



# 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

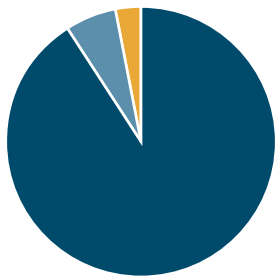
Since LGIP was enacted in 1983, the State has relied on strong investment partners to oversee and manage the LGIP fund on behalf of our participants. We are closing in on our two-year anniversary with our valued investment partner Federated Investors, Inc. and are pleased with the excellent investment support and customer service they have provided to us.

Federated's team ensures that LGIP maintains competitive yields that are responsive to market conditions. As such we have a well-managed, disciplined and diversified investment portfolio focused on preserving capital and providing liquidity.

LGIP ended the quarter with over \$6.5 billion in assets. The Fed cut rates twice in the past quarter after steadily raising rates for several years, leading to a decrease in yield for the pool but the yield remains attractive relative to comparable investment options.

### LGIP AT A GLANCE

#### PORTFOLIO COMPOSITION (%) AS OF 9/30/19



- Commercial paper **90.94**
- Government **6.03**
- Overnight Repo **3.03**

#### SEPTEMBER 30, 2019

- Mkt Value: \$6,585,558,939
- LGIP Rate: 2.18%

#### LGIP PARTICIPANT BREAKDOWN

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

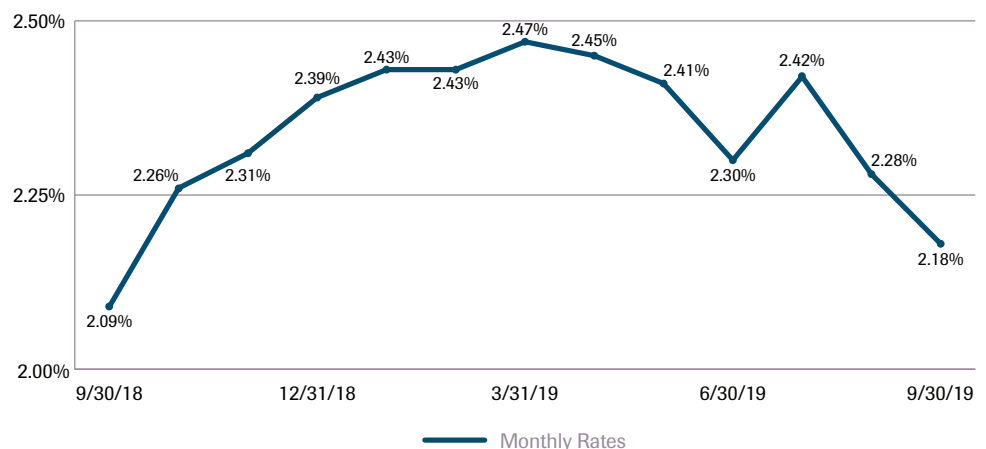
### QUARTERLY HIGHLIGHTS

- 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 JUNE 30, 2019

- LGIP's Weighted Average Maturity: 54.36
- Weighted Average Life: 64.04
- 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



## MEET OUR TEAM

The State Treasurer's Office recently added two new members to its Investment team.

**Brad Wilson** is the Senior Portfolio Analyst for the agency. He previously served as the Chief Investment Officer for Davinci Financial Designs, an independent financial planning and Registered Investment Advisory (RIA) firm in Columbia, SC. He holds his undergraduate degree and IMBA from the University of South Carolina.

**Tracetin Edwards** is the Junior Portfolio Analyst. A native of St. Lucia, Edwards comes to South Carolina from Delaware, where he earned his MBA from Goldey-Beacom College. He earned in BS in Accounting from Grambling State and a Master's in Accounting from the University of Illinois Springfield.

### 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](mailto:sto.lgip@sto.sc.gov)

### COMMENTARY

In the third quarter of 2019, the Federal Reserve cut its benchmark rate twice, the Libor curve returned to being positively sloped and U.S.-China trade negotiations remained unresolved. The policy easing steps by the Federal Reserve and other developments put downward pressure on yields on short-term securities and returns in the liquidity space. However, investors continued to favor money market funds and similar products, with inflows continuing.

After steadily raising it for several years, in July the Fed reduced its federal funds rate for the first time since the financial crisis. Policymakers took great care in describing the action to the markets for fear it would be misunderstood amid growing calls for easing. Their primary message was that the quarter-point move to a target range of 2-2.25% was not the first step in a descent to the zero-rate environment of the years following the Great Recession, but part of its continuing attempt to normalize policy and spur inflation. Fed Chair Jerome Powell specifically referred to the cut as a "mid-cycle adjustment to policy" rather than the start of a new stimulus cycle. The Treasury yield curve continued to be inverted, a sign that historically predicted a recession, but as the period progressed it began to flatten and eventually steepen as expectations of a Fed cut in September grew. This came to pass, with policymakers lowering the target range again by 25 basis points to 1.75-2%. However, dissent grew, as two members of the Federal Open Market Committee voted to leave rates unchanged and another preferred to lower them by 50 basis points.

The third quarter was an eventful one for the government space. Sandwiched between the two rate cuts was a rare case of volatility in the overnight repo market. The latter resulted from a confluence of technical factors—including corporate quarterly tax payments and a large settlement of net new Treasury supply—not a credit event. The Fed intervened and the volatility subsided. As the quarter ended, domestic economic indicators, while moderating, did not point to an imminent recession.

The Treasury yield curve ended the quarter with 1-month at 1.90%, 3-month at 1.83%, 6-month at 1.83% and 12-month at 1.77%. The London interbank offered rate (Libor) curve finished with 1-month at 2.03%, 3-month at 2.10%, 6-month at 2.06% and 12-month at 2.04%.

*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](http://treasurer.sc.gov).*