



Local Government Investment Pool NEWSLETTER

November 2025



PORTFOLIO SUMMARY

- ▶ Ending September market value for the LGIP Short Term (ST) was \$2.237 bil versus August's reported closing value of \$2.229 bil.
- ▶ The LGIP ST maintains a AAAM rating by Standard & Poor's.

PORTFOLIO MIX

- ▶ At the end of September, the portfolio was invested as follows: 32% in US government agency floating rate securities, 32% in repurchase agreements, 18% in collateralized demand deposit accounts with qualified banking institutions, 16% US Treasury securities, and 2% in supranational securities.
- ▶ At month-end, the LGIP ST held positions in 41 securities.

INVESTMENT EARNINGS

- ▶ During September, the fund earned \$7,995,352.
- ▶ To date, for FY 26, the fund has earned \$24,594,080.
- ▶ LGIP ST earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

PERFORMANCE

- ▶ Gross yield on the LGIP ST was 4.32% at the end of September.
- ▶ Net yield to participants was 4.27%.

INVESTMENT HIGHLIGHTS

- ▶ For the LGIP ST, the Weighted Average Maturity (WAM) Reset (R) of 6 days and WAM Final (F) of 78 days were within their maximums of 60 and 120 days respectively. This is as of 9/30/25.
- ▶ During the month, the LGIP ST purchased \$250.0 mil US Treasury securities maturing in 1 to 2 months and \$100.0 mil agency floating rate securities maturing in 1 to 2 years.

INVESTMENT STRATEGY

- ▶ LGIP ST WAMs are currently 6 and 98 days for WAM(R) and WAM(F), respectively.
- ▶ LGIP ST will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of prudent investments.

NET ASSET VALUE/SHARE

- ▶ At month-end, the Net Asset Value per Share of the Local Government Investment Pool was \$1.00005

MARKET WATCH

During the third quarter, the Fed reduced the policy interest rate to 4.00%-4.25%, down from 4.25%-4.50%. This reduction occurred at the September 17 Federal Open Market Committee (FOMC) meeting, with one dissenting vote from Fed member Miran, who preferred a 0.50% reduction. The decision was widely anticipated by markets, with the Fed increasingly focused on a slowing labor market, despite inflation that remains above the 2% target. The two-month downward revision of 21,000 for August payrolls resulted in a modest 29,000 three-month average jobs gain at the time of the September meeting, supporting the Fed's "risk management" decision to reduce the Funds range by 0.25%.

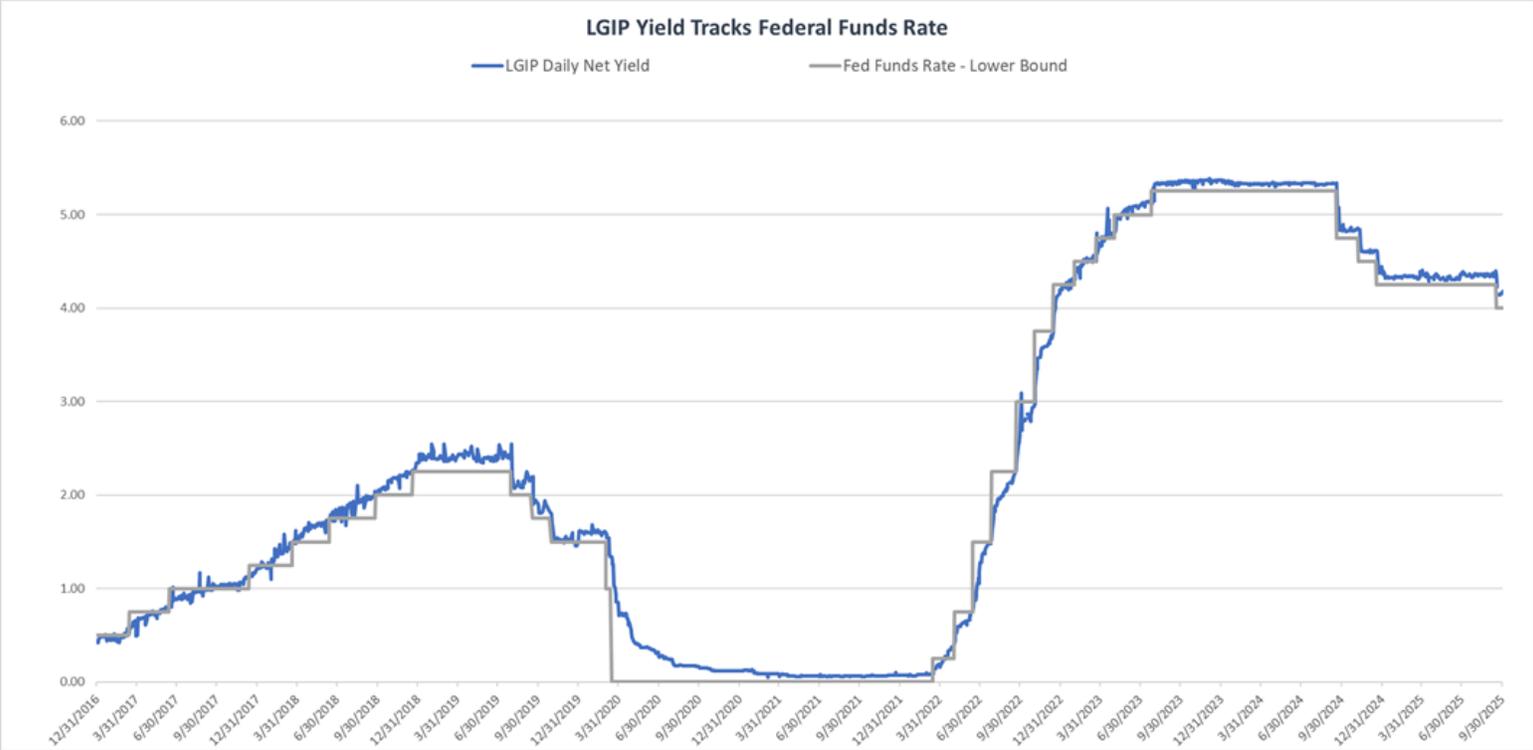
In the updated economic projections, also released at the September meeting, the Fed maintained its estimate for an unemployment rate of 4.5% in 2025, gradually decreasing to 4.2% by 2028. GDP estimates were revised higher for 2025, to 1.6% from 1.4%, as the consumer remains strong - notably the higher-end consumer - and business investment in equipment and intangibles has expanded. The Fed continues to expect inflation, as measured by the preferred Core PCE index, to remain at 3.1% for 2025, and raised the expectation for 2026 from 2.4% to 2.6% before decelerating to the 2% goal in 2028. As of September, the median Fed expectation was for two additional 0.25% rate cuts in 2025, to a range of 3.50%-3.75%, and one more 0.25% reduction in 2026, to a range of 3.25%-3.50%.

At the October 29 FOMC meeting, The Fed followed through on one of the two projected cuts, reducing the policy rate by 0.25%, to a range of 3.75%-4.00%. Chair Powell cited similar tensions between a cooling labor market and somewhat elevated inflation, with a high degree of uncertainty around the impact of tariffs. The Fed also announced the end of "Quantitative Tightening", or the reduction of its balance sheet, on December 1st, with maturities to be reinvested mainly in Treasury bills. The October policy decision was met with two dissents, with Governor Miran in favor of 0.50% reduction, while

Governor Schmid preferred to leave the rate unchanged. Further complicating the Fed’s decision is the ongoing delay in key economic indicators due to the US government shutdown that went into effect October 1st. As Chair Powell noted, the situation is akin to “driving in the fog”, a condition that requires slowing down. Powell’s press conference remarks cast some doubt on the notion of a December rate cut that prior to the meeting had been fully priced into the bond market.

The objectives of the Short-Term LGIP remain unchanged: safety, liquidity, and yield – in that order. Preservation of principal and providing access to liquidity, in most cases within 24 hours, are the pool’s primary objectives. The pool is managed within the confines of Standard & Poor’s Principal Stability Fund criteria and possesses the highest possible rating, AAAM.

The pool’s yield closely tracks the short-term interest rate policy set by the Federal Reserve, depicted in the graph below. As noted above, the Fed reduced the policy rate by a cumulative 0.50% at the last two FOMC meetings, to a range of 3.75%–4.00%, and the median Fed expectation is for one additional cut, to a range of 3.50%–3.75%, by the end of 2025. As the Fed lowers short-term interest rates, the yield on the pool will move lower, albeit at a slightly lagged pace as maturities are reinvested, which will result in lower participant earnings.



NOTICE ON INACTIVE LGIP IPAS USER ACCOUNTS

For security purposes, effective January 1, 2026, iPAS user accounts that have not been accessed within the past 180 days will be automatically deactivated for security purposes. Authorized signers must contact STO to confirm account information and reactivate access. Participants are asked to review their account access and notify STO of any updates or changes needed. The STO website has links to LGIP participant forms, should they need to be updated: <https://nmsto.gov/local-government-investment-pool-lgip/>. Please reach out to Amanda Padilla, LGIP Coordinator, for any updates or changes to your account documents at (505) 955-1142, or NMSTO.LGIP@sto.nm.gov.

Data	Period*	Value	Next Period	Expected Value	Release Date*
ISM Manufacturing Index	Sep-25	49.1	Oct-25	49.4	11/3/2025
ISM Services Index	Sep-25	50.0	Oct-25	50.7	11/5/2025
U.S. Unemployment	Aug-25	4.30%	Oct-25		11/7/2025
Change in Nonfarm Payrolls	Aug-25	22,000	Oct-25		11/7/2025
CPI YoY	Sep-25	3.00%	Oct-25		11/13/2025
CPI MoM	Sep-25	0.30%	Oct-25		11/13/2025
CPI Ex Food and Energy YoY	Sep-25	3.00%	Oct-25		11/13/2025
CPI Ex Food and Energy MoM	Sep-25	0.20%	Oct-25		11/13/2025
PPI YoY	Aug-25	2.60%	Oct-25		11/14/2025
PPI MoM	Aug-25	-0.10%	Oct-25		11/14/2025
PCE Core Deflator YoY	Aug-25	2.90%	Oct-25		11/26/2025
PCE Core Deflator MoM	Aug-25	0.20%	Oct-25		11/26/2025
GDP QoQ	Q2 2025	3.80%	Q3 2025		11/26/2025
Fed Funds Target	29-Oct-25	3.75%-4.00%	10-Dec-25	3.50%-3.75%	12/10/2025
<i>*Some data release dates are impacted by US government shutdown that began October 1st 2025</i>					
<i>Data from Bloomberg as of 10/31/2025</i>					

LGIP ACCOUNT UPDATES

Recent changes to personnel overseeing your LGIP account? Other LGIP account updates? As we start the new fiscal year, now is a great time to ensure that all LGIP account paperwork, including the certification of authorized persons documentation, is current. The STO website has links to LGIP participant forms, located here: <https://nmsto.gov/local-government-investment-pool-lgip/>. Please reach out to Amanda Padilla, LGIP Coordinator, for any updates or changes to your account documents at (505) 955-1142, or NMSTO.LGIP@sto.nm.gov.

LGIP STAFF

Transaction Coordinator: Amanda Padilla

Investment Transaction Supervisor: Hannah Chavez

Portfolio Managers: Anna Murphy, CFA, & Vikki Hanges, Chief Investment Officer



Data unaudited. Information is obtained from third-party sources that may or may not be verified. Many factors affect performance, including changes in market conditions and interest rates and in response to other economic, political, or financial developments. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. The information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur loss. New Mexico Local Government Investment Pool (LGIP) deposits are not guaranteed or insured by any bank, the State of New Mexico, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency. New Mexico LGIP deposits involve certain investment risk. Yield and total return may fluctuate and are not guaranteed.