

GEORGIA FUND 1 PLUS
INVESTMENT POLICY GUIDELINES
Fiscal Year 2020-2021

Objectives

Return Requirements: Georgia Fund 1 Plus (GF1 Plus) is established as a second investment option for LGIP participants within the State of Georgia looking to benefit from higher yields available by adding credit-oriented investments. GF1 Plus will be managed as a low-risk rates and credit portfolio employing an external investment manager with expertise in managing fixed-income portfolios in the corporate credit markets. Target allocation for the rates portfolio is 70% and 30% for the externally managed credit portfolio. GF1 Plus is designed for investors seeking income higher than money market rates and exposure to the corporate credit markets. The performance objective for the portfolio shall be to meet or exceed the Georgia Fund 1 (GF1) yield on a rolling 4, 12 and 20 quarter basis.

Risk Tolerance: GF1 Plus has a low tolerance for risk. GF1 Plus is managed as a short duration portfolio combining low risk short duration securities and a highly rated corporate credit portfolio. GF1 Plus will be managed to maintain principal stability. Stress testing that monitors the overall portfolio impact of changes in interest rates, an increase in participants' redemptions, the downgrade or default of particular portfolio securities, and the widening or narrowing of credit spreads will be performed monthly. A "shadow" NAV will be calculated monthly.

Constraints

Liquidity: GF1 Plus has significant liquidity constraints. Deposits/redemptions require 15 days prior notice unless otherwise approved by the Treasurer and will take place on the first business day of the month following the notice. It is up to the portfolio manager to assess the market risks and cash needs in order to provide sufficient liquidity to meet cash flow needs of the participants.

WAM: The WAM of GF1 Plus will be managed within a range of 25-90 days. The credit portfolio will maintain a WAM of 60-130 days; the rates portfolio will maintain a WAM between 10-70 days.

Maximum Issuer Concentration: Concentration with any single counterparty should not exceed 25% on an aggregate basis with the exception US Government and US Government Agencies (GSEs)

Credit Constraints: The credit portfolio allocation target is 30% of the total market value of GF1 Plus. Market conditions as well as participant contributions and withdrawals may result in the credit portfolio dropping below or above this 30% target. The portfolio manager is responsible for managing this allocation maintaining a range of between 20% and 40%. In the event credit exposure exceeds 40% of GF1 Plus, the portfolio will be reviewed by the OST investment committee and may be rebalanced at its discretion.

Laws and Regulations: GF1 Plus is created by State Code Section 36-83-2 and 36-83-8. Authorized investments for pool assets shall be limited to those set forth in Code Sections 50-5A-7, 50-17-2 and 50-17-63.

Unique Preferences and Circumstances: The liquidity requirements and low risk tolerance are both significant factors affecting the management of GF1 Plus.

Allocation Process: Portfolio manager may use an optimization model to inform allocations between Rates and Credit portfolios.

GEORGIA FUND 1 PLUS
"RATES PORTFOLIO" POLICY GUIDELINES
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Authorized Investments: *All investments must adhere to the "credit quality" requirements prescribed by the current OST Investment Policy adopted by the State Depository Board and credit limits prescribed by the current OST Counterparty Risk Assessment Model.*

1. Repurchase agreements that meet the requirements of State Code Section 50-17-2.
2. Georgia Fund 1
3. GEAP
4. GEAP Plus
5. Deposits with approved state depositories:
 - a. Rated 'A-2'/'P-2' or higher, or
 - b. Collateralized by Federal Home Loan Bank Letters of Credit (LOC), or
 - c. 110% collateralized or as otherwise permitted by the state depository board, or
 - d. Secured through the Georgia multibank pledging pool program (Secure Deposit Program) , or
 - e. Fully insured by the FDIC; or
 - f. If non-collateralized, deposits must be in accordance with the "OST Counterparty Risk Assessment Model". Only banks 'A-2'/'P-2' or higher ranked in the top two risk categories (Very Low or Low) are eligible to offer a non-collateralized account. Within the two risk categories, the amount eligible to invest in these types of deposit agreements (as defined by the OST Investment Policy adopted by the State Depository Board) is limited to the "CP limit" exposure. If OST holds CP or other obligations issued by the same counterparty, the amount eligible to invest in a deposit agreement is reduced by that amount. If an institution's risk level increases from an eligible to ineligible exposure category, OST may determine continued non-collateralized eligibility and risk exposure through supplemental analysis and Investment Committee review.

- g. Certificates of Deposits are not to have maturities exceeding one year. OST shall not place funds in CDs at any depository if such placement of funds will result in total state deposits at such depository in excess of 100% of total equity capital. Provided, however, that the Treasurer may authorize placement of funds in CDs at a depository if such placement of funds will result in total state deposits not to exceed 125% of total equity capital on an as needed basis to allow for fluctuations in demand deposit balances. All CDs must be secured by collateral permitted by statute. Surety bonds acceptable as security for CDs shall require approval by the State Depository Board with such credit constraints or limitations it determines. Pledged securities shall be held by a third-party custodian approved by OST. Pledged securities shall be marked-to-market at least monthly with depositories required to initially pledge to OST, and thereafter maintain upon notification of any shortfall, collateral having a market value equal to 110% of CDs.
- 6. U.S. Treasury Obligations (maximum stated final maturity of 5 years)
 - a. Treasury Bills
 - b. Treasury Notes
 - c. Treasury Bonds
 - d. Treasury Inflation-Protected Securities (TIPS)
 - e. Treasury Floating Rate Notes
 - 7. Obligations issued by the following Government Sponsored Enterprises (GSEs) (maximum stated final maturity of 5 years)
 - a. Federal Farm Credit Bank (FFCB)
 - b. Federal Home Loan Bank (FHLB)
 - c. Federal Home Loan Mortgage Corporation (FHLMC)
 - d. Federal National Mortgage Association (FNMA)
 - e. Government National Mortgage Association (GNMA)
- A. Types of Agency Securities
- a. Discount Notes
 - b. Callable Agencies
 - c. Fixed Rate Notes
 - d. Floating Rate Notes
- 8. Obligations issued by the government of any foreign country. Direct obligations of the government of any foreign country must be rated A or higher by a nationally recognized rating agency.
 - 9. International Bank for Reconstruction and Development (IBRD) or the International Finance Corporation (IFC). Obligations issued, assumed, or guaranteed by the IBRD or the IFC must be rated A or higher by a nationally a recognized rating agency.
 - 10. Money Market Mutual Funds

GEORGIA FUND 1 PLUS
"CREDIT PORTFOLIO" INVESTMENT GUIDELINES
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1) Performance Objectives

The performance objectives of the Investment Advisor shall be to meet or exceed 3-month LIBOR, utilizing eligible securities, on a rolling 4, 12 and 20 quarter basis.

2) Authorized Investments

a) Cash Equivalents

I. Georgia Fund 1

II. Repurchase agreements that meet the requirements of State Code Section 50-17-2. The Investment Advisor will adhere to investment restrictions provided by OST. The Investment Advisor must request approval to purchase an issuer on the restricted list subject to written approval by the Office of the State Treasurer.

b) U.S. Treasury Obligations

I. Bills

II. Notes

III. Bonds

c) Eligible Agency Securities of the U.S. Government

I. Issuers

- 1) FFCB
- 2) FHLB
- 3) FHLMC
- 4) FNMA
- 5) GNMA

II. Types of Agency Securities

- 1) Notes
- 2) Bonds
- 3) Mortgage-backed securities including passthroughs, CMOs, and PACs

3) Eligible Corporate/Other Obligations

Listed below are specific guidelines for eligible corporate and other obligations. The Investment Advisor will adhere to issuer and counterparty restrictions as provided by OST. The Investment Advisor must request approval to purchase an issuer on the restricted list subject to approval by the Office of the State Treasurer.

- a) Commercial paper issued by domestic corporations rated no lower than P-1 by Moody's Investor Service and A-1 by Standard and Poor's Corporation.
- b) Negotiable Certificates of Deposit with domestic financial institutions rated a minimum of A-2 or higher by Standard and Poor's Corporation or P-2 or higher by Moody's Investor Service and that meet the requirements of OCGA § 50-17-63.
- c) Corporate primary debt obligations of domestic corporations rated a minimum of A3/A- or higher by Moody's, S&P, or Fitch and that meet the requirements of OCGA 50-17-63.
- d) Asset-backed securities. Pursuant to O.C.G.A. 50-5A-7(b), asset-backed securities rated AAA, having broad liquidity reflecting at least \$350 million of outstanding issuance and issued by an underlying credit rated A3/A- or higher by Moody's Investor Service or Standard and Poor's Corporation.
- e) Commercial mortgage-backed securities. Pursuant to O.C.G.A. 50-5A-7(b), commercial mortgage-backed securities rated AAA by Standard and Poor's Corporation or Moody's Investor Service.
- f) Obligations issued by this state or its agencies or other political subdivisions of this state. Such investments, if meeting statutory investment requirements, may be approved for investment by the Treasurer with the requirement that they are of high credit quality and are reported to the State Depository Board.
- g) In the event of a downgrade that renders an obligation ineligible, the advisor shall notify OST immediately. Unless instructed otherwise the advisor shall sell or otherwise dispose of the obligation as soon as possible, but not more than 90 days thereafter. This period may be extended only with the express written consent of the Treasurer.
- h) Such other investments authorized pursuant to OST's investment policy and guidelines and approved in writing by OST.
- i) Approved Money Market Mutual Funds

4) Exceptions

In the event a question arises as to whether a type of security is eligible for investment, the manager shall present an analysis and recommendation to the Treasurer and shall not invest in that type of security unless express written permission from the Treasurer has been received.

5) WAM

- a) The WAM of the portfolio shall be maintained between 60-130 days.
- b) The maximum maturity of individual securities cannot exceed 550 days from the date of purchase. The average life of ABS and CMBS cannot exceed one (1.5) year at the time of purchase.
- c) Variable rate and floating rate securities shall not have a final maturity to exceed 2 years for U.S. government securities or 550 days for all non-U.S. government securities.
- d) As soon as practicable after the end of each calendar quarter, the Investment Advisor shall provide a quarterly report with the WAM of each security as well as the overall WAM of the portfolio.

6) Concentration

- a. With the exception of U.S. treasuries, agency securities, secured certificates of deposits, and repo, no more than \$30 million (market value) may be invested in any single issuer's securities at the time of purchase from the Investment Advisor's approved list. Additionally, the maximum issuer size can be \$50MM if the issuer is approved by OST and is included on the Investment Advisor's approved list.
- b. The Investment Advisor must request approval from OST to purchase an issuer on the restricted list as determined by the counterparty's credit availability and risk level outlined in the current OST Counterparty Risk Assessment Model. Upon approval, the Investment Advisor can purchase up to \$100 million in any single issuer's securities in the Very Low category and up to \$50 million in the Low category of the OST Counterparty Risk Assessment Model.