OFFICE OF THE

# ARIZONA STATE TREASURER

**Doug Ducey**
TREASURER

# AUGUST 2014

**Presented To:**

## Arizona State Board of Investment

**SEPTEMBER 23, 2014**

**STATE BOARD OF INVESTMENT**

# A G E N D A

**September 23, 2014**

1. Call to Order
2. Chairman Remarks
3. Approval of August 25, 2014 Minutes
4. Approval of Amended May 29, 2014 BOI Meeting Minutes
5. Review of Treasurer's Monthly Reports
    A. Earnings Distribution; Investment Pools
    B. Operating Monies Invested Balances
    C. State Agency Pools Investments and Performance Reports
    D. LGIP Pools Investments and Performance Reports
    E. Earnings Distributed Endowment Funds
    F. Endowment Investments and Performance Reports
6. Proposed Changes to the Investment Policy
    A. Review of Proposed Changes
    B. Public Comment on Proposed Changes
    C. Discussion and Action on Proposed Changes
7. Review and Approval of Proposed/Pending Securities Dealers
8. General Business
9. Call to the Public
10. Notice of Next Meeting
11. Adjournment

**REPORT OF THE STATE TREASURER**

**FOR**

**September 23, 2014**

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**Minutes of**
**BOARD OF INVESTMENT MEETING**

The regular meeting of the State Board of Investment was held on August 25, 2014 in the Office of the State Treasurer, 1700 West Washington, State Capitol, West Wing, Treasurer's Conference Room, Phoenix, Arizona. Treasurer Ducey called the meeting to order at approximately 1:30 p.m.

**Members Present:**

Doug Ducey, Chair, State Treasurer
Beth Ford, Treasurer, Pima County, Via Tele-Conference
Harry A. Papp, CFA and Managing Partner, L. Roy Papp & Associate
Brian McNeil, Director of Arizona Department of Administration

**Others Present**:

Mark Swenson, Deputy Treasurer, Arizona State Treasurer's Office
Carlton Woodruff, Deputy Treasurer of Operations, Arizona State Treasurer's Office
Patty Humbert, Chief Investment Officer, Arizona State Treasurer's Office
Tim White, Senior Portfolio Manager, Arizona State Treasurer's Office
Chris Petkiewicz, Portfolio Manager, Arizona State Treasurer's Office
Dale Stomberg, Investment Accounting Manager, Arizona State Treasurer's Office
Martin Kelly, Investment Analyst, Arizona State Treasurer's Office
Kevin Donnellan, Director of Communications, Arizona State Treasurer's Office

Pursuant to A.R.S. 35-311, the following reports for July, 2014 were submitted for the Board's approval:

Review of Treasurer's Monthly Reports:

Earnings Distribution; Investment Pools

Operating Monies Invested Balances

State Agency Pools Investments and Performance Reports

LGIP Pools Investments and Performance Reports

Earnings Distributed Endowment Funds

Endowment Investments and Performance Reports

1. **Call to Order:**
   Treasurer Ducey called the August 25, 2014 BOI meeting to order at approximately 1:30 pm.

2. **Treasurers Comments:**
   Treasurer Ducey welcomed the board members and guests and thanked all present for attending the August 25, 2014 meeting.

3. **Approval of Minutes:**
   Mr. Papp made a motion to approve the July 29, 2014 minutes. Ms. Ford seconded the motion. Motion carried.

**4. Review of Treasurer's Monthly Report**

**Earnings Distribution – Investment Pools**

Ms. Humbert reported the earnings distributed month-to-date, year-to-date, prior year-to-date, and investment management fees deposited in the General Fund for the month of July, 2014.

**Operating Monies Average Invested Balance**

Ms. Humbert reported the Operating Monies average invested balance for the month of July, 2014.

**Review of Treasurer's Monthly Report – Agency Pools:**

Ms. Humbert presented the monthly report for the Agency Pools portion of the Arizona State Treasurer's Office to the Board of Investment as follows:

**State Agency Pools Portfolio Yield Analysis**

Ms. Humbert reported the net yields for the State Agency Pools for the month of July, 2014.

**Manager Allocation of Invested Monies for the State Agency Pools**

Ms. Humbert reported the total market value of all of the State Agency Pools broken up to show the percent allocated to each individual State Agency Pool as of July 31, 2014.

**Investments Outstanding in State Agency Pools**

Ms. Humbert reported the total net assets, asset allocation, the weighted average life, the weighted average duration and the weighted average rating for the State Agency Investment Pools as of July 31, 2014.

**Review of Treasurer's Monthly Report – LGIP Investment Pools:**

Mr. Petkiewicz presented the monthly report for the LGIP Investment Pools portion of the Arizona State Treasurer's Office to the Board of Investment as follows:

**LGIP (Pool 5) & LGIP GOV (Pool 7) Portfolio Yield Analysis**

Mr. Petkiewicz reported the net yield for the LGIP and LGIP-Gov Pools and the comparison to the benchmark for the month of July, 2014.

**Pool 500 & Pool 700 Portfolio Yield Analysis**

Mr. Petkiewicz reported the net yield for the LGIP Medium Term Pools and the comparison to the benchmark for the month of July, 2014.

**Manager Allocation of Invested Monies for the LGIP Pools**

Mr. Petkiewicz reported the total market value invested in all of the LGIP Pools as a percentage of the total that was allocated to each of the LGIP, LGIP-Gov, and LGIP Medium Term Pools as of July 31, 2014.

**LGIP Pools Investments and Performance Reports**

Mr. Petkiewicz reported the total net assets, asset allocation, the weighted average life, the weighted average duration, and the weighted average rating on the LGIP, LGIP-Gov, and LGIP Medium Term pools for the month of July, 2014.

*Mr. McNeil referenced page 32 of the monthly report, with an inquiry on the use of the terms overweight and underweight. Mr. McNeil inquired as to whether the reference was an absolute concept of overweight and underweight, or if it was relative to some original allocation. Mr. Petkiewicz clarified that it was in fact the concept, adding that he was not making a comparison to the benchmark. Mr. Papp added that if interest rates go up, bonds would go down, adding that the shorter the bonds, the least amount of damage.*

**Review of Treasurer's Monthly Report – Endowments:**

Mr. White presented the endowment portion of the monthly report of the Arizona State Treasurer's Office to the Board of Investment as follows:

**Earnings Distributed Endowment Funds**

Mr. White reported the earnings distributed for the Endowment Funds for the month of July, 2014.

**Net Realized Capital Gains/Losses – Endowment Funds**

Mr. White reported the net realized capital gains for the Endowment Fixed Income, S&P 500, S&P 400 and S&P 600 pools for the month of July 2014 and fiscal year to date.

**Endowment Funds Fixed-Income Pool Purchases & Sales**

Mr. White reported the purchases and sales of the Endowment Fixed Income Pool for the month of July, 2014.

**Equity Funds Purchases & Sales**

Mr. White reported the purchases and sales (summary) of the Endowment Equity Pools for the month of July, 2014.

**Investments Outstanding in Endowment Funds**

Mr. White reported the par, book, market value, and unrealized gains/loss of the Endowment Funds as of July 31, 2014.

**Performance of Investments in Endowment Funds**

Mr. White reported the performance of the Endowment Funds for the current month, the year to date, trailing one year, trailing three years, trailing five years, and since inception for the Endowment Funds as of July 31, 2014.

**Manager Allocation of Invested Monies for the Endowment Pools**

Mr. White reported the percentage of the total market value of all of the Endowment investments allocated to each of the Endowment Pools, as of July 31, 2014.

**Equity Holdings Investments Outstanding S&P 500**

Mr. White reported the investments outstanding by portfolio characteristics and industry sector for the S&P 500 Pool as of July 31, 2014.

**Equity Holdings Investments Outstanding S&P 400**

Mr. White reported the investments outstanding by portfolio characteristics and industry sector for the S&P 400 Pool as of July 31, 2014.

**Equity Holdings Investments Outstanding S&P 600**

Mr. White reported the investments outstanding by portfolio characteristics and industry sector for the S&P 600 Pool as of July 31, 2014.

**Fixed Income Investments and Performance Reports**

Mr. White reported the total net assets, asset allocation, the weighted average life, the weighted average duration and the weighted average rating for the Fixed Income Pool for the month of July, 2014.

**Endowment Investments and Performance Growth by Account Reports**

Mr. White reported the performance and growth for each of the Endowment Funds from the inception date of each fund through the end of July, 2014.

**Approval of Treasurer's Report**

Mr. McNeil made a motion to approve the Treasurer's Report. Mr. Papp seconded the motion. Motion carried.

5. **Proposed Changes to Investment Policy:**
   No proposed changes.

6. **Review and approval of Proposed/Pending Securities Dealers:**
   No proposed changes.

7. **General Business:**
   There was no general business.

8. **Call to the Public**
   There was no public comment.

   *Mr. Papp provided the members of the board with a brief economic update.*

9. **Notice of Next Meeting:**

   Treasurer Ducey advised the Board that the next regular meeting of the Board of Investment will be Tuesday, September 23, 2014 at 1:30 p.m. at 1700 West Washington, State Capitol, West Wing, Treasurer's Conference Room, Phoenix, Arizona.

10. **Adjournment:**

    Mr. McNeil made a motion to adjourn the BOI meeting. Ms. Ford seconded the motion. Upon unanimous approval the BOI Meeting was adjourned at 2:06 p.m.

Respectfully Submitted by:

_____
Barbara Conley
Executive Consultant II

Approved by:

_____ _____
Doug Ducey, Chair Date

# EARNINGS DISTRIBUTION - INVESTMENT POOLS
## AUGUST 2014

| Recipient | Earnings Distributed AUGUST 2014 | Earnings Distributed Fiscal YTD 14/15 | Earnings Distributed Fiscal YTD 13/14 | Fiscal YTD Investment Management Fees Received |
|---|---|---|---|---|
| General Fund | $850,974 | $2,009,362 | $2,539,968 | |
| 2 State Agencies - Full Faith & Credit | 481,403 | 927,887 | 1,111,006 | $81,266 |
| 3 State Agencies - Diversified *(Combined)* | 718,400 | 1,298,965 | 2,435,529 | 122,050 |
| 4 State Agencies - Gov | 464,517 | 1,009,563 | 934,340 | 78,647 |
| 5 LGIP | 86,762 | 159,489 | 301,349 | 109,666 |
| 7 LGIP Gov | 42,983 | 84,105 | 49,976 | 85,996 |
| 10 Restricted Operating | 283,037 | 552,263 | 0 | 132,705 |
| 12 CAWCD Medium-Term | 410,508 | 838,954 | 933,119 | 28,005 |
| 15 GADA Long-Term | 14,215 | 29,256 | 43,845 | 1,132 |
| 16 ECDH Medium-Term | 467,946 | 935,043 | 953,004 | 34,963 |
| **Subtotal** | **$3,820,745** | **$7,844,886** | **$9,302,137** | **$674,431** |
| **NAV POOL** | | | | |
| 500 LGIP - Med Term | 238,668 | 494,801 | 511,864 | 23,679 |
| 700 LGIP - FF&C Med Term | 128,719 | 255,812 | 310,765 | 15,118 |
| **Total** | **$4,188,131** | **$8,595,499** | **$10,124,765** | **$713,228** |
| **AUGUST 2013 TOTALS** | **$4,989,919** | | | **$791,119** |

**OPERATING MONIES**
**AVERAGE INVESTED BALANCE**
Through August 31, 2014
(in millions of dollars)

| Month | Fiscal Year 2012/2013 | Fiscal Year 2013/2014 | Fiscal Year 2014/2015 |
|---|---|---|---|
| JULY | 1,817 | 1,942 | 1,876 |
| AUGUST | 1,475 | 1,709 | 1,369 |
| SEPTEMBER | 1,420 | 1,974 | |
| OCTOBER | 1,205 | 1,824 | |
| NOVEMBER | 1,316 | 1,853 | |
| DECEMBER | 1,464 | 1,895 | |
| JANUARY | 1,885 | 2,234 | |
| FEBRUARY | 1,899 | 2,427 | |
| MARCH | 1,815 | 2,107 | |
| APRIL | 2,109 | 2,100 | |
| MAY | 2,428 | 2,312 | |
| JUNE | 2,679 | 2,462 | |
| **Y-T-D Average** | **$1,793** | **$2,070** | **$1,623** |

| | |
|---|---|
| **Budget Stabilization Average Fund Balance - August 2014** | **$456** |
| **Total Average Cash Available - August 2014** | **$1,825** |

# STATE AGENCY POOLS
# PORTFOLIO EARNINGS ANALYSIS
# August 31, 2014

| FUND | DESCRIPTION | Current Month 08/31/14 | Prior Month 07/31/14 | Prior Year 8/31/13 | Net Asset Value Per Share |
|---|---|---|---|---|---|
| 2 | STATE AGENCIES - FULL FAITH & CREDIT | 508,887 | 559,307 | 730,828 | 0.9938 |
| 3 | STATE AGENCIES - DIVERSIFIED | | | | |
| | INTERNAL MANAGERS | 804,257 | 822,955 | 1,730,283 | 0.9958 |
| | EXTERNAL MANAGERS | 56,446 | 56,234 | 47,304 | 1.0008 |
| | FUND 3 TOTAL | 860,703 | 879,188 | 1,777,587 | 0.9962 |
| 4 | STATE AGENCIES - GOV | 544,197 | 720,252 | 755,499 | 0.9911 |
| 10 | RESTRICTED OPERATING | | | | |
| | INTERNAL MANAGERS | 817,065 | 767,766 | N/A | 0.9965 |
| | EXTERNAL MANAGERS | 66,423 | 71,872 | 126,526 | 1.0012 |
| | FUND 10 TOTAL | 883,488 | 839,638 | 126,526 | 0.9975 |
| 12 | CAWCD MEDIUM-TERM | 410,508 | 428,446 | 463,905 | 1.0095 |
| 15 | GADA LONG-TERM | 14,215 | 15,041 | 14,523 | 0.9945 |
| 16 | ECDH MEDIUM-TERM | 467,946 | 467,097 | 491,029 | 0.9941 |
| | TOTAL STATE AGENCIES | 3,689,943 | 3,908,970 | 4,359,899 | |

# STATE AGENCY POOLS
# PORTFOLIO YIELD ANALYSIS
# AUGUST 31, 2014

| FUND | DESCRIPTION | Current Month 08/31/14 | Prior Month 07/31/14 | Prior Year 8/31/13 |
|---|---|---|---|---|
| 2 | STATE AGENCIES - FULL FAITH & CREDIT | 0.76% | 0.71% | 0.82% |
| | 75% MERRILL 0-1 US TREAS INDEX / 25% MERRILL US GNMA MORTGAGE BACKED INDEX | 0.75% | 0.79% | 0.89% |
| 3 | STATE AGENCIES - DIVERSIFIED | | | |
| | INTERNAL MANAGERS | 0.84% | 0.76% | 0.95% |
| | EXTERNAL MANAGERS | 0.66% | 0.65% | 0.55% |
| | COMBINED | 0.82% | 0.75% | 0.94% |
| | 50% 3 MONTH LIBOR INDEX / 50% MERRILL 1-3 US BROAD MARKET INDEX | 0.50% | 0.51% | 0.51% |
| 4 | STATE AGENCIES - GOV | 0.80% | 0.97% | 0.92% |
| | 50% MERRILL 6 MTH US T-BILL INDEX / 50% MERRILL 1-3 UNSUB. US TREAS / AGY INDEX | 0.28% | 0.30% | 0.24% |
| 10 | RESTRICTED OPERATING | | | |
| | INTERNAL MANAGERS | 0.86% | 0.81% | N/A |
| | EXTERNAL MANAGERS | 0.26% | 0.28% | 0.50% |
| | COMBINED | 0.73% | 0.70% | 0.50% |
| | SIFMA MUNICIPAL SWAP INDEX | 0.05% | N/A | 0.06% |
| | **50% 3 MONTH LIBOR INDEX / 50% MERRILL 1-3 US BROAD MARKET INDEX | 0.50% | 0.51% | N/A |
| 12 | CAWCD MEDIUM-TERM | 1.61% | 1.68% | 1.92% |
| | *MERRILL 1-5 US D M INDEX | 1.26% | 1.32% | 1.37% |
| 15 | GADA LONG-TERM | 1.38% | 1.46% | 1.41% |
| | MERRILL 3-5 US BROAD MARKET EX CORP | 1.69% | 1.80% | 1.88% |
| 16 | ECDH MEDIUM-TERM | 1.63% | 1.63% | 1.77% |
| | *MERRILL 1-5 US D M INDEX | 1.26% | 1.32% | 1.37% |

*Note: Beginning with May 2014, the Benchmark for Pools 12 and 16 were changed from Barclays Capital US AGG Bond Index to Merrill 1-5 US DM Index.

**Note: Beginning with June 2014, the Benchmark for Pool 10 was changed from SIFMA Municipal Swap Index to the Benchmark used for Pool 3.

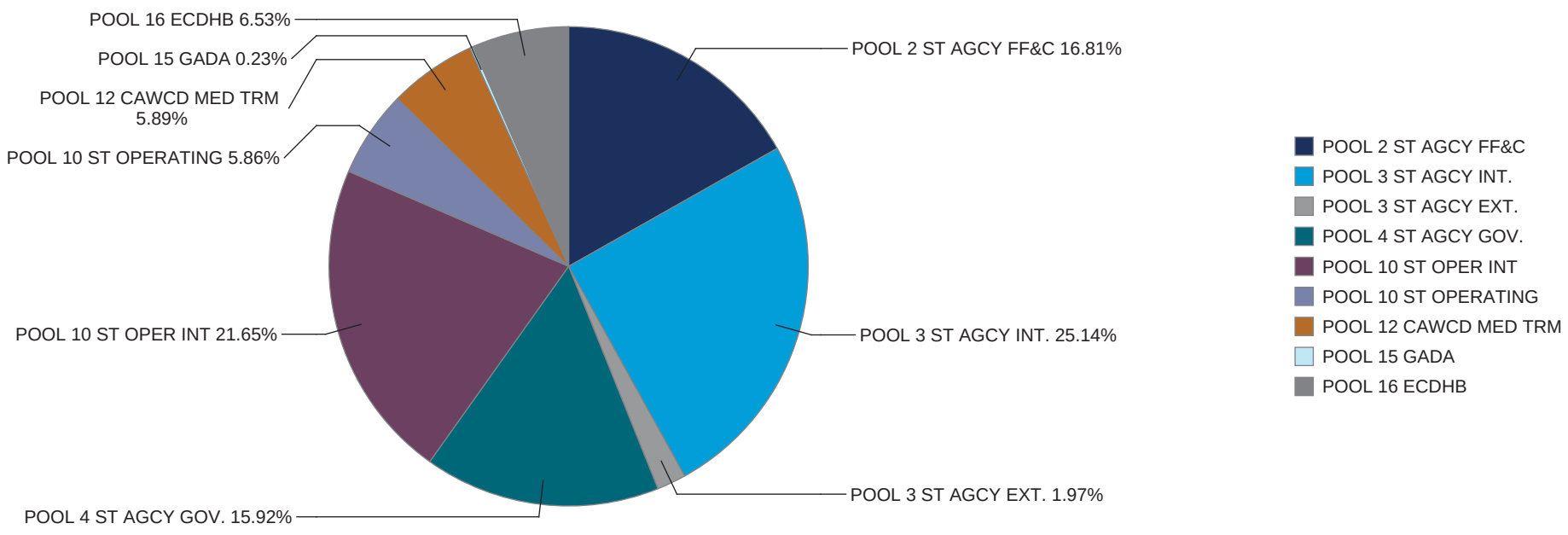
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

## STATE AGENCY

STATE STREET.

### Manager Allocation




| | Market Value | % of Portfolio |
|---|---|---|
| POOL 2 ST AGCY FF&C | 865,828,180 | 16.8 |
| POOL 3 ST AGCY INT. | 1,294,922,568 | 25.1 |
| POOL 3 ST AGCY EXT. | 101,396,735 | 2.0 |
| POOL 4 ST AGCY GOV. | 820,120,480 | 15.9 |
| POOL 10 ST OPER INT | 1,115,133,435 | 21.7 |
| POOL 10 ST OPERATING | 301,627,593 | 5.9 |
| POOL 12 CAWCD MED TRM | 303,095,365 | 5.9 |
| POOL 15 GADA | 12,042,074 | 0.2 |
| POOL 16 ECDHB | 336,093,485 | 6.5 |
| TOTAL STATE AGENCY | 5,150,259,917 | 100.0 |

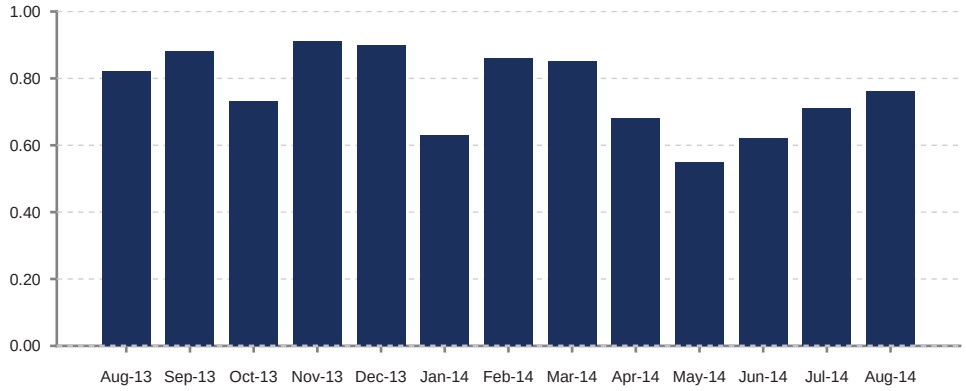
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 2 ST AGCY FF&C**

STATE STREET.

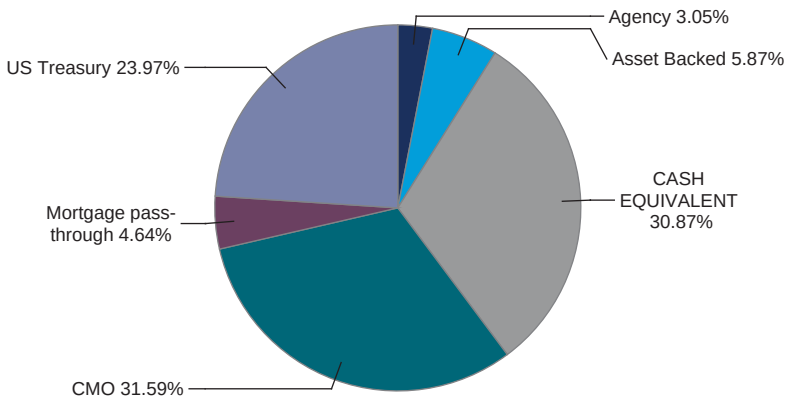
## Net Yield



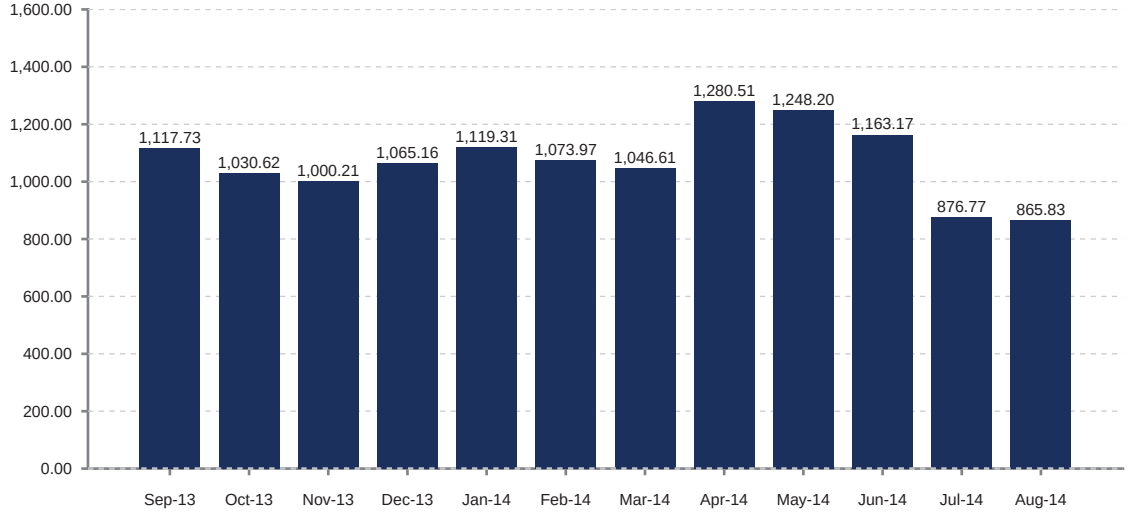

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 2 ST AGCY FF&C | 0.76 | 0.71 | 0.82 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 2 ST AGCY FF&C | 865,828,180 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 2 ST AGCY FF&C | | |
| WELLS FARGO REPO | 147,144,071 | 16.99 |
| DAIWA CAPITAL MARKETS | 100,000,417 | 11.55 |
| US TREASURY N/B | 71,367,998 | 8.24 |
| UNITED STATES TREASURY NOTE/BO | 50,051,454 | 5.78 |
| GOVERNMENT NATIONAL MORTGAGE A | 32,594,810 | 3.76 |
| GOVERNMENT NATIONAL MORTGAGE A | 22,316,880 | 2.58 |
| US TREASURY FRN | 20,003,311 | 2.31 |
| UNITED STATES TREASURY BILL 10/14 0.00000 | 19,996,495 | 2.31 |
| GOVERNMENT NATIONAL MORTGAGE A | 19,368,687 | 2.24 |
| GOVERNMENT NATIONAL MORTGAGE A | 18,373,202 | 2.12 |

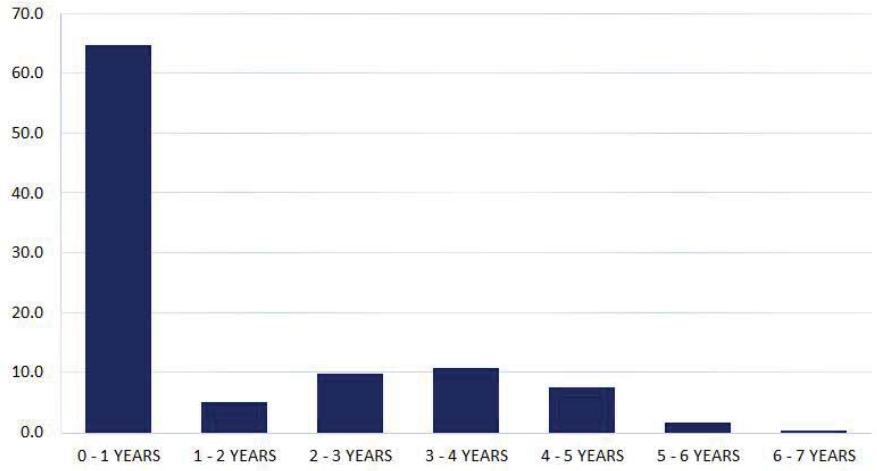
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

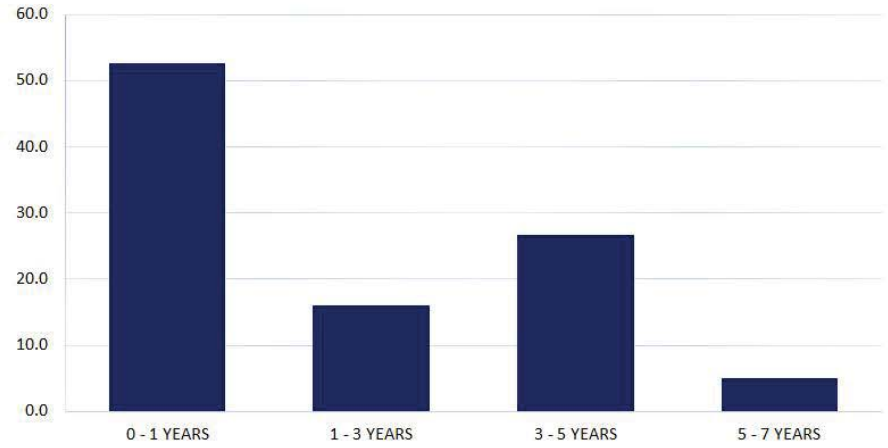
**POOL 2 ST AGCY FF&C**

STATE STREET.

## Duration Distribution



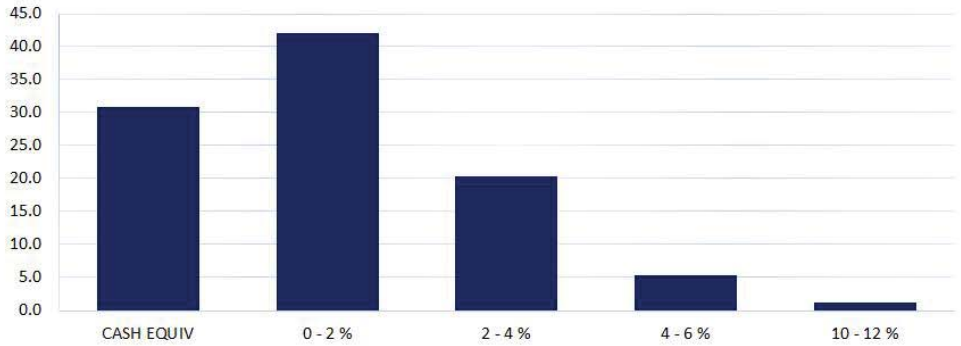

## Expected Maturity Distribution



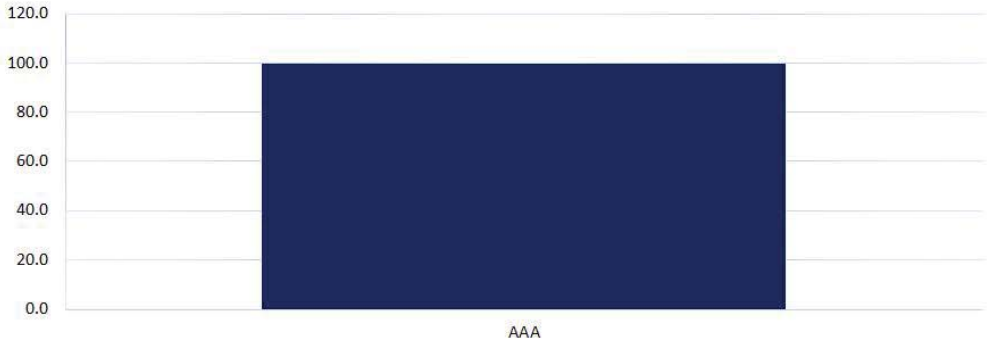

## Portfolio Level Characteristics

| | POOL 2 ST AGCY FF&C |
|---|---|
| Weighted Average Life | 1.85 |
| Coupon | 1.69 |
| Effective Duration | 1.31 |
| Quality Rating (Moody's) | AAA |

## Coupon Distribution




## Rating Distribution



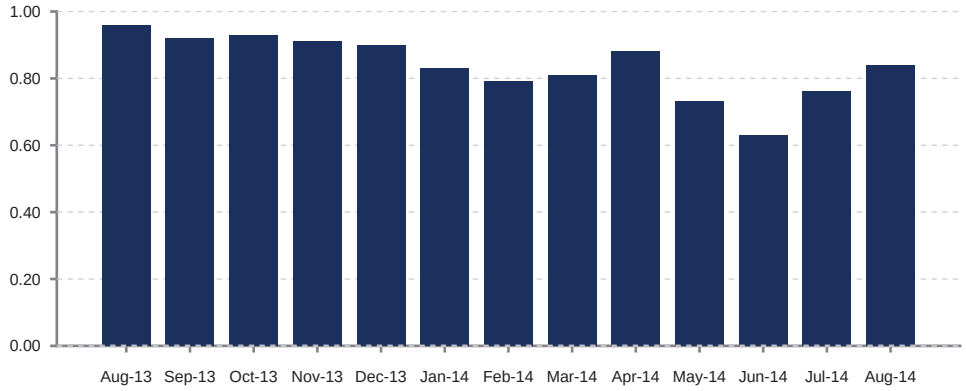
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 3 ST AGCY INT.**

STATE STREET.

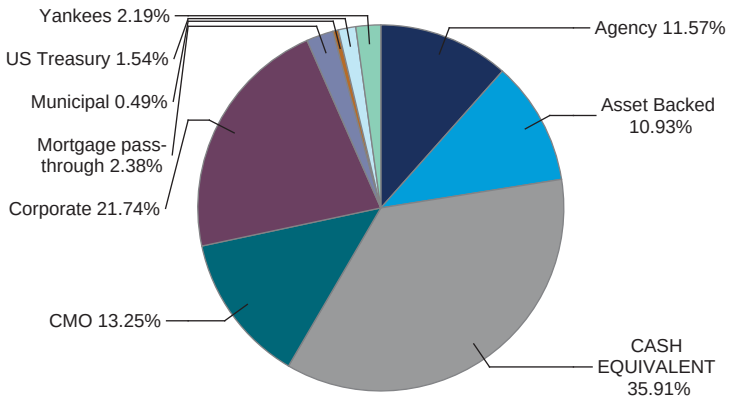
## Net Yield



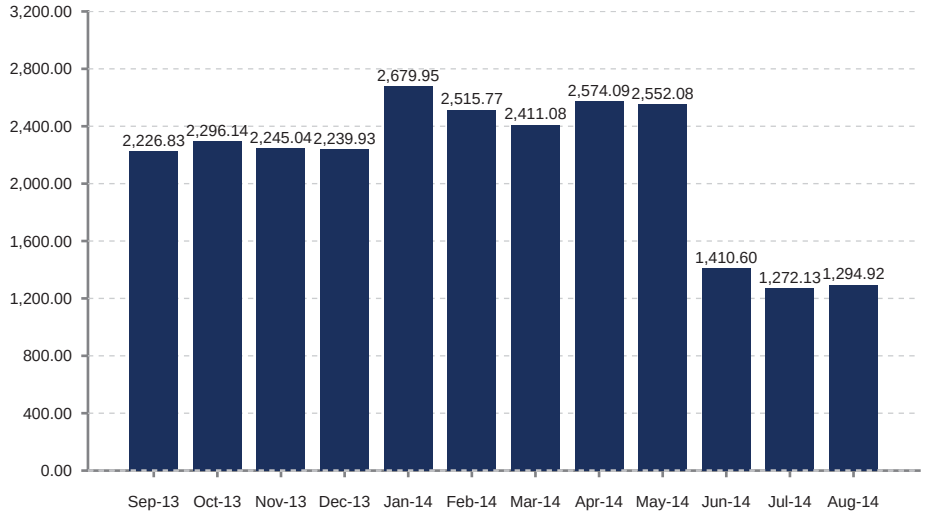

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 3 ST AGCY INT. | 0.84 | 0.76 | 0.96 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 3 ST AGCY INT. | 1,294,922,568 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 3 ST AGCY INT. | | |
| SOUTH STREET REPO | 229,779,437 | 17.74 |
| SOUTH STREET REPO | 100,000,500 | 7.72 |
| FREDDIE MAC | 36,031,456 | 2.78 |
| INSTITUTIONAL SECURED | 34,997,861 | 2.70 |
| CAN AST & CAN LTD JT | 29,998,950 | 2.32 |
| FEDERAL NATL MTG ASSN | 22,459,790 | 1.73 |
| FANNIE MAE | 21,848,445 | 1.69 |
| NATL RURAL UTIL COOP | 20,299,899 | 1.57 |
| WHITE POINT FDG INC | 14,736,023 | 1.14 |
| FANNIE MAE | 14,048,010 | 1.08 |

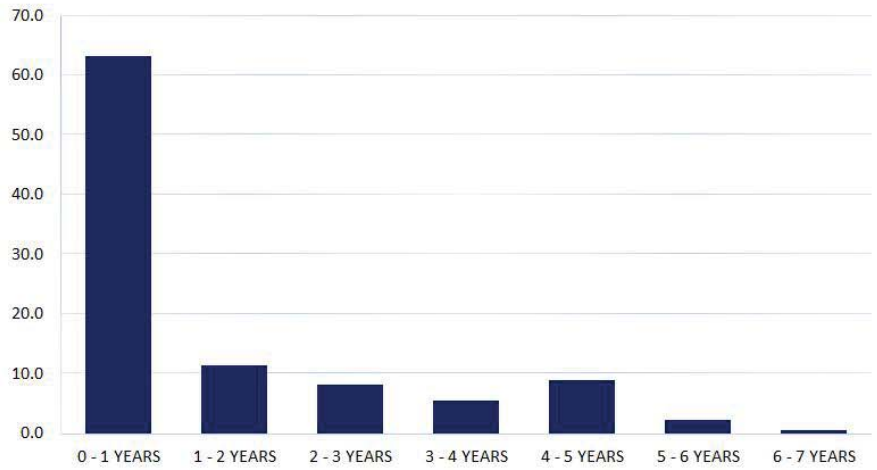
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

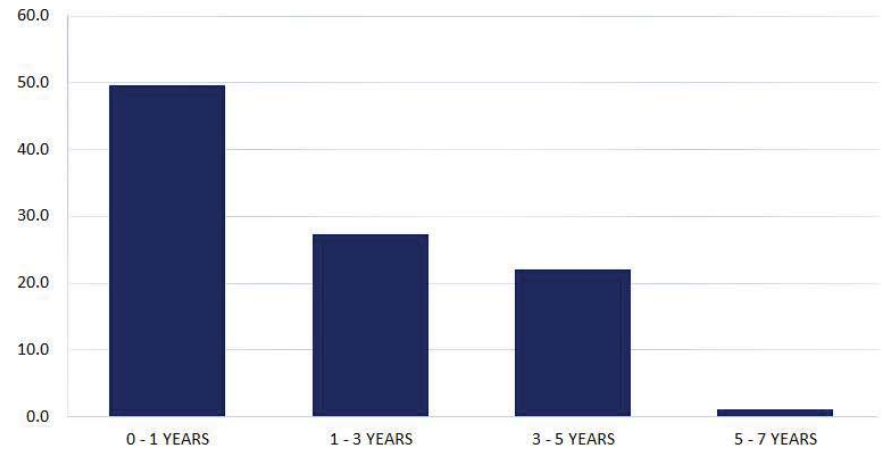
**POOL 3 ST AGCY INT**

STATE STREET.

## Duration Distribution



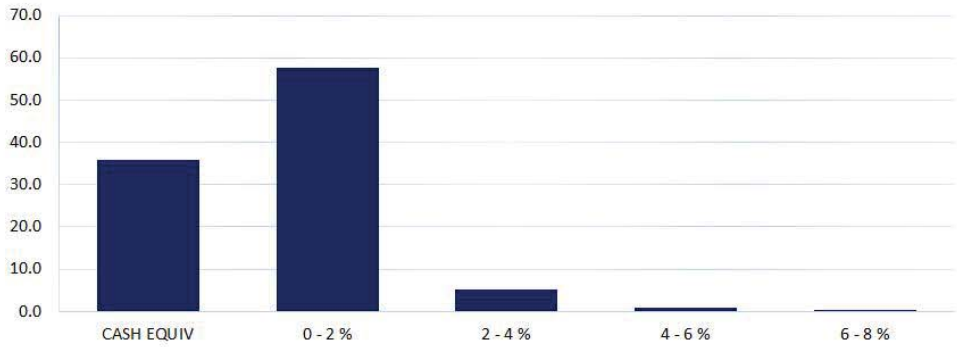

## Expected Maturity Distribution



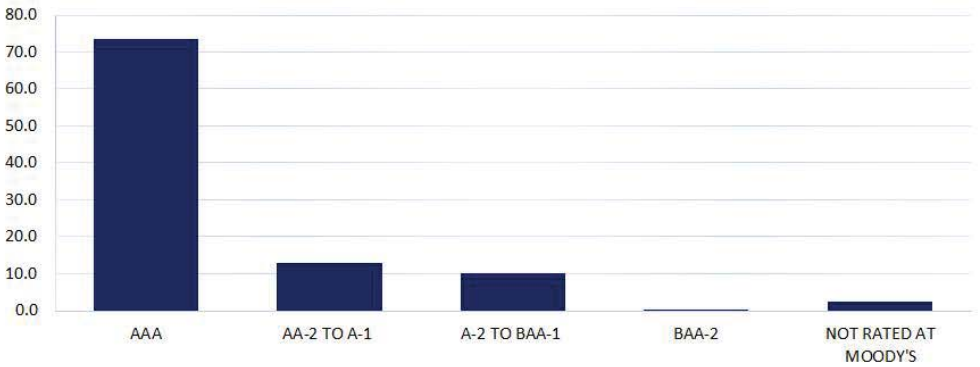

## Portfolio Level Characteristics

| | POOL 3 ST AGCY INT. |
|---|---|
| Weighted Average Life | 1.53 |
| Coupon | 0.89 |
| Effective Duration | 1.25 |
| Quality Rating (Moody's) | AA-1 |

## Coupon Distribution




## Rating Distribution



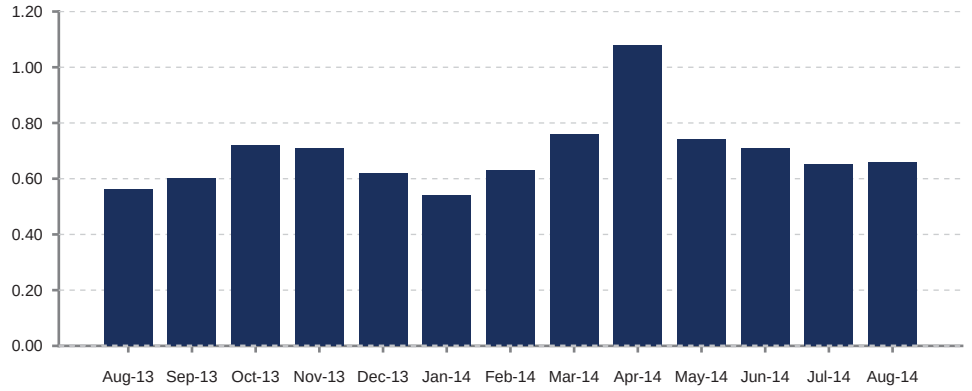
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 3 ST AGCY EXT.**

STATE STREET.

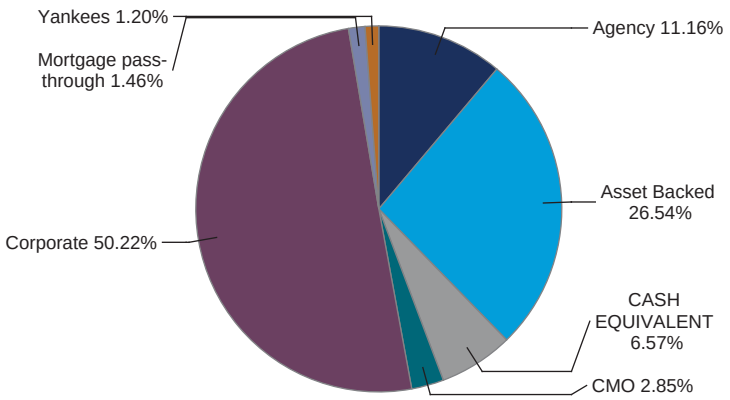
## Net Yield



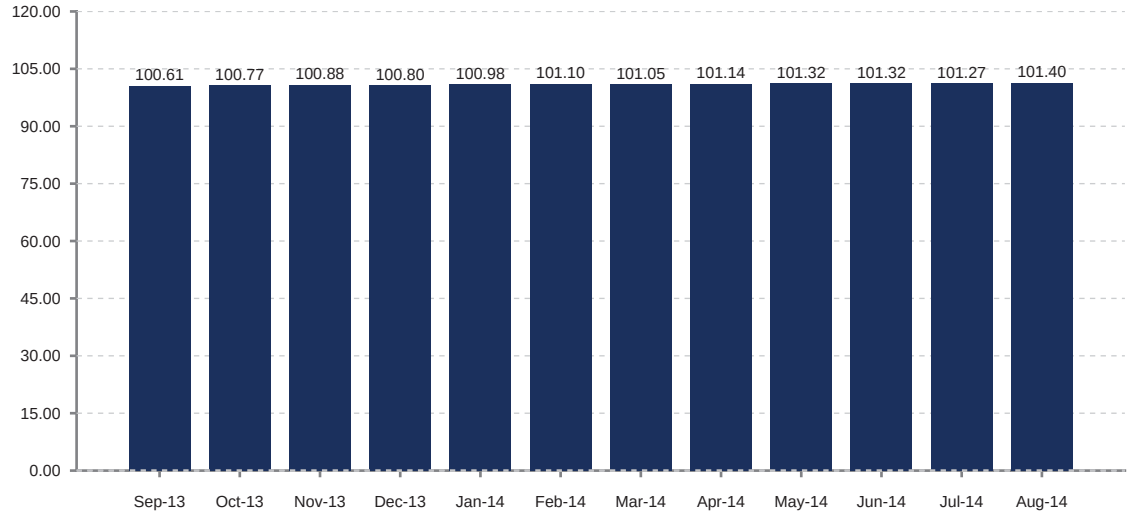

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 3 ST AGCY EXT. | 0.66 | 0.65 | 0.56 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 3 ST AGCY EXT. | 101,396,735 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 3 ST AGCY EXT. | | |
| WELLS FARGO BANK NA | 2,305,062 | 2.27 |
| ROYAL BK OF CANADA | 1,805,294 | 1.78 |
| MUFG UNION BANK NA | 1,670,610 | 1.65 |
| HYUNDAI AUTO RECEIVABLES TRUST | 1,640,581 | 1.62 |
| PACCAR FINANCIAL CORP | 1,608,908 | 1.59 |
| DISCOVER CARD EXECUTION NOTE T | 1,575,682 | 1.55 |
| JPMORGAN CHASE + CO | 1,508,279 | 1.49 |
| FANNIE MAE | 1,505,236 | 1.48 |
| BANK OF AMERICA NA | 1,504,475 | 1.48 |
| CITIBANK CREDIT CARD ISSUANCE | 1,502,223 | 1.48 |

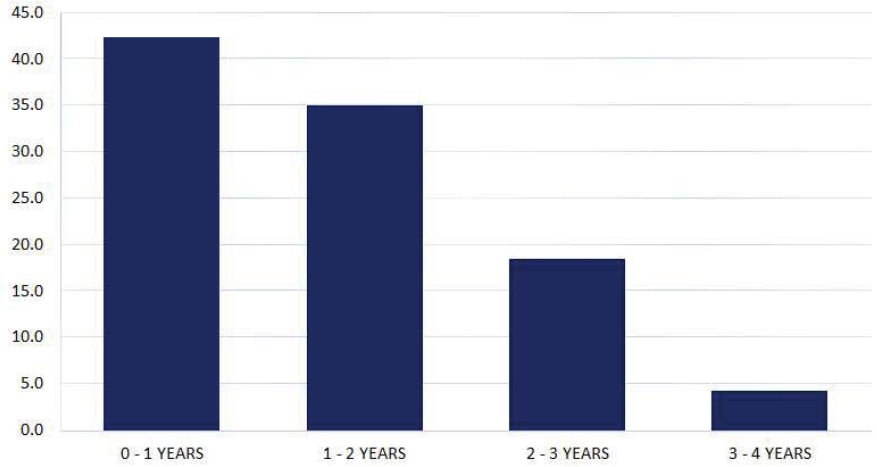
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

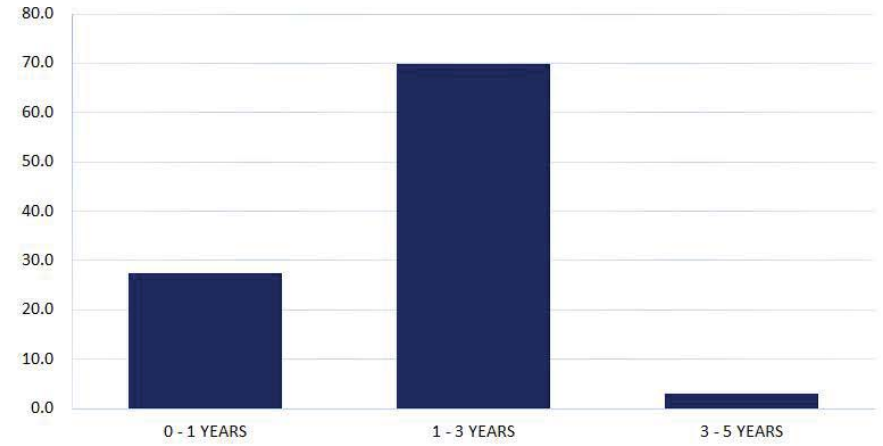
**POOL 3 ST AGCY EXT**

STATE STREET.

## Duration Distribution



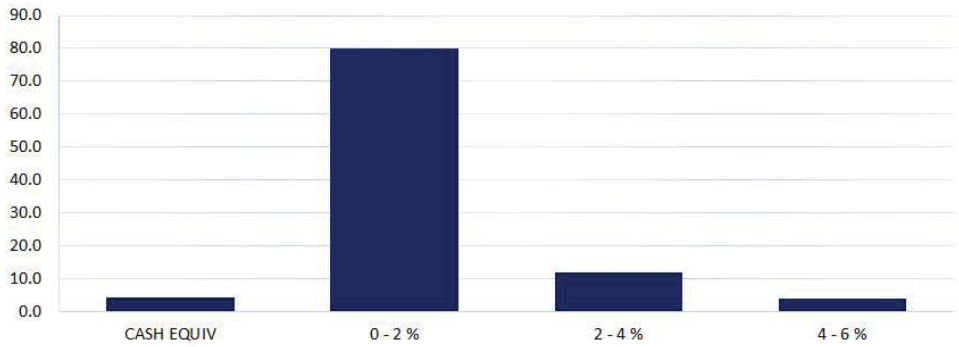

## Expected Maturity Distribution



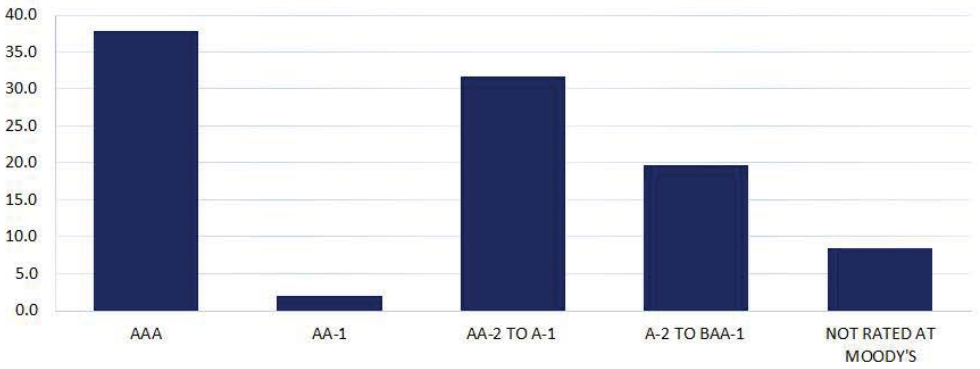

## Portfolio Level Characteristics

| | POOL 3 ST AGCY EXT. |
|---|---|
| Weighted Average Life | 1.61 |
| Coupon | 1.30 |
| Effective Duration | 1.27 |
| Quality Rating (Moody's) | AA-3 |

## Coupon Distribution




## Rating Distribution



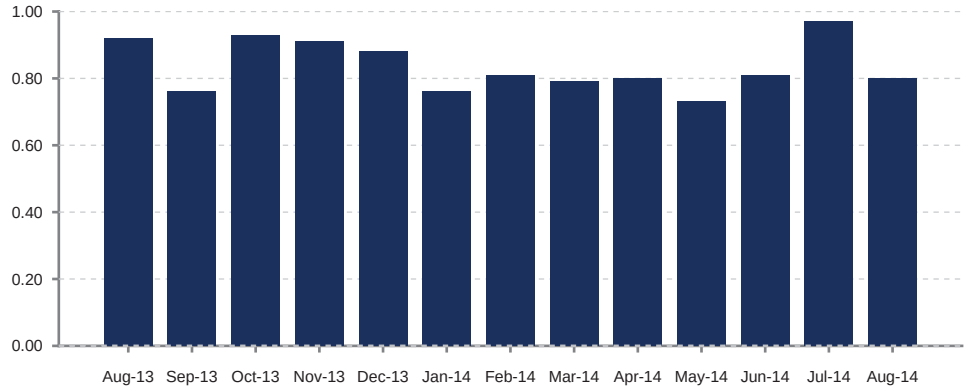
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 4 ST AGCY GOV.**

STATE STREET.

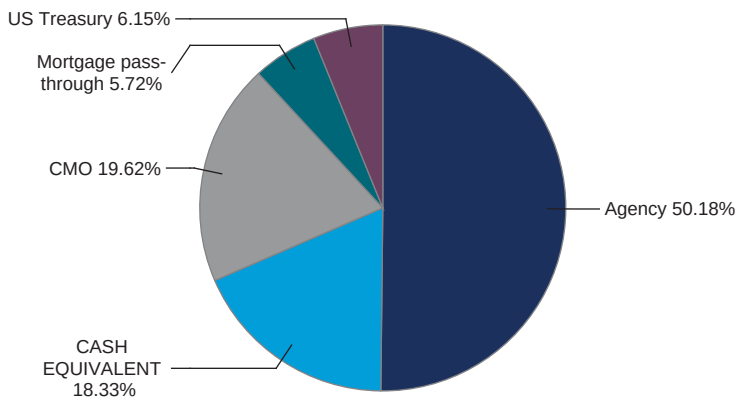
## Net Yield



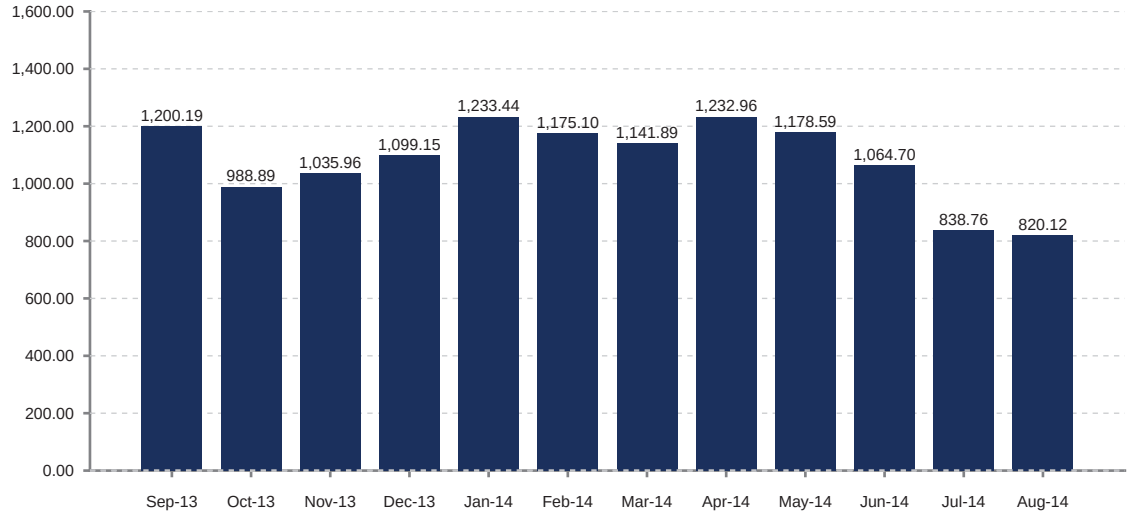

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 4 ST AGCY GOV. | 0.80 | 0.97 | 0.92 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 4 ST AGCY GOV. | 820,120,480 |



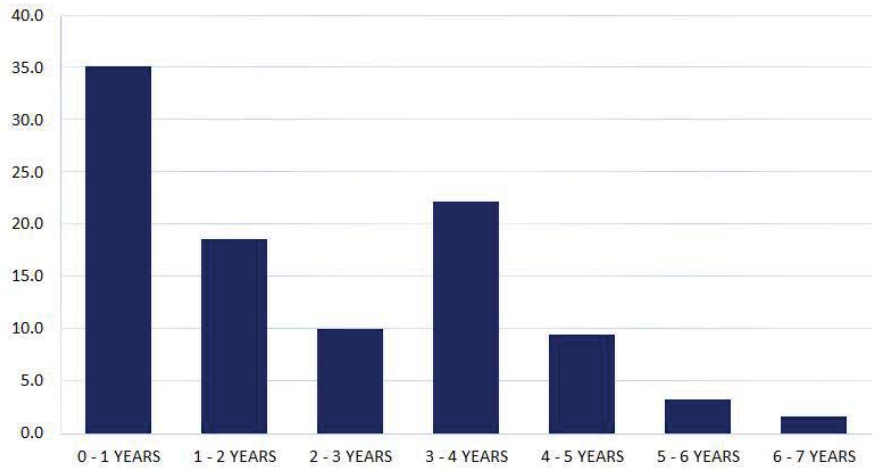

## Net Asset Values over Time ($MM)



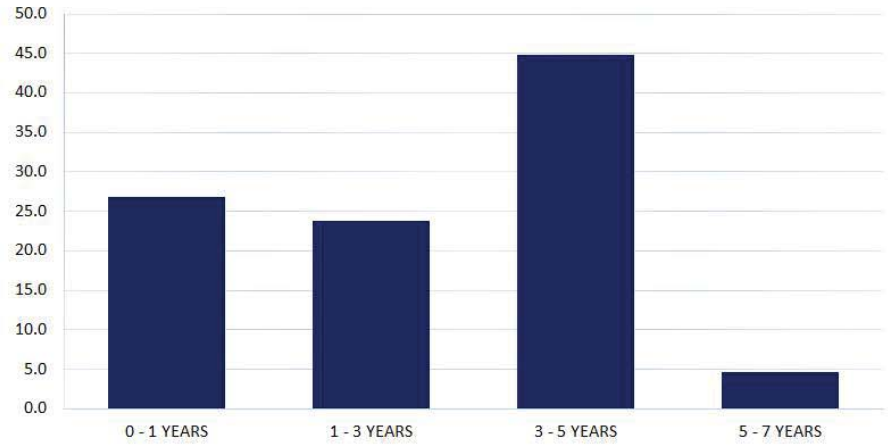

## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 4 ST AGCY GOV. | | |
| SOUTH STREET REPO | 84,149,495 | 10.26 |
| WELLS FARGO REPO | 57,552,166 | 7.02 |
| FANNIE MAE | 39,499,756 | 4.82 |
| FEDERAL HOME LOAN BANK | 32,477,849 | 3.96 |
| FEDERAL FARM CREDIT BANK | 30,022,590 | 3.66 |
| FREDDIE MAC | 23,731,709 | 2.89 |
| FED HM LN PC POOL Q06969 | 20,196,396 | 2.46 |
| FEDERAL FARM CREDIT BANK | 20,022,311 | 2.44 |
| FEDERAL FARM CREDIT BANK | 20,010,955 | 2.44 |
| FEDERAL FARM CREDIT BANK | 20,008,921 | 2.44 |

## Duration Distribution



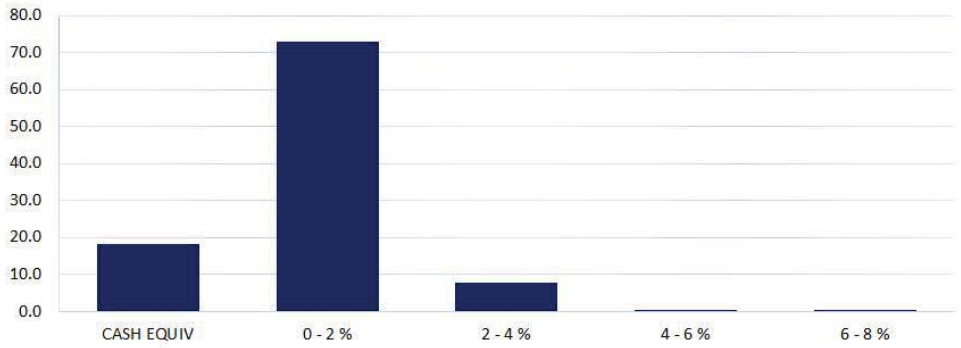

## Expected Maturity Distribution



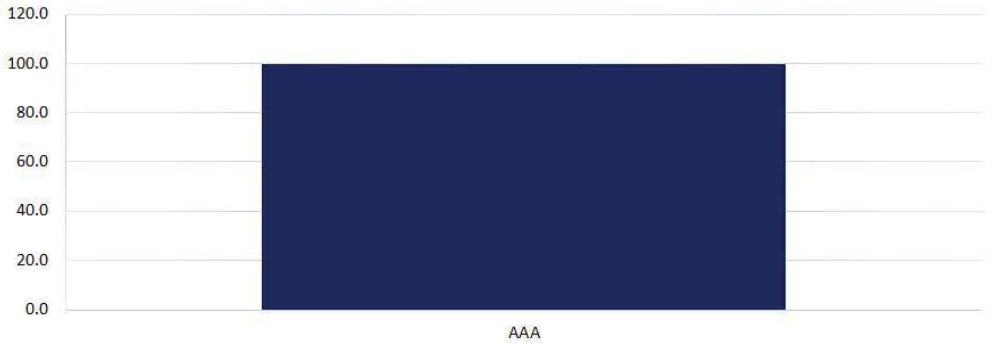

## Portfolio Level Characteristics

| | POOL 4 ST AGCY GOV. |
|---|---|
| Weighted Average Life | 2.41 |
| Coupon | 1.03 |
| Effective Duration | 2.06 |
| Quality Rating (Moody's) | AAA |

## Coupon Distribution




## Rating Distribution



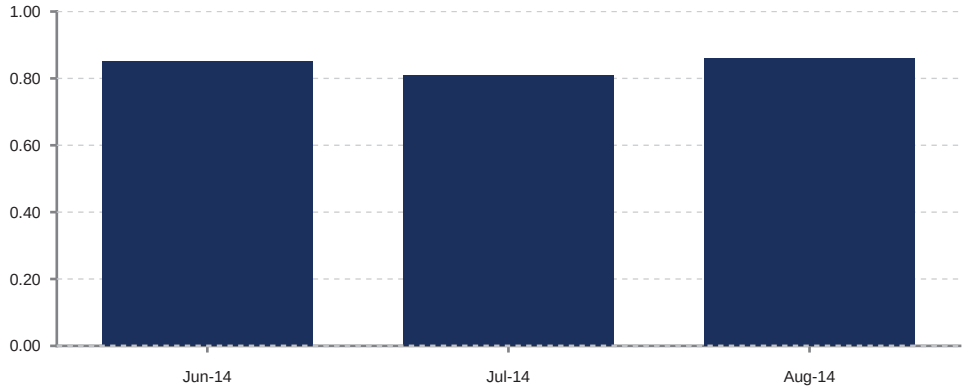
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 10 ST OPERATING INT**

STATE STREET.

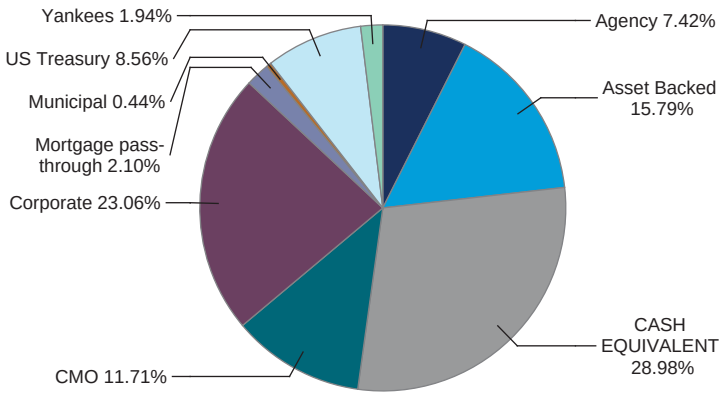
## Net Yield



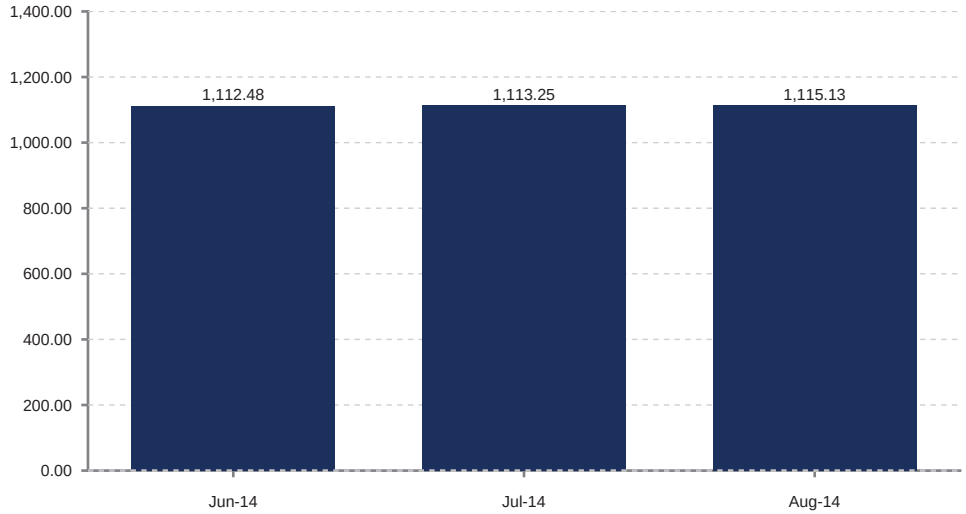

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 10 ST OPER INT | 0.86 | 0.81 | |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 10 ST OPER INT | 1,115,133,435 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

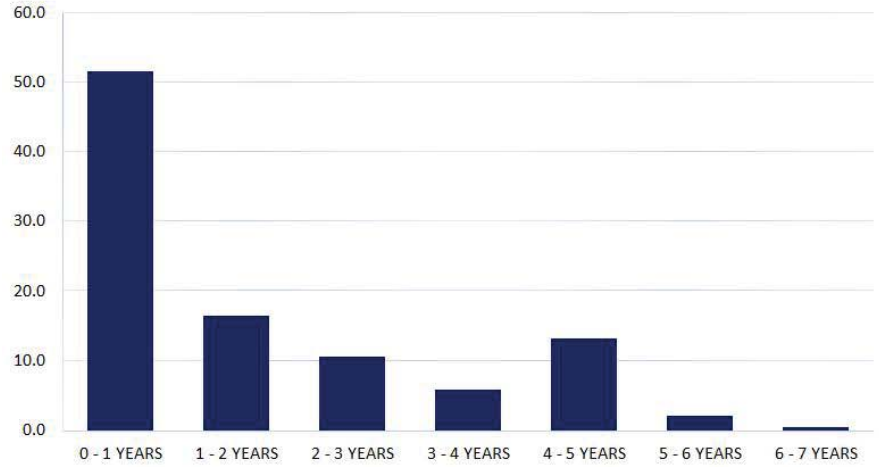
| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 10 ST OPER INT | | |
| WHITE POINT FDG INC | 40,659,548 | 3.65 |
| CEDAR SPRING CPTL CO | 39,998,211 | 3.59 |
| ING (US) FUNDING LLC | 39,979,632 | 3.59 |
| SOUTH STREET REPO | 39,000,228 | 3.50 |
| CROWN POINT CAP CO. | 29,999,833 | 2.69 |
| CONCORD MIN CPTL CO | 29,999,833 | 2.69 |
| STARBIRD FDG. CORP COMMERCIAL PAPER DISCOUNT | 29,998,775 | 2.69 |
| MOUNTCLIFF | 29,990,325 | 2.69 |
| INSTITUTIONAL SECURED | 25,008,444 | 2.24 |
| US TREASURY N/B | 20,041,340 | 1.80 |

# OFFICE OF THE ARIZONA STATE TREASURER

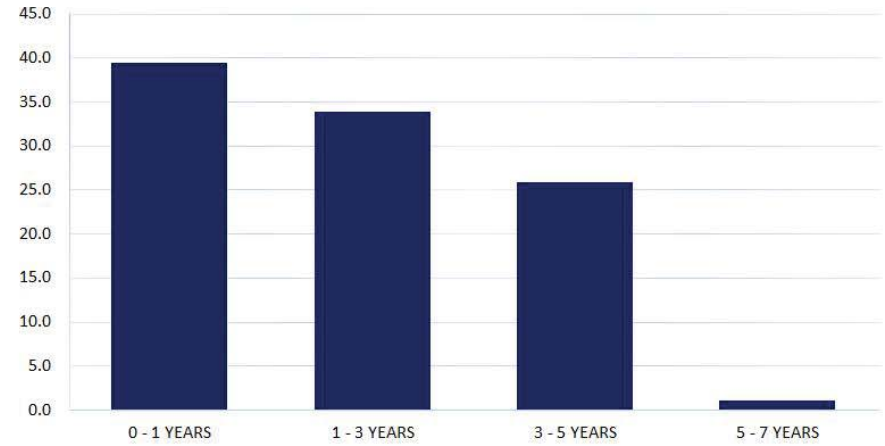
**August 31, 2014**

**POOL 10 ST OPERATING INT**

## Duration Distribution



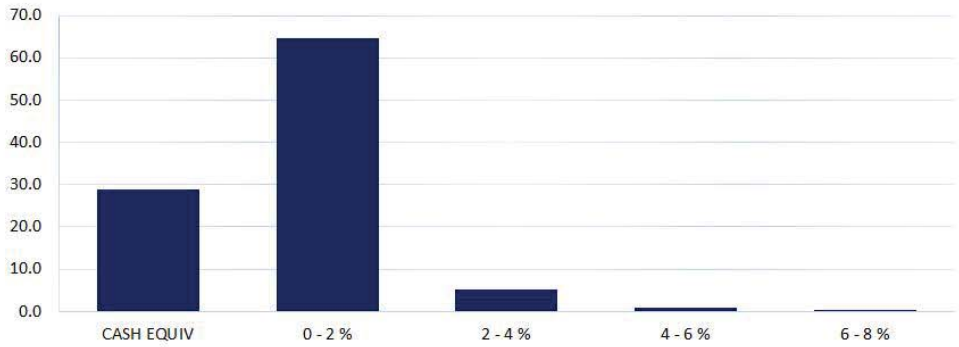

## Expected Maturity Distribution



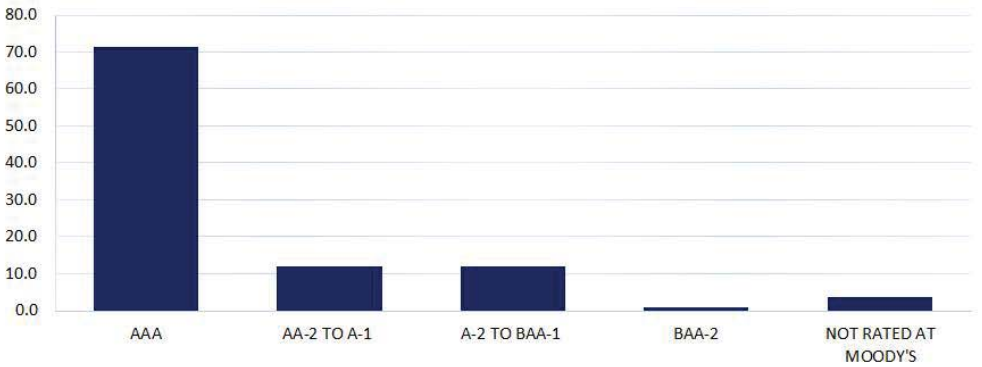

## Portfolio Level Characteristics

| | POOL 10 ST OPERATING INT |
|---|---|
| Weighted Average Life | 1.85 |
| Coupon | 0.96 |
| Effective Duration | 1.59 |
| Quality Rating (Moody's) | AA-1 |

## Coupon Distribution




## Rating Distribution

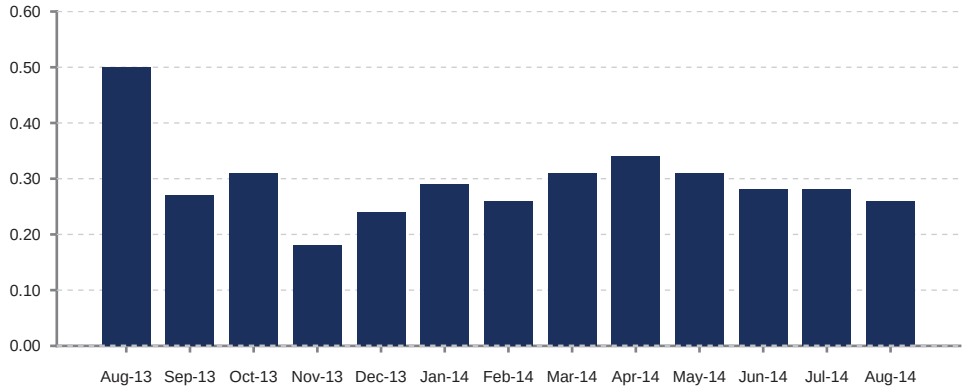


# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 10 ST OPERATING Ext**

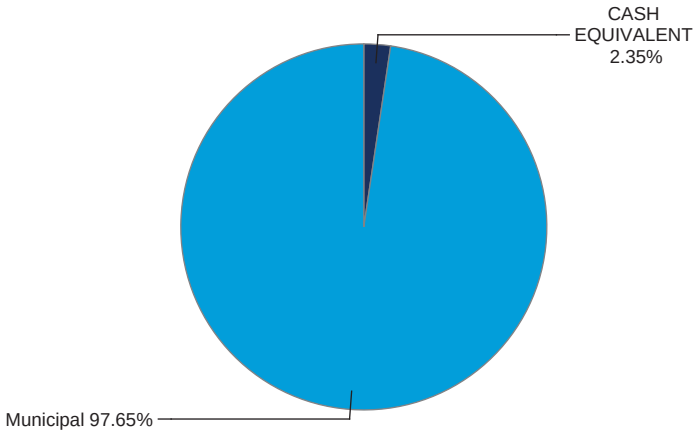
## Net Yield



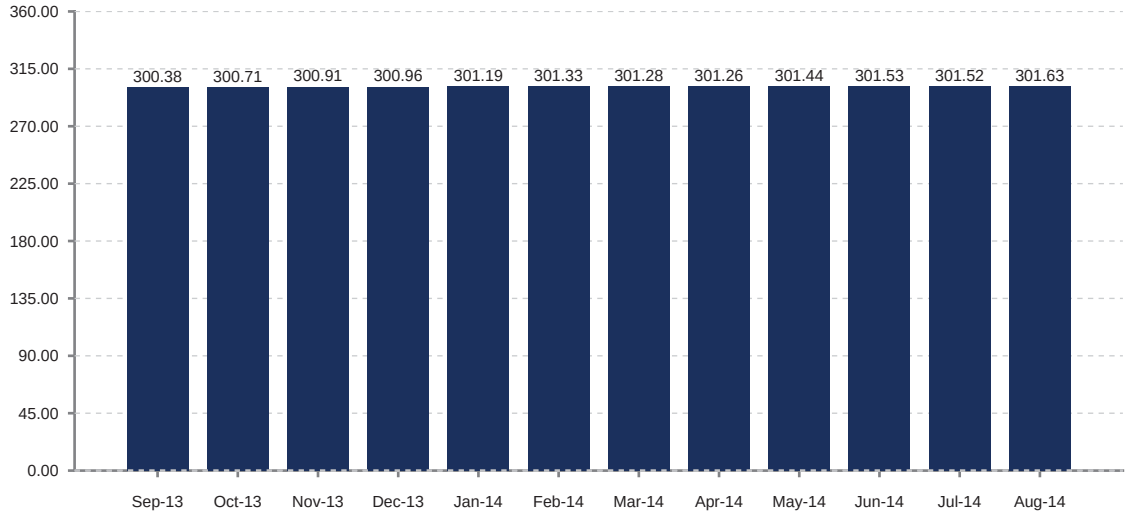

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 10 ST OPERATING | 0.26 | 0.28 | 0.50 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 10 ST OPERATING | 301,627,593 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 10 ST OPERATING | | |
| MASSACHUSETTS ST SCH BLDG AUTH | 36,643,312 | 12.15 |
| SAN ANTONIO TX | 12,621,419 | 4.18 |
| MASSACHUSETTS ST SCH BLDG AUTH | 10,479,998 | 3.47 |
| OHIO ST | 10,463,570 | 3.47 |
| MINNESOTA ST | 10,422,956 | 3.46 |
| ARIZONA ST TRANSPRTN BRD HIGHW | 9,771,955 | 3.24 |
| WISCONSIN ST | 9,199,958 | 3.05 |
| NORTH CAROLINA ST CAPITAL IMPT | 8,328,123 | 2.76 |
| OHIO ST | 8,104,545 | 2.69 |
| GEORGIA ST | 7,891,469 | 2.62 |

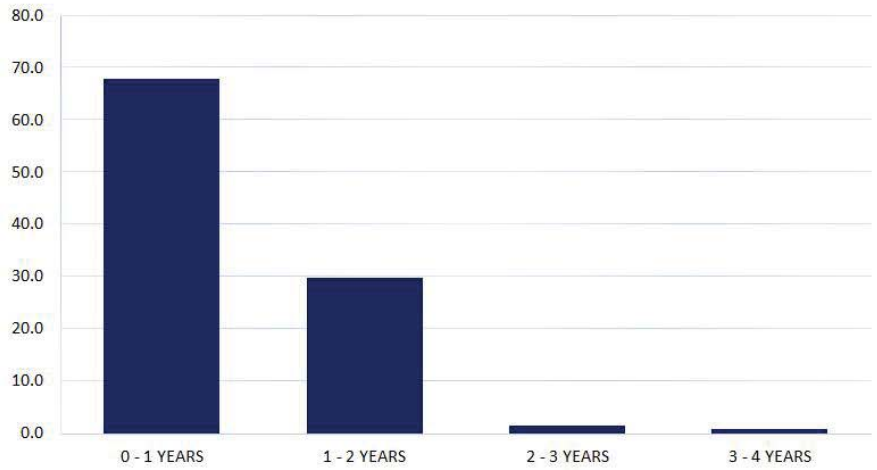
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

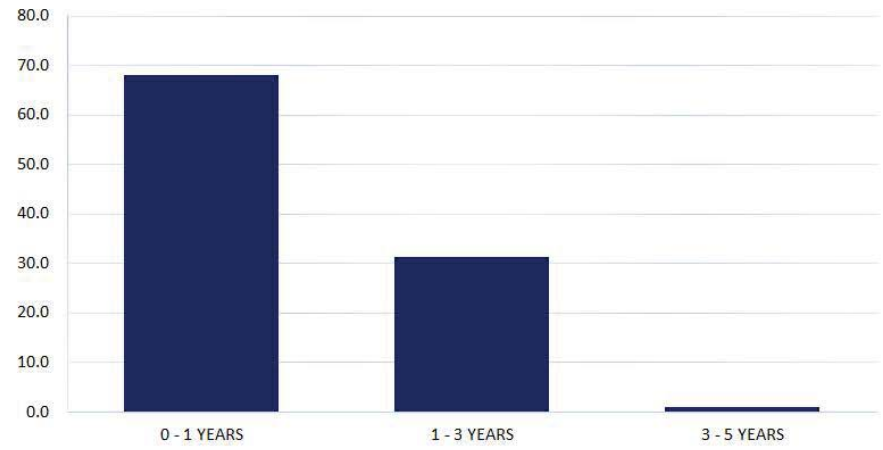
**POOL 10 ST OPERATING Ext**

STATE STREET.

## Duration Distribution



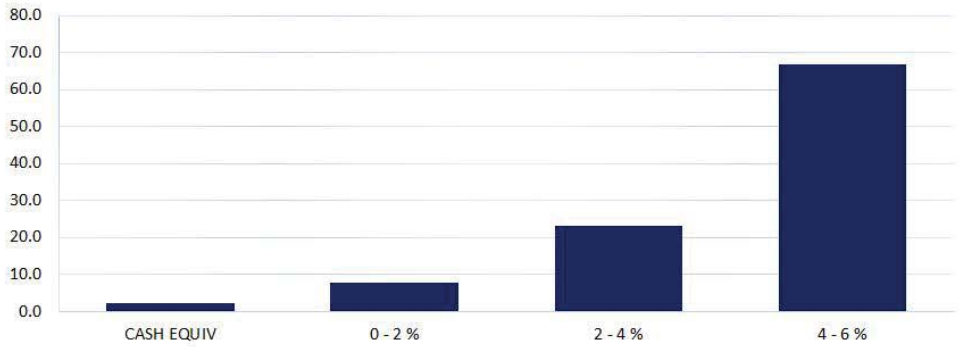

## Expected Maturity Distribution



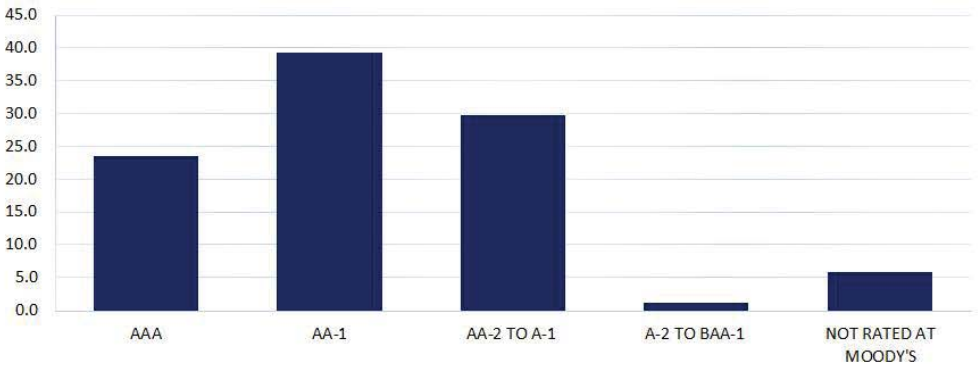

## Portfolio Level Characteristics

| | POOL 10 ST OPERATING |
|---|---|
| Weighted Average Life | 0.96 |
| Coupon | 4.31 |
| Effective Duration | 0.93 |
| Quality Rating (Moody's) | AA-1 |

## Coupon Distribution




## Rating Distribution



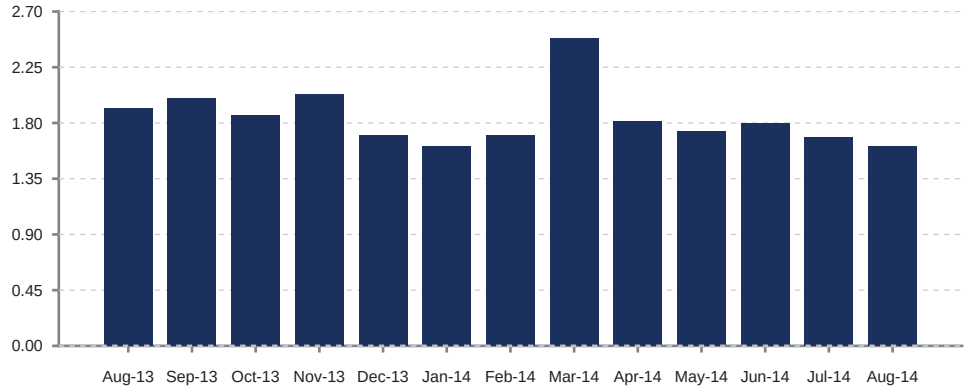
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 12 CAWCD MED TRM**

STATE STREET.

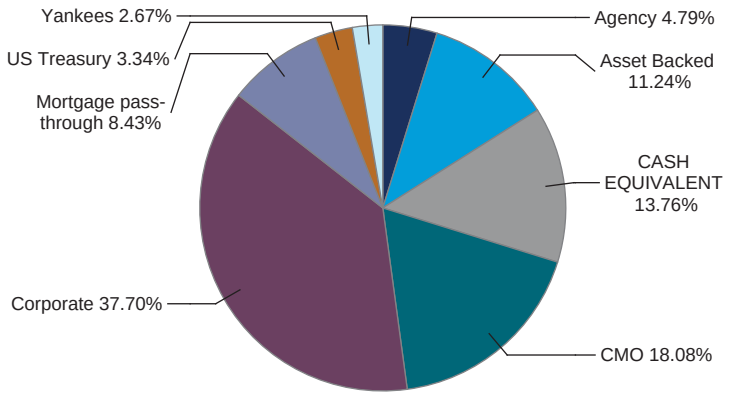
## Net Yield



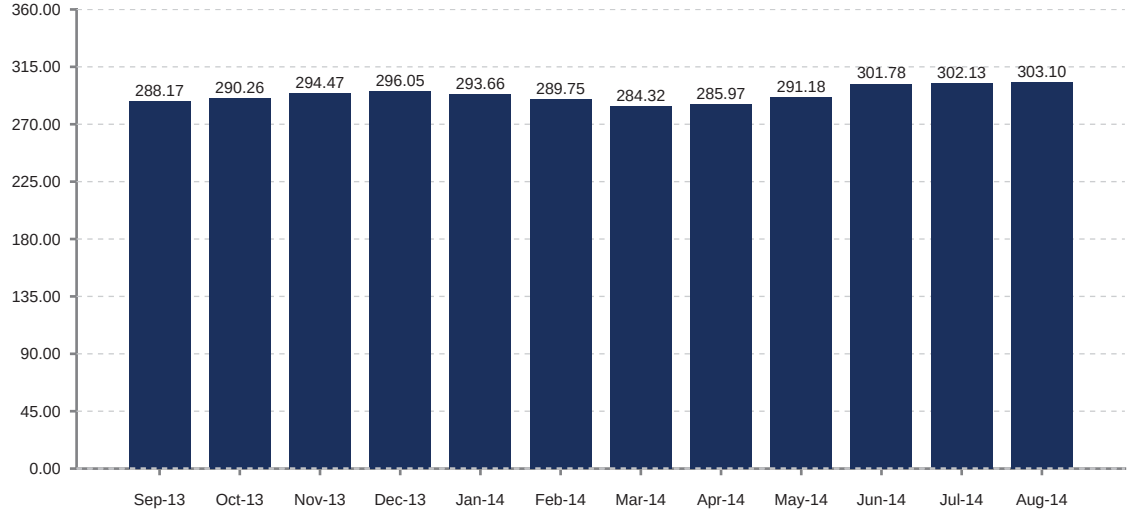

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 12 CAWCD MED TRM | 1.61 | 1.68 | 1.92 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 12 CAWCD MED TRM | 303,095,365 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 12 CAWCD MED TRM | | |
| SOUTH STREET REPO | 11,072,964 | 3.65 |
| MOUNTCLIFF | 9,997,917 | 3.30 |
| CREDIT AGRICOLE NORTH AMER INC | 9,997,861 | 3.30 |
| FANNIE MAE | 8,004,189 | 2.64 |
| FNMA POOL AV9175 | 7,298,196 | 2.41 |
| FNMA POOL MA1763 | 6,961,844 | 2.30 |
| FANNIE MAE | 5,879,341 | 1.94 |
| FANNIE MAE | 5,360,132 | 1.77 |
| VERIZON COMMUNICATIONS | 5,233,615 | 1.73 |
| GOLDMAN SACHS GROUP INC | 5,098,542 | 1.68 |

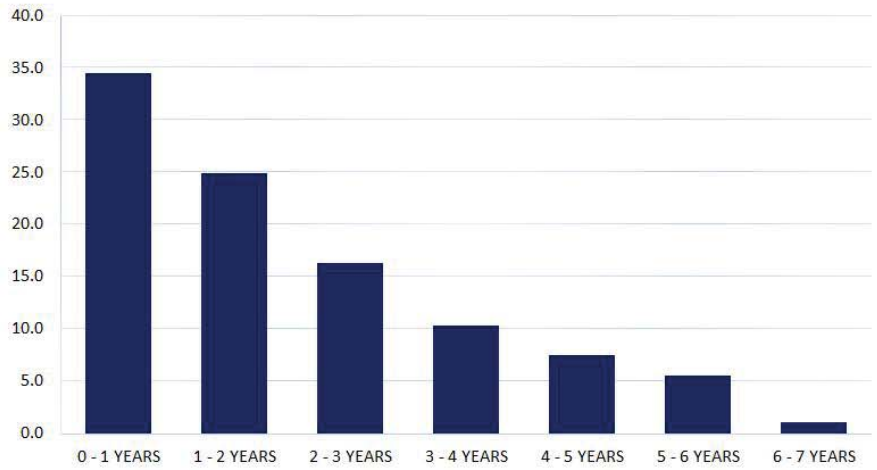
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

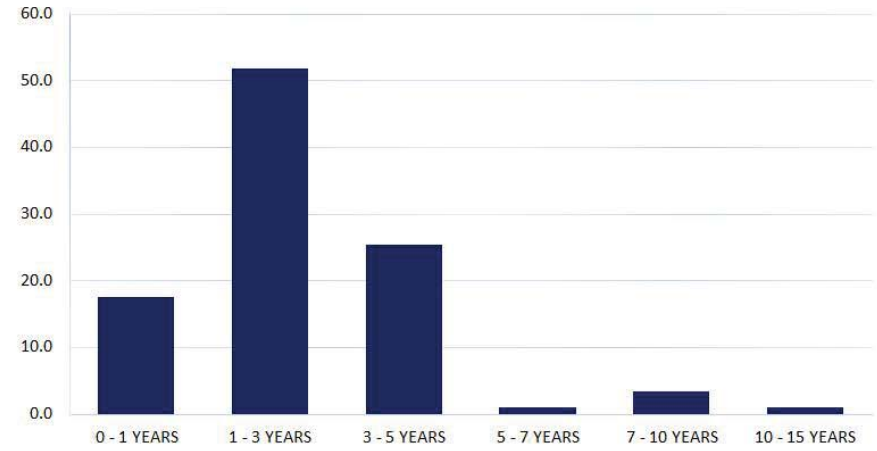
**POOL 12 CAWCD MED TRM**

STATE STREET.

## Duration Distribution



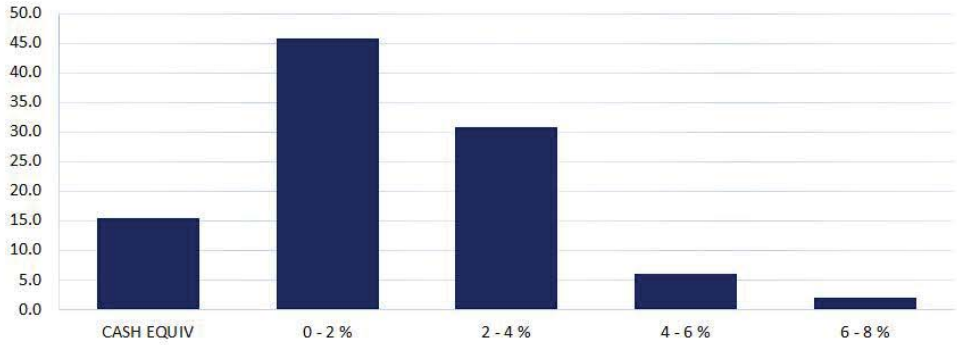

## Expected Maturity Distribution



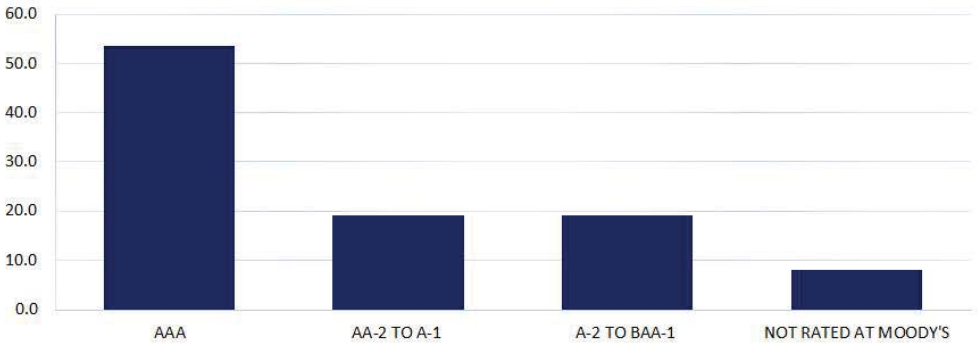

## Portfolio Level Characteristics

| | POOL 12 CAWCD MED TRM |
|---|---|
| Weighted Average Life | 2.51 |
| Coupon | 1.87 |
| Effective Duration | 1.91 |
| Quality Rating (Moody's) | AA-2 |

## Coupon Distribution




## Rating Distribution

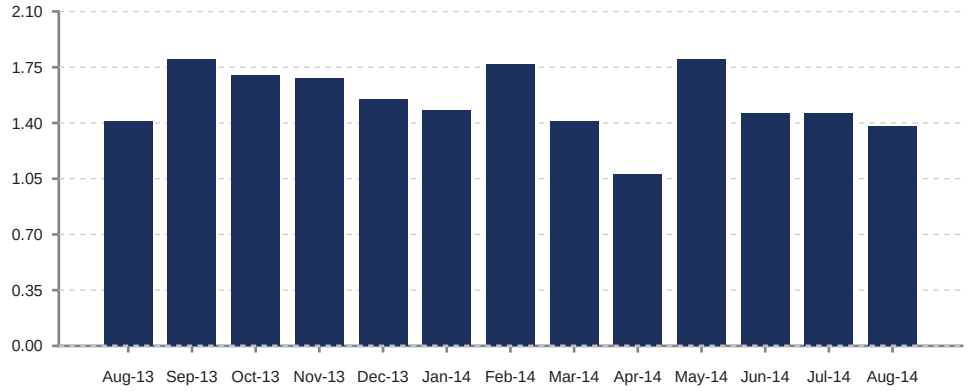


# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 15 GADA**

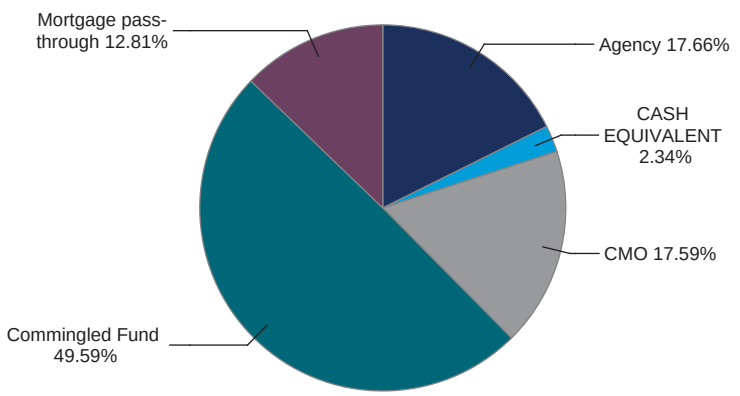
## Net Yield



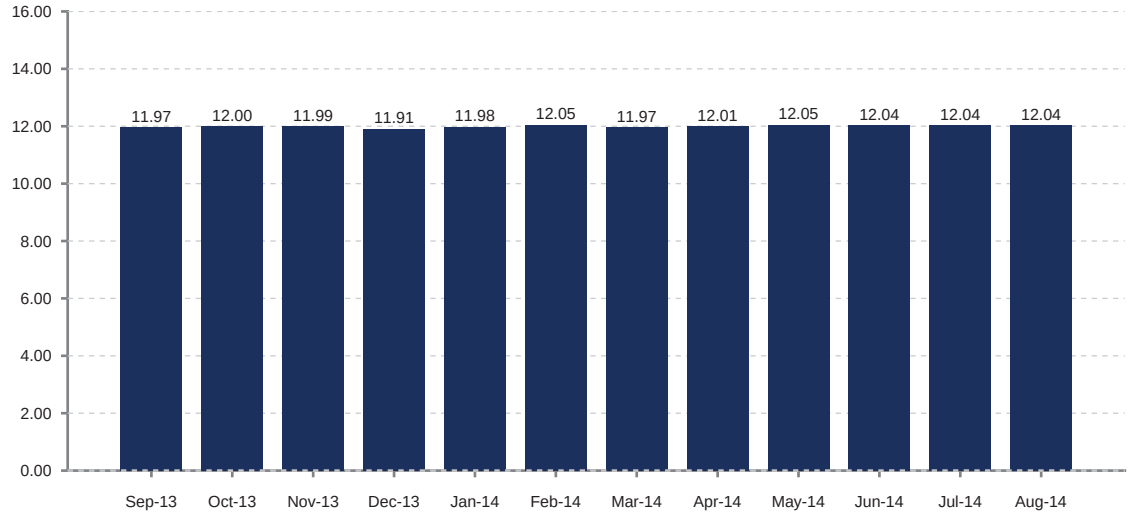

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 15 GADA | 1.38 | 1.46 | 1.41 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 15 GADA | 12,042,074 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 15 GADA | | |
| LOCAL GOV INVS POOL 4 | 5,439,338 | 45.17 |
| FANNIE MAE | 1,678,649 | 13.94 |
| FEDERAL FARM CREDIT BANK | 1,002,285 | 8.32 |
| FANNIE MAE | 730,885 | 6.07 |
| LOCAL GOV INVS POOL 700 | 540,133 | 4.49 |
| FREDDIE MAC | 512,145 | 4.25 |
| FEDERAL HOME LOAN BANK | 396,282 | 3.29 |
| FNMA POOL AJ1622 | 367,255 | 3.05 |
| SSC GOVERNMENT MM GVXX | 282,688 | 2.35 |
| GOVERNMENT NATIONAL MORTGAGE A | 248,539 | 2.06 |

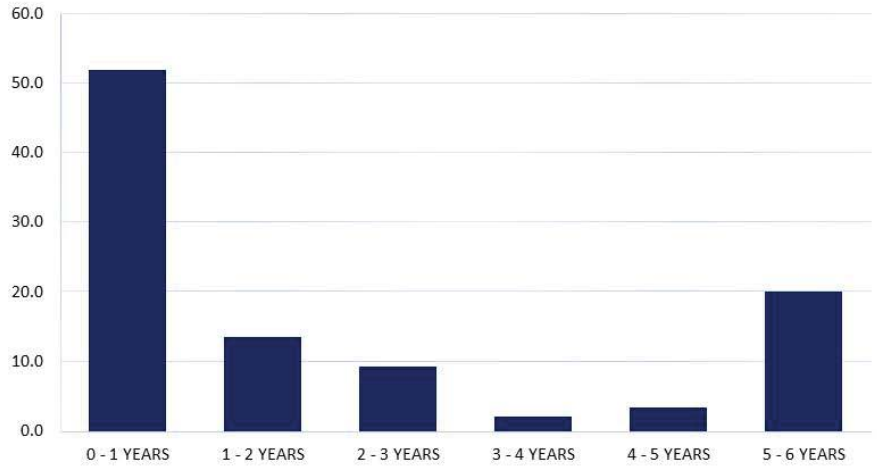
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

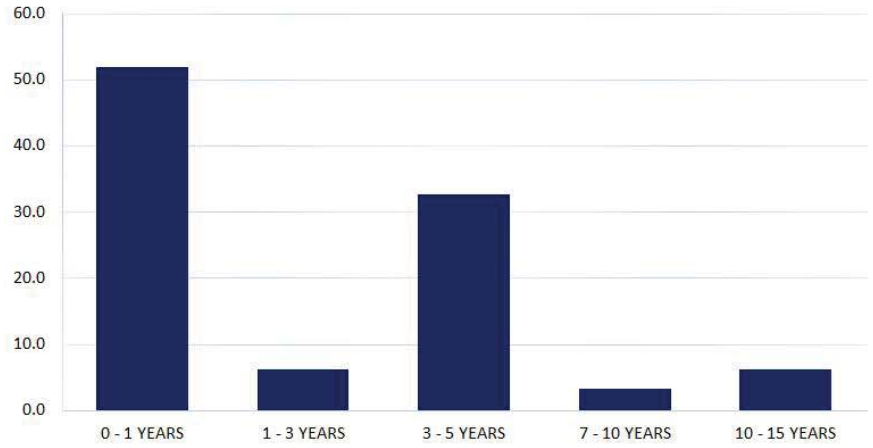
**POOL 15 GADA**

STATE STREET.

## Duration Distribution



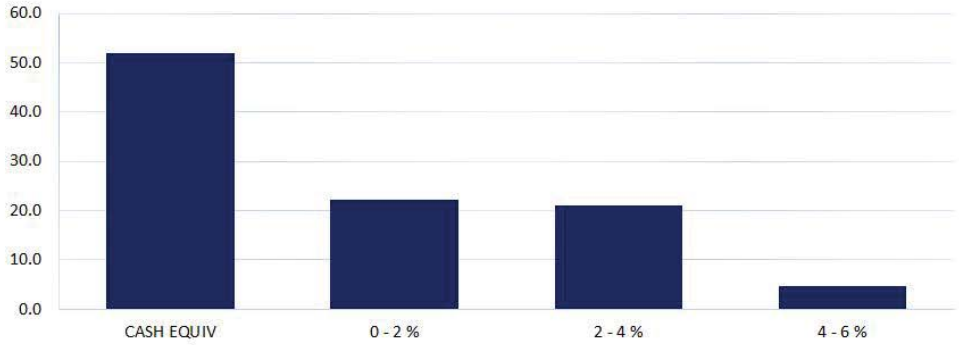

## Expected Maturity Distribution




## Portfolio Level Characteristics

| | POOL 15 GADA |
|---|---|
| Weighted Average Life | 2.29 |
| Coupon | 1.17 |
| Effective Duration | 1.77 |
| Quality Rating (Moody's) | AAA |

## Coupon Distribution




## Rating Distribution

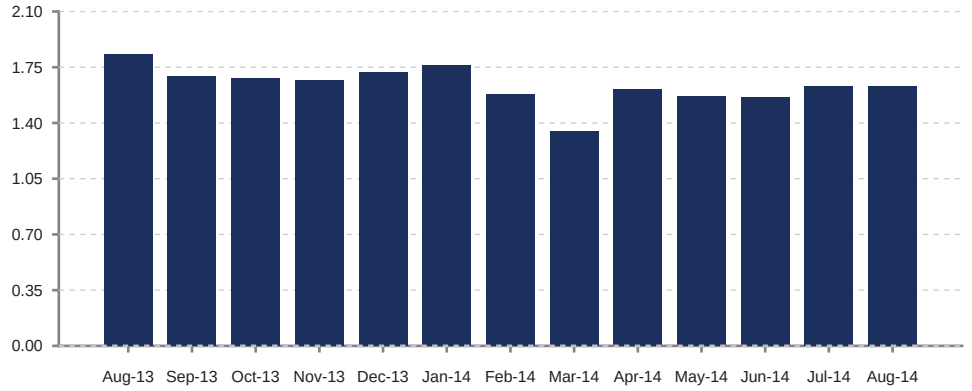
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 16 ECDHB**

STATE STREET.

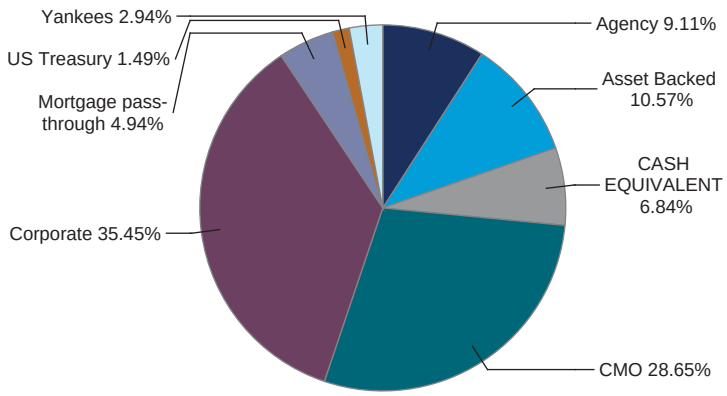
## Net Yield



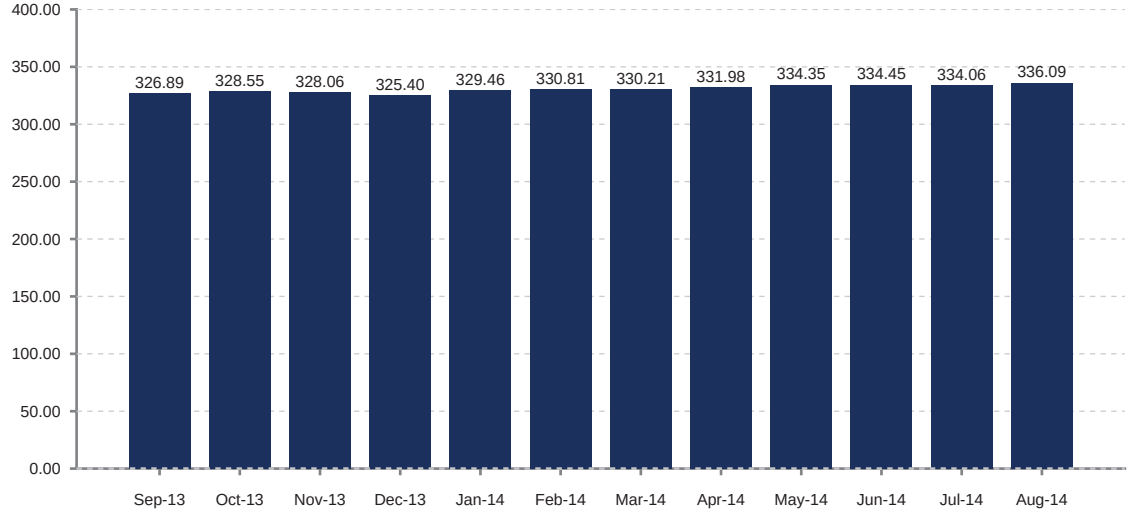

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 16 ECDHB | 1.63 | 1.63 | 1.77 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 16 ECDHB | 336,093,485 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 16 ECDHB | | |
| FREDDIE MAC | 10,437,715 | 3.11 |
| FREDDIEMAC STRIP | 8,996,874 | 2.68 |
| NATIONAL CITY BANK | 6,988,831 | 2.08 |
| FANNIE MAE | 6,406,598 | 1.91 |
| SOUTH STREET REPO | 6,000,035 | 1.79 |
| FREDDIE MAC | 5,437,523 | 1.62 |
| FREDDIE MAC | 5,210,773 | 1.55 |
| GOVERNMENT NATIONAL MORTGAGE A | 5,199,208 | 1.55 |
| FHLMC MULTIFAMILY STRUCTURED P | 5,166,840 | 1.54 |
| FREDDIE MAC | 5,164,225 | 1.54 |

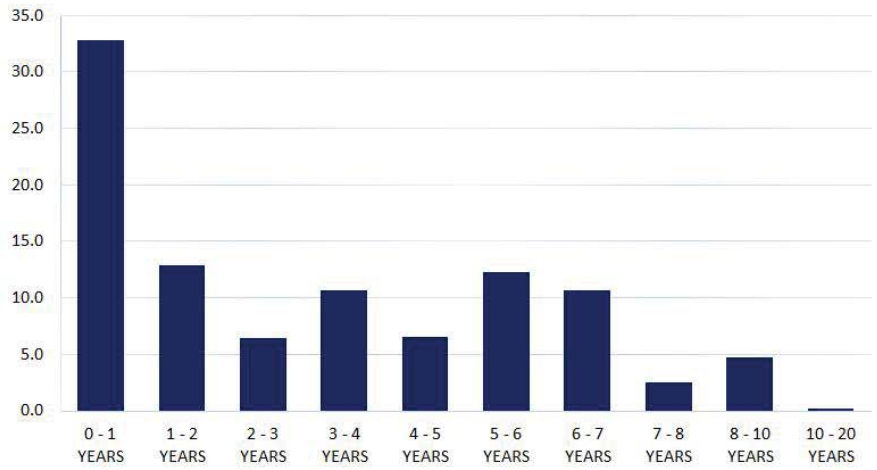
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

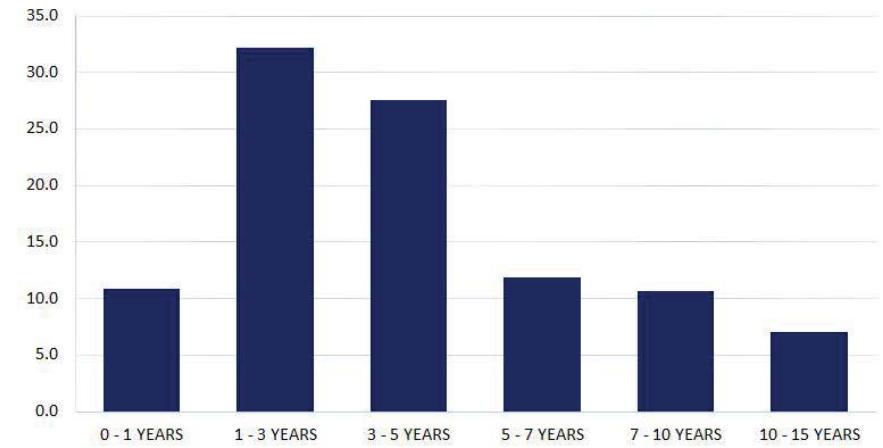
**POOL 16 ECDHB**

STATE STREET.

## Duration Distribution



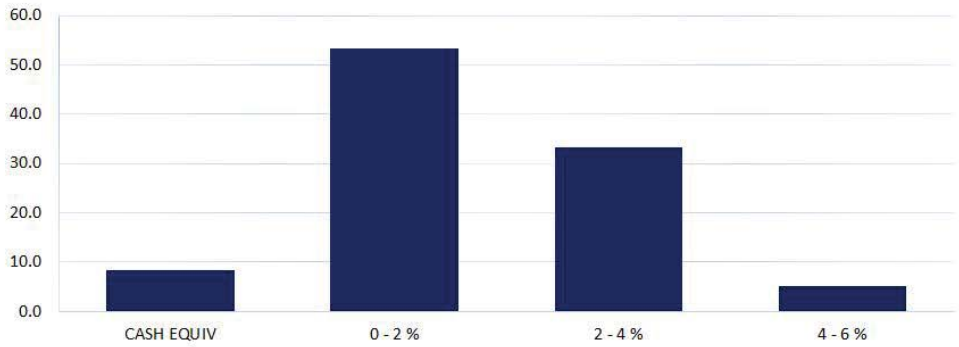

## Expected Maturity Distribution



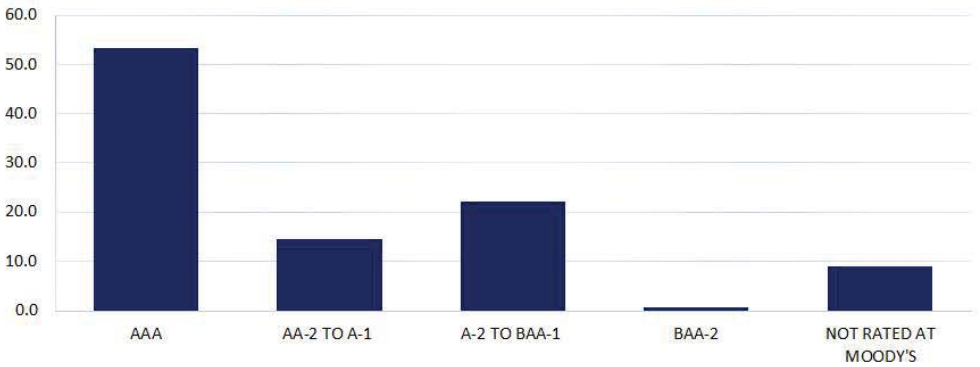

## Portfolio Level Characteristics

| | POOL 16 ECDHB |
|---|---|
| Weighted Average Life | 4.15 |
| Coupon | 1.91 |
| Effective Duration | 3.12 |
| Quality Rating (Moody's) | AA-2 |

## Coupon Distribution




## Rating Distribution



# LGIP & LGIP- GOV
# PORTFOLIO YIELD ANALYSIS
# AUGUST 31, 2014

## NET EARNINGS

| FUND | DESCRIPTION | Current Month 08/31/14 | Prior Month 07/31/14 | Prior Year 8/31/13 | Net Asset Value Per Share |
|---|---|---|---|---|---|
| 5 | LGIP | 87,417 | 73,587 | 155,672 | 1.0000 |
| 7 | LGIP - GOV | 43,385 | 41,584 | 23,422 | 1.0000 |
| | TOTAL LGIP & LGIP-GOV | 130,802 | 115,171 | 179,095 | |

## YIELDS

| | MONTHLY | Current Month 08/31/14 | Prior Month 07/31/14 | Prior Year 8/31/13 |
|---|---|---|---|---|
| 5 | LGIP (NET) | 0.09% | 0.07% | 0.14% |
| | S & P LGIP INDEX | 0.05% | 0.05% | 0.05% |
| 7 | LGIP - GOV (NET) | 0.06% | 0.05% | 0.03% |
| | 3 MONTH T-BILL | 0.02% | 0.02% | 0.04% |
| | **YEAR TO DATE** | | | |
| 5 | LGIP (NET) | 0.08% | 0.07% | 0.14% |
| | S & P LGIP INDEX | 0.05% | 0.05% | 0.05% |
| 7 | LGIP - GOV (NET) | 0.06% | 0.05% | 0.03% |
| | 3 MONTH T-BILL | 0.02% | 0.02% | 0.03% |

* Note: The LGIP-GOV Pool consists of only securities explicitly backed by the full faith & credit of the US Government.

# LGIP & LGIP- GOV MEDIUM TERM POOLS
# PORTFOLIO YIELD ANALYSIS
# AUGUST 31, 2014

## NET EARNINGS

| FUND | DESCRIPTION | Current Month 08/31/14 | Prior Month 07/31/14 | Prior Year 8/31/13 | Net Asset Value Per Share |
|---|---|---|---|---|---|
| 500 | LGIP - MED TERM POOL | 238,668 | 256,133 | 290,296 | 1.0331 |
| 700 | LGIP - FF&C MED TERM POOL | 128,719 | 127,094 | 160,630 | 1.0068 |
| | TOTAL LGIP MEDIUM TERM POOLS | 367,387 | 383,227 | 450,926 | |

## YIELDS

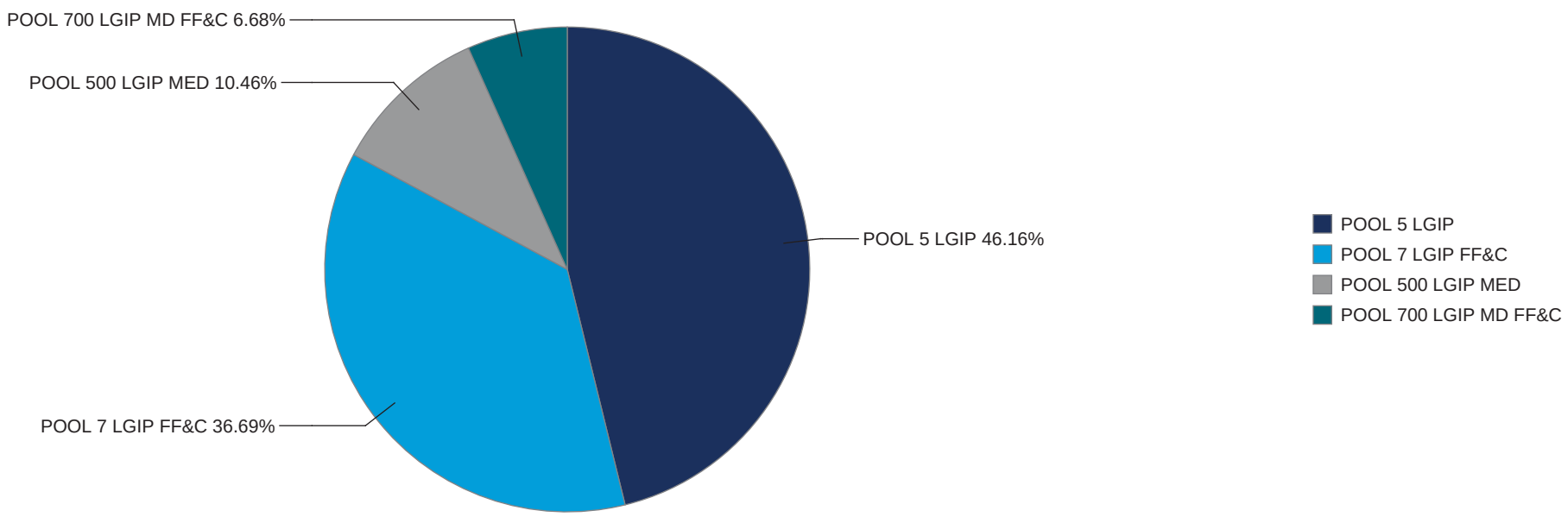
| | MONTHLY | Current Month 08/31/14 | Prior Month 07/31/14 | Prior Year 8/31/13 |
|---|---|---|---|---|
| 500 | LGIP - MED TERM (NET) | 1.11% | 1.19% | 1.23% |
| | MERRILL 1-5 US D M INDEX | 1.26% | 1.32% | 1.37% |
| 700 | LGIP - FF&C MED TERM (NET) | 0.94% | 0.93% | 0.83% |
| | 75% MERRILL 1-5 US TREAS INDEX / 25% MERRILL US GNMA MORTGAGE BACKED INDEX | 1.33% | 1.40% | 1.38% |
| | **YEAR TO DATE** | | | |
| 500 | LGIP - MED TERM (NET) | 1.15% | 1.19% | 1.16% |
| | MERRILL 1-5 US D M INDEX | 1.29% | 1.32% | 1.33% |
| 700 | LGIP - FF&C MED TERM (NET) | 0.94% | 0.93% | 0.81% |
| | 75% MERRILL 1-5 US TREAS INDEX / 25% MERRILL US GNMA MORTGAGE BACKED INDEX | 1.37% | 1.40% | 1.31% |

# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

## LGIP

### Manager Allocation



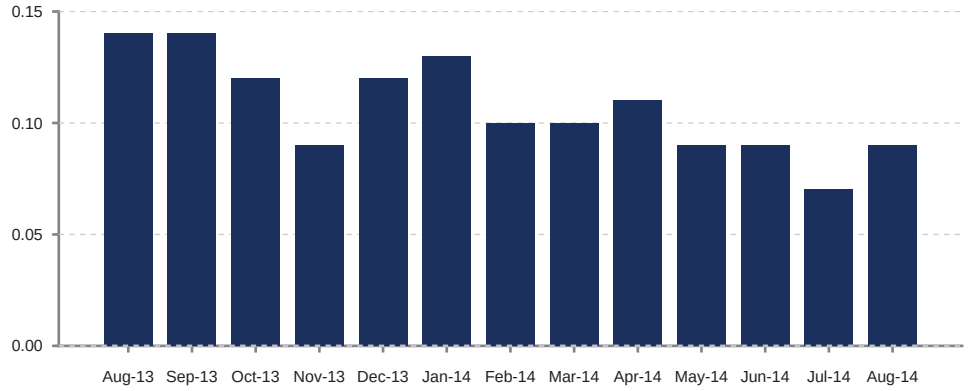

| | Market Value | % of Portfolio |
|---|---|---|
| POOL 5 LGIP | 1,117,515,936 | 46.2 |
| POOL 7 LGIP FF&C | 888,337,647 | 36.7 |
| POOL 500 LGIP MED | 253,349,977 | 10.5 |
| POOL 700 LGIP MD FF&C | 161,831,535 | 6.7 |
| TOTAL LGIP | 2,421,035,095 | 100.0 |

# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 5 LGIP**

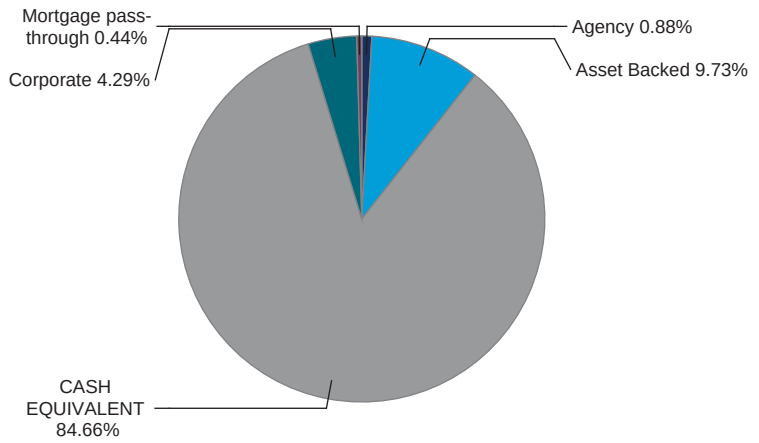
## Net Yield



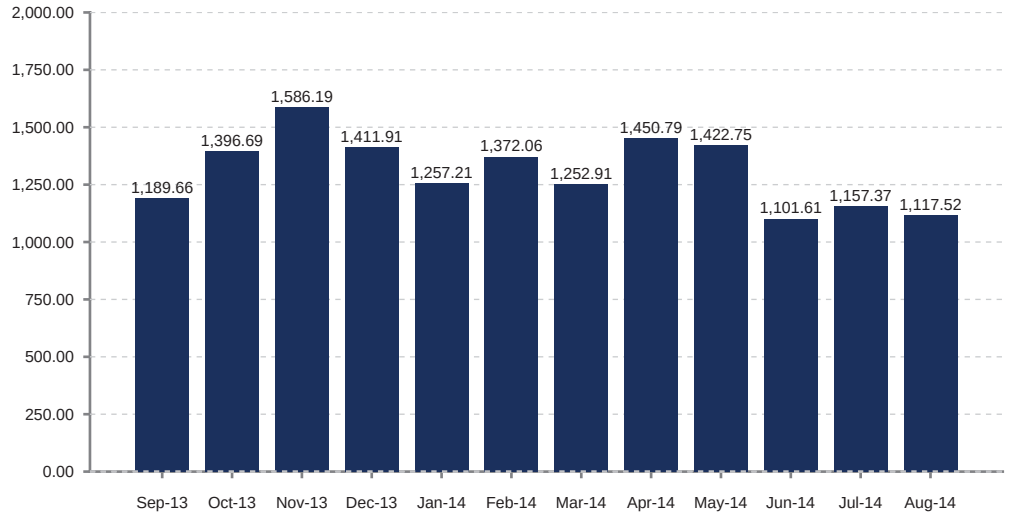

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 5 LGIP | 0.09 | 0.07 | 0.14 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 5 LGIP | 1,117,515,936 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 5 LGIP | | |
| WELLS FARGO REPO | 200,001,556 | 17.90 |
| BANK OF AMERICA REPO | 100,000,333 | 8.95 |
| DEUTSCHE BANK REPO | 100,000,333 | 8.95 |
| WELLS FARGO REPO | 53,237,327 | 4.76 |
| CARMAX AUTO OWNER TRUST | 19,101,915 | 1.71 |
| CAN AST & CAN LTD JT COMMERCIAL PAPER DISCOUNT | 12,513,854 | 1.12 |
| JOHN DEERE OWNER TRUST | 12,500,000 | 1.12 |
| CREDIT AGRICOLE | 11,615,400 | 1.04 |
| FDIC ALLIANCE BANK OF ARIZONA | 10,537,558 | 0.94 |
| PROCTER + GAMBLE CO/THE | 10,158,898 | 0.91 |

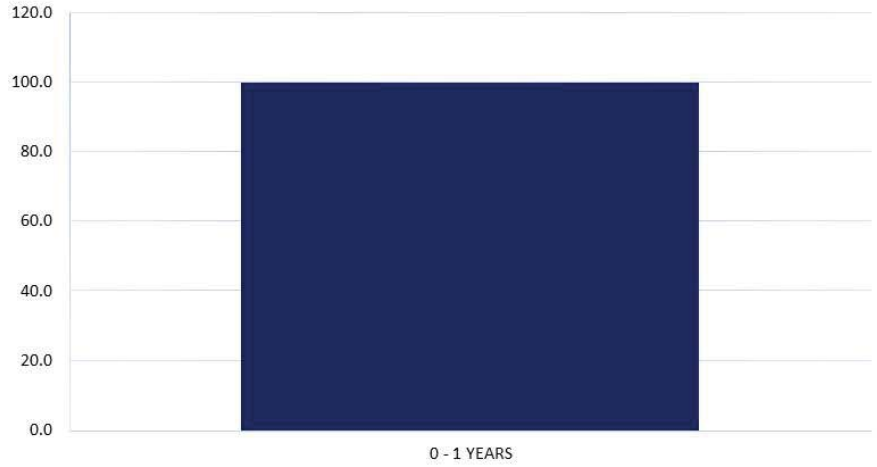
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 5 LGIP**

STATE STREET.

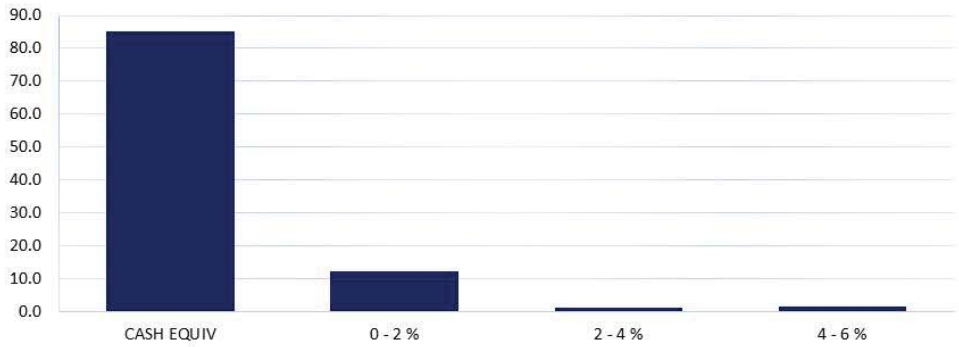
## Duration Distribution



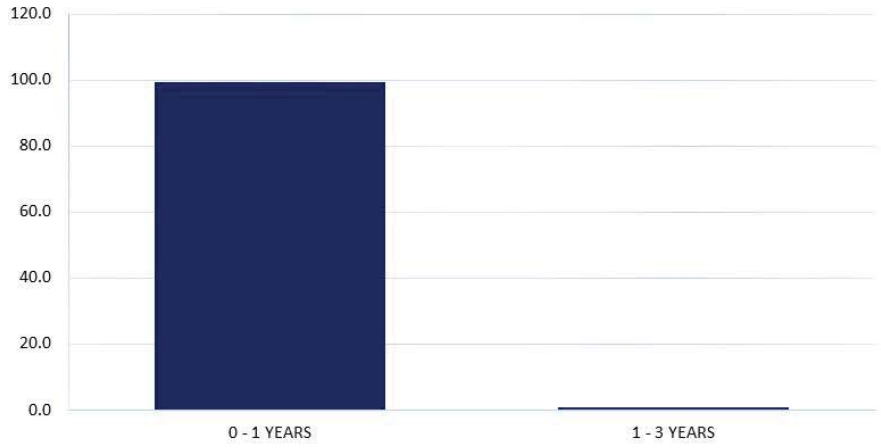

## Portfolio Level Characteristics

| | POOL 5 LGIP |
|---|---|
| Weighted Average Life | 0.11 |
| Coupon | 0.32 |
| Effective Duration | 0.10 |
| Quality Rating (Moody's) | AAA |

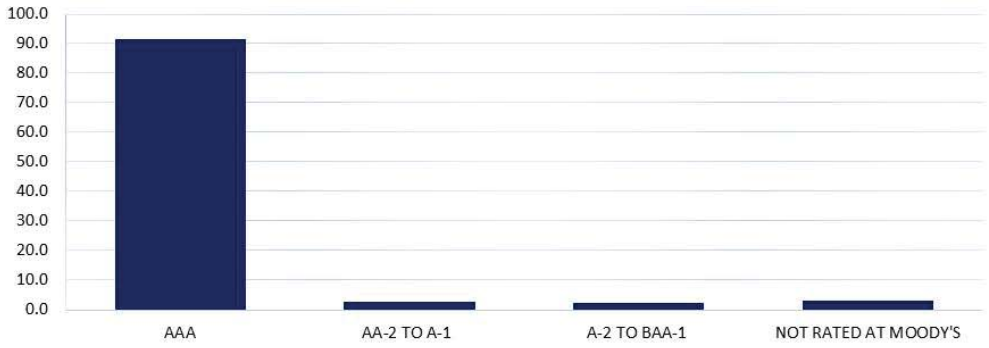
## Coupon Distribution




## Expected Maturity Distribution




## Rating Distribution



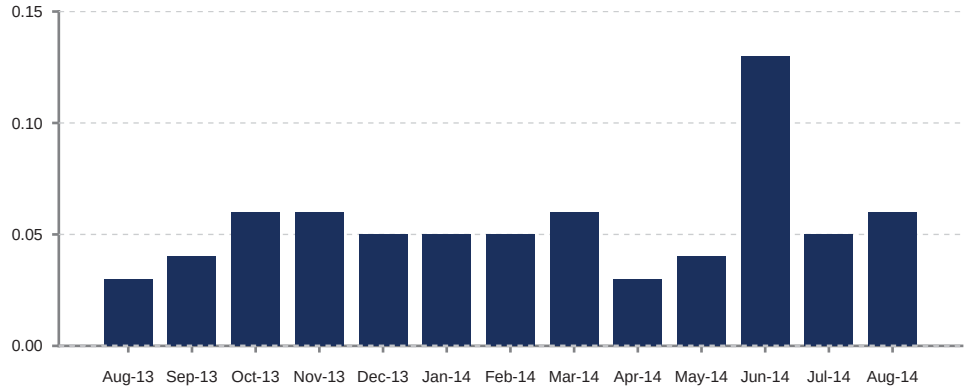
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 7 LGIP FF&C**

STATE STREET.

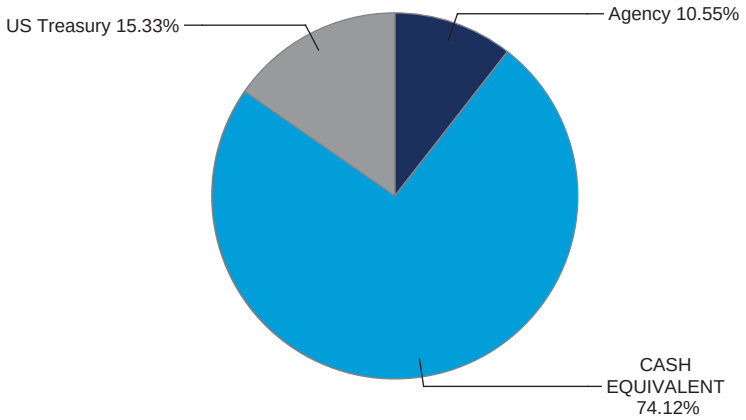
## Net Yield



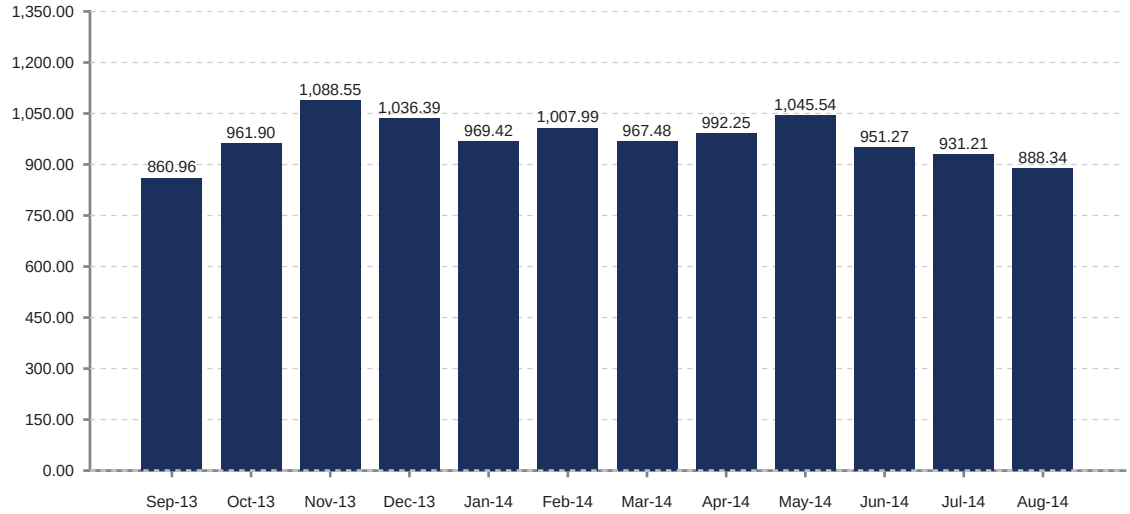

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 7 LGIP FF&C | 0.06 | 0.05 | 0.03 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 7 LGIP FF&C | 888,337,647 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

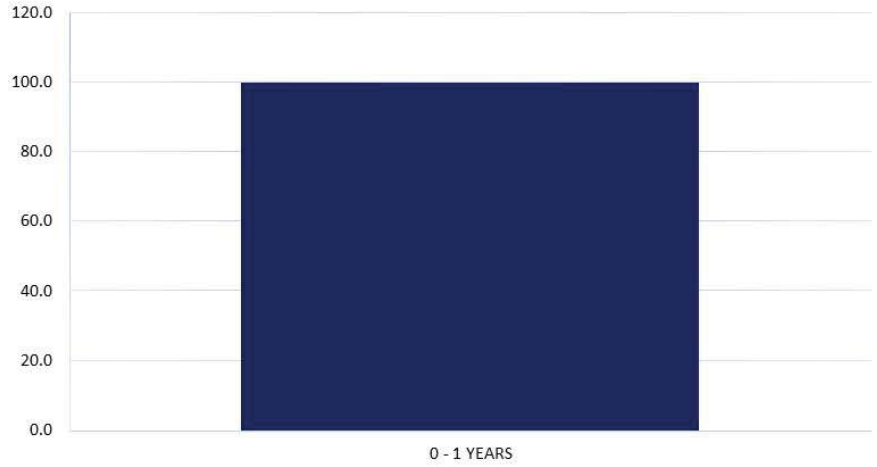
| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 7 LGIP FF&C | | |
| GUGGENHEIM SECURITIES | 200,001,333 | 22.51 |
| GUGGENHEIM SECURITIES | 100,001,944 | 11.26 |
| WELLS FARGO REPO | 100,000,778 | 11.26 |
| ALLIANCE BANK OF ARIZONA MONEY | 90,363,603 | 10.17 |
| SOUTH STREET REPO | 60,000,833 | 6.75 |
| US TREASURY N/B | 50,592,093 | 5.70 |
| US TREASURY N/B | 50,521,930 | 5.69 |
| UNITED STATES TREASURY BILL 03/15 0.00000 | 44,989,065 | 5.06 |
| WELLS FARGO REPO | 41,067,930 | 4.62 |
| AID ISRAEL | 33,994,458 | 3.83 |

# OFFICE OF THE ARIZONA STATE TREASURER

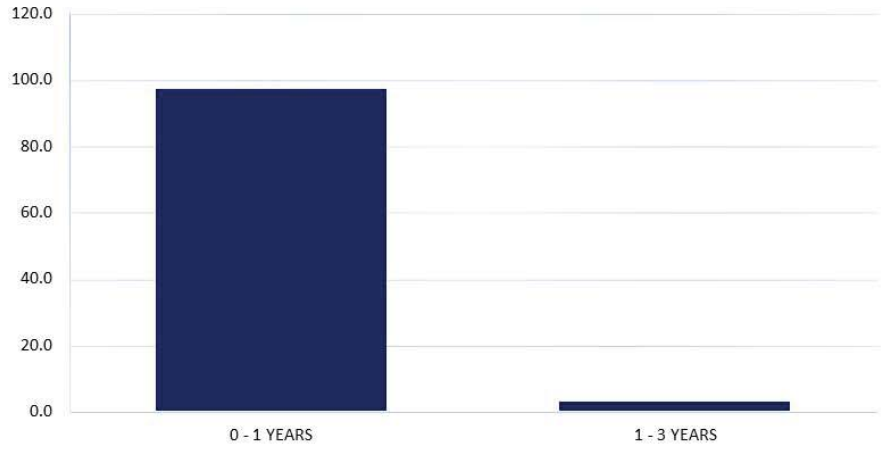
**August 31, 2014**

**POOL 7 LGIP FF&C**

## Duration Distribution



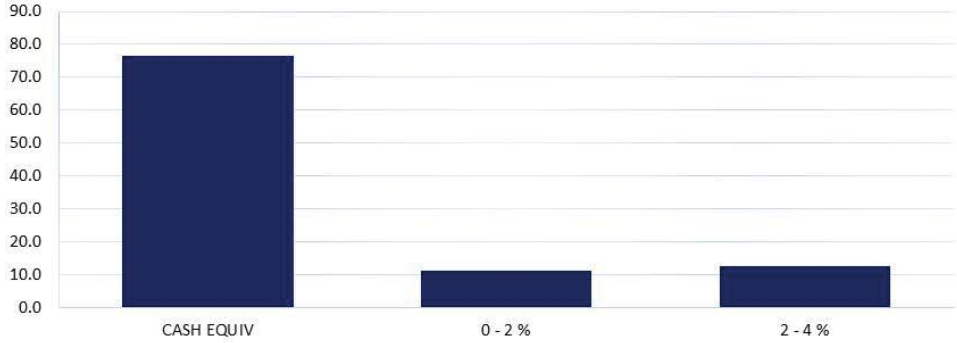

## Expected Maturity Distribution



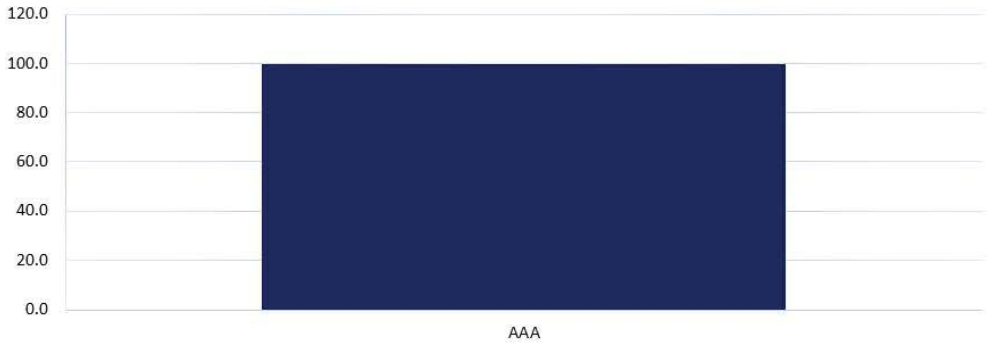

## Portfolio Level Characteristics

| | POOL 7 LGIP FF&C |
|---|---|
| Weighted Average Life | 0.14 |
| Coupon | 0.80 |
| Effective Duration | 0.10 |
| Quality Rating (Moody's) | AAA |

## Coupon Distribution




## Rating Distribution



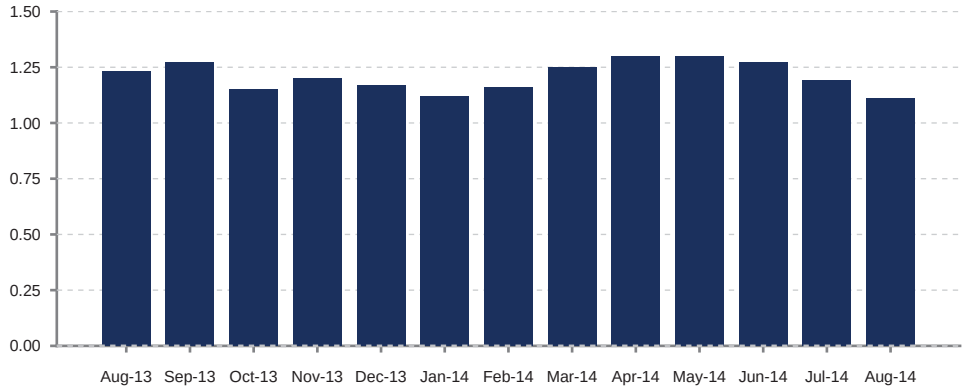
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 500 LGIP MED**

STATE STREET.

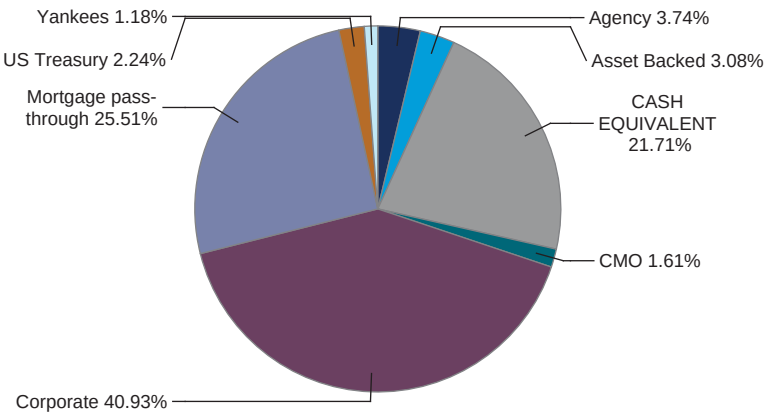
## Net Yield



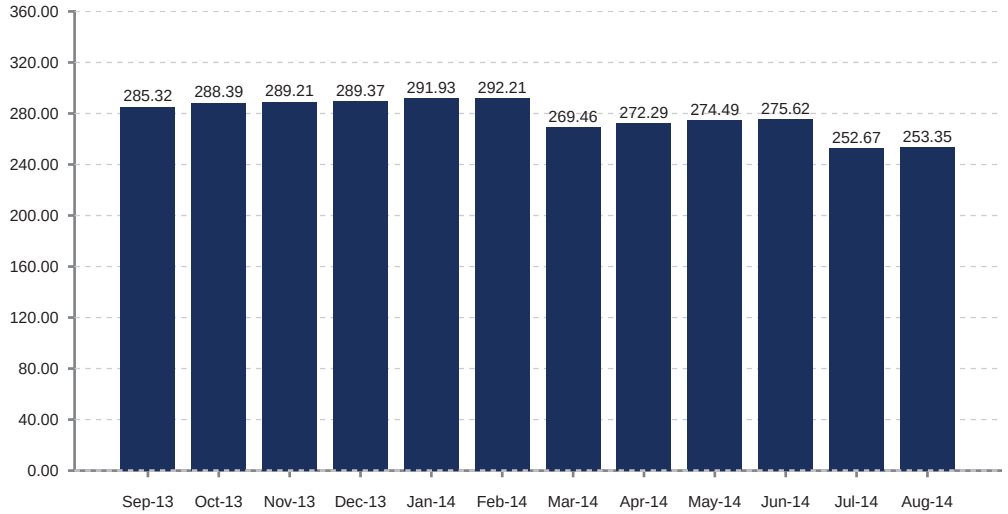

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 500 LGIP MED | 1.11 | 1.19 | 1.23 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 500 LGIP MED | 253,349,977 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 500 LGIP MED | | |
| SOUTH STREET REPO | 30,000,175 | 11.84 |
| FNMA POOL AB5991 | 11,392,194 | 4.50 |
| FNMA POOL AE7578 | 7,212,047 | 2.85 |
| BARTON CAPITAL CORP. COMMERCIAL PAPER DISCOUNT | 4,999,600 | 1.97 |
| RIDGEFIELD FUNDING CO | 4,998,561 | 1.97 |
| FED HM LN PC POOL G18465 | 4,501,653 | 1.78 |
| FED HM LN PC POOL Q09530 | 4,234,805 | 1.67 |
| FREDDIE MAC | 4,072,400 | 1.61 |
| SAMSUNG ELECTRON AMERICA | 4,045,973 | 1.60 |
| FNMA POOL AB1959 | 3,771,663 | 1.49 |

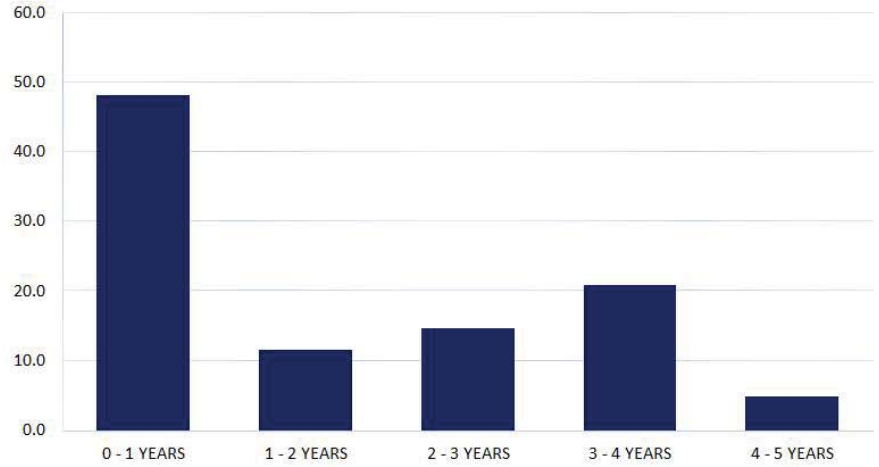
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 500 LGIP MED**

STATE STREET.

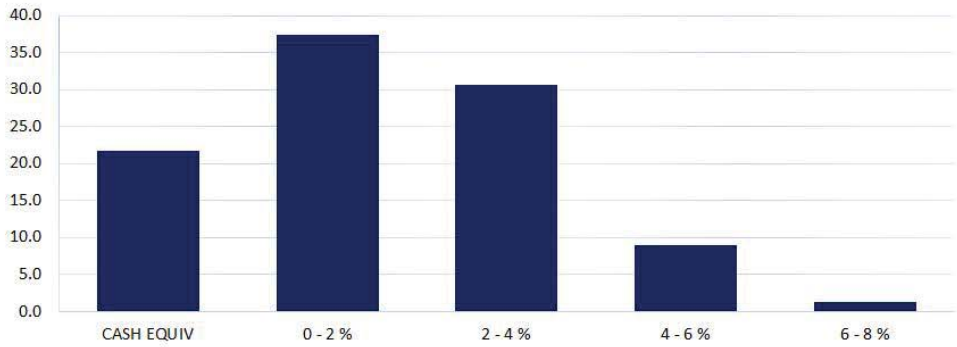
## Duration Distribution



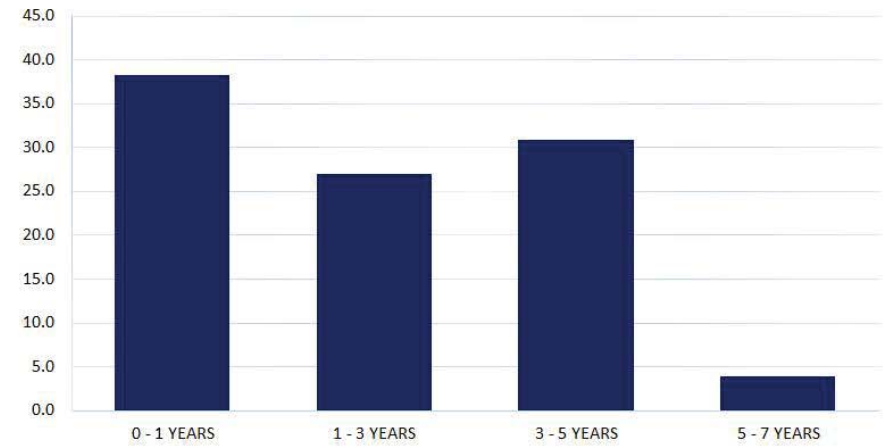

## Portfolio Level Characteristics

| | POOL 500 LGIP MED |
|---|---|
| Weighted Average Life | 2.05 |
| Coupon | 1.88 |
| Effective Duration | 1.60 |
| Quality Rating (Moody's) | AA-2 |

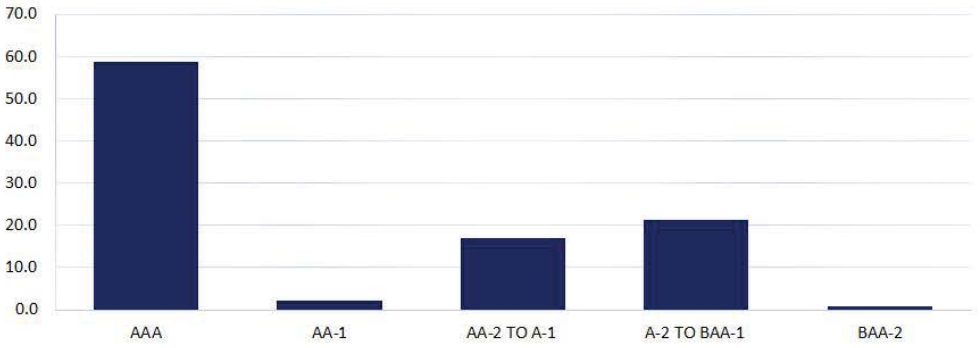
## Coupon Distribution




## Expected Maturity Distribution




## Rating Distribution

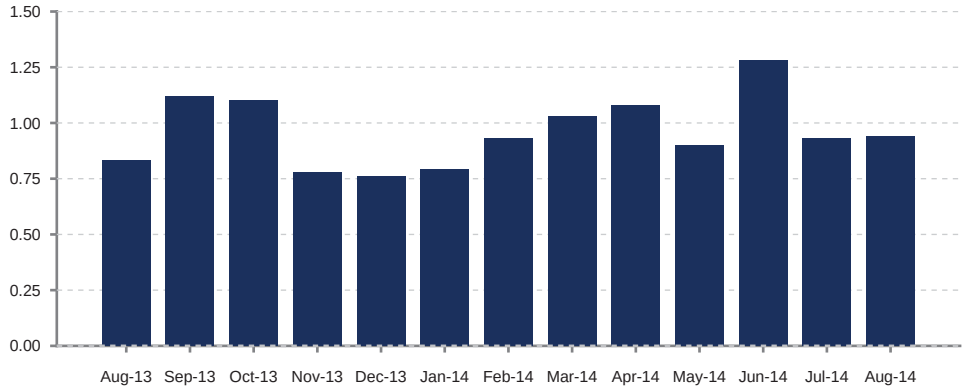


# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 700 LGIP MD FF&C**

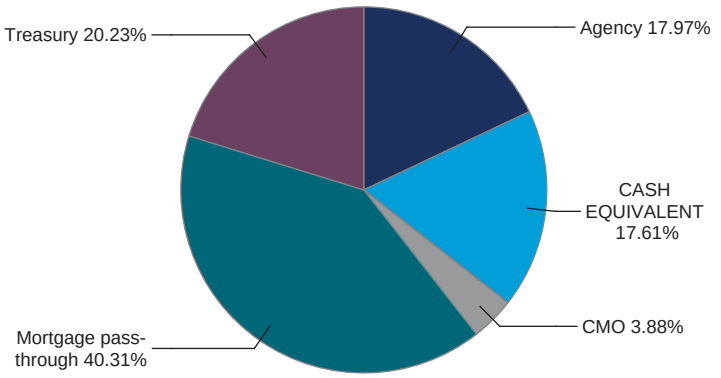
## Net Yield



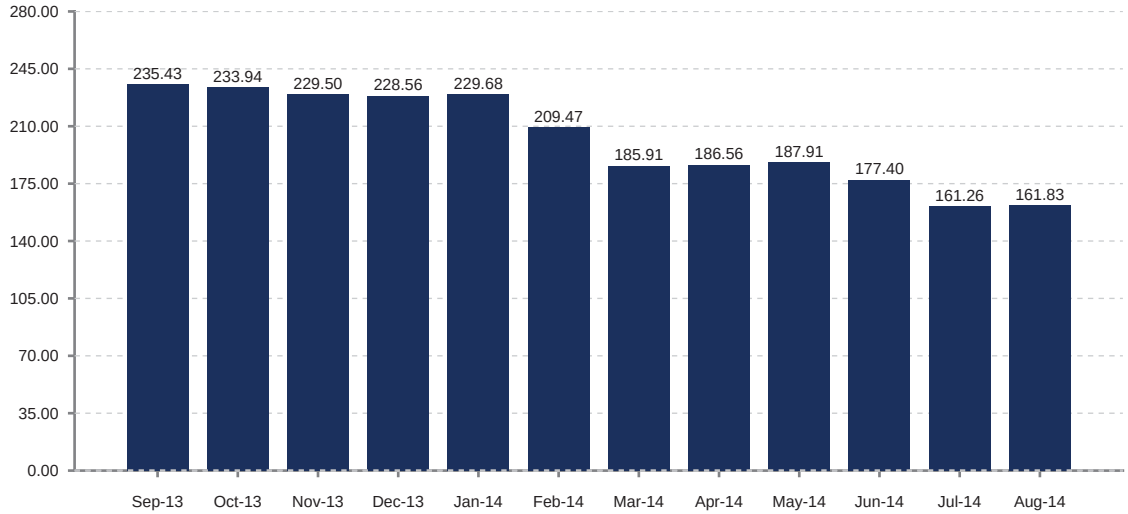

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 700 LGIP MD FF&C | 0.94 | 0.93 | 0.83 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 700 LGIP MD FF&C | 161,831,535 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

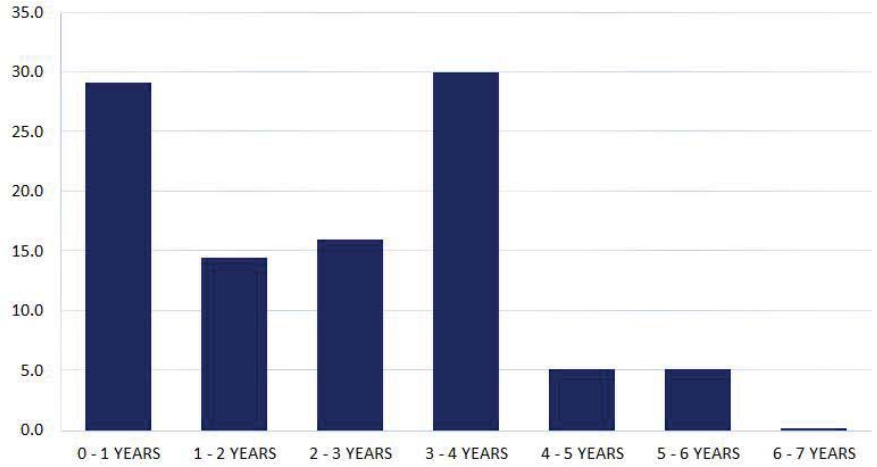
| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 700 LGIP MD FF&C | | |
| FDIC US BANK CDARS ACCOUNT | 15,140,849 | 9.36 |
| SUN TRUST ROBINSON HUMPHREY | 10,000,222 | 6.18 |
| GNMA II POOL MA0213 | 6,440,537 | 3.98 |
| GNMA II POOL 004849 | 6,319,316 | 3.90 |
| GOVERNMENT NATIONAL MORTGAGE A | 5,874,827 | 3.63 |
| US TREASURY N/B | 5,320,334 | 3.29 |
| US TREASURY N/B | 4,964,591 | 3.07 |
| AID ISRAEL | 4,895,925 | 3.03 |
| NCUA GUARANTEED NOTES | 4,078,318 | 2.52 |
| GNMA II POOL MA0008 | 4,032,048 | 2.49 |

# OFFICE OF THE ARIZONA STATE TREASURER

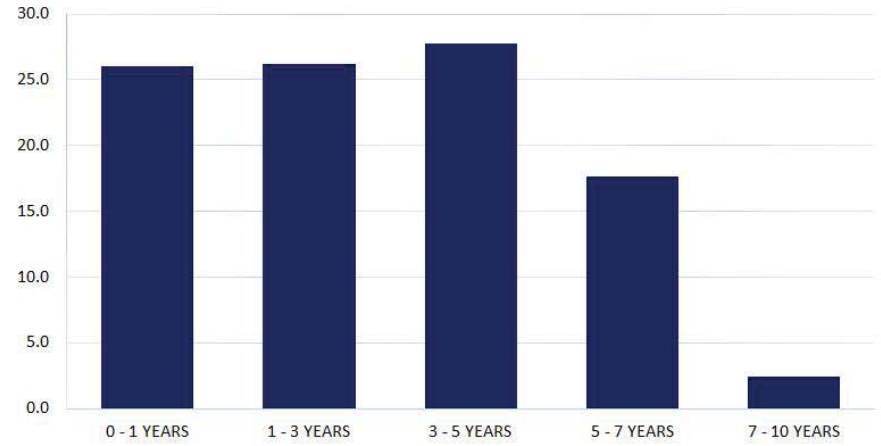
**August 31, 2014**

**POOL 700 LGIP MD FF&C**

## Duration Distribution



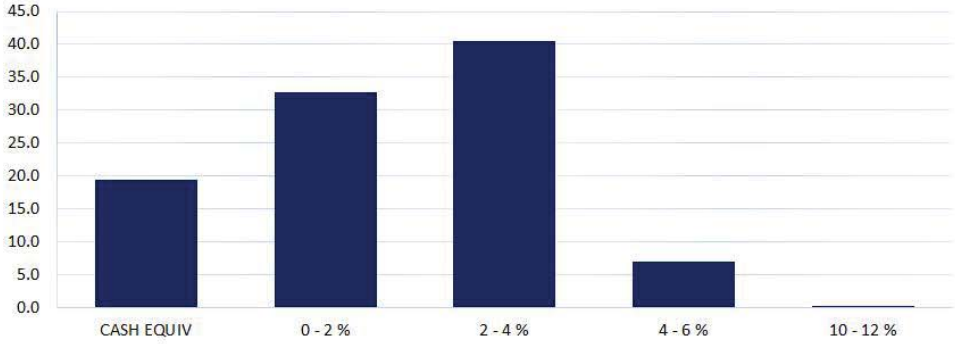

## Expected Maturity Distribution



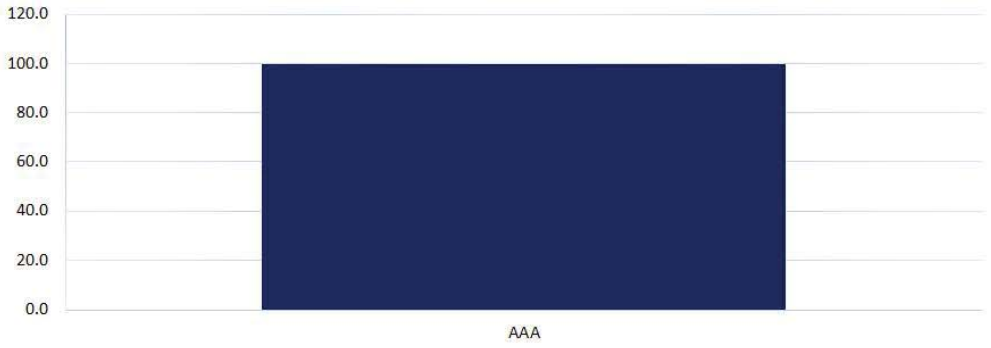

## Portfolio Level Characteristics

| | POOL 700 LGIP MD FF&C |
|---|---|
| Weighted Average Life | 3.36 |
| Coupon | 2.15 |
| Effective Duration | 2.79 |
| Quality Rating (Moody's) | AAA |

## Coupon Distribution




## Rating Distribution



# EARNINGS DISTRIBUTED
# ENDOWMENT FUNDS
# AUGUST 2014

| Recipient | | Distributed in Current Month AUGUST 2014 | Fiscal YTD 14/15 | Fiscal YTD 13/14 |
|---|---|---|---|---|
| 101 | A & M Colleges | $18,997 | $37,994 | $35,626 |
| 102 | State Hospital | $11,534 | $23,069 | $21,107 |
| 103 | Leg., Exec., & Jud. | $15,436 | $30,872 | $28,733 |
| 104 | Military Institute | $1,065 | $2,131 | $2,007 |
| 105 | Miners Hospital | $32,415 | $64,830 | $55,502 |
| 107 | Normal School ASU/NAU | $6,839 | $13,678 | $12,436 |
| 108 | Penitentiaries | $23,538 | $47,076 | $41,002 |
| 109 | Permanent Common School | $6,332,035 | $12,664,071 | $11,296,968 |
| 110 | School for Deaf & Blind | $9,692 | $19,383 | $17,778 |
| 111 | School of Mines | $21,500 | $42,999 | $40,276 |
| 112 | State Charitable-Pioneers Home | $103,941 | $207,881 | $196,153 |
| 112 | State Charitable-Corrections | $51,970 | $103,941 | $98,076 |
| 112 | State Charitable-Youth Treatment | $51,970 | $103,941 | $98,076 |
| 113 | University Fund | $35,752 | $71,504 | $66,339 |
| 114 | U of A Land - 1881 | $94,102 | $188,204 | $162,025 |
| | **Total** | **$6,810,786** | **$13,621,572** | **$12,172,104** |

Posted in USAS in current month

## NET REALIZED CAPITAL GAINS / LOSSES - ENDOWMENT FUNDS

| Endowment Fund | Aug-14 NET GAIN(LOSS) | Aug-13 NET GAIN(LOSS) |
|---|---|---|
| Fixed Income Pool | (239,489) | **(295,033)** |
| 500 Large-Cap Fund | 74,053 | **228,099** |
| 400 Mid-Cap Fund | 2,472,671 | **(204,130)** |
| 600 Small-Cap Fund | 3,066,534 | **65,631** |
| **Totals** | **5,373,769** | **(205,433)** |

| Endowment Fund | 2014/2015 FISCAL YEAR TO DATE GAINS(LOSSES) | 2013/ 2014 FISCAL YEAR TO DATE GAINS(LOSSES) |
|---|---|---|
| Fixed Income Pool | (574,203) | **(581,723)** |
| 500 Large-Cap Fund | 3,474,562 | **(3,240,396)** |
| 400 Mid-Cap Fund | 5,636,819 | **408,068** |
| 600 Small-Cap Fund | 5,406,185 | **1,599,260** |
| **Totals** | **13,943,362** | **(1,814,791)** |

# ENDOWMENT FUNDS FIXED-INCOME POOL
# PURCHASES & SALES
Month of August 2014

**I. Endowment Funds Purchases**

| SECURITY DESCRIPTION | RATE | MATURITY | *WAL YEARS | PAR VALUE | PURCHASE COST | YIELD | MOODY'S / S&P RATING |
|---|---|---|---|---|---|---|---|
| FNMA MTG | 2.00 | 1/25/2029 | 2.17 | $4,941,751 | $5,032,092 | 1.12% | Aaa/AA+ |
| FNMA MTG | 3.00 | 5/25/2033 | 4.09 | $4,764,198 | $4,926,243 | 2.10% | Aaa/AA+ |
| FNMA MTG | 0.40 | 5/25/2018 | 3.49 | $9,991,806 | $10,021,804 | 0.32% | Aaa/AA+ |
| FHR MTG | 2.50 | 1/15/2033 | 5.1 | $4,364,293 | $4,412,936 | 2.26% | Aaa/AA+ |
| FHR MTG | 3.00 | 3/15/2037 | 3.79 | $5,800,316 | $6,024,444 | 1.95% | Aaa/AA+ |
| FHR MTG | 2.50 | 8/15/2029 | 4.14 | $5,000,000 | $5,101,714 | 2.01% | Aaa/AA+ |
| US TREAS | 2.75 | 11/30/2016 | N/A | $7,000,000 | $7,374,070 | 0.64% | Aaa/AA+ |
| **TOTAL ENDOWMENT FUNDS PURCHASES** | | | | **$41,862,363** | **$42,893,304** | | |

**II. Endowment Funds Sales**

| SECURITY DESCRIPTION | RATE | MATURITY | PAR VALUE | AMORTIZED COST/PROCEEDS | SALES GAINS/(LOSSES) | MOODY'S / S&P RATING |
|---|---|---|---|---|---|---|
| **TOTAL ENDOWMENT FUNDS SALES** | | | **$0** | **$0** | **$0** | |

*WAL is the weighted average life of the security based on the Bloomberg calculation at the time the trade is executed. The calculation is used only with mortgage-backed pass-through/CMO securities.

## I. Equity Fund Purchases

| | SHARES | PURCHASE COST | COMMISSIONS |
|---|---|---|---|
| 400 Mid-Cap Fund | 260,029 | $14,846,522 | $1,951 |
| 500 Large-Cap Fund | 131,800 | $8,668,219 | $989 |
| 600 Small-Cap Fund | 493,118 | $14,050,820 | $2,976 |
| **TOTAL EQUITY PURCHASES** | **884,947** | **$37,565,561** | **$5,916** |

## II. Equity Funds Sales

| | SHARES | SALES AMOUNT | COMMISSIONS |
|---|---|---|---|
| 400 Mid-Cap Fund | 193,893 | $5,035,555 | $1,454 |
| 500 Large-Cap Fund | 704 | $435,846 | $5 |
| 600 Small-Cap Fund | 361,025 | $9,533,387 | $482 |
| **TOTAL EQUITY SALES** | **555,622** | **$15,004,787** | **$1,941** |

**ENDOWMENT FUNDS**
**INVESTMENTS OUTSTANDING**
AUGUST 31, 2014
(In Thousands)

| FUND | NAME OF FUND | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE | UNREALIZED GAINS (LOSSES) | **Mkt Value/ Book Value** |
|---|---|---|---|---|---|---|
| 101 | A & M Colleges | | | | | |
| | *Shares in Equity Pools* | 493 | 3,468 | 7,708 | 4,240 | |
| | *Shares in Fixed Income Pools* | 4,464 | 3,123 | 4,701 | 1,579 | |
| | Total | 4,957 | 6,591 | 12,409 | 5,818 | **1.883** |
| 102 | State Hospital | | | | | |
| | *Shares in Equity Pools* | 324 | 2,346 | 5,072 | 2,726 | |
| | *Shares in Fixed Income Pools* | 2,822 | 2,094 | 2,972 | 878 | |
| | Total | 3,147 | 4,440 | 8,044 | 3,603 | **1.812** |
| 103 | Leg., Exec, & Jud | | | | | |
| | *Shares in Equity Pools* | 396 | 2,979 | 6,196 | 3,217 | |
| | *Shares in Fixed Income Pools* | 3,811 | 2,667 | 4,014 | 1,346 | |
| | Total | 4,208 | 5,646 | 10,209 | 4,563 | **1.808** |
| 104 | Military Institute | | | | | |
| | *Shares in Equity Pools* | 26 | 189 | 405 | 216 | |
| | *Shares in Fixed Income Pools* | 255 | 169 | 269 | 99 | |
| | Total | 281 | 358 | 673 | 315 | **1.881** |
| 105 | Miners Hospital | | | | | |
| | *Shares in Equity Pools* | 1,120 | 9,903 | 17,517 | 7,614 | |
| | *Shares in Fixed Income Pools* | 9,880 | 8,420 | 10,404 | 1,985 | |
| | Total | 11,000 | 18,322 | 27,921 | 9,599 | **1.524** |
| 107 | Normal School ASU/NAU | | | | | |
| | *Shares in Equity Pools* | 191 | 1,444 | 2,980 | 1,536 | |
| | *Shares in Fixed Income Pools* | 1,741 | 1,287 | 1,833 | 546 | |
| | Total | 1,931 | 2,731 | 4,813 | 2,082 | **1.762** |
| 108 | Penitentiaries | | | | | |
| | *Shares in Equity Pools* | 729 | 5,878 | 11,402 | 5,524 | |
| | *Shares in Fixed Income Pools* | 6,614 | 5,249 | 6,965 | 1,716 | |
| | Total | 7,343 | 11,126 | 18,367 | 7,240 | **1.651** |

# ENDOWMENT FUNDS
# INVESTMENTS OUTSTANDING
AUGUST 31, 2014
(In Thousands)

| | NAME OF FUND | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE | UNREALIZED GAINS (LOSSES) | **Mkt Value/ Book Value** |
|---|---|---|---|---|---|---|
| 109 | Permanent Common School | | | | | |
| | *Shares in Equity Pools* | 183,008 | 1,437,154 | 2,861,388 | 1,424,234 | |
| | *Shares in Fixed Income Pools* | 1,636,977 | 1,295,155 | 1,723,855 | 428,700 | |
| | Total | 1,819,985 | 2,732,310 | 4,585,244 | 1,852,934 | **1.678** |
| 110 | School for Deaf & Blind | | | | | |
| | *Shares in Equity Pools* | 261 | 1,961 | 4,081 | 2,120 | |
| | *Shares in Fixed Income Pools* | 2,442 | 1,743 | 2,572 | 829 | |
| | Total | 2,703 | 3,704 | 6,652 | 2,949 | **1.796** |
| 111 | School of Mines | | | | | |
| | *Shares in Equity Pools* | 551 | 4,122 | 8,618 | 4,495 | |
| | *Shares in Fixed Income Pools* | 5,116 | 3,715 | 5,387 | 1,672 | |
| | Total | 5,667 | 7,837 | 14,005 | 6,168 | **1.787** |
| 112 | State Charitable | | | | | |
| | *Shares in Equity Pools* | 5,526 | 41,376 | 86,399 | 45,023 | |
| | *Shares in Fixed Income Pools* | 48,597 | 37,785 | 51,176 | 13,391 | |
| | Total | 54,123 | 79,161 | 137,575 | 58,414 | **1.738** |
| 113 | University Fund | | | | | |
| | *Shares in Equity Pools* | 994 | 7,819 | 15,539 | 7,720 | |
| | *Shares in Fixed Income Pools* | 9,222 | 6,871 | 9,712 | 2,841 | |
| | Total | 10,216 | 14,690 | 25,251 | 10,561 | **1.719** |
| 114 | U Of A Land - 1881 | | | | | |
| | *Shares in Equity Pools* | 3,429 | 31,458 | 53,609 | 22,151 | |
| | *Shares in Fixed Income Pools* | 31,474 | 26,224 | 33,145 | 6,921 | |
| | Total | 34,903 | 57,682 | 86,754 | 29,072 | **1.504** |
| | TOTALS - ALL FUNDS | | | | | |
| | *Shares in Equity Pools* | 197,048 | 1,550,096 | 3,080,912 | 1,530,816 | |
| | *Shares in Fixed Income Pools* | 1,763,416 | 1,394,502 | 1,857,005 | 462,503 | |
| | **Grand Total** | **1,960,464** | **2,944,598** | **4,937,917** | **1,993,319** | |
| | **PRIOR YEAR: AUGUST 2013 BALANCES** | **1,737,663** | **2,778,771** | **4,206,959** | **1,428,188** | |

**ENDOWMENT FUNDS**
**INVESTMENTS OUTSTANDING**
AUGUST 31, 2014

## ASSET ALLOCATION PERCENTAGE

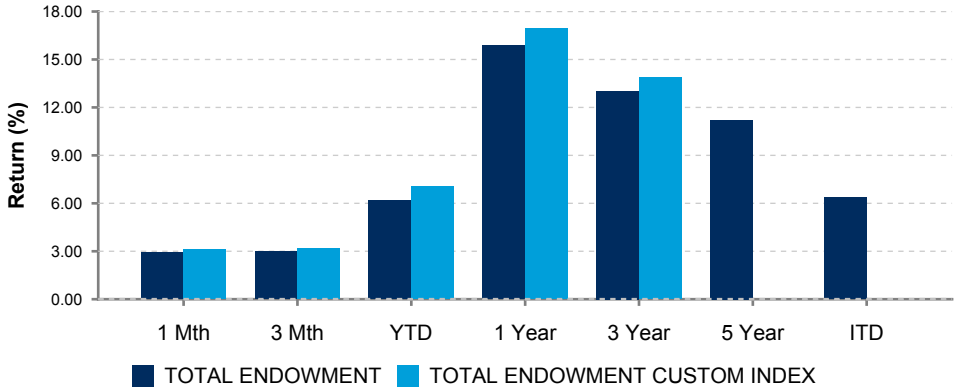
| | SHARES OUTSTANDING | **BOOK VALUE** | MARKET VALUE | AUGUST 2013 MARKET VALUE |
|---|---|---|---|---|
| *Shares in Equity Pools* | 10.05% | **52.64%** | 62.39% | 64.06% |
| *Shares in Fixed Income Pools* | 89.95% | **47.36%** | 37.61% | 35.94% |
| **Total** | 100.00% | **100.00%** | 100.00% | 100.00% |

# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

Total Endowment Summary

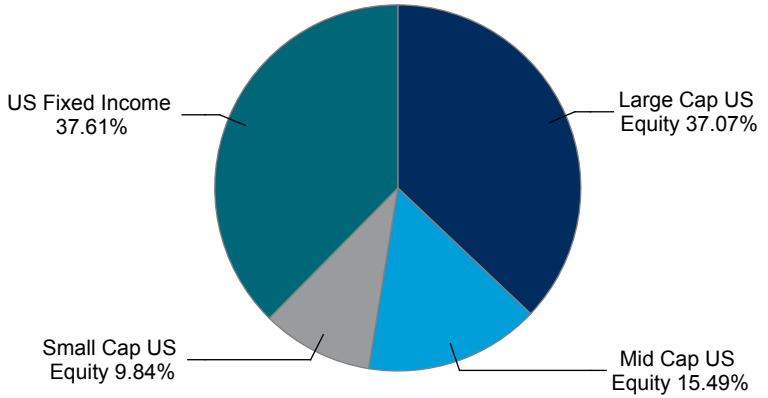
## Performance



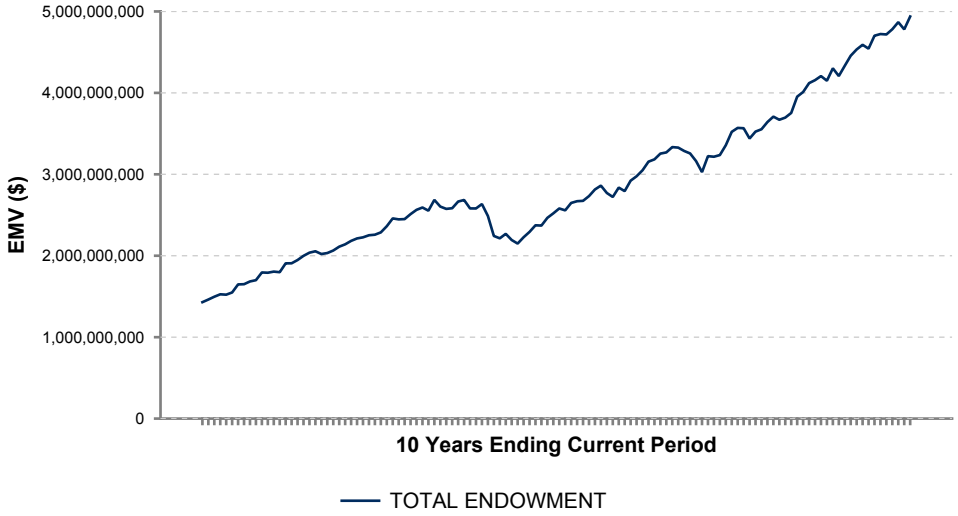

| | 1 Mth | 3 Mth | YTD | 1 Year | 3 Year | 5 Year | ITD | Incept Date |
|---|---|---|---|---|---|---|---|---|
| TOTAL ENDOWMENT | 2.93 | 2.98 | 6.18 | 15.87 | 13.04 | 11.22 | 6.36 | 07/99 |
| TOTAL ENDOWMENT CUSTOM INDEX | 3.11 | 3.19 | 7.04 | 16.95 | 13.87 | | | 07/99 |
| Excess | -0.18 | -0.21 | -0.86 | -1.08 | -0.83 | | | |

## Asset Allocation

| | Ending Market Value |
|---|---|
| TOTAL ENDOWMENT | 4,937,917,278 |

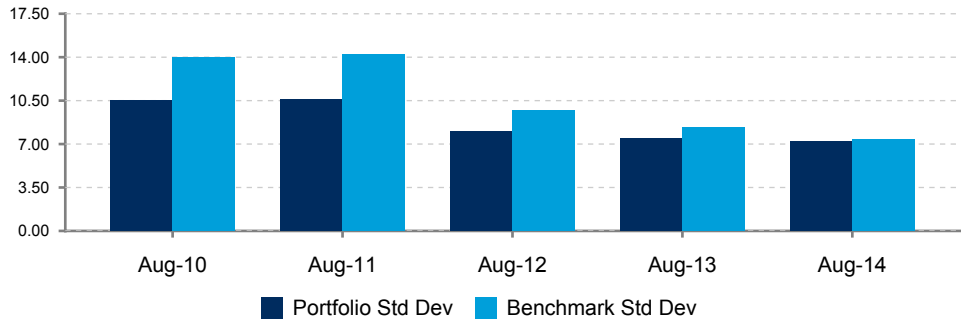



## Ending Market Value




## 3 Year Risk Statistics

| | Return | Portfolio Std Dev | Benchmark Std Dev | Sharpe Ratio | Beta | Tracking Error | Information Ratio |
|---|---|---|---|---|---|---|---|
| TOTAL ENDOWMENT | 13.04 | 7.25 | 7.35 | 1.79 | 0.99 | 0.37 | -2.19 |



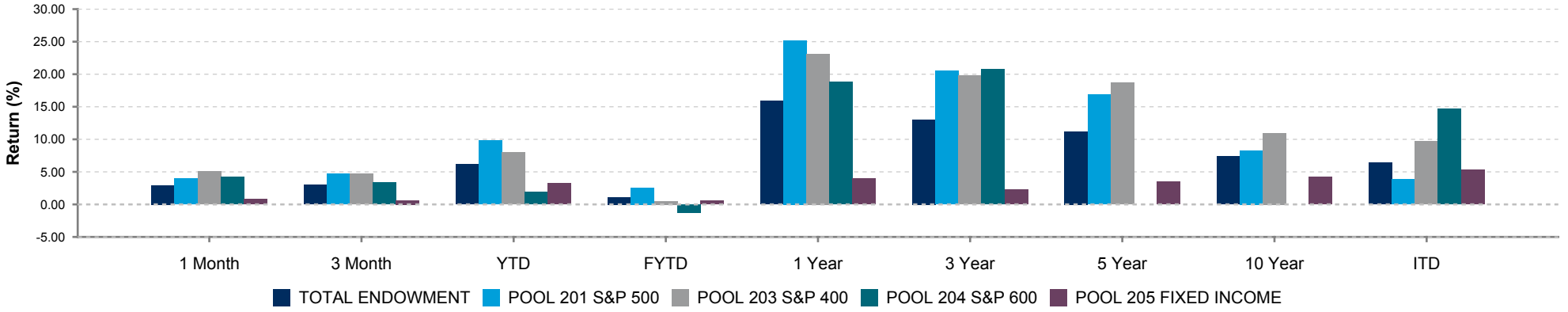
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

Total Returns Net Mgr

STATE STREET.

## Return Comparison




| | Market Value | Actual Weight | 1 Mth | 3 Mth | YTD | FYTD | 1 Year | 3 Year | 5 Year | 10 Year | ITD | Inc Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL ENDOWMENT | 4,937,917,278 | 100.00 | 2.93 | 2.98 | 6.18 | 1.10 | 15.87 | 13.04 | 11.22 | 7.38 | 6.36 | Jul-01-99 |
| TOTAL ENDOWMENT CUSTOM INDEX | | | 3.11 | 3.19 | 7.04 | 1.27 | 16.95 | 13.87 | | | | Jul-01-99 |
| Excess | | | -0.18 | -0.21 | -0.86 | -0.17 | -1.08 | -0.83 | | | | |
| POOL 201 S&P 500 | 1,830,521,269 | 37.07 | 3.99 | 4.68 | 9.83 | 2.57 | 25.19 | 20.56 | 16.87 | 8.30 | 3.87 | Jul-01-99 |
| S&P 500 INDEX (DAILY) | | | 4.00 | 4.69 | 9.89 | 2.57 | 25.25 | 20.61 | 16.88 | 8.38 | 4.47 | Jul-01-99 |
| Excess | | | -0.01 | -0.01 | -0.06 | -0.00 | -0.06 | -0.04 | -0.01 | -0.08 | -0.60 | |
| POOL 203 S&P 400 | 764,664,883 | 15.49 | 5.02 | 4.66 | 8.00 | 0.49 | 23.12 | 19.82 | 18.69 | 10.96 | 9.67 | Aug-01-01 |
| S&P 400 MIDCAP INDEX (DAILY) | | | 5.08 | 4.75 | 8.13 | 0.59 | 23.25 | 19.79 | 18.77 | 11.13 | 9.70 | Aug-01-01 |
| Excess | | | -0.06 | -0.10 | -0.13 | -0.10 | -0.13 | 0.02 | -0.08 | -0.17 | -0.03 | |
| POOL 204 S&P 600 | 485,726,082 | 9.84 | 4.22 | 3.34 | 1.86 | -1.31 | 18.78 | 20.76 | | | 14.70 | Mar-01-11 |
| S&P SM 600 TR | | | 4.29 | 3.21 | 1.74 | -1.44 | 18.70 | 20.69 | | | 14.67 | Mar-01-11 |
| Excess | | | -0.08 | 0.12 | 0.12 | 0.13 | 0.08 | 0.07 | | | 0.02 | |
| POOL 205 FIXED INCOME | 1,857,005,044 | 37.61 | 0.76 | 0.62 | 3.22 | 0.59 | 3.94 | 2.25 | 3.46 | 4.23 | 5.35 | Jul-01-99 |
| CITIGROUP BIG (DAILY) | | | 1.11 | 0.91 | 4.79 | 0.86 | 5.62 | 2.90 | 4.39 | 4.83 | 5.67 | Jul-01-99 |
| Excess | | | -0.35 | -0.29 | -1.57 | -0.27 | -1.68 | -0.65 | -0.93 | -0.60 | -0.33 | |

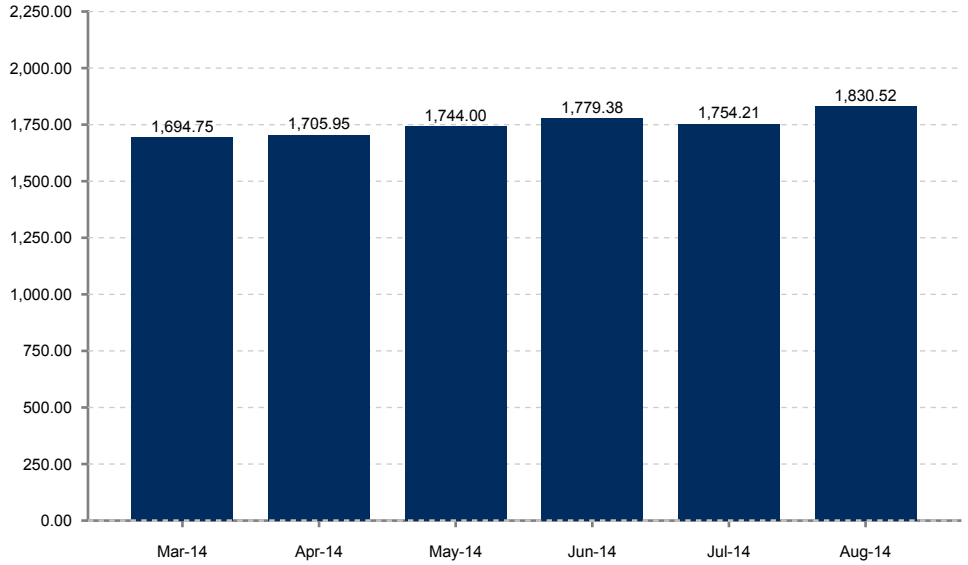
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

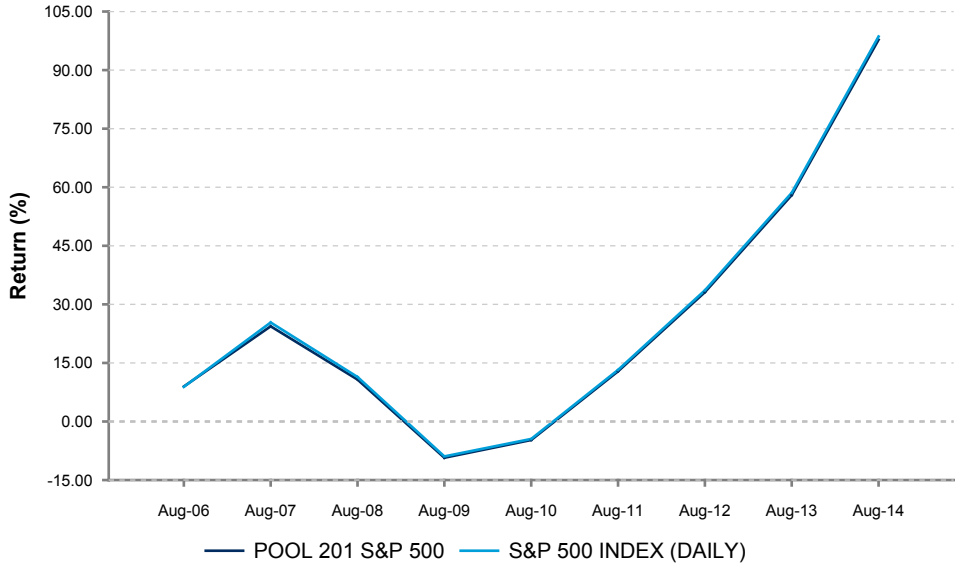
POOL 201 S&P 500

STATE STREET.

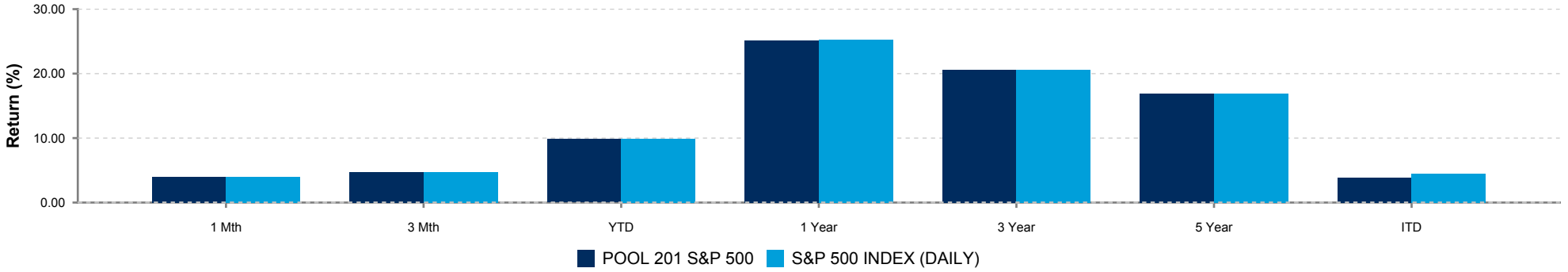
## Net Asset Values over Time ($MM)




## Cumulative Return (%)




## Rates of Return

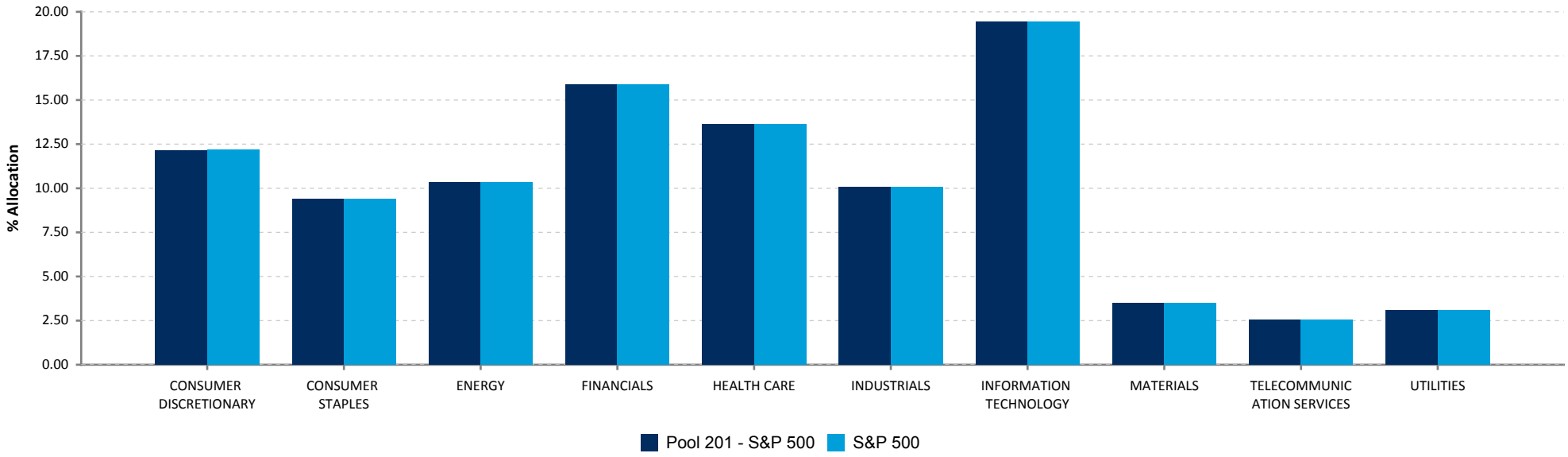



| | 1 Mth | 3 Mth | YTD | 1 Year | 3 Year | 5 Year | ITD | Aug 31 2014 | Aug 31 2013 | Aug 31 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| POOL 201 S&P 500 | 3.99 | 4.68 | 9.83 | 25.19 | 20.56 | 16.87 | 3.87 | 25.19 | 18.68 | 17.96 |
| S&P 500 INDEX (DAILY) | 4.00 | 4.69 | 9.89 | 25.25 | 20.61 | 16.88 | 4.47 | 25.25 | 18.70 | 18.00 |
| Excess | -0.01 | -0.01 | -0.06 | -0.06 | -0.04 | -0.01 | -0.60 | -0.06 | -0.03 | -0.04 |

# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

POOL 201 S&P 500
Sector Allocation vs S&P 500




| | Fund Weight | Benchmark Weight | Relative Weight |
|---|---|---|---|
| POOL 201 S&P 500 | 100.00 | 100.00 | 0.00 |
| CONSUMER DISCRETIONARY | 12.11 | 12.11 | 0.01 |
| CONSUMER STAPLES | 9.30 | 9.32 | -0.02 |
| ENERGY | 10.54 | 10.56 | -0.02 |
| FINANCIALS | 15.97 | 15.84 | 0.13 |
| HEALTH CARE | 13.39 | 13.47 | -0.08 |
| INDUSTRIALS | 10.04 | 10.05 | -0.02 |
| INFORMATION TECHNOLOGY | 19.48 | 19.46 | 0.02 |
| MATERIALS | 3.48 | 3.48 | 0.00 |
| TELECOMMUNICATION SERVICES | 2.66 | 2.65 | 0.01 |
| UTILITIES | 3.03 | 3.06 | -0.03 |

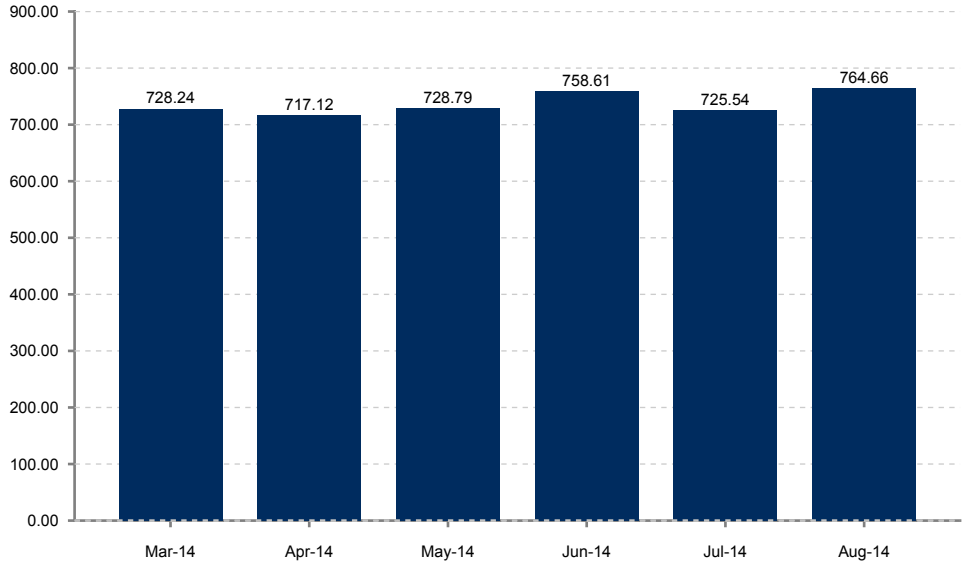
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

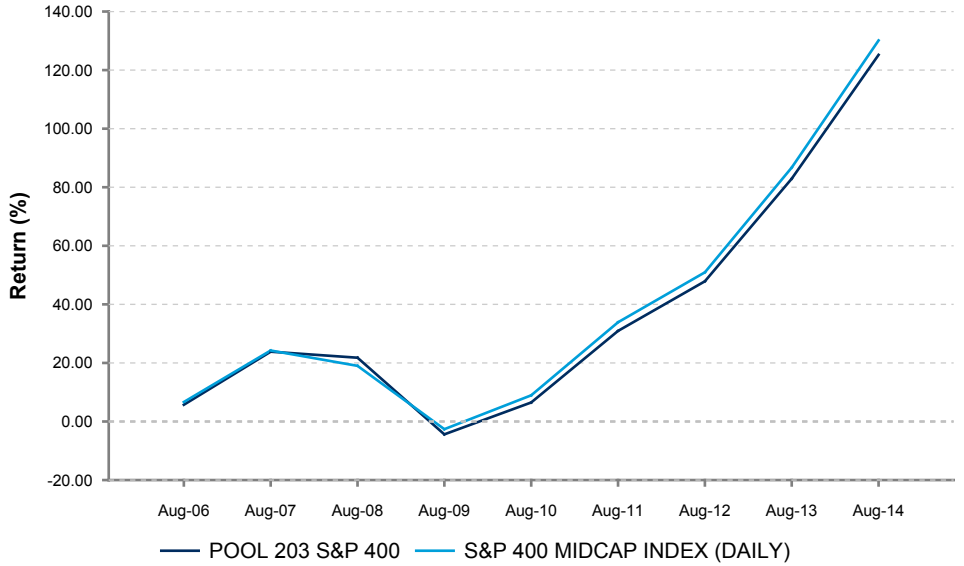
POOL 203 S&P 400

STATE STREET.

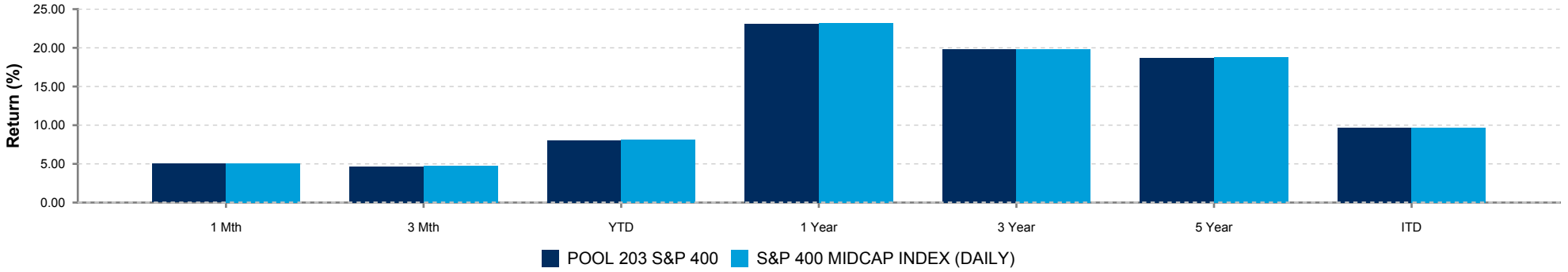
## Net Asset Values over Time ($MM)




## Cumulative Return (%)




## Rates of Return

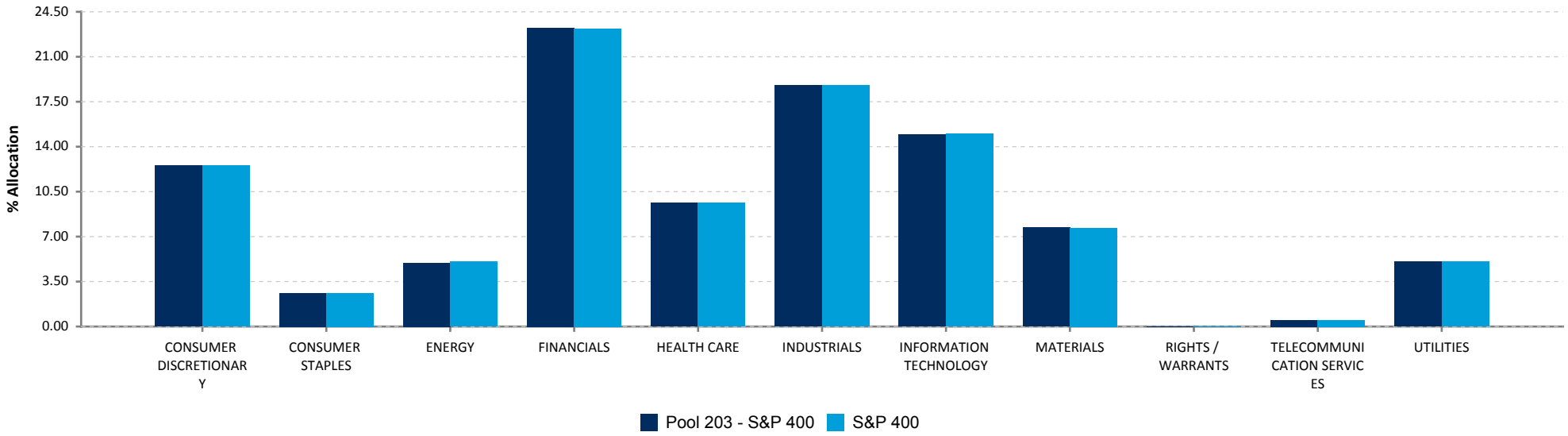



| | 1 Mth | 3 Mth | YTD | 1 Year | 3 Year | 5 Year | ITD | Aug 31 2014 | Aug 31 2013 | Aug 31 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| POOL 203 S&P 400 | 5.02 | 4.66 | 8.00 | 23.12 | 19.82 | 18.69 | 9.67 | 23.12 | 23.69 | 12.95 |
| S&P 400 MIDCAP INDEX (DAILY) | 5.08 | 4.75 | 8.13 | 23.25 | 19.79 | 18.77 | 9.70 | 23.25 | 23.71 | 12.75 |
| Excess | -0.06 | -0.10 | -0.13 | -0.13 | 0.02 | -0.08 | -0.03 | -0.13 | -0.01 | 0.20 |

# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

POOL 203 S&P 400
Sector Allocation vs S&P MID CAP 400




| | Weight Fund | Weight Benchmark | Weight Relative |
|---|---|---|---|
| POOL 203 S&P 400 | 100.00 | 100.00 | 0.00 |
| CONSUMER DISCRETIONARY | 12.45 | 12.46 | -0.02 |
| CONSUMER STAPLES | 3.03 | 3.04 | -0.01 |
| ENERGY | 4.73 | 4.74 | -0.02 |
| FINANCIALS | 23.39 | 23.42 | -0.03 |
| HEALTH CARE | 9.87 | 9.91 | -0.04 |
| INDUSTRIALS | 18.72 | 18.74 | -0.02 |
| INFORMATION TECHNOLOGY | 14.38 | 14.45 | -0.07 |
| MATERIALS | 7.89 | 7.68 | 0.22 |
| RIGHTS / WARRANTS | 0.00 | 0.00 | 0.00 |
| TELECOMMUNICATION SERVICES | 0.53 | 0.52 | 0.01 |
| UTILITIES | 5.02 | 5.04 | -0.02 |

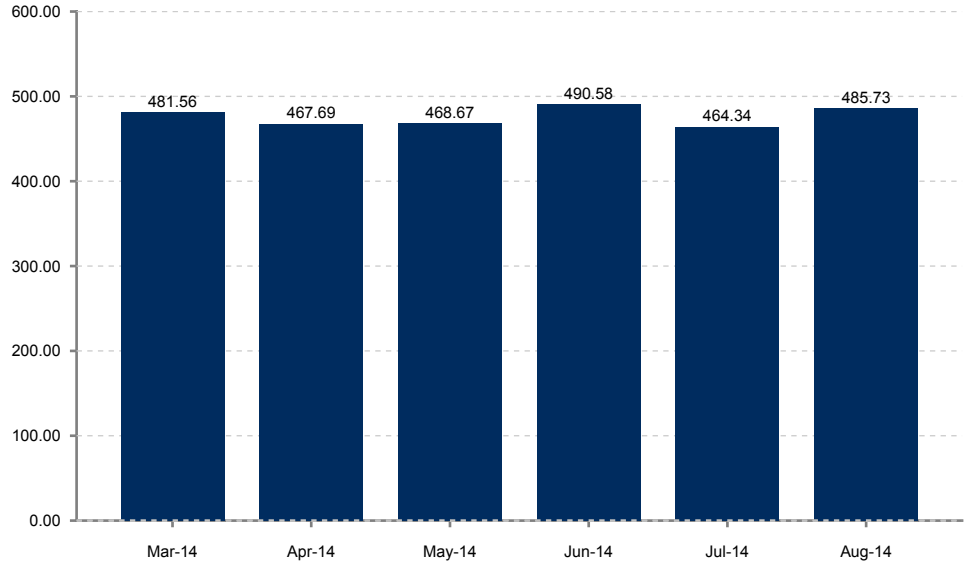
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

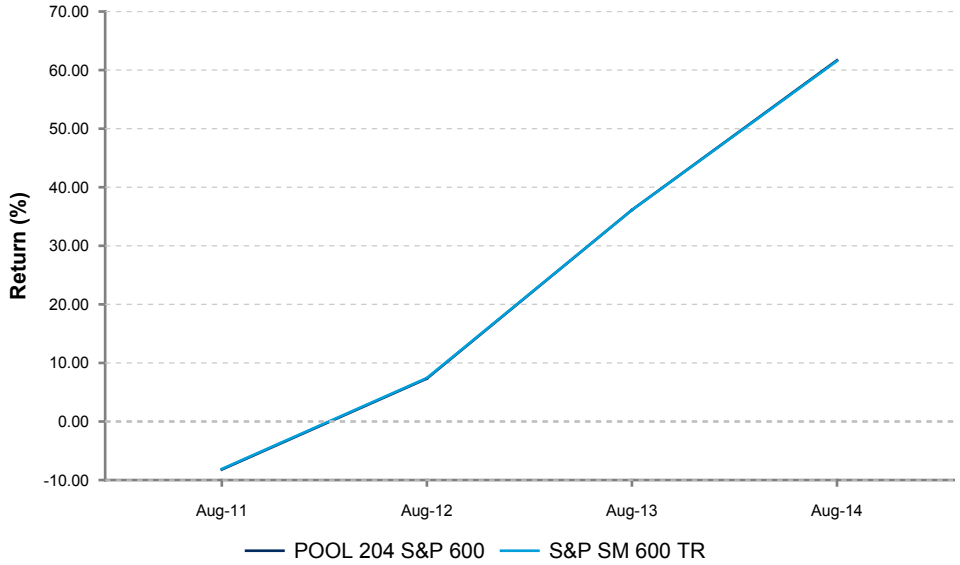
POOL 204 S&P 600

STATE STREET.

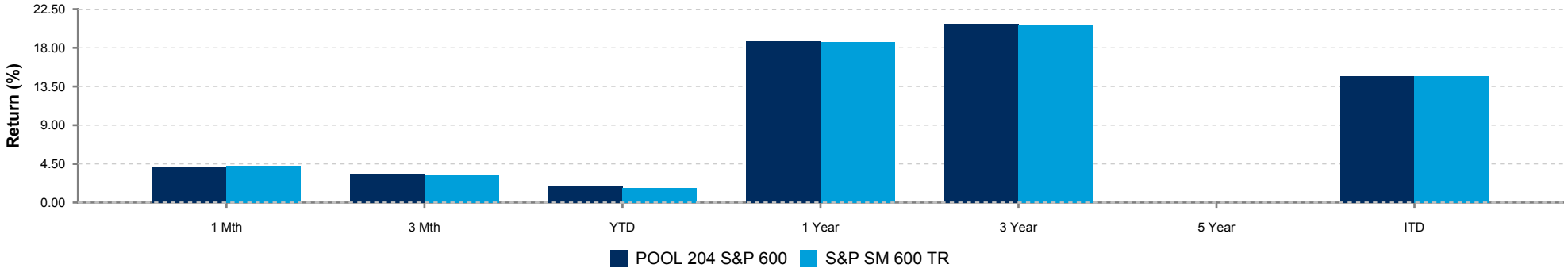
## Net Asset Values over Time ($MM)




## Cumulative Return (%)




## Rates of Return

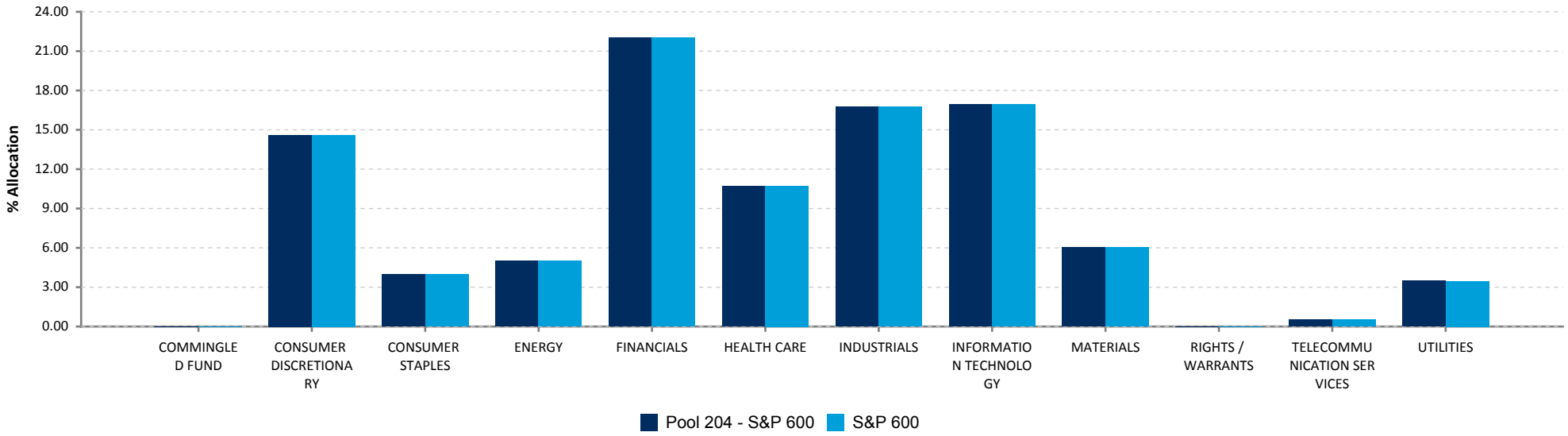



| | 1 Mth | 3 Mth | YTD | 1 Year | 3 Year | 5 Year | ITD | Aug 31 2014 | Aug 31 2013 | Aug 31 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| POOL 204 S&P 600 | 4.22 | 3.34 | 1.86 | 18.78 | 20.76 | | 14.70 | 18.78 | 26.82 | 16.92 |
| S&P SM 600 TR | 4.29 | 3.21 | 1.74 | 18.70 | 20.69 | | 14.67 | 18.70 | 26.69 | 16.90 |
| Excess | -0.08 | 0.12 | 0.12 | 0.08 | 0.07 | | 0.02 | 0.08 | 0.13 | 0.02 |

# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

POOL 204 S&P 600
Sector Allocation vs S&P SMALLCAP 600




| | Weight Fund | Weight Benchmark | Weight Relative |
|---|---|---|---|
| POOL 204 S&P 600 | 100.00 | 100.00 | 0.00 |
| COMMINGLED FUND | 0.00 | 0.00 | 0.00 |
| CONSUMER DISCRETIONARY | 14.41 | 14.41 | -0.00 |
| CONSUMER STAPLES | 3.89 | 3.89 | -0.00 |
| ENERGY | 4.83 | 4.84 | -0.00 |
| FINANCIALS | 22.31 | 22.29 | 0.02 |
| HEALTH CARE | 11.37 | 11.37 | -0.00 |
| INDUSTRIALS | 16.57 | 16.57 | -0.01 |
| INFORMATION TECHNOLOGY | 16.59 | 16.60 | -0.01 |
| MATERIALS | 5.85 | 5.85 | 0.00 |
| RIGHTS / WARRANTS | 0.00 | 0.00 | 0.00 |
| TELECOMMUNICATION SERVICES | 0.39 | 0.39 | -0.00 |
| UTILITIES | 3.79 | 3.79 | 0.00 |

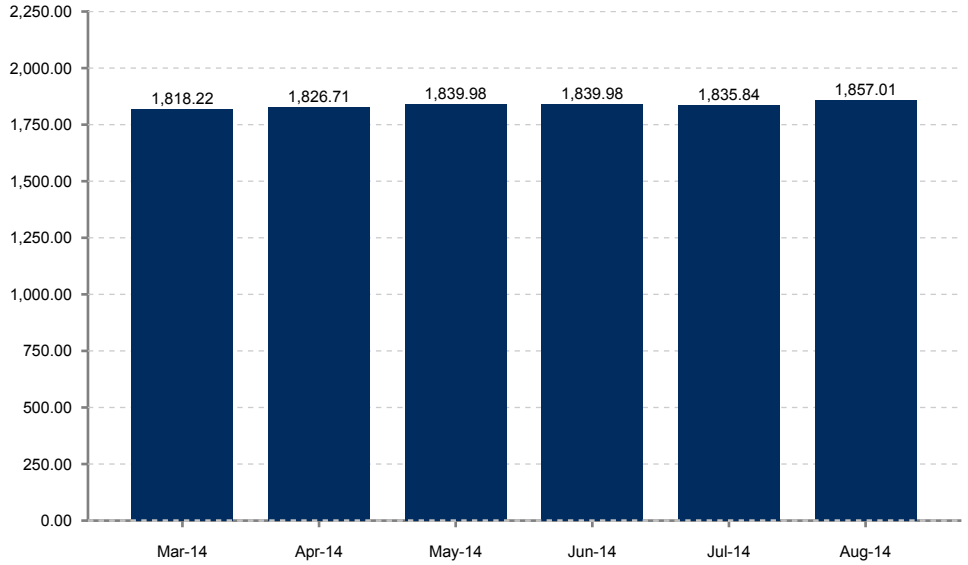
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

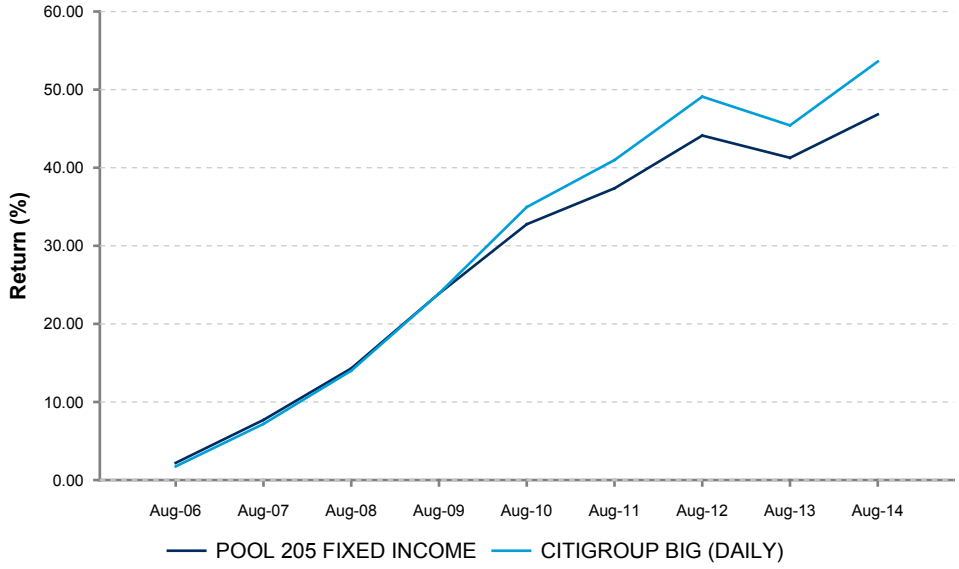
POOL 205 FIXED INCOME

STATE STREET.

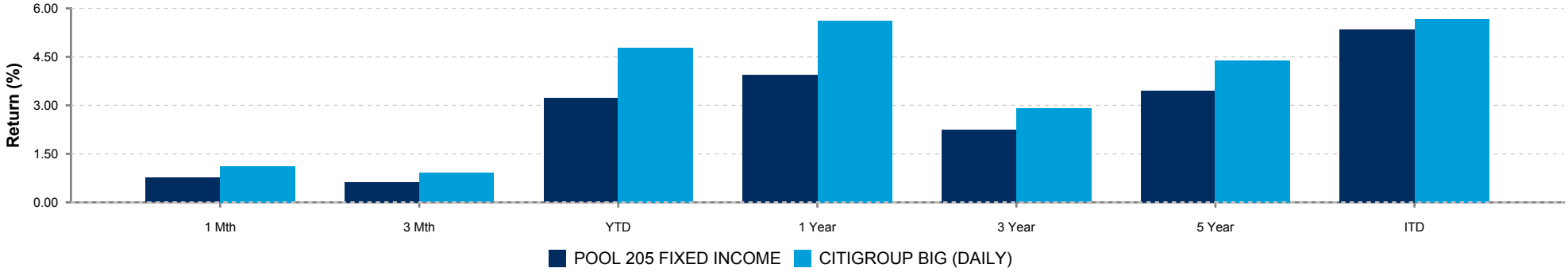
## Net Asset Values over Time ($MM)




## Cumulative Return (%)




## Rates of Return




| | 1 Mth | 3 Mth | YTD | 1 Year | 3 Year | 5 Year | ITD | Aug 31 2014 | Aug 31 2013 | Aug 31 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| POOL 205 FIXED INCOME | 0.76 | 0.62 | 3.22 | 3.94 | 2.25 | 3.46 | 5.35 | 3.94 | -1.98 | 4.93 |
| CITIGROUP BIG (DAILY) | 1.11 | 0.91 | 4.79 | 5.62 | 2.90 | 4.39 | 5.67 | 5.62 | -2.46 | 5.76 |
| Excess | -0.35 | -0.29 | -1.57 | -1.68 | -0.65 | -0.93 | -0.33 | -1.68 | 0.48 | -0.83 |

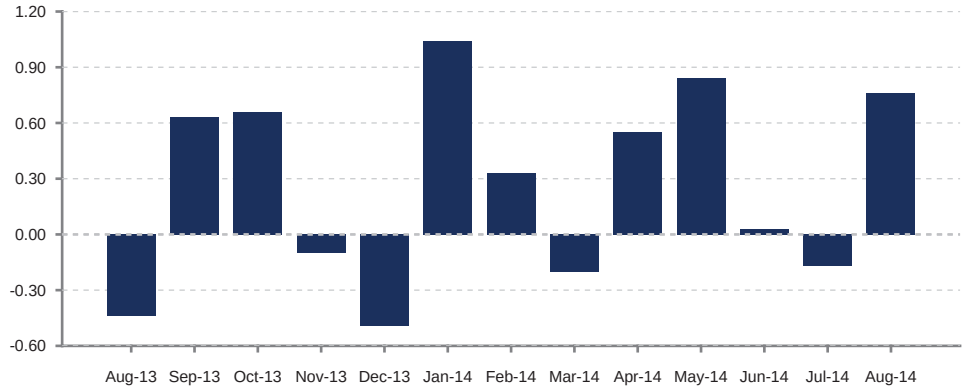
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

**POOL 205 FIXED INCOME**

STATE STREET.

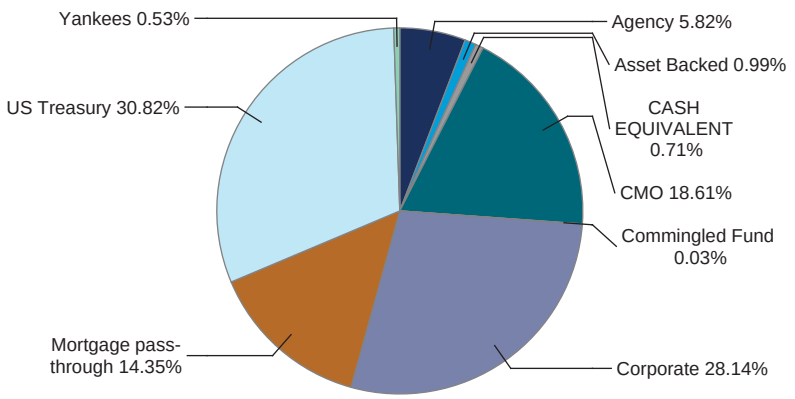
## Net Mgr Return



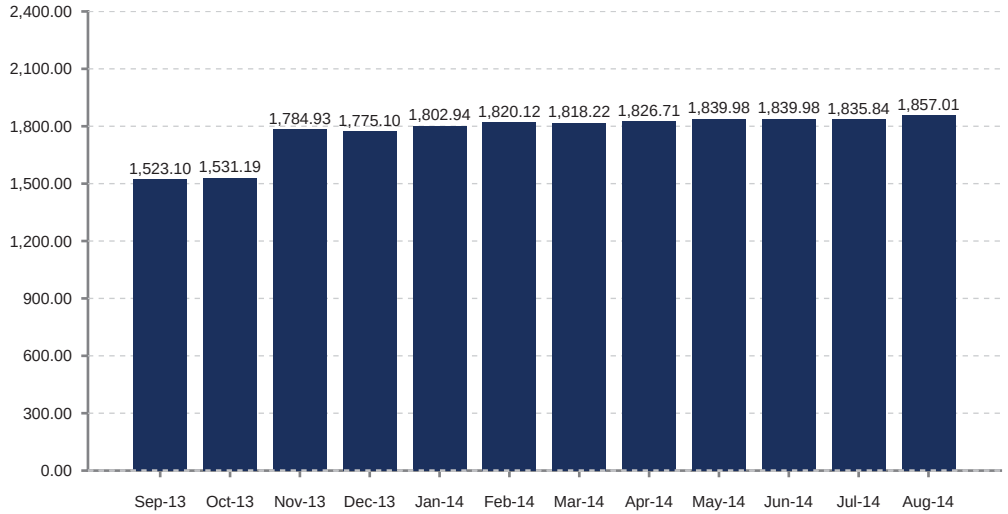

| | Current Mth | Prior Mth | 1 Year Ago |
|---|---|---|---|
| POOL 205 FIXED INCOME | 0.76 | -0.17 | -0.44 |

## Asset Allocation

| | Ending Market Value |
|---|---|
| POOL 205 FIXED INCOME | 1,857,005,044 |




## Net Asset Values over Time ($MM)




## Top 10 Holdings

| Security Name | Ending Market Value | % of Portfolio |
|---|---|---|
| POOL 205 FIXED INCOME | | |
| UNITED STATES TREASURY NOTE/BO | 17,790,412 | 0.96 |
| FIFTH THIRD BANK/OHIO SR UNSECURED | 14,906,443 | 0.80 |
| US TREASURY N/B | 14,260,700 | 0.77 |
| US TREASURY N/B | 13,153,154 | 0.71 |
| CONOCOPHILLIPS | 12,996,052 | 0.70 |
| PRES + FELLOWS OF HARVAR | 12,741,103 | 0.69 |
| US TREASURY N/B | 12,347,249 | 0.66 |
| FNMA POOL AV6108 | 12,105,017 | 0.65 |
| BERKSHIRE HATHAWAY ENERG | 11,618,563 | 0.63 |
| FNMA POOL AL0215 | 11,608,817 | 0.63 |

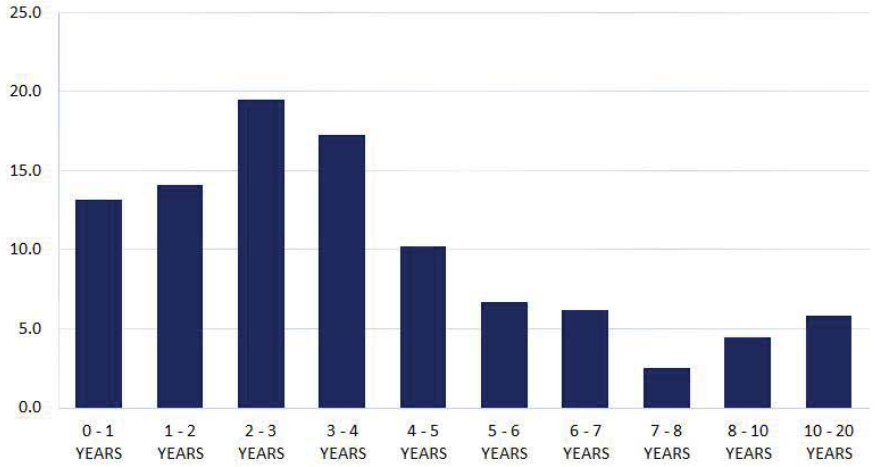
# OFFICE OF THE ARIZONA STATE TREASURER

**August 31, 2014**

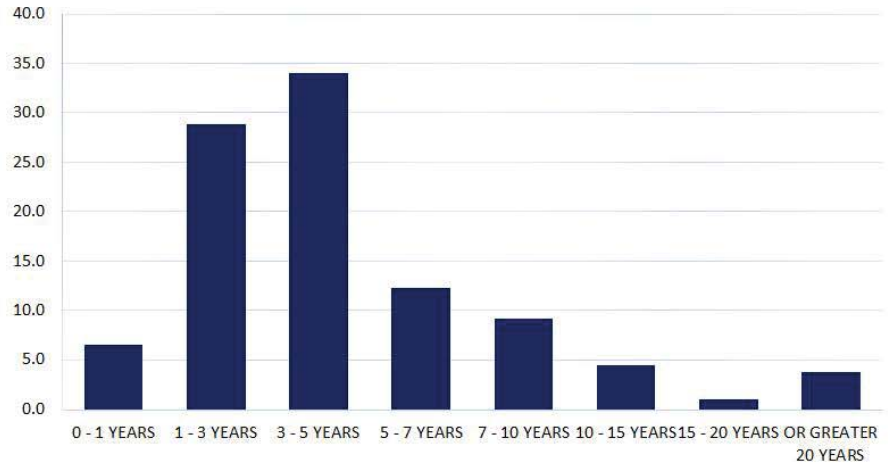
**POOL 205 FIXED INCOME**

STATE STREET.

## Duration Distribution



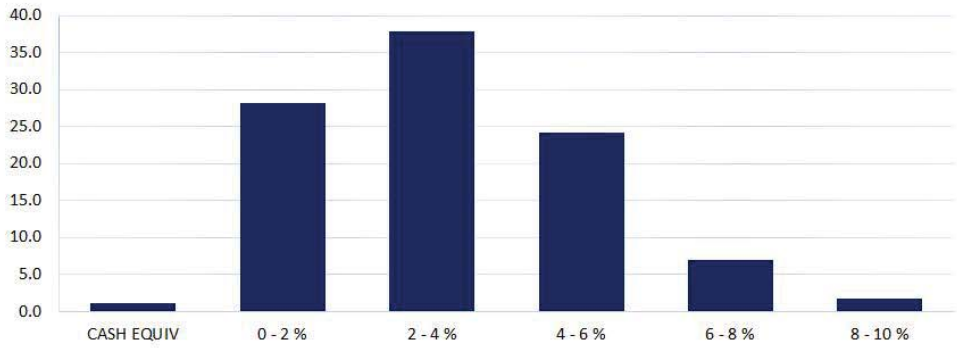

## Expected Maturity Distribution



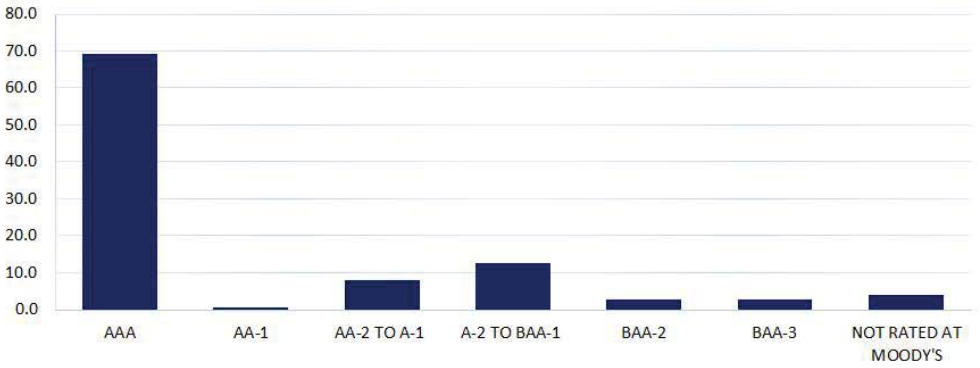

## Portfolio Level Characteristics

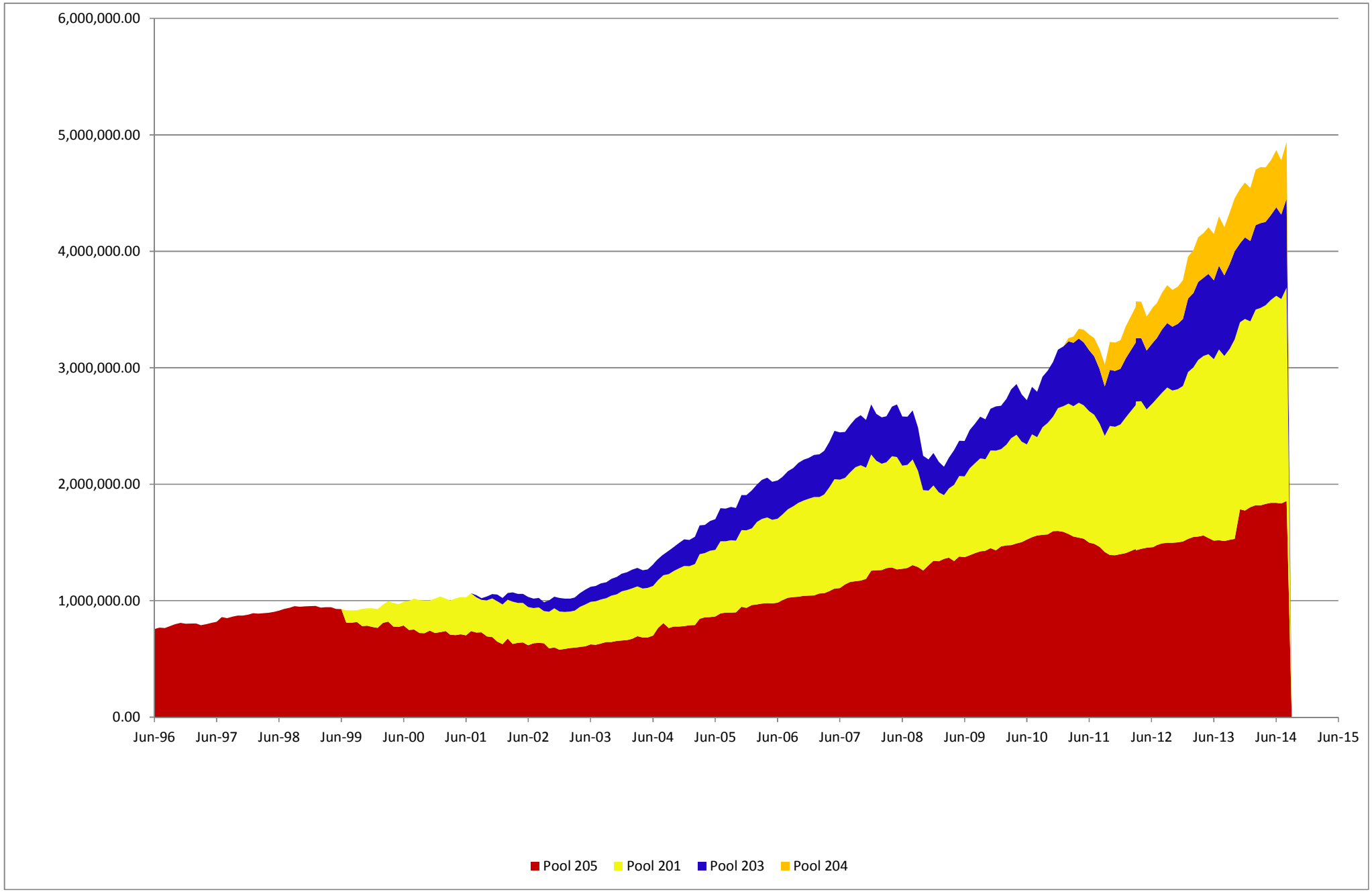
| | POOL 205 FIXED INCOME |
|---|---|
| Weighted Average Life | 5.09 |
| Coupon | 3.32 |
| Effective Duration | 3.90 |
| Quality Rating (Moody's) | AA-2 |

## Coupon Distribution




## Rating Distribution



Thousands

# Endowment Fund Market Value