

GEORGIA FUND 1
INVESTMENT POLICY GUIDELINES
Fiscal Year 2020-2021

Objectives

Return Requirements: Georgia Fund 1 (GF1), the local government investment pool for the State of Georgia, is a 'AAAF' rated fund by Standard & Poor's Corporation. The primary objectives of the pool are safety of capital, liquidity, investment income and diversification. Performance objective is to meet or exceed the Standard & Poor's Corporation Rated Government Investment Pool Index on a rolling 4, 12, and 20 quarter basis.

Risk Tolerance: Georgia Fund 1 has a very low tolerance for risk. The 'AAAF' rating signifies the fund's portfolio holdings provide extremely strong protection against losses from credit defaults. Georgia Fund 1 will be managed to maintain principal stability. GF1 has a volatility rating of S1+ which evaluates the fund's sensitivity to interest rate movements, credit risk, investment diversification or concentration, liquidity, leverage and other factors. S1+ is the lowest sensitivity to changing market conditions.

Constraints

Liquidity: Georgia Fund 1 has significant liquidity constraints. Currently, withdrawal of funds requires one day advance notice for most participants. It is up to the portfolio manager to assess the market risks and cash needs in order to provide sufficient liquidity to meet the daily cash flow needs of the participants.

Weighted Average Maturity (WAM): Georgia Fund 1 is constrained to a maximum WAM of 90 days, with a target WAM of 60 days. Eligible investments for the funds will be limited to a final stated maturity of 397 days for all investments excluding floaters which will be limited to a maximum stated final maturity of 2 years.

Laws and Regulations: The local government investment pool, Georgia Fund 1, is created by State Code Section 36-83-8. Authorized investments for pool assets shall be limited to those set forth in State Code Sections 50-17-2 and 50-17-63. In addition, Georgia Fund 1 must comply with the criteria established by Standard & Poor's Corporation for a 'AAAF' rated fund. The criteria are detailed in Standard & Poor's Corporation's Fund Credit Quality and Volatility Rating Criteria (dated 2017).

Maximum Issuer Concentration: Concentration with any single counterparty should not exceed 25% on an aggregate basis with the exception of U.S. government and U.S. government sponsored entities (GSEs).

Reporting: As a 'AAAF' rated fund, Georgia Fund 1 holdings must be submitted to Standard & Poor's Corporation on a monthly basis. This report will be completed by our custodian and delivered to both Standard & Poor's Corporation and OST via email each month. The custodian will continue to complete the weekly Standard & Poor's Corporation report for OST to provide a weekly shadow net asset value (NAV) and ensure that amortized cost approximates fair value. The investment team will stress test the portfolio on a monthly basis, unless market conditions prescribe otherwise.

Unique Preferences and Circumstances: The liquidity requirements, low risk tolerance and S&P criteria are all significant factors affecting the management of Georgia Fund 1.

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 and the Standard & Poor’s Corporation criteria for a ‘AAAf’ rated fund (see supplemental information for Standard & Poor’s Corporation criteria). Term repurchase agreements exceeding seven days to maturity and not to exceed 180 days final stated maturity cannot comprise more than 20% of the fund when a term repo is purchased in the portfolio. Should term repo with maturities exceeding seven days exceed 20% of the fund, it may be allowed to mature at the discretion of the investment committee and no additional term can be placed in the portfolio until the percentage held in term repo falls below 20%.
2. Deposits with approved state depositories
 - Rated ‘A-2’/‘P-2’ or higher, or
 - Collateralized by Federal Home Loan Bank Letters of Credit (LOC), or
 - 110% collateralized, or
 - Secured through the Georgia multibank pledging pool program (Secured Deposit Program), or
 - Fully insured by the FDIC; or
 - 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 current 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.
 - Obligations of corporations. Obligations of domestic corporations including notes, bonds, negotiable CDs, and other marketable securities must be rated investment grade or higher by a nationally recognized rating agency.
 - Certificates of Deposits are not to have maturities exceeding one year.
3. US Treasury Obligations
 - Treasury Bills
 - Treasury Notes
 - Treasury Floating Rate Notes
4. Obligations issued by the following government sponsored entities (GSEs)
 - Federal Farm Credit Bank (FFCB)
 - Federal Home Loan Bank (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal National Mortgage Association (FNMA)
 - Government National Mortgage Association (GNMA)

A. Types of Agency Securities

- Discount Notes
 - Callable Agencies
 - Step-Up Notes
 - Fixed Rate Notes
 - Floating Rate Notes
5. **Commercial Paper.** All securities should carry a Standard & Poor's Corporation rating of 'A-1' or higher. Five percent (5%) diversification limits are in place for corporate, bank, and other money market securities with maturities beyond overnight (excluding U.S. government securities). Issuers must be in the "Very Low" or "Low" risk level of the OST Counterparty Risk Assessment Model. If OST holds obligations with the same counterparty or is invested in a non-collateralized deposit with the counterparty, the amount eligible to invest in CP is reduced by these amounts.
 6. **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.
 7. **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 recognized rating agency.
 8. **Municipal Bonds.** Obligations issued by this state or its agencies or other political subdivisions of the 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.
 9. **Money Market Mutual Funds.**