



State Treasurer
www.NevadaTreasurer.gov

INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2016
 Period Ending June 30, 2016

Overview

Investment of the State of Nevada General Fund Portfolio is a function performed by the State Treasurer, who, by the provisions of NRS 355, has adopted policies for the prudent and conservative investment of these funds. The Board of Finance shall review investment policies at least every four months and approve any changes. The General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

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 security extending longer than ten years.

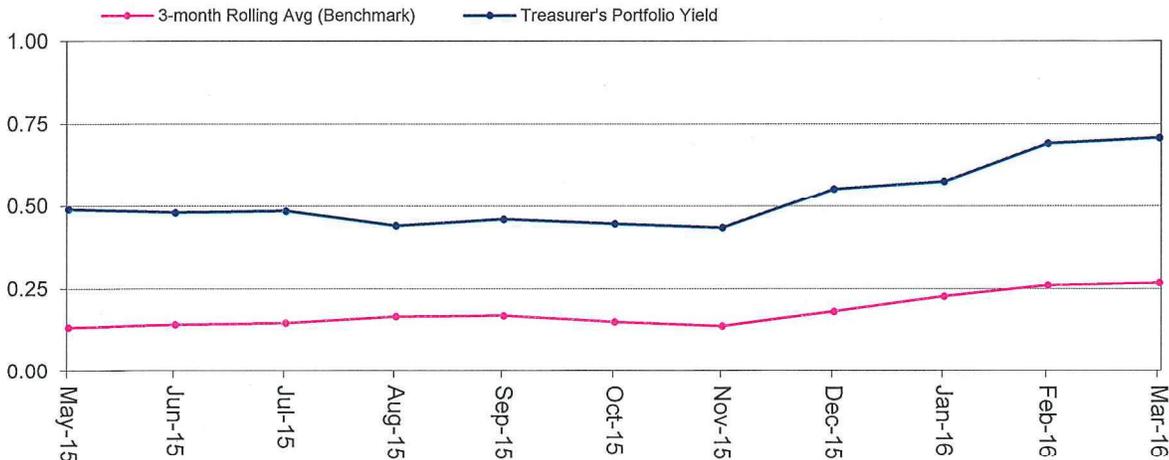
The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrently 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.

While the short term general fund and a portion of the longer term investments are managed in house by the Treasurer, two firms, Chicago Equity Partners and MacKay Shields have been hired to manage the bulk of the longer term general fund assets.

In House Performance

As of June 30, 2016, the yield on the portion of the General Portfolio managed in house was .664%. A new benchmark has been created using the three month T-bills and two year treasury notes. A three month rolling average of this benchmark for this period was .25% with a duration of 218 days. The duration of the in house managed portfolio was .53 years or 191 days.

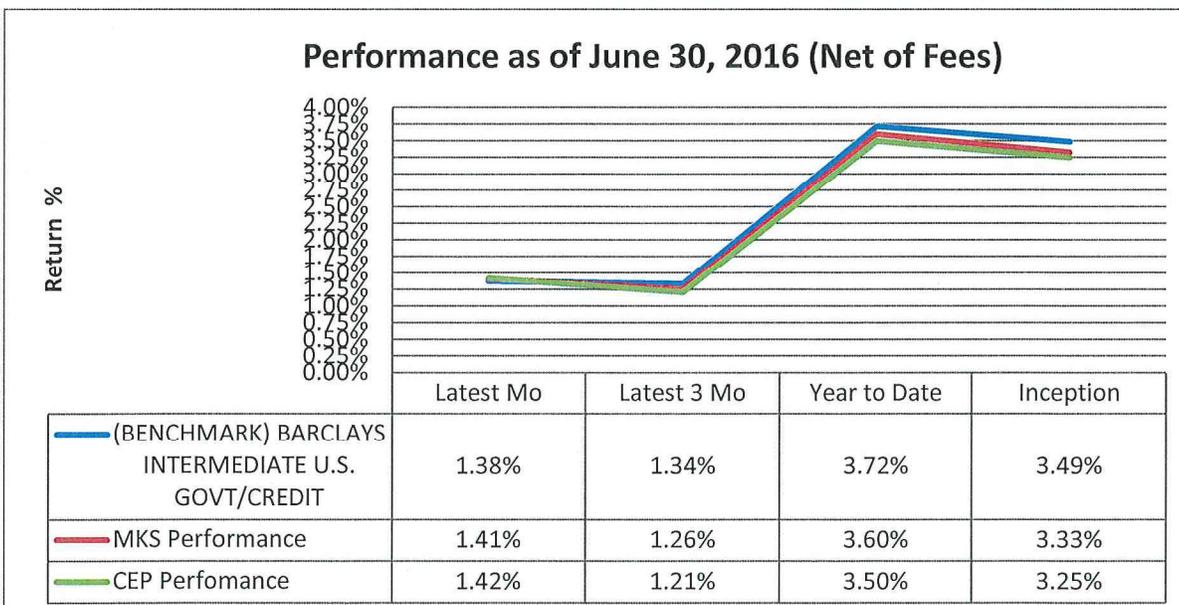
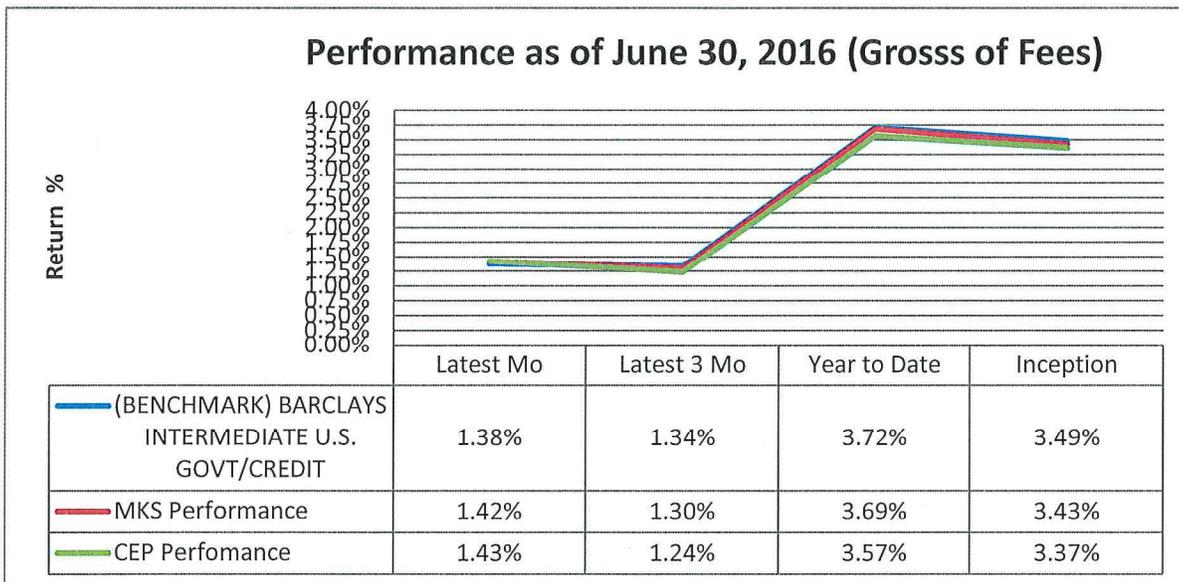
General Fund Performance vs. Benchmark



Outside Manager Performance

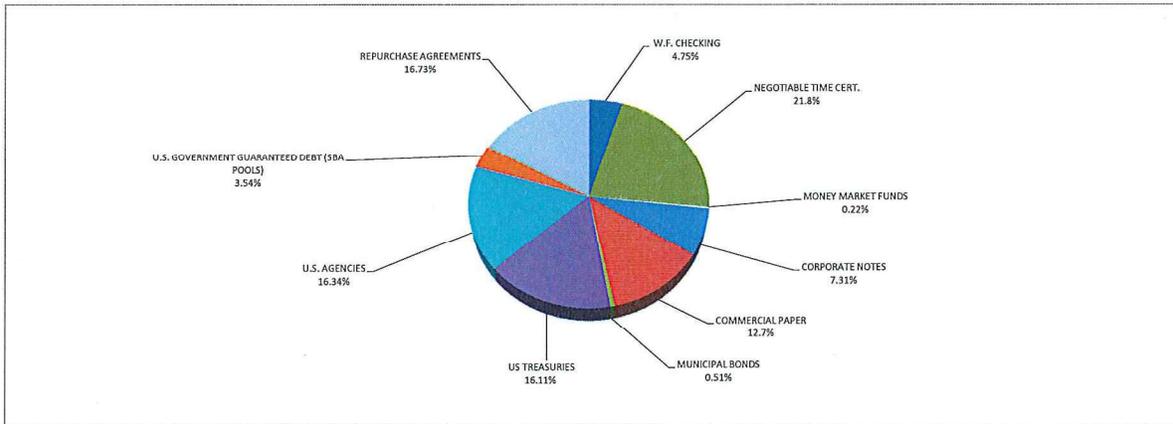
The period ending June 30, 2016 was Chicago Equity Partners (CEP) third full quarter managing General Fund monies. The Year to Date return was 3.57%. The period ending June 30, 2016 marked Mackay Shields (MKS) second full quarter managing monies for the Portfolio. MKS Year to Date return was 3.69%. Both of these returns are based on time-weighted rate of return which is defined as the compounded growth rate of \$1 over the period being measured. These funds have been assigned the Barclays Intermediate Government Credit benchmark. The benchmark as of June 30, 2016 was 3.72%. The Nevada statutory requirements prevent managers from investing in certain securities and fewer corporate notes which is the cause of the difference in manager performance versus the benchmark.

Outside Managers' Performance vs. Benchmark



GENERAL PORTFOLIO
Amortized Book Value and Purchased Interest

	June 30, 2016				March 31, 2016			
	Amortized Book Value		Purchased Interest		Amortized Book Value		Purchased Interest	
	Treasurer	In-House	Chicago Equity Partners	Mackay Shields	Treasurer	In-House	Chicago Equity Partners	Mackay Shields
WASHINGTON FEDERAL CHECKING ACCT.	\$	100,314,218			\$	100,213,423		
TIME CERTIFICATES OF DEPOSIT		0				0		
NEGOTIABLE CERTIFICATES OF DEPOSIT		460,004,070				440,000,296		
MONEY MARKET FUNDS		2,433,333	1,922,954	179,737		4,475,088	322,163	119,432
ASSET-BACKED SECURITIES		0				0		
MORTGAGE-BACKED SECURITIES		0				0		
CORPORATE NOTES		71,045,734	16,842,758	66,201,246	66,328	126,352,006	14,068,282	54,930,600
COMMERCIAL PAPER		267,928,757				322,686,566		
MUNICIPAL BONDS		10,744,826				27,549,430		
U.S. TREASURIES		0	184,964,864	154,679,574	146,479	0	187,323,653	165,090,930
U.S. AGENCIES		315,992,121	23,669,726	4,999,095	1,726	382,679,037	24,328,196	4,998,941
U.S. GOVERNMENT GUARANTEED DEBT		74,624,295				79,833,123		
REPURCHASE AGREEMENTS		353,000,000				131,000,000		
TOTAL	\$	1,656,087,354	\$	227,400,303	\$	226,059,652	\$	214,533
GRAND TOTAL	\$		\$		\$	2,109,761,842	\$	205,358
								\$
								2,066,176,524



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	June 30, 2016	June 30, 2015
TOTAL PORTFOLIO	\$ 2,109,761,842	\$ 1,774,150,409

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

	Quarter Ended 09/30/2015	Quarter Ended 12/31/2015	Quarter Ended 03/31/2016	Quarter Ended 06/30/2016	FY 2016 Totals
<u>Average Daily Balances of Funds</u>					
General Fund	202,068,616	220,193,570	238,360,296	315,595,070	244,054,388
All Funds	1,835,489,269	1,796,179,428	1,943,976,498	2,204,233,063	1,944,969,565
<u>Annualized Interest Rate (prior to Lehman Loss Adjustment)</u>					
Cash Basis (see Note 1)	0.4070%	0.3686%	0.6087%	0.6231%	0.5018%
Accrual Basis	0.3442%	0.6310%	0.5494%	0.5924%	0.5293%
<u>Interest Distribution for General Fund (Cash Basis)</u>					
General Fund Interest Collected	209,702	199,472	353,346	476,238	1,238,757
General Fund Interest Revenue - Distributed	209,702	199,472	353,346	476,238	1,238,757
Undistributed General Fund Interest Revenue	-	-	-	-	-
<u>Interest Distribution for All Funds (Cash Basis)</u>					
All Funds Interest Collected	1,908,926	1,624,419	2,884,248	3,358,442	9,776,035
All Funds Interest Revenue - Distributed	1,908,926	1,624,419	2,884,248	3,358,442	9,776,035

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 NRS provides 30 days after the quarter-end for completion of Interest Distribution.



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 June 30, 2016, there were 87 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.

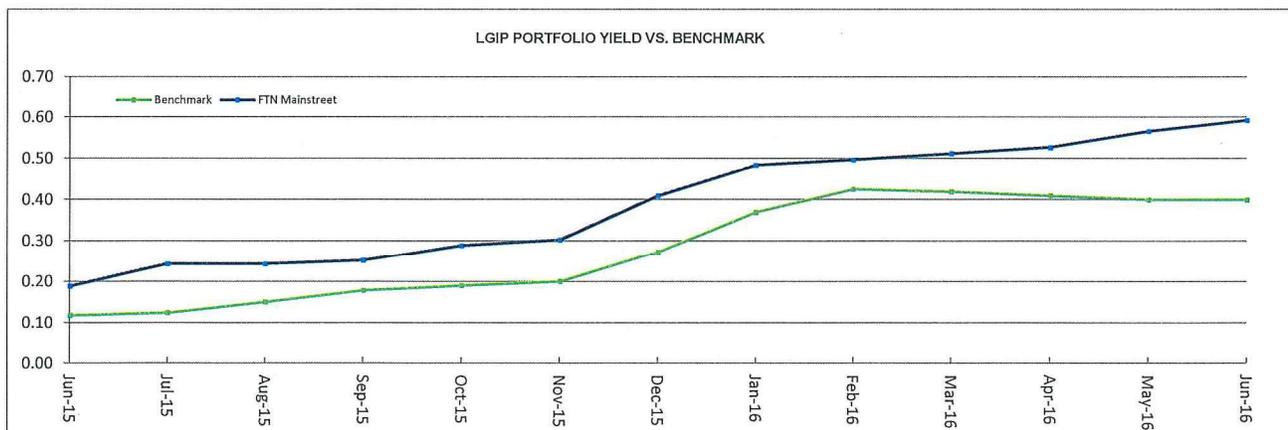
Investment Guidelines

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 20% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, at approximately 60% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will fall significantly due to adverse changes in general interest rates.

Performance

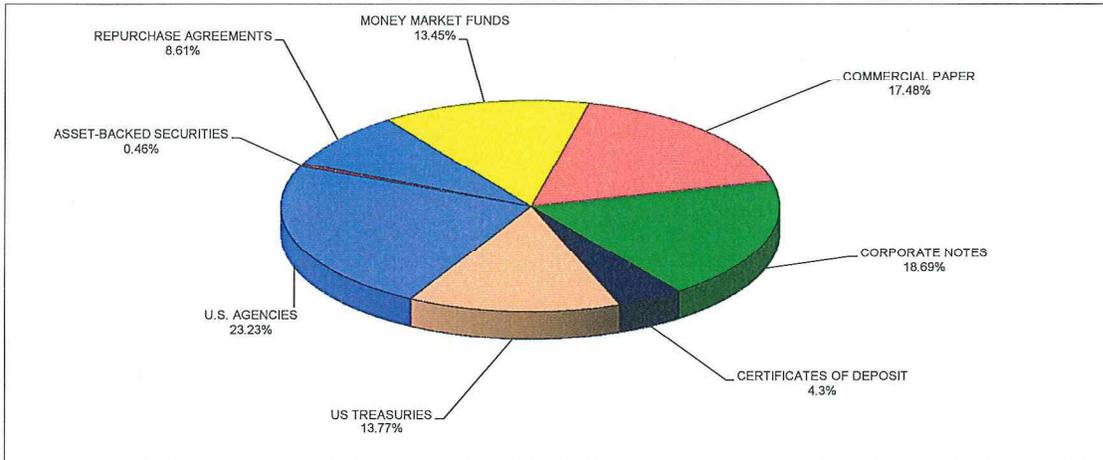
As of June 30, 2016 the LGIP's portfolio yield was 0.592%, and the blended benchmark was 0.40%. The average duration of the LGIP portfolio was 142 days.



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.

	<u>June 30, 2016</u>		<u>March 31, 2016</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 78,144,308		\$ 54,174,250	
COMMERCIAL PAPER	101,549,547		134,504,927	
CORPORATE NOTES	108,503,977	98,611	104,993,846	169,902
CERTIFICATES OF DEPOSIT	25,000,000		60,000,000	
MUNICIPAL BONDS				
U.S. TREASURIES				
NOTES	80,004,892	14,620	80,017,939	54,004
BILLS				
U.S. AGENCIES	134,967,245	2,069	179,183,288	10,660
ASSET-BACKED SECURITIES	2,679,164		3,869,968	
REPURCHASE AGREEMENTS	50,000,000		63,000,000	
TOTAL	\$ 580,849,134	\$ 115,300	\$ 679,744,217	\$ 234,566
GRAND TOTAL	\$ 580,964,435	580,964,435	\$ 679,978,783	679,978,783



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
TOTAL PORTFOLIO	\$580,964,435	\$406,975,061