



NEW MEXICO STATE TREASURER'S OFFICE

INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE

OCTOBER 1, 2024



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Laura M. Montoya
State Treasurer



Janice Y. Barela
Deputy State Treasurer



Vikki Hanges
Chief Investment Officer

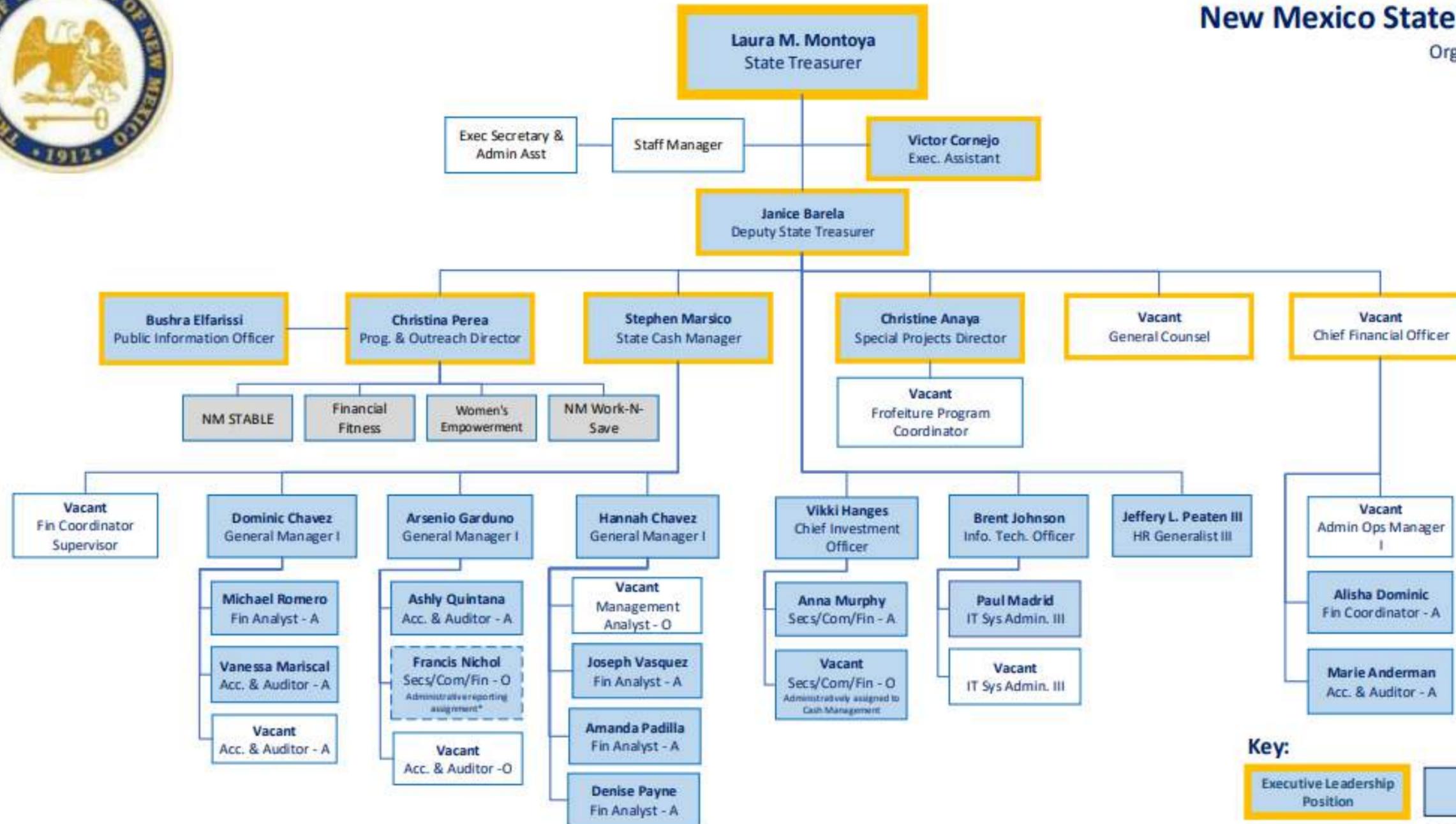


Anna Murphy
Senior Portfolio Manager

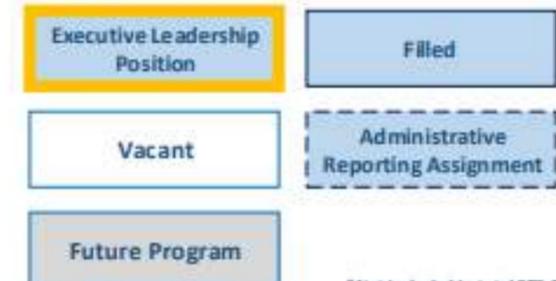




The Honorable Laura M. Montoya
New Mexico State Treasurer
 Organizational Chart



Key:



As of September 3, 2024
 Total FTE: 35
 Vacant Positions: 11

*Not included in total FTE Count



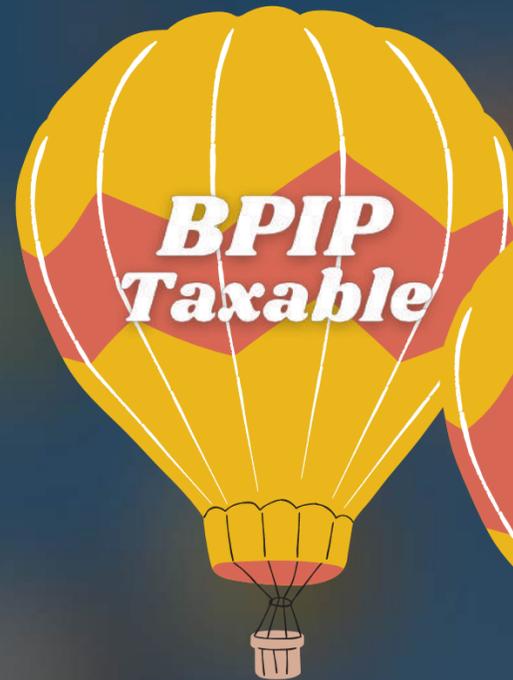
BOARDS, COUNCILS & COMMISSIONS



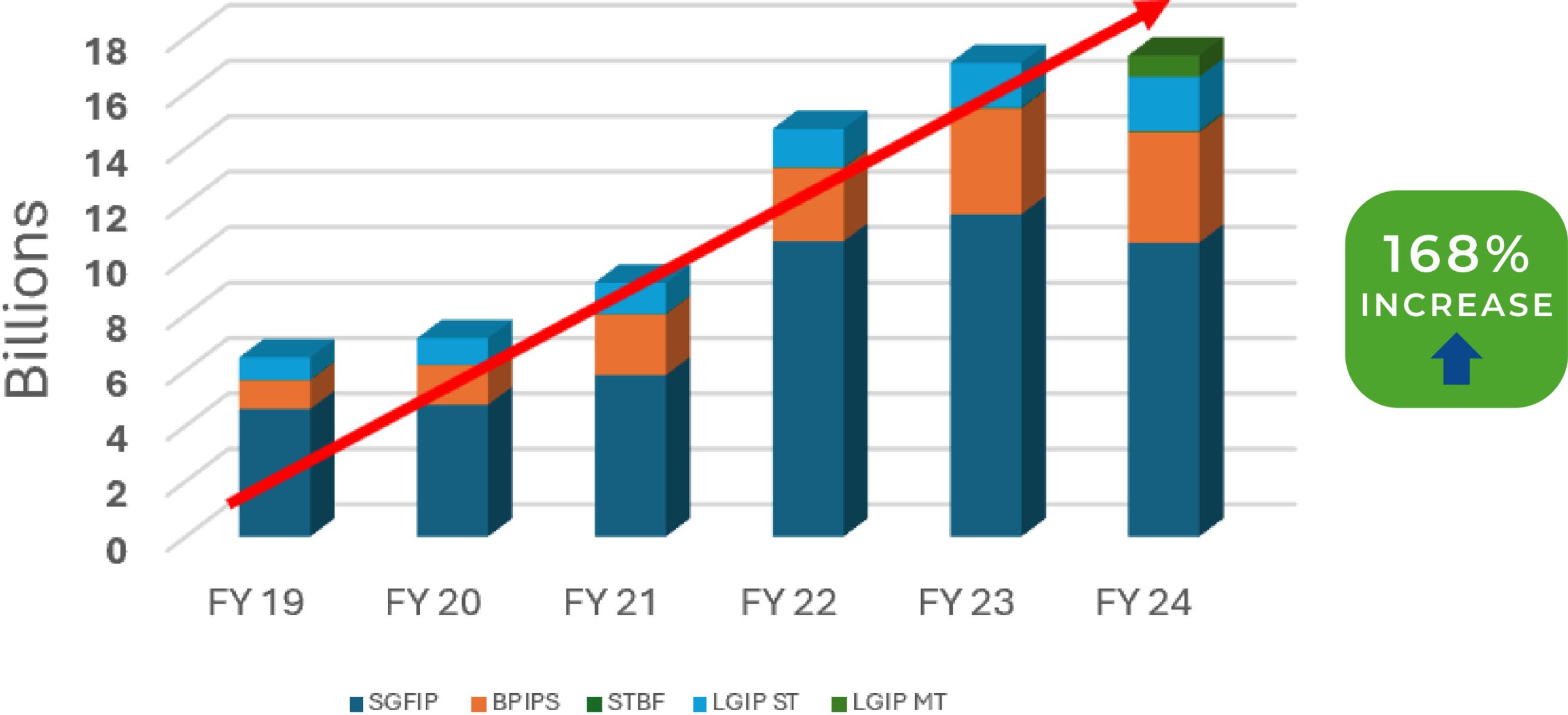
WHAT THE STATE TREASURER'S OFFICE MANAGES

- Active Investment Management
 - **Over \$17 billion in total assets managed**
 - General Fund CORE
 - General Fund Liquidity
 - Bond Proceeds - Taxable
 - Bond Proceeds - Tax-Exempt
 - Severance Tax Bonding Fund
 - Local Government - Short Term
 - Local Government - Medium Term
- Technology Notes
- General Obligation Bonds
- Paying Agent for Outstanding Bond Issues
- Collateral Management

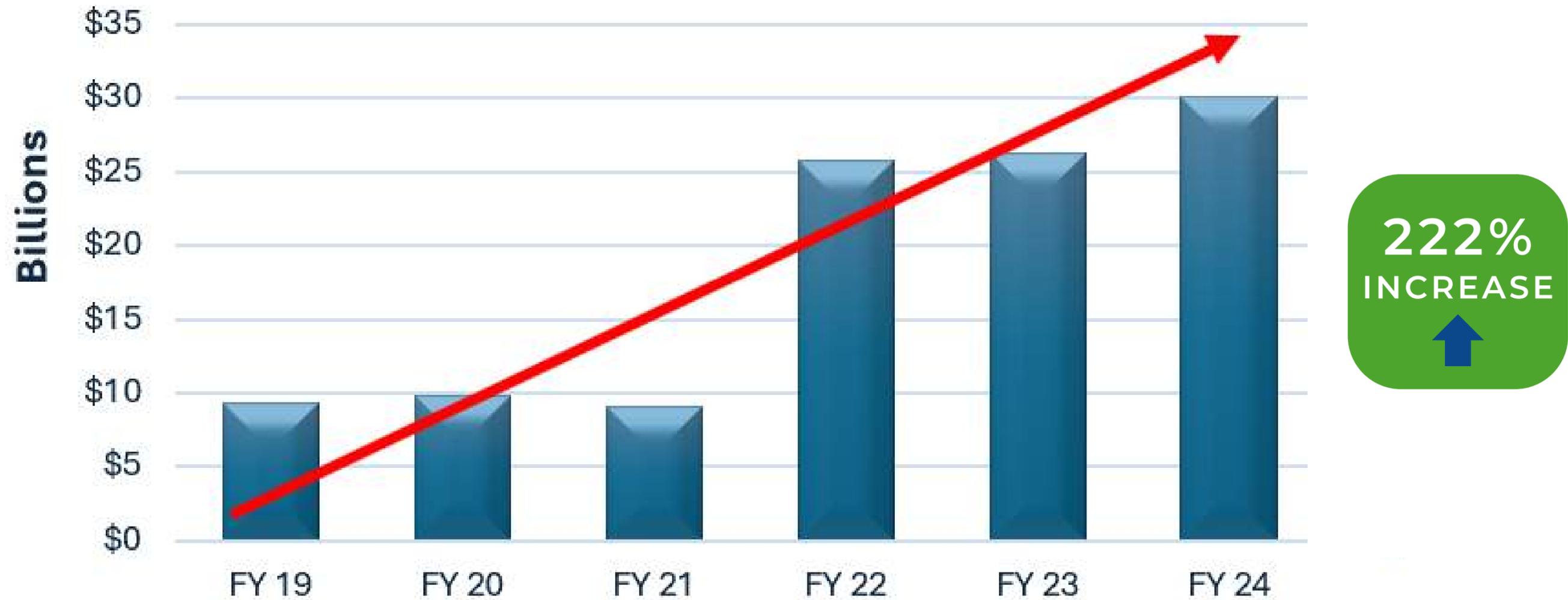




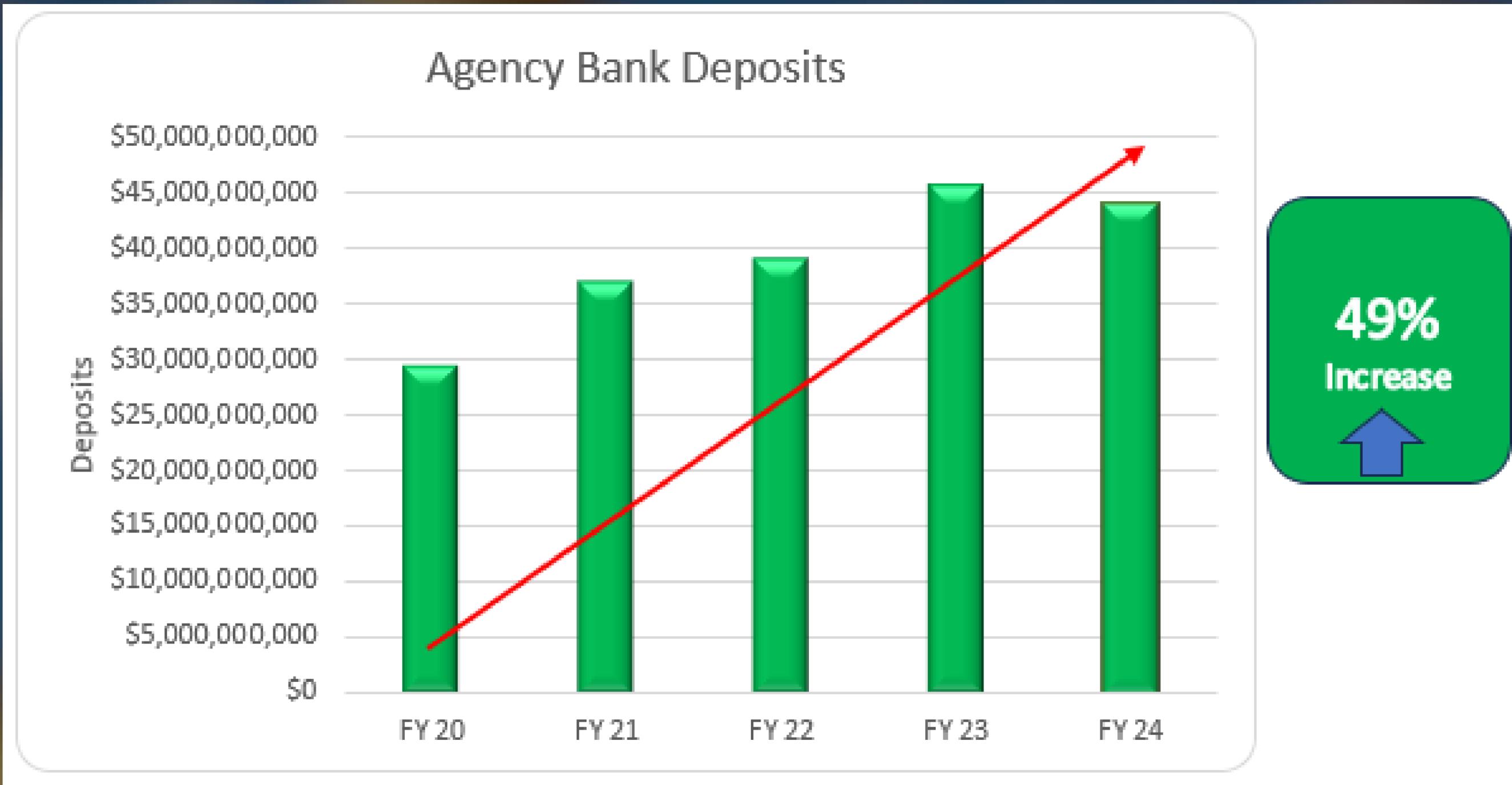
ASSETS UNDER MANAGEMENT



TRADE VOLUME

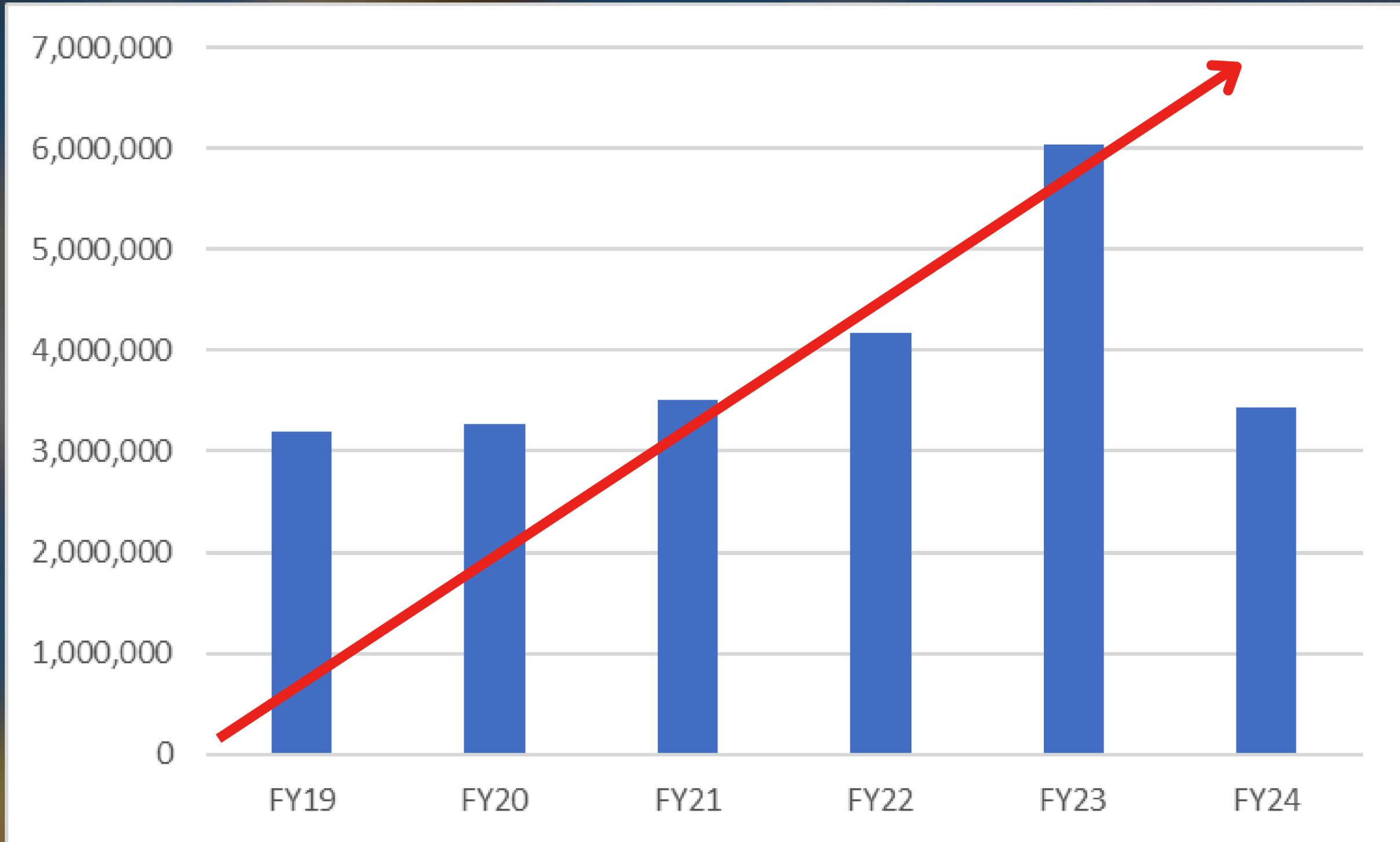


AGENCY BANK DEPOSITS



AP TRANSACTIONS

AP # of payments



Fiscal Year



INVESTMENT OBJECTIVES

Safety
Liquidity
Yield

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

Section 6-10-10.1 NMSA 1978



ALLOWABLE INVESTMENTS

Permissible Investments

- Maximum maturity of five years
 - US Treasuries
 - US Government Agencies
 - Corporate bonds rated AA or better
 - Supranationals rated AAA
- **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 Council (STIC)
- NM Board of Finance Quarterly Reporting
- Broker/Dealer approval process
- Retain RIA - Government Portfolio Advisors (GPA)
- LGIP rated by S&P (AAAm for 18 consecutive years)
- Credit Committee
 - Approved list of issuers and counterparties



MARKET OVERVIEW

- **Current Fed Funds rate 4.75% - 5.00%**

- March 2020 to March 2022 held steady at 0.00% - 0.25%
- Fed's tightening cycle to 5.25% - 5.50%
 - March 2022 to July 2023
- Fed begins monetary policy easing September 2024
- Fed expectation for further policy easing
 - End of 2024 to 4.25% - 4.50%
 - End of 2025 to 3.25% - 3.50%
 - Terminal rate to 2.75% - 3.00%

- **Fed inflation target is 2% average over time**

- Core PCE Deflator, Fed's preferred measurement, 2.6% for July
- High of 5.4% reached in February 2022

- **Employment coming into better balance**

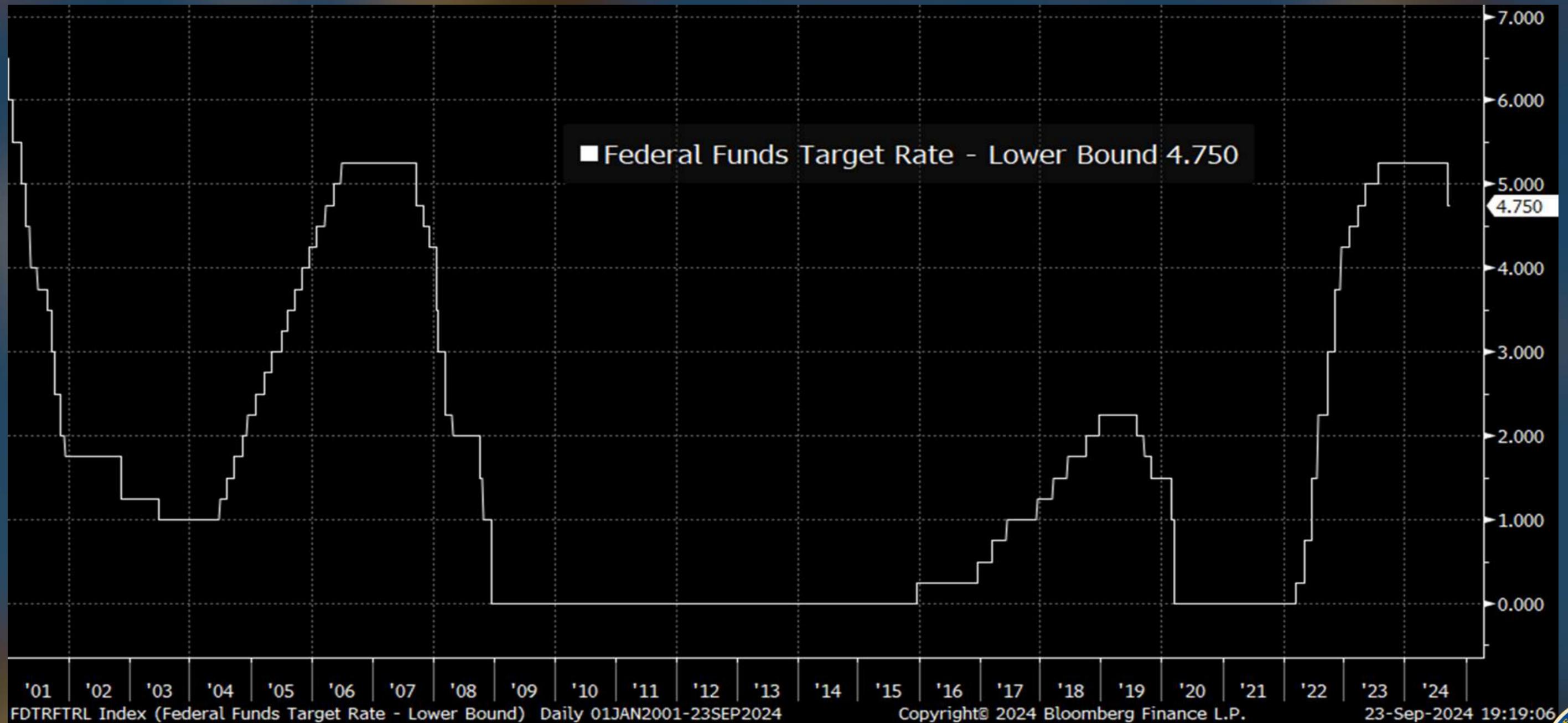
- Unemployment rate is now 4.2%, from 14.8% high during the pandemic, and low of 3.4% January 2023
- Nonfarm payroll employment weakening with 818,000 downward preliminary annual benchmark revision by BLS

- **GDP Annualized**

- **1Q24 1.4%**
- **2Q24 3.0%**



FEDERAL FUNDS TARGET RATE RANGE = 4.75% - 5.00% FEDERAL RESERVE IN SEARCH OF SOFT LANDING



FDTRFTRL Index (Federal Funds Target Rate - Lower Bound) Daily 01JAN2001-23SEP2024

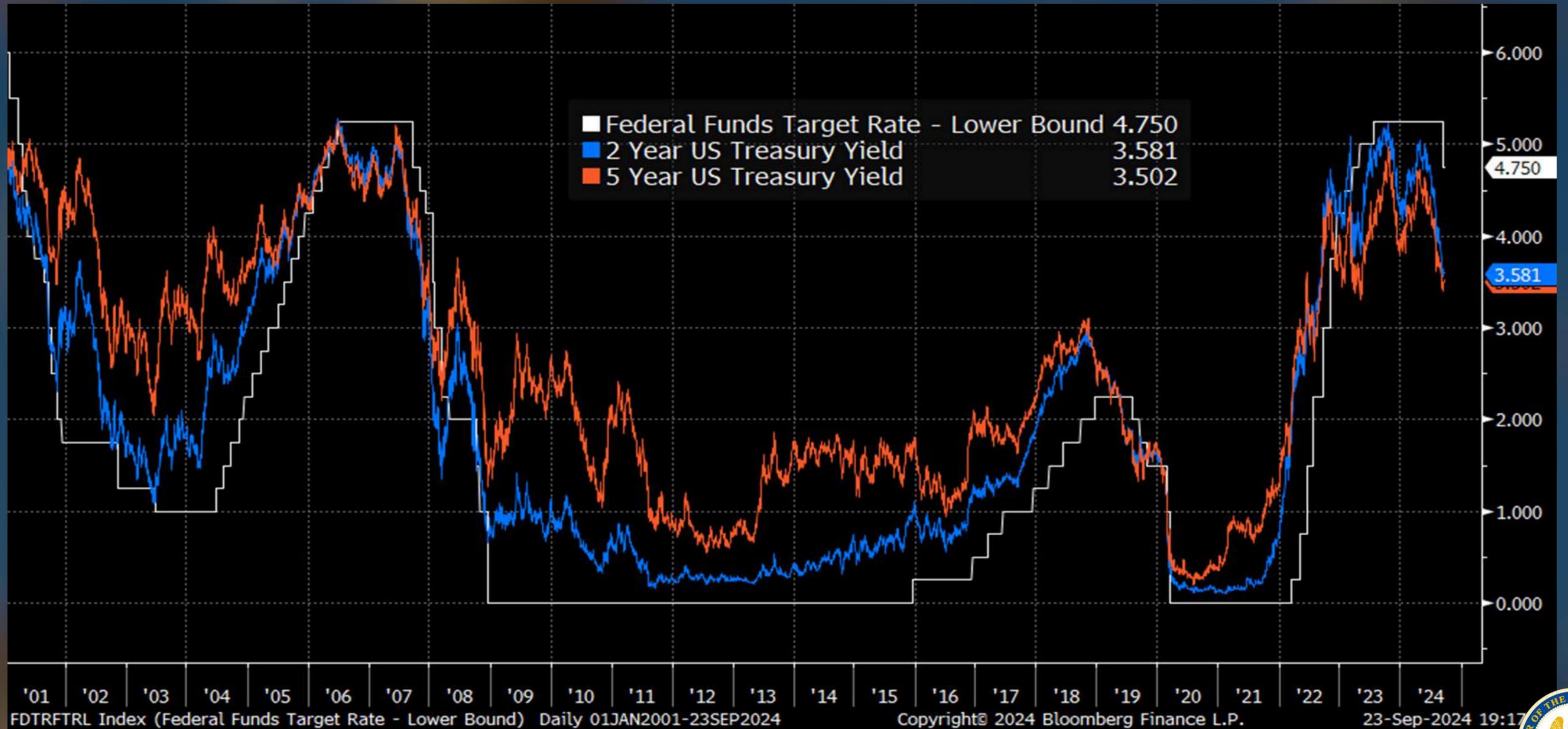
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LOWER INTEREST RATES = HIGHER BOND PRICES

FEDERAL FUNDS TARGET RATE VS. US TREASURY TWO-AND FIVE-YEAR YIELDS



FDTRFTRL Index (Federal Funds Target Rate - Lower Bound) Daily 01JAN2001-23SEP2024

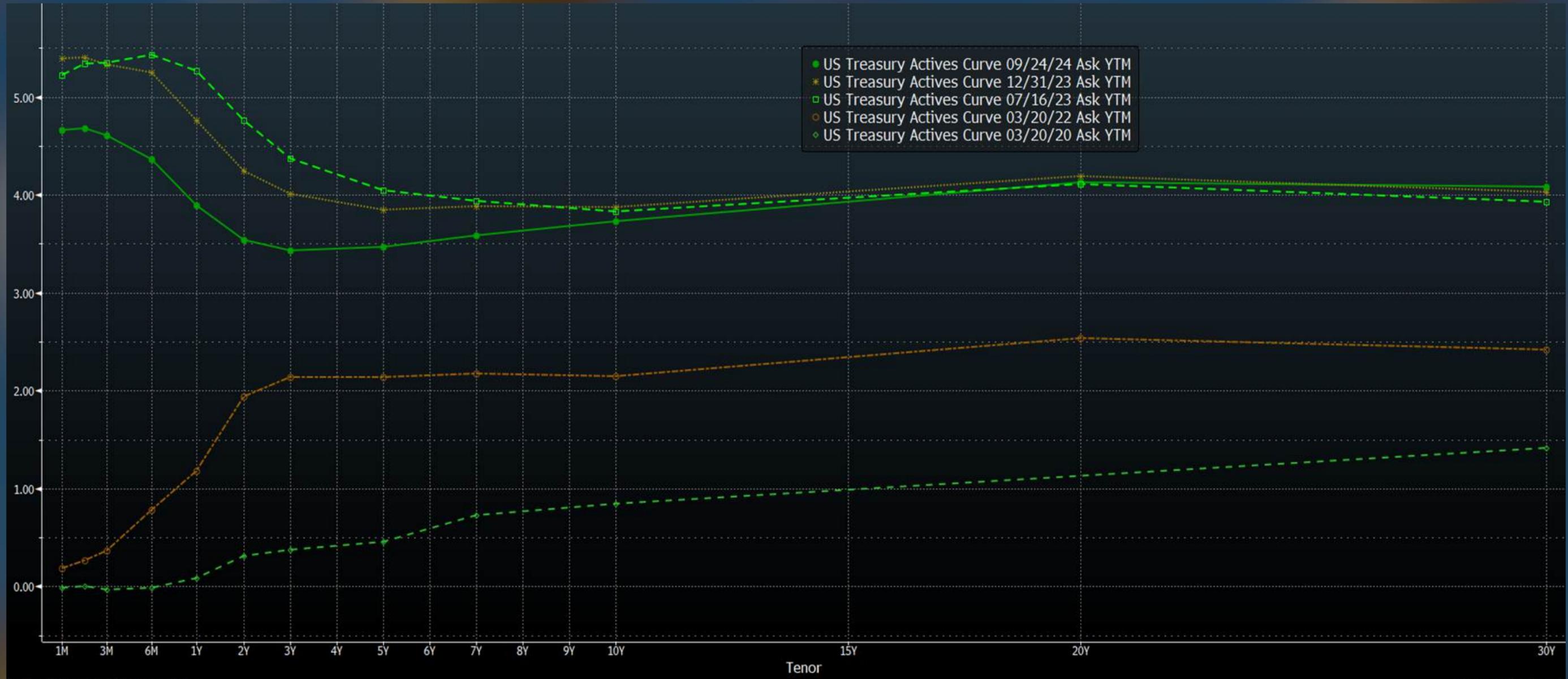
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COMPARATIVE US TREASURY YIELD CURVES

YIELDS/PRICES ARE VOLATILE AWAITING FED POLICY EASING



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STO PORTFOLIO CHARACTERISTICS FOR PERIOD ENDED JUNE 30, 2024

Fund	Purchase Yield	Effective Duration		Percentage
		Portfolio	Benchmark	
General Fund Liquidity	5.39%	0.03 Years		
General Fund CORE	3.54%	2.02 Years	2.03 Years	99%
Bond Proceeds—Tax-Exempt	4.72%	0.68 Years	0.90 Years	76%
Bond Proceeds—Taxable	4.39%	1.23 Years	1.30 Years	95%
LGIP - ST	5.38%	0.05 Years		
LGIP - MT	5.05%	1.17 Years	1.30 Years	90%
Severance Tax Bonding Fund	5.39%	0.12 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 6/30/2024

	1 Mo	3 Mo	YTD	1Y	3Y	5Y
General Fund						
Liquidity	0.44%	1.34%	2.67%	5.47%	3.17%	2.24%
ICE 1-Month US Treasury Bill Index	0.41%	1.33%	2.66%	5.38%	3.02%	2.11%
Core	0.61%	0.95%	1.34%	4.77%	0.76%	1.37%
ICE 0 to 5 Year US Treasury Index	0.63%	0.93%	1.19%	4.45%	0.34%	1.07%
Bond Proceeds Pools						
Tax Exempt	0.46%	1.19%	2.15%	5.31%	2.14%	1.80%
ICE 0 to 2 Year US Treasury Index	0.46%	1.13%	1.97%	5.06%	1.76%	1.66%
Taxable	0.48%	1.09%	1.82%	5.02%	1.56%	1.62%
ICE 0 to 3 Year US Treasury Index	0.52%	1.05%	1.64%	4.81%	1.15%	1.40%
Local Gov't Investment Pool						
LGIP ST	0.42%	1.30%	2.67%	5.46%	3.16%	2.23%
S&P LGIP Gross of Fees	0.45%	1.37%	2.76%	5.60%	3.18%	2.25%
LGIP MT	0.51%	1.05%	N/A	N/A	N/A	N/A
ICE 0 to 3 Year US Treasury Index	0.52%	1.05%	N/A	N/A	N/A	N/A
Severance Tax Bonding Fund						
STBF	0.44%	1.36%	2.77%	5.64%	3.29%	2.33%
S&P LGIP Gross of Fees	0.44%	1.34%	2.69%	5.46%	3.06%	2.14%



STATE INVESTMENT POOLS

General Fund CORE

General Fund Liquidity

Bond Proceeds - Taxable

Bond Proceeds - Tax-Exempt

Severance Tax Bonding Pool

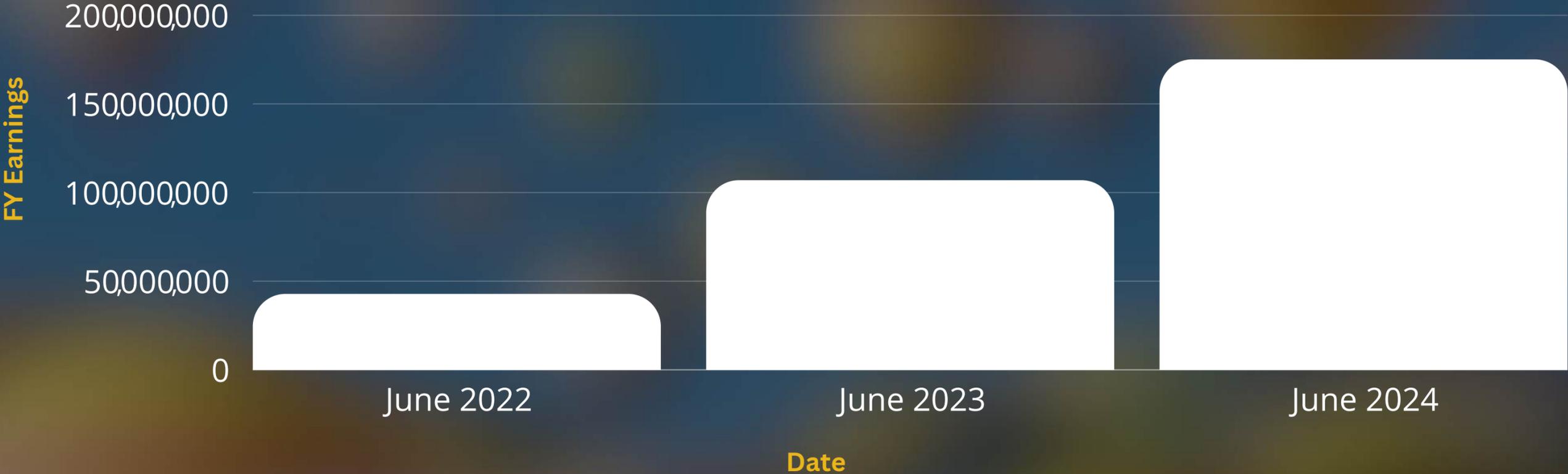
Local Government - Short Term

Local Government - Medium Term



General Fund CORE

Date	Market Value	FY Earnings	FY Change in Unrealized Gains/Losses	FY Total
6/30/2024	\$5,581,679,360	\$175,137,956	\$77,795,928	\$252,933,884
6/30/2023	\$5,230,475,825	\$106,973,003	\$ (61,982,018)	\$44,990,986
6/30/2022	\$4,874,998,175	\$42,822,262	\$ (168,326,868)	\$ (125,504,606)

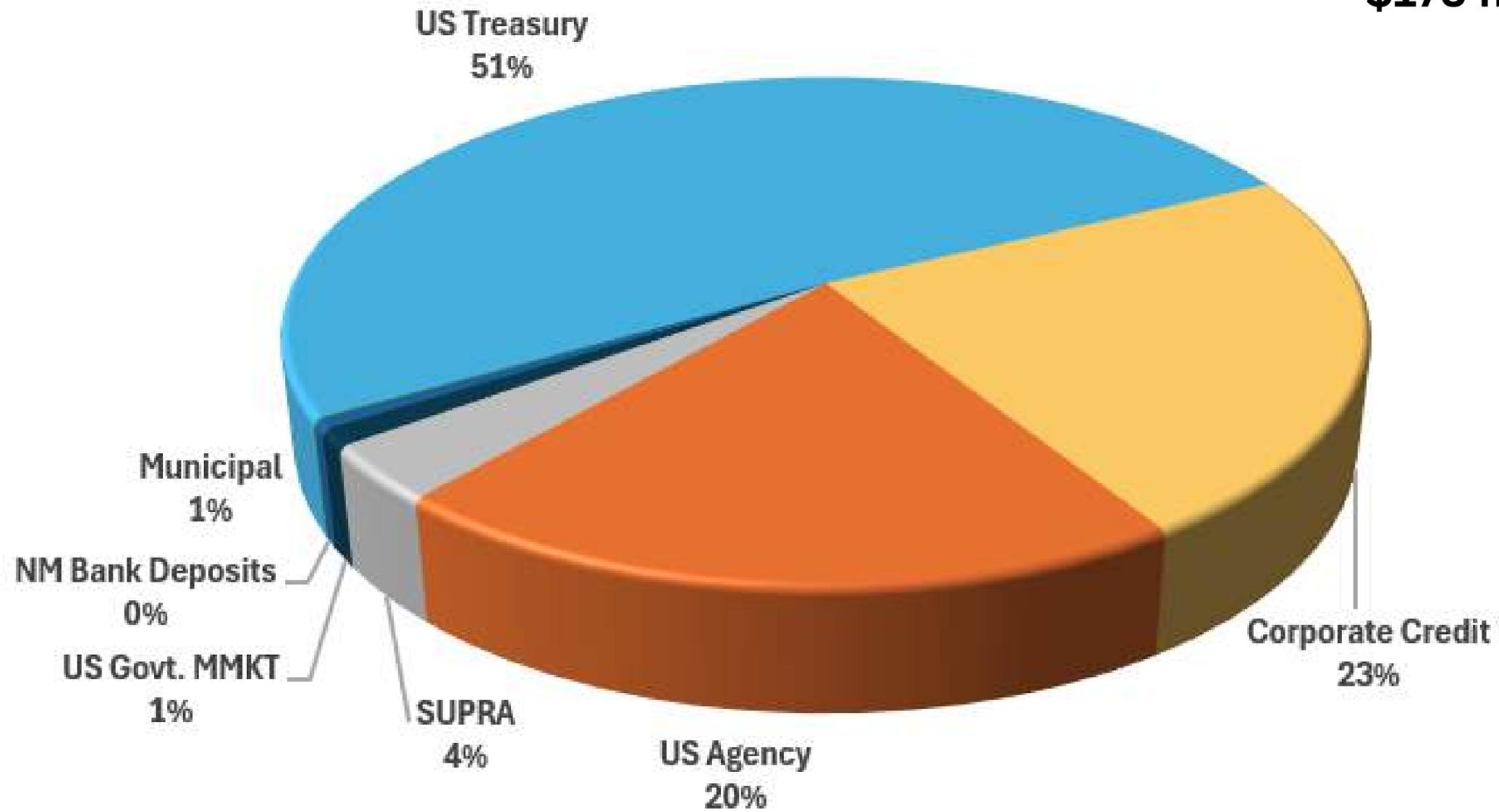


GENERAL FUND CORE

General Fund Core

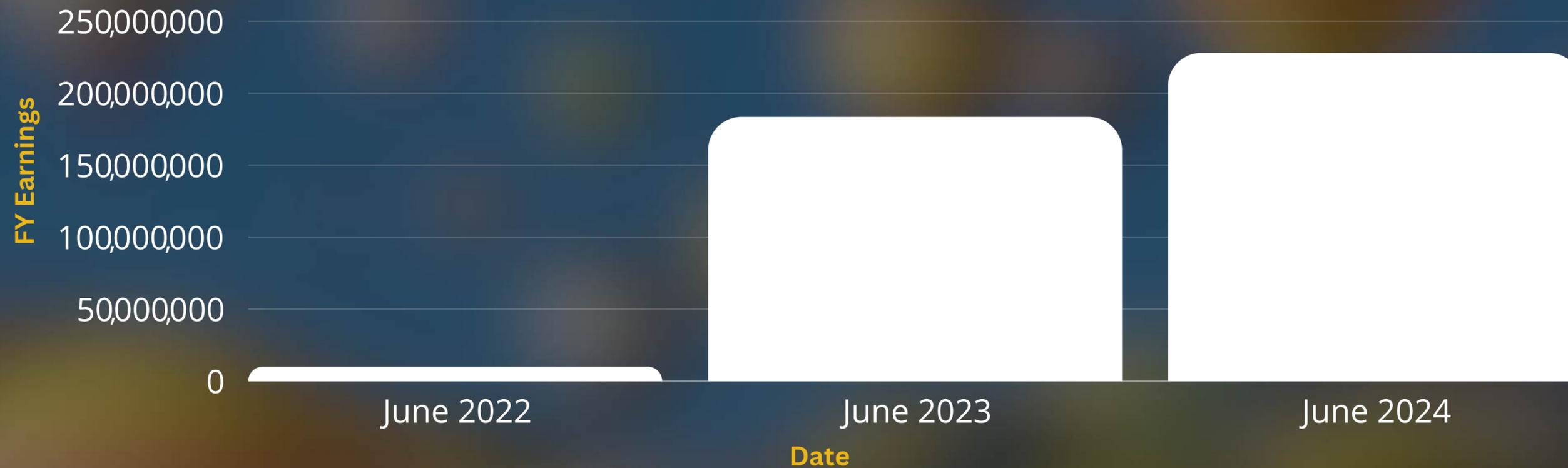
Earnings for FY 24

\$175 million

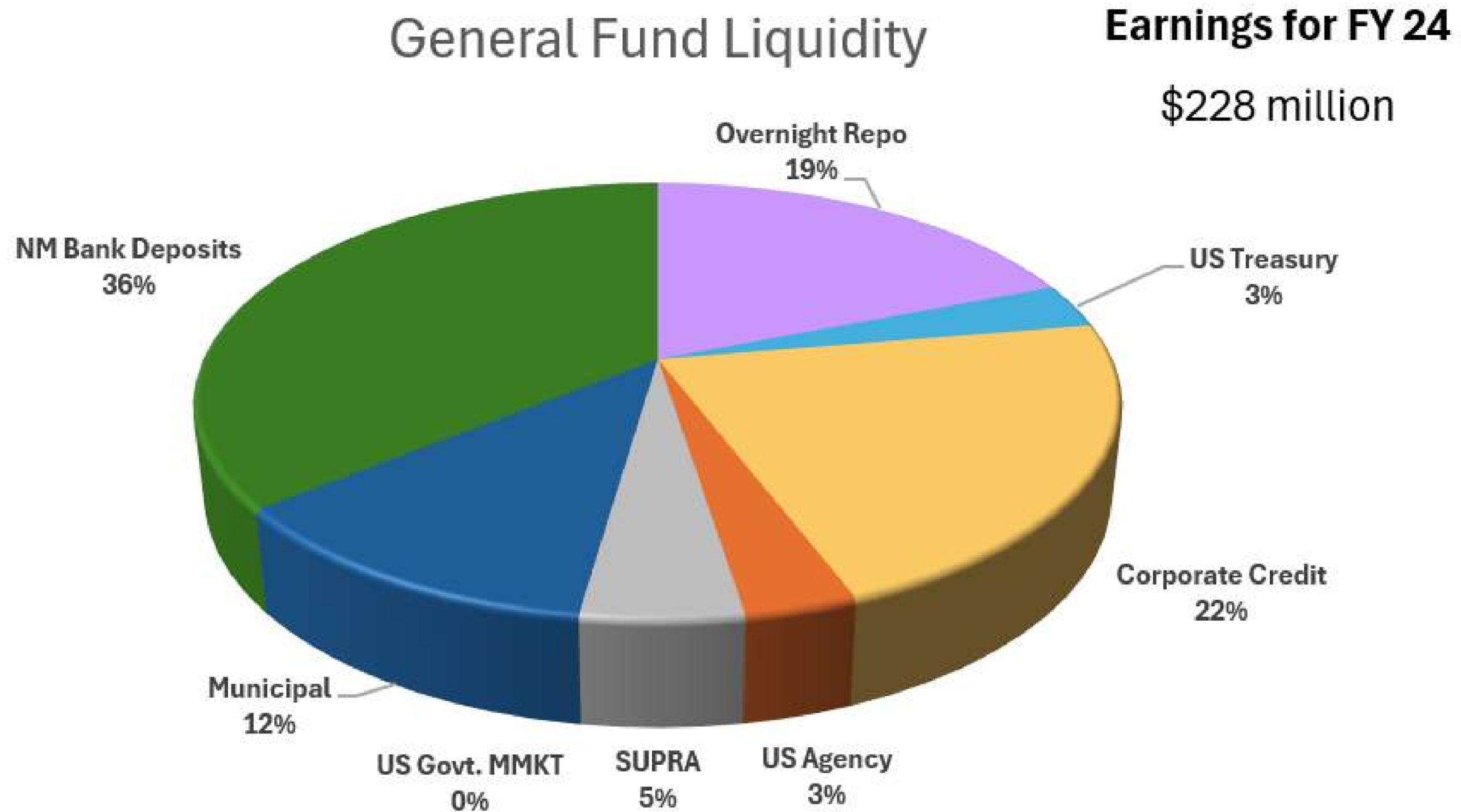


General Fund Liquidity

Date	Market Value	FY Earnings	FY Change in Unrealized Gains/Losses	FY Total
6/30/2024	\$4,500,909,959	\$227,949,440	\$388,054	\$228,337,494
6/30/2023	\$6,100,547,287	\$183,505,706	\$483,649	\$183,989,355
6/30/2022	\$5,598,314,861	\$9,929,922	\$ (1,188,248)	\$8,741,674

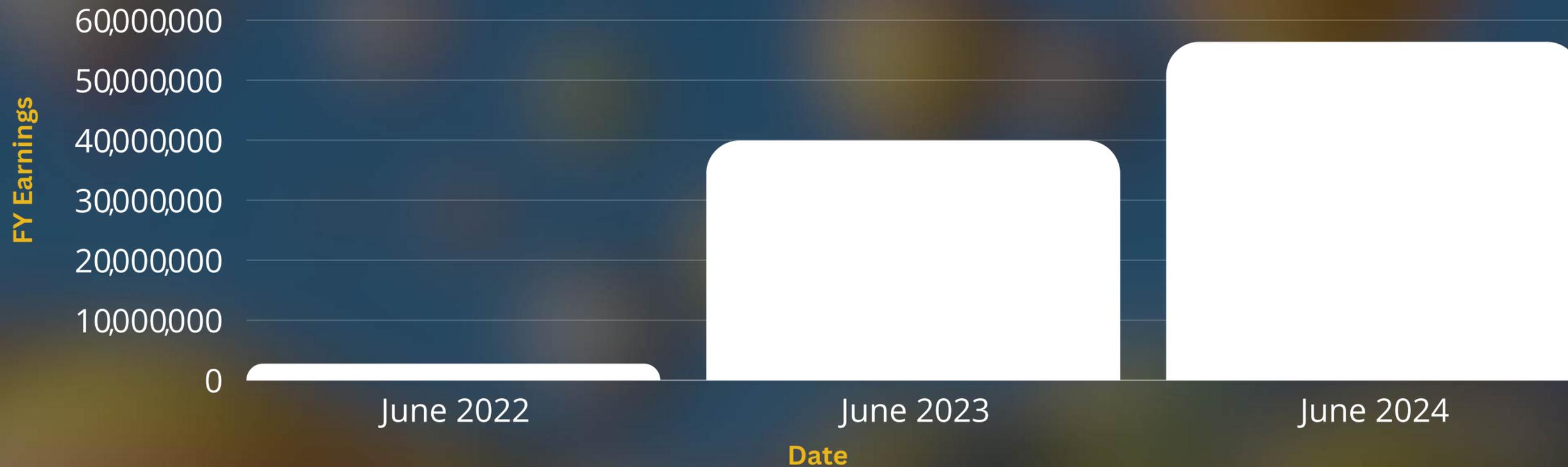


GENERAL FUND LIQUIDITY

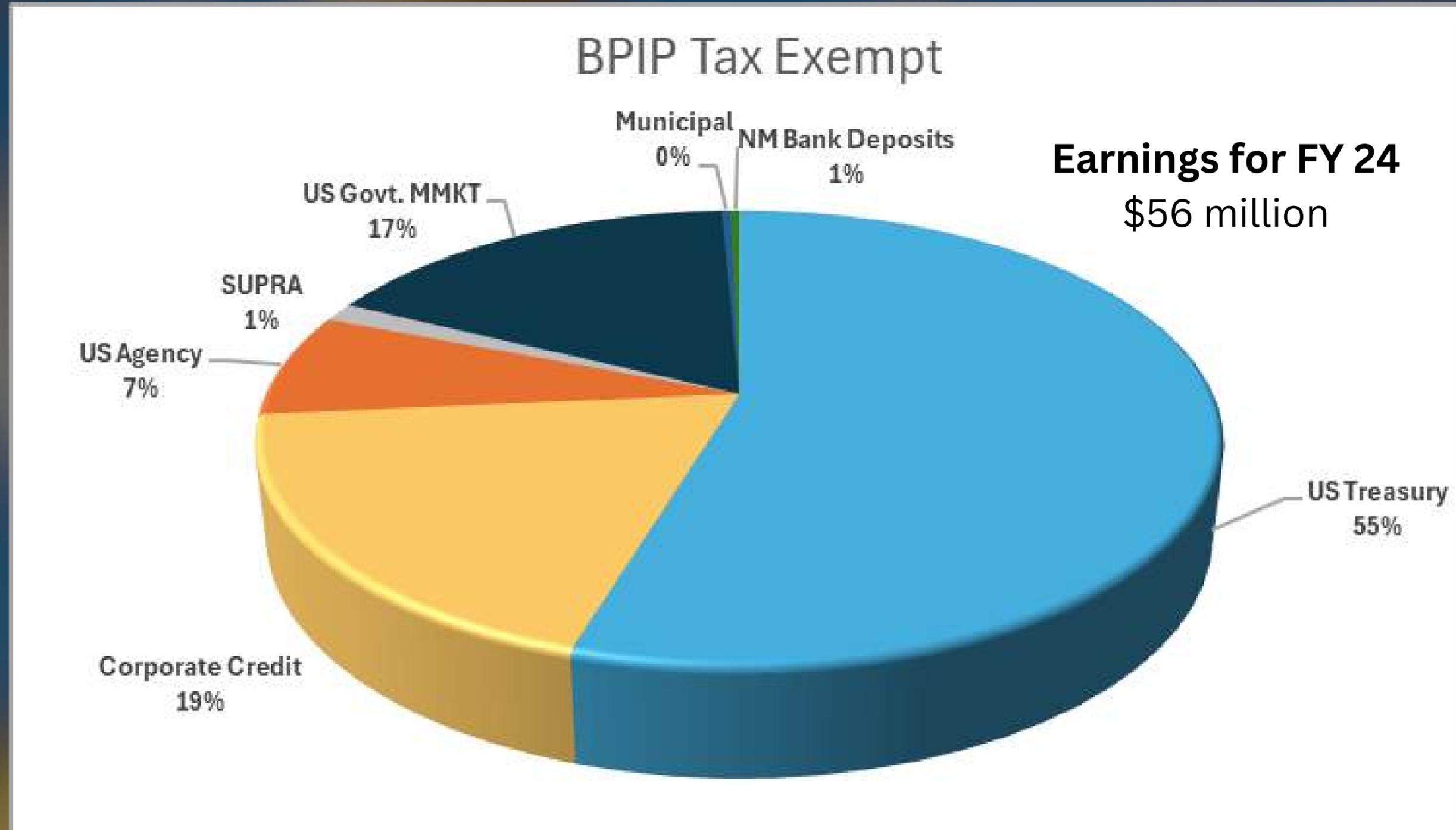


Bond Proceeds - Tax-Exempt

Date	Market Value	FY Earnings	FY Change in Unrealized Gains/Losses	FY Total
6/30/2024	\$1,328,205,239	\$56,388,352	\$11,906,312	\$68,294,664
6/30/2023	\$1,632,798,670	\$39,944,376	\$ (2,835,380)	\$32,108,996
6/30/2022	\$1,251,800,152	\$2,756,872	\$ (12,888,207)	\$ (10,131,334)

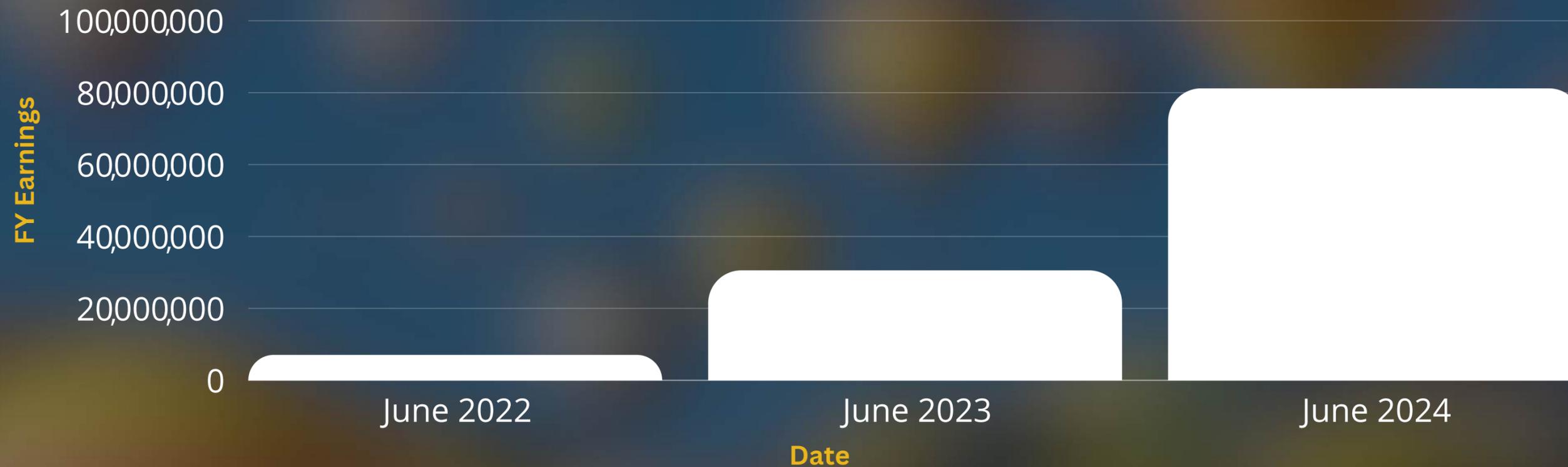


Bond Proceeds - Tax-Exempt

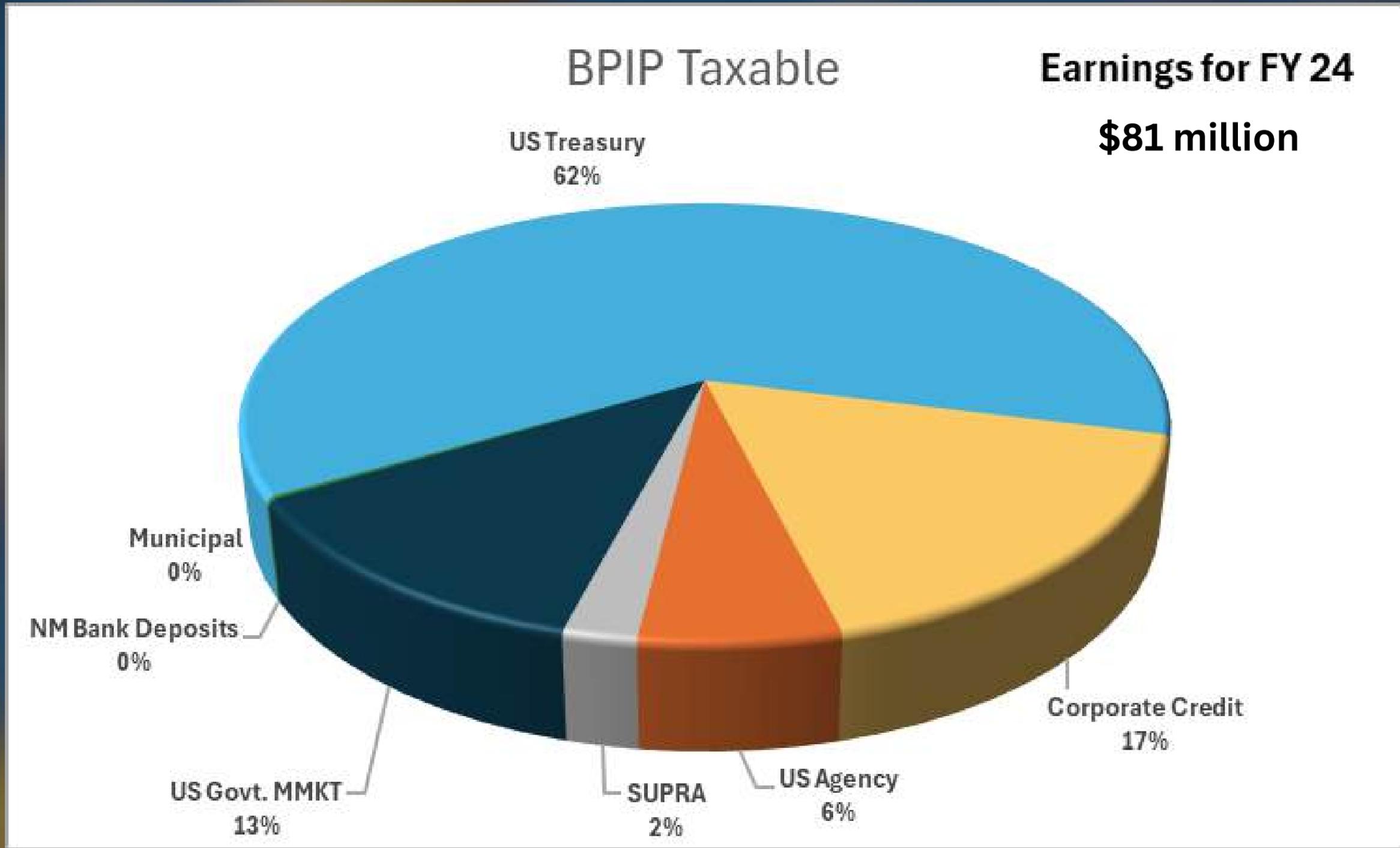


Bond Proceeds - Taxable

Date	Market Value	FY Earnings	FY Change in Unrealized Gains/Losses	FY Total
6/30/2024	\$2,627,100,155	\$81,189,762	\$19,134,343	\$100,324,105
6/30/2023	\$2,103,481,459	\$30,574,014	\$ (3,720,248)	\$26,853,766
6/30/2022	\$1,350,118,441	\$7,060,122	\$ (32,350,918)	\$ (25,290,796)

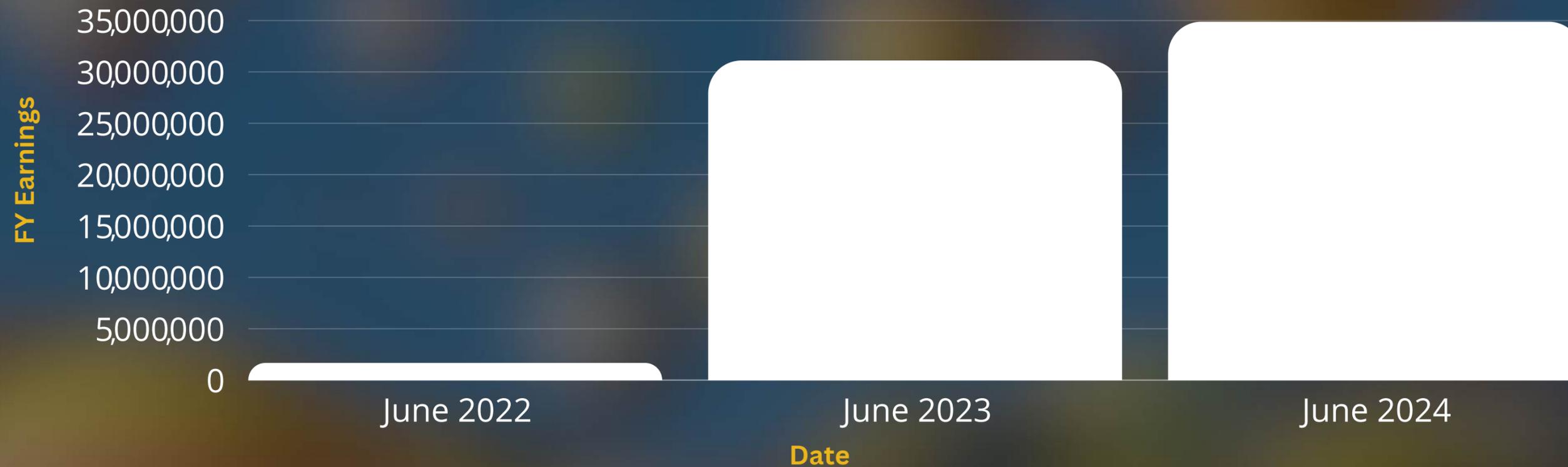


Bond Proceeds - Taxable



Severance Tax Bonding Pool

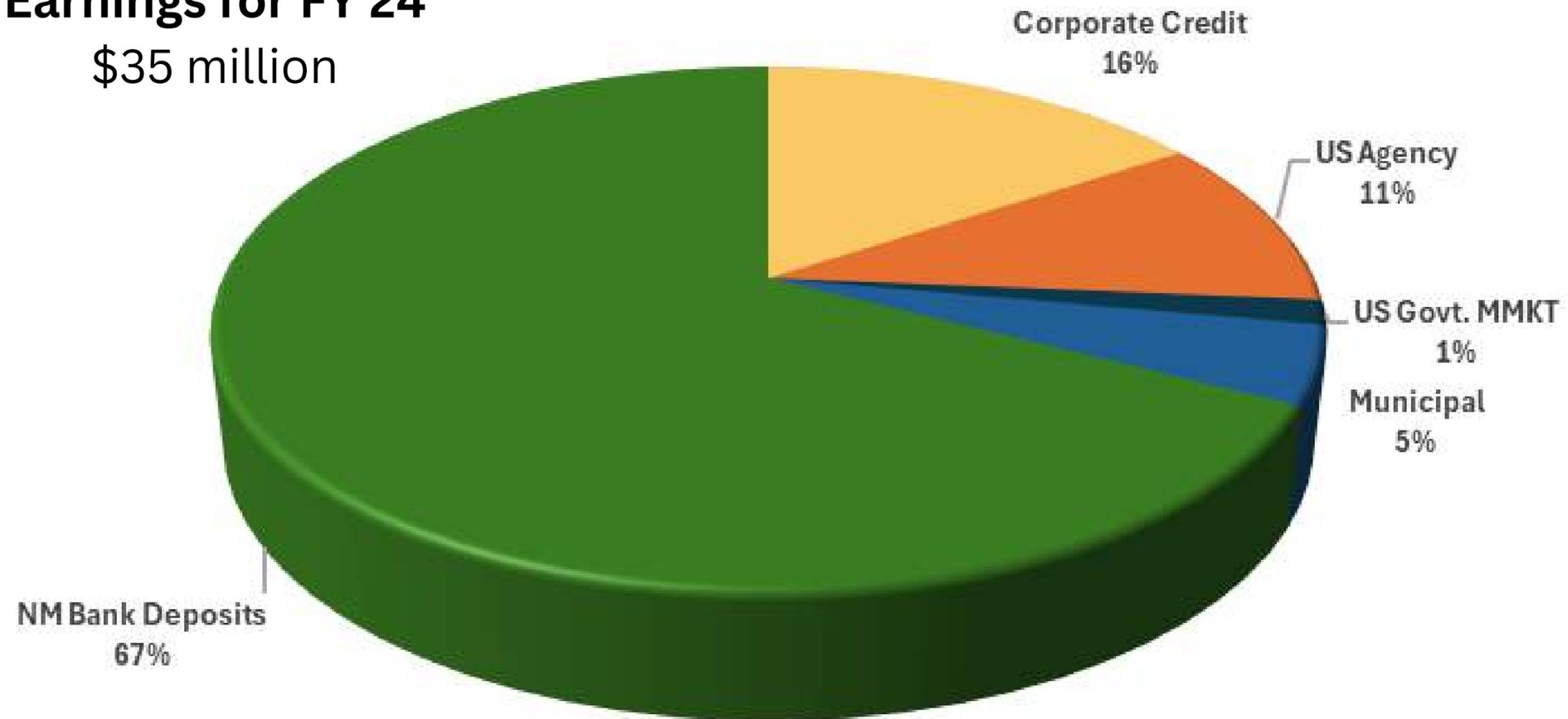
Date	Market Value	FY Earnings	FY Change in Unrealized Gains/Losses	FY Total
6/30/2024	\$46,965,919	\$34,883,839	\$ (3,313)	\$34,880,527
6/30/2023	\$30,510,640	\$31,110,717	\$ (1,620)	\$31,109,097
6/30/2022	\$24,612,285	\$1,674,174	\$1,382	\$1,675,556



Severance Tax Bonding Pool

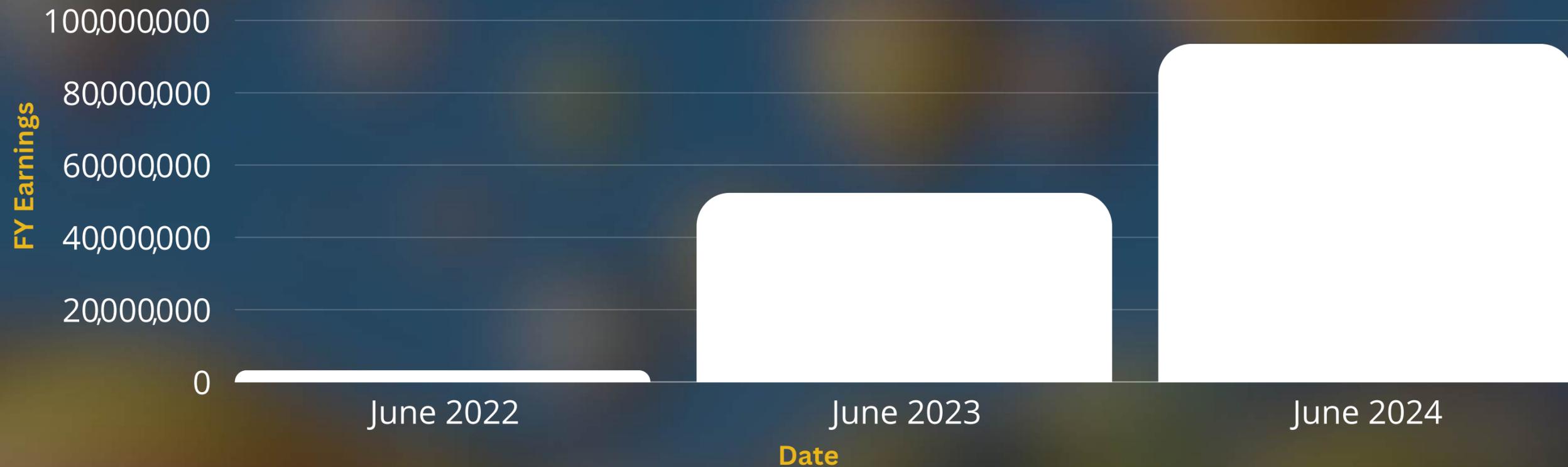
Severance Tax Bonding Fund

Earnings for FY 24
\$35 million



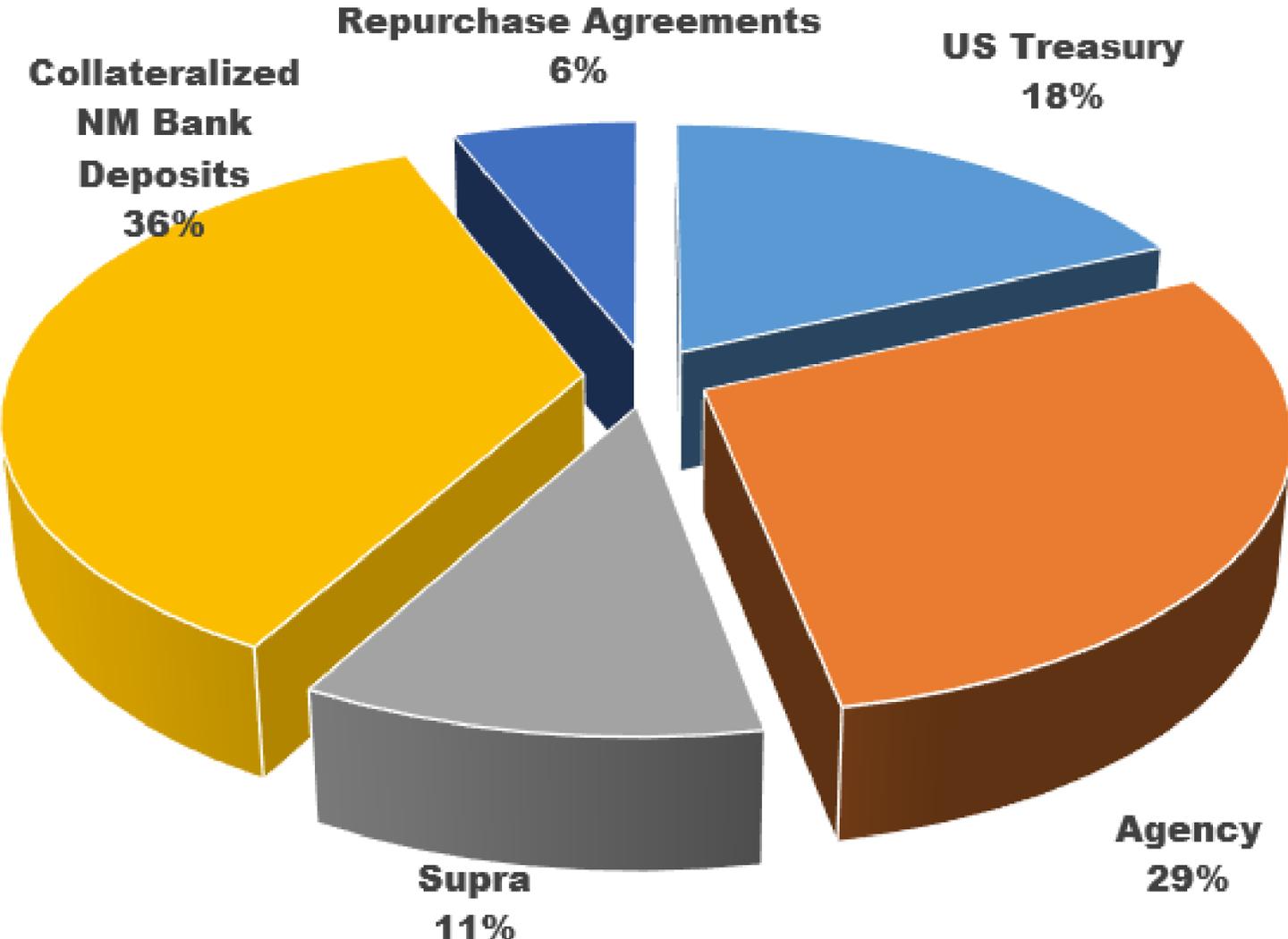
Local Government Investment Pool - Short Term

Date	Market Value	FY Earnings	Estimated 0.05% annual fee using Fiscal Year End MV
6/30/2024	\$1,944,838,724	\$93,524,071	\$972,419
6/30/2023	\$1,610,246,603	\$52,311,785	\$805,123
6/30/2022	\$1,375,527,720	\$3,223,681	\$687,764

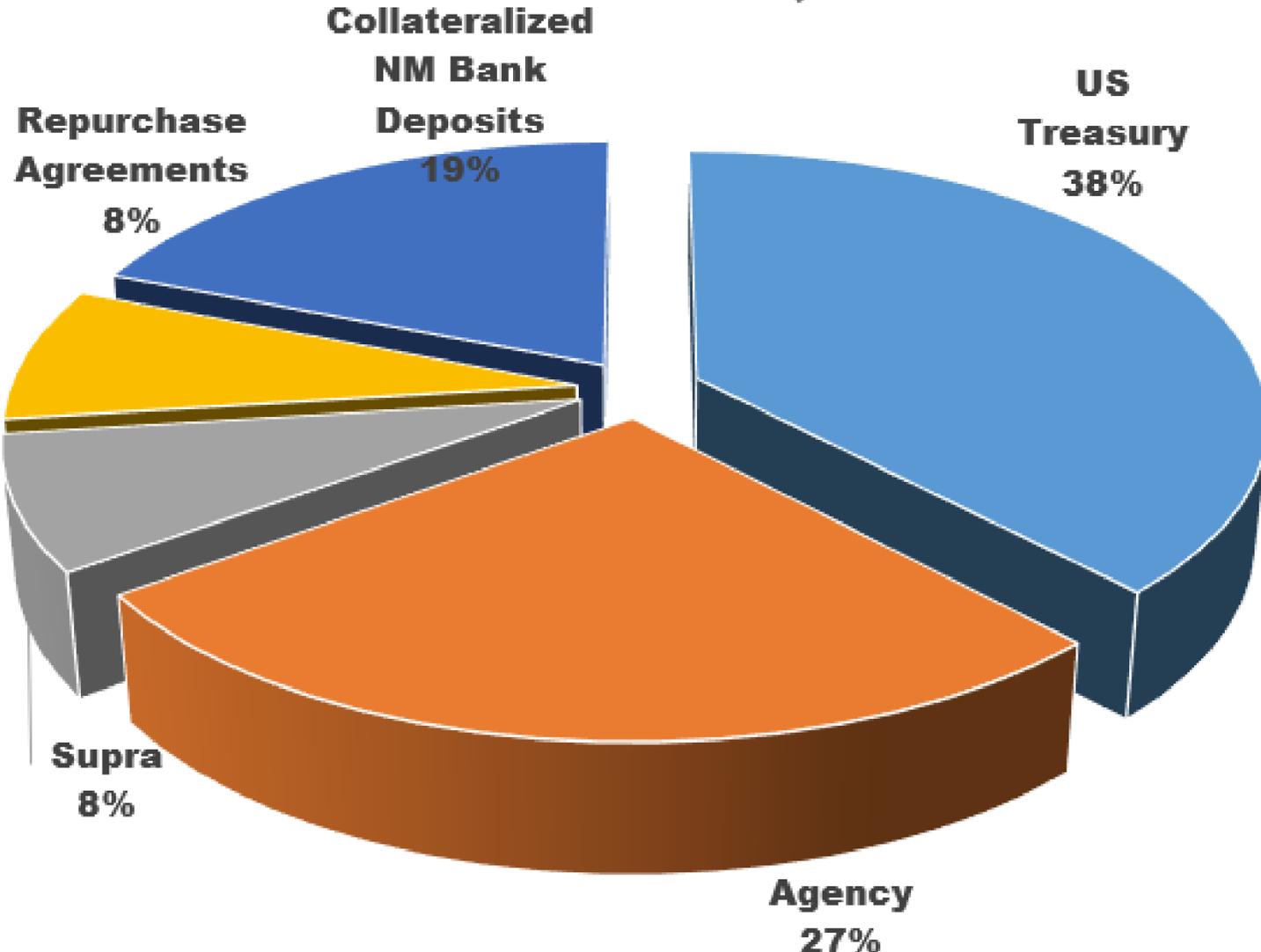


Local Government Investment Pool - Short Term Portfolio Sectors

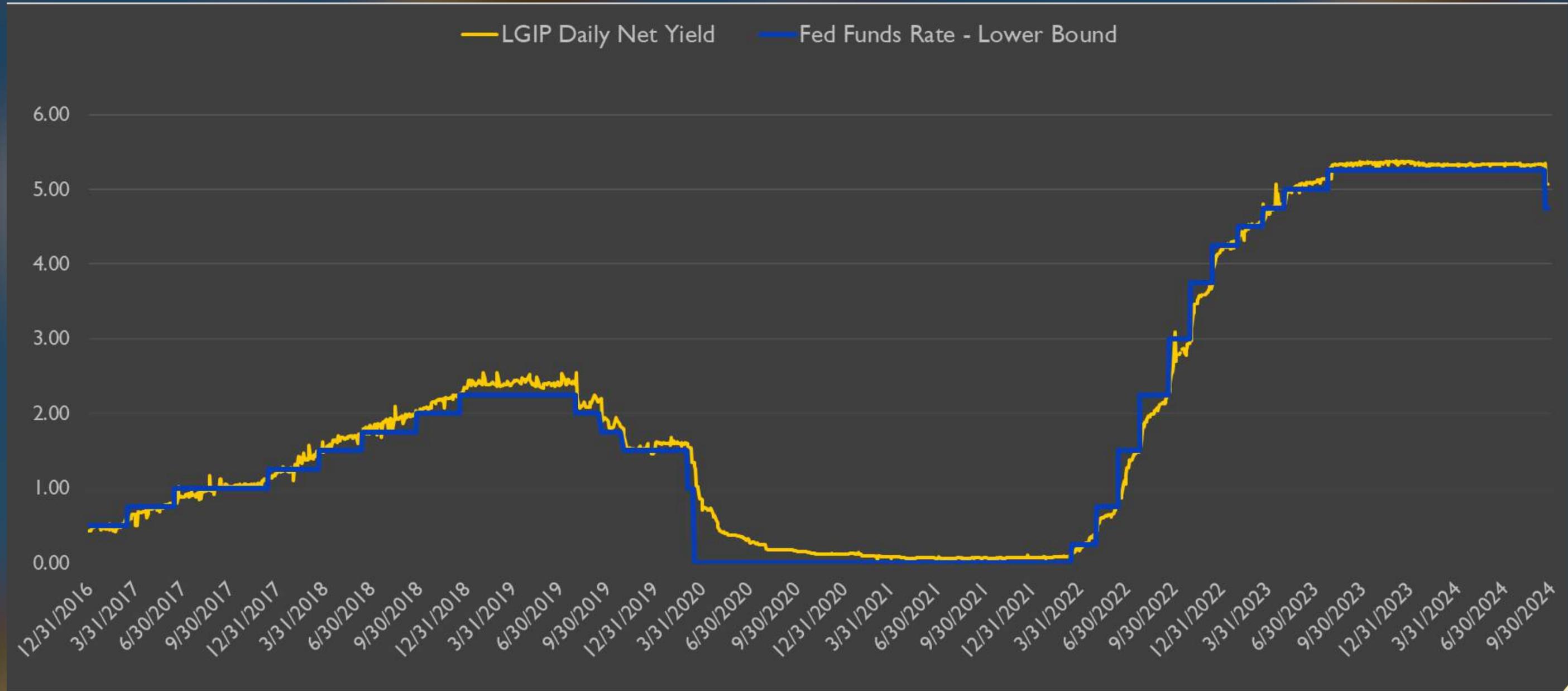
As of December 31st, 2023



As of June 30th, 2024



Local Government Investment Pool - Short-Term Yield Tracks Federal Funds Rate



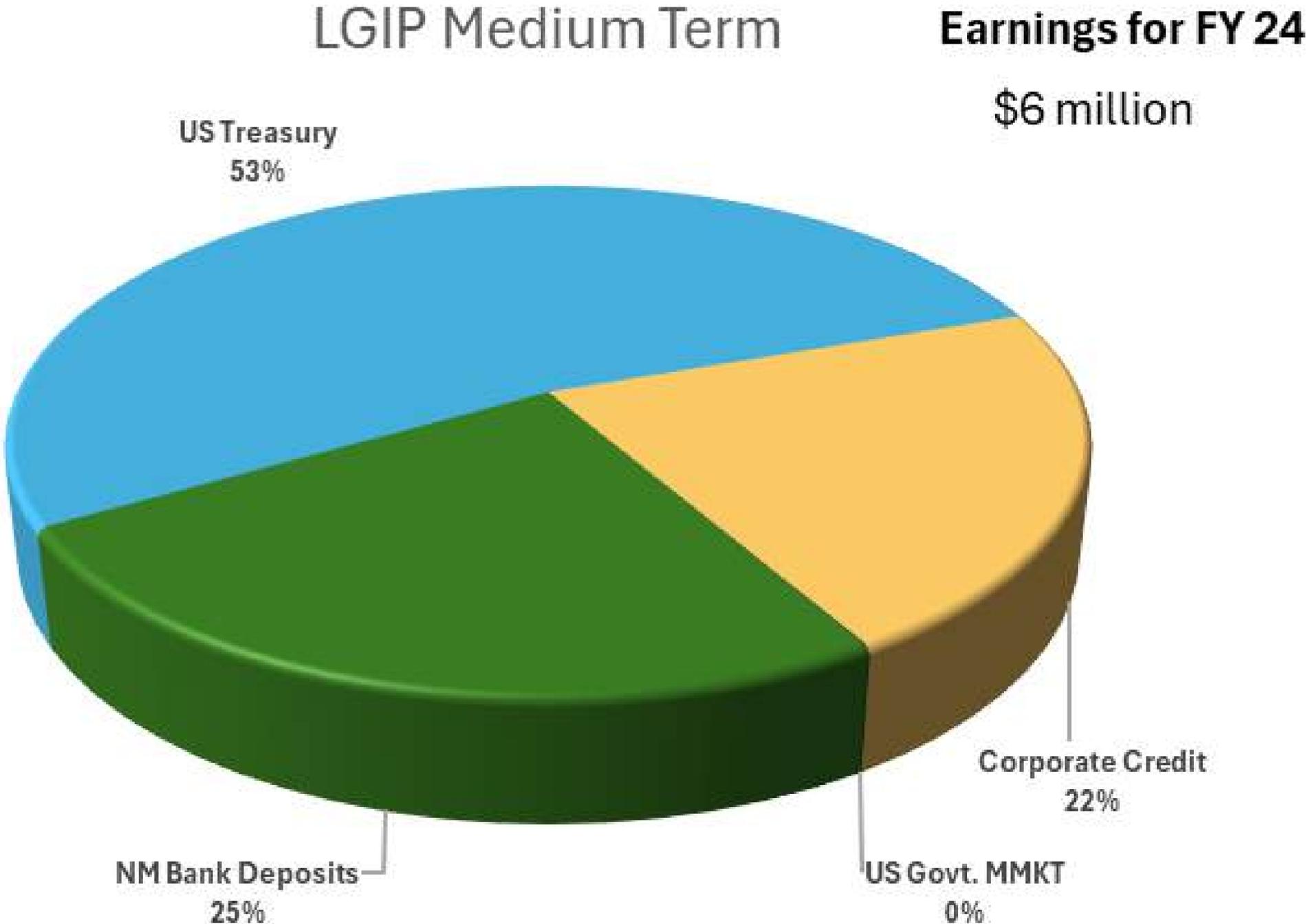
Local Government Investment Pool - Medium Term

Date	Market Value	FY Earnings	FY Change in Unrealized Gains/Losses	FY Total	Estimated 0.05% annual fee using Fiscal Year End MV
6/30/2024	\$752,887,673	\$6,217,702	\$421,332	\$6,639,034	\$376,444

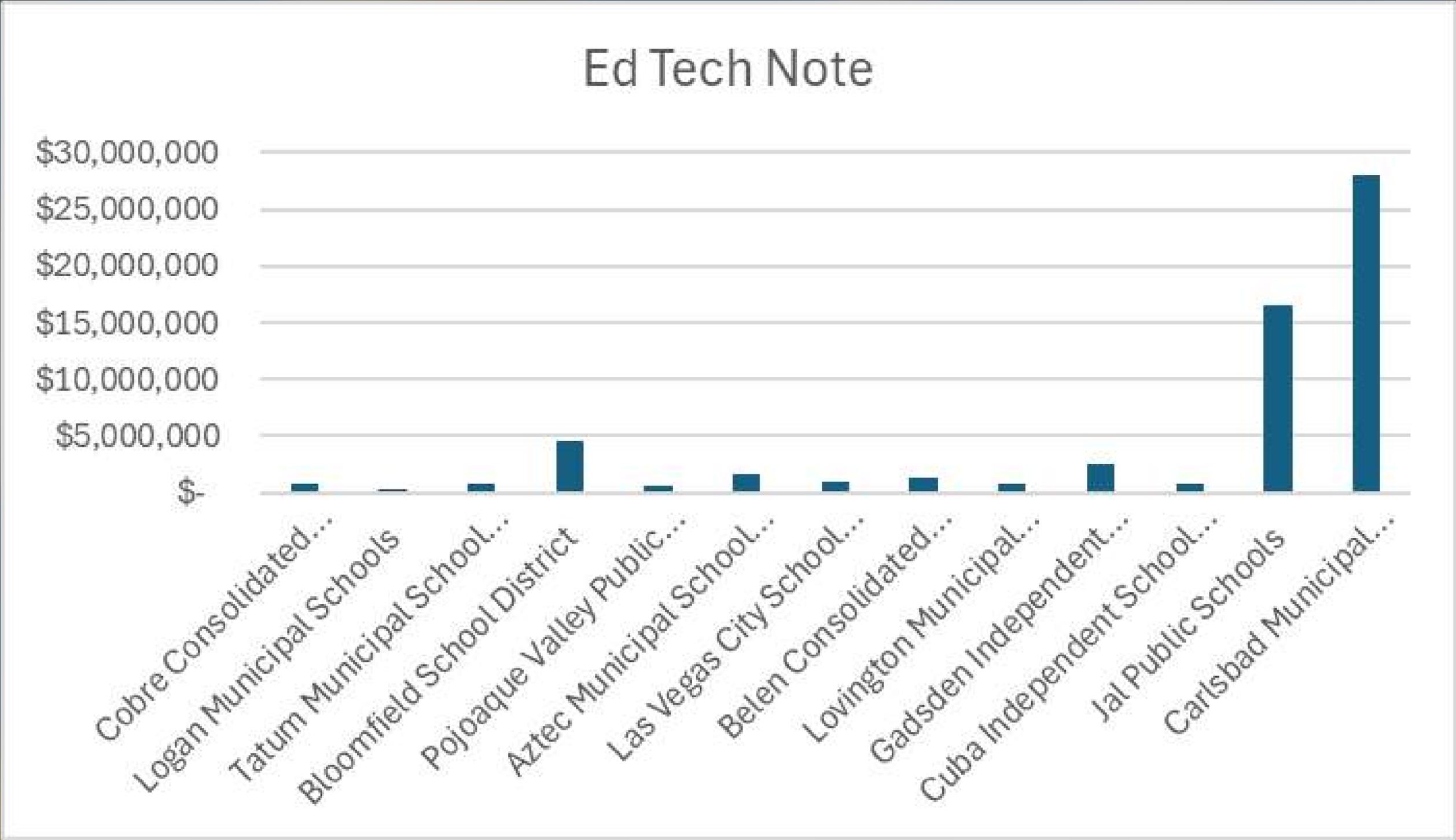
- Notes:**
- (1) These figures are generated using a combination of accrued earnings, realized and unrealized gains and losses. They are unaudited and may be subject to revision.
 - (2) Account balances fluctuate during the month, holdings are calculated as of month-end. Performance includes adjustments for fund flows during the month.
 - (3) Holdings are reported on a "Trade Basis".
 - (4) Cash Balances are month-end cash balances at Fiscal Agent Bank (Wells Fargo).
 - (5) LGIP Conforms to GASB 31, as such accounting and earnings are reported to participants on an amortized basis.
 - (6) Source: STO Records, Fiscal Agent Bank Statements, QED Financial Systems, JP Morgan Custody Reporting.



Local Government Investment Pool - Medium Term Portfolio Sectors



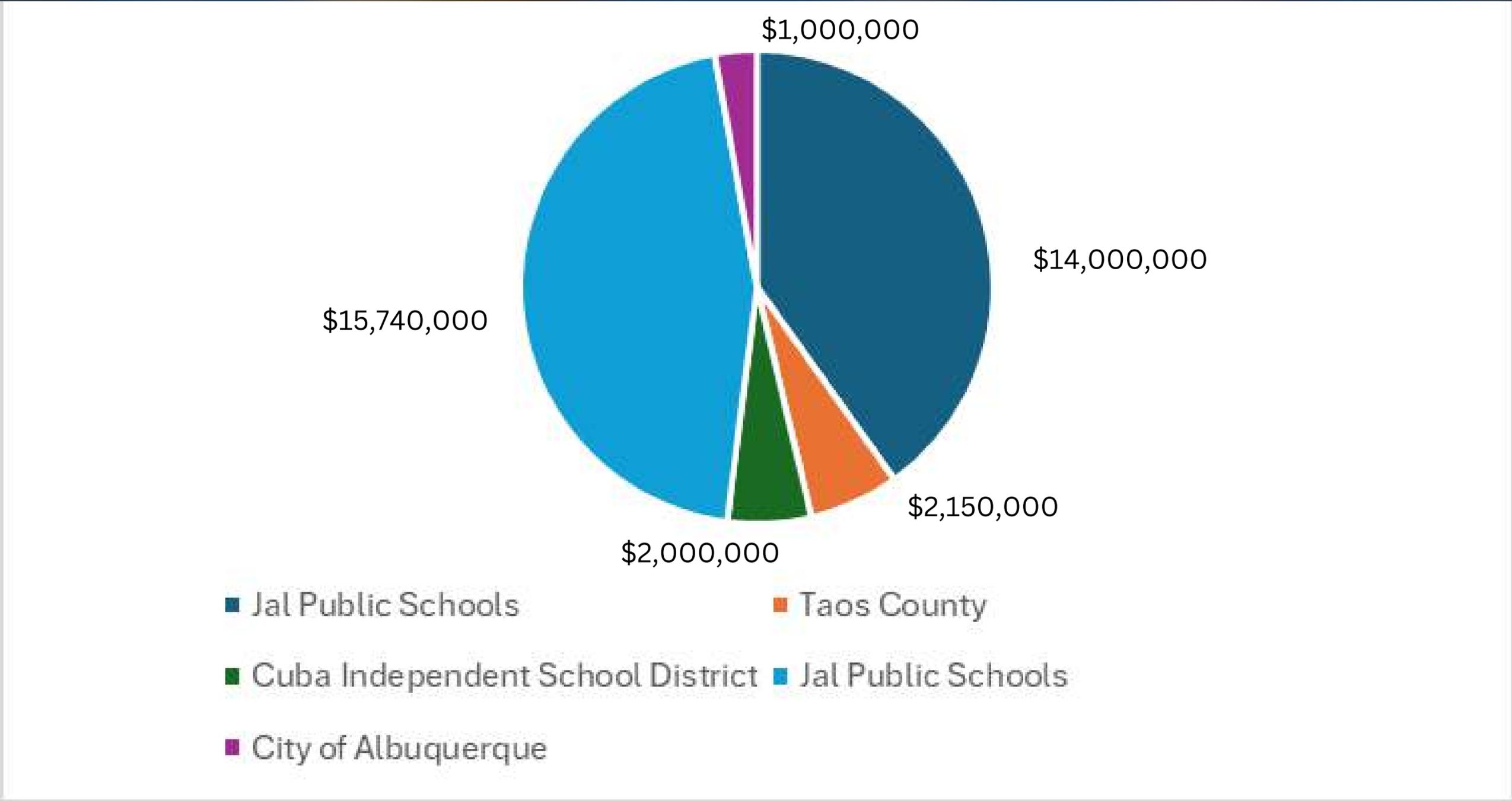
Education Technology Notes (FY 24)



Total: \$59,824,000



General Obligation Bonds (FY 24)



Total: \$34,890,000



Baby Bonds

- Baby Bonds Pilot
- Baby Bonds Symposium
 - Oct 17-18 - ABQ
- Baby Bonds Statewide Outreach & Collaboration





- **1,920 Total Accounts**
- **Bernalillo County - majority of opened accounts**
- **NM STABLE Statewide Outreach & Collaboration**

NM STABLE Assets Under Management FY23	\$10,729,122
NM STABLE Assets Under Management FY24	\$15,100,361
Percentage Change in NM STABLE AUM FY24	↑ 40.7%
NM STABLE Average Account Balance FY23	\$8,556
NM STABLE Average Account Balance FY24	\$10155
Percentage Change in NM STABLE Avg. Account Balance	↑ 18.7%
NM STABLE Active Accounts as of 6/30/2023	1254
NM STABLE Active Accounts as of 6/30/2024	1487
Percentage Change in NM STABLE Active Accounts FY24	↑ 18.6%
NM STABLE Accounts opened as of 6/30/2023	1575
NM STABLE Accounts opened as of 6/30/2024	1860
Percentage Change in NM STABLE Accounts FY24	↑ 18.1%

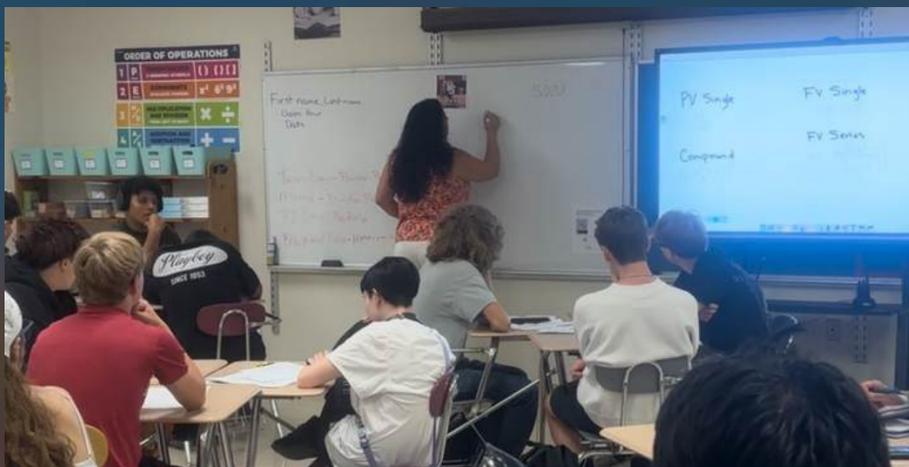
The difference between Active Accounts and Accounts Opened is that Accounts Opened includes ALL accounts (active, closed, & inactive).





Financial Literacy

- Financial Literacy In NM Schools
 - Superintendents
 - Principals
 - School Board Members
 - Students
- Community Share & Listen events
- Financial Literacy Statewide Outreach & Collaboration



CONTACT

Laura M. Montoya, State Treasurer

Janice Y. Barela, Deputy State Treasurer

Vikki Hanges - Vikki.Hanges@sto.nm.gov

Anna Murphy - Anna.Murphy@sto.nm.gov

2055 S Pacheco Street, Suites 100 & 200

Santa Fe, New Mexico 87505

(505) 231-8037

