



OKLAHOMA STATE TREASURER

September 20, 2013

To the People of Oklahoma:

I am pleased to issue the fiscal year 2013 annual investment performance report for the Office of the State Treasurer. The report provides details on investment activities from July 2012 through June 2013. I trust you will find it thorough and in keeping with my commitment to provide full and complete disclosure of all activities within my office. As always, my staff and I are available to answer any questions you might have.

Safeguarding and maximizing the taxpayers' money are of highest priority to the State Treasurer's Office. While appropriations to the Treasurer's Office have been reduced by more than 20 percent in the past five fiscal years, core functions have been maintained and improved. While non-core funding has been eliminated.

During the past year, the Treasurer's Office launched the Oklahoma Treasury Online Checkbook to provide transparent access to state spending. The office also finalized a comprehensive project to reduce its footprint through elimination of leased office space, increased use of technology and automation, consolidation of job duties, and a one-third reduction in force.

Market Conditions and Economic Developments

The Federal Open Market Committee (FOMC) kept the Federal Funds rate at 0-.25% at the June 18, 2013 meeting. The rate has been at this level since December 16, 2008. The FOMC direction for the economy continues to be "risk to growth" with persistent volatility as investors continue to analyze central bank effects on the economy. There is anticipation by the markets as to when the FOMC will begin tapering their monthly \$85 billion in asset purchases. Yields on U.S. Treasuries from the two-year note to the bellwether 30-year bond increased during the fiscal year resulting in a steeper yield curve. The Dow Jones Industrial Average (DJIA) fell 114 points and ended the fiscal year at 14,909; the Standard & Poor's 500-stock index lost 7 points closing at 1,606; the Nasdaq finished by inching up 1 point to end at 3,403. The Institute for Supply Management reported that its index of manufacturing activity started the year at 49.7, reached a high of 54.2 in March, and then fell to 49.0 at fiscal year-end. The unemployment rate experienced a minimal decline after starting the fiscal year at 8.2%, falling from March through May, and then finishing with a slight increase to 7.6%. The Conference Board's consumer confidence index hit a low of 58.6 in January and beginning in March increased each month, to end at 81.4 in June 2013.

Portfolio Performance

The yield on the Treasurer's portfolio was 2.16% at the end of fiscal year 2013. The market value of the portfolio at the fiscal year-end was \$3,898,390,811. No losses will be realized, due to excellent liquidity and because investments are typically held to maturity.

In terms of the portfolio allocation, increases in U.S. government sponsored enterprises were offset by decreases in money market mutual funds. Because of the continued low interest rate environment there has been no activity in the Link Deposit program. A quantitative analysis of the performance of depository banks revealed specific balances and rates for the year: General revenue collateralized time deposits averaged \$175 million at a rate of .34%.