Minutes of the November 13, 2024, TexPool Investment Advisory Board Meeting

The TexPool Investment Advisory Board met on Wednesday, November 13, 2024, at the LBJ State Office Building, 111 E. 17th Street, Room 1011, Austin, Texas 78701.

Board Members present
Dina Edgar, Patrick Krishock, David Landeros and Belinda Weaver

Board Members Absent
Deborah Laudermilk and Valarie Van Vlack

Comptroller of Public Accounts Staff Presiding and Present
Comptroller Glenn Hegar

Texas Treasury Safekeeping Trust Company ("Trust Company") Executive Staff, Presenters & Facilitators
Mike Reissig, CEO; Anca Ion, CIO; Whitney Blanton, General Counsel; Gena Minjares, CFO; Lalo Torres, Senior Portfolio Manager; and Nora Arredondo, Program Specialist

Additional Participants
Sue Hill, Federated Advisory Companies and Heather Froehlich, David Perez and Colby Anthony, Federated Securities Corporation

Call to Order
Comptroller Glenn Hegar declared a quorum was not present and would wait for one board member who was in route. He delayed the approval of the minutes and called the meeting to order at 10:03 a.m.

1. **Economic Update and Discussion of Portfolio Positioning**
   Ms. Sue Hill reviewed Federated's investment report for TexPool and TexPool Prime for the quarter ending September 30, 2024. She reported that TexPool and TexPool Prime portfolios were in compliance with the Texas Public Funds Investment Act, Governmental Accounting Standards Board Statement No. 79, and their respective investment policies. Both Pools maintained AAAm ratings by Standard and Poor's and net asset values were never less than $0.995 or greater than $1.005.

   Ms. Hill presented an economic market overview for the quarter and reviewed the information behind Tab 2. She reported that the Federal Reserve Board (Fed) kept interest rates unchanged and in the target range of 5.25% - 5.50%, benefiting the weighted average maturities (WAM) for the Pools. Towards the end of the quarter, the Fed began gradually easing monetary policy and rates dropped slightly with a range of 4.75% - 5.0%. From a markets perspective, yields on 1, 3, 6 and 12-month U.S. treasuries were 4.83%, 4.62%, 4.42% and 4.01% respectively. The current Fed target range is 4.50% - 4.75%.

   Ms. Hill reviewed the TexPool and TexPool Prime portfolios. Assets for TexPool ended the quarter at $30.96 billion, a decrease of $3.3 billion, that was typical from seasonal outflows. TexPool Prime's assets were $13.8 billion and decreased by $1.2 billion from the previous quarter, similarly affected by seasonal outflows. In expectation of the Fed's monetary easing, Federated increased repurchase agreement balances in both Pools and decreased the balance in Treasury securities in TexPool and decreased the balance in commercial paper in TexPool Prime. TexPool Prime decreased their WAM from 41 to 39 days while TexPool went from 36 to 26 days. The stress test of the Pools appropriately reflected current interest rate environment by the Fed, and results were in line with expectations.

2. **Approval of Minutes of August 27, 2024 Meeting**
On a motion by Ms. Belinda Weaver and seconded by Mr. David Landeros, the Board voted unanimously to approve the August 27, 2024 proposed meeting minutes as presented.

3. **TexPool and TexPool Prime Portfolio and Performance Review for the 3rd Quarter of 2024 and Related Matters**
Mr. Lalo Torres presented a portfolio review of TexPool and TexPool Prime for the third quarter of 2024 and reviewed all graphs and charts behind Tab 3. He reported the average daily yield for TexPool through September 30, 2024 was 5.16% and 5.28% for TexPool Prime. The combined assets under management for both Pools was approximately $44.7 billion. The Pools continue to experience robust growth within the portfolios. Both portfolios remained competitive when compared to other Texas Pools and performed as expected versus their benchmarks.

4. **Report on Services Provided to TexPool and TexPool Prime Participants and Related Matters**
Ms. Heather Froehlich summarized the information behind Tab 4. She reported that both Pools were thriving, and yields remained elevated amid the recent rate cut. Assets within the pools remained high despite seasonal outflows. She reported that the participant base continued to expand and there were 22 new participants added to TexPool and 25 to TexPool Prime. in the third quarter, bringing the total to 2,893 participants. Ms. Froehlich noted that two new categories were added to the participant balance analysis report: 1) transit and toll authorities and 2) river and port authorities. These categories were extricated from the category under "other". Ms. Froehlich announced that an enhanced and more flexible TexConnect system was rolling out that should deliver a more modern, intuitive and up to date internet security system for the participants. She reported that Federated is dedicated to ensuring the safety and privacy of TexPool participants and conducts rigorous due diligence of service providers and vendors.

5. **Discussion of Next Meeting and Agenda Items**
The Board will be contacted for the next meeting date. No future agenda items were noted.

6. **Public Comment**
No public comments.

Comptroller Hegar declared the TexPool Investment Advisory Board meeting adjourned at 10:45 a.m.