



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

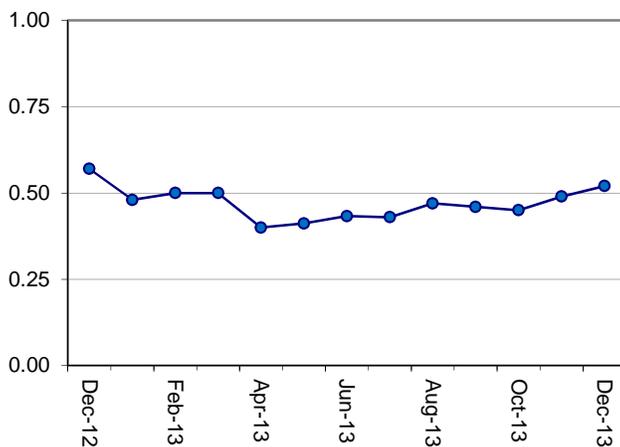
The suggested benchmark monitors the weekly General Portfolio yield against the six-month U.S. Treasury Bill's average yield over the last six month period (Rolling six-month T-Bill). As of December 31, 2013, the General Portfolio yield was .52%, and the outperformance of the benchmark was 46 basis points.

Market Conditions

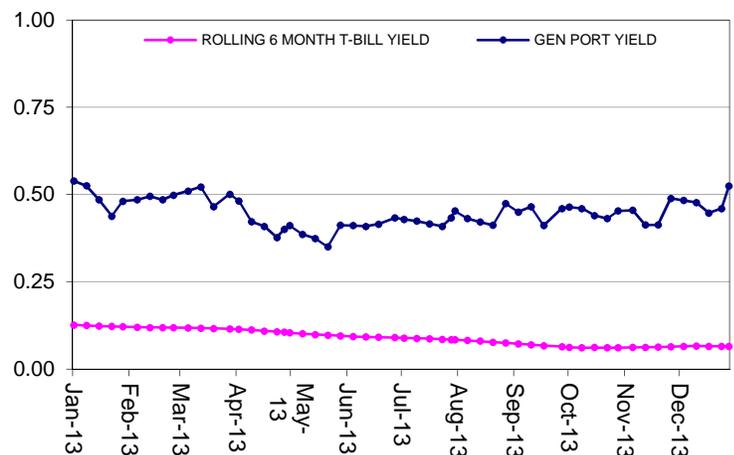
During the fourth quarter, US economic growth was moderately strong, allowing the Federal Open Market Committee (FOMC) to initiate the tapering of its quantitative easing program in which it bought Treasury debt and mortgage-backed securities. Employment grew an average of 195,000 jobs per month during the quarter and the unemployment rate ended the year at 6.7%, compared to 7.9% last December. GDP grew a respectable 3.2%, which was below the previous quarter of 4.1% due to decreased government spending but still above what economists believe is at-trend growth. Treasury yields drifted up slightly over the quarter, as 2- and 5-year Treasury yields up 5 and 15 basis points, respectively.

In response to these trends, consumer confidence increased to a reading of 78.1 in December, from 70.4 in November, and existing home sales increased by 1.0%. Nevada, meanwhile, experienced a drop in mortgage delinquencies, a slowdown in foreclosures, and an increase in home prices.

HISTORICAL GENERAL PORTFOLIO YIELD



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

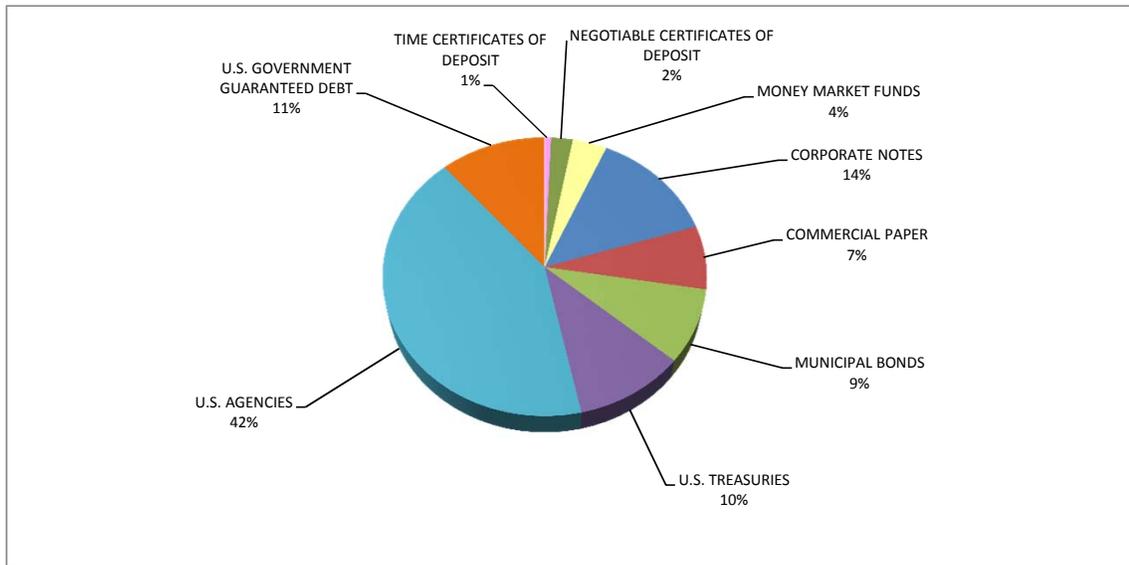


Administration

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>December 31, 2013</u>		<u>September 30, 2013</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
REPURCHASE AGREEMENTS	\$ -		\$ -	
TIME CERTIFICATES OF DEPOSIT	10,100,000		10,100,000	
NEGOTIABLE CERTIFICATES OF DEPOSIT	35,000,000		60,000,000	
MONEY MARKET FUNDS	55,458,159		50,000,000	
ASSET-BACKED SECURITIES	0		0	
MORTGAGE-BACKED SECURITIES	19,967		20,711	
CORPORATE NOTES	204,600,592	28,713	201,570,835	
COMMERCIAL PAPER	111,486,165		189,662,852	
MUNICIPAL BONDS	129,854,566	1,715	118,170,236	3,472
U.S. TREASURIES	158,149,170	18,785	283,276,764	424,384
U.S. AGENCIES	636,378,858	166,878	445,172,280	4,861
U.S. GOVERNMENT GUARANTEED DEBT	170,862,483	39,481	158,115,459	45,263
TOTAL	\$ 1,511,909,961	\$ 255,572	\$ 1,516,089,137	\$ 477,980
GRAND TOTAL	\$1,512,165,533		\$1,516,567,117	



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

December 31, 2013 December 31, 2012

TOTAL PORTFOLIO \$1,512,165,533 \$ 1,282,058,791

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

	Quarter Ended 09/30/2013	Quarter Ended 12/31/2013	Quarter Ended 03/31/2014	Quarter Ended 06/30/2014	FY 2014 YTD Totals
<u>Average Daily Balances of Funds</u>					
General Fund	400,759,972	444,856,486			n/a
All Funds	1,655,484,176	1,681,890,762			n/a
<u>Annualized Interest Rate (prior to Lehman Loss Adjustment)</u>					
Cash Basis (see Note 1)	0.1507%	0.5839%			n/a
Accrual Basis	0.3436%	0.4607%			n/a
<u>Interest Distribution for General Fund (Cash Basis)</u>					
General Fund Interest Collected	146,033	627,523			773,556
General Fund Interest Revenue - Distributed	0	284,737			284,737
Undistributed General Fund Interest Revenue <i>(retained for Treasurer's assessment and General Fund's portion of Lehman amortization)</i>	112,809	342,759			455,568
<u>Interest Distribution for All Funds (Cash Basis)</u>					
All Funds Interest Collected	603,241	2,372,708			2,975,949
All Funds Interest Revenue - Distributed	167,701	1,331,522			1,499,223
Undistributed Interest Revenue (see Note 2) <i>(retained for Lehman amortization)</i>	435,539	1,040,986			1,476,525
Cumulative Undistributed Interest Revenue (see Note 2)	23,256,992	24,297,978			24,297,978

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 four distributions, \$3,055,614.81 on 04/17/2012, \$1,943,598.08 on 10/02/2012, \$2,534,056.92 04/4/2013 and \$2,874,371 on 10/3/13. 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, 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

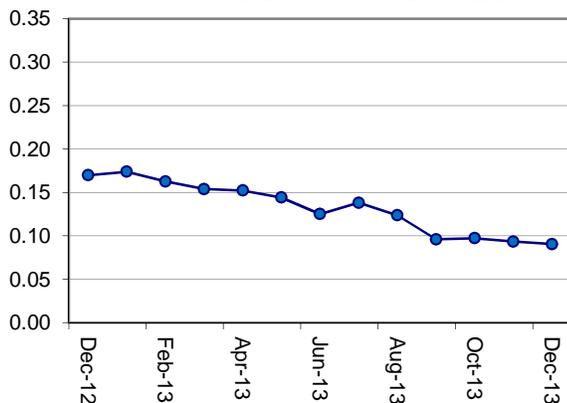
The suggested benchmark monitors the weekly LGIP portfolio yield against the 90 day U.S. Treasury Bill's average yield over the last three month period (Rolling 90 day T-bill). As of December 31, 2013, the LGIP's portfolio yield was .09% and the outperformance of the benchmark was 4 basis points.

Market Conditions

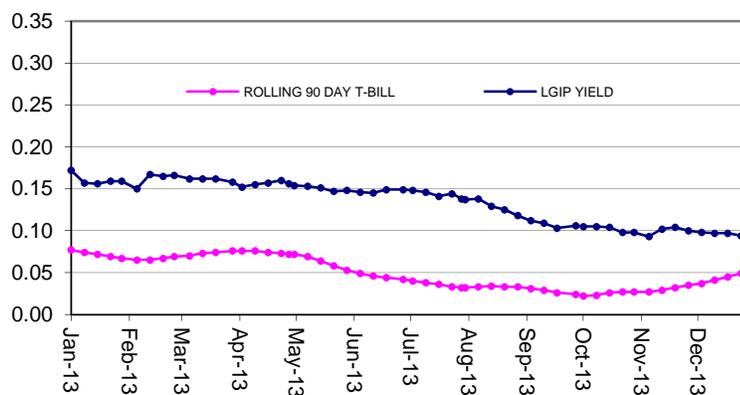
During the fourth quarter, US economic growth was moderately strong, allowing the Federal Open Market Committee (FOMC) to initiate the tapering of its quantitative easing program in which it bought Treasury debt and mortgage-backed securities. Employment grew an average of 195,000 jobs per month during the quarter and the unemployment rate ended the year at 6.7%, compared to 7.9% last December. GDP grew a respectable 3.2%, which was below the previous quarter of 4.1% due to decreased government spending but still above what economists believe is at-trend growth. Treasury yields drifted up slightly over the quarter, as 2- and 5-year Treasury yields up 5 and 15 basis points, respectively.

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HISTORICAL LGIP PORTFOLIO YIELD



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

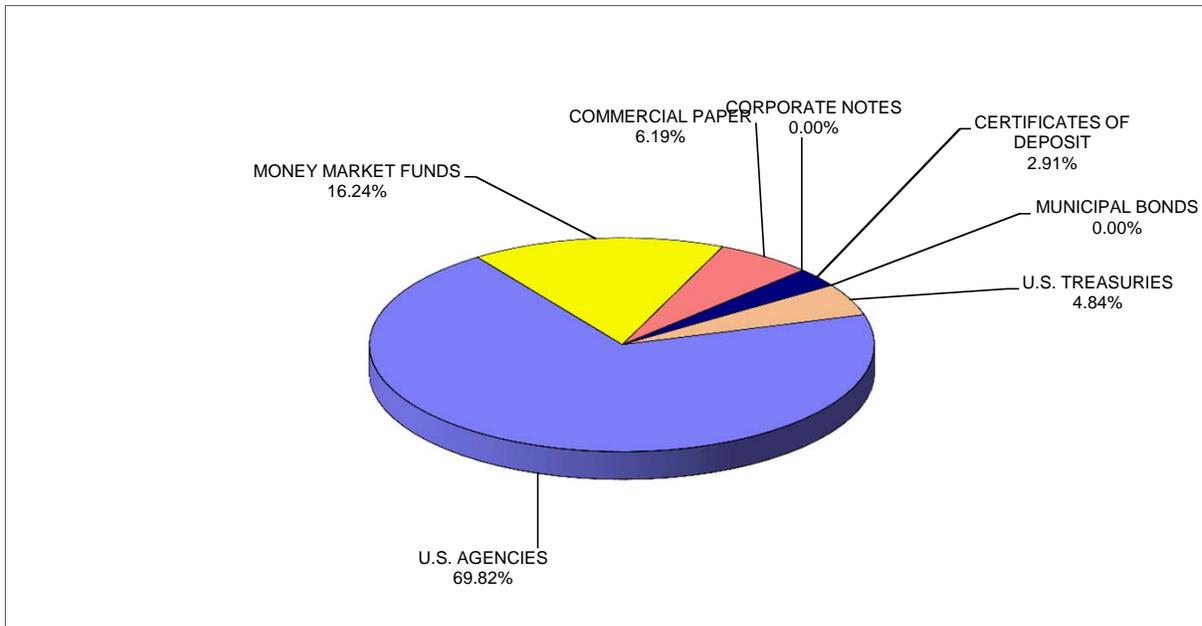


Administration

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>December 31, 2013</u>		<u>September 30, 2013</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 83,814,059		\$ 26,579,138	
COMMERCIAL PAPER	31,942,402		56,027,631	
CORPORATE NOTES	-		-	
CERTIFICATES OF DEPOSIT	15,000,000		20,000,923	12,283
MUNICIPAL BONDS	-		-	
U.S. TREASURIES				
NOTES	24,987,011		34,983,117	
BILLS	-		-	
U.S. AGENCIES	360,205,566	21,482	366,315,001	22,881
TOTAL	<u>\$ 515,949,037</u>	<u>\$ 21,482</u>	<u>\$ 503,905,810</u>	<u>\$ 35,164</u>
GRAND TOTAL	<u>\$515,970,519</u>		<u>\$503,940,973</u>	



TOTAL INTEREST EARNED FY 2014 THROUGH DEC. 31, 2013: \$290,574

YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

December 31, 2013 December 31, 2012

TOTAL PORTFOLIO	\$515,970,519	\$	477,583,276
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