

## Portfolio Summary of the Local Government Investment Pool

### Summary

- Ending June market value for the LGIP was \$1.143 bil versus May's reported closing value of \$1.278 bil.
- The LGIP maintains a AAAM rating by Standard & Poor's.

### Portfolio Mix

- At the end of June, the portfolio was invested as follows: 60% in US Treasuries, 27% in collateralized demand deposit accounts with qualified banking institutions, 8% in supranational securities, and 5% in US government agencies.
- At month-end, the LGIP held positions in 43 securities.

### Investment Earnings

- During June, the fund earned \$120,403.
- For FY2021, the fund earned \$1,850,259.
- LGIP earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

### Performance

- Gross yield on the LGIP was 0.12% at the end of June.
- Net yield to participants was 0.07%.

### Investment Highlights

- For the LGIP, the WAM(R) of 48 days and WAM (F) of 78 days were within their maximums of 60 and 120 days respectively.

- During the month, the LGIP purchased \$251.5 mil US Treasury securities and \$20.0 mil supranational securities. The Pool sold \$60.0 mil US Treasury securities for rebalancing.

### Investment Strategy

- LGIP WAMs are currently 38 and 65 days for WAM(R) and WAM(F), respectively.
- LGIP will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of prudent investments.

### Net Asset Value/Share

- At month-end, the Net Asset Value per Share of the LGIP was \$0.99998.

**STO's website** provides a multitude of informative New Mexico LGIP reports and portfolio summaries, including a link to access the LGIP Internet Participant Access System (IPAS) and handy user guide. If you are not currently enrolled in IPAS, you are missing out on all the advantages:

- **Paperless transactions and statements**
- **Easy, no hassle, multi-level approvals**
- **Transfer cash, and purchase and redeem shares within authorized accounts at the push of a button**

**So Don't be Last—Get IPAS!**

To enroll, call Felicia Roybal at (505) 955-1142 or email [nmsto.lgip@state.nm.us](mailto:nmsto.lgip@state.nm.us).

Data unaudited. Information is obtained from third party sources that may or may not be verified. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. The information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur loss.

## Upcoming Data to Watch

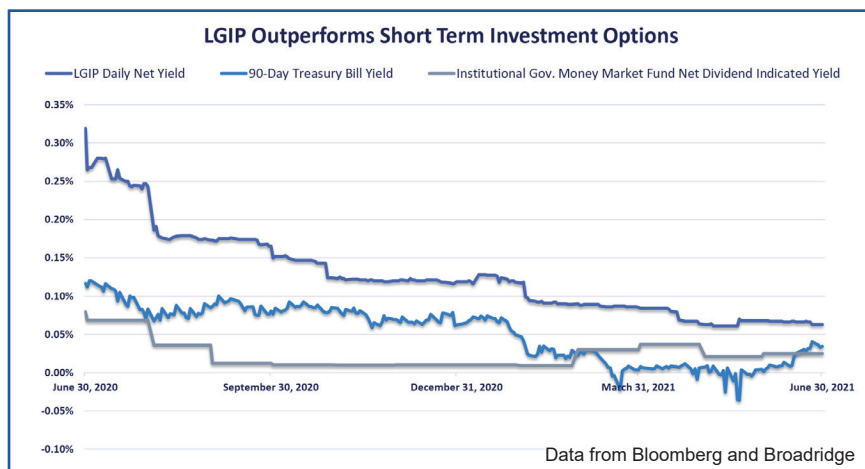
Data	Period	Value	Next Period	Expected Value	Release Date
ISM Manufacturing Index	Jun 21	60.6	Jul 21	60.7	8/2/2021
ISM Services Index	Jun 21	60.1	Jul 21	60.5	8/4/2021
U.S. Unemployment	Jun 21	5.90%	Jul 21	5.70%	8/6/2021
Change in Nonfarm Payrolls	Jun 21	850,000	Jul 21	900,000	8/6/2021
CPI YoY	Jun 21	5.40%	Jul 21	n/a	8/11/2021
PPI YoY	Jun 21	7.30%	Jul 21	n/a	8/12/2021
PCE Core Deflator YoY	Jun 21	3.50%	Jul 21	n/a	8/27/2021
Fed Funds Target	28 Jul 21	0.00%-0.25%	22 Sep 21	0.00%-0.25%	9/22/2021
GDP QoQ	Q2 2021	6.50%	Q3 2021	n/a	10/28/2021

\* Expected Values as of 7/30/2021; data from Bloomberg.

## Market Outlook

With the reopening underway, markets are absorbing incoming data to gauge the strength of the economy, factors contributing to higher inflation, and the spread of COVID-19 variants, particularly the fast-spreading Delta variant. As Fed Chair Powell noted throughout the pandemic, progress in the economy will rely heavily on the path of the virus, and market volatility in July has reflected this reality. The Fed's dual mandate, to promote maximum employment and price stability, appears to be playing tug-of-war, as progress in the labor market has not matched the recent spike in inflation.

The Fed views the rise in inflation as transitory, driven by pent-up demand and base effects in the data, and continues to express a willingness to allow inflation to run above their 2% symmetric target without altering the accommodative policy stance. There are a few potential flies in the ointment— notably housing prices, which continue to skyrocket due to supply-demand mismatch and low interest rates. The Case Shiller Home Price Index for May increased a whopping 17% YoY, while higher material costs continue to constrain new construction. However, at the July Fed meeting, Fed Chair Powell emphasized that there was still “ground to cover”



in the labor market before a policy shift would be warranted. June non-farm payrolls increased by 850,000—an impressive number that still managed to miss estimates as the economy struggles to get back to pre-pandemic employment levels. The expiration of additional unemployment benefits in September could usher in a change in the employment picture, and all eyes will be on the incoming data.

All told, the path of least resistance is for the Fed to hold short-term rates near zero for the foreseeable future. The yield on the LGIP closely tracks the level of Federal Funds, so without a change from the Fed, we anticipate no meaningful increase to the pool's yield. As always, the pool will prioritize safety, liquidity, and yield—in that order.

**CONTACT** **New Mexico State Treasurer's Office** | 2055 South Pacheco Street, Suites 100 and 200 | Santa Fe, NM 87505  
**Phone:** (505) 955-1120 **Email:** [nmsto.lgip@state.nm.us](mailto:nmsto.lgip@state.nm.us) **Website:** <https://nmsto.gov>  
**Participant Coordinator:** Felicia Roybal **Investment Transaction Supervisor:** Hannah Chavez  
**Portfolio Managers:** Anna Murphy, CFA, and Vikki Hanges, Chief Investment Officer