Quarterly Update | October 2022

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

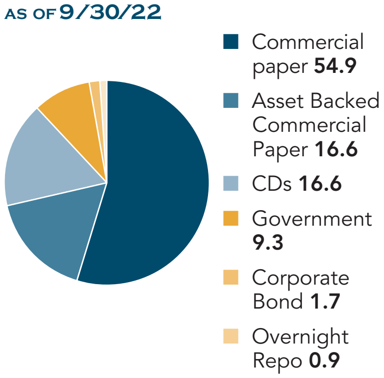
It's been an interesting quarter to say the least. However, the Fed's continued rate hikes are boosting yields for LGIP. And while equity markets are impacted by ongoing volatility, our diversified fixed income portfolio is well managed to ensure we preserve capital and meet our participants' liquidity needs.

Next month our team will be sharing information about the benefits of LGIP at the SC Public Charter School Alliance conference in the Upstate. We currently have five public charter schools that have joined LGIP, and they are seeing the benefits of investing in this large pool of collective funds with other eligible political subdivisions.

It never hurts to touch base with our team if you have questions or concerns about your account. We are always receptive to hear from you and make recommendations that can enhance your financial management activities.

LGIP at a Glance

Portfolio Composition (%)
as of 9/30/22



September 30, 2022

- Pool Balance: $9,104,519,585
- LGIP Rate: 2.62%

LGIP Participant Breakdown

- 40 Counties
- 99 Municipalities
- 73 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 9/30/22

- Weighted Average Maturity: 21 Days
- Weighted Average Life: 70 Days

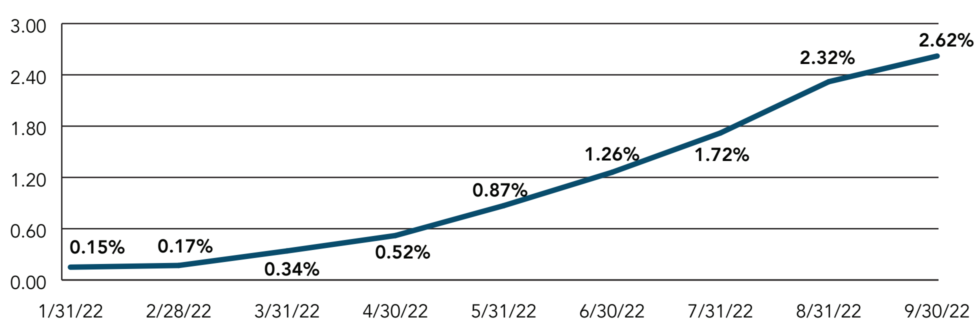
iPAS allows participants to stay up to date on account information, including transactions.

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 third quarter, U.S. Federal Reserve Chair Jerome Powell reiterated in press conferences, speeches and appearances that policymakers would not relent until price stability has been reestablished. His remarks at the Kansas City Fed's economic policy symposium in Jackson Hole, Wyo., in late August articulated this pointedly: "The Federal Open Market Committee's (FOMC) overarching focus right now is to bring inflation back down to our 2% goal."

The FOMC followed through on this statement with several large jumps in the federal funds target range: 75 basis-point hikes at both the July and September meetings. This put the target range at 3-3.25% to end the reporting period. The front end of U.S. Treasury yield curve rose in response, though yields of the shortest dated bills remained depressed due to continued high demand from safe-haven trades.

Policymaker forecasts also leapt. The June Summary of Economic Projections (SEP) signaled rates could reach 3.4% by December. But Fed sentiment worsened two months later. The SEP released in September indicated 4.4% is more likely, a dramatic shift of a full percentage point. Likewise, the prediction for the highest level rates likely will reach before inflation falls—the terminal rate—increased from 3.8% to 4.6%. Adding to the cause, the Fed accelerated its quantitative tightening program, doubling the amount of the reduction of its balance sheet in September by allowing $95 billion of government securities to roll off each month ($60 billion in Treasuries and $35 billion in agency mortgage-backed securities). This likely added the equivalent of another quarter-point of rate tightening.

At the end of the quarter, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 2.69%, 3.27%, 3.95% and 4.03%, respectively; the 1-, 3-, 6- and 12-month Bloomberg Short-Term Bank Yield Index rates (BSBY) were 3.10%, 3.64%, 4.21% and 4.74%, respectively; and the 1-, 3-, 6- and 12-month London interbank offered rates were 3.17%, 3.75%, 4.27% and 4.74%, 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.