



Office of the State Treasurer

Georgia Fund 1

Participant Update

Jon Perregaux - Sr. Portfolio Manager
October 22, 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

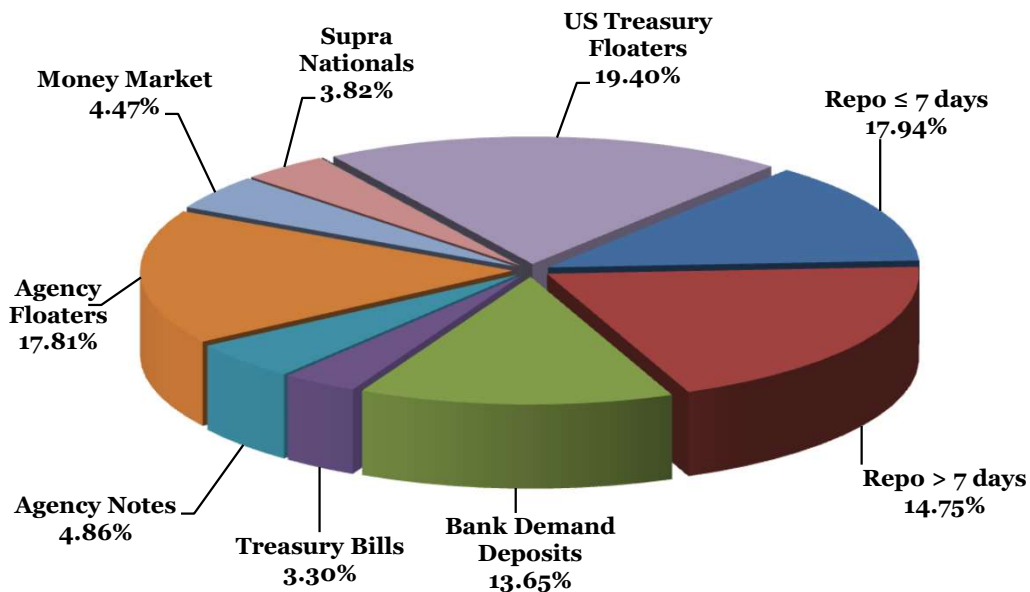
Participant Update

Fund Characteristics

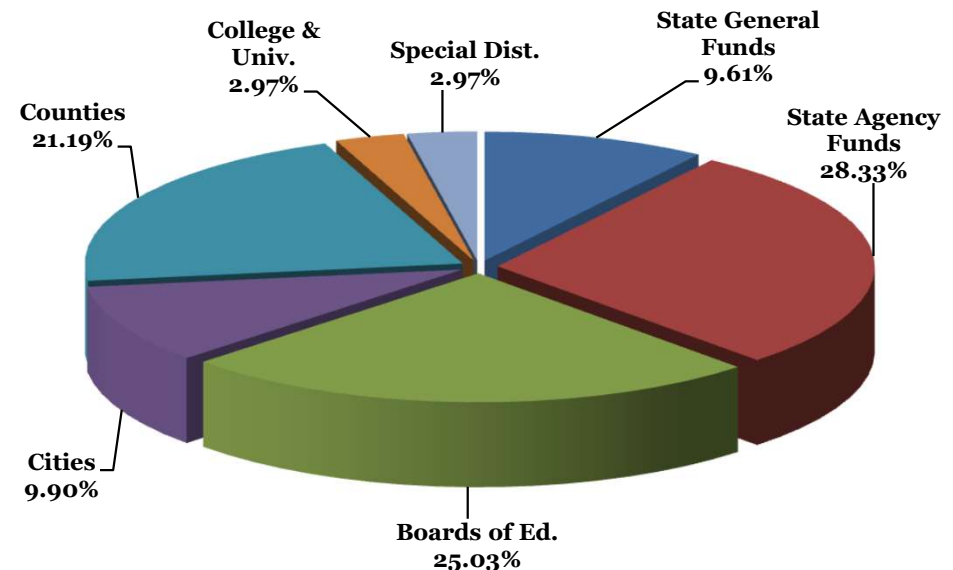
Georgia Fund 1 (GF1)

- 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 September 30, 2024, GF1 participants earned 5.17%⁽²⁾.
- As of September 30, 2024, GF1 assets were \$28.8 billion.
- As of September 30, 2024, the weighted average maturity (WAM) was 17 days.

Portfolio Composition

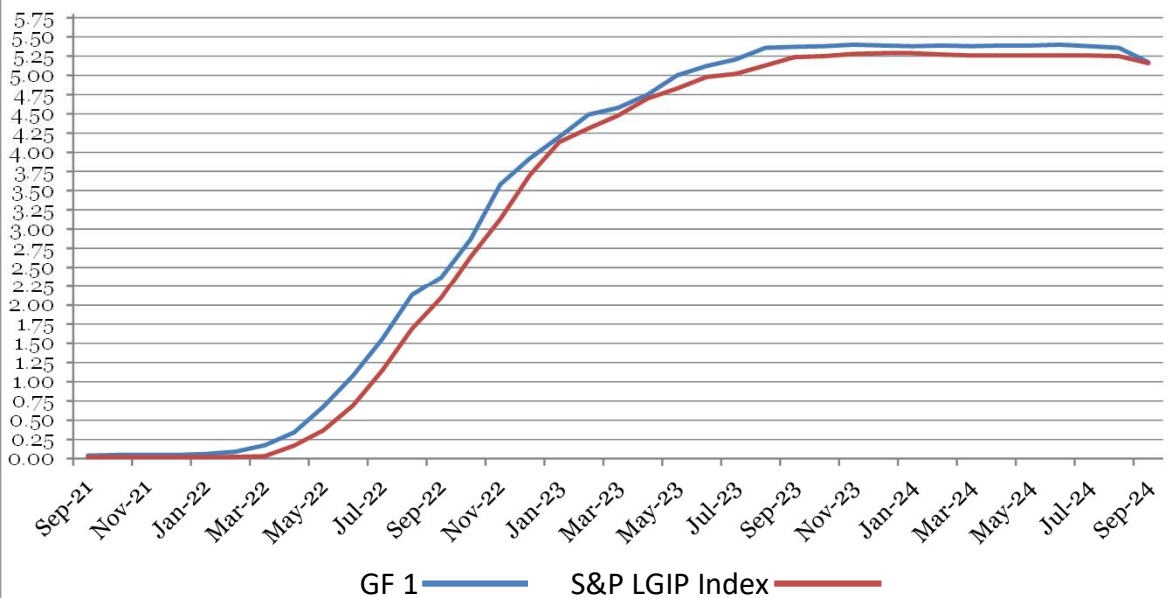


Account Holder Distribution



(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:

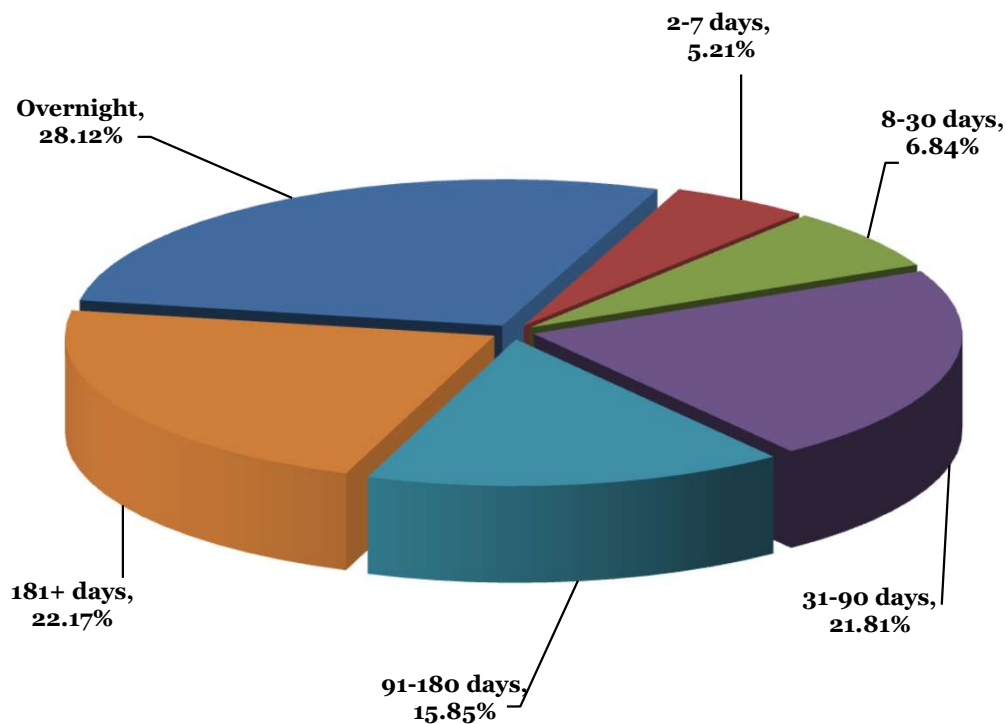
The Federal Open Market Committee (FOMC) surprised investors by cutting the Federal Funds Target Rate by 50 basis-points at the September 18th meeting. Historically, 50 basis-point cuts have been reserved for extraordinary occasions (e.g., the COVID Pandemic and the 2008 Financial Crisis). The 50 basis-point cut was received with a fair amount of skepticism but do believe that the FOMC will be more measured and implement 25 basis-point cuts going forward.

Nonfarm payrolls came in higher than expectations at +254k for September versus expectations of +150k. The Unemployment Rate decreased to 4.1% versus 4.2% in August. The Consumer Price Index (CPI) increased to +2.4% YoY in September versus +2.5% YoY in August. The Producer Price Index (PPI) came in at +1.8% YoY versus +1.7% YoY in August. Due to stronger employment and relatively flat inflation data the market is currently pricing in a total of 50 basis-points in interest rate cuts for the remainder of 2024. The market was pricing in 75 basis-points in cuts prior to the September data being released.

Overnight General Collateral (GC) Repurchase Agreements averaged a yield of 5.12% for September. Treasury Bill yields averaged 4.88% for 1-month maturities, 4.77% for 3-month maturities, 4.52% for 6-month maturities and 4.02% for 12-month maturities.

Jon Perregaux – Senior Portfolio Manager

Maturity Distribution

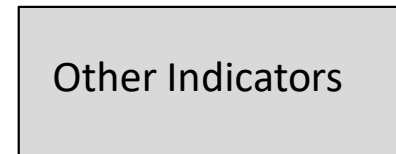
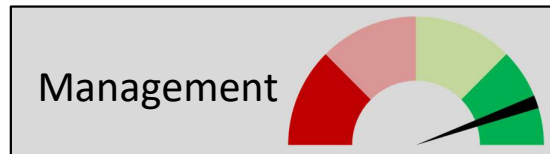
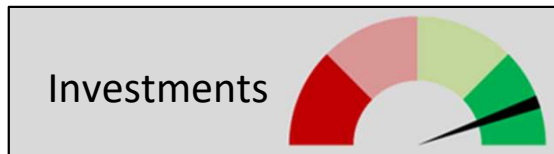


Ga Fund 1 Risk Score

October 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
- OST Investment Policy
- GF1 Investment Guidelines



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Participant Update

Economic Update

Interest Rates and Inflation



Economic Data

- Federal Open Market Committee (FOMC)
 - September 18th Meeting Statement Highlights
- Employment Data – 3rd Quarter 2024
 - Nonfarm Payrolls
 - Unemployment Rate
 - Labor Participation Rate
- Inflation – 3rd 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.

September 18th Statement Highlights

- Recent indicators suggest that economic activity has continued to expand at a solid pace.
- Job gains have slowed, and the unemployment rate has moved up but remains low.
- Inflation has made further progress towards the Committee's 2 percent objective but remains somewhat elevated.
- The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run.
- The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance.
- The Committee decided to lower the target range for the federal funds rate by $\frac{1}{2}$ percentage point to 4.75 to 5.00 percent.
- The Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.



Employment Data

- Employment data remains relatively strong.
 - July Nonfarm Payroll +114
 - August Nonfarm Payroll +142k
 - September Nonfarm Payroll +254k

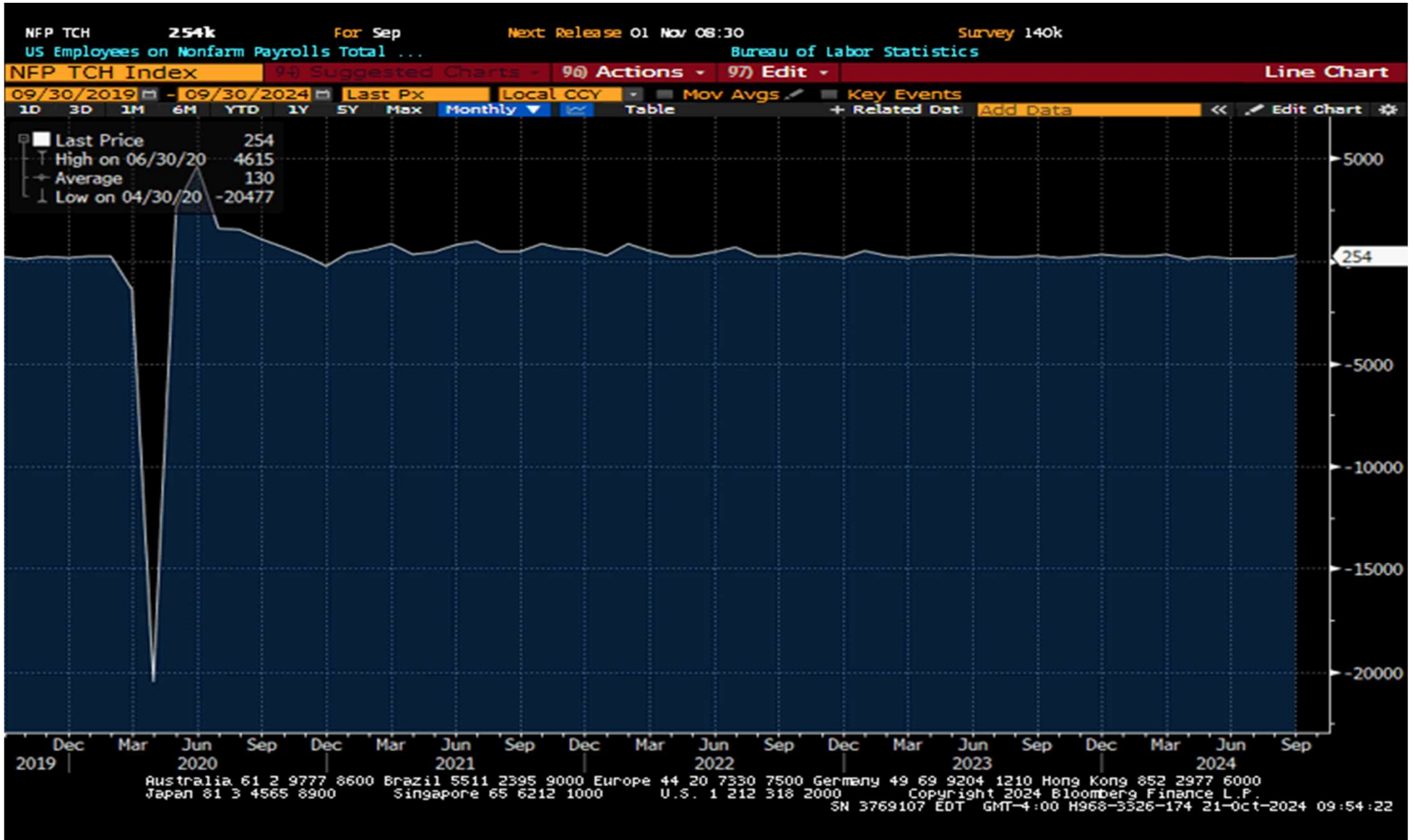
- Unemployment Rate remains low.
 - July Unemployment Rate 4.3%
 - August Unemployment Rate 4.2%
 - September Unemployment Rate 4.1%

- U.S. Labor Force Participation Rate has made slight gains over the past year but was unchanged in Q3 of 2024 and has not fully recovered after COVID.
 - July Participation Rate 62.7%
 - August Participation Rate 62.7%
 - September Participation Rate 62.7%



Nonfarm Payrolls

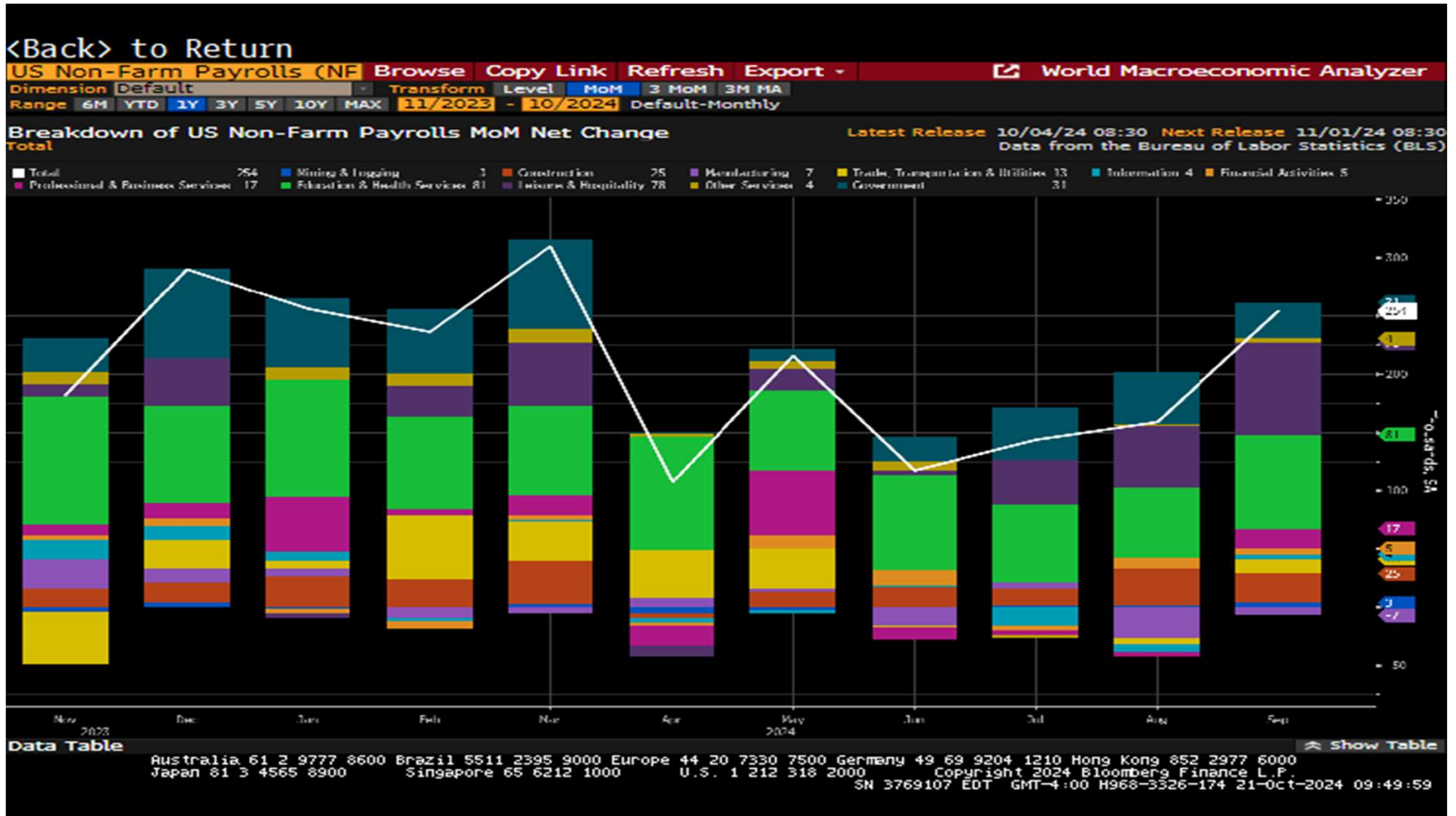
Employment data trended higher in Q3 2024.





Nonfarm Payrolls Detail

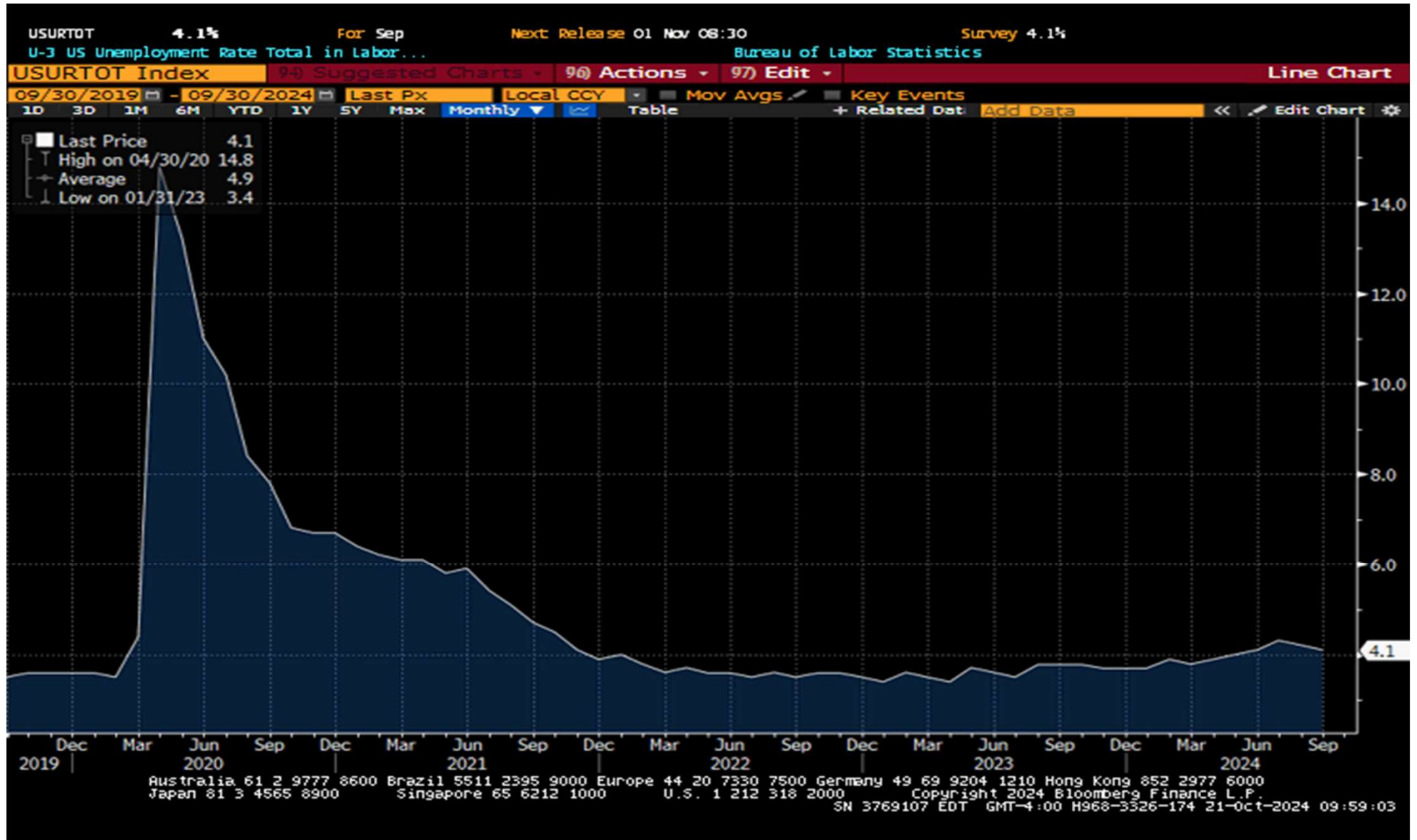
Job gains in the past year have primarily come from Government, Education / Health Services and Leisure / Hospitality.





Unemployment Rate

The Unemployment Rate ended Q3 2024 at 4.1%.





Labor Participation Rate

Labor Participation Rate remains below pre-COVID levels.





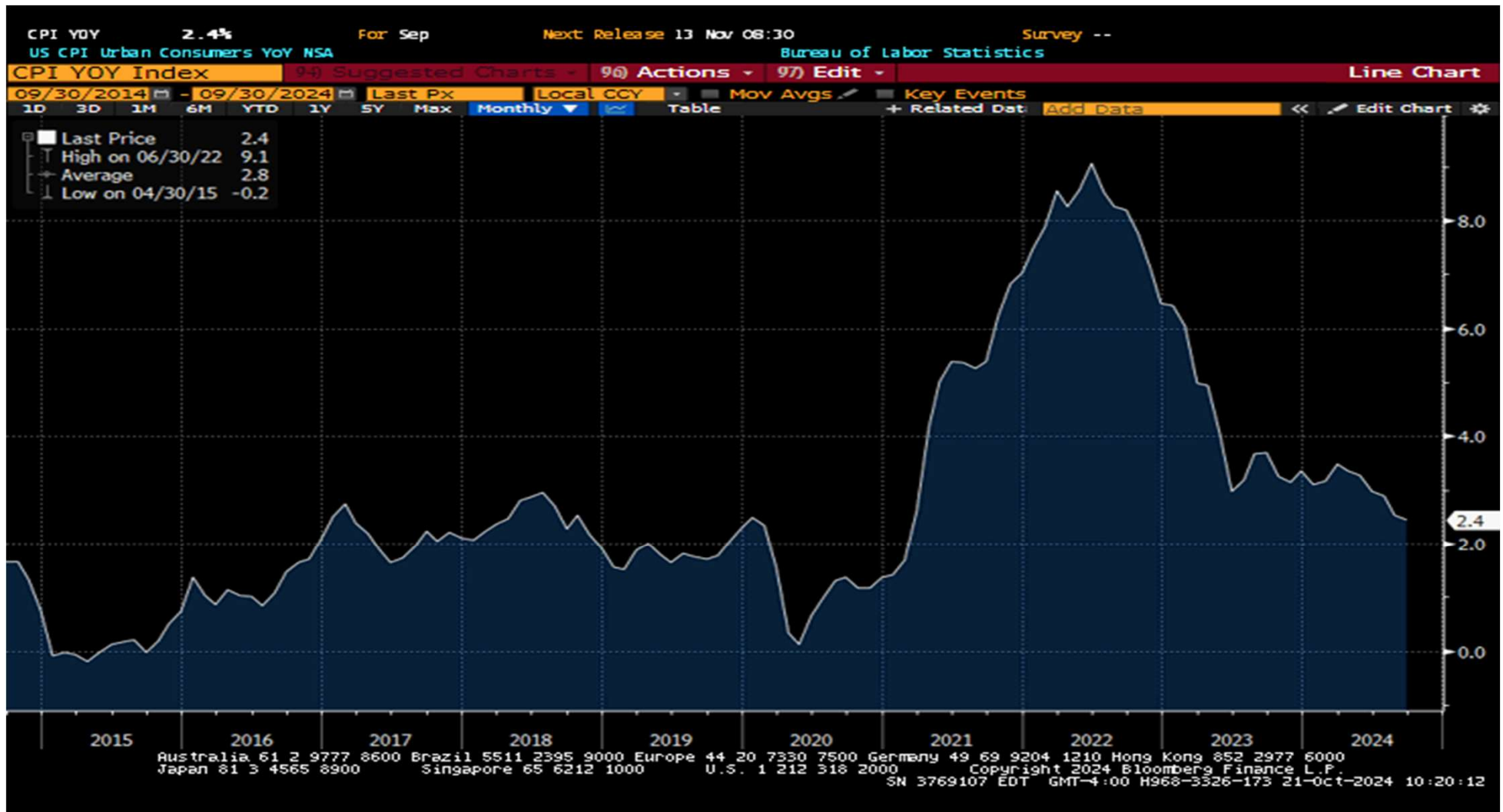
Inflation

- The key inflation indicators we monitor are The Consumer Price Index (CPI), and The Producer Price Index (PPI).
- Inflation data trended lower in Q3 2024.
- Headline Inflation Data:
 - CPI (YOY) as of 6/30/2024 = +3.0% vs. +2.4% as of 9/30/2024
 - PPI (YOY) as of 6/30/2024 = +2.6% vs. +1.8% as of 9/30/2024
- YoY shelter +4.9%, motor vehicle insurance +16.3%, medical care +3.6%, new vehicles -1.3% and used cars and trucks -5.1%
- YoY overall energy -6.8%, gasoline -15.3%, natural gas +2.0%, fuel oil -22.4% and electricity +3.7%
- YoY food at home +1.3% and food away from home +3.9%



Consumer Price Index (CPI)

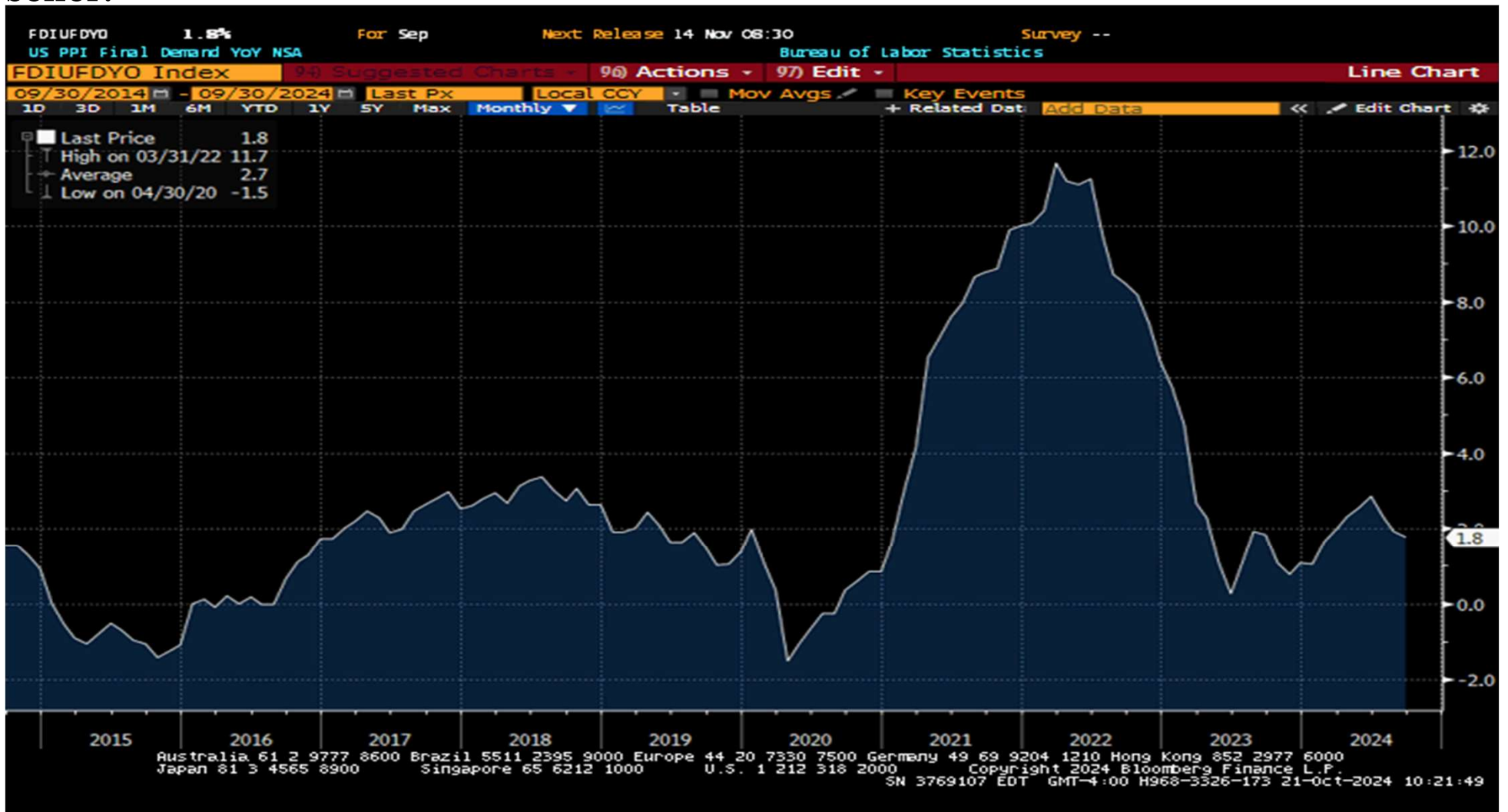
The Consumer Price Index (CPI) represents changes in prices of goods and services purchased for consumption by urban households. CPI measures price change from the perspective of the buyer or end user.





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.





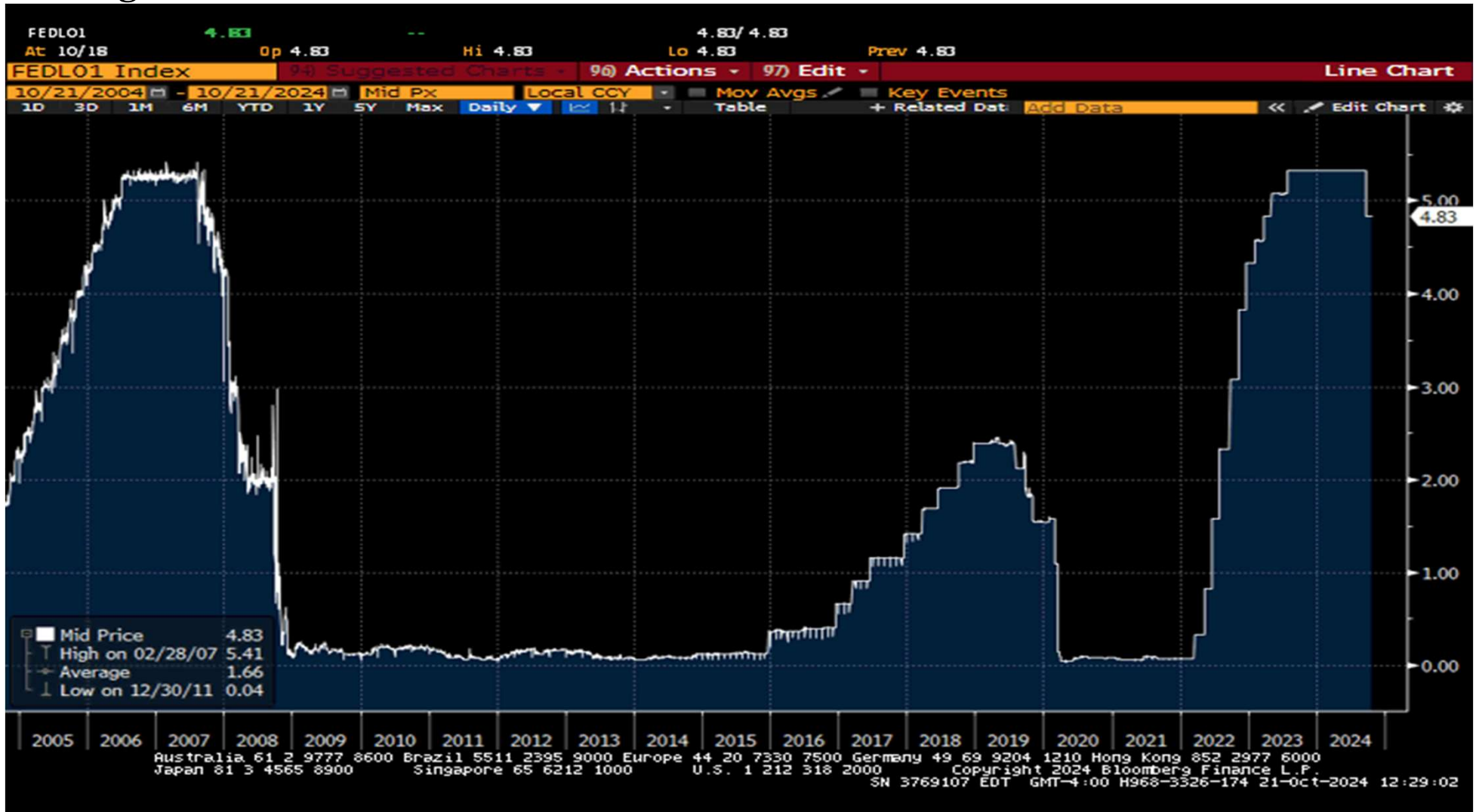
Interest Rates

- The FOMC opted cut the Federal Funds Effective rate by 50 basis-points at the September 18th FOMC meeting.
- The 50 basis-point cut was a surprise to investors considering previous 50 basis-point cuts occurred in 2008 during the financial crisis and 2020 at the onset of the COVID pandemic.
- The market is currently pricing in two 25 basis-point rate cuts in 2024 occurring at the November and December meetings.
- We expect the FOMC to be more measured going forward, implementing 25 basis-point cuts if the data is supportive of easing economic conditions.
- The EFFR remains at a 16-year high.



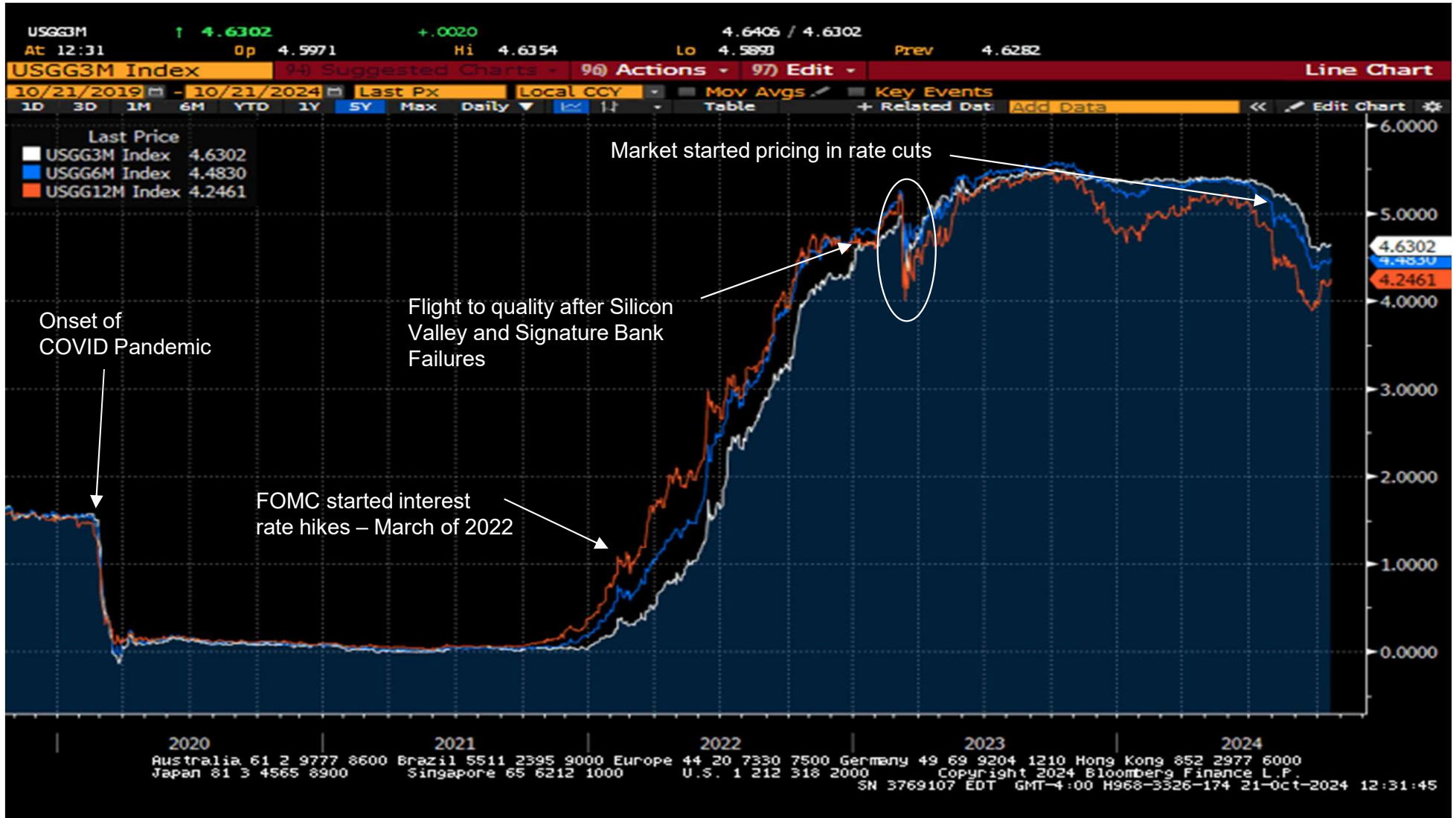
Effective Federal Funds Rate

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.



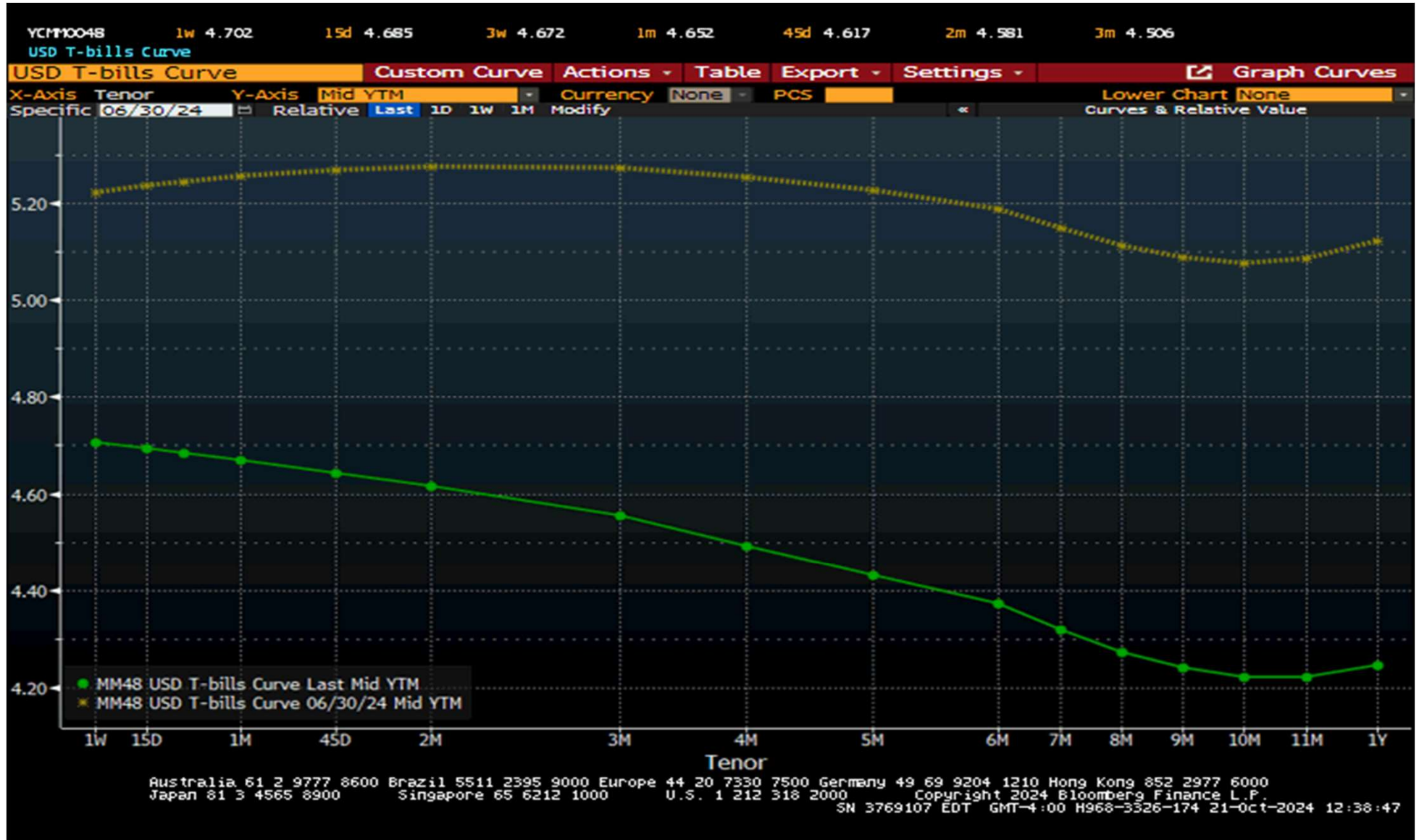


3-Month 6-Month and 12-Month Treasury Bill Comparison





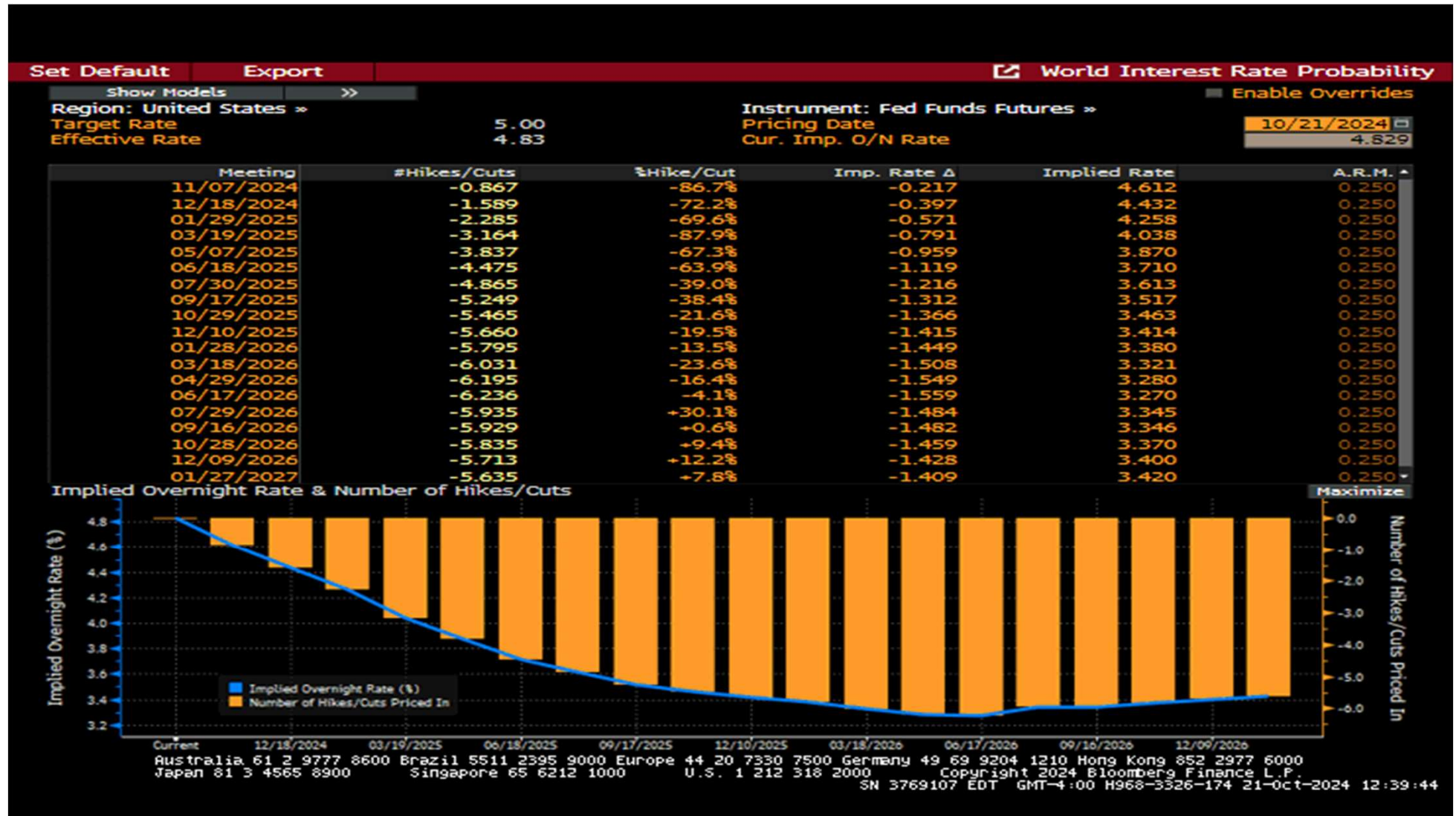
Treasury Bill Curve





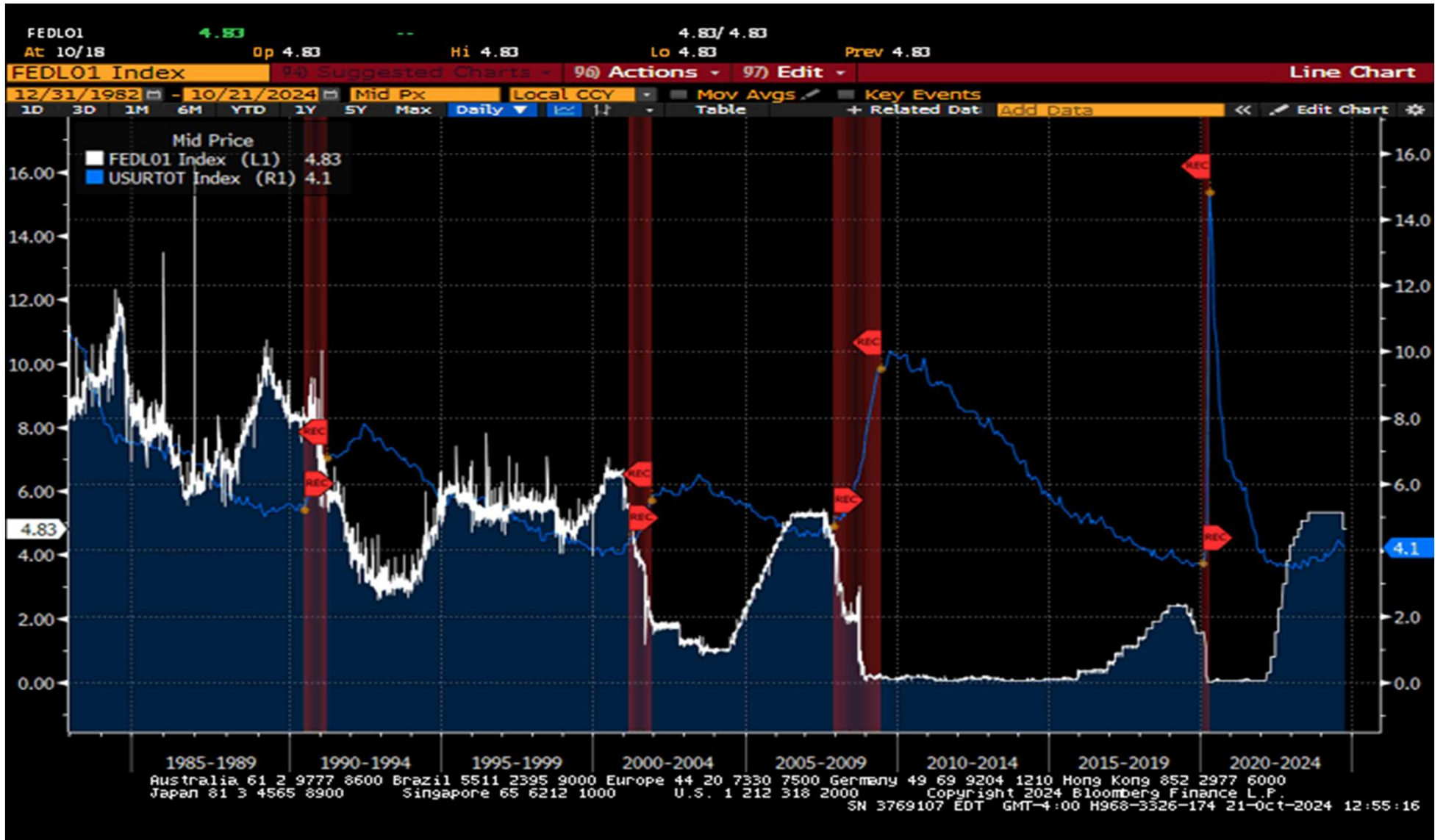
Fed Funds Futures

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





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Strategy



Strategy

- The FOMC remains data dependent but has indicated that the current data warrants monetary easing as inflation data has trended lower and some softness in the labor market has come to fruition. We believe the FOMC will implement a 25 basis-point cut at both the November and December FOMC meetings.
- Target a 10% to 15% weighting in overnight repurchase agreements.
- Maintain 30% to 40% 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).
- Perform breakeven analysis to determine relative value.



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LGIP Administration



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.



LGIP Administration

Georgia Fund 1 Prime Contact – Federated Hermes

- Stephen Costlow, CTP
Vice President, Institutional Cash and Capital Markets
- Website – georgiaprime.com
- Phone – 1-833-417-7665



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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.).