b>653,245,361.88</b>	<b>169.67</b>

====> 0008 ITEMS IN SUBTOTAL FOR ==> FINAL-MATURITY.. ==> 2017 <====

<b>653,279,327</b>							<b>653,245,192.21</b>	<b>653,245,361.88</b>	<b>169.67</b>
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====> 0008 ITEMS IN SUBTOTAL FOR ==> FUND NAME..... ==> GENERAL FUND <====

# STATE OF NEW MEXICO

## TREASURERS OFFICE

Position holdings as of 8/31/17 (Trade)

BOOK VALUES AMORTIZED THROUGH 8/31/17

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
10,671,999	OVERNIGHT REPO	0901RP	1.010	9/01/17	1.010	100.00000	10,671,998.58	10,671,998.58	
10,000,000	UNITED STATES TREASURY NOTES	912828D9	1.000	9/15/17	1.058	99.99761	9,999,761.49	9,999,900.00	138.51
15,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0ZL	1.000	9/27/17	1.118	99.99115	14,998,672.08	15,000,000.00	1,327.92
20,000,000	UNITED STATES TREASURY NOTES	912828TW	.750	10/31/17	1.153	99.93387	19,986,774.01	19,989,600.00	2,825.99
20,000,000	UNITED STATES TREASURY NOTES	912828HH	4.250	11/15/17	1.085	100.64082	20,128,163.79	20,128,800.00	636.21
20,000,000	UNITED STATES TREASURY NOTES	912828UA	.625	11/30/17	1.075	99.88915	19,977,829.94	19,977,600.00	- 229.94
255,000	SILVER CITY N MEX JT UTIL SYS RE	82750RAP	2.000	12/01/17	1.000	100.24802	255,632.44	255,767.55	135.11
500,000	WESTERN BANK CLOVIS	06022017	1.100	12/01/17	1.100	100.00000	500,000.00	500,000.00	
<b>96,426,999</b>							<b>96,518,832.33</b>	<b>96,523,666.13</b>	<b>4,833.80</b>

====> 0008 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

5,000,000	UNITED STATES TREASURY NOTES	912828UJ	.875	1/31/18	1.309	99.82123	4,991,061.46	4,994,750.00	3,688.54
20,000,000	TOYOTA MOTOR CREDIT CORP	89233HB9		2/09/18	1.379	99.38731	19,877,461.11	19,877,461.11	
20,000,000	GE CAPITAL US HOLDING INC	36164KBD		2/13/18	1.339	99.39042	19,878,083.33	19,878,083.33	
15,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADP	.875	3/07/18	1.454	99.70305	14,955,456.77	14,977,800.00	22,343.23
2,000,000	FARMERS & STOCKMENS BANK	8521052	1.050	4/27/18	1.050	100.00000	2,000,000.00	2,000,000.00	
2,000,000	FARMERS & STOCKMENS BANK	4282017	1.150	4/27/18	1.150	100.00000	2,000,000.00	2,000,000.00	
25,000,000	UNITED STATES TREASURY NOTES	912828UZ	.625	4/30/18	1.188	99.62934	24,907,334.64	24,902,250.00	- 5,084.64
25,000,000	UNITED STATES TREASURY NOTES	912828VE	1.000	5/31/18	1.228	99.83089	24,957,723.55	24,957,000.00	- 723.55
150,000	LAS CRUCES N MEX HOLD HARMLESSGR	51748QAY	4.000	6/01/18	1.500	101.85568	152,783.52	152,221.50	- 562.02
360,000	SANDOVAL COUNTY	800050FG	2.000	6/01/18	.920	100.80467	362,896.82	363,160.80	263.98
225,000	SAN JUAN CNTY N MEX CENT CONS IN	798359KT	1.000	8/01/18	1.000	99.99958	224,999.06	225,162.00	162.94
20,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0YM	1.875	9/18/18	1.438	100.45227	20,090,454.05	20,127,200.00	36,745.95
3,000,000	FARMERS & STOCKMENS BANK	8521082	1.250	10/19/18	1.250	100.00000	3,000,000.00	3,000,000.00	
15,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0YT	1.625	11/27/18	1.747	99.85021	14,977,530.81	15,062,100.00	84,569.19
20,000,000	UNITED STATES TREASURY NOTES	912828RT	1.375	11/30/18	1.404	99.96407	19,992,814.62	20,023,400.00	30,585.38
500,000	FEDERAL HOME LOAN BANKS	313382F7	1.100	12/27/18	1.100	99.99946	499,997.30	497,890.00	- 2,107.30
<b>173,235,000</b>							<b>172,868,597.04</b>	<b>173,038,478.74</b>	<b>169,881.70</b>

====> 0016 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2018 <====

15,000,000	FEDERAL HOME LOAN BANKS	3130AAM8	1.625	1/18/19	1.309	100.11885	15,017,826.77	15,023,400.00	5,573.23
2,500,000	APPLE INC	037833CE	1.550	2/08/19	1.589	99.94477	2,498,619.32	2,505,700.00	7,080.68
20,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0ZA	1.875	2/19/19	1.678	100.28413	20,056,826.57	20,151,600.00	94,773.43

# STATE OF NEW MEXICO

## TREASURERS OFFICE

Position holdings as of 8/31/17 (Trade)

BOOK VALUES AMORTIZED THROUGH 8/31/17

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EACA	3.750	3/27/19	1.762	103.06830	20,613,660.47	20,746,800.00	133,139.53
35,000,000	UNITED STATES TREASURY NOTES	912828C6	1.625	3/31/19	1.744	99.81446	34,935,060.43	35,177,800.00	242,739.57
5,000,000	PEPSICO INC	713448DR	1.550	5/02/19	1.588	99.93655	4,996,827.53	5,004,350.00	7,522.47
265,000	SANDOVAL COUNTY	800050FH	3.000	6/01/19	1.070	103.33569	273,839.59	274,423.40	583.81
16,000,000	UNITED STATES TREASURY NOTES	912828TH	.875	7/31/19	1.507	98.81189	15,809,902.75	15,866,880.00	56,977.25
5,000,000	FANNIE MAE	3135G0N3	.875	8/02/19	.932	99.89184	4,994,592.06	4,950,900.00	- 43,692.06
13,000,000	FEDERAL AGRICULTURAL MORTGAGE CO	31315P3R	1.900	9/18/19	1.920	99.95964	12,994,753.53	13,089,700.00	94,946.47
55,104,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313586RC		10/09/19	1.968	96.10280	52,956,489.63	53,158,277.76	201,788.13
24,500,000	UNITED STATES TREASURY NOTES	912828F6	1.500	10/31/19	1.561	99.87028	24,468,218.01	24,575,705.00	107,486.99
8,000,000	FEDERAL FARM CREDIT BANKS	3133EEBN	1.800	11/12/19	1.755	100.09518	8,007,614.22	8,047,760.00	40,145.78
14,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0ZY	1.750	11/26/19	1.701	100.10600	14,014,840.10	14,103,180.00	88,339.90
<b>233,369,000</b>							<b>231,639,070.98</b>	<b>232,676,476.16</b>	<b>1,037,405.18</b>

====> 0014 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2019 <====

5,000,000	US BANK	90331HNB	2.000	1/24/20	2.073	99.82956	4,991,478.20	5,027,800.00	36,321.80
2,500,000	MICROSOFT CORP	594918BV	1.850	2/06/20	1.873	99.94493	2,498,623.24	2,515,275.00	16,651.76
33,750,000	UNITED STATES TREASURY NOTES	912828UV	1.125	3/31/20	1.387	99.33842	33,526,717.53	33,531,300.00	4,582.47
13,500,000	UNITED STATES TREASURY NOTES	912828K5	1.375	4/30/20	1.501	99.67173	13,455,683.51	13,494,195.00	38,511.49
2,500,000	APPLE INC.	037833CS	1.800	5/11/20	1.835	99.90718	2,497,679.49	2,508,025.00	10,345.51
650,000	NEW MEXICO FIN AUTH REV	64711NA7	5.000	6/15/20	1.830	108.57721	705,751.84	704,171.00	- 1,580.84
20,000,000	FNMA	3135G0T6	1.500	7/30/20	1.604	99.70486	19,940,971.35	19,985,400.00	44,428.65
20,000,000	UNITED STATES TREASURY NOTES	912828XM	1.625	7/31/20	1.550	100.21112	20,042,224.11	20,111,800.00	69,575.89
4,000,000	UNITED STATES TREASURY NOTES	912828VV	2.125	8/31/20	1.654	101.37045	4,054,817.82	4,079,240.00	24,422.18
41,000,000	UNITED STATES TREASURY NOTES	912828WC	1.750	10/31/20	1.462	100.88628	41,363,376.33	41,341,120.00	- 22,256.33
20,000,000	US TREASURY N/B	912828A4	2.000	11/30/20	1.783	100.68022	20,136,044.00	20,320,400.00	184,356.00
20,000,000	UNITED STATES TREASURY NOTES	912828N4	1.750	12/31/20	1.383	101.18810	20,237,619.26	20,156,200.00	- 81,419.26
<b>182,900,000</b>							<b>183,450,986.68</b>	<b>183,774,926.00</b>	<b>323,939.32</b>

====> 0012 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2020 <====

34,000,000	FEDERAL HOME LOAN BANKS	3130A7CV	1.375	2/18/21	1.511	99.54168	33,844,170.70	33,796,680.00	- 47,490.70
2,620,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134GBWE	1.500	6/29/21	1.823	99.89325	2,617,203.23	2,617,851.60	648.37
5,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G9D8	.750	6/30/21	.749	100.00000	5,000,000.00	4,968,200.00	- 31,800.00
5,000,000	FHLB	3130A8QS	1.125	7/14/21	1.227	99.61563	4,980,781.65	4,904,500.00	- 76,281.65

# STATE OF NEW MEXICO

## TREASURERS OFFICE

Position holdings as of 8/31/17 (Trade)

BOOK VALUES AMORTIZED THROUGH 8/31/17

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
10,000,000	UNITED STATES TREASURY NOTES	912828T3	1.125	9/30/21	1.724	97.64804	9,764,804.20	9,805,500.00	40,695.80
5,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0Q8	1.375	10/07/21	1.410	99.86104	4,993,052.16	4,938,100.00	- 54,952.16
6,750,000	FEDERAL HOME LOAN BANKS	3130AA5F	1.000	12/16/21	2.041	99.95626	6,747,047.56	6,743,925.00	- 3,122.56
10,000,000	UNITED STATES TREASURY NOTES	912828U8	2.000	12/31/21	1.730	101.11868	10,111,868.15	10,144,500.00	32,631.85
<b>78,370,000</b>							<b>78,058,927.65</b>	<b>77,919,256.60</b>	<b>- 139,671.05</b>

====> 0008 ITEMS IN SUBTOTAL FOR ==> FINAL-MATURITY.. ==> 2021 <====

20,000,000	UNITED STATES TREASURY NOTES	912828XR	1.750	5/31/22	1.756	99.97270	19,994,540.59	20,050,000.00	55,459.41
20,000,000	UNITED STATES TREASURY NOTES	912828XG	2.125	6/30/22	1.861	101.21348	20,242,696.29	20,377,400.00	134,703.71
20,000,000	UNITED STATES TREASURY NOTES	912828XQ	2.000	7/31/22	1.878	100.56717	20,113,433.21	20,261,800.00	148,366.79
10,000,000	FEDERAL AGRICULTURAL MTG CO	3132X0WS	1.900	9/01/22	1.905	99.97500	9,997,500.00	9,997,500.00	
<b>70,000,000</b>							<b>70,348,170.09</b>	<b>70,686,700.00</b>	<b>338,529.91</b>

====> 0004 ITEMS IN SUBTOTAL FOR ==> FINAL-MATURITY.. ==> 2022 <====

<b>834,300,999</b>							<b>832,884,584.77</b>	<b>834,619,503.63</b>	<b>1,734,918.86</b>
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====> 0062 ITEMS IN SUBTOTAL FOR ==> FUND NAME..... ==> GENERAL FUND CORE <====





## 9. Portfolio Summary – Local Government Investment Pool

## Portfolio Summary – Local Government Investment Pool (LGIP)

### *Summary*

- Ending August market value for the LGIP was \$828.6mil representing a decrease relative to July's reported closing value of \$865.2mil.
- The LGIP maintains a AAAM rating by Standard & Poor's.
- At the end of August the STO participant balance was \$14.8mil or 2% of the Pool, the Judicial District Court participant balance was \$2.6mil or 0.3% of the Pool and the Educational Retirement Board participant balance was \$100.7mil or 12% of the Pool.

### *Portfolio Mix*

- At the end of August the portfolio was invested as follows: 14% in US Treasuries, 43% in US government agencies, 0% in collateralized demand deposit accounts with qualified banking institutions, 23% in floating rate securities, and 21% in overnight repurchase agreements.
- At month-end, the LGIP held positions in 69 securities.

### *Investment Earnings*

- During August the fund earned \$725,525.
- For FY2018, the fund has earned \$1,439,470.
- LGIP earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

### *Performance*

- Gross yield on the LGIP was 1.0000% at the end of August.
- Net yield to participants was 0.9500%.

### *Investment Highlights*

- For the LGIP, the WAM(R) of 55 days, and WAM (F) of 114 days, were within their maximums of 60 and 120 days respectively.
- The LGIP purchased \$281mil in US agency securities and \$55mil in US Treasuries during the month. Approximately, \$149mil of these transactions were in securities that mature within one month or less.
- The LGIP sold \$3mil in US agency securities, at a gain, during the month.
- The LGIP engaged in 27 repo trades during the month, consisting of 18 overnight and 9 term trades. Trade amounts varied in size from \$15mil to \$100mil at rates spanning 1.00% to 1.10%.

### *Investment Strategy*

- LGIP WAMs are currently 50 and 105 days for WAM(R) and WAM (F) respectively.
- LGIP will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of conservative investments.

### *Net Asset Value/Share*

At month-end, the Net Asset Value per Share of the Local Government Investment Pool was \$0.9999.

**STATE OF NEW MEXICO**  
**LGIP FUND (4101)**  
**Portfolio Classification Summary**  
**Positions Held as of 8/31/17 (TRADE Basis)**

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	1.0443	.00270	75,000,000	75,000,000	75,000,000		9.068
REPURCHASE AGREEMENTS (TERM)	2	1.0392	.01370	100,000,000	100,000,000	100,000,000		12.091
U.S. TREASURY BILLS	4	1.0778	.11331	110,000,000	109,868,059	109,863,700	-4,359	13.283
US TREASURY NOTE ACT/ACT 2X	1	.9467	.08220	10,000,000	9,997,434	9,996,700	-734	1.209
AGENCY US FLOAT ACT/360 12X	7	1.1279	.62020	73,210,000	73,206,570	73,205,115	-1,455	8.851
AGENCY US BOND 30/360 2X	18	.9985	.21695	111,279,000	111,853,516	111,832,346	-21,170	13.521
AGENCY US DISC ACT/360 360 DAY	10	1.0969	.38408	131,336,000	130,764,489	130,764,138	-351	15.810
AGENCY US NOTES 30/360 2X	11	.9902	.17396	113,449,000	113,408,868	113,406,234	-2,634	13.712
AGENCY US VARIABLE ACT/360 4X	14	1.1121	.90084	120,270,000	120,273,025	120,272,398	-627	14.542
CASH ACCOUNT	3			-17,263,552	-17,263,552	-17,263,552		-2.087
	<u>71</u>	<u>1.0807</u>	<u>.31133</u>	<u>827,280,448</u>	<u>827,108,409</u>	<u>827,077,079</u>	<u>-31,330</u>	<u>100.000</u>

**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
- 21,334,277	(TD)-WELLS FARGO CASH ACCOUNT	CASHCASH	.100			1.00000	-21,334,276.94	-21,334,277.00	-.06
4,070,724	BANK OF THE WEST	CASHCASH	.250			1.00000	4,070,723.51	4,070,724.00	.49
1	COMPASS BANK	CASHCASH	.250			1.00000	.97	1.00	.03
							<b>-17,263,552.46</b>	<b>-17,263,552.00</b>	<b>.46</b>

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

75,000,000	Overnight Repurchase Agreement	0901ONRP	1.030	9/01/17	1.030	100.00000	75,000,000.00	75,000,000.00	
50,000,000	TERM REPO AGREEMENT	0905TMRP	1.030	9/05/17	1.030	100.00000	50,000,000.00	50,000,000.00	
50,000,000	TERM REPO AGREEMENT	0905TMRP	1.020	9/05/17	1.020	100.00000	50,000,000.00	50,000,000.00	
	OVERNIGHT REPO AGREEMENT	0905ONRP	1.020	9/05/17					
8,560,000	FEDERAL HOME LOAN BANKS	313370SZ	2.250	9/08/17	.738	100.02925	8,562,503.82	8,562,054.40	- 449.42
12,915,000	FEDERAL HOME LOAN BANKS	313380EC	.750	9/08/17	.922	99.99660	12,914,560.69	12,914,354.25	- 206.44
9,000,000	FEDERAL HOME LOAN BANKS	3130A6GG	.840	9/08/17	1.080	99.99525	8,999,572.46	8,999,460.00	- 112.46
4,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3G4	1.000	9/12/17	.710	100.00875	4,000,349.85	3,999,880.00	- 469.85
	OVERNIGHT REPURCHASE AGREEMENT	0914ONRP	1.020	9/14/17					
10,000,000	UNITED STATES TREASURY BILLS	912796LU		9/21/17	.888	99.95089	9,995,088.89	9,995,000.00	- 88.89
1,375,000	FEDERAL FARM CREDIT BANKS	3133EEQX	1.000	9/25/17	.950	100.00305	1,375,041.88	1,374,931.25	- 110.63
25,000,000	FEDERAL HOME LOAN BANKS	3130ABHL		9/26/17	1.072	99.99545	24,998,863.15	24,999,500.00	636.85
16,585,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0ZL	1.000	9/27/17	.755	100.01744	16,587,892.06	16,585,000.00	- 2,892.06
1,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3M3	1.000	9/27/17	1.051	99.99600	999,960.00	999,950.00	- 10.00
31,909,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADL	1.000	9/29/17	.875	100.00943	31,912,008.31	31,909,000.00	- 3,008.31
10,000,000	FEDERAL HOME LOAN BANKS	3130A2XL	1.100	9/29/17	.938	100.01222	10,001,222.27	9,999,900.00	- 1,322.27
2,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136FPMH	2.500	9/29/17	1.054	100.11154	2,002,230.83	2,002,460.00	229.17
10,000,000	UNITED STATES TREASURY NOTES	912828TS	.625	9/30/17	.947	99.97433	9,997,433.42	9,996,700.00	- 733.42
12,610,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G8VQ	.810	10/04/17	1.090	99.97400	12,606,721.62	12,607,351.90	630.28
30,000,000	UNITED STATES TREASURY BILLS	912796LW		10/05/17	1.067	99.89933	29,969,799.02	29,968,800.00	- 999.02
10,000,000	FEDERAL HOME LOAN BANKS	313385MQ		10/06/17	.949	99.90813	9,990,812.50	9,990,200.00	- 612.50
2,000,000	FEDERAL FARM CREDIT BANKS	3133EDD6	1.240	10/06/17	.978	100.02502	2,000,500.37	2,000,580.00	79.63
10,000,000	FEDERAL HOME LOAN BANKS	313385MV		10/11/17	.949	99.89500	9,989,500.00	9,988,800.00	- 700.00
7,286,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313589MV		10/11/17	1.001	99.88889	7,277,904.45	7,277,839.68	- 64.77
20,000,000	UNITED STATES TREASURY BILLS	912796KR		10/12/17	1.109	99.87393	19,974,785.00	19,974,400.00	- 385.00
5,000,000	FEDERAL FARM CREDIT BANKS	3133EGMC	.670	10/18/17	1.069	99.94761	4,997,380.59	4,997,650.00	269.41
50,000,000	UNITED STATES TREASURY BILLS	912796LY		10/19/17	1.077	99.85677	49,928,385.34	49,925,500.00	- 2,885.34
6,450,000	FEDERAL HOME LOAN BANKS	313385NE		10/20/17	.995	99.86525	6,441,308.63	6,441,163.50	- 145.13
15,000,000	FEDERAL HOME LOAN BANKS	3130AAPL	.601	10/23/17	1.061	100.00000	15,000,000.00	14,999,550.00	- 450.00
1,670,000	FEDERAL HOME LOAN BANKS	3130A7VF	.968	10/25/17	.919	100.04166	1,670,695.68	1,670,417.50	- 278.18
32,000,000	FEDERAL HOME LOAN BANKS	3130ABAM	.861	10/25/17	1.021	99.99387	31,998,036.80	31,996,160.00	- 1,876.80

**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
6,600,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313589NK		10/25/17	1.037	99.84475	6,589,753.50	6,590,034.00	280.50
1,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0PQ	.875	10/26/17	1.152	99.95724	999,572.38	999,690.00	117.62
23,195,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G8VP	.830	11/06/17	1.088	99.95590	23,184,771.01	23,190,129.05	5,358.04
1,000,000	FEDERAL FARM CREDIT BANKS	31331KR4	1.500	11/08/17	1.022	100.08793	1,000,879.29	1,000,780.00	- 99.29
1,040,000	FEDERAL HOME LOAN BANKS	3133XMQ8	5.000	11/17/17	1.102	100.81773	1,048,504.44	1,048,465.60	- 38.84
1,960,000	FEDERAL FARM CREDIT BANKS	3133EEQ9	.786	11/27/17	1.115	100.02717	1,960,532.57	1,960,725.20	192.63
2,000,000	FEDERAL FARM CREDIT BANKS	31331J4H	2.500	12/06/17	1.139	100.35622	2,007,124.45	2,008,040.00	915.55
7,000,000	FEDERAL HOME LOAN BANKS	313372C3	3.125	12/08/17	1.087	100.54554	7,038,187.47	7,036,610.00	- 1,577.47
1,000,000	FEDERAL HOME LOAN BANKS	313371N2	2.125	12/08/17	1.125	100.26715	1,002,671.50	1,002,540.00	- 131.50
28,339,000	TENNESSEE VALLEY AUTHORITY	880591CU	6.250	12/15/17	.863	101.54918	28,778,021.64	28,756,150.08	- 21,871.56
5,150,000	FEDERAL HOME LOAN BANKS	3130A6SW	1.000	12/19/17	1.061	99.98118	5,149,030.88	5,148,815.50	- 215.38
9,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0SW	.875	12/27/17	1.162	99.90726	8,991,653.28	8,991,090.00	- 563.28
<b>606,644,000</b>							<b>606,943,260.04</b>	<b>606,909,671.91</b>	<b>- 33,588.13</b>

====> 0043 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

20,000,000	FEDERAL HOME LOAN BANKS	313385SC		1/22/18	1.085	99.57100	19,914,200.00	19,915,000.00	800.00
35,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	313397SN		2/01/18	1.123	99.52613	34,834,143.75	34,834,800.00	656.25
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	313397SP		2/02/18	1.075	99.54228	19,908,455.56	19,905,000.00	- 3,455.56
5,000,000	FEDERAL FARM CREDIT BANKS	3133EEMX	1.004	2/06/18	.917	100.15049	5,007,524.72	5,003,000.00	- 4,524.72
1,500,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0TG	.875	2/08/18	1.125	99.89123	1,498,368.47	1,498,095.00	- 273.47
12,000,000	FEDERAL FARM CREDIT BANKS	3133EEQM	1.110	2/20/18	1.195	99.96004	11,995,204.64	11,998,440.00	3,235.36
6,800,000	FEDERAL HOME LOAN BANKS	3130A9A2	.930	3/06/18	.954	100.04460	6,803,032.71	6,801,224.00	- 1,808.71
4,800,000	FEDERAL FARM CREDIT BANKS	3133EEV8	.520	3/09/18	1.316	99.96875	4,798,500.07	4,802,496.00	3,995.93
10,000,000	FEDERAL FARM CREDIT BANK	3133EGH3	.510	3/14/18	1.266	99.98982	9,998,981.84	9,999,500.00	518.16
4,000,000	FEDERAL FARM CREDIT BANKS	3133EEZ5	.542	3/22/18	1.290	99.98256	3,999,302.39	4,003,680.00	4,377.61
3,000,000	TENNESSEE VALLEY AUTHORITY	880591EC	4.500	4/01/18	1.285	101.86157	3,055,847.05	3,056,250.00	402.95
10,650,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EAEA	.750	4/09/18	1.134	99.76846	10,625,340.52	10,623,588.00	- 1,752.52
900,000	FEDERAL HOME LOAN BANKS	3130ABE7	1.125	5/08/18	1.250	99.91427	899,228.44	899,145.00	- 83.44
1,000,000	FEDERAL FARM CREDIT BANKS	31331YW6	4.900	6/12/18	1.276	102.80353	1,028,035.31	1,028,180.00	144.69
10,000,000	FEDERAL HOME LOAN BANKS	313385ZV	4.960	7/26/18	1.255	98.87022	9,887,022.22	9,888,800.00	1,777.78
6,000,000	FEDERAL FARM CREDIT BANKS	313313ZZ		7/30/18	1.255	98.85644	5,931,386.67	5,932,500.00	1,113.33
5,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134GA4D	.759	8/10/18	.900	100.00000	5,000,000.00	4,998,050.00	- 1,950.00
7,250,000	FEDERAL FARM CREDIT BANKS	3133EG6H	.693	11/09/18	1.161	99.98227	7,248,714.76	7,248,260.00	- 454.76
10,000,000	FEDERAL FARM CREDIT BANKS	3133EHLT	1.012	12/05/18	1.074	99.99263	9,999,263.31	9,997,500.00	- 1,763.31
<b>172,900,000</b>							<b>172,432,552.43</b>	<b>172,433,508.00</b>	<b>955.57</b>

====> 0019 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2018 <====

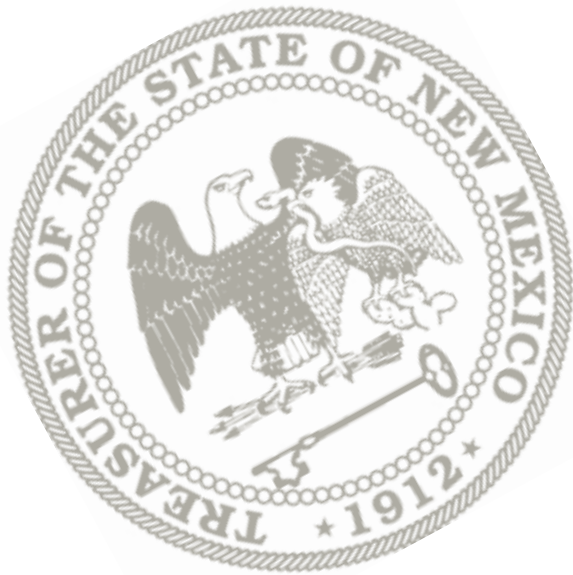
**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
15,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134GBB9	1.149	2/14/19	1.149	100.00000	15,000,000.00	14,995,650.00	- 4,350.00
5,000,000	FEDERAL FARM CREDIT BANKS	3133EHME	1.170	3/12/19	1.146	100.02983	5,001,491.47	5,000,750.00	- 741.47
10,000,000	FEDERAL FARM CREDIT BANKS	3133EHKC	.987	3/25/19	1.104	99.99123	9,999,123.18	9,996,100.00	- 3,023.18
10,000,000	FEDERAL FARM CREDIT BANKS	3133EHDN	.980	3/27/19	1.237	99.98287	9,998,287.26	10,011,000.00	12,712.74
10,000,000	FEDERAL FARM CREDIT BANKS	3133EHQT	1.145	4/10/19	1.147	99.99111	9,999,111.01	9,996,000.00	- 3,111.01
5,000,000	FEDERAL FARM CREDIT BANKS	3133EHGU	.940	4/25/19	1.198	99.97956	4,998,978.13	5,002,450.00	3,471.87
5,000,000	FEDERAL FARM CREDIT BANK	3133EHSF	1.135	4/25/19	1.143	99.98311	4,999,155.47	4,997,750.00	- 1,405.47
5,000,000	FEDERAL FARM CREDIT BANKS	3133EHPR	1.170	6/27/19	1.167	100.00000	5,000,000.00	4,997,750.00	- 2,250.00
<b>65,000,000</b>							<b>64,996,146.52</b>	<b>64,997,450.00</b>	<b>1,303.48</b>

====> 0008 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2019 <====

<u>827,280,448</u>	<u>827,108,406.53</u>	<u>827,077,077.91</u>	<u>- 31,328.62</u>
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====> 0073 ITEMS IN SUBTOTAL FOR ====> FUND NAME..... ====> LGIP FUND <====



## 10. Portfolio Summary - Tax-Exempt Bond Proceeds Investment Pool

## Portfolio Summary – Tax Exempt Bond Proceeds Investment Pool

### *Summary*

- The Tax Exempt Bond Proceeds Investment Pool closed the month of August at \$633.5mil vs. \$416.3mil at the end of July.
- The Pool received \$7.5mil in draw requests for capital spending during the month and paid out \$38mil for capital projects.

### *Portfolio Mix*

- 100% of the Tax-Exempt BPIP portfolio was invested in fixed income securities: 39% in US treasuries, 47% in US agency securities, 8% in corporate securities and commercial paper, 1% in NM municipal securities and the balance, approximately 6%, was held in cash equivalents and collateralized NM bank CDs.
- 48% of the portfolio was invested in securities that mature in one year, 30% in securities that mature from 1-2 years, 22% in securities that mature from 2-4 years and 0% in securities out to 5 years.
- The Tax-Exempt BPIP held positions in 80 securities.
- Weighted Average Life of the Tax Exempt BPIP was 1.31 years. The Weighted Average duration was 1.27 years.
- The maximum security term for the Tax-Exempt BPIP portfolio is 5 years.

### *Investment Earnings*

- Unrealized gains in the Tax-Exempt BPIP Portfolio were \$(649,709) on August 31<sup>st</sup>.
- Monthly net earnings on the portfolio for August were \$591,080.
- Net earnings for FY2018 were \$946,004.
- Earnings on the Tax-Exempt BPIP are used to offset capital and debt service spending.

### *Investment Highlights*

- The duration of the Tax-Exempt BPIP at the end of August was 1.27 yrs. vs. the Benchmark at 1.36 yrs.
- During the month the Pool purchased \$53.5mil of US agency securities, \$135mil of US Treasuries and \$15mil of commercial paper. Purchases spanned maturities of 1 month to 5 years.

### *Performance*

- The purchase yield was 1.19% at the end of August vs. 1.02% reported for the previous month.
- The Tax-Exempt BPIP returned 0.17% for the month of August and 0.36% for the three months ended August 31, 2017, vs. Index returns of 0.16% and 0.31% respectively. For the trailing 12 mos. the Pool returned 0.74% vs. 0.57% for the benchmark.

### *Investment Strategy*

- The option-adjusted duration of the Tax-Exempt BPIP portfolio is currently 1.25 yrs. vs. 1.40 yrs.
- Capital project withdrawal requests for September, have totaled \$12.7mil to date.
- The Tax-Exempt BPIP has maintained duration shorter than that of the benchmark in order to provide adequate liquidity for project withdrawals while minimizing overnight cash position.



**STATE OF NEW MEXICO**  
**BOND PROCEEDS INV POOL1 TAX EX (4000)**  
Portfolio Classification Summary  
Positions Held as of 8/31/17 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	1.0240	.00270	32,900,561	32,900,561	32,900,561		5.209
COMMERCIAL PAPER-DISCOUNT BASED	2	1.2673	.25615	30,000,000	29,899,813	29,899,813		4.734
CERTIFICATES OF DEPOSIT	1	.7800	.84660	1,500,000	1,500,000	1,500,000		.238
US TREASURY NOTE ACT/ACT 2X	16	1.2025	1.66447	245,000,000	244,866,653	244,857,950	-8,703	38.769
CORPORATE BONDS	1	1.9932	2.63010	2,500,000	2,498,966	2,511,375	12,409	.398
AGENCY US BOND 30/360 2X	19	.9793	.80351	113,090,000	113,650,021	113,375,587	-274,434	17.951
AGENCY 30/360 2X	4	1.3501	2.07760	47,500,000	47,454,536	47,376,625	-77,911	7.501
AGENCY US BOND 30/360 ZERO CPN	1	1.5892	2.10680	25,000,000	24,210,623	24,117,250	-93,373	3.819
AGENCY US NOTES 30/360 2X	20	1.2821	.98813	109,340,000	109,306,890	109,125,765	-181,125	17.278
CORP US NOTE 30/360 2X	4	1.2529	.96923	17,000,000	17,113,104	17,093,870	-19,234	2.707
MUNI US 30/360 2X	7	.9211	.63565	3,390,000	3,404,717	3,398,378	-6,339	.538
MUNICIPAL BOND REVENUE	3	1.1684	.77860	545,000	550,052	549,053	-999	.087
UNITS - INVESTMENT POOL 1	1			9,868,299	9,868,299	9,868,299		1.562
CASH ACCOUNT	1			-4,998,750	-4,998,750	-4,998,750		-.791
	<u>81</u>	<u>1.1885</u>	<u>1.26279</u>	<u>632,635,110</u>	<u>632,225,485</u>	<u>631,575,776</u>	<u>-649,709</u>	<u>100.000</u>

**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
- 4,998,750	(TD)-CASH KEY	CASHCASH				1.00000	- 4,998,750.00	- 4,998,750.00	
9,868,299	UNITS - INVESTMENT POOL 1	UNITS001				1.00000	9,868,298.65	9,868,298.65	
<b>4,869,549</b>							<b>4,869,548.65</b>	<b>4,869,548.65</b>	

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

245,000	NEW MEXICO EDL ASSISTANCE FNDTN	647110DZ	4.000	9/01/17	.726	100.00000	245,000.00	245,000.00	
32,900,561	OVERNIGHT REPO	0901RP	1.010	9/01/17	1.010	100.00000	32,900,561.28	32,900,561.28	
15,000,000	TOYOTA MOTOR CREDIT	89233GWS		9/26/17	1.172	99.91875	14,987,812.50	14,987,812.50	
835,000	JAL N MEX PUB SCH DIST NO 19	470143AR	2.000	10/01/17	.701	100.10773	835,899.53	835,601.20	- 298.33
2,000,000	FEDERAL HOME LOAN BANKS	3133792L	1.230	10/20/17	.786	100.05984	2,001,196.70	2,000,380.00	- 816.70
5,000,000	FEDERAL HOME LOAN BANKS	3130A6LZ	.625	10/26/17	.733	99.98334	4,999,167.11	4,996,400.00	- 2,767.11
1,000,000	FEDERAL HOME LOAN BANKS	3130A4B2	1.000	10/27/17	.787	100.03273	1,000,327.34	999,870.00	- 457.34
1,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136FPTQ	2.200	10/27/17	.650	100.24005	1,002,400.53	1,002,100.00	- 300.53
15,000,000	UNITED STATES TREASURY NOTES	912828UA	.625	11/30/17	.814	99.95339	14,993,007.96	14,983,200.00	- 9,807.96
5,000,000	FEDERAL FARM CREDIT BANKS	3133EGDG	.850	12/06/17	.710	100.03642	5,001,820.99	4,999,400.00	- 2,420.99
7,000,000	GENERAL ELECTRIC COMPANY	369604BC	5.250	12/06/17	1.081	101.09348	7,076,543.39	7,051,870.00	- 24,673.39
14,505,000	TENNESSEE VALLEY AUTHORITY	880591CU	6.250	12/15/17	.965	101.51897	14,725,326.32	14,718,513.60	- 6,812.72
10,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADX	1.000	12/15/17	.711	100.08284	10,008,284.01	9,998,400.00	- 9,884.01
<b>109,485,561</b>							<b>109,777,347.66</b>	<b>109,719,108.58</b>	- <b>58,239.08</b>

====> 0013 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

24,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADN	.750	1/12/18	.904	99.94386	23,986,526.30	23,970,240.00	- 16,286.30
5,000,000	UNITED STATES TREASURY NOTES	912828P2	.750	1/31/18	.723	100.01107	5,000,553.72	4,992,400.00	- 8,153.72
15,000,000	PEFCO - CP	7426M3B8		2/08/18	1.328	99.41333	14,912,000.00	14,912,000.00	
20,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EADP	.875	3/07/18	.928	99.97277	19,994,553.42	19,970,400.00	- 24,153.42
13,585,000	FEDERAL HOME LOAN BANKS	313378A4	1.375	3/09/18	.966	100.21231	13,613,842.81	13,599,807.65	- 14,035.16
25,000,000	UNITED STATES TREASURY NOTES	912828J6	1.000	3/15/18	.899	100.05425	25,013,562.59	24,978,500.00	- 35,062.59
12,500,000	FEDERAL HOME LOAN BANKS	3130A7CX	.875	3/19/18	.822	100.02871	12,503,589.36	12,478,250.00	- 25,339.36
20,000,000	UNITED STATES TREASURY NOTES	912828Q4	.875	3/31/18	.746	100.07441	20,014,881.80	19,965,600.00	- 49,281.80
2,000,000	FEDERAL FARM CREDIT BANKS	3133EDHU	1.420	4/02/18	.820	100.34983	2,006,996.66	2,002,820.00	- 4,176.66
10,000,000	FEDERAL FARM CREDIT BANKS	3133EG3A	1.040	4/04/18	1.032	100.00454	10,000,454.18	9,994,600.00	- 5,854.18
1,000,000	FEDERAL HOME LOAN BANKS	3133807A	1.060	5/30/18	.850	100.15569	1,001,556.87	998,280.00	- 3,276.87
5,000,000	UNITED STATES TREASURY NOTES	912828VE	1.000	5/31/18	.719	100.20846	5,010,423.03	4,991,400.00	- 19,023.03

**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
100,000	SANDOVAL CNTY N MEX INCENTIVE PA	800051AW	1.952	6/01/18	1.460	100.36454	100,364.54	99,819.00	- 545.54
155,000	RUIDOSO N MEX GROSS RCPTS TAX RE	781336BB	2.000	6/01/18	1.100	100.66965	156,037.96	156,247.75	209.79
260,000	ARTESIA N MEX GROSS RCPTS TAX RE	043053BV	2.000	6/01/18	1.000	100.74458	261,935.90	262,342.60	406.70
250,000	UNIVERSITY N MEX UNIV REVS	9146922C	1.220	6/01/18	1.220	100.00000	250,000.00	248,887.50	- 1,112.50
1,000,000	FEDERAL HOME LOAN BANKS	313379DT	1.250	6/08/18	.832	100.31959	1,003,195.89	1,000,130.00	- 3,065.89
5,000,000	FEDERAL HOME LOAN BANKS	313379DT	1.250	6/08/18	.840	100.31332	5,015,665.83	5,000,650.00	- 15,015.83
1,000,000	UNIVERSITY N MEX UNIV REVS	914692W6	1.438	6/20/18	1.060	100.30074	1,003,007.37	999,450.00	- 3,557.37
185,000	ABQ NM GROSS RCPT LODGERS TAX RE	01354MFV	3.000	7/01/18	1.200	101.48695	187,750.86	186,890.70	- 860.16
1,500,000	FARMERS AND STOCKMENS BANK	8521060	.780	7/06/18	.780	100.00000	1,500,000.00	1,500,000.00	
1,300,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G0QW	1.350	7/11/18	.865	100.41482	1,305,392.62	1,300,858.00	- 4,534.62
5,000,000	PRIVATE EXPORT FUNDING CORP.	742651DS	1.875	7/15/18	.962	100.79049	5,039,524.36	5,024,550.00	- 14,974.36
1,000,000	FEDERAL FARM CREDIT BANKS	3133EAZX	1.060	7/24/18	.875	100.16475	1,001,647.48	998,520.00	- 3,127.48
7,500,000	FEDERAL HOME LOAN BANKS	3130A8U5	.830	7/25/18	.864	99.96911	7,497,683.43	7,473,675.00	- 24,008.43
5,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G9HJ	1.000	8/10/18	1.143	99.86604	4,993,302.18	4,986,700.00	- 6,602.18
120,000	HOBBS N MEX MUN SCH DIST NO 16	43385QAU	1.000	9/15/18	.950	100.05120	120,061.44	120,112.80	51.36
2,000,000	FEDERAL FARM CREDIT BANKS	3133ED2C	1.950	9/17/18	.905	101.08354	2,021,670.71	2,013,440.00	- 8,230.71
1,250,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3K7	1.200	9/24/18	.943	100.27173	1,253,396.63	1,248,862.50	- 4,534.13
10,000,000	UNITED STATES TREASURY NOTES	912828T4	.750	9/30/18	1.086	99.63999	9,963,998.60	9,944,900.00	- 19,098.60
785,000	JAL N MEX PUB SCH DIST NO 19	470143AS	2.000	10/01/18	.850	101.23716	794,711.74	793,077.65	- 1,634.09
5,000,000	FEDERAL HOME LOAN BANKS	3130A9AE	.875	10/01/18	.908	99.96458	4,998,228.81	4,979,000.00	- 19,228.81
2,500,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G4X2	1.050	10/30/18	.878	100.19836	2,504,959.00	2,491,600.00	- 13,359.00
15,000,000	UNITED STATES TREASURY NOTES	912828WD	1.250	10/31/18	.944	100.35246	15,052,869.38	14,997,150.00	- 55,719.38
20,000,000	UNITED STATES TREASURY NOTES	912828RT	1.375	11/30/18	1.300	100.09200	20,018,400.57	20,023,400.00	4,999.43
5,000,000	FREDDIE MAC	3134G9WB	1.000	12/28/18	1.000	100.00000	5,000,000.00	4,971,400.00	- 28,600.00
<b>243,990,000</b>							<b>244,102,746.04</b>	<b>243,675,961.15</b>	<b>- 426,784.89</b>

====> 0036 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2018 <====

5,000,000	UNITED STATES TREASURY NOTES	912828B3	1.500	1/31/19	1.092	100.57033	5,028,516.26	5,014,050.00	- 14,466.26
15,000,000	UNITED STATES TREASURY NOTES	912828C2	1.500	2/28/19	1.309	100.28228	15,042,341.56	15,042,150.00	- 191.56
10,000,000	FEDERAL HOME LOAN BANKS	3133782M	1.500	3/08/19	1.127	100.56061	10,056,061.32	10,021,600.00	- 34,461.32
20,000,000	UNITED STATES TREASURY NOTES	912828ST	1.250	4/30/19	1.332	99.86526	19,973,052.74	19,979,000.00	5,947.26
2,500,000	PEPSICO INC	713448DR	1.550	5/02/19	1.588	99.93655	2,498,413.76	2,502,175.00	3,761.24
2,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3YF	1.500	7/18/19	1.249	100.46498	2,009,299.51	1,999,620.00	- 9,679.51
20,000,000	UNITED STATES TREASURY NOTES	912828K2	1.375	7/31/19	1.345	100.05590	20,011,179.36	20,018,800.00	7,620.64
10,525,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G3K4	1.260	8/02/19	3.071	99.69261	10,492,647.34	10,482,373.75	- 10,273.59
7,500,000	FEDERAL HOME LOAN BANK	3130A8Y7	.875	8/05/19	.940	99.87600	7,490,699.78	7,425,825.00	- 64,874.78
25,000,000	FHLMC	3137EAEH	1.375	8/15/19	1.436	99.88339	24,970,848.59	24,982,750.00	11,901.41

**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
5,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G3A9	1.400	8/22/19	1.587	99.63726	4,981,862.77	4,995,850.00	13,987.23
5,000,000	FEDERAL HOME LOAN BANK	3130A9EP	1.000	9/26/19	1.029	99.94047	4,997,023.56	4,957,450.00	- 39,573.56
25,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313586RC		10/09/19	1.567	96.84249	24,210,623.11	24,117,250.00	- 93,373.11
5,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G4EL	1.125	10/11/19	1.257	99.98478	4,999,239.24	4,957,200.00	- 42,039.24
2,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G0T7	1.320	10/22/19	1.423	99.78215	1,995,643.00	1,993,300.00	- 2,343.00
1,500,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G2YA	1.400	11/26/19	1.400	100.00000	1,500,000.00	1,491,930.00	- 8,070.00
<b>161,025,000</b>							<b>160,257,451.90</b>	<b>159,981,323.75</b>	<b>- 276,128.15</b>

====> 0016 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2019 <====

5,000,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EAEE	1.500	1/17/20	1.502	99.99508	4,999,753.89	5,005,650.00	5,896.11
2,500,000	MICROSOFT CORP	594918BV	1.850	2/06/20	1.873	99.94493	2,498,623.24	2,515,275.00	16,651.76
10,000,000	FANNIE MAE	3135G0T2	1.500	2/28/20	1.517	99.95965	9,995,964.55	10,010,600.00	14,635.45
10,000,000	FEDERAL HOME LOAN BANKS	313378J7	1.875	3/13/20	1.066	102.01591	10,201,591.20	10,097,200.00	- 104,391.20
1,265,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G0E5	1.625	3/27/20	1.097	101.33423	1,281,877.97	1,270,060.00	- 11,817.97
1,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G4AC	1.250	3/27/20	1.560	99.22070	992,206.97	992,170.00	- 36.97
2,500,000	TOYOTA MOTOR CREDIT CORP	89236TDU	1.950	4/17/20	1.966	99.95865	2,498,966.35	2,511,375.00	12,408.65
1,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G12H	1.400	6/05/20	1.149	100.67936	1,006,793.63	998,300.00	- 8,493.63
30,000,000	UNITED STATES TREASURY NOTES	912828XU	1.500	6/15/20	1.485	100.00000	30,000,000.00	30,073,800.00	73,800.00
5,000,000	FEDERAL HOME LOAN BANKS	3130AANA	1.750	7/30/20	1.750	100.00000	5,000,000.00	5,003,050.00	3,050.00
10,000,000	UNITED STATES TREASURY NOTES	912828L3	1.375	8/31/20	1.518	99.58195	9,958,194.73	9,979,300.00	21,105.27
10,000,000	UNITED STATES TREASURY NOTES	912828N4	1.750	12/31/20	1.585	100.53231	10,053,231.23	10,078,100.00	24,868.77
<b>88,265,000</b>							<b>88,487,203.76</b>	<b>88,534,880.00</b>	<b>47,676.24</b>

====> 0012 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2020 <====

20,000,000	UNITED STATES TREASURY NOTES	912828Q3	1.250	3/31/21	1.636	98.66218	19,732,435.66	19,796,200.00	63,764.34
<b>20,000,000</b>							<b>19,732,435.66</b>	<b>19,796,200.00</b>	<b>63,764.34</b>

====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2021 <====

5,000,000	FEDERAL AGRICULTURAL MTG CO	3132X0WS	1.900	9/01/22	1.905	99.97500	4,998,750.00	4,998,750.00	
<b>5,000,000</b>							<b>4,998,750.00</b>	<b>4,998,750.00</b>	

**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
 Position holdings as of 8/31/17 (Trade)  
 BOOK VALUES AMORTIZED THROUGH 8/31/17

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET	
====> 0001 ITEMS IN SUBTOTAL FOR ==> FINAL-MATURITY.. ==> 2022 <===										
							<u>632,635,110</u>	<u>632,225,483.67</u>	<u>631,575,772.13</u>	<u>- 649,711.54</u>

====> 0081 ITEMS IN SUBTOTAL FOR ==> FUND NAME..... ==> BOND PROCEEDS INV POOL1 TAX EX <



## 11. Portfolio Summary - Taxable Bond Proceeds Investment Pool

## Portfolio Summary – Taxable Bond Proceeds Investment Pool

### *Summary*

- The Taxable Bond Proceeds Investment Pool closed the month of August at \$364mil vs. \$403.3mil at the end of July.
- The Pool received \$6.7mil in draw requests for capital spending during the month and paid out \$40.8mil for capital projects.

### *Portfolio Mix*

- 100% of the Taxable BPIP portfolio was invested in fixed income securities: 12% in US treasuries, 70% in US agency securities, 6% in commercial paper and corporate securities, 2% in NM municipal securities and the balance, approximately 10%, was held in cash equivalents and collateralized NM bank CDs.
- 48% of the portfolio was invested in securities that mature in one year, 34% in securities that mature from 1-2 years, 18% in securities that mature from 2-4 years and 0% in securities out to 5 years.
- The Taxable BPIP held positions in 59 securities.
- Weighted Average Life of the Taxable BPIP was 1.17 years. The Weighted Average duration was 1.12 years.
- The maximum security term for the Taxable BPIP portfolio is 5 years.

### *Investment Earnings*

- The unrealized gains in the Taxable BPIP were \$(471,741) as of August 31<sup>st</sup>.
- Monthly net earnings on the portfolio for August were \$350,553.
- FY2018 net earnings were roughly \$766,034.
- Earnings on the Bond Proceeds Investment Pool are used to offset capital and debt service spending.

### *Investment Highlights*

- The duration of the Taxable BPIP at the end of August was 1.12 years vs. the Benchmark at 1.40 years.
- Other than repo, there were no trades within the Taxable BPIP during the month.

### *Performance*

- Purchase Yield at the end of August was 1.15% relative to 1.11% at the end of the prior month.
- The Taxable BPIP returned 0.15% for the month of August and 0.33% for the three months ended August 31, 2017, vs. Index returns of 0.16% and 0.31% respectively. For the trailing 12 mos. the Pool returned 0.70% vs. 0.57% for the benchmark.

### *Investment Strategy*

- The option-adjusted duration of the Taxable BPIP portfolio is currently 1.06 yrs. vs. 1.40 yrs.
- Month to date, Capital project withdrawal requests have totaled \$5.3MM.
- The Taxable BPIP has maintained duration shorter than that of the benchmark in order to provide adequate liquidity for project withdrawals while minimizing overnight cash position.

**STATE OF NEW MEXICO**  
**BOND PROCEEDS INV POOL2 TAXABLE (4002)**  
Portfolio Classification Summary  
Positions Held as of 8/31/17 (TRADE Basis)

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	1.0240	.00270	23,085,624	23,085,624	23,085,624		6.360
CERTIFICATES OF DEPOSIT	4	1.1657	1.06012	7,700,000	7,700,000	7,700,000		2.121
LINKED-CERTIFICATE OF DEPOSIT	2	.9500	.36710	4,000,000	4,000,000	4,000,000		1.102
US TREASURY NOTE ACT/ACT 2X	5	.9877	.80062	42,500,000	42,598,136	42,508,150	-89,986	11.711
CORPORATE BONDS	1	1.9932	2.63010	2,500,000	2,498,966	2,511,375	12,409	.692
AGENCY US BOND 30/360 2X	16	.9517	.90069	97,000,000	97,365,372	97,117,260	-248,112	26.757
AGENCY 30/360 2X	3	1.4250	2.02657	32,500,000	32,517,677	32,504,475	-13,202	8.955
AGENCY US BOND 30/360 ZERO CPN	1	1.3811	2.10680	15,000,000	14,588,708	14,470,350	-118,358	3.987
AGENCY US NOTES 30/360 2X	11	1.2650	1.37820	80,830,000	80,949,946	80,889,269	-60,677	22.286
FED NATL MORTGAGE ASSN DEBS	1	.7590	.08220	3,665,000	3,665,000	3,641,691	-23,309	1.003
AGENCY US VARIABLE ACT/360 4X	1	1.2724	.35620	25,000,000	25,000,000	25,015,750	15,750	6.892
CORP US NOTE 30/360 2X	3	1.8236	2.77407	14,273,000	14,311,915	14,362,762	50,847	3.957
CORP US FLOAT ACT/360 4X	1	1.5163	.32880	3,000,000	3,003,553	3,005,070	1,517	.828
MUNI US 30/360 2X	7	1.2028	.92761	7,105,000	7,218,493	7,219,873	1,380	1.989
UNITS - INVESTMENT POOL 1	1			4,931,316	4,931,316	4,931,316		1.359
	<u>58</u>	<u>1.1528</u>	<u>1.12493</u>	<u>363,089,940</u>	<u>363,434,706</u>	<u>362,962,965</u>	<u>-471,741</u>	<u>100.000</u>



**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
4,931,316	UNITS - INVESTMENT POOL 1	UNITS001				1.00000	4,931,316.19	4,931,316.19	
<b>4,931,316</b>							<b>4,931,316.19</b>	<b>4,931,316.19</b>	

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

23,085,624	OVERNIGHT REPO	0901RP	1.010	9/01/17	1.010	100.00000	23,085,623.87	23,085,623.87	
500,000	FEDERAL HOME LOAN BANKS	313380EC	.750	9/08/17	.760	99.99976	499,998.79	499,975.00	- 23.79
5,000,000	FEDERAL HOME LOAN BANKS	313381B2	.750	12/08/17	.790	99.98884	4,999,441.87	4,995,150.00	- 4,291.87
2,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G1FU	1.000	12/19/17	.905	100.02783	2,000,556.64	1,999,800.00	- 756.64
10,000,000	UNITED STATES TREASURY NOTES	912828PN	2.750	12/31/17	1.124	100.53091	10,053,090.62	10,053,600.00	509.38
<b>40,585,624</b>							<b>40,638,711.79</b>	<b>40,634,148.87</b>	- 4,562.92

====> 0005 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

25,000,000	FEDERAL HOME LOAN BANK	3130A8Q6	.626	1/08/18	1.255	100.00000	25,000,000.00	25,015,750.00	15,750.00
2,000,000	WESTERN COMMERCE BANK	2013171	.950	1/12/18	.950	100.00000	2,000,000.00	2,000,000.00	
2,000,000	WESTERN COMMERCE BANK	2013172	.950	1/12/18	.950	100.00000	2,000,000.00	2,000,000.00	
5,000,000	FEDERAL HOME LOAN BANKS	3130A8RY	.750	1/19/18	.812	99.97590	4,998,794.93	4,994,650.00	- 4,144.93
3,000,000	U.S. BANK NATIONAL ASSOCIATION	90331HMV	1.467	1/29/18	1.495	100.11842	3,003,552.55	3,005,070.00	1,517.45
1,000,000	FINANCING CORPORATION	317705AD	9.400	2/08/18	1.052	103.62146	1,036,214.55	1,036,670.00	455.45
7,500,000	UNITED STATES TREASURY NOTES	912828J6	1.000	3/15/18	1.006	99.99673	7,499,754.83	7,493,550.00	- 6,204.83
12,500,000	FEDERAL HOME LOAN BANKS	3130A7CX	.875	3/19/18	.822	100.02871	12,503,589.36	12,478,250.00	- 25,339.36
10,000,000	FNMA	3135G0J6	.875	3/28/18	.973	99.94382	9,994,381.77	9,983,500.00	- 10,881.77
5,000,000	UNITED STATES TREASURY NOTES	912828VE	1.000	5/31/18	.719	100.20846	5,010,423.03	4,991,400.00	- 19,023.03
3,455,000	NEW MEXICO FIN AUTH REV	64711NM2	4.000	6/01/18	1.270	102.02944	3,525,117.26	3,536,987.15	11,869.89
5,000,000	FEDERAL HOME LOAN BANKS	313379DT	1.250	6/08/18	.840	100.31332	5,015,665.83	5,000,650.00	- 15,015.83
500,000	FEDERAL FARM CREDIT BANKS	3133EEZ2	1.160	6/18/18	.912	100.19590	500,979.49	500,180.00	- 799.49
7,750,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G32U	.875	6/26/18	.874	100.00067	7,750,051.71	7,728,920.00	- 21,131.71
1,100,000	WESTERN BANK ALAMOGORDO	81186499	1.260	6/30/18	1.260	100.00000	1,100,000.00	1,100,000.00	
1,950,000	NEW MEXICO ST SEVERANCE TAX	647310X8	2.000	7/01/18	1.100	100.74355	1,964,499.23	1,958,268.00	- 6,231.23
290,000	ALBUQUERQUE N MEX ARPT REV	013538HB	5.110	7/01/18	1.535	102.94667	298,545.35	296,217.60	- 2,327.75
5,000,000	FEDERAL HOME LOAN BANKS	3130A8KR	.820	7/06/18	.884	99.94578	4,997,288.91	4,984,850.00	- 12,438.91
2,600,000	WESTERN BANK CLOVIS	159850	.900	7/13/18	.900	100.00000	2,600,000.00	2,600,000.00	
275,000	LOS LUNAS N MEX SCH DIST NO 1	545562RX	2.000	7/15/18	1.020	100.84805	277,332.13	277,554.75	222.62
15,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0E3	1.125	7/20/18	1.205	99.92945	14,989,417.02	14,983,800.00	- 5,617.02

**STATE OF NEW MEXICO**  
**TREASURERS OFFICE**  
**Position holdings as of 8/31/17 (Trade)**  
**BOOK VALUES AMORTIZED THROUGH 8/31/17**

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
2,500,000	WESTERN BANK ALAMOGORDO	81187124	1.260	7/23/18	1.260	100.00000	2,500,000.00	2,500,000.00	
7,500,000	FEDERAL HOME LOAN BANKS	3130A8U5	.830	7/25/18	.864	99.96911	7,497,683.43	7,473,675.00	- 24,008.43
3,800,000	FNMA	3136G3YU	.850	7/26/18	.850	100.00000	3,800,000.00	3,783,318.00	- 16,682.00
285,000	CITY OF BELEN N MEX GO BDS	077563DT	2.000	8/01/18	.950	100.95548	287,723.12	288,095.10	371.98
25,000,000	FEDERAL HOME LOAN BANKS	313375K4	2.000	9/14/18	.989	101.03919	25,259,796.55	25,189,750.00	- 70,046.55
5,000,000	FEDERAL FARM CREDIT BANKS	3133EGUY	.875	9/20/18	.931	99.94106	4,997,053.10	4,975,050.00	- 22,003.10
5,000,000	UNITED STATES TREASURY NOTES	912828T4	.750	9/30/18	1.086	99.63999	4,981,999.31	4,972,450.00	- 9,549.31
5,000,000	FEDERAL HOME LOAN BANKS	3130A9AE	.875	10/01/18	.908	99.96458	4,998,228.81	4,979,000.00	- 19,228.81
10,000,000	FEDERAL FARM CREDIT BANKS	3133EFX6	.960	10/05/18	.846	100.12365	10,012,364.83	9,963,700.00	- 48,664.83
5,000,000	FREDDIE MAC	3137EAED	.875	10/12/18	.896	99.97662	4,998,830.78	4,976,850.00	- 21,980.78
3,000,000	TENNESSEE VALLEY AUTHORITY	880591EQ	1.750	10/15/18	1.334	100.46101	3,013,830.15	3,014,700.00	869.85
15,000,000	UNITED STATES TREASURY NOTES	912828WD	1.250	10/31/18	.944	100.35246	15,052,869.38	14,997,150.00	- 55,719.38
5,000,000	FEDERAL HOME LOAN BANKS	313376BR	1.750	12/14/18	1.208	100.68885	5,034,442.33	5,026,350.00	- 8,092.33
<b>208,005,000</b>							<b>208,500,429.74</b>	<b>208,106,355.60</b>	<b>- 394,074.14</b>

====> 0034 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2018 <====

2,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G2EH	1.375	2/27/19	1.375	100.00000	2,000,000.00	2,002,140.00	2,140.00
2,500,000	PEPSICO INC	713448DR	1.550	5/02/19	1.588	99.93655	2,498,413.76	2,502,175.00	3,761.24
1,500,000	FARMERS & STOCKMENS BANK	07052017	1.400	7/05/19	1.400	100.00000	1,500,000.00	1,500,000.00	
315,000	BELEN N MEX CONS SCH DIST NO 2	077581QE	2.000	8/01/19	1.050	101.79714	320,660.98	319,725.00	- 935.98
535,000	BELEN N MEX CONS SCH DIST NO 2	077581QT	2.000	8/01/19	1.050	101.79714	544,614.69	543,025.00	- 1,589.69
7,500,000	FEDERAL HOME LOAN BANK	3130A8Y7	.875	8/05/19	.940	99.87600	7,490,699.78	7,425,825.00	- 64,874.78
20,000,000	FANNIE MAE	3135G0ZG	1.750	9/12/19	1.658	100.18317	20,036,633.65	20,122,600.00	85,966.35
2,000,000	FEDERAL HOME LOAN BANKS	3130A4G8	1.650	9/24/19	1.650	100.00000	2,000,000.00	2,004,660.00	4,660.00
15,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	313586RC		10/09/19	1.362	97.25805	14,588,708.23	14,470,350.00	- 118,358.23
5,000,000	FANNIE MAE	3135G0R3	1.000	10/24/19	1.091	99.80685	4,990,342.58	4,956,050.00	- 34,292.58
20,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3135G0ZY	1.750	11/26/19	1.727	100.05019	20,010,038.85	20,147,400.00	137,361.15
5,000,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136G3TF	1.200	12/30/19	1.200	100.00000	5,000,000.00	4,947,050.00	- 52,950.00
<b>81,350,000</b>							<b>80,980,112.52</b>	<b>80,941,000.00</b>	<b>- 39,112.52</b>

====> 0012 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2019 <====

5,200,000	FEDERAL NATIONAL MORTGAGE ASSOCI	3136FTB7	2.000	2/07/20	.984	102.43596	5,326,669.85	5,252,884.00	- 73,785.85
2,500,000	TOYOTA MOTOR CREDIT CORP	89236TDU	1.950	4/17/20	1.966	99.95865	2,498,966.35	2,511,375.00	12,408.65

# STATE OF NEW MEXICO

## TREASURERS OFFICE

Position holdings as of 8/31/17 (Trade)  
BOOK VALUES AMORTIZED THROUGH 8/31/17

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
2,500,000	APPLE INC.	037833CS	1.800	5/11/20	1.835	99.90718	2,497,679.49	2,508,025.00	10,345.51
5,080,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134GBVN	1.650	7/10/20	1.650	100.00000	5,080,000.00	5,083,606.80	3,606.80
9,273,000	MICROSOFT CORPORATION	594918BG	2.000	11/03/20	1.845	100.46178	9,315,821.14	9,352,562.34	36,741.20
<hr/>							<b>24,719,136.83</b>	<b>24,708,453.14</b>	<b>- 10,683.69</b>
====> 0005 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2020 <====									
3,665,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G9D8	.750	6/30/21	.749	100.00000	3,665,000.00	3,641,690.60	- 23,309.40
<hr/>							<b>3,665,000.00</b>	<b>3,641,690.60</b>	<b>- 23,309.40</b>
====> 0001 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2021 <====									
<hr/>							<b>363,089,940</b>	<b>363,434,707.07</b>	<b>362,962,964.40 - 471,742.67</b>
====> 0058 ITEMS IN SUBTOTAL FOR ====> FUND NAME..... ====> BOND PROCEEDS INV POOL2 TAXABLE<									



## 12. Portfolio Summary- Severance Tax Bonding Fund

## **Portfolio Summary – Severance Tax Bonding Fund**

### *Summary*

- The Severance Tax Bonding Fund closed the month of August at \$80MM.
- The Severance Tax Bonding Fund net earnings were \$52,689 for August.

### *Portfolio Mix*

- The Severance Tax Bonding Fund is primarily invested in the overnight repurchase agreement pool, short US Treasury and Agency securities, and high quality commercial paper.
- 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.
  - On June 30<sup>th</sup> and December 30<sup>th</sup>, the STBF transfers available balances, in excess of debt service needs, to the Severance Tax Permanent Fund.
- Severance Taxes are remitted to the Treasury on a monthly basis and are ranging between \$25MM and \$35MM per month.
  - The STB Fund received \$31MM in August.

### *Investment Strategy*

- Due to its short-term nature, investments of three to six month maturities are viable investments for the STBF pool.
- The STB Fund received \$27MM in September from Severance Taxes.

**STATE OF NEW MEXICO**  
**STB FUND (4001)**  
**Portfolio Classification Summary**  
**Positions Held as of 8/31/17 (TRADE Basis)**

AMTZ ADDED: NO

ASSET CLASSIFICATION	ITEMS	YIELD	AVG-TERM	PRINCIPAL	COST-BASIS	MARKET-VALUE	GAIN/LOSS	%MARKET
REPURCHASE AGREEMENTS (O/N)	1	1.0240	.00270	8,844,217	8,844,217	8,844,217		11.077
COMMERCIAL PAPER-DISCOUNT BASED	7	1.2549	.28008	11,400,000	11,360,307	11,360,307		14.228
U.S. TREASURY BILLS	2	1.0808	.14211	42,500,000	42,436,256	42,435,625	-631	53.147
AGENCY US BOND 30/360 2X	1	1.1319	.21370	1,360,000	1,371,078	1,371,070	-8	1.717
AGENCY US DISC ACT/360 360 DAY	2	1.0578	.28919	13,100,000	13,060,431	13,060,574	143	16.357
AGENCY US BOND 30/360 ZERO CPN	1	1.0999	.20820	3,378,000	3,370,484	3,369,454	-1,030	4.220
AGENCY US NOTES 30/360 2X	2	1.1340	.21370	2,700,000	2,709,307	2,709,108	-199	3.393
UNITS - INVESTMENT POOL 1	1			2,303	2,303	2,303		.003
CASH ACCOUNT	2			-3,306,797	-3,306,797	-3,306,797		-4.141
	<u>19</u>	<u>1.1437</u>	<u>.17549</u>	<u>79,977,723</u>	<u>79,847,586</u>	<u>79,845,861</u>	<u>-1,725</u>	<u>100.000</u>

# STATE OF NEW MEXICO

## TREASURERS OFFICE

Position holdings as of 8/31/17 (Trade)

BOOK VALUES AMORTIZED THROUGH 8/31/17

POSITION-SIZE	DESCRIPTION	SEC-ID	RATE	MATURITY	YIELD	BOOK PRICE	BOOK VALUE	MARKET VALUE	MARK-TO-MARKET
2,303	UNITS - INVESTMENT POOL 1	UNITS001				1.00018	2,303.42	2,303.42	
<b>2,303</b>							<b>2,303.42</b>	<b>2,303.42</b>	

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

8,844,217	OVERNIGHT REPO	0901RP	1.010	9/01/17	1.010	100.00000	8,844,217.23	8,844,217.23	
25,000,000	UNITED STATES TREASURY BILLS	912796LY		10/19/17	1.083	99.85600	24,964,000.00	24,962,750.00	- 1,250.00
17,500,000	UNITED STATES TREASURY BILLS	912796LZ		10/26/17	1.042	99.84147	17,472,256.38	17,472,875.00	618.62
3,378,000	FEDERAL NATIONAL MORTGAGE ASSOCI	31358C7N		11/15/17	1.085	99.77750	3,370,483.95	3,369,453.66	- 1,030.29
1,600,000	GE CAPITAL TREASURY LLC	36164JYH		11/17/17	1.225	99.73906	1,595,824.89	1,595,824.89	
1,200,000	FEDERAL HOME LOAN MORTGAGE CORPO	3137EABA	5.125	11/17/17	1.098	100.84476	1,210,137.06	1,210,128.00	- 9.06
1,360,000	FEDERAL HOME LOAN BANKS	3133XM08	5.000	11/17/17	1.116	100.81455	1,371,077.87	1,371,070.40	- 7.47
1,500,000	FEDERAL HOME LOAN MORTGAGE CORPO	3134G9CG	.875	11/17/17	1.135	99.94464	1,499,169.57	1,498,980.00	- 189.57
3,000,000	US BANK NAT'L ASSOC	9033A0YQ		11/24/17	1.173	99.72700	2,991,810.00	2,991,810.00	
3,100,000	FEDERAL HOME LOAN BANKS	313385PU		11/27/17	1.043	99.74867	3,092,208.66	3,092,374.00	165.34
10,000,000	FEDERAL HOME LOAN BANKS	313385QT		12/20/17	1.043	99.68222	9,968,222.23	9,968,200.00	- 22.23
1,600,000	PEFCO	7426M2ZN		12/22/17	1.267	99.60767	1,593,722.74	1,593,722.74	
1,200,000	TOYCC CP	89233GZN		12/22/17	1.255	99.61111	1,195,333.33	1,195,333.33	
1,600,000	TOYOTA MOTOR CREDIT CORP	89233GZS		12/26/17	1.318	99.57789	1,593,246.22	1,593,246.22	
1,200,000	GE CAPITAL TREASURY LLC	36164JZS		12/26/17	1.265	99.59400	1,195,128.00	1,195,128.00	
1,200,000	PEFCO - CP	7426M2ZT		12/27/17	1.225	99.60350	1,195,242.00	1,195,242.00	
<b>83,282,217</b>							<b>83,152,080.13</b>	<b>83,150,355.47</b>	<b>- 1,724.66</b>

====> 0016 ITEMS IN SUBTOTAL FOR ====> FINAL-MATURITY.. ====> 2017 <====

<b>83,284,520</b>							<b>83,154,383.55</b>	<b>83,152,658.89</b>	<b>- 1,724.66</b>
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====> 0017 ITEMS IN SUBTOTAL FOR ====> FUND NAME..... ====> STB FUND <====



## 13. Broker Dealer Activities



New Mexico State Treasurer's  
Executive Summary of Investment Activity  
Summary of Broker Participation  
Purchases and Sales By Broker, Market & Security Type  
All Funds  
2017-2018

Volume at Par (\$ in thousands)

Broker/Dealer:	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD Total	YTD Percent
Academy Securities													-	0.0%
Barclays	170,000	48,000											218,000	13.4%
BB and T (Scott & Stringfellow)		42,183											42,183	2.6%
BMO Capital Markets													-	0.0%
BNP Paribas													-	0.0%
BOSC, Inc	2,675	5,000											7,675	0.5%
Cantor, Fitzgerald													-	0.0%
CastleOak Securities LP	37,788	20,000											57,788	3.6%
Citigroup													-	0.0%
Daiwa Capital Markets America	4,167	7,286											11,453	0.7%
Deutsche Bank	50,000	26,677											76,677	4.7%
Drexel Hamilton LLC													-	0.0%
First Southwest													-	0.0%
FTN Financial													-	0.0%
George K Baum & Co													-	0.0%
Guggenheim Securities LLC		25,000											25,000	1.5%
HSBC	30,000	20,000											50,000	3.1%
Intl FCStone	18,000	10,525											28,525	1.8%
Jefferies	69,400	36,100											105,500	6.5%
JP Morgan & Co													-	0.0%
KeyBanc Capital Markets		20,000											20,000	1.2%
Loop Capital Markets	93,000												93,000	5.7%
MBS (Multi-Bank Securities)													-	0.0%
MFR Securities													-	0.0%
Mizuho Securities USA	45,000	26,600											71,600	4.4%
Morgan Stanley	29,163	46,000											75,163	4.6%
Mutual Securities nInc.													-	0.0%
Raymond, James & Associates													-	0.0%
RBS Securities		5,000											5,000	0.3%
Robert W. Baird & Co.		2,620											2,620	0.2%
Samuel A Ramirez & Co.		61,750											61,750	3.8%
Societe General Americas													-	0.0%
Southwest Securities/Hilltop													-	0.0%
Stifel Nicklaus & Co													-	0.0%
TD Securities	71,000	128,300											199,300	12.3%
UBS Financial Services	27,790												27,790	1.7%
Vining Sparks		650											650	0.0%
Wedbush Securities													-	0.0%
Wells Fargo Securities	68,400	61,290											129,690	8.0%
Williams Capital Group													77,800	
Direct Purchase	126,200	112,300											238,500	14.7%
Interfund													-	0.0%
<b>Total</b>	<b>842,583</b>	<b>783,081</b>	-	-	-	-	-	-	-	-	-	-	<b>1,625,664</b>	<b>95.2%</b>

Market type:	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	YTD Total	YTD %
-														
Primary Market	126,200	248,400											374,600	23.0%
Secondary Market	716,383	534,681											1,251,064	77.0%
<b>Total</b>	<b>842,583</b>	<b>783,081</b>	-	-	-	-	-	-	-	-	-	-	<b>1,625,664</b>	<b>100.0%</b>

Security type:	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	YTD Total	YTD %
- 2														
ABS													-	0.0%
Agencies	493,383	442,331											935,714	57.6%
Certificates of Deposit/Bank MMDA	4,000												4,000	0.2%
Commercial Paper	118,200	130,100											248,300	15.3%
Corporate Bonds													-	0.0%
MBS													-	0.0%
Municipal/Sponge	4,000	650											4,650	0.3%
Treasuries	223,000	210,000											433,000	26.6%
<b>Total</b>	<b>842,583</b>	<b>783,081</b>	-	-	-	-	-	-	-	-	-	-	<b>1,625,664</b>	<b>100.0%</b>

**STATE OF NEW MEXICO**  
**Summary of Fixed-Income Purchases and Sales**  
**TRADES During The Period 8/01/17 Through 8/31/17**

TXN-DATE	CUSIP#	ASSET-TYPE	INVST#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
<b>PURCHASE TRANSACTIONS</b>													
8/02/17	7426M2ZN	COMMERCIAL PAPE	28429	PEFCO		12/22/17	1.2674	WILLIAMS CAPITA	4001	1,600,000.00	1,592,041.33		
8/07/17	89233GWS	COMMERCIAL PAPE	28461	TOYOTA MOTOR CREDIT		9/26/17	1.1719	ISSUER DIRECT	4000	15,000,000.00	14,976,112.50		
8/08/17	36960LW8	COMMERCIAL PAPE	28471	GECO - CP		9/08/17	1.1210	ISSUER DIRECT	1000	25,000,000.00	24,976,666.67		
8/11/17	89233GWD	COMMERCIAL PAPE	28504	TOYOTA MOTOR CREDIT COR		9/13/17	1.1411	ISSUER DIRECT	1000	25,000,000.00	24,976,250.00		
8/11/17	89233HB9	COMMERCIAL PAPE	28505	TOYOTA MOTOR CREDIT COR		2/09/18	1.3794	ISSUER DIRECT	1001	20,000,000.00	19,863,761.11		
8/16/17	36164KBD	COMMERCIAL PAPE	28530	GE CAPITAL US HOLDING I		2/13/18	1.3389	SYSTEM - UNIDEN	1001	20,000,000.00	19,867,000.00		
8/17/17	7426M3B8	COMMERCIAL PAPE	28538	PEFCO - CP		2/08/18	1.3285	WILLIAMS CAPITA	4000	15,000,000.00	14,904,300.00		
8/23/17	36164JZS	COMMERCIAL PAPE	28573	GE CAPITAL TREASURY LLC		12/26/17	1.2655	ISSUER DIRECT	4001	1,200,000.00	1,194,792.00		
8/25/17	7426M2ZT	COMMERCIAL PAPE	28588	PEFCO - CP		12/27/17	1.2250	WILLIAMS CAPITA	4001	1,200,000.00	1,195,079.33		
8/25/17	9033A0YQ	COMMERCIAL PAPE	28592	US BANK NAT'L ASSOC		11/24/17	1.1734	ISSUER DIRECT	1000	700,000.00	697,998.00		
8/25/17	9033A0YQ	COMMERCIAL PAPE	28590	US BANK NAT'L ASSOC		11/24/17	1.1734	ISSUER DIRECT	4001	3,000,000.00	2,991,420.00		
8/28/17	89233GZN	COMMERCIAL PAPE	28603	TOYCC CP		12/22/17	1.2550	ISSUER DIRECT	4001	1,200,000.00	1,195,208.33		
8/01/17	912796KR	U.S. TREASURY B	28408	UNITED STATES TREASURY		10/12/17	1.1094	MIZUHO SECURITI	4101	20,000,000.00	19,956,335.00		
8/09/17	912796LW	U.S. TREASURY B	28473	UNITED STATES TREASURY		10/05/17	1.0678	GUGGENHEIM SECU	4101	25,000,000.00	24,957,804.17		
8/16/17	912796LW	U.S. TREASURY B	28473	UNITED STATES TREASURY		10/05/17	1.0671	RBS	4101	5,000,000.00	4,992,600.69		
8/01/17	9128282K	US TREASURY NOT	28410	UNITED STATES TREASURY	1.375	7/31/19	1.3451	HSSBC	4000	20,000,000.00	20,011,718.75		
8/01/17	912828C2	US TREASURY NOT	28415	UNITED STATES TREASURY	1.500	2/28/19	1.3090	TD SECURITIES	4000	15,000,000.00	15,044,531.25		
8/01/17	912828L3	US TREASURY NOT	28411	UNITED STATES TREASURY	1.375	8/31/20	1.5182	BARCLAYS	4000	10,000,000.00	9,957,031.25		
8/01/17	912828N4	US TREASURY NOT	28413	UNITED STATES TREASURY	1.750	12/31/20	1.5850	BARCLAYS	4000	10,000,000.00	10,054,687.50		
8/01/17	912828Q3	US TREASURY NOT	28414	UNITED STATES TREASURY	1.250	3/31/21	1.6271	MORGAN STANLEY	4000	10,000,000.00	9,866,406.25		
8/01/17	912828ST	US TREASURY NOT	28412	UNITED STATES TREASURY	1.250	4/30/19	1.3319	TD SECURITIES	4000	20,000,000.00	19,971,875.00		
8/02/17	912828T3	US TREASURY NOT	28427	UNITED STATES TREASURY	1.125	9/30/21	1.7245	DEUTSCHE BANK S	1001	10,000,000.00	9,760,156.25		
8/03/17	912828U8	US TREASURY NOT	28439	UNITED STATES TREASURY	2.000	12/31/21	1.7304	MORGAN STANLEY	1001	10,000,000.00	10,114,062.50		
8/04/17	912828Q3	US TREASURY NOT	28414	UNITED STATES TREASURY	1.250	3/31/21	1.6363	MORGAN STANLEY	4000	10,000,000.00	9,863,671.88		
8/04/17	912828RT	US TREASURY NOT	28451	UNITED STATES TREASURY	1.375	11/30/18	1.2999	JEFFRIES & CO	4000	20,000,000.00	20,019,531.25		
8/07/17	912828XU	US TREASURY NOT	28280	UNITED STATES TREASURY	1.500	6/15/20	1.4846	WELLS FARGO SEC	4000	20,000,000.00	20,008,593.75		
8/08/17	912828TM	US TREASURY NOT	27573	UNITED STATES TREASURY	.625	8/31/17	1.0222	CASTLEOAK SECUR	4101	5,000,000.00	4,998,859.20		
8/08/17	3134GBB9	AGENCY US FLOAT	28472	FEDERAL HOME LOAN MORTG	1.149	2/14/19	1.1489	CASTLEOAK SECUR	4101	15,000,000.00	15,000,000.00		
8/02/17	3130A6G6	AGENCY US BOND	28426	FEDERAL HOME LOAN BANKS	.840	9/08/17	1.0800	WELLS FARGO SEC	4101	9,000,000.00	8,997,870.24		
8/04/17	3130A6SW	AGENCY US BOND	27768	FEDERAL HOME LOAN BANKS	1.000	12/19/17	1.0964	WELLS FARGO SEC	4101	3,250,000.00	3,248,838.91		
8/04/17	3133XMQ8	AGENCY US BOND	28441	FEDERAL HOME LOAN BANKS	5.000	11/17/17	1.1016	WELLS FARGO SEC	4101	1,040,000.00	1,051,192.44		
8/28/17	3133XMQ8	AGENCY US BOND	28602	FEDERAL HOME LOAN BANKS	5.000	11/17/17	1.1164	DEUTSCHE BANK S	4001	1,360,000.00	1,371,369.60		
8/31/17	313371N2	AGENCY US BOND	28622	FEDERAL HOME LOAN BANKS	2.125	12/08/17	1.1250	BOSC, INC	4101	1,000,000.00	1,002,671.50		
8/01/17	880590KL	AGENCY US DISC	28409	TENNESSEE VALLEY AUTHOR		8/15/17	1.0024	TD SECURITIES	4101	43,300,000.00	43,284,332.62		
8/02/17	313589LP	AGENCY US DISC	28386	FEDERAL NATIONAL MORTGA		9/11/17	1.0060	DEUTSCHE BANK S	1000	15,317,000.00	15,300,324.38		
8/04/17	313385KC	AGENCY US DISC	28450	FEDERAL HOME LOAN BANKS		8/07/17	.9701	WILLIAMS CAPITA	4101	25,000,000.00	24,997,979.17		
8/07/17	313385KF	AGENCY US DISC	28452	FEDERAL HOME LOAN BANKS		8/10/17	.9801	WILLIAMS CAPITA	4101	25,000,000.00	24,997,958.33		
8/08/17	880590KT	AGENCY US DISC	28463	TENNESSEE VALLEY AUTHOR		8/22/17	.9974	TD SECURITIES	4101	50,000,000.00	49,980,613.89		

**STATE OF NEW MEXICO**  
**Summary of Fixed-Income Purchases and Sales**  
**TRADES During The Period 8/01/17 Through 8/31/17**

TXN-DATE	CUSIP#	ASSET-TYPE	INVST#	ISSUE-NAME	RATE	MATURITY	YIELD	BRKR/DLR/AGENT	FUND	PAR-VALUE	COST/PROCEEDS	GAIN/LOSS	NXT-CALL
8/09/17	313589NK	AGENCY US DISC	28474	FEDERAL NATIONAL MORTGA		10/25/17	1.0373	MIZUHO SECURITI	4101	6,600,000.00	6,585,389.25		
8/10/17	313385LJ	AGENCY US DISC	28485	FEDERAL HOME LOAN BANKS		9/06/17	1.0057	WELLS FARGO SEC	1000	28,000,000.00	27,979,676.67		
8/11/17	313313ZZ	AGENCY US DISC	28496	FEDERAL FARM CREDIT BAN		7/30/18	1.2553	MORGAN STANLEY	4101	6,000,000.00	5,927,046.67		
8/11/17	313385LL	AGENCY US DISC	28503	FEDERAL HOME LOAN BANKS		9/08/17	1.0057	BARCLAYS	1000	28,000,000.00	27,980,458.33		
8/11/17	313385ZV	AGENCY US DISC	28506	FEDERAL HOME LOAN BANKS	4.960	7/26/18	1.2550	JEFFRIES & CO	4101	10,000,000.00	9,880,822.22		
8/21/17	313589MV	AGENCY US DISC	28547	FEDERAL NATIONAL MORTGA		10/11/17	1.0014	DAIWA CAPITAL M	4101	7,286,000.00	7,275,678.17		
8/25/17	313385PU	AGENCY US DISC	28589	FEDERAL HOME LOAN BANKS		11/27/17	1.0427	JEFFRIES & CO	4001	3,100,000.00	3,091,850.44		
8/25/17	313385QT	AGENCY US DISC	28591	FEDERAL HOME LOAN BANKS		12/20/17	1.0434	WILLIAMS CAPITA	4001	10,000,000.00	9,967,066.67		
8/28/17	313397SP	AGENCY US DISC	28594	FEDERAL HOME LOAN MORTG		2/02/18	1.0750	RAMIREZ & CO, I	4101	20,000,000.00	19,906,077.78		
8/30/17	313385SC	AGENCY US DISC	28613	FEDERAL HOME LOAN BANKS		1/22/18	1.0847	RAMIREZ & CO, I	4101	20,000,000.00	19,913,000.00		
8/08/17	3137EAEH	AGENCY 30/360 2	28309	FHLMC	1.375	8/15/19	1.4356	KEYBANC CAPITAL	4000	20,000,000.00	19,976,000.00		
8/15/17	313586RC	AGENCY US BOND	23818	FEDERAL NATIONAL MORTGA		10/09/19	1.7673	MORGAN STANLEY	1001	10,000,000.00	9,634,400.00		
8/31/17	31358C7N	AGENCY US BOND	28631	FEDERAL NATIONAL MORTGA		11/15/17	1.0848	BB&T CAPITAL MA	4001	3,378,000.00	3,370,483.95		
8/04/17	3136G4AC	AGENCY US NOTES	28443	FEDERAL NATIONAL MORTGA	1.250	3/27/20	1.5601	BOSC, INC	4000	1,000,000.00	992,011.13		
8/07/17	3134G8VQ	AGENCY US NOTES	28462	FEDERAL HOME LOAN MORTG	.810	10/04/17	1.0903	BB&T CAPITAL MA	4101	12,610,000.00	12,604,451.60		
8/10/17	3136G3K4	AGENCY US NOTES	28492	FEDERAL NATIONAL MORTGA	1.260	8/02/19	3.0707	INTL FCSTONE PA	4000	10,525,000.00	10,482,163.25		11/02/17
8/17/17	3136G0T7	AGENCY US NOTES	28539	FEDERAL NATIONAL MORTGA	1.320	10/22/19	1.4234	BB&T CAPITAL MA	4000	2,000,000.00	1,995,580.00		
8/22/17	3132X0WS	AGENCY US NOTES	28564	FEDERAL AGRICULTURAL MT	1.900	9/01/22	1.9053	RAMIREZ & CO, I	1001	10,000,000.00	9,997,500.00		
8/22/17	3132X0WS	AGENCY US NOTES	28565	FEDERAL AGRICULTURAL MT	1.900	9/01/22	1.9053	RAMIREZ & CO, I	4000	5,000,000.00	4,998,750.00		
8/28/17	3134G9CG	AGENCY US NOTES	28604	FEDERAL HOME LOAN MORTG	.875	11/17/17	1.1350	BOSC, INC	4001	1,500,000.00	1,499,147.95		
8/28/17	3137EABA	AGENCY US NOTES	28601	FEDERAL HOME LOAN MORTG	5.125	11/17/17	1.0980	DEUTSCHE BANK S	4001	1,200,000.00	1,210,404.00		
8/31/17	3134G3M3	AGENCY US NOTES	28632	FEDERAL HOME LOAN MORTG	1.000	9/27/17	1.0509	BB&T CAPITAL MA	4101	1,000,000.00	999,960.00		
8/31/17	3134G8VP	AGENCY US NOTES	28633	FEDERAL HOME LOAN MORTG	.830	11/06/17	1.0878	BB&T CAPITAL MA	4101	23,195,000.00	23,184,771.01		
8/31/17	3135G0TG	AGENCY US NOTES	28623	FEDERAL NATIONAL MORTGA	.875	2/08/18	1.1250	BOSC, INC	4101	1,500,000.00	1,498,368.47		
8/02/17	3130AA5F	FED NATL MORTGA	28428	FEDERAL HOME LOAN BANKS	1.000	12/16/21	2.0413	RAMIREZ & CO, I	1001	6,750,000.00	6,741,562.50		9/16/17
8/09/17	3134GBWE	FED NATL MORTGA	28483	FEDERAL HOME LOAN MORTG	1.500	6/29/21	1.8229	ROBERT W BAIRD	1001	2,620,000.00	2,616,725.00		12/29/17
8/14/17	64711NA7	MUNI US 30/360	28508	NEW MEXICO FIN AUTH REV	5.000	6/15/20	1.8303	VINING SPARKS	1001	650,000.00	706,511.00		
<b>65 PURCHASES DURING PERIOD TOTAL.....</b>										<b>780,081,000.00</b>	<b>778,257,501.10</b>		
<b><u>SALE TRANSACTIONS</u></b>													
8/07/17	3130A62S	AGENCY US NOTES	28367	FEDERAL HOME LOAN BANKS	.750	8/28/17		JEFFRIES & CO	4101	3,000,000.00	2,999,505.00	131.40	
<b>1 SALES DURING PERIOD TOTAL.....</b>										<b>3,000,000.00</b>	<b>2,999,505.00</b>	<b>131.40</b>	
<b>=== GRAND-TOTAL ==&gt;</b>										<b>783,081,000.00</b>	<b>781,257,006.10</b>	<b>131.40</b>	

\*\*\* END-OF-REPORT \*\*\*



## 14. Credit Investing

APPROVED MEDIUM TERM NOTE/CORPORATE BOND ISSUERS

August 2017

	Mkt Cap	Rating/Credit Outlook						Comments:			
Issuer	(Bil)	Moody's		S&P		Fitch					
3M CO	\$93.55	A1	STABLE	AA-	STABLE	NR	NR				
APPLE INC	\$637.82	Aa1	STABLE	AA+	STABLE	NR	NR				
BERKSHIRE HATHWAY	\$327.10	Aa2	STABLE	AA	STABLE	A+	STABLE				
CHEVRON CORP	\$166.80	Aa2	STABLE	AA-	NEG	NR	NR				
COCA-COLA CO	\$181.26	Aa3	STABLE	AA-	NEG	A+	NEG				
COLGATE-PALM CO	\$59.47	Aa3	STABLE	AA-	STABLE	NR	NR				
EXXON MOBIL CORP	\$330.64	Aaa	STABLE	AA+	NEG	NR	NR				
GEN ELECTRIC CO	\$283.71	A1	STABLE	AA-	STABLE	AA-	STABLE				
IBM CORP	\$146.48	A1	STABLE	A+	STABLE	A+	NEG				
INTEL CORP	\$153.17	A1	STABLE	A+	POS	A+	STABLE				
JOHNSON & JOHNSON	\$265.03	Aaa	STABLE	AAA	STABLE	AAA	STABLE				
MICROSOFT CORP	\$375.95	Aaa	NEG	AAA	STABLE	AA+	STABLE				
PEPSICO INC	\$143.72	A1	STABLE	A+	STABLE	A	STABLE				
PFIZER INC	\$206.44	A1	STABLE	AA	STABLE	A+	NEG				
PROCTER & GAMBLE	\$200.58	Aa3	STABLE	AA-	STABLE	NR	NR				
TOYOTA MTR CRED	\$207.58	Aa3	STABLE	AA-	STABLE	A	STABLE				
US BANCORP	\$73.03	A1	STABLE	A+	STABLE	AA	STABLE				
US BANK NA	\$73.03	Aa1	STABLE	AA-	STABLE	AA	STABLE				
WAL-MART STORES	\$214.22	Aa2	STABLE	AA	STABLE	AA	STABLE				
WALT DISNEY CO	\$180.65	A2	STABLE	A+	STABLE	A	STABLE				
WELLS FARGO CO	\$267.53	A2	STABLE	A	NEG	AA-	NEG				
WELLS FARGO BANK	\$267.53	Aa2	STABLE	AA-	NEG	AA	NEG				

APPROVED COMMERCIAL PAPER ISSUERS

August 2017

Issuer	Rating/Credit Outlook						Comments:				
	Moody's		S&P		Fitch						
BANK OF NY CO INC.	P-1	STABLE	A-1	STABLE	F1+	STABLE					
CHEVRON FUNDING CORP	P-1	STABLE	A-1+	NEG	NR	NR					
DEERE & COMPANY	P-1	NEG	A-1	STABLE	F1	NR					
ELI LILLY & CO	P-1	STABLE	A-1+	STABLE	F1	STABLE					
EXXON MOBIL CORP	P-1	STABLE	A-1+	NEG	NR	NR					
GE CO/CAPITAL TREASURY	P-1	STABLE	A-1+	STABLE	F1+	STABLE					
HSBC USA INC	P-1	NEG	A-1	NEG	F1+	STABLE					
IBM CORP	P-1	STABLE	A-1	STABLE	F1	NEG					
PNC BANK NA	P-1	STABLE	A-1	STABLE	F1	STABLE					
PROCTER & GAMBLE CO	P-1	STABLE	A-1+	STABLE	NR	NR					
TOYOTA MOTOR CREDIT CORP	P-1	STABLE	A-1+	STABLE	F1	STABLE					
USAA CAPITAL CORP	P-1	STABLE	A-1+	STABLE	NR	NR					
US BANK NA	P-1	STABLE	A-1+	STABLE	F1+	STABLE					
WAL-MART STORES INC	P-1	STABLE	A-1+	STABLE	F1+	STABLE					
WALT DISNEY COMPANY	P-1	STABLE	A-1+	STABLE	F1	STABLE					
WELLS FARGO & COMPANY	P-1	STABLE	A-1	NEG	F1+	NEG					

Portfolio Credit Exposure  
August 2017

Portfolio	Issuer	Face Amount	Yield	Maturity	% of Port	Total %
<b>GF CORE</b>	AAPL	2,500,000	1.59%	2/8/2019	0.30%	
	AAPL	2,500,000	1.84%	5/11/2020	0.30%	
	GE TSY/CO	20,000,000	1.33%	2/13/2018	2.43%	
	MSFT	2,500,000	1.87%	2/6/2020	0.30%	
	PEP	5,000,000	1.59%	5/2/2019	0.61%	
	TOYCC	20,000,000	1.37%	2/9/2018	2.43%	
	USB	5,000,000	2.07%	1/24/2020	0.61%	
						6.97%
<b>GF LIQUIDITY</b>	GE TSY/CO	25,000,000	1.12%	9/8/2017	2.65%	
	TOYCC	25,000,000	1.14%	9/13/2017	2.65%	
	USB	700,000	1.17%	11/24/2017	0.07%	
						5.37%
<b>BPIP TE</b>	GE TSY/CO	7,000,000	1.08%	12/6/2017	1.11%	
	MSFT	2,500,000	1.87%	2/6/2020	0.40%	
	PEFCO	15,000,000	1.32%	2/8/2018	2.38%	
	PEFCO	5,000,000	0.96%	7/15/2018	0.79%	
	PEP	2,500,000	1.59%	5/2/2019	0.40%	
	TOYCC	15,000,000	1.17%	9/26/2017	2.38%	
	TOYCC	2,500,000	1.97%	4/17/2020	0.40%	
						7.84%
<b>BPIP TAX</b>	AAPL	2,500,000	1.84%	5/11/2020	0.69%	
	MSFT	9,273,000	1.85%	11/3/2020	2.55%	
	PEP	2,500,000	1.59%	5/2/2019	0.69%	
	TOYCC	2,500,000	1.97%	4/17/2020	0.69%	
	USB	3,000,000	1.23%	1/29/2018	0.83%	
						5.45%
<b>STBF</b>	GE TSY/CO	1,600,000	1.23%	11/17/2017	2.00%	
	GE TSY/CO	1,200,000	1.26%	12/26/2017	1.50%	
	PEFCO	1,600,000	1.26%	12/22/2017	2.00%	
	PEFCO	1,200,000	1.22%	12/27/2017	1.50%	
	TOYCC	1,200,000	1.25%	12/22/2017	1.50%	
	TOYCC	1,600,000	1.32%	12/26/2017	2.00%	
	USB	3,000,000	1.17%	11/24/2017	3.76%	
						14.28%
<b>All Portfolios</b>	AAPL	7,500,000			0.20%	
	GE TSY/CO	54,800,000			1.49%	
	MSFT	14,273,000			0.39%	
	PEFCO	22,800,000			0.62%	
	PEP	10,000,000			0.27%	
	TOYCC	67,800,000			1.85%	
	USB	11,700,000			0.32%	
<b>Total Credit Exposure</b>		188,873,000				5.15%



## 15. Annual Portfolio Benchmark Recommendation FY '18



**DATE:** October 11, 2017

**TO:** The Honorable Treasurer, Tim Eichenberg

**From:** Vikki Hanges, Chief Investment Officer  
Jeremy Landrum, Portfolio Manager  
Deanne Woodring, CFA – Investment Consultant - GPA

**SUBJECT:** Annual Portfolio Benchmark Recommendation for FY'18

**CC:** State Treasurer's Investment Committee

**Objectives per Investment Policy approved on May 20, 2014:**

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements.

In addition, the Chief Investment Officer and Authorized Investment Officers will observe the following priorities in making investment decisions, in the order described:

1. **Safety** – the first priority is the preservation of the principal of invested funds;
2. **Meeting Liquidity Needs** – the second level of priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the specific fund invested; and
3. **Maximum Return on Investments** – the third priority is maximizing investment return, consistent with the higher priorities of safety and liquidity.

State Treasurer's Portfolios	Current Benchmark	Recommended Benchmark
General Fund Liquidity, Bank Balances, REPO Pool, STBF, TRAN & Local Government Investment Pool	100% Standard & Poor's Government Investment Pool Index	No Change  Weighted Avg. Maturity 34 Days on 08/31/17
General Fund Core	100% BofA/ML 0-5 Treasury	No Change  Duration 2.14 on 08/31/17
Bond Proceed Pools (Tax-exempt & Taxable)	100% BofA/ML 0-3 Treasury	No Change  Duration 1.36 on 08/31/17

## General Fund Portfolios

The General Fund is managed as two separate portfolios consisting of the General Fund Liquidity and the General Fund Core. The State Treasurer's Office utilizes the General Fund Liquidity portfolio to meet daily cash flow requirements, limiting the impact on the General Fund Core portfolio. Studying the cash flow requirements has allowed for the optimization of portfolio return by minimizing very low yielding cash investments held in the General Fund Liquidity. It has been determined that the monthly cash balances required are approximately \$500 million. As a result, the General Fund Liquidity is targeted to remain between \$500 and \$600 million. Due to its short term nature, it is expected to provide a return similar to the S&P LGIP Index.

The remaining funds, not immediately required for liquidity purposes, are invested in the General Fund Core portfolio with maturities out to 5 years. Cash will be transferred from the General Fund Liquidity portfolio to the General Fund Core during this fiscal year, until the desired General Fund Liquidity target balance of between \$500 and \$600 million is reached. Assuming the maintenance of higher cash balances this fiscal year, the General Fund Core portfolio duration will be invested closer to the current benchmark, BofA/ML 0-5 year Index.

**Investment Activity:** The portfolio managers invest the General Fund Core in securities typically held to maturity; however, securities may be sold in the following situations:

1. A security with declining credit may be sold prior to maturity to minimize the loss of principal.
2. A security may be exchanged for another security to improve the quality, yield or the target duration of the portfolio.
3. If liquidity needs exceed expectations, a security may be sold to provide the necessary cash.

**Asset Allocation:** The investment policy provides for portfolio diversification among sectors that include US Treasury, Agency, Corporate, Municipal, Asset and Mortgage-Backed Securities. The portfolio managers evaluate allowable sectors to determine relative value based on market conditions and outlook. Currently, the allowable sectors for investment are US Treasuries, Agencies, Corporate and Municipal Securities.

**Current Benchmark:** The State Treasurer's Investment Division staff and GPA continue to recommend the Bank of America/ML 0-5 Year US Treasury Index as the Core Fund benchmark. This index has a duration of 2.14 years and consists of all US Treasury securities. The reasons for incorporating an all treasury index are threefold: 1) the benchmark provides a reference for the duration management of the Core Fund, 2) the risk-free asset performance measurement provides a baseline for recognizing value added from investing in alternative sectors, 3) and it most closely resembles the portfolio maturity structure.

## Benchmark Characteristics

ML 0-5 Year Treasury Index Symbol: GVQA

Current Duration: 2.14 years

Price Volatility given 1% change in rates on current balance: \$17,700M

Maturity Structure: 0-5 year maturities

Asset Allocation: 100% Treasury Securities

## General Fund Core Characteristics as of 08/31/2017

Current Duration: 2.01 years vs. Benchmark 2.14 years  
Current Market Value: \$824,622,005  
Price Volatility given 1% change in rates based on \$825 million invested: \$16,580M  
Maturity Structure: 0-5 year maturities  
Asset Allocation: 55% Treasury Securities  
36% Agencies  
1% Municipals  
2% Corporates  
6% Cash Equivalents

## Bond Proceeds Investment Pool Portfolios (Tax-Exempt & Taxable)

The Bond Proceeds Pools investment decisions are primarily driven by frequent and large cash flows. The liquidity necessary to meet highly variable capital project withdrawals on a monthly basis requires diligent portfolio management to insure cash availability and effective portfolio duration management. Inflows are usually large deposits from NM bond proceeds issuances and tax receipts utilized for debt service. Although the investment policy allows for maturities out to five years, the cash flow requirements of the Bond Proceeds Pools can be more efficiently managed through the maintenance of shorter portfolio durations.

**Investment Activity:** The portfolio managers invest the Bond Proceeds Pools in securities that approximately match expected cash flows with the understanding that securities may need to be sold under the following circumstances:

1. A security with declining credit may be sold prior to maturity to minimize the loss of principal.
2. A security may be sold to purchase another security to improve the quality, yield or the target duration of the portfolio.
3. If liquidity needs exceed expectations, a security may be sold to provide the necessary cash.

**Asset Allocation:** The investment policy provides for the ability to diversify among fixed income sectors utilizing US Treasury, Agency, Corporate, Municipal, Asset and Mortgage-Backed Securities. Currently, the allowable sectors for investment include US Treasuries, Agencies, Corporates and NM municipal securities.

**Benchmark Recommendation:** The State Treasurer's Investment Division staff and GPA continue to recommend the Bank of America/ML 0-3 Year US Treasury Index as the Benchmark for the Bond Proceeds Pools. This index currently has a duration of 1.36 years and consists of all US Treasury securities. The reasons for incorporating an all treasury index are threefold: 1) the benchmark provides a reference for the duration management of the Pools, 2) the risk-free asset performance measurement provides a baseline for recognizing value added from investing in alternative sectors, 3) and it most closely resembles the portfolio maturity structures.

**Benchmark Characteristics:**

ML 0-3 Year Treasury Index Symbol: G1QA

Current Duration: 1.36 years

Price Volatility given 1% change in rates approximately: Tax Exempt \$8,590M - Taxable \$4,940M

Maturity Structure: 0-3 year maturities

Asset Allocation: 100% Treasury Securities

**Bond Proceeds Investment Pool Tax-Exempt Characteristics as of 08/31/2017**

Current Duration 1.27 years vs. Benchmark 1.36 years

Current Market Value \$631,575,776

Price Volatility given 1% change in rates is approximately \$8,020M

Maturity Structure: 0-5 year maturities

Asset Allocation: 39% Treasury Securities

47% Agencies

2% Municipals

3% Corporates

9% Cash Equivalents

**Bond Proceeds Investment Pool Taxable Characteristics as of 08/31/2017**

Current Duration 1.12 years vs. Benchmark 1.36 years

Current Market Value \$362,962,965

Price Volatility given 1% change in rates is approximately: \$4,065M

Maturity Structure: 0-5 year maturities

Asset Allocation: 12% Treasury Securities

70% Agencies

2% Municipals

5% Corporates

11% Cash Equivalents

Disclosure: Price Volatility is an estimate and does not incorporate yield curve changes or spread changes.

**Relative Performance of the State Treasurer's Portfolios as of 08/31/2017:**

<b><i>Fund</i></b>	<b><i>Performance<sup>1</sup></i></b>	
	<b><i>3 Months</i></b>	<b><i>12 Months</i></b>
<b><i>General Fund Liquidity</i></b>	0.22%	0.53%
S&P Government Pools Index (Gross)	<u>0.24%</u>	<u>0.67%</u>
Relative Performance (BPs)	(0.02)%	(0.14)%
<b><i>General Fund CORE</i></b>	0.44%	0.52%
BAML 0-5 US Treasury	<u>0.44%</u>	<u>0.49%</u>
Relative Performance (BPs)	0.00%	0.03%
<b><i>Bond Proceeds - Tax Exempt</i></b>	0.36%	0.74%
BAML 0-3 US Treasury	<u>0.31%</u>	<u>0.57%</u>
Relative Performance (BPs)	0.05%	0.17%
<b><i>Bond Proceeds – Taxable</i></b>	0.33%	0.70%
BAML 0-3 US Treasury	<u>0.31%</u>	<u>0.57%</u>
Relative Performance (BPs)	0.02%	0.13%
<b><i>Local Government Investment Pool</i></b>	0.26%	0.65%
S&P Government Pools Index (Gross)	<u>0.24%</u>	<u>0.67%</u>
Relative Performance (BPs)	0.02%	(0.02)%
<b><i>Severance Tax Bonding Fund</i></b>	0.37%	0.78%
S&P Government Pools Index (Gross)	<u>0.24%</u>	<u>0.67%</u>
Relative Performance (BPs)	0.13%	0.11%

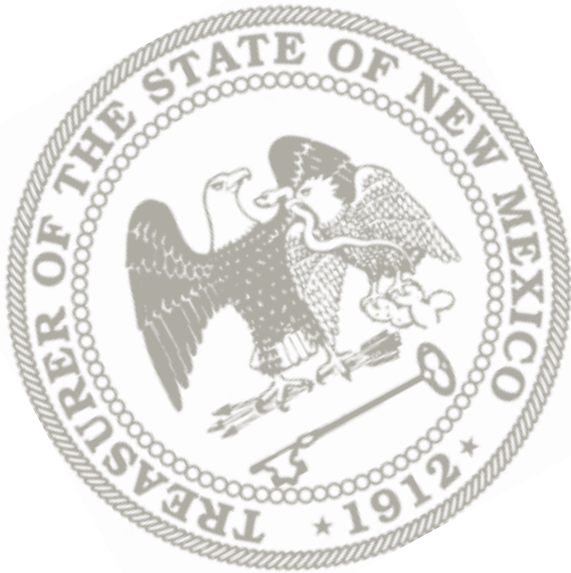
***Source: JPMorgan, STO Calculations***

<sup>1</sup> Relative performance is periodic total return compared to the return of the portfolio benchmarks.

Relative Risk based on market price sensitivity of the State Treasurer's Portfolios as of balances on 08/31/2017:

<i>Fund</i>	<i>Risk</i>	
	<u>Duration</u>	<u>\$ Value Change per 1% rate rise</u>
<b>General Fund CORE (\$825MM)</b>	2.01years	-\$16,580,000
BAML 0-5 US Treasury	<u>2.14years</u>	<u>-\$17,700,000</u>
Relative Risk Variance Protection	-.13years	\$1,120,000
<b>Bond Proceeds - Tax Exempt (\$632MM)</b>	1.27years	-\$8,020,000
BAML 0-3 US Treasury	<u>1.36years</u>	<u>-\$8,590,000</u>
Relative Risk Variance Protection	-.09years	\$570,000
<b>Bond Proceeds - Taxable (\$363MM)</b>	1.12years	-\$4,065,000
BAML 0-3 US Treasury	<u>1.36years</u>	<u>-\$4,940,000</u>
Relative Risk Variance Protection	-.24years	\$875,000
<b>Total Investment Funds (\$1.82BLN)</b>	1.58years	-\$28,756,000
Combined Index Exposure	<u>1.71years</u>	<u>-\$31,122,000</u>
Relative Risk Variance Protection	-.13years	\$2,366,000

\$ Value change assumes a parallel yield curve shift and does not include income



## 16. Investment Policy

**State of New Mexico  
Office of the State Treasurer**



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*Investment Policy*

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October 2017

Deleted: April 2014

Tim Eichenberg

Deleted: James B. Lewis

New Mexico State Treasurer



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### I. Statement of Purpose/Statutory Authority:

The purpose of this Investment Policy is to provide guidance governing the investment functions of the State Treasurer's Office ([STO](#)) with regard to the investment of public funds.

STO is established by Article V, Section 1 of the New Mexico Constitution. The duties and responsibilities of the State Treasurer are further defined by Chapters 6 and 8 of the New Mexico Statutes.

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Specific authority concerning the investment of public funds can be found at NMSA 1978 §§ 6-10-10, 6-10-10.1, 6-10-24, 6-10-24.1, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, as well as Article VIII, Section 4 of the New Mexico Constitution.

STO will submit this Investment Policy to the State Board of Finance pursuant to its advice and consent role established in NMSA 1978, §6-10-10.

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**II. Definitions:**

Authorized Investment Officers	Those individuals and third-party entities authorized by the State Treasurer to invest monies on behalf of the State of New Mexico.												
Custodian	A specialized financial institution, approved by the State Board of Finance, responsible for the safekeeping of assets. The assets may be in electronic or physical form. Some additional responsibilities may include facilitating securities settlements and the collection of income on assets held in safekeeping.												
Duration	A measure of the <u>price</u> sensitivity of an underlying security, or portfolio, to changes in interest rates.												
DVP	Delivery Versus Payment, a method of securities settlement where securities are simultaneously exchanged for payment.												
Fiscal Agent Bank	A bank or savings and loan association designated by the State Board of Finance pursuant to NMSA 1978, §6-10-35, acting on behalf of the State of New Mexico, to perform various financial functions. <u>Fiscal agent bank functions include the collection of all monies received by the State of New Mexico and the management of STO's checking account. Monies held at the Fiscal Agent Bank are managed to a target balance after the payment of checks, warrants, ACH volume and wire transfers are processed by the State.</u>												
Investment Grade Ratings	A rating within any of the following rating agencies: <table border="1"> <thead> <tr> <th>Rating Agency</th> <th>Long-Term</th> <th>Short-Term</th> </tr> </thead> <tbody> <tr> <td>Standard &amp; Poor's</td> <td>A to AAA</td> <td>A-1</td> </tr> <tr> <td>Fitch</td> <td>A to AAA</td> <td>F1</td> </tr> <tr> <td>Moody's</td> <td><u>A2</u> to Aaa</td> <td>P-1</td> </tr> </tbody> </table>	Rating Agency	Long-Term	Short-Term	Standard & Poor's	A to AAA	A-1	Fitch	A to AAA	F1	Moody's	<u>A2</u> to Aaa	P-1
Rating Agency	Long-Term	Short-Term											
Standard & Poor's	A to AAA	A-1											
Fitch	A to AAA	F1											
Moody's	<u>A2</u> to Aaa	P-1											
Maturity Date	The date on which the principal amount of a debt instrument becomes due and is repaid to the investor, along with all remaining interest.												
WAM	Weighted Average Maturity. For a given portfolio, the average maturity of investment holdings weighted by the relative size of each position.												

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**III. Identification of Funds:**

Funds managed by STO are separated into distinct portfolios and managed in accordance with each portfolio's respective objectives and constraints. A brief description of the portfolios presently managed by STO are included below.

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**General Fund Investment Pool**, consisting of three main components:

- General Fund Liquidity Portfolio – Immediate cash needs of the State are to be met with the General Fund Liquidity Portfolio. The General Fund Liquidity Portfolio is expected to have minimal liquidity risk and all investments in this portfolio are constrained to less than a year;
- General Fund Core Portfolio – The General Fund Core Portfolio is comprised of balances that are not necessary to meet the short-term cash flow needs of the State. Accordingly, it may be invested over a longer term than the General Fund Liquidity Portfolio; and

General Fund TRAN Portfolio. The General Fund TRAN Portfolio may temporarily hold proceeds of short-term Tax and Revenue Anticipation Notes (TRAN), which are periodically issued and sold by the Treasurer pursuant to NMSA 1978, §6-12A-5, in order to anticipate the collection and receipt of anticipated revenue and after certifying the need to issue TRAN. **Bond Proceeds Investment Pool**, consisting of two main components:

- Tax-Exempt Bond Proceeds Investment Portfolio (Tax-Exempt BPIP) – The Tax-Exempt BPIP holds proceeds from tax-exempt general obligation and severance tax bonds issued by the State Board of Finance until they are expended on capital projects.
- Taxable Bond Proceeds Investment Portfolio (Taxable BPIP) – The Taxable BPIP holds proceeds from taxable severance tax bonds issued by the State Board of Finance until expended on capital projects.

**Local Government Investment Pool (LGIP)** – The LGIP was created pursuant to NMSA 1978, §6-10-10.1 to allow municipal, county, tribal and quasi-governmental bodies to remit money to STO for money management services on a pooled basis. The LGIP is covered by a separate investment policy.

**Severance Tax Bonding Fund** – The Severance Tax Bonding Fund holds severance tax receipts pledged for debt service on severance tax bonds before being spent on permitted uses or transfer to the Severance Tax Permanent Fund held by the State Investment Council.

**Repurchase Pool** – The Repurchase Pool acts as a repository for cash balances from the portfolios managed by STO, from the Educational Retirement Board, the State Investment Council, the Public Employees Retirement Association and other entities within the state.

**IV. Objectives:**

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements.

The Chief Investment Officer (CIO) and Authorized Investment Officers (AIOs) will observe the following priorities in making investment decisions, in the order described:

1. **Safety** – the first priority is the preservation of the principal of the funds to be invested;
2. **Liquidity**, the second level of priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the specific fund invested; and
3. **Return**, the third priority is maximizing investment return, consistent with the higher priorities of safety and liquidity of principal.

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**V. Standards of Care:**

**A. Delegation by the State Treasurer of Investment Authority**

NMSA 1978, §6-10-10 allows the State Treasurer to invest money, not immediately needed for the operation of state government, in permissible securities and contracts as outlined by the statute.

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To ensure effective investment management of public funds, the investment functions are delegated to the Investment Division reporting to the Deputy Treasurer. The Investment Division includes a Chief Investment Officer (CIO) and AIOs. AIOs will report to the CIO and the CIO will report to the Deputy Treasurer. The CIO will maintain a current list of AIOs.

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**B. Ethics and Conflict of Interest**

The Deputy Treasurer, CIO and AIOs shall adhere to standards of conduct as follows:

- The Governmental Conduct Act, NMSA 1978 §§10-16-1 through 10-16-18;
- The State Treasurer’s Employee Code of Conduct<sup>1</sup>;
- The State Treasurer’s Campaign Contributions Policy;
- The Whistleblower Policy, NMSA 1978 §§10-16C-1 through 10-16C-6;
- The Gift Act, NMSA 1978 §§10-16B-1 through 10-16B-4; and
- The Procurement Code, NMSA 1978 §§13-1-28 through 13-1-199.

Deleted: In addition to specific investment responsibilities, the Investment Division also tracks investments, provides securities settlement and cash transfer support and manages the collateral process for the depository relationships by entities within the State. The Investment Division also provides investment accounting support to the State Treasurer’s Office, including ongoing reconciliation of investment positions with the custody bank and internal and statewide accounting systems.¶

The CIO and AIOs shall file personal disclosure forms as required by the Governmental Conduct Act and the State Treasurer’s Code of Conduct.

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**C. Prudence**

The CIO and AIOs shall perform investment duties in a manner consistent with this Investment Policy and the standard of a prudent investor<sup>2</sup> in light of the purposes, terms, distribution requirements and other circumstances then prevailing as to the assets entrusted to them.

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In the process of investing funds, the CIO and AIOs will exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the portfolio as a whole and of part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this policy.

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The CIO and AIOs, acting in accordance with New Mexico Statutes, written procedures and this Investment Policy and exercising due diligence shall be relieved of personal liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**VI. Controls:**

**A. Custody**

All investment securities purchased by the CIO and AIOs, held as collateral for repurchase agreements and bank deposits or held as collateral for securities lending arrangements shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

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<sup>1</sup> As required by NMSA 1978, §10-16-11.

<sup>2</sup> Uniform Prudent Investor Act, NMSA 1978, §§45-7-601 through 45-7-612

All securities held for STO's portfolios will be free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978 § 6-10-10(O), which requires same day transfer of funds with the settlement of securities.

The Custodian will provide reports that list all transactions that occurred during the month and all securities held for STO at month-end including the book and market value of holdings.

The representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of STO shall be bonded in amounts required by the State Board of Finance under a custody agreement to protect from losses due to malfeasance and misfeasance.

#### B. Approved Broker-Dealers and Counterparties

To ensure the proper separation of duties from the investment functions, the State Cash Manager shall maintain a list of broker-dealers and counterparties approved to provide investment services to STO. Eligible broker-dealers will need to meet all of the following conditions:

- The broker-dealer and its representatives must be registered pursuant to the New Mexico Uniform Securities Act <sup>3</sup>;
- The broker-dealer must be registered with the financial industry regulatory authority (FINRA);
- All broker-dealer representatives who have direct contact with securities trading between STO and the firm must have a FINRA Series 7 License, or equivalent certification.
- The broker-dealer representatives must have a minimum of five (5) years continuous employment history involving fixed income securities; and
- Counterparties, must operate under the terms of a securities lending or repurchase agreement.

The Broker-Dealer list will be submitted to the State Treasurer's Investment Committee for recommendation and will be approved by the State Treasurer. The list will be submitted by the Treasurer to the State Board of Finance for its advice and consent.

#### C. Competitive Transactions

The CIO and AIOs will conduct all securities transactions in a fair, open and transparent competitive process.

- All securities transactions shall be executed at the highest bid or lowest offer to STO, subject to diversification constraints.
- Every effort to obtain at least three bids or offers on a specific security will be conducted. If unobtainable, documentation of comparable securities accompanied by current market levels will be retained, to provide evidence of price transparency and trade execution at competitive levels.
- Offers or bids for securities may be received from approved broker-dealers or direct issuers by any of the following means:
  - By phone; or

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The Chief Investment Officer will maintain a list of financial institutions and investment counterparties authorized to provide investment services to the state. Authorized finan (...)

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<sup>3</sup>New Mexico Uniform Securities Act, NMSA 1978, §§58-13C-101 through 58-13C-701 (2009) and NMAC 12.11.2.

- By e-mail or other form of electronic communication; or
- Through an electronic trading platform; or
- Directly from issuers of eligible investments.
- In the case of investments made under the Linked Deposit program<sup>4</sup>, this policy and its standard of care are restricted to the express provisions of the statutes directing such investments.

D. Internal Controls

The CIO will maintain sufficient internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. The controls will require the CIO to:

- Communicate regularly with the Deputy Treasurer regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Require monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;
- Monitor compliance with applicable state investment statutes;
- Require Delivery Versus Payment security settlement except for physical securities;
- **Maintain clear delegation of investment authority; Ensure the separation of investing authority from cash activities and record-keeping;** Ensure that all deposits are sufficiently collateralized per State Board of Finance Collateral Policy, 2.60.4 NMAC;
- Require the use of approved objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the state;
- Maintain documentation on investment procedures;
- Report violations of this policy to the State Treasurer and the State Board of Finance in a timely manner; and,
- Require the use of agency approved objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers.

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E. External Controls

- STO will retain all records related to investment activities pursuant to state law.
- As prescribed by the Audit Act<sup>5</sup>, the State Auditor or designated independent auditor will review the investment activities of STO to determine the compliance of those activities with this Investment Policy and state statutes.
- The market value of all funds held by the Custodian will be calculated monthly and provided to the State Treasurer.

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F. State Treasurer's Investment Committee

- The State Treasurer may establish the State Treasurer's Investment Committee. This advisory committee will review investment reporting and any other matters of the State Treasurer's choosing. The Investment Committee shall consist of five (5) voting members: the State Treasurer, or designee; a member of the Treasurer's staff upon appointment by the Treasurer or designee; the director of the State Board of Finance, or designee; and two members that are participants in the private investment community or have expert knowledge or professional experience in the subject of public finance or public money investing, of which one member will be appointed by the State Treasurer

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<sup>4</sup> Linked Deposit Program NMSA 1978, §6-10-24.2.

<sup>5</sup> Audit Act NMSA 1978, §§12-6-1 through 12-6-14.

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and approved by the State Board of Finance and one member will be appointed by the State Board of Finance and approved by the State Treasurer. The member of the Treasurer's staff shall be selected in a manner consistent with maintaining a separation of responsibilities between the STO investment managers and the members of the committee.

- Each private sector member shall serve at the pleasure of the State Treasurer or the State Board of Finance appointing the private sector member. The private sector members shall serve for a term of two (2) years after appointment and shall be eligible for reappointment to serve for consecutive two (2) year terms. Any vacancy created by a private sector member shall be filled in the same manner as original appointments.

**VII. Eligible and Ineligible Investments:**

A. Eligible Investments

Eligible Investments are only those securities and deposits specifically authorized by statute. Consistent with NMSA 1978, §6-10-10 and other investment statutes, the the CIO and AIOs may invest in the following:

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- Cash at Banks, Savings and Loan Associations or Credit Unions whose deposits are insured by an agency of the United States and are certified or designated as eligible to receive public money on deposit in New Mexico;
- Securities issued by the United States government;
- Securities issued or guaranteed by United States government agencies or instrumentalities including mortgage obligations; Repurchase Agreements, subject to restrictions contained in Section VII, paragraph C of this policy;
- Securities Lending Arrangements;
- Commercial Paper rated "prime" quality by a nationally recognized rating service, defined in this policy as investment grade, issued by corporations that are organized and operating in the United States and are included on STO's approved issuer list;
- Corporate Bonds rated investment grade, as defined in this policy, by a nationally recognized rating service, issued by corporations that are organized and operating in the United States and are included on STO's approved issuer list;
- Asset-Backed Obligations rated "AAA" or better by a nationally recognized rating service, and with a maturity of less than 5 years;
- Shares of open-ended diversified investment companies that are registered with the United States Securities and Exchange Commission; comply with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States securities and exchange commission applicable to money market mutual funds; assess no fees pursuant to Rule 12b-1, or any successor rule, of the United States securities and exchange commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated; and that do not use swap and derivative products. STO shall not, at any time, own more than five percent (5%) of a money market mutual fund's assets; Individual, common or collective trust funds of banks or trust companies that are invested only in United States Government and Agency obligations and repurchase agreements secured by such obligations; has assets under management of at least one billion dollars

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(\$1,000,000,000); that do not use swap and derivative products; and the investments made by STO are less than five percent (5%) of the assets of the fund.

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- The Local Government Investment Pool, managed by STO, to less than 35% of the total assets of the Local Government Investment Pool;

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B. Securities issued by the State of New Mexico, it's agencies, institutions, counties, municipalities, school districts, community college districts or other subdivisions of the state, or as otherwise provided by law and rated investment grade as defined by this policy; or Securities issued by states other than New Mexico or governmental entities in states other than New Mexico and rated investment grade as defined by this policy. Ineligible Investments

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To provide for the safety and liquidity of funds, the investment portfolios are specifically prohibited from investing in:

- Short Sales
- Whole Loan Mortgage Obligations
- Reverse Repurchase Agreements, except under a securities lending arrangement
- Inverse Floating Rate Notes
- Equity Securities
- Swaps and Derivatives

C. Repurchase Agreements

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Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with currently approved dealers on the broker-dealer list, the Fiscal Agent Bank, approved counterparties under a securities lending arrangement, or the master custodial bank, and under the terms of a written master repurchase agreement or securities lending arrangement;
- Each approved repo counterparty must have a net worth in excess of five hundred million dollars (\$500,000,000);
- Transactions with any single counterparty will not exceed 35% of any portfolio or \$200 million, whichever is greater;
- The maximum term of any repurchase agreement will be 1 year, except in the case of bond proceeds where a repurchase agreement is limited to 3 years;
- Tri-Party Repurchase Agreement transactions may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements within this policy.

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Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with a final maturity less than 10 years, will be priced at 102% of market value, plus accrued income;
- Securities placed as collateral for repurchase agreements, with a final maturity of 10 years or greater, will be priced at 103% of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven days will be priced at 105% of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven days are required to have daily pricing of collateral; and

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- Only treasury and agency securities, including agency mortgage-backed obligations, will be utilized as collateral for repurchase agreements.

**VIII. Investment Parameters:**

To provide for the safety and liquidity of funds, the investment portfolios will be subject to the restrictions listed below. These represent minimum investment restrictions under this Investment Policy and there may be separate procedures containing additional, more restrictive limitations for certain investment instruments.

All restrictions are based on a settlement date basis.

Maximum percentages for a particular issuer, investment type or liquidity constraints may on occasion be exceeded due to unforeseen circumstances (e.g., due to fluctuations in fund balances). Exceptions will be reported to the Treasurer, the State Treasurer’s Investment Committee and the State Board of Finance monthly.

**A. Diversification**

The following diversification limits shall apply to each portfolio:

<i>Allowable Securities</i>	<i>Diversification Limits</i>	<i>Further Limitations</i>
US Treasury Obligations	100%	
US Agency Obligations <u>Primary Issuers – FNMA, FHLMC, FFCB, FHLB</u> <u>Secondary Issuers – All Other Agencies</u>	100%	Per <u>Primary</u> Issuer: 35% Per <u>Secondary</u> Issuer: 5%
US Agency Issued Mortgage-Backed Securities	25%	
Bank Demand Deposits – <u>Collateralized – NM Institutions Only</u>	100%	Per Issuer: 25%
Certificates of Deposit – <u>Collateralized – NM Institutions Only</u>	\$400 Million	Per CD Issuer: \$30 Million
Linked Deposit Program Certificates of Deposit – <u>Collateralized – NM Institutions Only</u>	\$40 Million	Per Qualified Depository Institution: \$10 Million
▼	▼	▼
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▼	▼	▼
Commercial Paper, Corporate Bonds, Medium Term Notes, and Asset-Backed Obligations <u>(In Aggregate)</u>	40%	Per <u>Corporate</u> Issuer: 5% Per <u>Asset-Backed</u> Issue: 5%
NM LGIP <u>(STO Funds in Aggregate)</u>	<del>100%</del>	No more than 35% of the NM LGIP
Municipal Securities <u>Pre-Refunded 100% escrowed with US Government related securities</u>	15%	Per Issuer: 5% Per Issuer Limit on Pre-Refunded: None
<u>Variable Rate Demand Notes – LOC/Standby Purchase Agreement</u>	15%	Per <u>LOC/Standby Purchase Agreement</u> Provider: 5% of total portfolio exposure
Repurchase Agreements	100%	Per Counterparty: 35% or \$200 Million
Variable Rate Obligations <u>Including Variable Rate Demand Notes</u>	25%	Per Issuer: 5% <u>Non-Agency</u>
Callable Securities	25%	
<u>Open Ended 2a-7 Rated Fund – US Treasury and Agency Only</u>	100%	Per Issuer: 10%

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**B. Maturity Restrictions**

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The following maturity limits shall apply to each portfolio:

Allowable Securities	Maturity Limits	Further Limitations
All Securities <u>Rated AA-/Aa3 or better</u> <u>Rated below AA-/Aa3</u>	5 Years 3 Years	<u>See specific portfolio and sector limits below</u>
Certificates of Deposit	3 Years	
Municipal Bonds	3 Years	
Repurchase Agreements	1 Year	For BPIPs: 3 Years

Portfolio	Maturity Limits
General Fund Liquidity	1 year or less
General Fund CORE	5 years or less
Bond Proceeds	5 years or less
Severance Tax Bonding Fund	1 year or less

Securities with mandatory puts back to the issuer or remarketing agent shall be deemed to have a maturity date commensurate with the earliest put date.

Pre-refunded securities shall be deemed to have a maturity date commensurate with the call date.

**C. Portfolio Duration**

The CIO and AIOs will manage the portfolio durations to their approved benchmarks. Benchmarks will be reviewed by the State Treasurer's Investment Committee for recommendation and will be approved by the State Treasurer and the State Board of Finance annually.

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**D. Credit Quality**

The following issuer credit rating limits shall apply for all portfolios:

Short Term Credit Rating      A<sub>-1</sub>, P<sub>-1</sub>, F<sub>1</sub> MIG-1 or better  
 Long Term Credit Rating      A, A2 or better  
Asset-Backed Securities      AAA or Aaa

Pre-Refunded issues 100% escrowed with US Government related securities may be unrated, with an implied US Government equivalent rating.

**E. Non-Public New Mexico Municipal Offerings**

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Severance Tax Notes or other non-public municipal offerings of New Mexico entities are subject to the approval of the State Treasurer.

**IX. Reporting:**

The Chief Investment Officer shall prepare a monthly investment report for the State Treasurer. An executive summary will be prepared in a manner that will allow the State Treasurer to ascertain whether investment activities during the reporting period are in compliance with this Investment Policy and New Mexico statutes.

The Chief Investment Officer will submit and present the monthly investment report, on behalf of the State Treasurer, to the State Board of Finance and will post the report on the State Treasurer’s website and otherwise make available to the public.

Specific Reporting Requirements: The report will include, at a minimum, the following:

- An executive summary that provides an analysis of the status of the current investment portfolios; including the LGIP and the individual transactions that were executed;
- An asset listing showing par value, cost, market value, type of investment, issuer, and interest rate of securities held;
- WAM and effective duration of the portfolio compared to applicable approved benchmarks;
- Average portfolio credit quality;
- Total rate of return for the portfolio for the last one month, three months, and twelve months with applicable approved benchmark returns for the same periods;
- Any cash flow projections<sup>6</sup> prepared by the State Cash Manager for the portfolios;
- Sensitivity or Shock analysis for each portfolio, on a quarterly basis;
- Transaction listing for the reporting period;
- A report of primary issues purchased and secondary issues purchased or sold;
- Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and
- Investment compliance review.

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A. Performance Standards

- The Investment Portfolios will be structured to obtain a market average rate of return taking into account investment risk constraints and cash flow needs.
- Each portfolio will be compared to an approved benchmark that appropriately models an expected risk and return profile.

B. Quarterly Reporting

On a quarterly basis, the CIO shall prepare a quarterly investment report that describes the investment strategy employed during the past quarter and the strategy planned for the next quarter. Information will be reported to the State Treasurer’s Investment Committee and to the State Board of Finance.

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C. Annual Reporting

At the next regular State Treasurer’s Investment Committee meeting after September 30 of each year, the CIO shall present an annual investment report that describes the investment strategy employed during the past year and the strategy planned for the next fiscal year.

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<sup>6</sup> As required by NMSA 1978, §8-6-3.1 B(4).

The report shall include annual comparisons of portfolio return to performance benchmarks for the preceding year.     

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**X. Approval:**

New Mexico State Treasurer's Office:

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Tim Eichenberg  
New Mexico State Treasurer

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Date

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By affixing the signature below, the State Board of Finance hereby provides its advice and consent pursuant to NMSA 1978, §6-10-10.

\_\_\_\_\_  
Secretary, State Board of Finance

\_\_\_\_\_  
Date

***State of New Mexico  
Office of the State Treasurer***



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***Investment Policy***

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October 2017

Tim Eichenberg  
New Mexico State Treasurer

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**I. Statement of Purpose/Statutory Authority:**

The purpose of this Investment Policy is to provide guidance governing the investment functions of the State Treasurer’s Office (STO) with regard to the investment of public funds.

STO is established by Article V, Section 1 of the New Mexico Constitution. The duties and responsibilities of the State Treasurer are further defined by Chapters 6 and 8 of the New Mexico Statutes.

Specific authority concerning the investment of public funds can be found at NMSA 1978, §§6-10-10, 6-10-10.1, 6-10-24, 6-10-24.1, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, as well as Article VIII, Section 4 of the New Mexico Constitution.

STO will submit this Investment Policy to the State Board of Finance pursuant to its advice and consent role established in NMSA 1978, §6-10-10.

**II. Definitions:**

Authorized Investment Officers	Those individuals and third-party entities authorized by the State Treasurer to invest monies on behalf of the State of New Mexico.												
Custodian	A specialized financial institution, approved by the State Board of Finance, responsible for the safekeeping of assets. The assets may be in electronic or physical form. Some additional responsibilities may include facilitating securities settlements and the collection of income on assets held in safekeeping.												
Duration	A measure of the price sensitivity of an underlying security, or portfolio, to changes in interest rates.												
DVP	Delivery Versus Payment, a method of securities settlement where securities are simultaneously exchanged for payment.												
Fiscal Agent Bank	A bank or savings and loan association designated by the State Board of Finance pursuant to NMSA 1978, §6-10-35, acting on behalf of the State of New Mexico, to perform various financial functions. Fiscal agent bank functions include the collection of all monies received by the State of New Mexico and the management of STO’s checking account. Monies held at the Fiscal Agent Bank are managed to a target balance after the payment of checks, warrants, ACH volume and wire transfers are processed by the State.												
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WAM	Weighted Average Maturity. For a given portfolio, the average maturity of investment holdings weighted by the relative size of each position.												

### III. Identification of Funds:

Funds managed by STO are separated into distinct portfolios and managed in accordance with each portfolio's respective objectives and constraints. A brief description of the portfolios presently managed by STO are included below.

**General Fund Investment Pool**, consisting of three main components:

- General Fund Liquidity Portfolio – Immediate cash needs of the State are to be met with the General Fund Liquidity Portfolio. The General Fund Liquidity Portfolio is expected to have minimal liquidity risk and all investments in this portfolio are constrained to less than a year;
- General Fund Core Portfolio – The General Fund Core Portfolio is comprised of balances that are not necessary to meet the short-term cash flow needs of the State. Accordingly, it may be invested over a longer term than the General Fund Liquidity Portfolio; and
- General Fund TRAN Portfolio. The General Fund TRAN Portfolio may temporarily hold proceeds of short-term Tax and Revenue Anticipation Notes (TRAN), which are periodically issued and sold by the Treasurer pursuant to NMSA 1978, §6-12A-5, in order to anticipate the collection and receipt of anticipated revenue and after certifying the need to issue TRAN.

**Bond Proceeds Investment Pool**, consisting of two main components:

- Tax-Exempt Bond Proceeds Investment Portfolio (Tax-Exempt BPIP) – The Tax-Exempt BPIP holds proceeds from tax-exempt general obligation and severance tax bonds issued by the State Board of Finance until they are expended on capital projects.
- Taxable Bond Proceeds Investment Portfolio (Taxable BPIP) – The Taxable BPIP holds proceeds from taxable severance tax bonds issued by the State Board of Finance until expended on capital projects.

**Local Government Investment Pool (LGIP)** – The LGIP was created pursuant to NMSA 1978, §6-10-10.1 to allow municipal, county, tribal and quasi-governmental bodies to remit money to STO for money management services on a pooled basis. The LGIP is covered by a separate investment policy.

**Severance Tax Bonding Fund** – The Severance Tax Bonding Fund holds severance tax receipts pledged for debt service on severance tax bonds before being spent on permitted uses or transfer to the Severance Tax Permanent Fund held by the State Investment Council.

**Repurchase Pool** – The Repurchase Pool acts as a repository for cash balances from the portfolios managed by STO, from the Educational Retirement Board, the State Investment Council, the Public Employees Retirement Association and other entities within the state.



#### IV. Objectives:

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements.

The Chief Investment Officer (CIO) and Authorized Investment Officers (AIOs) will observe the following priorities in making investment decisions, in the order described:

1. **Safety** – the first priority is the preservation of the principal of the funds to be invested;
2. **Liquidity** - the second level of priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the specific fund invested; and
3. **Return**– the third priority is maximizing investment return, consistent with the higher priorities of safety and liquidity of principal.

#### V. Standards of Care:

##### A. Delegation by the State Treasurer of Investment Authority

NMSA 1978, §6-10-10 allows the State Treasurer to invest money, not immediately needed for the operation of state government, in permissible securities and contracts as outlined by the statute.

To ensure effective investment management of public funds, the investment functions are delegated to the Investment Division reporting to the Deputy Treasurer. The Investment Division includes a CIO and AIOs. AIOs will report to the CIO and the CIO will report to the Deputy Treasurer. The CIO will maintain a current list of AIOs.

##### B. Ethics and Conflict of Interest

The Deputy Treasurer, CIO and AIOs shall adhere to standards of conduct as follows:

- The Governmental Conduct Act, NMSA 1978, §§10-16-1 through 10-16-18;
- The State Treasurer's Employee Code of Conduct<sup>1</sup>;
- The State Treasurer's Campaign Contributions Policy;
- The Whistleblower Policy, NMSA 1978 §§10-16C-1 through 10-16C-6;
- The Gift Act, NMSA 1978 §§10-16B-1 through 10-16B-4; and
- The Procurement Code, NMSA 1978 §§13-1-28 through 13-1-199.

The CIO and AIOs shall file personal disclosure forms as required by the Governmental Conduct Act and the State Treasurer's Code of Conduct.

##### C. Prudence

The CIO and AIOs shall perform investment duties in a manner consistent with this Investment Policy and the standard of a prudent investor<sup>2</sup> in light of the purposes, terms, distribution requirements and other circumstances then prevailing as to the assets entrusted to them.

In the process of investing funds, the CIO and AIOs will exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the

<sup>1</sup> As required by NMSA 1978, §10-16-11.

<sup>2</sup> Uniform Prudent Investor Act, NMSA 1978, §§45-7-601 through 45-7-612

portfolio as a whole and of part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this policy.

The CIO and AIOs, acting in accordance with New Mexico Statutes, written procedures and this Investment Policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## **VI. Controls:**

### **A. Custody**

All investment securities purchased by the CIO and AIOs, held as collateral for repurchase agreements and bank deposits or held as collateral for securities lending arrangements shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

All securities held for STO's portfolios will be free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978 §6-10-10(O), which requires same day transfer of funds with the settlement of securities.

The Custodian will provide reports that list all transactions that occurred during the month and all securities held for STO at month-end including the book and market value of holdings.

The representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of STO shall be bonded in amounts required by the State Board of Finance under a custody agreement to protect from losses due to malfeasance and misfeasance.

### **B. Approved Broker-Dealers and Counterparties**

To ensure proper separation of duties from the investment functions, the State Cash Manager shall maintain a list of broker-dealers and counterparties approved to provide investment services to STO. Eligible broker-dealers will need to meet all of the following conditions:

- The broker-dealer and its representatives must be registered pursuant to the New Mexico Uniform Securities Act <sup>3</sup>;
- The broker-dealer must be registered with the financial industry regulatory authority (FINRA);
- All broker-dealer representatives who have direct contact with securities trading between STO and the firm must have a FINRA Series 7 License, or equivalent certification.
- The broker-dealer representatives must have a minimum of five (5) years continuous employment history involving fixed income securities; and
- Counterparties must operate under the terms of a securities lending or repurchase agreement.

<sup>3</sup>New Mexico Uniform Securities Act, NMSA 1978, §§58-13C-101 through 58-13C-701 (2009) and NMAC 12.11.2.

The Broker-Dealer list will be submitted to the State Treasurer's Investment Committee for recommendation and will be approved by the State Treasurer. The list will be submitted by the Treasurer to the State Board of Finance for its advice and consent.

### C. Competitive Transactions

The CIO and AIOs will conduct all securities transactions in a fair, open and transparent competitive process:

- All securities transactions shall be executed at the highest bid or lowest offer to STO, subject to diversification constraints.
- Every effort to obtain at least three bids or offers on a specific security will be conducted. If unobtainable, documentation of comparable securities accompanied by current market levels will be retained, to provide evidence of price transparency and trade execution at competitive levels.
- Offers or bids for securities may be received from approved broker-dealers or direct issuers by any of the following means:
  - By phone; or
  - By e-mail or other form of electronic communication; or
  - Through an electronic trading platform; or
  - Directly from issuers of eligible investments.
- In the case of investments made under the Linked Deposit program<sup>4</sup>, this policy and its standard of care are restricted to the express provisions of the statutes directing such investments.

### D. Internal Controls

The CIO will maintain sufficient internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. The controls will require the CIO to:

- Communicate regularly with the Deputy Treasurer regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Require monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;
- Monitor compliance with applicable state investment statutes;
- Require Delivery Versus Payment security settlement except for physical securities;
- Maintain clear delegation of investment authority;
- Ensure the separation of investing authority from cash activities and record-keeping;
- Ensure that all deposits are sufficiently collateralized per State Board of Finance Collateral Policy, 2.60.4 NMAC;
- Require the use of approved objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the state;
- Maintain documentation on investment procedures;
- Report violations of this policy to the State Treasurer in a timely manner; and,
- Require the use of agency approved objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers.

<sup>4</sup> Linked Deposit Program NMSA 1978, §6-10-24.2.

#### E. External Controls

- STO will retain all records related to investment activities pursuant to state law;
- As prescribed by the Audit Act<sup>5</sup>, the State Auditor or designated independent auditor will review the investment activities of STO to determine the compliance of those activities with this Investment Policy and state statutes;
- The market value of all funds held by the Custodian will be calculated monthly and provided to the State Treasurer.

#### F. State Treasurer's Investment Committee

The State Treasurer may establish the State Treasurer's Investment Committee. This advisory committee will review investment reporting and any other matters of the State Treasurer's choosing.

- The Investment Committee shall consist of five (5) voting members: the State Treasurer, or designee; a member of the Treasurer's staff upon appointment by the Treasurer or designee; the director of the State Board of Finance, or designee; and two members that are participants in the private investment community or have expert knowledge or professional experience in the subject of public finance or public money investing, of which one member will be appointed by the State Treasurer and approved by the State Board of Finance and one member will be appointed by the State Board of Finance and approved by the State Treasurer. The member of the Treasurer's staff shall be selected in a manner consistent with maintaining a separation of responsibilities between the STO investment managers and the members of the committee.
- Each private sector member shall serve at the pleasure of the State Treasurer or the State Board of Finance appointing the private sector member. The private sector members shall serve for a term of two (2) years after appointment and shall be eligible for reappointment to serve for consecutive two (2) year terms. Any vacancy created by a private sector member shall be filled in the same manner as original appointments.

### **VII. Eligible and Ineligible Investments:**

#### A. Eligible Investments

Eligible Investments are only those securities and deposits specifically authorized by statute. Consistent with NMSA 1978, §6-10-10 and other investment statutes, the CIO and AIOs may invest in the following:

- Cash at Banks, Savings and Loan Associations or Credit Unions whose deposits are insured by an agency of the United States and are certified or designated as eligible to receive public funds in New Mexico;
- Securities issued by the United States government;
- Securities issued or guaranteed by United States government agencies or instrumentalities including mortgage obligations;
- Repurchase Agreements, subject to restrictions contained in Section VII, paragraph C of this policy;
- Securities Lending Arrangements;

<sup>5</sup> Audit Act NMSA 1978, §§12-6-1 through 12-6-14.

- Commercial Paper rated “prime” quality by a nationally recognized rating service, defined in this policy as investment grade, issued by corporations that are organized and operating in the United States and are included on STO’s approved issuer list;
- Corporate Bonds rated investment grade, as defined in this policy, by a nationally recognized rating service, issued by corporations that are organized and operating in the United States and are included on STO’s approved issuer list;
- Asset-Backed Obligations rated “AAA” or better by a nationally recognized rating service, and with a maturity of less than 5 years;
- Shares of open-ended diversified investment companies that are registered with the United States Securities and Exchange Commission; comply with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States securities and exchange commission applicable to money market mutual funds; assess no fees pursuant to Rule 12b-1, or any successor rule, of the United States securities and exchange commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated; and that do not use swap and derivative products. STO shall not, at any time, own more than five percent (5%) of a money market mutual fund’s assets;
- Individual, common or collective trust funds of banks or trust companies that are invested only in United States Government and Agency obligations and repurchase agreements secured by such obligations; has assets under management of at least one billion dollars (\$1,000,000,000); that do not use swap and derivative products; and the investments made by STO are less than five percent (5%) of the assets of the fund.
- The Local Government Investment Pool, managed by STO, to less than 35% of the total assets of the Local Government Investment Pool;
- Securities issued by the State of New Mexico, it’s agencies, institutions, counties, municipalities, school districts, community college districts or other subdivisions of the state, or as otherwise provided by law and rated investment grade as defined by this policy; or
- Securities issued by states other than New Mexico or governmental entities in states other than New Mexico and rated investment grade as defined by this policy.

#### B. Ineligible Investments

To provide for the safety and liquidity of funds, the investment portfolios are specifically prohibited from investing in:

- Short Sales
- Whole Loan Mortgage Obligations
- Reverse Repurchase Agreements, except under a securities lending arrangement
- Inverse Floating Rate Notes
- Equity Securities
- Swaps and Derivatives

#### C. Repurchase Agreements

Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with currently approved dealers on the broker-dealer list, the Fiscal Agent Bank, approved counterparties under a

securities lending arrangement, or the master custodial bank, and under the terms of a written master repurchase agreement or securities lending arrangement;

- Each approved repo counterparty must have a net worth in excess of five hundred million dollars (\$500,000,000);
- Transactions with any single counterparty will not exceed 35% of any portfolio or \$200 million, whichever is greater;
- The maximum term of any repurchase agreement will be 1 year, except in the case of bond proceeds where a repurchase agreement is limited to 3 years;
- Tri-Party Repurchase Agreement transactions may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements within this policy.

Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with a final maturity less than 10 years, will be priced at 102% of market value, plus accrued income;
- Securities placed as collateral for repurchase agreements, with a final maturity of 10 years or greater, will be priced at 103% of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven days will be priced at 105% of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven days are required to have daily pricing of collateral; and
- Only treasury and agency securities, including agency mortgage-backed obligations, will be utilized as collateral for repurchase agreements.

**VIII. Investment Parameters:**

To provide for the safety and liquidity of funds, the investment portfolios will be subject to the restrictions listed below. These represent minimum investment restrictions under this Investment Policy and there may be separate procedures containing additional, more restrictive limitations for certain investment instruments.

All restrictions are based on a settlement date basis.

Maximum percentages for a particular issuer, investment type or liquidity constraints may on occasion be exceeded due to unforeseen circumstances (e.g., due to fluctuations in fund balances). Exceptions will be reported to the Treasurer, the State Treasurer’s Investment Committee and the State Board of Finance monthly.

**A. Diversification**

The following diversification limits shall apply to each portfolio:

<i>Allowable Securities</i>	<i>Diversification Limits</i>	<i>Further Limitations</i>
US Treasury Obligations	100%	
US Agency Obligations Primary Issuers – <i>FNMA, FHLMC, FFCB, FHLB</i> Secondary Issuers – <i>All Other Agencies</i>	100%	Per Primary Issuer: 35% Per Secondary Issuer: 5%
US Agency Issued Mortgage-Backed Securities	25%	
Bank Demand Deposits - Collateralized	100%	Per Issuer: 25%
Certificates of Deposit	\$400 Million	Per CD Issuer: \$30 Million
Linked Deposit Program Certificates of Deposit	\$40 Million	Per Qualified Depository Institution: \$10 Million

Commercial Paper, Corporate Bonds, Medium Term Notes, and Asset-Backed Obligations <i>(In Aggregate)</i>	40%	Per Corporate Issuer: 5% Per Asset-Backed Issue: 5%
NM LGIP (STO Funds in Aggregate)	100%	No more than 35% of the NM LGIP
Municipal Securities Pre-Refunded 100% escrowed with US Government related securities	15% 15%	Per Issuer: 5% Per Issuer Limit on Pre-Refunded: None
Variable Rate Demand Notes – LOC/Standby Purchase Agreement	15%	Per LOC/Standby Purchase Agreement Provider: 5% of total portfolio exposure
Repurchase Agreements	100%	Per Counterparty: 35% or \$200 Million
Variable Rate Obligations Including Variable Rate Demand Notes	25%	Per Issuer: 5% Non-Agency
Callable Securities	25%	
Open Ended 2a-7 Rated Fund US Treasury and Agency Only	100%	Per Issuer: 10%

## B. Maturity Restrictions

The following maturity limits shall apply to each portfolio:

<i>Allowable Securities</i>	<i>Maturity Limits</i>	<i>Further Limitations</i>
All Securities Rated AA-/Aa3 or better Rated below AA-/Aa3	5 Years 3 Years	See specific portfolio and sector limits below
Certificates of Deposit	3 Years	
Municipal Bonds	3 Years	
Repurchase Agreements	1 Year	For BPIPs: 3 Years

<i>Portfolio</i>	<i>Maturity Limits</i>
General Fund Liquidity	1 year or less
General Fund CORE	5 years or less
Bond Proceeds	5 years or less
Severance Tax Bonding Fund	1 year or less

Securities with mandatory puts back to the issuer or remarketing agent shall be deemed to have a maturity date commensurate with the earliest put date.

Pre-refunded securities shall be deemed to have a maturity date commensurate with the call date.

## C. Portfolio Duration

The CIO and AIOs will manage the portfolio durations to their approved benchmarks. Benchmarks will be reviewed by the State Treasurer’s Investment Committee for recommendation and will be approved by the State Treasurer and the State Board of Finance annually.

#### D. Credit Quality

The following issuer credit rating limits shall apply for all portfolios:

Short Term Credit Rating	A-1, P-1, F1 MIG-1 or better
Long Term Credit Rating	A, A2 or better
Asset-Backed Securities	AAA or Aaa

Pre-Refunded issues 100% escrowed with US Government related securities may be unrated, with an implied US Government equivalent rating.

#### E. Non-Public New Mexico Municipal Offerings

Severance Tax Notes or other non-public municipal offerings of New Mexico entities are subject to the approval of the State Treasurer.

### IX. Reporting:

The Chief Investment Officer shall prepare a monthly investment report for the State Treasurer. An executive summary will be prepared in a manner that will allow the State Treasurer to ascertain whether investment activities during the reporting period are in compliance with this Investment Policy and New Mexico statutes.

The CIO will submit and present the monthly investment report, on behalf of the State Treasurer, to the State Board of Finance and will post the report on the State Treasurer's website and otherwise make it available to the public.

Specific Reporting Requirements: The report will include, at a minimum, the following:

- An executive summary that provides an analysis of the status of the current investment portfolios; including the LGIP and the individual transactions that were executed;
- An asset listing showing par value, cost, market value, type of investment, issuer, and interest rate of securities held;
- WAM and effective duration of the portfolio compared to applicable approved benchmarks;
- Average portfolio credit quality;
- Total rate of return for the portfolio for the last one month, three months, and twelve months with applicable approved benchmark returns for the same periods;
- Any cash flow projections<sup>6</sup> prepared by the State Cash Manager for the portfolios;
- Sensitivity or Shock analysis for each portfolio on a quarterly basis;
- Transaction listing for the reporting period;
- A report of primary issues purchased and secondary issues purchased or sold;
- Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and
- Investment compliance review.

<sup>6</sup> As required by NMSA 1978, §8-6-3.1 B (4).



A. Performance Standards

- The Investment Portfolios will be structured to obtain a market average rate of return taking into account investment risk constraints and cash flow needs.
- Each portfolio will be compared to an approved benchmark that appropriately models an expected risk and return profile.

B. Quarterly Reporting

On a quarterly basis, the CIO shall prepare a quarterly investment report that describes the investment strategy employed during the past quarter and the strategy planned for the next quarter. Information will be reported to the State Treasurer's Investment Committee and to the State Board of Finance.

C. Annual Reporting

At the next regular State Treasurer's Investment Committee meeting after September 30 of each year, the CIO shall present an annual investment report that describes the investment strategy employed during the past year and the strategy planned for the next fiscal year. The report shall include annual comparisons of portfolio return to performance benchmarks for the preceding year.

**X. Approval:**

New Mexico State Treasurer's Office:

\_\_\_\_\_  
Tim Eichenberg  
New Mexico State Treasurer

\_\_\_\_\_  
Date

By affixing the signature below, the State Board of Finance hereby provides its advice and consent pursuant to NMSA 1978, §6-10-10.

\_\_\_\_\_  
Secretary, State Board of Finance

\_\_\_\_\_  
Date

**State of New Mexico**  
**Office of the State Treasurer**



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*Local Government Investment Pool  
Investment Policy*

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October 2017

Deleted: April 2014

Tim Eichenberg

Deleted: James B. Lewis

New Mexico State Treasurer

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Specific authority concerning the investment of the LGIP can be found at NMSA 1978, §6-10-10 and §6-10-10.1.

STO will submit this LGIP Investment Policy on behalf of the State Treasurer, to the State Board of Finance pursuant to its advice and consent role established at NMSA 1978, §6-10-10.

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**III. Identification of Funds:**

This Investment Policy applies only to the investment of the LGIP managed by the State Treasurer. The LGIP is a fund created by the New Mexico State Legislature to allow municipal, county, tribal and quasi-governmental bodies to remit money to the state treasurer to receive professional money management on a pooled basis.<sup>1</sup>

**IV. Objectives:**

The LGIP will be invested in a manner that is in conformance with federal, state and other legal requirements.

The Chief Investment Officer (CIO) and Authorized Investment Officers (AIOs) will observe the following priorities in making investment decisions, in the order described:

1. **Safety** – the first priority is the preservation of the principal of the funds to be invested;
2. **Liquidity** – the second priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the LGIP; and
3. **Return** – the third priority is maximizing investment return, consistent with the higher priorities accorded to the safety and liquidity of principal.

By statute, the LGIP is managed to an “AA” rating or better. The Chief Investment Officer and Authorized Investment Officers will comply with all rating agency criteria in order to maintain the LGIP’s statutory rating requirement.

The LGIP shall be invested with the objective of preserving a stable net asset value (NAV) of \$1.00 per share.

**V. Standards of Care:**

A. Delegation by the State Treasurer of Investment Authority

NMSA 1978, §6-10-10.1 allows for the creation of the Local Government Investment Pool within STQ to invest money deposited by participating governments. The State Treasurer shall invest the Local Government Investment Pool as provided in NMSA 1978, §6-10-10.

To ensure effective investment management of public funds, the State Treasurer has delegated investment functions to an Investment Division reporting to the Deputy Treasurer. The Investment Division includes a CIO and AIOs. AIOs will report to the CIO and the CIO will report to the Deputy Treasurer. The CIO will maintain a current list of Authorized Investment Officers.

B. Ethics and Conflict of Interest

The Deputy Treasurer, CIO and AIOs shall adhere to standards of conduct as follows:

- The Governmental Conduct Act, NMSA 1978, §§10-16-1 through 10-16-18;
- The State Treasurer’s Employee Code of Conduct<sup>2</sup>;
- The State Treasurer’s Campaign Contributions Policy;
- The State Treasurer’s Whistleblower Policy;
- The Gift Act, NMSA 1978, §§10-16B-1 through 10-16B-4; and

<sup>1</sup> Local Government Investment Pool, NMSA 1978, §6-10-10.1.

<sup>2</sup> As required by NMSA 1978, §10-16-11.

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- The Procurement Code, NMSA 1978, §§13-1-28 through 13-1-199.

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The Deputy Treasurer, CIO and AIOs shall file personal disclosure forms as required by the Governmental Conduct Act and the State Treasurer’s Code of Conduct.

C. Prudence

The CIO and AIOs shall perform investment duties in a manner consistent with this LGIP Investment Policy and the standard of a prudent investor<sup>3</sup> in light of the purposes, terms, distribution requirements and other circumstances then prevailing as to the assets entrusted to them.

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In the process of investing funds in the investment of the LGIP, the CIO and AIOs will exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the portfolio as a whole and of part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this LGIP Investment Policy.

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The CIO and AIOs, acting in accordance with New Mexico Statutes, written procedures, this LGIP Investment Policy and exercising due diligence shall be relieved of personal liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

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VI. Controls:

A. Custody

All investment securities purchased by the CIO and AIOs, held as collateral on repurchase agreements and bank deposits or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

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All securities held for the LGIP will be free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978, Section 6-10-10(O), which requires same day transfer of funds with the settlement of securities.

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The Custodian will provide reports that list all transactions that occurred within the LGIP during the month and all securities held for the LGIP at month-end including the book and market value of holdings.

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The representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of the LGIP shall be bonded in amounts required by the State Board of Finance under a custody agreement to protect from losses due to malfeasance and misfeasance.

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B. Approved Broker-Dealers and Counterparties

To ensure the proper separation of duties from the investment functions, the State Cash Manager shall maintain a list of broker-dealers and counterparties approved to provide investment services to the LGIP specifically and the state generally. Eligible broker-dealers will need to meet all of the following conditions:

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<sup>3</sup> Uniform Prudent Investor Act; NMSA 1978, §§45-7-601 through 45-7-612

- The broker-dealer and its representatives must be registered pursuant to the New Mexico Uniform Securities Act<sup>4</sup>;
- The broker-dealer must be registered with the financial industry regulatory authority (FINRA);
- All broker-dealer representatives who have direct contact with securities trading between STO and the firm must have a FINRA Series 7 License, or equivalent certification.
- The broker-dealer representatives must have a minimum of five (5) years continuous employment history involving fixed income securities; and
- Counterparties must operate under the terms of a securities lending or repurchase agreement.

The Broker Dealer list will be submitted to the State Treasurer’s Investment Committee for recommendation and will be approved by the State Treasurer. The list will be submitted to the State Board of Finance for its advice and consent.

C. Competitive Transactions

The CIO and AIOs will conduct all securities transactions in a fair, open and transparent competitive process.

- All securities transactions shall be executed at the highest bid or lowest offer to STO, subject to diversification constraints;
- Every effort to obtain at least three bids or offers on a specific security will be conducted. If unobtainable, documentation of comparable securities accompanied by current market levels will be retained, to provide evidence of price transparency and trade execution at competitive levels.
- Offers or bids for securities may be received from approved broker-dealers or direct issuers by any of the following means:
  - By phone; or
  - By e-mail or other form of electronic communication; or
  - Through an electronic trading platform; or
  - Directly from issuers of eligible investments.

D. Internal Controls

The CIO will maintain sufficient internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. These controls will require the CIO to:

- Communicate regularly with the Deputy Treasurer regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Require monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;
- Monitor compliance with applicable state statutes;
- Require Delivery Versus Payment (DVP) security settlement except for physical securities;
- Maintain clear delegation of investment authority;

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The Chief Investment Officer will maintain a list of financial institutions and investment counterparties authorized to provide investment services to the LGIP specifically and the state generally. Authorized financial institutions and investment counterparties will be limited to those who meet any of the following conditions:¶  
Certified or designated bank, savings and loan associations or credit unions eligible to receive public money on deposit in New Mexico; or¶  
Direct issuers of eligible investments; or¶  
Eligible counterparties identified under the terms of a securities lending agreement.¶

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<sup>4</sup> New Mexico Uniform Securities Act, NMSA 1978, §§58-13C-101 through 58-13C-701 (2009) and NMAC 12.11.2



- Ensure the separation of investing authority from cash activities and record-keeping;
- Ensure that all deposits are sufficiently collateralized per State Board of Finance Collateral Policy, 2.60.4 NMAC, or as required by the rating agency for the LGIP, whichever is greater;
- Require the use of approved objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the state;
- Maintain documentation on investment procedures;
- Report violations of this policy to the State Treasurer in a timely manner;
- Require the use of agency approved objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers.
- Ensure assets are valued by marking holdings to current market prices, thereby representing the full liquidation value of the LGIP;
- Ensure the NAV per share is computed by dividing the total market value of the LGIP's investments, less any liabilities, by the total outstanding shares of the LGIP; and,
- If the market-based NAV deviates from the \$1.00 NAV by more than 0.15% (\$0.0015; equating to less than \$0.9985 or more than \$1.0015), the CIO shall notify the Deputy Treasurer, in conjunction with the AIOs, to determine what, if any, actions need to be taken.

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E. External Controls

- STO will retain all records related to LGIP investment activities pursuant to state law As prescribed by the Audit Act<sup>5</sup>, the State Auditor or designated independent auditor will review the investment activities of STO with regard to the LGIP to determine the compliance of those activities with this LGIP Investment Policy and state statutes.
- The market value of all funds held by the custodian will be calculated monthly and provided to the State Treasurer.

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F. State Treasurer's Investment Committee

The State Treasurer may establish the State Treasurer's Investment Committee; an advisory committee to review investment reporting and any other matters of the State Treasurer's choosing.

- The Investment Committee shall consist of five (5) voting members: the State Treasurer, or designee; a member of the Treasurer's staff upon appointment by the Treasurer, or designee; the director of the State Board of Finance, or designee; and two members that are participants in the private investment community or have expert knowledge or professional experience in the subject of public finance or public money investing, of which one member will be appointed by the State Treasurer and approved by the State Board of Finance and one member will be appointed by the State Board of Finance and approved by the State Treasurer. The member of the Treasurer's staff shall be selected in a manner consistent with maintaining a separation of responsibilities between the STO investment managers and the members of the committee.

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<sup>5</sup> Audit Act, NMSA 1978, SS12-6-1 to-14.

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- Each private sector member shall serve at the pleasure of the State Treasurer or the State Board of Finance appointing the private sector member. The private sector members shall serve for a term of two (2) years after appointment and shall be eligible for reappointment to serve for consecutive two (2) year terms. Any vacancy created by a private sector member shall be filled in the same manner as original appointments.

**VII. Eligible and Ineligible Investments:**

**A. Eligible Investments**

Eligible Investments are only those securities and deposits specifically authorized by statute. Consistent with NMSA 1978, §6-10-10 and 6-10-10.1, the CIO and AIOs may invest in the following:

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- Cash at Banks, Savings and Loan Associations or Credit Unions whose deposits are insured by an agency of the United States and are certified or designated as eligible to receive public money on deposit in New Mexico;
- Securities issued by the United States government;
- Securities issued or guaranteed by United States government agencies or instrumentalities including mortgage obligations;
- Repurchase Agreements, subject to restrictions contained in Section VII, paragraph C of this LGIP Investment Policy;
- Securities Lending Arrangements;
- Commercial Paper rated “prime” quality by a nationally recognized rating service, defined in this policy as investment grade, issued by corporations that are organized and operating in the United States and are included on STO’s approved issuer list;
- Corporate Bonds rated investment grade, as defined in this policy, by a nationally recognized rating service, issued by corporations that are organized and operating in the United States and are included on STO’s approved issuer list;
- Asset-Backed Obligations rated “AAA” or better by a nationally recognized rating service, and with a maturity of less than 397 days;
- Shares of open-ended diversified investment companies, that are registered with the United States Securities and Exchange Commission; comply with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States securities and exchange commission applicable to money market mutual funds; assess no fees pursuant to Rule 12b-1, or any successor rule, of the United States securities and exchange commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated; and that do not use swap and derivative products, STO shall not, at any time, own more than five percent (5%) of a money market mutual fund’s assets.
- Individual, common or collective trust funds of banks or trust companies that are invested only in United States Government and Agency obligations and repurchase agreements secured by such obligations; has assets under management of at least one billion dollars (\$1,000,000,000); that do not use swap and derivative products;

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and the investments made by STO are less than five percent (5%) of the assets of the fund.

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- Securities issued by the State of New Mexico, its agencies, institutions, counties, municipalities, school districts, community college districts or other subdivisions of the state, or as otherwise provided by law and rated investment grade as defined by this policy; or
- Securities issued by states other than New Mexico or governmental entities in states other than New Mexico and rated investment grade as defined by this policy.

#### B. Ineligible Investments

To provide for the safety and liquidity of funds, the Local Government Investment Pool is specifically prohibited from investing in:

- Short Sales
- Whole Loan Mortgage Obligations
- Reverse Repurchase Agreements, except under a securities lending arrangement
- Inverse Floating Rate Notes
- Equity Securities
- Swaps and Derivatives

#### C. Repurchase Agreements

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Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with currently approved dealers and counterparties included on the broker-dealer list, the Fiscal Agent Bank, or the master custodial bank, operating under the terms of a master repurchase agreement or securities lending arrangement;
- Each approved repo counterparty must have a net worth in excess of five hundred million dollars (\$500,000,000).
- Transactions with any single counterparty will not exceed 35% of the portfolio;
- The maximum term of any repurchase agreement will be 1 year;
- Tri-Party Repurchase Agreement transactions may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements within this policy.

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Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with a final maturity Jess than 10 years, will be priced at 102% of market value, plus accrued income;
- Securities placed as collateral for repurchase agreements, with a final maturity of 10 years or greater, will be priced at 103% of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven days will be priced at 105% of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven days are required to have daily pricing of collateral; and
- Only treasury and agency securities, including agency mortgage-backed obligations, will be utilized as collateral for repurchase agreements.

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**VIII. Investment Parameters:**

To provide for the safety and liquidity of funds, the investment of the LGIP will be subject to the restrictions listed below. These represent minimum investment restrictions under this LGIP Investment Policy and there may be separate procedures containing additional, more restrictive limitations for certain investment instruments. All restrictions are based on current market value.

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Maximum percentages for a particular issuer, investment type or liquidity constraint may on occasion be exceeded due to unforeseen circumstances (e.g., due to fluctuations in fund balances). Exceptions will be reported to the Treasurer, the State Treasurer’s Investment Committee and the State Board of Finance monthly. Steps will be taken to remedy any breaches that may put the LGIP’s rating at risk of falling below the required AA or better rating.

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**A. Diversification**

The following diversification limits shall apply to each portfolio:

Allowable Securities	Diversification Limits	Further Limitations
US Treasury Obligations	100%	
US Agency Obligations <u>Primary Issuers – FNMA, FHLMC, FFCB, FHLE</u> <u>Secondary Issuers – All Other Agencies</u>	100%	Per <u>Primary</u> Issuer: 33% Per <u>Secondary</u> Issuer: 5% except TVA – 10%
US Agency Issued Mortgage-Backed Securities	25%	
Bank Demand Deposits ( <u>Business Days</u> )		Per Issuer:
A1+ or F1+ - 1 Day	100%	50%
A1 or P1 or F1 - 1 Day	100%	25%
A1 or P1 or F1 - 2 to 5 Days	100%	10%
A1 or P1 or F1 - 6 Days +	100%	5%
<u>A2 or P2 or F2 - 1 Day</u>	<u>10%</u>	<u>2.5%</u>
<u>A3 or lower and nonrated - 1 Day</u>	<u>10%</u>	<u>0.25%</u>
Certificates of Deposit	25%	Per CD Issuer: 5%
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Commercial Paper, Corporate Bonds, Medium Term Notes, and Asset-Backed Obligations ( <u>In Aggregate</u> )	40%	Per <u>Corporate</u> Issuer: 5% Per <u>Asset-Backed</u> Issue: 5%
Open Ended 2a-7 Rated Fund <u>US Treasury and Agency Only</u>	100%	Per Fund: 10%
Municipal Securities <u>Pre-refunded 100% escrowed with US Government related securities</u>	15% <u>15%</u>	Per Issuer: 5%
Repurchase Agreements ( <u>Business Days</u> )		Per Counterparty:
A1+ or F1+ - 1 Day	100%	35%
A1 or P1 or F1 - 1 Day	100%	25%
A1 or P1 or F1 - 2-5 Days	100%	10%
A1 or P1 or F1 - 6 Days +	100%	5%
<u>A2 or P2 or F2 - 1 Day</u>	<u>10%</u>	<u>5%</u>

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- Deleted: Corporate Bonds
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- Deleted: Asset Backed Obligations
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Variable Rate Obligations US Treasury and GSE All Other	25%	Per Issuer: 25% 5%
Limited/Illiquid Securities <i>(In Aggregate)</i>	10%	<del>Nonmarketable securities with maturities greater than 5 business days.</del>

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**B. Maturity Restrictions**

The following maturity limits shall apply to each portfolio:

<i>Allowable Securities</i>	<i>Maturity Limits</i>
All Securities	397 Days
Variable Rate Obligations US Treasury and GSE All Other	762 Days 397 Days

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**C. Portfolio Duration**

The CIO and AIOs will manage the LGIP within the weighted average maturity (WAM) required by the LGIP's rating agency. The appropriate performance benchmark for the LGIP will be reflective of its short-term investment objective. The benchmark will be reviewed by the State Treasurer's Investment Committee for recommendation and will be approved by the State Treasurer and the State Board of Finance annually.

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**Credit Quality**

The following issuer credit rating limits shall apply for the LGIP:

<i>Investment Type</i>	<i>Credit</i>	
	<i>Short-Term</i>	<i>Long-Term</i>
US Treasury Obligations		
US Agency Obligations		
US Agency Issued Mortgage-Backed Securities		
Bank Demand Deposits - Collateralized	<del>See Above</del>	
Bank Certificates of Deposit	A1 or P1 or F1	A/A2
Asset-Backed Obligations	A1+ or P1 or F1+	AAA/Aaa
Commercial Paper	A1 or P1 or F1	A/A2
Corporate Bonds	A1 or P1 or F1	A/A2
Open-Ended 2a-7 rated fund <u>US Treasury and Agency Only</u>	AAA <i>m or Aaa-mf or Aaammf</i>	
Municipal Securities	A1 or MIG1 or F1	A/A2
Repurchase Agreements	<del>See Above</del>	

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Variable Rate Obligations US Treasury and GSE All other	A1 or P1 or F1	A/A2
Limited/Illiquid Securities	A1 or P1 or F1	A/A2

**IX. Reporting:**

The CIO shall prepare a monthly investment report for the State Treasurer. For purposes of reporting, the LGIP Report may be combined with the reports of other assets under the management of the State Treasurer pursuant to the State Treasurer’s Investment Policy.

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An executive summary will be prepared in a manner that will allow the State Treasurer to ascertain whether investment activities during the reporting period are in compliance with this LGIP Investment Policy, the State Treasurer’s Investment Policy and New Mexico statutes.

The CIO will submit and present the monthly investment report, on behalf of the State Treasurer, to the State Board of Finance and will post the report on the State Treasurer’s website and otherwise make it available to the public.

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A. Specific Reporting Requirements:

The report will include, at a minimum, the following:

- An asset listing showing par value, cost, market value, type of investment, issuer, and interest rate of securities held;
- The total market value and amortized cost of all pool assets and the average 30-day yield, as of month-end;
- WAM to Reset and WAM to Final of the LGIP compared to the maximums allowable per the appropriate rating agency;
- Average portfolio credit quality;
- Total rate of return for the LGIP for the last one month, three months, and twelve months with applicable approved benchmark returns for the same periods;
- Sensitivity or Shock analysis on a quarterly basis;
- Transaction listing of the LGIP for the reporting period;
- A report of primary issues purchased and secondary issues purchased or sold;
- Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and
- LGIP Investment compliance review.

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B. Performance Standards

- The LGIP will be structured to obtain a market average rate of return taking into account investment risk constraints and cash flow needs.
- The LGIP will be compared to an approved benchmark that appropriately models an expected risk and return profile.

C. Quarterly Reporting

On a quarterly basis, the CIO shall prepare a quarterly investment report that describes the investment strategy for the LGIP employed during the past quarter and the strategy planned for the next quarter. Information will be reported to the State Treasurer’s Investment Committee and to the State Board of Finance.

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D. Annual Reporting

At the next regular State Treasurer's Investment Committee meeting after September 30 of each year, the CIO shall present an annual investment report on the LGIP that describes the investment strategy employed during the past year and the strategy planned for the next fiscal year. The report shall include annual comparisons of the portfolio's return to the performance benchmark for the preceding fiscal year.

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X. Approval:

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Eichenberg  
New Mexico State Treasurer

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By affixing the signature below, the State Board of Finance hereby exercises its advice and consent pursuant to NMSA 1978, §6-10-10.

\_\_\_\_\_  
Secretary, State Board of Finance

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Date

***State of New Mexico  
Office of the State Treasurer***



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*Local Government Investment Pool  
Investment Policy*

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October 2017

Tim Eichenberg  
New Mexico State Treasurer



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**I. Statement of Purpose/Statutory Authority:**

The purpose of this investment policy is to provide guidance governing the investment functions of the State Treasurer’s Office (STO) with regard to the Local Government Investment Pool (“LGIP”).

STO is established by Article V, Section 1 of the New Mexico Constitution. The duties and responsibilities of the State Treasurer are further defined by Chapters 6 and 8 of the New Mexico Statutes.

Specific authority concerning the investment of the LGIP can be found at NMSA 1978, §6-10-10 and §6-10-10.1.

STO will submit this LGIP Investment Policy on behalf of the State Treasurer, to the State Board of Finance pursuant to its advice and consent role established at NMSA 1978, §6-10-10.

**II. Definitions:**

Authorized Investment Officers	Those individuals and third-party entities authorized by the State Treasurer to invest monies on behalf of the State of New Mexico.												
Custodian	A specialized financial institution, approved by the State Board of Finance, responsible for the safekeeping of assets. The assets may be in electronic or physical form. Some additional responsibilities may include facilitating securities settlements and the collection of income on assets held in safekeeping.												
Duration	A measure of the price sensitivity of an underlying security, or portfolio, to changes in interest rates.												
DVP	Delivery Versus Payment, a method of securities settlement where securities are simultaneously exchanged for payment.												
Fiscal Agent Bank	A bank or savings and loan association designated by the State Board of Finance pursuant to NMSA 1978, §6-10-35, acting on behalf of the State of New Mexico, to perform various financial functions. Fiscal agent bank functions include the collection of all monies received by the State of New Mexico and the management of STO’s checking account. Monies held at the Fiscal Agent Bank are managed to a target balance after payment of checks, warrants, ACH volume and wire transfers processed by the State.												
Investment Grade Ratings	A rating within any of the following rating agencies: <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Rating Agency</u></th> <th style="text-align: left;"><u>Long-Term</u></th> <th style="text-align: left;"><u>Short-Term</u></th> </tr> </thead> <tbody> <tr> <td><b>Standard &amp; Poor’s</b></td> <td>A to AAA</td> <td>A-1</td> </tr> <tr> <td><b>Fitch</b></td> <td>A to AAA</td> <td>F1</td> </tr> <tr> <td><b>Moody’s</b></td> <td>A2 to Aaa</td> <td>P-1</td> </tr> </tbody> </table>	<u>Rating Agency</u>	<u>Long-Term</u>	<u>Short-Term</u>	<b>Standard &amp; Poor’s</b>	A to AAA	A-1	<b>Fitch</b>	A to AAA	F1	<b>Moody’s</b>	A2 to Aaa	P-1
<u>Rating Agency</u>	<u>Long-Term</u>	<u>Short-Term</u>											
<b>Standard &amp; Poor’s</b>	A to AAA	A-1											
<b>Fitch</b>	A to AAA	F1											
<b>Moody’s</b>	A2 to Aaa	P-1											
Maturity Date	The date on which the principal amount of a debt instrument becomes due and is repaid to the investor, along with all remaining interest.												
WAM	Weighted Average Maturity. For a given portfolio, the average maturity of investment holdings weighted by the relative size of each position.												

### III. Identification of Funds:

This Investment Policy applies only to the investment of the LGIP managed by the State Treasurer. The LGIP is a fund created by the New Mexico State Legislature to allow municipal, county, tribal and quasi-governmental bodies to remit money to the state treasurer to receive professional money management on a pooled basis.<sup>1</sup>

### IV. Objectives:

The LGIP will be invested in a manner that is in conformance with federal, state and other legal requirements.

The Chief Investment Officer (CIO) and Authorized Investment Officers (AIOs) will observe the following priorities in making investment decisions, in the order described:

1. **Safety** – the first priority is the preservation of the principal of the funds to be invested;
2. **Liquidity** – the second priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the LGIP; and
3. **Return**– the third priority is maximizing investment return, consistent with the higher priorities accorded to the safety and liquidity of principal.

By statute, the LGIP is managed to an “AA” rating or better. The Chief Investment Officer and Authorized Investment Officers will comply with all rating agency criteria in order to maintain the LGIP’s statutory rating requirement.

The LGIP shall be invested with the objective of preserving a stable net asset value (NAV) of \$1.00 per share.

### V. Standards of Care:

#### A. Delegation by the State Treasurer of Investment Authority

NMSA 1978, §6-10-10.1 allows for the creation of the Local Government Investment Pool within STO to invest money deposited by participating governments. The State Treasurer shall invest the Local Government Investment Pool as provided in NMSA 1978, §6-10-10.

To ensure effective investment management of public funds, the State Treasurer has delegated investment functions to an Investment Division reporting to the Deputy Treasurer. The Investment Division includes a CIO and AIOs. AIOs will report to the CIO and the CIO will report to the Deputy Treasurer. The CIO will maintain a current list of Authorized Investment Officers.

#### B. Ethics and Conflict of Interest

The Deputy Treasurer, CIO and AIOs shall adhere to standards of conduct as follows:

- The Governmental Conduct Act, NMSA §§10-16-1 through 10-16-18;
- The State Treasurer’s Employee Code of Conduct<sup>2</sup>;
- The State Treasurer’s Campaign Contributions Policy;
- The State Treasurer’s Whistleblower Policy;
- The Gift Act, NMSA 1978 §§10-16B-1 through 10-16B-4; and

<sup>1</sup> Local Government Investment Pool, NMSA 1978, §6-10-10.1.

<sup>2</sup> As required by NMSA 1978, §10-16-11.

- The Procurement Code, NMSA 1978 §§13-1-28 through 13-1-199.

The CIO and AIOs shall file personal disclosure forms as required by the Governmental Conduct Act and the State Treasurer's Code of Conduct.

#### C. Prudence

The Deputy Treasurer, CIO and AIOs shall perform investment duties in a manner consistent with this LGIP Investment Policy and the standard of a prudent investor<sup>3</sup> in light of the purposes, terms, distribution requirements and other circumstances then prevailing as to the assets entrusted to them.

In the process of investing funds in the investment of the LGIP, the CIO and AIOs will exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the portfolio as a whole and of part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this LGIP Investment Policy.

The CIO and AIOs, acting in accordance with New Mexico Statutes, written procedures, this LGIP Investment Policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **VI. Controls:**

#### A. Custody

All investment securities purchased by the CIO and AIOs, held as collateral on repurchase agreements and bank deposits or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

All securities held for the LGIP will be free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978, §6-10-10(O), which requires same day transfer of funds with the settlement of securities.

The Custodian will provide reports that list all transactions that occurred within the LGIP during the month and all securities held for the LGIP at month-end including the book and market value of holdings.

The representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of the LGIP shall be bonded in amounts required by the State Board of Finance under a custody agreement to protect from losses due to malfeasance and misfeasance.

#### B. Approved Broker-Dealers and Counterparties

To ensure the proper separation of duties from the investment functions, the State Cash Manager shall maintain a list of broker-dealers and counterparties approved to provide investment services to the LGIP specifically and the state generally. Eligible broker-dealers will need to meet all of the following conditions:

<sup>3</sup> Uniform Prudent Investor Act; NMSA 1978, §§45-7-601 through 45-7-612

- The broker-dealer and its representatives must be registered pursuant to the New Mexico Uniform Securities Act<sup>4</sup>;
- The broker-dealer must be registered with the financial industry regulatory authority (FINRA);
- All broker-dealer representatives who have direct contact with securities trading between STO and the firm must have a FINRA Series 7 License, or equivalent certification.
- The broker-dealer representatives must have a minimum of five (5) years continuous employment history involving fixed income securities; and
- Counterparties must operate under the terms of a securities lending or repurchase agreement.

The Broker Dealer list will be submitted to the State Treasurer's Investment Committee for recommendation and will be approved by the State Treasurer. The list will be submitted to the State Board of Finance for its advice and consent.

#### C. Competitive Transactions

The CIO and AIOs will conduct all securities transactions in a fair, open and transparent competitive process:

- All securities transactions shall be executed at the highest bid or lowest offer to STO, subject to diversification constraints;
- Every effort to obtain at least three bids or offers on a specific security will be conducted. If unobtainable, documentation of comparable securities accompanied by current market levels will be retained, to provide evidence of price transparency and trade execution at competitive levels.
- Offers or bids for securities may be received from approved broker-dealers or direct issuers by any of the following means:
  - By phone; or
  - By e-mail or other form of electronic communication; or
  - Through an electronic trading platform; or
  - Directly from issuers of eligible investments.

#### D. Internal Controls

The CIO will maintain sufficient internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. These controls will require the CIO to:

- Communicate regularly with the Deputy Treasurer regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Require monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;
- Monitor compliance with applicable state statutes;
- Require Delivery Versus Payment security settlement except for physical securities;
- Maintain clear delegation of investment authority;
- Ensure the separation of investing authority from cash activities and record-keeping;

<sup>4</sup> New Mexico Uniform Securities Act, NMSA 1978, §§58-13C-101 through 58-13C-701 (2009) and NMAC 12.11.2

- Ensure that all deposits are sufficiently collateralized per State Board of Finance Collateral Policy, 2.60.4 NMAC, or as required by the rating agency for the LGIP, whichever is greater;
- Require the use of approved objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the state;
- Maintain documentation on investment procedures;
- Report violations of this policy to the State Treasurer in a timely manner;
- Require the use of agency approved objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers.
- Ensure assets are valued by marking holdings to current market prices, thereby representing the full liquidation value of the LGIP;
- Ensure the NAV per share is computed by dividing the total market value of the LGIP's investments, less any liabilities, by the total outstanding shares of the LGIP; and,
- If the market-based NAV deviates from the \$1.00 NAV by more than 0.15% (\$0.0015; equating to less than \$0.9985 or more than \$1.0015), the CIO shall notify the Deputy Treasurer, in conjunction with the AIOs, to determine what, if any, actions need to be taken.

#### E. External Controls

- STO will retain all records related to LGIP investment activities pursuant to state law. As prescribed by the Audit Act<sup>5</sup>, the State Auditor or designated independent auditor will review the investment activities of STO with regard to the LGIP to determine the compliance of those activities with this LGIP Investment Policy and state statutes.
- The market value of all funds held by the custodian will be calculated monthly and provided to the State Treasurer.

#### F. State Treasurer's Investment Committee

The State Treasurer may establish the State Treasurer's Investment Committee; an advisory committee to review investment reporting and any other matters of the State Treasurer's choosing.

- The Investment Committee shall consist of five (5) voting members: the State Treasurer, or designee; a member of the Treasurer's staff upon appointment by the Treasurer or designee; the director of the State Board of Finance, or designee; and two members that are participants in the private investment community or have expert knowledge or professional experience in the subject of public finance or public money investing, of which one member will be appointed by the State Treasurer and approved by the State Board of Finance and one member will be appointed by the State Board of Finance and approved by the State Treasurer. The member of the Treasurer's staff shall be selected in a manner consistent with maintaining a separation of responsibilities between the STO investment managers and the members of the committee.
- Each private sector member shall serve at the pleasure of the State Treasurer or the State Board of Finance appointing the private sector member. The private sector members shall serve for a term of two (2) years after appointment and shall be

<sup>5</sup> Audit Act, NMSA 1978, §§12-6-1 to-14.

eligible for reappointment to serve for consecutive two (2) year terms. Any vacancy created by a private sector member shall be filled in the same manner as original appointments.

## **VII. Eligible and Ineligible Investments:**

### **A. Eligible Investments**

Eligible Investments are only those securities and deposits specifically authorized by statute. Consistent with NMSA 1978, §§6-10-10 and 6-10-10.1, the CIO and AIOs may invest in the following:

- Cash at Banks, Savings and Loan Associations or Credit Unions whose deposits are insured by an agency of the United States and are certified or designated as eligible to receive public money on deposit in New Mexico;
- Securities issued by the United States government;
- Securities issued or guaranteed by United States government agencies or instrumentalities including mortgage obligations;
- Repurchase Agreements, subject to restrictions contained in Section VII, paragraph C of this LGIP Investment Policy;
- Securities Lending Arrangements;
- Commercial Paper rated “prime” quality by a nationally recognized rating service, defined in this policy as investment grade, issued by corporations that are organized and operating in the United States and are included on STO’s approved issuer list;
- Corporate Bonds rated investment grade, as defined in this policy, by a nationally recognized rating service, issued by corporations that are organized and operating in the United States and are included on STO’s approved issuer list;
- Asset-Backed Obligations rated “AAA” or better by a nationally recognized rating service, and with a maturity of less than 397 days;
- Shares of open-ended diversified investment companies that are registered with the United States Securities and Exchange Commission; comply with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States securities and exchange commission applicable to money market mutual funds; assess no fees pursuant to Rule 12b-1, or any successor rule, of the United States securities and exchange commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated; and that do not use swap and derivative products. STO shall not, at any time, own more than five percent (5%) of a money market mutual fund’s assets.
- Individual, common or collective trust funds of banks or trust companies that are invested only in United States Government and Agency obligations and repurchase agreements secured by such obligations; has assets under management of at least one billion dollars (\$1,000,000,000); that do not use swap and derivative products; and the investments made by STO are less than five percent (5%) of the assets of the fund.

- Securities issued by the State of New Mexico, its agencies, institutions, counties, municipalities, school districts, community college districts or other subdivisions of the state, or as otherwise provided by law and rated investment grade as defined by this policy; or
- Securities issued by states other than New Mexico or governmental entities in states other than New Mexico and rated investment grade as defined by this policy.

#### B. Ineligible Investments

To provide for the safety and liquidity of funds, the Local Government Investment Pool is specifically prohibited from investing in:

- Short Sales
- Whole Loan Mortgage Obligations
- Reverse Repurchase Agreements, except under a securities lending arrangement
- Inverse Floating Rate Notes
- Equity Securities
- Swaps and Derivatives

#### C. Repurchase Agreements

Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with currently approved dealers and counterparties included on the broker-dealer list, the Fiscal Agent Bank, or the master custodial bank, operating under the terms of a master repurchase agreement or securities lending arrangement;
- Each approved repo counterparty must have a net worth in excess of five hundred million dollars (\$500,000,000).
- Transactions with any single counterparty will not exceed 35% of the portfolio;
- The maximum term of any repurchase agreement will be 1 year;
- Tri-Party Repurchase Agreement transactions may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements within this policy.

Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with a final maturity less than 10 years, will be priced at 102% of market value, plus accrued income;
- Securities placed as collateral for repurchase agreements, with a final maturity of 10 years or greater, will be priced at 103% of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven days will be priced at 105% of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven days are required to have daily pricing of collateral; and
- Only treasury and agency securities, including agency mortgage-backed obligations, will be utilized as collateral for repurchase agreements.

### VIII. Investment Parameters:

To provide for the safety and liquidity of funds, the investment of the LGIP will be subject to the restrictions listed below. These represent minimum investment restrictions under this LGIP



Investment Policy and there may be separate procedures containing additional, more restrictive limitations for certain investment instruments. All restrictions are based on current market value.

Maximum percentages for a particular issuer, investment type or liquidity constraint may on occasion be exceeded due to unforeseen circumstances (e.g., due to fluctuations in fund balances). Exceptions will be reported to the Treasurer, the State Treasurer's Investment Committee and the State Board of Finance monthly. Steps will be taken to remedy any breaches that may put the LGIP's rating at risk of falling below the required AA or better rating.

#### A. Diversification

The following diversification limits shall apply to each portfolio:

<i>Allowable Securities</i>	<i>Diversification Limits</i>	<i>Further Limitations</i>
US Treasury Obligations	100%	
US Agency Obligations Primary Issuers – <i>FNMA, FHLMC, FFCB, FHLB</i> Secondary Issuers – <i>All Other Agencies</i>	100%	Per Primary Issuer: 33% Per Secondary Issuer: 5% except TVA – 10%
US Agency Issued Mortgage-Backed Securities	25%	
Bank Demand Deposits (Business Days)		Per Issuer:
A1+ or F1+ - 1 Day	100%	50%
A1 or P1 or F1 - 1 Day	100%	25%
A1 or P1 or F1 - 2 to 5 Days	100%	10%
A1 or P1 or F1 - 6 Days +	100%	5%
A2 or P2 or F2 - 1 Day	10%	2.5%
A3 or lower and nonrated - 1 Day	10%	0.25%
Certificates of Deposit	25%	Per CD Issuer: 5%
Commercial Paper, Corporate Bonds, Medium Term Notes, and Asset-Backed Obligations ( <i>In Aggregate</i> )	40%	Per Corporate Issuer: 5% Per Asset-Backed Issue: 5%
Open Ended 2a-7 Rated Fund US Treasury and Agency <i>Only</i>	100%	Per Fund: 10%
Municipal Securities	15%	Per Issuer: 5%
Pre-refunded 100% escrowed with US Government related securities	15%	
Repurchase Agreements (Business Days)		Per Counterparty:
A1+ or F1+ - 1 Day	100%	35%
A1 or P1 or F1 - 1 Day	100%	25%
A1 or P1 or F1 - 2-5 Days	100%	10%
A1 or P1 or F1 - 6 Days +	100%	5%
A2 or P2 or F2 - 1 Day	10%	5%
Variable Rate Obligations	25%	Per Issuer:
US Treasury and GSE		25%
All Other		5%
Limited/Illiquid Securities ( <i>In Aggregate</i> )	10%	Nonmarketable securities with maturities greater than 5 business days.

**B. Maturity Restrictions**

The following maturity limits shall apply to each portfolio:

<i>Allowable Securities</i>	<i>Maturity Limits</i>
All Securities	397 Days
Variable Rate Obligations	
US Treasury and GSE	762 Days
All Other	397 Days

**C. Portfolio Duration**

The CIO and AIOs will manage the LGIP within the weighted average maturity (WAM) required by the LGIP’s rating agency. The appropriate performance benchmark for the LGIP will be reflective of its short-term investment objective. The benchmark will be reviewed by the State Treasurer’s Investment Committee for recommendation and will be approved by the State Treasurer and the State Board of Finance annually.

**Credit Quality**

The following issuer credit rating limits shall apply for the LGIP:

<i>Investment Type</i>	<i>Credit</i>	
	<i>Short-Term</i>	<i>Long-Term</i>
US Treasury Obligations		
US Agency Obligations		
US Agency Issued Mortgage-Backed Securities		
Bank Demand Deposits - Collateralized	See Above	
Bank Certificates of Deposit	A1 or P1 or F1	A/A2
Asset-Backed Obligations	A1+ or P1 or F1+	AAA/Aaa
Commercial Paper	A1 or P1 or F1	A/A2
Corporate Bonds	A1 or P1 or F1	A/A2
Open-Ended 2a-7 rated fund US Treasury and Agency Only	AAA <sup>m</sup> or Aaa- <sup>m</sup> f or Aaamm <sup>f</sup>	
Municipal Securities	A1 or MIG1 or F1	A/A2
Repurchase Agreements	See Above	
Variable Rate Obligations		
US Treasury and GSE		
All other	A1 or P1 or F1	A/A2
Limited/Illiquid Securities	A1 or P1 or F1	A/A2

**IX. Reporting:**

The CIO shall prepare a monthly investment report for the State Treasurer. For purposes of reporting, the LGIP Report may be combined with the reports of other assets under the management of the State Treasurer pursuant to the State Treasurer’s Investment Policy.

An executive summary will be prepared in a manner that will allow the State Treasurer to ascertain whether investment activities during the reporting period are in compliance with this LGIP Investment Policy, the State Treasurer’s Investment Policy and New Mexico statutes.

The CIO will submit and present the monthly investment report, on behalf of the State Treasurer, to the State Board of Finance and will post the report on the State Treasurer's website and otherwise make it available to the public.

A. Specific Reporting Requirements:

The report will include, at a minimum, the following:

- An asset listing showing par value, cost, market value, type of investment, issuer, and interest rate of securities held;
- The total market value and amortized cost of all pool assets and the average 30-day yield, as of month-end;
- WAM to Reset and WAM to Final of the LGIP compared to the maximums allowable per the appropriate rating agency;
- Average portfolio credit quality;
- Total rate of return for the LGIP for the last one month, three months, and twelve months with applicable approved benchmark returns for the same periods;
- Sensitivity or Shock analysis on a quarterly basis;
- Transaction listing of the LGIP for the reporting period;
- A report of primary issues purchased and secondary issues purchased or sold;
- Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and
- LGIP Investment compliance review.

B. Performance Standards

- The LGIP will be structured to obtain a market average rate of return taking into account investment risk constraints and cash flow needs.
- The LGIP will be compared to an approved benchmark that appropriately models an expected risk and return profile.

C. Quarterly Reporting

On a quarterly basis, the CIO shall prepare a quarterly investment report that describes the investment strategy for the LGIP employed during the past quarter and the strategy planned for the next quarter. Information will be reported to the State Treasurer's Investment Committee and to the State Board of Finance.

D. Annual Reporting

At the next regular State Treasurer's Investment Committee meeting after September 30 of each year, the CIO shall present an annual investment report on the LGIP that describes the investment strategy employed during the past year and the strategy planned for the next fiscal year. The report shall include annual comparisons of the portfolio's return to the performance benchmark for the preceding fiscal year.

**X. Approval:**

New Mexico State Treasurer's Office:

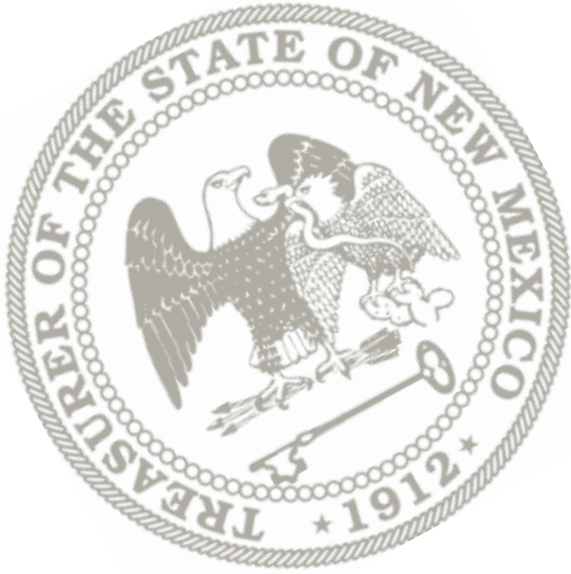
\_\_\_\_\_  
Tim Eichenberg  
New Mexico State Treasurer

\_\_\_\_\_  
Date

By affixing the signature below, the State Board of Finance hereby exercises its advice and consent pursuant to NMSA 1978, §6-10-10.

\_\_\_\_\_  
Secretary, State Board of Finance

\_\_\_\_\_  
Date



## 17. State Agency Deposit Balances




Tim Eichenberg  
State Treasurer

STATE OF NEW MEXICO  
OFFICE OF THE TREASURER

Samuel Collins  
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: September 26, 2017  
To: Tim Eichenberg, State Treasurer  
For: Governor Martinez and Members of the State Board of Finance  
From: Charmaine Cook, State Cash Manager   
Subject: State Fund Deposit Activity for the month ending August 31, 2017

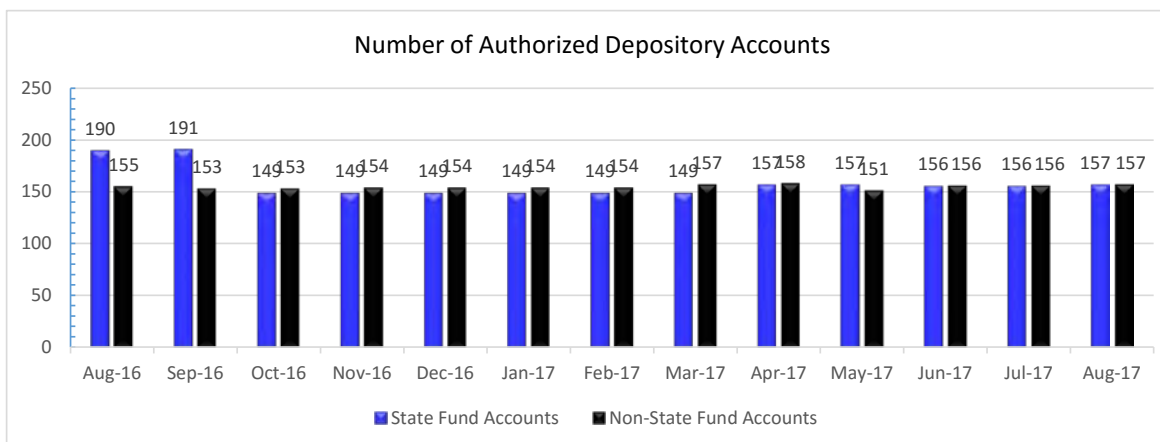
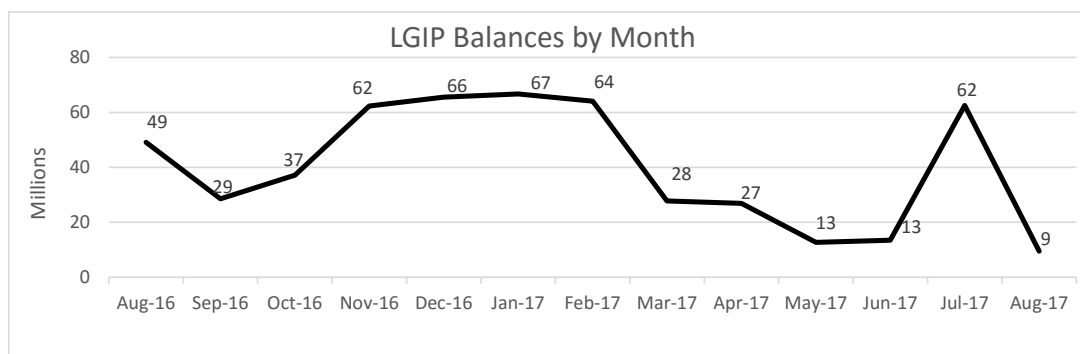
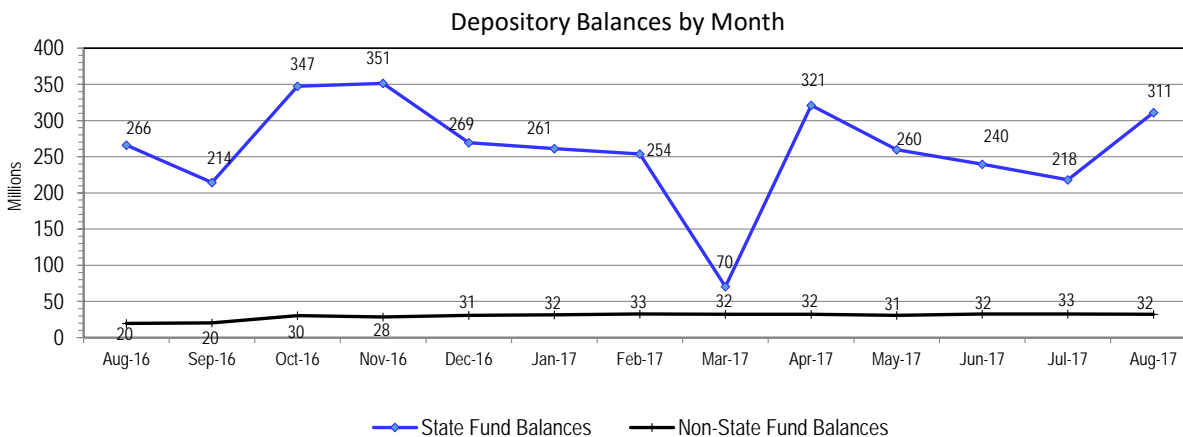
Pursuant to section 8-6-3.1 NMSA 1978, the State Cash Manager shall submit to the State Board of Finance a report showing state fund balances in each Financial Institution. Attached for your review is a summary of State fund balances in each institution through August 31, 2017.

Additionally, the State Treasurer's Office is required to report to the State Board of Finance any Financial Institution that exceeds certain equity capital and deposit ratios and notify all state agencies who maintain State fund deposits within those institutions of the violation. Agencies are also advised not to make any new deposits until the violations are corrected.

Pursuant to section 6-10-24.1 NMSA 1978, there were no Financial Institutions exceeding the statutory limitations on equity capital and deposit ratios for the month ending August 31, 2017

(Attachments 3)

# Depository Account Summary for August 2017



**Depository accounts authorized in August 2017 pursuant to Section 6-1-13 NMSA :**

- Depository accounts opened in August 2017
- 1 Department of Health
  - 1 13th Judicial

Depository accounts closed in August 2017

# Depository Account Summary by Agency

August 2017

## STATE FUNDS

## NON-STATE FUNDS

AGENCY	# OF ACCTS.	BALANCE	AGENCY	# OF ACCTS.	BALANCE
AOC (fines, fees etc.)	48	\$2,186,892	AOC	1	\$42,699
BERN. CO. METRO COURT	2	\$615,276	1ST JUDICIAL DIST. COURT	3	\$13,290,910
1-13 DISTRICT ATTORNEY	5	\$25,041	2ND JUDICIAL DIST. COURT	2	\$469,380
EDUCATION RETIREMENT BOARD	1	\$14,089	3RD JUDICIAL DIST. COURT	2	\$547,587
TAXATION & REVENUE DEPT.	6	\$7,923	4TH JUDICIAL DIST. COURT	2	\$124,041
PUBLIC SCHOOL INS. AUTHORITY	6	\$9,814,684	5TH JUDICIAL DIST. COURT	3	\$2,108,950
NMRHCA	0	\$0	6TH JUDICIAL DIST. COURT	3	\$226,018
PUBLIC DEFENDER	1	\$635	7TH JUDICIAL DIST. COURT	4	\$227,316
SECRETARY OF STATE	0	\$0	8TH JUDICIAL DIST. COURT	6	\$291,636
STATE TREASURER (JDC)	5	\$27,803	9TH JUDICIAL DIST. COURT	2	\$963,662
STATE TREASURER (OTHER)	3	\$100,063,687	10TH JUDICIAL DIST. COURT	2	\$109,704
STATE TREASURER (Liq. Reserve)	1	\$191,736,234	11TH JUDICIAL DIST. COURT	10	\$645,741
NM RACING COMMISSION	6	\$0	12TH JUDICIAL DIST. COURT	2	\$785,299
DEPT. OF GAME & FISH	2	\$143,583	13TH JUDICIAL DIST. COURT	59	\$3,507,805
SOUTHWEST REGION ED.	1	\$2,996,160	7TH DISTRICT ATTORNEY	1	\$1,804
ENERGY & MINERALS	7	\$93,266	10TH DISTRICT ATTORNEY	1	\$1,104
STATE ENGINEER'S OFFICE	9	\$37,947	13TH DISTRICT ATTORNEY	1	\$3,765
IRRG WKS CONST	1	\$252,660	PUBLIC DEFENDERS	1	\$1,125
HUMAN SERVICES DEPT.	4	\$24,863	ATTORNEY GENERAL	1	\$1,352
WORKFORCE SOLUTIONS	5	\$623,514	LGIP	5	\$9,495,872
MINER'S HOSPITAL	1	\$1,668,703	SUPERSTENDENT OF INSURANCE	8	\$1,902,363
DEPARTMENT OF HEALTH	32	\$451,819	NM STATE FAIR	5	\$1,739,088
ENVIRONMENT DEPARTMENT	0	\$0	SOUTHWEST REGION ED.	1	\$15
CORRECTIONS DEPARTMENT	5	\$889	MINER'S HOSPITAL	1	\$5,103
DEPT. OF PUBLIC SAFETY	2	\$104,974	DEPARTMENT OF HEALTH	9	\$901,243
HIGHWAY & TRANSPORTATION	4	\$725	CHILDREN, YOUTH & FAMILIES	7	\$88,752
			CORRECTIONS DEPARTMENT	12	\$2,165,310
			DEPT. OF PUBLIC SAFETY	2	\$63,438
			ED. RETIREMENT BOARD	1	\$1,975,000

sub-total: 157      \$310,891,367

sub-total: 157      \$41,686,082

**Total Depository Balance:**      \$352,577,449  
**Total Depository Accounts:**      314



## State Fund Balances by Financial Institution August 2017

First National Bank/Alamogordo	\$	84,724
Century Bank/Santa Fe	\$	500
Bank of America/Albuquerque	\$	170,791
Wells Fargo Bank/Albuquerque	\$	13,019,932
Compass Bank/Albuquerque	\$	103,088,838
Bank of the West/Albuquerque	\$	191,736,235
First American Bank/Artesia	\$	41,045
Carlsbad National Bank/Carlsbad	\$	600
Western Commerce Bank/Carlsbad	\$	77,138
Farmers/Stockmens Bank/Clayton	\$	16,014
First National Bank/Clayton	\$	1,671,841
Citizens Bank/Clovis	\$	5,125
NM Bank & Trust/Albuquerque	\$	144,384
Lea County State Bank/Hobbs	\$	122,158
Southwest Capitol/Las Vegas	\$	138,352
Community 1st Bank/Las Vegas	\$	250,829
Western Bank/Lordsburg	\$	38,013
Los Alamos National Bank/Los Alamos	\$	3,719
International Bank/Raton	\$	16,799
Valley Bank of Commerce/Roswell	\$	96,834
First State Bank/Socorro	\$	3,103
Centinel Bank/Taos	\$	56,072
US Bank/Albuquerque	\$	17,769
Bank of the Southwest/Roswell	\$	79,168
Washington Federal	\$	10,814
Citizens Bank/Aztec	\$	570

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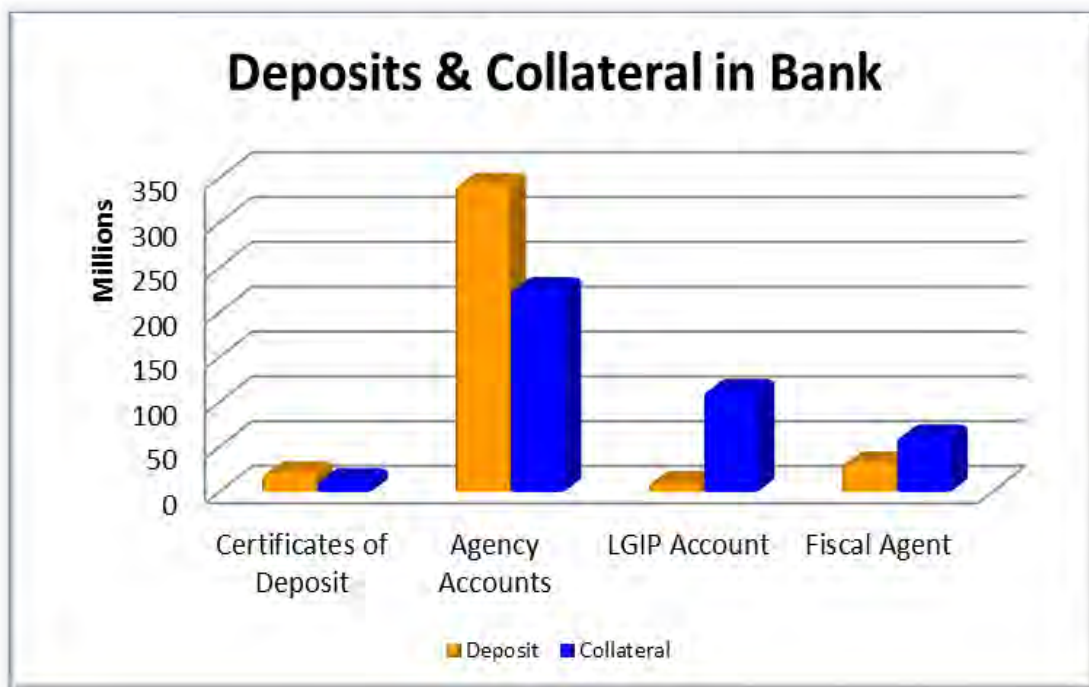
*Total:* \$ 310,891,367



## 18. Collateral Report on Agency Deposits & CD's

# Office of the Treasurer Collateral Summary Review August 31, 2017

All depository institutions holding public funds for the month ending August 31, 2017 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>
Certificates of Deposit	\$ 21.0 Million	\$ 13.1 Million	62.7%
Agency Accounts	343.1 Million	226.5 Million	66.0%
LGIP Account	9.5 Million	113.1 Million	1191.5%
Fiscal Agent	32.1 Million	62.1 Million	193.5%
<b>Totals:</b>	<b>405.6 Million</b>	<b>415.0 Million</b>	<b>102.3%</b>

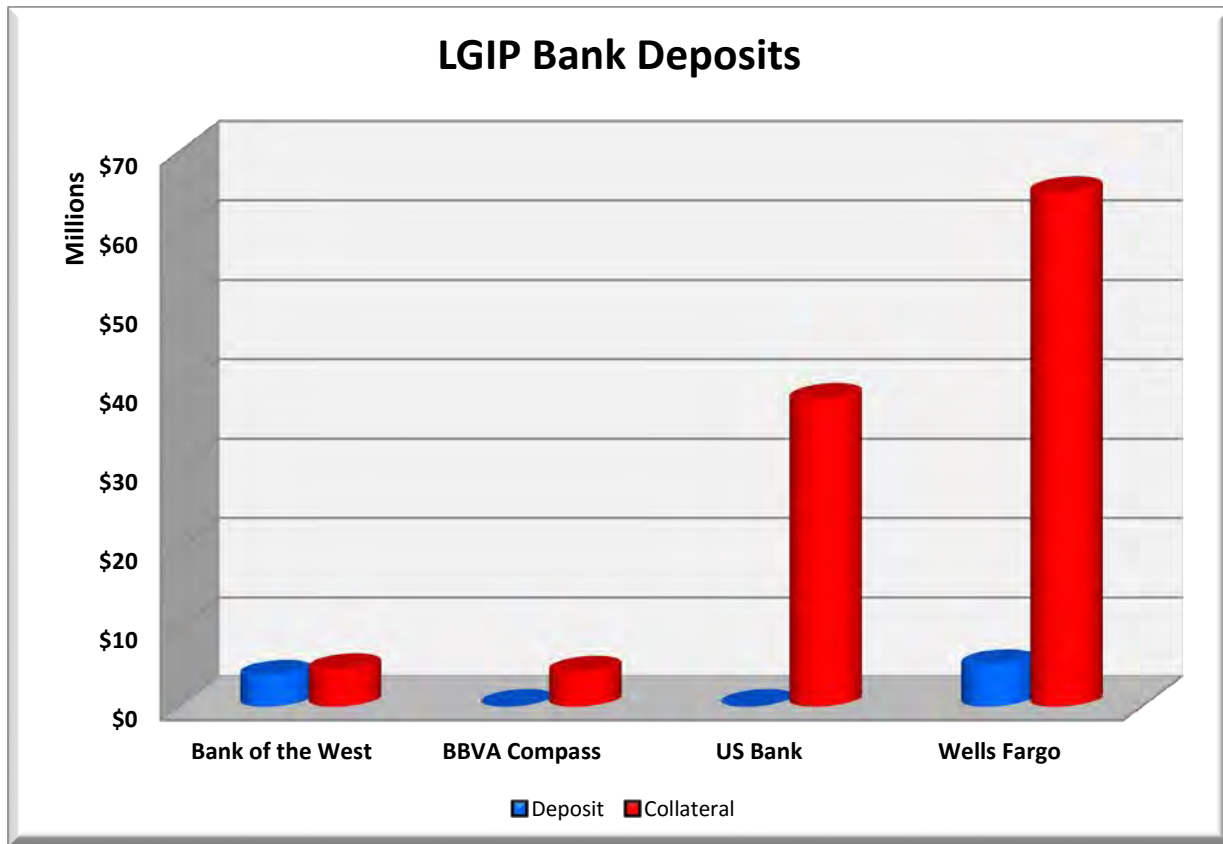


**Office of the Treasurer**  
**Collateral Review**  
**Accumulated Total by Institution**  
**August 31, 2017**

FINANCIAL INSTITUTION	%	TOTAL DEPOSITS	FDIC / NCUA INSURANCE	LESS INSURANCE COVERAGE	SUBJECT TO BE COLLATERALIZED	COLLATERAL PLEDGED	EXCESS (UNDER)
First National - Alamogordo	50%	82,081	82,081	0	0	976,771	976,771
Western - Alamogordo	102%	3,600,000	250,000	3,350,000	3,417,000	3,671,233	254,233
Bank of America	50%	234,523	234,523	0	0	0	0
Bank of the West	50%	196,170,059	250,000	195,920,059	97,960,030	101,913,870	3,953,840
BBVA Compass	75%	3,121,465	250,000	2,871,465	2,153,599	5,500,000	3,346,401
US Bank	50%	1,010,070	250,000	760,070	380,035	40,000,000	39,619,965
Wells Fargo	50%	105,569,196	250,000	105,319,196	52,659,598	55,671,559	3,011,961
First American	50%	39,658	39,658	0	0	0	0
My Bank	50%	350,670	250,000	100,670	50,335	250,000	199,665
Carlsbad National	50%	600	600	0	0	0	0
Western Commerce	50%	4,073,775	250,000	3,823,775	1,911,887	2,723,487	811,599
Farmers & Stockmen	50%	10,022,777	250,000	9,772,777	4,886,388	5,125,000	238,612
First National - Clayton	50%	1,045,869	250,000	795,869	397,935	1,294,993	897,059
Bank of Clovis	50%	1,256,301	250,000	1,006,301	503,151	815,372	312,221
Citizens - Clovis	50%	8,194	8,194	0	0	0	0
NM Bank & Trust	50%	337,534	250,000	87,534	43,767	263,613	219,845
Western - Clovis	50%	3,100,000	250,000	2,850,000	1,425,000	1,846,794	421,794
Lea County State	50%	114,450	114,450	0	0	0	0
Southwest Capital	50%	648,976	250,000	398,976	199,488	498,805	299,317
Community 1st - Las Vegas	102%	214,346	195,724	18,622	18,994	452,669	433,675
Western - Lordsburg	50%	70,751	83,952	-13,201	-6,600	367,013	373,614
Los Alamos National	50%	4,124	4,124	0	0	0	0
International	50%	35,291	35,291	0	0	149,443	149,443
Bank of the Southwest	50%	564,654	250,000	314,654	157,327	560,573	403,246
Valley Commerce	50%	154,186	154,186	0	0	0	0
Century	50%	1,902,878	250,000	1,652,878	826,439	1,131,530	305,091
First State	50%	77,944	77,944	0	0	0	0
Centinel	50%	77,204	77,204	0	0	0	0
Guadalupe Credit	50%	250,000	250,000	0	0	0	0
Washington Federal	50%	17,028	17,028	0	0	0	0
Citizens Bank of Aztec	50%	1,185	1,185	0	0	0	0
		<b>334,154,604</b>	<b>5,124,958</b>	<b>329,029,646</b>	<b>166,984,373</b>	<b>223,212,726</b>	<b>56,228,353</b>

# LGIP Bank Deposits August 31, 2017

<u>Financial Institution</u>	<u>Percentage</u>	<u>Deposit</u>	<u>Collateral</u>
Bank of the West	117.8%	4,070,724	4,796,271
BBVA Compass	NA	1	4,500,000
US Bank	NA	-	38,900,000
Wells Fargo	1197.2%	5,425,148	64,951,220
<b>Totals</b>	<b>1191.5%</b>	<b>9,495,872</b>	<b>113,147,491</b>



Standards & Poor's requires bank deposits to be collateralized @ a minimal of 100% collateral levels to maintain rating