



# **Office of the State Treasurer**

## **Georgia Fund 1**

### **Participant Update**

**Jon Perregaux - Sr. Portfolio Manager**  
**April 23, 2024**



# Topics of Discussion

- Investments
  - GA Fund 1 Portfolio Characteristics
  - Economic / Market Update
    - Federal Open Market Committee (FOMC)
    - Employment Data
    - Inflation Data
    - Interest Rates
    - Geopolitical Conflicts
  - Portfolio Strategy
- Fund Administration
- Q&A Session



# **Office of the State Treasurer**

## **Georgia Fund 1**

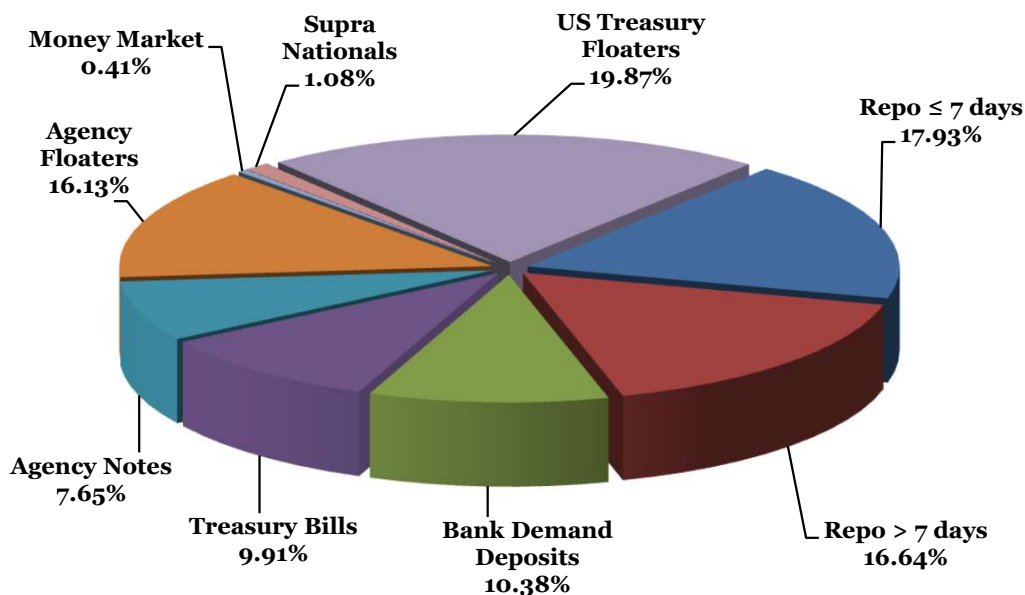
### **Participant Update**

## **Fund Characteristics**

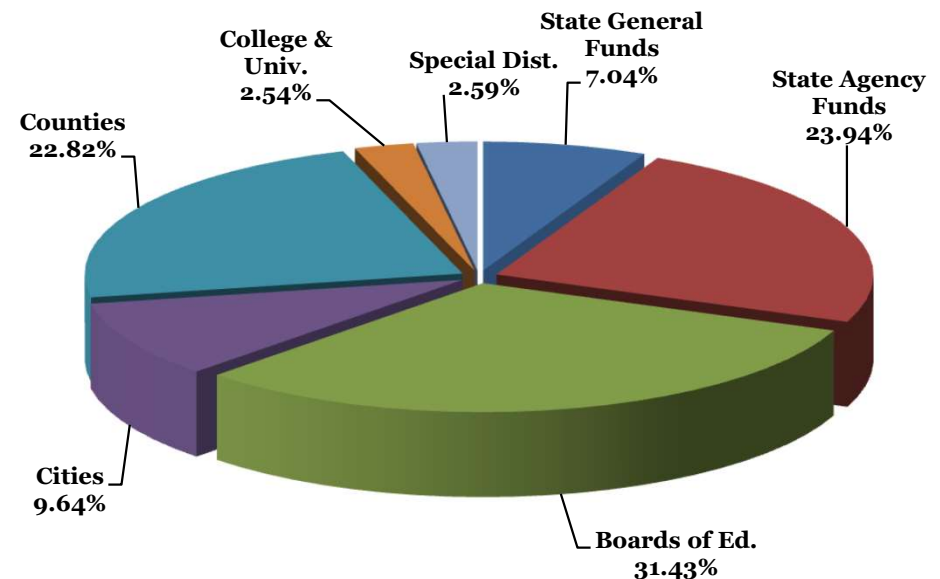
# Georgia Fund 1 (GF1)

- O.C.G.A. § 36-83-1 to § 36-83-8 authorizes Georgia local governments and other eligible entities to invest funds in Georgia Fund 1 (“GF1”). GF1 is managed in trust by the Office of the State Treasurer.
- Eligible participants must complete a resolution authorizing investments to participate in the pool. The resolution and other documents can be found on our website at [www.ost.georgia.gov](http://www.ost.georgia.gov)
- GF1 is managed to maintain a constant net asset value (NAV) of \$1.00.
- Yield is calculated on an actual/365-day basis net of administrative fee<sup>(1)</sup>.
- GF1 is rated AA+ by Fitch.
- For the month of March 31, 2024, GF1 participants earned 5.38%<sup>(2)</sup>.
- As of March 31, 2024, GF1 assets were \$32.3 billion.
- As of March 31, 2024, the weighted average maturity (WAM) was 27 days.

## Portfolio Composition



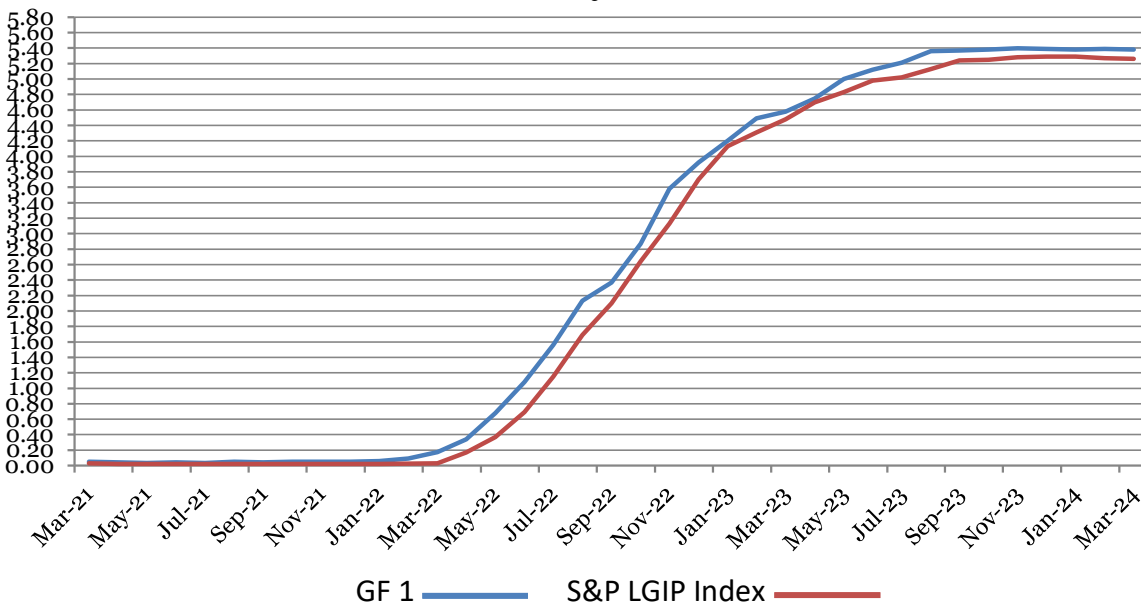
## Account Holder Distribution



April 9, 2024

(1) Current administration fee is 5.5 basis-points. (2) Georgia Fund 1 Yield is calculated on an annualized basis.

## Monthly Yield



**In The News:** Additional information on the Georgia Fund 1 (GF1) holdings can be found on the website at <https://ost.georgia.gov/gf1-holdings-reports>. Holdings are updated quarterly. Other state portfolio holdings are listed on the website, as well.

In order to initiate a deposit or withdrawal from a GF1 account, an authorized user must call our office or log on to the secure Internet Participant Access System (IPAS) before 2:00pm on the business day preceding the day you want funds transferred to or from your account.

For GF1 investment related questions, please direct inquiries to Jon Perregaux, Senior Portfolio Manager, at **404-232-1498** or [Jon.Perregaux@treasury.ga.gov](mailto:Jon.Perregaux@treasury.ga.gov).

## **Portfolio Strategy:**

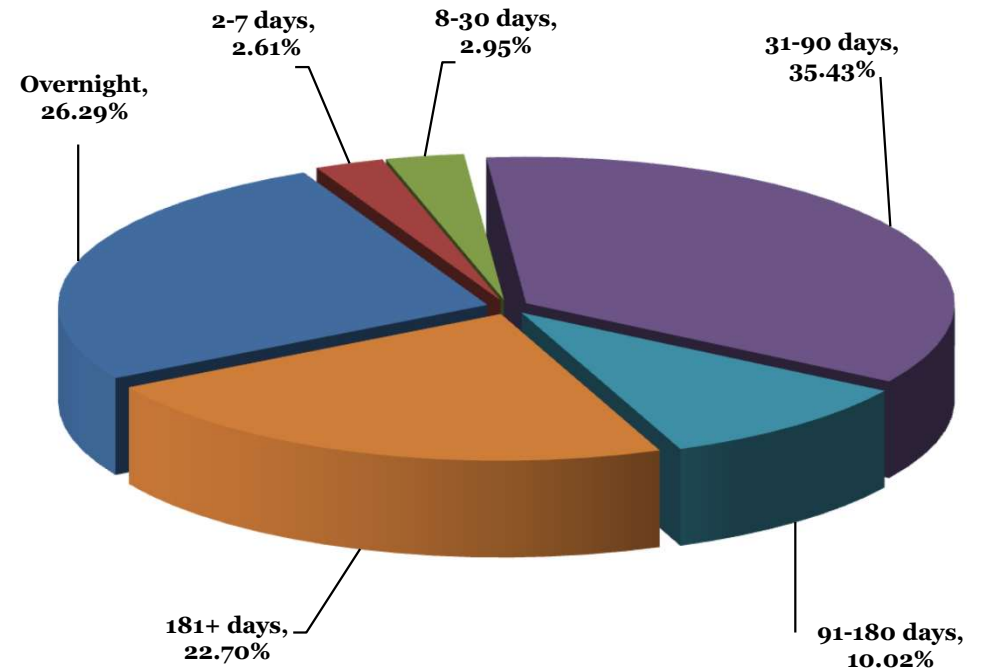
The Federal Open Market Committee (FOMC) left The Federal Funds Effective Target Rate unchanged at the March 20<sup>th</sup> meeting. This marks the fifth consecutive meeting the FOMC has left the Federal Funds Target Rate unchanged at 5.25% to 5.50%. Higher than expected inflation and strong employment data has shifted market consensus from six 25 basis-point rate cuts to two 25 basis-point rate cuts in 2024. The FOMC remains in a data dependent posture and needs more confidence in the economic data before deciding to alter monetary policy.

Nonfarm Payrolls came in higher than expected for March at +303k versus expectations of +214k. The Unemployment Rate decreased to 3.8% versus 3.9% in February. The Consumer Price Index (CPI) increased for March coming in at +3.5% YoY versus expectations of +3.4% YoY. The Producer Price Index (PPI) came in at +2.1% YoY, slightly lower than expectations of +2.2% YoY. Inflation has proven to be a stubborn problem for the FOMC and remains above their 2% target.

Overnight General Collateral (GC) Repurchase Agreements averaged a yield of 5.31% for March. Treasury Bill yields averaged 5.30% for 1-month maturities, 5.31% for 3-month maturities, 5.25% for 6-month maturities and 4.98% for 12-month maturities.

Jon Perregaux – Senior Portfolio Manager

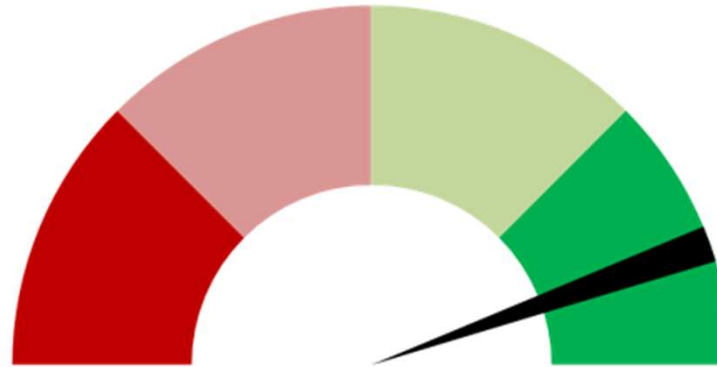
## **Maturity Distribution**





# Ga Fund 1 Risk Score

## April 22, 2024



Risk Level
Strong
Neutral
Weak
Critical

### Investments



Credit Risk Level



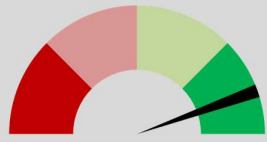
Interest Rates



Liquidity



### Management



Portfolio Management



Investment Operations



Customer Support



### Capital & Liquidity



LGIP Trust Reserve

\$50.4 Million

GF1 Portfolio Assets

\$34.3 Billion

Reverse Repo Capacity

\$19.7 Billion

### Other Indicators

Cyber Insurance



Fraud Insurance



E&O Insurance



Stress Testing





# OST Website

<https://ost.georgia.gov/>

- GA Fund 1 Monthly Disclosure
- GA Fund 1 Risk Score
- GA Fund 1 Fitch Rating Letter
- GA Fund 1 Yield History
- Investment Policy
- Investment Guidelines



# **Office of the State Treasurer**

## **Georgia Fund 1**

### **Participant Update**

**Economic Update**

**Interest Rates and Inflation**





# Economic Data

- Federal Open Market Committee (FOMC)
  - March 20<sup>th</sup> Meeting Statement Highlights
- Employment Data – 1<sup>st</sup> Quarter 2024
  - Nonfarm Payrolls
  - Unemployment Rate
  - Labor Participation Rate
- Inflation – 1<sup>st</sup> Quarter 2024
  - Consumer Price Index (CPI) – Headline CPI YoY
  - Producer Price Index (PPI) – Headline PPI YoY
- Interest Rates
  - Effective Federal Funds Target Rate
  - Treasury Bills



# FOMC

## Federal Open Market Committee

- The FOMC consists of twelve members who are responsible for setting Monetary Policy to influence the availability and cost of money and credit to help promote national economic goals.

### March 20<sup>th</sup> Statement Highlights

- Recent indicators suggest that economic activity has been expanding at a solid pace.
- Job gains have remained strong, and the unemployment rate has remained low.
- Inflation has eased over the past year but remains elevated.
- The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run.
- The Committee decided to maintain the target range for the federal funds rate at 5.25 to 5.50 percent.
- The Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.
- The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent.



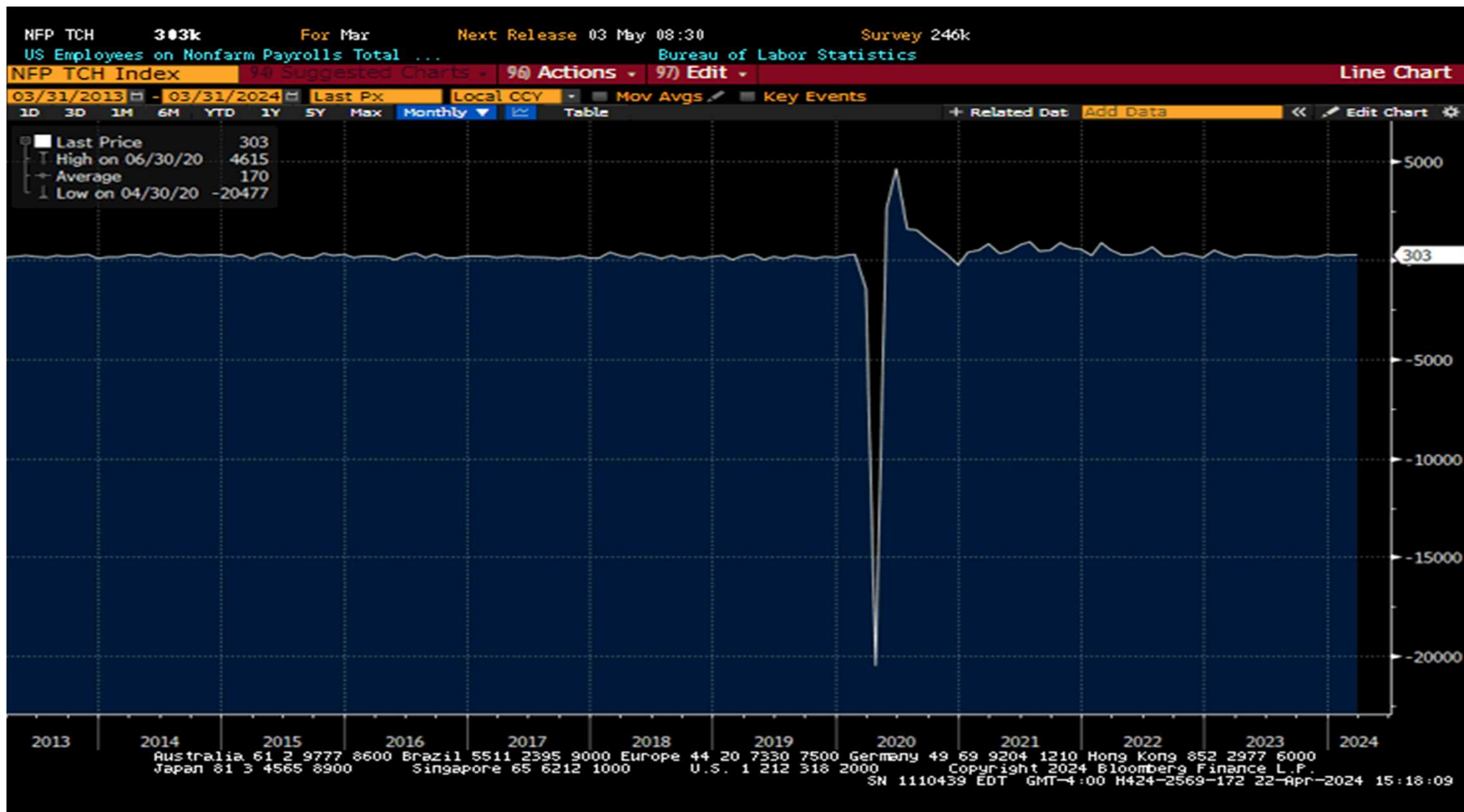
# Employment Data

- Employment data remains relatively strong.
  - January Nonfarm Payroll +256k
  - February Nonfarm Payroll +270k
  - March Nonfarm Payroll +303k
- Unemployment Rate remains low.
  - January Unemployment Rate 3.7%
  - February Unemployment Rate 3.9%
  - March Unemployment Rate 3.8%
- U.S. Labor Force Participation Rate has made slight gains over the past year but was unchanged in Q2 of 2023 and has not fully recovered after COVID.
  - January Participation Rate 62.5%
  - February Participation Rate 62.5%
  - March Participation Rate 62.7%



# Nonfarm Payrolls

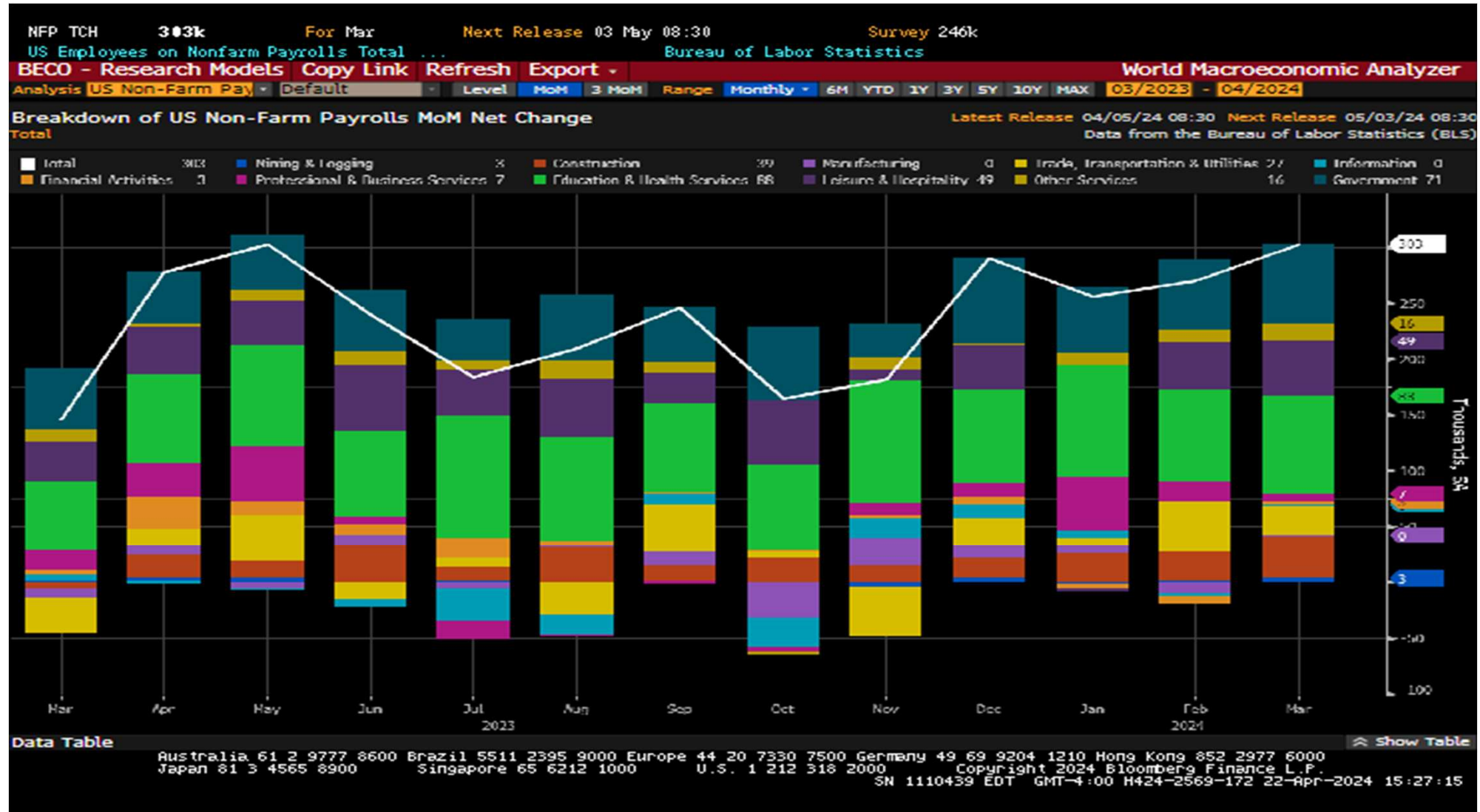
Employment data remained consistent for the Q1 2024.





# Nonfarm Payrolls Detail

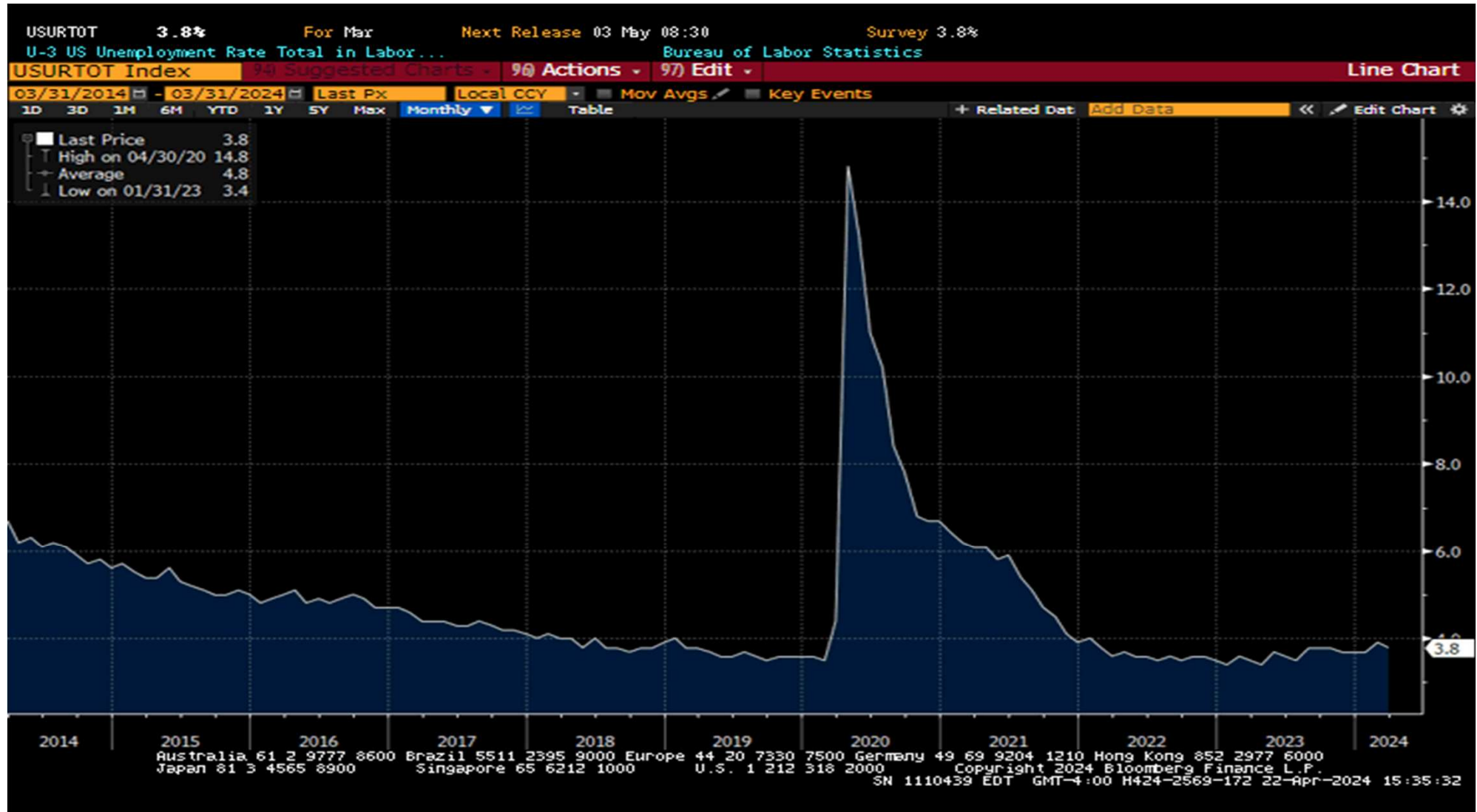
Job gains in the past year primarily from Government, Education / Health Services and Leisure / Hospitality.





# Unemployment Rate

The Unemployment rate remains low at 3.8%.

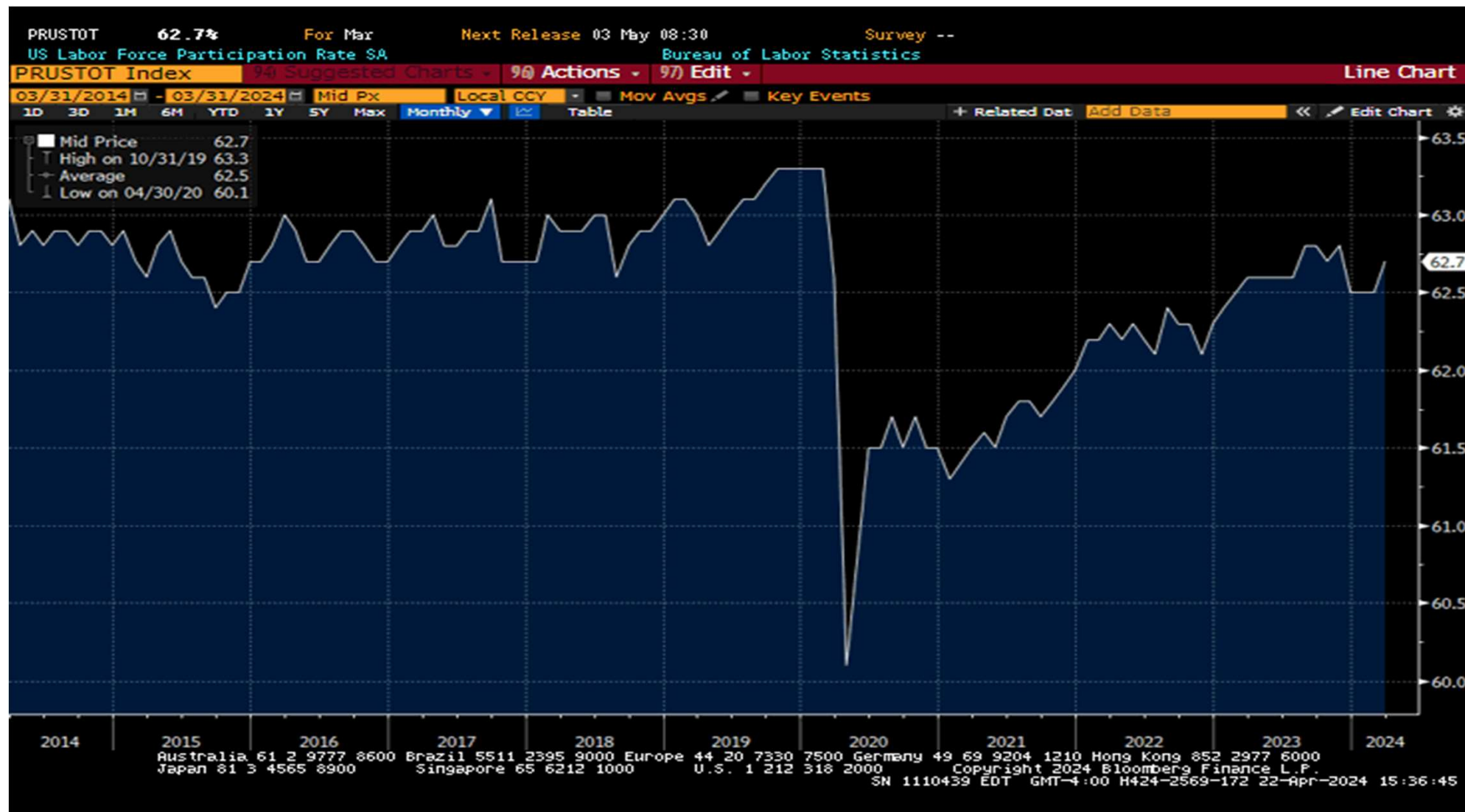






# Labor Participation Rate

Labor Participation Rate remains below pre-COVID levels.





# Real Average Weekly Earnings

Real Average Weekly Earnings increased slightly to +0.6% YoY at the end of Q1 2024 vs. -0.5% YoY at the end of Q4 2023.







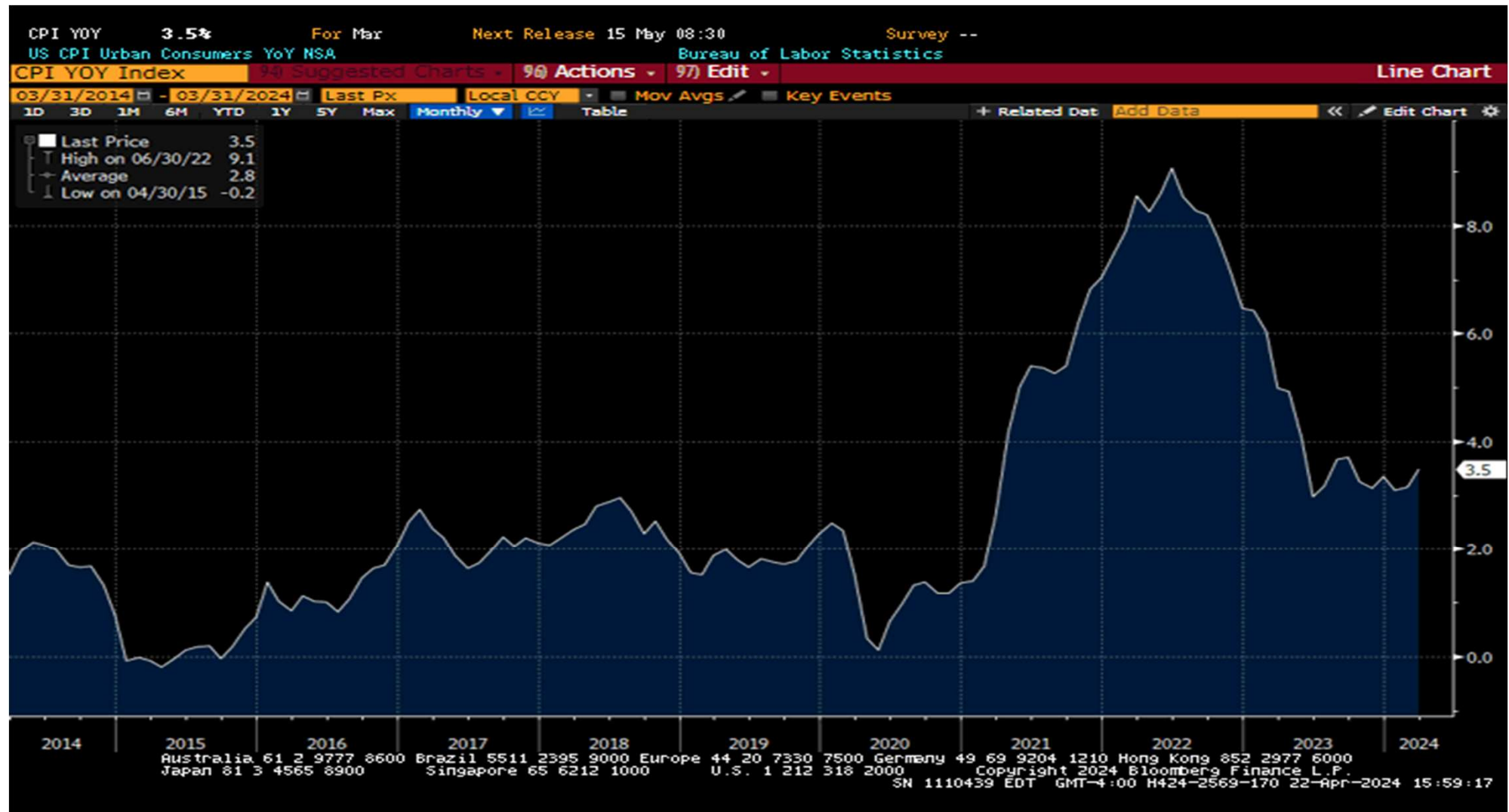
# Inflation

- The key inflation indicators we monitor are The Consumer Price Index (CPI), and The Producer Price Index (PPI).
- Inflation data trended higher in Q1 2024 and remains above the FOMC's 2.00% target.
- Headline Inflation Data:
  - CPI (YOY) as of 12/31/2023 = +3.4% vs. +3.5% as of 3/31/2024
  - PPI (YOY) as of 12/31/2023 = +1.0% vs. +2.1% as of 3/31/2024
- YoY shelter +5.7%, motor vehicle insurance +22.2%, medical care +2.2%, new vehicles -0.1% and used cars and trucks -2.2%
- YoY overall energy +2.1%, gasoline +1.3%, natural gas -3.2%, fuel oil -3.7% and electricity +5.0%
- YoY food at home +1.2% and food away from home +4.2%



# Consumer Price Index (CPI)

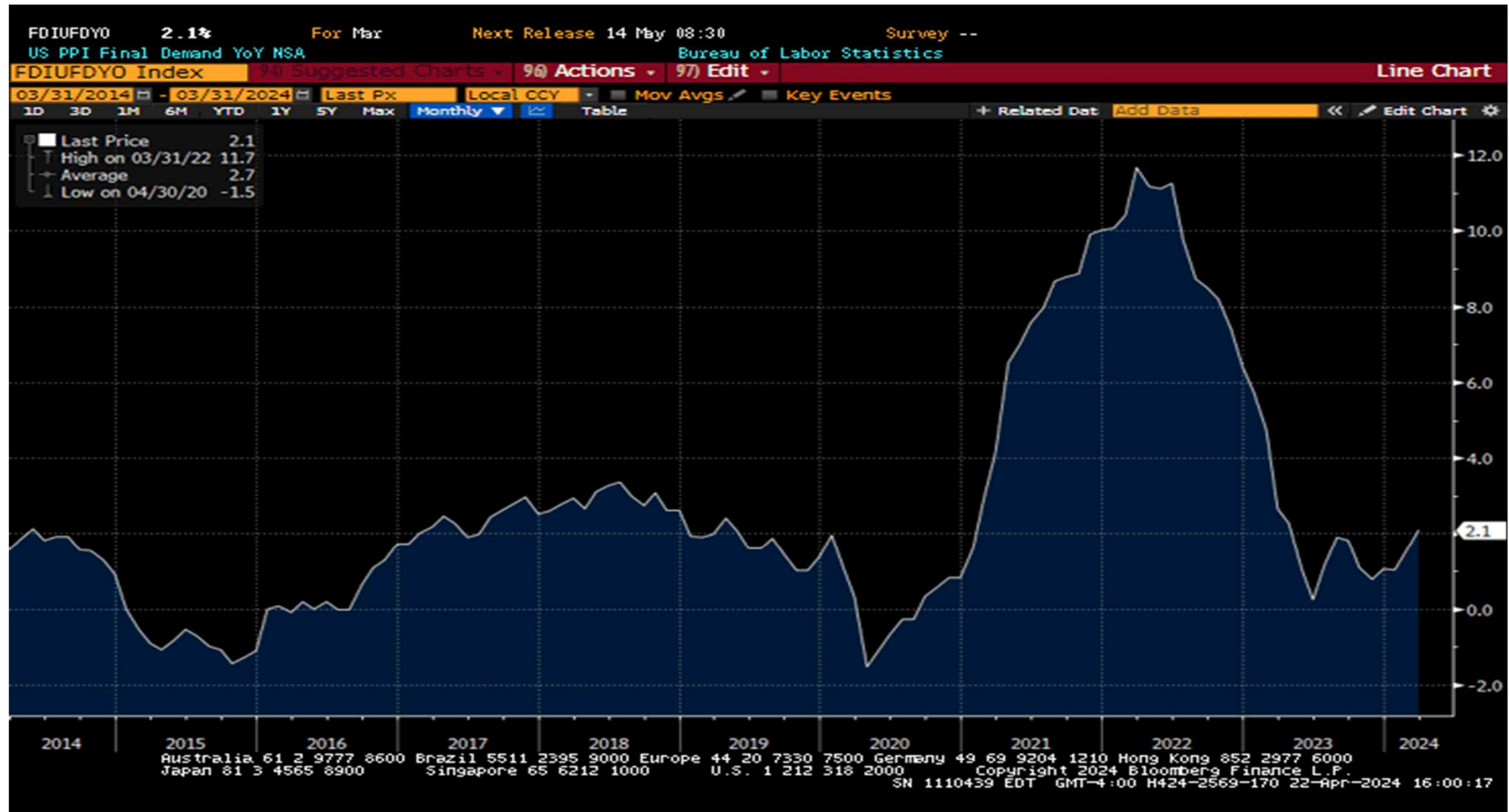
The Consumer Price Index (CPI) represents changes in prices of goods and services purchased for consumption by urban households. CPI measures price change from the perspective of the buyer or end user.





# Producer Price Index (PPI)

The Producer Price Index (PPI) measures changes in prices of goods as they leave their place of production. PPI measures price change from the perspective of the seller.





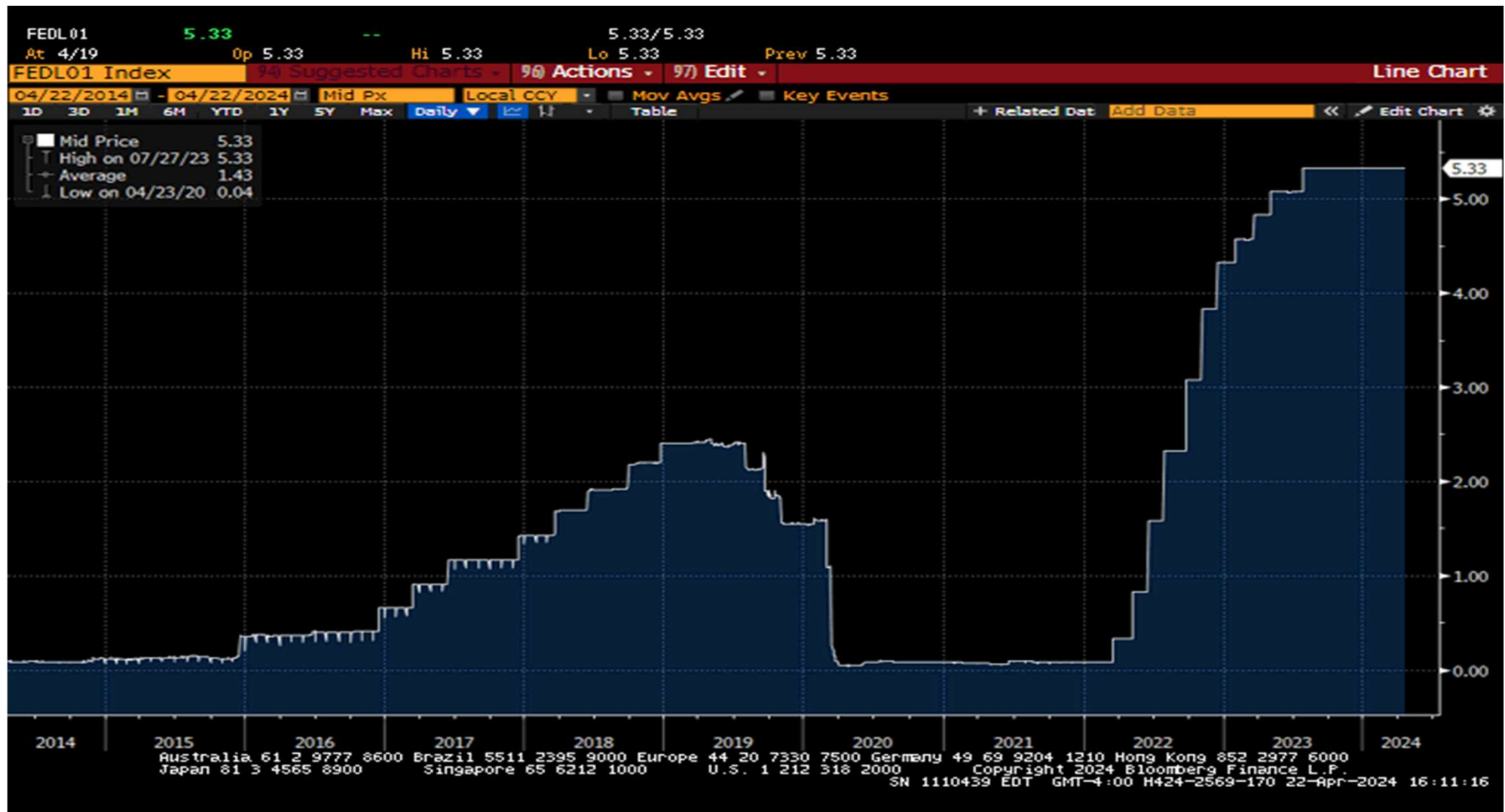
# Interest Rates

- The FOMC has raised interest rates 11 times since March of 2022 increasing the Effective Federal Funds Rate (EFFR) by 525 basis points.
- The FOMC opted to leave the Federal Funds Effective rate unchanged at the March 20<sup>th</sup> FOMC meeting which marks the 5<sup>th</sup> consecutive meeting with no change.
- The FOMC appears to be done tightening economic conditions but remains data dependent.
- The FOMC discussed winding down its Quantitative Tightening policy in the coming months.
- The market is currently pricing in one full 25 basis-point cut in 2024 occurring at the September or November meeting. Will the election influence the FOMC's timing?
- Changes in monetary policy can take up to 12 months before it has an impact on the economy.
- The EFFR remains at a 16-year high.



# Effective Federal Funds Rate

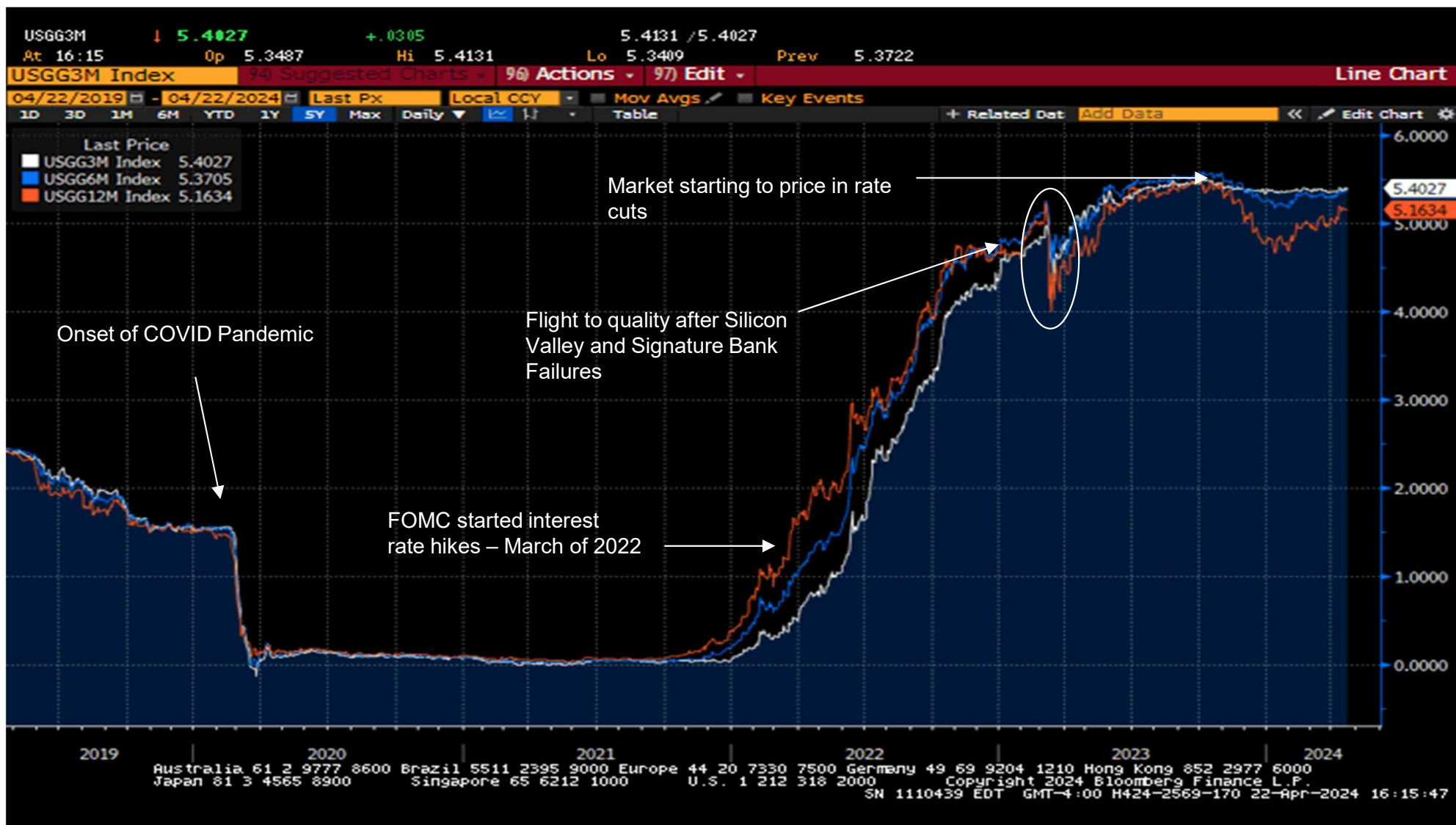
The Effective Federal Funds Rate (EFFR) is the interest rate banks charge other institutions for lending excess cash to them from their reserve balances on an overnight basis.







# 3-Month 6-Month and 12-Month Treasury Bill Comparison





# Treasury Bill Curve





# Treasury Curve (30 Year)

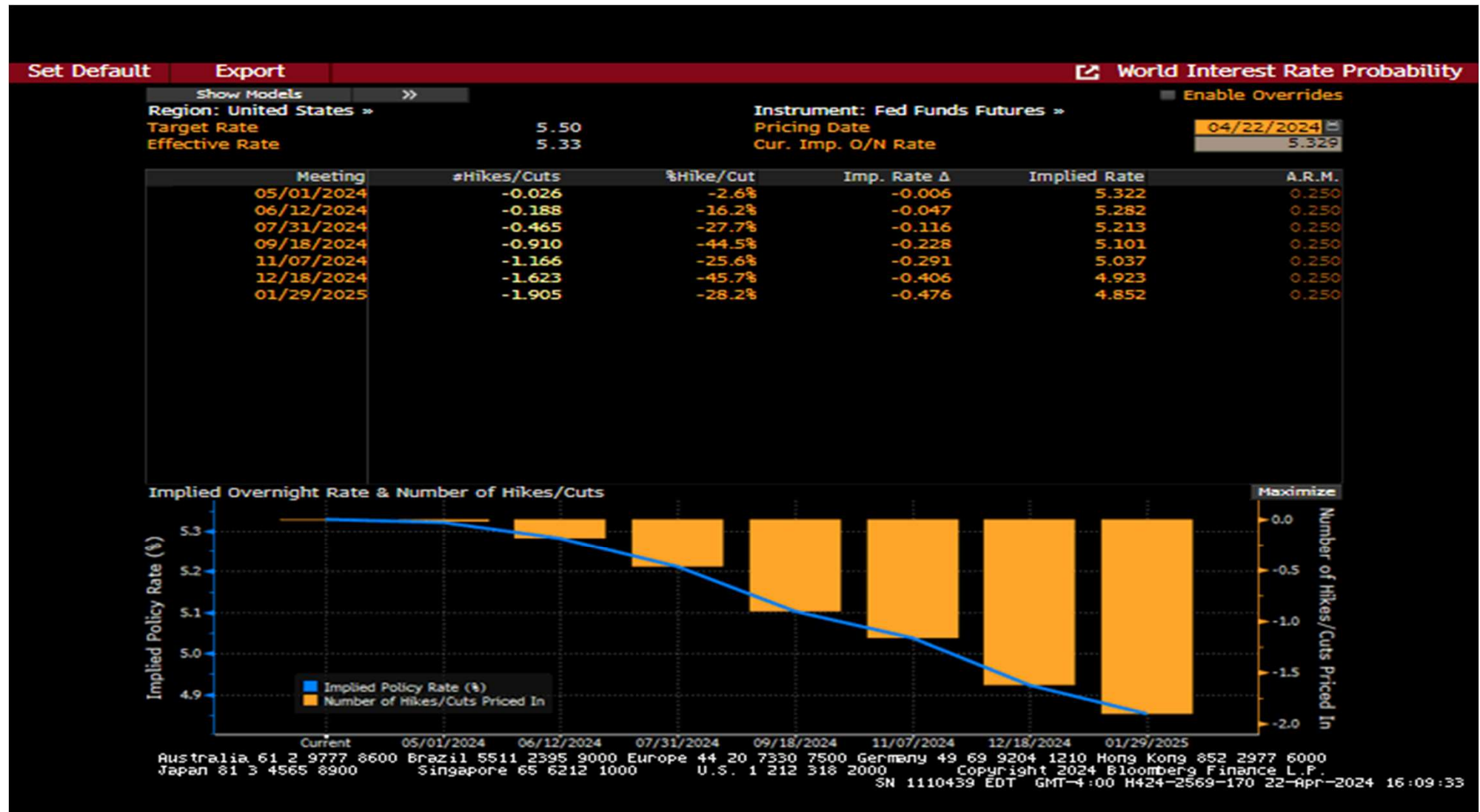






# Fed Funds Futures

The slide shows the probability of future interest rate hikes or cuts based on the Fed Funds Futures Market.



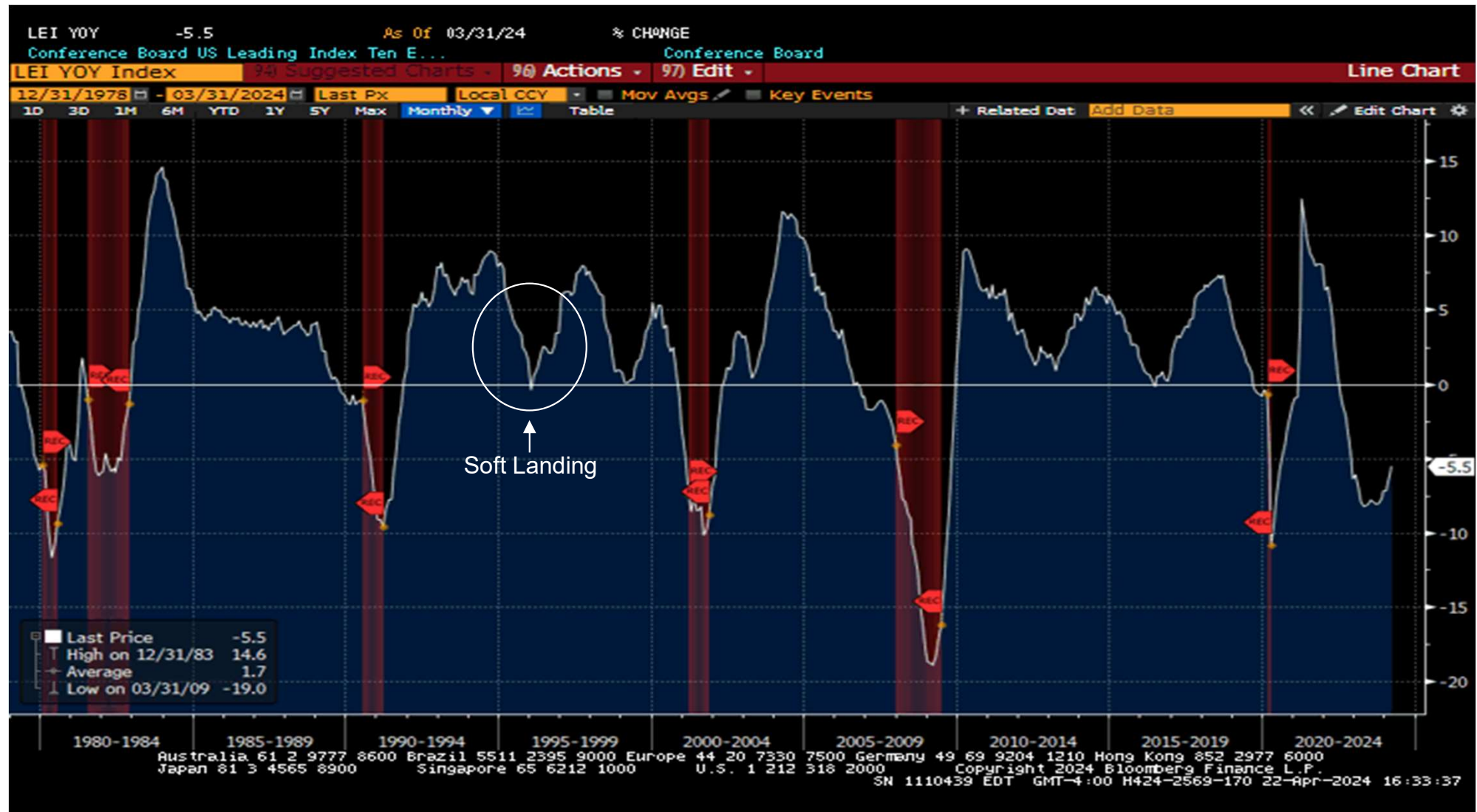


# Correlation between EFFR, Unemployment and Recession





# Conference Board US Leading Index YoY Hard Landing vs. Soft Landing





# **Office of the State Treasurer**

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### **Participant Update**

**Strategy**



# Strategy

- FOMC is in a data dependent stance as inflation remains elevated. The timing of when they start cutting interest rates depends on upcoming inflation and employment data. Based on current economic data we believe the FOMC may leave interest rates higher for longer.
- Target a 15% to 20% weighting in overnight repurchase agreements.
- Maintain 30% weighting in Floating Rate Notes with appropriate spread over Fixed alternatives.
- Look for longer dated opportunities that are adequately priced, over repo breakeven.
- Perform breakeven analysis to determine relative value.



# **Office of the State Treasurer**

## **Georgia Fund 1**

### **Participant Update**

**LGIP Administration**





# Treasury Audit Confirmation Portal

- In May 2024, the Office of the State Treasurer (OST) will implement the Treasury Audit Confirmation (TAC) portal.
- The TAC portal is a secure online platform designed to facilitate CPAs (Certified Public Accountants) GF1 account balance audit confirmation requests.
- Participants will still need to authorize their CPAs audit confirmation requests; auditors will then submit their request through the new TAC portal.
- This should help avoid audit confirmation delays.



# Treasury Audit Confirmation Portal

- Next week, the OST will post an instruction guide and an instructional video on our website ([ost.ga.gov](http://ost.ga.gov)) for the TAC portal.
- The OST will contact the majority of CPAs that typically submit GF1 audit confirmation requests to inform them of the change in the audit confirmation process. However, to ensure a smooth transition to the TAC portal and to prevent possible confusion or delays, we kindly request that you inform your CPA about this change.
- Next week, OST will send you an email with information regarding the TAC portal that you can forward to your CPA. This will provide essential details to facilitate the transition.





# GA Fund 1 Prime

- GA Fund 1 Prime is a new offering for Local Government investors.
- OST has selected Federated Hermes to manage the assets in GA Fund 1 Prime.
- GA Fund 1 Prime may provide a higher investment yield than GA Fund 1 due to the inclusion of investment grade credit securities.



# GA Fund 1 Prime Contact Information

## GA Fund 1 Prime:

Website – [georgiaprime.com](http://georgiaprime.com)

Phone – 1-833-417-7665

## GA Fund 1 LGIP Administration:

Phone – 404-656-2993

Email – [gf1\\_fund\\_admin@treasury.ga.gov](mailto:gf1_fund_admin@treasury.ga.gov)

Website – [ost.georgia.gov](http://ost.georgia.gov)



# georgiaprime.com

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WELCOME

## GEORGIA LGIP ACADEMY

Online training program

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### NEWS AND ANNOUNCEMENTS

12-04-2023  
WELCOME TO GEORGIA FUND 1 PRIME

Georgia Fund 1 Prime is a new, enhanced offering based on Georgia Fund 1.

[VISIT PARTICIPANT SERVICES](#)

### UPCOMING EVENTS

11-15-2023  
Introduction to Georgia Fund 1 Prime Webinar Replay  
On November 14, 2023, OST hosted a webinar for GF1 local governments introducing a new "LGIP Offering" GF1 Prime.

[GF1 Prime Webinar Replay](#)

[VIEW ALL UPCOMING EVENTS](#)

### QUICK LINKS

[Georgia LGIP Academy](#)  
[New Participant Enrollment](#)  
[Account Access](#)  
[Quick Reference Guide](#)  
[Wiring Instructions](#)



# **Office of the State Treasurer**

## **Georgia Fund 1**

### **Participant Update**

**Personnel**



## **Steve McCoy** **Georgia State Treasurer**

The Treasurer serves as cash management officer for Georgia on behalf of the State Depository Board responsible for managing over \$40 billion of state and local government investments; approving banking services for state agencies; overseeing the Path2College and Georgia Stable 529 savings plans; administering Secure Deposit Program for collateralizing public deposits; and managing the Local Government Investment Pool Trust. McCoy serves on boards of the Georgia State Financing and Investment Commission, State Depository Board, State Properties Commission, Georgia Building Authority, Georgia Higher Education Savings Plan, Georgia ABLE Program Corporation, and the state's pension funds. McCoy has served as State Treasurer from 1993-1997, 2011-2019, and was reappointed in 2020. He also served as Chief Investment Officer for the Office of the State Treasurer. McCoy has extensive private sector experience in public finance and investments. As a Managing Director of Lehman Brothers' Public Finance Division, McCoy managed the Southeast Region. He later served as president of an SEC registered investment advisory firm and assisted in the development and oversight of six 529 college savings plans. Mr. McCoy earned a B.B.A. in Finance from the University of Georgia and an M.B.A. from Georgia State University.

## **Scott Austensen** **Deputy State Treasurer, Investments and Banking**

Mr. Austensen has been at the Office of the State Treasurer since August of 2015, currently serving as Deputy State Treasurer, Investments and Banking. Reporting to Scott are 3 portfolio managers (2 of them CFAs with combined investment experience of over 60 years), and 3 financial analysts. Scott is the chair of the OST Credit Committee and Vice-chair of the OST Investment Committee. Scott has oversight of OST external Investment managers (currently Invesco), and responsibility for external Program Manager investments for P2C (TIAA), and ABLE (Ohio Treasurer's Office). Scott also directs the activities of our external investment consultant. Scott is a Chartered Financial Analyst, Charter holder (CFA), and CIPM certificiant. Prior to this role he served as the Chief Financial Officer for the GA Department of Education. Before beginning work with the State of Georgia, he worked in corporate finance at BellSouth, and in several large banks. He also served over four years in U.S. Army Intelligence as a Commissioned Officer. Scott earned a B.A. with dual majors in Economics and Business Administration, and a German Minor, from McDaniel College in Westminster, MD. Following his military service, he earned a Master in International Business Studies from the University of South Carolina in Columbia, SC.



**Jon Perregaux**  
**Senior Portfolio Manager**

Mr. Perregaux joined the Office of the State Treasurer in August of 2020. He started his career at PFPC Inc., where he was a Senior Unit Manager responsible for operational and custodial activities. Jon then progressed to a fixed income portfolio management and trading role at Bank of America where he spent 16 years, focusing on short duration Separately Managed Accounts and 2a7 Registered Funds. In addition to his portfolio management responsibilities, Jon also ran the Municipal Bond and Cross-Over strategies for Bank of America's Separately Managed Account Group. After leaving Bank of America in 2016, Jon accepted a Senior Portfolio Manager position at State Street Global Advisors where he focused on the management of over \$180 billion Treasury, Government and Prime fixed income portfolios. Jon is a graduate of Becker College and has a B.S.

**Lee Poage**  
**Portfolio Manager**

Mr. Poage joined the Office of the State Treasurer in July of 2020. Lee has over 20 years of Banking and Finance experience ranging from Portfolio Management to Risk Management. He spent 5 years with Bank of America in Capital Markets operations and Portfolio Management. In 2005, Lee began working for SunTrust, now Truist, in roles including Portfolio Management managing Money Market Mutual Funds and as a Market Risk Manager within Corporate Treasury overseeing the bank portfolio and mortgage capital markets. Lee was also with Wells Fargo in Risk Management validating Investment Portfolio and Mortgage models prior to joining OST. Mr. Poage received a B.S. in Finance from Virginia Tech and is a Chartered Financial Analyst, Charter holder (CFA).

**Mark Jones**  
**Portfolio Manager**

Mr. Jones joined the Office of the State Treasurer in May of 2002 as a Portfolio Manager. Prior to joining the State Treasurer's office, Mark had over 22 years of relevant Securities Trading and Portfolio Management experience at various financial institutions including National Bank of Georgia, Barnett Banks and Bank South. Mr. Jones earned a B.A. in Sociology from St. Lawrence University in Canton, New York and earned his M.B.A. in Finance with a concentration in banking and investments from Florida State University.





**Angela Roberts**  
**Portfolio Assistant**

Ms. Roberts joined the Office of the State Treasurer in August 2002. Prior to joining OST, Angela had over 22 years of accounting related experience (AP, AR, Grant Administration) at various institutions including Georgia Power and the IRS. In August 2002, she accepted the position of Funds Administrator with the Office of the State Treasurer. Ms. Roberts has served in the role as the Portfolio Assistant since September of 2005.

**Vinny Rosamilia**  
**Senior Financial Analyst**

Mr. Rosamilia joined the Office of the State Treasurer in April of 2020. Vinny works closely with the Portfolio Assistant and has oversight of three Financial Analysts, who manage Fund Administration and Portfolio Investment Operations. Vinny works directly with the Portfolio Managers and OST Management to assign and oversee research tasks. Vinny graduated from Kennesaw State University in May of 2020 with a BBA in Finance.

**Cody Cruse**  
**LGIP Director**

Mr. Cruse joined the Office of the State Treasurer in March of 2020. Cody is responsible for the primary support to the Senior Portfolio Manager (for GF1). His primary responsibilities involve investor relations (as directed by the Senior Portfolio Manager) and participant management. Cody graduated from Kennesaw State University in July of 2020 with a BBA in Finance.

**Cain Beatty**  
**Financial Analyst**

Mr. Beatty joined the Office of the State Treasurer in July of 2022. His primary responsibilities include investment operations and special research projects as assigned. Cain worked as a Student Equity Analyst for the Kennesaw State University Student Managed Investment Fund. Cain is expected to graduate in May of 2023 with a BBA in Finance from Kennesaw State University.



**Alysia Norwood**  
**Financial Analyst**

Ms. Norwood joined the Office of the State Treasurer in October of 2023. Prior to joining OST, Alysia worked at PNC Bank as a Regional Universal Banker. She earned her BBA in Finance from American InterContinental University in December of 2021.

**Reid Purinton**  
**Financial Analyst**

Mr. Purinton joined the Office of the State Treasurer in October of 2023. Reid graduated from Kennesaw State University in December of 2023 with a BBA in Finance.

**Note:**

OST investments has 3 additional staff members who are primarily responsible for LGIP Support Services (GF1 participant transactions, account documentation, etc.).