



HON. DOUG DUCEY  
TREASURER

INVESTMENT  
PHILOSOPHY

SAFETY  
*before*  
LIQUIDITY  
*before*  
YIELD



Treasurer Doug Ducey  
Arizona State Capitol  
1700 W. Washington St.  
Phoenix, AZ 85007

(602) 542-7800  
toll free (877) 365-8310

info@aztreasury.gov  
www.AZTreasurer.gov



# Inside the Vault

The Arizona State Treasurer's Quarterly Update

Volume IV, Issue I

Q1 2014

## 2015 Endowment Distribution Approved

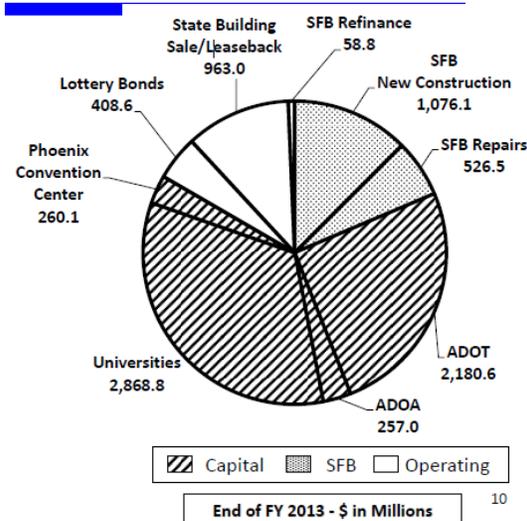
In January the Board of Investment approved a **\$81.7 Million** distribution of proceeds for the 13 beneficiaries of the Permanent Land Endowment Trust Fund for FY 2015. This represents a **11.91%** increase, or nearly **\$8.7 Million** more than the previous fiscal year.



K-12 public education is by far the largest recipient receiving more than 90 percent of the distributions. For FY 2015, K-12 education will receive nearly **\$76 Million**, up **\$8.2 Million**, or **12.1%** YOY.

In November 2012 voters passed Prop 118 which revised the distribution formula for the Endowment to be 2.5 percent of the average 5-year market value of the fund. The previous formula was overly complicated and delivered the unintended consequence of zero dollars for K-12 education in FY 2010.

## 2013 State Debt & Obligations Report



State statute requires that the Joint Legislative Budget Committee (JLBC) submit an annual report to the House and Senate Appropriations Committees on state debt and obligations.

Excluding **\$1.17 Billion** in payment deferrals (rollovers), Arizona's total FY 2013 outstanding debt was **\$8.6 Billion**. In comparison to FY 2013 the outstanding FY 2004 balance was **\$4.82 Billion**.

Of the total FY 2013 outstanding balance, the General Fund share was **\$3.38 Billion**. In FY 2013, the General Fund made debt services payments

totaling **\$364 Million**, of which **45%** was paid towards interest.

Access the full report here: <http://www.azleg.gov/jlbc/2014JLBCDebtReport.pdf>

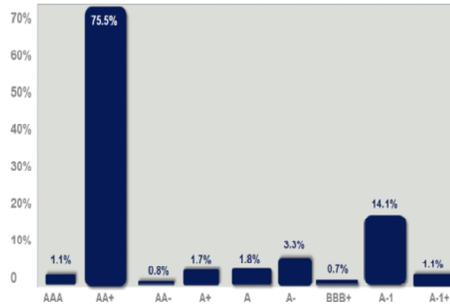
## LGIP Pool 5: Short-term fund

### AT A GLANCE

- \$1.41 Billion in assets with Net Asset Value at \$1.000 as of 12/31/2013.
- Diversified investments weighted to highly rated Commercial Paper, Repurchase Agreements and Agencies/Treasuries.
- Continues to maintain the highest rating of AAA/SI+.
- Weighted Average Maturity is 34 days.
- Planning to add more short dated corporate bonds and commercial paper in the next quarter as overnight repo rates continue to be extremely low.

### Safety

Continues to receive highest rating from Standard & Poor's: AAA/SI+

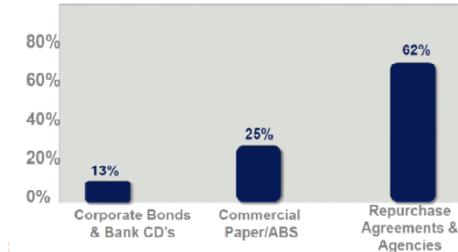


### Liquidity

Weighted Average Maturity: 34 days on 12/31/2013

DURATION: 100% from 0-1 yrs.

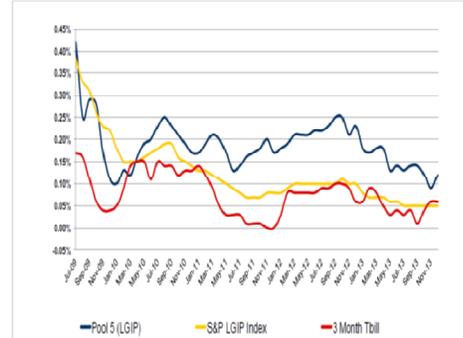
ASSET MIX:



### Yield

.12% FYTD

.05% FYTD (S&P LGIP Index)

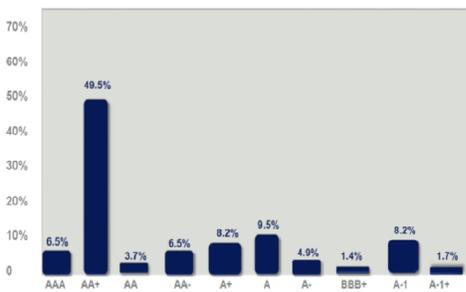


**Pool 5  
Yielded 12  
Basis Points  
FY 14YTD**

## LGIP Pool 500: Medium-term fund

### Safety

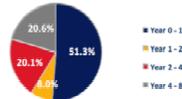
AA Weighted Average Rating



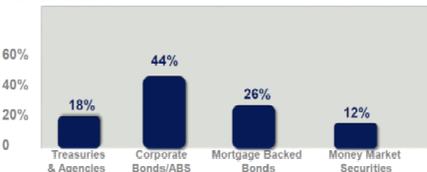
### Liquidity

Effective Duration: 1.82 years on 12/31/2013

DURATION:



ASSET MIX:



### Yield

1.19% FYTD

1.23% FYTD (Index)



**Pool 500  
Yielded 119  
Basis Points  
FY 14YTD**

### AT A GLANCE

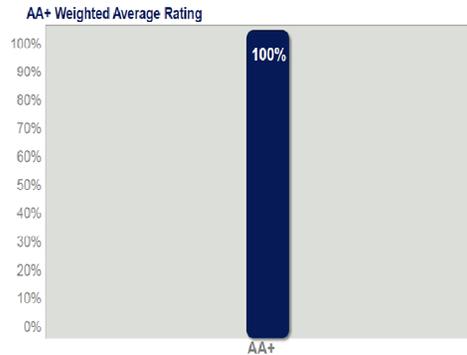
- \$289.4 Million in assets with Floating Net Asset Value at \$1.0265 as of 12/31/2013.
- Diversified fund containing Treasuries, Agencies, Corporate Bonds and Mortgages.
- The effective duration is 1.82 years.
- Keeping the fund short with 59% of the investments maturing inside two years.
- Maximum exposure to any credit at 2.5%.
- Weighted Average Rating of all the securities is AA.

## Pool 7 LGIP-GOV: Short-term fund

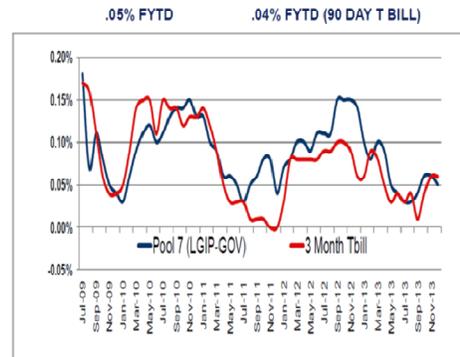
### AT A GLANCE

- \$1 Billion in assets with Net Asset Value at \$1.00 as of 12/31/2013.
- Invested in highly liquid, low-risk securities that are backed by the full faith and credit of the U.S. Government.
- Overall rating is AA+, which reflects the S&P downgrade of U.S. debt.
- Weighted Average Maturity is 53 days.
- Planning to purchase new Treasury floaters to add yield and ladder Treasury/repo and other full faith credit products up to a 13-month horizon.

### Safety



### Yield

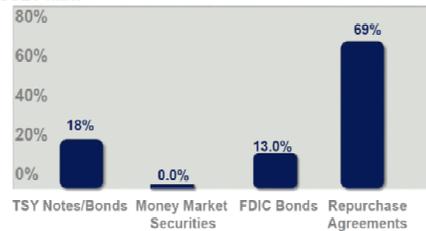


### Liquidity

Weighted Average Maturity: 53 days on 12/31/2013

DURATION: 100% from 0-1 yrs.

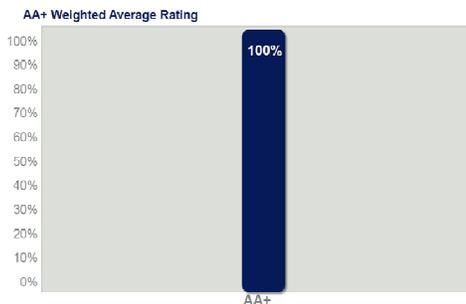
ASSET MIX:



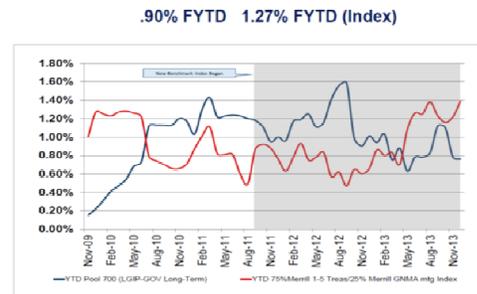
**Pool 7  
Yielded 5  
Basis Points  
FY 14 YTD**

## Pool 700 LGIP-GOV: Medium-term fund

### Safety



### Yield



### AT A GLANCE

- \$228.6 Million in assets with Floating Net Asset Value at \$0.9970 as of 12/31/2013.
- All securities are backed by the full faith and credit of U.S. Government including Treasuries, FDIC paper and GNMA Mortgages.
- The effective duration is 2.02 years.
- Keeping the fund short with 54.8% of the investments maturing in under two years.
- Weighted Average Rating of all the securities is AA+.

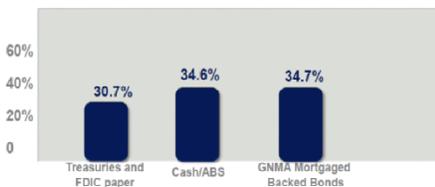
### Liquidity

Effective Duration: 2.02 years on 12/31/2013

DURATION:



ASSET MIX:



**Pool 700  
Yielded 90  
Basis Points  
FY 14 YTD**

OFFICE OF THE

ARIZONA  
STATE  
TREASURER



INVESTMENT  
PERSONNEL

Mark Swenson  
Deputy Treasurer  
(602) 542-7877

Carlton Woodruff  
Deputy Treasurer  
Operations  
(602) 542-7875

Patricia Humbert  
Chief Investment Officer  
(602) 542-7841

Tim White  
Sr. Portfolio Manager  
(602) 542-7836

Chris Petkiewicz  
Portfolio Manager  
(602) 542-7839

Dale Stomberg  
LGIP Investment  
Accounting  
(602) 542-7833

Lorraine Jones  
Revenue Distributions  
(602) 542-7818



View AZ's Daily Cash Balance at [www.AZCheckbook.com](http://www.AZCheckbook.com)

## Patricia Humbert Promoted to CIO

Ms. Humbert first started with the Treasurer's office in 1996 as the Assistant Deputy Treasurer, and after a brief leave, returned in 2007 as the Senior Portfolio Manager to manage more than \$5 Billion in State Agency funds.

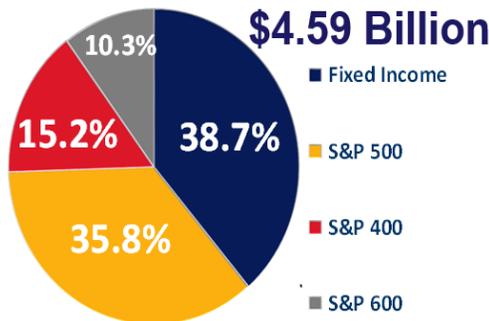
"Patty has consistently demonstrated her leadership and an unparalleled commitment to the safety of all taxpayer investments," said State Treasurer Doug Ducey. "She is a great asset to this office and I'm confident that she will continue to make a positive impact on both our short-term and long-term goals."

Ms. Humbert brings a wealth of private-sector and institutional investment knowledge to the position. Previous employment includes serving as the Vice President and Senior Portfolio Manager for Metropolitan West Asset Management, and Vice President and Manager at Bank of America for Institutional Custody. After receiving her Bachelor of Science degree in business from the University of Phoenix Patricia also earned certifications from the Institute for Public Finance at Northwestern University's Kellogg Graduate School of Management and the Merrill Lynch Bond University I & II in New York City.



### Land Endowment Asset Allocation

(as of December 31, 2013)



### AZ's Savings Account

#### Budget Stabilization Fund

**\$453,251,509**

Market Value as of  
December 31, 2013

### AZ's Checking Account

FY 2014 Q2 Average  
Monthly Cash Balance:

**+29% YOY**

October = \$1.823 Billion  
November = \$1.854 Billion  
December = \$1.895 Billion

### FY 2014 Q2 Earnings \$66,115,459

