

**Minutes (Draft) of the
Cash Management Advisory Board
July 30, 2018
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Leonora Gjonbalaj, Investment Technician II
Brandon Whitburn, Summer Intern
Aishwarya Mammayil, Summer Intern

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:01 a.m.

The minutes of the May 23, 2018 meeting were approved unanimously.

Mr. Terry began the market and portfolio review by informing the board of a portfolio holding that did not conform to the fund's investment policy. He stated that an issuer whose short-term securities were held by the fund, Coca Cola, had its long-term rating downgraded by S&P to A+ from AA-, one rating notch lower than the investment policy allows.. Mr. Terry added that the short-term ratings of A-1 by S&P as well as Moody's short and long-term ratings are consistent with STIF's guidelines. Mr. Terry stated that the securities which did not conform to the fund's investment policy were sold -- at a gain -- in order to bring the portfolio back into compliance, and that the ratings of the securities were consistent with S&P's AAAM guidelines. Mr. Terry then outlined the processes and procedures that have been implemented in order to mitigate the probability of reoccurrence in the future.

Mr. Thompson asked about the gain on the sale. Mr. Terry replied that there was a gain and the proceeds of were used to higher rated securities with similar yields. A discussion of management responses to credit rating changes ensued..

Mr. Terry stated that market environment has not changed since the board met in May. The consensus is that the Fed will raise another 25 basis points in September. Mr. Terry added that there is demand in the money markets for product as more cash flows back in as participants are more concerned with volatility in both domestic and international equities. As a result, finding product that meets our target rate in the one year time frame

has been harder to accomplish. Mr. Desautelle asked what has been going on with LIBOR. Mr. Terry responded that monthly LIBOR is around 2.05 percent but will begin to rise later in August to equalize with the anticipated fed rate hike in September.

Mr. Coudert stated that for the quarter ending June 30, 2018, STIF earned an average annualized yield of 1.79 percent versus 1.72 percent for the iMoneyNet benchmark. For the one year period ending June 30, 2018, STIF earned 1.39 percent while the benchmark earned 1.27 percent. According to Mr. Coudert, STIF's current yield is 1.96 percent with a weighted average maturity of 31 days and a weighted average life of 85 days.

Mr. Coudert stated that STIF had contributed to the reserve every day since the board last met in May of this year. As such, STIF reserves now total \$61.9 million with approximately \$5.2 million having been added in the 2018 fiscal year. According to Mr. Coudert, daily liquidity is approximately \$2.9 billion or 41 percent of the fund. In addition, 41 percent of the portfolio is invested in securities with some sort of government support such as government backed repurchase agreements, agency securities, and deposits backed by Federal Home Loan Bank letters of credit.

Mr. Coudert stated that the Extended Investment portfolio has assets of nearly \$1.2 billion earning 1.98 percent with an average life of three days.

With no further business, Mr. Wilson adjourned the meeting at 10:37 a.m.