



## Overview

Investment of State of Nevada General Portfolio funds is a function performed by the State Treasurer, who, by the provisions of State statute, has adopted guidelines for the prudent investment of these funds. The General Portfolio encompasses governmental, proprietary, and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, moderate duration portfolio of securities.

## Investment Guidelines

The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, municipal bonds, and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The targeted duration of the portfolio is one and a half years, with no single security extending longer than ten years.

The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrent with cash needs in the short- and medium-term. Monies deemed to have a longer investment horizon are invested to take advantage of longer-term market opportunities.

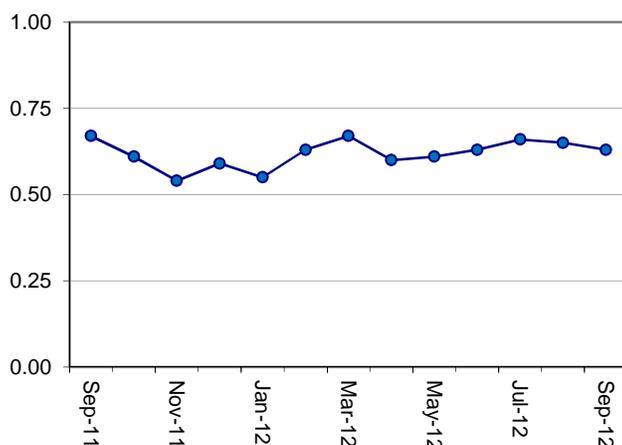
## Performance

The suggested benchmark monitors the weekly General Portfolio yield against the 90 day U.S. Treasury Bill's average yield over the last three month period (Rolling 90 day T-Bill). As of September 30, 2012, the General Portfolio yield was .63%, and the outperformance of the benchmark was 54 basis points.

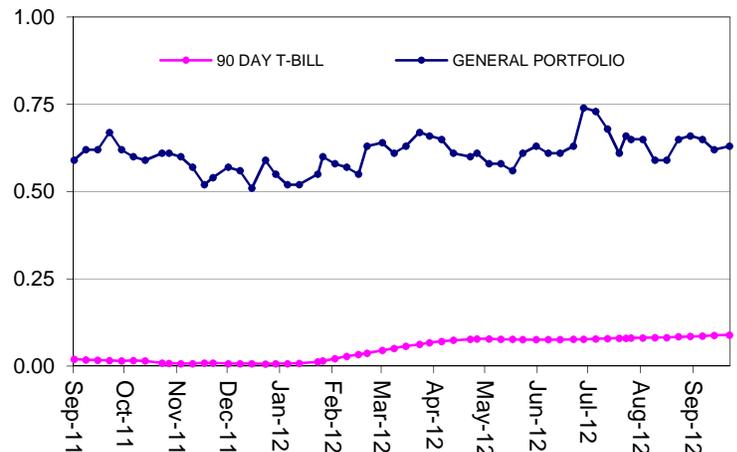
## Market Conditions

The U.S. economy showed some signs of improvement in the third quarter of 2012, with revised nonfarm payrolls increasing an average of 174,000 jobs per month and the unemployment rate falling below 8% for the first time since early 2009. GDP rose at a 2.0% annualized rate in the third quarter versus 1.3% in the previous quarter, with positive contributions from consumer spending, defense outlays, and homebuilding. The Fed remains concerned enough however with the sustainability of economic expansion that it approved a third round of quantitative easing, which commits the Fed to buy agency mortgage-backed securities and other asset purchases from its balance sheet. The Fed is also committed to holding the Fed Funds rate at historic lows of 0-0.25% until at least mid-2015 now. The two-year Treasury rate remained in a very tight trading range close to 0.25%, but in the middle of the quarter the 5- and 10-year Treasury rate spiked to 0.82% and 1.85% respectively. For the most part, though, market activity was muted, as all eyes are on the election on November 6.

**HISTORICAL GENERAL PORTFOLIO YIELD**



**ROLLING 90 DAY T-BILL YIELD VS. GENERAL PORTFOLIO YIELD**

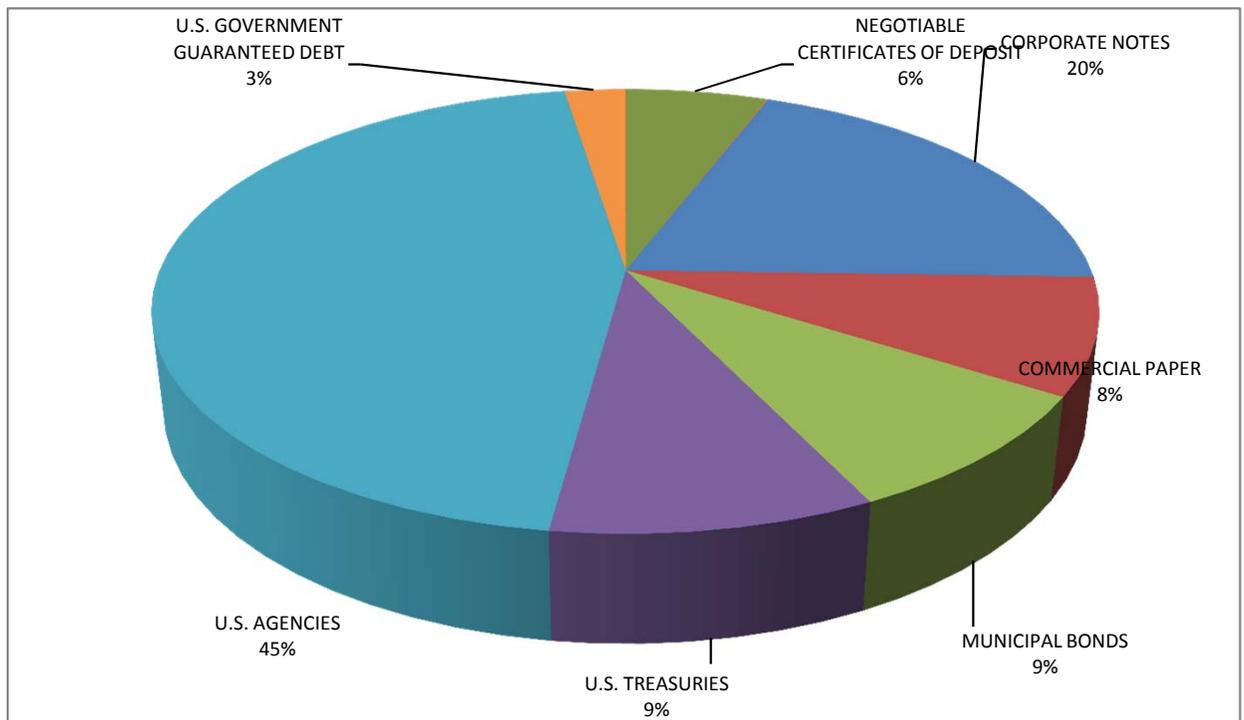


**Administration**

The State Treasurer has adopted an Investment Policy relating specifically to the General Portfolio. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the State at least every four months. The State Treasurer hereby confirms all General Portfolio investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The General Portfolio may be audited at any time, either internally or externally. A copy of the detailed investment portfolio holdings is available upon request or at the State Treasurer's website at: <https://nevadatreasurer.gov/StatePortfolios.htm>.

**GENERAL PORTFOLIO  
Amortized Book Values**

	<u>September 30, 2012</u>	<u>June 30, 2012</u>
REPURCHASE AGREEMENTS	\$ -	\$ -
TIME CERTIFICATES OF DEPOSIT	200,000	200,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	75,000,000	65,000,000
MONEY MARKET FUNDS	0	0
ASSET-BACKED SECURITIES	0	0
MORTGAGE-BACKED SECURITIES	822,417	1,149,610
CORPORATE NOTES	255,820,918	271,705,228
COMMERCIAL PAPER	109,998,206	126,427,101
MUNICIPAL BONDS	115,452,860	106,398,624
U.S. TREASURIES	121,797,502	122,496,190
U.S. AGENCIES	590,570,785	673,860,656
U.S. GOVERNMENT GUARANTEED DEBT	32,467,958	0
<b>TOTAL</b>	<b>\$ 1,302,130,645</b>	<b>\$ 1,367,237,410</b>



**YEAR-TO-YEAR BOOK VALUE COMPARISON**

	<u>September 30, 2012</u>		<u>September 30, 2011</u>
<b>TOTAL PORTFOLIO</b>	<b>\$ 1,302,130,645</b>	<b>\$</b>	<b>1,311,719,901</b>

**State of Nevada**  
Office of the State Treasurer  
Schedule of General Fund Interest Revenue

	Quarter Ended 09/30/2012	Quarter Ended 12/31/2012	Quarter Ended 03/31/2013	Quarter Ended 06/30/2013	FY 2013 YTD Totals
<b><u>Average Daily Balances of Funds</u></b>					
General Fund	437,662,878				437,662,878
All Funds	1,536,606,225				1,536,606,225
<b><u>Annualized Interest Rate (prior to Lehman Loss Adjustment)</u></b>					
Cash Basis (see Note 1)	0.4927%				0.4927%
Accrual Basis	0.4521%				0.4521%
<b><u>Interest Distribution for General Fund (Cash Basis)</u></b>					
General Fund Interest Collected	472,825				472,825
General Fund Interest Revenue - Distributed	130,194				130,194
Undistributed General Fund Interest Revenue (see Note 2)	342,759				342,759
Cumulative Undistributed General Fund Interest Revenue (see Note 2)	7,066,763				7,066,763
Adjustments to General Fund for Prior Period (see Note 3)	(129)				(129)
<b><u>Interest Distribution for All Funds (Cash Basis)</u></b>					
All Funds Interest Collected	1,660,057				1,660,057
All Funds Interest Revenue - Distributed	762,237				762,237
Undistributed Interest Revenue (see Note 2)	897,818				897,818
Cumulative Undistributed Interest Revenue (see Note 2)	20,395,777				20,395,777
Adjustments to Funds for Prior Period (see Note 3)	2				2

**Note 1** Interest is distributed to statutorily approved funds and budget accounts based on the cash basis of accounting. Under the cash basis of accounting, earnings are distributed in the quarter received but not necessarily in the quarter they were earned. Therefore, some of the receipts included in the Actual General Fund interest collected line were actually earned in the prior period and some of the earnings included in the General Fund interest revenue - accrual basis line will not be collected until a subsequent period.

**Note 2** Lehman Brothers Holdings, Inc. (LBHI) filed for Chapter 11 bankruptcy protection on September 15, 2008. On December 6, 2011, LBHI won approval from the US Bankruptcy court for a proposed reorganization plan. As a creditor, the State will receive future distributions over several years. The expected amount of recovery is 30-33 cents, but the actual amount to be distributed will be determined based in part on the actual liquidation proceeds. To date, LBHI has made two distributions, \$3,096,357.76 on 04/17/2012 and \$1,943,598.08 on 10/02/2012. In order to smooth the loss out for the affected agencies, we are amortizing the expected loss over a multi-year period. The undistributed amount is the amount of the possible loss allocable to funds for that period.

**Note 3** As the Treasurer's Office is notified of accounts that should earn interest, they are added to the distribution. Occasionally those accounts require adjustments to prior periods. Those adjustments are shown in this line item.



## Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of September 30, 2012, there were 86 members of the LGIP, which includes cities, counties, school districts, and various special districts. The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio.

## Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed 150 days, and no single security may be longer than two years.

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 10% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, at least 50% of the fund will mature within 90 days to minimize risks that market value of securities will significantly fall due to adverse changes in general interest rates.

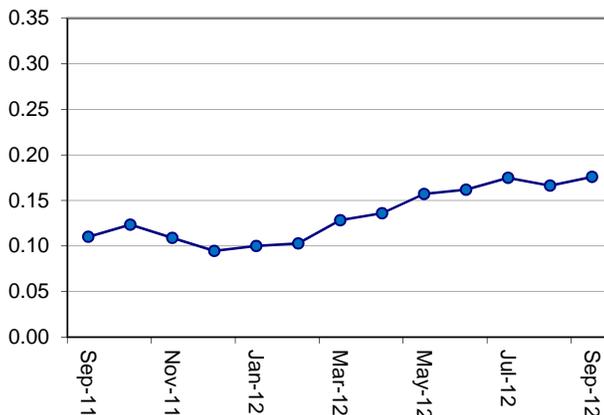
## Performance

The suggested benchmark monitors the weekly LGIP portfolio yield against the 90 day U.S. Treasury Bill's average yield over the last three month period (Rolling 90 day T-bill). As of September 30, 2012, the LGIP's portfolio yield was .18% and the outperformance of the benchmark was 9 basis points.

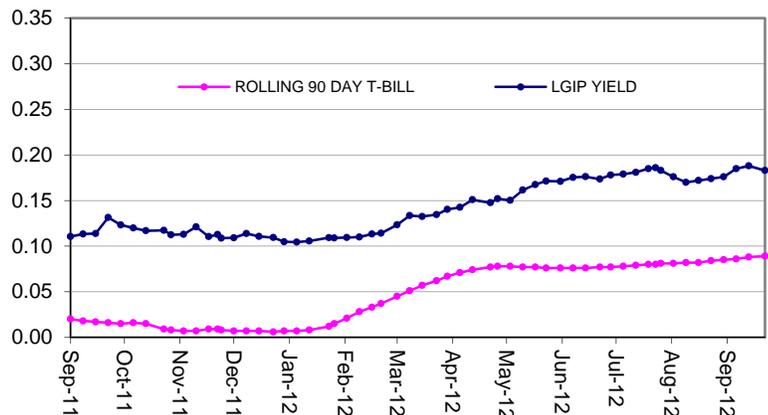
## Market Conditions

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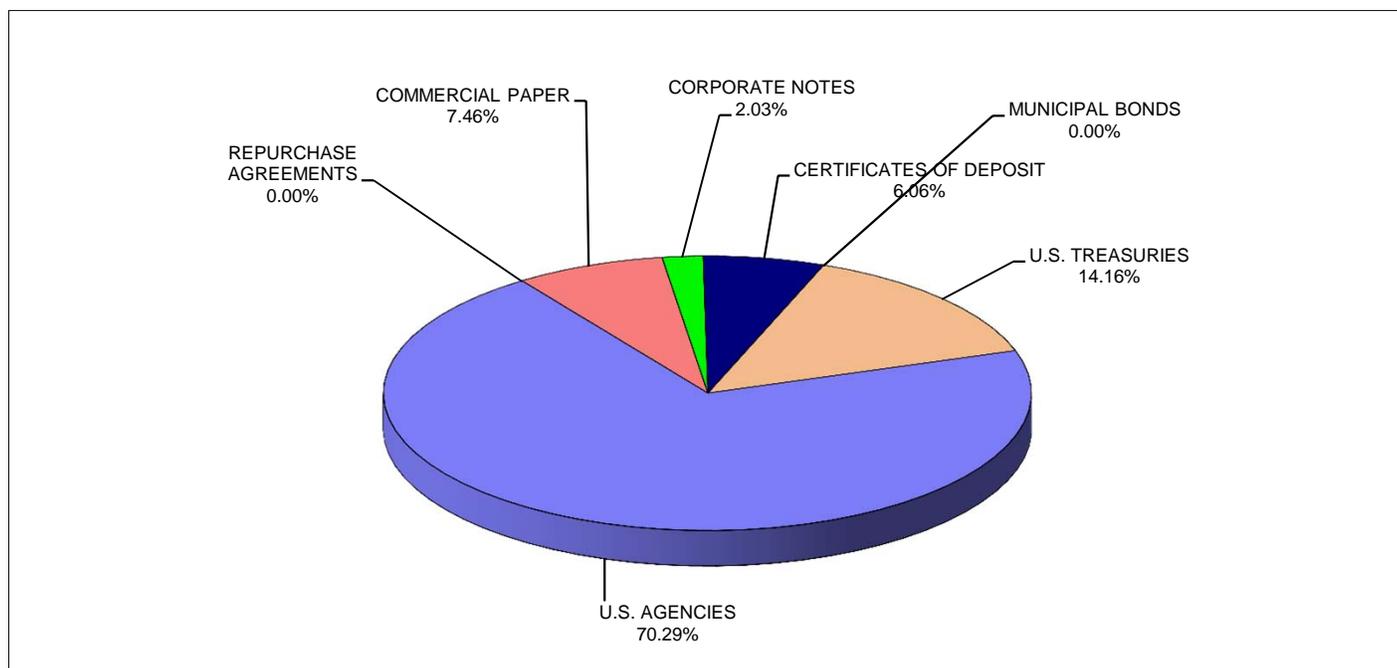


## Administration

The State Treasurer has adopted an Investment Policy relating specifically to the LGIP. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the LGIP at least every four months. The State Treasurer hereby confirms all LGIP investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The State Treasurer may contract with an independent auditor to review LGIP transactions for accuracy and fairness in reporting. A copy of the detailed investment holdings report is available upon request or at the State Treasurer's website at: <https://nevadatreasurer.gov/StatePortfolios.htm>.

## LGIP PORTFOLIO Amortized Book Values

	<u>September 30, 2012</u>		<u>June 30, 2012</u>
REPURCHASE AGREEMENTS	\$ -	\$	-
COMMERCIAL PAPER	36,911,479		51,971,848
CORPORATE NOTES	10,037,284		10,060,724
CERTIFICATES OF DEPOSIT	30,000,000		35,000,000
MUNICIPAL BONDS	-		-
U.S. TREASURIES			
NOTES	70,042,892		65,193,962
BILLS	-		-
U.S. AGENCIES	347,721,339		343,816,238
<b>TOTAL</b>	<b>\$ 494,712,995</b>	<b>\$</b>	<b>506,042,772</b>



**TOTAL INTEREST EARNED FY 2013 THROUGH SEPT. 30, 2012: \$226,364.19**

### YEAR-TO-YEAR BOOK VALUE COMPARISON

	<u>September 30, 2012</u>		<u>September 30, 2011</u>
<b>TOTAL PORTFOLIO</b>	<b>\$ 494,712,995</b>	<b>\$</b>	<b>600,706,015</b>