
New Mexico State Treasurer's Office

Presentation to Investments and Pensions Oversight Committee

August 15, 2022



STO Investment Team Members



- Tim Eichenberg, State Treasurer
- Sam Collins, Deputy State Treasurer
- Vikki Hanges, Chief Investment Officer
- Anna Murphy, Senior Portfolio Manager



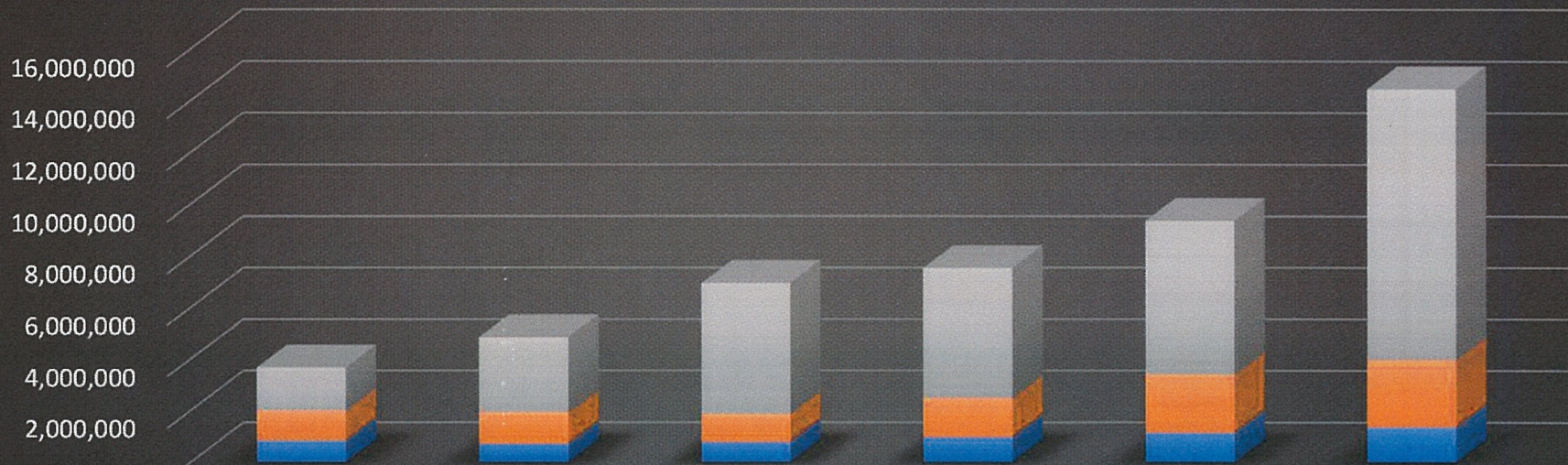
What STO Does

- Active Investment Management
 - **Over \$14 billion in total assets managed**
 - General Fund Investment Pool
 - NM Local Government Investment Pool (LGIP)
 - Bond Proceeds Investment Pools (BPIPs)
 - Severance Tax Bonding Fund (STBF)
 - Repurchase Pool
- Paying Agent for Outstanding Bond Issues
- Collateral Manager



STO's Investment Pools Total Over \$14 Billion

State Treasurer's Office
Total Assets
\$(000)



	FY17	FY18	FY19	FY20	FY21	FY22
■ SGFIP	1,685,309	2,929,770	5,089,794	5,049,766	5,967,305	10,504,652
■ BPIP	1,140,910	1,195,328	1,065,370	1,509,986	2,245,322	2,601,919
■ LGIP	858,307	729,232	801,343	985,027	1,163,119	1,375,528

STO's Investment Objectives



- Safety, Safety, Safety
- Liquidity
- Yield

**Investments are primarily high-quality, short-duration,
U.S. Government and Agency bonds
that minimize credit and interest rate risk**



Allowable Investments

Conservative vs. NM Statutes

- **Maximum maturity of five years**
 - US Treasuries
 - US Government Agencies
 - Corporate bonds rated AA or better
- **Maximum maturity of three years**
 - Corporate bonds rated A or better
 - Municipal bonds rated A or better
- **Cash Equivalents**
 - Repurchase agreements with approved counterparties
 - NM collateralized bank deposits
 - Commercial paper rated at least A1/P1 or F1
 - Municipal variable rate demand notes rated A or better



Investment Management Oversight

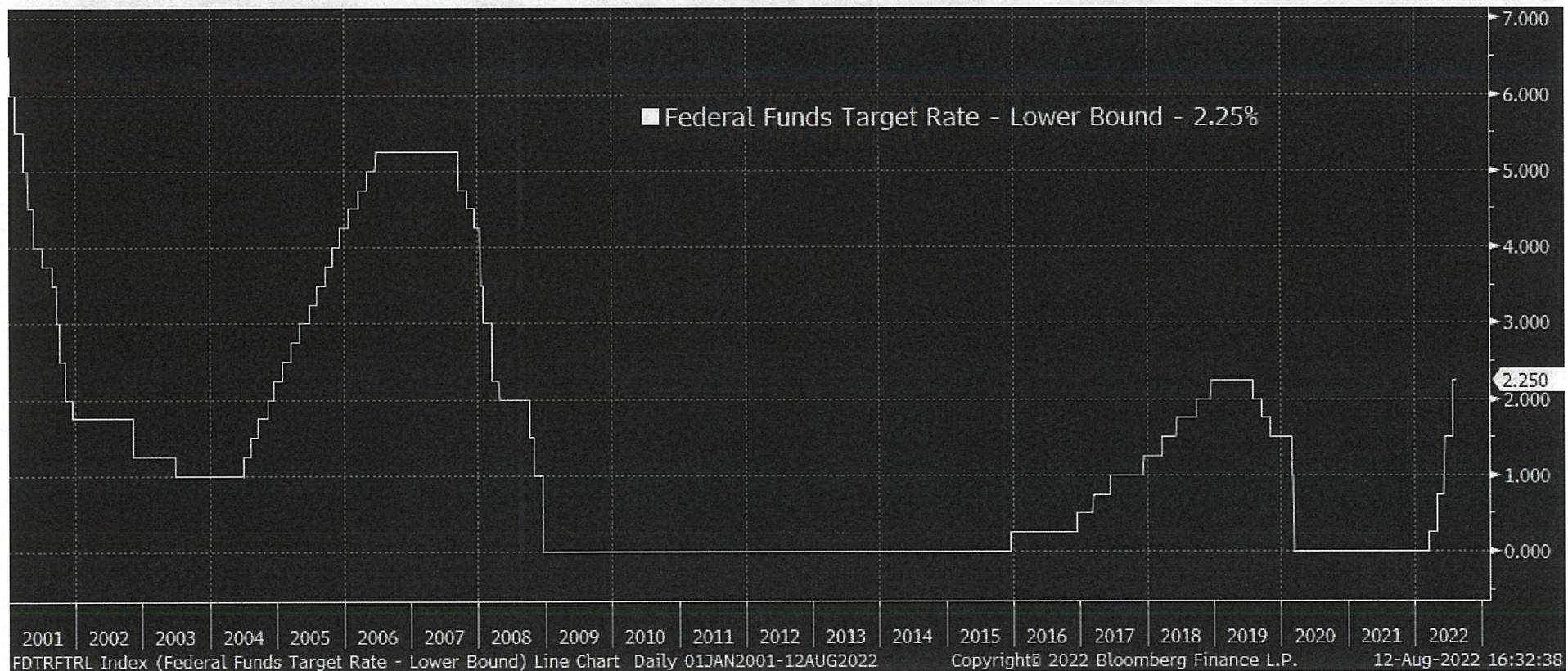
- State Treasurer's Investment Committee (STIC)
- NM Board of Finance Monthly Reporting
- Retain RIA—Government Portfolio Advisors (GPA)
- LGIP rated by S&P
- Credit Committee
 - Approved List of Issuers and Counterparties
- Broker/Dealer approval process



Market Overview

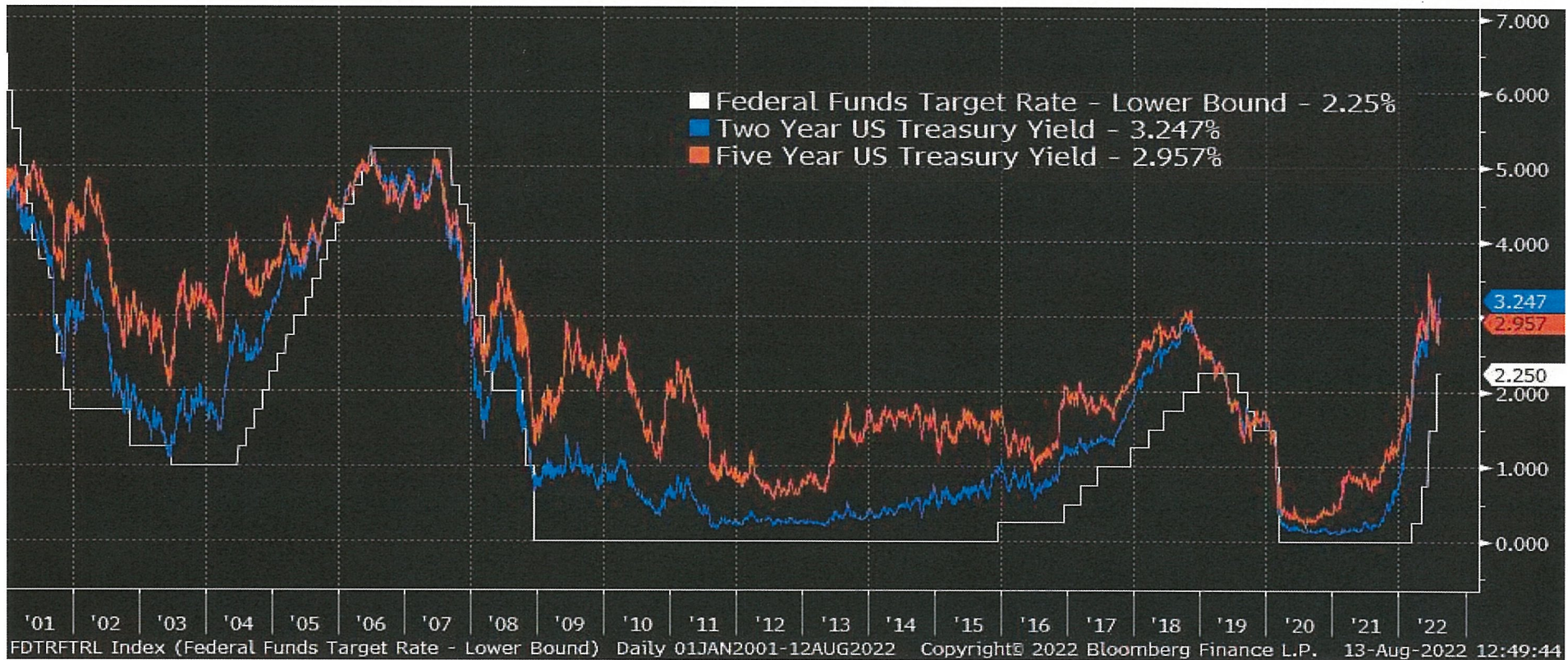
- **Current Fed Funds rate 2.25% - 2.50%**
 - Fed has increased short-term interest rates from 0.00% - 0.25% in 2022
 - Expect further policy tightening in 2022 to get inflation under control
- **Fed inflation target is 2% average over time**
 - Core PCE Deflator, Fed's preferred measurement, is 4.8%
 - High of 5.4% reached in February 2022, turning the corner?
- **Have we reached full employment?**
 - Unemployment rate is now 3.5%, from 14.8% high during the pandemic
 - Nonfarm payroll employment very strong, last reported 528,000 jobs created in July, well above expectations
- **GDP Negative for 2022**
 - 1Q22 -1.6%
 - 2Q22 -0.9%

Federal Funds Target Rate Range = 2.25% - 2.50% Where Do We Go From Here?



Higher Interest Rates = Lower Bond Prices

Federal Funds Target Rate vs. US Treasury Two- and Five-Year Yields





Comparative US Treasury Yield Curves

Yields/Prices Are Volatile During Fed Policy Tightening



Unrealized Gain/Loss

If You Don't Sell There is No Realized Loss

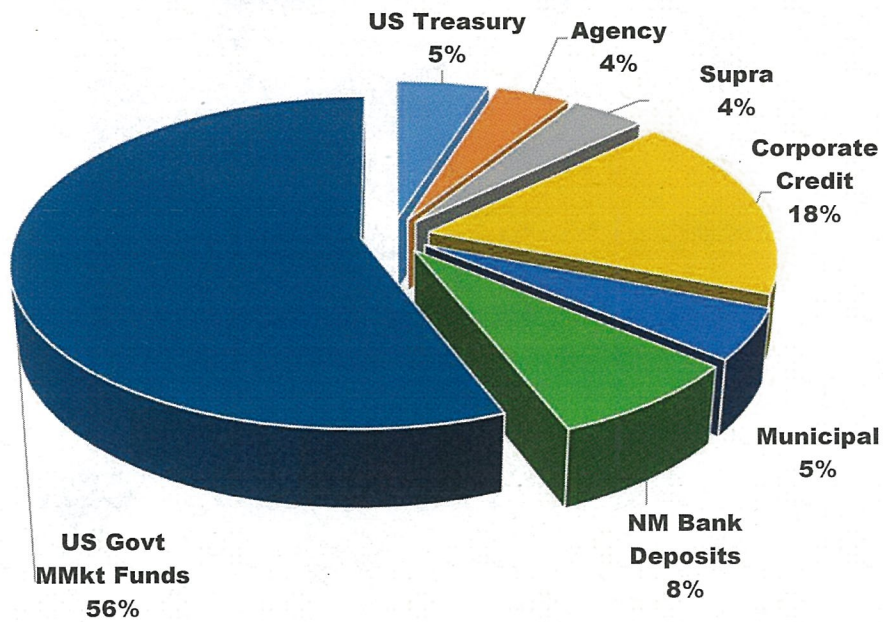


	8/12/2022	7/31/2022	12/31/2021
New Issue Two Year US Treasury Yield	3.24%	2.88%	0.73%
Price at Issue	\$ 100.00	\$ 100.00	\$ 100.00
Total Proceeds at Issue	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Price on 8/12/22	\$ 100.00	\$ 99.33	\$ 95.89
Market Value on 8/12/22	\$ 1,000,000	\$ 993,326	\$ 958,883
Unrealized Gain/Loss	\$ -	\$ (6,674)	\$ (41,117)
\$5 Billion Portfolio	\$ -	\$ (33,368,161)	\$ (205,586,335)
Principal Received At Maturity	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Unrealized Gain/Loss at Maturity	\$ -	\$ -	\$ -
Income Received	\$ 64,800	\$ 57,600	\$ 14,600
Total Cash Flows Received	\$ 1,064,800	\$ 1,057,600	\$ 1,014,600

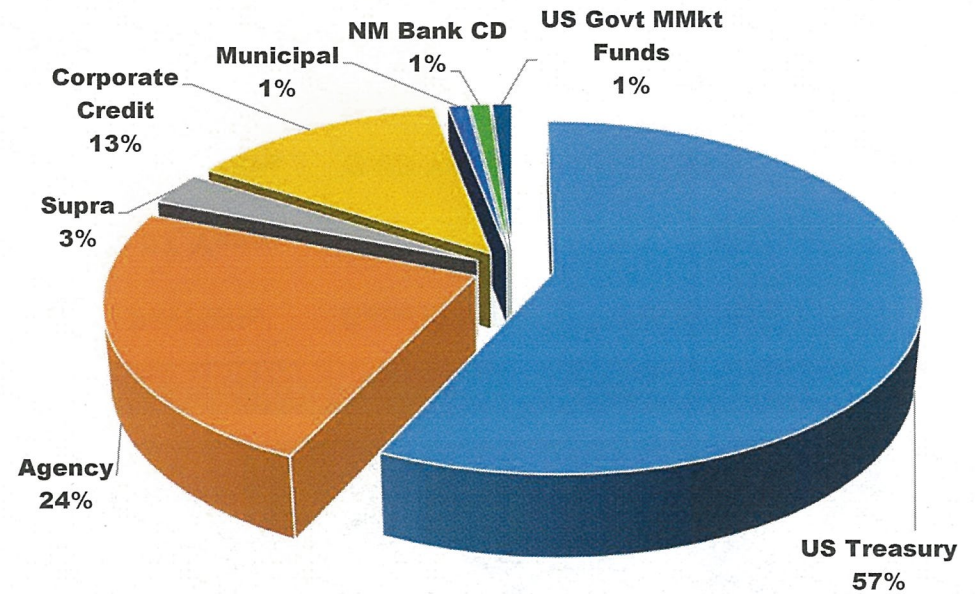
General Fund Portfolio Sectors



General Fund Liquidity



General Fund Core



STO Portfolio Characteristics

For Period Ended June 30, 2022



Fund	Purchase Yield	Effective Duration		Percentage
		Portfolio	Benchmark	
General Fund Liquidity	1.39%	0.07 Years		
General Fund CORE	1.92%	1.85 Years	2.03 Years	91%
Bond Proceeds—Tax-Exempt	1.32%	0.73 Years	0.94 Years	78%
Bond Proceeds—Taxable	1.22%	1.19 Years	1.34 Years	89%
Local Government Investment Pool	0.95%	0.15 Years		
Severance Tax Bonding Fund	1.42%	0.01 Years		

^[1] Effective Duration. Portfolio durations are calculated as of a moment in time, specifically at month end. Source: JP Morgan.

^[2] Portfolio Purchase Yields are calculated at a moment in time, specifically at month end, reflecting the weighted average yield of all portfolio holdings at purchase.

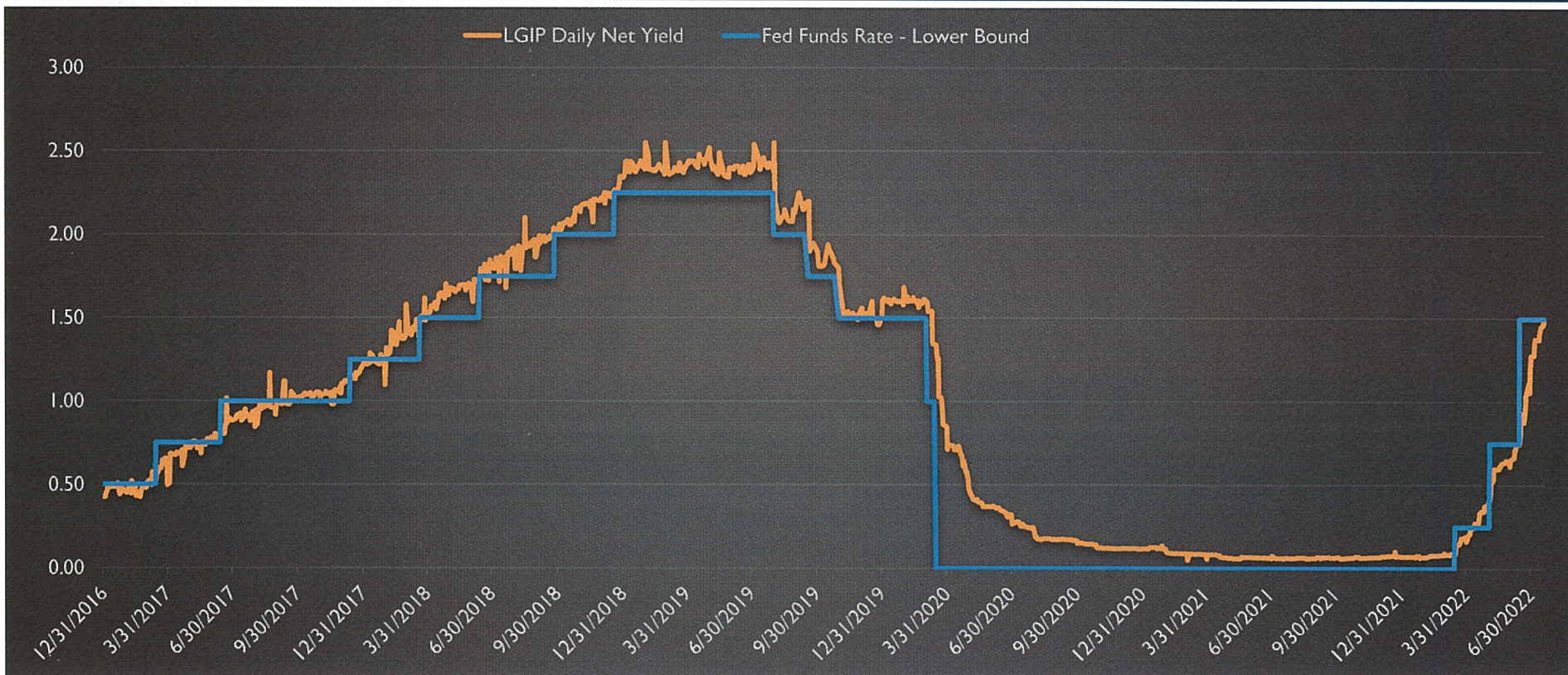
STO Fund Performance

Period Ended 6/30/22



	1 Mo	3 Mo	YTD	1Y	2Y	3Y	5Y
General Fund							
Liquidity	0.06%	0.15%	0.18%	0.23%	0.21%	0.65%	1.11%
ICE 1-Month US Treasury Bill Index	0.06%	0.10%	0.11%	0.13%	0.10%	0.56%	1.00%
Core	-0.45%	-0.53%	-2.77%	-3.23%	-1.57%	0.42%	1.13%
ICE 0 to 5 Year US Treasury Index	-0.49%	-0.65%	-3.16%	-3.68%	-1.95%	0.19%	0.98%
Bond Proceeds Pools							
Tax Exempt	-0.30%	-0.17%	-1.03%	-1.18%	-0.50%	0.46%	1.05%
ICE 0 to 2 Year US Treasury Index	-0.42%	-0.30%	-1.32%	-1.50%	-0.67%	0.50%	1.09%
Taxable	-0.39%	-0.28%	-1.75%	-2.01%	-0.91%	0.46%	1.11%
ICE 0 to 3 Year US Treasury Index	-0.45%	-0.37%	-2.06%	-2.39%	-1.15%	0.37%	1.02%
Local Gov't Investment Pool							
LGIP	0.06%	0.13%	0.15%	0.20%	0.18%	0.64%	1.11%
S&P LGIP Gross of Fees	0.08%	0.16%	0.19%	0.22%	0.18%	0.66%	1.13%
Severance Tax Bonding Fund							
STBF	0.07%	0.16%	0.19%	0.23%	0.19%	0.68%	1.20%
S&P LGIP Gross of Fees	0.08%	0.16%	0.19%	0.22%	0.18%	0.66%	1.13%

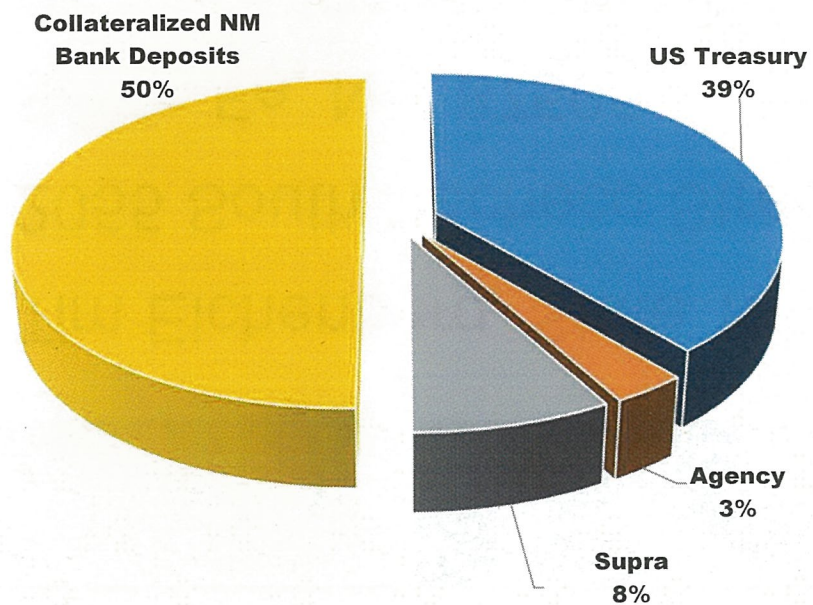
LGIP Yield Tracks Federal Funds Rate



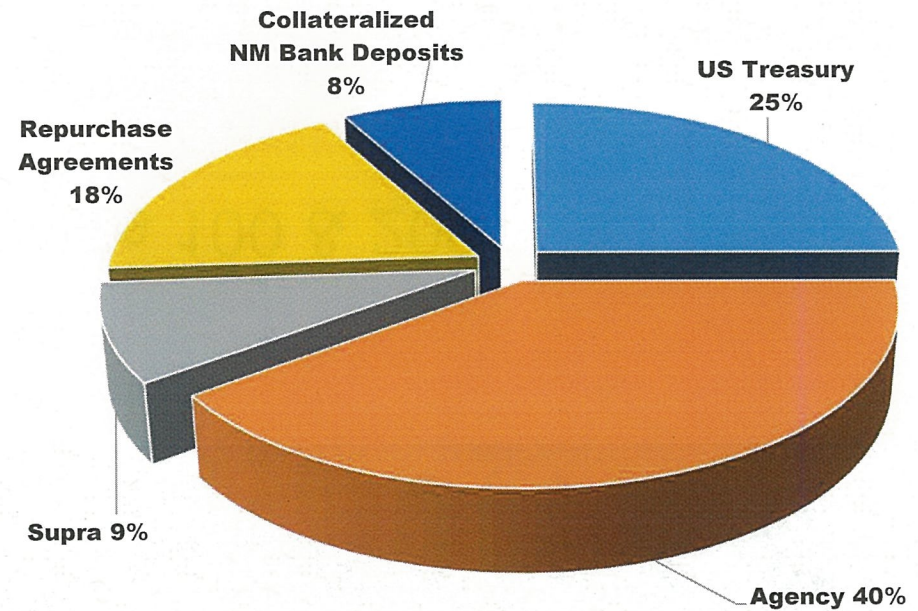
Local Government Investment Pool Portfolio Sectors



As of December 31st, 2021



As of June 30th, 2022





Contact Information

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