



Office of the State Treasurer

Georgia Fund 1

Participant Update

Jon Perregaux - Sr. Portfolio Manager
January 17, 2023



Good Afternoon

Thank you for joining us today!



Topics of Discussion

- Investments
 - GA Fund 1 Characteristics
 - Economic / Market Update
 - Inflation
 - Interest Rates
 - Strategy
- Fund Administration
 - Cyber Security
 - E-Resolution
- Q&A Session



Office of the State Treasurer

Georgia Fund 1

Participant Update

Fund Characteristics



Office of the State Treasurer

RESPONSIBILITIES:

Invests the State's general funds, the local government investment pools, and other separately managed accounts for the state and its agencies.

POLICY:

It is the policy of the State Depository Board that the Treasurer of the Office of the State Treasurer invest all funds prudently, considering first the probable safety of capital and then probable income, while meeting daily cash flow requirements and conforming to all statutes governing the investment of public funds.

INVESTMENT OBJECTIVES:

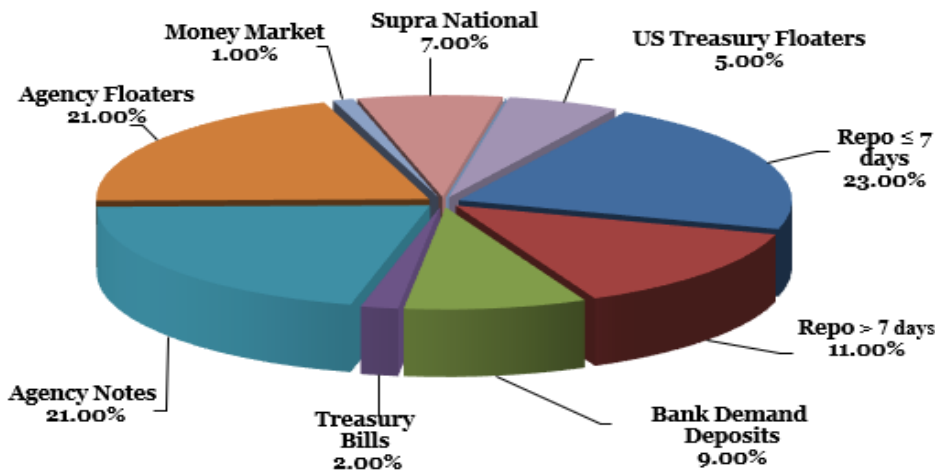
- **Preservation of Principal:** Investments shall be managed in a manner that seeks to ensure preservation of principal in each portfolio of investments.
- **Liquidity:** Each portfolio shall remain sufficiently liquid to ensure the funding of all cash needs reasonably anticipated given the profile of each respective portfolio.
- **Investment Income:** Each portfolio shall be managed with the objective of obtaining a favorable market rate of return.
- **Diversification:** To reduce overall portfolio risks while maintaining market rates of return, investments in each portfolio shall be diversified to eliminate risk of loss from an over concentration in a specific maturity, issuer (including repurchase agreement dealers), and security or class securities.



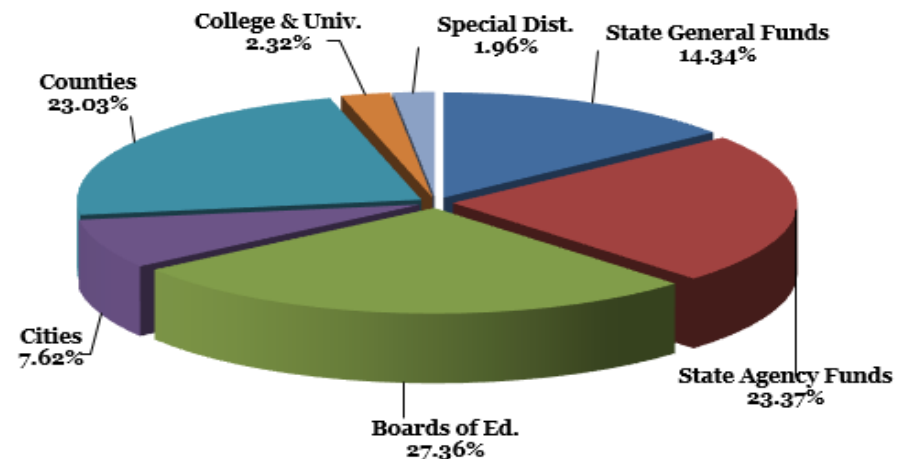
Georgia Fund 1 (GF1)

- 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 investment 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+ by Fitch.
- For the month of December 2022, GF1 participants earned 3.92%⁽²⁾.
- As of December 31, 2022, GF1 assets were \$28.6 billion.
- As of December 31, 2022, the weighted average maturity (WAM) was 23 days.

Portfolio Composition



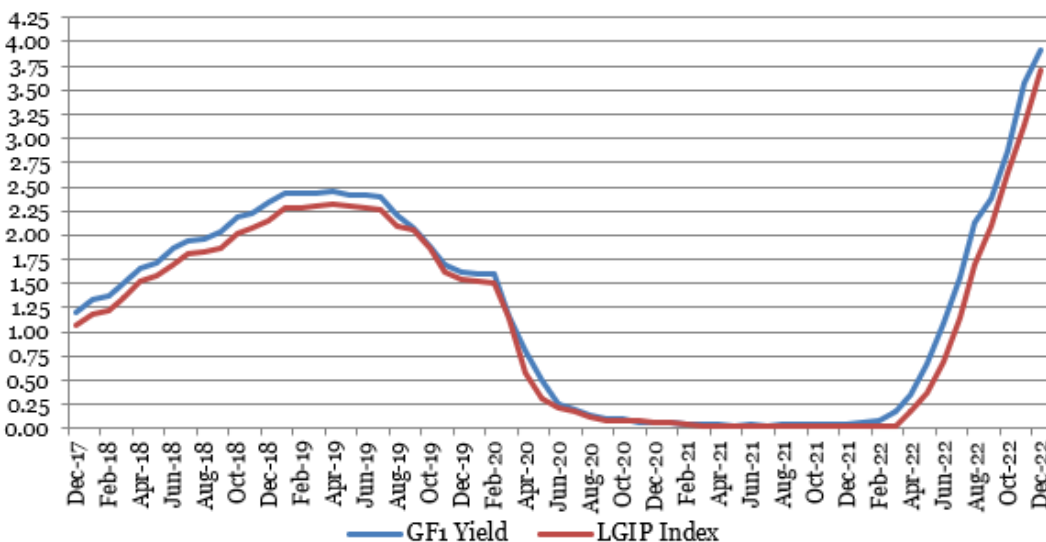
Account Holder Distribution



January 11, 2023

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

Monthly Yield



Portfolio Strategy:

The upward pressure on inflation has begun to subside. Although inflation remains high, we have seen a downward trend in the CPI (Consumer Price Index) data over the past 4 months. This has caused rates in the short end of the curve to stabilize as the market factors in the FOMC winding down its rate hiking cycle. The market is currently pricing in another 75-basis-points of rate hikes, however, it is possible that the FOMC continues raising rates longer due to stronger than expected employment data.

December employment data beat expectations with the headline Nonfarm Payrolls number coming in at +223k versus expectations of +205k. The Unemployment Rate decreased to 3.5%, down from 3.7% in November. December CPI came in at 6.5% (YoY), down from 7.1% (YoY) in November.

Overnight General Collateral (GC) Repurchase Agreements averaged a yield of 4.09% in December. Treasury Bill yields averaged 3.75% for 1-month maturities, 4.33% for 3-month maturities, 4.71% for 6-month maturities and 4.68% for 12-month maturities. The Treasury Bill curve offered 76-basis points of steepness as of 12/31/2022.

Jon Perregaux – Senior Portfolio Manager

In The News:

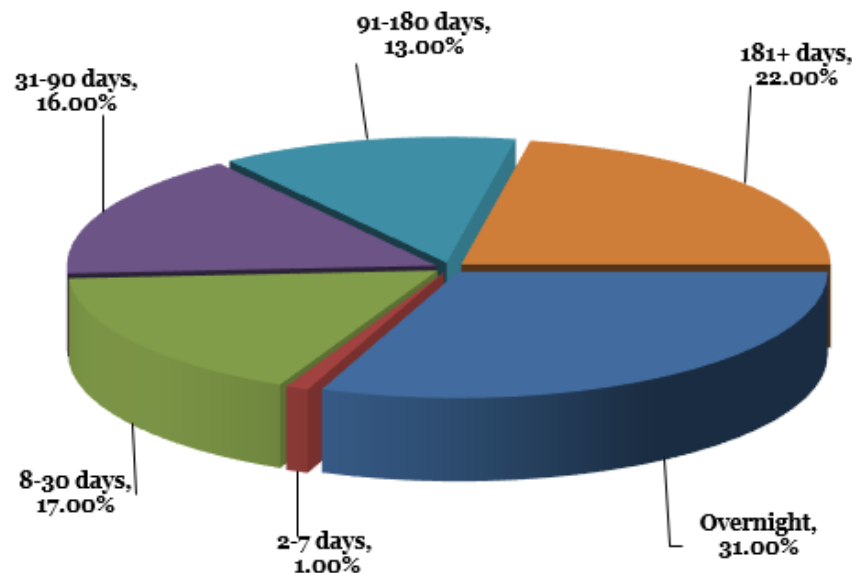
Additional information on the Georgia Fund 1 (GF1) holdings can be found on the website at <https://ost.georgia.gov/gf1-holdings-reports>. Holdings are updated quarterly. Other state portfolio holdings are listed on the website, as well.

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.

Reminder – The next GF1 Quarterly Update is scheduled for January 17th at 1:30 pm. All participants are welcome. Watch your email for an invitation to join the webinar through Microsoft TEAMS.

Maturity Distribution





AAA / S1 Rated by Fitch Ratings

RATING ACTION COMMENTARY

Fitch Affirms Georgia Fund 1 at 'AAAf'/'S1'

Thu 25 Aug, 2022 - 5:08 PM ET

Fitch Ratings - New York - 25 Aug 2022: Fitch Ratings has affirmed Georgia Fund 1's International Fund Credit Quality Rating (FCQR) at AAAf and Fund Market Risk Sensitivity Rating (MRSR) at 'S1'.

KEY RATING DRIVERS

The ratings reflect Fitch's review of the pool's investment and credit guidelines, and the portfolio's credit quality and diversification. The AAAf FCQR indicates the highest underlying credit quality (or lowest vulnerability to default). The 'S1' rating indicates a very low sensitivity to market risk.



Ga Fund 1 Risk Score

January 3, 2023



Risk Level
Strong
Neutral
Weak
Critical



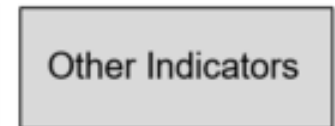
Credit Risk Level	
Interest Rates	
Liquidity	



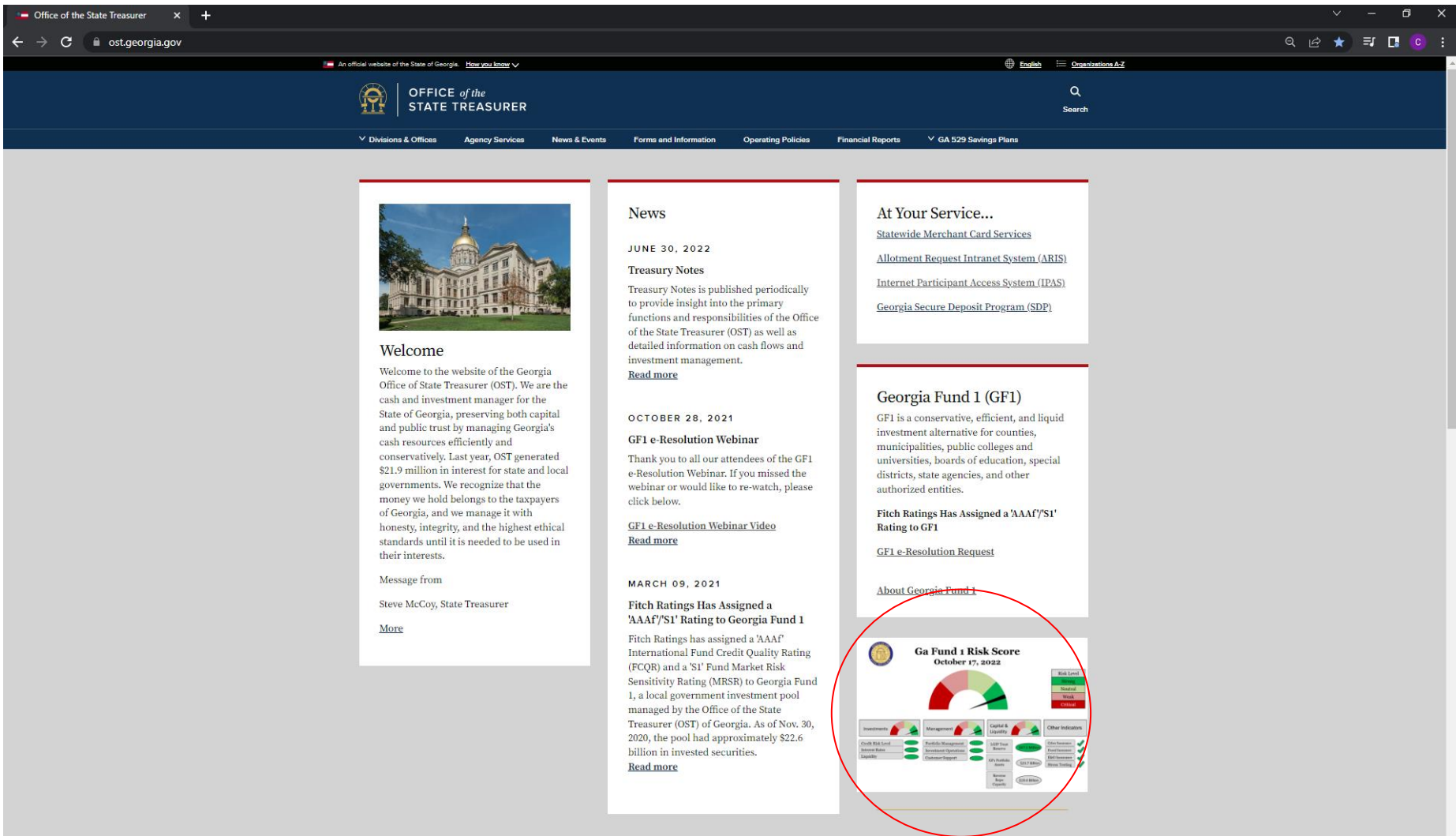
Portfolio Management	
Investment Operations	
Customer Support	



LGIP Trust Reserve	\$50.4 Million
GF1 Portfolio Assets	\$28.5 Billion
Reverse Repo Capacity	\$22.3 Billion



Cyber Insurance	
Fraud Insurance	
E&O Insurance	
Stress Testing	





Office of the State Treasurer

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Economic Update

Interest Rates and Inflation



Economic Data

- Federal Open Market Committee (FOMC)
 - November 2nd and December 14th Meeting Statement
- Employment Data
 - Nonfarm Payrolls
 - Unemployment Rate
 - Labor Participation Rate
- Inflation
 - Consumer Price Index (CPI)
 - Producer Price Index (PPI)
- 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.

November 2nd Statement Highlights

- Job gains have been robust in recent months, and the unemployment rate has remained low.
- Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures.
- Russia's war against Ukraine is causing tremendous human and economic hardship.
- The Committee seeks to achieve maximum employment and inflation at a rate of 2.00% over the longer run.
- The Committee decided to raise the target range for the federal funds rate to 3.75% to 4.00%.
- The Committee anticipates that ongoing increases in the target rate will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time.



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.

December 14th Statement Highlights

- Job gains have been robust in recent months, and the unemployment rate has remained low.
- Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures.
- Russia's war against Ukraine is causing tremendous human and economic hardship.
- The Committee seeks to achieve maximum employment and inflation at a rate of 2.00% over the longer run.
- The Committee decided to raise the target range for the federal funds rate to 4.25% to 4.50%.
- The Committee anticipates that ongoing increases in the target rate will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time.



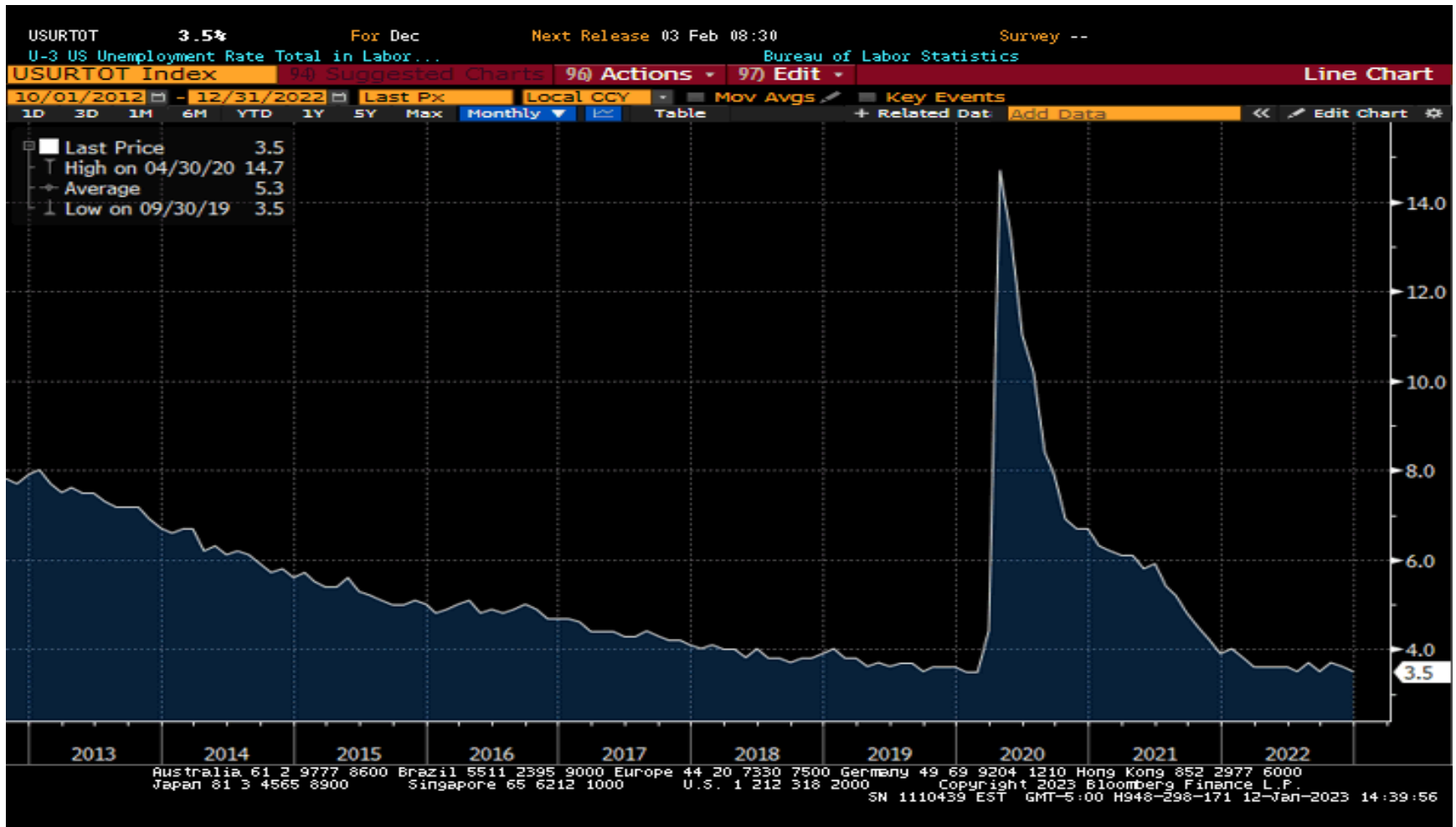
Employment Data

- Employment data remains relatively strong.
 - October Nonfarm Payroll +261k
 - November Nonfarm Payroll +263k
 - December Nonfarm Payroll +223k
- Unemployment Rate remains low.
 - October Unemployment Rate 3.7%
 - November Unemployment Rate 3.7%
 - December Unemployment Rate 3.5%
- U.S. Labor Force Participation Rate has not fully recovered after COVID.
 - October Participation Rate 62.2%
 - November Participation Rate 62.1%
 - December Participation Rate 62.3%



Unemployment Rate

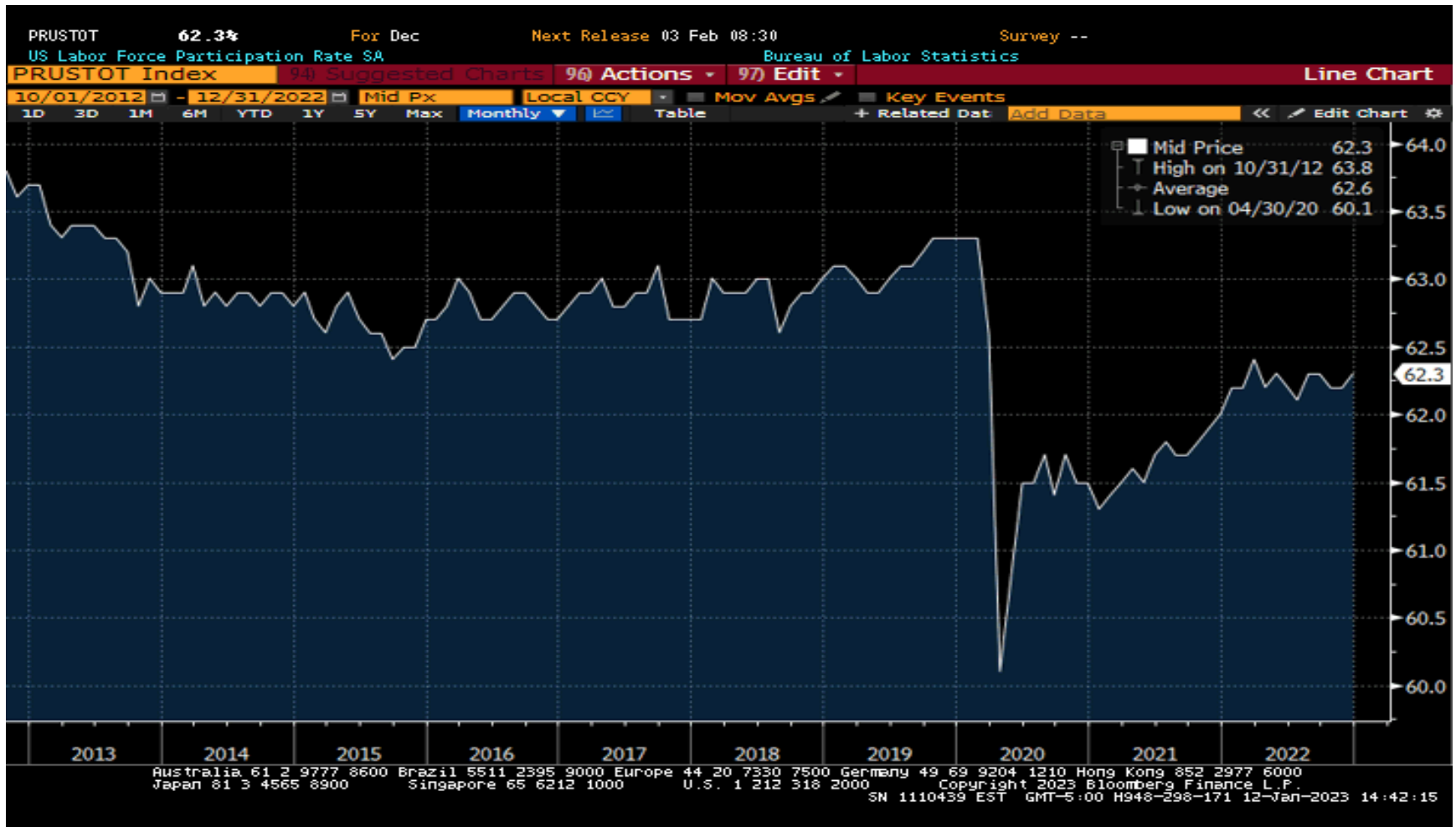
The Unemployment rate remains low at 3.5%.





Labor Participation Rate

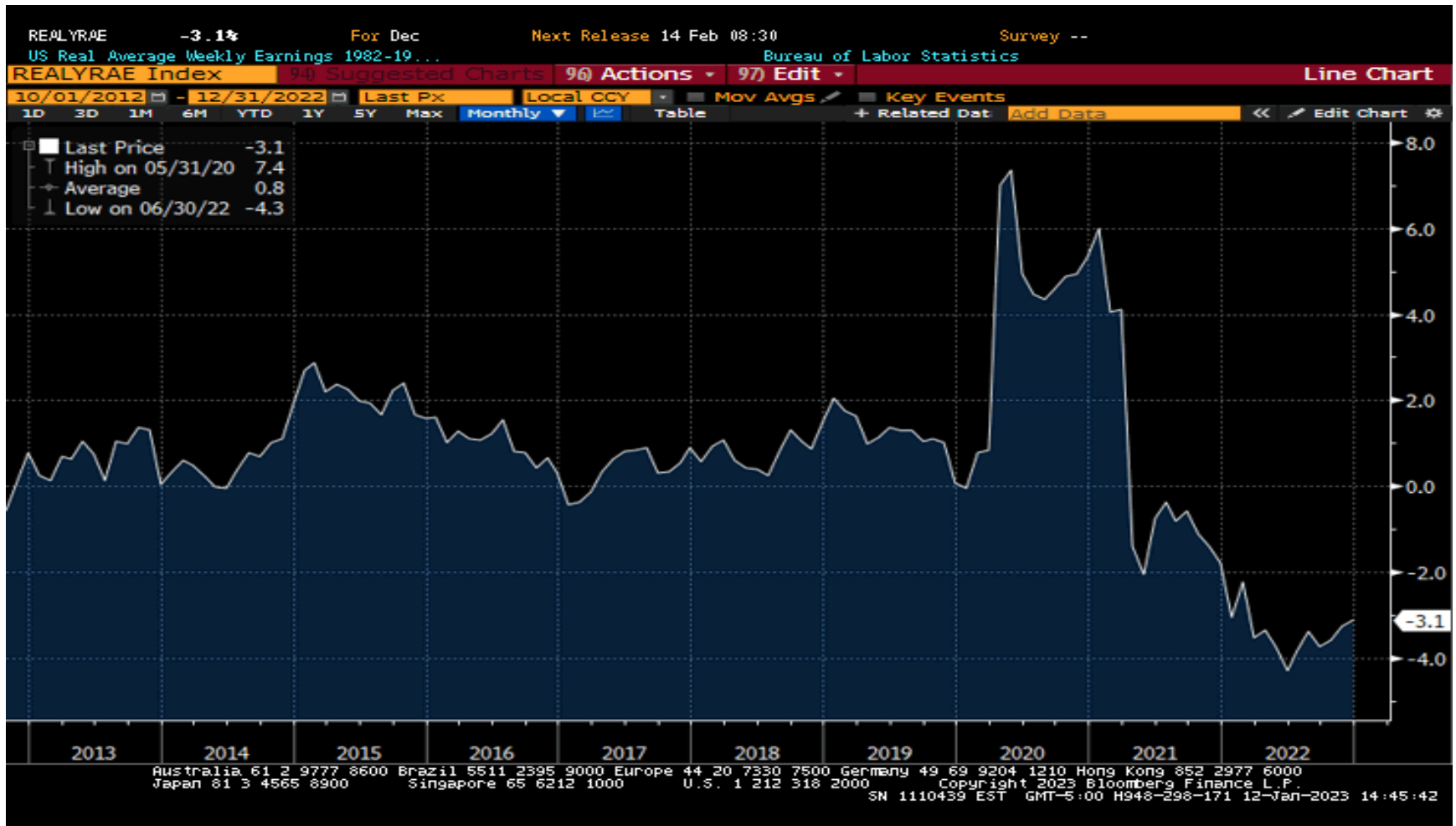
Labor Participation Rate was unchanged at 62.3% (QoQ) and remains 1% lower than it was pre-COVID.





Real Average Weekly Earnings

Real Average Weekly Earnings are increased to -3.1% YOY at the end of Q4 2022 vs. -3.8% YoY at the end of Q3 2022.





Inflation

- Upward inflationary pressure has started to come down but remains but remains at a 40 year high.
- The two key inflation indicators we watch are The Consumer Price Index (CPI) and The Producer Price Index (PPI)
- Major factors contributing to high inflation:
 - Excessive Federal Stimulus
 - Supply Chain Disruptions
 - War in Ukraine
- The FOMC's target rate for inflation is 2.00%
 - CPI as of 12/31/2022 = +6.5% (YOY) vs. 8.2% as of 9/30/2022
 - PPI as of 12/31/2022 = +7.4% (YOY) vs. 8.5% as of 9/30/2022
- U.S. Real Average Weekly Earning down -3.1% (YoY) as of 12/31/2022 vs. -3.8% (YOY) as of 9/30/2022



Consumer Price Index (CPI)

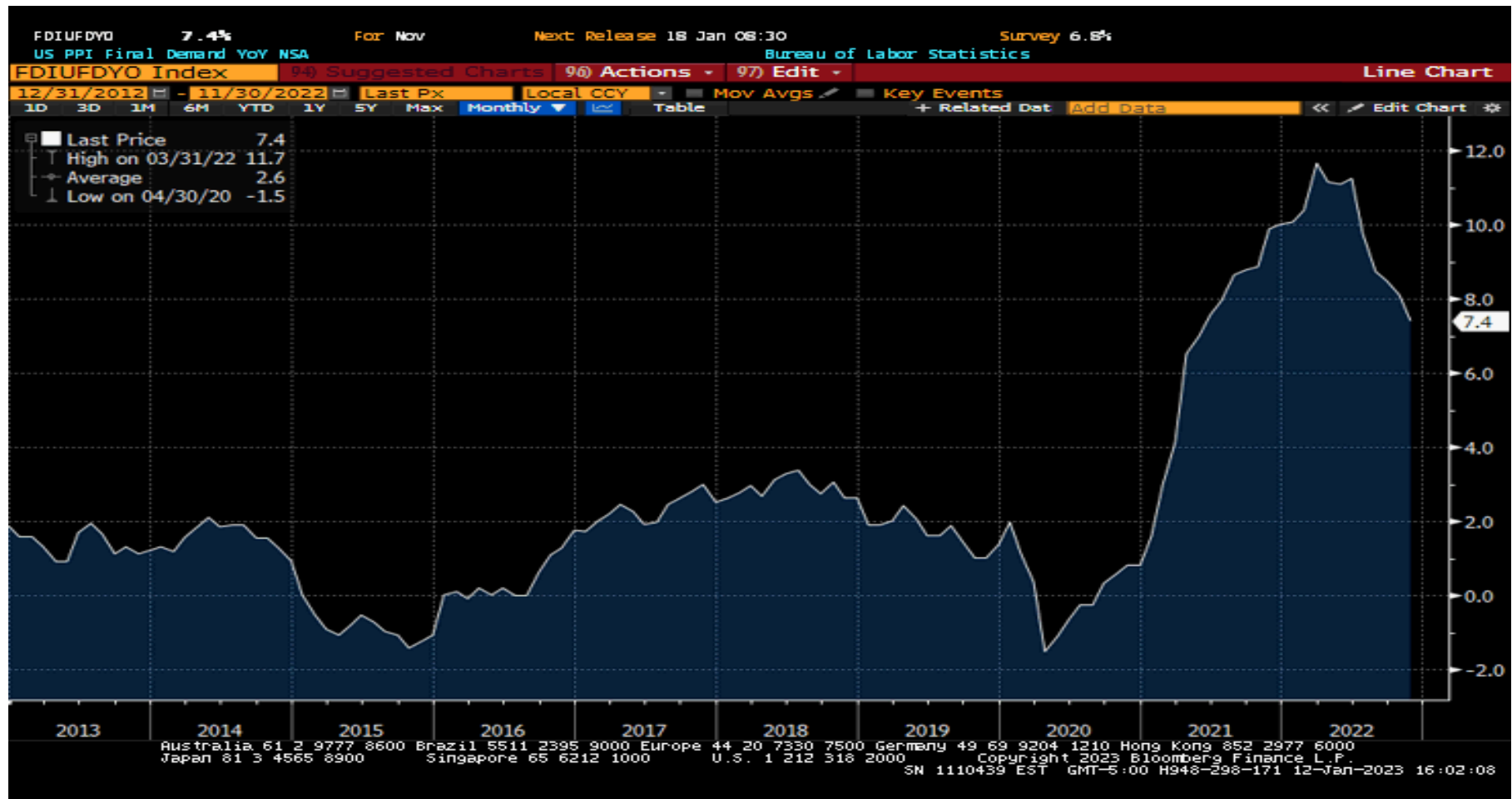
The Consumer Price Index (CPI) represents changes in prices of goods and services purchased for consumption by urban households. CPI measures price change from the perspective of the buyer or end user.





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 7 times in 2022 increasing the Effective Federal Funds Rate (EFFR) by 425 basis points.
- The FOMC has aggressively raised interest rates to slow the economy, which in theory should bring down inflation.
- We believe that the FOMC is close to pausing their interest rate tightening cycle as inflationary data has started to trend lower.
- The market is pricing in another 75 basis points of rate hikes before the FOMC pauses. Strong employment data may cause the FOMC to continue raising interest rates longer than the market is currently pricing in.
- The EFFR is currently at a 15 year high.



Effective Federal Funds Rate

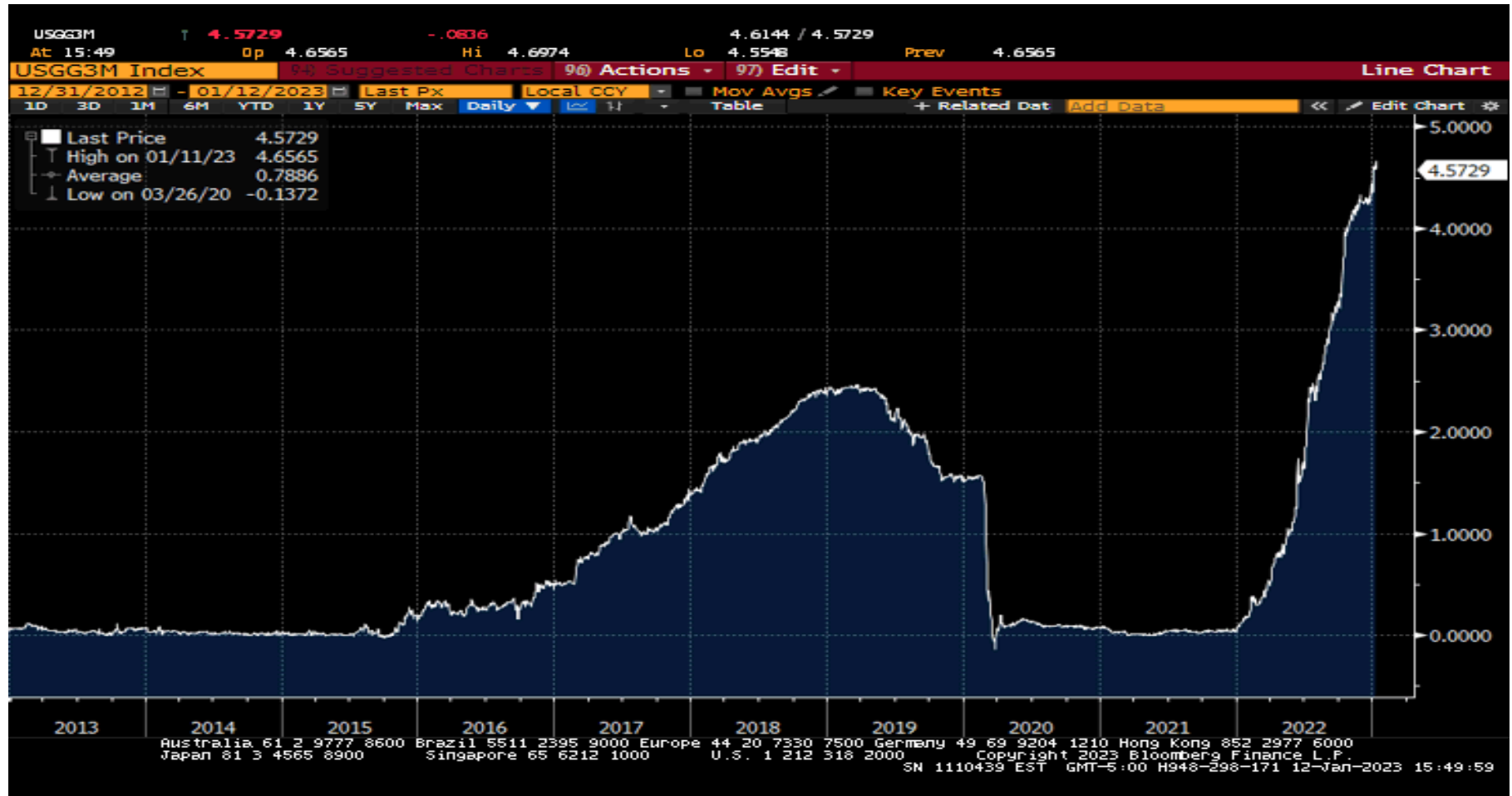
The Effective Federal Funds Rate (EFFR) is the interest rate banks charge other institutions for lending excess cash to them from their reserve balances on an overnight basis.





3 Month Treasury Bill

3-month yields continue to climb but may be reaching their peak.





6 Month Treasury Bill

6-month yields appear to be peaking.





12 Month Treasury Bill

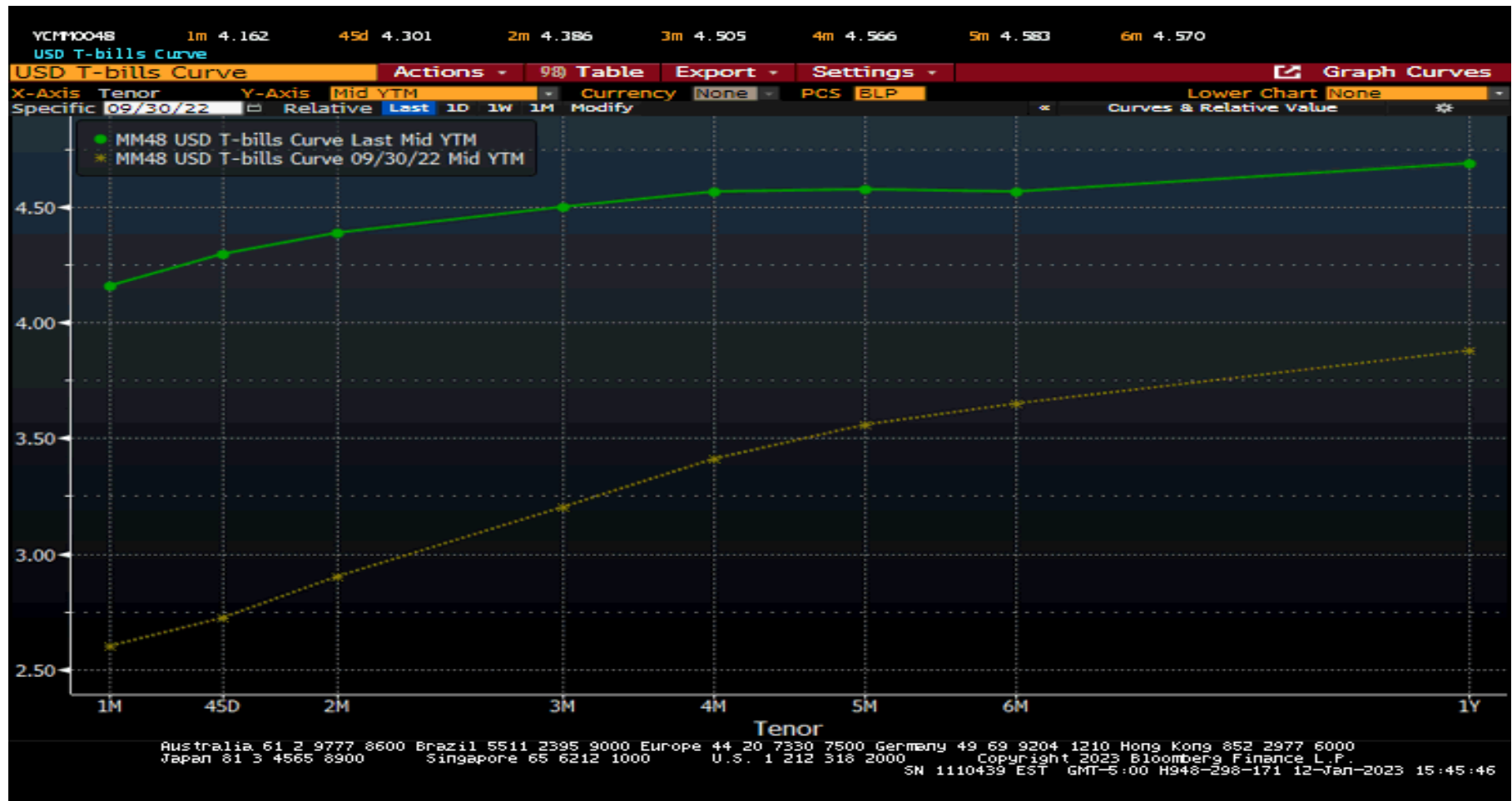
Yields have started to stabilize in the 12-month part of the Bill Curve.





Treasury Bill Curve

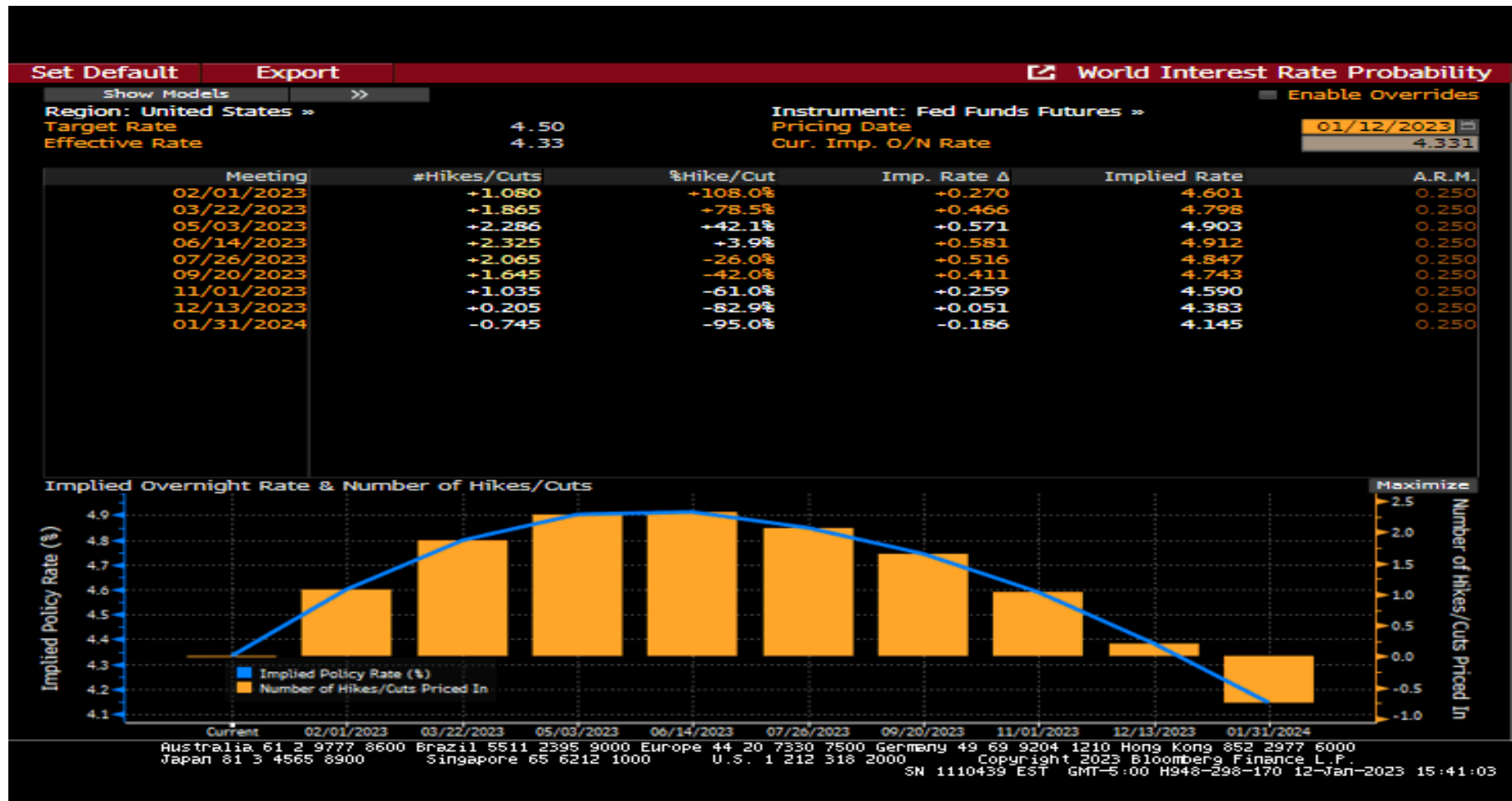
6-month Treasury Bill Curve comparison – 9/30/2022 vs. 1/12/2023





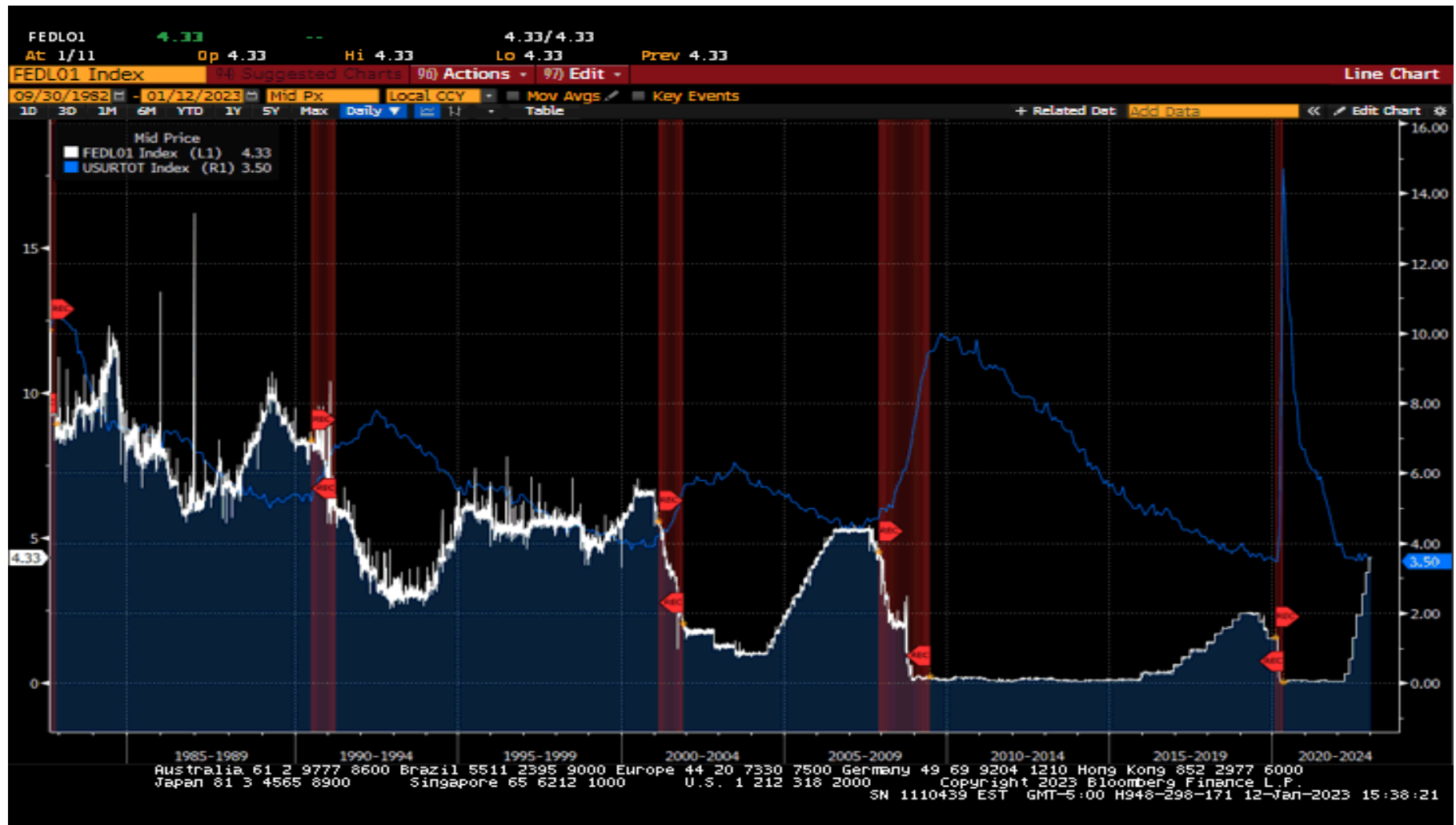
Fed Funds Futures

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





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Strategy



Strategy

- Remain defensive to higher interest rate environment – FOMC appears to be close to pausing rate hikes however could continue raising rates due to strong employment data.
- Maintain a primary focus on short dated o/n repo and floating rate notes.
- Begin to extend the fund slightly to lock in longer dated yields that are adequately priced.
- Performing breakeven analysis to determine relative value.



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Fund Administration



Cyber Security (GF1)

Slide may be requested via email from
GF1_Fund_Admin@treasury.ga.gov



e-Resolutions

- Georgia Fund 1 e-Resolution Request & Submission Instructions
- OST Certifier
- Update e-Resolutions
- GF1_Fund_Admin@treasury.ga.gov
- (404) 656-2993



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 B.B.A 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 B.B.A. in Finance.

Matthew Gilbert
Financial Analyst

Mr. Gilbert joined the Office of the State Treasurer in May of 2022. His primary responsibilities include investment operations and special research projects as assigned. Prior to joining OST, Matthew worked at Henssler Financial as an Intern Research Analyst. He also worked as a Student Equity Analyst for the Kennesaw State University Student Managed Investment Fund. Matthew graduated from Kennesaw State University in May of 2022 with a B.B.A. 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 B.B.A in Finance from Kennesaw State University.

Note:

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