



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

Inflation and recession – they have been hot topics for economists and the Feds for months now. After several significant rate hikes, it appears that some of these efforts may be paying off to cool our “overheated” consumption habit. Further, South Carolina economists are optimistic that our state has fared better than most and may only see a “recalibration” instead of a recession in 2023.

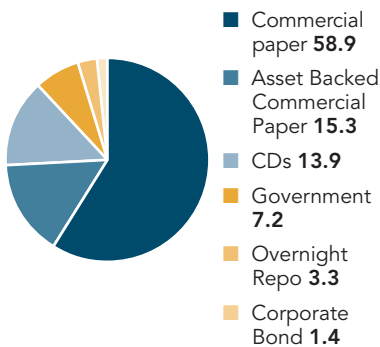
While the Fed rate hikes did boost yields last year, it's important to remember that LGIP still benefits from a competitive yield in a stable rate environment, too. LGIP's diversified fixed income portfolio is designed and managed to preserve capital and meet your liquidity needs as well.

If you have questions about the changing rate environment and its impact on your LGIP balance, please contact our knowledgeable investment team. We are grateful for the opportunity to assist you with your financial management needs.

LGIP AT A GLANCE

PORTFOLIO COMPOSITION (%)

AS OF 12/31/22



DECEMBER 31, 2022

- Pool Balance: \$10,709,521,758
- LGIP Rate: 4.32%

LGIP PARTICIPANT BREAKDOWN

- 40 Counties
- 103 Municipalities
- 71 School Districts
- 64 Special Purpose Districts
- 12 Disability and Special Needs
- 8 Council of Government

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 12/31/22

- Weighted Average Maturity: 22 Days
- Weighted Average Life: 59 Days

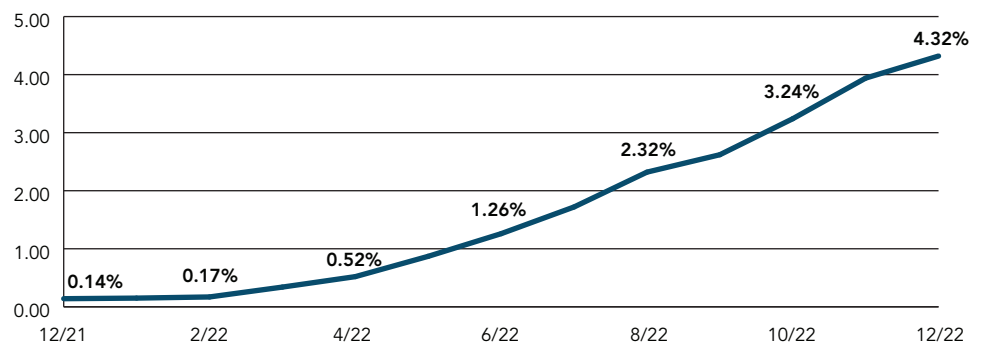
iPAS allows participants to stay up to date on account information, including transactions.

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 (%)

Continued increases to the target range of the fed funds rate should spark a rise in yield for the LGIP. The Pool has already taken advantage of higher rates from the previous rate hikes that have resulted in an increase to the monthly yield.



COMMENTARY

In the fourth quarter, the Federal Reserve loosened the reins of its galloping monetary policy but did not signal an imminent return trip. Based on still-accelerating inflation in September and October, the Federal Open Market Committee (FOMC) pressed forward with its fourth 75 basis point hike of the fed funds range at its November meeting. But when prominent measures of inflation softened in November, the FOMC opted to raise the range by 50 basis points to 4.25-4.50% at its mid-December meeting. The markets had responded enthusiastically to the easing of price pressures, predicting the Fed's aggressive campaign was drawing to an end. Chair Jerome Powell pushed back at this notion in his post-meeting press conference, reiterating that the central bank is determined not just to restore price stability but also prevent a rebound similar to what happened in the 1970s, when many economists now think monetary policymakers stopped their anti-inflation campaign too soon.

The Summary of Economic Projections (SEP) released in December indicated that Fed officials agreed that tightening policy was still needed, despite the smaller magnitude of the hike. No less than 17 of 19 FOMC participants expected the target rate to be in a range of at least 5-5.25% at the end of 2023. Most thought a sharp economic slowdown—if not an outright recession—will be needed to pull inflation down to their preferred 2% level. They predicted that the robust labor market will finally deteriorate in 2023, with the unemployment rate reaching 4.6%. As 2022 came to an end, information about the economy was mixed. Jobless claims edged higher, the housing market remained in a slump and durable goods orders fell. But consumer confidence and retail sales did not roll over. In general, and industry-wide, yields of liquidity products continued to rise with the Fed hikes over the quarter.

At the end of the fourth quarter, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 4%, 4.42%, 4.70% and 4.70%, respectively; the 1-, 3-, 6- and 12-month Bloomberg Short-Term Bank Yield Index rates (BSBY) were 4.36%, 4.62%, 5.01% and 5.43%, respectively; the 1-, 3-, 6- and 12-month London interbank offered rates were 4.39%, 4.77%, 5.14% and 5.48%, respectively.

CONTACT INFORMATION

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

*MMDA rates are for \$50,000 minimum (APYs).

Portfolio composition is subject to change.

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

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