



State Treasurer  
[www.NevadaTreasurer.gov](http://www.NevadaTreasurer.gov)

## INVESTMENTS

### GENERAL PORTFOLIO

FISCAL YEAR 2017  
Period Ending  
March 31, 2017

## 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.

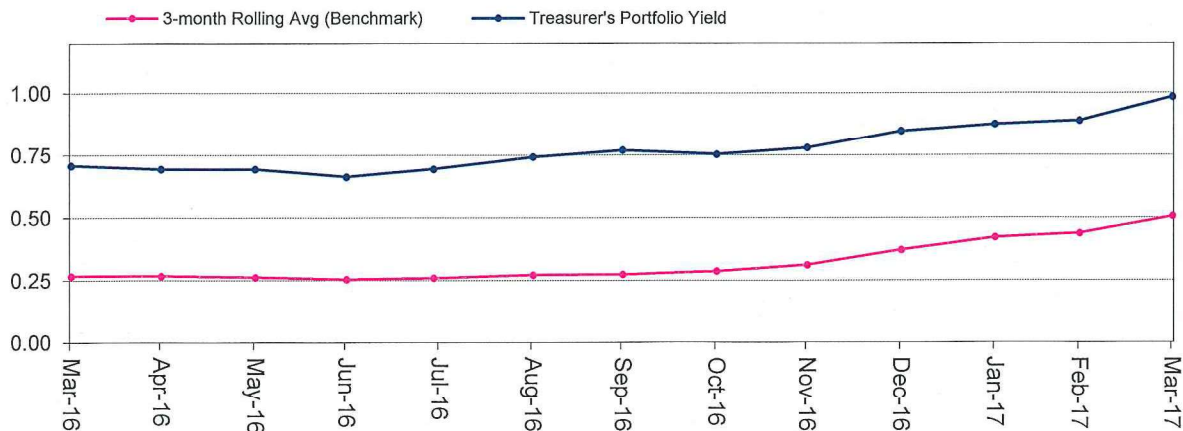
The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature 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 March 31, 2017, the yield on the portion of the General Portfolio managed in house was 0.985%. A three month rolling average of this benchmark for this period was .51% with a duration of 218 days. The duration of the in-house managed portfolio was .44 years or 160 days.

## General Fund Performance vs. Benchmark



## Outside Manager Performance

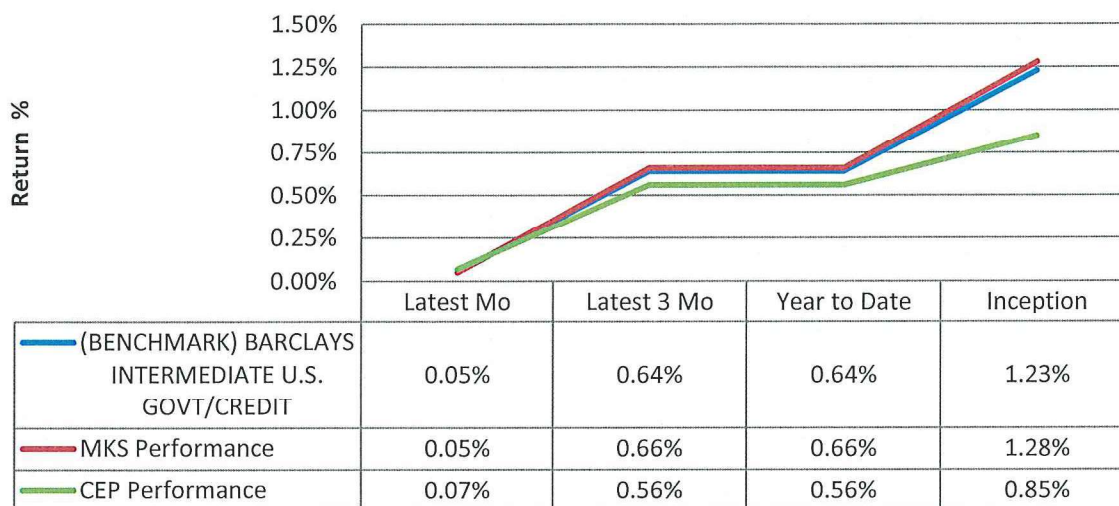
The performance since inception for period ending March 31, 2017 for manager Chicago Equity Partners (CEP) is 0.85% and for Mackay Shields (MKS) is 1.28%\*. Both of these returns are based on time-weighted rate of return which is defined as the compounded growth rate of \$1 over the period being measured. These funds have been assigned the *Bloomberg Barclays Intermediate A or better Government Credit benchmark*. The benchmark as of March 31, 2017 was 1.23%. 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.

\*CEP inception date is

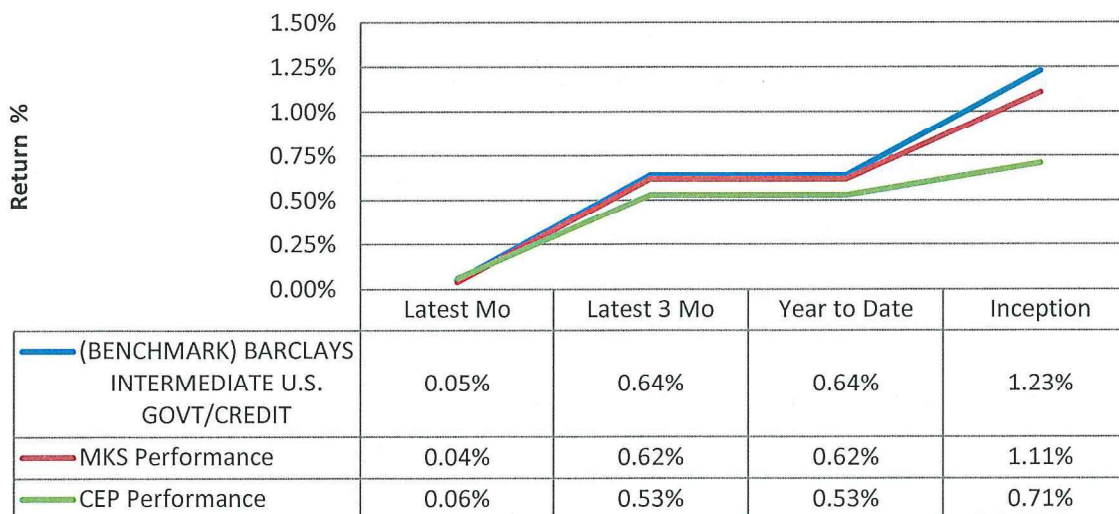
September 2015 and MKS is December 2015.

## Outside Managers' Performance vs. Benchmark

### Performance as of March 31, 2017 (Gross of Fees)

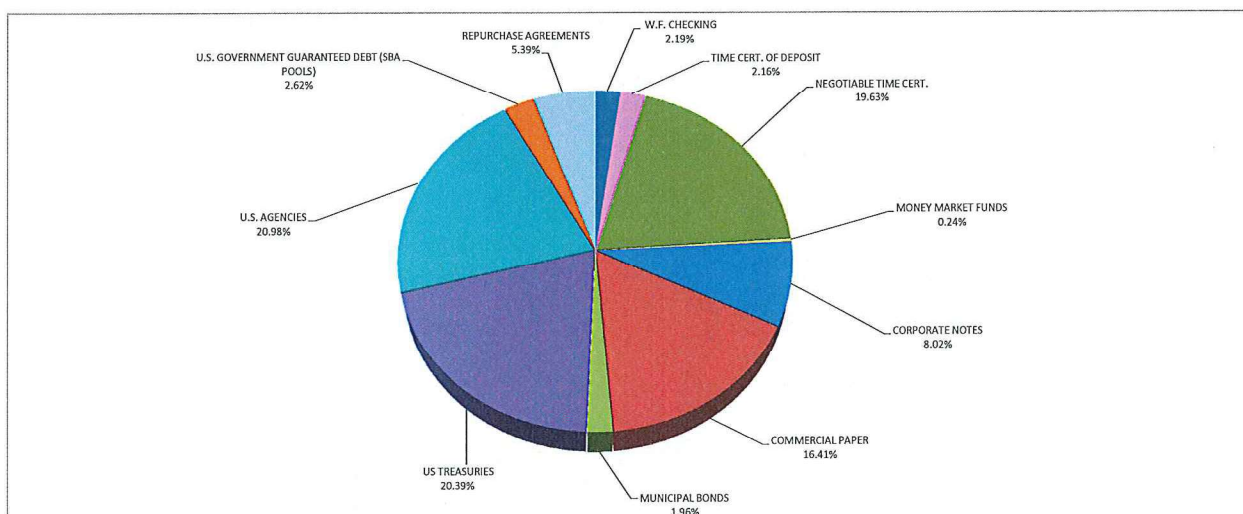


### Performance as of March 31, 2017 (Net of Fees)



**GENERAL PORTFOLIO**  
**Amortized Book Value and Purchased Interest**

	<u>March 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Amortized Book Value</u>			<u>Amortized Book Value</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.	\$ 50,681,251			\$ 100,560,739		
TIME CERTIFICATES OF DEPOSIT	50,000,000			0		
NEGOTIABLE CERTIFICATES OF DEPOSIT	455,004,829			375,509,253		
MONEY MARKET FUNDS	2,639,461	2,463,821	503,883	2,349,690	1,603,429	149,966
ASSET-BACKED SECURITIES	0			0		
MORTGAGE-BACKED SECURITIES	0			0		
CORPORATE NOTES	70,126,916	26,778,581	89,050,838	70,433,189	25,293,926	89,275,037
COMMERCIAL PAPER	380,218,091			419,347,783		
MUNICIPAL BONDS	45,329,733			24,026,378		
U.S. TREASURIES	15,063,836	248,862,072	208,720,854	19,975,128	250,130,770	208,483,861
U.S. AGENCIES	454,763,879	26,542,575	4,999,558	355,432,912	26,886,527	4,999,406
U.S. GOVERNMENT GUARANTEED DEBT	60,741,270			65,261,240		
REPURCHASE AGREEMENTS	125,000,000			0		
TOTAL	\$ 1,709,589,265	\$ 304,647,049	\$ 303,275,133	\$ 1,432,896,313	\$ 303,914,651	\$ 302,908,270
GRAND TOTAL	\$		\$ 2,317,511,447	\$		\$ 2,039,719,234



**YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
TOTAL PORTFOLIO	\$2,317,511,447	\$2,066,176,524



**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><b>Average Daily Balances of Funds</b></u>					
General Fund	140,705,275	489,385,799	477,415,360		369,168,811
All Funds	2,166,844,878	2,257,249,472	2,362,951,352		2,262,348,567
<u><b>Annualized Interest Rate</b></u>					
Cash Basis (see Note 1)	0.7604%	0.6979%	0.7887%		0.7490%
Accrual Basis	0.7094%	0.6495%	0.7417%		0.7002%
<u><b>Interest Distribution for General Fund (Cash Basis)</b></u>					
General Fund Interest Collected	269,878	857,468	931,376		2,058,723
General Fund Interest Revenue - Distributed	269,878	857,468	931,376		2,058,723
Undistributed General Fund Interest Revenue	-	-	-		-
<u><b>Interest Distribution for All Funds (Cash Basis)</b></u>					
All Funds Interest Collected	4,104,544	3,963,396	4,610,083		12,678,024
All Funds Interest Revenue - Distributed	4,104,544	3,963,396	4,610,083		12,678,024

**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 March 31, 2017, 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.

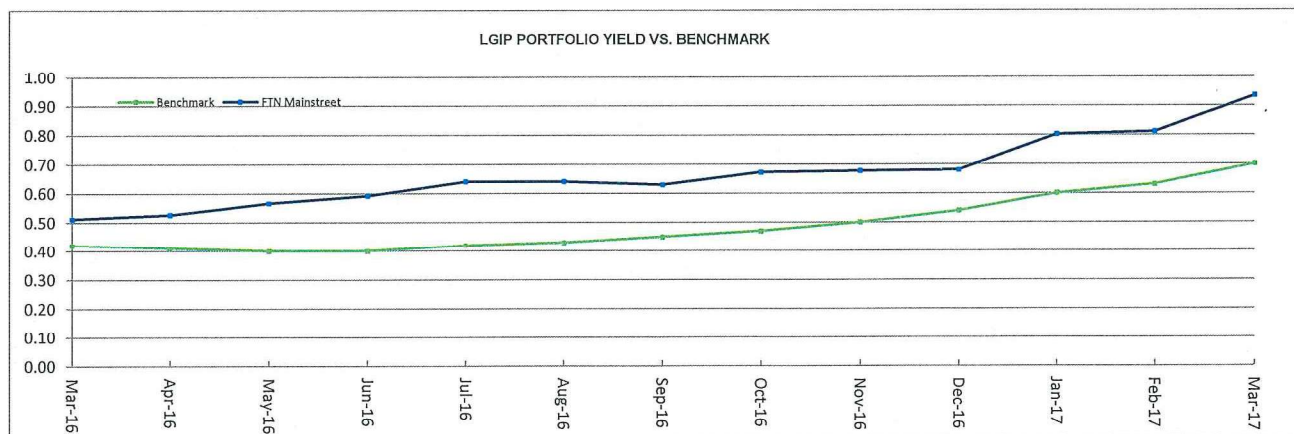
## Investment Guidelines

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

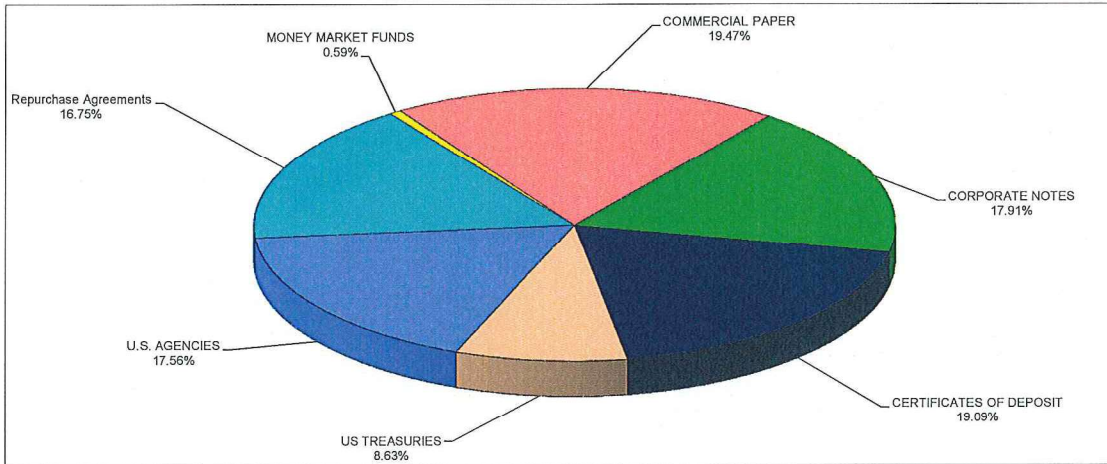
FTN Financial began managing the LGIP portfolio in July 2015. As of March 31 2017, the LGIP's portfolio yield was 0.935%, and the blended benchmark was 0.70%. The average duration of the LGIP portfolio was 122 days.



### 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>March 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 5,793,609		\$ 263,549,046	
COMMERCIAL PAPER	191,739,835		114,940,750	
CORPORATE NOTES	176,054,888	351,365	145,494,665	81,908
CERTIFICATES OF DEPOSIT	188,000,062		138,000,000	
MUNICIPAL BONDS				
U.S. TREASURIES				
NOTES	84,922,278	16,304	74,916,320	37,698
BILLS				
U.S. AGENCIES	172,910,639	361	106,884,006	3,693
ASSET-BACKED SECURITIES	-		687,380	
REPURCHASE AGREEMENTS	165,000,000		-	
TOTAL	\$ 984,421,310	\$ 368,030	\$ 844,472,166	\$ 123,299
GRAND TOTAL	\$ 984,789,340		\$ 844,595,465	



### YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
<b>TOTAL PORTFOLIO</b>	<b>\$984,789,340</b>	<b>\$679,978,783</b>

## APPENDIX

### *Securities Sales Pursuant to General Portfolio Investment Policy Statement (IPS)*

Pursuant to Appendix B, Sale of Portfolio Securities in the General Portfolio IPS, if an individual security does not conform within IPS limitations there must be 'best judgement' guidelines to remedy or correct non-compliance. The IPS requires that once a security has fallen out of regulatory compliance, the State Treasurer documents the process as follows:

- Compliance issues are documented in writing within 24 hours of identification to the Chief Deputy Treasurer.
- The cause of the compromise is evaluated based on the specifics of the security to include par value, collateral value, and maturity date.
- The security is monitored until it matures, re-complies or is sold.
- Upon completion, the information is reported to the State Board of Finance.

The table below details any security sales pursuant to Appendix B, Sale of the Portfolio Securities in the General Portfolio:

Security	CUSIP	Par Value	Collateral Value	Maturity	Disposition	Gain/(Loss)	Percentage of the Portfolio
ABBVIE* Inc.	00287YAK5	\$1,000,000	NA	11/6/18	Sold 5/3/16	\$5,130	0.057%
Sherwin Williams Co.*	824349AP1	\$785,000	NA	12/15/17	Sold 5/10/17	(\$1,272)	0.055%

\*Credit rating of the security was downgraded by one or more nationally recognized rating agencies.