



State Treasurer
www.NevadaTreasurer.gov

INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2017
Period Ending
December 31, 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 three 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.

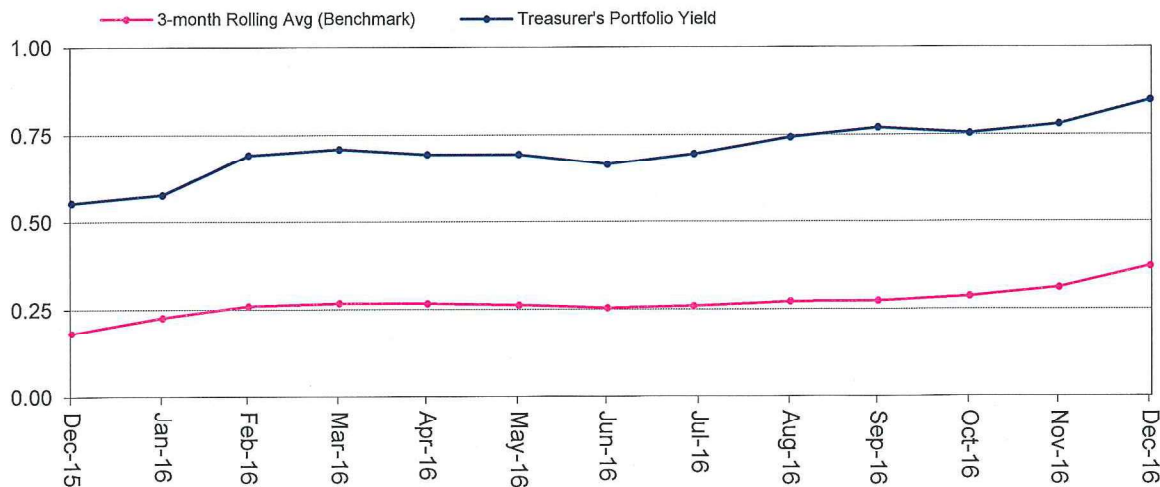
The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature 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 December 31, 2016, the yield on the portion of the General Portfolio managed in house was 0.85%. A three month rolling average of this benchmark for this period was .37% with a duration of 218 days. The duration of the in-house managed portfolio was .50 years or 181 days.

General Fund Performance vs. Benchmark

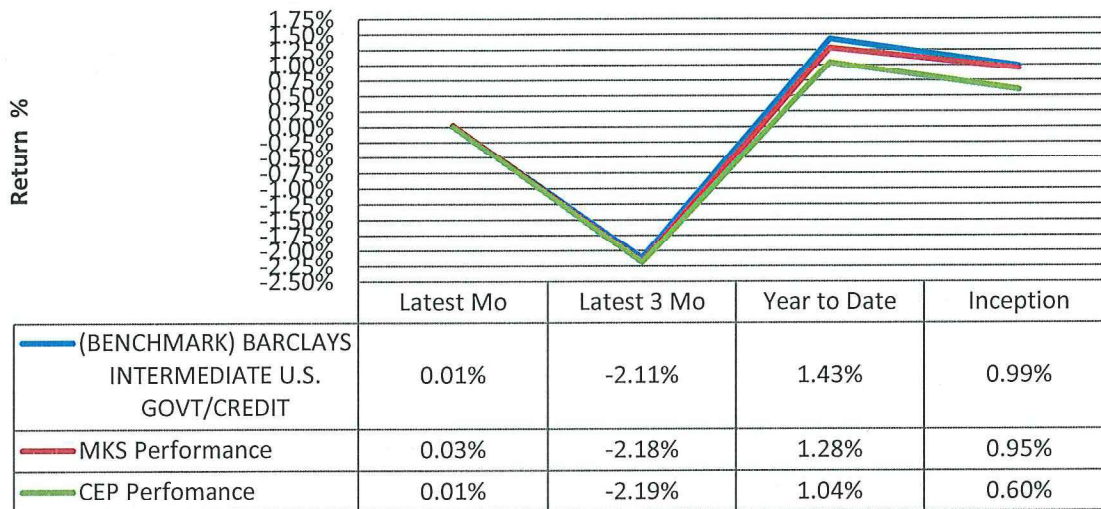


Outside Manager Performance

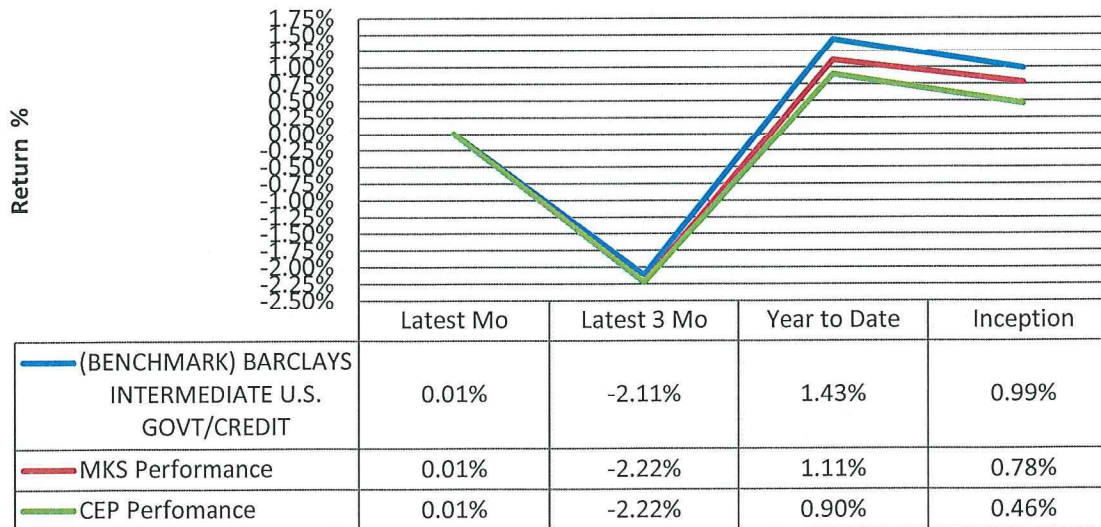
As of December 31, 2016, Chicago Equity Partners (CEP) has managed monies in the General Portfolio for over a year and the Year to Date return was 0.90%. The period ending December 31, 2016 marked Mackay Shields (MKS) fourth full quarter or one-year managing monies for the Portfolio. MKS Year to Date return was 1.11%. 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 Bloomberg Barclays Intermediate A or better Government Credit benchmark. The benchmark as of December 31, 2016 was 1.43%. 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

Performance as of December 31, 2016 (Gross of Fees)

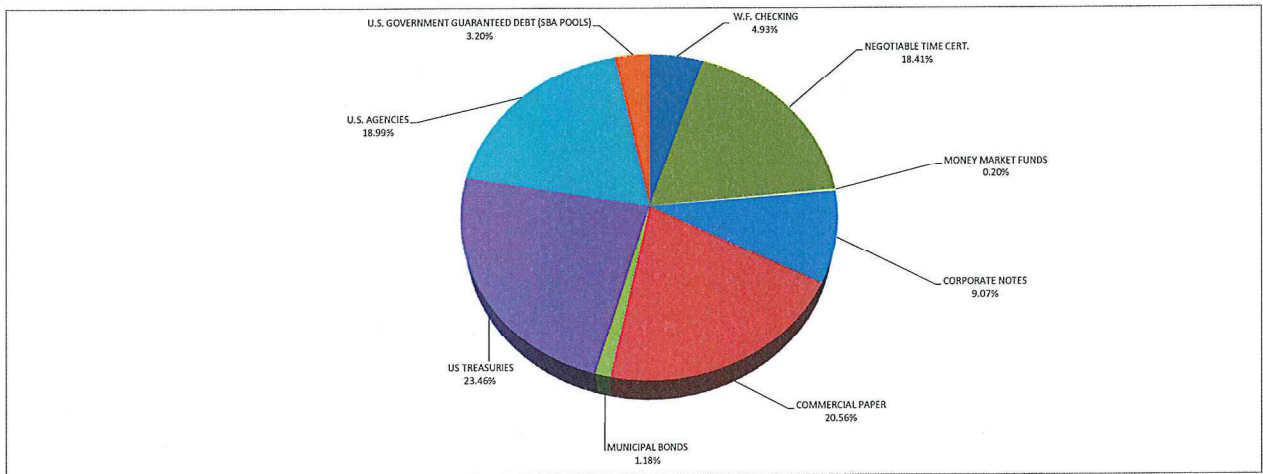


Performance as of December 31, 2016 (Net of Fees)



GENERAL PORTFOLIO
Amortized Book Value and Purchased Interest

	<u>December 31, 2016</u>			<u>September 30, 2016</u>			
	<u>Amortized Book Value</u>			<u>Amortized Book Value</u>			<u>Purchased Interest</u>
	<u>Treasurer In-House</u>	<u>Chicago Equity Partners</u>	<u>Mackay Shields</u>	<u>Treasurer In-House</u>	<u>Chicago Equity Partners</u>	<u>Mackay Shields</u>	
WASHINGTON FEDERAL CHECKING ACCT.	\$ 100,560,739			\$ 100,448,037			
TIME CERTIFICATES OF DEPOSIT	0			0			
NEGOTIABLE CERTIFICATES OF DEPOSIT	375,509,253			287,503,779			
MONEY MARKET FUNDS	2,349,690	1,603,429	149,966	574,156	2,209,084	227,568	
ASSET-BACKED SECURITIES	0			0			
MORTGAGE-BACKED SECURITIES	0			0			
CORPORATE NOTES	70,433,189	25,293,926	89,275,037	70,739,461	18,688,724	85,052,119	121,173
COMMERCIAL PAPER	419,347,783			398,944,591			
MUNICIPAL BONDS	24,026,378			23,471,064			832
U.S. TREASURIES	19,975,128	250,130,770	208,483,861	0	254,481,552	211,679,821	306,662
U.S. AGENCIES	355,432,912	26,886,527	4,999,406	428,838,067	27,536,592	4,999,250	11,590
U.S. GOVERNMENT GUARANTEED DEBT	65,261,240			69,780,261			
REPURCHASE AGREEMENTS	0			50,000,000			
TOTAL	\$ 1,432,896,313	\$ 303,914,651	\$ 302,908,270	\$ 1,430,299,415	\$ 302,915,952	\$ 301,958,758	\$ 440,257
GRAND TOTAL	\$		2,039,719,234				\$2,035,014,303



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON
December 31, 2016 December 31, 2015

TOTAL PORTFOLIO	\$2,039,719,234	\$1,596,132,706
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State of Nevada
Office of the State Treasurer
Schedule of General Fund Interest Revenue

	Quarter Ended 09/30/2016	Quarter Ended 12/31/2016	Quarter Ended 03/31/2017	Quarter Ended 06/30/2017	FY 2017 Totals
<u>Average Daily Balances of Funds</u>					
General Fund	140,705,275	489,385,799			315,045,537
All Funds	2,166,844,878	2,257,249,472			2,212,047,175
<u>Annualized Interest Rate</u>					
Cash Basis (see Note 1)	0.7604%	0.6979%			0.7291%
Accrual Basis	0.7094%	0.6495%			0.6795%
<u>Interest Distribution for General Fund (Cash Basis)</u>					
General Fund Interest Collected	269,878	857,468			1,127,346
General Fund Interest Revenue - Distributed	269,878	857,468			1,127,346
Undistributed General Fund Interest Revenue	-				-
<u>Interest Distribution for All Funds (Cash Basis)</u>					
All Funds Interest Collected	4,104,544	3,963,396			8,067,940
All Funds Interest Revenue - Distributed	4,104,544	3,963,396			8,067,940

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.



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, 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.

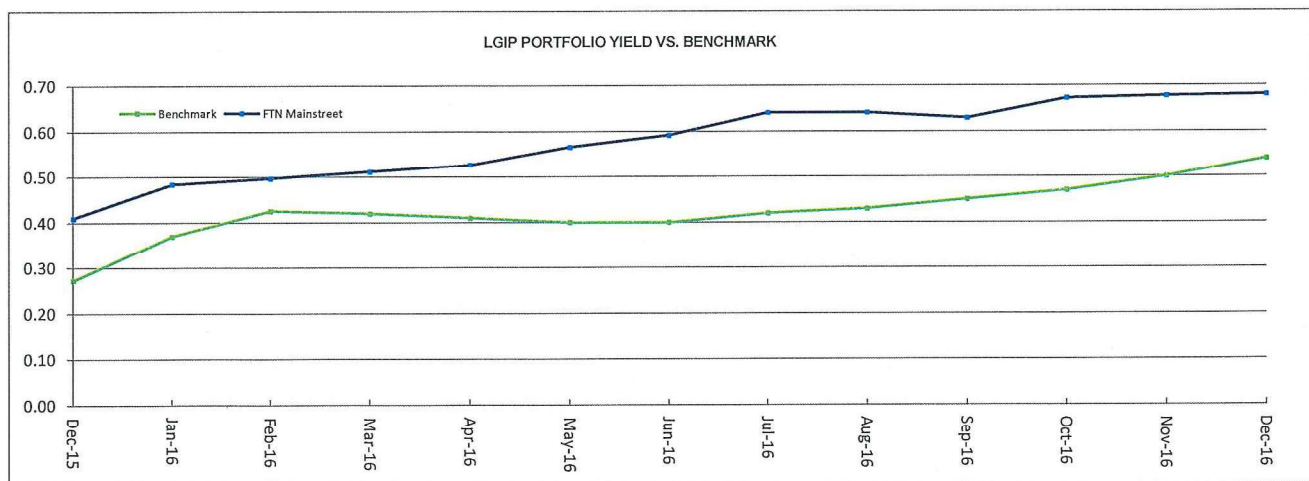
Investment Guidelines

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

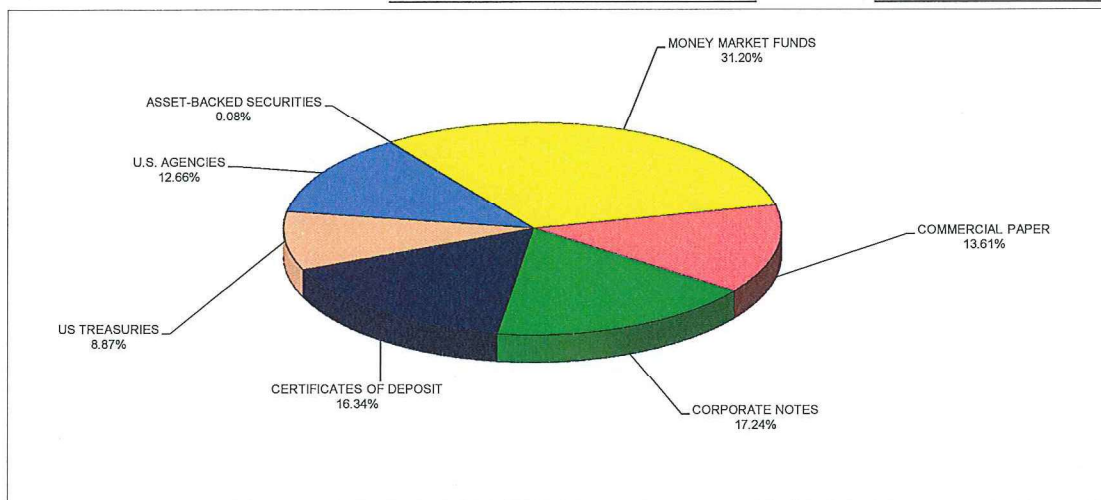
FTN Financial began managing the LGIP portfolio in July 2015. As of December 31, 2016 the LGIP's portfolio yield was 0.68%, and the blended benchmark was 0.54%. The average duration of the LGIP portfolio was 126 days.



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>December 31, 2016</u>		<u>September 30, 2016</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 263,549,046		\$ 131,197,034	
COMMERCIAL PAPER	114,940,750		144,416,141	
CORPORATE NOTES	145,494,665	81,908	113,808,915	191,044
CERTIFICATES OF DEPOSIT	138,000,000		143,005,490	
MUNICIPAL BONDS				
U.S. TREASURIES				
NOTES	74,916,320	37,698	63,992,944	
BILLS				
U.S. AGENCIES	106,884,006	3,693	95,045,492	22,326
ASSET-BACKED SECURITIES	687,380		1,609,290	
REPURCHASE AGREEMENTS	-		73,000,000	
TOTAL	\$ 844,472,166	\$ 123,299	\$ 766,075,305	\$ 213,370
GRAND TOTAL	\$ 844,595,465		\$ 766,288,676	



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
TOTAL PORTFOLIO	\$844,595,465	\$581,582,302