Commonwealth of Virginia
Department of the Treasury
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Participant Newsletter June 30, 2020

LGIP
Investment Guidelines Compliance (06-30-20):

● Diversification:	Actual	Max.
U. S. Treasury/Agency	40%	100%
Repurchase Agreements	7%	50%
Negotiable CDs & BAs	28%	40%
Commercial Paper	21%	35%
Corporate	3%	25%
AAA Sovereign Govt	1%	10%
● Maturity Limitations:		
Average Days to Maturity	52 days	60 days

LGIP Monthly Statistics (06-30-20):

- Avg NAV: $7,493,802,000
- Active Accounts: 838
- Simple Yield: 0.42%
- Effective Yield: 0.42%
- NAV (per Share): $1.00

Quarterly Performance:

● Average Yield:	4th Qtr FY 20	FY 20
LGIP ($ weighted)	0.67%	1.60%
Institutional Money Funds[1]	0.16%	1.18%
Treasury 3-Mo. Constant Maturity[2]	0.14%	1.23%

[1]Consists of 485 institutional money market funds totaling $3.072 billion as reported by iMoneyNet as of 06-30-20.

[2]Federal Reserve Bank H.15 Release.

LGIP EM
Investment Guidelines Compliance (06-30-20):

● Diversification:	Actual	Max.
U. S. Treasury/Agency	43%	100%
Repurchase Agreements	0%	50%
Negotiable CDs & BAs	11%	45%
Commercial Paper	11%	35%
Corporate	22%	25%
AAA Sovereign Govt	3%	10%
Virginia Treasury LGIP Portfolio	10%	15%
● Duration Limitations:	1.23 years	1 Yr +/-3Mo

LGIP EM Monthly Statistics (06-30-20):

- NAV: $232,088,000
- Active Accounts: 24
- Simple Yield: 1.25%
- Yield as of 06-30-20: 1.18%
- NAV (per Share): $10.05

Quarterly Performance:

	4th Qtr FY 20	FY 20
• Total Return:		
LGIP EM	0.55%	2.82%
U.S. 1-Year Treasury Bill Index[1]	0.04%	2.95%
● Average Yield:		
LGIP EM ($ weighted)	1.43%	1.81%
U.S. 1-Year Treasury Bill Index[2]	0.17%	1.11%

[1]The annual performance benchmark is BofA Merrill Lynch U.S. 1-year Treasury Bill Index + 15 bps.

[2]The ICE BofAML US 1-year Treasury Bill Index Yield to Maturity as of 06-30 2020.

Market and Economic News

With the Federal Reserve anchoring short term rates and implementing multiple market stability measures in response to the unprecedented coronavirus pandemic, yields remained relatively stable during the March to June quarter. Of course, with the sharp decline in policy rates, LGIP Program yields are normalizing at lower levels as higher yielding securities mature off, forcing us to reinvest funds in a lower yield environment. While the outlook for investment rates is extremely uncertain, domestic policy -makers suggest they will hold short-term rates near the zero lower bound, possibly through 2022 or until the domestic economy fully regains its footing. The third estimate of first quarter GDP indicated economic contraction of 5.0 percent annualized rate from the prior quarter when GDP registered a 2.1 percent growth rate. A 6.8 percent decline in personal consumption during the first quarter drove the economic contraction. Employment data indicators have generally been better than initially feared but reporting discrepancies and delays have put some limitation on the information content of these releases.

The Federal Reserve's response to the coronavirus outbreak was extensive. Traditional monetary policy measures included lowering the Fed funds range to 0.00-0.25 percent and guiding to keep rates at the zero lower bound until the "economy has weathered recent events and is on track to achieve maximum employment and price-stability goals." The Fed also implemented a number of programs, including the Primary Dealer Credit Facility, the Commercial Paper Funding Facility, the Money Market Mutual Fund Liquidity Facility, the Term Asset-Backed Securities Loan Facility, the Primary Market Corporate Credit Facility, the Secondary Market Corporate Credit Facility, the Main Street Lending Program, the Paycheck Protection Program Liquidity Facility and the Municipal Liquidity Facility. To support US dollar funding offshore, the Fed extended swap lines with various countries and introduced a temporary Treasury repurchase agreement program for foreign monetary authorities. While Chair Powell has stated that these tools will be discontinued when pressures have sufficiently eased, there is much uncertainty when this might happen as the virus could spread rapidly again and the Fed may have to introduce more triage measures.

Repurchase agreement or 'repo' rates increased in the month of June, supported by rising supply of Treasuries and recent action from the New York Fed. In mid-June, the New York Fed announced that it would increase its minimum rate for overnight repos by 0.05 percent. The Fed responded as funding markets have recovered from disruptions earlier in the spring and are close to functioning normally. A higher minimum rate from the Fed will reduce its role in short-term funding markets while remaining available as a lender of last resort. During June, the Secured Overnight Financing Rate increased to an average of 0.08 percent from an average of 0.05 percent in May. While higher funding costs have pushed up investment rates for short-term paper, an overall lack of supply from corporate issuers has compressed credit spreads. Domestic banks are flush with deposits and many highly rated issuers of commercial paper have pre-funded their upcoming needs with longer-term bond issuance.