

## Agenda Item #X

For discussion and possible action: on the approval of the State Treasurer's quarterly investment report for the quarter ended December 31, 2023.

### 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 General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

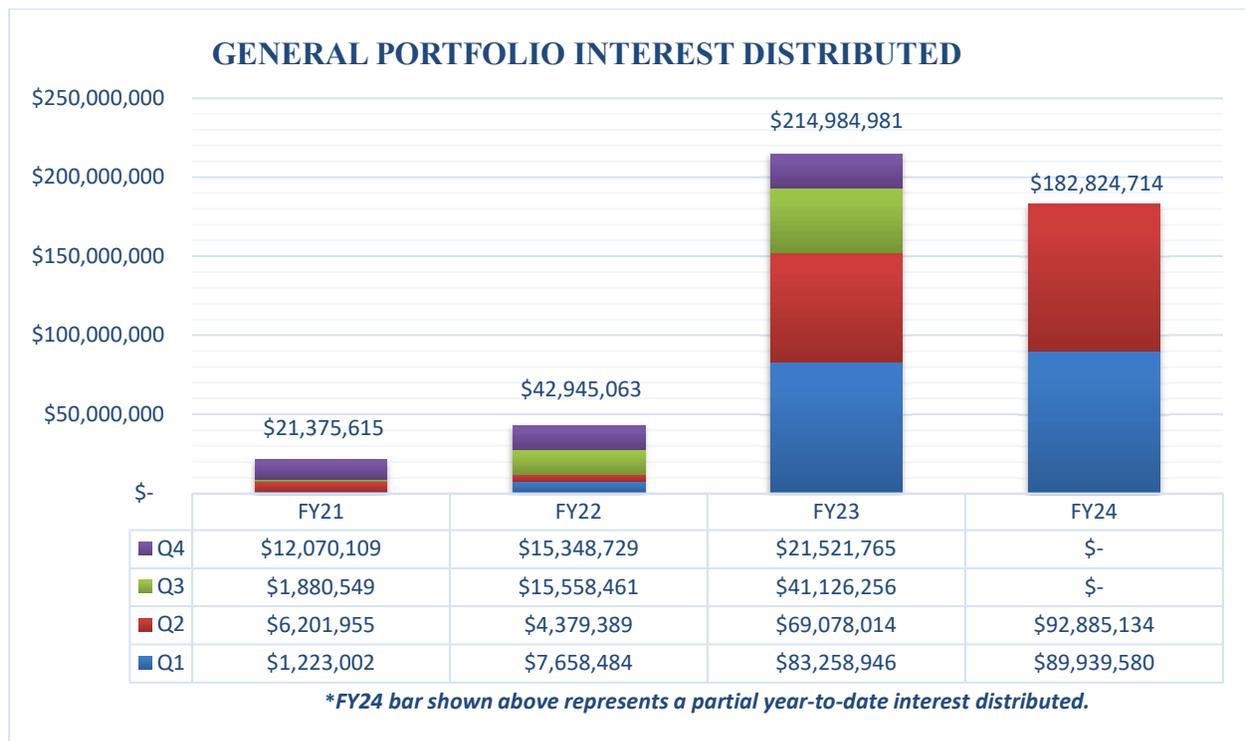
### Investment Guidelines

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, foreign notes, international development notes, asset-backed securities, 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.

### General Fund Interest Distribution Fiscal Year 2021 to Fiscal Year 2024 Year to Date

The chart below provides the historical interest distributed for Fiscal Year 2024 to date and by each prior fiscal year for the General Portfolio. Interest is distributed to statutorily approved funds, such as the State General Fund and statutorily approved budget accounts.



<b>Schedule of General Fund Interest Revenue*</b>			
	<u>Quarter Ended 09/30/2023</u>	<u>Quarter Ended 12/31/2023</u>	<u>Totals</u>
<b><u>Average Daily Balances of Funds</u></b>			
General Fund	\$5,360,686,927	\$6,204,716,928	\$5,782,701,927
All Funds	\$8,882,134,912	9,189,771,887	\$9,035,953,400
<b><u>Annualized Interest Rate</u></b>			
Cash Basis (see Note 1)	4.04%	4.00%	4.0194%
Accrual Basis	4.05%	4.04%	4.0413%
<b><u>Interest Distribution for General Fund (Cash Basis)</u></b>			
General Fund Interest Collected	\$54,262,379	\$62,688,063	\$116,950,441
General Fund Interest Revenue – Distributed	\$54,262,015	\$62,686,295	\$116,948,309
<b><u>Interest Distribution for All Funds (Cash Basis)</u></b>			
All Funds Interest Collected	\$89,939,580	\$92,885,134	\$182,824,714
All Funds Interest Revenue - Distributed	\$89,939,580	\$92,885,134	\$182,824,714

*\*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.*

## General Portfolio

As of December 31, 2023, the AUM for the General Portfolio was \$9.441 billion (book value) with 81.79% managed internally and 18.21% managed by outside managers. Please see the charts on pages 5 and 6 for more information on each manager.

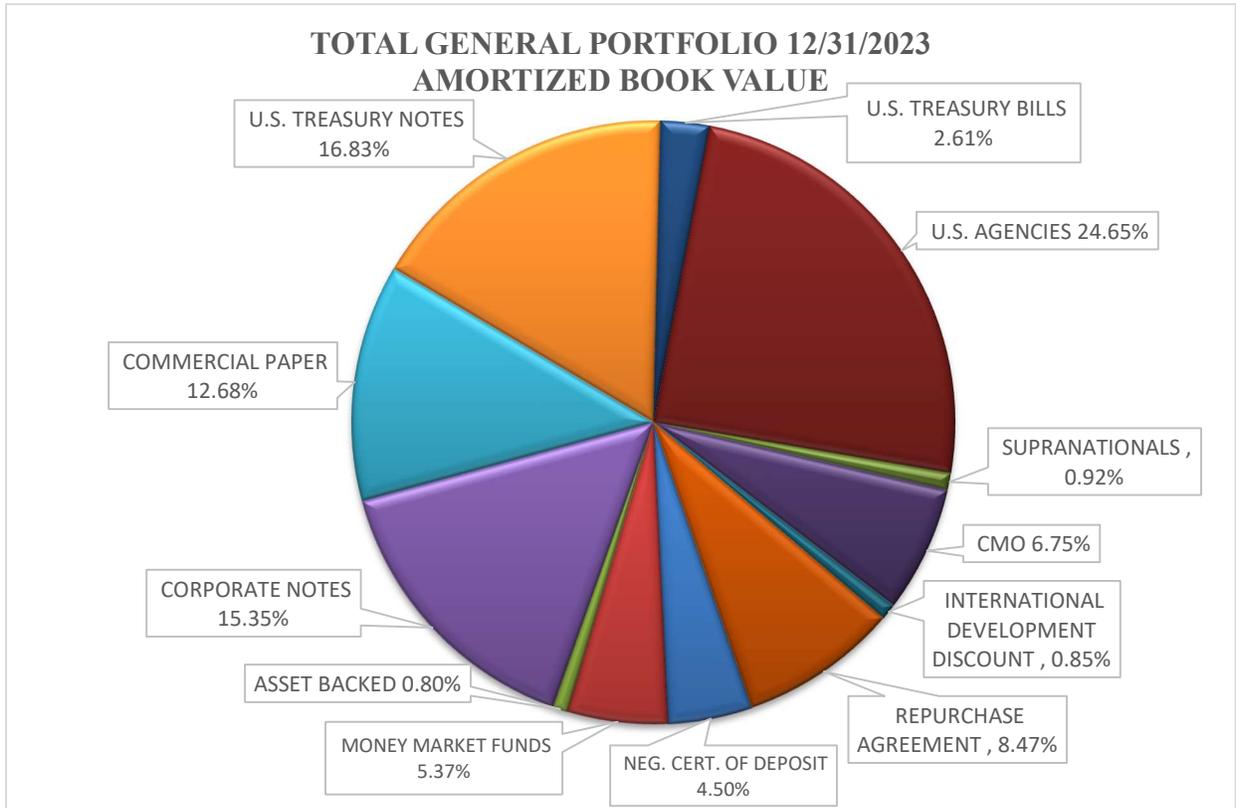
The overall yield to maturity (YTM) as of December 31, 2023, was 4.47% for the General Portfolio. Below is the YTM breakdown by portfolio:

- Internally managed portfolios were 4.77%.
- Buckhead Capital Management portfolio was 3.66%.
- Western Asset Management portfolio was 2.84%.

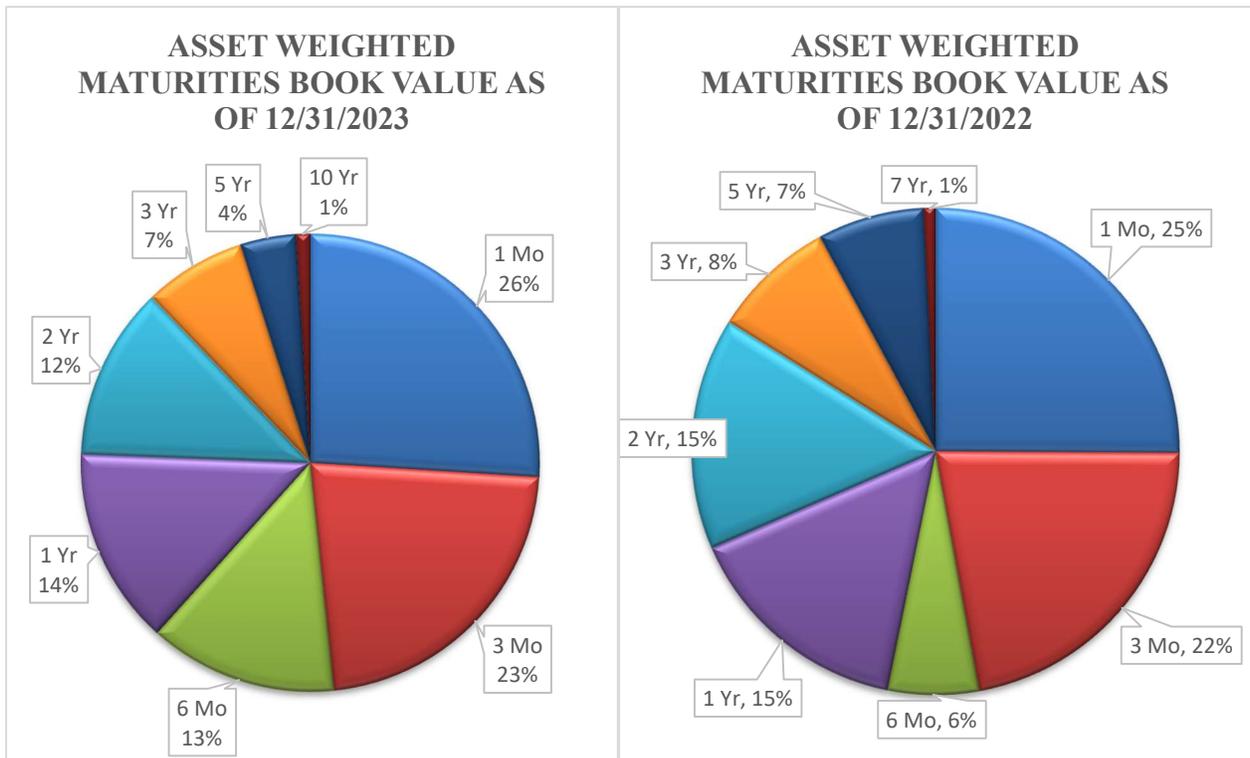
## In-House Performance

As of December 31, 2023, the yield on the in-house portion of the General Portfolio was 4.77%. A three-month rolling average of this benchmark for this period was 5.38% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 364 days.

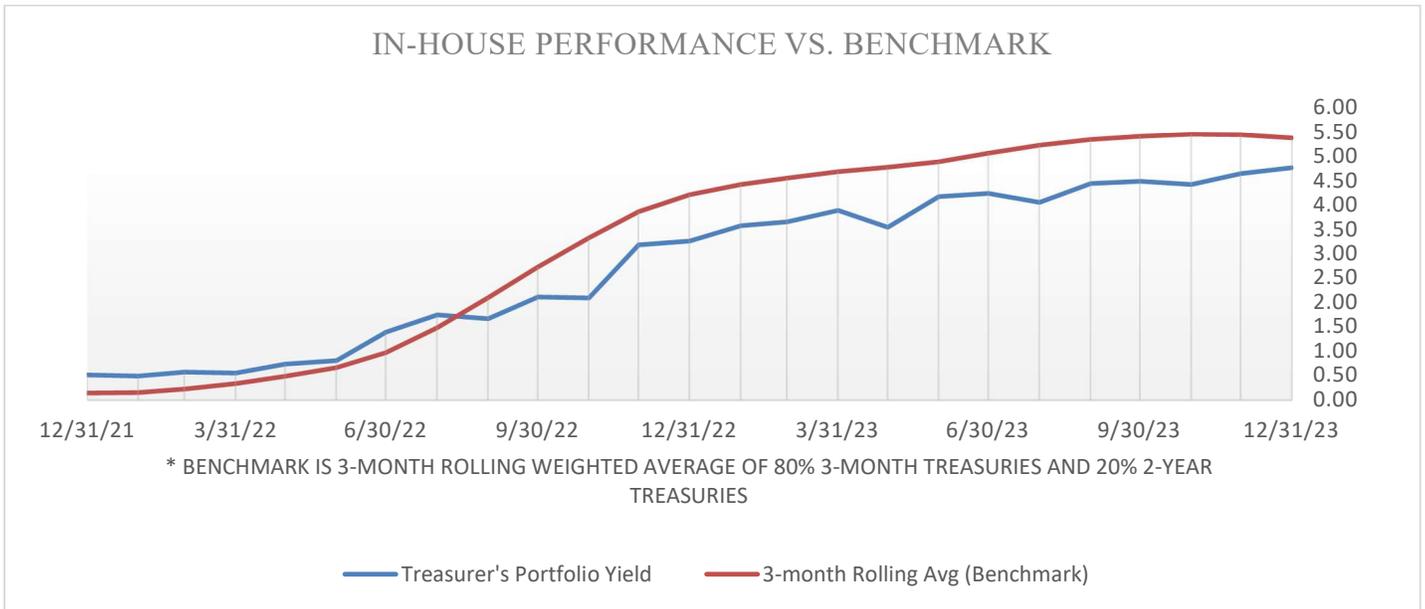
	<b>GENERAL PORTFOLIO</b>					
	<b>Amortized Book Value</b>					
	<b>December 31, 2023</b>				<b>September 30, 2023</b>	
	<b>Treasurer In-House</b>	<b>Buckhead Capital Management</b>	<b>Western Asset Management</b>	<b>Total Portfolio</b>		<b>Total Portfolio</b>
TIME CERTIFICATES OF DEPOSIT	\$-	\$-	\$-	\$-		\$-
NEGOTIABLE CD'S	425,000,000	-	-	425,000,000		400,000,000
MONEY MARKET FUNDS	494,328,275	6,675,906	5,736,720	506,740,901		204,447,368
ASSET-BACKED SECURITIES	-	75,515,026	-	75,515,026		88,828,057
MORTGAGE-BACKED SECURITIES	-	-	-	-		-
CORPORATE NOTES	734,319,328	-	714,884,090	1,449,203,418		1,429,166,092
COMMERCIAL PAPER	1,197,640,400	-	-	1,197,640,400		1,091,500,778
MUNICIPAL BONDS	-	-	-	-		-
U.S. TREASURY NOTES	1,552,210,600	-	36,405,440	1,588,616,040		1,531,552,062
U.S. TREASURY BILLS	246,181,155	-	-	246,181,155		643,554,273
U.S. AGENCIES	2,089,407,326	237,933,790	-	2,327,341,116		2,047,795,204
U.S. GOVT GUARANTEED DEBT	-	-	-	-		-
SUPRANATIONALS	87,010,217	-	-	87,010,217		87,012,081
CMO'S	165,747	637,549,028	-	637,714,775		639,329,770
INTERNATIONAL DEV DISCOUNT	74,677,479	-	5,812,679	80,490,158		30,708,278
FOREIGN NOTES	20,000,000	-	-	20,000,000		10,000,000
REPURCHASE AGREEMENTS	800,000,000	-	-	800,000,000		600,000,000
<b>TOTAL</b>	<b>\$7,720,940,527</b>	<b>\$957,673,750</b>	<b>\$762,838,930</b>	<b>\$9,441,453,207</b>		<b>\$8,803,893,962</b>



Below is a graphical representation of the asset weighted maturities in the General Portfolio as of December 31, 2023, versus one-year prior.



The chart below shows the internally managed portfolio performance against the custom benchmark for the past nine quarters.

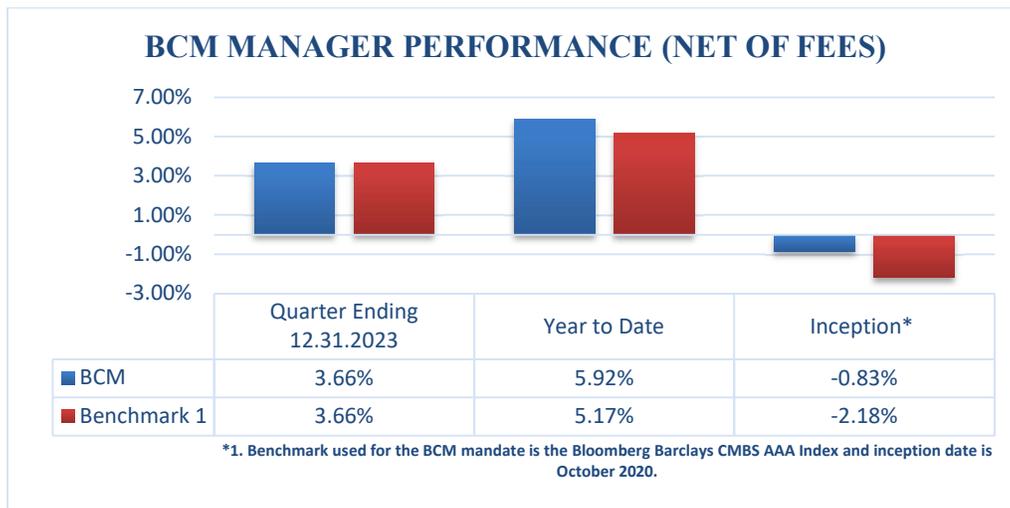


## Outside Manager Performance

The annualized performance since inception for period ending December 31, 2023, for Buckhead Capital Management (BCM) is -0.83%\* and for Western Asset Management (WAM) is -1.26%\*. BCM has been contracted to provide investment management services for securitized assets in the State General Portfolio. BCM has been assigned the Bloomberg Barclays CMBS AAA Index benchmark. WAM has been contracted to provide investment management services for corporate assets in the State General Portfolio. WAM has been assigned the ICE BofA 3-5 Year AA US Corporate & Yankee Index benchmark. \*BCM inception date was October 2020 and WAM was November 2020. No new funding occurred in these two accounts during the previous quarter.

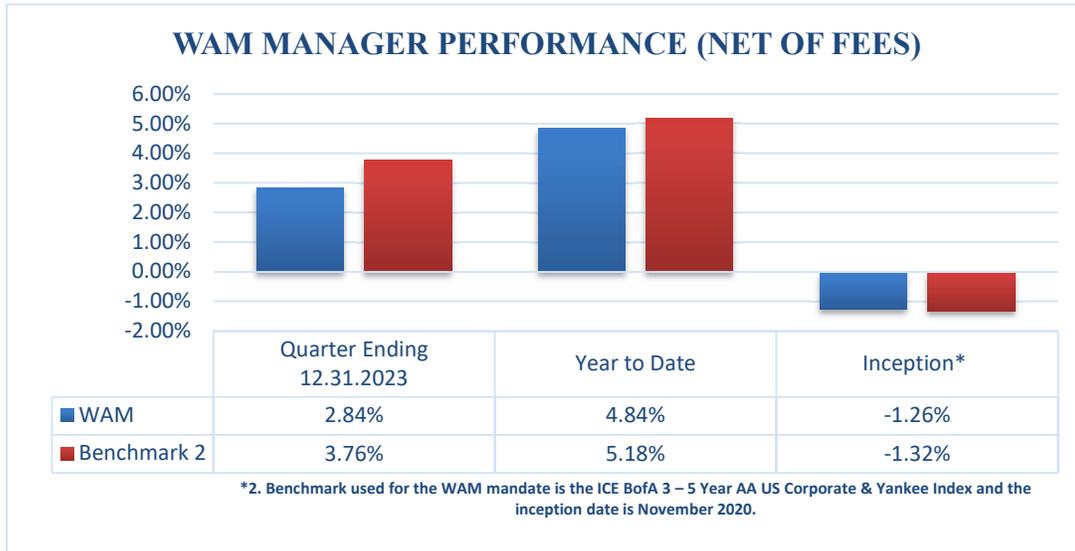
## General Portfolio Outside Managers' Performance as of 12/31/2023

Buckhead Capital Management (BCM) began managing \$150 million in September 2020, \$130 million was distributed in June 2021, \$220 million distributed in September 2021, \$200 million in December 2021 and \$240 million was distributed in March 2022, for a total of \$940 million in total distributions.



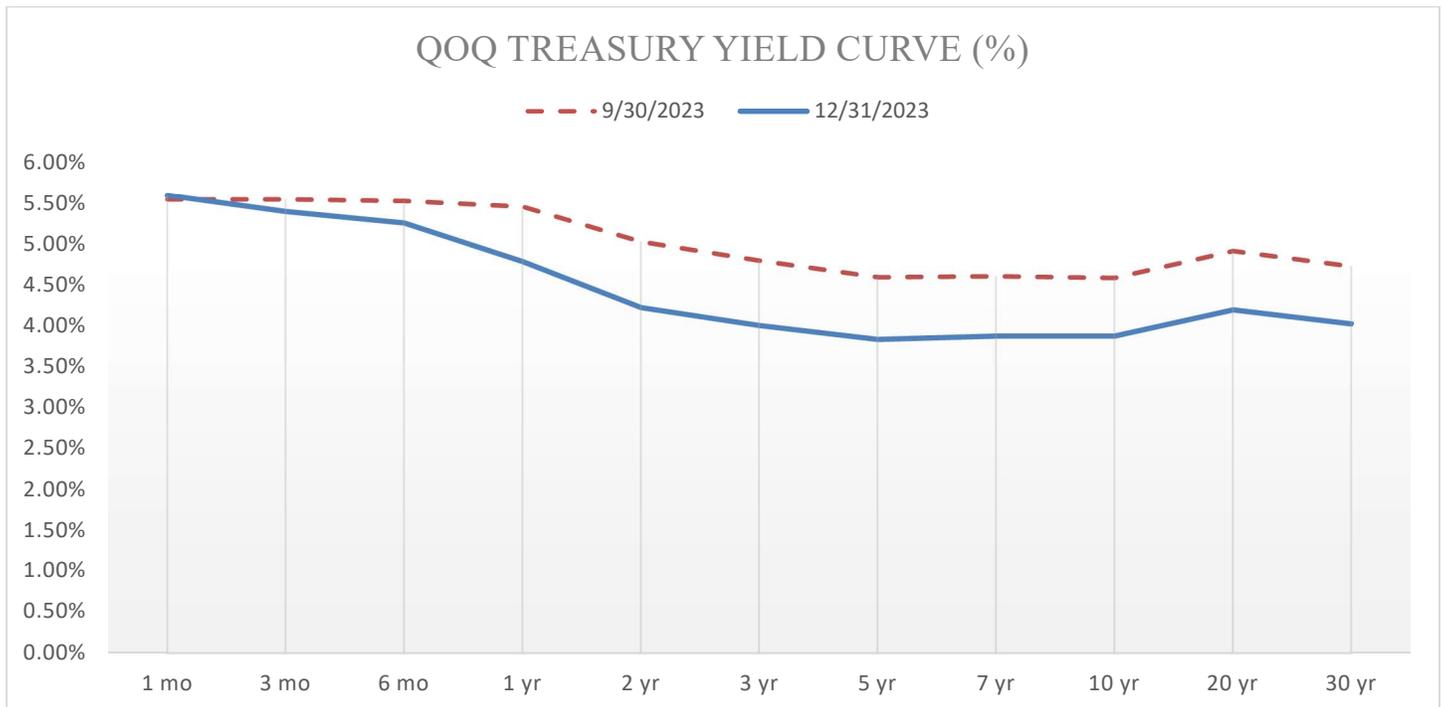
## General Portfolio Outside Managers' Performance as of 12/31/2023

Western Asset Management (WAM) began managing \$80 million in General Portfolio Assets on November 16, 2020, \$70 million was distributed in June 2021, \$200 million was distributed in September 2021, and \$400 million was distributed in March 2022. In May 2022, \$10 million was pulled back, while in March 2023 another \$10 million was distributed for a total of \$750 million in assets distributed.

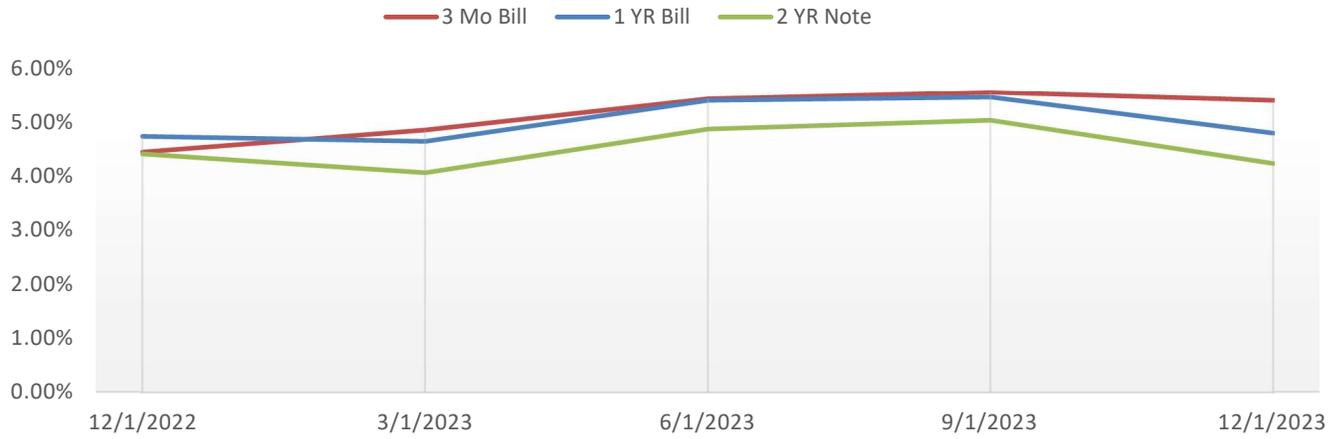


## Fixed Income Market Highlights as of December 31, 2023

The Fed continued to hold rates steady over the quarter, as the last Fed Fund rates increase occurred in July. The Fed Funds Rate closed the December 2023 quarter in the range of 5.25% to 5.50%.



## US TREASURY YIELDS OVER TIME



	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
3 Mo Bill	4.44%	4.85%	5.43%	5.55%	5.40%
1 YR Bill	4.73%	4.64%	5.40%	5.46%	4.79%
2 YR Note	4.41%	4.06%	4.87%	5.03%	4.23%

## Local Government Investment Pool (LGIP)

As of December 31, 2023, the total assets under management (AUM) were \$1.818 billion. The yield to maturity as of December 31, 2023, was 5.32% which is 02 basis points above the benchmark yield of 5.3%.

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, 2023, there were 100 members of the LGIP, which includes cities, counties, school districts, and various special districts.

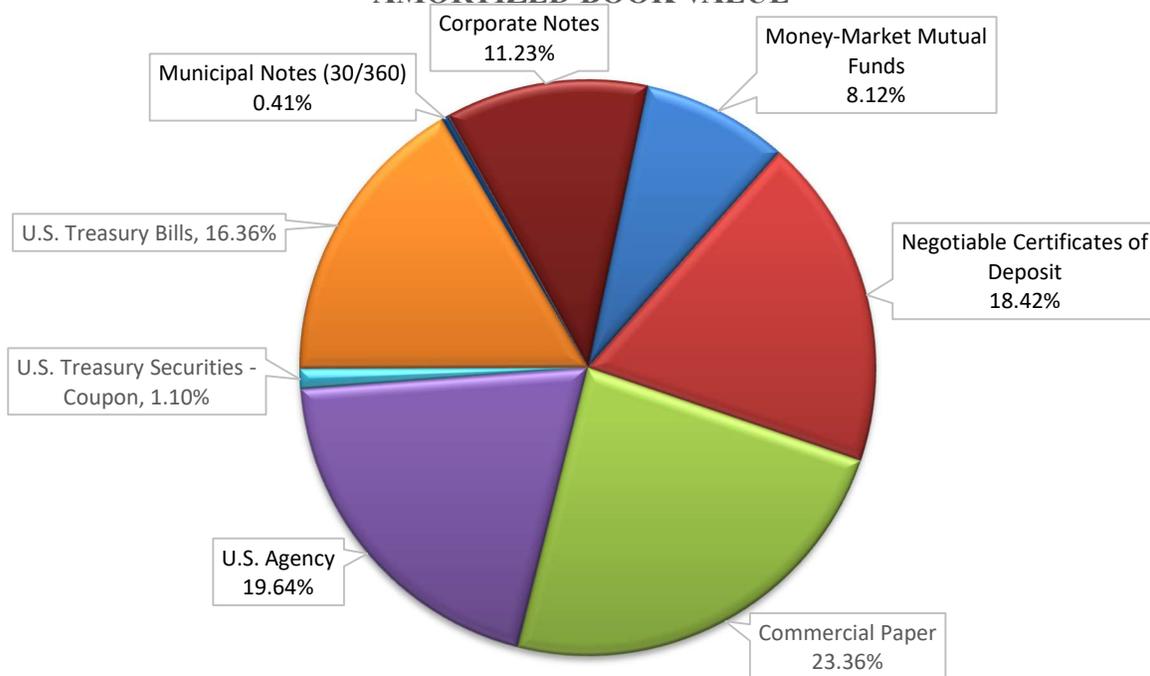
The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio. Local Government Investment Pool (LGIP).

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, foreign notes, international development notes, 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 8.1% of the fund matures daily, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals.

Additionally, approximately 62% 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. As of December 31, 2023, the total assets under management (AUM) were \$1.818 billion. The yield to maturity as of December 31, 2023, was 5.32% which is 02 basis points above the benchmark yield of 5.3%.

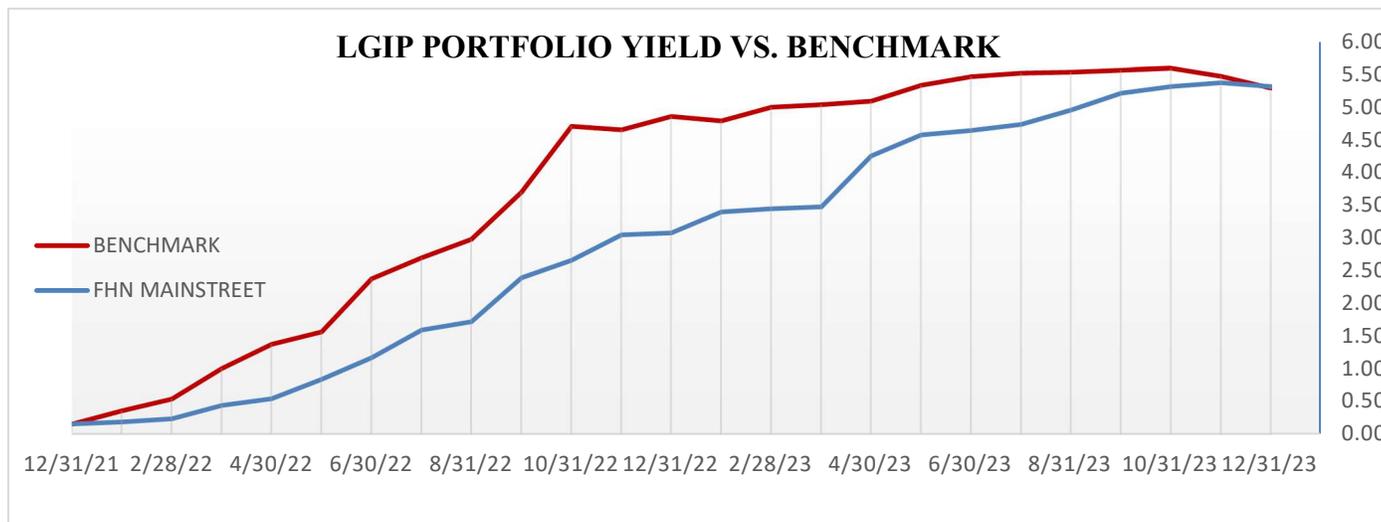
<b>LGIP PORTFOLIO</b>					
<b>Amortized Book Value</b>					
	<b>December 31, 2023</b>		<b>September 30, 2023</b>		
	<b>Amortized Book</b>	<b>Purchased Interest</b>	<b>Amortized Book</b>	<b>Purchased Interest</b>	
MONEY MARKET FUNDS	\$147,671,619	\$-	\$125,112,396	\$-	
CERTIFICATES OF DEPOSIT	335,000,000	-	250,000,000	-	
COMMERCIAL PAPER	424,770,174	-	454,918,136	-	
U.S. AGENCIES	357,134,591	-	356,909,740	-	
U.S. TREAS SECURITIES - COUPON	19,977,088	-	44,932,014	-	
TREASURY BILLS	297,476,548	-	508,257,592	-	
MUNICIPAL NOTES (30/360)	7,500,000	-	-	-	
CORPORATE NOTES	204,227,267	-	120,351,788	-	
SUPRANATIONALS	24,780,417	-	-	-	
<b>TOTAL</b>	<b>\$1,818,537,703</b>	<b>-</b>	<b>\$1,860,481,666</b>	<b>-</b>	

### LGIP PORTFOLIO 12/31/2023 AMORTIZED BOOK VALUE



### Performance

FHN Financial began managing the LGIP portfolio in July 2015. As of December 31, 2023, the LGIP's portfolio book yield was 5.32%, and the blended benchmark was 5.30%. The average days to maturity of the LGIP portfolio was 116 days.



\* Benchmark is 3-month rolling weighted average of 55% Dealer Commercial Paper 150-Day Index, 30% Agency Note 180 Day Index, and 15% Dreyfus Institutional Preferred Government Money Markey Fund.

\*\*Benchmark was updated July 2020. This graph represents that change.

### 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.