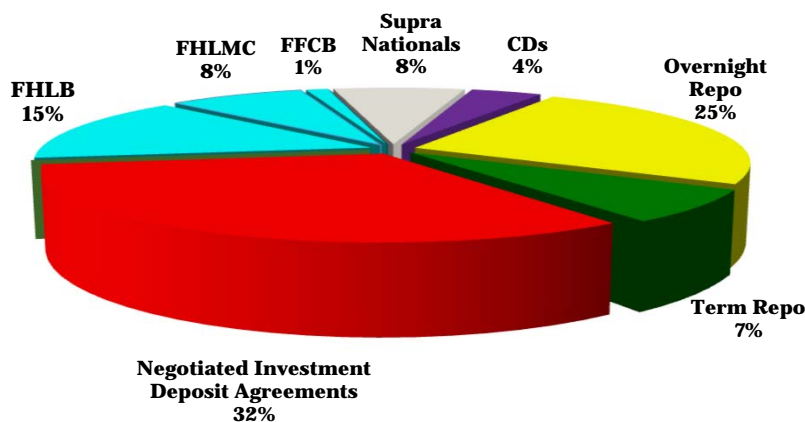


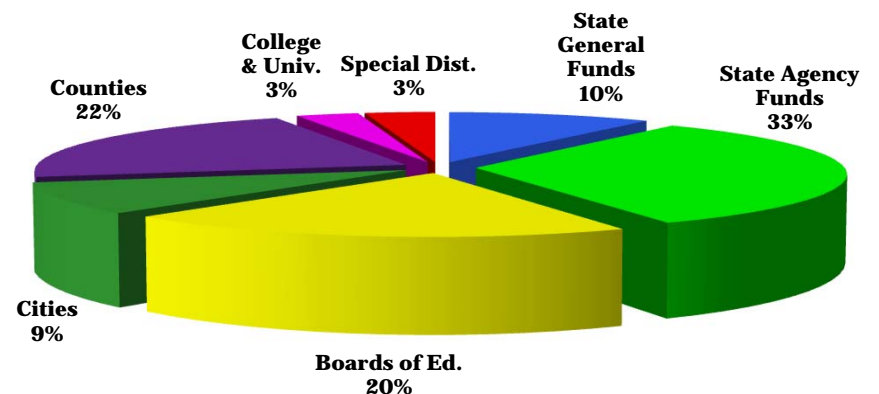
# Georgia Fund 1 (GF1)

- O.C.C.G § 36-83-1 to 36-83-8 authorizes Georgia local governments and other authorized 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](http://www.ost.georgia.gov)
- GF1 is managed to maintain a constant net asset value (NAV) of \$1.00.
- Yield calculated on an actual/365 day basis net of 5 basis points (bp) administrative fee.
- GF1 is rated AA Af by Standard & Poor’s.
- For the month of July 2017, GF1 participants earned 1.03%\*.
- As of July 31, 2017, GF1 assets were \$11.6 billion. The weighted average maturity (WAM) was 20 days.

**Portfolio Composition**

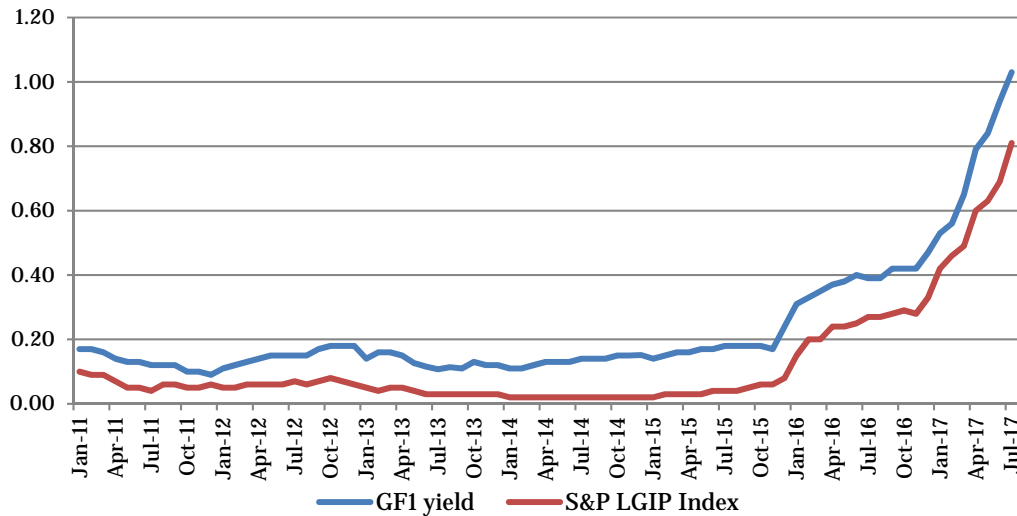


**Account Holder Distribution**



\*Georgia Fund 1 yield is on an annualized basis.

## Monthly Yield



### Portfolio Strategy:

As we mentioned last month, the Fed met on June 14<sup>th</sup> and raised the fed funds target range from 0.75% - 1.00% to 1.00% - 1.25%. This increase in the overnight rate helped push the yield on Georgia Fund 1 over the 1% threshold in July – 1.03% net yield for July!

The Fed met again in July and left rates unchanged. Several weak inflation readings have some market participants doubting another rate increase at the end of the year. At the beginning of June, the probability of a hike in interest rates at the December meeting based on Fed Funds futures was close to 94%. As of August 4<sup>th</sup>, the odds now stand at 39%.

In other news, the Treasury Department continues to push Congress to act promptly to raise the borrowing limit. Treasury Secretary Steven Mnuchin urged Congress to raise the federal borrowing limit by September 29<sup>th</sup>. Government debt hit the statutory limit at nearly \$20 trillion in mid-March. The debt ceiling debate has pushed yields up on short-term treasuries. A brief default on government debt would hit short-term Treasury bills first. As evidenced by the chart on page 1, Georgia Fund 1 does not hold any treasuries as of July 31<sup>st</sup>.

Roughly \$1.8 billion of discount notes mature in August, rolling off at an average yield of 90 basis points. With overnight repo rates at roughly 1%, Georgia Fund 1 will pick up a minimum 10 basis points on the reinvestment. Bottom line – the yield on Georgia Fund 1 should increase again in August!

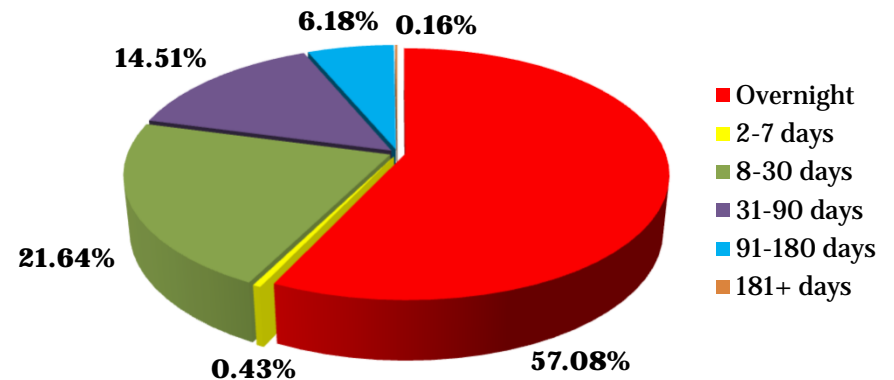
## In The News:

Georgia Fund 1 is a Standard & Poor's AAAf rated investment pool which is managed by the Office of the State Treasurer (OST) to maintain a constant net asset value (NAV) of \$1.00. OST reports monthly to participants on an amortized cost basis. The interest income, as well as gains and losses, net of administrative fees of Georgia Fund 1, are allocated to participants based on each participant's average daily balance each month.

The primary objective for Georgia Fund 1 since the pool's inception is preservation of principal. OST continues to operate and report monthly to participants on an amortized cost basis. At fiscal year end (June 30<sup>th</sup>), investments are valued for financial reporting purposes at fair value. Participants will be informed of the fair valuation factor that enables them to adjust their statement balances to fair value. We will post the factor to our website ([www.ost.Georgia.gov](http://www.ost.Georgia.gov)) as soon as it is available.

As always, we are here to serve. Please contact Mary ([mballard@treasury.ga.gov](mailto:mballard@treasury.ga.gov)) with any questions regarding Georgia Fund 1 resolutions or IPAS issues. For investment related questions, please direct inquiries to [lglenn@treasury.ga.gov](mailto:lglenn@treasury.ga.gov)

## Maturity Distribution



**Georgia Fund 1 deposits are not guaranteed or insured by any bank, the FDIC, the Federal Reserve Board, the State of Georgia or any other agency.**