



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

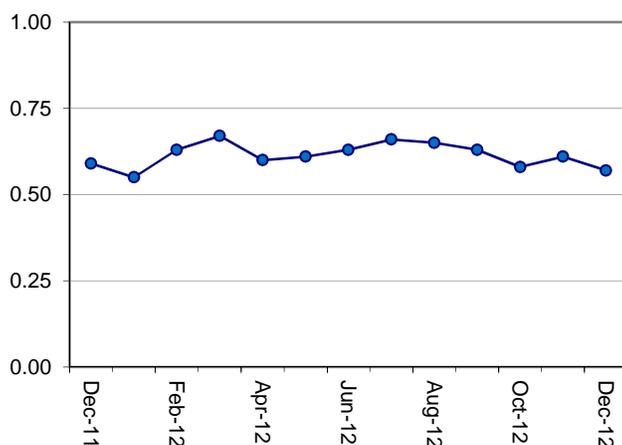
The suggested benchmark monitors the weekly General Portfolio yield against the six-month U.S. Treasury Bill's average yield over the last six month period (Rolling six-month T-Bill). As of December 31, 2012, the General Portfolio yield was .57%, and the outperformance of the benchmark was 44 basis points.

Market Conditions

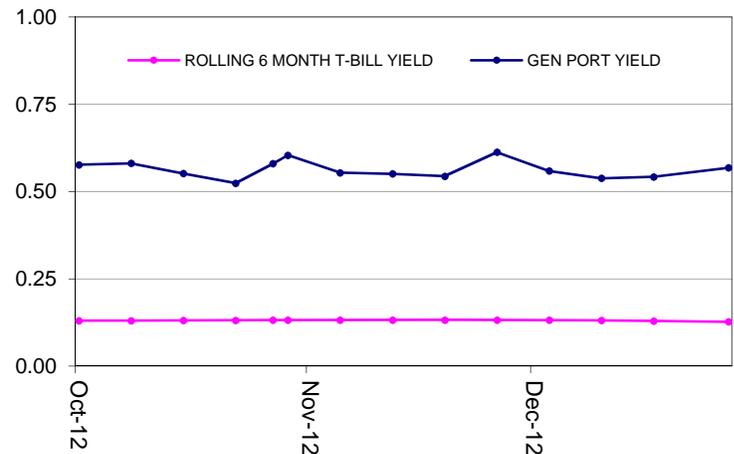
The U.S. economy continued to show mixed signs in the last quarter of 2012, in part due to uncertainty regarding the Presidential and Congressional elections and the resulting course of tax and spending policies. Gross domestic product grew only 0.1% during the quarter. For 2012, the economy expanded 2.2% compared to 1.8% in 2011. Encouraging signs for the economy included decent employment growth averaging 150,000 jobs per month, rising home prices and sales, modest expansion of the manufacturing sector and a rising stock market. Headwinds for the economy include higher oil prices and weak consumer confidence caused again in part by the continuing debate over fiscal policy and looming debt ceiling and sequestration battles.

Once again, the US Treasury market remained very range-bound. Most economists continue to believe any tightening of monetary policy is two to three years away based on the FOMC's new explicit macroeconomic thresholds including a 6.5% unemployment rate.

HISTORICAL GENERAL PORTFOLIO YIELD



ROLLING 6 MONTH T-BILL YIELD VS. GENERAL PORTFOLIO YIELD

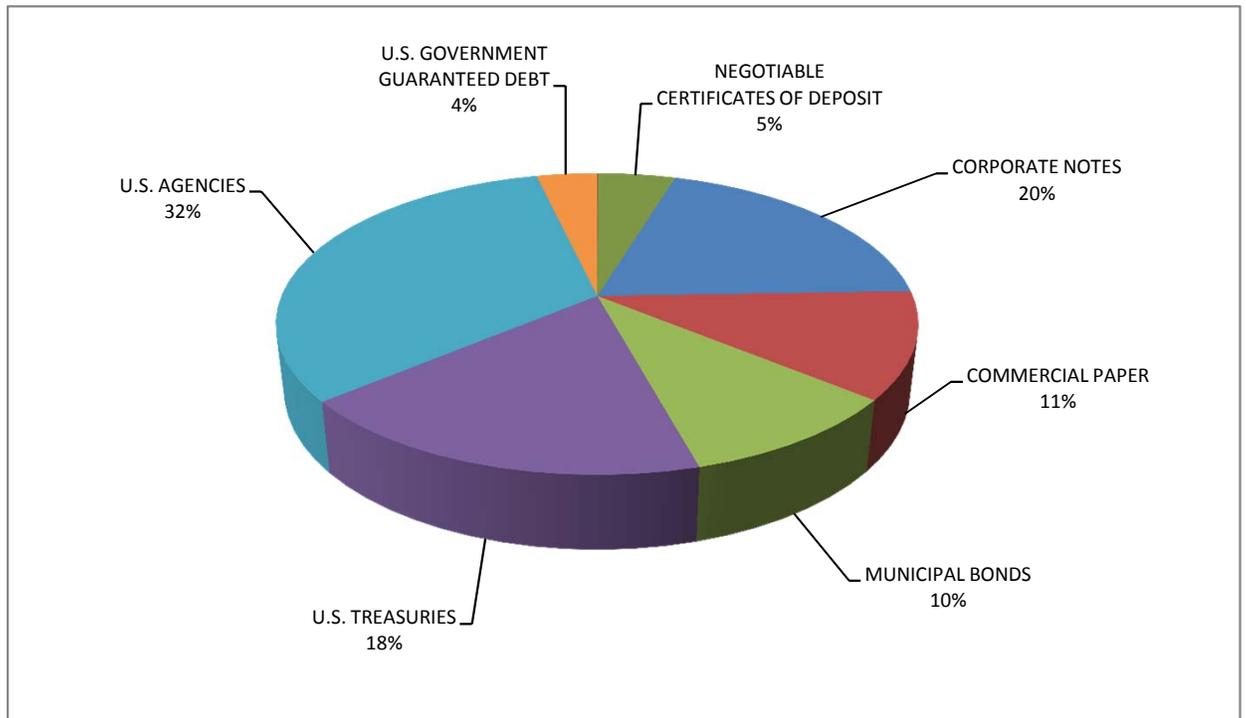


Administration

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>December 31, 2012</u>	<u>September 30, 2012</u>
REPURCHASE AGREEMENTS	\$ -	\$ -
TIME CERTIFICATES OF DEPOSIT	200,000	200,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	60,000,000	75,000,000
MONEY MARKET FUNDS	0	0
ASSET-BACKED SECURITIES	0	0
MORTGAGE-BACKED SECURITIES	103,038	822,417
CORPORATE NOTES	253,475,359	255,820,918
COMMERCIAL PAPER	146,365,320	109,998,206
MUNICIPAL BONDS	126,041,418	115,452,860
U.S. TREASURIES	233,280,708	121,797,502
U.S. AGENCIES	415,692,230	590,570,785
U.S. GOVERNMENT GUARANTEED DEBT	46,900,718	32,467,958
TOTAL	<u>\$ 1,282,058,791</u>	<u>\$ 1,302,130,645</u>



YEAR-TO-YEAR BOOK VALUE COMPARISON

	<u>December 31, 2012</u>		<u>December 31, 2011</u>
TOTAL PORTFOLIO	\$ 1,282,058,791	\$	1,271,436,003

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
<u>Average Daily Balances of Funds</u>					
General Fund	437,662,878	360,948,705			437,662,878
All Funds	1,536,606,225	1,548,509,223			1,536,606,225
<u>Annualized Interest Rate (prior to Lehman Loss Adjustment)</u>					
Cash Basis (see Note 1)	0.4927%	0.7405%			0.4927%
Accrual Basis	0.4521%	0.5087%			0.4521%
<u>Interest Distribution for General Fund (Cash Basis)</u>					
General Fund Interest Collected	472,825	610,812			1,083,637
General Fund Interest Revenue - Distributed	130,194	268,054			398,248
Undistributed General Fund Interest Revenue (see Note 2)	342,759	342,759			685,518
Cumulative Undistributed General Fund Interest Revenue (see Note 2)	7,066,763	7,409,522			7,066,763
Adjustments to General Fund for Prior Period (see Note 3)	(129)	2			(127)
<u>Interest Distribution for All Funds (Cash Basis)</u>					
All Funds Interest Collected	1,660,057	2,620,448			4,280,505
All Funds Interest Revenue - Distributed	762,237	1,632,811			2,395,048
Undistributed Interest Revenue (see Note 2)	897,818	987,631			1,885,449
Cumulative Undistributed Interest Revenue (see Note 2)	20,395,777	21,383,409			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, \$3,055,614.81 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 December 31, 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

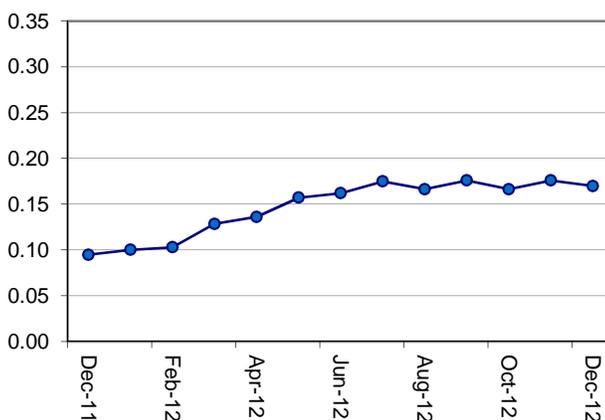
The suggested benchmark monitors the weekly LGIP portfolio yield against the 90 day U.S. Treasury Bill's average yield over the last three month period (Rolling 90 day T-bill). As of December 31, 2012, the LGIP's portfolio yield was .18% and the outperformance of the benchmark was 10 basis points.

Market Conditions

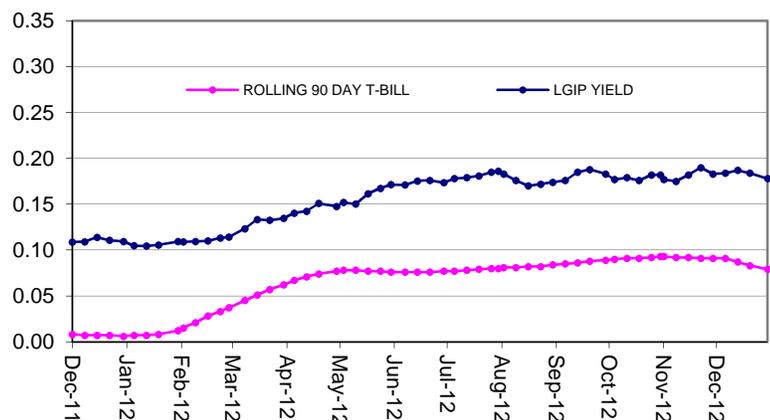
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Once again, the US Treasury market remained very range-bound. Most economists continue to believe any tightening of monetary policy is two to three years away based on the FOMC's new explicit macroeconomic thresholds including a 6.5% unemployment rate.

HISTORICAL LGIP PORTFOLIO YIELD



ROLLING 90 DAY T-BILL YIELD VS. LGIP PORTFOLIO YIELD

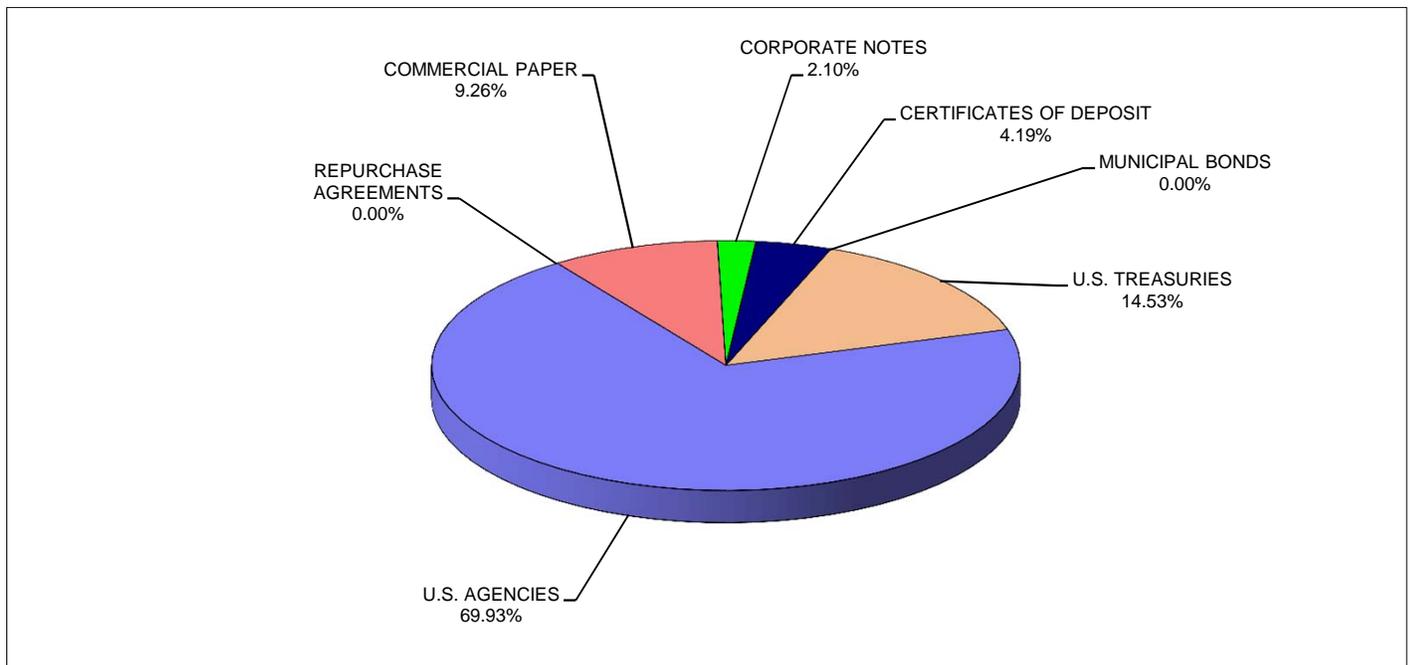


Administration

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>December 31, 2012</u>	<u>September 30, 2012</u>
REPURCHASE AGREEMENTS	\$ -	\$ -
COMMERCIAL PAPER	44,204,628	36,911,479
CORPORATE NOTES	10,014,261	10,037,284
CERTIFICATES OF DEPOSIT	20,000,000	30,000,000
MUNICIPAL BONDS	-	-
U.S. TREASURIES		
NOTES	69,410,194	70,042,892
BILLS	-	-
U.S. AGENCIES	333,954,193	347,721,339
TOTAL	\$ 477,583,276	\$ 494,712,995



TOTAL INTEREST EARNED FY 2013 THROUGH DEC. 31, 2012: \$455,070.54

YEAR-TO-YEAR BOOK VALUE COMPARISON

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
TOTAL PORTFOLIO	\$ 477,583,276	\$ 579,905,723