



## 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 March 31, 2013, the General Portfolio yield was .50%, and the outperformance of the benchmark was 39 basis points.

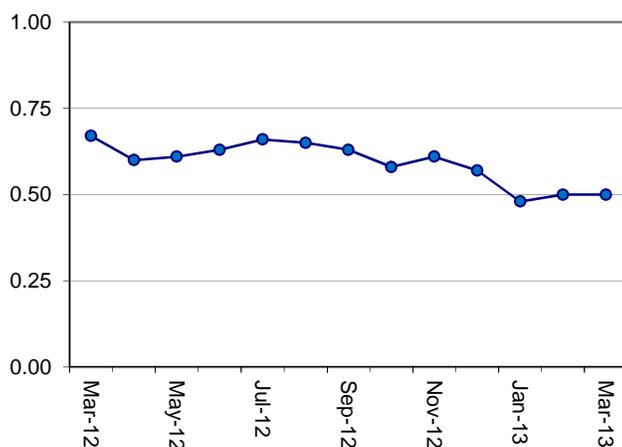
## Market Conditions

Economic headwinds in 2013 include approximately \$200B of higher taxes from the expiration of the FICA payroll tax cut, expiration of the Bush income tax cuts for the top tax bracket, as well as the surtax on Investment Income and the hike in the Medicare Payroll Tax, which were instituted as part of Obamacare.

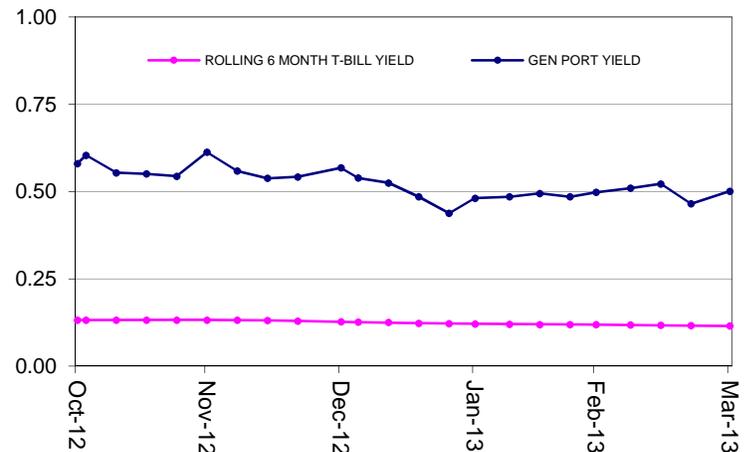
In the first quarter, payroll growth averaged 168,000 jobs per month. The initial March number, however, was a mere 88,000 demonstrating the sporadic gains with the labor market. The unemployment rate fell to 7.6% in March, yet labor force participation also decreased to 63.3%, which is the lowest amount in more than 30 years.

The economy is being bolstered by the housing market, up 30% year over year. Much of the gain is due to a shift to single family dwellings, a big provider of job creation. The one drag on home ownership is the burden of student loan debt. Consumers used mortgage re-financing money to support auto-loans, and GDP grew at 2.0% for the quarter versus just .1% last quarter.

**HISTORICAL GENERAL PORTFOLIO YIELD**



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

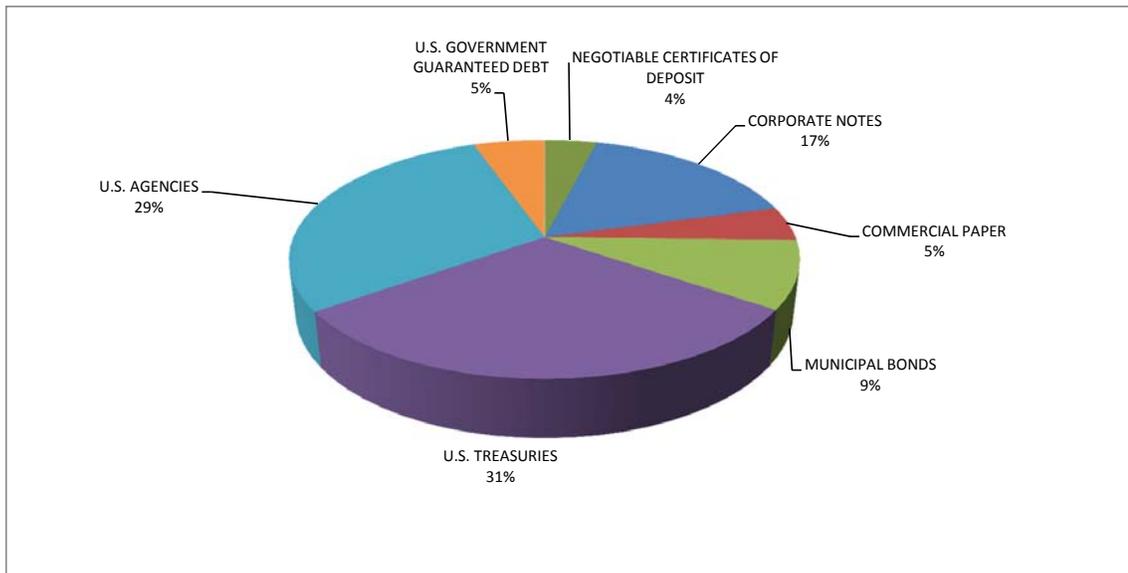


**Administration**

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 Value and Purchased Interest**

	<u>March 31, 2013</u>		<u>December 31, 2012</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
REPURCHASE AGREEMENTS	\$ -		\$ -	
TIME CERTIFICATES OF DEPOSIT	200,000		200,000	
NEGOTIABLE CERTIFICATES OF DEPOSIT	55,000,000		60,000,000	
MONEY MARKET FUNDS	0		0	
ASSET-BACKED SECURITIES	0		0	
MORTGAGE-BACKED SECURITIES	30,806		103,038	
CORPORATE NOTES	235,081,277		253,475,359	
COMMERCIAL PAPER	64,197,246		146,365,320	
MUNICIPAL BONDS	128,384,153	77,757	125,902,393	139,025
U.S. TREASURIES	427,620,874	484,139	232,987,947	292,760
U.S. AGENCIES	411,057,392	6,631	415,570,818	121,412
U.S. GOVERNMENT GUARANTEED DEBT	75,312,746	52,423	46,889,464	11,254
TOTAL	\$ 1,396,884,494	\$ 620,950	\$ 1,281,494,340	\$ 564,451
GRAND TOTAL	<b>\$1,397,505,444</b>		<b>\$1,282,058,791</b>	



**YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON**

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<b>TOTAL PORTFOLIO</b>	\$1,397,505,444	\$ 1,397,452,030

**State of Nevada**  
**Office of the State Treasurer**  
**Schedule of General Fund Interest Revenue**  
**For the quarter ending March 31, 2013**

	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	360,948,705	442,584,087		413,521,290
All Funds	1,536,606,225	1,548,509,223	1,676,247,838		1,586,470,535
<b><u>Annualized Interest Rate (prior to Lehman Loss Adjustment)</u></b>					
Cash Basis (see Note 1)	0.4927%	0.7405%	0.2164%		0.4168%
Accrual Basis	0.4521%	0.5087%	0.4287%		0.4605%
<b><u>Interest Distribution for General Fund (Cash Basis)</u></b>					
General Fund Interest Collected	472,825	610,812	209,159		1,292,795
General Fund Interest Revenue - Distributed	130,194	268,054	0		398,248
Undistributed General Fund Interest Revenue (see Note 2)	342,759	342,759	208,808		894,326
Cumulative Undistributed General Fund Interest Revenue (see Note 2)	7,066,763	7,409,522	7,618,330		7,618,330
Adjustments to General Fund for Prior Period (see Note 3)	(129)	2	(351)		(478)
<b><u>Interest Distribution for All Funds (Cash Basis)</u></b>					
All Funds Interest Collected	1,660,057	2,620,448	791,813		5,072,318
All Funds Interest Revenue - Distributed	762,237	1,632,811	240,409		2,635,457
Undistributed Interest Revenue (see Note 2)	897,818	987,631	551,755		2,437,204
Cumulative Undistributed Interest Revenue (see Note 2)	20,395,777	21,383,409	21,935,164		21,935,164
Adjustments to Funds for Prior Period (see Note 3)	2	-	351		353

**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 three distributions, \$3,055,614.81 on 04/17/2012, \$1,943,598.08 on 10/02/2012, and on \$2,534,056.92 04/05/2013. 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 March 31, 2013, 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 March 31, 2013, the LGIP's portfolio yield was .16% and the outperformance of the benchmark was 8 basis points.

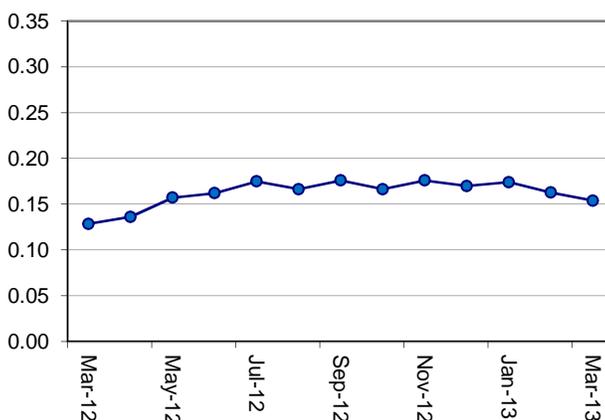
## Market Conditions

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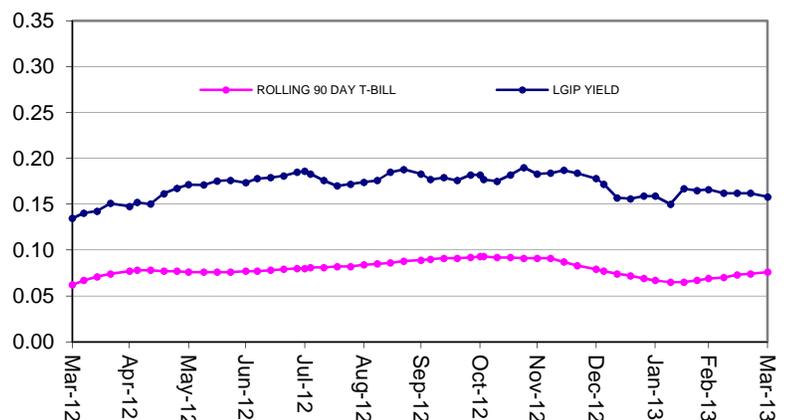
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**HISTORICAL LGIP PORTFOLIO YIELD**



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

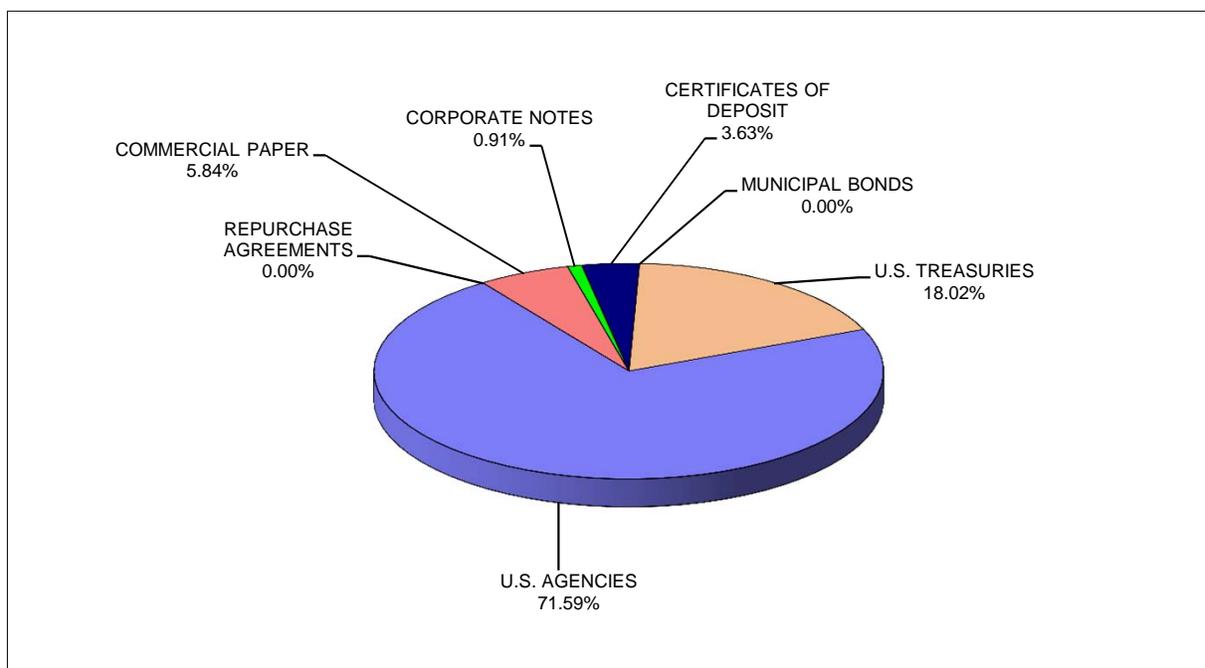


## Administration

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 Value and Purchased Interest

	<u>March 31, 2013</u>		<u>December 31, 2012</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
REPURCHASE AGREEMENTS	\$ -		\$ -	
COMMERCIAL PAPER	32,208,261		44,204,628	
CORPORATE NOTES	5,008,297		10,014,261	
CERTIFICATES OF DEPOSIT	20,000,000		20,000,000	
MUNICIPAL BONDS	-		-	
U.S. TREASURIES				
NOTES	79,334,114	6,423	69,368,225	41,969
BILLS	19,999,996		-	
U.S. AGENCIES	394,529,265	31,466	333,877,095	77,098
TOTAL	<u>\$ 551,079,932</u>	<u>\$ 37,889</u>	<u>\$ 477,464,209</u>	<u>\$ 119,067</u>
GRAND TOTAL	<u>\$551,117,821</u>		<u>\$477,583,276</u>	



**TOTAL INTEREST EARNED FY 2013 THROUGH MARCH 31, 2013: \$662,021.**

#### YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
<b>TOTAL PORTFOLIO</b>	<b>\$551,117,821</b>	<b>\$ 642,878,094</b>