State Treasurer
www.NevadaTreasurer.gov

INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2015
QUARTER 3

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

Prior to January 5, 2015, the benchmark used for the General Fund was the rolling six-month T-Bill. As of March 31, 2015, the General Portfolio yield was .45%, and the benchmark yield was .13%. We anticipate that the benchmark will be revised in the next several months. The duration of the General Portfolio was 1.12 years, or 410 days.

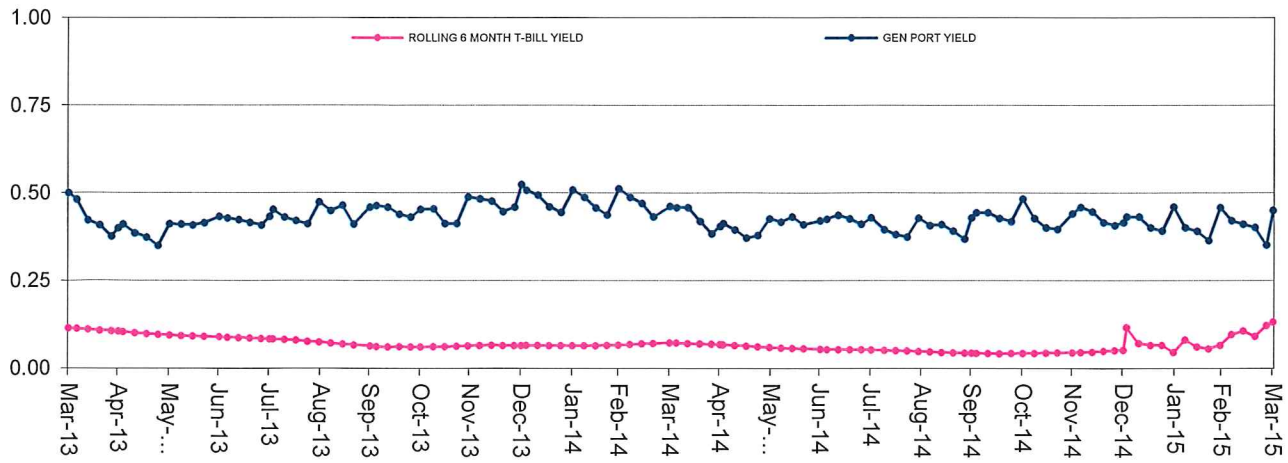
Market Conditions

GDP rose at .0.2% annualized rate after advancing 2.2% the prior quarter. Economists attributed the slow down to harsh weather, delays at West Coast ports, the plunge in fuel prices and a stronger dollar. Corporate fixed investment decreased at a 2.5% annualized pace, the biggest decline since the end of 2009. Spending on nonresidential structures, including office buildings and factories, dropped 23.1%, the most in four years. Consumer spending rose 1.9%, and the labor market continues to improve.

Interest rates on the 2-year T-Note have been in a range of .49%-.75% for the quarter, and the 10-year T-Note has been in a range of 1.64% - 2.25%. Market participants are uncertain as to when the Fed will increase rates, which has contributed to bond market volatility.

Fed officials held the benchmark overnight federal funds rate in a zero to .25% range, where it has been since December 2008. The uncertainty over when the Fed will increase rates, the strength of the U.S. dollar, and overseas economic conditions have all contributed to market volatility.

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

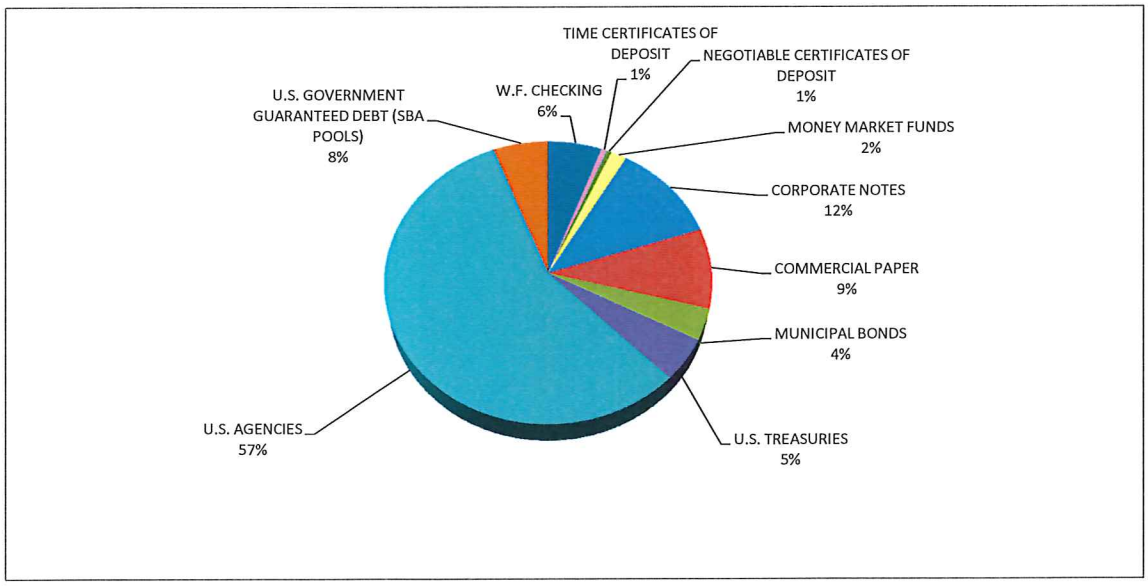


Administration

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

	March 31, 2015		December 31, 2014	
	Amortized Book	Purchased Interest	Amortized Book	Purchased Interest
WASHINGTON FEDERAL CHECKING ACCT.	$ 100,023,436		$ -	
TIME CERTIFICATES OF DEPOSIT	10,000,000		15,000,000	
NEGOTIABLE CERTIFICATES OF DEPOSIT	10,000,000		50,000,000	
MONEY MARKET FUNDS	30,000,000		146,913,969	
ASSET-BACKED SECURITIES	0		0	
MORTGAGE-BACKED SECURITIES	0		0	
CORPORATE NOTES	205,185,371	124,169	132,840,921	
COMMERCIAL PAPER	163,489,894		54,997,572	
MUNICIPAL BONDS	64,247,425		72,290,220	
U.S. TREASURIES	86,655,955		211,157,605	
U.S. AGENCIES	1,011,289,016	11,845	917,592,289	22,343
U.S. GOVERNMENT GUARANTEED DEBT	102,908,020		138,840,382	
TOTAL	$ 1,783,799,117	$ 136,014	$ 1,739,632,959	$ 22,343
GRAND TOTAL	**$1,783,935,131**		**$1,739,655,302**	



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	March 31, 2015	March 31, 2014
TOTAL PORTFOLIO	**$1,783,935,131**	**$ 1,727,994,470**

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
Average Daily Balances of Funds					
General Fund	290,588,562	291,621,637	252,672,503		
All Funds	1,844,146,840	1,801,845,884	1,833,635,475		
Annualized Interest Rate (prior to Lehman Loss Adjustment)					
Cash Basis (see Note 1)	0.1791%	0.6128%	0.2223%		
Accrual Basis	0.3670%	0.3839%	0.3552%		
Interest Distribution for General Fund (Cash Basis)					
General Fund Interest Collected	283,401	434,105	137,368		
General Fund Interest Revenue - Distributed	0	434,105	137,368		
Undistributed General Fund Interest Revenue *(retained for Treasurer's assessment and General Fund's portion of Lehman amortization)*	283,401	0	0		
Interest Distribution for All Funds (Cash Basis)					
All Funds Interest Collected	1,798,678	2,684,397	997,878		
All Funds Interest Revenue - Distributed	808,119	2,684,397	997,878		
Undistributed Interest Revenue (see Note 2) *(retained for Lehman amortization)*	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 Interest is lower in the third quarter as some securities pay interest in the second and fourth quarter, which are semi-annual interest payments. Since semi-annual interest payments are not received in the first, and third quarters, the interest received in those quarters are lower.

Note 3 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 received distributions over several years. To date, LBHI has made the following distributions. In order to smooth the loss out for the affected agencies, the expected loss was amortized over a multi-year period. The undistributed amount is the amount of the loss allocable to funds for that period. On July 10, 2014, the State Treasurer's Office sold the State's positions in the two Lehman bonds totaling $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 March 31, 2015, 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

Prior to January 5, 2015, the benchmark used for the LGIP was the rolling 90 day T-bill. As of March 31, 2015, the LGIP's portfolio yield was .17%, and the benchmark yield was .014%. We anticipate that the benchmark will be revised in the next several months. The duration of the LGIP portfolio was .31 years, or 115 days.

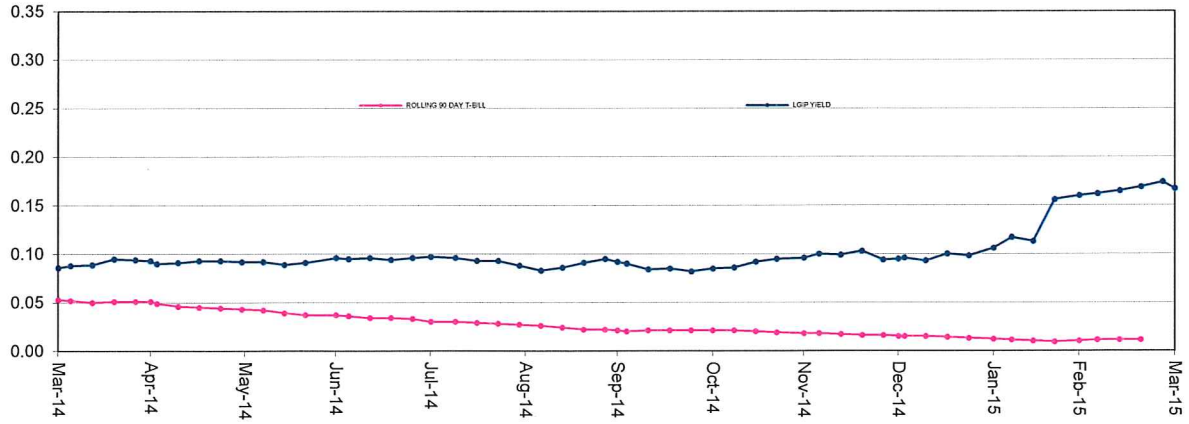
Market Conditions

GDP rose at 0.2% annualized rate after advancing 2.2% the prior quarter. Economists attributed the slow down to harsh weather, delays at West Coast ports, the plunge in fuel prices, and a stronger dollar. Corporate fixed investment decreased at a 2.5% annualized pace, the biggest decline since the end of 2009. Spending on nonresidential structures, including office buildings and factories dropped 23.1%, the most in four years. Consumer spending rose 1.9%, and the labor market continues to improve.

Interest rates on the 2-year T-Note have been in a range of .49%-.75% for the quarter, and the 10-year T-Note has been in a range of 1.64%-2.25%. Market participants are uncertain as to when the Fed will increase rates, which has contributed to bond market volatility.

Fed officials held the benchmark overnight federal funds rate in a zero to .25% range, where it has been since December 2008. The uncertainty over when the Fed will increase rates, the strength of the U.S. dollar, and overseas economic conditions have all contributed to market volatility.

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

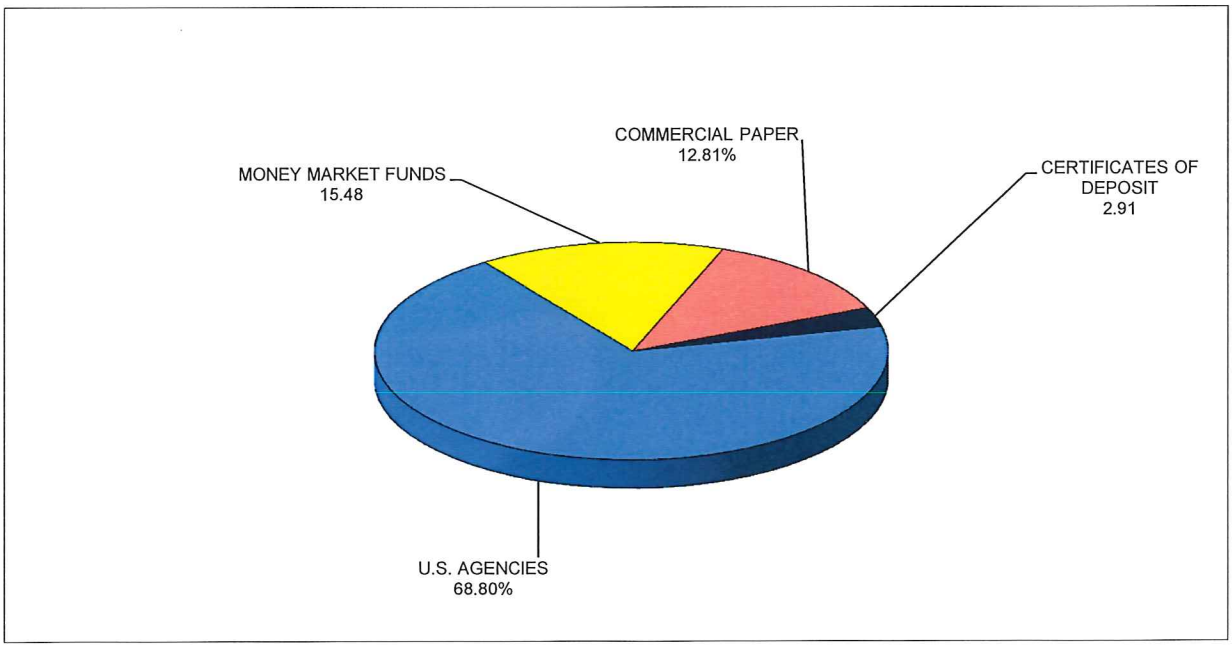


Administration

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: http://www.nevadatreasurer.gov/Finances/Investment/State_Portfolios/

LGIP PORTFOLIO
Amortized Book Value and Purchased Interest

	March 31, 2015		December 31, 2014	
	Amortized Book	Purchased Interest	Amortized Book	Purchased Interest
MONEY MARKET FUNDS	$ 79,658,300		$ 48,202,153	
COMMERCIAL PAPER	65,986,343		47,995,029	
CORPORATE NOTES	-		-	
CERTIFICATES OF DEPOSIT	15,000,000		15,000,000	
MUNICIPAL BONDS	-		-	
U.S. TREASURIES				
NOTES				
BILLS	-		-	
U.S. AGENCIES	354,403,572	64,103	334,578,974	9,709
TOTAL	$ 515,048,215	$ 64,103	$ 445,776,156	$ 9,709
GRAND TOTAL	$515,112,318		$445,785,865	



TOTAL INTEREST EARNED FY 2015 THROUGH MARCH 31, 2015: $367,031

YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	March 31, 2015	March 31, 2014
TOTAL PORTFOLIO	**$515,112,318**	**$ 522,624,771**