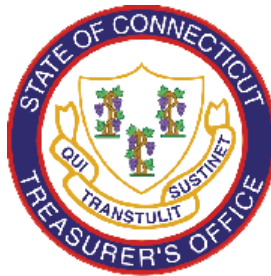


# STATE OF CONNECTICUT OFFICE OF THE TREASURER

# 2018

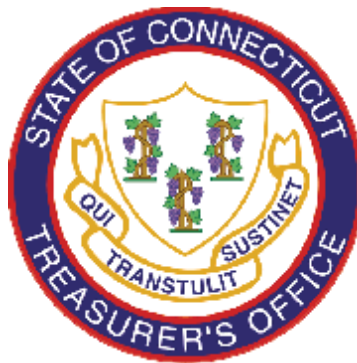


## SHORT-TERM INVESTMENT FUND COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2018*

# STATE OF CONNECTICUT

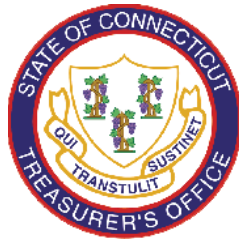
## Office of the State Treasurer



The State Motto, "Qui Transtulit Sustinet" (He Who Transplanted Still Sustains), has been associated with various versions of the state seal from the creation of the Saybrook Colony Seal.

# STATE OF CONNECTICUT OFFICE OF THE TREASURER

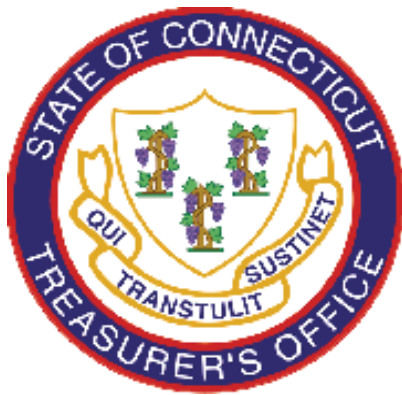
# 2018



## SHORT-TERM INVESTMENT FUND COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2018*

Prepared by: State of Connecticut  
Office of the Treasurer  
55 Elm Street  
Hartford, CT 06106-1773



**SHORT-TERM INVESTMENT FUND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## Table of Contents

### INTRODUCTORY SECTION

Letter from the Treasurer .....	3
Management's Report.....	5
Certificate of Achievement For Excellence in Financial Reporting.....	6
Connecticut State Treasurer's Office .....	7
Fund Administration .....	8
List of Principal Officials .....	9

### FINANCIAL SECTION

Report of Auditors of Public Accounts.....	11
Management's Discussion and Analysis.....	14

### BASIC FINANCIAL STATEMENTS

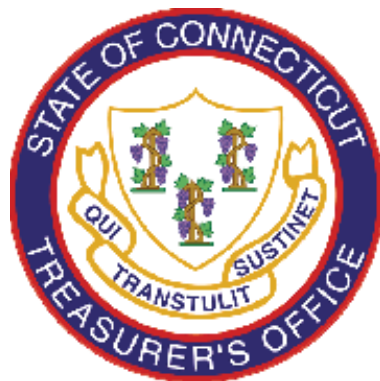
Statement of Net Position .....	17
Statement of Changes in Net Position .....	18
Notes to Financial Statements .....	19

### INVESTMENT SECTION

Investment Results Review.....	27
Description of the Fund.....	27
Portfolio Characteristics .....	28
Market Review .....	28
Performance Summary .....	29
Risk Profile.....	29
List of Investments at June 30, 2018 .....	31
Schedule of Management Fees at June 30, 2018 .....	35
Schedule of Participants by Concentration at June 30, 2018 .....	36
STIF Investment Policy .....	37
Glossary of Terms .....	43

### STATISTICAL SECTION

Overview .....	47
Schedule of Annual Rates of Return.....	48
Schedule of Quarterly Rates of Return .....	49
Participant Units Under Management.....	50
Monthly Comparative Yields .....	51
Annual Comparative Yields.....	51
Changes in Net Position Last Ten Fiscal Years .....	52
Distributions to Participants .....	53





# **Introductory Section**







DENISE L. NAPPIER  
TREASURER

## State of Connecticut Office of the Treasurer

December 31, 2018

To the Participants in Connecticut's Short-Term Investment Fund:

I am pleased to submit this Comprehensive Annual Financial Report for the State of Connecticut Short-Term Investment Fund (STIF or Fund) for the fiscal year ended June 30, 2018, which documents how STIF outperformed its benchmark, thereby providing significant incremental income for the State, local governments and, ultimately, their taxpayers.

Responsibility for both the accuracy of the data and the completeness and fairness of this report rests with management. All disclosures necessary and required to enable investors and the financial community to gain an understanding of STIF's financial activities have been included. We believe the enclosed financial statements and data are presented fairly in all material respects and are reported in a manner designed to accurately present the financial position and results of STIF's operations.

STIF was created by legislation enacted in 1972, and is a state and local government investment pool managed by the Treasurer of the State of Connecticut. Investors in the Fund include the State, state agencies and authorities, municipalities, and other political subdivisions of the State. The primary objective of the Fund is to provide the greatest possible return while, first, protecting principal and, second, providing liquidity for investors. The Fund's investment policy is designed to achieve these objectives by selecting high quality, very liquid securities with relatively short maturities and diversifying the portfolio by sector, security type and issuer. In addition, the Fund maintains a designated surplus reserve roughly equivalent to one percent of STIF's assets to protect against security defaults or the erosion of security values due to significant unforeseen market changes. STIF's reserves are an important pillar of our investment pool, and STIF is one of the few government investment pools to maintain a reserve.

### Financial Information

For Fiscal Year 2018, STIF generated a return of 1.39 percent, outperforming its benchmark by 12 basis points. This solid performance results in \$7.0 million in additional interest income for Connecticut governments and their taxpayers, while also adding \$5.2 million to STIF's reserves. STIF has consistently outperformed its benchmark for more than twenty-five years. The overall soundness of STIF was recognized by S&P Global Ratings (S&P), which affirmed and maintained STIF's AAAM rating -- the highest rating issued by S&P for money market funds and investment pools. As of June 30, 2018, STIF had \$6.8 billion in assets under management. During the year, local governments opened 17 new STIF accounts, bringing the total number of municipal accounts at fiscal year-end to 523, demonstrating the continued confidence in the Fund as a solid investment vehicle.

### Internal Control Structure

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are (i) executed in accordance with management's general or specific authorization; and (ii) recorded as necessary to maintain accountability for assets and to permit preparation of financial statements consistent with generally accepted accounting principles. We believe the internal controls in effect during Fiscal Year 2018 adequately safeguarded STIF's assets and provided

55 ELM STREET, HARTFORD, CONNECTICUT 06106-1773 • (860) 702-3000  
*An Equal Opportunity Employer*

## LETTER FROM THE TREASURER

reasonable assurance regarding the proper recording of financial transactions.

The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

S&P monitors STIF's portfolio on a weekly basis to ensure that it maintains the safety and liquidity investors expect. In addition, the Investment Advisory Council and the Treasurer's Cash Management Advisory Board periodically review STIF's portfolio and performance throughout the year.

### **Independent Audit**

The State of Connecticut's independent Auditors of Public Accounts conducted an annual audit of this Comprehensive Annual Financial Report in accordance with generally accepted auditing standards. The Auditors' report on the basic financial statements is included in the Financial Section of this report.

### **Management Discussion and Analysis**

The Government Accounting Standards Board requires that STIF provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal and overview is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the Financial Section immediately following the report of the Auditors.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Fund a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

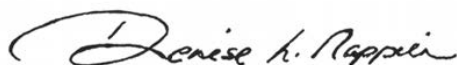
### **Additional Information**

A section of the Treasury website is dedicated to STIF investors, and features information such as the current daily rate, the Monthly Manager Report, monthly portfolio listings, historical data, and links to annual and quarterly financial reports aimed at giving investors information regarding fund characteristics and returns. The site also contains forms, instructions and an investor's guide that are designed to help investors better understand the products and services offered by the Treasury including Grant Express, Debt Service Express, and Clean Water Fund Express. The STIF site and copies of this report may be accessed through the Treasury's website, [www.ott.ct.gov](http://www.ott.ct.gov).

In addition, STIF Express -- a secure online system -- allows investors to view account balances and transaction histories as well as initiate deposits and withdrawals.

We appreciate your participation in STIF, and hope that this Comprehensive Annual Financial Report will prove both informative and useful. Questions concerning any of the information contained in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 55 Elm Street, Hartford, Connecticut 06106-1773, or by calling (860) 702-3000.

Sincerely,



Denise L. Nappier  
Treasurer  
State of Connecticut



DENISE L. NAPIER  
TREASURER

State of Connecticut  
Office of the Treasurer

December 31, 2018

This Comprehensive Annual Financial Report was prepared by the Office of the Treasurer, which manages the assets of the Short-Term Investment Fund (STIF). As of June 30, 2018, Bank of New York Mellon served as custodian for STIF. All investments are made in instruments authorized by Connecticut General Statutes Sections 3-27c through 3-27f.

The Office of the Treasurer is responsible for the accuracy of the data contained herein, the completeness and fairness of the presentation, and all disclosures. We present the STIF's financial statements as being accurate in all material respects and prepared in conformity with generally accepted accounting principles. Such financial statements are audited annually by the State's independent Auditors of Public Accounts.

To carry out this responsibility, the Office of the Treasurer maintains financial policies, procedures, accounting systems and internal controls which management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

It is our belief that the contents of this Comprehensive Annual Financial Report make evident the Treasury's commitment to the safe custody and conscientious stewardship of the Short-Term Investment Fund.

In management's opinion, the internal control structures of the Office of the Treasurer and of STIF are adequate to ensure that the financial information in this report fairly presents STIF's operational and financial condition.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence A. Wilson".

Lawrence A. Wilson  
Interim Deputy Treasurer  
State of Connecticut



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Connecticut State Treasurer's  
Short-Term Investment Fund**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

### Mission Statement

To serve as the premier State Treasurer’s Office in the nation through effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut.

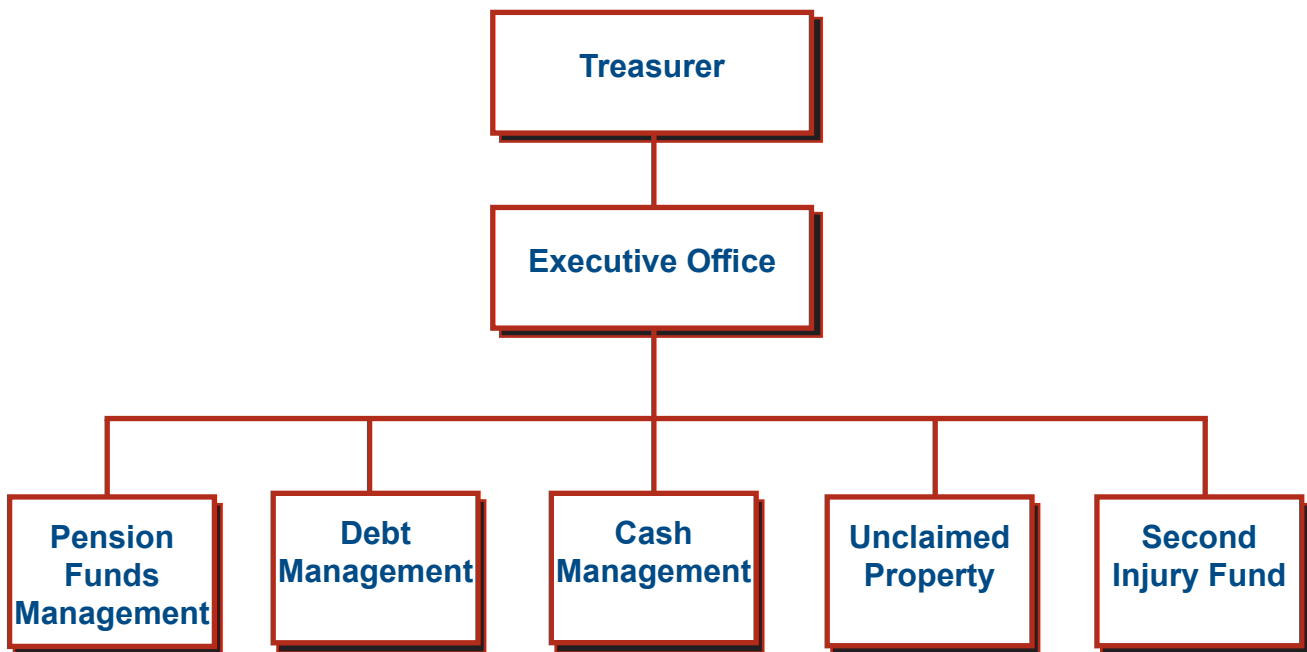
### Constitutional and Statutory Responsibilities

The Office of the Treasurer was established following the adoption of the fundamental orders of Connecticut in 1638. The Treasurer shall receive all funds belonging to the State and disburse the same only as may be directed by law, as described in Article Fourth, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes.

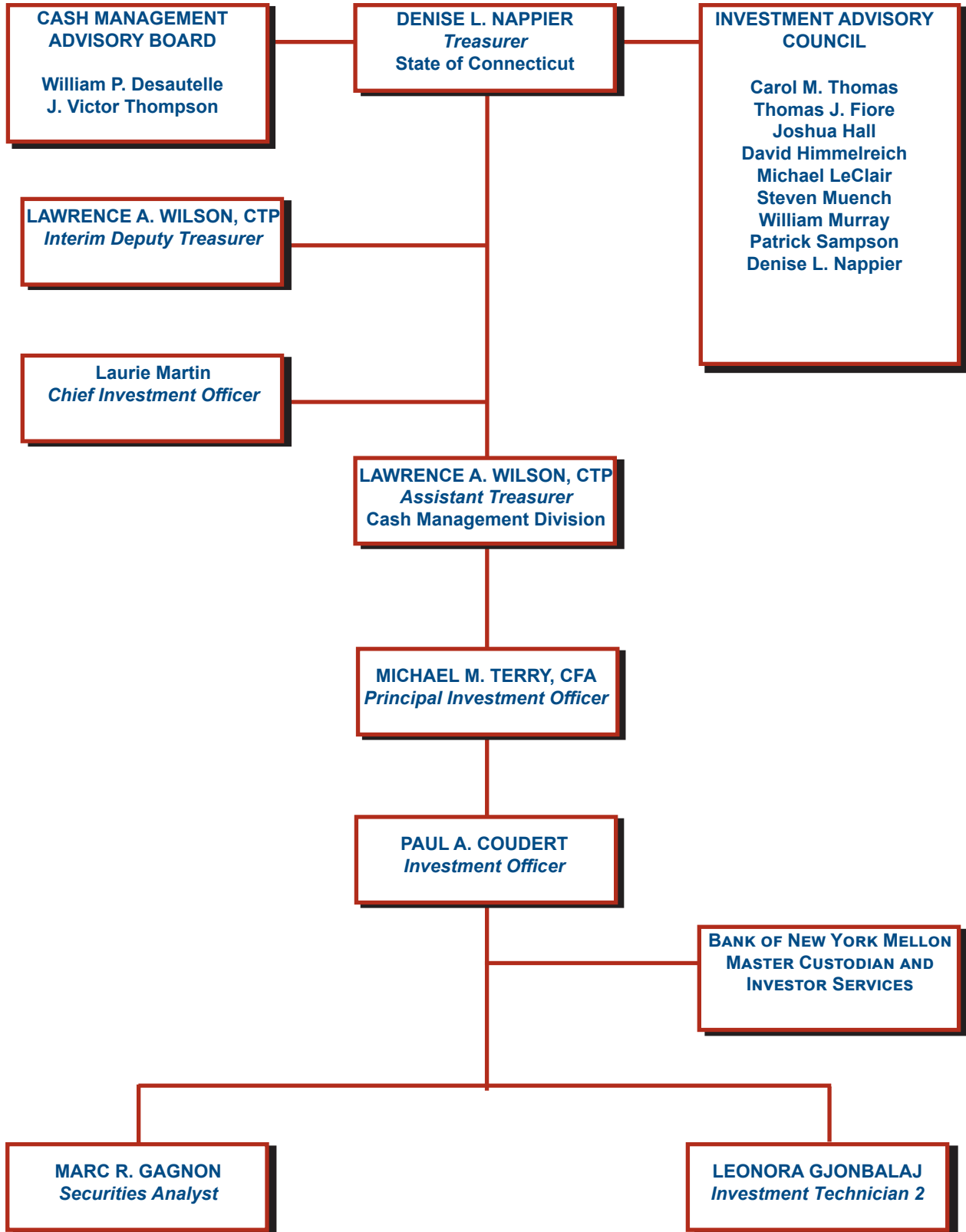
The Treasurer, as chief elected financial officer for the State, oversees the prudent preservation and management of State funds, including the investment of a \$34.4 billion portfolio of pension and trust fund assets, \$7.7 billion in total state and local short-term investments, and \$3.7 billion of assets in the Connecticut Higher Education Trust. The Treasurer maintains an accurate account of all funds through sophisticated security measures and procedures.

### Public Service

The Office of the Treasurer includes an Executive Office as well as five divisions, each with specific responsibilities: Pension Funds Management, Cash Management, Debt Management, Unclaimed Property, and the Second Injury Fund.



**SHORT-TERM INVESTMENT FUND ADMINISTRATION**



**LIST OF PRINCIPAL OFFICIALS**

**SHORT-TERM INVESTMENT FUND**

55 Elm Street  
6th Floor  
Hartford, CT. 06106-2773  
Telephone: (860) 702-3118  
Facsimile: (860) 702-3048  
[www.ott.ct.gov](http://www.ott.ct.gov)

Treasurer, State of Connecticut  
DENISE L. NAPPIER (860) 702-3001

Interim Deputy Treasurer, State of Connecticut  
LAWRENCE A. WILSON, CTP (860) 702-3070

Assistant Treasurer, Cash Management  
LAWRENCE A. WILSON, CTP (860) 702-3126

**STIF INVESTMENT MANAGEMENT**

Principal Investment Officer  
MICHAEL M. TERRY, CFA (860) 702-3255

Investment Officer  
PAUL A. COUDERT (860) 702-3254

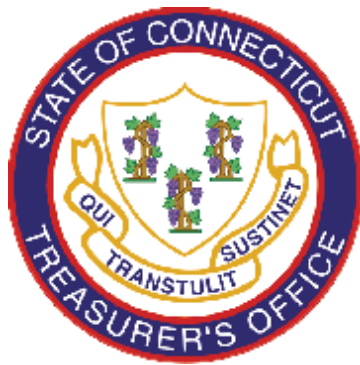
Securities Analyst  
MARC R. GAGNON (860) 702-3158

**STIF INVESTOR SERVICES**

Investment Technician 2  
LEONORA GJONBALAJ (860) 702-3118

**CUSTODIAN AND INVESTOR SERVICES**  
BANK OF NEW YORK MELLON





# **Financial**

---

# **Section**



# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

### INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy  
Members of the General Assembly:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Short-Term Investment Fund, which comprise the statement of net position as of June 30, 2018, the statements of changes in net position for the fiscal years ended June 30, 2018 and 2017, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Short-Term Investment Fund as of June 30, 2018, and the statements of changes in financial position for the fiscal years ended June 30, 2018 and 2017, in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the financial statements referred to in the first paragraph are intended to present only the Short-Term Investment Fund administered by the Office of the State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2018, and the changes in financial position for the fiscal years end June 30, 2018 and 2017, in conformity with generally accepted accounting principles in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Management's Discussion and Analysis, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was made for the purpose of forming an opinion on the financial statements of the Short-Term Investment Fund as a whole. The list of investments at June 30, 2018 is presented for purposes of additional analysis and is not a required part of the financial statements of the Short-Term Investment Fund. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements of the Short-Term Investment Fund and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is presented fairly in all material respects in relation to the financial statements taken as a whole.

#### ***Other Information***

The introductory, investment and statistical sections, includes information that is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, other than the list of investments at June 30, 2018 specifically noted within the investment section, has not been subjected to the auditing procedures applied in the audit of the

basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the State Treasury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the Fiscal Year Ended June 30, 2018*, and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



John C. Geragosian  
State Auditor



Robert J. Kane  
State Auditor

December 31, 2018  
State Capitol  
Hartford, Connecticut

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) of the Connecticut State Treasurer's Short-Term Investment Fund's (STIF) financial position and performance for the fiscal year ended June 30, 2018. It is presented as a narrative overview and analysis. Management of the Office of the Treasurer encourages readers to review it in conjunction with the transmittal letter included in the Introductory Section at the front of this report and the financial statements in the Financial Section that follow.

STIF serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State. STIF is a AAAM rated investment pool of high-quality, short-term money market instruments and is managed for the sole benefit of the participants. All income is distributed monthly after deducting operating costs of approximately two to four basis points and an allocation to the Fund's designated surplus reserve of 10 basis points (generally until the reserve reaches one percent of Fund assets).

The STIF Financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof follow this MD&A and provide detailed information about the Fund.

### FINANCIAL HIGHLIGHTS Condensed Financial Information

#### Short-Term Investment Fund Net Position and Changes in Net Position

The net position in the Short-Term Investment Fund at the close of Fiscal Year 2018 was approximately \$6.8 billion, versus \$6.5 billion the previous year.

The net position in the Short-Term Investment Fund at the close of Fiscal Year 2017 was approximately \$6.5 billion, versus \$4.9 billion the previous year.

General financial market conditions resulted in an annual total return of 1.39 percent, net of operating expenses and allocations to Fund reserves in fiscal 2018, higher than the annual total return in fiscal 2017. The annual total return exceeded that achieved by its benchmark, which was 1.27 percent, by 12 basis points, resulting in \$7.0 million in additional interest income for Connecticut governments and their taxpayers while also adding \$5.2 million to the Fund's reserves.

General financial market conditions resulted in an annual total return of 0.61 percent, net of operating expenses and allocations to Fund reserves in fiscal 2017, slightly higher than the annual total return in fiscal 2016. The annual total return exceeded that achieved by its benchmark, which was 0.49 percent, by 12 basis points, resulting in \$6.4 million in additional interest income for Connecticut governments and their taxpayers while also adding \$4.7 million to the Fund's reserves.

Designated Surplus Reserve - In order to support the creditworthiness of the Fund and provide some additional protection against potential credit losses, a designated surplus reserve (reserve) is maintained. The amount transferred to the reserve is equal to the annualized rate of 0.1 percent of the end-of-day investment balances. Generally, no transfer is made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. During the fiscal year, \$5.2 million was transferred into the reserve, bringing the total reserve to \$61.3 million.

#### Condensed Statement of Net Position Fiscal Year Ended June 30,

Assets	2018	Increase (Decrease)	2017	Increase (Decrease)	2016
Investments in Securities, at amortized cost	\$6,796,418,299	\$326,489,836	\$6,469,928,463	\$1,572,487,213	\$4,897,441,250
Receivables and Other	10,937,224	6,190,078	4,747,146	(2,580,161)	7,327,307
<b>Total Assets</b>	<b>6,807,355,523</b>	<b>332,679,914</b>	<b>6,474,675,609</b>	<b>1,569,907,052</b>	<b>4,904,768,557</b>
Liabilities	(10,702,148)	(6,114,883)	(4,587,265)	(2,827,591)	(1,759,674)
<b>Net Position</b>	<b>\$6,796,653,375</b>	<b>\$326,565,031</b>	<b>\$6,470,088,344</b>	<b>\$1,567,079,461</b>	<b>\$4,903,008,883</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Statement of Changes in Net Position Fiscal Year Ended June 30,

Assets	2018	Increase (Decrease)	2017	Increase (Decrease)	2016
Net Interest Income	\$97,021,865	\$54,691,946	\$42,329,919	\$25,200,467	\$17,129,452
Net Realized Gains	1,000	(29,747)	30,747	25,777	4,970
Net Increase Resulting from Operations	97,022,865	54,662,198	42,360,666	25,226,244	17,134,422
Purchase of Units by Participants	17,231,394,231	1,749,253,599	15,482,140,632	4,090,260,846	11,391,879,786
Total Additions	17,328,417,096	1,803,915,797	15,524,501,298	4,115,487,090	11,409,014,208
Deductions					
Distribution of Income to Participants	(89,929,727)	(54,218,152)	(35,711,575)	(21,408,412)	(14,303,163)
Redemption of Units by Participants	(16,910,055,574)	(2,990,265,357)	(13,919,790,217)	(2,392,470,353)	(11,527,319,864)
Operating Expenses	(1,866,764)	53,281	(1,920,045)	7,148	(1,927,193)
Total Deductions	(17,001,852,065)	(3,044,430,228)	(13,957,421,837)	(2,413,871,617)	(11,543,550,220)
Change in Net Position	326,565,031	(1,240,514,431)	1,567,079,461	1,701,615,473	(134,536,012)
Net position – beginning of year	6,470,088,344	1,567,079,461	4,903,008,883	(134,536,012)	5,037,544,895
Net position – end of year	<u>\$6,796,653,375</u>	<u>\$326,565,031</u>	<u>\$6,470,088,344</u>	<u>\$1,567,079,461</u>	<u>\$4,903,008,883</u>

## OVERVIEW OF THE FINANCIAL STATEMENTS

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's Short-Term Investment Fund basic financial statements, which are comprised of: 1) Statement of Net Position, 2) Statement of Changes in Net Position and 3) Notes to the Financial Statements.

The Statement of Net Position and the Statement of Changes in Net Position are two financial statements that report information about the Short-Term Investment Fund. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents all of the Fund's assets and liabilities, with the difference between the two reported as "net position."

The Statement of Changes in Net Position presents information showing how the Fund's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Fund's financial statements.

## ECONOMIC CONDITIONS AND OUTLOOK

Domestic growth, as measured by Gross Domestic Product (GDP), experienced modest growth during the fiscal year. For Fiscal Year 2018, GDP (on a year-over-year basis) ranged between 2.3 percent and 2.8 percent. For the entire fiscal year, GDP averaged a 2.6 percent year-over-year rate, up from Fiscal Year 2017's 1.9 percent rate. Meanwhile, the national unemployment rate ended the fiscal year at 4.0 percent, down from the 4.4 rate at the end of Fiscal Year 2017. During the course of the fiscal year, approximately 2.4 million people were added to payrolls.

Domestic inflation averaged 2.3 percent during the fiscal year, up 50 basis points from Fiscal Year 2017's 1.8 percent. Excluding the more volatile food and energy components, inflation during the fiscal year averaged 1.9 percent, down 20 basis points from Fiscal Year 2017's 2.1 percent. Similar to domestic inflation, inflation in the Eurozone was higher as well, with an average inflation rate of 1.5 percent, up 40 basis points from the 2017 fiscal year period.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Connecticut's unemployment rate has continued to decline from a high of 9.5 percent in October 2010 to 4.4 percent in June 2018, compared to the national unemployment rate of 4.0 percent. The State Comptroller reported on November 30, 2018 that the State's General Fund ended the 2018 fiscal year with a pre-audited deficit of \$482.9 million which will be eliminated through a transfer from the Budget Reserve Fund.

### **CONTACTING THE OFFICE OF THE TREASURER**

This financial report is designed to provide a general overview of the Office of the Treasurer's finances and to show the Office's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to:

Connecticut Office of the Treasurer  
55 Elm Street  
Hartford, CT 06106-1773  
Telephone (860) 702-3000  
[www.ott.ct.gov](http://www.ott.ct.gov)

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>June 30, 2018</u>
<b>ASSETS</b>	
Investment in Securities, at Amortized Cost (Note 7)	\$ 6,796,418,299
Accrued Interest and Other Receivables	10,722,803
Prepaid Assets	214,421
Total Assets	<u>\$ 6,807,355,523</u>
<b>LIABILITIES</b>	
Distribution Payable	10,702,148
Total Liabilities	<u>\$ 10,702,148</u>
<b>NET POSITION HELD IN TRUST FOR PARTICIPANTS</b> (includes reserve)	<u>\$ 6,796,653,375</u>

See accompanying Notes to the Financial Statements.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017**

	<u>2018</u>	<u>2017</u>
<b>ADDITIONS</b>		
<b>Operations</b>		
Interest Income	\$ 97,021,865	\$ 42,329,919
Net Investment Income	97,021,865	42,329,919
Net Realized Gains	<u>1,000</u>	<u>30,747</u>
<b>Net Increase Resulting from Operations</b>	97,022,865	42,360,666
<b>Share Transactions at Fair Value of \$1.00 per Share</b>		
Purchase of Units	<u>17,231,394,231</u>	<u>15,482,140,632</u>
<b>TOTAL ADDITIONS</b>	<u>17,328,417,096</u>	<u>15,524,501,298</u>
 <b>DEDUCTIONS</b>		
<b>Distribution to Participants (Notes 2 &amp; 6)</b>		
Distributions to Participants*	<u>(89,929,727)</u>	<u>(35,711,575)</u>
Total Distributions Paid and Payable	<u>(89,929,727)</u>	<u>(35,711,575)</u>
<b>Share Transactions at Fair Value of \$1.00 per Share</b>		
Redemption of Units	(16,910,055,574)	(13,919,790,217)
<b>Operations</b>		
Operating Expenses	<u>(1,866,764)</u>	<u>(1,920,045)</u>
<b>TOTAL DEDUCTIONS</b>	<u>(17,001,852,065)</u>	<u>(13,957,421,837)</u>
 <b>CHANGE IN NET POSITION</b>	326,565,031	1,567,079,461
 <b>Net Position Held in Trust for Participants</b>		
Beginning of Year	\$ 6,470,088,344	\$ 4,903,008,883
End of Year	<u>\$ 6,796,653,375</u>	<u>\$ 6,470,088,344</u>

\* Net of designated reserve transfer contributions and expenses.

See accompanying Notes to the Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION**

The Short-Term Investment Fund (STIF or the Fund) is a money market investment pool managed by the Treasurer of the State of Connecticut. Section 3-27 of the Connecticut General Statutes (CGS) created STIF. Pursuant to CGS 3-27a - 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the Fund. Securities in which the State Treasurer is authorized to invest monies of STIF include United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, and asset-backed securities. STIF is authorized to issue an unlimited number of units.

For State of Connecticut financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The internal portion (i.e., the portion that belongs to investors that are part of the State's financial reporting entity) is not displayed in the State's basic financial statements. Instead, each fund type's investment in STIF is reported as "cash equivalents" in the Statement of Net Position. The external portion (i.e., the portion that belongs to investors which are not part of the State's financial reporting entity) is recorded in an investment trust fund in the basic financial statements.

The fund is considered a "2a7-like" pool and reports the investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that is similar to the SEC's requirements of rule 2a7 of the Investment Company Act of 1940. The Fund reports net assets at amortized cost for financial reporting purposes and the determination of net asset value, consistent with Government Accounting Standards Board (GASB) financial reporting standards, while SEC rule 2a7 requires a floating rate, market price-based valuation for institutional prime money market funds.

***Related Party Transactions.***

STIF had no related party transactions during the fiscal year with the State of Connecticut and its component units including leasing arrangements, the performance of administrative services and the execution of securities transactions.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Financial Reporting Entity.***

The Fund is a Fiduciary Investment Trust Fund. A fiduciary fund is used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The generally accepted accounting principles (GAAP) used for fiduciary funds are generally those applicable to similar businesses in the private sector. The Fund uses the accrual basis of accounting.

***Security Valuation of Financial Instruments.***

The assets of the Fund are carried at amortized cost (which approximates fair value). All premiums and discounts on securities are amortized or accreted on a straight line basis. The Fund's custodian calculates the fair value of investments daily and the Fund calculates a fair value shadow price once a month (at a minimum) in compliance with GASB 79.

As of June 30, 2018, the shadow price of the Fund was \$1.0089 and the ratio of fair value to amortized cost was 99.9846%.

***Security Transactions.***

Purchases and sales of investments are recorded on a trade date basis. Gains and losses on investments are realized at the time of the sales and are calculated on the basis of an identified block or blocks of securities having an identified amortized cost. Bond cost is determined by identified lot.

***Interest Income.***

Interest income, which includes amortization of premiums and accretion of discounts, is accrued as earned.

## NOTES TO FINANCIAL STATEMENTS (Continued)

**Expenses.**

Operating and interest expenses are accounted for on an accrual basis.

**Fiscal Year.**

The fiscal year of STIF ends on June 30.

**Distributions to Investors.**

Distributions to investors are earned on units outstanding from date of purchase to date of redemption. Income is calculated daily based upon the actual earnings of the Fund net of administrative expenses and, if applicable, an allocation to the designated surplus reserve. Distributions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at a constant \$1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the designated surplus reserve.

**Designated Surplus Reserve.**

While STIF is managed prudently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured. In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the designated surplus reserve (reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. The amount transferred daily to the designated surplus reserve is equal to 0.1 percent of end-of-day investment balance divided by the actual number of days in the year until the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the reserve to Participants with Units Outstanding.

As of June 30, 2018, the balance in the designated surplus reserve was \$61,343,690, which reflects \$5.2 million in contributions during the year.

**Estimates.**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3: DEPOSIT AND INVESTMENT DISCLOSURES**

A formal investment policy (as adopted August 21, 1996 and revised June 16, 2008 and April 17, 2009) specifies policies and guidelines that provide for the systematic management of STIF and prudent and productive investment of funds. All securities of STIF are registered under the Bank of New York Mellon nominee name, MAC & Co.

**Custodial Credit Risk – Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the STIF's deposits may not be recovered. The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of total assets with a ten-business-day cure period. Further, the certificates of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by S&P Global Ratings and F-1 by Fitch and whose long-term debt is rated at least A- by S&P and Fitch, or backed by a letter of credit issued by a Federal Home Loan Bank.

Deposits in FDIC insured banks are insured up to \$250,000 (as of June 30, 2018); any amount above this limit is considered uninsured. Additionally, state banking regulation requires all Connecticut public depositories to segregate collateral against public deposits in an amount equal to at least ten percent of the outstanding deposit. As of fiscal year-end, deposit instruments in STIF totaled \$3,131,627,404. Of that amount, \$2,488,402,404 was exposed to custodial credit risk representing the portion that was uninsured,

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

uncollateralized or not backed by a letter of credit.

**Uninsured Bank Amounts**

<u>Bank</u>	<u>Amount</u>	<u>Uninsured/Uncollateralized</u>
ANZ BANK	\$300,000,000	\$300,000,000
BB&T	225,000,000	224,750,000
CITIZENS BANK	250,000,000	0
DEXIA CREDIT LOCAL*	160,000,000	160,000,000
DZ BANK	200,000,000	200,000,000
FIRST REPUBLIC BANK	275,000,000	0
NORDEA BANK	231,377,000	231,377,000
ROYAL BANK CANADA	190,248,904	190,248,904
SCOTIA BANK	300,000,000	300,000,000
SUMITOMO BANK	300,000,000	300,000,000
SVENSKA HANDELSBANKEN	275,001,500	275,001,500
TD BANK	175,000,000	157,275,000
TD BANK SECURITIES, DTC CD	125,000,000	125,000,000
UNITED BANK	100,000,000	0
US BANK, NA, DTC CD	25,000,000	24,750,000
<b>TOTAL</b>	<b>\$3,131,627,404</b>	<b>\$2,488,402,404</b>

\*Dexia Credit Local deposit guaranteed by the governments of France, Belgium and Luxembourg.

***Interest Rate Risk – Investments***

Interest rate risk is the risk that changes in the general level of interest rates will adversely affect the fair value of an investment. The STIF's policy for managing interest rate risk is to limit investments to a very short weighted average maturity, not to exceed 90 days, and to comply with S&P Global Ratings' requirement that the weighted average maturity not exceed 60 days. The weighted-average maturity is calculated daily and reported to S&P Global Ratings weekly to ensure compliance. As of June 30, 2018 the weighted average maturity of STIF was 35 days. The breakdown of STIF's maturity profile is outlined below.

<u>Investments</u>	<u>Amortized Cost</u>	<u>Investment Maturity in Years</u>
		<u>Less than One</u>
Deposit Instruments		
Fixed	\$2,374,661,981	\$2,374,661,981
Floaters	756,965,422	756,965,422
Federal Agency Securities		
Fixed	523,075,727	523,075,727
Floaters	872,751,437	872,751,437
Corporate & Bank Commercial Paper		
Fixed	1,568,963,732	1,568,963,732
Floaters	50,000,000	50,000,000
Repurchase Agreements	<u>650,000,000</u>	<u>650,000,000</u>
Total	<u>\$6,796,418,299</u>	<u>\$6,796,418,299</u>

Additionally, STIF is allowed by policy to invest in floating-rate debt securities. Further, investment in floating-rate securities with maturities greater than two years is limited to no more than 20 percent of the overall portfolio. For purposes of the weighted average maturity calculation and classification in the chart above, variable-rate securities are calculated using their interest rate reset dates. Because these securities reset frequently to prevailing market rates, interest rate risk is substantially reduced. As of fiscal year-end, the STIF portfolio held \$1,680 million in variable rate securities.

***Credit Risk of Debt Securities***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer.

Investment credit risk and concentration of credit risk of debt securities will be managed as follows:

- The STIF will purchase short-term, high-quality fixed income securities as allowed by CGS 3-27c - 3-27e and further defined within Connecticut State Treasurer's Short-Term Investment Fund Investment Policy, S&P Global Ratings' AAAM Principal Stability Fund Guidelines and the Governmental Accounting Standards Board Statement Number 79. To be considered high-quality, a security must be rated in the

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

highest short-term rating category by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO").

- STIF will perform a fundamental credit analysis to develop and approve a database of issuers that meet the Fund's standard for minimal credit risk. STIF will monitor the credit risks of all portfolio securities on an ongoing basis by reviewing the financial data, issuer news and developments, and ratings of designated NRSROs.
- STIF generally will comply with the following diversification limitations that are additional to those set forth in SEC Rule 2a-7, GASB Statement Number 79 and S&P Global Ratings' AAAM Principal Stability Fund Guidelines. First, at least 75 percent of fund assets will be invested in securities rated "A-1+" or equivalent. Second, exposure to any single non-governmental issuer's securities will not exceed 5 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAAM) will not exceed 5 percent of fund assets and exposure to money market mutual funds in total will not exceed 10 percent.

STIF's credit quality ratings were as follows at June 30, 2018:

<b>Credit Quality Rating</b>	<b>Amortized Cost</b>	<b>Percentage of Amortized Cost</b>
AA / A-1+	\$3,051,946,897	44.9%
A / A-1	1,073,644,239	15.8%
A-2*	525,000,000	7.7%
Federal Agency and U.S. Govt / Govt Guaranteed Securities**	2,045,827,163	30.1%
N/R*	100,000,000	1.5%
<b>Total</b>	<b>\$ 6,796,418,299</b>	<b>100%</b>

\*A-2 & N/R securities are backed by irrevocable standby letters of credit provided by federal home loan banks.

\*\*Federal Agency and U.S. Govt / Govt Guaranteed Securities include Repurchase agreements backed by such securities.

As of June 30, 2018, the table below lists issuers with concentrations of greater than 5 percent.

<b>Issuer</b>	<b>Fair Value</b>	<b>Percent of Total Portfolio</b>
FEDERAL FARM CREDIT	\$648,526,163	9.5%
FEDERAL HOME LOAN BANK	631,999,484	9.3%
ROYAL BANK CANADA*	640,300,130	9.4%

\*Royal Bank Canada includes an investment with RBC and repurchase agreements with RBC.

**Investments, Fair Value Hierarchy**

STIF investments are carried at amortized cost, but fair value is reported in certain note disclosures as required by GAAP. STIF investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a pricing methodology that uses evaluation models, such as matrix pricing, to value securities based on a security's relationship to benchmark quoted prices. Debt securities classified in Level 3 of the fair value hierarchy are subject to being priced by an alternative pricing source utilizing discounted cash flow models and broker bids, or may have an estimated fair value equal to cost, due to the absence of an independent pricing source.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Certain investments, such as bank deposit instruments, money market funds and repurchase agreements, are not included in the following tables because they are not negotiable instruments and are valued at cost.

STIF has the following fair value measurements as of June 30, 2018:

	<b>June 30, 2018</b>	<b>Quoted Prices in Active Market for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
Investments by fair value level:				
Federal Agency Securities	\$1,394,841,815	-	\$1,394,841,815	-
Non-bank Commercial paper	1,618,801,750	-	1,618,801,750	-
Total debt securities measured at fair value	<u>\$3,013,643,565</u>	-	<u>\$3,013,643,565</u>	-

**NOTE 4: CUSTODIAN**

BNY Mellon was appointed as custodian for STIF effective December 9, 2013. STIF pays an approximately \$275,000 annual custodial fee for the Short-Term Investment Unit.

**NOTE 5: ADMINISTRATION**

STIF is managed and administered by employees of the State of Connecticut Treasury. Salaries and fringe benefit costs as well as operating expenses are charged directly to the Fund.

**NOTE 6: DISTRIBUTIONS TO INVESTORS**

The components of the distributions to investors are as follows for the income earned during the twelve months ended:

<b>Distributions:</b>	<b>2018</b>	<b>2017</b>
July	\$ 5,374,620	\$ 1,888,124
August	5,998,212	1,822,366
September	5,605,317	1,948,752
October	5,668,566	2,016,150
November	5,474,579	2,176,315
December	5,834,846	2,522,404
January	7,124,016	3,120,576
February	7,840,017	3,125,857
March	9,233,470	3,852,470
April	10,052,118	4,137,077
May	11,021,818	4,514,219
June (Payable at June 30)	10,702,148	4,587,265
Total Distribution Paid & Payable	<u>\$89,929,727</u>	<u>\$35,711,575</u>

**NOTE 7: INVESTMENTS IN SECURITIES**

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2018:

<b>Investment</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Bank Deposits	\$2,506,627,403	\$2,506,730,830
Deposits with Government Backing	625,000,000	625,000,000
Non-Financial Credit Instruments	1,618,963,732	1,618,801,750
Government Agency Securities	1,395,827,164	1,394,841,815
Repurchase Agreements	650,000,000	650,000,000
Total	<u>\$6,796,418,299</u>	<u>\$6,795,374,395</u>



**NOTES TO FINANCIAL STATEMENTS (Continued)**

Repurchase agreements are agreements to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. They are used to enhance returns with minimal risk on overnight cash deposits of the Fund. Such transactions are only entered into with primary government securities dealers who report directly to the Federal Reserve Bank of New York and commercial banks that meet certain quality standards. All repurchase agreements are collateralized at between 100 percent and 102 percent of the securities' value. As of fiscal year end, STIF held \$650 million in repurchase agreements.

In response to changes to SEC rule 2a-7 and in an effort to enhance comparability of financial statements among governments the Government Accounting Standards Board (GASB) issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants, effective December 15, 2015. Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance would prevent the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. STIF is in compliance with GASB Statement No. 79 and has elected to measure its investments on an amortized cost basis.

In an effort to improve disclosures associated with derivative contracts, the Government Accounting Standards Board (GASB) issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, effective for the fiscal years beginning after June 15, 2009. Statement No. 53 requires that all derivatives be reported on the Statement of Net Position and defines a derivative instrument as a financial instrument or other contract that has all of the following characteristics: a) Settlement factors. It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both, b) Leverage. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and c) Net settlement. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

For the fiscal year ended June 30, 2018, STIF held adjustable-rate U.S. government agency securities whose interest rates vary directly with short-term money market indices and are reset either daily, weekly, monthly or quarterly. Such securities allow the Fund to earn higher interest rates as market rates increase, thereby increasing fund yields and protecting against the erosion of market values from rising interest rates. These adjustable rate securities have similar risks as fixed-rate securities from the same issuers.

**NOTE 8: CREDIT RATING OF THE FUND**

Throughout the year ended June 30, 2018, STIF was rated AAAM, its highest rating, by S&P Global Ratings (S&P). In December 2017, following a review of the portfolio and STIF's investment policies, management and procedures, S&P reaffirmed STIF's AAAM rating and has continued to maintain this high rating throughout the current fiscal year. In order to maintain an AAAM rating, STIF adheres to the following guidelines:

- Weekly portfolio and market value calculations;
- Maintenance of credit quality standards for portfolio securities with at least 50% of such securities rated A-1+ or invested in overnight repurchase agreements with dealers or banks rated A-1;
- Ensuring adequate portfolio diversification standards with no more than 5% of the portfolio invested in an individual security and no more than 10% invested in an individual issuer, with a ten-business-day cure period, excluding one and two day repurchase agreements and U.S. government agency securities; and

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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- A limit on the overall portfolio weighted average maturity (currently no more than 60 days).

It is the Treasurer's intention to take any and all such actions as are needed from time to time to maintain the AAAM rating.

**NOTE 9: SUBSEQUENT EVENTS**

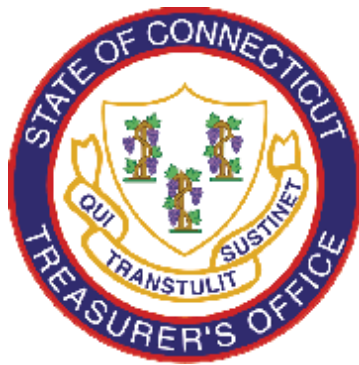
The Fund management has evaluated the events and transactions that have occurred through December 31, 2018, the date the basic financial statements were available to be issued. There were no subsequent events identified related to STIF that could have a material impact on STIF's financial statements.



# **Investment**

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# **Section**



# 2018 short-term investment fund

## Fund Facts at June 30, 2018

**Investment Strategy/Goals:** To provide a safe, liquid and effective investment vehicle for the operating cash of the State, municipalities and other Connecticut political subdivisions.

**Performance Objective:** As high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity.

**Benchmarks:** iMoneyNet Money Fund Average™ - Rated First Tier Institutional Average (MFR) Index, Three-Month Treasury Bills.

**Date of Inception:** 1972

**Total Net Position:** \$6.8 billion

**Internally Managed**

**External Management Fees:** None

**Expense Ratio:** Approximately 3-4 basis points (includes all costs associated with the management and operations of the fund)

## Description of the Fund

The Treasurer's Short-Term Investment Fund (STIF or the Fund) is an AAAM rated investment pool of high-quality, short-term money market instruments managed by the Treasurer's Cash Management Division. Created in 1972, it serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State (See Figure 1-1). STIF's objective is to provide as high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity to meet participants' daily cash flow requirements. During the 2018 fiscal year, STIF's portfolio averaged \$6.5 billion.

STIF employs a top-down approach to developing its investment strategy for the management of its assets. Starting with the objectives of the Fund, STIF considers constraints outlined in its investment policy, which include among other parameters: liquidity management, limitations on the portfolio's weighted average maturity and permissible investment types. Next, an asset allocation is developed to identify securities that are expected to perform well in the current market environment. Over the long-term, STIF continually analyzes expectations of future interest rate movements and changes in the shape of the yield curve to ensure the most prudent and effective short-term money management for its clients. Ongoing credit analysis enables STIF to enhance its yield by identifying high-quality credits in undervalued sectors of the economy.

STIF pays interest monthly based on the daily earnings of the Fund less Fund expenses and an allocation to the Fund's designated surplus reserve. The daily reserve allocations equal one-tenth of one percent of the Fund's daily balances divided by the number of days in the year, until the reserve totals one percent of the Fund's daily balance. The reserve at June 30, 2018, totaled \$61.3 million.

To help the Fund and its investors evaluate performance, STIF compares its returns to various benchmarks. The primary benchmark is the iMoneyNet Money Fund Average™ - Rated First Tier Institutional Average (MFR) Index. This index represents an average of institutional money market mutual funds rated AAAM that invest primarily in first-tier (securities rated A-1, P-1) taxable securities. While STIF's investment policy allows for somewhat greater flexibility than these SEC-registered funds, the MFR Index is the most appropriate benchmark against which to judge STIF's performance. During the past year, STIF's actual investment strategy has been considerably more conservative than most private money funds and its own investment policy would permit. (See Figure 1-3)

STIF's yields also are compared to the average three-month Treasury Bills rate and a three-month certificate of deposit (CD) rate. The former benchmark is used to measure STIF's effectiveness in achieving yields in excess of a "risk-free" investment. The latter is discussed for the benefit of STIF investors, many of whom invest in bank certificates of deposit. In viewing these benchmarks, it is important to keep in mind that yields of CD's will exceed those of the T-Bill index due to a CD's slightly higher risk profile and comparatively lower liquidity. Additionally, it is important to note that the 90-day benchmarks exceed STIF's shorter average maturity. In order to maintain its AAAM rating, the STIF cannot exceed a 60-day weighted average maturity (WAM) limit. Furthermore, these benchmarks are "unmanaged" and are not affected by management fees or operating expenses.

Among the Fund's several achievements during the 2018 fiscal year was the reaffirmation and continuation of its AAAm rating by S&P Global Ratings (S&P). In S&P's view, "a fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk."

### Portfolio Characteristics

During Fiscal Year 2018, the STIF portfolio continued its conservative investment approach of balancing liquidity and stability while maximizing yield for investors. STIF's conservative investment practices include maintaining abundant liquidity, a well-diversified portfolio, and significant holdings of securities issued, guaranteed or insured by the U.S. government and federal agencies.

Accordingly, at year-end STIF held 41 percent of Fund assets in overnight investments or investments that are available on a same-day basis. During the fiscal year, the Fund's WAM fluctuated between a low of 29 days and a high of 45 days, and ended the year at 35 days. Fifty-eight percent of the Fund's assets were invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days. (See Figure 1-2)

The Fund ended the year with a 39.3 percent concentration in securities issued, guaranteed or insured by the U.S. government or federal agencies (including deposit instruments backed by irrevocable Federal Home Loan Bank letters of credit) or in repurchase agreements backed by such securities. In total, 84 percent of STIF's assets are rated A-1+ or have some form of government support. The Fund's three largest security weightings included bank deposits (46.1 percent), non-financial credit instruments (23.8 percent), and government agency securities (20.5 percent). (See Figure 1-5)

### Market Review

Fiscal Year 2018 can be described as a "path towards normal." During the course of the fiscal year, the Federal Reserve Bank (Fed) continued to tighten monetary policy through hikes in the Federal Funds rate as well as balance sheet normalization.

The Fed tightened monetary policy through Federal Funds rate hikes on three different occasions during the fiscal year, increasing the lower end of the Federal Funds range from 1.0 percent to 1.75 percent and the upper end from 1.25 percent to 2.0 percent. The message from the Federal Reserve has been consistent over this period, essentially stating that the employment market is strong and inflation has increased to the Fed's desired level. Until such time as the employment market softens and inflationary pressures recede, the Fed will continue to increase the Federal Funds rate to a point where it is more "normal" and less accommodative. As a secondary route on the path towards normal, the Federal Reserve has been reducing the size of its balance sheet by reducing the amount of principle and interest payments that are reinvested which, by the end of the fiscal year, amounted to a reduction of \$30 billion a month.

The monetary policy actions undertaken by the Fed were not, however, part of a coordinated global monetary policy action. While the Fed has been raising rates, the European Central Bank (ECB) has left rates intact since 2016, with the Deposit Facility rate at negative 40 basis points and the Refinancing Operations rate at zero percent. The ECB will also continue to increase its balance sheet with purchases of government, corporate and asset-backed securities. Similarly, the Bank of Japan (BOJ) has had a Policy Rate Balance rate of negative ten basis points since 2016 and has continued with its program of buying government and corporate bonds as well as equities through exchange traded funds and real estate investment trusts. Both the ECB and BOJ have targeted a sustained two percent inflation rate as a target of monetary policy, but inflationary pressures are modest and might require an accommodative stance for some time.

The increases in the Federal Funds rate were consistent with market expectations and were generally factored in to pricing in the short-end of the interest rate curve. During the period, the one month London Interbank Offered Rate (LIBOR) increased from 1.22 percent to 2.09 percent, for a change of 87 basis points. This increase reflected the increases in the Federal Funds rate as well as near-term expectations of further tightening by the Fed.

## CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

Within the Treasury Bill market, the three-month bill increased 90 basis points during the period to end at 1.91 percent. The one-year bill increased 108 basis points during the period to end the fiscal year at 2.31 percent. Longer-term Treasuries, as reflected by the ten-year note, increased by 56 basis points during the period to end the fiscal year at 2.86 percent after reaching a May 2018 high of 3.11 percent.

Domestic inflation averaged 2.3 percent during the fiscal year, up moderately from 1.8 percent in Fiscal Year 2017. Excluding the more volatile food and energy components, inflation during the fiscal year averaged 1.9 percent, 20 basis points lower than the Fiscal Year 2017 average. Similarly, inflation in the Eurozone was higher, with an average inflation rate of 1.5 percent, up 40 basis points from the Fiscal Year 2017 period, but still shy of the two percent rate that policy makers have targeted.

Domestic growth, as measured by Gross Domestic Product (GDP), experienced modest growth during the fiscal year. For Fiscal Year 2018, GDP (on a year-over-year basis) ranged between 2.3 percent and 2.8 percent. For the entire fiscal year, GDP averaged a 2.6 percent year-over-year rate, up from Fiscal Year 2017's 1.9 percent rate. Meanwhile, the unemployment rate ended the fiscal year at 4.0 percent, down from the 4.4 rate at the end of Fiscal Year 2017. During the course of the fiscal year, approximately 2.4 million people were added to payrolls

### Performance Summary

For the one-year period ending June 30, 2018, STIF reported an annual total return of 1.39 percent, net of all expenses and \$5.2 million in allocations to Fund reserves. Annual total return measures the total investment income a participant would earn with monthly compounding at the Fund's monthly net earned rate during the year. This figure exceeded that achieved by its benchmark, the MFR Index, which equaled 1.27 percent, by 12 basis points. STIF's performance lagged that of three-month T-Bills by seven basis points, which yielded 1.46 percent. The Fund's performance also fell short of three-month CD's, which yielded, on average, 1.70 percent but lack STIF's daily liquidity and exceed STIF's average maturity. STIF's relative performance was limited by the Fund's more cautious investment strategy that is focused on safety and liquidity.

The principal reasons for STIF's continued strong performance, despite its cautious strategy, was the selective addition of more bank deposit instruments and the active management of maturities within the portfolio, as well as the low overall expense rate.

Over the long-term, STIF has performed exceptionally well. For the trailing three-, five-, seven-, and ten-year periods, STIF's compounded annual total return was 0.76 percent, 0.51 percent, 0.41 percent, and 0.49 percent, net of all expenses and contributions to reserves, exceeding returns of its primary benchmark for all time periods. Viewed on a dollar-for-dollar basis, had one invested \$10 million in STIF ten years ago, that investment would have been worth \$10.5 million at June 30, 2018, versus \$10.4 million for a hypothetical investment in the MFR Index. (See Figure 1-6) During the past ten years, STIF has earned \$70.6 million above its benchmark while adding \$34.1 million to its reserves.

During the past 19.5 years of the Nappier administration, the Fund has earned \$216 million in additional income above its benchmark while adding nearly \$33 million to the designated surplus reserve.

### Risk Profile

STIF is considered extremely low risk for several reasons. First, its portfolio is comprised of high-quality, highly liquid securities, which insulate the Fund from default and liquidity risk. (See Figure 1-4) Second, its relatively short average maturity reduces the Fund's price sensitivity to changes in market interest rates. Third, STIF has a strong degree of asset diversification by security type and issuer, as required by its investment policy, strengthening its overall risk profile. And finally, STIF's reserves are available to protect against security defaults or the erosion of security values due to dramatic and unforeseen market changes. As the primary short-term investment vehicle for the operating cash of the State, STIF has the ultimate confidence of the State government.

While STIF is managed diligently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured.



## CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

Figure 1-1

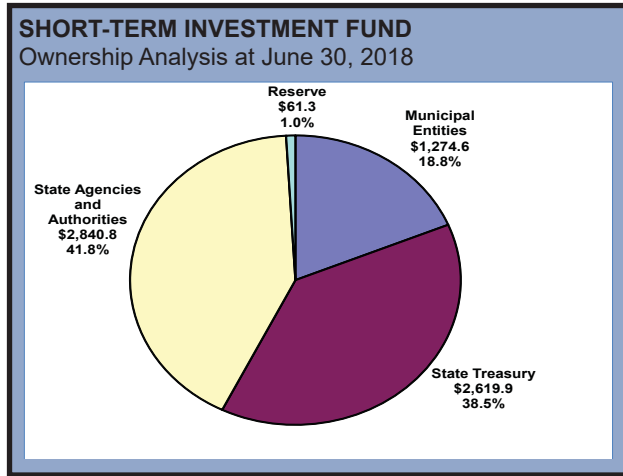


Figure 1-2

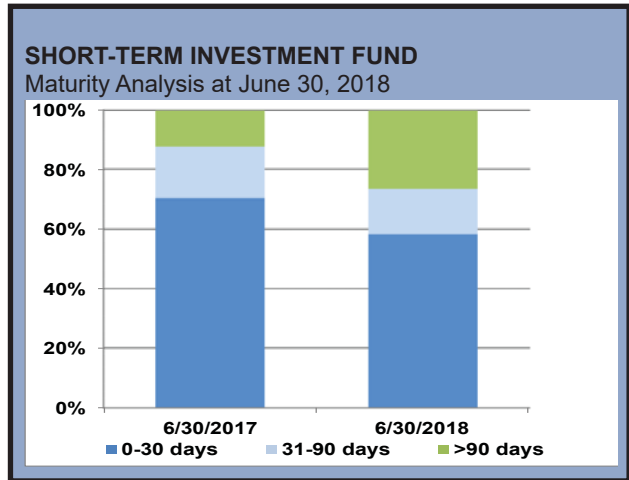


Figure 1-3

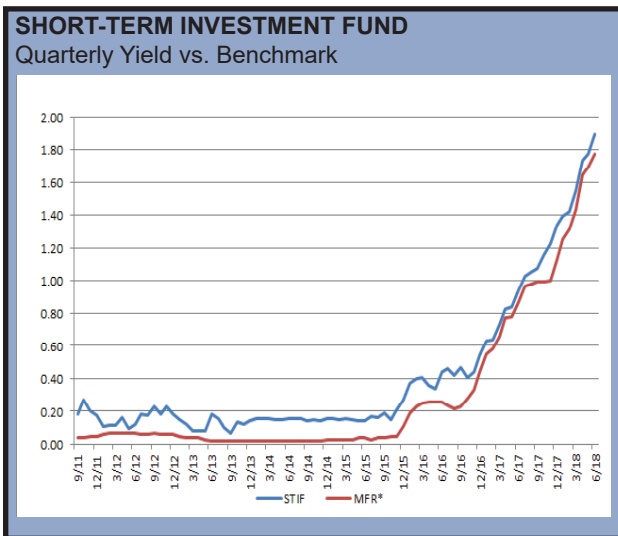


Figure 1-4

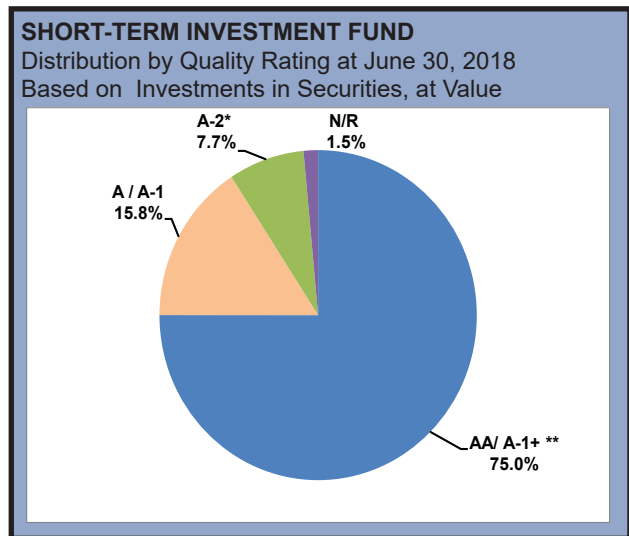
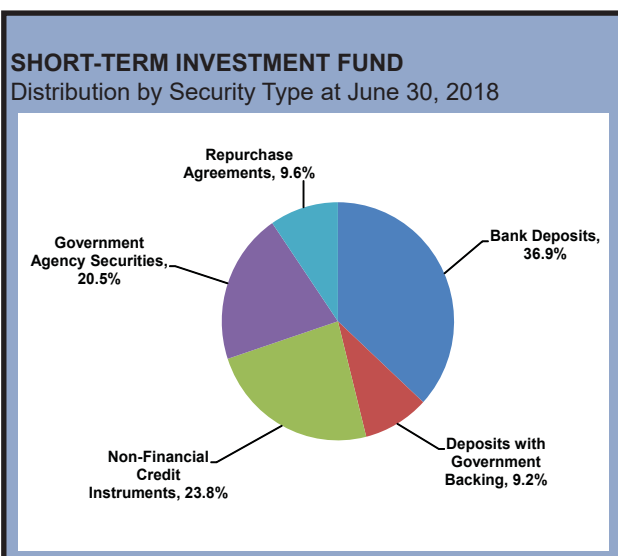


Figure 1-5



\*A-2 and N/R securities are backed by irrevocable standby letters of credit provided by federal home loan banks.  
 \*\*AA/A-1+ Includes federal agency and U.S. Govt/Govt Guaranteed Securities and repurchase agreements backed by such securities.

Figure 1-6

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Compounded Annual Total Return (%)</b>					
STIF	1.39	0.76	0.51	0.41	0.49
MFR Index*	1.27	0.64	0.39	0.30	0.35
Fed. Three-Month T-Bill	1.46	0.74	0.46	0.35	0.32
<b>Cumulative Total Return (%)</b>					
STIF	1.39	2.30	2.60	2.93	5.05
MFR Index*	1.27	1.93	1.98	2.08	3.58
Fed. Three-Month T-Bill	1.46	2.23	2.30	2.44	3.29

STIF uses a time-weighted linked rate of return formula to calculate rates of return.

\*Represents iMoneyNet Money Fund Average™ - Rated First Tier Institutional Average (MFR) Index.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2018**

Par	Issuer	YTM	Reset / Maturity	Amortized Cost	Fair Market Value	Rating
<b>BANK DEPOSIT INSTRUMENTS (36.9% OF TOTAL INVESTMENTS)</b>						
\$ 300,000,000	ANZ Bank	1.90%	7/2/2018	\$ 300,000,000	\$ 300,000,000	A-1+
100,000,000	BB&T CO. (2)	2.30%	7/2/2018	100,000,000	100,000,000	A-1
125,000,000	BB&T CO. (2)	2.30%	7/2/2018	125,000,000	125,000,000	A-1
25,000,000	DEXIA CREDIT LOCAL SA NY	2.26%	7/9/2018	25,000,000	25,000,000	A-1+
25,000,000	DEXIA CREDIT LOCAL SA NY	2.28%	7/9/2018	25,000,000	25,000,000	A-1+
25,000,000	DEXIA CREDIT LOCAL SA NY	2.05%	7/9/2018	25,000,000	25,000,000	A-1+
25,000,000	DEXIA CREDIT LOCAL SA NY	1.86%	8/6/2018	25,000,000	24,995,750	A-1+
10,000,000	DEXIA CREDIT LOCAL SA NY	2.31%	10/1/2018	10,000,000	10,000,500	A-1+
25,000,000	DEXIA CREDIT LOCAL SA NY	2.34%	11/9/2018	25,000,000	24,999,250	A-1+
25,000,000	DEXIA CREDIT LOCAL SA NY	2.23%	1/9/2018	25,000,000	25,000,000	A-1+
100,000,000	DZ BANK NY	1.89%	7/2/2018	100,000,000	100,000,000	A-1+
50,000,000	DZ BANK NY	2.23%	7/18/2018	50,000,000	50,006,000	A-1+
50,000,000	DZ BANK NY	2.23%	7/25/2018	50,000,000	50,007,000	A-1+
25,000,000	NORDEA BANK	1.87%	7/18/2018	25,000,000	25,000,000	A-1+
56,377,000	NORDEA BANK	1.88%	7/2/2018	56,377,000	56,377,000	A-1+
25,000,000	NORDEA BANK	1.84%	7/20/2018	25,000,000	25,000,000	A-1+
50,000,000	NORDEA BANK	1.90%	8/1/2018	50,000,000	50,000,000	A-1+
25,000,000	NORDEA BANK	2.00%	8/15/2018	25,000,000	25,000,000	A-1+
25,000,000	NORDEA BANK	2.25%	9/18/2018	25,000,000	25,000,000	A-1+
25,000,000	NORDEA BANK	2.37%	12/17/2018	25,000,000	25,000,000	A-1+
25,000,000	ROYAL BANK OF CANADA NY	2.22%	7/11/2018	25,000,000	25,001,850	A-1+
25,000,000	ROYAL BANK OF CANADA NY	2.17%	7/3/2018	25,000,000	25,000,550	A-1+
25,000,000	ROYAL BANK OF CANADA NY	2.40%	7/6/2018	25,000,000	25,000,000	A-1+
25,000,000	ROYAL BANK OF CANADA NY	2.49%	7/17/2018	25,000,000	25,017,825	A-1+
30,000,000	ROYAL BANK OF CANADA NY	2.53%	7/17/2018	30,000,000	30,024,030	A-1+
5,050,000	ROYAL BANK OF CANADA NY	2.29%	7/24/2018	5,050,000	5,050,924	A-1+
25,000,000	ROYAL BANK OF CANADA NY	2.39%	8/2/2018	25,000,000	25,000,000	A-1+
21,900,000	ROYAL BANK OF CANADA NY	2.47%	9/6/2018	21,913,923	21,918,812	A-1+
8,300,000	ROYAL BANK OF CANADA NY	2.41%	10/4/2018	8,284,981	8,286,139	A-1+
50,000,000	SCOTIA BANK (2)	2.04%	7/2/2018	50,000,000	50,000,000	A-1
250,000,000	SCOTIA BANK (2)	2.04%	7/2/2018	250,000,000	250,000,000	A-1
25,000,000	SUMITOMO MITSUI BANK (2)	2.00%	7/2/2018	25,000,000	25,000,000	A-1
25,000,000	SUMITOMO MITSUI BANK (2)	2.00%	7/2/2018	25,000,000	25,000,000	A-1
50,000,000	SUMITOMO MITSUI BANK (2)	2.00%	7/2/2018	50,000,000	50,000,000	A-1
100,000,000	SUMITOMO MITSUI BANK (2)	2.00%	7/2/2018	100,000,000	100,000,000	A-1
100,000,000	SUMITOMO MITSUI BANK (2)	2.00%	7/2/2018	100,000,000	100,000,000	A-1
25,000,000	SVENSKA HANDELSBANKEN NY	1.89%	7/25/2018	25,000,000	24,999,000	A-1+
25,000,000	SVENSKA HANDELSBANKEN NY	2.38%	9/24/2018	25,000,000	25,008,750	A-1+
25,000,000	SVENSKA HANDELSBANKEN NY	2.35%	10/24/2018	25,000,000	25,002,250	A-1+
25,000,000	SVENSKA HANDELSBANKEN NY	2.40%	11/5/2018	25,000,000	25,005,250	A-1+
25,000,000	SVENSKA HANDELSBANKEN NY	2.40%	12/21/2018	25,000,000	24,997,750	A-1+
25,000,000	SVENSKA HANDELSBANKEN NY	2.29%	7/20/2018	25,000,000	25,003,700	A-1+
50,000,000	SVENSKA HANDELSBANKEN NY	2.29%	7/23/2018	50,000,000	50,000,000	A-1+
25,000,000	SVENSKA HANDELSBANKEN NY	2.26%	7/24/2018	25,001,500	25,006,000	A-1+
50,000,000	SVENSKA HANDELSBANKEN NY	2.47%	7/30/2018	50,000,000	50,000,000	A-1+
25,000,000	TORONTO DOMINION BANK NY (2)	2.01%	7/2/2018	25,000,000	25,000,000	A-1+
50,000,000	TORONTO DOMINION BANK NY (2)	2.01%	7/2/2018	50,000,000	50,000,000	A-1+
100,000,000	TORONTO DOMINION BANK NY (2)	2.01%	7/2/2018	100,000,000	100,000,000	A-1+
50,000,000	TORONTO DOMINION BANK NY	2.30%	7/19/2018	50,000,000	50,008,000	A-1+
25,000,000	TORONTO DOMINION BANK NY	2.30%	7/23/2018	25,000,000	25,004,500	A-1+
25,000,000	TORONTO DOMINION BANK NY	2.18%	8/27/2018	25,000,000	25,002,250	A-1+
25,000,000	TORONTO DOMINION BANK NY	2.35%	9/28/2018	25,000,000	25,007,750	A-1+
25,000,000	US BANK	1.88%	7/23/2018	25,000,000	25,000,000	A-1+
\$ 2,506,627,000				\$ 2,506,627,403	\$ 2,506,730,830	
<b>BANK DEPOSIT INSTRUMENTS WITH GOVERNMENT BACKING (9.2% OF TOTAL INVESTMENTS)</b>						
\$ 25,000,000	CITIZEN'S BANK (2,3)	2.00%	7/2/2018	\$ 25,000,000	\$ 25,000,000	A-2
50,000,000	CITIZEN'S BANK (2,3)	2.00%	7/2/2018	50,000,000	50,000,000	A-2
75,000,000	CITIZEN'S BANK (2,3)	2.00%	7/2/2018	75,000,000	75,000,000	A-2
100,000,000	CITIZEN'S BANK (2,3)	2.00%	7/2/2018	100,000,000	100,000,000	A-2
75,000,000	FIRST REPUBLIC BANK (2,3)	2.03%	7/2/2018	75,000,000	75,000,000	A-2
200,000,000	FIRST REPUBLIC BANK (2,3)	2.00%	7/2/2018	200,000,000	200,000,000	A-2
50,000,000	UNITED BANK (2,3)	2.02%	7/2/2018	50,000,000	50,000,000	N/A
50,000,000	UNITED BANK (2,3)	2.02%	7/2/2018	50,000,000	50,000,000	N/A
\$ 625,000,000				\$ 625,000,000	\$ 625,000,000	

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2018 (Continued)**

Par	Issuer	YTM	Reset / Maturity	Amortized Cost	Fair Market Value	Rating
<b>NON-FINANCIAL COMMERCIAL PAPER AND CORPORATE NOTES (23.8% OF TOTAL INVESTMENTS)</b>						
\$ 25,000,000	APPLE INC	1.94%	8/13/2018	\$ 24,943,264	\$ 24,937,500	A-1+
25,000,000	APPLE INC	2.14%	9/10/2018	24,896,951	24,895,250	A-1+
25,000,000	APPLE INC	2.15%	9/12/2018	24,893,542	24,892,250	A-1+
25,000,000	APPLE INC	2.21%	9/17/2018	24,883,000	24,884,250	A-1+
25,000,000	APPLE INC	2.22%	9/17/2018	24,882,458	24,884,250	A-1+
25,000,000	APPLE INC	2.21%	9/18/2018	24,881,500	24,882,750	A-1+
25,000,000	APPLE INC	2.22%	9/18/2018	24,880,951	24,882,750	A-1+
25,000,000	APPLE INC	2.34%	12/3/2018	24,754,583	24,742,750	A-1+
25,000,000	APPLE INC	2.34%	12/3/2018	24,754,583	24,742,750	A-1+
25,000,000	APPLE INC	2.34%	12/4/2018	24,753,000	24,741,000	A-1+
25,000,000	COCA-COLA CO	1.85%	7/12/2018	24,986,174	24,982,500	A-1
25,000,000	COCA-COLA CO	2.14%	8/23/2018	24,923,076	24,922,000	A-1
25,000,000	COCA-COLA CO	2.14%	8/23/2018	24,923,076	24,922,000	A-1
25,000,000	COCA-COLA CO	2.15%	8/24/2018	24,921,250	24,920,500	A-1
10,000,000	COCA-COLA CO	2.32%	9/10/2018	9,955,231	9,957,700	A-1
25,000,000	COCA-COLA CO	2.32%	9/12/2018	24,884,924	24,891,250	A-1
25,000,000	COCA-COLA CO	2.34%	9/24/2018	24,865,417	24,871,750	A-1
25,000,000	COCA-COLA CO	2.34%	9/25/2018	24,863,833	24,870,250	A-1
25,000,000	COCA-COLA CO	2.43%	12/6/2018	24,739,958	24,734,500	A-1
25,000,000	COCA-COLA CO	2.43%	12/7/2018	24,738,313	24,732,500	A-1
15,000,000	COCA-COLA CO	2.43%	12/7/2018	14,842,988	14,839,500	A-1
50,000,000	EXXON MOBIL CORP	2.06%	8/16/2018	49,870,944	49,866,500	A-1+
50,000,000	EXXON MOBIL CORP	2.06%	8/17/2018	49,868,139	49,864,000	A-1+
50,000,000	EXXON MOBIL CORP	2.06%	8/21/2018	49,856,917	49,852,000	A-1+
25,000,000	EXXON MOBIL CORP	2.07%	9/14/2018	24,894,271	24,891,000	A-1+
25,000,000	EXXON MOBIL CORP	2.09%	9/14/2018	24,893,229	24,891,000	A-1+
25,000,000	EXXON MOBIL CORP	2.08%	9/17/2018	24,889,500	24,886,750	A-1+
25,000,000	EXXON MOBIL CORP	2.08%	9/21/2018	24,883,833	24,880,750	A-1+
25,000,000	NATL SEC CLEARING CORP	1.92%	7/2/2018	24,998,688	24,996,000	A-1+
25,000,000	NATL SEC CLEARING CORP	2.09%	7/9/2018	24,988,611	24,986,750	A-1+
25,000,000	NATL SEC CLEARING CORP	2.09%	8/7/2018	24,947,326	24,945,250	A-1+
25,000,000	NATL SEC CLEARING CORP	2.29%	9/17/2018	24,878,125	24,879,500	A-1+
25,000,000	NATL SEC CLEARING CORP	2.20%	10/1/2018	24,862,639	24,854,750	A-1+
25,000,000	NATL SEC CLEARING CORP	2.24%	10/1/2018	24,859,444	24,854,750	A-1+
25,000,000	NATL SEC CLEARING CORP	2.25%	10/2/2018	24,857,917	24,852,750	A-1+
25,000,000	NATL SEC CLEARING CORP	2.31%	11/28/2018	24,765,625	24,745,500	A-1+
25,000,000	NATL SEC CLEARING CORP	2.41%	12/4/2018	24,745,417	24,735,000	A-1+
25,000,000	NATL SEC CLEARING CORP	2.42%	12/13/2018	24,729,583	24,719,250	A-1+
100,000,000	PROCTER & GAMBLE CO	1.95%	7/5/2018	99,978,667	99,968,000	A-1+
25,000,000	PROCTER & GAMBLE CO	1.98%	7/23/2018	24,970,208	24,967,500	A-1+
25,000,000	TOYOTA MOTOR CREDIT CORP	2.11%	7/3/2018	25,000,000	25,000,000	A-1+
25,000,000	TOYOTA MOTOR CREDIT CORP	2.31%	7/3/2018	25,000,000	25,000,000	A-1+
10,000,000	TOYOTA MOTOR CREDIT CORP	1.84%	7/11/2018	9,995,000	9,993,600	A-1+
25,000,000	TOYOTA MOTOR CREDIT CORP	1.86%	7/19/2018	24,977,250	24,973,000	A-1+
25,000,000	TOYOTA MOTOR CREDIT CORP	1.88%	7/24/2018	24,970,611	24,966,000	A-1+
25,000,000	TOYOTA MOTOR CREDIT CORP	2.40%	8/16/2018	24,924,931	24,931,750	A-1+
15,000,000	TOYOTA MOTOR CREDIT CORP	2.36%	9/14/2018	14,927,813	14,930,700	A-1+
50,000,000	TOYOTA MOTOR CREDIT CORP	2.35%	9/21/2018	49,738,056	49,744,500	A-1+
25,000,000	TOYOTA MOTOR CREDIT CORP	2.33%	9/26/2018	24,862,250	24,863,750	A-1+
25,000,000	TOYOTA MOTOR CREDIT CORP	2.37%	10/5/2018	24,845,333	24,847,500	A-1+
50,000,000	WALMART INC	1.96%	7/2/2018	49,997,319	49,992,000	A-1+
50,000,000	WALMART INC	2.01%	7/16/2018	49,958,750	49,952,500	A-1+
50,000,000	WALMART INC	2.01%	7/17/2018	49,956,000	49,949,500	A-1+
50,000,000	WALMART INC	2.02%	7/18/2018	49,953,014	49,946,500	A-1+
50,000,000	WALMART INC	2.02%	7/19/2018	49,950,250	49,943,500	A-1+
\$ 1,625,000,000				\$ 1,618,963,732	\$ 1,618,801,750	

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2018 (Continued)**

Par	Issuer	YTM	Reset / Maturity	Amortized Cost	Fair Market Value	Rating
<b>GOVERNMENT AGENCY SECURITIES (20.5% OF TOTAL INVESTMENTS)</b>						
\$ 12,000,000	FANNIE MAE	1.26%	7/13/2018	\$ 11,998,392	\$ 11,996,364	AA+
3,000,000	FANNIE MAE	1.25%	7/13/2018	2,999,612	2,999,091	AA+
12,000,000	FANNIE MAE	1.27%	7/27/2018	12,000,000	11,991,396	AA+
1,972,000	FANNIE MAE	1.76%	10/19/2018	1,968,272	1,966,435	AA+
15,000,000	FANNIE MAE	1.89%	10/19/2018	14,965,697	14,957,670	AA+
10,000,000	FANNIE MAE	1.92%	10/19/2018	9,976,341	9,971,780	AA+
14,516,000	FANNIE MAE	1.90%	11/27/2018	14,499,801	14,487,403	AA+
7,536,000	FANNIE MAE	2.02%	2/26/2019	7,486,401	7,473,451	AA+
11,714,000	FANNIE MAE	2.12%	2/26/2019	11,629,399	11,616,774	AA+
15,000,000	FANNIE MAE	2.24%	2/26/2019	14,880,128	14,875,500	AA+
30,000,000	FEDERAL FARM CREDIT BANK	1.94%	12/18/2019	29,923,255	29,920,394	AA+
25,000,000	FEDERAL FARM CREDIT BANK	2.11%	6/18/2020	24,997,544	24,997,685	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.95%	1/9/2020	24,998,092	24,936,489	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.94%	12/26/2019	24,998,140	24,933,700	AA+
50,000,000	FEDERAL FARM CREDIT BANK	2.01%	2/28/2020	50,000,000	49,898,784	AA+
10,000,000	FEDERAL FARM CREDIT BANK	2.01%	2/28/2020	9,985,103	9,979,757	AA+
25,000,000	FEDERAL FARM CREDIT BANK	2.03%	3/6/2019	24,999,405	25,010,777	AA+
25,000,000	FEDERAL FARM CREDIT BANK	2.03%	3/6/2019	25,000,000	25,010,777	AA+
25,000,000	FEDERAL FARM CREDIT BANK	2.04%	3/13/2020	24,995,762	24,966,235	AA+
15,000,000	FEDERAL FARM CREDIT BANK	2.04%	3/13/2020	14,989,860	14,979,741	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.94%	6/5/2019	25,000,000	24,970,833	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.94%	6/5/2019	25,000,580	24,970,833	AA+
30,000,000	FEDERAL FARM CREDIT BANK	1.92%	7/17/2019	29,996,868	29,968,451	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.92%	8/16/2019	25,000,000	24,968,080	AA+
5,000,000	FEDERAL FARM CREDIT BANK	2.17%	9/12/2018	5,000,953	5,002,477	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.93%	9/5/2019	24,998,524	24,965,536	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.93%	9/5/2019	24,998,524	24,965,536	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.92%	9/13/2019	24,997,703	24,936,817	AA+
25,000,000	FEDERAL FARM CREDIT BANK	1.93%	11/4/2019	24,995,790	24,943,046	AA+
15,790,000	FEDERAL FARM CREDIT BANK	2.09%	2/10/2020	15,817,001	15,821,185	AA+
7,275,000	FEDERAL FARM CREDIT BANK	2.09%	2/10/2020	7,286,805	7,289,368	AA+
25,000,000	FEDERAL FARM CREDIT BANK	2.03%	11/19/2019	24,982,414	25,004,188	AA+
3,000,000	FEDERAL FARM CREDIT BANK	2.15%	10/22/2018	3,000,005	3,001,841	AA+
1,500,000	FEDERAL FARM CREDIT BANK	2.26%	2/25/2019	1,502,662	1,502,661	AA+
25,000,000	FEDERAL FARM CREDIT BANK	2.05%	2/27/2020	24,999,810	24,999,435	AA+
15,000,000	FEDERAL FARM CREDIT BANK	1.88%	3/1/2019	15,000,000	14,998,491	AA+
25,000,000	FEDERAL FARM CREDIT BANK	2.05%	1/3/2019	25,000,312	25,018,786	AA+
1,000,000	FEDERAL FARM CREDIT BANK	1.76%	9/17/2018	1,000,398	1,000,037	AA+
7,000,000	FEDERAL FARM CREDIT BANK	1.67%	9/20/2018	6,987,738	6,982,787	AA+
9,000,000	FEDERAL FARM CREDIT BANK	1.95%	10/11/2018	9,001,353	9,000,342	AA+
4,150,000	FEDERAL FARM CREDIT BANK	1.70%	10/15/2018	4,142,829	4,138,787	AA+
3,000,000	FEDERAL FARM CREDIT BANK	1.76%	10/24/2018	3,002,198	3,000,225	AA+
5,000,000	FEDERAL FARM CREDIT BANK	1.60%	11/1/2018	4,989,564	4,981,455	AA+
8,795,000	FEDERAL FARM CREDIT BANK	1.62%	11/1/2018	8,776,053	8,762,379	AA+
3,000,000	FEDERAL FARM CREDIT BANK	2.06%	11/9/2018	2,989,453	2,987,130	AA+
2,000,000	FEDERAL FARM CREDIT BANK	2.10%	12/19/2018	1,990,965	1,990,334	AA+
15,000,000	FEDERAL FARM CREDIT BANK	2.19%	1/8/2019	14,923,789	14,905,725	AA+
2,340,000	FEDERAL FARM CREDIT BANK	2.21%	1/25/2019	2,327,081	2,325,829	AA+
6,539,000	FEDERAL FARM CREDIT BANK	2.08%	2/11/2019	6,504,131	6,489,231	AA+
15,000,000	FED HOME LN DISCOUNT NT	2.13%	2/26/2019	14,794,000	14,786,895	AA+
25,000,000	FEDERAL HOME LOAN BANK	1.96%	8/7/2019	25,000,675	25,008,827	AA+
25,000,000	FEDERAL HOME LOAN BANK	1.97%	11/13/2019	24,998,994	24,995,113	AA+
25,000,000	FEDERAL HOME LOAN BANK	1.97%	1/14/2019	25,000,664	25,002,460	AA+
39,000,000	FEDERAL HOME LOAN BANK	2.15%	1/18/2019	39,005,324	39,020,499	AA+
15,000,000	FEDERAL HOME LOAN BANK	2.01%	7/19/2019	15,000,084	15,008,364	AA+
25,000,000	FEDERAL HOME LOAN BANK	2.02%	1/22/2020	25,000,000	24,996,223	AA+
25,000,000	FEDERAL HOME LOAN BANK	2.02%	2/25/2019	25,000,152	25,005,616	AA+
25,000,000	FEDERAL HOME LOAN BANK	1.91%	8/1/2019	25,000,000	25,006,115	AA+
6,200,000	FEDERAL HOME LOAN BANK	2.17%	5/10/2019	6,197,800	6,204,661	AA+
25,000,000	FEDERAL HOME LOAN BANK	2.17%	5/24/2019	25,000,000	25,024,105	AA+
22,000,000	FEDERAL HOME LOAN BANK	2.17%	5/24/2019	21,995,063	22,021,213	AA+
25,000,000	FEDERAL HOME LOAN BANK	2.08%	3/6/2019	24,989,841	25,009,391	AA+
4,000,000	FEDERAL HOME LOAN BANK	2.08%	3/6/2019	3,998,308	4,001,503	AA+
4,100,000	FEDERAL HOME LOAN BANK	2.17%	6/12/2019	4,099,419	4,105,620	AA+
2,500,000	FEDERAL HOME LOAN BANK	1.33%	9/14/2018	2,503,382	2,499,490	AA+

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**LIST OF INVESTMENTS AT JUNE 30, 2018 (Continued)**

Par	Issuer	YTM	Reset / Maturity	Amortized Cost	Fair Market Value	Rating
2,000,000	FEDERAL HOME LOAN BANK	1.76%	9/14/2018	2,000,969	1,999,592	AA+
14,660,000	FEDERAL HOME LOAN BANK	1.76%	9/14/2018	14,667,103	4,657,009	AA+
2,000,000	FEDERAL HOME LOAN BANK	1.76%	9/14/2018	2,000,969	1,999,592	AA+
4,000,000	FEDERAL HOME LOAN BANK	1.81%	9/14/2018	4,001,500	3,999,184	AA+
2,000,000	FEDERAL HOME LOAN BANK	1.31%	9/21/2018	1,999,052	1,995,814	AA+
5,000,000	FEDERAL HOME LOAN BANK	1.50%	10/1/2018	4,992,205	4,985,710	AA+
6,915,000	FEDERAL HOME LOAN BANK	1.53%	10/1/2018	6,903,784	6,895,237	AA+
2,540,000	FEDERAL HOME LOAN BANK	1.65%	10/1/2018	2,535,107	2,532,741	AA+
25,000,000	FEDERAL HOME LOAN BANK	1.74%	10/1/2018	24,946,125	24,928,550	AA+
8,495,000	FEDERAL HOME LOAN BANK	1.77%	10/1/2018	8,476,141	8,470,721	AA+
4,000,000	FEDERAL HOME LOAN BANK	1.75%	10/16/2018	3,995,629	3,992,272	AA+
5,555,000	FEDERAL HOME LOAN BANK	1.78%	10/16/2018	5,548,428	5,544,268	AA+
2,000,000	FEDERAL HOME LOAN BANK	1.49%	10/30/2018	1,999,240	1,995,450	AA+
5,000,000	FEDERAL HOME LOAN BANK	1.51%	11/6/2018	4,999,825	4,999,960	AA+
10,000,000	FEDERAL HOME LOAN BANK	1.80%	11/30/2018	9,995,881	9,982,430	AA+
10,000,000	FEDERAL HOME LOAN BANK	1.77%	12/4/2018	9,993,997	9,978,510	AA+
10,000,000	FEDERAL HOME LOAN BANK	1.65%	12/14/2018	10,004,332	9,979,620	AA+
10,000,000	FEDERAL HOME LOAN BANK	1.81%	12/14/2018	9,997,113	9,979,620	AA+
8,400,000	FEDERAL HOME LOAN BANK	1.82%	12/18/2018	8,397,115	8,383,376	AA+
11,900,000	FEDERAL HOME LOAN BANK	1.82%	12/26/2018	11,896,174	11,874,974	AA+
25,000,000	FEDERAL HOME LOAN BANK	1.93%	12/28/2018	25,000,000	24,883,575	AA+
11,475,000	FEDERAL HOME LOAN BANK	1.87%	1/16/2019	11,436,631	11,415,261	AA+
15,000,000	FEDERAL HOME LOAN BANK	2.02%	1/16/2019	14,938,126	14,921,910	AA+
13,000,000	FEDERAL HOME LOAN BANK	1.92%	1/18/2019	12,979,492	12,955,813	AA+
4,575,000	FEDERAL HOME LOAN BANK	1.95%	1/18/2019	4,567,052	4,559,450	AA+
15,000,000	FEDERAL HOME LOAN BANK	1.88%	1/18/2019	14,989,232	14,962,455	AA+
15,000,000	FEDERAL HOME LOAN BANK	2.00%	2/12/2019	14,988,762	14,966,220	AA+
10,250,000	FEDERAL HOME LOAN BANK	2.14%	3/5/2019	10,240,524	10,231,407	AA+
15,000,000	FEDERAL HOME LOAN BANK	2.28%	3/8/2019	14,920,966	14,924,220	AA+
20,000,000	FEDERAL HOME LOAN BANK	2.24%	3/18/2019	19,878,842	19,872,000	AA+
1,200,000	FEDERAL HOME LOAN BANK	2.27%	3/18/2019	1,192,473	1,192,320	AA+
15,000,000	FEDERAL HOME LOAN BANK	2.33%	5/15/2019	15,391,603	15,386,850	AA+
15,000,000	FEDERAL HOME LOAN BANK	2.36%	5/28/2019	14,869,035	14,867,280	AA+
2,500,000	FREDDIE MAC	1.61%	7/27/2018	2,500,000	2,498,410	AA+
2,000,000	FREDDIE MAC	1.29%	7/27/2018	2,000,000	1,998,718	AA+
3,000,000	FREDDIE MAC	1.29%	7/27/2018	3,000,000	2,998,254	AA+
4,540,000	FREDDIE MAC	1.98%	1/2/2019	4,495,321	4,484,922	AA+
<b>\$1,396,932,000</b>				<b>\$1,395,827,164</b>	<b>\$1,394,841,815</b>	
<b>REPURCHASE AGREEMENTS (9.6% OF TOTAL INVESTMENTS)</b>						
200,000,000	MERRILL LYNCH	2.09%	7/2/2018	200,000,000	200,000,000	A-1
450,000,000	RBC SECURITIES	2.07%	7/2/2018	450,000,000	450,000,000	A-1+
<b>\$ 650,000,000</b>				<b>\$ 650,000,000</b>	<b>\$ 650,000,000</b>	
<b>\$6,803,559,000</b>				<b>\$6,796,418,299</b>	<b>\$ 6,795,374,395</b>	

**FUND SUMMARY STATISTICS AND NOTES**

Amortized Cost	\$6,796,418,299
Fair market value	\$6,795,374,395
Shares Outstanding	\$6,735,309,684
Fund Net Asset Value (4)	\$1.01
Effective 7-Day Net Yield (5)	1.96%
Effective 7-Day Gross Yield	2.10%
WAM(R) (6)	35 Days
WAM(F) (7)	92 Days
Ratio of Amortized Cost to Fair Market Value	0.9998

- (1) Securities rounded to the nearest dollar.
- (2) Issues have a daily put option, and thus is calculated as 1 day for WAL and WAM purposes.
- (3) Citizens Bank PA, First Republic Bank and United Bank deposits are backed by irrevocable standby letter of credit provided by the Federal Home Loan Bank of Pittsburgh, Boston and San Francisco guaranteeing principal amount.
- (4) Includes designated surplus reserve. NAV is calculated as the total amortized cost / participant shares.
- (5) Includes approximately 2-4 basis points of expenses and a 10 basis point contribution to the designated surplus reserve each day the size of the reserve is less than one percent of the size of the Short-Term Investment Fund.
- (6) Weighted average maturity to the next reset date.
- (7) Weighted average maturity to final maturity date.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

SCHEDULE OF MANAGEMENT FEES AT JUNE 30, 2018

<u>Category</u>	<u>Amount</u>
Internal Management Fees	\$1,520,613
External Professional & Other Miscellaneous Expenses	<u>174,328</u>
<b>Total:</b>	<b><u>\$1,694,941</u></b>

*Note: Internal management fees include payroll, lease service, subscriptions, supplies, telephone and other. External professional fees include custodian and investor services.*



**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**SCHEDULE OF PARTICIPANTS BY CONCENTRATION AT JUNE 30, 2018**

Type	Number of Accounts	Total Shares
Municipalities and Local Entities	523	1,274,632,982
State Treasury	55	2,619,883,085
State Agencies and Authorities	<u>342</u>	<u>2,840,793,617</u>
TOTAL:	920	\$ 6,735,309,684

Participant Net Asset Value, Offering Price and Redemption Price  
per Share (\$6,735,309,684 in Net Assets divided by 6,735,309,684 shares) \$ 1.00

*Note: Does not include designated surplus reserve or realized gain from sale of securities.*

## Investment Policy

As adopted August 21, 1996 and revised June 16, 2008 and April 17, 2009.

### A. Background

The Treasurer's Short-Term Investment Fund (STIF) is an investment pool of high-quality, short-term money market instruments for state and local governments. Operating since 1972 in a manner similar to a money market mutual fund, STIF's purpose is to provide a safe, liquid and effective investment vehicle for the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the state.

All State, local and political subdivisions of the State are authorized to invest in STIF by (CGS) 3-27a and 3-27b.

### B. Purpose

The purpose of this document is to specify the policies and guidelines that provide for the systematic management of STIF and the prudent and productive investment of funds.

### C. Investment Objectives

STIF seeks as high a level of current income as is consistent with, first, the safety of principal invested by the State, municipalities and others, and, second, the provision of liquidity to meet participants' daily cash flow requirements.

### D. Safety of Principal

Safety of principal, STIF's primary objective, shall be pursued in a number of ways.

1. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by protecting against credit risks (from security defaults) and the erosion of market prices (from rising interest rates).
2. The Fund's investments shall be made in conformance with prudent guidelines for allowable instruments, credit quality and maturities. See Section H.
3. STIF shall maintain adequate diversification of instruments, issuers, industries and maturities to protect against significant losses from credit risks and market changes. See Section H.
4. All securities shall be held by a third-party custodian.
5. All transactions shall be handled on the basis of delivery vs. payment to a custodian bank.
6. All repurchase agreements shall be fully collateralized, with a custodian bank receiving delivery of the collateral.
7. Reverse repurchase agreements may be used only to meet temporary liquidity requirements of the Fund and may not exceed five percent of total Fund assets. See Section H.
8. STIF shall maintain a designated surplus reserve to provide an added layer of security. For the period June through November 1996 a pro-rated allocation to the reserve will be paid from investment returns that will equal, on an annualized basis, one-tenth of one percent of the fund's total investments until the reserve equals one percent of investments. Effective December 1, 1996, daily allocations to the designated surplus reserve will be paid from investment returns and will equal, on an annualized basis, one-tenth of one percent of the fund's investments until the reserve equals one percent of investments. If net losses significant to the aggregate portfolio are realized, they shall be charged against the designated surplus reserve, as discussed in Section Q. This reserve has never been drawn upon in STIF's 24-year history.\*

\* Subsequent to the adoption of this policy, the reserves were drawn upon once in 2008 during the financial crisis without affecting the fund's \$1.00 per share net asset value or the loss of principal to any investor. In addition, STIF's AAAM rating was not affected during this period.



While STIF — which consists predominantly of funds for which the Treasurer is sole trustee — is managed diligently to protect against losses from credit and market changes, and though deposits are backed by high-quality and highly-liquid short-term securities, the Fund is not insured or guaranteed by any government and the maintenance of capital cannot be fully assured.

### **E. Liquidity**

The portfolio shall be structured through sufficient investments in overnight and highly-marketable securities to allow complete liquidity for participants. In addition, reverse repurchase agreements totaling up to five percent of Fund assets may be used to meet temporary liquidity requirements.

Participants have full and quick access to all of their funds. Participants may make same-day (up to 10:30 a.m.) deposits and withdrawals of any size. Withdrawals generally are sent via Fed wire, thus funds are available for use on the day of withdrawal.

In addition, deposits and withdrawals may be made through the ACH system on a next-day basis, deposits may be made by check through the mail, and withdrawals may be made by check. No transaction fees are charged on deposits or withdrawals by wire or ACH. Withdrawals by check are charged a fee, as specified in the participant manual.

### **F. Yield**

STIF's investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the liquidity requirements of the Fund.

The portfolio shall be managed with the objective of exceeding the average of three-month U.S. Treasury Bill rates for the equivalent period. This index is considered a benchmark for near-riskless investment transactions and, therefore, comprises a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with stated risk limitations and prudent investment principles.

While STIF shall not make investments for the purpose of trading or speculating as the dominant criterion, STIF shall seek to enhance total portfolio return through active portfolio management. The prohibition on speculative investments precludes pursuit of gain or profit through unusual risk. Trading in response to changes in market value or market direction, however, is warranted under active portfolio management.

### **G. Prudence**

Investments shall be made with the care, skill, prudence, and diligence — under circumstances then prevailing — that prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by STIF's investment officials shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion in writing and appropriate action is taken to control adverse developments.

### **H. Investment Guidelines**

All investments must be made in instruments authorized by CGS 3-27c - 3-27e. In addition, the Treasurer has adopted the investment guidelines that follow. Unless otherwise indicated, references to credit ratings are to those of Standard & Poor's.

1. STIF may invest in the following securities:
  - a. Instruments issued, guaranteed or insured by the U.S. government or federal agencies.
  - b. Certificates of deposit of commercial banks in the United States whose short-term debt is rated at least A-1 and TBW-1 (by Thomson Bank Watch) and whose long-term debt is rated at least A- and C (by Thomson Bank Watch).

## CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

- c. Certificates of deposit of U.S. branches of foreign banks with short-term debt ratings of at least A-1 and TBW-1 and long-term debt ratings of at least A and B/C (by Thomson Bank Watch).
  - d. Bankers' acceptances of those banks meeting the criteria in b. and c. above.
  - e. Fully-collateralized repurchase agreements with primary dealers of the Federal Reserve with short-term debt ratings of at least A-1, or qualified domestic commercial banks meeting the criteria in b. above, with possession of collateral by a custodian bank.
  - f. Commercial paper of companies that have short-term debt rated at least A-1 and P-1 (by Moody's) and long-term debt rated at least AA- and Aa3 (by Moody's).
  - g. Corporate or asset-backed securities rated at least A-1/P-1 and AA-/Aa3.
  - h. Asset-backed securities with maturities of under one year rated at least A-1/P-1.
  - i. Money market mutual funds or similar investment pools, comprised of securities permitted under this investment policy and managed to maintain a constant share value, rated AAAM.
  - j. A line of credit of up to \$100 million with the Connecticut Student Loan Foundation. Any resulting loans shall be fully collateralized (at 102 percent) by student loans with interest and principal 98 percent federally guaranteed.
  - k. The portfolio currently includes securities issued by the State of Israel, which mature in less than six years, and which, in the aggregate, total less than .5 percent of the portfolio value. These notes' interest rates are reset semi-annually at the prime rate minus 50 basis points. These securities, as currently structured, will not be purchased in the future.\*
  - l. Notwithstanding the approved investments enumerated above, STIF may hold securities or other assets received as a result of a restructuring of securities that were, when originally purchased, among the list of approved investments set forth herein, following consultation with an outside investment advisor. The Treasurer will notify investors of such situations within two (2) business days of the receipt of such securities or assets.
2. Reverse repurchase agreements, in the aggregate, may not exceed five percent of net position at the time of execution. While any reverse repurchase agreement is outstanding, new investments must match the maturity of the shortest-term outstanding reverse repurchase agreement. Reverse repurchase agreements are to be used only to meet temporary liquidity requirements of the Fund.
  3. No investments may be made in "derivative" securities such as futures, swaps, options, interest only and principal-only mortgage-backed securities, inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters. These types of securities can experience high price volatility with changing market conditions, and their market values may not return to par even at the time of an interest rate adjustment.

Investments may be made in adjustable rate securities whose interest rates move in the same direction and in the same amount as standard short-term money market interest rate benchmarks, such as Fed Funds, LIBOR, Treasury bills, one-month CDs, one-month commercial paper and the prime rate, and conform with STIF's other credit and maturity standards. Interest rate reset periods may not exceed six months. The values of these securities tend to return to par upon the scheduled adjustment of interest rates. Some parties in the financial services industry consider these types of adjustable rate securities to be derivatives, others do not.

U.S. Treasury Separate Trading of Registered Interest and Principal Securities ("STRIPS") are not considered derivatives and may be purchased. These instruments are subject to the same interest rate risks as U.S. Treasury securities of the same duration. STRIPS are fundamentally different from mortgage-backed and other interest-only or principal-only securities that are subject to unscheduled prepayments of principal.

4. All investments must be made in U.S. dollar-denominated securities.

\* Securities matured in 2001.

## CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

5. The dollar-weighted average portfolio maturity (including interest rate reset periods) may not exceed 90 days. Individual maturities may not exceed five years.
6. STIF shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, industry segments, individual issuers or maturities. Diversification strategies shall include:
  - a. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual security, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
  - b. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in securities of a single bank or corporation, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
  - c. There is no limitation on the percentage of assets that may be invested in securities of the United States government, its agencies or instrumentalities, or in overnight or two-business-day repurchase agreements.
  - d. At the time of purchase, no more than 25 percent of the overall portfolio may be invested in any industry other than the financial services industry.
  - e. At the time of purchase, no more than 50 percent of the overall portfolio may be invested in the combined total of commercial paper and non-asset-backed corporate notes.
  - f. At the time of purchase, no more than 20 percent of the overall portfolio may be invested in floating rate securities with final maturities in excess of two years.
  - g. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual money market mutual fund or similar investment pool.
  - h. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in money market mutual funds and similar investment pools.
  - i. At the time of purchase, investments in securities that are not readily marketable, other than securities that mature within seven days, may not exceed 10 percent of the fund's overall portfolio.
  - j. At least 75 percent of the overall portfolio shall be invested in securities rated A-1+ or in overnight repurchase agreements with dealers or banks rated A-1.
7. The Treasurer intends to operate STIF in such a manner as to maintain its AAAM credit rating from Standard & Poor's, or a similar rating from another nationally-recognized credit rating service recognized by the State Banking Commissioner.
8. Investment decisions shall be based on the relative and varying yields and risks of individual securities and the Fund's liquidity requirements.

### **I. Interest Payments**

Until December 1, 1996:

STIF pays interest quarterly based on monthly guaranteed rates that are set on or before the first day of each month by the Treasury based on STIF's portfolio and market conditions. In addition, participants will be paid a bonus distribution — based on actual earnings less guaranteed interest payments, expenses and the payment to the reserve for losses — for the period of June through November. All rates are calculated and quoted on the basis of the actual number of days in a year (an "actual-over-actual" basis).

STIF declares and accrues investor interest daily based on actual STIF earnings (including gains and losses), less expenses and transfers to the designated surplus reserve. Interest is paid monthly through direct distribution or reinvestment. Earned rates are available on a next-day basis. All rates are calculated and quoted on the basis of the actual number of days in a year (an "actual-over-actual" basis) and reported in accordance with guidelines of the Association for Investment Management and Research (AIMR).

## **J. Administrative Costs**

STIF is provided to participants without sales or management fees. Administrative costs are paid from investment earnings, and all STIF participants (including the state and local entities) share in covering the Fund's expenses in proportion to the size of their investments. Costs have run at between two and three basis points (or \$2-3 per \$10,000 invested).

## **K. Delegation of Authority**

The Short-Term Investment Unit within the Treasury's Cash Management Division manages STIF's investments. Deposits, withdrawals, participant record-keeping and the distribution of interest are handled by State Street Bank and Trust under the supervision of the STIF Administration Unit within the Treasury's Cash Management Division.

## **L. Daily Confirmations**

Confirmations of daily deposits and withdrawals are sent the day after the transaction.

## **M. Monthly Statements**

Monthly statements of balances, account activity, and paid interest are mailed to participants by the 10th day of each month.

## **N. Reports**

Quarterly and annual reports describing STIF's yields, performance relative to its primary benchmark (IBC First Tier Institutions-Only Rated Money Fund Index), and investments shall be provided to all participants. A detailed portfolio listing, data on 90-day Treasury bills and 90-day certificates of deposit, and commentary on economic conditions shall be provided with each report. The reports are available on the World Wide Web at: <http://www.state.ct.us/ott>

## **O. Participant Manual**

A manual describing STIF's operating procedures, instructions for opening and closing accounts and making deposits and withdrawals, and methods of distributing interest, is provided to all participants. There currently are no restrictions on the size or number of accounts or transactions.

## **P. Audit**

The Auditors of Public Accounts audit STIF's financial statements and operating procedures annually. Copies of audit opinions and reports will be provided to all participants.

## **Q. Portfolio Valuation**

STIF's values and yields are accounted for on an amortized-cost basis. Market values of all securities, except for those securities listed in Sections H.1.j and H.1.k, above, are calculated on a weekly basis. Significant deviations of market values to amortized costs shall be reported as follows:

1. **First Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.75 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.50 percent, the Principal Investment Officer would notify the Assistant Treasurer for Cash Management, the Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee at the first weekly meeting following such determination.
2. **Second Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.50 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.25 percent, the Principal Investment Officer would notify, as soon as practical, the Treasurer, Deputy Treasurer, Assistant Treasurer - Chief of Staff, Assistant Treasurer for Cash Management, Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee. The Treasurer's Investment Committee would then meet in special session to review the circumstances surrounding the fall in one or both ratios, and it would review every security held

by the Fund. If this second level notification resulted from a significant increase in fund size that resulted in a proportionate decrease in the relative size of the designated surplus reserve, then portfolio or other changes may not be required. If this second level notification resulted from the decline in market values of securities, then the Investment Committee would consider selling securities that had fallen in value and making use of the designated surplus reserve.

3. Investor Notification. If the ratio of the market value of the overall portfolio to the outstanding participant units drops below 99.75 percent, the Treasurer would notify all STIF investors of the situation and the actions being undertaken to protect against further reductions.

## **R. Internal Controls**

The Treasury shall establish and maintain a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Auditors of Public Accounts. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers.

## **S. Cash Management Advisory Board**

STIF's investment practices and performance, including the documentation discussed in Section N, shall be reviewed on a quarterly basis by the Treasurer's Cash Management Advisory Board.

## **T. Financial Dealers and Institutions**

The STIF Investment Officer shall develop criteria for selecting brokers and dealers. All repurchase agreement transactions will be conducted through primary dealers of the Federal Reserve Bank of New York rated at least A-1 and qualified banks (as defined in Sections H.1.b and H.1.c) which have executed master repurchase agreements with the Treasury.

## **U. Ethics**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose in writing to the Treasurer, or the Treasurer's compliance officer, any material financial interests in financial institutions that conduct business with STIF, and they shall further disclose any large personal financial/investment positions that could be related to the performance of STIF's portfolio, particularly with regard to the time of purchases and sales.

## **V. Bond Proceeds**

Bond proceeds may be deposited in STIF. Accounting and arbitrage rebate calculations are the responsibility of participants. STIF's investment program is not designed to restrict yield in order to avoid arbitrage rebates.

## **W. Conformance with Guidelines**

A nationally-recognized credit rating service recognized by the State Banking Commissioner shall monitor the STIF portfolio on a weekly basis to determine compliance with this policy. The Auditors of Public Accounts review compliance annually.

## **X. Conformance with National Standards**

These guidelines, together with the participant manual, were designed to meet the July 1995 guidelines of the National Association of State Treasurers for local government investment pools.

## **Y. Investment Guideline Revisions**

These guidelines may be revised by the Treasurer due to market changes or regulatory, legislative or internal administrative initiatives. Attempts will be made to provide all STIF investors with at least 30 days of notice before any changes to the investment policy become effective.

The Treasurer reserves the right to make changes immediately to respond to market conditions. In such circumstances, revisions will be sent to all STIF investors within two business days of the revision.



**GLOSSARY OF TERMS**

- Agency Securities** - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.
- Asset Backed Notes** - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.
- Banker's Acceptance (BA)** - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.
- Basis Point (bp)** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.
- Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.
- Capital Gain(Loss)** - Also known as capital appreciation (depreciation), capital gain (loss) measures the increase(decrease) in value of an asset over time.
- Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.
- Commercial Paper** - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.
- Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smoothes" fluctuations in long-term investment returns to derive an implied year-to-year annual return.
- Consumer Price Index (CPI)** - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.
- Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.
- Derivative** - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.
- Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.
- Expense Ratio** - The amount, expressed as a percentage of total investment, which shareholders pay for mutual fund operating expenses and management fees.
- Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.
- Federal Reserve Board** - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.
- Gross Domestic Product** - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

**GLOSSARY OF TERMS**

**Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.

**Inflation** - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

**Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.

**Liability** - The claim on the assets of a company or individual - excluding ownership equity. The obligation to make a payment to another.

**Market Value** - The price at which buyers and sellers trade similar items in an open marketplace. Stocks are considered liquid and are therefore valued at a market price. Real estate is illiquid and valued on an appraised basis.

**Master Custodian** - An entity, usually a bank, used as a place for safekeeping of securities and other assets. The bank is also responsible for many other functions which include accounting, performance measurement, and securities lending.

**Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

**MFR Index (Formerly IBC)** - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.

**Money Market Fund** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.

**Moody's (Moody's Investors Service)** - A financial services company which is one of the best known bond rating agencies in the country. Moody's investment grade ratings are assigned to certain municipal short-term debt securities, classified as MIG-1, 2, 3, and 4 to signify best, high, favorable, and adequate quality, respectively. All four are investment grade or bank quality.

**Net Asset Value (NAV)** - The total assets minus liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense. NAV is similar to Shareholders' Equity.

**Par Value** - The stated or face value of a stock or bond. It has little significance for common stocks, however, for bonds it specifies the payment amount at maturity.

**Principal** - Face value of an obligation, such as a bond or a loan, which must be repaid at maturity.

**Prudent Expert Rule** - The standard adopted by some entities to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent expert would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment. This is a higher standard than the "prudent person" rule.

**Realized Gain (Loss)** - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.

**Relative Volatility** - A ratio of the standard deviation of the Fund to the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.

**Repurchase Agreements ("Repos")** - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

**Reverse Repurchase Agreements ("Reverse Repos")** - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

**GLOSSARY OF TERMS****S&P Ratings -**

AAA - Debt having the highest rating assigned by Standard & Poor's. It has the highest capacity to pay interest and its ability to repay principal is extremely strong.

AA - Debt having a very strong capacity to pay interest and repay principal. AA rated debt differs from the higher rated issues by only a small degree.

A - Debt which has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of change in circumstances and economic conditions than debt in higher rated categories.

BBB - Debt regarded as having an adequate capacity to pay interest and repay principal. BBB is the lowest rating assignable to investment grade securities. Although debt rated BBB normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB, B, CCC, and CC - These ratings are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance to the terms of the obligation.

C - These ratings are reserved for income bonds on which no interest is being paid.

D - These ratings are for debt which is in default. No interest or repayment of principal is being paid.

Soft Dollars - The value of research or other services that brokerage houses and other service entities provide to a client "free of charge" in exchange for the client's business.

Standard Deviation - A statistical measure showing the deviation of an individual value in a probability distributed from the mean (average) of the distribution. The greater the degree of dispersion from the mean rate of return, the higher the standard deviation; therefore, the higher the risk.

Treasury Bill (T-Bill) - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

Treasury Bond or Note - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

Turnover - The minimum of security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.

Unrealized Gain (Loss) - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

Variable Rate Note - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

Volatility - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

Yield - The return on an investor's capital investment.

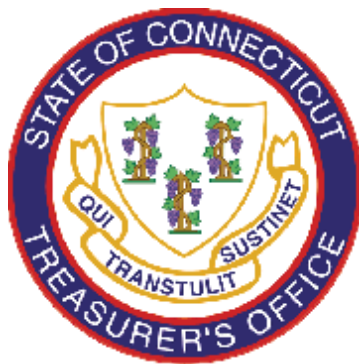




**Statistical**  

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**Section**



STATISTICAL SECTION

This part of the Short-Term Investment Fund's (STIF's) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial schedules and other supplementary information say about the overall financial health of STIF.

**Financial Trends**

These schedules contain the ten-year trend information on the financial performance of STIF.

<u>Schedule</u>	<u>Pages</u>
o Schedule of rates of return	48-49

**Revenue Capacity**

Revenue capacity is not applicable to STIF.

**Borrowing Capacity**

Section H 2. of the Short-Term Investment Fund's Investment Policy allow the fund to utilize reverse repurchase agreements to meet temporary liquidity requirements of the fund. The following statistics outline STIF's borrowing capacity as of June 30, 2018.

<u>Description</u>	<u>Amount</u>
Outstanding borrowing	\$0
Maximum borrowing amount	Five percent of total assets
Collateral requirement	Must be collateralized at a minimum of 100 percent

**Demographic and Economic Information**

These schedules show the breakdown between state and municipal funds, growth of the fund and rate information.

<u>Schedule</u>	<u>Page</u>
o Participant units under management	50
o Monthly and annual comparative yields	51

**Operating Information**

The summary of operations schedule outlines the expenses, additions and deductions associated with the management of STIF.

<u>Schedule</u>	<u>Page</u>
o Changes in Net Position	52
o Distributions to participants	53

*Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.*

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**SCHEDULE OF ANNUAL RATES OF RETURN**

**Year Ended June 30,**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
STIF Total Rate of Return (%)	1.39	0.61	0.29	0.15	0.14	0.16	0.16	0.23	0.34	1.49
First Tier Institutional-only Rated Money Fund Report Averages™ (MFR) Index (%) (1)	1.27	0.49	0.15	0.03	0.02	0.05	0.05	0.08	0.09	1.30
Net Positions in STIF, End of Period (\$ - Millions)	6,797	6,470	4,903	5,037	4,211	4,427	4,894	4,495	4,582	4,548
Percent of State Assets in Fund	81%	82%	82%	84%	83%	83%	83%	84%	84%	81%
Number of Participant Accounts in Composite, End of Year (2)										
State Treasury	55	54	52	53	58	67	52	52	51	47
Municipal and Local Entities	523	546	541	551	475	685	671	660	656	608
State Agencies and Authorities	342	329	330	335	341	428	429	417	416	367
Total	920	929	923	939	874	1180	1155	1129	1123	1022

(1) Represents iMoneyNet Money Fund Report Average™- Rated First Tier Institutional Average (MFR) Index.

(2) As of January 2014 and going forward, inactive accounts were closed and only active accounts containing balances were included in the total number of participant accounts.

**See Notes to Schedules of Rates of Return.**

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**SCHEDULE OF QUARTERLY RATES OF RETURN**

<b>FISCAL YEAR</b>	<b>Rate of Return(%)</b>	<b>(MFR) Index (%)<sup>(1)</sup></b>
<b>2018</b>		
Sep-17	0.27	0.25
Dec-17	0.31	0.26
Mar-18	0.36	0.33
Jun-18	0.45	0.43
<b>YEAR</b>	<b>1.39</b>	<b>1.27</b>

<b>2017</b>		
Sep-16	0.11	0.06
Dec-16	0.12	0.08
Mar-17	0.16	0.15
Jun-17	0.22	0.20
<b>YEAR</b>	<b>0.61</b>	<b>0.49</b>

<b>2016</b>		
Sep-15	0.04	0.01
Dec-15	0.05	0.02
Mar-16	0.10	0.06
Jun-16	0.09	0.06
<b>YEAR</b>	<b>0.29</b>	<b>0.15</b>

<b>2015</b>		
Sep-14	0.04	0.005
Dec-14	0.04	0.005
Mar-15	0.04	0.01
Jun-15	0.03	0.01
<b>YEAR</b>	<b>0.15</b>	<b>0.03</b>

<b>2014</b>		
Sep-13	0.03	0.005
Dec-13	0.03	0.005
Mar-14	0.04	0.005
Jun-14	0.04	0.005
<b>YEAR</b>	<b>0.14</b>	<b>0.02</b>

<b>FISCAL YEAR</b>	<b>Rate of Return(%)</b>	<b>(MFR) Index (%)<sup>(1)</sup></b>
<b>2013</b>		
Sep-12	0.05	0.02
Dec-12	0.05	0.02
Mar-13	0.03	0.01
Jun-13	0.03	0.01
<b>YEAR</b>	<b>0.16</b>	<b>0.05</b>

<b>2012</b>		
Sep-11	0.04	0.01
Dec-11	0.06	0.01
Mar-12	0.03	0.02
Jun-12	0.03	0.02
<b>YEAR</b>	<b>0.16</b>	<b>0.05</b>

<b>2011</b>		
Sep-10	0.06	0.03
Dec-10	0.06	0.02
Mar-11	0.06	0.02
Jun-11	0.05	0.01
<b>YEAR</b>	<b>0.23</b>	<b>0.08</b>

<b>2010</b>		
Sep-09	0.11	0.04
Dec-09	0.09	0.02
Mar-10	0.06	0.01
Jun-10	0.06	0.02
<b>YEAR</b>	<b>0.34</b>	<b>0.09</b>

<b>2009</b>		
Sep-08	0.58	0.58
Dec-08	0.47	0.45
Mar-09	0.26	0.17
Jun-09	0.16	0.09
<b>YEAR</b>	<b>1.49</b>	<b>1.30</b>

(1) Represents iMoneyNet Money Fund Report Average™- Rated First Tier Institutional Average (MFR) Index. These Index rates have been taken from published sources.

**CALCULATION OF RATES OF RETURN**

STIF uses a time-weighted linked rate of return formula to calculate rates of return. Other methods may produce different results and the results for individual participants and different periods may vary. The current rates of return may not be indicative of future rates of return.

The time-weighted linked rate of return formula used by STIF is as follows: Monthly returns are calculated by taking the sum of daily income earned on an accrual basis, after deduction for all operating expenses and a transfer to the Designated Surplus Reserve, divided by the average daily participant balance for the month.

The rates of return presented herein are those earned by the Fund during the periods presented as described above.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**PARTICIPANT UNITS UNDER MANAGEMENT**

<u>Date</u>	<u>Municipal</u>	<u>State*</u>	<u>Total</u>	<u>Change</u>
6/2018	\$1,274,632,982	\$5,460,676,702	\$6,735,309,684	5.01%
6/2017	1,159,115,714	5,254,855,313	6,413,971,027	32.20%
6/2016	852,039,834	3,999,580,779	4,851,620,613	-2.72%
6/2015	822,894,941	4,164,165,750	4,987,060,691	19.86%
6/2014	716,188,027	3,444,696,758	4,160,884,785	-6.02%
6/2013	746,279,063	3,681,000,173	4,427,279,236	-8.64%
6/2012	818,542,160	4,027,669,000	4,846,211,160	8.95%
6/2011	692,390,571	3,755,769,181	4,448,159,752	-2.09%
6/2010	731,333,009	3,811,810,110	4,543,143,119	0.63%
6/2009	836,895,704	3,677,900,952	4,514,796,656	-10.16%
6/2008	853,181,810	4,172,196,059	5,025,377,869	1.46%
6/2007	1,007,813,533	3,945,011,848	4,952,825,381	-7.99%

\*State includes State Treasury, agencies and authorities.

**CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

**MONTHLY COMPARATIVE YIELDS**

	<u>STIF</u>	<u>Benchmarks<sup>(b)</sup></u>	
	Earned Rate <sup>(a)</sup>	MFR Index <sup>(b)</sup>	Fed. Reserve Three Mo. T-Bill
06/2018	1.90%	1.78%	1.88%
05/2018	1.78	1.70	1.88
04/2018	1.73	1.65	1.81
03/2018	1.55	1.44	1.75
02/2018	1.42	1.31	1.62
01/2018	1.39	1.25	1.42
12/2017	1.34	1.13	1.44
11/2017	1.23	1.01	1.28
10/2017	1.16	1.00	1.10
09/2017	1.08	1.00	1.05
08/2017	1.05	0.99	1.02
07/2017	1.03	0.97	1.17
06/2017	0.94	0.87	1.00

**ANNUAL COMPARATIVE YIELDS**

	<u>STIF</u>	<u>Benchmarks<sup>(b)</sup></u>	
	Earned Rate <sup>(a)</sup>	MFR Index <sup>(b)</sup>	Fed. Reserve Three Mo. T-Bill
2018	1.39%	1.27%	1.46%
2017	0.61	0.49	0.57
2016	0.29	0.15	0.19
2015	0.15	0.03	0.02
2014	0.14	0.02	0.04
2013	0.16	0.05	0.05
2012	0.16	0.05	0.05
2011	0.23	0.08	0.12
2010	0.34	0.09	0.12
2009	1.49	1.30	0.54
2008	4.13	4.07	2.91
2007	5.54	5.14	5.01

(a) Actual earnings less expenses and transfers to reserves.

(b) Represents iMoneyNet Money Fund Average™ - Rated First Tier Institutional Average (MFR) Index. These Index rates have been taken from published sources.



CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (dollars in millions)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Additions</b>										
Net Investment income	\$97.0	\$42.4	\$17.1	\$8.7	\$8.9	\$11.1	\$12.7	\$17.4	\$21.3	\$74.9
Net Realized gain	0.0	0.0	0.0	(0.1)	0.1	0.0	0.2	0.1	0.3	0.6
Net decrease in fair value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of units by participants	17,231.4	15,482.1	11,391.9	13,390.6	11,719.0	11,187.4	10,802.0	12,771.0	14,549.7	15,586.4
Total additions to net position	17,328.4	15,524.5	11,409.0	13,399.2	11,728.0	11,198.5	10,814.8	12,788.5	14,571.3	15,661.9
<b>Deductions</b>										
Operating expenses	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(1.5)	(1.3)	(1.2)	(1.2)	(1.3)
Income distributed to investors (Notes 2 and 6)	(89.9)	(35.7)	(14.3)	(6.5)	(6.3)	(7.3)	(7.6)	(11.3)	(15.6)	(69.7)
Redemption of units by participants	(16,910.1)	(13,919.8)	(11,537.3)	(12,564.4)	(11,985.1)	(11,606.6)	(10,406.5)	(12,863.0)	(14,521.4)	(16,096.9)
Total deductions from net position	(17,001.9)	(13,957.4)	(11,543.5)	(12,573.0)	(11,993.4)	(11,615.4)	(10,415.4)	(12,875.5)	(14,538.2)	(16,167.9)
<b>Change in net position</b>	326.6	1,567.1	(134.5)	826.2	(\$265.4)	(\$416.9)	\$399.4	(\$87.0)	\$33.1	(\$506.0)
<b>Net Position - Beginning of Period</b>	\$6,470.1	\$4,903.0	\$5,037.5	\$4,211.3	\$4,476.7	\$4,893.6	\$4,494.2	\$4,581.6	\$4,548.5	\$5,054.5
<b>Net Position - End of Period</b>	\$6,796.7	\$6,470.1	\$4,903.0	\$5,037.5	\$4,211.3	\$4,476.7	\$4,893.6	\$4,494.2	\$4,581.6	\$4,548.5
<b>Designated Surplus Reserve Transfer</b>	\$5.2	\$4.7	\$0.9	\$0.2	\$0.6	\$2.3	\$4.0	\$4.9	\$4.7	\$4.6
<b>Designated Surplus Reserve Transfer Balance*</b>	\$61.3	\$56.1	\$51.4	\$50.5	\$50.3	\$49.7	\$47.4	\$43.4	\$38.5	\$33.7

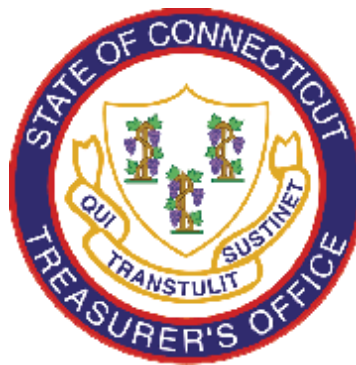
\* Net of designated reserve transfer contributions and expenses.

Note: Details may not add to totals due to rounding.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

DISTRIBUTIONS TO PARTICIPANTS

Distributions:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
July	\$5,374,620	\$1,888,124	\$673,376	\$550,845	\$589,887	\$715,740	\$690,438	\$940,472	\$1,804,102	\$9,552,900
August	5,998,212	1,822,366	664,417	551,303	407,061	698,925	741,866	1,002,183	1,766,231	10,885,593
September	5,605,317	1,948,752	766,461	519,748	271,572	884,348	709,215	996,828	1,652,063	10,020,904
October	5,668,566	2,016,150	624,944	536,039	552,704	732,683	1,018,729	928,080	1,435,864	8,382,261
November	5,474,579	2,176,315	815,409	529,685	489,583	825,425	754,162	993,506	1,244,871	6,870,533
December	5,834,846	2,522,404	1,129,298	548,778	572,477	684,328	665,569	1,031,157	1,348,631	5,624,806
January	7,124,016	3,120,576	1,560,619	536,230	607,051	608,181	438,608	1,003,165	1,179,381	4,289,444
February	7,840,017	3,125,857	1,585,420	503,800	558,172	454,326	473,242	995,211	936,966	3,477,010
March	9,233,470	3,852,470	1,707,678	577,432	591,688	336,432	482,688	939,497	1,020,218	3,477,312
April	10,052,118	4,137,077	1,539,998	538,179	550,054	333,745	651,575	871,219	1,022,252	2,679,262
May	11,021,818	4,514,219	1,475,869	570,928	577,896	349,361	437,660	827,009	1,125,441	2,592,339
June (Payable at June 30)	10,702,148	4,587,265	1,759,674	572,149	530,908	706,145	494,015	771,681	1,036,174	1,846,634
Total Distribution Paid & Payable	\$89,929,727	\$35,711,575	\$14,303,163	\$6,535,117	\$6,299,050	\$7,329,640	\$7,557,767	\$11,300,006	\$15,572,194	\$69,698,998



*Office of the State Treasurer*  
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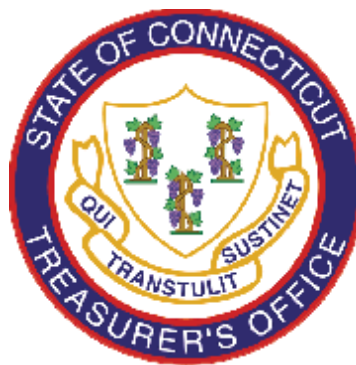
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