



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 September 30, 2014, the General Portfolio yield was .43% and the outperformance of the benchmark was 38 basis points.

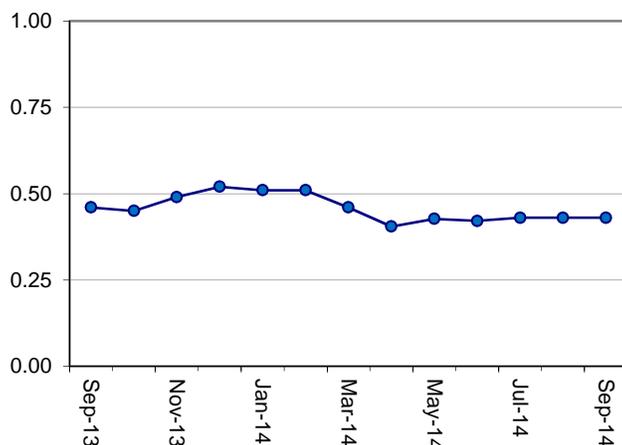
Market Conditions

GDP growth in the second quarter of 2014 increased to 4.6%, as compared to -2.1% from the first quarter of the year. This upturn is primarily due to increases in exports, and in private inventory investment, accelerations in nonresidential fixed investment and in state and local government spending, and in residential fixed investment that were partly offset by an acceleration in imports.

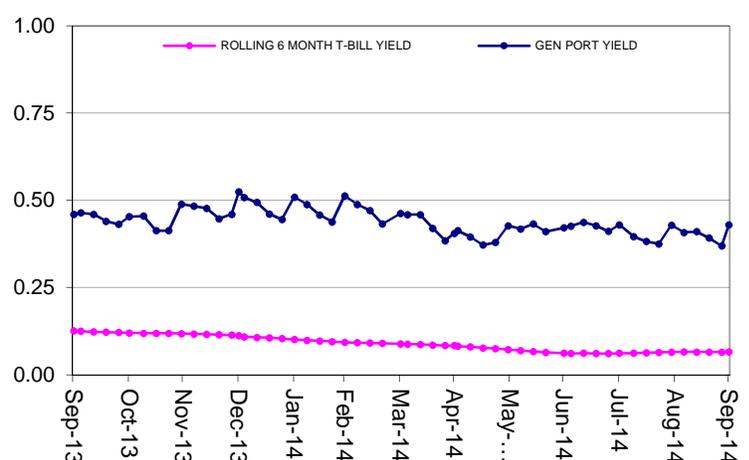
U.S. employers added 248,000 jobs in September, which is a decrease from the 288,000 number in June. The gains mark the sixth consecutive month that payrolls grew by more than 200,000, a streak unmatched since the late 1990s. The unemployment rate dropped to 5.9%, the lowest level since September 2008.

The Fed has pared its \$85 billion in monthly purchases in seven straight reductions of \$10 billion, and plans to end it after a final \$15 billion purchase in October. Risks to a Fed tightening scenario include slower employment growth, ultra-low core inflation readings, a slowdown in housing, and geopolitical risk. Bond yields have decreased, as investors are worried about the pace of global growth, with the 2-year Treasury yield now at .35%, and 5-year yield at 1.40%.

HISTORICAL GENERAL PORTFOLIO YIELD



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

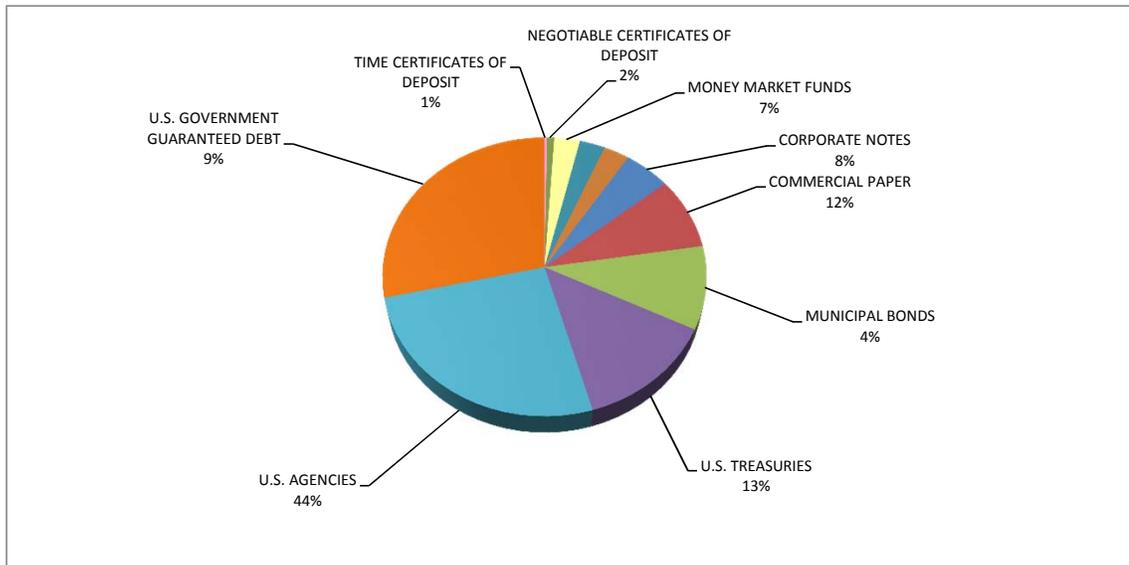


Administration

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>September 30, 2014</u> | | <u>June 30, 2014</u> | |
|------------------------------------|---------------------------|---------------------------|------------------------|---------------------------|
| | <u>Amortized Book</u> | <u>Purchased Interest</u> | <u>Amortized Book</u> | <u>Purchased Interest</u> |
| REPURCHASE AGREEMENTS | \$ - | | \$ - | |
| TIME CERTIFICATES OF DEPOSIT | 15,000,000 | | 10,000,000 | |
| NEGOTIABLE CERTIFICATES OF DEPOSIT | 30,000,000 | | 45,000,000 | |
| MONEY MARKET FUNDS | 115,000,000 | | 65,037,774 | |
| ASSET-BACKED SECURITIES | 0 | | 0 | |
| MORTGAGE-BACKED SECURITIES | 0 | | 0 | |
| CORPORATE NOTES | 130,075,834 | | 181,083,943 | |
| COMMERCIAL PAPER | 199,989,844 | | 150,688,660 | |
| MUNICIPAL BONDS | 74,895,854 | | 116,014,316 | |
| U.S. TREASURIES | 216,663,229 | | 239,383,948 | 1,529 |
| U.S. AGENCIES | 741,032,355 | 43,894 | 904,423,229 | 3,588 |
| U.S. GOVERNMENT GUARANTEED DEBT | 147,519,943 | 2,907 | 155,003,535 | |
| TOTAL | \$ 1,670,177,059 | \$ 46,801 | \$ 1,866,635,405 | \$ 5,116 |
| GRAND TOTAL | \$1,670,223,861 | | \$1,866,640,521 | |



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

September 30, 2014 September 30, 2013

| | | | |
|------------------------|-----------------|----|---------------|
| TOTAL PORTFOLIO | \$1,670,223,861 | \$ | 1,516,567,117 |
|------------------------|-----------------|----|---------------|

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

| | Quarter Ended 09/30/2014 | Quarter Ended 12/31/2014 | Quarter Ended 03/31/2015 | Quarter Ended 06/30/2015 | FY 2015 YTD Totals |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------|
| <u>Average Daily Balances of Funds</u> | | | | | |
| General Fund | 290,588,562 | | | | n/a |
| All Funds | 1,844,146,840 | | | | n/a |
| <u>Annualized Interest Rate (prior to Lehman Loss Adjustment)</u> | | | | | |
| Cash Basis (see Note 1) | 0.1791% | | | | n/a |
| Accrual Basis | 0.3670% | | | | n/a |
| <u>Interest Distribution for General Fund (Cash Basis)</u> | | | | | |
| General Fund Interest Collected | 283,401 | | | | 283,401 |
| General Fund Interest Revenue - Distributed | - | | | | - |
| Undistributed General Fund Interest Revenue <i>(retained for Treasurer's assessment and General Fund's portion of Lehman amortization)</i> | 283,401 | | | | 283,401 |
| <u>Interest Distribution for All Funds (Cash Basis)</u> | | | | | |
| All Funds Interest Collected | 1,798,678 | | | | 1,798,678 |
| All Funds Interest Revenue - Distributed | 808,119 | | | | 808,119 |
| Undistributed Interest Revenue (see Note 2) <i>(retained for Lehman amortization)</i> | 990,559 | | | | 990,559 |
| Cumulative Undistributed Interest Revenue (see Note 2) | 27,143,687 | | | | 27,143,687 |

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 the following distributions. 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.

| | \$50,000,000 | \$880,000 | Total |
|---------|---------------|------------|---------------|
| Date | Bond | Bond | Distribution |
| 4/17/12 | \$ 3,002,422 | \$ 53,193 | \$ 3,055,615 |
| 10/1/12 | \$ 1,909,764 | \$ 33,835 | \$ 1,943,598 |
| 4/4/13 | \$ 2,489,944 | \$ 44,113 | \$ 2,534,057 |
| 8/23/13 | - | \$ 20,841 | \$ 20,841 |
| 10/3/13 | \$ 2,874,372 | \$ 50,924 | \$ 2,925,296 |
| 4/3/14 | \$ 3,190,056 | \$ 56,517 | \$ 3,246,573 |
| | \$ 13,466,557 | \$ 259,423 | \$ 13,725,979 |

Note 3 On July 10, 2014, the State Treasurer's Office sold the State's positions in the two Lehman bonds totalling \$50.88 million in par. The total proceeds of the sale were \$10,010,384.



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, 2014, 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, 2014, the LGIP's portfolio yield was .09% and the outperformance of the benchmark was 7 basis points.

Market Conditions

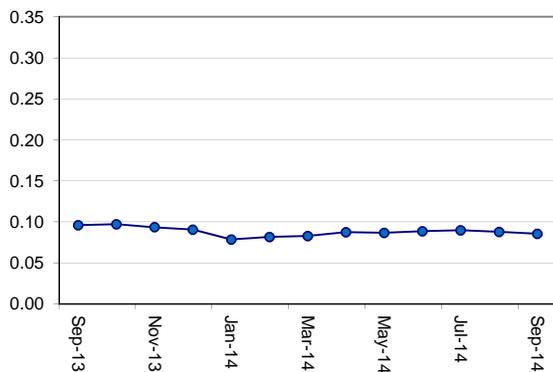
GDP growth in the second quarter of 2014 increased to 4.6%, as compared to -2.1%, from the first quarter of the year. This upturn is primarily due to increases in exports, and in private inventory investment, accelerations in nonresidential fixed investment and in state and local government spending, and in residential fixed investment that were partly offset by an acceleration in imports.

U.S. employers added 248,000 jobs in September, which is a decrease from the 288,000 number in June. The gains mark the sixth consecutive month that payrolls grew by more than 200,000, a streak unmatched since the late 1990s. The unemployment rate dropped to 5.9%, the lowest level since September 2008.

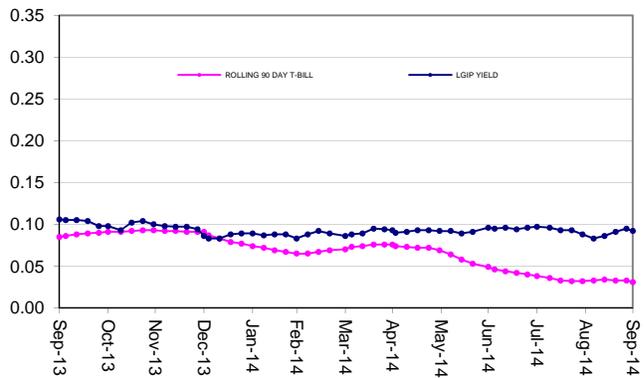
The Fed has pared its \$85 billion in monthly purchase in seven straight reductions of \$10 billion, and plans to end it after a final \$15 billion purchase in October. Risks to a Fed tightening scenario include slower employment growth, ultra-low core inflation readings, a slowdown in housing, and geopolitical risk.

Short-term yields remain very low with overnight rates still near 0.01% and even one-month yields below 0.03%. Intermediate bond yields have decreased, as investors are worried about the pace of global growth, with the 2-year Treasury yield now at .35%, and the 5-year yield at 1.40%.

HISTORICAL LGIP PORTFOLIO YIELD



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

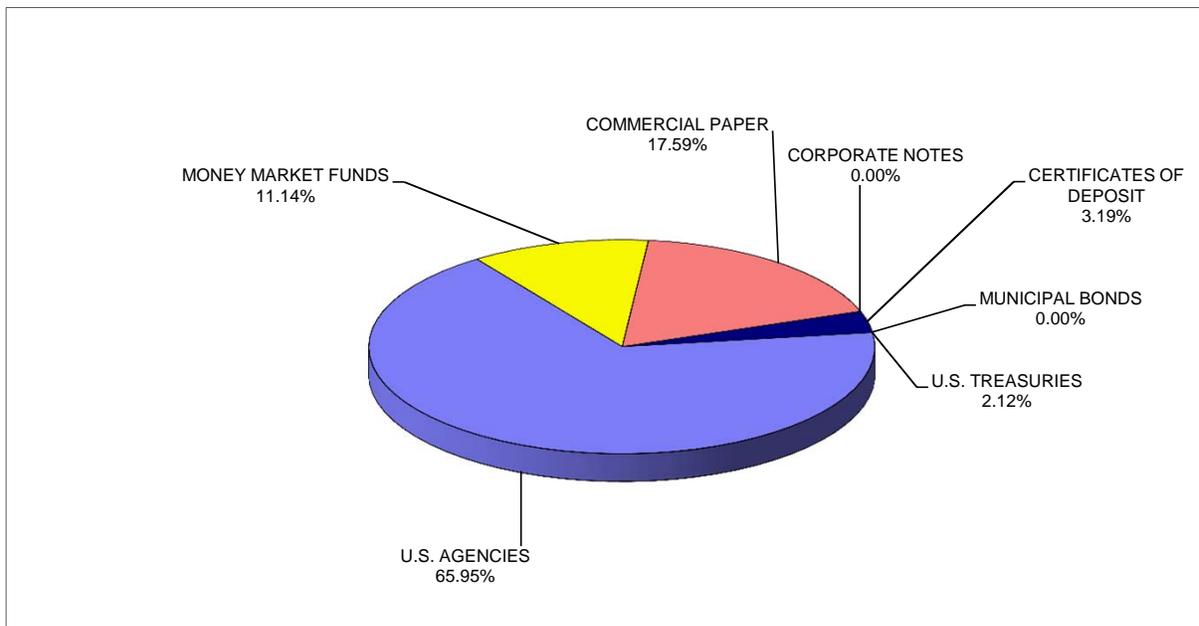


Administration

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>September 30, 2014</u> | | <u>June 30, 2014</u> | |
|-------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | <u>Amortized Book</u> | <u>Purchased Interest</u> | <u>Amortized Book</u> | <u>Purchased Interest</u> |
| MONEY MARKET FUNDS | \$ 52,433,297 | | \$ 24,279,132 | |
| COMMERCIAL PAPER | 82,774,448 | | 57,995,983 | |
| CORPORATE NOTES | - | | - | |
| CERTIFICATES OF DEPOSIT | 15,000,000 | | 25,000,000 | |
| MUNICIPAL BONDS | - | | - | |
| U.S. TREASURIES | | | | |
| NOTES | 9,997,032 | | 9,994,032 | |
| BILLS | - | | - | |
| U.S. AGENCIES | 310,400,398 | 35,962 | 310,528,008 | 8,480 |
| TOTAL | <u>\$ 470,605,175</u> | <u>\$ 35,962</u> | <u>\$ 427,797,156</u> | <u>\$ 8,480</u> |
| GRAND TOTAL | <u><u>\$470,641,138</u></u> | | <u><u>\$427,805,636</u></u> | |



TOTAL INTEREST EARNED FY 2015 THROUGH SEPT. 30, 2014: \$103,862

YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

September 30, 2014 September 30, 2013

| | | | |
|------------------------|---------------|----|-------------|
| TOTAL PORTFOLIO | \$470,641,138 | \$ | 503,940,973 |
|------------------------|---------------|----|-------------|