



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, 2014, the General Portfolio yield was .42% and the outperformance of the benchmark was 36 basis points. The duration of the General Portfolio was 1.11 years, or 405 days.

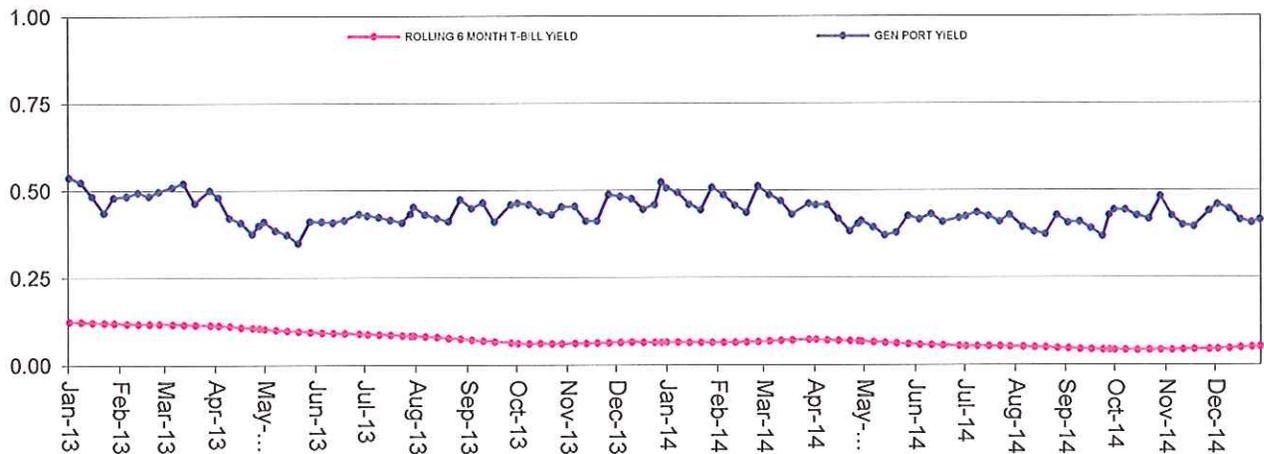
Market Conditions

The Q2 economy continued to improve. Unemployment decreased, car sales increased, and housing continued to improve over the prior year. Nevada sales tax revenues fiscal year to date through November are well over 5% better than prior year. Looking into Q3 we see mixed indicators. Inflation remains subdued due to falling oil prices. The lower prices contribute to higher disposable income which then helps to explain the rise in retail sales.

Interest rates on the 10-year T-Note have dropped from 2.17% on 12/31/14 to 1.74% on 2/4/15, and then by the middle of February gone back up to 2.14%. The 2-year T-Note has been trading at a range from .44% in December to .66% in mid-February. Part of the volatility stems from uncertainty in Europe, as Greece needs to negotiate terms with their creditors. The dollar has gained on other currencies.

The street consensus is that the FED will increase the FED rate by 25 basis points sometime this year, which has been routinely stated for a year. The timing of the FED increasing rates could be delayed if there continues to be global disinflation, a strong dollar, and low inflation expectations. An interest increase delay until the end of the year would lower the interest rate risk in shifting a portion of the portfolio to a longer average maturity when matched with cash-flow needs.

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

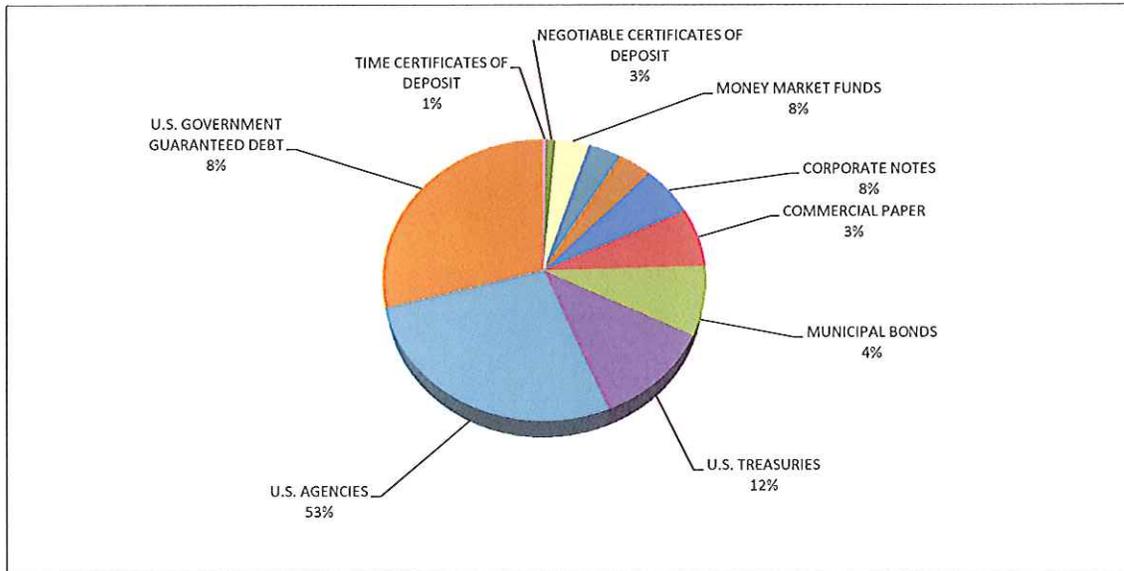


Administration

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, 2014</u>		<u>September 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		15,000,000	
NEGOTIABLE CERTIFICATES OF DEPOSIT	50,000,000		30,000,000	
MONEY MARKET FUNDS	146,913,969		115,000,000	
ASSET-BACKED SECURITIES	0		0	
MORTGAGE-BACKED SECURITIES	0		0	
CORPORATE NOTES	132,840,921		130,075,834	
COMMERCIAL PAPER	54,997,572		199,989,844	
MUNICIPAL BONDS	72,290,220		74,895,854	
U.S. TREASURIES	211,157,605		216,663,229	
U.S. AGENCIES	917,592,289	22,343	741,032,355	43,894
U.S. GOVERNMENT GUARANTEED DEBT	138,840,382		147,519,943	2,907
TOTAL	\$ 1,739,632,959	\$ 22,343	\$ 1,670,177,059	\$ 46,801
GRAND TOTAL	<u><u>\$1,739,655,302</u></u>		<u><u>\$1,670,223,861</u></u>	



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON
December 31, 2014 December 31, 2013

TOTAL PORTFOLIO	\$1,739,655,302	\$ 1,512,165,533
------------------------	-----------------	------------------

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	291,621,637			n/a
All Funds	1,844,146,840	1,801,845,884			n/a
<u>Annualized Interest Rate (prior to Lehman Loss Adjustment)</u>					
Cash Basis (see Note 1)	0.1791%	0.6128%			n/a
Accrual Basis	0.3670%	0.3839%			n/a
<u>Interest Distribution for General Fund (Cash Basis)</u>					
General Fund Interest Collected	283,401	434,105			717,506
General Fund Interest Revenue - Distributed	0	434,105			434,105
Undistributed General Fund Interest Revenue <i>(retained for Treasurer's assessment and General Fund's portion of Lehman amortization)</i>	283,401	0			283,401
<u>Interest Distribution for All Funds (Cash Basis)</u>					
All Funds Interest Collected	1,798,678	2,684,397			4,483,075
All Funds Interest Revenue - Distributed	808,119	2,684,397			3,492,516
Undistributed Interest Revenue (see Note 2) <i>(retained for Lehman amortization)</i>	900,559	-			900,559
Cumulative Undistributed Interest Revenue (see Note 2)	27,143,687	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
<u>Date</u>	<u>Bond</u>	<u>Bond</u>	<u>Distribution</u>
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
10/3/13	\$ 2,874,372	\$ 20,841	\$ 2,895,212
4/3/14	\$ 3,190,056	\$ 50,924	\$ 3,240,980
	\$ 13,466,557	\$ 56,517	\$ 13,669,462

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 December 31, 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 December 31, 2014, the LGIP's portfolio yield was .095% and the outperformance of the benchmark was 8 basis points. The duration of the LGIP portfolio was .18 years, or 67 days.

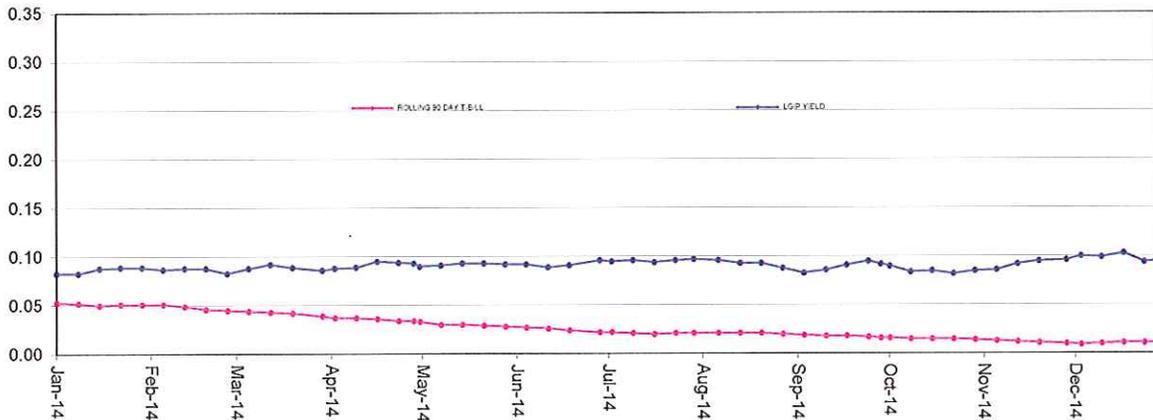
Market Conditions

The Q2 economy continued to improve. Unemployment decreased, car sales increased, and housing continued to improve over the prior year. Nevada sales tax revenues fiscal year to date through November are well over 5% better than prior year. Looking into Q3 we see mixed indicators. Inflation remains subdued due to falling oil prices. The lower prices contribute to higher disposable income which then helps to explain the rise in retail sales.

Interest rates on the 10-year T-Note have dropped from 2.17% on 12/31/14 to 1.74% on 2/4/15, and then by the middle of February gone back up to 2.14%. The 2-year T-Note has been trading at a range from .44% in December to .66% in mid-February. Part of the volatility stems from uncertainty in Europe, as Greece needs to negotiate terms with their creditors. The dollar has gained on other currencies.

The street consensus is that the FED will increase the FED rate by 25 basis points sometime this year, which has been routinely stated for a year. The timing of the FED increasing rates could be delayed if there continues to be global disinflation, a strong dollar, and low inflation expectations. An interest increase delay until the end of the year would lower the interest rate risk in shifting a portion of the portfolio to a longer average maturity when matched with cash-flow needs.

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

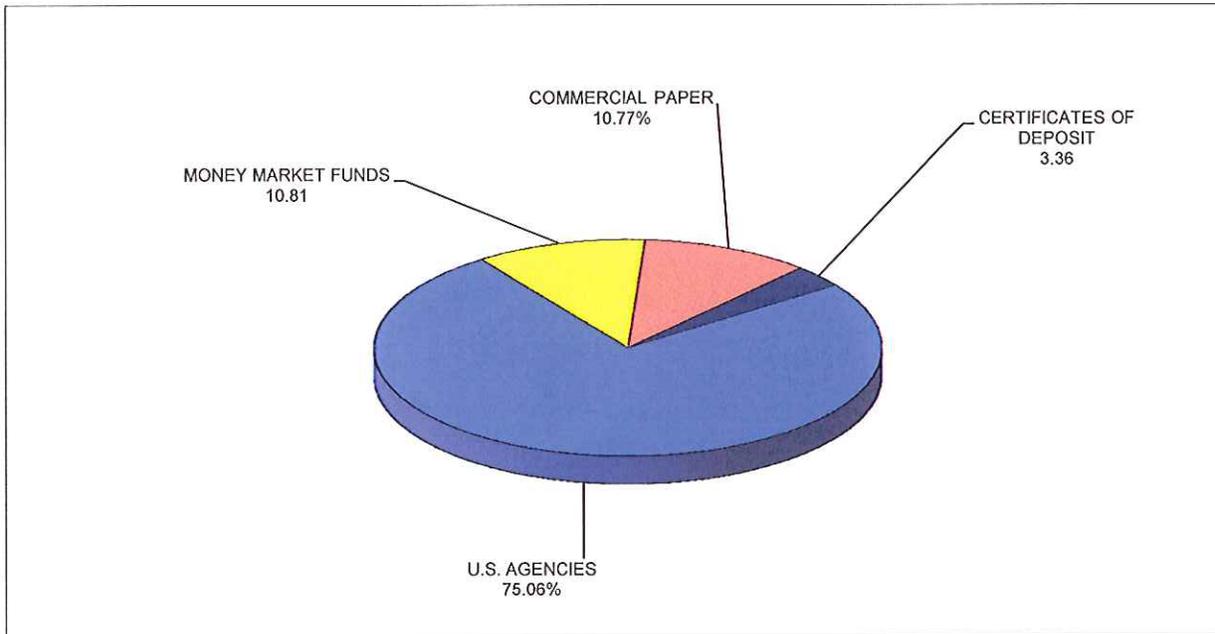


Administration

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, 2014</u>		<u>September 30, 2014</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 48,202,153		\$ 52,433,297	
COMMERCIAL PAPER	47,995,029		82,774,448	
CORPORATE NOTES	-		-	
CERTIFICATES OF DEPOSIT	15,000,000		15,000,000	
MUNICIPAL BONDS	-		-	
U.S. TREASURIES				
NOTES			9,997,032	
BILLS	-		-	
U.S. AGENCIES	334,578,974	9,709	310,400,398	35,962
TOTAL	<u>\$ 445,776,156</u>	<u>\$ 9,709</u>	<u>\$ 470,605,175</u>	<u>\$ 35,962</u>
GRAND TOTAL	<u>\$445,785,865</u>		<u>\$470,641,138</u>	



TOTAL INTEREST EARNED FY 2015 THROUGH DEC. 31, 2014: \$211,716

YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

December 31, 2014 December 31, 2013

TOTAL PORTFOLIO	\$445,785,865	\$	515,970,519
------------------------	---------------	----	-------------