Minutes of the May 15, 2025, TexPool Investment Advisory Board Meeting

The TexPool Investment Advisory Board met on Thursday, May 15, 2025, at the LBJ State Office Building, 111 E. 17th Street, Room 113, Austin, Texas 78701.

Board Members present
Dina Edgar, Patrick Krishock, Deborah Laudermilk, Valarie Van Vlack and Belinda Weaver

Board Members Absent
David Landeros

Comptroller of Public Accounts Staff Presiding and Present
Lisa Craven, Deputy Comptroller

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

Additional Participants
Paige Wilhelm; Federated Advisory Company
Heather Froehlich and Colby Anthony; Federated Securities Corporation

Call to Order
Deputy Comptroller Lisa Craven declared a quorum was present and called the meeting to order at 10:02 a.m.

1. **Approval of Minutes from February 18, 2025 Meeting**
   On a motion by Ms. Deborah Laudermilk, and seconded by Ms. Dina Edgar, the Board voted unanimously to approve the February 18, 2025 proposed meeting minutes as presented.

2. **Economic Update and Discussion of Portfolio Positioning**
   Ms. Paige Wilhelm reviewed Federated's investment report for TexPool and TexPool Prime for the quarter ending March 31, 2025. 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. Wilhelm presented an economic market overview for the quarter and reviewed the information behind Tab 2. She reported that market volatility was driven largely by uncertainty surrounding the new administration's fiscal policies, particularly tariffs, though the most significant disruptions emerged after April. The Federal Reserve kept interest rates steady at 4.25% – 4.50%, emphasizing that monetary policy decisions respond to actual economic data, not political speculation, while continuing to balance its dual mandate of inflation and employment targets.

Ms. Wilhelm reviewed the TexPool and TexPool Prime portfolios. She explained that despite volatility, both Pools performed well and saw significant growth during the tax inflow season, with TexPool rising to $37.8 billion, and increase of approximately $2.9 billion from the previous quarter, and TexPool Prime to $15.7 billion, an increase by approximately $1 billion from the previous quarter. Investment positioning remained steady, with only slight adjustments in allocations across Treasuries, agencies, repos, and commercial paper. Higher-for-longer rates and market uncertainty increased demand for liquidity investments, benefitting both Pools.

Performance comparisons showed TexPool ranked first among competitors, while TexPool Prime ranked second, only behind a fund without S&P rating restrictions. The stress test of the Pools appropriately reflected current interest rate environment by the Fed, and results were in line with expectations.

3. **TexPool and TexPool Prime Portfolio and Performance Review for the 1st Quarter of 2025 and Related Matters**
   Mr. Lalo Torres provided an overview of TexPool and TexPool Prime, highlighting strong client and asset growth supported by Texas' robust economy, which continues to outpace U.S. growth. He noted the significant improvement in fixed-income yields compared to four years ago. As of the first quarter of 2025, client participation reached a record 2,933 with assets under management peaking at over $63 billion, about $20 billion higher than four years ago. Despite recent Fed rate cuts and yield curve inversion, the Pools remain competitive, outperforming peer groups and benchmarks, with current yields of 4.30% for TexPool and 4.42% for TexPool Prime.

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 TexPool continues to perform strongly, with elevated yields and sustained asset growth, showing higher numbers compared to prior years on both TexPool and TexPool Prime. The participant base added 16 new participants to TexPool and 17 to TexPool Prime. Service center activity increased notably in the first quarter with a 20% rise in call volume while participant outreach expanded through website insights, webinars, and training opportunities that keep members informed on market conditions and Pool strategies. Overall, the team's outreach, participant growth, and robust yield environment reflect strong momentum and continued success.

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

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

The meeting adjourned at 10:40 a.m.