



SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL

Curtis M. Loftis, Jr., Treasurer

Administered by South Carolina State Treasurer's Office

TREASURER'S MESSAGE



Curtis M. Loftis, Jr.
Treasurer

I would like to thank everyone who took time to respond to our LGIP customer survey. While we are still analyzing the results, it was great to see that so many of you gave us very high marks for customer service satisfaction and ease of use for the iPas system.

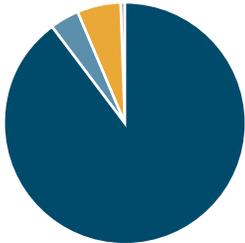
Approximately 42 percent of respondents have between \$1 million to \$10 million invested in LGIP. We know that many local banks are promoting their fixed and variable rate products to LGIP customers, but please know that our investment professionals are still providing very competitive yields that are responsive to changing market conditions.

If you have funds that may be sitting in a bank account rather than being invested through LGIP, I would highly encourage you to call our office to see how you might be a better steward of your public dollars and increase local revenues through earnings instead of raising fees or taxes.

You can still [weigh in and participate in our survey through February 13](#). And we'll include more results in our April edition.

LGIP AT A GLANCE

PORTFOLIO COMPOSITION (%) AS OF 12/31/19



- Commercial paper **89.77**
- Government **4.08**
- Overnight Repo **5.80**
- Corporate Bonds **0.35**

DECEMBER 31, 2019

- Mkt Value: \$7,926,561,168
- LGIP Rate: 1.84%

LGIP PARTICIPANT BREAKDOWN

- 35 Counties
- 92 Municipalities
- 63 School Districts
- 54 Special Purpose Districts
- 10 Disability and Special Needs
- 8 Council of Governments

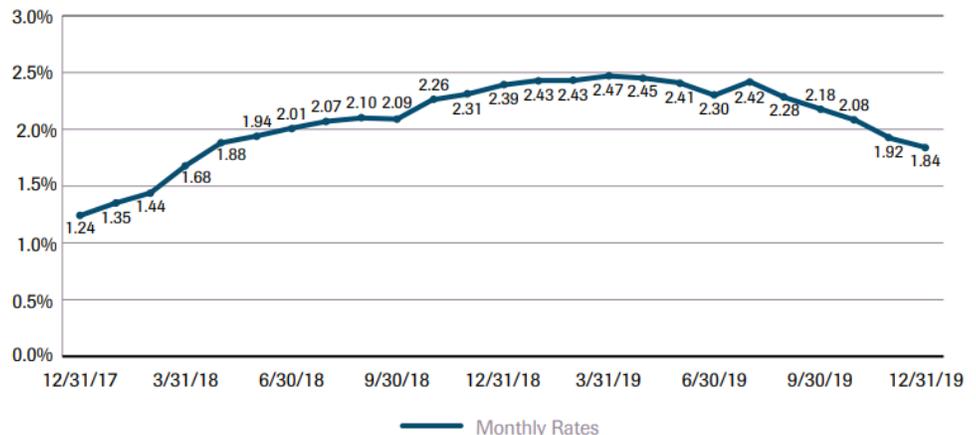
QUARTERLY HIGHLIGHTS

- LGIP is an investment mechanism administered by South Carolina's State Treasurer to provide local governments an opportunity to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions.
- LGIP seeks to preserve capital through prudent management and sound investment policies.
- LGIP offers participants an investment option for operating capital consistent with their investment time horizons.

PORTFOLIO OVERVIEW AS OF DECEMBER 31, 2019

- LGIP's Weighted Average Maturity: 43.67
- Weighted Average Life: 55.56
- Credit Rating is A+
iPAS allows participants to stay up to date on account information, including transactions.
Visit the iPAS website here:
<https://lgip.sc.gov/iPAS/login.ipas>
Visit the LGIP website here:
<https://www.treasurer.sc.gov/what-we-do/for-governments/local-government-investment-pool>

LGIP MONTHLY RATE (%)



WHAT OUR CUSTOMERS SAY...

We heard from one of our loyal LGIP customers about three perceived barriers to investing she's heard when talking to other local government finance professionals, and she provided three great reasons why none of them should be a barrier to participating in LGIP:

1. **Lack of money to invest** – there is no minimum to invest in LGIP and current balances range from as little as \$1,000 to more than \$600 million.
2. **Lack of investment knowledge** – you don't have to know the ins and outs of investing because the STO team manages that. You simply must know how to deposit funds and request withdrawals within the allotted timeframes. Plus LGIP statements are much easier to understand than your standard brokerage reports.
3. **I don't know when I will need my funds** – for most business operations, you should have a minimum 24-hour lead time, which is plenty of time to request and receive your funds from the LGIP pool.

CONTACT INFORMATION

For more information about the Local Government Investment Pool, please contact:

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If you have any questions about LGIP please email sto.lgip@sto.sc.gov

COMMENTARY

For investors and financial institutions, the fourth quarter of 2019 might be best described as shifting from anxiety to optimism. Several macroeconomic and geopolitical uncertainties abated, leading the Federal Reserve to put monetary policy on hold and suggest that a recession was not imminent.

Despite being light on details, the U.S. and China reached a truce in their trade war late in the quarter. This lifted worries that the conflict would continue to be a drag on the two economies. In particular, it has been blamed for the weakness in the U.S. manufacturing sector. In Europe, the drawn-out affair of the negotiations for the U.K. to leave the EU finally received the necessary political will, as Boris Johnson's pro-Brexit party won a decisive victory in a snap election.

The quarter saw the U.S. economy seeming to retreat from previous indications of an imminent recession. GDP growth in the third quarter, the most recent data, hit a healthy 2.1%. This was buoyed by the continued strength of the labor market, with unemployment dipping to levels not seen since 1969. Robust consumer confidence led to record retail sales on Black Friday and Cyber Monday.

In October, the Federal Reserve eased rates for the third time in 2019, lowering the federal funds target range by 25 basis points to a range of 1.50-1.75%. Unlike with the previous two policy actions, however, officials signaled that absent a material change in the outlook for the economy or inflation, they were likely to remain at the new target range for quite some time. The markets received more detail at the December meeting, in which policymakers not only refrained from cutting rates, but communicated they don't intend to make any changes through the entirety of 2020.

The Fed played another role in a different anxiety-causing arena in the quarter, that of quelling concern about how the repo market would respond to year-end pressure. Its implementation of overnight, term and permanent operations was able to avert any dislocations in the liquidity market.

The Treasury yield curve ended the quarter with 1-month at 1.47%, 3-month at 1.55%, 6-month at 1.59% and 12-month at 1.58%. The London interbank offered rate (LIBOR) ended with 1-month at 1.76%, 3-month at 1.91%, 6-month at 1.91% and 12-month at 1.99%.

Portfolio composition is subject to change.

An investment in LGIP is not insured or guaranteed by any government or government agency.

LGIP's A+ rating by Standard & Poor's was obtained after Standard & Poor's evaluated a number of factors, including credit quality, market price exposure and management. Ratings are subject to change, and do not remove market risk.

For more complete information, see the investment policy and information statement available at treasurer.sc.gov.