

OFFICE OF THE
ARIZONA
STATE
TREASURER



HON. DOUG DUCEY
TREASURER, GOV-
ERNOR-ELECT

INVESTMENT
PHILOSOPHY

SAFETY
before
LIQUIDITY
before
YIELD



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Inside the Vault

The Arizona State Treasurer's Quarterly Update

Volume IV, Issue IV

Q4 2014

FY '15 & FY '16 Budget Deficits Projected

According to the Joint Legislative Budget Committee (JLBC), October 2014 marked the 7th consecutive month of revenue collections falling below the enacted budget forecast. As a result, a **\$189 million** shortfall is now projected in FY 2015 and **\$667 million** in the FY 2016 budget.



Arizona also faces additional costs relating to the Superior Court ruling in the K-12 inflation funding litigation. This ruling requires the state to "reset" the per pupil formula amount to prospectively adjust for inflation funding that was not provided during FY 2009 thru FY 2013. If upheld this further increases the budget gap to **\$520 million** in FY 2015 and **\$1 billion** in FY 2016.



Welcoming Treasurer-elect Jeff DeWit

Businessman and political newcomer Jeff DeWit was elected to serve as Arizona's 33rd State Treasurer on November 4, 2014. He will begin serving his four-year term following the January 5, 2015 inauguration.

Husband and father of three daughters, Mr. DeWit has spent the past 21 years as an investment professional. He worked as a stockbroker with the Chicago Board of Trade and started his own company, ECHOtrade, where he developed innovative trading software and risk management algorithms. Before selling ECHOtrade and running for office he grew the company to over 500 licensed professional traders worldwide with total volume in excess of a billion shares traded a month.

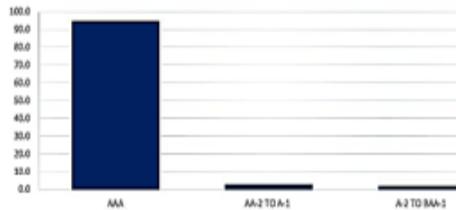
While serving out the remaining two months of his term, current State Treasurer and Governor-elect Doug Ducey has pledged the full support of the office staff to ensure a smooth transition and continued success for Mr. DeWit.

LGIP Pool 5: Short-term fund

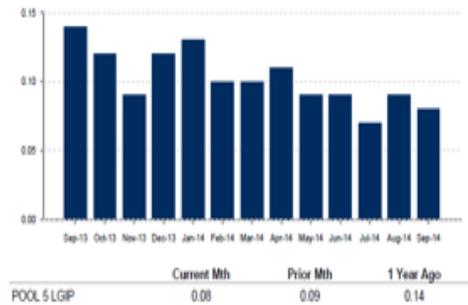
AT A GLANCE

- \$1.1 Billion in assets with Net Asset Value at \$1.000 as of 9/30/2014.
- Diversified investments weighted to highly rated Commercial Paper, Repurchase Agreements and Agencies/Treasuries.
- Pool is rated by S&P and continues to maintain the highest rating of AAAF/SI+.
- Weighted Average Maturity is 40 days.
- Very liquid with 85.9% of assets maturing within 90 days.
- Outperformed the S&P LGIP Index by 3 basis points.

SAFETY: Distribution of Holdings (Moody's Ratings)

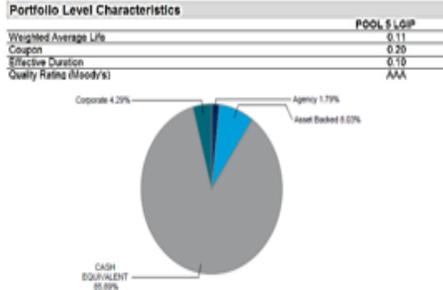


YIELD: .08% (Sept. 2014)



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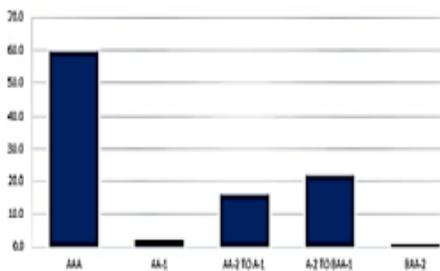
LIQUIDITY: 85.9% of Assets Mature Within 90 Days



Pool 5 Yielded 8 Basis Points (as of September 30, 2014)

LGIP Pool 500: Medium-term fund

SAFETY: Distribution of Holdings (Moody's Ratings)



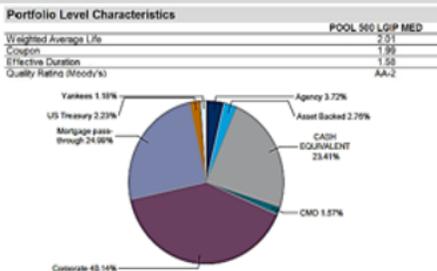
YIELD: 1.10% (Sept. 2014)



AT A GLANCE

- \$254 Million in assets with Floating Net Asset Value at \$1.0315 as of 9/30/2014.
- Diversified fund containing Treasuries, Agencies, Corporate Bonds and Mortgages.
- The effective duration is 1.58 years.
- 50% of the investments have a duration inside one year.
- Maximum exposure to any credit at 2.5%.
- Weighted Average Rating of all the securities is AA-2.

LIQUIDITY: 23% of Assets Mature Within 90 Days



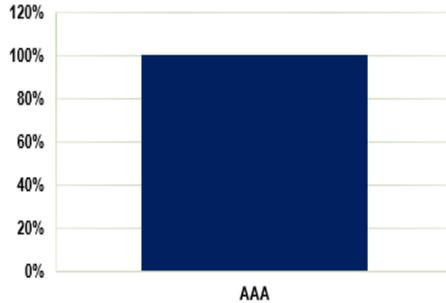
Pool 500 Yielded 110 Basis Points (as of September 30, 2014)

Pool 7 LGIP-GOV: Short-term fund

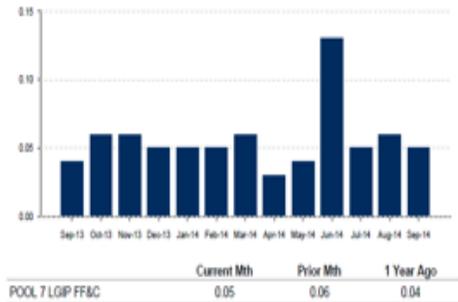
AT A GLANCE

- \$852 Million in assets with Net Asset Value at \$1.00 as of 9/30/2014.
- Invested in highly liquid, low-risk securities that are backed by the full faith and credit of the U.S. Government.
- Weighted Average Rating of all the securities is AAA.
- Weighted Average Maturity is 44 days.
- 78% of the assets maturing within three months.
- Outperformed the 90 day T-Bill by 3 basis points.

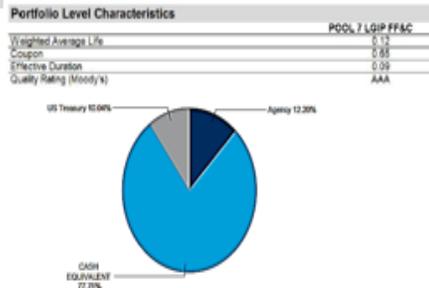
SAFETY: Distribution of Holdings (Moody's Ratings)



YIELD: .05% (Sept. 2014)



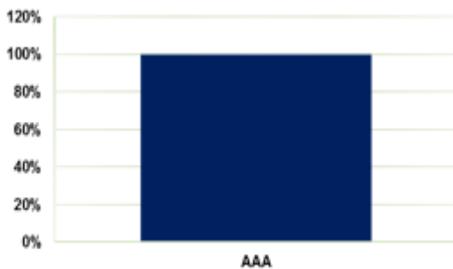
LIQUIDITY: 78% of Assets Mature Within 90 Days



Pool 7 Yielded 5 Basis Points (as of September 30, 2014)

Pool 700 LGIP-GOV: Medium-term fund

SAFETY: Distribution of Holdings (Moody's Ratings)



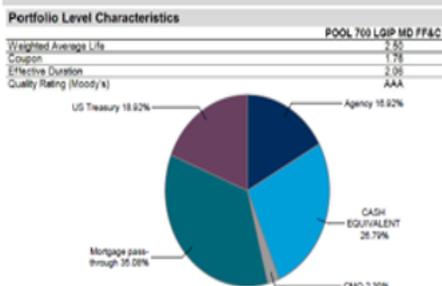
YIELD: Sept: .88%



AT A GLANCE

- \$165 Million in assets with Floating Net Asset Value at \$1.0047 as of 9/30/2014.
- 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 2.06 years.
- Keeping the fund short with 38% of the duration inside of one year.
- Weighted Average Rating of all the securities is AAA.

LIQUIDITY: 27% of Assets Mature Within 90 Days



Pool 700 Yielded 88 Basis Points (as of September 30, 2014)

OFFICE OF THE

**ARIZONA
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View AZ's Daily Cash Balance at www.AZCheckbook.com



Arizona Economic Indicators

Each month the Joint Legislative Budget Committee (JLBC) publishes fiscal highlights including key indicators used to track Arizona's economic recovery:

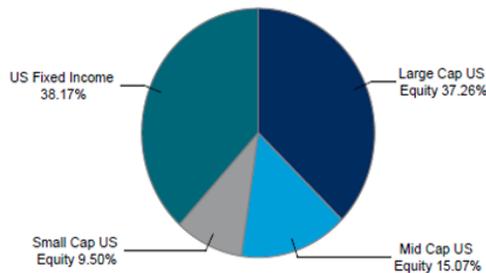
<http://www.azleg.gov/jlbc/monthlyhighlights.htm>

- July 2013 Arizona Population **6.63 million +1.2% YOY**
- Q2 2014 Arizona Personal Income **\$2.54 billion +4.2% YOY**
- Oct. '14 Unemployment **6.8% -1.0% YOY**
- Nov. '14 AHCCCS (Medicaid) Recipients **1,588,358 +24.6% YOY**
- Sept. '14 TANF (Cash Assistance) Recipients **30,223 -19.4% YOY**
- Sept. '14 SNAP (Food Stamps) Recipients **1,005,838 -5.2% YOY**
- Sept. '14 Maricopa Co. Pending Foreclosures **6,097 -31.1% YOY**
- Oct. '14 Maricopa Co. Single-family Home Sales **4,521 -13.7% YOY**
- Oct. '14 Maricopa Co. Single-family Home Price **\$205,000 +10.8% YOY**
- Sept. '14 Sky Harbor Air Passengers **2.99 million +2.7% YOY**
- Q3 '14 AZ Consumer Confidence Index **71.6 -1.2% YOY**

**Land Endowment
Asset Allocation**

(as of September 30, 2014)

\$4,839,106,749



AZ's Savings Account

Budget Stabilization Fund

\$456,148,146

**Market Value as of
September 30, 2014**

AZ's Checking Account

**FY 2015 Average
Monthly Cash Balance:**

-13% YOY

**July = \$1.876 Billion
August = \$1.369 Billion
September = \$1.638 Billion**

**Q1 FY 2015 Earnings
\$33,076,460**

