



Office of the State Treasurer

Georgia Fund 1

Participant Update

Jon Perregaux - Sr. Portfolio Manager
July 16, 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 / Presidential Election
 - Portfolio Strategy
- Fund Administration
- Q&A Session



Office of the State Treasurer

Georgia Fund 1

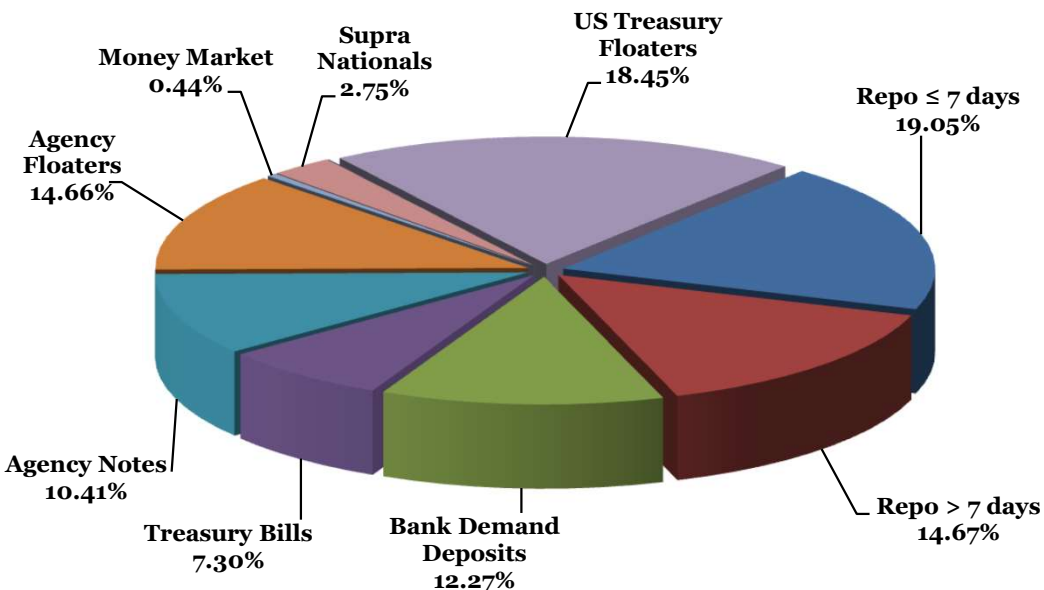
Participant Update

Fund Characteristics

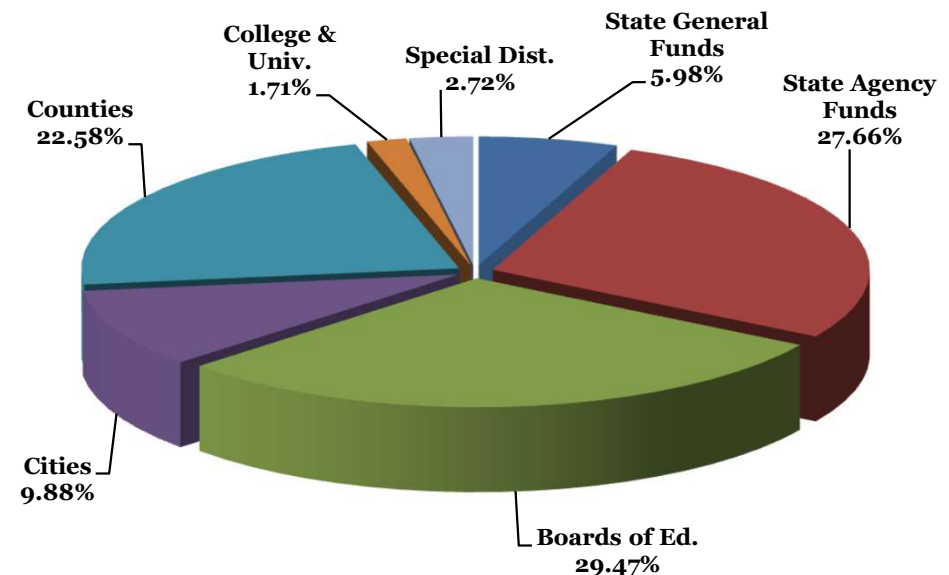
Georgia Fund 1 (GF1)

- 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
- 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⁽¹⁾.
- GF1 is rated AA Af/S1 by Fitch.
- For the month of June 30, 2024, GF1 participants earned 5.40%⁽²⁾.
- As of June 30, 2024, GF1 assets were \$30.8 billion.
- As of June 30, 2024, the weighted average maturity (WAM) was 33 days.

Portfolio Composition

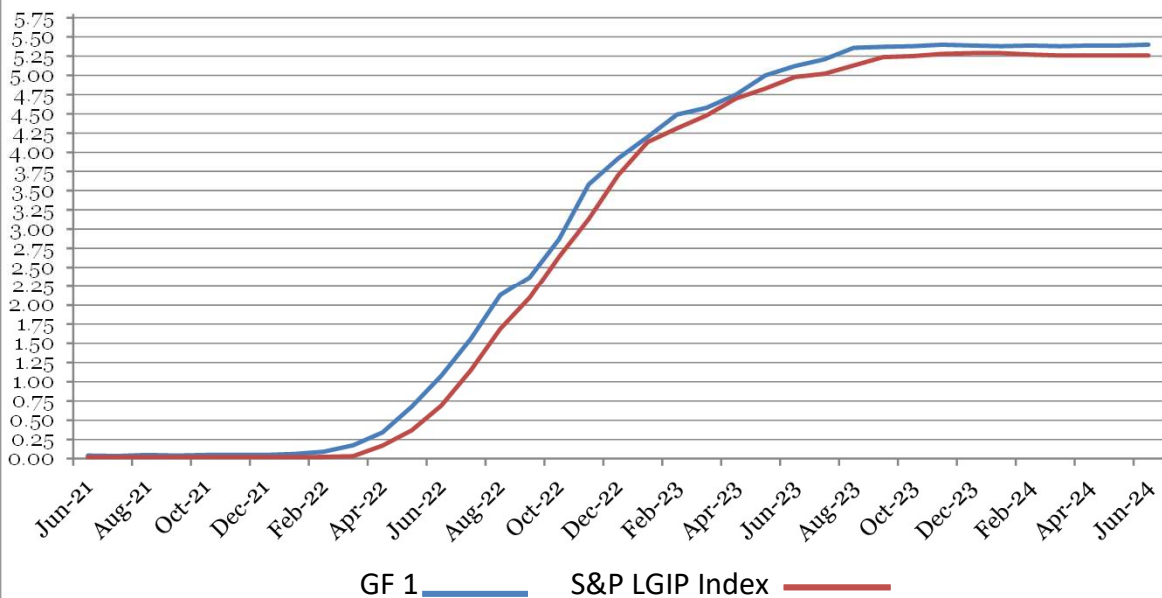


Account Holder Distribution



(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.

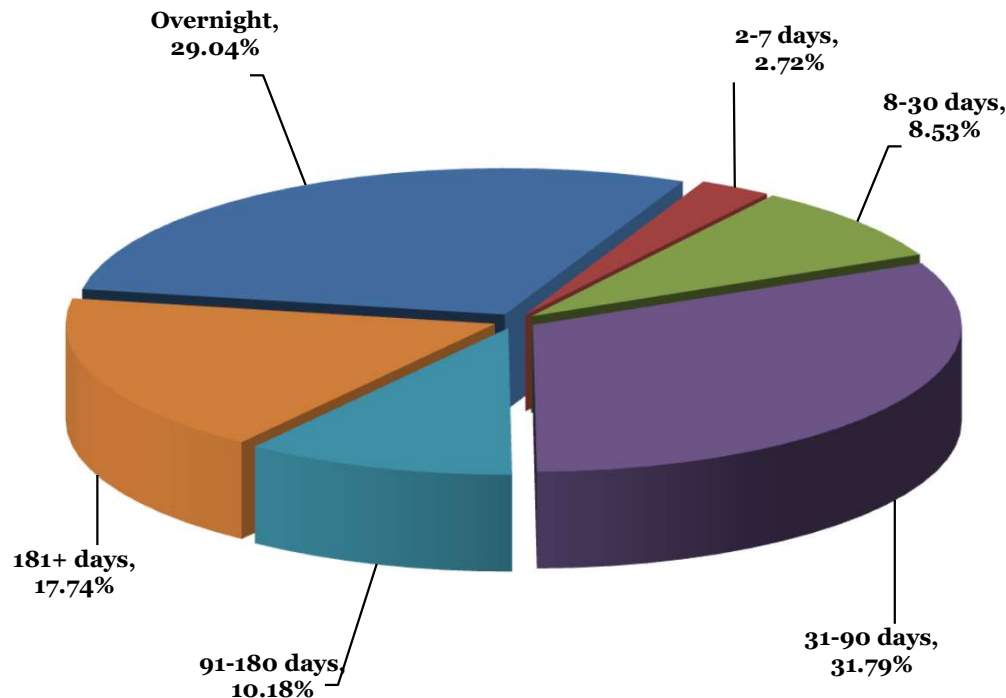
Portfolio Strategy: The Federal Open Market Committee (FOMC) left the Federal Funds Target Range unchanged at 5.25% to 5.50% at the June 12th meeting. Recent economic data has suggested that the economy is slowing. Employment and inflation data has started to trend lower over the past couple months putting into question the timing of when the FOMC will begin cutting rates. The market is currently pricing in a 25 basis-point cut in interest rates as soon as the September 18 FOMC meeting. It is important to note that the market was wrong earlier in the year when it had up to seven 25 basis-point cuts priced in. I believe the FOMC remains in a data dependent posture however, the data is beginning to support a change in monetary policy.

Nonfarm payrolls beat expectations for June coming in at +206k versus expectations of +190k. The Unemployment Rate increased to 4.1% versus 4.0% in June. Inflation data for June was mixed. Consumer Price Index (CPI) data trended lower, and Producer Price Index (PPI) data came in higher than expectations.

Overnight General Collateral (GC) Repurchase Agreements averaged a yield of 5.32% for June. Treasury Bill yields averaged 5.27% for 1-month maturities, 5.31% for 3-month maturities, 5.28% for 6-month maturities and 5.12% for 12-month maturities.

Jon Perregaux – Senior Portfolio Manager

Maturity Distribution

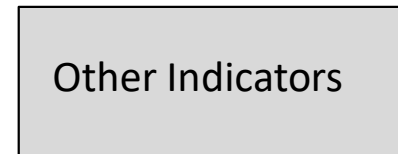
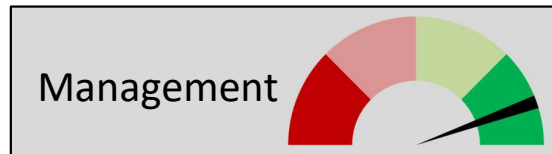
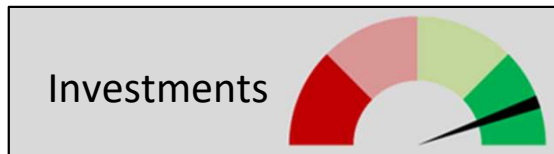


Ga Fund 1 Risk Score

July 15, 2024



Risk Level
Strong
Neutral
Weak
Critical



Credit Risk Level	
Interest Rates	
Liquidity	

Portfolio Management	
Investment Operations	
Customer Support	

LGIP Trust Reserve	
GF1 Portfolio Assets	
Reverse Repo Capacity	

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

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Participant Update

Economic Update

Interest Rates and Inflation



Economic Data

- Federal Open Market Committee (FOMC)
 - June 12th Meeting Statement Highlights
- Employment Data – 2nd Quarter 2024
 - Nonfarm Payrolls
 - Unemployment Rate
 - Labor Participation Rate
- Inflation – 2nd 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.

June 12th Statement Highlights

- Recent indicators suggest that economic activity has continued to expand 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.
 - April Nonfarm Payroll +175
 - May Nonfarm Payroll +272k
 - June Nonfarm Payroll +206k

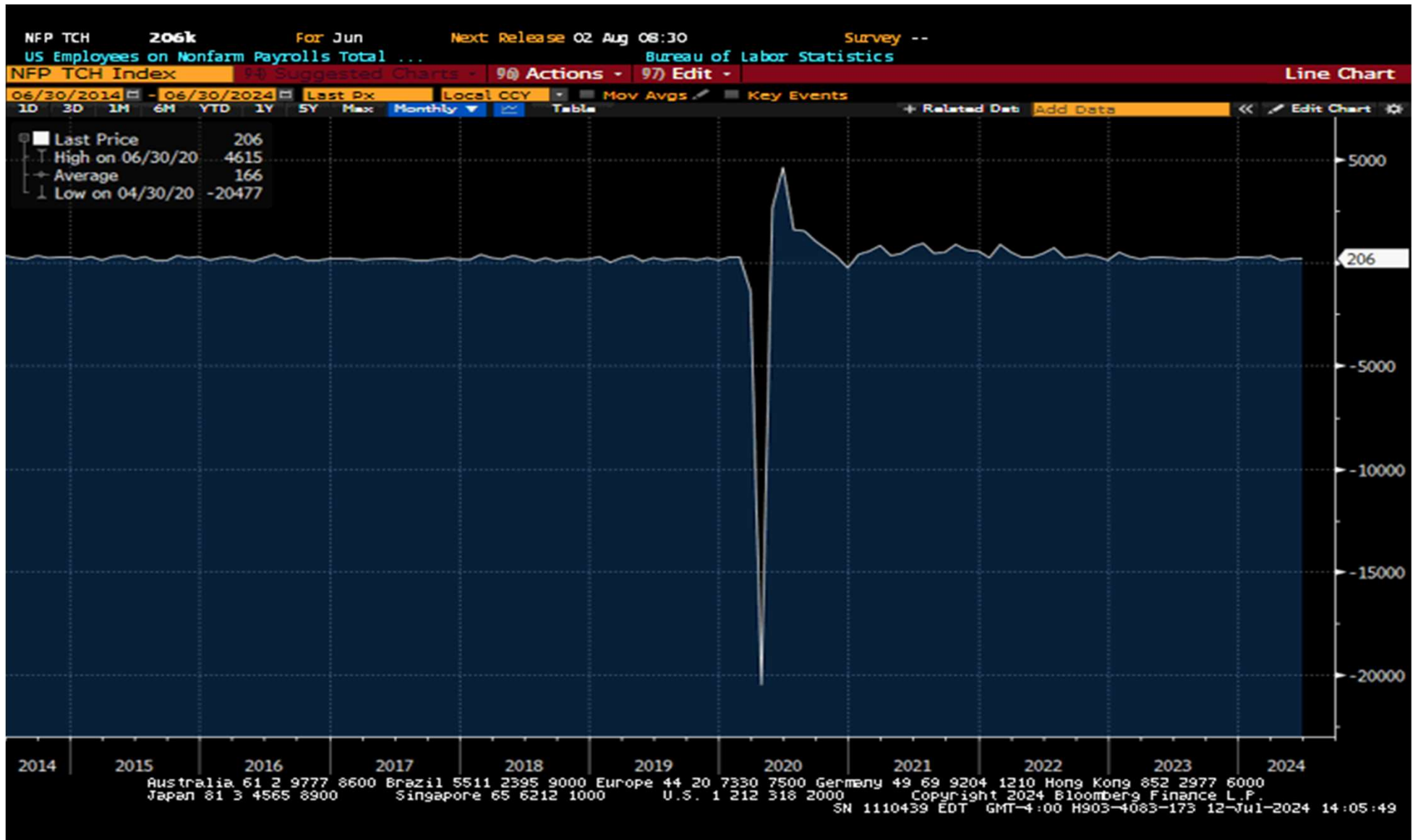
- Unemployment Rate remains low.
 - April Unemployment Rate 3.9%
 - May Unemployment Rate 4.0%
 - June Unemployment Rate 4.1%

- U.S. Labor Force Participation Rate has made slight gains over the past year but was unchanged in Q2 of 2024 and has not fully recovered after COVID.
 - April Participation Rate 62.7%
 - May Participation Rate 62.5%
 - June Participation Rate 62.6%



Nonfarm Payrolls

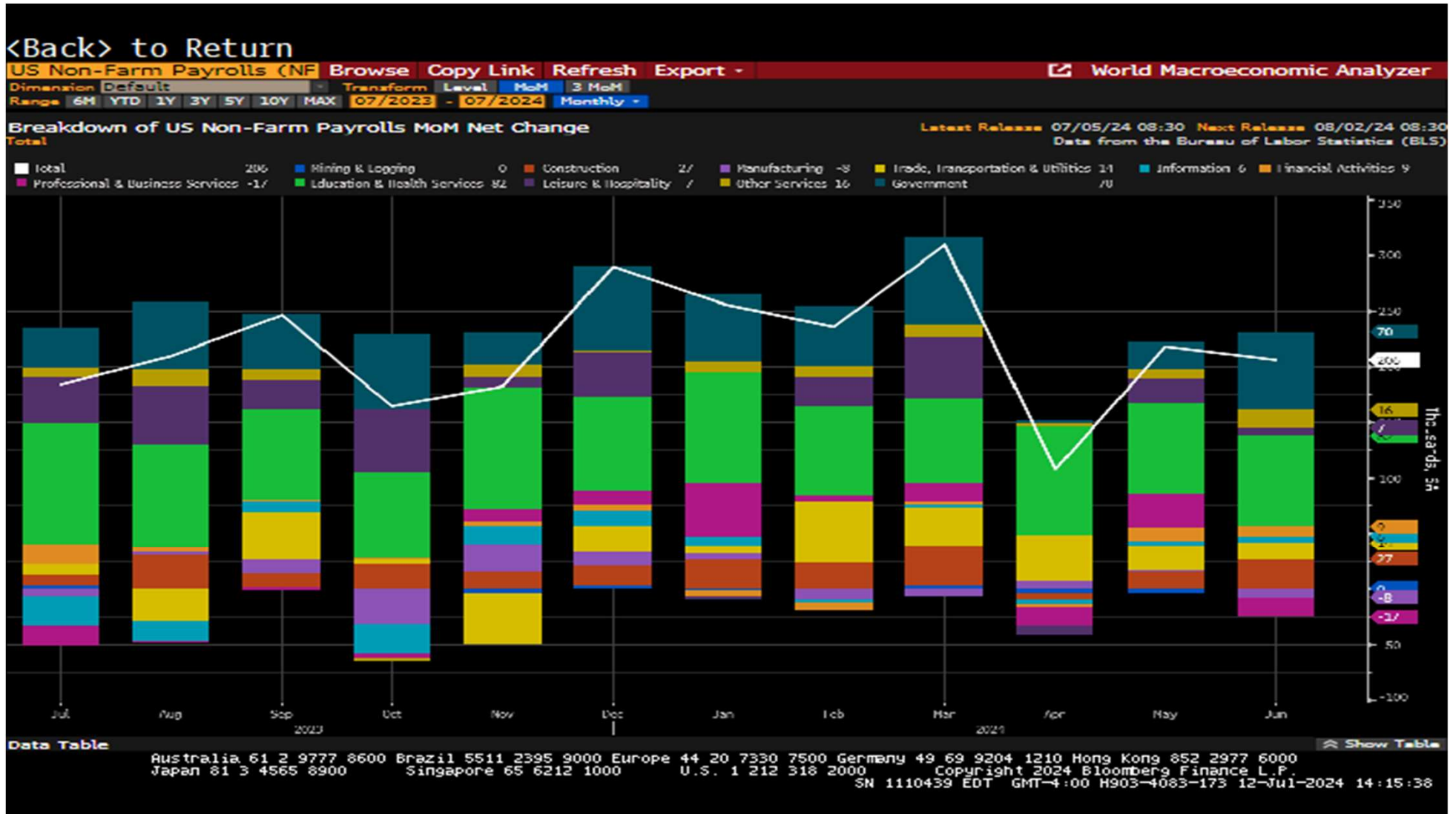
Employment data trended lower in Q2 2024.





Nonfarm Payrolls Detail

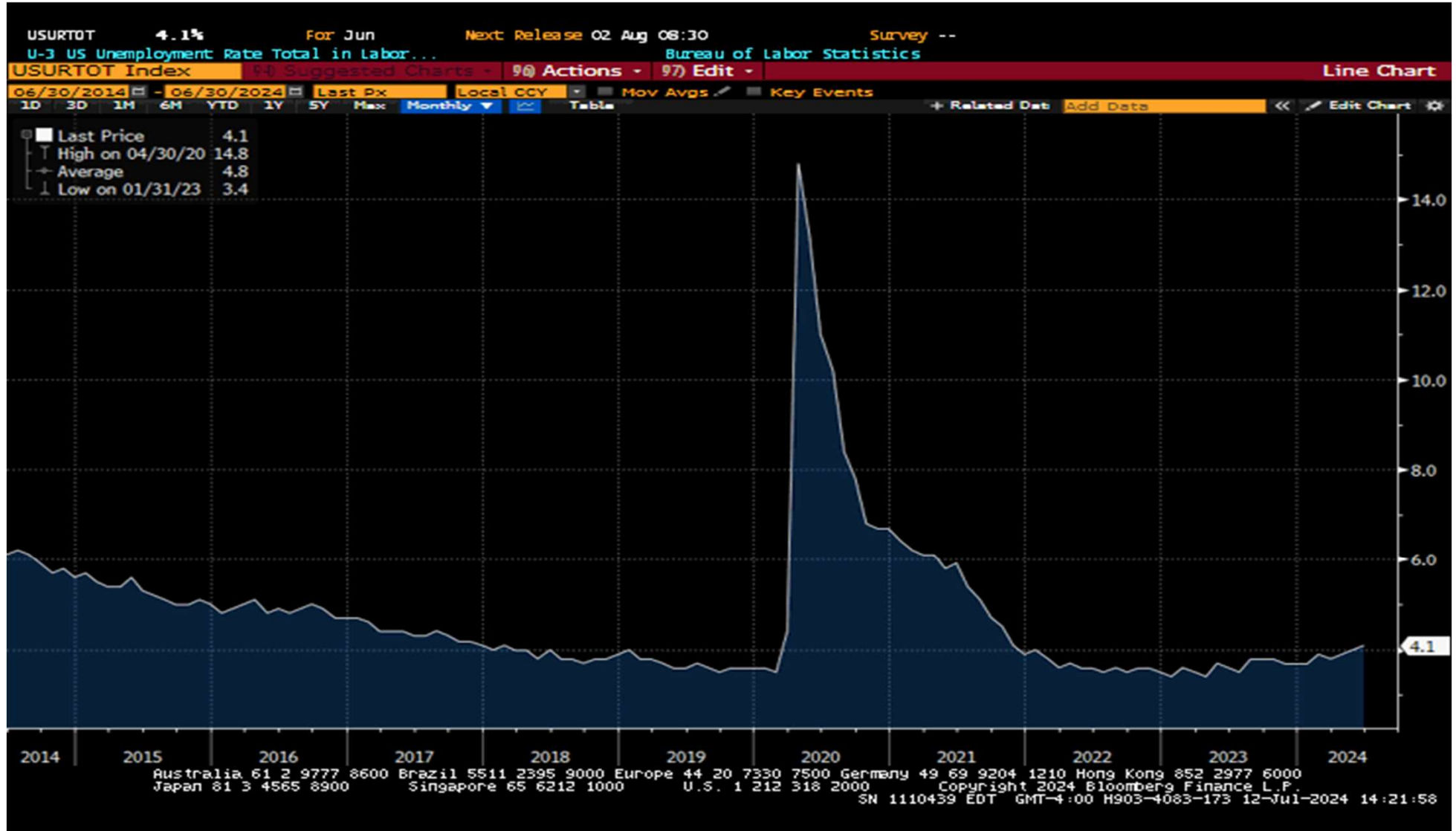
Job gains in the past year primarily from Government, Education / Health Services and Leisure / Hospitality. Government jobs absent from April data.





Unemployment Rate

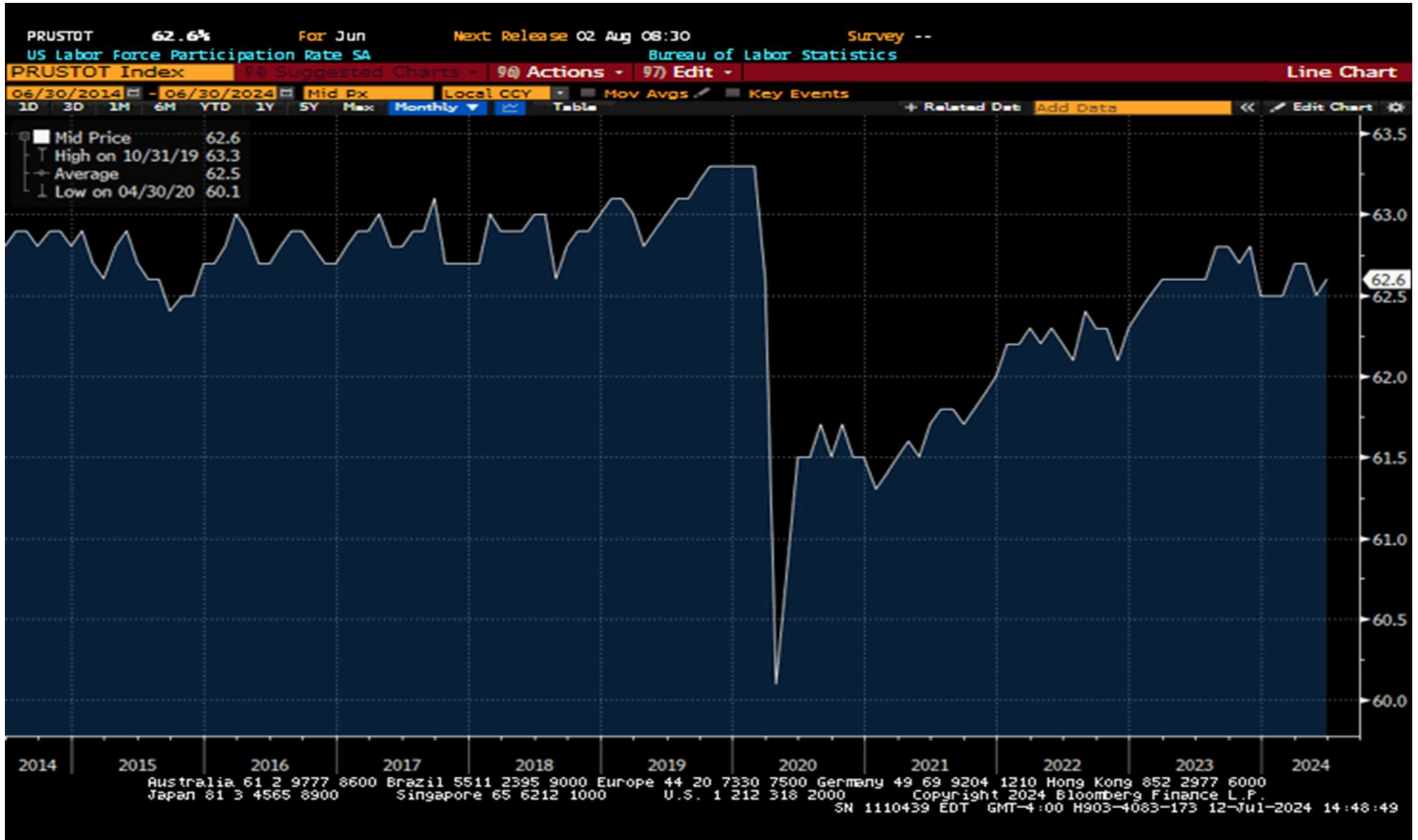
The Unemployment rate has trended up slightly to 4.1%.





Labor Participation Rate

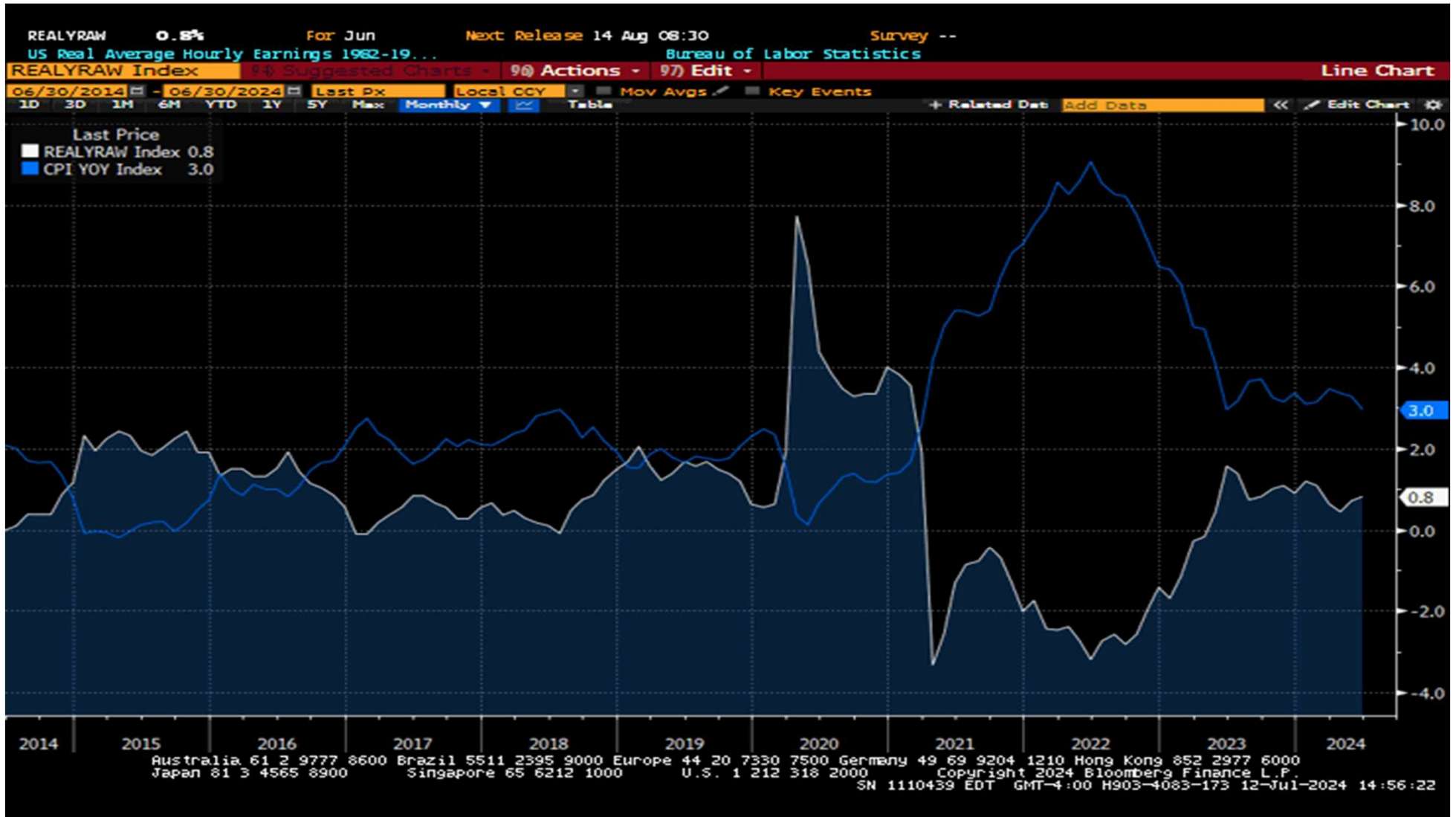
Labor Participation Rate remains below pre-COVID levels.





Real Average Weekly Earnings

Real Average Weekly Earnings increased slightly to +0.8% YoY at the end of Q2 2024 vs. -0.6% YoY at the end of Q1 2024.





Inflation

- The key inflation indicators we monitor are The Consumer Price Index (CPI), and The Producer Price Index (PPI).
- Inflation data was mixed in Q2 2024. CPI trended lower and PPI trended higher. Both remain above the FOMC's 2.00% target.
- Headline Inflation Data:
 - CPI (YOY) as of 3/31/2024 = +3.5% vs. +3.0% as of 6/30/2024
 - PPI (YOY) as of 3/31/2024 = +2.1% vs. +2.6% as of 6/30/2024
- YoY shelter +5.2%, motor vehicle insurance +19.5%, medical care +3.3%, new vehicles -0.9% and used cars and trucks -10.1%
- YoY overall energy +1.0%, gasoline -2.5%, natural gas +3.7%, fuel oil +0.8% and electricity +4.4%
- YoY food at home +1.1% and food away from home +4.1%



Consumer Price Index (CPI)

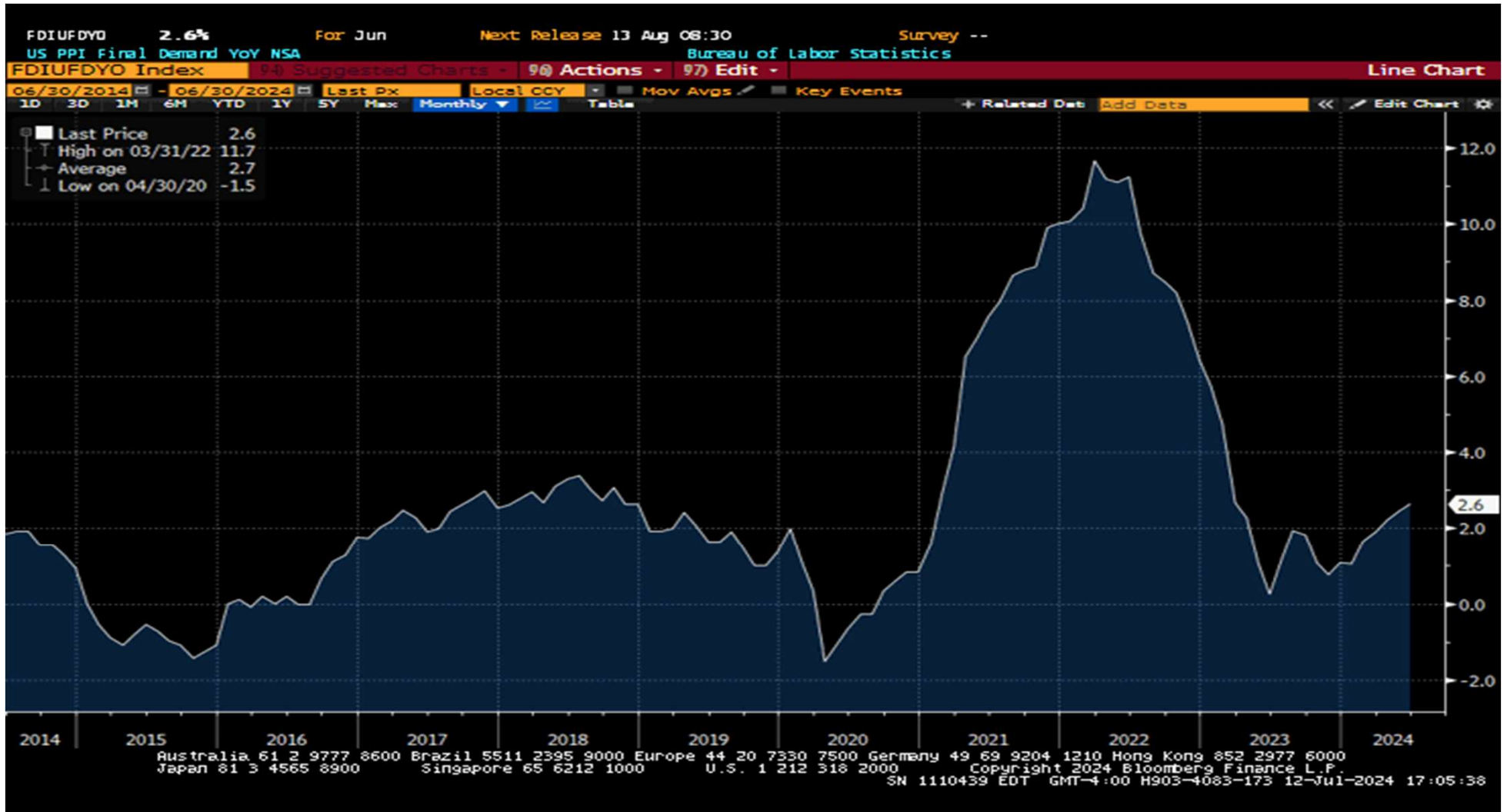
The Consumer Price Index (CPI) represents changes in prices of goods and services purchased for consumption by urban households. CPI measures price change from the perspective of the buyer or end user.





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.





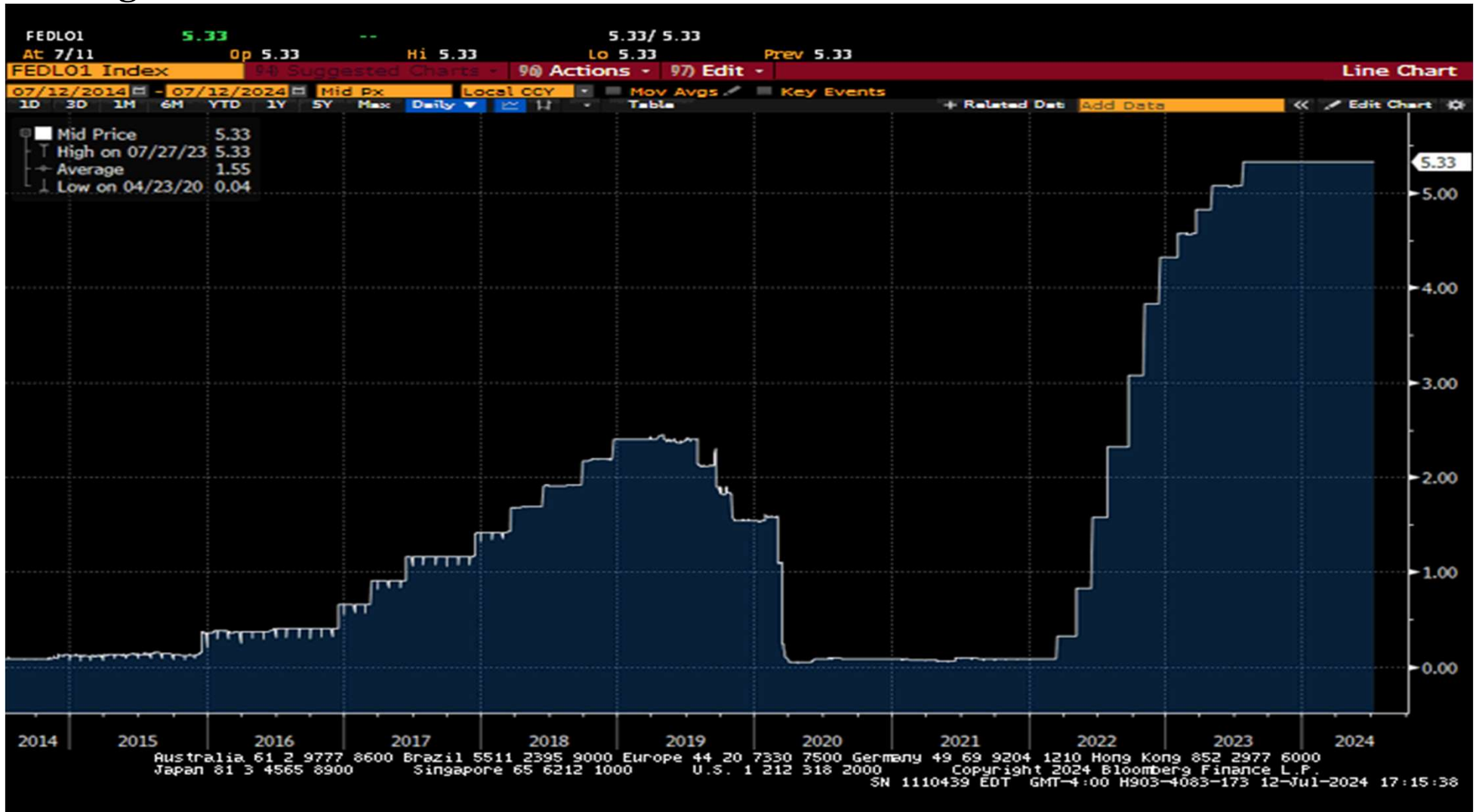
Interest Rates

- 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 June 12th FOMC meeting which marks the 7th consecutive meeting with no change.
- The FOMC appears to be done tightening economic conditions but remains data dependent on future changes to monetary policy.
- The market is currently pricing in two 25 basis-point rate cuts in 2024 occurring at the September and December meetings. Will the election influence the FOMC's timing and does the market have it wrong again?
- 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.



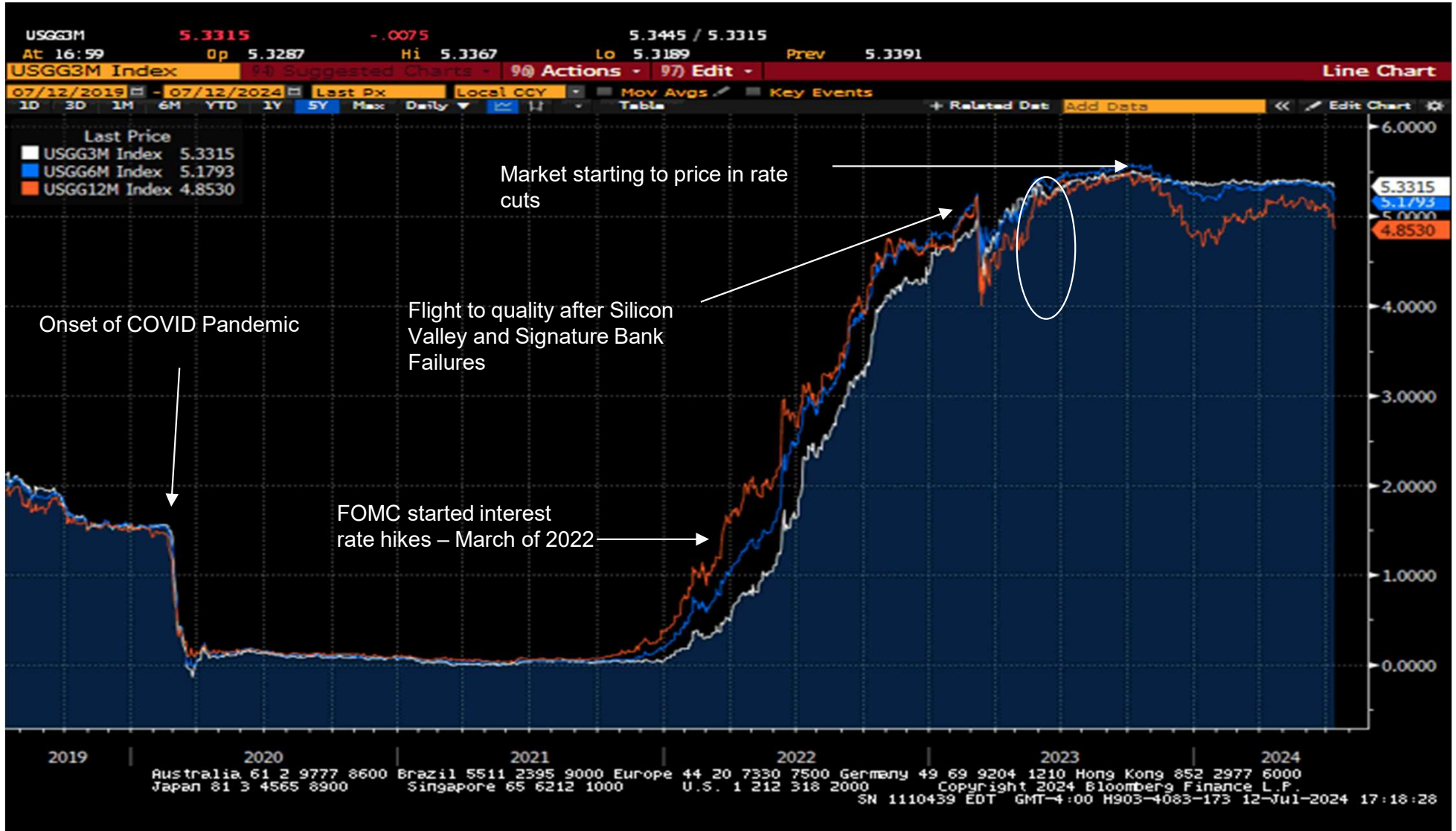
Effective Federal Funds Rate

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





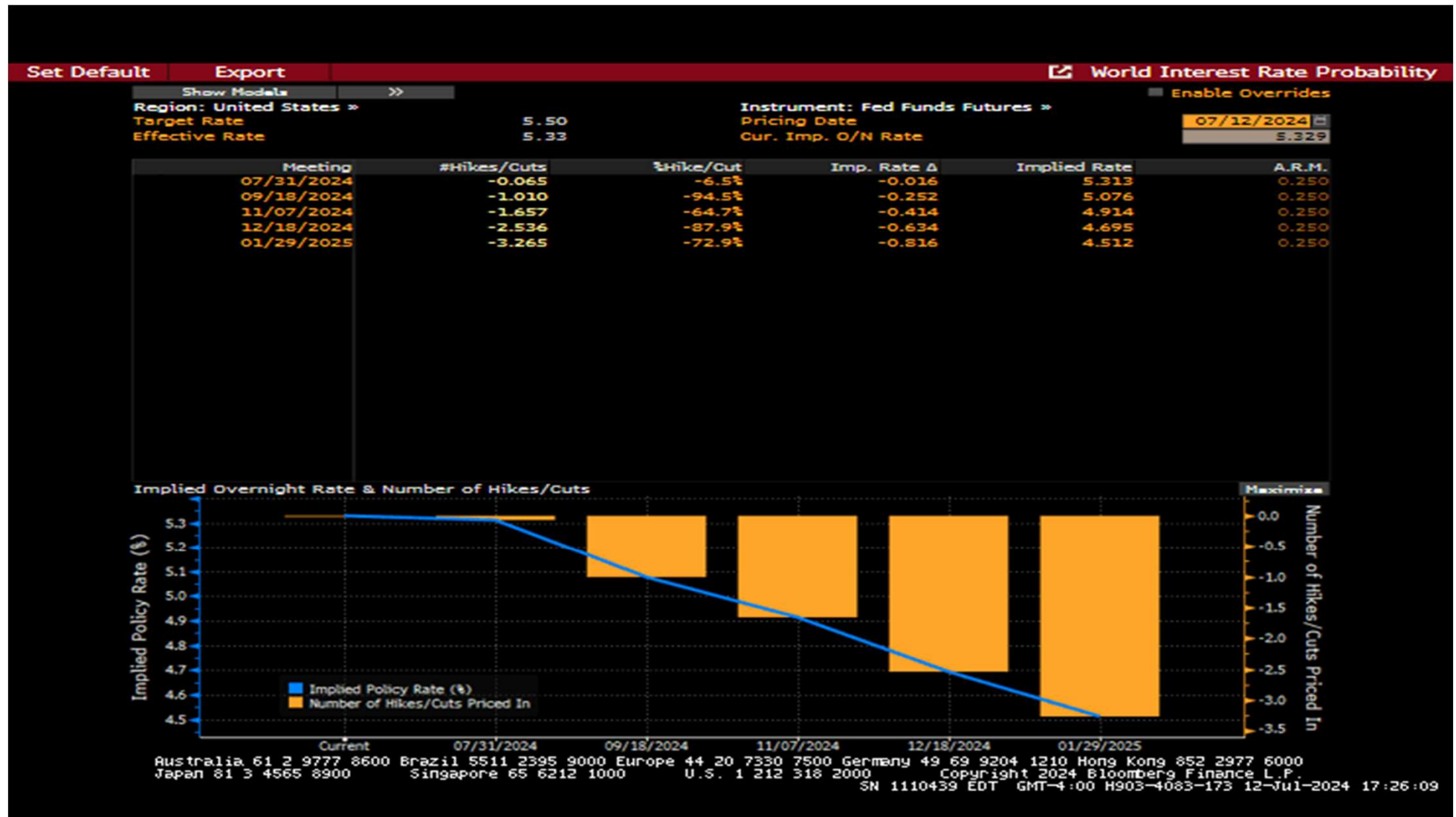
Treasury Bill Curve





Fed Funds Futures

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



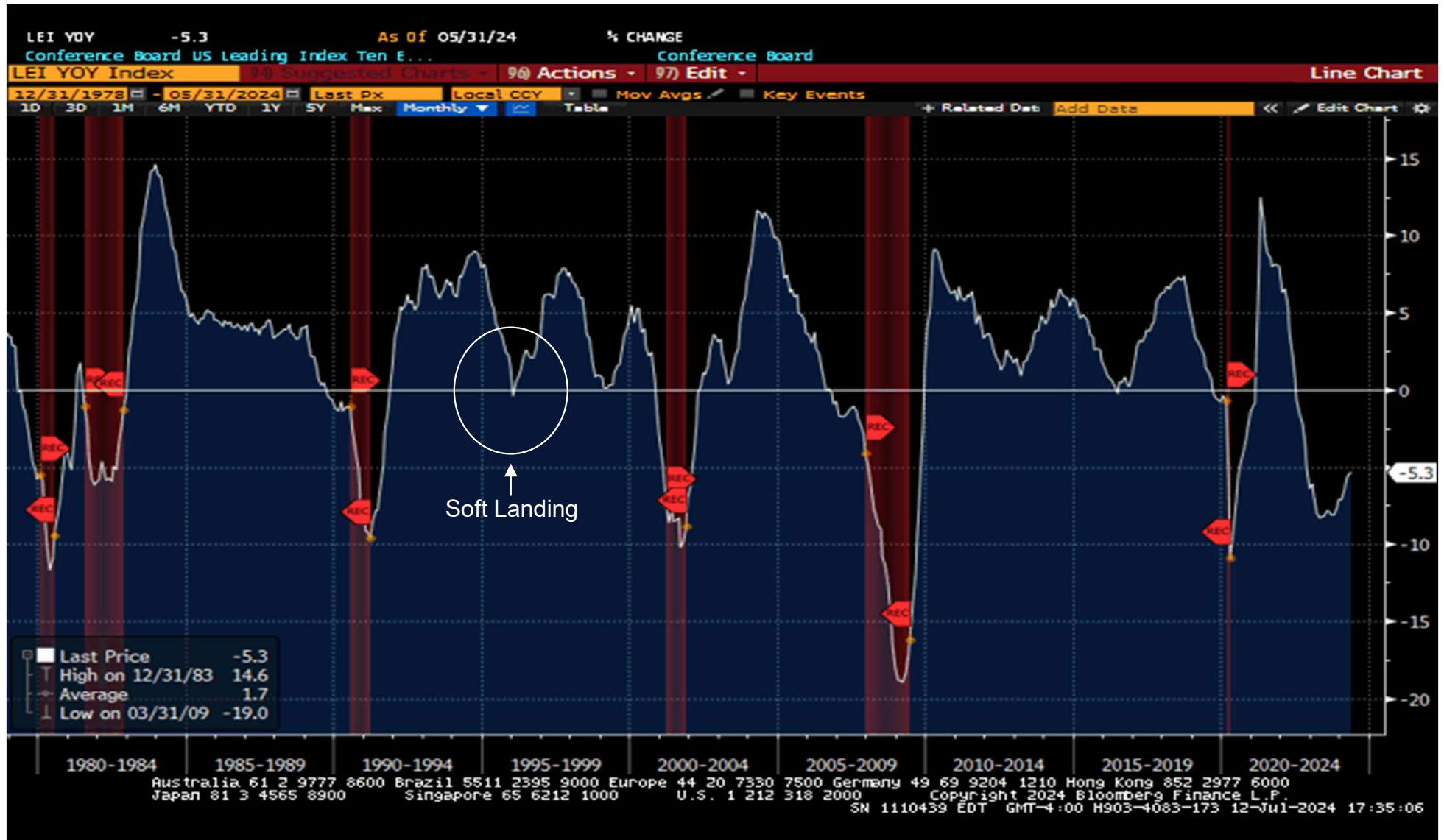


Correlation between EFFR, Unemployment and Recession





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





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Strategy



Strategy

- FOMC is in a data dependent stance as inflation remains above their 2% target. The needs to gain more confidence in the inflation and employment data before implementing rate cuts. Based on current economic data we believe the FOMC may implement a 25 basis-point cut in September or November, but the upcoming election complicates that decision.
- 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 to extend portfolio's Weighted Average Maturity (WAM) to lock in higher yields if interest rates decrease.
- Perform breakeven analysis to determine relative value.



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Georgia Fund 1

Participant Update

LGIP Administration



LGIP Administration

GF1 Account Balance Audit Requests

- Participant process will not change.
- Participants will continue to approve the release of a GF1 Statement to your CPA firm by having an authorized user sign the Audit Request as you have always done.
- The CPA firm will then submit this request to our office.

Georgia Fund 1 Prime Contact – Federated Hermes

- Stephen Costlow, CTP
Vice President, Institutional Cash and Capital Markets



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

Phone – 1-833-417-7665

GA Fund 1 LGIP Administration:

Phone – 404-656-2993

Email – gf1_fund_admin@treasury.ga.gov

Website – ost.georgia.gov



georgiaprime.com

PARTICIPANT SERVICES CONTACT US ACCOUNT ACCESS

GA FUND 1 PRIME POOL INSIGHTS RESOURCES ABOUT

WELCOME

GEORGIA LGIP ACADEMY

Online training program

LEARN MORE

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 certificant. 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.).