



Arizona Treasurer's Report

State Treasurer Eileen I. Klein



June 2018 Monthly Report Education Edition



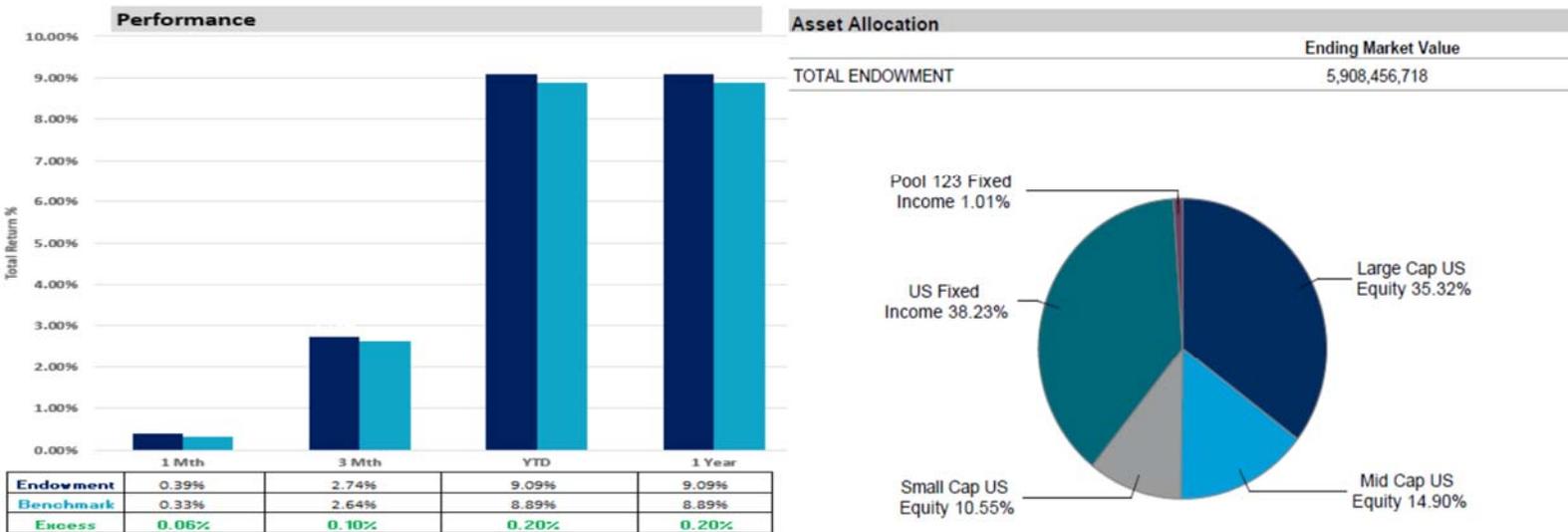
The Arizona Treasurer is responsible for the banking and investment management duties for the state, provides investment services to local governments, and manages the Permanent Land Endowment Trust Fund (PLETF or Endowment) which primarily benefits public schools. Investment policy is set by the State Board of Investment (BOI) which meets monthly to review all Treasury investment activities. Visit aztreasury.gov for BOI reports and meeting dates. The Treasury also distributes state aid appropriated by the Legislature to schools.

What is the PLETF? After receiving proceeds from Trust Land sales, the Treasury staff handles all investment management for the PLETF without the added cost of outside investment managers. The Treasury is required by law to make monthly distributions to 13 separate beneficiaries based on a 5-year market value formula. The passing of Prop 123 requires the Treasury to distribute 6.9% of the PLETF's market value monthly through FY 2025. The largest distributions, nearly 93%, go to public schools.

The month-end June 30, 2018 also saw the end of the 2018 fiscal year. The PLETF achieved a number of accomplishments this year:

- Total investment return of 9.09% vs. Benchmark of 8.89% - better by 20 basis points (see left chart below)
- Total 10-year average investment return of 7.73% - outpaced last year's 10-year return by 1.17%
- Market Value for the PLETF at June 30, 2018 of \$5.91 Billion - up 5.27% from the same date last year (see right chart below)
- \$294.8 Million in distributions to public schools - an increase of 9.36% from FY 2017
- Total Trust Land sale proceeds deposited in schools account of \$106 Million
- FY 2019 distributions expected to be \$2.2 Million more per month than FY 2018 (total increase of \$26.5 Million or 9.87%)

Also in FY 2018, the Treasury distributed \$4.35 Billion in state aid appropriated by the Legislature to schools.



JUNE PERFORMANCE

- **Market Value up \$4.4M over May 2018**
- **0.39% Return vs. Benchmark 0.33% (chart above)**
- **9.09% Y-T-D Return**
- **Realized Gains \$40M**

“The PLETF’s performance beat established benchmarks and some of the nation’s largest pension funds. The Treasury’s excellent investing success is directly benefiting Arizona’s public schools.”

-Arizona Treasurer Klein

JUNE DISTRIBUTIONS

- **Prop 123 to Schools \$23.5M**
- **Delivered on-time from Pool 123 on June 21**
- **Land Proceeds Deposited in Schools Account \$6.6M**
- **Budget Appropriations to Schools \$283.5M**